

Consolidated Financial Results for the Second Quarter Ended September 30, 2014

Asahi Holdings, Inc.

October 29, 2014

Stock code: 5857
 Shares listed: Tokyo Stock Exchange (First Section)
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 Supplementary materials for the financial results: No
 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, 2014 (From April 1, 2014 to September 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The six months ended September 30, 2014	51,632	7.8	4,674	(11.1)	4,713	(12.6)	2,909	(11.2)
September 30, 2013	47,884	(2.9)	5,260	—	5,395	—	3,277	—

(Note) Comprehensive income The six months ended September 30, 2014 3,197 million yen (10.5%)
 The six months ended September 30, 2013 3,572 million yen —

	Net income per share	Diluted net income per share
	Yen	Yen
The six months ended September 30, 2014	89.25	—
September 30, 2013	100.79	—

(Note) Retrospective restatement was carried out for the fiscal year ended March 31, 2014, in line with a change in accounting policy. Consequently, year-on-year changes are not provided.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2014	75,027	49,006	64.8
March 31, 2014	66,112	46,491	70.1

(Reference) Shareholders' equity As of September 30, 2014 48,592 million yen
 As of March 31, 2014 46,347 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, 2014	—	30.00	—	30.00	60.00
Year ending March 31, 2015	—	30.00	—	—	—
Year ending March 31, 2015 (Forecast)	—	—	—	30.00	60.00

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

3. Forecast (From April 1, 2014 to March 31, 2015) (Percentage changes relative to previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending March 31, 2015	111,000	17.8	10,400	8.0	10,300	3.1	6,400	7.2	196.14

(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: No

(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, 2014	36,254,344 shares
As of March 31, 2014	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of September 30, 2014	3,631,657 shares
As of March 31, 2014	3,672,457 shares

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

Six months ended September 30, 2014	32,603,351 shares
Six months ended September 30, 2013	32,519,015 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

These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report. Please refer to page 2 “1. Qualitative Information (3) Consolidated Performance Forecasts” .

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1. Qualitative Information

(1) Consolidated Business Performance

During the first two quarters of the current fiscal year (April 1, 2014 through September 30, 2014), although personal consumption fell after surging prior to the consumption tax increase, and corporate production activity and capital investment showed some weakness, the Japanese economy as a whole continued its trend of gentle recovery.

Under these economic conditions, in the precious metal recycling business, the volume of collection in the catalyst sector increased, so the volume of collection of platinum and palladium was higher than it was for the corresponding period a year earlier. The average sales prices for platinum and palladium were higher than they were a year earlier. The volume of collection of gold fell, however, mainly due to a lower volume of collection in the jewelry sector, while a decrease in the volume of collection in the photographic sensitive material sector led to a lower volume of collection of silver compared to the previous year. The average sales prices for gold and silver were lower than they were during the corresponding period a year earlier.

In the environmental preservation business, the volumes of waste liquid, medical-related waste, recycled glass, and so on collected surpassed those of the same term one year earlier.

The life and health business, newly structured with INTER CENTRAL, INC., KOEIKOGYO CO., LTD., which became a wholly owned subsidiary of our group in March 2014, and FUJI MEDICAL INSTRUMENTS MFG. CO., LTD., which became a subsidiary in July 2014, posted satisfactory results.

As a result of the above, as consolidated results for the six-month period, we recorded net sales of 51,632 million yen, up 3,748 million yen (+7.8%) year-on-year; operating income of 4,674 million yen, down 585 million yen (-11.1%) year-on-year; ordinary income of 4,713 million yen, down 682 million yen (-12.6%) year-on-year; and net income of 2,909 million yen, down 367 million yen (-11.2%) year-on-year.

Looked at by segment, sales in the precious metal recycling business were 37,150 million yen, down 2,999 million yen (-7.5%) year-on-year; sales in the environmental preservation business were 7,336 million yen, up 389 million yen (+5.6%) year-on-year; and sales in the life and health business were 7,145 million yen, up 6,359 million yen (+808.5%) year-on-year.

(2) Consolidated Financial Position

As of September 30, 2014, total assets amounted to 75,027 million yen, up 8,914 million yen from the previous fiscal year end. This was due mainly to the increase of 6,569 million yen in goodwill and the increase of 2,874 million yen in notes and accounts receivable-trade.

Total liabilities amounted to 26,021 million yen, up 6,400 million yen from the previous fiscal year end. This was due mainly to the increase of 3,299 million yen in notes and accounts payable-trade and the increase of 4,082 million yen in loans payable.

Net assets totaled 49,006 million yen, up 2,514 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 2,909 million yen in net income.

As a result, the shareholders' equity ratio changed to 64.8%, from 70.1% at the end of the previous fiscal year.

Net cash provided in operating activities amounted to 4,260 million yen due mainly to 4,701 million yen of income before income taxes and minority interests, 842 million yen of depreciation and amortization, 320 million yen of decrease in inventories, 592 million yen of increase in notes and accounts receivable-trade, and 4,039 million yen of income taxes paid.

Net cash used in investing activities amounted to 7,642 million yen due mainly to 7,163 million yen of purchases of stocks of subsidiaries and affiliates.

Net cash used in financial activities amounted to 601 million yen due mainly to 332 million yen of net increase in loans payable and 982 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2014, decreased 3,991 million yen from March 31, 2014, to 5,478 million yen.

(3) Consolidated Performance Forecasts

Consolidated performance forecast for the fiscal year has not changed from the forecast announced on July 29, 2014.

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

(Change in valuation method for inventories)

Our method for valuation of inventories has been mainly the weighted-average method (the method of write-downs based on the decrease in profitability in order to calculate the inventory value on the balance sheet). Beginning with the first quarter of the current fiscal year, we changed to mainly the moving-average method (the method of write-downs based on the decrease in profitability in order to calculate the inventory value on the balance sheet).

The aims of this change are to respond to fluctuations in metals prices, carry out management of inventories by item and by process precisely and on time, value inventories, and perform periodic accounting of profit and loss more accurately. It accompanies the introduction of a new IT system.

Because we did not preserve the inventory receipts and payments records that would be needed in order to calculate unit costs with the moving-average method for past fiscal years, it is impossible to retroactively apply this accounting policy to determine cumulative effects. Therefore, the book values of inventories at the end of the previous fiscal year were carried over as initial balances for the current fiscal year, with the moving-average method being used from the beginning of this term.

Compared to the past method, it increases operating income, ordinary income, and quarterly income before income taxes and others for the second quarter of the current term by 74 million yen each, and quarterly net income by 48 million yen.

(Application of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts")

We began applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, December 25, 2013) during the first quarter of the current fiscal year. When we deliver treasury stock to the trust, we recognize the disposal balance. Profit or loss related to sales of shares by the trust to the employee stock ownership plan, dividends paid by us on shares held by the trust, and net charges related to the trust are included by us as liabilities. This change in accounting policy was applied retrospectively to past fiscal years, and the results are included in the relevant quarterly financial statement and full-year financial statement.

Consequently, compared with figures before this retroactive application, as of the end of the previous fiscal year, other current liabilities increased by 124 million yen, and capital surplus decreased by 69 million yen, retained earnings decreased by 67 million yen, and treasury stock decreased by 4 million yen. This retroactive application had only a slight impact on profit and loss during the second quarter of the previous fiscal year.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of March 31, 2014	As of September 30, 2014	As of September 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
ASSETS			
Current assets			
Cash and deposits	9,640	5,567	50,871
Notes and accounts receivable - trade	11,319	14,193	129,678
Merchandise and finished goods	4,094	4,613	42,148
Work in process	8,596	9,350	85,435
Raw materials and supplies	1,107	1,955	17,869
Other	2,879	1,885	17,226
Allowance for doubtful accounts	(120)	(127)	(1,168)
Total current assets	<u>37,517</u>	<u>37,438</u>	<u>342,059</u>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	8,979	9,716	88,780
Land	13,122	14,512	132,590
Other, net	2,304	2,470	22,569
Total property, plant and equipment	<u>24,407</u>	<u>26,699</u>	<u>243,939</u>
Intangible assets			
Goodwill	2,021	8,590	78,491
Other	835	847	7,743
Total intangible assets	<u>2,856</u>	<u>9,438</u>	<u>86,234</u>
Investments and other assets	<u>1,331</u>	<u>1,451</u>	<u>13,265</u>
Total noncurrent assets	<u>28,595</u>	<u>37,589</u>	<u>343,438</u>
Total assets	<u><u>66,112</u></u>	<u><u>75,027</u></u>	<u><u>685,497</u></u>
LIABILITIES			
Current liabilities			
Notes and accounts payable - trade	3,643	6,942	63,432
Short-term loans payable	495	2,995	27,367
Current portion of long-term loans payable	143	324	2,965
Income taxes payable	2,635	1,736	15,863
Provision for bonuses	600	671	6,131
Provision for directors' bonuses	39	—	—
Provision for repairs	101	61	562
Provision for product warranties	16	69	633
Provision for sales rebates	—	618	5,647
Provision for sales returns	—	25	234
Other	4,668	3,911	35,734
Total current liabilities	<u>12,342</u>	<u>17,355</u>	<u>158,568</u>
Noncurrent liabilities			
Long-term loans payable	5,419	6,820	62,318
Net defined benefit liability	122	116	1,061
Other	1,736	1,728	15,796
Total noncurrent liabilities	<u>7,278</u>	<u>8,665</u>	<u>79,176</u>
Total liabilities	<u>19,621</u>	<u>26,021</u>	<u>237,744</u>
NET ASSETS			
Shareholders' equity			
Capital stock	4,480	4,480	40,939
Capital surplus	6,038	6,038	55,174
Retained earnings	40,648	42,576	389,004
Treasury stock	(5,379)	(5,321)	(48,617)
Total shareholders' equity	<u>45,788</u>	<u>47,774</u>	<u>436,500</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15	19	177
Deferred gains or losses on hedges	(121)	174	1,592
Foreign currency translation adjustment	665	624	5,705
Total accumulated other comprehensive income	<u>559</u>	<u>817</u>	<u>7,473</u>
Subscription rights to shares	77	77	712
Minority interests	66	335	3,068
Total net assets	<u>46,491</u>	<u>49,006</u>	<u>447,753</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>66,112</u></u>	<u><u>75,027</u></u>	<u><u>685,497</u></u>

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2014 of Yen109.45=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, 2014

	The six months ended September 30, 2013	The six months ended September 30, 2014	The six months ended September 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	47,884	51,632	471,749
Cost of sales	39,981	41,810	382,004
Gross profit	7,902	9,822	89,745
Selling, general and administrative expenses	2,642	5,148	47,039
Operating income	5,260	4,674	42,706
Non-operating income	161	75	693
Non-operating expenses	25	36	333
Ordinary income	5,395	4,713	43,066
Extraordinary income	39	14	133
Extraordinary loss	113	27	247
Income before income taxes and minority interests	5,321	4,701	42,952
Income taxes-current	2,069	1,641	14,996
Income taxes-deferred	(24)	118	1,082
Total income taxes	2,044	1,759	16,078
Income before minority interests	3,277	2,941	26,874
Minority interests in income (loss)	(0)	31	287
Net income	3,277	2,909	26,587

Consolidated Statements of Comprehensive Income for the six months ended September 30, 2014

	The six months ended September 30, 2013	The six months ended September 30, 2014	The six months ended September 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Income before minority interests	3,277	2,941	26,874
Other comprehensive income			
Valuation difference on available-for-sale securities	0	4	40
Deferred gains or losses on hedges	70	295	2,700
Foreign currency translation adjustment	210	(29)	(266)
Share of other comprehensive income of associates accounted for using equity method	13	(14)	(131)
Total other comprehensive income	295	256	2,344
Comprehensive income	3,572	3,197	29,217
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	3,569	3,168	28,948
Comprehensive income attributable to minority interests	3	29	269

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2014 of Yen109.45=US\$1, and are included solely for the convenience of readers.

(3) Consolidated Statements of Cash Flows

	The six months ended September 30, 2013	The six months ended September 30, 2014	The six months ended September 30, 2014
	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	5,321	4,701	42,952
Depreciation and amortization	880	842	7,694
Impairment loss	102	12	115
Amortization of goodwill	193	281	2,569
Increase(decrease)in provision of retirement benefits	5	—	—
Increase (decrease) in net defined benefit liability	—	(6)	(56)
Interest and dividends income	(14)	(16)	(149)
Interest expenses	12	25	236
Loss (gain) on sales and retirement of noncurrent assets	9	10	92
Decrease (increase) in notes and accounts receivable-trade	3,324	(592)	(5,416)
Decrease (increase) in inventories	(399)	320	2,929
Increase (decrease) in notes and accounts payable-trade	663	547	5,001
Increase (decrease) in accounts payable-other	(244)	383	3,502
Other, net	506	358	3,271
Subtotal	10,361	6,866	62,739
Interest and dividends income received	21	19	179
Interest expenses paid	(12)	(26)	(238)
Income taxes paid	(1,118)	(4,039)	(36,905)
Income taxes refund	746	1,439	13,156
Net cash provided by (used in) operating activities	9,997	4,260	38,931
Net cash provided by (used in) investing activities			
Payments into time deposits	—	(0)	(5)
Proceeds from withdrawal of time deposits	—	82	753
Proceeds from collection of guarantee deposits	5	93	851
Purchases of property, plant and equipment	(285)	(886)	(8,101)
Proceeds from sales of property, plant and equipment	25	36	332
Purchases of intangible assets	(170)	(39)	(357)
Purchases of stocks of subsidiaries and affiliates	—	(7,163)	(65,448)
Other, net	(52)	235	2,153
Net cash provided by (used in) investing activities	(477)	(7,642)	(69,823)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(9,800)	2,500	22,841
Proceeds from long-term loans payable	5,100	—	—
Repayments of long-term loans payable	(500)	(2,167)	(19,806)
Repayments of finance lease obligations	(24)	(21)	(197)
Purchases of treasury stock	(0)	(0)	(3)
Proceeds from sales of treasury stock	72	70	644
Cash dividends paid	(981)	(982)	(8,977)
Net cash provided by (used in) financing activities	(6,134)	(601)	(5,496)
Effect of exchange rate change on cash and cash equivalents	174	(8)	(81)
Net increase (decrease) in cash and cash equivalents	3,560	(3,991)	(36,469)
Cash and cash equivalents at beginning of period	4,141	9,470	86,524
Cash and cash equivalents at end of period	7,701	5,478	50,055

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2014 of Yen109.45=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, 2013(From April 1, 2013 to September 30, 2013)

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

(Millions of Yen)

	Precious metal recycling business	Environmental preservation business	Life and health business	Total
Net sales				
1) Customers	40,150	6,947	786	47,884
2) Intersegment	—	—	—	—
Total	40,150	6,947	786	47,884
Segment income	4,496	750	12	5,260

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

2. Impairment losses on noncurrent assets, goodwill, etc. by reporting segment

(Significant impairment loss related to noncurrent assets)

Accompanying the relocation of a subsidiary's business premises, the book value of certain real estate 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 30 million yen in the precious metal recycling segment and 68 million yen in the environmental preservation segment.

II 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 recycling business	Environmental preservation business	Life and 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.

2. Changes in reporting segments

In accordance with the acquisition of shares of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD., aiming to contribute to the appropriate disclosure of management information, the previous segment of "Environmental preservation business" has been divided into two segments of "Environmental preservation business" and "Life and health business".

Accordingly, our reporting segments are following three: "Precious metal recycling business", "Environmental preservation business" and "Life and health business".

The main line of "Environmental preservation business" is collection, transportation of industrial wastes and intermediate treatments.

The main line of "Life and health business" is manufacturing and selling of health-related products such as massaging tools, hearing aids, manufacturing and selling of electric heating equipments, design and construction of radiant air-conditioning systems, design and construction of facilities for disaster prevention.

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