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## Disclosure through the Internet regarding Notice of the 11th Annual General Meeting of Shareholders

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The items above are provided to our shareholders by posting our website (<https://www.asahiholdings.com/>) in accordance with laws and regulations, and Article 14 of the Articles of Incorporation of Asahi Holdings, Inc.

**Asahi Holdings, Inc.**

## **Structure to ensure the appropriateness of business**

Decisions on a framework to ensure that the performance of duties by the directors is consistent with the laws and the Articles of Incorporation and a framework to secure the appropriateness of the businesses of the Company are as follows:

- 1) Framework to ensure that the performance of duties by the directors, corporate officers and employees of the Company and our subsidiaries is consistent with the laws and the Articles of Incorporation**
  - (a) The Board of Directors will establish “Asahi Way” for the directors and employees in order for the directors, corporate officers and employees to comply with the laws, Articles of Incorporation and internal rules and to fulfill their duties.
  - (b) We will distribute “Asahi Way” to the directors and employees so as to keep them informed of legal compliance. The internal audit division will make improvements and give guidance through the business audit.
  - (c) We will establish the “internal control promotion meeting” consisting of officers and responsible persons of various divisions as an organization that controls the entire compliance in order to promote the construction, maintenance and improvement of the internal control system.
  - (d) To promote compliance, the actual situation of compliance will be audited.
  - (e) In order to respond appropriately to any legal violation or other doubtful act under laws which may be discovered by a director or an employee, we will develop and operate a whistle-blowing system.
  - (f) We will never have any relationship, including business relationships, with anti-social forces which threaten the social order and sound corporate activities. In the event of an illegal request, we will take a firm attitude and respond to it organizationally in accordance with the law and internal rules.
- 2) Framework for storage and management of information relating to business operations by the directors and a framework for report to the Company about the matters relating to the performance of duties by the directors and employees of our subsidiaries**
  - (a) We will appropriately control the manner of storing, disposing of and otherwise managing the records and documents relating to the performance of duties and decision-making of the directors and will review the relevant rules from time to time when needed.
  - (b) The directors, Audit and Supervisory Committee Members and Accounting Auditor will always have access to these information and documents.
  - (c) We will manage our subsidiaries and they will report important matters to us.
- 3) Rules and other frameworks for management for risk of loss in the Company and our subsidiaries**
  - (a) We will establish the risk management rules and build a risk management system in accordance with such rules.
  - (b) In the event of an unexpected event, we will discuss and make decisions at the management meeting, etc., and the responsible manager will inform such decisions to each division and plant. Each division and plant will take prompt actions to prevent damage from expanding and will arrange a system to minimize the damage.
- 4) Framework to secure the efficient performance of duties by the directors of the**

**Company and our subsidiaries**

- (a) The Board of Directors will hold a meeting regularly no less than once every three months and from time to time when needed in order to determine the management policies and other important matters relating to the business strategies and to supervise the situation of business operations by the directors.
- (b) In order to enhance the functions of the Board of Directors and improve management efficiency, the Board of Directors will hold an extraordinary meeting from time to time when needed in order to expeditiously make decisions on basic matters and important matters relating to the business operations.
- (c) The Board of Directors will draft a mid-term business plan and a budget for each fiscal year to set the business target and will supervise the progress.
- (d) Regarding the business operations according to decisions made by the Board of Directors, we will establish the responsibility of the directors for performance of duties and the procedures for performance so as to ensure the efficient performance of duties. Each provision will be reviewed from time to time when needed.

**5) Framework to secure the appropriateness of business of the corporate group consisting of the Company and our subsidiaries**

- (a) We will build a system to manage our subsidiaries and will develop a system to report their business results, business activities and the like to our board of directors on a regular basis.
- (b) A manager of the Company will serve as an officer of our subsidiary and will develop a system to observe the appropriateness of such subsidiary's business.
- (c) The internal audit division of the Company will conduct the internal audit regularly or when needed and will develop a system to report the result of audit to the Audit and Supervisory Committee and Directors with authority over operations.

**6) Framework to appoint an employee who assists the duties of the Audit and Supervisory Committee of the Company, and the matters relating to the independence of such employee from the directors (except those who are Audit and Supervisory Committee Members) and the matters relating to the assurance of effective instructions given by the Audit and Supervisory Committee to such employee**

- (a) We will assign an employee who assists the duties of the Audit and Supervisory Committee in the Audit and Supervisory Committee Secretariat.
- (b) Appointment and relocation of the Audit and Supervisory Committee Secretariat staff that assists such committee in performing its duties requires prior consent of such committee.
- (c) The Audit and Supervisory Committee shall have the right to direct and order the Audit and Supervisory Committee Secretariat staff who assists the committee in performing its duties to perform his/her duties.

- 7) Framework where the directors (except those who are Audit and Supervisory Committee Members) and employees of the Company and the directors, corporate officers, employees and auditors of our subsidiaries or parties who receives a report from aforementioned persons report to the Audit and Supervisory Committee of the Company, and other matters relating to reporting to the Audit and Supervisory Committee**
- (a) The directors (except those who are Audit and Supervisory Committee Members) and employees of the Company and the directors, corporate officers, employees and auditors of our subsidiaries or parties who receive a report from aforementioned persons will promptly report the important matters relating to, without limitation, the management, the accounting division and division in charge of compliance and awards and penalties to the Audit and Supervisory Committee of the Company, in addition to the matters which conflict with the laws and Articles of Incorporation and the matters which may remarkably damage the Company and our subsidiaries.
- (b) In order to grasp the important decision-making process and the situation of its business operations, the Audit and Supervisory Committee Members may attend important meetings in addition to the meeting of the Board of Directors, access important documents relating to the business operations and request a director or an employee to explain the situation when needed.
- 8) Framework to ensure that no person who reported to the Audit and Supervisory Committee of the Company is treated disadvantageously by reason of the report**  
We will not treat any officer or employee of the Company and our subsidiaries who reported to the Audit and Supervisory Committee disadvantageously by reason of such report.
- 9) Matters relating to the policies for settlement of expenses or debts associated with the procedures for prepayment or reimbursement of expenses incurred for the performance of duties by the Audit and Supervisory Committee Members of the Company (limited to the performance of duties of the Audit and Supervisory Committee) and the performance of other duties**  
The Audit and Supervisory Committee Members may request the company to repay the expenses required for the performance of their duties (limited to the performance of duties of the Audit and Supervisory Committee).
- 10) Other framework to ensure that the Audit and Supervisory Committee of the Company conducts audits effectively**  
The Audit and Supervisory Committee, Accounting Auditor and Audit and Supervisory Committee Secretariat will cooperate with each other in audit tasks and the director and employees will assist them in conducting audits efficiently.

## **Status of operation of structure to ensure the appropriateness of business**

As of June 16, 2015, the Company made a transition to the Board with Audit and Supervisory Committee to promote efforts to ensure transparency and improve the efficiency of corporate management by reinforcing the supervisory function of the Board of Directors and utilizing Outside Directors. The Company's Board of Directors discusses management risks and reviews the Company's internal organizations, operations and regulations accordingly to enhance their effectiveness.

The status of operation of structure to ensure the appropriateness of business operations is as follows.

- 1) Status of efforts to enhance the appropriateness and efficiency of business execution**
  - (a) The Board of Directors consists of four (4) Directors with executive authority over operations and four (4) Directors serving as Audit and Supervisory Committee Members (including three (3) Outside Directors) and has held active discussions.
  - (b) During the fiscal year under review, the Board of Directors held ten (10) meetings where the status of business execution was supervised by deliberating proposals and receiving reports on the status of important business execution.
  - (c) The Board of Directors entrusts the authority over some important business execution to Directors to ensure efficient decision making and business execution.
  - (d) To secure the transparency in decisions on nomination and compensation for Directors and Group companies, the Nominating Committee and the Compensation Committee, each of which consists of one Representative Director and two (2) Outside Directors serving as Audit and Supervisory Committee Members, were established as voluntary committees, and have provided advice and suggestions to the Board of Directors.
- 2) Status of efforts regarding compliance and risk management**
  - (a) Continuous efforts to ensure compliance with laws, regulations and the Articles of Incorporation have been made by providing employees with compliance education through in-house trainings and meetings and announcing the content of laws and their revisions on the internal portal site or with other means.
  - (b) To counter an act that violates laws, regulations and the Articles of Incorporation, the whistle-blowing system has been reinforced to monitor such an act, thereby strengthening legal compliance and risk management.
  - (c) The internal control promotion meeting engages in identification and control of internal risks, and improves the internal organizations, facilities and equipment, information systems and internal regulations accordingly.
- 3) Status of execution of duties of the Audit and Supervisory Committee**
  - (a) Directors serving as Audit and Supervisory Committee Members join the discussion and resolution of proposals and receive reports on the status of business execution at the meetings of the Board of Directors and attend the Group Subsidiaries Management Meeting and other meetings to enhance the effectiveness of audits.
  - (b) To ensure the effectiveness of audits by Directors serving as Audit and Supervisory Committee Members, the Audit and Supervisory Committee Secretariat, which is independent of orders from Directors with authority over operations, is placed to support the Audit and Supervisory Committee Members.

**4) Status of the internal audits system**

- (a) An internal audit division for conducting audits on a Group-wide basis has been in place for enhancement of the internal audits system.
- (b) The internal audit division conducts audits on overall business operations and reports to the Audit and Supervisory Committee. The division also cooperates with the Audit and Supervisory Committee Members and the Accounting Auditor to enhance the effectiveness of audits.

**Notes to consolidated financial statements**  
**(Basis of preparing consolidated financial statements)**

**1. Standards for preparing the consolidated financial statements**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting. Certain disclosures required by IFRS have been omitted from these consolidated financial statements under the provision set forth in the second sentence of said Paragraph.

**2. Scope of consolidation**

Number of consolidated subsidiaries	17
Major consolidated subsidiaries	Asahi Pretec Corp. Japan Waste Corporation JW Chemitech Co., Ltd. Taiyo Chemical Co., Ltd. Fuji Rozai Co., Ltd. JW Glass Recycling Co., Ltd. Asahi Life & Health Corporation INTER CENTRAL, INC. Asahi G&S Sdn. Bhd. Shanghai Asahi Pretec Co., Ltd. Asahi Pretec Korea Co., Ltd. Asahi Pretec Medical Support Co., Ltd. Asahi Americas Holdings, Inc. Asahi Refining USA Inc. Asahi Refining Florida LLC Asahi Refining Canada Ltd. and 1 other company

**3. Equity method affiliate**

Equity method affiliates	1
Major Equity method affiliates	FUJI MEDICAL INSTRUMENTS MFG. CO., LTD.

**4. Change in scope of consolidation or scope of application of equity method**

As Asahi Pretec Medical Support Co., Ltd. was newly established in the current consolidated fiscal year, it is included in the scope of consolidation. As the Company sold part of shares of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD., it is excluded from the scope of consolidation and became an equity method affiliate. As the Company sold all shares of KOEIKOGYO CO., LTD., it is excluded from the scope of consolidation. As Iyotec Co., Ltd. and ECOMAX INCORPORATED were merged into Japan Waste Corporation, they are excluded from the scope of consolidation. As Pretec Taiwan Co., Ltd. were liquidated, it is excluded from the scope of consolidation.

## 5. Accounting policies

### (1) Valuation standards and methods for major assets

#### 1) Financial assets other than derivatives

##### (i) Initial recognition and measurement

The Group recognizes financial assets when it becomes a party to the contract clauses of financial instruments and classifies the financial assets into financial assets measured at fair value through profit or loss or other comprehensive income and financial assets measured at amortized cost.

All financial assets, unless they are classified into those measured at fair value through profit or loss, are measured at fair value plus transaction costs.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

For financial assets measured at fair value, except equity instruments that are held for trading and must be measured at fair value through profit or loss, a designation is made of individual equity instruments as those measured at fair value through profit or loss or those measured at fair value through other comprehensive income, and such designation is applied consistently.

##### (ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows.

#### a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the amortized cost based on the effective interest method.

#### b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. However, for equity instruments designated as those measured at fair value through other comprehensive income, changes in the fair value are recognized in other comprehensive income. Said amounts recognized in other comprehensive income are not subsequently reclassified into profit or loss. In cases where such financial assets are derecognized or their fair value declines significantly, the other comprehensive income previously recognized is directly transferred to retained earnings. Dividends relating to such financial assets are recognized as part of finance income and in profit or loss for the fiscal year under review.

##### (iii) Impairment of financial assets

The Group recognizes impairment of financial assets based on whether the credit risk on the financial asset or financial asset group measured at amortized cost at each end of the reporting periods has increased significantly since initial recognition. Specifically, if the credit risk has not increased significantly since initial recognition, a loss allowance is recognized based on 12-month expected credit losses. On the other hand, if the credit risk has increased significantly since initial recognition, a loss allowance is recognized based on expected credit



losses through the remaining life of the financial asset. Whether the credit risk has increased significantly is determined based on changes in the risk of default. Whether there are changes in the risk of default is determined by taking into account any significant changes in the external credit ratings of the financial asset, unfavorable changes in the status of business operations or financial position, any events of overdue payments and other information. For trade receivables, however, lifetime expected credit losses are recognized from when the instruments are first recognized.

Expected credit losses are measured based on the discounted present value of differences between contractual amounts to be received and amounts expected to be received.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains control over the transferred asset, the Group recognizes the asset and related liability to the extent of its continuing involvement.

2) Derivatives

The Group utilizes derivatives, including foreign exchange forward contracts, interest rate swaps and commodity forward contracts, to hedge, respectively, foreign exchange, interest rate and commodity price risks. These derivative instruments are initially measured at fair value when the contract is entered into and are subsequently remeasured at fair value.

3) Inventories

Inventories are measured at the lower of cost and net realizable value. The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined mainly by the moving-average method and includes the cost of purchase, cost of conversion and all other costs incurred in bringing the inventories to their present location and condition.

(2) Depreciation and amortization for major assets

- 1) Property, plant and equipment : Assets other than land and construction in progress are depreciated using the straight-line method over their estimated useful lives as follows.
- Buildings and structures: 2–50 years
  - Machinery, equipment and vehicles: 2–17 years
- Estimated useful lives, residual values and depreciation methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.

- 2) Intangible assets : Intangible assets, except those for which the useful life is not determined, are amortized using the straight-line method over their estimated useful lives as follows.
- Software: 5 years
- Estimated useful lives, residual values and amortization methods are reviewed at each fiscal year-end, and any changes are applied prospectively as changes in accounting estimates.
- 3) Leases : For lease transactions, 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 income. 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.

(3) Recognition criteria for significant provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events and it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations. When the effect of the time value of money is material, the amount of a provision is measured by discounting the estimated future cash flows at the discount rate, which is a pretax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance cost.

(4) Recognition criteria for revenue

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

(5) Other important items for preparing consolidated financial statements

1) Hedge accounting:

At the inception of a hedge, the Group formally provides a hedge designation and documentation relating to the hedging relationship to which hedge accounting will be applied, as well as the risk management objective and strategy in carrying out the hedge. Said documentation includes specific hedging instruments, hedged items or transactions, the nature of hedged risks and the method for assessing the effectiveness of a hedging relationship. These hedges are assessed on an ongoing basis to determine whether they were actually effective for all financial reporting periods when they were designated as hedges. Specifically, a hedge is judged as effective if all of the following requirements are fulfilled.

- There is an economic relationship that provides an offset between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged items and the quantity of hedging instruments that the Company actually uses.

The Company uses the following hedge accounting method if the requirements for hedge accounting are met.

Cash flow hedges

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized immediately in profit or loss in the consolidated statement of income.

Amounts relating to hedging instruments recognized as other comprehensive income are reclassified to profit or loss when hedged transactions affect profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (this is referred to as “rebalancing” hereinafter). After rebalancing, if a hedge becomes no longer qualified for hedge accounting or a hedging instrument expires, or is sold, terminated or executed, hedge accounting is discontinued prospectively.

When hedge accounting is discontinued, the balance of cash flow hedges already recognized in other comprehensive income remain in equity if the hedged future cash flows are still expected to occur, whereas such balance is reclassified immediately to profit or loss if the hedged future cash flows are no longer expected to occur.

2) Accounting method for : Consumption taxes are accounted for using the net

- consumption taxes
- 3) Foreign currency translation : A foreign currency transaction is translated into the functional currency of each Group company at the rate of exchange at the date of the transaction.  
Foreign currency monetary assets and liabilities at the end of the reporting period are translated into the functional currency at the rate of exchange at the end of the reporting period.  
Foreign currency non-monetary assets and liabilities measured at fair value are translated into the functional currency at the rate of exchange at the date when said fair value is determined.  
Differences arising from translation or settlement are recognized in profit or loss, except that differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.  
The assets and liabilities of foreign operations are translated into Japanese yen at the rate of exchange at the end of the reporting period, while the income and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period, unless exchange rates do not fluctuate significantly during the period. Exchange differences arising from the translation of the financial statements of foreign operations are recognized in other comprehensive income. On the disposal of a foreign operation, the exchange differences relating to that foreign operation are recognized in profit or loss during the period when said disposal was made.
- 4) Treatment of goodwill : Goodwill is not amortized but is subject to an impairment testing annually and whenever an indication of impairment exists.  
Impairment losses relating to goodwill are recognized in the consolidated statement of income, and subsequent reversals of the losses are not conducted.
- 5) Employee benefits : The Group adopts defined benefit pension plans and defined contribution pension plans as post-employment benefits for employees.  
The Group determines the present value of defined benefit obligations and related current service cost and past service cost using the projected unit credit method. The discount rate is determined by reference to market yields on high-quality corporate bonds at the end of the

reporting period corresponding to the discount period, which is established to reflect the period until the estimated timing of benefit payments in each fiscal year in the future.

Liabilities or assets pertaining to defined benefit pension plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations.

Remeasurements of defined benefit pension plans are collectively recognized in other comprehensive income for the period when they are incurred and are immediately transferred from other components of equity to retained earnings.

Past service cost is amortized as profit or loss for the period when it is incurred.

Cost relating to defined contribution pension plans is recognized as an expense at the time of contribution.

6) Presentation of amounts : Amounts less than one million yen are truncated.

**(Note to changes in the manner of presentation)**

Profit and loss from businesses that have been reclassified as discontinued operations are presented as a separate component at the amount net of income tax expenses under profit from continuing operations in the consolidated statement of income.

**(Notes to the changes in accounting policies)**

**1. Basis for consolidation**

Affiliated companies

Affiliated companies refer to companies over which the Group does not have control or joint control, despite having significant influence over finance or operating policy. When the Group has between 20% and 50% of the voting rights of another company, the Group is assumed to have significant influence over that company.

Affiliated companies are accounted for by the equity method from the day that the Group assumes a significant influence until the day that it loses the significant influence. Investments in affiliates include goodwill recognized upon acquisition (net of accumulated impairment losses). Where affiliated companies have adopted different accounting policies to those adopted by the Group, adjustments are made to the affiliated companies' financial statements as needed.

**2. Leases**

The Group adopted IFRS 16 "Leases" (announced in January 2016, hereinafter referred to as "IFRS 16") in the current consolidated fiscal year.

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 income.

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 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 (noncurrent), respectively, at the beginning of the period.

The impact of the transition on the profits and cash flow during the current fiscal year remains minimal.

### 3. Discontinued operations

The Group recognizes any component of a company that has already been disposed of or has been classified as held for sale and that falls under either one of the following categories as a discontinued operation:

- It represents a major independent business area or operating territory.
- It is a component of a consolidated plan to dispose of a major independent business area or operating territory.
- It is a subsidiary that has been acquired solely for the purpose of resale.

The after-tax gain or loss on discontinued operations and the after-tax gain or loss recognized after the disposal of the disposal group that constitutes the discontinued operations are reported separately from continued operations as profit from discontinued operations in the consolidated income statement.

#### (Notes to the consolidated statement of financial position)

##### 1. Assets pledged as collateral and obligations related to collateral

###### (1) Assets pledged as collateral

Property, plant and equipment	
Buildings and structures	56 million yen
<u>Land</u>	<u>160 million yen</u>
Total	216 million yen

###### (2) Obligations related to collateral

<u>Loans payable (current)</u>	<u>50 million yen</u>
Total	50 million yen

##### 2. Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	10 million yen
Financial assets (non-current)	0 million yen

##### 3. Accumulated depreciation of property, plant and equipment

31,430 million yen

**(Notes to the consolidated statement of income)**

**1. Impairment loss**

The impairment loss of 998 million yen on property, plant and equipment recognized during the fiscal year under review was due to the decision of disposal of gold and silver refining facilities (buildings and machinery) in Asahi Refining Florida LLC belonging to the segment of Precious Metal Business to further enhance the efficiency and profitability of business in North America. And the book value of the property, plant and equipment has been reduced to the recoverable amount. The recoverable value is measured based on the fair value less costs of disposal, and that is evaluated using the estimated disposal value, etc. of the asset. The fair value hierarchy level is 3. Impairment losses are recorded in “Other operating expenses” in the consolidated statement of income.

**2. Discontinued operations**

(1) Outline of discontinued operations

On December 20, 2019, the Company signed an agreement to transfer of 60% of all the shares of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD., which was a consolidated subsidiary of the Company, to Johnson Health Tech. Co., Ltd., a listed company on the Taiwan Stock Exchange. For this reason, profit and loss relating to operations of FUJI MEDICAL INSTRUMENTS MFG. CO., LTD. in the fiscal year under review are classified as discontinued operations, with the discontinued operations concerned displayed in a separate category. The transfer was completed on March 13, 2020.

(2) Discontinued operations performance

	(Millions of yen)
	The fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Revenue and expense of discontinued operations	
Revenue	13,698
Expense (note)	(14,772)
Loss before tax from discontinued operations	(1,074)
Income tax expenses (note)	(499)
Loss from discontinued operations	(1,573)

(Note) This includes losses worth 1,607 million yen, which were recognized by the measurement in the current consolidated fiscal year of the disposal group that constitutes discontinued operations at fair value less selling cost. Income tax expenses pertaining to this change totaled 332 million yen.



(Notes to the consolidated statement of changes in equity)

1. Class and number of issued shares and treasury shares

	Number of shares at the beginning of this consolidated accounting period (Thousands of shares)	Number of shares increased during this consolidated accounting period (Thousands of shares)	Number of shares decreased during this consolidated accounting period (Thousands of shares)	Number of shares at the end of this consolidated accounting period (Thousands of shares)
Issued shares				
Common stock	39,854	-	-	39,854
Total	39,854	-	-	39,854
Treasury shares				
Common stock	505	0	-	505
Total	505	0	-	505

(Notes) 1. The increase of 0 thousand shares in treasury shares of common stock was due to the purchase of shares less than one unit.

2. The treasury shares include 376 thousand shares held by the ESOP trust and 95 thousand shares held by the BIP trust.

2. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends	Dividends per share	Record date	Effective date
May 8, 2019 Board of Directors' Meeting	Common stock	2,389 million yen	60.00 yen	March 31, 2019	May 29, 2019
October 29, 2019 Board of Directors' Meeting	Common stock	2,389 million yen	60.00 yen	September 30, 2019	November 22, 2019

(Notes) 1. Total dividends according to the resolution at the Board of Directors' meeting on May 8, 2019 include dividends of 28 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

2. Total dividends according to the resolution at the Board of Directors' meeting on October 29, 2019 include dividends of 28 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

(2) Among dividends whose record date within this consolidated accounting period, those having an effective date within the following consolidated accounting period (scheduled)

Resolution	Class of shares	Total dividends	Source of dividends	Dividends per share	Record date	Effective date
May 12, 2020 Board of Directors' Meeting	Common stock	2,787 million yen	Retained earnings	70.00 yen	March 31, 2020	May 27, 2020

(Note) Total dividends according to the resolution at the Board of Directors' meeting on May 12, 2020 include dividends of 33 million yen relating to the Company's shares held by the ESOP trust and the BIP trust.

## **(Notes to financial instruments)**

### **1. Status of financial instruments**

In the course of business activities, the Group is exposed to financial risks, such as credit risks, liquidity risks, currency risks, interest rate risks and market price fluctuation risks, and performs risk management activities to reduce said financial risks.

The Group also uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps, to hedge against market risks and makes it a policy not to enter into derivative transactions for speculative purposes.

#### 1) Credit risk

A credit risk refers to a risk of customers going into default on contractual debts, causing financial losses to the Group.

The Group manages the credit risk in accordance with its credit control regulations, using the credit limits set for its business partners.

The Group's receivables consist of receivables from many customers operating in a wide range of industries and regions, and are not subject to risks excessively concentrated on a single customer or the group to which said customer belongs.

The carrying amount of financial assets, net of accumulated impairment loss, presented in the consolidated statement of financial position represents the maximum exposure of the Group's financial assets to credit risks without taking into account the value of the collateral obtained. Regarding the exposure to these credit risks, there are no properties held as collateral and other credit enhancements.

#### 2) Liquidity risk

A liquidity risk refers to a risk of the Group becoming not able to repay the financial liability for debts on the due date.

The Group manages liquidity risk by preparing adequate amount of funds for repayment, while securing from financial institutions a line of credit to which it is accessible as needed and monitoring the plans and results of cash flows on a continuous basis.

#### 3) Currency risk

The Group operates globally and is exposed to currency risks related to foreign currency transactions. For certain foreign currency transactions for which the amounts are significant and that are individually identifiable, the Group uses hedging instruments to hedge against currency risks relating to the hedged items within a certain range in accordance with its internal regulations.

Accordingly, the exposure to currency risks is insignificant and is judged as immaterial to the Group.

#### 4) Interest rate risk

An interest rate risk is defined as a risk of the fair value of financial instruments or the future cash flows from financial instruments fluctuating due to fluctuations in market interest rates. The Group's exposure to interest rate risks mainly relates to payables, such as loans payable, and receivables, such as interest-bearing deposits. Because the amount of interest is subject to fluctuations in market interest rates, the Group is exposed to interest rate risks that cause fluctuations in future cash flows of interest.

The Group uses interest rate swaps to mitigate the risk of fluctuations in interest payable relating to loans payable, thereby stabilizing cash flows.

Accordingly, the impact of fluctuations in the amount of interest payments due to interest-rate fluctuations on the Group is insignificant, and interest rate risks are judged as immaterial to the Group.

5) Market price fluctuation risk

Precious metals and rare metals, the core products of the Group's precious metal business, are traded in international markets, and the prices thereof are exposed to commodity price risks due to the political and economic trends of supplier and consumer countries, as well as foreign exchange rates.

To mitigate commodity price risks, the Group uses derivative instruments such as commodity forward contracts, as hedging instruments against commodity price risks mainly due to market price fluctuations.

Accordingly, the Group's exposure to commodity price fluctuation risks is insignificant and market price fluctuation risks are judged as immaterial to the Group.

**2. Fair value, etc., of financial instruments**

The carrying amounts reported in the consolidated statement of financial position on March 31, 2020 (consolidated fiscal closing date for the fiscal year under review), and the fair value of financial instruments are as follows:

	(Millions of yen)	
	Carrying amount in consolidated statement of financial position (*)	Fair value (*)
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	22,908	22,908
Trade and other receivables	119,754	119,754
Other	755	755
Financial assets measured at fair value through other comprehensive income		
Other financial assets	21	21
Financial assets designated as hedging instruments		
Derivative instruments	-	-
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	13,710	13,710
Bonds payables	4,928	4,928
Loans payable	121,873	121,893
Other	4	4
Financial liabilities designated as hedging instruments		
Derivative instruments	6,561	6,561

(\*) The methods used for determining the fair value of financial instruments are as follows.

Financial assets measured at amortized cost:

These mainly consist of cash and cash equivalents, and trade receivables. These are settled in a short term, and the carrying amount thereof is a reasonable approximation to the fair value thereof.

Financial assets measured at fair value through other comprehensive income:

These mainly consist of listed shares. The fair value of listed shares is determined based on the market prices at the end of the reporting period.

Financial assets designated as hedging instruments and Financial liabilities designated as hedging instruments:

These mainly consist of derivative instruments. The fair value of derivative instruments is determined mainly by reference to prices quoted by financial institutions.

Financial liabilities measured at amortized cost:

These mainly consist of trade payables, bonds payable and loans payable. Trade payables are settled in a short term, and the carrying amount thereof is a reasonable approximation to the fair value thereof. The fair value of bonds payable and loans payable is determined based on the present value, which is obtained by discounting future cash flows at an interest rate assumed to be applied if similar contracts were newly executed.

**(Notes to information per share)**

Equity attributable to owners of parent per share	1,758.00 yen
Continuing operations	290.22 yen
Discontinued operations	(39.98) yen
Basic profit per share	250.24 yen
Continuing operations	288.24 yen
Discontinued operations	(39.71) yen
Diluted profit per share	248.53 yen

**(Notes to significant subsequent events)**

Not applicable

**(Other notes)**

Impact of the novel coronavirus disease

In making accounting estimates, we have considered the impact of the spread of the coronavirus infection on our future outlook. As a result, we do not expect any changes that would cause a significant effect on our estimates due to the nature of the Group's businesses.

**(Notes to recognition of revenue)**

The Group is engaged in the sales of precious metals, heating equipment, and other items. Regarding these products, revenue is recognized when the goods are transferred to the customer, a point at which the customer has control of the goods, and the performance obligation is deemed to have been satisfied. As for revenue pertaining to the collection, transport and intermediate treatment or other processing

of industrial wastes, revenue is recognized when the treatment of the said industrial waste is completed, a point at which the customer has control and the performance obligation is deemed to have been satisfied.

**Notes to non-consolidated financial statements**  
**(Notes to significant accounting policies)**

**1. Valuation standards and valuation methods for assets**

Securities

Shares of subsidiaries : Cost mainly determined by the moving-average method.

**2. Depreciation methods for non-current assets**

Property, plant and equipment : Straight-line method  
Assets with acquisition amount of 100 thousand yen or more to less than 200 thousand yen are equally depreciated for three years.

Intangible assets : Straight-line method  
Software for internal use is amortized under the straight-line method based on the period for which the Company can use such software (five years or less).

**3. Accounting standards for provisions**

Allowance for doubtful accounts : To provide for possible losses due to the uncollectibility of claims, an allowance for doubtful accounts is provided for specific claims with a higher probability of default at an uncollectible amount estimated by considering the collectability of individual claims.

Provision for bonuses : To allow for the payment of bonuses to employees, the standard for estimated amounts of bonuses to be paid is recorded.

Provision for director's bonuses : To allow for the payment of bonuses to directors, the standard for estimated amounts of bonuses to be paid is recorded.

Provision for management board incentive: To allow for the granting of the Company shares to the Company's Directors in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under review is recorded.  
plan trust

Provision for stocks payment : To allow for the granting of the Company shares to the Group employees in accordance with the Regulations Concerning Stock Issuance, an amount of stock grant obligations estimated at the end of the fiscal year under review is recorded.

**4. Other important items for preparing financial statements**

- 1) Treatment of deferred assets : Bond issuance cost is recognized as an expense when expended.
- 2) Hedge accounting  
Hedge accounting methods : The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to foreign exchange forward contracts which conform to the requirements of such hedge accounting. *Tokurei-shori* (an accounting method in which the net interest swap amount is treated by adjusting the interest on hedged items) is applied to interest rate swap contracts that conform to the requirement of such hedge accounting.
- Hedging instruments and hedged items  
Hedging instruments : Currency swaps and interest rate swaps  
Hedged items : Payment of principal and interest of long-term loans payable
- Hedging policy : In accordance with internal regulations, the Company hedges risks associated with fluctuations in foreign currency exchange rates and interest rates.
- Methods for assessing the effectiveness of hedging : During the inception of hedging to the judgment of effectiveness, accumulated rate fluctuations in hedged items and hedging instruments are compared and then assessment is made on the basis of the amount of these fluctuations. For currency swaps subject to *furiate-shori* and interest rate swaps subject to *tokurei-shori*, the assessment of effectiveness is omitted.
- 3) Accounting method for consumption taxes : Consumption taxes are accounted for using the net method of reporting.

**(Notes to balance sheet)**

**1. Accumulated depreciation of property, plant and equipment** 2,058 million yen

**2. Guarantee liabilities**

Guarantees are provided for the bank loans of the following company.

Asahi Refining Canada Ltd.	102,844 million yen
<hr/> Total	<hr/> 102,844 million yen

**3. Monetary claims and monetary obligations related to affiliated companies**

Short-term monetary claims	54,777 million yen
Short-term monetary obligations	2 million yen

**(Notes to statement of income)**

Amount of transactions with affiliated companies	
Amount of operating transactions with affiliated companies	
Operating revenue	11,398 million yen
Amount of other operating transactions	90 million yen
Amount of transactions other than operating transactions	483 million yen

**(Notes to statement of changes in net assets)**

**Class and number of treasury stocks**

Class of shares	Number of shares at the beginning of this fiscal year (Thousands of shares)	Number of shares increased during this fiscal year (Thousands of shares)	Number of shares decreased during this fiscal year (Thousands of shares)	Number of shares at the end of this fiscal year (Thousands of shares)
Common stocks	505	0	–	505
Total	505	0	–	505

- (Notes) 1. The increase of 0 thousand shares in treasury shares of common stock was due to the purchase of shares less than one unit.
2. The treasury shares include 376 thousand shares held by the ESOP trust and 95 thousand shares held by the BIP trust.



**(Notes to tax effect accounting)**

**Breakdowns of main items causing deferred tax assets and deferred tax liabilities**

Deferred tax assets	
Allowance for doubtful accounts	5,311 million yen
Business tax	18 million yen
Provision for directors' bonuses	16 million yen
Provision for management board incentive plan trust	15 million yen
Provision for stocks payment	8 million yen
Provision for bonuses	6 million yen
Loss on valuation of shares of affiliated companies	3 million yen
Other	4 million yen
Subtotal	5,383 million yen
Valuation allowance	(5,314) million yen
Total deferred tax assets	69 million yen
Net deferred tax assets	69 million yen

**(Notes to transactions with related parties)**

**Subsidiaries and affiliated companies, etc.**

Category	Name of companies	Voting rights	Relationship with related parties	Details of transaction	Amount of transaction (Millions of yen)	Account	Term-end balance (Millions of yen)
Subsidiary	Asahi Pretec Corp.	Owned Direct 100%	Support of funds	Collection of loaned funds	48,061	Short-term loans to affiliated companies (Note 3)	54,747
				Loan of funds (Note 1)	54,747		
				Receipt of interest (Note 1)	186		
			Management guidance	Management guidance (Note 2)	831	–	–
			Receipt of dividends	Receipt of dividends	10,000	–	–

**Transaction terms and conditions and policy, etc., to determine terms and conditions for transactions**

(Note 1) As for loans of funds, we reasonably determine interest rates taking into consideration market interest rates.

(Note 2) We determine prices and other terms and conditions for transactions by reference to prevailing market interest rates, etc.

(Note 3) Allowance for doubtful accounts of 17,347 million yen is recognized to provide for claims with a higher probability of default.

In addition, provision of allowance for doubtful accounts of 204 million yen is recognized for the fiscal year under review.

**(Notes to information per share)**

Net assets per share	1,528.03 yen
Net profit per share	257.25 yen
Diluted net profit per share	255.48 yen

**(Notes to significant subsequent events)**

Not applicable