

# Consolidated Financial Results for the First Quarter Ended June 30, 2015

## Asahi Holdings, Inc.

July 28, 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 three months ended June 30, 2015 (From April 1, 2015 to June 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The three months ended June 30, 2015	31,610	36.2	2,289	5.1	2,315	6.2	1,438	3.7
June 30, 2014	23,215	(6.1)	2,178	(18.2)	2,179	(21.7)	1,387	(21.7)

(Note) Comprehensive income The three months ended June 30, 2015 2,876 million yen 137.3%  
 The three months ended June 30, 2014 1,211 million yen (61.8%)

	Net income per share	Diluted net income per share
The three months ended June 30, 2015	Yen 43.88	Yen 43.85
June 30, 2014	42.56	—

#### (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of June 30, 2015	Millions of yen 103,599	Millions of yen 53,004	50.7 %
March 31, 2015	104,877	50,958	48.2

(Reference) Shareholders' equity As of June 30, 2015 52,559 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
Year ended March 31, 2015	Yen —	Yen 30.00	Yen —	Yen 30.00	Yen 60.00
Year ending March 31, 2016 (Forecast)	—	30.00	—	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
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
1st half Year ending March 31, 2016	63,000	22.0	5,000	7.0	4,900	4.0	3,000	3.1	91.64
	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 June 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 June 30, 2015	3,439,507 shares
As of March 31, 2015	3,519,057 shares

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

Three months ended June 30, 2015	32,776,462 shares
Three months ended June 30, 2014	32,592,550 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

In the Japanese economy during the first quarter of the current fiscal year (April 1, 2015 through June 30, 2015), corporate income and the employment/income environment continued improving against the backdrop of factors such as the weakened yen and high stock prices. As for corporate activity, however, recovery in production paused due to pressure to adjust existing inventories and signs of decline were seen in the increasing trend of exports, leading to a temporary standstill. Personal consumption continued to lack vigor because of rising prices due to the weakened yen and continuing budget-consciousness, but some areas also saw a move to increased consumption due to rising inbound demand and the wealth effect of high stock prices. It is also necessary to beware of downside risk such as those from economic trends overseas, so the economic prospect remains unclear.

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

#### Precious metal business

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 for dental materials declining, the volume of collection of gold and palladium decreased. In the jewelry sector, increasing the number of customers in the jewelry purchasing business led to a higher year-on-year volume of collection of gold, silver, and platinum. In the automotive catalyst sector, new automotive catalyst customer development led to an increased volume of collection of palladium compared with 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. The average sale price of silver and platinum was lower compared with the same period last year.

As for gold and silver refining business in North America, in the wake of Group entry in March 2015, we are engaged in technology exchange and working to maximize synergies with our business base.

#### Environmental preservation business

Production activity in domestic businesses is less than vigorous, so the overall volume of discharge of industrial waste is declining. Under these circumstances, Group companies secured volume of waste handled by obtaining spot contracts and developing new customers. Consequently, the volume of sludge and medical waste was higher compared with the same period last year.

#### Life & health business

In the healthcare equipment sectors, personal consumption still has not recovered. Recovery of sales of products such as massage chairs has been slow. Under these circumstances, we have been taking measures such as introducing smaller merchandise in accordance with customer needs. In construction-related markets, although there are many projects, the pressures of material price increases and labor supply-and-demand, as they did the year before, continued to cause delays in constructions commencements and completion and led to reductions in construction budgets. This situation impacted the Group's air conditioning system design and installation sector and its electric heaters sector.

As a result of the above, sales during the first quarter of the current term were 31,610 million yen, a year-on-year increase of 8,395 million yen (36.2 percent). Operating income was 2,289 million yen, an increase of 110 million yen (5.1 percent) year-on-year. Ordinary income was 2,315 million yen, a year-on-year increase of 135 million yen (6.2 percent). Profit attributable to owners of parent for the quarter was therefore 1,438 million yen, an increase of 50 million yen (3.7 percent) year-on-year. By segment, sales in the precious metal business were 22,487 million yen, a year-on-year increase of 3,745 million yen (20.0 percent). In the environmental preservation business, sales were 3,585 million yen, and increase of 47 million yen (1.4 percent) year-on-year. Sales in the life & health business were 5,538 million yen, up 4,601 million yen (491.3 percent) year-on-year.

### (2) Consolidated Financial Position

As of June 30, 2015, total assets amounted to 103,599 million yen, down 1,278 million yen from the previous fiscal year end. This was due mainly to the decrease of 2,290 million yen in cash and deposits.

Total liabilities amounted to 50,594 million yen, down 3,325 million yen from the previous fiscal year end. This was due mainly to the decrease of 1,429 million yen in income taxes payable.

Net assets totaled 53,004 million yen, up 2,046 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 1,438 million yen in profit attributable to owners of parent.

As a result, the shareholders' equity ratio changed to 50.7%, from 48.2% at the end of the previous fiscal year.

### (3) Consolidated Performance Forecasts

Consolidated performance forecast for the fiscal year and the first half period 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 first quarter under review.

(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 48 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 June 30, 2015	As of June 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	8,756	71,509
Notes and accounts receivable - trade	15,146	13,670	111,639
Merchandise and finished goods	4,855	4,206	34,353
Work in process	9,141	9,403	76,793
Raw materials and supplies	1,633	1,778	14,524
Other	6,773	8,746	71,430
Allowance for doubtful accounts	(40)	(35)	(286)
Total current assets	<u>48,556</u>	<u>46,526</u>	<u>379,962</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	12,298	12,268	100,192
Land	14,568	14,571	119,001
Other, net	5,467	5,579	45,564
Total property, plant and equipment	<u>32,334</u>	<u>32,419</u>	<u>264,757</u>
Intangible assets			
Goodwill	21,737	22,421	183,108
Other	906	916	7,486
Total intangible assets	<u>22,643</u>	<u>23,338</u>	<u>190,594</u>
Investments and other assets	<u>1,343</u>	<u>1,315</u>	<u>10,740</u>
Total non-current assets	<u>56,321</u>	<u>57,072</u>	<u>466,091</u>
Total assets	<u>104,877</u>	<u>103,599</u>	<u>846,053</u>

U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2015 of Yen122.45=US\$1, and are included solely for the convenience of readers.

	As of March 31, 2015	As of June 30, 2015	As of June 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	6,924	56,546
Short-term loans payable	26,171	25,871	211,283
Current portion of long-term loans payable	270	5,270	43,038
Income taxes payable	2,111	681	5,568
Provision for bonuses	747	381	3,112
Provision for directors' bonuses	36	—	—
Provision for repairs	106	73	601
Provision for product warranties	85	86	705
Provision for sales rebates	371	411	3,361
Provision for sales returns	13	15	125
Other	9,526	6,943	56,703
Total current liabilities	45,603	46,658	381,042
Non-current liabilities			
Long-term loans payable	6,550	1,415	11,556
Net defined benefit liability	126	133	1,091
Other	1,639	2,387	19,499
Total non-current liabilities	8,316	3,936	32,146
Total liabilities	53,919	50,594	413,188
<b><u>NET ASSETS</u></b>			
Shareholders' equity			
Capital stock	4,480	4,480	36,593
Capital surplus	6,038	6,106	49,872
Retained earnings	44,459	44,915	366,807
Treasury stock	(5,159)	(5,043)	(41,185)
Total shareholders' equity	49,819	50,460	412,088
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	33	38	313
Deferred gains or losses on hedges	313	364	2,976
Foreign currency translation adjustment	338	1,696	13,853
Total accumulated other comprehensive income	685	2,098	17,141
Subscription rights to shares	77	45	371
Non-controlling interests	375	399	3,266
Total net assets	50,958	53,004	432,865
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b>104,877</b>	<b>103,599</b>	<b>846,053</b>

U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2015 of Yen122.45=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 three months ended June 30, 2015

	The three months ended June 30, 2014	The three months ended June 30, 2015	The three months ended June 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	23,215	31,610	258,154
Cost of sales	19,591	25,037	204,472
Gross profit	3,624	6,573	53,682
Selling, general and administrative expenses	1,445	4,284	34,986
Operating income	2,178	2,289	18,696
Non-operating income	28	83	679
Non-operating expenses	26	57	467
Ordinary income	2,179	2,315	18,908
Extraordinary income	10	8	72
Extraordinary loss	24	2	19
Income before income taxes	2,165	2,321	18,961
Income taxes-current	520	625	5,104
Income taxes-deferred	257	234	1,918
Total income taxes	778	859	7,022
Profit	1,386	1,461	11,939
Profit (loss) attributable to non-controlling	(0)	23	194
Profit attributable to owners of parent	1,387	1,438	11,745

## Consolidated Statements of Comprehensive Income for the three months ended June 30, 2015

	The three months ended June 30, 2014	The three months ended June 30, 2015	The three months ended June 30, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	1,386	1,461	11,939
Other comprehensive income			
Valuation difference on available-for-sale securities	6	5	43
Deferred gains or losses on hedges	(82)	50	416
Foreign currency translation adjustment	(95)	1,358	11,092
Share of other comprehensive income of associates accounted for using equity method	(3)	—	—
Total other comprehensive income	(175)	1,414	11,550
Comprehensive income	1,211	2,876	23,489
Comprehensive income attributable to owners of parent	1,214	2,851	23,289
Comprehensive income attributable to non-controlling interests	(2)	24	200

U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2015 of Yen122.45=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 three months ended June 30, 2014(From April 1, 2014 to June 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	18,741	3,537	936	23,215
2) Intersegment	—	—	—	—
Total	18,741	3,537	936	23,215
Segment income	1,846	323	9	2,178

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

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

(Material impairment loss on non-current assets)

Resulting from the plan to sell the land held by a subsidiary, their book value was reduced to a recoverable amount, and the reduced amount was posted as impairment loss under extraordinary losses. In consequence, impairment losses were recognized in the amount of 8 million yen in the precious metal segment and 3 million yen in the environmental preservation segment.

II For the three months ended June 30, 2015(From April 1, 2015 to June 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	22,487	3,585	5,538	31,610
2) Intersegment	—	—	—	—
Total	22,487	3,585	5,538	31,610
Segment income	1,876	390	22	2,289

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

2. Changes in reporting segments

(Changes in reporting segments classification)

In accordance with the acquisition of shares of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD. on July 2014, aiming to contribute to the appropriate disclosure of management information, the previous segment of "Environmental preservation business" had been divided into two segments of "Environmental preservation business" and "Life & health business" from the second quarter of the previous fiscal year.

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

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

Not applicable