

Financial Results for FY2019 Q3

(April 1, 2019 ~ December 31, 2019)

Asahi Holdings, Inc.

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.

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Consolidated Financial Results (Year on Year)

(JPY in billion)

	FY2018 Q3	FY2019 Q3	Change	Forecast for FY2019※1
Revenue	78.4	99.1	+20.7	135.0
Operating Income	9.6	13.9	+4.3	19.0
Operating Income Ratio	12.2%	14.0%	-	14.1%
Profit Before Tax	8.9	12.1	+3.2	16.7
Profit Attributable to Owners of Parent	6.3	6.4	+0.1	9.4
CAPEX	1.6	2.3	+0.7	4.8
Depreciation Expense	1.7	2.2	+0.4	2.4

※1 Announced on January 31, 2020

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Consolidated Performance

Operating Income	<ul style="list-style-type: none"> ■ FY2019 3Q: 13.9 billion yen (Record high result) YoY increase of 4.3 billion yen By Segment Precious Metals: +3.7 billion yen Environmental Preservation: +0.4 billion yen Others: +0.2 billion yen
Profit Before Tax	<ul style="list-style-type: none"> ■ FY2019 3Q: 12.1 billion yen (Record high result) YoY increase of 3.2 billion yen
Profit Attributable to Owners of Parent	<ul style="list-style-type: none"> ■ FY2019 3Q: 6.4 billion yen YoY increase of 0.1 billion yen YoY increase is small compared with that of Profit before tax (3.2 billion yen) (Due to an impairment loss at Asahi Refining Florida, corporate income tax charges that accompany the sale of shares of Fuji Medical Instruments and the revaluation of shares in possession, etc.)
Dividend	<ul style="list-style-type: none"> ■ Dividend policy: Approximately 50% or more of the consolidated net income Annual dividend forecast: 130 yen per share Increase of 10 yen per share from the previous forecast announced on May 8, 2019

AH Revision of Financial Forecast

- Revised FY2019 forecast due to an impairment loss recorded by disposal of gold and silver refining facilities at Asahi Refining Florida.
- As the performance of the precious metals recycling business and environmental preservation business remains solid, operating income and profit before tax are projected to be record high.

<FY2019 Forecast>

(JPY in billion)

	Before revision	After revision	Change	Change ratio
Revenue	135.0	135.0	-	-
Operating Income	19.0	19.0	-	-
Operating Income Ratio	14.1%	14.1%	-	-
Profit Before Tax	16.8	16.7	(0.1)	(0.6%)
Profit Attributable to Owners of Parent	10.2	9.4	(0.8)	(7.8%)

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AH Transfer of shares of Fuji Medical Instruments Mfg.

- Transfer 60% of all the shares of Fuji Medical Instruments Mfg. Co., Ltd. to Johnson Health Tech Co., Ltd.
- Accelerate brand recognition of Fuji in the global market by collaboration with Johnson Health Tech, which is one of the largest companies in fitness equipment, and further enhance Fuji's corporate value with the goal of initial public offering in several years.

■ Schedule

October 29, 2019:	Conclusion of a basic agreement
December 20, 2019:	Conclusion of a share transfer agreement
February 2020:	Share transfer (scheduled)

※Fuji is classified as discontinued operations from FY2019 Q3 and expected to be excluded from the list of consolidated subsidiaries from FY2019 Q4 due to loss of control.

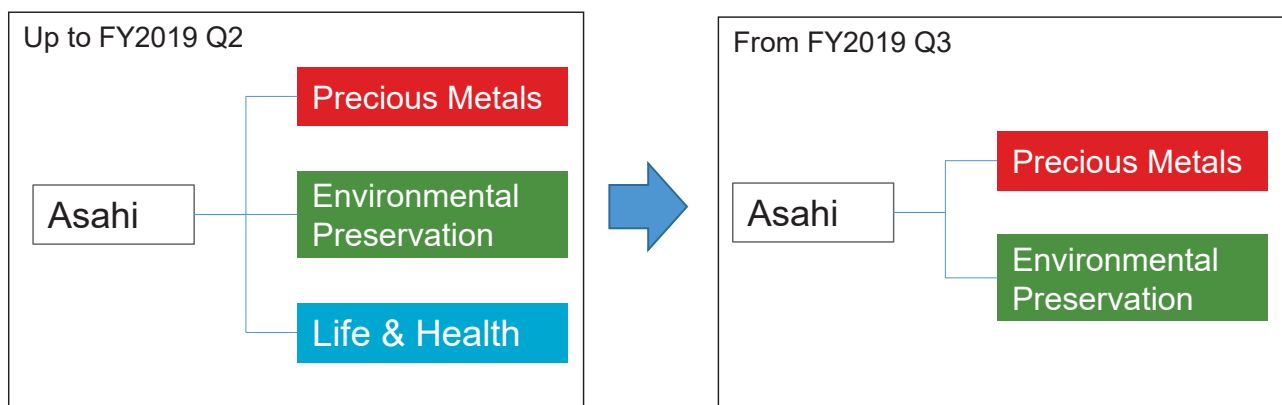
Johnson Health Tech. Co., Ltd.

- ✓ Established in 1975, manufacture and sales of fitness equipment, etc.
- ✓ With 30 subsidiaries and over 300 directly managed stores around the world.
- ✓ Headquartered in Taichung, Taiwan. Its stock is listed on the Taiwan Stock Exchange.



Segment Change

- Changed the segments from FY2019 Q3 as Fuji is classified as discontinued operations.
- Discontinue “Life & Health” segment, mainly formed by Fuji, and consolidate three segments into two.
- Concentrate management resources in the Precious Metals business and Environmental Preservation business in order to further enhance corporate value.



INTER CENTRAL, INC., which comprises the Life & Health segment, is transferred to Environmental Preservation as it contributes to the realization of a society conserving energy through the development and installation of air-conditioning equipment.

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Segment Results (Q3 Actual Year on Year)

(JPY in billion)

		FY2018 Q3	FY2019 Q3	Change
Precious Metals	Revenue	62.4	82.8	+20.4
	Operating Income	8.7	12.4	+3.7
Environmental Preservation	Revenue	14.1	15.3	+1.1
	Operating Income	2.6	3.0	+0.4
Consolidated	Revenue	78.4	99.1	+20.7
	Operating Income	9.6	13.9	+4.3

Segment Results (Year on Year)

(JPY in billion)

		FY2018 Actual	FY2019 Forecast	Change
Precious Metals	Revenue	87.8	113.0	+25.2
	Operating Income	12.0	17.1	+5.1
Environmental Preservation	Revenue	19.4	21.0	+1.6
	Operating Income	3.9	4.1	+0.2
Consolidated	Revenue	128.7	135.0	+6.3
	Operating Income	14.5	19.0	+4.5

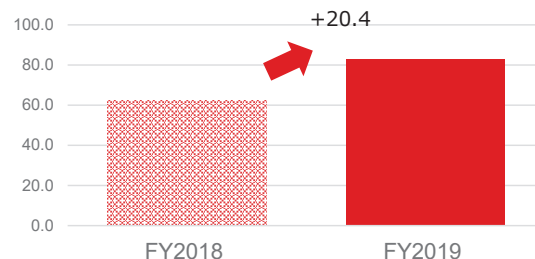
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Segment Results (Precious Metals)

- 2019 Q3: Revenue and operating income increased year-on-year as the precious metal recycling business in Japan, South Korea and Malaysia and refining business in North America grew steadily.
- Full year: Revenue and operating income are expected to significantly increase backed by collection volume of precious metals exceeding the forecast at the beginning of the period and rising prices of precious metals.

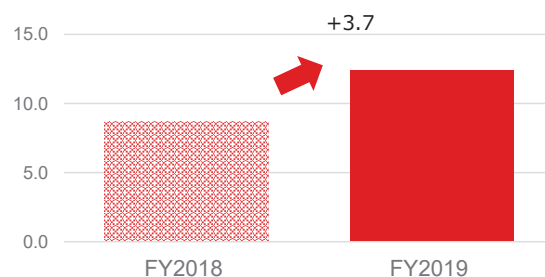
Q3	FY2018	FY2019
Revenue	62.4	82.8
Operating Income	8.7	12.4
Operating Income Ratio	13.9%	15.0%

[Revenue] (JPY in billion)



Full Year	FY2018 Actual	FY2019 Forecast
Revenue	87.8	113.0
Operating Income	12.0	17.1
Operating Income Ratio	13.7%	15.1%

[Operating Income]

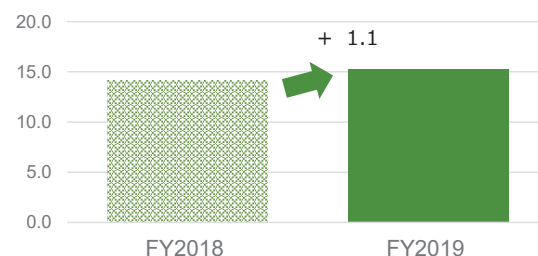


Segment Results (Environmental Preservation)

- FY2019 Q3: Revenue and operating income increased from the same period in the previous year on account of the efforts to develop new business by means of capitalizing on the strengths of each group company and reinforcing sales force to provide services.
- Full year: Revenue and operating income are expected to increase backed by solid market trend.

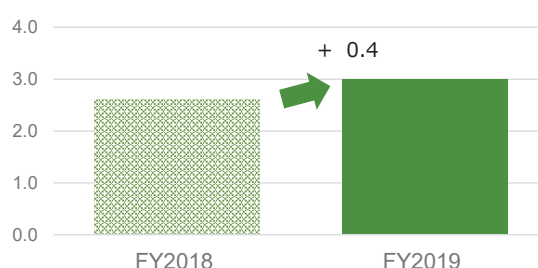
Q3	FY2018	FY2019
Revenue	14.1	15.3
Operating Income	2.6	3.0
Operating Income Ratio	18.6%	19.8%

[Revenue] (JPY in billion)



Full Year	FY2018 Actual	FY2019 Forecast
Revenue	19.4	21.0
Operating Income	3.9	4.1
Operating Income Ratio	19.8%	19.5%

[Operating Income]



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<Ref.> Statement of Financial Position

- Increased current assets and current liabilities due to expansion of the financial services in North America.

(JPY in billion)

Category	Ended March 31, 2019	Ended September 30, 2019	Change	Main reasons of the change	
Total Assets	160.3	226.6	+66.3		
Current Assets	113.8	188.5	+74.7	Trade and other receivables +59.7	Impact of the financial services in NA, and change of financing instrument
Non-current Assets	46.5	38.1	(8.4)		
Total Liabilities	92.5	157.7	+65.3		
Current Liabilities	89.7	153.2	+63.5	Short-term loans payable +63.2	Impact of the financial services in NA, and change of financing instrument
Non-current Liabilities	2.8	4.6	+1.8		
Total Equity	67.8	68.8	+1.0		

※Long-term loans payable included in non-current liabilities as of the end of March 2019 is transferred to current liabilities for a comparison purpose.

<Ref.> Statements of Cash Flows

- Net cash provided by (used in) operating activities is negative due to expansion of the financial services in North America.

(JPY in billion)

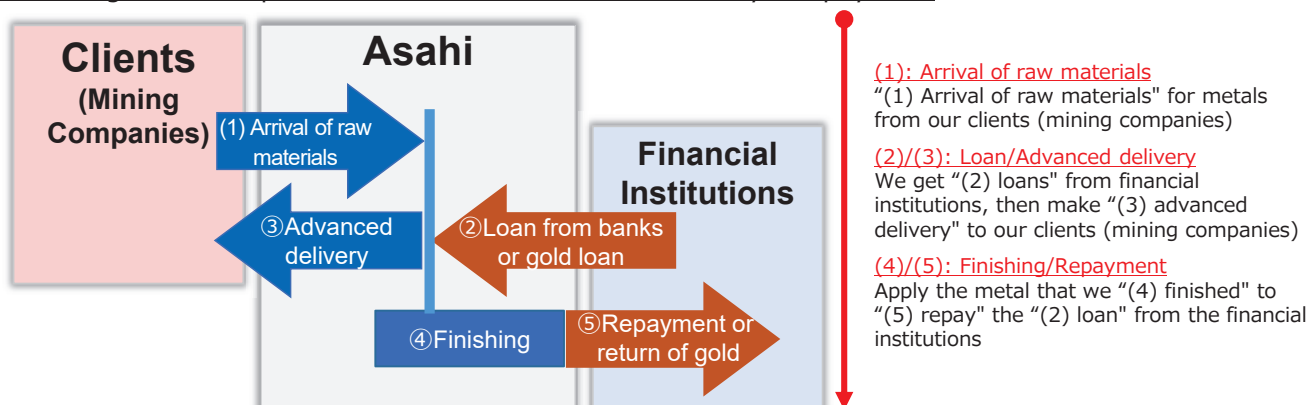
Category	Items	FY2019 3Q	Main reasons of the change	(cf.) FY2018 3Q
Operating CF	Profit before tax	12.1		9.2
	Depreciation and amortization	2.2		1.7
	Decrease (increase) in trade and other receivables	(60.5)	Impact of the financial services in NA and change of financing instrument	(26.7)
	Others, net	(9.6)		(6.4)
	Subtotal	(55.9)		(22.1)
Investment CF	Purchase of property, plant and equipment	(2.1)		(1.7)
	Others, net	0.1		(0.0)
	Subtotal	(2.0)		(1.7)
Financing CF	Net increase (decrease) in short-term loans payable	61.0	Impact of the financial services in NA and change of financing instrument	24.7
	Others, net	(5.1)		(5.3)
	Subtotal	56.0		19.4
Cash and Cash Equivalents		14.1		19.8

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<Ref.> Advanced Trading in North America

Advanced Trading: Some clients of refining business in North America (mainly mining companies) desire early return of gold, while it generally takes approx. one week to return after arrival of dore (raw material). In order to meet such demands, we conduct the trade that the clients can promptly receive the gold in exchange for interest payment based on the term shortened. The risk of becoming bad debts is very limited as we basically return the gold after receiving raw materials.

- Flow diagram: Receipt of raw materials~Advanced delivery~Repayment



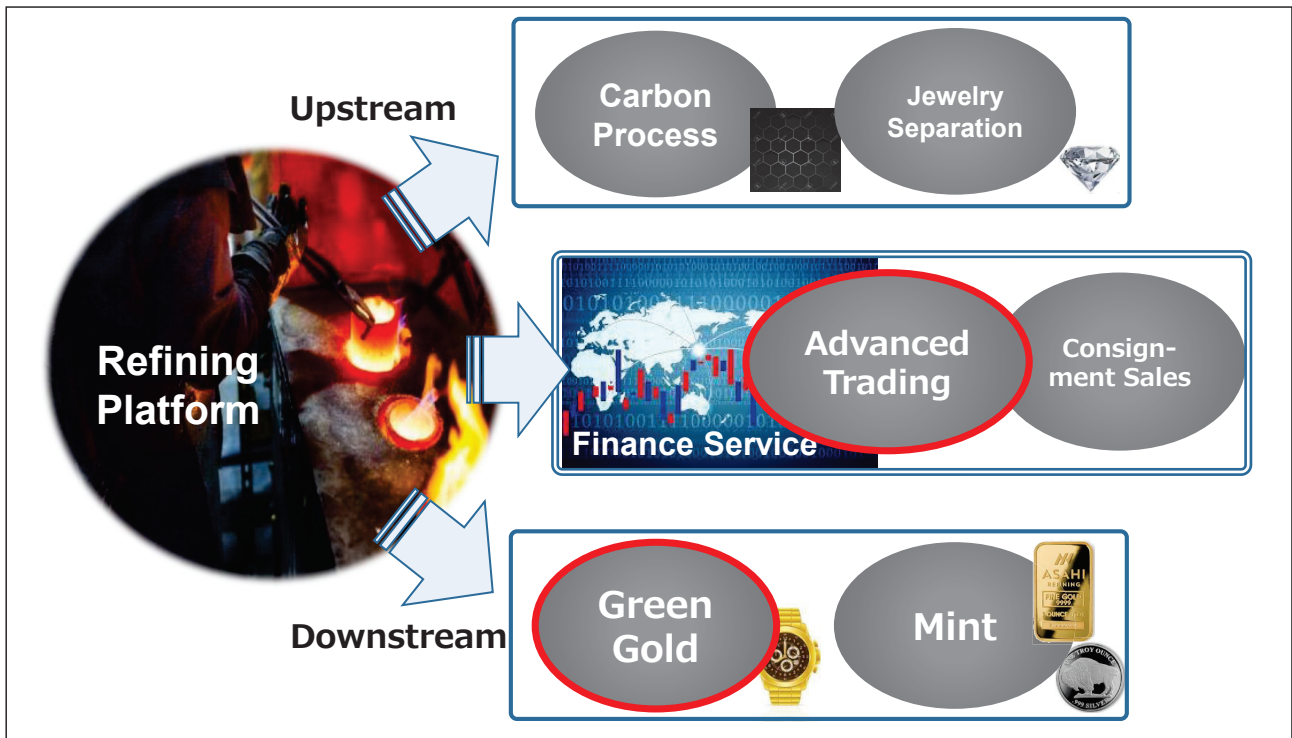
In order to conduct advanced delivery to clients before finishing, procuring gold from outside is needed. There are two financing instruments as described below and we choose either one of them based on the financial market situation at the time of financing.

Financing instruments	Accounting treatment	Impact on operating income
Loan from Japanese banks and procurement of gold	Finance costs	No (Impact on profit before tax)
Gold loan from bullion banks	Operating expenses	Yes



<Ref.> Profit Expansion in North America

- While main business of Asahi Refining in North America (“AR”) is the refining of gold and silver on a consignment basis from mining companies, AR seeks to diversify profit sources by positioning the refining business as a platform.
- As a result of an attempt to develop and utilize a low-risk scheme, financial services such as Advanced Trading have become one of the major profit sources and are expected to expand further



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Trend in Metal Prices (Au, Ag)

(Unit: JPY per gram)

Gold



Silver



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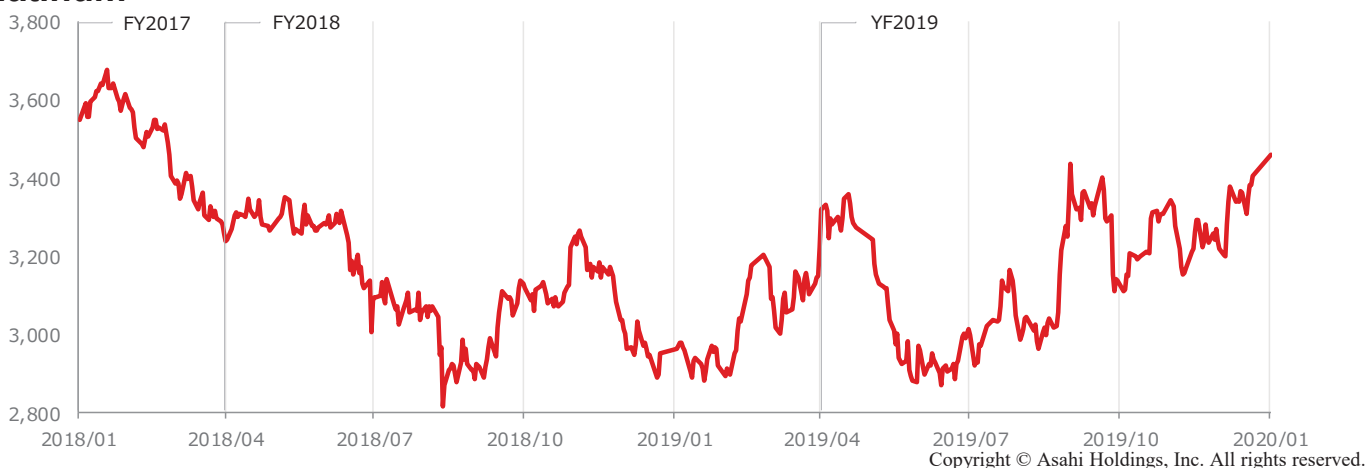
AW Trend in Metal Prices (Pd, Pt)

(Unit: JPY per gram)

Palladium



Platinum



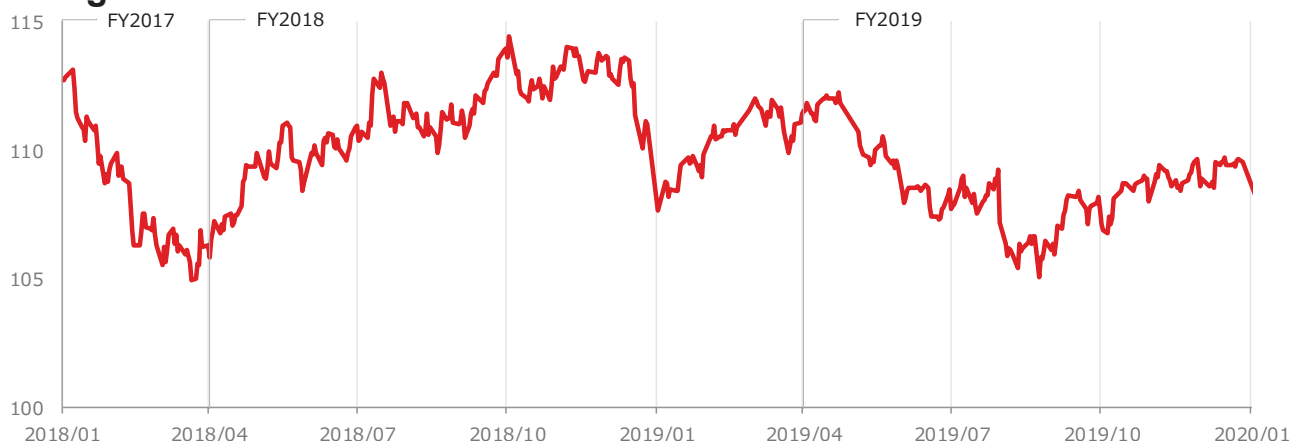
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AW Trend in Prices (Gold <USD/Toz>, EXC <USD/JPY>)

Gold USD/Toz



Exchange Rate USD/JPY



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