

# Business Report for FY2008

From April 1, 2008 to March 31, 2009



## ASAHI PRETEC CORP.

### Kobe Head Office

Nissei Sannomiya Bldg., 4-4-17, Kano-cho, Chuo-ku, Kobe 650-0001, Japan

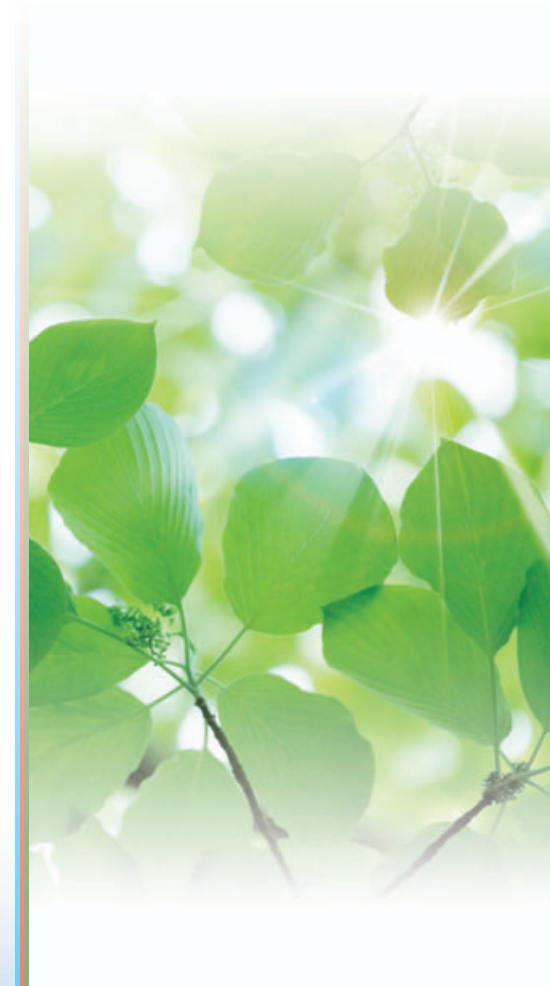
Tel. +81-78-333-5600 (Pilot number) Facsimile +81-78-333-5681

### Tokyo Head Office

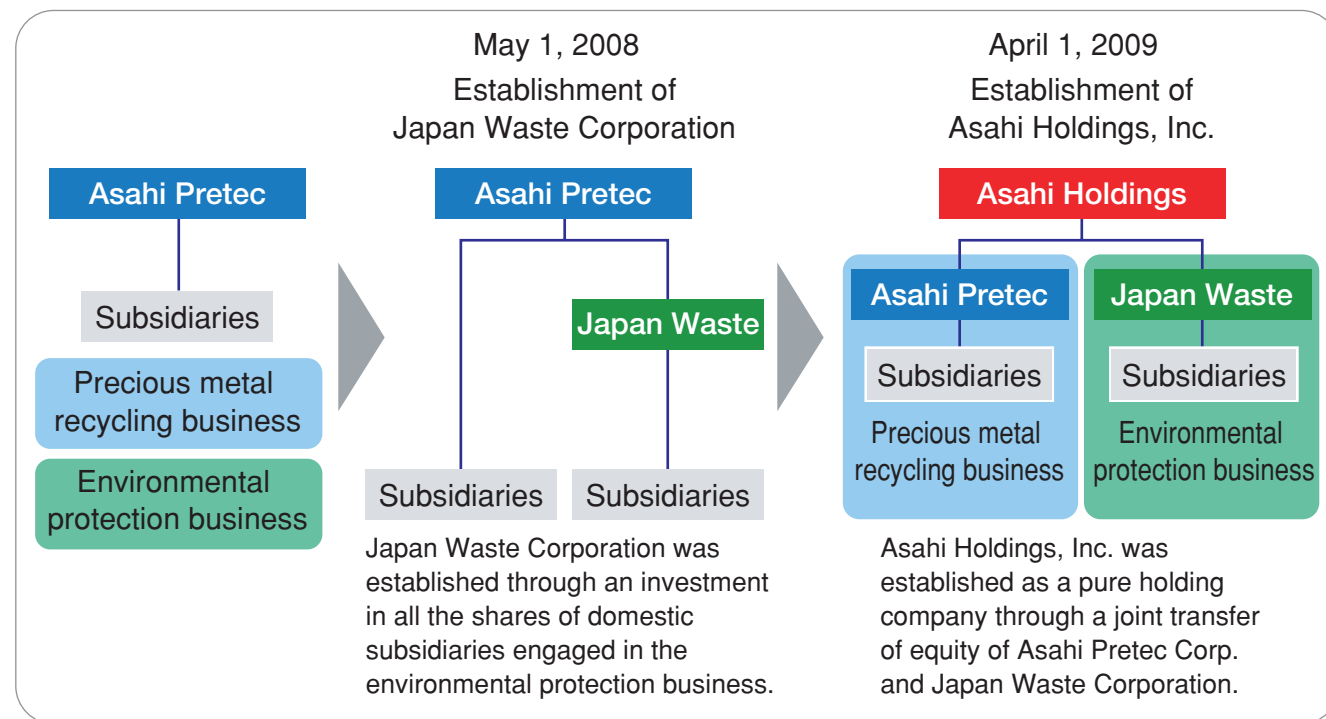
Sapia Tower, 1-7-12, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

Tel. +81-3-6270-1820 (Pilot number) Facsimile +81-3-6270-1825

<http://www.asahipretec.com/>



**On April 1, 2009, Asahi Pretec Corp.  
made a new start as Asahi Holdings, Inc.**



I would like to offer my sincere gratitude for your continuing support to Asahi Pretec.

The Japanese economy in the 46th business term (from April 1, 2008 to March 31, 2009) saw, in particular in the latter half of the term, the actual economy impacted by the global financial crisis which had its inception in the tumult of the US financial markets. The situation has become extremely serious with the deepening slowdown in investments in plant and equipment and consumer spending as well as a fall in corporate earnings and a deterioration in employment conditions.

Under such a severe economic situation, despite the significant efforts to maintain profitability, the Company Group could not prevent deterioration in earnings.

In the precious metal recycling business of the Group, the volume of platinum and palladium collected fell below that of the previous fiscal year due to a slump in production activities at partner companies. Also, the average unit sales price for the principal metals handled by the Group plunged during the term and fell below the average unit sales price of the previous fiscal year. Although there was some impact from the economic downturn, in the environmental protection business area performance remained firm due to the contribution of Fuji Rozai Co., Ltd. which was made a wholly-owned subsidiary in October of last year. As a consequence, current term business results saw consolidated net sales of ¥126,444 million, ordinary losses of ¥514 million and net losses of ¥565 million.

While taking into consideration the business conditions noted above, we have decided,

based on the fundamental policy of meeting shareholders expectations through dividends, to pay a year-end dividend in the current term of ¥25 per share. Combined with the interim dividend, this will result in an annual dividend for the current term of ¥50.

On April 1 of this year, along with establishing the holding company Asahi Holdings, Inc., we kicked off the 5th Medium Term Business Plan (April 2009-March 2012). On the occasion of the initial year of the inauguration of the holding company system, we are, with the spirit of the “Period for New Creation,” making efforts on change and creation directed towards the next generation. We believe that times of rapid change afford an opportunity to bolster corporate culture. We will be seeking more efficient business operations and will, for the present, shift our focus from quantitative expansion to an emphasis on profit. After overcoming these severe conditions, we are confident that we will be able to give birth to an even stronger corporate group with high potentiality.

I would like to request the continued understanding and support of our shareholders.



Mitsuharu Terayama  
CEO & COO

### 5th Medium Term Business Plan (FY2009-FY2011)

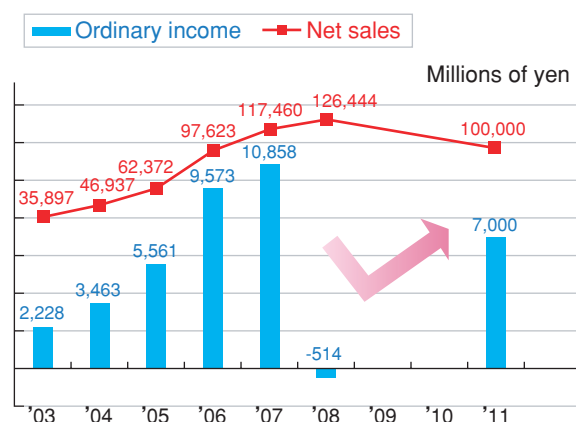
On the occasion of the initial year of the establishment of Asahi Holdings Inc., we are positioning the 3 years up to FY2011 ending March 2012 as the "Period for New Creation."

The Group as a whole will unite as one and make efforts on "change and creation" directed towards the next generation and will aim toward a "V-shaped" recovery in corporate performance.

## "V11-Toward Change and Creation"

#### Business Objectives (FY2011)

Consolidated net sales	¥100 billion
Consolidated operating income	¥7 billion
Consolidated DOE	5%



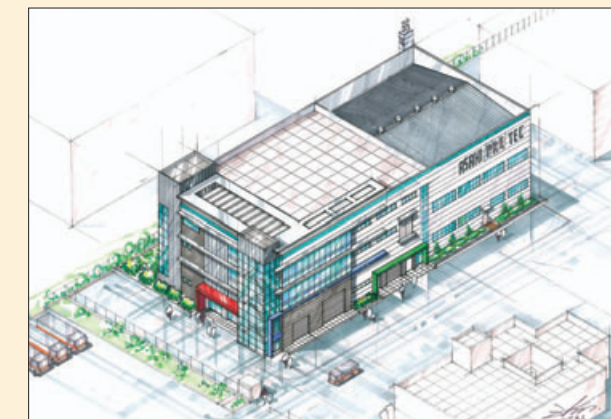
#### Principal Policies

- Sustainable growth and stable earnings based on a holding company system
- Expansion of precious metal recycling business
- Expansion of environmental protection business and continuation of M&A
- Secure stable profits (bolster efficient business operations and hedge functions)
- Fulfillment of social responsibilities and improvement of total corporate value

### Established a new local plant in Korea and entered a new field

#### Asahi Pretec Korea Co., Ltd.

Asahi Pretec Korea Co., Ltd. (Head Office: Seoul; Business category: precious metal recycling) was established in September 2006 and we have been proactively promoting business development within South Korea. We began work on the construction of a recycling plant in the suburbs of Seoul with the objective of moving into the dental materials business and further expanding the electronics business.

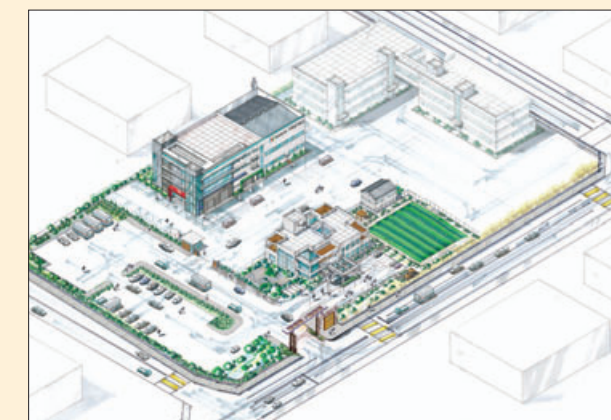


#### 1. Further Expansion of the Electronics Business

By establishing a new local factory in the Korean market where global manufacturers in areas such as semiconductors, FPD, and electronic parts are concentrated, we will provide high-value added services along with enhancing production efficiency and aim towards further growth of the company's electronics business.

#### 2. Inroads into the Dental Materials Business

The company's dental materials business has maintained significant predominance in the Japanese market. Making use of the accumulated business know-how that serves as that foundation, we have entered the Korean dental materials market to launch anew a differentiated competitive business model on the basis of technical prowess.



## Business Results

### [Precious metal recycling business]

Although the volume of gold, silver and indium collected exceeded that of the previous fiscal year, the volume of platinum and palladium collected fell below that of the previous fiscal year. In the jewelry production and distribution, in particular, the volume of metals collected was significantly greater than that of the previous fiscal year owing to the strengthening of collection in the distribution market. However, from the latter half of the third quarter there was a rapid fall in this trend. Also, in regard to the average unit sales prices for metals, gold exceeded the average unit sales price of the previous fiscal year, but those of silver, platinum, palladium, rhodium and indium were lower than the previous fiscal year. In particular, the unit sales price from August to December plunged violently accompanying the drastic deterioration in the global economy.

### [Environmental protection business]

In the area of photosensitive materials, the throughput of waste materials from photo products was below that of the previous fiscal year, but the volume handled of waste reagents, solutions, sludges and oils increased over the previous fiscal year. Also, the performance of Fuji Rozai Co., Ltd., which

was made a wholly-owned subsidiary in October of last year, remained firm and contributed to the improvement in the performance of the environmental protection business.

As a result of the above, net sales in the current consolidated fiscal year were ¥126,444 million. As for profits, suffering a valuation loss on the valuation of inventories at the lower of cost or market method where the book value of inventories is lowered to the market price due to the plunge in the metals market from the second quarter through the third quarter. Operating losses were ¥391 million, ordinary losses were ¥514 million and net losses were ¥565 million.

### Financial Status

Cash flow from operations in the current consolidated fiscal year increased ¥11,955 million as a result of losses before taxes of ¥870 million and depreciation and amortization of ¥2,473 million, and other adjustments in income tax paid and a decrease in inventories. Cash flow from investments decreased to ¥5,630 million due to expenditures of ¥5,121 million for the acquisition of fixed assets and the expenditure of ¥521 million for the purchase of the shares of subsidiaries. The main facility investments were made to expand facilities at the Technical Research Center and in new business plans.

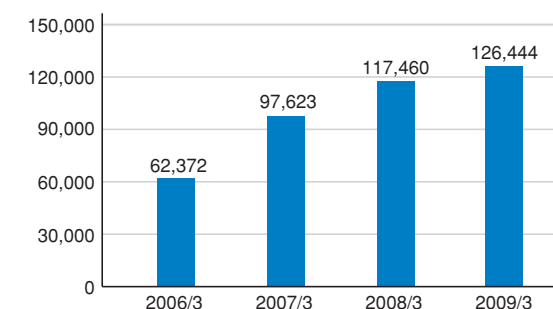
Cash flow from financial activities fell ¥6,437 million due to a net decrease in value of ¥2,294 million in short- and long-term loans, the expenditure of ¥2,399 million for purchase of treasury stock and dividends paid of ¥1,708 million.

As a result of the above, the cash and cash equivalents at end of period was ¥1,824 million.

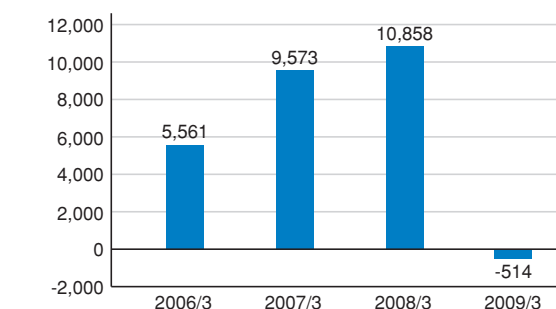
	The fiscal year ended March 31, 2009	The fiscal year ended March 31, 2008
Net sales	126,444	117,460
(Precious metal recycling business)	111,136	102,691
(Environmental protection business)	15,307	14,769
Operating income (loss)	(391)	10,825
Ordinary income (loss)	(514)	10,858
Net income (loss)	(565)	6,450

(Millions of yen)

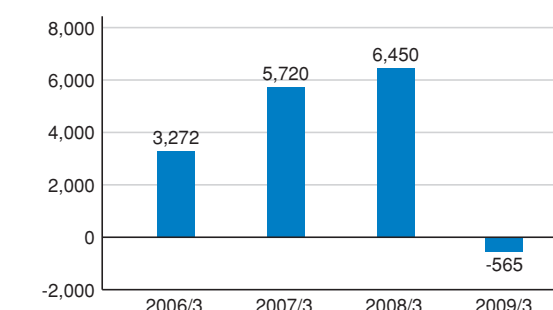
Net Sales (Millions of yen)



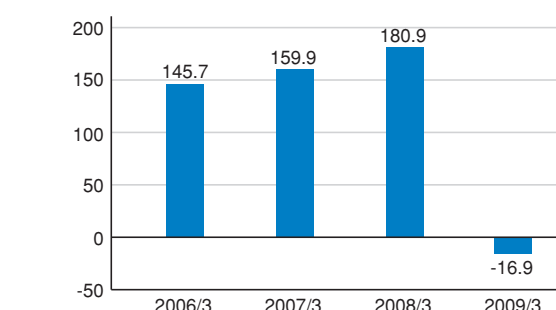
Ordinary Income (Millions of Yen)



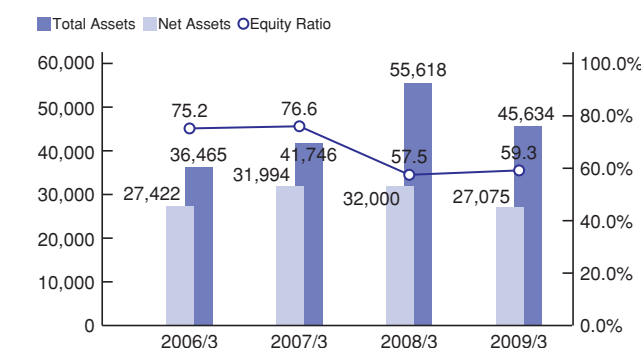
Net Income (Millions of yen)



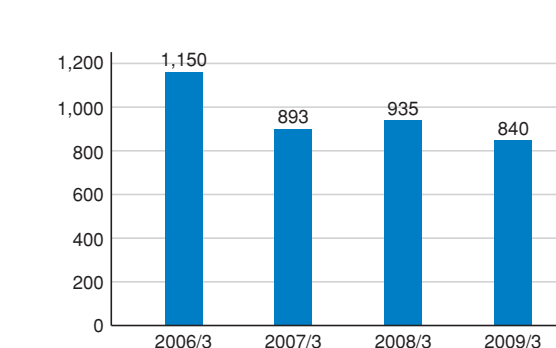
Net Income per Share (Yen)



Total Assets/Net Assets/Equity Ratio (Millions of yen, %)



Net Assets per Share (Yen)



Note: The Company split its stock 1.5 for 1 on October 1, 2006.

# Consolidated Financial Statements

## Balance Sheet

(Thousands of yen)

	Fiscal Year 2008	Fiscal Year 2007		Fiscal Year 2008	Fiscal Year 2007
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current assets</b>	<b>17,250,613</b>	<b>30,928,362</b>	<b>Current liabilities</b>	<b>18,246,677</b>	<b>23,388,004</b>
Cash and cash equivalents	1,824,205	2,054,471	Notes and accounts payable-trade	1,507,878	3,102,091
Notes and accounts receivable	4,410,628	4,858,624	Short-term loans	13,300,000	15,550,000
<b>1</b> Inventories	<b>9,117,161</b>	<b>21,251,193</b>	Current portion of long-term debt	10,750	14,280
Deferred tax assets	553,821	726,209	Notes and accounts payable-other	1,899,801	1,009,489
Other current assets	1,352,839	2,045,566	Accrued income taxes	113,212	2,447,265
Allowance for doubtful accounts	(8,042)	(7,702)	Accrued bonus	673,302	662,218
<b>Fixed assets</b>	<b>28,383,995</b>	<b>24,690,604</b>	Reserve for directors' bonuses	—	40,000
<b>Tangible assets</b>	<b>25,055,590</b>	<b>22,272,104</b>	Provision for repairs	97,649	96,764
Buildings and structures	8,908,051	7,091,121	Other current liabilities	644,082	465,895
Machinery and carriers	3,542,297	4,278,296	<b>Long-term liabilities</b>	<b>312,368</b>	<b>230,608</b>
Land	11,296,719	9,817,760	Long-term debt	—	10,750
Construction in progress	904,611	602,957	Deferred tax liabilities	119,572	110,120
Other tangible assets	403,910	481,968	Accrued retirement benefit	153,502	104,763
<b>Intangible assets</b>	<b>1,951,595</b>	<b>1,890,714</b>	Other fixed liabilities	39,293	4,974
Goodwill	1,711,438	1,621,631	<b>Total liabilities</b>	<b>18,559,045</b>	<b>23,618,612</b>
Other Intangible assets	240,157	269,082	<b>NET ASSETS</b>		
<b>Investments and other assets</b>	<b>1,376,809</b>	<b>527,785</b>	<b>Shareholders' equity</b>	<b>27,291,320</b>	<b>31,950,759</b>
Investment securities	15,452	48,222	Common stock	4,480,817	4,480,817
Deferred tax assets	1,004,973	88,259	Capital surplus	6,802,777	6,869,793
Other investment and other assets	366,812	399,486	Retained earnings	24,220,688	26,496,374
Allowance for doubtful accounts	(10,429)	(8,182)	Treasury stock	(8,212,962)	(5,896,225)
<b>Total assets</b>	<b>45,634,608</b>	<b>55,618,967</b>	Valuation and translation adjustments	(224,504)	16,222
			Net unrealized gains (losses) on securities	(3,000)	468
			Deferred losses on hedges	(125,077)	—
			Translation adjustments	(96,426)	15,754
			<b>Minority interests</b>	<b>8,746</b>	<b>33,371</b>
			<b>Total net assets</b>	<b>27,075,563</b>	<b>32,000,354</b>
			<b>Total liabilities and net assets</b>	<b>45,634,608</b>	<b>55,618,967</b>

# Consolidated Financial Statements

## Statements of Income

(Thousands of yen)

	Fiscal Year 2008	Fiscal Year 2007
Net sales	126,444,833	117,460,380
Cost of sales	122,682,651	102,614,383
<b>Gross profit</b>	<b>3,762,181</b>	<b>14,845,997</b>
Selling, general and administrative expenses	4,154,035	4,020,100
<b>2</b> <b>Operating income (loss)</b>	<b>(391,854)</b>	<b>10,825,896</b>
<b>Non-operating profit</b>	<b>105,499</b>	<b>126,318</b>
<b>Non-operating expenses</b>	<b>227,880</b>	<b>93,855</b>
<b>Ordinary income (loss)</b>	<b>(514,235)</b>	<b>10,858,359</b>
<b>Extraordinary income</b>	<b>16,938</b>	<b>20,178</b>
<b>Extraordinary loss</b>	<b>373,069</b>	<b>319,973</b>
Income (loss) before income taxes and minority interests	(870,365)	10,558,563
<b>Income taxes</b>	<b>194,808</b>	<b>4,296,412</b>
<b>Deferred tax</b>	<b>(501,891)</b>	<b>(191,975)</b>
Minority interests in earnings of consolidated subsidiaries	2,314	3,485
<b>Net income (loss)</b>	<b>(565,596)</b>	<b>6,450,641</b>

### POINT 1 Decrease of inventories

Compared to the previous fiscal year, inventories fell ¥12,134 million due to the compression of inventories and the impact of the plunge in the metals market.

### POINT 2 Decrease of operating income

Operating income declined ¥11,217 million compared to the previous fiscal year due to the rapid plunge of the metal market from the second quarter through the third quarter leading to valuation loss on the valuation of inventories at the lower of cost or market method in the precious metals recycling business.

## Statements of Cash Flows

(Thousands of yen)

	Fiscal Year 2008	Fiscal Year 2007
<b>3</b> <b>Cash flow from operating activities</b>	<b>11,955,253</b>	<b>(878,104)</b>
<b>4</b> <b>Cash flow from investing activities</b>	<b>(5,630,423)</b>	<b>(4,147,791)</b>
<b>Cash flow from financing activities</b>	<b>(6,437,778)</b>	<b>5,380,884</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(117,316)</b>	<b>24,644</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(230,265)</b>	<b>379,634</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,054,471</b>	<b>1,491,973</b>
<b>Increase in cash and cash equivalents by share exchanges</b>	<b>—</b>	<b>182,863</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,824,205</b>	<b>2,054,471</b>

### POINT 3 Cash flow from operating activities

Cash flow from operations increased ¥11,955 million as a result of losses before taxes of ¥870 million and depreciation and amortization of ¥2,473 million, and adjustments in income taxes paid and a decrease in inventories.

### POINT 4 Cash flow from investing activities

Cash flow from investments decreased ¥5,630 million due to expenditures of ¥5,121 million for the acquisition of fixed assets and the expenditure of ¥521 million for the purchase of the shares of subsidiaries. The main facility investments were made to expand facilities at the Technical Research Center and in new business plans.

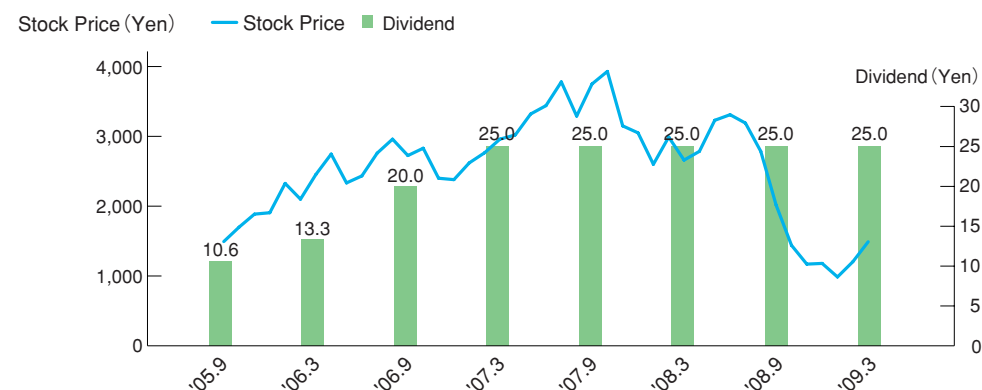
As of March 31, 2009

- Total number of authorized shares 129,000,000 shares
- Total number of shares outstanding 36,254,344 shares
- Number of shares per trading unit 100 shares
- Number of shareholders 11,306
- Principal shareholders

Name	Number of shares held (thousands of shares)	Percentage of shares held (%)
Asahi Pretec (treasury stock)	4,038	11.14
Mitsuharu Terayama	1,452	4.51
Masamichi Terayama	1,402	4.35
TERA ENTERPRISES Co., Ltd.	1,350	4.19
Japan Trustee Services Bank, Ltd. (Trust account 4G)	1,286	3.99
Japan Trustee Services Bank, Ltd. (Trust account)	1,052	3.27
Terra Corporation, Ltd.	1,000	3.10
K&M Co., Ltd.	900	2.79
Sachiko Hanai	845	2.63
The Bank of New York	791	2.46

※The percentage of shares held other than Asahi Pretec has been calculated excluding treasury stock.

## ■ 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.

As of March 31, 2009

- Corporate name ASAHI PRETEC CORP.
- Founded July 1952
- Capital ¥4,480 million
- Kobe Nissei Sannomiya Bldg., 4-4-17
- Head Office Kano-cho, Chuo-ku, Kobe, Japan
- Tokyo Sapia Tower, 1-7-12
- Head Office Marunouchi, Chiyoda-ku, Tokyo, Japan
- Number of employees 1,151 (Consolidated)
- Business lines Recycling and sales of precious & rare metals  
Industrial waste treatment  
Japan Waste Corporation  
Nihon Chemitech Co., Ltd.  
Sansho Co., Ltd.  
Shioiri Kenzai Co., Ltd.  
Iyotec Co., Ltd.  
Taiyo Chemical Co., Ltd.  
Fuji Rozai Co., Ltd.  
Asahi G&S SDN. BHD. (Malaysia)  
Shanghai Asahipretec Co., Ltd. (China)  
Asahipretec Korea Co., Ltd. (Seoul Metropolitan City)
- Subsidiaries

- Business Network
  - Head Offices Kobe, Tokyo
  - Research Laboratory Technical Research Center (Kobe)
  - Plants Saitama, Amagasaki, Kobe, Ehime, Kitakyushu, Kitakyushu Hibiki, Fukuoka
  - Recycling Centers Saitama, Chiba, Amagasaki
  - Offices Sapporo, Aomori, Sendai, Niigata, Kitakanto, Kanto, Yokohama, Kofu, Shizuoka, Nagoya, Hokuriku, Osaka, Kobe, Okayama, Hiroshima, Shikoku, Fukuoka, Kitakyushu, Kagoshima, Okinawa
- Bases with ISO 14001 Head Office (Kobe), Technical Research Center, Sendai, Kitakanto, Nagoya, Hanshin, Kobe, Shikoku, Kitakyushu, Fukuoka
- Bases with ISO 9001 Technical Research Center, Ehime, Fukuoka
- Hauling Business Permission 47 prefectures and 60 government ordinance cities
- Disposal Business Permission 12 prefectures and 9 government ordinance cities

## ■ Board of Directors, Corporate Officers and Corporate Auditors

As of June 17, 2009

CEO & COO	Mitsuharu Terayama
Director and Corporate Officers	Noboru Akahane
	Tsutomu Sakurai
	Masaki Hirano
	Yukio Tanabe
Director	Shoji Morii *
Corporate Officers	Kuniaki Gondo
	Hiromasa Iwaki
	Keiichi Okumura
	Hiroyuki Nakanishi
	Kazuo Kawabata
Standing Statutory Auditor	Jiro Tanaka
Statutory Auditors	Teigo Kobayashi *
	Sumiaki Ariumi *

※Outside director and outside corporate auditors pursuant to Article 2 of the Companies Act