Consolidated Financial Results for the First Quarter Ended June 30, 2016

Asahi Holdings, Inc. [IFRS]

July 28, 2016

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
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Filing date of Quarterly Report:	August 12, 2016
Start of dividend payment:	–
Supplementary materials for the financial results:	No
Investor conference for the financial results:	No

(Rounded down to the nearest million yen)

1. Results of the three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

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

	Revenue		Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
The three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2016	27,800	(14.4)	2,645	(6.7)	2,517	(11.8)	1,893	(3.7)	1,879	(2.1)	127	(96.1)
June 30, 2015	32,466	—	2,834	—	2,854	—	1,966	—	1,919	—	3,304	—

	Basic earning per share	Diluted earning per share
The three months ended	Yen	Yen
June 30, 2016	57.64	—
June 30, 2015	58.58	58.54

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent ratio
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2016	94,156	48,134	47,724	50.7
March 31, 2016	101,599	48,988	48,591	47.8

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	–	30.00	–	30.00	60.00
Year ending March 31, 2017	–				
Year ending March 31, 2017 (Forecast)		30.00	–	30.00	60.00

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

3. Forecast (From April 1, 2016 to March 31, 2017)　　(Percentage: Changes relative to corresponding previous period)

	Revenue		Operating income		Profit before tax		Profit attributable to owners of parent		Basic earning per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st half	53,000	—	5,000	—	5,000	—	3,400	—	104.30
Year ending March 31, 2017	110,000	—	10,000	—	10,000	—	6,600	—	202.46

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

* Notes

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

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRS: No

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

(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

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

As of June 30, 2016	36,254,344 shares
As of March 31, 2016	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of June 30, 2016	3,654,787 shares
As of March 31, 2016	3,654,607 shares

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

Three months ended June 30, 2016	32,599,647 shares
Three months ended June 30, 2015	32,776,462 shares

*Indication regarding the situation of quarterly review procedures

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

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

(IFRS adoption)

The Group has adopted IFRS starting from the three months ended June 30, 2016. For details about the differences between IFRS and Japanese GAAP with respect to financial figures, please refer to “3. Condensed Consolidated Financial Statements (7) Notes on Condensed Consolidated Financial Statements 7. First-time Adoption” on page 25 of the appendix of the consolidated financial results.

(Notes on forward looking statements, etc.)

These forecast performance figures are based on the information currently available to the company’s management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report. Please refer to page 4 “1. Qualitative Information (3) Consolidated Performance Forecasts” for the assumptions used and other notes.

【Appendix】

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1. Qualitative Information

(1) Consolidated Business Performance

In the Japanese economy during the first quarter of the current fiscal year (April 1, 2016 to June 30, 2016), a standstill is apparent with regard to corporate earnings, and personal consumption as well is in a situation that lacks vigor. In addition, there was a deepened sense of uncertainty concerning economic prospects due to elements such as economic disorder in Europe stemming from the United Kingdom's vote to withdraw from the EU, the stagnation of emerging countries' economies, and so forth.

Under these economic conditions, 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, amidst the contraction of the domestic market continues, due to expanded shares for the E-scrap business and the precision cleaning business, the volume of collection of gold was at the same level as it was during the same period a year earlier. In the dental sector, influenced by a decline in the amount of precious metals used for dental materials, the volume of collection of gold and palladium decreased compared to that of the same period a year earlier. In the jewelry sector, due to a decrease in the volume of circulation into the purchasing market, there was a lower year-on-year volume of collection of gold and platinum. In the automotive catalyst sector, while the number of domestic scrapped vehicles decreased, the year-on-year volume of collection of palladium increased.

The average prices of gold, silver, palladium, and platinum were lower compared with the same period last year.

Further, for the gold and silver refining business in North America, both processing volume and unit price for commissioned refining business remained at a low level.

Environmental preservation business

While the production activity of domestic businesses continued to slump and wastes decreased, as the result of putting efforts into new cultivation activities and the acquisition of projects that leverage the group network, the performance was solid for the segment as a whole.

Life & health business

In the healthcare equipment sector, amidst lacking recovery for personal consumption, sales for the major massage chairs were sluggish. In addition to the promotion of sales for small massage chairs such as seat massagers, sales development is being undertaken positioning hearing aids, electrolytic hydrogen water ionizers, and so forth as strategic products. With regard to firefighting facility-related matters, due to an increase in building construction in the Tokyo metropolitan area, the sales performance was strong.

As a result of the above, revenue during the first quarter of the current fiscal year was 27,800 million yen, a year-on-year decrease of 4,666 million yen (-14.4 percent). Operating income was 2,645 million yen, a decrease of 188 million yen (-6.7 percent) year-on-year. Profit before tax was 2,517 million yen, a year-on-year decrease of 337 million yen (-11.8 percent). Profit was 1,893 million yen, a year-on-year decrease of 72 million yen (-3.7 percent). Profit attributable to owners of parent for the period was therefore 1,879 million yen, a decrease of 40 million yen (-2.1 percent) year-on-year. By segment, revenue in the precious metal business was 18,369 million yen, a year-on-year decrease of 4,145 million yen (-18.4 percent). In the environmental preservation business, revenue was 3,868 million yen, and increase of 250 million yen (+6.9 percent) year-on-year. Revenue in the life & health business was 5,580 million yen, down 781 million yen (-12.3 percent) year-on-year.

Figures stated in these financial results are presented on the basis of the International Financial Reporting Standards (IFRS). Figures for the three months ended June 30, 2015 and the full-year figures for the previous fiscal year have been presented on the basis of IFRS through the reclassification of the JGAAP-based figures disclosed in the previous fiscal year.

(2) Consolidated Financial Position and Cash Flows for the three months ended June 30, 2016

As of June 30, 2016, total assets amounted to 94,156 million yen, down 7,442 million yen from the previous fiscal year end. This was due mainly to the decrease of 4,277 million yen in cash and cash equivalents.

Total liabilities amounted to 46,021 million yen, down 6,589 million yen from the previous fiscal year end.

This was due mainly to the decrease of 4,480 million yen in loans payable.

Total equity amounted to 48,134 million yen, down 853 million yen from the previous fiscal year end. This was due mainly to other components of equity of 1,783 million yen.

As a result, the equity attributable to owners of parent ratio changed to 50.7%, from 47.8% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 608 million yen due mainly to 2,517 million yen of profit before tax , 575 million yen of depreciation and amortization, 878 million yen of decrease in inventories, 1,448 million yen of increase in trade and other receivables, and 3,089 million yen of income taxes paid .

Net cash used in investing activities amounted to 160 million yen due mainly to 265 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 4,496 million yen due mainly to 5,135 million yen of repayment of long-term loans payable.

As a result, cash and cash equivalents (hereinafter the "funds") as of June 30, 2016 decreased 4,277 million yen from March 31, 2016, to 12,287 million yen.

(3) Consolidated Performance Forecasts

We have revised our six-months forecast reflecting its consolidated business results of the first quarter and the business environment.

There are no changes to the previously announced (May 10, 2016) full-year forecast for the year ending March 31, 2017.

Revision of the first half period consolidated results forecast

(April 1, 2016 to September 30, 2016)

(Millions of yen, %)

	Revenue	Operating income	Profit before tax	Profit attributable to owners of parent	Basic earning per share
Previous Forecast (A) (Announced on May 10, 2016)	53,000	4,500	4,500	2,900	88.96
Revised Forecast (B)	53,000	5,000	5,000	3,400	104.30
Change (B - A)	—	500	500	500	—
Change (%)	—	11.1	11.1	17.2	—

2. Notes Regarding Summary Information

(1) Changes in important subsidiaries during the current quarter

Not applicable

(2) Changes in accounting policies, accounting estimates

Not applicable

3. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of April 1, 2015 (Date of transition to IFRS)	As of March 31, 2016	As of June 30, 2016
	Millions of yen	Millions of yen	Millions of yen
ASSETS			
Current assets			
Cash and cash equivalents	10,841	16,564	12,287
Trade and other receivables	15,851	14,644	15,846
Inventories	15,817	15,090	14,184
Income tax receivables	2,506	2,520	1,604
Other financial assets	674	105	199
Other current assets	930	811	505
Subtotal	46,622	49,737	44,628
Assets held for sale	–	–	15
Total current assets	46,622	49,737	44,643
Non-current assets			
Property, plant and equipment	33,663	31,788	31,018
Goodwill	21,737	16,922	15,661
Intangible assets	906	969	989
Deferred tax assets	1,291	1,381	1,085
Net defined benefit asset	154	–	11
Financial assets	807	771	721
Other non-current assets	13	27	23
Total non-current assets	58,573	51,861	49,512
Total assets	105,195	101,599	94,156

	As of April 1, 2015 (Date of transition to IFRS)	As of March 31, 2016	As of June 30, 2016
	Millions of yen	Millions of yen	Millions of yen
LIABILITIES and EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	11,787	15,125	15,438
Loans payable	26,441	7,115	3,744
Income tax payable	2,111	2,012	497
Other financial liabilities	46	187	37
Provisions	1,259	1,522	907
Other current liabilities	3,638	2,953	1,917
Total current liabilities	45,286	28,917	22,543
Non-current liabilities			
Loans payable	6,550	20,503	19,394
Deferred tax liabilities	2,061	1,582	1,531
Net defined benefit liability	126	142	137
Other financial liabilities	72	1,465	2,413
Other non-current liabilities	0	－	2
Total non-current liabilities	8,810	23,693	23,478
Total liabilities	54,096	52,610	46,021
Equity			
Capital stock	4,480	4,480	4,480
Capital surplus	6,116	6,112	6,116
Treasury stock	(5,159)	(5,371)	(5,371)
Retained earnings	44,999	45,845	46,759
Other components of equity	346	(2,476)	(4,260)
Total equity attributable to owners of parent	50,783	48,591	47,724
Non-controlling interests	315	396	409
Total equity	51,098	48,988	48,134
Total liabilities and equity	105,195	101,599	94,156

(2) Condensed Consolidated Statements of Income for the three months ended June 30, 2016

	The three months ended June 30, 2015	The three months ended June 30, 2016
	Millions of yen	Millions of yen
Revenue	32,466	27,800
Cost of sales	(25,716)	(22,008)
Gross profit	6,750	5,792
Selling, general and administrative expenses	(3,928)	(3,786)
Other operating income	20	650
Other operating expenses	(8)	(10)
Operating income	2,834	2,645
Finance income	69	5
Finance cost	(50)	(134)
Profit before tax	2,854	2,517
Income tax expenses	(887)	(623)
Profit	1,966	1,893
Profit attributable to:		
Owners of parent	1,919	1,879
Non-controlling interests	46	14
Profit	1,966	1,893
Earning per share		
Basic earning per share (Yen)	58.58	57.64
Diluted earning per share (Yen)	58.54	57.64

(3) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2016

	The three months ended June 30, 2015	The three months ended June 30, 2016
	Millions of yen	Millions of yen
Profit	1,966	1,893
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	5	(20)
Remeasurements of defined benefit plans	35	22
Total items that will not be reclassified to profit or loss	40	2
Items that will be reclassified to profit or loss		
Cash flow hedges	(59)	194
Translation adjustments of foreign operations	1,357	(1,962)
Total items that will be reclassified to profit or loss	1,297	(1,767)
Other comprehensive income, net of tax	1,338	(1,765)
Comprehensive income	3,304	127
Comprehensive income attributable to:		
Owners of parent	3,257	114
Non-controlling interests	47	13
Comprehensive income	3,304	127

(4) Condensed Consolidated Statements of Changes in Equity

(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, 2015	4,480	6,116	(5,159)	44,999	—	313
Profit	—	—	—	1,919	—	—
Other comprehensive income	—	—	—	—	1,357	(59)
Total comprehensive income	—	—	—	1,919	1,357	(59)
Purchase of treasury stock	—	—	(0)	—	—	—
Disposal of treasury stock	—	37	116	—	—	—
Dividends	—	—	—	(982)	—	—
Lapse of subscription rights to shares	—	(1)	—	1	—	—
Reclassified from other components of equity to retained earnings	—	—	—	35	—	—
Total transactions with owners	—	35	116	(944)	—	—
Balance at June 30, 2015	4,480	6,152	(5,043)	45,974	1,357	253

(Millions of yen)

	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2015	33	—	346	50,783	315	51,098
Profit	—	—	—	1,919	46	1,966
Other comprehensive income	5	35	1,337	1,337	0	1,338
Total comprehensive income	5	35	1,337	3,257	47	3,304
Purchase of treasury stock	—	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	—	154	—	154
Dividends	—	—	—	(982)	—	(982)
Lapse of subscription rights to shares	—	—	—	—	—	—
Reclassified from other components of equity to retained earnings	—	(35)	(35)	—	—	—
Total transactions with owners	—	(35)	(35)	(828)	—	(828)
Balance at June 30, 2015	38	—	1,649	53,213	362	53,575

(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	—	—	—	1,879	—	—
Other comprehensive income	—	—	—	—	(1,961)	194
Total comprehensive income	—	—	—	1,879	(1,961)	194
Purchase of treasury stock	—	—	(0)	—	—	—
Disposal of treasury stock	—		—	—	—	—
Dividends	—	—	—	(984)	—	—
Reclassified from other components of equity to retained earnings	—	—	—	19	—	—
Share-based payment transactions	—	3	—	—	—	—
Total transactions with owners	—	3	(0)	(965)	—	—
Balance at June 30, 2016	4,480	6,116	(5,371)	46,759	(4,087)	(185)

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity			Total		
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2016	29	—	(2,476)	48,591	396	48,988
Profit	—	—	—	1,879	14	1,893
Other comprehensive income	(20)	22	(1,764)	(1,764)	(1)	(1,765)
Total comprehensive income	(20)	22	(1,764)	114	13	127
Purchase of treasury stock	—	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	—	—	—	—
Dividends	—	—	—	(984)	—	(984)
Reclassified from other components of equity to retained earnings	3	(22)	(19)	—	—	—
Share-based payment transactions	—	—	—	3	—	3
Total transactions with owners	3	(22)	(19)	(981)	—	(981)
Balance at June 30, 2016	11	—	(4,260)	47,724	409	48,134

(5) Condensed Consolidated Statements of Cash Flows

	The three months ended June 30, 2015	The three months ended June 30, 2016
	Millions of yen	Millions of yen
Net cash provided by (used in) operating activities		
Profit before tax	2,854	2,517
Depreciation and amortization	603	575
Impairment loss	—	1
Finance income and finance cost	34	96
Decrease (increase) in inventories	842	878
Decrease (increase) in trade and other receivables	(552)	(1,448)
Increase (decrease) in trade and other payables	(73)	482
Other, net	(1,066)	(294)
Subtotal	2,642	2,808
Interest and dividends income received	17	4
Interest expenses paid	(43)	(27)
Income taxes paid	(3,499)	(3,089)
Income taxes refund	486	913
Net cash provided by (used in) operating activities	(397)	608
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	9	—
Purchase of property, plant and equipment	(509)	(265)
Proceeds from sales of property, plant and equipment	7	169
Purchase of intangible assets	(54)	(51)
Other, net	(8)	(12)
Net cash provided by (used in) investing activities	(554)	(160)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(300)	1,627
Repayment of long-term loans payable	(135)	(5,135)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(973)	(976)
Other, net	142	(11)
Net cash provided by (used in) financing activities	(1,266)	(4,496)
Effect of exchange rate change on cash and cash equivalents	(61)	(230)
Net increase (decrease) in cash and cash equivalents	(2,280)	(4,277)
Cash and cash equivalents at beginning of period	10,841	16,564
Cash and cash equivalents at end of period	8,560	12,287

(6) Notes on Assumptions for Going Concern

Not applicable

(7) Notes on Condensed Consolidated Financial Statements

1. Reporting entity

Asahi Holdings, Inc. (hereinafter the "Company") is a company located in Japan. The Company's condensed consolidated financial statements for the three months ended June 30, 2016 comprise the financial statements of the Company as well as its subsidiaries (the "Group").

For the main activities of the Group, please refer to Note 5. "Segment information."

2. Basis of preparation

(1) Statement of compliance with IFRS and matters regarding the first-time adoption thereof

The condensed consolidated financial statements of the Group have been prepared based on IAS 34 "Interim Financial Reporting."

Having met the requirements for a Specified Company under the Designated International Accounting Standards, as prescribed in Article 1-2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007), the Group adopts the provisions of Article 93 of the aforementioned rules.

The Group has adopted International Financial Reporting Standards ("IFRS") from the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017). Thus, the annual consolidated financial statements for the fiscal year ending March 31, 2017 are the first consolidated financial statements prepared based on IFRS standards.

The date of transition to IFRS was April 1, 2015, and the impacts of the transition to IFRS on the Group's financial position, business performance and cash flows are described in Note 7. First-time adoption.

(2) Basis of measurement

The condensed consolidated financial statements of the Group have been prepared based on costs of acquisition, except for the specified financial instruments that have been measured at fair value as mentioned in Note 3. Significant accounting policies.

(3) Functional currency and presentation currency

The condensed consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

(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.

3. Significant accounting policies

Accounting policies stated below have been continuously applied to all the periods stated in these condensed consolidated financial statements (including the consolidated statements of financial position at the date of transition to IFRS).

(1) Basis of consolidation

Subsidiaries

A subsidiary is an entity that is controlled by the Group companies. The Group considers that it has control over an entity when it has exposures or rights to variable returns arising from its involvement with the entity, while having the ability to affect those returns through the exercise of its power over the entity.

Financial statements of a subsidiary are consolidated from the date on which the Group obtains control over such subsidiary, until the date on which the control is lost.

If the accounting policy adopted by a subsidiary is different from that adopted by the Group, financial statements of such subsidiary shall be subject to adjustment as deemed necessary. Intra-Group balances of receivables and payables and intra-Group transactions, as well as unrealized gains or losses arising from the intra-Group transactions shall be eliminated at the time when consolidated financial statements are prepared.

If the Group loses control over the subsidiary, gains or losses derived from such loss shall be recognized as profit or loss.

(2) Business combinations

Business combinations are accounted for by using the acquisition method. Consideration for an acquisition is measured at the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, equity instruments issued by the Group in exchange for the control over the acquiree. If the sum of the fair value of consideration for the acquisition, amount of non-controlling interests in the acquiree, and (if it is a step acquisition) equity interests in the acquiree held previously by the acquirer exceeds the net amount of identifiable assets and liabilities, such excess is recognized as goodwill in the consolidated statements of financial position. If, conversely, the sum turns out to be less than the net amount of identifiable assets and liabilities, the balance shall be directly recognized as revenue in the consolidated statements of income.

Costs incurred by the Group companies in connection with the business combinations, such as agent commissions, legal fees and due diligence costs, are recognized as expenses in the period in which they are incurred.

If the initial accounting for business combinations is incomplete by the end of the fiscal year in which the business combinations occur, the Group companies report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized as of that date. Additional assets or liabilities are recognized if new information is known to have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

Additional acquisition of the non-controlling interests is accounted for as an equity transaction, in which no goodwill shall be recognized.

Identifiable assets and liabilities in the acquiree are measured at their acquisition-date fair value, except for the following.

- Deferred tax assets and liabilities, as well as assets and liabilities associated with employee benefits contracts
- Contract on compensation based on the shares in the acquiree
- Assets or asset disposal groups classified into those held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

(3) Foreign currencies

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of individual Group companies using the exchange rate at the date of transactions.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities measured at fair value and are denominated in foreign currencies are translated using the exchange rate at the date when such fair value was determined.

Translation adjustments arising from translations or settlements are recognized as profit or loss; provided, however, that translation adjustments arising from financial assets measured through other comprehensive income as well as from cash flow hedges are recognized as other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period. Income and expenses are translated into Japanese yen using the average exchange rates for the fiscal year unless exchange rates significantly fluctuate during the period. Translation adjustments arising from translation of financial statements of foreign operations are recognized as other comprehensive income. Such translation adjustments of foreign operations are recognized as profit or loss for the period in which the foreign operations concerned are disposed of.

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into financial assets that are recognized when it becomes a party to the contract on the financial instruments concerned, and measured at fair value through profit or loss, or through other comprehensive income, and financial assets measured at amortized cost.

All financial assets are measured at fair value plus transaction expenses, except for those classified into a category subject to fair value measurement through profit or loss.

Financial assets are classified into financial assets measured at amortized cost, on the condition that they meet both of the following criteria.

- Financial assets are held based on the business model to hold financial assets for the purpose of collecting contractual cash flows.
- Contractual terms associated with financial assets gives rise to cash flows on specified dates, consisting only of payment of the principal and interest on the principal balance.

All financial assets other than those measured at amortized cost, are classified into financial assets measured at fair value.

With respect to financial assets measured at fair value, excluding equity instruments held for trading subjected to fair value measurement through profit or loss, each equity instrument shall be designated whether to be measured at fair value through profit or loss, or measured at fair value through other comprehensive income, and such designation shall remain applicable to each such instrument thereafter.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition shall be as follows, depending on respective classification.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using 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 as profit or loss, provided, however, that changes in the fair value of those equity instruments designated to be measured at fair value through other comprehensive income, shall be recognized as other comprehensive income. Such amount recognized as other comprehensive income shall not be transferred to profit or loss ex post facto. When financial assets are derecognized, amounts previously recognized in other comprehensive income are directly reclassified into retained earnings. Meanwhile, dividend from such financial assets shall be recognized as profit or loss for the period, as part of finance income.

(iii) Impairment of financial assets

The Group recognizes impairment of financial assets, based on the determination at the end of each reporting period as to whether financial assets or financial assets group measured at amortized cost present significant increase in credit risk since their initial recognition. Specifically, if there is no significant increase in credit risk since their initial recognition, estimated credit loss in the next 12 months is recognized as allowance for doubtful accounts. On the other hand, if there is a significant increase in credit risk since their initial recognition, estimated credit loss during residual period of the financial assets is recognized as allowance for doubtful accounts. Whether there is a significant increase in credit risk or not is determined by the change in default risk, and whether there is a change in default risk or not is determined based on considerations including significant change in the external credit rating of the financial instruments, adverse change in the business condition or financial position, and overdue information, provided, however, that trade receivables are subject to recognition of estimated credit loss for the residual period of the financial assets since initial recognition.

Estimated credit loss is measured based on the discounted present value of the difference between the contractually receivable amount and the estimated amount of receipt.

(iv) Derecognition of a financial asset

The Group derecognizes a financial asset when the contractual right to cash flows derived from the financial asset expires or nearly all of the risks and rewards of the ownership thereof are transferred outside the Group. Meanwhile, if the Group remains in control of such transferred financial asset, liabilities associated therewith shall be recognized to the extent of its continuous involvement therein.

2) Financial liabilities

(i) Initial recognition and measurement

The Group recognizes financial liabilities when it becomes a party to the contract concerning the financial instruments concerned, and they are classified into financial liabilities measured at fair value through profit or loss, or those measured at amortized cost.

All financial liabilities are subject to initial measurement at fair value, whereas financial liabilities measured at amortized cost are subject to measurement at fair value less directly attributable transaction costs.

(ii) Subsequent measurement

Measurement of financial liabilities subsequent to its initial recognition shall be as follows, depending on respective classification.

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities for trading purpose as well as financial liabilities designated to be measured at fair value through profit or loss at the initial recognition, which thus shall be measured at fair value after the initial recognition while changes therein shall be recognized as profit or loss.

(b) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost subsequent to the initial recognition, by using the effective interest method.

Amortization by the effective interest method, as well as gains and losses associated with the derecognition shall be recognized as part of financial expenses in profit or loss.

(iii) Derecognition of a financial liability

The Group derecognizes a financial liability when it is extinguished, namely when the obligation specified in the contract is discharged, cancelled or becomes invalid.

3) Presentation of financial assets and liabilities

Financial assets and liabilities are offset, with the net amount presented in the consolidated statements of financial position, only if the Group companies hold a currently enforceable legal right to set off the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4) Derivatives and hedge accounting

The Group uses derivatives such as forward exchange contracts and interest rate swaps, as hedging instruments against foreign exchange risk and interest rate risk. These derivatives are initially measured at fair value at the date of contract, and are subsequently re-measured at fair value.

The Group officially makes designation and prepares documentation at the inception of the hedge, regarding the hedging relationship to which hedge accounting is applied, as well as the risk management objectives and strategies in the hedges. Such documentation mainly contains specific hedging instruments, hedged items or transactions, and the method for evaluating the nature of the risks to be hedged and the hedging effectiveness. Such hedges shall be continually evaluated to determine whether they have been effective throughout the financial reporting periods subject to the hedging designation. Specifically, a hedge is determined to be effective when all of the following criteria are met.

- Economic relationship between hedged items and hedging instruments is of mutually offsetting nature
- Impact on credit risk is not significantly larger than the changes in valuation derived from the economic relationship
- Hedge ratio is the same as the ratio determined quantitatively from the hedged items and hedging instruments practically in use

Hedge accounting used by the Company when criteria for hedge accounting are met, is as follows.

Cash flow hedges

Of the gains or losses associated with the hedging instruments, the portion resulting from hedging effectiveness shall be recognized as other comprehensive income in the consolidated statements of comprehensive income, while the rest shall be recognized as profit or loss directly in the consolidated statements of income.

The amount associated with hedging instruments recorded in other comprehensive income is transferred to profit or loss, at the point in time when the hedged transactions exerts impact on profit or loss.

Even in the event that the hedging relationship no longer meets the hedge ratio-based criteria for hedging effectiveness, such ratio associated with the hedging relationship shall be adjusted again to meet the criteria, insofar as the risk management objectives remain the same (the "rebalancing").

If, after the rebalancing, the hedges no longer meet the criteria for hedge accounting, or if hedging instruments are eliminated, sold, terminated or exercised, adoption of hedge accounting shall be discontinued for the future period. When the Group discontinues hedge accounting, the balance of cash flow hedges that have been recognized in other comprehensive income remain in equity if the hedged future cash flows are still expected to occur, or the balance is immediately reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

(5) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower value between cost or net realizable value. Net realizable value is determined at the estimated selling price in the ordinary course of business less estimated cost required up to the completion of the process and estimated selling expenses. The costs of inventories are calculated principally by using the moving average method, which include purchase cost, processing cost, and other costs incurred in bringing inventories to their present location and condition.

(7) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes any costs directly attributable to the acquisition of assets, dismantlement, removal, and the restoration of land, as well as borrowing costs eligible for capitalization.

Depreciation of all items of property, plant and equipment other than land and construction in progress is recorded by the straight-line method over the respective estimated useful life. Estimated useful lives of major asset items are as follows:

- Buildings and structures: 2-50 years
- Machinery, equipment and vehicles: 2-17 years

The estimated useful lives, residual values and depreciation methods are subject to review at the end of each reporting period, and any change to them is prospectively applied as a change in an accounting estimate.

(8) Goodwill

Goodwill arising from the acquisition of a subsidiary shall be recorded in the consolidated statements of financial position at its book value, namely cost less an accumulated impairment loss.

Goodwill is not amortized, subject to impairment test in each fiscal year, or as appropriate when there is an indication of impairment loss.

Impairment loss of goodwill is recognized as the consolidated statements of income, which shall not be reversed thereafter.

(9) Intangible assets

Intangible assets acquired separately shall be measured at cost at the time of initial recognition.

Intangible assets excluding those with indefinite useful lives are amortized after the initial recognition, based on the straight-line method over their respective estimated useful lives, and recorded at their book value i.e. cost less accumulated amortization and accumulated impairment loss. Estimated useful lives of major items of intangible assets are as follows, while there is no significant intangible asset that has an indefinite useful life.

- Software: 5 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of each year, and any change to them is prospectively applied as a change in an accounting estimate.

(10) Leasing transactions

Leases involving transfer to the Group of substantially all the risks and rewards associated with the ownership of the leased assets, are classified into finance lease, while other type of leases are classified into operating lease.

Leased assets in finance lease transactions are subject to initial recognition at the fair value of the leased property determined at the inception of the lease, or the present value of the total amount of the minimum lease payments also at the inception of the lease, whichever lower. Such assets, following the initial recognition, shall be subject to depreciation based on the accounting policies applicable thereto, over the estimated useful lives or the lease term, whichever shorter.

Lease payments are allocated into finance costs and the payments of lease obligations. Finance costs are distributed, so that the interest rate will remain at a certain level against the obligation balance for each lease term.

Lease payments in operating leases are recognized as expenses in the consolidated statements of income, using the straight-line method over the lease term. Variable lease payments are recognized as expenses for the period in which such payments are made.

(11) Impairment of non-financial assets

The Group companies assess at the end of each reporting period whether there is an indication that a non-financial asset, except for inventories and deferred tax assets, may be impaired. If any such indication exists, the Group companies estimate the recoverable amount of the asset. For the intangible assets with indefinite goodwill and useful lives, or those yet to be usable, are subject to impairment tests in each reporting period, regardless of whether there is indication of impairment loss.

The recoverable amount of an asset or cash-generating unit is the larger of its value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not subject to separate impairment test, are integrated into the smallest cash-generating unit involving continuous use, thus generating cash inflow largely independent of cash inflows from other assets or asset groups. Impairment test of goodwill involves integration of cash-generating units to which goodwill is allocated, to ensure the impairment test is done reflecting the smallest unit involving goodwill. Goodwill acquired through business combinations is allocated to the cash-generating unit expected to achieve synergy from the business combinations.

Corporate assets of the Group do not generate independent cash flows. If there is an indication that corporate assets may be impaired, the recoverable amount is determined for the cash-generating unit to which the corporate assets belong.

Impairment losses are recognized as profit or loss when the book value of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognized as respect of a cash-generating unit are recognized first reducing the book value of any allocated goodwill and then are allocated to other assets of the cash-generating unit on a pro-rata basis based on the book value of such assets.

Impairment losses recognized as respect of goodwill are not reversed. Assets other than goodwill are reviewed at the end of each reporting period to assess whether there is any indication that an impairment loss recognized as prior years may no longer exist or may have decreased. An impairment loss is reversed if there is a change in the estimates used to determine the asset's recoverable amount. The reversal of an impairment loss does not exceed the book value, net of required depreciation and amortization, which would have been determined if any impairment loss had never been recognized for the asset in prior years.

(12) Employee benefits

The Group adopts defined benefit plans as well as defined contribution plans as retirement benefits systems.

The Group calculates the present value of defined benefit obligations and associated current service cost as well as past service cost by using the projected unit credit method.

For the purpose of applying discount rate, a discount period is determined based on the period up to the expected date of future benefit payment in each fiscal year, whereby discount rate is determined by reference to market yields on high quality corporate bonds at the end of reporting period corresponding to the discount period.

Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of plan assets from the present value of defined benefit obligations.

Remeasured amount of a defined benefit plan is recognized at once as other comprehensive income in the period in which the remeasurement takes place, and immediately reclassified from other components of equity to retained earnings.

Past service cost is recognized as profit or loss in the period in which it arises.

Expenses associated with retirement benefits based on a defined contribution plan are recognized as expenses at the point of disbursement.

(13) Share-based payment

The Group adopts equity-settled and cash-settled share-based compensation systems.

For equity-settled share-based compensation system, services received and corresponding increases in equity are measured at the fair value of (the equity financial instruments) as of the grant date, and are recognized as expenses over the vesting period, while the same amount is recognized as increases in equity. For cash-settled share-based compensation system, services received and the liabilities incurred are measured at the fair value of the liabilities, and are recognized as expenses over the vesting period, while the same amount is recognized as increases in liabilities. The fair values of the liabilities are remeasured on the balance sheet date and on the date of settlement, and any changes in fair value are recognized as profit or loss.

(14) Provisions

Provisions are recognized when the Group companies have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where time value of money is material, estimated future cash flows are discounted into present value, by using the pre-tax interest rate reflecting the time value of money as well as the risks inherent to the associated liabilities. Reversal of the discounted amount due to passage of time is recognized as finance costs.

(15) Revenue

Revenue is measured at the fair value of considerations received with respect to sale of goods or provision of services less discounts, rebates and sales-related taxes.

1) Sale of goods

Revenue from the sale of goods is recognized when the Group transfers to the buyer significant risks and rewards associated with ownership of the goods, without retaining continuous involvement in, nor substantial control over the goods, while the Group perceives a highly probable inflow of future economic benefit associated with such transfer, and when such benefit and associated cost are reliably measurable.

2) Provision of services

Revenue derived from the provision of service is recognized based on the progress of the transaction at the end of the reporting period in which the service is provided.

(16) Current and deferred income tax

The income tax comprises current and deferred income taxes. These are recognized as profit or loss, except for the items associated with business combinations and those directly recognized as equity or other comprehensive income.

Current taxes are measured at an expected amount of taxes to be paid to or of refund from the tax authorities. The amount of taxes is calculated based on the tax rates and the tax laws that have been enacted, or substantially enacted by the end of the fiscal year in the countries where the Group conducts business activities and generates taxable profit.

Deferred tax assets and liabilities are recognized, based on the temporary differences between the book values of assets and liabilities for accounting purposes and their amounts for tax purposes on the balance sheet date, as well as unused tax losses and unused tax credits.

However, deferred tax assets and liabilities are not recognized for the following temporary differences.

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets or liabilities generated from transactions other than business combinations, which affect neither accounting profit nor taxable profit
- Taxable temporary differences arising from investments in subsidiaries and affiliates, insofar as the timing of its reversal is at the discretion of the Group, and that such reversal is not likely in the foreseeable future

Deferred tax liabilities are recognized as principle, for all taxable temporary differences, while deferred tax assets are also recognized for all taxable temporary differences, but to the extent that the Group is likely to earn the level of taxable income that warrants the use of taxable temporary differences.

The book value of deferred tax assets is reviewed every reporting period, and reduced to the extent that the Group is no longer likely to earn the level of taxable income that warrants the use of the whole or part of deferred tax assets. Unrecognized deferred tax assets are reviewed every reporting period, and are recognized to the extent that it has become likely that future taxable income will achieve recovery of deferred tax asset.

Deferred tax assets and liabilities are measured, in accordance with the tax rates and the tax laws that are expected to prevail in the period in which the asset is realized or the liability is settled, based on the tax laws and the tax rates that have been enacted or substantially enacted at the end of the fiscal year.

Deferred tax assets and liabilities are offset, if the Group has a legally enforceable right to offset a current tax liability against current tax asset, and income taxes are imposed by the same tax authorities on the same taxable entity.

Income taxes in the condensed consolidated financial statements are calculated based on the estimated annual effective tax rate.

(17) Earning per share

Basic earning per share is calculated by dividing profit attributable to common shareholders of parent, by the weighted-average number of common shares outstanding, subject to the adjustment to the number of treasury shares for the period concerned. Diluted earning per share is calculated reflecting the adjustment of the impact from all diluted shares with dilutive effect.

(18) Segment reporting

Business segments correspond to business activities, from which the Group companies earn revenues and incur expenses, including revenues and expenses relating to transactions with other business segments. Discrete financial information on operating results of all business segments is obtainable, and is regularly reviewed by the Board of Directors of the Company in order to determine the allocation of resources to each segment and assess its performance.

(19) Assets held for sale

Assets or asset groups expected to be recovered not by continuous use but by sale that are quite likely to be sold within one year, while available for immediate sale in its present condition on the basis solely of normal or conventional terms and conditions and management of the Group is committed to such sale, shall be classified as non-current assets or disposal group held for sale. In such case, non-current assets shall neither be depreciated nor amortized, and shall be measured at book value or fair value less cost to sell, whichever lower. With respect to the initial or subsequent reduction in book value of non-current assets (or disposal group) to the fair value less cost to sell, impairment loss is recognized as profit or loss. In the case of increase in the fair value less cost to sell thereafter, gain on valuation shall be recognized as profit or loss to the extent, however, not exceeding the accumulated impairment loss recognized thitherto.

(20) Treasury stock

Treasury stock is measured at acquisition cost and deducted from equity. No gain or loss is recognized associated with the purchase, sale or retirement of treasury stock of the Company. Any difference between the book value and the consideration received from the sale is recognized as capital surplus.

4. Significant accounting estimates and associated judgements

In preparing condensed consolidated financial statements, the management is required to make judgment, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in accounting estimates is recognized as the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

The estimates and judgements made by the management that may have material impacts on the figures in the condensed consolidated financial statements are as follows.

- Impairment of property, plant and equipment, goodwill and intangible assets

The Group tests property, plant and equipment, goodwill, and intangible assets for impairment in accordance with Note "3. Significant accounting policies." Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management's best estimates and judgement, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.

- Recoverability of deferred tax assets

A deferred tax asset is recognized to the extent that it is likely that taxable income will be available against which the deductible temporary difference can be utilized. In determining the probability that taxable income will be available, the Group estimates the timing and the amount of the taxable income based on the business plan. Although these estimates are management's best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

5. Segment information

(1) Overview of reporting segments

The Group's reporting segments are those Group constituent units for which separate financial information is obtainable, and which the Board of Directors subjects to regular examination in order to decide the allocation of management resources and evaluate business results.

As a pure holding company, the Company is in charge of overall strategic function for the Group, whereas operating companies of the Group engage in the precious and rare metals recycling business and the refining and processing business, industrial waste management and other environmental preservation business, and life & health business including manufacturing and selling of health equipment.

Therefore, the Group is composed of product and service segments based on business sectors. The three reporting segments are the precious metal business, the environmental preservation business, and the life & health business.

The precious metals business engages mainly in recycling and selling of precious and rare metals such as gold, silver, palladium, platinum, and indium, as well as refining and processing of precious metals such as gold and silver. The main work of environmental preservation business is the collection, transport and intermediate processing of industrial waste. In the life & health business, the main work is the manufacture and sales of massagers, hearing aids, and other health equipment, the manufacture and sales of electric heaters, the design and installation of radiant heating and air conditioning systems, and the design and installation of disaster prevention equipment.

(2) Segment revenue and performance

Accounting policies of the reporting segments are the same as those of the Group stated in "Note 3. Significant accounting policies."

Revenue and other performance of each reportable segment of the Group are as follows.

For the three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

(Millions of yen)

	Reporting segment					
	Precious metal business	Environmental preservation business	Life & health business	Total	Adjustment	Consolidated
Revenue						
External revenue	22,514	3,590	6,361	32,466	—	32,466
Intersegment revenue	—	27	0	28	(28)	—
Total	22,514	3,618	6,361	32,495	(28)	32,466
Operating income by business segment	2,571	524	348	3,444	(610)	2,834
Finance income						69
Finance costs						(50)
Profit before tax						2,854

(Note) 1. Intersegment transactions are based on prevailing market prices.

2. Adjustments of operating income by business segment are mainly corporate expenses that are not allocated to each reporting segment.

For the three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

(Millions of yen)

	Reporting segment				Adjustment	Consolidated
	Precious metal business	Environmental preservation business	Life & health business	Total		
Revenue						
External revenue	18,369	3,851	5,580	27,800	―	27,800
Intersegment revenue	―	17	―	17	(17)	―
Total	18,369	3,868	5,580	27,818	(17)	27,800
Operating income by business segment	2,388	706	160	3,255	(609)	2,645
Finance income						5
Finance costs						(134)
Profit before tax						2,517

(Note) 1. Intersegment transactions are based on prevailing market prices.

2. Adjustments of operating income by business segment are mainly corporate expenses that are not allocated to each reporting segment.

6. Subsequent events

Not applicable

7. First-time adoption

The Group has started to disclose IFRS-based condensed consolidated financial statements from the first quarter under review (from April 1, 2016 to June 30, 2016). The last Japan GAAP-based consolidated financial statements were prepared for the fiscal year ended March 31, 2016, while transition to IFRS took place on April 1, 2015.

(1) Exemption under IFRS 1

A company adopting IFRS for the first time (“first-time adopter”) is required to retrospectively apply the standards required under IFRS, provided, however, that IFRS 1 ”First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) specifies certain standards subject to compulsory application of exemption (from the aforementioned retrospective application), along with others subject to voluntary application of exemption. Impacts from the application of these exemptions are adjusted by retained earnings, or other components of equity on the date of transition to IFRS. In the process of transition to IFRS from Japan GAAP, the Group adopted the following exemptions.

- Business combinations

A first-time adopter is allowed to elect not to retrospectively apply IFRS 3 “Business Combinations” to the business combinations that took place before the date of transition to IFRS. The Group elected, by applying this exemption, not to retrospectively apply IFRS 3 to the business combinations that took place before the date of transition. As a result, the amount of goodwill arising from the business combinations before the date of transition is recognized at the book value as at the date of transition based on the Japan GAAP. Incidentally, goodwill is subject to impairment test on the date of transition, regardless of whether there is an indication of impairment loss.

- Foreign currency translation adjustments of foreign operations

Under IFRS 1, an option is allowed whereby cumulative translation differences of foreign operations as at the date of transition to IFRS may be assumed to be nil. The Group elected to assume such cumulative translation differences to be nil as at the date of transition to IFRS.

(2) Compulsory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interest,” and “classification and measurement of financial assets.” Thus the Company applies IFRS to these items from the date of transition and onwards.

The reconciliation required to be disclosed at the first-time adoption of IFRS is as follows.

(3) Reconciliation

The reconciliation required to be disclosed at the first-time adoption of IFRS is as follows.

Reconciliation of equity as of April 1, 2015 (date of transition to IFRS)

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	11,046	(205)	－	10,841	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	15,146	1,973	(1,267)	15,851	(2),(3) (4)	Trade and other receivables
Inventories	15,630	－	187	15,817	(4)	Inventories
Deferred tax assets	854	(854)	－	－	(6)	
	－	2,506	－	2,506	(2)	Income tax receivables
	－	674	－	674	(1),(3)	Other financial assets
Other	5,919	(4,988)	－	930	(2)	Other current assets
Allowance for doubtful accounts	(40)	40	－	－	(3)	
Total current assets	48,556	(854)	(1,079)	46,622		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	32,334	－	1,328	33,663	(7)	Property, plant and equipment
Goodwill	21,737	－	－	21,737	(8)	Goodwill
Intangible assets	906	－	－	906		Intangible assets
Investment securities	168	(168)	－	－	(5)	
Deferred tax assets	368	854	68	1,291	(6)	Deferred tax assets
Net defined benefit asset	154	－	－	154		Net defined benefit asset
	－	807	－	807	(3),(5)	Financial assets
Other	676	(662)	－	13		Other non-current assets
Allowance for doubtful accounts	(24)	24	－	－	(3)	
Total non-current assets	56,321	854	1,397	58,573		Total non-current assets
Total assets	104,877	－	317	105,195		Total assets

(Millions of yen)

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and Equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	6,161	5,460	165	11,787	(2)	Trade and other payables
Short-term loans payable	26,171	270	—	26,441	(9)	Loans payable
Current portion of long-term loans payable	270	(270)	—	—	(9)	
Accounts payable-other	3,473	(3,473)	—	—	(2)	
Income taxes payable	2,111	—	—	2,111		Income tax payable
	—	46	—	46	(5)	Other financial liabilities
Provisions	1,362	—	(102)	1,259		Provisions
Deferred tax liabilities	776	(776)	—	—	(6)	
Other	5,276	(2,033)	396	3,638	(2), (5),(11)	Other current liabilities
Total current liabilities	45,603	(776)	459	45,286		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	6,550	—	—	6,550		Loans payable
Deferred tax liabilities	1,567	776	(282)	2,061	(6)	Deferred tax liabilities
Net defined benefit liability	126	—	—	126		Net defined benefit liability
	—	72	—	72	(5)	Other financial liabilities
Other	72	(72)	—	0	(5)	Other non-current liabilities
Total non-current liabilities	8,316	776	(282)	8,810		Total non-current liabilities
Total liabilities	53,919	—	176	54,096		Total liabilities
Net assets						Equity
Capital stock	4,480	—	—	4,480		Capital stock
Capital surplus	6,038	77	—	6,116		Capital surplus
Treasury stock	(5,159)	—	—	(5,159)		Treasury stock
Subscription rights to shares	77	(77)	—	—		
Retained earnings	44,459	—	539	44,999	(12), (13)	Retained earnings
Total accumulated other comprehensive income	685	—	(338)	346	(12)	Other components of equity
	50,582	—	200	50,783		Total equity attributable to owners of parent
Non-controlling interests	375	—	(60)	315		Non-controlling interests
Total net assets	50,958	—	140	51,098		Total equity
Total liabilities and net assets	104,877	—	317	105,195		Total liabilities and equity

Reconciliation of equity as of June 30, 2015

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	8,756	(195)	—	8,560	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	13,670	3,606	(713)	16,563	(2),(3) (4)	Trade and other receivables
Inventories	15,388	—	(408)	14,980	(4)	Inventories
Deferred tax assets	591	(591)	—	—	(6)	
	—	2,086	—	2,086	(2)	Income tax receivables
	—	740	—	740	(1),(3)	Other financial assets
Other	8,154	(6,272)	(124)	1,757	(2)	Other current assets
Allowance for doubtful accounts	(35)	35	—	—	(3)	
Total current assets	46,526	(591)	(1,246)	44,687		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	32,419	—	1,236	33,655	(7)	Property, plant and equipment
Goodwill	22,421	—	426	22,848	(8)	Goodwill
Intangible assets	916	—	—	916		Intangible assets
Investment securities	177	(177)	—	—	(5)	
Deferred tax assets	317	591	117	1,027	(6)	Deferred tax assets
Net defined benefit asset	160	—	40	200		Net defined benefit asset
	—	815	—	815	(3),(5)	Financial assets
Other	683	(662)	—	21		Other non-current assets
Allowance for doubtful accounts	(24)	24	—	—	(3)	
Total non-current assets	57,072	591	1,820	59,485		Total non-current assets
Total assets	103,599	—	574	104,173		Total assets

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and Equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	6,924	5,217	—	12,141	(2)	Trade and other payables
Short-term loans payable	25,871	5,270	—	31,141	(9)	Loans payable
Current portion of long-term loans payable	5,270	(5,270)	—	—	(9)	
Accounts payable-other	2,441	(2,441)	—	—	(2)	
Income taxes payable	681	—	—	681		Income tax payable
	—	43	—	43	(5)	Other financial liabilities
Provisions	967	—	11	979		Provisions
Other	4,501	(2,820)	50	1,731	(2), (5),(11)	Other current liabilities
Total current liabilities	46,658	—	61	46,720		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	1,415	—	—	1,415		Loans payable
Deferred tax liabilities	2,316	—	(222)	2,094	(6)	Deferred tax liabilities
Net defined benefit liability	133	—	—	133		Net defined benefit liability
	—	71	163	234	(5)	Other financial liabilities
Other	71	(71)	—	0	(5)	Other non-current liabilities
Total non-current liabilities	3,936	—	(58)	3,877		Total non-current liabilities
Total liabilities	50,594	—	3	50,597		Total liabilities
Net assets						Equity
Capital stock	4,480	—	—	4,480		Capital stock
Capital surplus	6,106	45	—	6,152		Capital surplus
Treasury stock	(5,043)	—	—	(5,043)		Treasury stock
Subscription rights to shares	45	(45)	—	—		
Retained earnings	44,915	—	1,058	45,974	(12), (13)	Retained earnings
Total accumulated other comprehensive income	2,098	—	(449)	1,649	(12)	Other components of equity
	52,604	—	608	53,213		Total equity attributable to owners of parent
Non-controlling interests	399	—	(37)	362		Non-controlling interests
Total net assets	53,004	—	571	53,575		Total equity
Total liabilities and net assets	103,599	—	574	104,173		Total liabilities and equity

Reconciliation of equity as of March 31, 2016

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets						Assets
Current assets						Current assets
Cash and deposits	16,668	(103)	—	16,564	(1)	Cash and cash equivalents
Notes and accounts receivable-trade	11,558	3,827	(741)	14,644	(2),(3) (4)	Trade and other receivables
Inventories	15,244	—	(153)	15,090	(4)	Inventories
Deferred tax assets	937	(937)	—	—	(6)	
	—	2,520	—	2,520	(2)	Income tax receivables
	—	105	—	105	(1),(3)	Other financial assets
Other	7,192	(6,380)	—	811	(2)	Other current assets
Allowance for doubtful accounts	(31)	31	—	—	(3)	
Total current assets	51,570	(937)	(895)	49,737		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	30,791	—	997	31,788	(7)	Property, plant and equipment
Goodwill	19,136	—	(2,213)	16,922	(8)	Goodwill
Intangible assets	969	—	—	969		Intangible assets
Investment securities	155	(155)	—	—	(5)	
Deferred tax assets	322	937	121	1,381	(6)	Deferred tax assets
	—	771	—	771	(3),(5)	Financial assets
Other	664	(637)	—	27		Other non-current assets
Allowance for doubtful accounts	(21)	21	—	—	(3)	
Total non-current assets	52,019	937	(1,095)	51,861		Total non-current assets
Total assets	103,589	—	(1,990)	101,599		Total assets

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
						Liabilities and Equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	8,875	6,063	186	15,125	(2)	Trade and other payables
Short-term loans payable	1,845	5,270	—	7,115	(9)	Loans payable
Current portion of long-term loans payable	5,270	(5,270)	—	—	(9)	
Accounts payable-other	1,891	(1,891)	—	—	(2)	
Income taxes payable	2,012	—	—	2,012		Income tax payable
	—	187	—	187	(5)	Other financial liabilities
Provisions	1,534	—	(11)	1,522		Provisions
Other	7,012	(4,359)	300	2,953	(2), (5),(11)	Other current liabilities
Total current liabilities	28,442	—	475	28,917		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	21,584	—	(1,080)	20,503	(10)	Loans payable
Deferred tax liabilities	1,937	—	(355)	1,582	(6)	Deferred tax liabilities
Net defined benefit liability	142	—	—	142		Net defined benefit liability
Provisions	119	—	(119)	—		
	—	62	1,403	1,465	(5),(10)	Other financial liabilities
Other	62	(62)	—	—	(5)	
Total non-current liabilities	23,846	—	(153)	23,693		Total non-current liabilities
Total liabilities	52,288	—	322	52,610		Total liabilities
Net assets						Equity
Capital stock	4,480	—	—	4,480		Capital stock
Capital surplus	6,112	—	—	6,112		Capital surplus
Treasury stock	(5,371)	—	—	(5,371)		Treasury stock
Retained earnings	47,524	—	(1,678)	45,845	(12), (13)	Retained earnings
Total accumulated other comprehensive income	(1,884)	—	(591)	(2,476)	(12)	Other components of equity
	50,862	—	(2,270)	48,591		Total equity attributable to owners of parent
Non-controlling interests	438	—	(42)	396		Non-controlling interests
Total net assets	51,300	—	(2,312)	48,988		Total equity
Total liabilities and net assets	103,589	—	(1,990)	101,599		Total liabilities and equity

Notes on reconciliation of equity

(1) Reclassification of cash and deposits

Time deposits with deposit terms of over three months, which were included in "cash and deposits" under Japan GAAP, are reclassified into "other financial assets (current)" under IFRS.

(2) Reclassification of other current assets and current liabilities

Accounts receivable – other, which were included in "other" of current assets under Japan GAAP, have been reclassified as "trade and other receivables" and "Income tax receivables" under IFRS, while accounts payable – other, which was presented as a separate item of current liabilities, and accrued expenses, which were included in "other" under Japan GAAP, have been reclassified as "trade and other payables" under IFRS.

(3) Reclassification of allowance for doubtful accounts

"Allowance for doubtful accounts (current)," which was separately presented under Japan GAAP, has been reclassified under IFRS to be directly deducted from "trade and other receivables" as well as "other financial assets (current)" to present their net amounts, while "allowance for doubtful accounts (non-current)" has also been reclassified under IFRS to be directly deducted from "financial assets (non-current)" to present the net amount.

(4) Adjustment to operating receivables and inventories due to changes in timing of revenue recognition

Timing of revenue recognition for some of the transactions of sales of goods which were recognized on shipment basis under Japan GAAP has been changed to customer delivery basis under IFRS, whereby operating receivables and inventories are subject to adjustments accordingly.

(5) Reclassification of other financial assets and financial liabilities

"Investment securities," which were presented separately under Japan GAAP, have been reclassified as "financial assets (non-current)" under IFRS. Lease obligations, which were included in "other" of current liabilities and "other" of non-current liabilities under Japan GAAP, have been reclassified as "other financial liabilities (current)" and "other financial liabilities (non-current)," respectively, under IFRS.

(6) Reclassification of deferred tax assets and deferred tax liabilities, review of recoverability of deferred tax assets

Since IFRS requires all deferred tax assets and liabilities to be classified as non-current items without making a distinction between current and non-current items, deferred tax assets and liabilities which were previously recorded as current items have been reclassified as non-current items. Meanwhile, as a result of the adoption of IFRS, the recoverability of all deferred tax assets is currently under review and consideration.

(7) Adjustment to the recorded amount of property, plant and equipment

Under the Japan GAAP, the Group was mainly using the declining-balance method for the purpose of depreciating property, plant and equipment (excluding lease assets); under the IFRS, the Group has adopted the straight-line method.

Fixed asset acquisition tax, which was treated as expenses under Japan GAAP, is capitalized under IFRS.

(8) Adjustment to the recorded amount of goodwill

Goodwill was amortized over a certain period of time under Japan GAAP, whereas it is not subject to amortization under IFRS. In addition, goodwill was subject to reviews for decisions on impairment only when there was an indication of impairment under Japan GAAP, while impairment tests are conducted every reporting period under IFRS.

Based on the difference between Japan GAAP and IFRS, the precious metal business segment recognized 3,776 million yen impairment loss in the fiscal year ended March 31, 2016. Recoverable amount is measured at value in use, and calculated by discounting future cash flows using 11.84% discount rate.

(9) Reclassification of loans payable

"Current portion of long-term loans payable," which was presented as a separate item of current liabilities, has been reclassified as "loans payable (current)" under IFRS.

(10) Adjustment to loans payable and other financial liabilities

With respect to derivative transactions for the purpose of avoiding risks associated with fluctuations of interest rate of long-term borrowings as well as those of exchange rate, exceptional accounting (tokurei-shori) and designated hedge accounting (furiate-shori) were adopted for the basis of hedge accounting under Japan GAAP, whereas under IFRS, they are measured at fair value.

(11) Adjustment to other current liabilities

Allowance for unused compensated absences, which was not accounted for under Japan GAAP, is recorded as "other current liabilities" under IFRS.

(12) Reclassification of accumulated translation adjustments for overseas subsidiaries

Exemption under IFRS 1 was elected at the first-time adoption, whereby the accumulated translation adjustments as at the date of transition to IFRS have been wholly reclassified as retained earnings.

(13) Reconciliation of retained earnings

	Date of transition to IFRS (April 1, 2015)	As of June 30, 2015	As of March 31, 2016
	Millions of yen	Millions of yen	Millions of yen
Adjustment to trade receivables and inventories	(359)	(99)	(156)
Adjustment to recorded amount of property, plant and equipment	1,328	1,236	997
Adjustment to recorded amount of goodwill	−	426	(2,213)
Reconciliation of compensated absences payable	(874)	(908)	(895)
Reclassification of accumulated translation adjustments for overseas subsidiaries	338	338	338
Other	(305)	(271)	(162)
Subtotal	128	721	(2,092)
Tax effect reconciliation	351	299	371
Reconciliation for non-controlling interests	60	37	42
Total	539	1,058	(1,678)

Reconciliation of profit or loss and comprehensive income for the three months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	31,610	—	856	32,466	(1)	Revenue
Cost of sales	(25,037)	—	(678)	(25,716)	(1)	Cost of sales
Gross profit	6,573	—	177	6,750		Gross profit
Selling, general and administrative expenses	(4,284)	(24)	379	(3,928)	(2)	Selling, general and administrative expenses
	—	22	(1)	20	(3)	Other operating income
	—	(9)	1	(8)	(4)	Other operating expenses
Operating income	2,289	(11)	556	2,834		Operating income
Non-operating income	83	(83)	—	—	(3),(5)	
Non-operating expenses	(57)	57	—	—	(4),(5)	
Extraordinary income	8	(8)	—	—	(3)	
Extraordinary loss	(2)	2	—	—	(4)	
	—	69	(0)	69	(5)	Finance income
	—	(50)	0	(50)	(5)	Finance cost
Income before income taxes	2,321	(24)	556	2,854		Profit before tax
Income taxes-current	(625)	(210)	(52)	(887)		Income tax expenses
Income taxes-deferred	(234)	234	—	—		
Profit	1,461	—	504	1,966		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	5	—	—	5		Financial assets measured at fair value through other comprehensive income
	—	—	35	35		Remeasurements of defined benefit plans
	5	—	35	40		Total of items that will not be reclassified to profit or loss
						Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	50	—	(110)	(59)		Cash flow hedges
Foreign currency translation adjustment	1,358	—	(0)	1,357		Translation adjustments of foreign operations
	1,409	—	(111)	1,297		Total of items that will be reclassified to profit or loss
Total other comprehensive income	1,414	—	(75)	1,338		Other comprehensive income, net of tax
Comprehensive income	2,876	—	428	3,304		Comprehensive income

Reconciliation of profit or loss and comprehensive income for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

Line item under Japan GAAP	Japan GAAP	Reclassification of line items	Difference in recognition and measurement	IFRS	Notes	Line item under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	118,473	—	879	119,352	(1)	Revenue
Cost of sales	(92,719)	—	(675)	(93,394)	(1)	Cost of sales
Gross profit	25,753	—	204	25,958		Gross profit
Selling, general and administrative expenses	(17,048)	(72)	1,421	(15,699)	(2)	Selling, general and administrative expenses
	—	157	(48)	109	(3)	Other operating income
	—	(545)	(3,765)	(4,310)	(4)	Other operating expenses
Operating income	8,705	(460)	(2,187)	6,057		Operating income
Non-operating income	89	(89)	—	—	(3),(5)	
Non-operating expenses	(284)	284	—	—	(4),(5)	
Extraordinary income	109	(109)	—	—	(3)	
Extraordinary loss	(512)	512	—	—	(4)	
	—	40	(1)	39	(5)	Finance income
	—	(251)	24	(227)	(5)	Finance cost
Income before income taxes	8,106	(72)	(2,165)	5,868		Profit before tax
Income taxes-current	(3,153)	251	18	(2,883)		Income tax expenses
Income taxes-deferred	179	(179)	—	—		
Profit	5,132	—	(2,146)	2,985		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	(4)	—	—	(4)		Financial assets measured at fair value through other comprehensive income
	—	—	(99)	(99)		Remeasurements of defined benefit plans
	(4)	—	(99)	(103)		Total of items that will not be reclassified to profit or loss
						Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(425)	—	(268)	(693)		Cash flow hedges
Foreign currency translation adjustment	(2,148)	—	15	(2,133)		Translation adjustments of foreign operations
	(2,573)	—	(252)	(2,826)		Total of items that will be reclassified to profit or loss
Total other comprehensive income	(2,577)	—	(352)	(2,930)		Other comprehensive income, net of tax
Comprehensive income	2,554	—	(2,499)	55		Comprehensive income

Notes on reconciliation of profit or loss and comprehensive income

(1) Revenue and cost of sales

Timing of revenue recognition for some of the transactions of sales of goods which were recognized on shipment basis under Japan GAAP has been changed to customer delivery basis, whereby revenue and cost of sales are subject to adjustments accordingly under IFRS.

(2) Selling, general and administrative expenses

Goodwill was subject to amortization under Japan GAAP, whereas it is not under IFRS, and therefore, the amount of amortization of goodwill under Japan GAAP has been reversed.

(3) Other operating income

Gain on sales of non-current assets and others, which were presented as extraordinary income under Japan GAAP, are presented as other operating income under IFRS.

(4) Other operating expenses

Loss on sale and disposal of non-current assets and others, which were presented as extraordinary loss under Japan GAAP, are presented as other operating expense under IFRS. Based on the difference between Japan GAAP and IFRS, the precious metal business segment recognized 3,776 million yen impairment loss for the fiscal year ended March 31, 2016.

(5) Finance income and costs

Interest income, dividend income, and foreign exchange gain, which were presented as non-operating income under Japan GAAP, as well as interest expenses and foreign exchange losses, which were presented as non-operating expenses under Japan GAAP, are presented as finance income and finance costs, respectively, under IFRS.

Reconciliation of cash flows for the three months ended June 31, 2015 (from April 1, 2015 to June 30, 2015) and the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

There is no significant difference between the consolidated statements of cash flows disclosed based on Japan GAAP and those disclosed based on IFRS.