

Financial Results
for
1H FY2021.3
(April 1, 2020 ~ September 30, 2020)

Asahi Holdings, Inc.

These forecast performance figures are based on information currently available to the company's management and certain assumptions judged rationally. Accordingly, there might be cases in which actual results materially differ from forecasts of this report.

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Business Performance



Key Points of 1H FY2021.3 Financial Results

Business Performance

1H FY2021.3
Financial results

Operating income: **¥11.8 billion (YoY increase of ¥4.9 billion)**
* **¥1.1 billion increase** from 1H forecast of ¥10.8 billion

Management Policies and Topics

Impact of COVID-19

The impact of COVID-19 remained slight in comparison with forecasts at the beginning of the financial year for both the precious metal and the environmental preservation businesses.

***Precious metal**: Consumption contracted as many people refrained from going out; the automobile industry in Japan remained sluggish; the volume of collection from computers and game consoles was high, backed by an increase in demand for stay-at-home goods; product processing and marketing and financial transactions in North America remained solid.

***Environmental preservation**: Industrial production remained slow overall; the volume of collection from the semiconductor industry for computers and games as well as the chemical industries related to disinfectants remained high.

Shareholder returns

*Dividend payout ratio:
50% or more
*Stable dividend payment

Annual dividend: ¥160
*Increase of ¥30 from previous fiscal year

Change in accounting policy

*From FY2021.3 financial results

Change in the classification for recording interest on borrowing for metal procurement in North American business

* Financial expenses→Cost of sales

* The figures in FY2020.3 financial results are changed for comparison purpose

Upgrading the incinerator at Kitakyushu Office

Upgrading the incinerator at Kitakyushu Office of Asahi Pretec Corp.

* Contributing to the preservation of global environment and creation of recycling society through thermal recycling.

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- Operating income for the first half of FY2021.3 was ¥11.8 billion, increased substantially by ¥4.9 billion over the same period of the previous year.
- The impact of COVID-19 remained slight in comparison with forecasts at the beginning of the financial year for both the precious metal and the environmental preservation businesses.
- The annual dividend in FY2020 will be ¥160, an increase of ¥30 from FY2019.
- Starting with the FY2021.3 financial results, the classification for recording interest on borrowing for metal procurement in North American business will be changed from financial expenses to cost of sales. The figures before the accounting policy change are shown here for reference to improve comparability with the FY2020.3 financial results.
- Updated the incinerator at the Asahi Pretec Corp. Kitakyushu Office. Processing capacity per day of the new incinerator is 90 tons. By installing power generation facility which utilizes waste heat generated through industrial waste incineration, contribute to the preservation of global environment and creation of recycling society through thermal recycling.

Impact of COVID-19

■ Precious Metals Business

The precious metal recycling business in Japan and Asia was affected by the contraction of consumption activities, as many people refrained from going out, and by the slowdown of the domestic automobile industry. However, the volume of collection from manufacturing-related sectors, including computers and games, remained high, backed by an increase in demand for stay-at-home goods.

Business Field	Impact on our business
Dentistry	The volume of collection declined due to a drop in the number of patients as more people chose to stay at home.
Jewelry	The volume of collection of new jewelry increased in line with the stagnation of other businesses in distribution and purchases as well as the slowdown of the reuse trade, despite a contraction in manufacturing and distribution.
Catalyst	The volume of collection in Japan declined as people refrained from purchasing new automobiles. However, the volume of collection of automobile catalyst production in the Asian region remained solid.
Electronics	The volume of collection from vehicle-mounted devices dropped while the volume of collection in manufacturing-related sectors including computers, game consoles and smartphones remained high.
North American Refining	The volume of product processing, marketing and financial transactions increased.

■ Environmental Preservation Business

Industrial production remained slow overall but the volume of collection from semiconductor industry for computers and games as well as chemical industries related to disinfectants remained high.

Industry	Impact on our business
Education/ Research institutions	Despite the stagnation of activities at universities and public institutions, a certain volume of collection was secured with the cleanout disposal of waste reagents and other factors.
Construction	The volume of collection of sludge, saw dust, glass, etc. dropped due to a stagnation of housing-related production and new construction demand.
Automobiles	The volume of liquid waste collected from semiconductor factories for vehicle-mounted devices declined due to a decline in new automobile sales.
Foods	The volume of residue and glass bottles collected from restaurants dropped due to stagnation of the food service industry.
Electronics	The volume of collection related to semiconductor manufacturing involving computers and games increased.
Chemicals	The volume of collection from disinfectant-related businesses remained high.

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- The impact of COVID-19 differed by each business field and industry.
- In the precious metals recycling business in Japan and Asia, the volume of precious metals collected from the dental field decreased as a result of the contraction in consumption activities as people chose to stay at home after the declaration of a state of emergency. The volume of collection of vehicle-mounted devices decreased on account of stagnation of the domestic automotive industry. On the other hand, the volume of collection for new jewelry increased, and the electronics sector performed well as a result of brisk production of computers, game consoles, smartphones and other products, backed by a surge in demand for stay-at-home goods.
- In the North American refining business, product processing and marketing as well as trading and other financial transactions increased, thanks to a rise in precious metal prices and to other factors.
- In the environmental protection business, industrial production remained generally sluggish due to restraints in corporate activities and other factors, but the volume of collection from the manufacture of semiconductors related to computers and game consoles and from the chemical industry related to disinfectants remained strong.

Consolidated Results

<Results for 1H FY2021.3>

Precious Metals Business is strong, driving results → Significant increase in revenue and profit

<Forecast for full-year FY2021.3>

Operating performance is expected to remain solid, centered on the Precious Metals Business

→Expected to be fourth straight year of record setting profit

[Unit: ¥ billion]

	FY2020.3 1H	FY2021.3 1H		FY2021.3 Full-year (forecast)		
	Results *1	Results	Change	Forecast	Previous year	Change
Revenue	61.0	79.1	18.1	165.0	135.6	29.4
Operating income	6.9	11.8	4.9	21.0	18.0	3.0
Operating income ratio	11.4%	14.9%	3.6%	12.7%	13.3%	(0.6%)
Profit before tax	6.7	11.9	5.1	20.8	17.7	3.1
Profit *2	4.5	8.2	3.7	14.0	9.8	4.2
Capital investment	1.4	2.9	1.4			
Depreciation	1.4	1.2	(0.2)			

*1 Starting with the FY2021.3 financial results, the classification for recording interest on borrowing for metal procurement in North American business is changed from financial expenses to cost of sales. The figures in FY2020.3 financial results are changed for comparison purpose.

*2 Profit attributable to owners of parent.

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- In 1H FY2021.3, the Precious Metals Business was strong and drove consolidated results, resulting in a significant increase in revenue and operating income compared to the same period of the previous year.
- Operating income increased ¥4.9 billion year on year to ¥11.8 billion. The forecast of operating income for the full year of FY2021.3 is ¥21.0 billion, which is expected to be fourth straight year of record setting profit.
- Full-year forecast of FY2021.3 remains unchanged since impact on economy caused by re-expansion of COVID-19 infection such as Americas and Europe is uncertain.

Consolidated Results (by Business Segment)

<Results for 1H FY2021.3>

Precious Metals Business: Significant increase in revenue and operating income

Environmental Preservation Business: Decrease in revenue and operating income due to reduction in volume of industrial waste processing

<Forecast for full-year FY2021.3>

Precious Metals Business: Operating performance is expected to remain solid.

Environmental Preservation Business: Gradually recovering, but operating income is expected to decrease year on year

[Unit: ¥ billion]

		FY2020.3	FY2021.3		FY2021.3		
		1H	1H	Change	Full-year (forecast)		
		Results *	Results	Change	Forecast	Previous year	Change
Precious Metals	Revenue	49.9	70.0	20.1	143.3	113.8	29.5
	Operating income	6.2	11.4	5.2	19.9	15.9	4.0
	Income ratio	12.3%	16.2%	3.9%	13.9%	14.0%	(0.1%)
Environmental Preservation	Revenue	10.0	9.1	(0.9)	21.7	20.7	1.0
	Operating income	1.8	1.7	(0.1)	4.0	4.4	(0.4)
	Income ratio	18.2%	18.7%	(0.5%)	18.4%	21.0%	(2.6%)
Consolidated	Revenue	61.0	79.1	18.1	165.0	135.6	29.4
	Operating income	6.9	11.8	4.9	21.0	18.0	3.0
	Income ratio	11.4%	14.9%	3.6%	12.7%	13.3%	(0.6%)

* Starting with the FY2020 financial results, the classification for recording interest on borrowing for metal procurement in North American business is changed from financial expenses to cost of sales. The figures in FY2020.3 financial results are changed for comparison purpose.

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<Results for 1H FY2021.3>

- Looking at the performance by business segment, revenue and operating income increased significantly in the Precious Metals Business, while revenue and operating income decreased in the Environmental Preservation Business.
- In Precious Metals Business, both precious metal recycling business in Japan and Asia and the refining business in North America performed well, resulting in a significant increase in revenue and operating income.
- In Environmental Preservation Business, Revenue and operating income decreased due to a decrease in industrial waste disposal caused by sluggish business activities.

<Forecast for full-year FY2021.3>

- In Precious Metals Business, Operating performance is expected to remain solid in 2H 2021.3. The full-year earnings forecast are for higher revenue and operating income compared to the previous year.
- In Environmental Preservation Business, as the economy is gradually recovering, revenue is expected to increase year on year. However, operating income is expected to decline year on year so far.

Precious Metals Business

Precious Metals Recycling Business (Japan and Asia):

<Results for 1H FY2021.3>

- Revenue and operating income increased due to the increase of the amount of precious metal recovered and rising precious metal prices.

<Forecast for full-year FY2021.3>

- Operating performance is expected to remain solid.

Refining Business in North America:

<Results for 1H FY2021.3>

- Although incoming raw materials decreased, revenue and operating income increased thanks to the increase of product processing/sales and financial transactions.

<Forecast for full-year FY2021.3>

- Operating performance is expected to remain solid.

[Unit: ¥ billion]

Precious Metals	FY2020.3 1H	FY2021.3 1H		FY2021.3 Full-year (forecast)		
	Results *	Results	Change	Forecast	Previous year	Change
Revenue	49.9	70.0	20.1	143.3	113.8	29.5
Operating income	6.2	11.4	5.2	19.9	15.9	4.0
Operating income ratio	12.3%	16.2%	3.9%	13.9%	14.0%	0.1%

* Starting with the FY2021.3 financial results, the classification for recording interest on borrowing for metal procurement in North American business is changed from financial expenses to cost of sales. The figures in FY2020.3 financial results are changed for comparison purpose.

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<Precious Metals Recycling Business (Japan and Asia)>

- In reference to the performance of precious metals recycling business in Japan and Asia in 1H FY2021.3, the amount of palladium recovered decreased slightly from the same period of the previous year, but the amount of other precious metals recovered including gold increased. As for precious metal prices, gold and palladium rose significantly. Therefore, revenue and operating income increased significantly compared to the same period of the previous year.
- As for 2H 2021.3, the operating performance is expected to remain strong.

<Refining Business in North America>

- In reference to incoming raw materials, gold stayed almost flat while silver decreased from the same period of the previous year. On the other hand, product processing/sales of coins and small bars, and financial transactions such as advance trading increased. As a result, revenue and operating income increased significantly compared to the same period of the previous year.
- As for 2H 2021.3, the operating performance is expected to remain strong.



Reference: Changes in the Volume of Precious Metals Collected and Precious Metal Prices

[Amount Collected for Precious Metal Recycling] [Unit: kg]

	FY2020.3		FY2021.3	
	1H Results		Q1 Results	Change
Gold	8,239		9,065	826
Palladium	3,452		3,384	(68)
Silver	34,818		35,270	451
Platinum	1,946		2,098	152

[Precious Metal Prices (per gram)] [Unit: Yen]

	FY2020.3		FY2021.3	
	1H Mid-term average price		Q1 Mid-term average price	Change
Gold	4,884		6,249	1,366
Palladium	5,145		7,185	2,040
Silver	57.1		71.3	14.2
Platinum	3,104		3,000	(104)

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- The table shows changes in the price of precious metals and amount of precious metals collected by precious metals recycling business.
- The amount collected in 1H FY2021.3 increased for gold, silver and platinum, while slightly reduced for palladium.
- Prices of gold, palladium and silver rose in 1H FY2021.3, with a significant increase for gold and palladium compared with 1H FY2020.3.



Environmental Preservation Business

<Results for 1H FY2021.3>

- Revenue and operating income decreased due to a decrease in industrial waste disposal caused by sluggish manufacturing activities including automobile industry.

<Forecast for 1H and full-year FY2021.3>

- Although the economy is gradually recovering because of the restart of industrial production, operating income is expected to decline year on year.

[Unit: ¥ billion]

Environmental Preservation	FY2020.3 1H	FY2021.3 1H		FY2021.3 Full year (forecast)		
	Results	Results	Change	Forecast	Previous year	Change
Revenue	10.0	9.1	(0.9)	21.7	20.7	1.0
Operating income	1.8	1.7	(0.1)	4.0	4.4	(0.4)
Operating income ratio	18.2%	18.7%	0.5%	18.4%	21.0%	(2.6%)

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- In reference to 1H FY2021.3 performance of Environmental Preservation Business, both revenue and operating income decreased due to a decrease in industrial waste disposal caused by sluggish manufacturing activities including automobile industry.
- Regarding 2H FY2021.3, the amount of industrial waste disposal is gradually recovering because of the restart of industrial production. Moreover, business performance is showing a recovery because of price increase of unit processing cost which continues from previous fiscal year. As a result, revenue is expected to increase, while operating income is expected to slightly decline year on year due to the increase in depreciation expenses, etc.

AW Financial Position

[Unit: ¥ billion]

	March 31, 2020	September 30, 2020	Change	Remarks
Current assets	187.6	193.4	5.8	
Trade receivables	119.8	133.1	13.4	Approx. 90% of balance and increase of trade receivables are receivables that constitute borrowings to match metal procurement in North American business. For details, see the remarks column in "Bonds and loans".
Inventories	37.7	47.5	9.7	Most of the inventories are collected raw materials that contain precious materials, works-in-progress and finished products in the precious metal recycling business. Risks associated with price fluctuations and quality degradation remain minimal because the precious metal content is analyzed before making a purchase and the precious metal prices are hedged on the futures market at the time of purchase.
Others	30.1	12.8	(17.3)	
Non-current assets	42.4	44.7	2.3	
Total assets	230.0	238.1	8.2	
Liabilities	160.8	165.0	4.3	
Bonds and loans	126.8	118.6	(8.2)	Approx. 90% of balance and most increase of bonds and loans are loans for metal procurement in North American business. Risks associated with price fluctuations and bad debts remain minimal because, in principle, loans are taken out within the scope of the precious metal content analysis conducted on incoming raw materials and precious metal prices are hedged on the futures market at the time of loan.
Others	34.0	46.4	12.4	
Capital	69.2	73.1	3.9	
Total equity and liabilities	230.0	238.1	8.2	

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- Total assets as of September 30, 2020 increased ¥8.2 billion from the end of the previous fiscal year to ¥238.1 billion. Among assets, trade receivables and inventories increased, and among liabilities, loans increased.
- Approx. 90% of the balance of bonds and loans is attributed to loans for metal procurement in North American refining business. Approx. 90% of the balance of trade receivables stems from a matching increase in loans.
- Aggressive efforts are being made to promote financial transactions, which constitute one of the pillars of earnings for North American business. A typical example of financial transactions is the "Advance Trading," shown in slide number 15 of the reference material. While it generally takes about a week for raw materials for refining received from mining customers are finished in the product form, some clients prefer to have the products returned in the product form before they are finished. In such cases, precious metal is purchased with loans from a bank and the advance return is made in exchange for interest payment based on the term of advance delivery shortened.
- The precious metal content of raw materials received is analyzed before making an advance delivery so that deliveries would not exceed the content. This means that the transactions are substantially free from bad-debt risks. They also avoid risks associated with price fluctuations because precious metal prices are hedged on the futures market at the time of the borrowing.
- Most of the Group's inventory is raw materials, works-in-progress, and products in the precious metal recycling business. The precious metal content of these items are analyzed at the time of collection. Regarding fluctuations in precious metal prices, hedging in the futures market is employed to eliminate risks. In addition, since the inventory assets are precious metals or materials that contain precious metal, they are free from the risk of quality degradation, and they can be cashed in the market once they are converted into products.
- The increase in borrowings, matching claims and inventories has inflated the balance sheet but that has not necessarily compromised the integrity of finance.



Cash Flow

[Unit: ¥ billion]

	1H FY2021.3	Remarks
Operating CF	(3.6)	
Change in inventories	(9.7)	Of the changes, (9.6) billion yen are attributable to changes in the collected raw materials that contain precious materials, works-in-progress and finished products in precious metal recycling business. Risks associated with price fluctuations and quality degradation remain minimal because the precious metal content is analyzed before making a purchase and the precious metal prices are hedged on the futures market at the time of purchase.
Change in trade receivables, etc.	(10.0)	Of the changes, (10.9) billion yen are matching claims for loans for metal procurement in North American business. Regarding loans, risks associated with price fluctuations and bad debts remain minimal because, in principle, loans are taken out within the scope of the analysis of precious metal content conducted on incoming raw materials and precious metal prices are hedged on the futures market at the time of loan.
Others	16.1	
Investment CF	(1.4)	
Financing CF	(13.4)	
Changes in short-term loans	(10.5)	
Dividends	(2.8)	
Others	(0.2)	
Changes in cash deposits	(18.6)	

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- The operating cash flow ended in the deficit of ¥3.6 billion. This is primarily attributed to an increase in inventories and trade receivables.
- Most of the inventories are collected raw materials that contain precious materials, works-in-progress and finished products from precious metal recycling business and are free from risks associated with quality degradation and price fluctuations are avoided by hedging. Raw materials and works-in-progress can be cashed in the market once they are finished. In this sense, these items are something akin to cash.
- Trade receivables are mainly composed of claims that match the borrowing for metal procurement in North American business and are extremely low-risk assets free from the risks associated with bad-debts or price fluctuations.
- The operating cash flow excluding the increase in those safe assets is in the positive of over ¥15.0 billion.

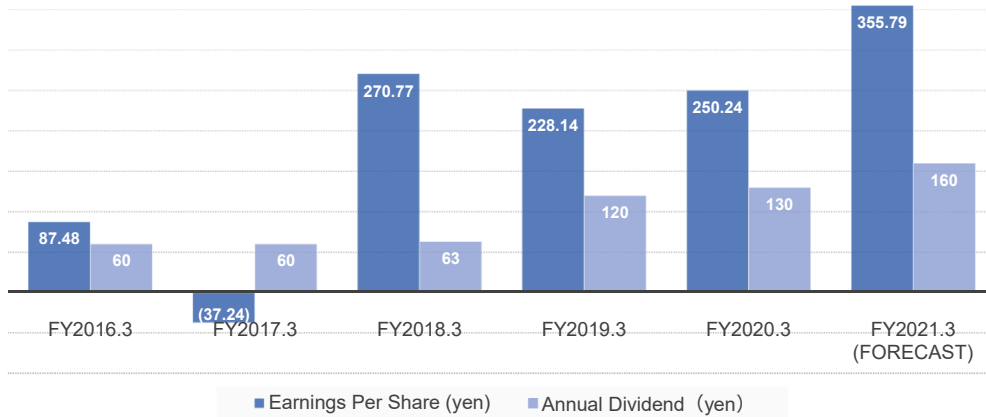
Dividend

Basic policy: Approximately 50% or more of the consolidated net income

FY2021.3: Annual dividend of ¥160

*Increased by ¥30 from the previous year's results of ¥130

	FY2016.3	FY2017.3	FY2018.3	FY2019.3	FY2020.3	FY2021.3 (Forecast)
Earnings Per Share (yen)	87.48	(37.24)	270.77	228.14	250.24	355.79
Annual Dividend (yen)	60	60	63	120	130	160
Dividend Payout Ratio (%)	68.6	-	23.3	52.6	52.0	45.0



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- The annual dividend for FY2021.3 will be ¥160 per year.
- The company seeks to continuously realize a stable dividend payment.

Reference Materials



Changes in Accounting Policy (From FY2021.3 Financial Statements)

- Starting with the financial statements for FY2021.3, interest on borrowing for metal procurement in North American business is recorded as “cost of sales”, which was recorded as “financial expenses” until FY2020.3. (The figures in FY2020.3 financial results are also changed for comparison purpose.)
- As a result of this change, expenses for income from financial services in North America is appropriately processed and operating income is more reflective of the actual conditions.

[Unit: ¥ billion]

	1H 2020.3			1H 2021.3		
	Before change	Change in accounting policy	After change	Before change	Change in accounting policy	After change
Revenue	61.0		61.0	79.1		79.1
Cost of sales	(49.7)	(1.1)	(50.8)	△63.6	△0.5	△64.1
Gross operating profit	11.3		10.2	15.5		15.0
Selling, general and administrative expenses	(3.3)		(3.3)	△3.2		△3.2
Operating income	8.0		6.9	12.3		11.8
Financial income	0		0	0.1		0.1
Financial expenses	(1.2)	+1.1	△0.1	△0.5	+0.5	△0
Profit before tax	6.7		6.7	11.9		11.9
Corporate income tax	(2.6)		(2.6)	△3.6		△3.6
Profit attributable to owners of parent	4.5		4.5	8.2		8.2

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Main Revenue Elements of Precious Metals Business

Precious Metals Recycling Business:

- Income from yield differential is added to refining fees, which is a stable source of fixed income.

Refining Business in North America:

- Refining fees are a stable source of income. In financial revenue, earning opportunities increase in line with the growth in incoming raw materials.

Business Segment	Category	Impact on Revenue
Precious Metals Recycling	Refining fees	<ul style="list-style-type: none"> Refining fees increase in line with the expansion of the amount collected. The unit price for refining fees is higher for those that require difficult pre-processing, which means the average unit price rises when the proportion of items that require difficult processing is higher.
	Yield differential (differential between actual yield and contracted yield = free metal)	<ul style="list-style-type: none"> The volume of free metal expands when the actual yield climbs on account of improvements in technical capabilities and processes. Income from free metal increases in line with a hike in prices.
Refining in North America	Refining fees	<ul style="list-style-type: none"> The amount of fees expands when the volume of incoming raw materials (dore) increases. The unit fee cost does not change over short term because contracts are long-term.
	Yield differential (differential between actual yield and contracted yield = free metal)	<ul style="list-style-type: none"> The volume of free metal expands when the actual yield climbs on account of improvements in technical capabilities and processes. Income from free metal increases in line with a hike in prices.
	Financial revenue	<ul style="list-style-type: none"> Income opportunities for financial transactions increase when a larger amount of raw materials is received. Income increases when the interest rate for advanced delivery is improved in contracts with mines. Income increases when the period of advanced delivery is extended. Financial revenue increases when metal procurement costs fall, and the interest rate spread expands.

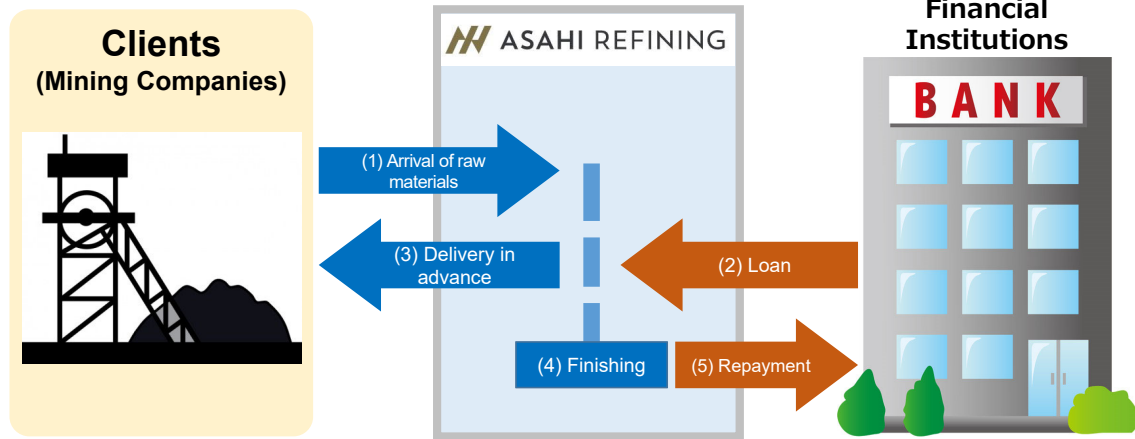
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“Advance Trading” in North American Business

- We provide “Advance Trading” service in North American business that we return the gold promptly after arrival of raw materials by shortening the delivery time.
- By providing this service, we receive "interest for the number of days delivered in advance" from the client, while the risk is contained since “Advance Trading” is performed after receiving raw materials from the client.



The financial service in North American business is a safe model to realize profits founded on the refining business

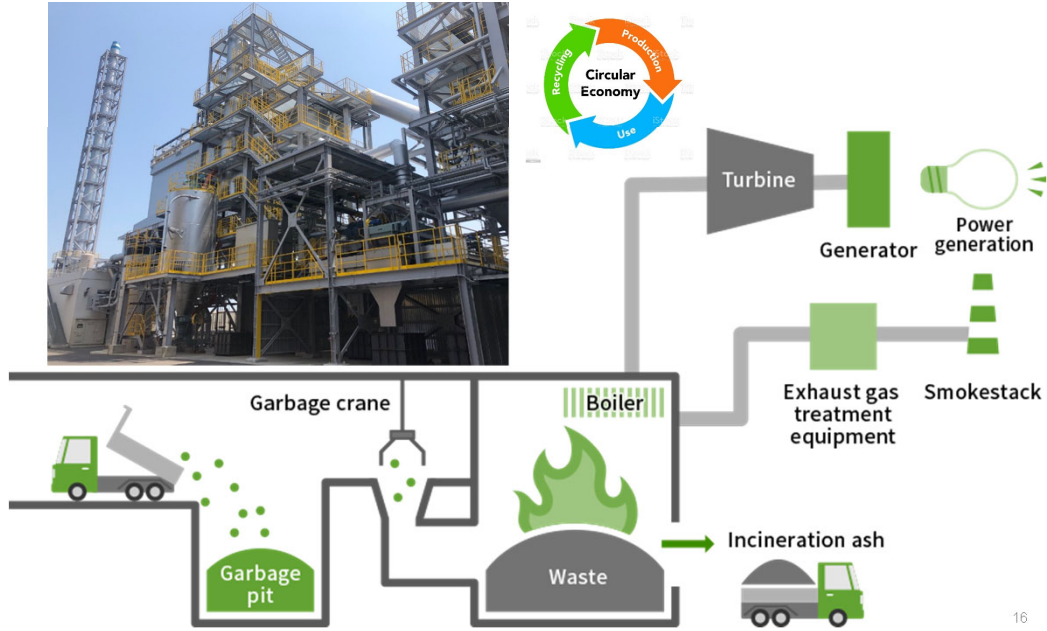
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Upgrading the Incinerator / Constructing a New Power Generation Facility

- Asahi Pretec Corp. upgraded incinerator at Kitakyushu Office
(processing capacity: 90 ton/day)
- By installing power generation facility which utilizes waste heat generated through industrial waste incineration, we contribute to the preservation of global environment and creation of recycling society through thermal recycling.



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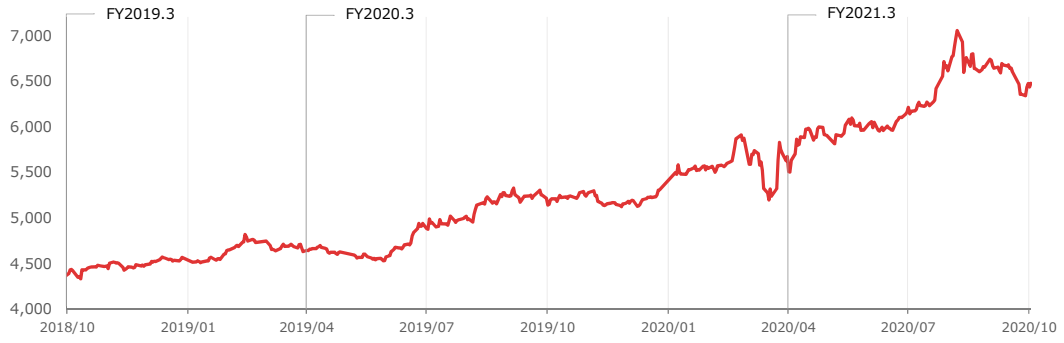
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Trend in Metal Prices (Au, Ag)

(Unit: JPY per gram)

Gold



Silver

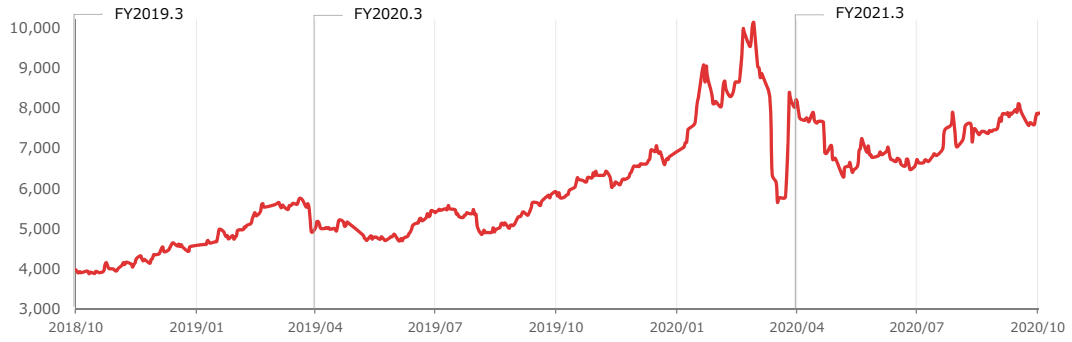


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AW Trend in Metal Prices (Pd, Pt)

(Unit: JPY per gram)

Palladium



Platinum



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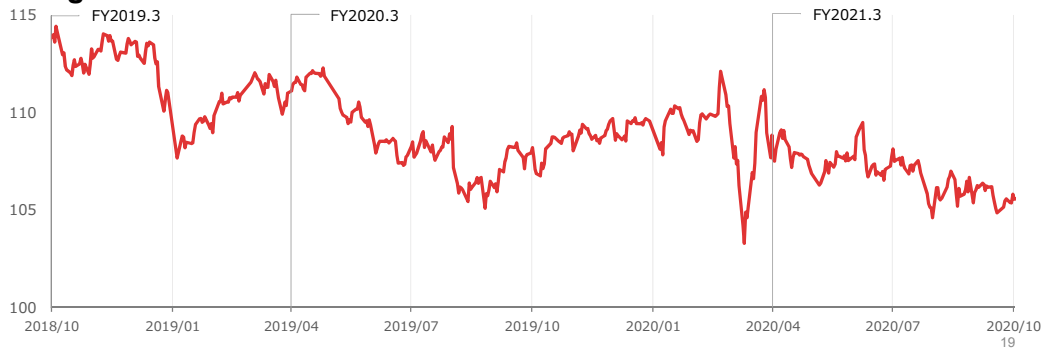


Trend in Prices (Gold <USD/Toz>, EXC <USD/JPY>)

Gold USD/Toz



Exchange Rate USD/JPY



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