

TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice has been translated from the original Japanese text of the timely disclose statement and is for reference purpose only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

October 29, 2019

To whom it may concern:

Company Name: **Asahi Holdings, Inc.**

Representative: Tomoya Higashiura, President

(Code: 5857, First Section of the Tokyo Stock Exchange)

Contact: Kunihiko Chogo, General Manager,

Corporate Planning & Communications Department

(Phone: +81-3-6270-1833)

Notice on the Conclusion of Basic Agreement on Share Transfer (Change regarding Subsidiary)

This is to notify that Asahi Holdings, Inc. (hereinafter “Company”), at the meeting of its Board of Directors held today, resolved to execute the basic agreement (hereinafter “LOI”) to transfer 60% of all the shares of Fuji Medical Instruments Mfg. Co., Ltd. (hereinafter “Fuji”), a consolidated subsidiary of the Company, to Johnson Health Tech Co., Ltd. (hereinafter “Johnson Health Tech”), a company listed on the Taiwan Stock Exchange, and to enter into negotiations towards the official share transfer agreement (hereinafter “Definitive Agreement”) as shown below. Fuji is scheduled to become an equity method affiliate of the Company, which will own 40% of Fuji’s shares, after share transfer.

Details

1. Reasons for the transfer of shares

In July 2014, the Company acquired Fuji, a business engaged in healthcare-related equipment that is considered a growth segment in domestic business, and has worked to achieve business growth through various measures such as improvement of the quality of massage chairs. Fuji is a leading company in the Japanese massage chair market with strengths, which are its superior product development capability and offering products through its proprietary sales networks cultivated over many years. Ensuring further growth for this business in the future calls for a market development involving global operations in the U.S., China and other countries, coupled with the expansion of the domestic market share. To realize this objective, the Company has held a series of discussions with Johnson Health Tech, which is the international sales agent for Fuji’s massage chairs and possesses 30 sales subsidiaries and over 300 directly managed stores around the world. The Company and Johnson Health Tech recently concluded a basic agreement that two companies will turn Fuji into a joint venture and expand overseas business by reciprocally leveraging the management resources of the two companies.

After the share transfer, Fuji and Johnson Health Tech will capitalize on the synergies between Fuji’s know-how on massage chairs and Johnson Health Tech’s product planning and AI technologies to launch new product development designed to fulfill customer needs. In addition, two companies will accelerate international sales expansion by leveraging Johnson Health Tech’s powerful sales network so that Fuji’s corporate value will be enhanced even further with the goal of initial public offering in several years.

2. Overview of Fuji

(1) Name	Fuji Medical Instruments Mfg. Co., Ltd.		
(2) Location	1-22, Noninbashi 1-chome, Chuo-ku, Osaka		
(3) Title and Name of Representative	Representative Director: Toshiyuki Otsuki		
(4) Business content	Manufacture and sales of health equipment, etc.		
(5) Capital	30 million yen		
(6) Date of establishment	April 13 th , 1965		
(7) Major shareholder and shareholding ratio	Asahi Life & Health Corporation: 100%		
(8) Relationship between the listed company and the relevant company	Capital relationship	A 100% subsidiary of Asahi Life & Health Corporation, a 100% subsidiary of the Company.	
	Personnel relationship	Two employees of the Company and seven employees of Asahi Pretec Corp., a 100% subsidiary of the Company, are seconded to Fuji.	
	Business transactions	No applicable item	
(9) Management performance of Fuji in the past three years			
Settlement period	Period ended March 2017	Period ended March 2018	Period ended March 2019
Revenue (million yen)	18,944	19,666	18,266
Operating income (million yen)	1,075	1,102	1,074
Current net profits (million yen)	1,043	1,008	893
Net income (million yen)	740	650	613
Net income per share (yen)	2,469.13	2,169.63	2,045.45
Net assets (million yen)	2,910	3,580	4,178
Total assets (million yen)	9,326	8,066	9,142
Net assets per share (yen)	9,703.31	11,934.70	13,928.47
Annual dividend per share (yen)	—	—	—

3. Overview of Johnson Health Tech

(1) Name	Johnson Health Tech. Co., Ltd.	
(2) Location	No. 999, Sec. 2, Dongda Rd., Daya Dist., Taichung City 428, Taiwan, R.O.C.	
(3) Title and Name of Representative	Chairman: Lo Kun Chuan	
(4) Business content	Manufacture and sales of fitness equipment, etc.	
(5) Capital	3,036 million New Taiwan dollars (10,626 million yen)	
(6) Date of establishment	October 7 th , 1975	
(7) Relationship with the Company	Capital relationship	No applicable item
	Personnel relationship	No applicable item
	Business transactions	An international sales agent of Fuji

(Note): Calculated at 1 New Taiwan dollar = 3.5 yen

4. Number of shares transferred, value of share transfer and number of shares owned before and after transfer

(1) Number of shares owned before transfer	300,000 (Number of voting rights: 300,000) (Ratio of voting rights held by the company: 100%)
(2) Number of shares to be transferred	180,000 (Number of voting rights: 180,000) (Ratio of voting rights held by the company: 60%)
(3) Value of share transfer	6,700 million yen
(4) Number of shares owned after transfer	120,000 (Number of voting rights: 120,000) (Ratio of voting rights held by the company: 40%)

(Note): Value of share transfer will be finalized at Definitive Agreement.

5. Schedule

(1) Date of the conclusion of LOI	October 29, 2019
(2) Date of the conclusion of Definitive Agreement	Early December 2019 (scheduled)
(3) Date of share transfer	Early February 2020 (scheduled)

6. Future prospects

- (1) Following the share transfer, Fuji will be classified as discontinued operations from the third quarter of the year ending March 2020, and is expected to be excluded from the list of consolidated subsidiaries of the Company from the fourth quarter of the year ending March 2020 due to loss of control. As for amount of its financial impact on the Company's consolidated performance for the year ending March 2020, following the classification of Fuji as discontinued operations, revenue from ongoing operations is projected to drop by approx. 20.0 billion yen and operating income by approx. 0.9 billion yen. The company is investigating the impact due in part to corporate tax charges that accompany the sale of shares and the revaluation of shares in possession.
- (2) The name and address of Fuji after share transfer are planned to remain the same as "Fuji Medical Instruments Mfg. Co., Ltd." and "1-22, Noninbashi 1-chome, Chuo-ku, Osaka".
- (3) All employees of the current Fuji are planned to remain the company after the share transfer.