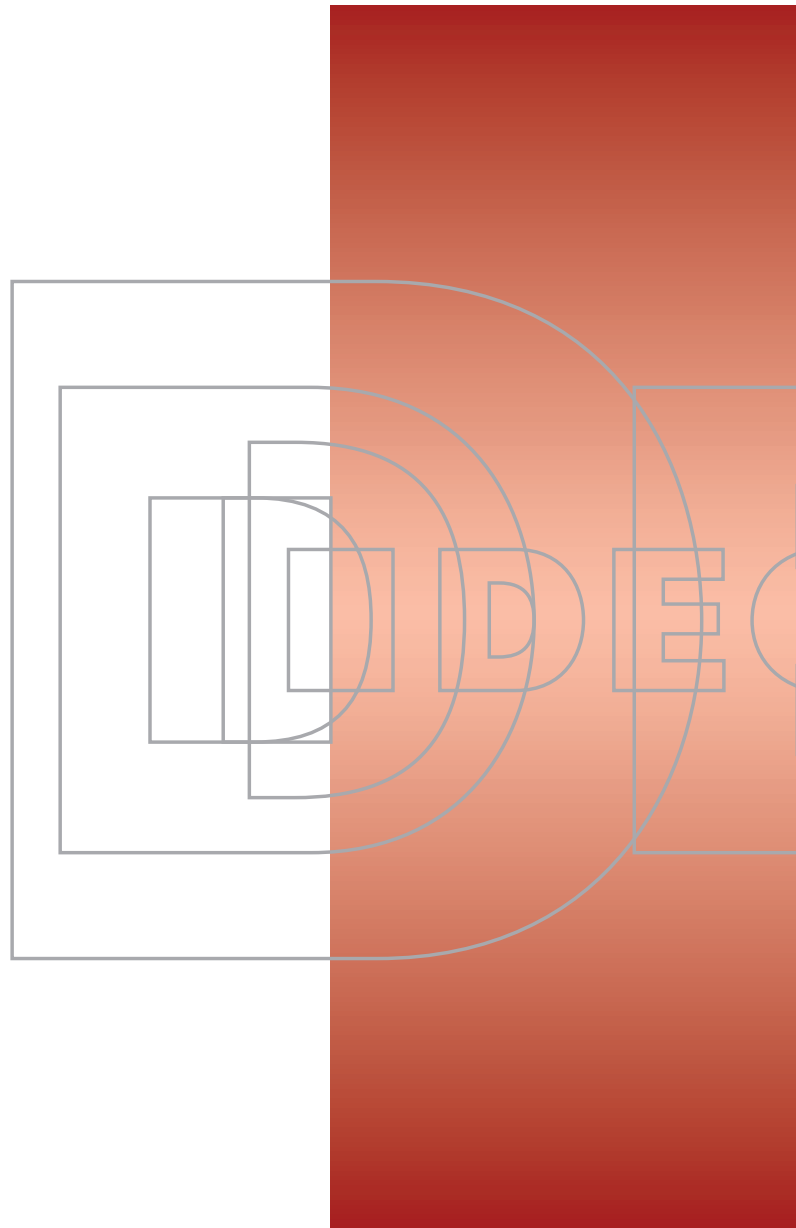
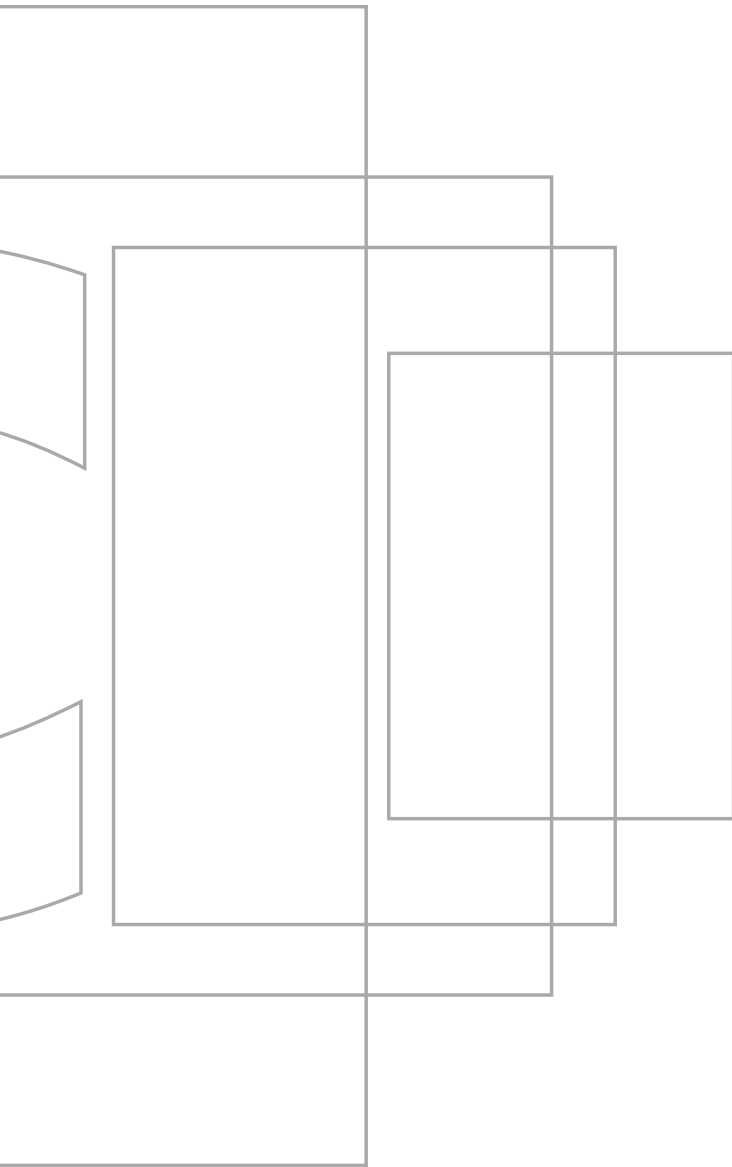




ANNUAL REPORT 2005



IDEC CORPORATION



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Forward-looking Statements

Plans, strategies, beliefs and other statements concerning future business operations of IDEC Corporation., Ltd. included in this annual report are forward-looking statements based not on historical facts but on management's assumptions and beliefs in light of information currently available. These forward-looking statements include risks, known and unknown, and uncertainties. Actual management achievements and business results may therefore differ significantly from forecasts in this annual report.

The new corporate name of IDEC CORPORATION, which will be adopted on November 1, 2005, is used to refer to the Company throughout this report, except in the financial section, where the old name is used.



Think Automation and beyond...

New Name:

IDEDEC CORPORATION

Old Name: IDEDEC IZUMI CORPORATION

Corporate Name, Logo and Corporate Symbol Renewal

The IDEDEC Group is presently made up of 21 companies, 8 in Japan and 13 overseas. To further strengthen ties between these companies and unify our company and brand name worldwide, we will change our name to IDEDEC CORPORATION on November 1, 2005.

Together with this name change, we will also adopt a new corporate logo. This move was taken to update our corporate and business image by unifying the IDEDEC Group under a single recognizable symbol.

Armed with this new corporate name and logo, we are determined to draw on all the IDEDEC Group's capabilities to expand the reach and scale of our businesses as we step up efforts to develop as a true global enterprise.

November 2005

Toshiyuki Funaki

President, C.O.O.

New Symbol



The Corporate Symbol contains the message

Good human relationships at every stage and a change in thinking

The white "I" in combination with the neighboring IDEDEC red "I" symbolizes close human relationships.

The contrast between the colors represents (1) support behind the scenes and (2) a change in thinking throughout the company.

IDEDEC will be one step ahead in the expansion of our businesses and growth toward the future.

The wide expanse in IDEDEC gray to the left represents:

(1) new possibilities with creation of added values, (2) expansion of business areas, (3) growth toward the future brought forth through a wide range of collaboration and partnerships, and (4) the IDEDEC attitude of running one step ahead in the new age (21st century).

The basic color IDEDEC red represents new dynamic energy and power, with passion, commitment, spontaneity, and aggressiveness for the future.



Chairman, C.E.O. **Tsuneo Funaki**

President, C.O.O. **Toshiyuki Funaki**

IDEC Maximizes Profit by Expanding Market Share and Cutting Costs

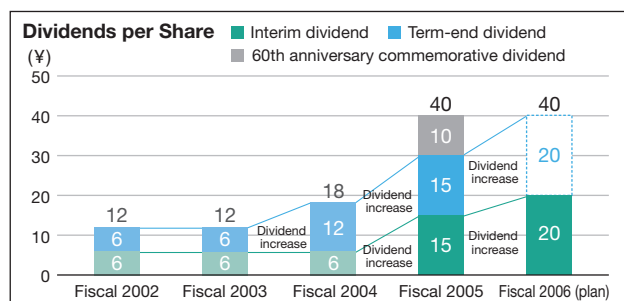
The business environment during the fiscal year ended March 31, 2005 was generally strong, due to the recovery in domestic private-sector capital investments. This was in spite of an uncertain outlook for both the Japanese and world economies, owing to higher raw material prices, triggered by soaring crude oil prices, and to strict monetary policies implemented in the U.S. and China.

In this environment, IDEC strove to become a leading global company that boasts top market shares in its core products. During the period under review, the final year of our medium-term management plan begun in the March 2003 fiscal year, we strengthened our operating base, mainly by enhancing our financial position and domestic sales system. These efforts culminated in consolidated net sales of ¥29,627 million (US\$275,831 thousand), up 12.6% from the previous fiscal year. Net income was ¥1,988 million (US\$18,509 thousand), an increase of 76.1%. Consolidated net income was a record.

These figures are attributable to a number of factors. First is the successful implementation of a well-conceived sales strategy in Japan, China, and other Asian countries. As a result, sales were strong in existing core products, including control switches, as well as security and explosion-protected equipment and other new products, which catered to customers' security needs. Sales of small programmable controllers, sold as OEM products in Europe, also increased substantially. In addition, our industry-leading push-button switches gained market share for the third consecutive year. Other products posted gains, too. In sum, we achieved our stated aim in the medium-term management plan of making strong products even more competitive.

On the profit front, extremely favorable sales of high-margin products coupled with further reductions in production costs at manufacturing sites worldwide helped to offset rising raw material prices. As a result, the cost of sales ratio improved 0.4 of a percentage point to 51.7%, while the ratio of selling, general and administrative expenses to net sales improved 2.3 percentage points to 36.1%. We therefore achieved our goal of maximizing profit by expanding shares and cutting costs in fiscal 2005.

Against this backdrop, the annual dividend applicable to the year was ¥40 per share. This includes a term-end dividend of ¥25 per share, which is made up of the ordinary dividend of ¥15 and a commemorative dividend of ¥10 to appreciate the Company's 60th anniversary. As you can see, we are making bigger efforts to give back to shareholders as much as we can.



Implementation of a New Medium-term Management Plan and Outlook

Looking ahead, prospects of soaring raw material prices created by even higher crude oil prices, combined with expanded inventory reductions, create a negative outlook for the business environment in Japan. On the other hand, continued growth is expected in other Asian economies and the U.S.

Given these conditions, IDEC has implemented a new medium-term management plan, to be completed in fiscal 2008. Under the overarching goal of "Reforms: Expanding Business Domains and Pursuing New Growth," we will endeavor to build a resolute operating base during fiscal 2006, the first year of the plan. Specifically, on the profit front, we plan to reduce costs. This will be achieved in two

main ways. One is by furthering our efforts to manufacture product components in-house. The other is by reinforcing IDEC's global production framework. The second factory in Suzhou, China, which will come on stream in fall 2005, is an integral part of this strategy. In addition, plans call for around 20% of production to be carried out overseas by the final year of the plan. This will be achieved by bolstering bases in China and other Asian countries. In Japan, we will work to slash production costs of high-value-added products by introducing an "Assemble Shop," a robot-controlled cell production system. Finally, we will concentrate on building a sales network and heightening IDEC's presence in China by integrating sales and production activities. Through these steps, we aim to grab a greater market share in China.

Based on the above, for fiscal 2006, we project ¥31.0 billion, or a 4.6% increase, in consolidated net sales, and ¥2.4 billion, or a 20.7% increase, in consolidated net income. We also plan to maintain the annual dividend per share at ¥40, which included a commemorative dividend in fiscal 2005.

Striving to Become a True Global Company

In November 2005, IDEC will celebrate its 60th year in business, followed by the 60th anniversary of its establishment as a limited company in March 2007. At the first of these two important junctures in our history on November 1, 2005, we have decided to change our name to IDEC Corporation. By doing so, we will renew the image of "IZUMI," whose name is associated with control and switch equipment, to grow as a true global company. By unifying the company name and brand, symbols of the Group's identity, we will harness the collective strengths of the Group to build the foundation for growth on a global scale, and expand our markets beyond the domain of control equipment.

As we celebrate our 60th year in business and strive for even stronger growth, we hope that this annual report will help you understand why we are changing our name and the strategies contained in our new medium-term management plan. We ask for your greater support and guidance as we pursue these initiatives.

November 2005

Chairman, C.E.O.



Tsuneo Funaki

President, C.O.O.



Toshiyuki Funaki

The New Medium-term Management Plan

In November 2005, IDEC will celebrate its 60th anniversary. Marking this important juncture in our history, we have launched a new medium-term management plan under the slogan, "Reforms: Expanding Business Domains and Pursuing New Growth."

Aiming for dramatic and sustainable growth as a true global company, the plan consists of two continuous phases. The first phase covers the period between fiscal 2006 and fiscal 2008, with the second phase extending from fiscal 2009 to fiscal 2011. During these three-year periods, the Group will endeavor to grow and expand both existing and new businesses.

In the first phase, we are planning to build a world-class operating base. We have set the goal of ¥40 billion in net sales, comprising ¥4 billion from new businesses and ¥36 billion from existing businesses. For the latter, ¥6 billion will be realized by advancing and expanding in current businesses, while the remaining ¥30 billion will be provided by continuing and expanding normal operations.

In new businesses, the Group will take on the challenge of new fields. This will be achieved by leveraging Group-wide technologies and knowledge, as well as external resources whenever necessary, without restricting activities to the control and industrial equipment markets. For example, we will target mainly four businesses: image processing systems, AUTO-ID/IC tags, maintenance and engineering, and commercialization of "Assemble Shop," a robot-controlled cell production system. In particular, IDEC will work to differentiate itself in the factory automation (FA) market by fusing

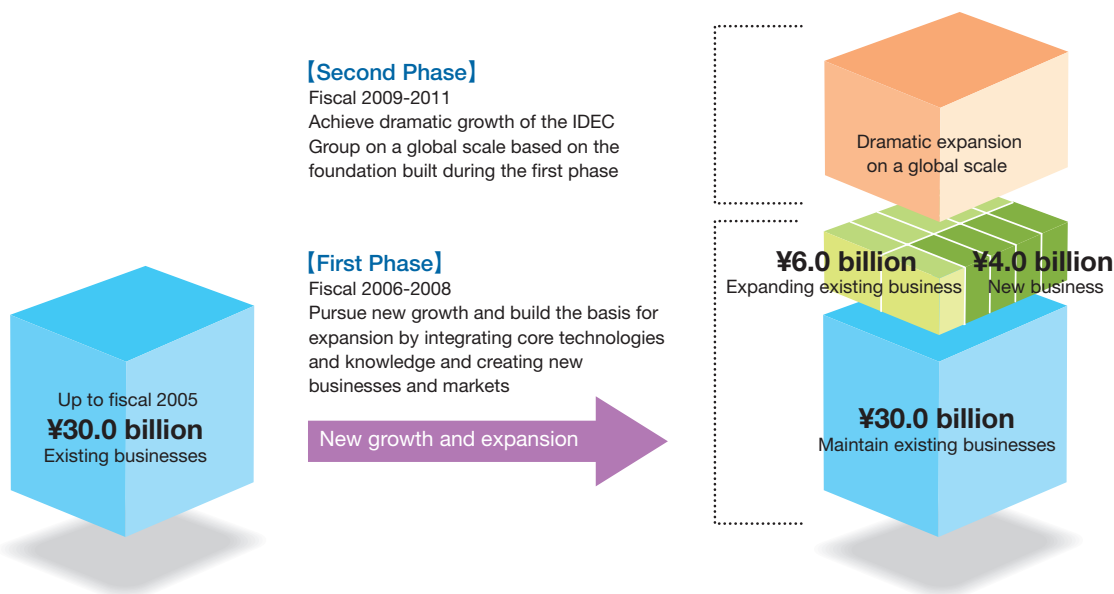
technological and other strengths through a business alliance with a venture company possessing digital image processing technology. Used to improve operational safety in production lines such as those of automobile manufacturers, these systems will be launched during fiscal 2006 and are projected to contribute around half of the target figure of ¥4 billion in net sales for new businesses.

To advance and expand existing businesses, the Group will implement a number of strategies. These include enhancing "all-in-one" HMI (human-machine interface) control boards and safety businesses, as well as expanding LEDs, businesses in China, and explosion-protected products. In particular, a second factory in Suzhou, China, scheduled to come on-stream in fall 2005, promises to bolster our local production and supply capabilities in the country.

Finally, in maintaining and expanding existing businesses, IDEC will strive to increase the contribution of sales of new products to net sales, while working to reduce the cost of sales ratio. Steps to be taken include establishing an e-commerce company specializing in control equipment and creating a new distribution system model based on directly operated stores in the Tokyo metropolitan, Chubu, and Kansai regions.

The second phase of the medium-term management plan will build on the results achieved during the first phase, with a target of a higher level in net sales. Ultimately, the Group targets significant expansion of net sales in fiscal 2011.

A Continuous Two-stage Medium-term Management Plan



Global Strategy of Adopting a Uniform Company Name and Brand

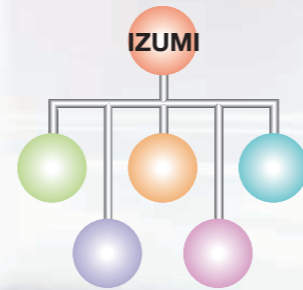
As outlined on page four, effective November 2005, IDEC IZUMI Corporation will change its name to IDEC Corporation. Coinciding with our 60th year in business, this move will mark a new step forward as a true global company.

The name "IZUMI" has always embodied our resolve to cherish harmonious relationships and teamwork, and be a fountain of an infinite stream of great ideas. The spirit enshrined in the "IZUMI" name has anchored our efforts to develop business in the field of industrial equipment. However, while the "IZUMI" brand in Japan came to be associated with control and switch equipment, in the U.S. and elsewhere overseas, the Group is widely known by its "IDEC" brand. Because this has created a disparity in our brand identity, we have decided to adopt a uniform company name and brand worldwide to build the basis for growth on a global scale. While we plan to change our corporate image and harness the collective strengths of the Group to improve corporate value, we will continue to attach great importance to the spirit of "IZUMI."

By unifying our brand under the IDEC name, we will reinforce a sense of Group unity that will serve as an even more powerful driving force for creating a new corporate and business image for the future.

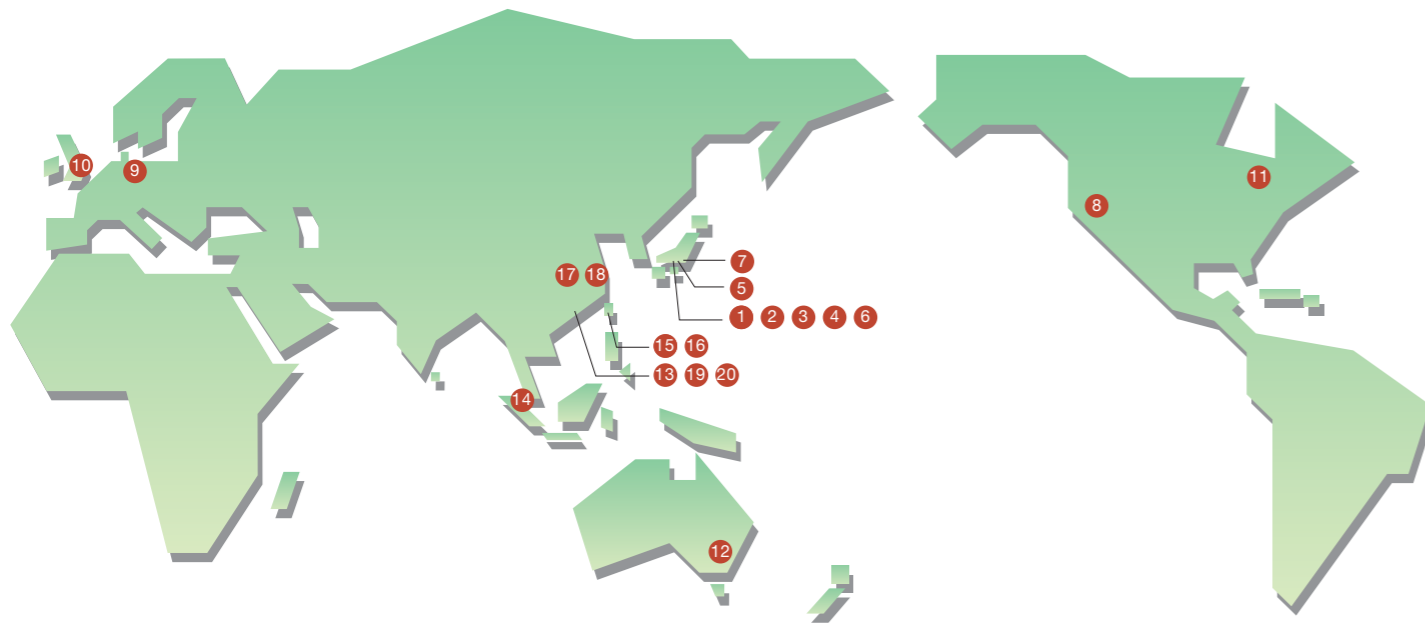
November 1, 2005

From IZUMI to IDEC



We have reinforced our cooperative relationships inside the IDEC Group. Looking to the future, we have created a new corporate image and business images.

IDEC Group



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 related systems
③ IDEC OPTO DEVICE CORPORATION (Kyoto)	¥ 20 million	100%	Development, manufacture, and sale of LED lamps, other LED products, and hybrid ICs
④ I.E.S. CORPORATION (Osaka)	¥ 10 million	100%	Assembly and installation of control equipment and devices. Sale of control equipment and devices
⑤ ASAHISEIGYO CORPORATION (Aichi)	¥ 10 million	100%	Sale of control equipment and devices
⑥ IDEC DATALOGIC Co., Ltd. (Osaka)	¥ 300 million	50%	Import and sale of control equipment and devices
⑦ TOHKEN Co., Ltd. (Tokyo) (Listed on JASDAQ)	¥ 1,122 million	22%	Manufacture and sale of barcode readers and X-ray systems
⑧ IDEC CORPORATION (USA)	US\$ 4,800 thousand	100%	Manufacture and sale of control equipment and devices
⑨ IDEC Elektrotechnik GmbH (Germany)	Euro 102 thousand	90%	Sale of control equipment and devices
⑩ IDEC Electronics Limited (United Kingdom)	STG£ 750 thousand	96%	Sale of control equipment and devices
⑪ IDEC CANADA, LTD. (Canada)	CA\$ 50 thousand	100%	Sale of control equipment and devices
⑫ IDEC Australia Pty, Ltd. (Australia)	A\$ 1,125 thousand	100%	Sale of control equipment and devices
⑬ IDEC HONG KONG CO., LTD. (Hong Kong)	HK\$ 5,000 thousand	100%	Holding company
⑭ IDEC IZUMI ASIA PTE LTD. (Singapore)	SP\$ 1,000 thousand	100%	Sale of control equipment and devices
⑮ IDEC TAIWAN CORPORATION (Taiwan)	NT\$ 15,000 thousand	70%	Sale of control equipment and devices
⑯ IDEC IZUMI TAIWAN CORPORATION (Taiwan)	NT\$ 60,000 thousand	100%	Manufacture and 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 devices
⑱ IDEC IZUMI (SHANGHAI) CO., LTD. (China)	US\$ 300 thousand	70%	Sale of control equipment and devices
⑲ IDEC IZUMI (H.K.) CO., LTD. (Hong Kong)	HK\$ 15,600 thousand	70%	Sale of control equipment and devices
⑳ IDEC IZUMI (Shenzhen) Co., Ltd. (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 both wholly owned subsidiaries of IDEC CORPORATION.
 3. In fiscal 2005, IDEC IZUMI (H.K.) CO., LTD. changed its name to IDEC HONG KONG CO., LTD.
 4. In fiscal 2005, IDEC IZUMI (H.K.) CO., LTD. was newly established, with IDEC HONG KONG CO., LTD. taking a 70% equity interest.
 5. IDEC IZUMI TAIWAN CORPORATION has a 25.2% equity interest in IDEC IZUMI SUZHOU CO., LTD.
 6. IDEC IZUMI (SHANGHAI) CO., LTD. and IDEC IZUMI (Shenzhen) Co., Ltd. are 100%-owned subsidiaries of IDEC IZUMI (H.K.) CO., LTD.

IDEC Transition of Symbols (From IZUMI to IDEC)

IZUMI (1945~1969)

- 1945.11 Izumi Company started business at Doshomachi, Higashi-ku (now Chuo-ku), Osaka.
- 1947.3 Izumi Denki Co., Ltd. established.
- 1960.4 Participated in the Fourth Osaka International Trade Fair to promote the **IZUMI brand**.
- 1967.1 In-house campaign was held to choose a slogan to propagate the corporate image of continuing progress. "Ever Progress in Controls ... IZUMI DENKI."



(1969~1975)

- 1969.8 RIDEC Manufacturing Corporation established in California, U.S.A.
- 1970 Commemorating the 25th year of establishment, "7S Activities" were introduced to improve the corporate structure.



IDEC's main building at the time the company was established.

iDEC (1975~1982)

- 1975.8 IDEC Systems & Controls Corporation established in USA; **USA Logo: iDEC**
- 1978 Commemorating the 30th year of establishment, "IZUMI Control Fair (ICF)" was held. Development of new products based on three basic policies:

"Utmost in Cost Reduction," "Utmost in Reliability and Safety," and "Utmost in international Comatability"

These provide the backbone for product development focused on the following six specific goals:

- **Quick mounting** (energy-efficient production framework)
- **Space saving** (designs that save space)
- **Minimum inventory** (use methods to minimize stock)
- **Wide variety** (diversity of products)
- **Wide selection** (products capable of withstanding a wide range of operating environments and superior technology)
- **International recognition** (world-class quality, reliability, and safety).

idec (1982~1986)

- 1982.6 **CI implemented (IDEC old logo)** Corporate symbol and English corporate name were changed to IDEC. (IDEC IZUMI CORPORATION)
- 11 Listed in the Osaka Stock Exchange 2nd Section
- ITF (IDEC Technical Fair) '85 Main theme
- 1985.5

Think technology for tomorrow - All about IDEC

2005.11 Corporate Symbol and Coporate Name Symbols Renewal



2001



1989



1986



1982



1975



1969



1945



idec (2001~2005)

- 2001.6 **VIS manual reprint (IDEC logo)**
- 2005.4 New mid-term project started

idec (1989~2001)

- 1989.10 **VIS manual published (IDEC old logo)**
- 1993.6 "Vision Committee" started Started to discuss our concept, direction and to-be attitude in order to construct a corporation capable of challenging the 21st century. GENESIS guidelines released.

Global Focus: Prevail in the global market.
Emphasis on Customer Service: Maximize customer satisfaction.
Niche: Create new markets by leveraging groundbreaking technologies.
Embark: Work as a creative team capable of responding flexibly to changes in the business environment.
Succeed: Emphasize results and evaluate using rigorous standards.
Innovative: Realize innovative management that is always a step ahead.
Structure: Introduce frameworks and systems that support the creation of a powerful corporate structure.

"HMI (Creation of optimum human-machine environment)" started

- 1997.10 ITF (IDEC Technical Fair) '97 Main theme

Harmony and Integration of Man and Technology

idec (1986~1989)

- 1986.10 IDEC Corporation renamed from IDEC Systems & Controls Corporation, USA



ITF '97

Sales by Product Category

Domestic sales rose 11.9% from the previous fiscal year to ¥19,735 million. This reflected solid growth in capital investments, as well as a reinforced domestic sales framework, which allowed new products, such as control relays, sensors, and explosion-protected products, to make a higher contribution to net sales. Also attributable was sustained and strong growth of mainstay products, including control switches.

Overseas sales soared 13.9% to ¥9,892 million year on year, as sales in the Asia-Pacific region continued to post favorable growth. Another contributing factor was sales of small programmable controllers, sold as OEM products in Europe.

As a result of the above, net sales combining domestic and overseas sales increased 12.6% from a year ago to ¥29,627 million.

Automatic Control Components



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

Sales of core products such as control switches and relays continued to grow, resulting in an overall increase of 11.9% in sales from the prior term to ¥15,843 million.

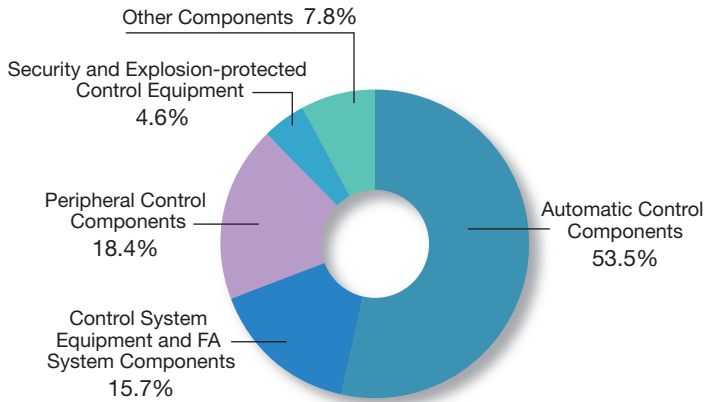
Control System Equipment and FA System Components



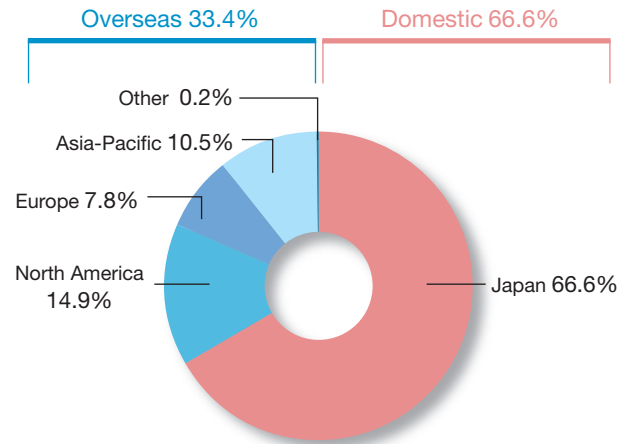
Products in this category include programmable controllers and the IDEC SmartRelay; pendants and programmable displays providing the ideal interface between people and equipment; control panels such as Σ panels; and others including transmission systems and barcode reading systems.

Due to brisk sales of small programmable controllers sold as OEM products in Europe, sales rose 20.9% to ¥4,641 million compared to the previous fiscal year.

■ Sales Composition



■ Share of Sales by Region



Peripheral Control Components



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.

Bolstered by excellent sales of terminal blocks, connectors, power supplies, sockets, and other products, sales rose 7.3% to ¥5,471 million over the prior term.

Security and Explosion-protected Control Equipment



Our 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 pressure-proof and other explosion-protected equipment, as well as anti-disaster and related systems.

Expanded market share through sales alliances, a higher public awareness of safety and other factors resulted in a 16.4% increase in sales to ¥1,352 million.

Other Components



IDEC also conducts security projects and offers HMI solutions designed to incorporate the total perspective of the optimum HMI environment; equipment such as air-bubble generators and ozone blenders that provide solutions for environmental problems; and other components.

Sales in this product area remained strong overall, increasing 12.4% to ¥2,317 million year on year.

IDEC Receives Commendation in the “First Monozukuri Nippon Grand Award”



A group led by Michio Hirabayashi, managing officer in charge of manufacturing, received the Outstanding Performance Award in the “First Monozukuri Nippon Grand Award” for developing a robot-controlled cell production system, a new paradigm in manufacturing. The group was commended for its efforts in proving the system’s high productivity, safety, and ability to manufacture high-quality products.



The “Monozukuri Nippon Grand Award” is a Prime Ministerial Award recognizing excellence that is given to mid-career craftsmen who are the backbone of a wide range of fields, from cutting-edge technology to traditional and cultural arts. The award was established by the Japanese government to ensure the continuation and development of *monozukuri* (the art of manufacturing), which has supported the progress of Japan’s industry and culture.

Development of Robot-controlled Cell Production System

IDEC believes that it is vital to establish technologically advanced cell production to deliver products that are superior in quality, added-value, and price competitiveness. Driven by this thinking, over a period of around five years beginning in 1995, IDEC developed an automated production system incorporating advanced robotics technology, the first such system of its type in the world. Subsequently, from 2000 through August 2004, IDEC has manufactured a cumulative 19 million control devices using “Assemble Shop”^{*)} at the Group’s Takino Plant in Hyogo Prefecture. Based on IDEC’s proprietary control technologies, this system integrates a wide variety of elemental technologies, including producing metal molds, processing precision components, precision tooling, programming, applying robots, automated assembly, control mechanisms, controls, and safety technologies. Its innovative features have enabled IDEC to realize low-cost production and manufacture of diverse types of products in varying volumes. With this system as our base, we will continue our efforts to progress further everyday.

^{*)}The name given to the robot-controlled cell production system in operation at the Takino Plant.

New System Development Objectives

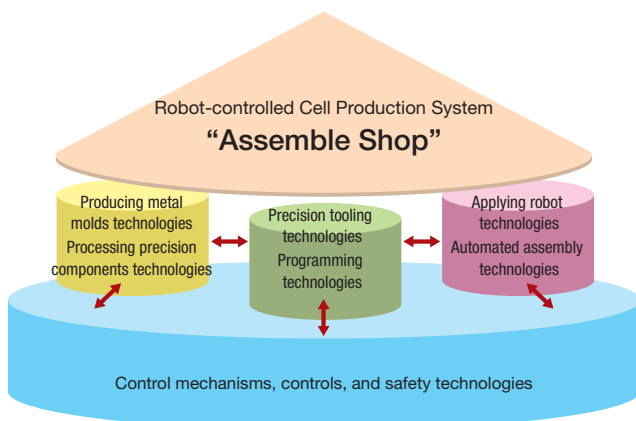
In developing the cell production system, we aimed to fulfill the following four goals:

1. Enable production of diverse type of products in varying volumes to deliver products that are superior in quality and added-value.
2. Realize a flexible system that can be changed according to production machinery and production scale.
3. Substantially reduce the costs of installing equipment by making it suitable for a variety of manufacturing businesses and capable of becoming the de facto standard.
4. Create a system that is adopted worldwide by ensuring it complies with international safety standards and incorporates state-of-the-art control and safety technologies.

Basic Concept: A System for Producing Diverse Product Types in Varying Volumes

The robot-controlled cell production system works in the following way. First, each module is assembled and optimally installed according to the product. Using process design support system software as a knowledge database, assembly work is then performed by a robot that controls and optimizes the process just like a human using his or her left and right hands. This enables the flexible production of various product types in varying volumes. Because the robot does all the assembly work, in theory, the production line can be operated around the clock.

In addition, the system complies with ISO 12100 (JISB 9700), an international safety standard. Equipped with IDEC’s leading, ergonomic safety and control equipment, the system dramatically improves safety for operators. The system is also eco-friendly: it cuts electricity consumption by 60% compared to IDEC’s previous systems, and a recycling system has also been introduced. Guided by our philosophy of offering space-saving design that provides operational safety and creating the optimum HMI (human-machine interface) environment, we will continue to do our part to contribute to the development of even higher levels of production technology.



The above symbol ↔ means that some elements of the two technologies are combined.

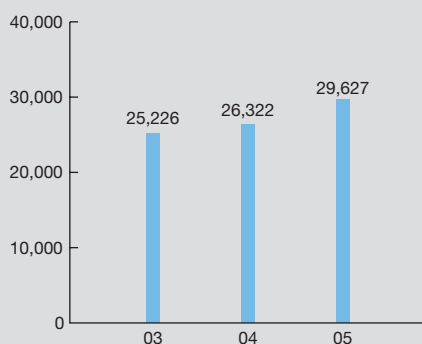
The years ended March 31,	Millions of yen (except per share amounts)			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales	¥29,627	26,322	25,226	\$275,831
Operating income	3,610	2,497	1,450	33,610
Income before income taxes and minority interests	3,112	1,726	678	28,973
Net income	1,988	1,129	516	18,509
Amounts per share of common stock (in yen):				
Net income –basic	61.11	33.88	14.20	0.57
Net income –diluted	60.60	33.85	14.20	0.56
Cash dividends applicable to the period	40.00	18.00	12.00	0.37
Shareholders' equity	888.30	851.99	826.76	8.27
Working capital	16,991	15,248	14,883	158,188
Property, plant and equipment—net	11,050	11,259	11,853	102,877
Total assets	40,439	37,847	37,648	376,492
Shareholders' equity	28,865	27,850	28,967	268,737

Notes: 1. Shareholders' equity excludes treasury stock. Net income per share amount is computed using the weighted average number of shares outstanding.

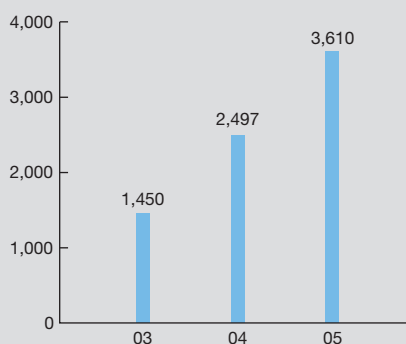
2. In computing cash dividends per share, the outstanding number of shares during the applicable period has been used.

3. 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, 2005, which was ¥107.41 to U.S. \$1.

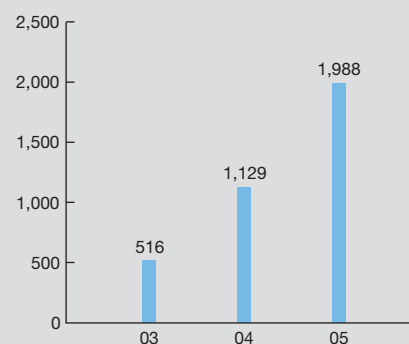
Net Sales
(¥ million)



Operating Income
(¥ million)



Net Income
(¥ million)



Financial Section Contents

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Financial Review

Business Performance

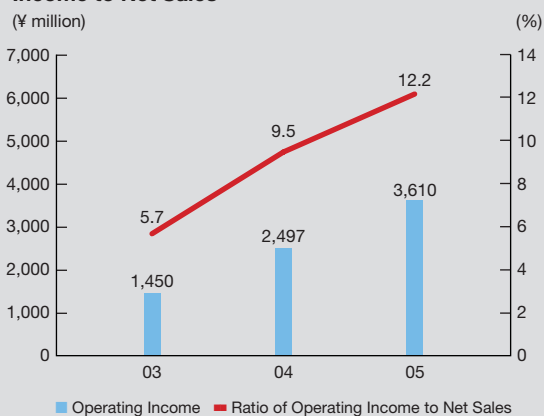
During the period under review, domestic sales mirrored steady growth in capital investment. Combined with past efforts to strengthen the domestic sales framework, sales of new products, including RU relays, multipurpose sensors, and explosion-protected equipment made a higher contribution to consolidated net sales compared to those made a year ago. In addition, core products such as control switches continued to post strong sales. As a result, domestic net sales totaled ¥19,735 million (US\$183,735 thousand), up 11.9% year on year. Overseas net sales were ¥9,892 million (US\$92,096 thousand), a 13.9% increase. This was attributable to substantial sales growth of small programmable controllers, which are sold as OEM products in Europe, in addition to favorable sales in Asia. As a result of the above, consolidated total sales rose to ¥29,627 million (US\$275,831 thousand), an increase of 12.6%.

Operating income increased by 44.6% year on year to ¥3,610 million (US\$33,610 thousand), reflecting higher net sales and lower raw material costs achieved through the Group's efforts to further reduce production costs worldwide. Consequently, the cost of sales ratio improved by 0.4 of a point, while the ratio of selling, general and administrative expenses to sales improved by 2.3 points. As a result, net income rose by 76.1% to ¥1,988 million (US\$18,509 thousand), a record high.

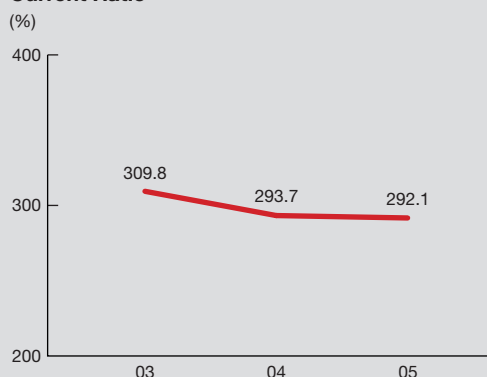
Financial Position

At the end of the term, total assets amounted to ¥40,439 million (US\$376,492 thousand), up ¥2,592 million from the end of the previous term. Current assets totaled ¥25,836 million (US\$240,536 thousand), an increase of ¥2,715 million. Current liabilities stood at ¥8,845 million (US\$82,348 thousand), up ¥972 million. The current ratio remained close to 300%, at 292.1%, down 1.6 points.

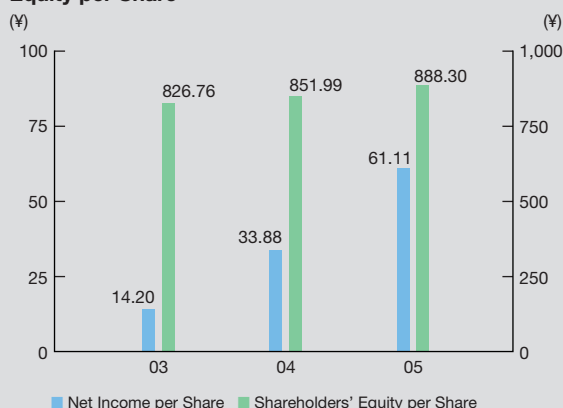
Operating Income & Ratio of Operating Income to Net Sales



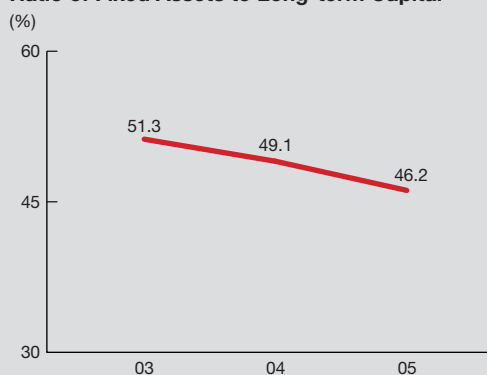
Current Ratio



Net Income per Share & Shareholders' Equity per Share



Ratio of Fixed Assets to Long-term Capital



Property, plant and equipment amounted to ¥11,050 million (US\$102,877 thousand), a decrease of ¥209 million.

Non-current liabilities were ¥2,618 million (US\$24,374 thousand), up ¥514 million mainly due to higher retirement and severance benefits. The ratio of fixed assets to long-term capital was 46.2% compared with 49.1% in the previous term.

Shareholders' equity rose ¥1,015 million to ¥28,865 million (US\$268,737 thousand) from the previous term, mainly due to an increase in retained earnings. The shareholders' equity ratio was 71.4%, compared to 73.6% at the previous term-end.

Cash Flows

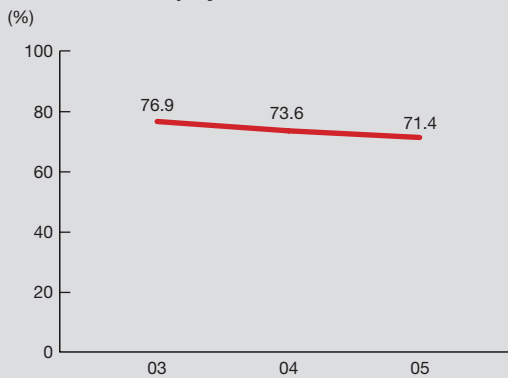
Net cash provided by operating activities increased ¥73 million to ¥2,781 million (US\$25,891 thousand) from the previous term. This mainly reflected an increase of ¥1,386 million in income before income taxes and minority interests, partially offset by an increase in inventories and decrease in trade payables.

Net cash used in investing activities rose by ¥449 million to ¥709 million (US\$6,601 thousand) year on year. This was mainly due to a decrease in proceeds from sale of investment securities, in addition to higher payments for the acquisition of property, plant and equipment.

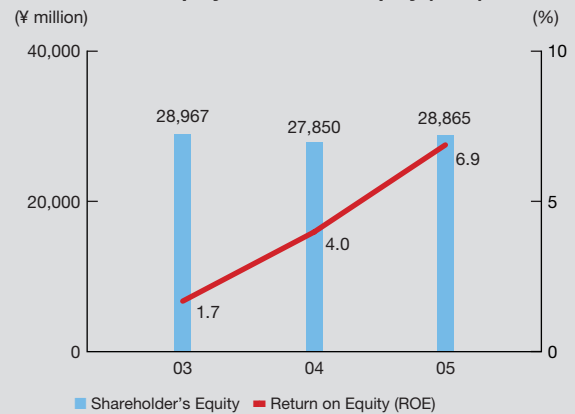
Free cash flows during the term under review totaled ¥2,072 million (US\$19,290 thousand). Most of this cash was applied to the repurchase of treasury stock and payment of dividend.

As of the end of the term under review, the balance of cash and cash equivalents stood at ¥11,845 million (US\$110,278 thousand), a ¥1,136 million increase from the previous term-end.

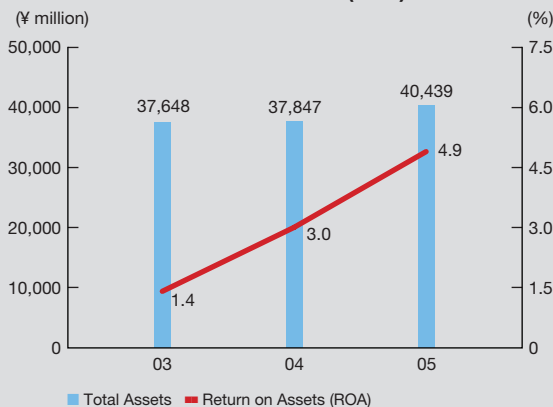
Shareholders' Equity Ratio



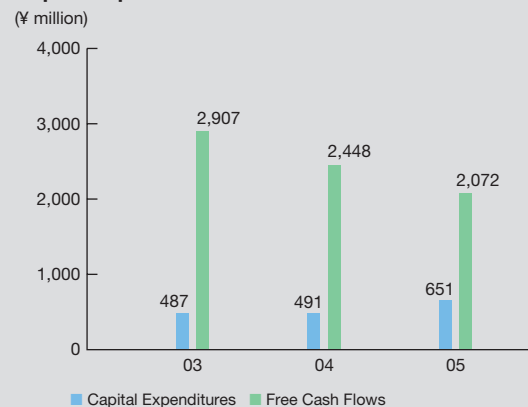
Shareholder's Equity & Return on Equity (ROE)



Total Assets & Return on Assets (ROA)



Capital Expenditures and Free Cash Flows



Consolidated Balance Sheets

IDEC IZUMI Corporation and Subsidiaries

March 31, 2005 and 2004	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Assets			
Current assets:			
Cash and cash equivalents	¥ 11,845	10,709	\$ 110,278
Trade receivables:			
Notes	1,265	1,179	11,777
Accounts	4,489	4,177	41,793
Less allowance for doubtful receivables (Note 2-vii)	(55)	(50)	(512)
Net trade receivables	5,699	5,306	53,058
Inventories (Note 3)	6,618	5,737	61,614
Deferred tax assets (Note 11)	1,027	863	9,561
Other current assets	647	506	6,025
Total current assets	25,836	23,121	240,536
Property, plant and equipment (Note 6):			
Land	4,552	4,551	42,380
Buildings and structures	12,501	12,284	116,386
Machinery and equipment	6,566	6,828	61,130
Furniture and fixtures	9,837	9,709	91,584
Construction in progress	233	173	2,169
	33,689	33,545	313,649
Less accumulated depreciation	(22,639)	(22,286)	(210,772)
Net property, plant and equipment	11,050	11,259	102,877
Investments and other assets:			
Investment in an associate	60	46	559
Investment securities (Note 4)	778	719	7,243
Deferred tax assets (Note 11)	1,229	1,080	11,442
Other assets	1,486	1,622	13,835
Total investments and other assets	3,553	3,467	33,079
Total assets (Note 13)	¥ 40,439	37,847	\$ 376,492

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 496	417	\$ 4,618
Trade payables:			
Notes	2,146	2,084	19,979
Accounts	1,785	1,995	16,619
Total trade payables	3,931	4,079	36,598
Accounts payable — other	526	492	4,897
Accrued payroll and bonuses	899	789	8,370
Income taxes payable (Note 11)	1,246	345	11,600
Deposits received from sales agents	1,285	1,253	11,964
Other current liabilities	462	498	4,301
Total current liabilities	8,845	7,873	82,348
Noncurrent liabilities:			
Long-term bank loans (Note 7)	98	99	913
Retirement and severance benefits (Note 8)	2,484	1,971	23,126
Deferred tax liabilities (Note 11)	36	34	335
Total noncurrent liabilities	2,618	2,104	24,374
Minority interests	111	20	1,033
Shareholders' equity (Note 9):			
Common stock :			
Authorized — 98,152,000 shares			
Issued — 38,224,485 shares	10,057	10,057	93,632
Capital surplus	9,633	9,623	89,684
Retained earnings	13,011	11,904	121,134
Net unrealized holding gains on securities (Note 2-iv)	147	108	1,369
Translation adjustments (Note 2-ix)	(540)	(688)	(5,027)
	32,308	31,004	300,792
Less, treasury stock:			
5,729,455 shares in 2005 and 5,536,896 shares in 2004	(3,443)	(3,154)	(32,055)
Total shareholders' equity	28,865	27,850	268,737
Contingent liabilities (Note 12)			
Total liabilities, minority interests and shareholders' equity	¥40,439	37,847	\$376,492

Consolidated Statements of Income

IDEC IZUMI Corporation and Subsidiaries

For the years ended March 31, 2005, 2004 and 2003	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales (Note 13)	¥29,627	26,322	25,226	\$275,831
Cost of sales (Notes 6, 8 and 13)	15,308	13,717	13,672	142,519
Gross profit	14,319	12,605	11,554	133,312
Selling, general and administrative expenses (Notes 6, 8, 10 and 13)	10,709	10,108	10,104	99,702
Operating income (Note 13)	3,610	2,497	1,450	33,610
Other income (deductions) (Note 8):				
Interest and dividend income	40	24	31	372
Interest expense	(57)	(57)	(63)	(531)
Equity in earnings of an associate	17	12	2	158
Gain on sale of investment securities	1	65	–	9
Impairment loss on investment securities	–	–	(137)	–
Foreign currency exchange gain (loss), net	34	(211)	(171)	317
Loss on disposal of inventories	(7)	(27)	(16)	(65)
Gain (loss) on sale or disposal of property, plant and equipment	(62)	(17)	2	(577)
Retirement allowance for directors and statutory auditors	–	(206)	–	–
Early termination payments for employees	(21)	–	(54)	(196)
Distribution fee income	–	–	26	–
Subsidy from Government etc.	177	87	98	1,648
Amortization of the transition obligation arising from the adoption of the Accounting Standard for Retirement Benefits	(487)	(487)	(487)	(4,534)
Impairment loss on golf membership rights	(36)	–	(47)	(335)
Loss on valuation of inventories	(197)	(50)	(18)	(1,834)
Other, net	100	96	62	931
	(498)	(771)	(772)	(4,637)
Income before income taxes and minority interests	3,112	1,726	678	28,973
Income taxes (Note 11):				
Current	1,330	496	366	12,382
Deferred	(232)	92	(208)	(2,160)
	1,098	588	158	10,222
Income before minority interests	2,014	1,138	520	18,751
Minority interests	26	9	4	242
Net income	¥ 1,988	1,129	516	\$ 18,509

Per share data (Note 2-xi):	Yen			U.S. dollars (Note 1)
Net income:				
Basic	¥ 61.11	33.88	14.20	\$0.57
Diluted	60.60	33.85	14.20	0.56
Cash dividends applicable to the period	40.00	18.00	12.00	0.37
Average number of common shares outstanding (thousands)	32,527	33,318	36,304	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity IDEC IZUMI Corporation and Subsidiaries

For the years ended March 31, 2005, 2004 and 2003	Millions of yen						
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Translation adjustments	Treasury stock
Balances at March 31, 2002	38,224,485	¥10,057	9,618	11,109	37	456	(733)
Net income				516			
Cash dividends paid, ¥12 per share (Note 9)				(442)			
Repurchase of treasury stock (Note 9)							(1,073)
Net unrealized holding losses on securities (Note 2-iv)					(59)		
Translation adjustments (Note 2-ix)						(519)	
Balances at March 31, 2003	38,224,485	10,057	9,618	11,183	(22)	(63)	(1,806)
Net income				1,129			
Cash dividends paid, ¥12 per share (Note 9)				(408)			
Repurchase of treasury stock (Note 9)							(1,390)
Sale of treasury stock			5				42
Net unrealized holding gains on securities (Note 2-iv)					130		
Translation adjustments (Note 2-ix)						(625)	
Balances at March 31, 2004	38,224,485	10,057	9,623	11,904	108	(688)	(3,154)
Net income				1,988			
Cash dividends paid, ¥27 per share (Note 9)				(881)			
Repurchase of treasury stock (Note 9)							(409)
Sale of treasury stock			10				120
Net unrealized holding gains on securities (Note 2-iv)					39		
Translation adjustments (Note 2-ix)						148	
Balances at March 31, 2005	38,224,485	¥10,057	9,633	13,011	147	(540)	(3,443)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Translation adjustments	Treasury stock	
Balances at March 31, 2004	\$93,632	89,591	110,827	1,006	(6,405)	(29,364)	
Net income			18,509				
Cash dividends paid, \$0.25 per share (Note 9)			(8,202)				
Repurchase of treasury stock (Note 9)						(3,808)	
Sale of treasury stock		93				1,117	
Net unrealized holding gains on securities (Note 2-iv)				363			
Translation adjustments (Note 2-ix)					1,378		
Balances at March 31, 2005	\$93,632	89,684	121,134	1,369	(5,027)	(32,055)	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IDEC IZUMI Corporation and Subsidiaries

For the years ended March 31, 2005, 2004 and 2003	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 3,112	1,726	678	\$ 28,973
Depreciation and amortization	856	1,035	1,240	7,969
Increase in retirement and severance benefits	512	551	443	4,767
Interest and dividend income	(40)	(24)	(31)	(372)
Interest expense	57	57	63	531
Gain on sale of investment securities	(1)	(65)	–	(9)
Impairment loss on investment securities	–	–	137	–
(Gain) loss on sale or disposal of property, plant and equipment	62	17	(2)	577
Impairment loss on golf membership rights	36	–	47	335
Increase in trade receivables	(328)	(491)	(104)	(3,054)
(Increase) decrease in inventories	(801)	(551)	31	(7,457)
Increase (decrease) in trade payables	(227)	598	1,051	(2,113)
Increase (decrease) in accounts payable—other	(35)	109	(12)	(326)
Other, net	135	190	150	1,256
Sub total	3,338	3,152	3,691	31,077
Interest and dividend income received	40	24	32	372
Interest expense paid	(64)	(59)	(63)	(596)
Income taxes paid	(533)	(409)	(203)	(4,962)
Net cash provided by operating activities	2,781	2,708	3,457	25,891
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	15	9	17	140
Proceeds from sale of investment securities	34	188	3	317
Capital expenditures	(651)	(491)	(487)	(6,061)
Other, net	(107)	34	(83)	(997)
Net cash used in investing activities	(709)	(260)	(550)	(6,601)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	76	(15)	(155)	708
Dividends paid	(879)	(408)	(442)	(8,184)
Repayment of long-term bank loans	–	–	(85)	–
Repurchase of treasury stock, net	(279)	(1,343)	(1,073)	(2,598)
Proceeds from minority shareholders	66	–	–	615
Net cash used in financing activities	(1,016)	(1,766)	(1,755)	(9,459)
Effect of exchange rate changes on cash and cash equivalents	80	(218)	(140)	745
Net increase in cash and cash equivalents	1,136	464	1,012	10,576
Cash and cash equivalents at beginning of year	10,709	10,245	9,233	99,702
Cash and cash equivalents at end of year	¥11,845	10,709	10,245	\$110,278

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 shareholders' equity) from the consolidated financial statements of IDEC IZUMI 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 Securities and Exchange Law. 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 are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2005, which was ¥107.41 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 investment in an associate

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

The difference between the cost and underlying net equity at acquisition of investments in subsidiaries and an associated company accounted for on an equity basis 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, is principally being amortized over a five-year period.

ii) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 being substantially determined by the average method.

iv) Investment securities and golf membership rights (See Note 4)

The Company and all domestic subsidiaries adopted the Financial Accounting Standard on Accounting for Financial Instruments, which was 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 and 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 requires that other securities with a market value are carried at market value. Unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. 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.

In addition, the standard also requires the recognition of an impairment loss on golf membership rights, included in other assets, on the consolidated balance sheet, when the market value has permanently declined.

v) Derivative financial instruments (See Note 5)

Derivative financial instruments utilized by the Company comprised principally of 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. Depreciation of buildings, acquired prior to April 1, 1998, and other property, plant and equipment is computed over the estimated useful lives of the assets by the declining-balance method for the Company and all domestic subsidiaries. Buildings (other than leasehold improvements) which were acquired on or after April 1, 1998 are depreciated using the straight-line method for the Company and all domestic subsidiaries.

Depreciation is computed over the estimated useful lives of the assets principally by the straight-line method for the foreign subsidiaries.

The principal 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

In the year ended March 31, 2005, the Company and its domestic subsidiaries did not adopt early the new 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 on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Company and its domestic subsidiaries will adopt these standards effective April 1, 2005. The Company does not believe that adoption of this new standard will have a material impact on its consolidated financial statements.

vii) Allowance for doubtful receivables

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

viii) Retirement and severance benefits (See Note 8)

The Company and certain domestic subsidiaries maintain a non-contributory qualified pension plan covering substantially all of their employees.

Effective from the year ended March 31, 2001, the Companies adopted the Accounting Standard for Retirement Benefits which was issued by the Business Accounting Deliberation Council. In accordance with this standard, the allowance for retirement benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets. The transition difference of ¥2,436 million arising from the adoption of the standard is amortized over 5 years, and the amortization costs for the three years ended March 31, 2005 are included in other income (deductions). Prior service costs of pension plans are amortized on the straight-line method, over 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 13 to 15 years, representing the estimated average remaining service years of employees.

Directors, statutory auditors and senior managing officers of the Companies are not covered by the plan described above. Retirement benefits for directors, statutory auditors and senior managing officers are charged to income when paid upon approval of the shareholders' meeting or the Board of Directors.

ix) 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 "Shareholders' equity" and "Minority interests."

x) Income taxes (See Note 11)

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 foreign 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 equity.

xj) Net income and dividends per share

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 year. The diluted net income per share assumes full exercise of 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.

xii) Cash and cash equivalents

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

3. Inventories:

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished products and merchandise	¥3,559	2,995	\$33,135
Work in process	911	741	8,481
Raw materials and supplies	2,148	2,001	19,998
	¥6,618	5,737	\$61,614

4. Investment Securities:

Marketable equity and debt securities included in investment securities at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen							
	2005				2004			
	Cost	Fair value	Unrealized gains	Unrealized losses	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	¥357	599	258	16	357	533	182	6
Convertible bonds	40	45	5	-	71	76	5	-
	¥397	644	263	16	428	609	187	6

	Thousands of U.S. dollars			
	2005			
	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	\$3,324	5,577	2,402	149
Convertible bonds	372	419	47	-
	\$3,696	5,996	2,449	149

Maturities of investment securities with a market value at March 31, 2005 and 2004 are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2005		2004		2005	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	¥ 30	32	32	32	\$ 279	298
Due after one year through five years	10	13	39	44	93	121
Equity securities	357	599	357	533	3,324	5,577
	¥397	644	428	609	\$3,696	5,996

5. Derivative Financial Instruments:

The Company operates internationally, giving rise to significant exposure to market risks arising from changes in foreign exchange rates. Derivative financial instruments are comprised principally of foreign exchange contracts utilized by the Company to hedge 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 is hedging exposures to the variability of cash flows for foreign currency exchange risk is approximately three months.

The Company is exposed to credit risk in the event of nonperformance by counterparties to foreign exchange contracts, but such risk is considered mitigated by the high credit rating of the counterparties.

The forward exchange contracts outstanding at March 31, 2005 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	2005	2004	2005	2005	2004	2005
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Forward exchange contracts to sell U.S. dollars	¥ 372	374	(2)	317	314	3
				\$3,463	3,482	(19)

6. Leases:

In Japan, the Company and all domestic subsidiaries lease certain computer equipment, vehicles, machinery for delivery, communication equipment and printers. The leases engaged 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 are for primary terms from 3 to 6 years with renewal options for additional periods.

In accordance with accounting principles generally accepted in Japan, the above mentioned leases are not required to be capitalized. 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, 2005 and 2004, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to these leases.

Rentals of the above mentioned finance leases, without transfer of ownership, for the three years ended March 31, 2005 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Rentals	¥118	104	163	\$1,099

The Companies also entered into lease agreements for land and buildings for the head office, 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 accounting principles generally accepted in Japan. Future minimum rents under non-cancelable operating leases at March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Machinery and equipment			
Acquisition cost	¥ 102	82	\$ 950
Accumulated depreciation	(44)	(46)	(410)
	58	36	540
Furniture and fixtures			
Acquisition cost	345	452	3,212
Accumulated depreciation	(159)	(202)	(1,480)
	186	250	1,732
	¥ 244	286	\$ 2,272

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 344	372	\$ 3,203
Due after one year	2,171	2,720	20,212
	¥2,515	3,092	\$23,415

Future minimum lease payments at March 31, 2005 and 2004, which include the portion of interest thereon, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 90	111	\$ 838
Due after one year	154	175	1,434
	¥244	286	\$2,272

7. Short-term and Long-term Bank Loans:

Weighted average annual interest rates of short-term bank loans as of March 31, 2005 in Japan and other countries were 0.99% and 3.96%, respectively. The weighted average annual interest rates as of March 31, 2004 in Japan and other countries were 0.98% and 5.82%, respectively.

Long-term bank loans as of March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Bank loans with interest of 0.89% due on June 30, 2006:			
Unsecured	¥98	99	\$913

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 their default, to offset cash deposits against such obligations due to the bank.

8. Retirement and Severance Benefits:

The following tables set forth the details in benefit obligation, plan assets and funded status of the Companies at March 31, 2005 and 2004.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Benefit obligation at end of year	¥(6,166)	(6,027)	\$(57,406)
Fair value of plan assets at end of year . .	2,927	2,713	27,251
Unfunded benefit obligation	(3,239)	(3,314)	(30,155)
Unrecognized net transition obligation at date of adoption	-	487	-
Unrecognized prior service costs	133	146	1,238
Unrecognized actuarial losses	622	710	5,791
Retirement and severance benefits recognized in the consolidated balance sheets	¥(2,484)	(1,971)	\$(23,126)

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

Net periodic benefit cost of the Companies included the following components for the three years ended March 31, 2005.

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Service cost	¥305	313	303	\$2,840
Interest cost	126	124	137	1,173
Expected return on plan assets . .	(54)	(47)	(64)	(503)
Amortization:				
Transition obligation at date of adoption	487	487	487	4,534
Prior service costs	12	12	-	112
Actuarial losses	63	81	41	586
Net periodic benefit cost	¥939	970	904	\$8,742

Assumptions used in accounting for retirement benefits for the three years ended March 31, 2005 are as follows:

	2005	2004	2003
Method of attributing benefit to period of service	straight-line basis	straight-line basis	straight-line basis
Discount rate	2.0%	2.0%	2.0%
Long-term rate of return on plan assets . .	2.0%	2.0%	2.5%
Amortization period for transition obligation at date of adoption	5 years	5 years	5 years
Amortization period for prior service costs	13 years	13 years	-
Amortization period for actuarial losses . . .	15 years	15 years	15 years

9. Shareholders' Equity:

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to additional paid-in capital, included in capital surplus.

The Code provides that an amount equal to at least 10% of cash payments for appropriation of retained earnings with respect to each fiscal period be appropriated to a legal reserve until the aggregated amount of additional

paid-in capital and the legal reserve equals 25% of the stated capital. Additional paid-in capital and the legal reserve may be used to reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. The portion in excess of 25% of the stated capital may be used for dividend distribution. The legal reserve, which is included in retained earnings, amounted to ¥1,089 million (\$10,139 thousand) and ¥1,088 million as of March 31, 2005 and 2004, respectively.

Cash dividends charged to retained earnings during the years ended March 31, 2005, 2004 and 2003 represent dividends approved by the shareholders' meeting or the Board of Directors' meeting during the years. The accompanying consolidated financial statements do not include any provision for the semi-annual dividend of ¥25 (\$0.23) per share, aggregating ¥812 million (\$7,560 thousand) which was approved at the Company's shareholders' meeting on June 17, 2005 in respect of the year ended March 31, 2005.

Under the Code, the amount available for dividends is calculated based on the Parent company's financial statements. At March 31, 2005, the amount available for dividends was ¥4,095 million (\$38,125 thousand).

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

	Number of shares	Weighted average exercise price	
		Yen	U.S. dollars
Balance at March 31, 2002	204,000	¥1,205	
Granted	357,000	597	
Forfeited	(81,500)	1,203	
Balance at March 31, 2003	479,500	753	
Granted	438,500	600	
Exercised	(76,000)	597	
Forfeited	(102,500)	858	
Balance at March 31, 2004	739,500	664	\$ 6.18
Granted	574,000	1,034	9.63
Exercised	(215,000)	603	5.61
Forfeited	(52,000)	1,098	10.22

Balance at March 31, 2005

Weighted average remaining life-3.27 years	1,046,500	¥ 858	\$ 7.99
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On June 17, 2005, the Company's shareholders' meeting approved that the Company's stock acquisition rights as stock options would be allotted to certain directors of the Companies, certain managing officers and employees of the Company. These stock option rights are exercisable from July 1, 2008 to June 30, 2011. The total number of stock acquisition rights is limited in aggregate to 1,500,000 common shares.

During the years ended March 31, 2005, 2004 and 2003, the Company repurchased 407,982 shares, 2,424,564 shares and 2,263,408 shares, with aggregate value of ¥409 million (\$3,808 thousand), ¥1,390 million and ¥1,073 million, respectively.

10. Research and Development:

Research and development costs are expensed as incurred. Research and development costs for the three years ended March 31, 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2003
	¥1,982	1,830	1,653
			\$18,453

11. Income Taxes:

The Company and its 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 the year ended March 31, 2005 and 42.0% for the years ended March 31, 2004 and 2003. The effective tax rates for the years differ from the normal tax rate for the following reasons:

	2005	2004	2003
Normal tax rate	40.6%	42.0%	42.0%
Expenses not deductible for tax purposes	0.5	0.8	2.3
Per capita taxes	2.4	3.6	8.4
Effect of deferred tax assets and liabilities for enacted changes in tax laws and rates	-	2.3	3.1
Effect of distributed earnings of overseas subsidiaries	0.5	0.7	4.1
Lower tax rates of overseas subsidiaries	(3.1)	(5.6)	(12.2)
Unrecognized deferred tax on unrealized intercompany profit	(0.2)	(10.9)	12.9
Benefit on unrecognized deferred tax in the prior year	-	-	(34.5)
Tax credit for research and development expenses	(5.3)	-	-
Other	(0.1)	1.2	(2.7)
Effective tax rate	35.3%	34.1%	23.4%

Income taxes have not been accrued on undistributed earnings of domestic subsidiaries as distributions of such income are not taxable under present circumstances.

The Company has not recognized deferred tax liabilities of approximately ¥483 million (\$4,497 thousand) and ¥412 million for the portion of undistributed earnings of foreign subsidiaries in 2005 and 2004 because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future, except for the amount that will be probably distributed according to the Company's policy for distribution of earnings of subsidiaries. Deferred tax liabilities will be recognized when

13. Segment Information:

i) Information by industry segments

The Companies' main business is to manufacture and distribute control equipment and related products. Secondary businesses comprise of the manufacture and distribution of marking systems, etc. The percentage of net sales, operating income, and total assets for these secondary businesses as compared to consolidated net sales, operating income and total assets is less than 10%. Accordingly, information by industry segment is not presented.

ii) Information by geographic areas

2005	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	¥21,315	4,434	835	3,043	-	29,627	
Intersegment	4,077	91	2	2,105	(6,275)	-	
Total	25,392	4,525	837	5,148	(6,275)	29,627	
Operating cost and expenses	22,784	4,140	788	4,574	(6,269)	26,017	
Operating income	2,608	385	49	574	(6)	3,610	
Assets	24,128	4,635	446	4,667	6,563	40,439	

The tax effects of temporary differences, tax loss carryforwards and foreign tax credit carryforwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2005 and 2004 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Inventories	¥ 594	527	\$ 5,530
Allowance for doubtful receivables	65	53	605
Property, plant and equipment	86	86	801
Investment securities	44	44	410
Retirement and severance benefits	983	759	9,152
Accrued expenses	342	288	3,184
Tax loss carryforwards	120	151	1,117
Foreign tax credit carryforwards	31	90	289
Accrued business taxes	119	17	1,108
Other	76	146	706
Total gross deferred tax assets	2,460	2,161	22,902
Less valuation allowance	(104)	(145)	(968)
Net deferred tax assets	2,356	2,016	21,934
Deferred tax liabilities:			
Accumulated depreciation	(36)	(34)	(335)
Net unrealized holding gains on securities	(100)	(73)	(931)
Total gross deferred tax liabilities	(136)	(107)	(1,266)
Net deferred tax assets	¥2,220	1,909	\$20,668

the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2005 and 2004, undistributed earnings of these subsidiaries were approximately ¥4,519 million (\$42,072 thousand) and ¥3,973 million, respectively.

12. Contingent liabilities:

Contingent liabilities at March 31, 2005 and 2004 for guarantees of bank loans of an associate amounted to ¥75 million (\$698 thousand) and ¥85 million, respectively.

2004	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	¥18,336	4,389	799	2,798		–	26,322
Intersegment	3,780	73	1	1,262		(5,116)	–
Total	22,116	4,462	800	4,060		(5,116)	26,322
Operating cost and expenses	20,626	3,997	762	3,646		(5,206)	23,825
Operating income	1,490	465	38	414		90	2,497
Assets	23,354	4,451	413	3,569		6,060	37,847

2003	Millions of yen					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	¥17,395	4,667	852	2,312		–	25,226
Intersegment	3,379	67	3	978		(4,427)	–
Total	20,774	4,734	855	3,290		(4,427)	25,226
Operating cost and expenses	20,140	4,380	839	2,985		(4,568)	23,776
Operating income	634	354	16	305		141	1,450
Assets	23,578	4,890	466	3,351		5,363	37,648

2005	Thousands of U.S. dollars					Corporate and Eliminations	Consolidated
	Japan	North America	Europe	Asia Pacific			
Net sales:							
External customers	\$198,445	41,281	7,774	28,331		–	275,831
Intersegment	37,957	847	19	19,598		(58,421)	–
Total	236,402	42,128	7,793	47,929		(58,421)	275,831
Operating cost and expenses	212,121	38,543	7,337	42,585		(58,365)	242,221
Operating income	24,281	3,585	456	5,344		(56)	33,610
Assets	224,635	43,153	4,152	43,450		61,102	376,492

Corporate and eliminations in 2005, 2004 and 2003 fiscal years includes corporate assets amounting to ¥10,195 million (\$9,917 thousand), ¥9,416 million and ¥8,609 million, respectively, comprising of surplus working assets (cash and cash equivalents) and long-term investments (investment securities), etc.

iii) Overseas sales

Overseas sales for the three years ended March 31, 2005 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Overseas sales:				
North America	¥ 4,419	4,368	4,638	\$ 41,141
Europe	2,304	1,601	1,832	21,451
Asia Pacific	3,101	2,634	2,029	28,871
Other	68	83	64	633
	9,892	8,686	8,563	92,096
Consolidated net sales	29,627	26,322	25,226	275,831
Percentage of overseas sales to consolidated net sales	33.4%	33.0%	34.0%	

Overseas sales represent the total amount of export sales of the Company and domestic subsidiaries and sales of overseas subsidiaries (intercompany sales between consolidated subsidiaries were eliminated).



To the Board of Directors of
IDEC IZUMI Corporation:

We have audited the accompanying consolidated balance sheets of IDEC IZUMI Corporation and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, 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 IZUMI Corporation and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included 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 17, 2005

Share Data

Number of Shares Authorized:	98,152,000 ^{*1}
Number of Shares Issued:	38,224,485 ^{*2}
Share Unit:	100 ^{*3}
Number of Shareholders:	7,471

^{*1} The number of shares authorized became 150,000,000 on June 17, 2005.

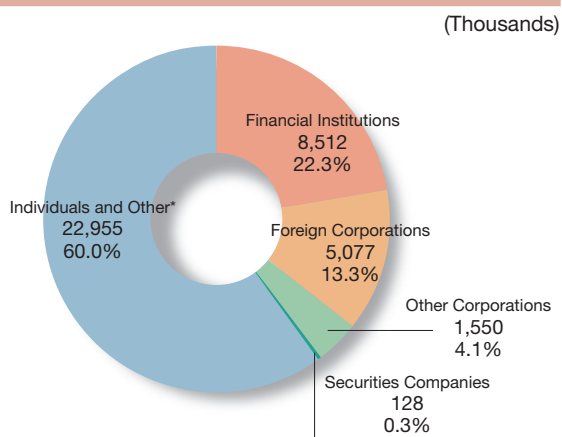
^{*2} Treasury stock held at the end of the period totaled 5,729,455 shares, representing changes in amounts repurchased (180,900 shares), purchased, or in response to requests for additional purchases or the execution of stock options.

^{*3} The share unit was changed from 500 to 100 on August 2, 2004.

Major Shareholders (Top 10)

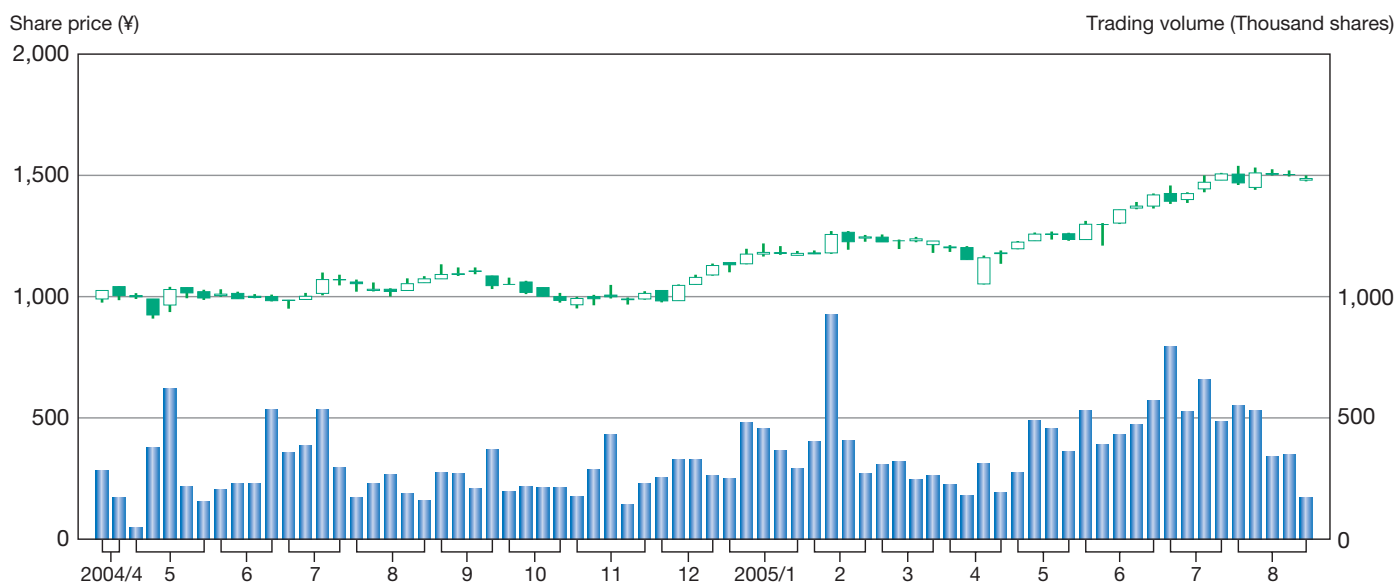
Shareholders	No. of Shares (Thousands)	Holdings (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,363	6.18
Tsuneo Funaki	1,585	4.15
The Bank of New York Europe Limited Luxemburg	1,427	3.73
Mizuho Bank, Ltd.	1,312	3.43
JPMCB Omnibus US Pension Treaty JASDAQ	1,126	2.95
Shinichiro Fujita	1,085	2.84
Nippon Life Insurance Company	1,029	2.69
Japan Trustee Services Bank, Ltd. (Trust account)	793	2.08
Keijiro Fujita	779	2.04
UFJ Equity Investments, Co., Ltd.	581	1.52

By Shareholding (Number of Shares and Ratio)



Individuals and Other includes own shares.

Share Price Chart



Corporate Data

Corporate Name:	IDEC CORPORATION
Incorporated:	March 26, 1947
Paid-in Capital:	¥10,056,605,173
Number of Employees:	1,347 (Consolidated, as of March 31, 2005)
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:	4-1-8, Konan, 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, Tokyo, Tama, Yokohama, Atsugi, Mishima, Matsumoto, Niigata, Toyama, Kanazawa, Hamamatsu, Toyoda, Nagoya, Kyoto, Osaka, Kobe, Okayama, Fukuyama, Hiroshima, Matsuyama, Kitakyushu, Fukuoka, Kumamoto
Distribution Centers:	Hamamatsu, Tatsuno

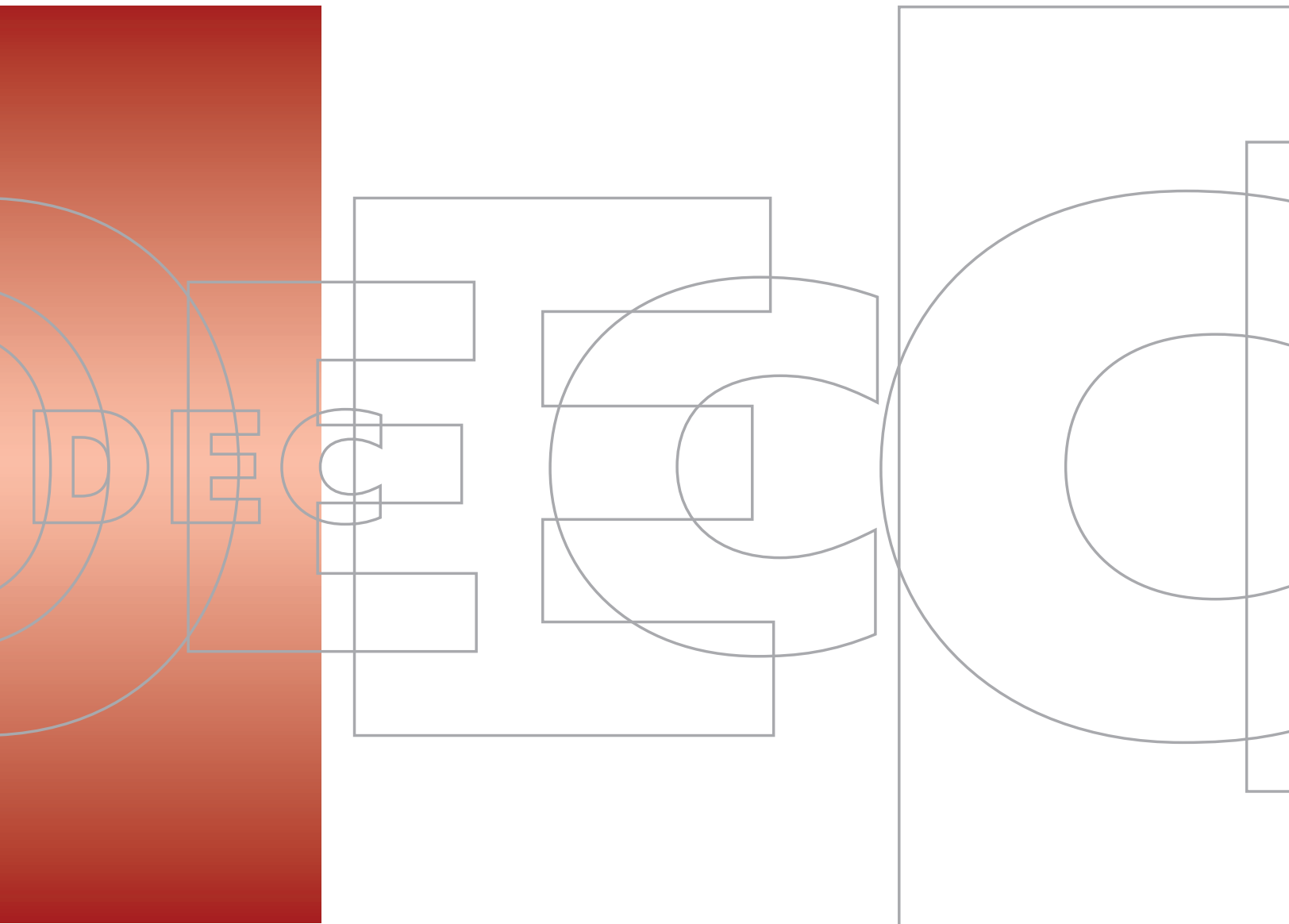
Board of Directors and Corporate Auditors

Chairman, C.E.O.	Tsuneo Funaki
President, C.O.O.	Toshiyuki Funaki
Executive Managing Director	Mikio Funaki
Director	Katsushi Hisaeda
Director	Hisaichi Yamane
Director	Akira Toyokura
Standing Corporate Auditor	Masayuki Furukawa
Corporate Auditor	Yuhei Maruyama
Corporate Auditor	Hirokazu Taniguchi
Corporate Auditor	Masanori Sakamoto

Akira Toyokura is an outside director in accordance with the Commercial Code, while all the company's corporate auditors are outside auditors as determined by Article 18-1 of the Law for Special Provisions for the Commercial Code Concerning Audits, Etc.

Managing Officers

President, C.O.O.	Toshiyuki Funaki
North America, Asia Pacific Business Development	Mikio Funaki
Manufacturing	Michio Hirabayashi
Human Resources	Keijiro Fujita
System Business	Kouichi Yukawa
Strategic Marketing	Toshihiro Fujita
Global Business Development	Peter Tarantino
Corporate Business Planning Administration, President's Office	Yasuzo Tsuchiya
Sales & Marketing	Kiyonori Sasaki
Quality Assurance	Hideyuki Kitayama



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