

(Translation)

Consolidated Condensed Financial Statements
for the Year Ended March 31, 2005

May 31, 2005

Listing Name: ASAHI TEC CORPORATION

Code Number: 5606

Listing: The Tokyo Stock Exchange

Head Office: Shizuoka Prefecture

(URL <http://www.asahitec.co.jp/>)

Representative: Akira Nakamura President & CEO

Contact: Takao Yoshida Managing Executive Officer & CFO

Telephone number: (0537) 36 - 3112

Date of board of directors' meeting to approve the consolidated financial statements: May 27, 2005

Parent company: RHJ International SA

Parent company's voting rights: 58.71%

U.S.A. accounting standards: Not adopted

1. Summary of consolidated financial results for the year ended March 31, 2005

(1) Consolidated operating results and performance indicators

(Amounts less than ¥1 million have been omitted.)

	Net sales (In ¥ million)	Percent change	Operating income (In ¥ million)	Percent change	Ordinary income (In ¥ million)	Percent change
Year ended March 31, 2005	57,574	8.9%	628	98.2%	107	-
Year ended March 31, 2004	52,884	3.4%	316	-	(195)	-

	Net income (In ¥ million)	Percent change	Net income per share (in ¥)	Diluted net income per share (in ¥)	Net income to shareholders' equity	Ordinary income to total assets	Ordinary income to sales
Year ended March 31, 2005	(1,294)	-	(14.58)	-	(9.7%)	0.2%	0.2%
Year ended March 31, 2004	(6,151)	-	(75.74)	-	(38.3%)	(0.4%)	(0.4%)

Notes:

(a) Earnings (loss) using the equity method:

Year ended March 31, 2005 – (¥1 million)

Year ended March 31, 2004 – ¥21 million

(b) Weighted average number of shares: Please refer to page 3

(c) Change in accounting policies: No

(d) Percent changes in the net sales, operating income, ordinary income and net income in the tables represent an increase or (decrease) compared to the prior year.

(e) Net income per share is subject to the assumption that the series A preferred stock were converted to common stock.

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- (f) Asahi Tec Aluminium (Thailand) Co. Ltd. and Asahi Tec Metals (Thailand) Co., Ltd. changed year-ends from December 31 to March 31 from current fiscal year. These consolidated financial statements reflect the additional three months' results (in total, fifteen months' results) of the two subsidiaries.

(2) *Consolidated financial position*

	Total assets (in ¥ million)	Shareholders' equity (in ¥ million)	Shareholders' equity to total assets	Shareholders' equity per share (in ¥)
As of March 31, 2005	49,558	12,580	25.4%	171.60
As of March 31, 2004	50,135	14,053	28.0%	211.69

Notes:

- (a) With respect to the number of shares issued and outstanding at year-end (consolidated), please refer to page 3.
- (b) Shareholders' equity per share was calculated by dividing the portion of shareholders' equity attributable to shareholders of common shares as of year-end by the number of common shares issued and outstanding at year-end. The portion of shareholders' equity attributable to shareholders of common shares as of year-end was calculated by subtracting liquidation preference portion attributable to shareholders of preferred shares and preferred dividends from shareholders' equity.

(3) *Consolidated cash flow results*

(In ¥ million)

	Cash flow generated from operating activities	Cash flow generated from (used for) investing activities	Cash flow generated from (used for) financing activities	Year-end balance of cash and cash equivalents
Year ended March 31, 2005	2,972	(2,104)	(574)	3,716
Year ended March 31, 2004	1,698	(3,586)	3,204	3,411

(4) *Scope of consolidation and the application of the equity method:*

Three (3) subsidiaries were consolidated.

Two (2) affiliates were accounted for using the equity method.

(5) *Change in the scope of consolidation and the application of the equity method:*

One company was newly accounted for using the equity method.

2. Projected consolidated business results for the year ending March 31, 2006

(In ¥ million)

	Net sales	Ordinary income	Net income
Six months ending September 30, 2005	23,500	(700)	(1,200)
Year ending March 31, 2006	55,000	1,500	850

For reference: Projected annual net income per share: ¥9.57

All predictions have been made considering data currently available to the Company. Therefore, discrepancies may occur between the actual and predicted outcomes. As for the predictions for the following year, please refer to page 9 "Outlook of Business Results for the Full Year".

Note: The projected annual net income per share is subject to the assumption that the series A preferred stocks were converted to common stock.

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Weighted Average Number of Shares during the year (consolidated)

	As of March 31, 2004	As of March 31, 2005
	shares	shares
Common stock	59,792,114	60,175,394
Preferred stock		
Series A preferred stock	21,429,000	28,572,000

Number of shares issued and outstanding at year-end (consolidated)

	Year ended March 31, 2004	Year ended March 31, 2005
	shares	shares
Common stock	59,784,519	60,202,547
Preferred stock		
Series A preferred stock	28,572,000	28,572,000

Note: Changes in the number of issued and outstanding shares during the current year are as follows:

	Class of Share	Number of Shares Issued and outstanding	Capitalized
Private placement for capital increase (May 15, 2004)	Common stock	435,000 shares	¥43,500,000

Formulas to Calculate the Performance Indicators for the Year Ended March 31, 2005

- Net Income Per Share
Portion of net income attributable to shareholders of common shares / [number of weighted average number of shares of common stock during the current year (consolidated) + increased number in common shares based on the assumption that all of existing convertible participating shares are converted]
- Shareholders' Equity per Share
Portion of year-end shareholders' equity attributable to shareholders of common shares / the number of issued and outstanding shares at year-end (consolidated)

Formulas to Calculate the Projected Performance Indicators for the Year Ending March 31, 2006

- Projected Annual Net Income Per Share (for a full year)
Portion of projected net income attributable to shareholders of common shares / [number of issued and outstanding shares at the current year-end (consolidated) + increased number in common shares based on the assumption that all of existing convertible participating shares are converted]

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Group Information

The Group consists of the Company, six subsidiaries and two affiliated companies and mainly engages in the manufacture and sales of general casting and forging parts, and devices and equipment. Principal operations, operating status and business segments within the Group are as follows:

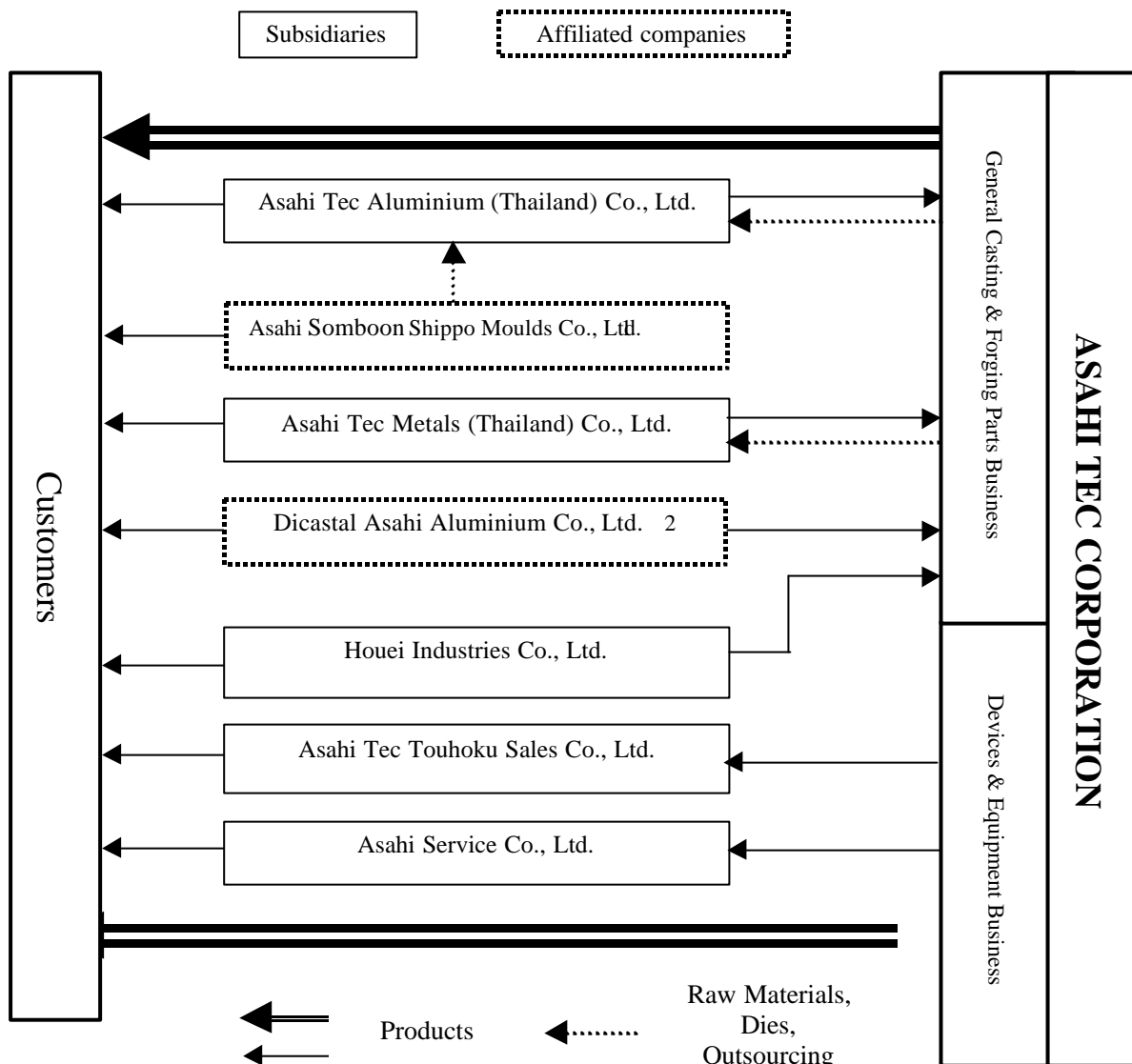
Business Segment	Product Line and Services	Principal Associated Company
General casting and forging parts	General components for vehicles	Houei Industries Co., Ltd. Asahi Tec Aluminium (Thailand) Co., Ltd. Asahi Tec Metals (Thailand) Co., Ltd. Asahi Somboon Shippo Moulds Co., Ltd.
	Aluminium wheels	Asahi Tec Aluminium (Thailand) Co., Ltd. Dicastal Asahi Aluminium Co., Ltd.
	Ductile iron casting products and gray iron casting products	Asahi Tec Metals (Thailand) Co., Ltd.
Devices and equipment	Overhead line fittings	Asahi Tec Touhoku 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.

(Notes)

- 1) Effective on January 1, 2005, Asahi Somboon Aluminium Co., Ltd. changed its company name to Asahi Tec Aluminium (Thailand) Co., Ltd.
- 2) Effective on January 1, 2005, Asahi Somboon Metals Co., Ltd. changed its company name to Asahi Tec Metals (Thailand) Co., Ltd.

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The Group’s schematic diagram is displayed below:



Consolidated and non-consolidated subsidiaries and associated companies are as follows:

Consolidated subsidiaries (three)

- | | |
|--|--|
| Houeï Industries Co., Ltd. | Manufacture and sales of aluminum forging products, machining and assemble of various machinery and parts. |
| Asahi Tec Aluminium (Thailand) Co., Ltd. | Manufacture and sales of aluminum casting products and aluminum wheels. |
| Asahi Tec Metals (Thailand) Co., Ltd. | Manufacture and sales of ductile iron casting products and gray iron casting products. |

Non-consolidated subsidiaries (three)

- | | |
|-----------------------------------|--|
| Asahi Tec Touhoku Sales Co., Ltd. | Distributor for overhead line fittings. |
| Asahi Service Co., Ltd. | Sales of environmental equipment and construction of water treatment facilities. |
| Asahi Tec Service Co., Ltd. | Welfare service. |

Affiliated companies (two)

- | | |
|------------------------------------|---|
| Asahi Somboon Metals Co., Ltd.* | Manufacture and sales of dies for casing. |
| Dicastal Asahi Aluminum Co., Ltd.* | Manufacture and sales of aluminum wheels. |

*. These affiliated companies were accounted for using the equity method.

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Management Policy

1. Basic Management Policy

ASAHI TECH CORPORATION and its consolidated subsidiaries (together, “the Group”) share a corporate philosophy, stated “the Group will be recognized as one of the leading companies in terms of safety, quality, availability, cost efficiency, employee morale and profit in our respective fields, such as ductile iron casting, aluminum wheels, aluminum materials, die-casting, environmental systems and equipment and electrical equipment business, and will be able to make various contributions to our shareholders, customers, partner companies, employees and the local community.” The Group wishes to stay in harmony with society and to fulfill our corporate social responsibility mainly through continued efforts in global environmental issues, with adapting an environmental assessment in all of our business activities from development process, planning, manufacturing through sales to ensure our effective role in preserving and improving our environment.

2. Profit Distribution – Basic Policy –

It is the basic policy of the Group to return appropriate profits to our shareholders through continual efforts and dedication to increase corporate value and proactively distribute profits resulting from enhanced corporate value.

Our group-wide business has been improved compared to the prior year primarily due to increased domestic sales of motorcycle parts and civil engineering and construction machinery parts as well as the booming automobile industry in Thailand. However, in the aluminum wheel business, we suffered from low yield of new products simultaneously launched in the second-half of this fiscal year and using ARTEX manufacturing process (“ATREX Process”) co-developed with our main customer, and from sharp cost increases resulting from the measures to meeting delivery schedules and securing inventories. Accordingly, we were forced to revise our basic strategy and decided to discontinue the ATREX Process, and we plan to stop domestic production of aluminum wheels and shift the entire production to Thailand.

For this fiscal year, we regret to inform you that we will suspend payment of dividends followed by the prior fiscal year.

From a medium-and-long term perspective, we will allocate our retained earnings to prior investment including new product development and global market participation in order to strengthen our corporate competitiveness.

In this fiscal year, we have introduced a stock option plan (stock acquisition rights) designed for the Company’s directors, officers and certain employees and others in order to raise their motivation and morale.

3. Business Target

In the fiscal year ended March 31, 2005, we will focus on achieving our sales and product growth goals, and will make efforts to increase earning capacity with our on-going productivity enforcement and bold participation in global market, so as to make improvement in return on equity (ROE).

(Translation)

4. *Medium-and-Long Term Management Strategy and Future Task*

The automobile industry has been challenged by an intense competition in connection with the ongoing globalization of the economy, while engagements in environment conservation and safety have been emphasized and technological renovation has been accelerated. Under these business conditions, we will commit ourselves to promote the following measures in order to provide new technology and competitive products that satisfy our customer needs on a timely basis, and to enforce company quality to create stable profitability:

(1) Technological Innovation

We will actively pursue technological innovation in the fields of magnesium material products including steering members and seat frames. The domestic companies will take leading roles in providing technical support to overseas subsidiaries such as in Thailand and China. We will also provide attractive new products based on future customer needs in the field of environmental systems and equipment as well as electric power equipment.

(2) Thorough Quality and Availability Control

To be a reliable company and to satisfy our customers, the Group encourages all employees to make a priority to prevent product failures and delivery delays. We have adopted the following systems in both Japan and Thailand to systematically support this purpose: Overall Equipment Efficiency (OEE) in the field of light alloy and cast iron manufacturing and Asahi Tec Manufacturing Management System (AMM). We will make continued efforts to provide highly reliable products.

(3) Growth Strategy

We will focus on the ductile business for trucks, construction machinery and forklifts, and expand our global sales activities of newly developed products that contribute to weight saving and enhance performance of automobiles, while developing an integrated production system to efficiently support the process related to technical development, materials, processing and assembling.

For aluminum wheel business, the Group will transfer aluminum wheel production to Asahi Tec Aluminum (Thailand) Co., Ltd., and expects to cut costs on a consolidated basis by importing the Thai manufactured products to Japan. The Group also expects to take advantage of the booming Thai automobile industry, and act agilely to expand Thai business in this opportunity to achieve further profits.

We will reinforce high-value added business globally by positioning both of the Japanese and Thai subsidiaries as important manufacturing centers, while expanding our business into the Chinese market.

We also aim to develop the environmental systems, equipment and electric power equipment business to be independent business units by maximizing their profit.

(4) Intensive Manpower Development

To meet the challenges of ongoing globalization and become a top business enterprise, we will upgrade our support system that enables employees to acquire official certifications and establish a goal management system in order to improve individual and workforce productivity. We will also introduce a compensation and benefits package that reflects an individual's ability and accomplishment.

Implementing the above mentioned measures, we will promote sales expansion and cost reduction, and increase our profit-earning capacity.

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5. Basic Conception of Corporate Governance and Implementation of Required Measures

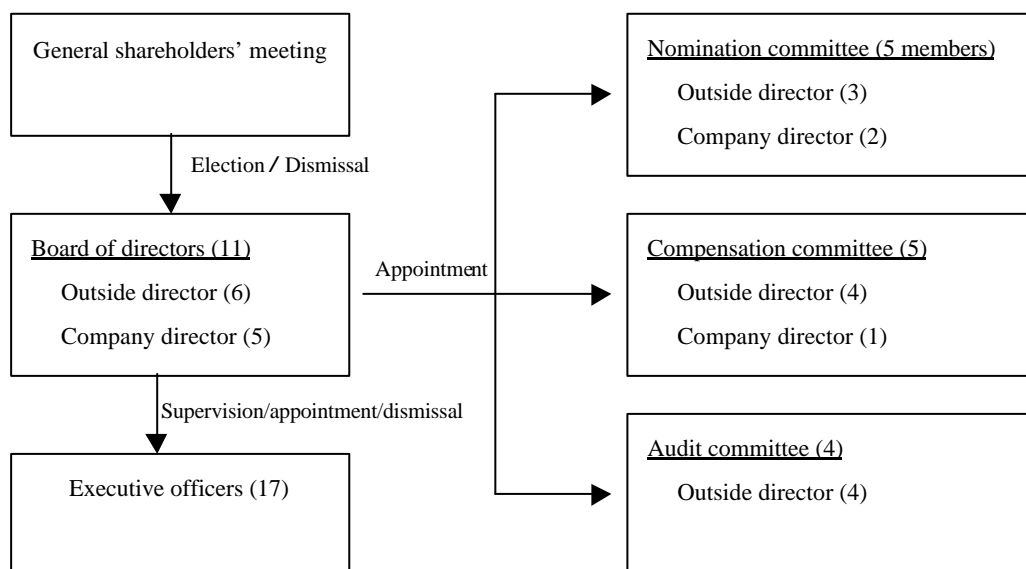
(1) Basic Conception of Corporate Governance

We have a basic policy to enhance our corporate value by expediting management's decision making and business operation while maintaining a transparent and fair management system. The Company shifted to the "Company with Committees" upon the approval of the general shareholders' meeting held on June 29, 2004 for the purpose of expediting management decision making process and business operation as well as enforcing audit function.

(2) Implementation of Corporate Governance Measures

i) Concerning management decision and monitoring functions on duty execution, etc.

- The Board of Directors consists of eleven directors including three (3) foreign directors, of six (6) are outside directors, engages in establishing basic policy of corporate management and supervises the duties of directors and officers. The audit committee, the compensation committee and the nomination committee, which all hold a majority of outside directors, have been established to enforce the management monitoring function.
- The Board of Directors engages in corporate strategy planning based on the matters prescribed by the Commercial Law and with global point of view, and holds deliberation of significant matters.
- 17 executive officers were appointed upon the approval of the Board of Directors, of five (5) are double as director, to execute delegated duties assigned by the Board of Directors.
- In order to promptly execute the Board of Directors' resolutions, the president and executive officers hold weekly management meetings to discuss operating decisions and the related implementing measures determined by the Board of Directors as well as the current status of their execution and other ongoing projects.
- Compliance matters are addressed by consulting with attorneys and certified public accountants, whenever necessary, to pursue transparent management.
- The Company has concluded an audit contract with Deloitte Touche Tohmatsu, an audit firm. Two certified public accountants, Messrs. Toshihiko Matsumiya and Hisayoshi Takahashi, engaged in the audit as client service partners. Four (4) more certified public accountants, three (3) assistant certified public accountants and five personnel were involved in the audit.



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ii) Concerning the efforts to enhance corporate governance during the year

- Board meetings were held ten times during the year ended March 31, 2005 to make decisions regarding critical issues such as statutory matters or management or operating issues. The Board of Directors supervises the performance of in-charge directors.
- Disclosure of quarterly information started in the year ended March 31, 2005.
- Internal reporting system was introduced in order to prevent the occurrence of anti-compliance acts or behaviors among its employees and locate such acts or behaviors in their early stage, aiming to boost the effectiveness of corporate ethics and to enhance compliance.

6. Parent Company Information

(1) Parent company

RHJ International SA/NV acquired company shares from Japan Casting LP and Japan Casting II LP, major shareholders, on March 31, 2005. Effective the same date, RHJ International SA/NV is the Company's parent company.

Description of RHJ International SA/NV

Name	RHJ International SA/NV (Anderson Mori & Tomotsune as standing representative)
Address of head office	Avenue Louise 326, 1050 Brussels, Belgium (Izumi Garden Tower 1-6-1 Roppongi Minato-ku, Tokyo as standing representative)
Representative	Timothy C. Collins
Capital	EUR 740, 956 thousand
Operations	Holding company
Stock exchange the holding company is listed to	Euronext, Brussels Stock Exchange, 1 st section
Parent company's voting rights	58.71%

(2) Transactions with the parent company

Please refer to "Related Party Transactions".

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Business Results and Financial Position

1. Business Results

(1) Overview of Business Results in the year ended March 31, 2005

During this fiscal year, the Japanese economy showed signs of recovery due to strong imports to the U.S. and China, in addition to steady capital investment mainly in digital consumer electronics industry. However, it fell short of the full-fledged recovery hampered by high crude oil prices and rising raw material prices.

In the Thai economy where our consolidated subsidiaries are located, there was a drop in tourists due to the tsunami disaster triggered by Sumatran earthquake, still exports of automobiles and electrical appliances remained steady.

Under these circumstances, sales of truck parts decreased due to a decline in truck replacement demand in the first half of this fiscal year, accompanied by the introduction of the Exhaust Gas Emission Regulations. Meanwhile, demand for motorcycle parts and civil engineering and construction machinery extended and Thai automobile industries enjoyed a strong growth. Overall, the consolidated net sales for the year ended March 31, 2005 were ¥57,574 million, up 8.9% from the prior fiscal year.

In this fiscal year, two (2) of our consolidated subsidiaries, Asahi Tec Aluminum (Thailand) Co., Ltd. and Asahi Tec Metals (Thailand) Co., Ltd., changed their year-end closing from December to March. Effect of this accounting change resulted in consolidating 15 month financial results for the two subsidiaries which reflects the effect of three (3) months results.

With respect to the profit and loss, aluminum wheel business was suffered from low yield of new products simultaneously launched in the second-half of this fiscal year and using ARTEX-M process co-developed with our main customer, and from sharp cost increases resulting from the measures to meeting delivery schedules and securing inventories, however, the other business was overall strong due to sales increases and productivity improvement. As a result, the Group's consolidated operating income for the year ended March 31, 2005 was to ¥628 million, up ¥311 million from the prior year. Consolidated ordinary income for this fiscal year was ¥107 million, improved by ¥302 million from the prior year.

The Group accounted for ¥576 million of gains on sale of investment securities, and ¥1,162 million of the nonrecurring depreciation expense on fixed assets resulting from restructuring of aluminum wheel factories. As a result, the consolidated net loss for this fiscal year was ¥1,294 million, improved by ¥4,857 million from the prior year.

With respect to operating results for twelve months (excluding the effect attributable to the year-end change), consolidated sales was ¥54,415 million, up 2.9% from the prior year, operating income was ¥469 million, up ¥152 million from the prior year, ordinary loss was ¥59 million, improved by ¥136 million from the prior year, and net loss was ¥1,415 million, improved by ¥4,735 million from the prior year.

Due to the corporate performance mentioned above, we regret to inform you that we will suspend payment of dividends followed by prior year.

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The Company's consolidated sales by segment were as follows:

(Sales of each segment include inter-segment sales. Operating income (loss) includes non-allocable expenses.)

a) By business segment

[General Casting and Forging Parts]

Sales of general casting and forging parts increased due to an active demand for aluminum wheels for passenger cars and civil engineering and construction machinery parts in Japan in addition to continually strong demand for automobile parts in Thai market, despite of a decreased demand for truck replacement in Japan. As a result, consolidated sales of this segment were ¥49,930 million, up 10.7% from the prior year. Consolidated operating income of this segment was ¥1,133 million, up 28.7% from the prior year supported by sales growth and higher productivity.

[Devices and Equipment]

Sales of the environmental equipment decreased due to budget cuts for public works, such as water treatment work, in local government preparing for municipal mergers. As a result, consolidated sales of this segment were ¥7,644 million, down 2.4% from the prior year. Consolidated operating income of this segment was ¥724 million, down 6.7% from the prior year.

b) By geography

[Japan]

Although track replacement demand slowed down in this fiscal year, sales of aluminum wheels for domestic passenger cars and civil engineering and construction machinery increased. Net sales in Japan for this fiscal year were ¥47,667 million, up 0.6% from the prior year. Operating income in Japan decreased to ¥838 million, down 38.5% from the prior year, since aluminum wheel business was suffered from low yield of new products simultaneously launched in the second-half of this fiscal year and using ARTEX-M process co-developed with our main customer, and from sharp cost increases resulting from the measures to meeting delivery schedules and securing inventories.

[Asia]

The Thai automobile industry continued to be brisk in the current year. In addition, the two (2) Thai consolidated subsidiaries changed their year-end closing from December to March, thus, 15 months financial results for these subsidiaries were reflected in the consolidated financial statements. As a result, net sales in Asia were ¥14,082 million, up 61.6% from the prior year, and operating income skyrocketed to ¥955 million, up 206.9% from the prior year.

(2) *Outlook of Business Results for the Full Year*

In the following fiscal year, we project that the business environment surrounding the Company will remain uncertain under the influence of future sales strategies of our principal customers, lowering retail prices in automobile parts suppliers' with more globalization, and rising prices of raw materials and crude oil.

Under these circumstances, we will implement the following measures to achieve our earnings recovery:

- I. We will endeavor to reduce costs by strengthening the shift of production activities (aluminums, wheels

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and ductile) to Thailand and China.

- II. We will endeavor to boost sales putting an emphasis on new products, technologies and customers.
- III. We will endeavor to reduce purchase and distribution costs thoroughly and also cut back subcontracting costs by promoting internal production.
- IV. We will endeavor to conduct a complete review of unprofitable products on a customer basis, and apply corrective measures.
- V. We, a leading manufacturer of ductile iron casting and wheels and aluminum and die-casting, will endeavor to get the new production system, the AMM (Asahi Tec Manufacturing Management System) in place in order to secure the world's most superior-level efficiency of equipment; OEE (Overall Equipment Efficiency) and high quality of the products manufactured using such equipment and also aim to upgrade cost performance.
- VI. We will endeavor to reduce costs by strengthening the shift of production activities (aluminums, wheels and ductile) to Thailand and China.

With respect to the aluminum wheel business which accounted for a great amount of loss for this fiscal year, the Company obtained the approval of our customers to halt the production applied ATREX Process and readapt our conventional manufacturing method called ANC. We will also accelerate the production shift to Asahi Tech Aluminum (Thailand) Co., Ltd, a Thai consolidated subsidiary, which currently applies ANC manufacturing method. We expect to reduce costs on a consolidated basis by importing Thai manufactured products to Japan. We also expect to take advantage of the booming Thai automobile industry, and act agilely to expand Thai business in this opportunity to achieve further profits.

We will execute drastic dismemberment of engineering divisions and factories in aluminum wheel business during the following fiscal year, at the same time, we will provide countermeasures against human resource issues. We will retain small-scale facilities for aluminum wheel business in Japan after the production shift to Thailand.

For the following fiscal year, the Company estimates net sales of ¥55,000 million, ordinary income of ¥1,500 million and net income of ¥850 million by implementation of the above measures.

2. Financial Position

(1) Status of Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2005 decreased by ¥577 million compared to the prior year-end, mainly due to a decrease of investment securities upon sales.

Total liabilities as of March 31, 2005 increased by ¥825 million compared to the prior year-end, which was mostly attributable to an increase in notes and trade accounts payable.

Total shareholders' equity as of March 31, 2005 decreased by ¥1,472 million from the prior year-end, mainly due to a decrease in retained earnings after recording net loss for this fiscal year, though capital and capital surplus increased upon the issuance of new common stock.

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(2) *Cash Flows*

Cash and cash equivalents as of March 31, 2005 was ¥3,716 million, increased by ¥305 million from the prior year. Net cash inflow from operating activities was ¥2,972 million, increased by ¥1,274 million from the prior year, due mainly to non-recording of the M&A advisory fee and refinance costs. Net cash outflow from investment activities was ¥2,104 million. Payment for acquisition of fixed assets was partially offset by proceeds from the sale of investment securities. Net cash outflow from financial activities was ¥574 million due to the repayment of long-term loans despite of proceeds from common stock issuance.

(3) *Trend of Cash Flow Indicators*

	Year ended March 2002	Year ended March 2003	Year ended March 2004	Year ended March 2005
Equity ratio	34.0%	34.9%	28.0%	25.4%
Equity ratio on a market value basis	14.3%	12.0%	38.1%	41.0%
Unexpired years of obligations	7.2 years	3.5 years	5.8 years	5.5 years
Interest coverage ratio	6.4 times	13.4 times	5.0 times	4.2 times

Note: Equity ratio: equity / total assets

Equity ratio on a market value basis: market capitalization / total assets

Unexpired years of obligations: interest-bearing liabilities / cash flow from operating activities

Interest coverage ratio: cash flow from operating activities / interest paid

1. Each indicator was calculated based on the consolidated amounts.
2. Market capitalization was calculated by the following formula: closing quotation of company share at year-end x number of shares issued and outstanding at year-end (excluding treasury stock). Preferred stock can be converted to common shares, and preferred stock is included in the number of common shares issued and outstanding at year-end.
3. The operating cash flow is based on the cash flow from operating activities in the consolidated cash flow statements. In the year ended March 31, 2004, advisory service fee and refinance costs, one time and unusual expense, were excluded. The interest-bearing liabilities represent all interest-bearing liabilities included in liabilities which are reported in the consolidated balance sheets. The interest paid represents the total amount of interest paid presented in the consolidated cash flow statements.

3. Risk Information

The Company's business results and financial position (the Company's stock price as well) may be potentially affected by certain risks as described below. We pay due attention to the possible occurrence of any of the risks and implement policy measures to prevent the occurrence of such risks and react to any such risk, if such occurs. The risk information described below is management assumptions based on information available at the end of the current year. These risks do not cover such all risks as may affect the Group's operations.

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(1) Transactions with major customers

In the general casting and forging parts industries, the Group's major customers are automobile manufacturers. Our major customers are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation and Honda Motor Co., Ltd., on which the Group's dependence (the ratios of sales to these customers) is significant in terms of sales. Therefore, these companies' business and/or operating policies may have an influence on the Group's operations or business results.

(2) Raw material purchase risk

Purchase prices of raw materials (iron chip, aluminum metal and coke, etc.) are significantly related to sales prices fixed under the force of worldwide demand and supply, so may be increased to a large extent. We try to recover increased portion of purchase prices as much as possible by adding it to our sales prices. However, the Company's operations or performance may be affected by risks which can not be adjusted or absorbed.

(3) Disproportionate second half year results

The Group principally engages in the manufacture and sales of general casting and forging parts and devices and equipment. Orders for two-wheel bike parts and orders for environmental systems and equipment from public authorities, particularly, tend to flock to the second half year and therefore, sales and profits for the period are likely to be unbalanced compared to the first half year results.

(4) Syndicate loan, borrowings from NGK Insulators, Ltd. and subordinated loans

Syndicated loans, borrowings from NGK Insulators, Ltd. and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd. have been executed in the Group to raise part of its borrowings. These loans are subject to restrictive financial covenants. If a specified level of financial indicators and/or performance are not achieved about any of the loans, this will result in a breach of covenants, and the Group will lose acceleration interest in such loan and will be required to pay the full outstanding balance of the principal and/or incurred interest immediately.

1) *Syndicated loans, and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd.*

There was a conflict with the restrictive financial covenants for the current year, however, the Company is dispensed from the application of the restrictive financial covenants until December 2005, provided that additional restrictive financial covenants are imposed on the Company.

2) *Borrowings from NGK Insulators, Ltd.*

There was a conflict with the restrictive financial covenants for the current year. The Company is currently negotiating with the related lenders to obtain a waiver of the restrictive financial covenants.

(5) Restructuring of aluminum wheel operations

The restructuring of the aluminum operations is now underway. If the project does not go forward as we planned, the Group's business results and financial position may be affected by unexpected turnaround. Since September 2004, aluminum plants in Japan started production using a new production process, ATREX, which was jointly developed in cooperation of our customers. Several new aluminum products

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are currently being manufactured using the ATREX. Since the related yield was not improved, the Company was compelled to implement the significant raise of the related costs in order to cope with the timing of delivery and production performance. Under the circumstances described above, we have decided to engage in a large-scaled restructuring in the aluminum operations as follows:

1) Change from ATREX Process to ANC manufacturing method

We will obtain the consent of our customers to our plan soon; to discontinue the manufacture of products using the ATREX Process and employ ANC manufacturing method, a mainstream technology at present, by September 2005 at the latest.

2) Shift of Production to a Thai Subsidiary

We will accelerate the shift of production operations to Asahi Tec Aluminium (Thailand) Co., Ltd. The consolidated subsidiary has already started the production using the ANC manufacturing method. We expect to reduce costs on a consolidation basis by importing ANC manufacturing method products from the Thai subsidiary.

3) Discontinuance of Production in Japan

The aluminum wheel operations in Japan will discontinue production by December 2005. Upon completion of the shift of production to the Thailand subsidiary, sales, R&D, product warranty, preparation/arrangements for production and design functions will remain in Japan.

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Consolidated Financial Statements

(1) Consolidated Financial Statements

(a) Consolidated Balance Sheets

	As of March 31, 2004		As of March 31, 2005		Increase / (Decrease)
	(In ¥ million)	Composition Ratio (%)	(In ¥ million)	Composition Ratio (%)	(In ¥ million)
Assets:					
I. Current Assets					
1. Cash and bank deposits	¥3,576		¥3,810		¥234
2. Notes receivable and accounts receivable-trade	13,120		13,463		343
3. Inventories	5,256		5,799		543
4. Deferred tax assets	39		43		4
5. Other current assets	398		596		198
Allowance for doubtful accounts	(14)		(38)		(23)
Total current assets	22,376	44.6%	23,675	47.8%	1,299
II. Non-Current Assets:					
1. Property, Plants and Equipment					
(1) Buildings and structures	5,155		4,753		(401)
(2) Machinery, equipment and transportation equipment	6,299		6,089		(210)
(3) Tools, appliances and fixtures	2,397		1,912		(485)
(4) Land	10,233		10,203		(29)
(5) Construction in progress	1,002		1,095		93
Total property, plants and equipment	25,087	50.0	24,054	48.5	(1,033)
2. Intangible Assets					
(1) Software	99		68		(31)
(2) Other intangible fixed assets	41		126		84
Total intangible assets	141	0.3	194	0.4	53
3. Investments and Other Noncurrent Assets					
(1) Investment securities	1,462		467		(994)
(2) Deferred tax assets	137		130		(6)
(3) Other investments	1,088		1,236		148
Allowance for doubtful accounts	(157)		(201)		(44)
Total investments and other noncurrent assets	2,531	5.1	1,634	3.3	(897)
Total Noncurrent Assets	27,759	55.4	25,882	52.2	(1,877)
Total Assets	¥50,135	100%	¥49,558	100%	(¥577)

(Translation)

	As of March 31, 2004		As of March 31, 2005		Increase / (Decrease) (In ¥ million)
	(In ¥ million)	Composition Ratio (%)	(In ¥ million)	Composition Ratio (%)	
Liabilities:					
I. Current Liabilities:					
1. Notes payable and accounts payable-trade	¥9,016		¥9,724		¥707
2. Short-term loans payable	1,128		2,387		1,258
3. Income taxes payable	47		69		22
4. Deferred tax liabilities	214		-		(214)
5. Allowance for bonuses	506		505		(0)
6. Allowance for loss on sales	836		1,142		305
7. Allowance for product warranty	15		20		5
8. Allowance for completed construction warranty	22		29		6
9. Notes payable for equipment	560		582		22
10. Other current liabilities	2,194		2,497		302
Total current liabilities	14,542	29.0%	16,959	34.2%	2,416
II. Long-Term Liabilities:					
1. Long-term debts	15,670		13,990		(1,680)
2. Deferred tax liabilities from land revaluation	2,507		2,496		(10)
3. Liability for employees' retirement benefits	1,698		1,864		165
4. Reserve for officers' retirement benefits	88		95		6
5. Other long-term liabilities	772		700		(72)
Total long-term liabilities	20,737	41.4	19,145	38.6	(1,591)
Total liabilities	35,279	70.4	36,105	72.8	825
Minority Shareholders' Interest:					
Minority shareholders' interest	802	1.6	872	1.8	70
Shareholders' Equity:					
I Capital	5,669	11.3	5,712	11.5	43
II Capital surplus	6,604	13.1	6,647	13.4	43
III Retained earnings	(2,115)	(4.2)	(3,393)	(6.8)	(1,277)
IV Land revaluation surplus	3,799	7.6	3,783	7.7	(16)
V Net unrealized gain on available-for-sale security	311	0.6	28	0.0	(283)
VI Foreign currency translation adjustments	(210)	(0.4)	(188)	(0.4)	21
VII. Treasury stock	(6)	(0.0)	(10)	(0.0)	(3)
Total shareholders' equity	14,053	28.0	12,580	25.4	(1,472)
Total Liabilities, Minority Shareholders' Interest and Shareholders' Equity	¥50,135	100%	¥49,558	100%	(¥577)

(Translation)

(b) Consolidated Statements of Income

	Consolidated Fiscal Year ended March 31, 2004		Consolidated Fiscal Year ended March 31, 2005		Increase / (Decrease) (In ¥ million)
	(In ¥ million)	Percentage to sales (%)	(In ¥ million)	Percentage to sales (%)	
I Net Sales	¥52,884	100%	¥57,574	100%	¥4,690
II Cost of Sales	47,066	89.0	50,687	88.1	3,620
III Provision for / (Reversal of) allowance for loss on sales	(92)	(0.2)	305	0.5	397
Gross Profit	5,910	11.2	6,581	11.4	671
IV Selling, General and Administrative Expenses	5,593	10.6	5,953	10.3	360
Operating Income	316	0.6	628	1.1	311
V Non-Operating Income:					
1. Interest received	2		2		
2. Dividends received	24		18		
3. Gain on foreign currency exchange	5		47		
4. Gain on sales of scrap	114		6		
5. Export sales incentives	66		100		
6. Gain on appreciation of derivatives	-		28		
7. Miscellaneous income	81		50		
Total non-operating income	296	0.6	254	0.4	(41)
VI Non-Operating Expenses:					
1. Interest paid	618		678		
2. Other non-operating expenses	190		97		
Total non-operating expenses	809	1.5	776	1.3	(33)
Ordinary income / (loss)	(195)	(0.3)	107	0.2	302
VII Special Gain:					
1. Gain on prior period revenue adjustments	14		-		
2. Gain on sales of fixed assets	6		65		
3. Gain on sales of investment securities	25		576		
4. Gain on recording leased assets	-		170		
5. Gain on sales of golf club membership	7		25		
6. Other special gain	2		12		
Total special gain	¥56	0.1%	¥850	1.5%	¥793
VIII Special Loss:					
1. Loss on disposal and sales of fixed assets	793		337		
2. M&A advisory fee and refinance costs	1,219		-		
3. Provision for loss on sales	928		-		
4. Loss on retirement of leased assets (machinery and equipment)	701		-		
5. Loss on disposal and sales of inventories	313		193		
6. Nonrecurring depreciation of fixed assets	-		1,321		
7. Other	54		101		
Total special loss	4,011	7.6	1,953	3.4	(2,058)

(Translation)

	Consolidated Fiscal Year ended March 31, 2004		Consolidated Fiscal Year ended March 31, 2005		Increase / (Decrease)
	(In ¥ million)	Percentage to sales (%)	(In ¥ million)	Percentage to sales (%)	(In ¥ million)
Income before taxes	(4,150)	(7.8)	(996)	(1.7)	(3,154)
Income Taxes:					
Corporate income, inhabitant and enterprise taxes - current	87		236		
Corporate income, inhabitant and enterprise taxes – deferred	1,865		(8)		
Total income taxes	1,952	3.7	228	0.4	(1,724)
Minority Shareholders' Interest	48	0.1	69	0.1	21
Net Income (Loss)	(¥6,151)	(11.6%)	(¥1,294)	(2.2%)	(¥4,857)

(Translation)

(c) Comparative Consolidated Statement of Capital Surplus and Retained Earnings

(In ¥ million)

Description	Year	Consolidated Fiscal Year ended March 2004	Consolidated Fiscal Year ended March 2005
(Capital Surplus)			
I. Beginning balance of capital surplus		¥5,604	¥6,604
II. Increase in capital surplus Issuance of new shares for capital increase		1,000	43
III. Ending balance of capital surplus		6,604	6,647
(Retained Earnings)			
I. Beginning balance of retained earnings		4,025	(2,115)
II. Increase in retained earnings Reversal from land revaluation surplus		10	16
III. Decrease in retained earnings Net income (loss)		(6,151)	(1,294)
IV. Ending balance of retained earnings (deficit)		(¥2,115)	(¥3,393)

(Translation)

(d) Consolidated Cash Flow Statements

(In ¥ million)

Accounts	Consolidated Fiscal Year ended March 2004	Consolidated Fiscal Year ended March 2005
I Cash flows from operating activities		
1. Income (loss) before taxes	(¥4,150)	(¥996)
2. Depreciation expense	3,436	3,516
3. Increase/(decrease) in allowance of bad debts	33	67
4. Increase/(decrease) in liability for employees' retirement benefits	(125)	165
5. Increase/(decrease) in reserve for officers' retirement benefits	(58)	6
6. Gain on sale or retirement of tangible fixed assets	786	272
7. Increase/(decrease) in allowance for loss of sales	836	305
8. Gain/(loss) on sales of investment securities	(25)	(486)
9. Interest and dividends income	(27)	(21)
10. Interest expense	618	678
11. Loss (gain) on foreign currency exchange	(56)	(1)
12. Gain using the equity method	(21)	1
13. M&A advisory fee and refinance costs	1,219	-
14. Loss on retirement of leased assets (machinery and equipment)	619	-
15. Gain on recording leased assets	-	(170)
16. Nonrecurring depreciation on fixed assets	-	1,321
17. (Increase)/decrease in trade receivables	266	(324)
18. (Increase)/decrease in inventories	(4)	(535)
19. Increase/(decrease) in trade payables	(129)	660
20. Other	383	(675)
Sub-total	3,601	3,783
21. Interest and dividends received	33	21
22. Interest paid	(588)	(702)
23. Corporate income taxes paid	(131)	(129)
24. M&A advisory fee and refinance costs paid	(1,217)	-
Cash flows from operating activities	1,698	2,972
II Cash flows from investment activities		
1. Transfer to time deposits	(471)	-
2. Withdrawals of time deposits	306	71
3. Proceeds from sale of investment securities	35	1,002
4. Payment for acquisition of tangible fixed assets	(3,468)	(3,332)
5. Proceeds from sale of tangible fixed assets	189	117
6. Payment for acquisition of intangible fixed assets	(23)	(79)
7. Other	(154)	115
Cash flows used in investment activities	(3,586)	(2,104)
III Cash flows from financing activities		
1. Increase/(decrease) in short-term borrowings - net	(4,277)	1,048
2. Proceeds from long-term debt	16,352	-
3. Repayment of long-term debt	(4,173)	(1,496)
4. Redemption of convertible bonds	(6,682)	-
5. Proceeds from issuance of shares	1,992	85
6. Repayments of finance lease obligations	-	(204)
7. Dividends to minority shareholders	(4)	(4)
8. Other	(2)	(3)
Cash flows (used in) from financing activities	3,204	(574)
IV Exchange gain (loss) on cash and cash equivalents	36	12
V Increase/(decrease) in cash and cash equivalents	1,352	305
VI Beginning balance of cash and cash equivalents	2,058	3,411
VII Ending balance of cash and cash equivalents	¥3,411	¥3,716

(Translation)

Basic Matters to Prepare the Consolidated Financial Statements

1. Scope of consolidation

(1) Consolidated subsidiaries – three (3) subsidiaries

Houei Industries Co., Ltd.

Asahi Tec Aluminium (Thailand) Co., Ltd.

Asahi Tec Metals (Thailand) Co., Ltd.

(2) Non-consolidated subsidiaries – three (3) subsidiaries

Asahi Tec Touhoku Sales Co., Ltd.

Asahi Service Co., Ltd.

Asahi Tec Service Co., Ltd.

These three non-consolidated subsidiaries are small-scaled companies. These companies' total assets, sales, net income (loss) (corresponding to the portion of equity interest) and retained earnings (corresponding to the portion of equity interest) are insignificant and do not substantially affect these consolidated financial statements. Therefore, the three subsidiaries were excluded from the scope of consolidation.

2. Equity method related matters

(1) Associated company accounted for using the equity method: two (2) companies

Asahi Somboon Shippo Moulds Co., Ltd.

Dicastal Asahi Aluminium Co., Ltd.

Dicastal Asahi Aluminium Co., Ltd. was accounted for using the equity method since the effect of this company became more significant in this year.

(2) Non-consolidated subsidiaries not accounted for using the equity method: three (3) companies

Asahi Tec Touhoku Sales Co., Ltd.

Asahi Service Co., Ltd.

Asahi Tec Service Co., Ltd.

Effect of these non-consolidated subsidiaries was insignificant in terms of the Group's net income (loss) (corresponding to the portion of equity interest) and retained earnings (corresponding to the portion of equity interest), respectively, and the consolidated financial statements as a whole. Therefore, these companies were excluded from the application of the equity method.

(3) Year-ends of the companies accounted for using the equity method differ from the Company's year-end. For consolidation purposes, their financial statements at their year-end were used.

3. Year-end of consolidated subsidiaries

Year-ends of the consolidated subsidiaries are the same as the consolidated year-end for the current year. Asahi Tec Aluminium (Thailand) Co. Ltd. and Asahi Tec Metals (Thailand) Co., Ltd., overseas consolidated subsidiaries, changed their year-ends from December 31 to March 31st in the current year. Accordingly, their consolidated income statements, and consolidated cash flow statement for the year ended March 31, 2005 reflect their business results for the fifteen months.

4. Accounting policies

(Translation)

(1) Evaluation policy and method of significant assets

a) Marketable securities

Available-for-sale securities with readily determinable market price were stated at fair value on the balance sheet date, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

b) Inventories

Inventories were stated at cost determined by the average method.

Derivatives

Derivatives were stated using the market value method.

(2) Depreciation of significant fixed assets

Property, plant and equipment

a) Buildings excluding fixtures and equipment: The straight-line method is applied.

b) Casting included in tools, furniture and fixtures:

The Company and overseas consolidated subsidiaries adopt the straight-line method. Domestic consolidated subsidiaries adopt the declining-balance method.

c) Other tangible fixed assets:

The Company and domestic consolidated subsidiary adopt the declining-balance method. Overseas consolidated subsidiaries adopt the straight-line method. The useful lives of the major tangible fixed assets are as follows:

Buildings and structures:	10 to 50 years
Machinery and vehicles & transportation equipment:	4 to 12 years
Tools, furniture and fixtures:	2 to 6 years

Intangible assets

a) Software:

The Company and domestic consolidated subsidiary adopt the straight-line method. The useful life used by the Company and the domestic consolidated subsidiary is 5 years, determined by the Company.

b) Other intangible assets:

The straight-line method is adopted.

(3) Accounting for significant allowances

a) Allowance for doubtful accounts

The Company and the domestic consolidated subsidiary account for allowance for doubtful accounts at the amount considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. The overseas consolidated subsidiaries account for allowance for doubtful accounts based on the judgment on each debtor's financial condition.

b) Allowance for bonuses

The Company and the domestic consolidated subsidiary record accrued bonuses based on the estimated amount of future bonus payments to employees earned in the current year.

c) Allowance for loss of sales

The Company and the overseas consolidated subsidiaries provide for anticipated loss of sales. In order to obtain the anticipated loss of sales, first, the total production volume of each car model was estimated based on the total production volume of each car model projected by a certain research company for the

(Translation)

following year. Next, the total production volume of each car model estimated by the Company was multiplied by the yearly actual loss of sales per vehicle by car model recorded at the end of the current year.

d) Allowance for product warranty

The Company and overseas consolidated subsidiaries provide for product warranty based on the past experiences in order to reasonably estimate warranty expenses and match sales and expenses.

e) Allowance for completed construction

The Company accrues warranty expenses for completed construction based on past experiences in order to reasonably estimate warranty expenses and match sales and expenses.

f) Liability for employees' retirement benefits

The Company and the domestic consolidated subsidiary have a retirement benefit plan. The Company and its domestic consolidated subsidiary account for the liability for employees' retirement benefits based on projected benefit obligations and fair value of plan assets at the end of the fiscal year.

Unrecognized actuarial gains or losses are amortized by the straight-line method over 10 years (which is shorter than the employees' average remaining service years at year-end) beginning in the following fiscal year.

g) Reserve for officers' retirement benefits

The Company and the domestic consolidated subsidiary record the reserve for officers' retirement benefits equal to 100% of the amounts which would have been payable to officers at the end of each fiscal year under the Company's regulations.

(4) Translation of significant foreign currency quoted assets and liabilities into Japanese currency

Balances quoted in foreign currencies in the financial statements were translated into Japanese yen at the exchange rates as of the balance sheet date. Foreign exchange gains and losses from translation are recognized in the income statement. Assets and liabilities of the overseas consolidated subsidiaries were translated into Japanese yen at the exchange rates as of the balance sheet date. Income and expenses of the overseas consolidated subsidiaries were translated into Japanese yen at the average exchange rate for the current year. Foreign exchange differences arising from the translation were recorded as "Foreign currency translation adjustments", a component of Minority Shareholders' Interest and Shareholders' Equity.

(5) Accounting for significant leases

Except for financing leases under which the title to the leased asset is deemed to be transferred to the lessee, the Company and the domestic consolidated subsidiary account for leases as operating leases and the overseas consolidated subsidiaries capitalize leases when the leases qualify for specified requirements under their local accounting standards.

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

a) Accounting for consumption taxes

Consumption taxes are excluded from the amounts of all related accounts in this report.

b) Accounting for sales

The Company adopts the percentage of completion method with respect to long-term constructions (costing not less than ¥100 million and lasting longer than a year), otherwise the completed contract method. In the consolidated current year, the completed construction to which the percentage of completion method applied was ¥694 million.

(Translation)

5. *Valuation of consolidated subsidiaries' assets & liabilities*

The consolidated subsidiaries' assets and liabilities are measured at fair market value.

6. *Amortization of goodwill*

The excess of cost over net assets of subsidiaries acquired is immaterial and charged to income when incurred.

7. *Appropriation of retained earnings*

Comparative Consolidated Statements of Surpluses was prepared based on the appropriations of retained earnings determined in the current fiscal year.

8. *Working capital in the Consolidated Cash Flow Statements*

Working capital (cash and cash equivalents) in the consolidated cash flow statements consists of cash on hand, deposits available to withdraw at any time, and short-term investments that are easily convertible to cash, not subject to value fluctuations, and are redeemed within three months after acquisition.

9. *Additional information*

Upon the enactment of "Law Concerning Partially Reforming Local Tax Law" (Law No. 2003-9) on March 31st, 2003, the Factor-Based Enterprise Taxes system was introduced to enterprise taxes effective for the fiscal year beginning after April 1st 2004. In accordance with the "Practical Treatment for Income Statement Presentation of Factor-Based Enterprise Taxes" (February 13th, 2004, the Accounting Standards Board of Japan Report of Practical Issues No.12), enterprise taxes related to the value-added factor and capital factor were recorded in selling, general and administrative expenses from the current year. As a result, selling, general and administrative expenses increased by ¥54 million, operating income and ordinary income decreased by ¥54 million, respectively, and loss before income taxes increased by ¥54 million.

(Translation)

Notes

Notes to Consolidated Balance Sheets

	(In ¥ million)	
	Year ended March 31, 2004	Year ended March 31, 2005
1. Accumulated depreciation of property, plants and equipment	33,374	36,352
2. Investments and equity investments in non-consolidated subsidiary and associated company		
Investment securities (shares)	299	302
Other investments and other assets (equity investments)	143	112
3. Pledged assets and indebtedness		
Pledged assets:		
Cash on hand and bank deposits	2,601	2,210
Notes receivable and accounts receivable-trade	1,663	2,099
Inventories	4,265	4,862
Buildings and structures	4,200	4,401
Machinery/equipment and vehicles & transportation equipment	3,786	3,344
Tools, appliances and furniture	293	202
Land	9,846	10,109
Investment securities	1,272	322
Total	27,929	27,553
Liabilities corresponding to the pledged assets above		
Short-term borrowings	386	2,038
Long-term debts	13,371	11,990
Total	13,757	14,029

4. Land Revaluation

Under the “Revised Law of Land Revaluation” (No. 34 issued on March 31, 1998) and the Law Partially Revising the Revised Law of Land Revaluation (No. 19 issued March 31, 2001), the Company revalued the land used for business and recorded the amount equal to the taxes to be imposed on unrealized appreciation of land as deferred tax liabilities and the remaining excess as a land revaluation surplus, a component of shareholders’ equity.

Revaluation method: The value of the land was determined through reasonable adjustment based on the amount of property taxes prescribed in Article 2 (3) of Enforcement Regulations Regarding Land Revaluation (Government Ordinance No. 119 issued on March 31, 1998).

Date of revaluation: March 31, 2002

	(In ¥ million)	
	<u>March 31, 2004</u>	<u>March 31, 2005</u>
Discrepancy between the total market values of land used for business and the total revalued carrying values of the land at the end of the current year:	1,198	1,195
5. Guarantees of indebtedness of others	58	3
6. Discounted notes receivable	4	4
7. Treasury stock		
Common stock	50,794 shares	67,766 shares
The Company’s issued and outstanding shares are as follows:		
Common stock	59,835,313 shares	60,270,313 shares
Series A preferred stock	28,572,000 shares	28,572,000 shares

(Translation)

8. Restrictive financial covenants on loans

Syndicated loans, borrowings from NGK Insulators, Ltd., and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd. have been executed in the Group to raise part of their borrowings. These loans are subject to restrictive financial covenants. If a specified level of performance is not achieved in any of the loans, this will result in a breach of contract, and the Group will lose acceleration interest in such loan and be required to pay the full outstanding balance of the principal and/or incurred interest immediately.

- 1) *Syndicated loans, and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd.*
There was a conflict with the restrictive financial covenants for the current year, however, the Company is dispensed from the application of the restrictive financial covenants until December 2005, provided that additional restrictive financial covenants are imposed on the Company.
- 2) *Borrowings from NGK Insulators, Ltd.*
There was a conflict with the restrictive financial covenants for the current year. The Company is currently negotiating with the related lenders to obtain the waiver of the restrictive financial covenants.

Notes to Consolidated Income Statements

1. Major Items and Amounts Included in Selling, General and Administrative Expenses

	(In ¥ million)	
	Year ended <u>March 31, 2004</u>	Year ended <u>March 31, 2005</u>
Packing cost and freight	1,662	2,000
Salaries and bonuses	1,353	1,312
Provision for bonuses	120	130
Retirement benefits cost	149	92
Provision for officers' retirement benefits	32	30

2. Development and Research Costs Included in General and Administrative Expenses and Production Costs

	(In ¥ million)	
	Year ended <u>March 31, 2004</u>	Year ended <u>March 31, 2005</u>
Development and research costs	962	701

3. Gain on Sales of Fixed Assets

	(In ¥ million)	
	Year ended <u>March 31, 2004</u>	Year ended <u>March 31, 2005</u>
Gain on sales of land	2	0
Gain on sales of intangible assets	-	55
Gain on sales of other fixed assets	4	9
Total	6	65

(Translation)

4. Loss on Disposal of Fixed Assets

	Year ended <u>March 31, 2004</u>	(In ¥ million) Year ended <u>March 31, 2005</u>
Loss on disposal of buildings and structures	253	1
Loss on disposal of machinery/equipment and vehicles & transportation equipment	165	68
Loss on disposal of tools, appliances and furniture	224	246
Loss on disposal of other fixed assets	91	0
Loss on sales of other fixed assets	41	6
Cost of destruction of fixed assets	16	14
Total	793	337

The nonrecurring depreciation on fixed assets consists of ¥1,162 million, which resulted from the discontinuation of aluminum wheel operations scheduled in the following year due to the restructuring of aluminum wheel factories and ¥159 million as nonrecurring depreciation on castings at the overseas consolidated subsidiaries.

Notes to Consolidated Cash Flow Statements

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

	Year ended <u>March 31, 2004</u>	(In ¥ million) Year ended <u>March 31, 2005</u>
Cash and bank deposits	3,576	3,810
Time deposits expiring more than 3 months	(165)	(94)
Ending balance of cash and cash equivalents	3,411	3,716

2) Significant non-cash transactions

	Year ended <u>March 31, 2004</u>	(In ¥ million) Year ended <u>March 31, 2005</u>
Amount of assets and liabilities related to financing leases newly recorded in this current year	-	468

Leases

The Company will disclose lease transaction-related information via EDINET, and omitted the related information.

(Translation)

Marketable Securities

Year Ended March 31, 2004

1. Available-for-sale securities with market value (as of March 31, 2004) (In ¥ million)

Classification		Acquisition Cost	Balance Sheet Carrying Value	Increase (decrease)
Balance sheet carrying value larger than acquisition cost	Stocks	422	999	577
	Sub-total	422	999	577
Balance sheet carrying value less than acquisition cost	Stocks	108	78	(29)
	Sub-total	108	78	(29)
Total		530	1,078	547

2. Available-for-sales securities sold during the year (In ¥ million)

Proceeds from Sales	Total Gain on Sales	Total Loss on Sales
35	25	-

3. Information on major non-marketable securities (as of March 31, 2004) (In ¥ million)

	Balance Sheet Carrying Value
Available-for-sales securities : Unlisted stock (excluding counter shares)	84

Year Ended March 31, 2005

1. Available-for-sale securities with market value (as of March 31, 2005) (In ¥ million)

Classification		Acquisition Cost	Balance Sheet Carrying Value	Increase (decrease)
Balance sheet carrying value larger than acquisition cost	Stocks	76	124	48
	Sub-total	76	124	48
Balance sheet carrying value less than acquisition cost	Stocks	-	-	-
	Sub-total	-	-	-
Total		76	124	48

2. Sales of available-for-sales securities (In ¥ million)

Proceeds from Sales	Total Gain on Sales	Total Loss on Sales
1,002	576	89

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

	Balance Sheet Carrying Value
Available-for-sales securities Unlisted stock (excluding counter shares)	40

Derivatives

The Company will disclose derivative transactions-related information via EDINET, and omitted the related information.

(Translation)

Notes to Employees' Retirement Benefits

1. Description of retirement benefit plans adopted by the Company and

The Company and the domestic consolidated subsidiaries adopt two defined pension plans; a qualified pension plan and a lump-sum retirement benefits payment plan. The Company and the domestic consolidated subsidiaries may pay additional retirement benefits to retiring employees, which are not classified as liabilities for employees' retirement benefits covered by the actuarial method based on the retirement benefits-related accounting standards.

2. Liabilities for employees' retirement benefits

	(In ¥ million)	
	<u>March 31, 2004</u>	<u>March 31, 2005</u>
(1) Projected benefit obligations	(6,880)	(6,894)
(2) Fair market value of plan assets	4,534	4,547
(3) Balance [(1)+(2)]	(2,346)	(2,347)
(4) Unrecognized actuarial gain	1,047	1,107
(5) Net amount [(3)+(4)]	(1,298)	(1,239)
(6) Prepaid cost	399	624
(7) Liability for employees' retirement benefits [(5)-(6)]	(1,698)	(1,864)

3. Components of net periodic benefit costs

	(In ¥ million)	
	Year ended <u>March 31, 2004</u>	Year ended <u>March 2005</u>
(1) Service cost	264	242
(2) Interest cost	172	132
(3) Expected return on plan assets	(124)	(132)
(4) Recognized actuarial loss	163	136
(5) Additional retirement benefits	130	40
(6) Net periodic benefit costs [(1)+(2)+(3)+(4)+(5)]	606	418

Note: Net periodic benefit costs of the domestic consolidated company under the simplified method is included in “(1) Service cost”.

4. Assumptions

	<u>March 31, 2004</u>	<u>March 31, 2005</u>
(1) Discount rate	2.0%	2.0%
(2) Expected rate of return on plan assets	3.0%	3.0%
(3) Allocation method of retirement benefits expected to be paid at the retirement date	Straight-line method based on years of service	Straight-line method based on years of service
(4) Recognition method of actuarial gain/loss (Unrecognized actuarial gains or losses are amortized by the straight-line method over a certain number of years beginning in the following fiscal year.)	10 years	10 years

(Translation)

Notes to Tax Effect Accounting

(1) Deferred tax assets and liabilities comprise the following

Accounts	<u>March 31, 2004</u>	<u>March 31, 2005</u>
(In ¥ million)		
Current Assets & Liabilities		
Deferred tax assets:		
Allowance for bonuses	202	199
Depreciation	102	555
Disposal of casting	195	210
Fixed assets-unrealized gain	101	87
Allowance for doubtful accounts	53	63
Liabilities for retirement benefits	618	731
M&A advisory fee and refinance costs	389	297
Allowance for loss of sales	332	438
Loss on retirement of leased assets (machinery & equipment)	246	213
Tax loss carryforwards	2,632	2,394
Other	233	223
Sub-total deferred tax assets	5,107	5,413
Evaluation allowance	(4,929)	(5,413)
Total deferred tax assets	178	176
Deferred tax liabilities :		
Unrealized loss on available-for-sale securities	(217)	(19)
Total deferred tax liabilities	(217)	(19)
Net deferred tax assets	-	156
Net deferred tax liability	(39)	-
Deferred tax liabilities for land revaluation	(2,507)	(2,496)

(2) Reconciliation between normal statutory tax rates and actual effective tax rates for the current year was as follows:

	<u>March 31, 2004</u>	<u>March 31, 2005</u>
Normal effective statutory tax rate for companies	41.13 %	39.75 %
Increase (decrease) in tax rate resulting from:		
Permanently non-deductible expenses (entertainment expenses, etc.)	(0.65)	(1.79)
Permanently non-taxable dividend income	0.16	0.71
Inhabitant taxation on per capita basis	(0.34)	(1.67)
Evaluation allowance	(88.34)	(70.43)
Tax rate difference from subsidiaries	0.43	7.48
Other	0.56	3.05
Actual effective tax rate after adopting tax effect accounting method	(47.05) %	(22.90) %

(Translation)

Segment Information

1. Information by business segment

Year ended March 31, 2004

(In ¥ million)

	General Casting & Forging parts	Devices & Equipment	Total	Eliminated or Adjusted	Consolidated
I. Sales and operating income (loss)					
(1) Sales for external customers	45,052	7,832	52,884	-	52,884
(2) Inter-segment sales or transfers	48	-	48	(48)	-
Total	45,101	7,832	52,933	(48)	52,884
Operating expenses	44,220	7,056	51,276	1,290	52,567
Operating income	880	776	1,656	(1,339)	316
II. Assets, depreciation and capital expenditure					
Assets	34,907	7,033	41,940	8,195	50,135
Depreciation	3,213	178	3,391	44	3,436
Capital expenditure	3,048	81	3,129	22	3,152

Year ended March 31, 2005

(In ¥ million)

	General Casting & Forging parts	Devices & Equipment	Total	Eliminated or Adjusted	Consolidated
III. Sales and operating income (loss)					
(1) Sales for external customers	49,929	7,644	57,574	-	57,574
(2) Inter-segment sales or transfers	1	-	1	(1)	-
Total	49,930	7,644	57,575	(1)	57,574
Operating expenses	48,797	6,920	55,718	1,227	56,946
Operating income	1,133	724	1,857	(1,229)	628
II. Assets, depreciation and capital expenditure					
Assets	35,738	6,910	42,648	6,909	49,558
Depreciation	3,320	138	3,458	57	3,516
Capital expenditure	3,414	38	3,453	209	3,662

Notes:

- The business segments in the above table were categorized in consideration of our corporate administrative policies.
- Major products consisting of each business segment
 - General casting and forging parts include general parts of vehicles (including aluminum wheels) and parts for industrial machinery.
 - Devices and equipment include overhead wire casting and environmental systems and equipment.
- Non-allocable expenses included in the operating expenses under the "Eliminated or Adjusted" are ¥1,340 million for the prior year and ¥1,229 million for the current fiscal year, both of which principally are related to the administrative operations of the General Affairs Department, etc.
- Consolidated-basis total assets included in the "Assets" presented in "Eliminated or Adjusted" are ¥8,335 million for the prior year and ¥6,909 million for the current fiscal year, both of which principally are extra working funds (cash and marketable securities), funds for long-term investments and the Administrative Department-related assets.
- Additional Information

Upon the enactment of "Law Concerning Partially Reforming Local Tax Law" (Law No. 2003-9) on March 31st, 2003, the Factor-Based Enterprise Taxes system was introduced to enterprise taxes effective for the fiscal year beginning after April 1st 2004. In accordance with the "Practical Treatment for Income Statement Presentation of Factor-Based Enterprise Taxes" (February 13th, 2004, the Accounting Standards Board of Japan Report of Practical

(Translation)

Issues No.12), enterprise taxes related to the value-added factor and capital factor were recorded in selling, general and administrative expenses from the current year. As a result, in the current year, General Casting & Forging parts segment's operating expenses increased ¥39 million, reducing operating income by the same amount. Devices & Equipment segment's operating expenses increased ¥8 million, reducing operating income by the same amount. Consolidated operating expenses increased ¥6 million, reducing consolidated operating income by the same amount.

2. Information by geography

Year Ended March 31, 2004

(In ¥ million)

	Japan	Asia	Total	Eliminated or Adjusted	Consolidated
I Sales and Operating Income (Loss)					
(1) Sales for external customers	46,783	6,100	52,884	-	52,884
(2) Inter-segment sales or transfers	602	2,612	3,214	(3,214)	-
Total	47,385	8,713	56,099	(3,214)	52,884
Operating expenses	46,021	8,401	54,423	(1,856)	52,567
Operating income	1,364	311	1,675	(1,358)	316
II. Assets	36,180	7,542	43,723	6,412	50,135

Year Ended March 31, 2005

(In ¥ million)

	Japan	Asia	Total	Eliminated or Adjusted	Consolidated
I Sales and Operating Income (Loss)					
(1) Sales for external customers	47,025	10,549	57,574	-	57,574
(2) Inter-segment sales or transfers	641	3,533	4,175	(4,175)	-
Total	47,667	14,082	61,749	(4,175)	57,574
Operating expenses	46,828	13,127	59,955	(3,008)	56,946
Operating income	838	955	1,794	(1,166)	628
II. Assets	34,767	9,623	44,390	5,167	49,558

Notes:

- Policies with respect to global geographic divisions and included countries
 - The geographic areas in the above table and countries included therein were categorized in the light of their geographic closeness and corporate administrative policies.
 - Asia includes Thailand.
- Non-allocable expenses included in the operating expenses presented in the "Eliminated or Adjusted" of the Company are same as (Notes: 3) of the information by business segment section.
- Consolidation-basis total assets included in the "Assets" presented in "Eliminated or Adjusted" are same as (Notes: 4) of the information by business segment section.
- Additional Information

Upon the enactment of "Law Concerning Partially Reforming Local Tax Law" (Law No. 2003-9) on March 31st, 2003, the Factor-Based Enterprise Taxes system was introduced to enterprise taxes effective for the fiscal year beginning after April 1st 2004. In accordance with the "Practical Treatment for Income Statement Presentation of Factor-Based Enterprise Taxes" (February 13th, 2004, the Accounting Standards Board of Japan Report of Practical Issues No.12), enterprise taxes related to the value-added factor and capital factor were recorded in selling, general and administrative expenses from the current year. As a result, in the Japan segment, operating expenses increased by ¥47 million, reducing operating income by the same amount. Consolidated operating expenses increased ¥6 million, reducing consolidated operating income by the same amount.

(Translation)

3. Overseas sales

Year Ended March 31, 2004

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	5,994	286	6,281
II	Consolidated sales			52,884
III	Ratio of overseas sales to consolidated sales	11.3%	0.5%	11.9%

Notes:

1. Policies with respect to global geographical divisions and included countries

The geographic areas in the above tables and included countries were determined in the light of their geographic closeness.

2. Each global geographical division consists of the following countries:

Asia: Thailand, Malaysia, China and Korea

Other Area: Australia, Europe and the U.S.A.

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

Year Ended March 31, 2005

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	9,447	845	10,293
II	Consolidated sales			57,574
III	Ratio of overseas sales to consolidated sales	16.4%	1.5%	17.9%

Notes:

1. Policies with respect to global geographical divisions and included countries

The geographic areas in the above tables and included countries were determined in the light of their geographic closeness.

2. Each global geographical division consists of the following countries:

Asia Thailand, Malaysia, China and Korea

Other Area Australia, Europe and the U.S.A.

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

(Translation)

Related Party Transactions

I. Year ended March 31, 2004

(1) Parent company and major corporate shareholder

(Amounts are rounded down to the nearest ¥1 million.)

Attribution		Parent company
Name		NGK Insulators, Ltd.
Address		Mizuho-ku, Nagoya, Aichi
Capital		¥69,849 million
Description of Business or Occupation		Production and sales of insulators, electrical equipment, ceramic products, combustion equipment, environmental systems and equipment
Percentage of Voting Rights		Directly 42.8 % owned.
Disclosed	Interlocking Officer	One (1)
	Business Connections	Sales of castings and forging for insulators, purchase of raw materials and contracting for water treatment facility constructions
Description of Transaction		Sales of castings and forging for insulators, and contracting for water treatment facility constructions
Volume of Transactions		¥193 million
Account		Accounts receivables – trade
Ending Balance		¥549 million

Notes:

1. The volume of transactions is net of consumption taxes, and the ending balance is inclusive of consumption taxes.
2. Terms and conditions of transactions and policy for determining the terms and conditions of transactions:
The Company determines the terms and conditions of transactions through negotiations on each transaction in the light of market trends and prices proposed by NGK Insulators, Ltd.
3. The information related to Capital, Percentage of Voting Rights, Interlocking Officer and Ending Balance was as of May 27, 2003, until when NGK Insulators, Ltd. was Asahi Tec Corporation's parent company. The volume of transactions with NGK Insulators, Ltd. is related to the transactions executed between April 1, 2003 and May 27, 2003, during which NGK Insulators, Ltd. was Asahi Tec Corporation's parent company.

(Translation)

(2) Officers and major individual shareholders

(Amounts are rounded down to the nearest ¥1 million.)

Attribution		Officers and/or the officers' close relatives hold a majority of voting rights of the company (including its subsidiaries)	Officers and/or the officers' close relatives hold a majority of voting rights of the company (including its subsidiaries)	Officer
Name		Ripplewood Holdings L.L.C. (Note 3)	Irimajiri Shouichiro, Co.	Anthony A. Barone (Note 4)
Address		New York, the United States	Minato-ku, Tokyo	--
Capital		US\$12 million	¥3 million	--
Description of Business or Occupation		Operation/management of private equity funds	Management consulting	Director of Asahi Tec Corporation
Percentage of Voting Rights		--	--	--
Disclosure	Interlocking Officer	One (1)	One (1)	--
	Business Connections	--	--	--
Description of Transaction		M&A Advisory fee and refinance cost	Loaned personnel-related labor costs	M&A Advisory fee
Volume of Transactions		¥500 million	¥1 million	¥3 million
Account		--	--	--
Ending Balance		--	--	--

Notes

1. The volume of transactions is net of consumption taxes, and the ending balance is inclusive of consumption taxes.
2. Terms and conditions of transactions and policy for determining the terms and conditions of transactions:
The Company determines the terms and conditions of transactions through negotiations on each case based on market trends and prices proposed by each of the companies.
3. Mr. Timothy C. Collins, a director of the Company, substantially holds a majority of voting rights in Ripplewood Holdings L.L.C. The Company executed a contract with Mr. Timothy C. Collins before he took office and paid the M&A advisory fee to him after he took office in accordance with the contract.
4. The Company executed a contract with Mr. Anthony A. Barone before he took office and paid the M&A advisory fee to him after he took office in accordance with the contract.

(Translation)

II. Year ended March 31, 2005

(1) Parent company and non-consolidated subsidiaries

(Amounts are rounded down to the nearest ¥1 million.)

Attribution		Parent Company	Non-consolidated subsidiaries		
Name		RHJ International SA	Asahi Tec Tohoku Sales Co., Ltd.	Asahi Service Co., Ltd.	Asahi Tec Service Co., Ltd.
Address		Brussels, Belgium	Sendai City	Minato-ku, Tokyo	Kikugawa City, Shizuoka
Capital		¥102,896 million	¥10 million	¥20 million	¥10 million
Description of Business or Occupation		Holding company	Sales of electric power equipment	Water treatment	Agency for welfare-related clerical work
Percentage of Voting Rights Held		Directly 58.71% owned	100.0% owned	100.0% owned	100.0% owned
Disclosed	Interlocking Officer	--	One (1)	One (1)	--
	Business Connections	--	Sales of electric power equipment	Subcontract for water treatment construction work	Provision of welfare-related clerical work
Description of Transaction		Provision of collateral (Note 1)	Issue of guarantee (Note 2)	Issue of guarantee (Note 2)	Issue of guarantee (Note 2)
Volume of Transactions		¥12,029 million	¥14,029 million	¥14,029 million	¥14,029 million
Account		--	--	--	--
Ending Balance		--	--	--	--

Notes:

1. The Company's bank loans are secured by the collateral.
2. The Company's bank loans are guaranteed by the non-consolidated subsidiaries. No guarantee fee is paid.

(Translation)

(2) Officers and major individual shareholders

(Amounts are rounded down to the nearest ¥1 million.)

Attribution	Officers and/or the officers' close relatives hold a majority of voting rights of the company (including its subsidiaries)	
Name	Irimajiri Shouichiro, Co.	
Address	Minato-ku, Tokyo	
Capital	¥3 million	
Description of Business or Occupation	Management consulting	
Percentage of Voting Rights	--	
Disclosure	Interlocking Officer	One (1)
	Business Connections	--
Description of Transaction	Loaned personnel-related labor costs	
Volume of Transactions	¥4 million.	
Account	--	
Ending Balance	--	

Notes

1. The volume of transactions is net of consumption taxes, and the ending balance is inclusive of consumption taxes.
2. Policy for determining the terms and conditions of transactions:
The Company determines the terms and conditions of transactions on an individual basis.

(Translation)

Significant Subsequent Events

I. Year ended March 31, 2004

The Company resolved to issue new common stock by allocating them to third parties at the Board of Directors' meeting held on April 21, 2004.

Common stock issued and allocated to third parties:

1	Class of share:	Common stock
2	Total number issued:	435,000 shares
3	Issue price:	¥200 per share
4	Total issue prices:	¥87,000,000
5	Amount capitalized per share:	¥100
6	Total amount capitalized:	¥43,500,000
7	Subscription period:	From May 11, 2004 to May 14, 2004
8	Date of payment:	May 14, 2004
9	Record date for the calculation of dividends:	April 1, 2004
10	Date of delivery of share certificates:	May 17, 2004
11	Allocated party:	Japan Casting IV LP (435,000 shares)
12	Purpose of use:	Working capital

II. Year ended March 31, 2005

Non-applicable.

(Translation)

Production, Orders & Sales

1. Production

(In ¥ million)

Business Segment \ Period	Year ended March 31, 2004		Year ended March 31, 2005	
	Amount of Production	Percentage	Amount of Production	Percentage
General Casting and Forging parts	44,924	85.2%	50,602	86.9%
Machinery and Equipment	7,783	14.8%	7,599	13.1%
Total	52,708	100.0%	58,201	100.0%

Note: The amounts do not include consumption taxes.

2. Order Received

(In ¥ million)

Business Segment \ Period	Year ended March 31, 2004		Year ended March 31, 2005	
	Orders Accepted	Balance Undelivered	Orders Accepted	Balance Undelivered
General Casting and Forging parts	44,678	1,325	50,240	1,638
Machinery and Equipment	8,747	1,758	7,079	1,193
Total	53,425	3,084	57,320	2,831

Notes 1) The orders accepted and the balance undelivered do not include inter-segment transfers.
2) The amounts do not include consumption taxes.

3. Sales

(In ¥ million)

Business Segment \ Period	Year ended March 31, 2004		Year ended March 31, 2005	
	Amount	Percentage	Amount	Percentage
General Casting and Forging parts	45,052	85.2%	49,929	86.7%
Machinery and Equipment	7,832	14.8%	7,644	13.3%
Total	52,884	100.0%	57,574	100.0%

Notes 1) The amounts do not include inter-segment transfers.
2) The amounts do not include consumption taxes.