

Consolidated Financial Results for the First Quarter Ended June 30, 2014

Asahi Holdings, Inc.

July 29, 2014

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

(Rounded down to the nearest million yen)

1. Results of the three months ended June 30, 2014 (From April 1, 2014 to June 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
The three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2014	23,215	(6.1)	2,178	(18.2)	2,179	(21.7)	1,387	(21.7)
June 30, 2013	24,720	(6.4)	2,662	—	2,785	—	1,771	—

(Note) Comprehensive income The three months ended June 30, 2014 1,211 million yen (61.8%)
 The three months ended June 30, 2013 3,169 million yen —

	Net income per share	Diluted net income per share
The three months ended	Yen	Yen
June 30, 2014	42.56	—
June 30, 2013	54.50	—

(Note) Retrospective restatement was carried out for the fiscal year ended March 31, 2014, in line with a change in accounting policy. Consequently, year-on-year changes are not provided.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2014	67,218	46,758	69.4
March 31, 2014	66,112	46,491	70.1

(Reference) Shareholders' equity As of June 30, 2014 46,617 million yen
 As of March 31, 2014 46,347 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, 2014	—	30.00	—	30.00	60.00
Year ending March 31, 2015	—	—	—	—	—
Year ending March 31, 2015 (Forecast)	—	30.00	—	30.00	60.00

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

3. Forecast (From April 1, 2014 to March 31, 2015) (Percentage changes relative to previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
1st half	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending March 31, 2015	51,000	6.5	4,600	(12.5)	4,600	(14.8)	2,850	(13.0)	87.41
Year ending March 31, 2015	111,000	17.8	10,400	8.0	10,300	3.1	6,400	7.2	196.14

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

For details, please refer to "Notice of Revision of Financial Results Forecast" made public on July 29, 2014.

* Notes

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

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

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

(i) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes

(ii) Changes other than (i) above: Yes

(iii) Changes in accounting estimates: No

(iv) Restatement: No

For details, please refer to “(3) Changes in Accounting Policies, accounting estimates and restatement” under “2. Notes Regarding Summary Information” on page 3.

(4) Number of issued shares (common stock)

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

As of June 30, 2014	36,254,344 shares
As of March 31, 2014	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of June 30, 2014	3,646,807 shares
As of March 31, 2014	3,672,457 shares

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

Three months ended June 30, 2014	32,592,550 shares
Three months ended June 30, 2013	32,507,497 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 quarter of the current fiscal year (April 1, 2014 through June 30, 2014), the Japanese economy continued to show a tone of gentle recovery resulting from the Government's economic policies and monetary easing, with corporate profits and capital investment rising, and consumer spending rebounding.

Under these economic conditions, in the precious metal recycling business, the volume of collection in the catalyst sectors increased, so the volume of collection of platinum and palladium was higher than that of the same term last year. The volume of collection in the jewelry sector fell, however, leading to a lower volume of collection of gold, while a decrease in the volume of collection in the flat panel display and photo sensitive material sectors led to a lower volume of collection of silver compared to the previous year. Although the average sales prices for platinum and palladium were higher than they were during the corresponding period a year earlier, the average sales prices for gold and silver were lower.

In the environmental protection business, against the backdrop of a recovery in industrial production in Japan, the volumes of sludge, medical-related waste, recycled glass, and so on collected surpassed those of the same term one year earlier. In addition, KOEIKOGYO Co., Ltd., which became a wholly owned subsidiary of our group in March 2014, posted solid results.

As a result of the above, as consolidated results for the three-month period, we recorded net sales of 23,215 million yen, down 1,505 million yen (-6.1%) year-on-year; operating income of 2,178 million yen, down 483 million yen (-18.2%) year-on-year; ordinary income of 2,179 million yen, down 605 million yen (-21.7%) year-on-year; and net income of 1,387 million yen, down 384 million yen (-21.7%) year-on-year.

Looked at by segment, sales in the precious metal recycling business were 18,741 million yen, down 2,267 million yen (-10.8%) year-on-year; and sales in the environmental preservation business were 4,473 million yen, up 761 million yen (+20.5%) year-on-year.

(2) Consolidated Financial Position

As of June 30, 2014, total assets amounted to 67,218 million yen, up 1,105 million yen from the previous fiscal year end. This was due mainly to an increase of 3,202 million yen in cash and deposits, a decrease of 780 million yen in inventories.

Total liabilities amounted to 20,460 million yen, up 839 million yen from the previous fiscal year end. This was due mainly to increase of 5,120 million yen in loans payable, decrease of 2,102 million yen income taxes payable.

Net assets totaled 46,758 million yen, up 266 million yen from the previous fiscal year end. This was due mainly to the increase in retained earnings resulting from the recording of 1,387 million yen in net income.

As a result, the shareholders' equity ratio changed to 69.4%, from 70.1% at the end of the previous fiscal year.

(3) Consolidated Performance Forecasts

We have revised our six months and the full-year forecast reflecting its consolidated business results of the first quarter of the current fiscal year and the earnings of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD. which became one of our consolidated subsidiaries as of July 1, 2014.

Performance in both Precious Metal Recycling Business and Environmental Preservation Business are generally in accordance with the initial plan.

Revision of the first half period consolidated results forecast (April 1, 2014 to September 30, 2014) (Millions of YEN, %)

	Net Sales	Operating Income	Ordinary Income	Net Income 2Q FY2014	Net Income per Share 2Q FY2014
Previous Forecast (A) (Announced on May 12, 2014)	46,000	4,500	4,500	2,800	85.88
Revised Forecast (B)	51,000	4,600	4,600	2,850	87.41
Change (B-A)	5,000	100	100	50	—
Change (%)	10.9	2.2	2.2	1.8	—
(Ref.) 2QFY2013 ended September 30, 2013	47,884	5,260	5,395	3,277	100.79

Revision of consolidated results forecast for the fiscal year ending March 2015

(April 1, 2014 to March 31, 2015)

(Millions of YEN, %)

	Net Sales	Operating Income	Ordinary Income	Net Income FY2014	Net Income per Share FY2014
Previous Forecast (A) (Announced on May 12, 2014)	96,000	10,000	10,000	6,300	193.11
Revised Forecast (B)	111,000	10,400	10,300	6,400	196.14
Change (B-A)	15,000	400	300	100	—
Change (%)	15.6	4.0	3.0	1.6	—
(Ref.) the fiscal year ended March 31, 2014	94,254	9,631	9,989	5,971	183.50

(Note) From the current fiscal year, the Company adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30). The results for the previous fiscal years are those after retrospective application.

2. Notes Regarding Summary Information

(1) Changes in important subsidiaries during the current quarter

Not applicable

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

Not applicable

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

Changes in accounting policies

(Change in valuation method for inventories)

Our method for valuation of inventories has been mainly the weighted-average method (the method of write-downs based on the decrease in profitability in order to calculate the inventory value on the balance sheet). Beginning with the first quarter of the current fiscal year, we changed to mainly the moving-average method (the method of write-downs based on the decrease in profitability in order to calculate the inventory value on the balance sheet).

The aims of this change are to respond to fluctuations in metals prices, carry out management of inventories by item and by process precisely and on time, value inventories, and perform periodic accounting of profit and loss more accurately. It accompanies the introduction of a new IT system.

Because we did not preserve the inventory receipts and payments records that would be needed in order to calculate unit costs with the moving-average method for past fiscal years, it is impossible to retroactively apply this accounting policy to determine cumulative effects. Therefore, the book values of inventories at the end of the previous fiscal year were carried over as initial balances for the current fiscal year, with the moving-average method being used from the beginning of this term.

Compared to the past method, it increases operating income, ordinary income, and quarterly income before income taxes and others for the first quarter of the current term by 85 million yen each, and quarterly net income by 54 million yen.

(Application of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts")

We began applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30, December 25, 2013) during the first quarter of the current fiscal year. When we deliver treasury stock to the trust, we recognize the disposal balance. Profit or loss related to sales of shares by the trust to the employee stock ownership plan, dividends paid by us on shares held by the trust, and net charges related to the trust are included by us as liabilities. This change in accounting policy was applied retrospectively to past fiscal years, and the results are included in the relevant quarterly financial statement and full-year financial statement.

Consequently, compared with figures before this retroactive application, as of the end of the previous fiscal year, other current liabilities increased by 124 million yen, and capital surplus decreased by 69 million yen, retained earnings decreased by 67 million yen, and treasury stock decreased by 4 million yen. This retroactive application had only a slight impact on profit and loss during the first quarter of the previous fiscal year.

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

	As of March 31, 2014	As of June 30, 2014	As of June 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S.dollars
ASSETS			
Current assets			
Cash and deposits	9,640	12,843	126,707
Notes and accounts receivable - trade	11,319	10,939	107,930
Merchandise and finished goods	4,094	3,303	32,592
Work in process	8,596	8,337	82,256
Raw materials and supplies	1,107	1,377	13,587
Other	2,879	2,490	24,573
Allowance for doubtful accounts	(120)	(114)	(1,131)
Total current assets	<u>37,517</u>	<u>39,176</u>	<u>386,513</u>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	8,979	8,872	87,539
Land	13,122	13,087	129,114
Other, net	2,304	2,277	22,473
Total property, plant and equipment	<u>24,407</u>	<u>24,237</u>	<u>239,126</u>
Intangible assets			
Goodwill	2,021	1,897	18,720
Other	835	810	7,999
Total intangible assets	<u>2,856</u>	<u>2,708</u>	<u>26,719</u>
Investments and other assets	<u>1,331</u>	<u>1,095</u>	<u>10,811</u>
Total noncurrent assets	<u>28,595</u>	<u>28,041</u>	<u>276,657</u>
Total assets	<u>66,112</u>	<u>67,218</u>	<u>663,170</u>
LIABILITIES			
Current liabilities			
Notes and accounts payable - trade	3,643	3,293	32,489
Short-term loans payable	495	5,895	58,162
Current portion of long-term loans payable	143	74	735
Income taxes payable	2,635	532	5,252
Provision for bonuses	600	315	3,116
Provision for directors' bonuses	39	—	—
Provision for repairs	101	41	410
Provision for product warranties	16	9	98
Other	4,668	3,257	32,134
Total current liabilities	<u>12,342</u>	<u>13,419</u>	<u>132,396</u>
Noncurrent liabilities			
Long-term loans payable	5,419	5,209	51,395
Net defined benefit liability	122	125	1,235
Other	1,736	1,706	16,834
Total noncurrent liabilities	<u>7,278</u>	<u>7,040</u>	<u>69,463</u>
Total liabilities	<u>19,621</u>	<u>20,460</u>	<u>201,859</u>
NET ASSETS			
Shareholders' equity			
Capital stock	4,480	4,480	44,207
Capital surplus	6,038	6,038	59,577
Retained earnings	40,648	41,053	405,029
Treasury stock	(5,379)	(5,342)	(52,712)
Total shareholders' equity	<u>45,788</u>	<u>46,230</u>	<u>456,101</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	15	21	213
Deferred gains or losses on hedges	(121)	(203)	(2,012)
Foreign currency translation adjustment	665	569	5,617
Total accumulated other comprehensive income	<u>559</u>	<u>386</u>	<u>3,818</u>
Subscription rights to shares	77	77	769
Minority interests	66	63	623
Total net assets	<u>46,491</u>	<u>46,758</u>	<u>461,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>66,112</u>	<u>67,218</u>	<u>663,170</u>

U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2014 of Yen101.36=US\$1, and are included solely for the convenience of readers.

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

Consolidated Statements of Income for the three months ended June 30, 2014

	The three months ended June 30, 2013	The three months ended June 30, 2014	The three months ended June 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S.dollars
Net sales	24,720	23,215	229,042
Cost of sales	20,724	19,591	193,285
Gross profit	3,996	3,624	35,757
Selling, general and administrative expenses	1,333	1,445	14,265
Operating income	2,662	2,178	21,492
Non-operating income	132	28	278
Non-operating expenses	9	26	264
Ordinary income	2,785	2,179	21,505
Extraordinary income	1	10	104
Extraordinary loss	5	24	244
Income before income taxes and minority interests	2,782	2,165	21,365
Income taxes-current	862	520	5,137
Income taxes-deferred	147	257	2,545
Total income taxes	1,010	778	7,682
Income before minority interests	1,771	1,386	13,683
(Minority interests in loss)	—	(0)	(3)
Net income	1,771	1,387	13,686

Consolidated Statements of Comprehensive Income for the three months ended June 30, 2014

	The three months ended June 30, 2013	The three months ended June 30, 2014	The three months ended June 30, 2014
	Millions of yen	Millions of yen	Thousands of U.S.dollars
Income before minority interests	1,771	1,386	13,683
Other comprehensive income			
Valuation difference on available-for-sale securities	0	6	63
Deferred gains or losses on hedges	1,263	(82)	(815)
Foreign currency translation adjustment	125	(95)	(939)
Share of other comprehensive income of associates accounted for using equity method	8	(3)	(37)
Total other comprehensive income	1,397	(175)	(1,727)
Comprehensive income	3,169	1,211	11,956
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	3,168	1,214	11,985
Comprehensive income attributable to minority interests	0	(2)	(29)

U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2014 of Yen101.36=US\$1, and are included solely for the convenience of readers.

(3) Notes on Consolidated Financial Statements

(Notes on Assumptions for Going Concern)

Not applicable

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

Not applicable

(Segment Information, etc.)

[Segment information]

I For the three months ended June 30, 2013(From April 1, 2013 to June 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	21,009	3,711	24,720
2) Intersegment	—	—	—
Total	21,009	3,711	24,720
Segment income	2,332	329	2,662

(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

Not applicable

II For the three months ended June 30, 2014(From April 1, 2014 to June 30, 2014)

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

(Millions of Yen)

	Precious metal recycling business	Environmental preservation business	Total
Net sales			
1) Customers	18,741	4,473	23,215
2) Intersegment	—	—	—
Total	18,741	4,473	23,215
Segment income	1,846	332	2,178

(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

(Material impairment loss on noncurrent assets)

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

(Significant Subsequent Events)

A consolidated subsidiary, Japan Waste Corporation has completed the transfer of shares of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD. as of July 1, 2014, pursuant to the stock purchase agreement on May 19, 2014.

[Schedule]

Board Resolution Date	May 19, 2014
Date of Execution	May 19, 2014
Share Transfer Date	July 1, 2014