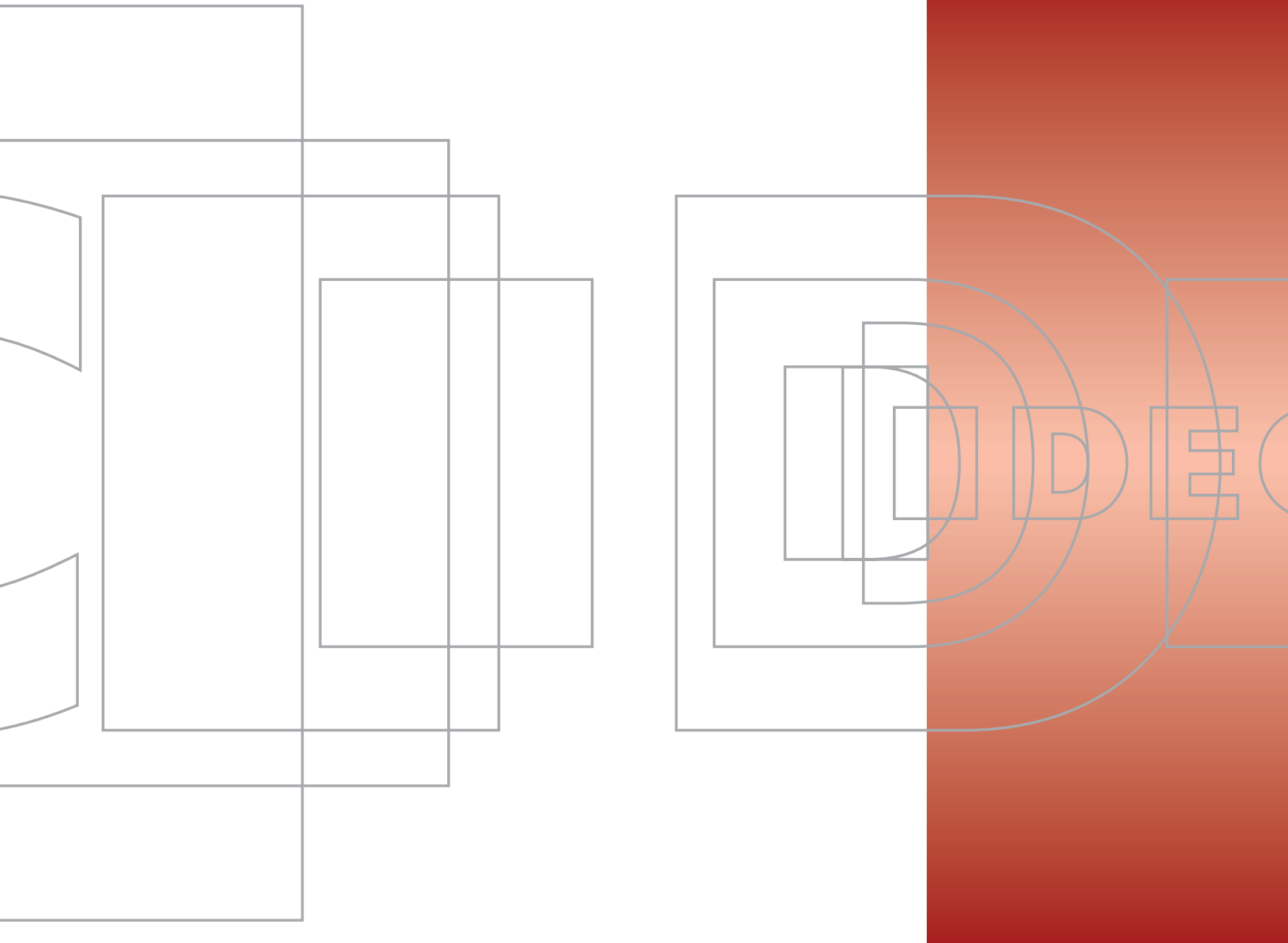




ANNUAL REPORT 2008



2008

IDEC CORPORATION



Think Automation and beyond...

For many years, IDEC Corporation has worked to develop LED devices, modules and LED-applied products in an effort to realize energy savings and reduce carbon dioxide emissions.

- 1981 Development of LED illuminated control units for industrial use
- 2000 Super LED-equipped pushbutton switches and pilot lights as well as Super LED lamps, honored with “Outstanding Energy-saving Device” commendations by The Japan Machinery Federation
- 2006 Development of “IDEC Sunshine Series” LED devices with one of the highest levels of luminous efficiency in the world
Development of LED illumination units for industrial use, marking entry into lighting units for the industrial sector

In March 2008, IDEC opened a new company building, “IDEC SALES OFFICE,” that is the first building in the world to be illuminated entirely by LED illumination. The driving concept behind the building’s development was to create an energy-efficient, environmentally friendly building that reduces carbon dioxide emissions.

Guided by a commitment to the enhancement and evolution of technology and a desire to help protect the natural environment, IDEC will continue to evolve by realizing “Technology Innovation” that is kinder to people and the environment, and by constantly looking one step ahead to the future.

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Forward-looking Statements
Business forecasts, plans, policies, strategies, targets and other statements concerning business operations of IDEC Corporation or the IDEC Group included in this annual report that are not based on historical facts are forward-looking statements. Such statements reflect management’s assumptions and beliefs in light of information currently available. Due to a variety of different factors, actual management achievements and business results by IDEC Corporation and the IDEC Group may therefore differ materially from these forward-looking statements.

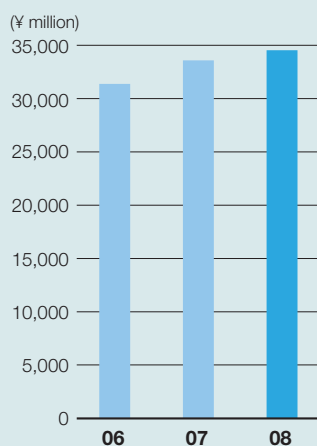


Financial Highlights

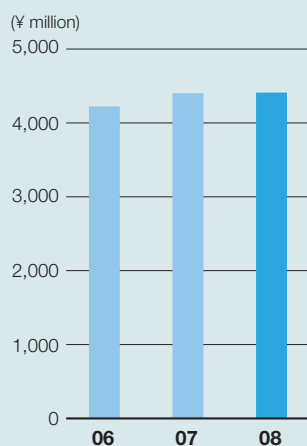
The years ended March 31,	Millions of yen (except per share amounts)			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
Net sales	¥34,536	¥33,585	¥31,377	\$344,671
Operating income	4,366	4,359	4,180	43,573
Income before income taxes and minority interests	3,791	4,181	4,326	37,834
Net income	2,241	2,616	2,678	22,365
Amounts per share of common stock (in yen, in U.S. dollars):				
Net income – basic	70.99	81.24	82.30	0.71
Net income – diluted	70.35	79.54	80.92	0.70
Cash dividends applicable to the period	60.00	60.00	45.00	0.60
Net assets	881.58	943.04	943.02	8.80
Working capital	12,658	15,150	17,035	126,328
Property, plant and equipment – net	10,896	10,944	11,067	108,743
Total assets	37,700	40,167	42,143	376,248
Net assets	27,653	30,458	30,925	275,978
Dividend on equity	6.6%	6.4%	4.9%	

- Notes: 1. Net assets exclude treasury stock. The net income per share amount is computed using the weighted average number of shares outstanding during each fiscal year.
 2. In computing cash dividends per share, the outstanding number of shares during the applicable period has been used.
 3. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.20 to U.S.\$1.
 4. Effective from the year ended March 31, 2007, net assets are presented based on the accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No. 5), and the "Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Financial Standards Implementation Guidance No. 8). Prior year figures have been restated.

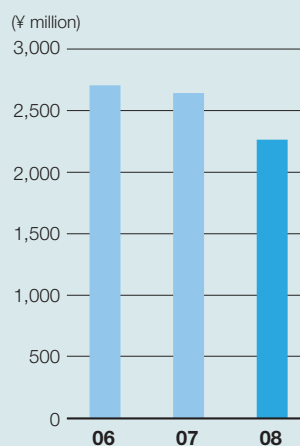
Net Sales



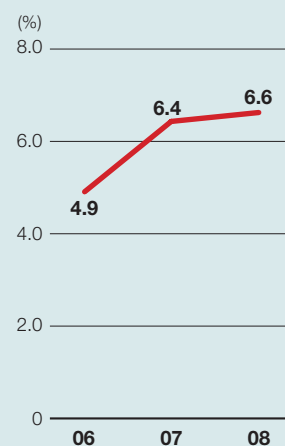
Operating Income



Net Income



DOE (Dividend on equity)





Sixth Consecutive Year of Increased Revenue and New Historical High Recorded in Operating Income

In fiscal 2008, the year ended March 31, 2008, the Japanese economy showed increasing signs of a slowdown and the growth of capital investment in Japan began to lose momentum. This reflected the impact of the subprime loan problem in the United States, soaring crude oil prices, upward pressure on raw material costs, and the dramatic weakening of the U.S. dollar.

In this climate, the IDEC Group entered the final fiscal year of the medium-term management plan that began in April 2005 while aiming for expansion of business areas and new growth. IDEC further promoted sales of new products, with the main focus on safety-related equipment, and bolstered the price competitiveness of high-value-added products, backed by the evolution of its production technology capabilities. In addition, IDEC promoted further reinforcement of its sales strength in the Asia region, particularly in China, as well as its production capacity. These measures helped to create the foundations for the IDEC Group's entry into new business fields in the future.

As a result, domestic sales rose only 0.6% over the previous term to ¥21,945 million. Although core products such as safety-related equipment and control switches recorded sales growth, sales of products such as power supplies and system products declined. Overseas sales, however, continued their robust performance from the previous fiscal year, driven mainly by switches and relays in the Asian market and programmable controllers in the European market, and ended up rising 7.0% year on year to ¥12,591 million.

As a result of the above, the IDEC Group as a whole posted sales of ¥34,536 million (up 2.8% year on year), marking a sixth consecutive year of increased revenue, and operating income of ¥4,366 million (up 0.2% year on year),

which represented a new historical high. Nevertheless, net income failed to exceed the previous term's levels, as IDEC recorded foreign currency exchange losses stemming from the rapid depreciation of the dollar in the second half of fiscal 2008.

Promotion of New Medium-term Management Plan and Future Outlook

With regard to the economic environment in fiscal 2009, the term ending March 31, 2009, economic sentiment is likely to deteriorate further due to such factors as concern regarding a slowdown in the U.S. economy, problems concerning crude oil and raw material prices, which are continuing to soar, and the weakening dollar and strengthening yen. Moreover, the IDEC Group expects the major market in which it operates, Japan, to be adversely affected by curtailed domestic demand for facility investment.

During the first period of the two-storied medium-term management plan (three fiscal years plus three fiscal years), the IDEC Group used the previous medium-term management plan as a time to make its solid management base even stronger. Using this as a platform, IDEC will undertake a new medium-term management plan that is positioned as the second period from the term ending March 2009. Under the new medium-term management plan, in core businesses (existing business fields, primarily the control component business), where IDEC has maintained its top position in Japan for a long time, the IDEC Group first aims to further enhance its lineup of products that match market needs in terms of quality and performance and expand its dominant market share. Subsequently, IDEC will make maximum use of four types of technology based on respective business themes: Technology and Innovation (Evolution and Integration of Control Technologies); Safety, Explosion Protection, and

Standard Intelligence; Traceability and New Business (Integration of Control); and Next-Generation Production Technologies. Supported by these technologies, IDEC aims to establish an unshakeable market position by thoroughly reinforcing its established businesses. At the same time, IDEC will further develop businesses in new fields, such as the traceability business, and thereby increase the contribution of these operations to earnings.

IDEC believes that making social contributions is a company's mission, in tandem with business development. Accordingly, the IDEC Group aims to promote business based on the standpoint of corporate social responsibility (CSR), including measures to counter environmental problems, through control equipment businesses such as safety and explosion protection-related equipment and LED illumination units.

Through the consolidation of group strength, including the reinforcement of cooperation with allied companies, IDEC intends to move forward towards the achievement of the new medium-term management plan. Your understanding, guidance and support will be vital to this endeavor.

As IDEC stakeholders, I ask for your even greater guidance and support as we move into the future.

August 2008



Toshiyuki Funaki
Chairman and C.E.O.



Business Review

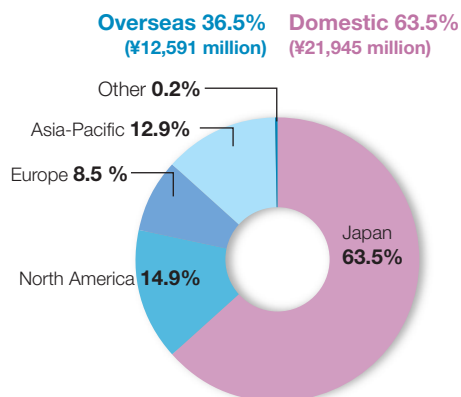
Sales Performance by Product

Sales across all product categories showed signs of stagnation during the term under review. While the economic environment remained firm during the first half of the year, capital investment-related demand in Japan was adversely impacted by worsening economic sentiment originating from the U.S. from the second half of the year. Nevertheless, overall sales for the IDEC Group were supported by increased sales of LED illumination units and safety-related equipment in Japan, growth in sales of switches, relays and other products in Asia, and robust sales of products in Europe, most notably programmable controllers.

Sales Performance by Region

In terms of sales performance by region, in Japan, sales edged up 0.6% over the previous fiscal year, to ¥21,945 million. Although sales primarily of LED illumination units and safety switches increased in line with growing needs related to two prominent social trends—safety and the environment—sales performance in Japan was lackluster overall in the second half of the year. Overseas, meanwhile, sales climbed 18.8% year on year, to ¥4,444 million, in the Asia-Pacific region. In Europe, sales rose 10.8% to ¥2,913 million, primarily from growth in programmable controllers and relays. In contrast, sales in North America declined 3.0% to ¥5,158 million, reflecting slower second-half sales due to the subprime loan problem, among other factors. In other regions, sales were down 5.1% year on year to ¥76 million. Overall, overseas sales increased 7.0% to ¥12,591 million, lifting the percentage of overseas sales to consolidated net sales 1.5 percentage points to 36.5%.

Percentage of Sales by Region to Consolidated Net Sales



Automatic Control Components



Safety equipment



LF1B series LED illumination units

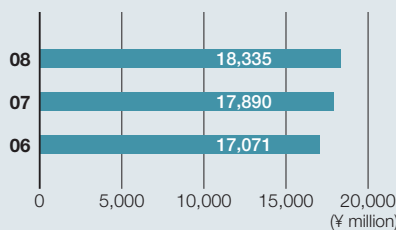


LW series flush silhouette switches

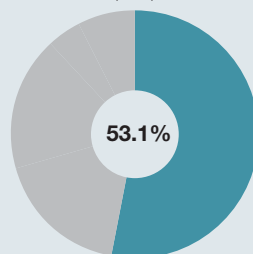
IDEC's core products for creating the optimum HMI (human-machine interface) environment include control switches, pilot lights and display lights. Safety system components include enabling switches and safety switches, while timers, relays, circuit protectors and sensors are other key products in this line.

During the term under review, sales rose 2.5% year on year to ¥18,335 million, buoyed by continuing strong sales in Japan and Asia of IDEC's mainstay control switches, as well as growth in sales of relays, safety-related interlock switches, and LED illumination units.

Net Sales



Net Sales Ratio (2008)



Control System Equipment and FA System Components



HG1U series small teaching pendant

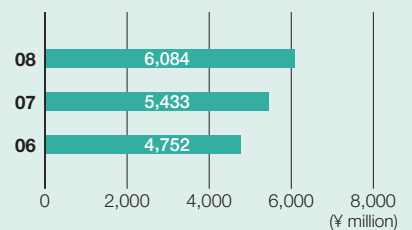


MicroSmart programmable controller

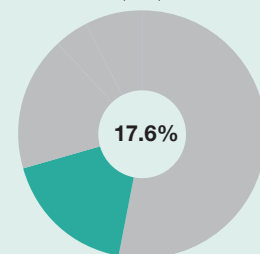
Products in this category include programmable logic controllers and the IDEC SmartRelays, which act as the "brain" of machinery and equipment; pendants and programmable displays providing the ideal interface between people and equipment; control panels such as Σ panels; and others including transmission systems and barcode reading systems.

Following growth reported in the previous term, sales climbed 12.0% year on year to ¥6,084 million, primarily due to growth in sales of programmable controllers overseas and in programmable displays in Japan.

Net Sales



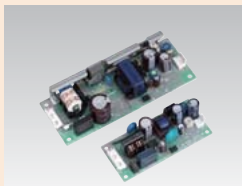
Net Sales Ratio (2008)



Peripheral Control Components



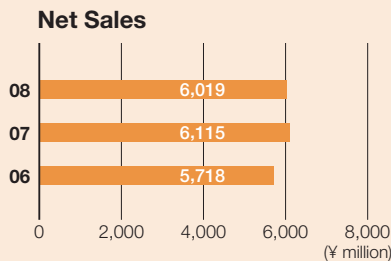
PS5R-S series switching power supplies



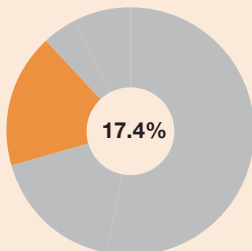
Constant-current power supplies for LED illuminations

IDEC's lineup of basic components for machinery and equipment control includes switching power supplies, communication terminals, terminal blocks, sockets and control boxes, as well as other components.

Sales declined 1.6% year on year to ¥6,019 million, reflecting weak sales of switching power supplies during the term under review.



Net Sales Ratio
(2008)



Security and Explosion-protected Control Equipment



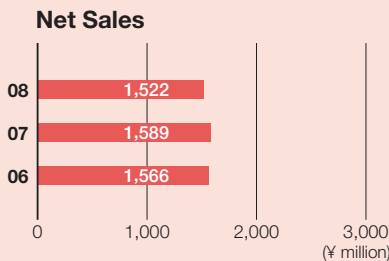
Explosion-protected and related equipment



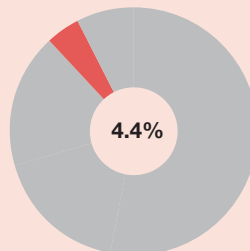
EB3C series explosion-protected equipment

IDEC's explosion-protected and related equipment create a safe plant environment for oil, chemical and other industries where combustible gas is used, preventing potential accidents. Products include intrinsically safe, flame-proof and other explosion-protected equipment, as well as anti-disaster and related systems.

Sales decreased 4.2% year on year to ¥1,522 million, mainly due to sales growth stagnation from the third quarter of the year.



Net Sales Ratio
(2008)



Other Components



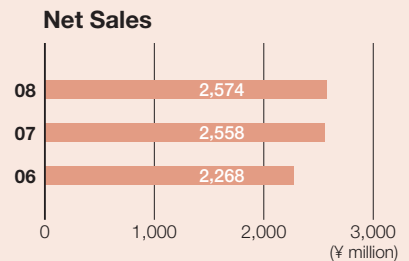
Laser markers



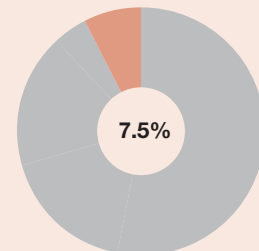
RFID entry control system

IDEC's other components are comprised of product groups such as HMI solution products—integrated products that combine the proposal and creation of optimized work environments considerate of the total HMI perspective—security products, traceability-related products, and equipment such as air-bubble generators and ozone blenders that deliver solutions for environmental problems.

Sales in this category increased 0.6% year on year to ¥2,574 million.



Net Sales Ratio
(2008)



Realizing Energy Savings and CO₂ Reduction through World's First "Building With All-LED Lighting"

On March 6, 2008, IDEC completed a new building (the IDEC SALES OFFICE) that is entirely illuminated by LEDs in an eco-friendly move



to pursue and realize energy savings and CO₂ reduction. Many buildings that are partially lit by LEDs exist, but this is the first in the world in which all lighting is provided by LEDs*.

(*According to research by Kajima Construction Corporation, Ltd.)

Accumulated Core Technologies and Technology Innovation

The completion of this All-LED building represents the implementation of "Technology Innovation," one of the "Four Beyonds" technology concepts that IDEC is advocating as business themes. It was realized through a combination of such IDEC technologies as photonics, optoelectronics, and advanced control technology that IDEC has cultivated over many years. This achievement has demonstrated the reliability of IDEC's super-bright, high-efficiency LED devices (the IDEC Sunshine Series) and their potential in lighting applications.

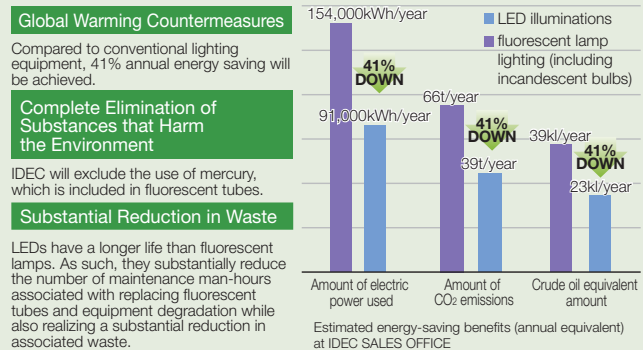
LED Technology and Reduction of Environmental Impact

LEDs are known as an ecological light source that is friendly to the global environment, but the roots of IDEC's LED technology go back to the high-quality, super-bright, and highly reliable industrial LED illuminated control units that it began developing in 1981. During the 27

years since IDEC developed those devices, it has shipped 157 million LED illuminated control units and also contributed to a total reduction of about 470,000 tons in CO₂ emissions. In 2000, IDEC received The Japan Machinery Federation Chairman's Award for excellent energy-saving equipment from The Japan Machinery Federation.

CSR Initiatives: Contributing to the Environment

IDEC's new building, which is based on the concept of "buildings that are friendly to the global environment," was aimed first at reducing environmental load starting with the reduction of CO₂ emissions. Through the development of entire buildings illuminated by LEDs, IDEC will help to mitigate environmental impact in the ways described below.



By leveraging its proven results in this area, IDEC intends to further enhance the efficiency of the Sunshine Series. Furthermore, while combining technological and environmental contributions, IDEC will continue to evolve further as a company that exemplifies the Japanese manufacturing tradition.

3-Position Enabling Switch Obtains Industry-First Standard Certification

What Is an Enabling Switch?

Using the kind of 3-position enabling switch in the picture below, which is incorporated mainly in handheld operating equipment, enables manual operation of machines and robots as long as a state of gentle pressure is maintained. If an unexpected problem suddenly arises during operation, operation will be suspended if the surprised operator releases his/hers hand from the enabling switch or if he/she squeezes the switch strongly.



Whereas emergency stop switches halt the operation of machinery in an emergency when the operator deliberately operates the switch, an enabling switch is able to prevent danger by allowing an operator that is surprised by the unforeseen operation of a machine to activate the switch unintentionally.

Background Factors Leading to Acquisition of Standard Certification

To ensure the safety of operators, 3-position enabling devices had been required under many international standards, but durability and important operating capabilities in terms of ergonomics had not been regulated. Consequently, while receiving various kinds of advice from the Ministry of Economy, Trade and Industry (METI) and related industrial organizations, IDEC embarked on a project to create a specific standard and produced a proposal for a standard with well-defined details. This proposal was discussed at the International Electrotechnical Commission (IEC/SC17B/WG3) by experts in this sector from various countries, and all members unanimously acknowledged the need for this standard. As a result, the proposed standard was issued as the international standard IEC 60947-5-8 in October 2006.

All of IDEC's enabling switch models in the HE Series have received third-party certification based on this standard, and on November 27, 2007, they acquired standard certification. While putting utmost priority on improving safety in the manufacturing workplace, IDEC will continue to create a more advanced "optimal environment for people and machines" by leveraging its expertise in peripheral technology that supports manufacturing.



Launch of Surface Mount Indicator LH1D Series

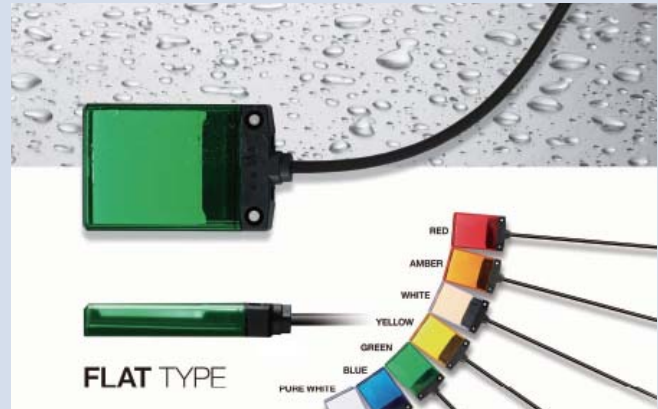
New type of LED indicator with a cable can be mounted on device or panel surfaces



Launch in June 2008



Launch in Summer 2008



Until now, mounting indicators for most equipment, devices or machinery required that a circular or square opening be cut into the mounting panel surface, into which the indicator would then be inserted and mounted. There are many occasions, however, in which the target equipment, devices or machinery have no panel to which the indicator can be directly attached. Situations like this typically required the attachment of a small mounting box or metal bracket, leading to various issues such as mounting space limitations, increased man-hours for additional labor, and higher costs.

To solve this problem about mounting, IDEC Corporation has newly developed the LH series (IDEC-LED-Spider). This new line embodies

a host of technologies that IDEC has amassed over many years, and features a unique mounting method, compact size based on a space-saving design, and a superior protective structure. These and other advantages make it easy for users to install a stylish indicator virtually anywhere.

During the new medium-term management plan that starts in fiscal 2008, IDEC will again take optimal advantage of technologies honed to date to unveil more unique products of this kind, with the goal of further expanding its already commanding share in an area of strength—switches and indicators.

Launch of “FS1A/Safety One” Safety Controllers in June 2008

With this new solution, IDEC has simplified the latest safety circuit structure to deliver a program-less safety controller

Amendments to Japan’s Industrial Safety and Health Law, the new European Machinery Directive and revisions to international safety standards are raising the bar for machine safety to a much more stringent level. In this climate, the number of safety inputs and outputs is increasing, spurring commensurate growth in the number of applications requiring complex circuit structures. Similarly, previous safety relay modules are less likely to cope effectively with increasingly complex circuits, a situation that will fuel demand for safety programmable logic controllers (PLCs). Where safety PLCs are concerned, however, compared to conventional safety relay modules, these changes are requiring a different approach not only to hardware, but also to software (program) design as regards safety. Similarly, the organizations responsible for third-party certification of machinery safety will also need to evaluate the machinery and equipment that they certify in terms of both the hardware and software (programs) that comprise these systems.

In response to these needs, IDEC has developed its latest generation of safety controllers. These easy-to-install controllers consolidate sophisticated safety circuits and multiple safety inputs and outputs into a single unit that users never need to program. From day one, IDEC has always insisted on a design concept that puts user safety first. Going forward, raising safety levels at customer manufacturing sites will remain the top priority for IDEC; a commitment that will further enhance its reputation as a leading company in safeguarding the integrity of Japan’s manufacturing traditions.



The 23 companies of the IDEC Group, namely IDEC Corporation, 8 companies in Japan and 14 companies overseas, comprise the leading group in the control equipment industry; a group that continues to pursue global development with technology and trust under a firm alliance.

IDEC companies in Japan supply products to the market that consistently meet customers' needs. They do this through manufacturing companies that continue to develop and manufacture products that are one step ahead due to unique technology, system development and sales companies responsible for identifying new business domains, particularly in the FA field, and other Group firms.

On the other hand, the IDEC Group overseas has a global marketing structure that enables it to respond to the needs of all of the world's markets based on clear strategies for each region. In terms of production, IDEC's overseas product manufacturing boasts Japanese-level technological power and price competitiveness. This provides a powerful backup for the Group production system and enables the IDEC Group to continue supplying products worldwide.

IDEC aims at making the leap to become a truly global corporate group by strengthening the alliance between Group companies worldwide with their advanced technology and know-how to bring their capabilities together.



Company (location)	Capital	Holdings	Main Business
① IDEC CONTROLS LIMITED (Osaka)	¥ 170 million	100%	Import and sale of security systems
② IDEC POWER DEVICE CORPORATION (Kyoto)	¥ 90 million	100%	Development, manufacture and sale of switching power supplies and electronic control equipment and devices
③ IDEC OPTO DEVICE CORPORATION (Kyoto)	¥ 20 million	100%	Development, manufacture and sale of LED-applied products and components for electronic equipment
④ I.E.S. CORPORATION (Hyogo)	¥ 10 million	100%	Assembly and installation of control equipment and devices
⑤ ASAHISEIGYO CORPORATION (Aichi)	¥ 10 million	100%	Sale of control equipment and devices
⑥ IDEC AUTOMATION Co., Ltd. (Tokyo)	¥ 80 million	100%	Design, development, import and sale of traceability systems
⑦ IDEC DATALOGIC Co., Ltd. (Osaka)	¥ 300 million	50%	Import and sale of control equipment and devices
⑧ TOHKEN Co., Ltd. (Tokyo) (Listed on JASDAQ)	¥ 1,134 million	22%	Barcode- and X-ray-related businesses
⑨ IDEC CORPORATION (USA)	US\$ 4,800 thousand	100%	Manufacture and sale of control equipment and devices
⑩ IDEC CANADA, LTD. (Canada)	CAS 50 thousand	100%	Sale of control equipment and devices
⑪ IDEC Australia Pty. Ltd. (Australia)	A\$ 1,125 thousand	100%	Sale of control equipment and devices
⑫ IDEC Elektrotechnik GmbH (Germany)	Euro 102 thousand	90%	Sale of control equipment and devices
⑬ IDEC Electronics Limited (United Kingdom)	STG£ 750 thousand	96%	Sale of control equipment and devices

1 IDEC CONTROLS LIMITED
<http://www.idec-controls.com/>

IDEC CONTROLS LIMITED mainly imports and sells security systems. While continually making direct contact with customers to fully absorb their needs, the company provides outstanding products from both Japan and overseas alongside products that it has developed independently, with specifications adjusted to meet requirements.



This library management system helps ensure smooth library operations

The main products handled are various types of control equipment, LEDs, printing equipment, article surveillance systems, library management systems, and RFID system products. The company is a leader in Traceability and New Business (Integration of Control), one of IDEC's series of technology concepts known as the "Four Beyonds."

3 IDEC OPTO DEVICE CORPORATION
<http://www.idec-opto.co.jp/>

IDEC OPTO DEVICE CORPORATION is responsible for the development of LEDs and has continued to propose new LED lights as an LED professional as part of its mission to meet the lighting challenges of the future. The company specializes in the manufacture of optical semiconductor devices, LED-applied products, and parts for electronic equipment. It also manufactures LED lamps, surface emitting LED units, LED arrays, devices for use in sensors, and products with solar applications (solar batteries).



The "LUMIFA" LED illumination units are perfect for control panel and machine tool application

The company is practicing "custom-oriented" manufacturing that pursues the needs and wants of increasingly sophisticated and diversifying advanced fields as it pushes forward the concept of Technology and Innovation (Evolution and Integration of Control Technologies).

2 IDEC POWER DEVICE CORPORATION
<http://ipd.idec.com/>

IDEC POWER DEVICE CORPORATION undertakes the manufacture of control equipment related parts within the IDEC Group. Over the years, the company has provided products that are easy to use from the customer's standpoint as a specialist manufacturer of direct current stabilized power supply devices (switching power supplies, etc.).

The company's main products are standard power supply products (switching power supplies, rechargers, power supplies for use with LED illuminations), but IDEC POWER DEVICE CORPORATION is also working on the development and production of a variety of electronic control equipment as it drives forward the concept of Technology and Innovation (Evolution and Integration of Control Technologies), another of the "Four Beyonds" technology concepts pursued by IDEC.



Constant current power supplies like these are optimal for LED illumination needs

6 IDEC AUTOMATION Co., Ltd.
<http://www.idec-automation.com/>

IDEC AUTOMATION Co., Ltd. is the Group company leading Traceability and New Business (Integration of Control), one of IDEC's "Four Beyonds" series of technology concepts. The company is focused on a traceability business (management and analytic survey of production information history) targeting various industries, such as automobiles and semiconductors, through sales and other activities pertaining to laser marking systems, barcode readers, AUTO-ID related products and image processing equipment.



The green laser marker enables ultra-fine, low-damage marking

Company (location)	Capital	Holdings	Main Business
14 IDEC IZUMI ASIA PTE LTD. (Singapore)	SP\$ 1,000 thousand	100%	Sale of control equipment and devices
15 IDEC TAIWAN CORPORATION (Taiwan)	NT\$ 60,000 thousand	100%	Manufacture and sale of control equipment and components
16 IDEC IZUMI TAIWAN CORPORATION (Taiwan)	NT\$ 15,000 thousand	70%	Sale of control equipment and devices
17 IDEC IZUMI SUZHOU CO., LTD. (China)	US\$ 5,850 thousand	100%	Manufacture and sale of control equipment and components
18 IDEC HONG KONG CO., LTD. (Hong Kong)	HK\$ 5,000 thousand	100%	Holding company
19 IDEC IZUMI (H.K.) CO., LTD. (Hong Kong)	HK\$ 15,600 thousand	70%	Sale of control equipment and devices
20 IDEC (SHANGHAI) CORPORATION (China)	US\$ 300 thousand	70%	Sale of control equipment and devices
21 IDEC (SHENZHEN) CORPORATION (China)	US\$ 200 thousand	70%	Sale of control equipment and devices
22 IDEC (BEIJING) CORPORATION (China)	US\$ 200 thousand	70%	Sale of control equipment and devices

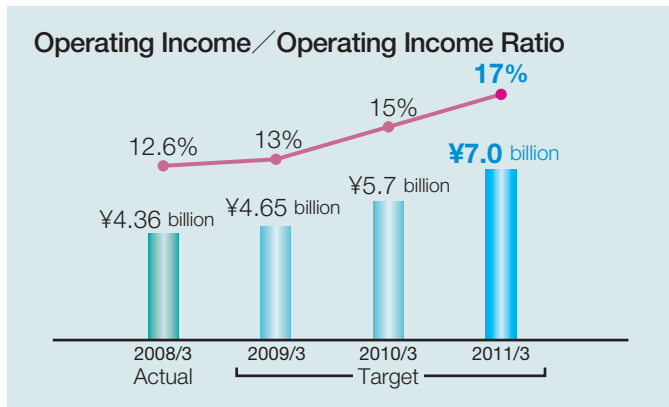
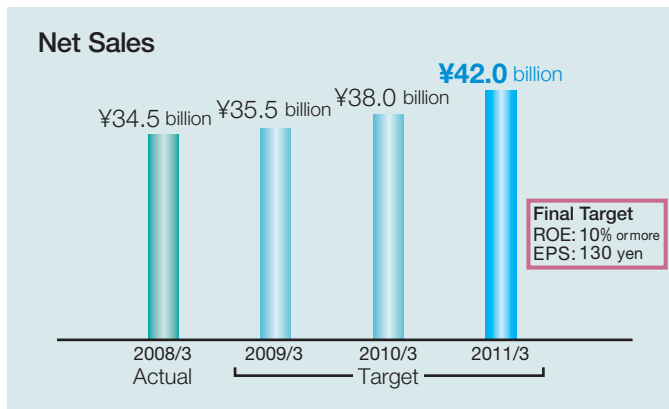
Notes: 1. IDEC DATALOGIC Co., Ltd. and TOHKEN Co., Ltd. are equity-method affiliates.
 2. IDEC CANADA, LTD. and IDEC Australia Pty. Ltd. are Group companies wholly owned by IDEC CORPORATION (USA).
 3. IDEC IZUMI TAIWAN CORPORATION has a 25% equity stake in IDEC IZUMI SUZHOU CO., LTD.
 4. IDEC (SHANGHAI) CORPORATION, IDEC (SHENZHEN) CORPORATION, and IDEC (BEIJING) CORPORATION are Group companies wholly owned by IDEC IZUMI (H.K.) CO., LTD.

New Mid-term Management Plan

Transitioning from the Previous Plan to the New Medium-term Management Plan

Having changed the company name in November 2005, the IDEC Group has endeavored to unify the company name and brand name and strengthen group partnerships on a global basis. From this standpoint, based on the theme of “expansion of business areas and new growth,” the IDEC Group undertook the first medium-term management plan from the term ended March 2006 to the term ended March 2008. As a result, in terms of earnings, IDEC managed to record record-high operating income for three consecutive fiscal years.

In terms of business operations, the IDEC Group’s aim was to introduce new technologies focused on the future and create the foundations for new businesses in the first period of the two-storied (three fiscal years plus three fiscal years) medium-term management plan. With that objective, IDEC actively promoted business alliances with other companies and established the foundations for the new medium-term management plan that is positioned as the second period.



Thoroughly Reinforcing Core Businesses

IDEC is the top control equipment manufacturer in the factory automation sector. With respect to surface-mount and inside-panel control units, which are in close proximity to operators, IDEC has many products that have maintained leading market share in Japan for many years and these products have become core businesses. Under the new medium-term management plan, in these core businesses, the Group firstly aims to further enhance its lineup of products that match market needs, in addition to boosting quality and performance, and expand its dominant market share.

Four Technologies That Will Support the New Medium-term Plan

Under the new medium-term management plan, IDEC will make maximum use of four types of technology based on respective business themes: Technology and Innovation (Evolution and Integration of Control Technologies); Safety, Explosion Protection, and Standard Intelligence; Traceability and New Business (Integration of Control); and Next-Generation Production Technologies. In this way, IDEC aims to strengthen its core businesses and expand business in new fields.

IDEC intends to achieve objectives in each of these four technological categories by combining its group strengths.

Technology and Innovation (Evolution and Integration of Control Technologies)

In the case of Technology and Innovation (Evolution and Integration of Control Technologies), IDEC aims to strengthen existing businesses by combining core technologies and external technologies in LED illuminations, human-machine interface (HMI), and other businesses while expanding product lineup.



Safety, Explosion Protection, and Standard Intelligence

In relation to Safety, Explosion Protection, and Standard Intelligence, IDEC intends to establish its brand image and enhance its position as a solution-based manufacturer mainly in the safety and explosion protection businesses.



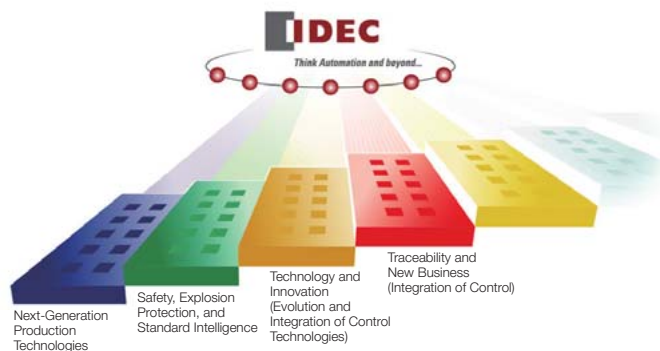
Traceability and New Business (Integration of Control)

With regard to Traceability and New Business (Integration of Control), IDEC will create a sophisticated business base in the traceability business that is able to propose optimal products, systems, and solutions as an integrated partner in manufacturing.



Next-Generation Production Technologies

As for Next-Generation Production Technologies, IDEC aims to realize next-generation manufacturing based on the nonstop evolution of production technology, including robot-controlled cell production, and create an organization for the supply of competitive products.





Corporate Governance Stance

IDEC's fundamental stance on corporate governance is the pursuit of transparent and efficacious management that will be viewed as such by all of the Company's stakeholders. In its governance systems, IDEC proactively appoints directors and corporate auditors from outside the Company, as well as uses an executive officer system to separate management supervision from business execution functions.

Basic Concept and Status of Internal Control System

1. Structure of system for ensuring directors and employees perform duties in strict accordance with laws and the articles of incorporation.

(1) The Company strictly prohibits any activities which violate legal regulations or the basic principles of fairness, propriety and social ethics. To promote this basic stance of maintaining moral discipline and well organized operations, prohibiting any form of discrimination and correcting any violations of policy, the Company has established "corporate ethical standards" related to compliance, which all directors and employees are expected to follow, and has made a strenuous effort to ensure that they are clearly understood and followed.

(2) The Company has established a consultation desk as well as a Corporate Ethics Committee, chaired by the president, to promote corporate ethics in the workplace. The Corporate Ethics Committee is responsible for performing the following functions: (1) building and monitoring the systems for ensuring legal compliance and ethical conduct by IDEC Corporation and its subsidiaries in Japan; (2) offering instruction and advice regarding audit reports pertaining to corporate ethics; (3) providing instruction, advice and approval with respect to corporate ethics-related training plans and activities; (4) responding to and offering instruction and advice regarding inquiries fielded by the consultation desk; and (5) responding to and offering advice and instruction on other ethics-related matters as needed.

(3) The Legal Affairs Group of the President's Office is responsible for providing regular feedback and information on compliance activities and legal issues to directors and employees as well as organizing periodic training sessions and presentations related to compliance.

(4) Internal compliance regulations and operating procedures are examined and revised periodically in an effort to ensure that the duties performed by directors and employees conform to all legal standards and the articles of incorporation.

2. Structure for recording and managing information on the duties performed by company directors

(1) All documents and records of the general meetings of shareholders, meetings of the Board of Directors and other important management meetings, as well as internal memos related to management decisions, legal contracts and any other documents and information generated in the course of business activities by the company's directors (including electronic documents) are stored and managed in accordance with various internal regulations, such as document management regulations, internal memo regulations, regulations on the control of privileged information and the Company's information security policy.

(2) Internal regulations and operating procedures are examined and revised periodically to ensure that the structure for recording and managing information generated by company directors in the course of their business activities is functioning effectively.

3. Regulations and structures related to risk management

(1) The Company has established and implemented risk management regulations, intended to avoid risks wherever possible, and to ensure that if a crisis should occur, the negative impact is minimized.

(2) In accordance with these risk management regulations, the Company has established a Risk Management Committee, chaired by the president, which takes steps to avoid business risk and to respond swiftly in the event that a crisis does occur.

(3) Internal regulations and operating procedures are examined and revised periodically to ensure that the regulations and structure for managing risk and responding to crises is functioning effectively.

4. Structures to ensure that directors are carrying out their responsibilities efficiently

(1) In 1998, the Company introduced an Executive Officer System to separate business execution from the oversight functions of directors. Specifically, the system assigns the Board of Directors with the responsibility for decision-making and overseeing the activities of all directors and executive officers. Furthermore, to enhance management efficiency and strengthen the functions of the Board of Directors, a Management Committee chaired by the president was established to deliberate on key issues and make decisions within the scope of authority assigned to this committee by the Board of Directors.

(2) The Company has established regulations governing the scope of business activities to define the responsibilities and authority of directors and employees in each job category, as well as the scope of operations for each organizational unit, in order to help enhance efficiency. Periodic monitoring is carried out to ensure that work duties and responsibilities conform to these regulations.

(3) Internal regulations and operating procedures are examined and revised periodically in an effort to further improve the effectiveness of the directors' activities.

5. Structure to ensure that business activities of the IDEC Group are appropriate

(1) The Company has established a set of regulations governing the management of affiliated companies which lays down the basic guidelines under which it manages, directs and cultivates Group companies to ensure effective cooperation and mutual prosperity.

(2) The regulations and structures mentioned in items 1-4 above apply to all Group affiliates as well.

(3) The regulations and operating procedures are examined and revised periodically to ensure that all affiliated Group companies engage in appropriate business activities.

6. Measures to assign personnel to assist the corporate auditors with their auditing activities, when necessary, and ensure that they will be able to maintain their independence from company directors

At present, the Company has not assigned any personnel to assist the corporate auditors with their auditing activities. However, if it should become necessary to assign personnel to provide auditing support, or if the auditors should request such support, the Company will cooperate with the auditors to assign personnel in an effective manner. Prior to assigning these employees to assist with the auditing, the evaluation and compensation of these employees shall be determined, with the consent

of the auditors, to ensure all of their activities are entirely independent of influence by the Board of Directors.

7. Structure to ensure that directors and employees provide proper reports to corporate auditors, and to ensure that auditing activities can be carried out effectively

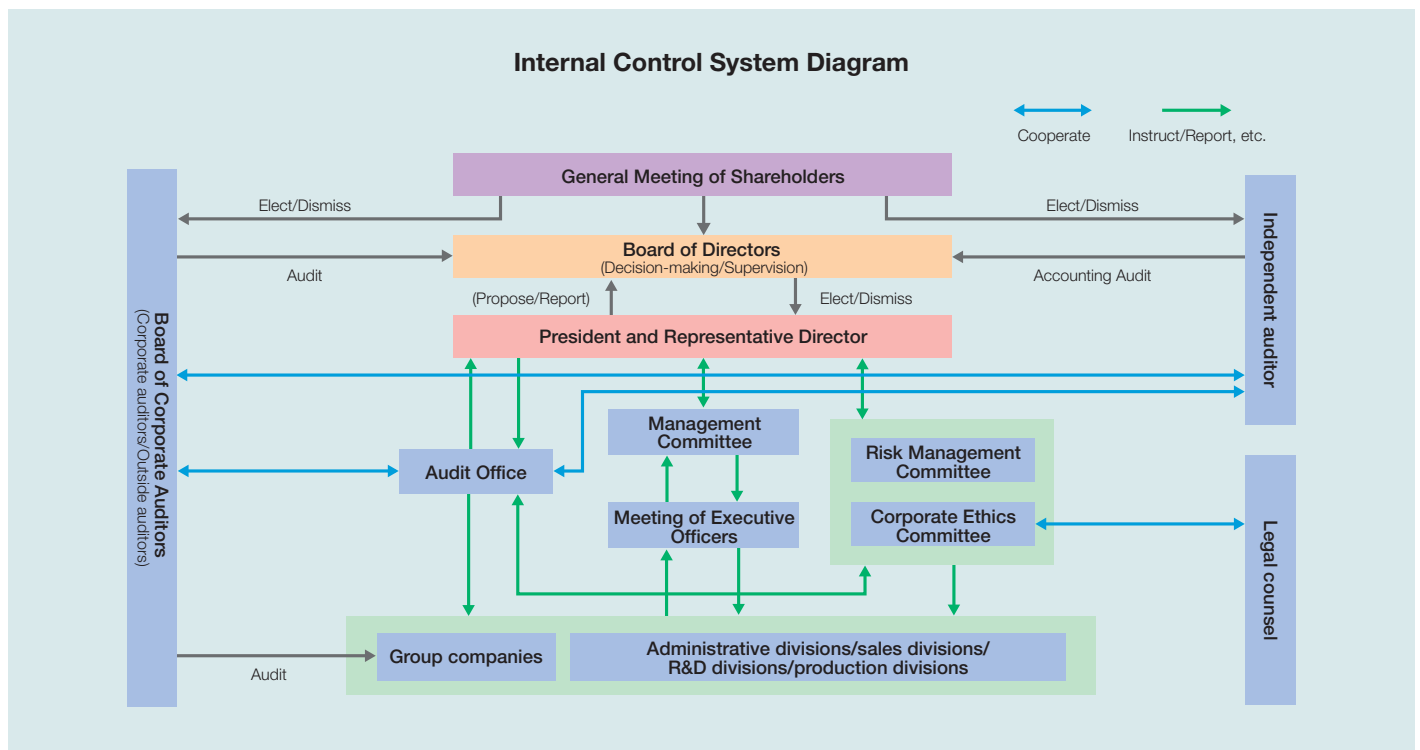
The Company conducts reporting activities, in which directors and employees report to the auditors on a regular basis, or report immediately when it involves important matters affecting the Company, providing the auditors with information on the status of business activities. In addition to these regular reports, auditors may request that directors or employees provide them with reports on an ad hoc basis when the auditor thinks that it is necessary. All related divisions are establishing a structure to accommodate these requests in order to make the work of auditors more effective.

Basic Policy and Organizational Structures Established to Prevent Interference from Antisocial Groups

In order to help preserve social stability and safety, the IDEC Group has adopted a basic policy that strictly prohibits business transactions or any other sort of relations with antisocial groups or individuals, to ensure that the Company fulfills its social responsibility through its business activities. The Group has established corporate ethical standards which govern the directors and employees of all Group companies. These standards, which have been thoroughly disseminated to all Group companies and personnel, dictate that Group companies should always behave in a fair and proper

manner, strictly obey all laws and regulations, act in accordance with standards of fairness, propriety and social ethics, uphold human rights and maintain moral standards.

In addition, the Company's risk management regulations include a detailed analysis of the risks posed by antisocial groups which clearly identifies the risk involved to ensure that any such antisocial activities are not overlooked, and dictate the ways in which the Risk Management Committee will act to avoid the problem where possible, or deal with it swiftly if it does occur. In addition, the Corporate Ethics Committee was established to provide a formal structure that can take detailed actions to prevent the Company from becoming involved in any way with antisocial activities, and ensure that members of the IDEC Group never behave in an immoral or inappropriate manner. The General Affairs Group of the Management Control Division is responsible for coordinating management responses to any pressure from antisocial groups. It takes part in Corporate Preservation Council meetings on a regular basis, collects information, and takes steps to enhance cooperation with lawyers and the police, as well as preparing a manual for responding to illegal pressures and taking other actions to defend against inappropriate demands.





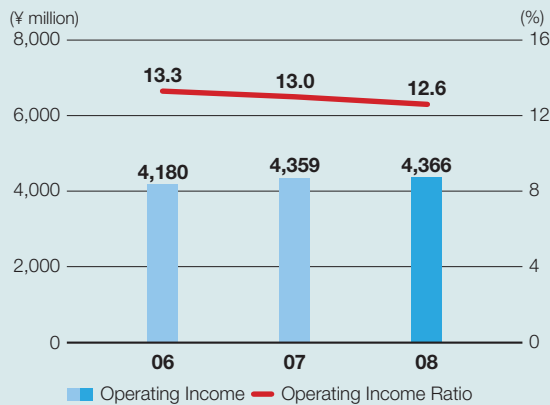
Financial Review

Business Performance

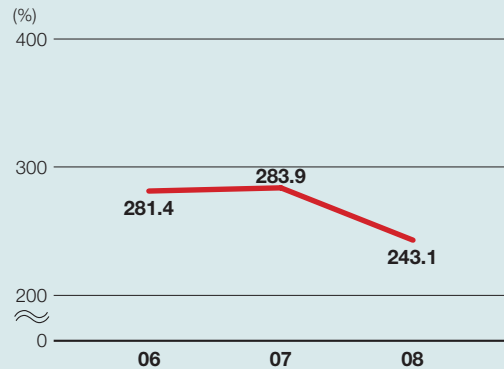
During the period under review, domestic net sales edged up 0.6% year on year to ¥21,945 million (US\$219,012 thousand). Safety-related products recorded sales growth and demand for core products such as control switches recovered slightly in the second half, but sales of power supplies and system-related products, among others, declined. Overseas net sales increased 7.0% year on year to ¥12,591 million (US\$125,659 thousand). Although demand in North America decreased in the second half, it remained robust in Europe and Asia. By product, sales of programmable controllers and relays grew and switches for the Asian market also registered a strong performance.

On the cost front, the impact on the cost of sales associated with rising prices of raw materials and other items remained strong. IDEC promoted cost-cutting measures, but the cost of sales ratio rose 0.2 of a percentage point (51.4% this year compared to 51.2% a year ago). In contrast, owing partly to the effect of higher sales, operating income edged up 0.2% year on year to ¥4,366 million (US\$43,573 thousand). However, net income declined 14.3% year on year to ¥2,241 million (US\$22,365 thousand) due in part to a foreign currency exchange loss arising from the rapid depreciation of the U.S. dollar in the second half.

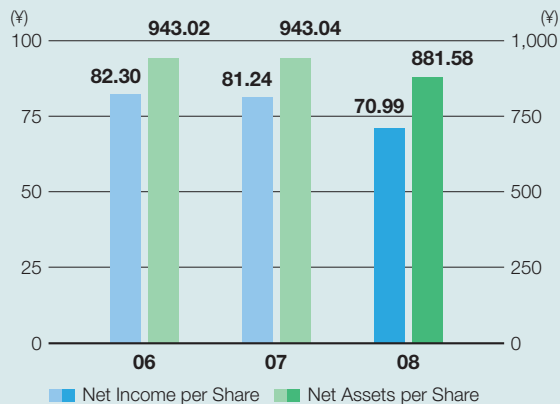
Operating Income and Operating Income Ratio



Current Ratio



Net Income per Share (basic) and Net Assets per Share



Ratio of Fixed Assets to Long-term Capital



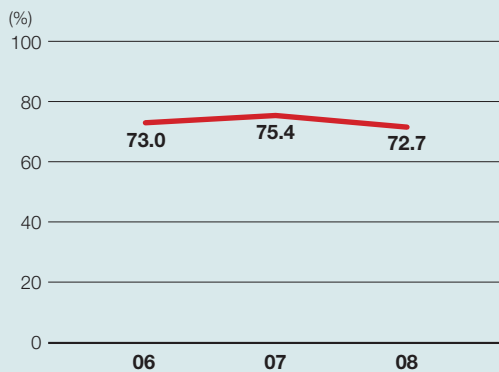
Financial Position

Total assets stood at ¥37,700 million (US\$376,248 thousand) as of March 31, 2008, down ¥2,467 million from the level at the end of the previous fiscal year. This was mainly due to a decline in cash and cash equivalents, inventories, and investment securities. Total liabilities stood at ¥10,047 million (US\$100,270 thousand), an increase of ¥338 million from the previous fiscal year-end. This mainly reflected an increase in short-term bank loans. Net assets stood at ¥27,653 million (US\$275,978 thousand), a decrease of ¥2,805 million from a year earlier. This is mainly attributable to an increase resulting from the purchase of treasury stock and a decrease in translation adjustments associated with the weaker dollar.

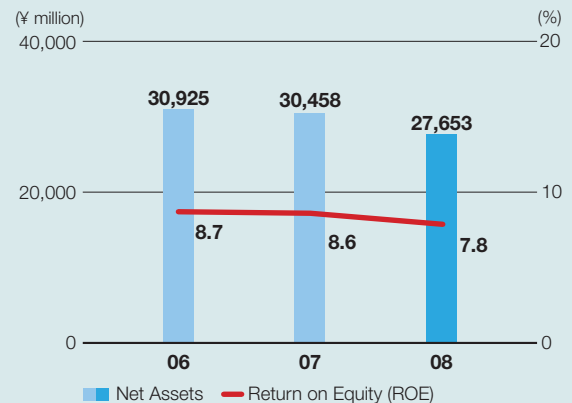
Capital Expenditures and R&D Costs

On March 6, 2008, IDEC completed a new building (the IDEC SALES OFFICE) that was the first in the world to be entirely illuminated by LEDs, based on the concept of pursuing and realizing energy savings and CO₂ reductions, and thus being friendly to the global environment. Construction expenditure for this building amounted to ¥396 million. In terms of other main capital expenditures during the term ended March 2008, ¥578 million was used to strengthen production facilities in Japan, while ¥79 million was used to expand production facilities at IDEC IZUMI TAIWAN CORPORATION in Taiwan and IDEC IZUMI SUZHOU CO., LTD. in China, and ¥72 million was used for information infrastructure facilities. Total capital expenditures, including the previously mentioned construction of the new building and other investments, was ¥1,266 million (US\$12,635 thousand).

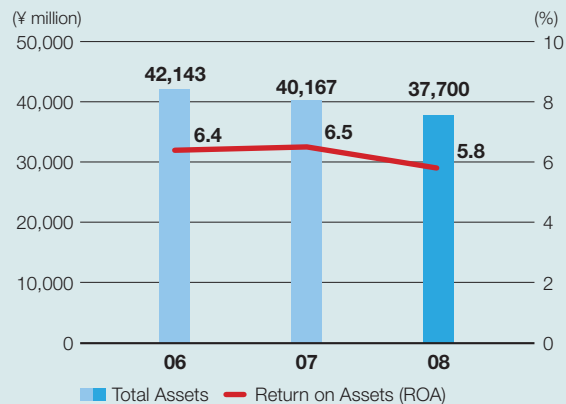
Capital-to-asset Ratio



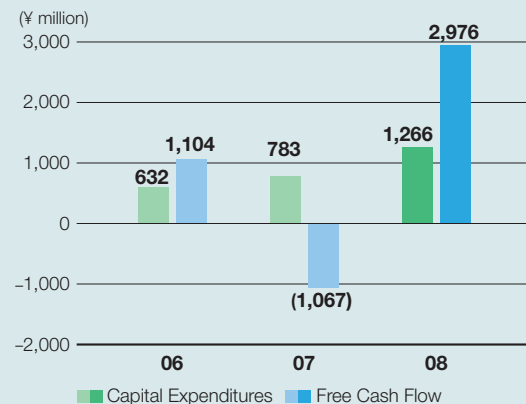
Net Assets and Return on Equity (ROE)



Total Assets and Return on Assets (ROA)



Capital Expenditures and Free Cash Flow



Research and development in the IDEC Group is mainly conducted by IDEC Corporation, with Group companies mainly responsible for manufacturing and selling the products it develops. R&D costs for the year under review were ¥1,979 million (US\$19,750 thousand), or 5.7% of net sales. These costs were incurred mainly for product development and technology in the four core areas of: i) Technology and Innovation (Evolution and Integration of Control Technologies); ii) Safety, Explosion Protection, and Standard Intelligence ; iii) Traceability and New Business (Integration of Control); and iv) Next-Generation Production Technologies.

Cash Flows

Net cash provided by operating activities for the term under review increased ¥3,200 million in comparison to the previous term. While income before income taxes and minority interests decreased ¥390 million from the previous fiscal year, accounts receivable declined, inventories were reduced, and accounts payable increased. Net cash used in investing activities decreased ¥843 million from a year earlier due to a decline in expenditure for the acquisition of investment securities. Due to the above, free cash flow for the term under review was ¥2,976 million (US\$29,701 thousand). Net cash used in financing activities remained at approximately the same level as the previous term, as the purchase of treasury stock increased, but this was offset by inflows from short-term bank loans. As a result, in combination with the effect of exchange rate changes on cash and cash equivalents, cash and cash equivalents as of March 31, 2008 stood at ¥6,880 million (US\$68,663 thousand), a decrease of ¥611 million in comparison to the end of the previous fiscal year.

Business Risks

Below is a list of major risk factors that the company may encounter during the course of its business operations.

Forward-looking statements in the following discussion of risks

reflect the opinions of the IDEC Group as of March 31, 2008.

(1) Impact of exchange rate fluctuations

Roughly 30% of the products created by IDEC Group businesses are sold in markets other than Japan. The company enters into forward exchange hedge contracts in order to avoid the risk of exchange rate fluctuations and strives to limit to a minimum the adverse effects of short-term fluctuations. However, exchange rate fluctuations could still have a negative impact on the operating results and financial position of the IDEC Group.

(2) Inventory valuation losses

The IDEC Group posts valuation losses related to inventories based on projected future demand and estimates of obsolescent inventory. Additional valuation reductions may become necessary in the future if actual future demand or market conditions are worse than IDEC Group estimates.

(3) Increase in retirement benefit costs

Costs and obligations pertaining to employee retirement benefits are calculated based on set actuarial accounting preconditions. If actual results differ from those preconditions or if these preconditions change in the future, retirement benefit costs could increase greatly from the year such results or change occurs.

(4) Risk associated with overseas expansion

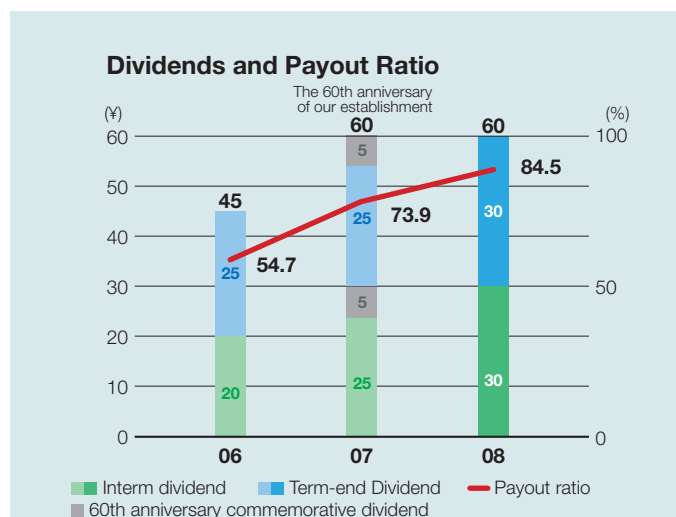
Apart from producing products in Japan, the IDEC Group also manufactures products at its overseas bases in China and Taiwan in order to manufacture competitive products and reduce costs. The following kinds of risk are associated with these overseas production bases.

- ① Unforeseen changes in legal and tax systems
- ② Difficulties in recruiting and retaining human resources
- ③ Effects from insufficient technological infrastructure
- ④ Unforeseen changes in the economic and social climate, etc.

These risks could lead to problems in the procurement of components and the operation of these overseas bases, which could adversely affect the operating results and financial position of the IDEC Group.

Outlook for Fiscal 2009

With regard to the economic environment in fiscal 2009, business sentiment is forecast to deteriorate further, including concerns about the slowdown in the U.S. economy, the problems concerning crude oil and raw material prices, which are continuing to rise steeply, and the weakening of the U.S. dollar and strengthening of the yen. IDEC also expects the Group's major market, Japan, to be adversely affected by the curtailment of demand for facility investment in the country. In this environment, based on the business policies in the new medium term management plan that started in the term ending March 2009, the IDEC Group will make maximum use of the management base it built up in the previous medium term management plan. By thoroughly reinforcing existing business fields, centered on the control equipment business, IDEC will establish an unshakeable market position. At the same time, IDEC will further develop businesses in new fields, such as the traceability business, and thereby increase the degree to which these contribute to earnings.





Consolidated Balance Sheets

IDEC Corporation and Subsidiaries

March 31, 2008 and 2007	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Assets			
Current assets:			
Cash and cash equivalents	¥ 6,880	¥ 7,491	\$ 68,663
Trade receivables:			
Notes	866	1,024	8,643
Accounts	5,899	6,396	58,872
Less allowance for doubtful receivables	(54)	(58)	(539)
Net trade receivables	6,711	7,362	66,976
Inventories (Note 3)	6,536	7,152	65,230
Deferred tax assets (Note 12)	845	934	8,433
Other current assets	531	450	5,299
Total current assets	21,503	23,389	214,601
Property, plant and equipment (Note 6):			
Land	4,388	4,439	43,792
Buildings and structures	12,636	12,601	126,108
Machinery and equipment	6,732	6,993	67,186
Furniture and fixtures	9,719	9,906	96,996
Construction in progress	193	197	1,926
	33,668	34,136	336,008
Less accumulated depreciation	(22,772)	(23,192)	(227,265)
Net property, plant and equipment	10,896	10,944	108,743
Investments and other assets:			
Investments in associates	1,127	1,226	11,248
Investment securities (Note 4)	1,345	1,839	13,423
Deferred tax assets (Note 12)	983	902	9,811
Other assets	1,846	1,867	18,422
Total investments and other assets	5,301	5,834	52,904
Total assets (Note 14)	¥ 37,700	¥ 40,167	\$ 376,248

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 836	¥ 183	\$ 8,343
Trade payables:			
Notes	928	940	9,261
Accounts	2,872	2,736	28,663
Total trade payables	3,800	3,676	37,924
Accounts payable - other (Note 8)	729	733	7,276
Accrued payroll and bonuses	1,399	1,488	13,962
Income taxes payable (Note 12)	659	697	6,577
Deposits received from sales agents	1,382	1,410	13,792
Other current liabilities	40	52	399
Total current liabilities	8,845	8,239	88,273
Noncurrent liabilities:			
Retirement and severance benefits (Note 8)	1,126	1,252	11,238
Long-term accounts payable (Note 8)	—	218	—
Retirement allowance for directors and corporate auditors	72	—	719
Other noncurrent liabilities	4	—	40
Total noncurrent liabilities	1,202	1,470	11,997
Contingent liabilities (Note 13)			
Total liabilities	10,047	9,709	100,270
Net Assets (Note 9):			
Common stock :			
Authorized — 150,000,000 shares			
Issued — 38,224,485 shares	10,057	10,057	100,369
Capital surplus	9,694	9,628	96,747
Retained earnings	15,378	15,056	153,473
Less, treasury stock:			
7,129,112 shares (6,124,503 shares in 2007)	(6,418)	(4,595)	(64,052)
Net unrealized holding gains (losses) on securities	(410)	20	(4,092)
Translation adjustments	(887)	106	(8,852)
Stock subscription rights (Note 10)	22	7	220
Minority interests	217	179	2,165
Total net assets	27,653	30,458	275,978
Total liabilities and net assets	¥ 37,700	¥ 40,167	\$ 376,248

Consolidated Statements of Income

IDEC Corporation and Subsidiaries

For the years ended March 31, 2008, 2007 and 2006	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
Net sales (Note 14)	¥ 34,536	¥ 33,585	¥ 31,377	\$ 344,671
Cost of sales (Notes 6, 8 and 14)	17,736	17,182	15,861	177,006
Gross profit	16,800	16,403	15,516	167,665
Selling, general and administrative expenses (Notes 6, 8, 11 and 14)	12,434	12,044	11,336	124,092
Operating income (Note 14)	4,366	4,359	4,180	43,573
Other income (deductions) (Note 8):				
Interest and dividend income	200	146	83	1,996
Interest expense	(68)	(67)	(67)	(679)
Equity in losses of associates	(75)	(2)	(17)	(748)
Gain on sale of investment securities	—	402	1	—
Foreign currency exchange gain (loss), net	(409)	154	180	(4,082)
Loss on disposal of inventories	(7)	(3)	(18)	(70)
Loss on sale or disposal of property, plant and equipment	(24)	(37)	(10)	(239)
Retirement allowance for directors and corporate auditors	—	(878)	(32)	—
Rental income	50	64	83	499
Subsidy from government, etc.	—	—	19	—
Loss on valuation of inventories	(110)	(90)	(91)	(1,098)
Gain from change to defined contribution pension plan	—	—	63	—
Impairment loss on property, plant and equipment	—	—	(83)	—
Gain on insurance settlement	10	121	—	100
Reserve for prior years' retirement allowance for directors and corporate auditors	(72)	—	—	(719)
Loss related to bankruptcy of a subcontractor	(53)	—	—	(529)
Other, net	(17)	12	35	(170)
	(575)	(178)	146	(5,739)
Income before income taxes and minority interests ..	3,791	4,181	4,326	37,834
Income taxes (Note 12):				
Current	1,241	1,287	1,326	12,385
Deferred	252	249	298	2,515
	1,493	1,536	1,624	14,900
Income before minority interests	2,298	2,645	2,702	22,934
Minority interests	57	29	24	569
Net income	¥ 2,241	¥ 2,616	¥ 2,678	\$ 22,365

Per share data (Note 15):	Yen			U.S. dollars (Note 1)
Net income:				
Basic	¥ 70.99	¥ 81.24	¥ 82.30	\$ 0.71
Diluted	70.35	79.54	80.92	0.70
Cash dividends applicable to the period	60.00	60.00	45.00	0.60

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

IDEC Corporation and Subsidiaries

Millions of yen

For the years ended March 31, 2008, 2007 and 2006	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balances at March 31, 2005	38,224,485	¥10,057	¥9,633	¥13,011	¥(3,443)	¥147	¥(540)	–	¥111	¥28,976
Net income				2,678						2,678
Cash dividends paid, ¥45 per share (Note 9)				(1,466)						(1,466)
Repurchase of treasury stock (Note 9)					(288)					(288)
Sale of treasury stock			(3)		234					231
Other						163	596		35	794
Balances at March 31, 2006	38,224,485	10,057	9,630	14,223	(3,497)	310	56	–	146	30,925
Net income				2,616						2,616
Cash dividends paid, ¥55 per share (Note 9)				(1,783)						(1,783)
Repurchase of treasury stock (Note 9)					(1,117)					(1,117)
Sale of treasury stock			(2)		19					17
Other						(290)	50	¥ 7	33	(200)
Balances at March 31, 2007	38,224,485	10,057	9,628	15,056	(4,595)	20	106	7	179	30,458
Net income				2,241						2,241
Cash dividends paid, ¥60 per share (Note 9)				(1,919)						(1,919)
Repurchase of treasury stock (Note 9)					(2,077)					(2,077)
Sale of treasury stock			66		254					320
Other						(430)	(993)	15	38	(1,370)
Balances at March 31, 2008	38,224,485	¥10,057	¥9,694	¥15,378	¥(6,418)	¥(410)	¥(887)	¥22	¥217	¥27,653

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains (losses) on securities	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balances at March 31, 2007	\$100,369	\$96,088	\$150,260	\$(45,858)	\$200	\$1,058	\$70	\$1,786	\$303,973
Net income			22,365						22,365
Cash dividends paid, \$0.60 per share (Note 9)			(19,152)						(19,152)
Repurchase of treasury stock (Note 9)				(20,729)					(20,729)
Sale of treasury stock		659		2,535					3,194
Other					(4,292)	(9,910)	150	379	(13,673)
Balances at March 31, 2008	\$100,369	\$96,747	\$153,473	\$(64,052)	\$(4,092)	\$(8,852)	\$220	\$2,165	\$275,978

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IDEC Corporation and Subsidiaries

For the years ended March 31, 2008, 2007 and 2006	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2008
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 3,791	¥ 4,181	¥ 4,326	\$ 37,834
Depreciation and amortization	1,028	816	773	10,259
Decrease in retirement and severance benefits	(126)	(110)	(1,122)	(1,257)
Increase in retirement allowance for directors and corporate auditors	72	—	—	719
Interest and dividend income	(200)	(146)	(83)	(1,996)
Interest expense	68	67	67	679
Gain on insurance settlement	(10)	(121)	—	(100)
Gain on sale of investment securities	—	(402)	(1)	—
Retirement allowance for directors and corporate auditors	—	878	32	—
Loss on sale or disposal of property, plant and equipment	24	37	10	239
Increase (decrease) in trade receivables	308	(875)	(515)	3,074
Increase (decrease) in inventories	326	(141)	(126)	3,253
Increase (decrease) in trade payables	524	(1,036)	346	5,230
Increase (decrease) in accounts payable-other	(4)	(112)	327	(40)
Impairment loss on property, plant and equipment	—	—	83	—
Increase (decrease) in long-term accounts payable	(218)	(248)	466	(2,176)
Other, net	(73)	22	182	(728)
Sub total	5,510	2,810	4,765	54,990
Interest and dividend income received	226	166	84	2,256
Interest expense paid	(62)	(72)	(16)	(619)
Insurance income received	45	506	—	449
Retirement allowance for directors and corporate auditors paid ..	—	(878)	—	—
Income taxes paid	(1,238)	(1,251)	(1,975)	(12,355)
Net cash provided by operating activities	4,481	1,281	2,858	44,721
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	8	12	3	80
Purchase of investment securities	(232)	(1,743)	(1)	(2,315)
Proceeds from disposition of investment securities	1	807	68	10
Capital expenditures	(1,258)	(783)	(632)	(12,555)
Purchase of investment in an associate	(0)	(26)	(1,190)	(0)
Increase in long-term deposits	—	(500)	—	—
Other, net	(24)	(115)	(2)	(240)
Net cash used in investing activities	(1,505)	(2,348)	(1,754)	(15,020)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	660	(187)	(136)	6,587
Dividends paid	(1,913)	(1,778)	(1,460)	(19,092)
Repurchase of treasury stock (Note 9)	(2,075)	(1,107)	(288)	(20,709)
Proceeds from sale of treasury stock	321	17	231	3,204
Other, net	(2)	—	—	(20)
Net cash used in financing activities	(3,009)	(3,055)	(1,653)	(30,030)
Effect of exchange rate changes on cash and cash equivalents	(578)	71	246	(5,768)
Net decrease in cash and cash equivalents	(611)	(4,051)	(303)	(6,097)
Cash and cash equivalents at beginning of year	7,491	11,542	11,845	74,760
Cash and cash equivalents at end of year	¥ 6,880	¥ 7,491	¥11,542	\$ 68,663

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act or the Japanese Securities and Exchange Act 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 from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for the year ended March 31, 2006) from the consolidated financial statements of IDEC Corporation (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act or the Securities and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2008, which was ¥100.20 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies:

i) Principles of consolidation and accounting for investments in associates

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries (the "Companies"). All significant intercompany balances and transactions are eliminated in consolidation. Investments in associates are carried at equity value.

The difference between the cost and underlying net equity of investments in subsidiaries at acquisition is allocated to identifiable assets based on fair market value at the date of acquisition. The unallocated portion of the difference, which is recognized as goodwill or negative goodwill, is principally amortized over a five-year period.

ii) Use of estimates

The preparation of the consolidated financial statements in conformity with Japanese generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

iii) Inventories (See Note 3)

Inventories are stated at the lower of cost or market. Cost is determined mainly by the average method.

iv) Investment securities (See Note 4)

The Company and all domestic subsidiaries adopted the Financial Accounting Standard on Accounting for Financial Instruments issued by the Financial Accounting Deliberation Council.

The standard requires the Company and all domestic subsidiaries to classify their securities into one of the following three categories: trading, held-to-maturity, or other securities. Based on this classification, all trading securities and any held-to-maturity or other securities with a maturity of less than one year are included in current assets. All other securities are included in investment securities as non-current assets. All securities held by the Company and all domestic subsidiaries are classified as other securities.

The standard also requires that other securities with available fair market values are carried at fair market value. Unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses are determined by the moving average cost method. Other securities with no available fair market value are stated at average cost.

v) Derivative financial instruments (See Note 5)

Derivative financial instruments utilized by the Company comprise principally foreign exchange contracts used to hedge foreign currency risk. These derivative financial instruments are stated at fair value, with changes in fair value included in net income for the period in which they arise.

vi) Property, plant and equipment

Property, plant and equipment is stated at cost. For the Company and all domes-

tic subsidiaries, depreciation of buildings acquired prior to April 1, 1998 and other property, plant and equipment is computed over the estimated useful life of the asset by the declining balance method. Buildings other than leasehold improvements that were acquired on or after April 1, 1998 are depreciated using the straight-line method. For the foreign subsidiaries, depreciation is computed over the estimated useful life of the assets principally by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	8 to 38 years
Machinery and equipment	2 to 17 years
Furniture and fixtures	2 to 15 years

Effective from the year ended March 31, 2006, the Company and all domestic subsidiaries adopted the accounting standard for impairment of fixed assets, "Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council. As a result of adopting this standard, income before income taxes and minority interests for the year ended March 31, 2006 decreased by ¥83 million.

Effective from the year ended March 31, 2008, pursuant to an amendment to the Corporate Tax Law, the Company and all domestic subsidiaries have depreciated property, plant and equipment acquired on and after April 1, 2007 in accordance with the method stipulated in the amended Corporation Tax Law. As a result of the changes in the accounting policy, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥33 million (\$329 thousand), compared to the previous method. The impact of these changes on segment information, please refer to "14. Segment Information." Prior to the amendment to the Corporate Tax Law, all property, plant and equipment must have a 5% residual value. Subsequent to the amendment of the Corporate Tax Law effective April 1, 2007, Japanese domestic companies are permitted to fully depreciate property, plant and equipment. Hence the Company and all domestic subsidiaries have taken advantage of this amendment and depreciated the remaining residual of eligible assets over 5 years. The straight line depreciation starts from the next year, when the book value of the assets acquired on and before March 31, 2007 reaches 5% of the acquisition cost. As a result of the adoption, operating income for the year ended March 31, 2008 decreased by ¥95 million (\$948 thousand) and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥98 million (\$978 thousand).

vii) Allowance for doubtful receivables

Allowance for doubtful receivables is principally computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts of certain individual receivables.

viii) Retirement and severance benefits (See Note 8)

The Company and certain domestic subsidiaries have a cash balance pension plan and defined contribution pension plan covering substantially all of their employees. Prior service costs of pension plans are amortized on the straight-line method over 12 to 13 years, representing the estimated average remaining service years of employees. Actuarial gains and losses are amortized from the year following the one in which actuarial gains and losses are incurred using the straight-line method over 12 to 15 years, representing the estimated average remaining service years of employees. The Company and certain domestic subsidiaries revised their retirement benefit regulation on July 1, 2005 and changed a noncontributory qualified pension plan to a cash balance pension plan and a defined contribution pension plan.

As a result of the change to the defined contribution pension plan, the Company recognized a gain of ¥63 million for the year ended March 31, 2006, which was included in other income (deductions).

An unfunded obligation at the date of transition in the amount of ¥1,090 million is scheduled to be paid to the defined contribution pension plan over 4 years after the plan change.

ix) Retirement allowance for directors and corporate auditors

Retirement allowance for directors and corporate auditors were charged to income when paid after the approval of the shareholders meeting or the Board of Directors for the two years ended March 31, 2007.

Effective from the year ended March 31, 2008, retirement allowance for directors and corporate auditors of the Company is accrued based on the Company's pertinent rules and is calculated as the estimated amount which would be payable if all directors and corporate auditors were to retire at the balance sheet date to comply with "Auditing Treatment relating to Reserve defined under the Special Tax Measurement Law, Reserve defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (The Japanese Institute of Certified Public Accountants Auditing and Assurance Practice Committee Report No. 42, April 13, 2007) has been applied. As a result of the change in the accounting policy, income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥72 million (\$719 thousand), compared to the previous method.

x) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated at the

rate of exchange prevailing on the balance sheet date. Foreign exchange gains (losses) are charged to income.

Financial statements of foreign subsidiaries are translated into Japanese yen at year-end rates for all assets and liabilities and at weighted average rates for income and expense accounts. Adjustments resulting from the translation of financial statements are included in "Translation adjustments" and "Minority interests."

xi) Income taxes (See Note 12)

Income taxes are accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date, except for the effect arising from unrealized holding gains and losses on securities, which is reflected in net assets.

xii) Net income and dividends per share (See Note 15)

The basic net income per share of common stock shown for each year in the accompanying consolidated statements of income is computed based upon the weighted average number of common shares outstanding during the years.

The diluted net income per share assumes the full exercise of all potentially dilutive securities outstanding at the end of the year. Cash dividends per share shown for each year in the consolidated statements of income represent dividends declared as applicable to the earnings for the respective years.

xiii) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and all highly liquid debt investments with a maturity of three months or less.

xiv) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31, 2007, the Company and all subsidiaries adopted the new accounting standard, "Accounting Standard for Statement of

Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "Additional New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the two years ended March 31, 2008 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders' equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

xv) Accounting Standard for Share-based Payment

Effective from the year ended March 31, 2007, the Company adopted the new accounting standard, "Accounting Standard for Share-based Payment" (Statement No. 8 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for share-based payment (the Financial Accounting Standard Implementation Guidance No. 11 issued by the Accounting Standards Board of Japan on May 31, 2006). As a result of this adoption, operating income and income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥7 million.

3. Inventories:

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished products and merchandise	¥3,297	¥3,504	\$32,904
Work in process	801	924	7,994
Raw materials and supplies	2,438	2,724	24,332
	¥6,536	¥7,152	\$65,230

4. Investment Securities:

Marketable equity securities included in investment securities at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen							
	2008				2007			
	Cost	Fair value	Unrealized gains	Unrealized losses	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	¥2,019	¥1,329	¥56	¥746	¥1,789	¥1,823	¥163	¥129

	Thousands of U.S. dollars			
	2008			
	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	\$20,150	\$13,264	\$559	\$7,445

Proceeds from the sale of investment securities and gross realized gains and losses for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Proceeds	¥1	¥807	¥36	\$10
Gross realized gains	0	402	7	0
Gross realized losses	0	-	6	0

The carrying amounts of investment securities with no available market values at March 31, 2008 and 2007 were ¥16 million (\$159 thousand) and ¥16 million, respectively.

5. Derivative Financial Instruments:

The Company operates internationally, giving rise to significant exposure to market risks arising from changes in foreign currency exchange rates. The Company's derivative financial instruments consist principally of foreign exchange contracts utilized to hedge against these risks. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for any purposes other than hedging.

The maximum term over which the Company hedges its exposure to the variability of cash flows for foreign currency exchange risk is approximately three months. The Company is exposed to credit risk by the potential nonperformance of counterparties to foreign exchange contracts, but such risk is considered mitigated by the high credit rating of the counterparties.

6. Leases:

In Japan, the Company and all domestic subsidiaries lease certain computer equipment, vehicles, machinery for delivery, communication equipment and printers. The leases entered into are non-cancelable leases, under which ownership of the property is not transferred to the lessee at the end of the lease term. The lease agreements provide for initial terms from 3 to 6 years with renewal options for additional periods. In accordance with Japanese GAAP, the leases are not required to be capitalized, and rental expenses on these leases are charged to income as incurred.

The following pro forma amounts represent the acquisition costs and accumulated depreciation as of March 31, 2008 and 2007 that would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to these leases.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery and equipment			
Acquisition cost	¥282	¥241	\$2,814
Accumulated depreciation	(133)	(67)	(1,327)
	149	174	1,487

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Furniture and fixtures			
Acquisition cost	258	284	2,575
Accumulated depreciation	(122)	(111)	(1,218)
	136	173	1,357
	¥285	¥347	\$2,844

Future minimum lease payments, including interest at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥100	¥121	\$ 998
Due after one year	185	226	1,846
	¥285	¥347	\$2,844

For the three years ended March 31, 2008, rentals under the above-mentioned finance leases that did not transfer ownership were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Rentals	¥136	¥114	¥101	\$1,357

The Companies also entered into lease agreements for land and buildings for the head office, the technical research center and a plant. The leases are classified as operating leases, and the rents are charged to income as incurred in accordance with Japanese GAAP. Future minimum rents under non-cancelable operating leases at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥ 347	¥ 345	\$ 3,463
Due after one year	1,203	1,544	12,006
	¥1,550	¥1,889	\$15,469

7. Short-term Bank Loans:

The weighted average annual interest rates of short-term in Japan and overseas bank loans as of March 31, 2008 were 1.05% and 2.92%, respectively. The weighted average annual interest rate overseas as of March 31, 2007 was 3.58%. As is customary in Japan, bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will

be given upon request of the bank, and that the bank shall have the right as the obligations become due or in the event of default, to offset cash deposits against such obligations due to the bank.

8. Retirement and Severance Benefits:

The following tables set forth the details of the Companies' benefit obligation, plan assets and funded status at March 31, 2008 and 2007.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Benefit obligation at end of year	¥(4,406)	¥(4,449)	\$(43,972)
Fair value of plan assets at end of year	2,904	3,425	28,982
Unfunded benefit obligation	(1,502)	(1,024)	(14,990)
Unrecognized prior service benefits	(19)	(20)	(190)
Unrecognized actuarial losses (gains)	395	(208)	3,942

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement and severance benefits recognized in the consolidated balance sheets	¥(1,126)	¥(1,252)	\$(11,238)

Note: Some domestic subsidiaries have adopted the permitted alternative treatment prescribed by the accounting standard for retirement benefits for small business entities, allowing accrual for 100% of the amount required if all employees were to voluntarily terminate their employment as of the balance sheet date.

Accounts payable to the defined contribution pension plan as of March 31, 2008 and 2007 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Accounts payable-other	¥186	¥ 224	\$1,856
Long-term accounts payable	-	218	-
	¥186	¥ 442	\$1,856

Net periodic benefit cost of the Companies included the following components for the three years ended March 31, 2008.

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Service cost	¥240	¥207	¥231	\$2,395
Interest cost	92	89	98	918
Expected return on plan assets	(68)	(63)	(52)	(678)
Amortization:				
Prior service costs	(1)	1	2	(10)
Actuarial gains and losses	(8)	(6)	47	(80)
Contribution to defined contribution pension plan	134	118	64	1,337
Net periodic benefit cost	¥389	¥346	¥390	\$3,882

Assumptions used in accounting for retirement benefits for the three years ended March 31, 2008 were as follows:

	2008	2007	2006
Method of attributing benefit to period of service	Straight-line	Straight-line	Straight-line
Discount rate	2.0%	2.0%	2.0%
Long-term rate of return on plan assets	2.0%	2.0%	2.0%
Amortization period for prior service costs	12 to 13 years	12 to 13 years	12 to 13 years
Amortization period for actuarial gains and losses	12 to 15 years	12 to 15 years	12 to 15 years

9. Net Assets:

Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at

least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

dance with Japanese laws and regulations.

At the Board of Directors' meeting held on May 12, 2008, the Board of Directors approved cash dividends amounting to ¥933 million (\$9,311 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the directors.

During the years ended March 31, 2008, 2007 and 2006, the Company repurchased 1,328,834 shares, 560,232 shares and 231,032 shares of treasury stock with aggregate value of ¥2,075 million (\$20,709 thousand), ¥1,107 million and ¥288 million, respectively.

10. Stock Options:

Certain directors, certain managing officers and certain employees of the Companies may be granted options to purchase the Company's common stock. These stock options principally have a two-to three-year terms and vest and become fully exercisable after two to three years from the date granted. Information with respect to stock options that have been granted by the Company is as follows:

i) Content of stock options

	Stock options granted in 2003	Stock options granted in 2004	Stock options granted in 2005
Persons granted	4 Directors 8 Managing officers 16 Employees 7 Directors of subsidiaries	4 Managing officers 759 Employees	3 Directors 7 Managing officers 155 Employees 6 Directors of subsidiaries
Type of stock	Common Stock	Common Stock	Common Stock
Number of shares (Note (1))	255,000	438,500	574,000
Date of grant	August 7, 2002	July 16, 2003	June 18, 2004
Vesting conditions	Note (2)	Note (2)	Note (2)
Service period	No provisions	No provisions	No provisions
Exercise period	From July 1, 2004 to June 30, 2007	From July 1, 2005 to June 30, 2007	From July 1, 2007 to June 30, 2009
	Stock options granted in 2006	Stock options granted in 2007	Stock options granted in 2008
Persons granted	3 Directors 5 Managing officers 755 Employees 12 Directors of subsidiaries	14 Employees 3 Directors of subsidiaries 79 Employees of subsidiaries	11 Employees
Type of stock	Common Stock	Common Stock	Common Stock
Number of shares (Note (1))	1,412,700	89,400	26,500
Date of grant	June 17, 2005	October 6, 2006	November 6, 2007
Vesting conditions	Note (2)	Note (2)	Note (2)
Service period	No provisions	No provisions	No provisions
Exercise period	From July 1, 2008 to June 30, 2011	From July 1, 2008 to June 30, 2011	From July 1, 2009 to June 30, 2011

Note (1) The number of stock options is convertible into an equal number of shares.

Note (2) To exercise these options, the person granted the option is principally required to be a director, a managing officer or an employee of the Companies, except for in cases of resignation at the expiration of one's term, retirement or other approved cases.

ii) Number, movement and price of stock options

The number of stock options is convertible into an equal number of shares.

(1) Number of shares

	2003	2004	2005	2006	2007	2008
Before vesting options (number of shares)						
Balance at April 1, 2006	-	-	523,000	1,385,100	-	-
Granted	-	-	-	-	89,400	-
Forfeited	-	-	-	7,700	600	-
Balance at April 1, 2007	-	-	523,000	1,377,400	88,800	-
Granted	-	-	-	-	-	26,500
Forfeited	-	-	-	10,000	1,600	-
Balance at March 31, 2008	-	-	-	1,367,400	87,200	26,500
After vesting options (number of shares)						
Balance at April 1, 2006	15,000	59,000	-	-	-	-
Exercised	10,000	18,000	-	-	-	-
Balance at April 1, 2007	5,000	41,000	-	-	-	-
Vested	-	-	523,000	-	-	-
Exercised	5,000	32,500	288,000	-	-	-
Forfeited	-	8,500	-	-	-	-
Balance at March 31, 2008	-	-	235,000	-	-	-

(2) Price information

Stock options granted	2003	2004	2005	2006	2007	2008
Option price (yen)	597	600	1,034	1,358	1,979	1,406
Weighted average stock price at exercise date in 2007 (yen)	2,095	1,920	-	-	-	-
Weighted average stock price at exercise date in 2008 (yen)	1,804	1,845	1,430	-	-	-
Fair value at grant date (yen)	-	-	-	-	281	171

The fair value of the stock options granted in 2008 and 2007 are estimated on the date granted using the Black-Scholes option-pricing model that used the weighted average assumptions in the following table.

Valuation assumptions:	2008	2007
Expected volatility	19.02%	24.33%
Expected term	2 years and 8 months	3 years and 3 months
Risk-free interest rate	1.0%	1.0%

11. Research and Development:

Research and development costs are expensed as incurred. Research and development costs for the three years ended March 31, 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
Research and Development costs	2008	2007	2006	2008
	¥1,979	¥2,072	¥1,948	\$19,750

12. Income Taxes:

The Company and all domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in an average normal tax rate of approximately 40.6% for each of the years ended March 31, 2008, 2007 and 2006. The effective tax rates for the years differ from the normal tax rate as follows:

	2008	2007	2006
Normal tax rate	40.6%	40.6%	40.6%
Expenses not deductible for tax purposes	1.3	0.3	0.4
Per capita taxes	1.4	1.3	2.3
Effect of distributed earnings of overseas subsidiaries	0.3	0.5	0.8
Lower tax rates of overseas subsidiaries	(4.7)	(2.9)	(2.7)
Unrecognized deferred tax on unrealized intercompany profit	(0.1)	(0.3)	(0.3)
Tax credit for research and development expenses	(3.0)	(3.0)	(3.4)
Changes in valuation allowance	2.6	0.0	(0.3)
Other	1.0	0.2	0.1
Effective tax rate	39.4%	36.7%	37.5%

13. Contingent liabilities:

Contingent liabilities at March 31, 2008 and 2007 for guarantees of bank loans of an associate amounted to ¥55 million (\$549 thousand) and ¥55 million, respectively.

14. Segment Information:

i) Information by industry segments

The Companies' main business is the manufacture and distribution of control equipment and related products. Secondary businesses include the manufacture and distribution of marking systems. However the percentage of net sales, operating income, and total assets for all secondary businesses represent less than 10% of the Companies' consolidated net sales, operating income and total assets. Accordingly, information by industry segment is not presented.

ii) Information by geographic areas

	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
2008							
Net sales:							
External customers	¥23,012	¥5,186	¥1,166	¥5,172	-		¥34,536
Intersegment	4,259	133	3	2,910	¥(7,305)		-
Total	27,271	5,319	1,169	8,082	(7,305)		34,536
Operating cost and expenses	24,659	4,856	1,024	7,197	(7,566)		30,170
Operating income	2,612	463	145	885	261		4,366
Assets	24,182	5,306	490	6,161	1,561		37,700

	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
2007							
Net sales:							
External customers	¥23,300	¥5,349	¥1,044	¥3,892	-		¥33,585
Intersegment	4,075	121	1	2,898	¥(7,095)		-
Total	27,375	5,470	1,045	6,790	(7,095)		33,585
Operating cost and expenses	24,502	4,987	940	6,129	(7,332)		29,226
Operating income	2,873	483	105	661	237		4,359
Assets	25,018	5,813	528	5,953	2,855		40,167

The tax effects of temporary differences, tax loss carryforwards and tax credit carryforwards that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Inventories	¥ 372	¥ 449	\$ 3,713
Allowance for doubtful receivables	65	76	649
Property, plant and equipment	79	114	788
Investment securities	37	37	369
Retirement and severance benefits	523	681	5,220
Accrued expenses	361	399	3,603
Tax loss carryforwards	140	109	1,397
Accrued business taxes	40	42	399
Net unrealized holding losses on securities	280	-	2,794
Other	116	51	1,158
Total gross deferred tax assets	2,013	1,958	20,090
Less valuation allowance	(185)	(108)	(1,846)
Net deferred tax assets	1,828	1,850	18,244

Deferred tax liabilities:

Net unrealized holding gains on securities	-	(14)	-
Total gross deferred tax liabilities	-	(14)	-
Net deferred tax assets	¥1,828	¥1,836	\$18,244

The Company has not recognized deferred tax liabilities of approximately ¥450 million (\$4,491 thousand) and ¥408 million for a portion of undistributed earnings of foreign subsidiaries in 2008 and 2007, respectively. The Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future, except for an amount that will probably be distributed according to the Company's policy for distribution of earnings of subsidiaries. Deferred tax liabilities will be recognized when the Company expects to recover those undistributed earnings in a taxable manner, such as through the receipt of dividends or the sale of the investments. As of March 31, 2008 and 2007, undistributed earnings of these subsidiaries were approximately ¥5,797 million (\$57,854 thousand) and ¥5,932 million, respectively.

2006	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	¥22,502	¥4,873	¥839	¥3,163	-		¥31,377
Intersegment	3,584	112	1	2,233	¥(5,930)		-
Total	26,086	4,985	840	5,396	(5,930)		31,377
Operating cost and expenses	23,000	4,600	771	4,901	(6,075)		27,197
Operating income	3,086	385	69	495	145		4,180

2008	Thousands of U.S. dollars					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	\$229,661	\$51,757	\$11,636	\$51,617	-		\$344,671
Intersegment	42,505	1,327	30	29,042	\$(72,904)		-
Total	272,166	53,084	11,666	80,659	(72,904)		344,671
Operating cost and expenses	246,098	48,463	10,220	71,826	(75,509)		301,098
Operating income	26,068	4,621	1,446	8,833	2,605		43,573
Assets	241,338	52,954	4,890	61,487	15,579		376,248

As described in Note 2 vi), effective from the year ended March 31, 2008, property, plant and equipment acquired on and after April 1, 2007 have been depreciated in accordance with the method stipulated in the amended Corporation Tax Law. As a result of the change in the accounting policy, operating income of "Japan" in 2008 decreased by ¥33 million (\$329 thousand), compared to the previous method.

Corporate and eliminations in 2008 and 2007 included corporate assets, including surplus working assets (cash and cash equivalents) and long-term investments (investment securities), amounting to ¥4,987 million (\$49,770 thousand) and ¥6,717 million respectively.

iii) Overseas sales

Overseas sales for the year ended March 31, 2008, 2007 and 2006 are summarized as follows:

Overseas sales:	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
North America	¥ 5,158	¥ 5,316	¥ 4,861	\$ 51,477
Europe	2,913	2,629	2,170	29,072
Asia Pacific	4,444	3,740	3,130	44,351
Other	76	80	74	759
Total	¥12,591	¥11,765	¥10,235	\$125,659
Consolidated net sales	¥34,536	¥33,585	¥31,377	\$344,671
Percentage of overseas sales to consolidated net sales	36.5%	35.0%	32.6%	36.5%

Overseas sales represent the total amount of export sales of the Company and its domestic subsidiaries and sales of overseas subsidiaries. Intercompany sales between consolidated subsidiaries were eliminated.

15. Per Share Data:

Basic and diluted net income per share was calculated as follows:

Net income	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
	¥2,241	¥2,616	¥2,678	\$22,365

Average common shares outstanding	Numbers of shares		
	2008	2007	2006
	31,572,048	32,207,904	32,544,755
Dilutive effect of stock options	286,862	687,164	555,809
Diluted common shares outstanding	31,858,910	32,895,068	33,100,564

Net per share:	Yen			U.S. dollars
	2008	2007	2006	2008
Basic	¥70.99	¥81.24	¥82.30	\$0.71
Diluted	70.35	79.54	80.92	0.70

Because the stock option effect would not have been dilutive, 87,200 shares and 88,800 shares of stock options were not included in the calculation of diluted net income per share at March 31, 2008 and 2007, respectively.

16. Reclassification and restatement:

Certain prior year amounts were reclassified to conform to the current year presentation.

Also, as described in Notes 2 xiv), the Company prepared the consolidated statements of changes in net assets for 2006, as well as for 2008 and 2007.

These reclassifications had no impact on previously reported results of operations or retained earnings.



Independent Auditors' Report



Independent Auditors' Report

To the Board of Directors of
IDEC Corporation:

We have audited the accompanying consolidated balance sheets of IDEC Corporation and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2008, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IDEC Corporation and subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

As described in Note 2 vi) to the consolidated financial statements, IDEC Corporation and its domestic subsidiaries adopted the accounting standard for impairment of fixed assets effective from the year ended March 31, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included examining the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 9, 2008

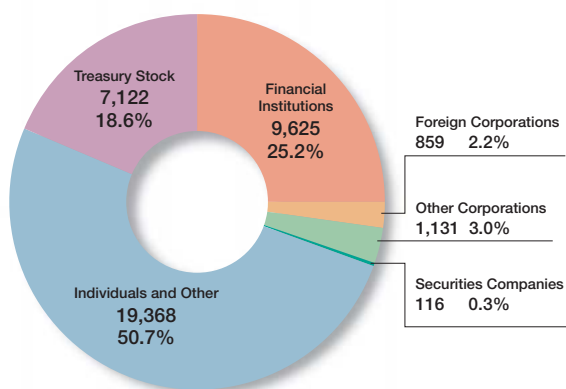
Share Data

Number of Shares Authorized:	150,000,000
Number of Shares Issued:	38,224,485*
Share Unit:	100
Number of Shareholders:	12,751

* Treasury stock held at the end of the period totaled 7,122,139 shares, representing changes in amounts repurchased, or in response to requests for purchases or additional purchases or the execution of stock options.

By Shareholding (Number of Shares and Ratio)

(Thousands)

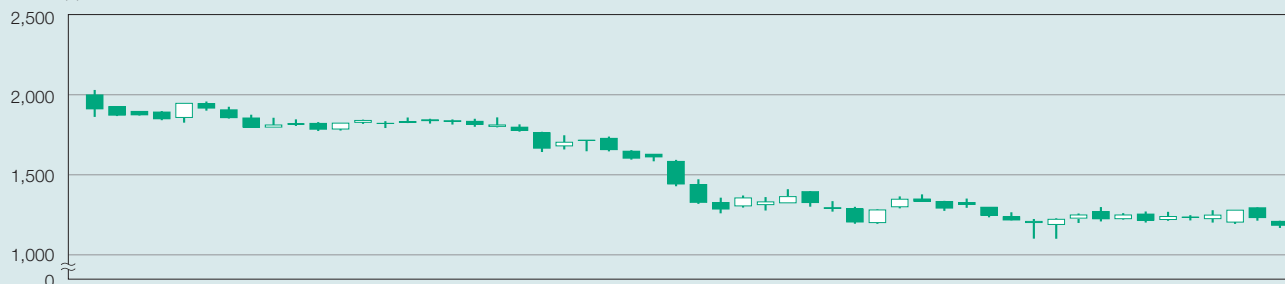


Major Shareholders (Top 10)

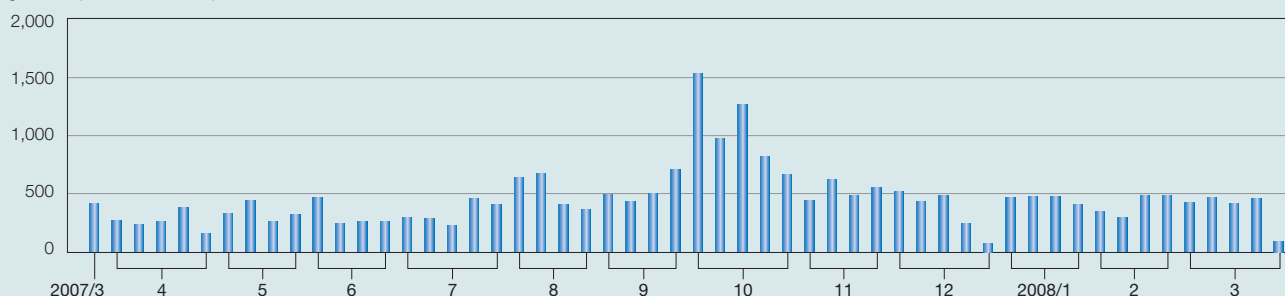
Shareholders	No. of Shares (Thousands)	Holdings (%)
Japan Trustee Services Bank, Ltd. (Trust account)	2,099	5.49
The Master Trust Bank of Japan, Ltd. (Trust account)	1,619	4.24
Tsuneo Funaki	1,607	4.21
Mizuho Bank, Ltd.	1,312	3.43
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,124	2.94
Nippon Life Insurance Company	1,029	2.69
Keijiro Fujita	773	2.02
Trust & Custody Services Bank, Ltd. (security investment trust account)	443	1.16
Toshihiro Fujita	427	1.12
Toshiyuki Funaki	366	0.96

Share Price Chart

Share Price(¥)



Trading Volume(Thousand Shares)



Corporate Data

Corporate Name:	IDEC CORPORATION
Incorporated:	March 26, 1947
Paid-in Capital:	¥10,056,605,173
Number of Employees:	1,926 (Consolidated, as of March 31, 2008)
Stock Listed:	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section
Head Office:	7-31, Nishi-Miyahara 1-chome, Yodogawa-ku, Osaka 532-8550, Japan Phone: +81-6-6398-2500
Tokyo Head Office:	1-8, Konan 4-chome, Minato-ku, Tokyo 108-0075, Japan Phone: +81-3-5782-7690
Technology Research Center:	IDEC Technology Research Center
Plants:	Tsukuba, Kyoto, Fukusaki, Takino
Sales Offices:	Sapporo, Sendai, Koriyama, Takasaki, Utsunomiya, Omiya, Mito, Tokyo, Tama, Yokohama, Mishima, Matsumoto, Niigata, Toyama, Kanazawa, Hamamatsu, Toyoda, Nagoya, Kyoto, Osaka, Kobe, Okayama, Fukuyama, Hiroshima, Shikoku, Kitakyushu, Fukuoka, Kumamoto IDEC SALES OFFICE
Distribution Centers:	Hamamatsu, Tatsuno



Head Office



Kyoto Plant



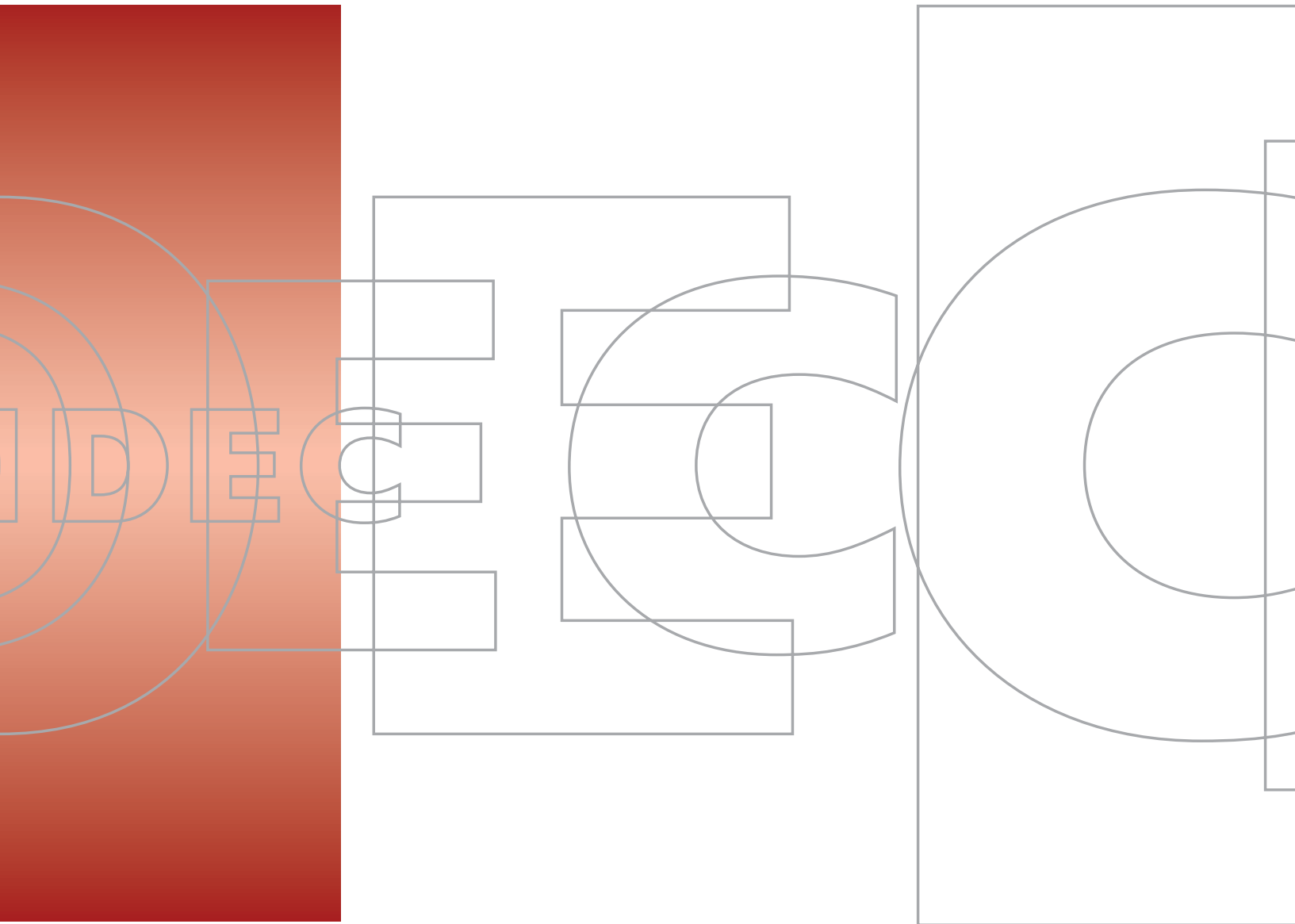
Fukusaki Plant

Founder and Honorary Chairman, Board of Directors and Corporate Auditors

Founder and Honorary Chairman	Tsuneo Funaki
Chairman and C.E.O.	Toshiyuki Funaki
Senior Executive Vice President	Mikio Funaki
Director	Keijiro Fujita
Director	Hisaichi Yamane
Outside Director	Akira Toyokura
Outside Director	Takeshi Nakagawa <small>(Standing Advisor of Toshiba Corporation)</small>
Standing Corporate Auditor	Masayuki Furukawa
Outside Corporate Auditor	Yuhei Maruyama
Outside Corporate Auditor	Hirokazu Taniguchi
Outside Corporate Auditor	Masanori Sakamoto

Managing Officers

Chairman and C.E.O.	Toshiyuki Funaki
Senior Executive Vice President	Mikio Funaki
Managing Executive Officers	
Chief Technology Officer	Toshihiro Fujita
Global Business Development	Peter Tarantino
Domestic Business Development	Yasuzo Tsuchiya
Quality Assurance	Hideyuki Kitayama
Officers	
Marketing	Hirosuke Mikasa
Manufacturing	Kenji Terada
Control Components Sales (Marketing for West Japan and Marketing for East Japan)	Shigekazu Kawase
System Engineering	Tomoyuki Nakano



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