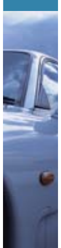
Casting Our Eyes
on the Future



Ahresty

# ANNUAL REPORT 2006

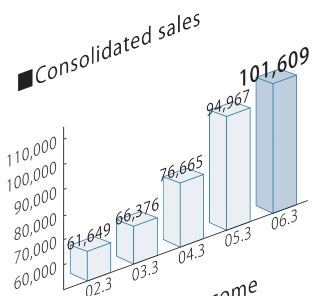
For The Fiscal Year Ended March 31, 2006

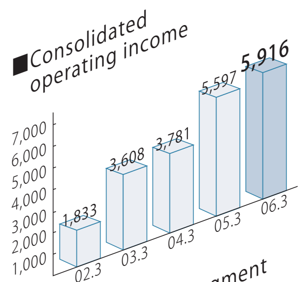
# Profile

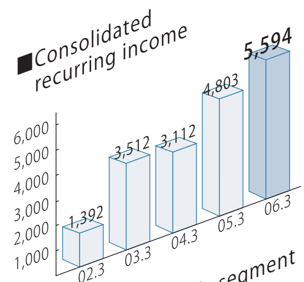
## Committed to research, service and technology

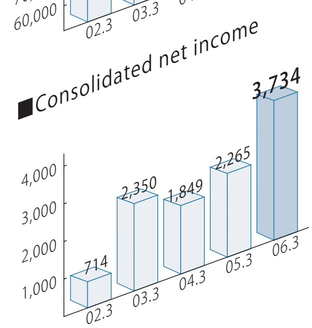
Ahresty is a phonetic representation of the three letters, *RST*, signifying the integration of Research, Service and Technology. “R” signifies research and development as well as the resolve to create and explore which enables us to better serve our customers; “S” goes beyond the quality of our products and after-service to encompass every facet of interaction with our customers, while “T” stands for the knowledge and technology that provide the foundation for “R” and “S.” True to our aspirations of serving society through our broad range of products, Ahresty remains committed to the pursuit of ever-higher standards of Research, Service and Technology.

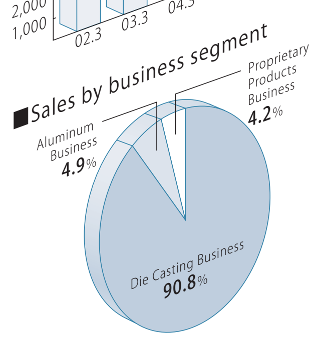
## Financial Highlights (Unit: rounded down to the nearest million yen)

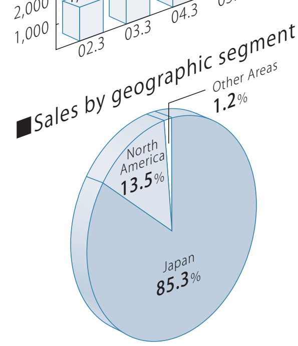



## Contents

# Business Overview

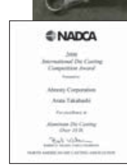
## Production bases in Guangzhou, China: Now fully operational

Guangzhou Ahresty Casting Co., Ltd. began production in April 2005 and is mass producing die casting parts for Japanese automakers in China such as Suzuki, Toyota, Honda and Nissan. Ahresty Precision Die Mold (Guangzhou) Co., Ltd., which came online in December 2005, has also begun supplying die casting molds for its own use as well as for Japanese automakers in China.

## New domestic production base: Ahresty Yamagata Corporation

Ahresty subsidiaries Sugahara Precision Industry Co., Ltd. and Pascal Industry Co., Ltd. merged operations on April 1, 2005 and took on a new name—Ahresty Yamagata Corporation. By unifying the management resources of the two companies to raise operational efficiency, Ahresty Yamagata Corporation is an integrated production base in eastern Japan for the casting and machining of small- and medium-sized products.

## Recognition for distinguished technology: The NADCA Award




Ahresty has been highly acclaimed for its technical capabilities and quality. The company received an NADCA (North American Die Casting Association) award for the development of a rear sub-frame based on our high-vacuum die casting technology in the over 10 pounds category for aluminum die casting products during the 2006 Die Casting Competition. The award recognizes the technology that made possible a 38% reduction in weight while maintaining strength and toughness that is comparable to conventional steel products.

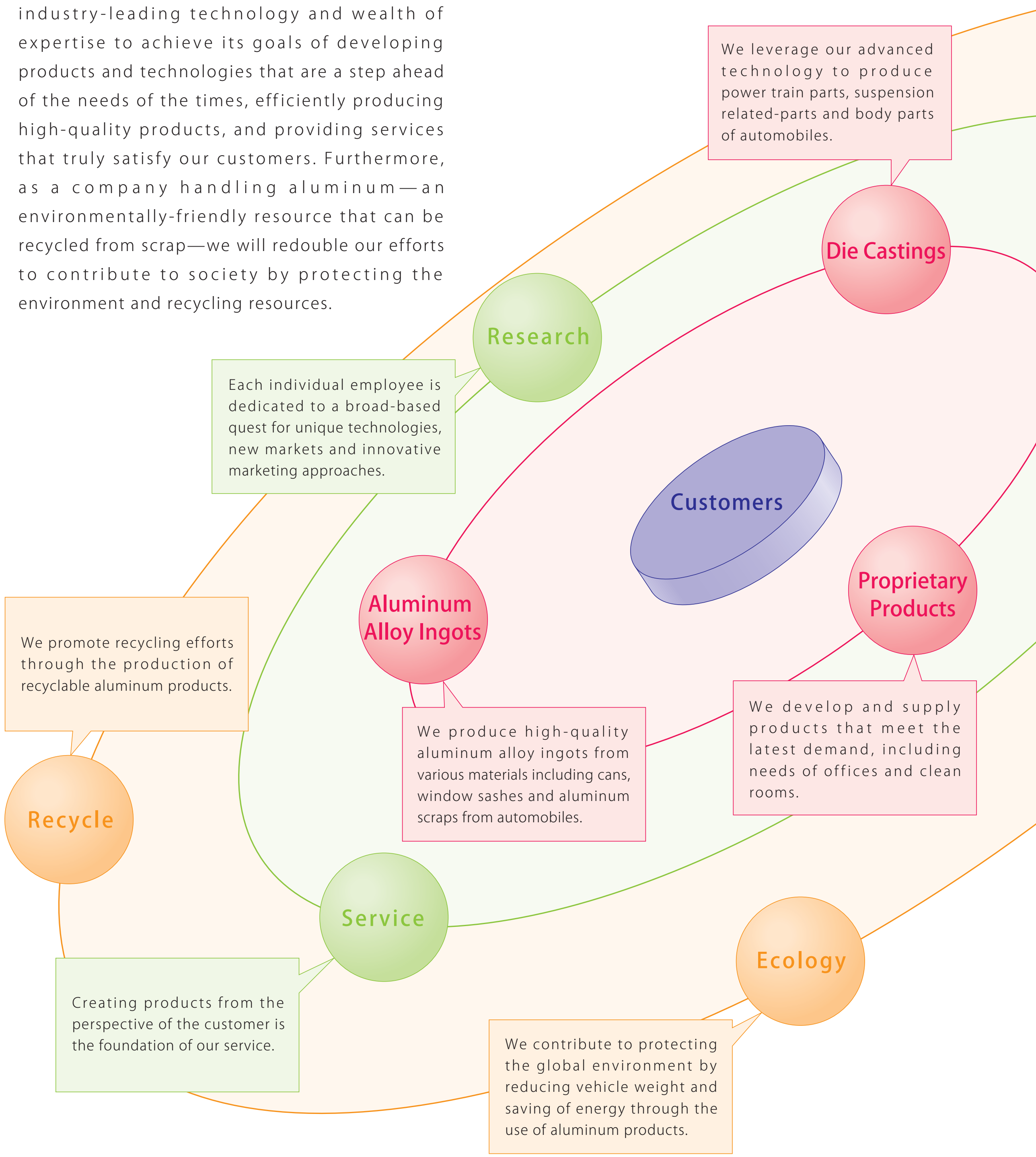
## Additional overseas production base in Mexico: Currently underway

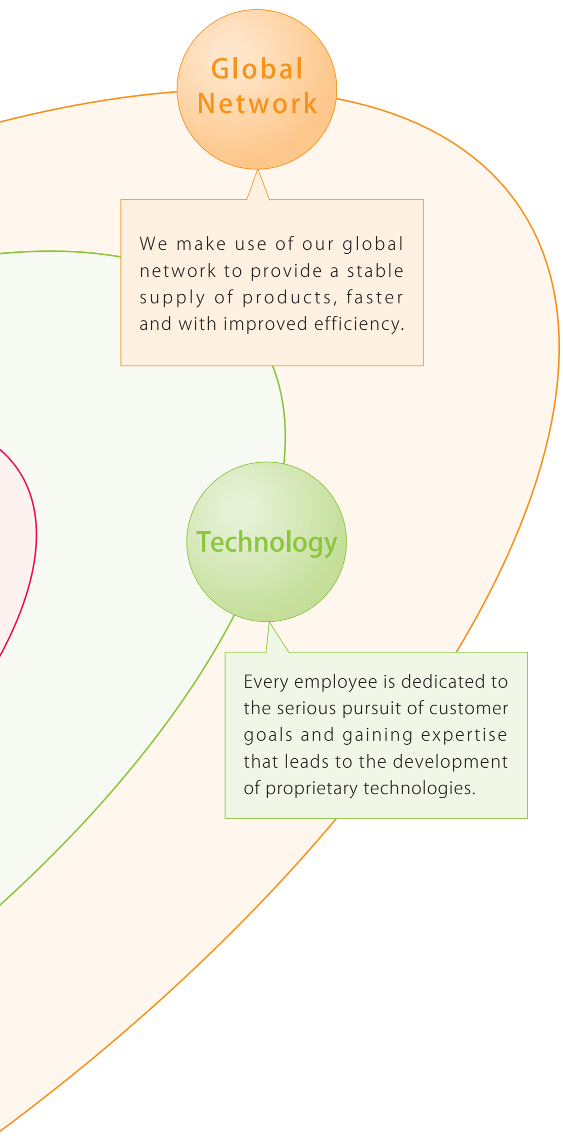
Work is now underway for a die cast production base in Mexico in response to growing demand for automotive parts in the North American market. Ahresty is steadily advancing its global base strategy to support local parts procurement by overseas production bases of Japanese companies and their concurrent global launch of new products.

# This is RS

## Our Business

Under the three principles of Research, Service and Technology represented in our corporate name, Ahresty takes full advantage of its industry-leading technology and wealth of expertise to achieve its goals of developing products and technologies that are a step ahead of the needs of the times, efficiently producing high-quality products, and providing services that truly satisfy our customers. Furthermore, as a company handling aluminum—an environmentally-friendly resource that can be recycled from scrap—we will redouble our efforts to contribute to society by protecting the environment and recycling resources.






# Our History

| | |
|---|---|
| Jun. 1938 | Founding of Ahresty's predecessor Shimura Aluminum Co., Ltd.<br>Start of production for aluminum alloy ingots, die casting products and aluminum sand mold castings |
| Nov. 1943 | Establishment of Fuso Light Alloys Co., Ltd.<br>Start of production for die casting products and aluminum sand mold castings |
| Apr. 1954 | Establishment of Tenryu Metal Industry Co., Ltd. |
| Mar. 1960 | Establishment of Japan Precision Die Mold Mfg. Co., Ltd. (currently Ahresty Die Mold Hamamatsu Corporation) |
| Jul. | Start of operations of Fuso Light Alloys Co., Ltd. Hamamatsu Plant |
| Oct. 1961 | Listing of Fuso Light Alloys Co., Ltd. stock on the Second Section of the Tokyo Stock Exchange and the Osaka Securities Exchange |
| Mar. 1963 | Start of operations of Kyoto Die Casting Co., Ltd. Toyohashi Plant (currently Toyohashi Plant) |
| Jan. 1964 | Completion of Research and Development Center of Fuso Light Alloys Co., Ltd. |
| Aug. 1967 | Establishment of Taiwan General Tool & Die Corporation (currently Ahresty Taiwan Die Mold Corporation) |
| Apr. 1971 | Establishment of Tochigi Fuso Co., Ltd. (currently Ahresty Tochigi Corporation) |
| Mar. 1972 | Establishment of Ditec Co., Ltd. (currently Ahresty Die Mold Corporation) |
| Apr. 1977 | Establishment of Kumamoto Fuso Co., Ltd. (currently Ahresty Kumamoto Corporation) |
| Aug. 1982 | Establishment of Hamamatsu Mecatec Corporation |
| Dec. | Establishment of Kyoto Light Metal Corporation (currently Ahresty Light Metal Corporation) |
| Apr. 1984 | Establishment of CS Fuso Co., Ltd. |
| Jul. | Start of operations of Fuso Light Alloys Co., Ltd. Kumagaya Plant |
| Aug. | Start of operations of Fuso Light Alloys Co., Ltd. Higashimatsuyama Plant |
| May 1985 | Establishment of Pascal Trading Co., Ltd. (currently Ahresty Techno Service Corporation) |
| Oct. | Establishment of Fuso R&D Co., Ltd. |
| Dec. 1987 | Establishment of CSE Co., Ltd. (currently Ahresty Casting Support Corporation) |
| May 1988 | Establishment of Ahresty Wilmington Corporation |
| Oct. | Corporate name changed from Fuso Light Alloys Co., Ltd. to Ahresty Corporation |
| Oct. 1989 | Ahresty Corporation awarded Deming Prize for the year 1989 (Small and Mid-range Industries) |
| May 1994 | Establishment of KDC Tsukuba Co., Ltd. (currently ATC Tsukuba Corporation) |
| Feb. 1997 | Ahresty Corporation obtains ISO9001 certification (Lawn Mower, Grass Cutter)<br>Establishment of Thai Ahresty Die Co., Ltd. |
| Mar. | Ahresty Corporation obtains ISO9001 certification (Free Access Floor)<br>Ahresty Corporation obtains ISO9002 certification (Die Castings, Aluminum Ingots) |
| Mar. 2001 | Ahresty Corporation obtains ISO14001 certification |
| Jul. | Establishment of Thai Ahresty Engineering Co., Ltd. |
| Aug. 2003 | Establishment of Guangzhou Ahresty Casting Co., Ltd. |
| Oct. | Merger of Kyoto Die Casting Co., Ltd. and Ahresty Corporation |
| Nov. | Ahresty Corporation awarded the Minister of Economy, Trade and Industry Award of the 20th Materials Process Technology Commendation |
| Mar. 2005 | Establishment of Ahresty Precision Die Mold (Guangzhou) Co., Ltd. |
| Apr. | Merger of Pascal Industry Co., Ltd. and Sugahara Precision Industry Co., Ltd. into Ahresty Yamagata Corporation |
| Jun. 2006 | Establishment of Ahresty Mexicana S.A. DE C.V. |

# Interview with the P

## Ahresty leaps into a new stage of global growth propelled by heightened demand and customer expectations

Arata Takahashi
President, CEO

# resident

## Earning trust with a solid track record as a supplier of automotive components, with die casting parts at the core

The Japanese automobile industry was strong during the fiscal year ended March 2006 in terms of global performance, enabling Ahresty, in turn, to enjoy favorable performance centered on our mainstay Aluminum Die Casting business. Furthermore, global environmental concerns and high oil prices heightened the demand for lighter weight vehicles. With the shift in raw materials from steel to aluminum, Ahresty has attracted attention for our track record in providing a stable supply of value-added products, and expectations are high for our new product and technology development. Automotive parts currently comprise approximately 70% of Ahresty's products, and in fiscal 2005 we demonstrated extraordinary strength as a company led by its management vision as a supplier of automotive components with the production of die casting parts as a core business.

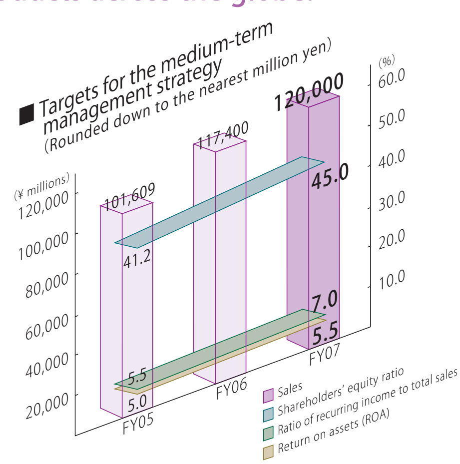
On the other hand, growing demand is pushing our production bases toward full capacity. We intend to remain a step ahead in enhancing our facilities by pursuing the critical task of expanding and improving capacity and establishing new production bases in Japan, while responding to the needs of overseas markets that are undergoing rapid motorization by adding a base in Mexico along with existing facilities in North America and China, toward our goal of entering a new stage of growth.

Ahresty aspires to attain sound growth as the most trusted company by our shareholders, customers, investors, business partners and society at large. We seek your continued support for Ahresty as we pursue further expansion and success in Japan and abroad.

## Outline of our Medium-Term Strategy

### The key to growth beyond fiscal 2006 lies in securing production capacity for providing a stable supply of quality products across the globe.

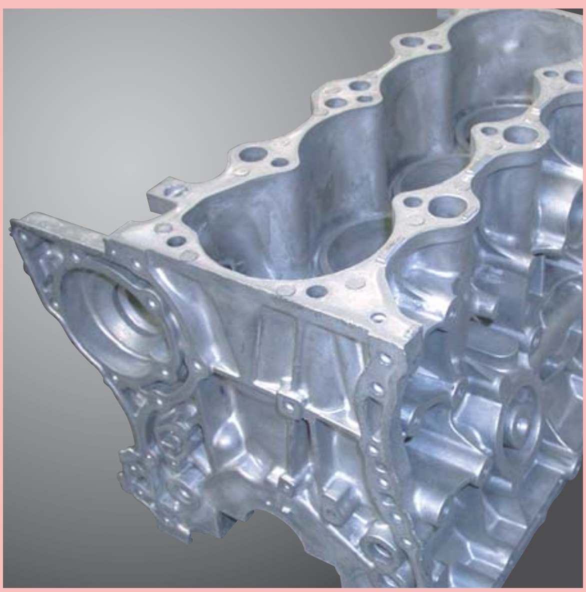
The automobile industry is facing urgent demand for lighter weight vehicles. Ahresty will expand its conventional lineup of engine and transmission parts by developing aluminum die casting parts for the automobile underbodies and bodies and develop them into new mainstay products. In response to growing demand, we have acquired land adjacent to the Toyohashi Plant in Aichi Prefecture in an effort to expand capacity, and plans are underway in our overseas operations to construct a new plant in Mexico that will serve as a collaborative base for our plant in North America.



# S e g m e n t

## Die Casting Business

# The most respected name in the die casting industry for consistently pioneering the development of innovative technologies

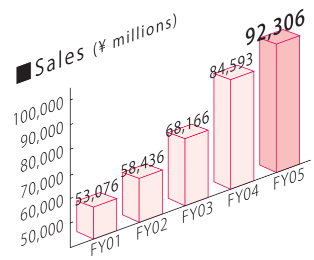


The core business of Ahresty is aluminum die casting, and the company has expanded in both size and sales volume with the growth of the automotive industry. Ahresty meets diversifying demand even as it continues to pioneer in the development of innovative solutions that resolve the technical barriers to the application of die casting technologies. The company's respected position in the industry is maintained by our ability to introduce die casting into the manufacture of products that traditionally depended on other processes, while also improving quality and efficiency. Future innovations will focus on environmentally sound technology that reduces product weight and promotes product recycling throughout the aluminum and magnesium die casting businesses.

# Review

## Fiscal 2005 Results

Sales of automobile parts, the core business of the Segment, rose 9.1% compared with the previous fiscal year, based on the launch of new products and favorable export performance by automobile makers. Sales of motorcycle parts surged 18.3% as the domestic economic recovery led to increased production. Sales of multipurpose engine parts generally fared well, rising 5.0%. With regard to income, we aggressively pursued measures to reduce costs. As a result, sales increased 9.1% year-on-year to ¥92,306 million and operating income increased 7.4% to ¥5,420 million.




## Fiscal 2006 Outlook

To quickly and flexibly respond to intensifying global competition, we will endeavor to become a company that anticipates the needs of its customers in every respect, including quality, cost, delivery and development. In concrete terms, we will promote quality enhancement measures to maintain world-class quality and pursue cost reduction measures to attain global cost competitiveness through innovative production efficiency. We are also planning and developing a global supply system and pursuing proposal-oriented product development based on market research technologies to create new demand.

## At the Cutting Edge of Technology, R&D, and Marketing

### Establishing a foothold beyond overseas business development

The fiscal year ended March 2006 was a year of reviewing and adapting Ahresty's technology for overseas facilities, and we successfully established a foothold for expanding overseas demand by standardizing our technologies around these adaptations. Looking ahead, we hope to establish competitive technologies by seeking further advances in reducing the amount of pressure needed in casting and cost-reduction technologies for the machining process. We will also promote development of automotive suspension related-parts and body parts to spark new demand.

Shinji Sannakanishi
Dr.
Executive Officer,
General Manager of
Engineering Dept.

### Completing a marketing system in Japan and abroad

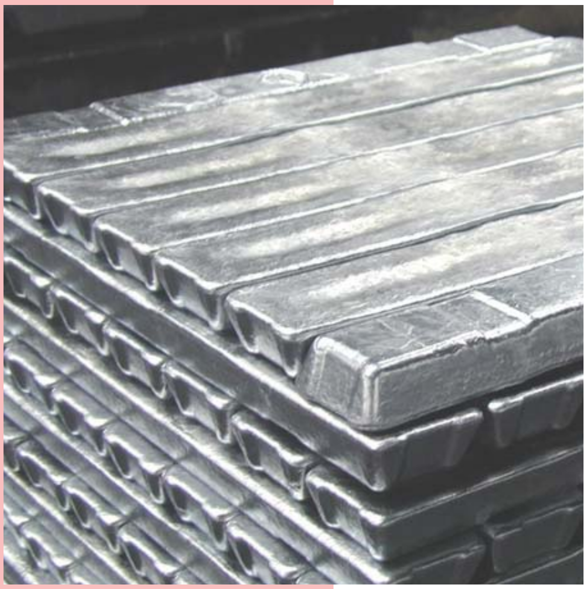
The goal of our marketing system is for Ahresty to be wherever customers need us, under the key automotive industry concept of simultaneous global launch. Fiscal 2005 witnessed the establishment of a system in which Japan functions as the headquarters with North America and China serving as the key overseas bases, thereby solidly positioning Ahresty at the starting line of global competition. We will continue to promote overseas development in response to worldwide demand.

Akira Ogi
Managing Executive Officer,
Director of Sales Division

## Segment Review

### Aluminum Business

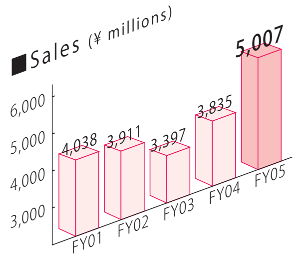
# High-quality products from various materials using top-class facilities and expertise



Ahresty' s Kumagaya Plant became the first in the industry to obtain JIS (Japan Industrial Standard) accreditation in 1958, and the first in Japan to obtain accreditation from the Ministry of International Trade and Industry as an aluminum can recycling facility under the revised Private Participation Promotion Law in 1997. The plant produces aluminum alloy ingots with excellent mechanical properties from various materials, including aluminum cans, window sashes and automobile scraps. These industrial-purpose ingots are produced by Ahresty's state-of-the-art facilities and outstanding recycling expertise. We boast a monthly production capacity of 3,000 tons for aluminum alloy ingots, and our products, shipped nationwide, have earned the trust of our customers.

## Fiscal 2005 Results

Sales volume for aluminum alloy ingots grew 15.3% compared with the previous fiscal year following a review of management strategies. The added impact of higher sales prices that accompanied a surge in ingot prices in the latter half of the fiscal year resulted in a 30.6% increase in sales to ¥5,007 million. Despite our efforts to enhance productivity, rising heavy oil prices and soaring material prices affected revenue, resulting in a 9.6% year-on-year increase in operating income to ¥234 million.




## Fiscal 2006 Outlook

To realize Ahresty's vision of being a company that advances hand-in-hand with society, this Segment is proud of the role it plays in creating a recycling-oriented society, and intends to fulfill its social responsibility through its aluminum recycling operations, which are set to grow even further toward achieving expansion and enhanced profitability for the aluminum recycling business with an eye on establishing overseas bases.

## At the Cutting Edge of Technology, R&D, and Marketing

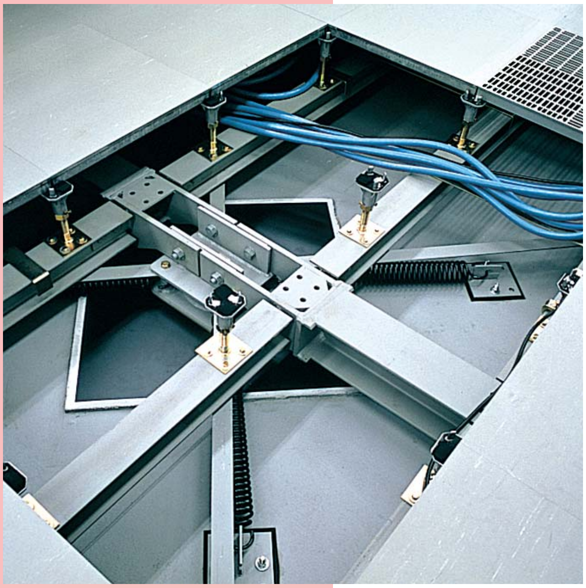
### Securing a Stable Supply in Volume, Quality and Price

In the fiscal year ended March 2006, this Segment won approximately 20 new customers. Since fiscal 2004 we have been seeking to develop a business structure that is less susceptible to changes in foreign exchange rates and raw materials markets, and the addition of new customers constitutes a major means for hedging such risks. One factor behind our success in winning new customers is the high acclaim we receive as the only company that owns plants for both recycling and die casting. We also enjoy a competitive edge in our engineers, who possess expert knowledge on the properties of casts, plasma emission spectrophotometer and other chemical analysis equipment as well as in our professional ability for offering suggestions to customers. We plan to increase our annual volume from 30,000 tons to 33,000 tons, toward achieving 36,000 tons by 2008. While it is imperative that we provide a stable supply of ingots in the quantity required by customers, we also seek to ensure stable quality and pricing, which together constitute the genuine meaning of stable supply.

Shigeru Furuya
Executive Officer,
Kumagaya Plant Manager,
General Manager of
Aluminum Ingot Sales Dept.

## Proprietary Products Business

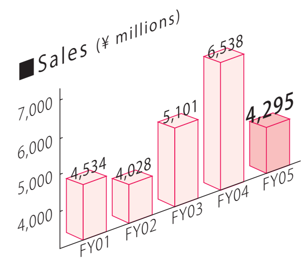
# Developing new free access floor products to keep pace with expanding opportunities



In 1962, Ahresty was the first to develop aluminum die cast-based free access floors, and since that time we have been consistently developing innovative products. In response to the needs of time, a free access floor is raised flooring that can accommodate otherwise obstructive wiring in locations such as computer rooms and broadcasting studios that require a considerable amount of hard-wiring. Recently, general offices, hospitals, clean rooms and newly constructed intelligent buildings have all come to incorporate this raised flooring approach. Ahresty' s MOVAFLOR, free access floors have been used in such major projects as the Tokyo Metropolitan Government building (Shinjuku, Tokyo), Century Tower (Suidobashi, Tokyo), Landmark Tower (Minato Mirai 21, Yokohama), Kansai International Airport (Osaka) and Toshiba Corporation's Yokkaichi Plant (Mie prefecture).

## Fiscal 2005 Results

In building materials, the core product of this Segment, shipments of free access floors decreased 9.8% compared with the previous fiscal year due to a slump in capital investments related to semiconductors and LCDs and a decline in the office automation market, resulting in a 34.5% year-on-year decline in sales to ¥4,140 million. Sales of gardening tools fell 25.4% to ¥155 million due to our retreat from the gardening tool business during the first half of the fiscal year. Despite the higher operating margin achieved by efforts to improve revenue from building material products, operating income fell 22.6% to ¥262 million.




## Fiscal 2006 Outlook

Amid intensifying competition with domestic and international rivals in the proprietary products business, we sought to lower costs by integrating the production of aluminum die cast flooring MOVAFLOR for clean rooms and promoting high-margin operating activities. In addition, we will strive to expand our business and enhance profitability with the intention of boosting overseas sales through utilization of our overseas bases.

## At the Cutting Edge of Technology, R&D, and Marketing

### Aiming for a Turnaround on the Power of Products that Meet Customer Needs

In the fiscal year ended March 2006, sales dropped 44% compared with the previous fiscal year, reflecting the overall decline in demand from the semiconductor industry as well as the exceptional results reported in fiscal 2005. Nevertheless, we used this period to rediscover customer needs. In addition, we assigned dedicated staff to create new products to succeed MOVAFLOR and MOVAFLEX in an effort to develop and improve our product offerings to more completely respond to customer needs.

The major appeal of MOVAFLOR and other Ahresty products has been their outstanding quality. However, they are also more expensive on a per-unit basis in price competition with overseas makers. Therefore reducing manufacturing costs will be a challenge. From a marketing perspective, sales of flat-screen TVs and automobiles are currently doing well, leading to expectations for increased demand associated with the construction of clean rooms led by major manufacturers. In overseas efforts, we intend to expand our market share in China, Taiwan, South Korea and Southeast Asia by utilizing our Guangzhou Plant in China. This Segment seeks to accomplish a turnaround by meeting our target of 5% annual growth starting fiscal 2006.

Yoichi Tsutsumi
Executive Officer,
General Manager of
General Merchandise Sales Dept.

# Network

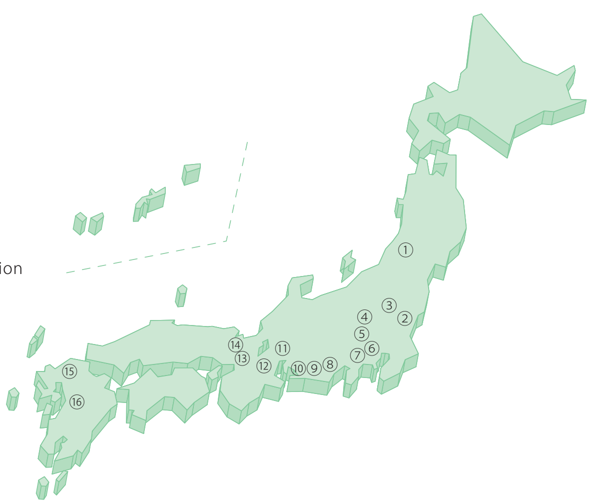
## Actively pursuing global development to respond to the needs of customers worldwide

Ahresty is actively promoting its overseas operations to quickly and efficiently deliver a stable supply of products to customers around the world. In addition to our U.S. plant in Wilmington, Ohio, we now have a die casting plant in Guangzhou, China. We fully apply our accumulated technology and expertise to manufacture and market high-quality products. We have also established a mutually complementary system that includes our die casting die production bases in Taiwan, Thailand and Guangzhou, encompassing our entire business line from materials and die casting die to die casting, toward complete optimization across the Group and around the world.

## Domestic Network

### Ahresty Group

① Ahresty Yamagata Corporation
② ATC Tsukuba Corporation
③ Tochigi Sales Office
Ahresty Tochigi Corporation
Ahresty Die Mold Corporation
④ Kumagaya Plant
Ahresty Casting Support Corporation
⑤ Higashimatsuyama Plant
⑥ Head Office
Itabashi Office
Kanto Sales Office
Ahresty Techno Service Corporation
⑦ Atsugi Sales Office
⑧ Tenryu Metal Industry Co., Ltd.
CS Fuso Co., Ltd.




⑨ Hamamatsu Sales Office
Hamamatsu Plant
Ahresty Die Mold Hamamatsu Corporation
Hamamatsu Mecatec Corporation
Ahresty Techno Service Corporation Hamamatsu Center
⑩ Toyohashi Plant
Ahresty Light Metal Corporation
⑪ Nagoya Sales Office
⑫ Suzuka Sales Representative Office
⑬ Osaka Administration Center
Osaka Sales Office
Kansai Sales Office
⑭ New Kyoto Precision Die Corporation
⑮ Fukuoka Sales Office
Fukuoka Alumi Co., Ltd.
⑯ Kumamoto Sales Office
Ahresty Kumamoto Corporation
Ahresty Die Mold Corporation Kumamoto Plant

As of June 1, 2006

## Ahresty Wilmington Corporation

Functions as our base in North America, where sales continue to grow; involved in the production of die casting products, machining and parts assembly. Monthly production capacity: 1,200 tons.
2627 S. South Street, Wilmington, Ohio 45177, U.S.A.

## Guangzhou Ahresty Casting Co., Ltd.

Began operations in fiscal 2004; involved in the production of die casting products, machining and parts assembly, and supplies companies affiliated with Japanese businesses. Monthly production capacity: 200 tons.
No.7 Xinfeng St., Yonghe Economic District, Guangzhou Economic & Technological Development District, P.R. China

### Higashimatsuyama Plant
25-27 Oaza Miyako, Namegawa-machi, Hiki-gun, Saitama Prefecture 355-0812
TEL. +81-493-56-4421

### Kumagaya Plant
284-11 Miizugahara, Kumagaya-shi, Saitama Prefecture 360-8543
TEL. +81-48-533-5161

### Hamamatsu Plant
4-14-1 Azukimochi, Hamamatsu-shi, Shizuoka Prefecture 433-8520
TEL. +81-53-436-2111

### Toyohashi Plant
80 Aza Higashimukaiyama, Futagawa-chou, Toyohashi-shi, Aichi Prefecture 441-3153
TEL. +81-532-41-0511

### Ahresty Yamagata Corporation
65 Oaza Arato, Shirataka-machi, Nishiokitama-gun, Yamagata Prefecture 992-0832
TEL. +81-238-85-5233

### Ahresty Tochigi Corporation
4060 Oaza Mibu Otsu, Mibu-machi, Shimotsuga-gun, Tochigi Prefecture 321-0215
TEL. +81-282-82-5111

### Ahresty Kumamoto Corporation
36 Urakawachi, Matsubase-machi, Uki-shi, Kumamoto Prefecture 869-0521
TEL. +81-964-33-3111

# Corporate Social

## Social Responsibility

### Consistently striving to contribute to society

Ahresty is not only committed to contributing to the business expansion of our customers, but is also actively engaged in fulfilling our social responsibilities as a corporate citizen. In addition to company-wide efforts for environmental preservation, we have formulated the “Ahresty Compliance Basic Policy” covering rules that govern the actions of all employees, and the “Ahresty Standards of Behavior” encompassing basic rules for the execution of daily operations. We have established a Compliance Committee Secretariat to strengthen our system of compliance with laws related to our corporate activities, corporate ethics and in-house regulations.

### Ahresty Standards of Behavior


1. General rules
(purpose of the code, rules related to compliance responsibility)
2. Relationship with customers and business partners
(rules related to free competition, fair transactions and other issues)
3. Relationship with shareholders and investors
(rules related to corporate information, insider trading and other issues)
4. Relationship with employees
(rules related to human rights, protection of privacy and other issues)
5. Management of company, corporate assets and information
(rules related to trade secrets, intellectual property and other issues)
6. Relationship with society
(rules related to donations, political contributions and other issues)
7. Rules related to implementation

### Employee Education

To continually provide higher levels of technology and services for our customers, we consistently strive to enhance the level of our technology and responsiveness through the positive promotion of QC circle activity.

### Hosting Ahresty Plant Tours


We actively host plant tours as part of our effort to communicate with the local community and increase stakeholders’ understanding of our environmental efforts.

# Responsibility

## For Environment

### Becoming an environmentally-friendly company by consistently working to reduce environmental load

Ahresty seeks to protect the earth's beautiful environment by applying our technology to pursue an ongoing series of environmental preservation measures and making products that fully consider environmental load. Aluminum, which can be recycled using only 3% of the energy required to produce products from raw material, is considered the model for recycling, and is an environmentally-friendly metal that contributes to reducing $CO_2$ by making vehicles that are lighter in weight. Ahresty intends to become an environmentally-friendly company by actively developing our recycling business to promote the creation of a recycling-oriented society, and by participating in zero-waste activities, energy and resource conservation and LCA (Life Cycle Assessment).

### ISO14001 Certification

JAB
EMS Accreditation
RE014

JUSE
REGISTERED FIRM
EMS Registration
JUSE-EG-048

ISO14001:2004 certification

Obtained by Head Office,
Hamamatsu Plant,
Higashimatsuyama Plant,
Kumagaya Plant,
Toyohashi Plant,
Ahresty Tochigi Corporation,
Ahresty Kumamoto Corporation
Ahresty Yamagata Corporation

Ahresty contributes to the protection of the global environment by obtaining ISO14001:2004 certification for our operational bases, as listed at left.

### Environmental Report 2006

Ahresty publishes an annual Environment Report and strives to provide information on the environmental preservation measures implemented across our business operations to increase stakeholders' understanding.

### Environmental Preservation Measures

Ahresty engages in recycling waste toward establishing zero-waste plants. For example, the company reuses sludge formally disposed of in landfills to produce roadbed material and recycled sand.

Ex. : recycled materials

### Cleanup Programs in Local Communities

Ahresty places priority on activities that encourage coexistence with the local community. As part of our local contribution, the company actively participates in cleanup programs centered on the areas surrounding its plants.

# Corporate Governance

## Corporate Governance Policies

Ahresty has worked to develop new business areas that utilize the light-weight property of aluminum based on our own R&D and technological capabilities. At the same time, we seek to differentiate ourselves by reducing costs and achieving high levels of quality. The company recognizes the importance of constantly enhancing our corporate value to achieve our goal of becoming the most trusted company by all stakeholders, including customers, shareholders and investors, employees, business partners and society at large. Therefore, we seek to improve our corporate governance on a foundation of strengthened competitiveness and sound, transparent management, while establishing an organizational structure that can quickly respond to changes in the management environment.

## Compliance Principles

Ahresty Corporation established these basic principles as the foundation for compliance. Executives and employees will adhere to the principles in their individual actions and operational execution.

1. We will uphold customer satisfaction and trust as our goals and pay due consideration to quality and safety in providing excellent products and meticulous service.
2. We will be mindful of customer reassurance and trust, comply with all relevant regulations and act with the highest standards of ethics and responsibility.
3. We will establish fair and transparent business relationships and undertake sound operations.
4. We will seek to consistently enhance corporate value and strive to become an attractive company.
5. We will respect each other's individuality and values to create healthy and safe working environments.
6. We will protect corporate assets and handle them in an appropriate manner.
7. We will maintain and establish sound relationships to avoid causing any stakeholder to lose trust.
8. We recognize consideration for the earth's environment as a priority concern, and actively take part in activities to protect the environment at our own initiative.
9. We will maintain a global perspective respect local cultures and practices, and actively contribute to society.
10. We will endeavor to broadly communicate with society at large, cooperate in activities for local development and comfortable, safe living toward our goal of coexisting with local communities.

# Financial Section

## CONTENTS

# Overview of Business Performance

## Results of Operations

Although the steep rise in oil prices and the rise in price of raw materials such as iron and steel led to fears of a negative impact on the Japanese economy during the fiscal year, the economy continued to recover given an increase in domestic private demand in areas such as personal consumption, investment in plant and equipment and housing investment. Outside of Japan, the US and Asian economies continued to steadily recover.

In this situation, our Group has continued to vigorously increase sales, enhance plant equipment, and reduce expenses in non-front-line departments.

Therefore, operational results for this fiscal year were sales of ¥101,609 million (up 7.0% from the previous fiscal year), operating income of ¥5,916 million (up 5.7% from the previous fiscal year), recurring income of ¥5,594 million (up 16.5% from the previous fiscal year), and net income of ¥3,734 million (up 64.8% from the previous fiscal year).

## Consolidated earnings for the fiscal year ended March 2006 (April 1, 2005 – March 31, 2006)

### (1) Consolidated Operating Results

| | Sales | | Operating Income | | Recurring Income | |
|---|---|---|---|---|---|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Fiscal year ended March 2006 | 101,609 | 7.0 | 5,916 | 5.7 | 5,594 | 16.5 |
| Fiscal year ended March 2005 | 94,967 | 23.9 | 5,597 | 48.0 | 4,803 | 54.3 |

Note: Amounts are rounded down to the nearest million yen.

| | Net Income | | Net Income Per Share | | Net Income Per Share – Fully Diluted | | Return on Shareholders' Equity | Ratio of Recurring Income to Total Assets | Ratio of Recurring Income to Total Sales |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of Yen | % | Yen | Sen | Yen | Sen | % | % | % |
| Fiscal year ended March 2006 | 3,734 | 64.8 | 199 | 42 | – | – | 13.6 | 7.5 | 5.5 |
| Fiscal year ended March 2005 | 2,265 | 22.5 | 134 | 69 | – | – | 11.3 | 7.4 | 5.0 |

Notes: 1. Income on investment in equity method companies
Fiscal year ended March 2006: ¥182 million; Fiscal year ended March 2005: ¥15 million
2. Average number of outstanding shares (consolidated)
Fiscal year ended March 2006: 18,537,185 shares; Fiscal year ended March 2005: 16,502,738 shares
3. Changes in accounting policies No
4. Percentages shown under sales, operating income, recurring income and net income represent changes from the previous fiscal year.

### (2) Consolidated Balance Sheets

| | Total Assets | Shareholders' Equity | Shareholders' Equity Ratio | Shareholders' Equity Per Share | |
|---|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | % | Yen | Sen |
| Fiscal year ended March 2006 | 81,313 | 33,527 | 41.2 | 1,626 | 85 |
| Fiscal year ended March 2005 | 67,768 | 21,415 | 31.6 | 1,204 | 49 |

Notes: Amounts are rounded down to the nearest million yen.
Number of outstanding shares at fiscal year-end (consolidated)
Fiscal year ended March 2006: 20,585,383 shares; Fiscal year ended March 2005: 17,744,420 shares

### (3) Consolidated Cash Flows

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at End of Year |
|---|---|---|---|---|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| Fiscal year ended March 2006 | 9,174 | (14,178) | 5,131 | 2,754 |
| Fiscal year ended March 2005 | 9,203 | (6,514) | (3,213) | 2,568 |

Note: Amounts are rounded down to the nearest million yen.

## Outlook for Fiscal 2007

The Japanese economy is expected to continue on a gradual recovery trend, as is the global economy, with the US and Asia continuing to recover. On the other hand, some elements that may affect both the foreign and domestic economies, such as trends in the price of crude oil, may cause a sense of uncertainty going forward. However, strong demand is expected to continue from our company's major customers, automobile manufacturers and automobile parts manufacturers.

In the Die Casting Business and the Aluminum Business, favourable conditions in the automobile industry, our main customer, are anticipated to continue to drive revenue expansion in the next fiscal year while demand in the Proprietary Products Business is also expected to recover. Accordingly, we expect sales to reach ¥117,400 million (up 15.5% year-on-year). We expect that sales in the Die Casting Business will be affected by fluctuations in the cost of raw materials. We are assuming an increase in the cost of raw materials of ¥20/kg over the previous fiscal year which will impact sales by ¥2,400 million compared to the previous year.

Profits are expected to increase due in part to the effect of cost-reduction activities and production increases following increased revenue in the Die Casting Business, and as a result, operating income and current income are anticipated to reach, respectively, ¥6,850 million (up 15.8% year-on-year) and ¥6,650 million (up 18.9% year-on-year). Consequently, net income is anticipated to reach ¥3,800 million (up 1.8% year-on-year).

To account for the effect of Tokai Seiko Co., Ltd. (December accounting) having become a fully-owned subsidiary following a stock swap (see important subsequent events in notes), consolidated results incorporate net sales of ¥3,300 million, operating income of ¥240 million, recurring income of ¥220 million and net income of ¥100 million.

For the consolidated outlook, we used an exchange rate of JPY¥110/USD$1.

In view of this, our forecasts for the next fiscal year are as follows.

### Consolidated Basis

| | Sales | Operating Income | Recurring Income | Net Income |
|---|---|---|---|---|
| For the year ended March 2007 | 117,400 | 6,850 | 6,650 | 3,800 |
| For the year ended March 2006 | 101,609 | 5,916 | 5,594 | 3,734 |
| Increase / (decrease) | 15,791 | 934 | 1,056 | 66 |
| Rate of increase / (decrease) | 15.5% | 15.8% | 18.9% | 1.8% |

(Millions of Yen)

# Consolidated Balance Sheets

| (Assets) | | Millions of yen<br>Fiscal year ended March 31 | | | | Thousands of U.S. dollars<br>Fiscal year ended March 31 |
|---|---|---|---|---|---|---|
| | | 2005 | | 2006 | | 2006 |
| **Current Assets** | | | | | | |
| Cash and time deposits | | | ¥ 2,604 | | ¥ 3,128 | $ 26,631 |
| Trade notes and accounts receivable | | | 22,914 | | 24,130 | 205,422 |
| Merchandise | | | 14 | | 22 | 194 |
| Products | | | 2,054 | | 1,871 | 15,932 |
| Raw materials | | | 1,535 | | 1,933 | 16,462 |
| Partly finished goods | | | 3,813 | | 4,025 | 34,266 |
| Inventories | | | 379 | | 437 | 3,727 |
| Advances | | | 77 | | 31 | 269 |
| Pre-paid expenses | | | 220 | | 145 | 1,237 |
| Deferred tax assets | | | 866 | | 961 | 8,184 |
| Short-term loans | | | 20 | | 2 | 19 |
| Accounts receivable | | | 396 | | 716 | 6,095 |
| Income taxes and other taxes receivable | | | 13 | | 23 | 198 |
| Consumption tax receivable | | | 28 | | 57 | 486 |
| Other current assets | | | 20 | | 120 | 1,022 |
| Allowance for doubtful accounts | | | (3) | | (3) | (26) |
| **Total Current Assets** | | | 34,959 | | 37,605 | 320,126 |
| | | | | | | |
| **Fixed Assets** | | | | | | |
| Tangible fixed assets | ＊2 | | | | | |
| Buildings and structures | | 14,509 | | 15,469 | | 131,690 |
| Accumulated depreciation | | 8,380 | 6,128 | 8,674 | 6,795 | (73,840) |
| Machinery and delivery equipment | | 40,268 | | 42,742 | | 363,856 |
| Accumulated depreciation | | 29,323 | 10,945 | 30,245 | 12,496 | (257,472) |
| Tools, equipment, and furniture | | 17,234 | | 16,546 | | 140,856 |
| Accumulated depreciation | | 14,576 | 2,658 | 13,897 | 2,648 | (118,305) |
| Land | | | 2,918 | | 5,364 | 45,669 |
| Construction in progress | | | 1,657 | | 4,311 | 36,701 |
| **Total Tangible Fixed Assets** | | | 24,308 | | 31,617 | 269,154 |
| Intangible fixed assets | | | | | | |
| Consolidated adjustment account | | | 754 | | 599 | 5,103 |
| Other | | | 384 | | 397 | 3,383 |
| **Total Intangible Fixed Assets** | | | 1,139 | | 996 | 8,486 |
| Investments and other assets | | | | | | |
| Investments in securities | ＊1,2 | | 6,185 | | 9,924 | 84,484 |
| Long-term loans | | | 27 | | 1 | 11 |
| Capital investments | | | 0 | | 0 | 1 |
| Long-term prepaid loans | | | 16 | | 28 | 244 |
| Deferred tax assets | | | 694 | | 692 | 5,892 |
| Other | | | 448 | | 452 | 3,856 |
| Allowance for doubtful accounts | | | (12) | | (5) | (49) |
| **Total Investments and Other Assets** | | | 7,360 | | 11,094 | 94,441 |
| **Total Fixed Assets** | | | 32,808 | | 43,708 | 372,082 |
| **Total Assets** | | | ¥ 67,768 | | ¥ 81,313 | $ 692,209 |

| (Liabilities) | | Millions of yen<br>Fiscal year ended March 31<br>2005 | <br><br>2006 | Thousands of U.S. dollars<br>Fiscal year ended March 31<br>2006 |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Notes and accounts payable | | ¥ 19,491 | **¥ 22,196** | **$ 188,956** |
| Short-term loans | ∗2 | 4,186 | **4,405** | **37,506** |
| Current portion of long-term loans | ∗2 | 2,398 | **1,210** | **10,308** |
| Accrued expenses | | 1,077 | **1,246** | **10,611** |
| Accrued income taxes | | 1,913 | **1,167** | **9,936** |
| Accrued consumption taxes | | 157 | **133** | **1,132** |
| Bonus allowances | | 1,141 | **1,208** | **10,286** |
| Facilities-related bills payable | | 811 | **1,069** | **9,107** |
| Other current liabilities | | 1,472 | **1,279** | **10,890** |
| **Total Current Liabilities** | | 32,650 | **33,918** | **288,738** |
| **Long-Term Liabilities** | | | | |
| Corporate bonds | | 1,000 | **1,000** | **8,512** |
| Long-term loans | ∗2 | 6,630 | **6,264** | **53,327** |
| Deferred tax liabilities | | 1,395 | **2,120** | **18,047** |
| Allowances for employees' retirement benefits | | 2,917 | **2,941** | **25,042** |
| Allowances for directors' retirement benefits | | 143 | **198** | **1,690** |
| Long-term accrued payments | | 53 | **6** | **59** |
| Consolidated adjustment account | | 1,461 | **1,141** | **9,720** |
| Other long-term liabilities | | 0 | **92** | **790** |
| **Total Long-Term Liabilities** | | 13,602 | **13,766** | **117,192** |
| **Total Liabilities** | | 46,253 | **47,684** | **405,930** |
| | | | | |
| **(Minority Interests)** | | | | |
| **Minority Interests** | | 98 | **101** | **865** |
| | | | | |
| **(Shareholders' Equity)** | | | | |
| **Common Stock** | ∗3 | 1,691 | **5,117** | **43,565** |
| **Additional Paid-in Capital** | | 1,253 | **5,065** | **43,121** |
| **Retained Earnings** | | 17,657 | **21,104** | **179,662** |
| **Net Unrealized Gains on Securities** | | 1,762 | **2,725** | **23,205** |
| **Foreign Currency Translation Adjustments** | | (906) | **(432)** | **(3,680)** |
| **Treasury Stock** | ∗4 | (41) | **(54)** | **(460)** |
| **Total Shareholders' Equity** | | 21,415 | **33,527** | **285,413** |
| **Total Liabilities, Minority Interests, and Shareholders' Equity** | | ¥ 67,768 | **¥ 81,313** | **$ 692,209** |

Note: The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to $1.00, the exchange rate prevailing at March 31, 2006. U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars.

# Consolidated Income Statements

| | Millions of yen Fiscal year ended March 31 2005 | | 2006 | | Thousands of U.S. dollars Fiscal year ended March 31 2006 |
|---|---|---|---|---|---|
| **Sales** | | ¥ 94,967 | | ¥ 101,609 | $ 864,981 |
| **Cost of Goods Sold** | | 81,892 | | 87,684 | 746,444 |
| **Gross Profit** | | 13,074 | | 13,924 | 118,537 |
| **Selling, General and Administrative Expenses** ＊1 | | | | | |
| Transportation expenses | 1,928 | | 1,903 | | 16,204 |
| Salaries and bonuses | 1,780 | | 1,758 | | 14,970 |
| Retirement and severance expenses | 171 | | 178 | | 1,518 |
| Provision for bonuses | 431 | | 477 | | 4,063 |
| Provision for retirement benefits for directors | 22 | | 30 | | 255 |
| Allowance for depreciation | 126 | | 134 | | 1,141 |
| Other expenses | 3,015 | 7,477 | 3,526 | 8,008 | 30,019 |
| **Operating Income** | | 5,597 | | 5,916 | 50,364 |
| **Non-operating Income** | | | | | |
| Interest income | 19 | | 11 | | 94 |
| Dividends received | 68 | | 71 | | 609 |
| Amortization of consolidated adjustment account | 171 | | 325 | | 2,774 |
| Income on investments in equity method affiliates | 15 | | 182 | | 1,554 |
| Rental income | 66 | | 61 | | 524 |
| Compensation for dies | 122 | | 176 | | 1,498 |
| Other | 115 | 579 | 259 | 1,088 | 2,208 |
| **Non-operating Expenses** | | | | | |
| Interest expenses | 301 | | 247 | | 2,109 |
| Expenses from processing returned goods due to manufacturing defects | 344 | | 446 | | 3,804 |
| Loss on disposal of inventories | 186 | | 169 | | 1,441 |
| Inventory loss | 187 | | 175 | | 1,496 |
| Other | 354 | 1,373 | 370 | 1,410 | 3,153 |
| **Recurring Income** | | 4,803 | | 5,594 | 47,623 |
| **Extraordinary Gains** | | | | | |
| Gain from the previous period adjustment | 93 | | – | | – |
| Gain on the sale of fixed assets ＊2 | 1,069 | | 17 | | 149 |
| Gain on the sale of investments in securities | 1,286 | | 668 | | 5,694 |
| Gain on insurance adjustment | 5 | | 5 | | 50 |
| Gain on the transfer of goodwill | – | | 9 | | 77 |
| Reversal of allowance for doubtful accounts | 6 | 2,461 | 5 | 707 | 49 |
| **Extraordinary Losses** | | | | | |
| Loss on the sale of fixed assets ＊3 | 226 | | 269 | | 2,297 |
| Loss from the write-down of securities | 5 | | 2 | | 19 |
| Loss on the sale of investments in securities | – | | 0 | | 5 |
| Retirement and severance benefits | 10 | | 74 | | 632 |
| Provision for retirement benefits reserve for directors in the previous period | – | | 80 | | 684 |
| Impairment loss ＊4 | 774 | | – | | – |
| Equipment relocation expenses due to business integration | 40 | | – | | – |
| Loss on withdrawals from employees' pension fund | 33 | | – | | – |
| Loss on liquidation of subsidiaries | 2 | | – | | – |

(Continued)

| | Millions of yen<br>Fiscal year ended March 31 | | | | Thousands of U.S. dollars<br>Fiscal year ended March 31 |
|---|---|---|---|---|---|
| | 2005 | | 2006 | | 2006 |
| Other | 0 | 1,093 | **5** | **432** | **43** |
| **Income before Income Taxes and Others** | | 6,170 | | **5,868** | **49,960** |
| Income taxes and enterprise taxes | 2,735 | | **2,213** | | **18,844** |
| Deferred income taxes | (27) | 2,708 | **(102)** | **2,111** | **(869)** |
| Gain (loss) on minority interests in consolidated subsidiaries | | 1,196 | | **21** | **187** |
| **Net Income** | | ¥ 2,265 | | **¥ 3,734** | **$ 31,795** |

# Consolidated Statements of Retained Earnings

| (Additional Paid-in Capital) | Millions of yen<br>From April 1, 2004 to March 31, 2005 | | From April 1, 2005 to March 31, 2006 | | Thousands of U.S. dollars<br>From April 1, 2005 to March 31, 2006 |
|---|---|---|---|---|---|
| **Additional Paid-in Capital Balance at Beginning of Year** | | ¥ 1,141 | | **¥ 1,253** | **$ 10,668** |
| **Increase in Additional Paid-in Capital** | | | | | |
| Increase in capital due to new share issuance | — | | **3,424** | | **29,153** |
| Gain on disposition of treasury stock | 112 | | **—** | | **—** |
| Increase in additional paid-in capital due to merger(s) | — | 112 | **387** | **3,812** | **3,299** |
| **Additional Paid-in Capital Balance at End of Year** | | ¥ 1,253 | | **¥ 5,065** | **$ 43,121** |
| | | | | | |
| **(Retained Earnings)** | | | | | |
| **Retained Earnings at Beginning of Year** | | ¥ 15,587 | | **¥ 17,657** | **$ 150,316** |
| **Increase in Retained Earnings** | | | | | |
| Net income | 2,265 | | **3,734** | | **31,795** |
| Increase in retained earnings due to newly consolidated subsidiaries | 1,070 | 3,336 | **—** | **3,734** | **—** |
| **Decrease in Retained Earnings** | | | | | |
| Dividends | 161 | | **248** | | **2,118** |
| Bonus to company executives | 28 | | **38** | | **330** |
| (In-house auditor's share) | (1) | | **(2)** | | **(17)** |
| Decrease in retained earnings due to inclusion of equity method affiliates | 1,077 | 1,266 | **—** | **287** | **—** |
| **Retained Earnings at End of Year** | | ¥ 17,657 | | **¥ 21,104** | **$ 179,662** |

# Consolidated Statements of Cash Flows

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | From April 1, 2004 to March 31, 2005 | From April 1, 2005 to March 31, 2006 | From April 1, 2005 to March 31, 2006 |
| **Cash Flows from Operating Activities** | | | |
| Income before income taxes | ¥ 6,170 | ¥ 5,868 | $ 49,960 |
| Depreciation and amortization | 5,295 | 5,412 | 46,071 |
| Impairment losses | 774 | – | – |
| Amortization of consolidated adjustment account | (148) | (170) | (1,449) |
| Increase / (decrease) in allowances for doubtful accounts | (50) | (7) | (60) |
| Increase / (decrease) in allowances for bonuses | (4) | 56 | 476 |
| Increase / (decrease) in allowances for employee's retirement benefits | 60 | 17 | 149 |
| Increase / (decrease) in allowances for director's retirement benefits | 20 | 55 | 468 |
| Interest and dividend income | (87) | (82) | (703) |
| Interest expenses | 301 | 247 | 2,109 |
| Income from investments in equity method affiliates | (15) | (182) | (1,554) |
| Proceeds from sales of tangible fixed assets | (1,069) | (17) | (149) |
| Proceeds from sales of investment securities | (1,286) | (668) | (5,694) |
| Losses from sales of tangible fixed assets | 224 | 269 | 2,295 |
| Losses from revaluation of investment securities | 5 | 2 | 19 |
| (Increase) / (decrease) in notes and accounts receivable | (97) | (1,169) | (9,955) |
| (Increase) / (decrease) in inventories | (31) | (428) | (3,646) |
| Increase / (decrease) in notes and accounts payable | 516 | 2,908 | 24,759 |
| Increase / (decrease) in accrued consumption taxes and others | (31) | (57) | (485) |
| Bonus paid to directors | (35) | (38) | (330) |
| Other | 213 | 310 | 2,646 |
| **Subtotal** | 10,725 | 12,325 | 104,928 |
| Interest and dividends received | 80 | 87 | 744 |
| Interest paid | (300) | (246) | (2,094) |
| Income taxes paid | (1,568) | (3,010) | (25,625) |
| Income taxes refunded | 266 | 17 | 146 |
| **Cash Flows from Operating Activities** | 9,203 | 9,174 | 78,099 |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Payment into time deposits | (90) | (618) | (5,266) |
| Proceeds from refund of time deposits | 194 | 280 | 2,389 |
| Expenditures from purchases of investment securities | (53) | (67) | (572) |
| Proceeds from sales of marketable securities | 17 | 892 | 7,599 |
| Expenditures from purchases of subsidiary shares | (325) | (2,109) | (17,956) |
| Expenditures from purchases of tangible fixed assets | (7,363) | (13,114) | (111,642) |
| Proceeds from sales of tangible fixed assets | 1,152 | 594 | 5,061 |
| Expenditures from loans | (48) | – | – |
| Proceeds from collection of loans | 139 | 44 | 380 |
| Other | (136) | (80) | (688) |
| **Cash Flows from Investing Activities** | (6,514) | (14,178) | (120,695) |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from short-term loans | 23,140 | 18,270 | 155,536 |
| Repayment of short-term loans | (23,683) | (17,939) | (152,713) |
| Proceeds from long-term debt | 52 | 800 | 6,810 |
| Repayment of long-term debt | (2,240) | (2,543) | (21,648) |
| Proceeds from issuance of bonds | – | 6,850 | 58,321 |
| Proceeds from sale of treasury stock | 474 | – | – |
| Payments for purchase of treasury stock | (1,088) | (8) | (74) |
| Dividends paid | (161) | (248) | (2,112) |
| Cash dividends paid to minority shareholders | (27) | (13) | (112) |
| Other | 319 | (37) | (321) |
| **Cash Flows from Financing Activities** | (3,213) | 5,131 | 43,684 |
| | | | |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | (15) | 57 | 491 |
| **Net Increase / (Decrease) in Cash and Cash Equivalents** | (541) | 185 | 1,580 |
| **Cash and Cash Equivalents at Beginning of Year** | 2,215 | 2,568 | 21,866 |
| **Increase in Cash and Cash Equivalents at Consolidated Subsidiaries** | 894 | – | – |
| **Cash and Cash Equivalents at End of Year** | ¥ 2,568 | ¥ 2,754 | $ 23,447 |

# Notes to Consolidated Financial Statements

## 1. Scope of consolidation

**• Previous consolidated fiscal year (April 1, 2004 to March 31, 2005)**

Consolidated subsidiaries consisted of 14 companies: Ahresty Tochigi Corporation, Ahresty Kumamoto Corporation, Ahresty Wilmington Corporation, Tenryu Metal Industry Co., Ltd., Pascal Industry Co., Ltd., Sugahara Precision Industry Co., Ltd., Hamamatsu Mecatec Corporation, Pascal Trading Co., Ltd., Kyoto Light Metal Corporation, Japan Precision Die Mold Mfg. Co., Ltd., Ditec Co., Ltd., Taiwan General Tool & Die Corporation, Thai Ahresty Die Co., Ltd., and CS Fuso Co., Ltd.

Of these companies, Japan Precision Die Mold Mfg. Co., Ltd., Ditec Co., Ltd., Taiwan General Tool & Die Corporation, Thai Ahresty Die Co., Ltd. and CS Fuso Co., Ltd. were included in the scope of consolidation on the basis of ascendancy.

Six unconsolidated subsidiaries including CSE Co., Ltd. have been excluded from the scope of consolidation as they have no significant impact on the Consolidated Financial Statements in terms of total assets, sales, current term net profit or loss (in accordance to their equity), and retained earnings (in accordance to their equity).

**• Current consolidated fiscal year (April 1, 2005 to March 31, 2006)**

Consolidated subsidiaries consist of 13 companies: Ahresty Tochigi Corporation, Ahresty Kumamoto Corporation, Ahresty Wilmington Corporation, Tenryu Metal Industry Co., Ltd., Ahresty Yamagata Corporation, Hamamatsu Mecatec Corporation, Ahresty Die Mold Hamamatsu Corporation, Ahresty Die Mold Corporation, Ahresty Taiwan Die Mold Corporation, Thai Ahresty Die Co., Ltd., Ahresty Techno Service Corporation, Ahresty Light Metal Corporation and CS Fuso Co., Ltd.

Sugahara Precision Industry Co., Ltd. and Pascal Industry Co., Ltd. were merged as of April 1, 2005 under the name Ahresty Yamagata Corporation.

Five unconsolidated subsidiaries including Ahresty Casting Support Corporation have been excluded from the scope of consolidation as they have no significant impact on the Consolidated Financial Statements in terms of total assets, sales, current term net profit or loss (in accordance to their equity), and retained earnings (in accordance to their equity).

## 2. Equity method affiliates

**• Previous consolidated fiscal year (April 1, 2004 to March 31, 2005)**

One affiliate, Fukuoka Alumi Co., Ltd. was accounted for under the equity method.

The investments of six unconsolidated subsidiaries including CSE Co., Ltd. and the affiliate New Kyoto Precision Die Corporation were not accounted for under the equity method as their influence on our current term net profit or loss and retained earnings was small and had no overall significance.

The closing date for Fukuoka Alumi Co., Ltd., the affiliate accounted for under the equity method, is May 31. In order to prepare the Consolidated Financial Statements, Fukuoka Alumi Co., Ltd.'s financial statements as of May 31 were used, except for important transactions that took place in the period before the consolidated closing date, which were adjusted as necessary for consolidation.

**• Current consolidated fiscal year (April 1, 2005 to March 31, 2006)**

Two affiliates, Fukuoka Alumi Co., Ltd. and Tokai Seiko Co., Ltd. were accounted for under the equity method.

Tokai Seiko Co., Ltd. was included as an affiliate accounted for under the equity method starting this consolidated fiscal year as there was an additional acquisition of their share.

The investments of five unconsolidated subsidiaries including Ahresty Casting Support Corporation and the affiliate New Kyoto Precision Die Corporation were not accounted for under the equity method as their influence on our current term net profit or loss and retained earnings was small and had no overall significance.

The closing dates for Fukuoka Alumi Co., Ltd. and Tokai Seiko Co., Ltd., the affiliates accounted for using the equity method, are May 31 and December 31, respectively. In order to prepare the Consolidated Financial Statements, the financial statements as of these two closing dates were used for these affiliates, except for important transactions that took place in the period before the consolidated closing dates, which were adjusted as necessary for consolidation.

## 3. Business years of consolidated subsidiaries

**• Previous consolidated fiscal year (April 1, 2004 to March 31, 2005)**

The closing dates for consolidated subsidiaries were December 31 for Taiwan General Tool & Die Corporation and Thai Ahresty Die Co., Ltd. and January 31 for Kyoto Light Metal Corporation. In order to prepare the Consolidated Financial Statements, the financial statements used for these subsidiaries were based on their closing dates, except for important transactions that took place in the period before the consolidated closing date, which were adjusted as necessary for consolidation.

**• Current consolidated fiscal year (April 1, 2005 to March 31, 2006)**

The closing date for consolidated subsidiaries was December 31 for Tenryu Metal Industry Co., Ltd., Hamamatsu Mecatec Corporation, Ahresty Techno Service Corporation, Ahresty Die Mold Hamamatsu Corporation, Ahresty Die Mold Corporation, Ahresty Taiwan Die Mold Corporation, Thai Ahresty Die Co., Ltd., CS Fuso Co., Ltd. and Ahresty Light Metal Corporation.

Of these nine consolidated subsidiaries, seven excluding Ahresty Taiwan Die Mold Corporation and Thai Ahresty Die Co., Ltd. changed their closing dates to December 31 starting this fiscal year. In order to prepare the Consolidated Financial Statements, the financial statements used for these subsidiaries were as of their closing dates, except for important transactions that took place in the period before the consolidated closing date, which were adjusted as necessary for consolidation.

## 4. Summary of Significant Accounting Policies

**(1) Evaluation standards and evaluation methods for key assets**

a. Marketable securities

Other marketable securities

Securities with market value

# Notes to Consolidated Financial Statements

Market value method based on the market price on the closing date (variance of estimate is treated with the total capital input method and cost of products sold are estimated using the moving average method)

Securities without market value

Moving average cost method

b. Derivatives — market value method

c. Inventories

Parent company and consolidated subsidiaries in Japan evaluate according to cost method based on the gross average method, while consolidated subsidiaries overseas evaluate according to lower of cost method based on the first-in, first out (FIFO) method.

**(2) Depreciation methods for important depreciable assets**

a. Tangible fixed assets

Parent company and consolidated subsidiaries in Japan — declining balance method

However, the straight-line method is employed for buildings (excluding attached structures) acquired on or after April 1, 1998.

Consolidated subsidiaries overseas — straight-line method

Period of depreciation are as follows:

Buildings and structures — 3 to 47 years

Machinery and delivery equipment — 3 to 15 years

Tools, equipment, and furniture — 2 to 20 years

b. Intangible fixed assets — straight-line method

The straight-line method is employed for software used in-house, based on the availability period of five years.

**(3) Reporting standards for important allowances**

a. Allowances for doubtful accounts

To provide against doubtful accounts, the estimated amount of unrecoverable accounts is reported by employing the loan loss ratio for regular bonds. Recovery rates are calculated individually for specific doubtful accounts and bonds.

b. Bonus allowances

In order to appropriate bonus payments for employees for the current fiscal year, the parent company and consolidated subsidiaries in Japan report this allowance based on projected payment figures.

c. Allowances for employees' retirement benefits

Parent company and consolidated subsidiaries in Japan report this allowance to appropriate retirement benefit obligations and projected pension assets at the end of the current fiscal year. Consolidated subsidiaries overseas employ defined contribution retirement benefits.

The difference of ¥298 million that arose at the time accounting standards were changed is being settled over a period of five years. As for mathematical differences, the amount calculated with the straight-line method over a certain number of years (fifteen years) within the average remaining work period at the time they occurred in their respective fiscal years will be settled starting with the next fiscal year.

In addition, a past service liability of ¥439 million has been generated due to the merger with Kyoto Die Casting Co., Ltd. on October 1, 2003. For this past service liability, the amount calculated with the straight-line method over a certain number of years (ten years) within the average remaining work period of employees at Kyoto Die Casting Co., Ltd. is being settled starting this fiscal year.

d. Allowances for directors' retirement benefits

Parent company reports the amount necessary at term end according to the Company's bylaws to prepare for the payment of retirement and severance benefits to its directors.

**(Additional information)**

A resolution was passed at the parent company's 84th annual meeting of shareholders held on June 24, 2005, to abolish the retirement and severance benefits system and to issue retirement and severance benefits to all board members and auditors at the time of their retirement based on their incumbency up to the date the system was abolished. The parent company has not reported allowances for directors' retirement benefits after this date.

Consolidated subsidiaries in Japan have also passed resolutions to issue retirement and severance benefits to all board members and auditors at the time of their retirement based on their incumbency, and to abolish the allowance for directors' retirement benefits. Allowances for directors' retirement benefits were reported while at the same time these benefits were abolished.

**(4) Currency conversion standards for key total assets or liabilities in foreign currencies**

Cash, assets and liabilities in foreign currencies are converted into yen based on the spot exchange rate on the consolidated closing date, and the exchange difference is treated as profit or loss. Total assets, liabilities, income and expenses of consolidated subsidiaries overseas are converted into yen based on the spot exchange rate on the consolidated closing date, and the exchange difference is included in the minority interests and equity of the foreign currency translation adjustment.

**(5) Lease transactions**

The parent company and its consolidated subsidiaries in Japan treat financial lease transactions according to accounting procedures based on methods for normal lease transactions, except when ownership of the leased property is transferred to the borrower. The consolidated subsidiaries overseas treat lease transactions according to accounting procedures based on normal sales transactions.

**(6) Hedge accounting**

(a) Hedge accounting methods

The deferral hedge accounting method is applied. Foreign exchange contracts are appropriated when they meet the requirements for this method, and interest rate swaps are treated as exceptions when they meet the requirements for this method.

(b) Hedge measures and hedge targets

a. Hedge measures — interest rate swap

Hedge targets — long-term loans paid by variable interest rates

b. Hedge measures — foreign exchange contracts

Hedge targets — debts and credits in foreign currencies

(c) Hedge policies

For long-term loans paid at variable interest rates, derivatives trading is used to lower the loan spread. The interest rate swap provides against the risk of fluctuations in exchange rates at the time of import and export. The company's accounting department conducts internal reviews in employing hedge methods.

(d) Methods for evaluating hedge effectiveness

The effectiveness of hedge transactions is evaluated by the degree of variability between the cumulative amount of either the hedge target market fluctuation or cash flow fluctuation and the cumulative amount of either the hedge means market fluctuation or cash flow fluctuation. However, the evaluation of effectiveness is omitted for interest rate swaps treated as exceptions.

**(7) Other key considerations for creating the Consolidated Financial Statements**

Accounting procedures for consumption tax, etc.

Consumption tax and local consumption tax are treated by the tax exclusive method.

## 5. Evaluation of assets and expenses of consolidated subsidiaries

The assets and expenses of consolidated subsidiaries are evaluated by the total market value method.

## 6. Depreciation of consolidated adjustment account

The consolidated adjustment account is depreciated evenly over a period of five years from the consolidated fiscal year including the date of accrual. If the difference to be eliminated is minor, it is depreciated as a lump sum in the consolidated fiscal year including the date of accrual.

## 7. Retained earnings

Consolidated Statement of Retained Earnings is created based on the appropriation of earnings of the consolidated subsidiaries determined during the consolidated fiscal year.

## 8. Scope of funds in the Consolidated Statements of Cash Flows

Cash on hand, deposits that can be withdrawn as necessary, and short-term investments that are easily convertible, have low risk of value fluctuation and are due for redemption within three months of the date of acquisition are included in the scope of funds.

## Notes on Consolidated Balance Sheets

＊1. Figures related to unconsolidated subsidiaries and affiliates are as follows.

| | As of March 31, 2005 | As of March 31, 2006 |
|---|---|---|
| Investments in securities (share) | ¥1,073 million | **¥3,423 million** |

＊2. Pledged assets

As of March 31, 2005, in regard to tangible fixed assets and marketable securities, the following assets are held in pledge for short-term loans of ¥2,000 million and long-term loans (including long-term loans to be repaid within one year) of ¥6,811 million (including ¥1,454 million for factory foundations). As of March 31, 2006, they are held in pledge for short-term loans of ¥400 million and long-term loans (including long-term loans to be repaid within one year) of ¥5,259 million (including ¥71 million for factory foundations).

| | As of March 31, 2005 | As of March 31, 2006 |
|---|---|---|
| Buildings and structures | ¥620 million | ¥478 million |
| Machinery and delivery equipment | ¥788 million | ¥618 million |
| Tools, equipment, and furniture | ¥44 million | ¥7 million |
| Land | ¥502 million | ¥502 million |
| Investments in securities | ¥2,516 million | ¥2,339 million |
| Total | ¥4,472 million | ¥3,946 million |

Of the above tangible fixed assets, assets that are held in mortgage for factory foundations:

| | | |
|---|---|---|
| Buildings and structures | ¥620 million | ¥478 million |
| Machinery and delivery equipment | ¥788 million | ¥618 million |
| Tools, equipment, and furniture | ¥44 million | ¥7 million |
| Land | ¥502 million | ¥502 million |
| Total | ¥1,956 million | ¥1,606 million |

＊3. Total outstanding shares of our company was 17,800,670 shares of common stock as of March 31, 2005. As of March 31, 2006, the number of common stock was 20,660,670.

＊4. The number of treasury stock owned by consolidated subsidiaries and equity methods affiliates as of March 31, 2005 was 56,250 shares in common stock. As of March 31, 2006, the number of treasury stock was 75,287 shares in common stock.

## Notes on Consolidated Income Statements

＊1. Research and development expenses included in the administrative expenses were ¥705 million as of March 31, 2005, and ¥663 million as of March 31, 2006. No research and development expenses were included in the manufacturing costs incurred for either period.

# Notes to Consolidated Financial Statements

*2. Breakdown of gains on the sale of fixed assets

| | As of March 31, 2005 |
|---|---|
| Land | ¥1,066 million |
| Tools, equipment, and furniture | ¥2 million |
| Total | ¥1,069 million |

| | As of March 31, 2006 |
|---|---|
| Machinery | ¥16 million |
| Vehicles | ¥1 million |
| Total | ¥17 million |

*3. Breakdown of losses on the sale of fixed assets

| | As of March 31, 2005 |
|---|---|
| Machinery | ¥125 million |
| Tools, equipment, and furniture | ¥37 million |
| Buildings | ¥62 million |
| Total | ¥226 million |

| | As of March 31, 2006 |
|---|---|
| Machinery | ¥221 million |
| Tools, equipment, and furniture | ¥26 million |
| Vehicles | ¥7 million |
| Buildings | ¥14 million |
| Total | ¥269 million |

*4. Impairment of the following assets has been recorded for the previous consolidated fiscal year.

| Place | Reason | Type |
|---|---|---|
| Kanuma City, Tochigi | Idle | Land |
| Ranzanmachi, Saitama | Idle | Land |

As the market value of the above assets was significantly diminishing, their book values have been reduced to recoverable amounts and the reduced amounts have been recorded as an impairment loss of ¥774 million in extraordinary losses. This comprises ¥21 million for the land in Kanuma City, Tochigi, and ¥753 million for the land in Ranzanmachi, Saitama.
The recoverable amount was evaluated based on the price of the assessed value of fixed assets, reasonably adjusted using net sales value.

## Notes on Consolidated Statements of Cash Flows

**1. Relationship between the final balance of cash and cash equivalents and the account amounts listed in the consolidated balance sheets**

| | As of March 31, 2005 | As of March 31, 2006 |
|---|---|---|
| Cash on hand and with banks | ¥2,604 million | ¥3,128 million |
| Fixed-term deposits over 3 months | (¥36 million) | (¥374 million) |
| Cash and cash equivalents | ¥2,568 million | ¥2,754 million |

## Notes on Lease Transactions

Text is abbreviated as information is to be disclosed with EDINET.

## Notes on Marketable Securities

**1. Marketable securities for trading**
N/A

**2. Securities held to maturity that have market value**
N/A

**3. Other securities that have market value**
Previous consolidated fiscal year (March 31, 2005)

| | Type | Acquisition Cost (¥ millions) | Consolidated Balance Sheet Amount (¥ millions) | Difference (¥ millions) |
|---|---|---|---|---|
| Consolidated balance sheet amount is above acquisition cost | 1. Share | 1,833 | 4,814 | 2,980 |
| | 2. Bonds | — | — | — |
| | 3. Other | — | — | — |
| | Subtotal | 1,833 | 4,814 | 2,980 |

| | Type | Acquisition Cost (¥ millions) | Consolidated Balance Sheet Amount (¥ millions) | Difference (¥ millions) |
|---|---|---|---|---|
| Consolidated balance sheet amount is below acquisition cost | 1. Share | 11 | 7 | (3) |
| | 2. Bonds | — | — | — |
| | 3. Other | — | — | — |
| | Subtotal | 11 | 7 | (3) |
| | Total | 1,844 | 4,822 | 2,977 |

Current consolidated fiscal year (March 31, 2006)

| | Type | Acquisition Cost (¥ millions) | Consolidated Balance Sheet Amount (¥ millions) | Difference (¥ millions) |
|---|---|---|---|---|
| Consolidated balance sheet amount is above acquisition cost | 1. Share | 1,626 | 6,220 | 4,593 |
| | 2. Bonds | — | — | — |
| | 3. Other | — | — | — |
| | Subtotal | 1,626 | 6,220 | 4,593 |

| | Type | Acquisition Cost (¥ millions) | Consolidated Balance Sheet Amount (¥ millions) | Difference (¥ millions) |
|---|---|---|---|---|
| Consolidated balance sheet amount is below acquisition cost | 1. Share | 7 | 7 | (0) |
| | 2. Bonds | — | — | — |
| | 3. Other | — | — | — |
| | Subtotal | 7 | 7 | (0) |
| | Total | 1,634 | 6,227 | 4,593 |

**4. Other marketable securities sold within the consolidated fiscal year**

| | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) |
|---|---|---|
| Sold amount (¥ millions) | 17 | 892 |
| Total profit on sales (¥ millions) | 9 | 668 |
| Total loss on sales (¥ millions) | — | 0 |

**5. Principal marketable securities that have not been evaluated for their market value**

| | Consolidated balance sheet amount (¥ millions) | |
|---|---|---|
| | As of March 31, 2005 | As of March 31, 2006 |
| Other marketable securities | | |
| Unlisted stock | 283 | 266 |
| Other | 6 | 6 |

**6. Expected redemption for marketable securities that have maturity dates and bonds held to maturity**

N/A

## Notes on Derivative Transactions

Text is abbreviated as information will be disclosed with EDINET.

## Notes on Employees' Retirement Benefits

**1. Overview of retirement benefit scheme**

The company and its consolidated subsidiaries in Japan have established an approved retirement annuity system and a termination allowance plan as our defined benefit systems. The company and some of its subsidiaries in Japan also have employees' pension funds. Overseas subsidiaries have defined contribution retirement benefit schemes. Upon the retirement of employees, there are instances where premium severance payments not covered in the retirement benefit liabilities are made.

**2. Retirement benefit liabilities and breakdown**

| (¥ millions) | Previous consolidated fiscal year (March 31, 2005) | Current consolidated fiscal year (March 31, 2006) |
|---|---|---|
| (1) Retirement benefit liabilities | (5,261) | (5,482) |
| (2) Pension assets | 1,379 | 1,575 |
| (3) Non-reserved retirement benefit liabilities (1)+(2) | (3,881) | (3,907) |
| (4) Outstanding difference that arose at the time of changes in the accounting standards | (40) | — |
| (5) Unrecognized mathematical difference | 587 | 644 |
| (6) Unrecognized past service liabilities (reduction in liabilities) | 417 | 321 |
| (7) Net consolidated balance sheet amount (3)+(4)+(5)+(6) | (2,917) | (2,941) |
| (8) Prepaid pension cost | — | — |
| (9) Allowances for employees' retirement benefits (7)−(8) | (2,917) | (2,941) |

Note: Consolidated subsidiaries in Japan employ the compendium method in calculating their retirement benefit liabilities.

**3. Breakdown of retirement and severance expenses**

| (¥ millions) | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) |
|---|---|---|
| (1) Business expenses | 539 | 613 |
| (2) Interest expenses | 78 | 77 |
| (3) Expected interest income | (42) | (39) |
| (4) Treatment of difference at the time of changes in accounting standards | (19) | (40) |
| (5) Provisional premium severance pay | 28 | 14 |
| (6) Treatment of mathematical difference | 72 | 73 |
| (7) Treatment of past service liabilities | 2 | 43 |
| Total | 658 | 743 |

Notes: 1. The retirement and severance expenses of consolidated subsidiaries that employ the compendium method are included in "(1) Business expenses."
2. The amount of contributions (¥58 million for the previous consolidated fiscal year, ¥64 million for the current consolidated fiscal year) recognized as expenses in the defined contribution retirement benefit schemes of overseas consolidated subsidiaries are included in "(1) Business expenses."
3. As the employees' pension funds joined by the company and some of its consolidated subsidiaries in Japan are an integrated pension system, the amount of pension funds for contribution cannot be calculated rationally. Therefore the amount to be contributed to this pension fund (¥206 million for the previous consolidated fiscal year, ¥191 million for the current consolidated fiscal year) is treated as retirement and severance expenses. The balance of the pension fund calculated according to the premium contribution rate was ¥3,748 million for the previous consolidated fiscal year, and ¥5,047 million for the current consolidated fiscal year.

# Notes to Consolidated Financial Statements

### 4. Calculation basis for retirement and severance liabilities

| | Previous consolidated fiscal year (March 31, 2005) | Current consolidated fiscal year (March 31, 2006) |
|---|---|---|
| (1) Allocation method for expected amounts of retirement benefits | Flat-rate standard for the period | Flat-rate standard for the period |
| (2) Discount rate | Beginning of the term 2.1%<br>End of the term 2.1% | Beginning of the term 2.1%<br>End of the term 2.1% |
| (3) Expected rate of interest income | 4.0% | 3.5% |
| (4) Period for the amount of past service liabilities | 10 years | 10 years |
| (5) Period for the difference that arose at the time of changes in the accounting standards | 5 years | 5 years |
| (6) Period for mathematical difference | 15 years | 15 years |

## Notes on Tax Accounting

### 1. Breakdown of major causes for deferred tax assets and liabilities

| | Previous consolidated fiscal year (March 31, 2005) (¥ millions) | Current consolidated fiscal year (March 31, 2006) (¥ millions) |
|---|---|---|
| Deferred tax assets | | |
| Accrued expenses | 57 | 54 |
| Excess deductible amount in allowances for employees' retirement benefits | 1,127 | 1,185 |
| Excess deductible amount in bonus allowances | 463 | 490 |
| Accrued enterprise tax | 129 | 100 |
| Unpaid office tax | — | 3 |
| Excess depreciation allowance | 14 | 4 |
| Allowances for directors' retirement benefits | 58 | — |
| Appraised loss of golf memberships etc. | 25 | — |
| Unrealized profits for inventories | 132 | 66 |
| Unrealized profits for fixed assets | 428 | 415 |
| Impairment loss on land | 318 | 310 |
| Loss carried forward | — | 212 |
| Other | 516 | 439 |
| Deferred tax assets subtotal | 3,271 | 3,283 |
| Allowance account | (589) | (508) |
| Deferred tax assets total | 2,682 | 2,775 |
| Deferred tax liabilities | | |
| Property replacement reserve | (323) | (486) |
| Payable assets special accounts reserve | (209) | — |
| Special depreciation reserve | (95) | (84) |
| Fixed assets reserve | (153) | (152) |
| Adjusted allowance for doubtful accounts | (1) | (0) |
| Net unrealized gains on securities | (1,206) | (1,869) |
| Other | (525) | (647) |
| Deferred tax liabilities total | (2,516) | (3,241) |
| Net deferred tax assets (liabilities) | 165 | (466) |

### 2. Breakdown by item of major causes for important differences between the burden rates of corporate tax at the statutory effective tax rate and after the application of deferred tax accounting

| | Previous consolidated fiscal year (March 31, 2005) (%) | Current consolidated fiscal year (March 31, 2006) (%) |
|---|---|---|
| Statutory effective tax rate | 40.7 | 40.7 |
| (adjustments) | | |
| Items that will never be included as losses, such as entertainment expenses | 0.8 | 0.5 |
| Items that will never be included as profits, such as dividend revenue | (0.8) | (0.2) |
| Per capita residential tax | 0.3 | 0.3 |
| Impairment loss on land | 5.0 | — |
| Amortization of consolidated adjustment account | (1.0) | (1.2) |
| Income on investment in equity method affiliates | (0.1) | (1.3) |
| Tax deduction for experiment and research | — | (0.9) |
| Tax deduction for information and communication equipment | — | (0.2) |
| Tax deduction for education and training | — | (0.1) |
| Other | (1.0) | (1.6) |
| Burden ratio of corporate tax after application of deferred tax accounting | 43.9 | 36.0 |

## Overseas sales

| | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | | | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) | | |
|---|---|---|---|---|---|---|
| | North America | Other Areas | Total | North America | Other Areas | Total |
| I. Overseas sales (¥ millions) | 11,535 | 901 | 12,436 | 13,723 | 1,432 | 15,156 |
| II. Consolidated sales (¥ millions) | | | 94,967 | | | 101,609 |
| III. Ratio of overseas sales against consolidated sales (%) | 12.1 | 0.9 | 13.1 | 13.5 | 1.4 | 14.9 |

Notes: 1. Segmentation by country or area is sectionalized according to geographic proximity.
2. Countries or areas included in the segmentations are as follows: North America – United States of America; Other Areas – Europe, Asia
3. Overseas sales mentioned here represent the amount of sales in countries or areas other than the Company and its consolidated subsidiaries in Japan.

## Transactions with Related Parties

**(1) Parent company and major corporate shareholders**

N/A

**(2) Board members and major private shareholders**

| Attribute | Name | Amount of capital or investment (¥ millions) | Business description or occupation | Ownership of voting rights (rate of ownership) (%) | Relationship: Concurrent board post | Relationship: Actual relationship | Transactions | Previous consolidated fiscal year: Amount of transaction (¥ millions) | Current consolidated fiscal year: Amount of transaction (¥ millions) |
|---|---|---|---|---|---|---|---|---|---|
| Board member | Iwao Osaki | – | Part-time auditor | – | – | – | Payment of legal consulting fee | 2 | 1 |
| Board member | Tadao Saotome | – | Part-time auditor | – | – | – | Payment of tax consulting fee | 2 | 1 |

Notes: 1. Consumption tax is not included in transaction amount.
2. Conditions for the above-mentioned transactions have been determined taking into consideration the nature of the consulting services and are based on the actual market price for consulting fees.
3. The advisory contracts with the two persons mentioned above have been terminated as of October 31, 2005.

**(3) Subsidiaries**

| Attribute | Company name | Address | Amount of capital or investment (¥ millions) | Business description or occupation | Ownership of voting rights (rate of ownership) (%) | Relationship: Concurrent board post | Relationship: Actual relationship | Transactions | Amount of transaction (¥ millions) | Account | Balance at end of term (¥ millions) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary | Guangzhou Ahresty Casting Co., Ltd. | Canton Province China | 2,556 | Manufacturing of Aluminum die castings | 100 | – | – | Underwrites capital increase | 1,853 | Share of subsidiaries | 2,556 |

## Per-Share Information

| Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) | |
|---|---|---|---|
| Net assets amount per share | 1,204.49 yen | Net assets amount per share | 1,626.85 yen |
| Current net income per share | 134.69 yen | Current net income per share | 199.42 yen |
| The fully diluted net income per share is not reported as there were no residual securities after adjustment. | | Same as left | |

Note: The basis for calculation of current term net income per share is as follows.

| | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) |
|---|---|---|
| Current net income (¥ millions) | 2,265 | 3,734 |
| Amount not attributed to common shareholders (¥ millions) | 43 | 38 |
| (of the above, directors' bonuses by profit distribution) | (43) | (38) |
| Net income from common stock (¥ millions) | 2,222 | 3,696 |
| Average number of outstanding shares (number of share) | 16,502,738 | 18,537,185 |

## Important Subsequent Events

**• Current consolidated fiscal year (April 1, 2005 to March 31, 2006)**

The Company and Tokai Seiko Co., Ltd. (located at 3-8-38 Takaoka-Higashi, Hamamatsu City, Shizuoka, and hereafter referred to as "Tokai Seiko") resolved at their respective board meetings held on May 11, 2006, that the Company should acquire all issued shares of Tokai Seiko making Tokai Seiko a wholly owned subsidiary of the Company, and duly concluded a stock exchange contract. In this same board meeting, the Company resolved that Tokai Seiko should become a consolidated subsidiary in accordance with the stock exchange making it a wholly owned subsidiary of our company.
A summary of the stock exchange is provided below.

# Notes to Consolidated Financial Statements

(1) Goal of making a stock exchange to have the company as a wholly owned subsidiary
With a 20.2% ownership of Tokai Seiko's shares, the Company is the largest shareholder, and the Company has had dealings with Tokai Seiko in outsourcing the processing of die castings. The Die Casting Business, which is one of our core businesses, is increasingly receiving orders not only for as-cast products but also for processing and assembly operations for many of our products. Since this trend is expected to continue, the importance of die casting technology and the machine processing technology of die castings is increasing. Competitiveness needs to be further strengthened through integrated systems offering everything from casting to processing in order to provide products of higher quality at lower costs. To this end, Tokai Seiko's becoming a wholly owned subsidiary of the Company was deemed to be the best solution for both companies by strengthening our partnership and increasing operational efficiency.

(2) Overview of the stock exchange contract
The stock exchange contract will come into effect as of July 1, 2006 (hereafter called "the day the contract comes into effect"). The Company shall issue 1,117,550 shares in stock at the time of stock exchange, and appropriate 7 of the Company's shares for 1 share of Tokai Seiko held by shareholders (including real shareholders) listed on Tokai Seiko's final record of shareholders (including the record of real shareholders) as of the day before the day the contract comes into effect. However, this allotment of shares by stock exchange will not take place for the 40,350 shares of Tokai Seiko stock held by the Company. The Company will not offer any cash to Tokai Seiko shareholders in exchange for their stock other than that mentioned above.
The Company will not increase our capital through this stock exchange, and only increase capital reserves by the variable amount of capital paid by shareholders, as described in Section 68, Article 1 of the corporate computation rules.
Tokai Seiko will hold an extraordinary meeting of shareholders on May 30, 2006, and call for resolutions necessary to approve the stock exchange contract and the stock exchange. As stipulated in Section 796, Article 3 of the corporate law, the Company will conduct the stock exchange based on the stock exchange contract without the approval of the general shareholders' meeting.

(3) Overview of Tokai Seiko Co., Ltd. (fiscal year ended December 31, 2005)
Business description: precision machining of major component parts of motorcycles, automobiles, and general machinery. Establishment: May 1962. Representative: Toshiyuki Suzuki, President. Paid-in capital: ¥100 million. Number of outstanding shares: 200,000. Number of employees: 209. Net assets: ¥3,465 million. Total assets: ¥6,138 million. Sales: ¥8,909 million. Operating income: ¥681 million. Recurring income: ¥702 million. Net income: ¥335 million.

## Current status of production, orders received, and sales

(1) Production results
Production results by business segment for the current consolidated fiscal year are shown below.

| Business segment | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) Amount (¥ millions) | % | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) Amount (¥ millions) | % | Increase / (decrease) Amount (¥ millions) | % |
|---|---|---|---|---|---|---|
| Die Casting Business | 81,221 | 93.2 | 79,419 | 92.0 | (1,801) | (2.2) |
| Aluminum Business | 5,695 | 6.5 | 6,610 | 7.7 | 914 | 16.1 |
| Proprietary Products Business | 266 | 0.3 | 283 | 0.3 | 16 | 6.2 |
| Total | 87,184 | 100.0 | 86,313 | 100.0 | (870) | (1) |

Notes: 1. Amounts of money are based on sales price as available prior to internal transfers among segments.
2. Consumption tax is not included in these amounts.

(2) Results of orders received
A significant part or our businesses depends on make-to-stock production based on informal orders received from customers, which are delivered (and sales recorded) for formal orders received several days prior to the date of delivery. Therefore the listing of results on orders received has been omitted.

(3) Sales results
Sales results by business segment for the current consolidated fiscal year are shown below.

| Business segment | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) Amount (¥ millions) | % | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) Amount (¥ millions) | % | Increase / (decrease) Amount (¥ millions) | % |
|---|---|---|---|---|---|---|
| Die Casting Business | 84,593 | 89.1 | 92,306 | 90.8 | 7,713 | 9.1 |
| Aluminum Business | 3,835 | 4.0 | 5,007 | 4.9 | 1,172 | 30.6 |
| Proprietary Products Business | 6,538 | 6.9 | 4,295 | 4.2 | (2,243) | (34.3) |
| Total | 94,967 | 100.0 | 101,609 | 100.0 | 6,642 | 7.0 |

Notes: 1. Transactions among segments have been balanced out.
2. Sales results by major customers for the past two consolidated fiscal years and the ratio of their sales to overall sales are as follows.

| Customer | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) Amount (¥ millions) | % | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) Amount (¥ millions) | % |
|---|---|---|---|---|
| Honda Motor Co., Ltd. | 12,944 | 13.6 | 13,656 | 13.4 |
| Suzuki Motor Corporation | 10,958 | 11.5 | 13,015 | 12.8 |
| Fuji Heavy Industries Ltd. | 10,091 | 10.6 | 9,996 | 9.8 |

3. Consumption tax is not included in the above amounts.

# Corporate Data

## Corporate Profile (As of March 31, 2006)

| | | | |
|---|---|---|---|
| Company name | Ahresty Corporation | Paid-in capital | ¥5,117.59 million |
| Date of establishment | November 2, 1943 | Number of employees | (Consolidated) 2,622<br>(Non-Consolidated) 950 |

## Management

■ Board Directors and Auditors (As of June 23, 2006)

| | | | | | |
|---|---|---|---|---|---|
| President, CEO | Arata Takahashi | Director, Executive Officer | Teiichi Hayashi | Corporate Auditor (full-time) | Nobuo Uno |
| | | | | Corporate Auditor (full-time) | Tsutomu Kumaki |
| Director, Senior Managing Executive Officer | Yoshio Taira | Director, Executive Officer | Shigeru Furuya | | |
| | | | | Corporate Auditor | Iwao Osaki |
| Director, Managing Executive Officer | Akira Ogi | Director | Takashi Ishiyama | Corporate Auditor | Tadao Saotome |

# Investor Infomation

## Stock Information (As of March 31, 2006)

● Number of Shares and Shareholders

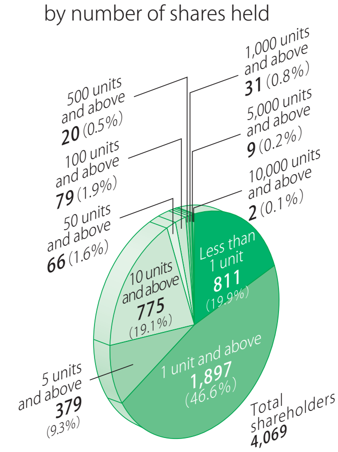
| | |
|---|---|
| Authorized shares | 60,000,000 shares |
| Issued shares | 20,660,670 shares |
| Shareholders | 4,069 |

● Major Shareholders (Top 10)

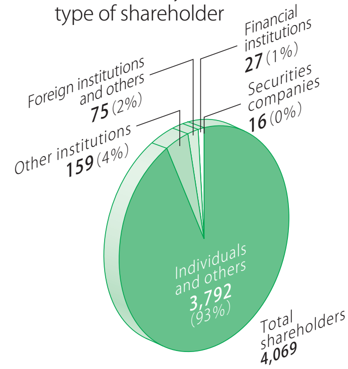
| Name | Number of shares (Unit:1,000 shares) |
|---|---|
| Japan Trustee Services Bank. Ltd. Corporate Trust Account | 1,427 |
| Toshie Takahashi | 1,075 |
| The Master Trust Bank of Japan, Ltd. Corporate Trust Account | 958 |
| Bank of Tokyo-Mitsubishi UFJ, Ltd. | 765 |
| State Street Bank and Trust Co. | 722 |
| Honda Motor Co., Ltd. | 672 |
| Nippon Light Metal Co., Ltd. | 657 |
| Suzuki Motor Corporation | 565 |
| Mitsui Asset Trust & Banking Co., Ltd. Individually Operated Designated Money Trust (1 account) | 560 |
| Mizuho Corporate Bank, Ltd. | 544 |

## Stock Distribution

● Distribution
by number of shares held




● Distribution by
type of shareholder



Ahresty

Sumitomo-Nakanosakaue Bldg. 11th Floor,
1-38-1 Chuo, Nakano-ku,
Tokyo 164-0011, Japan
TEL.03-5332-6001
FAX.03-5332-6037
URL.http://www.ahresty.co.jp

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