

# Consolidated Financial Results for the Second Quarter Ended September 30, 2015

## Asahi Holdings, Inc.

October 28, 2015

Stock code: 5857  
 Shares listed: Tokyo Stock Exchange (First Section)  
 U R L: <http://www.asahiholdings.com>  
 Representative: Mitsuharu Terayama, President and CEO  
 For further information please contact: Katsuya Murashima, Corporate Planning & Communications  
 Department Manager  
 (Phone) +81-3-6270-1833  
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 Investor conference for the financial results: Yes (for institutional investors, analysts)

(Rounded down to the nearest million yen)

### 1. Results of the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

#### (1) Results of operations (cumulative) (Percentage changes relative to previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
The six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2015	61,646	19.4	4,820	3.1	4,698	(0.3)	2,752	(5.4)
September 30, 2014	51,632	7.8	4,674	(11.1)	4,713	(12.6)	2,909	(11.2)

(Note) Comprehensive income The six months ended September 30, 2015 2,549 million yen (20.3%)  
 The six months ended September 30, 2014 3,197 million yen (10.5%)

	Net income per share	Diluted net income per share
The six months ended	Yen	Yen
September 30, 2015	83.93	—
September 30, 2014	89.25	—

#### (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2015	105,659	52,648	49.4
March 31, 2015	104,877	50,958	48.2

(Reference) Shareholders' equity As of September 30, 2015 52,233 million yen  
 As of March 31, 2015 50,504 million yen

### 2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	30.00	—	30.00	60.00
Year ending March 31, 2016	—	30.00	—	—	—
Year ending March 31, 2016 (Forecast)	—	—	—	30.00	60.00

(Note) Revisions in dividend forecast in the current quarter : No

### 3. Forecast (From April 1, 2015 to March 31, 2016) (Percentage changes relative to previous corresponding period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Year ending March 31, 2016	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	129,000	15.8	11,000	5.0	10,800	2.3	6,500	12.6	198.56

(Note) Revisions in forecast in the current quarter : No

\*Notes

(1) Changes in important subsidiaries during the current quarter: No

(2) Application of special accounting methods for quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and restatement

(i) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes

(ii) Changes other than (i) above: Yes

(iii) Changes in accounting estimates: Yes

(iv) Restatement: No

For details, please refer to “(3) Changes in Accounting Policies, accounting estimates and restatement” under “2. Notes Regarding Summary Information” on page 3.

(4) Number of issued shares (common stock)

(i) Number of issued shares at the quarter end (including treasury shares)

As of September 30, 2015	36,254,344 shares
As of March 31, 2015	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of September 30, 2015	3,432,457 shares
As of March 31, 2015	3,519,057 shares

(iii) Averaged number of shares during the period (quarterly cumulative period)

Six months ended September 30, 2015	32,795,944 shares
Six months ended September 30, 2014	32,603,351 shares

\*Indication regarding the situation of quarterly review procedures

These financial results are not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. As of the disclosure of the financial results, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

\*Statement regarding the proper use of financial forecasts and other special remarks

(Remarks on the description on future forecast)

These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, there might be cases in which actual results materially differ from forecasts of this report. Please refer to page 3 “1. Qualitative Information (3) Consolidated Performance Forecasts” .

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## 1. Qualitative Information

### (1) Consolidated Business Performance

In the Japanese economy during the first half of the current fiscal year (April 1, 2015 through September 30, 2015), improvements in corporate income and the employment environment were seen, but recovery of production activity and personal consumption still lacked vigor. With concern over downside risk in emerging nations and other economies overseas and slow recovery of consumer confidence, the future remains opaque. Under these economic conditions, the Group's results in each business segment were as follows.

#### Precious metal business

Volume of collection in the precious metal recycling business was as follows. In the electronics sector, contraction of the Japanese market continues, but by expanding market share in the E-scrap and precision cleaning businesses, the Group increased the volume of collection of gold from that of the same period a year earlier. In the dental sector, with the volume of precious metals used declining, the volume of collection of gold and palladium decreased compared to the same period last year. In the jewelry sector, increasing transactions with customers in the jewelry purchasing business led to a higher year-on-year volume of collection of gold and platinum. In the automotive catalyst sector, even with a decrease in the number of scrapped vehicles, work on new customer development led to a volume of collection of palladium about the same as that of the same period a year earlier.

The average sale price of gold and palladium was higher than that of the same period a year before, and the average sale price of silver and platinum was lower compared with the same period last year.

In the gold and silver refining business in North America, amidst stagnant precious metals prices and a slowdown in natural resource businesses, both processing volume and unit price declined for commissioned refining business. Under these circumstances, we are working towards the future by strengthening Asahi Refining's business base through initiatives such as technology investment and knowledge exchange.

#### Environmental preservation business

Reflecting the state of production activity in domestic businesses, the volume of collection of industrial waste continued declining. Under these circumstances, by working to develop new customers and new spot contracts and securing government-related volume of collection, performance for the segment as a whole was solid.

#### Life & health business

In the healthcare equipment sector, personal consumption still lacks vigor. Recovery of sales of products such as massage chairs has been slow, but we are working on upgrading our product lineup through the introduction of smaller merchandise and on cost reduction.

In construction-related markets, although orders are solid, construction-related costs continued to rise because of a skilled labor shortage and delays in construction completion. This situation impacted the Group's air conditioning system installation and commercial heater sectors. The business environment remains difficult, with construction postponements and decreased margins. Under these circumstances, we are working on expanding sales of heaters including new products and on cost reduction for such as SG&A.

As a result of the above, sales during the second cumulative quarter of the current fiscal year were 61,646 million yen, a year-on-year increase of 10,013 million yen (19.4 percent). Operating income was 4,820 million yen, an increase of 146 million yen (3.1 percent) year-on-year. Ordinary income was 4,698 million yen, a year-on-year decrease of 15 million yen (0.3 percent). Profit attributable to owners of parent for the period was therefore 2,752 million yen, a decrease of 157 million yen (5.4 percent) year-on-year. By segment, sales in the precious metal business were 43,124 million yen, a year-on-year increase of 5,974 million yen (16.1 percent). In the environmental preservation business, sales were 7,277 million yen, and decrease of 59 million yen (0.8 percent) year-on-year. Sales in the life & health business were 11,244 million yen, up 4,099 million yen (57.4 percent) year-on-year.

### (2) Consolidated Financial Position

As of September 30, 2015, total assets amounted to 105,659 million yen, up 781 million yen from the previous fiscal year end. This was due mainly to the increase of 3,010 million yen in cash and deposits.

Total liabilities amounted to 53,011 million yen, down 908 million yen from the previous fiscal year end. This was due mainly to the decrease of 453 million yen in notes and accounts payable-trade.

Net assets totaled 52,648 million yen, up 1,690 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 2,752 million yen in profit attributable to owners of parent.

As a result, the shareholders' equity ratio changed to 49.4%, from 48.2% at the end of the previous fiscal year.

Net cash provided in operating activities amounted to 4,514 million yen due mainly to 4,516 million yen of income before income taxes and minority interests, 1,012 million yen of depreciation and amortization, 1,415 million yen of decrease in inventories, 1,247 million yen of decrease in notes and accounts receivable-trade, and 3,647 million yen of income taxes paid.

Net cash used in investing activities amounted to 717 million yen due mainly to 650 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 871 million yen due mainly to 981 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2015, increased 3,020 million yen from March 31,

2015, to 13,861 million yen.

(3) Consolidated Performance Forecasts

Consolidated performance forecast for the fiscal year have not changed from the forecast announced on May 11, 2015.

2. Notes Regarding Summary Information

(1) Changes in important subsidiaries during the current quarter

Not applicable

(2) Application of special accounting methods for quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, accounting estimates and restatement

Changes in accounting policies

(Application of “Accounting Standard for Business Combinations,” etc.)

The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. effective from the first quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs.

Additionally the presentation method of net income was amended and the reference to “Minority interests” was changed to “Non-controlling interests”. To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Accordingly, these changes are effective from the beginning of the first quarter under review.

Those changes had no impact on operating income, ordinary income and income before income taxes for the second quarter under review. Also those changes had no impact on capital surplus for the end of the second quarter period.

(Change in the depreciation method of property, plant and equipment)

The Company and its domestic consolidated subsidiaries had formerly depreciated property, plant and equipment other than leased assets using the declining-balance method (with the exception of buildings acquired on or after April 1, 1998, which are depreciated using the straight-line method). However, starting from the fiscal year ending March 31, 2016, the Company and its domestic consolidated subsidiaries have changed the depreciation method to the straight-line method.

This change in the depreciation method is due to the determination that depreciation using the straight-line method would better reflect the actual condition of usage of property, plant and equipment in a nod to the result of surveys on the actual status of the usage of property, plant and equipment and future business deployment which is planned in the “Seventh Medium-Term Management Plan”.

As a result, operating income, ordinary income and income before income taxes increased by 97 million yen, respectively, as compared with the figures calculated using the previous method.

3. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

	As of March 31, 2015	As of September 30, 2015	As of September 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<b><u>ASSETS</u></b>			
Current assets			
Cash and deposits	11,046	14,057	117,185
Notes and accounts receivable - trade	15,146	13,765	114,755
Merchandise and finished goods	4,855	3,740	31,179
Work in process	9,141	8,949	74,601
Raw materials and supplies	1,633	1,533	12,784
Other	6,773	8,551	71,287
Allowance for doubtful accounts	(40)	(35)	(293)
Total current assets	<u>48,556</u>	<u>50,562</u>	<u>421,498</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	12,298	11,851	98,795
Land	14,568	14,504	120,911
Other, net	5,467	5,374	44,802
Total property, plant and equipment	<u>32,334</u>	<u>31,730</u>	<u>264,508</u>
Intangible assets			
Goodwill	21,737	21,199	176,718
Other	906	934	7,791
Total intangible assets	<u>22,643</u>	<u>22,133</u>	<u>184,510</u>
Investments and other assets	<u>1,343</u>	<u>1,232</u>	<u>10,271</u>
Total non-current assets	<u>56,321</u>	<u>55,096</u>	<u>459,289</u>
Total assets	<u>104,877</u>	<u>105,659</u>	<u>880,788</u>

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2015 of Yen119.96=US\$1, and are included solely for the convenience of readers.

	As of March 31, 2015	As of September 30, 2015	As of September 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<b><u>LIABILITIES</u></b>			
Current liabilities			
Notes and accounts payable - trade	6,161	5,707	47,581
Short-term loans payable	26,171	5,968	49,756
Current portion of long-term loans payable	270	5,270	43,931
Income taxes payable	2,111	1,907	15,903
Provision for bonuses	747	700	5,836
Provision for directors' bonuses	36	—	—
Provision for repairs	106	93	780
Provision for product warranties	85	87	730
Provision for sales rebates	371	643	5,368
Provision for sales returns	13	14	123
Other	9,526	8,412	70,125
Total current liabilities	45,603	28,806	240,134
Non-current liabilities			
Long-term loans payable	6,550	21,719	181,057
Net defined benefit liability	126	137	1,148
Other	1,639	2,347	19,567
Total non-current liabilities	8,316	24,204	201,772
Total liabilities	53,919	53,011	441,906
<b><u>NET ASSETS</u></b>			
Shareholders' equity			
Capital stock	4,480	4,480	37,353
Capital surplus	6,038	6,112	50,958
Retained earnings	44,459	46,229	385,378
Treasury stock	(5,159)	(5,032)	(41,954)
Total shareholders' equity	49,819	51,790	431,735
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	33	49	415
Deferred gains or losses on hedges	313	141	1,181
Foreign currency translation adjustment	338	251	2,094
Total accumulated other comprehensive income	685	442	3,690
Subscription rights to shares	77	—	—
Non-controlling interests	375	414	3,457
Total net assets	50,958	52,648	438,882
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	104,877	105,659	880,788

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2015 of Yen119.96=US\$1, and are included solely for the convenience of readers.

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income for the six months ended September 30, 2015

	The six months ended September 30, 2014	The six months ended September 30, 2015	The six months ended September 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	51,632	61,646	513,893
Cost of sales	41,810	48,346	403,025
Gross profit	9,822	13,299	110,868
Selling, general and administrative expenses	5,148	8,479	70,682
Operating income	4,674	4,820	40,186
Non-operating income	75	40	339
Non-operating expenses	36	163	1,360
Ordinary income	4,713	4,698	39,165
Extraordinary income	14	57	482
Extraordinary loss	27	239	1,999
Income before income taxes	4,701	4,516	37,647
Income taxes-current	1,641	1,774	14,792
Income taxes-deferred	118	(47)	(398)
Total income taxes	1,759	1,726	14,394
Profit	2,941	2,789	23,254
Profit attributable to non-controlling	31	36	308
Profit attributable to owners of parent	2,909	2,752	22,946

## Consolidated Statements of Comprehensive Income for the six months ended September 30, 2015

	The six months ended September 30, 2014	The six months ended September 30, 2015	The six months ended September 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	2,941	2,789	23,254
Other comprehensive income			
Valuation difference on available-for-sale securities	4	16	139
Deferred gains or losses on hedges	295	(171)	(1,432)
Foreign currency translation adjustment	(29)	(85)	(710)
Share of other comprehensive income of associates accounted for using equity method	(14)	—	—
Total other comprehensive income	256	(240)	(2,003)
Comprehensive income	3,197	2,549	21,251
Comprehensive income attributable to owners of parent	3,168	2,509	20,923
Comprehensive income attributable to non-controlling interests	29	39	327

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2015 of Yen119.96=US\$1, and are included solely for the convenience of readers.

### (3) Consolidated Statements of Cash Flows

	The six months ended September 30, 2014	The six months ended September 30, 2015	The six months ended September 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	4,701	4,516	37,647
Depreciation and amortization	842	1,012	8,441
Impairment loss	12	230	1,924
Amortization of goodwill	281	825	6,883
Increase (decrease) in net defined benefit liability	(6)	11	92
Interest and dividend income	(16)	(18)	(156)
Interest expenses	25	72	605
Loss (gain) on sales and retirement of non-current assets	10	(2)	(22)
Decrease (increase) in notes and accounts receivable-trade	(592)	1,247	10,400
Decrease (increase) in inventories	320	1,415	11,799
Increase (decrease) in notes and accounts payable-trade	547	(441)	(3,678)
Increase (decrease) in accounts payable-other	383	(1,729)	(14,419)
Other, net	358	(545)	(4,547)
Subtotal	6,866	6,594	54,969
Interest and dividends income received	19	22	189
Interest expenses paid	(26)	(77)	(649)
Income taxes paid	(4,039)	(3,647)	(30,409)
Income taxes refund	1,439	1,623	13,537
Net cash provided by (used in) operating activities	4,260	4,514	37,637
Net cash provided by (used in) investing activities			
Payments into time deposits	(0)	—	—
Proceeds from withdrawal of time deposits	82	9	82
Proceeds from collection of guarantee deposits	93	50	422
Purchase of property, plant and equipment	(886)	(650)	(5,420)
Proceeds from sales of property, plant and equipment	36	45	376
Purchase of intangible assets	(39)	(167)	(1,398)
Purchase of stocks of subsidiaries and affiliates	(7,163)	—	—
Other, net	235	(5)	(42)
Net cash provided by (used in) investing activities	(7,642)	(717)	(5,980)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	2,500	(20,204)	(168,428)
Proceeds from long-term loans payable	—	20,304	169,261
Repayment of long-term loans payable	(2,167)	(135)	(1,125)
Repayments of finance lease obligations	(21)	(22)	(187)
Purchase of treasury stock	(0)	(0)	(4)
Proceeds from sales of treasury stock	70	—	—
Proceeds from exercise of stock options	—	167	1,400
Cash dividends paid	(982)	(981)	(8,186)
Net cash provided by (used in) financing activities	(601)	(871)	(7,268)
Effect of exchange rate change on cash and cash equivalents	(8)	94	787
Net increase (decrease) in cash and cash equivalents	(3,991)	3,020	25,175
Cash and cash equivalents at beginning of period	9,470	10,841	90,373
Cash and cash equivalents at end of period	5,478	13,861	115,549

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2015 Yen119.96=US\$1, and are included solely for the convenience of readers.

(4) Notes on Consolidated Financial Statements

(Notes on Assumptions for Going Concern)

Not applicable

(Notes in case of Significant Changes to Shareholders' Equity)

Not applicable

(Segment Information, etc.)

[Segment information]

I For the six months ended September 30, 2014(From April 1, 2014 to September 30, 2014)

1. Information on sales and income (loss) by reporting segment

(Millions of Yen)

	Precious metal business	Environmental preservation business	Life & health business	Total
Net sales				
1) Customers	37,150	7,336	7,145	51,632
2) Intersegment	—	—	—	—
Total	37,150	7,336	7,145	51,632
Segment income	3,609	801	262	4,674

(Note) Total segment income matches operating income recorded on the consolidated statements of income.

II For the six months ended September 30, 2015(From April 1, 2015 to September 30, 2015)

1. Information on sales and income (loss) by reporting segment

(Millions of Yen)

	Precious metal business	Environmental preservation business	Life & health business	Total
Net sales				
1) Customers	43,124	7,277	11,244	61,646
2) Intersegment	—	—	—	—
Total	43,124	7,277	11,244	61,646
Segment income	3,859	847	112	4,820

(Note) Total segment income matches operating income recorded on the consolidated statements of income.

2. Changes in reporting segments

(Changes in name of reporting segment)

The segment which was previously stated as "Precious metal recycling business" has been changed to "Precious metal business" from April 1, 2015 for more accurate business description. This change in the segment name does not affect the segment information.

An retroactively adjusted version of "Segment information" presented in the earnings report for the previous fiscal year has been published to reflect the change in reporting segments.

3. Impairment losses on non-current assets, goodwill, etc. by reporting segment

(Material impairment loss on non-current assets)

Accompanying the restructuring of subsidiarys' business premises, the book value of certain land and buildings were reduced to the recoverable value. This loss and demolition costs were posted as impairment losses under extraordinary losses.

Consequently, impairment losses were recorded in the amounts of 50 million yen in the precious metal business, 95 million yen in the environmental preservation business and 84 million yen in the life and health business.