Consolidated Financial Results for the Second Quarter Ended September 30, 2019
Asahi Holdings, Inc. [IFRS]

October 29, 2019

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
URL:	https://www.asahiholdings.com
Representative	Tomoya Higashiura, Representative Director and President
For further information please contact:	Kunihiko Chogo, General Manager, Corporate Planning & Communications Department (Phone) +81-3-6270-1833
Filing date of Quarterly Report:	November 13, 2019
Start of dividend payment:	November 22, 2019
Supplementary materials for the financial results:	Yes
Investor conference for the financial results:	Yes (for institutional investors, analysts)

(Rounded down to the nearest million yen)

1. Results of the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(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 six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	70,152	16.2	8,505	23.9	7,225	11.4	4,506	(0.8)	4,506	(0.8)	3,557	(15.6)
September 30, 2018	60,380	5.0	6,864	7.5	6,486	4.3	4,541	5.1	4,541	6.0	4,213	4.0

	Basic earnings per share	Diluted earnings per share
The six months ended	Yen	Yen
September 30, 2019	114.53	114.14
September 30, 2018	114.84	114.62

(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	%
September 30, 2019	209,966	69,036	69,036	32.9
March 31, 2019	160,272	67,804	67,804	42.3

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	–	60.00	–	60.00	120.00
Year ending March 31, 2020	–	60.00			
Year ending March 31, 2020 (Forecast)			–	60.00	120.00

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

3. Forecast (From April 1, 2019 to March 31, 2020) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating income		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2020	135,000	4.9	19,000	31.2	16,800	25.3	10,200	13.3	259.22

(Note) Revisions in forecast in the current quarter: Yes
For details, please refer to "Notice on the Revision of Financial Forecasts and Changes in the Reporting Segment " made public on October 29, 2019.

* 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: Yes

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

(iii) Changes in accounting estimates: No

For details, please refer to page 11 "2. Condensed Consolidated Financial Statements (7) Notes on Condensed Consolidated Financial Statements (3.Changes in accounting policies)".

(3) Number of issued shares (common stock)

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

As of September 30, 2019	39,854,344 shares
As of March 31, 2019	39,854,344 shares

(ii) Number of treasury shares at the quarter end

As of September 30, 2019	505,487 shares
As of March 31, 2019	505,487 shares

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

Six months ended September 30, 2019	39,348,857 shares
Six months ended September 30, 2018	39,547,943 shares

*The quarterly financial statements are not subject to quarterly reviews by accounting auditors.

(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 3 "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

The Japanese economy continued to register moderate recovery during the second quarter of the current fiscal year, backed by the improvement of employment and income environment. However, the opaque condition of the economy remained due to concerns over the consumption tax hike in Japan and the U.S-China trade conflict. Under these conditions, the group's results in each business segment were as follows:

Precious Metals business

Revenue and operating income in the precious metal recycling business in Japan, South Korea and Malaysia increased from the same period in the previous year because of increase of collection volume and rising prices of precious metals. Revenue and operating income regarding precious metal refining business in North America expanded from the same period a year earlier due in part to increase of refining transactions and expansion of financial trading. As a result, revenue and operating income in this segment exceeded the level during the same period in the previous year.

Environmental Preservation business

Revenue and operating income in this segment increased from the same period in the previous year on account of the efforts to develop new business and reinforce coordination among group companies by capitalizing on the strengths of each company.

Life & Health business

Revenue and operating income in this segment outpaced the level during the same period a year earlier as a result of an expansion of the sales of various products prior to the consumption tax hike and solid results of the air-conditioning equipment business. KOEIKOGYO CO., LTD., which specializes in fire-fighting equipment works, was excluded from the list of consolidated subsidiaries in August.

As a result of the above, revenue during the second quarter of the current fiscal year was 70,152 million yen, a year-on-year increase of 9,771 million yen (+16.2 percent). Operating income was 8,505 million yen, an increase of 1,641 million yen (+23.9 percent) year-on-year. Profit before tax was 7,225 million yen, a year-on-year increase of 738 million yen (+11.4 percent). Profit was 4,506 million yen, a year-on-year decrease of 34 million yen (-0.8 percent). Profit attributable to owners of parent for the period was therefore 4,506 million yen, an decrease of 34 million yen (-0.8 percent) year-on-year. By segment, revenue in the Precious Metal business was 49,912 million yen, a year-on-year increase of 7,466 million yen (+17.6 percent). In the Environmental Preservation business, revenue was 9,043 million yen, and increase of 1,056 million yen (+13.2 percent) year-on-year. Revenue in the Life & Health business was 11,204 million yen, and increase of 1,227 million yen (+12.3 percent) year-on-year.

(2) Consolidated Financial Position and Cash Flows for the six months ended September 30, 2019

As of September 30, 2019, total assets amounted to 209,966 million yen, up 49,693 million yen from the previous fiscal year end. This was due mainly to the decrease of 3,525 million yen in cash and cash equivalents and the increase of 46,359 million yen in trade and other receivables and 5,536 million yen in inventories and 1,636 million yen in property, plant and equipment.

Total liabilities amounted to 140,929 million yen, up 48,461 million yen from the previous fiscal year end. This was due mainly to the decrease of 1,848 million yen in other current liabilities, the increase of 46,948 million yen in loans payable and the increase of 3,278 million yen in other financial liabilities.

Total equity amounted to 69,036 million yen, up 1,232 million yen from the previous fiscal year end. This was due mainly to comprehensive income of 3,557 million yen and dividends of 2,360 million yen.

As a result, the equity attributable to owners of parent ratio changed to 32.9%, from 42.3% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 47,623 million yen due mainly to 47,704 million yen of increase in trade and other receivables .

Net cash used in investing activities amounted to 1,134 million yen due mainly to 1,352 million yen of purchase of property, plant and equipment.

Net cash provided by financial activities amounted to 45,396 million yen due mainly to 48,005 million yen of net increase in short-term loans payable.

As a result, cash and cash equivalents as of September 30, 2019 decrease 3,525 million yen from March 31, 2019, to 12,772 million yen.

(3) Consolidated Performance Forecasts

The financial forecasts for the fiscal year were revised in view of the fact that precious metal prices are hovering above the assumptions at the beginning of the fiscal year and the volume of precious metals collected for recycling is expected to exceed the level planned at the beginning of the fiscal year, among other reasons. In this revised forecast, operating income, profit before tax and profit attributable to owners of parent are all projected to be record high.

Today, Asahi Holdings, Inc.(hereinafter the "Company") signed a basic agreement on the share transfer of Fuji Medical Instruments Mfg. Co., Ltd. (hereinafter "Fuji"), its consolidated subsidiary. Fuji will be classified as discontinued operations by the third quarter of the year ending March 2020 and scheduled to be excluded from the list of consolidated subsidiaries by the fourth quarter of the year ending March 2020. The details are shown in the "Notice on the Conclusion of Basic Agreement on Share Transfer (Change regarding Subsidiary)", which was announced separately today.

In case the share transfer of Fuji is not realized, approx. 20 billion yen will be added to revenue, approx. 0.9 billion yen to operating income, approx. 0.9 billion yen to profit before tax and approx. 1.4 billion yen to profit attributable to owners of parent respectively. The projected figures are as shown in (Ref.-2) below.

Also the Company's business had earlier been composed of three reporting segments: "Precious Metals Business," "Environmental Preservation Business" and "Life & Health Business." When the transfer of Fuji to an equity method affiliate goes ahead as scheduled, the Company will change its reporting segment composition to comprise two segments of "Precious Metals Business" and "Environmental Preservation Business" beginning in the third quarter of the fiscal year ending March 31, 2020.

For details, please refer to "Notice on the Revision of Financial Forecasts and Changes in the Reporting Segment" and "Notice on the Conclusion of Basic Agreement on Share Transfer (Change regarding Subsidiary)" made public on October 29, 2019.

Revision of the Consolidated Financial Forecasts for the fiscal year ending March 31, 2020
(April 1, 2019 to March 31, 2020)

(Millions of yen, %)

	Revenue	Operating income	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A) (Announced on May 8, 2019)	140,000	14,500	14,300	9,400	(yen) 238.89
Revised Forecast (B)	135,000	19,000	16,800	10,200	259.22
Change (B−A)	△5,000	4,500	2,500	800	－
Change (%)	△3.6	31.0	17.5	8.5	－
(Ref.-1) Results for the previous FY (FY ended March 31, 2019)	128,669	14,478	13,405	9,000	228.14
(Ref.-2) In case Fuji is consolidated (FY ending March 31, 2020)	155,000	19,900	17,700	11,600	292.26

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2019	As of September 30, 2019
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	16,297	12,772
Trade and other receivables	66,489	112,848
Inventories	25,191	30,728
Income tax receivables	1,515	290
Other financial assets	389	93
Other current assets	3,906	4,509
Total current assets	113,790	161,241
Non-current assets		
Property, plant and equipment	36,083	37,719
Goodwill	8,243	8,243
Intangible assets	697	627
Deferred tax assets	873	1,612
Net defined benefit asset	47	—
Financial assets	498	481
Other non-current assets	39	40
Total non-current assets	46,482	48,724
Total assets	160,272	209,966

	As of March 31, 2019	As of September 30, 2019
	Millions of yen	Millions of yen
LIABILITIES and EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	17,169	16,803
Loans payable	44,712	110,746
Income tax payable	2,405	2,968
Other financial liabilities	1,537	3,073
Provision	1,207	1,082
Other current liabilities	3,540	1,692
Total current liabilities	70,573	136,365
Non-current liabilities		
Loans payable	19,085	–
Deferred tax liabilities	1,360	1,349
Net defined benefit liability	157	166
Other financial liabilities	1,291	3,034
Other non-current liabilities	–	13
Total non-current liabilities	21,895	4,563
Total liabilities	92,468	140,929
Equity		
Capital stock	7,790	7,790
Capital surplus	10,353	10,388
Treasury stock	(955)	(955)
Retained earnings	55,547	57,662
Other components of equity	(4,931)	(5,849)
Total equity attributable to owners of parent	67,804	69,036
Total equity	67,804	69,036
Total liabilities and equity	160,272	209,966

(2) Condensed Consolidated Statements of Income for the six months ended September 30, 2019

	The six months ended September 30, 2018	The six months ended September 30, 2019
	Millions of yen	Millions of yen
Revenue	60,380	70,152
Cost of sales	(46,600)	(54,438)
Gross profit	13,779	15,714
Selling, general and administrative expenses	(6,909)	(7,188)
Other operating income	146	90
Other operating expenses	(152)	(109)
Operating income	6,864	8,505
Finance income	35	8
Finance cost	(413)	(1,225)
Other non-operating income	—	77
Other non-operating expenses	—	(140)
Profit before tax	6,486	7,225
Income tax expenses	(1,944)	(2,718)
Profit	4,541	4,506
Profit attributable to:		
Owners of parent	4,541	4,506
Non-controlling interests	—	—
Profit	4,541	4,506
Earnings per share		
Basic earnings per share (Yen)	114.84	114.53
Diluted earnings per share (Yen)	114.62	114.14

(3) Condensed Consolidated Statements of Comprehensive Income for the six months ended September 30, 2019

	The six months ended September 30, 2018	The six months ended September 30, 2019
	Millions of yen	Millions of yen
Profit	4,541	4,506
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(3)	(3)
Remeasurements of defined benefit plans	48	(34)
Total items that will not be reclassified to profit or loss	44	(38)
Items that will be reclassified to profit or loss		
Cash flow hedges	(648)	(754)
Translation adjustments of foreign operations	275	(156)
Total items that will be reclassified to profit or loss	(372)	(910)
Other comprehensive income, net of tax	(327)	(948)
Comprehensive income	4,213	3,557
Comprehensive income attributable to:		
Owners of parent	4,213	3,557
Non-controlling interests	—	—
Comprehensive income	4,213	3,557

(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, 2018	7,790	10,381	(386)	50,282	(3,624)	(34)
Profit	–	–	–	4,541	–	–
Other comprehensive income	–	–	–	–	275	(648)
Total comprehensive income	–	–	–	4,541	275	(648)
Purchase of treasury stock	–	–	(744)	–	–	–
Disposal of treasury stock	–	24	70	–	–	–
Dividends	–	–	–	(1,306)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	53	–	–
Share-based payment transactions	–	(52)	104	–	–	–
Total transactions with owners	–	(27)	(568)	(1,253)	–	–
Balance at September 30, 2018	7,790	10,353	(955)	53,570	(3,348)	(683)

(Millions of yen)

	Equity attributable to owners of parent				
	Other components of equity				
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance at April 1, 2018	27	–	(3,632)	64,435	64,435
Profit	–	–	–	4,541	4,541
Other comprehensive income	(3)	48	(327)	(327)	(327)
Total comprehensive income	(3)	48	(327)	4,213	4,213
Purchase of treasury stock	–	–	–	(744)	(744)
Disposal of treasury stock	–	–	–	95	95
Dividends	–	–	–	(1,306)	(1,306)
Reclassified from other components of equity to retained earnings	(4)	(48)	(53)	–	–
Share-based payment transactions	–	–	–	52	52
Total transactions with owners	(4)	(48)	(53)	(1,903)	(1,903)
Balance at September 30, 2018	18	–	(4,013)	66,745	66,745

(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, 2019	7,790	10,353	(955)	55,547	(3,737)	(1,203)
Profit	—	—	—	4,506	—	—
Other comprehensive income	—	—	—	—	(156)	(754)
Total comprehensive income	—	—	—	4,506	(156)	(754)
Dividends	—	—	—	(2,360)	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(30)	—	—
Share-based payment transactions	—	35	—	—	—	—
Total transactions with owners	—	35	—	(2,391)	—	—
Balance at September 30, 2019	7,790	10,388	(955)	57,662	(3,893)	(1,957)

(Millions of yen)

	Equity attributable to owners of parent				
	Other components of equity				
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance at April 1, 2019	8	—	(4,931)	67,804	67,804
Profit	—	—	—	4,506	4,506
Other comprehensive income	(3)	(34)	(948)	(948)	(948)
Total comprehensive income	(3)	(34)	(948)	3,557	3,557
Dividends	—	—	—	(2,360)	(2,360)
Reclassified from other components of equity to retained earnings	(3)	34	30	—	—
Share-based payment transactions	—	—	—	35	35
Total transactions with owners	(3)	34	30	(2,325)	(2,325)
Balance at September 30, 2019	1	—	(5,849)	69,036	69,036

(5) Condensed Consolidated Statements of Cash Flows

	The six months ended September 30, 2018	The six months ended September 30, 2019
	Millions of yen	Millions of yen
Net cash provided by (used in) operating activities		
Profit before tax	6,486	7,225
Depreciation and amortization	1,163	1,448
Impairment loss	15	0
Finance income and finance cost	368	1,206
Other non-operating income and expenses	—	63
Decrease (increase) in inventories	1,203	(5,889)
Decrease (increase) in trade and other receivables	(2,427)	(47,704)
Increase (decrease) in trade and other payables	(218)	969
Other, net	1,607	(1,498)
Subtotal	8,199	(44,177)
Interest and dividends income received	22	8
Interest expenses paid	(419)	(1,067)
Income taxes paid	(4,191)	(3,780)
Income taxes refund	1,364	1,394
Net cash provided by (used in) operating activities	4,975	(47,623)
Net cash provided by (used in) investing activities		
Payments into time deposits	—	(95)
Purchase of property, plant and equipment	(1,176)	(1,352)
Proceeds from sales of property, plant and equipment	196	95
Purchase of intangible assets	(83)	(107)
Proceeds from sales and redemption of investments	12	216
Other, net	(14)	110
Net cash provided by (used in) investing activities	(1,064)	(1,134)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	39	48,005
Repayment of long-term loans payable	(135)	—
Proceeds from sales of treasury stock	95	—
Purchase of treasury stock	(744)	—
Cash dividends paid	(1,306)	(2,354)
Other, net	(21)	(254)
Net cash provided by (used in) financing activities	(2,073)	45,396
Effect of exchange rate change on cash and cash equivalents	158	(163)
Net increase (decrease) in cash and cash equivalents	1,996	(3,525)
Cash and cash equivalents at beginning of period	24,140	16,297
Cash and cash equivalents at end of period	26,136	12,772

(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 six months ended September 30, 2019 comprise the financial statements of the Company as well as its subsidiaries (hereinafter 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

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.

(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.

(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.

3. Changes in accounting policies

The significant accounting policies adopted for the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2019, with the exception of the items described below.

The income tax for the six months ended September 30, 2019 was calculated based on the estimated average annual effective tax rate.

The Group adopted the standards shown below in the first quarterly consolidated accounting period.

IFRS		Overview of new and revised items
IFRS 16	Leases	Revision of accounting procedures on leases

The Group adopted IFRS 16 “Leases” (announced in January 2016, hereinafter referred to as “IFRS 16”) in the first quarterly consolidated period.

IFRS 16, which replaces the former IAS 17 for lease transactions of the lessee, prescribes the elimination of the classification between operating leases and finance leases and introduction of a single accounting model to record assets and liabilities in relation to all important lease transactions.

As of the lease commencement date, right-of-use assets are measured at acquisition cost, and lease liabilities are measured at the present value of remaining lease payments as of the lease commencement date. When the ownership of the underlying asset is transferred to the Group prior to the termination of the lease period, or when the exercise of a purchase option is reflected in the acquisition price of the right-of-use asset, the right-of-use asset is depreciated using the straight-line method based on its useful life. In other cases, right-of-use assets are depreciated using the straight-line method based on either the useful life or at the termination of the lease period, whichever is shorter. Lease payments are apportioned between finance costs and repayment of lease obligations based on the interest method, and financial costs are recognized in the consolidated statement of profit and loss.

The lease period is determined by adjusting the period subject to an option to extend or terminate the lease that can be exercised with reasonable certainty during the non-cancelable period as set forth in the lease contract. The rate used in calculating the present value of the lease payments is the interest rate implicit in the lease or the lessee's incremental borrowing rate.

Short-term leases with a lease term of 12 months or less and leases of low-value underlying assets are recognized as expenses on either a straight-line basis or another systematic basis over the lease term for the total lease payments.

The method adopted in the application of IFRS 16 is to recognize the cumulative effect of applying this standard at the date of initial application that is approved as an interim measure without retrospectively adjusting the balance in the earlier reporting periods.

In transitioning to IFRS 16, the Company chose to adopt the practical expedient of succeeding the previous assessment of which transactions constitute leases. IFRS 16 is applied only to contracts that were identified as leases under the previous IAS 17 and IFRIC 4 and a review on whether the contracts correspond to leases is not performed on contracts not previously identified as leases.

Consequently, the identification of leases based on IFRS 16 is applied solely to contracts that were signed or changed after the initial date of application.

For leases that were classified as operating leases under IAS 17, lease liabilities on transition are initially measured at the present value of the total remaining leases as of the date of transition, discounted at the incremental borrowing rate of the lessee. Right-of-use assets are recorded at the same value as lease liabilities. The weighted-average for incremental borrowing rate of the lessee applied to lease liabilities recognized in the summary quarterly consolidated financial statements as of the date of initial application is 0.4%.

Also, the Company has used the practical expedients in the past as shown below prior to the application of IFRS 16 to leases classified as operating leases with the application of IAS 17:

* Rely on an assessment of whether leases are onerous in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review.

* Apply a single discount rate to a portfolio of leases with reasonably similar characteristics

* Account for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases

* Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application

* Use hindsight: e.g. in determining the lease term of the contract that contains options to extend or terminate the lease.

The differential between the lease liabilities recognized on the day of initial application and total future minimum lease payments on operating leases that cannot be terminated, disclosed by applying IAS 17, as of the end of the consolidated accounting year immediately before the date of initial application is 1,652 million yen. A major reason behind this differential is a review of the lease period performed upon the application of IFRS 16.

The carrying amount of right-of-use assets and lease liabilities as of April 1, 2019 for leases classified as finance leases under IAS 17 is calculated at the carrying amount of lease assets and lease liabilities according to IAS 17 as of the day immediately preceding the above date.

In transitioning to IFRS 16, the Company recorded 2,138 million yen, 507 million yen and 1,631 million yen as Property, plant and equipment, other financial liabilities (current) and other financial liabilities (non-current), respectively, at the beginning of the period.

The impact of the transition on the quarterly profits and cash flow during the current second quarter consolidated cumulative period remains minimal.

4. Significant accounting estimates and associated judgments

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 judgments made by the management that may have material impacts on the figures in the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2019.

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. Meanwhile, these reporting segments are not be aggregated.

The Precious Metals Business engages mainly in recycling and selling of precious and rare metals such as gold, silver, palladium, and platinum, 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.

(2) Segment revenue and performance

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

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

For the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Millions of yen)

	Reporting segment					
	Precious Metals Business	Environmental Preservation Business	Life & Health Business	Total	Adjustment	Consolidated
Revenue						
External revenue	42,445	7,959	9,976	60,380	−	60,380
Intersegment revenue	−	27	0	27	(27)	−
Total	42,445	7,986	9,976	60,408	(27)	60,380
Operating income by business segment	6,495	1,441	254	8,191	(1,327)	6,864
Finance income						35
Finance costs						(413)
Profit before tax						6,486

(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 six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(Millions of yen)

	Reporting segment					
	Precious Metals Business	Environmental Preservation Business	Life & Health Business	Total	Adjustment	Consolidated
Revenue						
External revenue	49,912	9,035	11,204	70,152	–	70,152
Intersegment revenue	–	7	–	7	(7)	–
Total	49,912	9,043	11,204	70,159	(7)	70,152
Operating income by business segment	7,241	1,714	698	9,654	(1,148)	8,505
Finance income						8
Finance costs						(1,225)
Other non-operating income						77
Other non-operating expenses						(140)
Profit before tax						7,225

(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

This is to notify that Asahi Holdings, Inc. (hereinafter the "Company"), at the meeting of its Board of Directors held October 29, 2019, resolved to execute the basic agreement (hereinafter "LOI") to transfer 60% of all the shares of Fuji, a consolidated subsidiary of the Company, to Johnson Health Tech Co., Ltd. (hereinafter "Johnson Health Tech"), a company listed on the Taiwan Stock Exchange, and to enter into negotiations towards the official share transfer agreement (hereinafter "Definitive Agreement"). Fuji is scheduled to become an equity method affiliate of the Company, which will own 40% of Fuji's shares, after share transfer.

Following the share transfer, Fuji will be classified as discontinued operations from the third quarter of the year ending March 2020, and is expected to be excluded from the list of consolidated subsidiaries of the Company from the fourth quarter of the year ending March 2020 due to loss of control. As for amount of its financial impact on the Company's consolidated performance for the year ending March 2020, following the classification of Fuji as discontinued operations, revenue from ongoing operations is projected to drop by approx. 20.0 billion yen and operating income by approx. 0.9 billion yen. The company is investigating the impact due in part to corporate tax charges that accompany the sale of shares and the revaluation of shares in possession.

The outline is as follows.

(1) Outline of subsidiary to transfer shares

Name	Fuji Medical Instruments Mfg. Co., Ltd.
Business content	Manufacture and sales of health equipment, etc.
Capital	30 million yen
Major shareholder and shareholding ratio	Asahi Life & Health Corporation: 100%

(2) Name of the transferee

Name	Johnson Health Tech. Co., Ltd.
Business content	Manufacture and sales of fitness equipment, etc.
Capital	3,036 million New Taiwan dollars (10,626 million yen)

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

(3) Number of shares transferred, value of share transfer and number of shares owned before and after transfer

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

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

(4) Schedule

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