

Consolidated Financial Results for the First Quarter Ended June 30, 2017

Asahi Holdings, Inc. [IFRS]

July 28, 2017

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
URL:	http://www.asahiholdings.com
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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, 2017 (From April 1, 2017 to June 30, 2017)

(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, 2017	32,476	16.8	3,491	32.0	3,402	35.2	2,381	25.8	2,343	24.7	1,610	-
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)

	Basic earnings per share	Diluted earnings per share
The three months ended June 30, 2017	Yen 71.89	Yen -
June 30, 2016	57.64	-

(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, 2017	88,760	45,469	44,904	50.6
March 31, 2017	88,976	44,827	44,303	49.8

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	-	30.00	-	30.00	60.00
Year ending March 31, 2018	-				
Year ending March 31, 2018 (Forecast)		30.00	-	30.00	60.00

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

3. Forecast (From April 1, 2017 to March 31, 2018) (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	58,000	12.2	6,000	5.3	5,900	7.3	3,900	(2.0)	119.63
Year ending March 31, 2018	120,000	12.3	11,500	464.2	11,300	545.2	7,600	-	233.13

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

For details, please refer to “Notice of Revision of Financial Forecast” made public on July 28, 2017.

* 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, 2017	36,254,344 shares
As of March 31, 2017	36,254,344 shares

(ii) Number of treasury shares at the quarter end

As of June 30, 2017	3,655,087 shares
As of March 31, 2017	3,654,987 shares

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

Three months ended June 30, 2017	32,599,307 shares
Three months ended June 30, 2016	32,599,647 shares

*The quarterly financial statements are not subject to quarterly reviews.

(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.

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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, 2017 to June 30, 2017), corporate earnings registered moderate growth on the back of the government's economic policies and the Bank of Japan's monetary easing policies, while personal consumption continued to lack vigor. The outlook, however, remains opaque due to mounting issues of concern on the global political and economic scene and growing geopolitical risks.

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, the volume of collection of gold was larger than the same period a year earlier, thanks to the notable development of new customers in the precision cleaning and plating treatment businesses. In the dental sector, the volume of collection of gold and palladium increased from the same period in the previous year. In the jewelry sector, the volume of collection of gold and platinum expanded from the same period a year before. In the automotive catalyst sector, the volume of collection of palladium and platinum increased from the same period in the previous year. Regarding the average price of precious metals, the average prices for gold, silver and palladium were higher than in the same period a year before, while the average price of platinum was lower than in the same period in the previous year.

As for gold and silver refining business in North America, earnings from commissioned refining business increased from the same period a year earlier, while selling, general and administrative expenses decreased from the same period in the previous year.

Environmental preservation business

Although the volume of industrial waste discharged in Japan is on a downward trend in general, the overall volume handled by the group remained almost equal with that in the same period in the previous year, as group companies focused on developing new customers and obtaining contracts by capitalizing on their characteristics and inter-company collaboration.

Life & health business

In the health care equipment sectors, overall sales increased from the same period in the previous year, thanks to efforts to expand the sales of large-size massage chairs as the core item and other products including low-style massage chairs and electrolytic hydrogen water generators. As for fire-fighting equipment, business remained equal with the same period a year earlier, thanks in part to strong demand in building construction projects in the metropolitan area.

As a result of the above, revenue during the first quarter of the current fiscal year was 32,476 million yen, a year-on-year increase of 4,675 million yen (+16.8 percent). Operating income was 3,491 million yen, an increase of 845 million yen (+32.0 percent) year-on-year. Profit before tax was 3,402 million yen, a year-on-year increase of 885 million yen (+35.2 percent). Profit was 2,381 million yen, a year-on-year increase of 488 million yen (+25.8 percent). Profit attributable to owners of parent for the period was therefore 2,343 million yen, an increase of 464 million yen (+24.7 percent) year-on-year. By segment, revenue in the precious metal business was 21,884 million yen, a year-on-year increase of 3,514 million yen (+19.1 percent). In the environmental preservation business, revenue was 3,979 million yen, and increase of 110 million yen (+2.8 percent) year-on-year. Revenue in the life & health business was 6,636 million yen, up 1,056 million yen (+18.9 percent) year-on-year.

(2) Consolidated Financial Position and Cash Flows for the three months ended June 30, 2017

As of June 30, 2017, total assets amounted to 88,760 million yen, down 216 million yen from the previous fiscal year end. This was due mainly to the decrease of 1,371 million yen in trade and other receivables.

Total liabilities amounted to 43,290 million yen, down 858 million yen from the previous fiscal year end. This was due mainly to the decrease of 551 million yen in loans payable.

Total equity amounted to 45,469 million yen, up 642 million yen from the previous fiscal year end. This was due mainly to comprehensive income of 1,610 million yen.

As a result, the equity attributable to owners of parent ratio changed to 50.6%, from 49.8% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 3,106 million yen due mainly to 3,402 million yen of profit before tax, 583 million yen of depreciation and amortization, 198 million yen of increase in inventories, 1,307 million yen of decrease in trade and other receivables, and 1,919 million yen of income taxes paid.

Net cash used in investing activities amounted to 1,229 million yen due mainly to 1,283 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 1,499 million yen due mainly to 972 million yen of cash dividends paid.

As a result, cash and cash equivalents as of June 30, 2017 increased 432 million yen from March 31, 2017, to 11,230 million yen.

(3) Consolidated Performance Forecasts

The company revised the first half period consolidated financial forecast, owing to precious metal prices exceeding our initial estimates, and collection volume of precious metals is expected to exceed the initial plan.

Revision of the First Half Period Consolidated Financial Forecast (April 1, 2017 to September 30, 2017)

(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 10, 2017)	58,000	5,500	5,400	3,600	110.43
Revised Forecast (B)	58,000	6,000	5,900	3,900	119.63
Change (B - A)	-	500	500	300	-
Change (%)	-	9.1	9.3	8.3	-
(Ref.) Previous Fiscal Year First Half Results (Six Months Ended September 30, 2016)	51,691	5,696	5,499	3,981	122.13

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2017	As of June 30, 2017
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	10,798	11,230
Trade and other receivables	15,557	14,186
Inventories	17,356	17,558
Income tax receivables	1,574	1,647
Other financial assets	103	12
Other current assets	664	570
Total current assets	46,056	45,205
Non-current assets		
Property, plant and equipment	31,987	32,840
Goodwill	8,238	8,238
Intangible assets	918	861
Deferred tax assets	1,167	997
Net defined benefit asset	64	28
Financial assets	528	572
Other non-current assets	15	15
Total non-current assets	42,920	43,555
Total assets	88,976	88,760

	As of March 31, 2017	As of June 30, 2017
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	12,710	11,897
Loans payable	2,720	2,320
Income tax payable	1,061	1,008
Other financial liabilities	191	1,043
Provisions	1,490	1,240
Other current liabilities	2,613	2,535
Total current liabilities	<u>20,787</u>	<u>20,045</u>
Non-current liabilities		
Loans payable	20,195	20,043
Deferred tax liabilities	1,790	1,822
Net defined benefit liability	143	145
Other financial liabilities	1,221	1,216
Other non-current liabilities	10	17
Total non-current liabilities	<u>23,361</u>	<u>23,245</u>
Total liabilities	44,148	43,290
Equity		
Capital stock	4,480	4,480
Capital surplus	6,126	6,136
Treasury stock	(5,371)	(5,371)
Retained earnings	42,783	44,117
Other components of equity	(3,716)	(4,459)
Total equity attributable to owners of parent	<u>44,303</u>	<u>44,904</u>
Non-controlling interests	524	565
Total equity	<u>44,827</u>	<u>45,469</u>
Total liabilities and equity	<u><u>88,976</u></u>	<u><u>88,760</u></u>

(2) Condensed Consolidated Statements of Income for the three months ended June 30, 2017

	The three months ended June 30, 2016	The three months ended June 30, 2017
	Millions of yen	Millions of yen
Revenue	27,800	32,476
Cost of sales	(22,008)	(25,324)
Gross profit	5,792	7,151
Selling, general and administrative expenses	(3,786)	(3,684)
Other operating income	650	40
Other operating expenses	(10)	(15)
Operating income	2,645	3,491
Finance income	5	36
Finance cost	(134)	(125)
Profit before tax	2,517	3,402
Income tax expenses	(623)	(1,020)
Profit	1,893	2,381
Profit attributable to:		
Owners of parent	1,879	2,343
Non-controlling interests	14	38
Profit	1,893	2,381
Earnings per share		
Basic earnings per share (Yen)	57.64	71.89
Diluted earnings per share (Yen)	57.64	71.89

(3) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2017

	The three months ended June 30, 2016	The three months ended June 30, 2017
	Millions of yen	Millions of yen
Profit	1,893	2,381
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(20)	10
Remeasurements of defined benefit plans	22	(31)
Total items that will not be reclassified to profit or loss	2	(20)
Items that will be reclassified to profit or loss		
Cash flow hedges	194	(934)
Translation adjustments of foreign operations	(1,962)	183
Total items that will be reclassified to profit or loss	(1,767)	(750)
Other comprehensive income, net of tax	(1,765)	(771)
Comprehensive income	127	1,610
Comprehensive income attributable to:		
Owners of parent	114	1,569
Non-controlling interests	13	40
Comprehensive income	127	1,610

(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, 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)	-	-	-
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					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	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)
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

(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, 2017	4,480	6,126	(5,371)	42,783	(3,618)	(104)
Profit	-	-	-	2,343	-	-
Other comprehensive income	-	-	-	-	183	(934)
Total comprehensive income	-	-	-	2,343	183	(934)
Purchase of treasury stock	-	-	(0)	-	-	-
Dividends	-	-	-	(977)	-	-
Reclassified from other components of equity to retained earnings	-	-	-	(31)	-	-
Share-based payment transactions	-	10	-	-	-	-
Total transactions with owners	-	10	(0)	(1,009)	-	-
Balance at June 30, 2017	4,480	6,136	(5,371)	44,117	(3,435)	(1,039)

(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	Non-controlling interests	Total
Balance at April 1, 2017	7	-	(3,716)	44,303	524	44,827
Profit	-	-	-	2,343	38	2,381
Other comprehensive income	8	(31)	(774)	(774)	2	(771)
Total comprehensive income	8	(31)	(774)	1,569	40	1,610
Purchase of treasury stock	-	-	-	(0)	-	(0)
Dividends	-	-	-	(977)	-	(977)
Reclassified from other components of equity to retained earnings	-	31	31	-	-	-
Share-based payment transactions	-	-	-	10	-	10
Total transactions with owners	-	31	31	(968)	-	(968)
Balance at June 30, 2017	15	-	(4,459)	44,904	565	45,469

(5) Condensed Consolidated Statements of Cash Flows

	The three months ended June 30, 2016	The three months ended June 30, 2017
	Millions of yen	Millions of yen
Net cash provided by (used in) operating activities		
Profit before tax	2,517	3,402
Depreciation and amortization	575	583
Impairment loss	1	-
Finance income and finance cost	96	119
Decrease (increase) in inventories	878	(198)
Decrease (increase) in trade and other receivables	(1,448)	1,307
Increase (decrease) in trade and other payables	482	(682)
Other, net	(294)	607
Subtotal	2,808	5,139
Interest and dividends income received	4	4
Interest expenses paid	(27)	(137)
Income taxes paid	(3,089)	(1,919)
Income taxes refund	913	20
Net cash provided by (used in) operating activities	608	3,106
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(265)	(1,283)
Proceeds from sales of property, plant and equipment	169	98
Purchase of intangible assets	(51)	(62)
Other, net	(12)	18
Net cash provided by (used in) investing activities	(160)	(1,229)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,627	(400)
Repayment of long-term loans payable	(5,135)	(125)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(976)	(972)
Other, net	(11)	(1)
Net cash provided by (used in) financing activities	(4,496)	(1,499)
Effect of exchange rate change on cash and cash equivalents	(230)	55
Net increase (decrease) in cash and cash equivalents	(4,277)	432
Cash and cash equivalents at beginning of period	16,564	10,798
Cash and cash equivalents at end of period	12,287	11,230

(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, 2017 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

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.

(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

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, 2017.

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, 2017.

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, 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 for the consolidated financial statements for the fiscal year ended March 31, 2017.

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

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

(Millions of yen)

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

(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, 2017 (from April 1, 2017 to June 30, 2017)

(Millions of yen)

	Reporting segment			Total	Adjustment	Consolidated
	Precious metal business	Environmental preservation business	Life & health business			
Revenue						
External revenue	21,884	3,955	6,636	32,476	-	32,476
Intersegment revenue	-	23	-	23	(23)	-
Total	<u>21,884</u>	<u>3,979</u>	<u>6,636</u>	<u>32,499</u>	<u>(23)</u>	<u>32,476</u>
Operating income by business segment	<u>2,912</u>	<u>764</u>	<u>394</u>	<u>4,071</u>	<u>(580)</u>	<u>3,491</u>
Finance income						36
Finance costs						<u>(125)</u>
Profit before tax						<u>3,402</u>

(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