

Consolidated Financial Results for the Third Quarter Ended December 31, 2022

Asahi Holdings, Inc. [IFRS]

January 31, 2023

Stock code:	5857
Shares listed:	Tokyo Stock Exchange - Prime Market
URL:	https://www.asahiholdings.com/english
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Start of dividend payment:	–
Supplementary materials for the financial results:	Yes
Investor conference for the financial results:	No

(Rounded down to the nearest million yen)

1. Results of the nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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 nine months ended												
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
December 31, 2021	144,487	20.4	19,318	12.0	19,271	11.2	13,567	13.4	13,567	13.4	12,505	(13.1)

	Basic earnings per share	Diluted earnings per share
The nine months ended	Yen	Yen
December 31, 2022	131.01	118.94
December 31, 2021	172.40	155.31

(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, 2022	361,433	107,364	107,364	29.7
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	–		
Year ending March 31, 2023 (Forecast)				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
	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: 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, 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 December 31, 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)

Nine months ended December 31, 2022	77,661,433 shares
Nine months ended December 31, 2021	78,696,714 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 was generally on a mild recovery trend during the nine months ended December 31, 2022. On the other hand, global monetary tightening continues, and due to rising prices of raw materials and fuel and other factors, concerns about an economic slowdown have been growing. 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 increased from the same period of the previous fiscal year mainly in the jewelry sector, the volume of precious metals collected from the dental and automotive catalyst sectors decreased from the same period of the previous fiscal year. In addition, expenses increased from the same period of the previous fiscal year due to depreciation associated with establishing the new plant in Bando-shi, Ibaraki prefecture, rising fuel prices and other factors. In the precious metals refining business in North America, the various value-added business transactions that serve as the base of the refining business 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 mild recovery in the domestic industrial production activities, the volume of industrial waste handled by the Group increased from the same period of the previous fiscal year as sales activities were strengthened in all business sectors. In addition, we succeeded in improving operating margins from the same period of the previous fiscal year by maintaining high utilization rates throughout the various treatment facilities. On the other hand, there was an impact due to the removal of JW Glass Recycling Co., Ltd. from the scope of consolidation in May 2022, and this segment reported a decrease in revenue and increase in profit from the same period of the previous fiscal year.

At the same time, the Company and Johnson Health Tech, Co., Ltd. entered into a share transfer agreement on December 9, 2022 regarding shares of the equity method affiliate Fuji Medical Instruments MFG. Co., Ltd., and the transfer of all the shares held by the Company was completed on December 14, 2022. As a result, the Company recorded a loss on transfer of shares of 1,779 million yen in "Other non-operating expenses."

As a result of the above, revenue during the nine months ended December 31, 2022 was 205,827 million yen, a year-on-year increase of 61,339 million yen (+42.5 percent). Operating profit was 17,506 million yen, a year-on-year decrease of 1,811 million yen (-9.4 percent). Profit before tax was 14,380 million yen, a year-on-year decrease of 4,890 million yen (-25.4 percent). Profit was 10,174 million yen, a year-on-year decrease of 3,393 million yen (-25.0 percent). Profit attributable to owners of parent for the period was therefore 10,174 million yen, a year-on-year decrease of 3,393 million yen (-25.0 percent). By segment, revenue in the Precious Metals business was 192,428 million yen, a year-on-year increase of 61,454 million yen (+46.9 percent). In the Environmental Preservation business, revenue was 13,397 million yen, a year-on-year decrease of 116 million yen (-0.9 percent).

(2) Consolidated Financial Position and Cash Flows for the Nine Months Ended December 31, 2022

As of December 31, 2022, total assets amounted to 361,433 million yen, up 63,045 million yen from the previous fiscal year end. This was due mainly to a decrease of 3,657 million yen in investments accounted for using equity method, a decrease of 3,038 million yen in deferred tax assets, an increase of 3,271 million yen in cash and cash equivalents, an increase of 59,447 million yen in trade and other receivables, an increase of 3,277 million yen in other financial assets and an increase of 5,546 million yen in other current assets.

Total liabilities amounted to 254,068 million yen, up 60,817 million yen from the previous fiscal year end. This was due mainly to a decrease of 6,348 million yen in trade and other payables, a decrease of 3,535 million yen in other financial liabilities and an increase of 74,313 million yen in bonds and loans payable.

Total equity amounted to 107,364 million yen, up 2,227 million yen from the previous fiscal year end. This was due mainly to an increase of 13,200 million yen in comprehensive income, a decrease of 4,106 million yen used for purchase of treasury stock and a decrease of 6,987 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 29.7%, from 35.2% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 7,409 million yen due mainly to 14,380 million yen of profit before tax, 2,467 million yen of depreciation and amortization, 1,510 million yen of increase in inventories, 62,992 million yen of increase in trade and other receivables, 61,108 million yen of increase in trade, loans and other payables, 7,620 million yen of income taxes paid and 4,139 million yen of income taxes refunded.

Net cash used in investing activities amounted to 2,376 million yen due mainly to 2,491 million yen of proceeds from sales of investments in associates, 2,944 million yen of purchase of property, plant and equipment and 2,504 million yen of payments into time deposits.

Net cash used in financing activities amounted to 4,722 million yen, mainly due to a net decrease in short-term loans payable of 287 million yen, proceeds from long-term loans payable of 2,000 million yen, proceeds from issuance of bonds of 4,924 million yen, purchase of treasury stock of 4,106 million yen, and cash dividends paid of 6,985 million yen.

As a result, cash and cash equivalents as of December 31, 2022 increased 3,271 million yen from March 31, 2022, to 9,398 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 Second Quarter Ended September 30, 2022” made public on October 27, 2022.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2022	As of December 31, 2022
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	6,127	9,398
Trade and other receivables	151,437	210,884
Inventories	63,398	64,886
Income tax receivables	3,958	1,152
Other financial assets	129	3,407
Other current assets	16,727	22,273
Total current assets	241,778	312,002
Non-current assets		
Property, plant and equipment	43,748	43,034
Goodwill	1,040	1,003
Intangible assets	712	1,224
Investments accounted for using equity method	3,657	—
Deferred tax assets	6,262	3,223
Net defined benefit asset	229	213
Financial assets	859	653
Other non-current assets	98	77
Total non-current assets	56,609	49,430
Total assets	298,387	361,433

	As of March 31, 2022	As of December 31, 2022
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	27,711	21,363
Loans payable	108,263	172,693
Income tax payable	950	125
Other financial liabilities	5,613	1,744
Provisions	1,608	1,082
Other current liabilities	4,479	2,317
Total current liabilities	148,626	199,325
Non-current liabilities		
Bonds and loans payable	42,663	52,547
Deferred tax liabilities	576	428
Net defined benefit liability	93	102
Other financial liabilities	1,289	1,623
Other non-current liabilities	—	39
Total non-current liabilities	44,623	54,742
Total liabilities	193,250	254,068
Equity		
Capital stock	7,790	7,790
Capital surplus	11,955	12,072
Treasury stock	(1,819)	(5,925)
Retained earnings	92,353	95,531
Other components of equity	(5,142)	(2,104)
Total equity attributable to owners of parent	105,137	107,364
Total equity	105,137	107,364
Total liabilities and equity	298,387	361,433

(2) Condensed Consolidated Statements of Income for the Nine Months Ended December 31, 2022

	The nine months ended December 31, 2021	The nine months ended December 31, 2022
	Millions of yen	Millions of yen
Revenue	144,487	205,827
Cost of sales	(119,478)	(181,603)
Gross profit	25,009	24,223
Selling, general and administrative expenses	(5,719)	(6,112)
Other operating income	61	93
Other operating expenses	(219)	(80)
Share of profit (loss) of investments accounted for using equity method	186	(616)
Operating profit	19,318	17,506
Finance income	283	393
Finance costs	(525)	(640)
Other non-operating income	195	425
Other non-operating expenses	—	(3,304)
Profit before tax	19,271	14,380
Income tax expenses	(5,703)	(4,205)
Profit	13,567	10,174
Profit attributable to:		
Owners of parent	13,567	10,174
Non-controlling interests	—	—
Profit	13,567	10,174
Earnings per share		
Basic earnings per share (Yen)	172.40	131.01
Diluted earnings per share (Yen)	155.31	118.94

(3) Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2022

	The nine months ended December 31, 2021	The nine months ended December 31, 2022
	Millions of yen	Millions of yen
Profit	13,567	10,174
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1)	(0)
Remeasurements of defined benefit plans	94	(8)
Share of other comprehensive income of investments accounted for using equity method	(4)	(0)
Total items that will not be reclassified to profit or loss	88	(8)
Items that may be reclassified to profit or loss		
Cash flow hedges	(1,546)	2,663
Translation adjustments of foreign operations	396	371
Total items that may be reclassified to profit or loss	(1,150)	3,034
Other comprehensive income, net of tax	(1,061)	3,026
Comprehensive income	<u>12,505</u>	<u>13,200</u>
Comprehensive income attributable to:		
Owners of parent	12,505	13,200
Non-controlling interests	—	—
Comprehensive income	<u>12,505</u>	<u>13,200</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, 2021	7,790	11,952	(957)	80,604	(2,944)	1,454
Profit	–	–	–	13,567	–	–
Other comprehensive income	–	–	–	–	396	(1,546)
Total comprehensive income	–	–	–	13,567	396	(1,546)
Purchase of treasury stock	–	–	(1,785)	–	–	–
Disposal of treasury stock	–	258	214	–	–	–
Dividends	–	–	–	(7,080)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	94	–	–
Share-based payment transactions	–	(255)	708	–	–	–
Total transactions with owners	–	2	(862)	(6,985)	–	–
Balance at December 31, 2021	7,790	11,955	(1,819)	87,185	(2,547)	(92)

(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	–	–	–	13,567	13,567
Other comprehensive income	(6)	94	(1,061)	(1,061)	(1,061)
Total comprehensive income	(6)	94	(1,061)	12,505	12,505
Purchase of treasury stock	–	–	–	(1,785)	(1,785)
Disposal of treasury stock	–	–	–	472	472
Dividends	–	–	–	(7,080)	(7,080)
Reclassified from other components of equity to retained earnings	–	(94)	(94)	–	–
Share-based payment transactions	–	–	–	452	452
Total transactions with owners	–	(94)	(94)	(7,939)	(7,939)
Balance at December 31, 2021	(2)	–	(2,642)	102,469	102,469

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 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>

(5) Condensed Consolidated Statements of Cash Flows

	The nine months ended December 31, 2021	The nine months ended December 31, 2022
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	19,271	14,380
Depreciation and amortization	1,990	2,467
Impairment loss	18	0
Finance income and finance cost	845	1,283
Other non-operating income and expenses	(195)	1,354
Share of loss (profit) of investments accounted for using equity method	(186)	616
Decrease (increase) in inventories	11,397	(1,510)
Decrease (increase) in trade and other receivables	(61,825)	(62,992)
Increase (decrease) in trade, loans and other payables	59,068	61,108
Other, net	(5,294)	(5,935)
Subtotal	25,090	10,774
Interest and dividend income received	108	211
Interest expenses paid	(107)	(95)
Income taxes paid	(12,854)	(7,620)
Income taxes refunded	2,693	4,139
Net cash provided by (used in) operating activities	14,930	7,409
Cash provided by (used in) investing activities		
Payments into time deposits	(96)	(2,504)
Proceeds from withdrawal of time deposits	144	50
Purchase of property, plant and equipment	(4,563)	(2,944)
Proceeds from sales of property, plant and equipment	16	48
Purchase of intangible assets	(258)	(623)
Proceeds from sales of investments in associates	–	2,491
Other, net	648	1,105
Net cash provided by (used in) investing activities	(4,109)	(2,376)
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(18,600)	(287)
Proceeds from long-term loans payable	13,783	2,000
Proceeds from issuance of bonds	–	4,924
Proceeds from sales of treasury stock	172	–
Purchase of treasury stock	(1,785)	(4,106)
Cash dividends paid	(7,070)	(6,985)
Other, net	(390)	(267)
Net cash provided by (used in) financing activities	(13,889)	(4,722)
Effect of exchange rate change on cash and cash equivalents	43	2,960
Net increase (decrease) in cash and cash equivalents	(3,025)	3,271
Cash and cash equivalents at beginning of period	10,023	6,127
Cash and cash equivalents at end of period	6,997	9,398

(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 nine months ended December 31, 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 nine months ended December 31, 2022 are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2022.

The income tax for the nine months ended December 31, 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

	Reporting segment				Total	Adjustments	Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other			
Revenue							
External revenue	130,974	13,513	144,487	–	144,487	–	144,487
Intersegment revenue	–	–	–	–	–	–	–
Total	130,974	13,513	144,487	–	144,487	–	144,487
Operating profit by business segment	19,383	2,713	22,097	186	22,283	(2,964)	19,318
Finance income							283
Finance costs							(525)
Other non-operating income							195
Profit before tax							19,271

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

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	<u>17,369</u>	<u>3,316</u>	<u>20,685</u>	<u>(741)</u>	<u>19,944</u>	<u>(2,437)</u>	<u>17,506</u>
Finance income							393
Finance costs							(640)
Other non-operating income							425
Other non-operating expenses							(3,304)
Profit before tax							<u>14,380</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