

ANNUAL REPORT 2006

FROM APRIL 1ST, 2005 TO MARCH 31ST, 2006



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Review of Operations**Instrument Sales**

Automotive instrument sales increased due to an increase in sales for North American, Japanese car makers.

Motorcycle instrument sales increased due to an increase in sales for Indonesia, Thailand and Japanese makers.

Overall, instruments sales for the year totaled ¥111,641million, a 17.3% increase from the previous fiscal year.

Consumer-use Products Sales

Sales increased by 107.7% to ¥24,011million, due to two factors. One factor was an increase in orders for PCB Assy for amusement products (ref.4page "Main products and activities"), Personal digital assistants, the operation panels for electronic office equipment and so on. The other factor was production expansion at our factory in China.

Liquid Crystal Display Products Sales

LCD panel and module sales decreased by 12.0%, to ¥19,191million from the previous fiscal year due to poor sales of reflective color LCD's for mobile-telecommunications equipment and automobiles, and to a decrease in orders for them.

Other businesses

Sales of other products and services totaled ¥20,384million, a 6.1% increase from the previous fiscal year, due to a sales increase in resin materials, car sales, and computer services.

In conclusion, the company's consolidated business operations for fiscal year 2006, ending March 31, 2006, resulted in annual sales of ¥175,229million, up 18.6% from the previous year. At the same time, ordinary income for the year increased by 30.7%, to ¥17,925million, and net income increased by 28.5%, to ¥9,318million, respectively.

Consolidated Sales by business segment

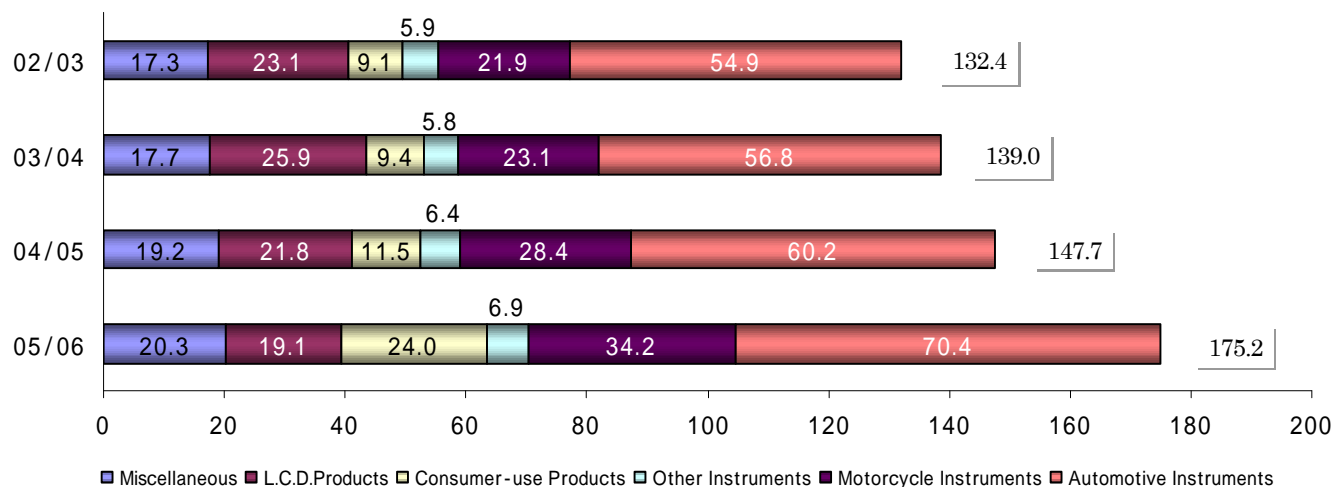
(¥ million)

	Annual sales in F.Y. 2004/2005	Annual sales in F.Y. 2005/2006	Increase (Decrease)
Instrument clusters for automobiles, Motorcycles, agricultural/construction machines and boats	95,163	111,641	17.3%
Consumer-use products	11,561	24,011	107.7%
LCD Products	21,805	19,191	(12.0%)
Other businesses	19,206	20,384	6.1%
Total	147,737	175,229	18.6%

1.Consolidated Financial Highlights

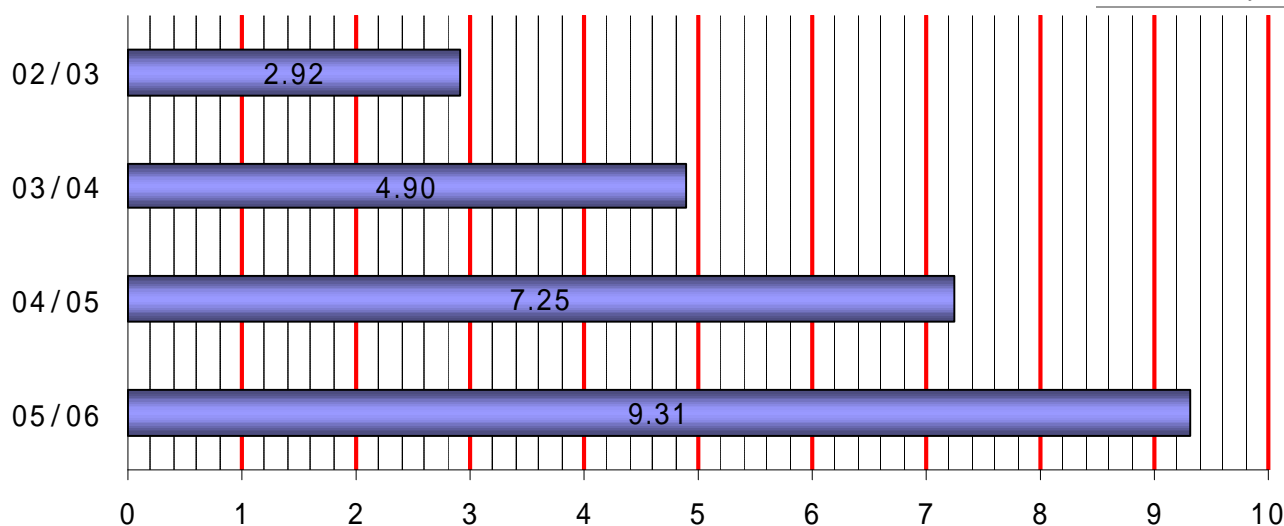
1 - 1 . Consolidated Progress in Sales

In billions of yen



1 - 2 . Consolidated Progress in Net Income

In billions of yen



Consolidated sales for the fiscal year ending March 31, 2006, increased by 18.6% to ¥175,229million, Ordinary income increased by 30.7% to ¥17,925million, and net income increased by 28.5% to ¥9,318million.

1 - 3 .

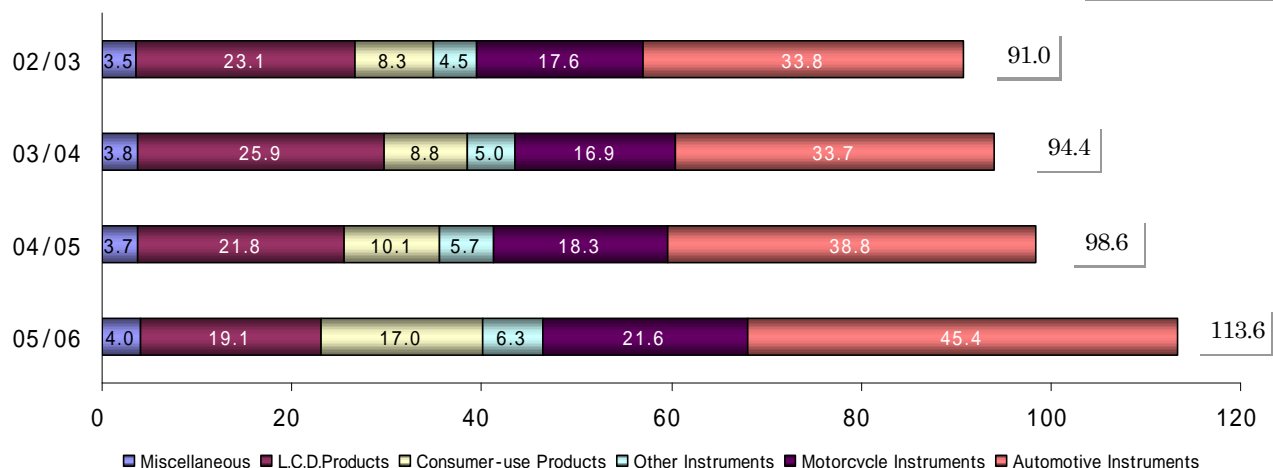
	F.Y.2002/2003 ending March 31 2003	F.Y.2003/2004 ending March 31 2004	F.Y.2004/2005 ending March 31 2005	F.Y.2005/2006 ending March 31 2006
Sales (¥ million)	132,410	139,007	147,737	175,229
Ordinary income (¥ million)	6,655	8,467	13,719	17,925
Net income (¥ million)	2,927	4,902	7,253	9,318
Net income per share (¥)	48.80	85.60	128.32	152.15
Total assets (¥ million)	108,903	114,075	118,350	137,798
Net assets (¥ million)	38,272	42,955	53,483	68,128
Net assets per share (¥)	708.69	796.24	924.46	1,117.37

2 . Non-Consolidated Business Results

as of March 31, 2006

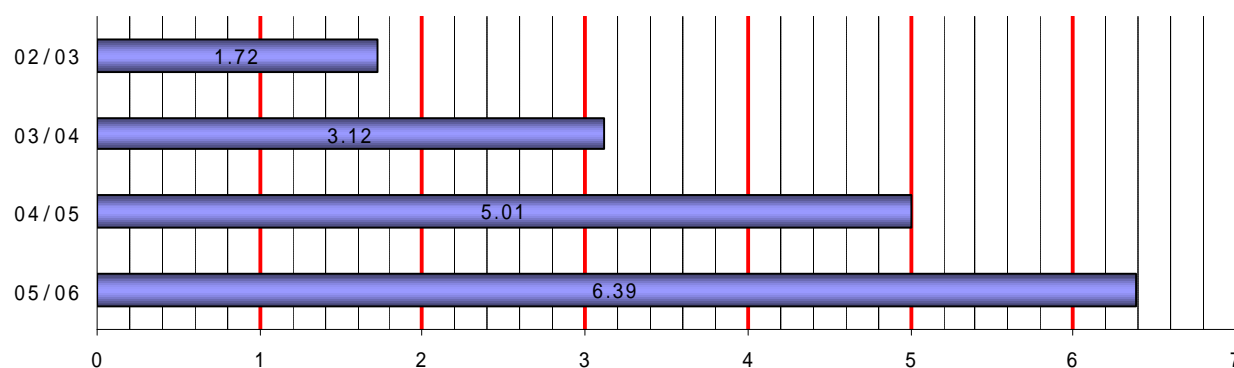
2 - 1 . Non-Consolidated Progress in Sales

In billions of yen



2 - 2 . Non-Consolidated Progress in Net Income

In billions of yen



2 - 3 . Non-Consolidated Progress in Business Results

	F.Y. 2002/2003 ending March 31 2003	F.Y. 2003/2004 ending March 31 2004	F.Y. 2004/2005 ending March 31 2005	F.Y. 2005/2006 ending March 31 2006
Sales (¥ million)	91,098	94,405	98,620	113,640
Ordinary income (¥ million)	3,145	4,472	8,439	11,555
Net income (¥ million)	1,723	3,122	5,016	6,392
Net income per share (¥)	28.87	55.06	89.49	105.04
Dividend per share (¥)	8.00	10.00	15.00	19.00
Total assets (¥million)	89,041	93,282	95,373	107,397
Shareholders' Equity (¥million)	35,130	38,750	47,324	57,906
Common stock capital (¥ million)	12,495	12,495	12,982	14,401
Equity ratio (%)	39.5	41.5	49.6	53.9

Notes:

Net income per share is calculated by the average number of all issued shares in the F.Y.

Company name : Nippon Seiki Co., Ltd.
 Established : December 24, 1946
 Common stock capital : 14,401,173,014 Yen
 Number of Employees : 1,680

Main products and activities (Nippon Seiki Group)

- Automotive instruments
- Head Up Display 1
- Motorcycle instruments
- Instruments for agricultural and construction machines and boats
- Sensors for automobiles
- Remote controllers for air conditioners and household appliances
- System controllers for air conditioner equipment
- Control panels for office equipment
- Personal digital assistants
- PCB Assy for amusement 2
- PCB Assy for PDP 3
- Liquid crystal display panels for:
 -Instruments, clocks, audio appliances, telecommunication equipment, office/household equipment etc.
- Color liquid crystal display modules
- Applied products of organic electro luminescence
- Automatic liquid filling and packing machines for the food industry
- Aftermarket car products
- Resin material processing and sales
- Freight transportation
- Software development and sales
- Car dealer etc.

Notes:

- 1 The product, "Head Up Display (HUD)," uses projection technology to display vehicle information on the windshield.
- 2 "PCB Assy for amusement" is Assembling small parts for amusement on Printed Circuit Board.
- 3 "PDP" is Plasma Display Panel.

Offices and Factories

Head office and Factory

2-34, Higashi-Zaoh 2-chome, Nagaoka-shi, Niigata, 940-8580 JAPAN

Takami Division

2-8, Higashi-Takami 2-chome, Nagaoka-shi, Niigata, 940-0006 JAPAN

Research & Development Center

190-1, Fujihashi 1-chome, Nagaoka-shi, Niigata, 940-2141 JAPAN

Special Machine Business Operation Division

2-16, Jyoka 3-chome, Nagaoka-shi, Niigata, 940-0021 JAPAN

Offices

Utsunomiya, Ageo, Tokyo, Hamamatsu, Nagoya, Suzuka, Osaka, Mizushima, Kumamoto

Branch Office

Hong Kong

Worldwide Network

North America

- New Sabina Industries, Inc./ Sabina, Ohio, U.S.A.
- N.S. International, Ltd./ Troy, Michigan, U.S.A.

South America

- Nippon Seiki Do Brasil Ltda./ Manaus, Amazonas, Brazil

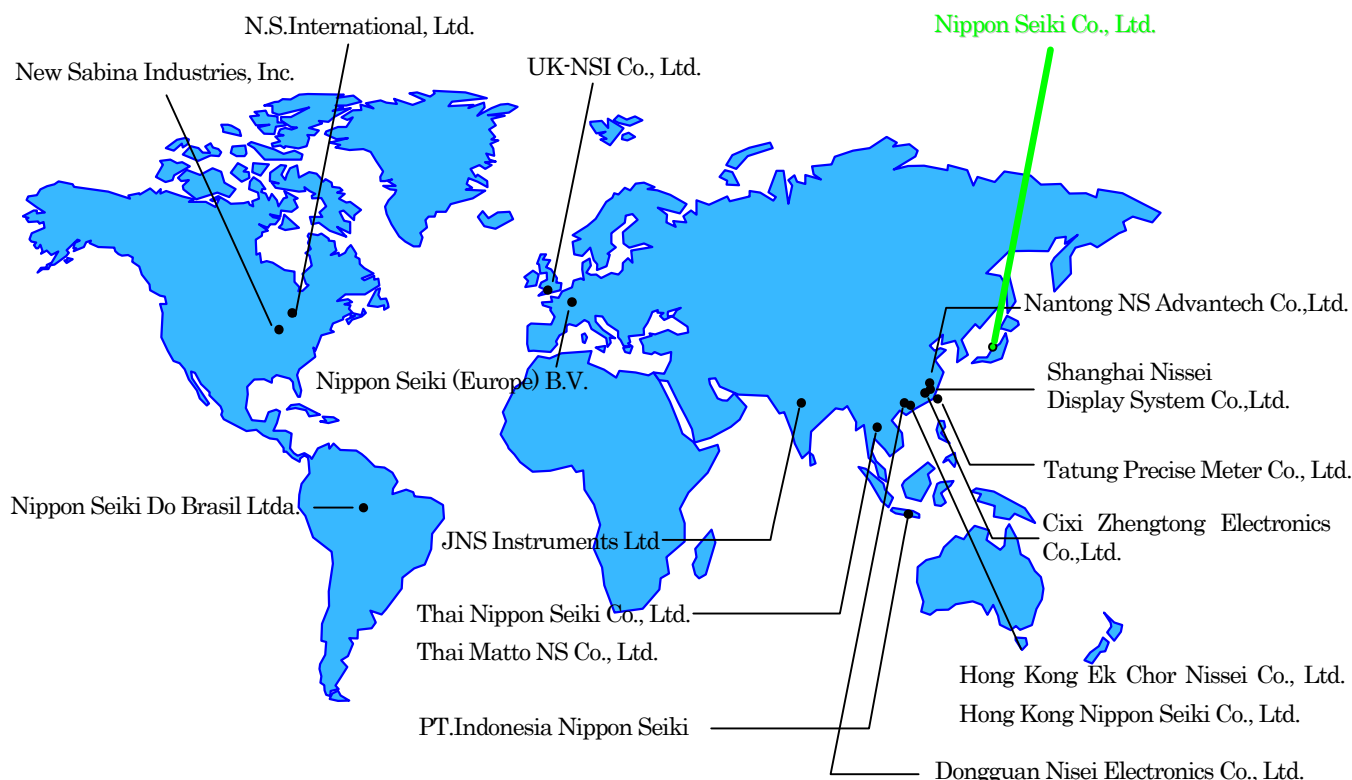
Europe

- UK-NSI Co., Ltd. / Redditch, Worcs., U.K.
- Nippon Seiki (Europe)B.V. / Hoofddorp, Netherlands

Asia

- Thai Nippon Seiki Co., Ltd. / Chonburi, Thailand

- Thai Matto NS Co., Ltd. / Chonburi, Thailand
- PT. Indonesia Nippon Seiki / Banten, Indonesia
- Hong Kong Nippon Seiki Co., Ltd / Hong Kong, China
- Dongguan Nisei Electronics Co., Ltd. / Dongguan, Guangdong, China
- Shanghai Nissei Display System Co., Ltd. / Shanghai, China
- Hong Kong Ek Chor Nissei Co., Ltd. / Hong Kong, China
- Cixi Zhengtong Electronics Co.,Ltd./ Cixi, Zhejiang, China
- Nantong NS Advantech Co.,Ltd./ Nantong, Jiangsu, China
- Tatung Precise Meter Co., Ltd. / Taipei, Taiwan R.O.C.
- JNS Instruments Ltd. / Haryana, India



. PROFILE OF THE GROUP COMPANIES

-as of March 31, 2006

Nippon Seiki Group is composed of 25 subsidiaries and 3 affiliated companies. The main business of the group is responsible for the manufacture and sale of instrument clusters for automobiles, motorcycles, agricultural / construction machines and boats, and the manufacture and sale of Liquid Crystal Display panels and modules, consumer-use products and other products. NS Group also has businesses related to transport, and research & development connected with the above products. NS Group is also involved in software development, car sales and other services.

Details of each company in the group and its main activities are as follows:

Consolidated subsidiaries

Name of Company	Voting rights equity ratio	Main activities	Main trading with the parent
NS Advantech Co., Ltd.	85.6	Manufacturing of automotive and motorcycle clusters and gauges / Plastic injection molding /Compounding, colouring of Plastics and Trading	Selling products and component parts
NS Electronics Co., Ltd.	100.0	Manufacturing of electronic subassemblies for instrument clusters and remote controllers	Selling products and component parts

YNS Inc.	80.0	Manufacturing and sales of automotive instrument clusters and peripheral systems	Purchasing component parts
NS Computer Service Co., Ltd.	91.9	Computer services, software development and office automation equipment sales	Software development
Nissei Service Co., Ltd.	100.0	Transport and car sales	Packing and transporting products
Honda Car Sales Nagaoka Co., Ltd.	100.0	Honda car dealer	Car sales
Yamato Honda Co., Ltd.	100.0	Honda car dealer	Car sales
NS Motors Co., Ltd.	100.0	An imported car dealer	Car sales
NS Body Service Co., Ltd.	100.0	Repairing of car bodies	Repairing of cars
Pretech. N Co., Ltd.	48.8	Manufacturing components of automotive and motorcycle instrument clusters	Selling products and component parts
UK-NSI Co., Ltd.	100.0	Manufacturing of automotive and motorcycle instrument clusters	Purchasing component parts
Nippon Seiki (Europe) B.V.	100.0	Sales of products made by Nippon Seiki Group in the European market	Purchasing products
New Sabina Industries, Inc.	100.0	Manufacturing and sales of automotive and motorcycle instrument clusters	Purchasing products and component parts
NS International, Ltd.	100.0	Sales of products made by Nippon Seiki Group in the North American market	Purchasing products
Nippon Seiki Do Brasil Ltda.	100.0	Manufacturing and sales of motorcycle instrument clusters	Purchasing products and component parts
Thai Nippon Seiki Co., Ltd.	63.8	Manufacturing and sales of automotive and motorcycle instrument clusters	Purchasing component parts and production equipment
Thai Matto NS Co., Ltd.	83.5	Compounding and colouring of plastics and trading	None
PT. Indonesia Nippon Seiki	70.0	Manufacturing and sales of motorcycle instrument clusters	Purchasing component parts and production equipment
Hong Kong Nippon Seiki Co., Ltd.	100.0	Manufacturing and sales of control panels for office equipment and remote controllers for air conditioners and household equipment	Purchasing and selling products
Dongguan Nisei Electronics Co., Ltd.	100.0	Manufacturing of control panels for office equipment and remote controllers for air conditioners and household equipment	Purchasing Products
Shanghai Nissei Display System Co., Ltd.	80.0	Manufacturing and sales of automotive and motorcycle instrument clusters	Purchasing component parts and production equipment
Hong Kong Ek Chor Nissei Co., Ltd.	90.0	Investment and holding company	Investment in China on behalf of the parent

Notes: Honda Car Sales Nagaoka Co., Ltd. merged Yamato Honda Co., Ltd. in June 2006.

Affiliated Companies by equity method

Name of Company	Voting rights equity ratio	Main activities	Main Trading with Nippon Seiki
Adeon Co., Ltd.	50.0	Manufacturing and sales of Organic EL	Selling products
Tatung Precise Meter Co., Ltd.	49.0	Manufacturing and sales of automotive and motorcycle instruments and peripheral systems	Purchasing products and component parts

Non-consolidated subsidiaries and Affiliated Company are as follows:

Non-consolidated subsidiaries

- Nissei Kyusyoku Co., Ltd.
- Cixi Zhengtong Electronics Co., Ltd.
- Nantong NS Advantech Co., Ltd.

Affiliated Company (doesn't influence consolidated financial statements)

- JNS Instruments Ltd.

3,523 shareholders in total hold of the company's common shares.

Details of the issued shares and shareholders are as follows:

Total number of authorized shares: 220,000,000 shares

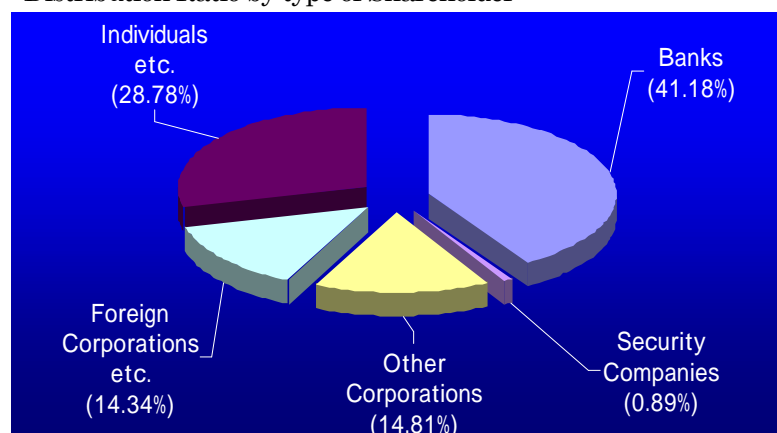
Total number of issued shares: 60,704,293 shares

Major shareholders

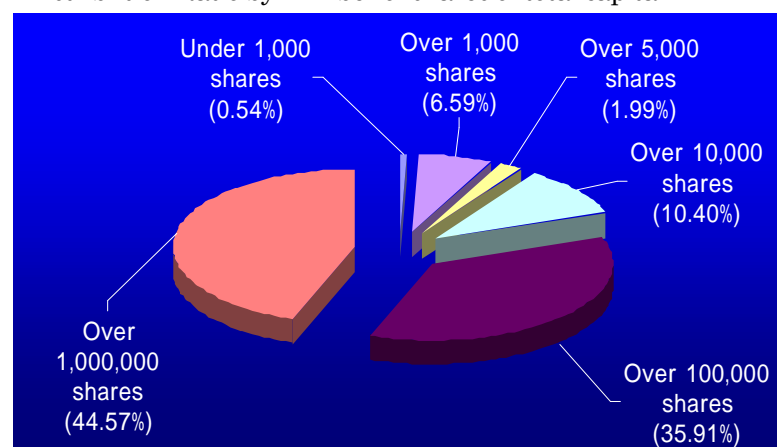
(1000 shares)

Name	Number of shares (Shareholder's equity ratio)	Number of shares held by the Company (Shareholder's equity ratio)
Honda Motor Co., Ltd.	3,753(6.18%)	1,679(0.18%)
The Master Trust Bank of Japan, Ltd.	3,429(5.65%)	N/A
Yasuo Nagai	3,380(5.57%)	N/A
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,541(4.19%)	N/A
The Hokuetsu Bank, Ltd.	2,022(3.33%)	1,572(0.63%)
Shareholding association of Nippon Seiki Employees	1,960(3.23%)	N/A
Japan Trustee Services Bank, Ltd.	1,891(3.12%)	N/A
The Daishi Bank, Ltd.	1,568(2.58%)	240(0.06%)
Yamaha Motor Co., Ltd.	1,217(2.01%)	171(0.06%)
Yoshio Nishiyama	1,130(1.86%)	N/A

Distribution Ratio by type of Shareholder



Distribution Ratio by number of shares of total capital



DIRECTORS

	Name
President and Representative Director	Shoji Nagai
Senior Managing and Representative Director	Takashi Nagatsuka
Senior Managing Director	Kazuo Nirasawa
Managing Director	Michio Hirokawa
Managing Director	Mitsuhiro Kawamata
Managing Director	Hitoshi Yoshikawa
Managing Director	Yoshiaki Yazawa
Director	Ryuichi Yamazaki
Director	Takeyoshi Ikarashi
Director	Kazuyoshi Kishi
Director	Norio Yakubo
Director	Takashi Komagata
Director	Yoshiki Takebe
Director	Akira Nakamura
Director	Hirotooshi Takada
Director	Hiroshi Araki
Director	Makoto Okawa
Director	Junichi Suzuki

CORPORATE AUDITORS

	Name
Corporate Auditor (Full-time)	Yasuo Nagai
Corporate Auditor (Full-time)	Kimiyuki Saito
Corporate Auditor	Tadao Endo
Corporate Auditor	Youichi Sakurai

Consolidated Balance Sheets

	March 31, 2006	March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
ASSETS		
Current Assets		
Cash and bank deposits (Note 9)	¥ 6,196,067	¥ 6,263,865
Notes receivable	1,488,213	1,726,914
Accounts receivable	38,369,539	32,271,580
Inventories	21,978,388	18,239,841
Deferred tax assets (Note 5)	2,074,585	1,549,428
Other current assets	4,672,540	2,913,462
Allowance for doubtful accounts	(219,258)	(206,717)
CURRENT ASSETS — TOTAL	74,560,076	62,758,369
Fixed Assets		
Tangible Fixed Assets (Note 4)		
Buildings and Structures	10,441,864	10,135,740
Machinery, Equipment and Vehicles	11,225,141	9,369,057
Tools, Jigs and Fixtures	4,022,491	3,904,812
Land	13,764,841	13,304,709
Construction in Progress	2,264,943	1,545,957
Total	41,719,283	38,260,276
Intangible Fixed Assets		
Other intangible fixed assets	1,192,707	1,230,730
Total	1,192,707	1,230,730
Investment and Other Assets		
Investment securities (Note 4)	18,433,177	13,813,166
Deferred tax assets (Note 5)	839,654	1,160,802
Other investment and assets	1,003,320	894,319
Allowance for doubtful accounts	(187,433)	(75,433)
Total	20,088,720	15,792,854
FIXED ASSETS — TOTAL	63,000,711	55,283,861
Deferred Assets		
Research and Development expenses	237,659	308,349
TOTAL ASSETS	¥ 137,798,447	¥ 118,350,581

	March 31, 2006	March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
LIABILITIES		
Current Liabilities		
Notes payable	¥ 2,396,001	¥ 3,748,918
Accounts payable	34,337,849	25,395,091
Short-term loans payable (Note 4)	5,921,632	8,373,590
Accrued income taxes (Note 5)	3,654,250	3,404,304
Accrued bonuses to employees	1,697,103	1,666,484
Allowance for compensation for products	194,524	—
Allowance for support to related company	867,000	—
Other current liabilities	7,167,621	6,379,083
CURRENT LIABILITIES — TOTAL	56,235,983	48,967,474
Long-term Liabilities		
Bonds	772,000	3,782,000
Long-term loans payable (Note 4)	2,984,445	3,979,464
Deferred tax liability (Note 5)	2,599,577	649,044
Allowance for employees' retirement benefits (Note 6)	1,920,662	1,886,582
Allowance for directors' retirement benefits	515,643	593,102
Consolidation adjustment account	157,568	28,719
Other long-term liabilities	270,423	1,093,239
LONG-TERM LIABILITIES — TOTAL	9,220,320	12,012,152
TOTAL LIABILITIES	65,456,304	60,979,627
CONTINGENT LIABILITIES (Note 11)		
MINORITY INTERESTS	4,213,781	3,886,963
SHAREHOLDERS' EQUITY (Note 7)		
Common stock	14,401,173	12,982,041
Additional paid-in capital	6,824,133	5,505,316
Retained earnings	41,495,925	33,504,480
Unrealized gain on investment securities	5,910,994	3,333,066
Adjustment from foreign currency translation	(493,190)	(1,784,136)
Treasury stock	(10,674)	(56,777)
TOTAL SHAREHOLDERS' EQUITY	68,128,362	53,483,990
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	¥ 137,798,447	¥ 118,350,581

See notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended March 31, 2006	Year ended March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
Sales	¥ 175,229,182	¥ 147,737,711
Cost of Sales	141,201,311	119,720,906
GROSS PROFIT	34,027,870	28,016,804
Selling, General and Administrative Expenses		
Packing and Transportation	3,714,400	3,199,464
Salaries	5,839,759	5,293,857
Provision for doubtful accounts	—	157,131
Provision for accrued bonuses to employees	374,404	318,846
Provision for accrued compensation for products allowance	194,524	—
Provision for accrued retirement allowance	42,891	176,894
Provision for accrued directors' retirement allowance	62,812	60,541
Depreciation	645,661	581,500
Other expenses	6,854,082	5,430,864
Total	17,728,538	15,219,098
OPERATING INCOME	16,299,332	12,797,705
Non Operating Income		
Interest income	139,525	157,504
Dividend income	166,155	116,970
Profits on foreign exchange	976,850	454,553
Other non operating income	564,394	482,055
Total	1,846,926	1,211,084
Non Operating Expenses		
Interest expense	115,911	136,762
Equity in loss of affiliates	82,640	133,440
Other non operating expenses	22,435	19,315
Total	220,987	289,518
ORDINARY INCOME	17,925,270	13,719,270
Special Income		
Gain on sales of fixed assets	100,017	213,836
Profits from termination of defined benefit pension plans	31,340	—
Other special income	27,110	23,001
Total	158,467	236,837
Special Loss		
Loss on sales of fixed assets	8,963	32,900
Loss on disposal of fixed assets	246,116	213,378
Impairment loss	—	551,331
Loss on earthquakes	—	270,623
Loss on sales of investment securities	17,006	—
Loss on investment security revaluation	15,400	19,447
Amortization of transition difference of retirement allowance due to change of accounting standard	—	67,488
Loss on termination of defined benefit pension plans	—	174,570
Provision for accrued director's retirement allowance	44,100	28,681
Provision for accrued support to related company allowance	867,000	—
Other special loss	185,162	16,150
Total	1,383,748	1,374,572
INCOME BEFORE TAXES	16,699,989	12,581,536
Income taxes (Note 5)	6,176,998	4,416,292
Minority Interests in Income	1,204,925	911,305
NET INCOME	¥ 9,318,065	¥ 7,253,938

See notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

	Year ended March 31, 2006	Year ended March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
Retained earnings at beginning	¥ 33,504,480	¥ 27,185,627
Increase in retained earnings :		
Net income	9,318,065	7,253,938
Total	9,318,065	7,253,938
Decrease in retained earnings :		
Dividends	994,525	592,581
Bonus to directors	304,743	296,781
[Bonus to corporate auditors included]	[14,677]	[17,572]
Decrease in retained earnings due to increase of additional consolidated subsidiary	—	6,689
Decrease due to change in ownership ratio of consolidated subsidiary	133	29,540
Decrease in retained earnings due to decrease of affiliate by equity method	16,002	—
Employee welfare fund	11,215	9,493
Total	1,326,620	935,085
Retained earnings at end	¥ 41,495,925	¥ 33,504,480

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended March 31, 2006	Year ended March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 16,699,989	¥ 12,581,536
Depreciation and amortization	5,882,924	5,338,750
Impairment loss	—	551,331
Amortization of consolidation adjustment account	6,612	37,715
Accrued bonuses to employees, net of payment	30,618	221,753
Employees' retirement benefits, net of payments	32,015	(571,855)
Directors' retirement benefits, net of payment	(77,458)	(72,768)
Allowance for doubtful accounts	114,556	157,131
Allowance for compensation for products	194,524	—
Allowance for support to related company	867,000	—
Interest and dividend income	(305,681)	(274,475)
Interest expense	115,911	136,762
Gain on foreign exchange	(144,888)	(80,623)
Equity in loss of affiliates	82,640	133,440
Loss (gain) on sales of marketable securities	17,006	(10,203)
Loss on sales or disposal of property, net	52,219	32,442
Loss on earthquakes	—	11,710
Loss on investment securities revaluation	15,400	30,167
Increase in accounts and notes receivable	(4,035,098)	(2,714,257)
Increase in inventories	(2,716,283)	(1,672,992)
Decrease in accounts and notes payable	4,818,164	2,929,139
Bonuses to directors	(320,400)	(315,880)
Other, net	(1,862,054)	424,927
Sub-total	19,467,720	16,873,751
Interest and dividend received	319,805	313,457
Interest paid	(100,594)	(136,536)
Income taxes paid	(5,916,096)	(2,202,440)
Cash provided by operating activities	13,770,834	14,848,232
Cash flows from investing activities:		
Purchase of property	(8,260,884)	(6,591,812)
Proceeds from sale of property	475,799	510,291
Purchase of investment securities	(335,351)	(607,728)
Proceeds from sales of investment securities	35,469	21,785
Other, net	(452,459)	(876,290)
Cash used in investing activities	(8,537,427)	(7,543,754)
Cash flows from financing activities:		
Decrease in short-term loans	(2,337,514)	(8,583,625)
Proceeds from long-term loans	1,165,154	1,528,387
Repayments of long-term loans	(2,358,266)	(2,281,107)
Proceeds from stock issued to minority shareholders	—	48,847
Cash dividend paid	(993,760)	(592,850)
Cash dividend paid to minority shareholders	(853,074)	(137,705)
Other, net	(225,947)	(191,741)
Cash used in financing activities	(5,603,410)	(10,209,795)
Effect of exchange rate changes on cash and cash equivalents	304,711	48,119
Net decrease in cash and cash equivalents	(65,291)	(2,857,198)
Cash and cash equivalents at beginning of year	6,198,138	8,879,216
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	—	176,120
Cash and cash equivalents at end of year (Note 9)	¥ 6,132,847	¥ 6,198,138

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Seiki Co., Ltd. and Consolidated Subsidiaries

March 31, 2006

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Nippon Seiki Co., Ltd. (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements 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 and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

(b) Basis of consolidation and accounting for investments in affiliates

The consolidated financial statements include the accounts of the Company and its 22 significant subsidiaries (the "Companies") at March 31, 2006, except for certain subsidiaries whose gross assets, net sales, and net income were not significant in the aggregate in relation to the comparable figure in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in two affiliates have been accounted for by the equity method. Investments in three affiliates were stated at cost because the effect of application of the equity method would be immaterial.

One domestic subsidiary is consolidated on the basis of fiscal period ending last day of February, and eight foreign subsidiaries are consolidated on the basis of fiscal period ending December 31. Significant transactions, which occurred during the period between these fiscal year-ends and March 31, are adjusted in the accompanying consolidated financial statements.

All assets and liabilities of the subsidiaries are revaluated at fair values on acquisition and the excess of cost over underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis.

(c) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance-sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance-sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. The Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated financial statements.

(d) Cash and cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are cash equivalents.

(e) Securities

Equity securities not classified as trading securities are stated at fair value and the changes in fair value, net of applicable income taxes, have been directly included in shareholders' equity as unrealized gain on investment securities.

Other securities, for which fair values are unavailable, are stated at cost as determined by the moving average method.

(f) Inventories

Finished goods and Work in process;

Instruments Stated at cost by the weighted average method

Others	Stated at cost by the identified method
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Materials	Stated at cost by the weighted average method
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Supplies	Stated at cost by the most recent purchase price method
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(g) Depreciation and Amortization

Depreciation of tangible assets is mainly calculated by the declining-balance method. Useful lives of the respective assets are based on the Corporation Tax Law.

Depreciation of intangible assets is mainly calculated by the straight-line method. Useful lives of the respective assets are based on the Corporation Tax Law.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. For the Company and its consolidated subsidiaries, the amount of the allowance is determined based on (1) past write-off experience, and (2) an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables.

(i) *Accrued bonuses to employees*

Accrued bonuses are recognized based on expected total expenditure at the end of fiscal year.

(j) Allowance for compensation for products

The allowance for compensation for products is provided in order to deal with occurred market claim.

(k) Allowance for support to related company

To expand automobiles sales business, the Company provided the allowance for support to related company based on estimated expense to restructure related car dealer.

(l) Pension and retirement benefits

Employees' retirement benefits

Effective the year ended March 31, 2001, the Company and its domestic subsidiaries adopted a new accounting standard for retirement benefits. In accordance with this standard, allowance for employees' retirement benefits has been provided based on the projected retirement benefit obligation and the pension fund assets.

Past service costs are amortized by the straight-line method over 10 years which are shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over 10 years which are shorter than the average remaining years of service of the employees.

Directors' retirement benefits

The Company and seven domestic subsidiaries provided 100% allowance for retirement benefits for the directors under their internal rules.

(m) Leases

Finance leases for which ownership does not transfer to lessees are principally accounted for as ordinary rental transactions.

(n) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred assets and liabilities are determined based on the difference between financial reporting and the tax basis of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation.

2. Changes in Accounting Policies

Accounting Standard for Impairment of Fixed Assets

As permitted by "Accounting Standard for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Council Report, August 9, 2002)) and "Guidelines on Implementation of Accounting Standard for Impairment of Fixed Assets" (Guidelines on Implementation of Business Accounting Standard No. 6, October 31, 2003) effective the fiscal year beginning on April 1, 2004, the impairment accounting in accordance with the above standard and guidelines were applied. The effect of this change on operations was to decrease income before income taxes by ¥551,331 thousand.

3. Marketable Securities

The following is a summary of the acquisition cost, carrying amounts, and gross unrealized holding gains and losses on marketable securities for each holding category at March 31, 2006.

	Thousands of Yen		
	Acquisition cost	Carrying amounts	Gross unrealized gains/(losses)
Other securities:			
Equity securities	¥ 5,513,106	¥ 15,434,105	¥ 9,920,999
Corporate bonds and debentures	666	666	—
Other securities	—	—	—
	<u>¥ 5,513,773</u>	<u>¥ 15,434,772</u>	<u>¥ 9,920,999</u>

The fair value of marketable securities has been estimated based on quoted market price.

Unlisted equity securities of ¥696,583 thousands and unlisted other bonds in held-to-maturity bonds of ¥1,164,700 thousands have been excluded from the above summary.

The contractual maturities of bonds and debentures and other securities of March 31, 2006 are summarized as follows:

	Thousands of Yen Carrying amount
Due within one year	¥ 666
Due after one year through five years	—
Due after five years through ten years	1,164,700
Due after ten years	—
	<u>¥ 1,165,366</u>

The following is a summary of marketable securities at March 31, 2005.

	Thousands of Yen		
	Acquisition Cost	Carrying amounts	Gross unrealized gains/(losses)
Other securities:			
Equity securities	¥ 5,489,730	¥ 11,084,414	¥ 5,594,683
Corporate bonds and debentures	—	—	—
Other securities	666	666	—
	<u>¥ 5,490,397</u>	<u>¥ 11,085,081</u>	<u>¥ 5,594,683</u>

The fair value of marketable securities has been estimated based on quoted market price.

Unlisted equity securities of ¥711,539 thousands and unlisted other bonds in held-to-maturity bonds of ¥1,063,900 thousands have been excluded from the above summary.

4. Short-term Loans and Long-term Debt

The weighted average interest rate of short-term loans payable to banks was 1.6% at March 31, 2006.

Long-term debt as of March 31, 2006 consisted of the following:

	Thousands of Yen
Loans from banks and insurance companies, due through 2013	
At average rates of 1.6% and 1.5% for current and non-current portion, respectively	¥ 4,882,494
Less: Current portion	1,898,049
	<u>¥ 2,984,445</u>

Aggregate annual maturities of long-term debt subsequent to March 31, 2006 are as follows:

Year ending March 31,	Thousands of Yen
2007	¥ 1,898,049
2008	1,529,225
2009	1,022,720
2010	295,000
2011 and thereafter	137,500
	<u>¥ 4,882,494</u>

The assets mortgaged for short-term and long-term loans payable as of March 31, 2006 were as follows:

	Thousands of Yen
Property, plant and equipment, net of accumulated depreciation	¥ 4,091,063
Securities	6,488,100

5. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprised corporation tax, inhabitant's taxes and enterprise tax which, in aggregate, resulted in a statutory tax rate of approximately 40% for the year ended March 31, 2006. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2006 were as follows:

	Thousands of Yen
Deferred tax assets	
Accrued bonuses	¥ 688,558
Retirement benefits	981,312
Allowance for support to related company	350,268
Accrued pension contribution	405,771
Unrealized gains on inventories, property and equipment	713,183
Others	2,879,866
	6,018,960
Valuation allowance for deferred tax assets	(213,473)
Total deferred tax assets	<u>5,805,486</u>
Deferred tax liabilities	
Reserve for special depreciation	(116,920)
Unrealized gains on investment securities	(4,419,509)
Undistributed earnings of foreign subsidiaries	(770,318)
Others	(184,075)
Total deferred tax liabilities	<u>(5,490,823)</u>
Net deferred tax assets	<u>¥ 314,662</u>

6. Retirement Benefits

The Company and its consolidated subsidiaries have mainly defined contribution plans.

The Company and certain consolidated subsidiaries also have defined benefit pension plans, welfare pension fund plans and lump-sum payment plans. The amount of benefits under the plans is determined on the basis of years of service at the time of termination of employment.

On October 1, 2005, one consolidated subsidiary transferred tax-qualified pension to lump-sum payment plans.

The following table sets forth the funded and accrued status for the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2006 for the Company and consolidated subsidiaries' defined benefit plans:

	Thousands of Yen
Projected benefit obligation	¥ 1,863,023
Unrecognized past service cost	113,560
Unrecognized actuarial gain or loss	(55,921)
Allowance for employees' retirement benefits	<u>¥ 1,920,662</u>

The effect of a transfer from tax-qualified pension plan to lump-sum payment plan was as follows:

	Thousands of Yen
Decrease in allowance for retirement benefit	<u>¥ 31,340</u>

The assets yet to be transferred to defined contribution plans at March 31, 2006 amounted to ¥1,000,292 thousands and were included in accounts payable-other and long-term payables.

The components of retirement benefit expenses for the year ended March 31, 2006 were outlined as follows:

	Thousands of Yen
Service cost	¥ 192,068
Interest cost	24,374
Amortization of past service cost	(12,617)
Amortization of actuarial gain or loss	5,753
Net retirement benefit expenses	<u>¥ 209,578</u>

The amount of cost recognized for the contribution to the plans for the year ended March 31, 2006 was ¥670,136 thousands.

The assumptions used in accounting for the above plans are as follows:

Discount Rate	2.0%
Amortization period of past service cost	10 years (straight-line method)
Amortization period of actuarial gain or loss	10 years (straight-line method)

7. Shareholders' Equity

In accordance with provisions of the Commercial Code of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital (ordinary share / common stock) by resolution of the Board of Directors.

8. Amounts per Share

Net income per share shown below is based on the weighted average number of shares of common stock outstanding during the year.

Net assets per share is based on the number of shares of common stock outstanding at each balance sheet date.

Net income per share and net assets per share for the year ended or as of March 31, 2006 were as follows:

Net income per share	¥ 152.15
Net income per share, fully diluted	¥ 146.33
Net assets per share	¥ 1,117.37

9. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2006 and 2005.

	Thousands of Yen	
	2006	2005
Cash and bank deposits	¥ 6,196,067	¥ 6,263,858
Time deposits with a maturity of more than three months	(63,220)	(65,720)
Cash and cash equivalents	¥ 6,132,847	¥ 6,198,138

10. Derivatives

The Companies, which operate globally, are exposed to market risk arising from fluctuations in foreign currency exchange rates and enter into derivative financial instruments for the purpose of reducing such risk. The Companies do not hold or issue derivatives for speculative or dealing purposes. As the counterparties to these derivatives are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Derivative transactions entered into by the Companies have been made in accordance with the Companies' policies. The execution and control of derivatives are controlled by the Corporate Finance Department.

Fair Value of Derivative Financial Instruments:

The fair value of the Companies' derivative financial instruments at March 31, 2006 and 2005 were as follows:

Currency-Related Transactions		Thousands of Yen	
		Notional Amount	Unrealized Gain/Loss
As of March 31, 2006			
Call option contracts			
Sell position-US\$	US\$25,000,000	—	—
	¥ 28,750	¥ 11,116	¥ 17,633
Put option contracts			
Buy position-US\$	US\$10,000,000	—	—
	¥ 26,500	¥ 14,811	¥ (11,688)
			¥ 5,945

As of March 31, 2005	Thousands of Yen		
	Notional Amount	Fair Value	Unrealized Gain/Loss
Call option contracts			
Sell position-US\$	—	—	—
	—	—	—
Put option contracts			
Buy position-US\$	—	—	—
	—	—	—
			—

11. Contingent Liabilities

At March 31, 2006, one subsidiary was contingently liable as guarantor of bank loans of non-consolidated company in the amount of ¥134,370 thousands.

12. Lease Transactions

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are generally accounted for by the same method as that applicable to operating leases.

The amounts corresponding to acquisition cost, accumulated depreciation and net book value at March 31, 2006 and 2005 were as follows:

	Thousands of Yen	
	2006	2005
Acquisition cost	¥ 4,031,172	¥ 3,774,368
Accumulated depreciation	2,094,954	2,002,891
Net book value	¥ 1,936,517	¥ 1,771,476

The obligations under finance leases at March 31, 2006 and 2005 were as follows:

	Thousands of Yen	
	2006	2005
Due within one year	¥ 716,656	¥ 632,376
Due after one year	1,219,861	1,139,100
Total	¥ 1,936,517	¥ 1,771,476

The lease payments and amounts corresponding to depreciation under finance leases for the years ended March 31, 2006 and 2005 were as follows:

	Thousands of Yen	
	2006	2005
Lease payments	¥ 760,858	¥ 734,349
Depreciation	760,858	734,349

The obligations under operating leases at March 31, 2006 and 2005 were as follows:

	Thousands of Yen	
	2006	2005
Due within one year	¥ 239,332	¥ 245,653
Due after one year	288,443	433,485
Total	<u>¥ 527,776</u>	<u>¥ 679,139</u>

13. Segment Information

The Companies primary business activities include (1) Instrument clusters for automobiles, motorcycles, agricultural/construction machines and boats ("Instrument"), (2) Consumer-use products, (3) LCD products and (4) Others. A summary of net sales, operating costs and expenses, and operating income by segment of business activities for the years ended March 31, 2006 and 2005 were as follows:

Year ended or as of March 31, 2006	Thousands of Yen					Elimination and Corporate	Consolidated Total
	Instruments	Consumer-Use Products	LCD Products	Others	Total		
Sales							
Unaffiliated customers	¥111,641,302	¥ 24,011,629	¥ 19,191,545	¥ 20,384,705	¥175,229,182	¥ —	¥175,229,182
Intersegment	—	—	—	8,846,957	8,846,957	(8,846,957)	—
Total sales	111,641,302	24,011,629	19,191,545	29,231,662	184,076,139	(8,846,957)	175,229,182
Operating costs and expenses	97,398,262	22,913,453	19,066,212	28,411,877	167,789,806	(8,859,956)	158,929,850
Operating income	<u>¥ 14,243,039</u>	<u>¥ 1,098,176</u>	<u>¥ 125,332</u>	<u>¥ 819,785</u>	<u>¥ 16,286,333</u>	<u>¥ 12,998</u>	<u>¥ 16,299,332</u>
Total assets	¥ 71,869,537	¥ 14,417,154	¥ 13,565,115	¥ 19,319,442	¥119,171,249	¥ 18,627,198	¥137,798,447
Depreciation and amortization	¥ 3,933,237	¥ 527,482	¥ 551,564	¥ 554,227	¥ 5,566,512	¥ 65,323	¥ 5,631,836
Capital expenditures	¥ 7,513,484	¥ 524,732	¥ 39,325	¥ 717,539	¥ 8,795,082	¥ 53,742	¥ 8,848,824

Year ended or as of March 31, 2005	Thousands of Yen					Elimination and Corporate	Consolidated Total
	Instruments	LCD Products	Consumer-Use Products	Others	Total		
Sales							
Unaffiliated customers	¥ 95,163,692	¥ 21,805,658	¥ 11,561,571	¥ 19,206,788	¥147,737,711	¥ —	¥147,737,711
Intersegment	—	—	—	7,895,965	7,895,965	(7,895,965)	—
Total sales	95,163,692	21,805,658	11,561,571	27,102,753	155,633,676	(7,895,965)	147,737,711
Operating costs and expenses	83,745,366	21,642,094	11,209,846	26,338,210	142,935,518	(7,995,512)	134,940,005
Operating income	<u>¥ 11,418,325</u>	<u>¥ 163,564</u>	<u>¥ 351,725</u>	<u>¥ 764,542</u>	<u>¥ 12,698,157</u>	<u>¥ 99,547</u>	<u>¥ 12,797,705</u>
Total assets	¥ 61,655,716	¥ 12,340,903	¥ 9,391,465	¥ 18,733,232	¥102,121,318	¥ 16,229,262	¥118,350,581
Depreciation and amortization	¥ 3,544,408	¥ 668,348	¥ 418,548	¥ 412,199	¥ 5,043,504	¥ 71,772	¥ 5,115,277
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 551,331	¥ 551,331
Capital expenditures	¥ 5,605,377	¥ 45,353	¥ 813,385	¥ 1,033,860	¥ 7,497,976	¥ 18,730	¥ 7,516,706

Geographic Information

Year ended or as of March 31, 2006	Thousands of Yen					Elimination and Corporate	Consolidated Total
	Japan	Americas	Europe	Asia	Total		
Sales							
Unaffiliated customers	¥103,520,043	¥ 30,067,785	¥ 10,493,619	¥ 31,147,734	¥175,229,182	¥ —	¥175,229,182
Intersegment	36,982,804	196,091	—	5,211,682	42,390,579	(42,390,579)	—
Total sales	140,502,848	30,263,876	10,493,619	36,359,417	217,619,762	(42,390,579)	175,229,182
Operating costs and expenses	129,077,734	28,978,127	10,032,671	33,244,895	201,333,428	(42,403,578)	158,929,850
Operating income	¥ 11,425,114	¥ 1,285,748	¥ 460,948	¥ 3,114,522	¥ 16,286,333	¥ 12,998	¥ 16,299,332
Total assets	¥ 97,153,518	¥ 12,622,552	¥ 6,547,075	¥ 21,533,427	¥137,856,573	¥ (58,126)	¥137,798,447

Year ended or as of March 31, 2005	Thousands of Yen					Elimination and Corporate	Consolidated Total
	Japan	Americas	Europe	Asia	Total		
Sales							
Unaffiliated customers	¥ 93,987,931	¥ 25,007,008	¥ 9,995,804	¥ 18,746,966	¥147,737,711	¥ —	¥147,737,711
Intersegment	29,290,261	107,279	785	3,826,330	33,224,657	(33,224,657)	—
Total sales	123,278,193	25,114,287	9,996,590	22,573,296	180,962,368	(33,224,657)	147,737,711
Operating costs and expenses	114,326,513	24,104,405	9,542,732	20,290,559	168,264,210	(33,324,205)	134,940,005
Operating income	¥ 8,951,680	¥ 1,009,882	¥ 453,858	¥ 2,282,737	¥ 12,698,157	¥ 99,547	¥ 12,797,705
Total assets	¥ 87,045,478	¥ 11,471,944	¥ 5,746,120	¥ 13,902,866	¥118,166,410	¥ 184,170	¥118,350,581

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2006 and 2005 were summarized as follows:

Year ended March 31, 2006	Thousands of Yen			
	Americas	Europe	Asia	Total
Overseas sales	¥ 30,360,288	¥ 11,436,017	¥ 33,835,958	¥ 75,632,264
Consolidated net sales				175,229,182
Overseas sales as a percentage of consolidated net sales	17.3%	6.5%	19.3%	43.2%

Year ended March 31, 2005	Thousands of Yen			
	Americas	Europe	Asia	Total
Overseas sales	¥ 25,023,482	¥ 10,450,293	¥ 21,132,780	¥ 56,606,556
Consolidated net sales				147,737,711
Overseas sales as a percentage of consolidated net sales	16.9%	7.1%	14.3%	38.3%

Report of Independent Auditors

The Board of Directors
Nippon Seiki Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nippon Seiki Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Seiki Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, 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.

Additional Information

As described in Note 2 to the consolidated financial statements, the Company adopted accounting standards for impairment of fixed assets in the year ended March 31, 2005.



Niigata, Japan
June 28, 2006

Non-consolidated Financial Statements of NIPPON SEIKI Co., Ltd. for the Fiscal Year 2005/2006

Balance Sheets

	March 31, 2006	March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
ASSETS		
Current Assets		
Cash and bank deposits	¥ 1,087,439	¥ 2,448,023
Notes receivable	1,025,218	1,194,171
Accounts receivable	36,110,948	29,834,449
Finished goods	1,937,465	1,583,648
Raw materials and Parts	4,023,245	3,687,379
Work in process	1,151,140	814,072
Supplies	143,751	94,054
Prepaid expenses	34,420	38,890
Deferred tax assets	1,017,392	626,736
Short-term loans	5,417,985	6,186,949
Sundry receivables	2,763,152	1,847,415
Other current assets	57,839	140,171
Allowance for doubtful accounts	(13,382)	(19,277)
CURRENT ASSETS — TOTAL	54,756,616	48,476,683
Fixed Assets		
Tangible Fixed Assets		
Buildings	4,255,195	4,545,082
Structures	285,615	226,684
Machinery and Equipment	4,212,255	3,827,462
Vehicles	47,503	62,469
Tools, Jigs and Fixtures	2,841,019	2,912,033
Land	8,966,591	8,936,303
Construction in progress	927,418	389,742
Total	21,535,599	20,899,778
Intangible Fixed Assets		
Software	631,944	770,678
Other intangible assets	9,922	12,202
Total	641,866	782,881
Investment and Other Assets		
Investment securities	17,197,898	12,763,256
Investment in subsidiary and affiliate companies	12,651,937	11,609,187
Long-term loans	743,800	345,000
Prepaid expenses	161,961	188,737
Deferred tax assets	—	168,154
Other investments and assets	327,741	214,254
Allowance for doubtful accounts	(619,708)	(74,103)
Total	30,463,630	25,214,486
FIXED ASSETS — TOTAL	52,641,097	46,897,147
TOTAL ASSETS	¥ 107,397,713	¥ 95,373,830

	March 31, 2006	March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
LIABILITIES		
Current Liabilities		
Notes payable	¥ 756,341	¥ 705,744
Accounts payable	28,949,472	23,905,944
Short-term loans payable	3,431,001	5,970,947
Current maturities of long-term loans payable	1,545,200	1,473,700
Accrued liabilities	1,321,280	1,256,567
Accrued expenses	1,857,625	1,847,284
Accrued income taxes	2,230,610	2,292,359
Advances received	33,051	808
Deposits received	244,370	193,564
Accrued bonuses to employees	795,207	775,709
Allowance for compensation for products	115,914	—
Allowance for support to related company	867,000	—
Bills payable - capital investment	553,477	152,024
CURRENT LIABILITIES — TOTAL	42,700,552	38,574,654
Long-term Liabilities		
Bonds	772,000	3,782,000
Long-term loans payable	2,773,400	3,568,500
Deferred tax liability	1,671,381	—
Allowance for employees' retirement benefits	1,313,728	1,289,198
Allowance for directors' retirement benefits	195,200	295,317
Other long-term liabilities	64,742	539,637
LONG-TERM LIABILITIES — TOTAL	6,790,452	9,474,652
TOTAL LIABILITIES	49,491,005	48,049,307
SHAREHOLDERS' EQUITY		
Common stock	14,401,173	12,982,041
Additional paid-in capital	6,824,133	5,505,316
Retained earnings		
Legal reserves	960,230	960,230
Allowance for special depreciation	162,043	184,998
General reserve	22,680,000	18,880,000
Unappropriated retained earnings	7,004,243	5,552,815
[Net income for the period included]	[6,392,997]	[5,016,675]
Total	30,806,516	25,578,044
Unrealized gain on investment securities	5,885,559	3,315,898
Treasury stock	(10,674)	(56,777)
TOTAL SHAREHOLDERS' EQUITY	57,906,708	47,324,523
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥ 107,397,713	¥ 95,373,830

Statements of Income

	Year ended March 31, 2006	Year ended March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
Sales	¥ 113,640,784	¥ 98,620,411
Operating Expenses		
Cost of Sales	96,875,538	85,021,160
Selling, General and Administrative Expenses	8,782,322	7,466,308
Total	105,657,860	92,487,468
OPERATING INCOME	7,982,924	6,132,942
Non Operating Income		
Interest and Dividend income	1,998,982	990,908
Other non operating income	1,649,174	1,411,260
Total	3,648,157	2,402,169
Non Operating Expenses		
Interest expenses	63,715	84,419
Other non operating expenses	11,448	11,094
Total	75,164	95,514
ORDINARY INCOME	11,555,917	8,439,597
Special Income		
Gain on sales of fixed assets	2,890	2,289
Amortization of transition difference of retirement allowance due to change of accounting standard	—	58,003
Total	2,890	60,292
Special Loss		
Loss on disposal of fixed assets	178,670	93,224
Impairment loss	—	551,331
Loss on earthquakes	—	130,471
Loss on investment securities revaluation	53,399	17,447
Provision for accrued support to related company allowance	867,000	—
Provision for doubtful accounts	539,709	—
Other special loss	—	44,935
Total	1,638,780	837,410
INCOME BEFORE TAXES	9,920,027	7,662,479
Income Taxes	3,527,031	2,645,804
NET INCOME	6,392,997	5,016,675
Retained earnings brought forward from previous period	1,030,526	807,420
Interim dividends paid	419,279	271,280
Unappropriated retained earnings	¥ 7,004,243	¥ 5,552,815

Statements of Retained Earnings

	Year ended March 31, 2006	Year ended March 31, 2005
	(Thousands of Japanese Yen)	(Thousands of Japanese Yen)
Unappropriated retained earnings for the period	¥ 7,004,243	¥ 5,552,815
Disposition of special depreciation allowance	47,240	45,684
Total	7,051,483	5,598,500
Appropriations of surplus		
Dividends [¥4 per share for ordinary dividend and ¥8 per share for special dividend for F.Y.2006]	728,401	575,245
Bonus to directors	170,000	170,000
[Bonus to corporate auditors included]	[19,900]	[10,500]
Allowance for special depreciation	57,630	22,729
General reserve	5,000,000	3,800,000
Retained earnings brought forward to the next period	¥ 1,095,452	¥ 1,030,526

* Interim dividend: ¥271,280thousand at December 14, 2004 [¥ 5 per share for dividend]

* Interim dividend: ¥419,279thousand at December 13, 2005 [¥ 7 per share for dividend]