

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2011

Company name: Asahi Industries Co., Ltd.

Stock listing: JASDAQ

Code number: 5456

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1. Consolidated Results for the First Quarter Ended June 30, 2010 (April 1, 2010 through June 30, 2010)

(1) Consolidated Financial Results (Cumulative total)

(% 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(%)
Three months ended June 30, 2010	10,725	3.2	-315	-	-303	-
Three months ended June 30, 2009	10,389	-40.9	943	362.2	935	277.2

	Net income		Net income per share	Net income per share (diluted)
	Million yen	Change(%)	yen	yen
Three months ended June 30, 2010	-360	-	-5,151.78	-
Three months ended June 30, 2009	541	569.3	7,740.46	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net Assets per share
	Million yen	Million yen	Change(%)	yen
As of June 30, 2010	40,106	19,336	48.2	276,233.55
As of March 31, 2010	39,488	20,125	51.0	287,511.60

(Reference) Total shareholders' equity: As of June 30, 2010 : 19,336 million yen

As of March 31, 2010 : 20,125 million yen

2. Dividends

(yen)

	First quarter	Second quarter	Third quarter	Year-end	Full-year
Fiscal year ended March 31 2010	-	3,000.00	-	4,500.00	7,500.00
Fiscal year ending March 31 2011	-				
Fiscal year ending March 31 2011(Est.)		3,000.00	-	4,000.00	7,000.00

Note: Revisions to projected dividends during the first quarter of the fiscal year ending March 31, 2011: Yes

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		Ordinary income	
	Million yen	Change(%)	Million yen	Change(%)	Million yen	Change(%)
Six months ending September 30, 2010	20,000	2.1	-630	-	-660	-
Fiscal year ending March 31, 2011	41,000	4.7	350	-81.8	240	-87.8

	Net income		Net income per share
	Million yen	Change(%)	yen
Six months ending September 30, 2010	-550	-	-7,857.14
Fiscal year ending March 31, 2011	-50	-	-714.29

Note: Revisions to projected results during the first quarter of the fiscal year ending March 31, 2011: Yes

4. Other (For details, please see "Other information" on page 5.

(1) Changes in major subsidiaries during the period: No

New:

Eliminated:

(Note) This indicates whether or not there were changes in specified subsidiaries due to changes in the scope of consolidation during this period.

(2) Application of simplified accounting treatment or special accounting treatment: Yes

(Note) This indicates whether or not there was application of simplified accounting treatment or special accounting treatment in preparing quarterly consolidated financial statements

(3) Changes in accounting principles, procedures and presentation methods:

1) Changes due to accounting standards: Yes

2) Changes other than 1) above: No

(Note) This indicates whether or not there were changes in accounting principles, procedures and presentation methods in preparing consolidated financial statements presented in "Changes to important items basic to the preparation of quarterly consolidated financial statements".

- (4) Number of shares issued and outstanding (common stock)
- 1) Number of shares at end of period (including treasury stock)
 - June 30, 2010 : 72,000 shares
 - March 31, 2010 : 72,000 shares
 - 2) Treasury stock at end of period
 - June 30, 2010 : 2,000 shares
 - March 31, 2010 : 2,000 shares
 - 3) Average number of shares during the period
 - June 30, 2010 : 70,000 shares
 - March 31, 2010 : 70,000 shares (quarterly cumulative)

* Information regarding quarterly review procedures

The consolidated financial results for the first quarter of the fiscal year ending March 31, 2011 are not subject to quarterly financial review under the Financial Instruments and Exchange Act. At the time of disclosing these consolidated financial results, financial review procedures specified in the Financial Instruments and Exchange Act have not been completed with respect to the quarterly financial statements.

* Appropriate Use of Projected Results and Other Specified Items

1. The projected consolidated financial results for six months ending September 30, 2010 were not posted, while the projected consolidated results for the fiscal year ending March 31, 2011 were announced on May 10, 2010. We hereby announce a projection of consolidated financial results for six months ending September 30, 2010 and revise the projected financial results ending March 31, 2011.
2. The projected 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 cautionary remarks and other issues concerning use of the projected results, please see “(3) Qualitative Information on Projected Consolidated Financial Results”.
3. The projected dividend per share was announced only on an annual basis on May 10, 2010. We hereby announce projected dividends per share for the second-quarter and the year-end for the fiscal year ending March 31, 2011.

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1. Qualitative Information on the First Quarter Financial Results

(1) Qualitative Information on Consolidated Management Results

During the first-quarter period, the Japanese economy partly showed signs of recovery led by mainly the global economic recovery, but the situation didn't indicate significant progress towards a real recovery and remained sluggish as a whole.

Against this backdrop of economic conditions, Asahi Industries Group continued to focus concerted efforts on steady sales promotion and a cost reduction. Despite such efforts, the financial results were largely affected by the delay in recovery of domestic construction demand as our steel products are mostly supplied to the construction sector.

The results for the three months ended June 30, 2010 were as follows.

Net sales increased by 3.2% to 10,725 million yen from the same period of the previous fiscal year.

Operating loss was 315 million yen, down from operating income of 943 million yen in the same period of the previous fiscal year.

Ordinary loss was 303 million yen, down from ordinary income of 935 million yen in the same period of the previous fiscal year.

Net loss was 360 million yen, down from net income of 541 million yen in the same period of the previous fiscal year.

In view of the change in "Accounting Standards for the Disclosure of Segment Information", our segment classification has changed as follows from this first quarter to help you understand our businesses deeply.

Previous segment		New segment	Change
Steel Business		Steel Business	-
Agribusiness		Agribusiness	-
Environmental Service Business	Environmental Measurement /Consultation	Environmental Solutions Business	Independent segment
	Waste Disposal and Recycling Business	Other Business	Classified under "Other Business"
Other Business	Crushed Stone and Sand Business	Crushed Stone and Sand Business	Independent segment
	Contracting and sale of fuel	Other Business	

Results by New Segment

[Steel Business]

Net sales:	6,886 million yen (an increase of 6.5% from the same period of the previous fiscal year)
Operating loss:	202 million yen (1,155 million yen of operating income in the same period of the previous fiscal year)

We put a lot of effort into steady sales promotion in the severe demand-supply conditions and succeeded in increasing the shipment volume of all types of steel products including threaded deformed bars. As a result, net sales increased from the same period of the previous fiscal year. However, operating loss was recorded because of a fall in gross profit due to higher prices of steel scrap, a core raw material of our steel products.

[Agribusiness]

Net sales:	3,275 million yen (a decrease of 1.9% from the same period of the previous fiscal year)
Operating income:	229 million yen (an increase of 62.2% from the same period of the previous fiscal year)

- Fertilizers: Through intensive sales promotion of organic fertilizers, our core product in the fertilizer operations, the sales volume of organic fertilizers, in particular for vegetables and fruits, increased. Furthermore, the demand for compound fertilizers recovered to some extent. As a result, both net sales and net income increased from the same period of the previous fiscal year.
- Gardening supplies and tools: The emphasis was on promoting our gardening products mainly to home improvement stores. This promotion contributed to an increase in the shipment volume of organic fertilizers in which we are specialized, while the shipment volume of other gardening products declined due to unseasonable weather in April. As a result, net sales declined. However, net income increased due to the increased shipment volume of organic fertilizers with good gross margins.
- Seeds and seedlings: Net sales increased and profit structure improved due to sales promotion of vegetable seeds such as “animo” (the name of our tomato varieties) to one of major tomato production areas and spinach.

[Environmental Solutions Business]

Net sales:	131 million yen (a decrease of 13.6% from the same period of the previous fiscal year)
Operating loss:	71 million yen (69 million yen of operating loss in the same period of the previous fiscal year)

- Our emphasis was put on promotion to the private sector. We were able to increase the number of orders received, but profit margins shrunk due to intensive competitions in the market.

[Crushed Stone and Sand Business]

Net sales: 367 million yen (a decrease of 2.3% from the same period of the previous fiscal year)
Operating income: 9 million yen (an increase of 52.6% from the same period of the previous fiscal year)

- Both net sales and net income declined due to the completion of some big projects.

The comparison was made by replacing the previous segments with the new segments.

(2) Qualitative Information on Consolidated Financial Position

[Balance Sheet]

Total assets were 40,106 million yen, an increase of 618 million yen from the end of the previous fiscal year.

- Current assets: 17,659 million yen, a decrease of 671 million yen mainly due to decreases of 564 million yen in cash and cash equivalents relating to operating activities and 552 million yen in trade notes and accounts receivable and increases of 519 million yen in merchandise inventory and finished goods.
- Noncurrent assets: 22,446 million yen, an increase of 1,289 million yen mainly due to an increase of 1,364 million yen in property, plant and equipment and a decrease of 199 million yen in investment securities (investments and other assets).

Total liabilities were 20,770 million yen, an increase of 1,407 million yen from the end of the previous fiscal year.

- Current liabilities: 15,966 million yen, an increase of 1,615 million yen mainly due to increases of 1,556 million yen in trade notes and accounts payable, 860 million yen in short-term borrowings and 1,478 million yen in trade notes on equipment (other) and a decrease of 2,374 million yen in accounts payable on equipment (other).
- Noncurrent liabilities: 4,803 million yen, a decrease of 207 million yen mainly due to a decrease of 200 million yen in long-term borrowings.

Total shareholders' equity decreased by 789 million yen to 19,336 million yen from the end of the previous fiscal year mainly due to decreases of 675 million yen in retained earnings and 120 million yen in net unrealized gains on available-for-sale securities.

The ratio of shareholders' equity to total assets increased to 48.2% from 51.0% of the end of the previous fiscal year.

[Cash Flow]

Cash and cash equivalents (hereafter called "cash") decreased by 564 million yen to 3,692 million yen from March 31, 2010, as a result of the following factors.

[Operating activities]

Net cash provided by operating activities was 1,853 million yen (513 million yen in the same

period of the previous fiscal year) mainly due to depreciation of 493 million yen, a decrease of 553 million yen in trade receivables, an increase of 1,556 million yen in accounts payable and loss before income taxes of 507 million yen.

[Investing activities]

Net cash used in investing activities was 2,817 million yen (an increase of 75.3% from the same period of the previous fiscal year). This is mainly due to the acquisition of property, plant and equipment of 2,756 million yen.

[Financing activities]

Net cash provided by financial activities was 398 million yen (353 million yen in the same period of the previous fiscal year) mainly due to a net increase in short-term borrowings of 860 million yen, the repayments of long-term borrowings of 200 million yen and the payments of cash dividends of 259 million yen.

(3) Qualitative Information on Projected Consolidated Financial Results

Based on the recent trends in business results, we have revised our projected results (consolidated and non-consolidated) for the fiscal year ending March 31, 2011 announced on May 10, 2010. The details can be found in a separate press release issued today titled "Notice Regarding Revision of Projected Results for the Fiscal Year Ending March 31, 2011".

2. Other Information

- (1) Changes in Major Subsidiaries during the Current Quarter: No
- (2) Application of Simplified Accounting Treatment and Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements
 - 1) Simplified accounting treatment
 - i) Valuation of inventories
Inventories at the end of the first quarter of the fiscal year ending March 31, 2011 are mainly calculated using a reasonable estimate based on actual inventories at the end of the previous fiscal year, in lieu of an actual physical inventory.
 - ii) Method of calculating depreciation of noncurrent assets
For assets depreciated using the declining balance method, depreciation expenses applicable to the fiscal year are calculated on a pro-rata basis.
 - iii) Methods of calculating income taxes and deferred tax assets and liabilities
Judgment regarding the recoverability of deferred tax assets will be made based on methods using performance forecasts and tax planning applied in the previous fiscal year in the event it is determined there is no significant change in the management environment from the end of the previous fiscal year or conditions resulting in temporary differences.
 - 2) Special treatment in preparing quarterly consolidated financial statements: No

(3) Changes in accounting principles, procedures and presentation methods

1) Changes due to accounting standards

i) Application of “Accounting Standards for Asset Retirement Obligations”

Starting from the first quarter of the current fiscal year, we have adopted “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result of the application, operating loss and ordinary loss increased by 1,525 million yen each, loss before income taxes increased by 75,428 million yen and the amount of asset retirement obligations increased 167,232 thousand yen.

ii) Applications of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution for Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

Starting from the first quarter of the current fiscal year, we have adopted “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and “Practical Solution for Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, March 10, 2008). There was no effect on operating loss, ordinary loss and loss before income taxes with regard to the applications.

2) Changes in presentation methods

Quarterly consolidated statements of income

As a result of the application of the “Cabinet Office Ordinance for Amendments to the Regulations on the Terminology, Format, and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) as per Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26, 2008), “Loss before minority interests” is shown in the statement of income for the first quarter of the current fiscal year.

(4) Going-concern assumption: No

3. Consolidated First Quarter financial results

(1) Consolidated Balance Sheets

	(Thousand yen)	
	As of June 30, 2010	As of March 31, 2010
Assets		
Current assets		
Cash and cash equivalents	3,692,280	4,256,837
Trade notes and accounts receivable	5,703,107	6,255,958
Merchandise inventory and finished goods	5,991,282	5,471,601
Raw materials and work in process	1,665,342	1,693,476
Other	612,194	658,025
Allowance for doubtful bad debts	-4,563	-5,123
Total current assets	17,659,644	18,330,775
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,109,040	4,042,523
Machinery, equipment and vehicles, net	11,669,095	10,146,990
Land	2,599,242	2,598,592
Other, net	1,148,729	1,373,672
Total property, plant and equipment	19,526,108	18,161,779
Intangible assets	1,069,594	969,699
Investments and other assets	1,851,056	2,025,791
Total noncurrent assets	22,446,759	21,157,270
Total assets	40,106,403	39,488,045
Liabilities		
Current liabilities		
Trade notes and accounts payable	7,075,993	5,519,723
Short-term borrowings	2,790,000	1,930,000
Current portion of long-term borrowings	810,000	810,000
Income taxes payable	27,006	37,052
Provision for bonuses	88,960	310,237
Other	5,174,435	5,743,788
Total current liabilities	15,966,395	14,350,801
Noncurrent liabilities		
Long-term borrowings	2,600,000	2,800,000
Provision for retirement benefits	1,187,842	1,203,950
Other	1,015,816	1,007,481
Total noncurrent liabilities	4,803,658	5,011,431
Total liabilities	20,770,054	19,362,233

(Thousand yen)

	As of June 30, 2010	As of March 31, 2010
Net assets		
Shareholders' equity		
Capital stock	2,190,000	2,190,000
Capital surplus	1,802,000	1,802,000
Retained earnings	15,534,194	16,209,819
Common stock for treasury	-293,311	-293,311
Total shareholders' equity	19,232,883	19,908,508
Valuation and translation adjustments		
Net unrealized gains on available-for-sales securities	51,454	171,719
Foreign currency translation adjustments	52,010	45,584
Total valuation and translation adjustments	103,464	217,303
Total net assets	19,336,348	20,125,812
Total liabilities and net assets	40,106,403	39,488,045

(2)Consolidated Statement of Income

(Thousand yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	10,389,964	10,725,109
Cost of sales	7,752,267	9,272,394
Gross profit	2,637,696	1,452,715
Selling, general and administrative expenses	1,693,981	1,768,539
Operating income or loss	943,714	-315,824
Non-operating income		
Interest income	1,032	189
Dividend income	13,247	14,620
Equity in earnings of affiliates	7,957	26,325
Other	12,652	23,521
Total non-operating income	34,890	64,657
Non-operating expenses		
Interest expenses	13,836	20,435
Sales discounts	25,525	24,707
Other	3,589	6,958
Total non-operating expenses	42,950	52,102
Ordinary income or loss	935,654	-303,268
Extraordinary gains		
Gain on sales of noncurrent assets	-	149
Reversal of allowance for doubtful accounts	3,278	665
Total extraordinary gains	3,278	815
Extraordinary losses		
Loss on disposal of ended assets	13,895	130,666
Loss on adjustment for changes of accounting standard for asset retirement obligation	-	73,903
Other	229	-
Total extraordinary losses	14,124	204,569
Income before income taxes	924,808	-507,022
Income taxes - current	352,272	21,654
Income taxes - deferred	30,703	-168,052
Income taxes	382,957	-146,397
Income before minority interests	-	-360,624
Total net income or loss	541,832	-360,624

(3) Consolidated Statement of Cash Flows

(Thousand yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Cash flows from operating activities		
Income or loss before income taxes	924,808	-507,022
Depreciation	412,953	493,954
Decrease (increase) in trade receivables	1,898,998	533,000
Increase (decrease) in trade payables	-1,299,705	1,556,269
Other	69,437	-211,433
Subtotal	2,006,491	1,884,768
Interest and dividends income received	14,279	14,620
Interest expenses paid	-13,583	-20,082
Tax payments	-2,520,308	-25,660
Net cash provided by operating activities	-513,120	1,853,646
Cash flows from investment activities		
Purchase of property, plant and equipment	-1,651,290	-2,756,420
Purchase of intangible assets	-6,300	-66,554
Other	50,603	5,252
Cash flows from	-1,606,987	-2,817,723
Financing activities		
Net increase (decrease) in short-term borrowings	100,000	860,000
Payments for long-term borrowings	-200,000	-200,000
Payments of cash dividends	-251,936	-259,169
Other	-1,825	-7,736
Net cash provided by financing activities	-353,762	393,093
Effect of exchange rate change on cash and cash equivalents	8,246	6,425
Net increase (decrease) in cash and cash equivalents	-2,465,623	-564,557
Cash and cash equivalents at beginning of period	5,920,021	4,256,837
Cash and cash equivalents at end of period	3,454,397	3,692,280