

Consolidated Financial Results for the First Quarter Ended June 30, 2020

Asahi Holdings, Inc. [IFRS]

July 29, 2020

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
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Start of dividend payment:	—
Supplementary materials for the financial results:	Yes
Investor conference for the financial results:	No

(Rounded down to the nearest million yen)

1. Results of the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The three months ended												
June 30, 2020	39,206	29.6	5,258	56.5	5,311	63.1	3,632	78.4	3,632	78.4	5,326	73.1
June 30, 2019	30,257	—	3,359	—	3,256	—	2,035	(14.2)	2,035	(14.2)	3,076	57.9

	Basic earnings per share	Diluted earnings per share
The three months ended	Yen	Yen
June 30, 2020	92.31	91.69
June 30, 2019	51.74	51.56

(Notes) 1. Since the Company transferred 60% of all shares in Fuji Medical Instruments MFG. Co., Ltd. in the fiscal year ended March 31, 2020, this business was classified as discontinued operations with the amounts of revenue, operating income and profit before tax reclassified and presented as amounts for only the continuing operations excluding such business.

2. Due to the retrospective application of the changes in accounting policies, the figures shown for the three months ended June 30, 2019 are the figures after retrospective application

(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, 2020	236,105	71,798	71,798	30.4
March 31, 2020	229,958	69,174	69,174	30.1

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	60.00	—	70.00	130.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (Forecast)		80.00	—	80.00	160.00

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

For details, please refer to “Notice on the Revision of Financial Forecast and Revision of Dividend Forecast (Dividend Increase)” made public on July 29, 2020.

3. Forecast (From April 1, 2020 to March 31, 2021) (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
1st half	79,000	29.5	10,800	55.7	10,700	58.6	7,300	62.0	185.52
Year ending March 31, 2021	165,000	21.7	21,000	16.6	20,800	17.8	14,000	42.2	355.79

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

For details, please refer to “Notice on the Revision of Financial Forecast and Revision of Dividend Forecast (Dividend Increase)” made public on July 29, 2020.

* Notes

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

(2) Changes in accounting policies and accounting estimates

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

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

(iii) Changes in accounting estimates: No

For details, please refer to page 13 “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 stock)

As of June 30, 2020	39,854,344 shares
As of March 31, 2020	39,854,344 shares

(ii) Number of treasury stock at the quarter end

As of June 30, 2020	505,687 shares
As of March 31, 2020	505,637 shares

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

Three months ended June 30, 2020	39,348,665 shares
Three months ended June 30, 2019	39,348,857 shares

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

* Statement regarding the proper use of financial forecasts and other special remarks
(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, there 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.

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1. Qualitative Information

(1) Consolidated Business Performance

The Japanese economy was in an extremely difficult situation during the current consolidated cumulative first quarter as a result of the impact of the global spread of the novel coronavirus disease (COVID-19), and the stagnation of socio-economic activity due to the request for businesses to close temporarily and the request for people to refrain from going out, resulting from the declaration of a state of emergency. Furthermore, the outlook continues to remain opaque, even after the lifting of the state of emergency, due to factors such as the concern regarding a second wave of the spread of infection. Under these conditions, the group's results in each business segment were as follows.

Precious Metals business

Revenue and operating income in precious metal recycling business in Japan and other countries increased from the same period in the previous year thanks to ensuring the volume of precious metal collection and the rise in precious metal prices. Also, revenue and operating income in precious metal refining business in North America expanded from the same period a year before thanks to factors such as increases in product processing and sales as well as financial transactions, despite a decrease in the volume of materials received due to factors such as disruptions in the public transportation network. As a result, revenue and operating income in Precious Metals business increased from the same period in the previous year.

Environmental Preservation business

Because of the stagnation of industrial production due to refraining from corporate activities and disturbances in the supply chain, as well as a decrease in the volume of industrial waste disposed, revenue and operating income in Environmental Preservation business decreased from the same period in the previous year.

As a result of the above, revenue during the first quarter of the current fiscal year was 39,206 million yen, a year-on-year increase of 8,949 million yen (+29.6 percent). Operating income was 5,258 million yen, a year-on-year increase of 1,898 million yen (+56.5 percent). Profit before tax was 5,311 million yen, a year-on-year increase of 2,054 million yen (+63.1 percent). Profit was 3,632 million yen, a year-on-year increase of 1,596 million yen (+78.4 percent). Profit attributable to owners of parent for the period was therefore 3,632 million yen, an increase of 1,596 million yen (+78.4 percent) year-on-year. By segment, revenue in the Precious Metals business was 34,961 million yen, a year-on-year increase of 10,388 million yen (+42.3 percent). In the Environmental Preservation business, revenue was 4,245 million yen, a year-on-year decrease of 374 million yen (-8.1 percent).

(2) Consolidated Financial Position and Cash Flows for the three months ended June 30, 2020

As of June 30, 2020, total assets amounted to 236,105 million yen, up 6,146 million yen from the previous fiscal year end. This was due mainly to the decrease of 7,059 million yen in cash and cash equivalents, the increase of 11,766 million yen in trade and other receivables and the increase of 1,755 million yen in inventories.

Total liabilities amounted to 164,306 million yen, up 3,523 million yen from the previous fiscal year end. This was due mainly to the increase of 11,901 million yen in trade and other payables, the decrease of 1,594 million yen in bonds and loans payable, the decrease of 2,958 million yen in income tax payable and the decrease of 1,671 million yen in other financial liabilities.

Total equity amounted to 71,798 million yen, up 2,623 million yen from the previous fiscal year end. This was due mainly to comprehensive income of 5,326 million yen and dividends of 2,754 million yen.

As a result, the equity attributable to owners of parent ratio changed to 30.4%, from 30.1% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 2,458 million yen due mainly to 5,311 million yen of profit before tax, 608 million yen of depreciation and amortization, 1,762 million yen of increase in inventories, 8,821 million yen of increase in trade and other receivables and 6,280 million yen of income taxes paid.

Net cash used in investing activities amounted to 928 million yen due mainly to 1,031 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 3,512 million yen due mainly to 2,743 million yen of cash

dividends paid.

As a result, cash and cash equivalents as of June 30, 2020 decreased 7,059 million yen from March 31, 2020, to 15,849 million yen.

(3) Consolidated Performance Forecasts

① Reasons for the revision of financial forecast

Consolidated earnings for the year ending March 31, 2021 are expected to largely exceed the level planned at the beginning of the current fiscal year due to securing precious metal collection volumes and rising precious metal prices in the precious metal recycling business in Japan and other countries, as well as increased product processing and sales and financial transactions in the North American metal refining business. Therefore, we have revised both our consolidated financial forecast for the current second quarter cumulative period and for the current fiscal year.

Furthermore, starting in the year ending March 31, 2021, we have changed the recording category of interest on loans payable associated with metal procurement in our financial service transactions, one of our main earnings transactions in the North American precious metal refining business, from finance cost to cost of sales. As a result, performance for the year ended March 31, 2020 shows figures after the changes to our accounting policy. Due to these changes, operating income performance for the year ended March 31, 2020 decreased by 2,108 million yen compared to that under the accounting policy prior to the changes. The changes had no impact on profit before tax or on profit attributable to owners of parent.

1. Revisions to the consolidated financial forecast for the current second quarter cumulative period (April 1, 2020 to September 30, 2020)

	Revenue	Operating income	Profit before tax	Profit attributable to owners of parent	(Millions of yen)	
					Basic earnings per share	
					Yen	Sen
Previous Forecast (A)	69,000	6,700	6,600	4,400	111	82
Revised forecast (B)	79,000	10,800	10,700	7,300	185	52
Change (B-A)	10,000	4,100	4,100	2,900		—
Change (%)	14.5	61.2	62.1	65.9		—
(Ref.) Results for the previous FY (Six months ended September 30, 2019)	60,985	6,937	6,744	4,506	114	53

2. Revisions to the consolidated financial forecast for the year ending March 31, 2021
(April 1, 2020 to March 31, 2021)

(Millions of yen)

	Revenue	Operating income	Profit before tax	Profit attributable to owners of parent	Basic earnings per share	
					Yen	Sen
Previous Forecast (A)	150,000	16,000	15,800	10,600	269	39
Revised forecast (B)	165,000	21,000	20,800	14,000	355	79
Change (B-A)	15,000	5,000	5,000	3,400		—
Change (%)	10.0	31.3	31.6	32.1		—
(Ref.) Results for the previous FY (FY ended March 31, 2020)	135,563	18,010	17,650	9,846	250	24

② Reasons for the revision of dividend forecast

In our current revisions to the financial forecast for the fiscal year, revenue, operating income, profit before tax, and profit attributable to owners of parent all recorded all-time highs. Based on this decision, we have decided to increase our dividend at the end of the second quarter for the fiscal year ending March 31, 2021 and the end of FY dividend from the previous forecast of 70 yen each by 10 yen each, for a total annual dividend of 160 yen.

Revision of dividend forecast for the year ending March 31, 2021

	Annual Dividend		
	End of second quarter	End of FY	Total
Previous forecast (Announced on April 30, 2020)	70 yen	70 yen	140 yen
Revised forecast	80 yen	80 yen	160 yen
Results for the current FY			
Results for the previous FY (FY ended March 31, 2020)	60 yen	70 yen	130 yen

The above forecast was decided based on information currently available, and there may be changes due to various factors such as the impact of the spread of novel coronavirus disease (COVID-19) on industrial activities in Japan and overseas, financial trends and the change in the price of precious metals.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2020	As of June 30 2020
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	22,908	15,849
Trade and other receivables	119,754	131,521
Inventories	37,748	39,503
Income tax receivables	2,029	2,090
Other financial assets	93	88
Other current assets	5,069	4,905
Total current assets	187,604	193,958
Non-current assets		
Property, plant and equipment	34,953	35,260
Goodwill	1,604	1,604
Intangible assets	529	537
Investments accounted for using equity method	3,254	3,247
Deferred tax assets	1,132	919
Net defined benefit asset	155	1
Financial assets	683	534
Other non-current assets	42	41
Total non-current assets	42,354	42,146
Total assets	229,958	236,105

	As of March 31, 2020	As of June 30 2020
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	13,710	25,612
Loans payable	121,873	120,274
Income tax payable	4,624	1,665
Other financial liabilities	6,991	5,408
Provisions	1,293	821
Other current liabilities	4,643	2,896
Total current liabilities	153,137	156,678
Non-current liabilities		
Bonds and loans payable	4,928	4,933
Deferred tax liabilities	1,453	1,489
Net defined benefit liability	172	172
Other financial liabilities	1,066	978
Other non-current liabilities	24	54
Total non-current liabilities	7,645	7,628
Total liabilities	160,783	164,306
Equity		
Capital stock	7,790	7,790
Capital surplus	10,755	10,806
Treasury stock	(956)	(956)
Retained earnings	60,797	61,559
Other components of equity	(9,212)	(7,402)
Total equity attributable to owners of parent	69,174	71,798
Total equity	69,174	71,798
Total liabilities and equity	229,958	236,105

(2) Condensed Consolidated Statements of Income for the three months ended June 30, 2020

	The three months ended June 30, 2019	The three months ended June 30, 2020
	Millions of yen	Millions of yen
Continuing operations		
Revenue	30,257	39,206
Cost of sales	<u>(25,214)</u>	<u>(32,246)</u>
Gross profit	5,042	6,959
Selling, general and administrative expenses	(1,698)	(1,662)
Other operating income	20	15
Other operating expenses	(4)	(46)
Share of profit (loss) of investments accounted for using equity method	—	(7)
Operating income	3,359	5,258
Finance income	5	71
Finance cost	(108)	(22)
Other non-operating income	—	3
Profit before tax	3,256	5,311
Income tax expenses	<u>(1,223)</u>	<u>(1,678)</u>
Profit from continuing operations	2,033	3,632
Discontinued operations		
Profit from discontinued operations	2	—
Profit	<u>2,035</u>	<u>3,632</u>
Profit attributable to:		
Owners of parent	2,035	3,632
Non-controlling interests	—	—
Profit	<u>2,035</u>	<u>3,632</u>
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	51.68	92.31
Discontinued operations	0.06	—
Total	<u>51.74</u>	<u>92.31</u>
Diluted earnings per share (Yen)		
Continuing operations	51.50	91.69
Discontinued operations	0.06	—
Total	<u>51.56</u>	<u>91.69</u>

(3) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2020

	The three months ended June 30, 2019	The three months ended June 30, 2020
	Millions of yen	Millions of yen
Profit	2,035	3,632
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(5)	1
Remeasurements of defined benefit plans	(49)	(115)
Share of other comprehensive income of investments accounted for using equity method	—	0
Total items that will not be reclassified to profit or loss	(55)	(113)
Items that will be reclassified to profit or loss		
Cash flow hedges	1,099	1,673
Translation adjustments of foreign operations	(4)	134
Total items that will be reclassified to profit or loss	1,095	1,808
Other comprehensive income, net of tax	1,040	1,694
Comprehensive income	3,076	5,326
Comprehensive income attributable to:		
Owners of parent	3,076	5,326
Non-controlling interests	—	—
Comprehensive income	3,076	5,326

(4) Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					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	—	—	—	2,035	—	—
Other comprehensive income	—	—	—	—	(4)	1,099
Total comprehensive income	—	—	—	2,035	(4)	1,099
Dividends	—	—	—	(2,360)	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(49)	—	—
Share-based payment transactions	—	18	—	—	—	—
Total transactions with owners	—	18	—	(2,410)	—	—
Balance at June 30, 2019	<u>7,790</u>	<u>10,371</u>	<u>(955)</u>	<u>55,172</u>	<u>(3,741)</u>	<u>(103)</u>

(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	—	—	—	2,035	2,035
Other comprehensive income	(5)	(49)	1,040	1,040	1,040
Total comprehensive income	(5)	(49)	1,040	3,076	3,076
Dividends	—	—	—	(2,360)	(2,360)
Reclassified from other components of equity to retained earnings	—	49	49	—	—
Share-based payment transactions	—	—	—	18	18
Total transactions with owners	—	49	49	(2,342)	(2,342)
Balance at June 30, 2019	<u>3</u>	<u>—</u>	<u>(3,841)</u>	<u>68,537</u>	<u>68,537</u>

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2020	7,790	10,755	(956)	60,797	(4,198)	(5,008)
Profit	—	—	—	3,632	—	—
Other comprehensive income	—	—	—	—	134	1,673
Total comprehensive income	—	—	—	3,632	134	1,673
Purchase of treasury stock	—	—	(0)	—	—	—
Dividends	—	—	—	(2,754)	—	—
Reclassified from other components of equity to retained earnings	—	—	—	(115)	—	—
Share-based payment transactions	—	51	—	—	—	—
Total transactions with owners	—	51	(0)	(2,870)	—	—
Balance at June 30, 2020	<u>7,790</u>	<u>10,806</u>	<u>(956)</u>	<u>61,559</u>	<u>(4,063)</u>	<u>(3,334)</u>

(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, 2020	(5)	—	(9,212)	69,174	69,174
Profit	—	—	—	3,632	3,632
Other comprehensive income	1	(115)	1,694	1,694	1,694
Total comprehensive income	1	(115)	1,694	5,326	5,326
Purchase of treasury stock	—	—	—	(0)	(0)
Dividends	—	—	—	(2,754)	(2,754)
Reclassified from other components of equity to retained earnings	—	115	115	—	—
Share-based payment transactions	—	—	—	51	51
Total transactions with owners	—	115	115	(2,703)	(2,703)
Balance at June 30, 2020	<u>(4)</u>	<u>—</u>	<u>(7,402)</u>	<u>71,798</u>	<u>71,798</u>

(5) Condensed Consolidated Statements of Cash Flows

	The three months ended June 30, 2019	The three months ended June 30, 2020
	Millions of yen	Millions of yen
Net cash provided by (used in) operating activities		
Profit before tax	3,256	5,311
Profit (loss) before tax from discontinued operations	10	—
Depreciation and amortization	728	608
Impairment loss	0	39
Finance income and finance cost	105	20
Other non-operating income and expenses	—	(3)
Share of loss (profit) of investments accounted for using equity method	—	7
Decrease (increase) in inventories	(2,949)	(1,762)
Decrease (increase) in trade and other receivables	2,983	(8,821)
Increase (decrease) in trade, loans and other payables	(1,803)	8,406
Other, net	3,083	16
Subtotal	5,414	3,821
Interest and dividends income received	6	2
Interest expenses paid	(3)	(10)
Income taxes paid	(3,694)	(6,280)
Income taxes refund	3	7
Net cash provided by (used in) operating activities	1,724	(2,458)
Net cash provided by (used in) investing activities		
Payments into time deposits	(98)	(89)
Proceeds from withdrawal of time deposits	—	89
Purchase of property, plant and equipment	(993)	(1,031)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible assets	(26)	(65)
Proceeds from sales of shares of subsidiaries	—	20
Other, net	(9)	145
Net cash provided by (used in) investing activities	(1,124)	(928)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2)	(658)
Purchase of treasury stock	—	(0)
Cash dividends paid	(2,336)	(2,743)
Other, net	(151)	(111)
Net cash provided by (used in) financing activities	(2,489)	(3,512)
Effect of exchange rate change on cash and cash equivalents	(144)	(158)
Net increase (decrease) in cash and cash equivalents	(2,033)	(7,059)
Cash and cash equivalents at beginning of period	16,297	22,908
Cash and cash equivalents at end of period	14,263	15,849

(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, 2020 comprise the Company and its subsidiaries (hereinafter the “Group”) as well as the interests in its affiliated companies.

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, 2020, with the exception of the change described below.

The income tax for the three months ended June 30, 2020 was calculated based on the estimated average annual effective tax rate.

(Change in the classification for recording interest expenses corresponding to Advanced Trading for precious metal products)

Each Asahi Refining company, consolidated subsidiaries of the Company, undertakes Advanced Trading of precious metal products as an added value service incidental to the precious metal refining business. Commission income obtained from customers in accordance with the forward period is recorded as revenue.

The interest expenses corresponding to such Advanced Trading of precious metal products were previously recorded as finance cost, but the method was changed from the first quarterly consolidated accounting period ended June 30, 2020 to be recorded as cost of sales.

Furthermore, due to these changes, the “increase (decrease) in trade and other payables” has been changed to “increase (decrease) in trade, loans and other payables” in the Condensed Consolidated Statements of Cash Flows. Furthermore, the change in loans payable procured for such Advanced Trading is included in “increase (decrease) in trade, loans and other payables” in the Condensed Consolidated Statements of Cash Flows.

This change is attributed to the change in the funds management system due to the aim to expand Advanced Trading of precious metal products as a measure to increase income at each Asahi Refining company and in consideration of the increase in the financial importance of interest expenses corresponding to this income and the forecast for future increases.

Accordingly, compared to the previous method, cost of sales rose 205 million yen and operating income fell 205 million yen, but there was no impact on profit before tax, profit, and profit attributable to owners of parent.

The Condensed Consolidated Statements of Cash Flows during the three months ended June 30, 2020 show respective declines of 3,552 million yen in increase (decrease) in trade, loans and other payables, 3,510 million yen in net increase (decrease) in short-term loans payable, 205 million yen in finance income and finance cost, and 247 million yen in interest expenses paid.

There is no impact on basic earnings per share and diluted earnings per share during the three months ended June 30, 2020.

Such changes in accounting policies are applied retrospectively, and the Consolidated Financial Statements restate the figures for the quarters in the previous fiscal year and for the previous fiscal year following retrospective application.

As a result, compared to before the retrospective application, the Condensed Consolidated Statements of Income for the three months ended June 30, 2019, show an increase of 451 million yen in cost of sales and a decline of 451 million yen in operating income, but there is no impact on profit before tax, profit, and profit attributable to owners of parent.

The Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2019 show an increase of 880 million yen in increase (decrease) in trade, loans and other payables and respective declines of 880 million yen in net increase (decrease) in short-term loans payable, 451 million yen in finance income and finance cost and 451 million yen in interest expenses paid.

There is no impact on basic earnings per share and diluted earnings per share for the three months ended June 30, 2019.

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 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, 2020.

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.

Therefore, the Group is composed of product and service segments based on business sectors. The two reporting segments are the Precious Metals business and the Environmental Preservation business. Meanwhile, these reporting segments are not 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, and the manufacture and sale of electric heaters.

The interest expenses corresponding to the Advanced Trading of precious metal products at each Asahi Refining company, consolidated subsidiaries of the Company, were previously recorded as finance cost, but the method was changed from the first quarterly consolidated accounting period ended June 30, 2020 to be recorded as cost of sales.

In addition, the segment information for the three months ended June 30, 2019 also reflects such change.

As a result, compared to the figures prior to such change, the operating income by business segment for the Precious Metals business decreased by 451 million yen for the three months ended June 30, 2019, and decreased by 205 million yen for the three months ended June 30, 2020.

In the previous consolidated fiscal year, the Company transferred 60% of all shares of Fuji Medical Instruments MFG. Co., Ltd. (hereinafter "Fuji Medical Instruments") to Johnson Health Tech Co., Ltd., a company listed on the Taiwan Stock Exchange. Consequently, the Company classified the business of Fuji Medical Instruments under discontinuing operations, and the amounts presented for segment information for the three months ended June 30, 2019 are amounts from continuing operations from which discontinuing operations have been excluded. Please refer to Note "6. Discontinued Operations" for details on discontinued operations.

(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 three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Reporting segment			Other	Total	Adjustment	Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal				
Revenue							
External revenue	24,572	4,614	29,187	1,070	30,257	—	30,257
Intersegment revenue	—	5	5	—	5	(5)	—
Total	<u>24,572</u>	<u>4,620</u>	<u>29,192</u>	<u>1,070</u>	<u>30,262</u>	<u>(5)</u>	<u>30,257</u>
Operating income by business segment	<u>2,987</u>	<u>859</u>	<u>3,846</u>	<u>101</u>	<u>3,948</u>	<u>(588)</u>	<u>3,359</u>
Finance income							5
Finance costs							(108)
Profit before tax							<u>3,256</u>

(Notes) 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, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Reporting segment			Other	Total	Adjustment	Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal				
Revenue							
External revenue	34,961	4,245	39,206	—	39,206	—	39,206
Intersegment revenue	—	—	—	—	—	—	—
Total	<u>34,961</u>	<u>4,245</u>	<u>39,206</u>	<u>—</u>	<u>39,206</u>	<u>—</u>	<u>39,206</u>
Operating income by business segment	<u>5,287</u>	<u>685</u>	<u>5,972</u>	<u>(7)</u>	<u>5,964</u>	<u>(706)</u>	<u>5,258</u>
Finance income							71
Finance costs							(22)
Other non-operating income							3
Profit before tax							<u>5,311</u>

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

6. Discontinued operations

(1) Outline of discontinued operations

The Company transferred 60% of all shares of Fuji Medical Instruments, which was a consolidated subsidiary of the Company, to Johnson Health Tech Co., Ltd., a company listed on the Taiwan Stock Exchange, in the previous consolidated fiscal year which was then excluded from the scope of consolidation. Consequently, profit and loss as well as cash flows relating to Fuji Medical Instruments and its subsidiaries were reclassified as discontinued operations with the discontinued operations concerned displayed in a separate category.

(2) Discontinued operations performance

(Millions of yen)

	The three months ended June 30, 2019	The three months ended June 30, 2020
Revenue and expense of discontinued operations		
Revenue	3,717	—
Expense	(3,707)	—
Profit before tax from discontinued operations	10	—
Corporate income tax expense	(7)	—
Profit from discontinued operations	2	—

(3) Cash flow from discontinued operations

(Millions of yen)

	The three months ended June 30, 2019	The three months ended June 30, 2020
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	591	—
Net cash provided by (used in) investing activities	(4)	—
Net cash provided by (used in) financing activities	(850)	—
Total	(263)	—

7. Subsequent events

Not applicable