

Translation

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[Delayed] Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 9, 2023

Company name: AMITA HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2195 URL <https://www.amita-hd.co.jp/>
 Representative: Chairman and Chief Visionary Officer KUMANO Eisuke
 President and Chief Integrated Operations
 Inquiries: SUETSUGU Takahide TEL 075-277-0378
 Officer
 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2023	2,196	(7.4)	179	(33.3)	204	(33.8)	143	(36.2)
Six months ended June 30, 2022	2,370	–	269	0.9	308	(3.6)	225	3.7

Note: Comprehensive income Six months ended June 30, 2023 ¥134 million [(45.1)%]
 Six months ended June 30, 2022 ¥245 million [9.3%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	8.19		–	
Six months ended June 30, 2022	12.84		–	

Notes: 1. The amount of diluted earnings per share in the six months ended June 30, 2022 is not provided because there are no potential shares.

2. The amount of diluted earnings per share in the six months ended June 30, 2023 is not provided because, although there are potential shares, there are no potential shares with a diluting effect.

3. The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates “earnings per share.”

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	5,333	2,088	39.0
As of December 31, 2022	4,824	2,001	41.4

Reference: Equity As of June 30, 2023 ¥2,082 million
 As of December 31, 2022 ¥1,995 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2022	–	0.00	–	3.00	3.00
Year ending December 31, 2023	–	0.00			
Year ending December 31, 2023 (Forecast)			–	4.00	4.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,283	9.5	774	27.0	887	24.0	620	16.6	35.37

Note: Revisions to the forecast of financial results most recently announced: No

4. Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Newly included: 1 company (AMITA CORPORATION)

Excluded: – companies

Yes

Note: For details, please refer to “2. Quarterly consolidated financial statements, (3) Notes to quarterly consolidated financial statements, (Changes in significant subsidiaries during the six months ended June 30, 2023)” on page 8 of the attached document.

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	17,556,360 shares	As of December 31, 2022	17,551,360 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	3,890 shares	As of December 31, 2022	3,890 shares
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Average number of shares during the period

Six months ended June 30, 2023	17,551,756 shares	Six months ended June 30, 2022	17,537,595 shares
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Note: The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates “total number of issued shares at the end of the period,” “number of treasury shares at the end of the period,” and “average number of shares during the period.”

Notes:

1. Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

2. Explanation on proper use of earnings forecast, and other special matters

Earnings forecast and other forward-looking statements in this material are based on data currently available to the Company and certain assumptions that the Company believes are reasonable. The Company gives no assurance that the Company will achieve such forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For details of the assumptions used in the earnings forecast and a cautionary note regarding their appropriate use, please refer to “1. Qualitative information on quarterly consolidated financial results for the six months ended June 30, 2023, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached document.

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1. Qualitative information on quarterly consolidated financial results for the six months ended June 30, 2023

(1) Explanation of operating results (financial position and operating results)

In the six months ended June 30, 2023, the impact of COVID-19 on the Japanese economy lessened and consumption activities including inbound demand picked up, but uncertainties remain, such as instability in global supply chain due to high prices of raw materials, energy, and resources, and the accompanying sharp increases in domestic food and goods prices, as well as sluggish growth in production activities due to the slowdown in the global economy. Under this economic situation, the AMITA Group (the “Group”) developed and launched the Social Systems Design Business to provide integrated assistance to businesses and municipalities in achieving greater corporate and community sustainability under “Ecosystem Society Concept 2030” (announced in November 2022), our business vision for 2030, with the aim to achieve a sustainable society. As the basis for this, we have pursued organizational reforms, worked to enhance organizational mobility, quality of services, and value creation capabilities and actively promoted strategic partnerships with companies in different industries.

In the Transition Strategy Business Area, our seminars and integrated sales activities regarding the “Cyano Project,” which comprehensively supports the creation and business transformation of recycling-oriented businesses, have led to increases in negotiations and allowed us to consistently secure orders from new customers. Going forward, we will strengthen our marketing function to increase order rates and restructure our products, including responding to the recent increased attention to the disclosure of information on natural risks arising from corporate activities (TNFD: Taskforce on Nature-related Financial Disclosures). In the environmental certification assessment service, performance has been strong in the six months ended June 30, 2023 reflecting delayed recording of sales from the three months ended March 31, 2023, and the consistent orders from new customers. ICT and BPO services for environmental management operations continued to perform well in response to the growing needs of client companies due to personnel shortages and other factors. Also, an equity-method affiliate, Codo Advisory, Inc., expanded its provision of support services for the development and assessment of transition strategies toward decarbonization management, as well as educational workshops on climate change, in collaboration with AMITA CORPORATION as appropriate. In response to the growing need for TNFD compliance, in June we began offering educational workshops for companies on biodiversity.

In the Circular Materials Business Area, while raw material procurement risks are becoming more apparent due to instability in the global supply chain, the need for alternative resources is steadily expanding. In particular, there is a strong need for alternative fuel resources such as cement fuels. In line with this, we are promoting active recycling and the production and sale of coal substitute products as circular materials, mainly at the Kitakyushu Resource Recycling Plant and the Himeji Resource Recycling Plant. In addition, closed-loop resource-recycling of silicon slurry waste liquids, mainly at the Kitakyushu Resource Recycling Plant, has been continuing steadily. Furthermore, we are implementing initiatives to improve profit margins, such as negotiating appropriate recycling prices and improving productivity at plants. On the other hand, we are handling less nonferrous metal materials and cement materials due to production cutbacks at some resource user companies. In October 2022, the resource manufacturing operations of the former Kawasaki Resource Recycling Plant were taken over by the Kawasaki Plant of Sanyu Plant Service Co., Ltd. In this connection, the recording of net sales and cost of sales for that transaction was changed from gross to net.

In the overseas business in Malaysia, although handling volume temporarily declined due to production cutbacks by client companies and other factors, local demand for alternative resources is increasing, and the handling volume is on a recovery trend as we proceed with efforts to restore the volume of existing projects and win new projects. In Indonesia, we signed a Memorandum of Understanding (MoU) with PT Indocement Tunggul Prakarsa Tbk., a major Indonesian cement company, and launched a comprehensive business feasibility study with the aim of entering into decarbonization and recycling-oriented business in that country. In addition, a project regarding decarbonization and recycling business in Indonesia and Malaysia, which we jointly bid for with Kitakyushu City and other partners, was selected by the Ministry of the Environment as a “City-to-City Collaboration Program for Zero Carbon Society.”

As for activities related to MEGURU STATION®, a community-type resource collection station that comprehensively solves local issues through mutual aid and assistance, we are continuing activities to build a model for deployment in Tachiarai Town, Fukuoka Prefecture and Kobe City, with the goal of establishing 50 stations by 2023. In addition, we have been engaged in related activities, such as signing an “Agreement to Promote Sustainable Recycling-Oriented Urban Development” with Kakegawa City, Shizuoka Prefecture, and starting full-scale development of a traceability system for recycled resources in MEGURU STATION® using

blockchain technology. As a future initiative, we were selected by the Cabinet Office on July 31 for the third phase of the Strategic Innovation Program (SIP), and will work with Toray Industries, Inc. to build and deploy a circular model for plastics. We will also proceed with work based on the “Comprehensive Partnership Agreement on the Practical Construction of a Sustainable Ecosystem Society” with Buzen City, Fukuoka Prefecture and Tsunaken Regional Connection & Development Organization announced on August 2 (to be signed on August 21).

In the area of partnerships, we have been evaluating specific collaborative projects related to the circular economy with companies from different industries. One example is our participation in a proof-of-concept field test of the “Digital Product Passport,” a first in Japan, as part of the Japan Circular Economy Partnership (J-CEP) project.

As a result of the above, in the six months ended June 30, 2023, net sales amounted to ¥2,196,548 thousand (down 7.4%, or ¥174,333 thousand YoY) due to a decrease in the handling volume of nonferrous metal materials and cement materials, and a change from gross to net recording of transactions at the former Kawasaki Resource Recycling Plant. Operating profit recorded ¥179,989 thousand (down 33.3%, or ¥89,956 thousand YoY) due to decreased net sales and increased selling, general and administrative expenses. Ordinary profit was ¥204,367 thousand (down 33.8% or ¥104,479 thousand YoY) due to a decrease in operating profit and a decrease in share of profit of entities accounted for using equity method related to the Malaysian business. Profit attributable to owners of the parent was ¥143,700 thousand (down 36.2% or ¥81,543 thousand YoY) due to a decrease in ordinary profit.

Statement by segment is omitted because the Group constitutes a single segment of the Social Systems Design Business.

(2) Explanation of financial position

As of the end of the second quarter under review, current assets increased by ¥290,980 thousand mainly due to an increase in cash and deposits, and non-current assets increased by ¥218,627 thousand mainly due to an increase in property, plant and equipment. As a result, total assets increased by ¥509,607 thousand from the end of the previous fiscal year to ¥5,333,888 thousand.

With regard to liabilities, current liabilities increased by ¥22,105 thousand mainly due to an increase in current portion of long-term borrowings, and non-current liabilities increased by ¥399,880 thousand mainly due to an increase in long-term borrowings. As a result, liabilities increased by ¥421,985 thousand from the end of the previous fiscal year to ¥3,245,215 thousand.

Net assets increased by ¥87,622 thousand from the end of the previous fiscal year to ¥2,088,672 thousand mainly due to recording of profit attributable to owners of parent.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

No changes have been made to the earnings forecast announced on February 13, 2023.

2. Quarterly consolidated financial statements**(1) Consolidated balance sheets**

	(Thousands of yen)	
	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	1,779,633	2,224,083
Notes and accounts receivable - trade	744,972	647,364
Merchandise and finished goods	32,989	30,780
Work in process	18,498	21,828
Raw materials and supplies	10,844	9,881
Other	182,759	126,669
Allowance for doubtful accounts	(70)	-
Total current assets	2,769,627	3,060,608
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	391,446	377,116
Machinery, equipment and vehicles, net	320,266	377,044
Land	752,187	752,187
Other, net	83,042	176,372
Total property, plant and equipment	1,546,942	1,682,720
Intangible assets	36,966	75,453
Investments and other assets	470,743	515,106
Total non-current assets	2,054,652	2,273,279
Total assets	4,824,280	5,333,888

AMITA HOLDINGS CO., LTD. (2195)

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	293,290	266,583
Current portion of long-term borrowings	170,000	205,067
Income taxes payable	101,504	87,251
Provision for bonuses	76,848	85,164
Other	627,363	647,045
Total current liabilities	1,269,005	1,291,111
Non-current liabilities		
Long-term borrowings	1,082,562	1,475,433
Retirement benefit liability	349,349	361,851
Asset retirement obligations	100,681	101,130
Other	21,630	15,689
Total non-current liabilities	1,554,224	1,954,104
Total liabilities	2,823,230	3,245,215
Net assets		
Shareholders' equity		
Share capital	480,680	483,560
Capital surplus	250,443	253,323
Retained earnings	1,225,139	1,316,163
Treasury shares	(482)	(482)
Total shareholders' equity	1,955,781	2,052,565
Accumulated other comprehensive income		
Foreign currency translation adjustment	39,219	30,072
Total accumulated other comprehensive income	39,219	30,072
Share acquisition rights	6,049	6,034
Total net assets	2,001,050	2,088,672
Total liabilities and net assets	4,824,280	5,333,888

(2) Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**Consolidated statements of income (cumulative)**

	(Thousands of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	2,370,881	2,196,548
Cost of sales	1,360,105	1,188,835
Gross profit	1,010,775	1,007,712
Selling, general and administrative expenses	740,829	827,723
Operating profit	269,946	179,989
Non-operating income		
Interest income	54	57
Share of profit of entities accounted for using equity method	36,120	18,623
Foreign exchange gains	7,308	8,513
Other	6,758	9,442
Total non-operating income	50,240	36,636
Non-operating expenses		
Interest expenses	8,477	8,384
Share acquisition rights issuance costs	-	2,391
Loss on cancellation of leases	2,245	-
Other	616	1,482
Total non-operating expenses	11,339	12,258
Ordinary profit	308,847	204,367
Extraordinary losses		
Loss on sale and retirement of non-current assets	-	2,205
Total extraordinary losses	-	2,205
Profit before income taxes	308,847	202,162
Income taxes - current	14,071	93,975
Income taxes - deferred	69,533	(35,513)
Total income taxes	83,604	58,462
Profit	225,243	143,700
Profit attributable to owners of parent	225,243	143,700

Consolidated statements of comprehensive income (cumulative)

	(Thousands of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	225,243	143,700
Other comprehensive income		
Foreign currency translation adjustment	4,440	2,123
Share of other comprehensive income of entities accounted for using equity method	15,564	(11,270)
Total other comprehensive income	20,005	(9,146)
Comprehensive income	245,249	134,553
Comprehensive income attributable to Comprehensive income attributable to owners of parent	245,249	134,553

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the six months ended June 30, 2023)

The Company changed the trade name of AMITA CORPORATION, a wholly owned subsidiary of the Company, to "AMITA CIRCULAR CORPORATION" effective January 1, 2023, transferred part of the business of AMITA CIRCULAR CORPORATION to a newly established company (trade name: AMITA CORPORATION) by means of a company split (simple incorporation-type company split) effective January 5, 2023, and made the newly established company a wholly owned subsidiary of the Company. As a result, that company has been included in the consolidated results since Q1 2023. The newly established AMITA CORPORATION is a specified subsidiary of the Company.

Although it does not constitute a change in specified subsidiaries, as a result of AMIDAO CORPORATION being newly established on January 5, 2023, that company has been included in the consolidated results since Q1 2023.

On June 1, 2023, the Company's consolidated subsidiary AMITA CORPORATION merged with the non-consolidated subsidiary KamiBIO Co., Ltd.