

Interim Business Report for 2007

From April 1, 2007 to September 30, 2007





Mitsuharu Terayama
CEO & COO

It is my great pleasure to report the outline of the Company's interim earnings results for the 45th term (from April 1, 2007 to March 31, 2008).

In the first half of the current fiscal year, the Japanese economy remained steady, supported by strong capital expenditure derived from increased corporate earnings. In this economic environment, in the second year of its fourth medium-term business plan -- the slogan for which is "Challenge 100 billion, on a New Stage" -- the Asahi Pretec Group is striving to maintain and strengthen its profitable structure, increase its market share in existing businesses, develop new business fields, and expand its businesses.

With respect to the precious metal recycling business, the collected volume of raw materi-

als for recycling increased in the areas of electronic materials, dental materials and jewelry from the corresponding period of the previous year. The average unit sales price of gold, silver, palladium, and platinum rose from a year earlier. In addition, expansion of our main factories, Saitama and Fukuoka Plants, was completed.

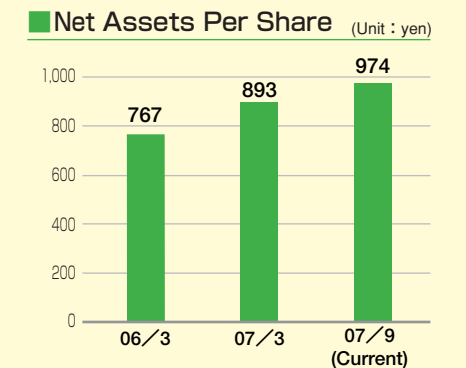
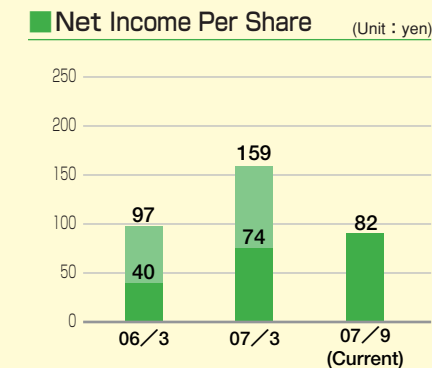
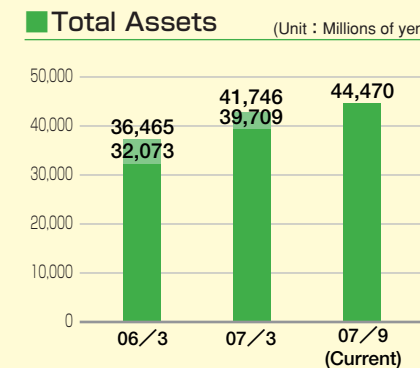
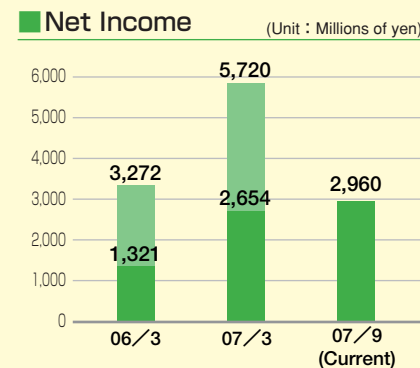
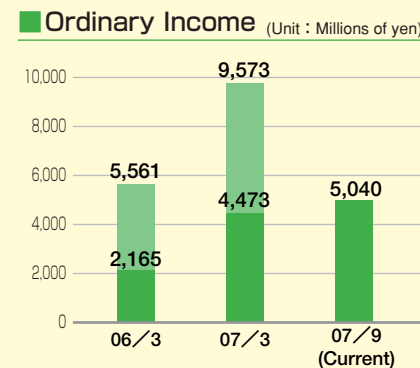
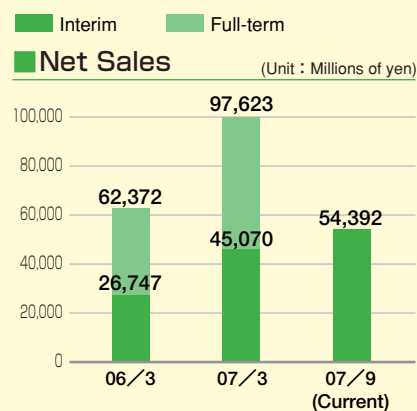
In the environmental protection business, the treated volume of waste reagents and waste liquid discharged from plants and research laboratories was higher than that of the corresponding period of the previous year. This offset the shrinkage of the photosensitive materials field. In May 2007, we made Taiyo Chemical a wholly owned subsidiary. We also acquired the operations of Kitakyushu Plant of Sanix Incorporated in November 2007. Thanks

to such initiatives to expand the corporate group, we could leverage synergy effects leading to cultivating new customers and improving our services.

We have decided to pay an interim dividend of ¥25 per share, taking into account the management status of the Company and our shareholder return policy.

For the second half of the current fiscal year, the business environment is forecast to be unclear due primarily to price hikes of raw materials such as crude oil as well as turmoil in the financial markets caused by the subprime problem in the U.S. Against the backdrop of these conditions, the entire Group will go all out to achieve its earnings goals for the current fiscal year. We hope you will extend even greater support to the Company.

Financial Highlights (Consolidated)



Note: The Company split its stock 1.5 for one on October 1, 2006. The per share information represent share prices after adjustment for the stock split.

(1) Basic Management Policies

Our management philosophies are "social contribution," "corporate permanence," and "respect for humanity." The Asahi Pretec Group practices management that is designed to continuously improve corporate value, while simultaneously pursuing safety and growth. Since our establishment in 1952, we have been achieving steady growth in both the precious metal recycling and environmental protection businesses by developing new business areas in a rapidly changing operating environment. We will continue to strive to develop our businesses by contributing to the creation of a recycling society in multifarious areas, while focusing on our relationship with all stakeholders. For this purpose, we will emphasize the creation of new businesses from a medium- and long-term perspective, the reinforcement of the risk management system, and the comprehensive improvement of management efficiency.

(2) Policies for Deciding Distribution of Retained Earnings

Asahi Pretec has revised the Articles of Incorporation so that the distribution of retained earnings can be appropriated by resolution of the Board of Directors. Up until now, as our fundamental policy, we have enhanced our corporate value through the maintenance of stable profitability and further growth, as well as meeting the expectations of our shareholders through dividend payout. We have also focused on bolstering retained earnings to prepare for investment in growth areas and future business development. We will continue to be in line with these basic policies. Under these policies, we will distribute retained earnings to shareholders, comprehensively taking into account consolidated and non-consolidated operating results for each fiscal year, further enhancement of financial position, and future management strategies of the Group.

In accordance with the above, we have decided to pay an interim dividend of ¥25 per share.

(3) Medium- and Long-term Management Strategies

The Asahi Pretec Group has launched the fourth medium-term business plan (from April 2006 to March 2009) under the slogan of "Challenge 100 billion, on a New Stage." Initially, our management targets for the final fiscal year of the plan were consolidated net sales of ¥100.0 billion and an operating income of ¥7.5 billion. However, in the plan's first year, or the 44th term (ended March 2007), the collected volume of raw materials for precious metals substantially increased from the previous year on a consolidated basis in the areas of electronics and jewelry processing and manufacturing. Besides, unit sales prices remained higher than the expected levels. This led us to conclude that we will be able to attain our original management goals earlier than planned, and we revised such targets upward in March 2007, as shown below.

(Unit: billion of yen)

Targets for Fiscal Year 2008 (consolidated)		Original plan	Current plan
		Net sales	¥100.0
	Operating income	¥7.5	¥12.0
	Operating margin(%)	7.5%	9.2%
	Dividend on equity (DOE) ratio(%)	3.6%	5.0%

(4) Basic Concept of Corporate Governance

To achieve persistent growth and expansion while fulfilling our social mission and responsibility as a public company, we are promoting the development of a senior management structure and improving our business execution system to respond rapidly to changes in the operating environment, while maintaining a focus on compliance.

(5) Development of an Internal Control System based on the Corporation Law

The Board of Directors not only makes a decision on basic policies, plans, and strategies of the manage-

ment, matters stipulated by the laws and regulations, and other important matters related to the management, it also supervises the operations of the Asahi Pretec Group.

We believe that corporate auditors form an independent force and play a role in corporate governance by attending meetings of the Board of Directors. In line with this belief, our corporate auditors conduct audits on the execution of business in general.

Ernst & Young ShinNihon, as an independent auditor, presents opinion on the financial statements of Asahi Pretec from the standpoint of an independent auditor. In addition, Asahi Pretec conducts an internal audit on all Group companies through the internal audit office in a comprehensive and planned manner to promote appropriate administration, improvement, and efficiency of their businesses.

(6) Development of Risk Management Systems

We have established a Risk Management Committee as a Group-wide organ to properly control potential risks underlying the business execution process and operational structure of the Asahi Pretec Group. The Risk Management Committee identifies, evaluates and responds to risks that relate to our business operations with the CSR Enforcement Department as its administrative arm. Through these risk management systems, we will prevent the risks from being realized while building up our compliance function.

(7) Financial Review

Business Results

In the precious metal recycling business, the collected volume of raw materials for recycling such as gold, silver, and palladium increased in the electronic materials area from the corresponding period last year, due to the efforts to maintain existing customers and cultivate new customers. In dental materials, as the supply of dental materials for recycling remained solid, our market share increased, while the collected volume of raw materials for precious metals exceeded that of the previous fiscal year. In jewelry processing and manufacturing, the collected volume of raw materials for precious metals rose from the previous fiscal year, driven by growth in recycling needs in the distribution market. The average unit sales price of precious metals, such as gold, silver, palladium, and platinum, rose from the previous fiscal year, while the average unit sales price of indium declined.

In the environmental protection business, the treated volume of waste solutions of photosensitive materials and the collected volume of silver content were lower than the levels of a year earlier, impacted by the widespread use of digital cameras. In contrast, we handled a greater volume of waste reagents and waste liquid discharged from plants and research laboratories. In addition, the results of the consolidated subsidiaries, Sansho, Nihon Chemitech, Taiyo Chemical, and Iyotec, were firm, which contributed to the expansion of environmental protection business and the creation of synergy effects.

As a result of the above, consolidated net sales for the first half under review amounted to ¥54,392 million. By segment, the precious metal recycling business achieved net sales of ¥47,913 million, while the environmental protection business achieved net sales of ¥6,479 million. Consolidated operating income came to ¥4,998 million, consolidated ordinary income stood at ¥5,040 million, and consolidated net income amounted to ¥2,960 million. Net sales, operating income, ordinary income, and net income all hit record highs for any first half.

Balance Sheet

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007		As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
ASSETS				LIABILITIES			
Current assets	21,623,396	19,212,303	19,813,361	Current liabilities	8,884,986	9,752,269	9,540,663
Cash and cash equivalents	1,786,072	1,160,235	1,491,973	Notes and accounts payable-trade	2,804,027	2,339,677	2,354,333
Notes and accounts receivable	3,990,606	3,361,841	3,371,777	Short-term loans	2,200,000	3,550,000	2,250,034
Inventories	14,725,183	13,971,330	14,217,377	Current portion of long-term debt	17,280	215,080	20,680
Deferred tax assets	564,999	427,644	521,876	Accrued income taxes	2,028,949	1,725,158	2,683,159
Other current assets	561,787	296,890	215,120	Accrued bonus	682,334	588,554	624,845
Less: allowance for doubtful accounts	△ 5,254	△ 5,638	△ 4,764	Reserve for directors' bonuses	20,000	12,500	25,000
Fixed assets	22,846,879	20,496,912	21,932,900	Other current liabilities	1,132,395	1,321,298	1,582,609
Tangible assets	21,166,215	19,760,374	21,013,257	Long-term liabilities	303,378	322,963	210,830
Buildings and structures	6,739,347	6,306,638	6,305,910	Long-term debt	17,890	35,170	25,030
Machinery and carriers	4,154,157	3,299,051	3,316,276	Accrued retirement benefit	88,844	81,177	62,691
Land	9,518,014	9,106,168	9,339,854	Deferred tax liabilities	110,843	126,292	110,497
Construction in progress	206,798	696,215	1,481,731	Negative goodwill	—	80,324	—
Other tangible assets	547,896	352,300	569,483	Other long-term liabilities	85,800	—	12,610
Intangible assets	1,069,901	353,009	308,207	Total liabilities	9,188,365	10,075,233	9,751,493
1 Goodwill	793,077	—	—	NET ASSETS			
Other intangible assets	276,824	353,009	308,207	Shareholders' equity	35,212,014	29,619,786	31,960,079
Investments and other assets	610,762	383,529	611,436	Common stock	4,480,817	4,480,817	4,480,817
Investment securities	141,344	13,450	138,465	2 Capital surplus	6,876,937	6,054,118	6,054,118
Deferred tax assets	81,024	45,555	46,166	Retained earnings	23,910,646	19,496,595	21,844,950
Other investment and other assets	400,889	333,555	437,218	Treasury stock	△ 56,387	△ 411,745	△ 419,807
Less: allowance for doubtful accounts	△ 12,496	△ 9,031	△ 10,415	Valuation and translation adjustments	38,689	△ 13,500	4,803
Total assets	44,470,275	39,709,215	41,746,262	Net unrealized gains on securities	2,071	3,804	3,813
				Deferred gains or losses on hedges	—	△ 2,761	—
				Translation adjustments	36,617	△ 14,543	989
				Minority interests	31,206	27,696	29,886
				Total net assets	35,281,910	29,633,982	31,994,768
				Total liabilities and net assets	44,470,275	39,709,215	41,746,262

Point 1

Increase in Goodwill

Goodwill increased by ¥793 million, partly because we made Taiyo Chemical, which is engaged in the treatment of medical waste and waste liquid discharged from plants, a wholly owned subsidiary in May 2007.

Point 2

Increase in Capital Surplus

In connection with the stock exchange with Taiyo Chemical, capital surplus increased by ¥823 million.

Statements of Income

(Thousands of yen)

	The six months ended September 30, 2007	The six months ended September 30, 2006	The fiscal year ended March 31, 2007
Net sales	54,392,812	45,070,037	97,623,964
Cost of sales	47,403,415	38,967,321	84,680,290
Gross profit	6,989,397	6,102,715	12,943,674
Selling, general and administrative expenses	1,991,172	1,633,458	3,365,996
3 Operating income	4,998,224	4,469,257	9,577,678
Non-operating profit	71,757	17,965	39,044
Non-operating expenses	29,800	13,382	42,738
Ordinary income	5,040,181	4,473,840	9,573,984
Extraordinary income	13,903	11,326	41,038
Extraordinary losses	126,511	101,090	256,525
Net income before tax and other adjustments	4,927,573	4,384,076	9,358,497
Income taxes	1,989,888	1,662,938	3,681,734
Deferred tax	△ 23,937	64,551	△ 48,011
Minority interests in earnings of consolidated subsidiaries	1,320	2,230	4,401
Net income	2,960,301	2,654,356	5,720,372

Statements of Changes in Net Assets

(From April 1, 2007 to September 30, 2007)

(Thousands of yen)

	Shareholders' equity					Valuation and translation adjustments			Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on securities	Translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007	4,480,817	6,054,118	21,844,950	△ 419,807	31,960,079	3,813	989	4,803	29,886	31,994,768
Changes of items during the period										
Dividends from surplus			△ 894,606		△ 894,606					△ 894,606
Net income			2,960,301		2,960,301					2,960,301
Acquisition of treasury stock				△ 9,936	△ 9,936					△ 9,936
Disposal of treasury stock		822,819		373,356	1,196,175					1,196,175
Net changes of items other than shareholders' equity						△ 1,741	35,627	33,886	1,320	35,206
Total changes of items during the period	—	822,819	2,065,695	363,420	3,251,935	△ 1,741	35,627	33,886	1,320	3,287,141
Balance at September 30, 2007	4,480,817	6,876,937	23,910,646	△ 56,387	35,212,014	2,071	36,617	38,689	31,206	35,281,910

Point 3

Increase in Operating Income

Both the collected volume of raw materials for precious metals and the average unit sales price of precious metals, such as gold, silver, palladium, and platinum, increased from the corresponding period of the previous fiscal year. The treated volume of waste solutions of photosensitive materials and the collected volume of silver content were lower than the levels of a year earlier. Meanwhile, the treated volume of waste reagents and waste liquid discharged from plants and research laboratories rose from a year earlier.

Point 4

Cash Flow from Investing Activities

Cash flow used in investing activities was ¥1,068 million, mainly due to expansion of facilities both in Fukuoka and Saitama Plants.

Balance Sheet

(Thousands of yen)

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
ASSETS			
Current assets	20,632,574	18,801,112	19,105,435
Cash and cash equivalents	1,075,722	669,018	852,182
Notes receivable	52,121	59,992	48,427
Accounts receivable	2,994,997	2,390,365	2,370,437
Inventories	14,633,610	13,895,753	14,186,639
Short-term loans to affiliate companies	898,626	1,155,101	992,320
Deferred tax assets	516,048	396,299	486,633
Other current assets	462,948	237,781	169,994
Less: allowance for doubtful accounts	△ 1,500	△ 3,200	△ 1,200
Fixed assets	21,382,708	19,025,810	20,519,724
Tangible assets	16,584,272	15,450,283	16,766,068
Intangible assets	298,723	301,372	297,984
Investments and other assets	4,499,712	3,274,155	3,455,671
Total assets	42,015,283	37,826,923	39,625,160
LIABILITIES			
Current liabilities	8,409,599	9,234,820	9,068,906
Accounts payable - trade	2,595,384	2,140,017	2,135,781
Short-term loans	2,200,000	3,500,000	2,200,000
Current portion of long-term debt	3,000	200,800	6,400
Accrued income taxes	1,939,010	1,683,598	2,626,989
Accrued bonuses	619,636	551,324	588,869
Reserve for directors' bonuses	20,000	12,500	25,000
Other current liabilities	1,032,569	1,146,580	1,485,865
Long-term liabilities	76,842	72,041	50,799
Long-term debt	—	3,000	—
Accrued retirement benefits	76,842	69,041	50,799
Total liabilities	8,486,442	9,306,861	9,119,705
NET ASSETS			
Shareholders' equity	33,526,740	28,519,510	30,502,038
Common stock	4,480,817	4,480,817	4,480,817
Capital surplus	6,876,937	6,054,118	6,054,118
Retained earnings	22,225,372	18,396,318	20,386,909
Treasury stock	△ 56,387	△ 411,745	△ 419,807
Valuation and translation adjustments	2,100	551	3,416
Net unrealized gains on securities	2,100	3,312	3,416
Deferred gains or losses on hedges	—	△ 2,761	—
Total net assets	33,528,841	28,520,061	30,505,454
Total liabilities and net assets	42,015,283	37,826,923	39,625,160

Statements of income

(Thousands of yen)

	The six months ended September 30, 2007	The six months ended September 30, 2006	The fiscal year ended March 31, 2007
Net sales	50,974,146	41,862,184	90,867,957
Cost of sales	44,925,607	36,435,175	79,319,073
Gross profit	6,048,538	5,427,008	11,548,884
Selling, general and administrative expenses	1,438,487	1,241,791	2,657,899
Operating income	4,610,051	4,185,217	8,890,985
Non-operating profit	42,277	23,891	42,202
Non-operating expenses	27,920	12,207	40,457
Ordinary income	4,624,407	4,196,902	8,892,730
Extraordinary income	60,051	—	2,032
Extraordinary losses	105,377	89,959	218,376
Net income before income taxes	4,579,081	4,106,943	8,676,386
Income taxes	1,893,926	1,621,497	3,575,748
Deferred tax	△ 47,913	61,806	△ 31,251
Net income	2,733,069	2,423,638	5,131,890

Total number of authorized shares 129,000,000 shares

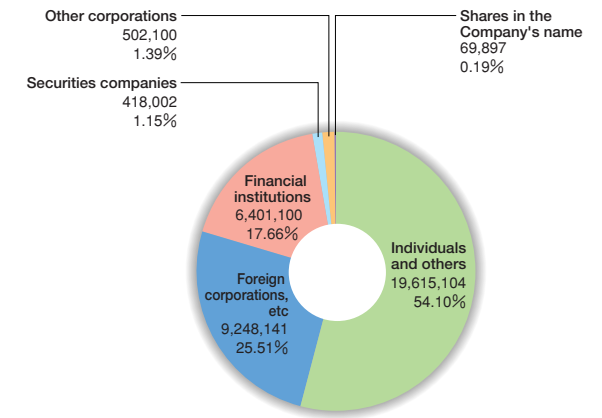
Total number of shares outstanding 36,254,344 shares

Number of shareholders 9,095

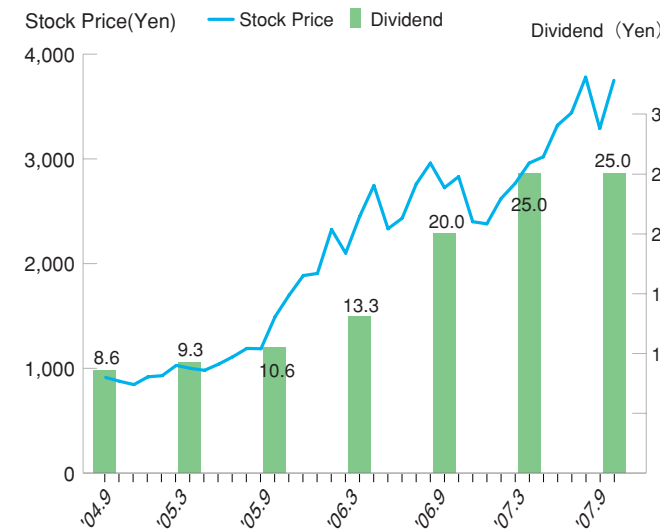
Principal shareholders

Name	Number of shares held (thousands of shares)	Percentage of shares held (%)
Mitsuharu Terayama	3,702	10.21
Masamichi Terayama	2,702	7.45
Japan Trustee Services Bank, Ltd. (Trust account)	1,570	4.33
The Master Trust Bank of Japan, Ltd. (Trust account)	1,156	3.18
Sachiko Hanai	845	2.33

Shareholding by Number of Shares

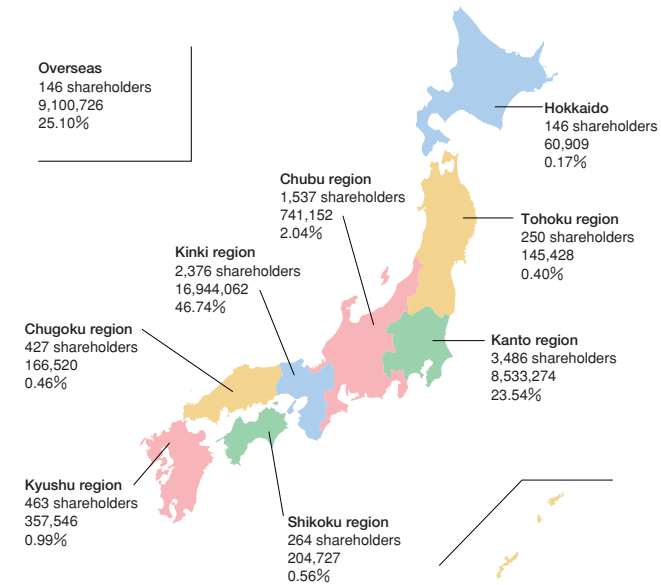


Trends in Stock Prices and Per-share Dividends



Note: Asahi Pretec conducted a 1.5-for-1 stock split on October 1, 2006, and the above figures represent share prices after adjustment for the stock split.

Shareholding by Geographic Area



Statements of Changes in Net Assets (From April 1, 2007 to September 30, 2007)

(Thousands of yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets	
	Common stock	Retained earnings	Other capital surplus	Legal reserve	Arbitrary financial reserve	Carrying forward earned surpluses	Treasury stock	Total shareholders' equity	Net unrealized gains on securities		Total valuation and translation adjustments
Balance at March 31, 2007	4,480,817	6,054,118	—	228,417	13,889,260	6,269,231	△ 419,807	30,502,038	3,416	3,416	30,505,454
Changes of items during the period											
Reversal of special depreciation reserve					△ 12,122	12,122					
Transfer to general reserve					3,000,000	△ 3,000,000					
Dividends from surplus						△ 894,606		△ 894,606			△ 894,606
Net income						2,733,069		2,733,069			2,733,069
Acquisition of treasury stock							△ 9,936	△ 9,936			△ 9,936
Disposal of treasury stock			822,819				373,356	1,196,175			1,196,175
Net changes of items other than shareholders' equity									△ 1,315	△ 1,315	△ 1,315
Total changes of items during the period	—	—	822,819	—	2,987,877	△ 1,149,414	363,420	3,024,702	△ 1,315	△ 1,315	3,023,387
Balance at September 30, 2007	4,480,817	6,054,118	822,819	228,417	16,877,137	5,119,817	△ 56,387	33,526,740	2,100	2,100	33,528,841

(As of November 10, 2007)

Corporate Profile

Corporate name	ASAHI PRETEC CORP.
Founded	July 1952
Capital	¥4,480 million
Kobe Head Office	Nissei Sannomiya Bldg., 4-4-17 Kano-cho, Chuo-ku, Kobe, Japan
Number of employees	772 (As of September 30, 2007)
Business lines	Recycling and sales of precious & rare metals Industrial waste treatment
Subsidiaries	Nihon Chemitech Co., Ltd. Sansho Co., Ltd. Shioiri Kenzai Co., Ltd. Iyotec Co., Ltd. Taiyo Chemical Ltd., Co. Asahi G&S SDN. BHD. (Malaysia) Shanghai Asahipretec Co., Ltd. (China) Asahipretec Korea Co., Ltd. (Korea)

Board of Directors, Executive Officers and Corporate Auditors

CEO & COO	Mitsuharu Terayama
Directors and Senior Corporate Officers	Yoshikatsu Takeuchi Toshio Kimura
Directors and Corporate Officers	Noboru Akahane Tomoya Higashiura Masaki Hirano
Director Technical Advisor	Katsunori Shimasaki
Corporate Officers	Kuniaki Gondo Hiromasa Iwaki Yukio Tanabe
Standing Statutory Auditor	Masami Inoue
Statutory Auditors	Teigo Kobayashi* Kazuhiko Tokumine* Sumiaki Ariumi*

Note: Names marked by * indicate outside auditors
Outside auditors pursuant to Item 16, Article
2 of the Corporation Law

Business Network

Head Office	Kobe, Tokyo	Bases with ISO 14001	Head Office (Kobe) , Sendai, Kita-Kanto, Shizuoka, Nagoya, Osaka, Amagasaki Plant, Recycling Center (Amagasaki), Kobe, Shikoku, Fukuoka, Technical Research Center
Research Laboratory	Technical Research Center (Kobe)	Bases with ISO 9001	Fukuoka, Technical Research Center
Plant	Saitama, Shizuoka, Amagasaki, Kobe, Ehime, Kitakyushu, Kitakyushu-Hibiki, Fukuoka	Acquisition of Privacy Mark certification	
Recycling Center	Chiba, Amagasaki	Hauling Business Permission	47 prefectures and 57 government ordinance cities
Office	Sapporo, Aomori, Sendai, Niigata, Kita-Kanto, Kanto, Yokohama, Kofu, Shizuoka, Nagoya, Hokuriku, Osaka, Kobe, Okayama, Hiroshima, Shikoku, Fukuoka, Kitakyushu, Kagoshima, Okinawa	Disposal Business Permission	12 prefectures and 9 government ordinance cities

TOPICS

Acquisition of part of Sanix Incorporated's operations



On November 6, 2007, Asahi Pretec acquired from Sanix Incorporated part of its environmental resource development business, which is operated at a plant in Moji-ku, Kitakyushu-City.

The Kitakyushu Plant is equipped with: a rotary kiln and stoker furnace with a total of 189 ton per day incineration capacity; a hazardous waste liquid treatment system for pre-incineration treatment; and a waste plastic crusher with a capacity of 150 ton per day.

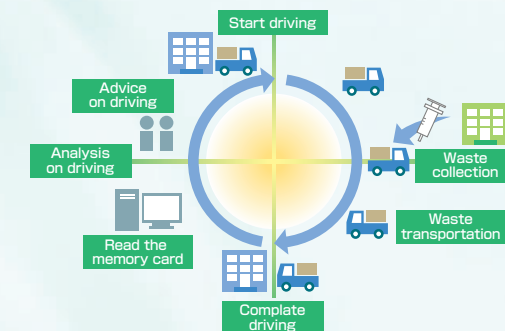
Asahi Pretec has offices in Fukuoka and Kagoshima Prefectures in the Kyushu area to conduct the environmental business. With the business acquired from Sanix, Asahi Pretec will further improve the one-stop solution system to meet the needs of clients in the western Japan area in cooperation with its Kobe Plant.

The acquired business is being operated under the name of "Kitakyushu office," and directed by newly established "Kyushu Business Coordination Department".

Introduction of the Eco-drive Management System (EMS)

Asahi Pretec fully introduced digital tachographs for its vehicles, numbering about 400, in April 2007, for which the Company obtained subsidies from the Support Project for Industries for Increasing the Efficient Use of Energy for the fiscal year 2006 of NEDO (New Energy and Industrial Technology Development Organization). Asahi Pretec -- a user of such an eco-drive management system -- as a "Specified Freight Carrier," continuously implements eco-drive in a systematic way, as well as objectively evaluating the state of operations and instructing employees regarding operations.

We expect that the installation of digital tachographs will decrease traffic accidents and offenses, as well as reducing the use of fuel with fuel efficiency improvement of about 4% from the previous year.



Vehicle operation control system with a digital tachograph