

Consolidated Financial Results for the Third Quarter Ended December 31, 2023

ARE Holdings, Inc. (former company name: Asahi Holdings, Inc.) [IFRS]

January 31, 2024

Stock code:	5857
Shares listed:	Tokyo Stock Exchange - Prime Market
URL:	https://www.asahiholdings.com/english
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Filing date of Quarterly Report:	February 13, 2024
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, 2023 (From April 1, 2023 to December 31, 2023)

(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	
The nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	235,132	14.2	10,042	(42.6)	10,104	(29.7)	7,097	(30.2)	7,097	(30.2)	10,793	(18.2)
December 31, 2022	205,827	42.5	17,506	(9.4)	14,380	(25.4)	10,174	(25.0)	10,174	(25.0)	13,200	5.6

	Basic earnings per share	Diluted earnings per share
The nine months ended	Yen	Yen
December 31, 2023	92.60	84.69
December 31, 2022	131.01	118.94

(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, 2023	421,057	111,055	111,055	26.4
March 31, 2023	287,448	106,957	106,957	37.2

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	–	45.00	–	45.00	90.00
Year ending March 31, 2024	–	45.00	–		
Year ending March 31, 2024 (Forecast)				45.00	90.00

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

3. Forecast (From April 1, 2023 to March 31, 2024) (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, 2024	290,000	(0.8)	19,000	(1.4)	18,500	15.2	13,200	20.8	172.23

(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 December 31, 2023	79,708,688 shares
As of March 31, 2023	79,708,688 shares

(ii) Number of treasury stock at the quarter end

As of December 31, 2023	3,065,553 shares
As of March 31, 2023	3,065,458 shares

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

Nine months ended December 31, 2023	76,643,160 shares
Nine months ended December 31, 2022	77,661,433 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.

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1. Qualitative Information

(1) Consolidated Business Performance

The Japanese economy had shown signs of a mild recovery during the nine months ended December 31, 2023, but the outlook for the business environment is uncertain mainly due to concerns about the effects of aggressive monetary tightening by central banks in developed countries and structural adjustments in the Chinese economy. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

In the precious metals recycling business, revenue increased from the same period of the previous fiscal year mainly due to the higher sales volume of gold in Japan and higher income from precious metals refining in North America. On the other hand, operating profit decreased from the same period of the previous fiscal year due to the lack of a recovery from the prolonged stagnation in the electronics and catalyst-related trading markets, in addition to a significant drop in the prices of palladium and rhodium from the same period of the previous fiscal year.

Environmental Preservation business

The volume of industrial waste handled and the utilization rates at treatment facilities were stable. However, the price of processing for medical waste has declined after the novel coronavirus disease (COVID-19) was reclassified as a Class 5 Infectious Disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases. In addition, we withdrew from an existing business to construct a new incinerator at the Yokohama Plant. As a result, revenue and operating profit decreased from the same period of the previous fiscal year.

As a result of the above, revenue during the nine months ended December 31, 2023 was 235,132 million yen, a year-on-year increase of 29,305 million yen (+14.2 percent). Operating profit was 10,042 million yen, a year-on-year decrease of 7,463 million yen (-42.6 percent). Profit before tax was 10,104 million yen, a year-on-year decrease of 4,275 million yen (-29.7 percent). Profit was 7,097 million yen, a year-on-year decrease of 3,077 million yen (-30.2 percent). Profit attributable to owners of parent for the period was therefore 7,097 million yen, a year-on-year decrease of 3,077 million yen (-30.2 percent). By segment, revenue in the Precious Metals business was 222,860 million yen, a year-on-year increase of 30,432 million yen (+15.8 percent). In the Environmental Preservation business, revenue was 12,322 million yen, a year-on-year decrease of 1,075 million yen (-8.0 percent).

(2) Consolidated Financial Position and Cash Flows for the Nine Months Ended December 31, 2023

As of December 31, 2023, total assets amounted to 421,057 million yen, up 133,608 million yen from the previous fiscal year end. This was mainly due to increases of 100,502 million yen in trade and other receivables, 11,840 million yen in other (current) financial assets and (non-current) financial assets, 10,616 million yen in other current assets, and 9,345 million yen in inventories.

Total liabilities amounted to 310,002 million yen, up 129,510 million yen from the previous fiscal year end. This was due mainly to an increase of 131,235 million yen in bonds and loans payable.

Total equity amounted to 111,055 million yen, up 4,097 million yen from the previous fiscal year end. This was due mainly to an increase of 10,793 million yen in comprehensive income and a decrease of 6,897 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 26.4%, from 37.2% at the end of the previous fiscal year.

Net cash used in operating activities amounted to 7,759 million yen due mainly to 10,104 million yen of profit before tax, 2,704 million yen of depreciation and amortization, 9,323 million yen of increase in inventories, 87,463 million yen of increase in trade and other receivables, 87,940 million yen of increase in trade, loans and other payables, 3,537 million yen of income taxes paid and 2,242 million yen of income taxes refunded.

Net cash used in investing activities amounted to 15,442 million yen due mainly to 2,823 million yen of proceeds from withdrawal of time deposits, 4,992 million yen of purchase of property, plant and equipment, 558 million yen of purchase of intangible assets and 13,659 million yen of payments for loans receivable.

Net cash provided by financial activities amounted to 23,953 million yen due mainly to 16,971 million yen of net increase in short-term loans payable, 14,123 million yen of proceeds from long-term loans payable and 6,888 million yen of cash dividends paid.

As a result, cash and cash equivalents as of December 31, 2023 decreased 863 million yen from March 31, 2023, to 17,088 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, 2024 announced in the “Consolidated Financial Results for the Second Quarter Ended September 30, 2023” made public on October 26, 2023.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2023	As of December 31, 2023
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	17,952	17,088
Trade and other receivables	154,046	254,548
Inventories	40,854	50,200
Income tax receivables	1,345	1,360
Other financial assets	3,609	15,377
Other current assets	20,567	31,183
Total current assets	238,374	369,759
Non-current assets		
Property, plant and equipment	42,553	45,652
Goodwill	1,003	1,003
Intangible assets	1,255	1,574
Deferred tax assets	3,498	2,419
Net defined benefit asset	263	78
Financial assets	429	501
Other non-current assets	69	68
Total non-current assets	49,073	51,297
Total assets	287,448	421,057

	As of March 31, 2023	As of December 31, 2023
	Millions of yen	Millions of yen
LIABILITIES and EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	26,024	24,751
Loans payable	91,494	206,051
Income tax payable	210	1,592
Other financial liabilities	3,740	1,246
Provisions	1,462	1,131
Other current liabilities	2,547	2,873
Total current liabilities	125,480	237,646
Non-current liabilities		
Bonds and loans payable	52,868	69,547
Deferred tax liabilities	275	809
Net defined benefit liability	107	124
Other financial liabilities	1,704	1,874
Other non-current liabilities	53	—
Total non-current liabilities	55,010	72,355
Total liabilities	180,491	310,002
Equity		
Capital stock	7,790	7,790
Capital surplus	12,103	12,306
Treasury stock	(5,925)	(5,925)
Retained earnings	96,319	96,366
Other components of equity	(3,330)	517
Total equity attributable to owners of parent	106,957	111,055
Total equity	106,957	111,055
Total liabilities and equity	287,448	421,057

(2) Condensed Consolidated Statements of Income for the Nine Months Ended December 31, 2023

	The nine months ended December 31, 2022	The nine months ended December 31, 2023
	Millions of yen	Millions of yen
Revenue	205,827	235,132
Cost of sales	(181,603)	(218,351)
Gross profit	24,223	16,781
Selling, general and administrative expenses	(6,112)	(6,800)
Other operating income	93	144
Other operating expenses	(80)	(82)
Share of profit (loss) of investments accounted for using equity method	(616)	—
Operating profit	17,506	10,042
Finance income	393	473
Finance costs	(640)	(411)
Other non-operating income	425	—
Other non-operating expenses	(3,304)	—
Profit before tax	14,380	10,104
Income tax expenses	(4,205)	(3,007)
Profit	10,174	7,097
Profit attributable to:		
Owners of parent	10,174	7,097
Non-controlling interests	—	—
Profit	10,174	7,097
Earnings per share		
Basic earnings per share (Yen)	131.01	92.60
Diluted earnings per share (Yen)	118.94	84.69

(3) Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2023

	The nine months ended December 31, 2022	The nine months ended December 31, 2023
	Millions of yen	Millions of yen
Profit	10,174	7,097
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(0)	—
Remeasurements of defined benefit plans	(8)	(151)
Share of other comprehensive income of investments accounted for using equity method	(0)	—
Total items that will not be reclassified to profit or loss	(8)	(151)
Items that may be reclassified to profit or loss		
Cash flow hedges	2,663	1,813
Translation adjustments of foreign operations	371	2,033
Total items that may be reclassified to profit or loss	3,034	3,847
Other comprehensive income, net of tax	3,026	3,696
Comprehensive income	<u>13,200</u>	<u>10,793</u>
Comprehensive income attributable to:		
Owners of parent	13,200	10,793
Non-controlling interests	—	—
Comprehensive income	<u>13,200</u>	<u>10,793</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, 2022	7,790	11,955	(1,819)	92,353	(1,390)	(3,748)
Profit	–	–	–	10,174	–	–
Other comprehensive income	–	–	–	–	371	2,663
Total comprehensive income	–	–	–	10,174	371	2,663
Purchase of treasury stock	–	–	(4,106)	–	–	–
Dividends	–	–	–	(6,987)	–	–
Changes due to loss of control of subsidiaries	–	–	–	–	–	–
Increase (decrease) due to discontinued application of equity method for equity-method affiliate	–	–	–	–	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(8)	–	–
Share-based payment transactions	–	116	–	–	–	–
Total transactions with owners	–	116	(4,106)	(6,996)	–	–
Balance at December 31, 2022	<u>7,790</u>	<u>12,072</u>	<u>(5,925)</u>	<u>95,531</u>	<u>(1,019)</u>	<u>(1,085)</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, 2022	(3)	–	(5,142)	105,137	105,137
Profit	–	–	–	10,174	10,174
Other comprehensive income	(0)	(8)	3,026	3,026	3,026
Total comprehensive income	(0)	(8)	3,026	13,200	13,200
Purchase of treasury stock	–	–	–	(4,106)	(4,106)
Dividends	–	–	–	(6,987)	(6,987)
Changes due to loss of control of subsidiaries	0	–	0	0	0
Increase (decrease) due to discontinued application of equity method for equity-method affiliate	3	–	3	3	3
Reclassified from other components of equity to retained earnings	–	8	8	–	–
Share-based payment transactions	–	–	–	116	116
Total transactions with owners	3	8	11	(10,973)	(10,973)
Balance at December 31, 2022	<u>–</u>	<u>–</u>	<u>(2,104)</u>	<u>107,364</u>	<u>107,364</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, 2023	7,790	12,103	(5,925)	96,319	(886)	(2,443)
Profit	–	–	–	7,097	–	–
Other comprehensive income	–	–	–	–	2,033	1,813
Total comprehensive income	–	–	–	7,097	2,033	1,813
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(6,897)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(151)	–	–
Share-based payment transactions	–	202	–	–	–	–
Total transactions with owners	–	202	(0)	(7,049)	–	–
Balance at December 31, 2023	<u>7,790</u>	<u>12,306</u>	<u>(5,925)</u>	<u>96,366</u>	<u>1,146</u>	<u>(629)</u>

(Millions of yen)

	Equity attributable to owners of parent			
	Other components of equity			Total equity
	Remeasurements of defined benefit plans	Total	Total	
Balance at April 1, 2023	–	(3,330)	106,957	106,957
Profit	–	–	7,097	7,097
Other comprehensive income	(151)	3,696	3,696	3,696
Total comprehensive income	(151)	3,696	10,793	10,793
Purchase of treasury stock	–	–	(0)	(0)
Dividends	–	–	(6,897)	(6,897)
Reclassified from other components of equity to retained earnings	151	151	–	–
Share-based payment transactions	–	–	202	202
Total transactions with owners	151	151	(6,695)	(6,695)
Balance at December 31, 2023	<u>–</u>	<u>517</u>	<u>111,055</u>	<u>111,055</u>

(5) Condensed Consolidated Statements of Cash Flows

	The nine months ended December 31, 2022	The nine months ended December 31, 2023
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	14,380	10,104
Depreciation and amortization	2,467	2,704
Impairment loss	0	-
Finance income and finance cost	1,283	716
Other non-operating income and expenses	1,354	-
Share of loss (profit) of investments accounted for using equity method	616	-
Decrease (increase) in inventories	(1,510)	(9,323)
Decrease (increase) in trade and other receivables	(62,992)	(87,463)
Increase (decrease) in trade, loans and other payables	61,108	87,940
Other, net	(5,935)	(11,297)
Subtotal	10,774	(6,618)
Interest and dividend income received	211	242
Interest expenses paid	(95)	(88)
Income taxes paid	(7,620)	(3,537)
Income taxes refunded	4,139	2,242
Net cash provided by (used in) operating activities	7,409	(7,759)
Cash provided by (used in) investing activities		
Payments into time deposits	(2,504)	(122)
Proceeds from withdrawal of time deposits	50	2,823
Purchase of property, plant and equipment	(2,944)	(4,992)
Proceeds from sales of property, plant and equipment	48	50
Purchase of intangible assets	(623)	(558)
Payments for loans receivable	-	(13,659)
Proceeds from sales of shares of subsidiaries and affiliated companies	2,491	-
Other, net	1,105	1,015
Net cash provided by (used in) investing activities	(2,376)	(15,442)
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(287)	16,971
Proceeds from long-term loans payable	2,000	14,123
Proceeds from issuance of bonds	4,924	-
Purchase of treasury stock	(4,106)	(0)
Cash dividends paid	(6,985)	(6,888)
Other, net	(267)	(252)
Net cash provided by (used in) financing activities	(4,722)	23,953
Effect of exchange rate change on cash and cash equivalents	2,960	(1,615)
Net increase (decrease) in cash and cash equivalents	3,271	(863)
Cash and cash equivalents at beginning of period	6,127	17,952
Cash and cash equivalents at end of period	9,398	17,088

(6) Notes on Assumptions for Going Concern

Not applicable

(7) Notes on Condensed Consolidated Financial Statements

1. Reporting entity

ARE 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, 2023 comprise the Company and its subsidiaries (hereinafter the “Group”).

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

Effective July 1, 2023, the Company changed its name from Asahi Holdings, Inc. to ARE Holdings, Inc.

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 regulation.

(2) 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. Material accounting policies

The material accounting policies adopted for the condensed consolidated financial statements for the nine months ended December 31, 2023 are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2023.

The income tax for the nine months ended December 31, 2023 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, 2023.

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.

(Matters related to changes in reporting segments, etc.)

Effective from the first quarter ended June 30, 2023, due to changes in corporate organization and performance management classifications within the Group, corporate expenses previously included in “Adjustments” are now allocated to “Precious Metals Business” and “Environmental Preservation Business,” and recorded as such.

Segment information for the nine months ended December 31, 2022 is presented according to the new classification.

(2) Segment revenue and performance

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

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

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

	Reporting segment					(Millions of yen)	
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustments	Consolidated
Revenue							
External revenue	192,428	13,397	205,825	1	205,827	–	205,827
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>192,428</u>	<u>13,397</u>	<u>205,825</u>	<u>1</u>	<u>205,827</u>	<u>–</u>	<u>205,827</u>
Operating profit by business segment	15,509	2,738	18,247	(741)	17,506	–	17,506
Finance income							393
Finance costs							(640)
Other non-operating income							425
Other non-operating expenses							(3,304)
Profit before tax							<u>14,380</u>

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustments	Consolidated
Revenue							
External revenue	222,860	12,249	235,110	22	235,132	–	235,132
Intersegment revenue	–	72	72	–	72	(72)	–
Total	<u>222,860</u>	<u>12,322</u>	<u>235,183</u>	<u>22</u>	<u>235,205</u>	<u>(72)</u>	<u>235,132</u>
Operating profit by business segment	<u>8,447</u>	<u>1,859</u>	<u>10,307</u>	<u>(264)</u>	<u>10,042</u>	<u>–</u>	<u>10,042</u>
Finance income							473
Finance costs							<u>(411)</u>
Profit before tax							<u>10,104</u>

6. Subsequent events

Not applicable