

(Translation)

February 10, 2011

Company: Asahi Tec Corporation  
Representative: Shoichiro Irimajiri  
President and Representative  
Executive Officer  
(Code: 5606, First Section of TSE)  
(Contact): Keisuke Furuhashi  
Controller  
(Tel: 0537-36-3103)

### **Reduction of Stated Capital, Capital Reserve and Earned Reserve (Progress Report)**

We hereby report that our Board of Directors today determined the timeline for the reduction of the Company's stated capital, capital reserve and earned reserve, disclosed on January 11, 2011 in "Reduction of Stated Capital, Capital Reserve and Earned Capital", as follows:

These reductions will not change the Company's net asset (shareholders' capital), the number of issued shares and net asset per share since the reductions would only be done by account transfer in-between net asset (shareholders' capital) account.

#### 1. Timeline for Reduction of Stated Capital, Capital Reserve and Earned Reserve (Scheduled)

(1)	Date of Board Determination	January 11, 2011
(2)	Date of Board Resolution (Resolution to Convene General Shareholders' Meeting )	February 10, 2011
(3)	Date of Resolution of General Shareholders' Meeting	March 25, 2011 (Scheduled)
(4)	Expiration of Creditors' Objection Period	March 15, 2011 (Scheduled)
(5)	Effective Date of Reduction	March 28, 2011 (Scheduled)

END

(Translation)

January 11, 2011

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Executive Officer  
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(Contact): Keisuke Furuhashi  
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(Tel: 0537-36-3103)

### **Reduction of Stated Capital, Capital Reserve and Earned Reserve**

We hereby announce that our Board of Directors today determined to reduce the Company's stated capital, capital reserve and earned reserve, subject to the required approval of the general shareholders' meeting of the Company.

The Company expects to obtain such shareholders' approval at an extraordinary shareholders' meeting to be held in March, with further details of such meeting to be determined and announced later.

These reductions will not change the Company's net asset (shareholders' capital), the number of issued shares and net asset per share since the reductions would only be done by account transfer in-between net asset (shareholders' capital) account.

#### **1. Purpose of Reduction of Stated Capital, Capital Reserve and Earned Reserve**

In the period from the acquisition of the U.S. company Metaldyne Corporation ("Metaldyne") in January 2007 through November 2008, the Company increased its capital several times through a third-party allotment of shares and through public offering of shares, in order to raise funds for this acquisition and for repayment of Metaldyne's existing loans, redemption of its corporate bonds and strengthening of its financial foundations. Despite this, Metaldyne filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in May 2009, and the Company accordingly realized and disposed of Metaldyne-related losses and removed it as a consolidated subsidiary. In addition, as described in releases of October 19 and November 19, 2010, respectively entitled "Announcement of Transfer of Shares in Our Consolidated Subsidiary" and "Announcement of Completion of Transfer of Shares in Our Consolidated Subsidiary", the Company transferred all shares in Asahi Tec Environmental Solutions Corporation, previously a consolidated subsidiary.

Under these circumstances, the Company's stated capital and capital reserves have become disproportionately large, relative to the current business of the Company and the

group. Accordingly, the Company determined to reduce its stated capital and capital reserves, for the purpose of rectifying its capital structure and covering existing losses carried forward, as well as to enable further flexible development of our capital strategy.

## 2. Outline of Reduction of Stated Capital, Capital Reserve and Earned Reserve

### (1) Amounts Reduction of Stated Capital, Capital Reserve and Earned Reserve

The Company will reduce the amounts of its stated capital, capital reserve and earned reserve as follows, subject to the required approval of its general shareholders' meeting:

Among total stated capital of JPY 38,282,003,042 (as of March 31, 2010), JPY 24,578,255,320 would be transferred to Other Capital Reserves, thus the new balance would come out to JPY 13,703,747,722.

Total Capital Reserve of JPY 39,180,719,873 (as of March 31, 2010) would be transferred to Capital Surplus, thus the new balance of Capital Reserve would be JPY 0.

Total Earned Reserve of JPY 760,334,726 (as of March 31, 2010) would be transferred to Recurring Earned Reserve (Other Earned Reserve) to cover the existing loss carried forward, thus the new balance of Earned Reserve would be JPY 0.

### (2) Method of Reduction of Stated Capital, Capital Reserve and Earned Reserve

The Company will reduce the amounts of its stated capital, capital reserve and earned reserve, without reducing the total number of shares issued.

## 3. Timeline for Reduction of Stated Capital, Capital Reserve and Earned Reserve (Scheduled)

(1)	Date of Board Determination	January 11, 2011
(2)	Date of Board Resolution (Resolution to Convene General Shareholders' Meeting )	Mid-February to late February 2011 (Scheduled)
(3)	Date of Resolution of General Shareholders' Meeting	March 2011 (Scheduled)
(4)	Expiration of Creditors' Objection Period	Late March 2011 (Scheduled)
(5)	Effective Date of Reduction	Late March 2011 (Scheduled)

## 4. Future Prospects

The reduction of the above reduction of stated capital, capital reserve and earned reserve will have no impact on our consolidated and nonconsolidated projections for the fiscal year ending March 2011.

[Reference]

Changes in shareholders' capital when reductions would be done at March 31, 2010

(Yen in Million)

	Before (March 31, 2010)	+/-	After reduction
Stated Capital	38,282	24,578	13,703
Capital surplus	39,180	39,180	0
Capital reserve	39,180	39,180	0
Other capital reserve	0	0	0
Profit surplus	63,737	+ 63,737	0
Erned reserve	760	760	0
Other Erned reserve	64,497	+ 64,497	0
Other reserve	3,904	3,904	0
Recurring earned reserv	68,401	+ 68,401	0
Own stock	21	+ 21	0
Shareholders' capital Total	13,703	0	13,703
Total number of stocks issued			
Common stock	437,446,163	0	437,446,163
Preferred A stock	28,572,000	0	28,572,000
Preferred B stock	10,526,316	0	10,526,316
Preferred C stock	82,081	0	82,081
Total # of stocks issued	476,626,560	0	476,626,560
Net asset per share	2.85Yen		2.85Yen

Notes

1 . Above chart are simulated based on March 31, 2010 assuming those reductions would be approved in extraordinary shareholders' meeting scheduled to be held in March, 2011.

2 . Preferred C stocks were all converted to common stocks, then disposed after March 31, 2010. Thus, # of common stocks increased by 49,295,356 which totaled to 486,741,519, and total # of stocks are now 525,839,835.

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