

Consolidated Financial Results for the Second Quarter Ended September 30, 2022

Asahi Holdings, Inc. [IFRS]

October 27, 2022

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:	November 11, 2022
Start of dividend payment:	November 18, 2022
Supplementary materials for the financial results:	Yes
Investor conference for the financial results:	Yes (for institutional investors, analysts)

(Rounded down to the nearest million yen)

1. Results of the six months ended September 30, 2022 (From April 1, 2022 to September 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 six months ended September 30, 2022	132,653	37.0	11,493	(16.1)	10,241	(24.9)	7,293	(24.4)	7,293	(24.4)	10,523	(28.1)
September 30, 2021	96,861	22.4	13,698	15.8	13,642	14.9	9,653	17.3	9,653	17.3	14,627	123.4

	Basic earnings per share	Diluted earnings per share
The six months ended September 30, 2022	Yen 93.30	Yen 84.63
September 30, 2021	122.62	110.14

(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	%
September 30, 2022	285,607	108,094	108,094	37.8
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	–	45.00	–	45.00	90.00
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
Year ending March 31, 2023	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2023	270,000	40.3	24,000	(9.3)	22,600	(14.3)	15,600	(16.7)	201.52

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

* 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 September 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 September 30, 2022	3,065,437 shares
As of March 31, 2022	1,065,437 shares

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

Six months ended September 30, 2022	78,173,306 shares
Six months ended September 30, 2021	78,723,561 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 a mild recovery during the six months ended September 30, 2022. On the other hand, the yen has weakened due to monetary tightening mainly in Europe and the US, while prices of fuels, raw materials, and other commodities have continued to rise, increasing concerns about an economic slowdown. 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 significantly mainly in the jewelry sector, the volume of precious metals collected from the dental and catalyst sectors decreased, and there was an increase in temporary costs due to the start-up of the new plant in Ibaraki Prefecture. In the precious metals refining business in North America, processing and sales volume of products utilizing metals were strong. As a result of the above, this segment reported an increase in revenue and decrease in profit from the same period of the previous fiscal year.

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 sales activities were strengthened in all business sectors. In addition, high utilization rates were maintained throughout the various treatment facilities. As a result of the above, this segment reported an increase in revenue and profit from the same period of the previous fiscal year.

At the same time, Fuji Medical Instruments MFG. Co., Ltd., an equity-method affiliate of the Company, incurred a loss from damages based on a judgment in a patent infringement lawsuit filed by Family Inada Co., Ltd. In addition, when the Company and Johnson Health Tech, Co., Ltd. entered into a share transfer agreement on December 20, 2019 regarding shares of Fuji Medical Instruments MFG. Co., Ltd., it was agreed that the Company would bear a portion of this compensation for damages, and the Company recorded expenses based on the amount for which it bore responsibility under the agreement. As a result of these factors, profit at all levels declined.

As a result of the above, revenue during the six months ended September 30, 2022 was 132,653 million yen, a year-on-year increase of 35,792 million yen (+37.0 percent). Operating profit was 11,493 million yen, a year-on-year decrease of 2,205 million yen (-16.1 percent). Profit before tax was 10,241 million yen, a year-on-year decrease of 3,401 million yen (-24.9 percent). Profit was 7,293 million yen, a year-on-year decrease of 2,360 million yen (-24.4 percent). Profit attributable to owners of parent for the period was therefore 7,293 million yen, a decrease of 2,360 million yen (-24.4 percent) year-on-year. By segment, revenue in the Precious Metals business was 123,895 million yen, a year-on-year increase of 35,673 million yen (+40.4 percent). In the Environmental Preservation business, revenue was 8,757 million yen, a year-on-year increase of 118 million yen (+1.4 percent).

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

As of September 30, 2022, total assets amounted to 285,607 million yen, down 12,779 million yen from the previous fiscal year end. This was mainly due to an increase of 4,016 million yen in cash and cash equivalents, an increase of 5,979 million yen in inventories, an increase of 6,509 million yen in other current assets, a decrease of 24,493 million yen in trade and other receivables and a decrease of 3,596 million yen in income tax receivables.

Total liabilities amounted to 177,513 million yen, down 15,736 million yen from the previous fiscal year end. This was due mainly to a decrease of 6,740 million yen in trade and other payables and a decrease of 8,298 million yen in bonds and loans payable.

Total equity amounted to 108,094 million yen, up 2,956 million yen from the previous fiscal year end. This was due mainly to an increase of 10,523 million yen in comprehensive income, purchase of treasury stock of 4,106 million yen and a decrease of 3,538 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 37.8%, from 35.2% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 4,474 million yen due mainly to 10,241 million yen of profit before tax, 1,601 million yen of depreciation and amortization, 6,003 million yen of increase in inventories, 34,808 million yen of decrease in trade and other receivables, 34,287 million yen of decrease in trade, loans and other payables, 4,199 million yen of income taxes paid and 4,146 million yen of income taxes refunded.

Net cash provided by investing activities amounted to 46 million yen due mainly to 2,202 million yen of purchase of property, plant and equipment and 1,371 million yen of proceeds from sales of shares of subsidiaries.

Net cash used in financing activities amounted to 2,100 million yen due mainly to 5,727 million yen of net increase in short-term loans payable, 4,106 million yen of purchase of treasury stock and 3,543 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2022 increased 4,016 million yen from March 31, 2022, to 10,143 million yen.

(3) Consolidated Performance Forecasts

The consolidated financial forecast for the year ending March 31, 2023, as announced on April 27, 2022, has been revised as follows. For details, please refer to the “Notice of Difference between Financial Forecast and Actual Financial Results for the Six Months Ended September 30, 2022 and Revision to Financial Forecast for the Year Ending March 31, 2023” released today (October 27, 2022).

Revisions of the consolidated financial forecast for the year ending March 31, 2023
(April 1, 2022 to March 31, 2023)

	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
Previous forecast (A)	200,000	24,000	23,500	16,000	203.45
Revised forecast (B)	270,000	24,000	22,600	15,600	201.52
Change (B-A)	70,000	–	(900)	(400)	–
Change (%)	35.0	–	(3.8)	(2.5)	–
(Ref.) Results for the previous FY (FY ended March 31, 2022)	192,442	26,446	26,372	18,735	238.11

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2022	As of September 30, 2022
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	6,127	10,143
Trade and other receivables	151,437	126,943
Inventories	63,398	69,377
Income tax receivables	3,958	362
Other financial assets	129	1,369
Other current assets	16,727	23,236
Total current assets	241,778	231,432
Non-current assets		
Property, plant and equipment	43,748	43,827
Goodwill	1,040	1,003
Intangible assets	712	988
Investments accounted for using equity method	3,657	2,868
Deferred tax assets	6,262	4,377
Net defined benefit asset	229	284
Financial assets	859	748
Other non-current assets	98	77
Total non-current assets	56,609	54,175
Total assets	298,387	285,607

	As of March 31, 2022	As of September 30, 2022
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	27,711	20,971
Loans payable	108,263	93,957
Income tax payable	950	2,461
Other financial liabilities	5,613	3,500
Provisions	1,608	1,320
Other current liabilities	4,479	3,960
Total current liabilities	148,626	126,171
Non-current liabilities		
Bonds and loans payable	42,663	48,670
Deferred tax liabilities	576	304
Net defined benefit liability	93	102
Other financial liabilities	1,289	2,235
Other non-current liabilities	–	27
Total non-current liabilities	44,623	51,342
Total liabilities	193,250	177,513
Equity		
Capital stock	7,790	7,790
Capital surplus	11,955	12,033
Treasury stock	(1,819)	(5,925)
Retained earnings	92,353	96,130
Other components of equity	(5,142)	(1,934)
Total equity attributable to owners of parent	105,137	108,094
Total equity	105,137	108,094
Total liabilities and equity	298,387	285,607

(2) Condensed Consolidated Statements of Income for the Six Months Ended September 30, 2022

	The six months ended September 30, 2021	The six months ended September 30, 2022
	Millions of yen	Millions of yen
Revenue	96,861	132,653
Cost of sales	(79,085)	(116,521)
Gross profit	17,775	16,131
Selling, general and administrative expenses	(4,009)	(4,005)
Other operating income	46	68
Other operating expenses	(189)	(56)
Share of profit (loss) of investments accounted for using equity method	74	(644)
Operating profit	13,698	11,493
Finance income	112	965
Finance costs	(379)	(1,143)
Other non-operating income	210	425
Other non-operating expenses	—	(1,498)
Profit before tax	13,642	10,241
Income tax expenses	(3,988)	(2,947)
Profit	<u>9,653</u>	<u>7,293</u>
Profit attributable to:		
Owners of parent	9,653	7,293
Non-controlling interests	—	—
Profit	<u>9,653</u>	<u>7,293</u>
Earnings per share		
Basic earnings per share (Yen)	122.62	93.30
Diluted earnings per share (Yen)	110.14	84.63

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

	The six months ended September 30, 2021	The six months ended September 30, 2022
	Millions of yen	Millions of yen
Profit	9,653	7,293
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	39	22
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	36	22
Items that may be reclassified to profit or loss		
Cash flow hedges	4,921	1,417
Translation adjustments of foreign operations	16	1,789
Total items that may be reclassified to profit or loss	4,937	3,207
Other comprehensive income, net of tax	4,973	3,230
Comprehensive income	14,627	10,523
Comprehensive income attributable to:		
Owners of parent	14,627	10,523
Non-controlling interests	—	—
Comprehensive income	14,627	10,523

(4) Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					Other components of equity	
	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	–	–	–	9,653	–	–	
Other comprehensive income	–	–	–	–	16	4,921	
Total comprehensive income	–	–	–	9,653	16	4,921	
Purchase of treasury stock	–	–	(1,785)	–	–	–	
Disposal of treasury stock	–	258	214	–	–	–	
Dividends	–	–	–	(3,541)	–	–	
Reclassified from other components of equity to retained earnings	–	–	–	39	–	–	
Share-based payment transactions	–	(255)	708	–	–	–	
Total transactions with owners	–	2	(862)	(3,501)	–	–	
Balance at September 30, 2021	7,790	11,955	(1,819)	86,755	(2,927)	6,375	

(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	–	–	–	9,653	9,653
Other comprehensive income	(3)	39	4,973	4,973	4,973
Total comprehensive income	(3)	39	4,973	14,627	14,627
Purchase of treasury stock	–	–	–	(1,785)	(1,785)
Disposal of treasury stock	–	–	–	472	472
Dividends	–	–	–	(3,541)	(3,541)
Reclassified from other components of equity to retained earnings	–	(39)	(39)	–	–
Share-based payment transactions	–	–	–	452	452
Total transactions with owners	–	(39)	(39)	(4,400)	(4,400)
Balance at September 30, 2021	(0)	–	3,447	108,130	108,130

(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	–	–	–	7,293	–	–
Other comprehensive income	–	–	–	–	1,789	1,417
Total comprehensive income	–	–	–	7,293	1,789	1,417
Purchase of treasury stock	–	–	(4,106)	–	–	–
Dividends	–	–	–	(3,538)	–	–
Changes due to loss of control of subsidiaries	–	–	–	–	–	–
Reclassified from other components of equity to retained earnings	–	–	–	22	–	–
Share-based payment transactions	–	77	–	–	–	–
Total transactions with owners	–	77	(4,106)	(3,516)	–	–
Balance at September 30, 2022	7,790	12,033	(5,925)	96,130	399	(2,330)

(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	–	–	–	7,293	7,293
Other comprehensive income	(0)	22	3,230	3,230	3,230
Total comprehensive income	(0)	22	3,230	10,523	10,523
Purchase of treasury stock	–	–	–	(4,106)	(4,106)
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	–	(22)	(22)	–	–
Share-based payment transactions	–	–	–	77	77
Total transactions with owners	0	(22)	(22)	(7,566)	(7,566)
Balance at September 30, 2022	(3)	–	(1,934)	108,094	108,094

(5) Condensed Consolidated Statements of Cash Flows

	The six months ended September 30, 2021	The six months ended September 30, 2022
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	13,642	10,241
Depreciation and amortization	1,306	1,601
Impairment loss	18	0
Finance income and finance cost	485	2,684
Other non-operating income and expenses	(210)	(425)
Share of loss (profit) of investments accounted for using equity method	(74)	644
Decrease (increase) in inventories	4,609	(6,003)
Decrease (increase) in trade and other receivables	(14,199)	34,808
Increase (decrease) in trade, loans and other payables	5,431	(34,287)
Other, net	(425)	(4,849)
Subtotal	10,583	4,415
Interest and dividend income received	101	170
Interest expenses paid	(21)	(58)
Income taxes paid	(7,355)	(4,199)
Income taxes refunded	2,693	4,146
Net cash provided by (used in) operating activities	6,001	4,474
Cash provided by (used in) investing activities		
Payments into time deposits	(96)	(100)
Proceeds from withdrawal of time deposits	145	50
Purchase of property, plant and equipment	(3,366)	(2,202)
Proceeds from sales of property, plant and equipment	14	17
Purchase of intangible assets	(188)	(277)
Proceeds from sales of shares of subsidiaries	–	1,371
Other, net	687	1,187
Net cash provided by (used in) investing activities	(2,804)	46
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(12,235)	5,727
Proceeds from long-term loans payable	12,783	–
Proceeds from sales of treasury stock	172	–
Purchase of treasury stock	(1,785)	(4,106)
Cash dividends paid	(3,539)	(3,543)
Other, net	(159)	(178)
Net cash provided by (used in) financing activities	(4,762)	(2,100)
Effect of exchange rate change on cash and cash equivalents	683	1,595
Net increase (decrease) in cash and cash equivalents	(881)	4,016
Cash and cash equivalents at beginning of period	10,023	6,127
Cash and cash equivalents at end of period	9,141	10,143

(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 six months ended September 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 six months ended September 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 six months ended September 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 six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

	Reporting segment				Total	Adjustments	Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other			
Revenue							
External revenue	88,221	8,639	96,861	–	96,861	–	96,861
Intersegment revenue	–	–	–	–	–	–	–
Total	88,221	8,639	96,861	–	96,861	–	96,861
Operating profit by business segment	14,263	1,522	15,785	74	15,859	(2,161)	13,698
Finance income							112
Finance costs							(379)
Other non-operating income							210
Profit before tax							13,642

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

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustments	Consolidated
Revenue							
External revenue	123,895	8,757	132,653	0	132,653	–	132,653
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>123,895</u>	<u>8,757</u>	<u>132,653</u>	<u>0</u>	<u>132,653</u>	<u>–</u>	<u>132,653</u>
Operating profit by business segment	<u>11,719</u>	<u>2,108</u>	<u>13,828</u>	<u>(720)</u>	<u>13,108</u>	<u>(1,614)</u>	<u>11,493</u>
Finance income							965
Finance costs							(1,143)
Other non-operating income							425
Other non-operating expenses							(1,498)
Profit before tax							<u>10,241</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