



Annual Report 2011

# "Our Management Philosophy"

1. Grow with our customers
2. Contribute to the international community through our business
3. Develop human resources who pursue creative and challenging activities
4. Conduct sound corporate activities based on high ethics and fairness
5. Take good care of people and the earth's environment



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# To Our Shareholders and Investors

We would like to express our great appreciation of the support our shareholders and investors have provided to the Amada Group.

## Recent Performance

In the fiscal year ended March 31, 2011, factors that include a trend of recovery in demand in Japanese and overseas markets for metalworking machinery and machine tools enabled the Amada Group to improve its consolidated performance figures. The Company recorded orders of ¥167.2 billion (US\$2,011.9 million) (up 21.6% from the previous fiscal year) and net sales of ¥163.1 billion (US\$1,962.1 million) (up 20.0%). Owing to the rise in revenue, higher capacity utilization rates, an increase in selling prices, and other factors that led to improvement in gross profit margins as well as owing to measures to reduce selling, general and administrative costs and other profitability enhancement measures, the Company was able to restore its profitability, recording operating income of ¥4.3 billion (US\$52.3 million) and net income of ¥2.7 billion (US\$32.6 million).

With respect to the achievement of this improved performance, also, we greatly appreciate the sustained support of our shareholders and investors.

## Management Environment

Although the global economy faced numerous problems—including high unemployment rates and sharp fluctuations in currency exchange rates—it was able to maintain an overall trend of gradual recovery during the fiscal year. Moreover, economic expansion was sustained in such countries as China and India. Japan's economy continued to show signs of recovery, although rapid yen appreciation, the Great East Japan Earthquake, and other factors are causing concern regarding future economic trends.

Orders for metalworking machinery and machine tools benefitted from expanding demand in emerging markets as well as from a halt in the trend of deteriorating market conditions in Japan, North America, and Europe that had persisted since the Lehman Brothers collapse.

Looking as prospective economic developments, the Japanese economy is projected to sustain a basic trend toward recovery although concerns regarding the impact of the Great East Japan Earthquake and other factors appear to have weakened the economy's autonomous recovery capabilities. Moreover, it is anticipated that economic recovery trends in North America and Europe will

be restrained to a slow pace. On the other hand, expectations of economic growth led by emerging countries are continuing to increase.

## Promoting the Amada Group's Resilient Resurgence

The global environment for manufacturing operations is undergoing major changes owing to such trends as a shift to production facilities in emerging countries, the need to respond to global environmental issues that have become impossible to disregard, and the emergence of electric vehicles as well as other products and technologies that are transforming previous paradigms.

As a result, Amada's current and prospective management environment is expected to continue presenting great challenges that require difficult responses in terms of management strategies. However, the Company believes that the ongoing paradigm shifts represent important business opportunities, and it is working to make the most of those opportunities by means of strategies designed to promote the Amada Group's resilient resurgence.

For more-detailed information about Amada's management strategies, please see the Medium-Term Management Plan section on pages 9 through 12 of this report.

## Environmental Management and Business Continuity Management

### ① Environmental management

In accordance with the Amada Group Environmental Declaration, which was announced in April 2010 and centers on the theme of "eco-manufacturing," Amada



is moving ahead with environmental management activities designed to help societies and companies realize sustainable growth. To attain its environmental management objectives, Amada is engaged in ongoing efforts aimed at promoting the development of products associated with reduced CO<sub>2</sub> emissions, reducing the Company's total CO<sub>2</sub> emissions associated with all stages of its operations, contributing to a recycling-oriented society by maximizing the efficiency of its utilization of resources, strengthening its initiatives aimed at reducing the use of restricted chemical substances, and developing the Amada Forest at the Company's Fujinomiya Works as a means of helping preserve biodiversity.

## ② Business Continuity Management (BCM)

Drawing on lessons learned in the wake of the major earthquake that struck Japan on March 11, 2011, Amada is intensively implementing BCM measures, including those involving the strategic dispersal of manufacturing bases, the diversification of procurement routes, the creation of additional infrastructure, and the execution of rigorous new disaster prevention measures.

## Dividends

Amada's fundamental dividend policy objectives are to sustain stable dividend levels while also seeking to keep dividend levels commensurate with its performance. We are aiming to maintain a consolidated dividend payout ratio of approximately 30%.

In periods of recession and other periods of weak business performance, we determine dividend levels by comprehensively assessing our current funding situation and financial position as well as such other factors as our plans for business investments going forward.

For the fiscal year ended March 31, 2011, although we were able to generate net income, in view of the small magnitude of our profitability, we have chosen to maintain the level of dividends distributed in the previous fiscal year. Total dividends applicable to the fiscal year amounted to ¥10 (US\$0.12) per share (interim dividends of ¥5 per share and year-end dividends also of ¥5 per share).

As previously, Amada is committed to engaging in creative manufacturing operations that contribute to the future prosperity of people throughout the world, and the Company is constantly seeking to respond to its customers and other diverse stakeholders in ways that enable it to be an exemplary corporate citizen that conscientiously carries out its responsibilities to society. We hope for your continued support as we continue doing our utmost to meet the expectations of our shareholders and investors.



Mitsuo Okamoto  
President and Chief Executive Officer 岡本満夫



## Review of Operations by Product Segment

### Metalworking Machinery Business

This business segment manufactures laser machines, punch presses, press brakes, mechanical presses, and other products targeted at the sheet-metalworking market.

In the fiscal year ended March 31, 2011, segment sales amounted to ¥127.2 billion (US\$1,530.7 million), up 16.7% from the previous fiscal year.

Principal measures undertaken in this business segment during the fiscal year under review included those aimed at the following three objectives.

#### ① Strengthening laser business

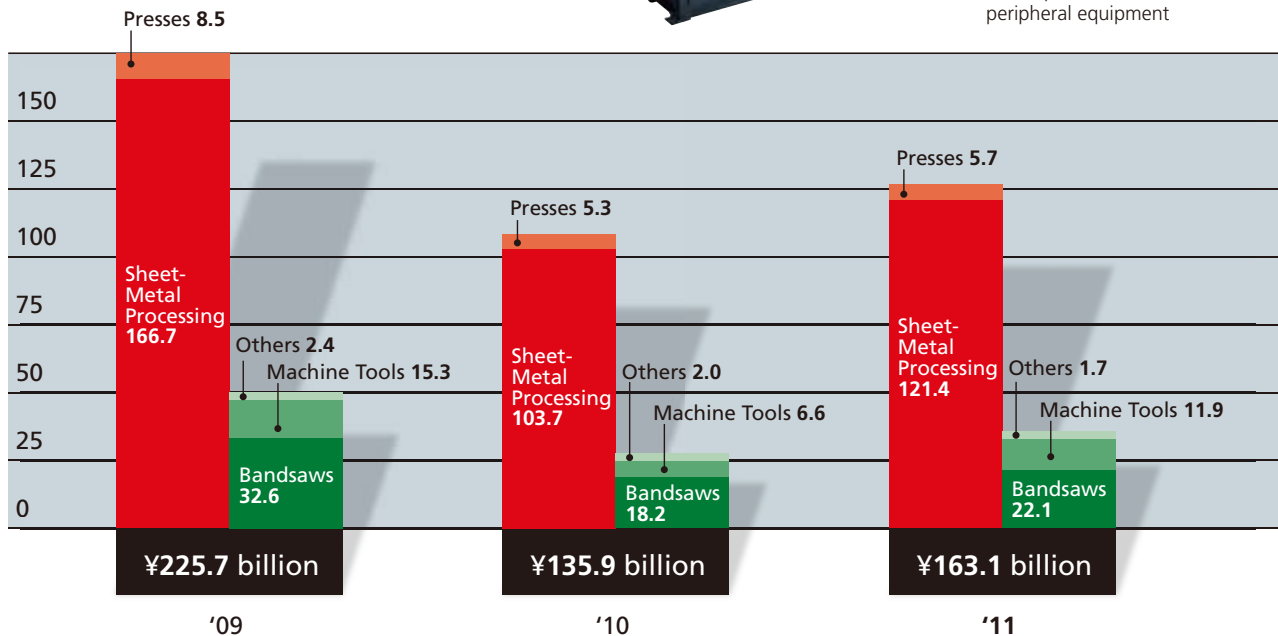
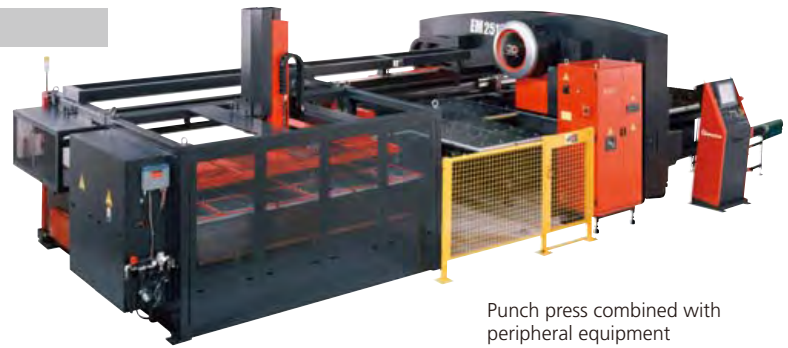
- Amada promoted the development and commercialization of new fiber laser products offering superior performance with respect to new materials processing, energy conservation, and running cost reductions.

- Regarding conventional machines, the Company worked to expand and upgrade its lineup of products designed to offer improved ease of operation while also endeavoring to expand its sales of high-value-added products designed to facilitate automation and reduce labor requirements.

#### ② Accelerating the global shift

- Aiming to increase sales and expand market shares in emerging country markets, Amada established technical centers in Vietnam and India.
- In preparation for the expansion of operations in China going forward, the Company transformed a joint-venture manufacturing company into a wholly owned subsidiary and also established marketing bases in inland regions.
- As part of strategies for strengthening engineering solution business operations in Europe, the Company established a technical center in Italy.

## Sales Composition by Group



### ③ Reorganizing domestic marketing systems

- After dividing the domestic market into an Eastern Region and a Western Region, Amada reorganized its marketing offices to operate under the supervision of technical centers in each region. The Company strove to implement reform measures that concurrently strengthen capabilities for proposal-based marketing and increase cost efficiency.

## II Metal Machine Tools Business

This business segment manufactures such metal machine tools as bandsaw machines, blades, lathes, and other products targeted at the cutting and machine tool processing market.

In the fiscal year ended March 31, 2011, segment sales amounted to ¥34.0 billion (US\$409.8 million), up 36.8% from the previous fiscal year.

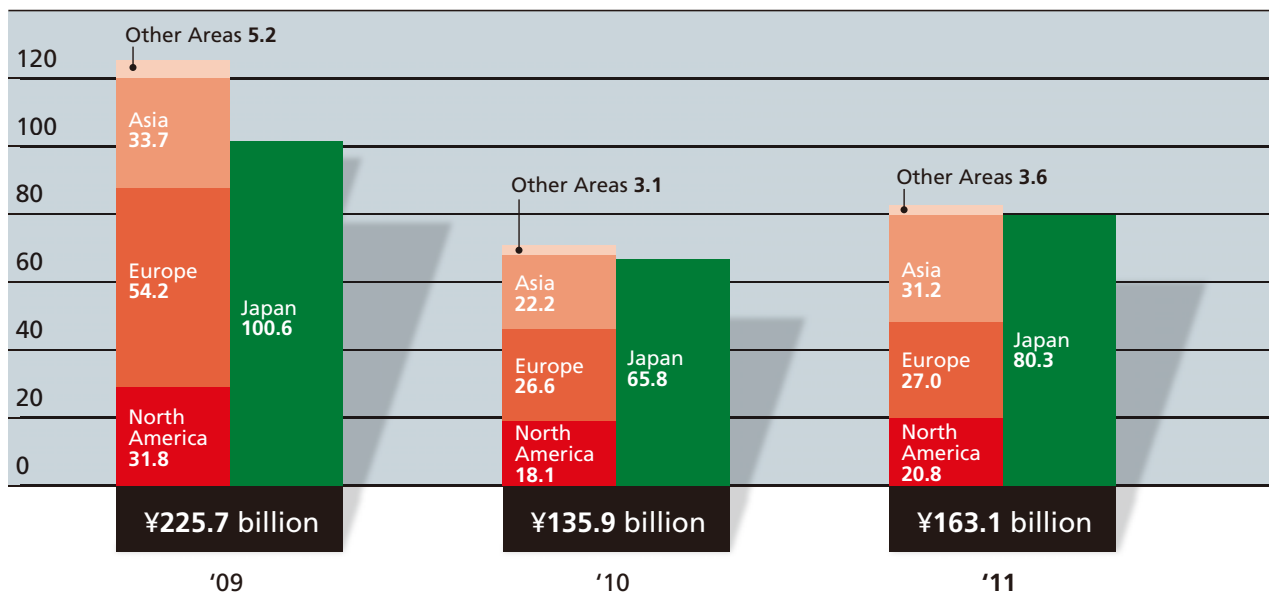
During the fiscal year under review, Amada strove to cultivate demand in three emphasized regions—Japan,

the United States, and Europe. In particular, in the United States and Europe, the Company established cutting and machine tool processing business technical centers at its sheet-metal processing business marketing bases and moved ahead with proposal-based marketing operations designed to leverage the benefits of Amada brand unification measures. The Company proactively implemented such product strategies as those for upgrading and expanding its lineup of products for the expanding blade market and those for launching new products made available through M&A transactions and alliances.



## Review of Operations by Main Region

Sales Composition by Region





Amada Machine Tools America, Inc. Technical Center (U.S.A.)



Amada Machine Tools Europe GmbH Technical Center (Germany)

## North America

In the United States, a portion of manufacturing industries benefitted from domestic recovery trends stimulated by demand from emerging countries, and there was a trend of recovery and an increase in machinery facility demand.

In the fiscal year ended March 31, 2011, Amada's sales in North America amounted to ¥20.8 billion (US\$250.8 million), up 15.1% from the previous fiscal year.

During the fiscal year under review, Amada emphasized measures centered on its Schaumburg Solution Center near Chicago to expand its business targeting the U.S. Midwest region's medium/thick plate processing and difficult-to-cut plate processing market segments. The Company also established cutting/machine tool technical centers near Chicago to enable it to expand solution-proposal-type marketing operations for cutting/machine tool products similar to its previously initiated marketing operations for sheet metal products.

## Europe

Reflecting the public finance problems of certain EU countries, the EU economy was not vigorous during the fiscal year. On the other hand, fundamental trends of economic recovery in principal EU countries supported a trend of increase in machinery demand.

In the fiscal year ended March 31, 2011, despite the progressive appreciation of the yen against the euro, a rise in overall demand enabled Amada to achieve a 1.3% year-on-year increase in its sales in Europe, which totaled ¥27.0 billion (US\$324.7 million).

During the fiscal year under review, Amada established a sheet-metal technical center in Italy and a cutting/machine tool technical center in Germany, and took other measures in continued accordance with its strategy of proactively undertaking business investments.



Amada Italia S.r.l. tree planting ceremony for opening technical center



Opening ceremony of Amada Vietnam Co., Ltd. Technical Center



"Innovation Fair in Osaka" private product exhibition event at INTEX OSAKA

## || Asia

The Asia region maintained economic expansion centered on domestic demand during the fiscal year.

In the fiscal year ended March 31, 2011, Amada's sales in Asia surged to ¥31.2 billion (US\$376.1 million), up 40.8% from the previous fiscal year.

During the fiscal year under review, Amada proactively implemented diverse initiatives to expand its operations in the Asia region, including the launch of products featuring outstanding cost-performance ratios, the establishment of direct marketing systems and alliances with leading distributors in China, and the establishment of technical centers in Vietnam and India.

## || Japan

The Japanese economy has been recovering. It cannot be said that the recovery has been strong, however, and this lack of strong recovery has affected Amada's domestic market environment.

During the fiscal year ended March 31, 2011, Amada's sales in Japan amounted to ¥80.3 billion (US\$966.2 million). Because of the low level of regional sales in the previous fiscal year, the year-on-year rate of growth for the period under review was relatively high at 22.1%.

Efforts to optimize inventory levels begun in the previous fiscal year were sustained during the period under review. In addition, Amada expanded its steady region-oriented marketing activities centered on "Innovation Fair" private product exhibition events and strove to realize latent demand and cultivate new demand.



## Medium-Term Management Plan

### Medium-Term Management Plan (April 2010 through March 2014)

In May 2010, Amada drafted a Medium-Term Management Plan that called for generating ¥230 billion in consolidated sales and ¥26.6 billion in operating income in FY2013, ending March 31, 2013. This year, after having revised its currency exchange rate assumptions and taken account of the impact of the Great East

Japan Earthquake, the Company has made adjustments to some of the plan's numerical targets.

In addition, based on consideration of the results of ongoing strategic investments, Amada has drafted additional plans that call for generating ¥250 billion in consolidated sales and ¥31.0 billion in operating income in FY2014. The Company has not changed the fundamental elements of the plan's four basic policies, which are centered on the themes of finance, products, regions, and business.

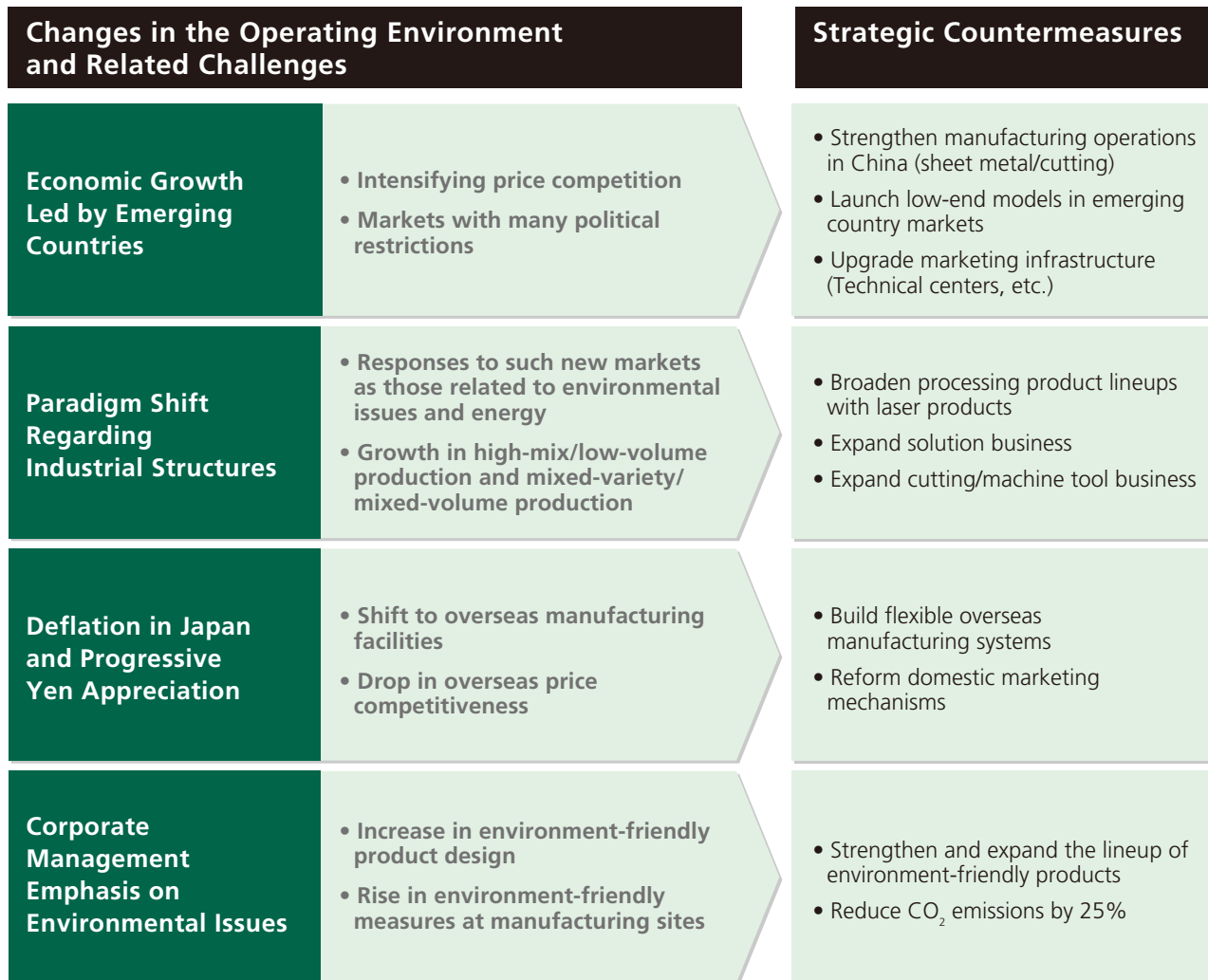
#### Basic Policies

- Finance** Enhancing management efficiency
- Regions** Accelerating the global shift
- Products** Increasing the new-product share of sales
- Business** Expanding cutting/machine-tool business

## Changes in the Operating Environment and Related Challenges

In FY2010, Amada registered a loss for the first time in seven periods, but performance bottomed out at that time and began recovering as a result of rationalization measures, enabling the Company to restore its profitability in FY2011. However, the external environment is changing significantly—yen appreciation and surging

raw materials prices are placing downward pressure on profitability, while a paradigm shift related to the industrial structure, market competition, and other issues is increasing the complexity of the challenges that the Company is facing.



## Basic Policies for Attaining Medium-Term Plan Targets

In view of the various changes in the operating environment, Amada has drafted four basic policies designed to help the Company attain its medium-term plan targets.

### Basic Policies for Attaining Medium-Term Plan Targets

#### Finance

##### Enhancing management efficiency

##### Build business systems with a break-even point (BEP) of ¥150 billion in net sales

- Employ rationalization measures to control fixed costs
- Introduce new products to enhance profit ratios
  - Reevaluate costs in light of market volumes
- Reform domestic marketing mechanisms
- Shift personnel to emerging country markets

#### Products

##### Increasing the new-product share of sales

##### Expand the lineup of laser products

- Differentiate the lineup through the launch of fiber laser products
- Develop new markets
  - Launch new products that meet market needs
- Emerging country markets: Strengthen and expand the lineup of middle-entry models
- Developed country markets: Launch products designed with emphasis on productivity, energy conservation, and other environmental friendliness

#### Regions

##### Accelerating the global shift

##### Expand operations in emerging markets

- Create marketing infrastructure (technical centers, etc.)
- Establish regional management systems (umbrella companies)
  - Increase local production ratios
- Reorganize and expand manufacturing bases in China
- Strengthen manufacturing capabilities in the United States and France

#### Business

##### Expanding cutting/machine-tool business

##### Strengthen marketing systems

- Expand marketing in cooperation with major distributors
- Establish technical centers
  - Strengthen the supply system
- Create a new manufacturing system with the establishment of the Toki Works
- Expand manufacturing in China (blades, bandsaws)

Regarding financial policies, although Amada's BEP rose to ¥173 billion in FY2010, the Company was able to improve it to ¥150 billion in FY2011. While this achievement reflected improvement in factory capacity utilization ratios owing to the recovery of demand, it also resulted from the Company emphasis on increasing fixed-cost efficiency through the reform of domestic marketing mechanisms, reducing the cost of sales through the optimization of manufacturing and procurement operations, and improving profit ratios through the launch of new products.

Going forward, Amada will be increasing its R&D expenditure and investments in emerging country

markets, but the Company will continue to implement measures aimed at increasing fixed-cost efficiency.

With respect to product policies, it is crucial to launch new product models that are tailored to meet diverse market needs.

We are strengthening and expanding our lineup of environment-friendly products that are designed with emphasis on productivity factors as well as energy conservation and other environment-friendliness characteristics. In addition, for emerging markets that are expected to grow in the future, we are launching middle-entry models that offer a smaller range of functions but can be marketed at lower prices.

During FY2011, Amada became the first machine manufacturer to succeed in developing a fiber laser oscillator with next-generation laser technology. Beginning from FY2012, the Company has been launching laser metal processing products that incorporate its in-house developed oscillator. The fiber laser machines are superior with regard to both productivity and environmental friendliness as, besides offering dramatically improved cutting speed compared with conventional CO<sub>2</sub> lasers, they can enable large-margin reductions in running costs and CO<sub>2</sub> emissions. Amada's fiber laser can also cut highly reflective materials—such as copper, titanium, and brass—that used to be very difficult to cut with lasers. This capability expands fiber laser machines' processing range and will allow the Company to develop new markets.

The main theme of Amada's regional policies is accelerating the global shift. The Company is planning to increase the overseas sales ratio from roughly 50% in FY2010 to 60% in FY2014. Emerging markets are expected to play a key role in driving the expansion of overseas sales—we plan to proactively invest in marketing and manufacturing infrastructure in those markets, aiming to increase the emerging market share of our overseas sales to 50%. In addition, we are seeking to further increase our shares of European and North American markets by expanding such highly differentiated solution businesses as those related to software and robot systems.

Looking at business policies, Amada has the objective of becoming a comprehensive metalworking machinery manufacturer by supplementing its existing business in sheet metal processing equipment with additional types of business that will constitute a second major pillar of the Company's operations.

In fiscal 2010, Amada integrated two Group companies that had previously focused on expanding business in cutting equipment and in machine tools, thereby creating Amada Machine Tools Co., Ltd. This move has facilitated our efforts to expand overseas operations directly as well as through the arrangement of M&A transactions and business alliances.

Going forward, Amada will be endeavoring to strengthen agency sales systems that make use of such units as major trading companies, strengthen supply capabilities and cost-competitiveness through overseas manufacturing operations, and construct an optimal facility at the Toki Works in Gifu Prefecture, which will play a key role in giving the Amada Group a solid business foundation. These and other initiatives are expected to promote the growth of the Company's second pillar of operations.

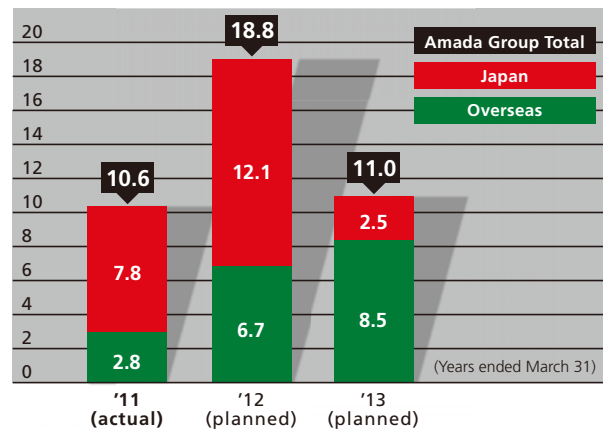
## Investment Plans

To attain the targets of the Medium-Term Management Plan, Amada is planning to implement a total of ¥40 billion in investments over three years. In particular, the Company intends to proactively increase its overseas investments and implement strategies for expanding operations in emerging country markets.

### Capital Investments

#### Value of principal investment projects

(Billions of yen)



Note: This management plan was drafted based on consideration of economic conditions and other situations that existed in May 2011, and there is a possibility that the plan will be modified owing to diverse kinds of subsequently emerging factors.

# Financial Highlights

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

	Millions of yen				
	2011	2010	2009	2008	2007
<b>For the year:</b>					
Net sales .....	<b>¥163,153</b>	¥135,979	¥225,789	¥284,218	¥262,239
Sales to foreign customers .....	<b>82,811</b>	70,166	125,181	148,726	126,545
Cost of sales .....	<b>98,959</b>	89,375	131,866	156,512	145,820
Gross profit .....	<b>64,193</b>	46,604	93,922	127,706	116,419
Selling, general and administrative expenses .....	<b>62,430</b>	60,165	78,166	82,786	76,646
Net changes in deferred profit on installment sales and finance lease sales .....	<b>2,590</b>	3,905	2,945	18	(684)
Operating income (loss) .....	<b>4,353</b>	(9,654)	18,701	44,939	39,088
Other income (expenses)—net .....	<b>1,812</b>	4,627	(5)	2,623	6,687
Income (loss) before income taxes and minority interests...	<b>6,165</b>	(5,027)	18,696	47,563	45,775
Net income (loss) .....	<b>2,716</b>	(3,739)	8,488	28,337	27,506
Comprehensive income (loss).....	<b>(9,359)</b>	789			
Purchases of property, plant and equipment.....	<b>6,891</b>	10,861	12,163	19,651	11,940
Depreciation and amortization.....	<b>7,638</b>	8,256	8,575	10,042	8,915
Research and development costs .....	<b>6,304</b>	5,457	5,982	6,916	6,372
<b>At year-end:</b>					
Total equity.....	<b>¥375,159</b>	¥388,667	¥392,636	¥425,588	¥418,969
Total assets .....	<b>452,792</b>	468,178	479,947	543,535	545,473
Total long-term liabilities .....	<b>23,753</b>	25,424	24,021	28,979	30,451
<b>Per share of common stock (yen):</b>					
Net income (loss)—					
Basic .....	<b>¥ 7.11</b>	¥ (9.79)	¥ 22.12	¥ 72.82	¥ 70.20
Diluted .....				72.80	70.13
Cash dividends applicable to the year .....	<b>10.00</b>	10.00	16.00	22.00	20.00
<b>Sales composition:</b>					
Metalworking Machinery business:					
Sheet-metal processing machines.....	<b>¥121,487</b>	¥103,723	¥166,736	¥210,124	¥190,286
Presses.....	<b>5,793</b>	5,342	8,596	12,762	12,618
	<b>¥127,280</b>	¥109,065	¥175,332	¥222,887	¥202,905
Metal Machine Tools business:					
Bandsaws.....	<b>¥ 22,107</b>	¥ 18,248	¥ 32,643	¥ 37,687	¥ 34,212
Machine Tools .....	<b>11,969</b>	6,659	15,367	20,266	20,682
	<b>¥ 34,076</b>	¥ 24,908	¥ 48,010	¥ 57,953	¥ 54,895
Others .....	<b>1,796</b>	2,005	2,445	3,377	4,438
Total.....	<b>¥163,153</b>	¥135,979	¥225,789	¥284,218	¥262,239
Number of employees .....	<b>5,899</b>	5,870	6,005	5,747	5,516

- Notes: 1. The yen figures presented in the financial highlights are rounded down to millions of yen, except for per share amounts.  
2. 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.  
3. Effective for the year ended March 31, 2009, Amada Co., Ltd., applied the revised "Accounting Standard for Lease Transactions" in the financial statements. The amounts in prior years have not been restated.  
4. From the year ended March 31, 2011, the sales composition was reclassified according to the three segments of "Metalworking Machinery business", "Metal Machine Tools business" and "Others" from the existing six segments, Sheet metal processing machines, Bandsaws, Presses, Machine tools, Real estate leasing and Others. In addition, the main business, the Metalworking Machinery business and the Metal Machine Tools business, is separated according to the markets where the products are sold. For comparative purposes only, the sales composition prior to fiscal 2011 is reclassified based on the current fiscal year policy.

# Financial Review

## EXTERNAL ECONOMIC CONDITIONS

In fiscal 2011, the global economy faced numerous problems—such as high unemployment rates and sharp exchange rate fluctuations—but still managed to maintain a fundamental trend of gradual recovery.

In addition, such countries as China and India continued to achieve economic expansion.

In Japan, continued moves toward improvement in economic conditions were seen—such as increases in exports, production, and corporate profitability—but the lack of full-scale recovery in capital investment and employment situations combined with such situations as sharp yen appreciation and the Great East Japan Earthquake disaster to create increasingly widespread concern regarding the economic outlook as the fiscal year came to an end.

With respect to trends in orders obtained by the machinery industry, the industry benefitted from expanding demand in emerging markets, and the deterioration of market conditions in Japan, the United States, and Europe appeared to have been halted.

## EARNINGS

Regarding consolidated performance in the fiscal year under review, the Amada Group's concerted intense efforts as well as such factors as a trend of recovery in

demand both in Japan and overseas enabled a year-on-year increase in both orders and net sales. Orders rose 21.6%, to ¥167.2 billion (US\$2,011.9 million), and net sales grew 20.0%, to ¥163.1 billion (US\$1,962.1 million).

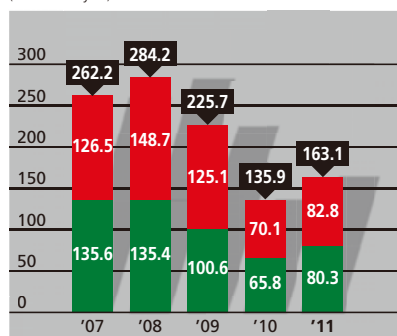
Despite the negative impact of such factors as exchange rate trends, increases in net sales and the capacity utilization rate and rising selling prices along with other factors improved the gross profit margin and reduced the SG&A expense ratio. Consequently, the Group was able to restore its profitability, recording ¥4.3 billion (US\$52.3 million) in consolidated operating income and ¥2.7 billion (US\$32.6 million) in net income.

## FINANCIAL POSITION

At the end of fiscal 2011, total consolidated assets stood at ¥452.7 billion (US\$5,445.4 million), down 3.3% from a year earlier. Current assets declined 1.8%, to ¥263.5 billion (US\$3,169.2 million), owing mainly to a drop in short-term investments resulting from the reduction of inventories. Net property, plant and equipment stood at ¥105.9 billion (US\$1,274.6 million), almost the same as at the end of the previous fiscal year. Principally due to a decrease in the amount of investment securities held, total investments and other assets decreased 10.5%, to ¥83.2 billion (US\$1,001.5 million).

### Domestic Sales and Overseas Sales

(Billions of yen)

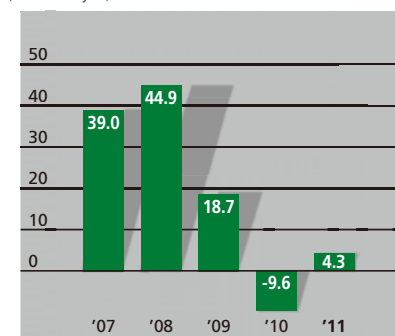


(Years ended March 31)

■ Total  
■ Overseas Sales  
■ Domestic Sales

### Operating Income (Loss)

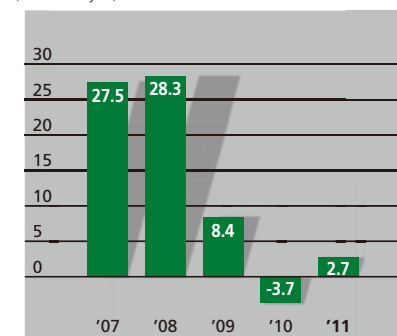
(Billions of yen)



(Years ended March 31)

### Net Income (Loss)

(Billions of yen)



(Years ended March 31)

Total current liabilities were roughly unchanged from the end of the previous year, at ¥53.8 billion (US\$647.9 million). Total long-term liabilities decreased 6.6%, to ¥23.7 billion (US\$285.6 million), mainly owing to a drop in liability for employees' retirement benefits.

Consolidated total equity at the end of fiscal 2011 stood at ¥375.1 billion (US\$4,511.8 million), down 3.5% from the end of the previous year, as the impact of yen appreciation increased the negative value of foreign currency translation adjustments. As a result, the shareholders' equity ratio at the end of the year declined to 82.5%, from 82.6% at the end of the previous year.

### CASH FLOWS

Consolidated cash and cash equivalents at the end of the fiscal year amounted to ¥83.0 billion (US\$998.7 million), roughly equivalent to the previous year's level.

### CASH FLOW PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled ¥12.1 billion (US\$146.5 million), a level ¥6.0 billion lower than in the previous fiscal year.

Despite the Group's restoration of its profitability in terms of income before income taxes and minority interests, the decrease in net cash provided by operating activities mainly reflected a fund decrease associated with

such factors as a smaller drop in inventories than in the previous year and a rise in receivables.

### CASH FLOW USED IN INVESTING ACTIVITIES

Net cash used in investing activities amounted to ¥0.6 billion (US\$7.8 million), representing a ¥9.2 billion decrease from the previous fiscal year. This was mainly attributable to a drop in purchases of tangible fixed assets and a rise in proceeds from sales and redemption of investment securities.

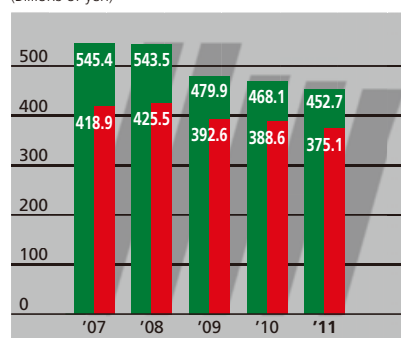
### CASH FLOW USED IN FINANCING ACTIVITIES

Net cash used in financing activities totaled ¥8.6 billion (US\$103.6 million), compared with ¥1.5 billion of net cash provided by financing activities in the previous fiscal year.

The shift from net cash provided by financing activities to net cash used in financing activities mainly reflected a shift from a net increase in short-term bank loans to a net decrease in short-term bank loans.

### Total Assets and Net Assets

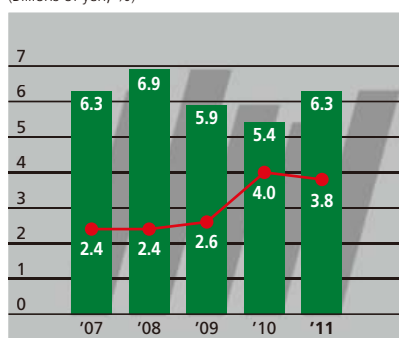
(Billions of yen)



(March 31)

### Research and Development Costs and Ratio to Net Sales

(Billions of yen, %)

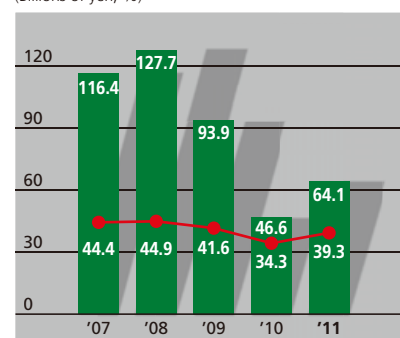


(Years ended March 31)

■ Research and Development Costs  
● Ratio to Net Sales

### Gross Profit and Ratio to Net Sales

(Billions of yen, %)



(Years ended March 31)

■ Gross Profit  
● Ratio to Net Sales

# Consolidated Financial Statements

## Consolidated Balance Sheets

Amada Co., Ltd. and Consolidated Subsidiaries  
March 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current assets:</b>			
Cash and cash equivalents (Note 16) .....	¥ 83,046	¥ 83,048	\$ 998,755
Short-term investments (Notes 4, 6 and 16).....	10,443	12,542	125,601
Notes and accounts receivable (Notes 3 and 16)—			
Trade .....	99,916	99,139	1,201,642
Unconsolidated subsidiaries and associated companies.....	724	749	8,707
Other .....	2,324	2,447	27,951
Allowance for doubtful receivables .....	(2,307)	(3,002)	(27,751)
Investments in lease (Notes 14 and 16).....	9,844	10,673	118,399
Inventories (Note 5).....	52,394	56,271	630,125
Deferred tax assets (Note 9) .....	4,071	3,336	48,969
Prepaid expenses and other current assets (Note 14) .....	3,059	3,236	36,799
Total current assets .....	263,519	268,441	3,169,201
<b>Property, plant and equipment:</b>			
Land (Note 6) .....	35,883	35,694	431,546
Buildings and structures (Note 6) .....	111,238	112,398	1,337,800
Machinery and equipment (Note 6) .....	43,629	45,900	524,710
Buildings, structures and land for rent (Note 7).....	19,255	20,398	231,573
Lease assets.....	1,226	1,405	14,749
Construction in progress .....	6,132	2,745	73,755
Total .....	217,365	218,544	2,614,137
Accumulated depreciation.....	(111,374)	(111,888)	(1,339,446)
Net property, plant and equipment.....	105,990	106,655	1,274,690
<b>Investments and other assets:</b>			
Investment securities (Notes 4, 6 and 16) .....	47,459	56,056	570,765
Investments in and advances to unconsolidated subsidiaries and associated companies.....	3,594	3,462	43,231
Goodwill.....	3,736	3,638	44,931
Software.....	2,746	3,496	33,034
Deferred tax assets (Note 9) .....	14,381	15,736	172,957
Other assets (Note 14).....	11,364	10,691	136,673
Total investments and other assets .....	83,282	93,081	1,001,595
<b>Total .....</b>	<b>¥452,792</b>	<b>¥468,178</b>	<b>\$5,445,487</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current liabilities:</b>			
Short-term bank loans (Notes 6 and 16).....	¥ 5,341	¥ 10,371	\$ 64,238
Current portion of long-term debt (Notes 6, 14 and 16).....	1,729	1,425	20,804
Notes and accounts payable (Note 16)—			
Trade .....	12,123	8,688	145,804
Unconsolidated subsidiaries and associated companies.....	179	455	2,157
Other .....	4,805	3,174	57,789
Deferred profit on installment sales (Note 3) .....	15,350	17,737	184,611
Accrued expenses .....	7,285	6,333	87,614
Income taxes payable.....	1,526	776	18,355
Other current liabilities (Note 9) .....	5,538	5,123	66,607
Total current liabilities .....	53,879	54,086	647,983
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6, 14 and 16) .....	2,195	2,981	26,399
Liability for employees' retirement benefits (Note 8) .....	11,784	12,635	141,729
Retirement allowance for directors and corporate auditors (Note 8).....	61	91	737
Deposits received (Notes 7 and 16).....	3,546	3,649	42,646
Negative goodwill .....	529	794	6,366
Other long-term liabilities (Note 9) .....	5,636	5,272	67,786
Total long-term liabilities.....	23,753	25,424	285,665
<b>Commitments and contingent liabilities</b> (Notes 14, 15 and 17)			
<b>Equity</b> (Notes 10, 11 and 21):			
Common stock—			
Authorized—550,000 thousand shares			
Issued—396,502 thousand shares (2011 and 2010).....	54,768	54,768	658,668
Capital surplus .....	163,199	163,199	1,962,707
Stock acquisition rights .....	87		1,055
Retained earnings.....	203,485	203,865	2,447,212
Treasury stock, at cost—			
14,649 thousand shares in 2011 and 14,572 thousand shares in 2010 .....	(9,131)	(9,081)	(109,820)
Accumulated other comprehensive income:			
Net unrealized loss on available-for-sale securities .....	(5,755)	(4,060)	(69,212)
Deferred loss on derivatives under hedge accounting.....	(151)	(3)	(1,817)
Land revaluation difference (Note 1 k) .....	(9,475)	(7,927)	(113,953)
Foreign currency translation adjustments.....	(23,506)	(13,911)	(282,700)
Total .....	(38,887)	(25,902)	(467,683)
Minority interests .....	1,637	1,819	19,698
Total equity .....	375,159	388,667	4,511,838
Total .....	¥452,792	¥468,178	\$5,445,487

# Consolidated Statements of Operations

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
<b>Net sales</b> (Note 3) .....	<b>¥163,153</b>	¥135,979	¥225,789	<b>\$1,962,162</b>
Cost of sales.....	<b>98,959</b>	89,375	131,866	<b>1,190,137</b>
Gross profit.....	<b>64,193</b>	46,604	93,922	<b>772,025</b>
Selling, general and administrative expenses (Note 13) .....	<b>62,430</b>	60,165	78,166	<b>750,819</b>
Net changes in deferred profit on installment sales and finance lease sales .....	<b>2,590</b>	3,905	2,945	<b>31,149</b>
Operating income (loss).....	<b>4,353</b>	(9,654)	18,701	<b>52,355</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>2,614</b>	3,206	3,980	<b>31,444</b>
Interest expense .....	<b>(288)</b>	(353)	(484)	<b>(3,464)</b>
Equity in earnings (losses) of unconsolidated subsidiaries and associated companies.....	<b>565</b>	113	(220)	<b>6,803</b>
Foreign exchange (loss) gain .....	<b>(1,962)</b>	524	(5,586)	<b>(23,599)</b>
Other, net (Note 12).....	<b>882</b>	1,136	2,304	<b>10,616</b>
Other income (expenses)—net .....	<b>1,812</b>	4,627	(5)	<b>21,799</b>
<b>Income (loss) before income taxes and minority interests</b> .....	<b>6,165</b>	(5,027)	18,696	<b>74,154</b>
<b>Income taxes</b> (Note 9):				
Current .....	<b>1,641</b>	(45)	6,859	<b>19,737</b>
Deferred .....	<b>1,620</b>	(1,361)	2,871	<b>19,487</b>
Total income taxes .....	<b>3,261</b>	(1,407)	9,731	<b>39,224</b>
<b>Net income (loss) before minority interests</b> .....	<b>2,904</b>	(3,620)	8,965	<b>34,930</b>
<b>Minority interests in net income</b> .....	<b>188</b>	119	476	<b>2,263</b>
<b>Net income (loss)</b> .....	<b>¥ 2,716</b>	¥ (3,739)	¥ 8,488	<b>\$ 32,666</b>
		Yen		U.S. dollars (Note 1)
<b>Per share of common stock</b> (Notes 1 and 19):				
Net income (loss)—				
Basic .....	<b>¥ 7.11</b>	¥ (9.79)	¥ 22.12	<b>\$ 0.08</b>
Diluted .....				
Cash dividends applicable to the year .....	<b>10.00</b>	10.00	16.00	<b>0.12</b>

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Amada Co., Ltd. and Consolidated Subsidiaries  
Year ended March 31, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net income before minority interests</b> .....	<b>¥ 2,904</b>		<b>\$ 34,930</b>
<b>Other comprehensive income</b> (Note 18):			
Unrealized loss on available-for-sale securities.....	<b>(1,691)</b>		<b>(20,348)</b>
Deferred loss on derivatives under hedge accounting .....	<b>(148)</b>		<b>(1,780)</b>
Land revaluation difference.....	<b>(823)</b>		<b>(9,905)</b>
Foreign currency translation adjustments .....	<b>(9,533)</b>		<b>(114,656)</b>
Share of other comprehensive income in associates .....	<b>(66)</b>		<b>(804)</b>
Total other comprehensive income.....	<b>(12,264)</b>		<b>(147,494)</b>
<b>Comprehensive income</b> (Note 18) .....	<b>¥ (9,359)</b>		<b>\$(112,564)</b>
<b>Total comprehensive income attributable to</b> (Note 18):			
Owners of the parent .....	<b>¥ (9,545)</b>		<b>\$(114,794)</b>
Minority interests .....	<b>185</b>		<b>2,230</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen														
	Issued number of shares outstanding (thousands)	Number of treasury stocks (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income					Total	Minority interests	Total equity
								Net unrealized gain (loss) on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments				
<b>Balance, March 31, 2008</b>	403,081	14,417	¥54,768	¥163,199		¥215,450	¥(8,088)	¥ (427)		¥(7,927)	¥ 5,387	¥422,362	¥3,226	¥425,588	
Appropriations:															
Cash dividends, ¥22.00 per share						(8,477)						(8,477)		(8,477)	
Net income						8,488						8,488		8,488	
Acquisition of treasury stock		6,754					(5,106)					(5,106)		(5,106)	
Disposal of treasury stock		(101)				(7)	62					55		55	
Retirement of treasury stock	(6,579)	(6,579)				(4,100)	4,100								
Increase resulting from unification of accounting policies applied to foreign subsidiaries						71						71	(689)	71	
Net change in the year								(5,295)			(21,998)	(27,294)	(689)	(27,983)	
<b>Balance, March 31, 2009</b>	396,502	14,491	54,768	163,199		211,424	(9,031)	(5,722)		(7,927)	(16,611)	390,098	2,537	392,636	
Appropriations:															
Cash dividends, ¥10.00 per share						(3,819)						(3,819)		(3,819)	
Net loss						(3,739)						(3,739)		(3,739)	
Acquisition of treasury stock		88					(54)					(54)		(54)	
Disposal of treasury stock		(7)				(0)	4					4		4	
Net change in the year								1,662	¥ (3)		2,699	4,359	(717)	3,641	
<b>Balance, March 31, 2010</b>	396,502	14,572	54,768	163,199		203,865	(9,081)	(4,060)	(3)	(7,927)	(13,911)	386,848	1,819	388,667	
Appropriations:															
Cash dividends, ¥10.00 per share						(3,819)						(3,819)		(3,819)	
Net income						2,716						2,716		2,716	
Acquisition of treasury stock		96					(61)					(61)		(61)	
Disposal of treasury stock		(18)				(0)	11					11		11	
Reversal of land revaluation difference						724				(1,547)		(823)		(823)	
Net change in the year					¥87			(1,694)	(148)		(9,594)	(11,349)	(181)	(11,531)	
<b>Balance, March 31, 2011</b>	<b>396,502</b>	<b>14,649</b>	<b>¥54,768</b>	<b>¥163,199</b>	<b>¥87</b>	<b>¥203,485</b>	<b>¥(9,131)</b>	<b>¥(5,755)</b>	<b>¥(151)</b>	<b>¥(9,475)</b>	<b>¥(23,506)</b>	<b>¥373,521</b>	<b>¥1,637</b>	<b>¥375,159</b>	

	Thousands of U.S. dollars (Note 1)													
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income					Total	Minority interests	Total equity	
						Net unrealized gain (loss) on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Land revaluation difference	Foreign currency translation adjustments					
<b>Balance, March 31, 2010</b>	\$ 658,668	\$ 1,962,707		\$ 2,451,774	\$(109,223)	\$ (48,830)	\$ (37)	\$ (95,336)	\$ (167,307)	\$ 4,652,415	\$ 21,878	\$ 4,674,294		
Appropriations:														
Cash dividends, ¥10.00 per share				(45,930)								(45,930)		(45,930)
Net income				32,666								32,666		32,666
Acquisition of treasury stock					(739)							(739)		(739)
Disposal of treasury stock				(5)	142							136		136
Reversal of land revaluation difference				8,708					(18,616)			(9,907)		(9,907)
Net change in the year			\$1,055			(20,382)	(1,780)		(115,393)	(136,500)	(2,180)	(138,680)		
<b>Balance, March 31, 2011</b>	<b>\$658,668</b>	<b>\$1,962,707</b>	<b>\$1,055</b>	<b>\$2,447,212</b>	<b>\$(109,820)</b>	<b>\$(69,212)</b>	<b>\$(1,817)</b>	<b>\$(113,953)</b>	<b>\$(282,700)</b>	<b>\$4,492,140</b>	<b>\$19,698</b>	<b>\$4,511,838</b>		

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Amada Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
<b>Operating activities:</b>				
Income (loss) before income taxes and minority interests .....	¥ 6,165	¥ (5,027)	¥18,696	\$ 74,154
Adjustments for:				
Income taxes (paid) refunded.....	(170)	1,334	(16,196)	(2,046)
Depreciation and amortization .....	7,638	8,256	8,575	91,866
(Gain) loss on sales of fixed assets.....	(314)	(439)	47	(3,778)
(Gain) loss on sales of investment securities.....	(108)	(521)	2	(1,310)
Loss on impairment of investment securities.....	227	178	362	2,733
Equity in (earnings) losses of unconsolidated subsidiaries and associated companies .....	(565)	(113)	220	(6,803)
Changes in assets and liabilities, net of effects from newly consolidated and previously unconsolidated subsidiaries:				
(Increase) decrease in receivables, net of deferred profit on installment sales.....	(8,589)	2,403	22,206	(103,297)
Decrease in investments in lease.....	1,126	1,517	751	13,550
Decrease (increase) in inventories.....	133	21,093	(16,563)	1,610
Increase (decrease) in payables.....	5,915	(9,676)	(1,210)	71,142
Decrease in liabilities for employees' retirement benefits.....	(735)	(539)	(1,289)	(8,843)
Other—net.....	1,460	(251)	(4,588)	17,569
Total adjustments.....	6,019	23,241	(7,681)	72,394
Net cash provided by operating activities .....	12,185	18,213	11,014	146,549
<b>Investing activities:</b>				
Proceeds from sales and redemption of marketable securities .....	10,873	8,358	11,888	130,768
Purchases of marketable securities.....		(2,489)	(799)	
Proceeds from sales of property, plant and equipment.....	2,044	1,029	203	24,592
Purchases of property, plant and equipment.....	(6,891)	(10,861)	(12,163)	(82,878)
Purchases of intangible assets .....	(1,117)	(1,402)	(1,724)	(13,443)
Proceeds from sales and redemption of investment securities.....	12,325	8,396	6,594	148,227
Purchases of investment securities.....	(14,636)	(13,829)	(9,268)	(176,020)
Payment for purchase of consolidated subsidiaries stock from minority interests .....	(387)	(597)	(26)	(4,659)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired .....	(456)	(409)		(5,491)
Payment for purchase of associated companies' stock.....	(55)	(667)		(670)
Proceeds from payback of long-term deposits .....		1,000		
Purchase of long-term time deposits .....	(2,000)	(1,000)		(24,052)
Other—net .....	(348)	2,601	714	(4,186)
Net cash used in investing activities.....	(649)	(9,872)	(4,580)	(7,814)
<b>Financing activities:</b>				
Net (decrease) increase in short-term bank loans .....	(3,957)	5,460	215	(47,590)
Proceeds from long-term debt .....	913	1,000	517	10,980
Repayment of long-term debt .....	(1,453)	(951)	(829)	(17,475)
Payment for purchase of treasury stock from the market .....			(4,999)	
Cash dividends paid .....	(3,829)	(3,832)	(8,472)	(46,049)
Other—net .....	(290)	(146)	(173)	(3,494)
Net cash (used) provided in financing activities.....	(8,616)	1,529	(13,742)	(103,630)
<b>Foreign currency translation adjustments</b>				
on cash and cash equivalents.....	(2,920)	1,051	(7,389)	(35,125)
Net (decrease) increase in cash and cash equivalents .....	(1)	10,922	(14,697)	(21)
Cash and cash equivalents of newly consolidated subsidiaries .....				
Cash and cash equivalents, beginning of year .....	83,048	72,126	86,823	998,776
Cash and cash equivalents, end of year .....	¥83,046	¥83,048	¥72,126	\$ 998,755
<b>Additional information:</b>				
Assets acquired and liabilities assumed in purchase of newly consolidated subsidiaries:				
Assets acquired.....	¥ 1,424	¥ 3,778		\$ 17,137
Liabilities assumed.....	(119)	(3,337)		(1,439)
Cash paid for the capital.....	748	1,332		9,002
Goodwill .....	184	672		2,214
Minority interest.....	(52)	219		(627)
Gain on step acquisitions.....	(98)			(1,179)
Investment in associated companies by the equity method until acquisition of control.....	(590)			(7,102)

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 Financial Instruments and Exchange Act 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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 18. In addition, "net income (loss) before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 and 2009 consolidated financial statements in order for them to conform to the classifications and presentations used in 2011.

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 ¥83.15 to US\$1, the rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 52 (52 in 2010 and 49 in 2009) significant subsidiaries.

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

accounted for by the equity method.

Investments in 9 (8 in 2010 and 2009) unconsolidated subsidiaries and 3 (4 in 2010 and 3 in 2009) 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 difference 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" and "Negative goodwill" in the consolidated balance sheets, and is being amortized on a straight-line basis mainly from 5 to 20 years based on the event which caused the goodwill and negative 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) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (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". PITF No. 18 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 of America 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) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

#### **d) Business Combination**

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as uniting-of-interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IRR&D) acquired in the business combination is capitalized as an intangible assets. (3) The previous accounting standard provided for bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

#### **e) 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, funds in trust 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.

#### **f) 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.

#### **g) Inventories**

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

#### **h) 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.

#### **i) 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. Leased property under finance leases that deem not to transfer ownership of the lease property is computed over the lease terms assuming no residual value.

Estimated useful lives are as follows:

Buildings and structures	8 to 60 years
Machinery and equipment	2 to 17 years

#### **j) Long-lived assets**

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.

#### **k) 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 operations. Continuous readjustment is not permitted.

As at March 31, 2011, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥7,502 million (\$90,226 thousand).

#### **l) 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.

#### **m) Bonuses to directors and corporate auditors**

Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

#### **n) 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).

#### **o) Retirement allowances for directors and corporate auditors**

Retirement allowances for directors and corporate auditors of subsidiaries 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.

#### **p) Asset retirement obligations**

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligations is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a

reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective from fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect on the consolidated statements of operations was not material.

#### **q) Stock options**

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options", and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

#### **r) 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.

#### **s) 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 operations to the extent that they are not hedged by forward exchange contracts.

#### **t) 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 Japanese yen at the average exchange rates.

#### **u) Research and development costs**

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

#### **v) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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.

#### **w) 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.

#### **x) Leases**

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. 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.

##### **Lessee**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases

including interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases including interest expense at the transition date.

##### **Lessor**

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

Revenue arising from finance leases of real estate that deem not to transfer ownership of the leased property to the lessee is recognized as interest income by the interest method. Revenue arising from finance leases of machinery that deem not to transfer ownership of the leased property to the lessee is recognized as sales on the date of transaction. And its profit is deferred and amortized over the lease term by the interest method or the straight-line method.

Finance leases of real estate that deem not to transfer ownership of the leased property to the lessee contracted before March 31, 2008 is classified as other in current assets and other in investments and other assets. And the deposit received which is offsetting in the future is deducted from the uncollected capital balance. The classification is based on the lease term.

Finance leases of machinery that deem not to transfer ownership of the leased property to the lessee contracted before March 31, 2008 are recognized as sales on the date of transaction and classified uncollected gross lease receivables as investments in lease in current assets.

#### **y) Derivatives**

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate 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 Company enters into foreign currency forward contracts to hedge market risk from the changes in foreign exchange rates associated with assets and liabilities denominated in foreign currencies. 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. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

The Company enters into interest rate swap agreements as a means of managing its interest rate exposure. Interest rate swaps effectively convert some fixed rate assets or debts to a floating basis, or convert some floating rate assets or debts to a fixed basis.

#### **z) 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 381,886 thousand shares in 2011, 381,966 thousand shares in 2010 and 383,802 thousand shares in 2009. Diluted net income per share is not disclosed because of the Company's net loss position in 2010 and because it was anti-dilutive in 2011 and 2009.

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

#### **aa) New accounting pronouncements**

##### ***Accounting Changes and Error Corrections***

In December 2009, ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows:

##### (1) Changes in Accounting Policies:

When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

##### (2) Changes in Presentations

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

##### (3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

##### (4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

## 2 BUSINESS COMBINATION

Business combination for the year ended March 31, 2011 was as follows:

### a) Acquisition of Yamaguchi Amada Co., Ltd.

- I. Details of acquisition
- |   |  |
|---|--|
| 1. Name of acquired company and its business                    | Yamaguchi Amada Co., Ltd.<br>Sales of metalworking machinery, maintenance  |
| 2. Date of acquisition  | December 31, 2010  |
| 3. Overview of the objectives                                   | Restructuring of the domestic sales organization   |
| 4. Legal form of the acquisition                                | Acquisition of the shares by cash  |
| 5. Name of the acquired company after reorganization            | Yamaguchi Amada Co., Ltd.  |
| 6. Acquired voting right ratios                                 | Voting right ratio before acquisition: 20%<br>Additional voting right ratio secured upon acquisition date: 80%<br>Total voting right ratio following acquisition: 100% |
| 7. Main basis behind the determination of the acquiring company | Reorganization of Yamaguchi Amada positioning by restructuring of the domestic sales organization  |
- II. Term of performance of the acquired company included in the consolidated financial statements  
20% of its company's profit and loss between April 1, 2010 and December 31, 2010 is included as an investment gain by the equity method. 100% of the profit and loss between January 1, 2011 and March 31, 2011 is included as an investment gain by the equity method because it is applied as an unconsolidated subsidiary.
- III. Cost of acquisition and form of consideration  
The acquisition cost was ¥330 million (\$3,968 thousand) and the consideration was cash.
- IV. The difference between the cost of acquisition and the total cost of the several acquisition transactions  
Equity in earnings of an associated company was ¥56 million (\$680 thousand).
- V. Goodwill, reason of recognition, amortization method and period
1. Goodwill: ¥272 million (\$3,275 thousand)
  2. Reason of recognition: Excess earnings power is expected from the restructuring of the domestic sales division
  3. Amortization method and period: Straight-line method for 10 years
- VI. Assets and liabilities assumed on the date of business combination  
There are no assumed assets and liabilities because it is treated as an unconsolidated subsidiary after acquisition.
- VII. Estimated impact on the consolidated statements of operation for the year ended March 31, 2011, assuming the business combination was concluded on April 1, 2010 was as follows:  
The information was omitted because the effect on the financial statements is not material.

### b) Acquisition of Amada (Shanghai) Machine Tech Co., Ltd.

- I. Details of acquisition
- |   |  |
|---|--|
| 1. Name of acquired company and its business                    | Amada (Shanghai) Machine Tech Co., Ltd.<br>The above company's trade name was changed from Amada Shanghai Punch & Shear Co., Ltd. on February 14, 2011.<br>Manufacture of metalworking machinery, maintenance, and marketing |
| 2. Date of acquisition  | December 31, 2010  |
| 3. Overview of the objectives                                   | Promotion of flexible business restructuring and increase in business profit for the machinery business and after-sales service business in China  |
| 4. Legal form of the acquisition                                | Acquisition of the shares by cash  |
| 5. Name of the acquired company after reorganization            | Amada (Shanghai) Machine Tech Co., Ltd.  |
| 6. Acquired voting right ratios                                 | Voting right ratio immediately before acquisition: 50%<br>Additional voting right ratio secured upon acquisition date: 50%<br>Total voting right ratio following acquisition: 100%   |
| 7. Main basis behind the determination of the acquiring company | Promotion of flexible business restructuring and in business profit for a machinery business and an after-sales service business in China  |
- II. Term of performance of the acquired company included in the consolidated financial statements  
The company's accounting date is December 31. The company's profit and loss is included as an investment gain by the equity method because the acquisition date was December 31, 2010. The company became a consolidated subsidiary on that day.
- III. Cost of acquisition and form of consideration  
The acquisition cost was ¥747 million (\$8,994 thousand) and the consideration was cash.
- IV. The difference between the cost of acquisition and the total cost of the several acquisition transactions  
Gain on step acquisitions was ¥98 million (\$1,179 thousand).
- V. Goodwill, reason of recognition, amortization method and period
1. Goodwill: ¥184 million (\$2,214 thousand)
  2. Reason of recognition: Excess earnings power is expected from the machinery business and after-sales service business in China
  3. Amortization method and period: Straight-line method for 10 years

## VI. Assets and liabilities assumed on the date of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets .....	¥1,338	\$16,097
Fixed assets.....	65	786
Total assets .....	1,403	16,884
Current liabilities .....	117	1,417
Total liabilities.....	117	1,417

## VII. Estimated impact on the consolidated statements of operations for the year ended March 31, 2011, assuming the business combination was concluded on April 1, 2010 was as follows:

The information was omitted because the effect on the financial statements is not material.

**3 NOTES AND ACCOUNTS RECEIVABLE**

Sales on an installment basis consisted of 7%, 10% and 7% of consolidated net sales in the years ended March 31, 2011, 2010 and 2009, respectively.

Annual maturities of notes—trade at March 31, 2011 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):				
2012 .....	¥19,223	¥ 4,334	\$ 231,190	\$ 52,133
2013 .....	9,400	3,594	113,053	43,232
2014 .....	8,057	2,847	96,903	34,241
2015 .....	5,513	2,041	66,304	24,549
2016 .....	3,844	1,372	46,237	16,502
2017 and thereafter .....	3,327	1,160	40,021	13,951
Subtotal .....	49,367	15,350	593,711	184,611
Less—notes from unconsolidated subsidiaries and associated companies.....	(97)		(1,175)	
Add—accounts receivable.....	50,646		609,106	
Total notes and accounts receivable.....	¥99,916	¥15,350	\$1,201,642	\$184,611

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

Short-term investments and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current:			
Government and corporate bonds .....	¥ 5,986	¥10,127	\$ 71,995
Trust fund investments and other .....	4,457	2,414	53,606
Total.....	¥10,443	¥12,542	\$125,601
Non-current:			
Marketable equity securities .....	¥ 3,420	¥ 4,766	\$ 41,138
Government and corporate bonds .....	26,897	30,669	323,481
Trust fund investments and other .....	17,141	20,620	206,145
Total.....	¥47,459	¥56,056	\$570,765

The carrying amounts and aggregate fair values of the securities classified as available-for-sale securities at March 31, 2011 and 2010 were as follows:

March 31, 2011	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities.....	¥ 3,874	¥514	¥ 967	¥ 3,420
Government and corporate bonds .....	35,670	54	2,841	32,883
Trust fund investments and other .....	24,235	18	5,868	18,385
Total.....	<u>¥63,780</u>	<u>¥587</u>	<u>¥9,677</u>	<u>¥54,690</u>

March 31, 2010	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities.....	¥ 4,274	¥1,113	¥ 622	¥ 4,766
Government and corporate bonds .....	43,188	170	2,580	40,777
Trust fund investments and other .....	24,264	119	4,675	19,707
Total.....	<u>¥71,727</u>	<u>¥1,403</u>	<u>¥7,879</u>	<u>¥65,251</u>

March 31, 2011	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities.....	\$ 46,594	\$6,182	\$ 11,638	\$ 41,138
Government and corporate bonds .....	428,990	657	34,170	395,477
Trust fund investments and other .....	291,464	224	70,574	221,114
Total.....	<u>\$767,049</u>	<u>\$7,064</u>	<u>\$116,383</u>	<u>\$657,729</u>

The information for available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 was as follows:

March 31, 2011	Millions of yen		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities.....	¥ 120	¥ 0	¥54
Government and corporate bonds .....	4,978	104	0
Trust fund investments and other .....	2,790	59	1
Total.....	<u>¥7,890</u>	<u>¥164</u>	<u>¥55</u>

March 31, 2010	Millions of yen		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities.....	¥ 920	¥403	¥7
Government and corporate bonds .....	550	106	—
Trust fund investments and other .....	2,656	193	—
Total.....	<u>¥4,127</u>	<u>¥703</u>	<u>¥7</u>

March 31, 2011	Thousands of U.S. dollars		
	Proceeds	Realized gains	Realized loss
Available-for-sale:			
Equity securities.....	\$ 1,453	\$ 0	\$651
Government and corporate bonds .....	59,871	1,260	3
Trust fund investments and other .....	33,563	717	17
Total.....	<u>\$94,888</u>	<u>\$1,978</u>	<u>\$672</u>

Impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥227 million (\$2,733 thousand) and ¥23 million, respectively, and impairment losses on available-for-sale government and corporate bonds for the year ended March 31, 2010 were ¥140 million.

## 5 INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished products.....	¥36,256	¥41,781	\$436,043
Work in process.....	6,074	4,740	73,049
Raw materials and parts.....	10,063	9,749	121,033
Total.....	<u>¥52,394</u>	<u>¥56,271</u>	<u>\$630,125</u>

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

Short-term bank loans at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Interest rates ranging from 0.88% to 1.79% at March 31, 2011 and from 0.86% to 3.10% at March 31, 2010 .....	¥5,341	¥10,371	\$64,238

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks, 0.98% to 3.77% (0.70% to 3.77% in 2010), due serially to 2019:			
Collateralized .....	¥ 629	¥1,590	\$ 7,575
Unsecured .....	2,242	1,335	26,970
Obligations under finance leases.....	1,052	1,481	12,657
Total.....	3,925	4,406	47,204
Less—current portion .....	(1,729)	(1,425)	(20,804)
Long-term debt, less current portion .....	<u>¥2,195</u>	<u>¥2,981</u>	<u>\$26,399</u>

The annual maturities of long-term debt, excluding finance leases (see Note 15), at March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2012.....	¥1,729	\$20,804
2013.....	691	8,320
2014.....	1,200	14,432
2015.....	119	1,440
2016.....	76	918
2017 and thereafter.....	107	1,288
Total.....	<u>¥3,925</u>	<u>\$47,204</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥314 million (\$3,783 thousand) and long-term debt of ¥415 million (\$4,994 thousand) at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term investments.....	¥ 70	\$ 841
Buildings and structures.....	212	2,553
Machinery and equipment.....	1	18
Land.....	292	3,520
Investment securities.....	136	1,638

The companies pledge a deposit of ¥28 million (\$342 thousand) as collateral for customers' bank loans.

## 7 DEPOSITS RECEIVED

Deposits received are collateralized by investments in lease for real estate having a book value of ¥1,840 million (\$22,132 thousand), of

which ¥398 million (\$4,793 thousand) are secured debt at March 31, 2011.

## 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation.....	<b>¥39,437</b>	¥39,127	<b>\$474,295</b>
Fair value of plan assets.....	<b>(25,655)</b>	(25,104)	<b>(308,547)</b>
Unrecognized prior service cost.....	<b>3,147</b>	4,246	<b>37,858</b>
Unrecognized actuarial gain.....	<b>(5,145)</b>	(5,632)	<b>(61,876)</b>
Net liability.....	<u><b>¥11,784</b></u>	<u>¥12,635</u>	<u><b>\$141,729</b></u>

The components of net periodic benefit costs for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost.....	<b>¥1,267</b>	¥1,884	¥1,158	<b>\$15,247</b>
Interest cost.....	<b>947</b>	925	821	<b>11,395</b>
Expected return on plan assets.....	<b>(621)</b>	(507)	(578)	<b>(7,470)</b>
Amortization of prior service cost.....	<b>(1,098)</b>	(1,054)	(1,054)	<b>(13,211)</b>
Recognized actuarial loss.....	<b>1,693</b>	1,929	1,113	<b>20,364</b>
Net periodic benefit costs.....	<u><b>¥2,188</b></u>	<u>¥3,177</u>	<u>¥1,460</u>	<u><b>\$26,325</b></u>

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
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

## 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, 2011, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for doubtful accounts .....	¥ 641	¥ 1,189	\$ 7,719
Tax loss carryforwards .....	5,253	6,109	63,178
Inventories—intercompany profits and write-downs .....	1,258	1,641	15,137
Provisions for bonus payment .....	790	636	9,509
Deferred profit on installment sales .....	127	122	1,537
Investment securities .....	268	280	3,231
Research and development costs .....	2,651	2,322	31,887
Pension and severance costs—prior service cost .....	4,774	5,003	57,418
Loss on impairment of long-lived assets .....	1,071	1,121	12,888
Property, plant and equipment—intercompany profits and depreciation expenses .....	1,347	1,418	16,206
Land revaluation difference .....	4,336	4,336	52,150
Unrealized loss on available-for-sale securities .....	3,331	2,436	40,065
Other .....	974	1,020	11,720
Less—valuation allowance .....	(6,145)	(5,217)	(73,914)
Total .....	<u>20,682</u>	<u>22,423</u>	<u>248,736</u>
Deferred tax liabilities:			
Property, plant and equipment—special reserve .....	(1,068)	(1,140)	(12,854)
Land revaluation difference .....		(1,117)	
Other .....	(1,160)	(1,092)	(13,955)
Total .....	<u>(2,229)</u>	<u>(3,350)</u>	<u>(26,809)</u>
Net deferred tax assets .....	<u>¥18,453</u>	<u>¥19,072</u>	<u>\$221,926</u>
Deferred tax liabilities:			
Depreciation .....	¥ 245	¥ 318	\$ 2,949
Land revaluation difference .....	823		9,907
Other .....	406	288	4,887
Total .....	<u>1,475</u>	<u>607</u>	<u>17,744</u>
Deferred tax assets:			
Other .....	(86)	(195)	(1,040)
Total .....	<u>(86)</u>	<u>(195)</u>	<u>(1,040)</u>
Net deferred tax liabilities .....	<u>¥ 1,388</u>	<u>¥ 411</u>	<u>\$ 16,704</u>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2011, 2010 and 2009 and the actual effective

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

	2011	2010	2009
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 .....	4.5	(5.7)	5.0
Non-taxable dividend income.....	(5.4)	17.8	(2.7)
Inhabitants' tax—per capita levy .....	1.4	(1.7)	0.5
Change in valuation allowance .....	8.0	(8.8)	6.1
Temporary differences that are not recognized as deferred tax assets.....	10.6	(10.6)	3.7
Elimination of intercompany dividend income.....	7.3	(24.2)	10.4
Lower income tax rates applicable to income in certain foreign countries .....	(12.5)	4.9	(5.9)
Reversal of income tax allowance in prior periods.....		8.4	
Other—net .....	(1.6)	7.3	(5.7)
Actual effective tax rate.....	<u>52.9%</u>	<u>28.0%</u>	<u>52.0%</u>

At March 31, 2011, the Company and certain subsidiaries had tax loss carryforwards aggregating approximately ¥14,079 million (\$169,323 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, 2017 and thereafter.

## 10 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a) Dividends

Under the Companies Act, 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are now presented as a separate component of equity.

The Companies Act 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 options outstanding as of March 31, 2011 are 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 144 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
2010 stock option	8 directors of the Company 12 directors of the subsidiaries 7 operating officers of the Company 7 operating officers of the subsidiaries 515 employees of the Company 147 employees of the subsidiaries	2,500,000 shares	August 31, 2010	¥605	Note 1

Note 1. 100,000 shares are from September 1, 2012 to August 5, 2020 and 2,400,000 shares are from September 1, 2012 to August 31, 2017 bases on contract with person granted stock options.

The stock option activity is as follows:

	<u>2004 Stock Option</u>	<u>2010 Stock Option</u>
<b>For the year ended March 31, 2009</b>		
<b>Non-vested</b>		
March 31, 2008—Outstanding		
Granted		
Canceled		
Vested		
March 31, 2009—Outstanding		
<b>Vested</b>		
March 31, 2008—Outstanding	165,000	
Vested		
Exercised	(20,000)	
Canceled		
March 31, 2009—Outstanding	145,000	
<b>For the year ended March 31, 2010</b>		
<b>Non-vested</b>		
March 31, 2009—Outstanding		
Granted		
Canceled		
Vested		
March 31, 2010—Outstanding		
<b>Vested</b>		
March 31, 2009—Outstanding	145,000	
Vested		
Exercised		
Canceled		
March 31, 2010—Outstanding	145,000	
<b>For the year ended March 31, 2011</b>		
<b>Non-vested</b>		
March 31, 2010—Outstanding		
Granted		2,500,000
Canceled		(14,000)
Vested		2,486,000
March 31, 2011—Outstanding		
<b>Vested</b>		
March 31, 2010—Outstanding	145,000	
Vested		
Exercised	(17,000)	
Canceled		
March 31, 2011—Outstanding	128,000	
Exercise price	¥ 600	¥605
Average stock price at exercise	717.24	
Fair value price at grant date		

The assumptions used to measure fair value of 2010 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	41.157%
Estimated remaining outstanding period:	4.51 years
Estimated dividend:	¥10 per share
Interest rate with risk free:	0.224%

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

Other income (expenses)—other, net, for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Commissions earned .....	<b>¥312</b>	¥ 317	¥ 478	<b>\$ 3,756</b>
Gain on sales of fixed assets .....	<b>433</b>	508	26	<b>5,211</b>
Loss on sales of fixed assets .....	<b>(119)</b>	(69)	(73)	<b>(1,433)</b>
Loss on disposals of fixed assets .....	<b>(148)</b>	(609)	(99)	<b>(1,788)</b>
Gain on sales of investment securities.....	<b>164</b>	529	1	<b>1,978</b>
Loss on impairment of investment securities.....	<b>(227)</b>	(178)	(362)	<b>(2,733)</b>
Amortization of negative goodwill .....	<b>264</b>	292	748	<b>3,183</b>
Gain on step acquisitions .....	<b>98</b>			<b>1,179</b>
Loss on liquidated subsidiaries and associates.....	<b>(142)</b>	(86)		<b>(1,714)</b>
Employees' retirement special benefits.....	<b>(170)</b>	(851)		<b>(2,055)</b>
Loss from natural disaster .....	<b>(293)</b>			<b>(3,524)</b>
Other.....	<b>711</b>	1,283	1,586	<b>8,558</b>
Total.....	<b>¥882</b>	<b>¥1,136</b>	<b>¥2,304</b>	<b>\$10,616</b>

The loss from natural disaster includes the following:

- Extinguishments of the Company's and some domestic subsidiaries' inventories that were caused by The Great East Japan Earthquake on March 11, 2011
- The estimated cost of restoration of property to its original state in the Company's Fujinomiya factory that was caused by the earthquake in the East Shizuoka prefecture on March 15, 2011

**13 RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥6,304 million (\$75,817 thousand), ¥5,457 million and ¥5,982 million for the

years ended March 31, 2011, 2010 and 2009, respectively.

**14 LEASES****a) Lessee**

The Companies lease certain equipment and other assets.

The minimum rental commitments under non-cancelable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Operating leases:			
Due within one year .....	<b>¥128</b>	¥135	<b>\$1,542</b>
Due after one year .....	<b>399</b>	80	<b>4,806</b>
Total .....	<b>¥527</b>	<b>¥216</b>	<b>\$6,349</b>

**b) Lessor**

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

Information on investments in lease of finance leases that deem not to transfer ownership of the leased property to the lessee for the year ended March 31, 2011 and 2010 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>I. Current assets</b>			
Gross lease receivables .....	<b>¥10,873</b>	¥12,009	<b>\$130,773</b>
Unguaranteed residual value .....	<b>257</b>	204	<b>3,101</b>
Unearned interest income.....	<b>(1,286)</b>	(1,540)	<b>(15,475)</b>
Investments in lease .....	<b>¥ 9,844</b>	¥10,673	<b>\$118,399</b>
Gross lease receivables .....	<b>¥ 676</b>	¥ 676	<b>\$ 8,133</b>
Unearned interest income.....	<b>(206)</b>	(217)	<b>(2,484)</b>
Other current assets (Investments in lease for real estate).....	<b>¥ 469</b>	¥ 458	<b>\$ 5,648</b>
<b>II. Investments and other assets</b>			
Gross lease receivables .....	<b>¥ 6,505</b>	¥ 7,181	<b>\$ 78,239</b>
Unearned interest income.....	<b>(1,578)</b>	(1,784)	<b>(18,982)</b>
Other assets (Investments in lease for real estate).....	<b>¥ 4,927</b>	¥ 5,396	<b>\$ 59,257</b>

Maturities of investments in lease for finance leases that deem not to transfer ownership of the leased property to the lessee at March 31, 2011 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
<b>I. Investments in lease</b>		
2012 .....	¥ 3,413	\$ 41,049
2013 .....	2,610	31,395
2014 .....	2,013	24,210
2015 .....	1,438	17,301
2016 .....	849	10,212
2017 and thereafter .....	549	6,603
Total.....	<b>¥10,873</b>	<b>\$130,773</b>
<b>II. Other assets (Investments in lease for real estate)</b>		
2012 .....	¥ 676	\$ 8,133
2013 .....	676	8,133
2014 .....	676	8,133
2015 .....	676	8,133
2016 .....	676	8,133
2017 and thereafter .....	3,800	45,705
Total.....	<b>¥ 7,181</b>	<b>\$ 86,372</b>

The minimum rental commitments under non-cancelable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Operating leases:</b>			
Due within one year .....	<b>¥ 508</b>	¥ 499	<b>\$ 6,118</b>
Due after one year .....	<b>4,757</b>	5,178	<b>57,216</b>
Total.....	<b>¥5,266</b>	¥5,678	<b>\$63,334</b>

## 15 CONTINGENT LIABILITIES

At March 31, 2011 and 2010, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Customers' (70 companies in 2011 and 86 companies in 2010) bank loans.....	¥ 735	¥1,001	\$ 8,843
Customers' (32 companies in 2011 and 31 companies in 2010) finance lease payables.....	255	456	3,071
Travel agency ticket payables .....	66	66	793
Payment for subcontracted companies from factoring companies.....	3,627	1,359	43,624

## 16 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

### Policy for financial instruments

The Company's cash surpluses are invested in low risk financial assets, based on its internal guidelines. Bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to foreign currency risks and interest rates.

### Nature and extent of risks arising from financial instruments

Receivables such as trade notes, trade accounts and investments in lease are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, its receivables are hedged by using forward foreign currency contracts. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Company, and bonds to hold based on its internal guidelines, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year.

Bank loans are used to fund its ongoing operations. Although a part of such bank loans are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest-rate swap derivatives.

Deposits received, mainly security deposits for real estate leases which are held by the Company and cash on deposits from members of a golf club operated by a subsidiary, are refunded without interest at the expiration of the contract term or at the withdrawal. These liabilities are exposed to liquidity risk.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to risks from changes in foreign currency exchange rates of receivables and from changes in interest rates of bank loans. Please see Note 17 for more details about derivatives.

### Risk management for financial instruments

#### Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay according to the contractual terms.

The Companies manage their credit risk from receivables on the basis of internal guidelines, which include monitoring of the payment terms and balances of customers based on periodic visits by the sales and marketing department to identify the default risk of the customers at an early stage. With respect to financial investments, the Company manages its exposure to credit risk by limiting its funding to high credit rated bonds in accordance with its internal guidelines. Please see Note 17 for the details about derivatives.

#### Market risk management (foreign exchange risk and interest-rate risk)

Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. The Company manages its foreign exchange risk by currency on a monthly basis. Such foreign exchange risk is hedged principally by forward foreign currency contracts.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables in some subsidiaries. The Company reconsiders holding equity instruments of their customers and suppliers continuously.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis.

Derivative transactions entered into by the Company have been made in accordance with internal guidelines which prescribe the authority and the limit for each. The execution and control of derivatives are under the authority of the Finance Department. Each derivative transaction is periodically reported to the chief financial officer and accounting manager.

In the subsidiaries, derivative transactions entered into by the subsidiaries have been made in accordance with the parent company's internal guidelines. The execution and control of derivatives are under the authority of the Finance Department. Each derivative transaction is periodically reported to the parent company's chief financial officer and accounting manager.

#### Liquidity risk management

Although payables, such as trade notes and trade accounts, bank loans and deposits received are exposed to liquidity risk, the Company manages its liquidity risk by preparing a cash flow schedule on a monthly basis.

Cash on deposits from members of the golf club are fixed on a repayment schedule.

Fair values of financial instruments are based on quoted price in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also please see Note 17 for the details of the fair value of derivatives.

The carrying amount, fair value and unrealized gain (loss) of financial instruments at March 31, 2011 and 2010 are as follows:

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
<b>March 31, 2011</b>			
Cash and cash equivalents .....	¥ 83,046	¥ 83,046	
Notes and accounts receivable.....	97,799	96,938	¥ (860)
Investments in lease.....	9,706	9,353	(353)
Short-term investments and investment securities.....	57,686	57,686	
Total .....	¥248,238	¥247,024	¥(1,213)
Notes and accounts payable.....	¥ 12,302	¥ 12,302	
Short-term bank loans and current portion of long-term debt.....	6,592	6,592	
Long-term debt .....	1,621	1,629	¥ 7
Deposits received.....	2,099	1,785	(314)
Total .....	¥ 22,616	¥ 22,309	¥ (306)

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
March 31, 2010			
Cash and cash equivalents .....	¥ 83,048	¥ 83,048	
Notes and accounts receivable.....	96,655	95,327	¥(1,328)
Investments in lease.....	10,552	10,159	(392)
Short-term investments and investment securities.....	67,572	67,572	
Total .....	¥257,828	¥256,107	¥(1,720)
Notes and accounts payable.....	¥ 9,142	¥ 9,142	
Short-term bank loans and current portion of long-term debt.....	11,199	11,199	
Long-term debt .....	2,097	2,106	¥ 8
Deposits received.....	2,213	1,848	(365)
Total .....	¥ 24,652	¥ 24,295	¥ (356)

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss
<b>March 31, 2011</b>			
Cash and cash equivalents .....	\$ 998,755	\$ 998,755	
Notes and accounts receivable.....	1,176,180	1,165,827	\$(10,353)
Investments in lease.....	116,733	112,487	(4,245)
Short-term investments and investment securities.....	693,758	693,758	
Total .....	\$2,985,427	\$2,970,828	\$(14,599)
Notes and accounts payable.....	\$ 147,953	\$ 147,953	
Short-term bank loans and current portion of long-term debt.....	79,285	79,285	
Long-term debt .....	19,500	19,596	\$ 96
Deposits received.....	25,254	21,467	(3,786)
Total .....	\$ 271,993	\$ 268,302	\$ (3,690)

Carrying amounts of notes and accounts receivable and investments in lease are deducted from the allowance for doubtful receivables.

#### **Cash and cash equivalents**

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

#### **Notes and accounts receivable and investments in lease**

The carrying values of notes and accounts receivable with maturities within one year approximate fair value.

The fair values of installment receivables, including investments in lease, are measured at the amount to be received at maturity discounted at an assumed corporate discount rate.

Installment receivables of domestic sales include interest. Its interest is included as deferred profit on installment sales in current liabilities.

**Short-term investments and investment securities**

The fair values of short-term investments and investment securities are measured at quoted market prices from stock exchanges for equity instruments, at quoted price obtained from financial institutions for certain debt instruments, and at quoted base prices for trust fund investments. Information on the fair value of the marketable and investment securities by classification is included in Note 4.

**Notes and accounts payable, short-term bank loans and current portion of long-term debt**

The carrying values of notes and accounts payable, short-term bank loans, and the current portion of long-term debt approximate fair value because of their short maturities.

**Long-term debt**

The fair values of long-term debt are determined by discounting the cash flows related to the debt at an assumed corporate borrowing rate.

Floating-rate long-term debt is intended for the interest-rate swaps which qualify for hedge accounting, meet specific matching criteria, and therefore are not remeasured at market value.

The fair values of floating-rate long-term debt are determined by discounting the cash flows related to the debt that is accounted as a unit with interest-rate swaps at an assumed corporate borrowing rate.

**Deposits received**

The fair values of deposits received are measured at the amount to be paid at maturity discounted at the yield of government bonds.

**Derivatives**

The information on the fair value of derivatives is included in Note 17.

Financial instruments whose fair value cannot be reliably determined as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Short-term investments and investment securities:			
Available-for-sale:			
Investments in equity instruments that do not have a quoted market price in an active market .....	¥ 214	¥1,023	\$ 2,574
Investments in subsidiaries and associated companies:			
Investments in unconsolidated subsidiaries .....	2,984	2,361	35,887
Investments in associated companies .....	548	757	6,600
Deposits received:			
Money on deposits from members of golf club .....	1,446	1,436	17,392

Maturity analysis for financial assets and securities with contractual maturities at March 31, 2011 are as follows:

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents .....	¥ 83,046			
Notes and accounts receivable .....	57,766	¥38,278	¥4,175	
Short-term investments and investment securities .....				
Available-for-sale:				
Government and corporate bonds .....	7,222	8,344	786	¥5,940
Trust fund investments and other .....	13,595	11,208	4,782	430
Total .....	¥161,630	¥57,831	¥9,744	¥6,370

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents .....	\$ 998,755			
Notes and accounts receivable .....	694,730	\$460,355	\$ 50,214	
Short-term investments and investment securities .....				
Available-for-sale:				
Government and corporate bonds .....	86,855	100,354	9,453	\$71,438
Trust fund investments and other .....	163,505	134,795	57,522	5,181
Total .....	\$1,943,846	\$695,506	\$117,190	\$76,620

Please see Note 6 for annual maturities of long-term debt.

## 17 DERIVATIVES

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

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

The execution and understanding of derivatives are carried out by the Company's Finance Department. The Finance Department also reports monthly the contractual amounts and other information related

to derivatives to the Accounting Department, where the monitoring of derivatives is performed. The Finance Department's review procedures are focused on whether the derivatives are being effective as a means of hedging, whether they are used within the balances of assets and liabilities and whether the Companies are exposed to a large amount of risk. In the subsidiaries, derivative transactions entered into by the Company have been made in accordance with the parent company's internal guidelines. The execution and control of derivatives are under the authority of the Finance Department. Each derivative transaction is periodically reported to the parent company's chief financial officer and accounting manager.

As noted in Note 16, the Companies applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative transactions to which hedge accounting is applied at March 31, 2011:

		Millions of yen			
		2011			
At March 31, 2011		Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:					
Selling	USD	Receivables and other .....	<b>¥7,773</b>		<b>¥ (76)</b>
	EUR	Receivables and other .....	<b>3,101</b>		<b>(142)</b>
	GBP	Receivables and other .....	<b>334</b>		<b>(12)</b>
	AUD	Receivables and other .....	<b>261</b>		<b>(13)</b>
	CAD	Receivables and other .....	<b>248</b>		<b>(9)</b>
Interest-rate swaps:					
(fixed rate payment, floating rate receipt)		Long-term debt .....	<b>¥ 500</b>	<b>¥84</b>	

		Millions of yen			
		2010			
At March 31, 2010		Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:					
Selling	USD	Receivables and other .....	¥1,981		¥(28)
	EUR	Receivables and other .....	631		26
	GBP	Receivables and other .....	5		0
	CAD	Receivables and other .....	64		(3)
Interest-rate swaps:					
(fixed rate payment, floating rate receipt)		Long-term debt .....	¥ 500	¥291	

1. The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.
2. The above interest-rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market

value. In addition, the fair value of such interest-rate swaps in Note 16 is included in that of the hedged items (i.e., long-term debt).

		Thousands of U.S. dollars			
		2011			
At March 31, 2011		Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:					
Selling	USD	Receivables and other .....	<b>\$93,492</b>		<b>\$ (922)</b>
	EUR	Receivables and other .....	<b>37,301</b>		<b>(1,710)</b>
	GBP	Receivables and other .....	<b>4,020</b>		<b>(147)</b>
	AUD	Receivables and other .....	<b>3,144</b>		<b>(160)</b>
	CAD	Receivables and other .....	<b>2,991</b>		<b>(118)</b>
Interest-rate swaps:					
(fixed rate payment, floating rate receipt)		Long-term debt .....	<b>\$ 6,013</b>	<b>\$1,011</b>	

## 18 COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Other comprehensive income:		
Unrealized gain on available-for-sale securities .....	¥1,660	\$19,972
Deferred loss on derivatives under hedge accounting .....	(3)	(37)
Foreign currency translation adjustments .....	2,752	33,101
Share of other comprehensive income in associates .....	(0)	(7)
Total other comprehensive income .....	<u>¥4,409</u>	<u>\$53,028</u>

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of yen	Thousands of U.S. dollars
Total comprehensive income attributable to:		
Owners of the parent .....	¥619	\$7,450
Minority interest .....	169	2,038
Total comprehensive income .....	<u>¥789</u>	<u>\$9,489</u>

## 19 NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income (loss)	Weighted average shares	EPS	
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders .....	¥ 2,716	381,886	¥ 7.11	\$ 0.08
Diluted EPS is not disclosed because it is anti-dilutive.				
For the year ended March 31, 2010:				
Basic EPS				
Net loss available to common shareholders .....	¥(3,739)	381,966	¥ (9.79)	\$(0.10)
Diluted EPS is not disclosed because of the Company's net loss position.				
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders .....	¥ 8,488	383,802	¥22.12	\$ 0.22
Diluted EPS is not disclosed because it is anti-dilutive.				

## 20 SEGMENT INFORMATION

### For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

### 1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the industry "the Metalworking Machinery business" and "the Metal Machine Tools business". Industry "the Metalworking Machinery business" consists of laser machines, punch presses and press brakes for the sheet metalworking market as well as the mechanical presses for the press market. Industry "the Metal Machine Tools business" consists of metal-cutting bandsaws for the metal cutting market as well as lathes and grinders for the machine tools market.

### 2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 1, "Summary of Significant Accounting Policies".

### 3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of yen						
	2011						
	Reportable segment			Others	Total	Reconciliations	Consolidated
Metalworking Machinery	Metal Machine Tools	Total					
Sales:							
Sales to external customers .....	¥127,280	¥34,076	¥161,357	¥ 1,796	¥163,153		¥163,153
Intersegment sales or transfers .....	38	33	71		71	¥ (71)	
Total .....	127,318	34,110	161,428	1,796	163,225	(71)	163,153
Segment profit .....	2,019	1,948	3,967	386	4,353		4,353
Segment assets .....	277,316	52,927	330,244	18,801	349,045	103,746	452,792
Other:							
Depreciation .....	6,396	1,190	7,586	52	7,638		7,638
Investments in unconsolidated subsidiaries and associated companies accounted for by the equity method .....	3,406	57	3,464		3,464		3,464
Increase in property, plant and equipment and intangible assets .....	4,588	6,026	10,615	28	10,644		10,644

	Thousands of U.S. dollars						
	2011						
	Reportable segment			Others	Total	Reconciliations	Consolidated
Metalworking Machinery	Metal Machine Tools	Total					
Sales:							
Sales to external customers .....	\$1,530,735	\$409,819	\$1,940,554	\$ 21,607	\$1,962,162		\$1,962,162
Intersegment sales or transfers .....	457	404	861		861	\$ (861)	
Total.....	1,531,192	410,224	1,941,416	21,607	1,963,023	(861)	1,962,162
Segment profit.....	24,284	23,427	47,711	4,643	52,355		52,355
Segment assets.....	3,335,140	636,527	3,971,668	226,118	4,197,786	1,247,700	5,445,487
Other:							
Depreciation.....	76,921	14,314	91,235	630	91,866		91,866
Investments in unconsolidated subsidiaries and associated companies accounted for by the equity method.....	40,970	692	41,662		41,662		41,662
Increase in property, plant and equipment and intangible assets.....	55,187	72,476	127,663	346	128,010		128,010

	Millions of yen						
	2010						
	Reportable segment			Others	Total	Reconciliations	Consolidated
Metalworking Machinery	Metal Machine Tools	Total					
Sales:							
Sales to external customers .....	¥109,065	¥24,908	¥133,973	¥ 2,005	¥135,979		¥135,979
Intersegment sales or transfers .....	30	18	49		49	¥ (49)	
Total.....	109,096	24,926	134,022	2,005	136,028	(49)	135,979
Segment profit (loss) .....	(6,901)	(3,156)	(10,057)	402	(9,654)	(0)	(9,654)
Segment assets.....	280,724	47,056	327,781	19,586	347,367	120,810	468,178
Other:							
Depreciation.....	6,857	1,344	8,202	54	8,256		8,256
Investments in unconsolidated subsidiaries and associated companies accounted for by the equity method.	3,308	13	3,322		3,322		3,322
Increase in property, plant and equipment and intangible assets.....	11,118	451	11,570	9	11,579		11,579

1. "Other" includes the real estate leasing business, the golf course management business and the automobile leasing business.  
2. Reconciliations in segment assets are corporate assets not allocated to a reportable segment. Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company.

Corporate assets were ¥103,746 million (\$1,247,700 thousand), ¥120,810 million for the years ended March 31, 2011 and 2010, respectively.

3. Segment profit (loss) is adjusted from the operating income in the consolidated statements of operations.

The information related to the segment information is as follows:

### 1. Information about products and services

	Millions of yen					
	2011					
	Metalworking Machinery		Metal Machine Tools		Others	Total
Sheet-Metal Processing Machines Division	Presses Division	Bandsaws Division	Machine Tools Division			
Sales to external customers.....	¥121,487	¥5,793	¥22,107	¥11,969	¥1,796	¥163,153

	Thousands of U.S. dollars					
	2011					
	Metalworking Machinery		Metal Machine Tools			
	Sheet-Metal Processing Machines Division	Presses Division	Bandsaws Division	Machine Tools Division	Others	Total
Sales to external customers.....	\$1,461,064	\$69,670	\$265,870	\$143,949	\$21,607	\$1,962,162

## 2. Information about geographical areas

### (1) Sales

	Millions of yen					
	2011					
	Japan	North America	Europe	Asia	Others	Total
	¥80,341	¥20,855	¥27,004	¥31,280	¥3,671	¥163,153

	Thousands of U.S. dollars					
	2011					
	Japan	North America	Europe	Asia	Others	Total
	\$966,228	\$250,820	\$324,772	\$376,189	\$44,150	\$1,962,162

### (2) Property, plant and equipment

	Millions of yen				
	2011				
	Japan	North America	Europe	Others	Total
	¥90,516	¥5,223	¥8,845	¥1,404	¥105,990

	Thousands of U.S. dollars				
	2011				
	Japan	North America	Europe	Others	Total
	\$1,088,595	\$62,817	\$106,384	\$16,892	\$1,274,690

The information related to Amortization of goodwill and balance of goodwill is as follows:

	Millions of yen				
	2011				
	Reportable segment			Eliminations/ Corporate	Total
	Metalworking Machinery	Metal Machine Tools	Others		
Amortization of goodwill.....	¥ 274	¥ 91	¥ 105		¥ 470
Goodwill at March 31, 2011.....	1,713	442	1,580		3,736
Amortization of negative goodwill.....		264			264
Negative goodwill at March 31, 2011.....		529			529

	Thousands of U.S. dollars				
	2011				
	Reportable segment			Eliminations/ Corporate	Total
	Metalworking Machinery	Metal Machine Tools	Others		
Amortization of goodwill.....	\$ 3,297	\$1,097	\$ 1,267		\$ 5,662
Goodwill at March 31, 2011.....	20,609	5,316	19,005		44,931
Amortization of negative goodwill.....		3,183			3,183
Negative goodwill at March 31, 2011.....		6,366			6,366

The amounts under "Others" are related to the golf course management business.

For the year ended March 31, 2010

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, 2010 and 2009, is as follows:

### a) Industry segments

#### I. Sales and Operating Income (Loss)

	Millions of yen				
	2010				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers.....	¥134,433	¥1,060	¥486		¥135,979
Intersegment sales .....		474	41	¥(516)	
Total sales.....	134,433	1,534	527	(516)	135,979
Operating expenses .....	144,680	846	623	(516)	145,634
Operating income (loss).....	¥ (10,247)	¥ 688	¥ (96)		¥ (9,654)

#### II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2010				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets.....	¥329,164	¥15,964	¥2,978	¥120,071	¥468,178
Depreciation .....	8,202	2	51		8,256
Capital expenditures .....	11,570		9		11,579

#### I. Sales and Operating Income (Loss)

	Millions of yen				
	2009				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers.....	¥224,180	¥1,083	¥524		¥225,789
Intersegment sales .....		534	30	¥(564)	
Total sales.....	224,180	1,617	555	(564)	225,789
Operating expenses .....	206,146	851	654	(564)	207,087
Operating income (loss).....	¥ 18,034	¥ 766	¥ (99)		¥ 18,701

1. The effect of application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" in Note 1 c) for the year ended March 31, 2009 was to increase operating income of "Industry A" by ¥63 million (\$644 thousand) from the segment's results in the prior year.
2. The effect of application of "Accounting Standard for Measurement of Inventories" in Note 1 g) for the year ended March 31, 2009 was

- to decrease operating income of "Industry A" by ¥123 million (\$1,258 thousand) from the segment's results in the prior year.
3. The effect of application of revised "Accounting Standard for Lease Transactions" in Note 1 x) for the year ended March 31, 2009 was to increase operating income of "Industry A" by ¥93 million (\$950 thousand) and decrease operating income of "Industry B" by ¥513 million (\$5,229 thousand) from the segment's results in the prior year.

## II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2009				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets.....	¥355,056	¥16,368	¥3,169	¥105,352	¥479,947
Depreciation .....	8,516	2	56		8,575
Capital expenditures .....	15,439		7		15,447

1. The effect of application of revised "Accounting Standard for Lease Transactions" in Note 1 x) for the year ended March 31, 2009 was to decrease total assets and depreciation of "Industry B" by ¥2,248 million (\$2,880 thousand) and ¥431 million (\$4,391 thousand), respectively, from the segment's results in the prior year.

2. Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company. Corporate assets were ¥120,810 million and ¥106,095 million for the years ended March 31, 2010 and 2009, respectively.

### b) Geographical segments

The geographical segments of the Companies for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen						
	2010						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
<b>I. Sales:</b>							
Outside customers.....	¥ 72,023	¥18,285	¥28,119	¥16,650	¥890		¥135,979
Interarea .....	14,235	222	464	995		¥(15,918)	
Total sales.....	86,269	18,508	28,584	17,645	890	(15,918)	135,979
Operating expenses.....	98,301	19,368	29,560	16,076	832	(18,505)	145,634
Operating income (loss).....	¥ (12,032)	¥ (860)	¥ (976)	¥ 1,568	¥ 58	¥ 2,587	¥ (9,654)
<b>II. Assets</b> .....	¥279,564	¥32,520	¥52,931	¥22,808	¥887	¥ 79,465	¥468,178

	Millions of yen						
	2009						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
<b>I. Sales:</b>							
Outside customers.....	¥110,848	¥31,893	¥56,027	¥26,186	¥832		¥225,789
Interarea .....	44,997	487	1,368	2,636		¥(49,489)	
Total sales.....	155,846	32,381	57,396	28,822	832	(49,489)	225,789
Operating expenses.....	150,688	30,500	51,565	25,682	793	(52,142)	207,087
Operating income .....	¥ 5,158	¥ 1,880	¥ 5,830	¥ 3,140	¥ 39	¥ 2,652	¥ 18,701
<b>II. Assets</b> .....	¥303,587	¥36,396	¥52,779	¥26,153	¥692	¥ 60,338	¥479,947

1. The effect of application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" in Note 1 c) for the year ended March 31, 2009 was to increase operating income of "Europe" by ¥63 million (\$644 thousand) from the segment's results in the prior year.

2. The effect of application of "Accounting Standard for Measurement of Inventories" in Note 1 g) for the year ended March 31, 2009 was

to decrease operating income of "Japan" by ¥123 million (\$1,258 thousand) from the segment's results in the prior year.

3. The effect of application of revised "Accounting Standard for Lease Transactions" in Note 1 x) for the year ended March 31, 2009 was to decrease operating income of "Japan" by ¥420 million (\$4,279 thousand) from the segment's results in the prior year.

### c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen				
	2010				
	North America	Europe	Asia	Others	Total
Sales to foreign customers.....	¥18,127	¥26,658	¥22,220	¥3,159	¥70,166

	Millions of yen				
	2009				
	North America	Europe	Asia	Others	Total
Sales to foreign customers.....	¥31,856	¥54,255	¥33,780	¥5,288	¥125,181

## 21 SUBSEQUENT EVENT

### Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2011

were approved by the shareholders at the Company's general shareholders' meeting held on June 29, 2011.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥5.00 (\$0.05) per share .....	¥1,909	\$22,961

# Independent Auditors' Report

## Deloitte.

Deloitte Touche Tohmatsu LLC  
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, 2011 and 2010, and the related consolidated statements of operations for each of the three years in the period ended March 31, 2011, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

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

*Deloitte Touche Tohmatsu LLC*

June 29, 2011

Member of  
Deloitte Touche Tohmatsu Limited

# The Amada Group

(As of October 1, 2011)

## 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

### Toki Works

1431-37, Izumichokujiri-Kitayama,  
Toki, Gifu 509-5142, Japan  
Phone: 81-572-51-3111  
Facsimile: 81-572-51-3100

### Ono Plant

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

## PRINCIPAL DOMESTIC GROUP COMPANIES

### Amada Machine Tools 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 machine tools, mainly Amada bandsaw machines, CNC lathes, and CNC grinders and sales of bandsaw blades

### Amada Toyo Co., Ltd.\*

3-73 Sameganji, Yatomi,  
Aichi 490-1415, Japan  
Phone: 81-567-52-2121  
Facsimile: 81-567-52-2115  
*Major Activities:* Manufacture, sales, and after-sales service of sheet-metal processing machines, mainly press brakes and shearing machines

### Nicotec Co., Ltd.\*

200, Ishida, Isehara,  
Kanagawa 259-1196, Japan  
Phone: 81-463-96-3221  
Facsimile: 81-463-96-3230  
*Major Activities:* Sales of Amada products for the sales agent market and the manufacture and sales of metalworking machines and machine tools

### 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 Precision Co., Ltd.\*

200, Ishida, Isehara,  
Kanagawa 259-1196, Japan  
Phone: 81-463-91-8050  
Facsimile: 81-463-91-8137  
*Major Activities:* Manufacture and sales 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: 81-463-96-3412  
*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 metalworking machines

### Amada Ailink Service Co., Ltd.\*

350 Ishida, Isehara,  
Kanagawa 259-1116, Japan  
Phone: 81-463-97-2800  
Facsimile: 81-463-97-2803  
*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 Machine Tools America, Inc.\***

2324 Palmer Dr., Schaumburg,  
IL 60173, U.S.A.  
Phone: 1-847-285-4800  
Facsimile: 1-847-519-2127

*Major Activities:* Sales and after-sales service of machine tools, mainly Amada bandsaw machines, bandsaw blades, CNC lathes, and CNC grinders for the North American market

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

4A Tradeeasy Avenue,  
Batavia, NY 14020, U.S.A.  
Phone: 1-585-344-3900  
Facsimile: 1-585-344-3905

*Major Activities:* Manufacture of punches and dies

#### **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

#### **Amada De Mexico, S. de R.L. de C.V.\***

Torres los Campestre Ave.,  
Ricardo Margain 575,  
Parque Corporativo Santa Engracia,  
San Pedro Garza Garcia,  
NL CP 66267, Mexico  
Phone: 52-81-1234-0700  
Facsimile: 52-81-1234-0700

*Major Activities:* Sales and after-sales service of Amada products for the Mexican 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\***

Amada Allee 1, 42781 Haan, Germany  
Phone: 49-2104-21260  
Facsimile: 49-2104-2126999

*Major Activities:* Sales and after-sales service of Amada products mainly for Germany and other countries in the European market

#### **Amada Machine Tools Europe GmbH\***

Amada Allee 3, 42781 Haan, Germany  
Phone: 49-2104-1777-0  
Facsimile: 49-2104-1777-339

*Major Activities:* Sales and after-sales service of machine tools, mainly Amada bandsaw machines, bandsaw blades, CNC lathes, and CNC grinders 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 French and North 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 Italia S.r.l.\***

Via Amada I., 1/3,  
29010 Pontenure, 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 Engineering Europe S.p.A.\***

Via Amada I., 1/3,  
29010 Pontenure, Piacenza, Italy  
Phone: 39-0523-952811  
Facsimile: 39-0523-952899

*Major Activities:* R&D, sales, after-sales service of software, and engineering processes for sheet-metal processing machines

#### **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: 46-322-20-9900  
Facsimile: 46-322-20-9929

*Major Activities:* Sales and after-sales service of Amada products for the Swedish market

#### **LKI Kaldman Ltd.\*\***

Svartråshagavägen 7 FIN-68910 Bennis, Finland  
Phone: 358-20-7009-000  
Facsimile: 358-20-7009-033

*Major Activities:* Manufacture, sales, and after-sales service of peripheral equipment for sheet-metal processing machines

#### **Amada OOO\***

Dokukina Street 16, Building 3,  
Moscow 129226, Russian Federation  
Phone: 7-495-518-9650  
Facsimile: 7-495-518-9651

*Major Activities:* Sales and after-sales service of Amada products mainly for the Russian market

#### **Amada Türkiye Makina Teknoloji Sanayi Ve Ticaret Ltd. Sti.\***

İkitelli Organize Sanayi Bölgesi Haseyad koop.,  
Turgut Ozal cad., No: 116,  
34670 İkitelli İstanbul-Türkiye  
Phone: 90-212-549-1070  
Facsimile: 90-212-549-1076

*Major Activities:* Sales and after-sales service of Amada products mainly for the Turkish market

**ASIA****Amada Hong Kong Co., Ltd.\***

Unit 1101-2, 11/F., Austin Tower,  
22-26 Austin Ave., Jordan, 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: 86-10-6786-9665

*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 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 Shanghai Machine Tech Co., Ltd.\***

No. 68, Hui Shen Road,  
Nan Xiang High-tech Industry Park,  
Jia Ding District, Shanghai, China  
Phone: 86-21-6917-1352

Facsimile: 86-21-5280-7737

*Major Activities:* Manufacture, sales, and after-  
sales service of metalworking machines and  
punches and dies for punch presses for the  
Chinese market

**Amada International Trading (Shenzhen)  
Co., Ltd.\***

Rms. 801-805, 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 Lianyungang Machinery Co., Ltd.\***

No. 21 Zhenxing Road, Songtiao,  
Lianyungang Eco. & Tech.,  
Development Zone,  
Jiangsu, People's Republic of China  
Phone: 86-518-8551-9215

Facsimile: 86-518-8548-7570

*Major Activities:* Manufacture, sales, and after-  
sales service of bandsaw machines and blades  
for the Chinese market

**Amada Lianyungang Machine Tech Co.,  
Ltd.\*\***

No. 1 Qufeng Road,  
Haizhou Development Zone,  
Lianyungang, Jiangsu, China  
Phone: 86-518-8591-8369

Facsimile: 86-518-8591-8368

*Major Activities:* Manufacture of bandsaw  
machines

**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 Korea Co., Ltd.\***

821, Yeonsu-gu, Dongchun-Dong,  
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 Korean market

**Amada Asia Pte Ltd.\***

12, Tannery Road, #03-07 HB Centre 1,  
Singapore 347722

Phone: 65-6743-3244

Facsimile: 65-6743-3844

*Major Activities:* Coordination and management  
control of ASEAN Amada Group companies

**Amada Singapore (1989) Pte Ltd.\***

12, Tannery Road,  
#05-01/02 HB Centre 1,  
Singapore 347722

Phone: 65-6743-6334

Facsimile: 65-6743-3134

*Major Activities:* Sales and after-sales service  
of Amada products for the Singaporean and  
Indonesian markets

**Amada (Thailand) Co., Ltd.\***

110/8 Moo 13, Rachatheva Sub-District,  
Bangplee District, Samutprakarn Province 10540,  
Thailand

Phone: 66-2738-9530

Facsimile: 66-2738-9534

*Major Activities:* Sales and after-sales service  
of Amada products for the Thai market

**Amada Machine Tools (Thailand)  
Co., Ltd.\***

Amatanakorn Industrial Estate,  
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 Amada bandsaw machines,  
CNC lathes, CNC grinders, sales of bandsaw  
blades, and manufacture and retrofit machine tools

**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 ser-  
vice of Amada products for the Malaysian market

**Amada Vietnam Co., Ltd.\***

469 Ha Huy Tap Road, Yen Vien, Gia Lam,  
Hanoi, Vietnam  
Phone: 84-4-6261-4583

Facsimile: 84-4-6261-4584

*Major Activities:* Sales and after-sales service of  
Amada products for the Vietnamese market

**Amada (India) Pvt. Ltd.\***

D/115-116 Floral Deck Plaza,  
MIDC, Andheri (East), Mumbai - 400093, 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.\***

IITM Research Park, 2nd Floor,  
Block No. 6, Plot No. 2, Rajiv Gandhi Salai,  
Taramani, Chennai, PIN-600113, India  
Phone: 91-44-6663-0300

Facsimile: 91-44-6663-0308

*Major Activities:* Research and development  
of software for machine tools and sheet-  
metalworking machines

**OTHER AREAS****Amada Oceania Pty Ltd.\***

Unit 7, 16 Lexington Drive, Bella Vista,  
NSW 2153, Australia  
Phone: 61-2-8887-1100

Facsimile: 61-2-8887-1101

*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, 2011)

Authorized: 550,000,000 shares

Issued: 396,502,117 shares

## Number of Shareholders

(As of March 31, 2011)

30,812

## Stock Listings

Tokyo Stock Exchange, Inc., First Section

Osaka Securities Exchange Co., Ltd., First Section

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

	2010				2011	
	1st	2nd	3rd	4th	1st	2nd
High	809	821	601	689	755	701
Low	588	581	491	512	519	558

## 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, 2011)

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	65,557	17.2
The Master Trust Bank of Japan, Ltd. (Trust accounts)	28,476	7.5
Mizuho Bank, Ltd.	18,761	4.9
Trust & Custody Services Bank, Ltd. (Trust accounts)	12,133	3.2
Amada Foundation for Metal Work Technology	9,936	2.6
Nippon Life Insurance Company	7,255	1.9
The Joyo Bank, Ltd.	5,756	1.5
RBC Dexia Investor Services Trust London Lending Account	5,457	1.4
The Nomura Trust and Banking Co., Ltd. (Trust accounts)	4,627	1.2
The Bank of New York Treaty Jasdec Account	4,393	1.2

Note: Ownership percentages have been calculated by excluding treasury stock (14,649,728 shares).

The Amada Foundation for Metal Working Technology has changed its name to The Amada Foundation as of April 1, 2011.

# Directors, Auditors, and Corporate Officers

(As of October 1, 2011)

## Directors

### President & CEO

Mitsuo Okamoto\*

### Senior Managing Director

Toshio Takagi

### Managing Director

Yoshihiro Yamashita

### Managing Director

Tsutomu Isobe

### Managing Director

Chikahiro Sueoka

### Director

Atsushige Abe

### Director

Kotaro Shibata

### Director

Takaya Shigeta

\* Representative Director

## Corporate Auditors

### Corporate Auditor (Full-time)

Ryoichi Hashimoto

### Corporate Auditor (Full-time)

Shoichi Nozaki

### Corporate Auditor (Outside)

Masanori Saito

### Corporate Auditor (Outside)

Katsuhiko Yasuda

## Corporate Officers

(excluding directors  
who concurrently hold  
position(s) at Amada)

Naoki Orita

Hidehiko Sakai

Kiyoshi Takeo

Yukihiro Fukui

Yasuhiro Kawashita

Hiroyuki Takeshita

Katsuhide Ito

Yasuhiro Endo

Nobuyuki Jinbo

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