

Consolidated Financial Results for the Second Quarter Ended September 30, 2013

Asahi Holdings, Inc.

October 31, 2013

Stock code: 5857
 Shares listed: Tokyo Stock Exchange (First Section)
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 Supplementary materials for the quarterly financial results: No

Investor conference for the quarterly financial results: Yes(for institutional investors, analysts)

(Rounded down to the nearest million yen)

1. Results of the six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
The six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2013	47,884	(2.9)	5,259	81.6	5,394	82.5	3,276	110.7
September 30, 2012	49,324	(32.2)	2,896	(51.5)	2,955	(51.0)	1,555	(55.4)

(Note) Comprehensive income The six months ended September 30, 2013 3,571 million yen 168.9%
 The six months ended September 30, 2012 1,328 million yen (73.8%)

	Net income per share	Diluted net income per share
The six months ended	Yen	Yen
September 30, 2013	100.76	—
September 30, 2012	47.97	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2013	60,920	44,681	73.1
March 31, 2013	62,260	42,012	67.3

(Reference) Shareholders' equity As of September 30, 2013 44,540 million yen
 As of March 31, 2013 41,875 million yen

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	—	30.00	—	30.00	60.00
Year ending March 31, 2014	—	30.00			
Year ending March 31, 2014 (Forecast)			—	30.00	60.00

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

3. Forecast (From April 1, 2013 to March 31, 2014)

(Percentage changes relative to previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Year ending March 31, 2014	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
	93,000	(3.5)	9,000	20.1	9,100	16.7	5,400	19.5	165.92

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

*Notes

(1) Changes in important subsidiaries during the current quarter : No

(2) Application of special accounting methods for quarterly consolidated financial statements : No

(3) Changes in accounting policies, accounting estimates and restatement

(i) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: No

(ii) Changes other than (i) above: No

(iii) Changes in accounting estimates: No

(iv) Restatement: No

(4) Number of issued shares (common stock)

(i) Number of issued shares at the quarter end (including treasury shares)

As of September 30, 2013	36,254,344 shares
As of March 31, 2013	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of September 30, 2013	3,714,472 shares
As of March 31, 2013	3,756,439 shares

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

Six months ended September 30, 2013	32,519,015 shares
Six months ended September 30, 2012	32,422,126 shares

*Indication regarding the situation of quarterly review procedures

These financial results are not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. As of the disclosure of the financial results, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

*Statement regarding the proper use of financial forecasts and other special remarks

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

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1. Qualitative Information

(1) Consolidated Business Performance

During the first and second quarters of the current fiscal year (April 1, 2013 through September 30, 2013), against the backdrop of the new Government's economic policies and monetary easing, the Japanese economy showed some signs of recovery including correction of the high yen and a favorable turn in share prices. The future, however, remains opaque.

Under these economic conditions, in the precious metal recycling business, the collection volumes of gold, palladium, and so on surpassed those of the corresponding term the year before. In addition, the average sales prices of gold, silver, platinum, and palladium were higher than they were in the corresponding term the year before.

In the environmental preservation business, even though domestic production activity was sluggish, the collection volumes of medical-related waste, recycled glass, and so on surpassed those of the same term one year earlier.

As a result of the above, as consolidated results for the six-month period, we recorded net sales of 47,884 million yen, down 1,440 million yen (-2.9%) year-on-year; operating income of 5,259 million yen, up 2,362 million yen (+81.6%) year-on-year; ordinary income of 5,394 million yen, up 2,438 million yen (+82.5%) year-on-year; and net income of 3,276 million yen, up 1,721 million yen (+110.7%) year-on-year.

Looked at by segment, sales in the precious metal recycling business were 40,150 million yen, down 1,729 million yen (-4.1%) year-on-year; and sales in the environmental preservation business were 7,734 million yen, up 289 million yen (+3.9%) year-on-year.

(2) Consolidated Financial Position

As of September 30, 2013, total assets amounted to 60,920 million yen, down 1,340 million yen from the previous fiscal year end. This was due mainly to decrease of 3,318 million yen in notes and accounts receivable-trade, decrease of 1,270 million yen in other current assets, increase of 3,560 million yen in cash and deposits.

Total liabilities amounted to 16,239 million yen, down 4,009 million yen from the previous fiscal year end. This was due mainly to decrease of 5,200 million yen in loans payable.

Net assets totaled 44,681 million yen up 2,668 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 3,276 million yen in net income. As a result, the shareholders' equity ratio changed to 73.1%, from 67.3% at the end of the previous fiscal year.

Net cash provided in operating activities amounted to 9,990 million yen due mainly to 5,320 million yen of income before income taxes, 880 million yen of depreciation and amortization, 399 million yen of increase in inventories, 3,324 million yen of decrease in notes and accounts receivable-trade, and 1,118 million yen of income taxes paid.

Net cash used in investing activities amounted to 477 million yen due mainly to 455 million yen in payments for purchase of fixed assets.

Net cash used in financial activities amounted to 6,127 million yen due mainly to 5,200 million yen decrease of loans payable and 974 million yen in payments for cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2013, increased 3,560 million yen from March 31, 2013, to 7,701 million yen.

(3) Consolidated Performance Forecasts

Consolidated performance forecast for the fiscal year has not changed from the forecast announced on July 29, 2013.

2. Notes Regarding Summary Information

(1) Changes in important subsidiaries during the current quarter

Not applicable

(2) Application of special accounting methods for quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, accounting estimates and restatement

Not applicable

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of March 31, 2013 Millions of yen	As of September 30, 2013 Millions of yen	As of September 30, 2013 Thousands of U.S. dollars
ASSETS			
Current assets			
Cash and deposits	4,141	7,701	78,789
Notes and accounts receivable-trade	12,539	9,221	94,335
Merchandise and finished goods	5,067	6,177	63,196
Work in process	8,114	7,617	77,933
Raw materials and supplies	1,077	869	8,891
Other	2,367	1,096	11,216
Allowance for doubtful accounts	(9)	(9)	(95)
Total current assets	33,298	32,674	334,264
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	9,281	9,040	92,486
Land	13,031	13,027	133,271
Other, net	2,647	2,356	24,104
Total property, plant and equipment	24,959	24,423	249,860
Intangible assets			
Goodwill	2,380	2,186	22,365
Other	797	746	7,635
Total intangible assets	3,177	2,932	30,000
Investments and other assets	824	889	9,101
Total noncurrent assets	28,962	28,245	288,961
Total assets	62,260	60,920	623,225
LIABILITIES			
Current liabilities			
Notes and accounts payable-trade	2,463	3,129	32,018
Short-term loans payable	10,245	445	4,558
Current portion of long-term loans payable	1,500	1,020	10,435
Income taxes payable	349	2,074	21,226
Provision for bonuses	597	603	6,171
Provision for directors' bonuses	8	—	—
Provision for repairs	113	70	724
Provision for product warranties	21	16	168
Other	3,253	2,052	20,997
Total current liabilities	18,553	9,413	96,297
Noncurrent liabilities			
Long-term loans payable	—	5,080	51,969
Provision for retirement benefits	107	113	1,158
Other	1,587	1,632	16,705
Total noncurrent liabilities	1,694	6,826	69,832
Total liabilities	20,248	16,239	166,129
NET ASSETS			
Shareholders' equity			
Capital stock	4,480	4,480	45,840
Capital surplus	6,087	6,097	62,379
Retained earnings	36,697	38,999	398,972
Treasury stock	(5,507)	(5,445)	(55,711)
Total shareholders' equity	41,758	44,132	451,479
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	19	19	200
Deferred gains or losses on hedges	(41)	28	293
Foreign currency translation adjustment	139	360	3,689
Total accumulated other comprehensive income	116	408	4,182
Subscription rights to shares	77	77	797
Minority interests	59	62	639
TOTAL NET ASSETS	42,012	44,681	457,096
TOTAL LIABILITIES AND NET ASSETS	62,260	60,920	623,225

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2013 of Yen97.75=US\$1, and are included solely for the convenience of readers.

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income for the six months ended September 30, 2013

	The six months ended September 30, 2012	The six months ended September 30, 2013	The six months ended September 30, 2013
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	49,324	47,884	489,864
Cost of sales	43,818	39,981	409,017
Gross profit	5,506	7,902	80,848
Selling, general and administrative expenses	2,610	2,643	27,046
Operating income	2,896	5,259	53,802
Non-operating income	84	161	1,651
Non-operating expenses	24	26	269
Ordinary income	2,955	5,394	55,185
Extraordinary income	4	39	405
Extraordinary loss	338	113	1,163
Income before income taxes and minority interests	2,621	5,320	54,427
Income taxes-current	799	2,069	21,168
Income taxes-deferred	266	(25)	(261)
Total income taxes	1,066	2,043	20,907
Income before minority interests	1,555	3,276	33,520
(Minority interests in loss)	—	(0)	(1)
Net income	1,555	3,276	33,521

Consolidated Statements of Comprehensive Income for the six months ended September 30, 2013

	The six months ended September 30, 2012	The six months ended September 30, 2013	The six months ended September 30, 2013
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Income before minority interests	1,555	3,276	33,520
Other comprehensive income			
Valuation difference on available-for-sale securities	(5)	0	5
Deferred gains or losses on hedges	(244)	70	717
Foreign currency translation adjustment	21	210	2,156
Share of other comprehensive income of associates accounted for using equity method	1	13	140
Total other comprehensive income	(227)	295	3,019
Comprehensive income	1,328	3,571	36,539
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	1,328	3,568	36,507
Comprehensive income attributable to minority interests	—	3	32

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2013 of Yen97.75=US\$1, and are included solely for the convenience of readers.

(3) Consolidated Statements of Cash Flows

	The six months ended September 30, 2012	The six months ended September 30, 2013	The six months ended September 30, 2013
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	2,621	5,320	54,427
Depreciation and amortization	1,022	880	9,007
Impairment loss	231	102	1,050
Amortization of goodwill	174	193	1,984
Increase(decrease)in provision of retirement benefits	5	5	54
Interest and dividends income	(10)	(14)	(145)
Interest expenses	12	12	129
Loss (gain) on sales and retirement of noncurrent assets	75	9	93
Loss (gain) on valuation of investment securities	27	—	—
Decrease (increase) in notes and accounts receivable-trade	(1,578)	3,324	34,007
Decrease (increase) in inventories	3,221	(399)	(4,086)
Increase (decrease) in notes and accounts payable-trade	(937)	663	6,783
Increase (decrease) in accounts payable-other	(280)	(244)	(2,496)
Other, net	(454)	507	5,193
Subtotal	<u>4,130</u>	<u>10,361</u>	<u>105,999</u>
Interest and dividends income received	10	14	147
Interest expenses paid	(13)	(12)	(127)
Income taxes paid	(4,251)	(1,118)	(11,445)
Income taxes refund	1,131	746	7,632
Net cash provided by (used in) operating activities	<u>1,007</u>	<u>9,990</u>	<u>102,206</u>
Net cash provided by (used in) investing activities			
Proceeds from collection of guarantee deposits	10	5	55
Purchase of property, plant and equipment	(387)	(285)	(2,921)
Proceeds from sales of property, plant and equipment	120	25	256
Purchase of intangible assets	(119)	(170)	(1,741)
Purchase of stocks of subsidiaries and affiliates	(1,081)	—	—
Other, net	(94)	(52)	(533)
Net cash provided by (used in) investing activities	<u>(1,551)</u>	<u>(477)</u>	<u>(4,884)</u>
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	1,777	(9,800)	(100,256)
Proceeds from long-term loans payable	—	5,100	52,174
Repayment of long-term loans payable	(524)	(500)	(5,115)
Repayments of finance lease obligations	(30)	(24)	(255)
Purchase of treasury stock	(0)	(0)	(8)
Proceeds from sales of treasury stock	75	72	742
Cash dividends paid	(971)	(974)	(9,969)
Other, net	(90)	—	—
Net cash provided by (used in) financing activities	<u>235</u>	<u>(6,127)</u>	<u>(62,687)</u>
Effect of exchange rate change on cash and cash equivalents	49	174	1,786
Net increase (decrease) in cash and cash equivalents	<u>(258)</u>	<u>3,560</u>	<u>36,421</u>
Cash and cash equivalents at beginning of period	<u>3,527</u>	<u>4,141</u>	<u>42,368</u>
Cash and cash equivalents at end of period	<u>3,269</u>	<u>7,701</u>	<u>78,789</u>

U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2013 of Yen97.75=US\$1, and are included solely for the convenience of readers.

(4) Notes on Consolidated Financial Statements

(Notes on Assumptions for Going Concern)

Not applicable

(Notes in case of Significant Changes to Shareholders' Equity)

Not applicable

(Segment Information, etc.)

[Segment information]

I For the six months ended September 30, 2012 (From April 1, 2012 to September 30, 2012)

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

(Millions of Yen)

	Precious metal recycling business	Environmental preservation business	Total
Net sales			
1) Customers	41,880	7,444	49,324
2) Intersegment	—	—	—
Total	41,880	7,444	49,324
Segment income	2,013	882	2,896

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

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

Goodwill of the environmental preservation segment increased 777 million yen due to the stock acquisition of INTER CENTRAL, INC., which became consolidated subsidiary during the period.

II For the six months ended September 30, 2013 (From April 1, 2013 to September 30, 2013)

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

(Millions of Yen)

	Precious metal recycling business	Environmental preservation business	Total
Net sales			
1) Customers	40,150	7,734	47,884
2) Intersegment	—	—	—
Total	40,150	7,734	47,884
Segment income	4,497	761	5,259

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

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

(Significant impairment loss related to noncurrent assets)

Accompanying the relocation of a subsidiary's business premises, the book value of certain real estate and buildings were reduced to the recoverable value. This loss and demolition costs were posted as impairment losses under extraordinary losses.

Consequently, impairment losses were recorded in the amounts of 30 million yen in the precious metal recycling segment and 68 million yen in the environmental preservation segment.