CKD

Annual Report 2008

CKD Corporation

To Our Shareholders:

We are pleased to present the 2008 Annual Report of CKD Corporation and Consolidated Subsidiaries for the year ended March 31, 2008.

On behalf of the Board, we thank you for your continued confidence and support.

Masanori Ishida
Chairman

Kazunori Kajimoto
President

CKD Green Technology

Under "CKD Environment Policy",
CKD Group is strongly driving development
of environmental conscious products.
Saving energy and resources,
reducing environmental polluting materials and wastes,
complying with EU RoHS regulation,
mitigating and containing environmental noise, and so on,
every year we set out and aim to the higher goals
for human and the earth friendly products.

CKD Main Products Market Positions

Automatic Machinery Business

Lamp Manufacturing System — Worldwide 70%

Pharmaceutical Packaging System — Nationwide 80%

General and Control Business

Semiconductor Wet Process Control Equipment — Nationwide 60%

General Purpose Fluid Control Equipment — Nationwide 60%

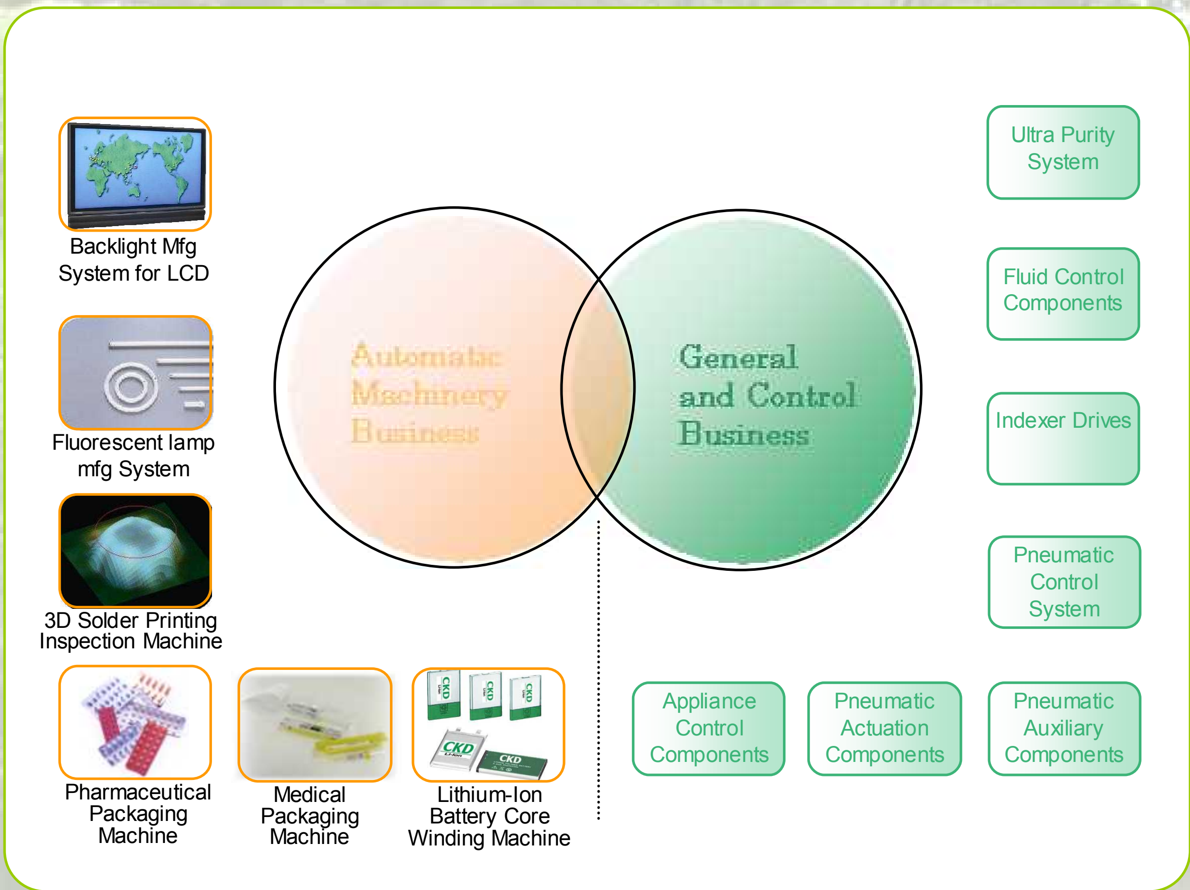
CKD Advantage

For more than 60 years since founded in 1943, CKD has been devoting to research and development of automation technologies and fluid control technologies. Unique cutting edge technologies the company has acquired through its long history have born many fruits – products with dominant and overwhelming market positions.

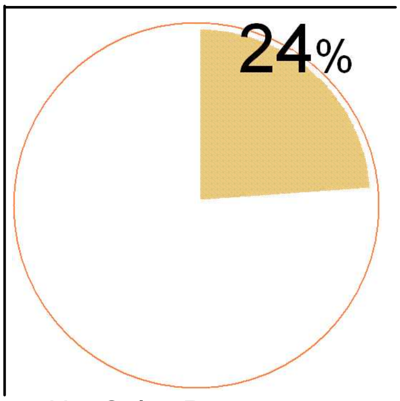
The system to produce the CCFL backlights to be used as the light source for large LCDs controls a 70% share of the global market, which is contributing to upsizing Flat Panel Displays (FPDs) typical at LCDs. Highly safe and reliable Pharmaceutical Automated Packaging System controls an 80% share of the domestic market. Chemical fluid control components that are key components to semiconductor manufacturing, and fluid control components that are applicable to various industries are maintaining leading positions in domestic market as well.

Frontier spirit to challenge unknown technology field, thoroughness in quality, and pursuing Customer Satisfaction by supplying the best products and systems are the dynamics of CKD's growth.

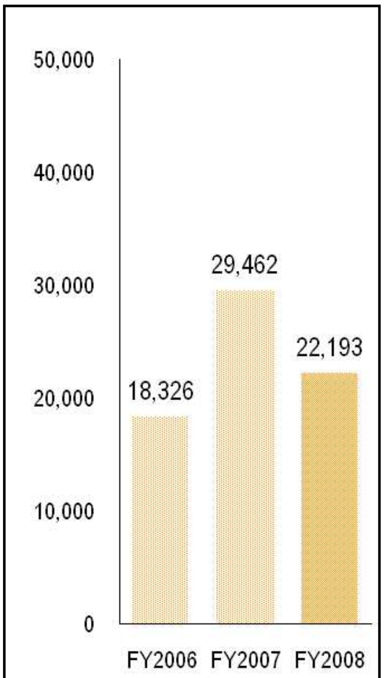
As global group companies having international operations in 14 countries, CKD continues contributing to industries and society through development of unique technologies and thorough quality management, pioneering future automation technologies.



Operation By Segment
Automatic Machinery Business



Net Sales Percentage



Sales to Customers
Sales Growth

Outline of Business

Automatic machinery business consisting mainly of lamp manufacturing machinery, industry machinery, and packaging machinery is contributing to the productivity improvement in various industrial segments.

Lamp manufacturing machinery inheriting the company tradition since it has been founded; the manufacturing system for CCFL backlights to be used as the light source for LCD-TVs is holding the leading position in the global market.

Industry machinery; lithium-ion battery winding machinery to produce a core for lithium-ion batteries for such as mobile phones, and solder printing inspection machinery achieving high precision and high speed simultaneously with unique 3D inspection technology are supplied to the electronics industry.

Packaging machinery; a line-up of the state of the art system to automate the pharmaceutical packaging process, specially the blister packaging to package tablets or pills one by one into each blister marks domestically the highest speed of 6,000 tablets or pills per minute.

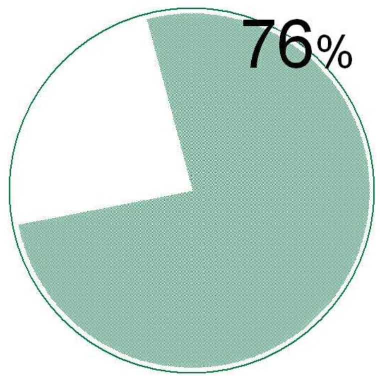
Performance in This Term

Automatic machinery business has kept steady growth in the pharmaceutical packaging system. In contrast, a surge of demand for the backlights manufacturing system in the previous term has become calm, this segment marked net sales of 22,193 million yen (24.7% negative growth over the previous term), operating income of 3,989 million yen (24.7% negative growth over the previous term).

Pharmaceutical Packaging System

PTP packaging system, the “FBP Series” is the system to package either pills or tablets for one by one into the sheet so called PTP (Press Through Pack, a packaging for human to press through backing foil to take out a pill or a tablet). This system is capable of up to 6,000 pills or tablets per minute, with drastically reduced consumption of packaging material films, electricity, and compressed air, to lower environmental load.

Operation By Segment
General and Control Business

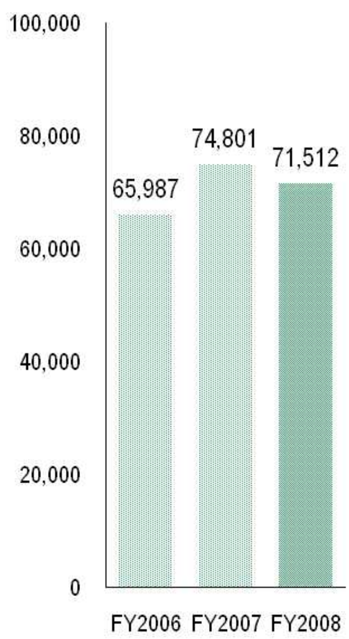


Net Sales Percentage

Outline of Business

General and control business is consisting of state of the art components such as ultra purity system components, fluid control components, indexer drives, pneumatic components and so on that are originated from CKD's automatic machinery technology.

Ultra purity system components provide chemical fluid control valves and integrated gas delivery systems that are used in the clean environment in such as semiconductor manufacturing and liquid crystal display panel manufacturing.



Sales to Customers
Sales Growth

Fluid control components provide a broad range of line-ups from various valves to environmental components such as processing system. Indexer drives such as direct drive actuators are the epoch making products to respond never-ending needs of "Quality Improvement and Cost Reduction" in automation technology.

Pneumatic components provide wide array of control components such as various cylinders (linear motion actuators) and valves, and flow sensors that are effective for the energy saving at processing facilities.

Performance in This Term

General and control business has come under the influence of slowing economy since latter half, sales for semiconductor related industries being strong in the first quarter fell into sluggish, and marked net sales of 71,512 million yen (4.4% negative growth over the previous term) and operating income of 8,307 million yen (23.5% negative growth over the previous term) due to steep rise in material costs and a fall in sales prices.

Clean Air Unit

Clean air unit is the essential group of products to condition the compressed air by removing oil, water and other contaminants condensed in the compressed air. It basically consists of a filter, a regulator and a lubricator. New product "CXU Series" with modular design components allows no plumbing, small footprint, and less assembly work.

Topics

Topics 1

[New Product] “MBP-500M”, Medical Blister Packaging System

Being recognized by our customers in pharmaceutical industry as a leading manufacturer of PTP (Press Through Pack) packaging machines, a machinery system to automatically package pills or tablets into the pockets formed, and then to the form of sheet, CKD has introduced a new medical blister packaging machine, MBP-500M for medicals and medical devices, taking advantage of the technologies acquired through PTP packaging machines.

Pre-filled syringes, syringe needles, catheters, surgical instruments, and sanitary materials are the typical products of medicals and medical devices, which all require airtight seal and highly visible packaging.

MBP-500M is a high performance new product satisfying such demand that CKD has taken advantage of the technologies acquired over the years, such as superior cleaning capability, thorough anti-contamination measures, the cutting edge technology of cup forming, low power consumption, and drastically reduced changeover time.

Topics 2

[New Product] “VP6000 Series”, 3D Solder Paste Inspection Machine

With growing application of micro sized components and highly integrated ICs, demand for high precision 3D solder paste inspection machines are rapidly increasing.

Meeting such demand and realizing “high speed”, “high precision”, and “easy operation”, CKD has introduced a new 3D solder paste inspection machine, VP6000 Series. This new product has achieved 2x faster inspection speed, 4x higher repeatability, and 1/4 programming time compared to the existing machines.

While CKD has first realized automatization of solder paste inspection in the surface mount technology (SMT) industry, and has been holding the leading market position for the 3D solder paste inspection machines, CKD continues to be committed to contribute to our customer’s productivity improvement.

Topics 3

[New Product] “IAGD5 Series”, Ultra Small Footprint Integrated Gas Supply System

Integrated gas supply system was developed under the concept of improved maintenance capabilities, smaller footprint, and less welded part, and first introduced to the world by CKD as the commercialized product of the process gas control components for semiconductor manufacturing equipment. The system has been widely time-tested, and has become the de facto standard for the process gas supply system.

IAGD5 Series, a new product of the integrated gas supply system has achieved 30% less footprint and 40% less mass, contributing to the semiconductor manufacturing equipment to be smaller in footprint and lighter in mass.

CKD is committed to support the improvement of semiconductor manufacturing processes and equipments with its unique fluid control technologies.

Review of Business Operations

During this term, Japan's economy kept its moderate pace of recovery in first half, with improvement of corporate earnings supported by firmness in capital investment and exports. However, economic slowdown is becoming apparent in later half, with sharp falls in stock market due to the U.S. subprime mortgage problem, continued high hovering prices of crude oil and raw materials, and radical rise of yen in foreign exchange market.

In these environments, performance of CKD group resulted in decrease in income and profit, due to decrease in sales of the backlight manufacturing machines for LCD television set that was keeping steady pace in the previous term, and decrease in demand in semiconductor manufacturing equipment and related industries at the general and control business.

Firstly, in Corporate Management, we have enhanced and completed Internal Management System, such as Risk Management System and Subsidiaries Management System that are required under the Company Law.

In Sales, we have made reorganization to increase synergy effect between automatic machinery business and general and control business.

At the overseas locations, we have made branch in Taiwan transformed to Taiwan CKD Corporation, to pursue businesses from semiconductor related industries.

In growing China, CKD (Shanghai) Corporation has welcomed a locally promoted director and general manager to advance its market position in China.

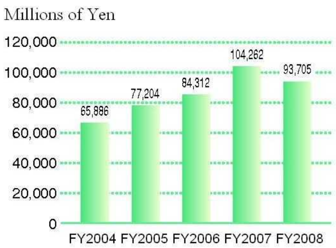
At the other overseas locations, local managers have been reinforced to increase sales.

In Manufacturing, Value Analysis in design and cost reduction effort has been focused to address lowering sales price and steep rise in raw materials.

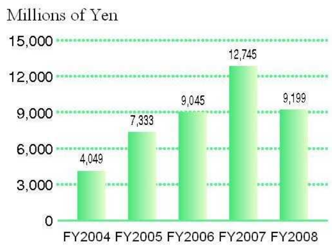
In Research and Development, core products to make pillars of businesses have been incubated, at the same time, development of products with less environmental load for less power consumption and less raw materials have been focused.

As a result, CKD Group with consolidated subsidiaries in this term posted:
10.1% decrease over previous term with 93.75 billion yen in sales, and
25.4% decrease over previous term with 9.482 billion yen in operating income, and
27.8% decrease over previous term with 9.199 billion yen in ordinary income, and
26.4% decrease over previous term with 5.546 billion yen in net income.

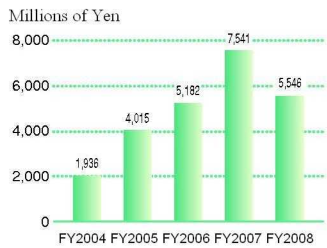
NET SALES



INCOME BEFORE TAX



NET INCOME



Capital Investment Overview

Capital investments during this term were a total of 2,470 million yen for mostly renewals and procurements of machinery equipments for the purpose of improvement of productivities.

Financing Overview

To enable efficient procurement of working capital, we have agreed to credit line with three of our partner banks. Our total credit line based on these agreements was 6.5 billion yen at the end of this term, with executed loans of 5.5 billion yen.

Tasks

We hold up “Boost international sales to grow business”, “Intensify the development of environmental products”, “Increase customer satisfaction with a continued focus on quality”, “Insure compliance and internal control”, and “Improve business efficiency through time management” as the management policy for 2008 of CKD Group, and practice them.

1. Boost international sales to grow business

Increase of sales in international market will be a key to expand our businesses. To accelerate our global business operations in Asia, we plan to reinforce international distributors network and locally promoted managers, and lay out local manufacturing capacities.

2. Intensify the development of environmental products

We will promote development of products with less environmental load for less power consumption and less raw materials.

3. Increase customer satisfaction with a continued focus on quality

It is important to secure customer trust with a continued focus on quality. Though quantity, quality, and cost are inextricably linked, we will revise our standards in customers’ standpoint, and build the system to assure quality at the same time focusing on cost.

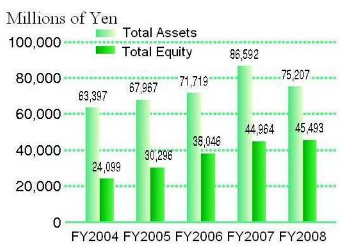
4. Insure compliance and internal control

We will promote all of our members to fully understand our standards of conduct, rules and regulations, and internal control to become assured.

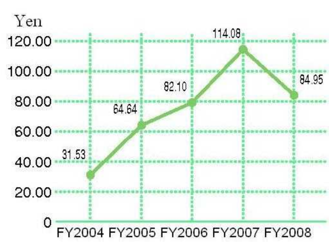
5. Improve business efficiency through time management

We will enhance improvement of operation productivities for efficient work with focus on object.

TOTAL ASSETS
& TOTAL EQUITY



NET INCOME
PER SHARE



RETURN ON
EQUITY (ROE)

CKD Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended
March 31, 2008 and 2007
And
Independent Auditors' Report

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 3,606	¥ 4,463	$ 36,060
Time deposits	6	6	60
Notes and accounts receivable:			
Trade notes	2,949	6,878	29,490
Trade accounts	19,881	22,444	198,810
Other	322	556	3,220
Allowance for doubtful accounts	(24)	(55)	(240)
	23,128	29,823	231,280
Inventories (Note 4)	16,591	17,855	165,910
Deferred tax assets (Note 8)	1,343	1,577	13,430
Prepaid expenses and other current assets	476	437	4,760
Total current assets	45,150	54,161	451,500
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,606	4,596	46,060
Buildings and structures	21,766	21,294	217,660
Machinery and equipment	24,747	24,048	247,470
Furniture and fixtures	10,590	10,546	105,900
Construction in progress	346	263	3,460
	62,055	60,747	620,550
Accumulated depreciation	(38,591)	(36,267)	(385,910)
Net property, plant and equipment	23,464	24,480	234,640
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	3,747	5,623	37,470
Investments in non-consolidated subsidiaries	142	51	1,420
Deferred tax assets (Note 8)	698	926	6,980
Prepaid expense	827	103	8,270
Other assets (Note 6)	1,268	1,305	12,680
Allowance for doubtful accounts	(89)	(56)	(890)
Total investments and other assets	6,593	7,952	65,930
TOTAL	¥ 75,207	¥ 86,593	$ 752,070

(Continued)

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	**2007**	**2008**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term loans (Note 5)	¥ 6,271	¥ 1,984	$ 62,710
Current portion of long-term debt (Note 5)	1,305	5	13,050
Notes and accounts payable:			
Trade notes	2,842	3,644	28,420
Trade accounts	10,740	11,874	107,400
Acquisition on property and equipment	1,016	7,118	10,160
Other	1,253	1,491	12,530
	15,851	24,127	158,510
Accrued expenses	2,554	3,178	25,540
Income taxes payable	453	3,180	4,530
Other current liabilities	1,608	2,256	16,080
Total current liabilities	28,042	34,730	280,420
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	365	2,901	3,650
Liability for retirement benefits (Note 6)	196	3,230	1,960
Long-term deposits	897	764	8,970
Accrued expense (Note 6)	199	-	1,990
Other long-term liabilities	14	4	140
Total long-term liabilities	1,671	6,899	16,710
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12)			
EQUITY (Note 7):			
Common stock:			
Authorized - 233,000 thousand shares in 2008 and 2007			
Issued - 69,429 thousand shares as of March 31, 2008 and 67,963 thousand shares as of March 31, 2007	11,017	10,401	110,170
Capital surplus	12,613	11,998	126,130
Retained earnings	25,869	21,979	258,690
Unrealized (loss) gain on available-for-sale securities	(322)	1,010	(3,220)
Foreign currency translation adjustments	431	345	4,310
Treasury stock - at cost: 5,573 thousand shares as of March 31, 2008 and 1,832 thousand shares as of March 31, 2007	(4,114)	(769)	(41,140)
Total equity	45,494	44,964	454,940
TOTAL	¥ 75,207	¥ 86,593	$ 752,070

See notes to consolidated financial statements.

(Concluded)

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥ 93,705	¥ 104,263	$ 937,050
COST OF SALES	68,484	75,164	684,840
Gross profit	25,221	29,099	252,210
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	15,739	16,384	157,390
Operating income	9,482	12,715	94,820
OTHER INCOME AND EXPENSES:			
Interest and dividend income	133	81	1,330
Interest expense	(118)	(96)	(1,180)
Foreign exchange (loss) gain - net	(282)	145	(2,820)
Loss on sales and disposals of long-lived assets - net	(55)	(192)	(550)
Gain on sales of investment securities	36	0	360
Write-down of investment securities	(351)	-	(3,510)
Gain on contribution of securities to retirement benefit trust	811	-	8,110
Other-net	(145)	(99)	(1,450)
Other income (expenses) - net	29	(161)	290
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	9,511	12,554	95,110
INCOME TAXES (Note 8):			
Current	2,775	4,549	27,750
Deferred	1,189	464	11,890
Total income taxes	3,964	5,013	39,640
NET INCOME	¥ 5,547	¥ 7,541	$ 55,470

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2*(q)* and 13):			
Basic net income	¥ 84.95	¥ 114.08	$ 0.85
Diluted net income	83.51	110.86	0.84
Cash dividends applicable to the year	22.00	22.00	0.22

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT APRIL 1, 2006	66,050	¥ 10,363	¥ 11,960	¥ 15,627	¥ 769	¥ 80	¥ (752)	¥ 38,047
Net income	-	-	-	7,541	-	-	-	7,541
Conversion of convertible bonds	89	38	37	-	-	-	-	75
Cash dividends, ¥18.0 per share	-	-	-	(1,189)	-	-	-	(1,189)
Net increase in treasury stock	(8)	-	1	-	-	-	(17)	(16)
Net change in the year	-	-	-	-	241	265	-	506
BALANCE AT MARCH 31, 2007	66,131	10,401	11,998	21,979	1,010	345	(769)	44,964
Net income	-	-	-	5,547	-	-	-	5,547
Conversion of convertible bonds	1,466	616	615	-	-	-	-	1,231
Cash dividends, ¥25.0 per share	-	-	-	(1,657)	-	-	-	(1,657)
Net increase in treasury stock	(3,741)	-		-	-	-	(3,345)	(3,345)
Net change in the year	-	-	-	-	(1,332)	86	-	(1,246)
BALANCE AT MARCH 31, 2008	63,856	¥ 11,017	¥ 12,613	¥ 25,869	¥ (322)	¥ 431	¥ (4,114)	¥ 45,494

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized (Loss) gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT MARCH 31, 2007	$ 104,010	$ 119,980	$ 219,790	$ 10,100	$ 3,450	$ (7,690)	$ 449,640
Net income	-	-	55,470	-	-	-	55,470
Conversion of convertible bonds	6,160	6,150	-	-	-	-	12,310
Cash dividends, $0.25 per share	-	-	(16,570)	-	-	-	(16,570)
Net increase in treasury stock	-	-	-	-	-	(33,450)	(33,450)
Net change in the year	-	-	-	(13,320)	860	-	(12,460)
BALANCE AT MARCH 31, 2008	$ 110,170	$ 126,130	$ 258,690	$ (3,220)	$ 4,310	$ (41,140)	$ 454,940

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 9,511	¥ 12,554	$ 95,110
Adjustments for:			
Income taxes-paid	(5,466)	(3,103)	(54,660)
Depreciation	3,569	2,652	35,690
Loss on sales and disposals of long-lived assets - net	55	192	550
Write-down of investment securities	351	-	3,510
Gain on sales of investment securities	(36)	0	(360)
Gain on contribution of securities to retirement benefit trust	(811)	-	(8,110)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable - trade	6,573	(997)	65,730
Decrease (increase) in inventories	1,381	(3,289)	13,810
Increase (decrease) in allowance for doubtful accounts	2	(9)	20
(Decrease) increase in notes and accounts payable - trade	(2,080)	571	(20,800)
Decrease in liability for retirement benefits	(879)	(1,518)	(8,790)
Other - net	(2,057)	662	(20,570)
Total adjustments	602	(4,839)	6,020
Net cash provided by operating activities	10,113	7,715	101,130
INVESTING ACTIVITIES:			
Purchases of investment securities	(1,805)	(2,737)	(18,050)
Proceeds from sales of investment securities	147	11	1,470
Purchases of property, plant and equipment	(8,540)	(3,461)	(85,400)
Proceeds from sales of property, plant and equipment	42	17	420
Acquisition of additional shares of an unconsolidated subsidiary and an associated company	(92)	(49)	(920)
Other - net	(71)	(384)	(710)
Net cash used in investing activities	(10,319)	(6,603)	(103,190)
FINANCING ACTIVITIES:			
Increase in short-term loans - net	4,219	1,089	42,190
Repayment of long-term debt	(6)	(305)	(60)
Increase in treasury stock	(3,345)	(15)	(33,450)
Dividends paid	(1,653)	(1,188)	(16,530)
Other - net	(15)	25	(150)
Net cash used in financing activities	(800)	(394)	(8,000)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	149	96	1,490
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(857)	814	(8,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,463	3,649	44,630
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,606	¥ 4,463	$ 36,060
NON-CASH INVESTING AND FINANCING ACTIVITY			
Convertible bonds converted into common stock	¥ 1,230	¥ 75	$ 12,300
Fair value of contribution of securities to retirement benefit trust (*)	1,968	-	19,680

(*) The fair value of securities contributed to retirement benefit trust was composed of book value of contribution of securities to retirement benefit trust, amounted to ¥1,157 million ($11,570 thousand) and gain on contribution of securities to retirement benefit trust, amounted to ¥811 million ($8,110 thousand). The contribution of securities to retirement benefit trust was included in Decrease in liability for retirement benefits in the above Consolidated Statement of Cash Flows.

See notes to consolidated financial statements.

1. 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 and Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 have been made in the 2007 financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which CKD Corporation (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 ¥100 to $1, the approximate rate of exchange at March 31, 2008. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements at March 31, 2008 include the accounts of the Company and its 12 significant (12 in 2007) subsidiaries (together, the "Group").

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 Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 non-consolidated subsidiaries (two in 2007) 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 being amortized over five years.

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

b. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and investment trusts, which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Inventories are stated at cost determined by the average method for finished products of components and raw materials, and by the specific identification method for work in process and finished products of automated machines. Inventories held by foreign subsidiaries are stated at the lower of cost, determined by the first-in, first-out method, or market.

d. ***Marketable and Investment Securities***—Investment securities with market quotation are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of the 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, the securities are reduced to net realizable value, and charged to income.

e. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method while the straight-line method is applied to building acquired on and after April 1, 1998. The straight-line method is applied to property, plant and equipment held by consolidated foreign subsidiaries. Property, plant and equipment acquired on and after April 1, 2007 are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥ 89 million ($ 890 thousand).

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥ 127 million ($ 1,270 thousand).

The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 3 to 17 years for machinery and equipment.

f. ***Long-lived Assets*** —The Company and domestic consolidated subsidiaries 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.

g. ***Other Assets***—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over five years.

h. ***Retirement and Pension Plans***—The Company and a certain consolidated subsidiary have funded defined benefit pension plans and defined contribution plans for employees. The Company has a retirement benefit trust. A certain consolidated subsidiary has funded pension plan. Certain consolidated subsidiaries have unfunded retirement benefit plans. Certain foreign consolidated subsidiaries have defined contribution plans.

Liability for retirement benefit for employees is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

As plan assets surpluses projected benefit obligations at the end of March 31, 2008, the surplus was accounted for as prepaid pension cost, which was included in the other asset in the consolidated balance sheet.

Effective June 28, 2007, the Company terminated its retirement allowance plan to directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors amounted to ¥199 million ($1,990 thousand) was classified to the accrued expense in the year ended March 31, 2008.

i. ***Presentation of Equity***—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

j. ***Bonuses to Directors and Corporate Auditors***—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

k. ***Research and Development Costs***—Research and development costs are charged to income as incurred.

l. ***Leases***—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

m. ***Income Taxes***—The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if there is uncertainty regarding their realization.

n. ***Foreign Currency Transactions***—All short-term and long-term 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 statements of income to the extent that they are not hedged by forward exchange contracts.

o. ***Foreign Currency Financial Statements***—The balance sheet and statement of income 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 the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. ***Derivatives and Hedging Activities***—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for by hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items.

The foreign exchange forward contracts are utilized to hedge foreign exchange exposures in export of finished goods to overseas customers and in procurement of raw materials from overseas suppliers. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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 are recognized and included in expenses or income.

q. ***Per Share Information*****—**Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full conversion of outstanding warrants.

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

r. ***New Accounting Pronouncements***

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

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

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

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—**Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	**2007**	**2008**
Non-current:			
Equity securities	¥ 3,747	¥ 5,469	$ 37,470
Debt securities	-	6	-
Other	-	148	-
Total	¥ 3,747	¥ 5,623	$ 37,470

The carrying amounts and aggregate fair values of securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
March 31, 2008	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,245	¥ 150	¥ 690	¥ 3,705
March 31, 2007				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 3,948	¥ 1,592	¥ 114	¥ 5,426
Debt securities	4	2	-	6
Other	106	42	-	148
Total	¥ 4,058	¥ 1,636	¥ 114	¥ 5,580

March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	Thousands of U.S. Dollars			
Securities classified as:				
Available-for-sale:				
Equity securities	$ 42,450	$ 1,500	$ 6,900	$ 37,050

Impairment loss amounted to ¥351 million ($3,510 thousand) was excluded from the amount of cost as of March 31, 2008.

Available-for-sale securities whose fair value was not readily determinable at March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 42	¥ 43	$ 420

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥147 million ($1,470 thousand) and ¥10 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥36 million ($360 thousand) and nil, respectively, for the year ended March 31, 2008 and ¥0 million and nil, respectively, for the year ended March 31, 2007. In addition, the Company contributed ¥1,968 million ($19,680 thousand) of investment securities to the retirement benefit trust in the current period, and ¥811 million ($8,110 thousand) of the gain raised from the contribution was recorded for the year ended March 31, 2008.

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products	¥ 4,230	¥ 5,100	$ 42,300
Work in process	3,122	3,342	31,220
Raw materials and supplies	9,239	9,413	92,390
Total	¥16,591	¥17,855	$ 165,910

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2008 and 2007 consisted of bank overdrafts and the other bank loans. The weighted average rates of annual interest applicable to the short-term loans at March 31, 2008 and 2007, were 1.5 % and 3.2%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	**2007**	**2008**
Zero coupon JPY convertible bonds due 2009	¥ 360	¥ 1,590	$ 3,600
Loans from banks and others, due serially to 2010 with weighted average interest rates of 1.5% (2008) and 1.5% (2007)	1,310	1,316	13,100
Total	1,670	2,906	16,700
Less current portion	(1,305)	(5)	(13,050)
Long-term debt, less current portion	¥ 365	¥2,901	$ 3,650

Additional information with respect to the Company's convertible bonds is as follows:

	Unsecured zero coupon convertible bonds
Issued on	April 20, 2005
Initial principal	¥ 4,500 million
Maturity	April 20, 2009
Term of conversion	April 27, 2005 to April 6, 2009
Conversion price per share	¥ 839
Balance of debt at March 31, 2008	¥ 360 million
Accumulated number of shares issued upon conversion through March 31, 2008	1,466,030 shares
Number of additional shares that would be issued upon conversion at March 31, 2008	1,126,047 shares

The conversion price of the convertible bonds is subject to adjustments in certain circumstances.

Annual maturities of long-term debt at March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 1,305	$ 13,050
2010	365	3,650
Total	¥ 1,670	$ 16,700

6. RETIREMENT AND PENSION PLANS

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 16,909	¥18,364	$ 169,090
Retirement benefit trust	(1,122)	-	(11,220)
Fair value of plan assets	(14,867)	(16,123)	(148,670)
Unrecognized prior service benefit	3,650	4,121	36,500
Unrecognized actuarial loss	(4,966)	(3,320)	(49,660)
Prepaid pension cost	592	-	5,920
Liability for employees' retirement benefits	¥ 196	¥3,042	$ 1,960

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 661	¥ 710	$ 6,610
Interest cost	360	364	3,600
Expected return on plan assets	(482)	(457)	(4,820)
Amortization of prior service benefit	(471)	(471)	(4,710)
Recognized actuarial loss	578	532	5,780
Net periodic retirement benefit costs	¥ 646	¥ 678	$ 6,460
Contribution to defined contribution pension plans	149	146	1,490
Total	¥ 795	¥ 824	$ 7,950

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Recognition period of actuarial gain / loss	12 years	12 years
Amortization period of prior service benefit	12 years	12 years

As mentioned Note 2(h), the retirement benefits for directors and corporate auditors amounted to ¥199 million ($ 1,990 thousand) were reclassified to the accrued expense at March 31, 2008, which had been included in the liability for retirement benefits amounted to ¥188 million at March 31, 2007. The payments of retirement benefits for directors and corporate auditors have already been approved by the shareholders.

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥ 3 million.

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

(c) Treasury stock and treasury stock acquisition rights
The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the year ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Transfer of securities to retirement benefit trust	¥ 799	-	$ 7,990
Write-down of available-for-sale securities	251	¥ 111	2,510
Unrealized loss on available-for-sale securities	218	-	2,180
Inventories	163	85	1,630
Offsetting of unrealized intercompany transactions	120	120	1,200
Liability for retirement benefits	68	1,219	680
Accrued bonuses	713	851	7,130
Tax loss carryforwards of subsidiaries	174	245	1,740
Accrued expenses	173	203	1,730
Enterprise tax payable	58	240	580
Other	413	366	4,130
Less: valuation allowance	(365)	(271)	(3,650)
Total	¥ 2,785	¥ 3,169	$ 27,850
Deferred tax liabilities:			
Prepaid pension cost	¥ 240	-	$ 2,400
Gain on contribution of securities to retirement benefit trust	329	-	3,290
Unrealized gain on available-for-sale securities	-	¥ 512	-
Undistributed earnings of overseas subsidiaries	171	154	1,710
Other	4	-	40
Total	¥ 744	¥ 666	$ 7,440
Net deferred tax assets	¥ 2,041	¥ 2,503	$ 20,410

As the difference between the normal statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income was not considered significant for the year ended March 31, 2008 and 2007, a reconciliation between the normal statutory tax rate and effective tax rate was not disclosed.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥ 2,443 million ($24,430 thousand) and ¥2,665 million for the years ended March 31, 2008 and 2007, respectively.

10. LEASES

The Group leases certain machinery, computer equipment and other assets.
Total rental expenses under finance leases for the years ended March 31, 2008 and 2007 were ¥ 239 million ($ 2,390 thousand) and ¥261 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 150	¥ 873	¥ 58	¥ 1,081
Accumulated depreciation	117	510	31	658
Net leased property	¥ 33	¥ 363	¥ 27	¥ 423

	Millions of Yen			
	2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥ 271	¥ 759	¥ 77	¥ 1,107
Accumulated depreciation	211	499	49	759
Net leased property	¥ 60	¥ 260	¥ 28	¥ 348

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$ 1,500	$ 8,730	$ 580	$ 10,810
Accumulated depreciation	1,170	5,100	310	6,580
Net leased property	$ 330	$ 3,630	$ 270	$ 4,230

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 194	¥ 184	$ 1,940
Due after one year	255	219	2,550
Total	¥ 449	¥ 403	$ 4,490

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥ 200	¥ 233	$ 2,000

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method.

11. DERIVATIVES

The Group enters into derivatives, in the normal course of business, to reduce the exposure to fluctuations in foreign exchange rates and interest rates. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Company does not hold or issue derivatives for trading purposes.

Because the counter parties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

All derivative transactions were accounted for under hedge accounting and are not subject to the disclosure of market value information.

12. COMMITMENTS

The Group has line of credit agreements with three banks to obtain working capital efficiently. The details of the agreements at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line of credit amount	¥ 6,500	$ 65,000
Balance used	5,500	55,000

13. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 were as follows:

	Yen in Millions	Thousand of shares	Yen	Dollars
For the year ended March 31, 2008:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ 5,547	65,294	¥ 84.95	$ 0.85
Effect of Dilutive Securities				
Convertible bonds	-	1,126		
Diluted EPS				
Net income for computation	¥ 5,547	66,420	¥ 83.51	$ 0.84
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥ 7,541	66,103	¥ 114.08	
Effect of Dilutive Securities				
Convertible bonds	-	1,923		
Diluted EPS				
Net income for computation	¥ 7,541	68,026	¥ 110.86	

14. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2008 were approved at the Company's Board of Directors meeting held on May 13, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 11 ($ 0.11) per share	¥ 702	$ 7,020

(b) Acquisition of treasury stock

On May 13, 2008, the Company's board of directors resolved to purchase up to ¥ 2,400 million ($ 24,000 thousand) and 3,000 thousand shares of its common stock during the period from May 14, 2008 to July 31, 2008. The Company purchased 10,300 shares of its common stock for ¥7 million ($70 thousand) by May 31, 2008.

15. SEGMENT INFORMATION

The Group operates in the following industries:

"Automated machines" consists of sales and production of lamp and bulb making machines, automatic packing machines, capacitor production systems, lithium ion battery making machines, image process inspection machines, and 3D solder print inspection machines.

"Machine components" consists of sales and production of labor saving machines, pneumatic valves, pneumatic actuators, pneumatic auxiliary components and liquid control systems.

Information about business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2008 and 2007 was as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 22,193	¥ 71,512	¥93,705	-	¥ 93,705
Intersegment sales	122	448	570	¥ (570)	-
Total sales	22,315	71,960	94,275	(570)	93,705
Operating expenses	18,326	63,652	81,978	2,245	84,223
Operating income	¥ 3,989	¥ 8,308	¥ 12,297	¥ (2,815)	¥ 9,482

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 14,274	¥ 53,695	¥ 67,969	¥ 7,238	¥75,207
Depreciation	369	2,911	3,280	289	3,569
Capital expenditures	194	2,248	2,442	29	2,471

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 221,930	$ 715,120	$ 937,050	-	$ 937,050
Intersegment sales	1,220	4,480	5,700	$ (5,700)	-
Total sales	223,150	719,600	942,750	(5,700)	937,050
Operating expenses	183,260	636,520	819,780	22,450	842,230
Operating income	$ 39,890	$ 83,080	$122,970	$ (28,150)	$ 94,820

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2008				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	$ 142,740	$ 536,950	$ 679,690	$ 72,380	$ 752,070
Depreciation	3,690	29,110	32,800	2,890	35,690
Capital expenditures	1,940	22,480	24,420	290	24,710

a. Sales and Operating Income

	Millions of Yen				
	2007				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 29,462	¥ 74,801	¥104,263	-	¥ 104,263
Intersegment sales	9	997	1,006	¥ (1,006)	-
Total sales	29,471	75,798	105,269	(1,006)	104,263
Operating expenses	24,171	64,938	89,109	2,439	91,548
Operating income	¥ 5,300	¥ 10,860	¥ 16,160	¥ (3,445)	¥ 12,715

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2007				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 13,417	¥ 63,816	¥ 77,233	¥ 9,360	¥ 86,593
Depreciation	232	2,220	2,452	200	2,652
Capital expenditures	1,301	7,217	8,518	862	9,380

As discussed in Note 2 (e), effective April 1, 2007, the Company and domestic subsidiaries changed its depreciation method for property, plant and equipment acquired on and after April 1, 2007 in accordance with the revised corporate tax law. The effect of this change was to decrease operating income of Automated Machines by 5 million ($50 thousand), operating income of Machine

Components by ¥84 million ($840 thousand) and operating income of Eliminations/Corporate by ¥0 million ($0 thousand), respectively, for the year ended March 31, 2008. In addition, the Company and domestic subsidiaries changed its depreciation method for 5% portion of property, plant and equipment. The effect of this treatment was to decrease operating income of Automated Machines by ¥15 million ($150 thousand), operating income of Machine Components by ¥107 million ($1,070 thousand) and operating income of Elimination/Corporate by ¥5 million ($50 thousand), respectively, for the year ended March 31, 2008.

(2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of Yen					
	2008					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 82,886	¥ 9,342	¥ 1,477	¥ 93,705	-	¥ 93,705
Interarea transfer	6,291	2,527	-	8,818	¥ (8,818)	-
Total sales	89,177	11,869	1,477	102,523	(8,818)	93,705
Operating expenses	76,404	11,596	1,458	89,458	(5,235)	84,223
Operating income	¥ 12,773	¥ 273	¥ 19	¥ 13,065	¥ (3,583)	¥ 9,482
Total assets	¥ 66,175	¥ 8,069	¥ 669	¥ 74,913	¥294	¥ 75,207

	Thousands of U.S. Dollars					
	2008					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 828,860	$ 93,420	$14,770	$ 937,050	-	$ 937,050
Interarea transfer	62,910	25,270	-	88,180	$ (88,180)	-
Total sales	891,770	118,690	14,770	1,025,230	(88,180)	937,050
Operating expenses	764,040	115,960	14,580	894,580	(52,350)	842,230
Operating income	$127,730	$ 2,730	$ 190	$130,650	$ (35,830)	$ 94,820
Total assets	$ 661,750	$80,690	$ 6,690	$749,130	$ 2,940	$ 752,070

	Millions of Yen					
	2007					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 93,568	¥ 9,127	¥ 1,568	¥ 104,263	-	¥ 104,263
Interarea transfer	6,033	2,429	-	8,462	¥ (8,462)	-
Total sales	99,601	11,556	1,568	112,725	(8,462)	104,263
Operating expenses	82,789	11,107	1,499	95,395	(3,847)	91,548
Operating income	¥ 16,812	¥ 449	¥ 69	¥ 17,330	¥ (4,615)	¥ 12,715
Total assets	¥ 75,566	¥ 7,878	¥ 698	¥ 84,142	¥ 2,451	¥ 86,593

As discussed in Note 2 (e), effective April 1, 2007, the Company and domestic subsidiaries changed its depreciation method for property, plant and equipment acquired on and after April 1, 2007 in accordance with the revised corporate tax law. The effect of this change was to decrease operating income of Japan by ¥89 million ($890 thousand) and operating income of Eliminations/Corporate by ¥0 million ($0 thousand), respectively, for the year ended March 31, 2008. In addition, the Company and domestic subsidiaries changed its depreciation method for 5% portion of property, plant and equipment. The effect of this treatment was to decrease operating income of Japans by ¥122 million ($1,220 thousand) and operating income of Elimination/Corporate by ¥5 million ($50 thousand), respectively, for the year ended March 31, 2008.

(3) Sales to Foreign Customers

Sales to foreign customers of the Group for the years ended March 31, 2008 and 2007 were summarized as follows:

	Millions of Yen		
	2008		
	Asia	Other	Total
Overseas sales	¥ 17,469	¥2,341	¥ 19,810
Net sales			93,705
Ratio of overseas sales to net sales	18.6%	2.5%	21.1%

	Thousands of U.S. Dollars		
	2008		
	Asia	Other	Total
Overseas sales	$174,690	$ 23,410	$ 198,100
Net sales			937,050
Ratio of overseas sales to net sales	18.6%	2.5%	21.1%

	Millions of Yen		
	2007		
	Asia	Other	Total
Overseas sales	¥ 20,833	¥ 2,181	¥23,014
Net sales			104,263
Ratio of overseas sales to net sales	20.0%	2.1%	22.1%

* * * * * *

Deloitte.

Deloitte Touche Tohmatsu
Nagoya Daiya Building 3-goukan
13-5, Meieki 3-chome,
Nakamura-ku, Nagoya,
Aichi 450-8530, Japan

Tel: +81 (52) 565 5511
Fax: +81 (52) 569 1394
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CKD Corporation:

We have audited the accompanying consolidated balance sheets of CKD Corporation (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, 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 CKD Corporation and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended 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

June 26, 2008

Board of Directors and Auditors (As of June 26, 2008)

Chairman
Masanori Ishida
President
Kazunori Kajimoto
Directors
Tsuyoshi Kanada
Masahiko Tsukahara
Shigetomo Tokuda
Hirofumi Saeki
Hideo Iwasaki

Corporate Executive Officers
Tsuyoshi Kanada
Yoshinari Ogasawara
Hisaji Koshin

Standing Auditor
Akira Sakai
Auditors
Shozo Takahashi
Yoshio Ienaka
Shikio Hasegawa

Corporate Officers
Masahiko Tsukahara
Shigetomo Tokuda
Masahiro Nagamatsu
Masahiro Kubooka
Koji Niwa
Hirofumi Mizuno
Shoji Kanda
Yoshikazu Yamauchi
Kazumi Tsuboi

Corporate data (As of March 31, 2008)

Establishment	April 2, 1943
Paid-in Capital	11,016 million yen
Employee number	3,442
Total number of issued shares	69,429,349 shares
Annual sales	104,262 million yen (ended March 31, 2007)
Stock listing	First Section of the Tokyo Stock Exchange, First Section of the Nagoya Stock Exchange (Code 6407)
Line of business	Development, manufacture, sales and export of automatic machinery, labor-saving components, pneumatic valves, pneumatic cylinders, pneumatic auxiliary components, fine system components, fluid control components and other functional components.
Address of the head office	250, Ouji 2-Chome, Komaki, Aichi, 485-8551, Japan

World Sales Locations

Japan
CKD Corporation
2-250 Ouji Komaki,Aichi 485-8551
Japan
PHONE +81-(0)568-74-1336
FAX +81-(0)568-77-3412
Home Page Address http://www.ckd.co.jp/

U.S.A
CKD USA CORPORATION
HEADQUARTERS
4080 Winnetka Avenue
Rolling Meadows, IL 60008
USA
PHONE +1-847-368-0539
FAX +1-847-788-0575

Europe
CKD EUROPE BRANCH
De Fruittuinen 28 Hoofddorp 2132NZ
The Netherlands
PHONE +31-(0)23-5541490
FAX +31-(0)23-5541491

Malaysia
M-CKD PRECISION SDN.BHD.
HEADQUARTERS
Lot No.6,Jalan Modal 23/2, Seksyen 23
Kawasan, MIEL, Fasa 8,
40300 Shah Alam,Selangor Darul Ehsan
Malaysia
PHONE +60-(0)3-5541-1468
FAX +60-(0)3-5541-1533

Thailand
CKD THAI CORPORATION LTD.
SALES HEADQUARTERS-BANGKOK OFFICE
Suwan Tower, 14/1 Soi Saladaeng 1
North Sathorn Rd., Bangrak, Bangkok 10500
Thailand
PHONE +66-(0)2-267-6300
FAX +66-(0)2-267-6305

Singapore
CKD SINGAPORE PTE LTD.
705 Sims Drive #03-01/02
Shun Li Industrial Complex, 387384
Singapore
PHONE +65-6744-2623
FAX +65-6744-2486

Taiwan
TAIWAN CKD CORPORATION
1F., No.16, WUCYUAN 5TH RD., WUGU TOWNSHIP
TAIPEI COUNTY 248, TAIWAN (R.O.C.)
PHONE +886-(0)2-2523-0374
FAX +886-(0)2-2523-5081

China
CKD(SHANGHAI)CORPORATION
Room 1903, 333 Jiujiang Road
Shanghai, 200001
China
PHONE +86-(0)21-63602277
FAX +86-(0)21-63511661

Korea
CKD KOREA CORPORATION
3th FL, Sam Young B/D, 371-20, Sinsu-Dong,
Mapo-Gu,Seoul, 121-110, Korea
PHONE +82-(0)2-783-5201-5203
FAX +82-(0)2-783-520