

# Consolidated Condensed Semiannual Financial Statements for the Year Ending March 31, 2006

November 25, 2005

Listing name: ASAHI TEC CORPORATION  
 Code number: 5606  
 Listing: The Tokyo Stock Exchange, 1<sup>st</sup> section  
 Head office: Shizuoka Prefecture  
 (URL <http://www.asahitec.co.jp/>)  
 Representative: Akira NAKAMURA  
 President and CEO  
 Contact: Takao YOSHIDA  
 Senior Executive Officer  
 Telephone number: (0537) 36 - 3112

Date of board of directors' meeting to approve the consolidated semiannual financial statements: November 25, 2005

Name of parent company, etc.: RHJ International SA/NV

Percentage of voting rights owned by the parent company, etc.: 58.7%

U.S.A. Accounting Standards: Not adopted

## **1. Financial results for the six months ended September 30, 2005**

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

(In ¥ million)

	Net sales	Percent change	Operating income (loss)	Percent change	Ordinary income (loss)	Percent change
Six months ended September 30, 2005	26,407	10.9	1,070	-	723	-
Six months ended September 30, 2004	23,803	2.3	(326)	-	(598)	-
Year ended March 31, 2005	57,574	8.9	628	98.2	107	-

	Net income (In ¥ million)	Percent change	Net income per stock (in ¥)	Diluted net income per stock (in ¥)
Six months ended September 30, 2005	(49)	-	(0.55)	-
Six months ended September 30, 2004	(259)	-	(2.93)	-
Year ended March 31, 2005	(1,294)	-	(14.58)	-

Notes:

Equity in income (losses) of affiliated companies :

Six months ended September 30, 2005 – ¥19 million

Six months ended September 30, 2004 – (¥3 million)

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

Weighted average number of stocks: Please refer to page 3.

Change in accounting policies: None

Percent changes in Net sales, Operating income, Ordinary income and Net income in the tables represent increase or

(decrease) compared to the corresponding period of the respective previous year.

Net income per stock was calculated based on the assumption that the Series A preferred stocks were converted to common stocks.

In March 31, 2005, two consolidated subsidiaries (Asahi Tec Aluminum (Thailand) Co., Ltd. and Asahi Tec Metals (Thailand) Co., Ltd.) changed their closing date from December 31 to March 31. Therefore, the balances for these two subsidiaries included the operating and financial results for the fifteen months ending on March 31, 2005.

(2) Consolidated financial position

	Total assets (in ¥ million)	Stockholders' equity (in ¥ million)	Ratio of stockholders' equity to total assets (%)	Stockholders' equity per stock (in ¥)
Six months ended September 30, 2005	47,058	12,621	26.8	171.87
Six months ended September 30, 2004	48,181	13,486	28.0	187.03
Year ended March 31, 2005	49,558	12,580	25.4	171.60

Note:

With respect to the number of stocks issued and outstanding at year-end (consolidated), please refer to page 3.

In order to calculate the stockholders' equity per stock, a portion of period-end stockholders' equity per stock attributable to common stocks was divided by the number of issued and outstanding stocks existing at the respective six months or year-end. The portion of period-end stockholders' equity attributable to common stock was calculated by subtracting a portion of period-end stockholders' equity attributable to the preferred stock from the applicable period-end stockholders' equity.

(3) Consolidated cash flow results

	Cash flow generated from operating activities (in ¥ million)	Cash flow generated from (used for) investing activities (in ¥ million)	Cash flow generated from (used for) financing activities (in ¥ million)	Ending balance of cash & cash equivalents (in ¥ million)
Six months ended September 30, 2005	¥2,001	(¥1,612)	(¥1,038)	¥3,119
Six months ended September 30, 2004	1,521	2	(796)	4,107
Year ended March 31, 2004	2,972	(2,104)	(574)	3,716

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

Six subsidiaries were consolidated.

Two associated companies were accounted for in the equity method.

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

Three former associated companies newly started to be consolidated.

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

(In ¥ million)

	Net sales	Ordinary income	Net income
Year ending March 31, 2006			

For reference: Projected annual net income per stock:

All predictions have been made based on the data available to the Company as of the date this report was disclosed. Therefore discrepancies may occur between the actual and the predicted outcomes. As for the predictions for the year ending on March 31, 2006,

please refer to “3. Outlook of Business Results for the Full Year” on page 11.

(Note) The projected net income per stock for the year ending March 31, 2006 was calculated on the assumption that the Series A preferred stocks were converted to common stocks.

Weighted Average Number of Stocks (consolidated)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
	stocks	stocks	stocks
Common stock	60,144,942	60,198,830	60,175,394
Preferred stock			
Series A preferred stock	28,572,000	28,572,000	28,572,000

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

	As of September 30, 2004	As of September 30, 2005	As of March 31, 2005
	stocks	stocks	stocks
Common stock	60,213,299	60,198,095	60,202,547
Preferred stock			
Series A preferred stock	28,572,000	28,572,000	28,572,000

1. Formulas to Calculate the Performance Indicators for the six months ended on September 30, 2005

- Net Income Per Stock

Portion of net income attributable to common stocks / [Average number of common stocks for the period (consolidated) + Increased number of common stocks based on the assumption that all existing convertible participating stocks are converted]

- Stockholders' Equity per Stock

Portion of period-end stockholders' equity attributable to common stocks / Number of issued and outstanding stocks at period-end (consolidated)

2. Formula to Calculate the Performance Indicators for the Year Ending March 31, 2006

- Projected net income Per Stock (for a full year)

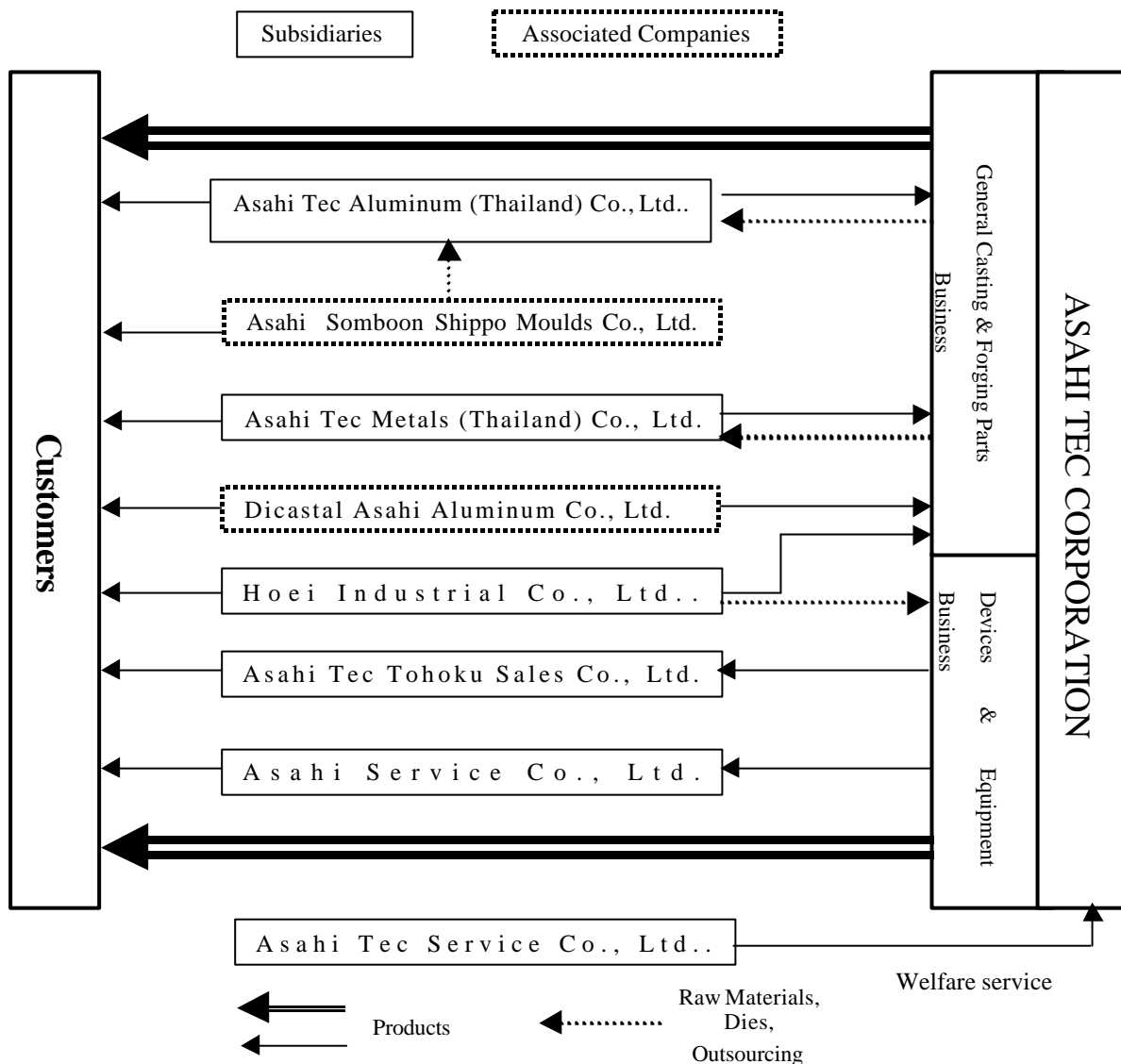
Portion of projected net income attributable to common stocks / [Number of issued and outstanding common stocks existing at the six months-end (consolidated) + Increased number of common stocks based on the assumption that all existing convertible participating stocks s are converted]

## Group Information

The Group consists of the Company, six subsidiaries and two associated 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	Hoei Industrial Co., Ltd. Asahi Tec Aluminum (Thailand) Co., Ltd. Asahi Tec Metals (Thailand) Co., Ltd. Asahi Somboon Shippo Moulds Co., Ltd.
	Aluminum wheels	Asahi Tec Aluminum Co., Ltd. Dicastal Asahi Aluminum Co., Ltd.
	Parts for industrial construction machinery	Asahi Tec Metals 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.

The Group's schematic diagram is displayed below:



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

Six (6) consolidated subsidiaries

Hoei Industries Co., Ltd.	Manufacture and sales of aluminum forging products, machining and assemble of various machinery and parts
Asahi Tec Aluminum Co., Ltd.	Manufacture and sales of aluminum casting products and aluminum wheels
Asahi Tec Metals Co., Ltd.	Manufacture and sales of ductile iron casting products and gray iron casting products
Asahi Tec Tohoku Sales Co., Ltd.	Distributor for power transmission and distribution
Asahi Service Co., Ltd.	Sales of environmental equipment and construction of water treatment facilities
Asahi Tec Service Co., Ltd.	Welfare service

Two (2) associated companies

Asahi Somboon Shippo Moulds Co., Ltd.	Manufacture and sales of dies for casing
Dicastal Asahi Aluminum Co., Ltd.	Manufacture and sales of aluminum wheels

The companies were accounted for in the equity method.

## **Management Policy**

### **1. Basic Management Policy**

The Group, supporting the basis of manufacturing for about a century since its foundation, will make the personnel innovation a top priority, and have a transparent management toward the new next century.

\*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 a business chance worldwide. It thinks that these consequences will result in increasing its stockholder 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 the global environmental issues.

### **2. Profit Distribution – Basic Policy**

It is the basic policy of the Group to return appropriate profits to its stockholders by continuously increasing the corporate value, along with proactively distributing dividends. As for the retained earnings, it will allocate them, from a medium-and-long- term perspective, to the prior investment essential to its future growth, such as R&D or global business expansion, in order to strengthen its corporate power and competitiveness for enhancing its corporate value.

Although its performance for this interim period has considerably improved compared to that for the previous period, the payment of interim dividends was withdrawn, considering this semiannual performance and future prospect.

We sincerely appreciate your understanding.

### **3. Medium-and-Long Term Management Strategy and Future Tasks to Tackle**

The Group has been challenged by an intense competition along 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 circumstances, it will devote itself to take the following measures in order to provide new technology and competitive products that satisfy its customers' needs on a timely basis, and to enforce company quality to create stable profitability:

#### **(1) Technological Innovation**

The Group will accelerate its speed in technology development by making full use of its technology seeds, know-how, and human resources with adequate choice and concentration. The domestic companies will go further in providing technical support to overseas bases in Thailand and China. It 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**

In order to be a reliable company and to satisfy its customers, the Group encourages all employees to make a

priority of working together to create high-quality products, and to make a timely delivery. To realize this mission systematically, it will continuously provide reliable products of light alloy and cast iron, seeking for high quality and cost competitiveness.

### **(3) Growth Strategy**

The Group will globally expand its sales activities with newly developed products that contribute to weight saving and enhanced performance of automobiles, while developing an integrated production system to efficiently support the process related to technical development, materials, processing and assembling. As for the aluminum wheel business, it will shift its production to its consolidated subsidiary, Asahi Tec Aluminum (Thailand) within this year to reduce the consolidated costs by manufacturing in Thailand and importing to Japan. Also it will try to earn more profit by expanding sales in Thai domestic market, as it can promptly profit from the booming Thai automobile industry. It aims to develop the environmental system and equipment business and the electric power equipment business to be independent business units through maximizing their profits.

### **(4) Intensive Manpower Development**

To meet the challenges of ongoing globalization, and to be a proposing-oriented enterprise, the Group will upgrade its human resources development system essential to its corporate strategy. By improving training courses, or by supporting employees to acquire official certifications, it can improve the skills of each employee. Also, it will introduce an evaluation system that allocates compensation and benefits package according to each employee's ability and accomplishment.

### **(5) Collaboration with Honsel International Technologies S.A.**

In December 2004, a parent company of the Group, RHJ International SA/NV, merged Honsel International Technologies S.A., a manufacturer of light metal and cast parts for Belgian automobiles. The Group is assessing the effect of collaboration with Honsel for technology, sales, purchasing to attain further competitiveness and profitability.

With these measures, the Group will promote sales expansion and cost reduction to increase its profitability.

## **4. Basic Conception of Corporate Governance and Implementation of Required Measures**

### **(1) Basic Conception of Corporate Governance**

The Company has a basic policy to enhance its corporate value by expediting management's decision-making and business operation while maintaining a transparent and fair management system. It shifted to the "Company with Committees" upon the approval of the general stockholders' meeting held in June 2004 in order to clarify management responsibilities by separation of managerial supervision and execution, and to expedite decision making by delegation of certain powers to executive officers.

### **(2) Implementation of Corporate Governance Measures**

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

- The Board of Directors consists of eleven (11) directors including four (4) foreign directors, of seven (7) are outside directors, engages in establishing basic policy of corporate management, and supervises the duties of directors and officers. The nomination committee, audit committee, and the compensation committee, which all hold a majority of outside directors, have been established to enforce the

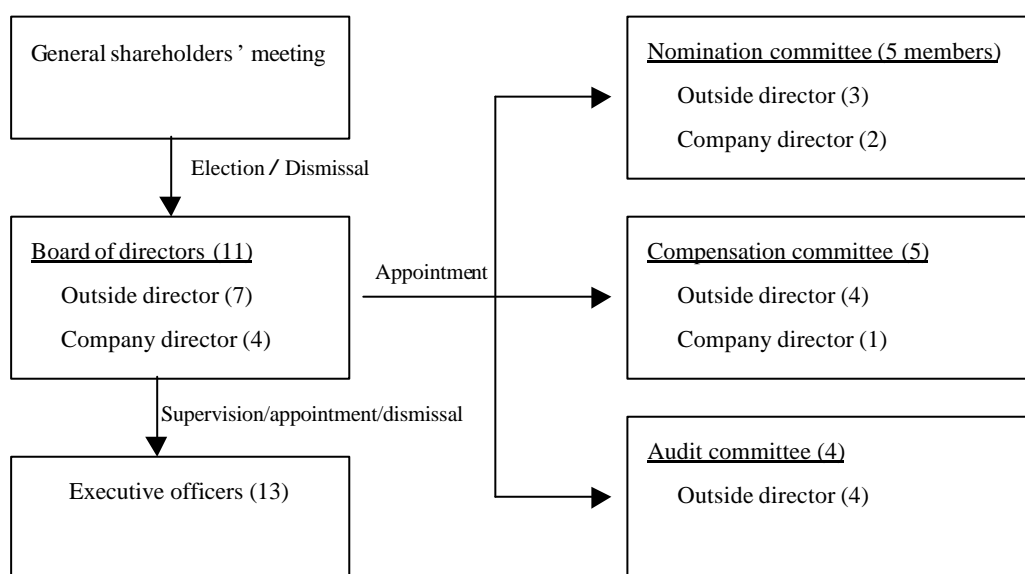
management monitoring function.

- In addition, thirteen (13) executive officers were appointed upon the approval of the Board of Directors, of three (3) are double as director, to execute delegated duties assigned by the Board of Directors.
- The Board of Directors engages in corporate strategy planning based on the matters prescribed by the Commercial Law, and from the global point of view, and holds deliberation of significant matters.
- 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 having an independent legal department, and 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 to maintain the adequate accounting and the transparent management.

ii) Corporate Governance (see the chart below)

“Company with Committees”

(Management organization)



## 5. Parent Company Information

Name etc. of the parent company

Name	RHJ International SA/NV
Status	Parent company
Percentage of voting rights owned by the parent company, etc.	58.7 %
Stock exchange on which the parent company is listed	Euro next, Brussels Stock Exchange, 1 <sup>st</sup> section

## **Business Results and Financial Position**

### **1. Business Results**

#### (1) Overview of Business Results

During the six months ended on September 30, 2005 (“current half year”), business results showed a slow recovery trend, such as improved corporate profits, increased investments in plant and equipment, and a recovery in individual consumption, although there are some anxious factors such as soaring crude oil prices.

Under these circumstances, the consolidated sales for the current half year amounted to ¥26,407 million, up 10.9% from the same time last year, due to the increase in accelerated production of truck parts triggered by the new long-term Exhaust Gas Emission Regulations, and in demand for two-wheel vehicle, and the ongoing boon in the Thai automobile industry.

Although the Group had some severe conditions such as the rise in the price of some materials, consolidated income for the current half year considerably improved compared to that for the same time last year, as operating income amounted to ¥1,070 million (improved by ¥1,397 million), ordinary profit amounted to ¥723 million (improved by ¥1,322 million). Such considerable improvement stemmed from the sales increase, the cost reduction by production shift to Thailand, etc., the reversal of allowance for loss on sales based on the improved forecast for wheel business, or the decrease in depreciation expense due to the asset-impairment accounting started to be applied in this current half year.

Consolidated net loss amounted to ¥49 million (improved by ¥210 million from the same time last year), due to the impairment loss (¥67 million) by asset-impairment accounting.

#### **Segment Information**

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

##### a) Information by business segment

###### [General Casting and Forging Parts]

Sales of general casting and forging parts increased due to the increased domestic demand from the accelerated production triggered by the new long-term Exhaust Gas Emission Regulations for trucks, and to the high demand for automobile parts in the Thai market. Consequently, consolidated sales of this segment amounted to ¥23,752 million, up 11.5% from the same time last year. Consolidated operating income amounted to ¥1,710 million, up 466.6% from the same time last year, due to the sales growth, the reversal of allowance for loss on sales and the decrease in depreciation expense, etc.

###### [Devices and Equipment]

As for the devices and equipment business, the Group had the increased sales of water treatment work in environmental system business, the increased orders in tube all liner business, the increased shipments in part liner operation, and the growing demand for overhead line fittings in electric business. Consequently, consolidated sales of this segment amounted to ¥2,676 million, up 6.7% from the same time last year, and consolidated operating income amounted to ¥21 million, up 20.6% from the same time last year.

##### b) Information by geography

###### [Japan]

Consolidated domestic sales amounted to ¥22,300 million, up 11.2% from the same time last year, due to the

increased demand for truck parts, etc. Consolidated operating income amounted to ¥1,237 million, increased by ¥1,405 million from the same time last year, due to the sales growth, the reversal of allowance for loss on sales and the decrease in depreciation expense, etc.

[Asia]

Consolidated sales in Asia amounted to ¥6,430 million, up 25.8% from the same time last year, due to the ongoing boon in the Thai automobile industry. Consolidated operating income amounted to ¥435 million, down 3.5% from the same time last year.

## 2. Financial Position

### (1) Assets, Liabilities and Stockholders' Equity

Total assets decreased by ¥2,499 million compared to the previous year-end, since the balance of cash and deposits decreased in this period, and the notes and accounts receivable also decreased in the current half year as many water treatment work contracts related to environmental equipment are scheduled to be completed in the second half of the year.

Total liabilities decreased by ¥2,588 million compared to the previous year-end, due to the decrease in notes and accounts payable, the reversal of allowance for loss on sales, or the repayment of debts.

### (2) Cash Flows

Cash and cash equivalents for the current half year was ¥3,119 million, a decrease of ¥655 million from the same time last year, although the change in consolidation scope increased the amount by ¥57 million.

Net cash inflow from operating activities was ¥2,063 million, mainly supported by the collection of trade receivables, etc.

Net cash outflow from investment activities was ¥1,612 million, mainly supported by acquisition of fixed tangible and intangible assets, which consequently resulted in net cash inflow of ¥450 million.

Net cash outflow from financial activities was ¥1,100 million due to the repayment of short-term debt, etc.

### (3) Trend of Cash Flow Indicators

	Year ended March 31, 2004		Year ended March 31, 2005		Year ended March 31, 2006
	Interim	Year-end	Interim	Year-end	Interim
Equity ratio (%)	27.8	28.0	28.0	25.4	26.8
Equity ratio on a market value basis (%)	35.4	38.1	35.4	41.0	47.9
Unexpired years of obligations (years)	5.3	5.8	5.3	5.5	3.8
Interest coverage ratio (times)	4.3	5.0	4.3	4.2	6.7

Note: Equity ratio:  $\text{Equity} / \text{Total assets}$

Equity ratio on a market value basis:

$\text{Market capitalization} / \text{Total assets}$

Unexpired years of obligations:

$\text{Interest-bearing liabilities} / \text{Cash flow from operating activities}$

(For the interim periods, the cash flow from operating activities was doubled so as to correspond to yearly amount.)

Interest coverage ratio

$\text{Cash flow from operating activities} / \text{Interest paid}$

1. Each indicator is calculated based on the consolidated amounts.

2. Market capitalization was calculated by the following formula: Closing quotation of company stocks at year-end X Number of stocks issued and outstanding at year-end (excluding treasury stocks). The number of stocks issued and outstanding at year-end included the number of preferred stocks, which can be converted to common stocks.
3. The operating cash flow was based on the cash flow from operating activities in the consolidated cash flow statement. For the year ended on 31 March 2004, the advisory service fee and refinance costs, which were temporary and unusual, were excluded from the cash flow calculation. The interest-bearing liabilities represented all interest-bearing liabilities included in the liabilities presented in the consolidated balance sheet. The interest paid represented the total amount of interest paid presented in the consolidated cash flow statement.

### **3. Outlook of Business Results for the Full Year**

As for the outlook for the full year, sales are expected to grow due to the following factors, although the business environment is expected to remain severe, due to soaring crude oil prices, etc.

- 1) Truck parts and construction vehicle-related products will remain in high demand.
- 2) For aluminum wheel products, the demand for motorcycle components will be most active in the second half of the year.
- 3) The business for environment systems and equipment will have the busiest season in the second half of the year.

Given this business environment, the Group will take the following measures in the second half of the year;

- 1) Improve profitability of unprofitable business, or withdraw from it.
- 2) Improve Overall Equipment Efficiency (OEE) and productivity
- 3) Reduce abnormal expenses and unfruitful costs

As for the aluminum wheel business, it has discontinued, with the approval from its customers, the production in the ATREX method in September, and shifted to the ANC manufacturing method, a current mainstream technology.

Within this year, it will have completed the production shift to its consolidated subsidiary in Thailand, Asahi Tec Aluminum(Thailand) Co., Ltd., in order to reduce the consolidated costs by manufacturing in Thailand and importing to Japan.

The aluminum wheel operations in Japan will discontinue production by December 2005. Upon completion of the whole shift of production to the Thailand subsidiary, sales, R&D, production control, quality assurance, preparation/arrangements for production, and designing will remain in Japan.

Furthermore it will expand its presence in China and Korea, applying its advantage in technology development.

With these measures, it made a forecast for the year ending on March 31, 2006, as net sales will be ¥57,700 million, operating income ¥2,800 million, ordinary income ¥2,100 million, and net income ¥1,000 million.

### **4. Risk Information**

The business results and financial position (the Company's stock price as well) of the Group may be potentially affected by certain risks as described below. It pays due attention to the possible occurrence of any of the risks, and implement measures to prevent the occurrence of such risks and react to them, if any. The risk information described below is the

management assumptions based on information available at the end of the current half year, and do not cover such all risks that may affect the Group's operations.

(1) Transactions with major customers

For the general casting and forging parts industries, the Group's major customers are automobile manufacturers. The major customers are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation, Mitsubishi Motors, 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

As purchase prices of raw materials (iron chip, aluminum metal and coke, etc.) are significantly linked to the force of worldwide demand and supply, they may drastically fluctuate. The Group tries to recover the increased portion of purchase prices as much as possible by passing it on to the sales prices of products, but the operation or performance of the Group may be affected by these risks that cannot 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 for environmental systems and equipment from public authorities particularly tend to flock to the second half year. Therefore sales and profits for the period are likely to be unbalanced compared to the first half-year results.

(4) Syndicate loan, borrowings from Aozora Bank Ltd. and subordinated loans

Syndicated loans, borrowings from Aozora Bank Ltd. and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd. have been executed in the Group to raise part of its borrowings, and these loans are subject to restrictive financial covenants. If a specified level of financial indicators and/or performance is not achieved for any of the loans, debtor 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 by billing from creditor.

Regarding syndicated loans and subordinated loans from Tokio Marine & Nichido Fire Insurance Co., Ltd., 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 due to a conflict with the restrictive financial covenants for the previous year-end.

(5) Restructuring of aluminumwheel operations

Since September 2004, aluminum plants in Japan started the production in a new production method, ATREX, which was jointly developed in cooperation with its customers. Several new aluminum products are currently being manufactured using the ATREX. Since its related yield was not improved, the Group was compelled to experience a significant raise in related costs in order to cope with the timing of delivery and production performance. Under these circumstances, it has decided to engage in the following large-scaled restructuring in the aluminum business. The difficulty in this restructuring may affect the performance and the financial position.

1) Change from ATREX to ANC manufacturing method

With the approval from its customers, the Group has discontinued the production in the ATREX method in September 2005 as planned, and shifted to the ANC manufacturing method, a current mainstream

technology.

2) Production shift to the Thai subsidiary

Within this year, the Group will have completed the production shift to its consolidated subsidiary in Thailand, Asahi Tec Aluminum (Thailand) Co., Ltd. It expects to reduce the consolidated costs by manufacturing in Thailand and importing to Japan.

3) Discontinuance of Production in Japan

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

(6) Risk of discount request from its customers

In a fierce low-cost competition in the automobile industry, automobile manufacturers, the main customers of the Group, constantly seek for low price and high quality for its products. To cope with such demands, it is making a continuing effort to improve productivity, and to reduce cost of goods purchased and defective products. However if these efforts fall below the requests for discount, its performance may be affected.

(7) Risk of attempt to improve profitability and productivity

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

1. Improve its production management system for higher productivity
2. Reduce cost of goods purchased
3. Reduce defective products and returned parts by improving quality
4. Shift production base to Thailand and China for cost reduction

It may lose the cost competitiveness, which will affect its performance, if the promptness of these measures falls inadequate, or the investment amount for cost reduction exceeds its expectation, or the cost reduction by shifting production to overseas does not fulfill its expectation due to the failure in personnel training or facility shift.

## Consolidated Financial Statements

### Consolidated Balance Sheets

(In ¥ million)

	September 30, 2004		September 30, 2005		March 31, 2005	
	Millions of yen	Composition Ratio (%)	Millions of yen	Composition Ratio (%)	Millions of yen	Composition Ratio (%)
<b>Assets:</b>						
<b>Current Assets</b>						
Cash and bank deposits	¥4,221		¥3,130		¥3,810	
Notes receivable and accounts receivable-trade	10,799		11,215		13,463	
Inventories	5,553		6,331		5,799	
Deferred tax assets	40		55		43	
Other current assets	597		452		596	
Allowance for doubtful accounts	(17)		(30)		(38)	
Total current assets	21,194	44.0%	21,155	45.0%	23,675	47.8%
<b>Non-Current Assets:</b>						
<b>Property, Plants and Equipment</b>						
Buildings and structures	4,983		4,658		4,753	
Machinery, equipment and transportation equipment	6,468		5,915		6,089	
Tools, appliances and fixtures	2,225		1,790		1,912	
Land	10,222		9,803		10,203	
Construction in progress	1,444		1,627		1,095	
Total property, plants and equipment	25,343	52.6	23,796	50.5	24,054	48.5
<b>Intangible Fixed Assets</b>						
Software	86		63		68	
Other intangible fixed assets	60		399		126	
Total intangible assets	146	0.3	463	1.0	194	0.4
<b>Investments and Other Noncurrent Assets</b>						
Investment securities	499		455		467	
Deferred tax assets	136		118		130	
Other investments	1,014		1,276		1,236	
Allowance for doubtful accounts	(153)		(206)		(201)	
Total investments and other noncurrent assets	1,497	3.1	1,643	3.5	1,634	3.3
Total Noncurrent Assets	26,987	56.0	25,903	55.0	25,882	52.2
<b>Total Assets</b>	<b>¥48,181</b>	<b>100%</b>	<b>¥47,058</b>	<b>100%</b>	<b>¥49,558</b>	<b>100%</b>

(In ¥ million)

	September 30, 2004		September 30, 2005		March 31, 2005	
	Millions of yen	Composition Ratio (%)	Millions of yen	Composition Ratio (%)	Millions of yen	Composition Ratio (%)
<b>Current Liabilities:</b>						
Notes payable and accounts payable-trade	¥7,998		¥8,013		¥9,724	
Short-term loans payable	1,202		1,790		2,387	
Income taxes payable	74		128		124	
Allowance for bonuses	561		523		505	
Allowance for loss on sales	797		581		1,142	
Allowance for product warranty	13		13		20	
Allowance for completed construction warranty	24		62		29	
Other current liabilities	3,266		3,827		3,025	
Total current liabilities	13,938	28.9%	14,940	31.7%	16,959	34.2%
<b>Long-Term Liabilities:</b>						
Long-term debt	14,760		13,651		13,990	
Deferred tax liabilities from land revaluation	2,507		2,337		2,496	
Liability for employees' retirement benefits	1,687		1,850		1,864	
Retirement allowances for officers	68		63		95	
Other long-term liabilities	901		672		700	
Total long-term liabilities	19,925	41.4	18,576	39.5	19,145	38.6
Total liabilities	33,864	70.3	33,516	71.2	36,105	72.8
<b>Minority Stockholders' Interest:</b>						
Minority stockholders' interest	830	1.7	920	2.0	872	1.8
<b>Stockholders' Equity:</b>						
Capital	5,712	11.8	5,712	12.1	5,712	11.5
Capital surplus	6,647	13.8	6,647	14.1	6,647	13.4
Earned surplus	(2,374)	(4.9)	(3,162)	(6.7)	(3,393)	(6.8)
Land revaluation surplus	3,799	7.9	3,542	7.5	3,783	7.6
Net unrealized gain on available-for-sale security	6	0.0	35	0.1	28	0.0
Foreign currency translation adjustments	(297)	(0.6)	(143)	(0.3)	(188)	(0.3)
Treasury stock	(7)	(0.0)	(11)	(0.0)	(10)	(0.0)
Total stockholders' equity	13,486	28.0	12,621	26.8	12,580	25.4
<b>Total Liabilities, Minority Stockholders' Interest and Stockholders' Equity</b>	<b>¥48,181</b>	<b>100%</b>	<b>¥47,058</b>	<b>100%</b>	<b>¥49,558</b>	<b>100%</b>

## Consolidated Income and Loss Statements

(In ¥ million)

	Six months ended September 30, 2004		Six months ended September 30, 2005		Year ended March 31, 2005	
	Millions of yen	Percentage	Millions of yen	Percentage	Millions of yen	Percentage
<b>Net Sales</b>	¥23,803	100.0%	¥26,407	100.0%	¥57,574	100.0%
<b>Cost of Sales</b>	21,367	89.8	23,070	87.4	50,687	88.1
Provision for loss on sales/ <i>Reversal from allowance for loss on sales</i>	(38)	(0.2)	(561)	(2.1)	305	0.5
<b>Gross Profit</b>	2,474	10.4	3,898	14.7	6,581	11.4
<b>Selling, General and Administrative Expenses</b>	2,801	11.8	2,827	10.6	5,953	10.3
<b>Operating Income (Loss)</b>	(326)	(1.4)	1,070	4.1	628	1.1
<b>Non-Operating Income:</b>						
Interest income	1		2		2	
Dividends income	13		3		18	
Export sales incentives	42		69		100	
Unrealized gain on derivatives	32		16		28	
Equity method investment gain	-		19		-	
Miscellaneous income	18		34		104	
Total non-operating income	107	0.5	145	0.5	254	0.4
<b>Non-operating Expenses:</b>						
Interest expense	325		328		678	
Miscellaneous non-operating expenses	53		163		97	
Total non-operating expenses	379	1.6	491	1.9	776	1.3
<b>Ordinary Income (Loss)</b>	(598)	(2.5)	723	2.7	107	0.2
<b>Extraordinary Income:</b>						
Gain on sale of fixed assets	7		17		65	
Gain on sale of investment securities	576				576	
Reversal from allowance for doubtful accounts	1		2		-	
Reversal from allowance for retirement benefits for officers	-		19		-	
Gain on sale of golf course membership	25		-		25	
Gain on capitalization of lease assets	170		-		170	
Others	1		-		12	
Total extraordinary income	782	3.3	38	0.1	850	1.5
<b>Extraordinary Loss:</b>						
Loss on disposal and sales of fixed assets	123		172		337	
Impairment loss	-		607		-	
Loss on sale of investment securities	71		-		89	
Loss on disposal and sales of inventories	-		-		193	
Extraordinary depreciation of fixed assets	159		-		1,321	
Others	7		3		12	
Total extraordinary loss	361	1.5	783	2.9	1,953	3.4
<b>Income(Loss) before taxes</b>	(177)	(0.7)	(20)	(0.1)	(996)	(1.7)
Corporate income, inhabitant and enterprise taxes:						
Current	53		132		236	
Deferred	0	0.2	(154)	(0.1)	(8)	0.4
Minority Stockholders' Interest	29	0.1	50	0.2	69	0.1
<b>Net Income (Loss)</b>	(¥259)	(1.1 %)	(¥49)	(0.2 %)	(¥1,294)	(2.2 %)

Comparative Consolidated Statement of Surpluses

(In ¥ million)

Year	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
Description			
<b>(Capital Surplus)</b>			
Beginning balance of capital surplus	¥6,604	¥6,647	¥6,604
Increase in capital surplus Issuance of new stocks for capital increase	43	-	43
Ending balance of capital surplus	6,647	6,647	6,647
<b>(Earned Surplus)</b>			
Beginning balance of earned surplus	(2,115)	(3,393)	(2,115)
Increase in earned surplus Reversal from land revaluation surplus	-	38 240	- 16
Decrease in earned surplus Net income (loss)	-	-	-
	(259)	(49)	(1,294)
Ending balance of earned surplus	(¥2,374)	(¥3,162)	(¥3,393)

## Consolidated Cash Flow Statements

(In ¥ million)

Accounts	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
<b>I Cash flows from operating activities</b>			
Income (loss) before taxes and adjustments	(¥177)	(¥20)	(¥996)
Depreciation	1,595	1,440	3,516
Impairment loss	-	(607)	-
Increase/(decrease) in allowance of doubtful accounts	5	(2)	67
Increase/(decrease) in liability for employees' retirement benefits	(10)	(34)	165
Increase/(decrease) in retirement allowances for officers	(19)	(31)	6
Loss on sale or retirement of fixed assets	115	155	272
Increase/(decrease) in allowance for loss of sales	(38)	(561)	305
Gain/(loss) on sales of investment securities	(504)	-	(486)
Interest and dividends income	(15)	(5)	(21)
Interest expense	325	328	678
Foreign exchange loss (gain)	27	(8)	(1)
Gain on capitalization of lease assets	(170)	-	(170)
Extraordinary depreciation of fixed assets	159	-	1,321
(Gain)/loss under the equity method	3	(19)	1
(Increase)/decrease in trade receivables	2,242	2,539	(324)
(Increase)/decrease in inventories	(319)	(496)	(535)
Increase/(decrease) in trade payables	(973)	(1,962)	660
Other	(357)	531	(675)
Sub-total	1,885	2,460	3,783
Interest and dividends received	14	6	21
Interest paid	(356)	(307)	(702)
Corporate income taxes paid	(22)	(95)	(129)
<b>Cash flows from operating activities</b>	<b>1,521</b>	<b>2,063</b>	<b>2,972</b>
<b>II Cash flows from investment activities</b>			
Proceeds from withdrawals of time deposits	51	83	71
Acquisition of tangible fixed assets	(1,132)	(1,531)	(3,332)
Proceeds from sale of tangible fixed assets	69	159	117
Acquisition of intangible fixed assets	(5)	(289)	(79)
Proceeds from sale of investment securities	958	-	1,002
Other	61	(33)	115
<b>Cash flows (used in) from investment activities</b>	<b>2</b>	<b>(1,612)</b>	<b>(2,104)</b>
<b>III Cash flows from financing activities</b>			
Increase/ (decrease) in short-term borrowings-net	212	(600)	1,048
Proceeds from increased issuance of long-term debt	-	2,000	-
Repayment of long-term debt	(1,004)	(2,411)	(1,496)
Proceeds from issuance of stocks	85	-	85
Payment for finance lease	(85)	(83)	(204)
Payment for dividends to minority stockholders	(4)	(4)	(4)
Other	(1)	(1)	(3)
<b>Cash flows (used in) from financing activities</b>	<b>(796)</b>	<b>(1,100)</b>	<b>(574)</b>
<b>IV Exchange gain (loss) on cash and cash equivalents</b>	<b>(31)</b>	<b>(5)</b>	<b>12</b>
<b>V Increase in cash and cash equivalents</b>	<b>696</b>	<b>(655)</b>	<b>305</b>
<b>VI Increase in cash and cash equivalents from additional subsidiaries</b>		<b>57</b>	<b>-</b>
<b>VII Beginning balance of cash and cash equivalents</b>	<b>3,411</b>	<b>3,716</b>	<b>3,411</b>
<b>VIII Ending balance of cash and cash equivalents</b>	<b>¥4,107</b>	<b>¥3,119</b>	<b>¥3,716</b>

## Basic Matters to Prepare the Consolidated Financial Statements

### 1. Scope of consolidation

(1) Consolidated subsidiaries – the following six (6) subsidiaries were consolidated:

Hoei Industrial Co., Ltd.  
Asahi Tec Aluminum (Thailand) Co., Ltd.  
Asahi Tec Metals (Thailand) Co., Ltd.  
Asahi Tec Tohoku Sales Co., Ltd.  
Asahi Service Co., Ltd.  
Asahi Tec Service Co., Ltd.

In this half year, The Company started to consolidate Asahi Tec Tohoku Sales Co., Ltd., Asahi Service Co., Ltd., and Asahi Tec Service Co., Ltd., for their increased importance in consolidation.

### 2. Equity method related matters

(1) Non-consolidated companies in equity method – two (2) companies

Asahi Somboon Shippo Moulds Co., Ltd.  
Dicastal Asahi Aluminum Co., Ltd.

(2) These companies were included through equity method at their interim closing balance as of June 30, 2005, which is different from the interim consolidated closing date.

### 3. Interim closing date of consolidated subsidiaries

Interim closing date of consolidated subsidiaries is the same as the interim consolidated closing date.

### 4. Accounting policies

(1) Evaluation standards and methods for significant assets

Marketable securities

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

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

Inventories

Inventories were mainly stated at cost determined by the period average method.

Derivatives

Derivatives were stated by the market value method.

(2) Depreciation methods for significant fixed assets

Tangible fixed assets

Buildings excluding fixtures:

The straight-line method was applied.

Casting included in tools, furniture and fixtures :

The Company and the overseas consolidated subsidiaries applied the straight-line method. The domestic consolidated subsidiaries applied the declining-balance method.

Other tangible fixed assets:

The Company and the domestic consolidated subsidiaries applied the declining-balance method.

The overseas consolidated subsidiaries applied 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 equipment:	4 to 12 years
Tools, furniture and fixtures:	2 to 6 years

#### Intangible assets

Software :

The Company and domestic consolidated subsidiaries applied the straight-line method, based on the useful life of five (5) years determined by the Company.

Other intangible assets:

The straight-line method was applied.

### (3) Accounting for significant allowances

#### 1) Allowance for doubtful accounts

The Company and the domestic consolidated subsidiaries accounted 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 outstanding receivables. The overseas consolidated subsidiaries accounted for allowance for bad debts mainly based on the estimate on uncollectable amount for each receivable.

#### 2) Allowance for bonuses

The Company recorded accrued bonuses based on the estimated amount of future bonus payments to employees earned in these six months.

#### 3) Allowance for loss of sales

The Company and the overseas consolidated subsidiaries provided for anticipated loss of sales in the future for consecutively sold products. In order to calculate that anticipated loss, the Company estimated the total production volume of each car model during a following year based on a projection by a research company, and multiplied that volume by the annual actual loss of sales per vehicle for each car model at the end of these six months.

#### 4) Allowance for product warranty

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

5) Allowance for completed construction

The Company and the domestic consolidated subsidiaries accrued warranty expenses for completed construction based on past experiences in order to reasonably estimate warranty expenses and match sales and expenses.

6) Liability for employees' retirement benefits

The Company and the domestic consolidated subsidiaries have a retirement benefit plan, and accounted for the liability for employees' retirement benefits based on projected benefit obligations and fair value of plan assets at the end of these six months.

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

7) Retirement allowances for officers

The Company and the domestic consolidated subsidiaries recorded retirement allowances for officers equal to 100% of the amounts which would have been payable to officers at the end of these six months in accordance with the Company's regulations.

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

Foreign currency receivables and payables were translated into Japanese yen at the spot exchange rates as of the balance sheet date, and foreign exchange gains and losses arising from that translation were recognized in the income and loss statements. As for the overseas consolidated subsidiaries, assets and liabilities were translated into Japanese yen at the spot exchange rates as of the balance sheet date, and revenues and expenses were translated at the average exchange rate for these six months. Foreign exchange differences arising from that translation were recorded as a foreign currency translation adjustments, a component of "minority stockholders' interest and stockholders' equity".

(5) Accounting for significant leases

The Company and the domestic consolidated subsidiaries accounted for financing leases as operating leases, except for financing leases under which the title to the leased asset was deemed to be transferred to the lessee. The overseas subsidiaries accounted for financing leases as assets, if the leases met the requirement of local accounting standards.

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

Accounting for sales

Long-term constructions whose contract amounts were ¥100 million or more, and scheduled to be completed over a year were recorded by the percentage of completion method. Other contracts were recorded by the completed-contract method. For these six months, completed constructions to which the percentage of completion method applied amounted to ¥161 million.

Accounting for consumption taxes

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

#### 5. Working capital in the Consolidated Cash Flow Statements

Working capital (cash and cash equivalents) in the consolidated cash flow statements consisted of cash on hand, deposits available to withdraw at any time, and short-term investments that were easily convertible to cash, not subject to value fluctuations, and are redeemed within three (3) months after acquisition.

#### **Change in Basic Matters to Prepare the Consolidated Financial Statements**

(Accounting standards for impairment loss of fixed assets)

In this interim period, the Company started to adopt “Accounting Standards for Impairment Loss of Fixed Assets” (“Opinion for Regulating Accounting Standards for Impairment Loss of Fixed Assets” (by Business Accounting Council, August 9, 2002)), and “Guidelines for Implementing Accounting Standards for Impairment Loss of Fixed Assets” (Accounting Standard Guideline No.6 by Accounting Standards Committee, October 31, 2003). This increased the extraordinary loss by ¥575 million, and the loss before taxes by ¥575 million.

The amounts of accumulated impairment loss were directly deducted from the amounts of each asset, based on the revised Regulations for Interim Consolidated Financial Statements.

#### **Notes to the Consolidated Balance Sheets**

	Six months ended	Six months ended	Year ended
	September 30, 2004	September 30, 2005	March 31, 2005
	Millions of yen	Millions of yen	Millions of yen
1. Discounts of notes receivable	¥3	¥0	¥4
2. Accumulated depreciation of tangible fixed assets	33,917	36,321	36,352
3. Pledged assets and obligations guaranteed			
Amount of pledged assets (book value):			
Cash on hand and in banks	2,631	2,171	2,210
Notes receivable and accounts receivable-trade	782	1,343	2,099
Inventories	4,326	5,178	4,862
Buildings and structures	4,110	4,292	4,401
Machinery and equipment	3,430	3,043	3,344
Tools, appliances and furniture	211	215	202
Land	9,846	9,633	10,109
Investment securities	312	303	322
Total	25,650	26,181	27,553
Liabilities corresponding to the pledged assets above			
Short-term borrowings	979	1,429	2,037
Long-term debt	12,453	11,589	11,990
Total	13,433	12,999	14,029
4. Guarantees of indebtedness of others			
Guarantees of indebtedness of associated companies and employees payable to financial institutions			
Employees	3	2	3
Total	3	2	3

## Notes to Consolidated Income and Loss Statements

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

	Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
	Millions of yen	Millions of yen	Millions of yen
Packing cost and freight	¥815	¥875	¥2,000
Salaries and bonuses	614	601	1,312
Provision for bonuses	139	124	130
Retirement benefits cost	47	45	92
Provision for retirement allowances for Officers	4	18	30
<b>2. Gain on Sales of Fixed Assets</b>			
Gain on sales of land	-	9	-
Gain on sales of machinery and equipment	3	7	6
Gain on sales of intangible fixed assets	-	-	55
Gain on sales of other fixed assets	3	-	3
Total	7	17	65
<b>3. Loss on Disposal of Fixed Assets</b>			
Loss on disposal of machinery/equipment and vehicles & transportation equipment	49	96	68
Loss on disposal of tools, appliances and furniture	65	52	246
Loss on disposal of other fixed assets	1	12	1
Loss on sales of other fixed assets	-	4	6
Cost of destruction of fixed assets	7	6	14
Total	123	172	337

### 3. Impairment Loss

For this interim period, the Group recorded the impairment loss for the following asset group.

Use

Asset type

Site

Impairment loss

Aluminum wheel business

Buildings and structures

Machinery, equipment and transportation equipment

Tools, appliances and fixtures

Land

Kikugawa,

Shizuoka prefecture

¥191 million

Idle assets

Machinery, equipment and transportation equipment

Land

Kikugawa,

Shizuoka prefecture  
383

Ductile business  
Machinery, equipment and transportation equipment  
Tools, appliances and fixtures  
Sriracha, Chonburi prefecture  
Thailand  
32

Total  
607

The Group categorizes its assets by management accounting unit, or by site.

For the aluminum wheel business, the impairment loss was recorded in the extraordinary loss since the collectable amount for domestic production facilities for aluminum wheel devalued, due to the discontinuation of domestic production as a part of the business reorganization. For the idle assets, the impairment loss was also recorded in the extraordinary loss since their future use has not yet determined.

And for the ductile business, the impairment loss was also recorded in the extraordinary loss, since the future use of a part of machinery, and tools, appliances and fixtures for discontinued production has not yet determined.

The overseas consolidated subsidiaries that possessed assets for ductile business have been applying, for a while, the local accounting standards correspond to “Accounting Standards for Impairment Loss of Fixed Assets”. Such subsidiaries recorded the impairment loss, since they had events that resulted in impairment loss during this interim period.

Therefore, the impairment loss for these overseas consolidated subsidiaries was not included in the effect indicated in “Change in Basic Matters to Prepare the Consolidated Financial Statements” (Accounting standards for impairment loss of fixed assets).

The collectable amounts of assets above were presented at net sale value, which was calculated by deducting the estimated disposal expenses from appraised value or expected disposal amount.

The collectable amounts of each type of assets are as follows;

Buildings and structures	¥3 million
Machinery, equipment and transportation equipment	200
Tools, appliances and fixtures	36
<u>Land</u>	<u>367</u>
Total	607

<b>(Notes to Consolidated Cash Flow Statements)</b>			
1. Ending balance of cash and cash equivalents consist of the followings:			
Cash and bank deposits	¥4,221	¥3,130	¥3,810
Time deposits expiring more than 3 months	(114)	(11)	(94)
Ending balance of cash and cash equivalents	4,107	3,119	3,716

### **Leases**

Lease transaction-related information will be disclosed via EDINET, and has been omitted herein.

## Marketable Securities

### Six months ended September 30, 2004

1. Available-for-sale securities with market value (as of September 30, 2004)

(In ¥ million)

Classification	Acquisition Cost:(A)	Balance Sheet Carrying Value:(B)	Increase (Difference)
Stocks	76	113	37
Total	¥76	¥113	¥37

2. Information related to major marketable securities having no market value

(In ¥ million)

	Balance Sheet Carrying Value
Available-for-sale securities Unlisted stock (excluding counter stocks)	¥86

### Six months Ended September 30, 2005

1. Available-for-sale securities with market value (as of September 30, 2005)

(In ¥ million)

Classification	Acquisition Cost:(A)	Balance Sheet Carrying Value:(B)	Increase (Difference)
Stocks	76	137	61
Total	¥76	¥137	¥61

2. Information on major marketable securities without market value

(In ¥ million)

	Balance Sheet Carrying Value
Available-for-sale securities Unlisted stock (excluding counter stocks)	¥40

### Previous Year Ended March 31, 2005

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

(In ¥ million)

Classification	Acquisition Cost:(A)	Balance Sheet Carrying Value:(B)	Increase (Difference)
Stocks	76	124	48
Total	¥76	¥124	¥48

2. Information on major marketable securities without market value

(In ¥ million)

	Balance Sheet Carrying Value
Available-for-sale securities Unlisted stock (excluding counter stocks)	¥40

**Derivatives**

Derivative transactions-related information is to be disclosed via EDINET, and was omitted herein.

## Segment Information

### 1. Information by Business Segment

#### Six months ended September 30, 2004

(In ¥ million)

	General Casting & Forging parts	Devices & Equipment	Total	Eliminated or Adjusted	Consolidated
Sales					
(1) Sales for external customers	¥21,295	¥2,508	¥23,803	-	¥23,803
(2) Inter-segment sales or transfers	12	-	12	(¥12)	-
Total	21,307	2,508	23,815	(12)	23,803
Operating expenses	22,041	2,490	24,697	639	24,130
Operating income (loss)	301	17	319	(646)	(326)

#### Six months ended September 30, 2005

(In ¥ million)

	General Casting & Forging parts	Devices & Equipment	Total	Eliminated or Adjusted	Consolidated
Sales					
(1) Sales for external customers	¥23,731	¥2,676	¥26,407	-	¥26,407
(2) Inter-segment sales or transfers	20	-	20	(¥20)	-
Total	23,752	2,676	26,428	(20)	26,407
Operating expenses	22,041	2,655	24,697	639	25,336
Operating income (loss)	1,710	21	1,731	(660)	1,070

#### Year ended March 31, 2005

(In ¥ million)

	General Casting & Forging parts	Devices & Equipment	Total	Eliminated or Adjusted	Consolidated
Sales					
(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 (loss)	1,133	724	1,857	(1,229)	628

Notes:

1. The business segments in the above table were categorized in accordance with its corporate administrative policies.
2. Major products consisting of each business segment
  - (1) General casting and forging parts include general parts of vehicles (including aluminum wheels), parts for industrial machinery and insulator casting, etc.
  - (2) Devices and equipment include overhead wire casting, environmental systems and equipment and plants.
3. As for "operating expenses", the amount of non-allocable operating expenses included in elimination or corporate overhead are ¥660 million for the six months ended on September 30, 2004, ¥660 million for the six months ended on September 30, 2005 and ¥1,229 million for the year ended on March 31, 2005, which are mainly related to the administrative division such as the general affairs department.

4. As described on “Change in Basic Matters to Prepare the Consolidated Financial Statements”, in this interim period, the Company started to adopt “Accounting Standards for Impairment Loss of Fixed Assets” (“Opinion for Regulating Accounting Standards for Impairment Loss of Fixed Assets” (by Business Accounting Council, August 9, 2002)), and “Guidelines for Implementing Accounting Standards for Impairment Loss of Fixed Assets” (Accounting Standard Guideline No.6 by Accounting Standards Committee, October 31, 2003). As a result of this changing consolidated operating expenses decreased ¥94 million and consolidated operating income increased ¥94 million for the current half year on general casting and forging parts business compared to conventional method.

## 2. Information by Geography

### Six months ended September 30, 2004

(In ¥ million)

	Japan	Asia	Total	Eliminated or Adjusted	Consolidated
.Sales					
(1) Sales for external customers	¥19,878	¥3,924	¥23,803	-	¥23,803
(2) Inter-segment sales or transfers	180	1,185	1,365	(¥1,365)	-
Total	20,058	5,110	25,169	(1,365)	23,803
Operating expenses	20,226	4,659	24,886	(756)	24,130
Operating income	(168)	450	282	(609)	(326)

### Six months ended September 30, 2005

(In ¥ million)

	Japan	Asia	Total	Eliminated or Adjusted	Consolidated
.Sales					
(1) Sales for external customers	¥22,003	¥4,404	¥26,407	-	¥26,407
(2) Inter-segment sales or transfers	296	2,026	2,322	(¥2,322)	-
Total	22,300	6,430	28,730	(2,322)	26,407
Operating expenses	21,063	5,995	27,058	(1,721)	25,336
Operating income	1,237	435	1,672	(601)	1,070

### Year ended March 31, 2005

(In ¥ million)

	Japan	Asia	Total	Eliminated or Adjusted	Consolidated
.Sales					
(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

Notes:

1. Policies for geographic division, and country included in Asia
  - (1) The geographic divisions are based on geographic closeness of the countries.
  - (2) Asia implies Thailand.
2. As for “operating expenses”, the amounts and main contents of non-allocable operating expenses included in elimination or corporate overhead are the same as ones indicated in the note 3 for “Information by Business Segment”.
3. As described on “Change in Basic Matters to Prepare the Consolidated Financial Statements”, in this interim period, the Company started to adopt “Accounting Standards for Impairment Loss of Fixed Assets” (“Opinion for Regulating Accounting Standards for Impairment Loss of Fixed Assets” (by Business Accounting Council, August 9, 2002)), and “Guidelines for Implementing Accounting Standards for Impairment Loss of Fixed Assets” (Accounting Standard Guideline No.6 by Accounting Standards Committee, October 31, 2003). As a result of this changing consolidated operating expenses decreased ¥94 million and consolidated operating income increased ¥94 million for the current half year in Japan compared to conventional method.

#### 4. Overseas Sales

##### Six months ended September 30, 2004

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	¥3,602	¥482	¥4,084
II	Consolidated sales			¥23,803
III	Ratio of overseas sales to consolidated sales	15.1%	2.0%	17.2%

##### Six months ended September 30, 2005

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	¥4,417	¥154	¥4,572
II	Consolidated sales	¥0	¥0	¥26,407
III	Ratio of overseas sales to consolidated sales	16.7%	0.6%	17.3%

##### 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. The geographical divisions are based on geographic closeness of the countries.
2. Each geographical division consists of the following countries:
 

Asia	Thailand, Malaysia, China and Korea etc
Other Area	Europe and Australia etc
3. Overseas sales represent the Company’s and consolidated subsidiaries’ sales in the countries or areas other than Japan.

## Production, Orders & Sales

### 1. Production

(In ¥ million)

Business Segment \ Period	Six months ended September 30, 2004		Six months ended September 30, 2005		Fiscal year ended March 31, 2005	
	Amount of Production	Percentage	Amount of Production	Percentage	Amount of Production	Percentage
General casting and forging	¥21,605	89.5%	¥24,005	89.4%	¥50,602	86.9%
Machinery and equipment	2,533	10.5%	2,832	10.6%	7,599	13.1%
<b>Total</b>	<b>¥24,138</b>	<b>100.0%</b>	<b>¥26,837</b>	<b>100.0%</b>	<b>¥58,201</b>	<b>100.0%</b>

- Notes:
1. The amounts are based on sales prices.
  2. The amounts are net of consumption taxes.
  3. The amount of production for the fiscal year ended on March 31, 2005 included the fifteen-month results of Thai subsidiaries.

### 2. Order

(In ¥ million)

Business Segment \ Period	Six months ended September 30, 2004		Six months ended September 30, 2005		Fiscal year ended March 31, 2005	
	Orders Accepted	Balance Undelivered	Orders Accepted	Balance Undelivered	Orders Accepted	Balance Undelivered
General casting and forging	¥21,462	¥1,493	¥24,039	¥1,946	¥50,240	¥1,638
Machinery and equipment	2,297	1,547	2,930	1,447	7,079	1,193
<b>Total</b>	<b>¥23,759</b>	<b>¥3,040</b>	<b>¥26,970</b>	<b>¥3,394</b>	<b>¥57,320</b>	<b>¥2,831</b>

- Notes:
1. The Orders Accepted and the Balance Undelivered exclude inter-segment transfers.
  2. The amounts are net of consumption taxes.
  3. The amount of orders accepted for the fiscal year ended on March 31, 2005 included the fifteen-month results of Thai subsidiaries.

### 3. Sales

(In ¥ million)

Business Segment \ Period	Six months ended September 30, 2004		Six months ended September 30, 2005		Fiscal year ended March 31, 2005	
	Sales Amount	Percentage	Sales Amount	Percentage	Sales Amount	Percentage
General casting and forging	¥21,295	89.5%	¥23,731	89.9%	¥49,929	86.7%
Machinery and equipment	2,508	10.5%	2,676	10.1%	7,644	13.3%
<b>Total</b>	<b>¥23,803</b>	<b>100.0%</b>	<b>¥26,407</b>	<b>100.0%</b>	<b>¥57,574</b>	<b>100.0%</b>

- Notes:
1. The amounts exclude inter-segment transfers.
  2. The amounts are net of consumption taxes.
  3. The amount of sales for the fiscal year ended on March 31, 2005 included the fifteen-month results of Thai subsidiaries.