

Consolidated Financial Results for the Third Quarter Ended December 31, 2015

Asahi Holdings, Inc.

February 1, 2016

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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 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, 2015 (From April 1, 2015 to December 31, 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 nine months ended December 31, 2015	90,830	13.2	7,105	(4.2)	7,009	(6.5)	4,115	(9.9)
December 31, 2014	80,224	13.5	7,413	(0.7)	7,497	(2.6)	4,564	(2.4)

(Note) Comprehensive income The nine months ended December 31, 2015 3,557 million yen (21.5%)
 The nine months ended December 31, 2014 4,531 million yen (10.3%)

	Net income per share	Diluted net income per share
The nine months ended December 31, 2015	Yen 125.44	Yen -
December 31, 2014	139.94	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of December 31, 2015	Millions of yen 101,795	Millions of yen 52,642	51.3 %
March 31, 2015	104,877	50,958	48.2

(Reference) Shareholders' equity As of December 31, 2015 52,242 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	-	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
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending March 31, 2016	115,000	3.2	9,000	(14.1)	8,900	(15.7)	5,100	(11.7)	155.63

(Note) Revisions in forecast in the current quarter : Yes

For details, please refer to "Notice of Revision of Financial Results Forecast" made public on February 1, 2016.

*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 December 31, 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 December 31, 2015	3,432,607 shares
As of March 31, 2015	3,519,057 shares

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

Nine months ended December 31, 2015	32,803,707 shares
Nine months ended December 31, 2014	32,620,397 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 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 three quarters of the current fiscal year (April 1 through December 31, 2015), improvements were seen in corporate earnings and the environment of employment and personal income, and there was a tone of modest recovery. However, with the exception of inbound demand, personal consumption and production activities still lacked vigor. Furthermore, concerns about such as slowing economic growth in China and other emerging countries, global destabilization of financial markets and the actualization of geopolitical risks have increased downside risk for the future of the economies to a high level both in Japan and abroad.

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

Precious metal business

Volume of collection in the precious metals 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 as dental materials 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, the number of scrapped vehicles in Japan continued to decline, leading to a lower volume of collection of palladium and platinum compared to the same period a year earlier.

The average sale prices of gold and palladium were higher than that of the same period a year before, and the average sale prices of silver and platinum were 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 global mining activities, both processing volume and unit price continued to decline for commissioned refining business. Under these circumstances, we are working to strengthen Asahi Refining's business infrastructure by working on technical themes with an aim to enhance productivity and efficiency, as well as expanding sales capabilities.

Environmental preservation business

Reflecting the state of production activity in domestic businesses, the volume of collection of industrial waste continued to decline. Under these circumstances, through work on initiatives such as new contract development and collaboration among Group companies to expand sales channels, performance for the segment as a whole was solid.

Life & health business

In the healthcare equipment sector, amidst lacking recovery of personal consumption, the Group is focusing on measures to expand sales including the introduction of new products for women and a full model change of the massage chair lineup, on top of working on cost reduction.

In construction-related markets, the business environment remains difficult. Therefore, in addition to cost reduction, the Group is working on promotion of replacement purchases by existing customers, launching new products such as far-infrared personal heaters, and so on.

As a result of the above, sales during the third cumulative quarter of the current fiscal year were 90,830 million yen, a year-on-year increase of 10,606 million yen (+13.2 percent). Operating income was 7,105 million yen, a decrease of 308 million yen (-4.2 percent) year-on-year. Ordinary income was 7,009 million yen, a year-on-year decrease of 488 million yen (-6.5 percent). Profit attributable to owners of parent for the period was therefore 4,115 million yen, a decrease of 449 million yen (-9.9 percent) year-on-year. By segment, sales in the precious metal business were 61,476 million yen, a year-on-year increase of 5,297 million yen (+9.4 percent). In the environmental preservation business, sales were 11,451 million yen, and increase of 157 million yen (+1.4 percent) year-on-year. Sales in the life & health business were 17,902 million yen, up 5,151 million yen (+40.4 percent) year-on-year.

(2) Consolidated Financial Position

As of December 31, 2015, total assets amounted to 101,795 million yen, down 3,082 million yen from the previous fiscal year end. This was due mainly to the decrease of 1,235 million yen in property, plant and equipment and the decrease of 1,173 million yen in goodwill.

Total liabilities amounted to 49,153 million yen, down 4,766 million yen from the previous fiscal year end. This was due mainly to the decrease of 1,250 million yen in income taxes payable.

Net assets totaled 52,642 million yen, up 1,684 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 4,115 million yen in profit attributable to owners of parent.

As a result, the shareholders' equity ratio changed to 51.3%, from 48.2% at the end of the previous fiscal year.

(3) Consolidated Performance Forecasts

In the precious metal business segment, the forecasted volume of collection in the precious metal recycling business is generally in line with initial plans, but a downward trend in market price of precious metals became clear last autumn, and they are expected to remain well below what was estimated at the beginning of the term. In the gold and silver refining business in North America, amidst stagnant precious metals prices and a slowdown in global mining activities, both processing volume and unit price fell below initial estimates.

Plans were revised based on consolidated results for the first three quarters and the business environment including trends in precious metal prices, and the consolidated earnings forecast for the whole term has been adjusted accordingly.

Revision of consolidated results forecast for the fiscal year ending March 2016

(April 1, 2015 to March 31, 2016)

(Millions of YEN, %)

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income per Share
Previous Forecast (A) (Announced on May 11, 2015)	129,000	11,000	10,800	6,500	198.56
Revised Forecast (B)	115,000	9,000	8,900	5,100	155.63
Change (B - A)	(14,000)	(2,000)	(1,900)	(1,400)	-
Change (%)	(10.9)	(18.2)	(17.6)	(21.5)	-
(Ref.) the fiscal year ended March 31, 2015	111,417	10,480	10,561	5,774	176.89

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 third quarter under review. Also those changes had no impact on capital surplus for the end of the third 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 149 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 December 31, 2015	As of December 31, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<u>ASSETS</u>			
Current assets			
Cash and deposits	11,046	14,830	122,962
Notes and accounts receivable - trade	15,146	12,944	107,326
Merchandise and finished goods	4,855	4,194	34,779
Work in process	9,141	8,470	70,234
Raw materials and supplies	1,633	1,332	11,044
Other	6,773	6,257	51,882
Allowance for doubtful accounts	(40)	(26)	(223)
Total current assets	<u>48,556</u>	<u>48,003</u>	<u>398,005</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	12,298	11,534	95,636
Land	14,568	14,369	119,143
Other, net	5,467	5,194	43,068
Total property, plant and equipment	<u>32,334</u>	<u>31,099</u>	<u>257,848</u>
Intangible assets			
Goodwill	21,737	20,564	170,504
Other	906	976	8,100
Total intangible assets	<u>22,643</u>	<u>21,541</u>	<u>178,604</u>
Investments and other assets	<u>1,343</u>	<u>1,151</u>	<u>9,546</u>
Total non-current assets	<u>56,321</u>	<u>53,791</u>	<u>445,998</u>
Total assets	<u><u>104,877</u></u>	<u><u>101,795</u></u>	<u><u>844,002</u></u>

U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2015 of Yen120.61=US\$1, and are included solely for the convenience of readers.

	As of March 31, 2015	As of December 31, 2015	As of December 31, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<u>LIABILITIES</u>			
Current liabilities			
Notes and accounts payable - trade	6,161	6,678	55,373
Short-term loans payable	26,171	5,649	46,839
Current portion of long-term loans payable	270	5,270	43,695
Income taxes payable	2,111	861	7,141
Provision for bonuses	747	390	3,241
Provision for directors' bonuses	36	-	-
Provision for repairs	106	60	497
Provision for product warranties	85	86	718
Provision for sales rebates	371	461	3,824
Provision for sales returns	13	22	183
Other	9,526	5,632	46,699
Total current liabilities	45,603	25,112	208,211
Non-current liabilities			
Long-term loans payable	6,550	21,584	178,962
Net defined benefit liability	126	138	1,152
Other	1,639	2,317	19,213
Total non-current liabilities	8,316	24,040	199,326
Total liabilities	53,919	49,153	407,537
<u>NET ASSETS</u>			
Shareholders' equity			
Capital stock	4,480	4,480	37,151
Capital surplus	6,038	6,112	50,683
Retained earnings	44,459	46,607	386,434
Treasury stock	(5,159)	(5,033)	(41,730)
Total shareholders' equity	49,819	52,168	432,538
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	33	46	386
Deferred gains or losses on hedges	313	318	2,642
Foreign currency translation adjustment	338	(291)	(2,414)
Total accumulated other comprehensive income	685	73	613
Subscription rights to shares	77	-	-
Non-controlling interests	375	399	3,314
Total net assets	50,958	52,642	436,465
<u>TOTAL LIABILITIES AND NET ASSETS</u>	104,877	101,795	844,002

U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2015 of Yen120.61=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, 2015

	The nine months ended December 31, 2014	The nine months ended December 31, 2015	The nine months ended December 31, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	80,224	90,830	753,095
Cost of sales	63,985	71,078	589,329
Gross profit	16,238	19,751	163,766
Selling, general and administrative expenses	8,825	12,646	104,856
Operating income	7,413	7,105	58,910
Non-operating income	139	75	623
Non-operating expenses	55	171	1,421
Ordinary income	7,497	7,009	58,113
Extraordinary income	18	107	891
Extraordinary loss	91	316	2,624
Income before income taxes	7,424	6,799	56,379
Income taxes-current	2,425	2,384	19,772
Income taxes-deferred	398	239	1,982
Total income taxes	2,823	2,623	21,754
Profit	4,601	4,176	34,625
Profit attributable to non-controlling	36	61	506
Profit attributable to owners of parent	4,564	4,115	34,119

Consolidated Statements of Comprehensive Income for the nine months ended December 31, 2015

	The nine months ended December 31, 2014	The nine months ended December 31, 2015	The nine months ended December 31, 2015
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	4,601	4,176	34,625
Other comprehensive income			
Valuation difference on available-for-sale securities	6	13	115
Deferred gains or losses on hedges	(182)	5	43
Foreign currency translation adjustment	129	(637)	(5,287)
Share of other comprehensive income of associates accounted for using equity method	(23)	-	-
Total other comprehensive income	(69)	(618)	(5,129)
Comprehensive income	4,531	3,557	29,496
Comprehensive income attributable to owners of parent	4,493	3,503	29,050
Comprehensive income attributable to non-controlling interests	38	53	446

U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2015 of Yen120.61=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]

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 business	Environmental preservation business	Life & 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. Impairment losses on non-current 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 segment.

For the nine months ended December 31, 2015(From April 1, 2015 to December 31, 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	61,476	11,451	17,902	90,830
2) Intersegment	-	-	-	-
Total	61,476	11,451	17,902	90,830
Segment income	5,095	1,636	373	7,105

(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)

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

Consequently, impairment losses were recorded in the amount of 71 million yen in the Environmental preservation business segment.