ANNUAL REPORT
2006
Year Ended March 31, 2006

NISSIN ELECTRIC CO., LTD.

NISSIN ELECTRIC CO., LTD.

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Cover Story

Sekison-tei

Sekison-tei was the mansion of Junichiro Tanizaki, a great writer known as the author of "The Makioka Sisters". He passed over the residence to Nissin in 1956 when he left Kyoto. At that time, he requested that the mansion be maintained in the same condition, since he wanted to see it on his visits to Kyoto. Nissin has kept this promise to Tanizaki, and is using this mansion as a guest house while maintaining its traditional elegance.

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Profile

Nissin Electric Co., Ltd. is a leading manufacturer of power system equipment and charged particle beam-oriented equipment. Power system equipment is necessary to ensure reliable power supplies. Charged particle beam-oriented equipment includes high technology products such as ion implanters, electron processing systems, and thin-film coating equipment. Nissin also provides a variety of engineering services ranging from installation and adjustment of high technology based products to advanced technical treatments.

Corporate Principles of Nissin Electric

Our Mission

Forge a bright future for both people and technology

With the aim of realizing a sustainable society, gentle to humans and the environment, Nissin Electric develops original technology to meet the fundamental needs of society and industry.

Company Code of Conduct

Integrity, Trust, and Long-term Relationships

We take the following Five Trusts as the point of origin for our activities. Through these Trusts, we strive to promote the growth of the company and foster the personal development of its employee.

(1) Customer Trust

We provide reliable, high-quality products and services that are useful to customers. This will facilitate our efforts to enhance our technologies, which are the source of value delivered to customers. In addition, the Company commits itself to providing constantly dependable services in order to foster long-term relationships with customers.

(2) Shareholder Trust

We exert efforts to provide appropriate dividends and to enhance the net share value for our shareholders, who are the financial supporters of Nissin Electric.

(3) Societal Trust

We comply with law and other social codes, seek to coexist with the natural environment, and strive to maintain a good relationship with the local community in order to fulfill our obligation as a responsible member of society.

(4) Partner Trust

We place a strong emphasis on our relationships with our business partners. In our pursuit of growth, we remain committed to dealing with our partners in an honest and fair manner.

(5) Employee mutual Trust

It is we, the employees, who are the source of Trust. In our business activities, we highly-motivated employees cooperate with each other in order to achieve a stable life, to find meaning in life, and to encourage personal development of all employees.

Contents

Forward-Looking Statements

Statements regarding earnings projections, market outlooks and similar items are forward-looking statements based on information available to the company at the present time and thus contain many uncertainties. Readers should understand that such forward-looking statements embody risks and that actual results, market conditions and other events may differ significantly from the estimates and projections contained in this publication.

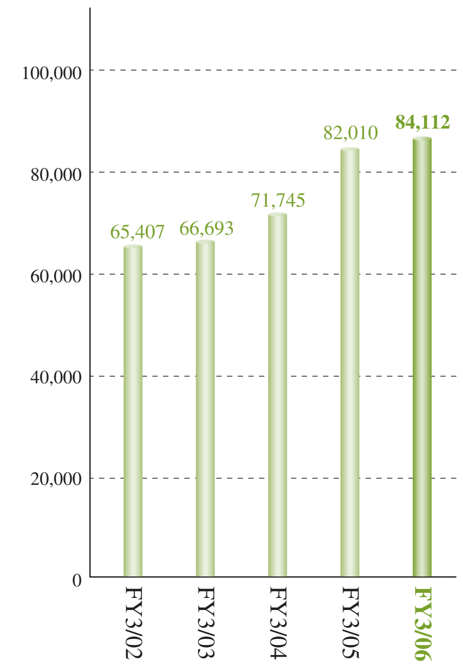
Consolidated Financial Highlights

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

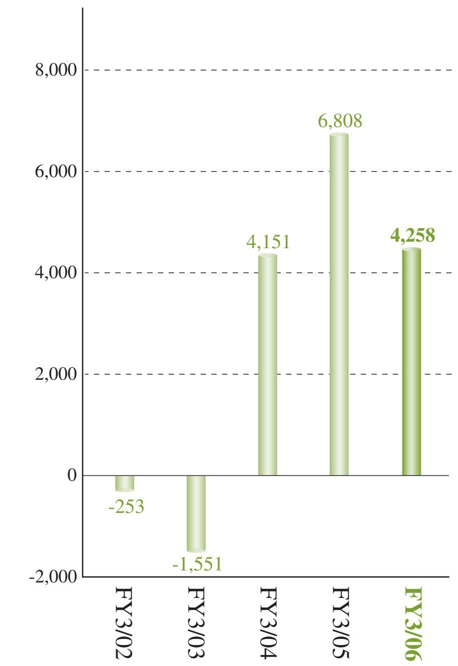
	Millions of yen					*Thousands of U.S. dollars*
	2006	2005	2004	2003	2002	***2006***
Net sales	**¥ 84,112**	¥ 82,010	¥ 71,745	¥ 66,693	¥ 65,407	***$ 718,906***
Operating income (loss)	**4,258**	6,808	4,151	(1,551)	(253)	***36,393***
Net income (loss)	**2,144**	2,403	1,664	(3,415)	75	***18,325***
Total assets	**98,160**	86,146	83,267	77,077	85,641	***838,974***
Shareholders' equity	**45,169**	40,774	39,169	36,814	41,029	***386,059***
Capital expenditure	**5,543**	2,259	2,209	2,135	2,186	***47,376***
Depreciation expenses	**2,042**	1,717	1,720	1,939	1,813	***17,453***
Research and development expenses	**3,863**	3,345	2,673	3,222	3,049	***33,017***
	Yen					*U.S. dollars*
Per share of common stock:						
Net income (loss)	**¥ 19.61**	¥ 21.98	¥ 15.31	¥ (31.84)	¥ 0.69	***$ 0.17***
Diluted net income	**19.55**	21.93	15.29	—	—	***0.17***
Cash dividends	**4.00**	3.00	3.00	—	3.00	***0.03***
Shareholders' equity	**422.47**	381.28	366.98	344.20	381.76	***3.61***

Note: 1. For convenience only, U.S. dollar amounts are translated from Japanese yen at the rate of ¥117 = US$1.00, the approximate exchange rate prevailing on March 31, 2006.
2. Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No.4, "Implementation Guidance for Accounting Standard for Earnings Per Share," issued by the Accounting Standards Board of Japan on September 25, 2002), prior year figures have not been restated.

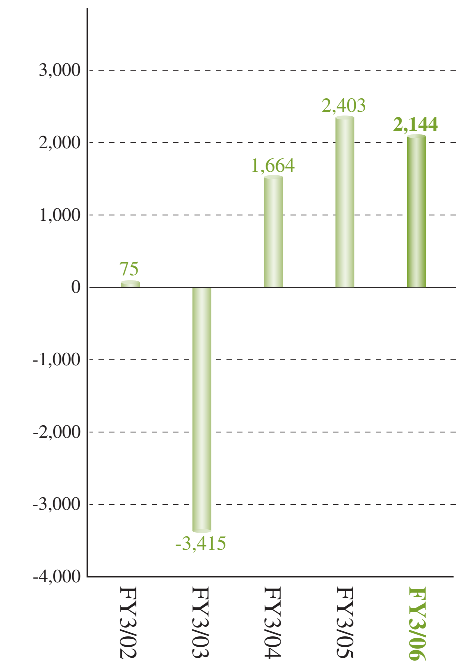
Net sales
(Millions of yen)



Operating income (loss)
(Millions of yen)



Net income (loss)
(Millions of yen)



Message from the President

Yoshikazu Amano
President

Business results for the current fiscal year

In the fiscal year ended March 31, 2006, net sales increased 2.6% from the previous year to 84,112 million yen. However operating income decreased to 4,258 million yen, down 37.5% from the previous year.

Net sales benefited from an increase in domestic private demand and in demand for power system equipment for overseas electric companies. However, income was adversely affected by a decrease in sales of semi-conductor manufacturing equipment (Note 1), which marked a record high in the previous fiscal year, due to the unfavorable silicon cycle.

In non-operating elements, no significant losses, such as the costs of treating Poly Chlorinated Biphenyl (PCB) in the previous fiscal year, were recorded despite losses on the adoption of a defined contribution pension plan. As a result, net income dropped 10.8% from the previous year to 2,144 million yen.

As for dividends, we paid dividends of four yen per share, an increase of one yen from the previous year. This was possible because of the Group's profit structure, which has been judged to be stable because intensified competition due to an increase in sales and higher material costs were absorbed through cost reduction in Japan and the encouraging performance of subsidiaries in overseas businesses.

The power system equipment segment

In the power system equipment segment, sales improved 7.7% from the previous year to 59,557 million yen and operating income was 3,064 million yen, a year-on-year increase of 10.3%. While government demand for water treatment facilities and for highway supervisory telecontrol equipment weakened, domestic demand supported by the recovery trend in electric power facilities investment and robust private-sector demand and the production of power systems in China, Taiwan, and Thailand showed growth. Orders rose 8.6% from the previous year to 60,936 million yen. Capital investment of 2,651 million yen, which was a 60.2% increase from the previous year, was made mainly to increase production capacity in China.

The charged particle beam-oriented equipment segment

In the charged particle beam-oriented equipment segment, sales fell 8.0% from the previous fiscal year to 24,555 million yen, due to the decline in exports of ion implantation systems. Operating income was down 48.0% from the previous year to 2,752 million as a result of lower sales and higher development and depreciation cost. Orders decreased 7.1% from the previous year to 24,279 million yen because of the decline in domestic orders for the ion implantation systems. Capital investment totaled 2,822 million yen, which was an increase of 5.6 times of the previous year's total, for the thin film coating business and for construction of the Shiga plant for the production of ion implantation/doping systems.

Forecast for the following fiscal year

We expect sales of 90 billion yen in fiscal year 3/2007 because domestic private demand and overseas production are expected to remain strong for power system equipment and the charged particle beam-oriented equipment has the potential to recover to the previous fiscal year's level. However, for profits and losses, net income is forecast to remain almost unchanged at 2.2 billion yen on a company-wide basis due to lower returns as a result of increased competition for ion implantation systems.

Medium- and long-term plan Vision 2010 (target for FY3/2011)

With the aim to realize a sustainable humane and environmentally friendly society, Nissin Electric develops original technology to meet the fundamental needs of society and industry.

In order to realize our newly revised corporate mission mentioned above, we strive to earn the Trust of customers, shareholders, surrounding society, and business partners, and to create mutual Trust between our employees. The Group's activities are based on the foundation of these Trusts.

In accordance with this position, we established our medium- and long-term plan, Vision 2010, in June 2006 with the aim of becoming a sustainable growth company.

Under the plan, the Group's numerical targets for fiscal year 3/2011 are as follows:

Sales: 130 billion yen
Operating income: 10 billion yen
Management indicator: ROA of 8% or above
Dividends: 10 yen per share or greater.

Priority activities are as follows:

Compliance and human resource development

As a certain employee of the Group was suspected of tempering with auctions for the ex-New Tokyo International Airport Authority, the Group received a summary order in December 15, 2005, to suspend part of its businesses for thirty days at March 30, 2006. As we sincerely accept responsibility for the incident, we reorganized our Corporate Ethics Committee into the Compliance Committee in January 2006 to further strengthen our efforts to make each employee comply with the laws. In addition, we have established an internal control system to ensure compliance with all laws from the perspective of corporate governance.

I intend to make renewal of the Nissin corporate vision an opportunity to set the Group on the road to success and emphasize the development of human resources for that purpose. My predecessor had already started such initiatives with the Nissin Management School, which aims to develop leaders for the future. We will continue to encourage these efforts.

Strengthening the power system equipment

The Group continues to launch such new products as the downsized substation equipment series, which includes one of the smallest gas insulated switchgears in the world, and power quality products (Note 2) and lead the way in power distribution. Overseas production output for China, which benefits from a stronger demand for power, Taiwan and Thailand grew 26.4% from the previous year to 14,048 million yen. We developed production sites in the countries and regions and the demand for our products by adapting our distinctive technologies to actively drive globalization.

Strengthening and developing charged particle beam-oriented equipment

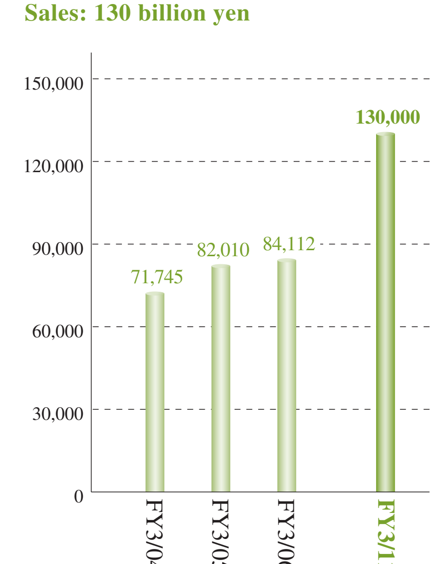
In the charged particle beam-oriented equipment field, we will start development of the next generation equipment for the ion implantation system, which already leads the industry, and additional application development and production in China for electron beam processing systems. The focus of the thin film coating business will shift from traditional equipment sales to the coating service business to expand overseas operations. In addition, I intend to introduce dream-inspired products from the nano-material field to build another pillar for our business.

I am committed to capitalizing on the initiatives that promote trust and stimulate the growth of Nissin Electric. In closing, I would like to thank all of our shareholders and stakeholders for their constant support and encouragement.

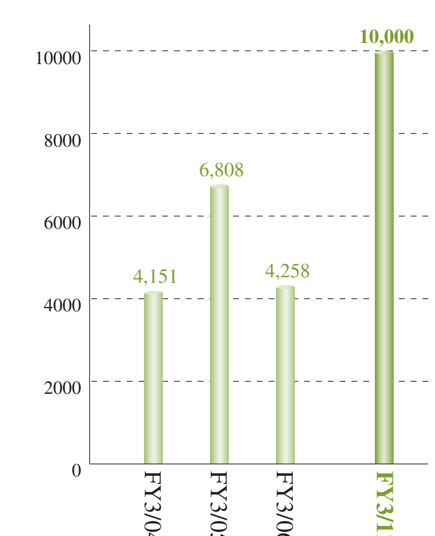
Note :
1. Semiconductor manufacturing equipment
Medium current ion implanter used for manufacturing general semiconductor and ion doping systems used when manufacturing thin film transistors for FPDs (flat panel displays).
2. PQ (power quality) product
Device that protects plant equipment from voltage fluctuations and interruptions caused by lightning strikes or other disturbances.

Medium- and long-term plan Vision2010 (target for FY3/2011)

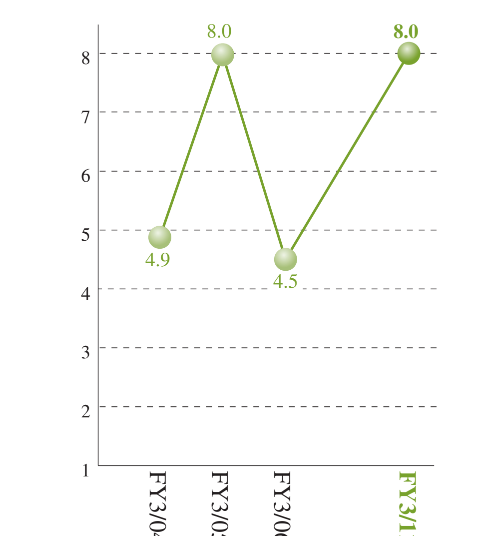
Sales: 130 billion yen



Operating income: 10 billion yen



Management indicator: ROA of 8% of above



Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2005

Assets	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Current Assets:			
Cash and cash equivalents	¥ 9,752	¥ 9,389	$ 83,350
Time deposits	254	500	2,171
Receivables:			
Trade notes and accounts	32,421	30,441	277,103
Other	863	863	7,376
	33,284	31,304	284,479
Allowance for doubtful receivables	(18)	(28)	(154)
	33,266	31,276	284,325
Inventories (Note 4)	21,340	17,920	182,393
Deferred tax assets (Note 14)	2,132	2,249	18,222
Other current assets	880	722	7,522
Total current assets	67,624	62,056	577,983
Property, plant and equipment:			
Land	2,115	2,091	18,077
Buildings and structures (Note 6)	22,277	19,758	190,402
Machinery and equipment	29,514	27,969	252,256
Construction in progress	1,045	1,118	8,932
	54,951	50,936	469,667
Accumulated depreciation	(36,287)	(35,311)	(310,146)
	18,664	15,625	159,521
Investments and other assets:			
Investment securities (Note 3 and 7)	8,108	3,440	69,299
Deferred tax assets (Note 14)	748	1,556	6,393
Other assets	1,519	2,282	12,983
Allowance for doubtful receivables	(257)	(275)	(2,197)
	10,118	7,003	86,478
	1,754	1,462	14,992
Intangible assets	¥ 98,160	¥ 86,146	$ 838,974

See accompanying notes.

Liabilities, Minority Interests and Shareholders' Equity	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term bank loans (Note 5)	¥ 8,651	¥ 4,613	$ 73,940
Payables:			
Trade notes and accounts	19,757	17,329	168,863
Construction notes and others	1,393	1,440	11,906
	21,150	18,769	180,769
Advances from customers	5,345	4,405	45,684
Accrued income taxes (Note 14)	509	863	4,350
Accrued expenses	5,036	5,254	43,043
Other current liabilities	787	493	6,727
Total current liabilities	41,478	34,397	354,513
Long-term liabilities:			
Long-term debt due after one year (Note 5)	756	367	6,462
Employees' severance and retirement benefits (Note 15)	5,566	6,305	47,573
Directors and statutory auditors retirement benefits	31	170	265
Deferred tax liabilities (Note 14)	16	18	137
Allowance for environmental protection measures	2,200	2,200	18,803
Other long-term liabilities	164	—	1,401
Contingent liabilities (Note 12)**:**			
Total long-term liabilities	8,733	9,060	74,641
Minority interests	2,780	1,915	23,761
Shareholders' equity (Note 8)**:**			
Common stock:			
Authorized - 380,000,000 shares			
Issued and outstanding - 107,832,445 shares	10,253	10,253	87,632
Capital surplus	6,634	6,636	56,701
Retained earnings	25,441	23,680	217,444
Net unrealized holding gains on securities	2,993	1,005	25,581
Foreign currency translation adjustments	107	(611)	915
Treasury stock, at cost:			
1,038,616 shares in 2006 and 1,038,425 shares in 2005	(259)	(189)	(2,214)
Total shareholders' equity	45,169	40,774	386,059
	¥ 98,160	¥ 86,146	$ 838,974

See accompanying notes.

Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Net sales	¥ 84,112	¥ 82,010	$ 718,906
Cost and expenses:			
Cost of sales (Note 9)	62,403	59,368	533,359
Selling, general and administrative expenses (Notes 9 and 10)	17,451	15,834	149,154
Operating income	4,258	6,808	36,393
Other income (expenses):			
Interest and dividend income	88	63	752
Interest expense	(157)	(126)	(1,342)
Foreign currency exchange gains (losses)	93	(5)	795
Gain on sale of investment securities	—	1,000	—
Loss on disposal of property, plant and equipment	(131)	(397)	(1,120)
Write-down of investment securities	—	(246)	—
Special early retirement benefits	—	(16)	—
Provision for environmental protection measures	—	(2,200)	—
Restructuring expenses (Note 11)	—	(138)	—
Loss on partial termination of lump-sum payment plans (Note 2)	(680)	—	(5,812)
Other, net	25	65	214
Income before income taxes and minority interests	3,496	4,808	29,880
Income taxes (Note 14):			
Current	1,089	997	9,308
Deferred	(370)	899	(3,163)
Total income taxes	719	1,896	6,145
Minority interests	(633)	(509)	(5,410)
Net income	¥ 2,144	¥ 2,403	$ 18,325

	Yen		U.S. dollars (Note 1)
Amounts per share:			
Net income	¥ 19.61	¥ 21.98	$ 0.17
Diluted net income	19.55	21.93	0.17
Cash dividends applicable to the period	3.00	3.00	0.03

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Common stock			
Beginning balance	¥ 10,253	¥ 10,253	$ 87,632
Ending balance	¥ 10,253	¥ 10,253	$ 87,632
Capital surplus			
Beginning balance	¥ 6,636	¥ 6,634	$ 56,718
(Loss) gain on sales of treasury stock	(2)	2	$ (17)
Ending balance	¥ 6,634	¥ 6,636	$ 56,701
Retained earnings			
Beginning balance	¥ 23,680	¥ 21,627	$ 202,393
Net income	2,144	2,403	18,325
Cash dividends paid (¥3.00 per share)	(320)	(320)	(2,735)
Bonuses to directors	(58)	(30)	(496)
Loss on sales of treasury stock	(5)	—	(43)
Ending balance	¥ 25,441	¥ 23,680	$ 217,444
Net unrealized holding gains on securities			
Beginning balance	¥ 1,005	¥ 1,363	$ 8,590
Net increase (decrease)	1,988	(358)	16,991
Ending balance	¥ 2,993	¥ 1,005	$ 25,581
Foreign currency translation adjustments			
Beginning balance	¥ (611)	¥ (493)	$ (5,222)
Net change	718	(118)	6,137
Ending balance	¥ 107	¥ (611)	$ 915
Treasury stock, at cost			
Beginning balance	¥ (189)	¥ (215)	$ (1,616)
Net (increase) decrease	(70)	26	(598)
Ending balance	¥ (259)	¥ (189)	$ (2,214)

See accompanying notes.

Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,496	¥ 4,808	$ 29,880
Adjustments for:			
Depreciation and amortization	2,042	1,717	17,453
Decrease in allowance for doubtful receivables	(28)	(0)	(239)
Decrease in provision for employees' retirement benefits	(633)	(422)	(5,410)
Increase in long-term accrued amount payable	159	—	1,359
Loss on partial termination of lump-sum payment plans (Note 2)	680	—	5,812
Provision for environmental protection measures	—	2,200	—
Special early retirement benefits	—	16	—
Interest and dividend income	(88)	(63)	(752)
Interest expense	157	126	1,342
Restructuring expenses	—	138	—
Loss on disposal of property, plant and equipment	131	397	1,120
Write-down of investment securities	—	246	—
Gain on sale of investment securities	—	(1,000)	—
Changes in assets and liabilities:			
Increase in trade receivables	(1,470)	(210)	(12,564)
Increase in inventories	(2,860)	(1,075)	(24,444)
Increase (decrease) in trade payables	2,004	(1,798)	17,128
Increase (decrease) in accrued expenses	(245)	558	(2,094)
Increase in advances from customers	790	163	6,752
Decrease in consumption tax payable	(131)	(25)	(1,120)
Other, net	(48)	508	(411)
Subtotal	3,956	6,284	33,812
Interest and dividends received	88	63	752
Interest paid	(157)	(126)	(1,342)
Payment for special early retirement benefits	—	(36)	—
Income taxes paid	(1,353)	(1,575)	(11,564)
Net cash provided by operating activities	2,534	4,610	21,658
Cash flows from investing activities:			
Payments for purchase of time deposits	(724)	(923)	(6,188)
Proceeds from refund of time deposits	1,015	597	8,675
Payments for purchase of investment securities	(1,299)	—	(11,103)
Proceeds from sale of investment securities	—	1,354	—
Payments for purchase of property, plant and equipment	(4,450)	(2,832)	(38,034)
Payments for purchase of intangible assets	(534)	(443)	(4,564)
Proceeds arising from the acquisition of shares of a newly consolidated subsidiary	—	20	—
Other, net	39	(36)	334
Net cash used in investing activities	(5,953)	(2,263)	(50,880)
Cash flows from financing activities:			
Increase (decrease) in short-term loans	3,066	(725)	26,205
Proceeds from long-term debt	2,042	—	17,453
Payments for long-term debt	(981)	—	(8,385)
Cash dividends paid for minority ineterests	(191)	—	(1,632)
Proceeds from issuance of common stock to minority interests	—	129	—
Cash dividends paid	(320)	(320)	(2,735)
(Increase) decrease in treasury stock	(78)	28	(667)
Other, net	8	(65)	68
Net cash provided by (used in) financing activities	3,546	(953)	30,307
Effect of exchange rate changes on cash and cash equivalents	236	(71)	2,017
Net increase in cash and cash equivalents	363	1,323	3,102
Cash and cash equivalents at beginning of year	9,389	8,066	80,248
Cash and cash equivalents at end of year	¥ 9,752	¥ 9,389	$ 83,350

See accompanying notes.

Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006 and 2005

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with the generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2006, which was ¥117 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Nissin Electric Co., Ltd (the "Company") and its fifteen (fourteen in 2005) domestic subsidiaries and fourteen (twelve in 2005) overseas subsidiaries. Four subsidiaries have been consolidated due to after being newly established, and one subsidiary was excluded from consolidation as it was liquidated. One equity method affiliated company was consolidated due to additional acquisition of shares from 45% to 51%, and one subsidiary was excluded from consolidation due to its merger with another consolidated subsidiary in 2005. No company was accounted for by the equity method in 2005 and 2006.

Material inter-company balances, transactions and unrealized profits have been eliminated in consolidation.

Balance sheets of consolidated overseas subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions occurring during the January 1 to March 31 period are adjusted in these consolidated financial statements.

Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the fiscal year-end rates, and resulting translation gains or losses are included in net income.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the fiscal year-end rate except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

The Company and its domestic subsidiaries (the "Domestic Companies") report foreign currency translation adjustments in shareholders' equity and minority interests.

Cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities and investment securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value at the fiscal year end, and unrealized gains and losses are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using moving-average cost. Other available-for-sale securities with no available fair market value are stated at moving-average cost.

Held-to-maturity debt securities are stated at amortized cost.

Inventories

Inventories are principally stated at cost. Cost is determined by the specific identification method for finished goods and work in process and by the average cost method for raw materials and supplies.

Property, plant and equipment

As for the Domestic Companies, property, plant and equipment are carried at cost. Depreciation is primarily provided on the declining-balance method over estimated useful lives as prescribed by the Corporation Tax Law of Japan. However, buildings are depreciated using the straight-line method.

Depreciation of property, plant and equipment of the foreign subsidiaries is mainly computed by using the straight-line method over estimated useful lives.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Effective April 1, 2005, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). There are no effects on the consolidated statements of income by adopting the new accounting standards.

Intangible assets (software costs)

Intangible assets are carried at cost. Depreciation is provided on the straight-line method over the estimated useful lives as prescribed by the Corporation Tax Law of Japan.

Costs of software for in-house use are included in intangible assets and depreciated using the straight-line method over the estimated useful life of five years.

Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts. For certain doubtful receivables, the uncollectible amount has been individually estimated.

Employees' severance and retirement benefits

The Domestic Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded defined benefit pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The pension plans are based on the Defined Benefit Corporate Pension Law. Also, the Company has set up an employees' retirement benefit trust. In calculating the payment amount for an involuntary retiring employee, including employees retiring due to meeting mandatory retirement age, the Domestic Companies may grant additional benefits.

The liability and expenses for severance and retirement benefits are determined based on amounts actuarially calculated using certain assumptions.

The Domestic Companies provided provisions for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Past service costs are recognized in expenses in equal amounts over three years, and actuarial gains and losses are recognized in expenses in equal amounts over 15 years, which is within the average of the estimated remaining service years, commencing with the following period.

Directors and statutory auditors' retirement benefits

One domestic subsidiary recognizes an amount equal to management's estimate of the amounts that would be payable to directors and statutory auditors at the balance sheet dates if they retired at those dates.

Amounts payable to directors and statutory auditors upon retirement are subject to the approval of stockholders. The company abolished retirement benefit plans for directors and statutory auditors at its general shareholders' meeting on June 28, 2005, and domestic subsidiaries other than the above domestic subsidiary also abolished their plans. The Company and domestic subsidiaries have recognized directors and statutory auditors' retirement benefits in the amount of ¥159 million *($1,359 thousand)* as other long-term liabilities (long-term accrued amounts payable).

Allowance for environmental protection measures

To provide for disposal expenses for PCB waste, the Company accrues the amount estimated at the balance sheet dates.

Revenue recognition

The Company principally recognizes sales on the completed contract method for electrical works contracts, except those for long-term and large-scale construction projects with terms over one year and contract amounts of ¥300 million or more, which are recognized on the percentage-of-completion method.

Prior to April 1, 2005, the Company principally recognized sales on the completed contract method for electrical works contracts except those for long-term and large-scale construction projects with terms over one year and contract amounts of ¥1,000 million or more, which were recognized on the percentage-of-completion method.

Effective April 1, 2005, the Company changed the above mentioned conditions for the percentage-of-completion method to long-term and large-scale electric works contracts with terms over one year and contract amounts of ¥300 million *($2,564 thousand)* or more. As a result of this change, net sales increased by ¥2,132 million *($18,222 thousand)* and operating income, income before income taxes and minority interests increased by ¥399 million *($3,410 thousand)* compared with the amounts that would have been recognized under the previous accounting method.

Income taxes

The Company and its consolidated subsidiaries (the "Companies") recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Effective from April 1, 2004, the Company files a tax return under the consolidated tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

When foreign exchange forward contracts meet certain conditions, the hedged items are stated at the forward exchange contract rate.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts and interest rate swap contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and payables from the purchasing of the parts and materials and interest rate increases with respect to debt.

The following summarizes the hedging derivative financial instruments used by the Companies and the items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and payables
Interest rate swap contracts	Interest on short-term and long-term debt

Amounts per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share of common stock assumes that all stock options were exercised at the beginning of the year.

In accordance with the Commercial Code of Japan, the declaration of dividends and the appropriations of retained earnings are approved at the general meeting of stockholders held after the end of the fiscal year. However, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2006 and 2005, consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Available-for-sale securities with available fair values:			
Equity securities	¥ 7,819	¥ 3,163	$ 66,829
Securities with no available fair values:			
Non-listed equity securities issued by subsidiaries and affiliated companies	¥ 16	¥ 16	$ 137
Available-for-sale securities:			
Other non-listed equity securities	263	260	2,248
	¥ 279	¥ 276	$ 2,385

The following is a summary of available-for-sale securities included in investment securities, which have a quoted market value, at March 31, 2006 and 2005.

	Millions of yen			
2006	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	¥ 2,746	¥ 5,086	¥ 13	¥ 7,819

	Millions of yen			
2005	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
Available-for-sale securities:				
Equity securities	¥ 1,459	¥ 1,705	¥ 1	¥ 3,163

	Thousands of U.S. dollars			
2006	*Acquisition cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Book (fair) value*
Available-for-sale securities:				
Equity securities	$ 23,470	$ 43,470	$ 111	$ 66,829

The gross realized gains and losses on sale of available-for-sale securities for the year ended March 31, 2006 are not material.

Proceeds from the sale of available-for-sale securities during the year ended March 31, 2005 amounted to ¥1,354 million and the related gains amounted to ¥1,000 million.

The following is the book value and fair value of held-to-maturity debt securities as of March 31, 2006.

2006	Millions of yen	Thousands of U.S. dollars
Book value	¥ 9	$ 77
Fair value	9	77
Difference	(¥ 0)	($ 0)

Held-to-maturity debt securities of ¥9 million *($77 thousand)* are comprised of government bonds maturing between five and ten years.

4. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished goods	¥ 3,976	¥ 3,132	$ 33,983
Work in process	14,378	12,367	122,889
Raw materials and supplies	2,986	2,421	25,521
	¥ 21,340	¥ 17,920	$ 182,393

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2006 and 2005 are represented by short-term notes bearing average interest rates of 1.82% and 2.10%, respectively.

A summary of long-term debt at March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Loans maturing serially through 2009 bearing average interest rates of 0.70% (2006) and 0.41% (2005)	¥ 756	¥ 367	$ 6,462

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

Year ended March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 656	$ 5,607
2008	100	855
2009	—	—
2010 and thereafter	—	—
Total	¥ 756	$ 6,462

At September 27, 2005, the Company changed loan commitments from banks aggregating from ¥5,000 to ¥3,000 million *($25,641 thousand)*. No amount was used at March 31, 2006 and 2005.

6. FIXED ASSETS

Temporarily idle buildings included in fixed assets for the year ended March 31, 2006 and 2005 were ¥518 million *($4,427 thousand)* and ¥592 million, respectively, net of accumulated depreciation.

7. PLEDGED ASSETS

At March 31, 2006, as required by the Building Lots and Buildings Transaction Business Law, investment securities in the amount of ¥9 million *($77 thousand)* were put in escrow to secure dealings.

8. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of new shares as additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or more than 25% of common stock, the legal reserve and additional paid-in capital are available for dividends by resolution of the shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Japanese Commercial Code.

The Code allows a company to retire a portion of its outstanding shares upon the approval of the shareholders at the annual general meeting of shareholders or upon approval of the Board of Directors if stipulated in the Articles of Incorporation.

The Company has stock-based compensation plans under which stock options are granted to directors and employees of the Domestic Companies at an exercise price determined by the fair market value of the Company's stock at the date the options are granted.

9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2006 and 2005 were ¥3,863 million *($33,017 thousand)* and ¥3,345 million, respectively.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	***2006***
Salaries and bonuses for employees	**¥ 5,453**	¥ 5,183	***$ 46,607***
Research and development	**2,174**	1,802	***18,581***
Selling commissions	**1,032**	913	***8,821***
Transportation of goods	**1,272**	1,157	***10,872***
Retirement benefits	**405**	456	***3,462***
Retirement benefits to directors	**65**	52	***556***

11. RESTRUCTURING EXPENSES

Restructuring expenses comprised the following:

	Millions of yen
	2005
Loss on disposal of inventories	**¥ 101**
Loss on cancellation of lease	**12**
Other	**25**
Total	**138**

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2006 and 2005 were as follows.

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	***2006***
Loans guaranteed jointly and severally with other companies	**¥ 679**	¥ 784	***$ 5,803***
Trade notes discounted	**57**	—	***487***
Trade notes endorsed	**138**	—	***1,179***

13. DERIVATIVE TRANSACTIONS

The Companies enter into forward currency exchange transactions and interest rate swaps to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies and interest rate increases with respect to debt. The Companies use derivative transactions and interest swaps in connection with managing market risk and not for speculation. The Companies deal with highly rated international financial institutions as counterparties to these transactions to minimize credit risk exposure. The derivative transactions are entered into by the operating and purchasing divisions and controlled in accordance with established policies by the accounting divisions.

Outstanding derivatives as of March 31, 2006 were as follows:

	Millions of yen			
	2006			
	Contracted amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Forward currency exchange transactions for:				
Trade receivables	**¥ 97**	**¥ 36**	**¥ 98**	**¥ (1)**
Trade payables	**165**	**—**	**157**	**(8)**
Total	**—**	**—**	**—**	**(9)**

	Thousands of U.S. dollars			
	2006			
	Contracted amount	*Amount of principal due over one year*	*Fair value*	*Recognized gain (loss)*
Forward currency exchange transactions for:				
Trade receivables	***$ 829***	***$ 308***	***$ 838***	***$ (9)***
Trade payables	***1,410***	***—***	***1,342***	***(68)***
Total	***—***	***—***	***—***	***(77)***

There is no disclosure of outstanding derivatives as of March 31, 2005 because all derivative financial instruments were accounted for as hedges.

14. INCOME TAXES

The Companies are subject to several taxes based on income which, in the aggregate, indicate statutory rates in Japan of approximately 41% for the years ended March 31, 2006 and 2005.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	***2006***
Deferred tax assets:			
Severance and retirement benefits	**¥ 2,597**	¥ 2,302	***$ 22,197***
Employees' bonuses	**786**	823	***6,718***
Devaluation of inventories	**510**	496	***4,359***
Tax loss carryforwards	**765**	1,266	***6,538***
Cost of sales	**405**	413	***3,462***
Depreciation	**507**	428	***4,333***
Research and development	**187**	226	***1,598***
Write-down of investment securities and allowance for bad debt to affiliated company	**692**	692	***5,915***
Enterprise taxes	**113**	177	***966***
Unrealized inter-company profits	**335**	463	***2,863***
Provision for environmental protection measures	**893**	893	***7,632***
Other temporary differences	**855**	1,106	***7,308***
Total deferred tax assets	**8,645**	9,285	***73,889***
Valuation allowance	**(3,510)**	(4,430)	***(30,000)***
Net deferred tax assets	**5,135**	4,855	***43,889***

	Millions of yen		Thousands of U.S. dollars
	2006	2005	***2006***
Deferred tax liabilities:			
Depreciation	**¥ (289)**	¥ (300)	***$ (2,470)***
Unrealized gains on investment securities	**(2,080)**	(699)	***(17,778)***
Other temporary differences	**(68)**	(150)	***(581)***
Total deferred tax liabilities	**(2,437)**	(1,149)	***(20,829)***
Net deferred tax assets	**¥ 2,698**	¥ 3,706	***$ 23,060***

Reconciliations to Balance Sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	***2006***
Deferred tax assets reported in current assets	**¥ 2,132**	¥ 2,249	***$ 18,222***
Deferred tax assets reported in investments and other assets	**748**	1,556	***6,393***
Deferred tax liabilities reported in liabilities (included in other current liabilities)	**(182)**	(99)	***(1,555)***
Net deferred tax assets	**¥ 2,698**	¥ 3,706	***$ 23,060***

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the year ended March 31, 2006 were as follows:

	2006
Statutory income tax rate	41.0%
Non-deductible expenses	2.5
Non-taxable dividend income	(11.4)
Inhabitants tax	1.9
Decrease in valuation allowance	(13.6)
Other	0.2
Effective income tax rate	20.6%

For the year ended March 31, 2005, a reconciliation is not required to be disclosed because the difference between the rates was less than 5%.

With the enactment of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprises "amount of income," "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in "Selling, general and administrative expenses" commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board, Practical Solution Report No.12 issued on February 13, 2004).

15. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	***2006***
Projected benefit obligation	**¥ 26,070**	¥ 25,677	***$ 222,821***
Unrecognized past service costs	**205**	1,012	***1,752***
Unrecognized actuarial differences	**(3,009)**	(8,364)	***(25,718)***
Prepaid pension cost	**265**	1.053	***2,265***
Less fair value of pension assets	**(17,965)**	(13.073)	***(153,547)***
Liability for severance and retirement benefits	**¥ 5,566**	¥ 6,305	***$ 47,573***

Effective April 1, 2006, the Company transferred a portion of its unfunded lump-sum payment plans to defined contribution plans. As a result, the Company recognized a loss of ¥680 million *($5,812 thousand)* for the year ended March 31, 2006. The Company also amended its lump-sum payment plans by introducing a "point-based" system, effective April 1, 2006. The effect of the transfer to defined contribution plans was as follows

	Millions of yen	Thousands of U.S. dollars
	2006	***2006***
Decrease in projected benefit obligation	**¥ 2,979**	***$ 25,462***
Assets transferred	**(2,784)**	***(23,795)***
Unrecognized actuarial differences	**(860)**	***(7,351)***
Unrecognized past service costs	**(15)**	***(128)***
Increase in liability for severance and retirement benefits	**(680)**	***(5,812)***

The amount of assets to be transferred to the defined contribution plans is ¥2,784 million *($23,795 thousand)*, and the assets will be transferred to defined contribution plans over a period of 8 years.

Included in the consolidated statements of income for the years ended March 31, 2006 and 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	***2006***
Service costs – benefits earned during the year	**¥ 853**	¥ 809	***$ 7,290***
Interest cost on projected benefit obligation	**642**	644	***5,487***
Expected return on plan assets	**(293)**	(281)	***(2,504)***
Amortization of prior service costs	**(569)**	(576)	***(4,863)***
Amortization of actuarial differences	**701**	729	***5,991***
Additional payment of early retirement benefit	**27**	—	***231***
Severance and retirement benefit expenses	**¥ 1,361**	¥ 1,325	***$ 11,632***
Loss on partial termination of lump-sum payment plans	**680**	—	***5,812***
Total	**¥ 2,041**	—	***$ 17,444***

Assumptions used for the years ended March 31, 2006 and 2005 are set forth as follows:

	2006	2005
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	2.5%
Amortization period of prior service cost	**3 years**	3 years
Amortization period of actuarial gain/loss	**15 years**	15 years

16. RELATED PARTY TRANSACTIONS

Rent income from Nippon I.T.F. Inc., a consolidated subsidiary, for the year ended March 31, 2005 amounted to ¥64 million.

Nippon I.T.F. Inc. was consolidated due to the acquisition of additional shares increasing the ownership ratio from 45% to 51% for the year ended March 31, 2005.

17. SEGMENT INFORMATION

A. Industry Segments

The Companies businesses are divided into two principal business segments: the power system equipment segment and the charged particle beam-oriented equipment segment.

Industry segment information is as follows:

	Millions of yen				
Year ended March 31, 2006	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	¥ 59,557	¥ 24,555	¥ 84,112	¥ —	¥ 84,112
Intersegment sales	388	24	412	(412)	—
Total	59,945	24,579	84,524	(412)	84,112
Operating costs and expenses	56,881	21,827	78,708	1,146	79,854
Operating income	¥ 3,064	¥ 2,752	¥ 5,816	¥ (1,558)	¥ 4,258
Assets	¥ 55,793	¥ 29,133	¥ 84,926	¥ 13,234	¥ 98,160
Depreciation and amortization	1,276	671	1,947	95	2,042
Capital expenditures	2,651	2,822	5,473	70	5,543

	Millions of yen				
Year ended March 31, 2005	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Sales and operating income:					
Sales to outside customers	¥ 55,307	¥ 26,703	¥ 82,010	¥ —	¥ 82,010
Intersegment sales	257	0	257	(257)	—
Total	55,564	26,703	82,267	(257)	82,010
Operating costs and expenses	52,785	21,412	74,197	1,005	75,202
Operating income	¥ 2,779	¥ 5,291	¥ 8,070	¥ (1,262)	¥ 6,808
Assets	¥ 52,691	¥ 23,371	¥ 76,062	¥ 10,084	¥ 86,146
Depreciation and amortization	1,201	438	1,639	78	1,7117
Capital expenditures	1,655	502	2,157	102	2,259

	Thousands of U.S. dollars				
Year ended March 31, 2006	*Power system equipment*	*Charged particle beam-oriented equipment*	*Total*	*Elimination or corporate*	*Consolidated*
Sales and operating income:					
Sales to outside customers	*$ 509,034*	*$ 209,872*	*$ 718,906*	*$ —*	*$ 718,906*
Intersegment sales	*3,316*	*205*	*3,521*	*(3,521)*	*—*
Total	*512,350*	*210,077*	*722,427*	*(3,521)*	*718,906*
Operating costs and expenses	*486,162*	*186,556*	*672,718*	*9,795*	*682,513*
Operating income	*$ 26,188*	*$ 23,521*	*$ 49,709*	*$ (13,316)*	*$ 36,393*

	Thousands of U.S. dollars				
Year ended March 31, 2006	*Power system equipment*	*Charged particle beam-oriented equipment*	*Total*	*Elimination or corporate*	*Consolidated*
Assets	*$ 476,863*	*$ 249,000*	*$ 725,863*	*$ 113,111*	*$ 838,974*
Depreciation and amortization	*10,906*	*5,735*	*16,641*	*812*	*17,453*
Capital expenditures	*22,658*	*24,120*	*46,778*	*598*	*47,376*

Corporate operating expenses of ¥1,558 million *($13,316 thousand)* and ¥1,263 million for the years ended March 31, 2006 and 2005, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥13,383 million *($114,385 thousand)* and ¥10,133 million at March 31, 2006 and 2005, respectively, were comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

After changing the accounting policy for revenue recognition as explained in Note 2, net sales increased by ¥2,132 million *($18,222 thousand)* and operating income increased ¥399 million *($3,410 thousand)* in the power system equipment segment for the year ended March 31, 2006.

B. Geographical Segments

Geographical segment information is as follows:

	Millions of yen					
Year ended March 31, 2006	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
Sales and operating income:						
Sales to outside customers	¥ 71,375	¥ 12,485	¥ 252	¥ 84,112	¥ —	¥ 84,112
Intersegment sales	2,782	1,242	69	4,093	(4,093)	—
Total	74,157	13,727	321	88,205	(4,093)	84,112
Operating costs and expenses	70,510	11,504	302	82,316	(2,462)	79,854
Operating income	¥ 3,647	¥ 2,223	¥ 19	¥ 5,889	¥ (1,631)	¥ 4,258
Assets	¥ 73,732	¥ 17,466	¥ 366	¥ 91,564	¥ 6,596	¥ 98,160

	Millions of yen					
Year ended March 31, 2005	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
Sales and operating income:						
Sales to outside customers	¥ 72,174	¥ 9,755	¥ 81	¥ 82,010	¥ —	¥ 82,010
Intersegment sales	2,545	1,241	37	3,823	(3,823)	—
Total	74,719	10,996	118	85,833	(3,823)	82,010
Operating costs and expenses	68,535	9,139	117	77,791	(2,589)	75,202
Operating income	¥ 6,184	¥ 1,857	¥ 1	¥ 8,042	¥ (1,234)	¥ 6,808
Assets	¥ 69,268	¥ 12,436	¥ 342	¥ 82,046	¥ 4,100	¥ 86,146

	Thousands of U.S. dollars					
Year ended March 31, 2006	*Japan*	*Asia*	*Other*	*Total*	*Elimination or corporate*	*Consolidated*
Sales and operating income:						
Sales to outside customers	*$ 610,043*	*$ 106,710*	*$ 2,153*	*$ 718,906*	*$ —*	*$ 718,906*
Intersegment sales	*23,778*	*10,615*	*590*	*34,983*	*(34,983)*	*—*
Total	*633,821*	*117,325*	*2,743*	*753,889*	*(34,983)*	*718,906*
Operating costs and expenses	*602,650*	*98,325*	*2,581*	*703,556*	*(21,043)*	*682,513*
Operating income	*$ 31,171*	*$ 19,000*	*$ 162*	*$ 50,333*	*$ (13,940)*	*$ 36,393*
Assets	*$ 630,188*	*$ 149,282*	*$ 3,128*	*$ 782,598*	*$ 56,376*	*$ 838,974*

Corporate operating expenses of ¥1,558 million *($13,316 thousand)* and ¥1,263 million for the years ended March 31, 2006 and 2005, respectively, were expenses for research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥13,383 million *($114,385 thousand)* and ¥10,133 million at March 31, 2006 and 2005, respectively, were comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

After changing the accounting policy for revenue recognition as explained in Note 2, net sales increased by ¥2,132 million *($18,222 thousand)* and operating income increased ¥399 million *($3,410 thousand)* in Japan for the year ended March 31, 2006.

C. Overseas Sales

Overseas sales were as follows:

Year ended March 31, 2006	Millions of yen	Ratio of overseas sales to consolidated net sales	*Thousands of U.S. dollars*
Asia (China, Taiwan, Korea and others)	¥ 20,019	23.80%	*$ 171,102*
Other areas (U.S.A. and others)	477	0.57	*4,077*
Total	¥ 20,496	24.37%	*$ 175,179*

Year ended March 31, 2005	Millions of yen	Ratio of overseas sales to consolidated net sales
Asia (China, Taiwan, Korea and others)	¥ 21,399	26.09%
Other areas (U.S.A. and others)	375	0.46
Total	¥ 21,774	26.55%

Independent Auditors' Report

To the Board of Directors of
Nissin Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nissin Electric Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company. and subsidiaries as of 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.

As discussed in Note 2 to the consolidated financial statements, the Company changed the conditions under which revenues from long-term electric works contracts would be recognized by the percentage-of-completion method, effective for the year ended March 31, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 28, 2006

KPMG AZSA & Co.

Corporate Data (as of March 31, 2006)

Company Outline

Company Name
Nissin Electric Co., Ltd.

Founded
November 1910

Incorporated
April 1917

Head Office
47 Umezu-takase-cho,Ukyo-ku,
Kyoto 615-8686, Japan
Telephone : 81-75-861-3151
Facsimile : 81-75-872-0742

Stated Capital
¥10,252,845,127

Authorized Shares
431,329,000

Issued Shares
107,832,445

Employees
3,888

Board of Directors and Statutory Auditors
(as of June 28, 2006)

Chairma
Koshi Itaka*

President
Yoshikazu Amano*

Senior Managing Directors
Isao Nishino*
Shigeru Tsutsumi*
Akira Kikuchi*

Managing Directors
Mitsuyoshi Okabe
Toshihiro Miyazaki
Yoshinori Goko
Masayuki Ueda

Standing Auditors
Osamu Imai
Eiichi Fujikawa

Auditors
Hajime Hitotsuyanagi
Mamoru Morita

*Representative Director

Major Offices and Plants

Head Office and Plant
47 Umezu-takase-cho, Ukyo-ku, Kyoto
615-8686, Japan
Telephone : 81-75-861-3151
Facsimile : 81-75-872-0742

Tokyo Office
International Business Division
1 Kandaizumi-cho, Chiyoda-ku, Tokyo
101-0024, Japan
Telephone : 81-3-5821-5908
Facsimile : 81-3-5821-5877

Maebashi Plant
2121 Soja, Soja-machi, Maebashi, Gumma
371-8515, Japan
Telephone : 81-272-51-1131
Facsimile : 81-272-51-3257

Kuze Plant.
575 Kuze Tonoshiro-cho Minami-ku, kyoto
601-8205, Japan
Telephone : 81-75-922-4611
Facsimile : 81-75-922-4615

Domestic Major Subsidiaries and Affiliates

Nissin Ion Equipment Co., Ltd.
Business Line : Manufacturing and customer service of LSI/LCD manufacturing equipment

NHV Corporation
Business Line : Manufacturing and customer service for Electron Processing Systems, Irradiation service of Electron Beam

Nippon I.T.F. Inc.
Business Line : Thin film coating of various materials

Nissin Power Distribution Systems Co., Ltd.
Business Line : Manufacturing and sales of switchgears and its parts

Eco Tron Co., Ltd.
Business Line : R&D, manufacturing and sales of power semi-conductors

Nissin Technos Co., Ltd.
Business Line : Construction, installation, after-sale service and maintenance

Nissin Denki Shouji Co., Ltd.
Business Line : Sales of electrical equipment

Nissin Systems Co., Ltd.
Business Line : Design and sales of computer software

Overseas Major Subsidiaries and Affiliates

Nissin Electric (Thailand) Co., Ltd.
Pathumthani, Thailand
Business Line : Manufacturing and sales of power capacitors and metal parts

Nissin Allis Electric Co., Ltd.
Taoyuan, Taiwan
Business Line : Manufacturing and sales of gas insulated switchgears

Nissin Electric (Wuxi) Co., Ltd.
Wuxi Jiangsu China
Business Line : Manufauturing and sales of power capacitors and capacitor voltage transformers

Nissin Electric Wuxi Co., Ltd.
Wuxi Jiangsu China
Business Line : Manufacturing and sales of gas-insulated voltage transformer for GIS

Beijing Beikai Nissin Electric HV Switchgear Equipment Co., Ltd.
Beijing, China
Business Line : Manufacturing and sales of gas insulated switchgears (GIS)

Nissin Advanced Coating (Dongguan) Co., Ltd.
Dongguan, China
Business Line : Thin film coating of various materials

Nissin Allis Union Ion Equipment Co., Ltd.
Hsin-Chu City, Taiwan
Business Line : Customer service of LSI/LCD manufacturing equipment

Nissin Allis Ion Equipment (Shanghai) Co., Ltd.
PuDong New Area, Shanghai, China
Business Line : Sales and customer service of LSI/LCD manufacturing equipment

Nissin Ion Korea Co., Ltd.
Kwangju-City, Kyungki-Do Korea
Business Line : Sales and customer service of LSI/LCD manufacturing equipment

NHV America Inc.
Methuen, Massachusetts, U.S.A.
Business Line : Sales and customer service of electron processing systems

NHV CORPORATION SHANGHAI
Shanghai, China
Business Line : Manufacturing and customer service for Electron Processing Systems,

Thai NEB Co., Ltd.
Pathumthani, Thailand
Business Line : Sales and engineering service of electrical equipment