

Interim Business Report for FY2008

From April 1, 2008 to September 30, 2008



ASAHI PRETEC CORP.

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Printed in Japan



The Company has been engaged in the recycling of precious metals since its foundation in 1952. Immediately after the “Waste Management and Public Cleansing Law” was entered into force in 1971, we also became engaged in waste treatment service to reduce the environmental burden on society.

We are proud of our activities over the past half century, always being ahead of other companies in protecting the global environment which is the “precious treasure for future generations.” We will continue to locate the needs by which we can contribute to improving the earth’s environment. By further action and wisdom, we will also continue to develop the technology, products, and services required to become an “excellent company in the eco-business.”

The business of Asahi Pretec Group is comprised of the two segments shown below.

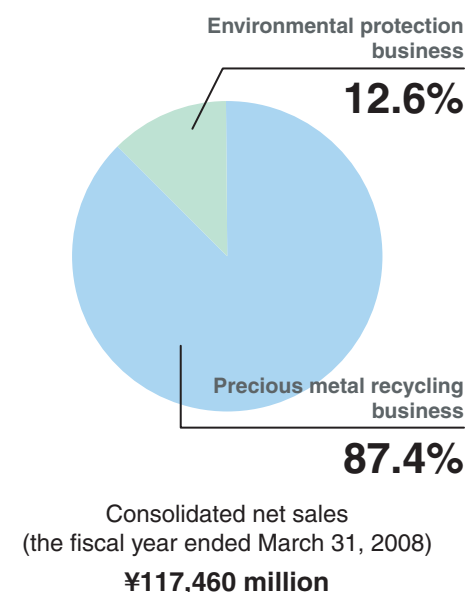
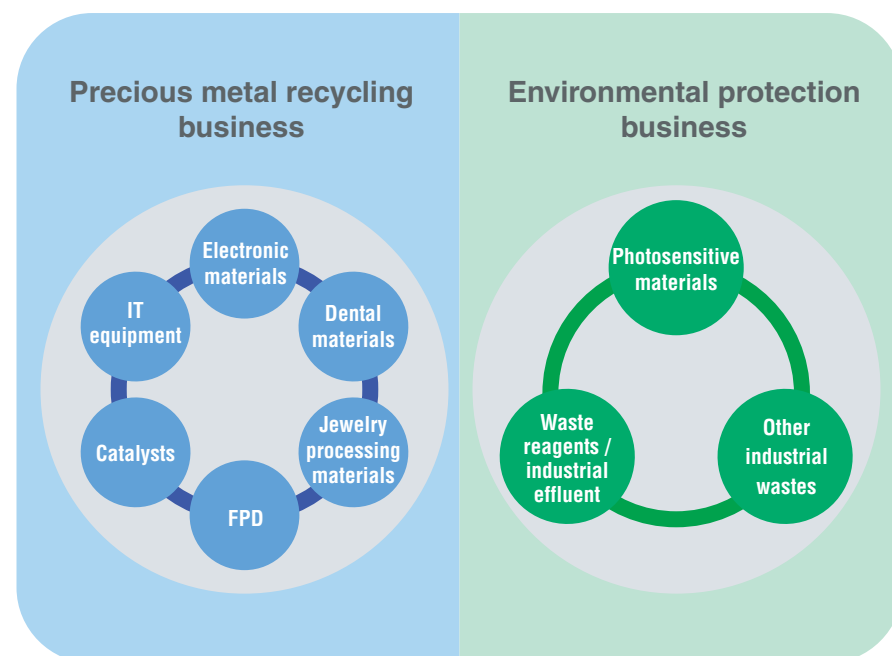
Precious metal recycling business

We collect, refine, and recycle gold, silver, palladium, platinum and indium out of waste materials containing precious and rare metals, such as electronic materials, dental materials, jewelry processing materials, FPDs, and automotive catalysts.

* FPD: An abbreviation of Flat Panel Display. (Liquid Crystal Displays and Plasma Displays are collectively called FPD.)

Environmental protection business

We collect and properly treat (such as detoxification) various types of industrial waste, including specially controlled industrial waste.



To Our Shareholders

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

During the first-half period of the 46th business term (from April 30, to September 30, 2008), turmoil in the world financial market originated by sub-prime loan problem in US triggered a slowdown in the real economy, making it clearer that the economy is entering a recession.

Under such severe economic situation, the Company Group has worked to increase market share by implementing appropriate measures for each market, and improve profitability in its individual business area.

In the precious metal recycling business of the Group, the volume of metals collected was larger compared to the same period previous year, and our environmental protection business also saw robust performance on the whole.

However, metal markets plunged toward the end of the first-half period, which caused a loss of ¥3,360 million on valuation of inventories due to the application of the accounting standard where the book value of inventories is reduced to market value (so-called lower of cost or market method).

As a consequence, our results for the first half of the term under review show that consolidated net sales increased to ¥79,389 million (an increase of 46% year-on-year), but consolidated ordinary income declined to ¥2,357 million yen (a decrease of 53% year-on-year). Because of the management circumstances described above, and in accordance with the basic policy of

returning the profits to shareholders, we have decided to pay an interim dividend of ¥25 per share.

Although we believe that the severer situations will continue in the economic environment and in the metal market trend, we are fully committed to maintaining and recovering earning power through strict cost reduction measures and further strengthening of profitability in each and all business area.

The Company will establish Asahi Holdings Incorporated on April 1, 2009, and will be shifted to a holding company structure. In addition, we are preparing the three-year plan for the 5th Medium Term Business Plan (three year plan starting in April 2009) and will meet all expectations by aiming to further expand business.

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



CEO & COO

Business Results

[Precious metal recycling business]

The volume of metals collected was higher than the same period previous year due to the maintenance of existing customers and the development of new customers. In jewelry production and distribution, in particular, the volume of metals collected was significantly greater than the same period of the previous year owing to the strengthening of collection in the distribution market. Also, in regard to average sales prices for metals, gold, silver, and platinum were all higher than the same period of the previous year but those of palladium and indium were lower than the same period of the previous year.

[Environmental protection business]

In the area of photosensitive materials, under the influence of the diffusion of digital cameras, the throughput of waste materials from photo products was below the same period previous year, but the volume of waste reagents, solutions, sludges and oils increased compared to the same period previous year. In addition, the business results of consolidated subsidiaries were also steady, contributing to the expansion in scale of the environmental protection business.

As a result, the Group achieved consolidated net sales of ¥79,389 million. Looked at by segment, sales in the precious metal recycling business were ¥72,135 million, while those in the environment protection

Millions of yen	The six months ended September 30, 2008	The six months ended September 30, 2007	The fiscal year ended March 31, 2008
Net sales	79,389	54,392	117,460
(Precious metal recycling business)	72,135	47,913	102,691
(Environmental protection business)	7,253	6,479	14,769
Operating income	2,385	4,998	10,825
Ordinary income	2,357	5,040	10,858
Net income	1,439	2,960	6,450

business were ¥7,253 million.

On the other hand, suffering a valuation loss of ¥3,360 million on 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 metal markets at the end of the second quarter, income was far below the anticipated results; consolidated operating income was ¥2,385 million, consolidated ordinary income was ¥2,357 million, and consolidated net income for the quarter was ¥1,439 million.

As a result, compared to the same period previous year, net sales increased ¥24,996 million, operating income decreased ¥2,612 million, and net income for the first half decreased ¥1,520 million.

Financial Status

Total assets were ¥55,747 million, an increase of ¥128 million from the end of the previous year, which was mainly due to an increase in trades receivable of ¥2,173 million and a decrease in inventories of ¥2,132 million. Net assets came to ¥32,530 million and Equity ratio was 58.3%.

[Cash flows]

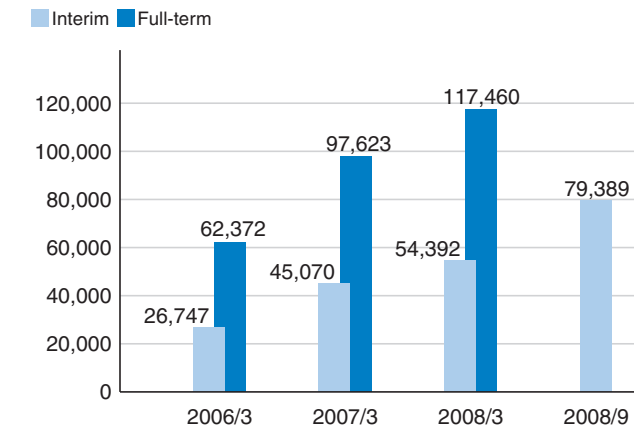
Cash flow from operations increased ¥1,715 million as a result of income before taxes of ¥2,343 million for the first half, depreciation and amortization of ¥1,186 million, and other adjustments such as an increase in trades receivable and a decrease in inventories.

Cash flow from investments decreased ¥1,273 million primarily due to expenditures of ¥1,287 million for the acquisition of fixed assets. The main facility investments were made to expand facilities at the Techno Center.

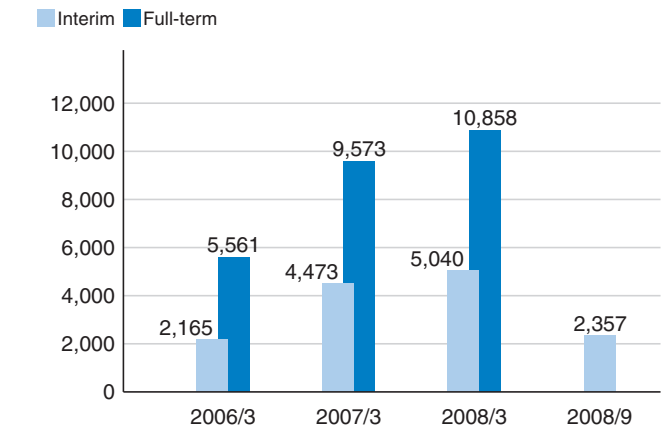
Cash flow from financial activities increased ¥454 million due to a net increase in value of ¥1,292 million in short and long-term borrowings.

As a result of the above, the interim balance of cash and cash equivalents was ¥2,943 million.

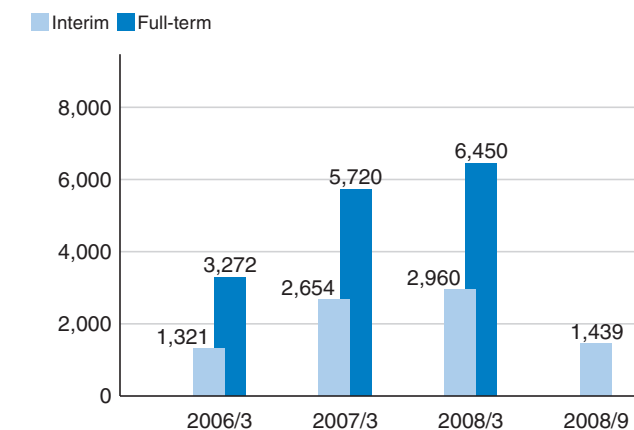
Net Sales (Unit : Millions of yen)



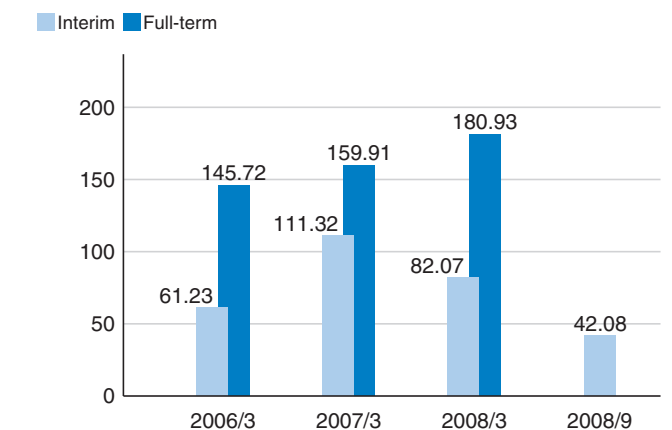
Ordinary Income (Unit : Millions of yen)



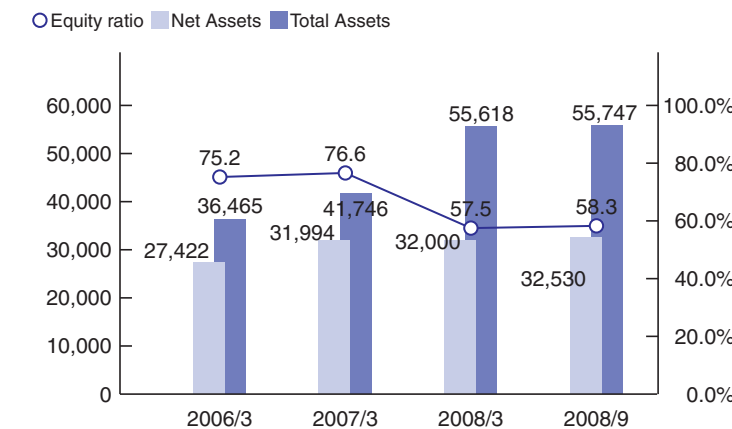
Net Income (Unit : Millions of yen)



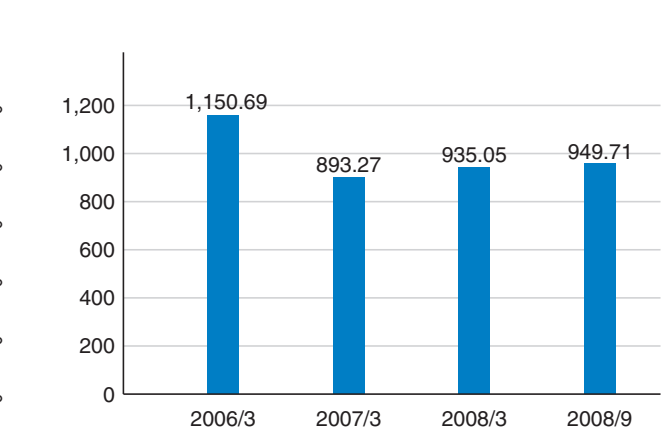
Net Income Per Share (Unit : yen)



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



Net Assets Per Share (Unit : yen)

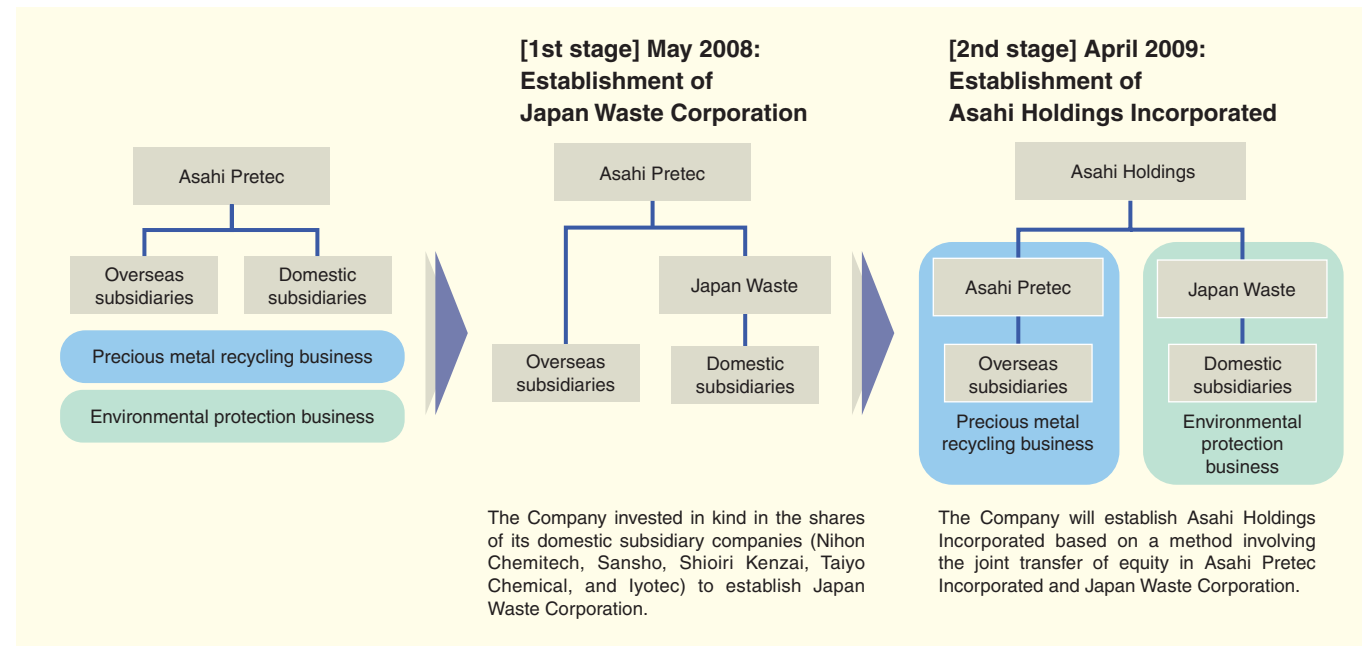


Note: The Company split its stock 1.5 for 1 on October 1, 2006.

Topics

Establishment of Japan Waste Corporation ~First stage towards holding company system~

The Company established Japan Waste Corporation as of May 1, 2008. Japan Waste Corporation, a subsidiary processing waste materials and other environmental businesses, will subsequently receive the environmental protection business from the Company in future. The establishment of Japan Waste Corporation is the first stage towards holding company system (establishment of Asahi Holdings Incorporated) in April 2009.



Gold bar registered as LBMA brand

Asahi Pretec's gold bar passed the exhaustive testing procedures of LBMA or London Bullion Market Association and was registered as its brand. The LBMA defines the standard of gold and silver bars in the London market and accredits bullion of the refiners that passed the exhaustive testing procedures as "Good Delivery Bar," enabling the bullion to be traded in worldwide markets.

The Company's silver bar was already registered as LBMA brand, and this time, our gold bar was also registered as brand. In addition, our platinum and palladium bars are registered as brand in the LPPM or London Platinum and Palladium Market; consequently, the precious metals of the Company receive high quality ratings in world markets.



Share Purchase of Fuji Rozai Co., Ltd.



Japan Waste Corporation, our subsidiary company, acquired the stock of Fuji Rozai Co., Ltd. (hereinafter Fuji Rozai), whereby Fuji Rozai became a wholly owned subsidiary of Japan Waste Corporation effective October 1, 2008. Fuji Rozai is in the business of maintenance and demolition of glass manufacturing kilns and recycles scrapped firebricks. The Company also treats specially controlled industrial waste in incinerators operated by local governmental authorities. Fuji Rozai has a long

corporate history since its foundation in 1951 and is one of the few companies specializing in the management of refractory industrial waste in Japan. As Fuji Rozai joins the Group after the Company shall actively promote industrial waste management services and improve precious metal recycling services so as to strengthen and enhance group-wide consolidated performance.

ASAHIPRETEC GOLDEN FIGHTERS promoted to the X League

ASAHIPRETEC GOLDEN FIGHTERS, the American football team that the Company fully supports, has been promoted to X League, the highest domestic league.

ASAHIPRETEC GOLDEN FIGHTERS was founded as an American football team sponsored by the Company in 1992. Since participating in the Japan American Football Association in 1995, the team took part in games in the NFA West League. Until 2005, the team moved into and out of the second and third divisions, but they won the third division title in 2006 and claimed victory to enter the second division. Moreover, in 2007, the team won first place in the second division and again won enough games to get a ticket to the first division; ASAHIPRETEC GOLDEN FIGHTERS moved up to the first division in only two years, and they are playing in the X League starting this year.



Consolidated Financial Statements

Balance Sheet

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008		As of September 30, 2008	As of March 31, 2008
ASSETS			LIABILITIES		
Current assets	31,107	30,928	Current liabilities	22,940	23,388
Cash and deposits	2,943	2,054	Notes and accounts payable-trade	3,394	3,102
Notes and accounts receivable-trade	7,031	4,858	Short-term loans payable	16,850	15,550
Finished goods	5,332	7,385	Current portion of long-term loans payable	14	14
Raw materials	10	10	Accounts payable-other	861	1,009
Work in process	13,725	13,801	Income taxes payable	600	2,447
Other	2,071	2,826	Provision for bonuses	645	662
Allowance for doubtful accounts	△7	△7	Provision for directors' bonuses	—	40
Noncurrent assets	24,640	24,690	Provision for repairs	48	96
Property, plant and equipment	22,314	22,272	Other	525	465
Buildings and structures, net	7,276	7,091	Noncurrent liabilities	276	230
Land	9,849	9,817	Long-term loans payable	3	10
Other, net	5,188	5,363	Provision for retirement benefits	144	104
Intangible assets	1,827	1,890	Other	128	115
Goodwill	1,550	1,621	Total liabilities	23,216	23,618
Other	277	269	NET ASSETS		
Investments and other assets	498	527	Shareholders' equity	32,549	31,950
Total assets	55,747	55,618	Capital stock	4,480	4,480
			Capital surplus	6,802	6,869
			Retained earnings	27,081	26,496
			Treasury stock	△5,815	△5,896
			Valuation and translation adjustments	△54	16
			Valuation difference on available-for-sale securities	△0	0
			Deferred gains or losses on hedges	△48	—
			Foreign currency translation adjustment	△5	15
			Minority interests	35	33
			Total net assets	32,530	32,000
			Total liabilities and net assets	55,747	55,618

Statements of Income

(Millions of yen)

	The six months ended September 30, 2008	The six months ended September 30, 2007
1 Net sales	79,389	54,392
Cost of sales	74,926	47,403
Gross profit	4,462	6,989
Selling, general and administrative expenses	2,077	1,991
2 Operating income	2,385	4,998
Non-operating income	64	71
Non-operating expenses	92	29
Ordinary income	2,357	5,040
Extraordinary income	15	13
Extraordinary loss	29	126
Income before income taxes and minority interests	2,343	4,927
Income taxes-current	570	1,989
Income taxes-deferred	332	△23
Minority interests in income	1	1
Net income	1,439	2,960

POINT 1 Increase of net sales

In the precious metal recycling business, the volume of metals collected was higher than the level in the same period of the previous year. In the environmental protection business, performance was robust on the whole, posting net sales of ¥79,389 million (an increase of 46% from the same period of the previous year).

POINT 2 Decrease of operating income

Metal markets plunged toward the end of the first-half period, causing loss of ¥3,360 million on valuation of inventories at the lower of cost or market method where the book value of inventories is reduced to market value, and operating income declined to ¥2,385 million (a decrease of 52% from the same period previous year).

Statements of Cash Flows

(Millions of yen)

	The six months ended September 30, 2008	The six months ended September 30, 2007
3 Net cash provided by (used in) operating activities	1,715	2,367
4 Net cash provided by (used in) investment activities	△1,273	△1,068
Net cash provided by (used in) financing activities	454	△1,208
Effect of exchange rate change on cash and cash equivalents	△6	19
Net increase (decrease) in cash and cash equivalents	889	109
Cash and cash equivalents at beginning of period	2,054	1,491
Net increase in cash and cash equivalents by share exchanges	—	182
Cash and cash equivalents at end of period	2,943	1,784

POINT 3 Cash flow from operating activities

Cash flow from operations increased ¥1,715 million as a result of income before taxes of ¥2,343 million for the first half, depreciation and amortization of ¥1,186 million, and other adjustments such as an increase in trades receivable and a decrease in inventories.

POINT 4 Cash flow from investing activities

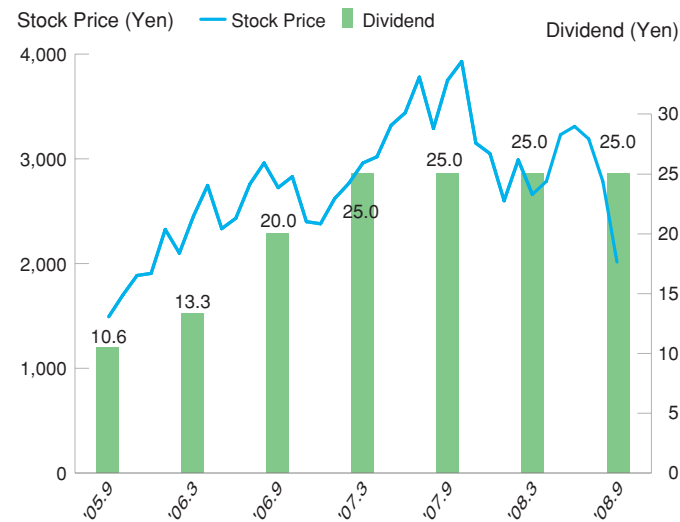
Cash flow from investments decreased ¥1,273 million primarily due to expenditures of ¥1,287 million for the acquisition of fixed assets. The main facility investments were made to expand facilities at the Techno Center.

- 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 10,141
- Principal shareholders

Name	Number of shares held (thousands of shares)	Percentage of shares held (%)
Mitsuharu Terayama	3,702	10.21
Masamichi Terayama	2,102	5.79
Japan Trustee Services Bank, Ltd. (Trust account)	978	2.69
The Master Trust Bank of Japan, Ltd. (Trust account)	969	2.67
SGSS Nantes/Pioneer funds	942	2.59

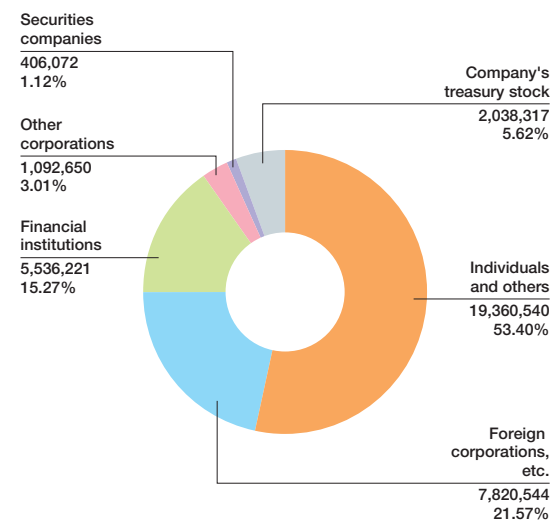
* Apart from those listed above, the company owns 2,038,317 common shares for treasury.

Trends in Stock Prices and Per-share Dividends

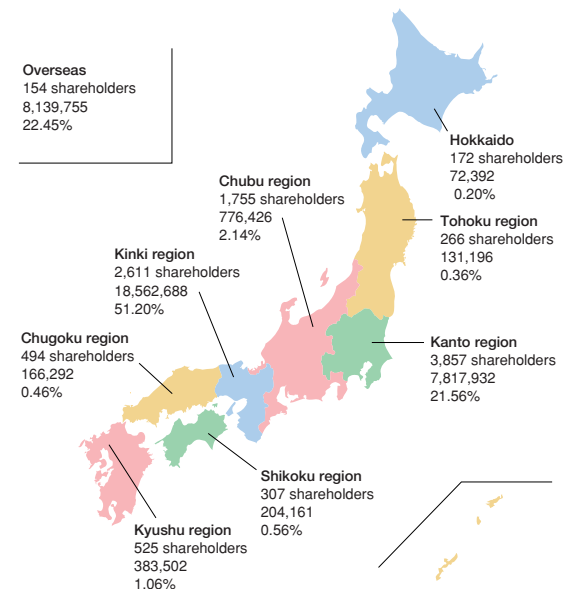


Note: Asahi Pretec conducted a 1.5-for-1 stock split on October 1, 2006, and the above figures represent share prices after adjustment for the stock split.

Shareholding by Type of Shareholders



Shareholding by Geographic Area



- 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
- Tokyo Head Office Sapia Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, Japan
- Number of employees 888 (Non-Consolidated) 1,119 (Consolidated)
- Business lines Recycling and sales of precious & rare metals Industrial waste treatment
- Subsidiaries Japan Waste Corporation Nihon Chemitech Co., Ltd. Sansho Co., Ltd. Shioiri Kenzai Co., Ltd. Iyotec Co., Ltd. Taiyo Chemical Ltd., Co. Fuji Rozai Co., Ltd. (As of October 1, 2008) Asahi G&S SDN. BHD. (Malaysia) Shanghai Asahipretec Co., Ltd. (China) Asahipretec Korea Co., Ltd. (Seoul Metropolitan City)

Board of Directors, Corporate Officers and Corporate Auditors

CEO & COO	Mitsuharu Terayama
Director and Senior Corporate Officer	Yoshikatsu Takeuchi Toshio Kimura
Director and Corporate Officers	Noboru Akahane Tomoya Higashiura Masaki Hirano Yukio Tanabe
Corporate Officers	Tsutomu Sakurai Kuniaki Gondo
Corporate Officers	Hiromasa Iwaki Keiichi Okumura
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
- Research Laboratory Technical Research Center (Kobe)
- Plant Saitama, Amagasaki, Kobe, Ehime, Kitakyushu, Kitakyushu-Hibiki, Fukuoka
- Recycling Center Saitama, Chiba, Amagasaki
- Office Sapporo, Aomori, Sendai, Niigata, Kita-Kanto, Kanto, Yokohama, Kofu, Shizuoka, Nagoya, Hokuriku, Osaka, Kobe, Okayama, Hiroshima, Shikoku, Fukuoka, Kitakyusyu, Kagoshima, Okinawa

- Bases with ISO 14001 Head Office (Kobe), Technical Research Center, Sendai, Kita-Kanto, Nagoya, Hanshin, Kobe, Shikoku, Fukuoka

- Base with ISO 9001 Technical Research Center, Ehime, Fukuoka

- Acquisition of Privacy Mark certification

- Hauling Business Permission 47 prefectures and 60 government ordinance cities

- Disposal Business Permission 12 prefectures and 9 government ordinance cities