

Consolidated Financial Results for the First Quarter Ended June 30, 2018

Asahi Holdings, Inc. [IFRS]

July 27, 2018

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
URL:	https://www.asahiholdings.com
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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 three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

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

	Revenue		Operating income		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The three months ended												
June 30, 2018	31,914	(1.7)	3,542	1.5	3,345	(1.7)	2,373	(0.4)	2,373	1.3	1,948	21.0
June 30, 2017	32,476	16.8	3,491	32.0	3,402	35.2	2,381	25.8	2,343	24.7	1,610	-

	Basic earnings per share	Diluted earnings per share
The three months ended	Yen	Yen
June 30, 2018	59.93	59.76
June 30, 2017	71.89	71.89

(2) Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent ratio
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2018	126,019	65,118	65,118	51.7
March 31, 2018	131,484	64,435	64,435	49.0

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	-	30.00	-	33.00	63.00
Year ending March 31, 2019	-				
Year ending March 31, 2019 (Forecast)		37.00	-	37.00	74.00

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

3. Forecast (From April 1, 2018 to March 31, 2019) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating income		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1st half	60,000	4.4	6,700	5.0	6,600	6.1	4,500	5.1	113.64
Year ending March 31, 2019	120,000	3.6	14,000	1.5	13,800	2.9	9,500	0.9	239.90

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

For details, please refer to “Notice of Revision of Financial Forecasts” made public on July 27, 2018.

* 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: Yes

(ii) Changes other than (i) above: No

(iii) Changes in accounting estimates: No

For details, please refer to page 11 “ 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 shares)

As of June 30, 2018	39,854,344 shares
As of March 31, 2018	39,854,344 shares

(ii) Number of treasury shares at the quarter end

As of June 30, 2018	255,337 shares
As of March 31, 2018	255,287 shares

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

Three months ended June 30, 2018	39,599,045 shares
Three months ended June 30, 2017	32,599,307 shares

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

(Notes on forward looking statements, etc.)

These forecast performance figures are based on the information currently available to the company's management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report. please refer to page 3 “1. Qualitative Information (3) Consolidated Performance Forecasts” for the assumptions used and other notes.

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1. Qualitative Information

(1) Consolidated Business Performance

In the Japanese economy during the first quarter of the current fiscal year (April 1, 2018 through June 30, 2018), moderate expansion continued on the back of improvements in corporate performance and employment situation. On the other hand, the U.S. government's protectionist trade policy has raised concerns over its impact on the future economic environment and financial market. Under these conditions, the group's results in each business segment were as follows.

Precious metals business

Sales revenue from business in the precious metal recycling sector in Japan, South Korea, and Malaysia, expanded from the same period in the previous year. The performance of precious metal refining business in North America improved over the same period in the year before. As a result of these accomplishments, sales revenue and operating income in this segment expanded from the same period in the preceding year.

Environmental preservation business

While the volume of industrial waste discharged in Japan is on a downward trend, sales revenue in this segment increased from the same period in the preceding year, thanks to efforts to develop new customers. However, operating income in this segment was lower than in the previous year due in part to the impact of contraction of photosensitive material business geared with an eye on withdrawal.

Life & health business

The construction demand remained high primarily in the Tokyo metropolitan area, which led to a steady increase in sales revenue from fire-fighting and air-conditioning equipment. However, sales revenue from health-related equipment including massage chairs decreased from the same period in the previous year. Consequently, sales revenue and operating income in this segment were lower than in the same period a year before.

As a result of the above, revenue during the first quarter of the current fiscal year was 31,914 million yen, a year-on-year decrease of 561 million yen (-1.7 percent). Operating income was 3,542 million yen, an increase of 50 million yen (+1.5 percent) year-on-year. Profit before tax was 3,345 million yen, a year-on-year decrease of 56 million yen (-1.7 percent). Profit was 2,373 million yen, a year-on-year decrease of 8 million yen (-0.4 percent). Profit attributable to owners of parent for the period was therefore 2,373 million yen, an increase of 29 million yen (+1.3 percent) year-on-year. By segment, revenue in the precious metal business was 22,936 million yen, a year-on-year increase of 1,052 million yen (+4.8 percent). In the environmental preservation business, revenue was 4,057 million yen, and increase of 78 million yen (+2.0 percent) year-on-year. Revenue in the life & health business was 4,938 million yen, and decrease of 1,697 million yen (-25.6 percent) year-on-year.

(2) Consolidated Financial Position and Cash Flows for the three months ended June 30, 2018

As of June 30, 2018, total assets amounted to 126,019 million yen, down 5,465 million yen from the previous fiscal year end. This was due mainly to the decrease of 2,909 million yen in cash and cash equivalents and the decrease of 1,383 million yen in inventories.

Total liabilities amounted to 60,901 million yen, down 6,147 million yen from the previous fiscal year end. This was due mainly to the decrease of 3,175 million yen in trade and other payables, the decrease of 1,941 million yen in income tax payable and the decrease of 1,166 million yen in other current liabilities.

Total equity amounted to 65,118 million yen, up 682 million yen from the previous fiscal year end. This was due mainly to comprehensive income of 1,948 million yen.

As a result, the equity attributable to owners of parent ratio changed to 51.7%, from 49.0% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 1,396 million yen due mainly to 3,345 million yen of profit before tax, 580 million yen of depreciation and amortization, 1,385 million yen of decrease in inventories, 3,338 million yen of decrease in trade and other payables, and 4,073 million yen of income taxes paid.

Net cash used in investing activities amounted to 575 million yen due mainly to 719 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 1,043 million yen due mainly to 1,294 million yen of cash

dividends paid.

As a result, cash and cash equivalents as of June 30, 2018 decrease 2,909 million yen from March 31, 2018, to 21,230 million yen.

(3) Consolidated Performance Forecasts

The Company revised the first half period consolidated financial forecasts, owing to the performance of the precious metal recycling sector in Japan, South Korea, and Malaysia, exceeding our initial estimates, and the recovering performance of precious metal refining business in North America.

Revision of the First Half Period Consolidated Financial Forecast (April 1, 2018 to September 30, 2018)

(Millions of yen, %)

	Revenue	Operating income	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A) (Announced on May 8, 2018)	60,000	6,500	6,400	4,400	(yen) 111.11
Revised Forecast (B)	60,000	6,700	6,600	4,500	113.64
Change (B - A)	-	200	200	100	-
Change (%)	-	3.1	3.1	2.3	-
(Ref.) Previous Fiscal Year First Half Results (Six Months Ended September 30, 2017)	57,489	6,383	6,220	4,283	131.39

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2018	As of June 30, 2018
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	24,140	21,230
Trade and other receivables	36,973	36,811
Inventories	22,466	21,083
Income tax receivables	1,474	1,508
Other financial assets	660	538
Other current assets	2,380	1,732
Total current assets	88,096	82,904
Non-current assets		
Property, plant and equipment	32,870	32,758
Goodwill	8,243	8,243
Intangible assets	740	700
Deferred tax assets	853	720
Net defined benefit asset	124	161
Financial assets	537	492
Other non-current assets	18	38
Total non-current assets	43,388	43,114
Total assets	131,484	126,019

	As of March 31, 2018	As of June 30, 2018
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	14,179	11,004
Loans payable	22,515	23,043
Income tax payable	3,012	1,070
Other financial liabilities	506	895
Provision	1,484	782
Other current liabilities	3,400	2,234
Total current liabilities	<u>45,099</u>	<u>39,031</u>
Non-current liabilities		
Loans payable	18,600	19,032
Deferred tax liabilities	1,440	1,438
Net defined benefit liability	153	155
Other financial liabilities	1,754	1,242
Total non-current liabilities	<u>21,949</u>	<u>21,869</u>
Total liabilities	67,049	60,901
Equity		
Capital stock	7,790	7,790
Capital surplus	10,381	10,422
Treasury stock	(386)	(387)
Retained earnings	50,282	51,375
Other components of equity	(3,632)	(4,083)
Total equity attributable to owners of parent	<u>64,435</u>	<u>65,118</u>
Total equity	<u>64,435</u>	<u>65,118</u>
Total liabilities and equity	<u><u>131,484</u></u>	<u><u>126,019</u></u>

(2) Condensed Consolidated Statements of Income for the three months ended June 30, 2018

	The three months ended June 30, 2017	The three months ended June 30, 2018
	Millions of yen	Millions of yen
Revenue	32,476	31,914
Cost of sales	(25,324)	(24,832)
Gross profit	7,151	7,081
Selling, general and administrative expenses	(3,684)	(3,546)
Other operating income	40	104
Other operating expenses	(15)	(97)
Operating income	3,491	3,542
Finance income	36	9
Finance cost	(125)	(205)
Profit before tax	3,402	3,345
Income tax expenses	(1,020)	(972)
Profit	2,381	2,373
Profit attributable to:		
Owners of parent	2,343	2,373
Non-controlling interests	38	-
Profit	2,381	2,373
Earnings per share		
Basic earnings per share (Yen)	71.89	59.93
Diluted earnings per share (Yen)	71.89	59.76

(3) Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2018

	The three months ended June 30, 2017	The three months ended June 30, 2018
	Millions of yen	Millions of yen
Profit	2,381	2,373
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	10	(3)
Remeasurements of defined benefit plans	(31)	21
Total items that will not be reclassified to profit or loss	(20)	18
Items that will be reclassified to profit or loss		
Cash flow hedges	(934)	(470)
Translation adjustments of foreign operations	183	26
Total items that will be reclassified to profit or loss	(750)	(443)
Other comprehensive income, net of tax	(771)	(424)
Comprehensive income	1,610	1,948
Comprehensive income attributable to:		
Owners of parent	1,569	1,948
Non-controlling interests	40	-
Comprehensive income	1,610	1,948

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

(Millions of yen)

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

(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, 2018	7,790	10,381	(386)	50,282	(3,624)	(34)
Profit	-	-	-	2,373	-	-
Other comprehensive income	-	-	-	-	26	(470)
Total comprehensive income	-	-	-	2,373	26	(470)
Purchase of treasury stock	-	-	(0)	-	-	-
Dividends	-	-	-	(1,306)	-	-
Reclassified from other components of equity to retained earnings	-	-	-	26	-	-
Share-based payment transactions	-	41	-	-	-	-
Total transactions with owners	-	41	(0)	(1,280)	-	-
Balance at June 30, 2018	7,790	10,422	(387)	51,375	(3,597)	(505)

(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, 2018	27	-	(3,632)	64,435	64,435
Profit	-	-	-	2,373	2,373
Other comprehensive income	(3)	21	(424)	(424)	(424)
Total comprehensive income	(3)	21	(424)	1,948	1,948
Purchase of treasury stock	-	-	-	(0)	(0)
Dividends	-	-	-	(1,306)	(1,306)
Reclassified from other components of equity to retained earnings	(4)	(21)	(26)	-	-
Share-based payment transactions	-	-	-	41	41
Total transactions with owners	(4)	(21)	(26)	(1,265)	(1,265)
Balance at June 30, 2018	19	-	(4,083)	65,118	65,118

(5) Condensed Consolidated Statements of Cash Flows

	The three months ended June 30, 2017	The three months ended June 30, 2018
	Millions of yen	Millions of yen
Net cash provided by (used in) operating activities		
Profit before tax	3,402	3,345
Depreciation and amortization	583	580
Impairment loss	-	14
Finance income and finance cost	119	169
Decrease (increase) in inventories	(198)	1,385
Decrease (increase) in trade and other receivables	1,307	180
Increase (decrease) in trade and other payables	(682)	(3,338)
Other, net	607	473
Subtotal	5,139	2,810
Interest and dividends income received	4	9
Interest expenses paid	(137)	(193)
Income taxes paid	(1,919)	(4,073)
Income taxes refund	20	50
Net cash provided by (used in) operating activities	3,106	(1,396)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,283)	(719)
Proceeds from sales of property, plant and equipment	98	163
Purchase of intangible assets	(62)	(19)
Proceeds from sales and redemption of investments	-	12
Other, net	18	(11)
Net cash provided by (used in) investing activities	(1,229)	(575)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(400)	405
Repayment of long-term loans payable	(125)	(135)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(972)	(1,294)
Other, net	(1)	(19)
Net cash provided by (used in) financing activities	(1,499)	(1,043)
Effect of exchange rate change on cash and cash equivalents	55	106
Net increase (decrease) in cash and cash equivalents	432	(2,909)
Cash and cash equivalents at beginning of period	10,798	24,140
Cash and cash equivalents at end of period	11,230	21,230

(6) Notes on Assumptions for Going Concern

Not applicable

(7) Notes on Condensed Consolidated Financial Statements

1. Reporting entity

Asahi Holdings, Inc. (hereinafter the “Company”) is a company located in Japan. The Company’s condensed consolidated financial statements for the three months ended June 30, 2018 comprise the financial statements of the Company as well as its subsidiaries (hereinafter the “Group”).

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

2. Basis of preparation

(1) Statement of compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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, 2018, with the exception of the items described below.

The income tax for the three months ended June 30, 2018 was calculated based on the estimated average annual effective tax rate.

(Adoption of IFRS 15 “Revenue from Contracts with Customers”)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers”(published in May 2014) and “Clarifications to IFRS 15” (published in April 2016)(hereinafter, collectively referred to as “IFRS 15”) from the first quarter ended June30, 2018. When applying IFRS 15, as a transition measure the Group applies this standard retrospectively with the cumulative effects of initially applying this standard recognized at the date of initial application.

In accordance with IFRS 15, except for interests and dividend income stipulated by IFRS 9 “ Financial instruments”, revenue is recognizes 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

Our group is engaged in the sales of precious metals, massage chairs, electrolytic hydrogen water generator, hearing aids, 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 performance obligation is deemed to have been satisfied. As for revenue pertaining to 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 performance obligation is deemed to have been

satisfied.

Regarding revenues pertaining to the design, construction and other works on fire-fighting, air conditioning and sanitary equipment, revenue is recognized in accordance with the progress of performance obligation. Progress is measured according to input method based on the costs incurred and other means.

Also, revenue is measured at a value derived by deducting discounts, rebates, returns, etc. from the consideration undertaken in the contract with the customer.

The application of IFRS 15 does not have a significant impact on the performance or financial conditions of our group.

4. Significant accounting estimates and associated judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in accounting estimates is recognized as the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

The estimates and judgments made by the management that may have material impacts on the figures in the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2018.

5. Segment information

(1) Overview of reporting segments

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

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

Therefore, the Group is composed of product and service segments based on business sectors. The three reporting segments are the precious metal business, the environmental preservation business, and the life & health business. Meanwhile, these reporting segments are not be aggregated.

The precious metals business engages mainly in recycling and selling of precious and rare metals such as gold, silver, palladium, and platinum, as well as refining and processing of precious metals such as gold and silver. The main work of environmental preservation business is the collection, transport and intermediate processing of industrial waste. In the life & health business, the main work is the manufacture and sales of massagers, hearing aids, and other health equipment, the manufacture and sales of electric heaters, the design and installation of radiant heating and air conditioning systems, and the design and installation of disaster prevention equipment.

(2) Segment revenue and performance

Accounting policies of the reporting segments are the same as those 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 three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(Millions of yen)

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

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

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

For the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(Millions of yen)

	Reporting segment			Total	Adjustment	Consolidated
	Precious metals business	Environmental preservation business	Life & health business			
Revenue						
External revenue	22,936	4,039	4,938	31,914	-	31,914
Intersegment revenue	-	17	0	17	(17)	-
Total	<u>22,936</u>	<u>4,057</u>	<u>4,938</u>	<u>31,932</u>	<u>(17)</u>	<u>31,914</u>
Operating income by business segment	<u>3,483</u>	<u>679</u>	<u>121</u>	<u>4,283</u>	<u>(741)</u>	<u>3,542</u>
Finance income						9
Finance costs						<u>(205)</u>
Profit before tax						<u>3,345</u>

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

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

6. Subsequent events

Not applicable