



# ARE Holdings, Inc. Financial Results for Q1 FY2024.3

July 27, 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.

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# **I. Financial Results for Q1 FY2024.3**

(April 1, 2023 ~ June 30, 2023)

## **II. Appendix**

## Precious Metals Business

(Asahi Pretec Corp., ASAHI METALFINE, Inc., Asahi Refining)

The jewelry sector was strong on the back of the elevated gold price. In the catalyst sector, inventory grew at dismantlers due to the falling PGM price, despite a recovery in car sales. In the electronics sector, collection fell sharply due to the continued impact of inventory adjustment.

Business field	Business environment
Dentistry	Collection continued to fall due to the spread of alternative products. The number of patient is on the positive trend due to recovery from COVID-19.
Jewelry	Collection rose due to the higher gold price. Collection from manufactures also grew due to the recovery trend in the jewelry retail market.
Catalyst	Collection fell in Japan due to the falling PGM price; overseas, collection from catalyst manufactures was reduced.
Electronics	Collection was weak due to the continued impact of the supply chain inventory adjustment in response to a decline in the Chinese market.
North American refining	Product processing, selling and other transactions were steady.

## Environmental Preservation Business (Japan Waste Corporation)

Handling volume of sludge and wood waste fell significantly due to the impact of the business conversion of the Yokohama Plant; handling volume of other items generally rose year on year.

Items	Business environment
Liquid waste	Auto parts related products remained slow, printed board and related products are strong. The amount of liquid waste has distinctive difference by industry type.
Waste reagents	Our handling volume rose YoY despite no major change in waste reagents produced by educational institutions.
Medical waste	Although COVID19-related waste fell significantly, our handling volume increased as we expanded handling other medical waste.
Waste plastics	There is no big changes in the domestic market for waste plastics. We could keep the same handling volume with last year.
Other	Consulting sales remains strong partly because of the positive effect of the reorganization of our sales team.

## 02 Key Points of Q1 Financial Results



### Overview

<b>Revenue</b>	<p>¥66.5bn +¥6.8 bn compared to FY2023.3.</p> <p>Please see the following details:</p> <ul style="list-style-type: none"><li>• Precious Metals business +¥7.1bn</li><li>• Environmental Preservation business (¥0.3 bn)</li></ul>
<b>Operating income</b>	<p>¥3.1bn : (¥2.6bn) compared to FY2023.3</p> <p>Precious Metals Business (¥2.3bn) Main reason: Rhodium price decline (¥1.9bn) and the changes in accounting because of the spin off (¥0.4bn)</p> <p>Environmental Preservation Business (¥0.3bn) Main reason : Business conversion in Yokohama Plant, decrease in COVID-19 related waste, no large-scale special order received like previous year.</p>
<b>Accounting change</b>	<p>Due to the spin-off, the following two accounting changes have been made.</p> <ul style="list-style-type: none"><li>• Allocate common expenses, which used to be recorded as “adjustments” outside the segment, to each segment. (Figures by segment retroactively revised FY2023.3 figures)</li><li>• Posting of one-time cost as we will not be able to post the personnel cost for collection sales staff in assets following the company split.</li></ul>

# 03 Consolidated Results



Unit: billion yen

	Q1 FY2023.3	Q1 FY2024.3		FY2024.3	
	Results	Results	YoY Change	Forecast	YoY Change
Revenue	59.7	66.5	6.8	250.0	(42.4)
Operating profit	5.7	3.1	(2.6)	19.0	(0.3)
Ratio	9.5%	4.6%	(4.9%)	7.6%	1.0%
Profit before tax	6.1	3.1	(3.0)	18.5	2.4
Profit※1	4.3	2.4	(1.9)	13.2	2.3
Capex	1.3	1.0	(0.2)	12.4	7.5
Depreciation	0.8	0.9	0.1	3.1	(0.2)

※1 Profit attributable to owners of parent

# 04 Precious Metals Business



## Precious metals recycling business (Japan and Asia)

### Q1 FY2024.3 Results

Gold prices remained high and a large amount of gold collection from jewelry sector contributed to the revenue.

Price decline of rhodium and decrease of collection from electronics sector etc. caused profit decrease.

➔Increase in revenue and decrease in profit

## Refining business in North America

### Q1 FY2024.3 Results

Refining and product processing fees increased and various value added transaction based on refining business also made a steady progress.

➔Increase in revenue and profit

[Unit: billion yen]

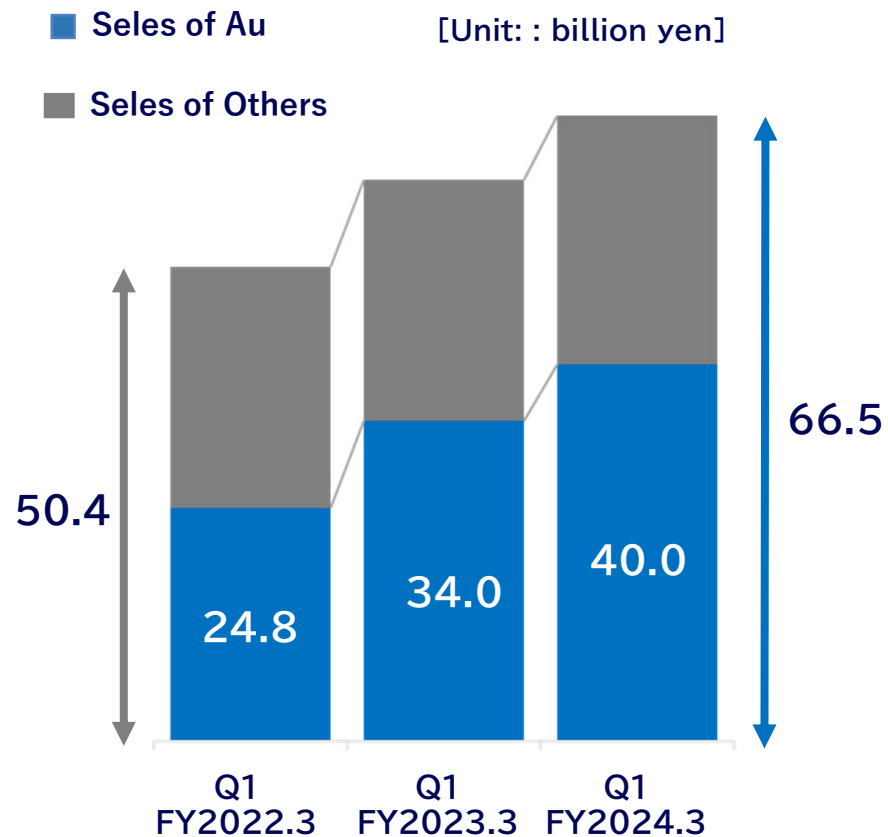
Precious Metals	Q1 FY2023.3	Q1 FY2024.3		FY2024.3	
	Results*	Results	YoY Change	Forecast	YoY Change
Revenue	55.3	62.4	7.1	232.0	(42.2)
Operating Profit	5.0	2.6	(2.3)	16.7	(3.1)
Ratio	9.0%	4.2%	(4.8%)	7.2%	(0.0%)

\*The actual achievement in FY2023,3 was processed retroactively due to the changes in Segment Accounting Standard which became effective since FY 2024.3.

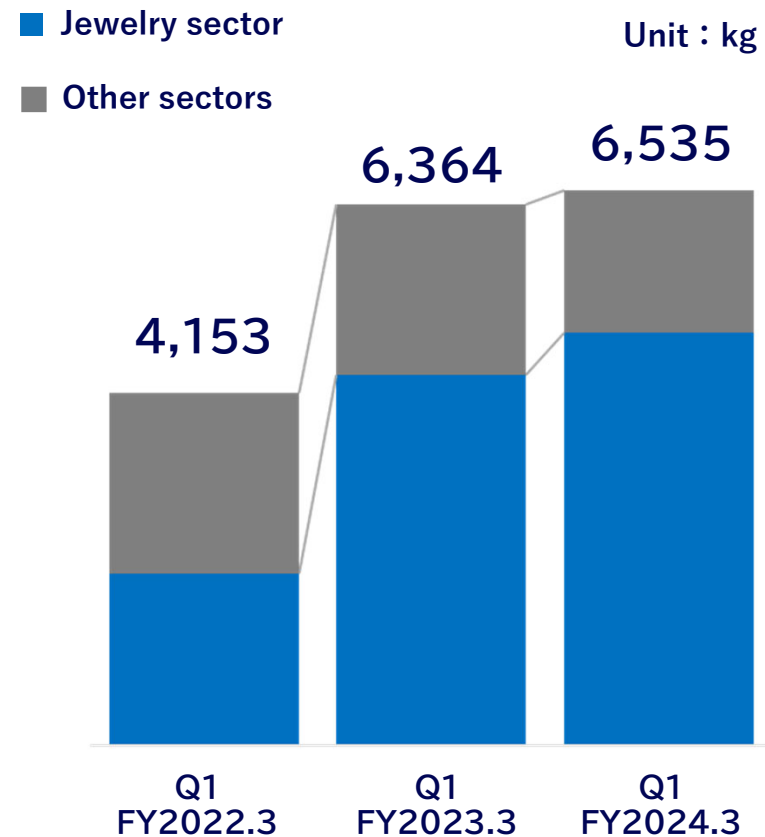
# 05 Impact of Gold Collection

- Gold increased its share of the total sales revenue YoY, because the collecting volume of gold from jewelry sector increased.

### ·Breakdown of revenues



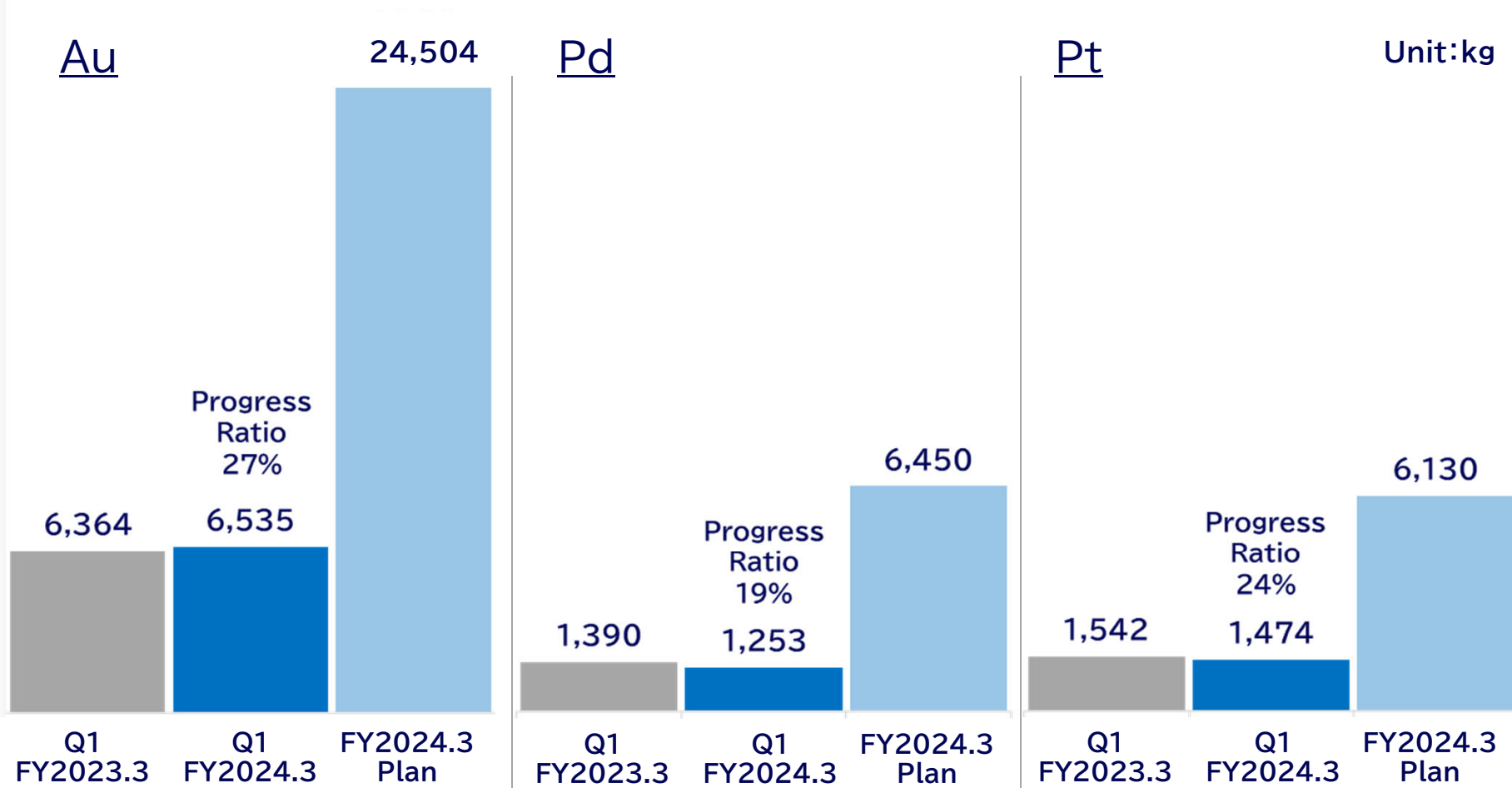
### ·Breakdown of AU collected



# 06 Ref: Volume of Precious Metals Collected



- The volume of palladium and platinum collected fell YoY but we expect it to recover from 2H.

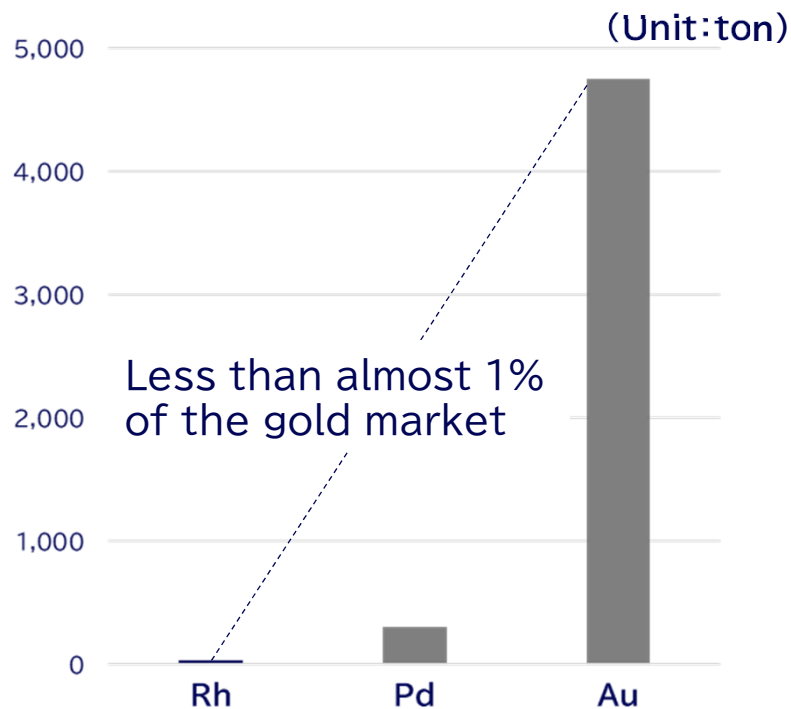




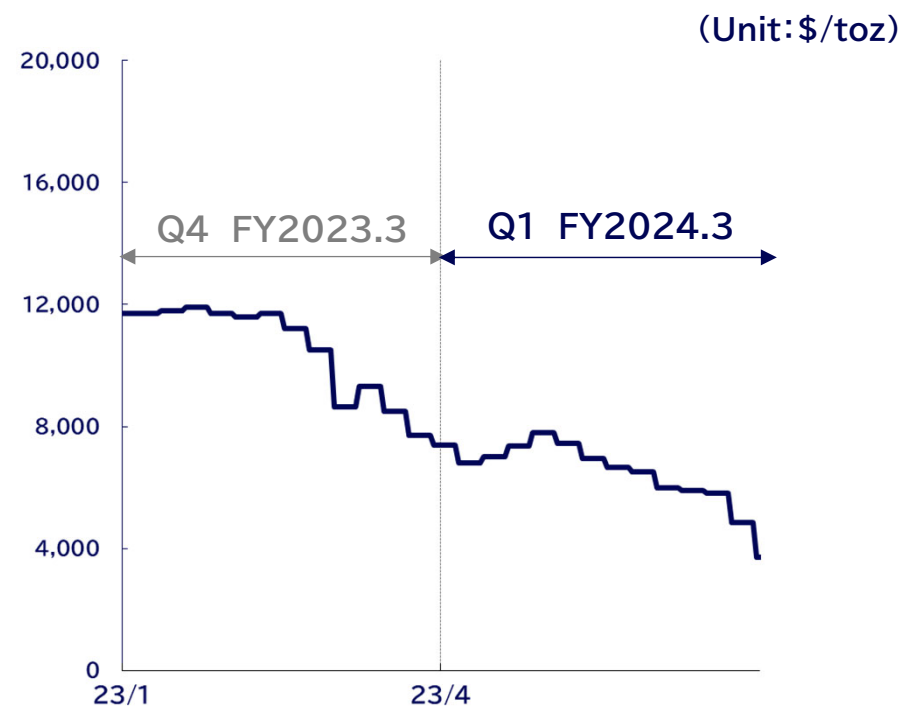
# 07 Rhodium Price Decline

- To avoid the impact of fluctuation of precious metals prices, precious metals hedging is carried out in principle, however, rhodium contained in the automotive catalyst has a small market and it is difficult to hedge.
- Rhodium price continues to go down since the previous 4<sup>th</sup> quarter. 3,700\$/toz decreased vs. the end of March. The impact of the loss due to the price fall was 1.9 billion yen.
- To mitigate the further fall down of rhodium price, we increased the ratio of forward contract and start alternative heading in July.

### Global Supply of Precious Metals in 2022



### Trend in Rhodium Prices



※Ref: Metals Week NY Dealer Prices, Metal Focus, WORLD GOLD COUNCIL「Gold・Demand・Trend data」, Johnson Matthey「PGM market Report 2023」 based on our research

## Environmental Preservation

### Q1 FY2024.3 Results

With the recovery of industrial production activities, the handling volume and utilization rate in facility were at a high level.

However, got the negative affect from business conversion of the construction of a new incinerator at the Yokohama Plant, a decrease in COVID-19-related waste, and no large scale specific order received like previous year.

➔Decrease in revenue and profit

[Unit: billion yen]

Environmental Preservation	Q1 FY2023.3	Q1 FY2024.3		FY2024.3	
	Results*	Results	YoY Change	Forecast	YoY Change
Revenue	4.4	4.1	(0.3)	18.0	(0.2)
Operating Profit	0.7	0.4	(0.3)	2.3	(1.5)
Ratio	15.1%	9.9%	(5.2%)	12.8%	(8.3%)

The actual achievement in FY2023,3 was processed retroactively due to the changes in Segment Accounting Standard which became effective since FY 2024.3.

# 09 Financial Position



Unit: billion yen

	Mar 31, 2023	June 30, 2023	Change	Remarks
<b>Current Assets</b>	238.4	300.1	61.7	
Trade receivables	154.0	203.9	49.9	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	40.9	44	3.2	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 limited because in principle, precious metals prices are hedged at the time of purchase.
Others	43.5	52.1	8.7	
<b>Non-current assets</b>	49.1	56.7	7.6	
<b>Total Assets</b>	<b>287.4</b>	<b>356.8</b>	<b>69.4</b>	
<b>Liabilities</b>	180.5	243	62.1	
Bonds and loans	144.4	209.7	65.3	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	36.1	32.9	(3.3)	
<b>Capitals</b>	107.0	114.3	7.3	
<b>Total equity and liabilities</b>	<b>287.4</b>	<b>356.8</b>	<b>69.4</b>	

# 10 Cash Flow



Unit: billion yen

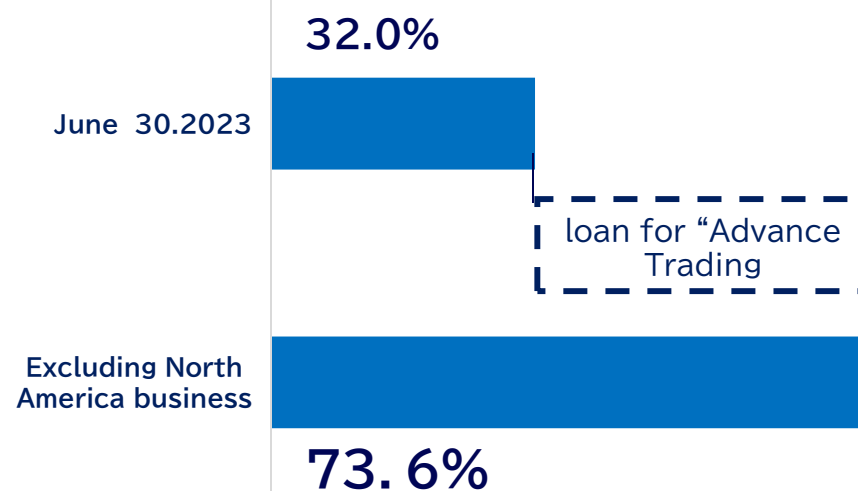
	Q1 FY2024.3	Remarks
Operating CF	3.0	
Changes in inventories	(3.2)	The greater part of the changes is the collected raw materials that contain precious materials, works-in-progress and finished products in precious metals recycling business. Risks associated with price fluctuations and quality deterioration remain limited because raw materials are purchased after the precious metal content is analyzed and in principle, the precious metals prices are hedged on the futures market at the time of the purchase.
Changes in trade and other receivables	(32.6)	Of the increase/decrease amount, (41.4) 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	34.9	Of the increase/decrease amount, 35.7 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	3.9	
Investment CF	(12.1)	Payments for loans receivable 13.3 billion yen
Financing CF	10.2	
Changes in loans and bonds	13.7	
Dividends	(3.4)	
Others	(0.1)	
Effect of exchange rate change on cash and cash equivalents	(2.0)	
Changes in cash deposits	(0.9)	

## Financial Position

[Unit: : billion yen]

	June 30, 2023	Excluding North America business
Current Assets	300.1	98.5
Non-current assets	56.7	56.7
<b>Total Assets</b>	<b>356.8</b>	<b>155.2</b>
Liabilities	242.5	40.9
Capitals	114.3	114.3
<b>Total equity and liabilities</b>	<b>356.8</b>	<b>155.2</b>

## Equity Ratio

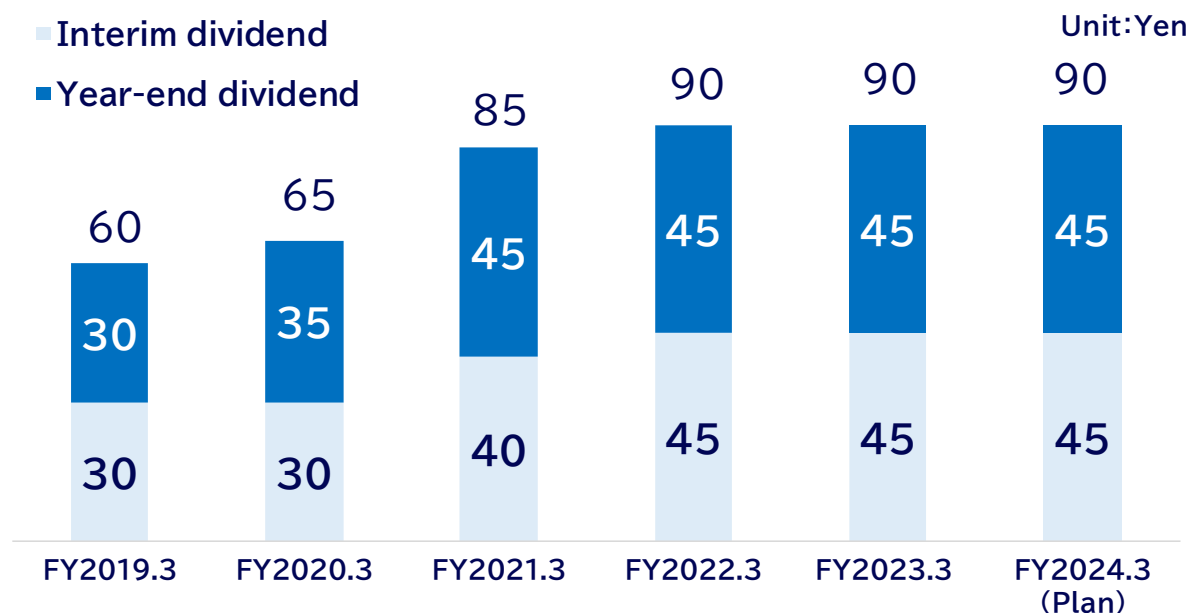


- Enabling large-scale funding for the finance services with competitive interest rates.
- Advance trading is tied to refining contract.
- In general, rising interest will not affect the profitability of the North American business.

# 12 Shareholder Return Policy



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)	114.07	125.12	326.90	238.11	141.19	172.23
Dividend payout ratio(%)	52.6	52.0	26.0	37.8	63.7	52.3

※1:2 stock split was implemented on April 1, 2021, and dividends per share and earnings per share until FY2021/3 are calculated based the post-split basis

# 13 Progress of Capital Investment

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



**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 yen

	FY2022.3	FY2023.3	FY2024.3
	Results	Results	Plan
<b>Precious Metals</b>	7.7	4.5	10.4
Domestic	4.0	2.5	5.7
Overseas	3.6	2.0	4.6
<b>Environmental Preservation</b>	0.7	0.5	2.1

# 14 Expansion of Bando Plant

- To centralize the factory for catalyst sector from Ehime to Bando, the expansion of Bando Plant (The second phase) is on the plan and the operation is supposed to start in April, 2025. At the same time, further expansion of processing facility in electronics sector is on the plan.

Rendering photo for completed Bando Plant (the second phase)

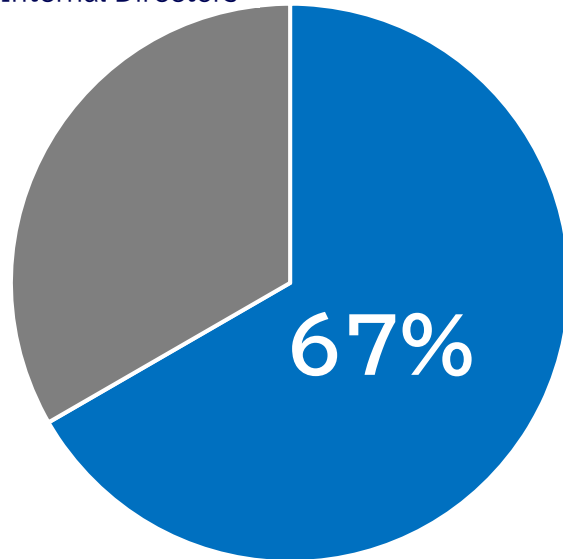




- Continue building a progressive structure with the ratio of outside directors at 2/3 and the ratio of female directors at 1/3.
- When replacing directors, an M&A specialist and an expert on intellectual property rights were invited as outside directors.

## Ratio of outside directors

- Outside Directors
- Internal Directors



## Ratio of female directors: over 30%



4 men



2 women

Title	Name	Management in general	Industry knowledge	International experience	Sales	Technology/Innovation	Government experience	Legal affairs	Finance/accounting	Intellectual properties	M&A
Director/Audit & Supervisory Committee member (Outside/independent)	Akinori Yamamoto (New)			●					●		●
Director/Audit & Supervisory Committee member (Outside/independent)	Yuki Tsuru (New)			●				●		●	

# 16 Renaming to ARE Holdings, Inc.



- The company was renamed as ARE Holdings, Inc. as of July 1, 2023.
- ARE stands for “Asahi, Resources, Environment,” showing our commitment to protecting nature and resources.

## ARE stands for:

Asahi  
Resources  
Environment

## ARE's role

ARE will engage in two businesses: precious metals business to reduce environmental impacts, and environmental preservation business to recycle resources and energy.

We will demonstrate our role and significance inside and outside the company and we will strive to achieve financial values and to solve social issues through company name change.



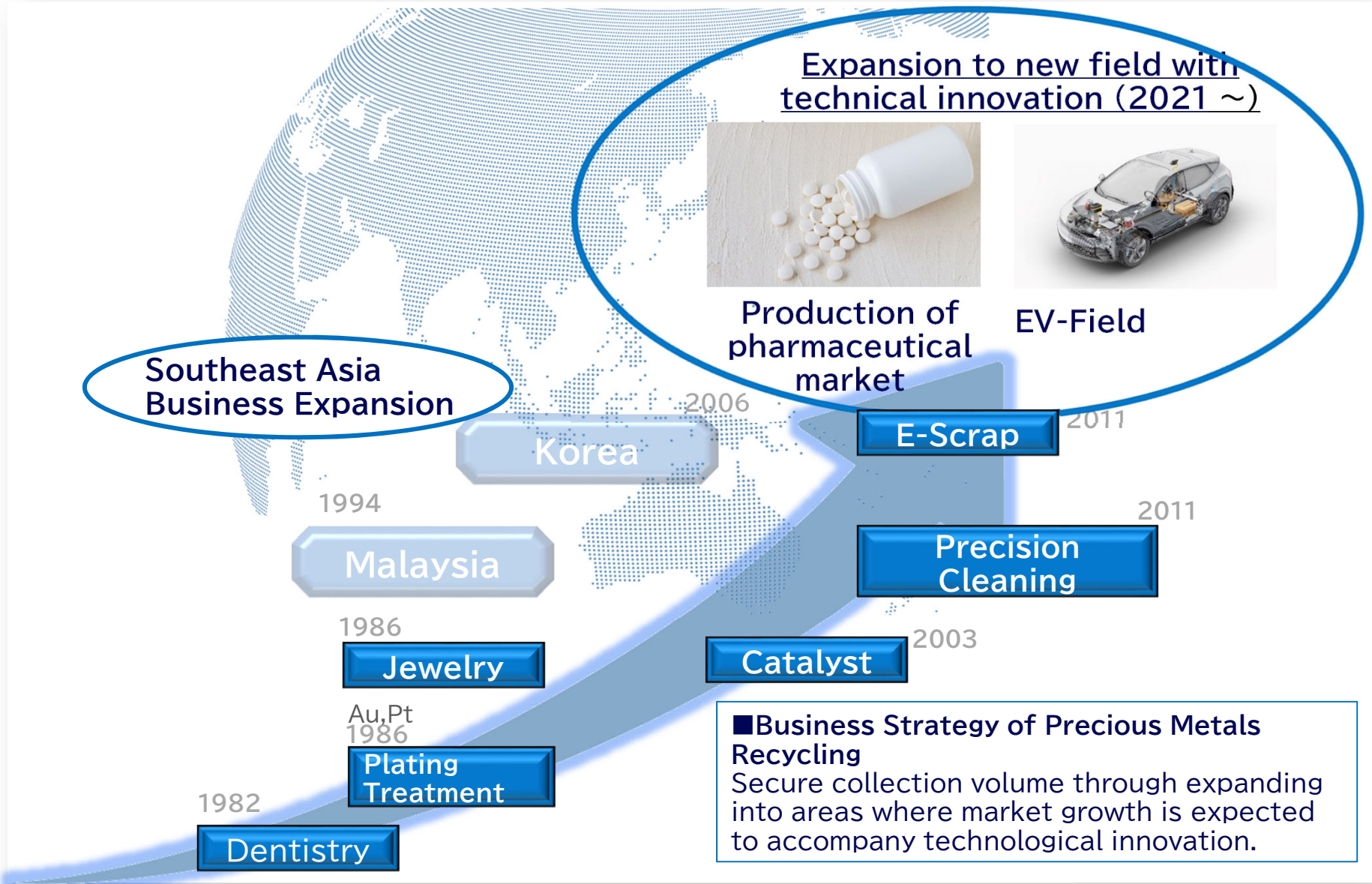


I. Financial Results for Q1 FY2024.3  
(April 1, 2023 ~ June 30, 2023)

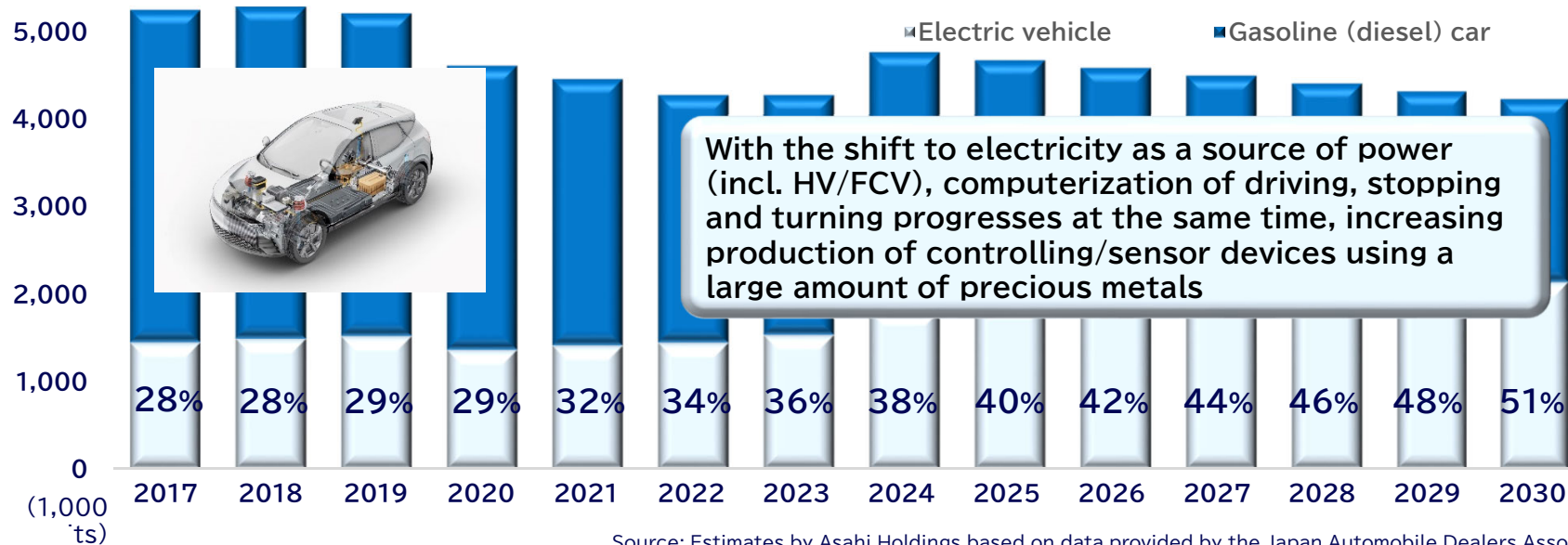
II. **Appendix**

Ref

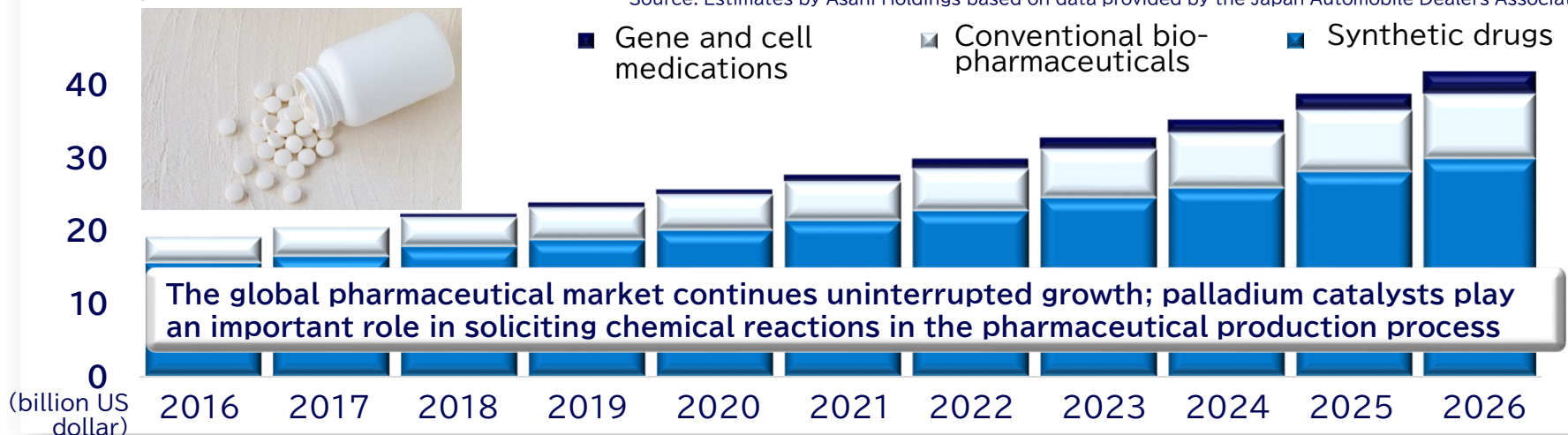
# Precious Metals Recycling Business: Growth Drive-New Field, Geographic Expansion



## Solving social challenges leads to the creation of a new recycling market and business opportunities for Asahi Holdings



Source: Estimates by Asahi Holdings based on data provided by the Japan Automobile Dealers Association



Source: Estimates by ARE Holdings based on data provided by EvaluatePharma®

## Strengthen finance business

- Trading
- Precious metals warehousing
- Loan, structured finance  
(e.g., support for environmental measures in South American mines)

## Downstream development

- Minting, products



“American Reserve”  
Our mega hit product in the US mining/refining field.

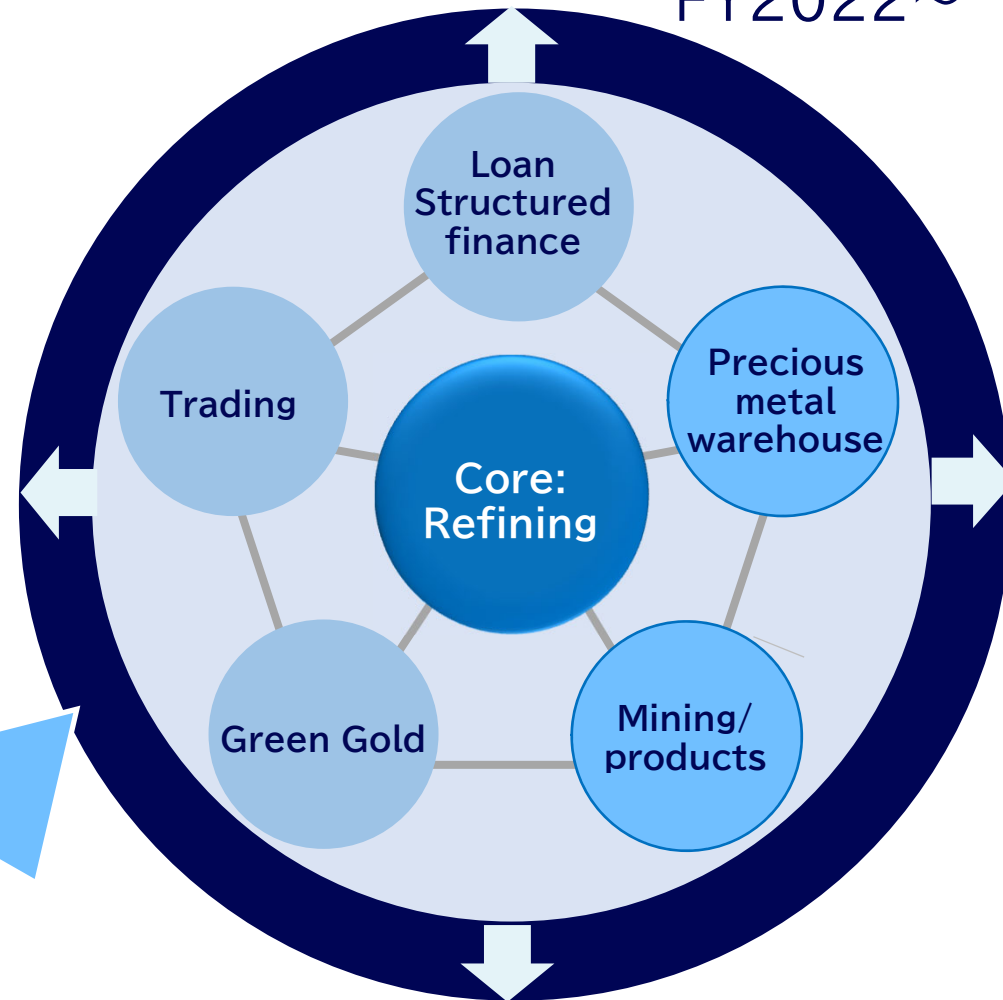
## Increase jewelry industry clients

- (Procure materials with awareness of human rights and environment)
- Green Gold

**Refining**

FY 2015年  
(When acquired)

FY2022~



- Strengthen the business model of refining, gold and futures transaction by earning the storage fee while utilizing refining, product processing, and futures trading.
- Purchased the land and property in NYC, and set up the special storage for precious metals.
- In early May, got certified by New York commodity exchange (COMEX), and started operating COMEX certified precious metals storage business.

① Produce & install bar certified by the New York Commodity Exchange



③ Monthly payment for storage fee

COMEX certified warehouse in New York

Asahi  
Refining

Owners of  
gold and silver

② Deliver Gold and Silver through future trading in New York Commodity Exchange

- Continuous capital investment is necessary for business expansion.
- Expand processing capacity through planned capital investment.

Unit: billion yen

## Hibiki Plant



Completion: October 2021  
Investment amount : approx. 1.7

Completion: October 2025  
Investment amount: approx. 6.0

## Yokohama Plant

2025  
Scheduled  
completion

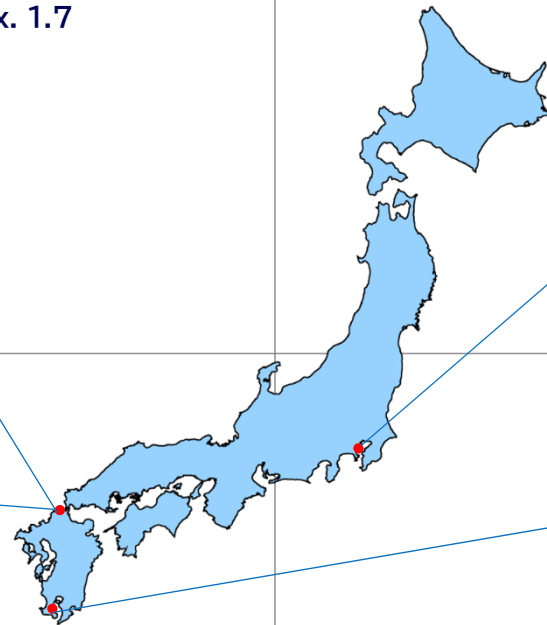
## Shinmoji Plant



Completion: October 2020  
Investment amount: approx.4.0

Completion: April 2018  
Investment amount :approx.1.8

## Taniyama Rinkai Plant





- Contribute to the building of a low-carbon, sustainable society through digitalization of industrial waste from discharge to treatment and reduction of environmental impact.
- A major version upgrade as “DXE Station” was conducted in April 2023. This upgrade includes a service for disposal companies and has dramatically streamlined a series of industrial waste processing operations from manifests to sales invoices.



## 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

## April 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年~

**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



- Our business strategy is tied with carbon neutral strategy.
- TCFD compliant disclosures, achieve Score “B” in CDP climate change
- Scope 1.2.3 CO<sub>2</sub> emission in FY2022 is scheduled to be verified by the third party.
- Introduced three-day weekend option and recognized as a Certified Health & Productivity Management Outstanding Organization for the 4<sup>th</sup> consecutive year.
- Introduced a stock compensation plan for managements that uses TSR as an indicator in FY2024.3.

### External evaluations\*

**MSCI**  
ESG RATINGS



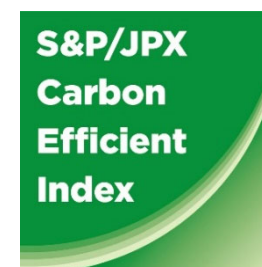
Score  
**B**

\*Based on external evaluations in FY2022

### Inclusion in ESG – related Indexes



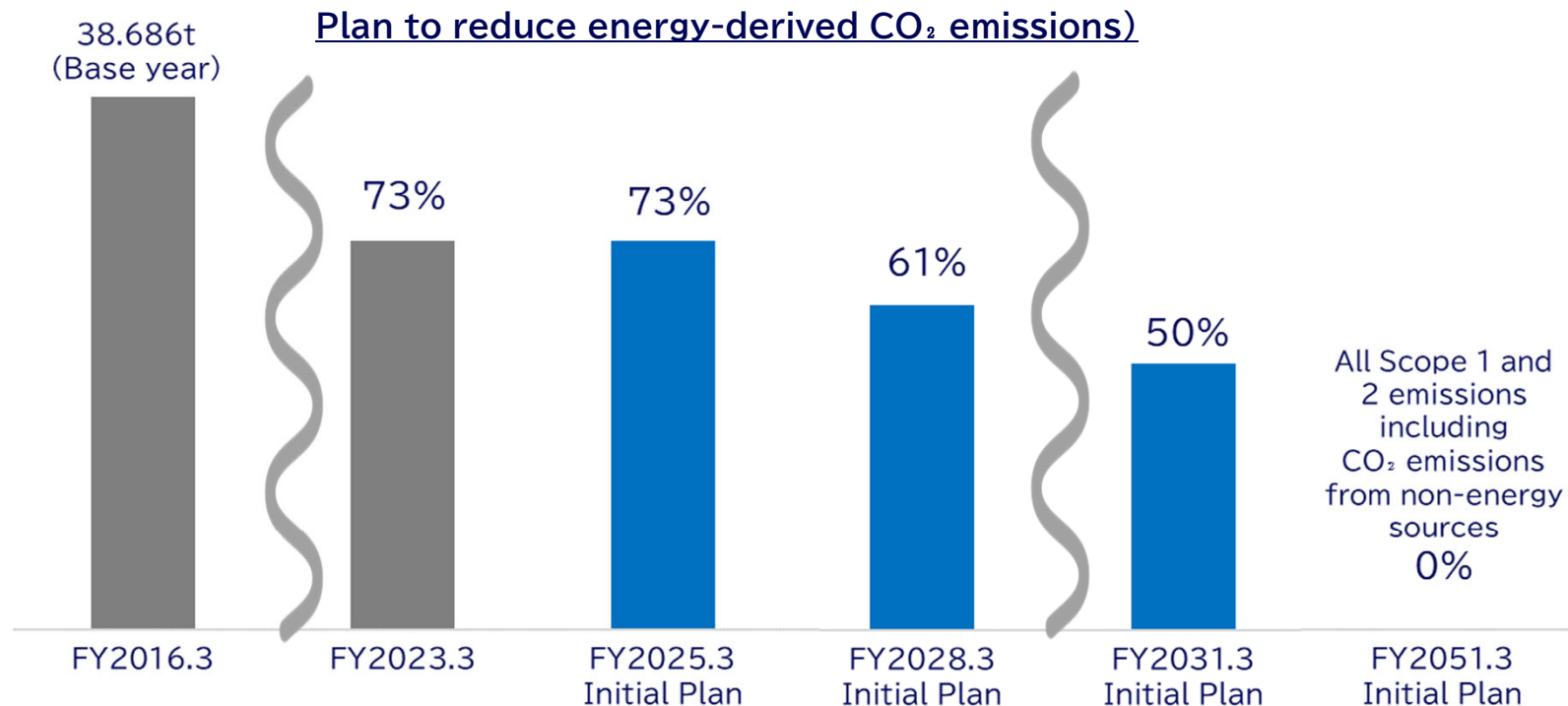
**FTSE Blossom  
Japan Sector  
Relative Index**



- Energy-derived CO<sub>2</sub> emissions in FY2023.3 is (27%) compared to the base year.
- Scope 1 has 92Kt CO<sub>2</sub>, Scope 2 has 14Kt CO<sub>2</sub>, and Scope 3 has 131Kt CO<sub>2</sub> (plan to conduct the third party verification).
- Our response status based on the TCFD recommendations are in the following chart.

Recommended Disclosures	Situation of efforts / Action policy
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Deliberating on climate change issues at the management level of the Sustainability Committee, which is chaired by the CEO, and which consists of presidents from the operating companies, top managements of Technical Unit, and Administration Unit.</li> <li>• Building a system to supervise the matters discussed by the Sustainability Committee under the Board of Directors.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Conducting scenario analysis of risks and opportunities related to short-, medium-, and long-term climate change at 4°C and 1.5°C.</li> <li>• Setting “Reduction of CO<sub>2</sub> emissions” as one of our business materiality themes.</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• Reporting the progress of measures on risks and targets extracted scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis.</li> </ul>
<b>Metrics and Targets</b>	<ul style="list-style-type: none"> <li>• By 2030, reduce energy-derived CO<sub>2</sub> emissions by 50% as compared to FY2015 (FY2022 actual was 27% reduction).</li> <li>• In addition, aim for achieving 2050 Carbon Neutral (both Scope 1 &amp; Scope 2)</li> <li>• In FY2023, emission in Scope 1 92Kt CO<sub>2</sub>, 14KtCO<sub>2</sub> in Scope 2 and 131Kt CO<sub>2</sub> in Scope 3.</li> </ul>

- In December, 2021, we made the declaration of achieving Carbon Neutrality by 2050. As an intermediate goal, by 2030, plan to achieve 50% reduction (vs. FY 2015) of energy-derived CO<sub>2</sub> emissions.
- The status of the plan for reducing CO<sub>2</sub> emissions by 2030 is as follows. CO<sub>2</sub> emission reduction is progressing beyond the initial plan.



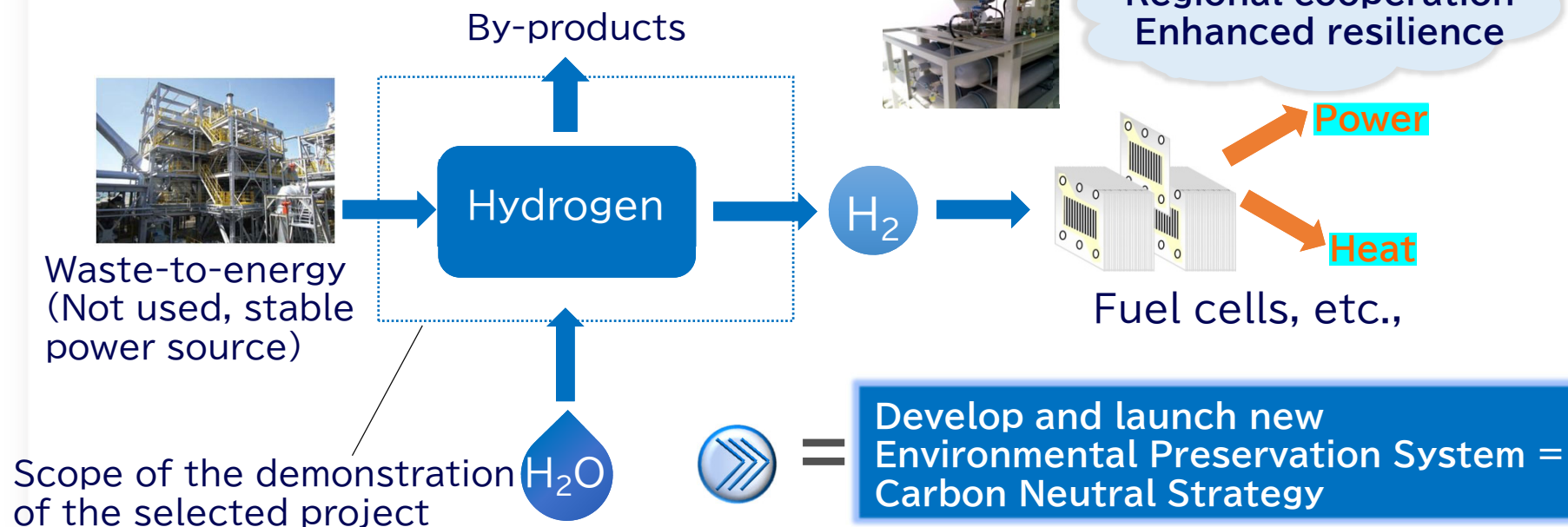
※Emission amount of JW Glass Recycling which was sold off in 2022 was recorded retroactively by including the actuals in basic fiscal year and FY2022.3

The above CO<sub>2</sub> emissions reduction plan was created in June, 2021.

- 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 its partners for the “2021 Low Carbon Technology Research, Development and Demonstration Program,” which was publicly known by 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 completed in December 2022 and technical demonstration testing finished in March 2023.
- Aiming to create a hydrogen supply chain and selling by-products.

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

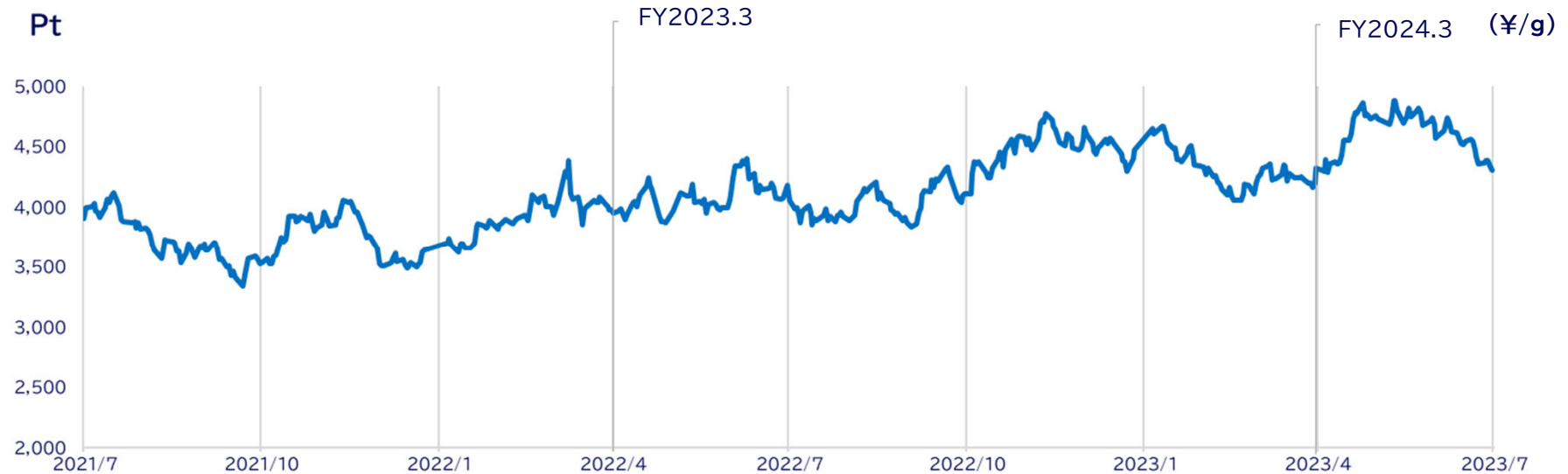
➔ Reduce CO<sub>2</sub>



# Ref Trend in Precious Metals Prices (Gold, Palladium) ARE



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



Unit:Yen

Precious Metal Prices (per gram)	Q1 FY2023/3	Q1 FY2024/3	
	Average price for the period	Average price for the period	Change
Gold	7,832	8,750	918
Palladium	8,950	6,463	Δ 2,487
Platinum	4,087	4,610	523

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