Financial Statements

I. Financial Conditions

The total assets at the end of the current consolidated fiscal year amounted to ¥60,361 million, up ¥1,449 million from the end of the previous fiscal year due to increases in cash and deposits. The total liabilities amounted to ¥34,376 million, down ¥202 million from the end of the previous fiscal year due to decreases in short-term loan payable and post-employment benefits. As a result, the total net assets amounted to ¥25,985 million and the equity ratio was 43.0%.

Assets and liabilities in fiscal 2006 were as follows:

(1) Cash and Cash Equivalents

Cash and cash equivalents (hereafter "funds") at the end of the current consolidated fiscal year amounted to ¥6,577 million, up ¥1,949 million from the end of the previous fiscal year (¥968 million for the previous fiscal year).

Cash flows are as follows:

- Cash Flow by Operating Activities
  The current net profit before tax adjustments amounted to ¥2,740 million (¥1,740 million for the previous fiscal year). Depreciation and amortization (¥3,896 million; ¥4,300 million for the previous fiscal year) and the increase of accounts payable (¥975 million; ¥901 million for the previous fiscal year) were adjusted. As a result, funds by operating activities increased by ¥7,345 million (¥7,048 million for the previous fiscal year).
- Cash Flow by Investment Activities
  Expenditure for acquisition of property, plant and equipment amounted to ¥2,947 million (¥3,673 million for the previous fiscal year). Funds by investment activities decreased by ¥3,090 million (¥3,444 million for the previous fiscal year).
- Cash Flow by Financing Activities
  Decrease in short-term loans payable amounted to ¥1,635 million (¥1,735 million for the previous fiscal year), and dividend payment amounted to ¥469 million (¥469 million for the previous fiscal year). As a result, funds by financing activities decreased by ¥2,326 million (¥2,641 million for the previous fiscal year).

(2) Notes receivable and accounts receivable

Notes receivable and accounts receivable amounted to ¥15,258 million, down ¥243 million from the end of the previous fiscal year (ratio to total assets: 25.3%). This is mainly due to a decrease in sales in the fourth quarter compared to the same period last year, and may be partly due to an additional effect, that is, the last day of the current consolidated fiscal year fell on a holiday of financial institutions.

Forward exchange contracts are used on some accounts receivable denominated in U.S. dollars to avoid 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.

(3) Inventories

Actual production (selling price) for the current consolidated fiscal year amounted to ¥59,603 million, up 2.6% from the previous fiscal year due to a significant increase in sales. However, inventories amounted to ¥14,816 million (ratio to total assets: 24.5%), down ¥97 million 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 through the reduction in inventory and the write-down of assets in corporation with the production and sales divisions.

(4) 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 reductions in the original estimates due to a delay in the recovery in the semiconductor devices division, capital expenditures for the current consolidated fiscal year amounted to ¥3,477 million and property, plant and equipment amounted to ¥15,615 million (ratio to total assets: 25.9%), down ¥124 million from the end of the previous fiscal year.

(5) Interest-bearing Debt

We have made efforts to reduce interest-bearing debt in order to improve and strengthen the financial position. Due to repayments of short-term loans payable, interest-bearing debt for the current consolidated fiscal year end amounted to ¥8,840 million (ratio to total liabilities and net assets: 14.6%), down ¥1,969 million from the end of the previous fiscal year.

II. Results of Operations

(1) Sales and Operating Profit and Loss

For sales and operating profit and loss by division and location for the current consolidated fiscal year, see ***Business Overview – (1) Business Results****. 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, remained unchanged.

Operating income amounted to ¥1,839 million, up 4.8% from the previous fiscal year.

*** Business Overview – (1) Business Results***

Our domestic economy for the current consolidated fiscal year grew strongly due to rising domestic demand including increased corporate investment and consumer spending. On the other hand, global economy is also growing strongly thanks to the expansion of the U.S. economy and Asian economy led by China.

Under such circumstances, the electronics industry grew steadily with the global spread of digital home appliances such as cellular phones, flat-screen TVs, and digital cameras.

Under the circumstances, sales of semiconductor devices, or the main products of New Japan Radio's group, remained the same as the previous year. Among the semiconductor devices, although microwave and optoelectronic devices enjoyed increased sales, bipolar ICs stayed at the same level as the previous year and MOS ICs experienced poor sales.

Sales of microwave tubes and radar components remained low due to inventory adjustment of large-sized electron tubes for major customers and in the domestic marine radar market. Microwave application products enjoyed brisk sales thanks to increased sales of satellite communications components as a communications infrastructure in Central and South America.

We at New Japan Radio's group recorded a reduction of retirement benefit obligation of ¥993 million to an extraordinary gain as reversal of accrued retirement benefits, with the changes in the retirement benefits and retirement pension system. As a result, consolidated business results are as follows:

Sales:	¥60,725 million (up 0.7% from last year)
Operating income:	¥1,839 million (up 4.8% from last year)
Ordinary income:	¥1,807 million (down 0.2% from last year)
Current net income:	¥1,721 million (up 54.0% from last year)

Business results by geographic segment are as follows. Note that sales by segment includes internal sales between segments and the operating profit and loss (before elimination) means operating profit and loss before deduction of non-apportionable operating expenses.

<Japan>
In our core semiconductor devices, as for bipolar ICs, sales of power supply ICs with compact packages for digital still cameras increased and video ICs for portable DVDs and audio ICs for PHS phones for China decreased, remaining the same as that of the previous year. As for MOS ICs, although sales of both crystal oscillator ICs for cellular phones and flat-screen TVs, and OEM/foundry products increased, LCD driver ICs for liquid crystal modules and DSPs for flat-screen TVs decreased. As a result, sales of MOS ICs decreased over the previous year. In microwave and optoelectronic devices, sales of both optoelectronic devices for digital single-lens reflex cameras and data storage equipment, and microwave devices (GaAs IC) for cellular phones and game consoles increased.

In microwave application products, sales of components for satellite communications field were well.

The results are as follows:

Sales:	¥59,940 million (up 1.2% from last year)
Operating income:	¥8,025 million (up 4.9 from last year)

<Asia>
In our core semiconductor devices, as for bipolar ICs, sales of operational amplifiers and comparators were favorable and sales of power supply ICs for printers increased, resulting in an increase in sales. As for MOS ICs, although sales of both operational amplifiers, comparators, and LCD driver ICs for car audio systems increased, audio ICs for TVs and DSPs for flat-screen TVs decreased. Therefore, sales remained unchanged from the previous year.

THAI NJR CO., LTD., one of our subsidiaries, continued to incur operating losses despite the progress of the manufacturing transfer from Saga Electronics Co., Ltd, which is also one of our subsidiaries.

The results are as follows:

Sales:	¥11,700 million (up 8.1% from last year)
Operating loss:	¥127 million (operating loss of ¥77 million recorded last year)

<North America>
In our core semiconductor devices, as for bipolar ICs, sales of power supply ICs for TVs and audio ICs decreased and sales of operational amplifiers, comparators, and motor ICs were also poor. As for MOS ICs, although power supply ICs for GPS enjoyed brisk sales, audio ICs for TV declined in sales.

The results are as follows:

Sales: ¥2,634 million (down 10.4% from last year)
Operating loss: ¥30 million (operating income of ¥51 million recorded last year)

(2) Ordinary Profit and Loss

Ordinary profit and loss amounted to ¥1,807 million and remained at the same level as the previous year. This is due to inclusion of exchange loss and compensation payments, despite increases in operating income and gain on sale of scrap materials, and a decrease in interest cost due to reduction in interest-bearing debt.

(3) Current Net Income

Current net income increased by 54.0% over the previous year to reach ¥1,721 million. This is due to inclusion of reversal of accrued retirement benefits as an extraordinary gain, and relief of burden of corporation taxes due to tax credit on experiment and research expenses.

Geographic Segment Information

<Operating income by products>

Unit: Millions of Yen

	Semiconductor Devices	Microwave Application Products	Microwave Tubes and Radar Components	Total
Net Sales	50,293	6,210	4,223	60,726
Operating Expenses	44,330	4,869	3,722	52,921
Segment operating income	5,963	1,341	501	7,805
Eliminations	—	—	—	5,966
Operating income	—	—	—	1,839

Note: Consolidated operating income, subtracting eliminations of ¥5,966 million, was ¥1,839 million.

<Net Sales by geographic segment>

Unit: Millions of Yen

	2007		2006	
Japan	32,122	(52.9)	31,629	(52.4)
Asia	19,873	(32.7)	20,454	(33.9)
North America	4,877	(8.0)	4,477	(7.4)
Europe	1,570	(2.6)	1,589	(2.7)
Others	2,284	(3.8)	2,184	(3.6)
Total	60,726	(100.0)	60,333	(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, 2007 and 2006

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
CURRENT ASSETS:			
Cash and cash equivalents	¥ 6,577	¥ 4,628	$ 55,716
Notes and accounts receivable:			
Trade notes	1,858	1,475	15,737
Trade accounts	13,401	14,027	113,519
Other	90	125	764
Allowance for doubtful accounts	(108)	(89)	(912)
Inventories (Note 4)	14,817	14,914	125,514
Deferred tax assets (Note 7)	1,098	1,043	9,302
Other current assets	180	299	1,521
Total current assets	37,913	36,422	321,161
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	240	229	2,032
Buildings and structures	25,775	25,288	218,342
Machinery and equipment	61,048	58,764	517,134
Furniture and fixtures	11,228	10,841	95,110
Construction in progress	387	135	3,278
Total	98,678	95,257	835,896
Accumulated depreciation	(83,063)	(79,517)	(703,621)
Net property, plant and equipment	15,615	15,740	132,275
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,819	2,605	23,879
Deferred tax assets (Note 7)	3,034	3,246	25,703
Other assets	1,008	932	8,543
Allowance for doubtful accounts	(28)	(33)	(240)
Total investments and other assets	6,833	6,750	57,885
TOTAL	¥60,361	¥58,912	$511,321

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 8,077	¥ 9,677	$ 68,422
Current portion of long-term debt (Note 5)	186	210	1,575
Notes and accounts payable:			
Trade accounts	9,435	8,346	79,926
Construction and other	1,837	1,383	15,557
Income taxes payable	614	357	5,197
Accrued expenses	4,109	3,995	34,811
Other current liabilities	430	410	3,642
Total current liabilities	24,688	24,378	209,130
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	275	441	2,328
Liability for retirement benefits (Note 6)	9,118	9,471	77,235
Other long-term liabilities	295	288	2,506
Total long-term liabilities	9,688	10,200	82,069
CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 8, 15 and 17):			
Common stock — authorized, 138,000,000 shares; issued, 39,131,000 shares in 2007 and 2006	5,220	5,220	44,219
Additional paid-in capital	5,224	5,224	44,251
Retained earnings	14,856	13,639	125,847
Net unrealized gain on available-for-sale securities	885	759	7,499
Foreign currency translation adjustments	(198)	(506)	(1,677)
Treasury stock — at cost, 2,476 shares and 2,226 shares in 2007 and 2006	(2)	(2)	(17)
Total equity	25,985	24,334	220,122
TOTAL	¥60,361	¥58,912	$511,321

Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries   Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
NET SALES	¥60,726	¥60,333	¥65,053	$514,407
COST OF SALES (Note 9)	47,296	47,243	50,114	400,644
Gross profit	13,430	13,090	14,939	113,763
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	11,591	11,335	11,336	98,184
Operating income	1,839	1,755	3,603	15,579
OTHER INCOME (EXPENSES):				
Interest and dividend income	34	31	31	288
Interest expense	(90)	(104)	(132)	(762)
Foreign exchange gains (losses)	(67)	74	408	(564)
Reversal of liability for retirement benefits (Note 6)	993			8,415
Other — net (Note 10)	32	(15)	32	261
Other income (expenses) — net	902	(14)	339	7,638
INCOME BEFORE INCOME TAXES	2,741	1,741	3,942	23,217
INCOME TAXES (Note 7)**:**				
Current	947	754	1,635	8,022
Deferred	72	(131)	(262)	609
Total income taxes	1,019	623	1,373	8,631
NET INCOME	¥ 1,722	¥ 1,118	¥ 2,569	$ 14,586

	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 16)**:**				
Basic net income	¥44.00	¥27.69	¥64.64	$0.37
Diluted net income		27.69	64.60	
Cash dividends applicable to the year	12.00	12.00	12.00	0.10

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

New Japan Radio Co., Ltd. and Subsidiaries   Years Ended March 31, 2007, 2006 and 2005

	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, 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)
Net income				1,722			
Cash dividends, ¥12 per share				(470)			
Bonuses to directors				(35)			
Net increase in unrealized gain on available-for-sale securities					126		
Net increase in foreign currency translation adjustments						308	
Increase in treasury stock (250 shares)							
BALANCE, MARCH 31, 2007	**39,131**	**¥5,220**	**¥5,224**	**¥14,856**	**¥885**	**¥(198)**	**¥(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, 2006	$44,219	$44,251	$115,535	$6,430	$(4,287)	$(15)
Net income			14,586			
Cash dividends, $0.10 per share			(3,978)			
Bonuses to directors			(296)			
Net increase in unrealized gain on available-for-sale securities				1,069		
Net increase in foreign currency translation adjustments					2,610	
Increase in treasury stock (250 shares)						(2)
BALANCE, MARCH 31, 2007	**$44,219**	**$44,251**	**$125,847**	**$7,499**	**$(1,677)**	**$(17)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2007, 2006 and 2005

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
OPERATING ACTIVITIES:				
Income before income taxes	¥2,741	¥1,741	¥3,942	$23,217
Adjustments for:				
Income taxes paid	(660)	(1,048)	(2,194)	(5,589)
Depreciation and amortization	3,897	4,300	4,536	33,010
Loss on sales and disposals of property, plant and equipment	70	90	135	590
Bonuses to directors	(35)	(40)	(40)	(296)
Changes in assets and liabilities:				
Increase (decrease) in allowance for doubtful accounts	16	(11)	(5)	134
Increase (decrease) in liability for retirement benefits	(353)	361	522	(2,991)
Increase (decrease) in interest payable	1	(2)	(2)	9
Decrease in notes and accounts receivable	387	993	769	3,277
Decrease in inventories	213	100	335	1,808
Increase (decrease) in notes and accounts payable	976	901	(1,075)	8,265
Other — net	93	(337)	(226)	791
Total adjustments	4,605	5,307	2,755	39,008
Net cash provided by operating activities	7,346	7,048	6,697	62,225
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	(2,948)	(3,674)	(4,560)	(24,971)
Proceeds from sales of property, plant and equipment	14	4	21	118
Purchases of investment securities	(2)	(2)	(102)	(19)
Collection of loans receivable	16	163	61	132
Other — net	(171)	64	(111)	(1,441)
Net cash used in investing activities	(3,091)	(3,445)	(4,691)	(26,181)
FINANCING ACTIVITIES:				
Net change in short-term bank loans	(1,636)	(1,736)	(11)	(13,858)
Proceeds from long-term debt		306		
Repayments of long-term debt	(214)	(743)	(877)	(1,816)
Repurchase of treasury stock			(1)	(2)
Cash dividends paid	(469)	(469)	(509)	(3,976)
Other — net	(7)			(55)
Net cash used in financing activities	(2,326)	(2,642)	(1,398)	(19,707)
FORWARD	¥1,929	¥ 961	¥ 608	$16,337

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2006	2005	2007
FORWARD	¥1,929	¥ 961	¥ 608	$16,337
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	20	8	4	179
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,949	969	612	16,516
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,628	3,659	3,047	39,200
CASH AND CASH EQUIVALENTS, END OF YEAR	¥6,577	¥4,628	¥3,659	$55,716

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 and 2005 consolidated financial statements to conform to the classifications used in 2007.

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 ¥118.05 to U.S.$1, the approximate rate of exchange at March 31, 2007. 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 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.

   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 equity, which are translated at the historical exchange rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

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 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 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 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

Effective April 1, 2006, NJR FUKUOKA Co., Ltd., a domestic subsidiary, adopted the declining-balance method of depreciation for property, plant and equipment, which, previously, had been depreciated by the straight-line method. This change was made to maintain matching costs and revenues under gradual increase of maintenance costs of aging assets, and to promote financial strength by getting an early return on investment capital.

The effects of this change were to increase the cost of depreciation by ¥210 million ($1,780 thousand) and to decrease operating income, ordinary income and income before income taxes, respectively, by ¥198 million ($1,679 thousand) for the year ended March 31, 2007.

h. **Long-lived Assets** — 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.

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.

NJR FUKUOKA Co., Ltd., a domestic subsidiary, has changed its method of calculating pension benefit obligations from the simplified method to the actuarial method. This change was made to provide a more accurate accounting procedure reflecting an increased number of employees.

The effect of this change was to increase benefit cost by ¥58 million ($493 thousand) and to decrease income before income taxes by ¥55 million ($465 thousand) for the year ended March 31, 2007.

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. **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.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes for the year ended March 31, 2007 by ¥28 million ($237 thousand).

m. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, 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. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

o. 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, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

p. 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.

q. 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.

r. 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 39,128,768 shares, 39,128,774 shares and 39,129,599 shares for 2007, 2006 and 2005, 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 presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Measurement of Inventories — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current:			
Marketable equity securities	¥2,812	¥2,598	$ 23,819
Trust fund investments and other	7	7	60
Total	¥2,819	¥2,605	$23,879

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006, were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale —				
Equity securities	¥1,326	¥1,487	¥1	¥2,812
Total	¥1,326	¥1,487	¥1	¥2,812

	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

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale —				
Equity securities	$11,227	$12,594	$2	$23,819
Total	$11,227	$12,594	$2	$23,819

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Available-for-sale — Equity securities	¥7	¥7	$60
Total	¥7	¥7	$60

Sales of marketable and investment securities at March 31, 2007, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
The amount of sale		$4
The amount of a gain on sale		2

4. INVENTORIES

Inventories at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise	¥ 49	¥ 93	$ 416
Finished goods	5,119	5,082	43,361
Work in process	7,502	7,834	63,557
Raw materials	1,099	950	9,306
Supplies	1,048	955	8,874
Total	¥14,817	¥14,914	$125,514

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

Short-term bank loans at March 31, 2007 and 2006, consisted of notes to banks. The annual weighted average interest rates for short-term bank loans for the years ended March 31, 2007 and 2006, were 1.08 percent and 0.73 percent, respectively.

Long-term debt at March 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans from banks and other financial institutions, due serially to 2011 with interest rates ranging from 1.05 to 1.40 percent (2007), from 0.71 to 1.05 percent (2006):			
Collateralized	**¥184**	¥280	**$1,559**
Unsecured	**277**	371	**2,344**
Total	**461**	651	**3,903**
Less current portion	**(186)**	(210)	**(1,575)**
Long-term debt, less current portion	**¥275**	¥441	**$2,328**

Annual maturities of long-term debt outstanding at March 31, 2007, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥186	$1,575
2009	176	1,490
2010	66	559
2011	33	279
Total	¥461	$3,903

The carrying amount of assets pledged as the above collateralized long-term debt at March 31, 2007, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment — net of accumulated depreciation	¥5,280	$44,726

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.

The Company and employees agreed to revise their non-contributory funded defined benefit pension plan to a cash balance pension plan. The resultant income from the reduction of its liability for retirement benefits by ¥993 million ($8,415 thousand) was charged to consolidated statement of income as other income.

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, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥14,410	¥14,525	$122,067
Fair value of plan assets	(4,764)	(4,330)	(40,350)
Unrecognized actuarial loss	(806)	(957)	(6,832)
Net liability	¥ 8,840	¥ 9,238	$ 74,885

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Service cost	¥873	¥ 810	¥ 791	$7,391
Interest cost	363	345	329	3,075
Expected return on plan assets	(87)	(133)	(30)	(734)
Amortization of prior service cost	(993)		(20)	(8,415)
Recognized actuarial loss	108	146	153	917
Net periodic benefit costs	¥264	¥1,168	¥1,223	$2,234

Assumptions used for the years ended March 31, 2007 and 2006, are set forth as follows:

	2007	2006
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.0%	4.0%
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 ¥278 million ($2,350 thousand) and ¥233 million at March 31, 2007 and 2006, 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, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current			
Deferred tax assets:			
Inventories	¥ 161	¥ 156	$ 1,362
Accrued bonuses	818	821	6,929
Accrued enterprise tax	64	27	544
Others	164	157	1,392
Valuation allowance	(6)	(1)	(50)
Total	1,201	1,160	10,177
Deferred tax liabilities:			
Inventories	103	105	875
Allowance for doubtful accounts		1	
Others		11	
Total	103	117	875
Net deferred tax assets	¥1,098	¥1,043	$ 9,302

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Non-current			
Deferred tax assets:			
Liability for retirement benefits	¥3,650	¥3,771	$30,923
Tax loss carryforwards	137	95	1,160
Others	143	155	1,210
Valuation allowance	(182)	(132)	(1,547)
Total	3,748	3,889	31,746
Deferred tax liabilities:			
Special reserve for tax purposes	7	23	48
Undistributed earnings of subsidiaries	601	515	5,093
Unrealized gain on available-for-sale securities	104	104	882
Others	2	1	20
Total	714	643	6,043
Net deferred tax assets	¥3,034	¥3,246	$25,703

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2007, 2006 and 2005, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2007	2006	2005
Normal effective statutory tax rate	40.4%	40.4%	40.4%
Taxation on per capita basis	0.6	0.9	0.4
Expenses not deductible for income tax purposes	(0.5)	(0.3)	(0.2)
Lower income tax rates applicable to income in certain foreign countries	0.4	(0.2)	0.3
Valuation allowance	1.3	4.0	(1.1)
Tax deduction of research and development	(5.6)	(7.0)	(6.2)
Others — net	0.6	(2.0)	1.2
Actual effective tax rate	37.2%	35.8%	34.8%

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥460 million ($3,893 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	¥80	$ 677
2008	237	2,011
2009	26	222
2010	19	158
2011 and thereafter	98	825
Total	¥460	$ 3,893

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

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. The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,183 million ($52,376 thousand), ¥6,305 million and ¥6,198 million for the years ended March 31, 2007, 2006 and 2005, respectively.

10. OTHER INCOME (EXPENSES) — OTHER — NET

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

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Loss on sales and disposals of property, plant and equipment	¥ (70)	¥(90)	¥(135)	$ (590)
Gain on sales of waste	122	63	58	1,032
Loss on damages	(92)	(50)	(9)	(780)
Gain on sales of property, plant and equipment	10	4		81
Gain on sales of investment securities		64		
Loss on disposal of long-term prepaid expenses		(60)		
Reversal of allowance for doubtful account		11	4	
Other — net	62	43	114	518
Total	¥ 32	¥(15)	¥32	$ 261

11. 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 ¥185 million ($1,569 thousand), ¥218 million and ¥296 million for the years ended March 31, 2007, 2006 and 2005, 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, 2007 and 2006, was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2007				2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥41	¥404	¥352	¥797	$345	$3,417	$2,986	$6,748
Accumulated depreciation	15	234	150	399	121	1,981	1,271	3,373
Net leased property	¥26	¥170	¥202	¥398	$224	$1,436	$1,715	$3,375

	Millions of Yen			
	2006			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥18	¥525	¥306	¥849
Accumulated depreciation	6	300	157	463
Net leased property	¥12	¥225	¥149	¥386

Obligations under finance leases as of March 31, 2007 and 2006, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥147	¥154	$1,244
Due after one year	257	238	2,181
Total	¥404	¥392	$3,425

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, 2007, 2006 and 2005, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2006	2005	2007
Depreciation expense	¥177	¥210	¥283	$1,502
Interest expense	9	7	9	72
Total	¥186	¥217	¥292	$1,574

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.

12. 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, 2007 and 2006.

13. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2007, 2006 and 2005, is as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2007, 2006 and 2005 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, 2007, 2006 and 2005, are summarized as follows:

	Millions of Yen				
	2007				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥53,413	¥ 4,772	¥2,541		¥60,726
Interarea transfers	6,528	6,929	93	¥(13,550)	
Total	59,941	11,701	2,634	(13,550)	60,726
Operating expenses	51,916	11,829	2,665	(7,523)	58,887
Operating income (loss)	¥ 8,025	¥ (128)	¥ (31)	¥ (6,027)	¥ 1,839
Total assets	¥48,850	¥ 4,492	¥ 602	¥ 6,417	¥60,361

	Thousands of U.S. Dollars				
	2007				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	$452,464	$ 40,418	$21,525		$514,407
Interarea transfers	55,295	58,698	790	$(114,783)	
Total	507,759	99,116	22,315	(114,783)	514,407
Operating expenses	439,778	100,200	22,575	(63,725)	498,828
Operating income (loss)	$ 67,981	$ (1,084)	$ (260)	$ (51,058)	$ 15,579
Total assets	$413,812	$ 38,048	$ 5,103	$ 54,358	$511,321

	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

	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 (loss)	¥ 9,122	¥ 280	¥ 33	¥ (5,832)	¥3,603
Total assets	¥51,827	¥4,377	¥ 644	¥ 3,076	¥59,924

Notes: 1. The unallocated operating expenses for the years ended March 31, 2007, 2006 and 2005, amounting to ¥5,966 million ($50,541 thousand), ¥5,759 million and ¥5,638 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, 2007, 2006 and 2005, amounting to ¥9,974 million ($84,487 thousand), ¥8,330 million and ¥6,549 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. Effective April 1, 2006, a domestic subsidiary changed the method of depreciation as discussed in Note 2.g. The effect of the change was to decrease operating income in Japan by ¥198 million ($1,679 thousand).

4. The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007, as discussed in Note 2.l. The effect of adoption of this accounting standard was to decrease operating income in Japan by ¥2 million ($17 thousand), and was to increase the unallocated operating expenses included "Eliminations of Corporate" column by ¥26 million ($220 thousand).

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007, 2006 and 2005, amounted to ¥28,604 million ($242,300 thousand), ¥28,704 million and ¥27,682 million, respectively, and accounted for 47.1 percent, 47.6 percent and 42.6 percent, respectively, of the consolidated net sales.

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

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

	Millions of Yen				
	2007				
	Asia	North America	Europe	Other	Total
Sales	**¥19,873**	**¥4,877**	**¥1,570**	**¥2,284**	**¥28,604**

	Thousands of U.S. Dollars				
	2007				
	Asia	North America	Europe	Other	Total
Sales	**$168,344**	**$41,312**	**$13,302**	**$19,342**	**$242,300**

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

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

14. RELATED PARTY TRANSACTIONS

Transactions with and balances due from and to directors for the year ended March 31, 2007 are not disclosed because they are immaterial.

15. STOCK OPTIONS

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	17 directors 1 employee	131,000 shares	June 27, 2003	¥995 ($8.43)	From January 7, 2004 to December 20, 2007

The stock option activity is as follows:

	2003 Stock Option (Shares)
For the Year Ended March 31, 2006	
Vested:	
March 31, 2005 — outstanding	131,000
March 31, 2006 — outstanding	131,000
For the Year Ended March 31, 2007	
Vested:	
March 31, 2006 — outstanding	131,000
Cancelled	7,000
March 31, 2007 — outstanding	124,000

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007, 2006 and 2005 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2007	Net Income	Weighted-average Shares	EPS	
Basic EPS — Net income available to common shareholders	¥1,722	39,129	¥44.00	$ 0.37
Year Ended March 31, 2006				
Basic EPS — Net income available to common shareholders	¥1,083	39,129	¥27.69	
Effect of dilutive securities — Warrants		3		
Diluted EPS — Net income for computation	¥1,083	39,132	¥27.69	
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	

Diluted net income per share is not disclosed because it is anti-dilutive.

17. SUBSEQUENT EVENT

At the general shareholders meeting of the Company held on June 28, 2007, the appropriation of retained earnings was duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.0 ($0.05) per share	¥235	$ 1,989