

Asahi Holdings, Inc.

Financial Results for Q1 FY2023.3

July 28, 2022

These forecast performance figures are based on information currently available to the company's management and certain assumptions judged rationally. Accordingly, there might be cases in which actual results materially differ from forecasts of this report.



I. **Financial Results for Q1 FY2023.3**

(April 1, 2022 ~ June 30, 2022)

II. **Appendix**

01 Consolidated Results

Unit : billion yen

	Q1 FY2022.3	Q1 FY2023.3		FY2023.3	
	Result	Result	YoY Change	Forecast	YoY Change
Revenue	50.4	59.7	9.3	200.0	7.6
Operating profit	6.9	5.7	(1.2)	24.0	(2.4)
Ratio	13.7%	9.5%	(4.2%)	12.0%	(1.7%)
Profit before tax	6.8	6.1	(0.7)	23.5	(2.9)
Profit ^{*1}	4.8	4.3	(0.6)	16.0	(2.7)
Capex	2.1	1.3	(0.9)	6.5	(1.8)
Depreciation	0.7	0.8	0.1	3.0	0.3

※1 ※Profit attributable to owners of parent

Precious Metals Business

In the precious metals recycling sector in Japan and Asia, the volume of collection from jewelry and electronics field increased while the volume of collection from dentistry and catalyst decreased.

In refining business in North America, the volume of product processing and sales increased.

Business field	Business Environment
Dentistry	Decreasing trend in collection volume due to the penetration of alternative products caused by soaring prices of precious metals
Jewelry	Purchase demand expanded in line with soaring precious metals prices, and collection volume from buyers increased significantly.
Catalyst	The volume of collection decreased both in Japan and overseas due to the decrease in the number of automobiles sold.
Electronics sector	Although some electronics units were influenced by reduction in production caused by Shanghai Lock down, the volume of collection increased by demand expansion for industrial use.
North American refining	The volume of product processing and sales increased.

Environmental Preservation Business

The volume of collection from educational institutions, medical, construction and chemical industries increased, but food service industries remained sluggish. The volume of collection from the Automobile decreased by the semiconductor shortage

Industry	Business Environment
Educational/Research institution	The amount of collection in education industry increased.
Construction	The number of housing starts was on a recovery and the volume of industrial waste generated is increasing.
Automobile	The volume of industrial waste decreased due to decline in plant usage caused by semiconductor shortage.
Food	The decline of demand in the food service industry continued, leading to a decrease in the volume of waste.
Medical	The volume of medical wastes collection and incineration increased due to the increase in accommodations for infected patient.
Chemical	The volume of collection of disinfectant-related products increased.

Precious Metals Recycling Business (Japan and Asia)

Q1 FY2023.3 Result

Although precious metals sales was strong, expenditure related to the launch of new plant in Bando, etc. increased.

→ Increase in revenue and decrease in profit

Refining Business in North America

Q1 FY2023.3 Result

The volume of product processing and sales increased.

→ Increase in both revenue and profit

[Unit: ¥ billion]

Precious Metals	Q1 FY2022.3		Q1 FY2023.3		FY2023.3	
	Results		Results	YoY Change	Forecast	YoY Change
Revenue	46.3		55.3	9.0	181.0	7.1
Operating Profit	7.2		5.6	(1.6)	24.0	(2.6)
Ratio	15.5%		10.0%	(5.5%)	13.3%	(2.0%)

04 Ref: Volume of Precious Metals Collected

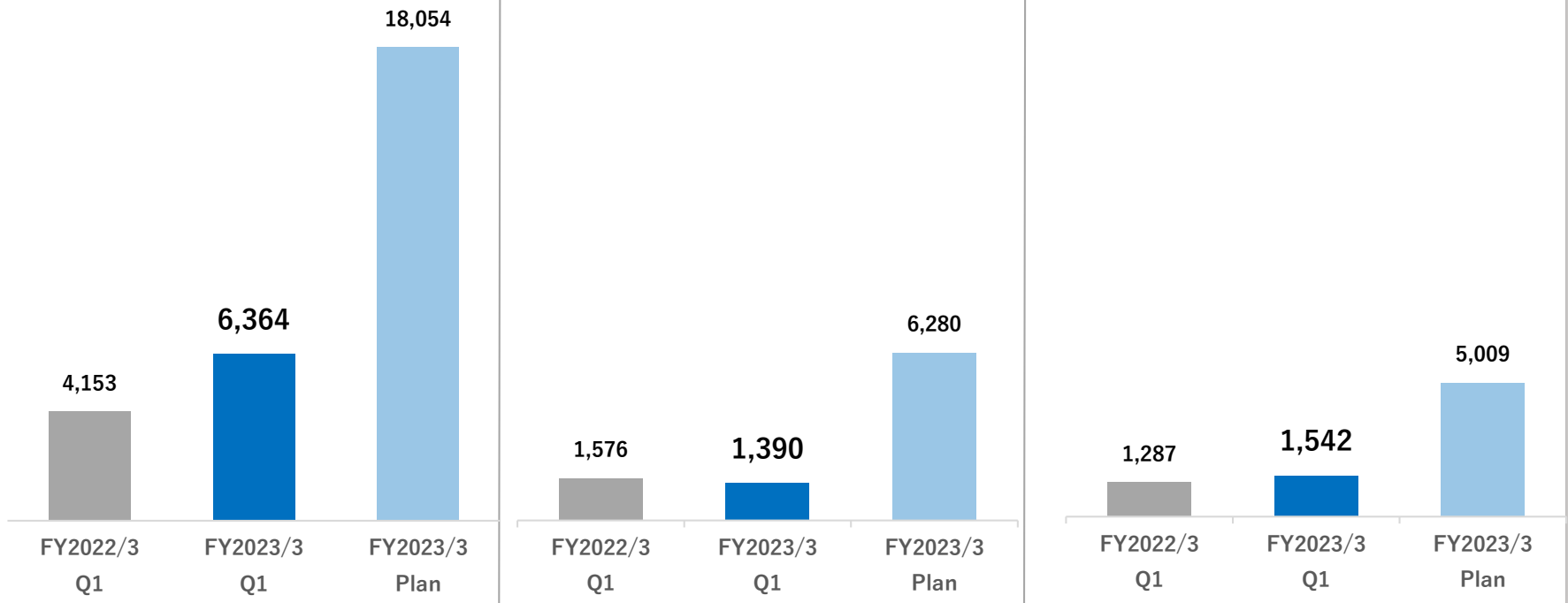
- ✓ The volume of gold collected increased mainly from jewelry business
- ✓ The volume of palladium collected decreased due to the penetration of alternative dental products caused by the soaring prices of precious metals and the decrease in new car production

Au

Pd

Pt

Unit : kg



Environmental Preservation

■ Positive impact

Thanks to the recovery of industrial production activities, the disposal volume of industrial waste is gradually increasing.

■ Negative impact

JW Glass Recycling Co., Ltd. was removed from the scope of consolidation, etc.

→ Increase in both revenue and profit

(Unit :¥ billion)

Environmental Preservation	Q1 FY2022.3		Q1 FY2023.3		FY2023.3	
	Results		Results	YoY Change	Forecast	YoY Change
Revenue	4.2		4.4	0.3	19.0	0.4
Operating profit	0.7		0.9	0.3	3.5	(0.2)
Ratio	16.0%		21.0%	5.1%	18.4%	(1.7%)

[Unit: ¥ billion]

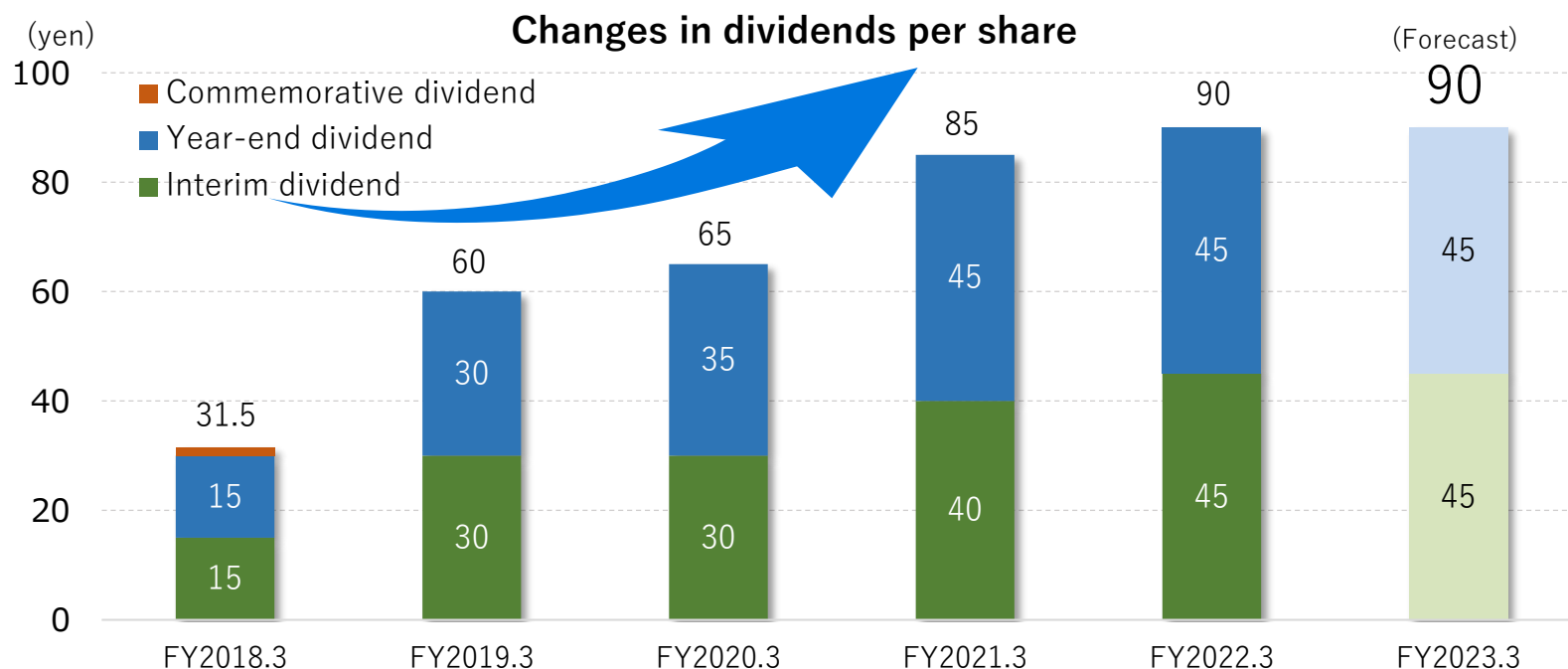
	Mar 31, 2022	June 30, 2022	Change	Remarks
Current Assets	241.8	232.3	(9.5)	
Trade receivables	151.4	125.4	(26.1)	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	63.4	70.8	7.4	The greater part of the balance and change are collected raw materials that contain precious materials, works-in-progress and finished products in the precious recycling business. Risks associated with price fluctuations and quality degradation remain minimal because raw materials are purchased after the precious metal content is analyzed and the precious metal prices are hedged on the futures market at the time of the purchase.
Others	26.9	36.1	9.2	
Non-current assets	56.6	54.8	(1.8)	
Total Assets	298.4	287.1	(11.3)	
Liabilities	193.3	176.4	(16.8)	
Bonds and loans	150.9	142.9	(8.0)	The greater part of the balance is changes in loans for Advance Trading in North American business. Risks associated with price fluctuations and bad debts remain minimal because procurement of metals for Advance Trading by loans is taken out within the scope of the precious metal content analysis conducted on incoming raw materials and precious metal prices are hedged on the futures market at the time of the repayment.
Others	42.3	33.5	(8.8)	
Capitals	105.1	110.6	5.5	
Total equity and liabilities	298.4	287.1	(11.3)	

[Unit: ¥ billion]

	Q1 FY2023.3	Remarks
Operating CF	(1.4)	
Changes in inventories	(7.4)	The greater part of the changes is the collected raw materials that contain precious materials, works-in-progress and finished products in precious metal recycling business. Risks associated with price fluctuations and quality degradation remain minimal because raw materials are purchased after the precious metal content is analyzed and the precious metal prices are hedged on the futures market at the time of the purchase.
Changes in trade and other receivables	36.2	Of the changes, (34.7) billion yen are matching claims for loans for Advance Trading in North American business. Risks associated with price fluctuations and bad debts remain minimal because procurement of metals for Advance Trading by loans is taken out within the scope of the precious metal content analysis conducted on incoming raw materials and precious metal prices are hedged on the futures market at the time of the repayment.
Changes in trade and other payables	(30.4)	Of the changes, (31.5) billion yen are for loans for Advance Trading in North American business. Changes in loans for Advance Trading in North American business is classified as changes in trade receivables in Operating CF, not Financing CF. There are no risks associated with quality degradation and bad debts because all loans are used for metal procurement for Advance Trading. In addition, risks associated with price fluctuations remains minimal because the precious metal prices are hedged on the futures market.
Others	0.2	
Investment CF	0.7	
Financing CF	4.2	
Changes in loans and bonds	7.8	
Dividends	(3.5)	
Others	(0.1)	
Effect of exchange rate change on cash and cash equivalents	(0)	
Changes in cash deposits	3.4	

Basic Policy:

We will strive to consistently pay dividends without decreasing the annual dividend level from the current level. Moreover, we aim to maintain a dividend payout ratio of 40%, while retaining sufficient internal reserves for capital investment and M&A for future growth.



Earnings per share (yen)	FY2018.3	FY2019.3	FY2020.3	FY2021.3	FY2022.3	FY2023.3
	135.39	114.07	125.12	326.90	231.27	203.45
Dividend payout ratio (%)						
	23.3	52.6	52.0	26.0	38.9	44.2

* The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. The figures before and including FY2020 are converted to the figures reflecting the stock split.



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(April 1, 2022 ~ June 30, 2022)

II. **Appendix**

Precious Metals Recycling Business

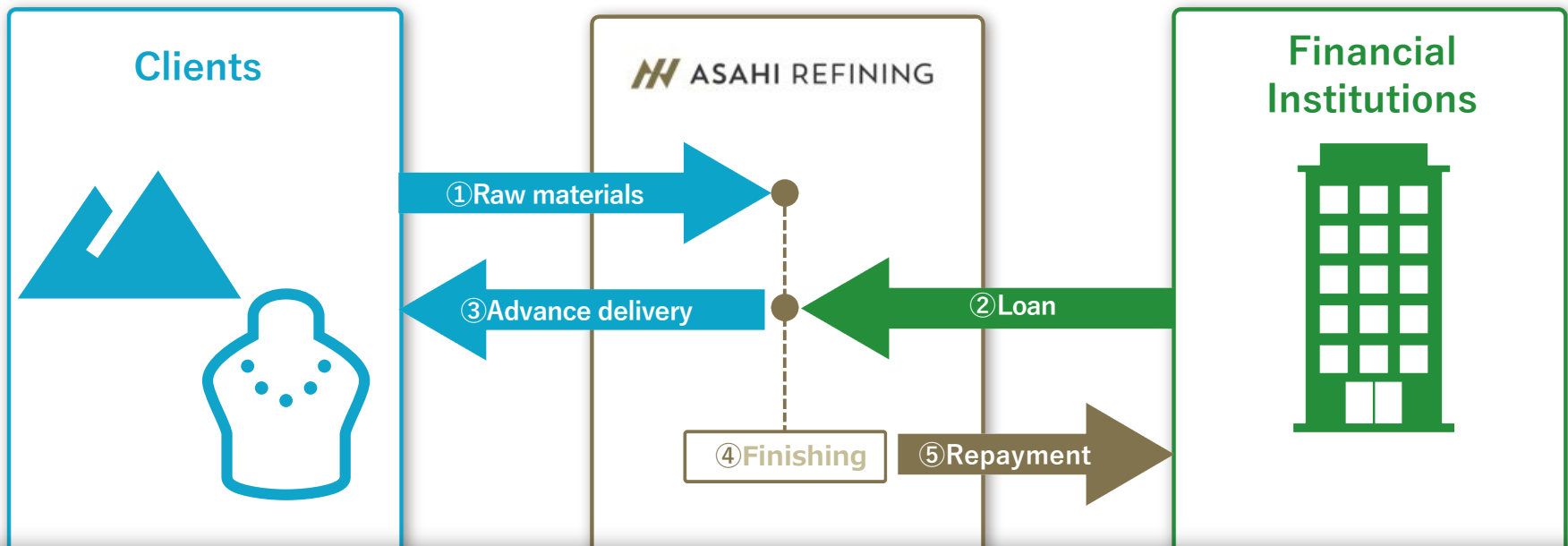
Income from yield differential is added to refining fees, which is a stable source of fixed income.

Refining Business in North America

Refining fees are a stable source of income. In financial revenue, earning opportunities increase in line with the growth in incoming raw materials.

Segment	Category	Impact on revenue
Precious Metals Recycling	Refining fees	<ul style="list-style-type: none"> ■ Refining fees increase in line with the expansion of the amount collected. ■ The unit price for refining fees is higher for those that require difficult pre-processing, which means the average unit price rises when the proportion of items that require difficult processing is higher.
	Yield differential (differential between actual yield and contracted yield = free metal)	<ul style="list-style-type: none"> ■ The volume of free metal expands when the actual yield climbs on account of improvements in technical capabilities and processes. ■ Income from free metal increases in line with a hike in prices.
Refining in North America	Refining fees	<ul style="list-style-type: none"> ■ The amount of fees expands when the volume of incoming raw materials (dore) increases. ■ The unit fee cost does not change over short term because contracts are long-term.
	Yield differential (differential between actual yield and contracted yield = free metal)	<ul style="list-style-type: none"> ■ The volume of free metal expands when the actual yield climbs on account of improvements in technical capabilities and processes. ■ Income from free metal increases in line with a hike in prices.
	Financial revenue	<ul style="list-style-type: none"> ■ Income opportunities for financial transactions increase when a larger amount of raw materials is received. ■ Income increases when the interest rate for advanced delivery is improved in contracts with mines. ■ Income increases when the period of advanced delivery is extended. ■ Financial revenue increases when metal procurement costs fall, and the interest rate spread expands.

- ✓ Provide “Advance Trading” to return products by shortening the delivery time from the arrival of raw materials to the return of products.
- ✓ Will receive "interest for the number of days delivered in advance" from the clients by accepting the delivery before the contract delivery date.
- ✓ There is no risk of bad debt since advance delivery is performed after receiving raw materials from the client.



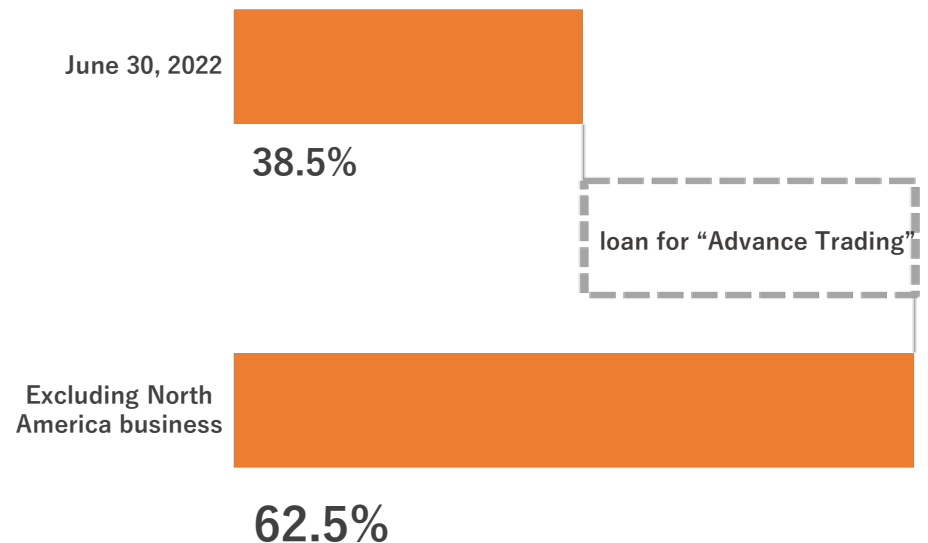
Development of new finance services such as structured finance

Financial Position

[Unit: ¥ billion]

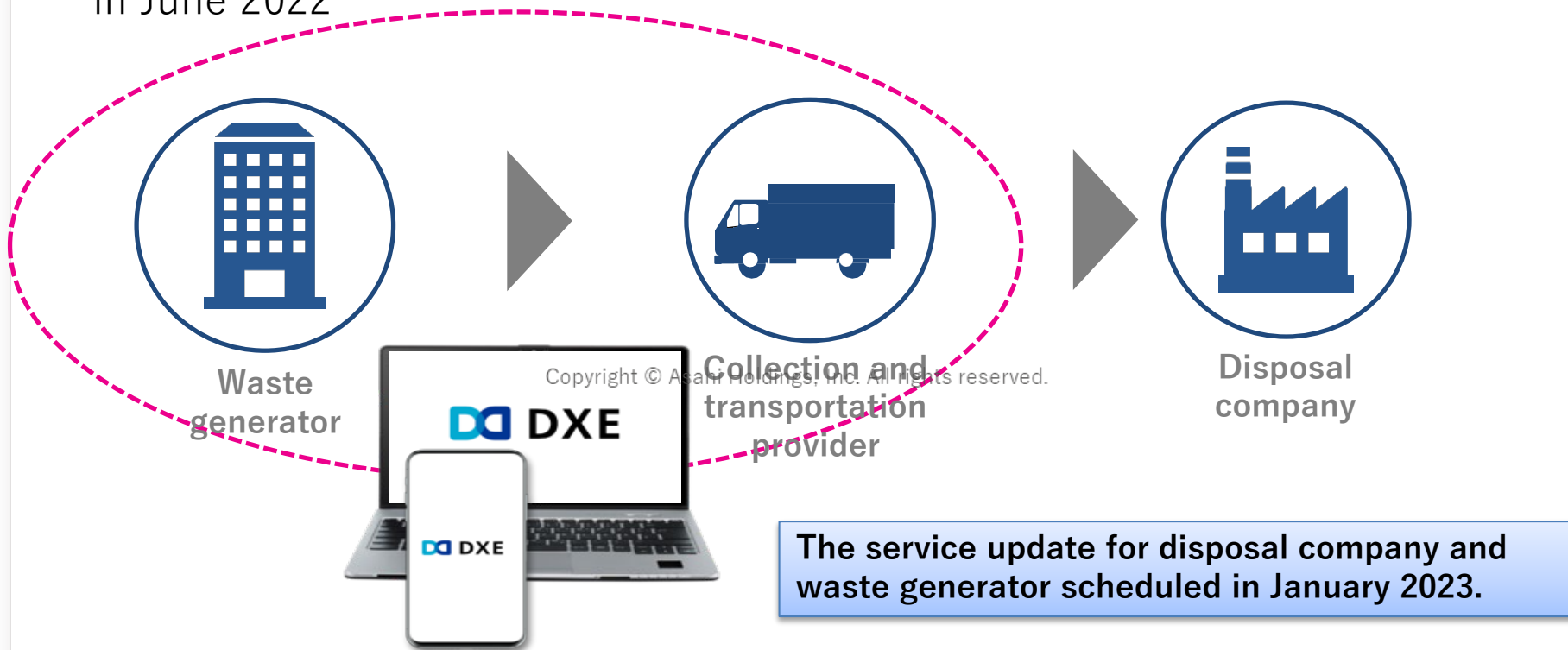
	June 30, 2022	Excluding North America business
Current Assets	232.3	122.3
Non-current assets	54.8	54.8
Total Assets	287.1	177.1
Liabilities	176.4	66.5
Capitals	110.6	110.6
Total equity and liabilities	287.1	177.1

Equity Ratio



- ✓ Enabling large-scale funding for the finance services with low interest.
- ✓ To expand our business, refining and finance is indivisible.
- ✓ In general, rising interest will not affect the profitability of the North American business.

- ✓ Launched SaaS services that digitalize flow of industrial waste management in June 2022



✓ Service examples



Investment purposes: Business expansion, margin improvement
 Total amount of investment in Mid-term business plan: ¥22.7billion



Bando Plant

- ✓ Largest state-of-the-art precious metals recycling plant in Asia



North American Refining Business

- ✓ Launching warehouse business & strengthening existing equipment



New incinerator in Yokohama

- ✓ Large incinerator in eastern Japan

Unit: ¥billion

	FY2022/3		FY2023/3		Remark
	Mid-term plan	Result	Mid-term plan	Forecast	
Precious Metals	6.3	7.7	3.2	5.8	—
Domestic	4.7	4.0	1.9	2.2	Approx. ¥300 million as an investment in building a hydrogen supply chain
Overseas	1.6	3.6	1.3	3.6	Delay in facility to be completed in FY2022.3 and additional investment
Environmental Preservation	0.8	0.7	2.2	0.7	Partial review of investment plan by reviewing process
Total	7.1	8.3	5.4	6.5	No change in total investment for 3 years

✓ **The largest state-of-the-art precious metals recycling plant in Asia**

- Consolidating processes from raw material collection to finishing
- Improving production efficiency over the long term by introducing cutting-edge IoT technology.
- Excellent industrial production area from the viewpoint of BCM (Business Continuity Management).
- Certified as top tier and “ZEB Ready” by Building-Housing Energy-efficiency Labeling System of Japan's Ministry of the Environment.



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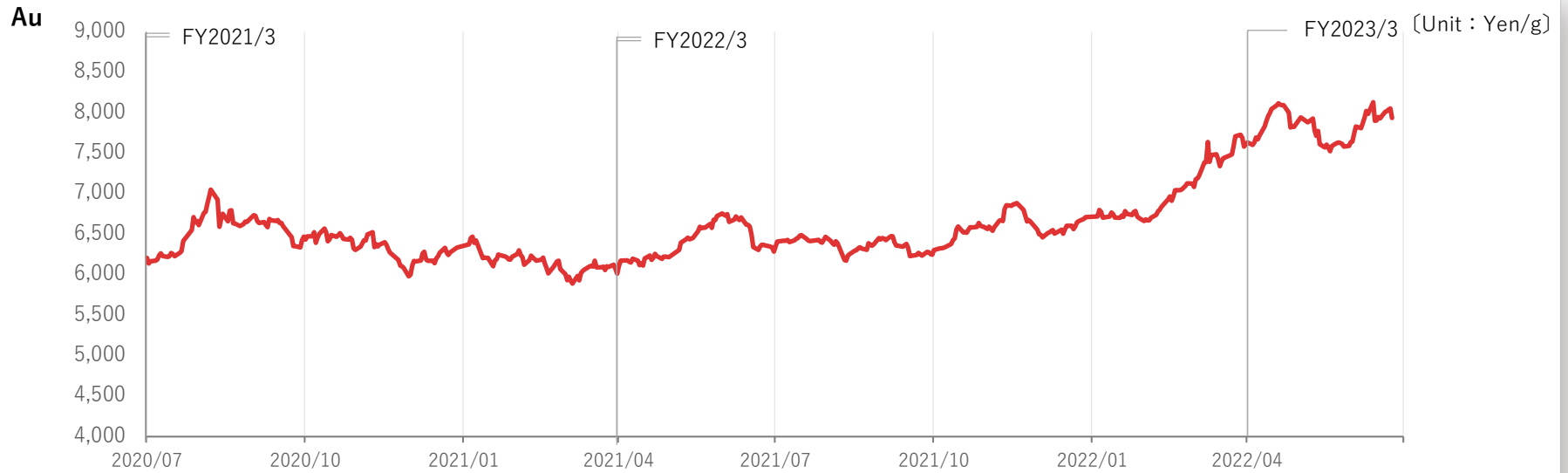
Ref: Bando City Resilience Plan

In the "Bando City Resilience Plan" created by Bando City, which learned from the lessons from the 2011 Great East Japan Earthquake. From the perspective of BCM and supply chain, posted with the goal of "Goal 5: Do not cause economic activities to malfunction."

<Source> <https://www.city.bando.lg.jp/page/page006456.html>
<https://www.mlit.go.jp/common/001031559.pdf>

- ✓ Reduced energy-derived CO₂ emissions in FY2021 by 27% compared to base year
- ✓ Reduced for Scope1: 90 thousand t , Scope2: 13 thousand t, Scope3: 137 thousand t
- ✓ The current status of responses based on TCFD recommendations is the following:

Recommended disclosures	Situation of efforts / Action policy
Governance	<ul style="list-style-type: none"> • Deliberating on climate change issues at the management level in the Sustainability Committee, which is chaired by CEO, and consists of directors from Business Unit, Technical Unit, and Administration Unit • Building a system to supervise the matters discussed by the Sustainability Committee at the Board of Directors
Strategy	<ul style="list-style-type: none"> • Conducting scenario analysis of risks and opportunities at 4°C and 1.5°C • Setting "Reduction of CO₂ emissions" as one of the business materiality themes
Risk Management	<ul style="list-style-type: none"> • Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis
Metrics and Targets	<ul style="list-style-type: none"> • Has set a target of reducing energy-derived CO₂ by 50% from the FY2015 level by 2030 • Has declared that we will achieve carbon neutrality in 2050 (Scope 1 and Scope 2) • Results of CO₂ emissions in FY2021: Scope 1 -> 90kt, Scope 2 -> 13kt, Scope 3 -> 137kt



Trend in Metals Prices (Platinum), Mid-term Average Price

Platinum

[Unit : Yen/g]



Mid-term Average Price

Unit: Yen

Precious Metal Prices (per gram)	Q1 FY2022/3		Q1 FY2023/3	
	Mid-term average price		Mid-term average price	Change
Gold	6,421		7,832	1,411
Palladium	9,805		8,950	(855)
Platinum	4,241		4,087	(154)

◆Reference
 Gold…Quote from mining company
 Palladium …Nikkei low price
 Platinum …retail price(exclude tax)