AMADA

Annual Report 2006

Profile

Founded in 1946, the Amada Group and its flagship company, Amada Co., Ltd., comprise a corporate group that spans the globe with business operations centered in Japan, North America, Europe, and Asia. The Amada Group is engaged in the development, manufacturing, sales, and service of sheet-metalworking machinery, bandsaws, presses, and machine tools as well as related punches and dies, peripheral equipment, and software.

In terms of production volume, the Amada Group is the largest manufacturer of its kind in Japan and is steadily building a track record overseas, earning Amada brand products a reputation as the global standard in its field. In fiscal 2006, ended March 31, 2006, the overseas ratio of sales to net sales was 45.3%.

The Amada Group supplies the highest-quality products that achieve the highest customer satisfaction rating, while providing attentive and courteous service, including consulting. The Group has expanded its total solutions business to respond to the increasingly sophisticated, complex, and diversifying needs of customers and to the issues they face.

To ensure a bright future in manufacturing, the Amada Group has adopted the management philosophy of maintaining constant awareness of the relationship between humans and machines and between the global environment and industry while providing the best solutions and contributing to the world community through the advancement of industry under the creed of "Creative solutions for your manufacturing success."

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COVER: Head Office's Forum 246 and Amada Sfera
Forum 246: This building is designed to serve as a bridge to bring together customers (the market) and Amada (the manufacturer).
Amada Sfera: This sculpture is a symbol of the Amada Group's commitment to operating in harmony with the global environment.

Financial Highlights

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2006	2005	2004	2003	2002
For the year:					
Net sales	**¥221,780**	¥201,097	¥164,614	¥145,425	¥164,520
Sales to foreign customers	**100,573**	82,964	66,526	64,021	74,751
Cost of sales	**125,133**	111,918	94,371	84,758	98,791
Gross profit	**96,646**	89,178	70,243	60,666	65,728
Selling, general and administrative expenses	**68,426**	65,293	66,515	66,876	71,190
Net changes in deferred profit on installment sales	**100**	(2,371)	(1,282)	1,176	2,549
Operating income (loss)	**28,320**	21,513	2,445	(5,033)	(2,912)
Other income (expenses)—net	**5,008**	(2,826)	2,704	(2,466)	3,714
Income (loss) before income taxes and minority interests	**33,328**	18,687	5,150	(7,499)	801
Net income (loss)	**22,297**	10,940	372	(6,588)	(539)
Purchases of property, plant and equipment	**5,801**	5,286	3,740	4,433	8,401
Depreciation and amortization	**8,808**	8,669	9,069	10,504	10,171
Research and development costs	**5,302**	6,380	7,161	6,345	6,063
At year-end:					
Total shareholders' equity	**¥394,691**	¥367,808	¥358,342	¥286,728	¥298,462
Total assets	**511,248**	475,224	457,283	392,047	425,709
Total long-term liabilities	**33,308**	32,093	31,995	26,823	30,843
Per share of common stock (yen):					
Net income (loss)—					
Basic	**¥ 56.59**	¥ 27.66	¥ 0.90	¥ (19.64)	¥ (1.59)
Diluted	**56.53**				
Cash dividends applicable to the year	**16.00**	10.00	5.00	5.00	5.00
Sales composition:					
Sheet-metalworking machines:					
Machines	**¥105,368**	¥ 96,542	¥ 79,375		
Software and factory automation equipment	**8,249**	7,713	6,910		
Services	**9,977**	9,961	9,194		
Punches and dies and other products	**33,594**	29,484	26,698		
	¥157,189	¥143,702	¥122,178		
Bandsaws and other metal-machining equipment	**¥ 30,702**	¥ 26,853	¥ 23,227		
Presses	**11,240**	10,716	8,784		
Machine tools	**18,804**	15,427	5,735		
Real estate leasing	**1,647**	1,639	1,435		
Others	**2,196**	2,757	3,253		
Total	**¥221,780**	¥201,097	¥164,614		
Number of employees	**5,071**	4,977	4,793	4,133	4,353

Notes: 1. The yen figures presented in the financial summary are rounded down to millions of yen, except for per share amounts.
2. Amada Co., Ltd., merged with Amada Machinics Co., Ltd., on October 1, 2003. The pre-fiscal 2004 figures shown in the financial summary are those of Amada before the merger.
3. Prior to fiscal 2005, the sales composition was classified based on the functions of products. From the year ended March 31, 2005, sales of products are separated according to the markets where the products are sold. For comparative purposes only, the sales composition for fiscal 2004 is reclassified based on the current fiscal year policy.

A Message from the President

Mitsuo Okamoto,
President and Chief Executive Officer

Market Environment and Strategies

In fiscal 2006, the Japanese economy continued on a moderate but steady course to recovery, backed by higher private-sector investment and favorable consumer spending, thanks to improvements in the employment and income environments. Overseas, the U.S. economy remained strong, while the European economy recovered moderately. In Asia, the economy remained on an expansionary track, especially in China.

In the machinery industry, in addition to greater demand for automobiles and electric and precision machinery in digital-related fields, material and component industries and production equipment manufacturers also witnessed higher demand. Overseas growth was favorable, especially in the North American and East Asian markets.

Consequently, the Amada Group focused its efforts on raising profitability and ensuring growth through a variety of measures, including the construction of a comprehensive engineering business to support customer business creation from multiple angles in the area of metal processing and the selection of optimal strategies for responding to market and regional conditions.

Under its collaborative product development and production system, the Amada Group developed new products with profit-earning potential, retooled the production line of its mainstay product, the NC turret punch press, and built a manufacturing system capable of flexibly responding to future demand increases and changes in product models and volumes produced.

We instituted bold structural changes, including the launch of a new sales system supported by professional engineering and networking groups that is based on a solutions sales approach tailored to each geographic region.

In addition, business restructuring begun two year ago, and aimed at creating a fully profitable network of businesses along separate market lines for sheet-metalworking and cutting machinery, presses, and machine tools, will be nearly completed within this fiscal year. We have also steadily laid the foundation for a flexible system of sales tailored to the unique features of each market.

Consolidated Fiscal 2006 Results

In fiscal 2006, consolidated orders totaled ¥228.0 billion (US$1,941.6 million), up 12.3% year on year. Sales were ¥221.7 billion (US$1,887.9 million), up 10.3%, as both orders and sales exceeded the amounts recorded in the previous period.

Operating income increased 31.6%, to ¥28.3 billion (US$241.0 million), thanks primarily to increased revenue, measures taken to promote cost efficiency, and a decrease in the amount of unrealized gains from installment sales carried forward.

In addition, net income jumped a substantial 103.8%, to ¥22.2 billion (US$189.8 million), due to the early introduction in the previous fiscal year of accounting standards pertaining to the impairment of long-lived assets and the recording of an extraordinary loss associated with the write-off of losses from golf membership rights in the Company's possession. Considering earnings results and other factors, we raised the dividend per share ¥6.0, to ¥16.0 (US$0.13).

Medium- to Long-Term Business Strategies and Challenges

To ensure Company security and growth in a business environment marked by dramatic change as a result of a transformation in the industrial structure, the Amada Group is taking steps to change its business style and shake up Group management, while continuing to challenge new horizons as an engineering business, the foundation of its total solutions business, based on the realization that the improvement of its profit structure is its most important task.

In the sheet-metalworking machinery area, Amada's core market, we have focused our efforts on expanding our product lineup and improving our price competitiveness, with a primary focus on laser products. At the same time, to enhance our manufacturing system, we are developing a business strategy that will ensure our competitiveness in the growing laser machine market, which includes a plan for constructing a plant at our Fujinomiya business complex.

In addition, we are strengthening the collaborative relationship between product development and manufacturing, with the goal of front-loading development, and vigorously working to create an environment for product development that will help enhance product appeal. To that end, we are building a new product development center within our Fujinomiya business complex. Moreover, we are implementing various measures to develop the market, including expanding our sales channels and stimulating demand in such emerging overseas markets as China, Eastern Europe, Russia, and India.

In the area of bandsaws, we are building a product supply system tailored to each market for metal-cutting bandsaws, and we will continue to aggressively develop the market for pulse-cutting bandsaws. We also plan to invest in the modernization of metal-cutting bandsaw blade manufacturing equipment and in additional production capacity for next-generation products.

In the press area, we are taking steps to enhance our "SDE series" product lineup of servo-electric driven presses and making every possible effort to stimulate demand, as we promote the greater use of networking in the press processing field and further strengthening our solutions business.

In the machine tools area, to further increase profitability in an environment marked by strong demand, we are faced with a number of challenges, including the improvement of productivity, the shortening of production lead times, and the acceleration of new product development. With respect to sales, we are actively engaged in the construction of a global sales system focused on the three regions of Japan, North America, and Southeast Asia.

A Message from the President

Future Outlook

In terms of future economic trends, above all, domestic capital spending and individual consumption will sustain moderate recoveries, and the world economy is expected to continue on the road to recovery. Nevertheless, there remain such uncertainties as the skyrocketing prices of raw materials, including crude oil, interest and exchange rate movements, and trends in the U.S. and Chinese economies.

In the machinery industry, although we expect orders to be strong on the back of voracious capital spending in Japan and abroad, we foresee an ever-intensifying battle for market share and other similar scenarios, which will make heated global competition among rivals difficult to avoid.

Having established “stronger product appeal,” “new market development,” and “supply system improvement” as its three foremost tasks, the Amada Group will further strengthen its marketing and service capabilities, as well as its technological focus, and continue to challenge new horizons as an engineering company, while steadily carrying out its various missions in each of the sheet-metalworking and cutting machinery, presses, and machine tools markets.

With a focus on the above-mentioned tasks, the Amada Group will conduct effective and efficient management of the tangible and intangible business resources accumulated by the Group since its founding, achieve greater transparency, exercise its social responsibilities, enhance investor relations programs, promote safe and environmentally sound business practices, and devote its managerial efforts to increasing corporate value.

Last, I would like to express my thanks to our shareholders and ask for your continued support in the years ahead.

September 2006

Mitsuo Okamoto

Mitsuo Okamoto
President and Chief Executive Officer

Review of Operations by Group

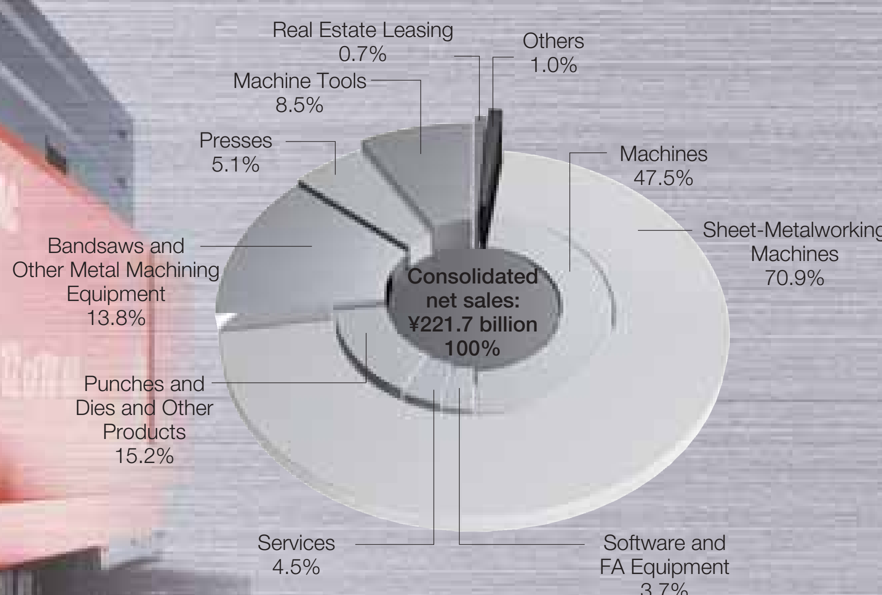
Sheet-Metalworking Machines

The Sheet-Metalworking Machines Group's product lineup consists of punch presses, laser machines, press brakes, and other products.

To get sales of our solutions-based products, which integrate the latest model products and software, back on track, we are implementing a number of measures that range from frontline and back-end support for the organizational restructuring of sales and service to the review of our compensation system and the development of a sales force with extensive knowledge of sheet-metal processing products and process management. We are also setting up and enhancing various related systems, including the planned launch of the AVSA (Amada Value Solution Agreement), a lease agreement system for new products adapted to customer needs.

In addition, Amada is moving aggressively ahead in the areas of development and manufacturing as it shifts to a solutions-based business model. Examples of this include renovations made to a continuous automated processing line for NC turret punch presses, the introduction of our AM-HIT (Amada High-grade Information Technology) system, our unique production management system, and the gradual adoption of a cell production system that performs process demonstrations at one site.

The Sheet-Metalworking Machines Group is the most critical product area in the Amada Group. For this reason, we are reporting separately on machines, software and factory automation (FA) equipment, services, punches and dies, and other products in this field.



LC-1212α IV NT
This two-dimensional laser machine features advanced all-in-one construction with a built-in laser oscillator.

Review of Operations by Group

Machines

Sales of NC turret punch presses, Amada's mainstay punch press, increased, albeit slightly, thanks to an aggressive sales campaign revolving around the "EM series" of servo-electric driven NC turrets (NCTs), a strategic product.

In the laser machine area, amid strong demand in the precision-parts processing field, we focused on promoting the sales of our EML series, a combination of punch presses with processing equipment, to meet the demand for diverse, small-lot production and shorter delivery times. We increased sales as a result of a sustained marketing campaign for automation and system products.

In the press brake area, sales were up thanks to efforts to expand sales of system products that combine peripheral equipment with software for improving the operation efficiency of our mainstay HDS series of products as well as from continued booming demand in the sash and machine cover processing industries.

Consequently, among mainstay products, NCT sales were flat, though sales of laser machines and press brakes increased, and total sheet-metalworking machine sales rose 9.1% year on year, to ¥105.3 billion (US$896.9 million).

Software and FA Equipment

In the software and FA equipment area, we are upgrading hardware and software, including automatic programming devices, so that we can provide a solution to customer demand for increased productivity and higher machine operation rates. We are also taking steps to enhance online support systems, including software call centers and program services.

These initiatives and higher demand for machine units boosted sales of software and FA equipment 6.9% year on year, to ¥8.2 billion (US$70.2 million).

Services

To get our customer service system, which is based on a regular locally based service and an exclusive service offered by regional service centers, off to a strong start, and to increase customer satisfaction, we have been implementing a consistent service program.

Sales of services edged up 0.2%, to ¥9.9 billion (US$84.9 million).

Punches and Dies and Other Products

As a result of leveraging IT networks and aggressively pursuing new orders for dies used in punch presses, press brakes, and other products, and by expanding sales of products designed for longer operating life and reduced die replacement time, demand was robust as sales of machine units increased and operating rates for already shipped machines improved.

As a result, sales of punches and dies and other products climbed 13.9%, to ¥33.5 billion (US$285.9 million).

Sales in the Sheet-Metalworking Machines Group were up 9.4%, to ¥157.1 billion (US$1,338.1 million).

Bandsaws and Other Metal-Machining Equipment

The product lineup in this group includes bandsaws for sawing metal and other products for the cutting market. We accelerated the release of the pulse-cutting bandsaw, a next-generation mainstay product, and expanded the supply system for metal-cutting bandsaw blades globally, thereby enabling a stabler and more rapid supply of products in this market.

Sales of metal-cutting bandsaws increased on the back of strong demand for these products from the automotive and steel industries and aggressive sales campaigns for differentiated, high-value-added products. With increased sales of metal-cutting bandsaw blades and rising machine operation rates, Amada expanded its supply capacity by opening a new manufacturing plant in China.

Sales in this group climbed 14.3%, to ¥30.7 billion (US$261.3 million).

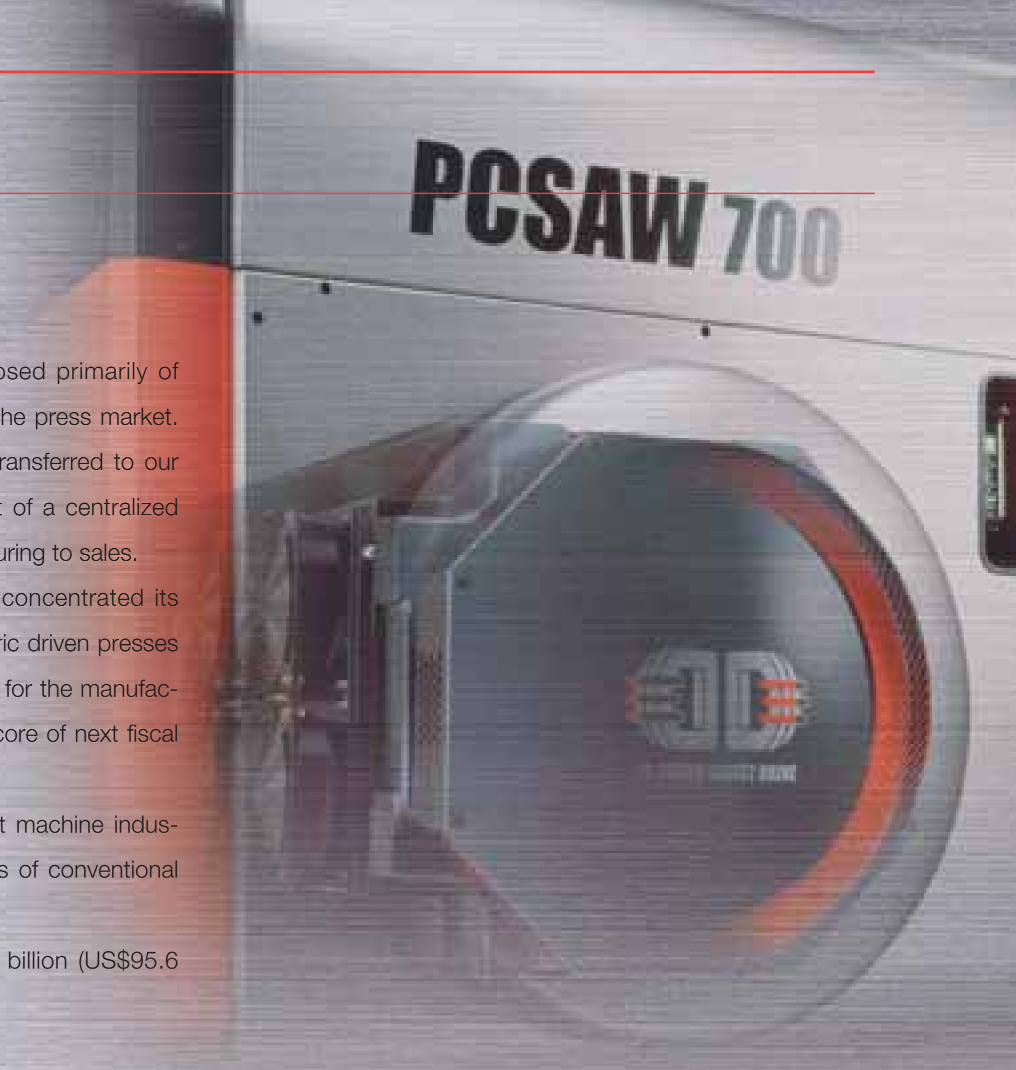
Presses

The product lineup in this group is composed primarily of mechanical presses and other products for the press market. The manufacturing of press products was transferred to our sales subsidiary, enabling the establishment of a centralized system that covers everything from manufacturing to sales.

In the area of product strategy, Amada concentrated its efforts on expanding the sales of servo-electric driven presses and focused on developing the infrastructure for the manufacturing of new products that are to form the core of next fiscal year's lineup.

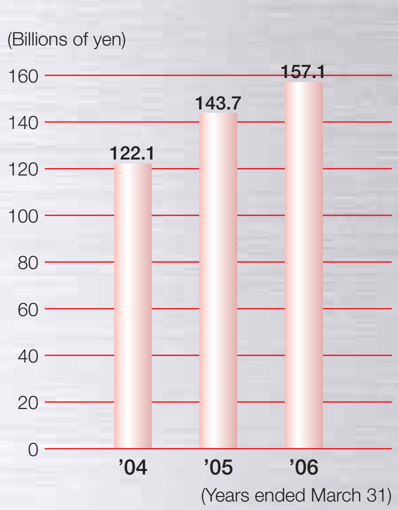
Orders from the automotive and transport machine industries, the leading users, increased, and sales of conventional link motion presses were brisk.

Sales in this group rose 4.9%, to ¥11.2 billion (US$95.6 million).

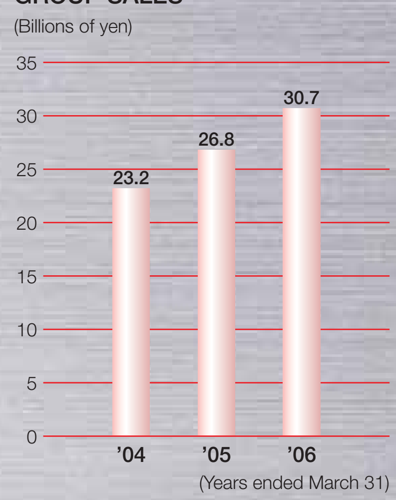


PCSAW-700
This bandsaw uses pulse vibration via an AC Servo Direct Drive to achieve high-speed cutting and a low noise level.

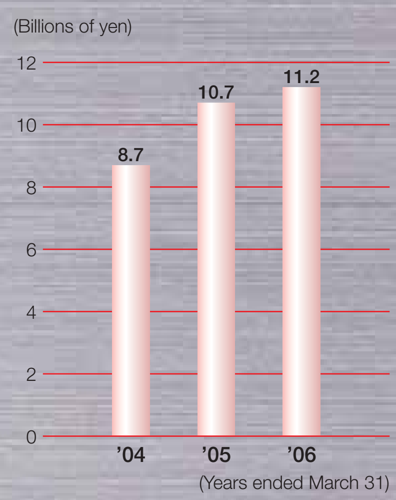
SHEET-METALWORKING MACHINES GROUP SALES



BANDSAWS AND OTHER METAL-MACHINING EQUIPMENT GROUP SALES



PRESSES GROUP SALES



Machine Tools

The Machine Tool Group product lineup comprises lathes, grinders, and other metal machine tools.

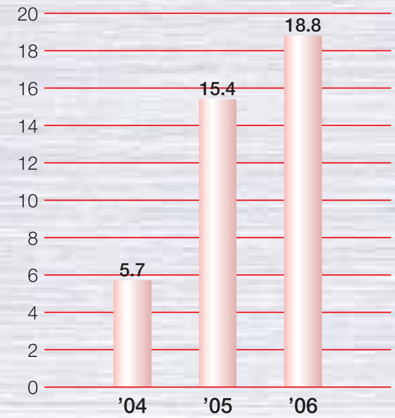
Amid continuing active demand, primarily from automotive-related industries, we concentrated on the development of new lathes and grinders and productivity improvement.

Moreover, we strengthened our efforts to penetrate the small-precision-parts processing market by launching the new Ai8 series, products that combine milling process functions with lathes. Meanwhile, sales of both lathes and grinders increased, thanks to new market development efforts, such as the establishment of a local sales subsidiary in Southeast Asia.

Machine Tools Group sales climbed 21.9%, to ¥18.8 billion (US$160.0 million).

MACHINE TOOLS GROUP SALES

(Billions of yen)



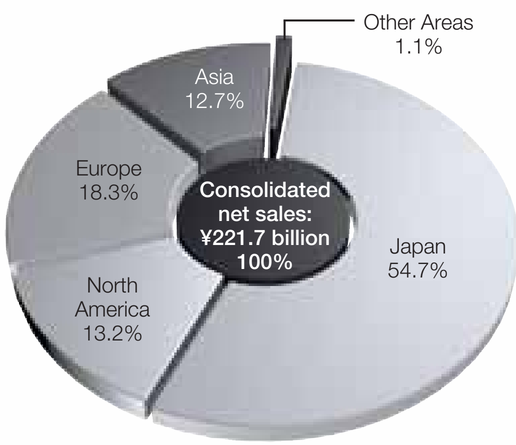
(Years ended March 31)

FOL3015NT+ASF+3015FO

Formulated as a system, these products are designed to be combined with peripheral devices, mainly laser machines that use linear drive to realize high-speed drive, to meet the needs of a wide array of manufacturing styles—from the provision of materials to putting together products.

Review of Operations by Main Region

In response to market globalization, the Amada Group took aggressive overseas action, deploying production and sales bases in North America, Europe, Asia, and other regions. Performance in every overseas region surpassed that of the previous fiscal year. As a result, the overseas sales ratio increased 4.0 percentage points, to 45.3%.



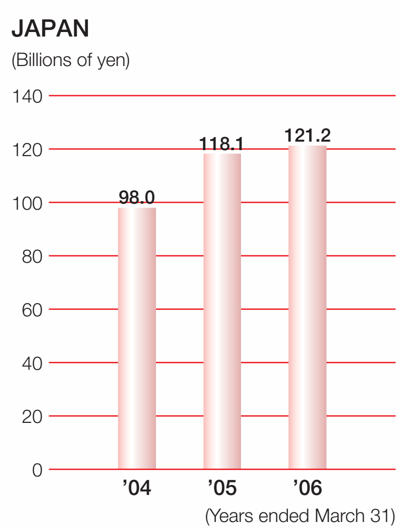
Japan

Amid a continuing economic recovery in Japan, capital spending in the metal-processing industry leveled off somewhat in the first half but began to shows signs of strong activity from the summer, and orders throughout the year were generally stable.

Under these circumstances, the Company worked tirelessly to increase sales and secure profits by expanding sales of state-of-the-art, high-precision, and high-performance machines in all machine tool markets and through solutions sales activities promoting the digitization of customer plants.

Although sheet-metalworking machinery sales were somewhat weak in the first half, bandsaw, press, and machine tool sales were all strong.

By regional market, sales in Japan rose 2.6%, to ¥121.2 billion (US$1,031.8 million).



Review of Operations by Main Region

North America

In the wake of higher consumer and private capital spending, the U.S. economy continued to expand.

With measures to rationalize and streamline business operations over the last several years having run their course, the Amada Group worked to generate new demand through the greater use of automation and systems, primarily by promoting such key products as punch presses, laser machines, and press brakes. To establish itself as a total solutions player, Amada also pushed forward with an aggressive sales strategy that focused market attention on its technological capabilities and brand image.

North American sales were up 11.6%, to ¥29.3 billion (US$250.0 million).

Europe

The European economy, including especially the economies of Germany, France, and the United Kingdom, rebounded moderately.

The European market is the largest in the world for sheet metal, and competition for sales is fierce. The Amada Group took committed action to expand product development, production, and sales in the region, with the goal of increasing market share.

In the fiscal year under review, leveraging machine and system products integrated with peripheral equipment, system control software, and IT-based process management, we developed business initiatives that focused on providing solutions based on the digitization of sheet-metal processing.

We are working to increase sales through a consistent focus on the development of emerging markets, including Eastern Europe and Russia.

Also, from this fiscal year, sales of our Italian sales subsidiary, which became a wholly owned subsidiary in the previous fiscal year, reflect consolidated earnings.

European sales rose 27.7%, to ¥40.5 billion (US$345.4 million).

Asia

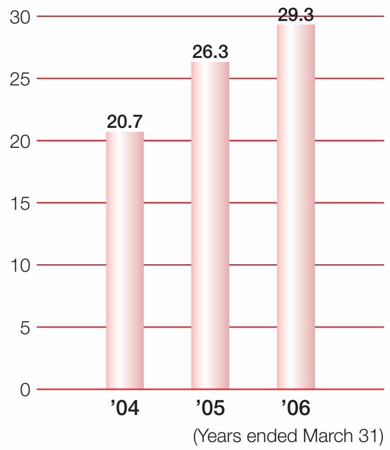
The Chinese economy continued to grow, while the economies of South Korea, Taiwan, and the ASEAN countries were comparatively strong.

Against this backdrop, the Amada Group focused on market development by aggressively promoting business initiatives throughout the region, especially in China, taking steps to win new customers, and bolstering its system of sales by opening a new process demonstration center in Shanghai.

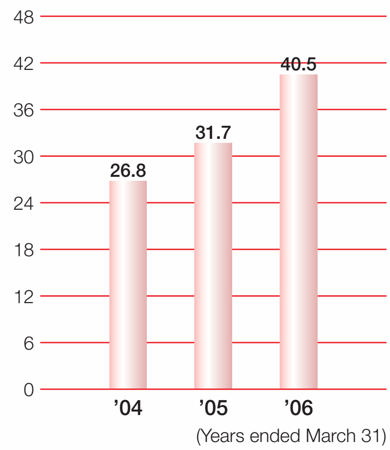
In addition, we beefed up our supply capacity of punches and dies and other products with the opening of a metal-cutting bandsaw blade manufacturing plant in Lianyungang-City, Jiangsu Province, China.

Asian sales climbed 23.0%, to ¥28.0 billion (US$239.0 million).

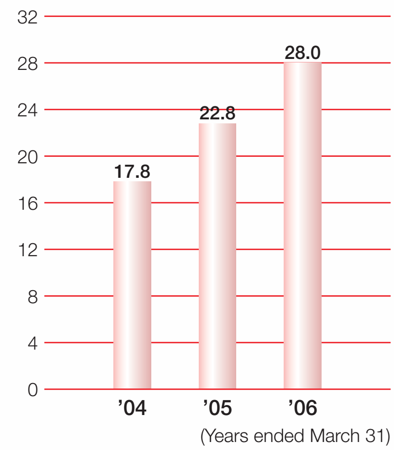
NORTH AMERICA
(Billions of yen)



EUROPE
(Billions of yen)



ASIA
(Billions of yen)



Virtual Prototype Simulation System (VPSS) @ Factory Fair

In 2006, Amada celebrated its 60th anniversary. In honor of the occasion, we will hold a VPSS Factory Fair at our Head Office's Amada Solution Center focused on the theme of digital innovation wherein we will present layouts for three neo-futuristic sheet-metal factories, pooling our collective strengths as the "Engineering Amada" to offer our customers digital solutions for their plants.

Financial Review

EXTERNAL ECONOMIC CONDITIONS

In fiscal 2006, the Japanese economy continued on a moderate but steady course to recovery, backed by higher private-sector investment and favorable consumer spending, thanks to improvements in the employment and income environments.

Overseas, the U.S. economy remained strong, while the European economy recovered moderately. In Asia, the economy continued on a course of strong expansion, especially in China.

In the machinery industry, in addition to greater demand for automobiles and electric and precision machinery in digital-related fields, the material and component industries and production equipment manufacturers also witnessed higher demand. In addition, domestic and overseas business conditions were favorable, with the North American and East Asian markets faring especially well.

EARNINGS

In the fiscal year under review, on a consolidated basis, both orders and sales increased year on year. Orders rose 12.3% year on year, to ¥228.0 billion (US$1,941.6 million), and sales climbed 10.3%, to ¥221.7 billion (US$1,887.9 million).

Operating income increased 31.6%, to ¥28.3 billion (US$241.0 million), thanks primarily to increased revenue, measures taken to promote cost efficiency, and a decrease in the amount of unrealized gains from installment sales carried forward.

In addition, on a consolidated basis, net income jumped a substantial 103.8%, to ¥22.2 billion (US$189.8 million), due to the early introduction in the previous fiscal year of accounting standards pertaining to the impairment of fixed assets and the recording of an extraordinary loss associated with the write-off of losses from golf membership rights in the Company's possession.

FINANCIAL POSITION

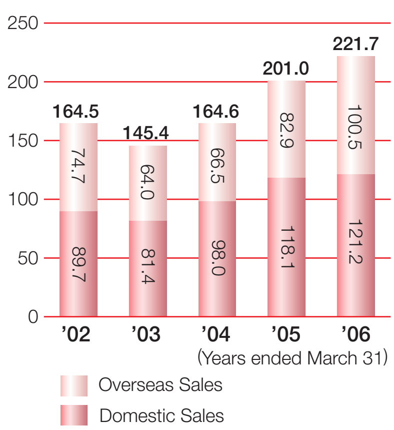
At the end of fiscal 2006, total assets stood at ¥511.2 billion (US$4,352.1 million), up 7.6% from a year earlier.

Current assets rose 10.5%, to ¥297.9 billion (US$2,536.2 million), owing mainly to an increase in cash and cash equivalents. Fixed assets were up 3.7%, to ¥213.3 billion (US$1,815.9 million), due to increased investment securities and other factors.

At the end of fiscal 2006, total liabilities stood at ¥113.2 billion (US$963.6 million), up 7.9% from the end of the previous year.

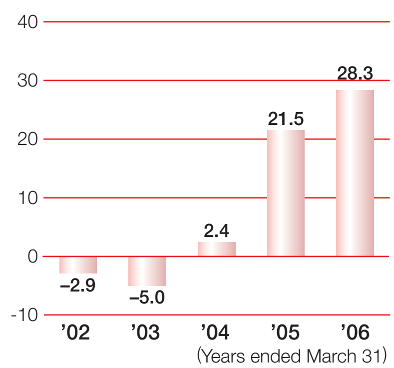
DOMESTIC SALES AND OVERSEAS SALES

(Billions of yen)



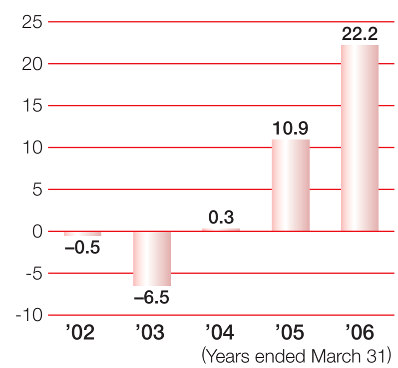
OPERATING INCOME (LOSS)

(Billions of yen)



NET INCOME (LOSS)

(Billions of yen)



Current liabilities stood at ¥79.8 billion (US$680.1 million), up 9.7%, reflecting such factors as increases in notes and accounts payable—trade and income taxes payable.

Long-term liabilities were up 3.8%, to ¥33.3 billion (US$283.5 million).

At the end of fiscal 2006, total shareholders' equity stood at ¥394.6 billion (US$3,359.9 million), up 7.3% from a year earlier, primarily owing to higher retained earnings as a result of increased profits.

As a result, the shareholders' equity ratio at the end of the year decreased from 77.4% to 77.2%.

CASH FLOWS

Cash and cash equivalents, end of year, were ¥95.5 billion (US$813.5 million), up ¥23.2 billion from a year earlier.

CASH FLOW PROVIDED BY OPERATING ACTIVITIES

In fiscal 2006, net cash provided by operating activities totaled ¥36.0 billion (US$306.8 million), representing a ¥13.9 billion increase from the previous year. This was largely attributable to growth in income before income taxes and minority interests and recovery of accounts receivable.

CASH FLOW USED IN INVESTING ACTIVITIES

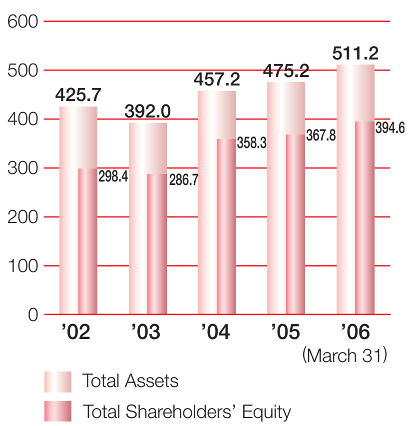
In fiscal 2006, net cash used in investing activities totaled ¥8.6 billion (US$73.6 million), representing a ¥3.9 billion decrease from the previous year. The decrease was mainly attributable to an increase in proceeds from sales and redemption of investment securities.

CASH FLOW USED IN FINANCING ACTIVITIES

In fiscal 2006, net cash used in financing activities totaled ¥5.8 billion (US$50.0 million), representing a ¥148 million increase from the previous year.

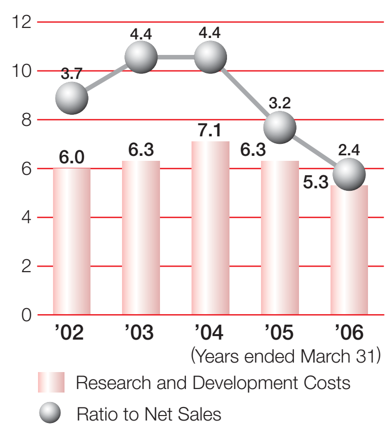
TOTAL ASSETS AND TOTAL SHAREHOLDERS' EQUITY

(Billions of yen)



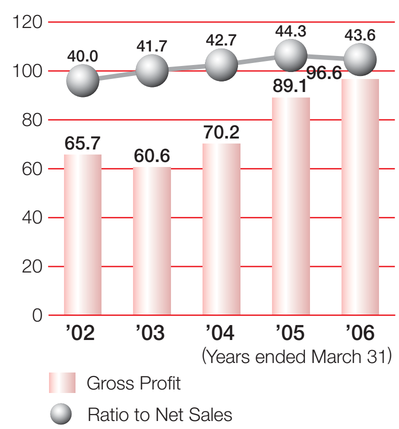
RESEARCH AND DEVELOPMENT COSTS AND RATIO TO NET SALES

(Billions of yen, %)



GROSS PROFIT AND RATIO TO NET SALES

(Billions of yen, %)



Consolidated Balance Sheets

Amada Co., Ltd. and Consolidated Subsidiaries
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents (Note 5)	**¥ 95,567**	¥ 72,357	**$ 813,544**
Short-term investments (Notes 5 and 8)	**11,793**	11,331	**100,399**
Notes and accounts receivable (Note 4)—			
Trade	**131,430**	131,396	**1,118,840**
Unconsolidated subsidiaries and associated companies	**2,338**	2,368	**19,910**
Other	**2,353**	1,769	**20,031**
Allowance for doubtful receivables	**(3,110)**	(3,659)	**(26,480)**
Inventories (Note 6)	**50,099**	47,370	**426,490**
Deferred tax assets (Note 11)	**5,160**	3,637	**43,933**
Prepaid expenses and other current assets	**2,295**	2,927	**19,543**
Total current assets	**297,929**	269,499	**2,536,214**
Property, plant and equipment:			
Land (Note 7)	**31,255**	30,856	**266,071**
Buildings and structures (Notes 7 and 8)	**93,623**	89,282	**797,003**
Machinery and equipment (Notes 7 and 8)	**39,684**	37,981	**337,827**
Equipment for lease	**24,700**	25,653	**210,269**
Buildings, structures and land for rent (Notes 7 and 9)	**19,569**	19,566	**166,592**
Construction in progress	**580**	1,219	**4,939**
Total	**209,414**	204,560	**1,782,704**
Accumulated depreciation	**(109,104)**	(104,337)	**(928,786)**
Net property, plant and equipment	**100,309**	100,223	**853,917**
Investments and other assets:			
Investment securities (Note 5)	**90,172**	80,718	**767,622**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,922**	2,461	**24,877**
Consolidation goodwill	**2,590**	595	**22,048**
Software	**2,845**	3,148	**24,225**
Deferred tax assets (Note 11)	**7,022**	10,830	**59,777**
Other assets	**7,457**	7,746	**63,483**
Total investments and other assets	**113,010**	105,501	**962,033**
Total	**¥511,248**	¥475,224	**$4,352,166**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Short-term bank loans (Note 8)	**¥ 7,242**	¥ 6,809	**$ 61,650**
Current portion of long-term debt (Note 8)	**46**	1,614	**398**
Notes and accounts payable—			
Trade	**24,243**	22,266	**206,380**
Unconsolidated subsidiaries and associated companies	**1,540**	1,040	**13,112**
Other	**3,502**	3,377	**29,816**
Deferred profit on installment sales (Note 4)	**19,650**	19,750	**167,277**
Accrued expenses	**8,456**	7,722	**71,988**
Income taxes payable	**8,235**	4,484	**70,110**
Other current liabilities (Note 11)	**6,977**	5,786	**59,397**
Total current liabilities	**79,895**	72,850	**680,132**
Long-term liabilities:			
Long-term debt (Note 8)	**310**	474	**2,645**
Liability for employees' retirement benefits (Note 10)	**16,414**	17,076	**139,730**
Retirement allowance for directors and corporate auditors (Notes 2 and 10)	**889**	621	**7,574**
Deposits received (Note 9)	**10,082**	8,260	**85,834**
Other long-term liabilities (Note 11)	**5,611**	5,661	**47,768**
Total long-term liabilities	**33,308**	32,093	**283,552**
Minority interests	**3,353**	2,470	**28,547**
Commitments and contingent liabilities (Notes 15, 16 and 17)			
Shareholders' equity (Notes 12 and 21):			
Common stock—			
Authorized—550,000 thousand shares			
Issued—406,434 thousand shares (2006 and 2005)	**54,768**	54,768	**466,231**
Capital surplus	**163,376**	163,372	**1,390,791**
Retained earnings	**179,716**	161,405	**1,529,896**
Land revaluation difference (Note 1 i))	**(8,090)**	(8,104)	**(68,873)**
Net unrealized gain on available-for-sale securities	**9,151**	3,353	**77,907**
Foreign currency translation adjustments	**384**	(2,707)	**3,269**
Total	**399,306**	372,086	**3,399,222**
Treasury stock, at cost—			
14,954 thousand shares in 2006 and 14,579 thousand shares in 2005	**(4,615)**	(4,278)	**(39,289)**
Total shareholders' equity	**394,691**	367,808	**3,359,933**
Total	**¥511,248**	¥475,224	**$4,352,166**

Consolidated Statements of Income

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Net sales (Note 4)	**¥221,780**	¥201,097	¥164,614	**$1,887,978**
Cost of sales (Note 6)	**125,133**	111,918	94,371	**1,065,241**
Gross profit	**96,646**	89,178	70,243	**822,737**
Selling, general and administrative expenses (Note 14)	**68,426**	65,293	66,515	**582,504**
Net changes in deferred profit on installment sales	**100**	(2,371)	(1,282)	**852**
Operating income	**28,320**	21,513	2,445	**241,085**
Other income (expenses):				
Interest and dividend income	**3,480**	1,990	1,801	**29,630**
Interest expense	**(693)**	(431)	(459)	**(5,903)**
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies	**194**	(49)	170	**1,657**
Other, net (Note 13)	**2,026**	(4,336)	1,192	**17,253**
Other income (expenses)—net	**5,008**	(2,826)	2,704	**42,636**
Income before income taxes and minority interests	**33,328**	18,687	5,150	**283,721**
Income taxes (Note 11):				
Current	**11,676**	5,588	1,950	**99,398**
Deferred	**(1,448)**	1,577	2,758	**(12,329)**
Total income taxes	**10,227**	7,166	4,708	**87,068**
Minority interests in net income	**803**	581	69	**6,841**
Net income	**¥ 22,297**	¥ 10,940	¥ 372	**$ 189,812**

	Yen			U.S. dollars (Note 1)
Per share of common stock (Notes 1 u) and 18):				
Net income—				
Basic	**¥ 56.59**	¥ 27.66	¥ 0.90	**$ 0.48**
Diluted	**56.53**			**0.48**
Cash dividends applicable to the year	**16.00**	10.00	5.00	**0.13**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Issued number of shares outstanding (thousands)	Number of treasury stocks (thousands)	Millions of yen						
			Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2003	338,748	3,302	¥54,768	¥117,782	¥127,358	¥(8,764)	¥(1,496)	¥(1,955)	¥ (964)
Increase resulting from merger (Note 3)	67,686	10,937		45,416	27,087				(2,949)
Disposal of treasury stock		(199)		50					55
Net change in unrealized loss on available-for-sale securities							5,228		
Net change in foreign currency translation adjustments								(1,670)	
Net income					372				
Appropriations:									
Cash dividends, ¥5.00 per share					(1,677)				
Bonuses to directors and corporate auditors					(6)				
Acquisition of treasury stock		542							(293)
Balance, March 31, 2004	406,434	14,583	54,768	163,249	153,135	(8,764)	3,732	(3,626)	(4,152)
Adjustment of retained earnings for merger of a consolidated subsidiary					6				
Disposal of treasury stock		(390)		123					112
Net change in unrealized gain on available-for-sale securities							(378)		
Net change in foreign currency translation adjustments								918	
Net income					10,940				
Reversal of land revaluation difference					(659)	659			
Appropriations:									
Cash dividends, ¥5.00 per share					(1,959)				
Bonuses to directors and corporate auditors					(57)				
Acquisition of treasury stock		386							(238)
Balance, March 31, 2005	406,434	14,579	54,768	163,372	161,405	(8,104)	3,353	(2,707)	(4,278)
Adjustment of retained earnings for newly consolidated subsidiaries					**79**				
Disposal of treasury stock		**(7)**		**3**					**2**
Net change in unrealized gain on available-for-sale securities							**5,798**		
Net change in foreign currency translation adjustments								**3,091**	
Net income					**22,297**				
Reversal of land revaluation difference					**(14)**	**14**			
Appropriations:									
Cash dividends, ¥10.00 per share					**(3,918)**				
Bonuses to directors and corporate auditors					**(132)**				
Acquisition of treasury stock		**382**							**(339)**
Balance, March 31, 2006	**406,434**	**14,954**	**¥54,768**	**¥163,376**	**¥179,716**	**¥(8,090)**	**¥ 9,151**	**¥ 384**	**¥(4,615)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2005	$466,231	$1,390,761	$1,374,011	$(68,994)	$28,548	$(23,052)	$(36,419)
Adjustment of retained earnings for newly consolidated subsidiaries			**680**				
Disposal of treasury stock		**30**					**17**
Net change in unrealized gain on available-for-sale securities					**49,359**		
Net change in foreign currency translation adjustments						**26,321**	
Net income			**189,812**				
Reversal of land revaluation difference			**(121)**	**121**			
Appropriations:							
Cash dividends, $0.09 per share			**(33,357)**				
Bonuses to directors and corporate auditors			**(1,128)**				
Acquisition of treasury stock							**(2,887)**
Balance, March 31, 2006	**$466,231**	**$1,390,791**	**$1,529,896**	**$(68,873)**	**$77,907**	**$ 3,269**	**$(39,289)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Operating activities:				
Income before income taxes and minority interests	**¥33,328**	¥18,687	¥ 5,150	**$283,721**
Adjustments for:				
Income taxes paid	**(7,797)**	(3,359)	(1,794)	**(66,375)**
Refund of income taxes	**172**	469	2,034	**1,464**
Depreciation and amortization	**8,808**	8,669	9,069	**74,988**
Gain on revaluation of marketable securities	**(3)**		(1,451)	**(27)**
Loss on impairment of investment securities	**97**	547	38	**832**
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies	**(194)**	49	(170)	**(1,657)**
Loss on impairment of golf memberships		1,491		
Loss on impairment of long-lived assets		3,847		
Changes in assets and liabilities, net of effects from newly consolidated and previously unconsolidated subsidiaries and net of effects from merger:				
Decrease (increase) in receivables, net of deferred profit on installment sales	**2,459**	(3,567)	(5,493)	**20,935**
(Increase) decrease in inventories	**(1,708)**	(5,183)	3,588	**(14,540)**
Increase (decrease) in payables	**712**	(597)	5,526	**6,066**
(Decrease) increase in liabilities for employees' retirement benefits	**(663)**	(395)	1,775	**(5,647)**
Other—net	**832**	1,463	1,474	**7,084**
Total adjustments	**2,716**	3,436	14,598	**23,123**
Net cash provided by operating activities	**36,045**	22,124	19,748	**306,845**
Investing activities:				
Proceeds from sales and redemption of marketable securities	**11,977**	15,069	12,514	**101,962**
Purchases of marketable securities	**(2,500)**	(959)	(1,584)	**(21,282)**
Proceeds from sales of property, plant and equipment	**384**	329	203	**3,276**
Purchases of property, plant and equipment	**(5,801)**	(5,286)	(3,740)	**(49,385)**
Proceeds from sales and redemption of investment securities	**25,043**	6,910	14,308	**213,189**
Purchases of investment securities	**(35,538)**	(24,724)	(31,980)	**(302,533)**
Payment for purchase of newly consolidated subsidiaries, net of cash acquired		(556)		
Purchase of long-term time deposits	**(1,000)**	(1,500)	(2,000)	**(8,512)**
Other—net	**(1,214)**	(1,919)	(2,474)	**(10,342)**
Net cash used in investing activities	**(8,649)**	(12,637)	(14,753)	**(73,627)**
Financing activities:				
Net increase (decrease) in short-term bank loans	**377**	(1,661)	(5,825)	**3,215**
Proceeds from long-term debt		68		
Repayment of long-term debt	**(1,942)**	(2,094)	(2,941)	**(16,538)**
Cash dividends paid	**(3,914)**	(1,960)	(1,687)	**(33,323)**
Other—net	**(402)**	(85)	(238)	**(3,428)**
Net cash used in financing activities	**(5,882)**	(5,733)	(10,693)	**(50,075)**
Foreign currency translation adjustments on cash and cash equivalents	**1,317**	276	(396)	**11,211**
Cash and cash equivalents increased by merger		1,150	15,398	
Net increase in cash and cash equivalents	**22,830**	5,178	9,304	**194,353**
Cash and cash equivalents of newly consolidated subsidiaries	**378**	650	2,812	**3,224**
Cash and cash equivalents, beginning of year	**72,357**	66,528	54,411	**615,967**
Cash and cash equivalents, end of year	**¥95,567**	¥72,357	¥ 66,528	**$813,544**
Non-cash investing and financing activities:				
Increase in assets as a result of consolidation of previously unconsolidated subsidiaries			¥ 15,590	
Increase in liabilities as a result of consolidation of previously unconsolidated subsidiaries			8,663	
Assets acquired and liabilities assumed in merger:				
Assets: Current assets			46,146	
Non-current assets			59,302	
Total			¥105,448	
Liabilities: Current liabilities			¥ 10,636	
Non-current liabilities			7,189	
Total			¥ 17,825	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Amada Co., Ltd. and Consolidated Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presenting consolidated financial statements

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

The consolidated financial statements include the accounts of Amada Co., Ltd. (the "Company") and its significant subsidiaries (together, the "Companies").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2005 and 2004 consolidated financial statements in order for them to conform to the classifications and presentations used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to US$1, the rate of exchange at March 31, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The yen figures presented in the consolidated financial statements are rounded down to millions of yen, except for per share amounts.

b) Principles of consolidation

The consolidated financial statements as of March 31, 2006 include the accounts of the Company and its 49 (50 in 2005 and 48 in 2004) significant subsidiaries.

Under the control-or-influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in 9 (11 in 2005 and 80 in 2004) unconsolidated subsidiaries and 4 (4 in 2005 and 8 in 2004) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as "Consolidation goodwill" in the consolidated balance sheets, and is being amortized on a straight-line basis principally within 20 years based on the event which caused the goodwill.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

c) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

d) Allowance for doubtful accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

e) Inventories

Machinery inventories of merchandise, finished products and work in process are stated at cost determined by the specific identification method. Other inventories are stated at cost determined principally by the moving-average method.

f) Marketable and investment securities

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

Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to be held to maturity, are reported at amortized cost, and available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998. Equipment for finance leases is depreciated by the straight-line method over the respective lease periods (mainly 7 years). Equipment for operating leases is depreciated by the declining-balance method over 12 years. Buildings and structures for rent are depreciated by the straight-line method over their estimated useful lives.

Estimated useful lives are as follows:

Buildings and structures	8 to 60 years
Machinery and equipment	2 to 17 years
Equipment for finance leases	Principally 7 years
Equipment for operating leases	Principally 12 years
Buildings and structures for rent	8 to 39 years

h) Long-lived assets

In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets,* and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 6, *Guidance for Accounting Standard for Impairment of Fixed Assets.* These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by ¥3,847 million.

i) Land revaluation
Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company effected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation loss represents unrealized depreciation of land and is stated as a component of shareholders' equity. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted.

As at March 31, 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥7,474 million ($63,629 thousand).

j) Software
Software development costs, incurred through the completion of a beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the beta version are deferred and amortized at the higher of either the amount to be amortized in the proportion of the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over 3 years.

The cost of computer software obtained for internal use is principally amortized using the straight-line method over an estimated useful life of 5 years.

k) Employees' retirement benefits
The Company has a contributory funded pension plan together with principal domestic group companies covering substantially all of their employees (see Note 10).

l) Retirement allowances for directors and corporate auditors
Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

m) Sales recognition
Domestic sales of machines are recognized upon customer inspection and approval.

Profit arising from installment sales is deferred and amortized over the contracted collection periods.

n) Foreign currency transactions
All current and non-current monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

o) Foreign currency financial statements
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

p) Research and development costs
Research and development costs are generally charged to income as incurred.

q) Income taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Pro forma standard taxation was introduced for fiscal years beginning on and after April 1, 2004, based on a local tax reform law concerning enterprise tax, which was enacted on March 31, 2003 in Japan. As a result, enterprise tax of ¥512 million, based on added value and capital amount, was recorded for the year ended March 31, 2005.

r) Appropriations of retained earnings
Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year upon shareholders' approval.

s) Leases
All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as rental transactions if certain "as-if-capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

t) Derivatives
The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts and currency options are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

The foreign currency forward contracts and currency options are utilized to hedge foreign currency exposures for import and export transactions. Trade payables and receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts and currency options qualify for hedge accounting.

u) Per share information
Basic net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of shares of common stock outstanding for the period.

Diluted net income per share was computed based on the weighted-average number of shares which would have been outstanding had all outstanding warrants been exercised.

The average number of shares used in computing net income per share assuming no dilution was 391,653 thousand shares in 2006, 391,954 thousand shares in 2005 and 363,703 thousand shares in 2004. For 2004 and 2005, fully diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

v) Repair and maintenance expenses arising from outsourcing
Prior to April 1, 2004, repair and maintenance expenses arising from outsourcing were recorded in "Selling, general and administrative expenses" as sales commission.

Effective April 1, 2004, in consideration of the increased monetary importance of these expenses, the Companies reclassified these expenses to "Cost of sales," in order to calculate their profit, income and loss at each stage more appropriately.

The effect of this reclassification was to increase "Cost of sales" for the year ended March 31, 2005 by ¥2,559 million and decrease "Gross profit" and "Selling, general and administrative expenses" for the year ended March 31, 2005 by the same amount. Reclassification for this accounting change has not been made in the 2004 financial statements to conform to the classification used in 2005.

w) New accounting pronouncements:
Business combination and business separation
In October 2003, BAC issued a Statement of Opinion, *Accounting for Business Combinations,* and on December 27, 2005 ASBJ issued *Accounting Standard for Business Separations* and ASBJ Guidance No.10, *Guidance for Accounting Standard for Business Combinations and Business Separations*. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of shares of common stock with voting rights,
(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.
Stock options
On December 27, 2005, the ASBJ issued *Accounting Standard for Stock Options and Related Guidance*. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheets, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.
Bonuses to directors and corporate auditors
Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders' meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, *Accounting Treatment for Bonuses to Directors and Corporate Auditors,* which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The Companies must accrue bonuses to directors and corporate auditors at the year-end to which such bonuses are attributable.

2 ACCOUNTING CHANGE

Prior to April 1, 2003, no provision was recorded for retirement benefits to be paid to the Company's directors and corporate auditors. Effective April 1, 2003, however, the Company changed its method of accounting for such retirement benefits to an accrual basis to reflect periodic income and expenses more appropriately due to the reformation of the regulation on officers' retirement allowance.

3 MERGER WITH AMADA MACHINICS

In accordance with the merger agreement approved at the General Meeting of Shareholders of the Company and Amada Machinics Co., Ltd. held on June 27, 2003, the Company merged with Amada Machinics on October 1, 2003.

The Company issued 67,686 thousand shares to the shareholders of Amada Machinics, which resulted in an increase in the capital surplus account of the Company of ¥45,416 million.

4 NOTES AND ACCOUNTS RECEIVABLE

Sales on an installment basis consisted of 9%, 13% and 16% of consolidated net sales in the years ended March 31, 2006, 2005 and 2004, respectively.

Annual maturities of notes—trade at March 31, 2006 and related amortization of deferred profit on installment sales were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Receivables	Deferred profit on installment sales	Receivables	Deferred profit on installment sales
Total notes receivable (Years ending March 31):				
2007	¥ 30,004	¥ 5,251	$ 255,423	$ 44,706
2008	13,722	4,640	116,817	39,501
2009	11,068	3,856	94,221	32,831
2010	8,115	2,968	69,083	25,267
2011	5,041	1,886	42,918	16,061
2012 and thereafter	2,782	1,046	23,684	8,909
Subtotal	70,734	19,650	602,149	167,277
Less—notes from unconsolidated subsidiaries and associated companies	(211)		(1,801)	
Add—accounts receivable	60,907		518,492	
Total notes and accounts receivable	¥131,430	¥19,650	$1,118,840	$167,277

5 SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Current:			
Government and corporate bonds	**¥ 9,658**	¥10,304	**$ 82,222**
Trust fund investments and other	**2,135**	1,027	**18,177**
Total	**¥11,793**	¥11,331	**$100,399**
Non-current:			
Marketable equity securities	**¥20,677**	¥12,441	**$176,026**
Government and corporate bonds	**44,422**	43,473	**378,159**
Trust fund investments and other	**25,072**	24,803	**213,437**
Total	**¥90,172**	¥80,718	**$767,622**

The carrying amounts and aggregate fair values of the securities classified as available-for-sale and held-to-maturity securities at March 31, 2006 and 2005 were as follows:

	Millions of yen			
March 31, 2006	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**¥ 5,402**	**¥15,379**	**¥ 104**	**¥20,677**
Government and corporate bonds	**55,172**	**774**	**1,893**	**54,053**
Trust fund investments and other	**23,158**	**729**	**130**	**23,757**
Total	**¥83,733**	**¥16,883**	**¥2,128**	**¥98,488**

	Millions of yen			
March 31, 2005	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥ 5,390	¥7,167	¥ 117	¥12,441
Government and corporate bonds	55,082	308	1,940	53,450
Trust fund investments and other	21,269	540	538	21,271
Total	¥81,743	¥8,016	¥2,596	¥87,163
Held-to-maturity	¥ 300	¥ 0		¥ 300

March 31, 2006	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**$ 45,991**	**$130,925**	**$ 890**	**$176,026**
Government and corporate bonds	**469,673**	**6,589**	**16,114**	**460,147**
Trust fund investments and other	**197,145**	**6,208**	**1,111**	**202,242**
Total	**$712,810**	**$143,723**	**$18,117**	**$838,417**

The bonds which are booked as cash and cash equivalents in the consolidated balance sheets are included in "available-for-sale" securities above.

The carrying amounts of available-for-sale securities whose fair values are not readily determinable as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Available-for-sale:			
Equity securities	**¥1,136**	¥3,143	**$ 9,671**
Investments in partnership and other	**1,795**	916	**15,281**
Total	**¥2,931**	¥4,059	**$24,952**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006, 2005 and 2004 were ¥6,864 million ($58,432 thousand), ¥2,233 million and ¥3,004 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥1 million ($15 thousand) and ¥346 million ($2,947 thousand), respectively, for the year ended March 31, 2006, ¥45 million and ¥430 million, respectively, for the year ended March 31, 2005 and ¥155 million and ¥324 million, respectively, for the year ended March 31, 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2006 are as follows:

	Available-for-sale	
	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥11,162	$ 95,022
Due after one year through five years	26,182	222,887
Due after five years through ten years	9,664	82,270
Due after ten years	12,765	108,669
Total	¥59,774	$508,850

6 INVENTORIES

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Merchandise	**¥11,077**	¥ 9,765	**$ 94,302**
Finished products	**26,638**	25,997	**226,769**
Work in process	**4,442**	3,973	**37,815**
Raw materials and parts	**7,941**	7,633	**67,603**
Total	**¥50,099**	¥47,370	**$426,490**

7 LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment on and after the year ended March 31, 2005 and, as a result, recognized an impairment loss of ¥3,847 million for the year ended March 31, 2005 as other expense for a certain asset group—the group of assets held for rent, assets held for sale and unused assets—due to a decrease in operating income and a continuous fall in land prices, and the carrying amount of the relevant assets was written down to the recoverable amount. The recoverable amount of that asset group, except for a part of assets held for rent, was measured at its net selling price determined by a quotation from a third-party vendor and inheritance tax law. The recoverable amount of the part of assets held for rent was measured at its value in use and the discount rate used for the computation of the present value of future cash flows was 6.5%.

During the fiscal year ended March 31, 2006, the Companies performed the impairment review, and no impairment loss has been recognized.

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Interest rates ranging from 0.75% to 5.84% at March 31, 2006 and from 0.70% to 5.75% at March 31, 2005	**¥7,242**	¥6,809	**$61,650**

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Unsecured U.S. dollar loans, 6.28%, due 2005		¥1,563	
Loan from banks, 2.58% to 6.0% (2.59% to 6.0% in 2005), due serially to 2013			
Collateralized	**¥244**	291	**$2,078**
Unsecured	**113**	234	**965**
Total	**357**	2,089	**3,043**
Less—current portion	**(46)**	(1,614)	**(398)**
Long-term debt, less current portion	**¥310**	¥ 474	**$2,645**

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 46	$ 398
2008		
2009	82	705
2010	111	950
2011		
2012 and thereafter	116	989
Total	¥357	$3,043

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥16 million ($137 thousand) and long-term debt of ¥227 million ($1,940 thousand) at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term investments	¥237	$2,018
Building and structures—net	186	1,589
Machinery and equipment—net	3	29

9 DEPOSITS RECEIVED

Deposits received are collateralized by buildings, structures and land for rent having a book value of ¥2,695 million ($22,944 thousand) of ¥3,986 million ($33,933 thousand) at March 31, 2006.

10 RETIREMENT AND PENSION PLANS

The Company and domestic consolidated subsidiaries have retirement and pension plans for employees.

Under the contributory pension plan, employees terminating their employment are in most circumstances entitled to pension distributions based on the average rate of pay at the time of termination, period of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and the annuity payments from a trustee. Employees are entitled to greater payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Effective April 1, 2004, the Company and domestic consolidated subsidiaries revised their contributory funded defined benefit pension plans to a cash balance pension plan.

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").

The liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥34,147**	¥33,524	**$290,687**
Fair value of plan assets	**(23,725)**	(18,395)	**(201,970)**
Unrecognized prior service cost	**8,419**	9,467	**71,675**
Unrecognized actuarial gain	**(2,427)**	(7,520)	**(20,661)**
Net liability	**¥16,414**	¥17,076	**$139,730**

The effect of the revision of the pension plan described above was to decrease unrecognized prior service cost at January 23, 2004 by ¥10,648 million.

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Service cost	**¥ 849**	¥ 948	¥1,141	**$ 7,230**
Interest cost	**809**	839	863	**6,890**
Expected return on plan assets	**(455)**	(444)		**(3,876)**
Amortization of prior service cost	**(1,048)**	(1,043)	(203)	**(8,924)**
Recognized actuarial loss	**1,276**	1,383	1,574	**10,863**
Net periodic benefit costs	**¥1,431**	¥1,683	¥3,376	**$12,183**

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

	2006	2005
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**2.5%**	2.5%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

11 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6%, 40.6% and 42% for the years ended March 31, 2006, 2005 and 2004, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 972**	¥ 1,048	**$ 8,279**
Tax loss carryforwards	**1,024**	1,453	**8,719**
Inventories—intercompany profits and write-downs	**2,629**	2,352	**22,385**
Enterprise taxes payable	**653**	472	**5,567**
Provisions for bonus payment	**644**	643	**5,483**
Deferred profit on installment sales	**110**	136	**940**
Investment securities	**1,213**	1,242	**10,329**
Research and development costs	**3,246**	3,220	**27,635**
Pension and severance costs—prior service cost	**6,467**	6,730	**55,060**
Retirement allowance for directors and corporate auditors	**361**	252	**3,075**
Loss on impairment of long-lived assets	**1,375**	1,474	**11,708**
Property, plant and equipment—intercompany profits and depreciation expenses	**1,984**	1,517	**16,890**
Land revaluation difference	**4,402**	4,408	**37,478**
Loss on impairment of golf club memberships	**822**	884	**7,005**
Other	**1,107**	1,435	**9,427**
Less—valuation allowance	**(5,554)**	(7,233)	**(47,282)**
Total	**21,462**	20,040	**182,703**
Deferred tax liabilities:			
Property, plant and equipment—special reserve	**(1,388)**	(1,466)	**(11,822)**
Land revaluation difference	**(1,117)**	(1,117)	**(9,515)**
Unrealized gain on available-for-sale securities	**(6,265)**	(2,291)	**(53,340)**
Other	**(506)**	(696)	**(4,314)**
Total	**(9,279)**	(5,572)	**(78,992)**
Net deferred tax assets	**¥12,182**	¥14,468	**$103,710**
Deferred tax liabilities:			
Depreciation	**¥ 243**		**$ 2,077**
Other	**33**	¥ 30	**284**
Total	**277**	30	**2,361**
Deferred tax assets:			
Other	**(16)**	(1)	**(139)**
Total	**(16)**	(1)	**(139)**
Net deferred tax liabilities	**¥ 261**	¥ 28	**$ 2,222**

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2006, 2005 and 2004 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2006	2005	2004
Normal effective statutory tax rate	**40.6%**	40.6%	42.0%
Increase (decrease) in tax rate resulting from:			
Expenses not deductible for income tax purposes	**1.6**	3.4	7.4
Non-taxable dividend income	**(1.1)**	(0.8)	(3.1)
Inhabitants' tax—per capita levy	**0.2**	0.4	1.5
Change in valuation allowance	**(7.9)**	(3.5)	46.1
Elimination of intercompany dividend income	**2.1**	1.3	4.4
Lower income tax rates applicable to income in certain foreign countries	**(3.3)**	(3.9)	(4.7)
Effect of tax rate reduction			(1.4)
Other—net	**(1.5)**	0.8	(0.8)
Actual effective tax rate	**30.7%**	38.3%	91.4%

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.4%, effective for years beginning on or after April 1, 2004.

At March 31, 2006, certain subsidiaries had tax loss carryforwards aggregating approximately ¥2,793 million ($23,783 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire for the years ending March 31, 2011 and thereafter.

12 SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

The Code requires that all shares of common stock be recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of the total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and the legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The amount of treasury stock available for purchase cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or the legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥120,165 million ($1,022,944 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained to be at least ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the capital account charged at the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Code, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, the legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

13 OTHER INCOME (EXPENSES)—OTHER, NET

Other income (expenses)—other, net, for the years ended March 31, 2006, 2005 and 2004 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Commissions earned	**¥ 511**	¥ 376	¥ 582	**$ 4,356**
Loss on sales of marketable securities	**(1)**	(430)	(70)	**(15)**
Loss on sales of investment securities	**(344)**		(254)	**(2,932)**
Loss on impairment of investment securities	**(97)**	(547)	(38)	**(832)**
Gain on revaluation of marketable securities	**3**		1,451	**27**
Foreign exchange gain (loss)	**454**	737	(526)	**3,869**
Income from collection on previously written-off security		688		
Cumulative effect of accounting change for retirement benefits to directors and corporate auditors			(1,212)	
Loss on impairment of golf club memberships		(1,491)		
Loss on impairment of long-lived assets		(3,847)		
Other	**1,501**	178	1,261	**12,779**
Total	**¥2,026**	¥(4,336)	¥1,192	**$17,253**

14 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,302 million ($45,135 thousand), ¥6,380 million and ¥7,161 million for the years ended March 31, 2006, 2005 and 2004, respectively.

15 LEASES

a) Lessee

The Companies lease certain equipment and other assets.

Total lease payments were ¥544 million ($4,637 thousand), ¥592 million and ¥347 million for the years ended March 31, 2006, 2005 and 2004, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2006			**2006**		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost	**¥2,346**	**¥90**	**¥2,436**	**$19,971**	**$773**	**$20,744**
Accumulated depreciation	**1,363**	**22**	**1,386**	**11,609**	**190**	**11,800**
Net leased property	**¥ 982**	**¥68**	**¥1,050**	**$ 8,361**	**$582**	**$ 8,944**

	Millions of yen		
	2005		
	Machinery and equipment	Other assets	Total
Acquisition cost	¥2,762	¥136	¥2,899
Accumulated depreciation	1,506	80	1,587
Net leased property	¥1,255	¥ 56	¥1,312

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Obligations under finance leases:			
Due within one year	**¥ 456**	¥ 520	**$3,882**
Due after one year	**594**	791	**5,062**
Total	**¥1,050**	¥1,312	**$8,944**

The amount of obligations under finance leases includes the imputed interest expense portion. Depreciation expense, which was not reflected in the consolidated statements of income, computed by the straight-line method was ¥544 million ($4,637 thousand) and ¥592 million for the years ended March 31, 2006 and 2005, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Operating leases:			
Due within one year	**¥384**	¥ 373	**$3,271**
Due after one year	**612**	684	**5,213**
Total	**¥996**	¥1,057	**$8,485**

b) Lessor

The Companies also have a number of lease agreements as lessor, primarily for certain machinery, equipment and other assets.

Total lease income was ¥4,457 million ($37,948 thousand), ¥4,776 million and ¥5,193 million for the years ended March 31, 2006, 2005 and 2004, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2006			**2006**		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost	**¥19,245**	**¥487**	**¥19,733**	**$163,836**	**$4,150**	**$167,986**
Accumulated depreciation	**12,019**	**347**	**12,366**	**102,315**	**2,956**	**105,272**
Net leased property	**¥ 7,226**	**¥140**	**¥ 7,367**	**$ 61,520**	**$1,194**	**$ 62,714**

	Millions of yen		
	2005		
	Machinery and equipment	Other assets	Total
Acquisition cost	¥21,169	¥427	¥21,596
Accumulated depreciation	13,116	281	13,397
Net leased property	¥ 8,053	¥145	¥ 8,199

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Receivables under finance leases:			
Due within one year	**¥ 3,148**	¥ 3,423	**$26,801**
Due after one year	**8,117**	9,048	**69,104**
Total	**¥11,266**	¥12,472	**$95,905**

Depreciation expense was ¥2,495 million ($21,242 thousand), ¥2,663 million and ¥2,805 million for the years ended March 31, 2006, 2005 and 2004, respectively.

Interest income, which was not reflected in the consolidated statements of income, computed by the interest method was ¥922 million ($7,853 thousand), ¥1,010 million and ¥1,124 million for the years ended March 31, 2006, 2005 and 2004, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Operating leases:			
Due within one year	**¥ 972**	¥ 946	**$ 8,276**
Due after one year	**8,152**	8,684	**69,399**
Total	**¥9,124**	¥9,630	**$77,676**

16 CONTINGENT LIABILITIES

At March 31, 2006 and 2005, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Customers' (101 companies in 2006 and 114 companies in 2005) bank loans	**¥ 837**	¥ 931	**$ 7,130**
Payment for subcontracted companies from factoring companies	**2,322**	2,638	**19,768**

17 DERIVATIVES

The Companies enter into derivatives, including foreign exchange forward contracts and currency options, to hedge foreign exchange risk associated with notes and accounts receivable denominated in foreign currencies. The Companies also enter into interest rate swap contracts and interest rate swaption contracts to manage their interest rate exposures on certain liabilities. It is the Companies' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk and credit risk. All derivative transactions, however, are entered into to hedge foreign currency and interest exposures incorporated within the Companies' business; therefore, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major domestic banks, the Companies do not anticipate any losses arising from credit risk.

The execution and understanding of derivatives are carried out by the Company's Finance Department. The Finance Department also reports monthly the contractual amounts and other information related to derivatives to the Accounting Department, where the monitoring of derivatives is performed. The Finance Department's review procedures are focused on whether the derivatives are being effective as a means of hedging, whether they are used within the balances of assets and liabilities and whether the Companies are exposed to a large amount of risk.

All forward exchange contracted amounts and currency options are assigned to associated assets or liabilities and are reflected on the consolidated balance sheets at year-end, and all interest rate swaps meet specific matching criteria, so the market value information is not disclosed.

18 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥22,165	391,653	¥56.59	$0.48
Effect of dilutive securities				
Warrants		424		
Diluted EPS				
Net income for computation	¥22,165	392,078	¥56.53	$0.48
For the year ended March 31, 2005:				
Diluted EPS is not disclosed because it is anti-dilutive.				
For the year ended March 31, 2004:				
Diluted EPS is not disclosed because it is anti-dilutive.				

19 RELATED PARTY TRANSACTIONS

The Companies paid a legal fee to Chikara Shinozuka, a corporate auditor of the Company. Transactions with Chikara Shinozuka were ¥4 million ($39 thousand), ¥4 million and ¥2 million for the years ended March 31, 2006, 2005 and 2004, respectively.

The Company purchased land and buildings from Seiko Amada, a relative of the late chairman Ryuharu Emori. Transactions with Seiko Amada were ¥127 million ($1,084 thousand) for the year ended March 31, 2006.

20 SEGMENT INFORMATION

The Company operates in the following industries:

Industry A consists of machine tools.
Industry B consists of real estate rental income.

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2006, 2005 and 2004, is as follows:

a) Industry segments

I. Sales and Operating Income (Loss)

	Millions of yen				
	2006				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	**¥219,594**	**¥1,647**	**¥538**		**¥221,780**
Intersegment sales		**468**	**0**	**¥(468)**	
Total sales	**219,594**	**2,115**	**539**	**(468)**	**221,780**
Operating expenses	**192,092**	**1,199**	**637**	**(468)**	**193,460**
Operating income (loss)	**¥ 27,501**	**¥ 916**	**¥ (97)**	**¥**	**¥ 28,320**

II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2006				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	**¥319,929**	**¥16,430**	**¥4,930**	**¥169,958**	**¥511,248**
Depreciation	**8,368**	**373**	**66**		**8,808**
Capital expenditures	**6,940**	**2**	**2**		**6,945**

I. Sales and Operating Income (Loss)

	Thousands of U.S. dollars				
	2006				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	**$1,869,366**	**$14,025**	**$4,587**		**$1,887,978**
Intersegment sales		**3,986**	**2**	**$(3,989)**	
Total sales	**1,869,366**	**18,011**	**4,589**	**(3,989)**	**1,887,978**
Operating expenses	**1,635,248**	**10,211**	**5,423**	**(3,989)**	**1,646,893**
Operating income (loss)	**$ 234,117**	**$ 7,800**	**$ (833)**	**$**	**$ 241,085**

II. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. dollars				
	2006				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	**$2,723,502**	**$139,866**	**$41,970**	**$1,446,826**	**$4,352,166**
Depreciation	**71,243**	**3,179**	**565**		**74,988**
Capital expenditures	**59,083**	**23**	**20**		**59,127**

I. Sales and Operating Income (Loss)

	Millions of yen				
	2005				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	¥198,846	¥1,639	¥610		¥201,097
Intersegment sales		425	0	¥(425)	
Total sales	198,846	2,065	611	(425)	201,097
Operating expenses	178,128	1,248	632	(425)	179,583
Operating income (loss)	¥ 20,718	¥ 816	¥ (21)	¥	¥ 21,513

II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2005				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	¥315,052	¥16,800	¥1,060	¥142,310	¥475,224
Depreciation	8,234	365	68		8,669
Impairment loss	3,847				3,847
Capital expenditures	5,817	699	21		6,538

I. Sales and Operating Income (Loss)

	Millions of yen				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	¥162,546	¥1,448	¥620		¥164,614
Intersegment sales		274	0	¥(275)	
Total sales	162,546	1,723	621	(275)	164,614
Operating expenses	160,726	1,087	631	(275)	162,169
Operating income (loss)	¥ 1,820	¥ 635	¥ (10)	¥	¥ 2,445

II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	¥299,991	¥16,407	¥939	¥139,944	¥457,283
Depreciation	8,721	276	71		9,069
Capital expenditures	5,076	47	15		5,139

Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company.

Corporate assets were ¥170,783 million ($1,453,844 thousand), ¥142,360 million and ¥139,944 million for the years ended March 31, 2006, 2005 and 2004, respectively.

b) Geographical segments

The geographical segments of the Companies for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

	Millions of yen						
	2006						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	**¥130,450**	**¥29,790**	**¥40,704**	**¥19,857**	**¥978**		**¥221,780**
Interarea	**30,399**	**782**	**2,501**	**1,703**		**¥ (35,388)**	
	160,850	**30,573**	**43,205**	**21,561**	**978**	**(35,388)**	**221,780**
Operating expenses	**141,481**	**28,481**	**39,223**	**18,733**	**907**	**(35,366)**	**193,460**
Operating income	**¥ 19,368**	**¥ 2,091**	**¥ 3,982**	**¥ 2,828**	**¥ 71**	**¥ (21)**	**¥ 28,320**
II. Assets	**¥277,544**	**¥36,462**	**¥52,126**	**¥21,240**	**¥660**	**¥123,213**	**¥511,248**

	Thousands of U.S. dollars						
	2006						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	$1,110,497	$253,602	$346,507	$169,042	$8,328		$1,887,978
Interarea	258,788	6,665	21,295	14,505		$ (301,254)	
	1,369,286	260,267	367,802	183,548	8,328	(301,254)	1,887,978
Operating expenses	1,204,403	242,459	333,901	159,471	7,724	(301,067)	1,646,893
Operating income	$ 164,883	$ 17,807	$ 33,900	$ 24,076	$ 604	$ (187)	$ 241,085
II. Assets	$2,362,684	$310,401	$443,745	$180,818	$5,623	$1,048,893	$4,352,166

	Millions of yen						
	2005						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	¥125,919	¥26,643	¥31,313	¥16,310	¥910		¥201,097
Interarea	26,901	572	3,047	1,143	19	¥(31,684)	
	152,820	27,215	34,360	17,453	930	(31,684)	201,097
Operating expenses	137,696	25,216	31,760	15,519	940	(31,551)	179,583
Operating income (loss)	¥ 15,124	¥ 1,999	¥ 2,599	¥ 1,934	¥ (10)	¥ (133)	¥ 21,513
II. Assets	¥281,466	¥32,221	¥47,948	¥17,823	¥799	¥ 94,964	¥475,224

	Millions of yen						
	2004						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	¥103,756	¥20,818	¥26,474	¥13,028	¥536		¥164,614
Interarea	16,777	637	2,075	631	6	¥(20,128)	
	120,533	21,455	28,550	13,660	543	(20,128)	164,614
Operating expenses	118,902	23,137	27,595	12,704	577	(20,749)	162,169
Operating income (loss)	¥ 1,630	¥ (1,682)	¥ 954	¥ 956	¥ (33)	¥ 620	¥ 2,445
II. Assets	¥275,794	¥31,785	¥36,891	¥15,442	¥503	¥ 96,865	¥457,283

Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company.

Corporate assets were ¥170,783 million ($1,453,844 thousand), ¥142,360 million and ¥139,944 million for the years ended March 31, 2006, 2005 and 2004, respectively.

c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen				
	2006				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	**¥29,372**	**¥40,577**	**¥28,078**	**¥2,544**	**¥100,573**

	Thousands of U.S. dollars				
	2006				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	**$250,042**	**$345,249**	**$239,028**	**$21,664**	**$856,165**

	Millions of yen				
	2005				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	¥26,312	¥31,776	¥22,828	¥2,047	¥82,964

	Millions of yen				
	2004				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	¥20,753	¥26,833	¥17,870	¥1,069	¥66,526

21 SUBSEQUENT EVENT

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2006 were approved by the shareholders at the Company's general shareholders' meeting held on June 29, 2006.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥16.00 ($0.13) per share	¥6,263	$53,321
Bonuses to directors and corporate auditors	132	1,123

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Amada Co., Ltd.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amada Co., Ltd. and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for retirement benefits to directors and corporate auditors as of April 1, 2003.

As discussed in Note 1(h) to the consolidated financial statements, the Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2006

The Amada Group

(As of November 1, 2006)

AMADA CO., LTD.

Head Office
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-1111
Facsimile: 81-463-94-9781
URL: http://www.amada.co.jp/

Fujinomiya Plant
7020, Kitayama, Fujinomiya,
Shizuoka 418-0112, Japan
Phone: 81-544-54-2111
Facsimile: 81-544-54-1900

Ono Plant
56, Hatacho, Ono,
Hyogo 675-1377, Japan
Phone: 81-794-62-5931
Facsimile: 81-794-62-4351

PRINCIPAL DOMESTIC GROUP COMPANIES

Amada Cutting Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-3351
Facsimile: 81-463-96-0109
Major Activities: Manufacture, sales and after-sales service of Amada bandsaw machines and sales of blades

Nicotec Co., Ltd.*
15-12, Tamagawa Denenchofu 1-chome,
Setagaya-ku, Tokyo 158-0085, Japan
Phone: 81-3-3722-5995
Facsimile: 81-3-3721-6092
Major Activities: Sales of Amada products for the sales agent market and the manufacture and sales of metalworking machines and machine tools

Amada Press Technology Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-3222
Facsimile: 81-463-93-7515
Major Activities: Manufacture, sales and after-sales service of Amada presses and press tools

Tecno Wasino Co., Ltd.*
2-158, Nakashima, Shimoobari,
Komaki, Aichi 485-0051, Japan
Phone: 81-568-71-8821
Facsimile: 81-568-71-8850
Major Activities: Manufacture and sales of machine tools, mainly CNC lathes and CNC grinders

Amada Engineering Co., Ltd.*
936 Aiko, Atsugi,
Kanagawa 243-0035, Japan
Phone: 81-46-250-0951
Facsimile: 81-46-250-0921
Registered Head Office:
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Major Activities: Design, manufacture and installment of peripheral equipment for metal-working machines and design and manufacture of shearing machines

Amada Tool Technica Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-91-8050
Facsimile: 81-463-91-8137
Major Activities: Manufacture of punches and dies

Amada Lease Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-3663
Facsimile: 81-463-96-2382
Major Activities: Lease of metalworking machines and machine tools and related products

Amada Butsuryu Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-3334
Facsimile: 81-463-93-1300
Major Activities: Distribution service and agency for exporting and importing Amada products

Amada Soft Service Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: 81-463-96-3476
Facsimile: 81-463-96-3477
Major Activities: Manufacture and sales of software for machine tools and sheet-metalworking machines

Amada Ailink Service Co., Ltd.*
15-14, Noge 2-chome,
Setagaya-ku, Tokyo 158-0092, Japan
Phone: 81-3-5758-5622
Facsimile: 81-3-5706-6636
Major Activities: Information service and sales intermediation for metalworking machines and electric equipment through the Internet

PRINCIPAL OVERSEAS GROUP COMPANIES

NORTH AMERICA

Amada America, Inc.*
7025 Firestone Blvd.
Buena Park, CA 90621, U.S.A.
Phone: 1-714-739-2111
Facsimile: 1-714-739-4099
Major Activities: Manufacture, sales and after-sales service of Amada products for the North American market

Amada Cutting Technologies, Inc.*
14849 E. Northam St.,
La Mirada, CA 90638, U.S.A.
Phone: 1-714-670-1704
Facsimile: 1-714-670-2017
Major Activities: Sales and after-sales service of Amada bandsaw machines and blades for the North American market

MetalSoft, Inc.*
14921 E. Northam St.,
La Mirada, CA 90638, U.S.A.
Phone: 1-714-549-0112
Facsimile: 1-714-443-5036
Major Activities: Research and development of software for machine tools and sheet-metalworking machines

Wasino Corp. USA*
4070 Winnetka Avenue, Rolling Meadows,
IL 60008, U.S.A.
Phone: 1-847-797-8700
Facsimile: 1-847-797-5644
Major Activities: Sales and after-sales service of machines and tools, mainly CNC lathes and CNC grinders for the North American market

Amada Canada Ltd.*
885, Avenue Georges Cros, Granby,
Quebec J2J 1E8, Canada
Phone: 1-450-378-0111
Facsimile: 1-450-378-4903
Major Activities: Sales and after-sales service of Amada products for the Canadian market

EUROPE

Amada United Kingdom Limited*
Spennells Valley Road, Kidderminster,
Worcestershire DY10 1XS, U.K.
Phone: 44-1562-749-500
Facsimile: 44-1562-749-510
Major Activities: Sales and after-sales service of Amada products mainly for the U.K. market

Amada GmbH*
Westfalenstr. 6, D-42781 Haan, Germany
Phone: 49-2129-57901
Facsimile: 49-2129-59182
Major Activities: Sales and after-sales service of Amada products for the European market

Amada Europe S.A.*
ZI Paris Nord 2, 96, Avenue de la Pyramide,
93290 Tremblay-en-France, France
Phone: 33-1-4990-3000
Facsimile: 33-1-4990-3199
Major Activities: Development, manufacture, and sales of metalworking machines and machine tools

Amada S.A.*
ZI Paris Nord 2, 96, Avenue de la Pyramide,
93290 Tremblay-en-France, France
Phone: 33-1-4990-3000
Facsimile: 33-1-4990-3199
Major Activities: Sales and after-sales service of Amada products for the European market

Amada Europe Software Center, S.A.S.*
ZI Paris Nord 2, 96, Avenue de la Pyramide,
93290 Tremblay-en-France, France
Phone: 33-1-4990-3000
Facsimile: 33-1-4990-7637
Major Activities: Development, sales, maintenance and operating support for software and information network systems used in sheet-metalworking machinery

Amada Italia S.r.l.*
Via Artigiani 21/23, loc. Cabina,
29020 Vigolzone, Piacenza, Italy
Phone: 39-0523-872111
Facsimile: 39-0523-872101
Major Activities: Sales and after-sales service of Amada products mainly for the Italian market

CREA S.r.l.*
Via Asti, 43 10026 Santena, Turin, Italy
Phone: 39-011-9496211
Facsimile: 39-011-9496296
Major Activities: Research and development of metalworking machines

Amada Maquinaria S.l.*
Calle Marina N. 12/14, Cornella De Llobregat,
08940 Barcelona, Spain
Phone: 34-93-4742725
Facsimile: 34-93-3779196
Major Activities: Sales and after-sales service of Amada products mainly for the Spanish market

Amada Austria GmbH*
Wassergasse 1, A-2630 Ternitz, Austria
Phone: 43-2630-35170
Facsimile: 43-2630-35165
Major Activities: Manufacture and sales of bandsaw blades and punches and dies

Amada Sweden AB*
P.O Box 633, Borgens Gata 16-18,
441-17 Alingsas, Sweden
Phone: 46-32-21-8900
Facsimile: 46-32-26-37180
Major Activities: Sales and after-sales service of Amada products for the Swedish market

Amada Limited Liability Company*
4-j Roschinsky proezd, 20, str. 9
Moscow 115191, Russian Federation
Phone: 7-495-518-96-50
Facsimile: 7-495-518-96-51
Major Activities: Sales and after-sales service of Amada products mainly for the Russian market

ASIA

Amada Taiwan Inc.*
No. 21, Wenming Rd., Linkou 3 Ind. Park,
Kweishan, Taoyuan Hsien, Taiwan
Phone: 886-3-328-3511
Facsimile: 886-3-328-4200
Major Activities: Sales and after-sales service of Amada products for the Taiwanese market

Amada Taiwan Precision Machines, Inc.*
No. 4, Industry North 6th Road,
Nankung Industrial Park, Nantou City, Taiwan
Phone: 886-49-225-1387
Facsimile: 886-49-225-3442
Major Activities: Manufacture of Amada bandsaw machines

Amada Hong Kong Co., Ltd.*
Unit 1808, 18/F Miramar Tower,
1 Kimberley Road, Tsimshatsui, Kowloon,
Hong Kong, S.A.R., People's Republic of China
Phone: 852-2868-9186
Facsimile: 852-2521-1363
Major Activities: Holding shares for investment as well as international trading and sales of Amada products for the Chinese market

Beijing Amada Machine & Tooling Co., Ltd.*
No. 3, 705 Yong Chang Bei Lu, Beijing
Economic Technological Development Area,
People's Republic of China
Phone: 86-10-6786-9380
Facsimile: 86-10-6786-9392
Major Activities: Manufacture and sales of punches and dies for punch presses and sales and after-sales service of Amada products for the Chinese market

Amada Lianyungang Machinery Co., Ltd.*
No. 18, Hailian West Road,
Xinpu, Lianyungang, Jiangsu,
People's Republic of China
Phone: 86-518-548-7565
Facsimile: 86-518-548-7570
Major Activities: Manufacture, sales, and after-sales service of bandsaw machines and blades for the Chinese market

Amada Shanghai Punch & Shear Co., Ltd.**
No. 202, Yun Ling East Road,
Shanghai, People's Republic of China
Phone: 86-21-5281-1540
Facsimile: 86-21-5280-7737
Major Activities: Manufacture, sales, and after-sales service of metalworking machines for the Chinese market

Amada International Industry & Trading (Shanghai) Co., Ltd.*
No. 629, Xi Huan Road, Min Hang District,
Shanghai, People's Republic of China
Phone: 86-21-6212-1111
Facsimile: 86-21-6240-4105
Major Activities: Sales and after-sales service of Amada products for the Chinese market and international trading

Amada International Trading (Shenzhen) Co., Ltd.*
Rms. 801-803, 8F, Talfook Chong, No. 9,
Shihua Road, Futian Free Trade Zone,
Shenzhen, People's Republic of China
Phone: 86-755-8358-0011
Facsimile: 86-755-8359-7489
Major Activities: Sales and after-sales service of Amada products for the Chinese market and international trading

Amada Korea Co., Ltd.*
635-1, Gojan-dong, Namdong-gu,
Inchon, Republic of Korea
Phone: 82-32-821-6010
Facsimile: 82-32-821-6015
Major Activities: Sales and after-sales service of Amada products for the South Korean market

Amada Singapore (1989) Pte Ltd.*
12, Tannery Road,
#05-01/02 HB Centre,
Singapore 347722
Phone: 65-6743-6334
Facsimile: 65-6743-3134
Major Activities: Sales and after-sales service of Amada products for the ASEAN market

Amada (Thailand) Co., Ltd.*
Thosaphol Land 3 Bldg., 6th Fl.,
947 Moo 12, Bangna-Trad Rd., Km. 3,
Kwang Bangna, Khet Bangna,
Bangkok 10260, Thailand
Phone: 66-2361-9152
Facsimile: 66-2361-9165
Major Activities: Sales and after-sales service of Amada products for the Thai market

Tecno Wasino (Thailand) Co., Ltd.*
700/146, Village No. 1, Bankao Sub-district,
Panthong District, Chonburi 20160, Thailand
Phone: 66-3846-8920
Facsimile: 66-3846-8923
Major Activities: Sales and after-sales service of machine tools, mainly CNC lathes and CNC grinders for the ASEAN market

Amada (Malaysia) Sdn. Bhd.*
No. 38, Jalan Kartunis, U1/47, Temasya
Industrial Park Section U1,
Glenmarie, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Phone: 60-3-5569-1035
Facsimile: 60-3-5569-1042
Major Activities: Sales and after-sales service of Amada products for the Malaysian market

Amada (India) Pvt. Ltd.*
C-Wing-412, Floral Deck Plaza, MIDC, Opp.
Seepz, Andheri (East), Mumbai-400 093, India
Phone: 91-22-2839-5592
Facsimile: 91-22-2823-5405
Major Activities: Sales intermediation for and after-sales service of Amada products for the Indian market

AmadaSoft (India) Pvt. Ltd.*
Ascendas, IT Park, Chennai
Unit No. 6, 1st Floor, Taramani Road,
Opp. CSIR Complex Taramani,
Chenmai-600 113, India
Phone: 91-44-2254-2900
Facsimile: 91-44-2254-2910
Major Activities: Research and development of software for machine tools and sheet-metalworking machines

OTHER AREAS

Amada Oceania Pty Ltd.*
24/5 Salisbury Road, Castle Hill,
NSW 2154, Australia
Phone: 61-2-9680-8900
Facsimile: 61-2-9680-9855
Major Activities: Sales and after-sales service of Amada products for the Australian market

* Subsidiary
**Affiliate

Investor Information

Founded
September 10, 1946

Incorporated
May 1, 1948

Number of Shares of Common Stock
(As of September 30, 2006)

Authorized: 550,000,000 shares
Issued: 406,434,117 shares

Number of Shareholders
(As of March 31, 2006)

35,082

Stock Listings
Tokyo Stock Exchange, Inc., First Section
Osaka Securities Exchange Co., Ltd., First Section

Quarterly Stock Price Range on Tokyo Stock Exchange (¥)

	2005				2006		
	1st	2nd	3rd	4th	1st	2nd	3rd
High	696	776	933	1,085	1,306	1,347	1,267
Low	567	633	748	811	932	1,009	1,051

Ordinary General Meeting of Shareholders
June

Stock Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation
4-5 Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Major Shareholders
(As of March 31, 2006)

Name	Number of shares held (thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust account)	43,208	10.6
The Master Trust Bank of Japan, Ltd. (Trust account)	25,030	6.2
Trust & Custody Services Bank, Ltd. (Retirement benefit trust, Mizuho Bank account—see Note 1)	16,742	4.1
Nippon Life Insurance Company	12,333	3.0
Trust & Custody Services Bank, Ltd. (Trust account)	11,739	2.9
The Sumitomo Trust and Banking Co., Ltd. (Trust account)	11,429	2.8
Amada Foundation for Metal Work Technology	9,936	2.4
The Bank of New York, Treaty Jasdec Account	9,850	2.4
State Street Bank and Trust Company 505103	6,584	1.6
The Chase Manhattan Bank, N.A. London	6,281	1.5

Notes: 1. The 16,742 thousand shares held by Trust & Custody Services Bank, Ltd. (retirement benefit trust, Mizuho Bank account) are a retirement payment trust, which has been entrusted to Trust & Custody Services Bank by Mizuho Bank, Ltd. The rights to specify how proxy voting rights of these shares will be exercised are retained by Mizuho Bank, Ltd. Additionally, Mizuho Bank, Ltd. has 2,319 thousand shares of this company, besides the aforementioned retirement benefit trust account.
2. The Company holds 14,954 thousand shares of treasury stock (14,957 thousand in the Company's Shareholders' Registry), and these stocks have been excluded from the above holdings of major shareholders.

Board of Directors and Corporate Auditors

(As of October 1, 2006)

President and
Chief Executive Officer
Mitsuo Okamoto*

Managing Directors
Oichi Yonebayashi
Toshio Takagi

Directors
Atsuzo Yajima
Kojiro Hirosawa
Akio Abe
Yoshihiro Yamashita
Naoki Orita
Yuji Fujita
Mitsuaki Amada

Corporate Auditors
Koshichi Kikuchi
Takeshi Takahashi
Chikara Shinozuka
Hiroaki Sato

*Representative Director

AMADA CO., LTD.
200, Ishida, Isehara, Kanagawa 259-1196, Japan

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