

(TRANSLATION)

February 28, 2006

Name of Company	Asahi Tec Corporation
Representative	Akira Nakamura, President and CEO
	Code No.: 5606
Contact	Tokyo Stock Exchange 1st Section Takao Yoshida Managing Executive Officer (Tel: 0537-36-3112)

## **Notice of issuance of Preferred Stock by means of allocation to a third party**

Asahi Tec Corporation (hereinafter the “Company”) hereby announces that at the meeting of the Board of Directors of the Company held on February 28, 2006, the Company passed a resolution concerning the issuance of Preferred Stock by means of allocation to a third party to finance effectively and strengthen its capital structure based on the conditions agreed with the investor which takes several factors into consideration as follows:

### Particulars

#### **1. Terms and Conditions of Issuance of New Shares**

##### **1. Name of Preferred Stock**

Asahi Tec Class B Preferred Stock

##### **2. Number of Shares to be Issued**

10,526,316 shares

##### **3. Issue Price of Each Share**

285 JPY per share

##### **4. Total Amount of Issue Price**

3,000,000,060 JPY

##### **5. Amount of Issue Price to be Incorporated into Capital for Each Share**

143 JPY per share

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**6. Total Amount of Issue Price to be Incorporated into Capital**

1,505,263,188JPY

**7. Subscription Date**

March 28, 2006 (Tue)

**8. Payment Date**

March 28, 2006 (Tue)

**9. Initial Date for the Calculation of Dividends**

April 1, 2006 (Sat)

**10. Delivery Date of New Certificate of the Shares**

Not decided

**11. Party and Number of Shares to be Allotted**

RHJ International, 10,526,316 shares

**12. Dividend****(1) Amount of Preferred Dividend**

The Company shall pay a dividend in the amount obtained by multiplying the paid-up amount per Class B Preferred Stock (285 JPY) by (25/1000) per annum (rounded down to the nearest 0.01 yen) (hereinafter referred to as “**Class B Preferred Dividend**”) to the shareholders of Class B Preferred Stocks (hereinafter referred to as “**Class B Preferred shareholders**”) or to the registered pledgees of the Class B Preferred Stocks (hereinafter referred to as “**Class B Preferred Registered Pledgees**”) prior to any payment of dividends to the shareholders of common stocks (hereinafter referred to as “**Common Shareholders**”) or to the registered pledges of the common stocks (hereinafter referred to as “**Common Registered Pledgees**”); provided, however, that when the Class B Preferred Interim Dividend has been paid, the amount of Class B Preferred Dividend shall be the one after deducting the amount of Class B Preferred Interim Dividend.

**(2) Preferred Interim Dividend**

When the Company pays an interim dividend as stipulated in the Article 33, it pays half the amount of the Class B Preferred Dividend per Class B Preferred Stock (rounded down to the nearest 0.01 yen) (hereinafter referred to as “**Class B Preferred Interim Dividend**”) to the Class B Preferred shareholders or to the Class B Preferred Registered Pledgees prior to any payment of interim dividends to

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the Common Shareholders or to the Common Registered Pledges.

(3) **Timing of Payment**

The Class B Preferred Dividend and the Class B Preferred Interim Dividend shall be payable for seven (7) fiscal years starting within seven (7) years after the issuance of the Class B Preferred Stocks (hereinafter referred to as “**Class B Preferred Dividend Fiscal Years**”) and shall not be payable thereafter; provided, however, that the Class B Accumulated Unpaid Dividend as stipulated in (4) below can be paid during the Class B Preferred Dividend Fiscal Years as well as following fiscal years.

(4) **Accumulation Clause**

In case any or a part of the Class B Preferred Dividend is not paid to the Class B Preferred shareholders or the Class B Preferred Registered Pledges during the Class B Preferred Dividend Fiscal Years pursuant to (1) through (3) above, the Company shall accumulate such unpaid portion for the following fiscal years and shall pay the accumulated unpaid portion (hereinafter referred to as “**Class B Accumulated Unpaid Dividend**”) to the Class B Preferred shareholders or to the Class B Preferred Registered Pledges prior to any payment of dividends to the Common Shareholders or the Common Registered Pledges.

(5) **Participation Clause**

If the Company pays a dividend to the Common Shareholders or Common Registered Pledges in excess of the equivalent amount of the Class B Preferred Dividend during the Class B Preferred Dividend Fiscal Years, then the Company shall pay the same excess amount also to the Class B Preferred shareholders or the Class B Preferred Registered Pledges in addition to the Class B Preferred Dividend. Also if the Company pays an interim dividend to the Common Shareholders or Common Registered Pledges in excess of the equivalent amount of the Class B Preferred Interim Dividend, then the Company shall pay the same excess amount also to the Class B Preferred shareholders or the Class B Preferred Registered Pledges in addition to the Class B Preferred Interim Dividend.

**13. Distribution of the Residual Assets**

When the Company distributes the residual assets, it shall pay the amount obtained by multiplying the paid-up amount per Class B Preferred Stock (285 JPY) by 1.1 per Class B Preferred Stock and an equivalent amount of the Class B Accumulated Unpaid Dividend to the Class B Preferred shareholders or the Class B Preferred Registered Pledges prior to any distribution of the residual assets to the Common Shareholders or the Common Registered Pledges. No other residual assets than defined in the preceding paragraph shall be paid to the Class B Preferred shareholders or the Class B Preferred Registered Pledges.

**14. Voting Rights**

The Class B Preferred shareholders shall have voting rights at the shareholders’ meeting.

**15. Adjustment as a result of Stock Split, Stock Merger etc.**

In case any adjustments are needed in the Class B Preferred Dividend, the Class B Preferred Interim Dividend, and the distribution of the residual assets as a result of stock split, stock merger, and issuance of new shares of the Class B Preferred

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Stocks by granting subscription right to the Class B Preferred shareholders, then the amounts shall be adjusted to those which the Board of Directors deems to be appropriate.

## 16. Purchase and Cancellation

The Company can purchase the Class B Preferred Stocks at any time and can cancel them by allotting the profit which can be distributed as a dividend at the purchased price.

## 17. Conversion Rights

Each Class B Preferred shareholder may request conversion of its Class B Preferred shares into the Common Shares during such request period subject to such terms and conditions as set forth below.

### (1) Terms and Conditions of Conversion

#### (i) Initial Conversion Price

The initial conversion price shall be equivalent to the paid-up amount per Class B Preferred Stock (285 JPY).

#### (ii) Adjustment of Conversion Price

- (A) The conversion price shall be adjusted according to the following formula (hereinafter referred to as “**Conversion Price Adjustment Formula**”) in any of the following cases after the issuance of the Class B Preferred Stocks:

$$\text{NCP} = \text{OCP} \times \frac{\text{N} + \frac{\text{NN} \times \text{C}}{\text{CMP}}}{\text{N} + \text{NN}}$$

“NCP” means conversion price after adjustment.

“OCP” means conversion price before adjustment as defined in (C) below.

“N” means issued and outstanding number of Common Stocks as defined in (C) below.

“NN” means number of newly issued or disposed Common Stocks, or the number of Common Stocks which can be newly issued or disposed by the conversion of the convertible securities as defined in (A)(c) below or by exercise of subscription right of new stocks as defined in (A)(c) below.

“C” means “paid-in amount per Common Stock” included in NN as defined in (E) below.

“CMP” means market price as defined in (D) below.

- (a) When Common Stocks are issued or disposed of at the price below the market price used in the Conversion Price Adjustment Formula (except for the cases of exercise of subscription right of new stocks and conversion of convertible securities), the conversion price shall be adjusted to the price computed by the Conversion Price Adjustment Formula. Such conversion price after adjustment shall be applied on the following date of the grant of the subscription right of such Common Stocks to the Common Shareholders, and, in any other cases, on the following date of the pay-in for such Common Stocks.

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- (b) When Common Stocks are issued by the stock split, the conversion price shall be adjusted to the price computed by the Conversion Price Adjustment Formula. The conversion price after adjustment shall be applied on the following date of the allocation of Common Stocks by stock split. However, in case of stock split whereby earnings shall be transferred into capital, and when the date of allocation of the Common Stock by stock split is earlier than the date of the shareholders meeting where the transfer of earnings into capital is resolved, then such conversion price after adjustment shall be applied on the following date of the shareholders meeting.
- (c) When securities which can be converted to the Common Stocks at the price below market price used in the Conversion Price Adjustment Formula (hereinafter referred to as “**Convertible Securities**”) are issued or rights to buy Common Stocks upon exercise thereof including subscription rights for new stocks attached to the bond issued by the Company (hereinafter referred to as “Subscription Right For New Stocks”) are issued, then the conversion price shall be adjusted to the price computed by the Conversion Price Adjustment Formula. Such conversion price after adjustment shall be applied on the following date of the grant of the Convertible Securities or the Subscription Rights For New Stocks when issued to shareholders of the Company, and, in any other cases, on the following date of the pay-in for such Convertible Securities or the Subscription Rights For New Stocks (or issuance date of Subscription Rights For New Stocks if issued gratis). When such Convertible Securities or the Subscription Rights For New Stocks are issued, the conversion price after adjustment shall be computed as if all of Convertible Securities have been converted and all of Subscription Rights For New Stocks have been exercised on the day before the application date of the conversion price after adjustment. However, if the conversion price of such Convertible Securities or the exercise price of such Subscription Rights For New Stocks are not determined on the allocation/payment date of the Convertible Securities or the Subscription Rights For New Stocks, then the conversion price after adjustment shall be applied on the following date of the determination of the conversion price of the Convertible Securities or the exercise price of the Subscription Rights For New Stocks. Such deemed number of Common Stocks shall be applied as long as it exceeds the actual number of Common Stocks issued as the result of conversion of the Convertible Securities and exercise of the Subscription Rights For New Stocks.
- (B) Other than the cases described in (A) above, whenever an adjustment of the conversion price is deemed necessary resulting from the cases such as stock-to-stock exchange, stock transfer, merger, corporate split, stock redemption, and stock merger, such conversion price is adjusted to the one which the Board of Directors deems appropriate.
- (C) “The conversion price before adjustment” used in the Conversion Price Adjustment Formula shall be the conversion price effective on the previous day of the application of the conversion price after adjustment.

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“The outstanding number of Common Stocks” used in the Conversion Price Adjustment Formula shall be the number on the date of the allocation to shareholders, or in the absence of allocation to shareholders, on the date one month prior to the application of the conversion price after adjustment.

- (D) “The market price” used in the Conversion Price Adjustment Formula shall mean the average closing price (including indicative price) of the Common Stock of the Company at Tokyo Stock Exchange during 30 trading days (except for the trading days without the closing price) beginning on the day 45 trading days prior to the date of application of the conversion price after adjustment (or, the date of allocation to shareholders in case of stock split described in the proviso of (A)(b) above) (rounded up/down to the nearest JPY 0.1).
- (E) “The paid-in amount per Common Stock” used in the Conversion Price Adjustment Formula shall mean the paid-in amount in case of (A)(a) above, JPY 0 in case of (A)(b) above, and the conversion price per Common Stock or the sum of the issue price and the paid-in amount upon exercise per New Stock Subscription Right in case of (A)(c) above.
- (F) The Conversion Price Adjustment Formula shall be calculated to the first decimal place and be rounded up.

(iii) Number of stocks issued upon the conversion

The number of stocks to be issued upon the conversion of the Class B Preferred Stock shall be calculated as follows:

$$\text{Number of stocks to be issued} = \frac{\text{Total issuance price of the Class B Preferred Stock which Class B Preferred shareholder requested convert}}{\text{Conversion Price}}$$

Any number under decimal shall be rounded down.

(iv) The stocks to be Issued upon the Conversion  
Common Stocks of the Company.

(2) Conversion Period

From March 28, 2006 until September 30, 2016

(3) Place of Conversion

Name: Mitsubishi UFJ Trust and Banking Corporation, Transfer Agent Division

Place: 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

(4) Timing of Conversion

Conversion shall become effective when the conversion request and the share certificate representing the subject Class B Preferred Stock reach to the place set forth in (3) above.

## 18. Mandatory Conversion

Those Class B Preferred Stocks which were not converted to the Common Stocks during the conversion period above shall be converted to the number of Common Stocks which are equivalent to the paid-up amount per Class B Preferred Stock (285 JPY) divided by conversion price on the last day of the conversion period as set forth in 17(2) above. Any decimal fractions derived from the calculation shall be treated in the same manner as stock merger as stipulated in the Commercial Code.

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**19. Order of Priority for Dividends, Interim Dividends and the Residual Assets**

Class A Preferred Stocks and Class B Preferred Stocks shall rank *pari passu* with each other with respect to priority in payment of Preferred Dividend, Preferred Interim Dividend, Accumulated Unpaid Dividend, additional dividend and interim dividend payable pursuant to the Participation Clause, and in the distribution of the residual assets

**20. Unit of the Shares**

The number of shares of the Company per unit (tangen) shall be one thousand (1,000) shares for Class B Preferred Stock.

**21. Reason for Calculation of Issue Price**

We multiply the closing price at the Tokyo Stock Exchange on the business day immediately prior to the board resolution for this issuance by 90% and round to the nearest yen above.

**22. Others**

These terms and conditions shall be subject to the necessary procedures required under applicable laws.

**23. Dilution**

The rights of existing shareholders will be diluted by this capital increase and they may be further diluted if the conversion price is adjusted according to 17.(1)(ii).

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## **2. Increase of Issued Shares by the Capital Increase**

Number of Current Issued Shares	88,845,313 shares (Class A Preferred Stock 28,572,000 shares, Common Stock 60,273,313 shares)
Number of Increased Shares by the Capital Increase	10,526,316 shares (Class B Preferred Stock 10,526,316 shares)
Number of Issued Shares after the Capital Increase	99,371,629 shares (Class A Preferred Stock 28,572,000 shares, Class B Preferred Stock 10,526,316 shares, Common Stock 60,273,313 shares)

## **3. Reason for Capital Increase and Application of Funds**

### **1. Reason for Capital increase**

For capital reinforcement in consideration of the increase of the total borrowings which shall be appropriated for the corporate acquisition funds, and others.

### **2. Application for Funds**

To be used for repayment of borrowings.

### **3. Reason for Issuance of Class B Preferred Stock**

To finance effectively and strengthen its capital structure based on the conditions agreed with the party to be allotted which takes several factors into consideration.

### **4. Influence on Results of Business Operation**

We believe that influence by this capital increase to the results of business operation is little.

## **4. Distribution of Profit to Shareholders**

### **1. Basic Policy for Distribution of Profit**

Asahi Tec Group stipulated its basic policy as follows: “we will increase our enterprise value and make active distribution of dividends linked with such increased enterprise value to return profits to shareholders.

### **2. Usage of Internal Reserve**

As for internal reserve, from the middle to long term viewpoint, we allot such reserve to anticipatory investment concerning R&D activities necessary for future growth and global expansion of our business and improve our business structure and competitive power to increase our enterprise value.

## **5. Status of Equity Finances Made in Last 3 Years, etc**

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## 1. Status of Equity Finance

Date	Amount of Increased Capital	Amount of Capital after Capital Increase	Amount of Capital Reserve after Capital Increase
July 3, 2003	JPY2,000,040,000	JPY 5,669,277,950	JPY 6,604,213,516
May 17, 2004	JPY 87,000,000	JPY 5,712,777,950	JPY 6,647,713,516

## 2. Transition of Share Price in Last 3 Years

(in JPY)

	Business Year ended in March, 2003	Business Year ended in March, 2004	Business Year ended in March, 2005
Opening Price	127	104	218
Highest Price	144	282	285
Lowest Price	78	104	155
Closing Price	104	216	229

## 6. Outline of Party to be Allotted

Trade name	RHJ International	
Location of principal office	326 Avenue Louise, 1050 Brussels, Belgium	
Name and title of the Representative	Timothy C. Collins, CEO	
Paid-in capital (contribution to capital)	778,455,470 EURO	
Total number of issued and outstanding shares	77,845,574 shares	
Major shareholders and their holding ratios	Timothy C. Collins (11.19%)* <sup>1</sup> Mitsubishi Corporation (6.26%) Lord Rothschild (5.20%)  * <sup>1</sup> Includes non-beneficially held shares	
Major Business	Holding Company	
Relationships with the Company	Capital	Holding 58.38% of voting right of the Company before the allotment. Class A Preferred Stock 22,858,000shares Common Stock 29,010,000shares (Details of shareholding by RHJ International after the allotment) Class A Preferred Stock 22,858,000shares Class B Preferred Stock 10,526,316shares Common Stock 29,010,000shares
	Business	N/A
	Personnel	N/A
Matters concerning holding and other matters concerning the Shares	When RHJ International transfer these Class B Preferred Stocks or convert them to common stocks and transfer them within 2 years from this	

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	issuance, it will notify such transfer to the Company.
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### **7. Large Shareholders after the Capital Increase**

Order	Name of Shareholder	Number of Shares Held	Shareholding Ratio
1	RHJ International	62,394,316	62.79%
2	Japan Casting III LP	5,714,000	5.75%
3	Mitsubishi Fuso Truck and Bus Corporation	1,674,652	1.69%
4	Asahi Tec Business Partners Shareholding Association	1,459,628	1.47%
5	The Master Trust Bank of Japan, Ltd. (Trust Account)	1,227,000	1.23%

\* These numbers are calculated based on the numbers of shares held by each shareholder, and with respect to the shares held by RHJ International, we added the number of the shares issued this time. The breakdown of the issued shares of the Company after the capital increase (99,371,629 shares) are Class A Preferred Stock 28,572,000 shares, Class B Preferred Stock 10,526,316 shares and Common Stock 60,273,313 shares.

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