

# Financial Results for 1H FY2019

(April 1, 2019 ~ September 30, 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<br>1H | FY2019<br>1H | Change | Forecast<br>for FY2019 |
|---|--------------|--------------|--------|------------------------|
| Revenue                                 | 60.4         | <b>70.2</b>  | +9.8   | <b>135.0</b>           |
| Operating income                        | 6.9          | <b>8.5</b>   | +1.6   | <b>19.0</b>            |
| Operating income ratio                  | 11.4%        | <b>12.1%</b> | -      | <b>14.1%</b>           |
| Profit before tax                       | 6.5          | <b>7.2</b>   | +0.7   | <b>16.8</b>            |
| Profit attributable to owners of parent | 4.5          | <b>4.5</b>   | (0.0)  | <b>10.2</b>            |
| CAPEX                                   | 1.1          | <b>1.4</b>   | +0.4   | <b>4.8</b>             |
| Depreciation expense                    | 1.2          | <b>1.4</b>   | +0.3   | <b>2.4</b>             |

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## Consolidated Performance

|                   |  |
|-------------------|--|
| Operating income  | <ul style="list-style-type: none"> <li>■ <b>8.5 billion yen</b> : YoY increase of <b>1.6 billion yen</b><br/>By segment (YoY)               <ul style="list-style-type: none"> <li>• Precious Metals: <b>+0.7 billion yen</b></li> <li>• Environmental Preservation: <b>+0.3 billion yen</b></li> <li>• Life &amp; Health: <b>+0.4 billion yen</b></li> <li>• Others: <b>+0.2 billion yen</b></li> </ul> </li> <li>■ <b>Revised the Plan of FY2019</b><br/>Operating income have been revised upward from 14.5 billion yen to 19.0 billion yen. It will have reached a record high result for three consecutive fiscal years.</li> </ul> |
| Profit before tax | <ul style="list-style-type: none"> <li>■ <b>7.2 billion yen</b><br/>- YoY increase of 0.7 billion yen</li> </ul>   |
| Dividend          | <ul style="list-style-type: none"> <li>■ Dividend policy: Approximately <b>50% or more of the Consolidated Net Income</b><br/>- Annual dividend forecast: 120 yen per share</li> </ul>   |

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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<sup>th</sup> 2019: Conclusion of a basic agreement
- Early December 2019: Conclusion of a share transfer agreement (scheduled)
- Early February 2020: Share transfer (scheduled)

※Fuji will be classified as discontinued operations from the third quarter of FY2019, and is expected to be excluded from the list of consolidated subsidiaries from the fourth quarter of FY2019 due to loss of control.

## Johnson Health Tech. Co., Ltd.



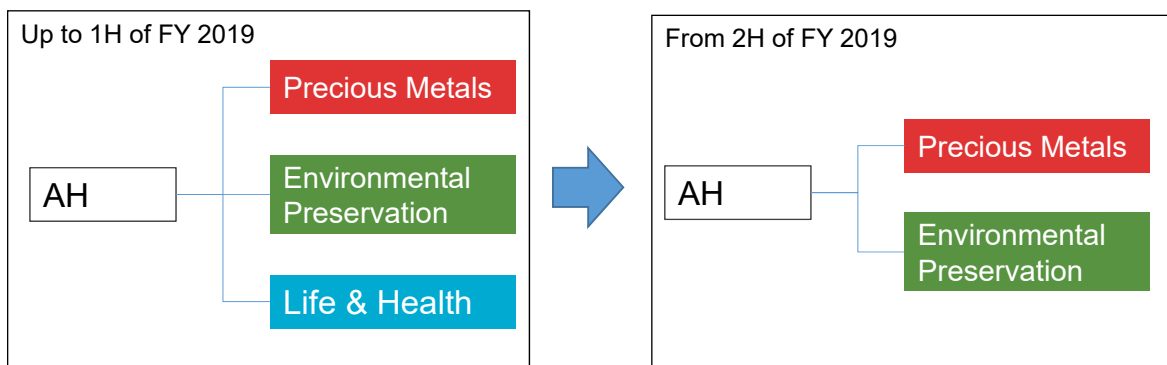
- ✓ Established in 1975, manufacture and sales of fitness equipment, etc.
- ✓ With 30 subsidiaries and over 300 directly managed stores around the world.
- ✓ Headquartered in Taichung, Taiwan. Its stock is listed on the Taiwan Stock Exchange.



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# AH Segment Change

- Will change the segments from 2H of FY 2019, as Fuji will be classified as discontinued operations.
- Will 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, will be 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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## Revision of Financial Forecast

- Revised FY2019 Forecast as prices and collection volume of precious metals in Precious Metals segment are better than anticipated.
- Operating income, profit before tax and profit attributable to owners of parent are all projected to be record high.

### <FY2019 Forecast>

(JPY in billion)

|   | Before revision | After revision | Change | Change ratio | Ref. Effect of Fuji (Estimated) |
|---|-----------------|----------------|--------|--------------|---------------------------------|
| Revenue                                 | 140.0           | 135.0          | (5.0)  | (3.6%)       | (20.0)                          |
| Operating income                        | 14.5            | 19.0           | +4.5   | +31.0%       | (0.9)                           |
| Op. income ratio                        | 10.4%           | 14.1%          | +3.7%  | -            | -                               |
| Profit before tax                       | 14.3            | 16.8           | +2.5   | +17.5%       | (0.9)                           |
| Profit attributable to owners of parent | 9.4             | 10.2           | +0.8   | +8.5%        | (1.4)                           |

FY2019 Forecast after revision include the effect by excluding Fuji from the list of consolidated subsidiaries.

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## Revision of Financial Forecast

- Revenue will increase by 6.3 billion yen year-on-year, and operating income will increase by 4.5 billion yen year-on-year.

### <FY2018 Actual vs FY2019 Forecast after revision>

(JPY in billion)

|   | FY2018 Actual | FY2019 Forecast after revision | Change | Change ratio | Ref. Impact amount of Fuji (Estimated) |
|---|---------------|--------------------------------|--------|--------------|--|
| Revenue                                 | 128.7         | 135.0                          | +6.3   | +4.9%        | (20.0)                                 |
| Operating income                        | 14.5          | 19.0                           | +4.5   | +31.2%       | (0.9)                                  |
| Op. income ratio                        | 11.3%         | 14.1%                          | +2.8%  | -            | -                                      |
| Profit before tax                       | 13.4          | 16.8                           | +3.4   | +25.3%       | (0.9)                                  |
| Profit attributable to owners of parent | 9.0           | 10.2                           | +1.2   | +13.3%       | (1.4)                                  |

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## Segment Results (1H Actual Year on Year)

( JPY in billion )

|                            |                  | FY2018 1H Actual | FY2019 1H Actual | Change |
|----------------------------|------------------|------------------|------------------|--------|
| Precious Metals            | Revenue          | 42.4             | 49.9             | +7.5   |
|                            | Operating income | 6.5              | 7.2              | +0.7   |
| Environmental Preservation | Revenue          | 8.0              | 9.0              | +1.1   |
|                            | Operating income | 1.4              | 1.7              | +0.3   |
| Life & Health              | Revenue          | 10.0             | 11.2             | +1.2   |
|                            | Operating income | 0.3              | 0.7              | +0.4   |
| Consolidated               | Revenue          | 60.4             | 70.2             | +9.8   |
|                            | Operating income | 6.9              | 8.5              | +1.6   |

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## 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          | 17.2            | +5.2   |
| Environmental Preservation | Revenue          | 17.2          | ※ 21.0          | +3.8   |
|                            | Operating income | 3.5           | ※ 4.0           | +0.5   |
| Life & Health              | Revenue          | 23.7          | -               | (23.7) |
|                            | Operating income | 1.5           | -               | (1.5)  |
| Consolidated               | Revenue          | 128.7         | 135.0           | 6.3    |
|                            | Operating income | 14.5          | 19.0            | +4.5   |

※Including the effect of business transferred from Life & Health business.

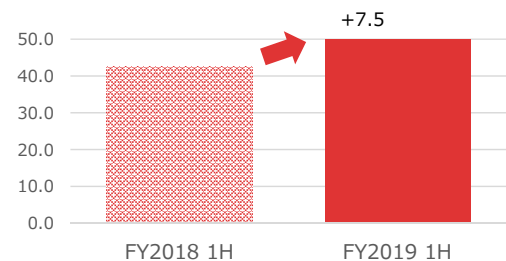
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## Segment Results (Precious Metals)

- 1H: Revenue and operating income increased year-on-year as the both precious metal recycling business in Japan, South Korea and Malaysia and refining business in North America grew steadily.
- Full year: Revenue and operating income will significantly increase backed by collection volume exceeding the forecast at the beginning of the period and rising prices of precious metals.

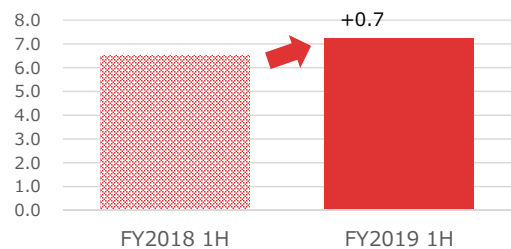
| Actual                 | FY2018 1H | FY2019 1H |
|------------------------|-----------|-----------|
| Revenue                | 42.4      | 49.9      |
| Operating income       | 6.5       | 7.2       |
| Operating income ratio | 15.3%     | 14.5%     |

[Revenue] (JPY in billion)



| Plan                   | FY2018 Actual | FY2019 Forecast |
|------------------------|---------------|-----------------|
| Revenue                | 87.8          | 113.0           |
| Operating income       | 12.0          | 17.2            |
| Operating income ratio | 13.7%         | 15.2%           |

[Operating income]



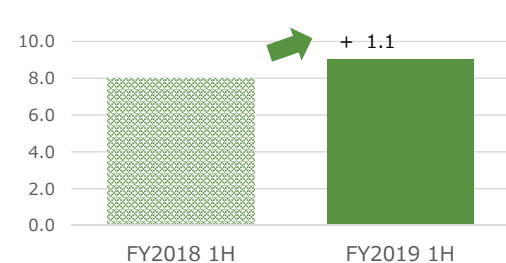
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## Segment Results (Environmental Preservation)

- 1H: Revenue and operating income increased from the same period in the previous year thanks to the efforts to develop new customers based on collaboration among group companies.
- Full year: Revenue and operating income will increase even after excluding the effect of business transferred from Life & Health segment.

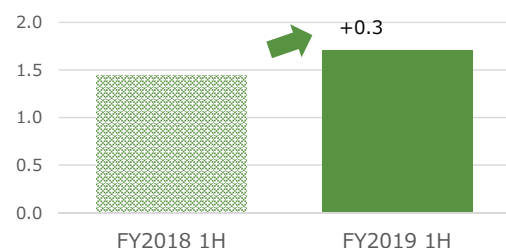
| Actual                 | FY2018 1H | FY2019 1H |
|------------------------|-----------|-----------|
| Revenue                | 8.0       | 9.0       |
| Operating income       | 1.4       | 1.7       |
| Operating income ratio | 18.1%     | 19.0%     |

[Revenue] (JPY in billion)



| Plan                   | FY2018 Actual | FY2019 Forecast |
|------------------------|---------------|-----------------|
| Revenue                | 17.2          | ※ 21.0          |
| Operating income       | 3.5           | ※ 4.0           |
| Operating income ratio | 20.5%         | 19.0%           |

[Operating income]



※Including the effect of business transferred from Life & Health business.

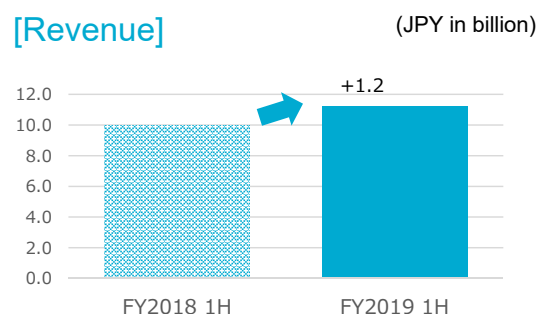
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## Segment Results (Life & Health)

- 1H: Revenue and operating income increased as air conditioning and health care equipment business marked a steady performance overall.
- Full year: Will discontinue this segment in the fourth quarter of FY2019.

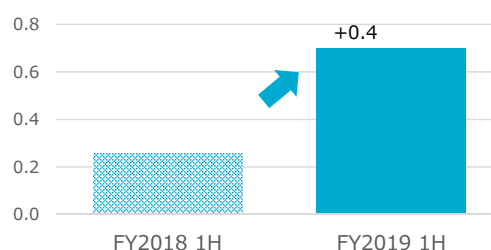
| Actual                 | FY2018 1H | FY2019 1H |
|------------------------|-----------|-----------|
| Revenue                | 10.0      | 11.2      |
| Operating income       | 0.3       | 0.7       |
| Operating income ratio | 2.5%      | 6.2%      |

[Revenue]



| Plan                   | FY2018 Actual | FY2019 Forecast |
|------------------------|---------------|-----------------|
| Revenue                | 23.7          | -               |
| Operating income       | 1.5           | -               |
| Operating income ratio | 6.4%          | -               |

[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        |  |
|--------------------------|----------------------|--------------------------|--------|-----------------------------------|--|
| <b>Total assets</b>      | 160.3                | 210.0                    | +49.7  |                                   |  |
| Current assets           | 113.8                | 161.2                    | +47.5  | Trade and other receivables +46.4 | Impact of the financial services in NA, and change of financing instrument |
| Non-current assets       | 46.5                 | 48.7                     | +2.2   |                                   |  |
| <b>Total liabilities</b> | 92.5                 | 140.9                    | +48.5  |                                   |  |
| Current liabilities      | 89.7                 | 136.4                    | +46.7  | Short-term loans payable +46.9    | Impact of the financial services in NA, and change of financing instrument |
| Non-current liabilities  | 2.8                  | 4.6                      | +1.8   |                                   |  |
| <b>Total equity</b>      | 67.8                 | 69.0                     | +1.2   |                                   |  |

※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.

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## <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)

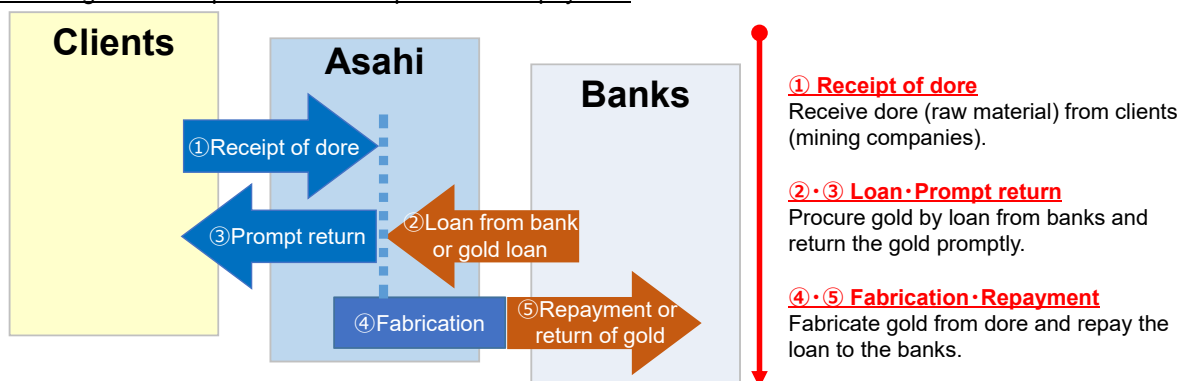
| Category                  | Statement of cash flows                             | FY2019 1H | Main reasons of the change  | (cf.) FY2018 1H |
|---------------------------|---|-----------|---|-----------------|
| Operating activities      | Profit before tax                                   | 7.2       |   | 6.5             |
|                           | Depreciation and amortization                       | 1.4       |   | 1.2             |
|                           | Decrease (increase) in trade and other receivables  | (47.7)    | Impact of the financial services in NA and change of financing instrument | (2.4)           |
|                           | Other, net  | (8.6)     |   | (0.2)           |
|                           | subtotal  | (47.6)    |   | 5.0             |
| Investment activities     | Purchase of property, plant and equipment           | (1.4)     |   | (1.2)           |
|                           | Other, net  | 0.2       |   | 0.1             |
|                           | Subtotal  | (1.1)     |   | (1.1)           |
| financing activities      | Net increase (decrease) in short-term loans payable | 48.0      | Impact of the financial services in NA and change of financing instrument | 0               |
|                           | Other, net  | (2.6)     |   | (2.1)           |
|                           | Subtotal  | 45.4      |   | (2.1)           |
| Cash and cash equivalents |   | 12.8      |   | 26.1            |

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## <Ref.> Advance Trading in North America

Advance Trading: Some clients of refining business in North America (mainly mining companies) desire prompt return of gold, while it generally takes approx. one week to return after receipt 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 only after receiving dore.

- Flow diagram: Receipt of dore~Prompt return~Repayment



In order to conduct prompt return to clients before fabrication, 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<br>(Impact on profit before tax) |
| Gold loan from bullion banks                     | Operating expenses   | Yes                                 |

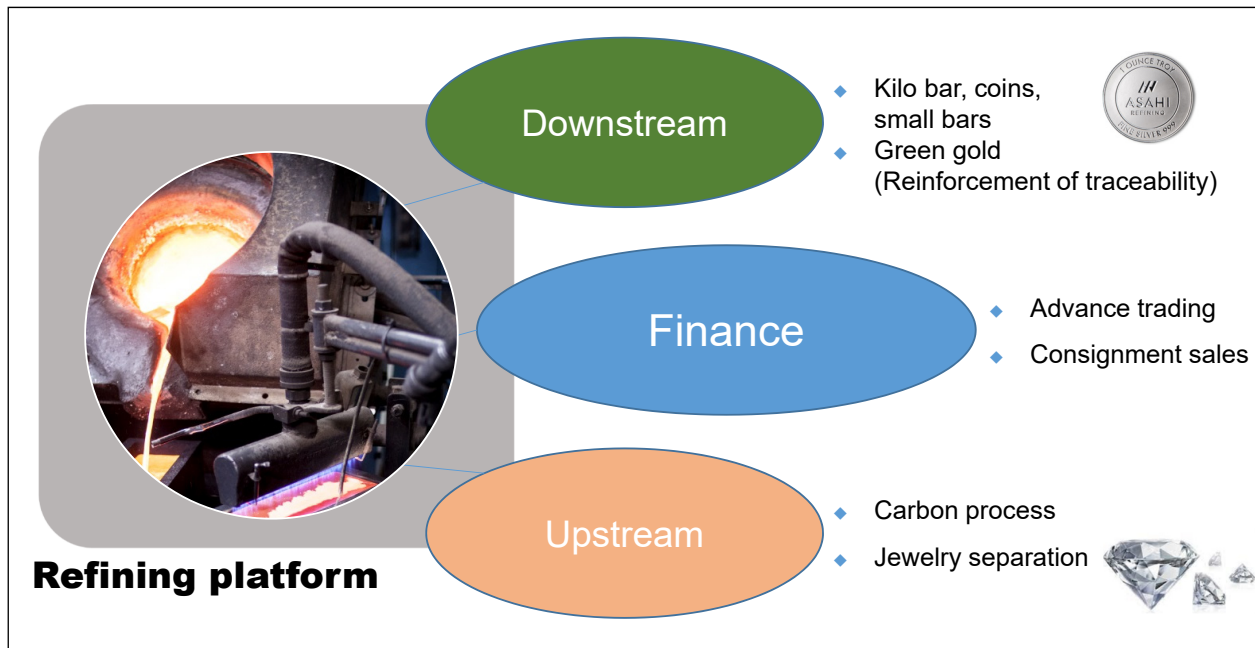
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# <Ref.> Revenue Expansion in North America

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 revenue 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 advance trading have become one of the main revenue sources and are expected to expand further.



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## Trend in Metal Prices (Au, Ag)

**Gold**

(Unit: JPY per gram)



**Silver**

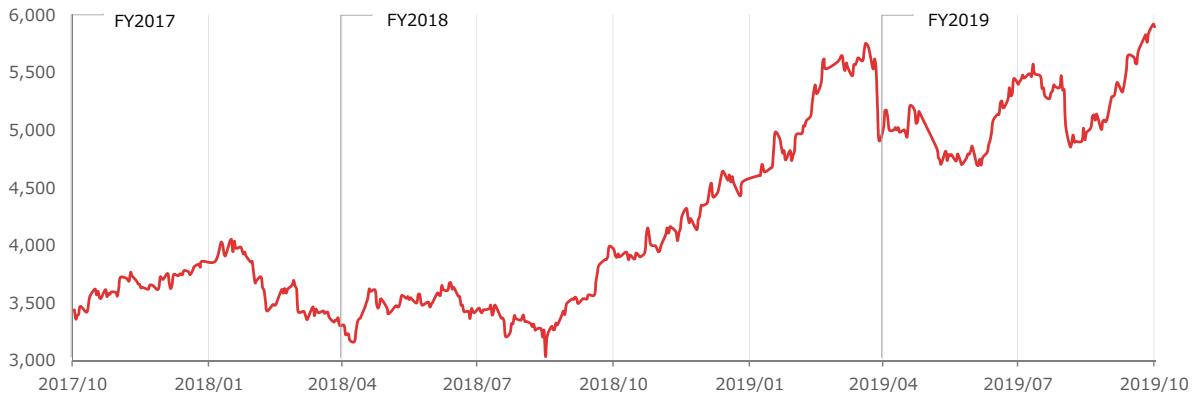


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# AW Trend in Metal Prices (Pd, Pt)

## Palladium

(Unit: JPY per gram)



## 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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