

Asahi Holdings, Inc.

Financial Results for Q2 FY2023.3

October 27, 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 Q2 FY2023.3**

(April 1, 2022 ~ September 30, 2022)

II. **Appendix**

Unit : billion yen

	Q2 FY2022.3	Q2 FY2023.3		FY2023.3	
	Results	Plan	Results	Initial Plan	Revised Plan
Revenue	96.9	100.0	132.7	200.0	270.0
Operating profit	13.7	12.0	11.5	24.0	24.0
Ratio	14.1%	12.0%	8.7%	12.0%	8.9%
Profit before tax	13.6	11.7	10.2	23.5	22.6
Profit※1	9.7	8.0	7.3	16.0	15.6
Capex	3.2	-	2.1	6.5	6.5
Depreciation	1.3	-	1.6	3.0	3.0

※1※Profit attributable to owners of parent

Precious Metals Business

- ✓ In the precious metals recycling business, the launch of new Bando Plant has enabled a much higher volume of precious metals to be collected, particularly from the jewelry sector. However, collection volumes are continuing to trend downward in the dentistry and catalyst sector.
- ✓ In the North American refining business, product processing and sales operations remain as strong as last year

Business field	Business Environment
Dentistry	Patient numbers continue to be restricted as a measure against COVID-19, and this, along with widespread adoption of alternative products, has seen collection volumes continue to trend downward.
Jewelry	With precious metal prices continuing to soar, purchasing demand remains strong, and high volumes are collected from purchasing traders.
Catalyst	Focusing on collection of high grade automotive catalyst despite decrease in automobile sales. Collection volumes from South Korean catalyst manufacturers increased.
Electronics sector	The recession in the Chinese market has seen a decrease in demand for communications products such as smartphones. Adjustments in production volumes have seen collection volumes stagnate.
North American refining	Trades in areas such as product processing and sales remain strong.

Environmental Preservation Business

- ✓ While collection volumes from education and construction are trending upward, the downward trend in the automobile sector continues. The extraordinary demand created by COVID-19 in the medical sector is abating.

Industry	Business Environment
Educational/Research institution	Collection volumes from educational institutions are trending upward compared to the same period last year.
Construction	With an increasing number of private non-residential building projects being commenced, collection volumes of associated waste are trending upward.
Automobile	Collection volumes from automobile industry is still sluggish due to decrease in plant utilization caused by semiconductor shortage.
Food	Demand for eating out is trending upward after the lifting of COVID-19 restrictions, but it has yet to return to its peak.
Medical	With COVID-19 cases abating, fewer quarantine facilities are now being used, which will have seen a decrease in collection volumes of medical waste in the future.
Chemical	Production indexes in the chemical industry are slightly increasing compared to last year.

Precious Metals Recycling Business (Japan and Asia)

Q2 FY2023.3 Results

Increase in volume of precious metals sales and collection from jewelry sector.

Profit ratio declined due to the decrease in volume of collection from dentistry and catalyst sector.

Increase in expenditure related to the launch of new Bando plant.

→ Increase in revenue and decrease in profit

Refining Business in North America

Q2 FY2023.3 Results

Increase in volume of product processing and sales.

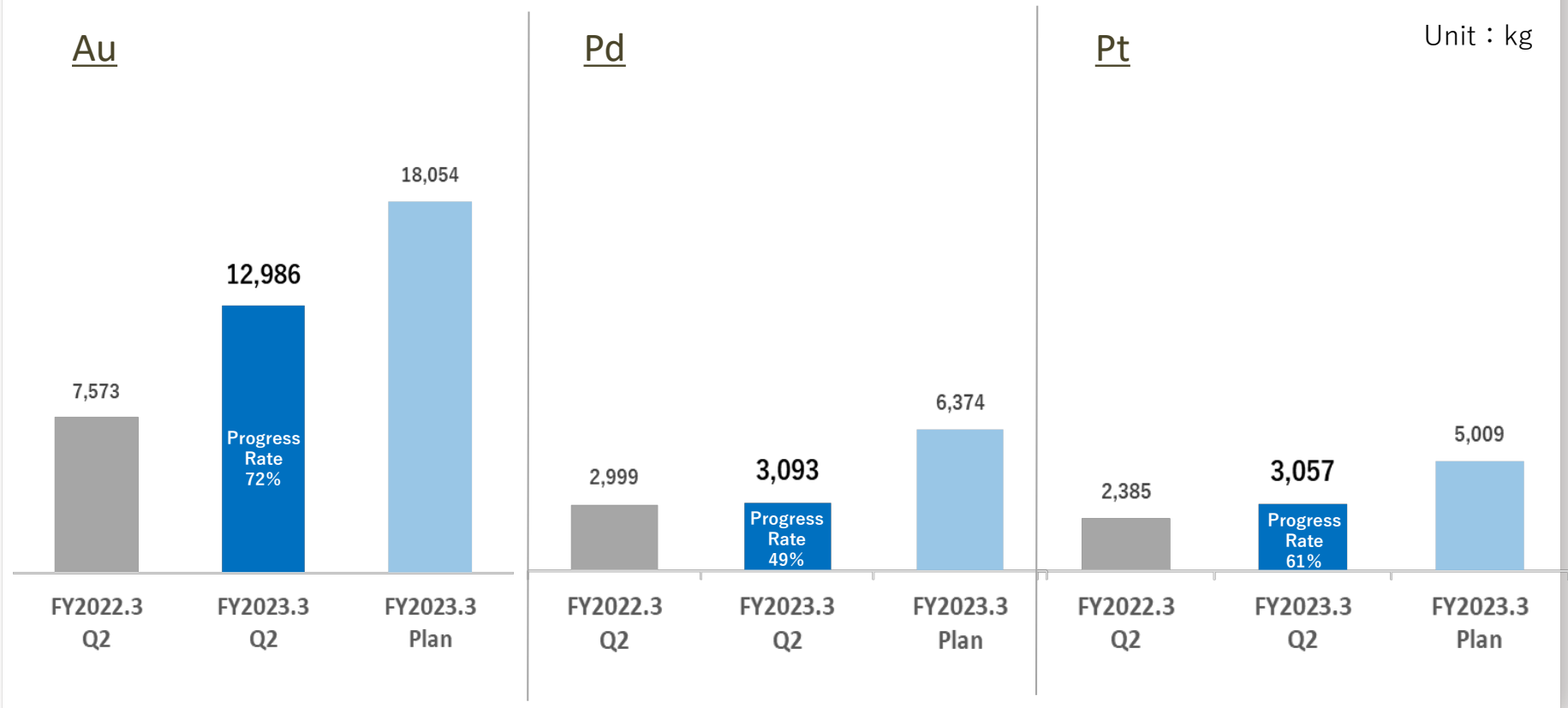
The volume of “Stock-Take” exceeded the plan, while it has not achieved that of last year’s, which has two years worth of volume.

→ Increase in revenue and decrease in profit

[Unit: billion yen]

Precious Metals	Q2 FY2022.3	Q2 FY2023.3		FY2023.3	
	Results	Plan	Results	Initial Plan	Revised Plan
Revenue	88.2	91.0	123.9	181.0	251.0
Operating Profit	14.3	12.0	11.7	24.0	24.2
Ratio	16.2%	13.2%	9.5%	13.3%	9.6%

- ✓ The volume of gold and platinum collected increased mainly from jewelry sector.
- ✓ The volume of palladium collected increased. Increase in volume of collection from jewelry and catalyst sector covered the decrease in volume of collection from dentistry sector.



Environmental Preservation

Thanks to the recovery of industrial production activities, the transaction volume of industrial waste has continued to trend upward. The plant utilization increased due to the increase in total volume of processing. Increase in volume of higher-priced transaction covered the effect of deconsolidation of JW Glass Recycling Co., Ltd., which had accounted for 0.5 billion yen in revenue and 0.1 billion yen in operating profit.

→ Increase in both revenue and profit

[Unit: billion yen]

Environmental Preservation	Q2 FY2022.3	Q2 FY2023.3		FY2023.3	
	Results	Plan	Results	Initial Plan	Revised Plan
Revenue	8.6	9.0	8.8	19.0	19.0
Operating Profit	1.5	1.7	2.1	3.5	3.9
Ratio	17.6%	18.9%	24.1%	18.4%	20.5%

- ✓ Upward revision of revenue due to the significant increase in the volume of precious metals collected and sales from jewelry sector.
- ✓ The plan for operating profit remains unchanged, based on actual results for the first half and current trends for the second half.

Unit : billion yen

	FY2023.3			Remarks
	Initial Plan	Revised Plan	Change	
Revenue	200.0	270.0	70.0	Revised upward because of the significant increase in both collections and sales especially from the jewelry sector with the launch of Bando Plant.
Operating profit	24.0	24.0	0.0	Operating profit was 11.5 billion yen in the first half because profit ratio declined by changes in the composition of collection sectors in precious metals recycling and 0.6 billion yen of share of loss of investments accounted for using equity method was recorded. The full-year plan remains unchanged based on the assumption that current business environment will continue in precious metals recycling business, the steady volume of “Stock-Take” is expected in North American refining business in Canada, there is a tendency for higher earnings in the second half, mainly in Environmental Preservation business, etc.
Ratio	12.0%	8.9%	(3.1)	
Profit before tax	23.5	22.6	(0.9)	Revised downward due to partial liability for damages of equity-method affiliate.
Profit ^{※1}	16.0	15.6	(0.4)	same as above

Unit : billion yen

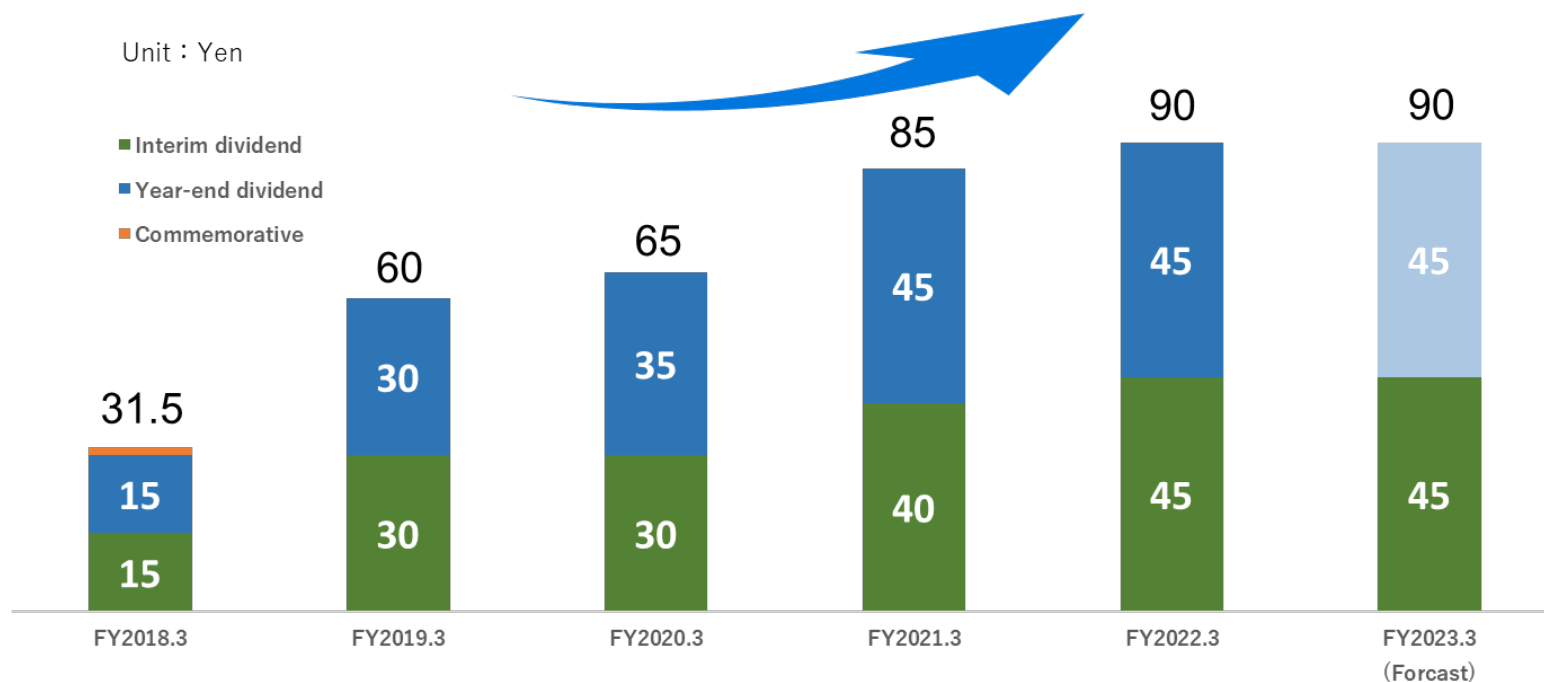
	Mar 31, 2022	Sep 30, 2022	Change	Remarks
Current Assets	241.8	231.4	(10.3)	
Trade receivables	151.4	126.9	(24.5)	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	63.4	69.4	6.0	The greater part of 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	35.1	8.2	
Non-current assets	56.6	54.2	(2.4)	
Total Assets	298.4	285.6	(12.8)	
Liabilities	193.3	178	(15.7)	
Bonds and loans	150.9	142.6	(8.3)	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	34.9	(7.4)	
Capitals	105.1	108.1	3.0	
Total equity and liabilities	298.4	285.6	(12.8)	

Unit : billion yen

	Q2 FY2023.3	Remarks
Operating CF	4.5	
Changes in inventories	(6.0)	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	34.8	Of the changes, (35.4) 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	(34.3)	Of the changes, (37.7) 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
Others	10.0	
Investment CF	0.0	
Financing CF	(2.1)	
Changes in loans and bonds	5.7	
Dividends	(3.5)	
Others	(4.3)	
Effect of exchange rate change on cash and cash equivalents	1.6	
Changes in cash deposits	4.0	

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. (No change from the previous forecast announced on April 27, 2022)



Earnings per share(yen)	135.39	114.07	125.12	326.90	231.27	201.52
Dividend payout ratio(%)	23.3	52.6	52.0	26.0	38.9	44.7

* 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.



I. Financial Results for Q2 FY2023.3

(April 1, 2022 ~ September 30, 2022)

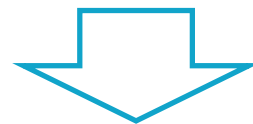
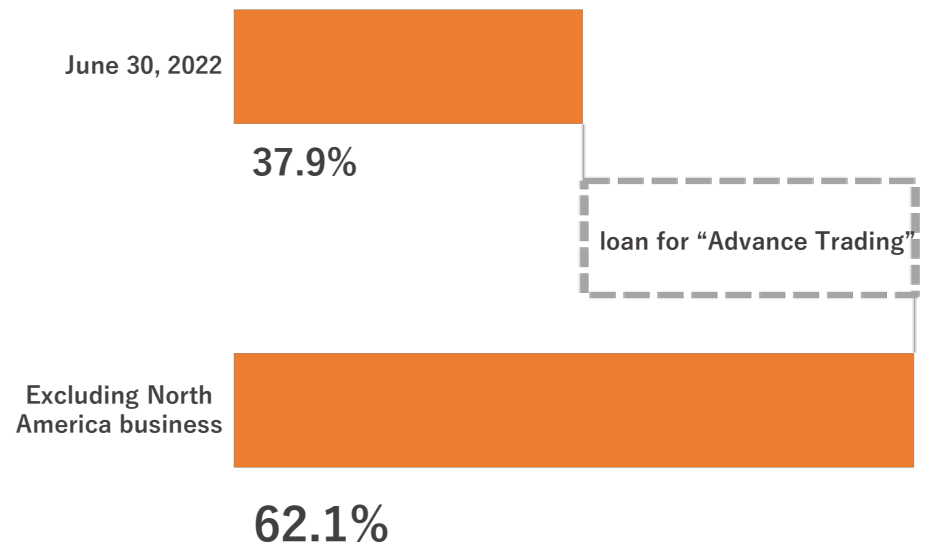
II. Appendix

Financial Position

[Unit: ¥ billion]

	June 30, 2022	Excluding North America business
Current Assets	231.4	119.8
Non-current assets	54.2	54.2
Total Assets	285.6	173.9
Liabilities	177.5	65.8
Capitals	108.1	108.1
Total equity and liabilities	285.6	173.9

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.

Digital Transformation Business of Waste Treatment

- ✓ In June, our subsidiary DXE Inc. launched an SaaS service for digital management of industrial waste disposal processes for collection / transportation providers. Showing a smooth start with acquiring clients just after service launch.
- ✓ In September, DXE Inc. was selected to provide support for the Ministry of Economy, Trade and Industry's IT Introduction Subsidy 2022, which subsidizes up to 1/2 of service usage fees, providing momentum for the expansion of contracts.



Waste generator



Collection and transportation provider



Disposal company



Services for disposal companies and waste generators will be launched in the fourth quarter of this financial year

✓ Advantages of SaaS

Centralized management of electronic manifest management, order acceptance and vehicle dispatch on the cloud
Streamlining of work by using electronic manifests as an alternative to vouchers and reducing workload

Electronic manifests:
Alternative to vouchers

Centralized management on the cloud:
Paperless

60%*
reduction
of administrative working hours

No cost to the waste generator



*Research by Asahi Holdings, Inc.

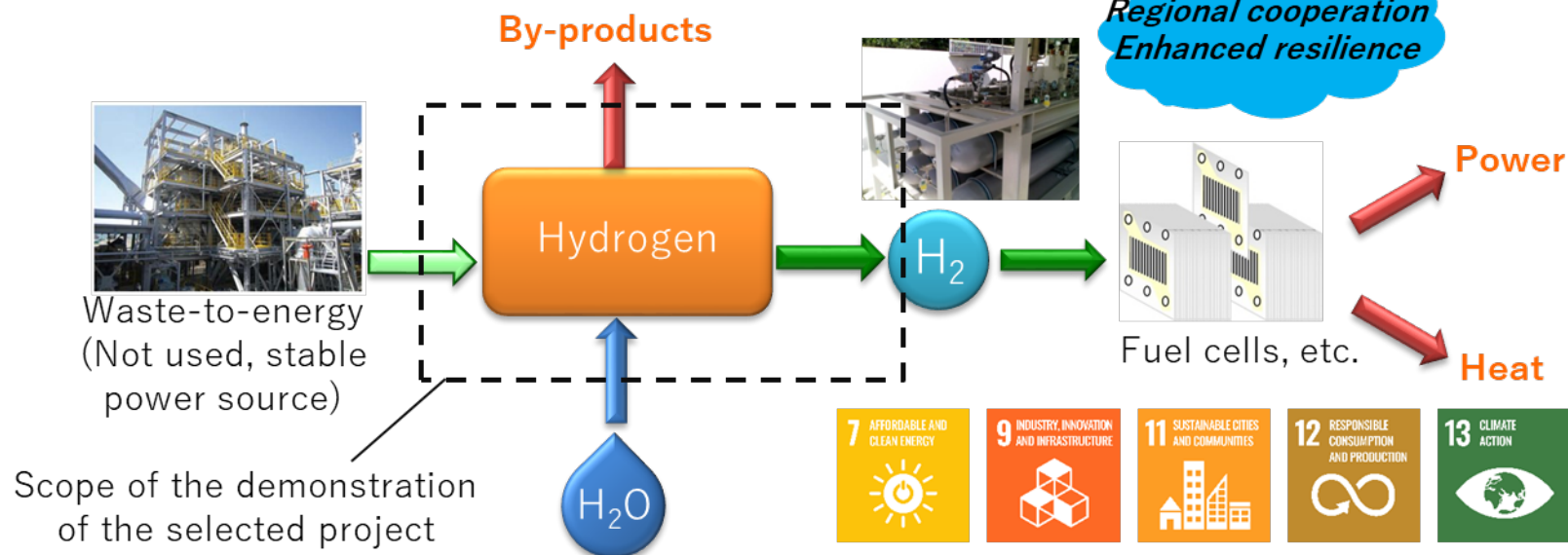
- ✓ Asahi Pretec Corp. has proposed the "Development of a system for building a green hydrogen supply chain through effective use of by-products" jointly with FC Development Co., Ltd., X-Scientia Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited., for the "2021 Low Carbon Technology Research, Development and Demonstration Program," which was publicly called on by the Global Environment Bureau, Ministry of the Environment. In addition, the system has been selected for a partially-subsidized project.
- ✓ The introduction of a hydrogen generator at the Kitakyushu Plant will be completed in December 2022 and technical demonstration testing is scheduled to start from January 2023.
- ✓ The possibility for collaboration between local governments and businesses for local production and sale of hydrogen energy is being considered.

Securing business performance by selling by-products and contributing to making hydrogen widely available



Reduce CO₂

*Regional cooperation
Enhanced resilience*



✓ JPX-NIKKEI 400

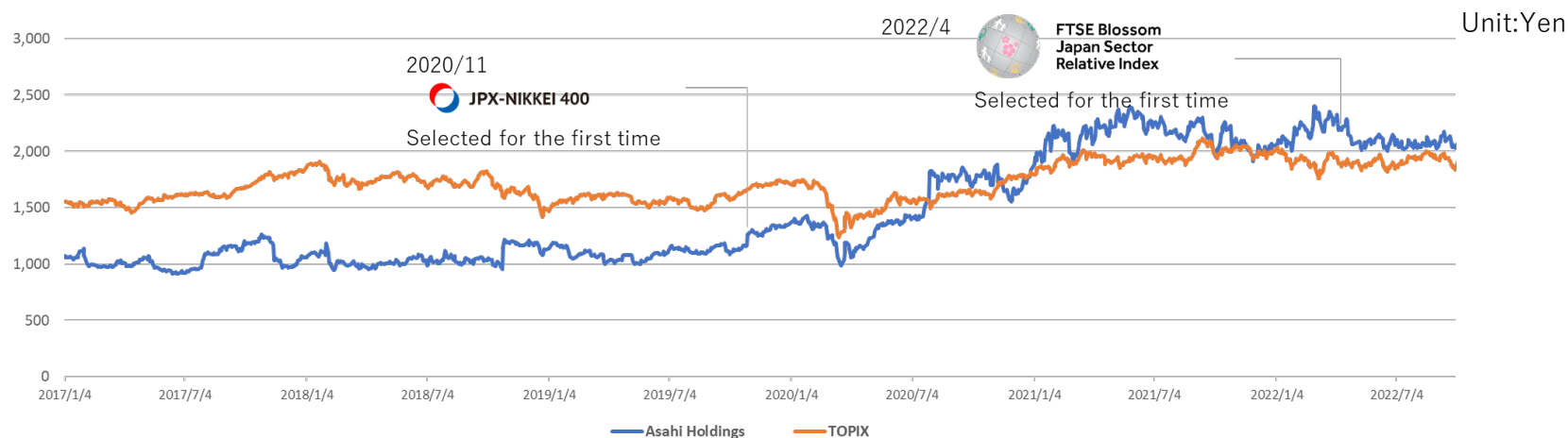


We have been selected as a constituent of JPX Nikkei Index 400 for three consecutive years. The index consists of companies that are highly appealing to investors and that meet the requirements of global investment standards, such as efficient use of capital and management perspectives that are conscious of investors.

✓ FTSE Blossom Japan Sector Relative Index



We have been selected as a constituent of FTSE Blossom Japan Sector Relative Index (one of the GPIF's benchmarks), which reflects the performance of Japanese companies that demonstrate strong environmental, social, and governance (ESG) practices in their respective sectors, and is designed to be sector-neutral.



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

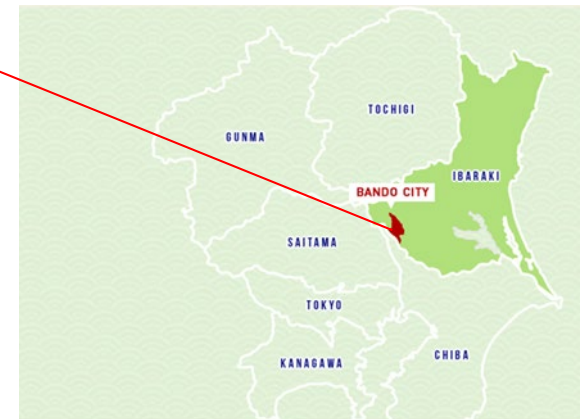
- ✓ Large incinerator in eastern Japan

Unit: ¥billion

	FY2022/3		FY2023/3		Remarks
	Mid-term plan	Results	Mid-term plan	Revised Plan	
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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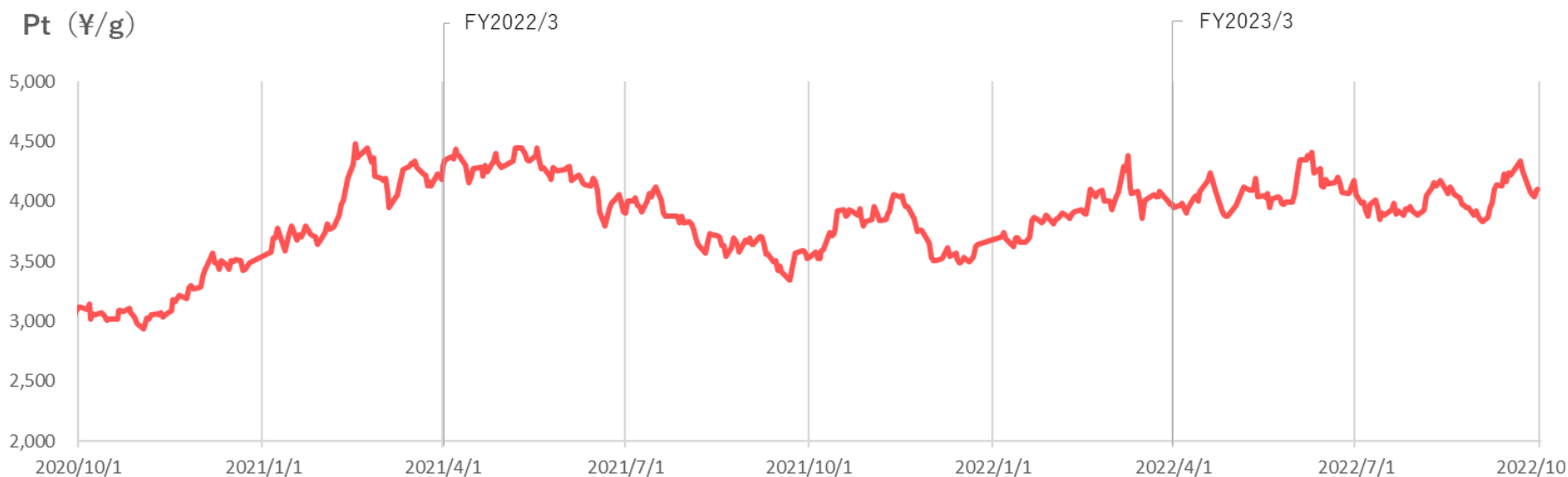
Ref: Bando City Resilience Plan

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>



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



Unit : Yen

Precious Metal Prices (per gram)	Q2 FY2022/3	Q2 FY2023/3	
	Average price	Mid-term average price	Change
Gold	6,369	7,709	1,340
Palladium	8,770	9,341	571
Platinum	3,729	4,018	289

◆Reference

Gold...Quote from mining company

Palladium ...Nikkei low price

Platinum ...retail price(exclude tax)