## Fiscal year ended March 2006

# Financial Statements (Consolidated)

May 11, 2006

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|---|---|---|---|
| Company Name | Ahresty Corporation | Stock Exchange Listing | Tokyo |
| Code Number | 5852 | Head Office | Tokyo |

(URL http://www.ahresty.co.jp)

Representative Arata Takahashi, President, CEO

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Date of meeting of the board of directors May 11,2006

Use of US accounting standards No

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

(1) Consolidated Operating Results Note: Amounts are rounded down to the nearest million yen.

| | 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 |

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

| | 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 |

Note: Number of outstanding shares at 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

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

| | 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 |

(4) Items relating to the scope of consolidation and use of the equity method

Number of consolidated subsidiaries: 13

Number of unconsolidated subsidiaries accounted for using the equity method: 0

Number of affiliates accounted for using the equity method: 2

(5) Changes in scope of consolidation and use of the equity method

Consolidated (new): 0 (removed): 1 Equity method (new): 1 (removed): 0

2. Forecast of consolidated operations for the fiscal year ending March 2007 (April 1, 2006 – March 31, 2007)

| | Sales | Recurring Income | Net Income |
|---|---|---|---|
| | Millions of Yen | Millions of Yen | Millions of Yen |
| Interim Period | 54,500 | 2,900 | 1,650 |
| Fisical Year | 117,400 | 6,650 | 3,800 |

Reference: Forecast for Net Income Per Share (Fisical Year): ¥ 175.55

* The estimate values shown above are forecasts based on currently available information, and contain numerous uncertainties. Actual operations may differ from the above depending on business changes, and the such. For assumptions regarding forecasts, see “3. Operating Results and Financial Position”.

## 1. Corporate Group

Our company and affiliates (comprised of our company, 18 affiliates, and 3 subsidiaries (as of March 31, 2006)) have three businesses: the Die Casting Business, Aluminum Business, and Proprietary Products Business. Each Business is positioned as follows with respect to our company and affiliates.

Note that the three businesses listed below are classified the same as in the section on information by business segment listed in the notes to “4. Consolidated Financial Statements”.

(1) Die Casting Business

Primary products include die castings, permanent mold castings, sand mold castings and die casting dies, primarily for automobiles and motorcyles.

Die cast products progress through a number of steps before reaching the customer, from product design (including melt filling and strength analyses), die production to trial and mass production (die casting, machining, etc). Most affiliated group companies are involved with the Die Casting Business, either handling a part of the die cast manufacturing process or providing the equipment used in this process.

1. Die Castings

Domestically, our company manufactures and sells die castings, and subsidiaries including Ahresty Tochigi, Ahresty Kumamoto, Ahresty Yamagata and one other subsidiary manufacture die castings. Outside of Japan, Ahresty Wilmington Corporation in the US and Guangzhou Ahresty Casting Co., Ltd. in China manufacture and sell die castings. Our company outsources the machining and assembly of die castings to the aforesaid companies as well as to subsidiary Hamamatsu Mecatec Corporation and affiliate Tokai Seiko Co., Ltd.

2. Permanent Mold Castings and Sand Mold Castings

Subsidiary Ahresty Light Metal Corporation manufactures permanent mold castings. Subsidiary Tenryu Metal Industry Co., Ltd. manufactures sand mold castings. Our company handles the sales of products manufactured by both companies.

3. Die Casting Dies

In addition to our company handling die design and sales, domestic subsidiaries including Ahresty Die Mold Hamamatsu Corporation, Ahresty Die Mold Corporation and one other affiliate manufacture die casting dies. All overseas subsidiaries handle die design. Thai Ahresty Die Co., Ltd., Ahresty Taiwan Die Mold Corporation, and one other Chinese subsidiary manufacture and sell die casting dies.

4. Die Cast Peripherals

CS Fuso Co., Ltd. and Ahresty Casting Support Corporation manufacture die cooling parts and the such, and Ahresty Techno Service Corporation handles sales.

(2) Aluminum Business

Primary products include aluminum alloy ingots for die casting and aluminum alloy ingots for casting.

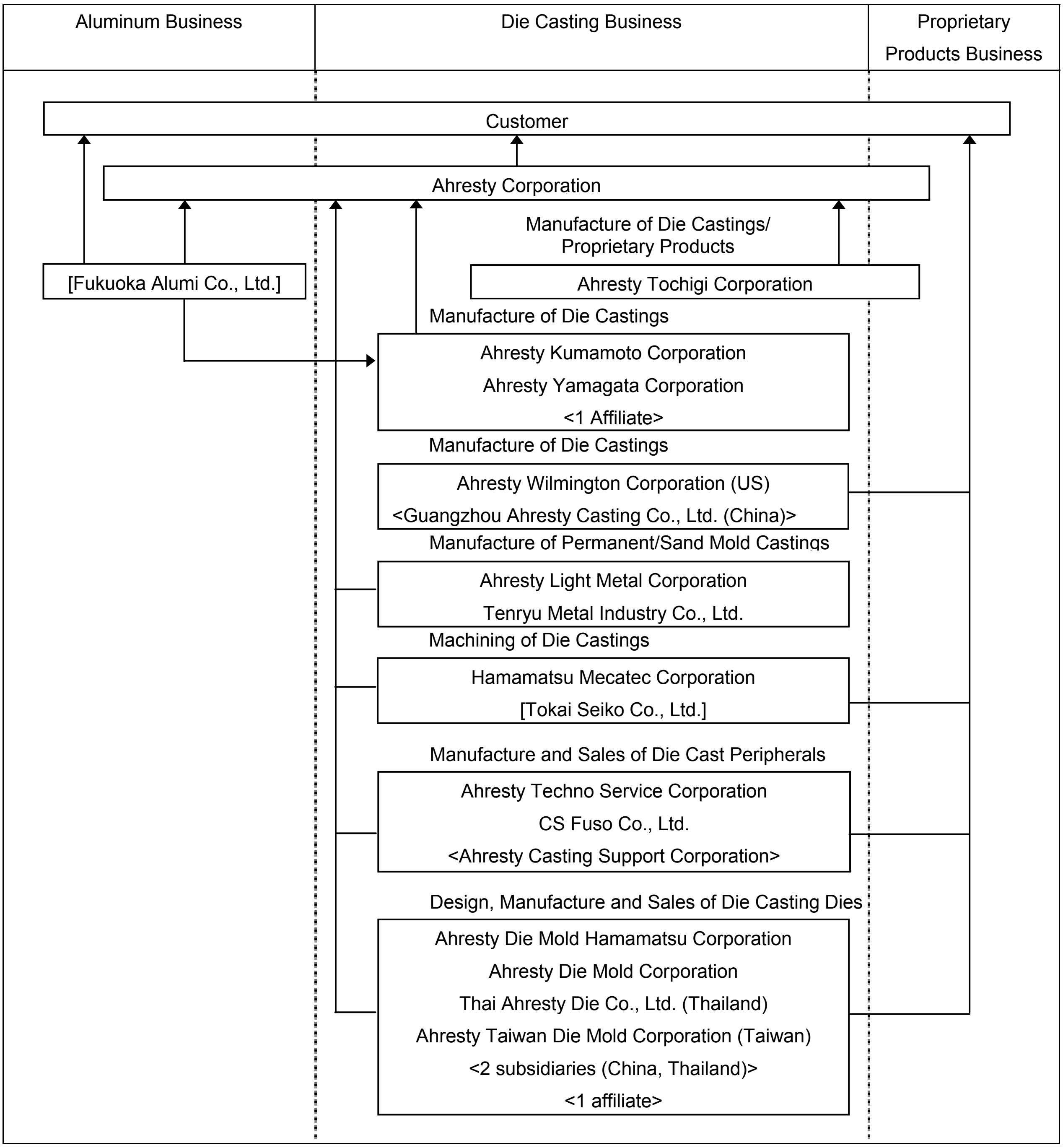
Our company handles manufacturing and sales activities. Subsidiaries including Ahresty Kumamoto Corporation procure the aluminum alloy ingots for die casting from Fukuoka Alumi Co., Ltd.

(3) Proprietary Products Business

Primary products include free access floors (duplex floor for building).

Our company handles installation and sales of products while Ahresty Tochigi Corporation handles manufacturing of floor panels and its accessories.

A business flowchart is shown below.




Notes

1. Subsidiaries and affiliates in < > are unconsolidated; companies in [ ] are companies accounted for using the equity method; all other companies are consolidated subsidiaries.
2. Companies not in ( ) are domestic companies.
3. Arrows in the diagram indicate main products and labor flow.
4. The company name was changed to Ahesty Yamagata Corporation when Sugahara Precision Industy Co., Ltd. merged with Pascal Industry Co., Ltd. on April 1, 2005.
5. Ahresty Light Metal Corporation was renamed from Kyoto Light Metal Corporation on May 1, 2005.
6. Ahresty Taiwan Die Mold Corporation was renamed from Taiwan General Tool & Die Corporation on May 1, 2005.
7. Ahresty Techno Service Corporation was renamed from Pascal Trading Co., Ltd. on July 1, 2005.
8. Ahresty Die Mold Hamamatsu Corporation was renamed from Japan Precision Die Mold Mfg. Co., Ltd. on July 1, 2005.
9. Ahresty Die Mold Corporation was renamed from Ditec Co., Ltd. on July 1, 2005.
10. Ahresty Casting Support Corporation was renamed from CSE Co., Ltd. on July 1, 2005.

Affiliates

| Company Name | Address | Common Stock (¥ millions) | Primary Activities | Voting Interest/ Rights (%) | Related Activities |
|---|---|---|---|---|---|
| (Consolidated Subsidiaries) | | | | | |
| Ahresty Tochigi Corporation (Note 1) | Mibu-machi, Shimotsuga-gun, Tochigi Prefecture | 300 | Manufacturing of Aluminum die castings | 100 | Aluminum alloy ingots supplied by our company,<br>Die castings sold to our company.<br>Directors serving concurrently.<br>Financial assistance.<br>Equipment leased. |
| Ahresty Kumamoto Corporation (Note 1) | Uki-shi, Kumamoto Prefecture | 150 | Manufacturing of Aluminum die castings | 100 | Aluminum alloy ingots supplied by our company,<br>Die castings sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |
| Ahresty Yamagata Corporation (Note 2) | Shirataka-machi, Nishiokitama-gun, Yamagata Prefecture | 151 | Manufacturing of Aluminum die castings | 100<br>(13) | Aluminum alloy ingots supplied by our company,<br>Die castings sold to our company.<br>Directors serving concurrently.<br>Financial assistance.<br>Equipment leased. |
| Ahresty Wilmington Corporation (Notes 1, 3) | Ohio, USA | Thousands US dollars 33,600 | Manufacturing of Aluminum die castings | 100 | Die castings supplied by our company.<br>Directors serving concurrently. |
| Tenryu Metal Industry Co., Ltd. | Hamamatsu-shi, Shizuoka Prefecture | 70 | Sand mold castings | 100 | Sand mold castings sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |
| Hamamatsu Mecatec Corporation (Note 2) | Hamamatsu-shi, Shizuoka Prefecture | 15 | Light metal machining | 100<br>(70) | Machined parts of die castings sold to our company.<br>Directors serving concurrently.<br>Financial assistance.<br>Equipment leased. |
| Ahresty Techno Service Corporation (Notes 1, 2) | Minato-ku, Tokyo | 15 | Machinery sales and leasing | 100<br>(33) | Die cast peripherals sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |
| Ahresty Light Metal Corporation | Toyohashi-shi, Aichi Prefecture | 20 | Permanent mold castings | 100 | Permanent mold castings sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |
| Ahresty Die Mold Hamamatsu Corporation (Note 1) | Hamamatsu-shi, Shizuoka Prefecture | 266 | Die casting dies manufacturing | 100 | Die casting dies sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |

| | | | | | |
|---|---|---|---|---|---|
| Ahresty Die Mold Corporation (Note 2) | Mibu-machi, Shimotsuga-gun, Tochigi Prefecture | 93 | Die casting dies manufacturing | 100 (52) | Die casting dies sold to our company.<br>Directors serving concurrently.<br>Equipment leased. |
| Ahresty Taiwan Die Mold Corporation (Note 2) | Taiwan | Thousands NT dollars 39,130 | Die casting dies manufacturing | 78 (39) | Die casting dies sold to our company.<br>Directors serving concurrently. |
| Thai Ahresty Die Co., Ltd. (Note 2) | Ayuthaya, Thailand | Thousands Thai Baht 85,000 | Die casting dies manufacturing | 100 (61) | Die casting dies sold to our company. |
| CS Fuso Co., Ltd. (Note 2) | Hamamatsu-shi, Shizuoka Prefecture | 15 | Manufacturing of peripheral equpments of die cast machine, etc. | 100 (100) | Die casting peripherals sold to Ahresty Techno Service Corporation.<br>Directors serving concurrently. |
| (Affiliates accounted for using the equity method)<br><br>Fukuoka Alumi Co., Ltd. | Hisayama-machi, Kasuya-gun, Fukuoka Prefecture | 20 | Purification of non-ferrous metals | 36 | Aluminum raw materials sold to our company.<br>Directors serving concurrently. |
| Tokai Seiko Co., Ltd. (Notes 2, 4) | Hamamatsu-shi, Shizuoka Prefecture | 100 | Light metal machining | 20 (0) | Machined parts of die castings sold to our company.<br>Directors serving concurrently. |

Notes

1. The company corresponds to a specific subsidiary.
2. Number in ( ) indicates indirectly held voting rights.
3. Main income information has been omitted because sales of corresponding consolidated subsidiaries for this consolidated fiscal year exceeds one-tenth of the sales noted in the consolidated financial statements, but sales of consolidated subsidiaries exceeds nine-tenths of sales by geographic segment (including internal turnover/transfers between segments).
4. Tokai Seiko Co., Ltd. is an affiliate accounted for using the equity method as of this fiscal year.

## 2. Management Policies

### (1) Basic management policies

Our corporate name of “AHRESTY” is a phonetic representation of the letters R, S and T which stand for Research, Service and Technology. Research means continuous development and research into new technologies, markets and sales approaches. Service means careful, satisfying service rendered through warm personal interaction.Technology means the technology to produce hardware and software which are truly useful and beneficial to society. These three concepts have intricate links between each other in which they depend on each other and become refined and improved through interaction. We have incorporated the sum total of Rsearch, Service and Technology (abbreviation “RST”) into our corporate philosophy and have named our company "Ahresty Corporation".

The “Ahresty Ten Year Vision” devised anew in 2005 is founded on the goal of “We aim to be “the most trusted company in the industry” by our stakeholders”. To become “a company that is trusted” by the five elements that form an interlocking relationship – customers, shareholders/investors, employees, business partners and society – we devised concrete guidelines and methods to define our policies. Based on this 10-year vision, we devised more concrete measures and goals in our Mid-Term Management Policy (0507 3-Year Ahresty Policy), and expanded this to department policy. In this way, we are pursuing company-wide policy management activities.

### (2) Basic policy with regards to dividends

Our company views the continual increase of corporate value as the most important return to shareholders. Regarding dividends, our basic policy is to provide appropriate returns based on our attempt to strengthen the financial structure and management base for mid-to-long-term growth, and we provide dividends only upon considering the investment sum and payout ratio needed for mid-to-long-term growth, as well as closely considering trends in consolidated operating results.

Regarding dividend distribution at the end of this fiscal year (the fiscal year ending March 2006), due to a more bullish operating result, we expect to provide a dividend of ¥18 per share, up ¥2 from the published ¥16 figure (up ¥4 from the prior fiscal year).

### (3) Target management indicators

Our company’s long-term management direction is indicated in “Ahresty 10-Year Vision”, and concrete targets for management indicators are defined in mid-term management policies. In order to become a company with investing value, we have defined target values for sales, return on assets (ROA), the shareholders’ equity ratio and the ratio of recurring income to sales to attempt to increase corporate value on a continual basis. (When the mid-term management policies were devised, the target values for 2007 were set to sales : ¥110 billion, ROA: 5.0%, shareholders’ equity ratio: 40%, the ratio of recurring income to sales: 6%; however, in view of the status of activities in 2005, the first year of the mid-term plan, we have revised these values to sales: ¥120 billion, ROA: 5.5%, shareholders’ equity ratio: 45%, the ratio of recurring income to sales: 7%.) In addition, in order to become a corporation that anticipates the needs of its customers, we have established measures and targets for providing global quality, global price competitiveness, a global distribution system, and technology and product development that stays one step ahead of the competition, so that our business can develop in such a way that we will be trusted by our customers on a global scale. Within the company, in order to become a corporation that our employees can be proud of and enthusiastic about working, we continue to attempt to create a pleasant work environment where employees will learn and be able to apply their skills. We aim to create corporate relationships where trust is symbiotic, and to become a company walking hand-in-hand with society based on cooperation.

### (4) Mid-To-Long-Term Management Strategies

The Die Casting Business, our company’s main business, is expected to continue to strengthen into next year, with the increased car production and the need for weight reduction among our main customers in the automobile manufacturing industry. The Aluminum Business is also expected to be stronger next year, as the primary demand comes from the same industry as the Die Casting Business. The Proprietary Products Business is expected to experience greater demand next year compared to this year, due to an expected renewal in semiconductor-related infrastructure investment. Each business is expected to strengthen, but competition in terms of quality and cost is expected to continue. To achieve our company’s “10-Year Vision” and “0507 3-Year Ahresty Policy”, we will continue to apply our management resources in technology, sales and organization to their maximum potential, and will work together as a company to achieve our goals.

(Die Casting Business)

Competition is expected to grow in intensity in terms of quality and cost in the automobile manufacturing industry, which is our major customer of this business. In order to flexibly and rapidly respond to global competition, our company aims to become "a company that anticipates the needs of its customers" in terms of quality, cost, delivery and development. Specifically, we are promoting quality improvement activities to achieve quality that can face competition on a global level, activities to reduce costs by innovative improvements in productivity aimed at improving global price competitiveness, study and deployment of global distribution system, proposal-type product development based on market research, and technological development that will lead to the creation of new demand. We aim to become "a company with investing value" by continually improving corporate value through more efficient management.

World-Level Quality

Customers continue to become more demanding, resulting in vastly higher quality requirements. Faced with this situation, our company has devised measures to guarantee quality in each of our processes by using a process-based approach that encompasses every section including suppliers and contractors.

Global Competitive Strength

In addition to cost reduction activities, for some time we have been pursuing improved productivity, we have also pursued overall optimization in all processes from die production to casting to machining to distribution, reducing costs at the source with technological initiatives on the production floor.

Study and Deployment of Global Distribution System

As our second die cast production plant overseas, in 2004 operation began at a die casting plant in China (Guangzhou). The die casting plants in China and Ohio have further expanded capacity. We are currently investigating and studying mid-term plans to improve supply to the other primary die casting demand areas. Further, as the third overseas die casting die business, a subsidiary located in China (Guangzhou) began operation on schedule in December 2005.

Technology Development and Product Development

We have promoted proposal-style product development based on market research and technological research that will lead to the creation of new demand, in order to not only meet new user needs but to stay one step ahead of user needs in product development. Furthermore, we aim to create new die casting demand and expand sales through development and by implementing new methods, technologies and materials for manufacturing parts as die casting methods, such as Ahresty's proprietary NI casting technology and magnesium die casting technology.

(Aluminum Business)

To become "a company walking hand-in-hand with society", this business feels obligated to take part in building a recycling-based society. As demand for aluminum continues to increase, by fulfilling our duty to society through our recycling business, we aim to expand the aluminum recycling business and increase revenue, and are considering the addition of overseas production sites.

(Proprietary Products Business)

In the proprietary products business, as price competition continues to increase among both domestic and foreign rival manufacturers, we are not only pursuing cost reduction through the integrated production of an aluminum die cast floor (MOVAFLOR), but are also pursuing management activities with a focus on profitability. Furthermore, to increase foreign sales, we aim to expand business and improve earnings, and are considering using foreign production sites.

(5) Operational issues

The following issues are being addressed by the company.

(Training and Acquisition of Personnel)

We are convinced that the training and acquisition of personnel, primarily technicians, is essential to the pursuit of our mid-to-long-term management strategies. In order to address these issues and optimize our human resources as a Group overall, on October 1, 2005 we created the Human Resources Department. This department will continue to train personnel and vigorously undertake recruiting activities in order to address the task of acquiring personnel to support the growth of the Group.

(Rebuilding the Toyohashi Plant)

The Toyohashi Plant was the primary plant of Kyoto Die Casting Co., Ltd. before it was acquired in October 2003, but had low productivity, and improving profitability has been a challenge. After enacting various measures to address this task in terms of equipment, management and sales, as of the present fiscal term, productivity has improved over the previous fiscal year, and the cost of sales ratio has risen by 3.6 points. Nevertheless, the plant still has productivity below that of other plants in our company, and we will continue to pursue plans to improve the productivity of the plant. In addition to purchasing a plot of land and a building next to the Toyohashi Plant in February 2006, and then using these acquisitions as a machining and distribution center, we are aiming to create a more efficient production model by extending and structurally altering the building and the installation of equipment to thereby further improve the plant’s productivity and earnings.

(Internal Control System Improvement and Risk Management)

In order to improve the effectiveness of the internal control system of our Group, we are improving the control environment, and evaluating various risks in an attempt to avert and minimize the effect of risks if they occur. One of the measures we took towards disaster risks (particularly earthquakes) in this consolidated fiscal year was to improve the disaster prevention system and to implement seismic diagnosis at each production site. In the future, based on the results of the seismic diagnosis, we will systematically devise disaster prevention measures for each production plant’s buildings, equipment and other infrastructure, and methods to complement production among Group companies in the event of a disaster.

Regarding the tasks that were indicated in the previous fiscal year, namely, establishing the magnesium business and revision the gardening business, the following measures were taken this fiscal year.

(Establishing the Magnesium Business)

Demand for magnesium die casting is expected to increase in the future due to the increased need for the weight reduction of automobiles, which is why we established the Magnesium Division in 1999, and this Division has developed technologies related to the production and recycling of raw materials. However, as it is still in the investment stage, it has not yet contributed to earnings. In this fiscal term, production technology has risen to the level of aluminum die casting, and production tasks have largely been completed. The Business is expected to be considerably impacted by the future needs of each manufacturer for weight reduction, as well as trends in $CO_2$ emissions laws and voluntary control values. But for the present, we are continuing advance development and testing for customers in preparation for future demand.

(Revision of the Gardening Business)

The Gardening Business is primarily responsible for sales of lawn mowers. Since 2004 we have taken steps to improve profitability such as transferring production to China, and although some effects were seen from the cost reduction, the Division’s earnings situation is still as harsh as before due to a slump in sales arising from stagnating demand in Japan. Because we did not expect a future increase in demand, we withdrew from this business.

## 3. Results of Operations and Financial Standing

### (1) 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).

A breakdown of operating results by business segment is shown below.

(Millions of Yen)

| | Business segment | Current fiscal year | Percent | Previous fiscal year | Percent | Increase/ decrease | Rate of increase/ decrease |
|---|---|---|---|---|---|---|---|
| Sales | Die Castings | 92,306 | 90.8 | 84,593 | 89.1 | 7,713 | 9.1 |
| | Aluminum | 5,007 | 4.9 | 3,835 | 4.0 | 1,172 | 30.6 |
| | Proprietary Products | 4,295 | 4.2 | 6,538 | 6.9 | (2,243) | (34.3) |
| | Total | 101,609 | 100.0 | 94,967 | 100.0 | 6,642 | 7.0 |

| | Business segment | Current fiscal year | Percent | Previous fiscal year | Percent | Increase/ decrease | Rate of increase/ decrease |
|---|---|---|---|---|---|---|---|
| Operating Income | Die Castings | 5,420 | 91.6 | 5,043 | 90.1 | 375 | 7.4 |
| | Aluminum | 234 | 4.0 | 213 | 3.8 | 20 | 9.6 |
| | Proprietary Product | 262 | 4.4 | 339 | 6.1 | (76) | (22.6) |
| | Eliminations and Corporate | (1) | – | – | – | (1) | – |
| | Total | 5,916 | 100.0 | 5,597 | 100.0 | 319 | 5.7 |

Note: In the past, unallocatable administration costs consisted primarily of expenses related to the administrative departments of submitting companies. However, as a result of a re-evaluation of the relationship between costs associated with the administrative departments and the operations of each segment, we came to the conclusion that the operating profits/losses for each segment could be more appropriately expressed by having each segment handle the appropriate costs. Therefore, as of this fiscal year we have changed our segment allocation method.

In the Die Casting Business, sales of our flagship parts for four-wheel vehicles were up 9.1%, supported by the launch of new models and steady expansion of exports by automobile manufacturers. Parts for motorcycles were up by 18.3% in line with an increase in production at motorcycles manufacturers given the recovery in domestic demand. Multi-purpose engine parts, although varying from manufacturer to manufacturer, showed a general positive trend, and were up 5.0%. In terms of income, we vigorously pursued activities to reduce costs, such as improving productivity. As a result, sales amounted to ¥92,306 million (up 9.1% from the previous fiscal year), and operating income amounted to ¥5,420 million (up 7.4% from the previous fiscal year).

In the Aluminum Business, sales by weight of aluminum ingots increased by 15.3% over the previous fiscal year due to a revision of management strategies, with sales amounting to ¥5,007 million (up 30.6% from the previous fiscal year) due in part to the effect of increased sales prices associated with a drastic increase in the price of ingots in the second half of the year. With regard to profits, we pursued productivity improvements, but due to an increase in the price of crude oil and the drastic increase

in the price of raw materials, operating income amounted to ¥234 million (up 9.6% from the previous fiscal year).
In the Proprietary Products Business, sales amounted to ¥4,295 million (down 34.3% from the previous fiscal year). In terms of building material, which is the flagship product of this business, shipping volume of free access floor decreased by 9.8% from the previous fiscal year due to a drop in investment in semiconductor/LCD plant and equipment and an associated slump in the OA market, with sales of ¥4,140 million (down 34.5% from the previous fiscal year). For gardening products, we decided to withdraw from the gardening business in the first half of the year. As a result, sales amounted to ¥155 million (down 25.4% from the previous fiscal year). In terms of income, the operating margin improved due to income improvements in building material products, but due to the decrease in sales, operating income amounted to ¥262 million (down 22.6% from the previous fiscal year).

A breakdown of operating results by geographic segment is shown below.

(Millions of Yen)

| Geographic segment | | Current fiscal year | Percent | Previous fiscal year | Percent | Increase/ decrease | Rate of increase/ decrease |
|---|---|---|---|---|---|---|---|
| Sales | Japan | 86,708 | 85.3 | 82,643 | 87.0 | 4,065 | 4.9 |
| | USA | 13,711 | 13.5 | 11,531 | 12.1 | 2,180 | 18.9 |
| | Other areas | 1,188 | 1.2 | 791 | 0.8 | 396 | 50.1 |
| | Total | 101,609 | 100.0 | 94,967 | 100.0 | 6,642 | 7.0 |

| Geographic segment | | Current fiscal year | Percent | Previous fiscal year | Percent | Increase/ decrease | Rate of increase/ decrease |
|---|---|---|---|---|---|---|---|
| Operating Income | Japan | 3,981 | 67.3 | 4,253 | 76.0 | (272) | (6.4) |
| | USA | 1,576 | 26.6 | 1,384 | 24.7 | 192 | 13.9 |
| | Other areas | 152 | 2.6 | 77 | 1.4 | 78 | 97.5 |
| | Eliminations and Corporate | 205 | 3.5 | (118) | (2.1) | 323 | – |
| | Total | 5,916 | 100.0 | 5,597 | 100.0 | 318 | 5.7 |

1. Japan
Sustained by steady sales of our key products to the automobile industry, sales amounted to ¥86,708 million (up 4.9% from the previous fiscal year). With regard to profits, due to the sudden rise in the cost of ingots in October and effects arising from changes to the accounting period of consolidated subsidiaries, as well as effects due to a decrease in sales and profits in the Proprietary Products Business, operating income amounted to ¥3,981 million (down 6.4% from the previous fiscal year).
2. USA
In the US market, sales amounted to ¥13,711 million (up 18.9% from the previous fiscal year), sustained by bullish Japanese automobile manufacturers. As a result of cost reduction activities, operating income amounted to ¥1,576 million (up 13.9% from the previous fiscal year).
3. Other areas
Sales amounted to ¥1,188 million (up 50.1% from the previous fiscal year). As a result, operating income amounted to ¥152 million (up 97.5% from the previous fiscal year).

(2) Financial Standing

1. Assets, Liabilities and Shareholders' Equity

(a) Assets

Total assets for this fiscal year amounted to ¥81,313 million, up by ¥13,545 million or 20.0% over the previous fiscal year.

Current assets for this fiscal year amounted to ¥37,605 million, up by ¥2,646 million or 7.6% over the previous fiscal year. This increase was due largely to an increase in trade notes and accounts receivable accompanying increased sales.

Tangible fixed assets for this fiscal year amounted to ¥31,617 million, up by ¥7,309 million or 30.0% over the previous fiscal year. This increase was due largely to the purchase of land for a plant in Toyohashi and capital expenditures to enhance productivity at domestic and foreign plants.

Investments and other assets amounted to ¥11,094 million, up by ¥3,733 million or 50.7% over the previous fiscal year. Most of this was due to an increase in capital in the two Chinese subsidiaries.

(b) Liabilities

Total liabilities at the end of this fiscal year amounted to ¥47,684 million, up by ¥1,431 million or 3.1% from the previous fiscal year.

Current liabilities amounted to ¥33,918 million, up by ¥1,267 million or 3.9% from the previous fiscal year. Most of this was due to an increase in notes and accounts payable related to the purchase of raw materials as a result of increased sales.

Long-term liabilities amounted to ¥13,766 million, up by ¥163 million or 1.2% from the previous fiscal year. This was largely due to an increase in deferred tax liabilities and a decrease in long-term debt.

(c) Shareholders' Equity

Total shareholders' equity amounted to ¥33,527 million, up ¥12,111 million or 56.6% over the previous fiscal year. This was largely due to an increase of capital with funds procurement and an increase in retained earnings thanks to good results.

Shareholders' equity per share also increased to ¥1,626.85, up by ¥422.36 from the previous fiscal period.

2. Cash Flow

This fiscal year's consolidated base cash and cash equivalents (hereafter "cash") increased by ¥185 million over the previous fiscal year to ¥2,754 million at the end of this fiscal year.

(a) Cash Flows from Operating Activities

Cash earned from operating activities amounted to ¥9,174 million (down 0.3% from the previous fiscal year). This ¥28 million decline from the previous fiscal year was due to the impact of decreased income before income taxes and others and higher corporate tax payments, which were more than offset by increases in depreciation and amortization as well as in notes and accounts payable incurred by rising orders.

(b) Cash Flows from Investing Activities

Cash used for investing activities amounted to ¥14,178 million (up 117.6% from the previous fiscal year). This was largely due to the acquisition of fixed tangible assets like land and machinery equipment, and increased capital in subsidiaries.

(c) Cash Flows from Financing Activities

Cash from financing activities amounted to ¥5,131 million. This was largely due to the procurement of funds from increased capital.

Trends in cash flow indicators for the Group are shown below.

| | Fiscal year ended March 2003 | Fiscal year ended March 2004 | Fiscal year ended March 2005 | Fiscal year ended March 2006 |
|---|---|---|---|---|
| Shareholders' Equity Ratio (%) | 29.1 | 30.2 | 31.6 | 41.2 |
| Market Capitalization Shareholders' Equity Ratio (%) | 17.0 | 27.3 | 49.8 | 76.7 |
| Number of years for Amortization of Liabilities (years) | 2.7 | 2.1 | 1.5 | 1.4 |
| Interest Coverage Ratio | 18.2 | 23.6 | 30.6 | 37.0 |

Shareholders' Equity Ratio: Shareholders' Equity / Total Assets

Market Capitalization Shareholders' Equity Ratio: Market Capitalization / Total Assets

Number of years for Amortization of Liabilities: Interest-Bearing Debt / Operating Cash Flow

Interest Coverage Ratio: Operating Cash Flow / Interest Payments

* All indices are calculated from consolidated financial values.
* Total market capitalization is calculated from the closing share price at term-end x shares outstanding at term-end. (Excluding treasury stock)
* Operating cash flow refers to cash provided by operating activities as noted in consolidated cash flow statements. Interest-bearing debt refers to all interest-incurring debt noted in the liabilities ledger of the consolidated balance sheet. Interest paid refers to amounts paid on interest as recorded in the consolidated statements of cash flows.

(3) 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 view of this, our forecasts for the next fiscal year are as follows.

Consolidated basis (Millions of Yen)

| | 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% |

Non-consolidated basis (Millions of Yen)

| | Sales | Operating Income | Recurring Income | Net Income |
|---|---|---|---|---|
| For the year ended March 2007 | 98,700 | 3,350 | 4,450 | 3,050 |
| For the year ended March 2006 | 87,355 | 2,848 | 2,635 | 1,984 |
| Increase/decrease | 11,345 | 502 | 1,815 | 1,066 |
| Rate of increase/decrease | 13.0% | 17.6% | 40.8% | 53.7% |

<Consolidated Outlook>
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.

<Non-Consolidated Outlook>
In 2004, in order to raise the investment ratio in related companies to improve the management efficiency of the Ahresty Group, five companies were changed from affiliates accounted for using the equity method to consolidated subsidiaries. We are planning to increase the dividends received from subsidiaries in order to reduce the fiscal contents of each subsidiary, including the aforesaid. Non-consolidated recurring income and net income include dividends amounting to ¥1,300 million (non-operating income) received from these subsidiaries. (This does not affect consolidated results.)

(4) Business Risks
The following risks may affect corporate results, share price or the financial standing of the Group. Future forecasts in this section were made by the Group as of the date of submission of this financial statement (May 11, 2006).

1. Economic Conditions
Operating revenue of the Group depends heavily on the Die Casting Division, with approximately 70% of operating revenue from the Die Casting Business coming from automobile-related products. Automobile production numbers and sales numbers are expected to be affected by foreign and domestic economic conditions. Consequently, there is the possibility that an economic recession in the Group’s main markets, including Japan, North America and Asia, and any resulting reduction in demand, could affect the corporate Group’s operating results and financial standing. Furthermore, sales of different models in the automobile industry may be affected by the preference of customers and reduced consumption, possibly affecting operating income due to sales numbers of the vehicles for which parts are supplied by the corporate Group.

2. Fluctuation in Exchange Rates
The Group’s business includes production and sales in North America and Asia. Sales, expenses and assets and other items in local currencies in each area are converted to Yen using the exchange rate at the end of the fiscal year in order to create the consolidated financial statements. Although the exchange rate at the end of the fiscal term does not affect the value of these items in the original currency, there is the possibility that it may affect their value upon conversion to Yen. Generally speaking, a strong Yen with regards to other currencies negatively affects the corporate Group’s business, while a weak yen positively affects the corporate Group’s business.

3. Other risks posed by hedging exchange rate and interest rate risk
It is impossible to hedge all exchange rate and interest rate risks, but our company has signed a hedging contract in order to allay the effect of exchange rate and interest rate risk. As with all contracts, risks are unavoidable with currency swap, currency option and interest rate swap contracts. While use of these hedge contracts allays some of the risks involved in exchange rate and interest rate variation, the exchange rate and interest rate can swing in the other direction at any time, resulting in the loss of any income that may have been earned. We will make every attempt to minimize the risk of being exposed to credit risk in

hedge contracts we have signed with other parties, and in any future hedge contracts. Nevertheless, the company may be negatively affected in the event that one of these parties should default on a debt.

4. Protecting intellectual property

Over the decades, our company has obtained numerous patents and trademarks, or rights thereto, on products manufactured by the company. These patents and trademarks have been important to the growth of our business over the years, and this importance will not change. At our company, each business does not depend on any single patent, or any number or related patents, but if we are unable to protect this form of intellectual property, or if our company's intellectual property rights are legally infringed in a serious fashion, there is the possibility that this may adversely affect the corporation's business activities.

5. Effect of disaster, war, terrorist attack, strikes, etc.

Our company engages in businesses around the world, and is therefore vulnerable to the effects of natural disasters, disease, war, terrorism, strikes and so on. Thus, there is the possibility that there may be delays or halts in the purchase of raw materials/parts, production, sales or distribution of products, and the provision of services in any affected countries. If these delays or halts continue for an extended period, there is the possibility that this may adversely affect the business activities, financial standing or operating results of the corporation.

6. Regarding product quality

The corporate Group follows strict quality control measures, delivering products to our customers only after inspection in accordance with product standards of each customer. However, in the event that a complaint or recall should occur in regard to a compensation issue, there is the possibility that this may seriously affect the operating results of the corporate Group due to financial outlays for damage reparations and the loss of credibility.

7. Effect of raw material markets

The price of raw materials in the Die Casting Business (aluminum alloy ingots) and raw materials in the Aluminum Business (aluminum alloy scrap, etc.) is affected by trends in the price of other nonferrous metals, trends in the price of primary aluminum ingots, and trends in overseas markets, particularly the LME (London Metal Exchange).

In the Die Casting Business, contracts with customers allow product prices to be shifted (contract specifics vary from customer to customer, but generally speaking, contract prices for raw materials are revised every three months based on market trends), and consequently sales may be affected by the prices of raw materials, but in the long term this will have almost no effect on income. Nevertheless, in the short term, there is the possibility that variation in the cost of raw materials may affect income.

In the Aluminum Business, there is variation in sales prices and raw materials costs, but for the most part sales prices and raw material costs move in sync, and though this may have some effect on sales, for the most part the effect on income is negligible. Nevertheless, there is the possibility that income may be affected if there should be a gap between sales prices and the trend of raw material costs.

## 4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| Classification | Note Number | Previous consolidated fiscal year (March 31, 2005) Amount (¥ millions) | | (%) | Current consolidated fiscal year (March 31, 2006) Amount (¥ millions) | | (%) | Year-on-year Increase/ Decrease (¥ millions) |
|---|---|---|---|---|---|---|---|---|
| (Assets) | | | | | | | | |
| I Current Assets | | | | | | | | |
| 1. Cash and time deposits | | | 2,604 | | | 3,128 | | |
| 2. Trade notes and accounts receivable | | | 22,914 | | | 24,130 | | |
| 3. Merchandise | | | 14 | | | 22 | | |
| 4. Products | | | 2,054 | | | 1,871 | | |
| 5. Raw materials | | | 1,535 | | | 1,933 | | |
| 6. Partly finished goods | | | 3,813 | | | 4,025 | | |
| 7. Inventories | | | 379 | | | 437 | | |
| 8. Advances | | | 77 | | | 31 | | |
| 9. Pre-paid expenses | | | 220 | | | 145 | | |
| 10. Deferred tax assets | | | 866 | | | 961 | | |
| 11. Short-term loans | | | 20 | | | 2 | | |
| 12. Accounts receivable | | | 396 | | | 716 | | |
| 13. Income taxes and other taxes receivable | | | 13 | | | 23 | | |
| 14. Consumption tax receivable | | | 28 | | | 57 | | |
| 15. Other current assets | | | 20 | | | 120 | | |
| Allowance for doubtful accounts | | | (3) | | | (3) | | |
| Total current assets | | | 34,959 | 51.6 | | 37,605 | 46.3 | 2,646 |

| Classification | Note Number | Previous consolidated fiscal year (March 31, 2005) Amount (¥ millions) | | (%) | Current consolidated fiscal year (March 31, 2006) Amount (¥ millions) | | (%) | Year-on-year Increase/ Decrease (¥ millions) |
|---|---|---|---|---|---|---|---|---|
| II Fixed assets | | | | | | | | |
| 1．Tangible fixed assets | *2 | | | | | | | |
| (1) Buildings and structures | | 14,509 | | | 15,469 | | | |
| Accumulated depreciation | | 8,380 | 6,128 | | 8,674 | 6,795 | | |
| (2) Machinery and delivery equipment | | 40,268 | | | 42,742 | | | |
| Accumulated depreciation | | 29,323 | 10,945 | | 30,245 | 12,496 | | |
| (3) Tools, equipment, and furniture | | 17,234 | | | 16,546 | | | |
| Accumulated depreciation | | 14,576 | 2,658 | | 13,897 | 2,648 | | |
| (4) Land | | | 2,918 | | | 5,364 | | |
| (5) Construction in progress | | | 1,657 | | | 4,311 | | |
| Total tangible fixed assets | | | 24,308 | 35.9 | | 31,617 | 38.9 | 7,309 |
| 2．Intangible fixed assets | | | | | | | | |
| (1) Consolidated adjustment account | | | 754 | | | 599 | | |
| (2) Other | | | 384 | | | 397 | | |
| Total intangible fixed assets | | | 1,139 | 1.6 | | 996 | 1.2 | (142) |
| 3．Investments and other assets | | | | | | | | |
| (1) Investments in securities | *1, 2 | | 6,185 | | | 9,924 | | |
| (2) Long-term loans | | | 27 | | | 1 | | |
| (3) Capital investments | | | 0 | | | 0 | | |
| (4) Long-term prepaid loans | | | 16 | | | 28 | | |
| (5) Deferred tax assets | | | 694 | | | 692 | | |
| (6) Other | | | 448 | | | 452 | | |
| Allowance for doubtful accounts | | | (12) | | | (5) | | |
| Total Investments and Other Assets | | | 7,360 | 10.9 | | 11,094 | 13.6 | 3,733 |
| Total Fixed Assets | | | 32,808 | 48.4 | | 43,708 | 53.8 | 10,899 |
| Total Assets | | | 67,768 | 100.0 | | 81,313 | 100.0 | 13,545 |

| Classification | Note Number | Previous consolidated fiscal year (March 31, 2005) Amount (¥ millions) | | (%) | Current consolidated fiscal year (March 31, 2006) Amount (¥ millions) | | (%) | Year-on-year Increase/ Decrease (¥ millions) |
|---|---|---|---|---|---|---|---|---|
| (Liabilities) | | | | | | | | |
| Ⅰ Current liabilities | | | | | | | | |
| 1. Notes and accounts payable | | | 19,491 | | | 22,196 | | |
| 2. Short-term loans | *2 | | 4,186 | | | 4,405 | | |
| 3. Current portion of long-term loans | *2 | | 2,398 | | | 1,210 | | |
| 4. Accrued expenses | | | 1,077 | | | 1,246 | | |
| 5. Accrued income taxes | | | 1,913 | | | 1,167 | | |
| 6. Accrued consumption taxes | | | 157 | | | 133 | | |
| 7. Bonus allowances | | | 1,141 | | | 1,208 | | |
| 8. Facilities-related bills payable | | | 811 | | | 1,069 | | |
| 9. Other current liabilities | | | 1,472 | | | 1,279 | | |
| Total Current Liabilities | | | 32,650 | 48.2 | | 33,918 | 41.7 | 1,267 |
| Ⅱ Long-term liabilities | | | | | | | | |
| 1. Corporate bonds | | | 1,000 | | | 1,000 | | |
| 2. Long-term loans | *2 | | 6,630 | | | 6,264 | | |
| 3. Deferred tax liabilities | | | 1,395 | | | 2,120 | | |
| 4. Allowances for employees' retirement benefits | | | 2,917 | | | 2,941 | | |
| 5. Allowances for directors' retirement benefits | | | 143 | | | 198 | | |
| 6. Long-term accrued payments | | | 53 | | | 6 | | |
| 7. Consolidated adjustment account | | | 1,461 | | | 1,141 | | |
| 8. Other long-term liabilities | | | 0 | | | 92 | | |
| Total Long-Term Liabilities | | | 13,602 | 20.1 | | 13,766 | 16.9 | 163 |
| Total Liabilities | | | 46,253 | 68.3 | | 47,684 | 58.6 | 1,431 |
| (Minority Interests) | | | | | | | | |
| Minority interests | | | 98 | 0.1 | | 101 | 0.1 | 3 |

| | | Previous consolidated fiscal year (March 31, 2005) | | Current consolidated fiscal year (March 31, 2006) | | Year-on-year |
|---|---|---|---|---|---|---|
| Classification | Note Number | Amount (¥ millions) | (%) | Amount (¥ millions) | (%) | Increase/ Decrease (¥ millions) |
| (Shareholders' Equity) | | | | | | |
| **I** Common stock | *3 | 1,691 | 2.5 | 5,117 | 6.2 | 3,426 |
| **II** Additional paid-in capital | | 1,253 | 1.8 | 5,065 | 6.2 | 3,812 |
| **III** Retained earnings | | 17,657 | 26.1 | 21,104 | 26.0 | 3,447 |
| **IV** Net unrealized gains on securities | | 1,762 | 2.6 | 2,725 | 3.4 | 963 |
| **V** Foreign currency translation adjustments | | (906) | (1.3) | (432) | (0.5) | 474 |
| **VI** Treasury stock | *4 | (41) | (0.1) | (54) | (0.1) | (12) |
| Total Shareholders' Equity | | 21,415 | 31.6 | 33,527 | 41.2 | 12,111 |
| Total Liabilities, Minority Interests, and Shareholders' Equity | | 67,768 | 100.0 | 81,313 | 100.0 | 13,545 |

(2) Consolidated Income Statements

| Classification | Note Number | Previous consolidated fiscal year (March 31, 2005) Amount (¥ millions) | | (%) | Current consolidated fiscal year (March 31, 2006) Amount (¥ millions) | | (%) | Year-on-year Increase/ Decrease (¥ millions) |
|---|---|---|---|---|---|---|---|---|
| I Sales | | | 94,967 | 100.0 | | 101,609 | 100.0 | 6,642 |
| II Cost of goods sold | | | 81,892 | 86.2 | | 87,684 | 86.3 | 5,791 |
| Gross Profit | | | 13,074 | 13.8 | | 13,924 | 13.7 | 850 |
| III Selling, general and administrative expenses | *1 | | | | | | | |
| 1. Transportation expenses | | 1,928 | | | 1,903 | | | |
| 2. Salaries and bonuses | | 1,780 | | | 1,758 | | | |
| 3. Retirement and severance expenses | | 171 | | | 178 | | | |
| 4. Provision for bonuses | | 431 | | | 477 | | | |
| 5. Provision for retirement benefits for directors | | 22 | | | 30 | | | |
| 6. Allowance for depreciation | | 126 | | | 134 | | | |
| 7. Other expenses | | 3,015 | 7,477 | 7.8 | 3,526 | 8,008 | 7.9 | 531 |
| Operating income | | | 5,597 | 5.8 | | 5,916 | 5.8 | 319 |
| IV Non-operating income | | | | | | | | |
| 1. Interest income | | 19 | | | 11 | | | |
| 2. Dividends received | | 68 | | | 71 | | | |
| 3. Amortization of consolidated adjustment account | | 171 | | | 325 | | | |
| 4. Income on investments in equity method affiliates | | 15 | | | 182 | | | |
| 5. Rental income | | 66 | | | 61 | | | |
| 6. Compensation for dies | | 122 | | | 176 | | | |
| 7. Other | | 115 | 579 | 0.6 | 259 | 1,088 | 1.1 | 509 |
| V Non-operating expenses | | | | | | | | |
| 1. Interest expenses | | 301 | | | 247 | | | |
| 2. Expenses from processing returned goods due to manufacturing defects | | 344 | | | 446 | | | |
| 3. Loss on disposal of inventories | | 186 | | | 169 | | | |
| 4. Inventory loss | | 187 | | | 175 | | | |
| 5. Other | | 354 | 1,373 | 1.4 | 370 | 1,410 | 1.4 | 36 |
| Recurring Income | | | 4,803 | 5.0 | | 5,594 | 5.5 | 791 |

| | | Previous consolidated fiscal year (March 31, 2005) | | | Current consolidated fiscal year (March 31, 2006) | | | Year-on-year |
|---|---|---|---|---|---|---|---|---|
| Classification | Note Number | Amount (¥ millions) | | (%) | Amount (¥ millions) | | (%) | Increase/ Decrease (¥ millions) |
| **VI** Extraordinary gains | | | | | | | | |
| 1. Gain from the previous period adjustment | | 93 | | | – | | | |
| 2. Gain on the sale of fixed assets | *2 | 1,069 | | | 17 | | | |
| 3. Gain on the sale of investments in securities | | 1,286 | | | 668 | | | |
| 4. Gain on insurance adjustment | | 5 | | | 5 | | | |
| 5. Gain on the transfer of goodwill | | – | | | 9 | | | |
| 6. Reversal of allowance for doubtful accounts | | 6 | 2,461 | 2.5 | 5 | 707 | 0.7 | (1,753) |
| **VII** Extraordinary losses | | | | | | | | |
| 1. Loss on the sale of fixed assets | *3 | 226 | | | 269 | | | |
| 2. Loss from the write-down of securities | | 5 | | | 2 | | | |
| 3. Loss on the sale of investments in securities | | – | | | 0 | | | |
| 4. Retirement and severance benefits | | 10 | | | 74 | | | |
| 5. Provision for retirement benefits reserve for directors in the previous period | | – | | | 80 | | | |
| 6. Impairment loss | *4 | 774 | | | – | | | |
| 7. Equipment relocation expenses due to business integration | | 40 | | | – | | | |
| 8. Loss on withdrawals from employees' pension fund | | 33 | | | – | | | |
| 9. Loss on liquidation of subsidiaries | | 2 | | | – | | | |
| 10. Other | | 0 | 1,093 | 1.1 | 5 | 432 | 0.4 | (660) |
| Income before Income Taxes and Others | | | 6,170 | 6.4 | | 5,868 | 5.8 | (302) |
| Income taxes and enterprise taxes | | 2,735 | | | 2,213 | | | |
| Deferred income taxes | | (27) | 2,708 | 2.8 | (102) | 2,111 | 2.1 | (596) |
| Gain (loss) on minority interests in consolidated subsidiaries | | | 1,196 | 1.2 | | 21 | 0.0 | (1,174) |
| Net Income | | | 2,265 | 2.4 | | 3,734 | 3.7 | 1,469 |

(3) Consolidated Statements of Retained Earnings

| Classification | Note Number | 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) | | Year-on-year Increase/ Decrease (¥ millions) |
|---|---|---|---|---|---|---|
| (Additional Paid-in Capital) | | | | | | |
| I Additional paid-in capital balance at beginning of year | | | 1,141 | | 1,253 | 111 |
| II Increase in additional paid-in capital | | | | | | |
| 1. Increase in capital due to new share issuance | | – | | 3,424 | | |
| 2. Gain on disposition of treasury stock | | 112 | | – | | |
| 3. Increase in additional paid-in capital due to merger(s) | | – | 112 | 387 | 3,812 | 3,700 |
| III Additional paid-in capital balance at end of year | | | 1,253 | | 5,065 | 3,812 |
| (Retained Earnings) | | | | | | |
| I Retained earnings at beginning of year | | | 15,587 | | 17,657 | 2,070 |
| II Increase in retained earnings | | | | | | |
| 1. Net income | | 2,265 | | 3,734 | | |
| 2. Increase in retained earnings due to newly consolidated subsidiaries | | 1,070 | 3,336 | – | 3,734 | 398 |
| III Decrease in retained earnings | | | | | | |
| 1. Dividends | | 161 | | 248 | | |
| 2. Bonus to company executives | | 28 | | 38 | | |
| (In-house auditor's share) | | (1) | | (2) | | |
| 3. Decrease in retained earnings due to inclusion of equity method affiliates | | 1,077 | 1,266 | – | 287 | (978) |
| IV Retained earnings at end of year | | | 17,657 | | 21,104 | 3,447 |

(4) Consolidated Statements of Cash Flows

| | | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) | Year-on-year |
|---|---|---|---|---|
| Classification | Note Number | Amount (¥ millions) | Amount (¥ millions) | Increase/ Decrease (¥ millions) |
| I Cash flows from operating activities | | | | |
| Income before income taxes | | 6,170 | 5,868 | |
| Depreciation and amortization | | 5,295 | 5,412 | |
| Impairment losses | | 774 | – | |
| Amortization of consolidated adjustment account | | (148) | (170) | |
| Increase/(decrease) in allowances for doubtful accounts | | (50) | (7) | |
| Increase/(decrease) in allowances for bonuses | | (4) | 56 | |
| Increase/(decrease) in allowances for employee's retirement benefits | | 60 | 17 | |
| Increase/(decrease) in allowances for director's retirement benefits | | 20 | 55 | |
| Interest and dividend income | | (87) | (82) | |
| Interest expenses | | 301 | 247 | |
| Income from investments in equity method affiliates | | (15) | (182) | |
| Proceeds from sales of tangible fixed assets | | (1,069) | (17) | |
| Proceeds from sales of investment securities | | (1,286) | (668) | |
| Losses from sales of tangible fixed assets | | 224 | 269 | |
| Losses from revaluation of investment securities | | 5 | 2 | |
| (Increase)/decrease in notes and accounts receivable | | (97) | (1,169) | |
| (Increase)/decrease in inventories | | (31) | (428) | |
| Increase/(decrease) in notes and accounts payable | | 516 | 2,908 | |
| Increase/(decrease) in accrued consumption taxes and others | | (31) | (57) | |
| Bonus paid to directors | | (35) | (38) | |
| Other | | 213 | 310 | |
| Subtotal | | 10,725 | 12,325 | 1,600 |
| Interest and dividends received | | 80 | 87 | |
| Interest paid | | (300) | (246) | |
| Income taxes paid | | (1,568) | (3,010) | |
| Income taxes refunded | | 266 | 17 | |
| Cash Flows from Operating Activities | | 9,203 | 9,174 | (28) |

| | | Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) | Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) | Year-on-year |
|---|---|---|---|---|
| Classification | Note Number | Amount (¥ millions) | Amount (¥ millions) | Increase/ Decrease (¥ millions) |
| II Cash flows from investing activities | | | | |
| Payment into time deposits | | (90) | (618) | |
| Proceeds from refund of time deposits | | 194 | 280 | |
| Expenditures from purchases of investment securities | | (53) | (67) | |
| Proceeds from sales of marketable securities | | 17 | 892 | |
| Expenditures from purchases of subsidiary shares | | (325) | (2,109) | |
| Expenditures from purchases of tangible fixed assets | | (7,363) | (13,114) | |
| Proceeds from sales of tangible fixed assets | | 1,152 | 594 | |
| Expenditures from loans | | (48) | – | |
| Proceeds from collection of loans | | 139 | 44 | |
| Other | | (136) | (80) | |
| Cash Flows from Investing Activities | | (6,514) | (14,178) | (7,663) |
| III Cash flows from financing activities | | | | |
| Proceeds from short-term loans | | 23,140 | 18,270 | |
| Repayment of short-term loans | | (23,683) | (17,939) | |
| Proceeds from long-term debt | | 52 | 800 | |
| Repayment of long-term debt | | (2,240) | (2,543) | |
| Proceeds from issuance of bonds | | – | 6,850 | |
| Proceeds from sale of treasury stock | | 474 | – | |
| Payments for purchase of treasury stock | | (1,088) | (8) | |
| Dividends paid | | (161) | (248) | |
| Cash dividends paid to minority shareholders | | (27) | (13) | |
| Other | | 319 | (37) | |
| Cash Flows from Financing Activities | | (3,213) | 5,131 | 8,345 |
| IV Effect of exchange rate changes on cash and cash equivalents | | (15) | 57 | 73 |
| V Net increase/(decrease) in cash and cash equivalents | | (541) | 185 | 726 |
| VI Cash and cash equivalents at beginning of year | | 2,215 | 2,568 | 353 |
| VII Increase in cash and cash equivalents at consolidated subsidiaries | | 894 | – | (894) |
| VIII Cash and cash equivalents at end of year | | 2,568 | 2,754 | 185 |

## Notes

(Notes on Consolidated Balance Sheets)

| Previous consolidated fiscal year (March 31, 2005) | Current consolidated fiscal year (March 31, 2006) |
|---|---|
| *1. Figures related to unconsolidated subsidiaries and affiliates are as follows.<br>Investments in securities (share) ¥1,073 million | *1. Figures related to unconsolidated subsidiaries and affiliates are as follows.<br>Investments in securities (share) ¥3,423 million |
| *2. Pledged assets<br>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).<br>Buildings and structures ¥620 million<br>Machinery and delivery equipment ¥788 million<br>Tools, equipment, and furniture ¥44 million<br>Land ¥502 million<br>Investments in securities ¥2,516 million<br>Total ¥4,472 million<br>Of the above tangible fixed assets, assets that are held in mortgage for factory foundations<br>Buildings and structures ¥620 million<br>Machinery and delivery equipment ¥788 million<br>Tools, equipment, and furniture ¥44 million<br>Land ¥502 million<br>Total ¥1,956 million | *2. Pledged assets<br>In regard to tangible fixed assets and marketable securities, the following assets 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).<br>Buildings and structures ¥478 million<br>Machinery and delivery equipment ¥618 million<br>Tools, equipment, and furniture ¥7 million<br>Land ¥502 million<br>Investments in securities ¥2,339 million<br>Total ¥3,946 million<br>Of the above tangible fixed assets, assets that are held in mortgage for factory foundations<br>Buildings and structures ¥478 million<br>Machinery and delivery equipment ¥618 million<br>Tools, equipment, and furniture ¥7 million<br>Land ¥502 million<br>Total ¥1,606 million |
| *3. Total outstanding shares of our company was 17,800,670 shares of common stock.<br>*4. The number of treasury stock owned by consolidated subsidiaries and equity methods affiliates was 56,250 shares in common stock. | *3. Total outstanding shares of our company was 20,660,670 shares of common stock.<br>*4. The number of treasury stock owned by consolidated subsidiaries and equity methods affiliates was 75,287 shares in common stock. |

(Notes on Consolidated Income Statements)

| 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. Research and development expenses included in the administrative expenses<br>¥705 million<br>No research and development expenses were included in the manufacturing costs incurred for either period. | *1. Research and development expenses included in the administrative expenses<br>¥663 million<br>No research and development expenses were included in the manufacturing costs incurred for either period. |
| *2. Breakdown of gains on the sale of fixed assets<br>Land ¥1,066 million<br>Tools, equipment, and furniture ¥2 million<br>Total ¥1,069 million | *2. Breakdown of gains on the sale of fixed assets<br>Machinery ¥16 million<br>Vehicles ¥1 million<br>Total ¥17 million |
| *3. Breakdown of losses on the sale of fixed assets<br>Machinery ¥125 million<br>Tools, equipment, and furniture ¥37 million<br>Buildings ¥62 million<br>Total ¥226 million | *3. Breakdown of losses on the sale of fixed assets<br>Machinery ¥221 million<br>Tools, equipment, and furniture ¥26 million<br>Vehicles ¥7 million<br>Buildings ¥14 million<br>Total ¥269 million |
| *4. Impairment of the following assets has been recorded.<br><br>Place / Reason / Type<br>Kanuma City, Tochigi / Idle / Land<br>Ranzanmachi, Saitama / Idle / Land<br><br>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.<br>The recoverable amount was evaluated based on the price of the assessed value of fixed assets, reasonably adjusted using net sales value. | *4. — |

(Notes on Consolidated Statements of Cash Flows)

| 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. Relationship between the final balance of cash and cash equivalents and the account amounts listed in the consolidated balance sheets<br>(As of March 31, 2005)<br>Cash on hand and with banks ¥2,604 million<br>Fixed-term deposits over 3 months (¥36 million)<br>Cash and cash equivalents ¥2,568 million | 1. Relationship between the final balance of cash and cash equivalents and the account amounts listed in the consolidated balance sheets<br>(As of March 31, 2006)<br>Cash on hand and with banks ¥3,128 million<br>Fixed-term deposits over 3 months (¥374 million)<br>Cash and cash equivalents ¥2,754 million |

## ⑥ Segment Information

### a. Business Segment Information

A breakdown of sales by business segment for the two most recent consolidated fiscal years is shown below.

Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) (¥ millions)

| | Die Casting Business | Aluminum Business | Proprietary Products Business | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income (Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 84,593 | 3,835 | 6,538 | 94,967 | – | 94,967 |
| (2) Intersegment | – | 1,492 | 2 | 1,494 | (1,494) | – |
| Total | 84,593 | 5,327 | 6,541 | 96,462 | (1,494) | 94,967 |
| Operating expenses | 77,384 | 5,091 | 6,180 | 88,656 | 713 | 89,370 |
| Operating income | 7,208 | 236 | 361 | 7,806 | (2,208) | 5,597 |
| II Total Assets, Depreciation and Amortization, Impairment Loss, and Capital Expenditures | | | | | | |
| Total Assets | 51,523 | 2,075 | 3,985 | 57,584 | 10,183 | 67,768 |
| Depreciation and Amortization | 5,141 | 61 | 46 | 5,249 | 45 | 5,295 |
| Impairment Loss | 774 | – | – | 774 | – | 774 |
| Capital Expenditures | 8,528 | 71 | 260 | 8,859 | 42 | 8,902 |

Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) (¥ millions)

| | Die Casting Business | Aluminum Business | Proprietary Products Business | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income(Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 92,306 | 5,007 | 4,295 | 101,609 | – | 101,609 |
| (2) Intersegment | – | 1,123 | 1 | 1,125 | (1,125) | – |
| Total | 92,306 | 6,131 | 4,297 | 102,734 | (1,125) | 101,609 |
| Operating expenses | 86,886 | 5,897 | 4,034 | 96,817 | (1,124) | 95,693 |
| Operating income | 5,420 | 234 | 262 | 5,917 | (1) | 5,916 |
| II Total Assets, Depreciation and Amortization, and Capital Expenditures | | | | | | |
| Total Assets | 69,624 | 2,881 | 2,657 | 75,164 | 6,149 | 81,313 |
| Depreciation and Amortization | 5,296 | 65 | 49 | 5,412 | – | 5,412 |
| Capital Expenditures | 12,137 | 97 | 48 | 12,283 | 3,037 | 15,321 |

(Notes) 1. Business segments are classified based on internal classification.

2. Main products in each segment:

| | |
|---|---|
| (1) Die Casting Business | Auto parts, general engine parts, industrial machinery parts |
| (2) Aluminum Business | Aluminum alloy ingots |
| (3) Proprietary Products Business | Access floors and its accessories, lawn mowers, grass cutters |

3. The following amounts and primary contents were incorporated into “Eliminations and Corporate”.

| | Previous consolidated fiscal year (¥ millions) | Current consolidated fiscal year (¥ millions) | Main Content |
|---|---|---|---|
| Eliminations including company-wide unallocated operating expenses | 2,208 | 1 | Expenses related to parent company head office administration |
| Eliminations including company-wide assets | 10,314 | 6,280 | Assets related to parent company surplus capital (cash and marketable securities) and administration |

4. In the past, unallocatable administration costs consisted primarily of expenses related to the administrative departments of submitting companies. However, as a result of a re-evaluation of the relationship between costs associated with the administrative departments and the operations of each segment, we came to the conclusion that the operating profits/losses for each segment could be more appropriately expressed by having each segment handle the appropriate costs. Therefore, as of this fiscal year we have changed our segment allocation method. As a result of this change, operating income for this consolidated fiscal year has decreased from what it would have been using the previous method by ¥2,397 million in the Die Casting Business, ¥14 million in the Aluminum Business and ¥11 million in the Proprietary Products Business. A breakdown of how distribution would have occurred had the segment-based distribution method used in this consolidated fiscal year been used with the segment information for the previous consolidated fiscal year is shown below.

Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) (¥ millions)

| | Die Casting Business | Aluminum Business | Proprietary Products Business | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income (Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 84,593 | 3,835 | 6,538 | 94,967 | – | 94,967 |
| (2) Intersegment | – | 1,492 | 2 | 1,494 | (1,494) | – |
| Total | 84,593 | 5,327 | 6,541 | 96,462 | (1,494) | 94,967 |
| Operating expenses | 79,549 | 5,114 | 6,201 | 90,864 | (1,494) | 89,370 |
| Operating income | 5,043 | 213 | 339 | 5,597 | – | 5,597 |

b. Geographic Segment Information

Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) (¥ millions)

| | Japan | North America | Other Areas | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income (Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 82,643 | 11,531 | 791 | 94,967 | – | 94,967 |
| (2) Intersegment | 661 | 42 | 73 | 776 | (776) | – |
| Total | 83,305 | 11,574 | 864 | 95,744 | (776) | 94,967 |
| Operating expenses | 76,904 | 10,159 | 755 | 87,820 | 1,549 | 89,370 |
| Operating income | 6,400 | 1,414 | 109 | 7,924 | (2,326) | 5,597 |
| II Total Assets | 48,105 | 8,153 | 1,331 | 57,590 | 10,177 | 67,768 |

Current consolidated fiscal year (From April 1, 2005 to March 31, 2006) (¥ millions)

| | Japan | North America | Other Areas | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income (Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 86,708 | 13,711 | 1,188 | 101,609 | – | 101,609 |
| (2) Intersegment | 900 | 38 | 23 | 962 | (962) | – |
| Total | 87,609 | 13,750 | 1,211 | 102,571 | (962) | 101,609 |
| Operating expenses | 83,628 | 12,173 | 1,059 | 96,860 | (1,167) | 95,693 |
| Operating income | 3,981 | 1,576 | 152 | 5,710 | 205 | 5,916 |
| II Total Assets | 62,448 | 11,483 | 1,806 | 75,738 | 5,575 | 81,313 |

(Notes) 1. Countries and areas are classified according to geographic proximity.

2. Countries or areas in each main class: North America: USA; other areas: East Asia and Southeast Asia

3. Amounts and primary contents incorporated into "Eliminations and Corporate" are the same as those in Note 3 under “a. Business Segment Information”.

4. In the past, unallocatable administration costs consisted primarily of expenses related to the administrative departments of submitting companies. However, as a result of a re-evaluation of the relationship between costs associated with the administrative departments and the operations of each segment, we came to the conclusion that the operating profits/losses for each segment could be more appropriately expressed by having each segment handle the appropriate costs. Therefore, as of this fiscal year we have changed our segment allocation method. As a result of this change, operating income for this consolidated fiscal year has decreased from what it would have been using the previous method by ¥2,353 million in Japan and ¥70 million in other areas. A breakdown of how distribution would have occurred had the segment-based distribution method used in this consolidated fiscal year been used with the segment information for the previous consolidated fiscal year is shown below.

Previous consolidated fiscal year (From April 1, 2004 to March 31, 2005) (¥ millions)

| | Japan | North America | Other Areas | Total | Eliminations and Corporate | Consolidated |
|---|---|---|---|---|---|---|
| I Sales and Operating Income (Loss) | | | | | | |
| Sales | | | | | | |
| (1) Customers | 82,643 | 11,531 | 791 | 94,967 | – | 94,967 |
| (2) Intersegment | 661 | 42 | 73 | 776 | (776) | – |
| Total | 83,305 | 11,574 | 864 | 95,744 | (776) | 94,967 |
| Operating expenses | 79,051 | 10,190 | 787 | 90,028 | (658) | 89,370 |
| Operating income | 4,253 | 1,384 | 77 | 5,715 | (118) | 5,597 |