

IWATSU ELECTRIC CO., LTD.

2007 ANNUAL REPORT
For the year ended March31, 2007

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Overview of Fiscal 2006

The sharp rise in the price of oil, raw materials and other essentials was cause for concern in the Japanese economy during the term under review. However, in addition to steady improvement in company income, increase in capital investments and improved employment conditions, there was growth in exports backed by the weak yen and, although individual consumption lacked vigor, there was a moderate tone of recovery.

Within this business climate, the Group continued to pursue the maximization of group value and enhanced management efficiency during this, the final year of the current medium-term business plan IWATSU 530.3C.

In the Communication Systems Division, we made efforts to expand the core product IP compatible office communication systems and released PRECOT, a new small-scale office communication system, in September 2006, reflecting ongoing progress in the broadband infrastructure. This is a communication system with a strong broadband awareness, capable of realizing more diverse office solutions based on Internet access and image display functions through multifunction IP telephones equipped with large-size touch panel displays. In February 2007, we launched Desk Shopping service, a new e-commerce business model using this system, with the aim of seeking a further expansion in demand. In addition, we also promoted alliances with multitude multiple businesses while focusing efforts on promoting sales of IP compatible products and expanding our solution business as a way of promoting continued growth in the products that we handle as well as reinforcement of our sales network. Furthermore, in the Industrial Measuring Instrument Division, we moved forward with initiatives for the establishment of new business and technology for our core product oscilloscopes. In January, our Reprographic Systems Division released iJESTA, a new platesetter based on inkjet technology.

Nevertheless, consolidated sales for the term amounted to ¥37,169 million (¥39,567 million in the previous term), a decline of 6.0% year-on-year. The primary reasons for this include a decline in the sales volume of the core product line of office communication systems as the result of a level lower than anticipated in sales targeting SMEs, a major customer base, due to the effects of rigid credit management by leasing companies and inability of the Desk Shopping service to attain a level at which it would contribute to company performance. In regard to revenues, in addition to further deterioration in the profit/ loss picture at sales and manufacturing subsidiaries in the communication systems field due to the effects of the lackluster sales volume, the shift to a defined contribution pension program and reversal of deferred income tax assets resulted in a net loss for the term of ¥712 million (¥347 million net loss in the previous term).

The steady tone of recovery will likely continue in the economy of Japan driven by private-sector demand; however, depending on the state of the U.S. economy and the effects of financial and economic globalization, it is not possible to dispel a lack of transparency in the path ahead.

Under such conditions, the Group will continue to pursue business with the expansion of sales in the communication systems operations and improved profit/ loss performance as the highest priority issues. We will devise means to boost revenues by promoting sales centered in PRECOT and other products by placing an emphasis on medium-size and large-size businesses that are able to receive credit with greater relative ease in the domestic market centered on leasing and sales and offering proposals of the Desk Shopping service that we have now started as well as various other solutions, while seeking improvement in profit/ loss performance by reducing prime costs and fixed expenses.

The new three-year medium-term business plan - IWATSU Value-Up V6, that we have formulated with 2007 as the initial year, sets forth three basic policies, namely, challenges for new business, reform of the revenue structure and structural reform of group management. We intend to develop an “increasing returns” type business utilizing the next generation network NGN being promoted by NTT, expand existing business in information communications operations by focusing on activities in North America, reinforce direct sales capabilities, and realize improvements in profit-earning capacity and an enhancement of corporate value by reducing costs through the active utilization of design VE and imported parts, the repositioning of group resources and the like.

We hope to receive the continued support and encouragement of our shareholders.

Goals of New Medium-Term Business Plan - IWATSU Value-Up V6 (FY2007-09)

| | FY2006 performance | | FY2009 business plan goals | |
|---------------------------------|--------------------|------------------|----------------------------|------------------|
| | Consolidated | Non-consolidated | Consolidated | Non-consolidated |
| Sales volume (¥100 mil.) | 372 | 268 | 480 | 350 |
| Operating profit (¥100 mil.) | -3 | -0 | 30 | 20 |
| Operating profit margin (%) | -0.7 | -0.2 | 6.0 or more | 5.0 or more |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2007 and 2006

| | Millions of yen | | Thousands of U.S. dollars | |
|---|-----------------|----------------|------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net sales | ¥ 37,169 | ¥ 39,567 | \$ 314,858 | \$ 335,172 |
| Costs and expenses : | | | | |
| Cost of sales | 23,511 | 25,413 | 199,162 | 215,274 |
| Selling, general and administrative expenses | 13,916 | 14,156 | 117,882 | 119,915 |
| | <u>37,427</u> | <u>39,569</u> | <u>317,044</u> | <u>335,189</u> |
| Operating loss | (258) | (2) | (2,186) | (17) |
| Other income (expenses): | | | | |
| Interest and dividend income | 73 | 45 | 618 | 381 |
| Interest expense | (23) | (38) | (195) | (322) |
| Gain on sale of investment securities and investments in affiliated companies, net | 414 | 175 | 3,507 | 1,482 |
| Loss on disposal of inventories | (40) | (4) | (339) | (34) |
| Exchange gains | (16) | 195 | (136) | 1,652 |
| Gain on sale of property, plant and equipment | 42 | 5 | 356 | 42 |
| Loss on sale and disposal of property, plant and equipment | (61) | (48) | (517) | (407) |
| Special severance and retirement benefits | - | (17) | - | (144) |
| Loss from operations of test instruments | - | (599) | - | (5,074) |
| Loss on transition to defined contribution pension plan | (487) | - | (4,125) | - |
| Other - net | 76 | 80 | 645 | 679 |
| | <u>(22)</u> | <u>(206)</u> | <u>(186)</u> | <u>(1,745)</u> |
| Loss before income taxes and minority interests | (280) | (208) | (2,372) | (1,762) |
| Income taxes : | | | | |
| Current | 147 | 189 | 1,245 | 1,601 |
| Deferred | 285 | (49) | 2,414 | (415) |
| | <u>432</u> | <u>140</u> | <u>3,659</u> | <u>1,186</u> |
| Loss before minority interests | (712) | (348) | (6,031) | (2,948) |
| Minority interests | - | - | - | - |
| Net loss | <u>¥ (712)</u> | <u>¥ (348)</u> | <u>\$ (6,031)</u> | <u>\$ (2,948)</u> |
| | | | | |
| | | | | |
| | | | | |
| Net loss per share: | | | | |
| Basic | ¥ (7.08) | ¥ (3.68) | \$ (0.06) | \$ (0.03) |
| Diluted | - | - | - | - |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2007 and 2006

| <u>ASSETS</u> | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|----------|------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Current assets: | | | | |
| Cash | ¥ 4,015 | ¥ 4,698 | \$ 34,011 | \$ 39,797 |
| Notes and accounts receivable - trade: | | | | |
| Unconsolidated subsidiaries and affiliated companies | 403 | 475 | 3,414 | 4,024 |
| Other | 10,713 | 10,156 | 90,750 | 86,031 |
| Inventories | 5,698 | 6,147 | 48,268 | 52,071 |
| Deferred tax assets | 247 | 660 | 2,092 | 5,591 |
| Other current assets | 408 | 466 | 3,456 | 3,947 |
| Allowance for doubtful accounts | (14) | (22) | (119) | (186) |
| Total current assets | 21,470 | 22,580 | 181,872 | 191,275 |
| Property, plant and equipment, at cost | | | | |
| Land | 1,035 | 1,003 | 8,767 | 8,496 |
| Buildings and structures | 11,259 | 11,178 | 95,375 | 94,689 |
| Machinery and equipment | 17,538 | 17,792 | 148,564 | 150,716 |
| Construction in progress | 0 | 63 | 0 | 533 |
| | 29,832 | 30,036 | 252,706 | 254,434 |
| Accumulated depreciation | (24,117) | (24,065) | (204,294) | (203,854) |
| | 5,715 | 5,971 | 48,412 | 50,580 |
| Intangible assets | 2,470 | 2,410 | 20,923 | 20,415 |
| Investments and other assets: | | | | |
| Investment securities | 1,618 | 2,658 | 13,706 | 22,516 |
| Investments in unconsolidated subsidiaries and affiliated companies | 266 | 220 | 2,253 | 1,864 |
| Long-term loans receivable: | | | | |
| Unconsolidated subsidiaries and affiliated companies | 32 | 30 | 271 | 254 |
| Other | 29 | 39 | 246 | 330 |
| Long-term prepaid expenses | 8 | 23 | 68 | 195 |
| Deferred tax assets | 94 | 50 | 796 | 424 |
| Other assets | 1,257 | 1,317 | 10,648 | 11,156 |
| Allowance for doubtful accounts | (304) | (353) | (2,575) | (2,990) |
| | 3,000 | 3,984 | 25,413 | 33,749 |
| | ¥ 32,655 | ¥ 34,945 | \$ 276,620 | \$ 296,019 |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2007 and 2006

| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | Millions of yen | | Thousands of U.S. dollars | |
|--|-----------------|----------|------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Current liabilities: | | | | |
| Short-term loans payable | ¥ 50 | ¥ 36 | \$ 424 | \$ 305 |
| Long-term debt due within one year | 764 | 662 | 6,472 | 5,608 |
| Notes and accounts payable - trade: | | | | |
| Unconsolidated subsidiaries and affiliated companies | 20 | 77 | 169 | 652 |
| Other | 3,171 | 3,887 | 26,861 | 32,927 |
| Accounts payable - other | 341 | 160 | 2,889 | 1,355 |
| Accrued liabilities | 2,330 | 2,507 | 19,737 | 21,237 |
| Income taxes payable | 135 | 145 | 1,144 | 1,228 |
| Other current liabilities | 755 | 746 | 6,395 | 6,320 |
| Total current liabilities | 7,566 | 8,220 | 64,091 | 69,632 |
| Long-term debt due after one year | 1,756 | 752 | 14,875 | 6,370 |
| Severance and retirement benefits for employees | 4,122 | 5,901 | 34,917 | 49,987 |
| Deferred tax liabilities | 326 | 759 | 2,762 | 6,429 |
| Other liabilities | 904 | 158 | 7,658 | 1,339 |
| Contingent liabilities | | | | |
| Minority interests | - | - | - | - |
| Stockholders' equity: | | | | |
| Common stock | | | | |
| Authorized - 300,000,000 shares | | | | |
| Issued - 100,803,447 shares | 6,025 | 6,025 | 51,038 | 51,038 |
| Capital surplus | 6,942 | 6,942 | 58,806 | 58,806 |
| Retained earnings | 4,892 | 5,626 | 41,440 | 47,658 |
| Net unrealized holding gains on securities | 458 | 974 | 3,880 | 8,251 |
| Foreign currency translation adjustments | (297) | (378) | (2,517) | (3,203) |
| | 18,020 | 19,189 | 152,647 | 162,550 |
| Less treasury stock of 206,809 shares (180,980 shares in 2006), at cost | (39) | (34) | (330) | (288) |
| Total stockholders' equity | 17,981 | 19,155 | 152,317 | 162,262 |
| | ¥ 32,655 | ¥ 34,945 | \$ 276,620 | \$ 296,019 |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended March 31, 2007 and 2006

| | Millions of yen | | | | | | |
|---|--|-----------------|--------------------|----------------------|--|--|-------------------|
| | Number of Shares of common stock | Common stock | Capital surplus | Retained earnings | Net unrealized holding gains on securities | Foreign currency translation adjustments | Treasury stock |
| Balance at March 31, 2005 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 6,295 | ¥ 556 | ¥ (510) | ¥ (26) |
| Net income (loss) | - | - | - | (348) | - | - | - |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | 132 | - |
| Increase of net unrealized holding gains on securities | - | - | - | - | 418 | - | - |
| Treasury stock | - | - | - | - | - | - | (8) |
| Decrease due to change in scope of consolidated subsidiaries | - | - | - | (3) | - | - | - |
| Cash dividends | - | - | - | (252) | - | - | - |
| Bonuses to directors | - | - | - | (66) | - | - | - |
| Balance at March 31, 2006 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 5,626 | ¥ 974 | ¥ (378) | ¥ (34) |
| Net income (loss) | - | - | - | (712) | - | - | - |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | - | 81 | - |
| Decrease of net unrealized holding gains on securities | - | - | - | - | (516) | - | - |
| Treasury stock | - | - | - | - | - | - | (5) |
| Bonuses to directors | - | - | - | (22) | - | - | - |
| Balance at March 31, 2007 | 100,803,447 | ¥ 6,025 | ¥ 6,942 | ¥ 4,892 | ¥ 458 | ¥ (297) | ¥ (39) |

| | Thousands of U.S. dollars | | | | | |
|---|---------------------------|--------------------|----------------------|--|--|-------------------|
| | Common stock | Capital Surplus | Retained earnings | Net unrealized holding gains on securities | Foreign currency translation adjustments | Treasury stock |
| Balance at March 31, 2005 | \$ 51,038 | \$ 58,806 | \$ 53,325 | \$ 4,710 | \$ (4,320) | \$ (220) |
| Net income (loss) | - | - | (2,948) | - | - | - |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | 1,117 | - |
| Increase of net unrealized holding gains on securities | - | - | - | 3,541 | - | - |
| Treasury stock | - | - | - | - | - | (68) |
| Decrease due to change in scope of consolidated subsidiaries | - | - | (25) | - | - | - |
| Cash dividends | - | - | (2,135) | - | - | - |
| Bonuses to directors | - | - | (559) | - | - | - |
| Balance at March 31, 2006 | \$ 51,038 | \$ 58,806 | \$ 47,658 | \$ 8,251 | \$ (3,203) | \$ (288) |
| Net income (loss) | - | - | (6,031) | - | - | - |
| Adjustments from translation of foreign currency financial statements | - | - | - | - | 686 | - |
| Increase of net unrealized holding gains on securities | - | - | - | (4,371) | - | - |
| Treasury stock | - | - | - | - | - | (42) |
| Bonuses to directors | - | - | (187) | - | - | - |
| Balance at March 31, 2007 | \$ 51,038 | \$ 58,806 | \$ 41,440 | \$ 3,880 | \$ (2,517) | \$ (330) |

IWATSU ELECTRIC CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2007 and 2006

| | Millions of yen | | dollars | |
|--|-----------------|---------|------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Cash flows from operating activities: | | | | |
| loss before income taxes and minority interests | ¥ (280) | ¥ (208) | \$ (2,372) | \$ (1,762) |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | | |
| Depreciation | 1,870 | 1,930 | 15,841 | 16,349 |
| Increase (Decrease) in allowance for doubtful accounts | (57) | 85 | (483) | 720 |
| Increase (Decrease) in severance and retirement benefits | (1,783) | 483 | (15,104) | 4,091 |
| Interest and dividend income | (73) | (45) | (618) | (381) |
| Interest expense | 23 | 38 | 195 | 322 |
| Gain on sale of investment securities and investments in affiliated companies, net | (414) | (175) | (3,507) | (1,482) |
| Loss from operations of test instruments | - | 479 | - | 4,058 |
| Loss on transition to defined contribution pension plan | 487 | - | 4,125 | - |
| Gain on sale of property, plant and equipment | (42) | (5) | (356) | (42) |
| Loss on sale and disposal of property, plant and equipment | 61 | 48 | 517 | 407 |
| Changes in operating assets and liabilities - net: | | | | |
| Decrease (Increase) in notes and accounts receivable - trade | (394) | 736 | (3,338) | 6,235 |
| Decrease in inventories | 480 | 449 | 4,066 | 3,803 |
| Decrease in notes and accounts payable - trade | (785) | (233) | (6,650) | (1,974) |
| Increase in accrued expenses | 83 | 218 | 703 | 1,847 |
| Other - net | 406 | (519) | 3,440 | (4,398) |
| Subtotal | (418) | 3,281 | (3,541) | 27,793 |
| Interest and dividend received | 73 | 45 | 618 | 381 |
| Interest paid | (23) | (38) | (195) | (322) |
| Income taxes paid | (161) | (239) | (1,363) | (2,024) |
| Net cash provided by operating activities | (529) | 3,049 | (4,481) | 25,828 |
| Cash flows from investing activities: | | | | |
| Decrease (Increase) in time deposits | (1) | 11 | (8) | 93 |
| Proceeds from sale of investment securities | 580 | 459 | 4,913 | 3,888 |
| Payment for purchase of investment securities | (54) | (226) | (457) | (1,914) |
| Proceeds from sale of properties | 51 | 38 | 432 | 322 |
| Payment for purchase of properties, intangible assets and long-term prepaid expenses | (1,753) | (2,472) | (14,850) | (20,940) |
| Proceeds from redemption of investments in trusts | - | 16 | - | 136 |
| Proceeds from liquidation of investment securities | 16 | - | 136 | - |
| Decrease in cash and cash equivalents resulting from sale of investments in a consolidated subsidiary | - | (107) | - | (906) |
| Other - net | (128) | (44) | (1,085) | (374) |
| Net cash used in investing activities | (1,289) | (2,325) | (10,919) | (19,695) |
| Cash flows from financing activities: | | | | |
| Decrease in short-term bank loans | 14 | (7) | 119 | (59) |
| Proceeds from long-term debt | 1,800 | - | 15,248 | - |
| Repayments of long-term debt | (694) | (1,912) | (5,879) | (16,197) |
| Dividends paid | (0) | (248) | (0) | (2,101) |
| Other - net | (6) | (8) | (51) | (67) |
| Net cash used in financing activities | 1,114 | (2,175) | 9,437 | (18,424) |
| Effect of exchange rate changes on cash and cash equivalents | 19 | 38 | 161 | 321 |
| Net increase in cash and cash equivalents | (685) | (1,413) | (5,802) | (11,970) |
| Cash and cash equivalents at beginning of year | 4,646 | 6,059 | 39,356 | 51,326 |
| Increase in cash and cash equivalents resulting from merger | - | - | - | - |
| Cash and cash equivalents at end of year | ¥ 3,961 | ¥ 4,646 | \$ 33,554 | \$ 39,356 |

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007 AND 2006

Segment information

The Company's primary businesses are the manufacturing and sales of (1) telecommunications equipment, (2) electric measuring equipment and (3) reprographic equipment.

A summary of net sales, costs and expenses and operating income by business segment for the years ended March 31, 2007 and 2006 was as follows:

| | Millions of yen | | | | | |
|------------------------------------|---------------------------------|------------------------------------|---------------------------|----------------|--------------------------------|----------------|
| | Telecommunications equipment | Electric measuring equipment | Reprographic equipment | Total | Elimination or corporate | Consolidated |
| For the year ended March 31, 2007: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | ¥ 24,650 | ¥ 7,602 | ¥ 4,917 | ¥ 37,169 | ¥ - | ¥ 37,169 |
| Inter-segment | 94 | - | - | 94 | (94) | - |
| total | <u>24,744</u> | <u>7,602</u> | <u>4,917</u> | <u>37,263</u> | <u>(94)</u> | <u>37,169</u> |
| Costs and expenses | 26,357 | 7,352 | 3,811 | 37,520 | (93) | 37,427 |
| Operating income (loss) | <u>¥ (1,613)</u> | <u>¥ 250</u> | <u>¥ 1,106</u> | <u>¥ (257)</u> | <u>¥ (1)</u> | <u>¥ (258)</u> |
| Identifiable assets | ¥ 20,140 | ¥ 4,976 | ¥ 3,451 | ¥ 28,567 | ¥ 4,088 | ¥ 32,655 |
| Depreciation | 1,558 | 135 | 177 | 1,870 | - | 1,870 |
| Capital expenditures | 1,465 | 99 | 189 | 1,753 | - | 1,753 |
| For the year ended March 31, 2006: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | ¥ 26,897 | ¥ 8,286 | ¥ 4,384 | ¥ 39,567 | ¥ - | ¥ 39,567 |
| Inter-segment | 237 | - | - | 237 | (237) | - |
| total | <u>27,134</u> | <u>8,286</u> | <u>4,384</u> | <u>39,804</u> | <u>(237)</u> | <u>39,567</u> |
| Costs and expenses | 28,152 | 8,089 | 3,564 | 39,805 | (236) | 39,569 |
| Operating income | <u>¥ (1,018)</u> | <u>¥ 197</u> | <u>¥ 820</u> | <u>¥ (1)</u> | <u>¥ (1)</u> | <u>¥ (2)</u> |
| Identifiable assets | ¥ 21,191 | ¥ 5,175 | ¥ 2,947 | ¥ 29,313 | ¥ 5,632 | ¥ 34,945 |
| Depreciation | 1,529 | 246 | 155 | 1,930 | - | 1,930 |
| Capital expenditures | 2,304 | 323 | 213 | 2,840 | - | 2,840 |

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007 AND 2006

| | Thousands of U.S. dollars | | | | | |
|------------------------------------|---------------------------------|------------------------------------|---------------------------|-------------------|-----------------------------|-------------------|
| | Telecommunications equipment | Electric measuring equipment | Reprographic equipment | Total | Elimination or corporate | Consolidated |
| For the year ended March 31, 2007: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | \$ 208,810 | \$ 64,396 | \$ 41,652 | \$ 314,858 | \$ - | \$ 314,858 |
| Inter-segment | 796 | - | - | 796 | (796) | - |
| total | <u>209,606</u> | <u>64,396</u> | <u>41,652</u> | <u>315,654</u> | <u>(796)</u> | <u>314,858</u> |
| Costs and expenses | 223,270 | 62,278 | 32,283 | 317,831 | (787) | 317,044 |
| Operating income (loss) | <u>\$ (13,664)</u> | <u>\$ 2,118</u> | <u>\$ 9,369</u> | <u>\$ (2,177)</u> | <u>\$ (9)</u> | <u>\$ (2,186)</u> |
| Identifiable assets | \$ 170,606 | \$ 42,152 | \$ 29,233 | \$ 241,991 | \$ 34,629 | \$ 276,620 |
| Depreciation | 13,198 | 1,144 | 1,499 | 15,841 | - | 15,841 |
| Capital expenditures | 12,410 | 839 | 1,601 | 14,850 | - | 14,850 |
| For the year ended March 31, 2006: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | \$ 227,844 | \$ 70,191 | \$ 37,137 | \$ 335,172 | \$ - | \$ 335,172 |
| Inter-segment | 2,007 | - | - | 2,007 | (2,007) | - |
| total | <u>229,851</u> | <u>70,191</u> | <u>37,137</u> | <u>337,179</u> | <u>(2,007)</u> | <u>335,172</u> |
| Costs and expenses | 238,475 | 68,522 | 30,191 | 337,188 | (1,999) | 335,189 |
| Operating income | <u>\$ (8,624)</u> | <u>\$ 1,669</u> | <u>\$ 6,946</u> | <u>\$ (9)</u> | <u>\$ (8)</u> | <u>\$ (17)</u> |
| Identifiable assets | \$ 179,509 | \$ 43,837 | \$ 24,964 | \$ 248,310 | \$ 47,709 | \$ 296,019 |
| Depreciation | 12,952 | 2,084 | 1,313 | 16,349 | - | 16,349 |
| Capital expenditures | 19,518 | 2,736 | 1,804 | 24,058 | - | 24,058 |

Eliminations of assets include corporate assets that were principally cash, time deposits, investment in securities and certain other assets of the Administration division.

The corporate assets as of March 31, 2007 and 2006 were ¥4,088 million (U.S.\$34,629thousand) and ¥5,632(U.S.\$47,709thousand), respectively.

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007 AND 2006

A summary of net sales, costs and expenses, operating income (loss) and identifiable assets by geographic area for the years ended March 31, 2007 and 2006 is as follows:

| Millions of yen | | | | | | |
|------------------------------------|---------------|----------------|---------------|----------------|--------------------------|----------------|
| | Japan | North America | Asia | Total | Elimination or corporate | Consolidated |
| For the year ended March 31, 2007: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | ¥ 34,470 | ¥ 2,668 | ¥ 31 | ¥ 37,169 | ¥ - | ¥ 37,169 |
| Inter-segment | 1,173 | 10 | 1,904 | 3,087 | (3,087) | - |
| total | <u>35,643</u> | <u>2,678</u> | <u>1,935</u> | <u>40,256</u> | <u>(3,087)</u> | <u>37,169</u> |
| Costs and expenses | 35,687 | 2,900 | 1,988 | 40,575 | (3,148) | 37,427 |
| Operating income(loss) | <u>¥ (44)</u> | <u>¥ (222)</u> | <u>¥ (53)</u> | <u>¥ (319)</u> | <u>¥ 61</u> | <u>¥ (258)</u> |
| Identifiable assets | ¥ 28,959 | ¥ 1,315 | ¥ 1,309 | ¥ 31,583 | ¥ 1,072 | ¥ 32,655 |
| For the year ended March 31, 2006: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | ¥ 36,682 | ¥ 2,866 | ¥ 19 | ¥ 39,567 | ¥ - | ¥ 39,567 |
| Inter-segment | 1,055 | 15 | 2,262 | 3,332 | (3,332) | - |
| total | <u>37,737</u> | <u>2,881</u> | <u>2,281</u> | <u>42,899</u> | <u>(3,332)</u> | <u>39,567</u> |
| Costs and expenses | 37,774 | 2,866 | 2,267 | 42,907 | (3,338) | 39,569 |
| Operating income(loss) | <u>¥ (37)</u> | <u>¥ 15</u> | <u>¥ 14</u> | <u>¥ (8)</u> | <u>¥ 6</u> | <u>¥ (2)</u> |
| Identifiable assets | ¥ 29,597 | ¥ 1,526 | ¥ 1,405 | ¥ 32,528 | ¥ 2,417 | ¥ 34,945 |

| Thousands of U.S. dollars | | | | | | |
|------------------------------------|-----------------|-------------------|-----------------|-------------------|--------------------------|-------------------|
| | Japan | North America | Asia | Total | Elimination or corporate | Consolidated |
| For the year ended March 31, 2007: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | \$ 291,995 | \$ 22,600 | \$ 263 | \$ 314,858 | \$ - | \$ 314,858 |
| Inter-segment | 9,936 | 85 | 16,129 | 26,150 | (26,150) | - |
| total | <u>301,931</u> | <u>22,685</u> | <u>16,392</u> | <u>341,008</u> | <u>(26,150)</u> | <u>314,858</u> |
| Costs and expenses | 302,304 | 24,566 | 16,841 | 343,711 | (26,667) | 317,044 |
| Operating income(loss) | <u>\$ (373)</u> | <u>\$ (1,881)</u> | <u>\$ (449)</u> | <u>\$ (2,703)</u> | <u>\$ 517</u> | <u>\$ (2,186)</u> |
| Identifiable assets | \$ 245,311 | \$ 11,139 | \$ 11,089 | \$ 267,539 | \$ 9,081 | \$ 276,620 |
| For the year ended March 31, 2006: | | | | | | |
| Net sales: | | | | | | |
| Outside customers | \$ 310,733 | \$ 24,278 | \$ 161 | \$ 335,172 | \$ - | \$ 335,172 |
| Inter-segment | 8,937 | 127 | 19,161 | 28,225 | (28,225) | - |
| total | <u>319,670</u> | <u>24,405</u> | <u>19,322</u> | <u>363,397</u> | <u>(28,225)</u> | <u>335,172</u> |
| Costs and expenses | 319,983 | 24,278 | 19,204 | 363,465 | (28,276) | 335,189 |
| Operating income(loss) | <u>\$ (313)</u> | <u>\$ 127</u> | <u>\$ 118</u> | <u>\$ (68)</u> | <u>\$ 51</u> | <u>\$ (17)</u> |
| Identifiable assets | \$ 250,716 | \$ 12,927 | \$ 11,902 | \$ 275,545 | \$ 20,474 | \$ 296,019 |

Eliminations of assets include corporate assets that were principally cash, time deposits, investment in securities and certain other assets of the Administration division.

The corporate assets as of March 31, 2007 and 2006 were ¥4,088 million (U.S.\$34,629thousand) and ¥5,632(U.S.\$47,709thousand),respectively.

IWATSU ELECTRIC CO., LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007 AND 2006

Overseas net sales by the Company and consolidated subsidiaries for the years ended March 31, 2007 and 2006 were as follows:

| | Millions of yen | | | |
|--|-----------------|---------|-------------|---------|
| | North America | Asia | Other Areas | Total |
| For the year ended March 31, 2007: | | | | |
| Overseas net sales | ¥ 3,430 | ¥ 1,493 | ¥ 127 | ¥ 5,050 |
| Consolidated net sales | - | - | - | 37,169 |
| Ratios of overseas net sales to consolidated net sales | 9.2% | 4.0% | 0.3% | 13.5% |
| For the year ended March 31, 2006: | | | | |
| Overseas net sales | ¥ 4,515 | ¥ 1,466 | ¥ 231 | ¥ 6,212 |
| Consolidated net sales | - | - | - | 39,567 |
| Ratios of overseas net sales to consolidated net sales | 11.4% | 3.7% | 0.6% | 15.7% |

| | Thousands of U.S. dollars | | | |
|--|---------------------------|-----------|-------------|-----------|
| | North America | Asia | Other Areas | Total |
| For the year ended March 31, 2007: | | | | |
| Overseas net sales | \$ 29,055 | \$ 12,647 | \$ 1,076 | \$ 42,778 |
| Consolidated net sales | - | - | - | 314,858 |
| Ratios of overseas net sales to consolidated net sales | 9.2% | 4.0% | 0.3% | 13.5% |
| For the year ended March 31, 2006: | | | | |
| Overseas net sales | \$ 38,247 | \$ 12,418 | \$ 1,957 | \$ 52,622 |
| Consolidated net sales | - | - | - | 335,172 |
| Ratios of overseas net sales to consolidated net sales | 11.4% | 3.7% | 0.6% | 15.7% |