

## Consolidated Condensed Semiannual Financial Statements for the Year Ending March 31, 2008

November 15, 2007

Listing name: ASAHI TEC CORPORATION (the “Company”)  
 Code number: 5606  
 Listing: The Tokyo Stock Exchange, 1<sup>st</sup> section  
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 Filing date of Hanki Houkokusho: December 27, 2007 (tentative)

**1. Financial Results for the Six Months Ended September 30, 2007**

## (1) Consolidated operating results

(Amounts are rounded to the nearest million yen except for per share information)

	Net sales (In ¥ million)	%	Operating income (In ¥ million)	%	Ordinary income/(loss) (In ¥ million)	%
Six months ended September 30, 2007	161,269	266.2	3,144	145.7	(3,000)	-
Six months ended September 30, 2006	44,042	66.8	1,279	19.5	997	37.8
Year ended March 31, 2007	145,702	-	3,276	-	(162)	-

	Net income/(loss) (In ¥ million)	%	Basic net income/(loss) per share (In ¥)	Diluted net income per share (In ¥)
Six months ended September 30, 2007	(2,798)	-	(12.62)	-
Six months ended September 30, 2006	283	-	2.86	2.84
Year ended March 31, 2007	(665)	-	(6.40)	-

For reference: Equity income (loss) (In ¥ million)

Six months ended September 30, 2007	66
Six months ended September 30, 2006	33
Year ended March 31, 2007	90

## (2) Consolidated financial position

	Total assets (In ¥ million)	Net assets (In ¥ million)	Net assets to total assets (%)	Net assets per share (In ¥)
Six months ended September 30, 2007	295,997	75,180	24.9	190.00
Six months ended September 30, 2006	71,988	18,509	22.2	171.56
Year ended March 31, 2007	304,691	76,082	24.1	190.39

For reference: Net assets (In ¥ million)

Six months ended September 30, 2007	73,624
Six months ended September 30, 2006	15,992
Year ended March 31, 2007	73,249

## (3) Consolidated cash flow results

(In ¥ million)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Ending balance of cash and cash equivalents
Six months ended September 30, 2007	2,777	(7,407)	2,341	6,472
Six months ended September 30, 2006	3,187	(2,087)	(576)	4,664
Year ended March 31, 2007	2,675	(43,306)	44,927	8,735

**2. Dividend Information**

	Cash dividend per share		
	Semi-annual (In ¥)	Year-end (In ¥)	Total (In ¥)
Year ended March 31, 2007	-	-	0.00
Year ending March 31, 2008 (actual)	-	-	0.00
Year ending March 31, 2008 (estimate)	-	-	0.00

**3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2008**

	Net sales (In ¥ million)		Operating income (In ¥ million)	
		%		%
Year ending March 31, 2008	327,000	124.4%	5,400	64.8%

	Ordinary income (In ¥ million)		Net income (In ¥ million)		Net income per share (In ¥)
		%		%	
Year ending March 31, 2008	(7,000)	-	(8,000)	-	(34.56)

**4. Other**

(1) Change in the scope of consolidation: No

(2) Change in accounting policies/methods and presentation of consolidated financial statements

Change by amendments of accounting pronouncements: Yes

Changes other than above: None

Note: Please refer to “basic matters to prepare consolidated financial statements” on page 24 for detail.

(3) Number of shares issued (common stock)

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
	Shares	Shares	Shares
Number of shares issued (including treasury stock)	259,907,537	99,398,397	259,901,537
Number of treasury stock	405,992	88,799	399,497

Note: Please refer to “earnings per share” on page 55 for the number of shares used to calculate net income per share.

For reference: Non-consolidated Financial Highlights

## 1. Financial Results for the Six Months Ended September 30, 2007

### (1) Non-consolidated operating results

(Amounts are rounded to the nearest million yen except for per share information)

	Net sales		Operating income		Ordinary income	
	(In ¥ million)	%	(In ¥ million)	%	(In ¥ million)	%
Six months ended September 30, 2007	24,384	13.6	402	(45.6)	134	(74.8)
Six months ended September 30, 2006	21,458	(0.3)	739	92.1	534	-
Year ended March 31, 2007	49,548	-	1,698	-	1,146	-

	Net income		Basic net income per share (In ¥)
	(In ¥ million)	%	
Six months ended September 30, 2007	256	(5.0)	(0.85)
Six months ended September 30, 2006	269	-	2.72
Year ended March 31, 2007	2,192	-	12.06

### (2) Non-consolidated financial position

	Total assets (In ¥ million)	Net assets (In ¥ million)	Net assets to total assets (%)	Net assets per share (In ¥)
Six months ended September 30, 2007	109,643	71,778	65.2	181.86
Six months ended September 30, 2006	51,742	15,195	29.4	158.20
Year ended March 31, 2007	110,642	71,390	64.4	182.81

For reference: Net assets

(In ¥ million)

Six months ended September 30, 2007	71,510
Six months ended September 30, 2006	15,188
Year ended March 31, 2007	71,281

## 2. Forecast of Non-consolidated Financial Results for the Year Ending March 31, 2008

	Net sales		Operating income	
	(In ¥ million)	%	(In ¥ million)	%
Year ending March 31, 2008	56,000	13.0	1,900	11.9

	Ordinary income		Net income		Net income per share (In ¥)
	(In ¥ million)	%	(In ¥ million)	%	
Year ending March 31, 2008	1,300	13.4	1,360	(38.0)	1.47

All forecasts were made based on the data available to the Company as of the date this report was disclosed. Therefore, the actual outcome may differ from the forecast due to various factors. For the above forecasts, please refer to “1. Business Results – (1) Overview of business results” on page 4.

## **Business Results and Financial Position**

### **1. Business Results**

#### (1) Overview of Business Results

During the six months ended September 30, 2007 (“current half year”), the Japanese economy continued to show stability with a recovery in corporate earnings and increased capital investments.

Consequently, consolidated sales for the current half year amounted to ¥161,269 million, up 266.2% from the prior year six-month period, due to sales contributed by Metaldyne Corporation (“Metaldyne”) acquired on January 11, 2007 and increased demands for automobile parts triggered by model changes.

Consolidated operating results during the current half year was impacted by improved profitability of existing businesses and sales contributed by Metaldyne, offset by amortization of goodwill associated with the acquisition of Metaldyne. As a result, operating income amounted to ¥3,144 million (up ¥1,864 from the prior year six-month period). Ordinary loss amounted to ¥3,000 million (down ¥3,998 million from the prior year six-month period) due to the increase in interest expense.

The aforementioned consolidated financial results reflect Metaldyne’s sales for ¥112,382 million, operating income for ¥2,746 million, ordinary loss for ¥3,336 million, and net loss for ¥2,633 million.

Considering those results, the Company does not plan to pay a dividend for the six months ended September 30, 2007.

#### Segment Information

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

##### a) Information by segment

[General casting and forging parts]

Sales of general casting and forging parts significantly increased due to sales contributed by Metaldyne and a high demand for new automobile parts triggered by model changes. Consequently, consolidated sales for this segment amounted to ¥158,064 million, up 279.3% from the prior year six-month period. Consolidated operating income for this segment amounted to ¥3,669 million, up 84.4% from the prior year six-month period, as a result of overall increase in sales, improved productivity, and reduction in purchase costs.

[Devices and Equipment]

As for the devices and equipment business, the sales in this segment increased due to increased orders for water treatment works and pipe rehabilitation work, and a higher demand of disaster prevention hardware used for power distribution lines. Consequently, consolidated sales of this segment amounted to ¥3,224 million, up 34.6% from the prior year six-month period. Consolidated operating income for this segment amounted to ¥90 million, up 165.1% from the prior year six-month period.

##### b) Information by geographical segment

[Japan]

Consolidated domestic sales amounted to ¥42,008 million, up 7.4% from the prior year six-month period, due to increased orders for new automobile parts triggered by model changes and high demands for products in the device and equipment segment. Consolidated operating income for this segment amounted to ¥1,843 million, down 8.7% from the prior year six-month period in spite of the overall increase in sales and improved

profitability.

[Asia]

Consolidated sales in Asia amounted to ¥13,954 million, up 78.1% from the prior year six-month period, due to the sales contributed by Metaldyne and the continuing growth in the Thai automotive industry. Although the results were affected by higher material costs and an appreciation in the Thai Baht, consolidated operating income for this segment amounted to ¥556 million, up by ¥611 million from the prior year six-month period, largely due to the sales increase and improved productivity.

[United States and Europe]

Consolidated sales and operating income in United States and Europe which are major markets of Metaldyne, a newly consolidated subsidiary since the previous fiscal year end, amounted to ¥104,867 million and ¥1,357 million, respectively.

Forecast for the year ending March 31, 2008 is as follows: net sales of ¥327,000 million, operating income of ¥5,400 million, ordinary loss of ¥7,000 million, and net loss of ¥8,000 million.

## **2. Financial Position**

### **(1) Assets, liabilities, and net assets**

Total assets amounted to ¥295,997 million, down by ¥8,693 million from the prior year-end.

Total liabilities amounted to ¥220,817 million, down by ¥7,792 million from the prior year-end, due to the reversal of provision for loss on sales.

Net assets amounted to ¥75,180 million, down by ¥901 million from the prior year-end, due to the decrease in retained earnings.

### **(2) Cash flows**

Cash and cash equivalents for the current half year were ¥6,472 million, up ¥1,807 million from the prior half year end.

Net cash provided by operating activities was ¥2,777 million, down ¥410 million from the prior half year end, due to the impact of Metaldyne's operating results, and increase in interest and tax payments.

Net cash used in investing activities was ¥7,407 million, down ¥5,320 million from the prior half year end, due to the acquisition of fixed assets and remaining shares of Techno-Metal Co., Ltd.

Net cash provided by financing activities was ¥2,341 million, up ¥2,918 million from the prior half year end, due to the increase in long term borrowings.

Reference: Trend of cash flow indicators

	Year ended March 31, 2006		Year ended March 31, 2007		Year ending March 31, 2008
	Interim	Year-end	Interim	Year-end	Interim
Equity ratio (%)	26.8	21.1	22.2	24.1	24.9
Equity ratio on a market value basis (%)	47.9	43.5	49.5	20.4	14.7
Interest bearing debt / Cash flow ratio	3.8 times	8.2 times	3.6 times	39.6 times	20.2 times
Interest coverage ratio	6.7 times	4.0 times	8.8 times	2.4 times	0.5 times

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

Equity ratio on a market value basis:  $\text{Market capitalization} / \text{Total assets}$

Interest bearing debt / Cash flow ratio:  $\text{Interest bearing debt} / \text{Operating cash flow}$  (for the current half year, the cash flow from operating activities is annualized.)

Interest coverage ratio:  $\text{Operating cash flow} / \text{Interest expense}$

1. Each indicator is calculated based on the consolidated amounts.
2. Market capitalization is calculated as follows: Closing market price of shares at balance sheet date multiplied by the number of shares issued and outstanding at balance sheet date (excluding treasury stocks). The number of shares issued and outstanding at balance sheet date includes the number of preferred stocks convertible to common shares.
3. The operating cash flow represents the cash flow from operating activities in the consolidated statement of cash flows. However, for the years ended March 31, 2006 and 2007, and for the six months ended September 30, 2006, the advisory service fee and refinance costs were nonrecurring and unusual. Therefore, they were excluded from the operating cash flow for calculation purposes. In addition, for the six months ended September 30, 2007 restructuring expense was excluded from calculation for the same reason.
4. Interest bearing debt represents liabilities with interest payments among liabilities recognized in the consolidated financial statements. The interest expense represents the total amount of interest expense disclosed in the consolidated statement of cash flows

### 3. Earnings Distribution – Basic policy and current fiscal year dividend

It is the basic policy of Asahi Tec group companies including Metaldyne (collectively, the “Group”) to return appropriate profits to its shareholders by continuously increasing its corporate value, along with distributing dividends. As for the retained earnings, the Group will utilize them, from a medium-and-long- term perspective, to make essential investment to meet future growth, including R&D or global business expansion, in order to strengthen the Group’s competitiveness and to enhance corporate value.

The determination for the distribution of dividends is based on the above policy as well as considering the financial position and operating results of the corresponding period as a whole. The payment of dividend for this current half year is not planned to be made, considering the future forecast and other factors.

#### 4. Risk Information

The business results and the financial position of the Group (the Company's share price as well) may be potentially affected by certain risks as described below. The Group will implement measures to mitigate their effect. The risk information described below is based on information available at the end of the current half year, and does not cover all risks that may affect the Group's operations.

(1) Transactions with major customers

For the general casting and forging parts business, the Group's major customers are automobile manufacturers. Amongst these are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation, Honda Motor Co., Ltd., Chrysler LLC, Ford Motor Company and General Motors Corporation upon which the Group's dependence for sales revenue is significant. Therefore, their business and/or operating decisions may adversely impact the Group's operations or business results.

(2) Raw material purchase risk

As the purchase price of certain raw materials (iron scrap, aluminum metal and coke, and etc.) is linked to worldwide supply and demand trends, prices may fluctuate dramatically. The Group continues efforts to recoup any increase in material costs where possible, by increasing the selling prices of its finished products to its customers, but the Group's performance may be adversely affected by such risk if the pass through of these costs increases is not successful.

(3) Syndicated loans and subordinated loans

Of all loans and borrowings of the Group, syndicated loans and subordinated loans are subject to restrictive financial covenants. Failure to achieve a specified level of performance will result in an infringement of the terms of the loan agreements, in which case, the Group may be required to immediately repay the full outstanding balance of the principal and/or accrued interest. If the Group is not able to make necessary capital expenditures due to the high degree of leverage, the Group's performance may be adversely affected.

(4) Risk associated with requests for discounting from customers

Due to fierce low-cost competition in the automobile industry, the Group is subject to constant pressure from automobile manufacturers (i.e. customers) to lower its prices and improve quality. To meet such demands, the Group continues to improve productivity and to reduce purchase costs and defects. However, if these efforts are insufficient to cover discounts given to customers, this may have an adverse impact on the Group's financial results.

(5) Risk associated with improving profitability and productivity

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

- 1) Improve its production control system to enhance productivity
- 2) Reduce purchase costs
- 3) Reduce defective products and returns from customers by improving quality
- 4) Shift production bases to lower cost countries such as Thailand and China.

The Group may lose cost competitiveness, which will adversely affect its performance, if the abovementioned measures are not taken quickly enough, or the total investment for cost reduction exceeds its budget, or the cost reduction by shifting production overseas does not meet its expectation due to failures in personnel training or facility shift.

(6) Acquisition of Techno-Metal Co., Ltd.

In order to expand its business and to improve its operational efficiency, the Group entered into a contract with Mitsubishi Fuso Truck and Bus Corporation (“Mitsubishi Fuso”) on February 28, 2006, to acquire 128,000 shares (66%) of Techno-Metal Co., Ltd. (formally known as Mitsubishi Fuso Techno-Metal Co., Ltd.), a wholly-owned subsidiary of Mitsubishi Fuso. The contract includes share acquisition terms that the Company will acquire the remaining shares of the Techno-Metal Co., Ltd. currently owned by Mitsubishi Fuso at a fixed price (by cash or stock exchange) between 18 and the 36 months after the contract took effect. On August 29, 2007, the Company acquired from Mitsubishi Fuso the remaining 66,000 shares of Techno-Metal Co., Ltd. for ¥1,670 million.

The Group will drive synergies from the acquisition of Techno-Metal Co., Ltd. for the following purposes;

- 1) Enter the field of automobile engine manufacturing
- 2) Propose manufacturing techniques that meet customer needs
- 3) Increase the manufacture of high-value added products
- 4) Improve efficiency in development and production areas
- 5) Improve profit margin through cost reductions

However, if the planned synergies to be derived from the above acquisition are not successful, the Group’s financial performance may be adversely affected.

(7) Acquisition of Metaldyne Corporation

In response to the recent trend of OEMs expanding operations on a global scale, and increasing the outsourcing of higher value-added manufacturing processes, executing strategies that accommodate such changes in a dynamic industry has become a necessity for automotive suppliers who wish to remain competitive. In this context, the Company acquired Metaldyne Corporation (“Metaldyne”) on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company.

Metaldyne is a leading global supplier of systems and modules for automotive powertrain and chassis applications. Through the acquisition, the Company will gain access to Metaldyne’s value-added engineering, design and manufacturing capabilities, such as high-tolerance machining, and will strengthen its product portfolio with Metaldyne’s powder metal and vibration control products. The acquisition will enable the Company to further expand its global reach with Metaldyne’s significant operations and presence in North America, Europe, China, and Korea and growing business in India and Brazil.

As a result, the Company will be better positioned to respond to the OEM’s needs for higher value-added products globally, and for product modularization locally. However, if the planned synergies to be derived from the acquisition are not successful, the Group’s financial results may be adversely affected.

(8) Interest rate fluctuation

As the Group has consolidated loans and borrowings of ¥73,297 million, fluctuations in interest rates may adversely affect financial results.

(9) Exchange rate fluctuation

As the Group has foreign currency transactions related to exporting products and importing raw materials, and also has assets and liabilities denominated in foreign currencies, fluctuations in foreign exchange rates may adversely affect financial results.

(10) Legal matter

On December 26, 2005, a distributor of the Company's products, Vantec Corporation ("Vantec"), filed a lawsuit against the Company for ¥295 million that is claimed to be their lost commission. In response to this, the Company filed a countersuit for ¥548 million. On September 27, 2007, both parties withdrew each filing with a condition of the Company to pay ¥22 million to Vantec for the settlement.

(11) Labor stoppages at our facilities and those of our customers

If production stoppages at any of the Groups' facilities are caused by strikes of the Group's unionized employees, demanding higher wages; or a greater percentage of the Group's work force becomes unionized, the financial results of the Group may be adversely affected. In addition, any work stoppage or strike at the OEM's facilities may adversely affect the financial results of the Group.

(12) Dividend and redemption of preferred stocks

The Group issued Series A preferred stock for 28,572,000 shares, Series B preferred stock for 10,526,316 shares, and Series C preferred stock for 179,179 shares. When the Group needs to pay any accumulated unpaid dividend, that amount could be material. Consequently, the Group's financial position may be adversely affected.

## Group Information

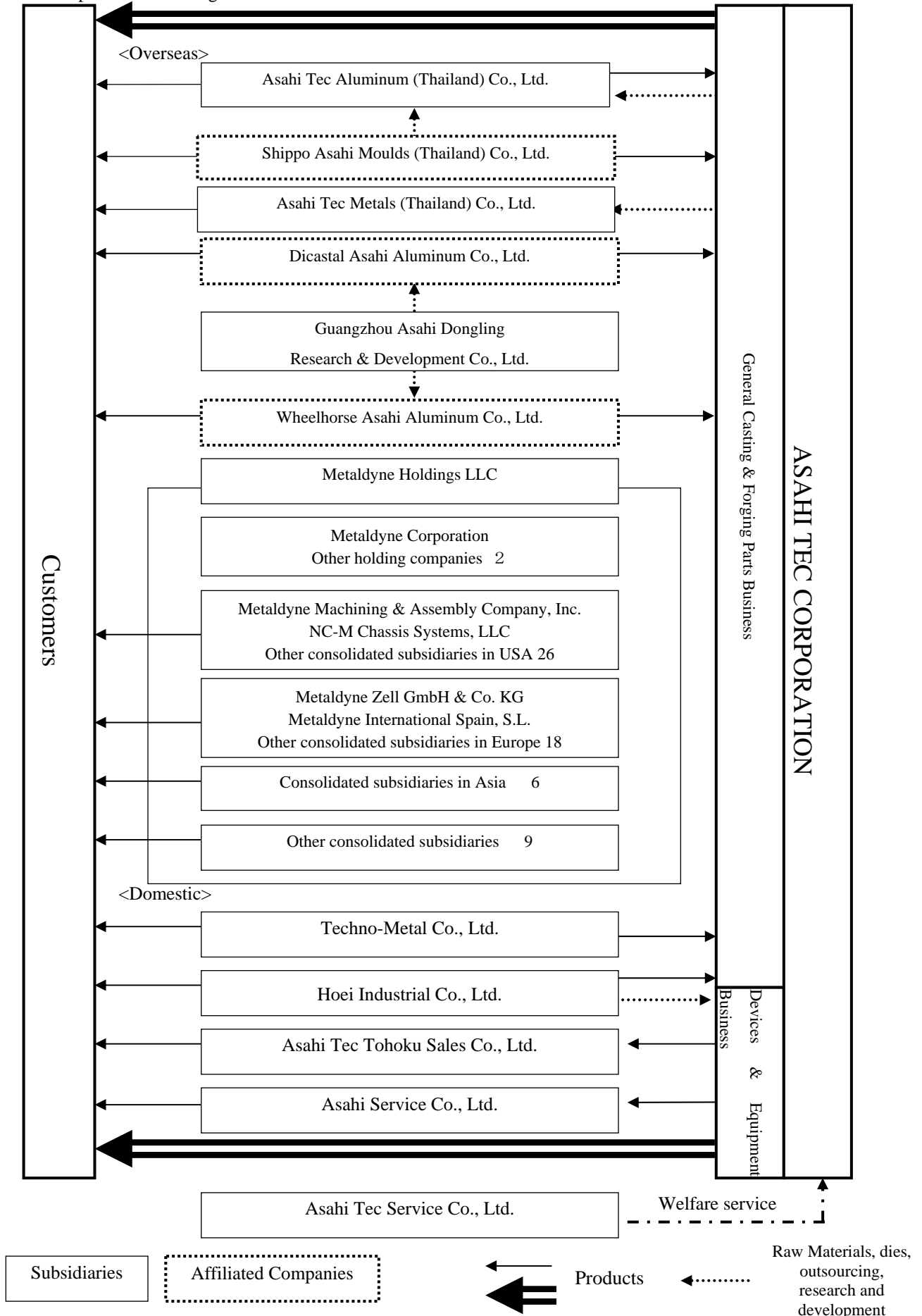
The Group consists of the Company, seventy five (75) subsidiaries and three (3) affiliated companies, and mainly engages in the manufacture and sales of general casting and forging parts, and devices and equipment.

Business segment	Product and services	Principal companies
General casting and forging parts	General components for vehicles (Note 1)	Hoei Industrial Co., Ltd. Techno-Metal Co., Ltd. Asahi Tec Aluminum (Thailand) Co., Ltd. Asahi Tec Metals (Thailand) Co., Ltd. Guangzhou Asahi Dongling Research & Development Co., Ltd. Metaldyne Holdings LLC and its 66 subsidiaries (Note 2) Shippo Asahi Moulds (Thailand) Co., Ltd.
	Aluminum wheels	Asahi Tec Aluminum (Thailand) Co., Ltd. Dicastal Asahi Aluminum Co., Ltd. Wheelhorse Asahi Aluminum Co., Ltd.
Devices and equipment	Overhead line fittings	Asahi Tec Tohoku Sales Co., Ltd.
	Environmental systems and equipment and construction of water treatment facilities	Asahi Service Co., Ltd.
Other operations	Welfare services	Asahi Tec Service Co., Ltd.

Note:

1. General components for vehicles include manufacture and sales of aluminum forging products, aluminum alloy casting products, aluminum die cast components, ductile iron casting products, gray iron casting products, iron forging, and machining and subassembly process.
2. Metaldyne Holdings LLC, a wholly-owned subsidiary of the Company, is the parent of Metaldyne Corporation that monitors the operation of subsidiaries located in North America, Europe, and other areas.

The Group's schematic diagram is as follows:



## Management Policy

### 1. Basic Management Policy

The Group, supporting the fundamentals of manufacturing for about a century since its foundation, is looking ahead to the next century. The Group will emphasize development of staff consciousness, and have a transparent management in order to develop its culture and system to ensure long term stability and growth, and to ensure reasonable profitability. Employee principles are:

\*Let's bring about breakthrough without fearing change.

\*Let's assert ourselves without fearing making waves.

\*Let's tackle the unknown without fearing failure.

\*Let's take immediate action without fearing difficulty.

Consequently, it will create a new progressive corporate value, and have business opportunities worldwide. The Group hopes that these plans will result in increasing shareholder value.

In addition, it will meet its corporate social responsibility in all its business activities through working to preserve the environment, and maintaining social harmony such as paying attention to global environmental issues.

### 2. Medium-and-Long Term Management Strategy and Future Objectives

For the Group to obtain a competitive advantage over other automotive components manufacturers while auto makers are expanding their globalization and increasing the outsourcing of production of high value-added automotive parts, it is imperative the Group execute strategies to respond to this dynamic business environment. Consequently, the Group, as a casting and forging manufacturer of iron and aluminum automobile parts, has expanded its market share and plans to keep doing so by establishing production centers throughout Asia.

The Group will take the following measures in order to provide new technology and competitive products that satisfy customer needs on a timely basis, and create stable profitability.

#### (1) Technological innovation

The Group will expedite technological development by making the most of its technology, know-how, and human resources with the right choice and concentration. It will also provide attractive new products that will meet future customer needs in the field of environmental systems and equipment as well as electric power transmission equipment.

#### (2) Thorough control of quality and delivery of products

In order to be one of the most reliable companies and to satisfy its' customers, the Group encourages all employees to put a priority on working together to create high-quality products, and to deliver products in a timely manner. To achieve this goal, the Group will continue to provide reliable products using light alloys and cast iron, and aim for high quality and cost competitiveness.

#### (3) Growth strategy

The Company acquired Metaldyne Corporation ("Metaldyne") on January 11, 2007 and Metaldyne became a 100% subsidiary of the Company. Metaldyne is a leading global supplier of systems and modules for automotive powertrain and chassis applications. Through the acquisition, the Company will gain access to Metaldyne's value-added engineering, design and manufacturing capabilities, such as high-tolerance machining, and will strengthen its product portfolio with Metaldyne's powder metal and vibration control products. The acquisition will enable the Company to further expand its global reach with Metaldyne's

significant operations and presence in North America, Europe, China, and Korea and growing business in India and Brazil.

As a result, the Company will be better positioned to respond flexibly to OEM's needs for higher value-added products globally, and for product modularization locally. Specifically, the Company expects the acquisition to contribute to further growth through:

- 1) Expansion of global platforms
- 2) Ability to partner with Metaldyne's experienced management team
- 3) Joint supply and sale of products
- 4) Enhancement of engineering capabilities
- 5) Expanded R&D capabilities
- 6) Broader manufacturing capabilities
- 7) Cost reduction through joint procurement
- 8) Utilization of common production facilities
- 9) Expanded market opportunities for both light vehicles (Metaldyne) and heavy truck (the Company).

The environmental system and equipment business and the electric power equipment business are expected to keep contributing to the Group's profit.

On October 31, 2007, the Company established a new entity, Asahi Tec Environmental Solutions Corporation, which is a wholly-owned subsidiary of the Company. The Company is planning to transfer environmental systems and equipment business to the new subsidiary for the further expansion of its business by next April.

(4) Intensive manpower development

To meet the challenges of ongoing globalization, the Group will upgrade its human resource development systems. By improving training courses, and by supporting employees' acquisition of official certifications, it can improve the skills of each employee. Also, it will introduce an evaluation system that rewards each employee according to their individual ability and contribution.

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

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007		Increase (decrease)
	Million yen	%	Million yen	%	Million yen	%	Million yen
<b>Assets:</b>							
<b>Current Assets</b>							
Cash and bank deposits	¥4,718		¥6,522		¥8,803		(¥2,281)
Trade notes and accounts receivable	16,067		41,437		42,298		(861)
Inventories	9,874		24,909		22,009		2,900
Deferred tax assets	277		2,947		4,186		(1,239)
Other current assets	1,055		4,225		5,289		(1,064)
Provision for doubtful accounts	(35)		(344)		(372)		27
<b>Total current assets</b>	<b>31,957</b>	<b>44.4</b>	<b>79,697</b>	<b>26.9</b>	<b>82,215</b>	<b>27.0</b>	<b>(2,518)</b>
<b>Non-Current Assets</b>							
Property, plant, and equipment							
Buildings and structures	8,524		18,216		18,861		(645)
Machinery, equipment and vehicles	11,249		57,593		62,050		(4,457)
Tools, furniture and fixtures	2,602		-		5,563		(5,563)
Land	13,532		17,095		16,996		99
Construction in progress	1,445		-		4,352		(4,352)
Other	-		10,457		-		10,457
<b>Total property, plant, and equipment</b>	<b>37,354</b>	<b>51.9</b>	<b>103,362</b>	<b>34.9</b>	<b>107,824</b>	<b>35.4</b>	<b>(4,462)</b>
Intangible fixed assets							
Software	551		-		1,326		(1,326)
Goodwill	135		48,814		49,397		(582)
Trademarks and Technologies	-		32,597		33,201		(603)
Customer contracts and other	-		25,511		25,992		(480)
Other intangible fixed assets	33		1,148		35		1,112
<b>Total intangible fixed assets</b>	<b>721</b>	<b>1.0</b>	<b>108,072</b>	<b>36.5</b>	<b>109,953</b>	<b>36.1</b>	<b>(1,880)</b>
Investments and other non-current assets							
Investment securities	533		669		625		43
Deferred tax assets	249		-		422		(422)
Other non-current assets	1,396		4,150		3,583		567
Provision for doubtful accounts	(224)		(297)		(348)		51
<b>Total investments and other non-current assets</b>	<b>1,955</b>	<b>2.7</b>	<b>4,523</b>	<b>1.6</b>	<b>4,283</b>	<b>1.4</b>	<b>239</b>
<b>Total non-current assets</b>	<b>40,031</b>	<b>55.6</b>	<b>215,958</b>	<b>73.0</b>	<b>222,060</b>	<b>72.9</b>	<b>(6,102)</b>
<b>Deferred Assets</b>	-	-	342	0.1	415	0.1	(72)
<b>Total Assets</b>	<b>¥71,988</b>	<b>100</b>	<b>¥295,997</b>	<b>100</b>	<b>¥304,691</b>	<b>100</b>	<b>(¥8,693)</b>

(Continued)

	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007		Increase (decrease)
	Million yen	%	Million yen	%	Million yen	%	Million yen
<b>Liabilities:</b>							
<b>Current Liabilities</b>							
Trade notes and accounts payable	¥13,771		¥42,774		¥43,421		(¥646)
Short-term loans and borrowings	4,145		4,467		5,423		(956)
Income taxes payable	313		1,629		2,075		(445)
Provision for bonuses	1,201		1,876		2,078		(202)
Provision for loss on sales	339		-		1,312		(1,312)
Provision for product warranty	56		-		-		-
Provision for completed construction warranty	42		-		-		-
Other provisions	-		1,839		1,336		502
Other current liabilities	4,973		14,554		17,891		(3,337)
<b>Total current liabilities</b>	<b>24,845</b>	<b>34.5</b>	<b>67,142</b>	<b>22.7</b>	<b>73,539</b>	<b>24.1</b>	<b>(6,397)</b>
<b>Non-Current Liabilities</b>							
Debentures	-		47,051		47,977		(925)
Long-term loans and borrowings	18,057		68,830		66,292		2,537
Deferred tax liabilities from land revaluation	2,818		2,816		2,816		-
Provision for employees' retirement benefits	4,648		16,933		18,621		(1,687)
Provision for directors' retirement benefits	139		-		151		(151)
Provision for environmental obligations	166		-		346		(346)
Other provisions	-		964		-		964
Negative goodwill	51		39		45		(5)
Other non-current liabilities	2,751		17,038		18,819		(1,780)
<b>Total non-current liabilities</b>	<b>28,633</b>	<b>39.8</b>	<b>153,675</b>	<b>51.9</b>	<b>155,070</b>	<b>50.9</b>	<b>(1,395)</b>
<b>Total liabilities</b>	<b>¥53,478</b>	<b>74.3</b>	<b>¥220,817</b>	<b>74.6</b>	<b>¥228,609</b>	<b>75.0</b>	<b>(¥7,792)</b>

(Continued)

	As of September 30, 2006		As of September 30, 2007		As of March 31, 2007		Increase (decrease)
	Million yen	%	Million yen	%	Million yen	%	Million yen
<b>Net Assets:</b>							
<b>Shareholders' Equity:</b>							
Capital	¥7,220	10.0	¥34,384	11.6	¥34,384	11.3	¥0
Additional paid-in capital	8,144	11.3	35,309	11.9	35,308	11.6	0
Retained earnings (accumulated deficit)	(3,104)	(4.3)	(6,159)	(2.0)	(3,449)	(1.1)	(2,709)
Treasury stock	(15)	(0.0)	(18)	(0.0)	(17)	(0.0)	(1)
<b>Total shareholders' equity</b>	<b>12,244</b>	<b>17.0</b>	<b>63,516</b>	<b>21.5</b>	<b>66,226</b>	<b>21.8</b>	<b>(2,710)</b>
<b>Valuation and Translation Adjustments:</b>							
Net unrealized gain on available-for-sale securities	46	0.1	42	0.0	70	0.0	(27)
Unrealized gain (loss) on hedging arrangement	178	0.2	(132)	(0.0)	-	-	(132)
Land revaluation surplus	3,048	4.2	3,044	1.0	3,044	1.0	-
Foreign currency translation adjustments	474	0.7	7,154	2.4	3,907	1.3	3,246
<b>Total valuation and translation adjustments</b>	<b>3,748</b>	<b>5.2</b>	<b>10,108</b>	<b>3.4</b>	<b>7,022</b>	<b>2.3</b>	<b>3,086</b>
<b>Stock Option</b>	<b>7</b>	<b>0.0</b>	<b>267</b>	<b>0.1</b>	<b>108</b>	<b>0.0</b>	<b>158</b>
<b>Minority Interest</b>	<b>2,509</b>	<b>3.5</b>	<b>1,288</b>	<b>0.4</b>	<b>2,724</b>	<b>0.9</b>	<b>(1,436)</b>
<b>Total net assets</b>	<b>18,509</b>	<b>25.7</b>	<b>75,180</b>	<b>25.4</b>	<b>76,082</b>	<b>25.0</b>	<b>(901)</b>
<b>Total Liabilities and Net Assets</b>	<b>¥71,988</b>	<b>100</b>	<b>¥295,997</b>	<b>100</b>	<b>¥304,691</b>	<b>100</b>	<b>(¥8,693)</b>

(Concluded)

## (2) Consolidated Income Statements

	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (decrease)	Year ended March 31, 2007	
	Million yen	%	Million yen	%	Million yen	Million yen	%
<b>Net Sales</b>	¥44,042	100.0	¥161,269	100.0	¥117,227	¥145,702	100.0
<b>Cost of Sales</b>	39,321	89.3	147,337	91.4	108,015	130,224	89.3
Reversal of provision for loss on sales	(362)	(0.8)	(279)	(0.2)	83	(336)	(0.2)
Gross Profit	5,083	11.5	14,211	8.8	9,128	15,814	10.9
<b>Selling, General and Administrative Expenses</b>	3,803	8.6	11,067	6.9	7,263	12,538	8.6
Operating Income	1,279	2.9	3,144	1.9	1,864	3,276	2.3
<b>Non-Operating Income:</b>							
Interest income	1		46			19	
Dividend income	6		3			6	
Amortization of negative goodwill	5		5			11	
Equity income from affiliates	33		66			90	
Gain on sale of scrap	16		-			32	
Incentive received for promotion of export sales	53		70			178	
Foreign currency gains	62		143			134	
Gain on revaluation of derivatives	4		-			-	
Other non-operating income	11		53			56	
Total non-operating income	195	0.5	390	0.2	194	529	0.3
<b>Non-Operating Expenses:</b>							
Interest expense	419		6,169			3,605	
Other non-operating expenses	57		365			362	
Total non-operating expenses	477	1.1	6,534	4.0	6,057	3,967	2.7
Ordinary Income (Loss)	997	2.3	(3,000)	(1.9)	(3,998)	(162)	(0.1)
<b>Extraordinary Gains:</b>							
Curtailment gain	-		472			-	
Reversal of provision for employees' bonus	-		336			-	
Reversal of provision for legal proceedings	-		137			-	
Gain on sale of fixed assets	7		129			35	
Release of provision for directors' retirement benefits	0		-			-	
Reversal of provision for product warranty	3		-			-	
Reimbursement of insurance	10		-			10	
Return of insurance premium at maturity	-		146			-	
Other extraordinary gains	-		19			133	
Total extraordinary gains	20	0.0	1,241	0.9	1,220	178	0.1
<b>Extraordinary Losses:</b>							
Provision for directors' retirement benefit	21		-			21	
Loss on disposal of fixed assets	164		260			370	
Impairment loss	8		7			23	
Restructuring expense	-		131			-	
Provision for environmental obligations	146		-			282	
Other extraordinary losses	16		14			5	
Total extraordinary losses	¥356	0.8	¥414	0.3	¥57	¥704	0.5

(Continued)

	Six months ended September 30, 2006		Six months ended September 30, 2007		Increase (decrease)	Year ended March 31, 2007	
	Million yen	%	Million yen	%	Million yen	Million yen	%
<b>Income (Loss) before Income Taxes</b>	¥661	1.5	(¥2,173)	(1.3)	(¥2,834)	(¥687)	(0.5)
<b>Income Taxes:</b>							
Corporate income, inhabitant and enterprise taxes:							
Current	300		1,302			1,215	
Deferred	(51)		(851)			(1,486)	
Total income taxes	248	0.6	450	0.3	202	(270)	(0.2)
Minority Interest in Net Income	128	0.3	173	0.1	44	248	0.2
<b>Net Income (Loss)</b>	¥283	0.6	(¥2,798)	(1.7)	(¥3,082)	(¥665)	(0.5)

(Concluded)

## (3) Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2006

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Total shareholders' equity
Beginning balance as of March 31, 2006	¥7,218	¥8,142	(¥3,392)	(¥14)	¥11,954
Change during the interim period:					
Issuance of common stock	1	1			3
Reversal of land revaluation surplus			4		4
Net income			283		283
Treasury stock				(1)	(1)
Net changes other than shareholders' equity					
Total change during the interim period	1	1	288	(1)	289
Ending balance as of September 30, 2006	¥7,220	¥8,144	(¥3,104)	(15)	¥12,244

	Valuation and translation adjustments					Stock Option	Minority Interest	Total Net Assets
	Net unrealized gain on available-for-sale securities	Unrealized gain on hedging arrangement	Land revaluation surplus	Foreign currency translation adjustments	Total			
Beginning balance as of March 31, 2006	¥43	-	¥3,052	¥282	¥3,378	-	¥2,387	¥17,720
Change during the interim period:								
Issuance of common stock								3
Reversal of land revaluation surplus								4
Net income								283
Treasury stock								(1)
Net changes other than shareholders' equity	3	178	(4)	192	369	7	121	499
Total change during the interim period	3	178	(4)	192	369	7	121	789
Ending balance as of September 30, 2006	¥46	¥178	¥3,048	¥474	¥3,748	¥7	¥2,509	¥18,509

Six months ended September 30, 2007

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Total shareholders' equity
Beginning balance as of March 31, 2007	¥34,384	¥35,308	(¥3,449)	(¥17)	¥66,226
Change during the interim period:					
Issuance of common stock	0	0			0
Net income			(2,798)		(2,798)
Pension and postretirement benefit plans of foreign subsidiary			88		88
Treasury stock				(1)	(1)
Net changes other than shareholders' equity					
Total change during the interim period	0	0	(2,709)	(1)	(2,710)
Ending balance as of September 30, 2007	¥34,384	¥35,309	(¥6,159)	(¥18)	¥63,516

	Valuation and translation adjustments					Stock Option	Minority Interest	Total Net Assets
	Net unrealized gain on available-for-sale securities	Unrealized gain on hedging arrangement	Land revaluation surplus	Foreign currency translation adjustments	Total			
Beginning balance as of March 31, 2007	¥70	-	¥3,044	¥3,907	¥7,022	¥108	¥2,724	¥76,082
Change during the interim period:								
Issuance of common stock								0
Net income								(2,798)
Pension and postretirement benefit plans of foreign subsidiary								88
Treasury stock								(1)
Net changes other than shareholders' equity	(27)	(132)	-	3,246	3,086	158	(1,436)	1,808
Total change during the interim period	(27)	(132)	-	3,246	3,086	158	(1,436)	(901)
Ending balance as of September 30, 2007	¥42	(¥132)	¥3,044	¥7,154	¥10,108	¥267	¥1,288	¥75,180

Year ended March 31, 2007

(In ¥ million)

	Shareholders' Equity				
	Capital	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Total shareholders' equity
Beginning balance as of March 31, 2006	¥7,218	¥8,142	(¥3,392)	(¥14)	¥11,954
Change during the year:					
Issuance of common stock	27,165	27,165			54,331
Reversal of land revaluation surplus			8		8
Net income			(665)		(665)
Pension and postretirement benefit plans of foreign subsidiary			601		601
Treasury stock				(3)	(3)
Net changes other than shareholders' equity					
Total change during the year	27,165	27,165	(56)	(3)	54,272
Ending balance as of March 31, 2007	¥34,384	¥35,308	(¥3,449)	(¥17)	¥66,226

	Valuation and translation adjustments				Stock Option	Minority Interest	Total Net Assets
	Net unrealized gain on available-for-sale securities	Land revaluation surplus	Foreign currency translation adjustments	Total			
Beginning balance as of March 31, 2006	¥43	¥3,052	¥282	¥3,378	-	¥2,387	¥17,720
Change during the year:							
Issuance of common stock							54,331
Reversal of land revaluation surplus							8
Net income							(665)
Pension and postretirement benefit plans of foreign subsidiary							601
Treasury stock							(3)
Net changes other than shareholders' equity	26	(8)	3,625	3,644	108	336	4,089
Total change during the year	26	(8)	3,625	3,644	108	336	58,361
Ending balance as of March 31, 2007	¥70	¥3,044	¥3,907	¥7,022	¥108	¥2,724	¥76,082

## (4) Consolidated Statements of Cash Flows

(In ¥ million)

Accounts	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (decrease)	Year ended March 31, 2007
<b>Cash flows from operating activities</b>				
Income (loss) before income taxes	¥661	(¥2,173)		(¥687)
Depreciation and amortization expense	2,110	10,518		8,469
Impairment loss	8	7		23
Amortization of goodwill	6	1,280		633
Amortization of negative goodwill	(5)	(5)		(11)
Restructuring expense	-	131		-
Increase (decrease) in provision for doubtful accounts	12	(71)		38
Increase (decrease) in provision for employees' retirement benefits	(10)	(631)		904
Increase in provision for directors' retirement benefits	42	-		54
Increase in provision for environmental obligations	146	-		276
Loss on sale or retirement of property, plant, and equipment	172	130		334
Decrease in provision for loss of sales	(362)	-		(336)
Interest and dividend income	(7)	(50)		(25)
Interest expense	419	6,169		3,605
(Gain) loss on foreign currency exchange	(55)	187		(136)
Equity income from affiliates	(33)	(66)		(90)
(Increase) decrease in trade accounts receivable	2,215	1,239		(5,177)
(Increase) decrease in inventories	(33)	(2,825)		1,212
Decrease in trade accounts payable	(1,293)	(2,262)		(2,461)
Others	270	(125)		(543)
Sub-total	4,264	11,451	7,187	6,082
Interest and dividend received	7	50		25
Interest paid	(412)	(6,915)		(2,149)
Income taxes paid	(244)	(1,369)		(857)
Income taxes refund	-	78		-
Payment of severance	-	(518)		-
M&A advisory fee and refinance costs paid	(426)	-		(426)
<b>Net cash provided by operating activities</b>	<b>3,187</b>	<b>2,777</b>	<b>(410)</b>	<b>2,675</b>
<b>Cash flows from investing activities</b>				
Transfer to time deposits	(54)	(50)		(122)
Withdrawals of time deposits	29	68		118
Acquisition of tangible fixed assets	(1,963)	(6,483)		(6,286)
Proceeds from sale of tangible fixed assets	32	647		39
Acquisition of intangible fixed assets	-	(10)		(10)
Payment for additional acquisition of subsidiaries' shares	(44)	(1,670)		(44)
Others	(87)	92		(37,001)
<b>Net cash used in investing activities</b>	<b>(¥2,087)</b>	<b>(¥7,407)</b>	<b>(¥5,320)</b>	<b>(¥43,306)</b>

(Continued)

(In ¥ million)

Accounts	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase (decrease)	Year ended March 31, 2007
<b>Cash flows from financing activities</b>				
Decrease in short-term loans and borrowings-net	(¥937)	(¥468)		(¥827)
Proceeds from long-term loans and borrowings	-	10,024		24,988
Repayment of long-term loans and borrowings	-	(6,823)		(32,269)
Proceeds from issuance of stocks	(7)	0		53,883
Proceeds from sale and lease back	517	-		550
Repayments of finance lease obligations	(178)	(424)		(621)
Dividends to minority shareholders	(7)	(7)		(7)
Proceeds from minority shareholders for capital increase	42	46		42
Others	(4)	(6)		(810)
<b>Net cash provided by (used in) financing activities</b>	<b>(576)</b>	<b>2,341</b>	<b>2,918</b>	<b>44,927</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	21	25	4	319
<b>Increase (decrease) in cash and cash equivalents</b>	544	(2,263)	(2,808)	4,615
<b>Beginning balance of cash and cash equivalents</b>	4,119	8,735	4,615	4,119
<b>Ending balance of cash and cash equivalents</b>	<b>¥4,664</b>	<b>¥6,472</b>	<b>¥1,807</b>	<b>¥8,735</b>

(Concluded)

## **Basic Matters to Prepare Consolidated Financial Statements**

### 1. Scope of Consolidation

(1) Consolidated subsidiaries – the following seventy five (75) subsidiaries were consolidated:

Hoei Industrial Co., Ltd.

Techno-Metal Co., Ltd.

Metaldyne Holdings LLC and its 66 subsidiaries

Asahi Tec Aluminum (Thailand) Co., Ltd.

Asahi Tec Metals (Thailand) Co., Ltd.

Guangzhou Asahi Dongling Research & Development Co., Ltd.

Asahi Tec Tohoku Sales Co., Ltd.

Asahi Service Co., Ltd.

Asahi Tec Service Co., Ltd.

MTSPC, Inc. and GLO S.r.l., subsidiaries of Metaldyne, were liquidated during the six months ended September 30, 2007 and excluded from the scope of consolidation.

### 2. Matters Related to Equity Method

(1) Non-consolidated companies accounted for under the equity method – three (3) companies

Shippo Asahi Moulds (Thailand) Co., Ltd.

Dicastal Asahi Aluminum Co., Ltd.

Wheelhorse Asahi Aluminum Co., Ltd.

(2) These companies were accounted for under equity method at their interim closing date (June 30, 2007), which is different from that of the Company.

### 3. Closing Date of Consolidated Subsidiaries

The names of entities whose statutory fiscal year end are different from that of the Company are as follows:

(1) June 30:

Twenty four (24) subsidiaries of Metaldyne Corporation - financial reporting date for those entities was the Sunday nearest to September 30, 2007.

Guangzhou Asahi Dongling Research & Development Co., Ltd. – for consolidation purposes the Group used their financial statements as of June 30, 2007, and any material changes during intervening period are properly reflected in the consolidated financial statements.

(2) Sunday nearest to June 30:

Thirty one (31) subsidiaries of Metaldyne Corporation - financial reporting date for those entities was the Sunday nearest to September 30, 2007.

### 4. Accounting Policies

(1) Evaluation standards and methods for significant assets

#### Securities

Available-for-sale securities – Available-for-sale securities with readily determinable market prices are stated

at fair value as of the balance sheet date, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets. The cost of securities sold was calculated by the moving-average method.

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

#### Inventories

The Company and its domestic subsidiaries state inventories at cost determined by the period average method. Foreign subsidiaries state inventories at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method.

#### Derivatives

The fair value method was applied.

### (2) Depreciation methods for significant fixed assets

#### Tangible fixed assets

Buildings other than fixtures - the straight-line method was applied.

Moulds included in tools, furniture and fixtures - the Company, Techno-Metal Co., Ltd., and foreign subsidiaries applied the straight-line method. The domestic subsidiaries applied the declining-balance method.

Other tangible fixed assets - the Company and its domestic subsidiaries other than Techno-Metal Co., Ltd. applied the declining-balance method. Techno-Metal Co., Ltd. and the foreign subsidiaries applied the straight-line method. The useful lives of the major tangible fixed assets are as follows:

Buildings and structures:	10 to 60 years
Machinery, equipment, and vehicles:	4 to 15 years
Tools, furniture and fixtures:	2 to 7 years

#### (Change in accounting principle)

Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the consolidated operating results by this change appeared immaterial. Impact on segment information is separately described in this report.

#### (Additional information)

For the assets acquired before March 31, 2007, the difference between 5% of acquisition cost and residual value begins to be depreciated by straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% of it under the depreciation method that has been applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating income decreased by ¥245 million, and both ordinary loss and loss before income taxes increased by ¥245 million, respectively. Impact on segment information is separately described in this report.

#### Intangible assets

Software (internal use) - the straight-line method was applied using the useful life of three (3) to five (5) years. Patents and trademarks - the straight-line method was applied using the useful life of mainly twenty (20) years. Customer contracts and other - the straight-line method was applied using the useful life of mainly fifteen (15)

years.

Other intangible assets - the straight-line method was applied.

(3) Deferred asset

Stock issuance cost – the straight-line method is applied and amortized over three (3) years on a monthly basis.

(4) Accounting method for significant provisions

Provision for doubtful accounts

The Company and its domestic subsidiaries recorded provisions for doubtful accounts at amounts considered to be the Company's and its domestic subsidiaries' best estimates after considering their past credit losses for existing non doubtful accounts and individual collectibility for specific doubtful accounts. The foreign subsidiaries recorded provisions for doubtful accounts considering individual collectibility for specific doubtful accounts.

Provision for employees' bonus

The Company recorded provision for bonuses for the estimated amount to be paid to employees.

Provision for employees' retirement benefits

The Company and its subsidiaries have retirement benefit plans and record provisions for employees' retirement benefits based on projected benefit obligations and a fair value of plan assets at the balance sheet date. Unrecognized actuarial gains or losses start to be amortized, in the following fiscal year, by the straight-line method over a period of ten (10) to fifteen (15) years, which is within the employees' average remaining service period at the time the gains or losses are incurred.

Among foreign subsidiaries, Metaldyne Corporation and its subsidiaries are required to amortize unrecognized actuarial gains or losses for the portion exceeding 10% of the greater of the projected benefit obligation or the market value of plan assets over a period determined based on the employees' average period of employment. In addition, a subsidiary in the United States has postretirement benefits other than pension, and also an unrecognized actuarial difference is recorded on its balance sheet in accordance with the generally accepted accounting principle in the United States.

(5) Translation of assets and liabilities denominated in foreign currency into Japanese Yen

Receivables and payables denominated in foreign currencies were translated into Japanese Yen at spot exchange rates on the balance sheet date, and unrealized foreign exchange gains and losses arising from those translations were recognized in the income statements. As for the foreign subsidiaries' financial statements, assets and liabilities were translated into Japanese Yen at spot exchange rates on the balance sheet date, and revenues and expenses were translated at the average exchange rates for the year or the period during which they were subsidiaries of the Group. Any foreign exchange impact arising from such translation was recorded as a foreign currency translation adjustment in net assets.

(6) Accounting for significant leases

The Company and its domestic subsidiaries accounted for financing leases as operating leases, except for those under which title to the leased asset is deemed to be transferred to the lessee. Foreign subsidiaries accounted for leases as capital leases, if such leases met the requirements of local accounting standards

pertaining to capital leases.

(7) Accounting for derivative instruments

Accounting - Hedge accounting is applied.

Hedging activity and hedged item:

Hedging activity – Foreign currency contract

Hedged item – Forecasted transactions involving foreign currencies, and assets/liabilities denominated in foreign currencies

Policy related to transactions – Foreign currency risk associated with hedged items is hedged within a certain level based on the internal rules where authorization of derivative transactions and limit on transaction amount are defined.

Assessment of hedge effectiveness – Hedge effectiveness is assessed based on cumulative change of cash flows of hedged item against change in market or cumulative change of cash flows of hedging instruments against change in market.

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

Accounting for sales taxes

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

Accounting for revenue from long-term construction contract

Revenue of long-term construction contracts exceeding ¥100 million in contract amount and one (1) year in construction period is recorded by the percentage-of-completion method. For the current half year, revenue recorded under the percentage-of-completion method amounted to ¥390 million.

Accounting for investments and other assets

Other assets – foreign subsidiaries monthly amortize finance costs over the term of loans using straight-line method in accordance with their local GAAP.

5. Cash and cash equivalents

Cash and cash equivalents on the consolidated statement of cash flows consists of cash on hand, deposits immediately available for withdrawal, and short-term and highly liquid investments with original maturities of three months or less that were readily convertible to known amounts of cash and so near their maturity that they present insignificant risks of change in value resulting from changes in interest rates.

## **Change in Presentation of Consolidated Financial Statements**

### Consolidated Balance Sheets

1. “Tools, furniture and fixtures” (¥5,129 million as of September 30, 2007) and “Construction in progress” (¥5,327 million as of September 30, 2007) were reclassified to “Other (tangible assets)” due to their immateriality.
2. “Software” (¥1,116 million as of September 30, 2007) was reclassified to “Other (intangible assets)” due to its immateriality.
3. “Deferred tax assets” (¥587 million as of September 30, 2007) was reclassified to “Other non-current assets” due to its immateriality
4. “Provision for loss on sales” (¥695 million as of September 30, 2007), “Provision for product warranty” (¥61 million as of September 30, 2007), and “Provision for completed construction warranty” (¥26 million as of September 30, 2007) were reclassified to current “Other provisions” due to their immateriality
5. “Provision for directors’ retirement benefits” (¥188 million as of September 30, 2007) and “Provision for environmental obligations” (¥339 million as of September 30, 2007) were reclassified to non-current “Other provisions” due to their immateriality.

### Consolidated Statements of Income

1. “Gain on sale of scrap” (¥24 million as of September 30, 2007) and “Gain on revaluation of derivatives” (¥15 million as of September 30, 2007) were reclassified to “Other non-operating income” due to their immateriality.

### Consolidated Statements of Cash Flows

1. “Increase of provision for directors’ retirement benefits” (¥36 million as of September 30, 2007), “increase of provision for environmental obligations” (¥3 million as of September 30, 2007), and “decrease of provision for loss on sales” (¥62 million as of September 30, 2007) were reclassified to “Others (operating cash flows)” due to their immateriality.

## Notes to the Consolidated Financial Statements

### Notes to the Consolidated Balance Sheets

	Six months ended September 30, 2006 Million yen	Six months ended September 30, 2007 Million yen	Year ended March 31, 2007 Million yen
1. Accumulated depreciation of property, plant, and equipment	84,187	95,802	88,182
2. Pledged assets and obligations guaranteed			
Amount of pledged assets:			
Cash and bank deposits	2,373	2,859	4,223
Trade notes and accounts receivable	6,453	23,550	21,114
Inventories	9,586	18,592	15,392
Deferred tax assets	-	2,027	2,622
Short-term loan receivable	-	11	15
Accounts receivable – others	9	88	354
Prepaid expense and other current assets	-	685	2,262
Buildings and structures	7,776	13,785	14,401
Machinery and equipment, and vehicles	6,746	40,204	44,913
Tools, furniture and fixtures	224	3,199	2,859
Land	13,261	14,202	14,228
Construction in progress	-	1,376	2,199
Goodwill	-	46,926	21,809
Patents and Customer contracts	-	27,525	30,535
Investment securities	353	642	604
Long-term loan receivable	-	15	13
Other non-current assets	-	1,414	-
Total	46,786	197,105	177,549
Pledged assets as a whole factory among above tangible pledged assets			
Buildings and structures	3,268	3,088	3,202
Machinery and equipment, and vehicles	3,983	3,812	3,924
Land	3,474	3,463	3,463
Total	10,726	10,364	10,589
Liabilities corresponding to the pledged assets above:			
Short-term loans and borrowings	3,024	2,667	3,167
Current portion of long term loans and borrowings	1,050	1,300	1,813
Long-term loans and borrowings	18,057	68,830	66,292
Debentures	-	47,051	47,977
Total	22,131	119,849	119,250
Liabilities corresponding to the pledged assets as a whole factory above:			
Short-term loans and borrowings	3,024	2,667	3,167
Current portion of long term loans and borrowings	1,050	1,300	1,300
Long-term loans and borrowings	18,057	17,732	17,745
Total	22,131	21,700	22,212

### 3. Contingent liabilities

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
(1) Guarantees of indebtedness of others	0	-	-

#### (2) Acquisition of remaining outstanding shares of Techno-Metal Co., Ltd.

In order to expand its business and to improve its operational efficiency, the Group entered into a contract with Mitsubishi Fuso Truck and Bus Corporation (“Mitsubishi Fuso”) on February 28, 2006, to acquire 128,000 shares (66%) of Techno-Metal Co., Ltd. (formally known as Mitsubishi Fuso Techno-Metal Co., Ltd.), a wholly-owned subsidiary of Mitsubishi Fuso. The contract includes share acquisition terms that the Company will acquire the remaining shares of the Techno-Metal Co., Ltd. currently owned by Mitsubishi Fuso at a fixed price (by cash or stock exchange) sometime between 18 and 36 months after the contract took effect.

On August 29, 2007, the Company acquired from Mitsubishi Fuso the remaining 66,000 shares of Techno-Metal Co., Ltd. for ¥1,670 million.

#### (3) Legal matters

On December 26, 2005, a distributor of the Company’s products, Vantec Corporation (“Vantec”), filed a lawsuit against the Company for ¥295 million that is claimed to be their lost commission. In response to this, the Company filed a countersuit for ¥548 million. On September 27, 2007, both parties withdrew each filing with a condition of the Company to pay ¥22 million to Vantec for the settlement.

### 4. Overdraft agreement and its uncommitted balance

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Limit of overdraft	8,262	81,550	84,918
Actual committed balance	3,026	54,180	52,063
Uncommitted balance	5,235	27,370	32,855

### 5. Restrictive financial covenants on loans and borrowings

(1) Of all loans and borrowings of the Group, the senior loans from Aozora Bank, Ltd., Sumitomo Mitsui Banking Corporation, the Tokyo Star Bank, Ltd., and Mizuho Corporate Bank, Ltd. and the subordinated loans from Aozora Bank, Ltd. are subject to restrictive financial covenants based upon consolidated cash flows and consolidated profit levels. Failure to achieve certain specified levels of performance will result in a breach of the terms and conditions of the loan agreements, in which case, the Group will be required to accelerate repayment of the loans, including principal and accrued interest, upon receipt of notice from Aozora Bank, Ltd. Compliance with financial covenants will be evaluated based upon the financial results of the Group excluding Metaldyne Holdings LLC, Metaldyne Corporation and its subsidiaries which became the Group’s consolidated subsidiaries on January 11, 2007. Metaldyne’s credit facilities also contain financial covenants that require Metaldyne and its subsidiaries to maintain certain financial ratios.

(2) Payment of dividend and directors' bonuses should not infringe on the aforementioned covenants after the payment, and should be made only when there is no existing or potential cause for default of obligation (excluding minor and potential causes that are reasonably expected to be recovered within the recovery period stipulated

separately), and such payments will not generate such causes.

#### 6. Notes receivable and notes payable outstanding as of balance sheet date

Notes receivable and notes payable are settled upon receipt or payment of cash. The last day of the six months ended September 30, 2007 fell on a holiday for financial institutions. Therefore, the following balances were outstanding as of September 30, 2007:

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Notes receivable	112	134	189
Notes payable	518	430	738
Notes payable for equipment	213	77	58

#### 7. Other provisions (current liabilities)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Provision for directors' bonus	-	51	71
Provision for employees' retirement benefits	-	311	-
Provision for plant closure cost	-	686	1,140
Provision for loss on sales	-	695	-
Provision for product warranty	-	61	80
Provision for completed construction warranty	-	26	43
Provision for environmental obligations	-	6	-
Total	-	1,839	1,336

#### 8. Other provisions (non-current liabilities)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Provision for directors' retirement benefits	-	188	-
Provision for plant closure cost	-	8	-
Provision for loss on sales	-	313	-
Provision for product warranty	-	60	-
Provision for environmental obligations	-	339	-
Provision for legal proceedings	-	54	-
Total	-	964	-

#### 9. Sales tax

Prepaid sales tax and sales tax received are presented at net and include in other current liabilities.

## Notes to Consolidated Income Statements

### 1. Major items and amounts included in selling, general and administrative expenses:

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Packing and freight costs	1,314	1,286	2,596
Provision for doubtful accounts	12	-	16
Salaries and bonuses	754	1,413	2,543
Provision for bonuses - employees	183	239	253
Provision for bonuses - directors	-	42	71
Retirement benefit costs	49	258	221
Provision for directors' retirement benefits	25	36	94
Depreciation expense	137	580	445
Amortization of goodwill	6	1,280	633
R&D expense	112	1,698	622

### 2. Gain on sale of fixed assets

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Gain on sale of machinery and equipment	3	129	21
Gain on sale of land	2	-	7
Gain on sale of other fixed assets	1	0	7
<b>Total</b>	<b>7</b>	<b>129</b>	<b>35</b>

### 3. Curtailment gain recorded under extraordinary gain

In conjunction with settlement of a collective bargaining agreement, Metaldyne discontinued postretirement medical benefits for employees at one of its facilities and recorded a curtailment gain.

### 4. Reversal of provision for employees' bonus recorded under extraordinary gain

Metaldyne adjusted compensation of salaried employees based on upon results for the six months ended September 30, 2007, and such adjustment is recorded as an extraordinary gain.

### 5. Loss on sale and disposal of fixed assets

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Loss on disposal of buildings and structures	10	4	20
Loss on disposal of machinery, equipment, and vehicles	32	158	77
Loss on disposal of tools, furniture and fixtures	53	74	134
Loss on disposal of other fixed assets	2	2	35
Loss on sale of other fixed assets	3	-	3
Disposal cost of fixed assets	61	20	98
<b>Total</b>	<b>164</b>	<b>260</b>	<b>370</b>

## 6. Impairment loss

For the six months ended September 30, 2007, the Group recorded impairment losses in respect of the following assets.

Grouping of assets is based on management accounting unit or location.

Use	Asset type	Location	Impairment loss
Idle asset	Machinery, equipment, and vehicles, and Tool, furniture, and fixtures	Chonburi, Thailand	7 million
Total			7 million

The Group recorded an impairment loss under extraordinary losses since there is no future intended use for these assets. The Group evaluated the collectable amount based on net realizable value of the assets which is calculated by expected sales value minus costs to sell and/or dispose of the assets.

Below is the impairment loss by asset type:

Machinery, equipment, and vehicles	7
Tool, furniture, and fixtures	0
Total	7

## Notes to Consolidated Statements of Net Assets

### Six months ended September 30, 2006

#### 1. Type and number of shares issued and treasury stock

(In thousand shares)

	Number of shares as of March 31, 2006	Increase during the interim period	Decrease during the interim period	Number of shares as of September 30, 2006
<b>Shares issued and outstanding:</b>				
Common stock (Note 1)	60,277	22	-	60,300
Series A preferred stock	28,572	-	-	28,572
Series B preferred stock	10,526	-	-	10,526
Total	99,376	22	-	99,398
<b>Treasury Stock:</b>				
Common stock (Note 2)	82	5	-	88
Total	82	5	-	88

Notes:

1. An increase of 22 thousand shares was as a result of the exercise of stock options.
2. An increase of 5 thousand shares was as a result of purchasing shares with a less-than-one-unit.

#### 2. Stock option information

Company name	Description	Type of shares	Number of shares to be subscribed (In thousand shares)				Total (In ¥ million)
			Number of shares as of March 31, 2006	Increase during the interim period	Decrease during the interim period	Number of shares as of September 30, 2006	
Asahi Tec Corporation	Share subscription rights as stock option	-	-	-	-	-	7
Total			-	-	-	-	7

### 3. Dividend information

This section is not applicable for the six months ended September 30, 2006.

### Six months ended September 30, 2007

#### 1. Type and number of shares issued

(In thousand shares)

	Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of September 30, 2007
<b>Shares issued and outstanding:</b>				
Common stock	259,901	6	-	259,907
Series A preferred stock	28,572	-	-	28,572
Series B preferred stock	10,526	-	-	10,526
Series C preferred stock	179	-	-	179
Total	299,179	6	-	299,185

(Reason of increase):

1. An increase of 6 thousand shares was as a result of the exercise of stock options.

#### 2. Treasury stock

(In thousand shares)

	Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of September 30, 2007
<b>Treasury Stock:</b>				
Common stock	399	6	-	405
Total	399	6	-	405

(Reason of increase):

1. An increase of 6 thousand shares was as a result of purchasing shares with a less-than-one-unit.

#### 3. Stock option information

Company name	Description	Type of shares	Number of shares to be subscribed (In thousand shares)				Total (In ¥ million)
			Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of September 30, 2007	
Asahi Tec Corporation	Share subscription rights as stock option	-	-	-	-	-	267
Total			-	-	-	-	267

#### 4. Dividend information

This section is not applicable for the six months ended September 30, 2007.

## Year ended March 31, 2007

### 1. Type and number of shares issued and treasury stock

(In thousand shares)

	Number of shares as of March 31, 2006	Increase during the year	Decrease during the year	Number of shares as of March 31, 2007
<b>Shares issued and outstanding:</b>				
Common stock (Note 1)	60,277	199,623	-	259,901
Series A preferred stock	28,572	-	-	28,572
Series B preferred stock	10,526	-	-	10,526
Series C preferred stock (Note 2)	-	179	-	179
Total	99,376	199,802	-	299,179
<b>Treasury Stock:</b>				
Common stock (Note 3)	82	316	-	399
Total	82	316	-	399

#### Notes:

1. Common stock increased by 199,623 thousand shares. An increase of 166,581 thousand shares was by way of third party allotment; a 33,000 thousand share increase was by way of global offering (excluding the United States), and a 42 thousand share increase was as a result of the exercise of stock options.

2. Series C preferred stock increased by 179 thousand shares through third party allotments. The interest expense equivalent portion (dividend and accretion) of Series C preferred stock (with redemption option) which is based on the estimated future cash flow is ¥200 million and liability is ¥9,637 million (short-term portion - ¥ - million) for the year ended March 31, 2007. The Company used effective interest rate method for calculation.

3. The increase of treasury stock (common stock) for 316 thousand shares was as a result of the return of 304 thousand shares by RHJ International Japan and an increase of 11 thousand shares as a result of purchasing shares with a less-than-one-unit.

### 2. Stock option information

Company name	Description	Type of shares	Number of shares to be subscribed (In thousand shares)				Total (In ¥ million)
			Number of shares as of March 31, 2006	Increase during the year	Decrease during the year	Number of shares as of March 31, 2007	
Asahi Tec Corporation	Share subscription rights as stock option	-	-	-	-	-	108
Total			-	-	-	-	108

### 3. Dividend information

This section is not applicable for the year ended March 31, 2007.

## Notes to Consolidated Statements of Cash Flows

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

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Cash and bank deposits	4,718	6,522	8,803
Time deposits whose terms are over 3 months	(54)	(50)	(68)
Ending balance of cash and cash equivalents	4,664	6,472	8,735

## Leases

### 1. Finance leases other than those where title transfers to the lessee at the end of the lease term

(1) Estimated acquisition cost, accumulated depreciation, accumulated impairment loss, and ending balance of leased assets:

	Six months ended September 30, 2006				Six months ended September 30, 2007			
	Million yen				Million yen			
	Fixed Asset		Intangible Asset	Total	Fixed Asset		Intangible Asset	Total
Machinery, equipment, and vehicle	Tools, furniture, and fixtures	Software	Machinery, equipment, and vehicle		Tools, furniture, and fixtures	Software		
Acquisition cost	423	737	96	1,256	423	822	75	1,321
Accumulated depreciation	138	360	55	554	188	455	46	690
Ending balance	284	376	41	702	234	367	29	630

	Year ended March 31, 2007			
	Million yen			
	Fixed Asset		Intangible Asset	Total
Machinery, equipment, and vehicle	Tools, furniture, and fixtures	Software		
Acquisition cost	423	840	84	1,348
Accumulated depreciation	163	415	47	626
Ending balance	259	425	37	721

(2) Future lease payments

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Amounts due within one year	228	241	253
Amounts due over one year	473	389	468
Total	702	630	721

(3) Lease and estimated depreciation expenses

	Six months ended September 30, 2006	Six months ended September 30, 2007	Year ended March 31, 2007
	Million yen	Million yen	Million yen
Lease expense	120	124	247
Notional depreciation expense	120	124	247

(4) Calculation method of estimated depreciation expense

Straight-line method is used over the lease term with no residual value.

## 2. Operating lease transactions

	Six months ended September 30, 2006 Million yen		Six months ended September 30, 2007 Million yen		Year ended March 31, 2007 Million yen	
	Lessor	Lessee	Lessor	Lessee	Lessor	Lessee
Amounts due/receivable within one year	70	-	98	4,975	162	5,092
Amounts due/receivable over one year	347	-	556	23,079	1,228	25,039
Total	418	-	654	28,055	1,391	30,132

### (Impairment loss)

There was no impairment loss allocated to leased assets for the six months ended September 30, 2006, and 2007, and for the year ended March 31, 2007.

## Securities

### **I Six months ended September 30, 2006**

1. Available-for-sale securities with market value (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥155	¥79

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

	Carrying Value
Available-for-sale securities Unlisted stock	¥40

### **II Six months ended September 30, 2007**

1. Available-for-sale securities with market value (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥148	¥71

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

	Carrying Value
Available-for-sale securities Unlisted stock	¥39

### **III Year Ended March 31, 2007**

1. Available-for-sale securities with market value (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥196	¥119

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

	Carrying Value
Available-for-sale securities Unlisted stock	¥39

## Derivatives

### Six months ended September 30, 2006

#### (1) Interest rate related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain/loss
Transaction outside of the market	Interest rate swap - payment at fixed rate and receipt at variable rate	276	58	(33)	(33)
Total		276	58	(33)	(33)

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Derivatives accounted for by hedge accounting are excluded.
3. Above gain/loss was incurred when netting the intercompany loans.

### Six months ended September 30, 2007

#### (1) Foreign currency related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain/loss
Transaction outside of the market	Foreign currency contract Buy – Bath Sell – Yen	223	-	226	2
	Foreign currency contract Buy – Yen Sell – Bath	1,429	-	1,455	(25)
	Foreign currency swap Receive – Crone Pay – Euro	272	-	272	-

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Derivatives accounted for by hedge accounting are excluded.
3. Above gain/loss was incurred when netting the intercompany loans.

#### (2) Interest rate related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain/loss
Transaction outside of the market	Interest rate swap - payment at fixed rate and receipt at variable rate	68	-	(11)	(11)
Total		68	-	(11)	(11)

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Above gain/loss was incurred when netting the intercompany loans.

**Year Ended March 31, 2007**

## (1) Foreign currency related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain/loss
Transaction outside of the market	Foreign currency contract Buy - Euro	693	-	691	(2)
Total		693	-	691	(2)

Notes:

1. Fair market value is based on the information obtained from financial institutions.

## (2) Interest rate related transaction

(In ¥ million)

Classification	Type	Contract amount	Contract over one year	Fair market value	Gain/loss
Transaction outside of the market	Interest rate swap - payment at fixed rate and receipt at variable rate	170	-	(31)	(31)
Total		170	-	(31)	(31)

Notes:

1. Fair market value is based on the information obtained from financial institutions.
2. Above gain/loss was incurred when netting the intercompany loans.

## Stock Option

### Six months ended September 30, 2006

1. The amount of stock option expense recorded for the six months ended September 30, 2006

Cost of sales: ¥ 1 million

Selling, general and administrative expenses: ¥ 6 million

2. Detail description of stock option granted during the current interim period

	Year 2006 stock option plan 1
Type of eligible employee and the number of eligible employee	Officer of the Company: 1 Employee of the Company: 1
The number of stock option granted by type of share	Common stock – 180,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2013), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months (from July 1, 2006 to March 31, 2013).
Exercise period	From July 1, 2008 to June 28, 2016
Exercise price	¥ 251
Fair value on grant date	¥ 145

	Year 2006 stock option plan 1-2
Type of eligible employee and the number of eligible employee	Director of the subsidiary: 1 Employee of the subsidiary: 2
The number of stock option granted by type of share	Common stock – 240,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2009) until the last vesting date (March 31, 2014), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 3 years (from July 1, 2006 to June 30, 2009). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months (from July 1, 2006 to March 31, 2014).
Exercise period	From July 1, 2009 to June 28, 2016
Exercise price	¥ 251
Fair value on grant date	¥ 151

	Year 2006 stock option plan 2
Type of eligible employee and the number of eligible employee	Officer of the Company: 7 Employee of the Company: 92 Director of the subsidiary: 1 Employee of the subsidiary: 38
The number of stock option granted by type of share	Common stock – 1,197,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2012), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter,

	requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2006 to March 31, 2012).
Exercise period	From July 1, 2008 to June 28, 2016
Exercise price	¥ 251
Fair value on grant date	¥ 141

### Six months ended September 30, 2007

1. The amount of stock option expense recorded for the six months ended September 30, 2007

Cost of sales: ¥ 2 million

Selling, general and administrative expenses: ¥ 156 million

2. Detail description of stock option granted during the current interim period

This section is not applicable for the six months ended September 30, 2007.

### Year Ended March 31, 2007

#### 1. Detail description of stock option, size and movement schedule

(1) Detail description of stock option

	Year 2004 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 8 Officer of the Company: 11 Employee of the Company: 90 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 2,781,773 shares
Grant date	July 1, 2004
Terms and conditions	<p>After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions are also set respectively:</p> <p>After the first vesting date (July 1, 2005) until the last vesting date (March 31, 2009), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. At retirement, all options become vested.</p> <p>After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p> <p>After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p>
Requisite service period	<p>Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months (from July 1, 2004 to March 31, 2009). However, below requisite service periods are also set respectively:</p> <p>Requisite service period until the first vesting date is 1 year (from July 1, 2004 to June 30, 2005). Thereafter,</p>

	<p>requisite service period is extended every quarter, and the requisite service period until the last vesting date is 4 years and 9 months. At retirement, all options become vested.</p> <p>Requisite service period until the first vesting date is 2 years (from July 1, 2004 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months.</p> <p>Requisite service period until the first vesting date is 3 years (from July 1, 2004 to June 30, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months.</p>
Exercise period	From July 1, 2005 to June 30, 2014

	Year 2005 stock option plan 1
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 1
The number of stock option granted by type of share	Common stock – 85,000 shares
Grant date	July 1, 2005
Terms and conditions	After the first vesting date (July 1, 2006) until the last vesting date (March 31, 2011), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 1 year (from July 1, 2005 to June 30, 2006). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011).
Exercise period	From July 1, 2006 to June 30, 2015

	Year 2005 stock option plan 2
Type of eligible employee and the number of eligible Employee	Director of the Company: 2 Officer of the Company: 7 Employee of the Company: 97 Director of the subsidiary: 1
The number of stock option granted by type of share	Common stock – 1,299,000 shares
Grant date	July 1, 2005
Terms and conditions	<p>After the first vesting date (July 1, 2007) until the last vesting date (March 31, 2011), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date. However, below terms and conditions apply to one of the two directors of the Company:</p> <p>After the first vesting date (January 1, 2008) until the last vesting date (September 30, 2012), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.</p>
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2005 to June 30, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2005 to March 31, 2011). However, below requisite service period is also set for one of the two directors of the Company:

	Requisite service period until the first vesting date is 2 years and 6 months (from July 1, 2005 to December 31, 2007). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 3 months (from July 1, 2005 to September 30, 2012).
Exercise period	From June 29, 2007 to June 28, 2015

	Year 2006 stock option plan 1
Type of eligible employee and the number of eligible Employee	Officer of the Company: 1 Employee of the Company: 1
The number of stock option granted by type of share	Common stock – 180,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2013), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 6 years and 9 months (from July 1, 2006 to March 31, 2013).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2006 stock option plan 1-2
Type of eligible employee and the number of eligible Employee	Director of the subsidiary: 1 Employee of the subsidiary: 2
The number of stock option granted by type of share	Common stock – 240,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2009) until the last vesting date (March 31, 2014), one twentieth (1/20) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 3 years (from July 1, 2006 to June 30, 2009). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 7 years and 9 months (from July 1, 2006 to March 31, 2014).
Exercise period	From July 1, 2009 to June 28, 2016

	Year 2006 stock option plan 2
Type of eligible employee and the number of eligible Employee	Officer of the Company: 7 Employee of the Company: 92 Director of the subsidiary: 1 Employee of the subsidiary: 38
The number of stock option granted by type of share	Common stock – 1,201,000 shares
Grant date	July 1, 2006
Terms and conditions	After the first vesting date (July 1, 2008) until the last vesting date (March 31, 2012), one sixteenth (1/16) of stock option becomes vested every quarter as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 2 years (from July 1, 2006 to June 30, 2008). Thereafter, requisite service period is extended every quarter, and the requisite service period until the last vesting date is 5 years and 9 months (from July 1, 2006 to March 31, 2012).
Exercise period	From July 1, 2008 to June 28, 2016

	Year 2007 stock option plan
Type of eligible employee and the number of eligible Employee	Director of the Company: 1 Director and Officer of the subsidiary: 7 Employee of the subsidiary: 15
The number of stock option granted by type of share	Common stock – 3,031,835 shares
Grant date	January 11, 2007
Terms and conditions	After the first vesting date (January 11, 2008) until the last vesting date (January 11, 2010), one third (1/3) of stock option becomes vested every year as long as employees remain with the Group at the vesting date.
Requisite service period	Requisite service period until the first vesting date is 1 year (from January 12, 2007 to January 10, 2008). Thereafter, requisite service period is extended every year, and the requisite service period until the last vesting date is 3 years (from January 12, 2007 to January 10, 2010).
Exercise period	From January 11, 2008 to January 11, 2017

(2) Size and movement schedule

Stock options that existed during the last fiscal year are described below, and the number of stock options is converted to the number of shares in the below table.

a) Number of stock options

(In shares)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option Plan
<b>Non-vested:</b>							
Balance as of March 31, 2006	2,013,294	85,000	1,255,000	-	-	-	-
Granted	-	-	-	180,000	240,000	1,201,000	3,031,835
Forfeited	28,125	-	405,000	-	-	24,000	-
Vested	521,029	17,000	-	-	-	-	-
Balance as of March 31, 2007	1,458,140	68,000	850,000	180,000	240,000	1,177,000	3,031,835
<b>Vested:</b>							
Balance as of March 31, 2006	354,282	-	-	-	-	-	-
Vested	526,529	17,000	-	-	-	-	-
Exercised	42,319	-	-	-	-	-	-
Forfeited	6,753	-	-	-	-	-	-
Balance as of March 31, 2007	831,739	17,000	-	-	-	-	-

b) Price information

(In ¥)

	Year 2004 stock option plan 1	Year 2005 stock option plan 1	Year 2005 stock option plan 2	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2	Year 2007 stock option plan
Exercise price	145	145	261	251	251	251	313
Average stock price on exercise	296	-	-	-	-	-	-
Fair value on grant date	-	-	-	145	151	141	209

## 2. Valuation method

Valuation method and assumptions used for the stock options granted in year 2006 are as follows:

a) Method: Black & Scholes model

b) Assumptions

	Year 2006 stock option plan 1	Year 2006 stock option plan 1-2	Year 2006 stock option plan 2
Volatility (Note 1)	57.236%	58.086%	57.187%
Remaining period (Note 2)	8 years and 5 months	8 years and 11 months	7 years and 11 months
Dividend (Note 3)	¥0	¥0	¥0
Risk-free interest rate (Note 4)	1.835%	1.868%	1.796%

Notes:

1. Volatility is calculated based on the daily share price (closing price on each trade date), and calculation period is 8 years and 5 months (January 30, 1998 to June 30, 2006) for Year 2006 stock option plan 1, 8 years and 11 months (July 31, 1997 to June 30, 2006) for Year 2006 stock option plan 1-2, and 7 years 11 months (July 31, 1998 to June 30, 2006) for Year 2006 stock option plan 2, respectively.
2. Due to the limited information, our assumption is that remaining period will be from the grant date through a half way point of the exercise period.
3. Based on the actual dividend performance during prior year period (one year).
4. Risk-free interest rate represents interest rates of Japanese treasuries with the term corresponding to the remaining period as of June 30, 2006.

Valuation method and assumptions used for the stock option granted in year 2007 are as follows:

a) Method: Bi-nominal model

b) Assumptions

	Year 2007 stock option plan
Volatility (Note 1)	57.326%
Remaining period (Note 2)	10 years
Dividend (Note 3)	¥0
Risk-free interest rate (Note 4)	1.728%

Notes:

1. Volatility is calculated based on the daily share price (closing price on each trade date), and calculation period is 10 years (January 10, 1997 to January 11, 2007).
2. Due to the limited information, our assumption is that remaining period will be from grant date through a half way point of the exercise period.
3. Based on the actual dividend performance during prior year period (one year).
4. Risk-free interest rate represents interest rates of Japanese treasuries with the term corresponding to the remaining period as of January 11, 2007.

## 3. Estimation of the number of stock options to be vested

In principle, forfeiture rate is estimated based on the actual retirement rate. For the Year 2007 stock option plan, the Company reflected the actual forfeiture rate to calculate the number of stock options to be vested as the future forfeiture rate is not reasonably estimable.

#### **4. Financial information**

Cost of sales: ¥ 3 million

Selling, general and administrative expenses: ¥ 104 million

## Segment Information

### 1. Information by Business Segment

Six months ended September 30, 2006

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Elimination or Corporate	Consolidated
Sales					
(1) Sales to external customers	¥41,647	¥2,395	¥44,042	¥-	¥44,042
(2) Inter-segment sales or transfers	20	-	20	(20)	-
Total	41,668	2,395	44,063	(20)	44,042
Reversal of provision for loss on sales	(362)	-	(362)	-	(362)
Operating expenses	40,040	2,361	42,401	723	43,125
Operating income	1,990	34	2,024	(744)	1,279

Six months ended September 30, 2007

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Elimination or Corporate	Consolidated
Sales					
(1) Sales to external customers	¥158,045	¥3,224	¥161,269	¥-	¥161,269
(2) Inter-segment sales or transfers	19	-	19	(19)	-
Total	158,064	3,224	161,289	(19)	161,269
Reversal of provision for loss on sales	(279)	-	(279)	-	(279)
Operating expenses	154,674	3,134	157,809	595	158,404
Operating income	3,669	90	3,759	(615)	3,144

Year ended March 31, 2007

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Elimination or Corporate	Consolidated
Sales					
(1) Sales to external customers	¥136,902	¥8,800	¥145,702	¥-	¥145,702
(2) Inter-segment sales or transfers	39	-	39	(39)	-
Total	136,941	8,800	145,741	(39)	145,702
Operating expenses	133,263	7,903	141,166	1,259	142,426
Operating income	3,678	896	4,575	(1,298)	3,276

Notes:

1. The business segments in the above table were categorized based on the Company's administrative policies.
2. Major products included in business segments
  - (1) General casting and forging parts: general parts for vehicles (including aluminum wheels), parts for industrial machinery.

- (2) Devices and equipment: overhead wire casting, environmental systems and electric power transmission equipment.
3. For “operating expenses”, the amount of non-allocable operating expenses included in “Elimination or Corporate” for the six months ended September 30, 2006 and 2007 was ¥740 million and ¥611 million, respectively, and for the year ended March 31, 2007 was ¥1,295 million, which mainly relates to administrative sections, such as the general affairs department in the head office of the Company.
4. Change in accounting principle
- Method of depreciation for depreciable assets – Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the above segment information due to this change appeared immaterial.
- For the assets acquired before March 31, 2007, the difference between 5% of acquisition cost and residual value begins to be depreciated by straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% under the depreciation method applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating expense of “general casting and forging parts”, “devices and equipments” and “elimination and corporate” increased by ¥238 million, ¥5 million, and ¥1 million, respectively, and operating income decreased for the same amount accordingly.

## 2. Information by Geographical Segment

### Six months ended September 30, 2006

(In ¥ million)

	Japan	Asia	Total	Elimination or Corporate	Consolidated
Sales					
(1) Sales to external customers	¥ 38,946	¥5,096	¥44,042	¥-	¥44,042
(2) Inter-segment sales or transfers	169	2,737	2,907	(2,907)	-
Total	39,116	7,833	46,949	(2,907)	44,042
Reversal of provision for loss on sales	(278)	(84)	(362)	-	(362)
Operating expenses	37,374	7,972	45,347	(2,222)	43,125
Operating income (loss)	2,019	(55)	1,964	(684)	1,279

### Six months ended September 30, 2007

(In ¥ million)

	Japan	Asia	United States	Europe	Other	Total	Elimination or Corporate	Consolidated
Sales								
(1) Sales to external customers	¥41,787	¥10,122	¥74,955	¥27,315	¥7,089	¥161,269	¥-	¥161,269
(2) Inter-segment sales or transfers	220	3,832	2,587	9	50	6,700	(6,700)	-
Total	42,008	13,954	77,542	27,324	7,139	167,970	(6,700)	161,269
Reversal of provision for loss on sales	(66)	3	(216)	-	-	(279)	-	(279)
Operating expenses	40,231	13,394	79,518	24,208	6,475	163,827	(5,422)	158,404
Operating income (loss)	1,843	556	(1,759)	3,116	664	4,422	(1,278)	3,144

### Year ended March 31, 2007

(In ¥ million)

	Japan	Asia	United States	Europe	Other	Total	Elimination or Corporate	Consolidated
Sales								
(1) Sales to external Customers	¥82,694	¥13,308	¥34,329	¥12,180	¥3,189	¥145,702	¥-	¥145,702
(2) Inter-segment sales or transfers	397	5,895	1,270	527	1,835	9,927	(9,927)	-
Total	83,091	19,203	35,600	12,708	5,025	155,629	(9,927)	145,702
Operating expenses	78,734	18,675	35,651	11,261	4,556	148,879	(6,453)	142,426
Operating income (loss)	4,356	528	(51)	1,447	468	6,749	(3,473)	3,276

Notes:

1. Policies for geographical segment, and countries included in each geographical segment:

- (1) The geographical segments are determined based on geographical closeness of countries.
- (2) Asia – Thailand, China, Korea, and India
- (3) United States – United States

- (4) Europe – Germany, France, United Kingdom, Italy, Czech Republic, and Luxembourg
2. “United States”, “Europe”, and “Other” were added to the above table starting from the year ended March 31, 2007 as a result of the acquisition of Metaldyne.
  3. For “operating expenses”, the amount of non-allocable operating expenses included in “Elimination or Corporate” was the same as one described in the Note 3 for “Information by Business Segment” plus Metaldyne’s corporate expense.
  4. Amortization expense of goodwill of Metaldyne which was included in “Elimination or Corporate” column for the year ended March 31, 2007 was allocated to respective segment for the six months ended September 30, 2007 using a reasonable method.
  5. Change in accounting principle

Method of depreciation for depreciable assets – Depreciation method has been modified for the assets acquired after April 1, 2007 in accordance with the revision of Japanese corporate tax laws issued in March 2007. Impact on the above segment information due to this change appeared immaterial.

For the assets acquired before March 31, 2007, the difference between 5% of acquisition cost and residual value begins to be depreciated by straight-line method over 5 years from the next fiscal year when the acquisition cost of assets reaches 5% under the depreciation method applied before the revision of Japanese corporate tax laws issued in March 2007. As a result of this change, operating expense of “Japan” and “elimination and corporate” increased by ¥244 million and ¥1 million, respectively, and operating income decreased for the same amount accordingly.

### 3. Overseas Sales

#### Six months ended September 30, 2006

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	¥4,889	¥250	¥5,139
II	Consolidated sales			¥44,042
III	Ratio of overseas sales to the consolidated sales	11.1%	0.6%	11.7%

#### Six months ended September 30, 2007

(In ¥ million)

		Asia	United States	North America	Europe	Other Area	Total
I	Overseas sales	¥10,465	¥62,531	¥17,440	¥27,358	¥1,144	¥118,940
II	Consolidated sales						¥161,269
III	Ratio of overseas sales to the consolidated sales	6.5%	38.8%	10.8%	17.0%	0.7%	73.8%

#### Year ended March 31, 2007

(In ¥ million)

		Asia	United States	Europe	Other Area	Total
I	Overseas sales	¥12,772	¥27,946	¥12,870	¥9,245	¥62,834
II	Consolidated sales					¥145,702
III	Ratio of overseas sales to the consolidated sales	8.8%	19.2%	8.8%	6.3%	43.1%

Notes:

1. Geographical segments are based on geographical closeness of countries.
2. Geographical segments mainly consist of the following countries:
 

Asia:	Thailand, China, Korea, and other
United States:	United States
North America:	Canada, and Mexico

Europe: Germany, France, United Kingdom, and other  
Other Area: Middle East, Africa, and other

3. "United States", "Europe", and "North America" were added to the above table for the six months ended September 30, 2007, considering the overseas market of Metaldyne acquired on January 11, 2007.
4. Overseas sales represent the Company's and its consolidated subsidiaries' sales in countries or areas other than Japan.

## Purchase Accounting

### **Six months ended September 30, 2007**

(Adoption of purchase accounting)

#### Detail of change in purchase price allocation and amount thereof

Purchase price allocation was performed based on preliminary estimates of fair value with the available data at the time of preparation of the consolidated financial statements issued March 31, 2007. Therefore, the value of assets and liabilities of Metaldyne are subject to subsequent revisions. Accordingly, during the current half year, the carrying amount of goodwill was adjusted due to the change of purchase price allocation for the following items.

List of items adjusted:	Change in goodwill	
	Million yen	
Tangible fixed assets		1,423
Intangible fixed assets		(216)
Deferred tax assets and liabilities		(284)
Tax contingencies		(416)
Other		<u>189</u>
	Total	695

Purchase price allocation for certain items, including items listed above, are still estimates and as such are subject to change after the six months ended September 30, 2007.

## Earnings Per Share

Six months ended September 30, 2006 (In ¥)	Six months ended September 30, 2007 (In ¥)	Year ended March 31, 2007 (In ¥)
Net assets per share 171.56	Net assets per share 190.00	Net assets per share 190.39
Basic net income per share 2.86	Basic net loss per share (12.62)	Basic net loss per share (6.40)
Diluted net income per share 2.84	Diluted net income per Share -	Diluted net income per share -

Note:

1. Diluted net income per share is not presented for the year ended March 31, 2007 and the six months ended September 30, 2007, since the Group had a net loss even though the Company has dilutive shares.

2. Basis of calculation:

	Six months ended September 30, 2006 Million yen	Six months ended September 30, 2007 Million yen	Year ended March 31, 2007 Million yen
Basic earnings/loss per share:			
Net income (loss)	283	(2,798)	(665)
Less amount that does not belong to common stock	-	476	325
Series A preferred stock	-	24	50
Series B preferred stock	-	37	74
Series C preferred stock	-	413	200
Net income (loss) for basic earnings/loss per share	283	(3,274)	(991)
	Thousand shares	Thousands shares	Thousand Shares
Weighted average number of shares – common stock	60,207	259,501	99,162
Weighted average number of shares – preferred stock and stock option	39,098	-	55,668
Weighted average number of shares for the purpose of diluted EPS	99,305	259,501	154,830
	Million yen	Million yen	Million yen
Diluted net income per share:			
Adjustments to net income	-	-	-
	Thousand shares	Thousand shares	Thousand Shares
Increase of common stock	641	-	-
(Increase by exercise of stock option)	641	-	-
Stock options that are excluded from the calculation of diluted earnings per share as they are anti-dilutive:	_____	_____	a) 3,031,835 stock options granted in June 2006