Annual Report 2007

CKD Corporation

To Our Shareholders:

I am pleased to present the 2007 Annual Report of CKD Corporation and Consolidated Subsidiaries for the year ended March 31, 2007.

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

Masanori Ishida

Masanori Ishida
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		General and Control Business	
Lamp Manufacturing System	Worldwide 70%	Semiconductor Wet Process Control Equipment	Nationwide 60%
Pharmaceutical Packaging System	Nationwide 80%	General Purpose Fluid Control Equipment	Nationwide 60%

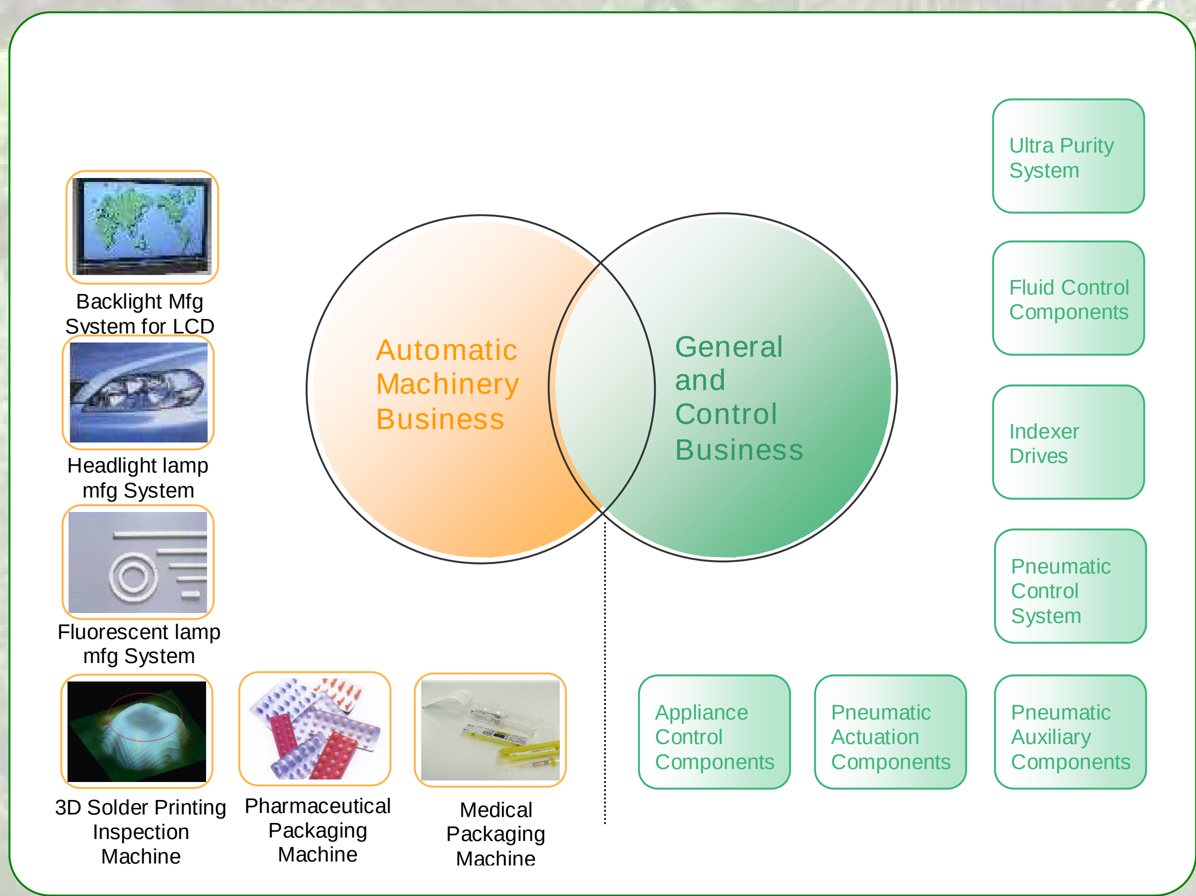
CKD Advantage

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.

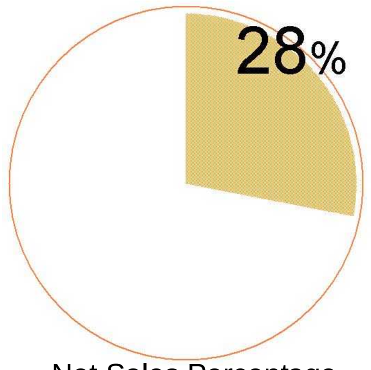
The system to produce the CCFL backlights to be used as the light source for large LCDs controls a 70% share of the global market, which is contributing to upsizing Flat Panel Displays (FPDs) typical at LCDs. Highly safe and reliable Pharmaceutical Automated Packaging System controls an 80% share of 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.

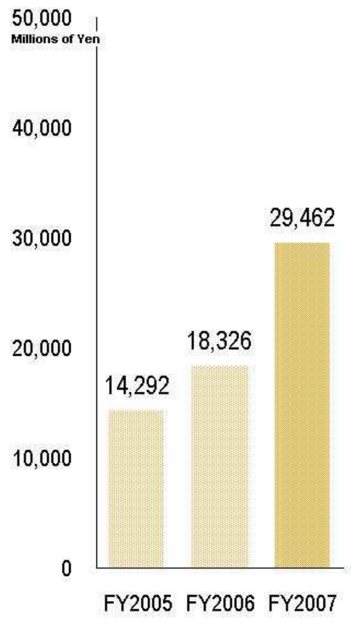
CKD continues contributing to industries and society through development of unique technologies and thorough quality management, pioneering future automation technologies.



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.

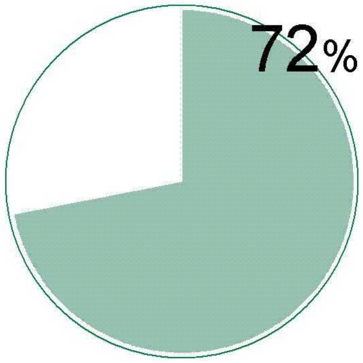
Performance in This Term

Automatic machinery business has significantly grown in the backlights manufacturing system, the manufacturing system for backlights to be used in LCD-TVs, and kept steady growth in the 3D solder printing inspection machinery, this segment marked net sales of 29,461 million yen (60.8% growth over the previous term), operating income of 5,299 million yen (80.9% growth over the previous term).

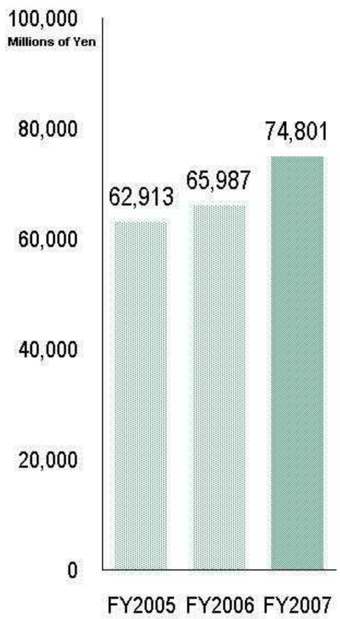
Backlights Manufacturing System

Coalescing the automation technology and the fluid control technology in high level, the backlight manufacturing system to manufacture backlights to be used as the light source for LCD-TVs is holding the leading position in the global market. The system is highly capable to produce a thin backlight tube of exceeding 1m long at 2,000 tubes per hour.

Operation By Segment
General and Control Business



Net Sales Percentage



Sales to Customers
Sales Growth

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.

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.

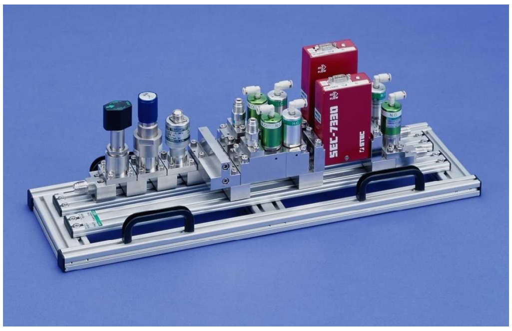
Pneumatic components provide wide array of control components such as various cylinders (linear motion actuators) and valves, and flow sensors that are effective for the energy saving at processing facilities.

Performance in This Term

General and control business enjoying the strong capital investment intention in semiconductor related industries continuing from the previous latter half has grown in ultra purity products and marked net sales of 74,801 million yen (13.4% growth over the previous term) and operating income of 10,860 million yen (20.1% growth over the previous term).

Ultra Purity System Components

High-tech industry such as semiconductor and/or liquid crystal panel manufacturing demands the control components for the clean room. CKD continues committing the customers and challenging for controlling the fluid as ultra purity and as precise as can be from the supply system to the exhaust system in the semiconductor manufacturing related equipment with such as "chemical control components", "process gas control components", and "high vacuum control components".



Topics

March 2007

Topic #4
Float Master GFM Series, the air bearing component for FPD manufacturing launches.

February 2007

Topic #1
Construction of a new clean room processing and assembly factory completes at Kasugai Plant.

Topic #3
A new showroom to "watch, learn, and feel" opens.

January 2007

Topic #1
Construction of a new automatic machinery assembly factory completes at Komaki HQ.

Topic #1
Construction of a new components processing and assembly factory and administration building completes at Yokkaichi Plant.

November 2006

Osaka Branch Office relocates and renews at Tosabori, Nishi-ku, Osaka.

Topic #1 Total 4 New Constructions Completed at Komaki Headquarters and at Other Plants

A new assembly factory building for automatic machinery (completed in January 2007, steel structured, partially two-story, 6,000 sq. meter of total floor space) to increase manufacturing capacity for the backlight manufacturing system and the packaging machinery has been added at Komaki Headquarters.

A new processing and assembly factory building (completed in January 2007, steel structured, two-story, 16,000 sq. meter of total floor space) and a new administration building (completed in January 2007, steel structured, three-story, 4,000 sq. meter of total floor space) have been added at company's main production facility, Yokkaichi Plant, and a new processing and assembly factory building with clean rooms (completed in February 2007, steel structured, three-story, 7,000 sq. meter of total floor space) has been added at Kasugai Plant, together to increase production capacity for the business from automobile related industry and semiconductor related industry.

With approximately 7.4 billion yen of total capital investment, the company responds to the customers' demands with further improvement of production efficiency and technology development.

Topic #2 New Product FBP-300E, Environmental Conscious Blister Packaging Machine

FBP-300E is a new breed of the pharmaceutical blister packaging machines for processing prescription tablets or pills one by one into each blister on a sheet. Inheriting the concept of already in the market and the leading machine FBP-600E which can process 600 sheets per minute, FBP-300E has been developed as an environmental conscious middle capacity machine which can process 300 sheets per minute with 20% less power consumption. Superior design for easy cleaning and unique system allows FBP-300E to change over in one-third (1/3) of other machines down time. FBP-300E is enjoying a good reputation for limited production of diversified processing.

June 2006

Tokyo Branch Office relocates and renews at Hamamatsu-cho, MInato-Ku, Tokyo

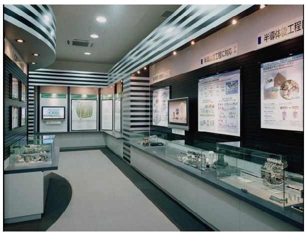
April 2006

Topic #2
FBP-300E, New "Eco-Blister" Packaging Machine launches.

CKD (Shanghai) Corporation HQ relocates.

Topics

Topic #3 New Showroom Opens



A new showroom is opened at the first floor of the automatic machinery factory newly built at Komaki HQ in February 2007.

The showroom displays the panels for the company profile, the automatic machineries, and samples of component products. It also has a seminar room for hosting products seminar for customers and sales seminar for distributors. Current major exhibits are: the 3D solder printing inspection machinery, the backlight manufacturing system for LCD, the pharmaceutical packaging machinery, and samples of component products for industrial segments such as semiconductor and FPD (Flat Panel Display) manufacturing, and the cutting edge technology with the vacuum proportional control system for the semiconductor manufacturing system for better understanding by "Watch, Learn and Feel".

Topic #4 New Products, Float Star GFM Series

Demand for larger size TVs, either by LCD or Plasma, is driving dynamic innovation in their production system. The larger the format becomes, the thinner the mother glass must become to reduce its mass, which increases distortion of the mother glass and chances for cracks during transferring in production process. No contact, air-bearing transferring technology to eliminate the distortion and improve the productivity of transferring is attracting the attention. "Float Star GFM Series", the no contact air-bearing transferring component has been developed to respond this market needs. This new product line together with existing components for clean applications will contribute to customers for planning a new system.

Review of Business Operations

During this term, Japan's economy, despite high hovering prices of crude oil and raw materials, and influence of increase in interest rate were concerned, improvement of corporate earnings continued, capital investment kept steady pace, and consumer spending showed recoveries with improvement of employment and income environment, continued a mild upswing.

In these environments, CKD group further extended sales of the backlight manufacturing machines for LCD television set at Automatic Machinery Division, with favorable business conditions continued from the previous term. General and Control Equipment Division also achieved an extensive increase in revenue and profit compared to the previous term, as the fluid control components business kept steady growth owing to semiconductor related industries being strong.

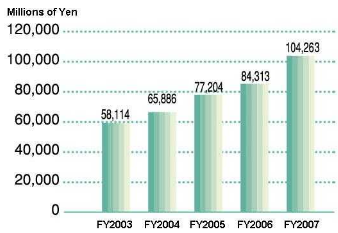
Firstly, in Corporate Management, we have refined Internal Management System as well as enhancing the activities of newly organized CSR Promotion Office, and started preparing Risk Management System and Subsidiaries Management System that are required under the Company Law.

In Sales, the Group enhanced activities based on specific target industries' needs, by increasing sales efficiency and information speed with Sales Network System (the web based ordering system). Simultaneously, the support organizations to local sales departments and distributorship policy were reinforced.

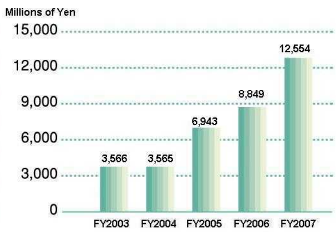
At the overseas locations, in China, CKD (Shanghai) Corporation added their sales locations to total of 18 locations. In Korea, CKD Korea Corporation enhanced their local manufacturing capacity and advanced developing new users. In Thailand, CKD Thai Corporation responded to capital investment among roaring automotive related manufacturing tools and equipment industries by efficiently operating Sales Department and Manufacturing Department integrated. In the United States, CKD USA Corporation increased order booking from semiconductor related industries as well as automotive related industries. In Europe, distribution network and service capacity to Japanese based customers were enhanced.

In Manufacturing, Automatic Machinery Division added a new factory building within Komaki Headquarters Plant to secure manufacturing capacity for the backlight manufacturing machines for LCD television set, and to respond increased order bookings with delivery capacity for the 3D solder printing inspection machines and the pharmaceutical automated packaging system, which commenced full manufacturing. General and Control Equipment Division added a new clean room within Kasugai Plant to increase production capacity for semiconductor related components and products, also added a new factory building within Yokkaichi Plant to respond increased demand in the future for the components products, which both Plants started production.

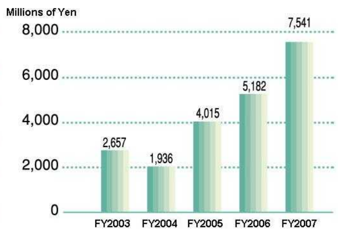
NET SALES



INCOME BEFORE TAX



NET INCOME



As a result, CKD Group with consolidated subsidiaries in this term posted an increase in revenue and profit for two consecutive terms, and renewed a record high for sales in 6 years, for income before taxes and net income for three consecutive terms. Net sales marked 104.263 billion yen (23.7% increase over previous term), income before income taxes and minority interests marked 12.554 billion yen (41.9% increase over previous term), net income marked 7,541 million yen (45.5% increase over previous term), achieved midterm goals of 100 billion yen for sales and 10 billion yen for income before taxes, one year earlier than the projected financial year ending March 2008.

Capital Investment Overview

Capital investments during this term were a total of 9,379 million yen for mostly building costs of an assembly factory for automated machineries within Komaki Headquarters Plant, a clean room building within Kasugai Plant, an administration building and a new factory within Yokkaichi Plant.

Financing Overview

To enable efficient procurement of working capital, we have agreed to credit line with two of our partner banks. Our total credit line based on these agreements was 4.5 billion yen at the end of this term, with executed loans of 1 billion yen.

Tasks

We hold up “Accomplish with Might” as the slogan for 2007 of CKD Group, and practice “Accelerate development of key products”, “Secure trust with a focus on quality”, and “Increase sales with a focus on the customer”, as the priorities.

1. Accelerate development of key products

As of 16th March 2007, Business Strategy Administration Department was organized to accelerate development and commercialization of key products to make cores of business, and Business Managers for each products group were placed under. Each Business Manager comprehends the current tasks for responsible products group, identifies actions to be taken, and plans and follows up products strategies, marketing strategies, and business strategies. Meticulous activities in promotion of sales, and acceleration of development and commercialization are expected.

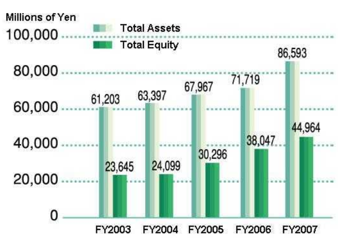
2. Secure trust with a focus on quality

Securing quality throughout the entire group companies, not only at the manufacturing and the production departments, but also at the sales and the staff departments is the task of great importance. To secure customers’ trust with a focus on quality, we are committed to build up the system of quality assurance viable with a focus on cost of product, revising criteria for “customer first”.

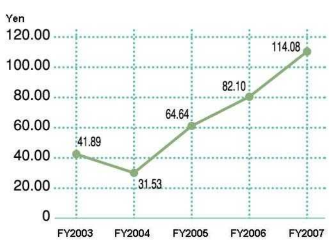
3. Increase sales with a focus on the customer

Globalization is not an exception to our domestic customers, enhancing sales in overseas market is becoming more imperative than ever to increase amount of sales. To accelerate global business development in Asia, we will proceed strengthening overseas distribution network, reinforcing local managers, as well as strengthening local manufacturing capacities.

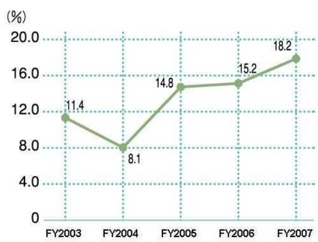
TOTAL ASSETS & TOTAL EQUITY



NET INCOME PER SHARE



RETURN ON EQUITY (ROE)



CKD Corporation and Consolidated Subsidiaries

Consolidated Financial Statements
for the Years Ended
March 31, 2007 and 2006
And
Independent Auditors' Report

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	**2006**	**2007**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 4,463	¥ 3,649	$ 37,822
Time deposits	6	12	51
Notes and accounts receivable:			
Trade notes	6,878	7,536	58,288
Trade accounts	22,444	20,574	190,203
Other	556	678	4,712
Allowance for doubtful accounts	(55)	(37)	(466)
	29,823	28,751	252,737
Inventories (Note 4)	17,855	14,416	151,314
Deferred tax assets (Note 8)	1,577	1,476	13,364
Prepaid expenses and other current assets	437	408	3,703
Total current assets	54,161	48,712	458,991
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,596	4,582	38,949
Buildings and structures	21,294	15,935	180,458
Machinery and equipment	24,048	22,195	203,796
Furniture and fixtures	10,546	9,866	89,373
Construction in progress	263	426	2,229
	60,747	53,004	514,805
Accumulated depreciation	(36,267)	(35,260)	(307,347)
Net property, plant and equipment	24,480	17,744	207,458
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	5,623	2,668	47,653
Investments in non-consolidated subsidiaries	51	2	432
Deferred tax assets (Note 8)	926	1,475	7,847
Other assets	1,352	1,118	11,458
Total investments and other assets	7,952	5,263	67,390
TOTAL	¥ 86,593	¥ 71,719	$ 733,839

(Continued)

CKD Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term loans (Note 5)	¥ 1,984	¥ 792	$ 16,814
Current portion of long-term debt (Note 5)	5	305	42
Notes and accounts payable:			
Trade notes	3,644	3,544	30,881
Trade accounts	11,874	11,127	100,627
Acquisition on property and equipment	7,118	1,286	60,322
Other	1,491	1,172	12,636
	24,127	17,129	204,466
Accrued expenses	3,178	3,181	26,932
Income taxes payable	3,180	1,707	26,949
Other current liabilities	2,256	2,130	19,119
Total current liabilities	34,730	25,244	294,322
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	2,901	2,981	24,585
Liability for retirement benefits (Note 6)	3,230	4,686	27,373
Long-term deposits	764	737	6,474
Other long-term liabilities	4	24	34
Total long-term liabilities	6,899	8,428	58,466
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12)			
EQUITY (Note 7):			
Common stock:			
Authorized - 233,000 thousand shares in 2007 and 2006			
Issued - 67,963 thousand shares as of March 31, 2007 and 67,874 thousand shares as of March 31, 2006	10,401	10,363	88,144
Capital surplus	11,998	11,960	101,678
Retained earnings	21,979	15,627	186,263
Unrealized gain on available-for-sale securities	1,010	769	8,559
Foreign currency translation adjustments	345	80	2,924
Treasury stock - at cost: 1,832 thousand shares as of March 31, 2007 and 1,824 thousand shares as of March 31, 2006	(769)	(752)	(6,517)
Total equity	44,964	38,047	381,051
TOTAL	¥ 86,593	¥ 71,719	$ 733,839

See notes to consolidated financial statements.

(Concluded)

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥ 104,263	¥ 84,313	$ 883,585
COST OF SALES	75,164	60,410	636,983
Gross profit	29,099	23,903	246,602
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	16,384	14,956	138,848
Operating income	12,715	8,947	107,754
OTHER INCOME AND EXPENSES:			
Interest and dividend income	81	34	687
Interest expense	(96)	(133)	(814)
Foreign exchange gain - net	145	230	1,229
Loss on sales and disposals of property, plant and equipment - net	(192)	(253)	(1,627)
Gain on sales of investment securities - net	0	11	0
Other-net	(99)	13	(839)
Other expenses - net	(161)	(98)	(1,364)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	12,554	8,849	106,390
INCOME TAXES (Note 8):			
Current	4,549	3,122	38,551
Deferred	464	544	3,932
Total income taxes	5,013	3,666	42,483
MINORITY INTERESTS IN NET INCOME	-	1	-
NET INCOME	¥ 7,541	¥ 5,182	$ 63,907

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2*(r)* and 13):			
Basic net income	¥ 114.08	¥ 82.10	$ 0.97
Diluted net income	110.86	73.22	0.94
Cash dividends applicable to the year	22.00	16.00	0.19

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT APRIL 1, 2005	62,714	¥ 8,944	¥ 10,545	¥ 11,355	¥ 407	¥ (260)	¥ (694)	¥ 30,297
Net income	-	-	-	5,182	-	-	-	5,182
Conversion of convertible bonds	3,379	1,419	1,415	-	-	-	-	2,834
Cash dividends, \13.0 per share	-	-	-	(815)	-	-	-	(815)
Bonuses to directors and corporate auditors	-	-	-	(95)	-	-	-	(95)
Net increase in treasury stock	(43)	-	-	-	-	-	(58)	(58)
Net increase in unrealized gain on available-for-sale securities	-	-	-	-	362	-	-	362
Net change in foreign currency translation adjustments	-	-	-	-	-	340	-	340
BALANCE AT MARCH 31, 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

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Equity
BALANCE AT MARCH 31, 2006	$ 87,822	$ 101,356	$ 132,432	$ 6,517	$ 678	$ (6,373)	$ 322,432
Net income	-	-	63,907	-	-	-	63,907
Conversion of convertible bonds	322	314	-	-	-	-	636
Cash dividends, $0.153 per share	-	-	(10,076)	-	-	-	(10,076)
Net increase in treasury stock	-	8	-	-	-	(144)	(136)
Net change in the year	-	-	-	2,042	2,246	-	4,288
BALANCE AT MARCH 31, 2007	$ 88,144	$ 101,678	$ 186,263	$ 8,559	$ 2,924	$ (6,517)	$ 381,051

See notes to consolidated financial statements.

CKD Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 12,554	¥ 8,849	$ 106,390
Adjustments for:			
Income taxes-paid	(3,103)	(3,994)	(26,297)
Depreciation	2,652	2,242	22,474
Loss on sales and disposals of property, plant and equipment - net	192	253	1,627
Gain on sales of investment securities - net	(0)	(11)	(0)
Changes in assets and liabilities:			
Increase in notes and accounts receivable - trade	(997)	(5,587)	(8,449)
Increase in inventories	(3,289)	(2,444)	(27,873)
Decrease in allowance for doubtful accounts	(9)	(28)	(76)
Increase in notes and accounts payable - trade	571	4,392	4,839
Decrease in liability for retirement benefits	(1,518)	(1,168)	(12,864)
Other - net	662	1,437	5,610
Total adjustments	(4,839)	(4,908)	(41,009)
Net cash provided by operating activities	7,715	3,941	65,381
INVESTING ACTIVITIES:			
Purchases of investment securities	(2,737)	(575)	(23,195)
Proceeds from sales of investment securities	11	151	93
Purchases of property, plant and equipment	(3,461)	(3,336)	(29,331)
Proceeds from sales of property, plant and equipment	17	458	144
Acquisition of additional shares of consolidated subsidiaries	(49)	(34)	(415)
Other - net	(384)	(190)	(3,254)
Net cash used in investing activities	(6,603)	(3,526)	(55,958)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term loans - net	1,089	(414)	9,229
Repayment of long-term debt	(305)	(2,245)	(2,585)
Issuance of convertible bonds	-	4,500	-
Redemption of convertible bonds	-	(6,618)	-
Increase in treasury stock	(15)	(58)	(127)
Dividends paid	(1,188)	(815)	(10,068)
Other - net	25	(2)	212
Net cash used in financing activities	(394)	(5,652)	(3,339)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	96	141	814
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	814	(5,096)	6,898
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,649	8,745	30,924
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,463	¥ 3,649	$ 37,822
NON-CASH INVESTING AND FINANCING ACTIVITY			
Convertible bonds converted into common stock	¥ 75	¥ 2,834	$ 636

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

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at March 30, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements at March 31, 2007 include the accounts of the Company and its 12 significant (12 in 2006) 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.

Investments in 2 non-consolidated subsidiaries (one in 2006) 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 and raw materials, and by the specific identification method for work in process. 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 after April 1, 1998. The straight-line method is applied to property, plant and equipment held by consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 3 to 17 years for machinery and equipment.

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

The Company and domestic consolidated subsidiaries adopted the accounting standard for impairment of fixed assets as of April 1, 2005. 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 certain consolidated subsidiary have non-contributory funded defined benefit pension plans and defined contribution plans for employees. Certain consolidated subsidiary has non-contributory 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.

Retirement benefits to directors and corporate auditors of the Company are provided at the amount which would be paid if all directors and corporate auditors retired at the balance sheet date.

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 are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

j. ***Bonuses to Directors and Corporate Auditors*** ─Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, *Accounting Treatment for Bonuses to Directors and Corporate Auditors,* which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

In accordance with the ASBJ PITF No. 13, the Company selected to accrue bonuses to directors and corporate auditors from the fiscal year ended March 31, 2006. Accrued bonuses to directors and corporate auditors were included in the accrued expenses in the accompanying consolidated balance sheets.

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 are deemed 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. ***Appropriations of Retained Earnings—***Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

o. ***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.

p. ***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.

q. ***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.

r. 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.

s. New Accounting Pronouncements

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

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

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

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

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	**2006**	**2007**
Non-current:			
Equity securities	¥ 5,469	¥ 2,492	$ 46,348
Debt securities	6	5	51
Other	148	171	1,254
Total	¥ 5,623	¥ 2,668	$ 47,653

The carrying amounts and aggregate fair values of securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
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, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,211	¥ 1,249	¥ 11	¥ 2,449
Debt securities	4	1	-	5
Other	116	55	-	171
Total	¥ 1,331	¥ 1,305	¥ 11	¥ 2,625

	Thousands of U.S. Dollars			
March 31, 2007	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Securities classified as:				
Available-for-sale:				
Equity securities	$ 33,458	$ 13,492	$ 966	$ 45,984
Debt securities	34	17	-	51
Other	898	356	-	1,254
Total	$ 34,390	$ 13,865	$ 966	$ 47,289

Available-for-sale securities whose fair value was not readily determinable at March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	**2006**	**2007**
Available-for-sale:			
Equity securities	¥ 43	¥ 43	$ 364

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥ 10 million ($ 85 thousand) and ¥161 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥ 0 million ($ 0 thousand) and nil, respectively, for the year ended March 31, 2007 and ¥12 million and ¥1 million, respectively, for the year ended March 31, 2006.

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

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥ 15	$ 127

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products	¥ 5,100	¥ 3,109	$ 43,221
Work in process	3,342	3,728	28,322
Raw materials and supplies	9,413	7,579	79,771
Total	¥17,855	¥14,416	$151,314

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2007 and 2006 consisted of bank overdrafts. The weighted average rates of annual interest applicable to the short-term loans at March 31, 2007 and 2006, were 3.2 % and 5.0%, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Zero coupon JPY convertible notes due 2009	¥ 1,590	¥ 1,665	$ 13,475
Loans from banks and others, due serially to 2010 with weighted average interest rates of 1.5% (2007) and 1.2% (2006)	1,316	1,621	11,152
Total	2,906	3,286	24,627
Less current portion	(5)	(305)	(42)
Long-term debt, less current portion	¥ 2,901	¥ 2,981	$ 24,585

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 at March 31, 2007	¥ 839
Balance of debt at March 31, 2007	¥ 1,590 million
Accumulated number of shares issued upon conversion through March 31, 2007	89,391 shares
Number of additional shares that would be issued upon conversion at March 31, 2007	1,922,739 shares

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

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 5	$ 42
2009	1,306	11,068
2010	1,595	13,517
Total	¥ 2,906	$ 24,627

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. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or certain consolidated subsidiaries, or annuity payments from a trustee.

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥ 18,364	¥ 18,483	$ 155,627
Fair value of plan assets	(16,123)	(15,312)	(136,635)
Unrecognized prior service benefit	4,121	4,592	34,924
Unrecognized actuarial loss	(3,320)	(3,207)	(28,136)
Liability for employees' retirement benefits	¥ 3,042	¥ 4,556	$ 25,780

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

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 710	¥ 661	$ 6,017
Interest cost	364	380	3,085
Expected return on plan assets	(457)	(360)	(3,873)
Amortization of prior service benefit	(471)	(471)	(3,992)
Recognized actuarial loss	532	747	4,509
Net periodic retirement benefit costs	¥ 678	¥ 957	$ 5,746
Contribution to defined contribution pension plans	146	149	1,237
Total	¥ 824	¥ 1,106	$ 6,983

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

	2007	2006
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

The liability for retirement benefits in the accompanying consolidated balance sheets also include retirement benefits for directors and corporate auditors of ¥ 188 million ($ 1,593 thousand) and ¥130 million at March 31, 2007 and 2006, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

7. EQUITY

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

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having 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 net assets after dividends must be maintained at no less than ¥ 3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus
The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of 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, 2007 and 2006, respectively.

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

	Millions of Yen		**Thousands of U.S. Dollars**
	2007	**2006**	**2007**
Deferred tax assets:			
Liability for retirement benefits	¥ 1,219	¥ 1,828	$ 10,330
Accrued bonuses	851	882	7,212
Tax loss carryforwards	245	145	2,076
Accrued expenses	203	210	1,720
Enterprise tax payable	240	147	2,034
Other	682	592	5,780
Less: valuation allowance	(271)	(230)	(2,297)
Total	¥ 3,169	¥ 3,574	$ 26,855
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 512	¥ 526	$ 4,339
Undistributed earnings of overseas subsidiaries	154	96	1,305
Deferred gain on sales or replacements of property	-	1	-
Total	¥ 666	¥ 623	$ 5,644
Net deferred tax assets	¥ 2,503	¥ 2,951	$ 21,211

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, 2007 and 2006, 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 ¥ 2,665 million ($ 22,585 thousand) and ¥2,420 million for the years ended March 31, 2007 and 2006, 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, 2007 and 2006 were ¥ 261 million ($ 2,212 thousand) and ¥335million, 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, 2007 and 2006 was as follows:

	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

	Millions of Yen			
	2006			
	Machinery and Equipment	**Furniture and Fixtures**	**Other**	**Total**
Acquisition cost	¥ 357	¥ 961	¥ 86	¥ 1,404
Accumulated depreciation	250	613	56	919
Net leased property	¥ 107	¥ 348	¥ 30	¥ 485

	Thousands of U.S. Dollars			
	2007			
	Machinery and Equipment	**Furniture and Fixtures**	**Other**	**Total**
Acquisition cost	$ 2,297	$ 6,432	$ 652	$ 9,381
Accumulated depreciation	1,788	4,229	415	6,432
Net leased property	$ 509	$ 2,203	$ 237	$ 2,949

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 184	¥ 247	$ 1,559
Due after one year	219	315	1,856
Total	¥ 403	¥ 562	$ 3,415

Depreciation expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥ 233	¥ 325	$ 1,975

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 two banks to obtain working capital efficiently. The details of the agreements at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Line of credit amount	¥ 4,500	$ 38,136
Balance used	1,000	8,475

13. NET INCOME PER SHARE

Reconciliations of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 were as follows:

	Yen in Millions	Thousand of shares	Yen	Dollars
For the year ended March 31, 2007:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ 7,541	66,103	¥ 114.08	$ 0.97
Effect of Dilutive Securities				
Convertible bonds	-	1,923		
Diluted EPS				
Net income for computation	¥ 7,541	68,026	¥ 110.86	$ 0.94
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥ 5,182	63,120	¥ 82.10	
Effect of Dilutive Securities				
Convertible bonds	25	7,986		
Diluted EPS				
Net income for computation	¥ 5,207	71,106	¥ 73.22	

14. SUBSEQUENT EVENTS

(a) Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's Board of Directors meeting held on May 14, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 14 ($ 0.12) per share	¥ 925	$ 7,839

(b) Contribution of securities to employee retirement benefit trust

On May 18, 2007, the Company contributed certain available-for-sale securities with a fair value of ¥ 1,968 million ($ 16,678 thousand) to the employee retirement benefit trust for the Company's non-contributory funded benefit pension plans in accordance with the approval of the Company's Board of Directors held on April 26, 2007. The Company will recognize a non-cash gain of ¥ 811 million ($ 6,873 thousand) for the year ended March 31, 2008.

15. SEGMENT INFORMATION

The Group operates in the following industries:

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

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

"Control devices" consists of sales and production of AC solenoid, DC solenoid, hydraulic solenoid, Water/hot water devices, gas equipment devices, oil combustion devices, control motor, and drinking water devices.

The "Control device" was separately presented as one of the Group's business segments until the year ended March 31, 2006. However, the "Control devices" was included in "Machine components" from the year ended March 31, 2007 due to decrease of materiality in sales and operating income.

Information about business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2007 and 2006 was as follows:

(1) Industry Segments

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
	¥ 13,417	¥ 63,816	¥ 77,233	¥ 9,360	¥ 86,593
	232	2,220	2,452	200	2,652
Capital expenditures	1,301	7,217	8,518	862	9,380

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2007				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 249,678	$ 633,907	$ 883,585	-	$ 883,585
Intersegment sales	76	8,449	8,525	$ (8,525)	-
Total sales	249,754	642,356	892,110	(8,525)	883,585
Operating expenses	204,839	550,322	755,161	20,670	775,831
Operating income	$ 44,915	$ 92,034	$ 136,949	$ (29,195)	$107,754

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2007				
	Automated Machines	Machine Components	Total	Eliminations /Corporate	Consolidated
Total assets	$ 113,703	$ 540,814	$ 654,517	$ 79,322	$ 733,839
Depreciation	1,966	18,813	20,779	1,695	22,474
Capital expenditures	11,025	61,161	72,186	7,305	79,491

a. Sales and Operating Income

	Millions of Yen					
	2006					
	Automated Machines	Machine Components	Control Devices	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 18,326	¥ 60,056	¥ 5,931	¥ 84,313	-	¥84,313
Intersegment sales	5	748	-	753	¥ (753)	-
Total sales	18,331	60,804	5,931	85,066	(753)	84,313
Operating expenses	15,401	52,014	5,677	73,092	2,274	75,366
Operating income	¥2,930	¥ 8,790	¥ 254	¥ 11,974	¥ (3,027)	¥ 8,947

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2006					
	Automated Machines	Machine Components	Control Devices	Total	Eliminations /Corporate	Consolidated
Total assets	¥ 16,167	¥ 41,959	¥ 4,828	¥ 62,954	¥ 8,765	¥71,719
Depreciation	143	1,700	213	2,056	186	2,242
Capital expenditures	306	1,668	165	2,139	87	2,226

Information about business segments for the year ended March 31, 2006, using the new classification for the year ended March 31, 2007 was as follows:

a. Sales and Operating Income

	Millions of Yen				
	2006				
	Automated Machines	**Machine Components**	**Total**	**Eliminations /Corporate**	**Consolidated**
Sales to customers	¥18,326	¥65,987	¥ 84,313	-	¥84,313
Intersegment sales	5	748	753	¥ (753)	-
Total sales	18,331	66,735	85,066	(753)	84,313
Operating expenses	15,401	57,691	73,092	2,274	75,366
Operating income	¥2,930	¥9,044	¥ 11,974	¥ (3,027)	¥ 8,947

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2006				
	Automated Machines	**Machine Components**	**Total**	**Eliminations /Corporate**	**Consolidated**
Total assets	¥ 16,167	¥46,787	¥ 62,954	¥ 8,765	¥71,719
Depreciation	143	1,913	2,056	186	2,242
Capital expenditures	306	1,833	2,139	87	2,226

(2) Geographical Segments

The geographical segments of the Group for the years ended March 31, 2007 and 2006 were summarized as follows:

	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

	Thousands of U.S. Dollars					
	2007					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 792,949	$ 77,348	$13,288	$ 883,585	-	$ 883,585
Interarea transfer	51,127	20,585	-	71,712	$ (71,712)	-
Total sales	844,076	97,933	13,288	955,297	(71,712)	883,585
Operating expenses	701,602	94,127	12,704	808,433	(32,602)	775,831
Operating income	$ 142,474	$ 3,806	$ 584	$ 146,864	$ (39,110)	$ 107,754
Total assets	$ 640,390	$ 66,763	$ 5,915	$ 713,068	$ 20,771	$ 733,839

	Millions of Yen					
	2006					
	Japan	Asia	North America	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥ 75,857	¥ 7,280	¥ 1,176	¥ 84,313		¥ 84,313
Interarea transfer	4,731	1,510	-	6,241	¥ (6,241)	-
Total sales	80,588	8,790	1,176	90,554	(6,241)	84,313
Operating expenses	66,232	8,529	1,145	75,906	(540)	75,366
Operating income	¥ 14,356	¥ 261	¥ 31	¥ 14,648	¥ (5,701)	¥ 8,947
Total assets	¥ 62,348	¥ 6,343	¥ 377	¥ 69,068	¥ 2,651	¥ 71,719

(3) Sales to Foreign Customers

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

	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%

	Thousands of U.S. Dollars		
	2007		
	Asia	Other	Total
Overseas sales	$ 176,551	$ 18,483	$ 195,034
Net sales			883,585
Ratio of overseas sales to net sales	20.0%	2.1%	22.1%

	Millions of Yen		
	2006		
	Asia	Other	Total
Overseas sales	¥ 10,080	¥ 1,726	¥ 11,806
Net sales			84,313
Ratio of overseas sales to net sales	12.0%	2.0%	14.0%

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Deloitte.

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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, 2007 and 2006, 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, 2007 and 2006, 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.

As discussed in Note 14. to the consolidated financial statements, the Company contributed certain available-for-sale securities to the employee retirement benefit trust for the Company's non-contributory funded defined benefit pension plans on May 18, 2007 in accordance with the approval of the Company's Board of Directors held on April 26, 2007.

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 28, 2007

Board of Directors and Auditors (As of March 31, 2007)

President
Masanori Ishida

Executive Vice President
Kiyoshi Honda

Senior Vice President
Kazunori Kajimoto
Masaaki Kishio

Corporate Executive Officer
Tadashi Uchimura
Tsuyoshi Kanada

Director
Hideo Iwasaki
Hiroyoshi Ikeda

Corporate Officer
Masakazu Kubo
Yoshinari Ogasawara
Mitsuru Watanabe
Kenji Kondo
Masahiro Nagamatsu
Masahiro Kubooka
Koji Niwa
Nobuo Shibata

Standing Auditor
Akira Sakai

Auditor
Shozo Takahashi
Yoshio Ienaka
Shikio Hasegawa

Corporate data (As of March 31, 2007)

Establishment	April 2, 1943
Paid-in Capital	10,401 million yen
Employee number	3,483
Total number of issued shares	67,963,319 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

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