

**CONSOLIDATED FINANCIAL STATEMENTS
TAMURA CORPORATION
AS OF MARCH 31, 2006 AND 2005**

Report of Independent Auditors

To the Board of Directors of Tamura Corporation

We have audited the accompanying consolidated balance sheets of Tamura Corporation and its consolidated subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Tamura Corporation and its consolidated subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 1(g), effective for the year ended March 31, 2006, Tamura Corporation and its consolidated subsidiaries have adopted the accounting standard for impairment of fixed assets.

As described in Note 1(e), effective for the year ended March 31, 2005, Tamura Corporation and certain domestic consolidated subsidiaries have changed the method of valuing inventories.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1(a) to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 29, 2006

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2006	2005	2006
ASSETS			
Current Assets:			
Cash and bank deposits (Note 2)	¥ 12,233	¥ 9,466	\$ 104,556
Notes and accounts receivable-trade:			
Non-consolidated subsidiaries and affiliates	2,518	2,704	21,521
Other	22,746	24,209	194,410
Allowance for doubtful accounts	(25)	(64)	(213)
	<u>25,239</u>	<u>26,849</u>	<u>215,718</u>
Inventories (Note 4)	12,338	11,858	105,453
Deferred tax assets (Note 10)	794	783	6,786
Other current assets	1,786	1,163	15,265
Total current assets	<u>52,390</u>	<u>50,119</u>	<u>447,778</u>
Investments and Other Assets:			
Securities in the non-current portfolio (Note 3)	4,795	3,405	40,983
Investments in non-consolidated subsidiaries and affiliates	1,341	2,641	11,461
Deferred tax assets (Note 10)	962	2,164	8,222
Other assets	2,363	2,122	20,197
Total investments and other assets	<u>9,461</u>	<u>10,332</u>	<u>80,863</u>
Property, Plant and Equipment:			
Land (Note 5)	6,134	6,266	52,427
Buildings and structures (Note 5)	14,104	12,831	120,547
Machinery and equipment	21,525	20,241	183,974
Construction in progress	99	120	846
	<u>41,862</u>	<u>39,458</u>	<u>357,794</u>
Accumulated depreciation	(24,788)	(23,495)	(211,863)
Net property, plant and equipment	<u>17,074</u>	<u>15,963</u>	<u>145,931</u>
Total assets	<u>¥ 78,925</u>	<u>¥ 76,414</u>	<u>\$ 674,572</u>

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Note 5)	¥ 6,494	¥ 5,563	\$ 55,504
Current portion of long-term debt (Note 5)	5,800	5,664	49,573
Notes and accounts payable-trade:			
Non-consolidated subsidiaries and affiliates	605	713	5,171
Other	12,270	11,338	104,871
	<u>12,875</u>	<u>12,051</u>	<u>110,042</u>
Income tax payable	552	373	4,718
Other current liabilities	4,697	3,912	40,145
Total current liabilities	<u>30,418</u>	<u>27,563</u>	<u>259,982</u>
Long-term Debt (Note 5)	5,333	7,081	45,581
Reserve for Retirement Benefits (Note 6)	2,180	2,030	18,633
Accrued Severance Indemnities for Directors	-	248	-
Deferred Tax Liabilities (Note 10)	6	1	51
Other Long-term Liabilities	721	457	6,163
Commitments and Contingent Liabilities (Notes 11 and 13)			
Minority Interest in Consolidated Subsidiaries	176	122	1,504
Shareholders' Equity (Note 7)			
Common stock:	11,829	11,829	101,102
Authorized - 252,000,000 shares			
Issued and outstanding – 75,067,736 shares			
Additional paid-in capital	15,351	15,346	131,205
Retained earnings	12,230	12,810	104,530
Unrealized gain on securities	1,705	709	14,572
Translation adjustments	(866)	(1,619)	(7,401)
	<u>40,249</u>	<u>39,075</u>	<u>344,008</u>
Treasury stock, at cost (Note 8)	(158)	(163)	(1,350)
Total shareholders' equity	<u>40,091</u>	<u>38,912</u>	<u>342,658</u>
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	<u>¥ 78,925</u>	<u>¥ 76,414</u>	<u>\$ 674,572</u>

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2006	2005	2006
Net Sales	¥ 78,804	¥ 75,971	\$ 673,538
Operating Cost and Expenses:			
Cost of sales (Note 9)	59,488	57,584	508,445
Selling, general and administrative expenses (Note 9)	15,845	15,548	135,427
	<u>75,333</u>	<u>73,132</u>	<u>643,872</u>
Operating income	3,471	2,839	29,666
Other Income (Expenses):			
Interest and dividend income	124	53	1,059
Interest expense	(445)	(401)	(3,803)
Foreign exchange gain	663	78	5,666
Write-off of available-for-sale securities	-	(124)	-
Recognition of net transition obligation expense	-	(302)	-
Gain on reversal of reserve for retirement benefits	329	-	2,811
Loss on impairment of fixed assets (Note 14)	(226)	-	(1,931)
Loss on liquidation of subsidiaries	(243)	-	(2,076)
Other income	764	434	6,530
Other expenses	(1,853)	(605)	(15,837)
	<u>(887)</u>	<u>(867)</u>	<u>(7,581)</u>
Income before income taxes	2,584	1,972	22,085
Income Taxes (Note 10)			
Current	1,354	1,148	11,573
Deferred	416	167	3,556
Minority Interest in Consolidated Subsidiaries	(41)	(56)	(350)
Net income	<u>¥ 773</u>	<u>¥ 601</u>	<u>\$ 6,606</u>
	Yen		U.S. dollars
Per Share:			
Basic net income	¥ 9.19	¥ 6.86	\$ 0.07
Fully diluted net income	9.18	6.85	0.07
Cash dividends per share	6.00	7.00	0.05

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2006	2005	2006
Common Stock:	¥	¥	\$
Balance at beginning of year	11,829	11,829	101,102
Balance at end of year	11,829	11,829	101,102
Additional Paid-in Capital:			
Balance at beginning of year	15,346	15,343	131,162
Gain on sale of treasury stock	5	3	43
Balance at end of year	15,351	15,346	131,205
Retained Earnings:			
Balance at beginning of year	12,810	12,766	109,487
Decrease arising from newly consolidated subsidiaries	(324)	-	(2,769)
Net income	773	601	6,606
Cash dividends paid	(522)	(447)	(4,461)
Bonuses to directors and statutory auditors	(90)	(86)	(769)
Other	(417)	(24)	(3,564)
Balance at end of year	12,230	12,810	104,530
Unrealized Gain on Securities:			
Balance at beginning of year	709	709	6,060
Net change during the year	996	0	8,512
Balance at end of year	1,705	709	14,572
Translation Adjustments:			
Balance at beginning of year	(1,619)	(1,597)	(13,837)
Net change during the year	753	(22)	6,436
Balance at end of year	(866)	(1,619)	(7,401)
Treasury Stock (Note 8):			
Balance at beginning of year	(163)	(155)	(1,393)
Net change during the year	5	(8)	43
Balance at end of year	(158)	(163)	(1,350)
Total shareholders' equity	¥ 40,091	¥ 38,912	\$ 342,658

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands U.S. dollars
	March 31,		(Note 1(a)) March 31,
	2006	2005	2006
Cash Flows from Operating Activities:			
Income before income taxes	¥ 2,584	¥ 1,972	\$ 22,085
Depreciation	2,110	2,140	18,034
Loss on impairment of fixed assets	226	-	1,931
Increase (decrease) in reserve for retirement benefits	(523)	190	(4,470)
Increase in prepaid pension cost	(131)	-	(1,119)
Decrease in allowance for doubtful accounts	(110)	(47)	(940)
Write-down of investments in securities	-	124	-
Interest and dividend income	(124)	(53)	(1,059)
Interest expense	445	401	3,803
Foreign exchange gain	(83)	(72)	(709)
Bonuses to directors and statutory auditors	(90)	(86)	(769)
(Increase) decrease in trade receivable	3,188	(1,500)	27,247
(Increase) decrease in inventories	671	(1,972)	5,735
Increase (decrease) in trade payable	(831)	657	(7,102)
Other, net	133	(123)	1,136
	7,465	1,631	63,803
Interest and dividend received	85	56	726
Interest paid	(472)	(404)	(4,034)
Income taxes paid	(1,220)	(854)	(10,427)
Net cash provided by operating activities	5,858	429	50,068
Cash Flows from Investing Activities:			
Purchase of tangible fixed assets	(1,499)	(1,669)	(12,811)
Proceeds from sale of tangible fixed assets	162	676	1,384
Increase in investments in securities	(655)	(1,491)	(5,598)
Proceeds from sale of investments in securities	893	47	7,632
Other, net	(442)	696	(3,777)
Net cash used in investing activities	(1,541)	(1,741)	(13,170)
Cash Flows from Financing Activities:			
Increase in short-term loans	196	31	1,675
Proceeds from long-term debt	4,146	17	35,435
Repayment of long-term debt	(5,698)	(749)	(48,701)
Repurchase of treasury stock	(25)	(27)	(213)
Proceeds from sales of treasury stock	35	22	299
Cash dividends paid	(530)	(462)	(4,530)
Other, net	(7)	(25)	(59)
Net cash used in financing activities	(1,883)	(1,193)	(16,094)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	211	28	1,803
Net Increase (Decrease) in Cash and Cash Equivalents	2,645	(2,477)	22,606
Cash and Cash Equivalents at Beginning of Year	9,306	11,783	79,539
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	61	-	521
Cash and Cash Equivalents at End of Year (Note 2)	¥ 12,012	¥ 9,306	\$ 102,666

The accompanying Notes are an integral part of these statements.

TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

(a) Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Tamura Corporation and its consolidated subsidiaries (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117= U.S.\$1, the approximate rate of exchange on March 31, 2006 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the above rate or any other rate.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Tamura Corporation (the "Company") and, with the exception of entities which are not material, those of its 24 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Investments in non-consolidated subsidiaries have been carried at cost, since their total assets, net sales and the Company's equity in their net income (loss), or retained earnings, in aggregate, do not have a material effect on the consolidated financial statements.

Foreign currency financial statements have been translated into yen at the appropriate year-end current rate except for common stock, capital surplus and certain other inter-company accounts which are translated at the historical rate, resulting translation differences have been deferred and are reflected in the accompanying consolidated balance sheets as "Translation adjustments".

(c) Financial instruments

(1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (3) Hedge accounting below).

(2)Securities

Securities held by the Companies are classified as follows;

Available-for-sale securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component in shareholders' equity at a net-of-tax amount.

Available-for-sale securities without market values are stated at cost determined by the moving average method, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates, or available-for-sale securities, has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value and the resulting losses are included in net profit or loss for the period.

(3)Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally forward exchange contracts and interest rate swaps. The underlying hedged items are trade accounts receivable and the interest on long-term bank loans.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuations. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate the effectiveness of their hedging activities by reference to the accumulated gains or losses on the hedging instruments and the underlying hedged items from the commencement of the hedges.

(d)Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the estimated amount of uncollectible receivables at the balance sheet date.

(e)Inventories

Inventories are principally stated at cost determined by the following methods:

Finished goods and work-in-process:

Electronics components and Power supplies business, Information/Communication equipment business Periodic average method

Electro-chemical materials business Retail method

Soldering systems business Specific identification method

Merchandise and raw materials:

Electronics components and Power supplies business, Information/Communication equipment business

The Company and certain domestic consolidated subsidiaries Periodic average method

Other subsidiary companies Last purchase price method

Electro-chemical materials business, Soldering systems business Last purchase price method

Supplies Last purchase price method

Effective for the year ended March 31, 2005, the Company and certain domestic consolidated subsidiaries have changed the method of valuing finished goods and work-in-process from the retail method to the periodic average method, and the method of valuing merchandise and raw materials from the last purchase price method to the periodic average method, in connection with the Information /Communication equipment business and the Electronics components and Power supplies business.

This change was due to the introduction of a new enterprise resource planning (ERP) system in the Company and certain domestic consolidated subsidiaries, which includes inventory receiving/shipping control and cost accounting for the individual unit cost of inventory items, for the purpose of providing more appropriate inventory cost and accurate periodic income. As a result of this change, inventories have increased by ¥21 million, and operating income and income before income taxes have increased by ¥21 million as compared with the amount which would have been reported if the previous method had been applied consistently for the year ended March 31, 2005.

(f)Property, plant and equipment, and depreciation

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost and are principally depreciated using the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred.

(g)Accounting standard for impairment of fixes assets

Effective from the year ended March 31, 2006, the Companies have adopted the new accounting standard for impairment of fixed assets "Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Council of Japan on August 9, 2002 and "Application Guidance on Accounting Standards for Impairment of Fixed Assets" of Financial Accounting Standards Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003.

The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

As a result, property, plant and equipment as of March 31, 2006, decreased by ¥226 million (\$1,931 thousand), and income before income taxes for the year ended March 31, 2006 decreased by the same amount, as compared with the amount which would have been reported if the previous standard had been applied consistently.

Accumulated loss from impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirement.

(h) Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Permitted under the new standard which was adopted from the year ended March 31, 2001, the unrecognized transitional liability of ¥5,202 million, arising from adoption of the new standard, the unrecognized prior service costs and unrecognized actuarial differences are accounted for as follows:

Part of the unrecognized transitional liability arising from adoption of the new standard (¥2,740 million) was amortized by setting up a trust fund which was used only for retirement benefits in the year ended March 31, 2001. The rest of this transitional liability (¥2,462 million), except for the portion related to the entrusted government's portion as described below, is amortized on a straight-line basis over 5 years, which was finished in the year ended March 31, 2005. The unrecognized prior service costs are amortized on a straight-line basis over a period of 6 to 12 years from the year in which they arise. The unrecognized actuarial differences are amortized on a straight-line basis over a period of 6 to 12 years from the year following the year in which they arise.

On March 26, 2004, the Minister of Health, Labour and Welfare officially approved applications submitted by the Company and certain domestic consolidated subsidiaries regarding relinquishment of the role as agent of the welfare pension fund and the return of the entrusted government's portion of retirement benefit obligations, thereby obtaining an exemption from future payment obligations. The Company and certain domestic consolidated subsidiaries accounted for the return of the entrusted government's portion of retirement benefit obligations on the date of approval, in accordance with transitional measures of Article 47-2 of "Practical Guideline on Accounting for Retirement Benefit (Interim Report)" of Accounting Committee Report No.13 published by the Japanese Institute of Certified Public Accountants.

On May 1, 2005, the Minister of Health, Labour and Welfare also approved applications for an exemption from past payment obligations related to the entrusted government's portion. The Company and certain domestic consolidated subsidiaries transferred the former welfare pension fund plan to the defined benefit corporate pension fund plan in accordance with Financial Accounting Standard Implementation Guidance No. 1 "Accounting for Transfers among Retirement Benefit Plans" issued by the Accounting Standards Board of Japan and relinquished the additional portion of the entrusted government's portion of retirement benefit obligations. As a result, in the year ended March 31, 2006, the Company and certain domestic consolidated subsidiaries recognized ¥329 million (\$2,811 thousand) as "Gain on reversal of reserve for retirement benefits."

(i) Accrued severance indemnities for directors and statutory auditors

The Company and certain domestic consolidated subsidiaries provide for severance indemnities for directors and statutory auditors at the amount which would be required in accordance with their policies for directors' and statutory auditors' severance indemnities if they retired at the balance sheet date, in the year ended March 31, 2005.

Upon resolution and approval at the Annual Meeting of Shareholders held on June 29, 2005, the Company and certain domestic consolidated subsidiaries abolished the severance indemnities system for directors and statutory auditors. As a result, the total value of "Accrued Severance Indemnities for Directors" was reversed and the accrued portion for the reappointed directors and statutory auditors has been included in "Other Long-term Liabilities" in the year ended March 31, 2006.

(j)Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased assets to the Companies are accounted for as capital leases. Leases which do not transfer ownership of the assets to the Companies at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(k)Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

Income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as an asset, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(l)Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenue and expenses are translated using the average exchange rates of the respective periods.

(m)Net income per share

Basic net income per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years. The fully diluted net income per share calculation assumes full exercise of outstanding stock options. Cash dividends per share represent the dividends declared as applicable to the respective period.

(n)Reclassifications

Certain reclassifications of the financial statements and related notes for the year ended March 31, 2005 have been made to conform to the presentation for the year ended March 31, 2006.

2. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with a maturity of three months or less and which represent a minor risk of fluctuation in value.

At March 31, cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and bank deposits	¥ 12,233	¥ 9,466	\$ 104,556
Time deposits with deposit term of over 3 months	(221)	(160)	(1,890)
Cash and cash equivalents	<u>¥ 12,012</u>	<u>¥ 9,306</u>	<u>\$ 102,666</u>

3. Securities

At March 31, securities in the non-current portfolio consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Available-for-sale securities for which market quotation is available			
At cost	¥ 1,767	¥ 1,958	\$ 15,102
Fair value	<u>4,605</u>	<u>3,141</u>	<u>39,358</u>
Net	<u>2,838</u>	<u>1,183</u>	<u>24,256</u>

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Available-for-sale securities without market quotation:			
Unlisted securities	68	74	581
Others	<u>121</u>	<u>188</u>	<u>1,034</u>
Total	<u>¥ 189</u>	<u>¥ 262</u>	<u>\$ 1,615</u>

Available-for-sale securities which the Companies sold during fiscal year amounted to the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Sales value	¥ 893	¥ 47	\$ 7,632
Gain on sales	414	9	3,538
Loss on sales	-	-	-

4. Inventories

At March 31, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Merchandise	¥ 1,882	¥ 1,730	\$ 16,086
Finished goods	1,841	1,523	15,735
Work in process	2,412	3,143	20,615
Raw materials and supplies	6,203	5,462	53,017
Total	<u>¥ 12,338</u>	<u>¥ 11,858</u>	<u>\$ 105,453</u>

5. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2006 and 2005 were principally bank overdrafts and short-term notes bearing interest at annual average rates of 3.76 per cent and 2.65 per cent respectively.

At March 31, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Bonds, 0.95 per cent, due 2007	¥ 1,500	¥ 1,500	\$ 12,821
Long-term loans, principally from banks (*)	9,633	11,245	82,333
	11,133	12,745	95,154
Less: current portion	(5,800)	(5,664)	(49,573)
Total	<u>¥ 5,333</u>	<u>¥ 7,081</u>	<u>\$ 45,581</u>

(*) At March 31, long-term loans consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Long-term portion, at annual average rates of 1.21 per cent (2005 - 1.39 per cent)	¥ 5,333	¥ 5,581	\$ 45,581
Current portion, at annual average rates of 1.34 per cent (2005 - 2.23 per cent)	4,300	5,664	36,752
	<u>¥ 9,633</u>	<u>¥ 11,245</u>	<u>\$ 82,333</u>

The aggregate annual maturities of long-term debt at March 31, 2006 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 890	\$ 7,606
2009	341	2,914
2010	97	829
After 2011	4,003	34,213

At March 31, 2006, the following assets were pledged as collateral for long-term debt:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
Buildings and structures	¥ 382	\$	3,264
Land	410		3,504

6. Retirement Benefit Plan

The Company and certain consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Japanese Welfare Pension Insurance Law and the other is severance indemnities by the Companies, for the year ended March 31, 2005.

Effective May 1, 2005, The Company and certain domestic consolidated subsidiaries have transferred their plans, as described in Note 1 (h), from the one governed by the regulations of the Japanese Welfare Pension Insurance Law to the one governed by the Defined Benefit Corporate Pension Law.

The reserve for retirement benefits as of March 31, was analyzed as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Projected benefit obligations	¥ 9,927	¥ 8,187	\$ 84,846
Plan assets	7,819	4,883	66,829
	<u>2,108</u>	<u>3,304</u>	<u>18,017</u>
Unrecognized prior service cost	(605)	(674)	(5,171)
Unrecognized actuarial differences	664	1,948	5,675
Prepaid pension cost	(131)	-	(1,119)
	<u>¥ 2,180</u>	<u>¥ 2,030</u>	<u>\$ 18,632</u>

Net pension expense related to retirement benefits for the years ended March 31, 2006 and 2005, were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>
Service cost	¥ 353	¥ 350	\$ 3,017
Interest cost	248	186	2,119
Expected return on plan assets	(176)	(104)	(1,504)
Recognition of net transition obligation expense	-	302	-
Amortization of prior service cost	31	(22)	265
Amortization of actuarial differences	193	268	1,650
Net pension expense	<u>¥ 649</u>	<u>¥ 980</u>	<u>\$ 5,547</u>

Assumptions used in the calculation of the above information were as follows:

	<u>2006</u>	<u>2005</u>
Discount rate	principally 2.0%	2.5%
Expected rate of return on plan assets	principally 2.5%	2.5%
Method of attributing the projected benefits to periods of service	straight-line basis	straight-line basis
Amortization of transition amount	5 years	5 years
Amortization of prior service cost	6 ~ 12 years	6 ~ 12 years
Amortization of actuarial differences	6 ~ 12 years	6 ~ 12 years

7.Shareholders' Equity

The Japanese Commercial Code provides that:

- (a) Upon resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (c) below can be made from unappropriated retained earnings brought forward;
- (b) All other appropriations of retained earnings, including year-end dividends, require approval by the shareholders at the General Meeting of Shareholders; and
- (c) An amount equal to at least 10 per cent of cash dividends and other cash distributions paid by the Company from retained earnings must be appropriated from retained earnings as a legal earned reserve. No further appropriation is required when the combined amount of capital reserve and the legal earned reserve pursuant to the Japanese Commercial Code equals 25 per cent of stated capital.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. Appropriation of retained earnings of the Company for the year ended March 31, 2006, which was approved at the general meeting of shareholders held on June 29, 2006, is presented below:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Appropriation for:		
Cash dividends	223	1,905

8.Treasury Stock

The Company repurchased treasury stock of 423,045 shares and 455,198 shares for the years ended March 31, 2006 and 2005, respectively in order to prepare for the exercise of stock options granted to certain directors and certain employees, subject to the approval at the ordinary shareholders' meeting.

The amount of treasury stock is stated at cost and is presented as a separate deduction from shareholders' equity.

9.Research and Development Expenditures

Total research and development expenditures included in manufacturing costs and selling, general and administrative expenses amounted to ¥781 million (\$6,675 thousand) in the year ended March 31, 2006 and ¥825 million in the year ended March 31, 2005.

10.Income Taxes

At March 31, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Accrued bonuses	¥ 405	¥ 348	\$ 3,461
Accrued enterprise taxes	69	42	590
Reserve for retirement benefits	1,993	2,217	17,034
Unrealized earnings on assets	59	50	504
Tax loss carryforwards	802	882	6,854
Loss on setting up trust for retirement benefits	146	146	1,248
Other	1,475	1,768	12,607
Total	4,949	5,453	42,298
Valuation allowance	(1,443)	(1,416)	(12,333)
Deferred tax assets	¥ 3,506	¥ 4,037	\$ 29,965
Deferred tax liabilities:			
Gain on setting up trust for retirement benefits	¥ 616	¥ 616	\$ 5,265
Unrealized gain on securities	1,136	472	9,709
Other	4	4	34
Total deferred tax liabilities	1,756	1,092	15,008
Net deferred tax assets	¥ 1,750	¥ 2,945	\$ 14,957

At March 31, the reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2006	2005
Statutory income tax rate	40.0 %	40.0 %
Increase (decrease) in taxes resulting from		
Permanent differences	20.5	(4.1)
Foreign income taxes	0.8	26.0
Other	7.2	4.8
Effective income tax rate	68.5 %	66.7 %

11. Leases

Pro forma information regarding leased assets, such as acquisition cost and accumulated depreciation under finance leases which do not transfer ownership of the leased assets to the lessee for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Structures, machinery and equipment, and software			
Cost	¥ 2,067	¥ 1,823	\$ 17,666
Accumulated depreciation	705	388	6,025
Net amount	<u>¥ 1,362</u>	<u>¥ 1,435</u>	<u>\$ 11,641</u>

The following is a schedule of the future minimum lease payments under such lease contracts as of March 31:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within one year	¥ 432	¥ 379	\$ 3,692
Due after one year	944	1,063	8,068
	<u>¥ 1,376</u>	<u>¥ 1,442</u>	<u>\$ 11,760</u>

Total lease expense under finance leases for the years ended March 31, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Lease rental expense	¥ 460	¥ 224	\$ 3,931
Depreciation cost	440	214	3,760
Interest expense	26	11	222

12. Derivative Financial Instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies' policy to use derivatives only for the purpose of reducing exposure to market risks and financing costs in accordance with internal policies.

The Companies do not anticipate any losses resulting from default of the counterparties as these are limited to major financial institutions with sound operational foundations.

13. Contingent Liabilities

The Companies were contingently liable for notes discounted with banks in the ordinary course of business in the amount of ¥78 million (\$666 thousand) at March 31, 2006 and ¥108 million at March 31, 2005. In addition, the Companies were contingently liable as guarantor of borrowings, principally for non-consolidated subsidiaries, for the amount of ¥142 million (\$1,213 thousand) at March 31, 2006 and ¥636 million at March 31, 2005.

14. Impairment loss on fixed assets

The Companies have recognized a loss on impairment of fixed assets, for the following group of assets as of March 31, 2006.

Location	Use	Category
Minakami-cho, Tone-gun, Gunma, Japan	Welfare facilities	Land
Sakata-shi, Yamagata, Japan	Idle properties	Land
Katori-shi, Chiba, Japan	Idle properties	Land

The Companies grouped fixed assets based on management reporting classifications, and grouped idle properties based on their respective types and use. The welfare facilities were grouped according to the classification of the idle properties.

Carrying amounts of idle properties and welfare facilities were written down to their recoverable value, owing to a substantial decline in their fair market value. As a result, the Companies recognized a loss on impairment of land in the amount of ¥226 million (\$1,931 thousand).

The recoverable value is determined as the net selling value, which is mainly based on appraisals provided by professional real estate valuers.

15. Segment Information

(a) Industry segments:

The operations of the Companies for the years ended March 31, 2006 and 2005 are summarized by business groups as follows:

Year ended March 31, 2006

	Millions of yen					
	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Information/ Communi - cation equipment	Other	Corporate and Eliminations	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 41,389	¥ 31,487	¥ 5,904	¥ 24	¥ -	¥ 78,804
Inter-segment	16	3	0	629	(648)	-
	<u>41,405</u>	<u>31,490</u>	<u>5,904</u>	<u>653</u>	<u>(648)</u>	<u>78,804</u>
Operating costs and expenses	<u>41,333</u>	<u>26,982</u>	<u>5,447</u>	<u>647</u>	<u>924</u>	<u>75,333</u>
Operating income	<u>¥ 72</u>	<u>¥ 4,508</u>	<u>¥ 457</u>	<u>¥ 6</u>	<u>¥ (1,572)</u>	<u>¥ 3,471</u>
Identifiable assets	¥ 32,148	¥ 34,167	¥ 4,755	¥ 441	¥ 7,414	¥ 78,925
Depreciation and amortization	¥ 1,070	¥ 799	¥ 146	¥ 2	¥ 93	¥ 2,110
Loss on impairment of fixed assets	¥ 38	¥ -	¥ -	¥ -	¥ 188	¥ 226
Capital expenditures	¥ 1,136	¥ 675	¥ 70	¥ 5	¥ 171	¥ 2,057

Year ended March 31, 2005

	Millions of yen					
	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Information/ Communi - cation equipment	Other	Corporate and Eliminations	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 39,050	¥ 30,489	¥ 6,408	¥ 24	¥ -	¥ 75,971
Inter-segment	206	4	0	653	(863)	-
	<u>39,256</u>	<u>30,493</u>	<u>6,408</u>	<u>677</u>	<u>(863)</u>	<u>75,971</u>
Operating costs and expenses	<u>39,043</u>	<u>26,157</u>	<u>6,573</u>	<u>654</u>	<u>705</u>	<u>73,132</u>
Operating income (loss)	<u>¥ 213</u>	<u>¥ 4,336</u>	<u>¥ (165)</u>	<u>¥ 23</u>	<u>¥ (1,568)</u>	<u>¥ 2,839</u>
Identifiable assets	¥ 32,267	¥ 33,016	¥ 5,262	¥ 421	¥ 5,448	¥ 76,414
Depreciation and amortization	¥ 1,106	¥ 745	¥ 177	¥ 1	¥ 111	¥ 2,140
Capital expenditures	¥ 1,297	¥ 447	¥ 149	¥ 4	¥ 535	¥ 2,432

Year ended March 31, 2006						
Thousands of U.S. dollars						
	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Information/ Communi - cation equipment	Other	Corporate and Eliminations	Consoli - dated
Sales and operating revenue						
Sales- Customers	\$ 353,752	\$ 269,120	\$ 50,461	\$ 205	\$ -	\$ 673,538
Inter-segment	137	25	0	5,376	(5,538)	-
	<u>353,889</u>	<u>269,145</u>	<u>50,461</u>	<u>5,581</u>	<u>(5,538)</u>	<u>673,538</u>
Operating costs and expenses	<u>353,274</u>	<u>230,615</u>	<u>46,556</u>	<u>5,530</u>	<u>7,897</u>	<u>643,872</u>
Operating income	<u>\$ 615</u>	<u>\$ 38,530</u>	<u>\$ 3,905</u>	<u>\$ 51</u>	<u>\$ (13,435)</u>	<u>\$ 29,666</u>
Identifiable assets	\$ 274,769	\$ 292,025	\$ 40,641	\$ 3,769	\$ 63,368	\$ 674,572
Depreciation and amortization	\$ 9,145	\$ 6,829	\$ 1,248	\$ 17	\$ 795	\$ 18,034
Loss on impairment of fixed assets	\$ 324	\$ -	\$ -	\$ -	\$ 1,607	\$ 1,931
Capital expenditures	\$ 9,709	\$ 5,769	\$ 598	\$ 43	\$ 1,462	\$ 17,581

(b)Geographic areas:

The operations of the Companies for the years ended March 31, 2006 and 2005 are summarized by geographic areas as follows:

Year ended March 31, 2006						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Eliminations	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 40,148	¥ 31,773	¥ 4,561	¥ 2,322	¥ -	¥ 78,804
Inter-segment	7,388	10,279	152	19	(17,838)	-
	<u>47,536</u>	<u>42,052</u>	<u>4,713</u>	<u>2,341</u>	<u>(17,838)</u>	<u>78,804</u>
Operating costs and expenses	<u>43,973</u>	<u>40,521</u>	<u>4,786</u>	<u>2,332</u>	<u>(16,279)</u>	<u>75,333</u>
Operating income (loss)	<u>¥ 3,563</u>	<u>¥ 1,531</u>	<u>¥ (73)</u>	<u>¥ 9</u>	<u>¥ (1,559)</u>	<u>¥ 3,471</u>
Identifiable assets	¥ 51,284	¥ 30,315	¥ 2,473	¥ 1,363	¥ (6,510)	¥ 78,925

Year ended March 31, 2005						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Eliminations	Consolidated
Sales and operating revenue						
Sales- Customers	¥ 39,919	¥ 29,961	¥ 3,845	¥ 2,246	¥ -	¥ 75,971
Inter-segment	6,234	8,215	156	15	(14,620)	-
	<u>46,153</u>	<u>38,176</u>	<u>4,001</u>	<u>2,261</u>	<u>(14,620)</u>	<u>75,971</u>
Operating costs and expenses	<u>43,289</u>	<u>36,542</u>	<u>4,137</u>	<u>2,253</u>	<u>(13,089)</u>	<u>73,132</u>
Operating income (loss)	<u>¥ 2,864</u>	<u>¥ 1,634</u>	<u>¥ (136)</u>	<u>¥ 8</u>	<u>¥ (1,531)</u>	<u>¥ 2,839</u>
Identifiable assets	¥ 54,304	¥ 26,445	¥ 2,140	¥ 704	¥ (7,179)	¥ 76,414

Year ended March 31, 2006						
Thousands of U.S. dollars						
	Japan	Asia	Europe	North and South America	Corporate and Eliminations	Consolidated
Sales and operating revenue						
Sales- Customers	\$ 343,145	\$ 271,564	\$ 38,983	\$ 19,846	\$ -	\$ 673,538
Inter-segment	63,145	87,854	1,299	163	(152,461)	-
	<u>406,290</u>	<u>359,418</u>	<u>40,282</u>	<u>20,009</u>	<u>(152,461)</u>	<u>673,538</u>
Operating costs and expenses	<u>375,838</u>	<u>346,333</u>	<u>40,905</u>	<u>19,932</u>	<u>(139,136)</u>	<u>643,872</u>
Operating income (loss)	<u>\$ 30,452</u>	<u>\$ 13,085</u>	<u>\$ (623)</u>	<u>\$ 77</u>	<u>\$ (13,325)</u>	<u>\$ 29,666</u>
Identifiable assets	\$ 438,325	\$ 259,102	\$ 21,137	\$ 11,649	\$ (55,641)	\$ 674,572

Total amounts of exports by domestic operations and sales by overseas branches and subsidiaries for the years ended March 31, 2006 and 2005, were as follows:

Year ended March 31, 2006					
Millions of yen					
North and South America					
	Asia	Europe	America	Other	Total
Export sales	¥ 36,698	¥ 4,286	¥ 2,892	¥ 0	¥ 43,876
Total sales					78,804
Export sales as percentage of total sales	46.6%	5.4%	3.7%	0.0%	55.7%

Year ended March 31, 2005					
Millions of yen					
North and South America					
	Asia	Europe	America	Other	Total
Export sales	¥ 34,564	¥ 3,809	¥ 2,815	¥ 0	¥ 41,188
Total sales					75,971
Export sales as percentage of total sales	45.5%	5.0%	3.7%	0.0%	54.2%

Year ended March 31, 2006					
Thousands of U.S. dollars					
North and South America					
	Asia	Europe	America	Other	Total
Export sales	\$ 313,658	\$ 36,632	\$ 24,718	\$ 0	\$ 375,008
Total sales					673,538
Export sales as percentage of total sales	46.6%	5.4%	3.7%	0.0%	55.7%