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Asahi Holdings, Inc.
(Stock code: 5857)

Notice of the 8th Annual General Meeting of Shareholders

Date and time:
10:30 a.m. on Tuesday, June 20, 2017

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 1: Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)
- Proposal 2: Election of Four (4) Directors Serving as the Audit and Supervisory Committee Members

Deadline for the exercise of voting rights:
Documents must arrive before noon on Monday, June 19, 2017.

Contents

Dear Shareholders: (Stock code: 5857)

May 30, 2017

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

Notice of the 8th Annual General Meeting of Shareholders

This is to inform you that the 8th 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 19, 2017.

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 4–5 and exercise your voting rights by the aforementioned deadline.

Details of the meeting

1. Date and time: 10:30 a.m. on Tuesday, June 20, 2017

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.)
Please understand that souvenirs for shareholders who attend the meeting will not be provided.

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 8th fiscal term (April 1, 2016 through March 31, 2017)
2) Report on non-consolidated financial statements for the 8th fiscal term (April 1, 2016 through March 31, 2017)

Items to be resolved:

Proposal 1: Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)

Proposal 2: Election of Four (4) 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/).

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.evote.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 19, 2017, 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.evote.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.)

Attached documents

Business Report (April 1, 2016 through March 31, 2017)

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, 2017, moderate recovery continued, as exhibited by signs of improvement in corporate earnings and employment environment, on the back of the government's economic policies and the Bank of Japan's monetary easing policies, despite lackluster personal consumption figures. The political changes have had a significant impact on the currency exchange and commodity market conditions.

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 volume of collection of gold was at the same level as a year earlier despite the continued contraction of the domestic market, thanks to the sustenance of current customers and development of new customers in the E-scrap and precision cleaning businesses. In the dental sector, amidst the amount of precious metals used for dental materials declining, the volume of collection of gold and palladium remained at the same level as the previous year. In the jewelry sector, the volume of collection of platinum was larger than a year before, although the year-on-year volume of collection of gold was lower due to continued drop in the volume of distribution in the purchasing market. In the automotive catalyst sector, vigorous marketing efforts led to a higher volume of collection of palladium and platinum than a year earlier despite the continued decline in the number of domestic scrapped vehicles. Regarding the average price of precious metals, the average price for silver was higher than a year before, while the average prices for gold, palladium and platinum were lower than the previous year.

As for gold and silver refining business in North America, the unit price for commissioned refining business remained at a low level due to continued slowdown of related industries. This affected revenue of the business, and as a result of a careful review of the future recoverability of goodwill generated on the acquisition of Asahi Refining, an impairment loss of 7,512 million yen was recorded. As a result of this, the outstanding balance of goodwill for Asahi Refining decreased to zero.

Environmental preservation business

Although the volume of industrial waste discharged in Japan is on a downward trend in general, the overall volume handled by the Group remained solid as Group companies focused on developing new customers and obtaining contracts by capitalizing on their characteristics and inter-company collaboration.

Life & health business

In the health care equipment sectors, overall sales of large-size massage chairs as the core item and other products remained sluggish amidst weak personal consumption and other factors despite efforts to expand the sales of low-style massage chairs, small-sized massage devices, and electrolytic hydrogen water ionizers, among others. As for fire-fighting equipment, business remained strong thanks in part to an increase in building construction projects in the metropolitan area.

As a result of the above, as consolidated results of operations for the fiscal year, we recorded consolidated revenue of 106,828 million yen, operating income of 2,038 million yen and loss attributable to owners of parent of 1,213 million yen.

Compared with the previous fiscal year, revenue decreased by 12,524 million yen, operating income decreased by 4,018 million yen and profit attributable to owners of parent decreased by 4,081 million yen.

By segment, revenue in the precious metal business was 66,994 million yen, revenue in the environmental preservation business was 15,942 million yen and revenue in the life & health business was 23,967 million yen.

Effective from the fiscal year ended March 31, 2017, the Group prepares consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter "IFRS") pursuant to the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting.

Revenue was composed of the following:

<Breakdown of revenue>

Category	Revenue (Millions of yen)	Ratio (%)	YOY change (%)
Gold metals	32,762	30.7	84.0
Silver metals	4,454	4.2	103.1
Palladium	12,695	11.9	88.2
Platinum	5,271	4.9	69.2
Disposal revenues	18,018	16.9	100.5
Other	33,624	31.4	93.3
Total	106,828	100.0	89.5

2) Capital expenditure

Capital expenditure made in the fiscal year totaled 3,036 million yen. The main expenditure was an investment in buildings, machinery and equipment.

3) Financing

Not applicable for the fiscal year

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		5th term April 1, 2013 through March 31, 2014	6th term April 1, 2014 through March 31, 2015	7th term April 1, 2015 through March 31, 2016		8th term April 1, 2016 through March 31, 2017 (Current fiscal year)
		Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS
Net sales / Revenue	(Millions of yen)	94,254	111,417	118,473	119,352	106,828
Operating income	(Millions of yen)	9,631	10,480	8,705	6,057	2,038
Profit (loss) attributable to owners of parent	(Millions of yen)	5,971	5,774	5,031	2,867	(1,213)
Net income per share / Basic earnings (loss) per share	(Yen)	183.50	176.89	153.54	87.48	(37.24)
Total assets	(Millions of yen)	66,112	104,877	103,589	101,599	88,976
Net assets / Total equity	(Millions of yen)	46,491	50,958	51,300	48,988	44,827
Net assets per share / Equity attributable to owners of parent per share	(Yen)	1,422.51	1,542.82	1,560.21	1,490.56	1,359.02

Note: 1. The figures for the 5th 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. Beginning with the 8th term, the consolidated financial statements are prepared in compliance with IFRS. For reference, figures for the 7th term calculated in compliance with IFRS are presented together with those in compliance with the Japanese GAAP.

3. If the presentation of account names differs between the Japanese GAAP and IFRS, both names are presented.

(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: 55,321 million yen

(4) Challenges to be addressed

1) Precious metal business segment

As it is the Group's core business, the Group will take the following measures to expand earnings in this segment.

In the domestic market, although the total amount of precious metals collected from various sectors called "urban mines" is on a decline, we will enhance our competitiveness by aggressively developing new routes of collection. For the gold and silver refining business in North America, we will reconstruct its operating foundations through production cost reduction efforts and proactive marketing efforts to increase the Asahi brand recognition. In Asian markets, we will review our businesses with an emphasis on profitability.

2) Environmental preservation business segment

As a stable growth business of the Group, we will manage the segment's business with an emphasis on profitability. To streamline business operations, we will encourage the Group companies in the environmental preservation business to capitalize on their strengths and collaborate with each other. In addition, we will make capital investments of an appropriate scale that will ensure stable growth.

3) Life & health business segment

Through measures to expand earnings, such as developing new products and new sales channels, building innovative business models and promoting overseas development, we will grow this segment into a new business pillar of the Group.

(5) Principal businesses (as of March 31, 2017)

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, 2017)

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.), Nagano (Tomi-shi, Nagano Pref.), Amagasaki (Amagasaki-shi, Hyogo Pref.), Kobe (Kobe-shi), The Technical Research Center (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)

(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

(Notes) 1. Nihon Chemitech Co., Ltd., was renamed JW Chemitech Co., Ltd., as of April 1, 2017.
2. Kyodo Chemical Co., Ltd., was absorbed into Asahi Pretec Corp. as of April 1, 2017.

Overseas	Asahi G&S Sdn. Bhd. (Malaysia), Shanghai Asahi Pretec Co., Ltd. (China), Asahi Pretec Korea Co., Ltd. (Chungju), Asahi Pretec Taiwan Co., Ltd. (Taiwan), Asahi Shih Her Technologies Co., Ltd. (Taiwan), Asahi Refining USA Inc. (USA) and Asahi Refining Canada Ltd. (Canada)

(7) Employees (as of March 31, 2017)

1) Employees of the Group

Number of employees	Change from the end of previous fiscal year
1,961 (761)	–44 (down 91)

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
56 (1)	+2 (0)	41 years and 11 months	Three years and four 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, 2017)

Financial institutions	Loan amount
Syndicated loan	20,304 million yen
Resona Bank, Limited	2,350 million yen
The Minato Bank, Ltd.	1,100 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, 2017)

1) **Number of shares authorized:** 129,000,000 shares
2) **Number of shares issued:** 36,254,344 shares
3) **Number of shareholders:** 9,062
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)	2,195	6.69
The Master Trust Bank of Japan, Ltd. (Trust account)	1,406	4.29
TERA ENTERPRISES Co., Ltd.	1,150	3.50
Mitsuharu Terayama	882	2.69
Masamichi Terayama	802	2.44
Asahi Employee Stock Ownership Plan	714	2.18
K&M Co., Ltd.	700	2.13
CBNY-GOVERNMENT OF NORWAY	647	1.97
Japan Trustee Services Bank, Ltd. (Trust account 5)	579	1.76
STATE STREET BANK AND TRUST COMPANY 505025	567	1.73

(Notes) 1. The Company holds treasury stock of 3,432,987 shares, which is excluded from the above major shareholders. The treasury stock (3,432,987 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

(3) Board members and corporate officers

1) Directors (as of March 31, 2017)

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	Representative Director and President, Asahi Americas Holdings, Inc.
Director	Kazuo Kawabata	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 Outside Corporate Auditor, RICOH LEASING COMPANY, LTD.
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.

6. As of April 1, 2017, the following changes have been made to the important concurrent assignment above.
   - Director Keitaro Shigemasa resigned as Representative Director of Asahi Americas Holdings, Inc.
   - Director Tomoya Higashiura assumed office as Representative Director of Asahi Americas Holdings, Inc.
7. Director Keitaro Shigemasa resigned as Director of the Company as of April 30, 2017.

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

Not applicable

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

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)	5 (0)	90 million yen (0)
Directors serving as an Audit and Supervisory Committee Member (Outside Directors)	4 (3)	30 million yen (18)
Total (Outside board members)	9 (3)	120 million yen (18)

(Notes) 1. The amount of compensation for Directors not serving as an Audit and Supervisory Committee Member does not include the employee salaries of Directors who serve concurrently as employees.

2. 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.

3. 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 Kazuhiko Tokumine serves as the Outside Corporate Auditor of RICOH LEASING COMPANY, LTD. There are no special relationships between the Company and the corporation where he has the concurrent assignment.
- 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.
Director (Audit and Supervisory Committee Member)	Hiroharu Okubo	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.

(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	31,800 thousand yen
(b)	Total amount of money to be paid by the Company and the Company's subsidiaries and other benefits on property	55,000 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.

(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.

(6) Status of operation of structure to ensure the appropriateness of business

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 nine (9) 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 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) An internal audit division for conducting audits on a Group-wide basis has been in place for enhancement of the internal audits system.

(b) The internal 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.

(7) Policy to determine the distribution, etc., of surplus

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 Statement of Financial Position (as of March 31, 2017)

(Millions of yen)

Account	Amount	Account	Amount
ASSETS		**LIABILITIES**	
Current assets	**46,056**	**Current liabilities**	**20,787**
Cash and cash equivalents	10,798	Trade and other payables	12,710
Trade and other receivables	15,557	Loans payable	2,720
Inventories	17,356	Income tax payable	1,061
Income tax receivables	1,574	Other financial liabilities	191
Other financial assets	103	Provisions	1,490
Other current assets	664	Other current liabilities	2,613
		Non-current liabilities	**23,361**
Non-current assets	**42,920**	Loans payable	20,195
Property, plant and equipment	31,987	Deferred tax liabilities	1,790
Goodwill	8,238	Net defined benefit liability	143
Intangible assets	918	Other financial liabilities	1,221
Deferred tax assets	1,167	Other non-current liabilities	10
Net defined benefit asset	64	**Total liabilities**	**44,148**
Financial assets	528	**EQUITY**	
Other non-current assets	15	**Equity attributable to owners of parent**	**44,303**
		Capital stock	4,480
		Capital surplus	6,126
		Treasury stock	(5,371)
		Retained earnings	42,783
		Other components of equity	(3,716)
		Non-controlling interests	**524**
		Total equity	**44,827**
Total assets	**88,976**	**Total liabilities and equity**	**88,976**

Consolidated Statement of Income (April 1, 2016, to March 31, 2017)

(Millions of yen)

Account	Amount	
Revenue		**106,828**
Cost of sales		**(82,520)**
Gross profit		**24,307**
Selling, general and administrative expenses	(15,215)	
Other operating income	729	
Other operating expenses	(7,784)	(22,269)
Operating income		**2,038**
Finance income	17	
Finance cost	(304)	(286)
Profit before tax		**1,751**
Income tax expenses		(2,837)
Loss		**(1,086)**
Profit (loss) attributable to:		
Owners of parent		(1,213)
Non-controlling interests		127

Consolidated Statement of Changes in Equity (April 1, 2016, to March 31, 2017)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2016	4,480	6,112	(5,371)	45,845	(2,125)	(380)
Profit (loss)				(1,213)		
Other comprehensive income					(1,492)	275
Total comprehensive income	―	―	―	(1,213)	(1,492)	275
Purchase of treasury stock			(0)			
Dividends				(1,955)		
Reclassified from other components of equity to retained earnings				107		
Share-based payment transactions		13				
Total transactions with owners	―	13	(0)	(1,848)	―	―
Balance at March 31, 2017	4,480	6,126	(5,371)	42,783	(3,618)	(104)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total		
Balance at April 1, 2016	29	―	(2,476)	48,591	396	48,988
Profit (loss)			―	(1,213)	127	(1,086)
Other comprehensive income	(2)	87	(1,131)	(1,131)	0	(1,130)
Total comprehensive income	(2)	87	(1,131)	(2,345)	128	(2,217)
Purchase of treasury stock			―	(0)		(0)
Dividends			―	(1,955)		(1,955)
Reclassified from other components of equity to retained earnings	(19)	(87)	(107)	―		―
Share-based payment transactions				13		13
Total transactions with owners	(19)	(87)	(107)	(1,943)	―	(1,943)
Balance at March 31, 2017	7	―	(3,716)	44,303	524	44,827

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

1. Standards for preparing the consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting, beginning with the fiscal year under review. Certain disclosures required by IFRS have been omitted from these consolidated financial statements under the provision set forth in the second sentence of said Paragraph.

The Company and its subsidiaries (hereinafter the "Group") adopted IFRS for the first time effective from the fiscal year under review, and the date of transition to IFRS is April 1, 2015.

2. Scope of consolidation

Number of consolidated subsidiaries	23
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 USA Inc. Asahi Refining Canada Ltd. and 2 other companies

3. Equity method affiliate

Equity method affiliates	None

4. Early adoption of new standards

The Group has implemented an early adoption of IFRS 9 "Financial Instruments" (published in November 2009, and revised in July 2014) as from the date of transition to IFRS.

5. Accounting policies

(1) Valuation standards and methods for major assets

1) Financial assets other than derivatives

(i) Initial recognition and measurement

The Group recognizes financial assets when it becomes a party to the contract clauses of financial instruments and classifies the financial assets into financial assets measured at fair value through profit or loss or other comprehensive income and financial assets measured at amortized cost.

All financial assets, unless they are classified into those measured at fair value through profit or loss, are measured at fair value plus transaction costs.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

For financial assets measured at fair value, except equity instruments that are held for trading and must be measured at fair value through profit or loss, a designation is made of individual equity instruments as those measured at fair value through profit or loss or those measured at fair value through other comprehensive income, and such designation is applied consistently.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows.

a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the amortized cost based on the effective interest method.

b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. However, for equity instruments designated as those measured at fair value through other comprehensive income, changes in the fair value are recognized in other comprehensive income. Said amounts recognized in other comprehensive income are not subsequently reclassified into profit or loss. In cases where such financial assets are derecognized, the other comprehensive income previously recognized is directly transferred to retained earnings. Dividends relating to such financial assets are recognized as part of finance income and in profit or loss for the fiscal year under review.

(iii) Impairment of financial assets

The Group recognizes impairment of financial assets based on whether the credit risk on the financial asset or financial asset group measured at amortized cost at each end of the reporting periods has increased significantly since initial recognition. Specifically, if the credit risk has not increased significantly since initial recognition, a loss allowance is recognized based on 12-month expected credit losses. On the other hand, if the credit risk has increased significantly since initial recognition, a loss allowance is recognized based on expected credit losses through the remaining life of the financial asset. Whether the credit risk has increased significantly is determined based on changes in the risk of default. Whether there are changes in the risk of default is determined by taking into account any significant changes in the external credit ratings of the financial asset, unfavorable changes in the status of business operations or financial position, any events of overdue payments and other information. For trade receivables, however, lifetime expected credit losses are recognized from when the instruments are first recognized.

Expected credit losses are measured based on the discounted present value of differences between contractual amounts to be received and amounts expected to be received.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains control over the transferred asset, the Group recognizes the asset and related liability to the extent of its continuing involvement.

2) Derivatives

The Group utilizes derivatives, including foreign exchange forward contracts, interest rate swaps and commodity forward contracts, to hedge, respectively, foreign exchange, interest rate and commodity price risks. These derivative instruments are initially measured at fair value when the contract is entered into and are subsequently remeasured at fair value.

3) Inventories

Inventories are measured at the lower of cost and net realizable value. The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined mainly by the moving-average method and includes the cost of purchase, cost of conversion and all other costs incurred in bringing the inventories to their present location and condition.

(2) Depreciation and amortization for major assets

1) Property, plant and equipment other than leased assets	:	Assets other than land and construction in progress are depreciated using the straight-line method over their estimated useful lives as follows. - Buildings and structures: 2–50 years - Machinery, equipment and vehicles: 2–17 years Estimated useful lives, residual values and depreciation methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.
2) Intangible assets other than leased assets	:	Intangible assets, except those for which the useful life is not determined, are amortized

using the straight-line method over their estimated useful lives as follows.

- Software: 5 years

Estimated useful lives, residual values and amortization methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.

3) Leased assets : Leased assets under finance leases are depreciated using the accounting method that is applied for said assets over their estimated useful lives or lease terms, whichever is shorter.

(3) Recognition criteria for significant provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events and it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations. When the effect of the time value of money is material, the amount of a provision is measured by discounting the estimated future cash flows at the discount rate, which is a pretax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance cost.

(4) Other important items for preparing consolidated financial statements

1) Hedge accounting:

At the inception of a hedge, the Group formally provides a hedge designation and documentation relating to the hedging relationship to which hedge accounting will be applied, as well as the risk management objective and strategy in carrying out the hedge. Said documentation includes specific hedging instruments, hedged items or transactions, the nature of hedged risks and the method for assessing the effectiveness of a hedging relationship. These hedges are assessed on an ongoing basis to determine whether they were actually effective for all financial reporting periods when they were designated as hedges. Specifically, a hedge is judged as effective if all of the following requirements are fulfilled.

- There is an economic relationship that provides an offset between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged items and the quantity of hedging instruments that the Company actually uses.

The Company uses the following hedge accounting method if the requirements for hedge accounting are met.

Cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized immediately in profit or loss in the consolidated statement of income.

Amounts relating to hedging instruments recognized as other comprehensive income are reclassified to profit or loss when hedged transactions affect profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (this is referred to as “rebalancing” hereinafter). After rebalancing, if a hedge becomes no longer qualified for hedge accounting or a hedging instrument expires, or is sold, terminated or executed, hedge accounting is discontinued prospectively.

When hedge accounting is discontinued, the balance of cash flow hedges already recognized in other comprehensive income remain in equity if the hedged future cash flows are still expected to occur, whereas such balance is reclassified immediately to profit or loss if the hedged future cash flows are no longer expected to occur.

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

3) Foreign currency translation : A foreign currency transaction is translated into the functional currency of each Group company at the rate of exchange at the date of the transaction.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated into the functional currency at the rate of exchange at the end of the reporting period.

Foreign currency non-monetary assets and liabilities measured at fair value are translated into the functional currency at the rate of exchange at the date when said fair value is determined.

Differences arising from translation or settlement are recognized in profit or loss, except that differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rate of exchange at the end of the reporting period, while the income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period, unless exchange rates do not fluctuate significantly during the period. Exchange differences arising from the translation of the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of a foreign operation, the exchange differences relating to that foreign operation are recognized in profit or loss during the period when said disposal was made.

4) Treatment of goodwill : Goodwill is not amortized but is subject to an impairment testing annually and whenever an indication of impairment exists.

Impairment losses relating to goodwill are recognized in the consolidated statement of income, and subsequent reversals of the losses are not conducted.

5) Employee benefits : The Group adopts defined benefit pension plans and defined contribution pension plans as post-employment benefits for employees.

The Group determines the present value of defined benefit obligations and related current service cost and past service cost using the projected unit credit method.

The discount rate is determined by reference to market yields on high-quality corporate bonds at the end of the reporting period corresponding to the discount period, which is established to reflect the period until the estimated timing of benefit payments in each fiscal year in the future.

Liabilities or assets pertaining to defined benefit pension plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations.

Remeasurements of defined benefit pension plans are collectively recognized in other comprehensive income for the period when they are incurred and are immediately transferred from other components of equity to retained earnings.

Past service cost is amortized as profit or loss for the period when it is incurred.

Cost relating to defined contribution pension plans is recognized as an expense at the time of contribution.

6) Presentation of amounts : Amounts less than one million yen are truncated.

(Notes to the consolidated statement of financial position)

1. Assets pledged as collateral and obligations related to collateral

(1) Assets pledged as collateral

Property, plant and equipment	
Buildings and structures	69 million yen
Land	158 million yen
Total	228 million yen

(2) Obligations related to collateral

Loans payable (current)	50 million yen
Total	50 million yen

2. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	17 million yen
Financial assets (non-current)	20 million yen

3. Accumulated depreciation of property, plant and equipment

30,220 million yen

(Notes to the consolidated statement of income)

Impairment loss

In the precious metal business segment, revenue of the Asahi Refining, a consolidated subsidiary of the Group, deteriorated due to changes in the business environment, and as a result of a careful review of the future recoverability of goodwill generated on the acquisition thereof, an impairment loss of 7,512 million yen was recorded. The recoverable amount for said business is 6,768 million yen. The recoverable amount was determined as value in use, which were calculated by discounting estimated cash flows based on the business plan for the coming five years approved by the management to the present value using the pretax discount rate of 11.5%, which is based on the weighted average cost of capital of competitors of said cash-generating unit. Cash flows beyond the period of said business plan were estimated mainly based on the long-term average growth rate of the market where the cash-generating unit operates.

The impairment loss is included in other operating expenses in the consolidated statement of income.

(Notes to the consolidated statement of changes in equity)

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	3,654	0	-	3,654
Total	3,654	0	-	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.

2. 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 10, 2016 Board of Directors' Meeting	Common stock	984 million yen	30.00 yen	March 31, 2016	May 30, 2016
October 28, 2016 Board of Directors' Meeting	Common stock	984 million yen	30.00 yen	September 30, 2016	November 25, 2016

(Notes) 1. Total dividends according to the resolution at the Board of Directors' meeting on May 10, 2016 include dividends of 6 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

2. Total dividends according to the resolution at the Board of Directors' meeting on October 28, 2016 include dividends of 6 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

(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, 2017 Board of Directors' Meeting	Common stock	984 million yen	Retained earnings	30.00 yen	March 31, 2017	May 31, 2017

Note: Total dividends according to the resolution at the Board of Directors' meeting on May 10, 2017 include dividends of 6 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

(Notes to financial instruments)

1. Status of financial instruments

In the course of business activities, the Group is exposed to financial risks, such as credit risks, liquidity risks, currency risks, interest rate risks and market price fluctuation risks, and performs risk management activities to reduce said financial risks.

The Group also uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps, to hedge against market risks and makes it a policy not to enter into derivative transactions for speculative purposes.

1) Credit risk

A credit risk refers to a risk of customers going into default on contractual debts, causing financial losses to the Group.

The Group manages the credit risk in accordance with its credit control regulations, using the credit limits set for its business partners.

The Group's receivables consist of receivables from many customers operating in a wide range of industries and regions, and are not subject to risks excessively concentrated on a single customer or the group to which said customer belongs.

The carrying amount of financial assets, net of accumulated impairment loss, presented in the consolidated statement of financial position represents the maximum exposure of the Group's financial assets to credit risks without taking into account the value of the collateral obtained.

Regarding the exposure to these credit risks, there are no properties held as collateral and other credit enhancements.

2) Liquidity risk

A liquidity risk refers to a risk of the Group becoming not able to repay the financial liability for debts on the due date.

The Group manages liquidity risk by preparing adequate amount of funds for repayment, while securing from financial institutions a line of credit to which it is accessible as needed and monitoring the plans and results of cash flows on a continuous basis.

3) Currency risk

The Group operates globally and is exposed to currency risks related to foreign currency transactions. For certain foreign currency transactions for which the amounts are significant and that are individually identifiable, the Group uses hedging instruments to hedge against currency risks relating to the hedged items within a certain range in accordance with its internal regulations.

Accordingly, the exposure to currency risks is insignificant and is judged as immaterial to the Group.

4) Interest rate risk

An interest rate risk is defined as a risk of the fair value of financial instruments or the future cash flows from financial instruments fluctuating due to fluctuations in market interest rates. The Group's exposure to interest rate risks mainly relates to payables, such as loans payable, and receivables, such as interest-bearing deposits. Because the amount of interest is subject to fluctuations in market interest rates, the Group is exposed to interest rate risks that cause fluctuations in future cash flows of interest.

The Group uses interest rate swaps to mitigate the risk of fluctuations in interest payable relating to loans payable, thereby stabilizing cash flows.

Accordingly, the impact of fluctuations in the amount of interest payments due to interest-rate fluctuations on the Group is insignificant, and interest rate risks are judged as immaterial to the Group.

5) Market price fluctuation risk

Precious metals and rare metals, the core products of the Group's precious metal business, are traded in international markets, and the prices thereof are exposed to commodity price risks due to the political and economic trends of supplier and consumer countries, as well as foreign exchange rates.

To mitigate commodity price risks, the Group uses derivative instruments such as commodity forward contracts, as hedging instruments against commodity price risks mainly due to market price fluctuations.

Accordingly, the Group's exposure to commodity price fluctuation risks is insignificant and market price fluctuation risks are judged as immaterial to the Group.

2. Fair value, etc., of financial instruments

The carrying amounts reported in the consolidated statement of financial position on March 31, 2017 (consolidated fiscal closing date for the fiscal year under review), and the fair value of financial instruments are as follows:

(Millions of yen)

	Carrying amount in consolidated statement of financial position (*1)	Fair value (*1)
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	10,798	10,798
Trade and other receivables	15,557	15,557
Other	454	454
Financial assets measured at fair value through other comprehensive income		
Other financial assets	85	85
Financial assets designated as hedging instruments		
Derivative instruments	92	92
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	12,710	12,710
Loans payable	22,915	22,959
Other	73	73
Financial liabilities designated as hedging instruments		
Derivative instruments	1,339	1,339

(*1) The methods used for determining the fair value of financial instruments are as follows.

Cash and cash equivalents, trade and other receivables and trade and other payables:

These are settled in a short term, and the carrying amount thereof is a reasonable approximation to the fair value thereof.

Other financial assets and other financial liabilities:

The fair value of listed shares is determined based on the market prices at the end of the reporting period.

The fair value of derivative instruments is determined mainly by reference to prices quoted by financial institutions.

Loans payable:

The fair value of loans payable is determined based on the present value, which is obtained by discounting future cash flows at an interest rate assumed to be applied if similar contracts were newly executed.

(Notes to information per share)

Equity attributable to owners of parent per share	1,359.02 yen
Basic loss per share	(37.24) yen

(Notes to significant subsequent events)

Not applicable

Financial Statements

Balance Sheet (as of March 31, 2017)

(Millions of yen)

Account	Amount
ASSETS	
Current assets	**21,704**
Cash and deposits	1,658
Deferred tax assets	12
Short-term loans to affiliated companies	35,761
Income taxes receivable	903
Other	22
Allowance for doubtful accounts	(16,654)
Non-current assets	**33,616**
Property, plant and equipment	**6,044**
Buildings	2,668
Tools, equipment and fixtures	2
Land	3,373
Intangible assets	**42**
Software	42
Investments and other assets	**27,530**
Shares of affiliated companies	27,509
Deferred tax assets	20
Total assets	**55,321**

Account	Amount
LIABILITIES	
Current liabilities	**432**
Short-term loans payable	300
Current portion of long-term loans payable	20
Accounts payable-other	58
Accrued expenses	27
Provision for directors' bonuses	20
Other	7
Non-current liabilities	**20,355**
Long-term loans payable	20,314
Provision for management board incentive plan trust	14
Provision for stocks payment	19
Other	6
Total liabilities	**20,788**
NET ASSETS	
Shareholders' equity	**34,533**
Capital stock	**4,480**
Capital surplus	**23,086**
Capital reserve	6,054
Other capital surplus	17,032
Retained earnings	**12,337**
Other retained earnings	12,337
Retained earnings carried forward	12,337
Treasury stock	**(5,371)**
Total Net Assets	**34,533**
Total Liabilities And Net Assets	**55,321**

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

Statement of Income (April 1, 2016, to March 31, 2017)

(Millions of yen)

Account	Amount	
Operating revenue		**6,183**
Operating expenses		**1,336**
Operating income		**4,846**
Non-operating income		
Interest income	113	
Guarantee commission received	143	
Foreign exchange gains	0	
Other	7	264
Non-operating expenses		
Interest expenses	30	30
Ordinary income		**5,079**
Extraordinary gain		
Gains on sale of non-current assets	1	1
Extraordinary loss		
Loss on retirement of non-current assets	4	
Impairment losses	48	
Provision of allowance for doubtful accounts	16,654	
Loss on valuation of shares of affiliated companies	10	16,716
Net loss before income taxes		**(11,634)**
Income taxes-current	78	
Income taxes-deferred	(1)	76
Net loss		**(11,711)**

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

Statement of Changes in Net Assets (April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Other retained earnings Retained earnings carried forward		
Balance at April 1, 2016	4,480	6,054	17,032	26,017	(5,371)	48,214
Changes during the period						
Dividends from surplus				(1,969)		(1,969)
Net loss				(11,711)		(11,711)
Purchase of treasury stock					(0)	(0)
Total changes during the period	―	―	―	(13,680)	(0)	(13,681)
Balance at March 31, 2017	4,480	6,054	17,032	12,337	(5,371)	34,533

	Total net assets
Balance at April 1, 2016	48,214
Changes during the period	
Dividends from surplus	(1,969)
Net loss	(11,711)
Purchase of treasury stock	(0)
Total changes during the period	(13,681)
Balance at March 31, 2017	34,533

(Note) Amounts less than one million 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 non-current 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

Allowance for doubtful accounts	:	To provide for possible losses due to the uncollectibility of claims, an allowance for doubtful accounts is provided for specific claims with a higher probability of default at an uncollectible amount estimated by considering the collectability of individual claims.
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 foreign exchange forward 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 hedged items		
Hedging instruments	:	Currency swaps and interest rate swaps
Hedged items	:	Payment of principal and interest of long-term loans payable
Methods for assessing the effectiveness of hedging	:	During the inception of hedging to the judgment of effectiveness, accumulated rate fluctuations in hedged items and hedging instruments are compared and then assessment 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 assessment of effectiveness is omitted.

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

(Notes to balance sheet)

1. Accumulated depreciation of property, plant and equipment 1,638 million yen

2. Monetary claims and monetary obligations related to affiliated companies

Short-term monetary claims	35,775 million yen
Short-term monetary obligations	18 million yen

(Notes to statement of income)

Amount of transactions with affiliated companies	
Amount of operating transactions with affiliated companies	
Operating revenue	6,183 million yen
Amount of other operating transactions	88 million yen
Amount of transactions other than operating transactions	256 million yen

(Notes to statement 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	3,654	0	—	3,654
Total	3,654	0	—	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.

2. 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	6 million yen
Impairment losses	14 million yen
Business tax	2 million yen
Provision for directors’ bonuses	6 million yen
Allowance for doubtful accounts	5,099 million yen
Loss on valuation of shares of affiliated companies	3 million yen
Other	4 million yen
Subtotal	5,136 million yen
Valuation allowance	(5,102) million yen
Total deferred tax assets	33 million yen
Net deferred tax assets	33 million 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 (Millions of yen)	Account	Term-end balance (Millions of yen)
Subsidiary	Asahi Pretec Corp.	Owned Direct 100%	Support of funds	Collection of loaned funds	37,096	Short-term loans to affiliated companies (Note 3)	35,761
				Loan of funds (Note 1)	35,761		
				Receipt of interest (Note 1)	113	–	–
			Management guidance	Management guidance (Note 2)	848	–	–
			Receipt of dividends	Receipt of dividends	4,800	–	–

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.

(Note 3) Provision of allowance for doubtful accounts of 16,654 million yen is recognized for the fiscal year under review to provide for claims with a higher probability of default.

(Notes to information per share)

Net assets per share	1,059.32 yen
Net loss per share	(359.25) yen

(Notes to significant subsequent events)

Not applicable

Audit Reports

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

<u>Independent Auditor's Report</u>

May 8, 2017

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 statement of financial position, the consolidated statement of income, and the consolidated statement of changes in equity, and the basis of preparing consolidated financial statements and other notes of Asahi Holdings, Inc. for the consolidated fiscal year from April 1, 2016, to March 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards. 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 above consolidated financial statements prepared in conformity with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards, 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.

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.

Transcript of accounting auditor's audit report

Independent Auditor's Report

May 8, 2017

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 statement of income, and the statement of changes in net assets of Asahi Holdings, Inc. for the 8th fiscal year from April 1, 2016 to March 31, 2017, 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.

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 8th fiscal year (from April 1, 2016 to March 31, 2017), 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 Rules of Corporate Accounting) 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 notes to non-consolidated financial statements) 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 and notes to consolidated financial statements) and the supplementary schedules thereto, 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, 2017

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.

Proposal 1 **Election of Five (5) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)**

One (1) Director (excluding Directors serving as the Audit and Supervisory Committee Members; the same applies hereinafter in this proposal) resigned as Director during his term of office, and the terms of office of the other four (4) Directors will expire at the close of this Annual General Meeting of Shareholders.
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) To be Reelected	April 1964: Joined KURARAY CO., LTD. July 1973: Joined Asahi Pretec Corp. October 1973: Appointed as Senior Managing Director of Asahi Pretec Corp. May 1981: Appointed as Representative Director and President of Asahi Pretec Corp. April 2009: Appointed as Representative Director and President of Asahi Holdings, Inc. April 2011: Appointed as CEO & COO of Asahi Holdings, Inc. April 2011: Appointed as Chairman and Director of Asahi Pretec Corp. (to present) June 2012: Appointed as CEO of Asahi Holdings, Inc. June 2014: Appointed as President & CEO of Asahi Holdings, Inc. (to present) [Significant concurrent duties] Chairman and Director of Asahi Pretec Corp.	882,345 shares

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of 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.

2	Yoshikatsu Takeuchi (January 1, 1956) To be Reelected	April 1978: Joined Hyogo Sogo Bank April 1999: Joined Asahi Pretec Corp. June 2001: Appointed as Director and General Manager of General Affairs Department of Asahi Pretec Corp. 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. March 2006: Appointed as Director and General Manager of Environmental Recycling Business Division of Asahi Pretec Corp. May 2008: Appointed as Representative Director and President of Japan Waste Corporation (to present) April 2009: Appointed as Director of Asahi Holdings, Inc. (to present) [Significant concurrent duties] Representative Director and President of Japan Waste Corporation	8,050 shares

(Reason for nomination as a candidate)

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 in the environmental preservation business and the life & health business would contribute to the sustainable enhancement of the corporate value of the Group.

3	Tomoya Higashiura (January 26, 1961) To be Reelected	April 1984: Joined NEC Corporation February 2001: Joined Asahi Pretec Corp. June 2006: Appointed as Director and General Manager of Administration Division of Asahi Pretec Corp. April 2009: Appointed as Director and General Manager of Corporate Development & Administration Division of Asahi Holdings, Inc. June 2010: Appointed as Director and General Manager of Precious Metal Recycling Business Division of Asahi Pretec Corp. April 2011: Appointed as Director of Asahi Holdings, Inc. (to present) January 2012: Appointed as Director of Asahi Pretec Corp. June 2014: Appointed as Representative Director & President of Asahi Pretec Corp. (to present) April 2017: Appointed as Representative Director and President of Asahi Americas Holdings, Inc. (to present) [Significant concurrent duties] Representative Director & President of Asahi Pretec Corp. Representative Director and President of Asahi Americas Holdings, Inc.	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 in the precious metal business and the environmental preservation business would contribute to the sustainable enhancement of the corporate value of the Group.

4	Kazuo Kawabata (April 20, 1957) To be Reelected	April 1982: Joined NIPPON STEEL CORPORATION July 2006: Joined NIPPON STEEL ENGINEERING CO., LTD. July 2008: Joined Asahi Pretec Corp. October 2008: Appointed as Deputy Head of Technology Support & Production Management Division of Asahi Pretec Corp. April 2012: Appointed as General Manager of Techno Center of Asahi Pretec Corp. April 2013: Appointed as Director and General Manager of Techno Center of Asahi Pretec Corp. June 2014: Appointed as Director of Asahi Holdings, Inc. (to present) December 2014: Appointed as Director of Asahi Americas Holdings, Inc. (to present) [Significant concurrent duties] Director of Asahi Americas Holdings, Inc.	12,700 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 in the overseas business and technical areas 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
5	Amane Kojima (April 9, 1968) Newly Elected	April 1992: Joined Nissho Iwai Corporation March 2011: Joined Asahi Pretec Corp. Appointed as General Manager of Accounting Division of Asahi Pretec Corp. April 2012: Appointed as General Manager of Accounting Division of Asahi Holdings, Inc. (to present) December 2014: Appointed as Corporate Auditor of Asahi Americas Holdings, Inc. (to present) June 2016: Appointed as Corporate Auditor of Asahi Pretec Corp. (to present) [Significant concurrent duties] Corporate Auditor of Asahi Pretec Corp. Corporate Auditor of Asahi Americas Holdings, Inc.	—

(Reason for nomination as a candidate)

As General Manager of Accounting Division, Mr. Kojima is in charge of financial and accounting matters for the entire Group. In addition, he is qualified as a certified public accountant in the US, and has extensive expertise and practical capabilities. The Company therefore requests his election as a Director of the Company based on its judgment that he will be able to contribute to the sustainable enhancement of the corporate value of the Group and is qualified for the position of Director.

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

Proposal 2 **Election of Four (4) Directors Serving as the Audit and Supervisory Committee Members**

The terms of office of all four (4) Directors serving as the Audit and Supervisory Committee Members will expire at the close of this Annual General Meeting of Shareholders.
Accordingly, we propose the election of four (4) Directors serving as the Audit and Supervisory Committee Members.
This proposal has already acquired the approval of the Audit and Supervisory Committee.
The candidates for Director serving as the Audit and Supervisory Committee Members 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	Shoji Morii (February 12, 1948) To be Reelected	April 1972: Joined Sumitomo Trust and Banking Co., Ltd. June 2001: Appointed as Corporate Officer and General Manager of Kyoto Branch of Sumitomo Trust and Banking Co., Ltd. June 2003: Appointed as Representative Director and President of Kobe Airport Terminal Co., Ltd. June 2006: Appointed as Representative Director and President of Kaijo Access Co., Ltd. June 2009: Appointed as Outside Director of Asahi Pretec Corp. June 2010: Appointed as Outside Director of Asahi Holdings, Inc. June 2015: Appointed as Outside Director (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (to present)	1,000 shares

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares
2	Yukio Tanabe (December 27, 1958) To be Reelected	April 1981: Joined Victor Company of Japan, Limited January 1988: Joined Sony Corporation September 2004: Joined Asahi Pretec Corp. June 2008: Appointed as Deputy General Manager of Corporate Development Division of Asahi Pretec Corp. April 2009: Appointed as Director and General Manager of Management Division of Asahi Pretec Corp. April 2009: Appointed as Director of Asahi Holdings, Inc. April 2010: Appointed as Director and General Manager of Corporate Development & Administration Division of Asahi Holdings, Inc. June 2011: Appointed as Full-Time Corporate Auditor of Asahi Holdings, Inc. June 2015: Appointed as Director (serving as Full-Time Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (to present)	1,000 shares

Candidate No.	Name (Date of birth)	Career, Position and Duties at Asahi Holdings (Important concurrent assignment)	Ownership of Shares
3	Yuji Kimura (July 23, 1955) Newly Elected	April 1979: Joined the Environment Agency July 2006: Appointed as General Manager of Industrial Waste Management Division, Waste Management and Recycling Department of the Ministry of the Environment August 2010: Appointed as Director-General of Kyoto Mechanism Business Promotion Department of New Energy and Industrial Technology Development Organization July 2012: Appointed as Director-General of Hakodate Customs, Ministry of Finance Japan October 2014: Appointed as Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation (to present) [Significant concurrent duties] Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation	—
4	Kyoko Kanazawa (October 11, 1965) Newly Elected	April 1989: Joined FUJI RESEARCH INSTITUTE CORPORATION April 2000: Registered as lawyer April 2000: Joined Kazama & Hata Law Office (currently Hata & Co. Law Offices) (to present) June 2010: Appointed as Compliance Committee Member of National Consumer Affairs Center of Japan (to present) April 2014: Appointed as personnel in charge of pre-examination for Re-examination Committee of Japan Legal Support Center (to present) [Significant concurrent duties] Lawyer	—

(Notes)
1. There are no special interests between each candidate and the Company.
2. Shoji Morii, Yuji Kimura and Kyoko Kanazawa are candidates for Outside Director.
3. Shoji Morii has professional expertise and experience in management including finance and financial affairs. We ask shareholders to elect him as an Outside Director for his expected useful opinions. His term of office as Outside Director will be seven years at the close of this Annual General Meeting of Shareholders. In addition, he once served as Outside Director of Asahi Pretec Corp., a wholly owned subsidiary of the Company.
4. Yuji Kimura has professional expertise and experience in environmental preservation, including waste treatment and recycling. We ask shareholders to elect him as an Outside Director for his expected useful opinions. Although he has no experience of being directly engaged in corporate management, we anticipate that he will be capable of appropriately performing his duties as an Outside Director serving as Audit and Supervisory Committee Member for the aforementioned reason.
5. We ask shareholders to elect Kyoko Kanazawa as an Outside Director for her expected useful opinions on the validity and appropriateness of making decisions on deliberations of the agenda and other matters from her highly professional viewpoint as a lawyer. Although she has no experience of being directly engaged in corporate management, we anticipate that she will be capable of appropriately performing her duties as an Outside Director serving as Audit and Supervisory Committee Member for the aforementioned reason.
6. The Company has entered into a contract with each of Shoji Morii and Yukio Tanabe that limits their liability for compensation for damages set forth in Article 423, Paragraph 1, of the Companies Act under provisions set forth in Article 427, Paragraph 1, of the same Act. The limit amount of the liability for compensation for damages under such a contract is determined to be the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act. If Shoji Morii and Yukio Tanabe are reelected, the Company intends to continue said contract with each of them. If Yuji Kimura and Kyoko Kanazawa are newly elected, the Company intends to enter into the same contract with each of them to limit their liability for compensation for damages.
7. The Company has notified the Tokyo Stock Exchange that Shoji Morii is an independent board member as per the provisions of the Tokyo Stock Exchange, and he will continue to be an independent board member if this proposal is approved and he assumes the position of Outside Director. Yuji Kimura and Kyoko Kanazawa satisfy the requirements of an independent board member as per the provisions of the Tokyo Stock Exchange. Accordingly, if this proposal is approved and they assume the position of Outside Director, the Company intends to newly notify the Tokyo Stock Exchange that they are independent board members.