

(Translation)

Consolidated Condensed Semiannual Financial Statements for the Year Ending March 31, 2007

November 27, 2006

Listing name: ASAHI TEC CORPORATION (hereinafter referred to as “the Company”)
Code number: 5606
Listing: The Tokyo Stock Exchange, 1st section
Head office: Shizuoka Prefecture
(URL <http://www.asahitec.co.jp/>)
Representative: Akira NAKAMURA (President and CEO)
Contact: Takao YOSHIDA (Managing Executive Officer and CFO)
Telephone number: +81 – 537 – 36 – 3112

Date of board of directors’ meeting to approve the consolidated semiannual financial statements: November 27, 2006

Name of the parent company: RHJ International SA/NV

Percentage of voting rights owned by the parent company: 63.0%

U.S.A. Accounting Standards: Not adopted

1. Financial Results for the Six Months Ended September 30, 2006

(1) Consolidated operating results (Amounts are rounded down to the nearest ¥1 million.)

	Net sales (In ¥ million)	Percent change	Operating income (In ¥ million)	Percent change	Ordinary income (In ¥ million)	Percent change
Six months ended September 30, 2006	44,042	66.8%	1,279	19.5%	997	37.8%
Six months ended September 30, 2005	26,407	10.9%	1,070	-	723	-
Year ended March 31, 2006	57,994	0.7%	2,013	220.5%	1,447	-

	Net income (In ¥ million)	Percent change	Net income per share (in ¥)	Diluted net income per share (in ¥)
Six months ended September 30, 2006	283	-	2.86	2.84
Six months ended September 30, 2005	(49)	-	(0.55)	-
Year ended March 31, 2006	(282)	-	(3.18)	-

Notes:

1) Income (loss) under the equity method: (In ¥ million)

Six months ended September 30, 2006	33
Six months ended September 30, 2005	19
Year ended March 31, 2006	74

2) Weighted average number of shares: please refer to page 3.

3) Change in accounting policies: No

4) Percent changes in net sales, operating income, ordinary income and net income in the tables represent increase or (decrease) from the previous six months ended September 30, 2005.

5) Operating results for September 30, 2006 reflect Techno-Metal Co., Ltd. which was acquired on February 28, 2006.

- 6) Net income per share was calculated based on the assumption that the preferred shares of Series A and B were converted to common shares.

(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, 2006	71,981	18,509	25.7%	171.56
Six months ended September 30, 2005	47,058	12,621	26.8%	171.87
Year ended March 31, 2006	72,593	15,332	21.1%	161.69

Notes:

- 1) The number of shares issued and outstanding at period end (consolidated): please refer to page 3.
- 2) Starting September 30, 2006, “equity”, “equity to total assets”, and “equity per share” data for September 30, 2005 and March 31, 2006 are disclosed under “net assets”, “net assets to total assets”, and “net assets per share”, respectively.
- 3) Financial position for September 30, 2006 and March 31, 2006 reflects Techno-Metal Co., Ltd. which was acquired on February 28, 2006.
- 4) In order to calculate the net assets per share, the Company divided a portion of period-end net assets attributable to common shares, by the number of common shares issued and outstanding at the period-end. The portion of period-end net assets used for this calculation excludes a liquidation preference portion attributable to preferred shares and preferred dividends.

(3) Consolidated cash flow results

(In ¥ million)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash (used in) provided by financing activities	Ending balance of cash and cash equivalents
Six months ended September 30, 2006	¥3,187	(¥2,087)	(¥576)	¥4,664
Six months ended September 30, 2005	2,063	(1,612)	(1,100)	3,119
Year ended March 31, 2006	2,772	(6,831)	4,366	4,119

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries: Nine (9)

Number of nonconsolidated subsidiaries under the equity method: None

Number of affiliated companies under the equity method: Two (2)

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

Number of newly consolidated subsidiaries: Two (2)

Number of subsidiaries excluded from consolidation: None

Number of new affiliated companies under the equity method: None

Number of affiliated companies excluded from the equity method: None

2. Projected Consolidated Financial Results for the Year Ending March 31, 2007

(In ¥ million)

	Net sales	Ordinary income	Net income
Year ending March 31, 2007	¥87,000	¥2,300	¥1,500

For reference: Projected net income per share (annual base): ¥15.10

All projections 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 projection due to various factors. For the above projections, please refer to “3. Outlook of Business Results for the Year Ending March 31, 2007” on page 12.

Note: The projected net income per share for the year ending March 31, 2007 was calculated based on the assumption that the preferred shares of Series A and B were converted to common shares.

Weighted average number of shares (consolidated)

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	shares	shares	shares
Common stock	60,198,830	60,207,378	60,196,458
Preferred stock			
Series A preferred stock	28,572,000	28,572,000	28,572,000
Series B preferred stock	0	10,526,316	115,357

Number of shares issued and outstanding (consolidated)

	As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
	shares	shares	shares
Common stock	60,198,095	60,211,282	60,194,973
Preferred stock			
Series A preferred stock	28,572,000	28,572,000	28,572,000
Series B preferred stock	0	10,526,316	10,526,316

1. Formulas to calculate the performance indicators for the six months ended September 30, 2006:

- Net income per share

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

- Net asset per share

Portion of period-end net asset attributable to common shares / Number of common shares issued and outstanding at period-end (consolidated)

2. Formula to calculate the performance indicators for the year ending March 31, 2007:

- Projected annual net income per share

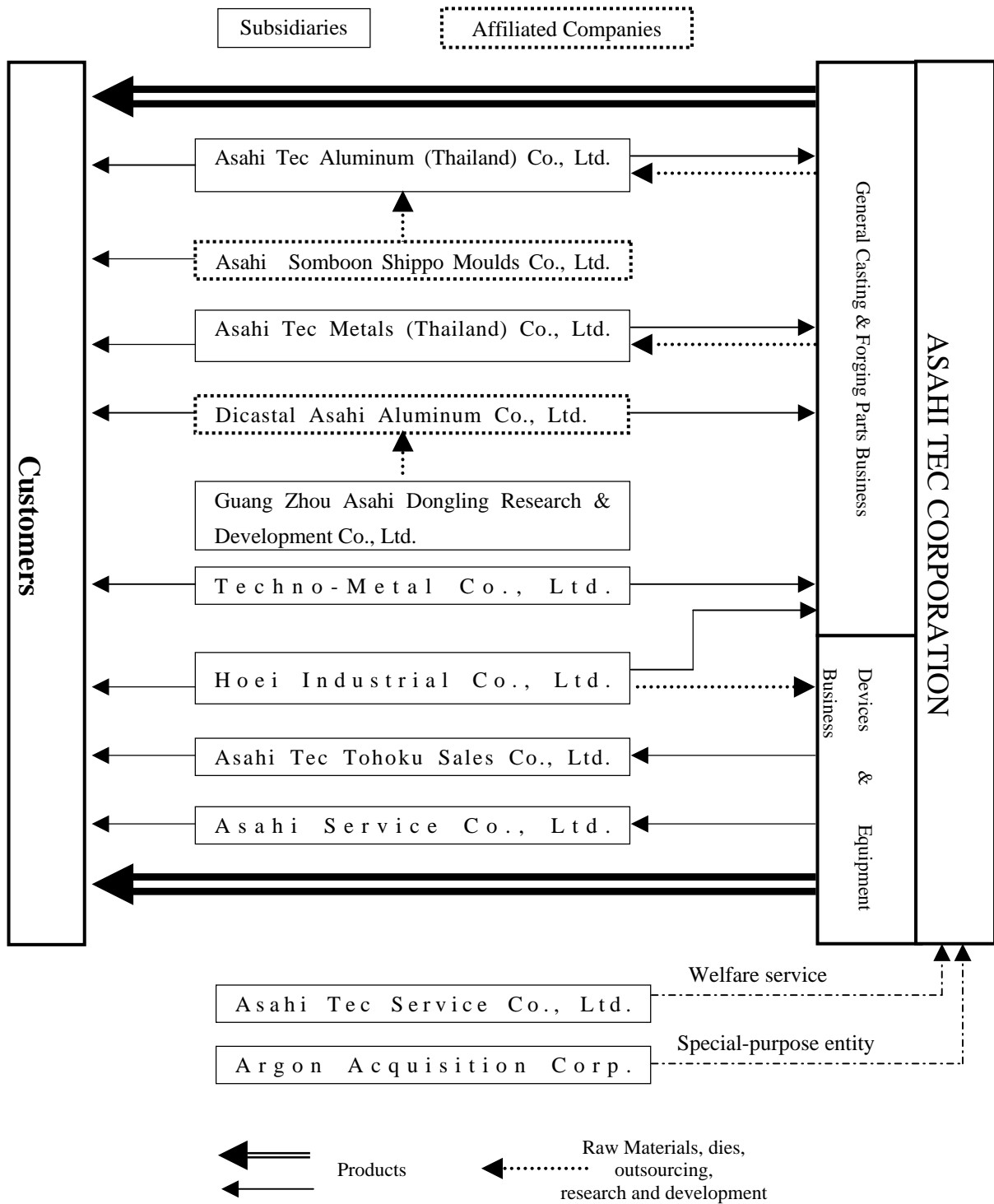
Portion of projected net income attributable to common shares / [Number of common shares issued and outstanding at the period-end (consolidated) + Increased number of common shares based on the assumption that all existing convertible participating shares are converted]

Group Information

The Group consists of the Company, nine (9) subsidiaries and two (2) affiliated companies, and mainly engages in the manufacture and sales of general casting and forging parts, and devices and equipment. Its main operations, operating status and business segments are as follows:

Business segment	Product line and services	Principal companies
General casting and forging parts	General components for vehicles	Hoei Industrial Co., Ltd. Techno-Metal Co., Ltd. Asahi Tec Aluminum (Thailand) Co., Ltd. Asahi Tec Metals (Thailand) Co., Ltd. Asahi Somboon Shippo Moulds Co., Ltd. Guang Zhou Asahi Dongling Research & Development Co., Ltd.
	Aluminum wheels	Asahi Tec Aluminum (Thailand) Co., Ltd. Dicastal 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.
	Special-purpose entity	Argon Acquisition Corp.

The Group's schematic diagram is as follows:



Consolidated subsidiaries and affiliated companies are as follows:

Nine (9) subsidiaries

Hoei Industrial Co., Ltd.	Manufacture and sales of aluminum forging products
	Machining and assembly of various machines and parts
Techno-Metal Co., Ltd.	Manufacture and sales of ductile iron casting products, gray-iron casting products, iron forging, and aluminum diecast components
	Machining process, subassembly
Asahi Tec Aluminum (Thailand) Co., Ltd.	Manufacture and sales of aluminum alloy casting products, and aluminum wheels
Asahi Tec Metals (Thailand) Co., Ltd.	Manufacture and sales of ductile iron casting products, and gray iron casting products
Guang Zhou Asahi Dongling Research & Development Co., Ltd.	Research and development of auto parts including testing of products and technical consulting
Asahi Tec Touhoku Sales Co., Ltd.	Consigned sales of overhead line fittings
Asahi Service Co., Ltd.	Sales of environmental equipment, and construction of water treatment facilities
Asahi Tec Service Co., Ltd.	Welfare service
Argon Acquisition Corp.	Special-purpose entity

Two (2) affiliated companies

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

indicates that these companies were accounted for under the equity method.

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 new next century. It 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 ongoing attention to global environmental issues.

2. Earnings Distribution – Basic Policy

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

Distribution of dividend is determined based on the above guidelines and also considering the financial position and profit and loss of the relevant period as a whole. The payment of an interim dividend is not planned to be made, considering the future forecast and other factors. Following the adoption of a new corporate law effective May 2006, the Company revised its articles of incorporation which allows the Group to make a dividend payment in addition to interim and/or year-end dividend by approval at the Board of Directors meeting. However, the Group did not make dividend payment considering the future forecast and other factors. We sincerely appreciate your understanding.

During the current half year, the Company issued stock options to the directors, officers, and employees of the Company and its domestic subsidiaries in order to align their interest with those of shareholders.

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

For the Group to obtain a competitive advantage over other automotive components manufacturers while auto makers are expanding its globalization by increasing outsource of production of high value-added automotive parts, it is imperative to execute strategies to respond to this dynamic business environment. The Group, as a casting and forging manufacturer of iron and aluminum automobile parts, took it as a chance to expand its market share and plan to keep doing so by establishing Asia as a center of production.

The Group has been challenged by intense competition along with the ongoing globalization of the economy, while environment conservation and safety issues have been emphasized, and technological innovation has been accelerated. Under these business circumstances, it will devote itself to take the following measures in order to provide new technology and competitive products that satisfy customer needs on a timely basis, and to 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 equipment.

(2) Thorough control on 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 systematically, it will continuously provide reliable products of light alloy and cast iron, seeking for high quality and cost competitiveness.

(3) Growth strategy

On September 1, 2006, the Company's Board of Directors passed a resolution to acquire Metaldyne Corporation ("Metaldyne"), a leading global automotive components manufacturer (the "Transaction").

Metaldyne is a leading global supplier of systems and modules for automotive powertrain and chassis applications. Through the Transaction, 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 Transaction 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.

The Group will expand its global sales activities with newly developed products that contribute to weight reduction and enhanced performance of automobiles, while developing an integrated production flow where production process starts from technical development, continues through the purchase of materials and production and ends at assembly. To promote global business expansion, the Group considers Thailand to be an important production location and is also planning to establish a production base in China. The environmental system and equipment business and the electric power equipment business are expected to keep contributing to maximizing the Company's profit.

(4) Intensive manpower development

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

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

4. Parent Company Information

(1) Name and etc. of the parent company

Name	RHJ International SA/NV
Relationship	Parent
Percentage of voting rights owned by the parent company and etc.	63.0%
Stock exchange where the parent company is listed	Euronext, Brussels Stock Exchange, 1 st section

(2) The Company's position in the parent company group and its relationship with the parent

RHJ International SA/NV ("RHJI") is a holding company that invests, as its business, into seven (7) companies including the Company. Therefore, the Company is one of their portfolio companies.

Six (6) directors of the Company out of eleven (11) of them are from RHJI. This is mainly intended for an exchange of managerial information, so it is the Company that is responsible for managing operations.

Although RHJI owns a majority of outstanding shares of the Company, it does not force the Company, as a parent company, to obtain its approval for managing operations. When the Company receives advice from RHJI on M&A matters, it enters into a separate consulting agreement with RHJI that does not include exclusive clauses, and their fee is set at a standard rate in light of their business.

RHJI, as a stable major shareholder, is enhancing the Company's credibility. The Company recognizes that its corporate governance is appropriately maintained in operating its businesses, while having a close relationship with RHJI.

Business Results and Financial Position

1. Business Results

(1) Overview of Business Results

During the six months ended September 30, 2006 (“current half year”), the Japanese economy has shown a stable recovery as indicated by improved corporate earnings, increased investments in plant and equipment, and a rally in individual consumption, but there still remain some unfavorable factors such as slowly recovering American economy and high oil prices.

Under these circumstances, the consolidated sales for the current half year amounted to ¥44,042 million, up 66.8% from the prior year six-month period, due to the surge in production of truck parts triggered by the increased domestic production and export of trucks, increased order of new auto parts, and sales contributed by Techno-Metal Co., Ltd, a new consolidated entity acquired on February 28, 2006.

Although the Group suffered a rise in the purchase price of materials, consolidated income for the current half year considerably improved compared to that of the prior year six-month period, due to sales increase, cost reduction by shifting production facility to Thailand, reversal of provision on loss on sales considering the improved sales forecast, and consolidation of operation results of Techno-Metal Co., Ltd. starting this current half year. Operating income amounted to ¥1,279 million (up 19.5% from the prior year six-month period), and ordinary profit amounted to ¥997 million (up 37.9% from the prior year six-month period). Net income for the current half year amounted to ¥283 million (up ¥332 million from the prior year six-month period).

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 a higher domestic production of trucks, increased orders of new parts for automobiles and motorcycles, and sales contributed by Techno-Metal Co., Ltd. that became its consolidated subsidiary as of March 31, 2006. Consequently, consolidated sales of this segment amounted to ¥41,668 million, up 75.4% from the prior year six-month period. Consolidated operating income amounted to ¥1,990 million, up 16.4% from the prior year six-month period, in wake of overall sales increase and reversal of provision for loss on sales.

[Devices and Equipment]

As for the devices and equipment business, the sales of this segment decreased due to a lower volume of water treatment work and environmental system business. Consequently, consolidated sales of this segment amounted to ¥2,395 million, down 10.5% from the prior year six-month period. However, consolidated operating income amounted to ¥34 million, up 61.3% from the prior year six-month period due to the change in product mix (i.e. more sales of products with a higher margin).

b) Information by geographical segment

[Japan]

Consolidated domestic sales amounted to ¥39,116 million, up 75.4% from the prior year six-month period, due to the sales contributed by Techno-Metal Co., Ltd. that became its consolidated subsidiary as of March 31, 2006.

Consolidated operating income amounted to ¥2,019 million, up 63.3% from the prior year six-month period, due to the overall sales increase, reversal of provision for loss on sales, and the cost reduction by shifting production function to Thailand.

[Asia]

Consolidated sales in Asia amounted to ¥7,833 million, up 21.8% from the prior year six-month period, due to the sales increase in Thailand as a result of shifting production function to there. However, the Group experienced consolidated operating loss of ¥55 million, down ¥490 million of profit from the prior year six-month period due to a higher purchase cost of materials and appreciation in Thai Baht.

2. Financial Position

(1) Assets, liabilities, and net assets

Total assets decreased by ¥605 million from the prior year-end, though the balance of cash and deposits increased in this interim period, because the notes and accounts receivable decreased in the current half year as many water treatment work contracts of environmental equipment are scheduled to be completed in the second half of the year.

Total liabilities decreased by ¥1,394 million from the prior year-end due to the decrease in notes and accounts payable, reversal of provision for loss on sales, and the repayment of loans and borrowings.

Net assets increased by ¥789 million due to the increase in retained earnings and foreign currency translation adjustments (the total of equity and minority interest as of March 31, 2006 is used for comparison).

(2) Cash flows

Cash and cash equivalents for the current half year was ¥4,664 million, up ¥544 million from the prior year-end.

Net cash provided by operating activities was up by ¥3,187 million, mainly supported by the collection of trade receivables.

Net cash used in investment activities was up by ¥2,087 million mainly due to the acquisition of fixed tangible, which consequently resulted in net increase of cash for ¥1,100 million.

Net cash used in financial activities was up by ¥576 million due to the repayment of short-term loans and borrowings.

(3) Trend of cash flow indicators

	Year ended March 31, 2005		Year ended March 31, 2006		Year ended March 31, 2007
	Interim	Year-end	Interim	Year-end	Interim
Equity ratio	28.0%	25.4%	26.8%	21.1%	25.7%
Equity ratio on a market value basis	35.4%	41.0%	47.9%	43.5%	49.5%
Unexpired years of obligations	5.3 years	5.5 years	3.8 years	8.2 years	3.6 years
Interest coverage ratio	4.3 times	4.2 times	6.7 times	4.0 times	8.8 times

Notes:

Equity ratio: Equity / Total assets

Equity ratio on a market value basis: Market capitalization / Total assets

Unexpired years of obligations: Interest-bearing liabilities / Cash flow from operating activities

(For the interim periods, the cash flow from operating activities is annualized.)

Interest coverage ratio: Cash flow from operating activities / Interest expense

- Each indicator is calculated based on the consolidated amounts.

2. Market capitalization was calculated by the following formula: Closing market price of shares at balance sheet date x number of shares issued and outstanding at balance sheet date (excluding treasury stocks). The number of shares issued and outstanding at balance sheet date included the number of preferred stocks convertible to common shares.
3. The operating cash flow represented the cash flow from operating activities in the consolidated statement of cash flows. However, for the year ended March 31, 2006 and the six months ended September 30, 2006, the advisory service fee and refinance costs, which were nonrecurring and unusual, were excluded from the cash flow for calculation purpose. The interest-bearing liabilities represented all interest-bearing liabilities included in the liabilities on the consolidated balance sheet. The interest expense represented the total amount of interest expense disclosed in the consolidated statement of cash flows.

3. Outlook of Business Results for the Year Ending March 31, 2007

As for the outlook for the year ending March 31, 2007, sales are expected to grow due to the following factors, although the business environment is expected to remain tough due to an increase in the purchase price of materials.

- 1) For aluminum wheel and aluminum products, the demand for motorcycle components will be higher in the second half of the year.
- 2) The business for environment systems and equipment will have the busiest season in the second half of the year.

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

- 1) Increase sales supported by new products, new technologies, and new customers.
- 2) Improve profitability of unprofitable business, or withdraw from it.
- 3) Improve Overall Equipment Efficiency (OEE) and productivity.
- 4) Reduce unusual expenses and unnecessary costs.

On September 1, 2006, the Company's Board of Directors passed a resolution to acquire Metaldyne Corporation ("Metaldyne"), a leading global automotive components manufacturer (the "Transaction"). Specifically, the Company expects the Transaction to contribute to further growth through:

- 1) Expansion of global platform
- 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) Mutually effective utilization of production facilities
- 9) Expanded market opportunity for both light vehicles (Metaldyne) and heavy truck (the Company).

The Group is estimating the annual sales, operating income, ordinary income, and net income to be ¥87,000 million, ¥2,900 million, ¥2,300, and ¥1,500, respectively, by taking above measures. However, those figures do not reflect Metaldyne Corporation's forecast since it is not feasible for the Company to determine the period of consolidation due to the postponement of the closing date of acquisition of Metaldyne Corporation's stock.

4. Risk Information

The business results and the financial position (the Company's share price as well) of the Group may be potentially affected by certain risks as described below. It will pay due attention to the possible occurrence of any risks, implement measures to prevent their occurrence, and deal with them, if they occur. The risk information described below is from management assumption 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. Among them there are Mitsubishi Fuso Truck & Bus Corporation, Suzuki Motor Corporation, Mitsubishi Motors Co., Ltd., and Honda Motor Co., Ltd., on which the Group's dependence (level of sales to these customers) is significant. Therefore, their business and/or operating decisions may affect the Group's operations or business results.

(2) Raw material purchase risk

As the purchase price of certain raw materials (iron chip, aluminum metal and coke, and etc.) is significantly linked to worldwide supply and demand trends, prices may drastically fluctuate. The Group is trying to transfer any increase in purchase price as much as possible to the sales price of the finished products, but the Group's performance may be affected by such risk if transfer on to sales price is not successful.

(3) Sales skewed in the second half year

The Group principally engages in the manufacturing and sales of general casting and forging parts, and of device and equipment parts. However, for its businesses of motorcycle parts and of environmental systems and equipment for public authorities, orders tend to flock particularly to the second half of the year. Therefore, sales and profits for these businesses also tend to be higher in the second half year.

(4) 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 for those loans will infringe the acceleration clause, and result in a breach of contract. Therefore, in that case, the Group will lose the acceleration interest in those loans, and be immediately required to pay the full outstanding balance of the principal and/or incurred interest.

(5) Risk associated with discount request from its customers

Due to fierce low-cost competition in the automobile industry, its products are subject to constant requests for discounts on sales price and improved quality from automobile manufacturers (i.e. customers). To meet such demands, it is making a continuing effort to improve productivity and to reduce purchase cost and defects. However, if those efforts are not sufficient enough to cover discounts given to its customers, that may have an impact on its financial results.

(6) Risk associated with improving profitability and productivity

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

- 1) Improve its production control system for better productivity
- 2) Reduce purchase cost
- 3) Reduce defective products and return from customers by improving quality
- 4) Shift production base to Thailand and China for cost reduction.

It may lose cost competitiveness, which will affect its performance, if those measures are not taken fast enough or the total investment for cost reduction exceeds its budget, or the cost reduction by shifting production to overseas does not fulfill its expectation due to the failure in personnel training or facility shift.

(7) 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.

The Company will make the most of synergy effect by having Techno-Metal Co., Ltd. in the Group for the following purposes;

- 1) Newly enter in the field of automobile engine
- 2) Promote proposals on manufacturing process to meet customer needs
- 3) Expand the field of high-value added products
- 4) Improve efficiency of development and production
- 5) Improve profit margin by cost reduction

However, in case that this synergy effect does not provide adequate benefits, its performance may be affected.

(8) Interest rate fluctuation

As the Group has consolidated loans and borrowings of ¥22,203 million, fluctuation in interest rates may affect its performance.

(9) Exchange rate fluctuation

As the Group has foreign currency transactions for exporting products and importing raw materials and also has assets and liabilities denominated in foreign currencies, fluctuation in exchange rate may affect its performance.

(10) Legal matter

On December 26, 2005, a distributor of the Company’s products, Vantec Corporation, 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.

(11) Acquisition of Metaldyne Corporation

On September 1, 2006, the Company’s Board of Directors passed a resolution to acquire Metaldyne Corporation (“Metaldyne”), a leading global automotive components manufacturer (the “Transaction”).

Specifically, the Company expects the Transaction to contribute to further growth through 1) expansion of global platform, 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) mutually effective utilization of production facilities, and 9) expanded market opportunity for both light vehicles (Metaldyne) and heavy truck (the Company). However, if the planned synergies are not successful, then the Group's financial results may be affected.

Regarding restrictive financial covenants, the Company agreed with the lenders that such covenants will not take into account Metaldyne's financial position. Also, the Company will not guarantee the Metaldyne's own obligations.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	September 30, 2005		September 30, 2006		March 31, 2006	
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)
Assets:						
Current Assets						
Cash and bank deposits	¥3,130		¥4,718		¥4,148	
Trade notes and accounts receivable	11,215		16,067		18,181	
Inventories	6,331		9,874		9,758	
Deferred tax assets	55		277		241	
Other current assets	452		1,055		743	
Provision for doubtful accounts	(30)		(35)		(40)	
Total current assets	21,155	45.0%	31,957	44.4%	33,032	45.5%
Non-Current Assets						
Property, plant, and equipment						
Buildings and structures	4,658		8,524		8,694	
Machinery, equipment and vehicles	5,915		11,249		10,739	
Tools, furniture and fixtures	1,790		2,602		2,858	
Land	9,803		13,532		13,519	
Construction in progress	1,627		1,445		1,087	
Total property, plant, and equipment	23,796	50.5	37,354	51.9	36,899	50.8
Intangible fixed assets						
Software	63		551		625	
Goodwill	-		135		139	
Other intangible fixed assets	399		33		34	
Total intangible fixed assets	463	1.0	721	1.0	799	1.1
Investments and other non-current assets						
Investment securities	455		533		500	
Deferred tax assets	118		249		237	
Other investments	1,276		1,396		1,330	
Provision for doubtful accounts	(206)		(224)		(206)	
Total investments and other non-current assets	1,643	3.5	1,955	2.7	1,862	2.6
Total non-current assets	25,903	55.0	40,031	55.6	39,560	54.5
Total Assets	¥47,058	100%	¥71,988	100%	¥72,593	100%

(Continued)

	September 30, 2005		September 30, 2006		March 31, 2006	
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)
Liabilities:						
Current Liabilities						
Trade notes and accounts payable	¥8,013		¥13,771		¥14,963	
Short-term loans and borrowings	1,790		4,145		4,418	
Income taxes payable	128		313		253	
Provision for bonuses	523		1,201		988	
Provision for loss on sales	581		339		698	
Provision for product warranty	13		56		25	
Provision for completed construction warranty	62		42		47	
Other current liabilities	3,827		4,973		4,658	
Total current liabilities	14,940	31.7%	24,845	34.5%	26,053	35.9%
Non-Current Liabilities						
Long-term loans and borrowings	13,651		18,057		18,626	
Deferred tax liabilities from land revaluation	2,337		2,818		2,822	
Provision for employees' retirement benefits	1,850		4,648		4,657	
Provision for directors' retirement benefits	63		139		96	
Provision for environmental obligations	-		166		-	
Negative goodwill	-		51		56	
Other non-current liabilities	672		2,751		2,558	
Total non-current liabilities	18,576	39.5	28,633	39.8	28,819	39.7
Total liabilities	33,516	71.2	53,478	74.3	54,873	75.6
Minority Interest:						
Minority interest	920	2.0	-	-	2,387	3.3
Equity:						
Capital	5,712	12.1	-	-	7,218	9.9
Additional paid-in capital	6,647	14.1	-	-	8,142	11.2
Retained earnings	(3,162)	(6.7)	-	-	(3,392)	(4.7)
Land revaluation surplus	3,542	7.5	-	-	3,052	4.2
Net unrealized gain on available-for-sale securities	35	0.1	-	-	43	0.1
Foreign currency translation adjustments	(143)	(0.3)	-	-	282	0.4
Treasury stock	(11)	(0.0)	-	-	(14)	(0.0)
Total equity	12,621	26.8	-	-	15,332	21.1
Total Liabilities, Minority Interest and Equity	¥47,058	100%	¥-	-	¥72,593	100%

(Continued)

	September 30, 2005		September 30, 2006		March 31, 2006	
	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)	Millions of yen	Compositi on Ratio (%)
Net Assets:						
Shareholders' Equity:	-	-			-	-
Capital	-	-	7,220	10.0	-	-
Additional paid-in capital	-	-	8,144	11.3	-	-
Retained earnings (accumulated deficit)	-	-	(3,104)	(4.3)	-	-
Treasury stock	-	-	(15)	(0.0)	-	-
Total shareholders' equity	-	-	12,244	17.0	-	-
Valuation and Translation Adjustments:						
Net unrealized gain on available-for-sale securities	-	-	46	0.1	-	-
Unrealized gain on hedging arrangement	-	-	178	0.2	-	-
Land revaluation surplus	-	-	3,048	4.2	-	-
Foreign currency translation adjustments	-	-	474	0.7	-	-
Total valuation and translation adjustments	-	-	3,748	5.2	-	-
Stock Option	-	-	7	0.0	-	-
Minority Interest	-	-	2,509	3.5	-	-
Total net assets	-	-	18,509	25.7	-	-
Total Liabilities and Net Assets	-	-	¥71,988	100%	-	-

(Concluded)

(2) Consolidated Income Statements

	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net Sales	¥26,407	100.0%	¥44,042	100.0%	¥57,994	100.0%
Cost of Sales	23,070	87.4	39,321	89.3	50,468	87.0
Reversal of provision for loss on sales	(561)	(2.1)	(362)	(0.8)	(455)	(0.8)
Gross Profit	3,898	14.7	5,083	11.5	7,982	13.8
Selling, General and Administrative Expenses	2,827	10.6	3,803	8.6	5,969	10.3
Operating Income	1,070	4.1	1,279	2.9	2,013	3.5
Non-Operating Income:						
Interest income	2		1		26	
Dividend income	3		6		4	
Amortization of negative goodwill	-		5		-	
Equity income from affiliates	19		33		74	
Gain on sale of scrap	2		16		4	
Incentive received for promotion of export sales	69		53		123	
Gain on foreign currency adjustment	-		62		48	
Gain on revaluation of derivatives	16		4		-	
Other non-operating income	32		11		50	
Total non-operating income	145	0.5	195	0.5	333	0.6
Non-Operating Expenses:						
Interest expense	328		419		676	
Other non-operating expenses	163		57		221	
Total non-operating expenses	491	1.9	477	1.1	898	1.6
Ordinary Income	723	2.7	997	2.3	1,447	2.5
Extraordinary Gains:						
Gain on sale of fixed assets	17		7		22	
Reversal of provision for doubtful accounts	2		-		11	
Release of provision for directors' retirement benefits	19		0		9	
Reversal of provision for product warranty	-		3		-	
Reimbursement of insurance	-		10		-	
Total extraordinary gains	38	0.1	20	0.0	43	0.1
Extraordinary Losses:						
Loss on prior year adjustment - provision for directors' retirement benefit	-		21		-	
Loss on disposal of fixed assets	172		164		206	
Impairment loss	607		8		621	
Provision for environmental obligations	-		146		-	
Other extraordinary losses	2		16		675	
Total extraordinary losses	783	2.9	356	0.8	1,503	2.6

(Continued)

	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Income (Loss) before Income Taxes	(20)	(0.1)	661	1.5	(12)	(0.0)
Income Taxes:						
Corporate income, inhabitant and enterprise taxes:						
Current	132		300		296	
Deferred	(154)	(0.1)	(51)		(159)	
Total income taxes	(22)		248	0.6	137	0.3
Minority Interest in Net Income	50	0.2	128	0.3	133	0.2
Net Income (Loss)	(¥49)	(0.2 %)	¥283	0.6%	(¥282)	(0.5 %)

(Concluded)

(3) Consolidated Statements of Equity

(In ¥ million)

	Six months ended September 30, 2005	Year ended March 31, 2006
Additional Paid-in Capital		
Beginning balance of additional paid-in capital	¥6,647	¥6,647
Increase in additional paid-in capital		
Issuance of new shares	-	1,494
Execution of stock options	0	0
Ending balance of additional paid-in capital	6,647	8,142
Retained Earnings (Accumulated Deficit)		
Beginning balance of retained earnings (accumulated deficit)	(3,393)	(3,393)
Increase in retained earnings		
Retained earnings of newly added consolidated subsidiaries	38	38
Reversal of land revaluation surplus	240	243
Decrease in retained earnings		
Net loss	(49)	(282)
Ending balance of retained earnings (accumulated deficit)	(¥3,162)	(¥3,392)

Consolidated Statements of Changes in Net Assets

(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

(Continued)

Consolidated Statements of Changes in Net Assets

(In ¥ million)

	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

(Concluded)

(4) Consolidated Statements of Cash Flows

Accounts	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
Cash flows from operating activities			
Income (loss) before income taxes	(¥20)	¥661	(¥12)
Depreciation and amortization expense	1,440	2,110	3,030
Impairment loss	607	8	621
Amortization of goodwill	-	6	-
Amortization of negative goodwill	-	(5)	-
Increase (decrease) in provision for doubtful accounts	(2)	12	(12)
Decrease in provision for employees' retirement benefits	(34)	(10)	(31)
Increase (decrease) in provision for directors' retirement benefits	(31)	42	(12)
Increase in provision for environmental obligations	-	146	-
Loss on sale or retirement of property, plant, and equipment	155	172	183
Decrease in provision for loss of sales	(561)	(362)	(455)
Interest and dividend income	(5)	(7)	(30)
Interest expense	328	419	676
Gain on foreign currency exchange	(8)	(55)	(18)
Equity income from affiliates	(19)	(33)	(74)
(Increase) decrease in trade accounts receivable	2,539	2,215	(270)
Increase in inventories	(496)	(33)	(1,088)
Increase (decrease) in trade accounts payable	(1,962)	(1,293)	925
Others	531	270	453
Sub-total	2,460	4,264	3,885
Interest and dividend received	6	7	45
Interest paid	(307)	(412)	(750)
Income taxes paid	(95)	(244)	(188)
M&A advisory fee and refinance costs paid	-	(426)	(219)
Net cash provided by operating activities	2,063	3,187	2,772
Cash flows from investment activities			
Transfer to time deposits	-	(54)	(18)
Withdrawals of time deposits	83	29	83
Acquisition of tangible fixed assets	(1,531)	(1,963)	(3,745)
Proceeds from sale of tangible fixed assets	159	32	179
Acquisition of intangible fixed assets	(289)	-	(551)
Payment for acquisition of newly consolidated subsidiary	-	(44)	(21)
Others	(33)	(87)	(2,757)
Net cash used in investment activities	(1,612)	(2,087)	(6,831)
Cash flows from financing activities			
Increase (decrease) in short-term loans and borrowings-net	(600)	(937)	1,780
Proceeds from long-term loans and borrowings	2,000	-	20,885
Repayment of long-term loans and borrowings	(2,411)	-	(22,082)
Proceeds from issuance of stocks	0	(7)	3,001
Proceeds from sale and lease back	-	517	1,134
Repayments of finance lease obligations	(83)	(178)	(344)
Dividends to minority shareholders	(4)	(7)	(4)
Proceeds from minority shareholders for capital increase	-	42	-
Others	(1)	(4)	(4)
Net cash provided by (used in) financing activities	(1,100)	(576)	4,366

(Continued)

Accounts	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
Exchange gain (loss) on cash and cash equivalents	(5)	21	37
Increase (decrease) in cash and cash equivalents	(655)	544	344
Increase in cash and cash equivalents of newly consolidated subsidiaries	57	-	57
Beginning balance of cash and cash equivalents	3,716	4,119	3,716
Ending balance of cash and cash equivalents	¥3,119	¥4,664	¥4,119

(Concluded)

Basic Matters to Prepare the Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries – the following nine (9) subsidiaries were consolidated:

Hoei Industrial Co., Ltd.

Techno-Metal Co., Ltd.

Asahi Tec Aluminum (Thailand) Co., Ltd.

Asahi Tec Metals (Thailand) Co., Ltd.

Guang Zhou Asahi Dongling Research & Development Co., Ltd.

Asahi Tec Tohoku Sales Co., Ltd.

Asahi Service Co., Ltd.

Asahi Tec Service Co., Ltd.

Argon Acquisition Corp.

Guang Zhou Asahi Dongling Research & Development Co., Ltd. and Argon Acquisition Corp. started to be consolidated for the six months ended September 30, 2006.

2. Matters Related to Equity Method

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

Asahi Somboon Shippo Moulds Co., Ltd.

Dicastal Asahi Aluminum Co., Ltd.

(2) These companies were accounted for under equity method at their interim closing date (June 30, 2006), which is different from that of the Company.

3. Closing Date of Consolidated Subsidiaries

Except for Guang Zhou Asahi Dongling Research & Development Co., Ltd. whose interim closing date is June 30, 2006, interim closing date of consolidated subsidiaries is September 30, 2006. For Guang Zhou Asahi Dongling Research & Development Co., Ltd., the Company consolidated its financial statements as of June 30, 2006 without making adjustments as long as there is no material change during the intervening period from June 30, 2006 and September 30, 2006, which is following the 3-month gap rule accepted under JGAAP.

4. Accounting Policies

(1) Evaluation standards and methods for significant assets

Securities

Available-for-sale securities – Available-for-sale securities with readily determinable market price were stated at fair value as of the balance sheet date, with unrealized gains and losses, net of applicable taxes, which is reported as a separate component of net asset. 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

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

Derivatives

The market value method was applied.

(2) Depreciation methods for significant fixed assets

Tangible fixed assets

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

Casting included in tools, furniture and fixtures - The Company, Techno-Metal Co., Ltd. and the overseas 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 overseas 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 12 years
Tools, furniture and fixtures:	2 to 6 years

Intangible assets

Software - The Company and its domestic subsidiaries applied the straight-line method using the useful life of five (5) years.

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

(3) Accounting method for significant provisions

Provision for doubtful accounts

The Company and its domestic subsidiaries recorded provision for doubtful accounts at the amount considered to be the Company's best estimate after considering their past credit losses for existing non doubtful accounts and individual collectibility for specific doubtful accounts. The overseas subsidiaries recorded provision for doubtful accounts considering individual collectibility for specific doubtful accounts.

Provision for bonuses

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

Provision for loss on sales

The Company and its overseas subsidiaries recorded provision for loss on sales based on its calculation for consecutively sold products that could result in a loss. In order to calculate the provision to be recorded at period end, the Company estimated the total production volume of each car model during the six-month period after the period end using a projection made by a research company, and multiplied that volume by the actual loss of sales figured out by using the current half year data per vehicle for each car model. The Group changed the estimate period from 12 months to 6 months considering the recent changes in business environment.

Provision for product warranty

The Company and its subsidiaries recorded provision for product warranty based on their past experience in order to deal with future complaints about sold products.

Provision for completed construction warranty

The Company and its domestic subsidiary recorded provision for completed construction warranty based on their past experiences in order to reasonably provide for future warranty expenses.

Provision for employees' retirement benefits

The Company and its subsidiaries have a retirement benefit plan and recorded provision 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 certain period between ten (10) and fifteen (15) years, which is within the employees' average remaining service period at the time the gains or losses incur.

Provision for directors' retirement benefits

The Company and its domestic subsidiaries recorded a retirement provision for directors, at 100% of the amounts that would have been payable to directors at the balance sheet date in accordance with their by-laws.

Provision for environmental obligations

The Company and its domestic subsidiaries recorded the estimated cost to dispose of Polychlorinated Biphenyl (also known as PCB).

(4) Translation of assets and liabilities denominated in foreign currency into Japanese yen

Receivables and payables denominated in foreign currency were translated into Japanese yen at the spot exchange rate on the balance sheet date, and unrealized foreign exchange gains and losses arising from that translation were recognized in the income statements. As for the overseas subsidiaries' financial statements, assets and liabilities were translated into Japanese yen at the spot exchange rate on the balance sheet date, and revenues and expenses were translated at the average exchange rate for the six-month period. Foreign exchange impact arising from such translation was recorded as a foreign currency translation adjustment in net assets.

(5) 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. Overseas subsidiaries accounted for leases as a capital lease, if such leases met the requirement of local accounting standards for capital lease.

(6) Principal accounting for hedging arrangement

1) Hedge accounting method

The gains or losses are deferred for derivative instruments that meet the requirements of hedge accounting. Direct translation method is adopted for the certain applicable foreign currency contract.

2) Method and purpose of hedge

The following is a method of hedge and purpose of hedge used by the Company for the six months ended September 30, 2006.

a. Foreign currency forward contract

b. To hedge the foreign currency risk associated with the planned acquisition of a foreign entity.

3) Hedge policy

The Company entered into a foreign currency forward contract to hedge a foreign currency cash flow risk, which is in accordance with the Company's by-laws setting rules for authorization of derivative transactions and the monetary limit of derivatives.

4) Evaluation of effectiveness of hedging arrangement

The Company evaluated the effectiveness of hedging arrangement by considering the fluctuations of hedged items and hedging arrangements.

(6) 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

Long-term construction contracts exceeding ¥100 million in contract amount and one (1) year in construction period were recorded by the percentage-of-completion method. For the current half year, revenue recorded under the percentage-of-completion method amounted to ¥149 million.

5. Working Capital in the Consolidated Statements of Cash Flows

Working capital (cash and cash equivalents) in the consolidated statements of cash flows consisted 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 because of changes in interest rates.

Change in Basic Matters to Prepare the Consolidated Financial Statements

(Accounting standard for presentation of net assets in the balance sheet)

In December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 5, *Accounting Standard for Presentation of Net Assets in the Balance Sheet*, and ASBJ Guidance No. 8, *Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet*. The Group adopted those new accounting standards for the six months ended September 30, 2006. Total current year equity amount comparative to prior year presentation is ¥15,814 million. Total net assets for the current half year are presented in accordance with those new accounting standards.

(Accounting standard for stock options)

In December 2005, ASBJ issued Statement No. 8, *Accounting Standard for Share-Based Payment*, and in May 2006, ASBJ issued ASBJ Guidance No. 11, *Guidance on Accounting Standard for Share-Based Payment*. The Group adopted those new pronouncements for the six months ended September 30, 2006. The adoption of new standard did not have a material impact on operating income, ordinary income, income before income taxes, and net income of the Group for the current half year.

Additional Information

(Acquisition of Metaldyne Corporation)

On September 1, 2006, the Company's Board of Directors passed a resolution to acquire Metaldyne Corporation ("Metaldyne"), a leading global automotive components manufacturer (the "Transaction"). The Transaction will be effected by merging the Company's 100% U.S. subsidiary established for purposes of acquisition ("Argon Acquisition Corp." or the "SPC") with Metaldyne.

1. Purpose

Metaldyne is a leading global supplier of systems and modules for automotive powertrain and chassis applications. Through the Transaction, 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 Transaction 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.

2. Transaction details

The Transaction is planned to be effected by merging Argon Acquisition Corp. with Metaldyne via a cash-out merger, by paying the cash to Metaldyne's common and preferred shareholders. Nearly all of the proceeds received by Metaldyne's principal shareholders from the cash-out merger are expected to be used to subscribe in turn to newly issued shares of the Company via a third party allotment. In addition, RHJI and co-investors, Mitsui & Co., Ltd. and CHUO MITSUI Growth Capital Investment Limited Partnership II, have in principle agreed to invest in the Company via a third party allotment of common shares.

Metaldyne will be the surviving company and 100% subsidiary of the Company, while the SPC will be dissolved following the merger. Specifically, shares held by the shareholders of Metaldyne will be cancelled in exchange for cash paid by the SPC, and the SPC shares held by the Company will be replaced by the shares of the surviving company after the merger. As a result of the cash-out merger, Metaldyne's shareholders will relinquish their shareholder status and Metaldyne will become a 100% subsidiary of the Company.

3. Corporate Profile of the Target Subsidiary (Metaldyne)

1) Trade Name	Metaldyne Corporation
2) Representative	Timothy D. Leuliette
3) Location	Plymouth, MI, USA
4) Established	November, 2000
5) Main Business	Designer, manufacturer and supplier of metal parts, assembly and module products (powertrain parts, chassis parts and vibration control parts) for the global automotive market
6) Fiscal Year	Sunday nearest to December 31
7) Employees	Approximately 6,500
8) Main Office	Plymouth, MI, USA
9) Capital	76,994 million yen

4. Schedule

The closing date for the acquisition of Metaldyne, which was anticipated as November 17, 2006, has been postponed to a date no later than January 16, 2007 due to the delay in the procedures regarding the consent solicitation of Metaldyne's Senior Notes due 2013 (USD 150 million in total, interest rate: 10%) and Metaldyne's Senior Subordinated Notes due 2012 (USD 250 million in total, interest rate: 11%).

Notes to the Consolidated Financial Statements

Notes to the Consolidated Balance Sheets

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
1. Discounted notes receivable	0	-	-
2. Accumulated depreciation of property, plant, and equipment	36,272	84,187	84,201
3. Pledged assets and obligations guaranteed			
Amount of pledged assets (book value):			
Cash and cash equivalents	2,171	2,373	2,948
Trade notes and accounts receivable	1,343	6,453	7,256
Inventories	5,178	9,586	9,556
Accounts receivable – others	-	9	10
Buildings and structures	4,292	7,776	7,664
Machinery and equipment, and vehicles	3,043	6,746	6,785
Tools, furniture and fixtures	215	224	243
Land	9,633	10,781	10,631
Investment securities	303	353	327
Total	26,181	44,306	45,424
Pledged assets as a whole factory among above tangible pledged assets			
Buildings and structures	-	3,268	3,382
Machinery and equipment, and vehicles	-	3,983	3,774
Land	-	994	994
Total	-	8,247	8,151
Liabilities corresponding to the pledged assets above:			
Short-term loans and borrowings	668	3,024	3,902
Current portion of long term loans and borrowings	741	1,050	400
Long-term loans and borrowings	11,589	18,057	18,626
Total	12,999	22,131	22,929
Liabilities corresponding to the pledged assets as a whole factory above:			
Short-term loans and borrowings	-	3,024	3,902
Current portion of long term loans and borrowings	-	1,050	400
Long-term loans and borrowings	-	18,057	18,626
Total	-	22,131	22,929

4. Contingent liabilities

(1) Guarantees of indebtedness of others			
Guarantees of indebtedness of employees payable to financial institutions	2	0	0

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

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 the 18 and 36 months after the contract took effect.

(3) Legal matters

On December 26, 2005, a distributor of the Company’s products, Vantec Corporation, 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.

5. Overdraft agreement and its uncommitted balance

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Limit of overdraft	2,910	8,262	8,226
Actual committed balance	702	3,026	3,950
Uncommitted balance	2,207	5,235	4,276

6. Restrictive financial covenants on loans and borrowings

(1) Of all loans and borrowings of the Group, the senior loans from Aozora Bank, Ltd. and Sumitomo Mitsui Banking Corporation, and the subordinated loans from Aozora Bank, Ltd. are subject to restrictive financial covenants on consolidated cash flows and the consolidated profit level. Failure to achieve a specified level of performance for those loans will infringe the acceleration clause, and result in a breach of contract. Therefore, in that case, the Group will lose the acceleration interest in those loans, and be immediately required to pay the full outstanding balance of the principal and/or incurred interest upon notice from Aozora Bank, Ltd.

(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 the payment never generates such causes.

7. Notes receivable and notes payable outstanding as of September 30, 2006

Notes receivable and notes payable are settled upon receipt or payment of cash. However, the last day of the current half year fell on a holiday for financial institutions. Therefore, the following balance was outstanding as of September 30, 2006 and included in the amount disclosed on the consolidated balance sheets.

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Notes receivable	-	112	-
Notes payable	-	518	-
Notes payable for equipment	-	213	-

Notes to Consolidated Income Statements

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

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Packing and freight cost	¥875	¥1,314	¥1,970
Salaries and bonuses	601	754	1,261
Provision for bonuses	124	183	147
Retirement benefits cost	45	49	97
Provision for directors' retirement benefits	18	25	36
Provision for doubtful accounts	-	12	-

2. Gain on sale of fixed assets

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Gain on sale of land	9	2	16
Gain on sale of machinery and equipment	7	3	5
Gain on sale of other fixed assets	0	1	0
Total	17	7	22

3. Loss on sale and disposal of fixed assets

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Loss on disposal of machinery and equipment, and vehicles	96	32	150
Loss on disposal of tools, furniture and fixtures	52	53	23
Loss on disposal of other fixed assets	12	13	13
Loss on sale of other fixed assets	4	3	8
Disposal cost of fixed assets	6	61	9
Total	172	164	206

4. Impairment loss

For the six months ended September 30, 2006, the Group recorded impairment loss for the following asset. The Group categorizes its assets by management accounting unit or by location.

Use	Asset type	Location	Impairment loss
Idle asset	Land	Kikugawa, Shizuoka prefecture	¥8 million

The Group recorded impairment loss under extraordinary losses for the above asset since there is no future intended use of the asset. The Group evaluated the collectable amount of the asset based on the appraisal value obtained from an appraiser.

Notes to Consolidated Statements of Net Assets

1. Type and number of shares outstanding 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
Shares issued and outstanding:				
Common stock	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
Treasury Stock:				
Common stock	82	5	-	88
Total	82	5	-	88

Notes:

1. Increase of common stock in the interim period is due to the exercise of stock options.
2. Increase of treasury stock (common stock) in the interim period is due to purchase of stocks less-than-one-unit shares.

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	Stock option (June 2004)	Common stock	2,367	-	41	2,325	- (Note 1)
	Stock option (June 2005)	Common stock	85	-	-	85	- (Note 1)
	Stock option (June 2005)	Common stock	1,255	-	29	1,226	- (Notes 1,2)
	Share subscription rights as stock option	-	-	-	-	-	7 (Note 2)
Total			-	-	-	-	7

Notes:

1. This stock option is treated as an off-balance sheet item since stock option was granted before the effective date of ASBJ Statement No. 8, *Accounting Standard for Share-Based Payment* and ASBJ Guidance No. 11, *Guidance on Accounting Standard for Share-Based Payment*.
2. This stock option has not reached the first vesting date as of September 30, 2006.

3. Dividend information

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

Notes to Consolidated Statements of Cash Flows

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

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Cash and bank deposits	¥3,130	¥4,718	¥4,148
Time deposits whose terms are over 3 months	(11)	(54)	(29)
Ending balance of cash and cash equivalents	3,119	4,664	4,119

2. Significant non-cash transactions

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
Amount of assets and liabilities related to financing leases	-	11	115

Leases

Information on lease transactions will be disclosed via EDINET, and is omitted herein.

Securities

I Six months ended September 30, 2005

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

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥137	¥61

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

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

II Six months Ended September 30, 2006

1. Available-for-sale securities with market value (as of September 30, 2006) (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

III Year Ended March 31, 2006

1. Available-for-sale securities with market value (as of March 31, 2006) (In ¥ million)

Classification	Acquisition Cost	Carrying Value	Increase
Stocks	¥76	¥151	¥74

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

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

Derivatives

Information on derivative transactions will be disclosed via EDINET, and is omitted herein.

Stock Option

1. The amount of expense recorded for the current interim period and the account where such expense is recorded

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

Segment Information

1. Information by Business Segment

Six months ended September 30, 2005

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Eliminated or adjusted	Consolidated
Sales and operating income					
(1) Sales to external customers	¥23,731	¥2,676	¥26,407	¥-	¥26,407
(2) Inter-segment sales or transfers	20	-	20	(20)	-
Total	23,752	2,676	26,428	(20)	26,407
Operating expenses	22,041	2,655	24,697	639	25,336
Operating income	1,710	21	1,731	(660)	1,070

Six months ended September 30, 2006

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Eliminated or adjusted	Consolidated
Sales and operating income					
(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
Operating expenses	39,678	2,361	42,039	723	42,762
Operating income	1,990	34	2,024	(744)	1,279

Year ended March 31, 2006

(In ¥ million)

	General casting & forging parts	Devices & equipment	Total	Eliminated or adjusted	Consolidated
Sales and operating income					
(1) Sales to external customers	¥50,020	¥7,974	¥57,994	¥-	¥57,994
(2) Inter-segment sales or transfers	60	25	86	(86)	-
Total	50,081	8,000	58,081	(86)	57,994
Operating expenses	47,487	7,281	54,768	1,212	55,981
Operating income	2,593	719	3,312	(1,299)	2,013

Notes:

1. The business segments in the above table were categorized based on the Company's administrative policies.
2. Major products of each business segment
 - (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 equipment.
3. As for "operating expenses", the amount of non-allocable operating expenses included in "eliminated or adjusted" was ¥740 million and ¥660 million for the six months ended September 30, 2006 and 2005,

respectively, and ¥1,299 million for the year ended March 31, 2006, which were mainly related to administrative sections such as the general affairs department in the head office of the Company.

2. Information by Geographical Segment

Six months ended September 30, 2005

(In ¥ million)

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

Six months ended September 30, 2006

(In ¥ million)

	Japan	Asia	Total	Eliminated or adjusted	Consolidated
Sales and operating income					
(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
Operating expenses	37,096	7,888	44,985	(2,222)	42,762
Operating income	2,019	(55)	1,964	(684)	1,279

Year ended March 31, 2006

(In ¥ million)

	Japan	Asia	Total	Eliminated or adjusted	Consolidated
Sales and operating income					
(1) Sales to external customers	¥48,813	¥9,181	¥57,994	¥-	¥57,994
(2) Inter-segment sales or transfers	474	4,692	5,167	(5,167)	-
Total	49,288	13,873	63,162	(5,167)	57,994
Operating expenses	46,074	13,823	59,898	(3,916)	55,981
Operating income	3,213	50	3,264	(1,250)	2,013

Notes:

- Policies for geographical division, and countries included in Asia
 - The geographical divisions are determined based on geographical closeness of countries.
 - Asia represents Thailand.
- As for “operating expenses”, the amount of non-allocable operating expenses included in “eliminated or adjusted” was the same as one indicated in the note 3 for “Information by Business Segment”.

3. Overseas Sales

Six months ended September 30, 2005

(In ¥ million)

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

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%

Year ended March 31, 2006

(In ¥ million)

		Asia	Other Area	Total
I	Overseas sales	¥8,997	¥460	¥9,458
II	Consolidated sales			¥57,994
III	Ratio of overseas sales to the consolidated sales	15.5%	0.8%	16.3%

Notes:

1. Geographical divisions are based on geographical closeness of countries.
2. Each geographical division mainly consists of the following countries:

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

Production, Orders, and Sales

1. Production

(In ¥ million)

Period Business Segment	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Amount of Production	Percentage	Amount of Production	Percentage	Amount of Production	Percentage
General casting and forging parts	¥24,005	89.4%	¥41,869	94.4%	¥50,435	86.1%
Machinery and equipment	2,832	10.6%	2,463	5.6%	8,120	13.9%
Total	¥26,837	100.0%	¥44,332	100.0%	¥58,556	100.0%

- Notes: 1. The amounts are stated at a sales price, and exclude inter-segment transfers.
2. The amounts are net of sales taxes.

2. Order

(In ¥ million)

Period Business Segment	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Orders Accepted	Balance Undelivered	Orders Accepted	Balance Undelivered	Orders Accepted	Balance Undelivered
General casting and forging parts	¥24,039	¥1,946	¥41,569	¥1,677	¥50,137	¥1,755
Machinery and equipment	2,930	1,447	4,090	2,807	7,893	1,111
Total	¥26,970	¥3,394	¥45,660	¥4,485	¥58,030	¥2,867

- Notes: 1. The amounts of accepted orders and the undelivered balance exclude inter-segment transfers.
2. The amounts are net of sales taxes.

3. Sales

(In ¥ million)

Period Business Segment	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Sales Amount	Percentage	Sales Amount	Percentage	Sales Amount	Percentage
General casting and forging parts	¥23,731	89.9%	¥41,647	94.6%	¥50,020	86.2%
Machinery and equipment	2,676	10.1%	2,395	5.4%	7,974	13.8%
Total	¥26,407	100.0%	¥44,042	100.0%	¥57,994	100.0%

- Notes: 1. The amounts exclude inter-segment transfers.
2. The amounts are net of sales taxes.