

Consolidated Financial Results for the Six Months Ended September 30, 2024

ARE Holdings, Inc. [IFRS]

October 30, 2024

Stock code:	5857
Shares listed:	Tokyo Stock Exchange - Prime Market
URL:	https://www.asahiholdings.com/english
Representative:	Tomoya Higashiura, Representative Director, President & CEO
For further information please contact:	Jiro Saito, General Manager, Corporate Planning & Communications Department (Phone) +81-3-6270-1833
Filing date of semi-annual securities report:	November 13, 2024
Start of dividend payment:	November 15, 2024
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, 2024 (From April 1, 2024 to September 30, 2024)

(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, 2024	240,357	66.7	8,317	45.9	8,392	42.3	6,604	25.6	6,604	25.6	7,047	(55.0)
September 30, 2023	144,226	—	5,700	—	5,898	—	5,259	(27.9)	5,259	(27.9)	15,670	48.9

	Basic earnings per share	Diluted earnings per share
The six months ended September 30, 2024	Yen 86.41	Yen 78.46
September 30, 2023	68.62	62.56

(Note) During the fiscal year ended March 31, 2024, a share exchange was conducted between Japan Waste Corporation, which was a consolidated subsidiary of the Company, and Renatus Co., Ltd., whereby Renatus Co., Ltd. became the wholly owning parent company, and Japan Waste Corporation became the wholly owned subsidiary company, resulting in the Japan Waste Corporation business being classified as discontinued operations. Consequently, revenue, operating profit and profit before tax for the six months ended September 30, 2023, are presented in amounts from continuing operations from which discontinued operations have been excluded.

(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, 2024	371,458	129,777	129,777	34.9
March 31, 2024	317,998	126,476	126,476	39.8

2. Dividend payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	45.00	—	45.00	90.00
Year ending March 31, 2025	—	40.00	—	—	—
Year ending March 31, 2025 (Forecast)	—	—	—	40.00	80.00

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

3. Forecast (From April 1, 2024 to March 31, 2025) (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, 2025	480,000	49.0	18,000	45.5	17,600	41.6	13,148	(46.3)	172.53

(Note) Revisions in forecast in the current period: Yes

* Notes

(1) Significant changes in the scope of consolidation 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 semi-annual end (including treasury stock)

As of September 30, 2024	79,708,688 shares
As of March 31, 2024	79,708,688 shares

(ii) Number of treasury stock at the semi-annual end

As of September 30, 2024	3,095,284 shares
As of March 31, 2024	3,065,554 shares

(iii) Averaged number of shares during the period (semi-annual period)

Six months ended September 30, 2024	76,426,800 shares
Six months ended September 30, 2023	76,643,173 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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. Overview of Consolidated Operating Results (3) Consolidated Performance Forecasts" for the assumptions used and other notes.

【Appendix】

Table of contents of the appendix

1. Overview of Consolidated Operating Results	2
(1) Overview of Consolidated Operating Results for the Six Months Ended September 30, 2024	2
(2) Overview of Consolidated Financial Position and Cash Flows for the Six Months Ended September 30, 2024 ...	2
(3) Consolidated Performance Forecasts	3
2. Condensed Semi-annual Consolidated Financial Statements	4
(1) Condensed Semi-annual Consolidated Statements of Financial Position	4
(2) Condensed Semi-annual Consolidated Statements of Income	6
(3) Condensed Semi-annual Consolidated Statements of Comprehensive Income.....	7
(4) Condensed Semi-annual Consolidated Statements of Changes in Equity	8
(5) Condensed Semi-annual Consolidated Statements of Cash Flows	10
(6) Notes on Condensed Semi-annual Consolidated Financial Statements	11
Segment information.....	11
Notes on assumptions for going concern	12
Significant subsequent events	12

1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results for the Six Months Ended September 30, 2024

The financial results for the six months ended September 30, 2024 were as follows.

Revenue	240,357 million yen	(a year-on-year increase of 96,130 million yen, or +66.7 percent)
Operating profit	8,317 million yen	(a year-on-year increase of 2,616 million yen, or +45.9 percent)
Profit before tax	8,392 million yen	(a year-on-year increase of 2,494 million yen, or +42.3 percent)
Profit attributable to owners of parent	6,604 million yen	(a year-on-year increase of 1,344 million yen, or +25.6 percent)

As for the precious metals recycling business, the volume collected in the jewelry sector increased significantly year on year, while the volume collected in the dental, electronics, and catalyst-related sectors remained almost flat year on year. As a result, the volume of gold collected increased year on year, the volumes of palladium and platinum collected were almost flat year on year, and the volume of rhodium collected decreased year on year. The gold and silver refining business in the North American region remained strong. Sales volume in the product business declined year on year, but the trading business and others performed well. As a result, revenue and operating profit in Precious Metals business segment increased from the same period of the previous fiscal year.

In the Environmental Preservation business, while the revenue and operating profit of Japan Waste Corporation, which was classified as discontinued operations, are not included in the financial results for the six months ended September 30, 2023, the share of profit (loss) of investments accounted for using equity method of Renatus Co., Ltd. is included in operating profit in the financial results for the six months ended September 30, 2024.

(2) Overview of Consolidated Financial Position and Cash Flows for the Six Months Ended September 30, 2024

As of September 30, 2024, total assets amounted to 371,458 million yen, up 53,459 million yen from the previous fiscal year end. This was mainly due to increases of 12,496 million yen in cash and cash equivalents and 42,371 million yen in trade and other receivables.

Total liabilities amounted to 241,680 million yen, up 50,158 million yen from the previous fiscal year end. This was due mainly to an increase of 55,042 million yen in bonds and loans payable.

Total equity amounted to 129,777 million yen, up 3,301 million yen from the previous fiscal year end. This was due mainly to an increase of 7,047 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 34.9%, from 39.8% at the end of the previous fiscal year.

Net cash provided by operating activities amounted to 11,175 million yen due mainly to 8,392 million yen of profit before tax, 1,373 million yen of depreciation and amortization, 3,408 million yen of increase in inventories, 70,555 million yen of increase in trade and other receivables, 68,295 million yen of increase in trade, loans and other payables, 17,292 million yen of interest and dividend income received and 2,663 million yen of income taxes paid.

Net cash provided by investing activities amounted to 4,603 million yen due mainly to 11,098 million yen of collection of loans receivable, despite 3,246 million yen of purchase of property, plant and equipment, and 3,049 million yen of payments for loans receivable.

Net cash used in financing activities amounted to 4,201 million yen due mainly to 1,000 million yen of purchase of treasury stock and 3,445 million yen of cash dividends paid.

As a result, cash and cash equivalents as of September 30, 2024 increased by 12,496 million yen from March 31, 2024, to 19,377 million yen.

(3) Consolidated Performance Forecasts

The consolidated financial forecast for the year ending March 31, 2025, as announced on April 25, 2024, 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, 2024 and Revision to Financial Forecast for the Year Ending March 31, 2025” released today (October 30, 2024).

Revisions of the consolidated financial forecast for the year ending March 31, 2025
(April 1, 2024 to March 31, 2025)

	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)	370,000	18,000	17,600	13,148	172.53
Revised forecast (B)	480,000	18,000	17,600	13,148	172.53
Change (B-A)	110,000	–	–	–	–
Change (%)	29.7	–	–	–	–
(Ref.) Results for the previous FY (FY ended March 31, 2024)	322,253	12,367	12,426	24,490	319.54

2. Condensed Semi-annual Consolidated Financial Statements

(1) Condensed Semi-annual Consolidated Statements of Financial Position

	As of March 31, 2024	As of September 30, 2024
	Millions of yen	Millions of yen
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	6,881	19,377
Trade and other receivables	155,268	197,639
Inventories	33,879	37,327
Income tax receivables	77	293
Other financial assets	17,763	12,399
Other current assets	39,903	38,746
Total current assets	253,773	305,784
Non-current assets		
Property, plant and equipment	33,192	34,507
Goodwill	19	19
Intangible assets	1,580	1,535
Investments accounted for using equity method	27,665	28,636
Deferred tax assets	5	248
Net defined benefit asset	186	152
Financial assets	1,506	472
Other non-current assets	68	101
Total non-current assets	64,224	65,673
Total assets	317,998	371,458

	As of March 31, 2024	As of September 30, 2024
	Millions of yen	Millions of yen
LIABILITIES and EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	27,180	30,462
Bonds and loans payable	69,970	131,985
Income tax payable	2,387	1,167
Other financial liabilities	6,465	2,839
Provisions	1,302	1,164
Other current liabilities	5,694	1,363
Total current liabilities	113,001	168,984
Non-current liabilities		
Bonds and loans payable	71,190	64,217
Deferred tax liabilities	4,432	6,063
Net defined benefit liability	99	123
Other financial liabilities	2,798	2,292
Total non-current liabilities	78,521	72,696
Total liabilities	191,522	241,680
Equity		
Capital stock	7,790	7,790
Capital surplus	12,245	12,089
Treasury stock	(5,925)	(6,066)
Retained earnings	113,837	116,971
Other components of equity	(1,471)	(1,007)
Total equity attributable to owners of parent	126,476	129,777
Total equity	126,476	129,777
Total liabilities and equity	317,998	371,458

(2) Condensed Semi-annual Consolidated Statements of Income

	The six months ended September 30, 2023	The six months ended September 30, 2024
	Millions of yen	Millions of yen
Continuing operations		
Revenue	144,226	240,357
Cost of sales	(134,494)	(228,707)
Gross profit	9,732	11,650
Selling, general and administrative expenses	(4,105)	(4,254)
Other operating income	83	88
Other operating expenses	(9)	(137)
Share of profit (loss) of investments accounted for using equity method	—	970
Operating profit	5,700	8,317
Finance income	1,111	666
Finance costs	(913)	(591)
Profit before tax	5,898	8,392
Income tax expenses	(1,647)	(1,788)
Profit from continuing operations	4,251	6,604
Discontinued operations		
Profit from discontinued operations	1,008	—
Profit	5,259	6,604
Profit attributable to:		
Owners of parent	5,259	6,604
Non-controlling interests	—	—
Profit	5,259	6,604
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	55.47	86.41
Discontinued operations	13.16	—
Total	68.62	86.41
Diluted earnings per share (Yen)		
Continuing operations	50.88	78.46
Discontinued operations	11.68	—
Total	62.56	78.46

(3) Condensed Semi-annual Consolidated Statements of Comprehensive Income

	The six months ended September 30, 2023	The six months ended September 30, 2024
	Millions of yen	Millions of yen
Profit	5,259	6,604
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	19	(21)
Total items that will not be reclassified to profit or loss	19	(21)
Items that may be reclassified to profit or loss		
Cash flow hedges	7,493	1,926
Translation adjustments of foreign operations	2,897	(1,461)
Total items that may be reclassified to profit or loss	10,390	464
Other comprehensive income, net of tax	10,410	443
Comprehensive income	15,670	7,047
Comprehensive income attributable to:		
Owners of parent	15,670	7,047
Non-controlling interests	—	—
Comprehensive income	15,670	7,047

(4) Condensed Semi-annual 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, 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			Total equity
	Remeasurements of defined benefit plans	Total	Total	
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

(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, 2024	7,790	12,245	(5,925)	113,837	2,341	(3,813)
Profit	–	–	–	6,604	–	–
Other comprehensive income	–	–	–	–	(1,461)	1,926
Total comprehensive income	–	–	–	6,604	(1,461)	1,926
Purchase of treasury stock	–	–	(1,000)	–	–	–
Disposal of treasury stock	–	(7)	325	–	–	–
Dividends	–	–	–	(3,448)	–	–
Reclassified from other components of equity to retained earnings	–	–	–	(21)	–	–
Share-based payment transactions	–	(148)	533	–	–	–
Total transactions with owners	–	(156)	(141)	(3,470)	–	–
Balance at September 30, 2024	7,790	12,089	(6,066)	116,971	879	(1,887)

(Millions of yen)

	Equity attributable to owners of parent			
	Remeasurements of defined benefit plans	Other components of equity		
		Total	Total	Total equity
Balance at April 1, 2024	–	(1,471)	126,476	126,476
Profit	–	–	6,604	6,604
Other comprehensive income	(21)	443	443	443
Total comprehensive income	(21)	443	7,047	7,047
Purchase of treasury stock	–	–	(1,000)	(1,000)
Disposal of treasury stock	–	–	318	318
Dividends	–	–	(3,448)	(3,448)
Reclassified from other components of equity to retained earnings	21	21	–	–
Share-based payment transactions	–	–	384	384
Total transactions with owners	21	21	(3,746)	(3,746)
Balance at September 30, 2024	–	(1,007)	129,777	129,777

(5) Condensed Semi-annual Consolidated Statements of Cash Flows

	The six months ended September 30, 2023	The six months ended September 30, 2024
	Millions of yen	Millions of yen
Cash provided by (used in) operating activities		
Profit before tax	5,898	8,392
Profit before tax from discontinued operations	1,294	–
Depreciation and amortization	1,787	1,373
Finance income and finance cost	2,019	(1,109)
Share of loss (profit) of investments accounted for using equity method	–	(970)
Decrease (increase) in inventories	5,283	(3,408)
Decrease (increase) in trade and other receivables	(60,901)	(70,555)
Increase (decrease) in trade, loans and other payables	53,778	68,295
Other, net	740	(5,529)
Subtotal	9,901	(3,511)
Interest and dividend income received	318	17,292
Interest expenses paid	(47)	(94)
Income taxes paid	(1,874)	(2,663)
Income taxes refunded	2,134	151
Net cash provided by (used in) operating activities	10,431	11,175
Cash provided by (used in) investing activities		
Payments into time deposits	(104)	(226)
Proceeds from withdrawal of time deposits	2,791	112
Purchase of property, plant and equipment	(1,895)	(3,246)
Proceeds from sales of property, plant and equipment	45	9
Purchase of intangible assets	(401)	(187)
Payments for loans receivable	(13,547)	(3,049)
Collection of loans receivable	43	11,098
Other, net	(141)	92
Net cash provided by (used in) investing activities	(13,209)	4,603
Cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	0	(2)
Proceeds from long-term loans payable	14,052	–
Proceeds from sales of treasury stock	–	318
Purchase of treasury stock	(0)	(1,000)
Cash dividends paid	(3,447)	(3,445)
Other, net	(170)	(71)
Net cash provided by (used in) financing activities	10,434	(4,201)
Effect of exchange rate change on cash and cash equivalents	(1,840)	918
Net increase (decrease) in cash and cash equivalents	5,815	12,496
Cash and cash equivalents at beginning of period	17,952	6,881
Cash and cash equivalents at end of period	23,767	19,377

(6) Notes on Condensed Semi-annual Consolidated Financial Statements

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, platinum, and rhodium 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.

(2) Segment revenue and performance

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

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	144,213	–	144,213	13	144,226	–	144,226
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>144,213</u>	<u>–</u>	<u>144,213</u>	<u>13</u>	<u>144,226</u>	<u>–</u>	<u>144,226</u>
Operating profit by business segment	<u>5,880</u>	<u>–</u>	<u>5,880</u>	<u>(179)</u>	<u>5,700</u>	<u>–</u>	<u>5,700</u>
Finance income							1,111
Finance costs							(913)
Profit before tax							<u>5,898</u>

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

	Reporting segment			Other	Total	Adjustments	(Millions of yen) Consolidated
	Precious Metals Business	Environmental Preservation Business	Subtotal				
Revenue							
External revenue	240,325	–	240,325	32	240,357	–	240,357
Intersegment revenue	–	–	–	–	–	–	–
Total	<u>240,325</u>	<u>–</u>	<u>240,325</u>	<u>32</u>	<u>240,357</u>	<u>–</u>	<u>240,357</u>
Operating profit by business segment	<u>7,498</u>	<u>964</u>	<u>8,463</u>	<u>(145)</u>	<u>8,317</u>	<u>–</u>	<u>8,317</u>
Finance income							666
Finance costs							<u>(591)</u>
Profit before tax							<u>8,392</u>

Notes on assumptions for going concern

Not applicable

Significant subsequent events

Not applicable