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**Asahi Holdings, Inc.**  
(Stock code: 5857)

## **Notice of the 7th Annual General Meeting of Shareholders**

Date and time:

10:30 a.m. on Tuesday, June 14, 2016

Venue:

**KOBE PORTOPIA HOTEL**

10-1, Minatojima Nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

“Kairaku-no-ma,” basement floor, Main Building

(Please refer to the place of the meeting shown at the end of this notice.)

Proposals:

Proposal: Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)

Deadline for the exercise of voting rights:

Documents must arrive before noon on Monday, June 13, 2016.

## Contents

■ Notice of the 7th Annual General Meeting of Shareholders .....	2
Attached documents	
■ Business Report .....	5
■ Consolidated Financial Statements .....	24
■ Financial Statements .....	37
■ Audit Reports .....	45
■ Reference Documents for General Meeting of Shareholders.....	51

Dear Shareholders:

(Stock code: 5857)

May 27, 2016

4-4-17 Kano-cho, Chuo-ku, Kobe, Japan  
**Asahi Holdings, Inc.**  
Mitsuharu Terayama, President & CEO

### Notice of the 7th Annual General Meeting of Shareholders

This is to inform you that the 7th Annual General Meeting of Shareholders will be held at the following time and place and to cordially request your presence.

**If you are unable to be present, you are entitled to exercise your voting rights through either of the following methods. You are kindly requested to read the attached reference documents and exercise your voting rights by noon on Monday, June 13, 2016.**

Exercise of voting rights by mail:

Please return the enclosed “Voting Right Exercise Form” by the aforementioned deadline, after indicating your approval or disapproval of each agenda item

Exercise of voting rights via the Internet, etc.:

Please review the “Procedure for Exercising Voting Rights via the Internet, etc.,” on pages 3–4 and exercise your voting rights by the aforementioned deadline.

#### Details of the meeting

- 1. Date and time:** 10:30 a.m. on Tuesday, June 14, 2016
- 2. Venue:** KOBE PORTOPIA HOTEL  
10-1, Minatojima Nakamachi 6-chome, Chuo-ku, Kobe, Hyogo  
“Kairaku-no-ma,” basement floor, Main Building  
(Please refer to the place of the meeting shown at the end of this notice.)

### 3. Meeting Agenda

- Items to be reported:**
- 1) Business Report, the consolidated financial statements and the results of audits of the consolidated financial statements by the Accounting Auditor and the Audit and Supervisory Committee for the 7th fiscal term (April 1, 2015 through March 31, 2016)
  - 2) Report on non-consolidated financial statements for the 7th fiscal term (April 1, 2015 through March 31, 2016)

**Items to be resolved:**

- Proposal: Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)

.....  
If you attend the meeting, please submit the “Voting Right Exercise Form” at the reception desk upon arrival.

Please note that any modifications to the business report, the financial statements and/or the reference documents will be posted on our Web site (<http://www.asahiholdings.com/>).

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## **Procedure for Exercising Voting Rights via the Internet, etc.**

If you intend to exercise your voting rights via the Internet, etc., please pay attention to the following notes.

If you are attending the meeting, no procedures to exercise voting rights by mail or via the Internet, etc., are necessary.

### **1. Voting Rights Exercise Web Site**

- (1) The exercise of voting rights via the Internet is possible only by accessing the Voting Rights Exercise Web Site (<http://www.evotep.jp/>) designated by the Company either from a computer, a smartphone or a mobile phone (i-mode, EZweb or Yahoo!Keitai).\* (However, this Web site is not available from 2 a.m. to 5 a.m. daily.)

\*i-mode, EZweb and Yahoo! are trademarks or registered trademarks of NTT DOCOMO INC., KDDI CORPORATION and Yahoo! Inc. of U.S., respectively.

- (2) The exercise of voting rights using computers or smartphones may be disabled by operating environments, including the use of a firewall when accessing the Internet, the use of antivirus software, the use of a proxy server and/or if you have not designated the use of encrypted transmission (TSL transmission).
- (3) For your exercise of voting rights using mobile phones, make sure to use i-mode, EZweb or Yahoo! service. To preserve security, you cannot vote through a model of phone that does not allow TSL transmission or transmission of the phone ID information.
- (4) Although we will accept the exercise of voting rights via the Internet until noon on Monday, June 13, 2016, we recommend voting as early as possible. If you have any questions, please contact our Help Desk.

### **2. Exercising Your Voting Rights via the Internet**

- (1) At the Voting Rights Exercise Web site (<http://www.evotep.jp/>), use the log-in ID and temporary password given on the enclosed Voting Right Exercise Form and follow the on-screen instructions to indicate your approval or disapproval of each proposal.
- (2) To protect against illegal access by persons other than qualified shareholders (“spoofing”) and the manipulation of voting details, please be aware that shareholders using the site will be asked to change their temporary password.
- (3) Whenever a meeting of shareholders is convened, new log-in IDs and temporary passwords will be issued.

### **3. Treatment of Voting Rights Exercised Multiple Times**

- (1) If you have exercised your voting rights both by mail and via the Internet, those exercised via the Internet will be considered as valid.
- (2) If you have exercised your voting rights multiple times on the Internet, the final vote will be considered as valid. If you have exercised your voting rights via multiple equipment such as computers, smartphones and/or mobile phones, the final vote cast will be considered as valid.

### **4. Costs Incurred in Accessing the Voting Rights Exercise Web Site**

The costs incurred when accessing the Voting Rights Exercise Web Site such as Internet access fees will be the responsibility of the shareholder. Similarly, fees required to use mobile phones, such as packet transmission fees, will also be the responsibility of the shareholder.

5. Electronic Voting Platform for Institutional Investors

Nominee shareholders including banks specializing in asset and trust management/custody may use with prior application the “Electronic Voting Platform” operated by ICJ Inc. established by Tokyo Stock Exchange, Inc., and other entities, as a means to exercise their voting rights electronically and participate in the General Meeting of Shareholders of the Company.

**For inquiries about the system or other matters, contact:**

Corporate Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation  
Phone: 0120-173-027 (Toll Free within Japan) (available from 9 a.m. to 9 p.m.)

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## 1. Current Status of the Group

### (1) Status of business for the fiscal year

#### 1) Circumstances and results of business

In the Japanese economy during the consolidated fiscal year ended March 31, 2016, improvements moved forward for the employment and income environment, including corporate earnings, due to such factors as the government's economic policies and the Bank of Japan's monetary easing policy, and the first half of the year had a trend toward gradual recovery. Afterward, the pace of the recovery slowed down, and a leveling-off situation continued. In addition, there was a heightening of aspects such as the deceleration of the economies of emerging nations including China, the impact of factors such as the reduction of the United States' monetary easing and crude oil price trends on exchange rates, and concerns regarding the actualization of geopolitical risks on a global level. In the context of these aspects, there was a deepened sense of uncertainty concerning economic conditions. With regard to personal consumption, with the exception of inbound demand, the situation was lacking vigor throughout the period.

Under these economic conditions, the Asahi Holdings Group (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, the contraction of the domestic market continues, but by expanding market share in the E-scrap business and the precision cleaning businesses, the Group increased the volume of collection of gold from corresponding figures for the previous fiscal year. In the dental sector, with the amount of precious metals used for dental materials declining, the volume of collection of gold and palladium decreased from the previous fiscal year. In the jewelry sector, increasing transactions with customers in jewelry purchasing business led to a higher year-on-year volume of collection of gold and platinum. In the automotive catalyst sector, due to a continuing trend toward a decreasing number of domestic scrapped vehicles, the year-on-year volume of collection of palladium and platinum decreased.

The average sales price of gold was higher than the corresponding figures for the previous fiscal year, and the prices of silver, palladium, and platinum were lower than the corresponding figures for the previous fiscal 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. Under such circumstances, while endeavoring toward company-wide cost reductions, Asahi Refining continues to strengthen its business infrastructure through technical investments to enhance productivity and efficiency, as well as initiatives to expand sales capabilities.

### Environmental preservation business

Reflecting the state of production activity of domestic businesses, a decreasing trend continues for the volume of industrial waste emissions. Under these circumstances, as the result of putting efforts into new contract development by leveraging each group company's characteristics and expanding sales channels by collaboration among group companies while working toward stable plant operations, the performance was solid for the segment as a whole.

### 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 cost reduction, and performance was robust in terms of profits. The harsh business environment continues for the heater sales sector, but in addition to reducing fixed costs, the Group is working on promotion of replacement purchases by existing customers, launching new products such as far-infrared heaters, and so on.

As a result of the above, as consolidated results of operations for the fiscal year, we recorded consolidated net sales of 118,473 million yen, operating income of 8,705 million yen, ordinary income of 8,510 million yen, and profit attributable to owners of parent of 5,031 million yen.

Compared with the previous fiscal year, net sales increased by 7,056 million yen, operating income decreased by 1,774 million yen, ordinary income decreased by 2,051 million yen, and profit attributable to owners of parent decreased by 743 million yen.

By segment, sales in the precious metal business were 77,516 million yen, sales in the environmental preservation business were 15,735 million yen, and sales in the life & health business were 25,221 million yen.

Note: From the fiscal year ended March 31, 2016, the "Precious metal recycling business" segment has been renamed the "Precious metal business" segment.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

Net sales were composed of the following:

<Breakdown of net sales>

Category	Net sales (Millions of yen)	Ratio (%)	YOY change (%)
Gold metals	38,931	32.9	100.2
Silver metals	4,318	3.6	87.4
Palladium	14,401	12.2	82.2
Platinum	7,615	6.4	87.5
Indium	11	0.0	8.9
Disposal revenues	18,004	15.2	101.7
Other	35,190	29.7	149.4
Total	118,473	100.0	106.3

**2) Capital expenditure**

Capital expenditure made in the fiscal year totaled 1,664 million yen. The main expenditure was an investment in the machinery, equipment and in-house information system.

**3) Financing**

The Company formed a syndicated loan of 20,304 million yen to finance the repayment of loans payable to financial institutions for the fiscal year under review.

**4) Assignment, absorption-type split and incorporation-type split of business**

Not applicable for the fiscal year

**5) Acquisition of the business of other companies**

Not applicable for the fiscal year

**6) Succession of rights and obligations pertaining to the business of other corporations, etc., through an absorption-type merger or an absorption-type split**

Not applicable for the fiscal year

**7) Acquisition or disposal of shares or other equity or share options of other companies**

Not applicable for the fiscal year

**(2) Property and profit/loss**

Category		4 <sup>th</sup> term April 1, 2012 through March 31, 2013	5 <sup>th</sup> term April 1, 2013 through March 31, 2014	6 <sup>th</sup> term April 1, 2014 through March 31, 2015	7 <sup>th</sup> term April 1, 2015 through March 31, 2016 (Current fiscal year)
Net sales	(Millions of yen)	96,368	94,254	111,417	118,473
Ordinary income	(Millions of yen)	7,794	9,989	10,561	8,510
Profit attributable to owners of parent	(Millions of yen)	4,518	5,971	5,774	5,031
Net income per share	(Yen)	139.24	183.50	176.89	153.54
Total assets	(Millions of yen)	62,260	66,112	104,877	103,589
Net assets	(Millions of yen)	42,012	46,491	50,958	51,300
Net assets per share	(Yen)	1,288.56	1,422.51	1,542.82	1,560.21

Note: 1. The figures for the 5<sup>th</sup> term reflect the retrospective application of the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015).

2. Due to application of the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), etc., the account name of “Net income” has been changed to “Profit attributable to owners of parent” from the fiscal year under review.

**(3) Significant parent company and subsidiaries****1) Relationship with parent company**

Not applicable

**2) Significant subsidiaries**

Company name	Capital	Our voting right ratio	Major business
Asahi Pretec Corp.	4,480 million yen	100.0%	Precious metal business and environmental preservation business
Japan Waste Corporation	400 million yen	100.0%	Environmental preservation business
Asahi Americas Holdings, Inc.	10 million yen	100.0%	Precious metal business

**3) Specified wholly owned subsidiary**

a. Name and address of the specified wholly owned subsidiary

Name: Asahi Pretec Corp.

Address: 21 Uozakihamamachi, Higashinada-ku, Kobe

b. Total book value of shares of the specified wholly owned subsidiary held by the Company and wholly owned subsidiaries at the end of the fiscal year under review:

24,621 million yen

c. Total amount recorded in the assets section of the balance sheet of the Company for the fiscal year under review: 74,009 million yen

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

#### **(4) Challenges to be addressed**

##### **1) Precious metal business segment**

As it is the Group's core business, the competitiveness of each Japanese domestic business shall be enhanced. Along with working to expand the business base in North America, we shall work on expansion of new fields in Asian markets. Along with raising awareness of the "Asahi Refining" brand, we shall expand processing volumes of recycling raw materials in the global market.

##### **2) Environmental preservation business segment**

As it is a stable growth business of the Group, profitability shall be emphasized, and active capital expenditure shall be performed. M&A of companies that can contribute to growth will continue

##### **3) Life & health business segment**

Through new business development, the opening of new sales channels, and the building of a unique business model, it shall be set on the path of business growth as the Group's third business pillar.

#### **(5) Principal businesses (as of March 31, 2016)**

The Group is mainly engaged in the precious metal business, the environmental preservation business and the life & health business.

##### **1) Precious metal business**

- Collection/reproduction and processing of precious metals and other metals (gold, silver, palladium, platinum, indium, etc.) and refining of precious metals
- Purchase and sales of precious metals and other metals
- Sales of precious metal products

##### **2) Environmental preservation business**

##### **3) Life & health business**

#### **(6) Major sales offices and plants (as of March 31, 2016)**

##### **1) The Company**

Main office 4-4-17 Kano-cho, Chuo-ku, Kobe  
Head offices Kobe Head Office: 4-4-17 Kano-cho, Chuo-ku, Kobe  
Tokyo Head Office: 1-7-12 Marunouchi, Chiyoda-ku, Tokyo

##### **2) Major subsidiaries' business offices**

(a) Asahi Pretec Corp.

Main office 21, Uozakihamamachi, Higashinada-ku, Kobe  
Head offices Kobe Head Office: 4-4-17 Kano-cho, Chuo-ku, Kobe  
Tokyo Head Office: 1-7-12 Marunouchi, Chiyoda-ku, Tokyo  
Research laboratory The Technical Research Center (Kobe-shi)  
Business offices Kitakanto (Kitakatsushika-gun, Saitama Pref.), Nagano (Tomi-shi, Nagano Pref.), Hanshin (Amagasaki-shi, Hyogo Pref.), Kobe (Kobe-shi), Shikoku (Saijo-shi, Ehime Pref.), Kitakyushu (Kitakyushu-shi), Fukuoka (Koga-shi, Fukuoka Pref.)

Sales offices	Sapporo (Kitahiroshima-shi, Hokkaido), Aomori (Aomori-shi), Sendai (Miyagi-gun, Miyagi Pref.), Niigata (Sanjo-shi, Niigata Pref.), Kitakanto (Kitakatsushika-gun, Saitama Pref.), Kanto (Kawaguchi-shi, Saitama Pref.), Yokohama (Yokohama-shi), Kofu (Chuo-shi, Yamanashi Pref.), Shizuoka (Yaizu-shi, Shizuoka Pref.), Nagoya (Komaki-shi, Aichi Pref.), Hokuriku (Toyama-shi), Hanshin (Amagasaki-shi, Hyogo Pref.), Kobe (Kobe-shi), Okayama (Okayama-shi), Hiroshima (Hiroshima-shi), Shikoku (Saijo-shi, Ehime Pref.), Fukuoka (Koga-shi, Fukuoka Pref.), Kagoshima (Kagoshima-shi), Okinawa (Itoman -shi, Okinawa Pref.)
Plants	Saitama (Kitakatsushika-gun, Saitama Pref.), Amagasaki (Amagasaki-shi, Hyogo Pref.), Kobe (Kobe-shi), Ehime (Saijo-shi, Ehime Pref.), Kitakyushu (Kitakyushu-shi), Kitakyushu Hibiki (Kitakyushu-shi), Fukuoka (Koga-shi, Fukuoka Pref.)

(b) Japan Waste Corporation

Main office	1-7-12 Marunouchi, Chiyoda-ku, Tokyo
Head office	1-7-12 Marunouchi, Chiyoda-ku, Tokyo
Business office	Yokohama (Yokohama-shi)
Plants	Ogimachi Center (Kawasaki-shi), Aikawa Center (Aiko-gun, Kanagawa Pref.)

Note: Japan Waste Corporation moved its main office to Chiyoda-ku, Tokyo, as of March 1, 2016.

(c) Asahi Americas Holdings, Inc.

Main office	1-7-12 Marunouchi, Chiyoda-ku, Tokyo
Head office	1-7-12 Marunouchi, Chiyoda-ku, Tokyo

**3) Other subsidiaries**

Japan	Nihon Chemitech Co., Ltd. (Kawaguchi-shi, Saitama Pref.), JW Logistics, Co., Ltd. (Yokohama-shi), Taiyo Chemical Co., Ltd. (Kagoshima-shi), Iyotec Co., Ltd. (Akashi-shi, Hyogo Pref.), Fuji Rozai Co., Ltd. (Ota-ku, Tokyo), JW Glass Recycling Co., Ltd. (Koto-ku, Tokyo), Ecomax Incorporated (Koza-gun, Kanagawa Pref.), Kyodo Chemical Co., Ltd. (Kitahiroshima-shi, Hokkaido), INTER CENTRAL, INC. (Takizawa-shi, Iwate Pref.), KOEIKOGYO CO., LTD. (Yokohama-shi), FUJI MEDICAL INSTRUMENTS MFG CO., LTD. (Osaka-shi), and other
Overseas	Asahi G&S Sdn. Bhd. (Malaysia), Shanghai Asahi Pretec Co., Ltd. (China), Asahi Pretec Korea Co., Ltd. (Seoul Special City), Asahi Pretec Taiwan Co., Ltd. (Taiwan), Asahi Shih Her Technologies Co., Ltd. (Taiwan), Asahi Refining Holdings UK Limited (United Kingdom), Asahi Refining USA Inc. (USA) and Asahi Refining Canada Ltd. (Canada)

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

**(7) Employees (as of March 31, 2016)****1) Employees of the Group**

Number of employees	Change from the end of previous fiscal year
2,005 (852)	-75 (down 118)

Note: The number of employees refers to the number of workers (excluding the staff seconded from the Group to companies outside the Group but including staff seconded from companies outside the Group to the Group) and for the number of part-timers and fixed-term employees, annual average number of persons are shown separately in brackets.

**2) Employees of the Company**

Number of employees	Change from the end of previous fiscal year	Average age	Average length of service
54 (1)	+13 (1)	42 years and nine months	Two years and 11 months

(Note) The number of employees refers to the number of workers (excluding the staff seconded from the Company to companies outside the Company but including staff seconded from companies outside the Company to the Company) and for the number of part-timers and fixed-term employees, annual average number of persons are shown separately in brackets.

**(8) Major financial institutions with loans to the Company (as of March 31, 2016)**

Financial institutions	Loan amount
Syndicated loan	20,304 million yen
Sumitomo Mitsui Banking Corporation	5,239 million yen
Resona Bank, Limited	2,000 million yen
The Minato Bank, Ltd.	600 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	259 million yen
Mizuho Bank, Ltd.	100 million yen
The Chugoku Bank, Ltd.	100 million yen

Note: The syndicated loan is extended by two banks with The Bank of Tokyo-Mitsubishi UFJ, Ltd. as the lead bank.

**(9) Other important matters relating to the current state of the Group**

Not applicable

## 2. Current state of the Company

### (1) Shares (as of March 31, 2016)

- 1) **Number of shares authorized:** 129,000,000 shares
- 2) **Number of shares issued:** 36,254,344 shares
- 3) **Number of shareholders:** 11,129
- 4) **Major shareholders (top 10 shareholders)**

Shareholders	Number of shares held (Thousands of shares)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	2,007	6.12
TERA ENTERPRISES Co., Ltd.	1,350	4.11
The Master Trust Bank of Japan, Ltd. (Trust account)	923	2.81
Mitsuharu Terayama	882	2.69
Masamichi Terayama	802	2.44
K&M Co., Ltd.	700	2.13
Asahi Employee Stock Ownership Plan	698	2.13
Japan Trustee Services Bank, Ltd. (Trust account 9)	531	1.62
CBNY-GOVERNMENT OF NORWAY	529	1.61
STATE STREET BANK AND TRUST COMPANY 505025	519	1.58

(Notes) 1. The Company holds treasury stock of 3,432,607 shares, which is excluded from the above major shareholders. The treasury stock (3,432,607 shares) does not include the Company's shares held by the Employee Stock Ownership Plan (ESOP) trust account (145,200 shares) and the Company's shares held by the Board Incentive Plan (BIP) trust account (76,800 shares).

2. Percentage of shares held is calculated by excluding treasury stock.

### (2) Stock options, etc.

Not applicable.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

**(3) Board members and corporate officers****1) Directors (as of March 31, 2016)**

Position	Name	Responsibility and important concurrent assignment
Representative Director, President and CEO	Mitsuharu Terayama	Chairman and Director Asahi Pretec Corp.
Director	Yoshikatsu Takeuchi	Representative Director and President, Japan Waste Corporation
Director	Tomoya Higashiura	Representative Director and President, Asahi Pretec Corp.
Director	Keitaro Shigemasa	General Manager of Information Technology Department Representative Director and President, Asahi Americas Holdings, Inc.
Director	Kazuo Kawabata	Director, Asahi Pretec Corp. Director, Asahi Americas Holdings, Inc.
Director/Audit and Supervisory Committee Member	Shoji Morii	
Director/Full-Time Audit and Supervisory Committee Member	Yukio Tanabe	
Director/Audit and Supervisory Committee Member	Kazuhiko Tokumine	Lawyer
Director/Audit and Supervisory Committee Member	Hiroharu Okubo	Advisor, Senshu Ikeda Bank, Ltd. President & Representative Director, Shizen Soken Co., Ltd. Outside Corporate Auditor, Mitsuboshi Belting Ltd.

- (Notes)
1. According to a resolution at the meeting of the 6th Annual General Meeting of Shareholders held on June 16, 2015, the Company made a transition to a Board with Audit and Supervisory Committee as of the same date.
  2. Directors/Audit and Supervisory Committee Members Shoji Morii, Kazuhiko Tokumine and Hiroharu Okubo are Outside Directors.
  3. Director/Full-Time Audit and Supervisory Committee Member Yukio Tanabe has longtime experience of accounting of the Company and possesses extensive expertise in finance and accounting.
  4. The Company has a full-time Audit and Supervisory Committee Member to enhance the effectiveness of audits including information gathering and strengthen its auditing and supervisory functions.
  5. The Company designated Directors/Audit and Supervisory Committee Members Shoji Morii, Kazuhiko Tokumine and Hiroharu Okubo as independent board members under the provisions of the Tokyo Stock Exchange, and filed such status with the exchange.

## 2) Directors and Corporate Auditors who resigned during the fiscal year

- (a) At the conclusion of the 6th Annual General Meeting of Shareholders held on June 16, 2015, Director Masaki Hirano and Corporate Auditor Junzo Kojima retired due to expiration of their terms of office.
- (b) According to a resolution at the 6th Annual General Meeting of Shareholders held on June 16, 2015, the Company made a transition to the Board with Audit and Supervisory Committee as of the same date from a company with a Board of Corporate Auditors. Due to the transition, the terms of Director Shoji Morii, Full-Time Corporate Auditor Yukio Tanabe and Corporate Auditor Kazuhiro Tokumine expired and they each assumed the office of Director serving as an Audit and Supervisory Committee Member.

## 3) Description of the limited liability contract

The Company and each Director (excluding any Director with executive authority over operations, etc.) signed a contract that limits the liability for compensation for damage set forth in Article 423, Paragraph 1 of the Companies Act under provisions set forth Article 427, Paragraph 1 of the same Act.

The limit amount of the liability for compensation for damage under such a contract is determined to be the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

## 4) Compensation, etc., for Directors and Corporate Auditors

Total compensation, etc., for the fiscal year

Category	Number of persons subject to payment	Payment amount
Directors not serving as an Audit and Supervisory Committee Member (Outside Director)	7 (1)	112 million yen (1)
Directors serving as an Audit and Supervisory Committee Member (Outside Directors)	4 (3)	23 million yen (14)
Corporate Auditors (Outside Corporate Auditors)	3 (2)	7 million yen (2)
Total (Outside board members)	11 (4)	143 million yen (18)

(Notes) 1. The above includes the Directors and Corporate Auditors who retired from office during the fiscal year under review. According to a resolution at the 6th Annual General Meeting of Shareholders held on June 16, 2015, the Company made a transition to the Board with Audit and Supervisory Committee as of the same date from a company with a Board of Corporate Auditors.

2. The amount of compensation for Directors does not include the employee salaries of Directors who serve concurrently as employees.

3. At the 6th Annual General Meeting of Shareholders held on June 16, 2015, it was resolved that the limit of compensation for Directors not serving as Audit and Supervisory Committee Members be up to an annual 200 million yen (not including the portion of salary as employees) and that the limit of compensation for Directors serving as Audit and Supervisory Committee Members be up to an annual 100 million yen.
4. At the 1st Annual General Meeting of Shareholders held on June 16, 2010, it was resolved that the limit of compensation for Directors be up to an annual 200 million yen (not including the portion of salary as employees) and that the limit of compensation for Corporate Auditors be up to an annual 30 million yen.
5. The above amounts of compensation do not include the 7 million yen provision of reserve for the performance-based stock compensation plan for Directors, which was approved at the 6th Annual General Meeting of Shareholders held on June 16, 2015, and recorded for the fiscal year under review.

#### 5) Matters related to outside board members

- (a) Important concurrent assignment at other corporations, etc., and relationship between the Company and the other corporations, etc.

Director/Audit and Supervisory Committee Member Hiroharu Okubo serves as the Advisor to Senshu Ikeda Bank, Ltd., President & Representative Director of Shizen Soken Co., Ltd., and Outside Corporate Auditor of Mitsuboshi Belting Ltd. There are no special relationships between the Company and the corporations where he has concurrent assignments.

- (b) Kinship with a person executing business or an officer not executing business of the Company or specified related business operators of the Company

Not applicable

- (c) Main activities in the fiscal year

Category	Name	Activities
Director (Audit and Supervisory Committee Member)	Shoji Morii	He attended all the meetings of the Board of Directors and the Audit and Supervisory Committee held during the fiscal year. He has expertise and experience related to management, including finance, and has been submitting advice / recommendations to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters.
Director (Audit and Supervisory Committee Member)	Kazuhiko Tokumine	He attended all the meetings of the Board of Directors and the Audit and Supervisory Committee held during the fiscal year. He has been submitting advice / recommendations to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters from the highly professional viewpoint for laws as a lawyer.

<p>Director (Audit and Supervisory Committee Member)</p>	<p>Hiroharu Okubo</p>	<p>After he assumed office on June 16, 2015, he attended all the meetings of the Board of Directors and the Audit and Supervisory Committee. He has considerable expertise and experience concerning the financial industry and has been submitting advice / recommendations to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters.</p>
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Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

**(4) Accounting Auditor****1) Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

**2) Amount of compensation, etc., for the Accounting Auditor**

	Amount of compensation, etc.
(a) Amount to be paid by the Company	37,800 thousand yen
(b) Total amount of money to be paid by the Company and the Company's subsidiaries and other benefits on property	62,000 thousand yen

- (Notes) 1. In the agreement between the Company and the Accounting Auditor, the amount of compensation, etc., for audit under the Companies Act and the amount of compensation, etc., for audit under the Financial Instruments and Exchange Act are not separated and may not be separated actually. Therefore, the total of those amounts is stated for the amount in (a) above.
2. The Audit and Supervisory Committee provided its consent to the amount of compensation, etc., for the Accounting Auditor based on its verification as necessary of its auditing plan, the status of its execution of duties of accounting audits and the appropriateness of the basis for calculating its estimates.

**3) Policy for determining the dismissal or the refusal of reappointment of the Accounting Auditor**

When it is found that the Accounting Auditor falls under the items set forth in any of items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss the Accounting Auditor in accordance with the consent of all Audit and Supervisory Committee Members. In this case, the Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee will report the fact of the dismissal of the Accounting Auditor and reasons for the dismissal at the General Meeting of Shareholders convened for the first time after the dismissal.

When it is deemed necessary to change the Accounting Auditor in consideration of the status of the execution of its duties, the Company's auditing system and other factors, the Audit and Supervisory Committee will determine the content of a proposal concerning the dismissal or the refusal of reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders.

**4) Issuance in the past two years of an order for the Accounting Auditor to suspend operations**

Description of the disciplinary action announced by the Financial Services Agency as of December 22, 2015:

- (a) Entity subject to the disciplinary action  
Ernst & Young ShinNihon LLC
- (b) Content of the action
- Partial suspension of operations for three months (suspension of any operations concerning the conclusion of new contracts from January 1, 2016 to March 31, 2016)

- Business improvement order (improvement of the business management systems)
- (c) Reasons for the action
- In auditing the financial documents for other corporations, Ernst & Young ShinNihon LLC, in negligence of due care, attested documents containing material misstatements as if they contained no material misstatements.
  - Ernst & Young ShinNihon LLC's management of operations was deemed as considerably unjust.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## **(5) Structure to ensure the appropriateness of business**

Decisions on a framework to ensure that the performance of duties by the directors is consistent with the laws and the articles of incorporation and a framework to secure the appropriateness of the businesses of our company are as follows:

### **1) Framework to ensure that the performance of duties by the directors, corporate officers and employees of our company and our subsidiaries is consistent with the laws and the articles of incorporation**

- (a) The board of directors will establish “Asahi Way” and “Code of Ethics” for the directors and employees in order for the directors, corporate officers and employees to comply with the laws, articles of incorporation and internal rules and to fulfill their duties.
- (b) We will distribute “Asahi Way” to the directors and employees so as to keep them informed of legal compliance. The internal audit division will make improvements and give guidance through the business audit.
- (c) We will establish the “internal control promotion meeting” consisting of responsible persons of various divisions as an organization that controls the entire compliance in order to promote the construction, maintenance and improvement of the internal control system.
- (d) To promote compliance, the actual situation of compliance will be audited.
- (e) In order to respond appropriately to any legal violation or other doubtful act under laws which may be discovered by a director or an employee, we will develop and operate a whistle-blowing system.
- (f) We will never have any relationship, including business relationships, with anti-social forces which threaten the social order and sound corporate activities. In the event of an illegal request, we will take a firm attitude and respond to it organizationally in accordance with the law and internal rules.

### **2) Framework for storage and management of information relating to business operations by the directors and a framework for report to our company about the matters relating to the performance of duties by the directors and employees of our subsidiaries**

- (a) We will appropriately control the manner of storing, disposing of and otherwise managing the records and documents relating to the performance of duties and decision-making of the directors and will review the relevant rules from time to time when needed.
- (b) The directors, Audit and Supervisory Committee Members and accounting auditor will always have access to these information and documents.
- (c) We will manage our subsidiaries and they will report important matters to us.

### **3) Rules and other frameworks for management for risk of loss in our company and our subsidiaries**

- (a) We will establish the risk management rules and build a risk management system in accordance with such rules.
- (b) In the event of an unexpected event, we will discuss and make decisions at the management meeting, etc., and the responsible manager will inform such decisions to each division and plant. Each division and plant will take prompt actions to prevent

- damage from expanding and will arrange a system to minimize the damage.
- 4) Framework to secure the efficient performance of duties by the directors of our company and our subsidiaries**
- (a) The board of directors will hold a meeting regularly no less than once every three months and from time to time when needed in order to determine the management policies and other important matters relating to the business strategies and to supervise the situation of business operations by the directors.
  - (b) In order to enhance the functions of the board of directors and improve management efficiency, the board of directors will hold an extraordinary meeting from time to time when needed in order to expeditiously make decisions on basic matters and important matters relating to the business operations.
  - (c) The board of directors will draft a mid-term business plan and a budget for each fiscal year to set the business target and will supervise the progress.
  - (d) Regarding the business operations according to decisions made by the board of directors, we will establish the responsibility of the directors for performance of duties and the procedures for performance so as to ensure the efficient performance of duties. Each provision will be reviewed from time to time when needed.
- 5) Framework to secure the appropriateness of business of the corporate group consisting of our company and our subsidiaries**
- (a) We will build a system to manage our subsidiaries and will develop a system to report their business results, business activities and the like to our board of directors on a regular basis.
  - (b) A manager of our company will serve as an officer of our subsidiary and will develop a system to observe the appropriateness of such subsidiary's business.
  - (c) The internal audit division of our company will conduct the internal audit regularly or when needed and will develop a system to report the result of audit to the representative director and president, the Audit and Supervisory Committee and the relevant divisions of our company.
- 6) Framework to appoint an employee who assists the duties of the Audit and Supervisory Committee of our company, and the matters relating to the independence of such employee from the directors (except those who are Audit and Supervisory Committee Members) and the matters relating to the assurance of effective instructions given by the Audit and Supervisory Committee to such employee**
- (a) We will assign an employee who assists the duties of the Audit and Supervisory Committee in the Audit and Supervisory Committee Secretariat.
  - (b) Appointment and relocation of the Audit and Supervisory Committee Secretariat staff that assists such committee in performing its duties requires prior consent of such committee.
  - (c) The Audit and Supervisory Committee shall have the right to direct and order the Audit and Supervisory Committee Secretariat staff who assists the committee in performing its duties to perform his/her duties.
- 7) Framework where the directors (except those who are Audit and Supervisory Committee Members) and employees of our company and the directors, corporate officers, employees and auditors of our subsidiaries or parties who receives a report**

**from aforementioned persons report to the Audit and Supervisory Committee of our company, and other matters relating to reporting to the Audit and Supervisory Committee**

- (a) The directors (except those who are Audit and Supervisory Committee Members) and employees of our company and the directors, corporate officers, employees and auditors of our subsidiaries or parties who receive a report from aforementioned persons will promptly report the important matters relating to, without limitation, the management, the accounting division and division in charge of compliance and awards and penalties to the Audit and Supervisory Committee of our company, in addition to the matters which conflict with the laws and articles of incorporation and the matters which may remarkably damage our company and our subsidiaries.
- (b) In order to grasp the important decision-making process and the situation of its business operations, the Audit and Supervisory Committee Members may attend important meetings in addition to the meeting of the board of directors, access important documents relating to the business operations and request a director or an employee to explain the situation when needed.

**8) Framework to ensure that no person who reported to the Audit and Supervisory Committee of our company is treated disadvantageously by reason of the report**

We will not treat any officer or employee of our company and our subsidiaries who reported to the Audit and Supervisory Committee disadvantageously by reason of such report.

**9) Matters relating to the policies for settlement of expenses or debts associated with the procedures for prepayment or reimbursement of expenses incurred for the performance of duties by the Audit and Supervisory Committee Members of our company (limited to the performance of duties of the Audit and Supervisory Committee) and the performance of other duties**

The Audit and Supervisory Committee Members may request the company to repay the expenses required for the performance of their duties (limited to the performance of duties of the Audit and Supervisory Committee).

**10) Other framework to ensure that the Audit and Supervisory Committee of our company conducts audits effectively**

The Audit and Supervisory Committee, accounting auditor and Audit and Supervisory Committee Secretariat will cooperate with each other in audit tasks and the director and employees will assist them in conducting audits efficiently.

<b>(6) Status of operation of structure to ensure the appropriateness of business</b>
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As of June 16, 2015, the Company made a transition to the Board with Audit and Supervisory Committee to promote efforts to ensure transparency and improve the efficiency of corporate management by reinforcing the supervisory function of the Board of Directors and utilizing Outside Directors. The Company's Board of Directors discusses management risks and reviews the Company's internal organizations, operations and regulations accordingly to enhance their effectiveness.

The status of operation of structure to ensure the appropriateness of business operations is as follows.

- 1) Status of efforts to enhance the appropriateness and efficiency of business execution**
  - (a) The Board of Directors consists of five (5) Directors with executive authority over operations and four (4) Directors serving as Audit and Supervisory Committee Members (including three (3) Outside Directors) and has held active discussions.
  - (b) During the fiscal year under review, the Board of Directors held ten (10) meetings where the status of business execution was supervised by deliberating proposals and receiving reports on the status of important business execution.
  - (c) The Board of Directors entrusts the authority over some important business execution to Directors to ensure efficient decision making and business execution.
  - (d) To secure the transparency in decisions on nomination and compensation for Directors and Group companies, the Nominating Committee and the Compensation Committee, each of which consists of one Representative Director and two (2) Outside Directors serving as Audit and Supervisory Committee Members, were newly established as voluntary committees, and have provided advice and suggestions to the Board of Directors.
- 2) Status of efforts regarding compliance and risk management**
  - (a) Continuous efforts to ensure compliance with laws, regulations and the Articles of Incorporation have been made by providing employees with compliance education through in-house trainings and meetings and announcing the content of laws and their revisions on the internal portal site or with other means.
  - (b) To counter an act that violates laws, regulations and the Articles of Incorporation, the whistle-blowing system has been reinforced to monitor such an act, thereby strengthening legal compliance and risk management.
  - (c) The internal control promotion meeting engages in identification and control of internal risks, and improves the internal organizations, facilities and equipment, information systems and internal regulations accordingly.
- 3) Status of execution of duties of the Audit and Supervisory Committee**
  - (a) Directors serving as Audit and Supervisory Committee Members join the discussion and resolution of proposals and receive reports on the status of business execution at the meetings of the Board of Directors and attend the Group Subsidiaries Management Meeting and other meetings to enhance the effectiveness of audits.
  - (b) To ensure the effectiveness of audits by Directors serving as Audit and Supervisory Committee Members, the full-time support staff for the Audit and Supervisory Committee Members are placed in the Audit and Supervisory Committee Secretariat, which is independent of orders from Directors with authority over operations.
- 4) Status of the internal audits system**
  - (a) To reinforce the internal audits system, the Group Audit Division was newly established to conduct audits on a Group-wide basis.
  - (b) The Group Audit Division conducts audits on overall business operations and reports to the Representative Director and Directors. The division also cooperates with the Audit and Supervisory Committee Members and the Accounting Auditor to enhance the effectiveness of audits.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

<b>(7) Policy to determine the distribution, etc., of surplus</b>
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The Articles of Incorporation stipulates that the Company may carry out the distribution, etc., of surplus pursuant to the resolutions of the Board of Directors, instead of the resolutions of the General Meeting of Shareholders. In addition, we believe that it is also important to seek to improve our corporate value through ongoing stable profitability and further growth, and to enhance retained earnings to prepare for investments in growth fields and the development of new businesses, with a basic policy to respond to expectations of shareholders through stable dividends.

Under this policy, regarding the distribution, etc., of surplus, we will further strengthen consolidated and nonconsolidated results for each fiscal year and our financial structure, with giving comprehensive consideration to the future management strategy, etc., of our group. After then, we will return earnings to shareholders.

(Note) The amount and the number of shares stated in this report are rounded down to the nearest unit. The percentage is rounded to the nearest unit.

**Consolidated Financial Statements**  
**Consolidated Balance Sheets** (as of March 31, 2016)

		(Thousands of yen)	
Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>51,570,423</b>	<b>Current liabilities</b>	<b>28,442,093</b>
Cash and deposits	16,668,868	Notes and accounts payable-trade	8,875,855
Notes and accounts receivable-trade	11,558,400	Short-term loans payable	1,845,255
Merchandise and finished goods	5,606,622	Current portion of long-term loans payable	5,270,000
Work in process	8,365,176	Accounts payable-other	1,891,414
Raw materials and supplies	1,272,557	Income taxes payable	2,012,613
Deferred tax assets	937,847	Provision for bonuses	827,470
Other	7,192,634	Provision for directors' bonuses	31,100
Allowance for doubtful accounts	(31,682)	Provision for repairs	107,293
		Provision for product warranties	82,233
		Provision for sales rebates	468,804
		Provision for sales returns	17,500
		Other	7,012,553
<b>Noncurrent assets</b>	<b>52,019,002</b>	<b>Noncurrent liabilities</b>	<b>23,846,595</b>
<b>Property, plant and equipment</b>	<b>30,791,944</b>	Long-term loans payable	21,584,600
Buildings and structures	11,401,828	Deferred tax liabilities	1,937,720
Machinery, equipment and vehicles	4,504,962	Net defined benefit liability	142,594
Land	14,190,615	Provision for management board incentive plan trust	31,699
Construction in progress	256,302	Provision for stocks payment	87,962
Other	438,235	Other	62,018
		<b>Total liabilities</b>	<b>52,288,689</b>
<b>Intangible assets</b>	<b>20,105,667</b>	<b>NET ASSETS</b>	
Goodwill	19,136,239	<b>Shareholders' equity</b>	<b>52,747,308</b>
Other	969,427	Capital stock	4,480,817
		Capital surplus	6,112,929
<b>Investments and other assets</b>	<b>1,121,391</b>	Retained earnings	47,524,629
Investment securities	155,794	Treasury stock	(5,371,066)
Deferred tax assets	322,263	<b>Accumulated other comprehensive income</b>	<b>(1,884,946)</b>
Other	664,400	Valuation difference on available-for-sale securities	29,368
Allowance for doubtful accounts	(21,066)	Deferred gains or losses on hedges	(111,682)
		Foreign currency translation adjustment	(1,802,631)
		<b>Non-controlling interests</b>	<b>438,374</b>
<b>Total assets</b>	<b>103,589,426</b>	<b>TOTAL NET ASSETS</b>	<b>51,300,737</b>
		<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>103,589,426</b>

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

(Note) Amounts less than one thousand yen are omitted.

**Consolidated Statements of Income** (April 1, 2015 to March 31, 2016) (Thousands of yen)

Account	Amount	
<b>Net sales</b>		<b>118,473,167</b>
<b>Cost of sales</b>		<b>92,719,540</b>
<b>Gross profit</b>		<b>25,753,627</b>
<b>Selling, general and administrative expenses</b>		<b>17,048,207</b>
<b>Operating income</b>		<b>8,705,419</b>
<b>Non-operating income</b>		
Interest income and dividends	39,133	
Subsidy income	4,277	
Rent income	9,876	
Other	35,718	89,006
<b>Non-operating expenses</b>		
Interest expenses	118,420	
Foreign exchange losses	82,020	
Commission for syndicate loan	51,000	
Other	32,610	284,051
<b>Ordinary income</b>		<b>8,510,375</b>
<b>Extraordinary income</b>		
Gains on sale of noncurrent assets	18,876	
Gains on sale of investment securities	1,794	
Gain on transfer of business	44,242	
Gain on reversal of subscription rights to shares	44,430	109,343
<b>Extraordinary loss</b>		
Loss on retirement and sale of noncurrent assets	29,339	
Impairment losses	483,397	512,736
<b>Income before income taxes</b>		<b>8,106,981</b>
Income taxes-current	3,153,999	
Income taxes-deferred	(179,224)	2,974,774
<b>Profit</b>		<b>5,132,206</b>
Profit attributable to non-controlling		100,287
<b>Profit attributable to owners of parent</b>		<b>5,031,919</b>

(Note) Amounts less than one thousand yen are omitted.

**Consolidated Statements of Changes in Net Assets (April 1, 2015 to March 31, 2016)**

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	4,480,817	6,038,759	44,459,425	(5,159,609)	49,819,392
Changes during the period					
Dividends from surplus			(1,966,715)		(1,966,715)
Profit attributable to owners of parent			5,031,919		5,031,919
Purchase of treasury stock				(338,722)	(338,722)
Disposal of treasury stock		74,169		127,265	201,435
Net changes of items other than shareholders' equity					
Total changes during the period	—	74,169	3,065,203	(211,457)	2,927,916
Balance at March 31, 2016	4,480,817	6,112,929	47,524,629	(5,371,066)	52,747,308

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at April 1, 2015	33,107	313,451	338,715	685,274	77,908	375,452	50,958,027
Changes during the period							
Dividends from surplus							(1,966,715)
Profit attributable to owners of parent							5,031,919
Purchase of treasury stock							(338,722)
Disposal of treasury stock							201,435
Net changes in items other than shareholders' equity during the period	(3,738)	(425,133)	(2,141,347)	(2,570,220)	(77,908)	62,921	(2,585,206)
Total changes during the period	(3,738)	(425,133)	(2,141,347)	(2,570,220)	(77,908)	62,921	342,709
Balance at March 31, 2016	29,368	(111,682)	(1,802,631)	(1,884,946)	—	438,374	51,300,737

(Note) Amounts less than one thousand yen are omitted.

Convocation Notice

Business Reports

Consolidated Financial Statements

Financial Statements

Audit Report

Reference Documents for General Meeting of Shareholders

**Notes to consolidated financial statements**  
**(Basis of preparing consolidated financial statements)**

**1. Scope of consolidation**

Number of consolidated subsidiaries	24
Major consolidated subsidiaries	Asahi Pretec Corp. Japan Waste Corporation Nihon Chemitech Co., Ltd. JW Logistics, Co., Ltd. Taiyo Chemical Co., Ltd. Iyotec Co., Ltd. Fuji Rozai Co., Ltd. JW Glass Recycling Co., Ltd. ECOMAX INCORPORATED Kyodo Chemical Co., Ltd. INTER CENTRAL, INC. KOEIKOGYO CO., LTD. FUJI MEDICAL INSTRUMENTS MFG. CO., LTD. Asahi G&S Sdn. Bhd. Shanghai Asahi Pretec Co., Ltd. Asahi Pretec Korea Co., Ltd. Asahi Pretec Taiwan Co., Ltd. Asahi Shih Her Technologies Co., Ltd. Asahi Americas Holdings, Inc. Asahi Refining Holdings UK Limited Asahi Refining USA Inc. Asahi Refining Canada Ltd. and 2 other companies
Nonconsolidated subsidiaries	None

**2. Equity method affiliate**

Equity method affiliates	None
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**3. Fiscal year of consolidated subsidiaries**

Among consolidated subsidiaries, the fiscal year end of Asahi G&S Sdn. Bhd., Shanghai Asahi Pretec Co., Ltd., Asahi Pretec Korea Co., Ltd., Asahi Pretec Taiwan Co., Ltd. and Asahi Shih Her Technologies Co., Ltd. is December 31 of each year. For the preparation of consolidated financial statements, the Company uses financial statements as of December 31 and makes adjustments as necessary for consolidation in relation to significant transactions during their year-end date and the consolidated year-end date.

#### 4. Accounting policies

##### (1) Valuation standards and methods for major assets

###### 1) Securities

###### Other securities

Other securities for which market quotations are available : Stated at fair value prevailing at the balance sheet date with unrealized gains and losses, directly included in net assets. The cost of securities sold is determined by the moving-average method.

Other securities for which market quotations are not available : Cost mainly determined by the moving-average method.

###### 2) Derivative

: Market price method

###### 3) Inventories

Merchandise and finished goods, work in process, raw materials and supplies : Stated at cost. Cost is determined mainly by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).  
(A part of merchandise and finished goods is determined by individual cost method based on the actual cost method.)

##### (2) Depreciation and amortization for major assets

###### 1) Property, plant and equipment other than leased assets

: The Company and domestic consolidated subsidiaries: straight-line method  
Foreign consolidated subsidiaries: straight-line method based on accounting standards of local country.

###### 2) Intangible assets other than leased assets

: The Company and domestic consolidated subsidiaries: straight line method  
Foreign consolidated subsidiaries: straight-line method based on accounting standards of local country.

Software for internal use is amortized under the straight-line method based on the period for which the Company can use such software (5 years or less).

###### 3) Leased assets

: Leased assets related to financial leases that do not transfer ownership rights to the lessees are amortized under the straight-line method based on the lease term as the useful life and residual value of zero. Finance leases whose starting date of lease transactions that do not transfer ownership rights to the lessees before the start

of the applied first fiscal year are continuously subject to accounting in accordance with methods used for an ordinary lease transaction.

(3) Significant allowances

- 1) Allowances for doubtful account : To prepare for losses from doubtful receivables, general allowance of the Company and domestic consolidated subsidiaries is recorded based on the actual bad debt ratio, and specific allowance is recorded based on the amount deemed to be uncollectible considering the collectibility. As for foreign consolidated subsidiaries, specific credits are based on estimated uncollectible amount.
- 2) Provision for bonuses : To allow for the payment of bonuses to employees, the standard for estimated amounts of bonuses to be paid is recorded.
- 3) Provision for director's bonuses : To allow for the payment of bonuses to directors, the standard for estimated amounts of bonuses to be paid is recorded.
- 4) Provision for repairs : To allow our payment of periodic maintenance of production equipment, the Company records the amount of estimated cost to be paid during this fiscal year.
- 5) Provision for product warranties : To allow for cost of after-sales service, the Company records the actual cost of the past to be paid.
- 6) Provision for sales rebates : To allow for sales rebates, some consolidated subsidiaries record the cost of this fiscal year's portion of the estimated sales rebate.
- 7) Provision for sales returns : To allow for sales returns, some consolidated subsidiaries record the estimated sales returns losses at the year - end of this fiscal year.
- 8) Provision for management board incentive plan trust : To allow for the granting of the Company shares to the Company's Directors in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under review is recorded.
- 9) Provision for stocks payment : To allow for the granting of the Company shares to the Group employees in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under

review is recorded.

(4) Other important items for preparing consolidated financial statements

1) Hedge accounting

Hedge accounting methods : The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchange contracts which conform to the requirements of such hedge accounting. *Tokurei-shori* (an accounting method in which the net interest swap amount is treated by adjusting the interest on hedged items) is applied to interest rate swap contracts that conform to the requirement of such hedge accounting.

Hedging instruments and targets

Hedging instruments : Derivative transactions, exchange contracts, currency swaps and interest rate swaps

Hedged targets : Precious metal products, monetary assets and liabilities denominated in foreign currencies and the payment of principal and interest of long-term loans payable

Hedge policy : To reduce the precious metal market price risk and to improve income and expenditure balance, the company hedges price fluctuation risk based on internal rules.

Methods for valuation of appropriateness for hedging : During the start of hedging to the judgment of appropriateness, accumulated rate fluctuations in hedged targets and hedging instruments are compared and then valuation is made on the basis of the amount of those fluctuations. For foreign exchange contracts and currency swaps subject to *furiate-shori* and interest rate swaps subject to *tokurei-shori*, the valuation of appropriateness is omitted.

2) Accounting method for consumption taxes : Consumption taxes are accounted for using the net method of reporting.

3) Translation of foreign currency-denominated assets or liabilities into Japanese yen : All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal closing date. Resulting gains and losses are included in net profit or loss for the

period.

All assets and liabilities as well as revenues and expenses of foreign subsidiaries and affiliated companies are translated into Japanese yen at the spot exchange rates prevailing at the fiscal closing date of such subsidiaries and affiliates, and translation adjustments are included in “Foreign currency translation adjustments of “Net assets.”

- 4) Amortization of goodwill : By judging respective case, goodwill is amortized under the straight-line method within a period of 20 years.
- 5) Accounting for net defined benefit liability
- Method of attributing expected benefit to periods : When calculating retirement benefit obligations, benefit formula is used for attributing expected retirement benefits to periods through March 31, 2016.
- Amortization of actual gain or loss, prior service cost and others : Prior service costs are expensed in a lump sum in the fiscal year in which they arise. Actuarial differences are expensed in a lump sum in the fiscal year in which they arise.
- Simplified method for small companies : Some domestic consolidated subsidiaries use the simplified method to calculate defined benefit liabilities and related costs.

(Notes to changes in accounting policies)

(1) 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), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc., effective from the fiscal year 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 fiscal year 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 consolidated financial statements for the fiscal year in which the business combination occurs. In addition, the presentation method of net income was amended and the reference to “Minority interests” was changed to “Non-controlling interests.”

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 fiscal year under review.

These changes had no impact on operating income, ordinary income and income before income taxes for the fiscal year under review.

Also, these changes had no impact on capital surplus for the fiscal year under review.

(2) Change in 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 under review, 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 that is planned in the “Seventh Medium-Term Management Plan.”

As a result, operating income and ordinary income each increased by 211,092 thousand yen compared with the figures calculated using the previous method.

(Notes to changes in presentation)

Consolidated statements of income

“Rent income” included in “Other” under “Non-operating income” until the previous fiscal year has been separately presented from the fiscal year under review due to its increased financial importance.

“Rent income” in the previous fiscal year was 8,243 thousand yen.

**(Notes to consolidated balance sheet)**

**1. Assets pledged as collateral and obligations related to collateral**

(1) Assets pledged as collateral

Buildings and structures	73,979 thousand yen
<u>Land</u>	<u>158,932 thousand yen</u>
Total	232,911 thousand yen

(2) Obligations related to collateral

<u>Short-term loans payable</u>	<u>50,000 thousand yen</u>
Total	50,000 thousand yen

**2. Accumulated depreciation of property, plant and equipment**

30,070,620 thousand yen

**3. Notes receivable endorsed**

199,803 thousand yen

(Notes to consolidated statements of changes in net assets)

**1. Class and number of issued shares and treasury shares**

	Number of shares at the beginning of this consolidated accounting period (Thousands of shares)	Number of shares increased during this consolidated accounting period (Thousands of shares)	Number of shares decreased during this consolidated accounting period (Thousands of shares)	Number of shares at the end of this consolidated accounting period (Thousands of shares)
Issued shares				
Common stock	36,254	-	-	36,254
Total	36,254	-	-	36,254
Treasury shares				
Common stock	3,519	222	86	3,654
Total	3,519	222	86	3,654

(Notes) 1. The increase of 0 thousand shares in treasury shares of common stock was due to the purchase of shares less than one unit. The increase of 222 thousand shares was due to the acquisition of the Company's shares by the stock grant trusts.

2. The decrease of 86 thousand shares in treasury shares of common stock was due to the exercise of stock options.

3. The treasury shares include 145 thousand shares held by the ESOP trust and 76 thousand shares held by the BIP trust.

**2. Dividends**

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
May 11, 2015 Board of Directors' Meeting	Common stock	982,058 thousand yen	30.00 yen	March 31, 2015	May 29, 2015
October 28, 2015 Board of Directors' Meeting	Common stock	984,656 thousand yen	30.00 yen	September 30, 2015	November 25, 2015

(2) Among dividends whose record date within this consolidated accounting period, those having an effective date within the following consolidated accounting period (scheduled)

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
May 10, 2016 Board of Directors' Meeting	Common stock	984,652 thousand yen	Retained earnings	30.00 yen	March 31, 2016	May 30, 2016

Note: Total dividends include dividends of 6,660 thousand yen to the stock grant trusts.

**(Notes to financial instruments)**

**1. Status of financial instruments**

As for fund investments, the Group limits to short-term deposits, etc., and procures funds through loans provided by financial institutions, such as banks.

The credit risk involved in notes receivable and trade accounts receivable are reduced in accordance with the credit control regulations. Investment securities mainly consist of shares, and market prices of listed shares are evaluated on a regular basis.

Loans payable are used for working funds, capital expenditure and M&A funds. Derivative transactions are made within the scope of actual demand pursuant to the internal management regulations.

**2. Market value, etc., of financial instruments**

The amount, market value, and their difference reported on the consolidated balance sheet on March 31, 2016 (consolidated fiscal closing date for the current fiscal year), are as follows:

(Thousands of yen)

	Amount on consolidated financial statements (*1)	Market value (*1)	Difference
(1) Cash and cash equivalents	16,668,868	16,668,868	—
(2) Notes receivable and accounts receivable-trade	11,558,400	11,558,400	—
(3) Investment securities			
Other securities	148,959	148,959	—
(4) Notes payable and accounts payable-trade	(8,875,855)	(8,875,855)	—
(5) Short-term loans payable	(1,845,255)	(1,845,255)	—
(6) Accounts payable-other	(1,891,414)	(1,891,414)	—
(7) Income taxes payable	(2,012,613)	(2,012,613)	—
(8) Long-term loans payable (including current portion of long-term loans payable)	(26,854,600)	(26,974,318)	119,718
(9) Derivative transactions Those subject to hedge accounting (*2)	(158,168)	(158,168)	—

(\*1) Those included in liabilities are shown in parentheses.

(\*2) Net receivables and payables resulting from derivative transactions are shown at net amount, and items which become net payables in total are shown in parentheses.

(Notes) 1. Methods for calculating market values of financial instruments, as well as securities and derivative transactions

(1) Cash and cash equivalents, as well as (2) Notes receivable and accounts receivable-trade

These items are settled in a short term and market values thereof are almost equivalent to their book values. Therefore, these are stated at their book values.

- (3) Investment securities and other securities  
Market values of these items are stated at prices of stock exchanges, and investment trusts are stated at prices presented by financial institutions we have transactions with.
- (4) Notes payable and accounts payable-trade, (5) Short-term loans payable, (6) Accounts payable-other, and (7) Income taxes payable  
These items are settled in a short term and market values thereof are almost equivalent to their book values. Therefore, these are stated at their book values.
- (8) Long-term loans payable (including current portion of long-term loans payable)  
Market values of Long-term loans payable (including current portion of long-term loans payable) are stated in accordance with a method where the total amount of the principal and interest is discounted at an interest rate assumed in case new loans of a similar nature are provided.
- (9) Derivative transactions
- 1) Those which are not subject to hedge accounting  
Not applicable
  - 2) Those which are subject to hedge accounting  
The contract amount, etc., on consolidated fiscal closing date by hedge accounting method are as follows:

(Thousands of yen)

Hedge accounting methods	Types, etc., of derivative transactions	Major hedged targets	Contract amount, etc.		Market values	Methods for calculating such market values
				More than one year		
Principle processing methods	Forward contracts Selling contracts	Precious metal products	15,409,043	–	15,567,212	Stated at the price presented by trade partners

(Note) 2. Unlisted shares (6,834 thousand yen on the consolidated balance sheet) have no market prices and their future cash flows cannot be estimated. Because of this, we consider it is very difficult to know market values and therefore, such shares are not included in “(3) Investment securities.”

**(Notes to lease real estate)**

Not stated because of its relative unimportance

**(Notes to information per share)**

Net assets per share 1,560.21 yen  
Net income per share 153.54 yen

**(Notes to significant subsequent events)**

Not applicable

## Financial statements

Balance sheet (as of March 31, 2016)

(Thousands of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>40,092,088</b>	<b>Current liabilities</b>	<b>5,442,134</b>
Cash and deposits	1,859,982	Short-term loans payable	300,000
Deferred tax assets	11,608	Current portion of long-term loans payable	5,020,000
Short-term loans to affiliated companies	37,096,856	Accounts payable-other	74,258
Income taxes receivable	1,107,563	Accrued expenses	23,040
Other	16,077	Provision for directors' bonuses	17,500
<b>Noncurrent assets</b>	<b>33,917,073</b>	Other	7,335
<b>Property, plant and equipment</b>	<b>6,321,354</b>	<b>Noncurrent liabilities</b>	<b>20,352,568</b>
Buildings	2,914,168	Long-term loans payable	20,334,600
Tools, equipment and fixtures	6,230	Provision for management board incentive plan trust	7,315
Land	3,400,955	Provision for stocks payment	10,652
<b>Intangible assets</b>	<b>55,924</b>	<b>Total liabilities</b>	<b>25,794,702</b>
Software	55,924	<b>NET ASSETS</b>	
<b>Investments and other assets</b>	<b>27,539,794</b>	<b>Shareholders' equity</b>	<b>48,214,459</b>
Shares of affiliated companies	27,519,040	<b>Capital stock</b>	<b>4,480,817</b>
Deferred tax assets	20,725	<b>Capital surplus</b>	<b>23,086,727</b>
Other	28	Capital reserve	6,054,118
<b>Total assets</b>	<b>74,009,161</b>	Other capital surplus	17,032,608
		<b>Retained earnings</b>	<b>26,017,981</b>
		Other retained earnings	26,017,981
		Retained earnings carried forward	26,017,981
		<b>Treasury stock</b>	<b>(5,371,066)</b>
		<b>TOTAL NET ASSETS</b>	<b>48,214,459</b>
		<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>74,009,161</b>

(Note) Amounts less than one thousand yen are omitted.

**Statements of income** (April 1, 2015 to March 31, 2016)

(Thousands of yen)

Account	Amount	
<b>Operating revenue</b>		<b>6,865,475</b>
<b>Operating expenses</b>		<b>1,260,543</b>
<b>Operating income</b>		<b>5,604,932</b>
<b>Non-operating income</b>		
Interest income	131,165	
Guarantee commission received	122,778	
Foreign exchange gains	84	
Other	4,484	258,513
<b>Non-operating expenses</b>		
Interest expenses	36,251	
Commission for syndicate loan	51,000	
Consultant fee	11,213	
Other	734	99,199
<b>Ordinary income</b>		<b>5,764,245</b>
<b>Extraordinary gain</b>		
Gain on reversal of subscription rights to shares	44,430	44,430
<b>Extraordinary loss</b>		
Impairment losses	106,323	106,323
<b>Net income before income taxes</b>		<b>5,702,352</b>
Income taxes-current	27,205	
Income taxes-deferred	5,027	32,232
<b>Net income</b>		<b>5,670,120</b>

(Note) Amounts less than one thousand yen are omitted.

Convocation Notice

Business Reports

 Consolidated  
Financial Statements

Financial Statements

Audit Report

 Reference Documents for  
General Meeting of Shareholders

Statements of changes in net assets (April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus		Retained earnings	Treasury stock	
		Capital reserve	Other capital surplus	Other retained earnings Retained earnings carried forward		
Balance at April 1, 2015	4,480,817	6,054,118	16,958,438	22,314,576	(5,159,609)	44,648,341
Changes during the period						
Dividends from surplus				(1,966,715)		(1,966,715)
Net income				5,670,120		5,670,120
Purchase of treasury stock					(338,722)	(338,722)
Disposal of treasury stock			74,169		127,265	201,435
Net changes of items other than shareholders' equity						
Total changes during the period	–	–	74,169	3,703,405	(211,457)	3,566,117
Balance at March 31, 2016	4,480,817	6,054,118	17,032,608	26,017,981	(5,371,066)	48,214,459

	Subscription rights to shares	Total net assets
Balance at April 1, 2015	77,908	44,726,249
Changes during the period		
Dividends from surplus		(1,966,715)
Net income		5,670,120
Purchase of treasury stock		(338,722)
Disposal of treasury stock		201,435
Net changes in items other than shareholders' equity during the period	(77,908)	(77,908)
Total changes during the period	(77,908)	3,488,209
Balance at March 31, 2016	–	48,214,459

(Note) Amounts less than one thousand yen are omitted.

**Notes to non-consolidated financial statements**  
**(Notes to significant accounting policies)**

**1. Valuation standards and valuation methods for assets**

Securities

Shares of subsidiaries : Cost mainly determined by the moving-average method.

**2. Depreciation methods for noncurrent assets**

Property, plant and equipment : Straight-line method  
 Assets with acquisition amount of 100 thousand yen or more to less than 200 thousand yen are equally depreciated for three years.

Intangible assets : Straight-line method  
 Software for internal use is amortized under the straight-line method based on the period for which our company can use such software (5 years or less).

**3. Accounting standards for provisions**

Provision for director's bonuses : To allow for the payment of bonuses to directors, the standard for estimated amounts of bonuses to be paid is recorded.

Provision for management board incentive plan trust : To allow for the granting of the Company shares to the Company's Directors in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under review is recorded.

Provision for stocks payment : To allow for the granting of the Company shares to the Group employees in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under review is recorded.

**4. Other important items for preparing financial statements**

1) Hedge accounting

Hedge accounting methods : The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchange

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

contracts which conform to the requirements of such hedge accounting. *Tokurei-shori* (an accounting method in which the net interest swap amount is treated by adjusting the interest on hedged items) is applied to interest rate swap contracts that conform to the requirement of such hedge accounting.

Hedging instruments and targets

Hedging instruments

: Currency swaps and interest rate swaps

Hedged targets

: Payment of principal and interest of long-term loans payable

Methods for valuation of appropriateness for hedging

: During the start of hedging to the judgment of appropriateness, accumulated rate fluctuations in hedged targets and hedging instruments are compared and then valuation is made on the basis of the amount of these fluctuations. For currency swaps subject to *furiate-shori* and interest rate swaps subject to *tokurei-shori*, the valuation of appropriateness is omitted.

2) Accounting method for consumption taxes

: Consumption taxes are accounted for using the net method of reporting.

(2) Accounting method for consumption taxes : Consumption taxes are accounted for using the net method of reporting.

(Notes to changes in accounting policies)

Change in depreciation method of property, plant and equipment

The Company had formerly depreciated property, plant and equipment 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 under review, the Company has 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 that is planned in the “Seventh Medium-Term Management Plan.”

As a result, operating income, ordinary income and income before income taxes each increased by 13,139 thousand yen compared with the figures calculated using the previous method.

(Notes to balance sheet)

**1. Accumulated depreciation of property, plant and equipment** 1,505,299 thousand yen

**2. Guarantee liabilities**

Guarantees are provided for the bank loans of the following company.

<u>Asahi Refining Canada Ltd.</u>	18,275,414 thousand yen
Total	18,275,414 thousand yen

**3. Monetary claims and monetary obligations related to affiliated companies**

Short-term monetary claims	37,110,771 thousand yen
Short-term monetary obligations	67,174 thousand yen

(Notes to statements of income)

Amount of transactions with affiliated companies	
Amount of operating transactions with affiliated companies	
Operating income	6,865,475 thousand yen
Amount of other operating transactions	86,599 thousand yen
Amount of transactions other than operating transactions	253,926 thousand yen

(Notes to statements of changes in net assets)

**Class and number of treasury stocks**

Class of shares	Number of shares at the beginning of this fiscal year (Thousands of shares)	Number of shares increased during this fiscal year (Thousands of shares)	Number of shares decreased during this fiscal year (Thousands of shares)	Number of shares at the end of this fiscal year (Thousands of shares)
Common stocks	3,519	222	86	3,654
Total	3,519	222	86	3,654

- (Notes) 1. The increase of 0 thousand shares in treasury shares of common stock was due to the purchase of shares less than one unit. The increase of 222 thousand shares was due to the acquisition of the Company's shares by the stock grant trusts.
2. The decrease of 86 thousand shares in treasury shares of common stock was due to the exercise of stock options.
3. The treasury shares include 145 thousand shares held by the ESOP trust and 76 thousand shares held by the BIP trust.

**(Notes to tax effect accounting)**

**Breakdowns of main items causing deferred tax assets and deferred tax liabilities**

Deferred tax assets	
Provision for stocks payment	3,261 thousand yen
Impairment losses	17,422 thousand yen
Business tax	4,214 thousand yen
Provision for directors' bonuses	5,400 thousand yen
Other	2,035 thousand yen
Total deferred tax assets	32,334 thousand yen
Net deferred tax assets	32,334 thousand yen

**(Notes to transactions with related parties)**

**(1) Subsidiaries and affiliated companies, etc.**

Category	Name of companies	Voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (Thousands of yen)	Account	Term-end balance (Thousands of yen)
Subsidiary	Asahi Refining Canada Ltd.	Owned Indirect 100%	Debt guarantee	Debt guarantee	18,275,414	-	-
Subsidiary	Asahi Pretec Corp.	Owned Direct 100%	Support of funds	Collection of loaned funds	13,753,704	Short-term loans to affiliated companies	37,096,856
				Loan of funds (Note 1)	37,096,856		
			Management guidance	Management guidance (Note 2)	746,000	-	-
			Receipt of dividends	Receipt of dividends	5,600,000	-	-

**Transaction terms and conditions and policy, etc., to determine terms and conditions for transactions**

(Note 1) As for loans of funds, we reasonably determine interest rates taking into consideration market interest rates.

(Note 2) We determine prices and other terms and conditions for transactions by reference to prevailing market interest rates, etc.

**(2) Board members and major individual shareholders, etc.**

Category	Name	Voting rights (%)	Relationship with related parties	Details of transaction	Amount of transaction (Thousands of yen)	Account	Term-end balance (Thousands of yen)
Board member	Yoshikatsu Takeuchi	Owns Direct 0.0%	Exercise of stock options	Exercise of stock options (Note)	11,997	-	-
Board member	Tomoya Higashiura	Owns Direct 0.0%	Exercise of stock options	Exercise of stock options (Note)	11,997	-	-
Board member	Yukio Tanabe	Owns Direct 0.0%	Exercise of stock options	Exercise of stock options (Note)	11,997	-	-
Board member	Kazuo Kawabata	Owns Direct 0.0%	Exercise of stock options	Exercise of stock options (Note)	11,997	-	-

**Transaction terms and conditions and policy, etc., to determine terms and conditions for transactions**

(Note) The stock options granted in accordance with the Annual General Meeting of Shareholders held on June 16, 2010 exercised during the fiscal year under review are stated above.

**(Notes to information per share)**

Net assets per share

1,478.98 yen

Net income per share

173.01 yen

**(Notes to significant subsequent events)**

Not applicable

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## **Audit Reports**

### **Transcript of accounting auditor's audit report on consolidated financial statements**

#### **Independent Auditor's Report**

May 6, 2016

To the Board of Directors of  
Asahi Holdings, Inc.

Ernst & Young ShinNihon LLC

Designated and  
Engagement Partner, Certified Public Accountant Mitsuo Cho

Designated and  
Engagement Partner, Certified Public Accountant Toshinari  
Takeno

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated balance sheet, the consolidated statement of income, and the consolidated statement of changes in net assets of Asahi Holdings, Inc. for the consolidated fiscal year from April 1, 2015 to March 31, 2016, including notes to the consolidated financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express independent opinions on consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied depending on auditor judgment on the basis of the assessment of the risks of material misstatements of the consolidated financial statements arising from fraud or error. The purpose of the audit of the consolidated financial statements is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Audit Opinion**

In our opinion, the consolidated financial statements referred to the above present fairly, in all

material respects, the assets as well as income and losses in the period pertaining to consolidated financial statements of the corporate group which consists of Asahi Holdings, Inc. and its consolidated subsidiaries in conformity with corporate accounting principles generally accepted in Japan.

**Interests**

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## Transcript of accounting auditor's audit report

### Independent Auditor's Report

May 6, 2016

To the Board of Directors of  
Asahi Holdings, Inc.

Ernst & Young ShinNihon LLC

Designated and  
Engagement Partner, Certified Public Accountant Mitsuo Cho

Designated and  
Engagement Partner, Certified Public Accountant Toshinari  
Takeno

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the financial statements, namely the balance sheet, the statements of income, and the statements of changes in net assets of Asahi Holdings, Inc. for the 7<sup>th</sup> fiscal year from April 1, 2015 to March 31, 2016, including notes to non-consolidated financial statements and supplementary schedules thereto.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of financial statements and supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present financial statements and supplementary schedules thereto that are free from material misstatements caused by fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express independent opinions on financial statements and supplementary schedules thereto based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereto are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules thereto. Audit procedures are selected and applied depending on auditors' judgment on the basis of the assessment of the risks of material misstatements of the financial statements and the supplementary schedules thereto arising from fraud or error. The purpose of the audit of the financial statements and the supplementary schedules thereto is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements and the supplementary schedules thereto in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Audit Opinion**

In our opinion, the financial statements and the supplementary schedules thereto referred to the above present fairly, in all material respects, the assets as well as income and losses in the period

pertaining to such financial statements and the supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

**Interests**

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## **Transcript of Audit and Supervisory Committee's audit report**

### **Audit Report**

The Audit and Supervisory Committee audited the directors' performance of their duties during the 7<sup>th</sup> fiscal year (from April 1, 2015 to March 31, 2016), and hereby reports the method and results of the audit as follows.

#### **1. Method and Content of Audit**

The Audit and Supervisory Committee received reports periodically from directors and employees about the details of Board of Directors' resolutions concerning the matters set forth in Article 399-13, Paragraph 1, Item 1 (b) and (c), of the Companies Act, as well as the establishment and application of the internal control systems based on such resolutions, and then requested explanations as necessary, expressed opinions and conducted audits by the following methods.

- 1) In conformity with the Audit and Supervisory Committee Auditing Standards established by the Audit and Supervisory Committee, in accordance with the audit policies and important audit items, and in cooperation with the internal audit division and internal control division, each Audit and Supervisory Committee Member attended important meetings, received reports on the status of performance of duties from the directors and other employees and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets of the Company. Regarding the Company's subsidiaries, the processes of determining the execution of business operations were investigated by attending important meetings, receiving reports on businesses and requesting explanations as necessary.
- 2) Each Audit and Supervisory Committee Member monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report from the accounting auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit and Supervisory Committee Member was notified by the accounting auditor that it had established a "system to ensure that the performance of duties of the accounting auditor was properly conducted" (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each Audit and Supervisory Committee Member examined the business report and the supplementary schedules thereto, the financial statements (balance sheet, statements of income and statements of changes in net assets) and the supplementary schedules thereto, as well as the consolidated financial statements (consolidated balance sheet, consolidated statements of income and consolidated statements of changes in net assets), for the fiscal year under review.

#### **2. Results of Audit**

- (1) Results of audit of business report, etc.
- (i) We acknowledge that the business report and the supplementary schedules thereto fairly present the status of the company in conformity with the applicable laws and regulations and the Articles of Incorporation of the company.
  - (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the company was found with respect to the directors' performance of their duties.
  - (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the directors' performance of their duties concerning the internal control systems.
- (2) Results of audit of financial statements and supplementary schedules thereto  
We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.
- (3) Results of audit of consolidated financial statements  
We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 10, 2016

Audit and Supervisory Committee, Asahi Holdings, Inc.

Chairman:	Shoji Morii
Full-time Audit and Supervisory Committee Member:	Yukio Tanabe
Audit and Supervisory Committee Member:	Kazuhiko Tokumine
Audit and Supervisory Committee Member:	Hiroharu Okubo

(Note) Audit and Supervisory Committee Members Shoji Morii, Kazuhiko Tokumine and Hiroharu Okubo are Outside Directors set forth in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Convocation Notice

Business Reports

Consolidated  
Financial Statements

Financial Statements

Audit Report

Reference Documents for  
General Meeting of Shareholders

## Reference Documents for General Meeting of Shareholders

### **Proposal Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)**

The terms of office all five (5) Directors (excluding Directors serving as the Audit and Supervisory Committee Members; the same applies hereinafter in this proposal) will expire.

Accordingly, we propose the election of five (5) Directors.

The Audit and Supervisory Committee has expressed no opinion on this proposal.

The candidates for Director to be elected are as follows.

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares
1	Mitsuharu Terayama (March 10, 1940) <b>To be Reelected</b>	<p>October 1973: Senior Managing Director of Asahi Pretec Corp.</p> <p>May 1981: Appointed as Representative Director and President of Asahi Pretec Corp.</p> <p>April 2009: Appointed as Representative Director and President of Asahi Holdings, Inc.</p> <p>April 2011: Appointed as CEO &amp; COO of Asahi Holdings, Inc.</p> <p>April 2011: Appointed as Chairman and Director of Asahi Pretec Corp. (to present)</p> <p>June 2012: Appointed as CEO of Asahi Holdings, Inc.</p> <p>June 2014: Appointed as President &amp; CEO of Asahi Holdings, Inc. (to present)</p> <p>[Significant concurrent duties] Appointed as Chairman and Director of Asahi Pretec Corp.</p>	882,345 shares

(Reason for nomination as a candidate)

Mr. Terayama engages in the management of the entire Group as a Representative Director of the Company and as a Representative Director/Director of the Group companies. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his past performance of having driven the entire Group with strong leadership, as well as his deep insight and abundant experience in overall management, would contribute to the further functional reinforcement of the Board of Directors and the corporate governance of the entire Group.

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares	Convocation Notice	Business Reports	Consolidated Financial Statements	Financial Statements	Audit Report
2	Yoshikatsu Takeuchi (January 1, 1956) <span style="border: 1px solid black; padding: 2px;">To be Reelected</span>	<p>April 1999: Joined Asahi Pretec Corp.</p> <p>June 2001: Appointed as Director and General Manager of General Affairs Department of Asahi Pretec Corp.</p> <p>April 2004: Appointed as Director and General Manager of Environmental Business Division and concurrently serving as General Manager of Business Coordination Division of Asahi Pretec Corp.</p> <p>March 2006: Appointed as Director and General Manager of Environmental Recycling Business Division of Asahi Pretec Corp.</p> <p>May 2008: Appointed as Representative Director and President of Japan Waste Corporation (to present)</p> <p>April 2009: Appointed as Director of Asahi Holdings, Inc. (to present)</p> <p>[Significant concurrent duties] Representative Director and President of Japan Waste Corporation</p>	8,050 shares					
<p>(Reason for nomination as a candidate)</p> <p>Mr. Takeuchi engages in the management of the Group as a Director of the Company and as a Representative Director/Director of the Group companies, having deep insight and abundant experience in overall management. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his abundant job experience particularly in the environmental preservation business and the life &amp; health business would contribute to the sustainable enhancement of the corporate value of the Group.</p>								

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares
3	Tomoya Higashiura (January 26, 1961) <u>To be Reelected</u>	<p>February 2001: Joined Asahi Pretec Corp.</p> <p>June 2006: Appointed as Director and General Manager of Administration Division of Asahi Pretec Corp.</p> <p>April 2009: Appointed as Director and General Manager of Corporate Development &amp; Administration Division of Asahi Holdings, Inc.</p> <p>June 2010: Appointed as Director and General Manager of Precious Metal Recycling Business Division of Asahi Pretec Corp.</p> <p>April 2011: Appointed as Director of Asahi Holdings, Inc. (to present)</p> <p>January 2012: Appointed as Director of Asahi Pretec Corp.</p> <p>June 2014: Appointed as Representative Director &amp; President of Asahi Pretec Corp. (to present)</p> <p>[Significant concurrent duties] Representative Director &amp; President of Asahi Pretec Corp.</p>	7,700 shares

(Reason for nomination as a candidate)

Mr. Higashiura engages in the management of the Group as a Director of the Company and as a Representative Director/Director of the Group companies, having deep insight and abundant experience in overall management. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his abundant job experience particularly in the precious metal business and the environmental preservation business would contribute to the sustainable enhancement of the corporate value of the Group.

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares	Convocation Notice	Business Reports	Consolidated Financial Statements	Financial Statements	Audit Report	Reference Documents for General Meeting of Shareholders
4	Keitaro Shigemasa (February 15, 1965) <span style="border: 1px solid black; padding: 2px;">To be Reelected</span>	<p>June 2011: Joined Asahi Pretec Corp. Appointed as General Manager of Information Technology Department of Asahi Pretec Corp. Appointed as Chief Information Officer of Asahi Holdings group</p> <p>April 2012: Appointed as General Manager of Information Technology Department of Asahi Holdings, Inc.</p> <p>June 2013: Appointed as Director and General Manager of Information Technology Department and concurrently serving as General Manager of Planning &amp; Communication Department of Asahi Holdings, Inc.</p> <p>July 2014: Appointed as Director and General Manager of Information Technology Department and concurrently serving as General Manager of Human Resources Department of Asahi Holdings, Inc.</p> <p>December 2014: Appointed as Representative Director &amp; President of Asahi Americas Holdings, Inc. (to present)</p> <p>April 2016: Appointed as General Manager of Information Technology Department of Asahi Holdings, Inc. (to present)</p> <p>[Significant concurrent duties] Representative Director &amp; President of Asahi Americas Holdings, Inc.</p>	1,000 shares						
<p>(Reason for nomination as a candidate)</p> <p>Mr. Shigemasa engages in the management of the Group as a Director of the Company and as a Representative Director of the Group companies, having deep insight and abundant experience in overall management. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his abundant job experience particularly in the overseas business would contribute to the sustainable enhancement of the corporate value of the Group.</p>									

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares
5	Kazuo Kawabata (April 20, 1957) <u>To be Reelected</u>	<p>July 2008: Joined Asahi Pretec Corp.</p> <p>October 2008: Appointed as Deputy Head of Technology Support &amp; Production Management Division of Asahi Pretec Corp.</p> <p>April 2012: Appointed as General Manager of Techno Center of Asahi Pretec Corp.</p> <p>April 2013: Appointed as Director and General Manager of Techno Center of Asahi Pretec Corp.</p> <p>June 2014: Appointed as Director of Asahi Holdings, Inc. (to present)</p> <p>December 2014: Appointed as Director of Asahi Americas Holdings, Inc. (to present)</p> <p>April 2016: Appointed as Director of Asahi Pretec Corp. (to present)</p> <p>[Significant concurrent duties] Director of Asahi Pretec Corp. Director of Asahi Americas Holdings, Inc.</p>	10,200 shares

(Reason for nomination as a candidate)

Mr. Kawabata engages in the management of the Group as a Director of the Company and as a Director of the Group companies, having deep insight and abundant experience in overall management. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his abundant job experience particularly in the overseas business and technical areas would contribute to the sustainable enhancement of the corporate value of the Group.

Note: There are no special interests between each candidate and the Company.