

Asahi Holdings, Inc.

Financial Results for Q3 FY2023.3

January 31, 2023

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 Q3 FY2023.3**

(April 1, 2022 ~ December 31, 2022)

II. **Appendix**

Unit : billion yen

	Q3 FY2022.3	Q3 FY2023.3		FY2023.3	
	Results	Results	YoY Change	Forecast	YoY Change
Revenue	144.5	205.8	61.3	270.0	77.6
Operating profit	19.3	17.5	(1.8)	24.0	(2.4)
Ratio	13.4%	8.5%	(4.9%)	8.9%	(4.9%)
Profit before tax	19.3	14.4	(4.9)	22.6	(3.8)
Profit※1	13.6	10.2	(3.4)	15.6	(3.1)
Capex	4.5	3.4	(1.2)	6.5	(1.8)
Depreciation	2.0	2.5	0.5	3.0	0.3

※1※Profit attributable to owners of parent

Precious Metals Business

- The volume of precious metal collected in the precious metals recycling business increased YoY but decreased from second quarter. The main reasons include decrease in the volume collected -- from a major customer in the jewelry sector, in the catalyst sector due to the sluggish automobile industry and a weaker yen, and in the electronics sector due to a fall in demand for some products in the electronic components.
- In the North American refining business, product processing and sales operations remain as strong.

Business Field	Business Environment
Dentistry	The downward trend in collection volume continues due to extended limitations on the number of patients as part of ongoing infection control measures in addition to the spread of substitute products.
Jewelry	The volume collected from a major customer is decreasing for purchases while the volume remains flat for manufacturing.
Catalyst	The volume collected in Japan is decreasing due to a weaker yen and falling market prices. The volume collected from Korean catalyst manufacturers is increasing.
Electronics	EV-related and industrial application items remain strong, but the volume collected is decreasing due to a large drop in smartphone/ICT-related products.
North American refining	Trades in areas such as product processing and sales remain strong.

Environmental Preservation Business

- The volume collected from educational and medical institutions is trending upward, but those from construction is trending downward. Collection volume for automobile-related items remains sluggish.

Industry	Business Environment
Educational/Research institution	The volume collected from educational institutions is trending upward compared to the same period last year.
Construction	The number of housing starts is on the decline due in part to soaring material prices. The volume of related waste generation is also falling.
Automobile	The number of plants in operation continues to drop due to a sustained shortage of semiconductors and components. The volume of waste collection from related component plants remains low.
Electronics	Inventory adjustment moves by electronics manufacture affected production of components suppliers. Related waste generation is on a downward trend.
Medical	The number of recuperation accommodation facilities is growing due to number of COVID-19 patients is increasing, expanding the volume of related medical waste once again.
Chemical	Production indexes in the chemical industry are slightly increasing compared to last year

*Mainly described the environment in third quarter compared with that in second quarter

Precious Metals Recycling Business (Japan and Asia)

Q3 FY2023.3 Results

Revenue significantly increased thanks to the increase in sales volume in line with increased in collection volume mainly from jewelry sector.

The composition ratio of dental and catalyst sector, which have relatively high profit margins, decreased. Expenses increased due to depreciation associated with Bando plant, rising fuel prices and other factors.

→ Increase in revenue and decrease in profit

Refining Business in North America

Q3 FY2023.3 Results

The various value-added business transactions that serve as the base of the refining business were strong. Due to the impact of the COVID19, “Stock-Take”, which in the previous year contributed to profits equivalent to two years' worth when combined with the previous two years, has normalized in the current year.

→ Increase in revenue and decrease in profit

Precious Metals	Q3 FY2022.3	Q3 FY2023.3		FY2023.3	
	Results	Results	YoY Change	Forecast	YoY Change
Revenue	131.0	192.4	61.5	251.0	77.1
Operating Profit	19.4	17.4	(2.0)	24.2	(2.4)
Ratio	14.8%	9.0%	(5.8%)	9.6%	(5.7%)

04 Ref: Volume of Precious Metals Collected

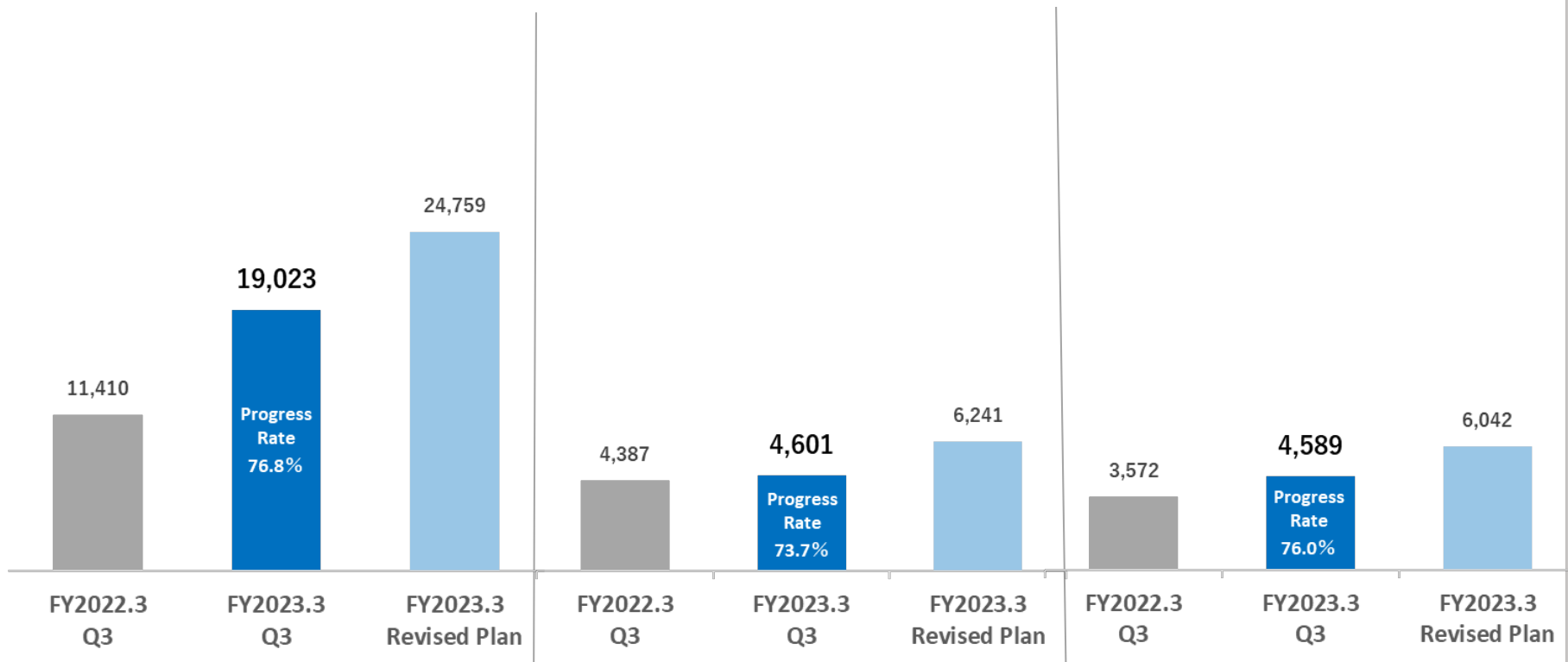
- The volume of precious metals collected increased mainly in jewelry sector.
- Increase in volume of collection from jewelry and catalyst sector covered the decrease in volume of collection from dentistry sector.

Unit : kg

Au

Pd

Pt



Environmental Preservation

Q3 FY2023.3 Results

Thanks to the gradual recovery of industrial production activity, the processing volume of industrial wastes increased and plant usage rate was maintained in high level.

Despite revenue decreased due to the impact of deconsolidation of JW Glass Recycling Co., Ltd. (Revenue: 0.8 billion yen, OP: 0.1 billion yen in FY2022.3), operating profit covered the impact and secured even higher results.

→ Decrease in revenue and increase in profit

[Unit: billion yen]

Environmental Preservation	Q3 FY2022.3	Q3 FY2023.3		FY2023.3	
	Results	Results	YoY Change	Forecast	YoY Change
Revenue	13.5	13.4	(0.1)	19.0	0.4
Operating Profit	2.7	3.3	0.6	3.9	0.2
Ratio	20.1%	24.8%	4.7%	20.5%	0.5%

Unit : billion yen

	Mar 31, 2022	Dec 31, 2022	Change	Remarks
Current Assets	241.8	312.0	70.2	
Trade receivables	151.4	210.9	59.4	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	63.4	64.9	1.5	The majority of inventory balances and changes in inventories are linked to materials, works in process and products that contain precious metals in the precious metals recycling business. Risks associated with price fluctuations and quality deterioration are extremely limited because precious metals prices are hedged at the time of purchase.
Others	26.9	36.2	9.3	
Non-current assets	56.6	49.4	(7.2)	
Total Assets	298.4	361.4	63.0	
Liabilities	193.3	254	60.8	
Bonds and loans	150.9	225.2	74.3	Borrowings for Advance Trading in North American business constitute a large percentage. Risks associated with price fluctuations and bad debts are extremely limited because bullion for Advance Trading is procured through borrowing after receiving raw materials and precious metal prices are hedged according to the repayment date.
Others	42.3	28.8	(13.5)	
Capitals	105.1	107.4	2.2	
Total equity and liabilities	298.4	361.4	63.0	

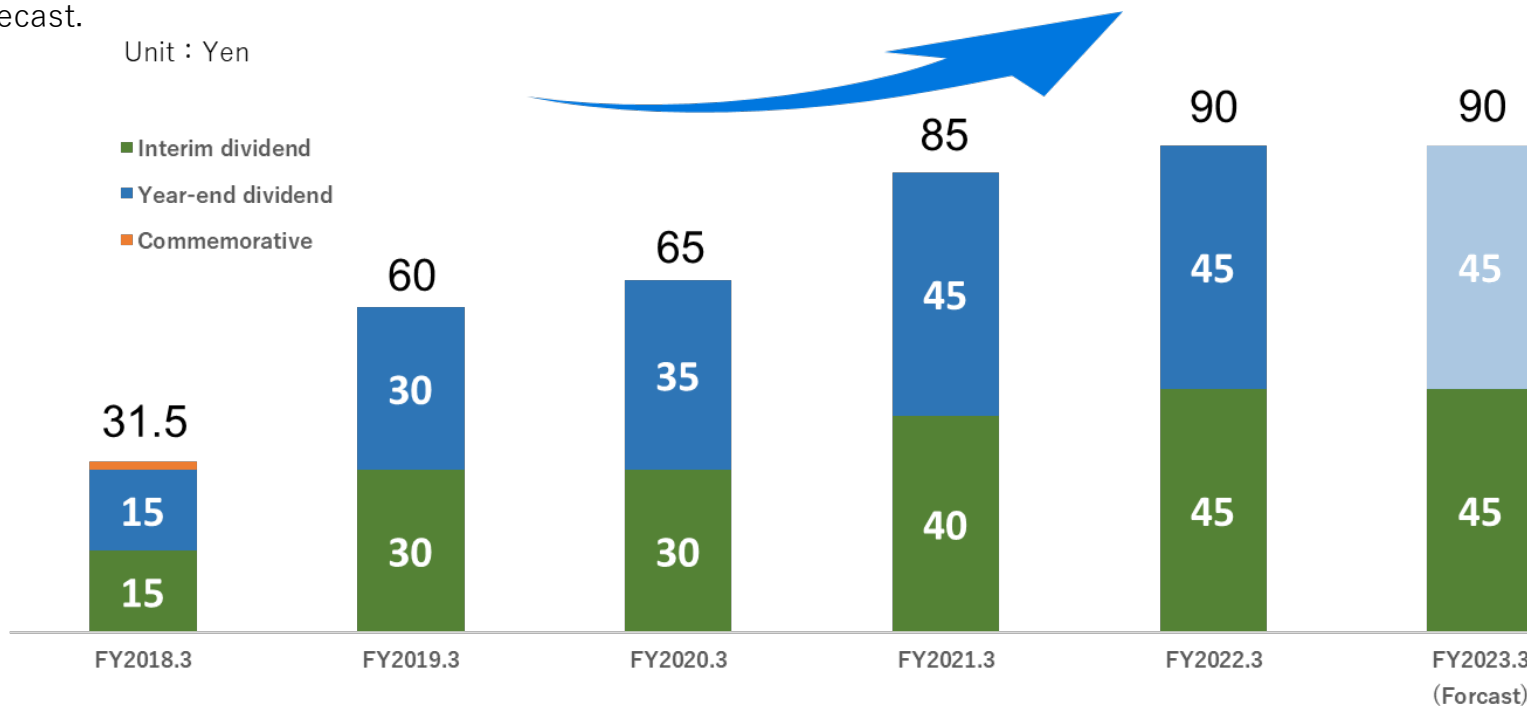
Unit : billion yen

	Q3 FY2023.3	Remarks
Operating CF	7.4	
Changes in inventories	(1.5)	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 deterioration remain extremely limited 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	(63.0)	Of the increase/decrease amount, (61.3) billion yen reflects the increase/decrease in receivables commensurate with borrowings for advance delivery transactions, etc. in the North American business. Risks associated with price fluctuations and bad debts are extremely limited because bullion for Advance Trading in North American business is procured through borrowing after receiving raw materials and precious metal prices are hedged according to the repayment date.
Changes in trade and other payables	61.1	Of the increase/decrease amount, 56.8 billion yen reflects the increase/decrease in borrowings for Advance Trading in the North American business. Of the increase/decrease amount in borrowings for Advance Trading in the North American business is shown not as CF from financing activities but as increase/decrease in trade receivables in CF from operating activities.
Others	10.8	
Investment CF	(2.4)	
Financing CF	(4.7)	
Changes in loans and bonds	1.7	
Proceeds from issuance of bonds	4.9	
Dividends	(7.0)	
Others	(4.4)	
Effect of exchange rate change on cash and cash equivalents	3.0	
Changes in cash deposits	3.3	

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. We have never before reduced dividends and no change of the year-end dividend forecast.

Unit : Yen



Earnings per share(yen)	135.39	114.07	125.12	326.9	231.27	201.52
Dividend payout ratio(%)	23.3	52.6	52	26	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 Q3 FY2023.3

(April 1, 2022 ~ December 31, 2022)

II. Appendix

- All the holding shares of Fuji Medical Instruments Mfg. Co., Ltd, an equity-method affiliate company, were transferred to Johnson Health Tech Co., Ltd. in December, 2022.
- The share transfer had no impact on operating profit, while recorded a loss on transfer of shares of 1.8 billion yen in “Other non-operating expenses”

About Fuji Medical Instruments Mfg. Co., Ltd.

Unit : million yen

Location	1-22, Noninbashi 1-chome, Chuo-ku, Osaka	Share capital	30
Job title and name of representative	Representative Director Seiji Yasunaga	Revenue (FY2021.12)	17,846
Description of business	Manufacture, sales, import and export of health equipment, etc.	Net income (FY2021.12)	720

About share transfer

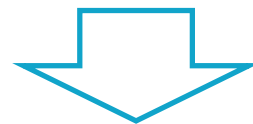
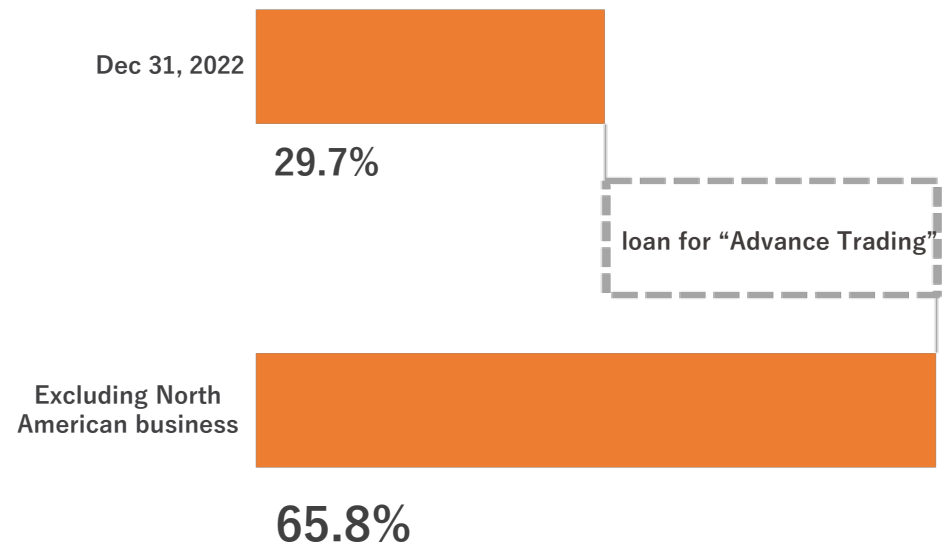
Transferee company name	Johnson Health Tech. Co., Ltd.		
Number of shares to be transferred	120,000	Transfer price	Not Disclosed
Number of shares owned before transfer	120,000	Number of shares owned after transfer	0

Financial Position

[Unit: ¥ billion]

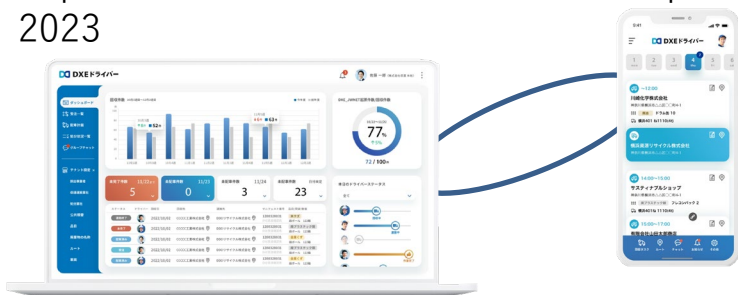
	Dec 31, 2022	Excluding North American business
Current Assets	312.0	113.7
Non-current assets	49.4	49.4
Total Assets	361.4	163.2
Liabilities	254.1	55.8
Capitals	107.4	107.4
Total equity and liabilities	361.4	163.2

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.

- Contribute to the building of a low-carbon, sustainable society through digitalization of industrial waste from discharge to treatment and reduction of environmental impact
- Expand the market to cover waste disposal companies with a major version upgrade scheduled in 2023



June 2022~

DXE Phase01 Launch DXE Service

The business efficiency of collection and transportation providers is improved with use of electronic manifests and order management functions using SaaS.

Electronic manifests
Alternative to vouchers

Automatic generation of
electronic manifests

Interface with vehicle dispatch
and driver apps

2023~

DXE Station

Phase02 Release DXE Station

All waste management companies are connected seamlessly from collection management to delivery management.

Discharge, collection
and disposal
workflow

Compliance check with
electronic contracts

Sales and billing
management

Electronic manifests:
Alternative to vouchers

Automatic generation
of electronic manifests

Interface with vehicle
dispatch and driver
apps

2025~

DXE Station

Phase03 Contribution to CO2 emissions reductions

Contribute to carbon neutrality through automatic calculation of CO2 emissions.

Calculation of CO2 emissions

Business rating &
matching

Measures on carbon
credits

Discharge, collection
and disposal
workflow

Compliance check with
electronic contracts

Sales and billing
management

Electronic manifests:
Alternative to vouchers

Automatic generation
of electronic manifests

Interface with vehicle
dispatch and driver
apps

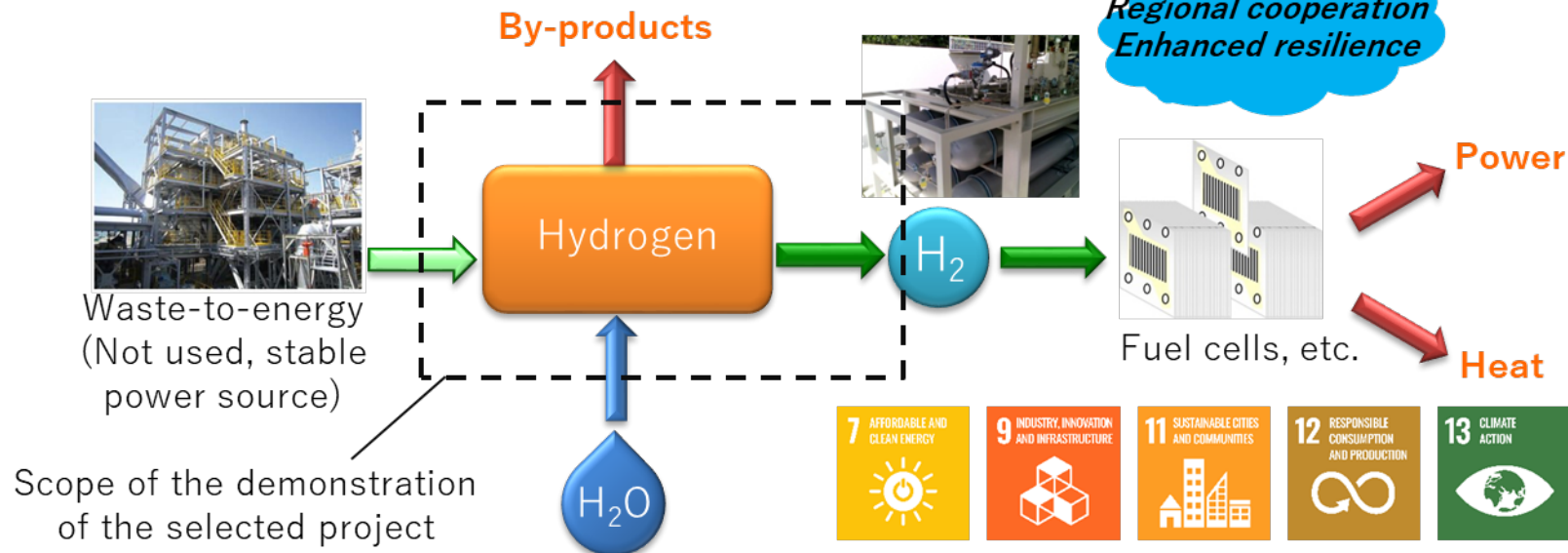
- ASAHI PRETEC Corp. has proposed the "Development of a system for building a green hydrogen supply chain through effective use of by-products" jointly with FC Development Co., Ltd., X-Scientia Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited., for the "2021 Low Carbon Technology Research, Development and Demonstration Program," which was publicly called on by the Global Environment Bureau, Ministry of the Environment and this system has been selected for a partially-subsidized project.
- The introduction of a hydrogen generator at the Kitakyushu Plant was completed in December 2022 and technical demonstration testing started 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*



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



Bando Plant

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



North American Refining Business

- ✓ Launching warehouse business & strengthening existing equipment



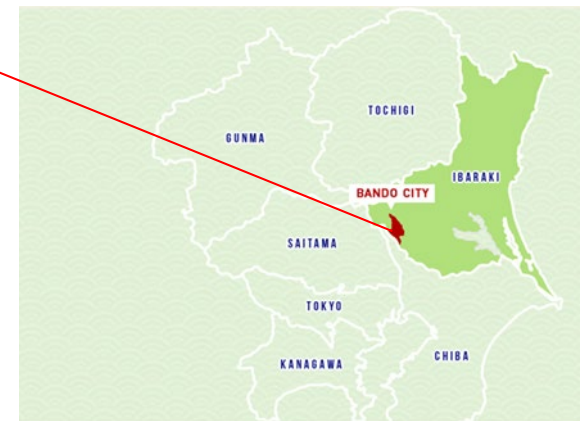
New incinerator in Yokohama

- ✓ Large incinerator in eastern Japan

Unit: ¥billion

	FY2022/3		FY2023/3		Remarks
	Mid-term plan	Results	Mid-term plan	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

- Consolidating processes from raw material collection to finishing
- Improving production efficiency 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.



© BANDO CITY.

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>

- **JPX-NIKKEI 400**



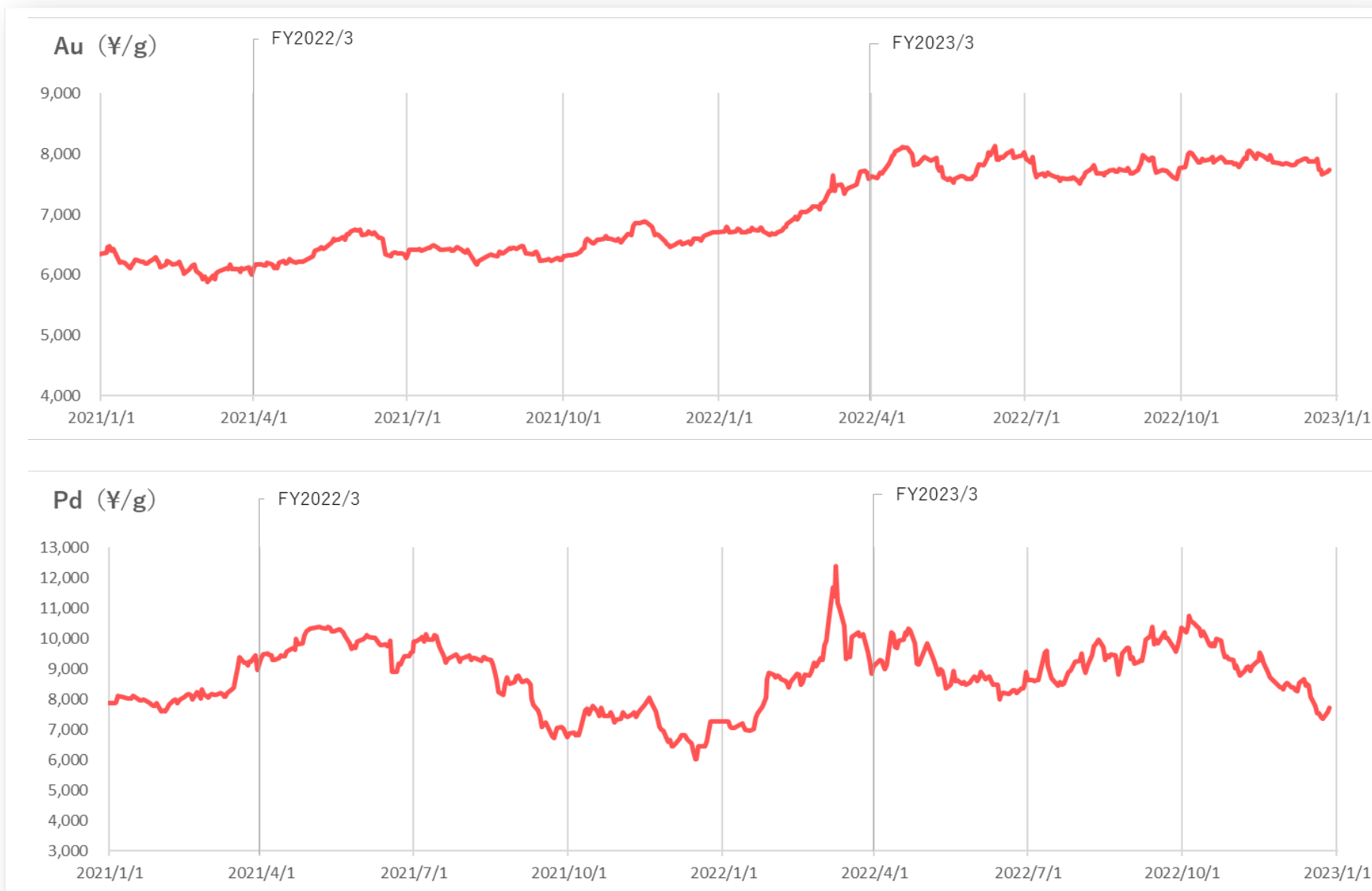
We have been included in the JPX Nikkei Index 400 for three consecutive years. The index consists of companies that are highly appealing to investors and that meet the requirements of global investment standards, such as efficient use of capital and management perspectives that are conscious of investors.

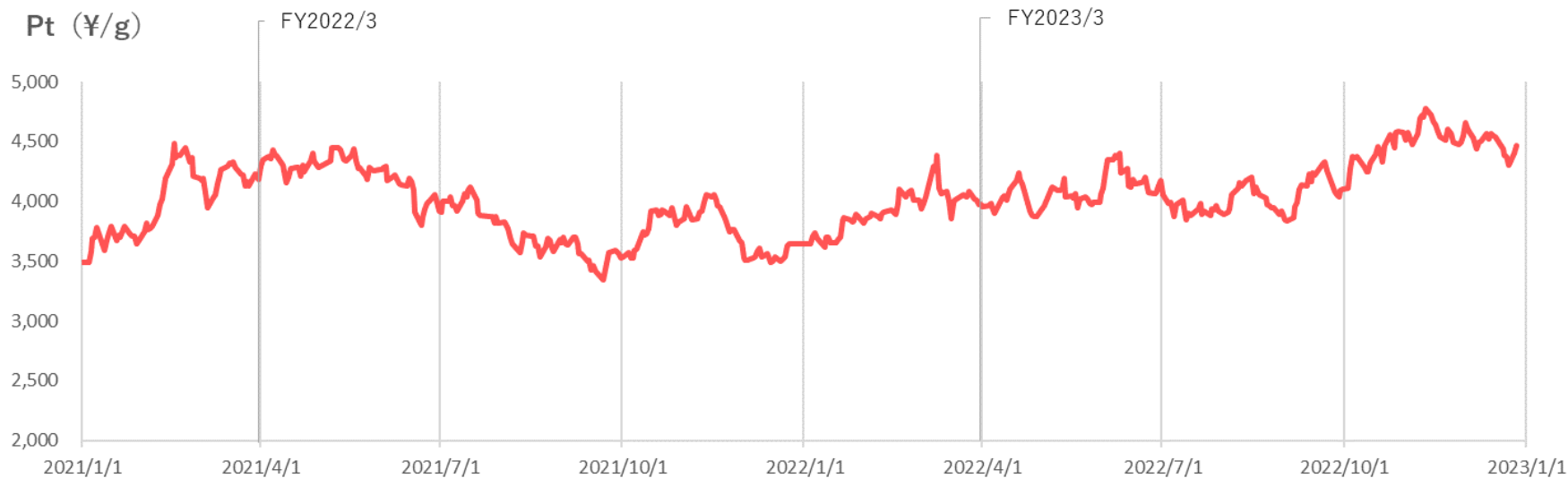
- **FTSE Blossom Japan Sector Relative Index**



We have been included in the 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.







Unit : Yen

Precious Metal Prices (per gram)	Q3 FY2022/3	Q3 FY2023/3	
	Average price for the period	Average price for the period	Change
Gold	6,587	7,885	1,299
Palladium	7,127	8,999	1,872
Platinum	3,732	4,492	761

◆Reference

Gold...Quote from mining company

Palladium ...Nikkei low price

Platinum ...retail price(exclude tax)