

Consolidated Financial Results for the Third Quarter Ended December 31, 2021

Asahi Holdings, Inc. [IFRS]

January 28, 2022

Stock code:	5857
Shares listed:	Tokyo Stock Exchange (First Section)
URL:	https://www.asahiholdings.com
Representative:	Tomoya Higashiura, Representative Director and President
For further information please contact:	Kunihiko Chogo, General Manager, Corporate Planning & Communications Department (Phone) +81-3-6270-1833
Filing date of Quarterly Report:	February 10, 2022
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, 2021 (From April 1, 2021 to December 31, 2021)

(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, 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)
December 31, 2020	120,033	21.1	17,248	40.8	17,332	43.6	11,961	86.8	11,961	86.8	14,387	153.1

	Basic earnings per share	Diluted earnings per share
The nine months ended	Yen	Yen
December 31, 2021	172.40	155.31
December 31, 2020	151.99	150.97

(Note) The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. Basic earnings per share and diluted earnings per share are calculated assuming the stock split had already been carried out at the start of the previous fiscal year.

(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, 2021	297,037	102,469	102,469	34.5
March 31, 2021	244,803	97,903	97,903	40.0

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	80.00	—	90.00	170.00
Year ending March 31, 2022	—	45.00	—		
Year ending March 31, 2022 (Forecast)				45.00	90.00

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

The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. The amounts of dividends per share for the year ended March 31, 2021 are the actual amounts before the stock split. The amounts for the year ending March 31, 2022 and the year ending March 31, 2022 (Forecast) are the figures after the stock split.

3. Forecast (From April 1, 2021 to March 31, 2022) (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, 2022	190,000	15.3	26,000	3.5	26,000	(0.5)	18,200	(29.3)	231.27

(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, 2021	79,708,688 shares
As of March 31, 2021	79,708,688 shares

(ii) Number of treasury stock at the quarter end

As of December 31, 2021	1,065,405 shares
As of March 31, 2021	1,011,774 shares

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

Nine months ended December 31, 2021	78,696,714 shares
Nine months ended December 31, 2020	78,697,158 shares

(Note) The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. Number of issued shares at the end of year, number of treasury stock at the end of year, and averaged number of shares during the period are calculated assuming the stock split had already been carried out at the start of the previous fiscal year.

* 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】

Table of contents of the appendix

1. Qualitative Information	2
(1) Consolidated Business Performance.....	2
(2) Consolidated Financial Position and Cash Flows for the Nine Months Ended December 31, 2021	2
(3) Consolidated Performance Forecasts.....	3
2. Condensed Consolidated Financial Statements	4
(1) Condensed Consolidated Statements of Financial Position	4
(2) Condensed Consolidated Statements of Income for the Nine Months Ended December 31, 2021	6
(3) Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2021	7
(4) Condensed Consolidated Statements of Changes in Equity.....	8
(5) Condensed Consolidated Statements of Cash Flows	10
(6) Notes on Assumptions for Going Concern	11
(7) Notes on Condensed Consolidated Financial Statements	11
1. Reporting entity	11
2. Basis of preparation	11
3. Significant accounting policies	11
4. Significant accounting estimates and associated judgements	11
5. Segment information	12
6. Subsequent events	13

1. Qualitative Information

(1) Consolidated Business Performance

The Japanese economy during the nine months ended December 31, 2021, saw signs of improvement, primarily in the non-manufacturing sector, due to factors such as the easing of the impact of the novel coronavirus disease (COVID-19). However, the situation continues to be uncertain as a result of the resurgence of COVID-19 through the end of 2021, in addition to slow economic recovery due to rising crude oil and raw material prices. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

In the precious metals recycling business in Japan, South Korea, and Malaysia, revenue and operating profit increased from the same period of the previous fiscal year thanks to the rise in precious metal prices and increased sales volume of precious metals. Also, in the precious metals refining business in North America, revenue declined, and operating profit rose from the same period of the previous fiscal year due to increases in processing and sales volumes for products utilizing metals despite a decrease in the volume of metallic raw materials received. As a result, revenue and operating profit in this segment increased from the same period of the previous fiscal year.

Environmental Preservation business

Transactions for semiconductor/electronic component-related waste liquid and medical-related waste continued to be brisk. In addition, in line with the recovery of economic activity in Japan, disposal volume for almost all industrial waste fields increased from the same period of the previous fiscal year. However, owing to the removal of INTER CENTRAL, INC. from the scope of consolidation at the end of the previous fiscal year and other factors, revenue and operating profit in this segment decreased from the same period of the previous fiscal year.

As a result of the above, revenue during the nine months ended December 31, 2021 was 144,487 million yen, a year-on-year increase of 24,454 million yen (+20.4 percent). Operating profit was 19,318 million yen, a year-on-year increase of 2,069 million yen (+12.0 percent). Profit before tax was 19,271 million yen, a year-on-year increase of 1,938 million yen (+11.2 percent). Profit was 13,567 million yen, a year-on-year increase of 1,606 million yen (+13.4 percent). Profit attributable to owners of parent for the period was therefore 13,567 million yen, an increase of 1,606 million yen (+13.4 percent) year-on-year. By segment, revenue in the Precious Metals business was 130,974 million yen, a year-on-year increase of 25,393 million yen (+24.1 percent). In the Environmental Preservation business, revenue was 13,513 million yen, a year-on-year decrease of 939 million yen (-6.5 percent).

(2) Consolidated Financial Position and Cash Flows for the Nine Months Ended December 31, 2021

As of December 31, 2021, total assets amounted to 297,037 million yen, up 52,233 million yen from the previous fiscal year end. This was due mainly to a decrease of 3,025 million yen in cash and cash equivalents, a decrease of 11,589 million yen in inventories, a decrease of 3,125 million yen in deferred tax assets, an increase of 65,648 million yen in trade and other receivables, an increase of 3,931 million yen in other current assets and an increase of 2,424 million yen in property, plant and equipment.

Total liabilities amounted to 194,567 million yen, up 47,668 million yen from the previous fiscal year end. This was due mainly to a decrease of 5,363 million yen in income tax payable, a decrease of 3,637 million yen in other current liabilities and an increase of 57,113 million yen in bonds and loans payable.

Total equity amounted to 102,469 million yen, up 4,565 million yen from the previous fiscal year end. This was due mainly to an increase of 12,505 million yen in comprehensive income and a decrease of 7,080 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 34.5%, from 40.0% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 14,930 million yen due mainly to 19,271 million yen of profit before tax, 1,990 million yen of depreciation and amortization, 11,397 million yen of decrease in inventories, 61,825 million yen of increase in trade and other receivables, 59,068 million yen of increase in trade, loans and other payables, 12,854 million yen of income taxes paid and 2,693 million yen of income taxes

refunded.

Net cash used in investing activities amounted to 4,109 million yen due mainly to 4,563 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 13,889 million yen due mainly to 4,816 million yen of net decrease in long- and short-term loans payable, 1,785 million yen of purchase of treasury stock and 7,070 million yen of cash dividends paid.

As a result, cash and cash equivalents as of December 31, 2021 decreased 3,025 million yen from March 31, 2021, to 6,997 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, 2022 announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021” made public on April 27, 2021.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2021	As of December 31, 2021
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	10,023	6,997
Trade and other receivables	100,775	166,423
Inventories	63,515	51,926
Income tax receivables	2,833	1,593
Other financial assets	2,169	534
Other current assets	12,644	16,576
Total current assets	191,961	244,051
Non-current assets		
Property, plant and equipment	37,904	40,328
Goodwill	1,040	1,040
Intangible assets	697	680
Investments accounted for using equity method	3,544	3,636
Deferred tax assets	8,392	5,266
Net defined benefit asset	165	294
Financial assets	1,051	1,075
Other non-current assets	44	662
Total non-current assets	52,841	52,985
Total assets	244,803	297,037

	As of March 31, 2021	As of December 31, 2021
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	26,465	27,386
Loans payable	79,337	121,276
Income tax payable	5,914	550
Other financial liabilities	1,247	806
Provisions	1,601	967
Other current liabilities	5,002	1,364
Total current liabilities	119,568	152,352
Non-current liabilities		
Bonds and loans payable	25,501	40,675
Deferred tax liabilities	968	471
Net defined benefit liability	106	90
Other financial liabilities	754	977
Total non-current liabilities	27,331	42,214
Total liabilities	146,899	194,567
Equity		
Capital stock	7,790	7,790
Capital surplus	11,952	11,955
Treasury stock	(957)	(1,819)
Retained earnings	80,604	87,185
Other components of equity	(1,486)	(2,642)
Total equity attributable to owners of parent	97,903	102,469
Total equity	97,903	102,469
Total liabilities and equity	244,803	297,037

(2) Condensed Consolidated Statements of Income for the Nine Months Ended December 31, 2021

	The nine months ended December 31, 2020	The nine months ended December 31, 2021
	Millions of yen	Millions of yen
Revenue	120,033	144,487
Cost of sales	(97,474)	(119,478)
Gross profit	22,559	25,009
Selling, general and administrative expenses	(5,221)	(5,719)
Other operating income	81	61
Other operating expenses	(372)	(219)
Share of profit (loss) of investments accounted for using equity method	202	186
Operating profit	17,248	19,318
Finance income	155	283
Finance costs	(67)	(525)
Other non-operating income	–	195
Other non-operating expenses	(3)	–
Profit before tax	17,332	19,271
Income tax expenses	(5,371)	(5,703)
Profit	11,961	13,567
Profit attributable to:		
Owners of parent	11,961	13,567
Non-controlling interests	–	–
Profit	11,961	13,567
Earnings per share		
Basic earnings per share (Yen)	151.99	172.40
Diluted earnings per share (Yen)	150.97	155.31

(3) Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended December 31, 2021

	The nine months ended December 31, 2020	The nine months ended December 31, 2021
	Millions of yen	Millions of yen
Profit	11,961	13,567
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3	(1)
Remeasurements of defined benefit plans	(77)	94
Share of other comprehensive income of investments accounted for using equity method	2	(4)
Total items that will not be reclassified to profit or loss	(71)	88
Items that may be reclassified to profit or loss		
Cash flow hedges	2,219	(1,546)
Translation adjustments of foreign operations	278	396
Total items that may be reclassified to profit or loss	2,498	(1,150)
Other comprehensive income, net of tax	2,426	(1,061)
Comprehensive income	14,387	12,505
Comprehensive income attributable to:		
Owners of parent	14,387	12,505
Non-controlling interests	—	—
Comprehensive income	14,387	12,505

(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, 2020	7,790	10,755	(956)	60,797	(4,198)	(5,008)
Profit	–	–	–	11,961	–	–
Other comprehensive income	–	–	–	–	278	2,219
Total comprehensive income	–	–	–	11,961	278	2,219
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(5,902)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(77)	–	–
Share-based payment transactions	–	154	–	–	–	–
Total transactions with owners	–	154	(0)	(5,979)	–	–
Balance at December 31, 2020	7,790	10,909	(956)	66,779	(3,919)	(2,788)

(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, 2020	(5)	–	(9,212)	69,174	69,174
Profit	–	–	–	11,961	11,961
Other comprehensive income	5	(77)	2,426	2,426	2,426
Total comprehensive income	5	(77)	2,426	14,387	14,387
Purchase of treasury stock	–	–	–	(0)	(0)
Dividends	–	–	–	(5,902)	(5,902)
Reclassified from other components of equity to retained earnings	–	77	77	–	–
Share-based payment transactions	–	–	–	154	154
Total transactions with owners	–	77	77	(5,748)	(5,748)
Balance at December 31, 2020	0	–	(6,708)	77,814	77,814

(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

(5) Condensed Consolidated Statements of Cash Flows

	The nine months ended December 31, 2020	The nine months ended December 31, 2021
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	17,332	19,271
Depreciation and amortization	1,870	1,990
Impairment loss	58	18
Finance income and finance cost	63	845
Other non-operating income and expenses	3	(195)
Share of loss (profit) of investments accounted for using equity method	(202)	(186)
Decrease (increase) in inventories	(17,417)	11,397
Decrease (increase) in trade and other receivables	(18,544)	(61,825)
Increase (decrease) in trade, loans and other payables	21,570	59,068
Other, net	(8,103)	(5,294)
Subtotal	(3,369)	25,090
Interest and dividend income received	4	108
Interest expenses paid	(58)	(107)
Income taxes paid	(9,338)	(12,854)
Income taxes refunded	1,948	2,693
Net cash provided by (used in) operating activities	(10,812)	14,930
Cash provided by (used in) investing activities		
Payments into time deposits	(88)	(96)
Proceeds from withdrawal of time deposits	88	144
Purchase of property, plant and equipment	(4,013)	(4,563)
Proceeds from sales of property, plant and equipment	43	16
Purchase of intangible assets	(178)	(258)
Proceeds from sales of shares of subsidiaries	162	–
Other, net	(509)	648
Net cash provided by (used in) investing activities	(4,495)	(4,109)
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	27,049	(18,600)
Proceeds from long-term loans payable	–	13,783
Repayment of long-term loans payable	(20,304)	–
Proceeds from sales of treasury stock	–	172
Purchase of treasury stock	(0)	(1,785)
Cash dividends paid	(5,896)	(7,070)
Other, net	(330)	(390)
Net cash provided by (used in) financing activities	516	(13,889)
Effect of exchange rate change on cash and cash equivalents	(402)	43
Net increase (decrease) in cash and cash equivalents	(15,193)	(3,025)
Cash and cash equivalents at beginning of period	22,908	10,023
Cash and cash equivalents at end of period	7,714	6,997

(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, 2021 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 are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2021.

The income tax for the nine months ended December 31, 2021 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, 2021.

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, 2020 (from April 1, 2020 to December 31, 2020)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustment	Consolidated
Revenue							
External revenue	105,581	14,452	120,033	–	120,033	–	120,033
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>105,581</u>	<u>14,452</u>	<u>120,033</u>	<u>–</u>	<u>120,033</u>	<u>–</u>	<u>120,033</u>
Operating profit by business segment	<u>16,214</u>	<u>2,837</u>	<u>19,051</u>	<u>202</u>	<u>19,253</u>	<u>(2,005)</u>	<u>17,248</u>
Finance income							155
Finance costs							(67)
Other non-operating expenses							(3)
Profit before tax							<u>17,332</u>

(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, 2021 (from April 1, 2021 to December 31, 2021)

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