ANNUAL REPORT 2007

2007

IDEC CORPORATION

IDEC

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-controlled 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.

Contents

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.

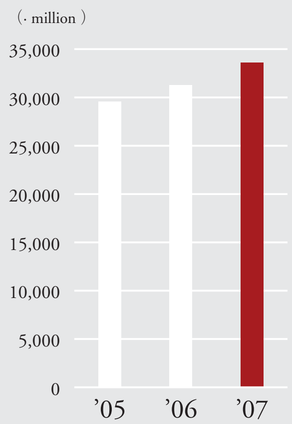
Consolidated Financial Highlights

IDEC Corporation and Subsidiaries

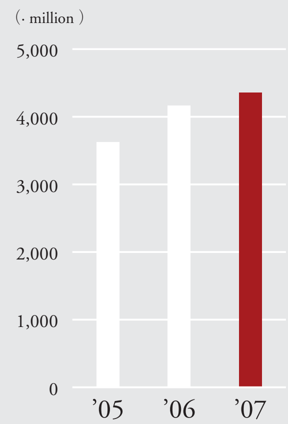
The years ended March 31,	Millions of yen (except per share amounts) 2007	2006	2005	Thousands of U.S. dollars (Note 3) 2007
Net sales	·33,585	·31,377	·29,627	$284,402
Operating income	4,359	4,180	3,610	36,913
Income before income taxes and minority interests	4,181	4,326	3,112	35,406
Net income	2,616	2,678	1,988	22,153
Amounts per share of common stock (in yen, in U.S. dollars):				
Net income - basic	81.24	82.30	61.11	0.69
Net income - diluted	79.54	80.92	60.60	0.67
Cash dividends applicable to the period	60.00	45.00	40.00	0.51
Net assets	943.04	943.02	888.30	7.99
Working capital	15,150	17,035	16,991	128,292
Property, plant and equipment - net	10,944	11,067	11,050	92,675
Total assets	40,167	42,143	40,439	340,139
Net assets	30,458	30,925	28,976	257,922
Dividend on equity	6.4%	4.9%	4.5%	

Notes: 1. Net assets 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, 2007, which was ·118.09 to U.S. $1 .
4. Effective for the year ended March 31, 2007, net assets are presented based on the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board Statement No.5) and the "Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Financial Standards Implementation Guidance No.8). Prior year figures have been restated.

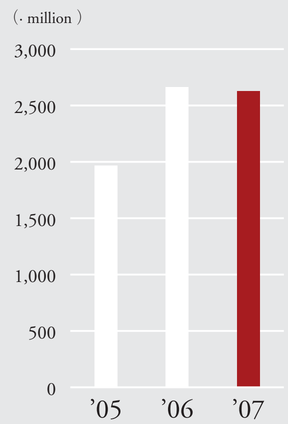
Net Sales



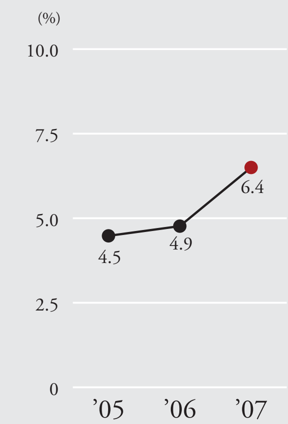
Operating Income



Net Income



DOE (Dividend On Equity)



To Our Stakeholders

Fifth Consecutive Year of Increased Revenue, Third Consecutive Year that the Group Has Achieved Its Highest Ever Ordinary Income

The second year of the medium term management plan, in which the company has unified its name and brand to work as IDEC Corporation, has come to a close. During this term, the solid growth of the global economy continued and the Japanese economy performed steadily, with activity centered on demand for facility investment.

In this climate, IDEC saw growth in control panels, system products, programmable displays and other products in Japan, as well as the continuation of robust sales for control switches and other core products. As a result, sales increased 3.2% over the previous term to finish at ·21,820 million .

Overseas, demand in the North America and Asia regions continued the trend of the previous term to record steady growth. Business for IDEC s new programmable controllers and programmable displays grew, resulting in a 15.0% increase in sales over the previous term for a total of ·11,765 million.

As a result of the above, the performance of the IDEC Group as a whole during the term under review saw sales increase 7.0% in comparison to the previous term for a total of ·33,585 million, giving IDEC a fifth consecutive year of increased revenue.

In terms of income, the IDEC Group was affected by the high prices for raw materials and other factors, but operating income continued the trend of the previous term to record a new historical high. In addition, ordinary income also outperformed the historical high recorded in the previous term, resulting in the rewriting of the IDEC Group s profit records for the third term in succession. On the other hand, extraordinary losses increased, causing a slight reduction in net income in the term under review.

Based on the results described above and in response to the constant support of shareholders, the annual dividend per share has been set at a total of ·60 per share that consists of the interim dividend and term-end dividend of ·30 for each, with ·25 per share to be paid as the ordinary dividend and ·5 per share to be paid as a commemorative dividend.

The Outlook for the Next Term (Term Ending March 2008)

The term ending March 2008 is the final year of the first period of the medium term management plan that IDEC is currently promoting. This medium term management plan is a two-storied plan with inbuilt continuity. The first period runs from the term ending March 2005 to the term ending March 2008, and the second period from the term ending March 2009 to the term ending March 2011. Through expansion of the IDEC Group s business areas and new growth (reform for growth), IDEC is aiming at making the leap towards becoming a truly global concern. Initially, in the first period of the medium term management plan, IDEC is planning to establish the foundations for the Group s entrance into new business areas, activities that the group is promoting strongly at present, and at making early contributions to results in the new business thus created.

Furthermore, in its existing control equipment business as well, IDEC is driving ahead with measures including increased sales promotions for new products, enhancement of the price competitiveness of high value added products using IDEC s strength in production technology, increased sales strength in the Asia region, and the reinforcement of production capacity. IDEC is aiming at the creation of a management culture that can respond flexibly to changes in the management environment and the establishment of solid business foundations.

In the near future, through further enhancement of the alliances of the IDEC Group and the consolidation of group strength, IDEC intends to achieve the targets of the first period of the medium term management plan and advance towards the second period of the medium term management plan, which will start from April 2008.

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

September 2007

Toshiyuki Funaki
Chairman and C.E.O.

IDEC at a Glance

Product Category

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, relays, circuit protectors and sensors are other key products in this line.

During the term under review, sales rose 4.8% year on year to ·17,890 million, lifted by continuing strong sales of core products including control switches.

Control System Equipment and FA System Components

Products in this category include programmable logic 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 climbed 14.3% to ·5,433 million, primarily due to growth in sales of advanced programmable controllers and programmable displays.

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 6.9% to ·6,115 million, on the back of healthy overall sales during the year under review.

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.

While IDEC made efforts to improve profit margins in this area of business and carried out selective sales promotions, sales increased 1.4% to ·1,589 million.

Other Components

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

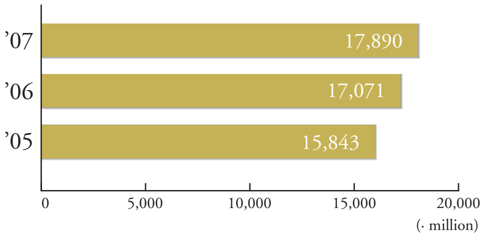
Sales in this category increased 12.8% to ·2,558 million.

IDEC

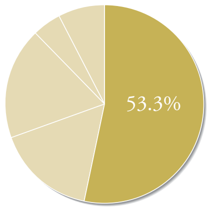
Major Products

Net Sales / Net Sales Ratio (2007)

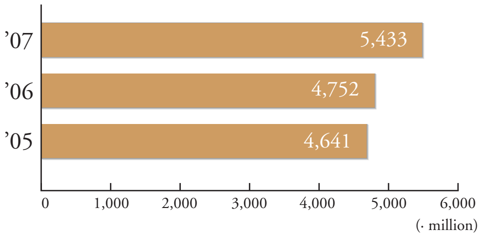

Net Sales



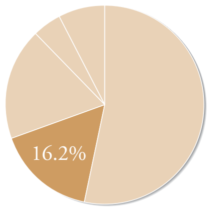
Net Sales Ratio (2007)



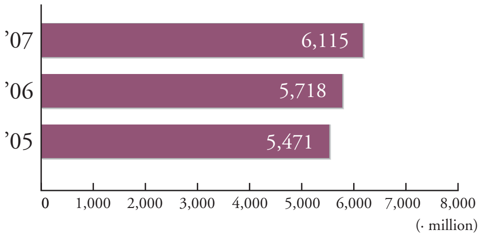

Net Sales



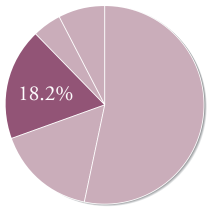
Net Sales Ratio (2007)



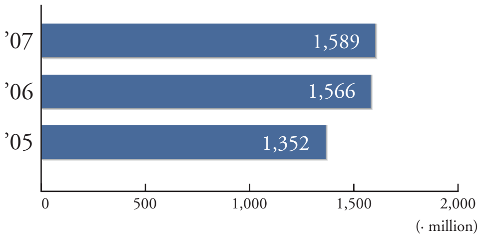

Net Sales



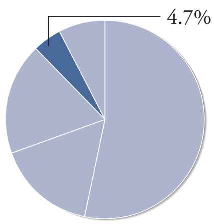
Net Sales Ratio (2007)



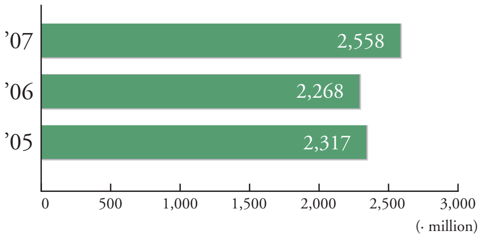

Net Sales



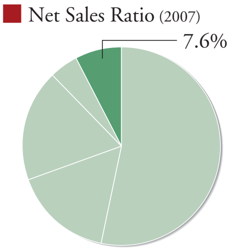
Net Sales Ratio (2007)




Net Sales



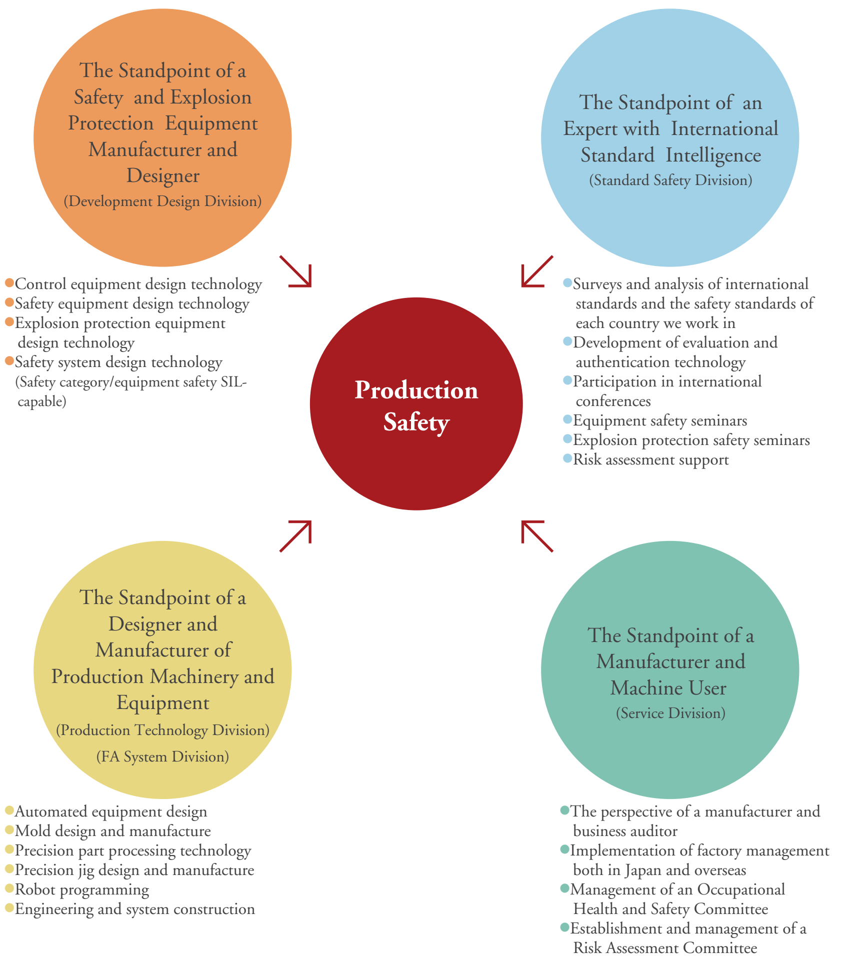
Net Sales Ratio (2007)



Topics

IDEC Has Made a Full Launch of its Safety and Explosion Protection Consulting Operations, an Area Making Steady Advances

IDEC Strengths in Safety and Explosion Protection Consulting



*For details, please refer to the IDEC website. http://www.idec.com/jpja/technology_solution/safety/index.html

The government revised the Industrial Safety and Health Law in April 2006. The implementation of advance surveys of potential danger and harm (risk assessments) to pick out budding industrial accidents in the workplace (risk), and efforts to implement the required risk reduction devices (safety measures) based on the results of those risk assessments are now compulsory.

In such circumstances, momentum related to the safety of production machinery and equipment, other factory and workplace devices and industrial workplaces overall has increased in a breath.

IDEC, which has been working on technology and products related to safety and explosion protection from an early stage, has been accumulating original know-how on a global basis from the foundation of the company to the present time. The IDEC Group has initiated safety and explosion protection consulting services to support safety and production in manufacturing workplaces from the 4 standpoints shown below and with its knowledge and know-how, taking the group one step further than its safety education activities for industry, including the safety and explosion protection seminars IDEC has continued to provide up until this point.

IDEC is aiming at the dramatic expansion of its safety and explosion protection business in the future through the skillful integration of safety equipment development activities on the hard side and consulting services on the soft side.

Our Robot-controlled Cell Production System Is Drawing More Attention

In recent years, in industry areas such as FA, manufacturers have not only placed importance on the productivity and efficiency of machinery, but have also come increasingly to emphasize considerations of safety as well.

In this environment, IDEC s Robot-controlled Cell Production system is not the idea of having the robots of robot-centered cellular production replace the people who work in human-centered cellular production. Rather, it is technology that realizes and verifies the world s first dual production and safety system through optimal control design of the entire production process, including front-end and post processing.

This innovative production system is attracting even more attention than it has done up to now and was being picked up by various mass communication outlets towards the end of the term under review, including introductions in a number of TV programs and magazines such as Nikkei Monozukuri.

*For details, please refer to the IDEC website. http://www.idec.com/jpja/index.html

New Market Release of a Sophisticated Small Programmable Display Featuring a High-Resolution LCD Screen

There are increasing needs for greater space efficiency in operating display parts in association with the downsizing of equipment in various industries. Because of this, there are increasing needs for the size reduction of programmable displays. In addition, there is demand for displays with global capabilities able to cover a wide range of overseas markets, not only Japan.

The product that responds to those needs is IDEC s HG1F Small Programmable Display. While small, the HG1F display possesses sophisticated functionality and high-speed capabilities on a par with medium sized and large models, and by incorporating a high-resolution LCD screen, is equipped with the highest luminosity* display characteristics among such products in Japan. Furthermore, the HG1F has realized increased space saving through use of the thinnest display panel available on any such product in Japan.

* IDEC comparison based on small programmable displays for industrial use.
** IDEC comparison based on small programmable displays for industrial use incorporating a CCFL backlight.

New Release of a Small-size Teaching Pendant Designed in Pursuit of Safety and Ease of Use

IDEC has developed the HG1H Small-size Teaching Pendant, the optimum tool for robots with few axes such as uniaxial robots and small assembly robots. The HG1H was released onto the market in January 2007. This new teaching pendant is not only easy to use, but is also equipped with safety equipment that conforms to global safety standards.

As standard equipment, the HG1H incorporates a 3-position enabling switch that will always turn off when a dangerous condition occurs, and a emergency stop pushbutton switch.

Usually, this kind of equipment requires the development of software matched to the host machine, but the HG1H Small-size Teaching Pendant is equipped with standard system software aimed at curtailing the customer s development processes and development costs.

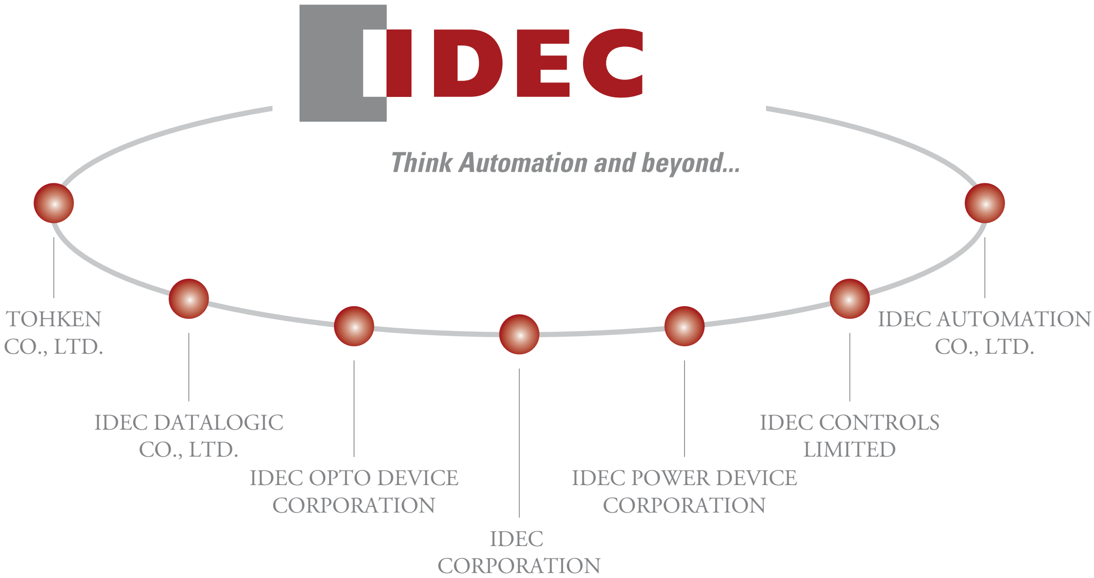
IDEC Group s Strategy

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

IDEC companies in Japan supply original, steadfast products to the market. They do this through a manufacturing company that continues to develop and manufacture products that are one step ahead due to unique technology, through an import and trade company that always looks to expand business from its base in the control equipment field, and through manufacturing and sales affiliates involved in the Group s traceability operations, which have remarkable technological capabilities and a substantial sales network.

On the other hand, the IDEC Group overseas is equipped with a global marketing structure that enables it to respond to the needs of all of the world s markets based on clear strategies for each region. In terms of production, IDEC s overseas product manufacturing is equipped with Japanese-level technological power and price competitiveness, providing powerful backup for the group production system. The IDEC Group continues to provide products worldwide.

IDEC aims at making the leap to become a truly global corporate group by strengthening the alliance between these companies in Japan and overseas with their advanced technology and know-how, and by bringing their capabilities together.



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

IDEC CONTROLS LIMITED mainly imports and sells security systems. Since the establishment of the company in 1972, while continually making direct contact with customers to fully absorb their needs, IDEC CONTROLS LIMITED has employed its consulting and engineering functions to construct a user-oriented work system that provides excellent products from both Japan and overseas alongside products that the company has developed independently, with specifications adjusted to meet requirements.

The main products handled are various types of control equipment, LEDs, printing equipment, article surveillance systems, library protection systems, and RF-ID system products, etc. The company is a leader of work in Traceability & New Business (Convergence with Control), one of the Four Beyonds, IDEC's series of technology concepts.

IDEC CONTROLS LIMITED meets the needs of the market accurately alongside group companies in Japan and overseas, and alliance companies overseas based on the solid technological capabilities of the IDEC Group. IDEC CONTROLS LIMITED will continue to provide the best solutions.

IDEC POWER DEVICE CORPORATION http://ipd.idec.com/

IDEC POWER DEVICE CORPORATION undertakes the manufacture of control equipment related parts within the IDEC Group. Since the establishment of the company in 1985, IDEC POWER DEVICE CORPORATION has provided products that are easy to use from the customer standpoint based on development technology that has realized a high level of reliability, as a specialist manufacturer of direct current stabilized power supply devices (switching power supplies, etc.).

The company s main products are standard power supply products (switching power supplies, rechargers, power supplies for use with LED displays), but IDEC POWER DEVICE CORPORATION is also working on the development and production of a variety of electronic control equipment as special products, putting into practice the concept of Technology Innovation (Evolution of Control Technologies), one of the Four Beyonds, IDEC s series of technology concepts .

High quality and reliability are givens, but as an IDEC Group manufacturing company, IDEC POWER DEVICE CORPORATION makes efforts not to use environmental substances such as heavy metals in its products, which would exert a negative impact on people s bodies and the environment. The company provides products that conform to European environmental regulations (RoHS: Restrictions of Hazardous Substances).

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

IDEC OPTO DEVICE CORPORATION undertakes the development of LEDs and since the establishment of the company in 1986, IDEC OPTO DEVICE CORPORATION has continued to propose new LED lights as an LED professional. IDEC OPTO DEVICE CORPORATION specializes in the manufacture of optical semiconductor devices, LED-applied products, and parts for electronic equipment. The company manufactures LED light bulbs, surface emitting LED units, LED arrays, devices for use in sensors, and products with solar applications (solar batteries).

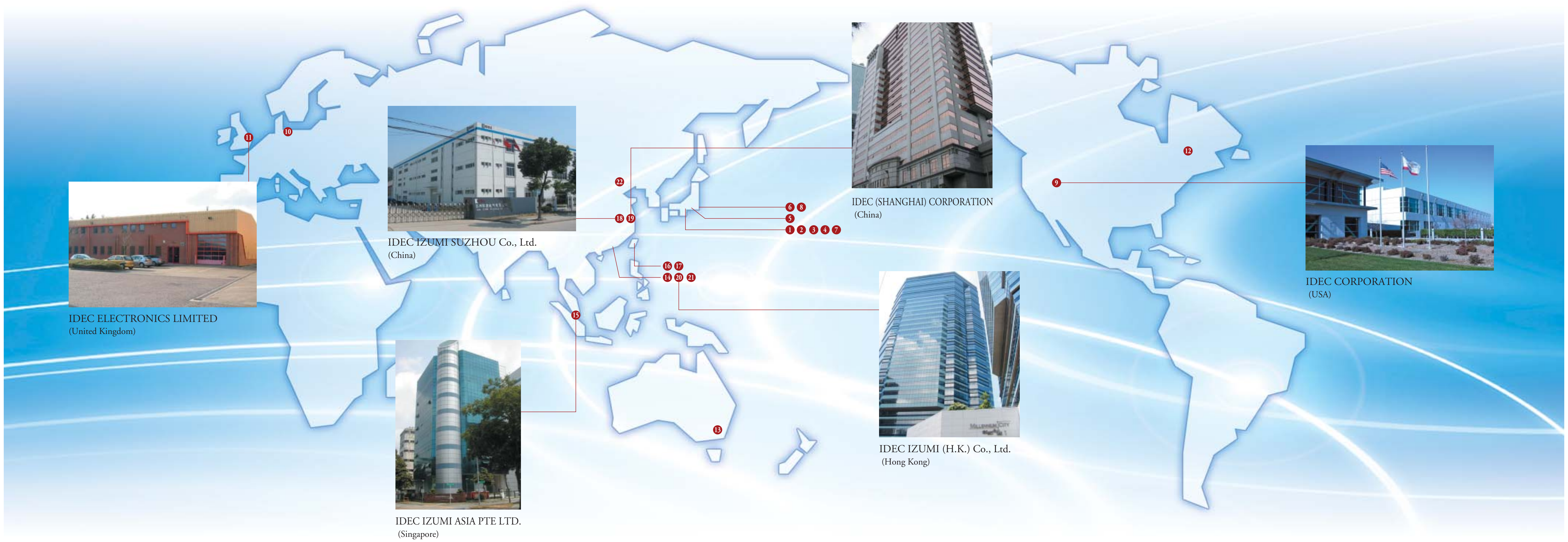
By making its mission to Challenge for a Bright Future and fusing the unique optoelectronic technology and microelectronic technology that the company has cultivated to this point, IDEC OPTO DEVICE CORPORATION is developing and producing as custom products product groups represented by the LED product group, which has embraced the changing times with unerring accuracy. The company is practicing proactive custom-oriented manufacture that pursues the needs and wants of advanced fields such as FA, OA, HA, and communications devices that continue to become ever more advanced and diverse. The company is strongly pulling forward the concept of Technology Innovation (Evolution of Control Technologies), one of the Four Beyonds, IDEC s series of technology concepts.

IDEC AUTOMATION CO., LTD. http://www.idec-automation.com/jpja/

IDEC AUTOMATION Co., Ltd. was established in April 2006 as the group company leading "Traceability & New Business (Convergence with Control)," one of the Four "Beyonds," IDEC's series of technology concepts. From the term ending March 2006, the IDEC Group has made its catch phrase to "***Think Automation and beyond...***" and, aiming at the expansion of its business areas and new growth, started a medium term management plan. The group is now working on the development of infrastructure towards the development of new business. The company positioned at the core of those moves is IDEC AUTOMATION Co., Ltd., which is developing business focusing on traceability (historical management and analytical searching of production information) in various industries such as automobiles and semiconductors through the sale, etc., of laser marking systems, barcode readers, AUTO-ID related products and image processing equipment.

In addition, the company is also eyeing sales of robot-controlled cell production system and has brought a breath of fresh air to the group without getting caught up in the conventional corporate culture, further enhancing the strength of the group as a whole.

IDEC Group Companies



IDEC ELECTRONICS LIMITED
(United Kingdom)

IDEC IZUMI SUZHOU Co., Ltd.
(China)

IDEC (SHANGHAI) CORPORATION
(China)

IDEC CORPORATION
(USA)

IDEC IZUMI (H.K.) Co., Ltd.
(Hong Kong)

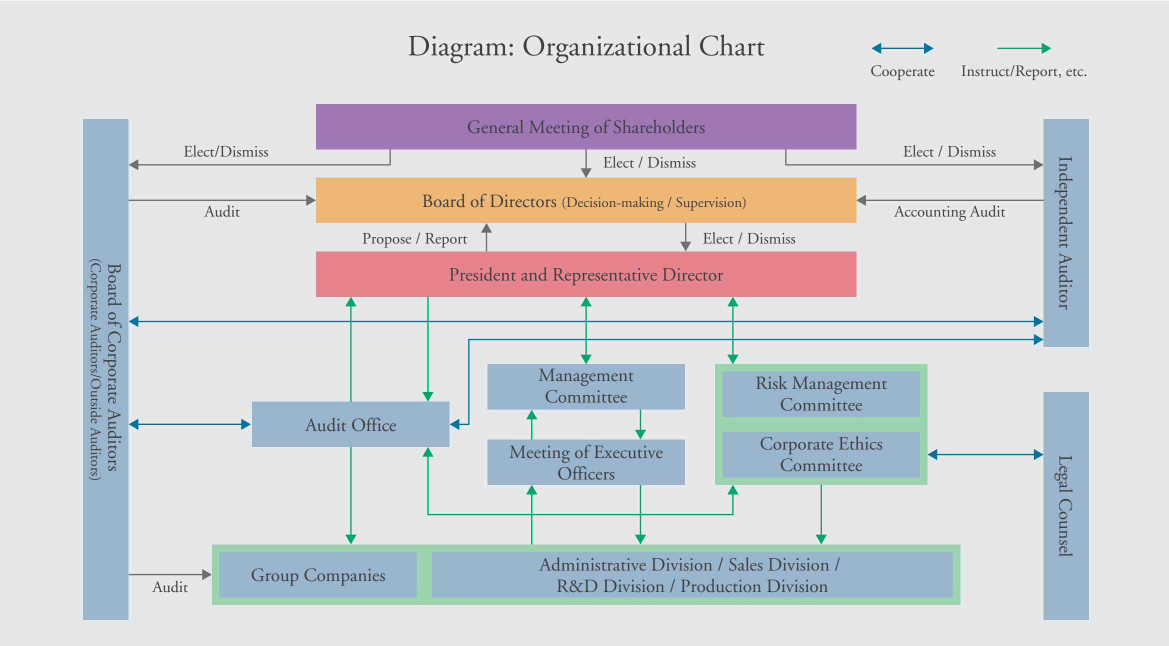
IDEC IZUMI ASIA PTE LTD.
(Singapore)

Company (location)	Capital	Holdings	Main Business
❶ IDEC CONTROLS LIMITED (Osaka)	· 170 million	100%	Import and sale of security systems
❷ IDEC POWER DEVICE CORPORATION (Kyoto)	· 90 million	100%	Development, manufacture, and sale of switching power supplies and related systems
❸ IDEC OPTO DEVICE CORPORATION (Kyoto)	· 20 million	100%	Development, manufacture, and sale of LED lamps, other LED products, and hybrid ICs
❹ I.E.S. CORPORATION (Osaka)	· 10 million	100%	Assembly and installation of control equipment and devices Sale of control equipment and devices
❺ ASAHISEIGYO CORPORATION (Aichi)	· 10 million	100%	Sale of control equipment and devices
❻ IDEC AUTOMATION Co., Ltd. (Tokyo)	· 80 million	100%	Design, development and sale of traceability systems
❼ IDEC DATALOGIC Co., Ltd. (Osaka)	· 300 million	50%	Import and sale of control equipment and devices
❽ TOHKEN Co., Ltd. (Tokyo) (Listed on JASDAQ)	· 1,134 million	22%	Manufacture and sale of barcode readers and X-ray systems
❾ IDEC CORPORATION (USA)	US$ 4,800 thousand	100%	Manufacture and sale of control equipment and devices
❿ IDEC ELEKTROTECHNIK GmbH (Germany)	Euro 102 thousand	90%	Sale of control equipment and devices
⓫ IDEC ELECTRONICS LIMITED (United Kingdom)	STG£ 750 thousand	96%	Sale of control equipment and devices
⓬ IDEC CANADA, LTD. (Canada)	CA$ 50 thousand	100%	Sale of control equipment and devices

Company (location)	Capital	Holdings	Main Business
⓭ IDEC AUSTRALIA PTY, LTD. (Australia)	A$ 1,125 thousand	100%	Sale of control equipment and devices
⓮ IDEC HONG KONG Co., Ltd. (Hong Kong)	HK$ 5,000 thousand	100%	Holding company
⓯ IDEC IZUMI ASIA PTE LTD. (Singapore)	SP$ 1,000 thousand	100%	Sale of control equipment and devices
⓰ IDEC TAIWAN CORPORATION (Taiwan)	NT$ 15,000 thousand	70%	Sale of control equipment and devices
⓱ IDEC IZUMI TAIWAN CORPORATION (Taiwan)	NT$ 60,000 thousand	100%	Manufacture and sale of control equipment and devices
⓲ IDEC IZUMI SUZHOU Co., Ltd. (China)	US$ 5,850 thousand	100%	Manufacture and sale of control equipment and devices
⓳ IDEC (SHANGHAI) CORPORATION (China)	US$ 300 thousand	70%	Sale of control equipment and devices
⓴ IDEC IZUMI (H.K.) Co., Ltd. (Hong Kong)	HK$ 15,600 thousand	70%	Sale of control equipment and devices
㉑ IDEC (SHENZHEN) CORPORATION (China)	US$ 200 thousand	70%	Sale of control equipment and devices
㉒ IDEC (BEIJING) CORPORATION (China)	US$ 200 thousand	70%	Sale of control equipment and devices

Notes: 1. IDEC AUTOMATION Co., Ltd. and IDEC (BEIJING) CORPORATION were established during the fiscal year ended March 31, 2007.
2. IDEC DATALOGIC Co., Ltd. and TOHKEN Co., Ltd. are equity-method affiliates.
3. IDEC CANADA, LTD. and IDEC AUSTRALIA PTY, LTD. are Group companies wholly owned by IDEC CORPORATION (USA).
4. IDEC IZUMI TAIWAN CORPORATION has a 25% equity stake in IDEC IZUMI SUZHOU Co., Ltd.
5. IDEC (SHANGHAI) CORPORATION, IDEC (SHENZHEN) CORPORATION, and IDEC (BEIJING) CORPORATION are Group companies wholly owned 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.

Financial Section

Financial Review

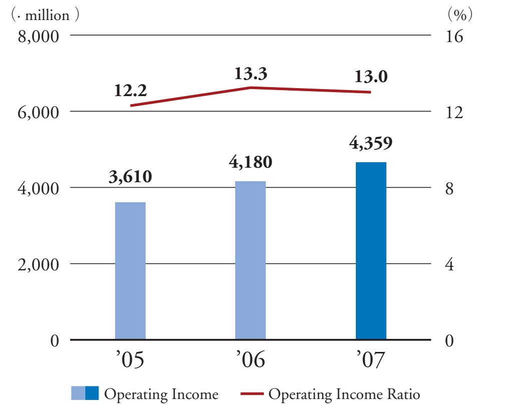
Business Performance

During the period under review, domestic net sales rose 3.2% year on year to ·21,820 million (US$184,774 thousand). Continuing the trend of fiscal 2006, domestic sales were buoyed by firm demand on the back of robust capital investment in Japan. This led to growth in sales of the Company s control panels, system products, and programmable displays, among others, while sales of core products including control switches also performed strongly. Overseas net sales increased 15.0% year on year to ·11,765 million (US$99,627 thousand). This was a result of continuing robust trends in demand in North America and Asia, and the growth in sales of new programmable controllers and programmable displays.

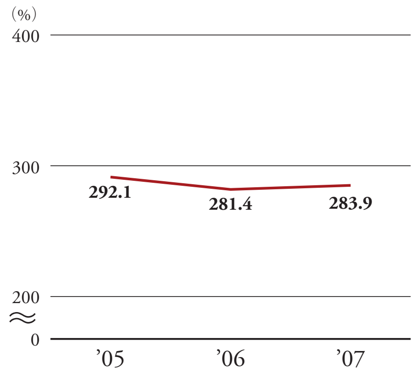
Consequently, consolidated net sales rose 7.0% year on year to ·33,585 million (US$284,402 thousand) .

Turning to earnings, partly due to the impact of high costs for raw materials and the like, the cost of sales ratio increased 0.7 percentage points year on year (51.2% this year compared to 50.5% a year ago). However, operating income increased 4.3% year on year to ·4,359 million (US$36,913 thousand), the highest ever for the company. On the other hand, partly because of the payment of retirement benefits to directors, other deductions increased, leaving net income for the year under review to finish down 2.3% year on year at ·2,616 million (US$22,153 thousand) .

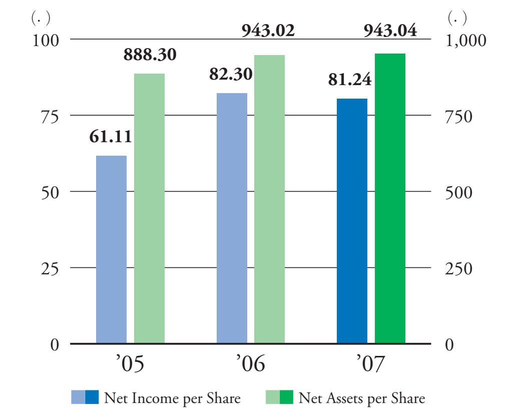
■ Operating Income and Operating Income Ratio



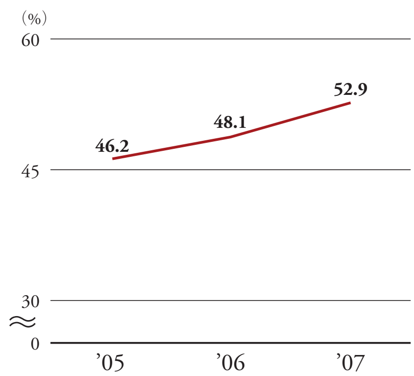
■ Current Ratio



■ Net Income per Share and Net Assets per Share



■ Ratio of Fixed Assets to Long-term Capital



Financial Review

Financial Position

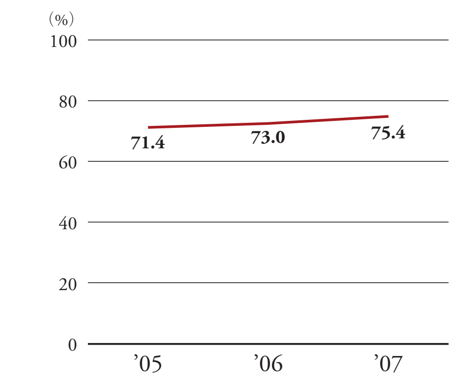
Total assets stood at ·40,167 million (US$340,139 thousand) as of March 31, 2006, down ·1,976 million from the level at the end of the previous fiscal year. Current assets decreased by ·3,036 million to ·23,389 million (US$198,061 thousand). Current liabilities, meanwhile, decreased ·1,151 million from the previous fiscal year end to ·8,239 million (US$69,769 thousand). Tangible fixed assets decreased ·123 million in comparison to the end of the previous fiscal year to finish at ·10,944 million (US$92,675 thousand). Fixed liabilities decreased ·358 million from the previous fiscal year end to ·1,470 million (US$12,448 thousand). Net assets stood at ·30,458 million (US$257,922 thousand), down ·467 million in comparison to the end of the previous fiscal year, while the capital-to-asset ratio was 75.4%, up from last term s 73.0%.

Capital Expenditures and R&D Costs

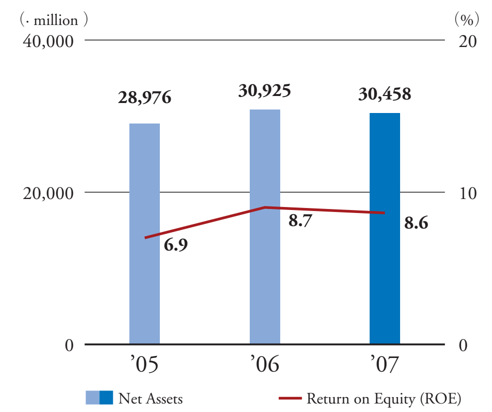
The main capital expenditures made during the term ending March 2007 were ·569 million used to strengthen production facilities and ·128 million used to construct information infrastructure facilities in Japan. Overseas, ·57 million was used to expand production facilities at IDEC IZUMI TAIWAN CORPORATION in Taiwan and IDEC IZUMI SUZHOU Co., Ltd. in China. The total of these and other investments was ·812 million (US$6,876 thousand) .

Research and development in the IDEC Group is mainly conducted by IDEC Corporation, with Group companies mainly responsible for manufacturing and selling the products it develops. R&D costs for the year under review were ·2,072 million (US$17,546 thousand), or 6.2% of net sales. These costs were incurred mainly

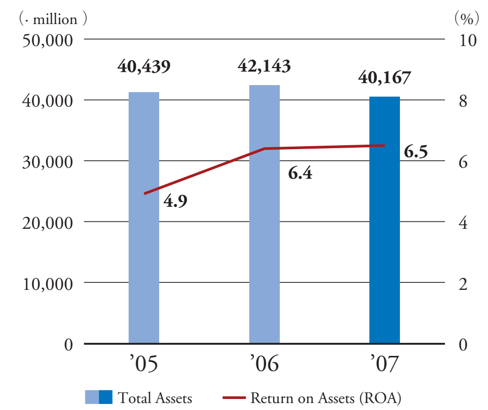
■ Capital-to-asset Ratio



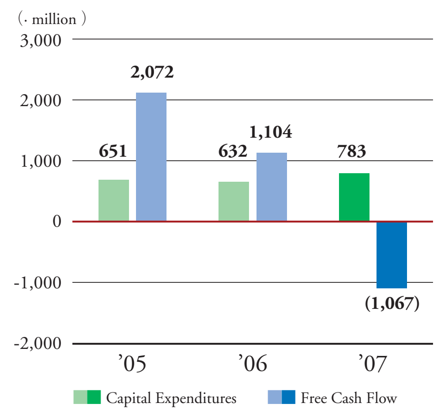
■ Net Assets and Return on Equity (ROE)



■ Total Assets and Return on Assets (ROA)



■ Capital Expenditures and Free Cash Flow



for product development and technology in the four core areas of: i) concepts for manufacturing and the technology that supports it; ii) safety, explosion protection, and planning intelligence; iii) technology and innovation; and iv) traceability (a fusion of new business and control technology).

Cash Flows

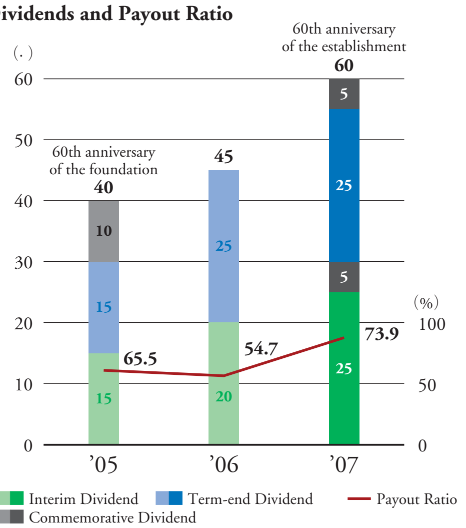
Net cash provided by operating activities for the term under review fell ·1,577 million in comparison to the previous term to finish at ·1,281 million (US$10,848 thousand). This was due to factors including a reduction of ·145 million from the previous fiscal year in income before income taxes and minority interests, an increase in accounts receivable, and a decrease in accounts payable due to the introduction of a bulk trust system. Net cash used in investing activities was -·2,348 million (-US$19,883 thousand), an increase of ·594 million from a year earlier, due to the acquisition of shares in a business alliance partner and long-term deposits. Due to the above, free cash flow for the term under review was -·1,067 million (-US$9,035 thousand), but the company purchased treasury stock and paid dividends through the liquidation of cash reserves. As a result, the balance of cash and cash equivalents as of March 31, 2007 stood at ·7,491 million (US$63,435 thousand), a decrease of ·4,051 million in comparison to the end of the previous fiscal year.

Business Risks

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

Forward-looking statements in the following discussion of risks reflect the opinions of the IDEC Group as of March 31, 2007.

■ **Dividends and Payout Ratio**



(1) Impact of exchange rate fluctuations

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

(2) Inventory valuation losses

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

(3) Increase in retirement benefit costs

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

(4) Risk associated with overseas expansion

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

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

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

Outlook for Fiscal 2008

Based on the achievement of the targets of the new medium-term management plan, IDEC will work on the construction of infrastructure towards entry into new business areas, and promote early-stage contributions to business results by new business operations. Alongside these efforts, IDEC will also promote further sales of new products in its existing control equipment business, and reinforce the price competitiveness of value-added products based on the company s production technology capabilities. Through activities such as the enhancement of further sales and production capacity in Asia, focused on China, IDEC will aim at creating a management culture that is able to respond flexibly to changes in the management environment and also at establishing unshakable management foundations.

Consolidated Balance Sheets

IDEC Corporation and Subsidiaries

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
Assets			
Current assets:			
Cash and cash equivalents	**· 7,491**	·11,542	**$ 63,435**
Trade receivables:			
Notes	**1,024**	1,070	**8,671**
Accounts	**6,396**	5,410	**54,162**
Less allowance for doubtful receivables	**(58)**	(52)	**(491)**
Net trade receivables	**7,362**	6,428	**62,342**
Inventories (Note 3)	**7,152**	6,953	**60,564**
Deferred tax assets (Note 12)	**934**	947	**7,909**
Other current assets	**450**	555	**3,811**
Total current assets	**23,389**	26,425	**198,061**
Property, plant and equipment (Note 6)**:**			
Land	**4,439**	4,437	**37,590**
Buildings and structures	**12,601**	12,501	**106,707**
Machinery and equipment	**6,993**	6,822	**59,218**
Furniture and fixtures	**9,906**	10,007	**83,885**
Construction in progress	**197**	150	**1,668**
	34,136	33,917	**289,068**
Less accumulated depreciation	**(23,192)**	(22,850)	**(196,393)**
Net property, plant and equipment	**10,944**	11,067	**92,675**
Investments and other assets:			
Investments in associates	**1,226**	1,233	**10,382**
Investment securities (Note 4)	**1,839**	988	**15,573**
Deferred tax assets (Note 12)	**902**	939	**7,638**
Other assets	**1,867**	1,491	**15,810**
Total investments and other assets	**5,834**	4,651	**49,403**
Total assets (Note 14)	**·40,167**	·42,143	**$340,139**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
Liabilities and Net Assets			
Current liabilities:			
Short-term bank loans (Note 7)	· **183**	· 387	**$ 1,550**
Current portion of long-term bank loans (Note 7)	**–**	98	**–**
Trade payables:			
Notes	**940**	2,104	**7,960**
Accounts	**2,736**	2,495	**23,169**
Total trade payables	**3,676**	4,599	**31,129**
Accounts payable - other (Note 8)	**733**	847	**6,207**
Accrued payroll and bonuses	**996**	970	**8,434**
Income taxes payable (Note 12)	**697**	688	**5,902**
Deposits received from sales agents	**1,325**	1,295	**11,220**
Other current liabilities	**629**	506	**5,327**
Total current liabilities	**8,239**	9,390	**69,769**
Noncurrent liabilities:			
Retirement and severance benefits (Note 8)	**1,252**	1,362	**10,602**
Long-term accounts payable (Note 8)	**218**	466	**1,846**
Total noncurrent liabilities	**1,470**	1,828	**12,448**
Contingent liabilities (Note 13)			
Total liabilities	**9,709**	11,218	**82,217**
Net Assets (Note 9):			
Common stock:			
Authorized - 150,000,000 shares			
Issued - 38,224,485 shares	**10,057**	10,057	**85,164**
Capital surplus	**9,628**	9,630	**81,531**
Retained earnings	**15,056**	14,223	**127,496**
Less, treasury stock:			
6,124,503 shares (5,586,822 shares in 2006)	**(4,595)**	(3,497)	**(38,911)**
Net unrealized holding gains on securities	**20**	310	**169**
Translation adjustments	**106**	56	**898**
Stock subscription rights (Note 10)	**7**	–	**59**
Minority interests	**179**	146	**1,516**
Total net assets	**30,458**	30,925	**257,922**
Total liabilities and net assets	**·40,167**	·42,143	**$340,139**

Consolidated Statements of Income

IDEC Corporation and Subsidiaries

For the years ended March 31, 2007, 2006 and 2005	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
Net sales (Note 14)	**·33,585**	·31,377	·29,627	**$284,402**
Cost of sales (Notes 6, 8 and 14)	**17,182**	15,861	15,308	**145,499**
Gross profit	**16,403**	15,516	14,319	**138,903**
Selling, general and administrative expenses (Notes 6, 8, 11 and 14)	**12,044**	11,336	10,709	**101,990**
Operating income (Note 14)	**4,359**	4,180	3,610	**36,913**
Other income (deductions) (Note 8)**:**				
Interest and dividend income	**146**	83	40	**1,236**
Interest expense	**(67)**	(67)	(57)	**(567)**
Equity in earnings (losses) of associates	**(2)**	(17)	17	**(17)**
Gain on sale of investment securities	**402**	1	1	**3,404**
Foreign currency exchange gain (loss), net	**154**	180	34	**1,304**
Loss on disposal of inventories	**(3)**	(18)	(7)	**(25)**
Loss on sale or disposal of property, plant and equipment	**(37)**	(10)	(62)	**(313)**
Retirement allowance for directors and corporate auditors	**(878)**	(32)	–	**(7,435)**
Early termination payments for employees	**–**	–	(21)	**–**
Rental income	**64**	83	116	**542**
Subsidy from government, etc.	**–**	19	177	**–**
Amortization of transition obligation arising from adoption of Accounting Standard for Retirement Benefits	**–**	–	(487)	**–**
Impairment loss on golf membership rights	**(6)**	(1)	(36)	**(51)**
Loss on valuation of inventories	**(90)**	(91)	(197)	**(762)**
Gain from change to defined contribution pension plan	**–**	63	–	**–**
Impairment loss on property, plant and equipment	**–**	(83)	–	**–**
Gain on insurance settlement	**121**	–	–	**1,025**
Other, net	**18**	36	(16)	**152**
	(178)	146	(498)	**(1,507)**
Income before income taxes and minority interests	**4,181**	4,326	3,112	**35,406**
Income taxes (Note 12)**:**				
Current	**1,287**	1,326	1,330	**10,898**
Deferred	**249**	298	(232)	**2,109**
	1,536	1,624	1,098	**13,007**
Income before minority interests	**2,645**	2,702	2,014	**22,399**
Minority interests	**29**	24	26	**246**
Net income	**· 2,616**	· 2,678	· 1,988	**$ 22,153**
Per share data (Note 15):	Yen			U.S. dollars (Note 1)
Net income:				
Basic	**·81.24**	·82.30	·61.11	**$0.69**
Diluted	**79.54**	80.92	60.60	**0.67**
Cash dividends applicable to the period	**60.00**	45.00	40.00	**0.51**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

IDEC Corporation and Subsidiaries

For the years ended March 31, 2007, 2006 and 2005	Number of common shares issued	Millions of yen: Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balances at March 31, 2004	38,224,485	·10,057	·9,623	·11,904	·(3,154)	·108	·(688)	–	· 20	·27,870
Net income				1,988						1,988
Cash dividends paid, ·27 per share (Note 9)				(881)						(881)
Repurchase of treasury stock (Note 9)					(409)					(409)
Sale of treasury stock			10		120					130
Other						39	148		91	278
Balances at March 31, 2005	38,224,485	10,057	9,633	13,011	(3,443)	147	(540)	–	111	28,976
Net income				2,678						2,678
Cash dividends paid, ·45 per share (Note 9)				(1,466)						(1,466)
Repurchase of treasury stock (Note 9)					(288)					(288)
Sale of treasury stock			(3)		234					231
Other						163	596		35	794
Balances at March 31, 2006	38,224,485	10,057	9,630	14,223	(3,497)	310	56	–	146	30,925
Net income				**2,616**						**2,616**
Cash dividends paid, ·55 per share (Note 9)				**(1,783)**						**(1,783)**
Repurchase of treasury stock (Note 9)					**(1,117)**					**(1,117)**
Sale of treasury stock			**(2)**		**19**					**17**
Other						**(290)**	**50**	**·7**	**33**	**(200)**
Balances at March 31, 2007	**38,224,485**	**·10,057**	**·9,628**	**·15,056**	**·(4,595)**	**· 20**	**· 106**	**·7**	**·179**	**·30,458**

	Thousands of U.S. dollars (Note 1): Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on securities	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balances at March 31, 2006	$85,164	$81,548	$120,442	$(29,613)	$ 2,625	$474	–	$1,237	$261,877
Net income			**22,153**						**22,153**
Cash dividends paid, $0.47 per share (Note 9)			**(15,099)**						**(15,099)**
Repurchase of treasury stock (Note 9)				**(9,459)**					**(9,459)**
Sale of treasury stock		**(17)**		**161**					**144**
Other					**(2,456)**	**424**	**$59**	**279**	**(1,694)**
Balances at March 31, 2007	**$85,164**	**$81,531**	**$127,496**	**$(38,911)**	**$ 169**	**$898**	**$59**	**$1,516**	**$257,922**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

IDEC Corporation and Subsidiaries

For the years ended March 31, 2007, 2006 and 2005	Millions of yen 2007	2006	2005	Thousands of U.S. dollars (Note 1) 2007
Cash flows from operating activities:				
Income before income taxes and minority interests	**· 4,181**	· 4,326	· 3,112	**$ 35,405**
Depreciation and amortization	**816**	773	856	**6,910**
Increase (decrease) in retirement and severance benefits	**(110)**	(1,122)	512	**(931)**
Interest and dividend income	**(146)**	(83)	(40)	**(1,236)**
Interest expense	**67**	67	57	**567**
Gain on insurance settlement	**(121)**	–	–	**(1,025)**
Gain on sale of investment securities	**(402)**	(1)	(1)	**(3,404)**
Retirement allowance for directors and corporate auditors	**878**	32	–	**7,435**
Loss on sale or disposal of property, plant and equipment	**37**	10	62	**313**
Impairment loss on golf membership rights	**6**	1	36	**51**
Increase in trade receivables	**(875)**	(515)	(328)	**(7,410)**
Increase in inventories	**(141)**	(126)	(801)	**(1,194)**
Increase (decrease) in trade payable	**(1,036)**	346	(227)	**(8,773)**
Increase (decrease) in accounts payable - other	**(112)**	327	(35)	**(948)**
Impairment loss on property, plant and equipment	**–**	83	–	**–**
Increase (decrease) in long-term accounts payable	**(248)**	466	–	**(2,100)**
Other, net	**16**	181	135	**135**
Sub total	**2,810**	4,765	3,338	**23,795**
Interest and dividend income received	**166**	84	40	**1,406**
Interest expense paid	**(72)**	(16)	(64)	**(610)**
Insurance income received	**506**	–	–	**4,285**
Retirement allowance for directors and corporate auditors paid	**(878)**	–	–	**(7,435)**
Income taxes paid	**(1,251)**	(1,975)	(533)	**(10,593)**
Net cash provided by operating activities	**1,281**	2,858	2,781	**10,848**
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment	**12**	3	15	**102**
Purchase of investment securities	**(1,743)**	(1)	(23)	**(14,760)**
Proceeds from disposition of investment securities	**807**	68	34	**6,834**
Capital expenditures	**(783)**	(632)	(651)	**(6,631)**
Purchase of investment in an associate	**(26)**	(1,190)	–	**(220)**
Increase in long-term deposites	**(500)**	–	–	**(4,234)**
Other, net	**(115)**	(2)	(84)	**(974)**
Net cash used in investing activities	**(2,348)**	(1,754)	(709)	**(19,883)**
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	**(187)**	(136)	76	**(1,584)**
Dividends paid	**(1,778)**	(1,460)	(879)	**(15,056)**
Repurchase of treasury stock (Note 9)	**(1,107)**	(288)	(409)	**(9,374)**
Proceeds from sale of treasury stock	**17**	231	130	**144**
Proceeds from minority shareholders	**–**	–	66	**–**
Net cash used in financing activities	**(3,055)**	(1,653)	(1,016)	**(25,870)**
Effect of exchange rate changes on cash and cash equivalents	**71**	246	80	**601**
Net increase (decrease) in cash and cash equivalents	**(4,051)**	(303)	1,136	**(34,304)**
Cash and cash equivalents at beginning of year	**11,542**	11,845	10,709	**97,739**
Cash and cash equivalents at end of year	**· 7,491**	·11,542	·11,845	**$ 63,435**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

IDEC Corporation and Subsidiaries

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 from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for the years ended March 31, 2006 and 2005) 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 is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2007, which was ·118.09 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies:

i) Principles of consolidation and accounting for investments in associates

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

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

ii) Use of estimates

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

iii) Inventories (See Note 3)

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

iv) Investment securities (See Note 4)

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

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

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

v) Derivative financial instruments (See Note 5)

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

vi) Property, plant and equipment

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

The 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 accounting standard for impairment of fixed assets, Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets issued by the Business Accounting Deliberation Council. As a result of adopting this standard, income before income taxes and minority interests for the year ended March 31, 2006 decreased by ·83 million.

vii) Allowance for doubtful receivables

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

viii) Retirement and severance benefits (See Note 8)

The Company and certain domestic subsidiaries have a cash balance pension plan and defined contribution pension plan covering substantially all of their employees.

Effective from the year ended March 31, 2001, the Companies adopted the Accounting Standard for Retirement Benefits issued by the Business Accounting Deliberation Council. In accordance with this standard, the allowance for retirement benefits for employees is based on the estimated retirement benefit obligation and 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 noncontributory qualified pension plan to a cash balance pension plan and a defined contribution pension plan.

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

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

Directors, corporate auditors and senior managing officers of the Companies are not covered by the plan described above. Retirement benefits for directors, corporate 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 Translation adjustments and Minority interests.

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x) Income taxes (See Note 12)
Income taxes are accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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

xi) Net income and dividends per share (See Note 15)
The basic net income per share of common stock shown for each year in the accompanying consolidated statements of income is computed based upon the weighted average number of common shares outstanding during the years.

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

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

xiii) Accounting Standard for Presentation of Net Assets in the Balance Sheet
Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, Accounting Standard for Presentation of Net Assets in the Balance Sheet (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the New Accounting Standards) .

Under the New Accounting Standards, the balance sheet comprises three sections, which are the assets, liabilities and net assets sections. Previously, the balance sheet comprised the assets, liabilities, minority interests and the shareholders equity sections. Under the New Accounting Standards, minority interests are required to be included in the net assets section. Under the previous presentation rules, companies were required to present minority interests between the noncurrent liabilities and shareholders equity sections.

The consolidated balance sheet as of March 31, 2006 has been restated to conform to the 2007 presentation. There was no effect on total assets or total liabilities from applying the New Accounting Standards to the balance sheet as of March 31, 2006.

The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005.

xiv) Accounting Standard for Statement of Changes in Net Assets
Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, Accounting Standard for Statement of Changes in Net Assets (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the Additional New Accounting Standards) .

Accordingly, the Company prepared the statements of changes in net assets for the year ended March 31, 2007 in accordance with the Additional New Accounting Standards. Also, the Company voluntarily prepared the consolidated statement of changes in net assets for 2006 and 2005 in accordance with the Additional New Accounting Standards. Previously, consolidated statements of shareholders equity were prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required under Japanese GAAP.

xv) Accounting Standard for Share-based Payment
Effective from the year ended March 31, 2007, the Company adopted the new accounting standard, Accounting Standard for Share-based Payment (Statement No. 8 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for share-based payment (the Financial Accounting Standard Implementation Guidance No. 11 issued by the Accounting Standards Board of Japan on May 31, 2006). As a result of this adoption, operating income, income before income taxes and minority interests decreased by ·7 million ($59 thousand) .

3. Inventories:

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Finished products and merchandise	**·3,504**	·3,531	**$29,672**
Work in process	**924**	930	**7,825**
Raw materials and supplies	**2,724**	2,492	**23,067**
	·7,152	·6,953	**$60,564**

4. Inverstment Securities:

Marketable equity and debt securities included in investment securities at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen							
	2007				2006			
	Cost	Fair value	Unrealized gains	Unrealized losses	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	**·1,789**	**·1,823**	**·163**	**·129**	·322	·839	·521	·4
Convertible bonds	**–**	**–**	**–**	**–**	10	15	5	–
	·1,789	**·1,823**	**·163**	**·129**	·332	·854	·526	·4

	Thousands of U.S. dollars			
	2007			
	Cost	Fair value	Unrealized gains	Unrealized losses
Equity securities	**$15,149**	**$15,437**	**$1,380**	**$1,092**
Convertible bonds	**–**	**–**	**–**	**–**
	$15,149	**$15,437**	**$1,380**	**$1,092**

Proceeds from the sale of investment securities and gross realized gains and losses for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Proceeds	**·807**	·36	·2	**$6,834**
Gross realized gains	**402**	7	1	**3,404**
Gross realized losses	**–**	6	–	**–**

The carrying amounts of investment securities with no available market values at March 31, 2007 and 2006 were ·16 million ($136 thousand) and ·134 million, respectively.

Maturities of investment securities with available market values at March 31, 2007 and 2006 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2007		2006		**2007**	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	**–**	**–**	· 10	· 15	–	**–**
Equity securities	**·1,789**	**·1,823**	322	839	$15,149	**$15,437**
	·1,789	**·1,823**	·332	·854	$15,149	**$15,437**

5. Derivative Financial Instruments:

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

The maximum term over which the Company hedges its exposure to the variability of cash flows for foreign currency exchange risk is approximately three months.

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

6. Leases:

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

The following pro forma amounts represent the acquisition costs and accumulated depreciation as of March 31, 2007 and 2006 that would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to these leases.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Machinery and equipment			
Acquisition cost	**241**	149	**$2,040**
Accumulated depreciation	**(67)**	(66)	**(567)**
	174	83	**1,473**
Furniture and fixtures			
Acquisition cost	**284**	371	**2,405**
Accumulated depreciation	**(111)**	(200)	**(940)**
	173	171	**1,465**
	347	254	**$2,938**

Future minimum lease payments, including interest at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**121**	97	**$1,024**
Due after one year	**226**	157	**1,914**
	347	254	**$2,938**

For the three years ended March 31, 2007, rentals under the above-mentioned finance leases that did not transfer ownership were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Rentals	**114**	101	118	**$965**

The Companies also entered into lease agreements for land and buildings for the head office, the technical research center and a plant. The leases are classified as operating leases, and the rents are charged to income as incurred in accordance with Japanese GAAP. Future minimum rents under non-cancelable operating leases at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**345**	335	**$ 2,921**
Due after one year	**1,544**	1,842	**13,075**
	1,889	2,177	**$15,996**

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

The weighted average annual interest rate of short-term overseas bank loans as of March 31, 2007 was 3.58%. The weighted average annual interest rates in Japan and overseas as of March 31, 2006 were 0.90% and 5.89%, respectively.

Long-term bank loans as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Bank loans with interest of 0.86% due on June 30, 2006:			
Unsecured	–	98	–
Less current portion	–	(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 default to offset cash deposits against such obligations due to the bank.

8. Retirement and Severance Benefits:

The following tables set forth the details of the Companies' benefit obligation, plan assets and funded status at March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Benefit obligation at end of year	**(4,449)**	(4,309)	**$(37,674)**
Fair value of plan assets at end of year	**3,425**	3,159	**29,003**
Unfunded benefit obligation	**(1,024)**	(1,150)	**(8,671)**
Unrecognized prior service benefits	**(20)**	(21)	**(169)**
Unrecognized actuarial gains	**(208)**	(191)	**(1,762)**
Retirement and severance benefits recognized in the consolidated balance sheets	**(1,252)**	(1,362)	**$(10,602)**

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

Accounts payable to the defined contribution pension plan as of March 31, 2007 and 2006 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Accounts payable - other	**224**	237	**$1,897**
Long-term accounts payable	**218**	466	**1,846**
	442	703	**$3,743**

Net periodic benefit cost of the Companies included the following components for the three years ended March 31, 2007.

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Service cost	**207**	231	305	**$1,753**
Interest cost	**89**	98	126	**754**
Expected return on plan assets	**(63)**	(52)	(54)	**(533)**
Amortization:				
Transition obligation at date of adoption	**–**	–	487	**–**
Prior service costs	**1**	2	12	**8**
Actuarial gains and losses	**(6)**	47	63	**(51)**
Contribution to defined contribution pension plan	**118**	64	–	**999**
Net periodic benefit cost	**346**	390	939	**$2,930**

Assumptions used in accounting for retirement benefits for the three years ended March 31, 2007 were as follows:

	2007	2006	2005
Method of attributing benefit to period of service	**Straight-line**	Straight-line	Straight-line
Discount rate	**2.0%**	2.0%	2.0%
Long-term rate of return on plan assets	**2.0%**	2.0%	2.0%
Amortization period for transition obligation at date of adoption	**–**	–	5 years
Amortization period for prior service costs	**12 to 13 years**	12 to 13 years	13 years
Amortization period for actuarial losses	**12 to 15 years**	12 to 15 years	13 to 15 years

9. Net Assets:

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

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

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

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

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

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

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

At the Board of Directors meeting held on April 26, 2007, the Board of Directors approved cash dividends amounting to ·963 million ($8,154 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the directors.

During the years ended March 31, 2007, 2006 and 2005, the Company repurchased 560,232 shares, 231,032 shares and 407,982 shares of treasury stock with aggregate value of ·1,107 million ($9,374 thousand), ·288 million and ·409 million, respectively .

10. Stock Options:

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

i) Content of stock option

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

Note 1 The number of stock options is convertible into an equal number of shares.
Note 2 To exercise these options, the person granted the option is principally required to be a director, a managing officer or an employee of the Companies, except for in cases of resignation at the expiration of one's term, retirement or other approved cases.

ii) Number, movement and price of stock options

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

(1) Number of shares

	2003	2004	2005	2006	2007
Before vesting options (number of shares)					
Balance at April 1, 2006	–	–	523,000	1,385,100	–
Granted	–	–	–	–	89,400
Forfeited	–	–	–	7,700	600
Vested	–	–	–	–	–
Balance at March 31, 2007	–	–	523,000	1,377,400	88,800
After vesting options (number of shares)					
Balance at April 1, 2006	15,000	59,000	–	–	–
Vested	–	–	–	–	–
Exercised	10,000	18,000	–	–	–
Forfeited	–	–	–	–	–
Balance at March 31, 2007	5,000	41,000	–	–	–

(2) Price information

Stock options granted	2003	2004	2005	2006	2007
Option price (yen)	592	600	1,034	1,358	1,979
Weighted average stock price at exercise date (yen)	1,920	1,920	–	–	–
Fair value at grant date (yen)	–	–	–	–	281

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

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

On June 8, 2007, the Company s shareholders meeting approved the Company s allocation of stock subscription rights as stock options to certain employees of the Companies and certain directors of the subsidiaries. These stock option rights are exercisable from July 1, 2009 to June 30, 2011. The total number of stock subscription rights is limited to 50,000 common shares.

11. Research and Development:

Research and development costs are expensed as incurred. Research and development costs for the three years ended March 31, 2007 were as follows:

Millions of yen			Thousands of U.S. dollars
2007	2006	2005	**2007**
·2,072	·1,948	·1,982	**$17,546**

12. Income Taxes:

The Company and all domestic subsidiaries are subject to a number of taxes based on earnings which, in the aggregate, resulted in an average normal tax rate of approximately 40.6% for each of the years ended March 31, 2007, 2006 and 2005. The effective tax rates for the years differ from the normal tax rate as follows:

	2007	2006	2005
Normal tax rate	**40.6%**	40.6%	40.6%
Expenses not deductible for tax purposes	**0.3**	0.4	0.5
Per capita taxes	**1.3**	2.3	2.4
Effect of distributed earnings of overseas subsidiaries	**0.5**	0.8	0.5
Lower tax rates of overseas subsidiaries	**(2.9)**	(2.7)	(3.1)
Unrecognized deferred tax on unrealized intercompany profit	**(0.3)**	(0.3)	(0.2)
Tax credit for research and development expenses	**(3.0)**	(3.4)	(5.3)
Other	**0.2**	(0.2)	(0.1)
Effective tax rate	**36.7%**	37.5%	35.3%

The tax effects of temporary differences, tax loss carryforwards and tax credit carryforwards that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2007 and 2006 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Inventories	**· 449**	· 508	**$ 3,802**
Allowance for doubtful receivables	**76**	77	**644**
Property, plant and equipment	**114**	103	**965**
Investment securities	**37**	44	**313**
Retirement and severance benefits	**681**	833	**5,767**
Accrued expenses	**399**	378	**3,379**
Tax loss carryforwards	**109**	100	**923**
Accrued business taxes	**42**	56	**356**
Other	**51**	91	**432**
Total gross deferred tax assets	**1,958**	2,190	**16,581**
Less valuation allowance	**(108)**	(92)	**(915)**
Net deferred tax assets	**1,850**	2,098	**15,666**
Deferred tax liabilities:			
Net unrealized holding gains on securities	**(14)**	(212)	**(119)**
Total gross deferred tax liabilities	**(14)**	(212)	**(119)**
Net deferred tax assets	**·1,836**	·1,886	**$15,547**

The Company has not recognized deferred tax liabilities of approximately ·408 million ($3,455 thousand) and ·574 million for a portion of undistributed earnings of foreign subsidiaries in 2007 and 2006, respectively. The Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future, except for an amount that will probably be distributed according to the Company s policy for distribution of earnings of subsidiaries. Deferred tax liabilities will be recognized when the Company expects to recover those undistributed earnings in a taxable manner, such as through the receipt of dividends or the sale of the investments. As of March 31, 2007 and 2006, undistributed earnings of these subsidiaries were approximately ·5,932 million ($50,233 thousand) and ·5,310 million, respectively .

13. Contingent liabilities:

Contingent liabilities at March 31, 2007 and 2006 for guarantees of bank loans of an associate amounted to ·55 million ($466 thousand) and ·55 million, respectively.

14. Segment Information:

i) Information by industry segments

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

ii) Information by geographic areas

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

	Millions of yen					
2006	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

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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

2007	Thousands of U.S. dollars Japan	North America	Europe	Asia Pacific	Corporate and Eliminations	Consolidated
Net sales:						
External customers	**$197,307**	**$45,296**	**$8,841**	**$32,958**	**–**	**$284,402**
Intersegment	**34,507**	**1,025**	**8**	**24,541**	**$(60,081)**	**–**
Total	**231,814**	**46,321**	**8,849**	**57,499**	**(60,081)**	**284,402**
Operating cost and expenses	**207,485**	**42,231**	**7,960**	**51,901**	**(62,088)**	**247,489**
Operating income	**24,329**	**4,090**	**889**	**5,598**	**2,007**	**36,913**
Assets	**211,855**	**49,225**	**4,471**	**50,411**	**24,177**	**340,139**

Corporate and eliminations in 2007, 2006 and 2005 included corporate assets, including surplus working assets (cash and cash equivalents) and long-term investments (investment securities), amouting to ·6,717 million ($56,880 thousand), ·10,369 million and ·10,195 million, respectively .

iii) Overseas sales

Overseas sales for the year ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen **2007**	2006	2005	Thousands of U.S. dollars **2007**
Overseas sales:				
North America	**· 5,316**	· 4,861	· 4,419	**$ 45,017**
Europe	**2,629**	2,170	2,304	**22,263**
Asia Pacific	**3,740**	3,130	3,101	**31,671**
Other	**80**	74	68	**676**
Total	**·11,765**	·10,235	· 9,892	**$99,627**
Consolidated net sales	**·33,585**	·31,377	·29,627	**$284,402**
Percentage of overseas sales to consolidated net sales	**35.0%**	32.6%	33.4%	

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

15. Per Share Data:

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

	Millions of yen **2007**	2006	2005	Thousands of U.S. dollars **2007**
Net income	**·2,616**	·2,678	·1,988	**$22,153**

	Number of shares **2007**	2006	2005
Average common shares outstanding	**32,207,904**	32,544,755	32,527,258
Dilutive effect of stock options	**687,164**	555,809	273,574
Diluted common shares outstanding	**32,895,068**	33,100,564	32,800,832

	Yen **2007**	2006	2005	U.S. dollars **2007**
Net per share:				
Basic	**·81.24**	·82.30	·61.11	**$0.69**
Diluted	**79.54**	80.92	60.60	**0.67**

Because the stock option effect would not have been dilutive 88,800 shares and 32,500 shares of stock options were not included in the calculation of diluted net income per share at March 31, 2007 and 2005, respectively.

16. Reclassification and restatement:

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

Also, as described in Notes 2 xiii) and xiv), the consolidated balance sheet for 2006 was adapted to conform to new presentation rules of 2007. Also, in lieu of the consolidated statements of shareholders equity for the year ended March 31, 2006 and 2005, which were prepared on a voluntary basis for inclusion in the 2006 and 2005 consolidated financial statements, the Company prepared the consolidated statements of changes in net assets for 2005 and 2006, as well as for 2007.

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

KPMG

Independent Auditors' Report

To the Board of Directors of
IDEC Corporation:

We have audited the accompanying consolidated balance sheets of IDEC Corporation and subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

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

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included examining the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 8, 2007

Corporate Directory

(As of June 8, 2007)

Corporate Data

Corporate Name:	IDEC CORPORATION
Incorporated:	March 26, 1947
Paid-in Capital:	·10,056,605,173
Number of Employees:	1,664 (Consolidated, as of March 31, 2007)
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, Mishima, Matsumoto, Niigata, Toyama, Kanazawa, Hamamatsu, Toyoda, Nagoya, Kyoto, Osaka, Kobe, Okayama, Fukuyama, Hiroshima, Shikoku, Kitakyushu, Fukuoka, Kumamoto
Distribution Centers:	Hamamatsu, Tatsuno

IDEC Corporation (Head Office)

Founder and Honorary Chairman, Board of Directors and Corporate Auditors

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

Managing Officers

Chairman and C.E.O.	Toshiyuki Funaki
Senior Executive Vice President	Mikio Funaki
Human Resources	Keijiro Fujita
Chief Technology Officer	Toshihiro Fujita
Global Business Development	Peter Tarantino
Corporate Business Planning Administration, President's Office	Yasuzo Tsuchiya
Control Components Sales	Kiyonori Sasaki
Quality Assurance	Hideyuki Kitayama
Marketing	Hirosuke Mikasa
Manufacturing	Kenji Terada
Control Components Sales (Marketing for West Japan)	Shigekazu Kawase
System Engineering	Tomoyuki Nakano

Stock Information

(As of March 31, 2007)

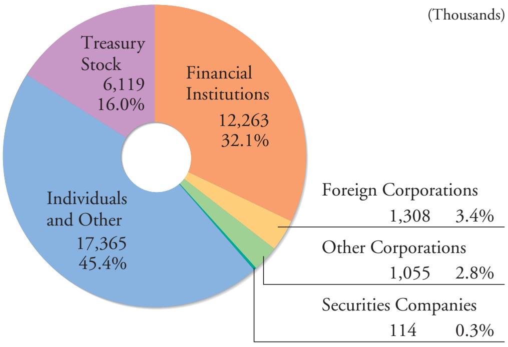
Share Data

Number of Shares Authorized:	150,000,000
Number of Shares Issued:	38,224,485*
Share Unit:	100
Number of Shareholders:	10,577

* Treasury stock held at the end of the period totaled 6,119,054 shares, representing changes in amounts repurchased, or in response to requests for purchases or additional purchases or the execution of stock options.

By Shareholding (Number of Shares and Ratio)

(Thousands)



Major Shareholders (Top 10)

Shareholders	No. of Shares (Thousands)	Holdings (%)
Japan Trustee Services Bank, Ltd. (Trust account)	3,077	8.05
The Master Trust Bank of Japan, Ltd. (Trust account)	2,770	7.25
Tsuneo Funaki	1,587	4.15
Mizuho Bank, Ltd.	1,312	3.43
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,124	2.94
Nippon Life Insurance Company	1,029	2.69
Keijiro Fujita	769	2.01
AIG Star Life Insurance Co., Ltd. General Account	556	1.46
Toshihiro Fujita	422	1.10
The Bank of New York Europe Limited Luxemburg	414	1.09

Share Price Chart

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