

Consolidated Financial Results for the First Quarter Ended June 30, 2022

Asahi Holdings, Inc. [IFRS]

July 28, 2022

Stock code: 5857
 Shares listed: Tokyo Stock Exchange - Prime Market
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 Investor conference for the financial results: No

(Rounded down to the nearest million yen)

1. Results of the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

(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 three months ended June 30, 2022	59,749	18.5	5,691	(17.9)	6,108	(10.6)	4,268	(11.9)	4,268	(11.9)	8,977	25.8
June 30, 2021	50,424	28.6	6,933	31.9	6,831	28.6	4,842	33.3	4,842	33.3	7,137	34.0

	Basic earnings per share	Diluted earnings per share
The three months ended June 30, 2022	Yen 54.27	Yen 49.11
June 30, 2021	61.53	55.12

(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, 2022	287,063	110,615	110,615	38.5
March 31, 2022	298,387	105,137	105,137	35.2

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	45.00	–	45.00	90.00
Year ending March 31, 2023	–				
Year ending March 31, 2023 (Forecast)		45.00	–	45.00	90.00

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

3. Forecast (From April 1, 2022 to March 31, 2023) (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
Six months ending September 30, 2022	100,000	3.2	12,000	(12.4)	11,700	(14.2)	8,000	(17.1)	101.73
Year ending March 31, 2023	200,000	3.9	24,000	(9.3)	23,500	(10.9)	16,000	(14.6)	203.45

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

* Notes

(1) Changes in significant subsidiaries during the period: No

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRS: No

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

(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

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

As of June 30, 2022	79,708,688 shares
As of March 31, 2022	79,708,688 shares

(ii) Number of treasury stock at the quarter end

As of June 30, 2022	1,065,437 shares
As of March 31, 2022	1,065,437 shares

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

Three months ended June 30, 2022	78,643,251 shares
Three months ended June 30, 2021	78,696,914 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, 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 generally showed signs of recovery during the current consolidated cumulative first quarter. On the other hand, there is increasing uncertainty about the future of corporate activities due to soaring prices of fuel and raw materials, together with sharp fluctuations in currency exchange rates from the impact of the prolonged situation in Ukraine and suppressed economic activity in China. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

In the precious metals recycling business, although the volume of precious metals collected and sales increased, a temporary cost incurred from the launch of a large-scale new factory in April this year resulted in increase in revenue and decrease in profit from the same period of the previous fiscal year. In the precious metals refining business in North America, processing and sales volume of products utilizing metals were strong against the backdrop of stable arrival of raw materials.

Environmental Preservation business

In line with the recovery in the domestic industrial production activities, the volume of industrial waste handled by the Group increased. As a result, revenue and operating profit in this segment increased from the same period of the previous fiscal year.

As a result of the above, revenue during the three months ended June 30, 2022 was 59,749 million yen, a year-on-year increase of 9,324 million yen (+18.5 percent). Operating profit was 5,691 million yen, a year-on-year decrease of 1,241 million yen (-17.9 percent). Profit before tax was 6,108 million yen, a year-on-year decrease of 722 million yen (-10.6 percent). Profit was 4,268 million yen, a year-on-year decrease of 574 million yen (-11.9 percent). Profit attributable to owners of parent for the period was therefore 4,268 million yen, a decrease of 574 million yen (-11.9 percent) year-on-year. By segment, revenue in the Precious Metals business was 55,304 million yen, a year-on-year increase of 9,031 million yen (+19.5 percent). In the Environmental Preservation business, revenue was 4,444 million yen, a year-on-year increase of 293 million yen (+7.1 percent).

(2) Consolidated Financial Position and Cash Flows for the Three Months Ended June 30, 2022

As of June 30, 2022, total assets amounted to 287,063 million yen, down 11,324 million yen from the previous fiscal year end. This was mainly due to an increase of 3,440 million yen in cash and cash equivalents, an increase of 7,378 million yen in inventories and an increase of 4,178 million yen in other current assets, while trade and other receivables decreased by 26,058 million yen.

Total liabilities amounted to 176,447 million yen, down 16,802 million yen from the previous fiscal year end. This was due mainly to a decrease of 3,625 million yen in trade and other payables, a decrease of 8,000 million yen in bonds and loans payable and a decrease of 3,058 million yen in other current liabilities.

Total equity amounted to 110,615 million yen, up 5,477 million yen from the previous fiscal year end. This was due mainly to an increase of 8,977 million yen in comprehensive income and a decrease of 3,538 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 38.5%, from 35.2% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 1,353 million yen due mainly to 6,108 million yen of profit before tax, 801 million yen of depreciation and amortization, 7,419 million yen of increase in inventories, 36,232 million yen of decrease in trade and other receivables, 30,416 million yen of decrease in trade and other payables, 4,010 million yen of income taxes paid.

Net cash provided by investing activities amounted to 659 million yen due mainly to 1,598 million yen of purchase of property, plant and equipment and 1,371 million yen of proceeds from sales of shares of subsidiaries.

Net cash provided by financial activities amounted to 4,183 million yen due mainly to 7,793 million yen of net increase in short-term loans payable and 3,527 million yen of cash dividends paid.

As a result, cash and cash equivalents as of June 30, 2022 increased 3,440 million yen from March 31, 2022, to 9,568 million yen.

(3) Consolidated Performance Forecasts

No changes have been made to the forecasts going forward as they are in line with the financial forecast for the fiscal year ending March 31, 2023 announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” made public on April 27, 2022.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2022	As of June 30, 2022
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	6,127	9,568
Trade and other receivables	151,437	125,378
Inventories	63,398	70,776
Income tax receivables	3,958	3,342
Other financial assets	129	2,295
Other current assets	16,727	20,905
Total current assets	241,778	232,266
Non-current assets		
Property, plant and equipment	43,748	43,533
Goodwill	1,040	1,003
Intangible assets	712	796
Investments accounted for using equity method	3,657	3,541
Deferred tax assets	6,262	4,995
Net defined benefit asset	229	194
Financial assets	859	657
Other non-current assets	98	74
Total non-current assets	56,609	54,796
Total assets	298,387	287,063

	As of March 31, 2022	As of June 30, 2022
	Millions of yen	Millions of yen
LIABILITIES and EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	27,711	24,086
Loans payable	108,263	96,467
Income tax payable	950	429
Other financial liabilities	5,613	3,270
Provisions	1,608	996
Other current liabilities	4,479	1,421
Total current liabilities	148,626	126,671
Non-current liabilities		
Bonds and loans payable	42,663	46,458
Deferred tax liabilities	576	1,417
Net defined benefit liability	93	102
Other financial liabilities	1,289	1,782
Other non-current liabilities	—	14
Total non-current liabilities	44,623	49,776
Total liabilities	193,250	176,447
Equity		
Capital stock	7,790	7,790
Capital surplus	11,955	11,994
Treasury stock	(1,819)	(1,819)
Retained earnings	92,353	93,040
Other components of equity	(5,142)	(390)
Total equity attributable to owners of parent	105,137	110,615
Total equity	105,137	110,615
Total liabilities and equity	298,387	287,063

(2) Condensed Consolidated Statements of Income for the Three Months Ended June 30, 2022

	The three months ended June 30, 2021	The three months ended June 30, 2022
	Millions of yen	Millions of yen
Revenue	50,424	59,749
Cost of sales	(41,708)	(52,385)
Gross profit	8,715	7,363
Selling, general and administrative expenses	(1,809)	(1,707)
Other operating income	21	39
Other operating expenses	(18)	(31)
Share of profit (loss) of investments accounted for using equity method	22	27
Operating profit	6,933	5,691
Finance income	77	636
Finance costs	(274)	(644)
Other non-operating income	94	425
Profit before tax	6,831	6,108
Income tax expenses	(1,988)	(1,840)
Profit	4,842	4,268
Profit attributable to:		
Owners of parent	4,842	4,268
Non-controlling interests	—	—
Profit	4,842	4,268
Earnings per share		
Basic earnings per share (Yen)	61.53	54.27
Diluted earnings per share (Yen)	55.12	49.11

(3) Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended June 30, 2022

	The three months ended June 30, 2021	The three months ended June 30, 2022
	Millions of yen	Millions of yen
Profit	4,842	4,268
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(0)	(0)
Remeasurements of defined benefit plans	31	(41)
Share of other comprehensive income of investments accounted for using equity method	(2)	0
Total items that will not be reclassified to profit or loss	28	(42)
Items that may be reclassified to profit or loss		
Cash flow hedges	2,126	3,224
Translation adjustments of foreign operations	139	1,526
Total items that may be reclassified to profit or loss	2,266	4,751
Other comprehensive income, net of tax	2,295	4,709
Comprehensive income	7,137	8,977
Comprehensive income attributable to:		
Owners of parent	7,137	8,977
Non-controlling interests	—	—
Comprehensive income	7,137	8,977

(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, 2021	7,790	11,952	(957)	80,604	(2,944)	1,454
Profit	–	–	–	4,842	–	–
Other comprehensive income	–	–	–	–	139	2,126
Total comprehensive income	–	–	–	4,842	139	2,126
Dividends	–	–	–	(3,541)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	31	–	–
Share-based payment transactions	–	289	–	–	–	–
Total transactions with owners	–	289	–	(3,509)	–	–
Balance at June 30, 2021	<u>7,790</u>	<u>12,241</u>	<u>(957)</u>	<u>81,936</u>	<u>(2,804)</u>	<u>3,580</u>

(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, 2021	3	–	(1,486)	97,903	97,903
Profit	–	–	–	4,842	4,842
Other comprehensive income	(2)	31	2,295	2,295	2,295
Total comprehensive income	(2)	31	2,295	7,137	7,137
Dividends	–	–	–	(3,541)	(3,541)
Reclassified from other components of equity to retained earnings	–	(31)	(31)	–	–
Share-based payment transactions	–	–	–	289	289
Total transactions with owners	–	(31)	(31)	(3,252)	(3,252)
Balance at June 30, 2021	<u>0</u>	<u>–</u>	<u>776</u>	<u>101,789</u>	<u>101,789</u>

(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, 2022	7,790	11,955	(1,819)	92,353	(1,390)	(3,748)
Profit	–	–	–	4,268	–	–
Other comprehensive income	–	–	–	–	1,526	3,224
Total comprehensive income	–	–	–	4,268	1,526	3,224
Dividends	–	–	–	(3,538)	–	–
Changes due to loss of control of subsidiaries	–	–	–	–	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(41)	–	–
Share-based payment transactions	–	38	–	–	–	–
Total transactions with owners	–	38	–	(3,580)	–	–
Balance at June 30, 2022	7,790	11,994	(1,819)	93,040	136	(523)

(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, 2022	(3)	–	(5,142)	105,137	105,137
Profit	–	–	–	4,268	4,268
Other comprehensive income	(0)	(41)	4,709	4,709	4,709
Total comprehensive income	(0)	(41)	4,709	8,977	8,977
Dividends	–	–	–	(3,538)	(3,538)
Changes due to loss of control of subsidiaries	0	–	0	0	0
Reclassified from other components of equity to retained earnings	–	41	41	–	–
Share-based payment transactions	–	–	–	38	38
Total transactions with owners	0	41	42	(3,499)	(3,499)
Balance at June 30, 2022	(3)	–	(390)	110,615	110,615

(5) Condensed Consolidated Statements of Cash Flows

	The three months ended June 30, 2021	The three months ended June 30, 2022
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	6,831	6,108
Depreciation and amortization	654	801
Impairment loss	–	0
Finance income and finance cost	293	1,595
Other non-operating income and expenses	(94)	(425)
Share of loss (profit) of investments accounted for using equity method	(22)	(27)
Decrease (increase) in inventories	(847)	(7,419)
Decrease (increase) in trade and other receivables	(19,154)	36,232
Increase (decrease) in trade, loans and other payables	10,425	(30,416)
Other, net	3,205	(4,104)
Subtotal	1,291	2,344
Interest and dividend income received	90	163
Interest expenses paid	(32)	(37)
Income taxes paid	(7,255)	(4,010)
Income taxes refunded	2,693	186
Net cash provided by (used in) operating activities	(3,212)	(1,353)
Cash provided by (used in) investing activities		
Payments into time deposits	(95)	(98)
Proceeds from withdrawal of time deposits	95	49
Purchase of property, plant and equipment	(1,754)	(1,598)
Proceeds from sales of property, plant and equipment	4	11
Purchase of intangible assets	(124)	(185)
Proceeds from sales of shares of subsidiaries	–	1,371
Other, net	(42)	1,109
Net cash provided by (used in) investing activities	(1,916)	659
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,872)	7,793
Proceeds from long-term loans payable	12,783	–
Cash dividends paid	(3,522)	(3,527)
Other, net	(79)	(82)
Net cash provided by (used in) financing activities	6,308	4,183
Effect of exchange rate change on cash and cash equivalents	(238)	(48)
Net increase (decrease) in cash and cash equivalents	941	3,440
Cash and cash equivalents at beginning of period	10,023	6,127
Cash and cash equivalents at end of period	10,964	9,568

(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, 2022 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 Complying with Designated International Accounting Standards, as prescribed in Article 1-2 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order 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. Significant accounting policies

The significant accounting policies adopted for the condensed consolidated financial statements for the three months ended June 30, 2022 are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2022.

The income tax for the three months ended June 30, 2022 was calculated based on the estimated average annual effective tax rate.

4. Significant accounting estimates and associated judgements

In preparing condensed consolidated financial statements, the management is required to make judgement, 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 in the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

The judgement, estimates and assumptions 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, 2022.

5. Segment information

(1) Overview of reporting segments

The Group’s business 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 precious and rare metals such as gold, silver, palladium, and platinum from scrap containing precious metals, as well as refining and processing of precious metals centered on gold and silver.

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

(2) Segment revenue and performance

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

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

For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

	Reporting segment				Total	Adjustments	(Millions of yen) Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other			
Revenue							
External revenue	46,273	4,151	50,424	–	50,424	–	50,424
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>46,273</u>	<u>4,151</u>	<u>50,424</u>	<u>–</u>	<u>50,424</u>	<u>–</u>	<u>50,424</u>
Operating profit by business segment	<u>7,166</u>	<u>662</u>	<u>7,829</u>	<u>22</u>	<u>7,852</u>	<u>(919)</u>	<u>6,933</u>
Finance income							77
Finance costs							(274)
Other non-operating income							94
Profit before tax							<u>6,831</u>

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

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustments	Consolidated
Revenue							
External revenue	55,304	4,444	59,749	–	59,749	–	59,749
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>55,304</u>	<u>4,444</u>	<u>59,749</u>	<u>–</u>	<u>59,749</u>	<u>–</u>	<u>59,749</u>
Operating profit by business segment	<u>5,551</u>	<u>934</u>	<u>6,485</u>	<u>(2)</u>	<u>6,483</u>	<u>(791)</u>	<u>5,691</u>
Finance income							636
Finance costs							(644)
Other non-operating income							425
Profit before tax							<u>6,108</u>

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

6. Subsequent events

Not applicable