

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

### Asahi Industries Co., Ltd.

Code number: 5456

URL: <http://www.asahi-kg.co.jp/>

Representative: Kiyoshige Akamatsu, President

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Expected date of ordinary general meeting of shareholders: June 24, 2010

Expected payment date of cash dividends: June 25, 2010

Expected filing date of Quarter Securities Report: June 25, 2010

### 1. Consolidated Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 through March 31, 2010)

(Amounts are rounded down to the nearest million yen.)

#### (1) Consolidated Financial Results

(% of change from the same period of the previous fiscal year)

	Net sales		Operating Income		Ordinary income	
	Million yen	Change (%)	Million yen	Change (%)	Million yen	Change (%)
Fiscal year ended March 31, 2010	39,143	-37.5	1,922	-70.0	1,964	-69.3
Fiscal year ended March 31, 2009	62,629	21.0	6,406	125.8	6,408	141.8

	Net income		Net income per share	Net income per share (diluted)
	Million yen	Change (%)	Yen	Yen
Fiscal year ended March 31, 2010	937	-73.2	13,387.52	-
Fiscal year ended March 31, 2009	3,499	129.5	49,942.87	-

	Ratio of net income to shareholders' equity (%)	Ratio of ordinary income to total assets (%)	Ratio of operating income to net sales (%)
Fiscal year ended March 31, 2010	4.7	5.0	4.9
Fiscal year ended March 31, 2009	19.3	17.3	10.2

(Reference) Equity in earnings of associated companies:

Fiscal year ended March 31, 2010: 38 million yen

Fiscal year ended March 31, 2009: -6 million yen

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Change (%)	Yen
As of March 31, 2010	39,488	20,125	51.0	287,511.60
As of March 31, 2009	38,497	19,562	50.8	279,459.75

(Reference) Total shareholders' equity: As of March 31, 2010 : 20,125 million yen

As of March 31, 2009 : 19,562 million yen

(3) Consolidated Cash Flow

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2010	644	-3,809	1,494	4,256
Fiscal year ended March 31, 2009	6,328	-2,662	-219	5,920

2. Dividends

	Dividends per share (Yen)					Annual cash dividends (million yen)	Payout ratio (consolidated) (%)	Ratio of shareholders' equity to cash dividends (Consolidated) (%)
	1Q end	2Q end	3Q end	4Q end	Annual			
Fiscal year ended March 31, 2009	-	2,500.00	-	4,500.00	7,000.00	490	14.0	2.7
Fiscal year ended March 31, 2010	-	3,000.00	-	4,500.00	7,500.00	525	56.0	2.6
	-	-	-	-	7,000.00		81.7	

Note: We plan to pay an annual dividend of 7,000 yen per share for the fiscal year ending March 31, 2011. The date of payment is to be announced.

Note: The annual dividend for the fiscal year ended March 31, 2010 includes a commemorative dividend of 1,000 yen.

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2011 (April 1, 2010 through March 31, 2011)

(% of change from the same period of the previous fiscal year)

	Net sales		Operating Income	
	Million yen	Change (%)	Million yen	Change (%)
Six months ended September 30, 2010	-	-	-	-
Fiscal year ending March 31, 2011	41,000	4.7	1,400	-27.2

	Ordinary income		Net income		Net income per share
	Million yen	Change (%)	Million yen	Change (%)	Yen
Six months ended September 30, 2010	-	-	-	-	-
Fiscal year ending March 31, 2011	1,300	-33.8	600	-36.0	8,571.43

Note: Projected results for the six months ending September 30, 2010 haven't been posted due to uncertain business circumstances.

4. Other

(1) Changes in major subsidiaries during the period (Changes in specified subsidiaries due to changes in the scope of consolidation): No

New:

Eliminated:

(2) Changes in consolidated accounting rules, procedures, presentation method, etc. for preparing consolidated financial statements (presented in changes to important items basic to the preparation of financial statements):

1) Changes due to accounting standards: Yes

2) Changes other than 1) above: No

(3) Number of shares issued and outstanding (common stock)

1) Number of shares at end of period (including treasury stock): Year ended March 31, 2010:72,000 shares; Year ended March 31, 2009: 72,000 shares

2) Treasury stock at end of period: Year ended March 31, 2010:2,000 shares; Year ended March 31, 2009: 2,000 shares

### (Reference) Non-Consolidated Results

#### 1. Non-consolidated Results for the Fiscal Year Ended March 31, 2010

##### (1) Non-Consolidated Financial Results

(% of change from the same period of the previous fiscal year)

	Net sales		Operating Income		Ordinary income	
	Million yen	Change (%)	Million yen	Change (%)	Million yen	Change (%)
Fiscal year ended March 31, 2010	36,395	-39.1	1,849	-70.5	1,867	-70.4
Fiscal year ended March 31, 2009	59,771	22.3	6,278	135.9	6,315	145.7

	Net income		Net income per share	Net income per share (diluted)
	Million yen	Change (%)	Yen	Yen
Fiscal year ended March 31, 2010	971	-70.6	13,881.85	-
Fiscal year ended March 31, 2009	3,306	127.3	47,184.37	-

##### (2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Change (%)	Yen
As of March 31, 2010	37,888	19,350	51.1	276,435.98
As of March 31, 2009	36,701	18,789	51.2	268,426.23

(Reference) Total shareholders' equity: As of March 31, 2010 : 19,350 million yen

As of March 31, 2009 : 18,789 million yen

**2. Projected Non-Consolidated Results for the Fiscal Year Ending March 31, 2011 (April 1, 2010 through March 31, 2011)**

	Net sales		Operating Income	
	Million yen	Change (%)	Million yen	Change (%)
Six months ending September 30, 2010	-	-	-	-
Fiscal year ending March 31, 2011	38,000	4.4	1,300	-29.7

	Ordinary income		Net income		Income per share
	Million yen	Change (%)	Million yen	Change (%)	Yen
Six months ending September 30, 2010	-	-	-	-	-
Fiscal year ending March 31, 2011	1,200	-35.7	550	-43.4	7,857.14

Note: Projected results for the six months ending September 30, 2010 haven't been posted due to uncertain business circumstances.

**Note: Appropriate Use of Projected Results and Other Specified Items**

1. The projected consolidated and non-consolidated results for the fiscal year contained in this document are based on information currently available to Asahi Industries Group and certain assumptions it considers reasonable. Due to various factors, actual results may differ materially from the forecast. For further details, please refer to (1) Analysis of management results under 1. Management results on page 5.
2. Projected results for the six months ending September 30, 2010 haven't been posted due to uncertain demand for steel products and unpredictable steel scrap and steel product prices. These results will be announced as soon as we are able to formulate reasonable assumptions. At the same time, we will announce a dividend per share for the second quarter ending September 30, 2010.

## 1. Management results

### (1) Analysis of management results

#### 1) Management results for the fiscal year ended March 31, 2010

In the fiscal year ended March 31, 2010, the Japanese economy started moving towards recovery due to factors such as an increase in exports led by the moderate recovery of the world economy and the effects of economic stimulus measures. Under these circumstances, our effort was particularly put into sales promotion of value-added products and cost cutting. However, our business results were greatly affected by a delay in recovery of demand for steel products and a rise in steel scrap prices.

As a consequence, the results for the fiscal year ended March 31, 2010 are as follows.

Net sales decreased by 37.5% to 39,143 million yen from the same period of the previous fiscal year.

Operating income decreased by 70.0 % to 1,922 million yen from the same period of the previous fiscal year.

Ordinary income decreased by 69.3 % to 1,964 million yen from the same period of the previous fiscal year.

Net income decreased by 73.2 % to 937 million yen from the same period of the previous fiscal year.

#### Results by Segment

##### [Steel Business]

Net sales: 23,377 million yen (a decrease of 45.9% from the same period of the previous fiscal year)

Operating income: 2,323 million yen (a decrease of 61.7% from the same period of the previous fiscal year)

We strived to increase sales volumes of products manufactured through our technology enabling production of a wide variety of steel products. Despite our efforts, shipping volumes fell mainly due to the situation that the recovery of construction demand was more sluggish than expected.

##### [Agribusiness]

Net sales: 13,016 million yen (a decrease of 21.5% from the same period of the previous fiscal year)

Operating income: 608 million yen (a decrease of 51.6% from the same period of the previous fiscal year)

- Fertilizers: We continued to focus on the promotion of organic fertilizers that are the main products in our agribusiness operations, but the total sales volumes of fertilizers declined

due to continuously high levels of farmers' and distributors' inventories.

- Gardening supplies and tools: Both net sales and net income rose mainly due to an increase in sales to home improvement stores.
- Seeds and seedlings: Financial situation improved due to an increase in sales of seeds of 'Animo', which is the brand name of our tomato varieties resistant to diseases and sales of melon rootstocks.
- Hay business: Sales volumes of Australian hay increased.

#### **[Environmental Service Business]**

Net sales: 1,053 million yen (a decrease of 15.9% from the same period of the previous fiscal year)

Operating loss: 52 million yen

(Operating income for the same period of the previous year: 61 million yen)

- EAC Corporation that conducts environmental measurement and consultation:  
Both net sales and net income declined due to a decline in each analysis fee in the face of severe competition while the number of samples analyzed increased.
- Jobu Eco Clean Co., Ltd. that conducts waste processing and recycling:  
Both net sales and net income declined due to a decline in volumes of debris collected.

#### **[Other Business]**

Net sales: 1,861 million yen (an increase of 5.1% from the same period of the previous fiscal year)

Operating income: 127 million yen (a decrease of 0.2% from the same period of the previous fiscal year)

- Jobu Industries Co., Ltd. that conducts crushed stone and sand business aggressively promoted sales promotions and received a larger order. As a result, net sales increased.

To contribute to the environment, we have been dealing with measures against global warming. In the fiscal year ended March 31, 2010, natural gas was introduced and a new reheating furnace started to operate in the steel plant. As a result, our CO2 emissions are expected to reduce significantly compared with 1990 levels.

## **2) Outlook for the fiscal year ending March 31, 2011**

Domestic demand is expected to improve slowly because the Japanese economy is gradually recovering. In this economic climate, Asahi Industries Group will continue to expand its business by developing transactions, leveraging the strength of each operation of Asahi Industries Group and enhancing cooperation and information-sharing between our business groups.

#### **[Steel Business]**

We will aim at sales expansion of threaded deformed bars that are in increasing demand

and make every effort to achieve the target for sales volumes by supplying a wide variety of steel products through further customer-oriented approaches.

#### **[Agribusiness]**

- Fertilizers: We will focus our effort on sales promotion of organic fertilizers which are our main products. It is our strategy to strengthen our purchase structure to enable stable procurement of raw materials of good quality at competitive prices and development of untapped resources. Organic fertilizers that are to be made from such raw materials will be competitive and contribute to sales increase.
- Gardening supplies and tools: We will develop further distribution channels including home improvement stores.
- Seeds and seedlings: Concerted efforts will be continuously made to promote 'Animo', our tomato varieties resistant to diseases and melon rootstocks, developing disease resistant vegetable varieties.
- Hay business: Our main focus is on boosting sales volumes by stable procurement of hay.

#### **[Environment-Related Business]**

- EAC Corporation that conducts environmental measurement and consultation will aim at being in a stable financial position by increasing orders from the private sector.
- Jobu Eco Clean Industries Co., Ltd. that conducts waste processing and recycling will aim to increase debris volumes to be collected in the Chichibu region, 70km northwest of Tokyo.

#### **[Other Business]**

- Jobu Industries Co., Ltd. that conducts crushed stone and sand business will do sales promotions in the Tokyo area and reduce production costs to increase a profit.

In the fiscal year ending March 31, 2011, domestic corporate profitability is expected to improve mainly due to some successful results of the emergency economic stimulus package and economic growth of emerging countries such as China. However, there are concerns about a delay in recovery of the construction industry where steel products are largely consumed and the fluctuation of steel scrap prices.

In these circumstances, our business environment is uncertain in view of steel scrap prices fluctuating according to domestic demand, international market conditions and blast furnace steelmakers' purchase policy. Product prices are also unpredictable as demand for steel products is uncertain.

Taking the aforementioned circumstances into consideration, we have forecasted the following financial results for the fiscal year ending March 31, 2011 based on the assumption that in the second half of the fiscal year, demand for steel products will improve and seasonal demand is expected in the agribusiness sector.

- Consolidated net sales: 41,000 million yen (an increase of 4.7% from the same period of the previous fiscal year)
- Consolidated operating income: 1,400 million yen (a decrease of 27.2% from the same period of the previous fiscal year)
- Consolidated ordinary income: 1,300 million yen (a decrease of 33.8% from the same period of the previous fiscal year)
- Consolidated net income: 600 million yen (a decrease of 36.0% from the same period of the previous fiscal year)

We are not able to post projected results for the six months ending September 30, 2010 because the steel business conditions are uncertain and it is difficult to forecast short-term price fluctuation. The projected results will be announced as soon as we are able to formulate reasonable assumptions.

## **(2) Analysis of financial position**

Cash and cash equivalents (hereafter called “cash”) decreased by 1,663 million yen to 4,256 million yen from March 31, 2010, as a result of the following factors.

### 1) Operating activities

Net cash provided by operating activities was 644 million yen (a decrease of 89.8% from the same period of the previous fiscal year) mainly due to net income before income taxes of 1,739 million yen, depreciation of 1,669 million yen, a decrease in trade receivables of 821 million yen, a decrease in inventories of 889 million yen, a decrease in trade payables of 575 million yen and tax payments of 3,039 million yen.

### 2) Investing activities

Net cash used in investing activities was 3,809 million yen (an increase of 43.1% from the same period of the previous fiscal year) mainly due to the acquisition of property, plant and equipment and intangible assets of 3,492 million yen and investment securities of 365 million yen. Acquisition of property, plant and equipment includes the replacement of some facilities of the steel-making plant in Saitama and the maintenance of production facilities of all plants.

### 3) Financing activities

Net cash provided by financial activities increased 1,494 million yen (a decrease of 219 million yen in the same period of the previous fiscal year) mainly due to an increase in long-term borrowings of 2,000 million yen and a net increase in short-term borrowings of 460 million yen, the payments of cash dividends of 524 million yen and the repayments of long-term borrowings of 420 million yen.

(Reference) Indicators of cash flows

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Shareholders' equity ratio (%)	47.3	47.0	50.8	51.0
Shareholders' equity ratio on a market value basis (%)	54.4	24.5	21.6	32.5
Ratio of interest-bearing debt to cash flows (%)	102.7	139.7	55.3	859.8
Interest coverage ratio (times)	38.3	41.8	127.1	12.4

Shareholders' equity ratio: Shareholders' equity to total assets

Shareholders' equity ratio on a market value basis: Total market value of stock to total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt to cash flows

Interest coverage ratio: Cash flows from operating activities to interest paid

\* Each indicator was calculated on the basis of consolidated financial figures.

\* The total market value of stock was calculated on the basis of the number of shares issued (excluding treasury stock).

\* Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid.

\* The operating cash flow figures used are cash flows from operating activities and interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

**(3) Basic policy on distribution of profits and cash dividends for the fiscal years ended March 31, 2010 and ending March 31, 2011**

Our basic policy is to return profits to shareholders, fully taking into consideration business performance, financial status and financial requirements for investments to enhance corporate value, on the basis of profit distribution in a flexible manner, and reflecting consolidated financial results in each period.

The annual dividend for the fiscal year ended March 31, 2010 will be 7,500 yen per share (the interim dividend: 3,000 yen per share, the year-end dividend: 3,500 yen per share, commemorative dividend: 1,000 yen per share) as announced in February 5, 2010.

Recognizing the importance of continuing to return profits to shareholders in a stable manner, we currently plan to pay a dividend of 7,000 yen per share for the fiscal year ending March 31, 2011 although our business conditions are still uncertain.

## 2. Outline of Asahi Industries Group's business operations

Asahi Industries Group includes Asahi Industries Co., Ltd., five consolidated subsidiaries and two affiliated companies with the main businesses being steel business, agribusiness and environment-related business.

The main operations by business segment are as follows.

- (1) Steel business: (Main products) Deformed bars, structural steel and threaded deformed bars.  
Steel business:  
Production (in the Saitama Plant) and sales of deformed bars and structural steel to be fabricated.  
Threaded deformed bar business:  
Production (in the Saitama Plant) and sales of threaded deformed bars (based on the joint method) and accessories.  
(Main companies: Asahi Industries and T&I)
- (2) Agribusiness: (Main products and services) Fertilizers, gardening supplies and tools, seeds and seedlings and hay business.  
Fertilizer business:  
Production (in the Kanto Plant, Chiba Plant and Kansai Plant) and sales of organic fertilizers, compound fertilizers, superphosphate and fused magnesium phosphate.  
Gardening supplies and tools business:
  1. Production and sales of fertilizers for the gardening purpose to be sold in home improvement stores and gardening shops.
  2. Wholesale of gardening supplies and tools.Seed and seedling business:  
Production and sales of seeds of vegetable varieties developed by Asahi Industries or in cooperation with overseas seed companies.  
Hay business:  
Imports of hay from our joint venture company, Johnson Asahi Pty. Ltd. in Australia and sales of imported hay from USA and Canada.  
(Main companies: Asahi Industries, T&I, Johnson Asahi, Asahi Industries Australia)
- (3) Environment-related business: (Main products and services) Environmental measurement and consultation, waste processing and recycling.  
Environmental measurement and consultation: Research and assessment of the environment including soil, water and air.  
Waste processing and recycling: Processing and recycling of rubble and debris and sales of recycled base course materials and woodchips.  
(Main companies: EAC and Jobu Eco)

(4) Other business: (Main products) Crushed stone and sand

Production and sales of crushed stone and sand for civil engineering and construction.

(Main companies: Jobu Industries and T&I)

(Note: In addition to the above companies, RHSJ Enterprise is an affiliated company that is involved in sales of the Royal Horticultural Society merchandise and contract management of The Royal Horticultural Society Japan.

### 3. Management policy

#### (1) Basic management policy

Asahi Industries Group consists of four business segments, the steel business focusing on deformed bars, the agribusiness focusing on organic fertilizers, the environment-related business focusing on environmental measurement and the crushed stone business.

We are required to recognize and deal with the current issues such as fluctuation in construction demand depending on economic conditions, change in farm management where they face the challenges of raising the food self-sufficiency rate and development of superior techniques in fierce competition to respond to increasing demand for environmental services.

Taking these circumstances into consideration, we are striving to expand sales and secure stable profitability.

In the steel business, our strategy focuses on an increase in sales volumes of steel products, especially threaded deformed bars in increasing demand, through customer-oriented services, leveraging our strength as a manufacturer of a wide variety of products.

In the fertilizer business, our concerted efforts will be made to boost sales volumes of organic fertilizers, which are our main products, developing untapped resources.

In the gardening supplies and tools business, the main objective is to create further distribution networks throughout Japan.

In the seed and seedling business, we aim to strengthen our product lineup by developing new vegetable varieties on the basis of 'disease resistance' that is in our development policy in order to boost sales.

In the environmental service business, we will work to build superior techniques and improve sales skills.

#### (2) Objective management index

To make further progress as a group undertaking environment-related businesses, we will pursue effective investment programs and financial strategies. Recognizing the importance of stable and continuous increases in earnings, we are particularly aiming to boost the ratio of operating income to net sales.

#### (3) Medium-term management strategies

Japanese corporate performance is expected to change drastically due to many international and domestic factors under the future medium-term economic conditions. In the electric furnace steel industry, there is growing concern about the uncertain financial situation due to unpredictable demand for steel products and fluctuation of steel scrap prices. The agribusiness industry is also facing difficulties because the agricultural market is shrinking due to a decrease in farm land. In these business conditions, Asahi Industries Group will make every effort to raise our corporate value on the basis of the following policies.

##### 1) Growth strategies of core businesses

**Steel business:** This business is placed as our key sector. We will focus on the improvement in product quality through our accumulated technology, and sales expansion, leveraging the strength as a manufacturer of a wide variety of products.

Agribusiness: Developing products corresponding to changes in agricultural management and conditions, we will play a leading role as a manufacturer of organic fertilizers and strengthen our business structure to provide comprehensive services ranging from soil fertilization to sales of seeds of vegetable varieties developed by us.

2) Promotion of strategic business

We are strategically engaged in environment-related business and a special effort will be put into the expansion of environmental analysis business, leveraging the strength as an integrated manufacturer of steel and agricultural products having a history of more than 70 years.

3) We will continue to carry out business activities on an environmentally-friendly basis in a positive manner.

4) Further stress will be placed on an increase in profitability and enhancement of financial structure.

We will be committed to strengthening our corporate structure as an eco-friendly company to satisfy requirements of shareholders and society, fulfilling the aforementioned objectives and policies.

(4) Management challenges

Asahi Industries Group announced 'Management Principles' in view of the importance of the environment in April, 2004 and formulated 'Medium-Term Environmental Activities Plan 2004' in December, 2004 and 'Medium-Term Environmental Activities Plan 2008' in October, 2008. These medium-term environmental activities plans include investments in facility improvement to reduce environmental burdens, decreases in wastes and greenhouse gas emissions and contribution to society. Natural gas has been introduced as a fuel conversion measure to reduce greenhouse gas emissions. We fully recognize the importance of the fulfillment of the medium-term environmental activities plans and the improvement in management of beneficial environment-related businesses. Challenges of each business are as follows.

1) Steel business: We will aim to expand sales of threaded deformed bars that are in increasing demand and make every effort to achieve the target for sales volumes by supplying a wide variety of steel products through further customer-oriented approaches. Besides, our objectives include improvement in production process, cost cutting related to purchasing and reductions in wastes and greenhouse gas emissions through the new reheating furnace and fuel conversion to natural gas.

2) Agribusiness

- Fertilizers business: Although the agricultural market is shrinking due to a decrease in farm land, demand for our superior organic fertilizers is increasing in view of food safety and confidence in food. Taking the expansion of the organic fertilizer business into consideration, we will strengthen our purchase structure to enable stable procurement of raw materials of good quality at competitive prices and R&D on untapped resources. Our effort will be continuously put into strategies for an increase in orders through original equipment manufacturing and improvement in the environment by decreasing waste of all production plants to consolidate our position as the leading fertilizer company.

- Gardening supplies and tools business: As a fertilizer manufacturer that supplies products to not only grower but also gardeners, we will extend our lineup of organic fertilizers in demand and develop further distribution channels including home improvement stores.
- Seed and seedling business: Concerted efforts will be continuously made to promote 'Animo', our tomato varieties resistant to diseases and melon rootstocks, as well as developing disease resistant vegetable varieties.
- Hay business: Our main focus is on boosting sales volumes by stable procurement of hay.

3) Environmental service business

- Environmental measurement and consultation business: We will aim at business expansion and the enhancement of our financial position by increasing orders through customer-oriented services based on the professional skill accumulated over years.
- Waste processing and recycling business: Our objectives include an increase in operating income and stable profitability by raising recycling volumes of wood debris and developing recycling methods.

4) Other business

- Crushed stone and sand business: We will work to increase profits by further production and by promoting sales of crushed stone and sand.

(5) Other important matters related to management

No important matters relating to management.