

Consolidated Financial Results for the Second Quarter Ended September 30, 2021

Asahi Holdings, Inc. [IFRS]

October 27, 2021

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:	November 12, 2021
Start of dividend payment:	November 19, 2021
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, 2021 (From April 1, 2021 to September 30, 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 six months ended 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
September 30, 2020	79,126	29.7	11,828	70.5	11,876	76.1	8,233	82.7	8,233	82.7	6,548	84.1

	Basic earnings per share	Diluted earnings per share
The six months ended September 30, 2021	Yen 122.62	Yen 110.14
September 30, 2020	104.62	103.91

(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	%
September 30, 2021	255,844	108,130	108,130	42.3
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 forecast amount for the year ending March 31, 2022 is the figure 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 September 30, 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 September 30, 2021	1,065,374 shares
As of March 31, 2021	1,011,774 shares

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

Six months ended September 30, 2021	78,723,561 shares
Six months ended September 30, 2020	78,697,271 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 Six Months Ended September 30, 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 Six Months Ended September 30, 2021	6
(3) Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 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 was in a difficult situation during the six months ended September 30, 2021 mainly as a result of the resurgence of the novel coronavirus disease (COVID-19) with declarations of states of emergency leading to restrictions being placed on socio-economic activities. Although some parts of the Japanese economy are showing signs of a recovery due to the effects of various government measures and improvements in overseas economies, the situation continues to be uncertain. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

In precious metals recycling business in Japan, South Korea and Malaysia, revenue and operating profit increased from the same period of the previous year thanks to the rise in precious metal prices and increased sales volume of precious metals. Also, in precious metals refining business in North America, revenue declined and operating profit rose from the same period a year before due to increases in refining transaction volume and product processing and sales despite a decrease in financial transactions such as arbitrage transactions. As a result, revenue and operating profit in this segment increased from the same period of the previous year.

Environmental Preservation business

The disposal volume of industrial waste for the Group increased together with the recovery in industrial production activities in Japan, and the Group increased the price of processing. However, owing to the removal of INTER CENTRAL, INC. from the scope of consolidation at the end of the previous fiscal year, and the increase in depreciation and other costs associated with the operations of a new incinerator, revenue and operating profit in this segment decreased from the same period of the previous year.

As a result of the above, revenue during the six months ended September 30, 2021 was 96,861 million yen, a year-on-year increase of 17,735 million yen (+22.4 percent). Operating profit was 13,698 million yen, a year-on-year increase of 1,870 million yen (+15.8 percent). Profit before tax was 13,642 million yen, a year-on-year increase of 1,766 million yen (+14.9 percent). Profit was 9,653 million yen, a year-on-year increase of 1,420 million yen (+17.3 percent). Profit attributable to owners of parent for the period was therefore 9,653 million yen, an increase of 1,420 million yen (+17.3 percent) year-on-year. By segment, revenue in the Precious Metals business was 88,221 million yen, a year-on-year increase of 18,201 million yen (+26.0 percent). In the Environmental Preservation business, revenue was 8,639 million yen, a year-on-year decrease of 466 million yen (-5.1 percent).

(2) Consolidated Financial Position and Cash Flows for the Six Months Ended September 30, 2021

As of September 30, 2021, total assets amounted to 255,844 million yen, up 11,041 million yen from the previous fiscal year end. This was due mainly to a decrease of 4,803 million yen in inventories, a decrease of 2,833 million yen in income tax receivables, a decrease of 3,777 million yen in deferred tax assets, an increase of 13,568 million yen in trade and other receivables, an increase of 5,913 million yen in other financial assets and an increase of 1,493 million yen in property, plant and equipment.

Total liabilities amounted to 147,714 million yen, up 814 million yen from the previous fiscal year end. This was due mainly to a decrease of 2,451 million yen in income tax payable, a decrease of 1,187 million yen in other current liabilities, an increase of 1,053 million yen in trade and other payables and an increase of 4,823 million yen in bonds and loans payable.

Total equity amounted to 108,130 million yen, up 10,226 million yen from the previous fiscal year end. This was due mainly to an increase of 14,627 million yen in comprehensive income and a decrease of 3,541 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 42.3%, from 40.0% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 6,001 million yen due mainly to 13,642 million yen of profit before tax, 1,306 million yen of depreciation and amortization, 4,609 million yen of decrease in inventories, 14,199 million yen of increase in trade and other receivables, 5,431 million yen of increase in trade, loans and other payables, 7,355 million yen of income taxes paid and 2,693 million yen of income taxes refunded.

Net cash used in investing activities amounted to 2,804 million yen due mainly to 3,366 million yen of purchase of property, plant and equipment.

Net cash used in financial activities amounted to 4,762 million yen due mainly to 548 million yen of net increase in long- and short-term loans payable, 1,785 million yen of purchase of treasury stock and 3,539 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2021 decreased 881 million yen from March 31, 2021, to 9,141 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 September 30, 2021
	Millions of yen	Millions of yen
ASSETS		
Current assets		
Cash and cash equivalents	10,023	9,141
Trade and other receivables	100,775	114,344
Inventories	63,515	58,712
Income tax receivables	2,833	-
Other financial assets	2,169	8,082
Other current assets	12,644	13,801
Total current assets	191,961	204,083
Non-current assets		
Property, plant and equipment	37,904	39,398
Goodwill	1,040	1,040
Intangible assets	697	668
Investments accounted for using equity method	3,544	3,526
Deferred tax assets	8,392	4,614
Net defined benefit asset	165	217
Financial assets	1,051	1,103
Other non-current assets	44	1,191
Total non-current assets	52,841	51,761
Total assets	244,803	255,844

	As of March 31, 2021	As of September 30, 2021
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	26,465	27,519
Loans payable	79,337	70,869
Income tax payable	5,914	3,463
Other financial liabilities	1,247	345
Provisions	1,601	1,214
Other current liabilities	5,002	3,814
Total current liabilities	119,568	107,226
Non-current liabilities		
Bonds and loans payable	25,501	38,792
Deferred tax liabilities	968	658
Net defined benefit liability	106	92
Other financial liabilities	754	943
Total non-current liabilities	27,331	40,487
Total liabilities	146,899	147,714
Equity		
Capital stock	7,790	7,790
Capital surplus	11,952	11,955
Treasury stock	(957)	(1,819)
Retained earnings	80,604	86,755
Other components of equity	(1,486)	3,447
Total equity attributable to owners of parent	97,903	108,130
Total equity	97,903	108,130
Total liabilities and equity	244,803	255,844

(2) Condensed Consolidated Statements of Income for the Six Months Ended September 30, 2021

	The six months ended September 30, 2020	The six months ended September 30, 2021
	Millions of yen	Millions of yen
Revenue	79,126	96,861
Cost of sales	(64,104)	(79,085)
Gross profit	15,021	17,775
Selling, general and administrative expenses	(3,271)	(4,009)
Other operating income	57	46
Other operating expenses	(95)	(189)
Share of profit (loss) of investments accounted for using equity method	116	74
Operating profit	11,828	13,698
Finance income	98	112
Finance costs	(46)	(379)
Other non-operating income	–	210
Other non-operating expenses	(3)	–
Profit before tax	11,876	13,642
Income tax expenses	(3,643)	(3,988)
Profit	<u>8,233</u>	<u>9,653</u>
Profit attributable to:		
Owners of parent	8,233	9,653
Non-controlling interests	–	–
Profit	<u>8,233</u>	<u>9,653</u>
Earnings per share		
Basic earnings per share (Yen)	104.62	122.62
Diluted earnings per share (Yen)	103.91	110.14

(3) Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2021

	The six months ended September 30, 2020	The six months ended September 30, 2021
	Millions of yen	Millions of yen
Profit	8,233	9,653
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	(126)	39
Share of other comprehensive income of investments accounted for using equity method	2	(2)
Total items that will not be reclassified to profit or loss	(122)	36
Items that may be reclassified to profit or loss		
Cash flow hedges	(1,694)	4,921
Translation adjustments of foreign operations	132	16
Total items that may be reclassified to profit or loss	(1,562)	4,937
Other comprehensive income, net of tax	(1,684)	4,973
Comprehensive income	<u>6,548</u>	<u>14,627</u>
Comprehensive income attributable to:		
Owners of parent	6,548	14,627
Non-controlling interests	—	—
Comprehensive income	<u>6,548</u>	<u>14,627</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, 2020	7,790	10,755	(956)	60,797	(4,198)	(5,008)
Profit	–	–	–	8,233	–	–
Other comprehensive income	–	–	–	–	132	(1,694)
Total comprehensive income	–	–	–	8,233	132	(1,694)
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(2,754)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(126)	–	–
Share-based payment transactions	–	103	–	–	–	–
Total transactions with owners	–	103	(0)	(2,880)	–	–
Balance at September 30, 2020	7,790	10,858	(956)	66,149	(4,066)	(6,702)

(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	–	–	–	8,233	8,233
Other comprehensive income	3	(126)	(1,684)	(1,684)	(1,684)
Total comprehensive income	3	(126)	(1,684)	6,548	6,548
Purchase of treasury stock	–	–	–	(0)	(0)
Dividends	–	–	–	(2,754)	(2,754)
Reclassified from other components of equity to retained earnings	–	126	126	–	–
Share-based payment transactions	–	–	–	103	103
Total transactions with owners	–	126	126	(2,651)	(2,651)
Balance at September 30, 2020	(1)	–	(10,770)	73,071	73,071

(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	–	–	–	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

(5) Condensed Consolidated Statements of Cash Flows

	The six months ended September 30, 2020	The six months ended September 30, 2021
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	11,876	13,642
Depreciation and amortization	1,221	1,306
Impairment loss	64	18
Finance income and finance cost	42	485
Other non-operating income and expenses	3	(210)
Share of loss (profit) of investments accounted for using equity method	(116)	(74)
Decrease (increase) in inventories	(9,748)	4,609
Decrease (increase) in trade and other receivables	(9,950)	(14,199)
Increase (decrease) in trade, loans and other payables	10,593	5,431
Other, net	(2,992)	(425)
Subtotal	995	10,583
Interest and dividend income received	4	101
Interest expenses paid	(41)	(21)
Income taxes paid	(6,513)	(7,355)
Income taxes refunded	1,948	2,693
Net cash provided by (used in) operating activities	(3,607)	6,001
Cash provided by (used in) investing activities		
Payments into time deposits	(88)	(96)
Proceeds from withdrawal of time deposits	88	145
Purchase of property, plant and equipment	(1,280)	(3,366)
Proceeds from sales of property, plant and equipment	15	14
Purchase of intangible assets	(130)	(188)
Proceeds from sales of shares of subsidiaries	162	–
Other, net	(122)	687
Net cash provided by (used in) investing activities	(1,356)	(2,804)
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,853	(12,235)
Proceeds from long-term loans payable	–	12,783
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	(2,754)	(3,539)
Other, net	(220)	(159)
Net cash provided by (used in) financing activities	(13,427)	(4,762)
Effect of exchange rate change on cash and cash equivalents	(225)	683
Net increase (decrease) in cash and cash equivalents	(18,615)	(881)
Cash and cash equivalents at beginning of period	22,908	10,023
Cash and cash equivalents at end of period	4,292	9,141

(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, 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 under the Designated International Accounting Standards, as prescribed in Article 1-2 of the Ordinance on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance 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 six months ended September 30, 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 reporting 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 of 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 such as 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 reportable segment of the Group are as follows.

For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

	Reporting segment				Total	Adjustment	Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other			
Revenue							
External revenue	70,019	9,106	79,126	–	79,126	–	79,126
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>70,019</u>	<u>9,106</u>	<u>79,126</u>	<u>–</u>	<u>79,126</u>	<u>–</u>	<u>79,126</u>
Operating profit by business segment	<u>11,357</u>	<u>1,702</u>	<u>13,059</u>	<u>116</u>	<u>13,176</u>	<u>(1,347)</u>	<u>11,828</u>
Finance income							98
Finance costs							(46)
Other non-operating expenses							(3)
Profit before tax							<u>11,876</u>

(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, 2021 (from April 1, 2021 to September 30, 2021)

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