

Consolidated Financial Results for the Second Quarter Ended September 30, 2023

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

October 26, 2023

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 13, 2023
Start of dividend payment:	November 17, 2023
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, 2023 (From April 1, 2023 to September 30, 2023)

(1) Results of operations (cumulative) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
The six months ended September 30, 2023	151,896	14.5	6,981	(39.3)	7,193	(29.8)	5,259	(27.9)	5,259	(27.9)	15,670	48.9
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)

	Basic earnings per share	Diluted earnings per share
The six months ended September 30, 2023	Yen 68.62	Yen 62.56
September 30, 2022	93.30	84.63

(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, 2023	392,324	119,309	119,309	30.4
March 31, 2023	287,448	106,957	106,957	37.2

2. Dividend payments

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

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

3. Forecast (From April 1, 2023 to March 31, 2024) (Percentage: Changes relative to corresponding previous period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	290,000	(0.8)	19,000	(1.4)	18,500	15.2	13,200	20.8	172.23

(Note) Revisions in forecast in the current quarter: 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, 2023	79,708,688 shares
As of March 31, 2023	79,708,688 shares

(ii) Number of treasury stock at the quarter end

As of September 30, 2023	3,065,553 shares
As of March 31, 2023	3,065,458 shares

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

Six months ended September 30, 2023	76,643,173 shares
Six months ended September 30, 2022	78,173,306 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】

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, 2023	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, 2023	6
(3) Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2023	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. Material accounting policies	11
4. Significant accounting estimates and associated judgements	11
5. Segment information	11
6. Subsequent events	13

1. Qualitative Information

(1) Consolidated Business Performance

The Japanese economy had shown signs of a mild recovery during the six months ended September 30, 2023, but monetary tightening mainly in the US and Europe, changes in the Chinese economy, and other factors have led to an uncertain outlook for the business environment. Under these conditions, the Group's results in each business segment were as follows.

Precious Metals business

Revenue increased from the same period of the previous fiscal year due to the higher sales volume of gold in the precious metals recycling business and higher income from the precious metals refining business in North America. On the other hand, such factors as the continuing decline in prices of rhodium and palladium, and the impact of inventory adjustments at electronics and catalyst customers resulted in operating profit decreasing from the same period of the previous fiscal year.

Environmental Preservation business

The volume of industrial waste handled and utilization rates at treatment facilities were steady, but the lower price of processing for medical waste that resulted from the change in status of the novel coronavirus disease (COVID-19) under the Infectious Diseases Control Law, the suspension of existing businesses during the construction of a new incinerator at the Yokohama Plant, and other factors resulted in declines in both revenue and operating profit compared to the same period of the previous fiscal year.

As a result of the above, revenue during the six months ended September 30, 2023 was 151,896 million yen, a year-on-year increase of 19,243 million yen (+14.5 percent). Operating profit was 6,981 million yen, a year-on-year decrease of 4,511 million yen (-39.3 percent). Profit before tax was 7,193 million yen, a year-on-year decrease of 3,047 million yen (-29.8 percent). Profit was 5,259 million yen, a year-on-year decrease of 2,033 million yen (-27.9 percent). Profit attributable to owners of parent for the period was therefore 5,259 million yen, a year-on-year decrease of 2,033 million yen (-27.9 percent). By segment, revenue in the Precious Metals business was 143,930 million yen, a year-on-year increase of 20,035 million yen (+16.2 percent). In the Environmental Preservation business, revenue was 8,001 million yen, a year-on-year decrease of 756 million yen (-8.6 percent).

(2) Consolidated Financial Position and Cash Flows for the Six Months Ended September 30, 2023

As of September 30, 2023, total assets amounted to 392,324 million yen, up 104,876 million yen from the previous fiscal year end. This was mainly due to an increase of 5,815 million yen in cash and cash equivalents, an increase of 80,204 million yen in trade and other receivables and an increase of 19,699 million yen in other (current) financial assets and (non-current) financial assets.

Total liabilities amounted to 273,015 million yen, up 92,523 million yen from the previous fiscal year end. This was due mainly to an increase of 85,275 million yen in bonds and loans payable.

Total equity amounted to 119,309 million yen, up 12,352 million yen from the previous fiscal year end. This was due mainly to an increase of 15,670 million yen in comprehensive income and a decrease of 3,448 million yen used for dividends.

As a result, the equity attributable to owners of parent ratio changed to 30.4%, from 37.2% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 10,431 million yen due mainly to 7,193 million yen of profit before tax, 1,787 million yen of depreciation and amortization, 5,283 million yen of decrease in inventories, 60,901 million yen of increase in trade and other receivables, 53,778 million yen of increase in trade, loans and other payables, 1,874 million yen of income taxes paid and 2,134 million yen of income taxes refunded.

Net cash used in investing activities amounted to 13,209 million yen due mainly to 2,791 million yen of proceeds from withdrawal of time deposits, 1,895 million yen of purchase of property, plant and equipment, 401 million yen of purchase of intangible assets and 13,547 million yen of payments for loans receivable.

Net cash provided by financial activities amounted to 10,434 million yen due mainly to 14,052 million yen of proceeds from long-term loans payable and 3,447 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2023 increased 5,815 million yen from March 31, 2023, to 23,767 million yen.

(3) Consolidated Performance Forecasts

The consolidated financial forecast for the year ending March 31, 2024, as announced on April 27, 2023, 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, 2023 and Revision to Financial Forecast for the Year Ending March 31, 2024” released today (October 26, 2023).

Revisions of the consolidated financial forecast for the year ending March 31, 2024
(April 1, 2023 to March 31, 2024)

	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)	250,000	19,000	18,500	13,200	172.23
Revised forecast (B)	290,000	19,000	18,500	13,200	172.23
Change (B-A)	40,000	–	–	–	–
Change (%)	16.0	–	–	–	–
(Ref.) Results for the previous FY (FY ended March 31, 2023)	292,449	19,263	16,052	10,929	141.19

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	As of March 31, 2023	As of September 30, 2023
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	17,952	23,767
Trade and other receivables	154,046	234,250
Inventories	40,854	35,585
Income tax receivables	1,345	34
Other financial assets	3,609	19,702
Other current assets	20,567	24,729
Total current assets	238,374	338,071
Non-current assets		
Property, plant and equipment	42,553	44,624
Goodwill	1,003	1,003
Intangible assets	1,255	1,493
Deferred tax assets	3,498	2,718
Net defined benefit asset	263	309
Financial assets	429	4,034
Other non-current assets	69	69
Total non-current assets	49,073	54,253
Total assets	287,448	392,324

	As of March 31, 2023	As of September 30, 2023
	Millions of yen	Millions of yen
<u>LIABILITIES and EQUITY</u>		
Liabilities		
Current liabilities		
Trade and other payables	26,024	27,627
Loans payable	91,494	157,388
Income tax payable	210	1,221
Other financial liabilities	3,740	6,353
Provisions	1,462	1,347
Other current liabilities	2,547	1,400
Total current liabilities	125,480	195,338
Non-current liabilities		
Bonds and loans payable	52,868	72,250
Deferred tax liabilities	275	2,836
Net defined benefit liability	107	121
Other financial liabilities	1,704	2,367
Other non-current liabilities	53	99
Total non-current liabilities	55,010	77,676
Total liabilities	180,491	273,015
Equity		
Capital stock	7,790	7,790
Capital surplus	12,103	12,235
Treasury stock	(5,925)	(5,925)
Retained earnings	96,319	98,149
Other components of equity	(3,330)	7,060
Total equity attributable to owners of parent	106,957	119,309
Total equity	106,957	119,309
Total liabilities and equity	287,448	392,324

(2) Condensed Consolidated Statements of Income for the Six Months Ended September 30, 2023

	The six months ended September 30, 2022	The six months ended September 30, 2023
	Millions of yen	Millions of yen
Revenue	132,653	151,896
Cost of sales	(116,521)	(140,413)
Gross profit	16,131	11,483
Selling, general and administrative expenses	(4,005)	(4,548)
Other operating income	68	123
Other operating expenses	(56)	(76)
Share of profit (loss) of investments accounted for using equity method	(644)	—
Operating profit	11,493	6,981
Finance income	965	1,111
Finance costs	(1,143)	(899)
Other non-operating income	425	—
Other non-operating expenses	(1,498)	—
Profit before tax	10,241	7,193
Income tax expenses	(2,947)	(1,933)
Profit	<u>7,293</u>	<u>5,259</u>
Profit attributable to:		
Owners of parent	7,293	5,259
Non-controlling interests	—	—
Profit	<u>7,293</u>	<u>5,259</u>
Earnings per share		
Basic earnings per share (Yen)	93.30	68.62
Diluted earnings per share (Yen)	84.63	62.56

(3) Condensed Consolidated Statements of Comprehensive Income for the Six Months Ended September 30, 2023

	The six months ended September 30, 2022	The six months ended September 30, 2023
	Millions of yen	Millions of yen
Profit	7,293	5,259
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(0)	—
Remeasurements of defined benefit plans	22	19
Share of other comprehensive income of investments accounted for using equity method	(0)	—
Total items that will not be reclassified to profit or loss	22	19
Items that may be reclassified to profit or loss		
Cash flow hedges	1,417	7,493
Translation adjustments of foreign operations	1,789	2,897
Total items that may be reclassified to profit or loss	3,207	10,390
Other comprehensive income, net of tax	3,230	10,410
Comprehensive income	10,523	15,670
Comprehensive income attributable to:		
Owners of parent	10,523	15,670
Non-controlling interests	—	—
Comprehensive income	10,523	15,670

(4) Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2022	7,790	11,955	(1,819)	92,353	(1,390)	(3,748)
Profit	–	–	–	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

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2023	7,790	12,103	(5,925)	96,319	(886)	(2,443)
Profit	–	–	–	5,259	–	–
Other comprehensive income	–	–	–	–	2,897	7,493
Total comprehensive income	–	–	–	5,259	2,897	7,493
Purchase of treasury stock	–	–	(0)	–	–	–
Dividends	–	–	–	(3,448)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	19	–	–
Share-based payment transactions	–	131	–	–	–	–
Total transactions with owners	–	131	(0)	(3,429)	–	–
Balance at September 30, 2023	7,790	12,235	(5,925)	98,149	2,010	5,049

(Millions of yen)

	Equity attributable to owners of parent			
	Other components of equity			
	Remeasurements of defined benefit plans	Total	Total	Total equity
Balance at April 1, 2023	–	(3,330)	106,957	106,957
Profit	–	–	5,259	5,259
Other comprehensive income	19	10,410	10,410	10,410
Total comprehensive income	19	10,410	15,670	15,670
Purchase of treasury stock	–	–	(0)	(0)
Dividends	–	–	(3,448)	(3,448)
Reclassified from other components of equity to retained earnings	(19)	(19)	–	–
Share-based payment transactions	–	–	131	131
Total transactions with owners	(19)	(19)	(3,317)	(3,317)
Balance at September 30, 2023	–	7,060	119,309	119,309

(5) Condensed Consolidated Statements of Cash Flows

	The six months ended September 30, 2022	The six months ended September 30, 2023
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	10,241	7,193
Depreciation and amortization	1,601	1,787
Impairment loss	0	-
Finance income and finance cost	2,684	2,019
Other non-operating income and expenses	(425)	-
Share of loss (profit) of investments accounted for using equity method	644	-
Decrease (increase) in inventories	(6,003)	5,283
Decrease (increase) in trade and other receivables	34,808	(60,901)
Increase (decrease) in trade, loans and other payables	(34,287)	53,778
Other, net	(4,849)	740
Subtotal	4,415	9,901
Interest and dividend income received	170	318
Interest expenses paid	(58)	(47)
Income taxes paid	(4,199)	(1,874)
Income taxes refunded	4,146	2,134
Net cash provided by (used in) operating activities	4,474	10,431
Cash provided by (used in) investing activities		
Payments into time deposits	(100)	(104)
Proceeds from withdrawal of time deposits	50	2,791
Purchase of property, plant and equipment	(2,202)	(1,895)
Proceeds from sales of property, plant and equipment	17	45
Purchase of intangible assets	(277)	(401)
Payments for loans receivable	-	(13,547)
Proceeds from sales of shares of subsidiaries and affiliated companies	1,371	-
Other, net	1,187	(97)
Net cash provided by (used in) investing activities	46	(13,209)
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,727	0
Proceeds from long-term loans payable	-	14,052
Purchase of treasury stock	(4,106)	(0)
Cash dividends paid	(3,543)	(3,447)
Other, net	(178)	(170)
Net cash provided by (used in) financing activities	(2,100)	10,434
Effect of exchange rate change on cash and cash equivalents	1,595	(1,840)
Net increase (decrease) in cash and cash equivalents	4,016	5,815
Cash and cash equivalents at beginning of period	6,127	17,952
Cash and cash equivalents at end of period	10,143	23,767

(6) Notes on Assumptions for Going Concern

Not applicable

(7) Notes on Condensed Consolidated Financial Statements

1. Reporting entity

ARE Holdings, Inc. (hereinafter the “Company”) is a company located in Japan. The Company’s condensed consolidated financial statements for the six months ended September 30, 2023 comprise the Company and its subsidiaries (hereinafter the “Group”).

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

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

2. Basis of preparation

(1) Statement of compliance with IFRS

The condensed consolidated financial statements of the Group have been prepared based on IAS 34 “Interim Financial Reporting.”

Having met the requirements for a Specified Company Complying with Designated International Accounting Standards, as prescribed in Article 1-2 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007), the Group adopts the provisions of Article 93 of the aforementioned rules.

(2) Functional currency and presentation currency

The condensed consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

3. Material accounting policies

The material accounting policies adopted for the condensed consolidated financial statements for the six months ended September 30, 2023 are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2023.

The income tax for the six months ended September 30, 2023 was calculated based on the estimated average annual effective tax rate.

4. Significant accounting estimates and associated judgements

In preparing condensed consolidated financial statements, the management is required to make judgement, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in accounting estimates is recognized in the accounting period in which such change occurs as well as the accounting periods to be affected in the future.

The judgement, estimates and assumptions made by the management that may have material impacts on the figures in the condensed consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2023.

5. Segment information

(1) Overview of reporting segments

The Group’s business segments are those Group constituent units for which separate financial information is obtainable, and which the Board of Directors subjects to regular examination in order to decide the allocation of management resources and evaluate business results.

As a pure holding company, the Company is in charge of overall strategic function for the Group, whereas operating companies of the Group engage in the precious and rare metals recycling business and the refining and processing business, industrial waste management and other environmental preservation business.

Therefore, the Group is composed of product and service segments based on business sectors. The two reporting segments are the Precious Metals business and the Environmental Preservation business.

Meanwhile, these reporting segments are not aggregated.

The Precious Metals business engages mainly in recycling and selling precious and rare metals such as gold, silver, palladium, and platinum from scrap containing precious metals, as well as refining and processing of precious metals centered on gold and silver.

The main work of the Environmental Preservation business is the collection, transport and intermediate processing of industrial waste.

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

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

Segment information for the six months ended September 30, 2022 is presented according to the new classification.

(2) Segment revenue and performance

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

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

For the 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>10,502</u>	<u>1,711</u>	<u>12,213</u>	<u>(720)</u>	<u>11,493</u>	<u>–</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>

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

	Reporting segment				(Millions of yen)		
	Precious Metals Business	Environmental Preservation Business	Subtotal	Other	Total	Adjustments	Consolidated
Revenue							
External revenue	143,930	7,952	151,883	13	151,896	–	151,896
Intersegment revenue	–	49	49	–	49	(49)	–
Total	<u>143,930</u>	<u>8,001</u>	<u>151,932</u>	<u>13</u>	<u>151,945</u>	<u>(49)</u>	<u>151,896</u>
Operating profit by business segment	<u>6,064</u>	<u>1,097</u>	<u>7,161</u>	<u>(179)</u>	<u>6,981</u>	<u>–</u>	<u>6,981</u>
Finance income							1,111
Finance costs							<u>(899)</u>
Profit before tax							<u>7,193</u>

6. Subsequent events

Not applicable