PHOENIX Electric Co.,Ltd.

May 12, 2006

Consolidated Financial Results

for the Year Ended March 2006

Company name:	PHOENIX Electric Co., Ltd.
Stock code:	6927
Stock Exchange listing:	Tokyo Stock Exchange, First Section; JASDAQ
Head office address:	Hyogo Prefecture
URL:	http://www.phoenix-elec.co.jp
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Board meeting for approving:	May 12, 2006
Accounting Principle:	Japanese GAAP

1. Financial Results (April 1, 2005 - March 31, 2006)

(1) Results of Operations

(amounts rounded down to million yen)

	Net sales		Operating income		Recurring profit	
	million yen	YoY change (%)	million yen	YoY change (%)	million yen	YoY change (%)
Fiscal year ended Mar. 2006	11,792	6.7	2,674	2.4	2,757	8.6
Fiscal year ended Mar. 2005	11,051	68.2	2,610	142.2	2,538	158.6

	Net income		Net income per share (basic)	Net income per share (diluted)
	million yen	YoY change (%)	yen	yen
Fiscal year ended Mar. 2006	1,354	(10.9)	56.98	-
Fiscal year ended Mar. 2005	1,520	143.6	65.62	-

	ROE	Recurring profit to total assets	Recurring profit to sales
	%	%	%
Fiscal year ended Mar. 2006	15.4	22.4	23.4
Fiscal year ended Mar. 2005	23.9	26.8	23.0

Notes:

1. Equity in earnings of unconsolidated subsidiaries
   Fiscal year ended Mar. 2006: -
   Fiscal year ended Mar. 2005: -
2. Average number of shares outstanding
   Fiscal year ended Mar. 2006: 22,806,900 shares
   Fiscal year ended Mar. 2005: 22,342,516 shares
3. Changes in accounting principles applied: None
4. YoY change in the parentheses of net sales, operating income, recurring profit and net income represents relevant change in percentage compared to the same period of the previous fiscal year.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
As of Mar. 31, 2006	12,431	9,358	75.3	407.90
As of Mar. 31, 2005	12,151	8,293	68.3	361.25

Note: Number of shares issued at the end of year (consolidated basis)

As of Mar. 31, 2006: 22,806,900 shares

As of Mar. 31, 2005: 22,806,900 shares

(3) Cash Flow Position

	Net cash provide by (used in)			Cash and cash equivalents at end of year
	operating activities	investing activities	financing activities	
	million yen	million yen	million yen	million yen
Fiscal year ended Mar. 2006	2,226	(1,322)	(572)	2,632
Fiscal year ended Mar. 2005	1,030	(2,936)	2,231	2,288

(4) The Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries: 2

Unconsolidated subsidiaries under equity method application: None

Affiliates under equity method application: None

(5) Changes in the Scope of Consolidation and Affiliates under the Equity Method

Consolidated subsidiaries

Newly added: None

Excluded: None

Affiliates accounted for under the equity method

Newly added: None

Excluded: None

2. Forecast for the Fiscal Year Ending March 2007 (April 1, 2006 - March 31, 2007)

	Net sales	Recurring profit	Net income
	million yen	million yen	million yen
Interim	5,349	939	558
Full year	11,413	2,034	1,234

Reference: Estimated net income per share for the full year: 51.68 yen

Projections of operating results are based on information available to management at the time this report was prepared. As such, these projections entail risks and uncertainties. Readers should be aware that actual results and events may differ substantially from these projections. The above forecasts are based on assumptions and other relevant factors discussed in the section on Supplementary Information (Page9).

1. Corporate Group

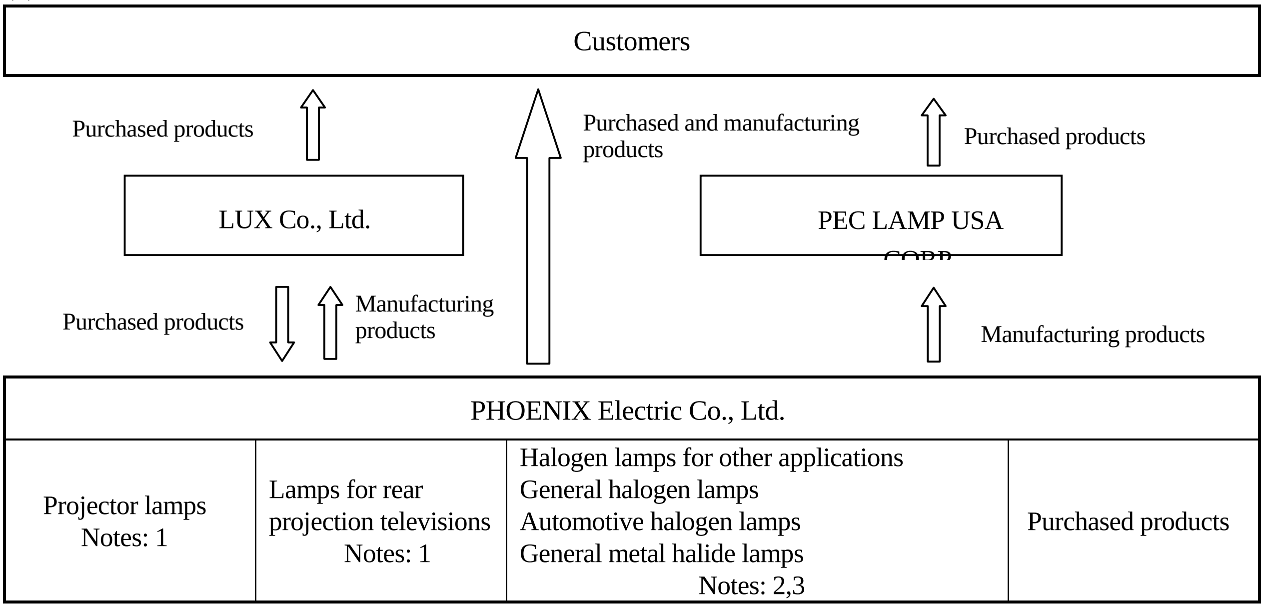
The PHOENIX Electric Group (the Group) is made up of PHOENIX Electric Co., Ltd., the parent company (the Company) and two subsidiaries. The Group is engaged primarily in the manufacture and sale of lamps for projectors and large-screen rear projection TVs (hereafter lamps for rear projection televisions), general halogen lamps, automotive halogen lamps and general metal halide lamps.

(1) Business activities of group companies are as follows.

Company	Location	Major activities
PHOENIX Electric Co., Ltd.	Hyogo Prefecture	Manufacture and sale of lamps for projectors and lamps for rear projection TVs, general halogen lamps, automotive halogen lamps and general metal halide lamps
LUX Co., Ltd.	Hyogo Prefecture	Sale of illumination lamps and illumination products
PEC LAMP USA CORP.	U.S.A.	Sales of halogen lamps, metal halide lamps and other lamps

Note: LUX Co., Ltd. and PEC LAMP USA CORP. are both wholly owned consolidated subsidiaries of the Company.

(2) A schematic of workflows is shown below.



Notes: 1. Except for certain short-arc metal halide lamps for projectors, lamps manufactured by the Company are super-high-pressure mercury lamps.

2. Halogen lamp—Conventional incandescent light bulbs are filled with an inert gas such as nitrogen to reduce evaporation, or sublimation, of the tungsten filament. In halogen lamps, halogen is used instead of an inert gas, reducing lamp size to about 3% of a comparable incandescent light bulb. Other advantages are a longer life and the ability to generate light that is brighter and closer to the color of sunlight.

3. Metal halide lamp—A high-intensity discharge lamp that uses metal halide gases to produce greater brightness (lumens) per watt.

(a) LUX Co., Ltd. purchases halogen lamps and general metal halide lamps from the Company for sale to external customers and purchases lamps manufactured by other companies for sale to its customers. The Company purchases lighting fixtures from LUX Co., Ltd. for sale to external customers as part of its lamp business.

(b) PEC LAMP USA CORP. purchases halogen lamps, general metal halide lamps and projector lamps from the Company for sale to external customers and purchases lamps manufactured by other companies for sale to its customers.

2. Management Policies

1. Fundamental Management Policies

Corporate Vision

The Company's philosophy is that "PHOENIX Electric optical-technology products are of high quality and meet a variety of demands."

The Company's vision is to be a research-driven organization capable of sustained growth, a company that regards manufacturing as a fine art and strives to be the first choice of customers by supplying original products that have outstanding performance and quality for the benefit of shareholders, employees, suppliers and society.

The reborn PHOENIX Electric wants to develop into a company where every employee is glad that he or she remained or decided to join.

Management Policies

1) Maintain a sound and flexible corporate structure

Build a powerful corporate infrastructure capable of sustaining growth while also having the flexibility required to quickly adapt to change.

2) Conduct management in an organized and open manner

PHOENIX is committed to contributing to society by ensuring a transparent, open corporate organization that is fair and equitable to all stakeholders, including shareholders, employees, suppliers and the society in which the Company operates.

3) Conduct streamlined, scientific operations

Based on the theme that "Information is an asset for everyone to use, so everyone should use information to generate profits," the Company has adopted an ERP system and makes substantial investments in data warehouse software and other IT systems. The goal is to make the Company even stronger by conducting streamlined and scientific management practices aimed at reducing inventories, cutting costs, shortening lead times and achieving other improvements.

4) Deliver global-standard performance and quality

Aim to manufacture products that deliver performance and quality that rank among the best in the world for the purpose of increasing OEM sales to customers in the lamp industry, particularly overseas companies.

2. Medium- and Long-term Management Strategies

The core strategy is to upgrade the Company's core competences of developing and manufacturing specialty lamps for projectors as well as rear projection televisions and extending user support. The Company also places priority on taking advantage of its small scale to be of greater assistance to customers. The goal is to become number one in niche markets (lamps for projectors as well as rear projection televisions) where the Company can best leverage its unique competitive strengths. In addition, the Company has started a new business called "Exposure Equipment." The Company will continue to channel resources to both existing business fields and this new business.

- A unique strategy for competing successfully
- Consistent growth
- A solid base of operations
- A prominent industry stature
- A sophisticated management system
- Unique attributes that competitors cannot match
- Happy shareholders, suppliers and employees
- A solid number-one position among customers

The objective is to become a "true middle-market company."

3. Fundamental Policy Regarding Distribution of Earnings

The Company consistently views the return of earnings to shareholders as one of its highest priorities. Regarding dividends, the Company links dividends to earnings but also takes into consideration the need to retain earnings in order to build a sounder financial position, create a more powerful operating base, fund capital expenditures and new product development programs, and take other actions needed to increase shareholder value.

Based on the outlook for consolidated operating results, the Company plans to pay an ordinary dividend of 5 yen per share. In addition, the Company plans to pay a commemorative dividend of 2 yen per share because of the May 2006 listing of Company shares on the first section of the Tokyo Stock Exchange. This will result in a total dividend of 7 yen per share.

4. Important Issues

On May 1, 2006, the Company's shares were listed on the first section of the Tokyo Stock Exchange. The PHOENIX Electric Group is dedicated to rewarding all its stakeholders, including shareholders, customers, suppliers, employees, the society. For this purpose, the entire Group is focused on fulfilling its social obligations by improving operating results in order to increase corporate value.

In the projector market, which is a core market sector for the Group, growth in demand is expected for industrial, education and home projectors. However, there is no doubt that intense price competition in this market will extend to projector lamps, too. Competition is also intense in the television market as manufacturers compete to supply larger screens along with lower prices.

In this environment, the Group will continue to channel resources to carefully chosen business fields. Priority is placed on the following issues in order to build a stronger operating base and achieve sustained growth.

1) Increase collaboration among sales, technology, manufacturing and procurement divisions to become more cost-competitive
2) Develop lamps that meet customer demands for better performance (longer life and superior brightness) and better reliability
3) Establish and develop a new business (lamps for exposure equipment)
4) Take specific actions to establish a framework based on the newly "Established Fundamental Policy for Internal Control Systems"

3. Results of Operations and Financial Position

1. Results of Operations

(1) Overview

During the current fiscal year, Japan's economy continued to expand slowly as growth was backed by economic expansion in the U.S. and in China and the other BRICs countries. Japanese companies have conducted restructuring programs to establish stronger financial positions, thereby becoming more profitable by lowering their break-even points. Companies have also increased free cash flows. Due to these improvements, Japanese companies have switched to a policy of making substantial capital expenditures. In addition, the recovery in corporate earnings is improving Japan's employment picture, which is fueling a gradual recovery in consumer spending.

However, immense demand created by continuing economic growth in China is causing sharp increases in the cost of crude oil, iron ore and other basic materials. There are concerns about the impact of these prices on corporate earnings. In addition, there are concerns about a possible appreciation of the yen as the U.S.-Japan interest rate gap narrows because of the end of the Bank of Japan's quantitative easing and the expected end to Japan's zero-interest policy.

In this environment, the projector market did not post the large increase that was expected. However, demand for projectors increased, mainly for industrial and educational use. There was also steady growth associated with the rising use of lower-priced projectors.

For the current fiscal year, sales of projector lamps decreased 3.4% to 7,500,403 thousand yen. The decrease was attributable to the effect of inventory reductions during the fiscal year's first half and the switch to new models by major customers during the second half.

In the market for rear projection televisions and other large-screen televisions, manufacturers of LCD and plasma televisions have announced plans for large investments. The result was even more heated competition that brought prices down.

Despite this situation, sales of lamps for rear projection televisions increased 77.4% to 1,848,592 thousand yen. There was a large increase in the volume of lamps sold because of higher demand for both mass-production and service lamps.

With regard to earnings, many actions were taken to improve every production process, such as by automating production lines. These actions raised the production yield and worker productivity. Furthermore, the Company diversified supply sources, began using new materials for use in products for lower-priced projectors and took other steps in response to the decline in sales prices.
Construction of a second factory, which began in the prior fiscal year, was completed in June 2005. Full-scale production activities began following the transfer of production equipment to this facility in August 2005.

As a result of these factors, consolidated net sales increased 6.7% to 11,792,998 thousand yen and operating income was up 2.4% to 2,674,142 thousand yen. Recurring profit, which includes a foreign exchange gain resulting from the yen's depreciation, increased 8.6% to 2,757,208 thousand yen.

There were a number of extraordinary losses. The Company expects to have expenses of 383,474 thousand yen resulting from product replacement expenses and other measures concerning certain lamps sold during the current fiscal year. It was discovered that some lamps of a particular lamp model did not function satisfactorily under certain conditions. There were also impairment losses of 25,064 thousand yen for impairment accounting involving idle land and of 39,809 thousand yen due to an allowance for prior service liabilities related to a change in rules for retirement benefits for directors. Due to these factors, income before income taxes decreased 9.1% to 2,307,003 thousand yen and net income decreased 10.9% to 1,354,941 thousand yen.

During the current fiscal year, the Company began work on developing lamps for exposure equipment. Since the Company has already created commercially viable products, sales of these lamps are to begin in the next fiscal year.

(2) Results by business segment

The Company operates in a single business segment of lamp products. For this reason, results are presented here by product category instead of business segment.

(thousands of yen)

Product category	Net sales	YoY change (%)	Composition (%)
Lamps for projector	7,500,403	96.6	63.6
Lamps for rear projection televisions	1,848,592	177.4	15.7
Other halogen lamps	1,240,885	112.5	10.5
Purchased products	1,203,116	105.5	10.2
Total	11,792,998	106.7	100.0

Note: 1. The breakdown of “Other halogen lamps” is as follows:

(thousands of yen)

Product category	Amount	YoY change (%)
General halogen lamps	813,250	125.4
Automotive halogen lamps	384,526	98.5
General metal halide lamps	43,107	67.4
Total	1,240,885	112.5

(3) Results by geographic segment

Results by geographic segment are not presented because Japan accounts for more than 90% of the total sales and assets of all geographic segments.

2. Financial Position

(1) Cash Flows

There was a net increase of 343,314 thousand yen in cash and cash equivalents compared with the past fiscal year. A summary of cash flows and major components follows.

Operating activities:

Net cash provided by operating activities was 2,226,374 thousand yen, taking into account an income tax payment of 1,537,023 thousand yen (up from 297,514 thousand yen in the previous fiscal year), compared with 1,030,082 thousand yen in the previous fiscal year. Major sources of cash were income before income taxes of 2,307,003 thousand yen (down from 2,536,646 thousand yen in the previous fiscal year) due to a strong sales of lamps for rear projection TVs (up 177.4% YoY) despite lower sales of projector lamps, and also a cost reduction benefits. Another sources of cash were depreciation and amortization of 681,818 thousand yen, a 402,156 thousand yen increase in other accounts payable and a 272,521 thousand yen decrease in inventories.

Investing activities:

Net cash used in investing activities was 1,322,528 thousand yen, compared with 2,936,521 thousand yen in the previous fiscal year. Cash was used mainly for capital expenditures that included payments for the completion of the second factory in July 2005, where construction started in the previous fiscal year, and the purchase of production equipment for super-high-pressure mercury lamps.

Financing activities:

Net cash used in financing activities was 572,328 thousand yen, compared with net cash provided by 2,231,816 thousand yen in the previous fiscal year. The principal use of cash from financing activities was 249,040 thousand yen of repayment of long-term borrowings and 285,086 thousand yen of cash dividends paid.

A summary of cash flow-related indicators is as follows

	FY2002	FY2003	FY2004	FY2005	FY2006
Shareholders' equity ratio (%)	62.7	69.9	65.2	68.3	75.3
Shareholders' equity ratio at market cap (%)	-	97.7	329.4	335.0	204.2
Years of debt amortization (years)	1.1	0.2	2.2	1.0	0.3
Interest coverage ratio (times)	45.8	50.8	148.6	64.1	187.0

Shareholders' equity ratio: shareholders' equity/ total assets
Shareholders' equity ratio at market cap basis: market cap/ total assets
Years of debt amortization: interest-bearing debt/ operating cash flow
Interest coverage ratio: operating cash flow/ interest expenses

* All of the above indicators are calculated using figures from the consolidated financial statements.
* Market capitalization is calculated by multiplying the share price at the end of the period by the number of shares outstanding (net of treasury stock) at the end of the period.
* Operating cash flows refers to net cash provided by (used in) operating activities as shown on the cash flows statements. Interest-bearing debt refers to the total of liabilities shown on the balance sheet on which interest is paid. Interest expenses refer to interest payments as shown in the cash flows statements.
* The shareholders' equity ratio on the market capital basis is not presented for the fiscal years ended March 2002, as the Company was not listed and stock price quotations are not available.

3. Outlook

There are concerns about the impact on Japan's economy of the much higher cost of crude oil and other basic materials and of an appreciation of the yen due to a smaller difference in interest rates in the U.S. and Japan. However, continued growth is expected in corporate earnings because of higher exports and an increase in domestic demand backed by a rebound in consumer spending and higher capital expenditures.

In the projector market, the primary source of demand for the Group's products, the Group expects continued growth in demand for industrial, education and home projectors.

At the same time, demand is likely to shift more toward lower-priced models. In the market for large-screen televisions, even more difficult price-reduction demands for components are expected as sales prices of these televisions decline.

Based on this outlook, the Group will work on increasing sales by establishing relationships with new customers. Another theme is reducing costs by having sales, technology, manufacturing and procurement divisions work more closely together, thereby becoming more price-competitive.

For some time, the Group has been working on the launch of the new exposure equipment business. During the current fiscal year, we have progressed to a stage where commercialization is feasible. As a result, the Group plans to begin selling these products with the goal of developing exposure equipment into a new core business.

Based on this outlook, the Group is forecasting net sales of 11,413 million yen, recurring profit of 2,034 million yen and net income of 1,234 million yen.

4. Business Risks

Material information regarding business and financial situations that may affect investors' decision as follows.
The discussion of these risks includes forward-looking statements. Such statements are based on the judgments of management as of March 31, 2006.

(1) Business activities and past performance of the PHOENIX Electric Group
The PHOENIX Electric Group is made up of PHOENIX Electric Co., Ltd. and subsidiaries LUX Co., Ltd. and PEC LAMP USA CORP. These companies manufacture and sell projector lamps, lamps for rear projection televisions, and general and automotive lamps.
Super-high-pressure mercury lamps used mainly as projector lamps and rear projection television lamps accounted for 79.3% of total sales compared with 79.7% one year earlier. Consequently, the Group's operating results are vulnerable to changes in the markets for projectors and rear projection televisions, the primary applications for super-high-pressure mercury lamps.

(2) Reliance on major customers
Sales to major customers during the most recent two fiscal years are shown in the table below. As these figures show, the Group's operating results are vulnerable to changes in business relationships with InFocus Corporation and other major customers. There is no assurance that these companies will continue to use the Group's products.

(thousands of yen)

Customers	FY3/05		FY3/06	
	Amount	%	Amount	%
InFocus Corporation	3,357,454	30.4	2,784,762	26.4
TOSHIBA CORPORATION	1,628,551	14.7	2,212,539	21.0
Sharp Corporation	1,135,454	10.3	1,787,910	17.0

Notes: 1. Amounts do not include consumption taxes.
2. The above sales include both direct sales to each major customer and sales to outsourcing firms, trading companies and other companies where sales are essentially equivalent to dealing directly with one of these major customers.

(3) Exchange rate volatility
The Group sells its products to customers in North America, Asian countries and other export markets. Overseas sales were 61.4% of total sales in the previous fiscal year and 60.6% of total sales in the current fiscal year.

Most export sales are denominated in U.S. dollars, with some transactions using the euro instead. In addition, the Group purchases some components and finished products from overseas suppliers. Almost all raw materials used to make lamps are procured directly or indirectly from outside Japan.

On a non-consolidated basis, sales denominated in U.S. dollars totaled 52,303 thousand dollars in the previous fiscal year and 54,032 thousand dollars in the current fiscal year. Purchases denominated in U.S. dollars totaled 1,383 thousand dollars in the previous fiscal year and 1,854 thousand dollars in the current fiscal year. Although U.S. dollar-denominated export sales exceed U.S. dollar-denominated purchases, the Company uses forward foreign exchange contracts for only part of these transactions.

As a result, changes in foreign exchange rates can have an effect on operating results.

(4) New product development competition and decline in prices due to intensifying competition
a) Development competition involving performance
There is intense competition to develop projectors that are small and lighter yet produce images that are brighter and sharper. Because of this, the product life cycle is only about one to two years.

The projector market is now expanding beyond the core application of business presentations. New applications include home theaters, education, large-screen rear projection televisions, commercial displays, surveillance monitors and digital cinemas. These applications are generating demands for lamps that are even more efficient, have a higher output and longer life, and carry a lower price. Because of this, there is heated competition among lamp manufacturers.

The Company generates a large percentage of its sales from projector lamps and lamps for rear projection televisions. The outcome of the current development competition, delays (if any) in development of projectors and related events can have a significant impact on operating results.

b) Risk of price declines due to intensifying competition
There is currently heated price competition in the market for both projector and lamp for rear projection televisions. This competition is causing the average sales price for lamps to decline as well. If the Company is unable to offset the effect of these price declines by raising sales volume and cutting costs, there may be an impact on operating results.

(5) Risk of patent disputes

All projector lamp manufacturers are exposed to the risk of becoming involved in a patent dispute. The Company pays very close attention to patents and places importance on patents as a means of protecting its own intellectual property as a defensive measure. Accordingly, the Company acts quickly to apply for and receive patents as required.

When developing new products, the Company exercises extreme care to avoid infringing on patents. Nevertheless, this does not completely eliminate the possibility that the Company could be the target of a patent infringement lawsuit. Depending on the nature and outcome of these disputes, there may be an impact on operating results.

(6) Important assumptions concerning major business activities

Projector lamps and lamps for rear projection televisions, the core product of the Company, are a type of electrical discharge lamp. To achieve this discharge with maximum ease, lamps incorporate mercury as well as tiny amounts of a radioactive isotope in the fluorescent tube.

The Company has received permission to handle radioactive isotopes based on Article 3-1 of the Law of Prevention Radiation Hazards Associated With Radioactive Isotopes, etc.

Laws and regulations prescribe no period of validity or deadline for this permission. However, Article 26-1 and 26-2 of this law defines reasons for the termination or suspension of this permission.

At present, there are no factors that present a risk involving the continuation of the Company’s ability to handle radioactive materials. In the event that an event occurs that results in the termination or suspension of this permission, the Company would have difficulty conducting its core business activities and there may be a substantial impact on operating results.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(thousands of yen)

	Notes	FY3/05 As of Mar. 31, 2005		FY3/06 As of Mar. 31, 2006		Change
		Amount	%	Amount	%	Amount
ASSETS						
I Current assets						
1. Cash and deposits with banks		2,288,982		2,632,297		343,314
2. Notes and accounts receivable		2,852,973		2,904,265		51,291
3. Inventories		1,534,100		1,261,579		(272,521)
4. Deferred tax assets		199,337		326,196		126,859
5. Other current assets		274,114		244,153		(29,961)
Allowance for doubtful accounts		(10,931)		(6,167)		4,764
Total current assets		7,138,576	58.7	7,362,323	59.2	223,747
II Fixed assets						
1. Property, plant, and equipment						
(1) Buildings and structures	*3	584,041		1,355,548		771,506
(2) Machinery and vehicles	*1,3	1,749,641		2,302,246		552,605
(3) Land	*2	1,026,502		1,001,437		(25,064)
(4) Construction in progress		1,364,598		10,817		(1,353,781)
(5) Other property, plant, and equipment	*3	114,343		124,361		10,017
Total property, plant, and equipment		4,839,128	39.8	4,794,411	38.6	(44,716)
2. Intangible assets		7,482	0.1	11,740	0.1	4,258
3. Investments and other assets						
(1) Investment securities		127,218		194,311		67,092
(2) Deferred tax assets		12,638		17,081		4,443
(3) Other investments and assets		29,319		56,484		27,164
Allowance for doubtful accounts		(3,108)		(4,628)		(1,520)
Total investments and other assets		166,068	1.4	263,248	2.1	97,179
Total fixed assets		5,012,679	41.3	5,069,400	40.8	56,721
Total Assets		12,151,255	100.0	12,431,724	100.0	280,468

(thousands of yen)

	Notes	FY3/05 As of Mar. 31, 2005		FY3/06 As of Mar. 31, 2006		Change
		Amount	%	Amount	%	Amount
LIABILITIES						
I Current liabilities						
1. Notes and accounts payable		618,069		731,054		112,985
2. Current portion of long-term borrowings		249,040		244,920		(4,120)
3. Accrued income taxes		997,991		558,592		(439,399)
4. Accrued bonuses		222,191		225,244		3,052
5. Other current liabilities	*1	933,296		662,715		(270,580)
Total current liabilities		3,020,588	24.9	2,422,526	19.5	(598,062)
II Long-term liabilities						
1. Long-term borrowings		748,920		504,000		(244,920)
2. Deferred tax liabilities		2,638		2,213		(425)
3. Accrued officers' severance benefits		82,889		143,532		60,642
4. Other long-term liabilities	*1	2,894		1,200		(1,694)
Total long-term liabilities		837,342	6.9	650,945	5.2	(186,396)
Total Liabilities		3,857,930	31.7	3,073,471	24.7	(784,459)
SHAREHOLDERS' EQUITY						
I Common stock		2,133,177	17.6	2,133,177	17.2	-
II Capital surplus		2,563,867	21.1	2,563,867	20.6	-
III Retained earnings		3,554,967	29.3	4,570,522	36.8	1,015,555
IV Net unrealized holdings gains on securities		49,454	0.4	88,361	0.7	38,907
V Foreign currency translation adjustments		(8,141)	(0.1)	2,323	0.0	10,465
Total Shareholders' Equity		8,293,324	68.3	9,358,252	75.3	1,064,927
Total Liability and Shareholders' Equity		12,151,255	100.0	12,431,724	100.0	280,468

(2) Consolidated Statements of Income

(thousands of yen)

	Notes	FY3/05 Apr. 1, 2004 - Mar. 31, 2005			FY3/06 Apr. 1, 2005 - Mar. 31, 2006			Change	
		Amount		%	Amount		%	Amount	
I NET SALES			11,051,988	100.0		11,792,998	100.0		741,009
II Cost of goods sold			6,933,217	62.7		7,276,693	61.7		343,475
Gross profit			4,118,770	37.3		4,516,304	38.3		397,534
III Selling, general, and administrative expenses	*1,2		1,507,939	13.6		1,842,162	15.6		334,223
OPERATING INCOME			2,610,831	23.6		2,674,142	22.7		63,310
IV Non-operating income									
1. Interest income		1,435			1,217			(217)	
2. Dividend income		262			262			-	
3. Foreign exchange gains		-			102,899			102,899	
4. Miscellaneous revenue		8,446	10,143	0.1	8,148	112,527	1.0	(297)	102,383
V Non-operating expenses									
1. Interest expense		12,876			12,225			(651)	
2. Foreign exchange losses		33,071			-			(33,071)	
3. New stock issue expense		20,505			-			(20,505)	
4. Loan commitment fees		6,500			5,149			(1,350)	
5. Listing expenses		7,834			12,000			4,166	
6. Miscellaneous loss		2,073	82,860	0.7	86	29,461	0.2	(1,987)	(53,398)
RECURRING PROFIT			2,538,114	23.0		2,757,208	23.4		219,093
VI Extraordinary income									
1. Reversal from allowance for doubtful accounts		-		-	2,717	2,717	0.0	2,717	2,717
VII Extraordinary loss									
1. Loss on disposal of fixed assets	*3	1,467			3,165			1,698	
2. Impairment losses	*4	-			25,064			25,064	
3. Loss on disposal of inventories		-			1,406			1,406	
4. Product warranty		-			383,474			383,474	
5. Provision of accrued for prior period officers' severance benefits		-	1,467	0.0	39,809	452,921	3.8	39,809	451,454
Net income before income taxes			2,536,646	23.0		2,307,003	19.6		(229,642)
Income taxes- current		1,147,660			1,111,712			(35,947)	
Income taxes- deferred		(131,516)	1,016,144	9.2	(159,651)	952,061	8.1	(28,134)	(64,082)
NET INCOME			1,520,502	13.8		1,354,941	11.5		(165,560)

(3) Consolidated Statements of Retained Earnings

(thousands of yen)

	FY3/05 Apr. 1, 2004 – Mar. 31, 2005		FY3/06 Apr. 1, 2005 – Mar. 31, 2006		Change	
	Amount		Amount		Amount	
CAPITAL SURPLUS						
I Capital surplus at beginning of the period		1,308,367		2,563,867		1,255,500
II Increase in capital surplus						
1. Capital increase through new stock issue	1,255,500	1,255,500	-	-	(1,255,500)	(1,255,500)
III Capital surplus at end of year		2,563,867		2,563,867		-
RETAINED EARNINGS						
I Retained earnings at beginning of year		2,219,516		3,554,967		1,335,450
II Increase in retained earnings						
1. Net income	1,520,502	1,520,502	1,354,941	1,354,941	(165,560)	(165,560)
III Decrease in retained earnings						
1. Cash dividends paid	163,551		285,086		121,534	
2. Bonuses for officers	21,500	185,051	54,300	339,386	32,800	154,334
[of which bonuses for auditor]	[2,040]		[5,430]		[3,390]	
IV Retained earnings at end of year		3,554,967		4,570,522		1,015,555

(4) Consolidated Statements of Cash Flows

(thousands of yen)

	FY3/05 Apr. 1, 2004 - Mar. 31, 2005	FY3/06 Apr. 1, 2005 - Mar. 31, 2006	Change
	Amount	Amount	Amount
I **CASH FLOWS FROM OPERATING ACTIVITIES**			
1. Net income before income taxes	2,536,646	2,307,003	(229,642)
2. Depreciation and amortization	437,804	681,818	244,013
3. Impairment losses	-	25,064	25,064
4. Increase in accrued officers' severance benefits	18,084	60,642	42,558
5. Increase (decrease) in accrued bonuses	98,623	3,052	(95,570)
6. Increase (decrease) in allowance for doubtful accounts	(3,019)	(3,244)	(224)
7. Interest and dividend income	(1,697)	(1,479)	217
8. Interest expense	12,876	12,225	(651)
9. Loss on disposal of fixed assets	1,467	3,165	1,698
10. Decrease (increase) in notes and accounts receivable	(915,024)	(51,291)	863,732
11. Decrease (increase) in inventories	(716,775)	272,521	989,296
12. Decrease (increase) in other account receivables	(216,552)	18,614	235,167
13. Increase (decrease) in notes and accounts payable	22,470	112,985	90,514
14. Increase (decrease) in other account payables	56,305	402,156	345,850
15. Bonuses for officers through appropriation of income	(21,500)	(54,300)	(32,800)
16. Others	32,262	(15,112)	(47,375)
Subtotal	1,341,970	3,773,822	2,431,851
17. Interests and dividends received	1,697	1,479	(217)
18. Interests paid	(16,070)	(11,903)	4,166
19. Income taxes paid	(297,514)	(1,537,023)	(1,239,509)
Net cash provided by operating activities	1,030,082	2,226,374	1,196,291
II CASH FLOWS FROM INVESTING ACTIVITIES			
1. Payment for purchase of property, plant, and equipment	(3,015,539)	(1,321,565)	1,693,974
2. Proceeds from sale of property, plant, and equipment	20,244	-	(20,244)
3. Proceeds from collection of loans receivable	37,500	-	(37,500)
4. Others	21,274	(962)	(22,237)
Net cash used in investing activities	(2,936,521)	(1,322,528)	1,613,993
III CASH FLOWS FROM FINANCING ACTIVITIES			
1. Repayment of long-term borrowings	(43,725)	(249,040)	(205,315)
2. Payment for purchases by installment	(72,407)	(38,202)	34,205
3. Cash dividends paid	(163,551)	(285,086)	(121,534)
4. Proceeds from new stock issuance	2,511,500	-	(2,511,500)
Net cash used in financing activities	2,231,816	(572,328)	(2,804,144)
IV **Effect of exchange rate changes on cash and cash equivalents**	(2,606)	11,795	14,402
V **Increase in cash and cash equivalents**	322,770	343,314	20,543
VI **Cash and cash equivalents at beginning of year**	1,966,212	2,288,982	322,770
VII **Cash and cash equivalents at end of year**	2,288,982	2,632,297	343,314

Significant Accounting Policies in the Preparation of the Consolidated Financial Statements

	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
1. Scope of consolidation	The accompanying financial statements include the accounts of the Company and its Company's two consolidated subsidiaries: Subsidiary name: LUX Co., Ltd. PEC LAMP USA CORP.	Same as on the left.
2. Application of equity method	The Company has no affiliates accounted for by the equity method.	Same as on the left.
3. Fiscal year end of consolidated subsidiaries	At the two consolidated subsidiaries, the accounting year ends on December 31. The financial statements of the relevant consolidated subsidiaries as of their closing date are incorporated therein after necessary adjustments applied for consolidation purposes regarding the material transactions that have occurred between their closing date of December 31 and the consolidated balance sheets date, March 31.	Same as on the left.
4. Significant accounting standards (1) Valuation criteria and methods for significant assets	a. Valuation criteria and methods for securities Other securities Securities with market quotations Other securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included in the shareholders' equity. The cost of securities sold is determined by the moving-average method.) Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method. b. Assets and liabilities deriving from derivatives Carried at fair value on the balance sheet date. c. Inventories The Company and its overseas consolidated subsidiaries carry inventories at cost, cost being determined by the weighted average method. Domestic consolidated subsidiaries carry inventories at cost, cost being determined by the first-in-first-out method.	a. Valuation criteria and methods for securities Other securities Securities with market quotations Same as on the left. Securities without market quotations Same as on the left. b. Assets and liabilities deriving from derivatives Same as on the left. c. Inventories Same as on the left.
(2) Depreciation of property, plant, and equipment and amortization of intangible assets	a. Property, plant, and equipment Depreciation of property, plant, and equipment at the Company and its domestic consolidated subsidiaries is computed by the declining-balance method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.	a. Property, plant and equipment Same as on the left.

	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
	Depreciation of property, plant and equipment at overseas consolidated subsidiaries is computed by the straight-line method. The useful life and residual value are based on accounting standards applied in the countries of their domicile. However, depreciation of buildings (excluding equipment and fixtures) acquired on or after April 1, 1998, at the Company and its domestic consolidated subsidiaries is calculated using the straight-line method in accordance with the provisions of the Corporation Tax Law. Useful lives of principal assets are as follows: Buildings and structures: 8-38 years Machinery and vehicles: 4-12 years	Useful lives of principal assets are as follows: Buildings and structures: 7-38 years Machinery and vehicles: 4-12 years
	b. Intangible assets The development costs of software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.	b. Intangible assets Same as on the left.
(3) Significant allowances	a. Allowance for doubtful accounts To prepare for credit losses on accounts receivable. (a) Allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio. (b) Bad receivables and claim in bankruptcy based on case-by-case determination of collectibility.	a. Allowance for doubtful accounts Same as on the left. (a) Same as on the left. (b) Same as on the left.
	b. Accrued bonuses To prepare for payment of bonuses to employees, an allowance is provided for an estimated accrued amount for the current fiscal year.	b. Accrued bonuses Same as on the left.
	c. Accrued officers' severance benefits To provide for accrued officers' severance benefits, the Company provides an allowance for the aggregate amount payable at the end of the current consolidated fiscal year pursuant to the Company's rules on officers' retirement benefits.	c. Accrued officers' severance benefits Same as on the left.
(4) Significant lease transactions	Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.	
(5) Accounting for hedges	1) Accounting for hedges Deferred hedge accounting is applied to interest rate swap transactions that qualify for extraordinary treatment.	1) Accounting for hedges Same as on the left.
	2) Hedging instruments and risks hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings	2) Hedging instruments and risks hedged Same as on the left.
	3) Hedging method The Company uses cash flow hedges comprising interest rate swaps to reduce its exposure to fluctuations in interest rates on its borrowings.	3) Hedging method Same as on the left.

	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
	4) Evaluation of the effectiveness of a hedge The Company enters into interest rate swap transactions that meet the following conditions: I The principal of the interest rate swap transaction matches the principal of long-term borrowings. II The contract periods of the interest rate swap transaction match the repayment period of long-term borrowings. III The index of the long-term borrowings and the floating interest rate index of the interest rate swap transaction match at TIBOR + 0.43%. IV The conditions for the revision of the interest rate on the long-term borrowings match that of the interest rate swap transaction. V The payment term for the interest rate swap transaction is fixed through the swap period. The effectiveness of the hedge on the balance sheet date is not evaluated since the interest rate swap transaction qualifies for extraordinary treatment.	4) Evaluation of the effectiveness of a hedge Same as on the left.
(6) Other significant accounting policies in presentation of financial statements	a. Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.	a. Accounting for consumption taxes Same as on the left.
5. Evaluation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are fully evaluated by the fair market value method.	Same as on the left.
6. Appropriation of earnings	(1) Appropriation of retained earnings or disposition of loss Appropriation of retained earnings or disposition of accumulated loss is based on appropriations/dispositions approved and applicable to the current consolidated fiscal year. (2) Notes required under the regulations of statement of consolidated retained earnings: Regarding retained earnings of consolidated subsidiaries, only the equity in retained earnings corresponding to the equity stake after the acquisition of capital interest is included in retained earnings.	(1) Appropriation of retained earnings or disposition of loss Same as on the left. (2) Notes required under the regulations of statement of consolidated retained earnings: Same as on the left.
7. Scope of cash and cash equivalents on consolidated statements of cash flows	For the purpose of consolidated statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk	Same as on the left.

	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
	of change in value.	

Change in Accounting Principles

FY3/05 April 1, 2004 – March 31, 2005	FY3/06 April 1, 2005 – March 31, 2006
―――	Accounting for impairment of fixed assets: Effective the current consolidated fiscal year, the Company has adopted the new accounting standards for the presentation of the Impairment of Assets (Statement of Opinion, "Accounting for Impairment of Fixed Assets," (Business Accounting Council; August 9, 2002) and the "Accounting Standard Implementation Guidance No. 6: Guidance for Accounting Standards for Impairment of Fixed Assets," (ASBJ; October 31, 2003). The effect of this change was to decrease income before income taxes by 25,064 thousand yen. The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the Revised Standards for the Preparation of Consolidated Financial Statements.

Supplementary information

FY3/05 April 1, 2004 – March 31, 2005	FY3/06 April 1, 2005 – March31, 2006
Effective the current consolidated accounting period, the Company has adopted the new accounting standard for the presentation of the Enterprise Tax (Accounting Standard Implementation Guidance No. 12: "Practical Guidance On Presentation of the Pro Forma Standard Tax Portion of the Enterprise Tax in the Income Statement," (ASBJ, February 13, 2004)) following the implementation of the Partial Revision of the Local Finance Act (Law No. 9 of 2003) on March 31, 2003 and the introduction of the pro forma standard tax from the fiscal year beginning on and after April 1, 2004. Accordingly, the value-added tax portion and the pro forma standard tax portion of the Enterprise Tax are included in selling, general and administrative expenses. The effect of this change was to increase selling, general and administrative expenses by 29,041 thousand yen and decrease operating income, recurring profit and net income before income taxes by 29,041 thousand yen each.	―――

Notes to Consolidated Financial Statements

Notes to consolidated balance sheets

(thousands of yen)

FY3/05 As of March 31, 2005	FY3/06 As of March 31, 2006
*1 Assets pledged as collateral and corresponding liabilities at March 31, 2005 consisted of the following: Assets pledged Corresponding liabilities Assets Amount Liabilities Amount Machinery and vehicles 67,374 Other current liabilities (Installment payments) 38,202 Other long-term liabilities (Long-term installment payments) 1,694 Total 67,374 Total 39,896	*1 Assets pledged as collateral and corresponding liabilities at March 31, 2006 consisted of the following: Assets pledged Corresponding liabilities Assets Amount Liabilities Amount Machinery and vehicles 25,757 Other current liabilities (Installment payments) 1,694 Total 25,757 Total 1,694
*2 Property, plant, and equipment includes the following idle assets Land 46,484	
*3 Accumulated depreciation on property, plant, and equipment 1,764,037	*3 Accumulated depreciation on property, plant, and equipment 2,433,096

Notes to consolidated statements of income

(thousands of yen)

FY3/05 April 1, 2004 - March 31, 2005		FY3/06 April 1, 2005 - March 31, 2006	
*1 Significant components of selling, general and administrative expenses		*1 Significant components of selling, general and administrative expenses	
Packing and transportation	101,984	Packing and transportation	119,206
Officers' bonuses	87,429	Officers' bonuses	98,540
Employees' wages	369,794	Employee' wages	415,146
Provision of accrued bonuses	98,976	Provision of accrued bonuses	101,390
Retirement benefit expenses	11,964	Retirement benefit expenses	11,189
Other personnel expenses	116,808	Other personnel expenses	114,913
Commissions paid	93,691	Commissions paid	117,519
Depreciation and amortization	25,221	Depreciation and amortization	71,658
R&D expenses	217,136	R&D expenses	285,444
Others	384,931	Entertainment expenses	85,702
Total	1,507,939	Others	421,450
		Total	

*2 Aggregate R&D expenses of 217,136 thousand yen are presented as a component of SG&A expenses.	*2 Aggregate R&D expenses of 285,444 thousand yen are presented as a component of SG&A expenses.
*3 Significant components of loss on disposal of fixed assets are as follows: Disposal of machinery and vehicles 1,440 Disposal of tools, furniture, and fixtures 27 Total 1,467	*3 Significant components of loss on disposal of fixed assets are as follows: Disposal of buildings and structures 2,164 Disposal of machinery and vehicles 1,001 Total 3,165

FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
―――――	*4 Impairment losses The amounts of impairment losses with respect to the Group's assets are as follows: Location: Kasai city, Hyogo prefecture Purpose: Idle assets (land for sale) Type: Land Amount: 25,064 thousand yen The above land, carried on the balance sheet as a dormant asset in prior periods, was reclassified as land for sale since there is no likelihood of its being used in the future. The Company recognizes this asset as impaired since land prices have declined substantially. The recoverable price of the land is calculated on the basis of the net selling amount. Valuation is based on appraisal by a real-estate appraiser.

Notes to statements of cash flows

(thousands of yen)

FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Reconciliation of consolidated balance sheet items to cash and cash equivalents in consolidated statements of cash follows: As of March 31, 2005 Cash and deposits 2,288,982 Cash and cash equivalents 2,288,982	Reconciliation of consolidated balance sheet items to cash and cash equivalents in consolidated statements of cash follows: As of March 31, 2006 Cash and deposits 2,632,297 Cash and cash equivalents 2,632,297

5. Segment Information

Operating segment information

Previous fiscal year (Apr. 1, 2004 - Mar. 31, 2005)

Given the similarities in the type of products, manufacturing methods and markets, the Group can be considered to operate in a single industry categorized as lamps. Accordingly, no operational segment information is presented.

Current fiscal year (Apr. 1, 2005 - Mar. 31, 2006)

Given the similarities in the type of products, manufacturing methods and markets, the Group can be considered to operate in a single industry categorized as lamps. Accordingly, no operational segment information is presented.

Geographical segment information

Previous fiscal year (Apr. 1, 2004 - Mar. 31, 2005)

The geographic segment information is not presented since the combined segment sales in Japan represented more than 90% of total consolidated sales and assets.

Current fiscal year (Apr. 1, 2005 - Mar. 31, 2006)

The geographic segment information is not presented since the combined segment sales in Japan represented more than 90% of total consolidated sales and assets.

Overseas sales

Previous fiscal year (Apr. 1, 2004 - Mar. 31, 2005)

(thousands of yen)

	N. America	Asia	Other	Total
I. Overseas sales	1,223,725	5,401,808	156,556	6,782,089
II. Consolidated sales	-	-	-	11,051,988
III. Overseas sales as a percentage of consolidated sales (%)	11.1	48.9	1.4	61.4

Notes:

1. The geographic segmentation is decided primarily by geographic proximity.
2. Major countries and regions, excluding Japan, included in geographic segmentation:
   North America: The United States, Canada, and Mexico
   Asia: China, Taiwan, Hong Kong, Malaysia, Singapore, India, and Saudi Arabia
   Other Regions: Europe, Oceania, South America, and Africa
3. Overseas sales represent sales of the Company and its consolidated subsidiaries, excluding sales in Japan.

Current fiscal year (Apr. 1, 2005 - Mar. 31, 2006)

(thousands of yen)

	N. America	Asia	Other	Total
I. Overseas sales	756,311	6,280,307	108,870	7,145,489
II. Consolidated sales	-	-	-	11,792,998
III. Overseas sales as a percentage of consolidated sales (%)	6.4	53.3	0.9	60.6

Notes:

1. The geographic segmentation is decided primarily by geographic proximity.
2. Major countries and regions, excluding Japan, included in geographic segmentation:
   North America: The United States, Canada, and Mexico
   Asia: China, Taiwan, Hong Kong, Malaysia, Singapore, India, and Saudi Arabia
   Other Regions: Europe, Oceania, South America, and Africa
3. Overseas sales represent sales of the Company and its consolidated subsidiaries, excluding sales in Japan.

6. Leases

(thousands of yen)

FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Finance lease transactions not involving the transfer of title to lessee: 1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property. Others (furniture and fixtures) Acquisition cost equivalents 53,078 Accumulated depreciation equivalents 53,078 Year-end balance equivalents - 2. Future minimum lease payments Due within one year - Due over one year - Total - 3. Minimum lease payments, depreciation, and interest equivalents Minimum lease payments 8,631 Depreciation equivalents 7,961 Interest equivalents 90 4. Accounting method of depreciation, interest equivalents Accounting method for depreciation equivalents: - Depreciation is calculated by the straight-line method, assuming the lease period to be the useful life and no residual value. Accounting method for interest equivalents: - Interest is defined as the difference between the total lease charges and acquisition cost equivalents and is allocated for each period using the simple-interest method.	Finance lease transactions not involving the transfer of title to lessee: No reportable information.

7. Securities

FY3/05 (April 1, 2004 - March 31, 2005)

1. Securities with market quotations classified as "Other securities"

(thousands of yen)

Security	Acquisition cost	Carrying value	Unrealized gain
Securities whose acquisition cost exceeds their carrying value (1) Equity securities	23,344	106,600	83,256

2. Securities without market quotations
   Securities classified as "Other securities"

(thousands of yen)

Security	Carrying value
Unlisted foreign stock	20,618

FY3/06 (April 1, 2005 - March 31, 2006)

1. Securities with market quotations classified as "Other securities"

(thousands of yen)

Security	Acquisition cost	Carrying value	Unrealized gain
Securities whose acquisition cost exceeds their carrying value (1) Equity securities	23,344	172,100	148,756

2. Securities without market quotations
   Securities classified as "Other securities"

(thousands of yen)

Security	Carrying value
Unlisted foreign stock	22,211

8. Derivatives

1. Transaction details

FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
1. Derivative transactions	1. Derivative transactions (Forward foreign exchange contracts)
(Interest rate swap transaction) The Company uses interest rate swaps for converting the floating interest rate on certain borrowings from financial institutions into a fixed interest rate.	(Interest rate swap transaction) Same as on the left.
2. Purpose and policy	2. Purpose and policy (Forward foreign exchange contracts) The Company uses forward foreign exchange contracts to reduce its exposure to market risk from fluctuation in currency exchange on foreign currency denominated trade receivables resulting from exports. The Company hedges risk on a part of foreign currency denominated monetary receivables. The Board of Directors approves this transaction only for the purpose of reducing foreign exchange risk.
(Interest rate swap transaction) The Company uses derivative transactions only to reduce its exposure to market risk from fluctuations in interest rates and does not hold or issue highly leveraged derivative instruments. The Company also does not hold or issues financial derivative instruments for trading purposes. 1) Hedging instruments and risks hedged Hedging instrument: Interest rate swaps Risk hedged: Interest on borrowings 2) Hedging method The Company uses cash flow hedges comprising interest rate swaps to reduce its exposure to fluctuations in interest rates on its borrowings. 3) Evaluation of the effectiveness of a hedge The Company enters into interest rate swap transactions that meet the following conditions: I The principal of the interest rate swap transaction matches the principal of long-term borrowings. II The contract periods of the interest rate swap transaction match the repayment period of long-term borrowings. III The index of the long-term borrowings and the floating interest rate index of the interest rate swap transaction match at TIBOR + 0.43%. IV The conditions for the revision of the interest rate on the long-term borrowings match that of the interest rate swap transaction. V The payment term for the interest rate swap transaction is fixed	(Interest rate swap transaction) Same as on the left.

FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
through the swap period. The effectiveness of the hedge on the balance sheet date is not evaluated since the interest rate swap transaction qualifies for extraordinary treatment.	
3. Transaction risks ―――― (Interest rate swap transaction) Interest rate swap transaction contains some risks on market rate fluctuation. The Company makes derivative transaction with domestic banks with high credit rating, thus the Company is of the opinion that the default risk is nominal.	3. Transaction risks (Forward foreign exchange contracts) Forward foreign exchange contracts carry risks arising from change in currency exchange rates. (Interest rate swap transaction) Same as on the left.
4. Risk management ―――― (Interest rate swap transaction) The Board of Directors approves all derivative transactions the company enters into. The Board of Directors approves interest rate swap transactions along with the approval of borrowings from financial institutions.	4. Risk management (Forward foreign exchange contracts) The Company enters into forward foreign exchange contracts only after approval of the Board of Directors. (Interest rate swap transaction) Same as on the left.

2. Details of market value in transaction

FY3/05 (As of March 31, 2005)

No reportable information.

The Company uses interest rate swap transactions but no information is presented since these transactions are accounted for by the hedge method.

FY3/06 (As of March 31, 2006)

Currency related

thousands of yen

Type of transaction		Notional amount		Fair value	Unrealized gain (loss)
			Over one year		
OTC transactions	Forward foreign exchange contracts Sell US Dollars	1,035,960	-	1,048,783	(12,823)
Total		1,035,960	-	1,048,783	(12,823)

The Company uses interest rate swap transactions but no information is presented since these transactions are accounted for by the hedge method.

9. Retirement Benefits

(thousands of yen)

FY3/05 April 1, 2004 - March 31, 2005		FY3/06 April 1, 2005 - March 31, 2006	
1. Retirement benefit plans The Company and its certain domestic consolidated subsidiaries on March 2004 switched to a defined-contribution retirement benefit plan.		1. Retirement benefit plans The Company and its certain domestic consolidated subsidiaries on March 2004 switched to a defined-contribution retirement benefit plan.	
2. Retirement benefit obligation		2. Retirement benefit expenses	
Contribution for defined-contribution retirement benefit	36,699	Contribution for defined-contribution retirement benefit	42,649

10. Deferred Income Taxes

(thousands of yen)

FY3/05 As of March 31, 2005		FY3/06 As of March 31, 2006	
1. Significant components of deferred tax assets and liabilities		1. Significant components of deferred tax assets and liabilities	
Deferred tax assets:		Deferred tax assets:	
Unadmitted provision of accrued bonuses loss	90,209	Unadmitted product warranty	155,690
Unadmitted provision of accrued officers' severance benefits loss	33,653	Unadmitted provision of accrued officers' severance benefits loss	58,274
Unadmitted accrued enterprise taxes	77,311	Impairment losses	10,176
Unadmitted accrued office taxes	5,507	Unadmitted provision of accrued bonuses loss	91,449
Others	39,843	Unadmitted accrued enterprise taxes	45,702
Less deferred tax liabilities	(34,550)	Unadmitted accrued office taxes	6,944
Total deferred tax assets	211,975	Others	39,761
		Less deferred tax liabilities	(64,721)
		Total deferred tax assets	343,277
Deferred tax liabilities:		Deferred tax liabilities:	
Net unrealized difference on investment securities	(33,802)	Net unrealized difference on investment securities	(60,395)
Others	(3,386)	Others	(6,539)
Less deferred tax assets	34,550	Less deferred tax assets	64,721
Total deferred tax liabilities	(2,638)	Total deferred tax liabilities	(2,213)
Net deferred tax assets	209,336	Net deferred tax assets	341,064
Reconciliation of deferred tax assets as of March 31, 2005 with consolidated balance sheet accounts:		Reconciliation of deferred tax assets as of March 31, 2006 with consolidated balance sheet accounts:	
Current assets: Deferred tax assets	199,337	Current assets: Deferred tax assets	326,196
Fixed assets: Deferred tax assets	12,638	Fixed assets: Deferred tax assets	17,081
Long-term liabilities: Deferred tax liabilities	(2,638)	Long-term liabilities: Deferred tax liabilities	(2,213)

2. Significant sources of difference between the statutory and effective tax rates:	2. Significant sources of difference between the statutory and effective tax rates:

Statutory tax rate	40.6%
Entertainment expenses not allowed to be included in expenses	0.2%
Per capita residential tax	0.2%
R&D tax credit	(0.9)%
Effective tax rate	40.1%

Statutory tax rate	40.6%
Entertainment expenses not allowed to be included in expenses	1.5%
Per capita residential tax	0.3%
R&D tax credit	(1.3)%
Others	0.2%
Effective tax rate	41.3%

11. Related Party Transactions

FY3/05 (April 1, 2004 - March 31, 2005)

(1) Officers and individual shareholders
No reportable information.

(2) Parent company and major corporate shareholders
No reportable information.

FY3/06 (April 1, 2005 - March 31, 2006)
No reportable information.

12. Subsequent Event

No reportable information.

13. Per Share Data

yen

Item	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Shareholders' equity per share	361.25	407.90
Net income per share (basic)	65.62	56.98
―――	Diluted net income per share is not presented since the Company has no outstanding dilutive securities. The Company implemented a three-for-one stock split on November 19, 2004. Per-share information based on the average number of shares during the period, retroactively adjusted for stock splits to the beginning of the period, is as follows: Shareholders' equity per share 206.84 Net income per share (basic) 28.29	Same as on the left.

Note: The basis of calculation of the basic net income and the diluted net income per share for the year is as follows.

(thousands of yen)

	FY3/05	FY3/06
Net income per share		
Net income	1,520,502	1,354,941
Amount not attributable to common shares	54,300	55,330
[of which bonuses for officers]	[54,300]	[55,330]
Net income available to common shareholders	1,466,202	1,299,611
Average number of shares outstanding (shares)	22,342,516	22,806,900

Note:
The Board of Directors on May 28, 2004 approved a three-for-one stock split which was implemented on November 19, 2004 to shareholders and beneficial shareholders of record on September 30, 2004. Net income per share for the previous consolidated fiscal year is calculated based on the average number of shares outstanding during the period, retroactively adjusted to the beginning of the previous fiscal year.

14. Production, Orders and Sales

1. Production

(thousands of yen)

Product	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Projector lamps	7,706,505	7,233,262
Lamps for rear projection televisions	1,155,278	2,213,729
Other halogen lamps	1,099,555	1,049,023
Total	9,961,339	10,496,015

Notes:
1. Amounts are exclusive of consumption taxes.
2. Amounts are calculated based on sales prices.
3. A breakdown of the production of Other halogen lamps is as follows:

(thousands of yen)

Product category	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
General halogen lamps	650,853	643,847
Automotive halogen lamps	393,736	370,675
General metal halide lamps	54,966	34,500
Total	1,099,555	1,049,023

2. Purchases

(thousands of yen)

Product	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Purchased products	805,450	959,018
Total	805,450	959,018

Notes:
1. Amounts are exclusive of consumption taxes.
2. Amounts are calculated based on sales prices.
3. An amount is shown for purchased products, given the fact that purchased products include numerous product categories.

3. Orders

No reportable information since the lead-time for delivery is very short.

4. Sales

(thousands of yen)

Product category	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
Lamps for projector	7,766,856	7,500,403
Lamps for rear projection televisions	1,042,326	1,848,592
Other halogen lamps	1,102,668	1,240,885
Purchased products	1,140,135	1,203,116
Total	11,051,988	11,792,998

Notes:

1. Amounts are exclusive of consumption taxes.
2. Breakdown of sales in the “Other Halogen Lamps” segment

(thousands of yen)

Product category	FY3/05 April 1, 2004 - March 31, 2005	FY3/06 April 1, 2005 - March 31, 2006
General halogen lamps	648,373	813,250
Automotive halogen lamps	390,318	384,526
General metal halide lamps	63,976	43,107
Total	1,102,668	1,240,885