

ANNUAL REPORT 2007

Q MADA



# Profile

The Amada Group—of which the flagship company is Amada Co., Ltd., founded in 1946—consists of companies extending throughout the world, mainly Japan, elsewhere in Asia, North America, and Europe. We at the Amada Group are a “Total Metalworking Machinery Manufacturer” engaged in the principal business of manufacturing and sales of sheet metal processing machinery, bandsaws, presses, and machine tools.

The Amada Group produces the largest amount of metalworking machinery in Japan, and the Group is steadily expanding its overseas operations. Amada-brand products have received such high evaluations and meet global standards in these fields. In fiscal 2007, ended March 31, 2007, the Group’s ratio of overseas sales to consolidated net sales reached 48.3%.

The Amada Group supplies some of the world’s highest-quality products; provides attentive and courteous services, including related consulting services; and implements “Total Solution Business” to respond to the sophisticated, complex, and diverse needs of customers, and the issues they face.

Amada celebrated the 60th anniversary of its founding in September 2006. While playing a leading role in the industry by taking advantage of accumulated engineering capabilities, we are going to seek to contribute to the international community through the expansion of industry by providing the best solutions to our customers. At the same time, we use “Creative Company for Manufacturing Industry” as our corporate slogan, and constantly take into consideration the relationships between people and machines, and between the global environment and industry in our business activities to build a brighter future for the manufacturing industry.

# Contents

<b>01</b>	Financial Highlights
<b>02</b>	A Message to Our Stakeholders
<b>04</b>	Review of Operations by Group
<b>08</b>	Review of Operations by Main Region
<b>11</b>	Future Efforts: Aiming to Be the World’s Best Total Metalworking Machinery Manufacturer
<b>12</b>	Financial Review
<b>14</b>	Consolidated Financial Statements
<b>19</b>	Notes to Consolidated Financial Statements
<b>37</b>	Independent Auditors’ Report
<b>38</b>	The Amada Group
<b>40</b>	Investor Information
<b>41</b>	Board of Directors and Corporate Auditors

# Financial Highlights

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

	Millions of yen				
	2007	2006	2005	2004	2003
<b>For the year:</b>					
Net sales .....	<b>¥262,239</b>	¥221,780	¥201,097	¥164,614	¥145,425
Sales to foreign customers .....	<b>126,545</b>	100,573	82,964	66,526	64,021
Cost of sales .....	<b>145,820</b>	125,133	111,918	94,371	84,758
Gross profit .....	<b>116,419</b>	96,646	89,178	70,243	60,666
Selling, general and administrative expenses ...	<b>76,646</b>	68,426	65,293	66,515	66,876
Net changes in deferred profit on installment sales .....	<b>(684)</b>	100	(2,371)	(1,282)	1,176
Operating income (loss) .....	<b>39,088</b>	28,320	21,513	2,445	(5,033)
Other income (expenses)—net .....	<b>6,687</b>	5,008	(2,826)	2,704	(2,466)
Income (loss) before income taxes and minority interests .....	<b>45,775</b>	33,328	18,687	5,150	(7,499)
Net income (loss) .....	<b>27,506</b>	22,297	10,940	372	(6,588)
Purchases of property, plant and equipment ...	<b>11,940</b>	5,801	5,286	3,740	4,433
Depreciation and amortization .....	<b>8,915</b>	8,808	8,669	9,069	10,504
Research and development costs .....	<b>6,372</b>	5,302	6,380	7,161	6,345
<b>At year-end:</b>					
Total equity .....	<b>¥418,969</b>	¥394,691	¥367,808	¥358,342	¥286,728
Total assets .....	<b>545,473</b>	511,248	475,224	457,283	392,047
Total long-term liabilities .....	<b>30,451</b>	33,308	32,093	31,995	26,823
<b>Per share of common stock (yen):</b>					
Net income (loss)— Basic .....	<b>¥70.20</b>	¥ 56.59	¥ 27.66	¥ 0.90	¥ (19.64)
Diluted.....	<b>70.13</b>	56.53			
Cash dividends applicable to the year .....	<b>20.00</b>	16.00	10.00	5.00	5.00
<b>Sales composition:</b>					
Sheet metal processing machinery:					
Machines .....	<b>¥131,529</b>	¥105,368	¥ 96,542	¥ 79,375	
Software and FA equipment.....	<b>8,772</b>	8,249	7,713	6,910	
After-sales services .....	<b>10,708</b>	9,977	9,961	9,194	
Expendable supplies, such as toolings .....	<b>39,277</b>	33,594	29,484	26,698	
	<b>¥190,286</b>	¥157,189	¥143,702	¥122,178	
Bandsaws .....	<b>¥ 34,212</b>	¥ 30,702	¥ 26,853	¥ 23,227	
Presses .....	<b>12,618</b>	11,240	10,716	8,784	
Machine tools .....	<b>20,682</b>	18,804	15,427	5,735	
Real estate leasing .....	<b>1,623</b>	1,647	1,639	1,435	
Others .....	<b>2,815</b>	2,196	2,757	3,253	
Total.....	<b>¥262,239</b>	¥221,780	¥201,097	¥164,614	
<b>Number of employees</b> .....	<b>5,516</b>	5,071	4,977	4,793	4,133

- 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.  
4. Effective for the year ended March 31, 2007, Amada Co., Ltd., adopted a new accounting standard for presentation of equity in the balance sheet. The amounts in prior years have not been restated.

# A Message to Our Stakeholders

In fiscal 2007, the year ended March 31, 2007, we at the Amada Group had several reasons for concern; however, the Japanese economy continued to head toward recovery, owing to expansion in capital expenditures and exports due to better corporate earnings.

In overseas countries, the general economic trend was favorable, while the pace of expansion in the U.S. economy began to slow. The economies of the major countries in Europe continued to recover, while Asian economies outside Japan, such as those of China and ASEAN countries, kept growing.

In the domestic machinery market, in spite of a lack of significant trends in automotive industry-related demand, orders were received from a wide range of industries, including the electrical machinery, precision equipment, electronic components, and construction machinery industries. In the overseas machinery markets, the economies underwent a transition of steady performance in the markets of North America, Europe, and Asia.

Under such circumstances, we of the Amada Group strove to reinforce our product lineup, and bolster our market development and supply capabilities in sheet metal processing machinery, bandsaws, presses, and machine tools. We aim to support our efforts to establish an engineering business that offers total solutions in metal processing.

In the fiscal year under review, the 60th anniversary of our founding, we worked to enhance our corporate brand as a total supplier of metalworking machinery by promoting the appeal of our product lineup and engineering capabilities at various industry events and at several international trade fairs under the concept of "Digitalization of Customers' Factories."

In fiscal 2007, as a result of a positive economic environment and our Group companies' efforts to expand earnings, consolidated orders totaled ¥267.3 billion (US\$2,264.2 million), up 17.2% year on year, and net sales were ¥262.2 billion (US\$2,220.6 million), up 18.2% year on year. Both orders and net sales exceeded the amounts recorded in the previous period.

We will now briefly recapitulate our operating income trends by group and on a geographic basis below. For more-detailed information, please refer to pages 4 to 10.

Operating income increased 38.0% year on year, to ¥39.0 billion (US\$331.0 million), due to increased net sales, an improved gross profit margin, and our measures to promote cost efficiency. Net income also rose, up 23.4% year on year, to ¥27.5 billion (US\$232.9 million).

Our basic policy concerning profit sharing is to distribute to shareholders the profits of our achievements, by attaching a high value to our consolidated dividend payout ratio. Based on this policy, we increased our annual dividend per share ¥4.0 year on year, to ¥20.0 (US\$0.16), based on our performance for earnings in the fiscal year under review.

We anticipate that the domestic economy will undergo a steady transition mainly supported by capital investment, and the global economy is also likely to remain in a recovery phase. Even so, the economy leaves uncertainties to this outlook, such as the persistence of higher materials prices, concerns that interest rates will rise, and the risk of a further slowdown in the U.S. economy.

In the machinery industry, we expect orders will undergo a steady transition, mainly supported by motivated demand for capital investment both in Japan and overseas; however, signs indicating that a long expansion trend in demand could be peaking have emerged in automotive-related and other industries.

Under these circumstances, we at the Amada Group aim to establish a base for long-term and sustained growth for the purpose of being the world's best "Total Metalworking Machinery Manufacturer," and we are going to take steps to address issues in our sales and after-sales services, development, manufacturing, and overseas operations.

For more detailed discussion of the steps that we are taking, please refer to page 11.

In September 2006, we celebrated the 60th year of our founding, and we deeply appreciate the support and understanding that shareholders have shown.

For the purpose of our business development in the future, we are going to make use of management resources, both tangible and intangible, that we have

accumulated since our foundation, establish the Amada Group as a model of robust earnings, strengthen our manufacturing infrastructure, and dedicate our energies to future development.

Further, we are going to make the best efforts to increase our corporate value, and contribute to society through the implementation of efficient capital policies, environment-conscious business activities, and timely and accurate disclosure of information.

I would like to express my thanks to all of our shareholders and ask for your continued support.

September 2007



Mitsuo Okamoto  
President and Chief Executive Officer





# Review of Operations by Group

## Sheet Metal Processing Machinery

### Construction of New Business Facility and Establishment of System to Bolster Sales Capabilities

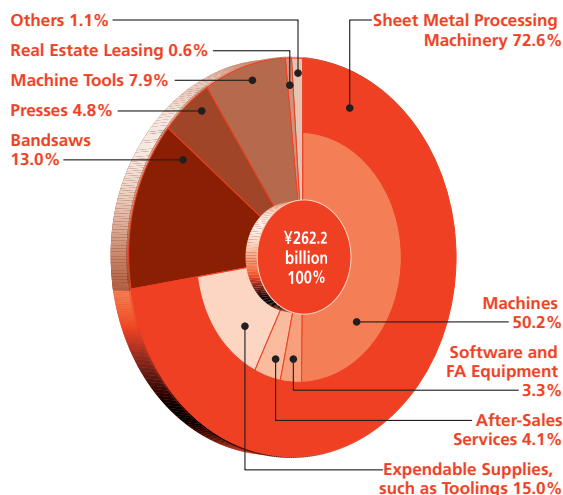
This business segment produces sheet metal processing machinery, such as laser processing machines, punch presses, press brakes, and other products targeted at the sheet metal processing market. Amada Co., Ltd. (hereinafter "Amada"), which is the flagship company of the Amada Group, is the Group's main operating company in this business segment.

In this segment, we completed on schedule the construction of a development center and a dedicated factory for production of laser processing machines at our Fujinomiya Works. We made substantial progress in realizing the front-loading development system and in increasing our supply capabilities of laser processing machines.

We consolidated supply systems for toolings and peripheral equipment at specialized subsidiaries, i.e., Amada Tool Technica Co., Ltd., for toolings and Amada Engineering Co., Ltd., for peripheral equipment, and we strove to strengthen these business operations.

Moreover, in our domestic sales operations, we introduced an integrated sales management system, which

### Sales Composition by Group



reorganized the domestic market into three blocks and further separated each block into 17 sales branch offices. Our aim is to have our emphasized strategy pervade our sales front line to propose solutions to our customers more swiftly.

Sheet metal processing machinery are the most important products in the Amada Group. Accordingly, we report separately on 1) machines, 2) software and factory automation (FA) equipment, 3) after-sales services, as well as 4) expendable supplies, such as toolings, as follows:

### EML-3510NT

The EML-3510NT combines a numerically controlled (NC) turret punch press with laser-cutting capabilities. In addition to high-speed hole punching, this machine makes it possible for upper-and-lower forming processes, tapping, and irregular-shaped part cutting to be carried out in a single setup.



## Machines

Laser processing machines, punch presses, and press brakes are the three major categories of sheet metal processing machinery.

The mainstay series in these categories are the “FO series” of laser processing machines, the “EML series” of multifunction processing machines that combine punching and laser processing, the “EM series” of punch presses, and the “HDS series” of press brakes. We vigorously forged ahead with various sales proposals for automation and labor saving.

As a result, sales of laser machines, punch presses, and press brakes all rose, supported by demand from a wide range of industries both in Japan and overseas, including precision component processing, frame processing, and construction sheet metal processing. Overall sales of sheet metal processing machinery increased 24.8% year on year, to ¥131.5 billion (US\$1,113.8 million).

## Software and FA Equipment

In the software and FA equipment area, we offered products that met the needs of our customers, including the “Virtual Prototype Simulation System” (“VPSS”), to enable prototype shapes of products to be checked and verified on computer screens.

We continue to upgrade and strengthen our online support systems, such as software call centers and programming services.

In addition to our aforementioned efforts, higher demand for machine units boosted sales of software and FA equipment 6.3% year on year, to ¥8.7 billion (US\$74.2 million).

## After-Sales Services

Our after-sales services are aimed at enabling the smooth operation of machine systems and avoiding accidents and malfunctions by providing professional

and highly reliable services, which are rooted in local communities and offered on a daily basis through regional service centers.

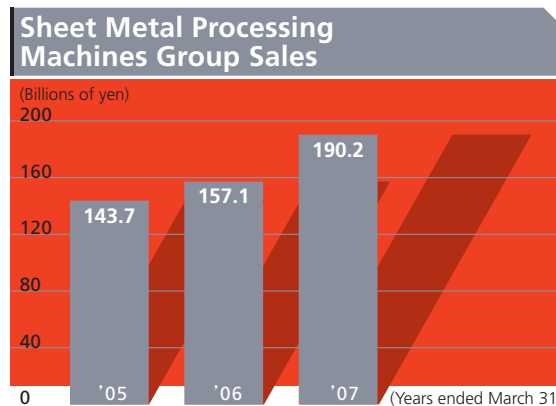
Revenues from after-sales services increased 7.3% year on year, to ¥10.7 billion (US\$90.6 million).

## Expendable Supplies, Such as Tooling

In various toolings such as those for punch presses, press brakes, and other products, we worked to strengthen the competitiveness of our product lines and reform the system from receiving orders to shipments, in three ways, by: 1) consolidating manufacturing functions at Amada Tool Technica Co., Ltd.; (2) using our IT network to support our order promotion activities; and (3) implementing product strategy that aims at longer operating lives of toolings and shorter installment times for their replacement.

As a result, sales of expendable supplies (punches, dies, and other products) increased 16.9% year on year, to ¥39.2 billion (US\$332.6 million), due to growth in sales of machine units and higher operating rates for machines that were already delivered.

Consequently, sales in the segment of all sheet metal processing machinery increased 21.1% year on year, to ¥190.2 billion (US\$1,611.3 million).



## Bandsaws

### Releasing New Products in the Market and Upgrading the Supply System

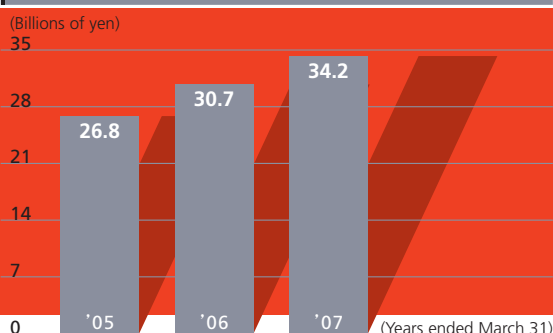
This business segment manufactures products, including band saws, that saw metal and other products. The main Group operating company in this segment is Amada Cutting Co., Ltd.

In this segment, we released pulse-cutting bandsaws, the "PCSAW series" on a full-scale basis. This series obtained high evaluations at several international trade fairs as innovative products in the metal-cutting market. We especially focused on this series to boost our market share going forward.

With regard to expendable supplies for metal-cutting bandsaws, including blades, the expansion of our Ono Plant was completed as scheduled during fiscal 2007. We expect that the expansion of the supply system for metal-cutting bandsaw blades will bring greater stability and speedier response to the provision of blades and other expendable supplies.

In addition to the aforementioned endeavors, overall demand in this segment was firm due in particular to demand from the steel industry. Sales of both machines and expendable supplies increased, and sales of bandsaws and other metal-cutting equipment increased 11.4% year on year, to ¥34.2 billion (US\$289.7 million).

## Bandsaws Group Sales



## Presses

### Strengthening Marketing for Core Products and Improving Production Efficiency

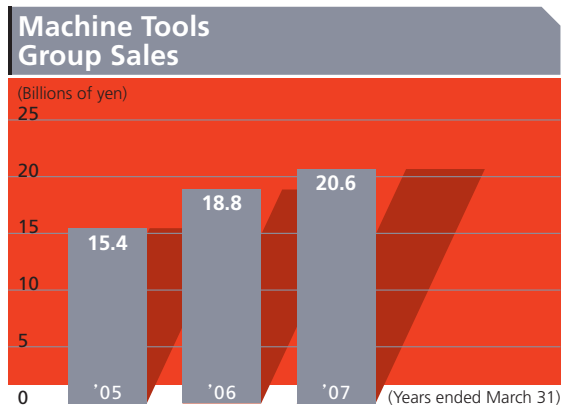
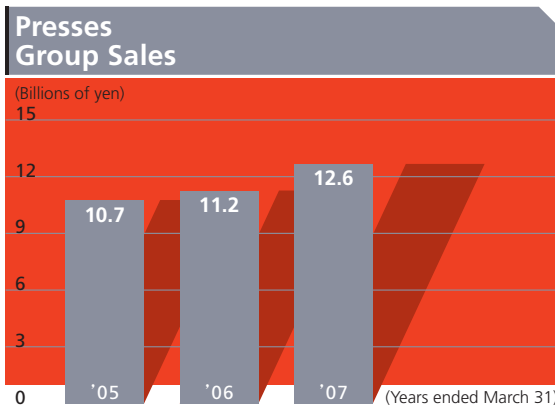
This business segment manufactures products, including mainly mechanical presses and other products, for the press market. The main Group operating company of this segment is Amada Press Technology Co., Ltd.

In this segment, we focused on the market penetration of the "SDE series", servo-electrically driven presses, so as to make this series in this segment our new core product line. Likewise, we promoted sales of general-purpose link motion presses, and we are aggressively seeking out fresh sources of demand and sought new customers.

In fiscal 2007, we relocated our manufacturing function in this business segment to our Komaki Plant. We strove to increase the competitiveness of both our manufacturing and marketing functions through improvement of our production efficiency and reductions of manufacturing costs.

As a result of these endeavors, both sales of servo-electrically driven presses and conventional link motion presses increased, and sales in this segment increased 12.3% year on year, to ¥12.6 billion (US\$106.8 million).





## Machine Tools

### Responding to Global Demand and Enhancing Our Product Lineup

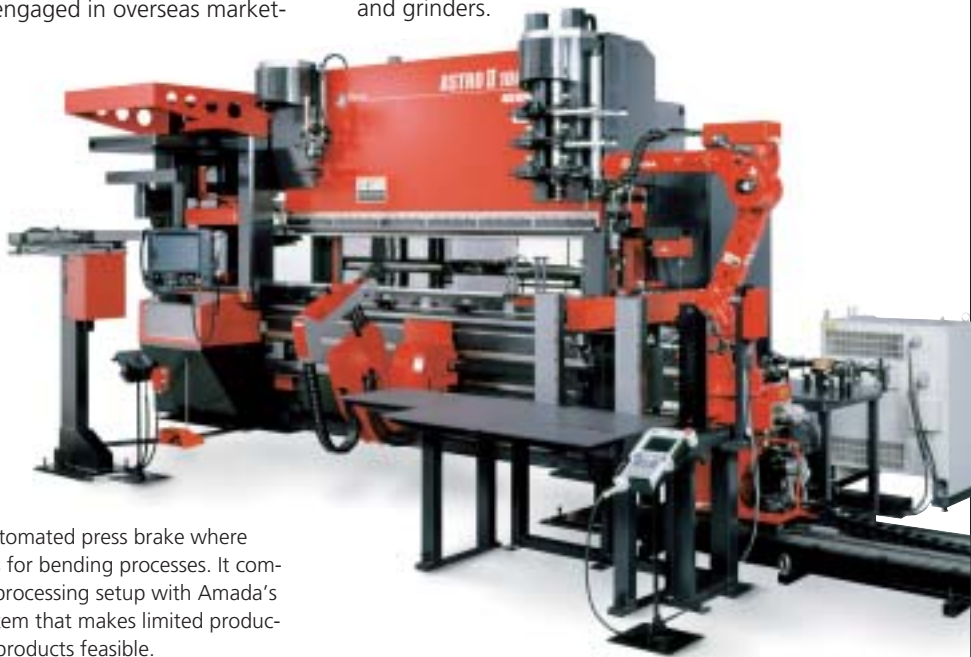
This business segment manufactures metal machine tools, such as lathes and grinders. The main Group operating company in this segment is Tecno Wasino Co., Ltd.

To respond to the trend of globalization in this segment, we used our efforts to enhance our competitiveness in terms of prices, quality, and marketing capabilities. We actively engaged in overseas market-

ing activities, in particular, by taking steps to improve the management practice of our North American sales company and expand sales in Southeast Asia, mainly in Thailand.

We expanded and improved our "A series" product lineup, which are multifunction processing machines combining a milling process function with a lathe, so as to broaden the range of targeted customers for these machines.

As a result, sales of the Machine Tools segment increased 10.0% year on year, to ¥20.6 billion (US\$175.1 million), on growth in both sales of lathes and grinders.



### ASTROI-100NT

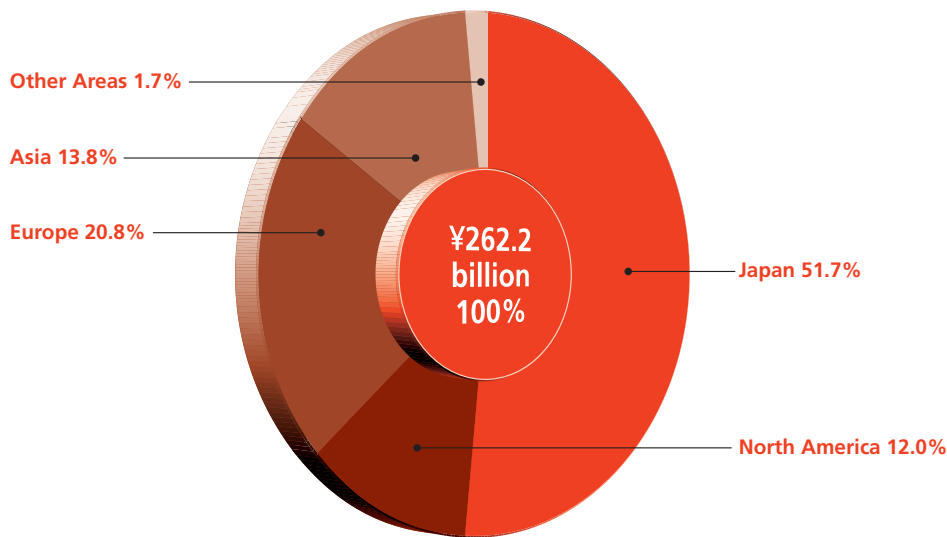
The ASTROI-100NT is an automated press brake where pieces are gripped by robots for bending processes. It combines a durable automated processing setup with Amada's original robotic bending system that makes limited production runs of many different products feasible.

# Review of Operations by Main Region



The development center (foreground) and dedicated laser production plant (background) built on the premises of Fujinomiya Works

## Sales Composition by Region



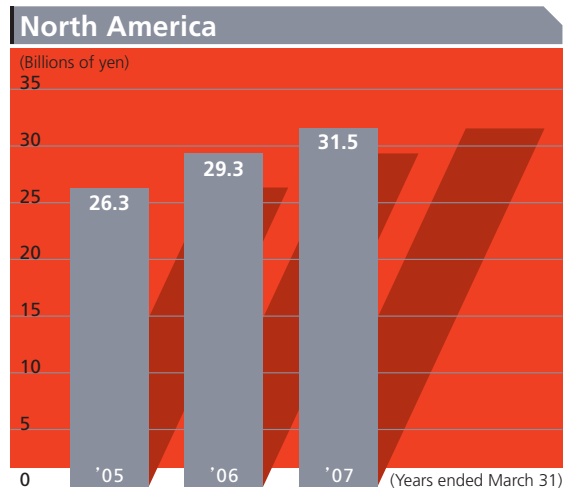
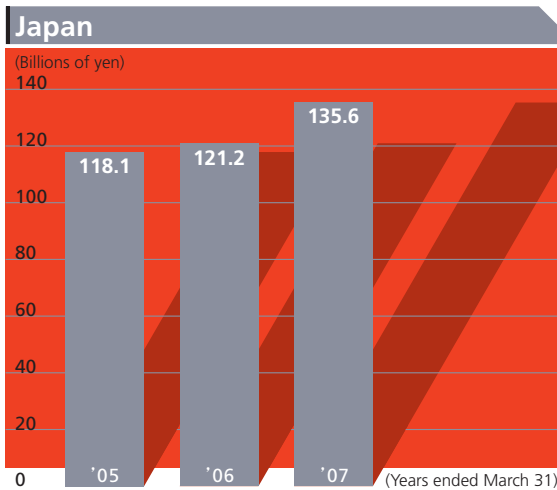
## Japan

### Further Boosting Up Aggressive Marketing of the Most Advanced Products and Aggressively Investing in Production Capabilities

Supported by the favorable status of orders issued in Japan, we boosted up our marketing initiatives, especially for the most advanced products with digital features in our main metal processing segments, such as

sheet metal processing machines, bandsaws, presses, and machine tools. We also adopted aggressive measures aimed at enhancing production capabilities and investing in such enhancement.

As a result, sales of sheet metal processing machines, bandsaws, presses, and machine tools were all favorable in general, and sales in Japan increased 12.0% year on year, to ¥135.6 billion (US\$1,149.0 million).



## North America

### Further Expanding Sales Activities in the Markets of the U.S. Midwest and East, and Setting Up a Holding Company to Manage Subsidiaries in North America

In North America, supported by growth in the U.S. economy, we aggressively implemented our marketing strategy, which focused on working with our customers to identify their needs, and proposed total solutions that address their needs, by means of our automation technologies and systemized solutions in sheet metal processing machinery.

In particular, we concentrated on our marketing efforts to implement an expansion strategy targeting the market for laser processing machines in the Midwestern and Eastern parts of the United States. We used our best efforts to expand our sales in the North American market.

As the ratio of this segment's sales in overseas operations rose, we established a holding company, Amada North America, Inc., to manage our nine subsidiaries in North America, for the purpose of unifying our vision and policies of management for all Group companies in that area, and to speed up decision making.

As a result of the aforementioned endeavors, sales in North America increased 7.4% year on year, to ¥31.5 billion (US\$267.2 million).



The Solution Center to be built in Chicago (graphic rendering of planned structure)

## Europe Emphasizing Differentiators and Expansion in Emerging Markets

In Europe, the economies in Germany, France, and the United Kingdom recovered moderately.

Europe is the largest market for metalworking machinery in the world, and the competition in this market is fierce, with many competitive, powerful machinery manufacturers.

In the Amada Group, our first priority is expanding our operations by providing high-precision and high-quality products that feature the most advanced technologies. At the massive international trade fair in Germany, we attempted to differentiate our products from those of our competitors by exhibiting our products featuring automation and multi-functionalization, and strongly promoting our appeal as “The Engineering Amada” through our various presentations for engineering technologies.

We also continue to take steps to increase sales channels and promote sales growth in the emerging markets, including Eastern Europe and Russia.

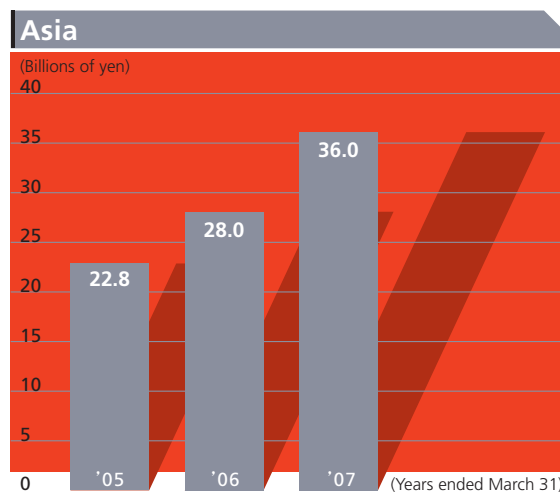
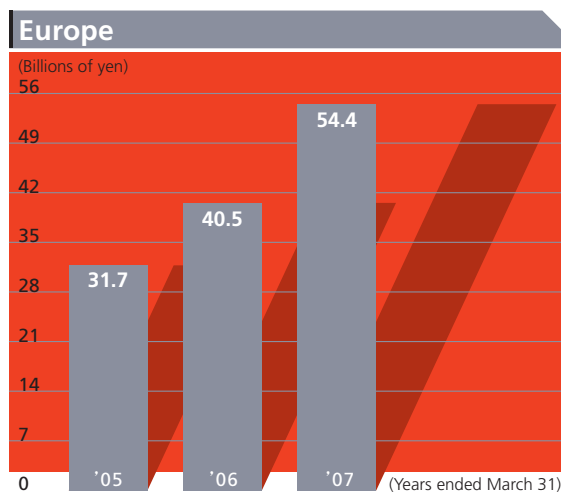
As a result of the aforementioned measures and a depreciation of the yen against a strong euro, sales in Europe increased 34.2% year on year, to ¥54.4 billion (US\$461.1 million).

## Asia Aggressively Promoting the Appeal of Our Brand and Developing New Markets

In Asia, the Chinese economy continued to grow. In addition, the economies of South Korea, Taiwan, and the ASEAN countries made good progress comparatively.

The Group continued to aggressively implement sales activities in the growing markets, such as China, the ASEAN countries, and India. In our development of new markets, we used all our efforts to make presentations of our products, especially through exhibitions and trade shows in these regions, for our market growth and the penetration of the Amada brand.

As a result of the aforementioned programs, sales in Asia, mainly led by China, increased 28.5% year on year, to ¥36.0 billion (US\$305.5 million).



# Future Efforts

## Aiming to Be the World's Best Total Metalworking Machinery Manufacturer

We of the Amada Group aim to become the world's best Total Metalworking Machinery Manufacturer, and we are going to take concrete measures in our sales and after-sales services, development, manufacturing, and overseas operations as follows:

### Sales and After-Sales Services

In sales and after-sales services, we are going to clearly identify laser processing machines for sheet metal processing, pulse-cutting bandsaws for cutting, servo presses, and multifunction machine tools as core strategic products. Also, we are going to aggressively strengthen and expand our sales in these markets. We also aim to raise our overseas sales ratio not only in sheet metal processing machinery, but also in cutting machines, presses, and machine tools.

### Development and Manufacturing

In development and manufacturing, we completed our stage that was to improve the infrastructure of our development and supply systems, such as construction of a development center and a laser-dedicated factory at our Fujinomiya Works, and to reorganize the business operations of toolings and peripheral equipment.

Hereafter, we will concentrate our best efforts to realize the front-loading development system and accelerate the quick release of new products into the market which will be highly automated with system functionality. Also, we are going to focus on upgrading and strengthening of the functions of our Fujinomiya Works as a platform, which will demonstrate our technical innovation through the most advanced technologies for the realization of "Digitalized Factories of Our Customers in the Near Future".

### Overseas Operations

In our overseas operations, through the functional capability of the holding company newly established for regional operations in North America, we will strive to achieve the comprehensive sharing of our management strategies among these subsidiaries, and carry out local operations flexibly. We also plan to construct a Solution Center in Chicago as our principal business base in the United States, and are going to concentrate our management resources to expand our market shares in the large-scale markets of the Midwest, the Northeast, and the Southern regions of the United States.

In Europe, we are going to promote the following measures necessary for improving our local product supply capabilities so as to certainly capture future growing demand in this region.

We are going to introduce a supply chain management (SCM) system at Amada Europe S.A., our manufacturing subsidiary for sheet metal processing machinery in Europe, to unify the management of our production in Europe and make it more efficient. We are also going to strengthen the production capabilities of Amada Outillage S.A., our manufacturing subsidiary for toolings in Europe.

In emerging markets, we are going to focus on China, the ASEAN countries, India, Eastern Europe, and Russia; actively strengthen our local operating bases; and improve our sales networks in these markets by making use of sales agents.



# Financial Review

## EXTERNAL ECONOMIC CONDITIONS

In fiscal 2007, the Japanese economy remained on a recovery course, despite raw material prices staying high and slack consumer spending, thanks to growth in exports and higher private-sector investment backed by better corporate profits.

Overseas, the U.S. economy remained steady overall, despite a slowing pace of expansion, while the European economy continued to rebound. In Asia, the economy continued on a course of strong expansion, especially in China and the ASEAN countries.

In the machinery industry, domestic orders from automobile-related industries slowed amid the overall economic conditions described above, but orders came from a broad swath of industries, including the electric machinery, precision machinery, electronic components, and construction machinery sectors. The market environments in North America, Europe, and Asia were firm, and our performance overseas was favorable throughout the fiscal year.

## EARNINGS

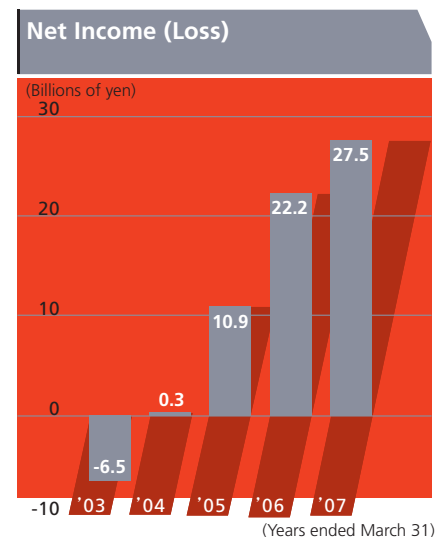
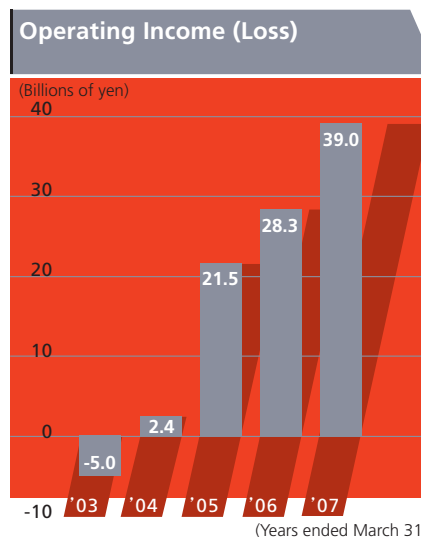
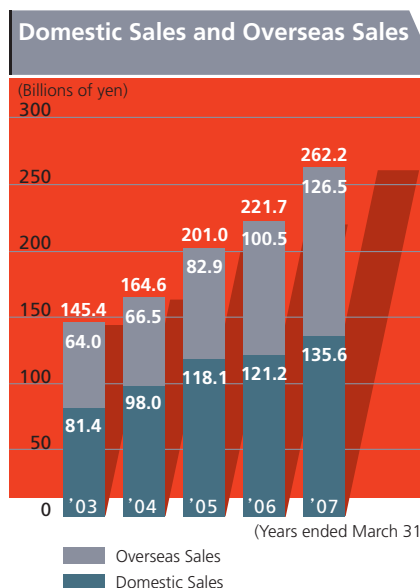
In the fiscal year under review, on a consolidated basis, both orders and net sales increased year on year. Orders rose 17.2% year on year, to ¥267.3 billion (US\$2,264.2 million), and net sales climbed 18.2%, to ¥262.2 billion (US\$2,220.6 million).

Thanks primarily to increased revenue, improvement in the gross profit margin, and progress made in measures taken to promote cost efficiency, consolidated operating income increased 38.0%, to ¥39.0 billion (US\$331.0 million), and net income jumped 23.4%, to ¥27.5 billion (US\$232.9 million).

## FINANCIAL POSITION

At the end of fiscal 2007, total consolidated assets stood at ¥545.4 billion (US\$4,619.1 million), up 6.7% from a year earlier.

Current assets rose 7.3%, to ¥319.6 billion (US\$2,707.2 million), owing mainly to increases in trade notes, accounts receivable, and inventories. Property, plant and equipment were up 10.0%, to ¥110.3 billion (US\$934.2 million), due to increases in buildings and structures. Investments and other assets increased 2.2%, to ¥115.4 billion (US\$977.6 million).



At the end of fiscal 2007, total current liabilities climbed to ¥96.0 billion (US\$813.3 million), up 20.2% from the end of the previous year, due largely to increases in short-term borrowings and accounts payable. Total long-term liabilities fell 8.6%, to ¥30.4 billion (US\$257.8 million). Moreover, consolidated net assets at the end of fiscal 2007 stood at ¥414.3 billion (US\$3,508.5 million) as retained earnings increased due to the growth in profits.

As a result, the shareholders' equity ratio at the end of the year decreased to 76.0%, from 77.2%.

### CASH FLOWS

Consolidated cash and cash equivalents, at the end of the fiscal year, were ¥95.5 billion (US\$808.9 million), roughly even with the previous year's level.

### CASH FLOW PROVIDED BY OPERATING ACTIVITIES

In fiscal 2007, net cash provided by operating activities totaled ¥20.9 billion (US\$177.6 million), representing a ¥15.0 billion

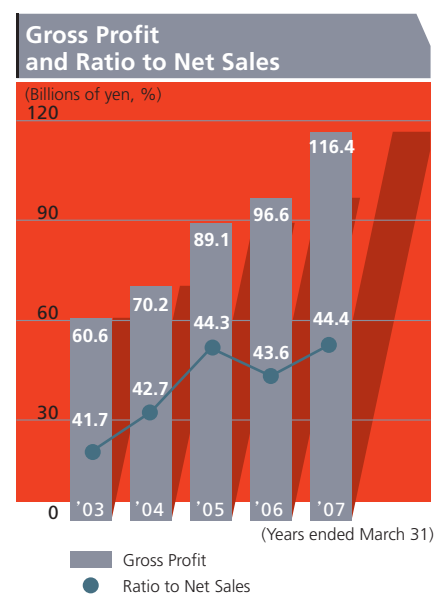
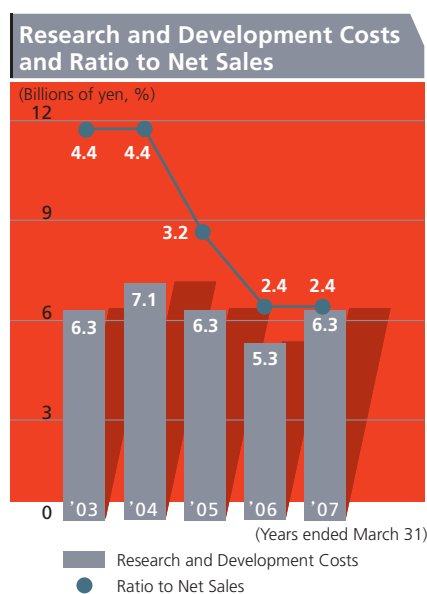
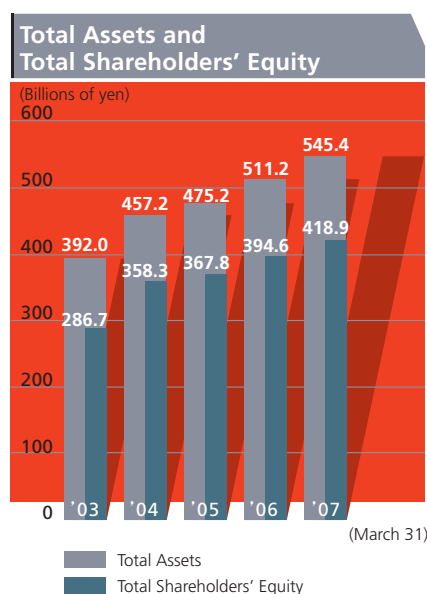
decrease from the previous term. The decrease was largely attributable to an uptrend in accounts receivable as well as increases in inventories and corporate tax payments that have accompanied the earnings recovery in recent years.

### CASH FLOW USED IN INVESTING ACTIVITIES

In fiscal 2007, net cash used in investing activities totaled ¥15.9 billion (US\$135.1 million), representing a ¥7.3 billion increase from the previous term. The increase was mainly attributable to decreases in proceeds from the sale and redemption of investment securities as well as an increase in cash used to acquire tangible fixed assets.

### CASH FLOW USED IN FINANCING ACTIVITIES

In fiscal 2007, net cash used in financing activities totaled ¥6.9 billion (US\$58.8 million), representing a ¥1.0 billion increase from the previous term. Despite an increase in dividend payments by the parent company, net cash used in financing activities increased due to the greater size of the decline in long-term debt repayments.



# Consolidated Financial Statements

## Consolidated Balance Sheets

Amada Co., Ltd. and Consolidated Subsidiaries  
March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Current assets:</b>			
Cash and cash equivalents (Note 3) .....	¥ 95,532	¥ 95,567	\$ 808,982
Short-term investments (Note 3) .....	12,615	11,793	106,833
Notes and accounts receivable (Note 2)—			
Trade .....	140,951	131,430	1,193,595
Unconsolidated subsidiaries and associated companies .....	2,064	2,338	17,484
Other .....	3,545	2,353	30,027
Allowance for doubtful receivables .....	(3,065)	(3,110)	(25,962)
Inventories (Note 4) .....	59,660	50,099	505,212
Deferred tax assets (Note 9) .....	5,639	5,160	47,754
Prepaid expenses and other current assets .....	2,753	2,295	23,320
Total current assets .....	319,699	297,929	2,707,248
<b>Property, plant and equipment:</b>			
Land (Note 5) .....	32,136	31,255	272,136
Buildings and structures (Notes 5 and 6) .....	101,698	93,623	861,193
Machinery and equipment (Note 5) .....	42,353	39,684	358,650
Equipment for lease .....	24,887	24,700	210,751
Buildings, structures and land for rent (Notes 5 and 7) .....	19,569	19,569	165,717
Construction in progress .....	2,406	580	20,374
Total .....	223,051	209,414	1,888,823
Accumulated depreciation .....	(112,721)	(109,104)	(954,535)
Net property, plant and equipment .....	110,330	100,309	934,288
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 6) .....	89,114	90,172	754,636
Investments in and advances to unconsolidated subsidiaries and associated companies .....	3,044	2,922	25,779
Goodwill .....	3,735	2,601	31,629
Software .....	2,824	2,845	23,916
Deferred tax assets (Note 9) .....	8,777	7,022	74,328
Other assets .....	7,948	7,445	67,310
Total investments and other assets .....	115,444	113,010	977,600
 Total .....	 ¥545,473	 ¥511,248	 \$4,619,137

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>Current liabilities:</b>			
Short-term bank loans (Note 6) .....	¥ 9,307	¥ 7,242	\$ 78,818
Current portion of long-term debt (Note 6) .....	322	46	2,733
Notes and accounts payable—			
Trade .....	26,574	24,243	225,039
Unconsolidated subsidiaries and associated companies .....	933	1,540	7,904
Other .....	9,313	3,502	78,870
Deferred profit on installment sales (Note 2) .....	20,334	19,650	172,191
Accrued expenses .....	9,706	8,456	82,192
Income taxes payable .....	10,291	8,235	87,150
Other current liabilities (Note 9) .....	9,267	6,977	78,482
Total current liabilities .....	96,052	79,895	813,382
<b>Long-term liabilities:</b>			
Long-term debt (Note 6) .....	828	310	7,014
Liability for employees' retirement benefits (Note 8) .....	15,448	16,414	130,819
Retirement allowance for directors and corporate auditors (Note 8) .....	478	889	4,052
Deposits received (Note 7) .....	7,991	10,082	67,668
Other long-term liabilities (Note 9) .....	5,705	5,611	48,314
Total long-term liabilities .....	30,451	33,308	257,870
<b>Minority interests</b> .....		3,353	
<b>Commitments and contingent liabilities</b> (Notes 14, 15 and 16)			
<b>Equity</b> (Notes 10 and 20):			
Common stock—			
Authorized—550,000 thousand shares			
Issued—406,434 thousand shares (2007 and 2006) .....	54,768	54,768	463,783
Capital surplus .....	163,657	163,376	1,385,873
Retained earnings .....	197,110	179,716	1,669,153
Net unrealized gain on available-for-sale securities .....	6,715	9,151	56,867
Land revaluation difference (Note 1 i)) .....	(7,968)	(8,090)	(67,475)
Foreign currency translation adjustments .....	4,739	384	40,137
Treasury stock, at cost—			
14,302 thousand shares in 2007 and 14,954 thousand shares in 2006 .....	(4,699)	(4,615)	(39,799)
Total .....	414,323	394,691	3,508,540
Minority interests .....	4,646		39,343
Total equity .....	418,969	394,691	3,547,884
Total .....	¥545,473	¥511,248	\$4,619,137

## Consolidated Statements of Income

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
<b>Net sales</b> (Note 2) .....	<b>¥262,239</b>	¥221,780	¥201,097	<b>\$2,220,673</b>
Cost of sales (Note 4) .....	<b>145,820</b>	125,133	111,918	<b>1,234,822</b>
Gross profit .....	<b>116,419</b>	96,646	89,178	<b>985,850</b>
Selling, general and administrative expenses (Note 13) .....	<b>76,646</b>	68,426	65,293	<b>649,055</b>
Net changes in deferred profit on installment sales .....	<b>(684)</b>	100	(2,371)	<b>(5,792)</b>
Operating income.....	<b>39,088</b>	28,320	21,513	<b>331,002</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>4,023</b>	3,480	1,990	<b>34,071</b>
Interest expense .....	<b>(788)</b>	(693)	(431)	<b>(6,676)</b>
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies .....	<b>421</b>	194	(49)	<b>3,566</b>
Other, net (Notes 5 and 12) .....	<b>3,031</b>	2,026	(4,336)	<b>25,667</b>
Other income (expenses)—net .....	<b>6,687</b>	5,008	(2,826)	<b>56,628</b>
<b>Income before income taxes and minority interests</b> .....	<b>45,775</b>	33,328	18,687	<b>387,631</b>
<b>Income taxes</b> (Note 9):				
Current .....	<b>17,502</b>	11,676	5,588	<b>148,213</b>
Deferred .....	<b>(115)</b>	(1,448)	1,577	<b>(974)</b>
Total income taxes .....	<b>17,387</b>	10,227	7,166	<b>147,238</b>
<b>Minority interests in net income</b> .....	<b>881</b>	803	581	<b>7,467</b>
<b>Net income</b> .....	<b>¥ 27,506</b>	¥ 22,297	¥ 10,940	<b>\$ 232,925</b>
		Yen		U.S. dollars (Note 1)
<b>Per share of common stock</b> (Notes 1 w) and 17):				
Net income—				
Basic .....	<b>¥ 70.20</b>	¥ 56.59	¥ 27.66	<b>\$ 0.59</b>
Diluted .....	<b>70.13</b>	56.53		<b>0.59</b>
Cash dividends applicable to the year .....	<b>20.00</b>	16.00	10.00	<b>0.16</b>

See notes to consolidated financial statements.



# Consolidated Statements of Changes in Equity

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007, 2006 and 2005

	Issued number of shares outstanding (thousands)	Number of treasury stocks (thousands)	Millions of yen									
			Common stock	Capital surplus	Retained earnings	Net unrealized gain (loss) on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
<b>Balance, March 31, 2004</b>	406,434	14,583	¥54,768	¥163,249	¥153,135	¥3,732	¥(8,764)	¥(3,626)	¥(4,152)	¥358,342		¥358,342
Appropriations:												
Cash dividends, ¥5.00 per share					(1,959)					(1,959)		(1,959)
Bonuses to directors and corporate auditors					(57)					(57)		(57)
Net income					10,940					10,940		10,940
Acquisition of treasury stock		386							(238)	(238)		(238)
Disposal of treasury stock		(390)		123					112	235		235
Reversal of land revaluation difference					(659)		659					
Adjustment of retained earnings for merger of consolidated subsidiaries					6					6		6
Net change in the year						(378)		918		539		539
<b>Balance, March 31, 2005</b>	406,434	14,579	54,768	163,372	161,405	3,353	(8,104)	(2,707)	(4,278)	367,808		367,808
Appropriations:												
Cash dividends, ¥10.00 per share					(3,918)					(3,918)		(3,918)
Bonuses to directors and corporate auditors					(132)					(132)		(132)
Net income					22,297					22,297		22,297
Acquisition of treasury stock									(339)	(339)		(339)
Disposal of treasury stock		(7)		3					2	5		5
Reversal of land revaluation difference					(14)		14					
Adjustment of retained earnings for newly consolidated subsidiaries					79					79		79
Net change in the year						5,798		3,091		8,890		8,890
<b>Balance, March 31, 2006</b>	406,434	14,954	54,768	163,376	179,716	9,151	(8,090)	384	(4,615)	394,691		394,691
Reclassified balance as of March 31, 2006 (Note 1 n)											¥3,353	3,353
Appropriations:												
Cash dividends, ¥25.00 per share					(9,790)					(9,790)		(9,790)
Bonuses to directors and corporate auditors					(174)					(174)		(174)
Net income					27,506					27,506		27,506
Acquisition of treasury stock		319							(392)	(392)		(392)
Disposal of treasury stock		(971)		281					308	589		589
Reversal of land revaluation difference					(122)		122					
Decrease resulting from exclusion of associated companies previously accounted for by equity method					(25)					(25)		(25)
Net change in the year						(2,436)		4,355		1,919	1,292	3,212
<b>Balance, March 31, 2007</b>	406,434	14,302	¥54,768	¥163,657	¥197,110	¥6,715	¥(7,968)	¥4,739	¥(4,699)	¥414,323	¥4,646	¥418,969

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Net unrealized gain on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Reclassified balance as of March 31, 2006 (Note 1 n)									\$28,397	28,397
Appropriations:										
Cash dividends, \$0.21 per share			(82,910)					(82,910)		(82,910)
Bonuses to directors and corporate auditors			(1,473)					(1,473)		(1,473)
Net income			232,925					232,925		232,925
Acquisition of treasury stock							(3,326)	(3,326)		(3,326)
Disposal of treasury stock		2,383					2,610	4,994		4,994
Reversal of land revaluation difference			(1,037)		1,037					
Decrease resulting from exclusion of associated companies previously accounted for by equity method			(215)					(215)		(215)
Net change in the year				(20,631)		36,885		16,254	10,946	27,200
<b>Balance, March 31, 2007</b>	\$463,783	\$1,385,873	\$1,669,153	\$ 56,867	\$(67,475)	\$40,137	\$(39,799)	\$3,508,540	\$39,343	\$3,547,884

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
<b>Operating activities:</b>				
Income before income taxes and minority interests .....	<b>¥45,775</b>	¥33,328	¥18,687	<b>\$387,631</b>
Adjustments for:				
Income taxes paid .....	<b>(15,835)</b>	(7,625)	(2,889)	<b>(134,097)</b>
Depreciation and amortization .....	<b>8,915</b>	8,808	8,669	<b>75,496</b>
Gain on sales of fixed assets .....	<b>(1,776)</b>	(30)	(8)	<b>(15,040)</b>
Loss on impairment of investment securities .....	<b>183</b>	97	547	<b>1,552</b>
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies .....	<b>(421)</b>	(194)	49	<b>(3,566)</b>
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:				
(Increase) decrease in receivables, net of deferred profit on installment sales .....	<b>(5,121)</b>	2,459	(3,567)	<b>(43,369)</b>
Increase in inventories .....	<b>(7,317)</b>	(1,708)	(5,183)	<b>(61,969)</b>
(Decrease) increase in payables .....	<b>(320)</b>	712	(597)	<b>(2,711)</b>
Decrease in liabilities for employees' retirement benefits .....	<b>(1,139)</b>	(663)	(395)	<b>(9,651)</b>
Other—net .....	<b>(1,966)</b>	859	1,472	<b>(16,648)</b>
Total adjustments .....	<b>(24,799)</b>	2,716	3,436	<b>(210,004)</b>
Net cash provided by operating activities .....	<b>20,975</b>	36,045	22,124	<b>177,627</b>
<b>Investing activities:</b>				
Proceeds from sales and redemption of marketable securities .....	<b>11,445</b>	11,977	15,069	<b>96,920</b>
Purchases of marketable securities .....	<b>(199)</b>	(2,500)	(959)	<b>(1,691)</b>
Proceeds from sales of property, plant and equipment .....	<b>3,159</b>	384	329	<b>26,756</b>
Purchases of property, plant and equipment .....	<b>(11,940)</b>	(5,801)	(5,286)	<b>(101,114)</b>
Proceeds from sales and redemption of investment securities .....	<b>12,389</b>	25,043	6,910	<b>104,917</b>
Purchases of investment securities .....	<b>(26,019)</b>	(35,538)	(24,724)	<b>(220,335)</b>
Payment for purchase of newly consolidated subsidiaries, net of cash acquired .....	<b>(1,682)</b>		(556)	<b>(14,248)</b>
Purchase of long-term time deposits .....	<b>(1,500)</b>	(1,000)	(1,500)	<b>(12,702)</b>
Other—net .....	<b>(1,616)</b>	(1,214)	(1,919)	<b>(13,688)</b>
Net cash used in investing activities .....	<b>(15,963)</b>	(8,649)	(12,637)	<b>(135,184)</b>
<b>Financing activities:</b>				
Net increase (decrease) in short-term bank loans .....	<b>2,043</b>	377	(1,661)	<b>17,307</b>
Proceeds from long-term debt .....	<b>940</b>		68	<b>7,964</b>
Repayment of long-term debt .....	<b>(272)</b>	(1,942)	(2,094)	<b>(2,304)</b>
Cash dividends paid .....	<b>(9,770)</b>	(3,914)	(1,960)	<b>(82,738)</b>
Other—net .....	<b>112</b>	(402)	(85)	<b>952</b>
Net cash used in financing activities .....	<b>(6,946)</b>	(5,882)	(5,733)	<b>(58,819)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents .....</b>	<b>1,734</b>	1,317	276	<b>14,684</b>
<b>Cash and cash equivalents increased by merger .....</b>			1,150	
<b>Net (decrease) increase in cash and cash equivalents .....</b>	<b>(199)</b>	22,830	5,178	<b>(1,692)</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries .....</b>	<b>165</b>	378	650	<b>1,401</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>95,567</b>	72,357	66,528	<b>809,273</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥95,532</b>	¥95,567	¥72,357	<b>\$808,982</b>
<b>Non-cash investing and financing activities:</b>				
Increase in assets and liabilities as a result of acquisition of subsidiaries:				
Assets: Current assets .....	<b>¥ 2,849</b>			<b>\$ 24,129</b>
Non-current assets .....	<b>1,769</b>			<b>14,987</b>
Total .....	<b>¥ 4,619</b>			<b>\$ 39,116</b>
Liabilities: Current liabilities .....	<b>¥ 1,043</b>			<b>\$ 8,834</b>
Non-current liabilities .....	<b>308</b>			<b>2,614</b>
Total .....	<b>¥ 1,352</b>			<b>\$ 11,449</b>

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.

On December 27, 2005, the Accounting Standard Board of Japan (ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.

The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

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 2006 and 2005 consolidated financial statements in order for them to conform to the classifications and presentations used in 2007.

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 ¥118.09 to US\$1, the rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company and its 51 (49 in 2006 and 50 in 2005) 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 8 (9 in 2006 and 11 in 2005) unconsolidated subsidiaries and 3 (4 in 2006 and 4 in 2005) 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 "Goodwill" in the consolidated balance sheets, and is being amortized on a straight-line basis mainly from 10 to 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, commercial paper 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:

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 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.

On March 30, 2006, the ASBJ issued ASBJ Guidance No.12, Guidance on Accounting for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital). This new pronouncement is effective for fiscal years beginning on or after April 1, 2006 with early adoption permitted for fiscal years ending on or after March 31, 2006.

The Companies adopted the new accounting standard for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital) as of April 1, 2006.

The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥21 million (\$182 thousand).

### 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.

### 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 equity. There was no effect on the consolidated statements of income. Continuous readjustment is not permitted.

As at March 31, 2007, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥8,439 million (\$71,466 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) 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.

The Companies adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥216 million (\$1,832 thousand).

### l) 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 8).

### m) 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.

### n) Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, 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. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

### o) 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.

### p) 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.

### q) 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 equity, which is translated at historical rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rates.

### r) Research and development costs

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

### s) 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.

### t) 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.

#### **u) 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.

#### **v) 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.

#### **w) 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 391,835 thousand shares in 2007, 391,653 thousand shares in 2006 and 391,954 thousand shares in 2005. For 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.

#### **x) New accounting pronouncements:**

##### ***Measurement of inventories***

Under generally accepted accounting principles in Japan (“Japanese GAAP”), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

##### ***Lease accounting***

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

##### ***Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements***

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.



**2 NOTES AND ACCOUNTS RECEIVABLE**

Sales on an installment basis consisted of 8%, 9% and 13% of consolidated net sales in the years ended March 31, 2007, 2006 and 2005, respectively.

Annual maturities of notes—trade at March 31, 2007 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):				
2008 .....	¥ 31,328	¥ 5,660	\$ 265,296	\$ 47,935
2009 .....	13,701	4,924	116,027	41,702
2010 .....	10,763	3,991	91,149	33,804
2011 .....	7,470	2,881	63,258	24,398
2012 .....	4,023	1,611	34,070	13,644
2013 and thereafter .....	2,884	1,264	24,428	10,705
Subtotal .....	70,172	20,334	594,231	172,191
Less—notes from unconsolidated subsidiaries and associated companies .....	(293)		(2,488)	
Add—accounts receivable .....	71,072		601,853	
Total notes and accounts receivable .....	<u>¥140,951</u>	<u>¥20,334</u>	<u>\$1,193,595</u>	<u>\$172,191</u>

**3 SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES**

Short-term investments and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current:			
Government and corporate bonds .....	¥ 5,670	¥ 9,658	\$ 48,014
Trust fund investments and other .....	6,945	2,135	58,818
Total .....	<u>¥12,615</u>	<u>¥11,793</u>	<u>\$106,833</u>
Non-current:			
Marketable equity securities .....	¥16,177	¥20,677	\$136,993
Government and corporate bonds .....	48,098	44,422	407,304
Trust fund investments and other .....	24,838	25,072	210,338
Total .....	<u>¥89,114</u>	<u>¥90,172</u>	<u>\$754,636</u>

The carrying amounts and aggregate fair values of the securities classified as available-for-sale securities at March 31, 2007 and 2006 were as follows:

	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>March 31, 2007</b>				
Available-for-sale:				
Equity securities .....	¥ 5,194	¥11,048	¥ 66	¥16,177
Government and corporate bonds .....	53,496	1,034	1,362	53,168
Trust fund investments and other .....	27,463	715	293	27,885
Total .....	<u>¥86,154</u>	<u>¥12,798</u>	<u>¥1,722</u>	<u>¥97,231</u>
<b>March 31, 2006</b>				
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 .....	<u>¥83,733</u>	<u>¥16,883</u>	<u>¥2,128</u>	<u>¥98,488</u>

March 31, 2007	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities.....	\$ 43,990	\$ 93,564	\$ 561	\$136,993
Government and corporate bonds .....	453,012	8,762	11,536	450,238
Trust fund investments and other.....	232,563	6,056	2,484	236,135
Total .....	<u>\$729,566</u>	<u>\$108,382</u>	<u>\$14,582</u>	<u>\$823,366</u>

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, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Available-for-sale:			
Equity securities .....	¥1,145	¥1,136	\$ 9,700
Investments in partnership and other.....	1,578	1,795	13,369
Total .....	<u>¥2,724</u>	<u>¥2,931</u>	<u>\$23,070</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005 were ¥1,615 million (\$13,676 thousand), ¥6,864 million and ¥2,233 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥91 million (\$774 thousand) and ¥33 million (\$280

thousand), respectively, for the year ended March 31, 2007, ¥1 million and ¥346 million, respectively, for the year ended March 31, 2006 and ¥45 million and ¥430 million, respectively, for the year ended March 31, 2005.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 are as follows:

	Available-for-sale	
	Millions of yen	Thousands of U.S. dollars
Due in one year or less.....	¥10,597	\$ 89,742
Due after one year through five years .....	29,549	250,230
Due after five years through ten years.....	4,799	40,646
Due after ten years .....	11,602	98,247
Total.....	<u>¥56,549</u>	<u>\$478,867</u>

#### 4 INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Merchandise and finished products .....	¥44,197	¥37,716	\$374,266
Work in process.....	6,264	4,442	53,051
Raw materials and parts .....	9,198	7,941	77,895
Total .....	<u>¥59,660</u>	<u>¥50,099</u>	<u>\$505,212</u>

**5 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, 2007 and 2006, the Companies performed the impairment review, and no impairment loss has been recognized.

**6 SHORT-TERM BANK LOANS AND LONG-TERM DEBT**

Short-term bank loans at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Interest rates ranging from 1.31% to 7.25% at March 31, 2007 and from 0.75% to 5.84% at March 31, 2006 .....	<b>¥9,307</b>	¥7,242	<b>\$78,818</b>

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loan from banks, 0.98% to 5.75% (2.58% to 6.0% in 2006), due serially to 2013:			
Collateralized.....	<b>¥ 464</b>	¥244	<b>\$3,936</b>
Unsecured .....	<b>686</b>	113	<b>5,810</b>
Total.....	<b>1,151</b>	357	<b>9,747</b>
Less—current portion .....	<b>(322)</b>	(46)	<b>(2,733)</b>
Long-term debt, less current portion .....	<b>¥ 828</b>	¥310	<b>\$7,014</b>

The annual maturities of long-term debt at March 31, 2007 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2008.....	¥ 322	\$2,733
2009.....	264	2,242
2010.....	114	967
2011.....	99	846
2012.....		
2013 and thereafter .....	349	2,957
Total.....	<b>¥1,151</b>	<b>\$9,747</b>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥15 million (\$132 thousand) and long-term debt of ¥449 million (\$3,804 thousand) at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Building and structures—net.....	¥434	\$3,681
Investment securities.....	569	4,820

**7 DEPOSITS RECEIVED**

Deposits received are collateralized by buildings, structures and land for rent having a book value of ¥2,553 million (\$21,626 thousand) of ¥3,986 million (\$33,755 thousand) at March 31, 2007.

## 8 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.

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation .....	<b>¥35,437</b>	¥34,147	<b>\$300,093</b>
Fair value of plan assets.....	<b>(26,031)</b>	(23,725)	<b>(220,434)</b>
Unrecognized prior service cost .....	<b>7,456</b>	8,419	<b>63,143</b>
Unrecognized actuarial gain.....	<b>(1,414)</b>	(2,427)	<b>(11,982)</b>
Net liability .....	<b>¥15,448</b>	¥16,414	<b>\$130,819</b>

The components of net periodic benefit costs for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Service cost .....	<b>¥ 788</b>	¥ 849	¥ 948	<b>\$6,673</b>
Interest cost.....	<b>835</b>	809	839	<b>7,073</b>
Expected return on plan assets.....	<b>(594)</b>	(455)	(444)	<b>(5,036)</b>
Amortization of prior service cost.....	<b>(1,060)</b>	(1,048)	(1,043)	<b>(8,984)</b>
Recognized actuarial loss.....	<b>913</b>	1,276	1,383	<b>7,739</b>
Net periodic benefit costs .....	<b>¥ 881</b>	¥1,431	¥1,683	<b>\$7,465</b>

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate .....	<b>2.5%</b>	2.5%
Expected rate of return on plan assets .....	<b>2.5%</b>	2.5%
Amortization period of prior service cost .....	<b>10 years</b>	10 years
Recognition period of actuarial gain/loss.....	<b>10 years</b>	10 years

## Notes to Consolidated Financial Statements

### 9 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in the

normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2007, 2006 and 2005.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful accounts.....	¥ 907	¥ 972	\$ 7,681
Tax loss carryforwards .....	586	1,024	4,966
Inventories—intercompany profits and write-downs .....	3,475	2,629	29,427
Enterprise taxes payable .....	704	653	5,964
Provisions for bonus payment.....	751	644	6,362
Deferred profit on installment sales.....	117	110	991
Investment securities.....	1,210	1,213	10,249
Research and development costs.....	3,108	3,246	26,319
Pension and severance costs—prior service cost .....	6,038	6,467	51,138
Retirement allowance for directors and corporate auditors .....	195	361	1,654
Loss on impairment of long-lived assets.....	1,270	1,375	10,759
Property, plant and equipment—intercompany profits and depreciation expenses .....	2,465	1,984	20,874
Land revaluation difference .....	4,352	4,402	36,860
Other.....	992	1,930	8,407
Less—valuation allowance .....	(4,448)	(5,554)	(37,672)
Total.....	21,727	21,462	183,987
Deferred tax liabilities:			
Property, plant and equipment—special reserve .....	(1,248)	(1,388)	(10,575)
Land revaluation difference .....	(1,117)	(1,117)	(9,465)
Unrealized gain on available-for-sale securities.....	(4,409)	(6,265)	(37,341)
Other.....	(533)	(506)	(4,520)
Total.....	(7,310)	(9,279)	(61,904)
Net deferred tax assets .....	¥14,416	¥12,182	\$122,082
Deferred tax liabilities:			
Depreciation .....	¥ 194	¥ 243	\$ 1,643
Other.....	167	33	1,420
Total.....	361	277	3,064
Deferred tax assets:			
Other.....	(1)	(16)	(15)
Total.....	(1)	(16)	(15)
Net deferred tax liabilities.....	¥ 360	¥ 261	\$ 3,048

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2007, 2006 and 2005 and the actual

effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2007	2006	2005
Normal effective statutory tax rate.....	40.6%	40.6%	40.6%
Increase (decrease) in tax rate resulting from:			
Expenses not deductible for income tax purposes .....	1.4	1.6	3.4
Non-taxable dividend income .....	(1.1)	(1.1)	(0.8)
Inhabitants' tax—per capita levy.....	0.2	0.2	0.4
Change in valuation allowance .....	(2.0)	(7.9)	(3.5)
Elimination of intercompany dividend income .....	2.5	2.1	1.3
Lower income tax rates applicable to income in certain foreign countries .....	(2.7)	(3.3)	(3.9)
Other—net.....	(0.9)	(1.5)	0.8
Actual effective tax rate .....	<u>38.0%</u>	<u>30.7%</u>	<u>38.3%</u>

At March 31, 2007, certain subsidiaries had tax loss carryforwards aggregating approximately ¥1,634 million (\$13,839 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, 2012 and thereafter.

## 10 EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, 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 a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of the normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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 at no less than ¥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 equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.



**11 STOCK OPTION**

The stock option outstanding as of March 31, 2007 is as follows:

<u>Stock Option</u>	<u>Persons Granted</u>	<u>Number of Options Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
2004 stock option	10 directors of the Company 39 directors of the affiliates 114 employees of the Company 29 employees of the affiliates	1,306,000 shares	November 24, 2004	¥600	From July 1, 2006 to June 30, 2011

The stock option activity is as follows:

	<u>2004 Stock Option</u>
<b>For the year ended March 31, 2005</b>	
<b>Non-vested</b>	
March 31, 2004—Outstanding	
Granted	1,306,000
Canceled	
Vested	
March 31, 2005—Outstanding	1,306,000
<b>Vested</b>	
March 31, 2004—Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2005—Outstanding	
<b>For the year ended March 31, 2006</b>	
<b>Non-vested</b>	
March 31, 2005—Outstanding	1,306,000
Granted	
Canceled	
Vested	
March 31, 2006—Outstanding	1,306,000
<b>Vested</b>	
March 31, 2005—Outstanding	
Vested	
Exercised	
Canceled	
March 31, 2006—Outstanding	
<b>For the year ended March 31, 2007</b>	
<b>Non-vested</b>	
March 31, 2006—Outstanding	1,306,000
Granted	
Canceled	
Vested	(1,306,000)
March 31, 2007—Outstanding	
<b>Vested</b>	
March 31, 2006—Outstanding	
Vested	1,306,000
Exercised	(960,000)
Canceled	
March 31, 2007—Outstanding	346,000
Exercise price	¥600
Average stock price at exercise	¥1,225.25
Fair value price at grant date	

## 12 OTHER INCOME (EXPENSES)—OTHER, NET

Other income (expenses)—other, net, for the years ended March 31, 2007, 2006 and 2005 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Commissions earned .....	¥ 588	¥ 511	¥ 376	\$ 4,983
Loss on sales of marketable securities .....	(22)	(1)	(430)	(191)
Loss on sales of investment securities .....	(10)	(344)		(89)
Gain on sales of fixed assets .....	1,776	30	8	15,040
Loss on impairment of investment securities.....	(183)	(97)	(547)	(1,552)
Foreign exchange gain (loss).....	(417)	454	737	(3,534)
Income from collection on previously written-off security .....			688	
Loss on impairment of golf club memberships.....			(1,491)	
Loss on impairment of long-lived assets .....			(3,847)	
Other .....	1,300	1,473	170	11,010
Total .....	¥3,031	¥2,026	¥(4,336)	\$25,667

## 13 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,372 million (\$53,965 thousand), ¥5,302 million and ¥6,380 million for the years ended March 31, 2007, 2006 and 2005, respectively.

## 14 LEASES

### a) Lessee

The Companies lease certain equipment and other assets.

Total lease payments were ¥489 million (\$4,147 thousand), ¥544 million and ¥592 million for the years ended March 31, 2007, 2006 and 2005, 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, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2007			2007		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost .....	¥2,033	¥106	¥2,139	\$17,220	\$899	\$18,120
Accumulated depreciation.....	1,317	33	1,351	11,158	286	11,445
Net leased property .....	¥ 715	¥ 72	¥ 788	\$ 6,062	\$613	\$ 6,675

	Millions of yen		
	2006		
	Machinery and equipment	Other assets	Total
Acquisition cost .....	¥2,346	¥90	¥2,436
Accumulated depreciation.....	1,363	22	1,386
Net leased property .....	¥ 982	¥68	¥1,050

## Notes to Consolidated Financial Statements

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, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
<b>Obligations under finance leases:</b>			
Due within one year .....	<b>¥417</b>	¥ 456	<b>\$3,538</b>
Due after one year .....	<b>370</b>	594	<b>3,137</b>
Total .....	<b>¥788</b>	<b>¥1,050</b>	<b>\$6,675</b>

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 ¥489 million (\$4,147 thousand) and ¥544 million for the years ended March 31, 2007 and 2006, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
<b>Operating leases:</b>			
Due within one year .....	<b>¥410</b>	¥384	<b>\$3,472</b>
Due after one year .....	<b>578</b>	612	<b>4,898</b>
Total .....	<b>¥988</b>	<b>¥996</b>	<b>\$8,370</b>

### 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 ¥4,160 million (\$35,235 thousand), ¥4,457 million and ¥4,776 million for the years ended March 31, 2007, 2006 and 2005, respectively.

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 for the years ended March 31, 2007 and 2006 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2007			2007		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost.....	<b>¥20,257</b>	<b>¥460</b>	<b>¥20,717</b>	<b>\$171,544</b>	<b>\$3,897</b>	<b>\$175,441</b>
Accumulated depreciation.....	<b>13,404</b>	<b>362</b>	<b>13,766</b>	<b>113,513</b>	<b>3,065</b>	<b>116,579</b>
Net leased property .....	<b>¥ 6,852</b>	<b>¥ 98</b>	<b>¥ 6,951</b>	<b>\$ 58,030</b>	<b>\$ 831</b>	<b>\$ 58,862</b>

	Millions of yen		
	2006		
	Machinery and equipment	Other assets	Total
Acquisition cost .....	¥19,245	¥487	¥19,733
Accumulated depreciation.....	12,019	347	12,366
Net leased property .....	<b>¥ 7,226</b>	<b>¥140</b>	<b>¥ 7,367</b>

Information of leased property such as obligations under finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Receivables under finance leases:			
Due within one year .....	¥ 3,022	¥ 3,148	\$25,598
Due after one year .....	7,869	8,117	66,642
Total.....	<u>¥10,892</u>	<u>¥11,266</u>	<u>\$92,240</u>

Depreciation expense was ¥2,303 million (\$19,507 thousand), ¥2,495 million and ¥2,663 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Interest income, which was not reflected in the consolidated statements of income, computed by the interest method was ¥856 million (\$7,255 thousand), ¥922 million and ¥1,010 million for the years ended March 31, 2007, 2006 and 2005, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Operating leases:			
Due within one year .....	¥1,101	¥ 972	\$ 9,324
Due after one year .....	7,756	8,152	65,682
Total.....	<u>¥8,857</u>	<u>¥9,124</u>	<u>\$75,007</u>

## 15 CONTINGENT LIABILITIES

At March 31, 2007 and 2006, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Customers' (105 companies in 2007 and 101 companies in 2006) bank loans .....	¥1,574	¥ 837	\$13,334
Travel agency ticket payables .....	43		366
Payment for subcontracted companies from factoring companies .....	3,091	2,322	26,183

## 16 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.

**17 NET INCOME PER SHARE**

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007, 2006 and 2005 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, 2007:				
Basic EPS				
Net income available to common shareholders.....	¥27,506	391,835	¥70.20	\$0.59
Effect of dilutive securities				
Warrants.....		393		
Diluted EPS				
Net income for computation .....	¥27,506	392,229	¥70.13	\$0.59
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.				

**18 RELATED PARTY TRANSACTIONS**

The Companies paid a legal fee to Chikara Shinozuka, a corporate auditor of the Company. Transactions with Chikara Shinozuka were ¥5 million (\$47 thousand), ¥4 million and ¥4 million for the years ended March 31, 2007, 2006 and 2005, 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 for the year ended March 31, 2006.

**19 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, 2007, 2006 and 2005, is as follows:

**a) Industry segments****I. Sales and Operating Income (Loss)**

	Millions of yen				Consolidated
	2007				
	Industry A	Industry B	Others	Eliminations/ corporate	
Sales to customers .....	¥259,676	¥1,623	¥ 939		¥262,239
Intersegment sales .....		551	31	¥(582)	
Total sales .....	259,676	2,174	970	(582)	262,239
Operating expenses .....	221,310	1,222	1,200	(582)	223,151
Operating income (loss) .....	¥ 38,366	¥ 952	¥ (230)		¥ 39,088

The effect of the adoption of the accounting for bonuses to directors and corporate auditors in Note 1 k) was to decrease the operating income of Industry A and B for the year ended March 31,

2007, by ¥205 million (\$1,741 thousand) and ¥4 million (\$33 thousand), respectively, from such segments in the prior year.

## II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2007				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets.....	<b>¥370,783</b>	<b>¥16,280</b>	<b>¥3,562</b>	<b>¥154,847</b>	<b>¥545,473</b>
Depreciation.....	<b>8,509</b>	<b>359</b>	<b>47</b>		<b>8,915</b>
Capital expenditures.....	<b>18,869</b>	<b>209</b>	<b>15</b>		<b>19,094</b>

## I. Sales and Operating Income (Loss)

	Thousands of U.S. dollars				
	2007				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers.....	<b>\$2,198,972</b>	<b>\$13,747</b>	<b>\$ 7,954</b>		<b>\$2,220,673</b>
Intersegment sales.....		<b>4,667</b>	<b>262</b>	<b>\$(4,929)</b>	
Total sales.....	<b>2,198,972</b>	<b>18,414</b>	<b>8,216</b>	<b>(4,929)</b>	<b>2,220,673</b>
Operating expenses.....	<b>1,874,081</b>	<b>10,350</b>	<b>10,169</b>	<b>(4,929)</b>	<b>1,889,670</b>
Operating income (loss).....	<b>\$ 324,890</b>	<b>\$ 8,064</b>	<b>\$(1,952)</b>		<b>\$ 331,002</b>

## II. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. dollars				
	2007				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets.....	<b>\$3,139,836</b>	<b>\$137,865</b>	<b>\$30,170</b>	<b>\$1,311,264</b>	<b>\$4,619,137</b>
Depreciation.....	<b>72,056</b>	<b>3,040</b>	<b>398</b>		<b>75,496</b>
Capital expenditures.....	<b>159,791</b>	<b>1,774</b>	<b>128</b>		<b>161,695</b>

## 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



## Notes to Consolidated Financial Statements

### 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)

	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
Capital expenditures .....	5,817	699	21		6,538

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

Corporate assets were ¥155,581 million (\$1,317,482 thousand), ¥170,783 million and ¥142,360 million for the years ended March 31, 2007, 2006 and 2005, respectively.

### b) Geographical segments

The geographical segments of the Companies for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

	Millions of yen						
	2007						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers .....	¥146,720	¥32,455	¥56,305	¥26,057	¥700		¥262,239
Interarea .....	45,333	765	3,291	2,179		¥(51,570)	
Total sales .....	192,054	33,220	59,596	28,237	700	(51,570)	262,239
Operating expenses .....	166,443	29,999	52,734	24,593	563	(51,184)	223,151
Operating income .....	¥ 25,611	¥ 3,221	¥ 6,861	¥ 3,643	¥136	¥ (385)	¥ 39,088
II. Assets .....	¥309,514	¥39,455	¥69,027	¥28,323	¥807	¥ 98,345	¥545,473

The effect of the adoption of the accounting for bonuses to directors and corporate auditors in Note 1 k) was to decrease the

operating income of Japan for the year ended March 31, 2007, by ¥209 million (\$1,775 thousand), from such segment in the prior year.

Thousands of U.S. dollars							
2007							
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
<b>I. Sales:</b>							
Outside customers .....	<b>\$1,242,446</b>	<b>\$274,836</b>	<b>\$476,800</b>	<b>\$220,662</b>	<b>\$5,927</b>		<b>\$2,220,673</b>
Interarea .....	<b>383,892</b>	<b>6,481</b>	<b>27,869</b>	<b>18,458</b>		<b>\$(436,702)</b>	
Total sales .....	<b>1,626,338</b>	<b>281,317</b>	<b>504,670</b>	<b>239,120</b>	<b>5,927</b>	<b>(436,702)</b>	<b>2,220,673</b>
Operating expenses .....	<b>1,409,459</b>	<b>254,041</b>	<b>446,565</b>	<b>208,263</b>	<b>4,774</b>	<b>(433,434)</b>	<b>1,889,670</b>
Operating income .....	<b>\$ 216,879</b>	<b>\$ 27,276</b>	<b>\$ 58,104</b>	<b>\$ 30,857</b>	<b>\$1,153</b>	<b>\$ (3,267)</b>	<b>\$ 331,002</b>
<b>II. Assets .....</b>	<b>\$2,621,006</b>	<b>\$334,110</b>	<b>\$584,533</b>	<b>\$239,847</b>	<b>\$6,838</b>	<b>\$ 832,800</b>	<b>\$4,619,137</b>

Millions of yen							
2006							
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
<b>I. Sales:</b>							
Outside customers .....	¥130,450	¥29,790	¥40,704	¥19,857	¥978		¥221,780
Interarea .....	30,399	782	2,501	1,703		¥ (35,388)	
Total sales .....	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
<b>II. Assets .....</b>	<b>¥277,544</b>	<b>¥36,462</b>	<b>¥52,126</b>	<b>¥21,240</b>	<b>¥660</b>	<b>¥123,213</b>	<b>¥511,248</b>

Millions of yen							
2005							
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
<b>I. Sales:</b>							
Outside customers .....	¥125,919	¥26,643	¥31,313	¥16,310	¥910		¥201,097
Interarea .....	26,901	572	3,047	1,143	19	¥(31,684)	
Total sales .....	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
<b>II. Assets .....</b>	<b>¥281,466</b>	<b>¥32,221</b>	<b>¥47,948</b>	<b>¥17,823</b>	<b>¥799</b>	<b>¥ 94,964</b>	<b>¥475,224</b>

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

Corporate assets were ¥155,581 million (\$1,317,482 thousand), ¥170,783 million and ¥142,360 million for the years ended March 31, 2007, 2006 and 2005, respectively.

## Notes to Consolidated Financial Statements

### c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen				
	2007				
	North America	Europe	Asia	Others	Total
Sales to foreign customers .....	<b>¥31,557</b>	<b>¥54,457</b>	<b>¥36,087</b>	<b>¥4,443</b>	<b>¥126,545</b>

	Thousands of U.S. dollars				
	2007				
	North America	Europe	Asia	Others	Total
Sales to foreign customers .....	<b>\$267,233</b>	<b>\$461,152</b>	<b>\$305,590</b>	<b>\$37,627</b>	<b>\$1,071,604</b>

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

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

## 20 SUBSEQUENT EVENT

### a) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2007 were approved by the shareholders at the Company's general shareholders' meeting held on June 28, 2007.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥11.00 (\$0.09) per share .....	¥4,313	\$36,526

### b) Acquisition of treasury stock

Treasury stock which the Company purchased based on approval by the Board of Directors' meeting held on May 16, 2007 was as follows:

- Purpose for purchasing treasury stock .....To improve capital efficiency and activate flexible capital policy
- Type of shares to be purchased .....Common stock
- Number of shares to be purchased .....3,353,000 shares
- Amount of shares to be purchased .....¥4,999 million (\$42,339 thousand)
- Procedure of purchase.....Purchase at the stock market
- Period of purchase .....From May 21, 2007 to June 15, 2007

# Independent Auditors' Report

## Deloitte.

Deloitte Touche Tohmatsu  
MS Shibaura Building  
4-13-23, Shibaura  
Minato-ku, Tokyo 108-8530  
Japan

Tel: +81(3)3457 7321  
Fax: +81(3)3457 1694  
www.deloitte.com/jp

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Amada Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 1(h) to the consolidated financial statements, the Company 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.



June 28, 2007

# The Amada Group

(As of October 1, 2007)

## 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 Works

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.\*

200, Ishida, Isehara,  
Kanagawa 259-1196, Japan  
Phone: 81-463-91-8090  
Facsimile: 81-463-91-8102  
*Major Activities:* Design, manufacture and installment of peripheral equipment for metalworking 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 for 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 North America, Inc.\*

7025 Firestone Blvd.,  
Buena Park, CA 90621, U.S.A.  
Phone: 1-714-739-2111  
Facsimile: 1-714-739-4099  
*Major Activities:* Holding company of North American subsidiaries and management control

#### 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

#### Amada Tool America, Inc.\*

4A Tredeasy Avenue,  
Batavia, NY 14020, U.S.A.  
Phone: 1-585-344-3900  
Facsimile: 1-585-344-3905  
*Major Activities:* Manufacture of punches and dies

#### 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: 1-450-777-3736  
*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 Outillage S.A.\*

Zone Industrielle B.P. 35 76720, Auffay, France  
Phone: 33-2-3280-8100  
Facsimile: 33-2-3532-7646  
*Major Activities:* Manufacture of punches and dies



**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

**Amada Maquinaria S.I.\***

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 bending tools

**Amada Sweden AB\***

P.O Box 633, Borgens Gata 16-18,  
441-17 Alingsås, 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\***

Dokukina Street 16, Building 3,  
Moscow 129226, 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 Lianyungang Machine Tool Co., Ltd.\***

No. 3-2 Songtiao E&T Development Zone,  
Lianyungang, Jiangsu,  
People's Republic of China  
Phone: 86-518-515-1111  
Facsimile: 86-518-515-1777

*Major Activities:* Manufacture of 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,  
Incheon, 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,  
Chennai-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, 2007)

Authorized: 550,000,000 shares

Issued: 403,081,117 shares

## Number of Shareholders

(As of March 31, 2007)

31,807

## Stock Listings

Tokyo Stock Exchange, Inc., First Section

Osaka Securities Exchange Co., Ltd., First Section

## Quarterly Stock Price Range on Tokyo Stock Exchange (¥)

	2006				2007		
	1st	2nd	3rd	4th	1st	2nd	3rd
High	1,306	1,347	1,267	1,280	1,430	1,622	1,600
Low	932	1,009	1,051	1,076	1,211	1,268	1,110

## Ordinary General Meeting of Shareholders

June

## Shareholder Register Administrator

Mitsubishi UFJ Trust and Banking Corporation

4-5 Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

## Major Shareholders

(As of March 31, 2007)

Name	Number of shares held (thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust account)	44,394	10.9
The Master Trust Bank of Japan, Ltd. (Trust account)	21,148	5.2
Mizuho Bank, Ltd.	19,061	4.7
Nippon Life Insurance Company	11,925	2.9
The Sumitomo Trust and Banking Co., Ltd. (Trust account)	11,821	2.9
Trust & Custody Services Bank, Ltd. (Trust account)	10,791	2.7
Amada Foundation for Metal Work Technology	9,936	2.4
State Street Bank and Trust Company 505103	7,528	1.9
Morgan Stanley & Co., Inc.	7,297	1.8
Aioi Insurance Co., Ltd.	6,228	1.5

Note: The Company holds 14,302 thousand shares of treasury stock (14,305 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, 2007)

## President and Chief Executive Officer

Mitsuo Okamoto\*

## Managing Director

Toshio Takagi

## Directors

Kojiro Hirosawa

Yoshihiro Yamashita

Naoki Orita

Yuji Fujita

Hideaki Takahashi

Tsutomu Isobe

## Corporate Auditors

Koshichi Kikuchi

Takeshi Takahashi

Chikara Shinozuka

Hiroaki Sato

\*Representative Director

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