



ARE Holdings, Inc.

Financial Results for FY2023

April 25, 2024

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.

Sales Revenue		<p>¥322.3 bn (YoY +¥48.0 bn)</p> <p>Higher gold sales volume and sales price than the previous year. Growth in the North American refining business were the main reasons for the year-on-year increase.</p>
Operating Profit		<p>¥12.4 bn (YoY -¥3.9 bn)</p>
Impact of Palladium and Rhodium		<p>Rhodium prices fell approximately 40% from the end of the previous fiscal year, although prices have generally stabilized since July 2023.</p> <p>Palladium prices fell approximately 20% from the end of the previous fiscal year.</p>
Other factors		<p>Slow recovery in electronics and catalysts.</p> <p>Impairment loss of ¥0.8 bn due to decision to close Ehime Plant.</p>
Share Exchange	Current Status	<p>The share exchange between Japan Waste Corporation and Renatus Co., Ltd was completed on March 31, 2024.</p>
	Accounting	<p>Japan Waste has been deconsolidated and it has been classified as discontinued operations. Accordingly, discontinued operations have also been excluded from FY2022.</p> <p>Discontinued Operations:</p> <p>Sales Revenue ¥36.6 bn (¥20.4 bn of which is gain on share exchange)</p> <p>Income before income taxes ¥23.6 bn (¥20.4 bn of which is gain on share exchange)</p> <p>Net income ¥16.0 bn</p> <p>Renatus will become an equity-method affiliate from FY2024, and equity in earnings of affiliates will be included in operating income.</p>
Difference since February Earnings Forecast		<p>Higher gold prices, contribution from the North American refining business and the share exchange gain. As a result of these factors, sales and earnings were higher than previously forecasted.</p>

Precious Metals Business (Asahi Pretec Corp., ASAHI METALFINE, Inc., Asahi Refining)

In Japan, precious metal recycling in the jewelry sector was strong on the back of the elevated gold price, while that in the catalyst sector struggled due to weak yen. In North America, financial transactions such as trading and advance trading were strong, while product processing and sales shrank.

Business sector	Business environment
Dentistry	Despite the soaring gold prices, collection declined due to market shrinkage caused by switch of materials and leveling off of campaign-driven special demand.
Jewelry	Collection grew to about 1.6 times the previous year due to the increased trading in the recycling market to take advantage of the ongoing high gold prices.
Catalyst	Collection decreased in Japan due to weak yen and a decline in the market price. Overseas, collection from some catalyst manufacturers in East Asia decreased.
Electronic	Collection fell despite continued robust AI-related and EV demand, due to the weak consumer demand resulting from the weakness in the Chinese market.
Refining Business in North America	Financial transactions such as trading and advance trading were strong, while product processing and sales shrank.

Environmental Preservation Business (Japan Waste Corporation)

Handling volume of waste reagents grew further since 3Q due to withdrawals of competitors. Handling volume of medical waste showed an increasing trend excluding COVID-19-related orders in the previous year. Handling volume of liquid waste grew year on year due to spot transactions. Handling volume of sludge and wood waste fell due to the business conversion of the Yokohama Plant.

Items	Business environment
Liquid waste	Although there are signs of a turnaround in semiconductor demand, volume decreased in Q4.
Waste reagents	Handling volume rose further due to withdrawals of other companies in the industry that started in Q3.
Medical waste	Overall handling volume increased, while the previous year's spike in demand related to COVID-19 levelled off.
Waste plastics	Handling volume decreased due to demand increase of cement related alternative fuel continuing from Q2.
Other	Overall handling volume of sludge and wood waste fell due to the business conversion of the Yokohama Plant.

Unit : billion yen

	FY2022	FY2023		FY2024	
	Results	Results	YoY Change	Revised Forcasst	YoY Change
Revenue	274.2	322.3	48.0	370.0	47.7
Operating profit	16.3	12.4	(3.9)	18.0	5.6
Ratio	5.9%	3.8%	(2.1%)	4.9%	1.0%
Profit before tax	12.6	12.4	(0.2)	17.6	5.2
Profit※1	10.9	24.5	13.6	13.1	(11.4)
Capex	4.9	8.5	3.5	12.9	4.4
Depreciation	3.3	3.6	0.3	3.1	(0.5)

※1 Profit attributable to owners of parent

Precious metals recycling business (Japan and Asia)

FY2023 Results

As collection amount from jewelry sector increased. gold sales volume and prices also increased.
On the other hand, there is a prolonged stagnation in the catalyst and electronics sectors, and it is being impacted by the decline in the prices of palladium and rhodium.

➔ Increase in revenue and decrease in profit

North American refining business

FY2023 Results

Refining fee, trading and advance trading fee increased.
On the other hand, due to a decrease in demand, product sales and processing have declined.

➔ Increase in revenue and profit

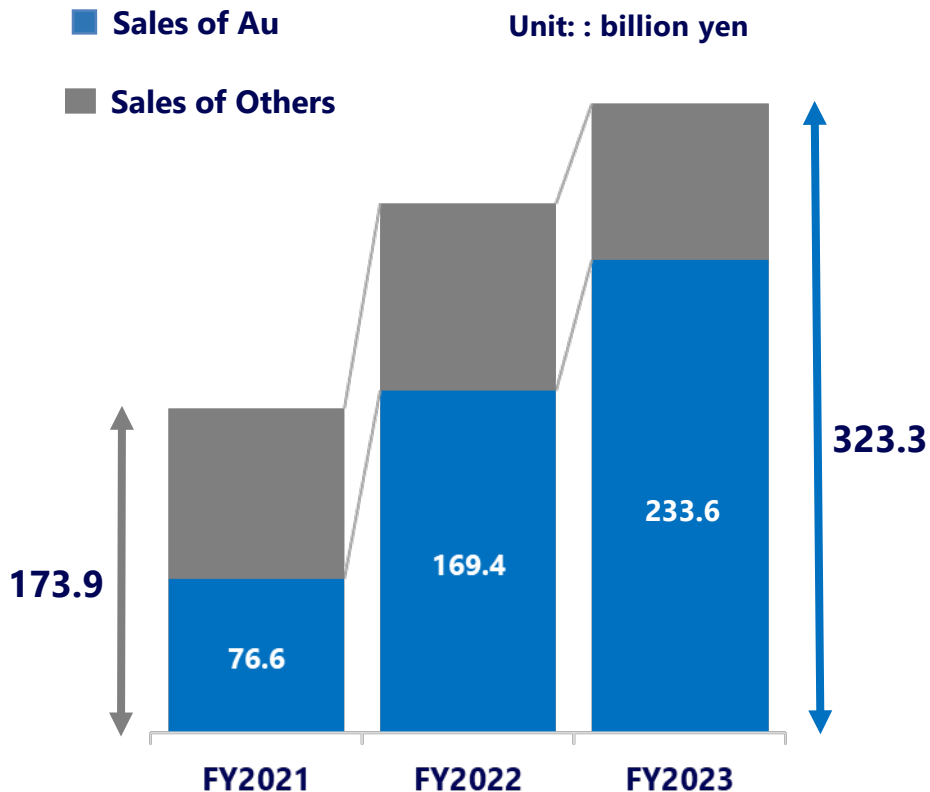
[Unit: billion yen]

Precious Metals	FY2022	FY2023		FY2024	
	Results*	Results	YoY Change	Forecast	YoY Change
Revenue	274.2	322.2	48.0	370.0	47.8
Operating Profit	17.2	12.7	(4.5)	16.0	3.3
Ratio	6.3%	3.9%	(2.3%)	4.3%	0.4%

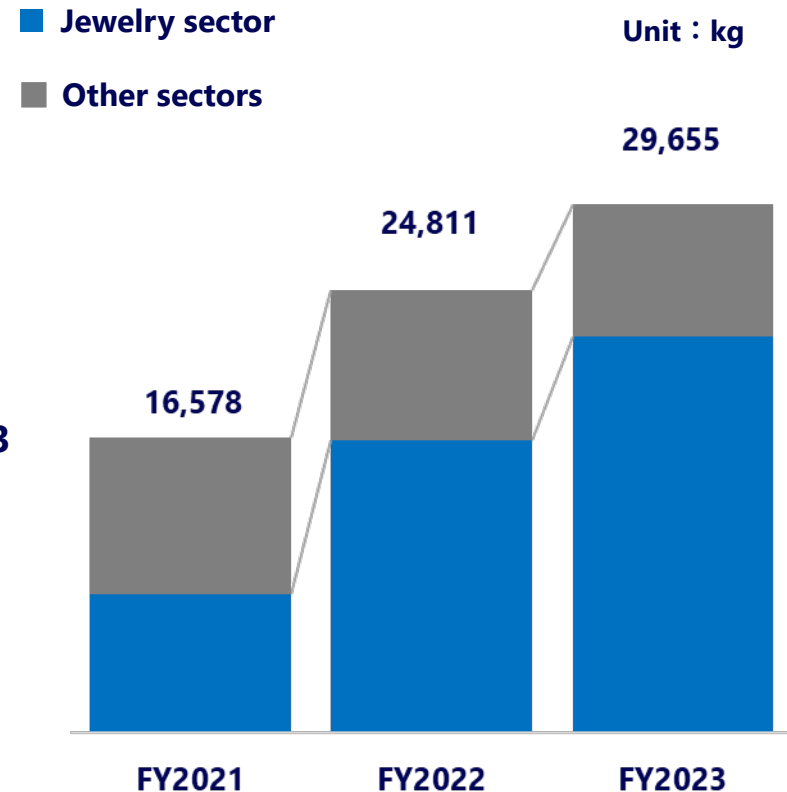
*The actual achievement in FY2022 was processed retroactively due to the changes in Segment Accounting Standard which became effective since FY 2023

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

Breakdown of revenues*

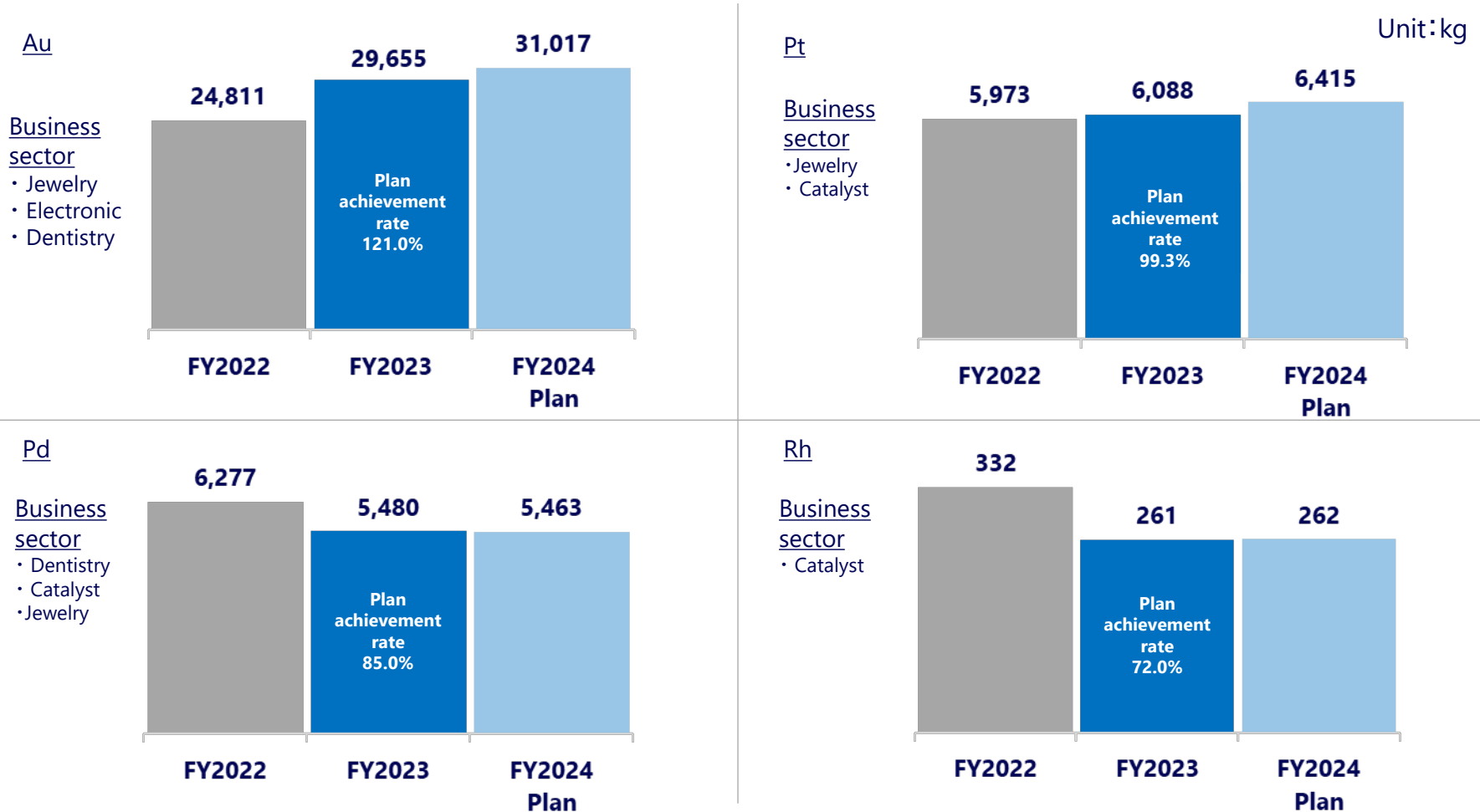


Breakdown of Au collected



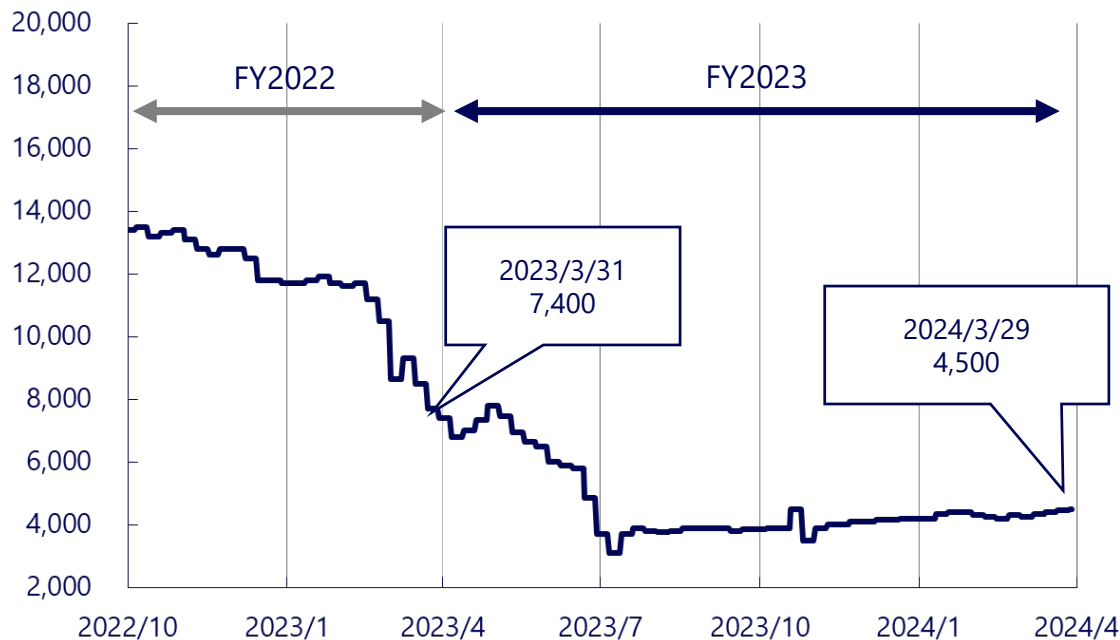
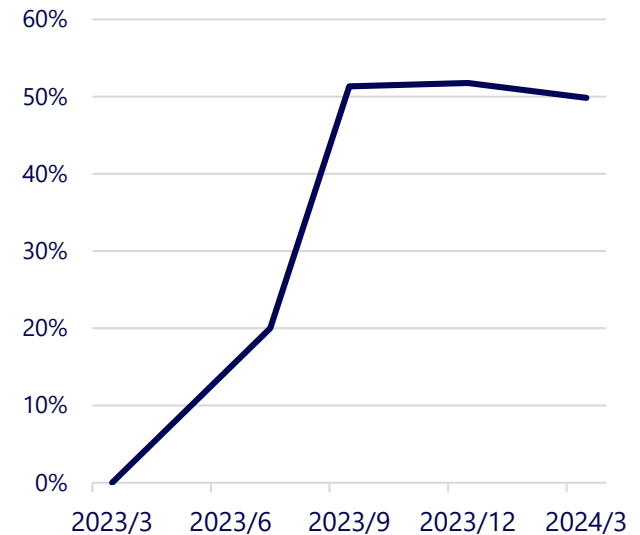
*FY2021 and FY2022 reflected exclusion of Japan Waste Corporation.

- Gold collections increased due to increase the volume in the market as a result of soaring prices and the reinforcement of the production system at the Bando Plant as part of our green gold strategy.
- Collection amount of palladium decreased mainly from catalyst sector.



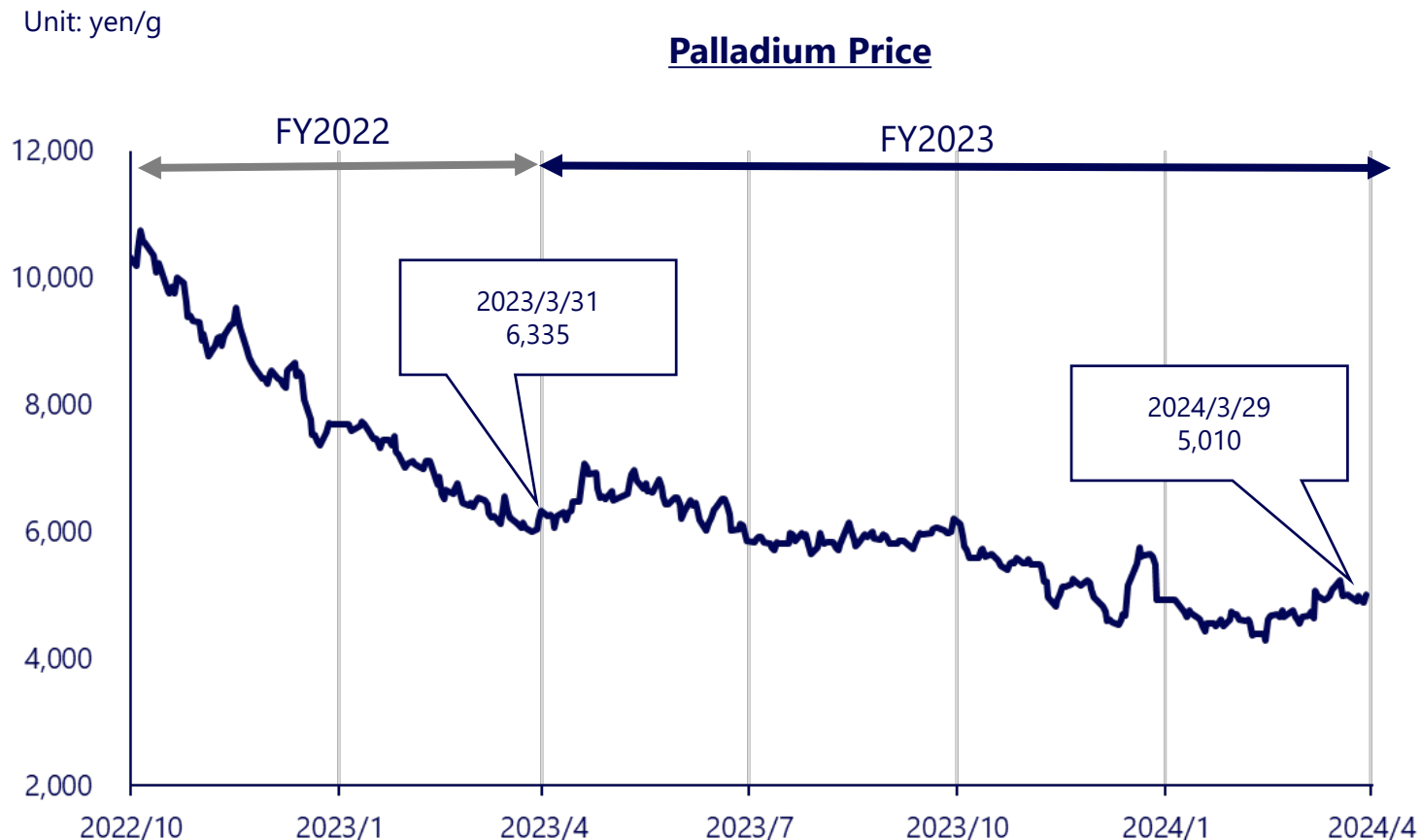
- Rhodium prices fell in Q1 but stopped falling in Q2 and remained stable thereafter.
- On the other hand ,rhodium price fell About 40% from the end of December 2022 and YoY is approximately ¥2.7 billion which is the negative impact.
- The hedging ratio has reached 50 % of the total handling volume as planned.

[Unit: \$/toz]

Rhodium Prices**Hedge ratio**

※Ref: Metals Week NY Dealer Prices

- Palladium prices have been declining throughout the last 18 months, and 20% declined against the end of March 2023.
- The decline in the price of palladium and a decrease in the volume of palladium collected contributed to a decrease in profit of approximately 4.5 billion yen for FY 2023 compared with the previous fiscal year.



※ref:Nikkei low price

Environmental Preservation Business

FY 2023

Although the volume of industrial waste handled and the utilization rate of treatment facilities remained stable, the business was affected by a change in the treatment of new coronavirus infections under the Infectious Disease Control Law, a decline in the unit price of medical waste, and a business conversion (discontinuation of existing business) due to the construction of a new incinerator at the Yokohama Plant.

Following the share exchange, Japan Waste's business is classified as a discontinued operation and is excluded from the Company's revenue and operating income. The difference of 20.4 billion yen between the fair value of Renatus and the book value of Japan Waste is recorded as a gain on exchange of shares in income from discontinued operations and income before income taxes. The difference represents the results of Japan Waste.

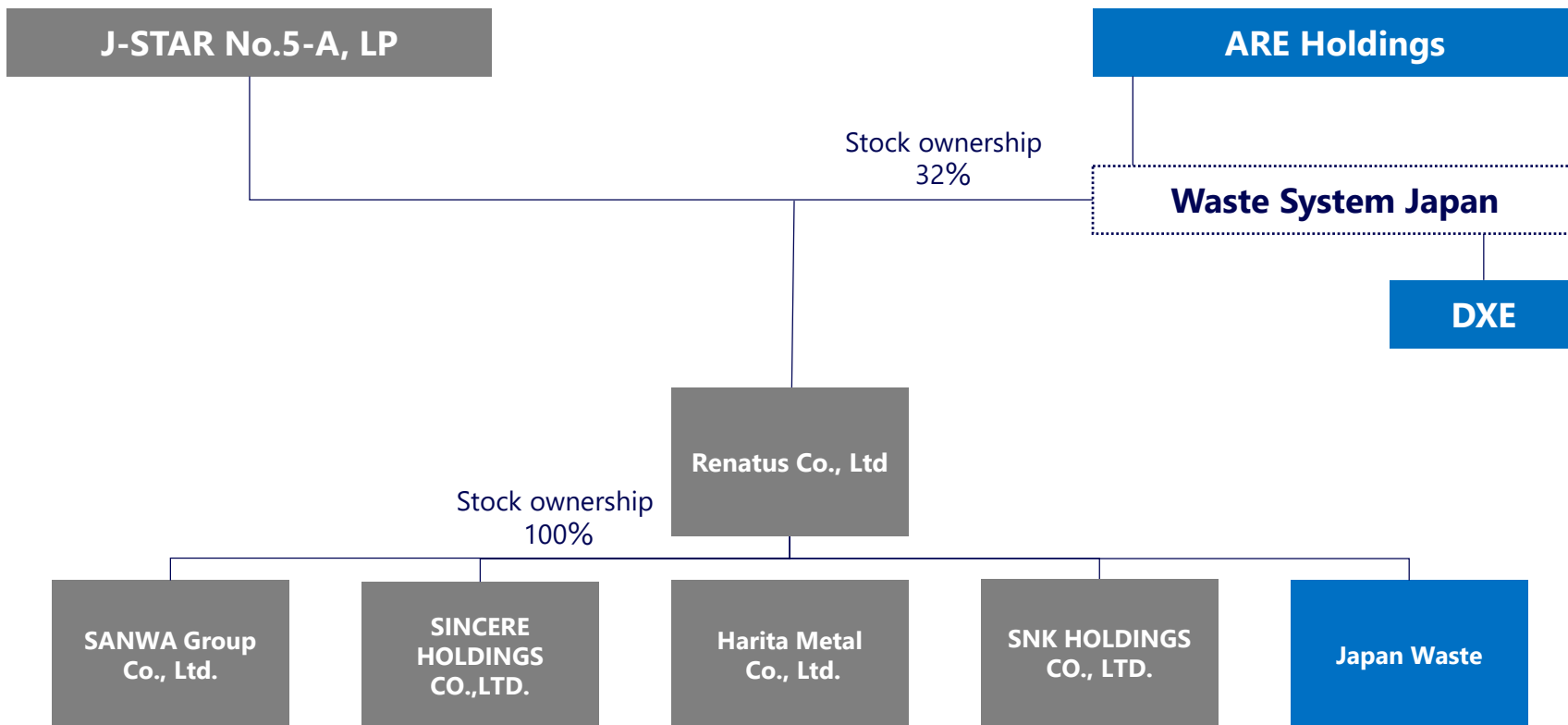
FY 2024

Japan Waste is deconsolidated as it is no longer a subsidiary of the Company. On the other hand, since Renatus has become an equity method affiliate of the Company, the Company plans to record its share of Renatus' net income (32%) as equity in earnings of affiliates in the Company's operating income.

[Unit: billion yen]

Discontinued operation	FY2022	FY2023			
	Results ①	Results ②	Share exchange profit ③	Performance of Japan Waste ②-③	YoY ②-③-①
Revenue	18.7	36.6	20.4	16.3	(2.5)
Profit before tax	3.4	23.6	20.4	3.3	(0.1)

- The share exchange between Japan Waste Corporation and Renatus Co., Ltd was completed on March 31, 2024.
- Aiming for IPO as Renatus in the future.



Ownership structure within the ARE Group is planned

Unit : billion yen

	Mar 31, 2023	Mar 31, 2024	Change	Remarks
Current Assets	238.4	253.8	15.4	
Trade receivables	154.0	155.3	1.2	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	40.9	33.9	(7.0)	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	64.6	21.2	
Non-current assets	49.1	64.2	15.2	
Total Assets	287.4	318.0	30.5	
Liabilities	180.5	191.5	11.0	
Bonds and loans	144.4	141.2	(3.2)	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	50.4	14.2	
Capitals	107.0	126.5	19.5	
Total equity and liabilities	287.4	318.0	30.5	

Unit : billion yen

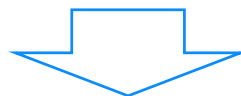
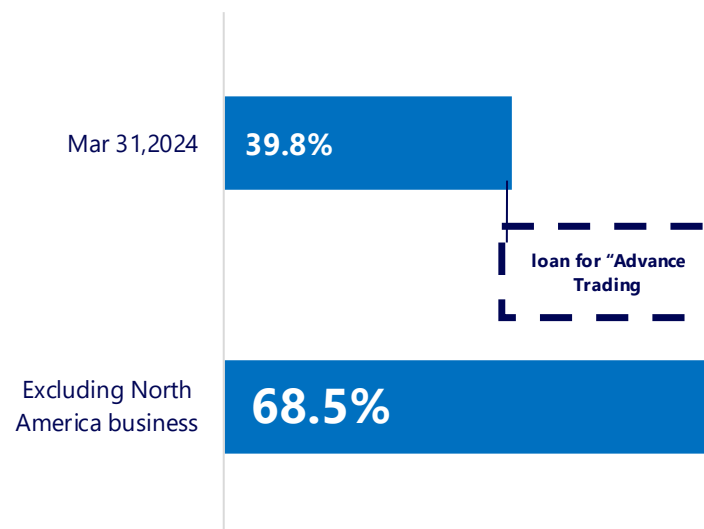
	FY2023	Remarks
Operating CF	12.6	
Changes in inventories	6.6	The greater part of the changes is the collected raw materials that contain precious materials, works-in-progress and finished products in precious metals recycling business. Risks associated with price fluctuations and quality deterioration 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	13.6	Of the increase/decrease amount, 12.9 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	(13.6)	Of the increase/decrease amount, 14.3 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	6.1	
Investment CF	(28.7)	Payments for loans receivable 19.6 billion yen
Financing CF	7.1	
Changes in loans and bonds	14.3	
Dividends	(6.9)	
Others	(0.3)	
Effect of exchange rate change on cash and cash equivalents	(2.0)	
Changes in cash deposits	(11.1)	

Financial Position

Unit : billion yen

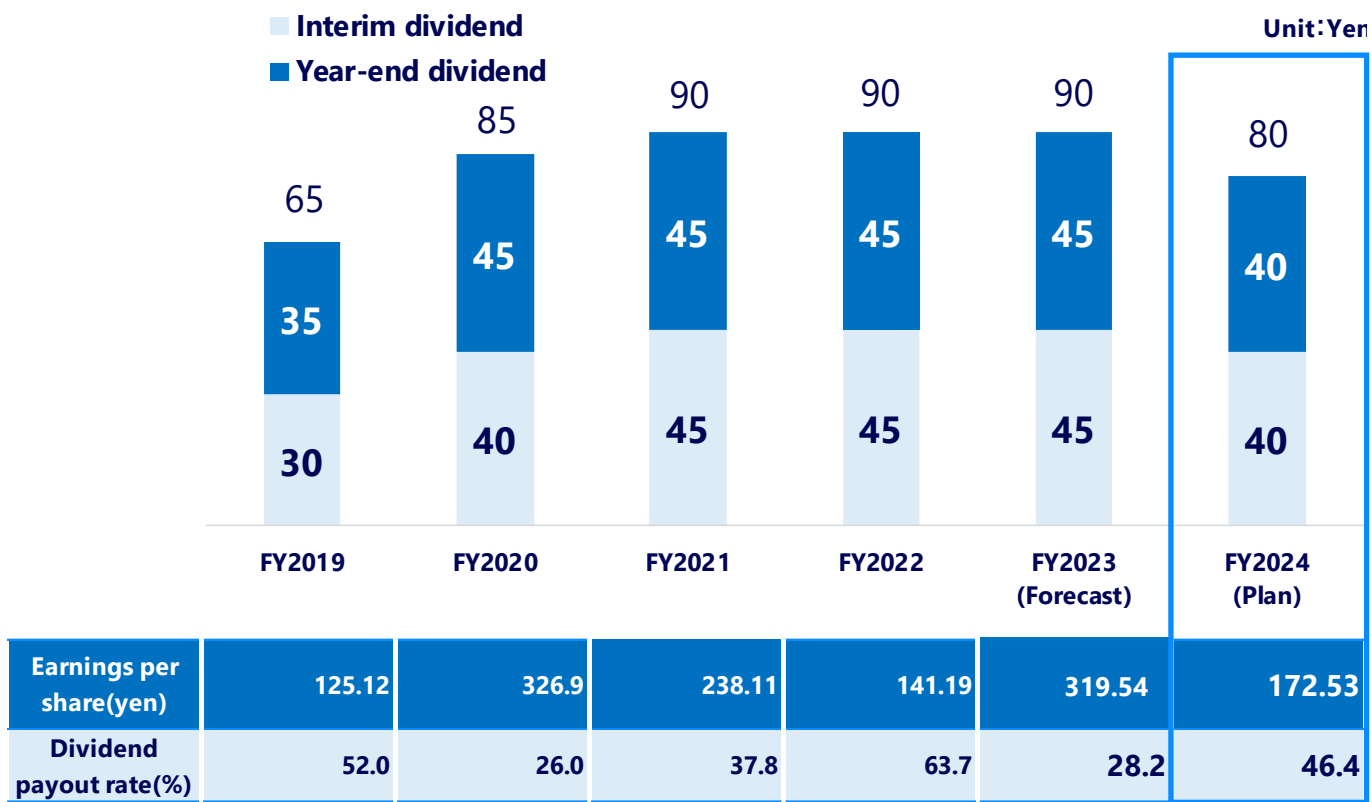
	Mar 31, 2024	Excluding North America business
Current Assets	253.8	120.6
Non-current assets	64.2	64.2
Total Assets	318.0	184.8
Liabilities	191.5	58.3
Capitals	126.5	126.5
Total equity and liabilities	318.0	184.8

Equity Ratio



- The greater part of the current assets are advance trading related receivables which is based on refining contracts in North America. These assets are safe backed by real gold.
- Ability to raise funds necessary for business expansion at competitive rates.
- Equity ratio is 68.5% which is sound if excluding North America business.

- The annual dividend for FY2023 will be 90 yen per share, and the payout ratio will be 28.2%, but this is due to the impact of the share exchange gain, and operating income is expected to be 12.4 billion yen.
- For FY2024, the annual dividend is planned to be 80 yen per share, while share repurchase (up to 1 billion yen or 650 thousand shares) is planned, and the total return ratio is expected to be 54.0%.



※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





Unit: Yen

Precious Metal Prices (per gram)	Q4 FY2022	Q4 FY2023	
	Average price for the period	Average price for the period	Change
Gold	8,058	9,920	1,862
Palladium	6,833	4,717	(2,116)
Platinum	4,307	4,415	108

◆ Reference

Gold...Quote from mining company

Palladium ...Nikkei low price

Platinum ...retail price(exclude tax)c