

Consolidated Financial Results for the Third Quarter Ended December 31, 2014

Asahi Holdings, Inc.

February 2, 2015

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: No

(Rounded down to the nearest million yen)

1. Results of the nine months ended December 31, 2014 (From April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
The nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2014	80,224	13.5	7,413	(0.7)	7,497	(2.6)	4,564	(2.4)
December 31, 2013	70,654	(2.1)	7,465	—	7,695	—	4,678	—

(Note) Comprehensive income The nine months ended December 31, 2014 4,531 million yen (10.3%)
 The nine months ended December 31, 2013 5,049 million yen —

	Net income per share	Diluted net income per share
The nine months ended	Yen	Yen
December 31, 2014	139.94	—
December 31, 2013	143.83	—

(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
As of	Millions of yen	Millions of yen	%
December 31, 2014	74,139	49,519	66.2
March 31, 2014	66,112	46,491	70.1

(Reference) Shareholders' equity As of December 31, 2014 49,097 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
Year ending March 31, 2015	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	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 December 31, 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 December 31, 2014	3,519,007 shares
As of March 31, 2014	3,672,457 shares

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

Nine months ended December 31, 2014	32,620,397 shares
Nine months ended December 31, 2013	32,529,616 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 three quarters of the current fiscal year (April 1 through December 31, 2014), the Japanese economy showed some signs of recovery in terms of corporate capital investment and the employment environment against the backdrop of the government's economic policies and monetary easing by the Bank of Japan. As for exchange rates, the yen tended to fall. Although the effect of the falling yen on corporate activities tended to vary greatly according to factors such as industry, scale, and degree of overseas development, devaluation of the yen in response to the Bank of Japan's announcement of further easing was extremely rapid. Furthermore, the continued fall in crude oil prices eased energy costs, contributing to corporate profits, but the future direction of prices is opaque. In personal consumption, despite the postponement of a second tax increase, the backlash following the demand surge before the April consumption tax rise continued. The timing and scale of the effects of wage rises on household budgets will affect consumption. In the construction market, rising prices for construction materials and tight supply and demand of construction-related workers led to construction work delays.

Under these economic conditions, the company's results in each business were as follows.

Sales in the precious metals recycling business decreased by about 4 percent from the corresponding period a year earlier. In the electronics sector, the domestic market is contracting due to customers shifting operations overseas, but expansion of precision cleaning business and overseas business made up the difference, resulting in an increased volume of collection of gold compared with the same period a year before. In the jewelry sector, the sluggish market continued, and although marketing efforts increased market share, the volume of collection of gold decreased versus the same period one year earlier. In the automotive catalyst sector, efforts to develop new customers among automobile dismantling businesses nationwide led to a year-on-year increase in the volume of collection of platinum and palladium. Additionally, because usage of silver in the photographic, printing, and electronics sectors is decreasing, the volume of collection of silver was less than it was during the same period a year earlier.

Although dollar-denominated average sales prices for gold and silver fell sharply, this was offset by the devaluation of the yen. Still, the prices were lower than they were a year earlier. Average sales price for palladium was higher than a year before, mainly because of industrial demand such as increased use in the automotive catalyst sector. Average sales price for platinum was about the same as it was the year before.

In the environmental preservation business, the volume of waste on the domestic market is decreasing, reflecting changes in domestic production activities. Amidst these circumstances, Group companies worked to develop new clients and new contracts and managed to increase collection volumes of effluent, sludge, and so on.

In the life and health business that was newly added during the second quarter, the health equipment sector was affected by a sharp increase in the price of imported materials during the third quarter due to the rapid devaluation of the yen and by sluggish personal consumption following the consumption tax increase. Additionally, design and installation of air-conditioning systems was affected by construction expense reduction and construction work delays.

As a result of the above, as consolidated results for the nine-month period, we recorded net sales of 80,224 million yen, up 9,569 million yen (+13.5%) year-on-year; operating income of 7,413 million yen, down 51 million yen (-0.7%) year-on-year; ordinary income of 7,497 million yen, down 198 million yen (-2.6%) year-on-year; and net income of 4,564 million yen, down 113 million yen (-2.4%) year-on-year.

Looked at by segment, sales in the precious metal recycling business were 56,179 million yen, down 2,304 million yen (-3.9%) year-on-year; sales in the environmental preservation business were 11,293 million yen, up 531 million yen (+4.9%) year-on-year; and sales in the life and health business were 12,750 million yen, up 11,342 million yen (+805.2%) year-on-year.

The company resolved in its December 2014 Board Meeting that its consolidated subsidiary Asahi Americas Holdings, Inc. will acquire shares of Johnson Matthey Gold and Silver Refining Holdings Limited and make it a subsidiary.

Turning the company into a subsidiary will expand our business regions and sectors and achieve synergies through the integration of the companies' technologies and procurement and sales networks. The plan will lead to greater growth potential and profitability for our group.

(2) Consolidated Financial Position

As of December 31, 2014, total assets amounted to 74,139 million yen, up 8,026 million yen from the previous fiscal year end. This was due mainly to the increase of 6,385 million yen in goodwill and the increase of 1,398 million yen in notes and accounts receivable-trade.

Total liabilities amounted to 24,620 million yen, up 4,998 million yen from the previous fiscal year end. This was due mainly to the increase of 3,101 million yen in notes and accounts payable-trade and the increase of 3,388 million yen in loans payable.

Net assets totaled 49,519 million yen, up 3,027 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 4,564 million yen in net income.

As a result, the shareholders' equity ratio changed to 66.2%, from 70.1% at the end of the previous fiscal year.

(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 decreases operating income, ordinary income, and quarterly income before income taxes and others for the third quarter of the current term by 38 million yen each, and quarterly net income by 24 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 third quarter of the previous fiscal year.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of March 31, 2014	As of December 31, 2014	As of December 31, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
ASSETS			
Current assets			
Cash and deposits	9,640	5,971	49,534
Notes and accounts receivable - trade	11,319	12,717	105,496
Merchandise and finished goods	4,094	4,471	37,092
Work in process	8,596	10,024	83,158
Raw materials and supplies	1,107	1,704	14,141
Other	2,879	2,123	17,615
Allowance for doubtful accounts	(120)	(128)	(1,068)
Total current assets	<u>37,517</u>	<u>36,884</u>	<u>305,967</u>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	8,979	9,804	81,331
Land	13,122	14,492	120,222
Other, net	2,304	2,314	19,201
Total property, plant and equipment	<u>24,407</u>	<u>26,611</u>	<u>220,754</u>
Intangible assets			
Goodwill	2,021	8,407	69,741
Other	835	872	7,239
Total intangible assets	<u>2,856</u>	<u>9,279</u>	<u>76,980</u>
Investments and other assets	<u>1,331</u>	<u>1,363</u>	<u>11,311</u>
Total noncurrent assets	<u>28,595</u>	<u>37,255</u>	<u>309,045</u>
Total assets	<u><u>66,112</u></u>	<u><u>74,139</u></u>	<u><u>615,012</u></u>
LIABILITIES			
Current liabilities			
Notes and accounts payable - trade	3,643	6,744	55,949
Short-term loans payable	495	2,450	20,324
Current portion of long-term loans payable	143	324	2,692
Income taxes payable	2,635	653	5,422
Provision for bonuses	600	303	2,514
Provision for directors' bonuses	39	—	—
Provision for repairs	101	81	676
Provision for product warranties	16	83	690
Provision for sales rebates	—	345	2,863
Provision for sales returns	—	11	93
Other	4,668	5,060	41,976
Total current liabilities	<u>12,342</u>	<u>16,057</u>	<u>133,199</u>
Noncurrent liabilities			
Long-term loans payable	5,419	6,672	55,347
Net defined benefit liability	122	121	1,005
Other	1,736	1,769	14,679
Total noncurrent liabilities	<u>7,278</u>	<u>8,562</u>	<u>71,032</u>
Total liabilities	<u>19,621</u>	<u>24,620</u>	<u>204,231</u>
NET ASSETS			
Shareholders' equity			
Capital stock	4,480	4,480	37,170
Capital surplus	6,038	6,038	50,093
Retained earnings	40,648	43,249	358,767
Treasury stock	(5,379)	(5,159)	(42,800)
Total shareholders' equity	<u>45,788</u>	<u>48,609</u>	<u>403,231</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15	21	177
Deferred gains or losses on hedges	(121)	(303)	(2,517)
Foreign currency translation adjustment	665	769	6,386
Total accumulated other comprehensive income	<u>559</u>	<u>487</u>	<u>4,046</u>
Subscription rights to shares	77	77	646
Minority interests	66	344	2,857
Total net assets	<u>46,491</u>	<u>49,519</u>	<u>410,781</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>66,112</u></u>	<u><u>74,139</u></u>	<u><u>615,012</u></u>

U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2014 of Yen120.55=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 nine months ended December 31, 2014

	The nine months ended December 31, 2013	The nine months ended December 31, 2014	The nine months ended December 31, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	70,654	80,224	665,484
Cost of sales	59,221	63,985	530,777
Gross profit	11,433	16,238	134,707
Selling, general and administrative expenses	3,968	8,825	73,209
Operating income	7,465	7,413	61,498
Non-operating income	266	139	1,157
Non-operating expenses	35	55	464
Ordinary income	7,695	7,497	62,192
Extraordinary income	43	18	157
Extraordinary loss	119	91	760
Income before income taxes and minority interests	7,619	7,424	61,590
Income taxes-current	2,774	2,425	20,117
Income taxes-deferred	166	398	3,305
Total income taxes	2,941	2,823	23,422
Income before minority interests	4,678	4,601	38,168
Minority interests in income (loss)	(0)	36	300
Net income	4,678	4,564	37,867

Consolidated Statements of Comprehensive Income for the nine months ended December 31, 2014

	The nine months ended December 31, 2013	The nine months ended December 31, 2014	The nine months ended December 31, 2014
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Income before minority interests	4,678	4,601	38,168
Other comprehensive income			
Valuation difference on available-for-sale securities	(0)	6	54
Deferred gains or losses on hedges	55	(182)	(1,510)
Foreign currency translation adjustment	303	129	1,072
Share of other comprehensive income of associates accounted for using equity method	13	(23)	(194)
Total other comprehensive income	371	(69)	(579)
Comprehensive income	5,049	4,531	37,589
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	5,046	4,493	37,273
Comprehensive income attributable to minority interests	3	38	315

U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2014 of Yen120.55=US\$1, and are included solely for the convenience of readers.

(3) 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 nine months ended December 31, 2013(From April 1, 2013 to December 31, 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	58,483	10,762	1,408	70,654
2) Intersegment	—	—	—	—
Total	58,483	10,762	1,408	70,654
Segment income	6,070	1,287	106	7,465

(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

Not applicable

II For the nine months ended December 31, 2014(From April 1, 2014 to December 31, 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	56,179	11,293	12,750	80,224
2) Intersegment	—	—	—	—
Total	56,179	11,293	12,750	80,224
Segment income	5,733	1,367	313	7,413

(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 third quarter of the previous fiscal year has been published to reflect the change in reporting segments.

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

(Material impairment loss on noncurrent assets)

Resulting from the plan to sale a part of land and buildings, their book value was reduced to the recoverable amount, and the reduced amount was posted as impairment losses under extraordinary losses.

Consequently, impairment losses were recorded in the amount of 34 million yen in the precious metal recycling segment.