

ARE Holdings, Inc.

Financial Results for Q2 for fiscal year ending March, 2024 (FY 2023)

October 26, 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 Q2 FY2023

(April 1, 2023 ~ September 30, 2023)

II. Appendix

Overview

Sales revenue ¥151.9bn (YoY+¥19.2bn)

Operating profit ¥7bn (YoY (¥4.5bn))

Impact of rhodium

- Compared to Q1, rhodium price in 2Q seems more stable, but its price fell more than 70% from the end of last September, and YoY is ¥2.6 billion which is the negative impact.
- Forward contract and alternative hedging to mitigate the risk of rhodium price fluctuation are right on the track.

Other factors

- Paradigm price fell 40% from the end of last September.
- Inventory adjustment of clients in electronics and catalyst sector takes longer than our estimate.
- The change in accounting due to the spin off
- North American refining business is steady and smooth.

Revision to financial forecast

Made a revision to full year financial forecast because of the gold sales volume and selling price are higher than our initial assumption.

Japan Waste

Reached a basic agreement on a share exchange with Renatus who has excellent companies in industrial waste management business under its umbrella.

Precious Metals Business

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

The jewelry sector was strong on the back of the elevated gold price. The catalyst sector is struggling because of the price fall of paradigm. For North American refining business, trading and advance trading went well, but product processing and sales decreased.

Business field	Business environment
Dentistry	Maintained the same volume of collection as the last year even though the spread of alternative products continued by increasing the number of patient and our strong sales efforts.
Jewelry	Collection rose due to the increasing demands for jewelry recycling because of the higher gold price.
Catalyst	Collection fell in Japan due to the falling PGM price; overseas, collection from catalyst manufactures was reduced.
Electronic	Even though AI and EV related product demands pushed the market, collection decreased due to sluggish Chinese market.
North American refining	Refining ,Trading and advance trading were steady, but product processing and sales decreased.

Environmental Preservation Business (Japan Waste Corporation)

Handling volume of liquid waste increased YoY due to the large one time business, for medical waste, made up the loss of COVID19 related wastes with alternative medial wastes, wood waste fell significantly due to the impact of the business conversion of the Yokohama Plant.

Items	Business environment
Liquid waste	Even though some of the industries are on the recovery trend, electronic and electrical equipment related products, printed circuit board related products and others are still short of the full recovery.
Waste reagents	Even though there is no major change in waste reagents from educational institutions, our handling volume rose YoY thanks to the withdrawal from business of some of our competitors.
Medical waste	Besides last year's special demand from COVID19-related wastes, handling volume of medical waste is growing.
Waste plastics	Our handling volume of waste plastics shows a little decline due to the low emission of waste plastic and strong demand from cement related and RFP handlers.
Other	Handling volume of sludge and wood waste fell significantly due to the impact of the business conversion of the Yokohama Plant .

Unit : billion yen

	Q2 FY2022	Q2 FY2023		FY2023	
	Results	Results	YoY Change	Revised Forecast	YoY Change
Revenue	132.7	151.9	19.2	290.0	(2.4)
Operating profit	11.5	7.0	(4.5)	19.0	(0.3)
Ratio	8.7%	4.6%	(4.1%)	6.6%	(0.1%)
Profit before tax	10.2	7.2	(3.0)	18.5	2.4
Profit※1	7.3	5.3	(2.0)	13.2	2.3
Capex	2.1	2.9	0.9	12.4	7.5
Depreciation	1.6	1.8	0.2	3.1	(0.2)

※1 Profit attributable to owners of parent

Precious metals recycling business (Japan and Asia)

Q2 FY2023 Results

As collection amount from jewelry sector increased, gold sales volume and its price also increased.

On the other hand, price decline of rhodium and paradigm and inventory adjustment of our partner clients of electric and catalyst, caused a decrease of the collection amount.

➔ **Increase in revenue and decrease in profit**

North American refining business

Q2 FY2023 Results

Refining, trading and advance trading fee increased.

➔ **Increase in revenue and profit**

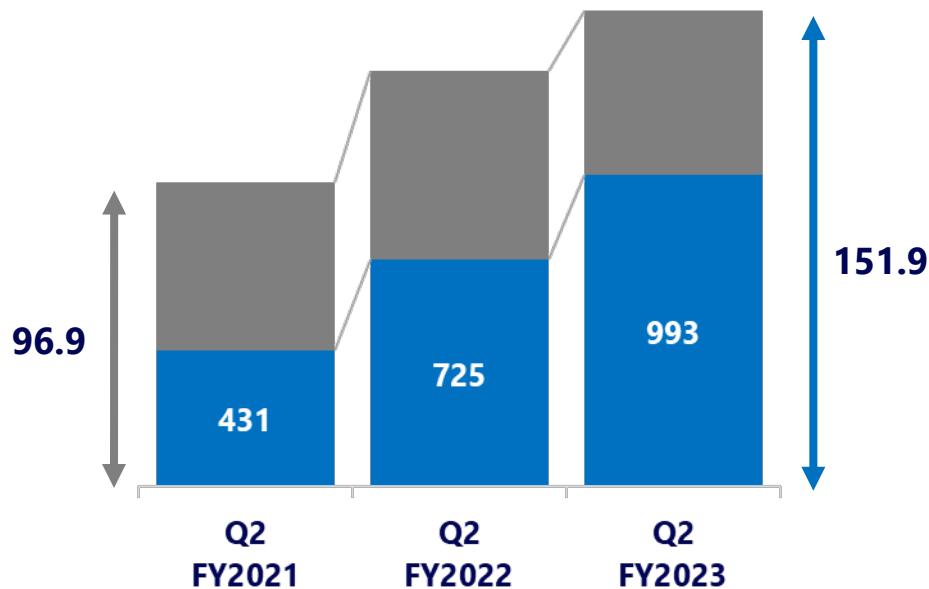
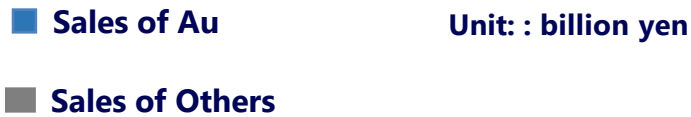
[Unit: billion yen]

Precious Metals	Q2 FY2022	Q2 FY2023		FY2023	
	Results*	Results	YoY Change	Forecast	YoY Change
Revenue	123.9	143.9	20.0	272.0	(2.2)
Operating Profit	10.5	6.1	(4.4)	16.7	(3.1)
Ratio	8.5%	4.2%	(4.3%)	6.1%	(1.1%)

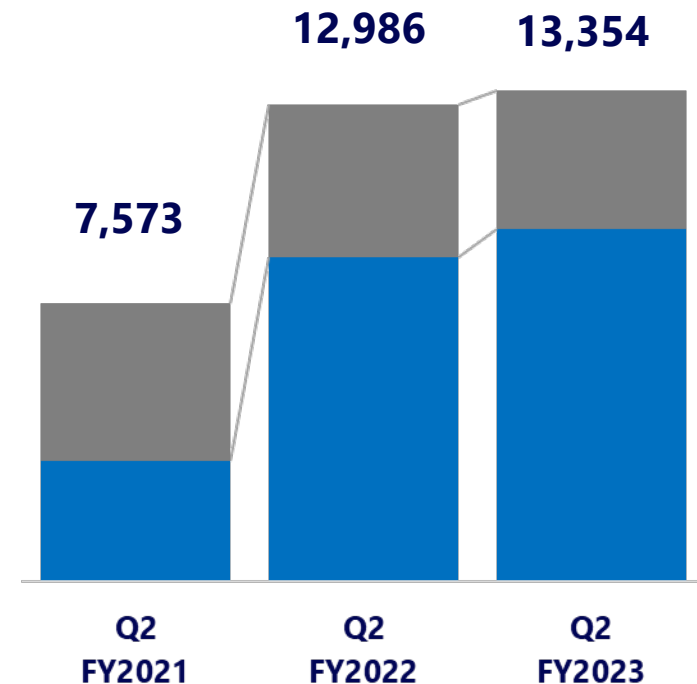
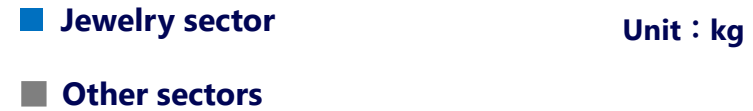
*The actual achievement in FY2022 was processed retroactively due to the changes in Segment Accounting Standard which became effective since FY 2023

- Gold share in revenue is increasing on YoY because both collection amount and selling price increased.

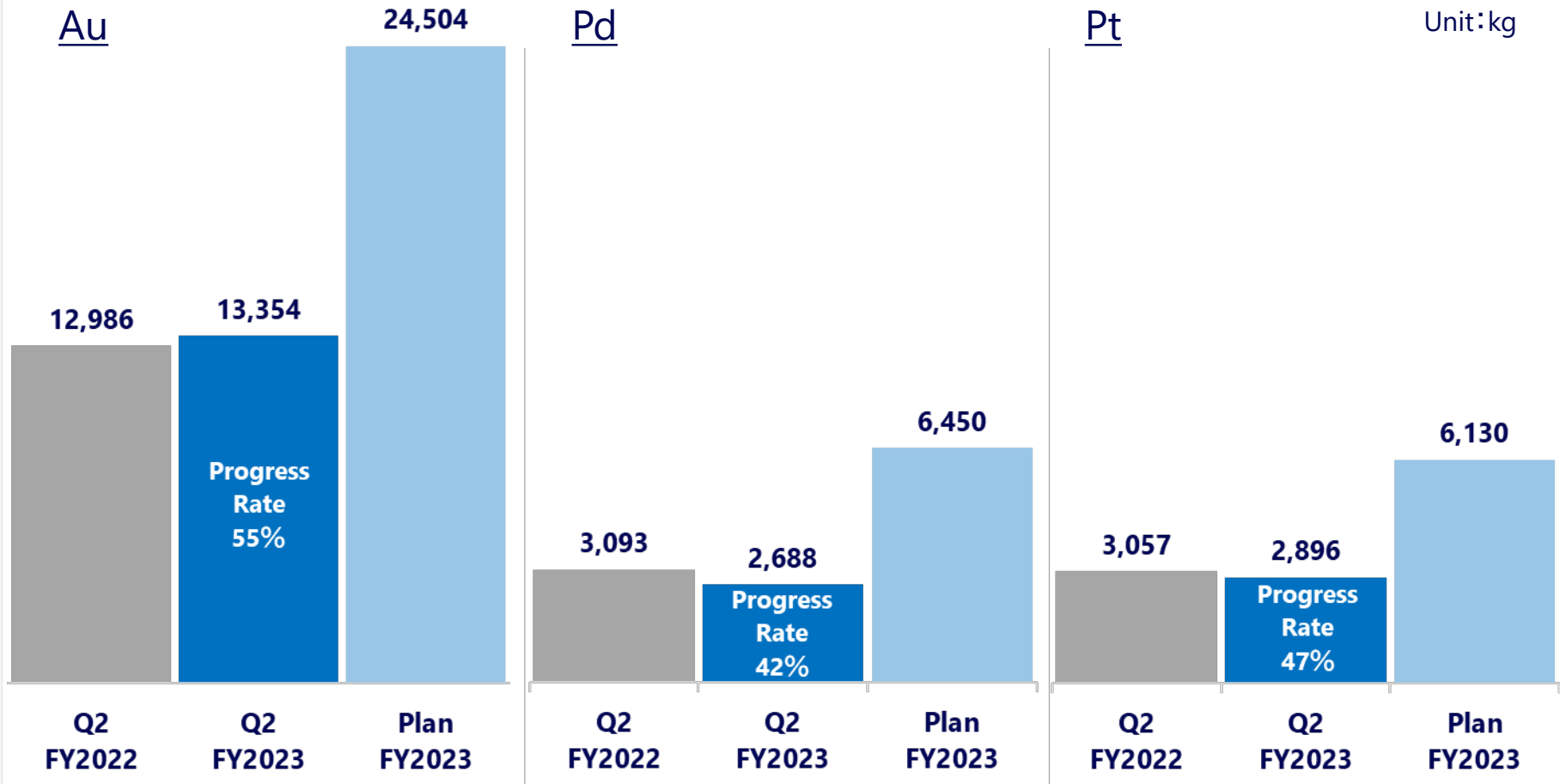
Breakdown of revenues



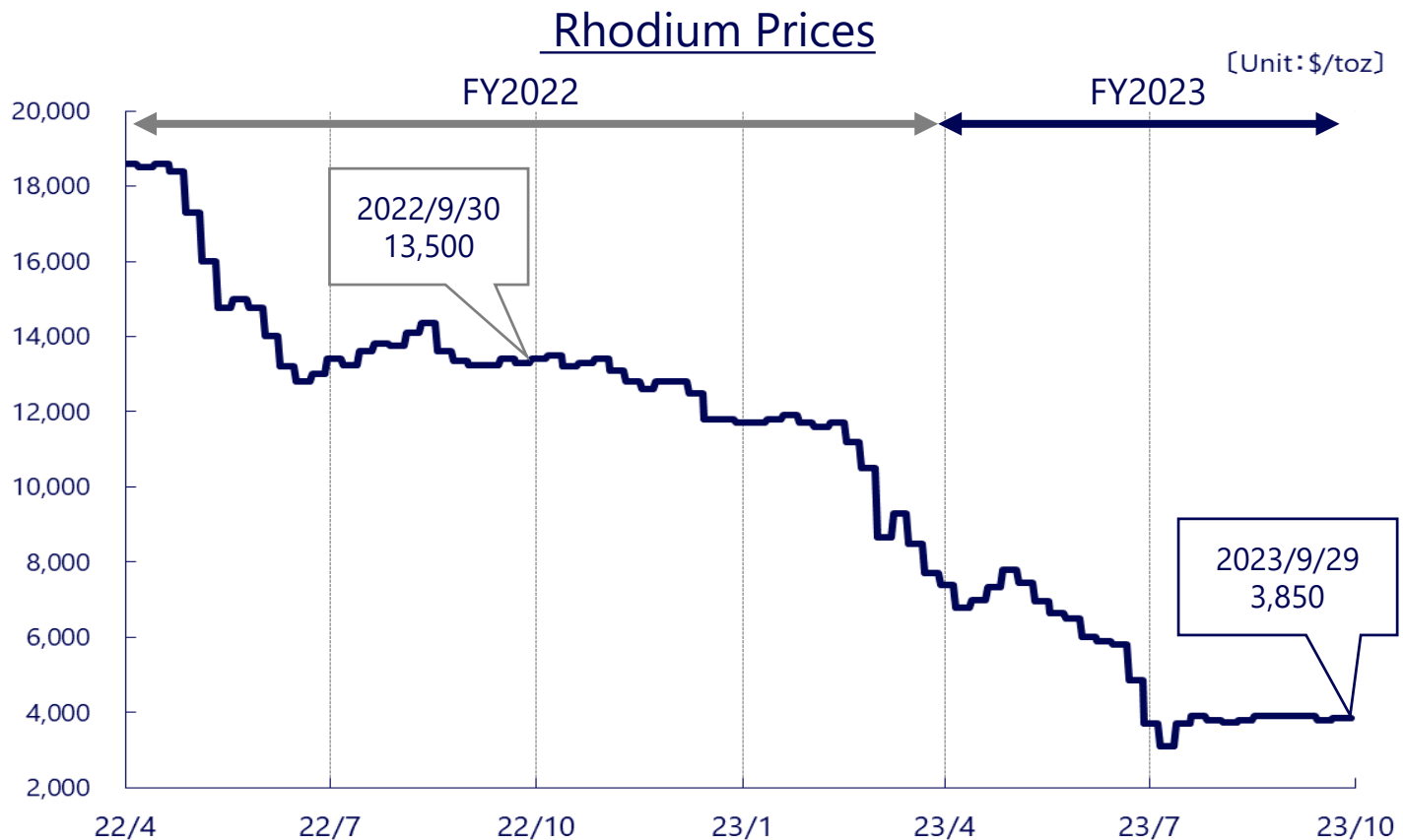
Breakdown of Au collected



- Collection amount of gold is on a positive trend, but collection amount of palladium and platinum is declining mainly from catalyst.



- Rhodium price was relatively stable but it still remained low in Q2 after its price plummeted in 1Q.
- The negative impact of the price decline was about 2.6 billion yen (YoY).
- Expect to be able to lower the impact of rhodium price fluctuation with actual hedging in forward contract and alternative hedging which we have started since July this year.



※Ref: Metals Week NY Dealer Prices

Environmental Preservation Business

Q2 FY2023 Results

Although operational rate of the facility keeps high level, could not avoid getting the negative impact from the fall of unit price of medical waste due to a decrease in COVID19 related waste, and business conversion for the purpose of constructing a new incinerator at the Yokohama plant.

➔ Decrease in revenue and profit

[Unit: billion yen]

Environmental Preservation	Q2 FY2022	Q2 FY2023		FY2023	
	Results*	Results	YoY Change	Forecast	YoY Change
Revenue	8.8	8.0	(0.8)	18.0	(0.2)
Operating Profit	1.7	1.1	(0.6)	2.3	(1.5)
Ratio	19.5%	13.7%	(5.8%)	12.8%	(8.3%)

The actual achievement in FY2022 was processed retroactively due to the changes in Segment Accounting Standard which became effective since FY2023.

Unit : billion yen

	Mar 31, 2023	Sep 30, 2023	Change	Remarks
Current Assets	238.4	338.1	99.7	
Trade receivables	154.0	234.3	80.2	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	40.9	35.6	(5.3)	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	68.2	24.8	
Non-current assets	49.1	54.3	5.2	
Total Assets	287.4	392.3	104.9	
Liabilities	180.5	273.0	92.5	
Bonds and loans	144.4	229.6	85.3	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	43.4	7.2	
Capitals	107.0	119.3	12.4	
Total equity and liabilities	287.4	392.3	104.9	

Unit : billion yen

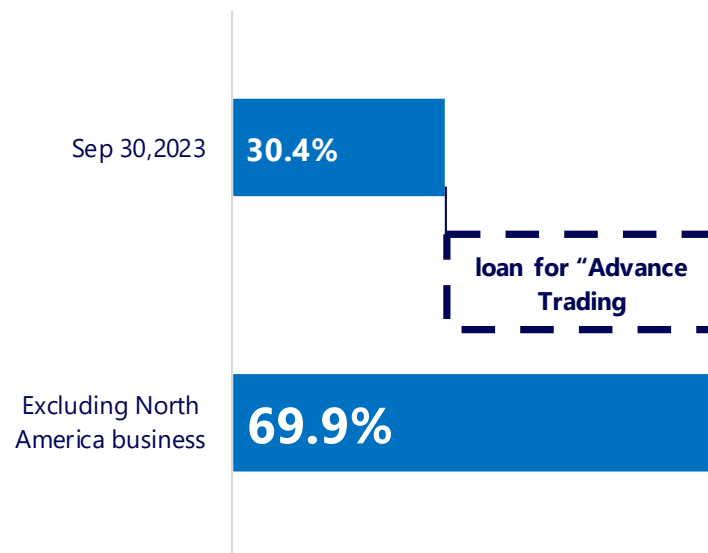
	Q2 FY2023	Remarks
Operating CF	10.4	
Changes in inventories	5.3	The greater part of the changes is the collected raw materials that contain precious materials, works-in-progress and finished products in precious metals recycling business. Risks associated with price fluctuations and quality deterioration 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	(60.9)	Of the increase/decrease amount, (50.2) 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	53.8	Of the increase/decrease amount, 52.8 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	12.3	
Investment CF	(13.2)	Payments for loans receivable 13.5billion yen
Financing CF	10.4	
Changes in loans and bonds	14.1	
Dividends	(3.4)	
Others	(0.2)	
Effect of exchange rate change on cash and cash equivalents	(1.8)	
Changes in cash deposits	5.8	

Financial Position

Unit : billion yen

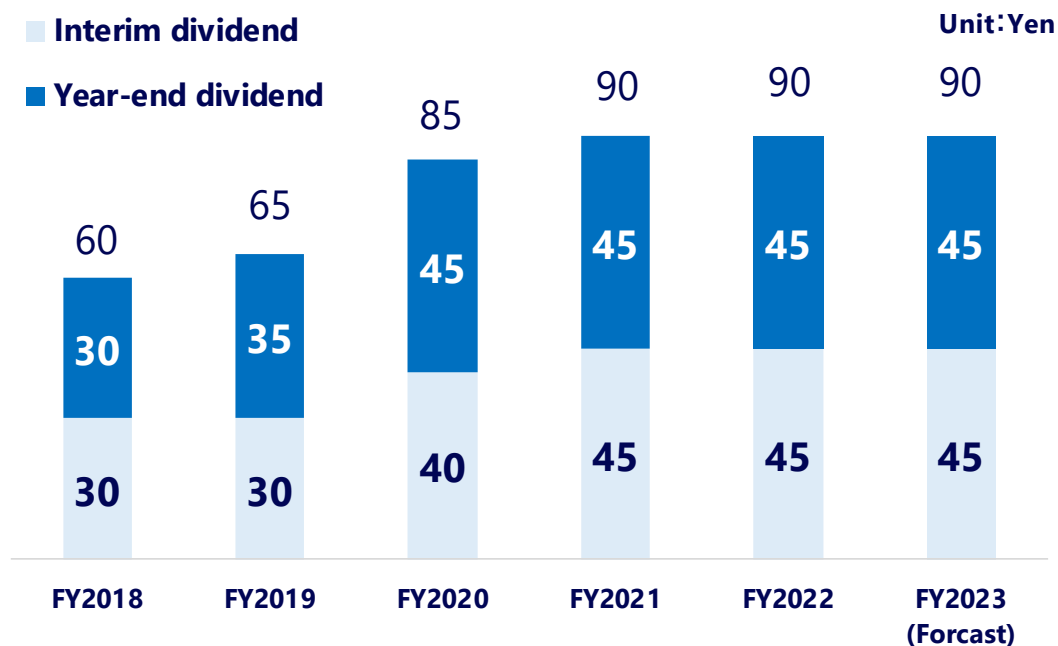
	Sep 30, 2023	Excluding North America business
Current Assets	338.1	116.5
Non-current assets	54.3	54.3
Total Assets	392.3	170.7
Liabilities	273.0	51.4
Capitals	119.3	119.3
Total equity and liabilities	392.3	170.7

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 refining business.

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)	125.12	326.90	238.11	141.19	172.23
Dividend payout ratio(%)	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

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

	FY2021	FY2022	FY2023
	Results	Results	Plan
Precious Metals	7.7	4.5	10.4
Domestic	4.0	2.5	5.7
Overseas	3.6	2.0	4.6
Environmental Preservation	0.7	0.5	2.1

- Environmental Preservation Business and Precious Metals Business are part of our corporate name and our core businesses.
- In April, completed the spin off of Japan Waste to be specialized in industrial waste management business and try to improve the corporate value including IPO.
- Industrial waste management industry is ¥5 trillion market, and it has a large potential of future market reorganization because of the small size of each company's share, climate issue, DX and labor shortages.

Purpose

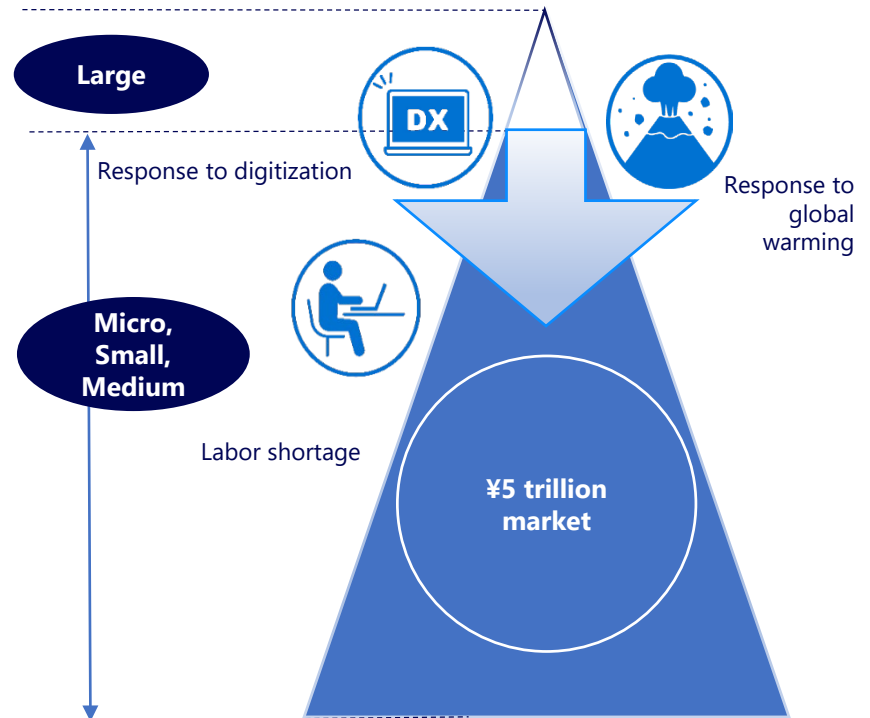
Totally Committed to Protecting the Natural Environment and Preserving Resources

ARE Stands For

<u>A</u> sahi		A
<u>R</u> esources	=	R
<u>E</u> nvironment		E

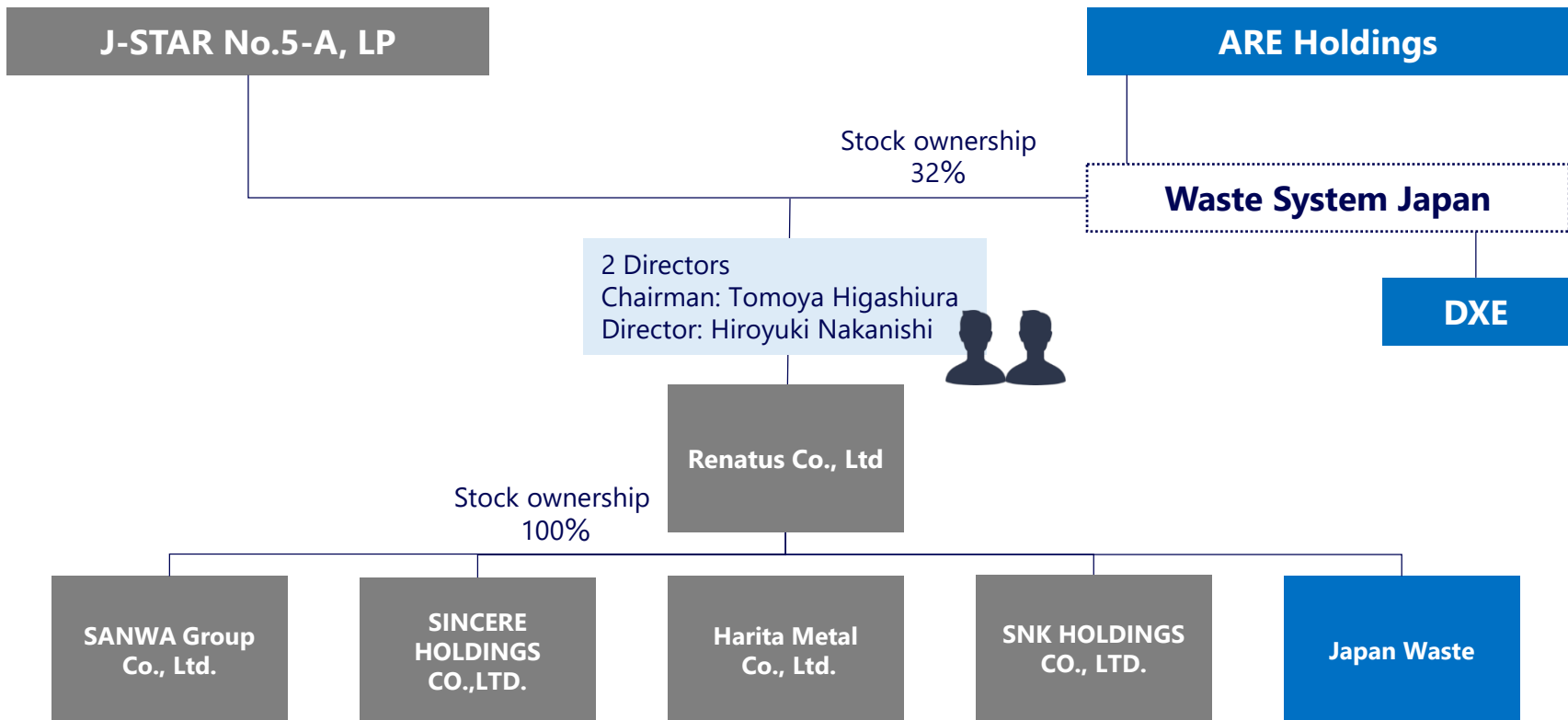
Core business

Precious Metals Business
Environmental Preservation Business



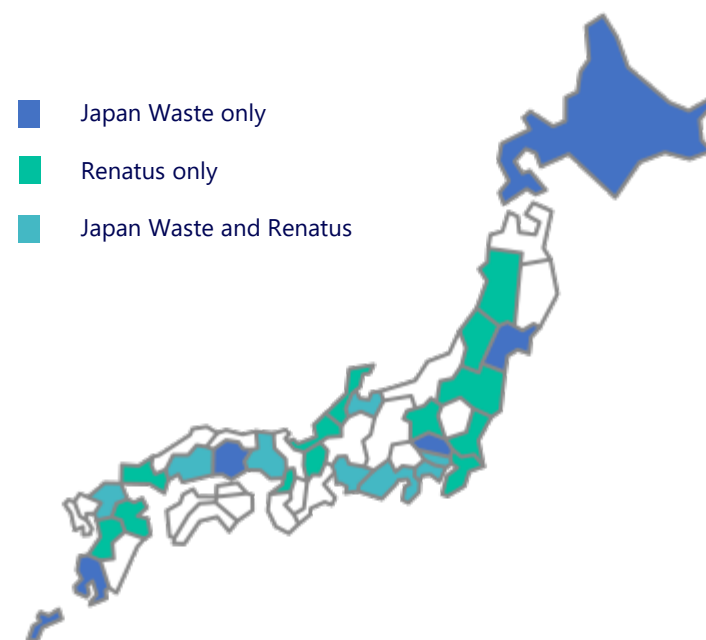
- Reached a basic agreement to conduct a share exchange in which Renatus would become the wholly owning parent company and Japan Waste would become the wholly owned subsidiary company.
- To become the leading company in environmental solutions, our executives will be appointed to be chairman and director of Renatus.
- Aiming for IPO as Renatus in the future.

Structure after the share exchange



- Will be on top level of the industrial waste sector in sales by share exchange.
- Improve the corporate value with synergies between nationwide sales force of Japan Waste and Renatus's large scale waste management facilities in Tokyo, Chubu, Kinki and Hokuriku, in addition to enhance cooperation with our Precious Metals Business.

Industrial Waste Company	Revenue (¥bn)
Company A	67.7
Renatus	54.4
Company B	34.0
Company C	18.8
Japan Waste	18.2
Company D	16.4
Company E	7.8
Company F	4.8



Renatus's revenue is a total of group companies' sales in previous fiscal year and revenue of ARE's Environmental Preservation Business of FY2022.
 Company B and D: Year ended Feb,2023, Company F: year ended Dec. 2022
 Other than above, year ended Mar,2023

I. Financial Results for Q2 FY2023

(April 1, 2023 ~ September 30, 2023)

II. Appendix

- 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)



- TCFD compliant disclosures, achieved Score “B” in CDP climate change.
- Selected by JPX Nikkei Index 400 which is organized by the companies with high attractiveness for investments.
- Selected as 4 out of 6 in ESG INDEX for local stock used by GPIF.

External evaluations*



* Based on external evaluations in FY2022

◆DISCLAIMER

THE INCLUSION OF ARE HOLDINGS IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ARE HOLDINGS BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Selected in Indexes



JPX-NIKKEI 400

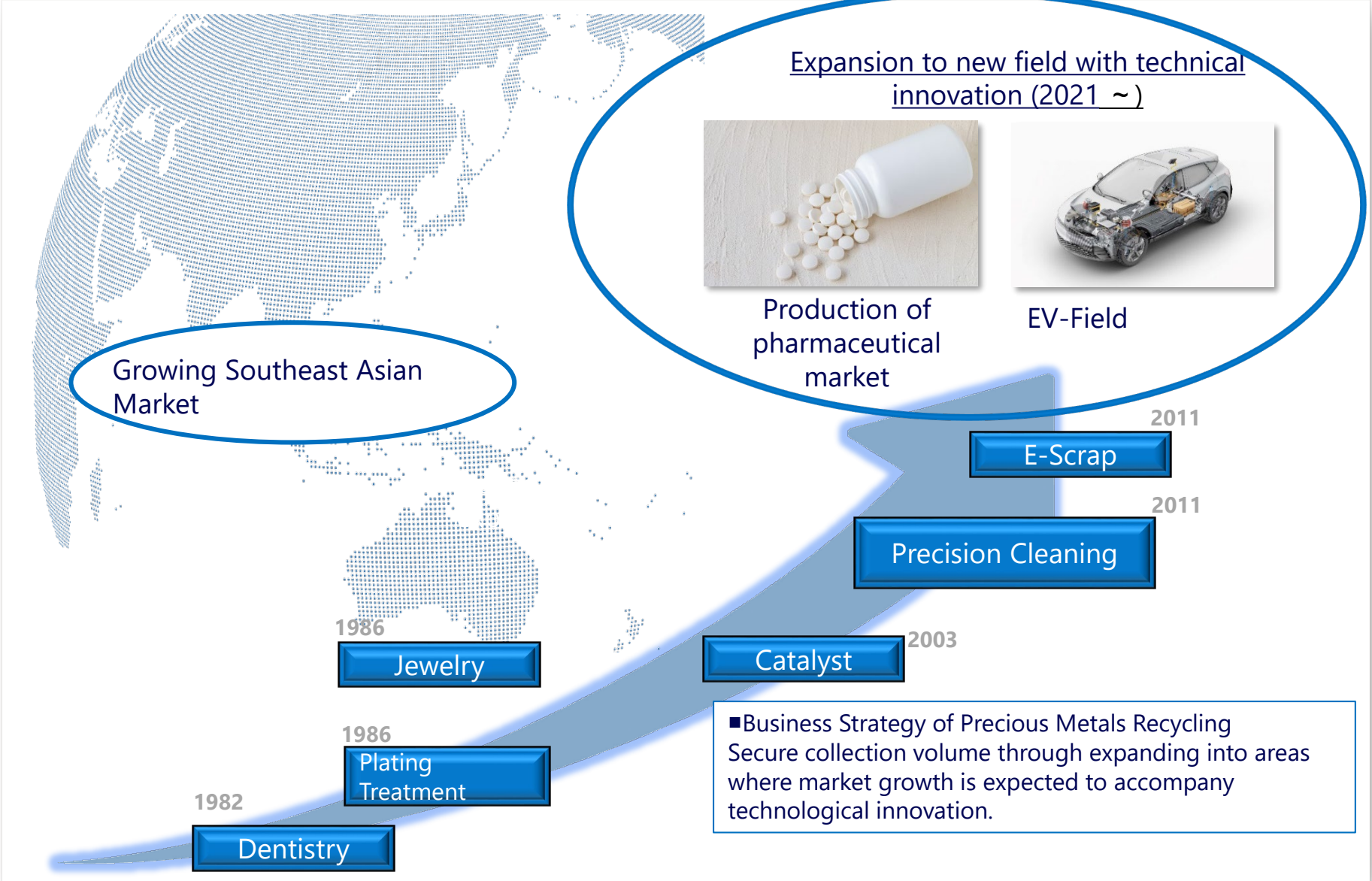


**FTSE Blossom
Japan Sector
Relative Index**

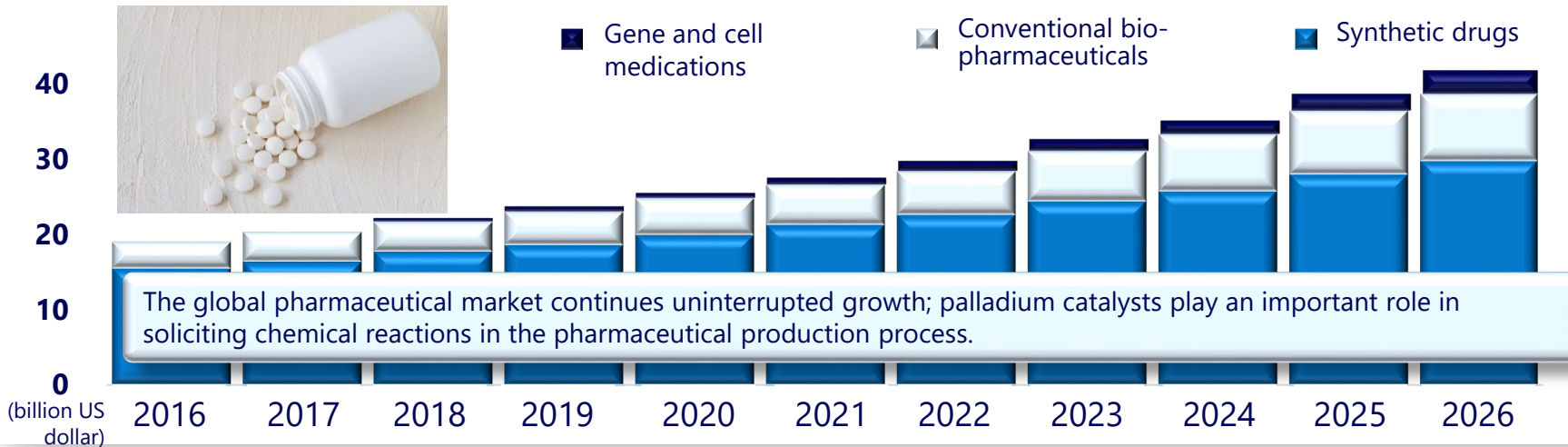
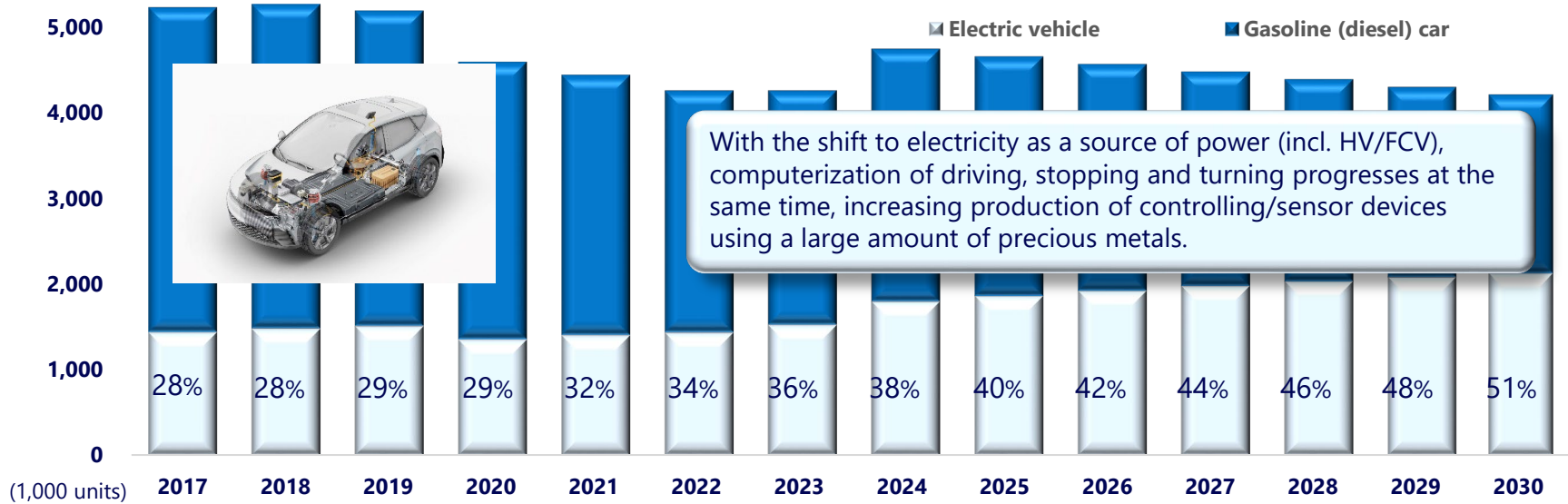


Morningstar Japan ex-REIT Gender
Diversity Tilt Index

**2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX(WIN)**



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



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

Strengthen financial 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

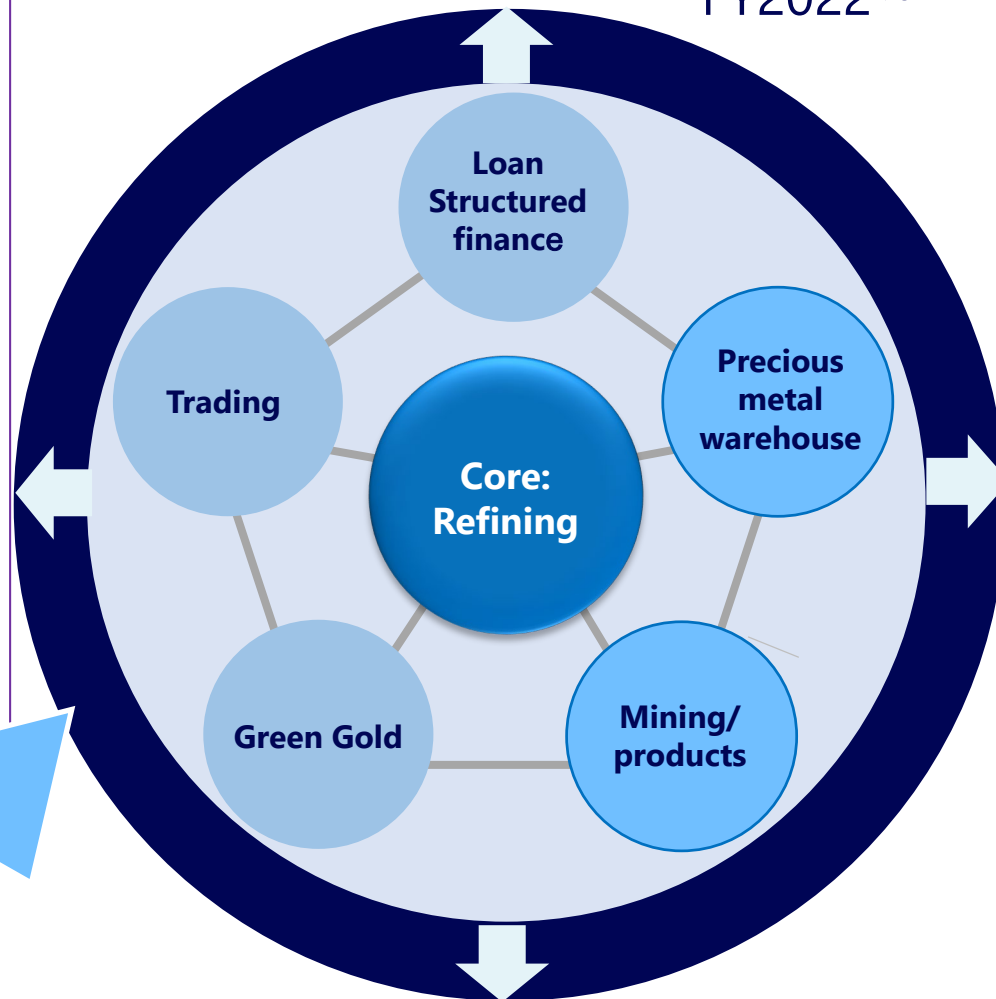
(Procure materials with awareness of human rights and environment).

- Green Gold

Refining

FY 2015
(When acquired)

FY2022 ~



1. Establish the precious metals warehousing business

Produce & install bars certified by COMEX



Our COMEX certified warehouse (In New York)

Monthly storage fee
(withdrawal fees will be applied for discharging goods)

Asahi Refining

Owner of gold and silver

Deliver gold and silver through future trading in COMEX

2. Enhanced trading

- Set up the trading office in Toronto city.
- Provide the service of zero cost options including combination of color options.

- 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



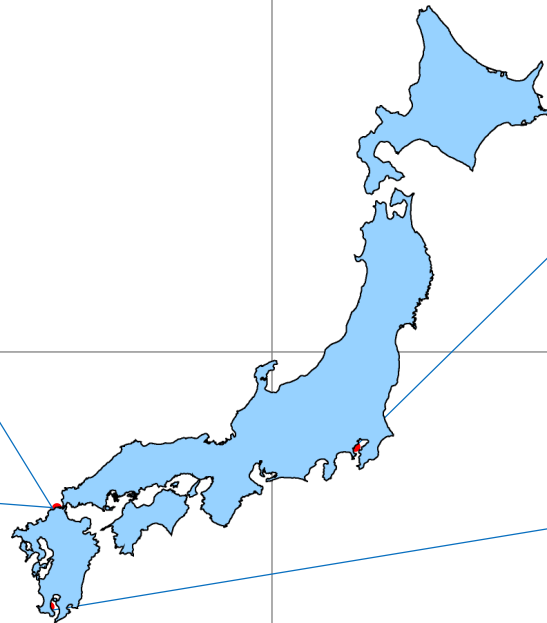
Shinmoji Plant



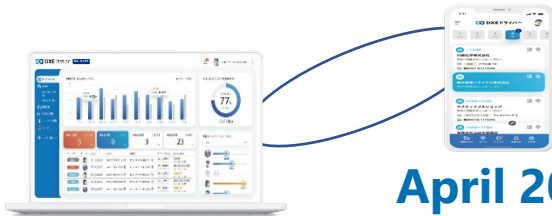
Completion: October 2020
Investment amount:
approx.4.0

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.
- In July, 2023, electronic contract services which is compliant with standard format of National Industrial Resource Recycling Federation n were launched, further promoting DX for customers.



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 ~

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

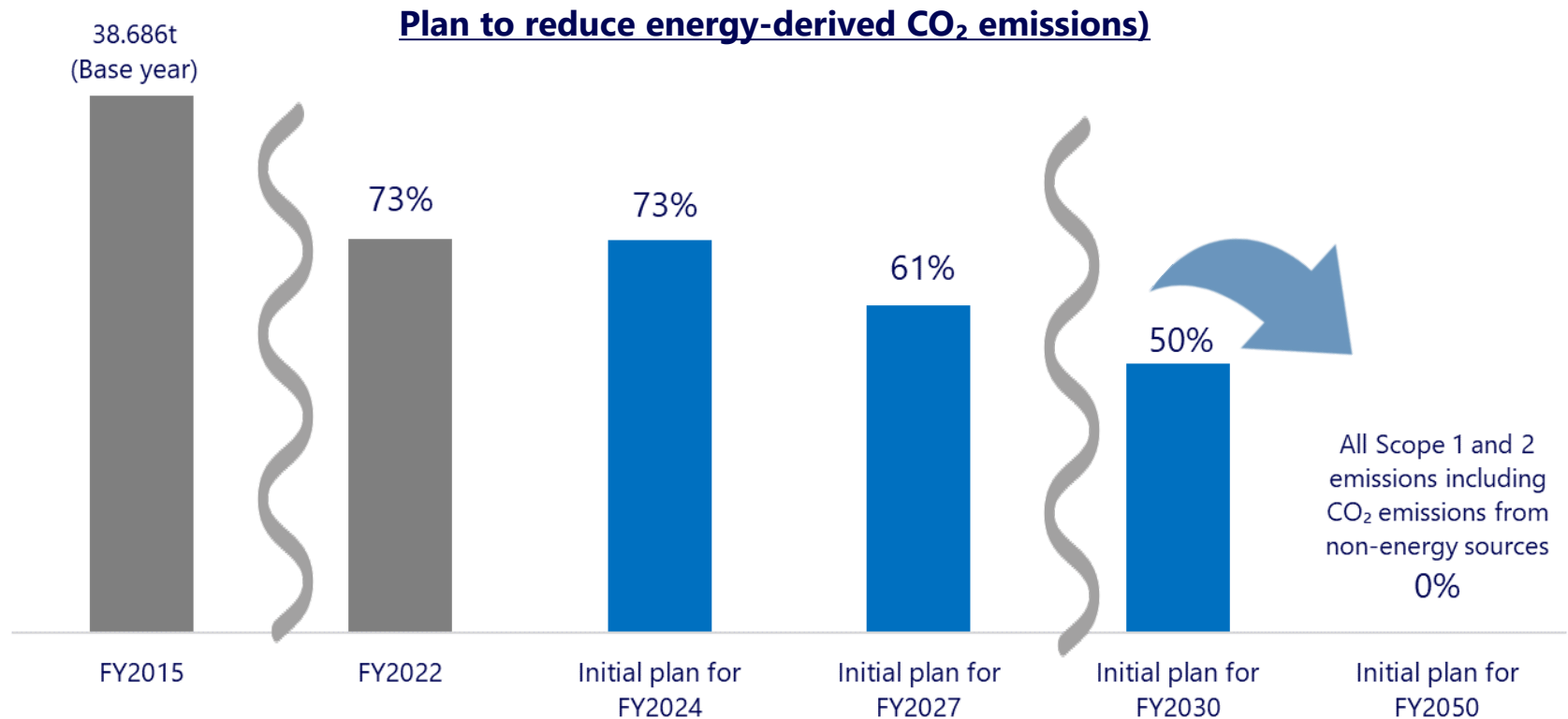
Automatic generation of electronic manifests

Interface with vehicle dispatch and driver apps

- FY2022 energy-derived CO₂ emissions is (27%) on base year comparison.
- Completed the disclosure of Scope 1.2.3 CO₂ emission in FY2022 and being verified by the third party.
- Disclose based on the TCFD recommendation and verify the need to modify our response policy based on the external environmental changes every year.

Recommended disclosures	Situation of efforts / Action policy
Governance	<ul style="list-style-type: none"> • Deliberating on climate change issues at the management level in the Sustainability Committee, which is chaired by CEO, and consists of directors. • Building a system to supervise the matters discussed by the Sustainability Committee at the Board of Directors
Strategy	<ul style="list-style-type: none"> • Conducting scenario analysis of risks and opportunities at 4°C and 1.5°C • Setting "Reduction of CO₂ emissions" as one of our business materiality themes
Risk Management	<ul style="list-style-type: none"> • Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis
Metrics and Targets	<ul style="list-style-type: none"> • Has set a target of reducing energy-derived CO₂ by 50% from the FY2015 level by 2030 • Has declared that we will achieve carbon neutrality in 2050 (Scope 1 and Scope 2) • Scope 1 emissions are 92kt CO₂. Scope 2 emissions are 14kt CO₂. Scope 3 emissions are 131kt CO₂.for the fiscal year ended March 31,2023

- To achieve Carbon Neutrality by 2050, plan to achieve 50% reduction (vs. FY 2015) of energy-derived CO₂ emissions by 2030 as an intermediate goal.
- CO₂ 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

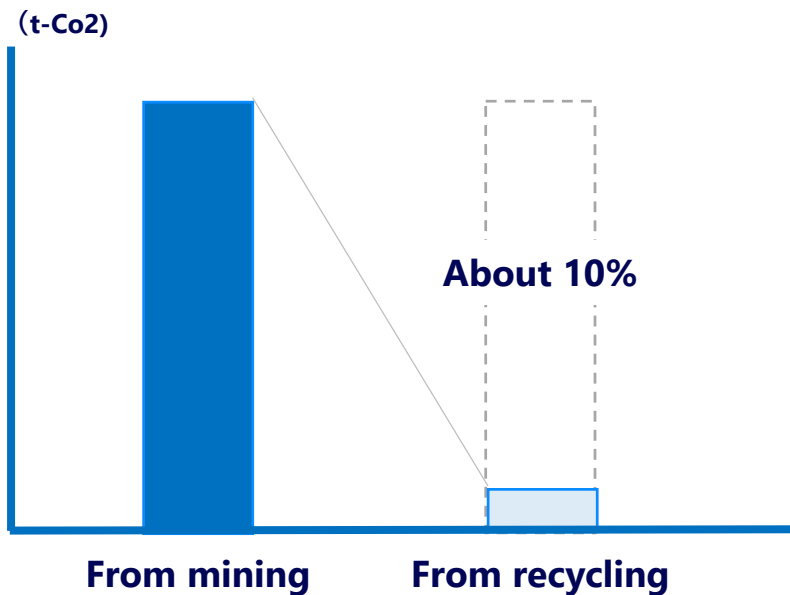
The above CO₂ emissions reduction plan was created in June, 2021.

- CO₂ emission amount from precious metals recycling is about 10% of what is produced by mining.
- Environmental contribution effect from precious metals recycling is 538,000t CO₂ which is more than 5 times of our emissions (106,000t CO₂).

Through precious metals recycling

CO₂Emissions

Favorable environmental impact of
538,000t CO₂



Converted to forests' greenhouse gas
absorption

226km²(about 30% of Biwako Lake)



Based on the data from US Environmental Protection Agency and it does not show our CO₂ reduction

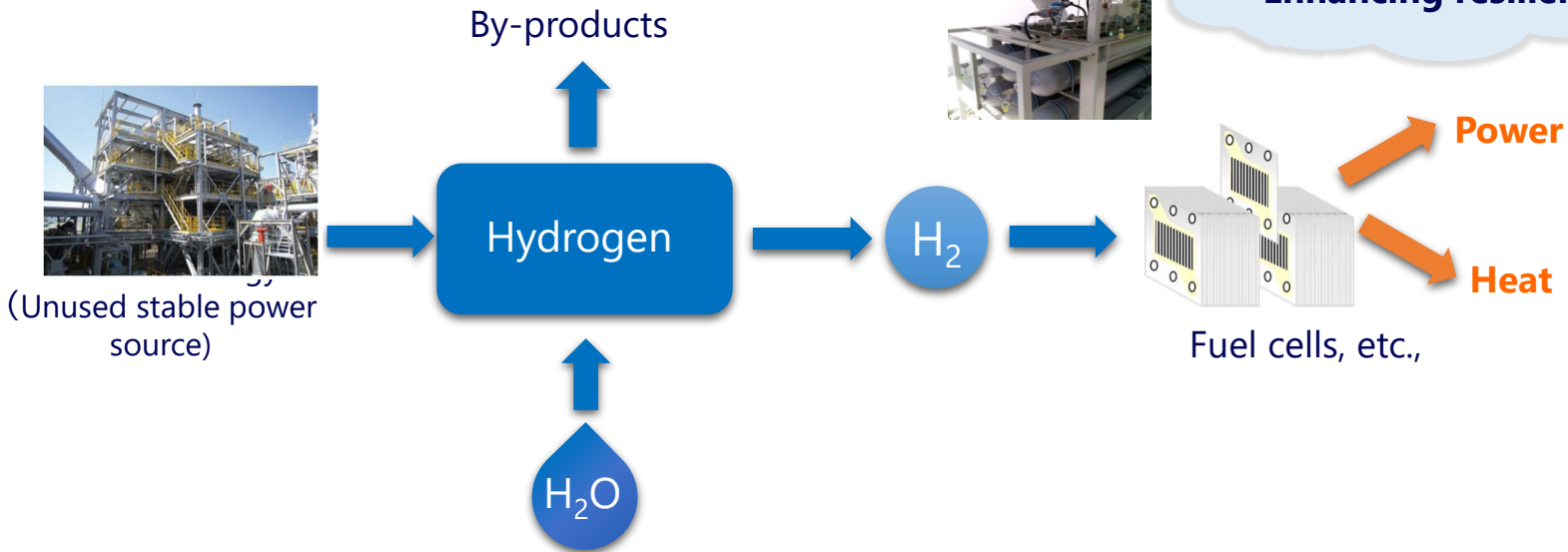
- Japan Waste Corp. and its partners implemented “System development for building “Green hydrogen supply chain”” subsidized by the Ministry of Environment.
- Hydrogen generator was installed at the Shinmoji Plant in December 2022 along with completion of technical demonstration testing in March 2023. Continue to aim for building hydrogen supply chain and selling by-products.
- Plan to introduce hydrogen production equipment at Yokohama Plant (the future waste-to -energy facility) subsidized by the Ministry of Environment.

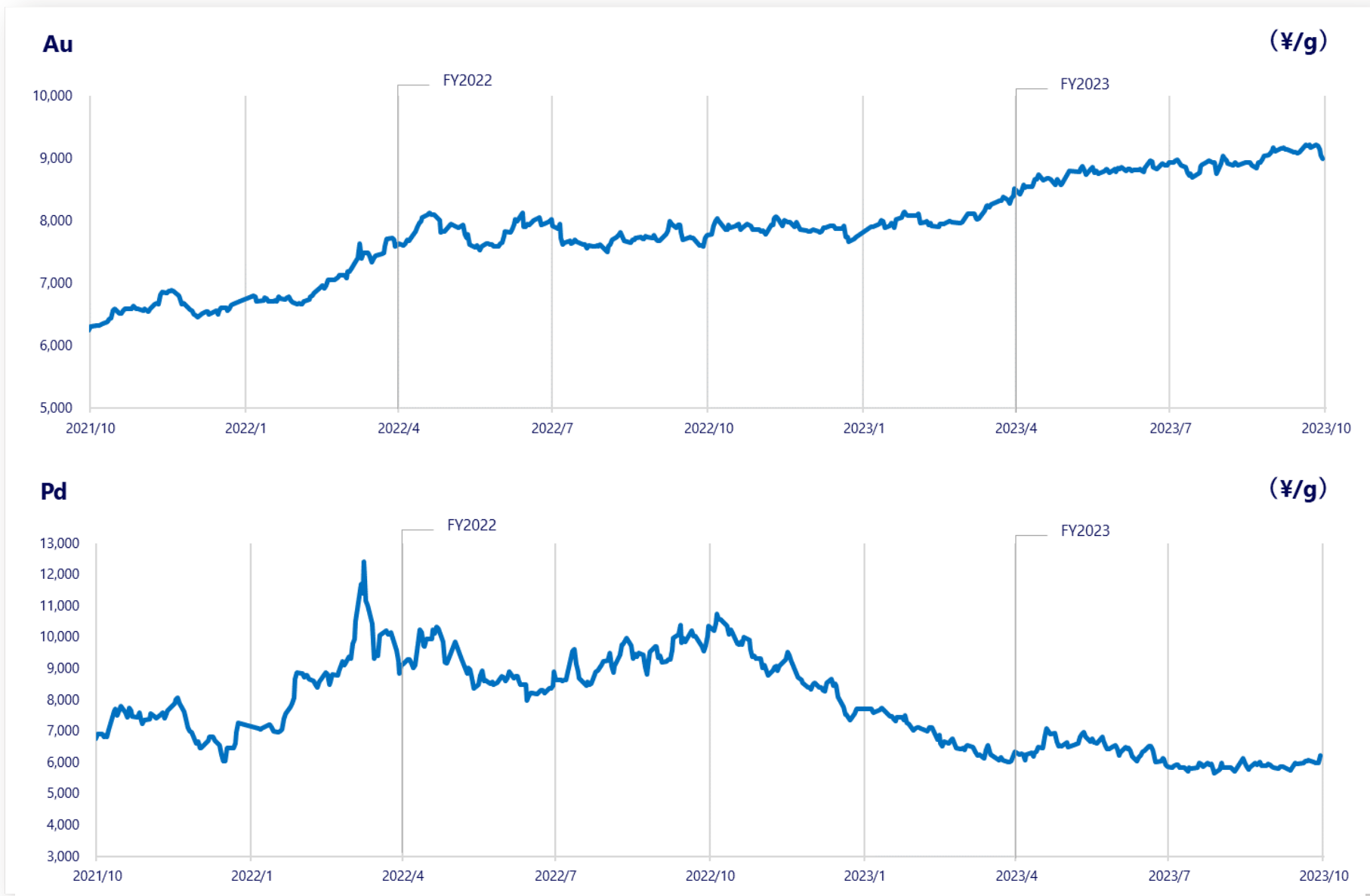
Securing business performance by selling by-products and contributing to making hydrogen widely available.



Reduce CO₂

**Regional cooperation
Enhancing resilience**







Unit: Yen

Precious Metal Prices (per gram)	Q2 FY2022	Q2 FY2023	
	Average price for the period	Average price for the period	Change
Gold	7,709	8,987	1,278
Palladium	9,341	5,888	3,454
Platinum	4,018	4,407	389

◆Reference

Gold...Quote from mining company

Palladium ...Nikkei low price

Platinum ...retail price(exclude tax)