

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2012 (Japanese accounting standards)

Company name: Asahi Industries Co., Ltd.

Stock listing: JASDAQ

Code number: 5456

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

Representative: Kiyoshige Akamatsu, President

Contact: Noriyuki Nakamura, Managing Director, Administration and Planning Division

Telephone: 81-3-3987-2161

Filing date of Quarter Securities Report: November 11, 2011

Payment date of cash dividends: December 6, 2011

Preparation of supplemental explanatory materials: Yes

Holding of quarterly financial results meeting: Yes (for analysts)

1. Consolidated Results for the Second Quarter Ended September 30, 2011 (April 1, 2011 through September 30, 2011)

(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 (%) |
| Six months ended September 30, 2011 | 20,637 | 3.8 | -419 | - | -410 | - |
| Six months ended September 30, 2010 | 19,873 | 1.4 | -544 | - | -558 | - |

| | Net income | | Earnings per share | Earnings per share (diluted) |
|-------------------------------------|-------------|------------|--------------------|------------------------------|
| | Million yen | Change (%) | Yen | Yen |
| Six months ended September 30, 2011 | -271 | - | -3,879.46 | - |
| Six months ended September 30, 2010 | -577 | - | -8,244.32 | - |

(Note) Comprehensive Income: Six months ended September 30, 2011: -342 million yen (-%)

Six months ended September 30, 2010: -728 million yen (-%)

(2) Consolidated Financial Position

| | Total assets | Net assets | Ratio of shareholders' equity to total assets | Net assets per share |
|--------------------------|--------------|-------------|---|----------------------|
| | Million yen | Million yen | Change (%) | Yen |
| As of September 30, 2011 | 39,696 | 18,157 | 45.7 | 259,396.56 |
| As of March 31, 2011 | 40,733 | 18,780 | 46.1 | 268,285.76 |

(Reference) Total shareholders' equity: As of September 30, 2011 : 18,157 million yen

As of March 31, 2011 : 18,780 million yen

2. Dividends

| Dividends per share (Yen) | | | | | |
|--|---------------|----------------|---------------|----------|-----------|
| | First quarter | Second quarter | Third quarter | Year-end | Full-year |
| Fiscal year ended March 31, 2011 | - | 3,000.00 | - | 4,000.00 | 7,000.00 |
| Fiscal year ending March 31, 2012 | - | 3,000.00 | | | |
| Fiscal year ending March 31, 2012 (Est.) | | | - | 4,000.00 | 7,000.00 |

Note: Revisions to the latest announcement about projected dividends: No

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 through March 31, 2012)

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

| | Net sales | | Operating Income | |
|-----------------------------------|-------------|------------|------------------|------------|
| | Million yen | Change (%) | Million yen | Change (%) |
| Fiscal year ending March 31, 2012 | 45,200 | 11.5 | 900 | - |

| | Ordinary income | | Net income | | Earnings per share |
|-----------------------------------|-----------------|------------|-------------|------------|--------------------|
| | Million yen | Change (%) | Million yen | Change (%) | Yen |
| Fiscal year ending March 31, 2012 | 900 | - | 500 | - | 7,142.86 |

Note: Revisions to the latest announcement about projected results: Yes

Note: The details can be found in a separate press release issued today (November 7, 2011) titled "Notice Concerning Differences between Projected Results and Actual Results for Six Months Ended September 30, 2011 and Revisions of Projected Results for the Financial Year Ending March 31, 2012".

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) Application of special accounting treatment: No
- (3) Changes in accounting principles and accounting estimates and restatement:
- 1) Changes due to accounting standards: No
 - 2) Changes other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Number of shares issued and outstanding (common stock)
- 1) Number of shares at end of period (including treasury stock)
 - September 30, 2011 : 72,000 shares
 - March 31, 2011 : 72,000 shares
 - 2) Treasury stock at end of period
 - September 30, 2011 : 2,000 shares

March 31, 2011 : 2,000 shares
3) Average number of shares (quarterly cumulative period)
September 30, 2011 : 70,000 shares
September 30, 2010 : 70,000 shares

* Information regarding quarterly review procedures

The consolidated financial results for the second quarter of the fiscal year ending March 31, 2012 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

The projected consolidated results for the fiscal year contained in this document are based on information currently available to the Asahi Industries Group and certain assumptions it considers reasonable. Due to various factors, actual results may differ materially from the forecast.

1. Qualitative Information on the Second Quarter Financial Results

(1) Qualitative Information on Consolidated Management Results

During the second-quarter period, the Japanese economy showed signs of a modest recovery. In this economic climate, the Asahi Industries Group concentrated its efforts on sales promotion utilizing its strengths and features and cost reductions. The performance of the group is largely affected by demand in the construction and civil engineering industries and during the period, the demand recovered partially but slow.

As a consequence, the results for the six months ended September 30, 2011 were as follows. Net sales increased by 3.8% to 20,637 million yen from the same period of the previous fiscal year.

Operating loss was 419 million yen (operating loss of 544 million yen in the same period of the previous fiscal year).

Ordinary loss was 410 million yen (ordinary loss of 558 million yen in the same period of the previous fiscal year).

Net loss was 271 million yen (net loss of 577 million yen in the same period of the previous fiscal year).

Results by Segment

[Steel Business]

Net sales: 14,123 million yen (an increase of 7.7% from the same period of the previous fiscal year)

Segment loss: 178 million yen (segment loss of 182 million yen in the same period of the previous fiscal year)

Since the cost reduction program entered into Phase II, actual reductions in production costs have been achieved by focusing efforts on saving energy (in particular, electricity). Furthermore, sales volumes of steels increased and product prices rose. However, the price rises were not enough to absorb increased steel scrap costs.

[Agribusiness]

Net sales: 5,379 million yen (a decrease of 2.8% from the same period of the previous fiscal year)

Segment income: 318 million yen (an increase of 31.7% from the same period of the previous fiscal year)

- Fertilizers: Despite a decrease in cultivated land caused by the 11 March earthquake, sales volumes of organic fertilizers, our core products, increased in some areas, particularly the Kansai region. However, the total sales of the agribusiness declined from the same period of the previous fiscal year due to a decline in sales of raw materials.

- Gardening supplies and tools: Sales of organic fertilizers remained steady.
- Seeds and seedlings: Net sales increased due to increased sales of “Mirai”, a sweet corn variety.

[Environmental Solutions Business]

Net sales: 381 million yen (an increase of 13.9% from the same period of the previous fiscal year)

Segment income: 19 million yen (segment loss of 96 million yen in the same period of the previous year)

- We expanded environmental services relating to the earthquake such as radioactivity analyses, ocean environmental monitoring and analyses of soil (salinity). As a result, net sales increased and segment income was secured.

[Crushed Stone and Material Recycling Business]

Net sales: 830 million yen (a decrease of 4.0% from the same period of the previous fiscal year)

Segment income: 20 million yen (an increase of 57.1% from the same period of the previous fiscal year)

- Although sales fell due to a decrease in public works in Saitama and Gunma prefectures, segment income increased due to efficient operations and energy-saving efforts.

[Other] (Other than reportable segments)

Net sales: 225 million yen (a decrease of 6.9% from the same period of the previous fiscal year)

Segment income: 3 million yen (an increase of 42.7% from the same period of the previous fiscal year)

- * Consolidated net sales of 20,637 million yen are derived by deducting intersegment transactions of 302 million yen from the total segment net sales.
- * Consolidated operating loss of 419 million yen is derived by deducting intersegment transactions, cost of sales and selling, general and administrative expenses of 603 million yen from the total segment operating income and loss.
- * Our segment classification has changed from the fourth quarter of the previous fiscal year. Figures for the previous fiscal year are reclassified according to the new segments for the comparison purpose.

(2) Qualitative Information on Consolidated Financial Position

[Balance Sheet]

- Current assets: 16,095 million yen, a decrease of 909 million yen mainly due to increases of 456 million yen in cash relating to operating activities and 301 million yen in merchandise

inventory and finished goods and decreases of 733 million yen in trade notes and accounts receivable and 1,103 million yen in account receivable (other).

- Noncurrent assets: 23,601 million yen, a decrease of 127 million yen mainly due to an increase of 246 million yen in deferred tax assets (investments and other assets) and decreases of 194 million in property, plant and equipment, 95 million in intangible assets and 135 million in investment securities (investments and other assets).

Total assets were 39,696 million yen, a decrease of 1,037 million yen from the end of the previous fiscal year.

- Current liabilities: 15,699 million yen, a decrease of 46 million yen mainly due to an increase of 1,455 million yen in short-term borrowings and decreases of 309 million yen in trade notes and accounts payable and 1,345 million yen in accounts payable on equipment (other).
- Noncurrent liabilities: 5,839 million yen, a decrease of 368 million yen mainly due decreases of 80 million yen in long-term borrowings and 130 million yen in long-term accounts payable (other).

Total liabilities were 21,538 million yen, a decrease of 414 million yen from the end of the previous fiscal year.

Total shareholders' equity decreased by 622 million yen to 18,157 million yen from the end of the previous fiscal year mainly due to decreases of 551 million yen in retained earnings and 81 million yen in net unrealized gains on available-for-sale securities.

As a result, the ratio of shareholders' equity to total assets decreased to 45.7% from 46.1% of the end of the previous fiscal year.

[Cash Flow]

Cash and cash equivalents (hereafter called "cash") increased by 456 million yen (decreased by 1,898 million yen in the same period of the previous fiscal year) to 2,614 million yen from March 31, 2011, as a result of the following factors.

[Operating activities]

Net cash provided by operating activities was 641 million yen (a decrease of 46.6% from the same period of the previous fiscal year) mainly due to depreciation of 1,106 million yen, decreases of 733 million yen in trade receivables and 309 million yen in accounts payable and loss before income taxes of 465 million yen.

[Investing activities]

Net cash used in investing activities was 2,242 million yen (a decrease of 32.6% from the same period of the previous fiscal year) mainly due to the acquisition of property, plant and equipment of 2,175 million yen.

[Financing activities]

Net cash provided by financial activities was 2,056 million yen (an increase of 796.5% from

the same period of the previous fiscal year) mainly due to a net increase in short-term borrowings of 1,455 million yen, proceeds of sales and leaseback transactions of 1,000 million yen and cash dividends of 279 million yen.

(3) Qualitative Information on Projected Consolidated Financial Results

Based on the recent trends in business results, we have revised our projected results for the fiscal year ending March 31, 2012 announced on May 10, 2011. The details can be found in a separate press release issued on November 7, 2011 titled ““Notice Concerning Differences between Projected Results and Actual Results for Six Months Ended September 30, 2011 and Revisions of Projected Results for the Financial Year Ending March 31, 2012””.

Consolidated First Quarter financial results

(1) Consolidated Balance Sheets

(Thousand yen)

| | As of September 30, 2011 | As of March 31, 2011 |
|--|--------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 2,614,500 | 2,158,466 |
| Trade notes and accounts receivable | 5,265,464 | 5,998,600 |
| Merchandise inventory and finished goods | 5,457,164 | 5,155,599 |
| Raw materials and work in process | 1,894,090 | 1,774,111 |
| Other | 868,457 | 1,923,144 |
| Allowance for doubtful bad debts | -4,423 | -5,171 |
| Total current assets | 16,095,254 | 17,004,751 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,015,248 | 4,058,466 |
| Machinery, equipment and vehicles, net | 12,775,950 | 13,152,370 |
| Land | 2,614,550 | 2,608,137 |
| Other, net | 1,383,413 | 1,164,374 |
| Total property, plant and equipment | 20,789,162 | 20,983,349 |
| Intangible assets | 848,259 | 943,512 |
| Investments and other assets | 1,963,802 | 1,801,883 |
| Total noncurrent assets | 23,601,224 | 23,728,746 |
| Total assets | 39,696,479 | 40,733,497 |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 6,127,834 | 6,437,423 |
| Short-term borrowings | 4,540,000 | 3,085,000 |
| Current portion of long-term borrowings | 1,330,000 | 1,200,000 |
| Income taxes payable | 60,000 | 60,000 |
| Provision for bonuses | 24,176 | 33,305 |
| Other | 3,617,122 | 4,929,500 |
| Total current liabilities | 15,699,134 | 15,745,230 |
| Noncurrent liabilities | | |
| Bonds and notes | 210,000 | 240,000 |
| Long-term borrowings | 3,120,000 | 3,200,000 |
| Provision for retirement benefits | 1,043,749 | 1,100,100 |
| Other | 1,465,835 | 1,668,162 |
| Total noncurrent liabilities | 5,839,585 | 6,208,262 |
| Total liabilities | 21,538,720 | 21,953,493 |

(Thousand yen)

| | As of September 30, 2011 | As of March 31, 2011 |
|--|--------------------------|----------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,190,000 | 2,190,000 |
| Capital surplus | 1,802,000 | 1,802,000 |
| Retained earnings | 14,331,293 | 14,882,856 |
| Common stock for treasury | -293,311 | -293,311 |
| Total shareholders' equity | 18,029,982 | 18,581,545 |
| Valuation and translation adjustments | | |
| Net unrealized gains on available-for-sales securities | 69,319 | 151,053 |
| Foreign currency translation adjustments | 58,456 | 47,404 |
| Total valuation and translation adjustments | 127,776 | 198,458 |
| Total net assets | 18,157,759 | 18,780,003 |
| Total liabilities and net assets | 39,696,479 | 40,733,497 |

(2)Consolidated Statement of Income

(Thousand yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|--|--|--|
| Net sales | 19,873,755 | 20,637,697 |
| Cost of sales | 17,000,284 | 17,640,062 |
| Gross profit | 2,873,471 | 2,997,634 |
| Selling, general and administrative expenses | 3,418,050 | 3,417,149 |
| Operating income or loss | -544,578 | -419,514 |
| Non-operating income | | |
| Interest income | 363 | 288 |
| Dividend income | 27,504 | 12,193 |
| Equity in earnings of affiliates | 17,694 | 76,896 |
| Other | 41,411 | 39,597 |
| Total non-operating income | 86,973 | 128,975 |
| Non-operating expenses | | |
| Interest expenses | 41,178 | 55,689 |
| Sales discounts | 45,373 | 48,326 |
| Other | 14,825 | 15,732 |
| Total non-operating expenses | 101,377 | 119,748 |
| Ordinary income or loss | -558,982 | -410,287 |
| Extraordinary gains | | |
| Gain on sales of noncurrent assets | 149 | - |
| Reversal of allowance for doubtful accounts | 1,044 | - |
| Total extraordinary gains | 1,194 | - |
| Extraordinary losses | | |
| Loss on disposal of ended assets | 240,338 | 53,466 |
| Loss on adjustment for changes of accounting standard for asset retirement obligation | 73,903 | - |
| Other | - | 2,072 |
| Total extraordinary losses | 314,242 | 55,539 |
| Income before income taxes | -872,030 | -465,826 |
| Income taxes - current | 7,450 | 13,079 |
| Income taxes - deferred | -302,377 | -207,344 |
| Income taxes | -294,927 | -194,264 |
| Income before minority interests | -577,102 | -271,562 |
| Total net income or loss | -577,102 | -271,562 |

(Thousand yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|--|--|--|
| Income before minority interests | -577,102 | -271,562 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -135,706 | -81,733 |
| Foreign currency translation adjustment | -15,421 | 11,051 |
| Total other comprehensive income | -151,128 | -70,681 |
| Comprehensive income | -728,231 | -342,244 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | -728,231 | -342,244 |
| Comprehensive income attributable to minority interests | - | - |

(3) Consolidated Statement of Cash Flows

(Thousand yen)

| | Six months ended September 30, 2010 | Six months ended September 30, 2011 |
|---|--|--|
| Cash flows from operating activities | | |
| Income or loss before income taxes | -872,030 | -465,826 |
| Depreciation | 1,002,562 | 1,106,902 |
| Decrease (increase) in trade receivables | 1,180,166 | 733,435 |
| Increase (decrease) in trade payables | 154,895 | -309,589 |
| Other | -225,058 | -354,527 |
| Subtotal | 1,240,536 | 710,527 |
| Interest and dividends income received | 27,867 | 12,481 |
| Interest expenses paid | -40,425 | -58,717 |
| Tax payments | -26,784 | -22,493 |
| Net cash provided by operating activities | 1,201,193 | 641,665 |
| Cash flows from investment activities | | |
| Purchase of property, plant and equipment | -3,189,236 | -2,175,992 |
| Purchase of intangible assets | -138,213 | -81,771 |
| Other | 270 | 15,184 |
| Cash flows from | -3,327,179 | -2,242,579 |
| Financing activities | | |
| Net increase (decrease) in short-term borrowings | 970,000 | 1,455,000 |
| Payments for long-term borrowings | -410,000 | 650,000 |
| Corporate bond redemptions | — | -30,000 |
| Proceeds from sales and leaseback transactions | — | 1,000,000 |
| Repayments for sales and leaseback transactions | — | -119,745 |
| Payments of cash dividends | -314,886 | -279,999 |
| Other | -15,767 | -19,097 |
| Net cash provided by financing activities | 229,345 | 2,056,156 |
| Effect of exchange rate change on cash and cash equivalents | -1,387 | 792 |
| Net increase (decrease) in cash and cash equivalents | -1,898,027 | 456,034 |
| Cash and cash equivalents at beginning of period | 4,256,837 | 2,158,466 |
| Cash and cash equivalents at end of period | 2,358,809 | 2,614,500 |