Flash Report for Fiscal Year 2005 (Consolidated)

May 17, 2006 issued

Listed company name : Nihon Inter Electronics Corporation   Listed stock exchange: Tokyo
TSE code No: 6974   Head office location : Kanagawa pref.
(URL http://www. niec.co.jp)
Representative President (CEO) Name: Takeshi Yasuda
Officer in charge of inquiry Name: Fumio Inoue, General Manager, Accounting Dept.
TEL : (0463)84－8015

Date of Board of Directors meeting for closing account: May 17, 2006
Name of parent company: Kyosan Electric Mfg. Co.,Ltd.(Code No: 6742) Voting rights held by parent company: 20.1%
Adoption of American accounting principles: None

1. Consolidated financial performance over the year (from April 1, 2005 to March 31, 2006)

(1) Consolidated business performance results (Note) figures are rounded off to nearest million yen

	Sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2005	33,183	1.0	2,295	(20.5)	1,935	(18.2)
FY 2004	32,852	7.0	2,886	(8.6)	2,367	(8.5)

	Net income		Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
FY 2005	1,130	(12.5)	35.08	34.88	10.0	6.0	5.8
FY 2004	1,291	8.1	40.13	39.78	12.7	7.9	7.2

(Note) ①Equity method investment gain: for FY 2005: - million yen, for FY 2004: - million yen
②Average number of shares outstanding (consolidated) during: FY 2005: 31,270,702 shares, FY 2004: 31,186,512 shares
③Change in accounting methods: Yes
④Percentages(%) appending to sales, operating income, ordinary income and net income are the rates of increase (decrease) compared with the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY 2005	32,030	11,883	37.1	378.89
FY 2004	31,994	10,676	33.4	340.82

(Note) Number of shares outstanding (consolidated) at the end of FY 2005: 31,277,086 shares,
FY 2004: 31,207,598 shares

(3) Consolidated results of cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2005	2,978	(1,577)	(1,100)	3,089
FY 2004	2,409	(2,300)	365	2,735

(4) Items pertaining to scope of consolidation and equity method application
Number of consolidated subsidiaries : 6
Number of non-consolidated equity method subsidiaries : None
Number of equity method subsidiaries : None

(5) Changes in scope of consolidation and equity method application
Newly consolidated: 1 , and disconsolidated: None
Newly added equity method subsidiaries: None, and removed from equity method subsidiaries: None

2. Consolidated forecast for FY 2006 (from April 1, 2006 to March 31, 2007)

	Sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
1st Half	17,600	800	480
Full FY	38,000	2,300	1,400

(Note) Forecast of net income per share for full fiscal year 2006: 44.76 yen

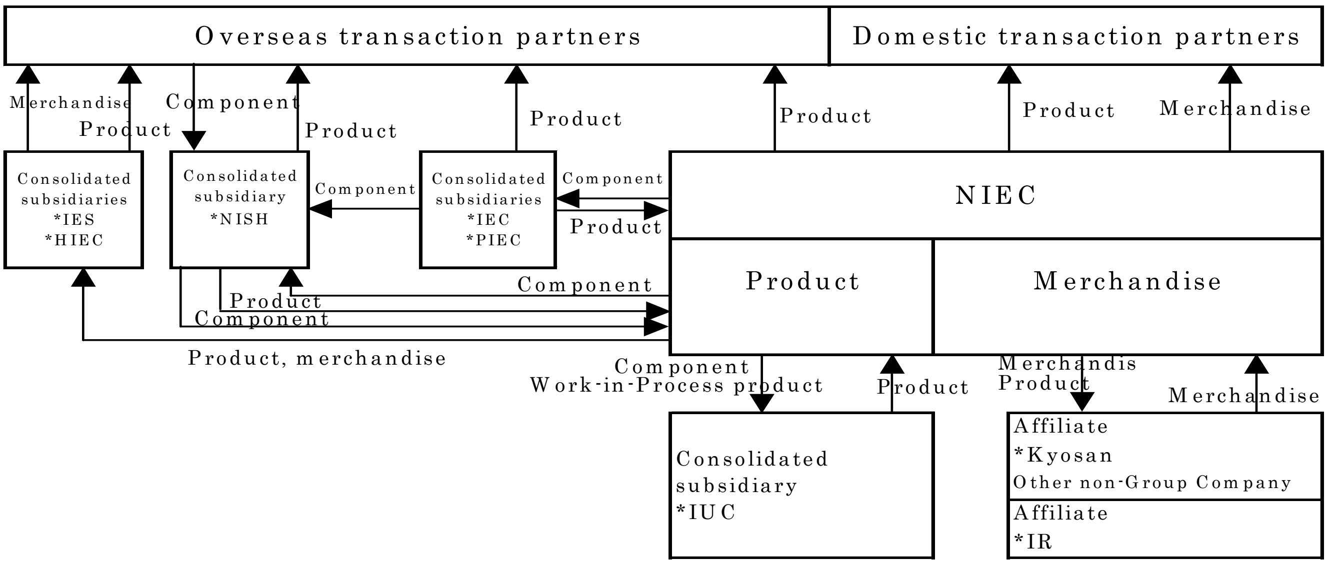
*The forecasted figures shown above are based on the information that is available as of the date of issuance and made on the assumptions that are considered rational but include a number of risks and uncertainties that could materially affect the business performance. Please bear in mind that the actually realized performance might differ from the above-forecasted figures, depending on business and market environment changes and so on.

Group Overview

The Nihon Inter Electronics Group ("The Company") consists of the Nihon Inter Electronics Corporation ("Nihon Inter" or "NIEC"), six consolidated subsidiaries (one domestic subsidiary, five overseas subsidiaries), two affiliates and conducts its business activities with a primary focus on the manufacturing and sale of power semiconductors. Products and merchandise handled by Nihon Inter, its subsidiaries and affiliates as well as their respective functions are as follows:

Segment		Principal products and merchandise	Company
Products	Semiconductor discrete devices	Schottky barrier diodes (SBD), and fast recovery epitaxial diodes (FRED), rectifying diodes for small power applications	Nihon Inter (mfg., sales) IEC (mfg., sales) PIEC (mfg.) IES (sales) HIEC (sales) NISH (mfg., sales)
		Rectifying diodes for medium to large power applications, thyristors, others	Nihon Inter (mfg., sales) IR (sales, supply)
	Semiconductor-applied products	Power modules, stacks	Nihon Inter (mfg., sales), Inter Unit Corp. (mfg., sales), NISH (mfg., sales)
Merchandise		Semiconductors, electronic components, LCD devices, power sources, others	Nihon Inter (sales) Kyosan Electric (supply)

The following is a flow chart of the Company's operations.



*IEC: International Electronics Corp., Ltd.
*PIEC: Philippine Inter Electronics Corporation
*NISH: Nihon Inter Electronics (Shanghai) Co., Ltd.
*IR: International Rectifier Corporation (U.S)
*IES: Inter Electronics Singapore Pte. Ltd.
*HIEC: Hong Kong Inter Electronics Co.
*IUC: Inter units Corporation
*Kyosan: Kyosan Electric Mfg. Co., Ltd.

Management Policies

1. Basic Management Policy

Nihon Inter Electronics Corporation (NIEC)'s guiding principle is to fulfill the expectations of its shareholders and all other stakeholders. With a focus on markets and applications with high growth potential, Nihon Inter is one of the leaders of its industry in development, manufacture, and sale of power semiconductors, devices that enable high-efficiency power conversion and power management.

Nihon Inter's mission is to contribute to society in terms of energy conservation and environmental protection by efficient use of electricity through power management solutions. Therefore, the Company's basic management policy is to develop industry-leading high-value-added products while continually augmenting its cost competitiveness, improving financial performance, and taking the leadership role in its industry.

2. Basic Policy Regarding Profit Sharing

One of our basic policies is to maintain stable distribution of our dividends to our shareholders. With a view of strengthening our competitive position in the power management market, we plan to effectively utilize our retained earnings towards reinforcement of our business infrastructure through research and development and capital expenditures. At the same time, we shall endeavor further to meet the expectations of our shareholders by distributing appropriate dividends, commensurate with our business results.

3. Targeted Management Benchmarks

Having identified, as our targeted management benchmarks, sales increase rate, gross margin rate, ratio of net income to total assets (Return on Assets), we set respective targets for these benchmarks and are striving to achieve such targets every business year.

4. Mid- and Long-term Management Strategy

The efficient use of electricity is a global issue. Environmental and social issues are preventing developed economies from creating the additional supply required to meet the growing demand and infrastructure development costs are prohibitive in the developing economies. In addition, today's electronics need to use electricity more efficiently to improve features and functionality. The need to use electricity more efficiently is a trend that will become more critical with the passage of time.

Over the last several years, power management companies have spearheaded the effort to use electricity more efficiently. Power management is a group of technologies that work together to refine electricity into a format that can be consumed more efficiently. Nihon Inter is a power management company and holds the #1 market share in SBD, a key building block technology in power management.

Entering into the last term of our current 3-year plan, we continue to emphasize the "Focus on the Market" principle. The "Focus on the Market" principle entails identifying the markets that have the most potential for Nihon Inter and our customers and then focusing our resources on that market to become a leader in key power management applications.

We have identified 3 long-term power management market trends to focus our 3-year plan on

. Progress in IT convergence and digitalization for consumer use appliances,
. The electronification of the car
. Development of industry use machineries and white goods home appliances functioned with inverters

We have organized our company to support these trends and focus our sales, manufacture and R&D activities to continuously and profitably improve our position in these markets.

In order to support the "Focus on the Market" principle, we established a matrix organization last April. The matrix includes the traditional functional reporting relationship but then organizes teams of managers from each functional organization to focus on our selected markets. These teams work together to quickly react to individual market conditions and then ensure that we are maximizing our position in that market. The teams' incentive programs are based upon achieving agreed-to targets in the market segment.

5. Company's goals and issues to be addressed

The Company is focused on improving its market position in the application of IT and consumer use appliances, automotive, white goods and industrial use machineries. Within each of these broad market categories we will select specific applications to target. Our company' important goals include:

■ To increase our share of SBD/FRED and other discrete devices in selected applications
■ To increase our share of power management modules in selected applications
■ To improve manufactured product gross margin rate
■ To improve cash flow of our merchandise business
■ To improve ROA

For our sales activity, we will strengthen our sales forces and infrastructure in Asia as we expect manufacturing bases of electric and electronics manufacturers are continuously shifted to Asia and this trend is expected to accelerate. We believe that this approach will lead us to more broadly penetrate in the North American and European markets because manufacturers there are continuously moving their production sites to Asia. Intending to respond to such trend much more quickly and accurately especially for mainland China market sales expansion, adding to existing subsidiaries in Singapore and Hong Kong, from August, 2005, we upgraded our representative office in Shanghai to a subsidiary, Nihon Inter Electronics (Shanghai) Co., Ltd. ("NISH") to conduct manufacture and sales. In addition, for South Korea marketing, a representative office in Seoul also was established in September 2005, to increase sales to South Korea companies.

In order to improve gross margin rate, our manufacturing team will focus on production cost reductions such as material cost and overhead cost etc. We also plan to increase our manufacturing capacity at subcontractors and foundries. In order to double our current wafer process production capacity, we have established World-new 8 inch wafer process fab. in Tsukuba city, ramped up partial production from January 2006 and into full production as soon as possible. For assembly process, our assembly network consisting of our owned subsidiaries and sub-contractors is reviewed and restructured and consignment of assembly process to overseas manufacturers is being progressed.

As to financial matters, we will improve operating cash flow along with improving profitability and contracting total asset size. By continuously decreasing Interest-bearing debt, we target to improve to much sounder financial standing. In the meantime, aiming at improving flexibility and safety of funding ability, we joined 3-year commitment line contract of 3.5 billion yen with 3 Japanese banks. R&D and Investments in equipment and facilities are financed as appropriate with a combination of operating cash flow, bank borrowings, and equity funding, taking into account the banking and financial market situation Our current foreign currency account is relatively small but as foreign revenues grows and our exposure to foreign currency fluctuations may increase, we will strengthen the measures to minimize foreign exchange risk.

6. Major shareholders etc. information

As of March 31, 2006

Name of companies	Relationship	Shares of holding voting rights	Listed at stock exchange etc.
Kyosan Electric Mfg.Co., Ltd	Major shareholder	20.1%	Tokyo Stock Exchange Osaka Stock Exchange
International Rectifier Corporation	Major shareholder	17.4%	New York Stock Exchange

Business performance and Financial position

1. Business performance

(1) Overview of the fiscal year ended on March 31, 2006

Japan's economic situation during the current fiscal year showed gradual self-recovery, backed by several domestic economic indicators, like the end of inventory adjustments in IT and digitalization areas, steady expenditures in individual consumption, active capital investment based on improved companies' profitability, increases in export since the depreciation of yen, rises in productivity and etc, though there are still some uncertainties like the jump of crude oil prices.

In electric and electronics market to which we belong, inventory adjustments started in the previous fiscal year almost finished by the end of the 1st quarter. Supported by favorable markets of PC, handset phone and mobile music player products, the world semiconductor product shipments since July 2005 have shown net increase in term of the rate of change year-on-year (y-o-y). The 2005 consumer use machinery shipments, represented by flat panel digital TV, increased by 7.3% y-o-y and maintained 4-year sequential positive growths, the number of sales unit of flat panel digital TV has for the first time exceeded that of CRT TV and the demand has continued expanding.

Under this situation, our consolidated sales during fiscal year 2005 totaled ¥33,183 million (a y-o-y increase of 1.0%), which was the 4-year sequential increase of sales. As for the product sales, it achieved ¥20,711 million (a y-o-y increase of 3.8%). Of which, sales of semiconductor-discrete devices for consumer use machinery was ¥14,984 million (a y-o-y increase of 4.3%). As to our main products, Schottky Barrier Diode (SBD) and Fast Recovery Epitaxial Diode (FRED), sales from flat panel digital TV such as plasma TV and LCD TV showed great increase. Though sales from automobile related grew firmly, recovery of sales from note PC delayed for the sake of restraints in our production capability.

As to semiconductor-applied products for industry-use, such as power management module, though sales from welding machine for automobile use went well, we could not see so much growth in sales of power management modules, which is our main power management product, for general inverter use because of the impact from the delayed inventory adjustment of industry-use machinery to China market. Despite the fact that there were signals of recovery, sales of semiconductor-applied products was ¥5,727 million (a y-o-y increase of 2.5%).

Concerning our merchandise business, while the market of optical devices related products like LCD, LED and etc went well as the demand for digital home appliances expanded, sales of merchandise arrived at ¥12,471 million (a y-o-y decrease of 2.5%) for there lacked such a big add-hoc order from amusement area as what we had in previous year.

Turn to the profit and loss issues, nevertheless we strived to slash cost of components down, upgrade yields, cut off unprofitable products, focus on the products with high added value, strengthen competitive edge on cost, however, as a result of the processing of prices-down in digital home appliances area, decline of production efficiency for adjustment of production balance, advanced expenses of approximate ¥500 million in order to ramp up our 8-inch wafer production line and etc, our consolidated operating income was ¥2,295 million (a y-o-y decrease of 20.5%), consolidated ordinary profit was ¥1,935 million (a y-o-y decrease of 18.2%) and the consolidated net income was ¥1,130 million (a y-o-y decrease of 12.5%).

<u>Re: regarding to the annual dividend to be declared</u>

As for the annual dividend per share, considering the business performance of this year, future cash requirement, appropriate profit distribution principle to our shareholders and etc, we are to increase ¥2 for the current year from the previous year's ¥6 per share, totaling ¥8 per share.

(2) **The prospect on the full year period ending March 31, 2007**

As to general economic trend from now, the economy would continue recovering gradually. However, the concerns about raw material prices hike along with crude oil prices increase, overcapacity of production, US and China economy's slow down followed by export decrease, appreciation of yen and etc. will remain.

Under such expected economic situation, with reference to product business, we continuously would position the 3 markets of "IT and digitalized home appliances market", "Automobile with electronification and related products market", and "Industrial machinery and clean energy market" as strategically important ones, which are mostly expected to grow from now on. We would focus the operational resources that could accurately capture the business chances in these markets we selected.

Facing the expansion of demand for flat panel digital TV and etc., we would exert ourselves to ramp the 8-inch wafer production, which was established since previous fiscal year, into full operation as earlier as possible; increase the productivity of now used other lines; carry on the improvement through value analysis; enhance the entire production ability and reduce the cost thoroughly. In addition, we also work on establishing the new department for strengthening the quality assurance system, under the new organization that could keep up providing high competitive products in terms of quality and delivery.

With regard to merchandise business, we will continuously target the audio, visual, amusement, automobile, medical and security markets, along with building up the sales, including newly developed merchandise with high added value, and address enlarging its free cash flow, compressing the inventory, shrinking the collection period,.

Regarding the forecast of full fiscal year's business performance, total sales is expected to increase by 14.5% to ¥38,000 million, ordinary income and net income to be ¥2,300 million, +18.9% and ¥1,400 million, +23.9% y-o-y respectively.

Re: the dividend declaration projection for the full fiscal year.

Taking into account of full year business performance forecast and future cash requirement, annual dividend of ¥8 per share is expected to be declared.

2. Financial conditions

(1) Assets, liabilities and shareholders' equity

As of the end of the fiscal year, total assets amounted to ¥32,030 million, increased by ¥36 million y-o-y.

About the details of total assets, current assets as of the end of the year decreased by ¥193 million y-o-y to ¥22,128 million as a result of the decrement in current assets to be leased back within one year because of the execution of lease back contract, while the fixed assets as of the end of the year increased by ¥245 million y-o-y to ¥9,884 million due to the follow-up settlement of 8-inchi wafer production facility and the increased market value of investment securities accompanying the uprise of shares' prices.

Total liabilities decreased by ¥1,172 million y-o-y to ¥20,146 million as of the end of the year. Current liabilities as of the end of the year declined by ¥680 million y-o-y to ¥13,925 million mainly due to the decrease in short-term loans and income taxes payable, while fixed liabilities were ¥6,221 million, a decrease of ¥563 million y-o-y, for the decrease in allowances for retirement benefits.

Shareholders' equity increased by ¥1,270 million y-o-y to ¥11,883, that was attributable to the increased retained earnings coming from net income.

(2) Cash flows

The ending balance of cash and cash equivalents increased by ¥354 million y-o-y to ¥3,089 million. The detailed categories of cash flows are briefed as follows:

Cash flows from operating activities increased by ¥2,978 million (as compared to the increase of ¥2,409 million for the previous consolidated fiscal year). This increase was attributable mainly to the achievement of ¥1,882 million in income before taxes, and a decrease in assets to be leased back within one year. Cash flows from investing activities decreased by ¥1,577 million (as compared to the decrease of ¥2,300 million for the previous consolidated fiscal year), mainly as a result of capital expenditures on construction of 8-inch fab. Cash flows from financing activities decreased by ¥110 million (as compared to the increase of ¥365 million for the previous consolidated fiscal year) for the repayment of long-term debts.

3. Risks

Our group is exposed to various possible risks that may affect us in business performance, share price, financial condition and etc. Major risks identified by our group are as follows:

(1) Risk from changes in market conditions

The production trend of our customers and the price competition with our competitors would impact substantially to the semiconductor and electronic products that we are selling. Especially the cyclical situation of so-called silicon cycle in semiconductor business could affect our operating results harmfully.

(2) Foreign currency risk

Since we conduct our business in some foreign countries, our business results are exposed to certain foreign currencies, though we have adopted some hedging programs to reduce the foreign currency risk as possible as we could, it is still impossible for us to avoid such risk completely. Thus foreign currency risk may likely affect our business.

(3) Risk of defective products

Though the products we are dealing have been produced under rigorous quality control systems, we could not completely prevent the occurrence of defective products after sales. In case of any serious defects, the outcomes like huge amount of payment to cover the losses which our end-users faced, suspension of business and etc would likely impact our performance and financial condition adversely.

(4) Risk of litigations or claims

Though we have already set up a special department to prevent from infringing other corporations' intellectual property during our research and development activities, we still could not completely eliminate the probability to occur huge amount of litigation expenses once we were alleged a patent infringement.

Additionally, though we obey the regulations related to environmental control and safety, any unforeseen failure to comply with related regulations could have a material adverse effect on our operating results and financial condition.

(5) Risk of natural and other disasters

We have separated and dispersed our production bases and conduct periodic inspections to prevent against the casualty and check the safety of our machinery and facility. However, we still could be adversely affected to the possible consequences like the suspension of production, requirement of huge amount money to restore the production and etc, in case of the large earthquake or other kind of natural disasters occurred in the area where our factories are located. In addition, for our overseas businesses, the influences from political instability and such kind of uncertainties would also give us severe affections like disrupting our supply, impairing our sales and so on.

Disclaimer: The business result report contains forward-looking statements concerning Nihon Inter's future plans, strategies and performance. These statements are based on management's assumptions and beliefs in light of economic, financial and competitive data currently available. Further more, they are subject to a number of risks and uncertainties. Nihon Inter therefore wishes to caution readers that actual results may differ materially from our expectations.

Consolidated Balance Sheets

Fiscal Year 2005 ended on March 31,2006

(Assets)

Millions of yen

Item	FY 2005 (As of March 31, 2006)		FY 2004 (As of March 31, 2005)		Increase / Decrease	
	Amount	%	Amount	%	Amount	%
Current assets	22,128	69.1	22,321	69.8	(193)	(0.9)
Cash and deposits	3,189		2,835		354	
Notes and accounts receivable	10,528		10,161		367	
Inventories	7,233		6,935		298	
Deferred tax assets	185		204		(19)	
Assets to be leased back within one year	497		1,641		(1,144)	
Other current assets	517		571		(54)	
Allowances for doubtful accounts	(23)		(27)		4	
Fixed assets	9,884	30.8	9,639	30.1	245	2.5
Property,plant and equipment	7,200	22.5	7,053	22.0	147	2.1
Buildings and structures	3,339		2,416		923	
Machinery and vehicles	1,541		1,776		(235)	
Land	1,310		1,310		—	
Construction in progress	743		1,294		(551)	
Other property,plant and equipment	265		255		10	
Intangible fixed assets	74	0.2	55	0.2	19	32.7
Land lease rights	7		7		—	
Software	36		15		21	
Other intangible fixed assets	29		32		(3)	
Investments and other assets	2,609	8.1	2,530	7.9	79	3.1
Investment securities	1,417		889		528	
Long-term prepaid expenses	309		388		(79)	
Deferred tax assets	564		976		(412)	
Other investments and other assets	328		297		31	
Allowances for doubtful accounts	(10)		(22)		12	
Deferred assets	17	0.1	32	0.1	(15)	(45.0)
Start-up cost	1		—		1	
Bond issue cost	16		32		(16)	
Total assets	32,030	100.0	31,994	100.0	36	0.1

Figures below million yen are rounded down

(Liabilities, minority interest, and shareholders' equity)

Millions of yen

Item	FY 2005 (As of March 31, 2006)		FY 2004 (As of March 31, 2005)		Increase / Decrease	
	Amount	%	Amount	%	Amount	%
Current liabilities	13,925	43.5	14,533	45.4	(608)	△ 4.2
Notes and accounts payable	8,222		7,479		743	
Short-term loans	4,404		5,067		(663)	
Other account payable	136		81		55	
Income taxes payable	349		777		(428)	
Accrued expenses	456		415		41	
Allowance for employees' bonuses	286		290		(4)	
Other current liabilities	69		421		(352)	
Long-term liabilities	6,221	19.4	6,784	21.2	(563)	△ 8.3
Bonds and debentures	2,500		2,500		—	
Long-term loans	1,380		1,451		(71)	
Accrued employees' retirement benefits	2,152		2,676		(524)	
Accrued directors' retirement benefits	145		123		22	
Other long-term liabilities	43		33		10	
Total liabilities	20,146	62.9	21,318	66.6	(1,172)	△ 5.5
Minority interest	—	—	—	—	—	—
Capital stock	4,025	12.6	4,005	12.5	20	0.5
Capital surplus	3,994	12.5	3,974	12.4	20	0.5
Retained earnings	3,774	11.7	2,871	9.0	903	31.4
Unrealized holding gain on securities	514	1.6	237	0.7	277	116.7
Translation adjustment	(300)	(0.9)	(368)	(1.1)	68	(18.4)
Treasury stock	(124)	(0.4)	(44)	(0.1)	(80)	177.6
Total shareholders' equity	11,883	37.1	10,676	33.4	1,207	11.3
Total liabilities & shareholders' equity	32,030	100.0	31,994	100.0	36	0.1

Figures below million yen are rounded down

Consolidated Profit and Loss Statement

Fiscal Year 2005 ended on March 31, 2006

Millions of yen

	FY 2005 From April 1, 2005 To March 31, 2006		FY 2004 From April 1, 2004 To March 31, 2005		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	33,183	100.0	32,852	100.0	331	1.0
Products	20,711	62.4	19,947	60.7	764	3.8
Merchandise	12,471	37.6	12,905	39.3	(434)	(3.4)
Cost of sales	26,252	79.1	25,922	78.9	330	1.3
Products	15,137	73.1	14,336	71.9	801	5.6
Merchandise	11,114	89.1	11,585	89.8	(471)	(4.1)
Gross profit	6,930	20.9	6,929	21.1	1	0.0
Products	5,573	26.9	5,610	28.1	(37)	(0.7)
Merchandise	1,356	10.9	1,319	10.2	37	2.8
Selling,general and administrative expense	4,634	14.0	4,043	12.3	591	14.6
Operating income	2,295	6.9	2,886	8.8	(591)	(20.5)
Non-operating income	138	0.4	106	0.3	32	30.5
Interest and dividend income	13		10		3	
Foregn exchange gains	56		21		35	
Others	68		73		(5)	
Non-operating expenses	498	1.5	624	1.9	(126)	(20.3)
Interest expenses	147		138		9	
Amortization of tech. acquisition fees	133		123		10	
Loss on write-off of inventory	132		210		(78)	
Others	84		152		(68)	
Ordinary profit	1,935	5.8	2,367	7.2	(432)	(18.2)
Extra-ordinary gain	8	0.0	6	0.0	2	37.0
Write-back from doubtfull asset reserves	5		5		0	
Others	3		0		3	
Extra-ordinary loss	62	0.1	98	0.3	(36)	(37.0)
Removal expenses of facility	22		—		22	
Provision of Executive-retirement allowance	—		89		(89)	
Others	39		9		30	
Profit before taxes	1,882	5.7	2,275	6.9	(393)	(17.3)
Income taxs	503	1.5	979	3.0	(476)	(48.6)
Income taxs - deferred	249	0.8	4	0.0	245	5,421.5
Net income	1,130	3.4	1,291	3.9	(161)	(12.5)

Figures below million yen are rounded down

Consolidated statements of surplus

Fiscal Year 2005 ended on March 31, 2006

Millions of yen

	FY 2005 From April 1, 2005 To March 31, 2006		FY 2004 From April 1, 2004 To March 31, 2005	
	Amount		Amount	
(Capital surplus)				
Capital surplus at the beginning of year		3,974		3,967
Increase in capital surplus				
New stock issuance	19		7	
Gain on disposal of treasury stock	—	19	0	7
Decrease in capital surplus		—		—
Capital surplus at the end of year		3,994		3,974
(Retained earnings)				
Retained earning at the beginning of year		2,871		1,814
Increase in retained earnings				
Net Income	1,130	1,130	1,291	1,291
Decrease				
Dividends	187		187	
Bonuses to directors	40	227	47	234
Retained earning at the end of year		3,774		2,871

Figures below million yen are rounded down

Consolidated Statements of cash flows

Fiscal Year 2005 ended on March 31, 2006

Millions of yen

Items	FY 2005 From April 1, 2005 To March 31, 2006	FY 2004 From April 1, 2004 To March 31, 2005	Change
I. Operating activities			
Income before income taxes	1,882	2,275	(393)
Depreciation and amortization	949	958	(9)
Amortization of deferred assets	168	144	24
Decrease in allowances for doubtful accounts	(16)	(7)	(9)
Increase (decrease) in provvision for retirement benefits	(538)	48	(586)
Increase in allowance for directors' retirements	21	123	(102)
Interest and dividend income	(13)	(10)	(3)
Interest expenses	147	138	9
Loss on changes of foreign exchange rate	31	14	17
Loss on write-off of fixed assets	17	6	11
Decrease(increase) in notes and accounts receivable	(256)	976	(1,232)
Increase in inventories	(219)	(1,229)	1,010
Increase in notes and accounts payable	632	1,759	(1,127)
Decrease in allowance for employees' bonuses	(5)	(84)	79
Increase in assets to be leased back within one year	1,144	(1,641)	2,785
Other	100	(183)	283
Sub-total	4,045	3,288	757
Interest and dividend received	13	10	3
Interest paid	(148)	(138)	(10)
Income taxes paid	(932)	(751)	(181)
Net cash provide by (used in) operating activities	2,978	2,409	569
II. Investing activities			
Placement of time deposits	—	(100)	100
Proceeds from refunds on time deposits	—	10	(10)
Additions to property , plant and equipment	(1,412)	(2,209)	797
Proceeds from sales of property , plant and equipment	1	18	(17)
Purchases of investment securities	(94)	0	(94)
Proceeds from sales of investment securities	36	-	36
Other	(107)	(18)	(89)
Net cash used in investing activities	(1,577)	(2,300)	723
III. Financing activities			
Net increase(decrease) in short-term loans	796	1,411	(615)
Proceeds from long-term debt	719	1,000	(281)
Repayments of long-term debt	(2,389)	(4,299)	1,910
Proceeds from the issue of corprate bonds	-	2,451	(2,451)
Proceeds from the issue of new stock	39	14	25
Payments for acquisition of treasury stock	(79)	(22)	(57)
Dividends paid	(187)	(191)	4
Other	-	0	0
Net cash proved by (used in) financing activities	(1,100)	365	(1,465)
IV Effect of exchange rate changes on cash and cash equivalents	52	(41)	93
V Net increase(decrease) in cash and cash equivalent	353	432	(79)
VI Cash and cash equivalents at the beginning of year	2,735	2,303	432
VII Cash and cash equivalents at the end of year	3,089	2,735	354

Figures below million yen are rounded down