

(Translation)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2007

May 23, 2007

Listing name: ASAHI TEC CORPORATION (hereinafter referred to as “the Company”)
Code number: 5606
Listing: The Tokyo Stock Exchange, 1st section
URL: <http://www.asahitec.co.jp/>
Representative: Shoichiro IRIMAJIRI (President and Co-CEO)
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Date of shareholders’ meeting: June 28, 2007
Date of filing Yukashoken Houkokusho: June 28, 2007

1. Financial Results for the Year Ended March 31, 2007

(1) Consolidated operating results

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

	Net sales (In ¥ million)	Percent change	Operating income (In ¥ million)	Percent change	Ordinary income/(loss) (In ¥ million)	Percent change	Net loss (In ¥ million)	Percent change
Year ended March 31, 2007	145,702	151.2%	3,276	62.7%	(162)	-	(665)	-
Year ended March 31, 2006	57,994	0.7%	2,013	220.5%	1,447	-	(282)	-

	Basic net loss per share (in ¥)	Diluted net income per share (in ¥)	ROE (Net loss/Shareholders’ equity)	ROA (Ordinary income(loss) /Total assets)	Operating income/Net sales
Year ended March 31, 2007	(6.40)	-	(1.5%)	(0.1%)	2.3%
Year ended March 31, 2006	(3.74)	-	(2.0%)	2.4%	3.5%

For reference: Equity income (loss)

(In ¥ million)

Year ended March 31, 2007	90
Year ended March 31, 2006	74

(2) Consolidated financial position

	Total assets (in ¥ million)	Net assets (in ¥ million)	Net assets to total assets	Net assets per share (in ¥)
Year ended March 31, 2007	304,691	76,082	24.0%	190.39
Year ended March 31, 2006	72,593	15,332	21.1%	161.69

For reference: Net assets

(In ¥ million)

Year ended March 31, 2007	73,249
Year ended March 31, 2006	-

(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, 2007	2,675	(43,306)	44,927	8,735
Year ended March 31, 2006	2,772	(6,831)	4,366	4,119

2. Dividend Information

	Cash dividend per share			Total dividend payment amount (in ¥ million)	Dividend payment 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, 2006	-	-	0.00	-	-	-
Year ending March 31, 2008 (estimate)	-	-	0.00	-	-	-

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2008

	Net sales (In ¥ million)	Percent Change	Operating income (In ¥ million)	Percent Change
Six months ending September 30, 2007	159,920	263.0%	4,040	215.7%
Year ending March 31, 2008	329,200	125.9%	10,520	221.3%

	Ordinary income (In ¥ million)	Percent change	Net income (In ¥ million)	Percent change	Net income per share (in ¥)
Six months ending September 30, 2007	(1,780)	-	(2,680)	-	(10.01)
Year ending March 31, 2008	(510)	-	(2,800)	-	(11.98)

4. Other

(1) Change in the scope of consolidation

Number of newly consolidated subsidiaries: Seventy (Metaldyne Holdings LLC and its 68 subsidiaries, Guangzhou Asahi Dongling Research & Development Co., Ltd.)

Number of subsidiaries excluded from consolidation: None

Note: Please refer to “group information” on page 10 for detail.

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

Change by adoption of new accounting pronouncements: Yes

Change by other than above: No

Note: Please refer to “change in basic matters to prepare consolidated financial statements” on page 27 for detail.

(3) Number of shares issued (common stock)

	As of March 31, 2007	As of March 31, 2006
Number of shares issued as of year end (including treasury stock)	Shares 259,901,537	Shares 60,277,813
Number of treasury stock as of year end	399,497	82,840

Note: Please refer to “earnings per share” on page 57 for the number of shares used to calculate “net income per share (consolidated)”.

For reference: Non-consolidated Financial Highlights

1. Financial Results for the Year Ended March 31, 2007

(1) Non-consolidated operating results

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

	Net sales (In ¥ million)	Percent change	Operating income (In ¥ million)	Percent change	Ordinary income (In ¥ million)	Percent change	Net income/(loss) (In ¥ million)	Percent change
Year ended March 31, 2007	49,548	3.8%	1,698	47.9%	1,146	105.6%	2,192	-
Year ended March 31, 2006	47,720	3.0%	1,148	-	557	-	(724)	-

	Net income/(loss) per share (in ¥)	Diluted net income per share (in ¥)
Year ended March 31, 2007	12.06	11.26
Year ended March 31, 2006	(8.71)	-

(2) Non-consolidated financial position

	Total assets (in ¥ million)	Net assets (in ¥ million)	Net assets to total assets	Net assets per share (in ¥)
Year ended March 31, 2007	110,642	71,390	64.4%	182.81
Year ended March 31, 2006	54,286	14,734	27.1%	151.75

For reference: Net assets

(In ¥ million)

Year ended March 31, 2007	71,281
Year ended March 31, 2006	-

2. Forecast of Non-consolidated Financial Results for the Year Ending March 31, 2008

	Net sales (In ¥ million)	Percent change	Operating income (In ¥ million)	Percent Change
Six months ending September 30, 2007	23,100	7.6%	(60)	-
Year ending March 31, 2008	52,600	6.1%	1,460	(13.6%)

	Ordinary income (In ¥ million)	Percent change	Net income (In ¥ million)	Percent change	Net income per share (in ¥)
Six months ending September 30, 2007	(330)	-	(370)	-	(2.70)
Year ending March 31, 2008	900	(20.7%)	830	(61.9%)	(0.42)

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. Business Results – Overview of business results” on page 4.

Business Results and Financial Position

1. Business Results

(1) Overview of Business Results

During the year ended March 31, 2007 (“current year”), the Japanese economy continued to show stability with a recovery in corporate earnings and increased capital investments.

Consequently, consolidated sales for the year ended March 31, 2007 amounted to ¥145,702 million, up 151.2% from the prior year, due to sales contributed by Metaldyne Corporation (“Metaldyne”) acquired on January 11, 2007 and Techno Metal Co., Ltd. (“Techno Metal”) acquired on January 28, 2006.

During the year ended March 31, 2007, improved profitability was largely as a result of sales contributed by Metaldyne and Techno Metal, offset by amortization of goodwill associated with the acquisition of Metaldyne. As a result, operating income amounted to ¥3,276 million (up ¥1,262 from the prior year), and ordinary loss amounted to ¥162 million (down ¥1,609 million from the prior year).

As a result of the recording of a provision for environmental obligations as an extraordinary loss and the recognition of deferred tax assets/benefits, net loss for the year ended March 31, 2007 amounted to ¥665 million (an increase in net loss of ¥383 million compared to the prior year).

The aforementioned consolidated financial results reflect Metaldyne’s (after acquisition) and Techno Metal’s (full year ended March 31, 2007) sales of ¥51,407 million and ¥32,007 million respectively, operating (loss) income for (¥2,339) million and ¥670 million, and net (loss) income for (¥2,881) million and ¥343 million, respectively.

Considering these results, the Company does not plan to pay a dividend for the year ended March 31, 2007.

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 significantly increased due to sales contributed by Metaldyne and Techno-Metal Co., Ltd. and a continuing high demand for automobile parts in Thailand. Consequently, consolidated sales for this segment amounted to ¥136,941 million, up 173.4% from the prior year. Consolidated operating income for this segment amounted to ¥3,678 million, up 41.8% from the prior year, as a result of overall increase in sales, improved productivity, and reduction in purchased material costs.

[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 ¥8,800 million, up 10% from the prior year. Consolidated operating income for this segment amounted to ¥896 million, up 24.6% from the prior year.

b) Information by geographical segment

[Japan]

Consolidated domestic sales amounted to ¥83,091 million, up 68.6% from the prior year, largely due to the sales contributed by Techno Metal for the full year ended March 31, 2007, and increased demands for motorcycle parts and products in the device and equipment segment. Consolidated operating income for this segment amounted to

¥4,356 million, up 35.6% from the prior year, due to the overall increase in sales and improved profitability.

[Asia]

Consolidated sales in Asia amounted to ¥19,203 million, up 38.4% from the prior year, due to the continuing growth in the Thai automotive industry. Although the Group was impacted by higher material costs and an appreciation in the Thai Baht, consolidated operating income for this segment amounted to ¥528 million, a ten fold increase from the prior year, largely due to the sales increase and improved profitability.

[United States and Europe]

Consolidated sales and operating income in United States and Europe of Metaldyne, a newly consolidated subsidiary for the year ended March 31, 2007, amounted to ¥48,308 million and ¥1,396 million, respectively.

Forecast for the year ending March 31, 2008 is as follows: net sales of ¥329,200 million, operating income of ¥10,520 million, ordinary loss of ¥510 million, and net loss of ¥2,800 million.

2. Financial Position

(1) Assets, liabilities, and net assets

Total assets amounted to ¥304,691 million, up by ¥232,098 million from the prior year-end, due to the acquisition of Metaldyne.

Total liabilities amounted to ¥228,609 million, up by ¥173,736 million from the prior year-end, due to the acquisition of Metaldyne.

Net assets amounted to ¥76,082 million, up by ¥58,363 million (comparison is made after restating the prior year amount to be comparable with the current year presentation, as a result of change in accounting principles related to net assets), due to the issuance of common stock and Class C preferred stock associated with acquisition of Metaldyne.

(2) Cash flows

Cash and cash equivalents for the current year were ¥8,735 million, up ¥4,615 million from the prior year-end.

Net cash provided by operating activities was ¥2,675 million, down ¥97 million from the prior year.

Net cash used in investment activities was ¥43,306 million, up ¥36,475 million from the prior year.

Net cash provided by financial activities was ¥44,927 million, up ¥40,561 million from the prior year.

Reference: Trend of cash flow indicators

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Equity ratio	34.9%	28.0%	25.4%	21.1%	24.0%
Equity ratio on a market value basis	12.0%	38.1%	41.0%	43.5%	20.4%
Interest bearing debt / Cash flow ratio	3.5	5.8	5.5	8.2	39.6
Interest coverage ratio	13.4 times	5.0 times	4.2 times	4.0 times	2.4

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

1. 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, 2006 and 2004, the advisory service fee and refinance costs were nonrecurring and unusual. Therefore, they were excluded from the operating cash flow for calculation purposes.
4. Interest bearing debt represents liabilities with interest payments included in liabilities 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 expectation of current and next fiscal year dividend

It is the basic policy of the Group to return appropriate profits to its shareholders by continuously increasing its corporate 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 and to enhance corporate value.

During the year ended March 31, 2007, the Company issued stock options to the directors, officers, and employees of the Company and its subsidiaries in order to align their interests with those of shareholders.

The Company acquired Metaldyne Corporation ("Metaldyne") on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company. Considering the expenses incurred in relation to the acquisition of Metaldyne, and amortization of goodwill, a dividend payment is not planned for the year ended March 31, 2007.

4. Risk Information

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

(1) Transactions with major customers

For the general casting and forging parts business, the Group's major customers are automobile manufacturers. Amongst these are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation, Mitsubishi Motors Co., Ltd., Honda Motor Co., Ltd., Daimler Chrysler Corporation, 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 operations or business results.

(2) Raw material purchase risk

As the purchase price of certain raw materials (iron scrap, aluminum metal and coke, and etc.) is linked to worldwide supply and demand trends, prices may fluctuate dramatically. The Group is trying to recoup any increase in material costs, as much as possible, by increasing the selling prices of its finished products to its customers, but the Group's performance may be adversely affected by such risk if the pass through of these costs increases is not successful.

(3) Sales skewed in the second half year

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 performance may be adversely affected.

(5) Risk associated with requests for discounting 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 financial 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 cost
- 3) Reduce instances of defective products and returns from customers by improving quality
- 4) Shift production bases to lower cost countries, Thailand and China.

The Group may lose cost competitiveness, which will adversely affect its performance, 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 in personnel training or facility shift.

(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. 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) between 18 and the 36 months after the contract took effect. On February 27, 2007, the Group was notified by Mitsubishi Fuso of selling remaining shares to the Group on August 29, 2007. The Group is expected to pay ¥1,670 million to acquire the remaining shares.

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

- 1) Newly enter the field of manufacture of automobile engines
- 2) Promote proposals on manufacturing processes to meet customer needs
- 3) Increase the manufacture of high-value added products

- 4) Improve efficiency in the development and production areas
- 5) Improve profit margin through cost reduction

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

(8) Acquisition of Metaldyne Corporation

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 Corporation ("Metaldyne") on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company.

Metaldyne is a leading 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 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 financial results may be adversely affected.

(9) Interest rate fluctuation

As the Group has consolidated loans and borrowings of ¥71,716 million, fluctuations in interest rates may adversely affect financial performance.

(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 exchange rates may adversely affect performance.

(11) Legal matter

On December 26, 2005, a distributor of the Company's products, Vantec Corporation, 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.

(12) Labor stoppages at our facilities and those of our customers

If work stoppages at facilities are caused by strikes of the Group's unionized employees, for higher wages, or a greater percentage of the Group's work force becomes unionized, the financial results of the Group may be adversely affected. In addition, any work stoppage or strike at the OEM's facilities may adversely affect the financial results of the Group.

(13) 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 financial position may be adversely affected.

Group Information

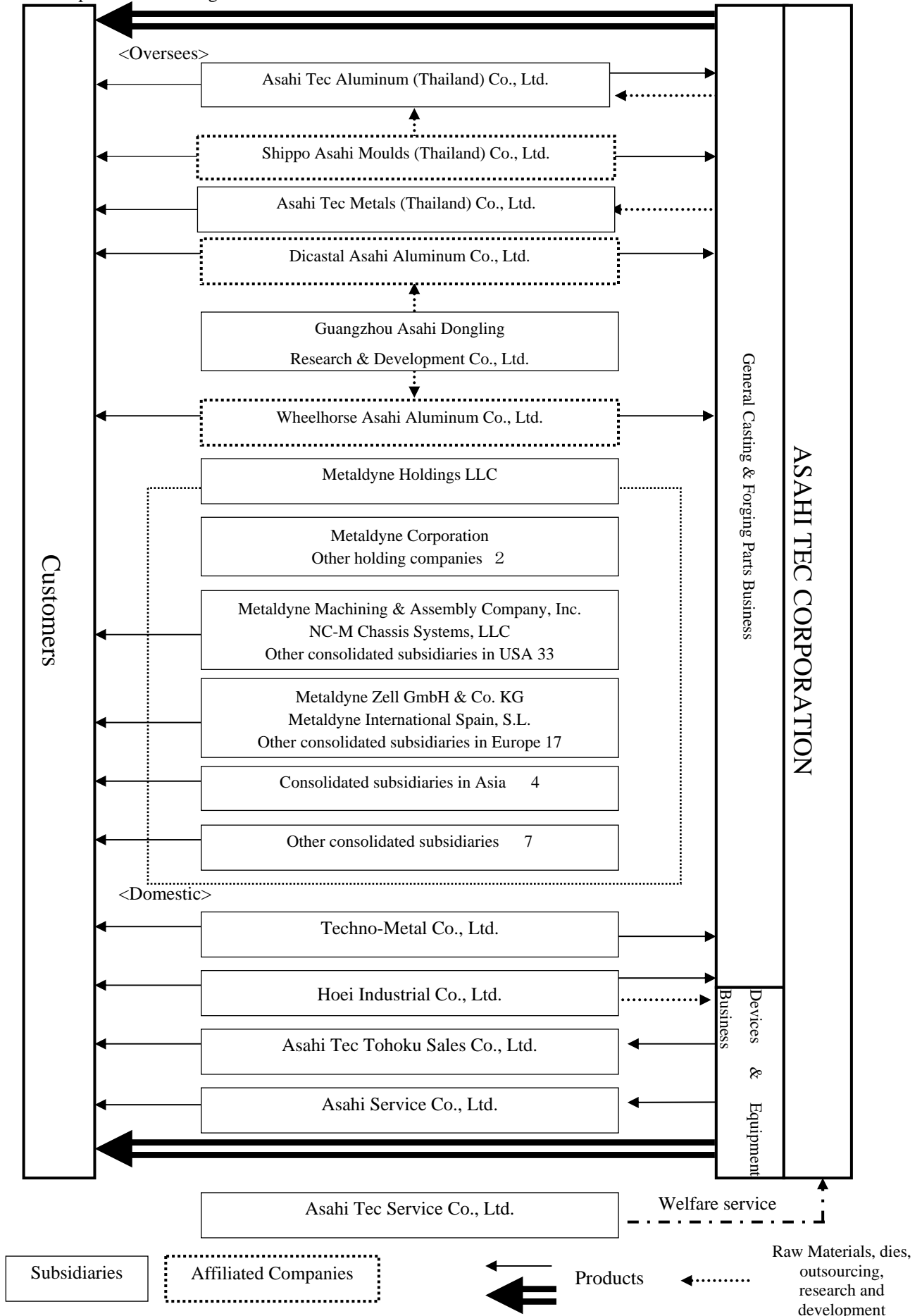
The Group consists of the Company, seventy seven (77) subsidiaries and three (3) affiliated companies, and mainly engages in the manufacture and sales of general casting and forging parts, and devices and equipment.

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 68 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.
Other operations	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 schematic diagram 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 new next century. It will emphasize development of staff consciousness, and have a transparent management in order to develop its culture and system to ensure long term stability and growth, and to ensure reasonable profitability. Employee principles are:

*Let's bring about breakthrough without fearing change.

*Let's assert ourselves without fearing making waves.

*Let's tackle the unknown without fearing failure.

*Let's take immediate action without fearing difficulty.

Consequently, it will create a new progressive corporate value, and have business opportunities worldwide. The Group hopes that these plans will result in increasing shareholder value.

In addition, it will meet its corporate social responsibility in all its business activities through working to preserve the environment, and maintaining social harmony such as paying ongoing 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 makers are expanding their globalization and increasing the outsourcing of production of high value-added automotive parts, it is imperative the Group execute strategies to respond to this dynamic business environment. Consequently, the Group, as a casting and forging manufacturer of iron and aluminum automobile parts, has expanded its market share and plans to keep doing so by establishing production centers in Asia.

The Group will take the following measures in order to provide new technology and competitive products that satisfy customer needs on a timely basis, and create stable profitability.

(1) Technological innovation

The Group will expedite technological development by making the most of its technology, know-how, and human resources with the right choice and concentration. 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. To achieve this goal, the Group will continue to provide reliable products using light alloys and cast iron, and aim for high quality and cost competitiveness.

(3) Growth strategy

The Company acquired Metaldyne Corporation ("Metaldyne") on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company. Metaldyne is a leading 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. Specifically, the Company expects the acquisition to contribute to further growth through:

- 1) Expansion of global platforms
- 2) Ability to partner with Metaldyne's experienced management team
- 3) Joint supply and sale of products
- 4) Enhancement of engineering capabilities
- 5) Expanded R&D capabilities
- 6) Broader manufacturing capabilities
- 7) Cost reduction through joint procurement
- 8) Utilization of common production facilities
- 9) Expanded market opportunities for both light vehicles (Metaldyne) and heavy truck (the Company).

The environmental system and equipment business and the electric power equipment business are expected to keep contributing to the Group's profit.

(4) Intensive manpower development

To meet the challenges of ongoing globalization, the Group will upgrade its human resources development system. By improving training courses, and by supporting employees' acquisition of 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 increase profitability.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	As of March 31, 2006		As of March 31, 2007		Increase (decrease)
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen
Assets:					
Current Assets					
Cash and bank deposits	¥4,148		¥8,803		¥4,654
Trade notes and accounts Receivable	18,181		42,298		24,117
Inventories	9,758		22,009		12,250
Deferred tax assets	241		4,186		3,945
Other current assets	743		5,289		4,545
Provision for doubtful accounts	(40)		(372)		(331)
Total current assets	33,032	45.5%	82,215	27.0%	49,182
Non-Current Assets					
Property, plant, and equipment					
Buildings and structures	8,694		18,861		10,167
Machinery, equipment and Vehicles	10,739		62,050		51,310
Tools, furniture and fixtures	2,858		5,563		2,705
Land	13,519		16,996		3,477
Construction in progress	1,087		4,352		3,265
Total property, plant, and Equipment	36,899	50.8	107,824	35.4	70,925
Intangible fixed assets					
Software	625		1,326		701
Goodwill	139		49,397		49,257
Other intangible fixed assets	34		59,229		59,194
Total intangible fixed assets	799	1.1	109,953	36.1	109,153
Investments and other non- current assets					
Investment securities	500		625		125
Deferred tax assets	237		422		185
Other investments	1,330		2,247		917
Provision for doubtful accounts	(206)		(348)		(142)
Total investments and other non-current assets	1,862	2.6	2,947	0.9	1,085
Total non-current assets	39,560	54.5	220,725	72.4	181,164
Deferred Assets					
Stock issuance cost	-		415		415
Bond issuance cost	-		1,335		1,335
Total deferred assets	-		1,751	0.6	1,751
Total Assets	¥72,593	100%	¥304,691	100%	¥232,098

(Continued)

	As of March 31, 2006		As of March 31, 2007		Increase (decrease)
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen
Liabilities:					
Current Liabilities					
Trade notes and accounts payable	¥14,963		¥43,421		¥28,458
Short-term loans and borrowings	4,418		5,423		1,005
Income taxes payable	253		2,075		1,821
Provision for bonuses	988		2,078		1,090
Provision for plant closure cost	-		1,140		1,140
Provision for loss on sales	698		1,312		613
Notes payable for equipment	550		642		91
Other provisions	73		196		123
Other current liabilities	4,107		17,248		13,141
Total current liabilities	26,053	35.9%	73,539	24.1%	47,485
Non-Current Liabilities					
Debentures	-		47,977		47,977
Long-term loans and borrowings	18,626		66,292		47,665
Deferred tax liabilities	1,070		13,400		12,330
Deferred tax liabilities from land revaluation	2,822		2,816		(6)
Provision for employees' retirement benefits	4,657		18,621		13,963
Provision for directors' retirement benefits	96		151		54
Provision for environmental obligations	-		346		346
Negative goodwill	56		45		(11)
Other non-current liabilities	1,488		5,418		3,929
Total non-current liabilities	28,819	39.7	155,070	50.9	126,250
Total liabilities	54,873	75.6	228,609	75.0	173,736
Minority Interest:					
Minority interest	2,387	3.3	-	-	-
Equity:					
Capital	7,218	9.9	-	-	-
Additional paid-in capital	8,142	11.2	-	-	-
Retained earnings	(3,392)	(4.7)	-	-	-
Land revaluation surplus	3,052	4.2	-	-	-
Net unrealized gain on available-for-sale securities	43	0.1	-	-	-
Foreign currency translation adjustments	282	0.4	-	-	-
Treasury stock	(14)	(0.0)	-	-	-
Total equity	15,332	21.1	-	-	-
Total Liabilities, Minority Interest and Equity	¥72,593	100%	¥-	-	¥-

(Continued)

	As of March 31, 2006		As of March 31, 2007		Increase (decrease)
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen
Net Assets:					
Shareholders' Equity:	-	-			-
Capital	-	-	¥34,384	11.3	¥-
Additional paid-in capital	-	-	35,308	11.6	-
Retained earnings (accumulated deficit)	-	-	(3,449)	(1.1)	-
Treasury stock	-	-	(17)	(0.0)	-
Total shareholders' equity	-	-	66,226	21.8	-
Valuation and Translation Adjustments:					
Net unrealized gain on available-for-sale securities	-	-	70	0.0	-
Land revaluation surplus	-	-	3,044	1.0	-
Foreign currency translation adjustments	-	-	3,907	1.3	-
Total valuation and translation adjustments	-	-	7,022	2.3	-
Stock Option	-	-	108	0.0	-
Minority Interest	-	-	2,724	0.9	-
Total net assets	-	-	76,082	25.0	-
Total Liabilities and Net Assets	-	-	¥304,691	100%	¥-

(Concluded)

(2) Consolidated Income Statements

	Year ended March 31, 2006		Year ended March 31, 2007		Increase (decrease)
	Millions of yen	%		%	Millions of yen
Net Sales	¥57,994	100.0%	¥145,702	100.0%	¥87,707
Cost of Sales	50,468	87.0	130,224	89.3	79,756
Reversal of provision for loss on sales	(455)	(0.8)	(336)	(0.2)	118
Gross Profit	7,982	13.8	15,814	10.9	7,832
Selling, General and Administrative Expenses	5,969	10.3	12,538	8.6	6,569
Operating Income	2,013	3.5	3,276	2.3	1,262
Non-Operating Income:					
Interest income	26		19		
Dividend income	4		6		
Amortization of negative goodwill	-		11		
Equity income from affiliates	74		90		
Gain on sale of scrap	4		32		
Incentive received for promotion of export sales	123		178		
Gain on foreign currency adjustment	48		134		
Other non-operating income	50		56		
Total non-operating income	333	0.6	529	0.3	196
Non-Operating Expenses:					
Interest expense	676		3,605		
Other non-operating expenses	221		362		
Total non-operating expenses	898	1.6	3,967	2.7	3,068
Ordinary Income (Loss)	1,447	2.5	(162)	(0.1)	(1,609)
Extraordinary Gains:					
Gain on sale of fixed assets	22		35		
Reversal of provision for doubtful accounts	11		-		
Gain on prior year adjustment - provision for environmental obligations	-		127		
Reimbursement of insurance	-		10		
Other	9		5		
Total extraordinary gains	43	0.1	178	0.1	134
Extraordinary Losses:					
Loss on prior year adjustment - provision for directors' retirement benefit	-		21		
Loss on disposal of fixed assets	206		370		
Impairment loss	621		23		
Provision for environmental Obligations	-		282		
M&A advisory fee and refinance cost	646		-		
Other extraordinary losses	28		5		
Total extraordinary losses	1,503	2.6	704	0.5	(798)

(Continued)

	Year ended March 31, 2006		Year ended March 31, 2007		Increase (decrease)
	Millions of yen	%		%	Millions of yen
Loss before Income Taxes	(12)	(0.0)	(687)	(0.5)	(675)
Income Taxes:					
Corporate income, inhabitant and enterprise taxes:					
Current	296		1,215		
Deferred	(159)		(1,486)		
Total income taxes	137	0.3	(270)	(0.2)	(407)
Minority Interest in Net Income	133	0.2	248	0.2	115
Net Loss	(¥282)	(0.5 %)	(¥665)	(0.5%)	(¥383)

(Concluded)

(3) Consolidated Statements of Equity

(In ¥ million)

	Year ended March 31, 2006
Additional Paid-in Capital	
Beginning balance of additional paid-in capital	6,647
Increase in additional paid-in capital	
Issuance of new shares	1,494
Execution of stock options	0
Ending balance of additional paid-in capital	8,142
Retained Earnings (Accumulated Deficit)	
Beginning balance of retained earnings (accumulated deficit)	(3,393)
Increase in retained earnings	
Retained earnings of newly added consolidated subsidiaries	38
Reversal of land revaluation surplus	243
Decrease in retained earnings	
Net loss	(282)
Ending balance of retained earnings (accumulated deficit)	(3,392)

Consolidated Statements of Changes in Net Assets

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Retained earnings (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 income			(665)		(665)
Minimum pension liability 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

(Continued)

Consolidated Statements of Changes in Net Assets

(In ¥ million)

	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 income							(665)
Minimum pension liability 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

(Concluded)

(4) Consolidated Statements of Cash Flows

(In ¥ million)

Accounts	Year ended March 31, 2006	Year ended March 31, 2007	Increase (decrease)
Cash flows from operating activities			
Loss before income taxes	(¥12)	(¥687)	
Depreciation and amortization expense	3,030	8,469	
Impairment loss	621	23	
Amortization of goodwill	-	633	
Amortization of negative goodwill	-	(11)	
Increase (decrease) in provision for doubtful accounts	(12)	38	
Decrease in provision for employees' retirement benefits	(31)	904	
Increase (decrease) in provision for directors' retirement Benefits	(12)	54	
Increase in provision for environmental obligations	-	276	
Loss on sale or retirement of property, plant, and Equipment	183	334	
Decrease in provision for loss of sales	(455)	(336)	
Interest and dividend income	(30)	(25)	
Interest expense	676	3,605	
Gain on foreign currency exchange	(18)	(136)	
Equity income from affiliates	(74)	(90)	
M&A advisory fee and refinance costs	646	-	
(Increase) decrease in trade accounts receivable	(270)	(5,177)	
Increase in inventories	(1,088)	1,212	
Increase (decrease) in trade accounts payable	925	(2,461)	
Others	(193)	(543)	
Sub-total	3,885	6,082	2,197
Interest and dividend received	45	25	
Interest paid	(750)	(2,149)	
Income taxes paid	(188)	(857)	
M&A advisory fee and refinance costs paid	(219)	(426)	
Net cash provided by operating activities	2,772	2,675	(97)
Cash flows from investment activities			
Transfer to time deposits	(18)	(122)	
Withdrawals of time deposits	83	118	
Acquisition of tangible fixed assets	(3,745)	(6,286)	
Proceeds from sale of tangible fixed assets	179	39	
Acquisition of intangible fixed assets	(551)	(10)	
Payment for acquisition of newly consolidated subsidiary	(2,738)	(36,640)	
Payment for additional acquisition of subsidiaries' shares	(21)	(44)	
Others	(19)	(360)	
Net cash used in investment activities	(¥6,831)	(¥43,306)	(¥36,475)

(Continued)

(In ¥ million)

Accounts	Year ended March 31, 2006	Year ended March 31, 2007	Increase (decrease)
Cash flows from financing activities			
Increase (decrease) in short-term loans and borrowings-net	¥1,780	(¥827)	
Proceeds from long-term loans and borrowings	20,885	24,988	
Repayment of long-term loans and borrowings	(22,082)	(32,269)	
Repayment of debt	-	(937)	
Proceeds from issuance of stocks	3,001	53,883	
Proceeds from sale and lease back	1,134	550	
Repayments of finance lease obligations	(344)	(621)	
Dividends to minority shareholders	(4)	(7)	
Proceeds from minority shareholders for capital increase	-	42	
Others	(4)	126	
Net cash provided by financing activities	4,366	44,927	40,561
Exchange gain (loss) on cash and cash equivalents	37	319	282
Increase (decrease) in cash and cash equivalents	344	4,615	4,271
Increase in cash and cash equivalents of newly consolidated subsidiaries	57	-	(57)
Beginning balance of cash and cash equivalents	3,716	4,119	402
Ending balance of cash and cash equivalents	¥4,119	¥8,735	¥4,615

(Concluded)

Basic Matters to Prepare the Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries – the following seventy seven (77) subsidiaries were consolidated:

Hoei Industrial Co., Ltd.

Techno-Metal Co., Ltd.

Metaldyne Holdings LLC and its 68 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 Service Co., Ltd.

Metaldyne Holdings LLC and its 68 subsidiaries became consolidated subsidiaries on January 11, 2007 and are included in scope of consolidation. The Group consolidated Metaldyne's financial statements by adjusting material GAAP differences. Guangzhou Asahi Dongling Research & Development Co., Ltd. is also included in the scope of consolidation starting this fiscal year ended March 31, 2007.

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. (formally called Asahi Somboon Shippo Moulds Co., Ltd.)

Dicastal Asahi Aluminum Co., Ltd.

Wheelhorse Asahi Aluminum Co., Ltd. (investment was made on March 27, 2007)

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

3. Closing Date of Consolidated Subsidiaries

The names of entities whose statutory fiscal year end are different than that of the Company are as follows:

(1) Sunday nearest to December 31

Metaldyne Holdings LLC and its 62 subsidiaries - financial reporting date for aforementioned entities was the Sunday nearest to March 31, 2007.

(2) December 31:

Seven subsidiaries of Metaldyne Corporation - financial reporting date for aforementioned entity was the Sunday nearest to March 31, 2007.

Guangzhou Asahi Dongling Research & Development Co., Ltd. – for consolidation purposes the Group used their financial statements as of March 31, 2007, and any material transactions during intervening period are properly 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 state inventories at cost determined by the period average method. Foreign subsidiaries state inventories at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method.

Derivatives

The market 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

Intangible assets

Software (internal use) - the straight-line method was applied using the useful life of three (3) to five (5) years.

Other intangible assets - the straight-line method was applied using the useful life of fifteen (15) to twenty (20) years.

(3) Deferred asset

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

Bond issuance cost – the straight line method is applied and amortized over the term of the debt instrument.

(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 directors' bonus

The Company, Techno Metal Co., Ltd., and a part of its foreign subsidiaries recorded provisions for bonuses for the estimated amount to be paid to employees.

Provision for loss on sales

The Company and its foreign subsidiaries recorded provisions for loss on sales in respect of products which the Company and its foreign subsidiaries expect their customers to continue buying after year end. In order to calculate the provision to be recorded at year end, the Company and its foreign subsidiaries estimated volumes and loss value of the products which are expected to be sold, and recorded reserves to cover for any possible future loss.

Provision for plant closure cost

One of our foreign subsidiaries recorded provisions to accrue costs associated with closure of facilities based on estimates.

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 is within the employees' average remaining service period at the time the gains or losses are incurred.

Among foreign subsidiaries, Metaldyne Corporation and its subsidiaries are required to amortize unrecognized actuarial gains or losses 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 period of employment. In addition, a subsidiary in the United States has postretirement benefits other than pension, and also an unrecognized actuarial difference is recorded on its balance sheet in accordance with the generally accepted accounting principle in the United States.

Provision for directors' retirement benefits

The Company and its domestic subsidiaries recorded retirement provisions for directors, at 100% of the amounts that would have been payable to directors at the balance sheet date in accordance with their by-laws. Among foreign subsidiaries, Metaldyne Corporation and its subsidiaries recorded a retirement provisions for directors based on the estimated pension liability and pension asset balance at balance sheet date.

Provision for environmental obligations

The Company and its domestic subsidiaries recorded the estimated cost to dispose of Polychlorinated

Biphenyl (also known as PCB). Some foreign subsidiaries are subject to environmental laws or regulations in their respective countries, hence they recognize provisions for environmental obligations when a loss is probable and can be reasonably estimated.

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

Receivables and payables 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 arising from those translations were recognized in 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 or the period during which they were subsidiaries of the Group. Any foreign exchange impact arising from such translation was recorded as a foreign currency translation adjustment 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) 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.

Accounting for revenue from long-term construction contract

Revenue from long-term construction contract is, in principle, recognized when construction is completed. However, revenue of long-term construction 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 ¥1,858 million.

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 expense 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 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 Basic Matters to Prepare the Consolidated Financial Statements

(Accounting standard for presentation of net assets in the balance sheet)

In December 2005, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Statement No. 5, *Accounting Standard for Presentation of Net Assets in the Balance Sheet*, and ASBJ Guidance No. 8, *Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet*. The Group adopted those new accounting standards for the year ended March 31, 2007. Total current year equity amount comparative to prior year presentation is ¥73,249 million. Total net assets for the current year are presented in accordance with those new accounting standards.

(Accounting standard for business combination)

In October 2003, the Business Accounting Council issued, *Accounting Standard for Business Combinations*. In December 2005, ASBJ issued ASBJ Statement No. 7, *Accounting Standard for Business Divestitures*, and ASBJ Guidance No. 10, *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (revised by ASBJ in December 2006)*. The Group adopted those standards for the year ended March 31, 2007.

(Accounting standard for stock options)

In December 2005, ASBJ issued Statement No. 8, *Accounting Standard for Share-Based Payment*, and in May 2006, ASBJ issued ASBJ Guidance No. 11, *Guidance on Accounting Standard for Share-Based Payment*. The Group adopted those new pronouncements for the year ended March 31, 2007. Monetary impact on operating income, ordinary income, and income before income taxes of the Group for the year ended March 31, 2007 as a result of the adoption of new standard was ¥108 million.

(Accounting standard for deferred assets)

In August 2006, ASBJ issued PITF No. 19, *Tentative Solution on Accounting for Deferred Assets*. The Group adopted this new pronouncement for the year ended March 31, 2007. The Group used to charge stock issuance cost to expense when it was incurred, but the Group capitalized as deferred assets such stock issuance costs associated with the capital raising and financing activities executed for business expansion. The Group executed significant financing activities related to the acquisition of Metaldyne Corporation. Since stock issuance cost incurred was considered material, the Group capitalized and amortizes such costs over the period during which the Group expects to obtain benefit from such expenditure. As a result of adoption of new pronouncement, non-operating expense was reduced by ¥415 million and ordinary income, and income before income taxes of the Group increased for the same amount for the year ended March 31, 2007, compared to the results calculated under the previous method.

(Change in presentation of consolidated balance sheet)

The Group presented “provision for directors’ bonus”, “provision for product warranty”, and “provision for completed construction warranty” as “other provisions” for the year ended March 31, 2007; these were presented as a component of current liabilities as at the year ended March 31, 2006.

Additional Information

(New stock issuance under spread method)

New stock issued on March 5, 2007 in foreign markets (excluding the United States) was issued and recorded using the applied spread method, whereby underwrites sell the Company's shares to investors at the prices different to that paid by the underwriters at issuance. As a result, ¥353 million represents the fees paid to underwriters, which is also the difference between the accepted price by underwriters and price offered to public investors

Notes to the Consolidated Financial Statements

Notes to the Consolidated Balance Sheets

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
1. Accumulated depreciation of property, plant, and equipment	84,201	85,864
2. Investments and equity investments in non-consolidated subsidiaries and affiliates		
Investment securities (stocks)	309	389
Other investments and other assets (equity investment)	175	484
3. Pledged assets and obligations guaranteed		
Amount of pledged assets (book value):		
Cash and cash equivalents	2,948	2,817
Trade notes and accounts receivable	7,256	8,887
Inventories	9,556	9,523
Short-term loan receivable	-	15
Accounts receivable – others	10	15
Buildings and structures	7,664	8,269
Machinery and equipment, and vehicles	6,785	12,089
Tools, furniture and fixtures	243	1,203
Land	13,111	13,660
Construction in progress	-	183
Investment securities	332	604
Total	47,909	57,269

In addition to the above assets, “investment in affiliates” for ¥53,912 million is under security.

Pledged assets as a whole factory among above tangible pledged assets		
Buildings and structures	3,382	3,202
Machinery and equipment, and vehicles	3,774	3,924
Land	3,474	3,463
Total	10,631	10,589
Liabilities corresponding to the pledged assets above:		
Short-term loans and borrowings	3,902	3,167
Current portion of long term loans and borrowings	400	1,300
Long-term loans and borrowings	18,626	17,745
Total	22,929	22,212
Liabilities corresponding to the pledged assets as a whole factory above:		
Short-term loans and borrowings	3,902	3,167
Current portion of long term loans and borrowings	400	1,300
Long-term loans and borrowings	18,626	17,745
Total	22,929	22,212

Metaldyne Corporation's assets (balance as of April 1, 2007 was ¥141,335 million) are encumbered and the corresponding liabilities secured by those assets are as follows:

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Current portion of long term loans and borrowings	-	513
Long-term loans and borrowings	-	48,547
Debentures	-	47,977
Total	-	97,038

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 for revaluation, and the remaining excess as a land revaluation surplus, a component of equity.

Revaluation method: The value of land was determined through reasonable adjustment based on the amount of property taxes 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) and (2)

(1) The year-end total market value of land for business use revalued according to Article 10 of "Law of Land Revaluation"

(2) The year-end total book value of land for business use after revaluation

March 31, 2006: ¥ 1,479 million

March 31, 2007: ¥ 1,832 million

5. Contingent liabilities

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
(1) Guarantees of indebtedness of others		
Guarantees of indebtedness of employees payable to financial institutions	0	-

(2) 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 18 and 36 months after the contract took effect.

On February 27, 2007, the Group was notified by Mitsubishi Fuso of its intention to sell the remaining shares to the Group on August 29, 2007. The Group is expected to pay ¥1,670 million to acquire the remaining shares.

(3) Legal matters

On December 26, 2005, a distributor of the Company's products, Vantec Corporation, 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.

6. Overdraft agreement and its uncommitted balance

	Year ended March 31, 2006	Year ended March 31, 2007
	Millions of yen	Millions of yen
Limit of overdraft	8,226	84,918
Actual committed balance	3,950	52,063
Uncommitted balance	4,276	32,855

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 will be evaluated based upon the financial results of the Group excluding Metaldyne Holdings LLC, Metaldyne Corporation and its subsidiaries which became the Group's consolidated subsidiaries on January 11, 2007. 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. Notes receivable and notes payable outstanding as of year end

Notes receivable and notes payable are settled upon receipt or payment of cash. The last day of the year ended 31 March 2007 fell on a holiday for financial institutions. Therefore, the following balances were outstanding as of March 31, 2007 and these amounts disclosed in the consolidated balance sheets at year end.

	Year ended March 31, 2006	Year ended March 31, 2007
	Millions of yen	Millions of yen
Notes receivable	-	189
Notes payable	-	738
Notes payable for equipment	-	58

9. Breakdown of other intangible assets

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Trademarks and Technologies	-	33,201
Customer contracts and other		25,992
Total	-	59,193

10. Other provisions

Other provisions include following type of provisions:

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Provision for directors' bonus	-	71
Provision for product warranty	25	80
Provision for completed construction warranty	47	43
Total	73	196

Notes to Consolidated Income Statements

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

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Packing and freight costs	¥1,970	¥2,596
Salaries and bonuses	1,261	2,543
Provision for bonuses	147	253
Retirement benefit costs	97	221
Provision for directors' retirement benefits	36	94
Provision for doubtful accounts	-	16

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

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Research and development costs	¥537	¥998

3. Gain on sale of fixed assets

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Gain on sale of machinery and equipment	5	21
Gain on sale of land	16	7
Gain on sale of other fixed assets	0	7
Total	22	35

4. Loss on sale and disposal of fixed assets

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Loss on disposal of buildings and structures	2	20
Loss on disposal of machinery and equipment, and vehicles	150	77
Loss on disposal of tools, furniture and fixtures	23	134
Loss on disposal of other fixed assets	11	35
Loss on sale of other fixed assets	8	3
Disposal cost of fixed assets	9	98
Total	206	370

5. Impairment loss

For the year ended March 31, 2007, the Group recorded impairment losses in respect of the following assets. The Group categorizes its assets by management accounting unit or by location.

Use	Asset type	Location	Impairment loss
Idle asset	Land	Kikugawa, Shizuoka	¥8 million
	Land, Machinery, equipment, and vehicles, and Tool, furniture, and fixtures	Nihonmatsu, Fukushima	14 million
	Machinery, equipment, and vehicles,	Kitamoto, Saitama	0 million
Total			23 million

The Group recorded an impairment loss under extraordinary losses 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.

Below is the impairment loss by asset category:

Machinery, equipment, and vehicles	9
Tool, furniture, and fixtures	0
Land	13
Total	23

Notes to Consolidated Statements of Net Assets

1. Type and number of shares outstanding and treasury stock

(In thousand shares)

	Number of shares as of March 31, 2006	Increase during the year	Decrease during the year	Number of shares as of March 31, 2007
Shares issued and outstanding:				
Common stock	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	-	179	-	179
Total	99,376	199,802	-	299,179
Treasury Stock:				
Common stock	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 ¥9,637 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 Japan 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	Stock option (June 2004) (Note 1)	Common stock	2,367	-	77	2,289	-
	Stock option (June 2005) (Note 1)	Common stock	85	-	-	85	-
	Stock option (June 2005) (Note 1&2)	Common stock	1,255	-	405	850	-
	Share subscription Rights as stock option (Note 2)	-	-	-	-	-	108
Total			-	-	-	-	108

Notes:

1. This stock option is treated as an off-balance sheet item since stock option was granted before the effective date of ASBJ Statement No. 8, *Accounting Standard for Share-Based Payment* and ASBJ Guidance No. 11, *Guidance on Accounting Standard for Share-Based Payment*.
2. This stock option has not reached the first vesting date as of March 31, 2007.

3. Dividend information

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

Notes to Consolidated Statements of Cash Flows

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

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Cash and bank deposits	¥4,148	¥8,803
Time deposits whose terms are over 3 months	(29)	(68)
Ending balance of cash and cash equivalents	4,119	8,735

2. Assets and liabilities of the newly consolidated subsidiary

As for Metaldyne Corporation that newly became one of the consolidated subsidiaries of the Group, its assets and liabilities at the commencement of consolidation, an acquisition cost, and a net disbursement for the acquisition are as follows:

	January 11, 2007 Millions of yen
Current assets	44,955
Non-current assets	129,013
Goodwill	49,888
Current liabilities	(45,364)
Non-current liabilities	(132,996)
Minority interest	(87)
Acquisition price for shares of Metaldyne Corporation	45,410
Cash and cash equivalents of Metaldyne Corporation	8,769
Net disbursement for acquiring Metaldyne Corporation	36,640

3. Significant non-cash transactions

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Amount of assets and liabilities related to financing leases	115	712

Leases

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

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

	Year ended March 31, 2006 Millions of yen				Year ended March 31, 2007 Millions of 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	¥285	¥770	¥93	¥1,150	¥423	¥840	¥84	¥1,348
Accumulated depreciation	112	399	47	559	163	415	47	626
Ending balance	173	371	46	591	259	425	37	721

(2) Future lease payments

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Amounts due within one year	229	253
Amounts due after one year	361	468
Total	591	721

(3) Lease and notional depreciation expense

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Lease expense	9	247
Notional depreciation expense	9	247

(4) Calculation method of notional depreciation expense

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

2. Operating lease transactions

	Year ended March 31, 2006 Millions of yen		Year ended March 31, 2007 Millions of yen	
	Lessor	Lessee	Lessor	Lessee
Amounts due/receivable within one year	70	-	162	5,092
Amounts due/receivable after one year	383	-	1,228	25,039
Total	453	-	1,391	30,132

Securities

I Year Ended March 31, 2006

1. Available-for-sale securities with market value (as of March 31, 2006) (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥151	¥74

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

	Carrying Value
Available-for-sale securities Unlisted stock	¥40

II Year Ended March 31, 2007

1. Available-for-sale securities with market value (as of March 31, 2007) (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

Derivatives

1. Description of derivative transactions

(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.

2. Fair value information

Year Ended March 31, 2006

(1) Interest rate related transaction

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	¥390	¥140	(¥33)	(¥33)
Total		390	140	(33)	(33)

Notes:

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

Year Ended March 31, 2007

(1) Foreign currency related transaction

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)

Notes:

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

(2) Interest rate related transaction

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 gain/loss was incurred when netting the intercompany loans.

Notes to Employees' Retirement Benefits

1. Adopted Retirement Benefit Plans

The Company, Hoesi Industries Co., Ltd., and Techno-Metal Co., Ltd. have adopted two (2) defined pension plans; 1) a lump-sum retirement benefit payment plan and 2) a qualified pension plan. Other domestic subsidiaries have adopted lump-sum retirement benefit payment plans. Some foreign subsidiaries adopted defined benefit plans and/or defined contribution plans. One foreign subsidiary adopted postretirement benefits other than a pension plan. 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, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
(a) Projected benefit obligation	(10,408)	(52,756)
(b) Fair value of plan assets	6,027	34,310
(c) Unfunded benefit obligation [(a)+(b)]	(4,380)	(18,446)
(d) Unrecognized actuarial gain	387	(411)
(e) Net liability on consolidated balance sheet [(c)+(d)]	(3,993)	(18,858)
(f) Other adjustment (Note 2)	-	601
(g) Prepaid pension cost	664	683
(h) Benefits expected to be paid within next fiscal year	-	318
(i) Provision for employees' retirement benefits [(e)+(f)-(g)+(h)]	(4,657)	(18,621)

Notes:

1 Some subsidiaries adopted a simplified method for calculating their provision for employees' retirement benefits.

2 This amount represents additional pension liability 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, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
(a) Service cost	282	541
(b) Interest cost	132	749
(c) Expected return on plan assets	(133)	(708)
(d) Amortization of unrecognized actuarial loss	156	90
(e) Additional retirement benefits	-	423
(f) Net periodic benefit cost [(a)+(b)+(c)+(d)+(e)]	438	1,095

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

4. Assumptions

	Year ended March 31, 2006	Year ended March 31, 2007
a. Discount rate	1.8% ~ 2.0%	1.8% ~ 6.2%
b. Expected rate of return on plan assets	2.9% ~ 3.0%	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 gains or losses 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

1. 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> <p style="padding-left: 40px;">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.</p>
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 the current 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	28,125	-	405,000	-	-	24,000	-
Vested	521,029	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	521,029	17,000	-	-	-	-	-
Exercised	42,319	-	-	-	-	-	-
Forfeited	7,253	-	-	-	-	-	-
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

2. 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.

3. 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.

4. Financial information

Cost of sales: ¥ 3 million

Selling, general and administrative expenses: ¥ 104 million

Notes to Income Tax

(1) Components of deferred tax assets and liabilities

Accounts	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Deferred tax assets:		
Provision for bonuses	412	545
Depreciation	152	422
Disposal of casting	219	222
Unrealized gain on fixed assets	25	22
Provision for doubtful accounts	75	76
Provision for retirement benefits	1,441	1,438
M&A advisory fee and refinance costs	220	251
Provision for loss on sales	263	143
Loss on retirement of leased assets (machinery & equipment)	180	147
Tax loss carried forward	2,817	28,782
Other	973	8,630
Sub-total deferred tax assets	6,782	40,681
Valuation allowance	(6,301)	(22,849)
Total deferred tax assets	481	17,831
Deferred tax liabilities:		
Difference in asset base valuation	(1,043)	(25,984)
Unrealized loss on available-for-sale securities	(29)	(47)
Other	-	(589)
Total deferred tax liabilities	(1,073)	(26,622)
Net deferred tax liability	(591)	(8,791)
Deferred tax assets/liabilities associated with valuation:		
Deferred tax assets for land revaluation	487	486
Valuation allowance	(487)	(486)
Deferred tax liabilities for land revaluation	(2,822)	(2,816)
Net deferred tax liability associated with valuation	(2,822)	(2,816)

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

	Year ended March 31, 2006	%	Year ended March 31, 2007	%
Statutory tax rate	39.75	%	39.75	%
Adjustments to statutory tax rate:				
Non-deductible expenses (entertainment expenses, etc.)	(127.31)		(10.29)	
Non-taxable income (dividend income, etc.)	5.10		0.19	
Adjustment to foreign taxes	-		(10.41)	
Inhabitant taxation on per capita basis	(145.23)		(3.00)	
US State taxes	-		(4.85)	
Goodwill amortization	-		(35.79)	
Valuation allowance, etc.	(923.88)		64.03	
Tax rate difference from subsidiaries	16.60		0.43	
Others	0.18		(0.67)	
Effective tax rate	(1,134.79)	%	39.39	%

Segment Information

1. Information by Business Segment

Year ended March 31, 2006

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Elimination or Corporate	Consolidated
I Sales and operating income					
(1) Sales to external customers	¥50,020	¥7,974	¥57,994	¥-	¥57,994
(2) Inter-segment sales or transfers	60	25	86	(86)	-
Total	50,081	8,000	58,081	(86)	57,994
Operating expenses	47,487	7,281	54,768	1,212	55,981
Operating income	2,593	719	3,312	(1,299)	2,013
II Assets, depreciation, and capital expenditures					
Assets	58,855	6,599	65,454	7,138	72,593
Depreciation	2,803	110	2,914	115	3,030
Impairment loss	285	-	285	336	621
Capital expenditures	3,547	78	3,625	929	4,555

Year ended March 31, 2007

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Elimination or Corporate	Consolidated
I Sales and operating income					
(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, and capital expenditures					
Assets	287,228	8,015	295,244	9,449	304,691
Depreciation	8,046	97	8,143	362	8,506
Impairment loss	15	-	15	8	23
Capital expenditures	5,036	43	5,080	101	5,181

Notes:

1. The business segments in the above table were categorized based on the Company's administrative policies.
2. Major products included in business segment
 - (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, 2006 and 2007 was ¥1,299 million and ¥1,295 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, 2006 and 2007 were ¥7,138 million and ¥9,449 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. Sales, operating income, assets, depreciation expense, and capital expenditures of Metaldyne Corporation and Techno Metal Co., Ltd. are included in “general casting and forging parts”.

2. Information by Geographical Segment

Year ended March 31, 2006

(In ¥ million)

	Japan	Asia	Total	Elimination or Corporate	Consolidated
I Sales and operating income					
(1) Sales to external customers	¥48,813	¥9,181	¥57,994	¥-	¥57,994
(2) Inter-segment sales or transfers	474	4,692	5,167	(5,167)	-
Total	49,288	13,873	63,162	(5,167)	57,994
Operating expenses	46,074	13,823	59,898	(3,916)	55,981
Operating income	3,213	50	3,264	(1,250)	2,013
II Total Assets	55,363	13,165	68,528	4,064	72,593

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	4,356	528	(51)	1,447	468	6,749	(3,473)	3,276
II Total Assets	115,472	30,920	76,631	60,863	23,205	307,093	(2,402)	304,691

Notes:

1. Policies for geographical division, and countries included in each geographical segment:
 - (1) The geographical divisions 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. The Group added “United States” and “Europe” to the above table for the year ended March 31, 2007 as a result of the acquisition of Metaldyne Corporation.
3. For “operating expenses”, the amount of non-allocable operating expenses included in “Elimination or

Corporate” was the same as one indicated in the note 3 for “Information by Business Segment” plus amortization of Metaldyne goodwill.

4. Assets included in “Elimination or Corporate” are the same as those indicated in the note 4 for “1. Information by Business Segment” plus goodwill of Metaldyne.

3. Overseas Sales

Year ended March 31, 2006

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	¥8,997	¥460	¥9,458
II	Consolidated sales			¥57,994
III	Ratio of overseas sales to the consolidated sales	15.5%	0.8%	16.3%

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%

Notes:

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

Asia:	Thailand, China, Korea, and other
United States:	United States
Europe:	Germany, France, United Kingdom, and other
Other Area:	Canada, Mexico, Middle East, Africa, and other
3. The Group added “United States” and “Europe” to above table for the year ended March 31, 2007 as a result of the acquisition of Metaldyne Corporation.
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, 2006

(1) Parent company

(In ¥ million)

Status	Parent company	
Name	RHJ International SA/NV	
Location	Brussels, Belgium	
Capital	¥223,097	
Description of business or occupation	Holding company	
Percentage of voting rights held	Directly owned 63.1%	
Connections	Interlocking directors	One (1) director
	Business connections	--
Description and amount of transactions (Note 2)	Provision of collateral (Note 1): ¥22,929 Loans to the Company: ¥3,000 Acquisition of the Company's shares: ¥3,000 M&A advisory fee and refinance costs: ¥262	
Ending balance	Unpaid portion of M&A advisory fee and refinance costs: ¥262 (recorded as accrued expense)	

Notes:

1. The securities for collateral secured bank loans of the Group.
2. The amount of transactions is net of consumption tax, and the ending balance is inclusive of consumption tax.
3. Terms and conditions of transactions, and their determining policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the desire of the above company.

(2) Directors and major individual shareholders

(In ¥ million)

Status	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	--	
Connections	Interlocking directors	One (1) director
	Business connections	--
Description of transaction	Labor costs for loan employee	
Amount of transactions	¥4	
Account	--	
Ending balance	--	

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, and their determining policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the desire of the above company.

(3) Subsidiaries, etc.

(In ¥ million)

Status	Subsidiary
Name	Techno-Metals Co., Ltd.
Location	Nihonmatsu, Fukushima
Capital	¥1,940
Description of business or occupation	Manufacture and sales of ductile iron casting products, gray iron casting products, iron forging, and aluminum diecast components. Machining process, subassembly.

Percentage of voting rights held		Directly owned 66.0%
Connections	Interlocking directors	Five (5) directors
	Business connections	--
Description and amount of transactions (Note 2)		Interest income: ¥13 M&A advisory fee and refinance costs: ¥202
Ending balance		--

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, and their determining policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the desire of the above company.
3. For Techno-Metals Co., Ltd., the above chart includes only profit-and-loss transactions that were not offset through consolidation, as only its balance sheet was consolidated for this fiscal year.

Year Ended March 31, 2007

(1) Related party and/or major corporate shareholder

(In ¥ million)

Status (Note 1)		Affiliate
Name		RHJ International SA/NV
Location		Brussels, Belgium
Capital		¥193,095
Description of business or occupation		Holding company
Percentage of voting rights held		Directly owned 37.0%
Connections	Interlocking directors	One (1) director
	Business connections	--
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:

1. The status of RHJ International SA/NV as a parent as of March 31, 2006 changed to "affiliate" on March 5, 2007 since its percentage of voting rights held decreased as a result of a stock issue by the Company.
2. 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.
3. The securities for collateral secured bank loans of the Group.

(2) Directors and major individual shareholders

(In ¥ million)

Status		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		--
Connections	Interlocking directors	One (1) director
	Business connections	--
Description and amount of transactions		Labor costs for loan employee: ¥4 Rent expense: ¥1 Prepaid expense: ¥1

Ending balance	Accrued expense: ¥2
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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, and their determining policy: The Company determined the terms and conditions of transactions in each negotiation, based on the market trend and the desire of the above company.

Business Combinations

Year Ended March 31, 2007

(Application of purchase accounting method)

On January 11, 2007, the Company acquired Metaldyne Corporation by acquiring their shares through cash payment.

(The purchase amount allocated to intangible assets other than goodwill, and the depreciation term thereof are disclosed below)

Item	Amount allocated Millions of yen	Weighted averaged depreciation period Year
Trademarks and technologies	33,900	20
Customer contracts and other	26,860	15
Total	<hr style="width: 100%; border: 0.5px solid black;"/> 60,760	

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.

Earnings Per Share

Year ended March 31, 2006 (in ¥)		Year ended March 31, 2007 (in ¥)	
Net assets per share	¥ 161.69	Net assets per share	¥ 190.39
Basic net loss per share	¥ 3.74	Basic net loss per share	¥ 6.40

Note: Diluted net income per share is not presented for the years ended March 31, 2006 and 2007, since the Group had a net loss and the Company issued dilutive shares.

	Year ended March 31, 2006 Millions of yen	Year ended March 31, 2007 Millions of yen
Earnings/loss per share		
Net loss	282	665
Less amount that does not belong to common stock	50	325
Series A preferred stock	50	50
Series B preferred stock	-	74
Series C preferred stock	-	200
Net loss for basic earnings/loss per share	332	991
	Thousands of shares	Thousands of Shares
Weighted average number of shares – common stock	60,196	99,162
Weighted average number of shares – preferred stock and stock option	28,687	55,668
Weighted average number of shares for the purpose of diluted EPS	88,883	154,830

Stock options that are excluded from the calculation of diluted earnings per share as they are anti-dilutive:

a) 2,367,576 stock options granted in June 2004	a) 3,031,835 stock options granted in June 2006
b) 1,340,000 stock options granted in June 2005	

Change in Directors

The following persons are the candidates for new director proposed or the directors to be retired at the Annual General Meeting of Shareholders scheduled on June 28, 2007.

I .Candidates for new director (Present Status)

Hideo Ishii (Advisor of Asahi Tec Corporation)

Tetsuo Komuro* (General Manager, Construction and Industrial Machinery Division, Machinery Business Unit of Mitsui & Co., Ltd.)

Shinichiro Shimada* (Chief Executive Officer of Transfreight LLC)

Hideki Kurashige* (President & Senior Managing Director of RHJI Industrial Partners Asia, Inc.)

(*:outside director stipulated by Corporation Act)

II .Directors to be retired

Akira Takano

Hiroaki Okuma

End.