

Consolidated Financial Results for the Third Quarter Ended December 31, 2020

Asahi Holdings, Inc. [IFRS]

January 29, 2021

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

(Rounded down to the nearest million yen)

1. Results of the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(1) Results of operations (cumulative) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating profit		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 nine months ended												
December 31, 2020	120,033	21.1	17,248	40.8	17,332	43.6	11,961	86.8	11,961	86.8	14,387	153.1
December 31, 2019	99,108	26.3	12,246	—	12,070	36.0	6,402	2.1	6,402	2.1	5,683	(33.9)

	Basic earnings per share	Diluted earnings per share
The nine months ended	Yen	Yen
December 31, 2020	303.98	301.93
December 31, 2019	162.72	162.17

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

2. Due to the retrospective application of the changes in accounting policies, the figures shown for the nine months ended December 31, 2019 are the figures after retrospective application and presentation of changes relative to the corresponding previous period has been omitted for operating profit.

(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	%
December 31, 2020	266,468	77,814	77,814	29.2
March 31, 2020	229,958	69,174	69,174	30.1

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	—	60.00	—	70.00	130.00
Year ending March 31, 2021	—	80.00	—		
Year ending March 31, 2021 (Forecast)				90.00	170.00

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

For details, please refer to “Notice on the Revision of Financial Forecast and Revision of Dividend Forecast (Dividend Increase)” made public on January 29, 2021.

3. Forecast (From April 1, 2020 to March 31, 2021) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating profit		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
Year ending March 31, 2021	165,000	21.7	24,000	33.3	24,900	41.1	25,000	153.9	635.35

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

For details, please refer to “Notice on the Revision of Financial Forecast and Revision of Dividend Forecast (Dividend Increase)” made public on January 29, 2021.

* 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: Yes

(iii) Changes in accounting estimates: No

For details, please refer to page 12 “2. Condensed Consolidated Financial Statements (7) Notes on Condensed Consolidated Financial Statements (3. Changes in accounting policies).”

(3) Number of issued shares (common stock)

(i) Number of issued shares at the quarter end (including treasury stock)

As of December 31, 2020	39,854,344 shares
As of March 31, 2020	39,854,344 shares

(ii) Number of treasury stock at the quarter end

As of December 31, 2020	505,837 shares
As of March 31, 2020	505,637 shares

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

Nine months ended December 31, 2020	39,348,579 shares
Nine months ended December 31, 2019	39,348,848 shares

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

* Statement regarding the proper use of financial forecasts and other special remarks
(Notes on forward looking statements, etc.)

These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, they are not meant to be a commitment by the Company. There might be cases in which actual results materially differ from forecasts of this report. Please refer to page 3 “1. Qualitative Information (3) Consolidated Performance Forecasts” for the assumptions used and other notes.

【Appendix】

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1. Qualitative Information

(1) Consolidated Business Performance

The Japanese economy continued to be in an extremely difficult situation during the nine months ended December 31, 2020 due to problems associated with the global spread of the novel coronavirus disease (COVID-19). Despite signs of the effects of economic measures by the Japanese government, the outlook remains opaque due to negative factors such as another increase in the number of people infected with COVID-19. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

Revenue and operating profit in precious metal recycling business in Japan and other countries increased from the same period in the previous year thanks to the rise in precious metal prices and the stable achievement of precious metal collection in volume. Also, revenue and operating profit in precious metal refining business in North America expanded from the same period a year before thanks to increases in product processing and sales as well as financial transactions. As a result, revenue and operating profit in the Precious Metals business increased from the same period in the previous year.

Environmental Preservation business

Although there were signs of improvement for some industrial and production activities, the total disposal volume of industrial waste decreased. Given these market conditions, revenue in the Environmental Preservation business decreased from the same period in the previous year, but operating profit was at almost the same level compared with the same period in the previous year due to maintaining the utilization rate at the Company's facilities, increasing the price of processing and other factors.

As a result of the above, revenue during the nine months ended December 31, 2020 was 120,033 million yen, a year-on-year increase of 20,925 million yen (+21.1 percent). Operating profit was 17,248 million yen, a year-on-year increase of 5,001 million yen (+40.8 percent). Profit before tax was 17,332 million yen, a year-on-year increase of 5,261 million yen (+43.6 percent). Profit was 11,961 million yen, a year-on-year increase of 5,558 million yen (+86.8 percent). Profit attributable to owners of parent was therefore 11,961 million yen, an increase of 5,558 million yen (+86.8 percent) year-on-year. By segment, revenue in the Precious Metals business was 105,581 million yen, a year-on-year increase of 22,825 million yen (+27.6 percent). In the Environmental Preservation business, revenue was 14,452 million yen, a year-on-year decrease of 831 million yen (-5.4 percent).

(2) Consolidated Financial Position and Cash Flows for the Third Quarter of the Fiscal Year Ending March 31, 2021

As of December 31, 2020, total assets amounted to 266,468 million yen, up 36,510 million yen from the previous fiscal year end. This was due mainly to a decrease of 15,193 million yen in cash and cash equivalents, an increase of 24,354 million yen in trade and other receivables and an increase of 17,414 million yen in inventories.

Total liabilities amounted to 188,654 million yen, up 27,871 million yen from the previous fiscal year end. This was due mainly to an increase of 25,254 million yen in bonds and loans payable.

Total equity amounted to 77,814 million yen, up 8,639 million yen from the previous fiscal year end. This was due mainly to an increase of 14,387 million yen in comprehensive income and a decrease of 5,902 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 29.2%, from 30.1% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 10,812 million yen due mainly to 17,332 million yen of profit before tax, 1,870 million yen of depreciation and amortization, 17,417 million yen of increase in inventories, 18,544 million yen of increase in trade and other receivables, 21,570 million yen of increase in trade, loans and other payables and 9,338 million yen of income taxes paid.

Net cash used in investing activities amounted to 4,495 million yen due mainly to 4,013 million yen of purchase of property, plant and equipment.

Net cash provided by financial activities amounted to 516 million yen due mainly to 6,744 million yen of net increase in long- and short-term loans payable and 5,896 million yen of cash dividends paid.

As a result, cash and cash equivalents as of December 31, 2020 decreased 15,193 million yen from March 31, 2020, to 7,714 million yen.

(3) Consolidated Performance Forecasts

① Reasons for the revision of financial forecast

In addition to precious metal prices trending above forecasts, in the precious metal recycling business, a stable volume of precious metal collection has been realized. In the precious metal refining business in North America, the increase in product processing, sales, and financial transactions led to operating profit and profit before tax that are expected to exceed the previously announced forecasts.

Additionally, following the introduction of a consolidated taxation system and organizational restructuring of the Group as well as a detailed evaluation of the recoverability of deferred tax assets for tax losses carried forward, we decided to record deferred tax assets. As a result, in the fourth quarter of the fiscal year ending March 31, 2021, we expect to record income taxes-deferred (profit) of 8,200 million yen and to see a large increase in profit attributable to owners of parent.

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

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
					Yen Sen
Previous Forecast (A)	165,000	21,000	20,800	14,000	355 79
Revised forecast (B)	165,000	24,000	24,900	25,000	635 35
Change (B-A)	0	3,000	4,100	11,000	–
Change (%)	0.0	14.3	19.7	78.6	–
(Ref.) Results for the previous FY (FY ended March 31, 2020)	135,563	18,010	17,650	9,846	250 24

② Reasons for the revision of dividend forecast

In our current revisions to the financial forecast for the fiscal year, revenue, operating profit, profit before tax, and profit attributable to owners of parent all recorded all-time highs. Based on this decision, the Company plans to increase its dividend payment at the end of fiscal year by 10 yen from 80 yen in the previous forecast, and the total annual dividend of the year is planned to be 170 yen.

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

	Annual Dividend		
	End of second quarter	End of FY	Total
Previous forecast (Announced on July 29, 2020)	80 yen	80 yen	160 yen
Revised forecast		90 yen	170 yen
Results for the current FY	80 yen		
Results for the previous FY (FY ended March 31, 2020)	60 yen	70 yen	130 yen

(Note) As described in the “Notice on Stock Split, Partial Amendment of Articles of Incorporation, and Abolishment of Shareholder Special Benefit Plan,” made public on January 29, 2021, the Company plans to institute a 2-for-1 stock split for common shares which will become effective on April 1, 2021. The year-end dividend for the fiscal year ending March 31, 2021, which has the record date of March 31, 2021, will be based on the number of shares prior to the stock split.

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

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2020	As of December 31, 2020
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	22,908	7,714
Trade and other receivables	119,754	144,109
Inventories	37,748	55,162
Income tax receivables	2,029	422
Other financial assets	93	692
Other current assets	5,069	13,429
Total current assets	187,604	221,530
Non-current assets		
Property, plant and equipment	34,953	37,028
Goodwill	1,604	1,604
Intangible assets	529	590
Investments accounted for using equity method	3,254	3,459
Deferred tax assets	1,132	664
Net defined benefit asset	155	61
Financial assets	683	1,484
Other non-current assets	42	44
Total non-current assets	42,354	44,938
Total assets	229,958	266,468

	As of March 31, 2020	As of December 31, 2020
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	13,710	24,294
Loans payable	121,873	147,116
Income tax payable	4,624	2,730
Other financial liabilities	6,991	3,590
Provisions	1,293	1,032
Other current liabilities	4,643	2,382
Total current liabilities	153,137	181,147
Non-current liabilities		
Bonds and loans payable	4,928	4,940
Deferred tax liabilities	1,453	1,557
Net defined benefit liability	172	183
Other financial liabilities	1,066	824
Other non-current liabilities	24	-
Total non-current liabilities	7,645	7,507
Total liabilities	160,783	188,654
Equity		
Capital stock	7,790	7,790
Capital surplus	10,755	10,909
Treasury stock	(956)	(956)
Retained earnings	60,797	66,779
Other components of equity	(9,212)	(6,708)
Total equity attributable to owners of parent	69,174	77,814
Total equity	69,174	77,814
Total liabilities and equity	229,958	266,468

(2) Condensed Consolidated Statements of Income for the Nine Months Ended December 31, 2020

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
	Millions of yen	Millions of yen
Continuing operations		
Revenue	99,108	120,033
Cost of sales	(80,905)	(97,474)
Gross profit	18,203	22,559
Selling, general and administrative expenses	(4,992)	(5,221)
Other operating income	161	81
Other operating expenses	(1,125)	(372)
Share of profit (loss) of investments accounted for using equity method	-	202
Operating profit	12,246	17,248
Finance income	18	155
Finance costs	(141)	(67)
Other non-operating income	87	-
Other non-operating expenses	(140)	(3)
Profit before tax	12,070	17,332
Income tax expenses	(4,527)	(5,371)
Profit from continuing operations	7,543	11,961
Discontinued operations		
Profit (loss) from discontinued operations	(1,140)	-
Profit	6,402	11,961
Profit attributable to:		
Owners of parent	6,402	11,961
Non-controlling interests	-	-
Profit	6,402	11,961
Earnings per share		
Basic earnings (loss) per share (Yen)		
Continuing operations	191.71	303.98
Discontinued operations	(28.99)	-
Total	162.72	303.98
Diluted earnings (loss) per share (Yen)		
Continuing operations	191.06	301.93
Discontinued operations	(28.89)	-
Total	162.17	301.93

(3) Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2020

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
	Millions of yen	Millions of yen
Profit	6,402	11,961
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3	3
Remeasurements of defined benefit plans	(6)	(77)
Share of other comprehensive income of investments accounted for using equity method	—	2
Total items that will not be reclassified to profit or loss	(2)	(71)
Items that may be reclassified to profit or loss		
Cash flow hedges	(753)	2,219
Translation adjustments of foreign operations	37	278
Total items that may be reclassified to profit or loss	(716)	2,498
Other comprehensive income, net of tax	(719)	2,426
Comprehensive income	<u>5,683</u>	<u>14,387</u>
Comprehensive income attributable to:		
Owners of parent	5,683	14,387
Non-controlling interests	—	—
Comprehensive income	<u>5,683</u>	<u>14,387</u>

(4) Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2019	7,790	10,353	(955)	55,547	(3,737)	(1,203)
Profit	–	–	–	6,402	–	–
Other comprehensive income	–	–	–	–	37	(753)
Total comprehensive income	–	–	–	6,402	37	(753)
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(4,721)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(2)	–	–
Share-based payment transactions	–	53	–	–	–	–
Other comprehensive income related to assets held for sale	–	–	–	–	(0)	–
Total transactions with owners	–	53	(0)	(4,724)	(0)	–
Balance at December 31, 2019	7,790	10,406	(955)	57,225	(3,700)	(1,956)

(Millions of yen)

	Equity attributable to owners of parent					
	Other components of equity				Total	Total equity
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Other comprehensive income related to assets held for sale		
Balance at April 1, 2019	8	–	(4,931)	–	67,804	67,804
Profit	–	–	–	–	6,402	6,402
Other comprehensive income	3	(6)	(719)	–	(719)	(719)
Total comprehensive income	3	(6)	(719)	–	5,683	5,683
Purchase of treasury stock	–	–	–	–	(0)	(0)
Dividends	–	–	–	–	(4,721)	(4,721)
Reclassified from other components of equity to retained earnings	(3)	6	2	–	–	–
Share-based payment transactions	–	–	–	–	53	53
Other comprehensive income related to assets held for sale	(9)	–	(9)	9	–	–
Total transactions with owners	(12)	6	(6)	9	(4,668)	(4,668)
Balance at December 31, 2019	(0)	–	(5,657)	9	68,818	68,818

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2020	7,790	10,755	(956)	60,797	(4,198)	(5,008)
Profit	–	–	–	11,961	–	–
Other comprehensive income	–	–	–	–	278	2,219
Total comprehensive income	–	–	–	11,961	278	2,219
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(5,902)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(77)	–	–
Share-based payment transactions	–	154	–	–	–	–
Total transactions with owners	–	154	(0)	(5,979)	–	–
Balance at December 31, 2020	7,790	10,909	(956)	66,779	(3,919)	(2,788)

(Millions of yen)

	Equity attributable to owners of parent				
	Other components of equity				
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance at April 1, 2020	(5)	–	(9,212)	69,174	69,174
Profit	–	–	–	11,961	11,961
Other comprehensive income	5	(77)	2,426	2,426	2,426
Total comprehensive income	5	(77)	2,426	14,387	14,387
Purchase of treasury stock	–	–	–	(0)	(0)
Dividends	–	–	–	(5,902)	(5,902)
Reclassified from other components of equity to retained earnings	–	77	77	–	–
Share-based payment transactions	–	–	–	154	154
Total transactions with owners	–	77	77	(5,748)	(5,748)
Balance at December 31, 2020	0	–	(6,708)	77,814	77,814

(5) Condensed Consolidated Statements of Cash Flows

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	12,070	17,332
Profit (loss) before tax from discontinued operations	(486)	–
Depreciation and amortization	2,179	1,870
Impairment loss	2,018	58
Finance income and finance cost	122	63
Other non–operating income and expenses	52	3
Share of loss (profit) of investments accounted for using equity method	–	(202)
Decrease (increase) in inventories	(6,592)	(17,417)
Decrease (increase) in trade and other receivables	(60,531)	(18,544)
Increase (decrease) in trade, loans and other payables	61,343	21,570
Other, net	(844)	(8,103)
Subtotal	9,330	(3,369)
Interest and dividend income received	19	4
Interest expenses paid	(40)	(58)
Income taxes paid	(5,891)	(9,338)
Income taxes refunded	1,394	1,948
Net cash provided by (used in) operating activities	4,812	(10,812)
Cash provided by (used in) investing activities		
Payments into time deposits	(93)	(88)
Proceeds from withdrawal of time deposits	–	88
Purchase of property, plant and equipment	(2,119)	(4,013)
Proceeds from sales of property, plant and equipment	116	43
Purchase of intangible assets	(146)	(178)
Proceeds from sales of shares of subsidiaries	–	162
Proceeds from sales and redemption of investments	216	–
Other, net	44	(509)
Net cash provided by (used in) investing activities	(1,981)	(4,495)
Cash provided by (used in) financing activities		
Net increase (decrease) in short–term loans payable	351	27,049
Repayment of long-term loans payable	–	(20,304)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(4,708)	(5,896)
Other, net	(365)	(330)
Net cash provided by (used in) financing activities	(4,722)	516
Effect of exchange rate change on cash and cash equivalents	(131)	(402)
Net increase (decrease) in cash and cash equivalents	(2,021)	(15,193)
Cash and cash equivalents at beginning of period	16,297	22,908
Cash and cash equivalents included in assets held for sale	(209)	–
Cash and cash equivalents at end of period	14,065	7,714

(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 nine months ended December 31, 2020 comprise the Company and its subsidiaries (hereinafter the “Group”) as well as the interests in its affiliated companies.

For the main activities of the Group, please refer to Note “5. Segment information.”

2. Basis of preparation

(1) Statement of compliance with IFRS

The condensed consolidated financial statements of the Group have been prepared based on IAS 34 “Interim Financial Reporting.”

Having met the requirements for a Specified Company under the Designated International Accounting Standards, as prescribed in Article 1-2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007), the Group adopts the provisions of Article 93 of the aforementioned rules.

(2) Basis of measurement

The condensed consolidated financial statements of the Group have been prepared based on costs of acquisition, except for the specified financial instruments that have been measured at fair value.

(3) Functional currency and presentation currency

The condensed consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

3. Changes in accounting policies

The significant accounting policies adopted for the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2020, with the exception of the change described below.

The income tax for the nine months ended December 31, 2020 was calculated based on the estimated average annual effective tax rate.

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

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

The interest expenses corresponding to such Advanced Trading of precious metal products were previously recorded as finance cost, but the method was changed from the first quarter of the fiscal year ending March 31, 2021 to be recorded as cost of sales.

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

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

Accordingly, compared to the previous method, cost of sales rose 663 million yen and operating profit fell 663 million yen, but there was no impact on profit before tax, profit, and profit attributable to owners of parent.

The Condensed Consolidated Statements of Cash Flows during the nine months ended December 31, 2020 show an increase of 11,369 million yen in increase (decrease) in trade, loans and other payables and respective declines of 11,369 million yen in net increase (decrease) in short-term loans payable, 663 million yen in finance income and finance cost, and 663 million yen in interest expenses paid.

There is no impact on basic earnings per share and diluted earnings per share during the nine months ended December 31, 2020.

Such changes in accounting policies are applied retrospectively, and the consolidated financial statements restate the figures for the quarters in the previous fiscal year and for the previous fiscal year following retrospective application.

As a result, compared to before the retrospective application, the Condensed Consolidated Statements of Income for the nine months ended December 31, 2019, shows an increase of 1,648 million yen in cost of sales and a decline of 1,648 million yen in operating profit, but there is no impact on profit before tax, profit, and profit attributable to owners of parent.

The Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2019 shows an increase of 60,779 million yen in increase (decrease) in trade, loans and other payables and respective declines of 60,687 million yen in net increase (decrease) in short-term loans payable, 1,648 million yen in finance income and finance cost and 1,556 million yen in interest expenses paid.

There is no impact on basic earnings per share and diluted earnings per share for the nine months ended December 31, 2019.

4. Significant accounting estimates and associated judgements

In preparing condensed consolidated financial statements, the management is required to make judgment, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in

accounting estimates is recognized as the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

The estimates and judgments made by the management that may have material impacts on the figures in the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2020.

5. Segment information

(1) Overview of reporting segments

The Group's reporting segments are those Group constituent units for which separate financial information is obtainable, and which the Board of Directors subjects to regular examination in order to decide the allocation of management resources and evaluate business results.

As a pure holding company, the Company is in charge of overall strategic function for the Group, whereas operating companies of the Group engage in the precious and rare metals recycling business and the refining and processing business, industrial waste management and other environmental preservation business.

Therefore, the Group is composed of product and service segments based on business sectors. The two reporting segments are the Precious Metals business and the Environmental Preservation business.

Meanwhile, these reporting segments are not aggregated.

The Precious Metals business engages mainly in recycling and selling of precious and rare metals such as gold, silver, palladium, and platinum, as well as refining and processing of precious metals such as gold and silver.

The main work of the Environmental Preservation business is the collection, transport and intermediate processing of industrial waste, and the manufacture and sale of electric heaters.

The interest expenses corresponding to the Advanced Trading of precious metal products at each Asahi Refining company, consolidated subsidiaries of the Company, were previously recorded as finance cost, but the method was changed from the first quarter of the fiscal year ending March 31, 2021 to be recorded as cost of sales.

In addition, the segment information for the nine months ended December 31, 2019 also reflects such change.

As a result, compared to the figures prior to such change, the operating profit by business segment for the Precious Metals business decreased by 1,648 million yen for the nine months ended December 31, 2019, and decreased by 663 million yen for the nine months ended December 31, 2020.

In the previous fiscal year, the Company transferred 60% of all shares of Fuji Medical Instruments MFG. Co., Ltd., (hereinafter "Fuji Medical Instruments") to Johnson Health Tech Co., Ltd., a company listed on the Taiwan Stock Exchange. Consequently, the Company classified the business of Fuji Medical Instruments under discontinued operations, and the amounts presented for segment information for the nine months ended December 31, 2019 are amounts from continuing operations from which discontinued operations have been excluded. Please refer to Note "7. Discontinued operations" for details on discontinued operations.

(2) Segment revenue and performance

Accounting policies of the reporting segments are the same as those of the Group stated in Note “3. Changes in accounting policies.”

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

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustment	Consolidated
Revenue							
External revenue	82,755	15,280	98,036	1,072	99,108	–	99,108
Intersegment revenue	–	3	3	–	3	(3)	–
Total	<u>82,755</u>	<u>15,284</u>	<u>98,039</u>	<u>1,072</u>	<u>99,112</u>	<u>(3)</u>	<u>99,108</u>
Operating profit by business segment	<u>10,756</u>	<u>3,027</u>	<u>13,783</u>	<u>60</u>	<u>13,844</u>	<u>(1,597)</u>	<u>12,246</u>
Finance income							18
Finance costs							(141)
Other non-operating profit							87
Other non-operating expenses							(140)
Profit before tax							<u>12,070</u>

(Notes) 1. Intersegment transactions are based on prevailing market prices.

2. Adjustments of operating profit by business segment are mainly corporate expenses that are not allocated to each reporting segment.

For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustment	Consolidated
Revenue							
External revenue	105,581	14,452	120,033	–	120,033	–	120,033
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>105,581</u>	<u>14,452</u>	<u>120,033</u>	<u>–</u>	<u>120,033</u>	<u>–</u>	<u>120,033</u>
Operating profit by business segment	<u>16,214</u>	<u>2,837</u>	<u>19,051</u>	<u>202</u>	<u>19,253</u>	<u>(2,005)</u>	<u>17,248</u>
Finance income							155
Finance costs							(67)
Other non-operating expenses							(3)
Profit before tax							<u>17,332</u>

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

6. Impairment loss

For the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

The impairment loss of 997 million yen on property, plant and equipment recognized during the nine months ended December 31, 2019 was due to the decision of disposal of gold and silver refining facilities (buildings and machinery) in Asahi Refining Florida Inc. belonging to the segment of Precious Metals 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 the fair value less costs of disposal is evaluated using the reasonably calculated value based on the expected value of disposal. The fair value hierarchy level is 3.

Impairment losses are recorded in "Other operating expenses" in the Condensed Consolidated Statements of Income.

For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

Not applicable

7. Discontinued operations

(1) Outline of discontinued operations

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

(2) Discontinued operations performance

(Millions of yen)

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
Profit or loss of discontinued operations		
Revenue	13,698	—
Expense (Note)	(14,185)	—
Profit (loss) before tax from discontinued operations	(486)	—
Income tax expenses (Note)	(653)	—
Profit (loss) from discontinued operations	(1,140)	—

(Note) This includes losses worth 1,020 million yen, which were recognized by the measurement in the nine months ended December 31, 2019 of the disposal group that constitutes discontinued operations at fair value less selling cost. Income tax expenses pertaining to this change totaled 487 million yen.

(3) Cash flow from discontinued operations

(Millions of yen)

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
Cash flow from discontinued operations		
Net cash provided by (used in) operating activities	1,388	—
Net cash provided by (used in) investing activities	(80)	—
Net cash provided by (used in) financing activities	(1,493)	—
Total	(184)	—

8. Subsequent events

(Stock split and partial amendment to the Articles of Incorporation)

At the Board of Directors' meeting held on January 29, 2021, the Company resolved to implement a stock split and partially amend the Articles of Incorporation.

(1) Purpose of stock split

The purpose of the stock split is to create a more investment-friendly environment for investors by lowering the unit investment amount, thereby increasing the liquidity of the Company's stock and broadening the shareholder base.

(2) Overview of stock split

(i) Method of split

The Company will implement a 2-for-1 share split of common shares owned by shareholders listed or recorded in the closing register of shareholders with a record date of March 31, 2021.

(ii) Number of shares to be increased by split

Total number of issued shares before stock split:	39,854,344 shares
Number of shares to be increased by stock split:	39,854,344 shares
Total number of issued shares after stock split:	79,708,688 shares
Total number of shares authorized to be issued after stock split:	258,000,000 shares

(iii) Schedule of split

Public notice of record date:	March 16, 2021
Record date:	March 31, 2021
Effective date:	April 1, 2021

(iv) Effect on per-share information

Per-share information on the premise that the stock split was conducted at the beginning of the previous fiscal year is as follows.

	The nine months ended December 31, 2019	The nine months ended December 31, 2020
	Yen	Yen
Basic earnings per share (Yen)	81.36	151.99
Diluted earnings per share (Yen)	81.08	150.97

(3) Partial amendment to the Articles of Incorporation in relation to stock split

(i) Reason for the amendment to the Articles of Incorporation

In connection with this stock split, pursuant to the provisions of Article 184, paragraph (2) of the Companies Act, the total number of shares authorized to be issued stipulated in Article 6 of the Company's Articles of Incorporation will be amended.

(ii) Details of the amendment to the Articles of Incorporation

The details of the amendment are as follows.

(Underlined portions represent amendment)

Current Articles of Incorporation	Proposed Amendment
Article 6 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>129,000,000</u> .	Article 6 (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>258,000,000</u> .

(iii) Schedule of the amendment to the Articles of Incorporation

Effective date:	April 1, 2021
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(4) Others

Change in amount of capital stock

The amount of capital stock will not change as a result of this stock split.

(Subsidiary share transfer)

At a meeting of the Board of Directors held on January 29, 2021, the Company resolved to transfer all the shares in its consolidated subsidiary INTER CENTRAL, INC. to OTEC Corporation.

The effects of this share transfer on the Company's consolidated results for the fiscal year ending March 31, 2021 is minimal.

Below is an overview of the share transfer.

(1) Reason for share transfer

INTER CENTRAL, INC. became a consolidated subsidiary of the Company in July 2012 and has been engaged in the design and construction of radiant air-conditioning systems and the manufacturing and sales of various types heating equipment.

OTEC Corporation runs two businesses, its "Environmental Preservation business" that conducts design, installation, and maintenance of automatic air-conditioning control systems, and its "Piping Materials business" that sells piping materials and home equipment and appliances.

INTER CENTRAL, INC. is building a track record for its radiant air-conditioning system that use radiant heat and its electric heating equipment in building entrances, hospitals, airports, and libraries. While it contributed to the Company's consolidated results, we decided to transfer its shares to optimize the allocation of our management resources in our future growth strategy. Furthermore, we expect synergistic effects in installation systems and equipment sales with the addition of INTER CENTRAL, INC. to the OTEC Group.

(2) Outline of subsidiary to transfer shares

Name	INTER CENTRAL, INC.
Business content	Design and construction of radiant air-conditioning systems and manufacturing and sale of various types of heating equipment
Capital	153 million yen
Major shareholder and shareholding ratio	Japan Waste Corporation 100%

(3) Name of the transferee

Name	OTEC Corporation
Business content	Design and installation of automatic air-conditioning control systems and sales of home equipment and appliances
Capital	599 million yen
Details of transactions with the Company	Not applicable

(4) Number of shares transferred and number of shares owned before and after transfer

Number of shares owned before transfer	148,557 (Ratio of voting rights held by the company: 100%)
Number of shares to be transferred	148,557 (Ratio of voting rights held by the company: 100%)
Number of shares owned after transfer	0 (Ratio of voting rights held by the company: 0%)

(5) Schedule

Resolution date at the Board of Directors	January 29, 2021
Date of the conclusion of Definitive Agreement	January 29, 2021
Date of share transfer to be executed (scheduled)	March 31, 2021