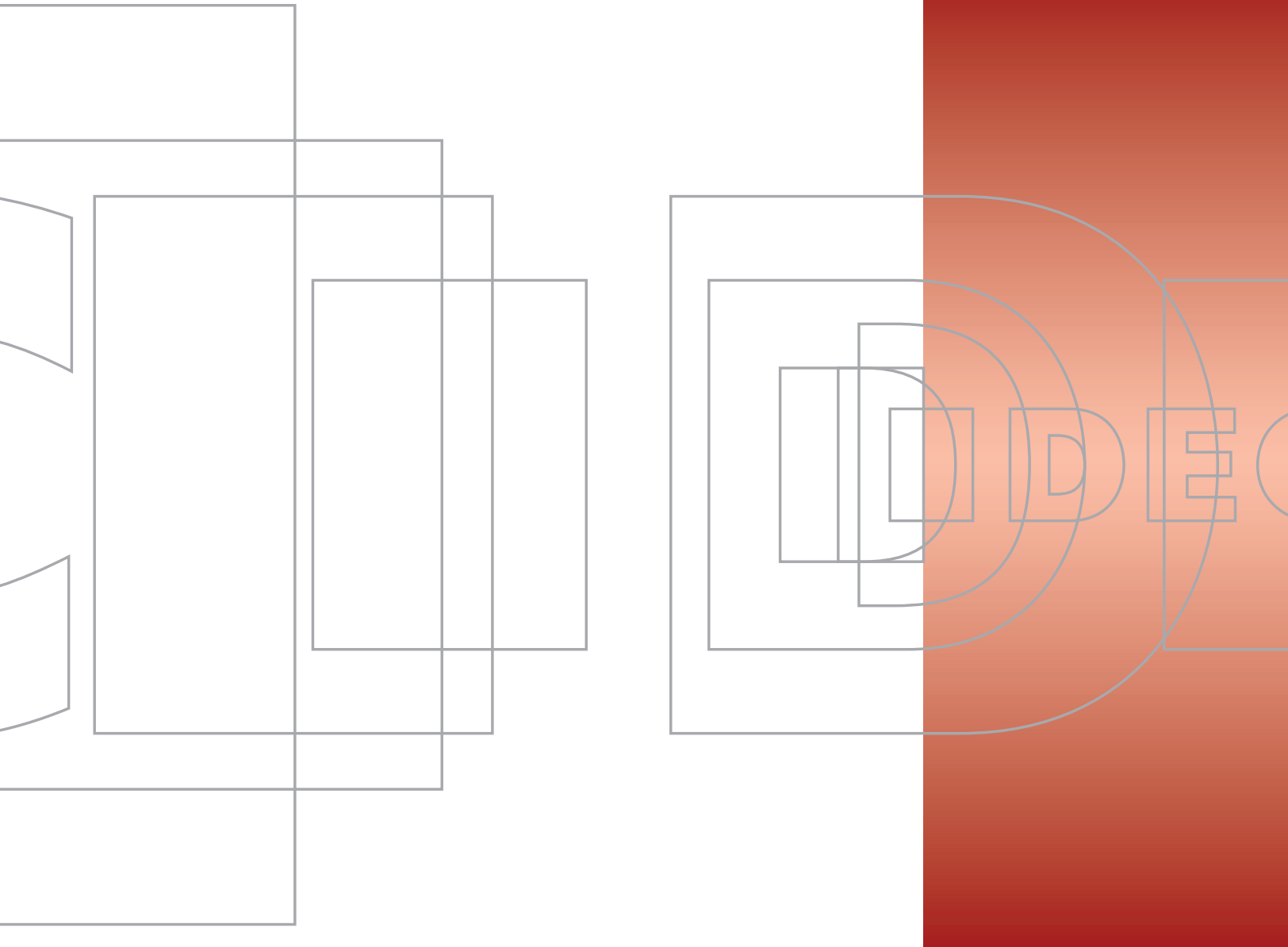




ANNUAL REPORT 2006



2006

IDEC CORPORATION



Think Automation and beyond...

IDEC is shaping the future of manufacturing by contemplating automation...and what lies beyond.

The IDEC Group works closely with customers to devise automation solutions that meet their diverse needs. And by providing products, systems and solutions that also look beyond today's needs, we are shaping the future of manufacturing.

Our vision entails more than the simple advancement of automation technologies. We view our mission as adding greater value than ever before by spearheading the advancement of automation technologies beneficial to people from every standpoint, whether it be safety, operability, reliability or eco-friendliness, as well as the core elements comprising them. Ultimately, the evolution of these technologies will broaden the possibilities of automation—which for IDEC is what the evolution of these technologies is all about.

In addition to controllers and safety components, the IDEC Group's production technologies span everything from power supplies and LEDs, to AUTO-ID for realizing traceability, and robot control cell production systems. IDEC takes a comprehensive approach to the spectrum of technologies and elements that make up the automation field, enabling it to provide optimal solutions from a variety of different angles.

Leveraging comprehensive capabilities of this kind, IDEC will propose new possibilities to customers by grasping the future direction of today's needs and existing applications.

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Forward-looking Statements

Plans, strategies, beliefs and other statements concerning future business operations of IDEC Corporation 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.

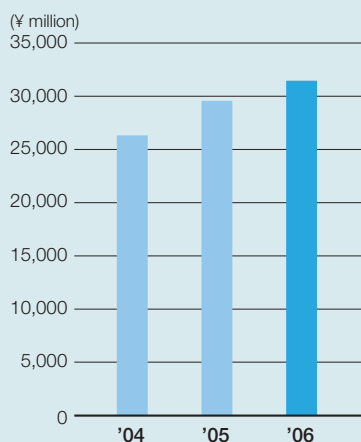
The years ended March 31,	Millions of yen (except per share amounts)			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
Net sales	¥31,377	¥29,627	¥26,322	\$267,106
Operating income	4,180	3,610	2,497	35,583
Income before income taxes and minority interests	4,326	3,112	1,726	36,826
Net income	2,678	1,988	1,129	22,797
Amounts per share of common stock (in yen):				
Net income – basic	82.30	61.11	33.88	0.70
Net income – diluted	80.92	60.60	33.85	0.69
Cash dividends applicable to the period	45.00	40.00	18.00	0.38
Shareholders' equity	943.02	888.30	851.99	8.03
Working capital	17,035	16,991	15,248	145,016
Property, plant and equipment – net	11,067	11,050	11,259	94,211
Total assets	42,143	40,439	37,847	358,755
Shareholders' equity	30,779	28,865	27,850	262,016

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

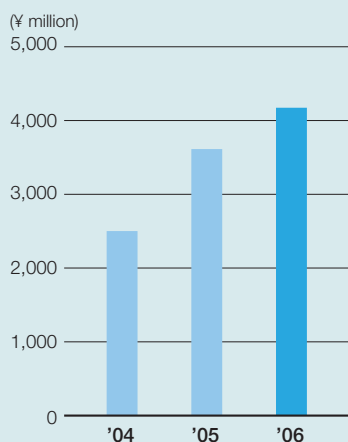
2. In computing cash dividends per share, the outstanding number of shares during the applicable period has been used.

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, 2006, which was ¥117.47 to U.S.\$1.

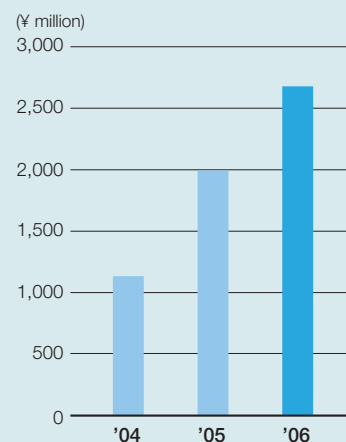
Net Sales



Operating Income



Net Income





Chairman and C.E.O. **Toshiyuki Funaki**

Fourth Consecutive Year of Significant Top- and Bottom-line Growth

Having finally shrugged off a period of flat growth, the Japanese economy continued to hold firm in fiscal 2006, the year ended March 31, 2006. This was true despite a business environment characterized by rising prices for raw materials triggered by escalating crude oil prices.

In this climate, IDEC saw growth in safety switches, control relays, explosion-protected products, programmable displays and other products buoyed by yet another year of healthy capital investments in Japan. For IDEC, this trend ultimately resulted in the continuation of robust sales for control switches and other core products. Growth in markets overseas also continued as demand in Asia, for example, which had been flat during the first half of the year, recovered steadily in the last six months of the year. In North America, meanwhile, demand was solid throughout the year.

This environment enabled IDEC to chart steady progress on its new medium-term management plan. Consolidated net sales rose 5.9% from the previous year to ¥31,377 million. In terms of costs, the cost of sales ratio was 50.5%, a 1.2 percentage point improvement from 51.7% a year earlier. This success owed to renewed efforts by IDEC and production companies in Japan and overseas to pare back manufacturing costs, which successfully covered sharply higher prices for raw materials. Consequently, operating income was up 15.8% to ¥4,180 million, and consolidated net income climbed 34.7% to ¥2,678 million. Operating income, ordinary income and net income all rose to record highs for the year.

Strong Start for the New Medium-term Management Plan

Fiscal 2006 was the first year of IDEC's new medium-term management plan. The concerted drive to carry out planned measures paid off in healthy business results for the year—a solid first step towards the plan's eventual completion. The results seen so far not only confirm that we are on the right course, but that IDEC is well on the way to meeting the objectives set forth in the plan.

One key objective of the new medium-term management plan is to strategically promote the development of new businesses and markets. While leveraging the core technologies IDEC has assembled over the years, we are pursuing initiatives aimed at further enhancing earnings power. These measures will see IDEC actively promote business alliances with other firms to establish a more entrenched business base and expand operations. In taking full advantage of technologies, we will emphasize making the most of IDEC's control and safety, metal mold and precision component processing, automated assembly and applied robotics, and other long-cultivated elemental technologies, as well as LEDs, power supplies and other operations developed as part of the control equipment business. Concerning new businesses, IDEC entered a business and equity-based alliance with TOHKEN Co., Ltd. in October 2005, a decision underpinned by our recognition of the critical importance of cooperation of this kind with other firms. Tohken possesses highly advanced technological skills particularly in the barcode business. We expect Tohken to help bolster IDEC's "AUTO-ID" business, a new area we are developing that encompasses barcode, RFID/IC tags and related operations, as a member of the IDEC Group. Especially in the field of industrial equipment, we plan to elevate the market dominance of both IDEC and Tohken, and stake out strong positions for each company. We will do this by pursuing a wide range of alliances in marketing, product development, sales, production and other areas. In April 2006, we also established IDEC AUTOMATION Co., Ltd. as a new wholly owned subsidiary. This company will spearhead IDEC's efforts to develop the traceability business and other new businesses. Moreover, by building stronger alliances with domestic and overseas companies, we hope to expand business scale and realize growth not only in the control equipment business, but in other new business domains as well.

As IDEC stakeholders, I ask for your continued understanding, guidance and support as your Company strives to make this tremendous step forward.

August 2006



Toshiyuki Funaki

Chairman and C.E.O.

Sales by Product Category

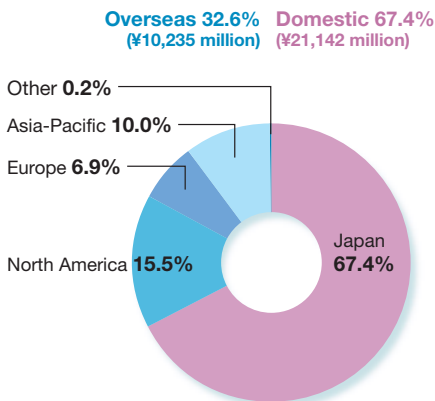
Mirroring the previous year, sales for control switches and other mainstay control equipment products remained strong, underpinned by demand from healthy capital investments by Japanese automakers and machinery manufacturers. Sales of programmable displays were also strong. Companies' growing emphasis on safety has earned IDEC plaudits from the market for the machine safety concepts and technologies built into its products.

Consequently, sales were sharply higher for the Company's safety switches and other safety-related equipment, and for explosion-protected products.

Net Sales by Geographic Region

By geographic area, net sales in Japan rose 7.1% to ¥21,142 million, reflecting strong private-sector capital investment demand. Overseas, net sales were up 3.5% to ¥10,235 million, and the ratio of overseas sales to net sales was 32.6%. In North America, net sales climbed 10.0% to ¥4,861 million, while net sales in Europe declined 5.8% to ¥2,170 million. In the Asia-Pacific region, sales edged up 0.9% to ¥3,130 million, with net sales in other regions up 8.8% to ¥74 million.

Share of Sales by Region



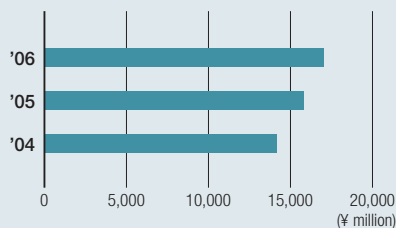
Automatic Control Components



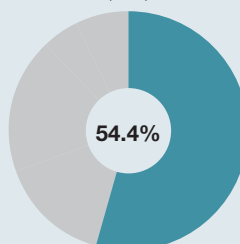
IDEC's core products for creating the optimum HMI (human-machine interface) environment include control switches, pilot lights and display units. Safety system components include enabling switches and safety switches, while timers, control relays, circuit protectors and sensors are other key products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

Sales rose 7.8% year on year to ¥17,071 million, lifted by continuing strong sales of core products such as control switches and general-purpose relays.

Net Sales



Net Sales Ratio (2006)



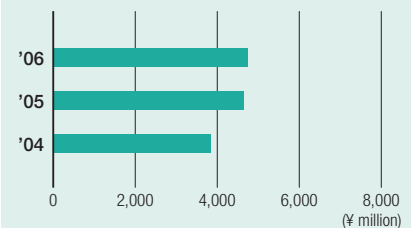
Control System Equipment and FA System Components



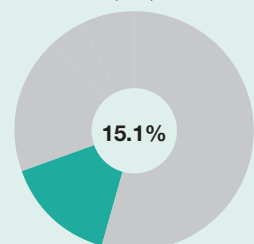
Products in this category include programmable controllers and the IDEC SmartRelay; pendants and programmable displays providing the ideal interface between people and equipment; control panels such as Σ panels; and others including transmission systems and barcode reading systems.

Sales rose 2.4% to ¥4,752 million, primarily due to growth in sales of programmable displays.

Net Sales



Net Sales Ratio (2006)

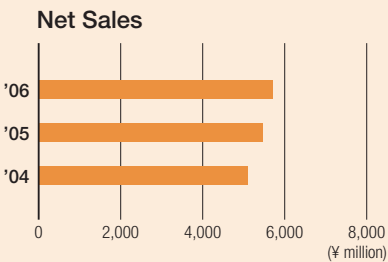


Peripheral Control Components

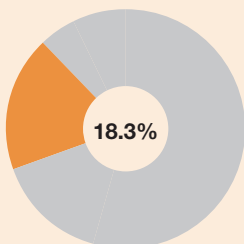


IDEC's lineup of basic components for machinery and equipment control includes switching power supplies, communication terminals, terminal blocks, sockets and control boxes, as well as other components.

Sales rose 4.5% to ¥5,718 million, on the back of healthy overall sales during the year under review.



Net Sales Ratio (2006)

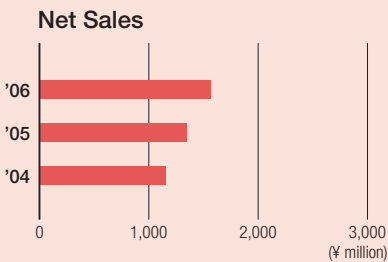


Security and Explosion-protected Control Equipment

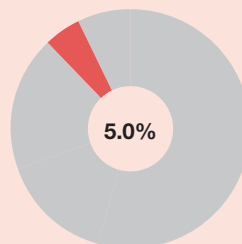


IDEC's explosion-protected and related equipment create a safe plant environment for oil, chemical and other industries where combustible gas is used, preventing potential accidents. Products include pressure-proof and other explosion-protected equipment, as well as anti-disaster and related systems.

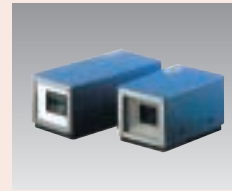
Sales climbed 15.8% to ¥1,566 million, reflecting the continuation of growing demand fueled by a greater desire on the part of companies to create safer environments.



Net Sales Ratio (2006)

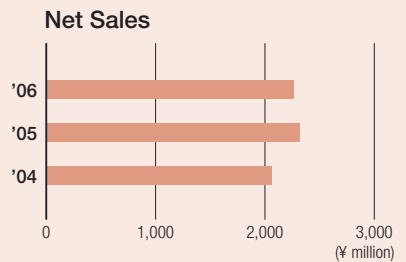


Other Components

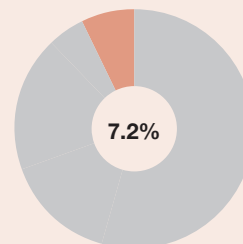


IDEC also conducts security projects and offers HMI solutions designed to incorporate the total perspective of the optimum HMI environment. It provides equipment such as air-bubble generators and ozone blenders that deliver solutions for environmental problems; and other components.

Sales in this category declined 2.1% to ¥2,268 million.



Net Sales Ratio (2006)



IDEC beyond Forum 2006—60th Anniversary Commemorative Event

From May through June 2006, IDEC held a special tri-city event in Osaka, Nagoya and Tokyo marking its 60th year in business. Called the *IDEC beyond Forum 2006*, the event familiarized visitors with the varied technologies and potential of the IDEC Group, and introduced them to its new solutions capabilities. The Company helped visitors gain a keen sense of its new potential through four stages. The first stage used transforming images to convey the idea of what lies *beyond* for IDEC, in this case, the Company's advanced solutions capabilities. The second provided opportunities for visitors to experience IDEC technologies firsthand. The third stage provided a forum for IDEC and visitors to communicate and interact by sharing thoughts and opinions. This was followed by a fourth stage, a seminar focused on the art of manufacturing. These distinct stages allowed visitors to the

event to gain a deeper understanding of the IDEC style of manufacturing.

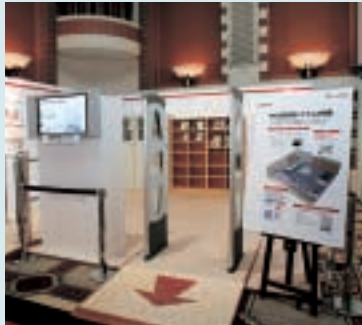


IDEC: What Lies beyond

IDEC, in its focused commitment to automation, is determined to create the future of manufacturing arts.

Traceability (Convergence with control)

IDEC introduced visitors to traceability using RFID and two-dimensional barcodes, direct marking with laser markers, and a variety of image identification technologies.



Safety and Explosion Protection, Information on Standards

IDEC introduced visitors to the machine safety, functional safety and explosion-protection technologies critical to creating truly safe environments. Visitors were also shown trends in global standards and initiatives regarding the standards of the IDEC Group.



Technology Innovation (Evolution of control technologies)

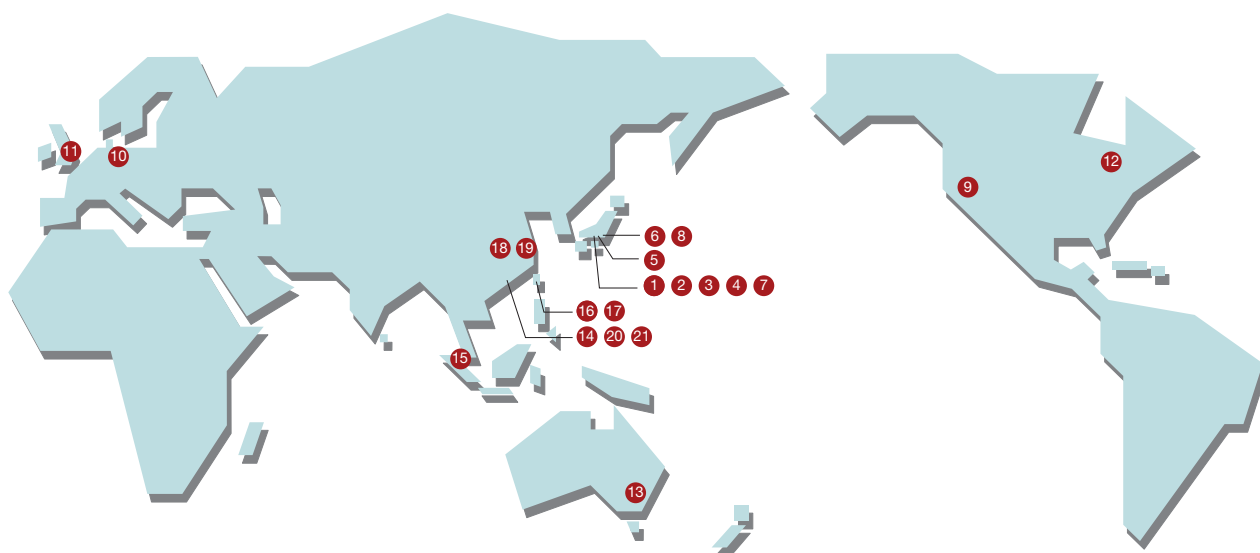
IDEC introduced visitors to the Group's core control technologies, LED technologies for opto devices, and evolving communication technologies.



Next-generation Manufacturing Technologies

IDEC introduced visitors to high-precision production technology systems that integrate precision component processing technologies (metal molds/casting technologies, etc.) and applied robotics technologies.





9 IDEC CORPORATION (USA)



11 IDEC Electronics Limited (United Kingdom)



15 IDEC IZUMI ASIA PTE LTD. (Singapore)



18 IDEC IZUMI SUZHOU CO., LTD. (China)



19 IDEC IZUMI (SHANGHAI) CO., LTD. (China)



20 IDEC IZUMI (H.K.) CO., LTD. (Hong Kong)

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 AUTOMATION Co., Ltd. (Tokyo)	¥ 80 million	100%	Design, development 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)	¥ 1,122 million	22%	Manufacture and sale of barcode readers and X-ray systems
9 IDEC CORPORATION (USA)	US\$ 4,800 thousand	100%	Manufacture and sale of control equipment and devices
10 IDEC Elektrotechnik GmbH (Germany)	Euro 102 thousand	90%	Sale of control equipment and devices
11 IDEC Electronics Limited (United Kingdom)	STG£ 750 thousand	96%	Sale of control equipment and devices
12 IDEC CANADA, LTD. (Canada)	CA\$ 50 thousand	100%	Sale of control equipment and devices
13 IDEC Australia Pty, Ltd. (Australia)	A\$ 1,125 thousand	100%	Sale of control equipment and devices
14 IDEC HONG KONG CO., LTD. (Hong Kong)	HK\$ 5,000 thousand	100%	Holding company
15 IDEC IZUMI ASIA PTE LTD. (Singapore)	SP\$ 1,000 thousand	100%	Sale of control equipment and devices
16 IDEC TAIWAN CORPORATION (Taiwan)	NT\$ 15,000 thousand	70%	Sale of control equipment and devices
17 IDEC IZUMI TAIWAN CORPORATION (Taiwan)	NT\$ 60,000 thousand	100%	Manufacture and sale of control equipment and devices
18 IDEC IZUMI SUZHOU CO., LTD. (China)	US\$ 5,850 thousand	100%	Manufacture and sale of control equipment and devices
19 IDEC IZUMI (SHANGHAI) CO., LTD. (China)	US\$ 300 thousand	70%	Sale of control equipment and devices
20 IDEC IZUMI (H.K.) CO., LTD. (Hong Kong)	HK\$ 15,600 thousand	70%	Sale of control equipment and devices
21 IDEC IZUMI (Shenzhen) Co., Ltd. (China)	US\$ 200 thousand	70%	Sale of control equipment and devices

Notes: 1. Izumi Power Device Co., Ltd., Izumi Opto Device Co., Ltd., and Izumi Datalogic Co., Ltd. were respectively renamed IDEC POWER DEVICE CORPORATION, IDEC OPTO DEVICE CORPORATION, and IDEC DATALOGIC Co., Ltd. during the fiscal year ended March 31, 2006.

2. IDEC DATALOGIC Co., Ltd. is an equity-method affiliate. In fiscal 2006, TOHKEN Co., Ltd. also became an equity-method affiliate following the taking of a 22% equity stake by IDEC Corporation.

3. IDEC CANADA, LTD. and IDEC Australia Pty, Ltd. are Group companies wholly owned by IDEC Corporation.

4. IDEC IZUMI TAIWAN CORPORATION has a 25% equity stake in IDEC IZUMI SUZHOU CO., LTD.

5. IDEC IZUMI (SHANGHAI) CO., LTD. is a Group company wholly owned by IDEC IZUMI (H.K.) CO., LTD.

6. IDEC IZUMI (Shenzhen) Co., Ltd. was established in fiscal 2006 following a 70% equity investment by IDEC IZUMI (H.K.) CO., LTD.

Corporate Governance and Compliance

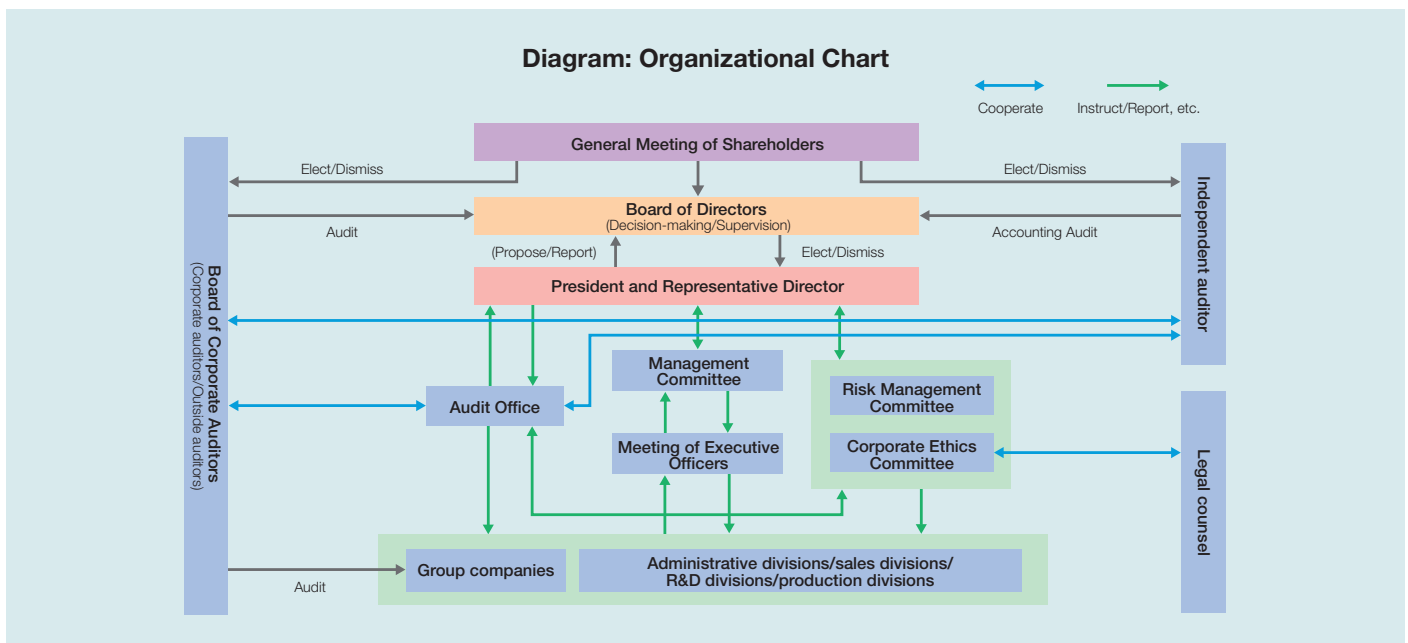
Corporate Governance Stance and Execution Framework

The Company's fundamental stance on corporate governance is the pursuit of transparent and efficacious management that will be viewed as such by shareholders and all other 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.

Governance at IDEC is anchored by the Board of Corporate Auditors. The Company's Board of Directors is responsible for monitoring the status of business execution by individual directors and executive officers. The Board of Corporate Auditors, meanwhile, audits the actions of the directors and executive

officers as they carry out their respective duties.

The Company's internal audit functions are vested in the Audit Office, established under and supervised directly by the president of IDEC Corporation. The office's audits aim to determine whether business activities are effective, efficient, legally compliant and conducive to preserving the Company's financial position. Internal audits of each business division, including head office functions, are performed regularly and reported to the corporate auditors in each case. The office also maintains close ties with the corporate auditors during the course of their ordinary audit activities, remains alert for indicators that could point to the discovery of potential problems, and shares its insights and opinions with the corporate auditors.



Compliance and Risk Management

The Company has compiled and put into practice corporate ethical standards that encapsulate its stance with respect to compliance. Extensive efforts are made to raise awareness among all employees to ensure they are fully compliant with these standards. The basic thrust of the standards compels the Company to deal fairly and openly with individuals, companies, organizations and all other stakeholders, and to conduct business transactions in an appropriate manner.

A Risk Management Committee, chaired by the president, has been established to bolster compliance-related systems, and to formulate fundamental company-wide policies and implement initiatives pertaining to risk management. With this committee, the Company has a framework in place for mounting a swift and proper response should risks materialize.

Environmental Preservation and Corporate Social Responsibility

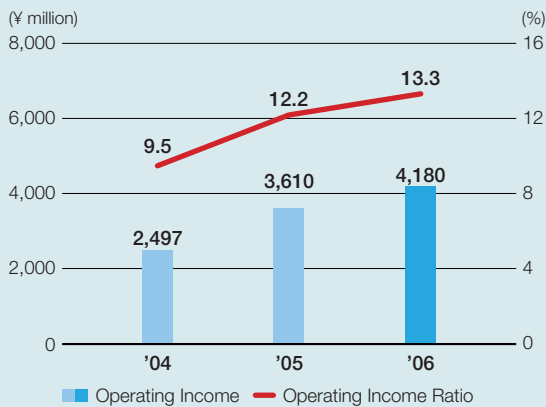
The Company has drafted a Fundamental Environmental Policy and a set of Environmental Management Regulations to guide its environmental preservation activities. This policy and these regulations are applicable to IDEC Group companies in Japan and overseas, which are engaged in a variety of activities, including those aimed at preventing global warming and reducing the volume of industrial waste generated. IDEC, moreover, has long contributed to society as a corporate citizen through its pursuit of technologies and products pertaining to industrial safety and explosion protection. An important policy regarding corporate social responsibility going forward will be to focus on ways of helping to reduce the number of industrial accidents.

Business Performance

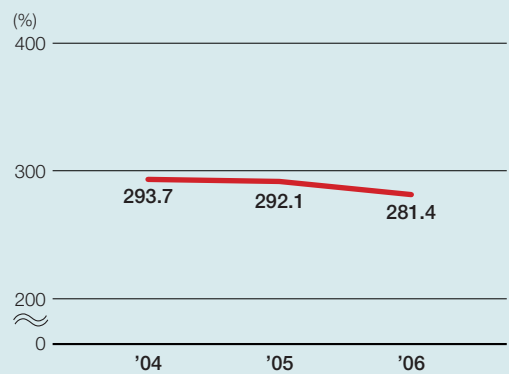
During the period under review, domestic net sales rose 7.1% year on year to ¥21,142 million (US\$179,978 thousand). Domestic sales were buoyed by continued firm demand on the back of robust capital investments in Japan. This trend sparked growth in the Company's safety switches, control relays, explosion-protected products, and programmable displays, as well as continued healthy sales of control switches and other core products. Overseas net sales increased 3.5% to ¥10,235 million (US\$87,129 thousand). In addition to strong sales in North America, overseas sales were lifted by a resurgence in demand in the second half of the year in Asia, where demand had initially been largely flat. As a result, consolidated net sales rose 5.9% year on year to ¥31,377 million (US\$267,106 thousand).

Turning to earnings, the cost of sales ratio improved 1.2 percentage points to 50.5%, compared to 51.7% a year ago. In addition to benefits accompanying increased sales, this improvement was attributable to redoubled efforts by the Company and Group production companies in Japan and overseas to reduce manufacturing costs. Progress in achieving these reductions was sufficient to cover sharply higher prices for raw materials. The ratio of selling, general and administrative expenses to net sales was on a par with the previous year at 36.2%, due to an increase in one-off expenses accompanying a change in the Company's trade name. This charge notwithstanding, operating income climbed 15.8% year on year to ¥4,180 million (US\$35,583 thousand), and consolidated net income jumped 34.7% to ¥2,678 million (US\$22,797 thousand).

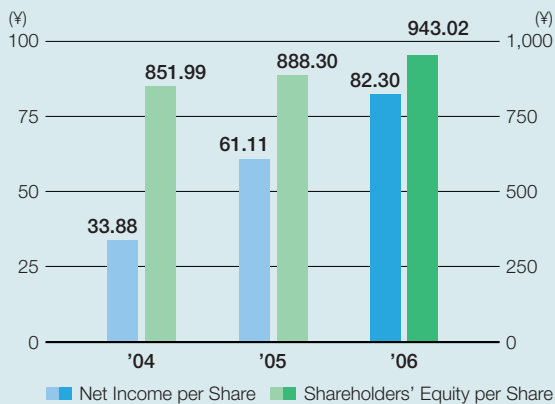
Operating Income and Operating Income Ratio



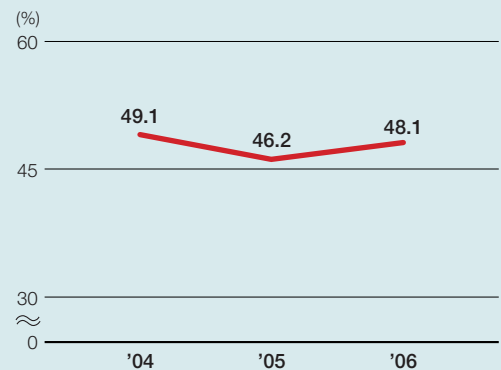
Current Ratio



Net Income per Share and Shareholders' Equity per Share



Ratio of Fixed Assets to Long-term Capital



Financial Position

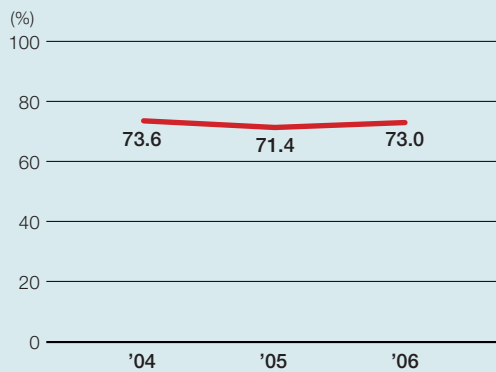
Total assets stood at ¥42,143 million (US\$358,755 thousand) as of March 31, 2006, up ¥1,704 million from the previous fiscal year-end. Current assets increased by ¥589 million to ¥26,425 million (US\$224,951 thousand). Current liabilities, meanwhile, were up ¥545 million from the previous fiscal year-end, to ¥9,390 million (US\$79,935 thousand). Property, plant and equipment totaled ¥11,067 million (US\$94,211 thousand), an increase of ¥17 million. Noncurrent liabilities declined ¥790 million to ¥1,828 million (US\$15,561 thousand). Shareholders' equity as of March 31, 2006 was ¥30,779 million (US\$262,016 thousand), up ¥1,914 million from the previous fiscal year-end. The shareholders' equity ratio was 73.0%, up from 71.4% posted a year ago.

Capital Expenditures and R&D Costs

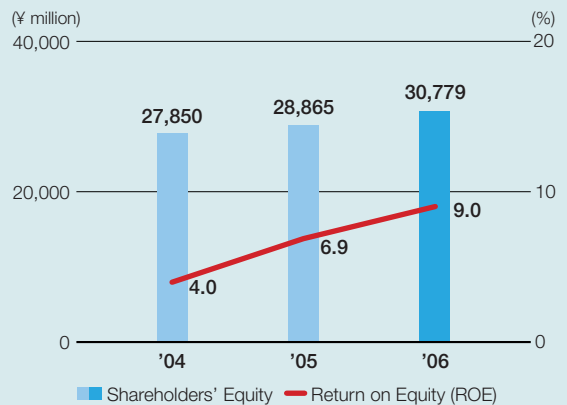
Capital expenditures were ¥632 million (US\$5,380 thousand) for the year under review. Expenditures consisted of ¥448 million used to expand production facilities and build information-related infrastructure in Japan, and ¥128 million used overseas to expand production facilities at IDEC IZUMI SUZHOU CO., LTD. in China and IDEC IZUMI TAIWAN CORPORATION in Taiwan, in addition to other investments.

Research and development for the IDEC Group is primarily 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 ¥1,948 million (US\$16,583 thousand), or 6.2% of net sales. These costs were

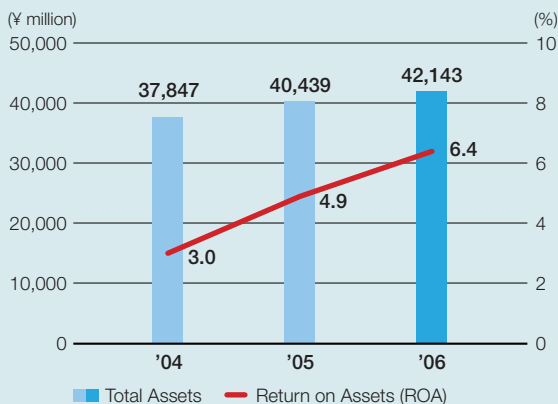
Shareholders' Equity Ratio



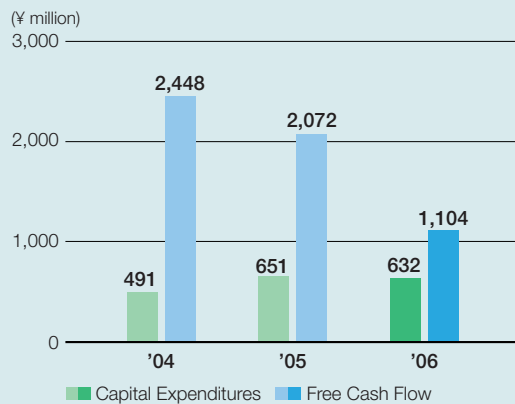
Shareholders' Equity and Return on Equity (ROE)



Total Assets and Return on Assets (ROA)



Capital Expenditures and Free Cash Flow



mostly incurred in the four control fields of operator interfaces, control, measurement and identification, and communication and equipment interfaces, and in the development of elemental technologies and new products in fields such as power supplies and explosion-protected products.

Cash Flows

Net cash provided by operating activities was ¥2,858 million (US\$24,330 thousand), up ¥77 million from the previous fiscal year. This modest growth was largely attributable to an increase of ¥1,214 million in income before income taxes and minority interests, offset by a decrease in retirement and severance benefits and an increase in income taxes paid. Net cash used in investing activities was ¥1,754 million (US\$14,931 thousand), an increase of ¥1,045 million from a year earlier, primarily due to investment in TOHKEN Co., Ltd. of ¥1,190 million in October 2005. As a result, free cash flow was ¥1,104 million (US\$9,399 thousand) for the year, and was primarily used for the payment of cash dividends.

Consequently, the balance of cash and cash equivalents stood at ¥11,542 million (US\$98,255 thousand) as of March 31, 2006, ¥303 million less than the previous fiscal year-end.

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, 2006.

(1) Impact of exchange rate fluctuations

Roughly 30% of the products created by IDEC Group businesses are sold in markets outside of Japan. Accordingly, the Company takes steps wherever possible to minimize the adverse effects of short-term exchange rate fluctuations by entering into forward

exchange contracts to hedge against risks associated with fluctuations in exchange rates. These efforts notwithstanding, exchange rate fluctuations could negatively impact 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 losses may be posted in the event that actual future demand and market conditions are worse than IDEC Group estimates.

(3) Increase in pension benefit costs

Costs and obligations pertaining to employee pension benefits are calculated based on certain established actuarial accounting assumptions. Actual calculated results that differ from these assumptions, as well as future changes in these assumptions, that take effect in a given fiscal year could cause pension costs to increase dramatically in ensuing years.

(4) Risk associated with overseas expansion

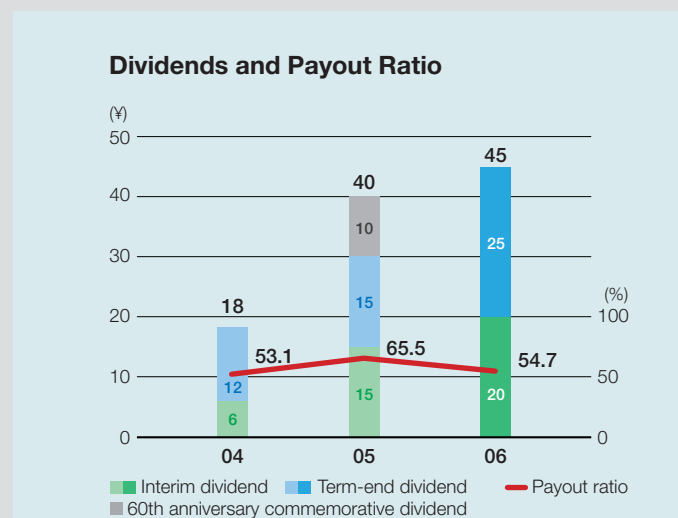
In addition to producing products in Japan, the IDEC Group manufactures products at production bases in China and Taiwan in a bid to manufacture competitive products while reducing costs. These overseas production bases carry the following possible risks:

- ① Unexpected legal and tax-system changes
- ② Difficulties in recruiting and retaining human resources
- ③ Adverse effects from insufficient technological infrastructure
- ④ Unexpected 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 impact the operating results and financial position of the IDEC Group.

Outlook for Fiscal 2007

Guided by the determination to complete its new medium-term management plan, IDEC will work to build the foundation for moving forward into new businesses, and to have those businesses contribute quickly to business performance. In parallel, the Company will further promote sales of new products in its existing control equipment business, and bolster the price competitiveness of value-added products backed by IDEC's evolving production technology capabilities. At the same time, IDEC will ramp up sales and production capabilities in China and other parts of Asia. This move will further strengthen its operating structure into one capable of responding more flexibly to changes in the operating environment. The Company, moreover, will commit itself fully to developing its businesses and boosting business performance, with the aim of establishing a fully entrenched foundation for its operations.



Consolidated Balance Sheets

IDEC Corporation and Subsidiaries

March 31, 2006 and 2005	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Assets			
Current assets:			
Cash and cash equivalents	¥11,542	¥11,845	\$ 98,255
Trade receivables:			
Notes	1,070	1,265	9,109
Accounts	5,410	4,489	46,054
Less allowance for doubtful receivables	(52)	(55)	(443)
Net trade receivables	6,428	5,699	54,720
Inventories (Note 3)	6,953	6,618	59,190
Deferred tax assets (Note 11)	947	1,027	8,062
Other current assets	555	647	4,724
Total current assets	26,425	25,836	224,951
Property, plant and equipment (Note 6):			
Land	4,437	4,552	37,771
Buildings and structures	12,501	12,501	106,419
Machinery and equipment	6,822	6,566	58,074
Furniture and fixtures	10,007	9,837	85,188
Construction in progress	150	233	1,277
	33,917	33,689	288,729
Less accumulated depreciation	(22,850)	(22,639)	(194,518)
Net property, plant and equipment	11,067	11,050	94,211
Investments and other assets:			
Investments in associate	1,233	60	10,496
Investment securities (Note 4)	988	778	8,411
Deferred tax assets (Note 11)	939	1,229	7,993
Other assets	1,491	1,486	12,693
Total investments and other assets	4,651	3,553	39,593
Total assets (Note 13)	¥42,143	¥40,439	\$358,755

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
Liabilities, Minority Interests and Shareholders' Equity			
Current liabilities:			
Short-term bank loans (Note 7)	¥ 387	¥ 496	\$ 3,295
Current portion of long-term bank loans (Note 7)	98	—	834
Trade payables:			
Notes	2,104	2,146	17,911
Accounts	2,495	1,785	21,239
Total trade payables	4,599	3,931	39,150
Accounts payable — other (Note 8)	847	526	7,210
Accrued payroll and bonuses	1,102	899	9,381
Income taxes payable (Note 11)	688	1,246	5,857
Deposits received from sales agents	1,295	1,285	11,024
Other current liabilities	374	462	3,184
Total current liabilities	9,390	8,845	79,935
Noncurrent liabilities:			
Long-term bank loans (Note 7)	—	98	—
Retirement and severance benefits (Note 8)	1,362	2,484	11,594
Deferred tax liabilities (Note 11)	—	36	—
Long-term accounts payable (Note 8)	466	—	3,967
Total noncurrent liabilities	1,828	2,618	15,561
Minority interests	146	111	1,243
Shareholders' equity (Note 9):			
Common stock :			
Authorized — 150,000,000 shares (98,152,000 shares in 2005)			
Issued — 38,224,485 shares	10,057	10,057	85,613
Capital surplus	9,630	9,633	81,978
Retained earnings	14,223	13,011	121,078
Net unrealized holding gains on other securities	310	147	2,639
Translation adjustments	56	(540)	477
	34,276	32,308	291,785
Less, treasury stock:			
5,586,822 shares (5,729,455 shares in 2005)	(3,497)	(3,443)	(29,769)
Total shareholders' equity	30,779	28,865	262,016
Contingent liabilities (Note 12)			
Total liabilities, minority interests and shareholders' equity	¥42,143	¥40,439	\$358,755

Consolidated Statements of Income

IDEC Corporation and Subsidiaries

For the years ended March 31, 2006, 2005 and 2004	2006	Millions of yen		Thousands of U.S. Dollars (Note 1)
		2005	2004	2006
Net sales (Note 13)	¥31,377	¥29,627	¥26,322	\$267,106
Cost of sales (Notes 6, 8 and 13)	15,861	15,308	13,717	135,022
Gross profit	15,516	14,319	12,605	132,084
Selling, general and administrative expenses (Notes 6, 8, 10 and 13)	11,336	10,709	10,108	96,501
Operating income (Note 13)	4,180	3,610	2,497	35,583
Other income (deductions) (Note 8):				
Interest and dividend income	83	40	24	707
Interest expense	(67)	(57)	(57)	(570)
Equity in earnings (losses) of an associate	(17)	17	12	(145)
Gain on sale of investment securities	1	1	65	9
Foreign currency exchange gain (loss), net	180	34	(211)	1,532
Loss on disposal of inventories	(18)	(7)	(27)	(153)
Loss on sale or disposal of property, plant and equipment	(10)	(62)	(17)	(85)
Retirement allowance for directors and statutory auditors	(32)	–	(206)	(272)
Early termination payments for employees	–	(21)	–	–
Rental income	83	116	96	707
Subsidy from government, etc.	19	177	87	162
Amortization of the transition obligation arising from the adoption of the Accounting Standard for Retirement Benefits	–	(487)	(487)	–
Impairment loss on golf membership rights	(1)	(36)	–	(9)
Loss on valuation of inventories	(91)	(197)	(50)	(775)
Gain from the change to defined contribution pension plan	63	–	–	536
Impairment loss on property, plant and equipment	(83)	–	–	(707)
Other, net	36	(16)	–	306
	146	(498)	(771)	1,243
Income before income taxes and minority interests	4,326	3,112	1,726	36,826
Income taxes (Note 11):				
Current	1,326	1,330	496	11,288
Deferred	298	(232)	92	2,537
	1,624	1,098	588	13,825
Income before minority interests	2,702	2,014	1,138	23,001
Minority interests	24	26	9	204
Net income	¥ 2,678	¥ 1,988	¥ 1,129	\$ 22,797

Per share data (Note 2-xi):		Yen		U.S. Dollars (Note 1)
Net income:				
Basic	¥ 82.30	¥ 61.11	¥ 33.88	\$ 0.70
Diluted	80.92	60.60	33.85	0.69
Cash dividends applicable to the period	45.00	40.00	18.00	0.38

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

IDEC Corporation and Subsidiaries

For the years ended March 31, 2006, 2005, and 2004	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, 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 other securities					130		
Translation adjustments						(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 other securities					39		
Translation adjustments						148	
Balances at March 31, 2005	38,224,485	10,057	9,633	13,011	147	(540)	(3,443)
Net income				2,678			
Cash dividends paid, ¥45 per share (Note 9)				(1,466)			
Repurchase of treasury stock (Note 9)							(288)
Sale of treasury stock			(3)				234
Net unrealized holding gains on other securities					163		
Translation adjustments						596	
Balances at March 31, 2006	38,224,485	¥10,057	¥9,630	¥14,223	¥310	¥ 56	¥(3,497)

	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, 2005	\$85,613	\$82,004	\$110,760	\$1,251	\$(4,597)	\$(29,310)	
Net income			22,797				
Cash dividends paid, \$0.38 per share (Note 9)			(12,479)				
Repurchase of treasury stock (Note 9)						(2,451)	
Sale of treasury stock			(26)			1,992	
Net unrealized holding gains on other securities				1,388			
Translation adjustments					5,074		
Balances at March 31, 2006	\$85,613	\$81,978	\$121,078	\$2,639	\$ 477	\$(29,769)	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IDEC Corporation and Subsidiaries

For the years ended March 31, 2006, 2005 and 2004	Millions of yen			Thousands of U.S. Dollars (Note 1)
	2006	2005	2004	2006
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 4,326	¥ 3,112	¥ 1,726	\$ 36,826
Depreciation and amortization	773	856	1,035	6,581
Increase (decrease) in retirement and severance benefits . .	(1,122)	512	551	(9,551)
Interest and dividend income	(83)	(40)	(24)	(707)
Interest expense	67	57	57	570
Gain on sale of investment securities	(1)	(1)	(65)	(9)
Loss on sale or disposal of property, plant and equipment .	10	62	17	85
Impairment loss on golf membership rights	1	36	—	9
Increase in trade receivables	(515)	(328)	(491)	(4,384)
Increase in inventories	(126)	(801)	(551)	(1,073)
Increase (decrease) in trade payable	346	(227)	598	2,945
Increase (decrease) in accounts payable—other	327	(35)	109	2,784
Impairment loss on property, plant and equipment	83	—	—	707
Increase in long-term accounts payable	466	—	—	3,967
Other, net	213	135	190	1,814
Sub total	4,765	3,338	3,152	40,564
Interest and dividend income received	84	40	24	715
Interest expense paid	(16)	(64)	(59)	(136)
Income taxes paid	(1,975)	(533)	(409)	(16,813)
Net cash provided by operating activities	2,858	2,781	2,708	24,330
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	3	15	9	26
Proceeds from disposition of investment securities	68	34	188	579
Capital expenditures	(632)	(651)	(491)	(5,380)
Purchase of investment in an associate	(1,190)	—	—	(10,130)
Other, net	(3)	(107)	34	(26)
Net cash used in investing activities	(1,754)	(709)	(260)	(14,931)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	(136)	76	(15)	(1,158)
Dividends paid	(1,460)	(879)	(408)	(12,429)
Repurchase of treasury stock, net	(57)	(279)	(1,343)	(485)
Proceeds from minority shareholders	—	66	—	—
Net cash used in financing activities	(1,653)	(1,016)	(1,766)	(14,072)
Effect of exchange rate changes on cash and cash equivalents	246	80	(218)	2,094
Net increase (decrease) in cash and cash equivalents . .	(303)	1,136	464	(2,579)
Cash and cash equivalents at beginning of year	11,845	10,709	10,245	100,834
Cash and cash equivalents at end of year	¥11,542	¥11,845	¥10,709	\$ 98,255

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 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, 2006, which was ¥117.47 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 (hereinafter 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 at acquisition of investments in subsidiaries 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

Effective from the year ended March 31, 2006, the Company and all domestic subsidiaries adopted 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).

As a result of adopting this standard, income before income taxes and minority interests decreased by ¥83 million (\$707 thousand).

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 have a cash balance pension plan and defined contribution 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 has been amortized over 5 years through the year ended March 31, 2005, and the amortization was included in other income (deductions). 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 regulations on July 1, 2005 and changed a non-contributory 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 (\$536 thousand) for the year ended March 31, 2006, which is included in other income (deductions).

The unfunded obligation at the date of transition of ¥1,090 million (\$9,279 thousand) is scheduled to be paid to the defined contribution pension plan over 4 years after the plan change.

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.

xij) 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, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Finished products and merchandise	¥3,531	¥3,559	\$30,059
Work in process	930	991	7,917
Raw materials and supplies	2,492	2,148	21,214
	¥6,953	¥6,618	\$59,190

4. Investment Securities:

Marketable equity and debt securities included in investment securities at March 31, 2006 and 2005 are summarized as follows:

	Millions of yen							
	2006				2005			
	Cost	Fair value	Unrealized gains	Unrealized losses	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	¥322	¥839	¥521	¥4	¥357	¥599	¥258	¥16
Convertible bonds	10	15	5	—	40	45	5	—
	¥332	¥854	¥526	¥4	¥397	¥644	¥263	¥16

	Thousands of U.S. Dollars			
	2006			
	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	\$2,741	\$7,142	\$4,435	\$34
Convertible bonds	85	128	43	—
	\$2,826	\$7,270	\$4,478	\$34

Proceeds from the sale of investment securities and gross realized gains and losses for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Proceeds	¥36	¥2	¥188	\$306
Gross realized gains	7	1	72	60
Gross realized losses	6	—	7	51

The carrying amounts of investment securities with no available market values at March 31, 2006 and 2005 are ¥134 million (\$1,141 thousand).

Maturities of investment securities with available market values at March 31, 2006 and 2005 are as follows:

	Millions of yen				Thousands of U.S. Dollars	
	2006		2005		2006	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	¥ 10	¥ 15	¥ 30	¥ 32	\$ 85	\$ 128
Due after one year through five years	—	—	10	13	—	—
Equity securities	322	839	357	599	2,741	7,142
	¥322	¥854	¥397	¥644	\$2,826	\$7,270

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, 2006 and 2005 are as follows:

	Millions of yen					
	2006		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)

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 Japanese GAAP, 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, 2006 and 2005, which 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
	2006	2005	2006
Machinery and equipment			
Acquisition cost	¥149	¥102	\$1,268
Accumulated depreciation	(66)	(44)	(562)
	83	58	706
Furniture and fixtures			
Acquisition cost	371	345	3,158
Accumulated depreciation	(200)	(159)	(1,702)
	171	186	1,456
	¥254	¥244	\$2,162

Future minimum lease payments at March 31, 2006 and 2005, which include the portion of interest thereon, consist of the following:

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 97	¥ 90	\$ 826
Due after one year	157	154	1,336
	¥254	¥244	\$2,162

Rentals of the above-mentioned finance leases, without transfer of ownership, for the three years ended March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Rentals	¥101	¥118	¥104	\$860

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 Japanese GAAP. Future minimum rents under non-cancelable operating leases at March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 335	¥ 344	\$ 2,852
Due after one year	1,842	2,171	15,680
	¥2,177	¥2,515	\$18,532

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

Weighted average annual interest rates of short-term bank loans as of March 31, 2006 in Japan and other countries were 0.90% and 5.89%, respectively. The weighted average annual interest rates as of March 31, 2005 in Japan and other countries were 0.99% and 3.96%, respectively.

Long-term bank loans as of March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Bank loans with interest of 0.86% due on June 30, 2006:			
Unsecured	¥98	¥98	\$834
Less current portion	(98)	-	(834)
	¥ -	¥98	\$ -

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 of benefit obligation, plan assets and funded status of the Companies at March 31, 2006 and 2005.

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Benefit obligation at end of year	¥(4,309)	¥(6,166)	\$(36,682)
Fair value of plan assets at end of year . .	3,159	2,927	26,892
Unfunded benefit obligation	(1,150)	(3,239)	(9,790)
Unrecognized prior service (benefits) costs	(21)	133	(178)
Unrecognized actuarial (gains) losses . .	(191)	622	(1,626)
Retirement and severance benefits recognized in the consolidated balance sheets	¥(1,362)	¥(2,484)	\$(11,594)

Note: 1 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.

Note: 2 The impact on the consolidated financial statements which was caused by the change from the non-contributory qualified pension plan to the cash balance pension plan and defined contribution pension plan was as follows:

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Decrease of benefit obligation	¥1,951		\$16,608
Decrease of plan assets	(464)		(3,950)
Decrease of unrecognized prior service costs	(152)		(1,294)
Decrease of unrecognized actuarial losses	(182)		(1,549)
Transfer to accounts payable	(1,090)		(9,279)
Gain from the change to defined contribution pension plan	¥ 63		\$ 536

Accounts payable to the defined contribution pension plan at March 31, 2006 are as follows.

	Millions of yen		Thousands of U.S. Dollars
	2006	2005	2006
Accounts payable-other	¥237		\$2,018
Long-term accounts payable	466		3,967
	¥703		\$5,985

Net periodic benefit cost of the Companies included the following components for the three years ended March 31, 2006.

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
Service cost	¥231	¥305	¥313	\$1,967
Interest cost	98	126	124	834
Expected return on plan assets	(52)	(54)	(47)	(443)
Amortization:				
Transition obligation at date of adoption	-	487	487	-
Prior service costs	2	12	12	17
Actuarial losses	47	63	81	400
Contribution to defined contribution pension plan	64	-	-	545
Net periodic benefit cost	¥390	¥939	¥970	\$3,320

Assumptions used in accounting for retirement benefits for the three years ended March 31, 2006 are as follows:

	2006	2005	2004
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%	2.0%
Amortization period for transition obligation at date of adoption	-	5 years	5 years
Amortization period for prior service costs	12 to 13 years	13 years	13 years
Amortization period for actuarial losses	12 to 15 years	13 to 15 years	13 to 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 (\$9,270 thousand) as of March 31, 2006 and 2005.

Cash dividends charged to retained earnings during the years ended March 31, 2006, 2005 and 2004 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 year-end dividend of ¥25 (\$0.21) per share, aggregating ¥816 million (\$6,946 thousand) which was approved at the Company's shareholders' meeting on June 9, 2006 in respect of the year ended March 31, 2006.

Under the Code, the amount available for dividends is calculated based on the Parent company's financial statements. At March 31, 2006, the amount available for dividends was ¥4,619 million (\$39,321 thousand).

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 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, 2003	479,500	¥ 753	
Granted	438,500	600	
Exercised	(76,000)	858	
Forfeited	(102,500)	1,203	
Balance at March 31, 2004	739,500	664	
Granted	574,000	1,034	
Exercised	(215,000)	603	
Forfeited	(52,000)	1,098	
Balance at March 31, 2005	1,046,500	858	\$ 7.30
Granted	1,412,700	1,358	11.56
Exercised	(373,500)	616	5.24
Forfeited	(103,600)	1,157	9.85
Balance at March 31, 2006			
Weighted average remaining life-4.57 years	1,982,100	¥1,244	\$ 10.59

On June 9, 2006, the Company's shareholders' meeting approved that the Company's stock acquisition rights as stock options be allotted to certain employees of the Companies and certain directors of subsidiaries. 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 150,000 common shares.

During the years ended March 31, 2006, 2005 and 2004, the Company repurchased treasury stock of 231,032 shares, 407,982 shares and 2,424,564 shares, with aggregate value of ¥288 million (\$2,452 thousand), ¥409 million and ¥1,390 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, 2006 are as follows:

	Millions of yen			Thousands of U.S. Dollars
	2006	2005	2004	2006
	¥1,948	¥1,982	¥1,830	\$16,583

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 years ended March 31, 2006 and 2005, and 42.0% for the year ended March 31, 2004. The effective tax rates for the years differ from the normal tax rates for the following reasons:

	2006	2005	2004
Normal tax rate	40.6%	40.6%	42.0%
Expenses not deductible for tax purposes	0.4	0.5	0.8
Per capita taxes	2.3	2.4	3.6
Effect of deferred tax assets and liabilities for enacted changes in tax laws and rates	-	-	2.3
Effect of distributed earnings of overseas subsidiaries	0.8	0.5	0.7
Lower tax rates of overseas subsidiaries	(2.7)	(3.1)	(5.6)
Unrecognized deferred tax on unrealized intercompany profit	(0.3)	(0.2)	(10.9)
Tax credit for research and development expenses	(3.4)	(5.3)	-
Other	(0.2)	(0.1)	1.2
Effective tax rate	37.5%	35.3%	34.1%

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, 2006 and 2005 are presented below:

	Millions of yen		Thousands of
	2006	2005	U.S. Dollars
Deferred tax assets:			
Inventories	¥ 508	¥ 594	\$ 4,325
Allowance for doubtful receivables . . .	77	65	655
Property, plant and equipment	103	86	877
Investment securities	44	44	375
Retirement and severance benefits . . .	833	983	7,091
Accrued expenses	378	342	3,218
Tax loss carryforwards	100	120	851
Foreign tax credit carryforwards	-	31	-
Accrued business taxes	56	119	477
Other	91	76	774
Total gross deferred tax assets	2,190	2,460	18,643
Less valuation allowance	(92)	(104)	(783)
Net deferred tax assets	2,098	2,356	17,860
Deferred tax liabilities:			
Accumulated depreciation	-	(36)	-
Net unrealized holding gains on securities	(212)	(100)	(1,805)
Total gross deferred tax liabilities . . .	(212)	(136)	(1,805)
Net deferred tax assets	¥1,886	¥2,220	\$16,055

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

2006	Millions of yen					
	Japan	North America	Europe	Asia Pacific	Corporate and Eliminations	Consolidated
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
Assets	24,364	5,461	431	5,602	6,285	42,143

2005	Millions of yen					
	Japan	North America	Europe	Asia Pacific	Corporate and Eliminations	Consolidated
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

2004	Millions of yen					
	Japan	North America	Europe	Asia Pacific	Corporate and Eliminations	Consolidated
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

The Company has not recognized deferred tax liabilities of approximately ¥574 million (\$4,886 thousand) and ¥483 million for the portion of undistributed earnings of foreign subsidiaries in 2006 and 2005, respectively, 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 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 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, 2006 and 2005, undistributed earnings of these subsidiaries were approximately ¥5,310 million (\$45,203 thousand) and ¥4,519 million, respectively.

12. Contingent liabilities:

Contingent liabilities at March 31, 2006 and 2005 for guarantees of bank loans of an associate amounted to ¥55 million (\$468 thousand) and ¥75 million, respectively.



To the Board of Directors of
IDEC IZUMI Corporation:

We have audited the accompanying consolidated balance sheets of IDEC Corporation and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the period ended March 31, 2006, 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, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

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

The accompanying consolidated financial statements as of and for the year ended March 31, 2006 have been translated into U.S. dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into U.S. dollars on the basis set forth in Note 1 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 9, 2006

Share Data

Number of Shares Authorized:	150,000,000
Number of Shares Issued:	38,224,485*
Share Unit:	100
Number of Shareholders:	9,853

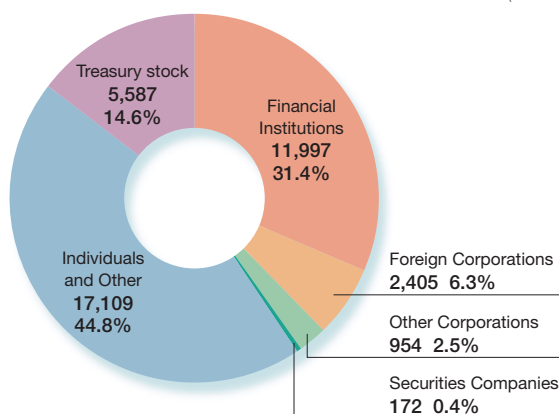
* Treasury stock held at the end of the period totaled 5,586,822 shares, representing changes in amounts repurchased, or in response to requests for purchases or additional purchases or the execution of stock options.

Major Shareholders (Top 10)

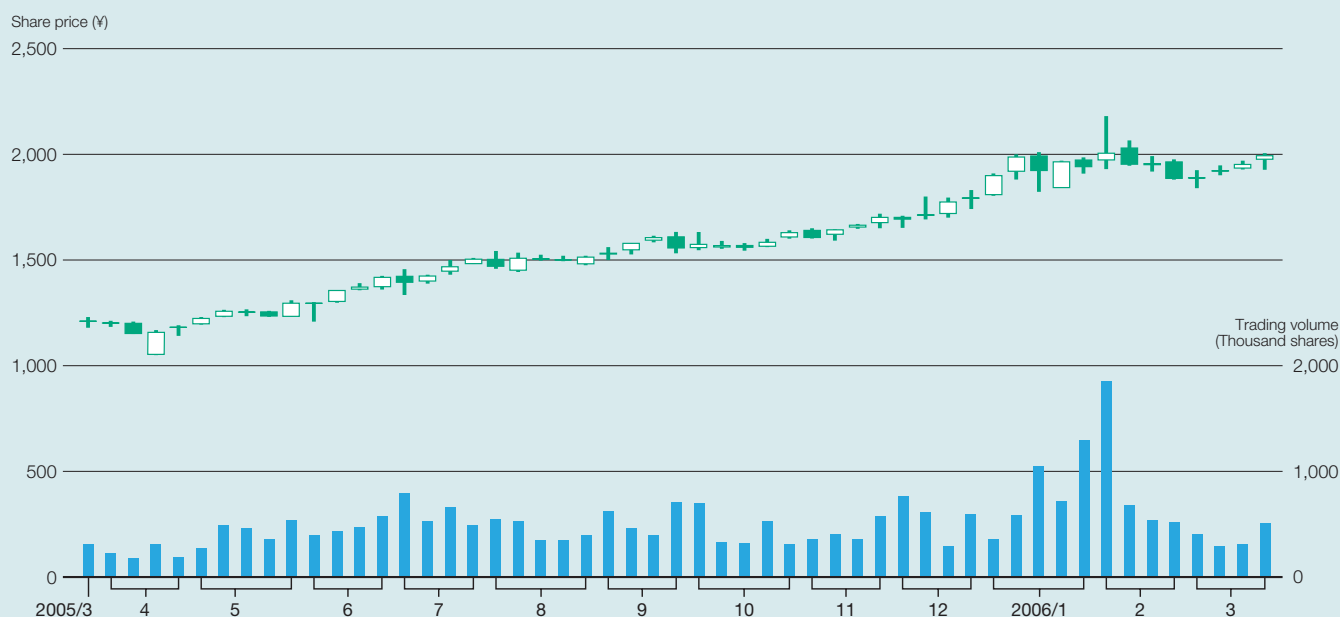
Shareholders	No. of Shares (Thousands)	Holdings (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,006	7.87
Japan Trustee Services Bank, Ltd. (Trust account)	2,797	7.32
Tsuneo Funaki	1,587	4.15
Mizuho Bank, Ltd.	1,312	3.43
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,124	2.94
The Bank of New York Europe Limited Luxemburg	1,099	2.88
Shinichiro Fujita	1,085	2.84
Nippon Life Insurance Company	1,029	2.69
Keijiro Fujita	769	2.01
Toshihiro Fujita	434	1.14

By Shareholding (Number of Shares and Ratio)

(Thousands)



Share Price Chart



Corporate Data

Corporate Name:	IDEC CORPORATION
Incorporated:	March 26, 1947
Paid-in Capital:	¥10,056,605,173
Number of Employees:	1,633 (Consolidated, as of March 31, 2006)
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, Mito, 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



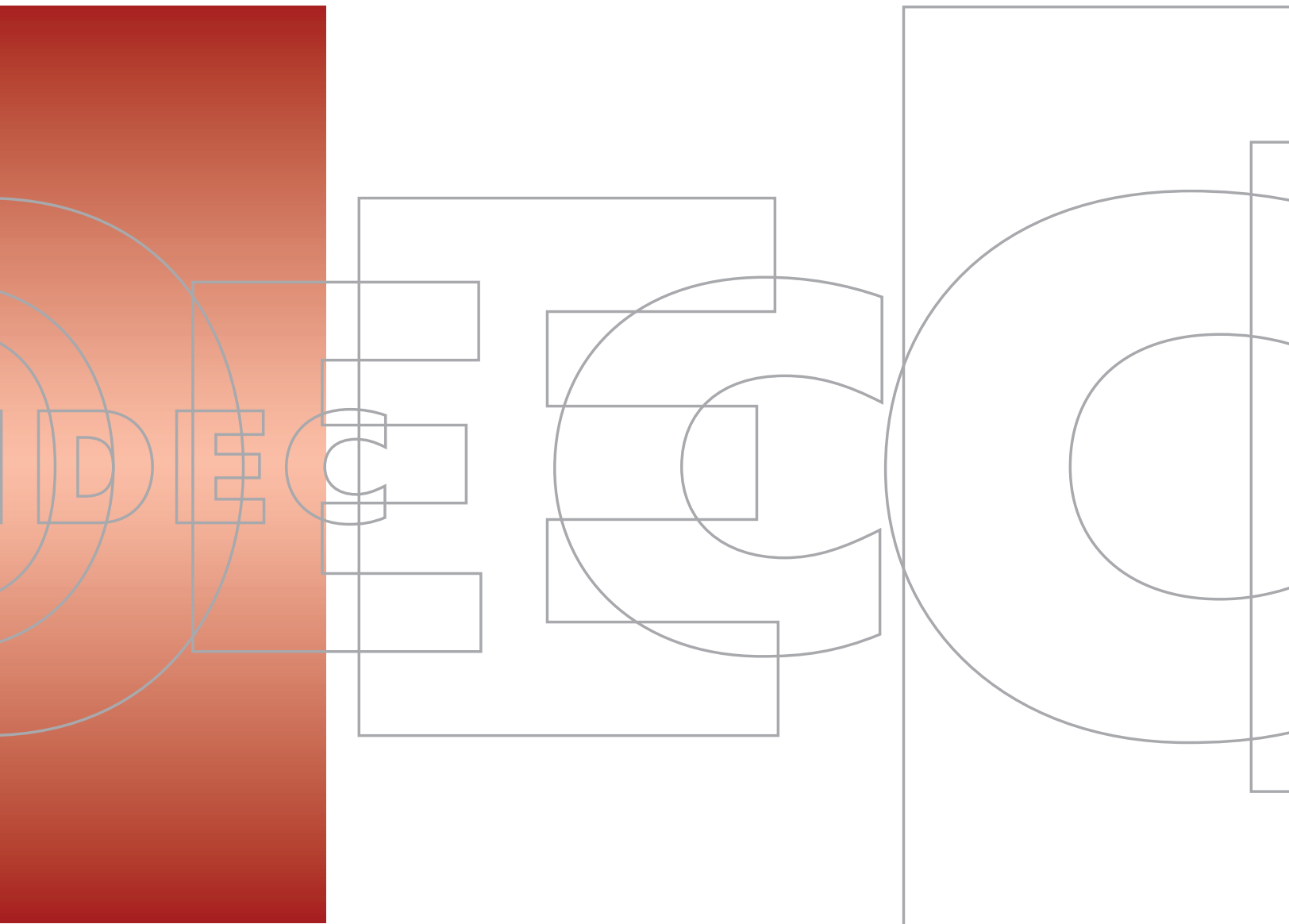
IDEC Corporation (Head Office)

Founder and Honorary Chairman, Board of Directors, Corporate Auditors and Adviser

Founder and Honorary Chairman	Tsuneo Funaki
Chairman and C.E.O.	Toshiyuki Funaki
Senior Executive Vice President	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
Adviser	Takeshi Nakagawa (Senior Adviser at Toshiba Corporation)

Managing Officers

Chairman and C.E.O.	Toshiyuki Funaki
Senior Executive Vice President	Mikio Funaki
Human Resources	Keijiro Fujita
R&D 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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