

Consolidated Financial Results for the Fiscal Year Ended March 31, 2008

May 23, 2008

Listing name: ASAHI TEC CORPORATION (the “Company”)
 Code number: 5606
 Listing: The Tokyo Stock Exchange, 1st section
 URL: <http://www.asahitec.co.jp/>
 Representative: Hideo ISHII (President and Co-CEO)
 Contact: Junichi TAHARA (Controller)
 Tel: +81 – 537 – 36 – 3112
 Date of shareholders’ meeting: June 27, 2008
 Date of filing Yukashoken Houkokusho: June 27, 2008

1. Consolidated Financial Results for the Year Ended March 31, 2008

(1) Consolidated operating results

(Amounts are rounded to the nearest million yen except for per share information.)

	Net sales (In ¥ million)	%	Operating income (In ¥ million)	%	Ordinary loss (In ¥ million)	%	Net loss (In ¥ million)	%
Year ended March 31, 2008	315,885	116.8	3,340	1.9	(8,602)	-	(34,818)	-
Year ended March 31, 2007	145,702	151.2	3,276	62.7	(162)	-	(665)	-

	Basic net loss per share (In ¥)	Diluted net income per share (In ¥)	ROE (Net loss/Shareholders’ equity)	Ratio of ordinary loss to total assets	Ratio of operating income to net sales
Year ended March 31, 2008	(137.91)	-	(58.4%)	(3.1%)	1.1%
Year ended March 31, 2007	(6.40)	-	(1.5%)	(0.1%)	2.3%

For reference: Equity income from affiliates (In ¥ million)

Year ended March 31, 2008	206
Year ended March 31, 2007	90

(2) Consolidated financial position

	Total assets (In ¥ million)	Net assets (In ¥ million)	Equity ratio (%)	Net assets per share (In ¥)
Year ended March 31, 2008	242,886	47,692	18.9	81.94
Year ended March 31, 2007	304,691	76,082	24.1	190.39

For reference: Shareholders’ equity (In ¥ million)

Year ended March 31, 2008	46,073
Year ended March 31, 2007	73,249

(3) Consolidated cash flow results

(In ¥ million)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by Financing activities	Ending balance of cash and cash equivalents
Year ended March 31, 2008	9,771	(14,815)	3,234	6,529
Year ended March 31, 2007	2,675	(43,306)	44,927	8,735

2. Dividend Information

	Cash dividend per share			Total dividend payment amount (In ¥ million)	Dividend payout ratio (consolidated) %	Dividend to net assets (consolidated) %
	Semi-annual (In ¥)	Year-end (In ¥)	Total (In ¥)			
Year ended March 31, 2007	-	-	0.00	-	-	-
Year ended March 31, 2008	-	-	0.00	-	-	-
Year ending March 31, 2009 (estimate)	-	-	0.00	-	-	-

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2009

	Net sales (In ¥ million)	%	Operating income (In ¥ million)	%
Six months ending September 30, 2008	146,700	(9.0)	1,400	(55.5)
Year ending March 31, 2009	299,000	(5.3)	5,600	67.7

	Ordinary loss (In ¥ million)	%	Net loss (In ¥ million)	%	Net loss per share (In ¥)
Six months ending September 30, 2008	(4,300)	-	(5,700)	-	(23.94)
Year ending March 31, 2009	(5,800)	-	(8,600)	-	(37.16)

4. Other

(1) Change in the scope of consolidation: None

(2) Change in accounting policies/methods and presentation of consolidated financial statements

Change by amendments of accounting pronouncements: Yes

Changes other than above: None

Note: Please refer to “significant accounting policies to prepare the consolidated financial statements” on page 22 for detail.

(3) Number of shares issued (common stock)

	As of March 31, 2008	As of March 31, 2007
Number of shares issued as of year end (including treasury stock)	Shares 259,907,537	Shares 259,901,537
Number of treasury stock as of year end	415,335	399,497

Note: Please refer to “earnings per share” on page 60 for the number of shares used to calculate “net income per share (consolidated)”.

For reference: Non-consolidated Financial Highlights

1. Non-consolidated Financial Results for the Year Ended March 31, 2008

(1) Non-consolidated operating results

(Amounts are rounded to the nearest million yen except for per share information)

	Net sales		Operating income		Ordinary income		Net income (loss)	
	(In ¥ million)	%	(In ¥ million)	%	(In ¥ million)	%	(In ¥ million)	%
Year ended March 31, 2008	56,609	14.3	2,032	19.7	1,589	38.7	(31,393)	-
Year ended March 31, 2007	49,548	3.8	1,698	47.9	1,146	105.6	2,192	-

	Net income (loss) per share (In ¥)	Diluted net income per share (In ¥)
Year ended March 31, 2008	(124.71)	-
Year ended March 31, 2007	12.06	11.26

(2) Non-consolidated financial position

	Total assets (In ¥ million)	Net assets (In ¥ million)	Equity ratio (%)	Net assets per share (In ¥)
Year ended March 31, 2008	79,629	40,100	50.1	57.93
Year ended March 31, 2007	110,642	71,390	64.4	182.81

For reference: Shareholders' equity (In ¥ million)

Year ended March 31, 2008	39,844
Year ended March 31, 2007	71,281

2. Forecast of Non-consolidated Financial Results for the Year Ending March 31, 2009

	Net sales		Operating income	
	(In ¥ million)	%	(In ¥ million)	%
Six months ending September 30, 2008	24,800	1.7	500	24.2
Year ending March 31, 2009	51,900	(8.3)	1,500	(26.2)

	Ordinary income		Net income		Net income per share (In ¥)
	(In ¥ million)	%	(In ¥ million)	%	
Six months ending September 30, 2008	200	48.5	100	(61.0)	(1.59)
Year ending March 31, 2009	900	(43.4)	700	-	(1.32)

All forecasts were made based on the data available to the Company as of the date this report was disclosed. Therefore, the actual outcome may differ from the forecast due to various factors. For the above forecasts, please refer to "1. Results of Operation – (1) Overview of business results" on page 4.

Business Results and Financial Position

1. Results of Operations

(1) Overview of Business Results

During the fiscal year ended March 31, 2008 (“current year”), Japan’s economy continued to show steady recovery, supported by the high growth of exports to emerging economies, but the recovery stalled toward the end of the current year due to increases in material prices and deterioration in corporate earnings caused by the appreciation of the yen. The expansion of emerging economies is expected to continue, but the U.S. economy showed a noticeable slowdown of business due to the subprime mortgage financial crisis.

Under such economic environment, consolidated sales for the year ended March 31, 2008 amounted to ¥315,885 million, up 116.8% from the prior year, due to increase in domestic demand supported by the growing exports of trucks to emerging countries, introduction of new aluminum wheel products, and sales contributed by Metaldyne Corporation (“Metaldyne”) acquired on January 11, 2007.

During the year ended March 31, 2008, domestic and European business are steadily growing, offset by deterioration of Metaldyne’s operating results due to weakening economy of North America. As a result, operating income amounted to ¥3,340 million, up 1.9% from the prior year, and ordinary loss amounted to ¥8,602 million (down ¥8,440 million from the prior year).

In addition, an impairment loss of Metaldyne’s goodwill was recorded as an extraordinary loss, and tax expense was recognized due to the reversal of a deferred tax asset; net loss for the year ended March 31, 2008 amounted to ¥34,818 million (an increase in net loss of ¥34,152 million compared to the prior year).

Considering those results, the Company does not plan to pay a dividend for the year ended March 31, 2008.

Segment Information

(Sales by segment include inter-segment sales, and operating income (loss) includes non-allocable expenses.)

a) Information by segment

[General casting and forging parts]

Sales of general casting and forging parts increased due to sales contributed by Metaldyne and a continuing high demand for automobile parts exported to emerging countries. Consequently, consolidated sales for this segment amounted to ¥306,362 million, up 123.8% from the prior year. Consolidated operating income for this segment amounted to ¥3,643 million, down 0.9% from the prior year, in part, as a result of a decrease in Metaldyne’s operating results due to the deterioration of the automobile market in North America.

[Devices and Equipment]

As for the devices and equipment business, the sales in this segment increased due to a higher demand for water treatment works and power distribution equipment. Consequently, consolidated sales of this segment amounted to ¥9,559 million, up 8.6% from the prior year. Consolidated operating income for this segment amounted to ¥966 million, up 7.9% from the prior year.

b) Information by geographical segment

[Japan]

Consolidated domestic sales amounted to ¥92,521 million, up 11.3% from the prior year, due to the introduction of new aluminum wheel products and the growing exports of automobile components. Consolidated operating income for this segment amounted to ¥4,896 million, up 12.4% from the prior year, due to the overall increase in

sales and improved profitability.

[Asia]

Consolidated sales in Asia amounted to ¥27,341 million, up 42.4% from the prior year, due to the continuing growth in the Thai automotive industry. Although there was an adverse impact of higher material costs, consolidated operating income for this segment amounted to ¥1,209 million, up 128.8% from the prior year, due to the sales increase and improved productivity.

[United States and Europe]

Consolidated sales and operating income (loss) in the United States and Europe where Metaldyne's major businesses are operated amounted to ¥139,361 million and (¥8,522) million for the United States, and ¥55,570 million and ¥6,080 for Europe, respectively.

Forecast of consolidated financial results for the year ending March 31, 2009 is as follows: net sales of ¥299,000 million, operating income of ¥5,600 million, with an interest expense of ¥10,900 million, ordinary loss is forecasted to be ¥5,800 million, and net loss of ¥8,600 million.

2. Financial Position

(1) Assets, liabilities, and net assets

Total assets amounted to ¥242,886 million, down ¥61,805 million from the prior year-end, due to the goodwill impairment loss recorded at Metaldyne and impact from foreign currency translation of foreign subsidiaries.

Total liabilities amounted to ¥195,194 million, down ¥33,415 million from the prior year-end, due to the decrease in debentures and long-term loans of foreign subsidiaries also impacted by foreign currency translation.

Net assets amounted to ¥47,692 million, down ¥28,390 million from the prior year-end, due to the goodwill impairment loss recorded at Metaldyne.

(2) Cash flows

Cash and cash equivalents for the current year were ¥6,529 million, down ¥2,206 million from the prior year-end.

Net cash provided by operating activities was ¥9,771 million, up ¥7,096 million from the prior year.

Net cash used in investing activities was ¥14,815 million, up ¥28,491 million from the prior year.

Net cash provided by financing activities was ¥3,234 million, down ¥41,693 million from the prior year.

Reference: Trend of cash flow indicators

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Equity ratio (%)	28.0	25.4	21.1	24.1	18.9
Equity ratio on a market value basis (%)	38.1	41.0	43.5	20.4	12.8
Interest bearing debt / cash flow ratio (%)	5.8	5.5	8.2	39.6	9.5
Interest coverage ratio (times)	5.0	4.2	4.0	2.4	1.0

Equity ratio:

Equity / Total assets

Equity ratio on a market value basis:

Market capitalization / Total assets

Interest bearing debt / cash flow ratio:

Interest bearing debt / Operating cash flow

Interest coverage ratio:

Operating cash flow / Interest expense

- Each indicator is calculated based on the consolidated amounts.

2. Market capitalization was calculated as follows: Closing market price of shares at balance sheet date multiplied by the number of shares issued and outstanding at balance sheet date (excluding treasury stocks). The number of shares issued and outstanding at balance sheet date includes the number of preferred stocks convertible to common shares.
3. The operating cash flow represents the cash flow from operating activities in the consolidated statement of cash flows. However, for the years ended March 31, 2004, 2006, 2007, and 2008, nonrecurring and unusual cash items were excluded from the operating cash flow for calculation. Such expenses were “M&A advisory fee and refinance costs paid”, “payment of special retirement cost”, and “payment of restructuring expense – severance”.
4. Interest bearing debt represents liabilities with interest payments recognized in the consolidated financial statements. The interest expense represents the total amount of interest expense disclosed in the consolidated statement of cash flows.

3. Earnings Distribution – Basic policy and plan of current and next fiscal year dividend

It is the basic policy of Asahi Tec group companies including Metaldyne (collectively, the “Group”) to return appropriate profits to its shareholders by continuously increasing shareholder value, along with distributing dividends. As for the retained earnings, the Group will utilize them, from a medium-and-long- term perspective, to make essential investment to meet future growth, including R&D or global business expansion, in order to strengthen the Group’s competitiveness.

During the year ended March 31, 2008, the Group recorded material net loss due to the impairment loss of the investment to Metaldyne. Therefore, a dividend payment is not planned for the year ended March 31, 2008.

4. Risk Factors

The business results and the financial position of the Group (including the Company’s share price) will be potentially affected by certain risks as described below. The Group will implement measures to mitigate the effects. The risk information described below is based on information available at the end of the current year and does not cover all risks that may affect the Group’s operating results.

(1) Transactions with major customers

For the general casting and forging parts business, the Group’s major customers are automobile manufacturers. Among these are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation, Honda Motor Co., Ltd., Chrysler, Ford Motor Company and General Motors Corporation upon which the Group’s dependence for sales revenue is significant. Therefore, their business and/or operating decisions may adversely impact the Group’s operating results.

(2) Raw material purchase risk

As the purchase price of certain raw materials (iron scrap, aluminum metal, coke, and etc.) is linked to worldwide supply and demand trends, prices may fluctuate dramatically. Especially, the increase of raw material prices in current year was remarkable. The Group continues efforts to recoup any increase in material costs where possible, by increasing the selling prices of its finished products to its customers, but the Group’s operating results may be adversely affected by such risk if the pass through of these costs increases is not successful.

(3) Sales cyclicity

The Group principally engages in the manufacturing and sales of general casting and forging parts, and of device and equipment parts. However, for its businesses of motorcycle parts and of environmental systems and equipment for public authorities, orders tend to occur in the second half of the year. Therefore, sales and profits for these businesses also tend to be higher in the second half year.

(4) Syndicated loans and subordinated loans

Of all loans and borrowings of the Group, syndicated loans and subordinated loans are subject to restrictive financial covenants. Failure to achieve a specified level of performance will result in an infringement of the terms of the loan agreements, in which case, the Group may be required to immediately repay the full outstanding balance of the principal and/or accrued interest. If the Group is not able to make necessary capital expenditures due to the high degree of leverage, the Group's operating results may be adversely affected.

(5) Risk associated with requests for discount from customers

Due to fierce low-cost competition in the automobile industry, the Group is subject to constant pressure from automobile manufacturers (i.e. customers) to lower its prices and improve quality. To meet such demands, the Group continues to improve productivity and to reduce purchase costs and defects. However, if these efforts are insufficient to cover discounts given to customers, this may have an adverse impact on the Group's operating results.

(6) Risk associated with improving profitability and productivity

To improve profitability, the Group is taking the following measures;

- 1) Improve its production control system to enhance productivity
- 2) Reduce purchase costs
- 3) Reduce defective products and returns from customers by improving quality
- 4) Shift production bases to lower cost countries such as Thailand and China.

The Group may lose cost competitiveness, which will adversely affect its operating results, if the abovementioned measures are not taken quickly enough, or the total investment for cost reduction exceeds its budget, or the cost reduction by shifting production overseas does not meet its expectation due to failures to execute plans effectively.

(7) Acquisition of Techno-Metal Co., Ltd.

In order to expand its business and to improve its operational efficiency, the Group entered into a contract with Mitsubishi Fuso Truck and Bus Corporation ("Mitsubishi Fuso") on February 28, 2006, to acquire 128,000 shares (66%) of Techno-Metal Co., Ltd. (formally known as Mitsubishi Fuso Techno-Metal Co., Ltd.), a wholly-owned subsidiary of Mitsubishi Fuso. On August 29, 2007, the Company acquired from Mitsubishi Fuso the remaining 66,000 shares of Techno-Metal Co., Ltd..

The Group will drive synergies from the acquisition of Techno-Metal Co., Ltd. for the following purposes;

- 1) Enter the field of automobile engine manufacturing
- 2) Propose manufacturing techniques that meet customer needs
- 3) Increase the manufacture of high-value added products
- 4) Improve efficiency in development and production areas
- 5) Improve profit margin through cost reductions

However, if the planned synergies to be derived from the above acquisition are not successful, the Group's operating results may be adversely affected.

(8) Acquisition of Metaldyne

In response to the recent trend of OEMs expanding operations on a global scale, and increasing the outsourcing of higher value-added manufacturing processes, executing strategies that accommodate such changes in a dynamic industry has become a necessity for automotive suppliers who wish to remain competitive. In this context, the Company acquired Metaldyne on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company.

Through the acquisition, the Company will be better positioned to respond flexibly to the OEM's needs for higher value-added products globally, and for product modularization locally. However, if the planned synergies to be derived from the acquisition are not successful, the Group's operating results may be adversely affected.

In addition, circumstances such as the delay in execution of refinance of debts due to the deterioration in financial market caused by subprime mortgage crisis and the possible sales decrease in the North America due to the weakening market may adversely affect the Group's operating results.

(9) Interest rate fluctuation

As the Group has consolidated loans and borrowings of ¥66,629 million, fluctuations in interest rates may adversely affect the Group's operating results.

(10) Exchange rate fluctuation

As the Group has foreign currency transactions related to exporting products and importing raw materials, and also has assets and liabilities denominated in foreign currencies, fluctuations in foreign exchange rates may adversely affect the Group's operating results.

(11) Dividend and redemption of preferred stocks

The Group issued Series A preferred stock for 28,572,000 shares, Series B preferred stock for 10,526,316 shares, and Series C preferred stock for 179,179 shares. When the Group needs to pay any accumulated unpaid dividend, that amount could be material. Consequently, the Group's operating results may be adversely affected.

(12) Lower sales volume in the United States

Hoei Industrial Co., Ltd., a subsidiary of the Company, highly depends on the sales of motorcycles in the United States. Therefore, the lower sales volume in the United States may adversely affect the Group's operating results.

(13) Natural disaster

The Group's operating results may be adversely affected by work stoppage due to the unexpected natural disaster.

Group Information

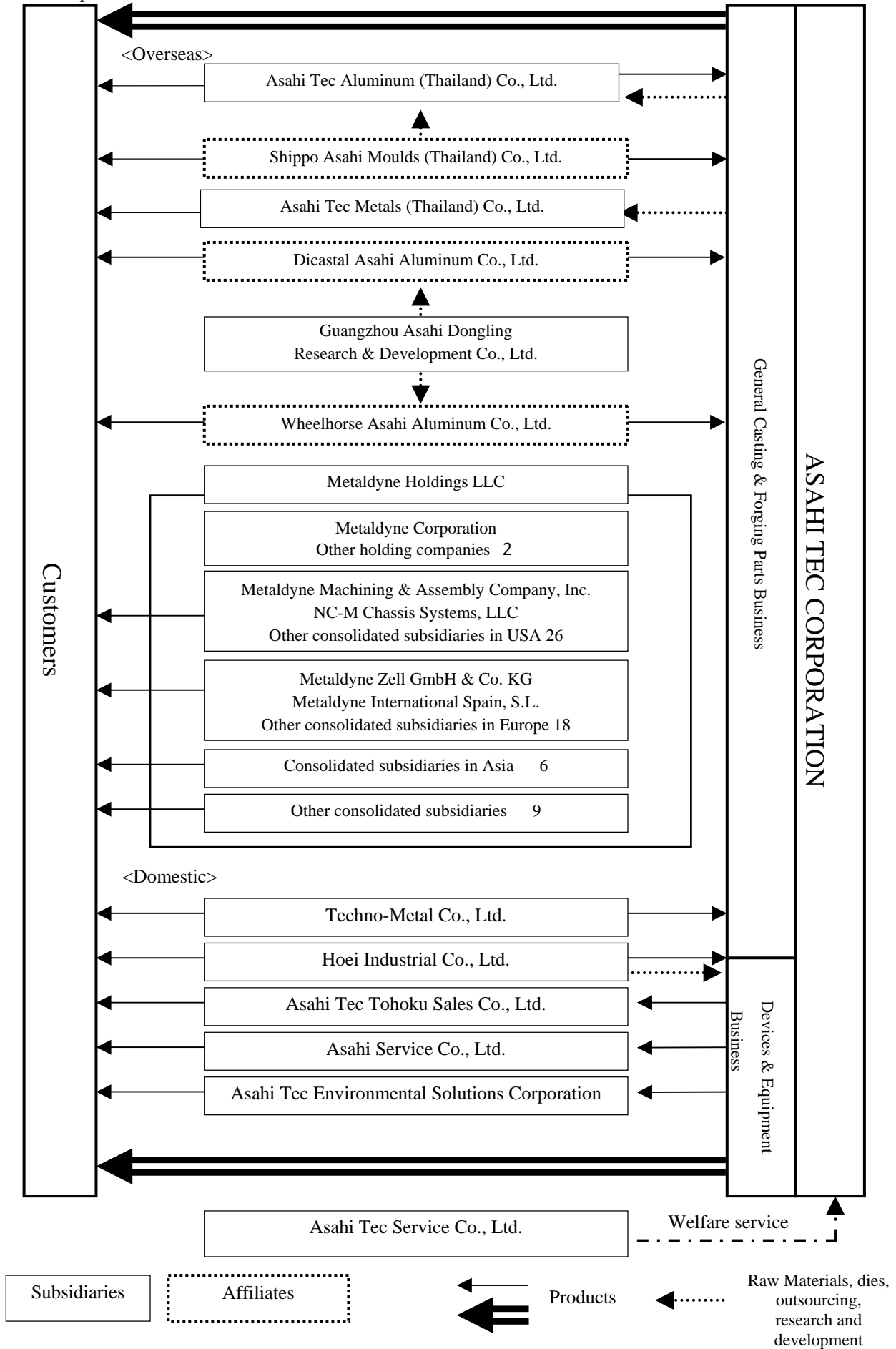
The Group consists of the Company, seventy six (76) subsidiaries, three (3) affiliates, and two (2) related parties, and mainly engages in the manufacture and sales of general casting and forging parts, and devices and equipment.

Business segment	Product and services	Principal companies
General casting and forging parts	General components for vehicles (Note 1)	Hoei Industrial Co., Ltd. Techno-Metal Co., Ltd. Asahi Tec Aluminum (Thailand) Co., Ltd. Asahi Tec Metals (Thailand) Co., Ltd. Guangzhou Asahi Dongling Research & Development Co., Ltd. Metaldyne Holdings LLC and its 66 subsidiaries (Note 2) Shippo Asahi Moulds (Thailand) Co., Ltd.
	Aluminum wheels	Asahi Tec Aluminum (Thailand) Co., Ltd. Dicastal Asahi Aluminum Co., Ltd. Wheelhorse Asahi Aluminum Co., Ltd.
Devices and equipment	Overhead line fittings	Asahi Tec Tohoku Sales Co., Ltd.
	Environmental systems and equipment and construction of water treatment facilities	Asahi Service Co., Ltd. Asahi Tec Environmental Solutions Corporation
Other	Welfare services	Asahi Tec Service Co., Ltd.

Note:

1. General components for vehicles include manufacture and sales of aluminum forging products, aluminum alloy casting products, aluminum die cast components, ductile iron casting products, gray iron casting products, iron forging, and machining and subassembly process.
2. Metaldyne Holdings LLC, a wholly-owned subsidiary of the Company, is the parent of Metaldyne Corporation that monitors the operation of subsidiaries located in North America, Europe, and other areas.

The Group's business flow is as follows:



Management Policy

1. Basic Management Policy

The Group, supporting the fundamentals of manufacturing for about a century since its foundation, is looking ahead to the next century. As the globalization of political, economic, and social fields expands, the Group will aim to ensure long term stability and growth by increasing shareholder value through the achievement of reasonable profitability and healthy financial conditions. The most important base of achieving it is “people” and the Group will emphasize the development of people of the Group by strengthening and vitalizing the Group’s organizational structure. In addition, it will meet its corporate social responsibility in all its business activities through working to preserve ethics and improve the environment, and maintaining social harmony such as paying attention to global environmental issues.

2. Medium-and-Long Term Management Strategy and Future Objectives

For the Group to obtain a competitive advantage over other automotive components manufacturers while auto and construction machine makers are expanding their globalization and increasing the outsourcing of production of high value-added automotive parts, it is imperative that the Group execute strategies to respond to this dynamic business environment. In addition, global environmental issues, price and increased demand of resources are making auto makers pursue lightweight components to improve fuel efficiency and higher-performance powertrain products, which will lead to the opportunity of the casting and forging businesses to grow. Consequently, the Group, as a casting and forging manufacturer of iron and aluminum automobile parts, has established the organizational structure to be able to provide new technology and competitive products that satisfy customer needs on a timely basis through the strategy to expand its market share by establishing production centers throughout Asia and the addition of the chassis system module business of Metaldyne acquired by the Company in the last year. The Group will take the following measures in order to create a strong corporate structure that will help achieve stable profitability.

The Company’s environmental systems and equipment business and electric power equipment business have sophisticated technologies and products to answer the needs for infrastructure such as efficient rehabilitation of old environmental infrastructure in cities, supply of environmental infrastructure to local areas, and power supply in case of earthquake. The Company believes that contribution to society using those technologies is the Company’s mission.

(1) Technological innovation

The Group will expedite technological development by making the most of its technology, know-how, and human resources with the right focus and concentration. As mentioned above, the trend of weight reduction in automobiles accelerates the shift to lighter materials, and the Company will try to expand the customers and increase customer orders by utilizing the aluminum or magnesium casting and forging technologies both developed for applying lighter weight materials. It will also provide attractive new products that will meet future customer needs in the field of environmental systems and equipment as well as electric power transmission equipment.

(2) Thorough control of quality and delivery of products

In order to be one of the most reliable companies and to satisfy its’ customers, the Group encourages all employees to put a priority on working together to create high-quality products, and to deliver products in a timely manner. In addition, the Group will pay more attention to improving quality of product which will lead

to the Group's operating results.

(3) Stable supply of product to customers

As the customers' businesses expand, it is expected that supply of casting and forging products to customers will be tight from middle and long-term perspective, which could hinder customers' business. The Group will try to meet the customer's needs by ensuring stable supply of products through necessary capital investments and improvement of the productivity of existing plants.

(4) Growth strategy

The Company acquired Metaldyne on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company. Metaldyne is a global supplier of systems and modules for automotive powertrain and chassis applications. Through the acquisition, the Company will gain access to Metaldyne's value-added engineering, design and manufacturing capabilities, such as high-tolerance machining, and will strengthen its product portfolio with Metaldyne's powder metal and vibration control products. The acquisition will enable the Company to further expand its global reach with Metaldyne's significant operations and presence in North America, Europe, China, and Korea and growing business in India and Brazil. As a result, the Company will be better positioned to respond flexibly to OEM's needs for higher value-added products globally, and for product modularization locally.

However, the delay in the refinance of Metaldyne's interest-bearing debts that was planned at the time of acquisition due to the slowdown of the U.S. economy triggered by subprime mortgage crisis, the weakening car sales volume, and tightened financial market are preventing the Group from achieving the forecast of consolidated financial results.

It is imperative to improve Metaldyne's businesses including its cash flow and profitability for the Group to become a robust and profitable global company.

The environmental systems and equipment business and the electric power equipment business will try to maximize profit by taking advantage of unique technologies and products in the market.

On October 31, 2007, the Company established a new entity, Asahi Tec Environmental Solutions Corporation, which is a wholly-owned subsidiary of the Company, in order to expedite the decision-making process and improve management efficiency of the environmental systems and equipment business. On April 1, 2008, the Company completed the transfer of the environmental systems and equipment business to the new subsidiary for the further expansion of its business, and the new entity is expected to keep contributing to the Group's profit.

(5) Intensive manpower development

The Company believes that each individual's ability and strong will contribute to the vitality of the organization which is key to the Company's development. To meet the challenges of ongoing globalization, the Group will upgrade its human resource development systems. By improving training courses, and by supporting employees' education and official certifications, it can improve the skills of each employee. Also, it will introduce an evaluation system that rewards each employee according to their individual ability and contribution.

With these measures, the Group will promote sales expansion and cost reduction, and finally contribute to the society while also continuing the Group's growth and increasing the Group's profitability.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
	Million yen	%	Million yen	%	Million yen
Assets:					
Current Assets					
Cash and bank deposits	¥8,803		¥6,529		(¥2,274)
Trade notes and accounts receivable	42,298		36,395		(5,903)
Inventories	22,009		21,176		(832)
Deferred tax assets	4,186		1,217		(2,969)
Other current assets	5,289		3,882		(1,407)
Provision for doubtful accounts	(372)		(213)		158
Total current assets	82,215	27.0	68,987	28.4	(13,228)
Non-Current Assets					
Property, plant, and equipment					
Buildings and structures	18,861		16,534		(2,327)
Machinery, equipment and vehicles	62,050		49,813		(12,237)
Tools, furniture and fixtures	5,563		-		(5,563)
Land	16,996		16,763		(233)
Construction in progress	4,352		4,903		550
Other	-		4,545		4,545
Total property, plant, and equipment	107,824	35.4	92,560	38.1	(15,264)
Intangible assets					
Software	1,326		-		(1,326)
Goodwill	49,397		26,000		(23,396)
Trademarks and Technologies	33,201		28,219		(4,981)
Customer contracts and other	25,992		21,766		(4,226)
Other intangible assets	35		840		805
Total intangible assets	109,953	36.1	76,827	31.6	(33,125)
Investments and other non- current assets					
Investment securities	625		643		17
Deferred tax assets	422		344		(77)
Other non-current assets	3,583		3,480		(102)
Provision for doubtful accounts	(348)		(226)		122
Total investments and other non-current assets	4,283	1.4	4,242	1.8	(40)
Total non-current assets	222,060	72.9	173,629	71.5	(48,431)
Deferred Assets	415	0.1	269	0.1	(145)
Total Assets	¥304,691	100	¥242,886	100	(¥61,805)

(Continued)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
	Million yen	%	Million yen	%	Million yen
Liabilities:					
Current Liabilities					
Trade notes and accounts payable	¥43,421		¥38,104		(¥5,316)
Short-term loans and borrowings	5,423		8,394		2,970
Income taxes payable	2,075		1,104		(970)
Provision for bonuses	2,078		1,918		(159)
Provision for plant closure cost	1,140		-		(1,140)
Provision for loss on sales	1,312		-		(1,312)
Notes payable for equipment	642		310		(332)
Other provisions	196		1,488		1,291
Other current liabilities	17,248		13,928		(3,320)
Total current liabilities	73,539	24.1	65,249	26.9	(8,289)
Non-Current Liabilities					
Debentures	47,977		40,644		(7,332)
Long-term loans and borrowings	66,292		58,235		(8,057)
Deferred tax liabilities	13,400		10,288		(3,112)
Deferred tax liabilities from land revaluation	2,816		2,816		-
Provision for employees' retirement benefits	18,621		12,742		(5,878)
Provision for directors' retirement benefits	151		-		(151)
Provision for environmental obligations	346		-		(346)
Other provisions	-		933		933
Negative goodwill	45		34		(11)
Other non-current liabilities	5,418		4,249		(1,169)
Total non-current liabilities	155,070	50.9	129,944	53.5	(25,125)
Total Liabilities	¥228,609	75.0	¥195,194	80.4	(¥33,415)

(Continued)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
	Million yen	%	Million yen	%	Million yen
Net Assets:					
Shareholders' Equity:					
Capital	¥34,384	11.3	¥34,384	14.2	¥0
Additional paid-in capital	35,308	11.6	35,309	14.5	0
Accumulated deficit	(3,449)	(1.1)	(36,607)	(15.1)	(33,158)
Treasury stock	(17)	(0.0)	(20)	(0.0)	(2)
Total shareholders' equity	66,226	21.8	33,067	13.6	(33,159)
Valuation and Translation Adjustments:					
Net unrealized gain on available-for-sale securities	70	0.0	25	0.0	(44)
Unrealized loss on hedging arrangement	-	-	(143)	(0.1)	(143)
Land revaluation surplus	3,044	1.0	3,044	1.3	-
Foreign currency translation adjustments	3,907	1.3	10,078	4.1	6,171
Total valuation and translation adjustments	7,022	2.3	13,005	5.3	5,983
Stock Option	108	0.0	255	0.1	146
Minority Interest	2,724	0.9	1,363	0.6	(1,361)
Total Net Assets	76,082	25.0	47,692	19.6	(28,390)
Total Liabilities and Net Assets	¥304,691	100	¥242,886	100	(¥61,805)

(Concluded)

(2) Consolidated Income Statements

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (decrease)
	Million yen	%		%	Million yen
Net Sales	¥145,702	100.0	¥315,885	100.0	¥170,182
Cost of Sales	130,224	89.3	291,180	92.2	160,956
Reversal of provision for loss on sales	(336)	(0.2)	(499)	(0.2)	(162)
Gross Profit	15,814	10.9	25,203	8.0	9,389
Selling, General and Administrative Expenses	12,538	8.6	21,863	6.9	9,325
Operating Income	3,276	2.3	3,340	1.1	63
Non-Operating Income:					
Interest income	19		114		
Dividend income	6		4		
Amortization of negative goodwill	11		11		
Equity income from affiliates	90		206		
Gain on sale of scrap	32		-		
Incentive received for promotion of export sales	178		206		
Foreign currency gains	134		-		
Other non-operating income	56		113		
Total non-operating income	529	0.3	656	0.2	127
Non-Operating Expenses:					
Interest expense	3,605		11,856		
Other non-operating expenses	362		742		
Total non-operating expenses	3,967	2.7	12,598	4.0	8,631
Ordinary Loss	(162)	(0.1)	(8,602)	(2.7)	(8,440)
Extraordinary Gains:					
Curtailment gain	-		602		
Reversal of provision for employees' bonus	-		320		
Reversal of provision for legal proceedings	-		137		
Gain on sale of fixed assets	35		165		
Return of insurance premium at maturity	-		146		
Reversal of provision for environmental obligations	127		-		
Reimbursement of insurance	10		-		
Other extraordinary gains	5		87		
Total extraordinary gains	178	0.1	1,459	0.4	1,281
Extraordinary Losses:					
Provision for directors' retirement benefit	21		-		
Loss on disposal of fixed assets	370		1,315		
Impairment loss	23		21,637		
Special retirement cost	-		770		
Restructuring expense – severance	-		675		
Provision for environmental obligations	282		-		
Other extraordinary losses	5		37		
Total extraordinary losses	704	0.5	24,437	7.7	23,732
Loss before Income Taxes	(¥687)	(0.5)	(¥31,579)	(10.0)	(¥30,891)

(Continued)

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (decrease)
	Million yen	%		%	Million yen
Income Taxes:					
Corporate income, inhabitant and enterprise taxes:					
Current	¥1,215		¥2,805		
Deferred	(1,486)		179		
Total income taxes	(270)	(0.2)	2,984	0.9	¥3,255
Minority Interest in Net Loss	248	0.2	254	0.1	5
Net Loss	(¥665)	(0.5)	(¥34,818)	(11.0)	(¥34,152)

(Concluded)

(3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2007

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total shareholders' equity
Beginning balance as of March 31, 2006	¥7,218	¥8,142	(¥3,392)	(¥14)	¥11,954
Change during the year:					
Issuance of common stock	27,165	27,165			54,331
Reversal of land revaluation surplus			8		8
Net loss			(665)		(665)
Pension and postretirement benefit plans of foreign subsidiary			601		601
Treasury stock				(3)	(3)
Net changes other than shareholders' equity					
Total change during the year	27,165	27,165	(56)	(3)	54,272
Ending balance as of March 31, 2007	¥34,384	¥35,308	(¥3,449)	(¥17)	¥66,226

	Valuation and translation adjustments				Stock Option	Minority Interest	Total Net Assets
	Net unrealized gain on available-for-sale securities	Land revaluation surplus	Foreign currency translation adjustments	Total			
Beginning balance as of March 31, 2006	¥43	¥3,052	¥282	¥3,378	¥-	¥2,387	¥17,720
Change during the year:							
Issuance of common stock							54,331
Reversal of land revaluation surplus							8
Net loss							(665)
Pension and postretirement benefit plans of foreign subsidiary							601
Treasury stock							(3)
Net changes other than shareholders' equity	26	(8)	3,625	3,644	108	336	4,089
Total change during the year	26	(8)	3,625	3,644	108	336	58,361
Ending balance as of March 31, 2007	¥70	¥3,044	¥3,907	¥7,022	¥108	¥2,724	¥76,082

Year ended March 31, 2008

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total shareholders' equity
Beginning balance as of March 31, 2007	¥34,384	¥35,308	(¥3,449)	(¥17)	¥66,226
Change during the year:					
Issuance of common stock	0	0			0
Net loss			(34,818)		(34,818)
Pension and postretirement benefit plans of foreign subsidiary			1,660		1,660
Treasury stock				(2)	(2)
Net changes other than shareholders' equity					
Total change during the interim period	0	0	(33,158)	(2)	(33,159)
Ending balance as of March 31, 2008	¥34,384	¥35,309	(¥36,607)	(¥20)	¥33,067

	Valuation and translation adjustments					Stock Option	Minority Interest	Total Net Assets
	Net unrealized gain (loss) on available-for-sale securities	Unrealized loss on hedging arrangement	Land revaluation surplus	Foreign currency translation adjustments	Total			
Beginning balance as of March 31, 2007	¥70	¥-	¥3,044	¥3,907	¥7,022	¥108	¥2,724	¥76,082
Change during the year:								
Issuance of common stock								0
Net loss								(34,818)
Pension and postretirement benefit plans of foreign subsidiary								1,660
Treasury stock								(2)
Net changes other than shareholders' equity	(44)	(143)	-	6,171	5,983	146	(1,361)	4,769
Total change during the interim period	(44)	(143)	-	6,171	5,983	146	(1,361)	(28,390)
Ending balance as of March 31, 2008	¥25	(¥143)	¥3,044	¥10,078	¥13,005	¥255	¥1,363	¥47,692

(4) Consolidated Statements of Cash Flows

(In ¥ million)

Accounts	Year ended March 31, 2007	Year ended March 31, 2008	Increase (decrease)
Cash flows from operating activities			
Loss before income taxes	(¥687)	(¥31,579)	
Depreciation and amortization expense	8,469	20,678	
Impairment loss	23	21,637	
Amortization of goodwill	633	2,523	
Amortization of negative goodwill	(11)	(11)	
Special retirement cost	-	770	
Restructuring expense – severance	-	675	
Increase (decrease) in provision for doubtful accounts	38	(234)	
Increase (decrease) in provision for employees’ retirement benefits	904	(3,262)	
Increase in provision for directors’ retirement benefits	54	-	
Increase in provision for environmental obligations	276	-	
Loss on sale or disposal of fixed assets, net	334	1,150	
Decrease in provision for loss on sales	(336)	-	
Interest and dividend income	(25)	(119)	
Interest expense	3,605	11,856	
(Gain) loss on foreign currency exchange	(136)	129	
Equity income from affiliates	(90)	(206)	
(Increase) decrease in trade accounts receivable	(5,177)	3,193	
Decrease (increase) in inventories	1,212	(737)	
Decrease in trade accounts payable	(2,461)	(3,531)	
Other, net	(543)	2,883	
Sub-total	6,082	25,816	¥19,733
Interest income and dividend received	25	119	
Interest expense paid	(2,149)	(11,583)	
Income taxes paid	(857)	(2,943)	
Income taxes refund	-	92	
Payment of special retirement cost	-	(725)	
Payment of restructuring expense – severance	-	(1,003)	
M&A advisory fee and refinance costs paid	(426)	-	
Net cash provided by operating activities	2,675	9,771	7,096
Cash flows from investing activities			
Transfer to time deposits	(122)	(50)	
Withdrawals of time deposits	118	118	
Acquisition of tangible fixed assets	(6,286)	(13,420)	
Proceeds from sale of tangible fixed assets	39	200	
Acquisition of intangible assets	(10)	(13)	
Payment for acquisition of newly consolidated subsidiary	(36,640)	-	
Payment for additional acquisition of subsidiaries’ shares	(44)	(1,670)	
Other, net	(360)	21	
Net cash used in investing activities	(¥43,306)	(¥14,815)	¥28,491

(Continued)

(In ¥ million)

Accounts	Year ended March 31, 2007	Year ended March 31, 2008	Increase (decrease)
Cash flows from financing activities			
(Decrease) increase in short-term loans and borrowings, net	(¥827)	¥3,907	
Proceeds from long-term loans and borrowings	24,988	16,768	
Repayment of long-term loans and borrowings	(32,269)	(17,168)	
Repayment of debentures	(937)	-	
Proceeds from issuance of stocks	53,883	0	
Proceeds from sale and lease back	550	478	
Repayments of finance lease obligations	(621)	(778)	
Dividends to minority shareholders	(7)	(7)	
Proceeds from minority shareholders for capital increase	42	46	
Other, net	126	(14)	
Net cash provided by financing activities	44,927	3,234	(¥41,693)
Effect of exchange rates on cash and cash equivalents	319	(397)	(716)
Increase (decrease) in cash and cash equivalents	4,615	(2,206)	(6,822)
Beginning balance of cash and cash equivalents	4,119	8,735	4,615
Ending balance of cash and cash equivalents	¥8,735	¥6,529	(¥2,206)

(Concluded)

Significant Accounting Policies to Prepare the Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries – the following seventy six (76) subsidiaries were consolidated:

Hoei Industrial Co., Ltd., Techno-Metal Co., Ltd., Metaldyne Holdings LLC and its sixty six (66) subsidiaries, Asahi Tec Aluminum (Thailand) Co., Ltd., Asahi Tec Metals (Thailand) Co., Ltd., Guangzhou Asahi Dongling Research & Development Co., Ltd., Asahi Tec Tohoku Sales Co., Ltd., Asahi Service Co., Ltd., Asahi Tec Environmental Solutions Corporation, and Asahi Tec Service Co., Ltd.

MTSPC, Inc. and Metaldyne Accura Tool & Mold, Inc., consolidated subsidiaries of Metaldyne, were liquidated during the current year and excluded from the scope of consolidation. Asahi Tec Environmental Solutions Corporation is newly included in the scope of consolidation starting the fiscal year ended March 31, 2008.

2. Matters Related to Equity Method

(1) Non-consolidated companies accounted for under the equity method – three (3) companies

Shippo Asahi Moulds (Thailand) Co., Ltd., Dicastal Asahi Aluminum Co., Ltd., and Wheelhorse Asahi Aluminum Co., Ltd.

(2) Since the statutory fiscal year-end of above entities is different from that of the Company, they are accounted for by using their financial results reported as of their respective statutory fiscal year end.

3. Closing Date of Consolidated Subsidiaries

The names of entity whose statutory fiscal year end is different from that of the Company are as follows:

(1) Sunday nearest to March 31:

Metaldyne and thirty two (32) of its subsidiaries - financial reporting date for those entities was the Sunday nearest to March 31, 2008, and material transactions during intervening period, if any, are reflected in the consolidated financial statements.

Fourteen (14) subsidiaries of Metaldyne – the statutory closing date for those entities is March 31 and the financial statements closed Sunday nearest March 31 are reported to Metaldyne for the consolidated financial statements, and material transactions during intervening period, if any, are reflected in the consolidated financial statements.

(2) December 31:

Nineteen (19) subsidiaries of Metaldyne - financial reporting date for those entities was the Sunday nearest to March 31, 2008.

Guangzhou Asahi Dongling Research & Development Co., Ltd. – the Company used its financial statements as of March 31, 2008, and material transactions during intervening period, if any, are reflected in the consolidated financial statements.

4. Accounting Policies

(1) Evaluation standards and methods for significant assets

Securities

Available-for-sale securities – Available-for-sale securities with readily determinable market prices are stated

at fair value as of the balance sheet date, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets. The cost of securities sold was calculated by the moving-average method.

Non-marketable available-for-sale securities were stated at cost determined by the moving-average method.

Inventories

The Company and its domestic subsidiaries stated inventories at cost determined by the period average method. Foreign subsidiaries stated inventories at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method.

Derivatives

The fair value method was applied.

(2) Depreciation methods for significant fixed assets

Tangible fixed assets

Buildings other than fixtures - the straight-line method was applied.

Moulds included in tools, furniture and fixtures - the Company, Techno-Metal Co., Ltd., and foreign subsidiaries applied the straight-line method. The domestic subsidiaries applied the declining-balance method.

Other tangible fixed assets - the Company and its domestic subsidiaries other than Techno-Metal Co., Ltd. applied the declining-balance method. Techno-Metal Co., Ltd. and the foreign subsidiaries applied the straight-line method. The useful lives of the major tangible fixed assets are as follows:

Buildings and structures:	10 to 60 years
Machinery, equipment, and vehicles:	4 to 15 years
Tools, furniture and fixtures:	2 to 7 years

(Change in accounting principle)

Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the consolidated operating results by this change appeared immaterial. Impact on segment information is separately disclosed in this report.

(Additional information)

For the assets acquired before March 31, 2007, the difference between 5% of acquisition cost and residual value begins to be depreciated by straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% of it under the depreciation method that has been applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating income decreased by ¥522 million, and both ordinary loss and loss before income taxes increased by ¥522 million, respectively. Impact on segment information is separately disclosed in this report.

Intangible assets

Software (internal use) - the straight-line method was applied using the useful life of three (3) to five (5) years. Patents and trademarks - the straight-line method was applied using the useful life of mainly twenty (20) years. Customer contracts and other - the straight-line method was applied using the useful life of mainly fifteen (15)

years.

Other intangible assets - the straight-line method was applied.

(3) Deferred asset

Stock issuance cost – the straight-line method is applied and amortized over three (3) years on a monthly basis.

(4) Accounting method for significant provisions

Provision for doubtful accounts

The Company and its domestic subsidiaries recorded provisions for doubtful accounts at amounts considered to be the Company's and its domestic subsidiaries' best estimates after considering their past credit losses for existing non doubtful accounts and individual collectibility for specific doubtful accounts. The foreign subsidiaries recorded provisions for doubtful accounts considering individual collectibility for specific doubtful accounts.

Provision for employees' bonus

The Company recorded provision for bonuses for the estimated amount to be paid to employees.

Provision for employees' retirement benefits

The Company and its subsidiaries have retirement benefit plans and record provisions for employees' retirement benefits based on projected benefit obligations and a fair value of plan assets at the balance sheet date. Unrecognized actuarial gains or losses start to be amortized, in the following fiscal year, by the straight-line method over a period of ten (10) to fifteen (15) years, which represents the employees' average remaining service period at the time the actuarial gains or losses are incurred.

Among foreign subsidiaries, Metaldyne and its subsidiaries are amortizing on the straight-line basis unrecognized actuarial gains or losses related to defined pension plans for the portion exceeding 10% of the greater of the projected benefit obligation or the market value of plan assets over a period determined based on the employees' average remaining period of employment. In addition, a subsidiary in the United States has postretirement benefits other than pensions, using the same method for amortizing unrecognized actuarial gains or losses in accordance with generally accepted accounting principle in the United States.

(5) Translation of assets and liabilities denominated in foreign currency into Japanese Yen

Financial assets and liabilities denominated in foreign currencies were translated into Japanese Yen at spot exchange rates on the balance sheet date, and unrealized foreign exchange gains and losses were charged to the income statements. As for the foreign subsidiaries' financial statements, assets and liabilities were translated into Japanese Yen at spot exchange rates on the balance sheet date, and revenues and expenses were translated at the average exchange rates for the year. Any foreign exchange impact arising from such translation was charged to foreign currency translation adjustments in net assets.

(6) Accounting for significant leases

The Company and its domestic subsidiaries accounted for financing leases as operating leases, except for those under which title to the leased asset is deemed to be transferred to the lessee. Foreign subsidiaries accounted for leases as capital leases, if such leases met the requirements of local accounting standards

pertaining to capital leases.

(7) Accounting for derivative instruments

Accounting – Hedge accounting is applied.

Hedging activity and hedged item:

Hedging activity – Foreign currency contract

Hedged item – Forecasted transactions involving foreign currencies

Policy related to transactions – Foreign currency risk associated with hedged items is hedged within a certain level based on the internal rules where authorization of derivative transactions and limit on transaction amount are defined.

Assessment of hedge effectiveness – Assessment of hedge effectiveness for foreign currency contracts was omitted since those transactions meet prerequisites allowing for omission of the assessment of hedge effectiveness.

(8) Other significant matters for the preparation of consolidated financial statements

Accounting for sales taxes

Sales taxes were excluded from the amounts of all related accounts in this report.

Revenue recognition of long-term construction contract

Revenue of long-term construction contracts, in principle, is recorded by completed contract method. However, revenue for contracts exceeding ¥100 million in contract amount and one (1) year in construction period is recorded by the percentage-of-completion method. For the current year, revenue recorded under the percentage-of-completion method amounted to ¥1,624 million.

Accounting for investments and other assets

Other assets – foreign subsidiaries monthly amortize finance costs over the term of loans using straight-line method in accordance with their local GAAP.

5. Valuation method of assets and liabilities of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries are evaluated at fair value.

6. Goodwill

The Company amortizes goodwill and negative goodwill by the straight-line method over a period not exceeding twenty (20) years. When the amount of goodwill is deemed to be immaterial, all goodwill is charged to the income statement in the year when it's incurred.

7. Cash and cash equivalents

Cash and cash equivalents on the consolidated statement of cash flows consists of cash on hand, deposits immediately available for withdrawal, and short-term and highly liquid investments with original maturities of three (3) months or less that were readily convertible to known amounts of cash and so near their maturity that they present insignificant risks of change in value resulting from changes in interest rates.

Change in Presentation of Consolidated Financial Statements

Consolidated Balance Sheets

1. “Tools, furniture and fixtures” (¥4,545 million as of March 31, 2008) was reclassified to “Other (tangible assets)” due to its immateriality.
2. “Software” (¥816 million as of March 31, 2008) was reclassified to “Other (intangible assets)” due to its immateriality.
3. “Provision for plant closure cost” (¥451 million as of March 31, 2008) and “Provision for loss on sales” (¥559 million as of March 31, 2008) were reclassified to current “Other provisions” due to their immateriality.
4. “Provision for directors’ retirement benefits” (¥227 million as of March 31, 2008) and “Provision for environmental obligations” (¥384 million as of March 31, 2008) were reclassified to non-current “Other provisions” due to their immateriality.

Consolidated Statements of Income

1. “Gain on sale of scrap” (¥45 million as of March 31, 2008) was reclassified to “Other non-operating income” due to its immateriality.

Consolidated Statements of Cash Flows

1. “Increase in provision for directors’ retirement benefits” (¥76 million as of March 31, 2008), “increase in provision for environmental obligations” (¥52 million as of March 31, 2008), and “decrease in provision for loss on sales” (¥359 million as of March 31, 2008) were reclassified to “Other, net (operating cash flows)” due to their immateriality.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Balance Sheets

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
1. Accumulated depreciation of property, plant, and equipment	88,182	99,221
2. Investments and equity investments in non-consolidated subsidiaries and affiliates		
Investment securities (stocks)	389	482
Other investments and other assets (equity investment)	484	667
3. Pledged assets and obligations guaranteed		
Amount of pledged assets:		
Cash and bank deposits	4,223	3,024
Trade notes and accounts receivable	21,114	17,778
Inventories	15,392	14,880
Deferred tax assets	2,622	907
Short-term loan receivable	15	9
Accounts receivable – other	354	185
Prepaid expense and other current assets	2,262	830
Buildings and structures	14,401	12,313
Machinery, equipment, and vehicles	44,913	30,967
Tools, furniture and fixtures	2,859	2,120
Land	14,228	13,977
Construction in progress	2,199	1,992
Software	-	345
Goodwill	21,809	10,596
Patents and Customer contracts	30,535	22,710
Other intangible assets	-	12
Investment securities	604	619
Long-term prepaid expenses	-	967
Long-term loan receivable	13	12
Other non-current assets	-	1,077
Total	177,549	135,329
Pledged assets as a whole factory among above tangible pledged assets		
Buildings and structures	3,202	3,167
Machinery, equipment, and vehicles	3,924	3,821
Land	3,463	3,463
Total	10,589	10,452
Liabilities corresponding to the pledged assets above:		
Short-term loans and borrowings	3,167	3,955
Current portion of long-term loans and borrowings	1,813	1,403
Long-term loans and borrowings	66,292	58,235
Debentures	47,977	40,644
Total	119,250	104,239

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Liabilities corresponding to the pledged assets as a whole factory above:		
Short-term loans and borrowings	3,167	3,955
Current portion of long-term loans and borrowings	1,300	1,300
Long-term loans and borrowings	17,745	16,789
Total	22,212	22,045

4. Land revaluation

Under the “Law of Land Revaluation” (No. 34 issued on March 31, 1998) and the “Law Partially Revising the Law of Land Revaluation” (No. 19 issued on March 31, 2001), the Company revalued its land for business use, and recorded the amount equal to taxes to be imposed on the unrealized gain on land as deferred tax liabilities from land revaluation, and the remaining excess as a land revaluation surplus, a component of net assets.

- Revaluation method: The value of land was determined through reasonable adjustment based on the value used for property tax purpose as prescribed in Article 2 (3) of Enforcement Regulations Regarding Land Revaluation (Promulgated Government Ordinance No. 119 issued on March 31, 1998).
- Date of revaluation: March 31, 2002
- Difference between (1) the year-end total market value of land for business use revalued according to Article 10 of “Law of Land Revaluation” and (2) the year-end total book value of land for business use after revaluation was ¥1,832 million for the year ended March 31, 2007 and ¥1,923 million for the year ended March 31, 2008.

5. Contingent liabilities

(1) Acquisition of remaining outstanding shares of Techno-Metal Co., Ltd.

In order to expand its business and to improve its operational efficiency, the Group entered into a contract with Mitsubishi Fuso Truck and Bus Corporation (“Mitsubishi Fuso”) on February 28, 2006, to acquire 128,000 shares (66%) of Techno-Metal Co., Ltd. (formally known as Mitsubishi Fuso Techno-Metal Co., Ltd.), a wholly-owned subsidiary of Mitsubishi Fuso. The contract includes share acquisition terms that the Company will acquire the remaining shares of the Techno-Metal Co., Ltd. currently owned by Mitsubishi Fuso at a fixed price (by cash or stock exchange) sometime between eighteen (18) and thirty six (36) months after the contract took effect. On August 29, 2007, the Company acquired from Mitsubishi Fuso the remaining 66,000 shares of Techno-Metal Co., Ltd. for ¥1,670 million.

(2) Legal matters

On December 26, 2005, a distributor of the Company’s products, Vantec Corporation (“Vantec”), filed a lawsuit against the Company for ¥295 million that is claimed to be their lost commission. In response to this, the Company filed a countersuit for ¥548 million. On September 27, 2007, both parties withdrew each filing with a condition of the Company to pay ¥22 million to Vantec for the settlement.

6. Overdraft agreement and its uncommitted balance

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Limit of overdraft	84,918	68,361
Actual committed balance	52,063	45,877
Uncommitted balance	32,855	22,483

7. Restrictive financial covenants on loans and borrowings

(1) Of all loans and borrowings of the Group, the senior loans from Aozora Bank, Ltd., Sumitomo Mitsui Banking Corporation, the Tokyo Star Bank, Ltd., and Mizuho Corporate Bank, Ltd. and the subordinated loans from Aozora Bank, Ltd. are subject to restrictive financial covenants based upon consolidated cash flows and consolidated profit levels. Failure to achieve certain specified levels of performance will result in a breach of the terms and conditions of the loan agreements, in which case, the Group will be required to accelerate repayment of the loans, including principal and accrued interest, upon receipt of notice from Aozora Bank, Ltd. Compliance with financial covenants shall be evaluated based upon the financial results of the Group excluding Metaldyne.

Metaldyne's credit facilities also contain financial covenants that require Metaldyne and its subsidiaries to maintain certain financial ratios.

(2) Payment of dividend and directors' bonuses should not infringe on the aforementioned covenants after the payment, and should be made only when there is no existing or potential cause for default of obligation (excluding minor and potential causes that are reasonably expected to be recovered within the recovery period stipulated separately), and such payments will not generate such causes.

8. Other provisions (current liabilities)

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Provision for plant closure cost	-	451
Provision for loss on sales	-	559
Provision for employees' retirement benefits	-	286
Provision for directors' bonus	71	99
Provision for completed construction warranty	43	47
Provision for product warranty	80	38
Provision for environmental obligations	-	6
Total	196	1,488

9. Other provisions (non-current liabilities)

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Provision for directors' retirement benefits	-	227
Provision for environmental obligations	-	384
Provision for loss on sales	-	216
Provision for product warranty	-	51
Provision for legal proceedings	-	46
Provision for plant closure cost	-	7
Total	-	933

Notes to Consolidated Income Statements

1. Major items and amounts included in selling, general and administrative expenses:

	Year ended March 31, 2007	Year ended March 31, 2008
	Million yen	Million yen
Packing and freight costs	2,596	2,685
Salaries and bonuses	2,543	6,256
Provision for bonuses - employees	253	310
Retirement benefit costs	221	806
Provision for directors' retirement benefits	94	76
Provision for doubtful accounts	16	3
Amortization of goodwill	-	2,521

2. Research and development expense included in cost of sales, and selling, general and administrative expenses

	Year ended March 31, 2007	Year ended March 31, 2008
	Millions of yen	Millions of yen
Research and development costs	998	3,390

3. Curtailment gain recorded under extraordinary gain

In conjunction with settlement of collective bargaining agreements, Metaldyne discontinued postretirement medical benefits for employees at one of its facilities and elected to freeze benefits under a defined benefit pension plan at another facility which resulted in a curtailment gain.

4. Reversal of provision for employees' bonus recorded under extraordinary gain

Metaldyne adjusted compensation of salaried employees based upon results for the six months ended September 30, 2007, and such adjustment is recorded as an extraordinary gain to the extent the provision was originally recorded in a prior period.

5. Gain on sale of fixed assets

	Year ended March 31, 2007	Year ended March 31, 2008
	Million yen	Million yen
Gain on sale of machinery, equipment, and vehicles	21	165
Gain on sale of land	7	-
Gain on sale of other fixed assets	7	0
Total	35	165

6. Loss on sale and disposal of fixed assets

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Loss on disposal of buildings and structures	20	22
Loss on disposal of machinery, equipment, and vehicles	77	64
Loss on disposal of tools, furniture and fixtures	134	182
Loss on disposal of other fixed assets	35	6
Loss on sale of machinery, equipment, and vehicles	-	896
Loss on sale of other fixed assets	3	65
Disposal cost of fixed assets	98	77
Total	370	1,315

7. Impairment loss

For the year ended March 31, 2008, the Group recorded impairment losses for the following assets. The Group categorizes its assets by management accounting unit or by location. For purposes of goodwill impairment testing, the Company's reporting units are the operating divisions which are the minimum independent cash flow generating unit and also one level below its operating segments.

Use	Asset type	Location	Impairment loss
Idle asset	Machinery, equipment and vehicles, and Construction in progress	Kikugawa, Shizuoka	¥62 million
	Machinery, equipment and vehicles, and Other	Chonburi, Thailand	98 million
	Buildings and structures	Farmington Hills, MI U.S.A.	157 million
	Machinery, equipment and vehicles	Pyeongtaek-si, Kyenggi-do South Korea	50 million
	Machinery, equipment and vehicles, and Buildings and structures	Ridgway, PA U.S.A.	226 million
Other	Goodwill	-	21,041 million
Total			¥21,637 million

The Group recorded an impairment loss of idle assets as an extraordinary loss since there is no future intended use for these assets. The Group evaluated the net realizable value of the assets based upon the values obtained from an appraiser after deducting the expected costs to sell and/or dispose of the assets.

As compared to the time of acquisition of Metaldyne, the business environment has become significantly worse due to the weakening automobile market in the North America, which is primarily the result of the subprime mortgage financial crisis, the depreciation of the U.S. dollar, and increasing crude oil price. The Group recorded a goodwill impairment loss as the carrying value of goodwill for two of its reporting units exceeded the fair value, which is estimated using discounted projected cash flows.

Below is the impairment loss by asset category:

	Million yen
Buildings and structures	187
Machinery, equipment, and vehicles	394
Construction in progress	13
Goodwill	21,041
Other	1
<hr/>	
Total	21,637

Notes to Consolidated Statements of Net Assets

Year ended March 31, 2007

1. Type and number of shares outstanding and treasury stock

(In thousand shares)

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of March 31, 2007
Shares issued and outstanding:				
Common stock (Note 1)	60,277	199,623	-	259,901
Series A preferred stock	28,572	-	-	28,572
Series B preferred stock	10,526	-	-	10,526
Series C preferred stock (Note 2)	-	179	-	179
Total	99,376	199,802	-	299,179
Treasury Stock:				
Common stock (Note 3)	82	316	-	399
Total	82	316	-	399

Notes:

1. Common stock increased by 199,623 thousand shares. An increase of 166,581 thousand shares was by way of third party allotment; a 33,000 thousand share increase was by way of global offering (excluding the United States), and a 42 thousand share increase was as a result of the exercise of stock options.
2. Series C preferred stock increased by 179 thousand shares through third party allotments. The interest expense equivalent portion (dividend and accretion) of Series C preferred stock (with redemption option) which is based on the estimated future cash flow is ¥200 million and liability is ¥9,683 million (short-term portion - ¥ - million) for the year ended March 31, 2007. The Company used effective interest rate method for calculation.
3. The increase of treasury stock (common stock) for 316 thousand shares was as a result of the return of 304 thousand shares by RHJ International SA/NV and an increase of 11 thousand shares as a result of purchasing stocks holdings where the amounts held were smaller than less-than-one-unit.

2. Stock option information

Company name	Description	Type of shares	Number of shares to be subscribed (In thousand shares)				Total (In ¥ million)
			Number of shares as of March 31, 2006	Increase during the year	Decrease during the year	Number of shares as of March 31, 2007	
Asahi Tec Corporation	Share subscription rights as stock option	-	-	-	-	-	108
Total			-	-	-	-	108

3. Dividend information

This section is not applicable for the year ended March 31, 2007.

Year ended March 31, 2008

1. Type and number of shares issued

(In thousand shares)

	Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of March 31, 2008
Shares issued and outstanding:				
Common stock (Note 1)	259,901	6	-	259,907
Series A preferred stock	28,572	-	-	28,572
Series B preferred stock	10,526	-	-	10,526
Series C preferred stock (Note 2)	179	-	-	179
Total	299,179	6	-	299,185
Treasury Stock:				
Common stock (Note 3)	399	15	-	415
Total	399	15	-	415

Notes:

1. Common stock increased by 6 thousand shares. An increase of 6 thousand shares was through the exercise of stock options.
2. The interest expense equivalent portion (dividend and accretion) of Series C preferred stock (with redemption option) which is based on the estimated future cash flow is ¥843 million and liability is ¥10,526 million (short-term portion - ¥ - million) for the year ended March 31, 2008. The Company used effective interest rate method for calculation.
3. The increase of treasury stock (common stock) for 15 thousand shares was as a result of purchasing stocks holdings where the amounts held were smaller than less-than-one-unit.

2. Stock option information

Company name	Description	Type of shares	Number of shares to be subscribed (In thousand shares)			Total (In ¥ million)
			Number of shares as of March 31, 2007	Increase	Decrease	
Asahi Tec Corporation	Share subscription rights as stock option	-	-	-	-	255
Total			-	-	-	255

3. Dividend information

This section is not applicable for the year ended March 31, 2008.

Notes to Consolidated Statements of Cash Flows

1. Ending balance of cash and cash equivalents consists of the followings:

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Cash and bank deposits	8,803	6,529
Time deposits whose terms are over 3 months	(68)	-
Ending balance of cash and cash equivalents	8,735	6,529

2. Significant non-cash transactions

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Amount of assets and liabilities related to financing leases	712	39

Leases

1. Finance leases other than those where title transfers to the lessee at the end of the lease term

(1) Estimated acquisition cost, accumulated depreciation, accumulated impairment loss, and ending balance of leased assets:

	Year ended March 31, 2007 Million yen				Year ended March 31, 2008 Million yen			
	Fixed Asset		Intangible Asset	Total	Fixed Asset		Intangible Asset	Total
	Machinery, equipment, and vehicle	Tools, furniture, and fixtures	Software		Machinery, equipment, and vehicle	Tools, furniture, and fixtures	Software	
Acquisition cost	423	840	84	1,348	801	639	69	1,510
Accumulated depreciation	163	415	47	626	223	371	47	642
Ending balance	259	425	37	721	578	267	21	867

(2) Future lease payments

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Amounts due within one year	253	245
Amounts due after one year	468	622
Total	721	867

(3) Lease and estimated depreciation expenses

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Lease expense	247	254
Estimated depreciation expense	247	254

(4) Calculation method of estimated depreciation expense

Straight-line method is used over the lease term with no residual value.

2. Operating lease transactions

	Year ended March 31, 2007 Million yen		Year ended March 31, 2008 Million yen	
	Lessor	Lessee	Lessor	Lessee
Amounts due/receivable within one year	162	5,092	141	4,420
Amounts due/receivable over one year	1,228	25,039	1,128	18,567
Total	1,391	30,132	1,269	22,987

(Impairment loss)

There was no impairment loss allocated to leased assets for the year ended March 31, 2007 and 2008, respectively.

Securities

I Year ended March 31, 2007

1. Available-for-sale securities with market value (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	76	196	119

2. Information on major non-marketable securities (In ¥ million)

	Carrying Value
Available-for-sale securities Unlisted stock	39

II Year ended March 31, 2008

1. Available-for-sale securities with market value (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	76	120	43

2. Information on major non-marketable securities (In ¥ million)

	Carrying Value
Available-for-sale securities Unlisted stock	39

Derivatives

1. Description of derivative transactions

Year ended March 31, 2007

(1) Nature and purpose of transactions

The Group is engaged in foreign currency contracts and interest rate swaps to minimize the risks associated with fluctuation in foreign currency exchange rates and interest rates.

(2) Policy related to transactions

The purpose of transactions is to avoid any negative impacts resulting from foreign currency and interest rate fluctuations. The Group does not engage in any speculative transactions.

(3) Risk associated with derivative transactions

The Group believes that the risks associated with aforementioned transactions are minimal.

(4) Risk control

Transactions are entered into in accordance with the Group's policy.

(5) Supplementary information about valuation method

Information about contracts is based on the amounts when contracts are entered into or notional amounts. Therefore, such contract amounts are not equivalent to the market or credit risk associated with the transactions themselves.

Year ended March 31, 2008

(1) Nature and purpose of transactions

The Group is engaged in foreign currency contracts to minimize the risks associated with fluctuation in foreign currency exchange rate.

(2) Policy related to transactions

The purpose of transactions is to avoid any negative impacts resulting from foreign currency fluctuations. The Group does not engage in any speculative transactions.

(3) Risk associated with derivative transactions

The Group believes that the risks associated with aforementioned transactions are minimal.

(4) Risk control

Transactions are executed in accordance with the Group's policy.

(5) Supplementary information about valuation method

Information about contracts is based on the amounts when contracts are entered into or notional amounts. Therefore, such contract amounts are not equivalent to the market or credit risk associated with the transactions themselves.

2. Fair value information

Year ended March 31, 2007

(1) Foreign currency related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain (loss)
Transaction outside of the market	Foreign currency contract Buy - Euro	693	-	691	(2)
Total		693	-	691	(2)

Note:

1. Fair market value is based on the information obtained from financial institutions.

(2) Interest rate related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain (loss)
Transaction outside of the market	Interest rate swap - payment at fixed rate and receipt at variable rate	170	-	(31)	(31)
Total		170	-	(31)	(31)

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Above loss was incurred when netting the intercompany transactions.

Year ended March 31, 2008

(1) Foreign currency related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain (loss)
Transaction outside of the market	Foreign currency contract Buy – Bath Sell – Yen	825	-	904	(79)
	Foreign currency contract Buy – Yen Sell – Bath	193	-	199	5
Total		-	-	-	(73)

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Derivatives accounted for by hedge accounting are excluded.
3. Above gain or loss was incurred when netting the intercompany transactions.

Notes to Retirement Benefits

1. Adopted Retirement Benefit Plans

The Company and Techno-Metal Co., Ltd. adopted 1) a lump-sum retirement benefit payment plan and 2) a tax-qualified pension plan both as their defined benefit plans. Hoei Industries Co., Ltd. adopted a lump-sum retirement benefit payment plan as its defined benefit plan and another plan as its defined contribution plan. Hoei Industries Co., Ltd. switched from the tax-qualified pension plan to the defined contribution plan starting December 2008. Other domestic subsidiaries adopted lump-sum retirement benefit payment plans. Some foreign subsidiaries adopted defined benefit plans and/or defined contribution plans. One foreign subsidiary in the United States also provides postretirement medical and life insurance benefit plans at a limited number of operating facilities.

These companies may pay additional retirement benefits to retiring employees, which are not classified as provision for employees' retirement benefits covered by the actuarial calculation under the accounting standard for retirement benefits.

2. Provision for Employees' Retirement Benefits

	Year ended March 31, 2007	Year ended March 31, 2008
	Million yen	Million yen
(a) Projected benefit obligation	(52,756)	(42,861)
(b) Fair value of plan assets	34,310	29,331
(c) Funded status [(a)+(b)]	(18,446)	(13,530)
(d) Unrecognized actuarial (loss) gain	(411)	835
(e) Net liabilities on consolidated balance sheet [(c)+(d)]	(18,858)	(12,694)
(f) Other adjustment (Note 2)	601	-
(g) Prepaid pension cost	683	334
(h) Benefits expected to be paid within next fiscal year	(318)	(286)
(i) Provision for employees' retirement benefits [(e)+(f)-(g)-(h)]	(18,621)	(12,742)

Notes:

1. Some subsidiaries adopted a simplified method for calculating their provision for employees' retirement benefits.
2. This amount represents pension liability adjustment recorded by a subsidiary in the United States in accordance with generally accepted accounting principles in the United States.

3. Components of Net Periodic Benefit Cost

	Year ended March 31, 2007	Year ended March 31, 2008
	Million yen	Million yen
(a) Service cost	541	882
(b) Interest cost	749	2,623
(c) Expected return on plan assets	(708)	(2,563)
(d) Amortization of unrecognized actuarial gain/loss	90	69
(e) Additional retirement benefits	423	1,796
(f) Net periodic benefit cost [(a)+(b)+(c)+(d)+(e)]	1,095	2,808

Note: Net periodic benefit cost of the subsidiaries using the simplified method is included in "(a) Service cost".

4. Assumptions

	Year ended March 31, 2007	Year ended March 31, 2008
a. Discount rate	1.8% ~ 6.2%	1.8% ~ 6.9%
b. Expected rate of return on plan assets	2.9% ~ 8.5%	2.9% ~ 8.5%
c. Allocation method of retirement benefits expected to be paid at the retirement date	Straight-line method	Straight-line method
d. Number of years for amortizing unrecognized actuarial gain/loss (Unrecognized actuarial gain or loss start to be amortized in the following fiscal year using the straight-line method over a certain number of years related to the applicable employees' average remaining service period.)	10 ~ 15 years	10 ~ 15 years

Stock Option

Year ended March 31, 2007

1. Financial information

Cost of sales: ¥3 million

Selling, general and administrative expenses: ¥104 million

2. Detail description of stock option, size and movement schedule

1. Detail description of stock option

	Year 2004 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 8 Officer of the Company: 11 Employee of the Company: 90 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 2,781,773 shares
Grant date	July 1, 2004
Terms and conditions	<p>After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions are also set respectively:</p> <p style="padding-left: 40px;">After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. At retirement, all options become vested.</p> <p style="padding-left: 40px;">After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p> <p style="padding-left: 40px;">After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p>
Requisite service period	<p>Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months (from July 1, 2004 to March 31, 2009). However, below requisite service periods are also set respectively:</p> <p style="padding-left: 40px;">Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months. At retirement, all options become vested.</p> <p style="padding-left: 40px;">Requisite service period until the first vesting date is 2 years (from July 1, 2004 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months.</p>

	Requisite service period until the first vesting date is 3 years (from July 1, 2004 to June 30, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months.
Exercise period	From July 1, 2005 to June 30, 2014

	Year 2005 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 1
The number of stock option granted by type of share	Common stock – 85,000 shares
Grant date	July 1, 2005
Terms and conditions	After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 1 year (from July 1, 2005 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011).
Exercise period	From July 1, 2006 to June 30, 2015

	Year 2005 stock option plan 2
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 7 Employee of the Company: 97 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 1,299,000 shares
Grant date	July 1, 2005
Terms and conditions	After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2011), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions are also for one of the two directors of the Company: After the first vesting date (January 1, 2008) until the last vesting date (September 30, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2005 to June 30, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011). However, below requisite service period is also set for one of the two directors of the Company: Requisite service period until the first vesting date is 2 years and 6 months (from July 1, 2005 to December 31, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 3 months (from July 1, 2005 to September 30, 2012).
Exercise period	From June 29, 2007 to June 28, 2015

	Year 2006 stock option plan 1
Type of eligible employee and the number of eligible Employee	Officer of the Company: 1 Employee of the Company: 1
The number of stock option granted by type of share	Common stock – 180,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2013), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months (from July 1, 2006 to March 31, 2013).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2006 stock option plan 1-2
Type of eligible employee and the number of eligible Employee	Director of the subsidiary: 1 Employee of the subsidiary: 2
The number of stock option granted by type of share	Common stock – 240,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2009) until the last vesting date (March 31, 2014), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 3 years (from July 1, 2006 to June 30, 2009). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months (from July 1, 2006 to March 31, 2014).
Exercise period	From July 1, 2009 to June 28, 2016

	Year 2006 stock option plan 2
Type of eligible employee and the number of eligible Employee	Officer of the Company: 7 Employee of the Company: 92 Director of the subsidiary: 1 Employee of the subsidiary: 38
The number of stock option granted by type of share	Common stock – 1,201,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2012), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2006 to March 31, 2012).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2007 stock option plan
Type of eligible employee and the number of eligible Employee	Director of the Company: 1 Director and Executive Officer of the subsidiary: 7 Employee of the subsidiary: 15
The number of stock option granted by type of share	Common stock – 3,031,835 shares
Grant date	January 11, 2007
Terms and conditions	After the first vesting date (January 11, 2008) until the last vesting date (January 11, 2010), one third (1/3) of stock option becomes vested every year as long as employees remain with the Group at the vesting date.

Requisite service period	Requisite service period until the first vesting date is 1 year (from January 12, 2007 to January 10, 2008). Thereafter, requisite service period is extended every year, and the requisite service period until the last vesting date is 3 years (from January 12, 2007 to January 10, 2010).
Exercise period	From January 11, 2008 to January 11, 2017

2. Size and movement schedule

Stock options that existed during this fiscal year are described below, and the number of stock options is converted to the number of shares in the below table.

a) Number of stock options

(In shares)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option Plan
Non-vested:							
Balance as of March 31, 2006	2,013,294	85,000	1,255,000	-	-	-	-
Granted	-	-	-	180,000	240,000	1,201,000	3,031,835
Forfeited	28,625	-	405,000	-	-	24,000	-
Vested	526,529	17,000	-	-	-	-	-
Balance as of March 31, 2007	1,458,140	68,000	850,000	180,000	240,000	1,177,000	3,031,835
Vested:							
Balance as of March 31, 2006	354,282	-	-	-	-	-	-
Vested	526,529	17,000	-	-	-	-	-
Exercised	42,319	-	-	-	-	-	-
Forfeited	6,753	-	-	-	-	-	-
Balance as of March 31, 2007	831,739	17,000	-	-	-	-	-

b) Price information

(In ¥)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option plan
Exercise price	145	145	261	251	251	251	313
Average stock price on exercise	296	-	-	-	-	-	-
Fair value on grant date	-	-	-	145	151	141	209

3. Valuation method

Valuation method and assumptions used for the stock options granted in year 2006 are as follows:

a) Method: Black & Scholes model

b) Assumptions

	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2
Volatility (Note 1)	57.236%	58.086%	57.187%
Remaining period (Note 2)	8 years and 5 months	8 years and 11 months	7 years and 11 months
Dividend (Note 3)	¥0	¥0	¥0
Risk-free interest rate (Note 4)	1.835%	1.868%	1.796%

Notes:

1. Volatility is calculated based on the daily share price (closing price on each trade date), and calculation period is 8 years and 5 months (January 30, 1998 to June 30, 2006) for Year 2006 stock option plan 1, 8 years and 11 months (July 31, 1997 to June 30, 2006) for Year 2006 stock option plan 1-2, and 7 years 11 months (July 31, 1998 to June 30, 2006) for Year 2006 stock option plan 2, respectively.
2. Due to the limited information, our assumption is that the stock option will be exercised at a point half way between start of the vesting period and the last day of exercise period.
3. Based on the actual dividend performance during prior year period (one year).
4. Risk-free interest rate represents interest rate of Japan treasury with the term corresponding to remaining period on June 30, 2006.

Valuation method and assumptions used for the stock option granted in year 2007 are as follows:

a) Method: Bi-nominal model

b) Assumptions

	Year 2007 stock option plan
Volatility (Note 1)	57.326%
Remaining period (Note 2)	10 years
Dividend (Note 3)	¥0
Risk-free interest rate (Note 4)	1.728%

Notes:

1. Volatility is calculated based on the daily share price (closing price on each trade date), and calculation period is 10 years (January 10, 1997 to January 11, 2007).
2. Due to the limited information, our assumption is that the stock option will be exercised at a point half way between start of the vesting period and the last day of exercise period.
3. Based on the actual dividend performance during prior year period (one year).
4. Risk-free interest rate represents interest rate of Japan treasury with the term corresponding to remaining period on January 11, 2007.

4. Estimation of the number of stock options vested

In principle, forfeiture rate is estimated based on the actual retirement rate. For the Year 2007 stock option plan, the Company reflected the actual forfeiture rate to calculate the number of vested stock options since future forfeiture rate is not reasonably estimable.

Year ended March 31, 2008

1. Financial information

Cost of sales: ¥5 million

Selling, general and administrative expenses: ¥141 million

2. Detail description of stock option, size and movement schedule

1. Detail description of stock option

	Year 2004 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 8 Officer of the Company: 11 Employee of the Company: 90 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 2,781,773 shares
Grant date	July 1, 2004
Terms and conditions	<p>After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions are also set respectively:</p> <p>After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. At retirement, all options become vested.</p> <p>After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p> <p>After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p>
Requisite service period	<p>Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months (from July 1, 2004 to March 31, 2009). However, below requisite service periods are also set respectively:</p> <p>Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months. At retirement, all options become vested.</p> <p>Requisite service period until the first vesting date is 2 years (from July 1, 2004 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months.</p> <p>Requisite service period until the first vesting date is 3 years (from July 1, 2004 to June 30, 2007). Thereafter,</p>

	requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months.
Exercise period	From July 1, 2005 to June 30, 2014

	Year 2005 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 1
The number of stock option granted by type of share	Common stock – 85,000 shares
Grant date	July 1, 2005
Terms and conditions	After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 1 year (from July 1, 2005 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011).
Exercise period	From July 1, 2006 to June 30, 2015

	Year 2005 stock option plan 2
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 7 Employee of the Company: 97 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 1,299,000 shares
Grant date	July 1, 2005
Terms and conditions	After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2011), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions are also for one of the two directors of the Company: After the first vesting date (January 1, 2008) until the last vesting date (September 30, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2005 to June 30, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011). However, below requisite service period is also set for one of the two directors of the Company: Requisite service period until the first vesting date is 2 years and 6 months (from July 1, 2005 to December 31, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 3 months (from July 1, 2005 to September 30, 2012).
Exercise period	From June 29, 2007 to June 28, 2015

	Year 2006 stock option plan 1
Type of eligible employee and the number of eligible Employee	Officer of the Company: 1 Employee of the Company: 1
The number of stock option granted by type of share	Common stock – 180,000 shares

Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2013), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months (from July 1, 2006 to March 31, 2013).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2006 stock option plan 1-2
Type of eligible employee and the number of eligible Employee	Director of the subsidiary: 1 Employee of the subsidiary: 2
The number of stock option granted by type of share	Common stock – 240,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2009) until the last vesting date (March 31, 2014), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 3 years (from July 1, 2006 to June 30, 2009). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months (from July 1, 2006 to March 31, 2014).
Exercise period	From July 1, 2009 to June 28, 2016

	Year 2006 stock option plan 2
Type of eligible employee and the number of eligible Employee	Officer of the Company: 7 Employee of the Company: 92 Director of the subsidiary: 1 Employee of the subsidiary: 38
The number of stock option granted by type of share	Common stock – 1,201,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2012), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2006 to March 31, 2012).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2007 stock option plan
Type of eligible employee and the number of eligible Employee	Director of the Company: 1 Director and Executive Officer of the subsidiary: 7 Employee of the subsidiary: 15
The number of stock option granted by type of share	Common stock – 3,031,835 shares
Grant date	January 11, 2007
Terms and conditions	After the first vesting date (January 11, 2008) until the last vesting date (January 11, 2010), one third (1/3) of stock option becomes vested every year as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 1 year (from January 12, 2007 to January 10, 2008). Thereafter, requisite service period is extended every year, and the requisite service period until the last vesting date is

	3 years (from January 12, 2007 to January 10, 2010).
Exercise period	From January 11, 2008 to January 11, 2017

2. Size and movement schedule

Stock options that existed during this fiscal year are described below, and the number of stock options is converted to the number of shares in the below table.

a) Number of stock options

(In shares)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option Plan
Non-vested:							
Balance as of March 31, 2007	1,458,140	68,000	850,000	180,000	240,000	1,177,000	3,031,835
Granted	-	-	-	-	-	-	-
Forfeited	9,500	-	15,500	60,000	65,000	18,000	1,589,972
Vested	519,770	17,000	209,000	-	-	-	812,864
Balance as of March 31, 2008	928,870	51,000	625,500	120,000	175,000	1,159,000	628,999
Vested:							
Balance as of March 31, 2007	831,739	17,000	-	-	-	-	-
Vested	519,770	17,000	209,000	-	-	-	812,864
Exercised	6,000	-	-	-	-	-	-
Forfeited	4,500	-	500	-	-	-	-
Balance as of March 31, 2008	1,341,009	34,000	208,500	-	-	-	812,864

b) Price information

(In ¥)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option plan
Exercise price	145	145	261	251	251	251	313
Average stock price on exercise	184	-	-	-	-	-	-
Fair value on grant date	-	-	-	145	151	141	209

3. Valuation method

This section is not applicable for the year ended March 31, 2008.

4. Estimation of the number of stock options vested

In principle, forfeiture rate is estimated based on the actual retirement rate. For the Year 2007 stock option plan, the Company reflected the actual forfeiture rate to calculate the number of vested stock options since future forfeiture rate is not reasonably estimable.

Notes to Income Tax

(1) Components of deferred tax assets and liabilities

Accounts	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Deferred tax assets:		
Provision for bonuses	545	576
Depreciation	422	404
Disposal of mold	222	188
Unrealized gain on fixed assets	22	17
Provision for doubtful accounts	76	69
Provision for retirement benefits	1,438	5,356
M&A advisory fee and refinance costs	251	127
Provision for loss on sales	143	98
Loss on retirement of leased assets (machinery and equipment)	147	115
Net operating losses	28,782	18,633
Other	8,630	3,202
Sub-total	40,681	28,788
Valuation allowance	(22,849)	(15,823)
Total deferred tax assets	17,831	12,964
Deferred tax liabilities:		
Difference in asset base valuation	(25,984)	(21,450)
Unrealized loss on available-for-sale securities	(47)	(17)
Other	(589)	(223)
Total deferred tax liabilities	(26,622)	(21,691)
Net deferred tax liability	(8,791)	(8,726)
Deferred tax assets/liabilities associated with land revaluation:		
Deferred tax assets	486	486
Valuation allowance	(486)	(486)
Deferred tax liabilities	(2,816)	(2,816)
Net deferred tax liability associated with land valuation	(2,816)	(2,816)

(2) Reconciliation of statutory tax rate to effective tax rate

The table of reconciliation of statutory tax rates to effective tax rates is omitted here since the Group had consolidated net loss for the years ended March 31, 2007 and 2008.

Segment Information

1. Information by Business Segment

Year ended March 31, 2007

(In ¥ million)

	General casting and forging parts	Devices and equipment	Total	Elimination or Corporate	Consolidated
I. Sales					
(1) Sales to external customers	136,902	8,800	145,702	-	145,702
(2) Inter-segment sales or transfers	39	-	39	(39)	-
Total	136,941	8,800	145,741	(39)	145,702
Operating expenses	133,263	7,903	141,166	1,259	142,426
Operating income	3,678	896	4,575	(1,298)	3,276
II. Assets, depreciation, impairment loss and capital expenditures					
Assets	287,228	8,015	295,244	9,449	304,691
Depreciation	8,790	97	8,888	193	9,081
Impairment loss	15	-	15	8	23
Capital expenditures	184,099	43	184,143	31	184,174

Year ended March 31, 2008

(In ¥ million)

	General casting and forging parts	Devices and equipment	Total	Elimination or Corporate	Consolidated
I. Sales					
(1) Sales to external customers	306,326	9,559	315,885	-	315,885
(2) Inter-segment sales or transfers	35	-	35	(35)	-
Total	306,362	9,559	315,921	(35)	315,885
Operating expenses	302,718	8,592	311,310	1,234	312,545
Operating income	3,643	966	4,610	(1,270)	3,340
II. Assets, depreciation, impairment loss and capital expenditures					
Assets	228,471	7,994	236,466	6,419	242,886
Depreciation	22,891	110	23,002	190	23,192
Impairment loss	21,637	-	21,637	-	21,637
Capital expenditures	13,388	84	13,473	27	13,500

Notes:

1. The business segments in the above table were categorized based on the Company's administrative policies.
2. Major products included in business segments
 - (1) General casting and forging parts: general parts for vehicles (including aluminum wheels), parts for industrial machinery.
 - (2) Devices and equipment: overhead wire casting, environmental systems and electric power transmission equipment.
3. For "operating expenses", the amount of non-allocable operating expenses included in "Elimination or

Corporate” for the years ended March 31, 2007 and 2008 was ¥1,295 million and ¥1,264 million, respectively, which mainly relates to administrative sections, such as the general affairs department in the head office of the Company.

4. Assets included in “Elimination or Corporate” for the years ended March 31, 2007 and 2008 were ¥9,449 million and ¥6,515 million, respectively. These amounts mostly consisted of excess funds (cash and securities), long-term investment funds (investment securities), and assets used by administrative sections.

5. Change in accounting principle

Method of depreciation for depreciable assets – Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the above segment information due to this change appeared immaterial. For the assets acquired before March 31, 2007, the difference between 5% of acquisition cost and residual value begins to be depreciated by straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% under the depreciation method applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating expense of “general casting and forging parts”, “devices and equipments” and “elimination or corporate” increased by ¥512 million, ¥7 million, and ¥2 million, respectively, and operating income decreased for the same amount accordingly for the year ended March 30, 2008.

2. Information by Geographical Segment

Year ended March 31, 2007

(In ¥ million)

	Japan	Asia	United States	Europe	Other	Total	Elimination or Corporate	Consolidated
I. Sales and operating income								
(1) Sales to external customers	82,694	13,308	34,329	12,180	3,189	145,702	-	145,702
(2) Inter-segment sales or transfers	397	5,895	1,270	527	1,835	9,927	(9,927)	-
Total	83,091	19,203	35,600	12,708	5,025	155,629	(9,927)	145,702
Operating expenses	78,734	18,675	35,651	11,261	4,556	148,879	(6,453)	142,426
Operating income (loss)	4,356	528	(51)	1,447	468	6,749	(3,473)	3,276
II. Assets	115,472	30,920	76,631	60,863	23,205	307,093	(2,402)	304,691

Year ended March 31, 2008

(In ¥ million)

	Japan	Asia	United States	Europe	Other	Total	Elimination or Corporate	Consolidated
I Sales and operating income								
(1) Sales to external customers	92,019	19,529	134,587	55,553	14,195	315,885	-	315,885
(2) Inter-segment sales or transfers	501	7,812	4,773	17	48	13,153	(13,153)	-
Total	92,521	27,341	139,361	55,570	14,243	329,038	(13,153)	315,885
Operating expenses	87,624	26,131	147,884	49,489	13,214	324,345	(11,799)	312,545
Operating income	4,896	1,209	(8,522)	6,080	1,029	4,693	(1,353)	3,340
II Assets	57,005	26,216	94,361	45,978	15,494	239,055	3,830	242,886

Notes:

1. Policies for geographical segment, and countries included in each geographical segment:
 - (1) The geographical segments are determined based on geographical closeness of countries.
 - (2) Asia – Thailand, China, Korea, and India
 - (3) United States – United States
 - (4) Europe – Germany, France, United Kingdom, Italy, Czech Republic, and Luxembourg
2. For “operating expenses”, the amount of non-allocable operating expenses included in “Elimination or Corporate” was the same as one described in the Note 3 for “1. Information by Business Segment”.
3. Assets included in “Elimination or Corporate” are the same as those indicated in the Note 4 for “1. Information by Business Segment”.
4. Amortization expense of goodwill of Metaldyne which was included in “Elimination or Corporate” column for the year ended March 31, 2007 was allocated to the respective segment for the year ended March 31, 2008 using a reasonable method.
5. Change in accounting principle
 Method of depreciation for depreciable assets – Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the above segment information due to this change appeared immaterial. For the assets acquired before March 31, 2007, the difference between 5% of the acquisition cost and the residual value begins to be depreciated using the straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% under the depreciation method applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating expense of “Japan” and “elimination or corporate” increased by ¥519 million and ¥2 million, respectively, and operating income decreased for the same amount accordingly for the year ended March 30, 2008.

3. Overseas Sales

Year ended March 31, 2007

(In ¥ million)

		Asia	United States	Europe	Other Area	Total
I	Overseas sales	12,772	27,946	12,870	9,245	62,834
II	Consolidated sales					145,702
III	Ratio of overseas sales to the consolidated sales	8.8%	19.2%	8.8%	6.3%	43.1%

Year ended March 31, 2008

(In ¥ million)

		Asia	United States	North America	Europe	Other Area	Total
I	Overseas sales	18,618	114,709	30,342	55,935	2,373	221,979
II	Consolidated sales						315,885
III	Ratio of overseas sales to the consolidated sales	5.9%	36.3%	9.6%	17.7%	0.7%	70.3%

Notes:

1. Geographical segments are based on geographical closeness of countries.
2. Geographical segments mainly consist of the following countries:

Asia:	Thailand, China, Korea, and other
United States:	United States
North America:	Canada and Mexico
Europe:	Germany, France, United Kingdom, and other
Other Area:	Middle East, Africa, and other
3. “North America” was added to the above table for the year ended March 31, 2008, considering the overseas

market of Metaldyne, acquired on January 11, 2007.

4. Overseas sales represent the Company's and its consolidated subsidiaries' sales in countries or areas other than Japan.

Related Party Transactions

Year ended March 31, 2007

(1) Related party and/or major corporate shareholder

(In ¥ million)

Type (Note 1)	Related party	
Name	RHJ International SA/NV	
Location	Brussels, Belgium	
Capital	¥88,491	
Description of business or occupation	Holding company	
Percentage of voting rights held	Directly owned 37.0%	
Relationship	Post of director	One (1) director
	Business relationship	--
Description and amount of transactions	Non-cash transfer of the Company's common stock (Note 2) Provision of collateral (Note 3): ¥19,382	
Ending balance	--	

Notes:

- The status of RHJ International SA/NV as a parent as of March 31, 2006 changed to "related party" on March 5, 2007 since its percentage of voting rights held decreased as a result of a stock issue through global offering (excluding the United States) by the Company.
- RHJ International SA/NV returned the Company's common stock of 304,924 on March 23, 2007 among the Company's common stock issued on January 11, 2007 through third party allotment based on the agreement with other shareholders.
- The securities owned by RHJI International SA/NV are provided as collateral for the Company's bank loans. The amount represents the loans of the Company.

(2) Directors and major individual shareholders

(In ¥ million)

Type	Company (including its subsidiaries) of which directors and/or the directors' close relatives hold a majority of voting rights	
Name	Irimajiri Shouichiro, Co.	
Location	Koganei, Tokyo	
Capital	¥3	
Description of business or occupation	Management consulting	
Percentage of voting rights held	--	
Relationship	Post of director	One (1) director
	Business relationship	--
Description and amount of transactions	Labor costs for loan employee: ¥4 Rent expense: ¥1 Prepaid expense: ¥1	
Ending balance	Accrued expense: ¥2	

Notes:

- The amount of transactions is net of consumption tax, and the ending balance is inclusive of consumption tax.
- Terms and conditions of transactions including policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the request of the above company.

Year ended March 31, 2008

(1) Related party and/or major corporate shareholder

(In ¥ million)

Type (Note 1)	Related party	
Name	RHJ International SA/NV	
Location	Brussels, Belgium	
Capital	¥88,491	
Description of business or occupation	Holding company	
Percentage of voting rights held	Directly owned 36.9%	
Relationship	Post of director	One (1) director
	Business relationship	--
Description and amount of transactions	Provision of collateral (Note): ¥19,787	
Ending balance	--	

Note: The securities owned by RHJI International SA/NV are provided as collateral for the Company's bank loans. The amount represents the loans of the Company.

(2) Directors and major individual shareholders

(In ¥ million)

Type	Company (including its subsidiaries) of which directors and/or the directors' close relatives hold a majority of voting rights	
Name	Irimajiri Shouichiro, Co.	
Location	Koganei, Tokyo	
Capital	¥3	
Description of business or occupation	Management consulting	
Percentage of voting rights held	--	
Relationship	Post of director	One (1) director
	Business relationship	--
Description and amount of transactions	Labor costs for loan employee: ¥4 Rent expense: ¥8 Prepaid expense: ¥1	
Ending balance	Accrued expense: ¥0	

Notes:

1. The amount of transactions is net of consumption tax, and the ending balance is inclusive of consumption tax.
2. Terms and conditions of transactions including policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the request of the above company.

Business Combinations

Year ended March 31, 2007

(Application of purchase accounting)

1. Name and the nature of business of the acquired company, reason of executing acquisition, acquisition date, legal form of acquisition, name of company after acquisition, and voting rights acquired.

- (1) Acquired company and the nature of business

Metaldyne Corporation (“Metaldyne”) - A global supplier of systems and modules for automotive powertrain and chassis applications.

- (2) Reason of executing acquisition

The Company will gain access to Metaldyne’s value-added engineering, design and manufacturing capabilities and also be able to further expand its global platforms.

- (3) Date of acquisition - January 11, 2007

- (4) Legal form of acquisition

Acquisition of Metaldyne’s stock via cash-out merger (Metaldyne as a surviving company and Argon Acquisition Corp. as a liquidating company)

- (5) Name after acquisition - Metaldyne Corporation

- (6) Acquired voting right - 100%

2. Financial results of the acquired company included in the consolidated financial statements

For 81-day period from January 11, 2007 until April 1, 2007

3. Acquisition cost

	Million yen
Metaldyne’s stock	45,391
Due diligence and M&A advisory cost	18
Total acquisition cost	45,410

4. Recognition of goodwill and amortization method

¥49,888 million of goodwill was recognized through this acquisition. Goodwill is amortized on straight-line basis over twenty (20) years.

5. Assets and liabilities of Metaldyne on acquisition date

Assets	Million yen
Current assets	44,955
Non-current assets	129,013
Total assets	173,969
Liabilities	
Current liabilities	45,364
Non-current liabilities	132,996
Total liabilities	178,360
Minority interest	87

6. Acquisition cost allocated to research and development cost and account type

Amount allocated to R&D cost: ¥278 million yen

Account type: Cost of sales

7. Acquisition cost allocated to intangible assets other than goodwill and the weighted average depreciation period

Item	Amount allocated	Weighted average life
	Million yen	Year
Trademarks and Technologies	33,900	20
Customer contracts and other	26,860	15
Total	60,760	17

8. Since purchase price allocation is based on preliminary estimates of fair value for the year ended March 31, 2007, asset and liability balances are subject to subsequent revisions.

Year ended March 31, 2008

(Adoption of purchase accounting)

Detail of change in purchase price allocation and amount thereof

Purchase price allocation was performed based on preliminary estimates of fair value with the available data at the time of preparation of the consolidated financial statements issued March 31, 2007. Therefore, the value of assets and liabilities of Metaldyne were subject to subsequent revisions. Accordingly, during the current year, the carrying amount of goodwill was adjusted due to the change of purchase price allocation for the following items.

List of items adjusted:	Change in goodwill
	Million yen
Tangible fixed assets	1,317
Intangible assets	(216)
Deferred tax assets and liabilities	(273)
Tax contingencies	(416)
Other, net	(253)
Total	157

Earnings Per Share

Year ended March 31, 2007 (In ¥)	Year ended March 31, 2008 (In ¥)
Net assets per share	190.39
Basic net loss per share	(6.40)
Net assets per share	81.94
Basic net loss per share	(137.91)

Notes:

1. Diluted net income per share is not presented for the years ended March 31, 2007 and 2008 since the Group had a net loss even though the Company has dilutive shares.

2. Basis of calculation:

	Year ended March 31, 2007 Million yen	Year ended March 31, 2008 Million yen
Basic net loss per share:		
Net loss	(665)	(34,818)
Less amount that does not belong to common stock:	325	968
Series A preferred stock	50	50
Series B preferred stock	74	74
Series C preferred stock	200	843
Net loss that belongs to common stock	(991)	(35,786)

	Thousands shares	Thousand Shares
Weighted average number of shares – common stock	99,162	259,497
Weighted average number of shares – preferred stock and stock option	55,668	-
Weighted average number of shares for the purpose of diluted EPS	154,830	259,497

Stock options that are excluded from the calculation of diluted earnings per share as they are anti-dilutive: a) 3,031,835 stock options granted in June 2006 -----