

ARE Holdings, Inc.

Financial Results for Q2 for fiscal year ending March, 2025 (FY2024)

October 30, 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.

I. Financial Results for Q2 FY2025.3

(April 1, 2024 ~ September 30, 2024)

II. Appendix

Revenue

240.4 billion yen

YoY

+96.1 billion yen

Q2 Plan Achievement Rate*

133.5 %

Operating Profit

8.3 billion yen

YoY

+2.6 billion yen

Q2 Plan Achievement Rate*

97.9 %

* Progress rate against the six-month plan ending September 30, 2024

Reasons for an Increase in Revenue

- The continuing rise in gold prices led to the increase in gold collection especially in the jewelry sector.

Reasons for an Increase in Profit

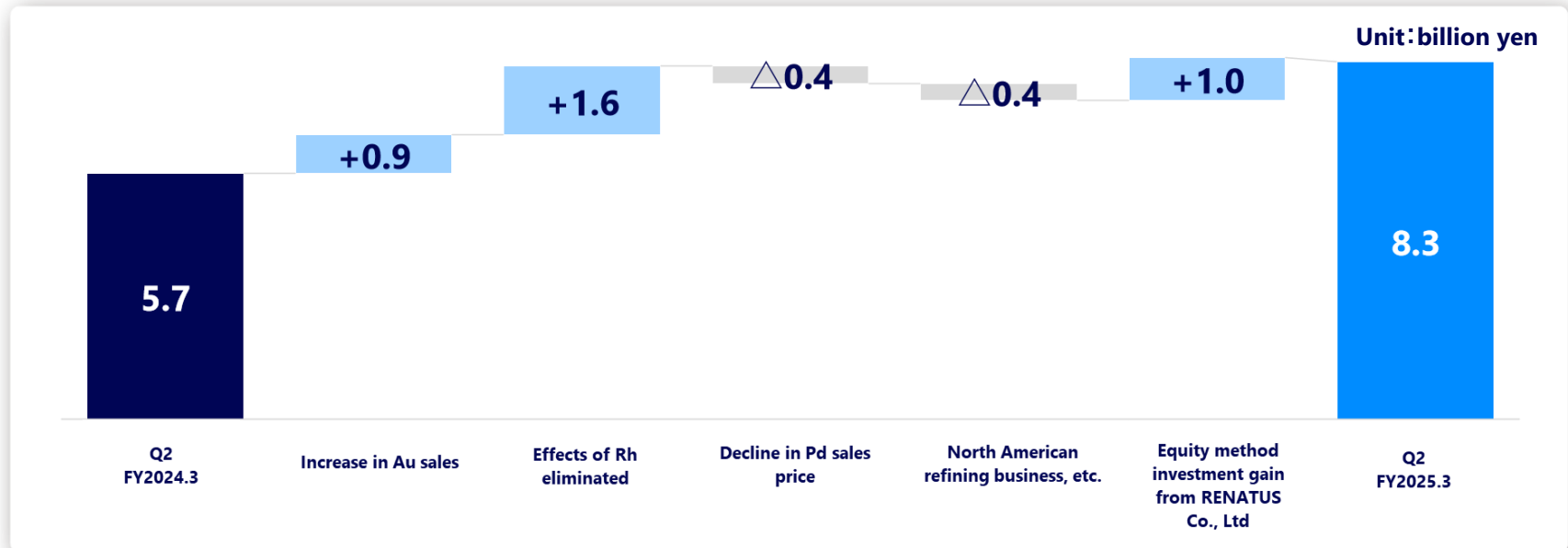
- There was a loss in the same period last year due to the decrease in rhodium prices, but no loss this fiscal year as prices were stable.
- Rising gold prices as well as an increase in collection volume.
- Equity method investment gain from RENATUS Co., Ltd is accounted starting this fiscal year.

Unit : billion yen

	Q2 FY2024.3	Q2 FY2025.3		FY2025.3
	Results	Results	YoY Change	Revised Forecast
Revenue	144.2	240.4	+ 96.1	480.0
Operating Profit	5.7	8.3	+ 2.6	18.0
Profit	5.3	6.6	+ 1.3	13.1

* "Profit" is Profit attributable to owners of parent

* Revenue and operating profit for the second quarter of FY2024.3 show the amounts excluding discontinued operations (Japan Waste Co., Ltd.).



* Amounts may not add up due to rounding.

Unit: Yen

Precious Metal Prices (per gram)	Q2(Apr. to Sep.) FY2024.3	Q2(Apr. to Sep.) FY2025.3	
	Average price for the period	Average price for the period	Change
Gold	8,869	11,813	2,945
Palladium	6,175	4,876	△ 1,299
Platinum	4,508	4,858	349
Rhodium	23,022	22,519	△ 503

Remarks

- The collection volume of gold increased, mainly in the jewelry sector.
- In the North American refining business, while the trading sector experienced growth, the product sector remained sluggish, leading to a decrease in overall profits.
- The results of Japan Waste, which became a discontinued operation, were not included in the previous fiscal year, but the equity method investment profit and loss of Renatus is included in the current fiscal year.

[Reference]

Gold...Quote from mining company, Palladium ...Nikkei low price, Platinum ...retail price(exclude tax), Rhodium ...Metals Week NY Dealer Price

Precious Metals Business

Revenue

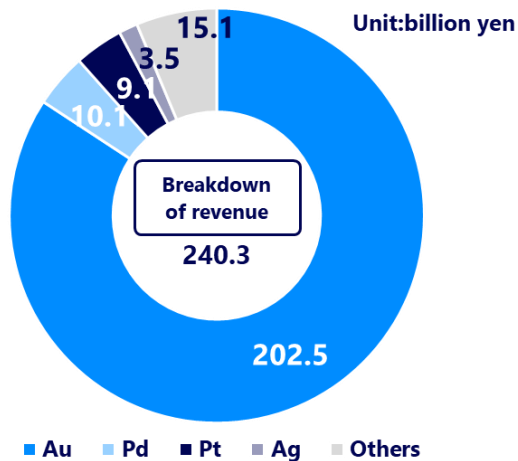
240.3 billion yen

(YoY +96.1 billion yen)

Operating Profit

7.5 billion yen

(YoY +1.6 billion yen)



"Other" includes sales of Rh and revenue from the North American refining business.

Environmental Preservation Business

Revenue

— billion yen

(YoY — billion yen)

Operating Profit

1.0 billion yen

(YoY +1.0 billion yen)

Profit

1.0 billion yen

(YoY +1.0 billion yen)

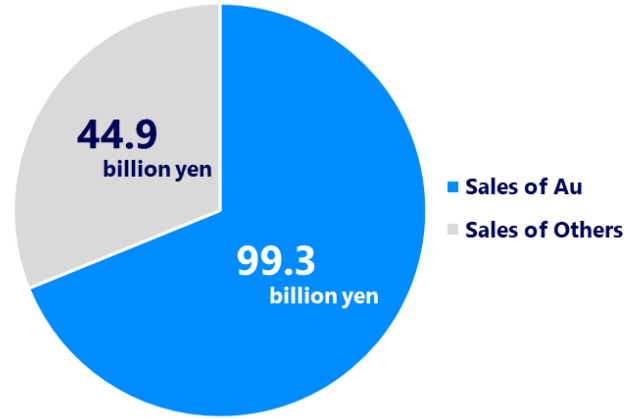
- Equity method investment gain from Renatus Co., Ltd is included starting this fiscal year (1.0 billion yen).
- Japan Waste's results are excluded from the year-ago period.

Revenues, operating profit and profit for the same period of the previous fiscal year exclude discontinued operations (Japan Waste Co., Ltd.).

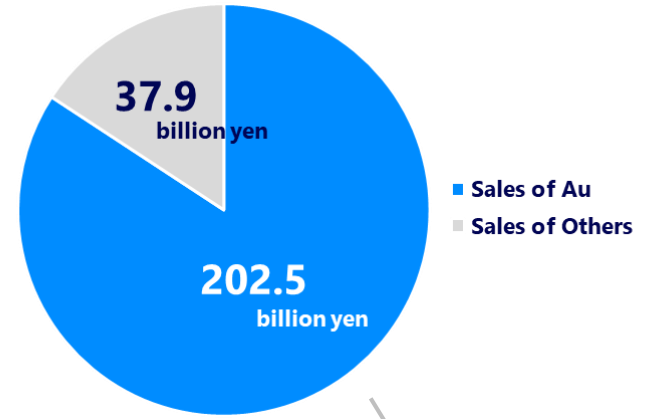
	Composition ratio by element				Amount of Au collected	Business environment
	Au	Pd	Pt	Rh		
Dentistry	30~50%	50~70%	Less than 10%	—	YoY 97%	Although the recycling market continues to shrink due to material shifts and technological innovation, we secured new customers through improved sales efficiency and the implementation of new measures. As a result, we maintained the same collection volume as the previous year.
Jewelry	Over 70%	Less than 10%	10~30%	—	YoY 167%	Although the soaring gold price has subsided, increased awareness of recycling has led to a large amount of gold being circulated into the recycling market, and the collection volume has increased compared to the same period last year.
Electronics	Over 70%	Less than 10%	Less than 10%	—	YoY 103%	Due to the slump in demand for BEVs, the amount of collections from related companies has decreased, but demand for AI semiconductor-related products has recovered significantly and the situation is on the way to recovery.
Catalyst	—	50~70%	30~50%	Less than 10%	YoY 97%	The amount of environmental catalysts generated decreased due to process improvements by major catalyst manufacturers, and production adjustments for chemical catalysts also contributed to the large decrease.

The symbols in the table indicate the percentage of each category in the total recovery volume (exc. Ag and Cu). Comments for each area are compared with the same period last year.

Q2 FY2024.3 Breakdown of Revenue

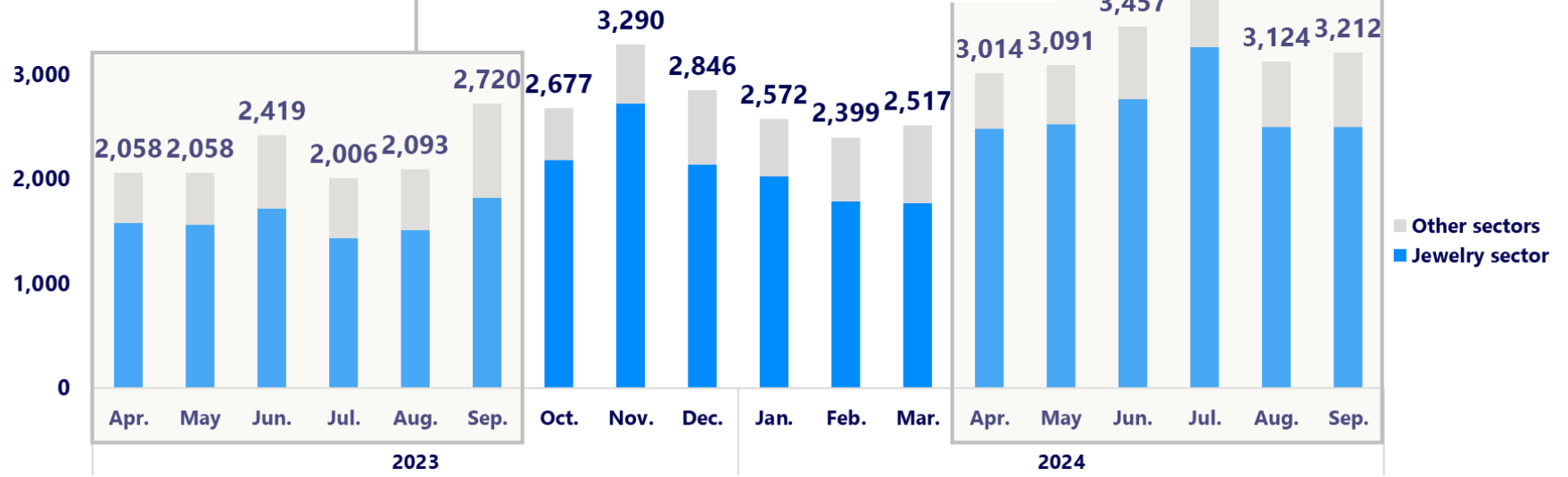


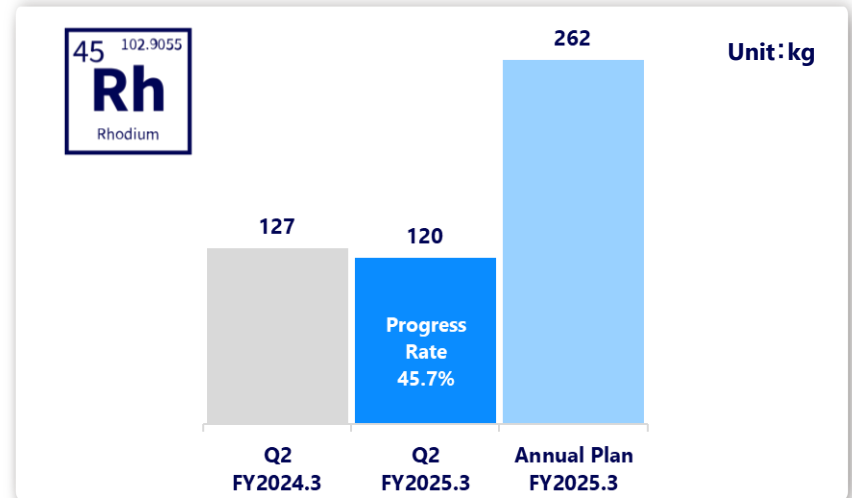
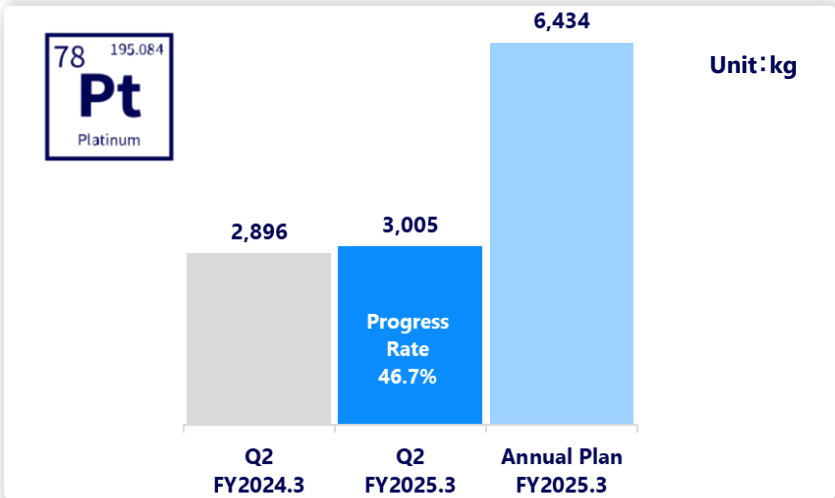
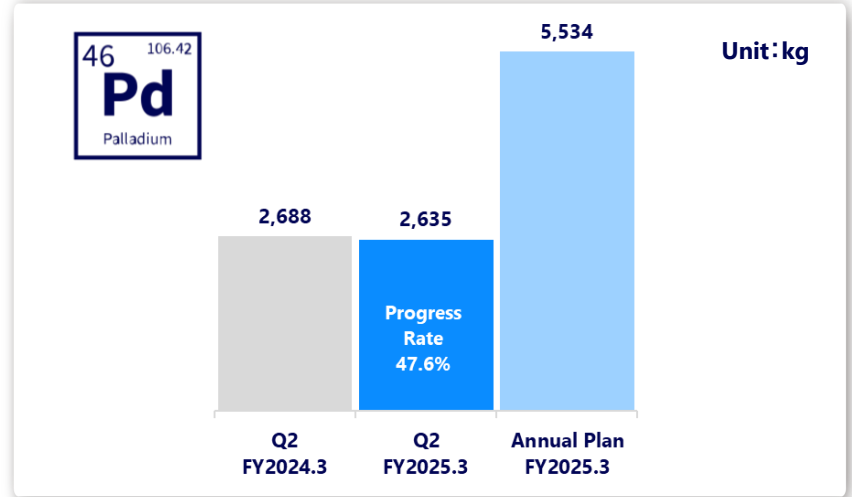
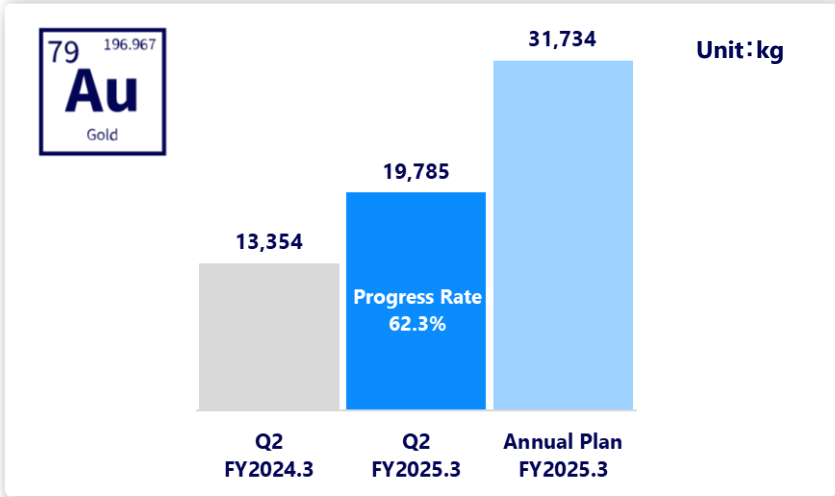
Q2 FY2025.3 Breakdown of Revenue



Unit: kg
4,000

Changes in the amount of Au collected



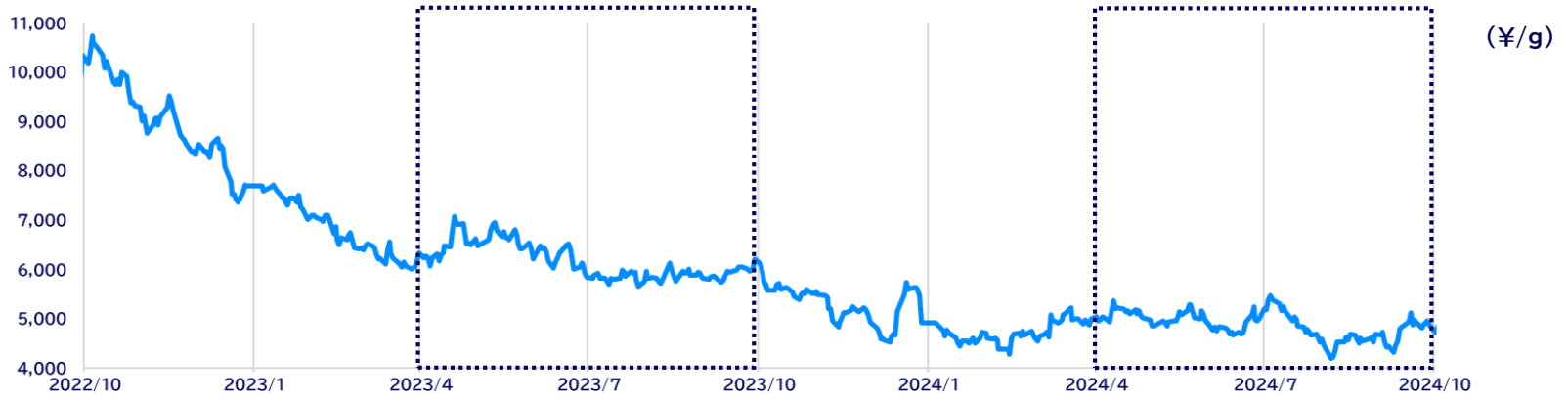


Au



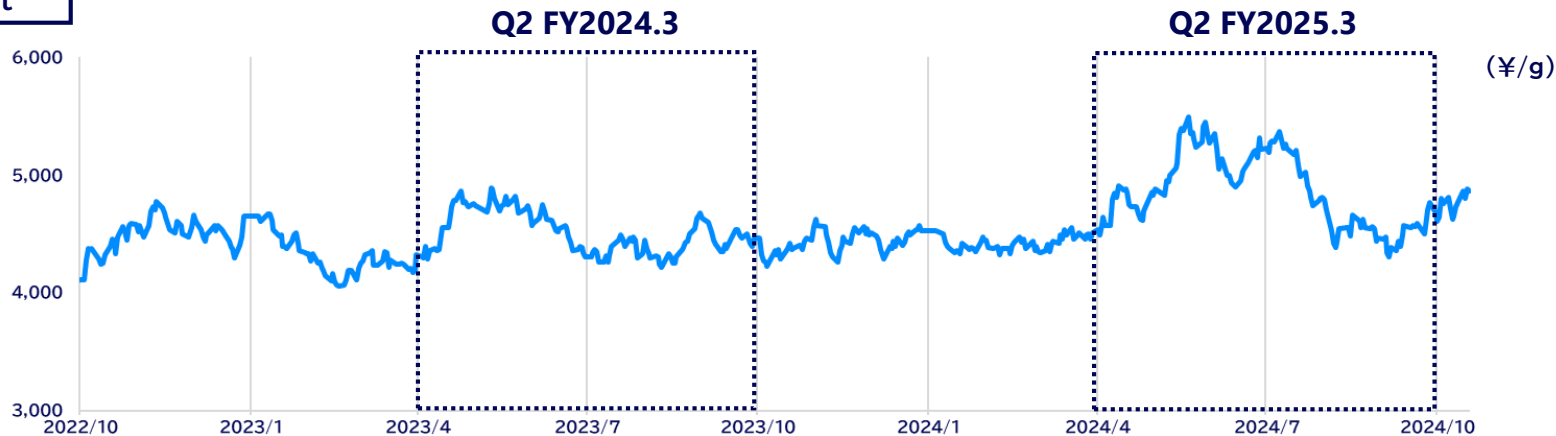
Reference: Quote from mining company

Pd



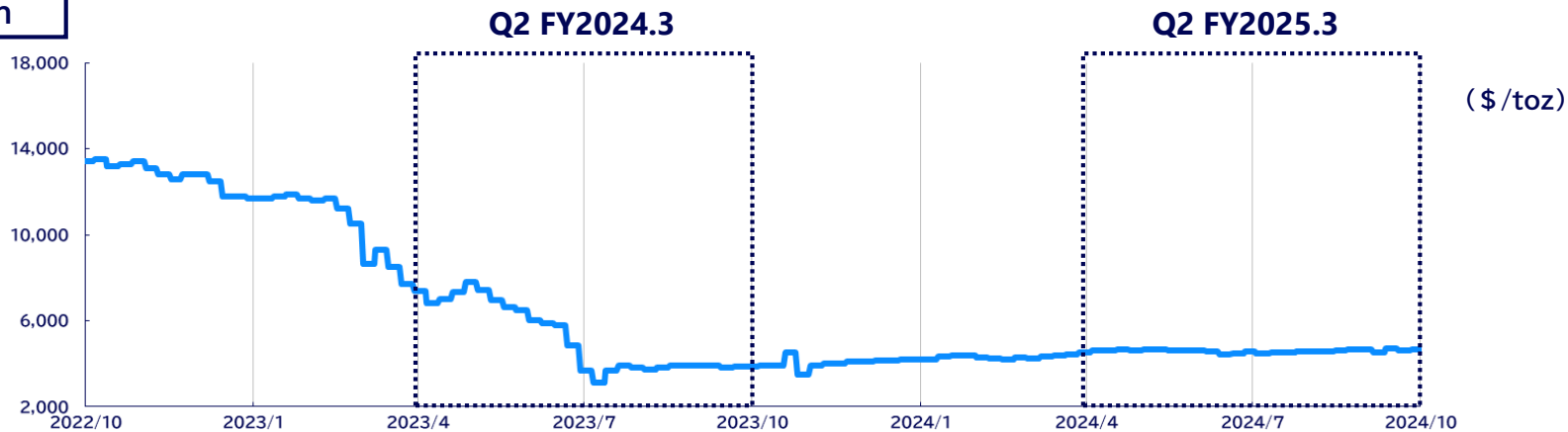
Reference: Nikkei low price

Pt



Reference: retail price(exclude tax)

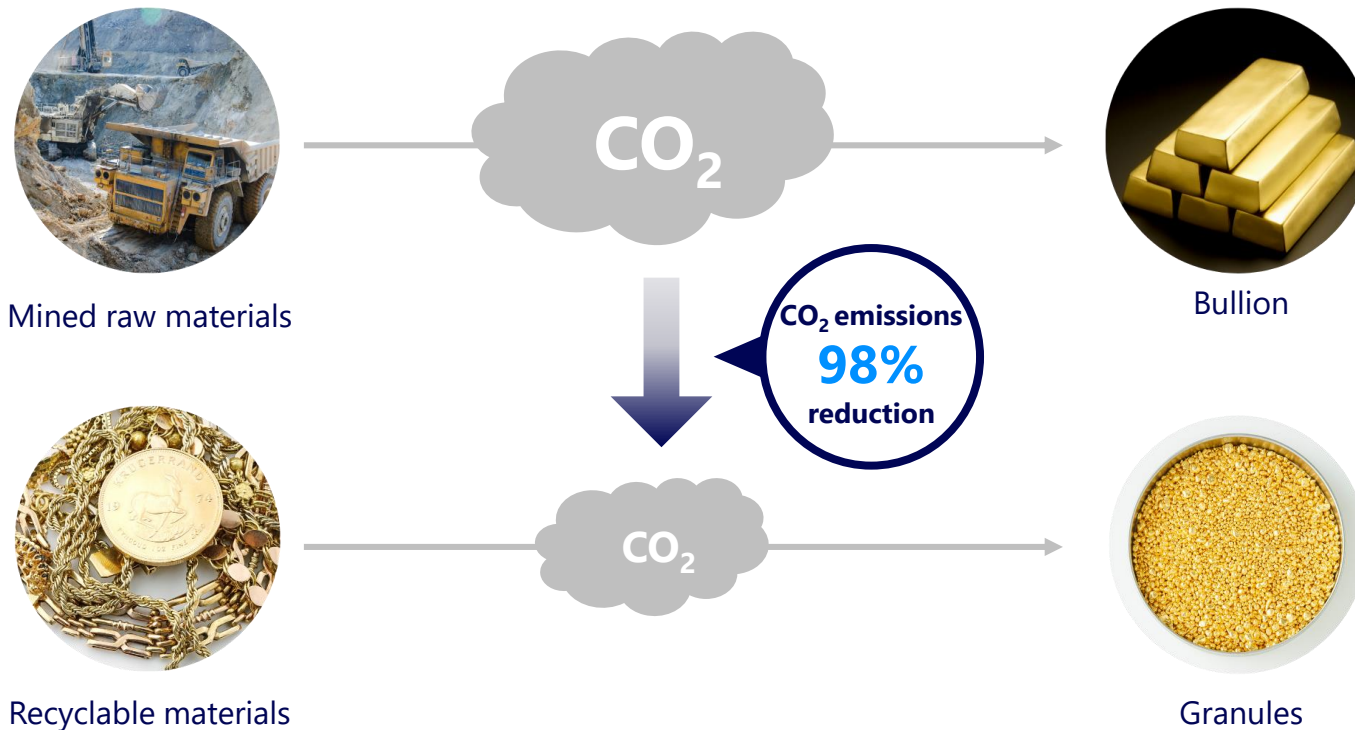
Rh



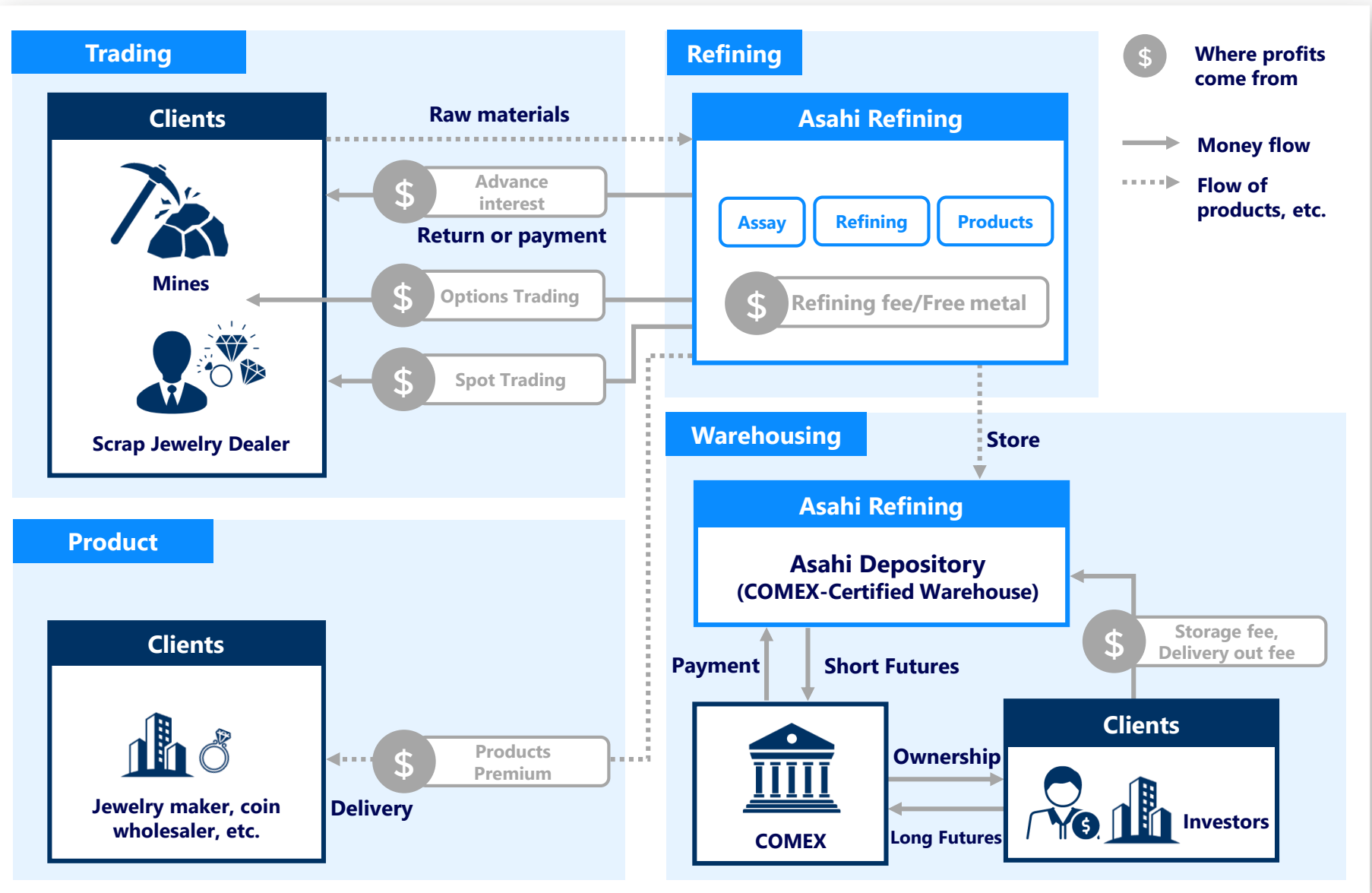
Reference: Metals Week NY Dealer Prices

Obtained Carbon Footprint (CFP) for Gold Granule Products

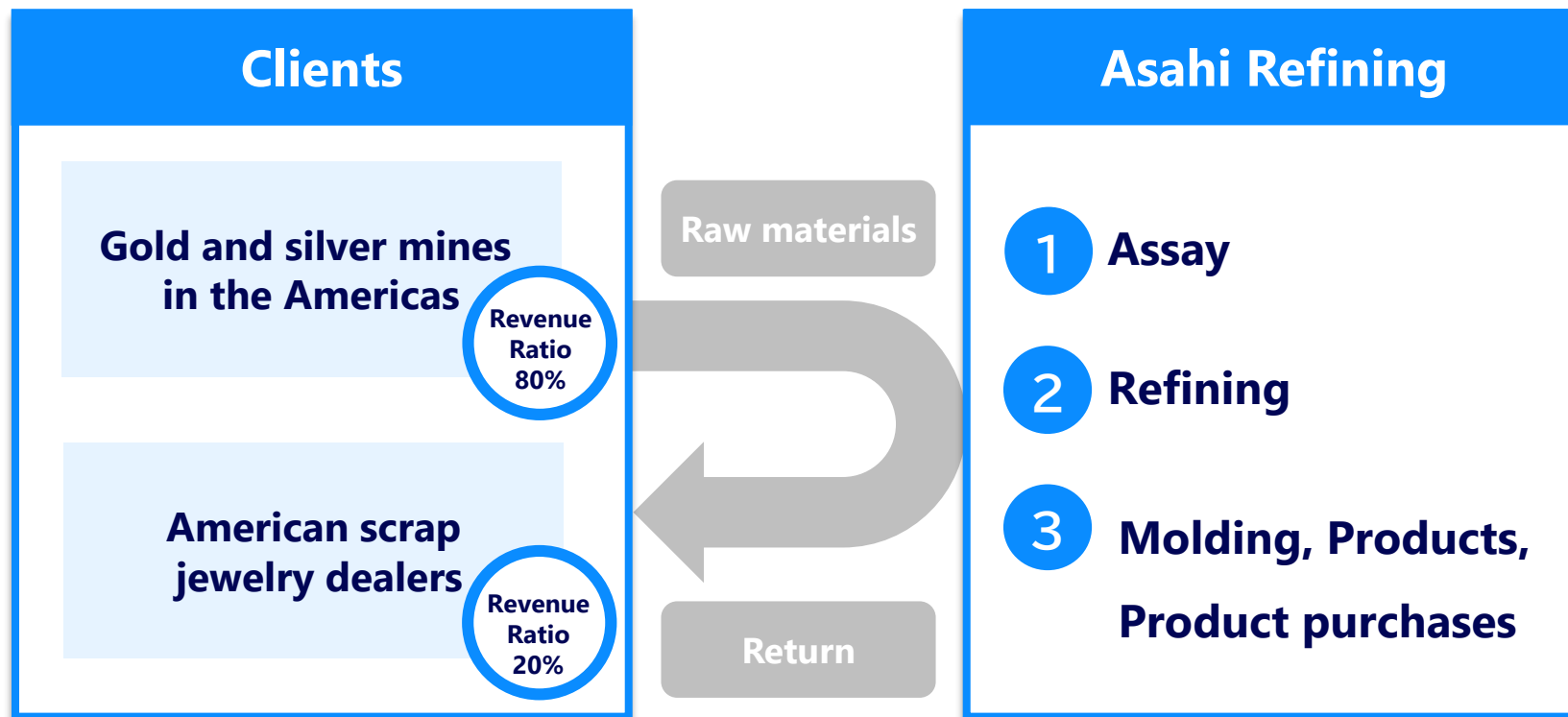
For our main product, 99.99% gold granules, we have calculated CO₂ emissions from the collection of raw materials through product manufacturing and conducted third-party verification based on ISO14040:2006 and ISO14044:2006.



Our granular products are made from recycled materials, and can reduce CO₂ emissions during the manufacturing process by approximately 98% compared to bullion made from mined raw materials.

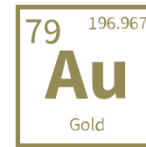
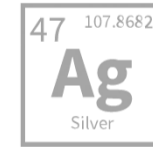


Refining Process



Enter into multi-year refining contracts and earn revenue through refining fees and yield differential* (free metals)

* Difference between actual yield and contracted yield

Main Products**100 oz Silver Bar****1 oz Silver Round****Production Volume in FY 2024.3****Gold Products****73,000 oz****Silver Products****9,800,000 oz**

↓

Premium = Source of Income
Features of Product Business

- Advanced production technology and strong quality management capability enabling production of sovereign mints
- Design skills that bring various products to life
- Subject to market trends of products

Key Challenges to Address

- Build facility for steady production of sovereign mints
- Create a corporate structure that adjusts to changing market trends of products
- Explore new demand sources by establishing a corporate brand

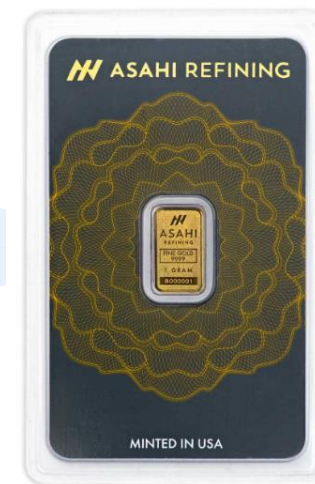
Launching High-quality, Affordable Products



1 ounce (approximately 31g)
gold bar



New Release
2.5g Gold Bar



New Release
1.0g Gold Bar

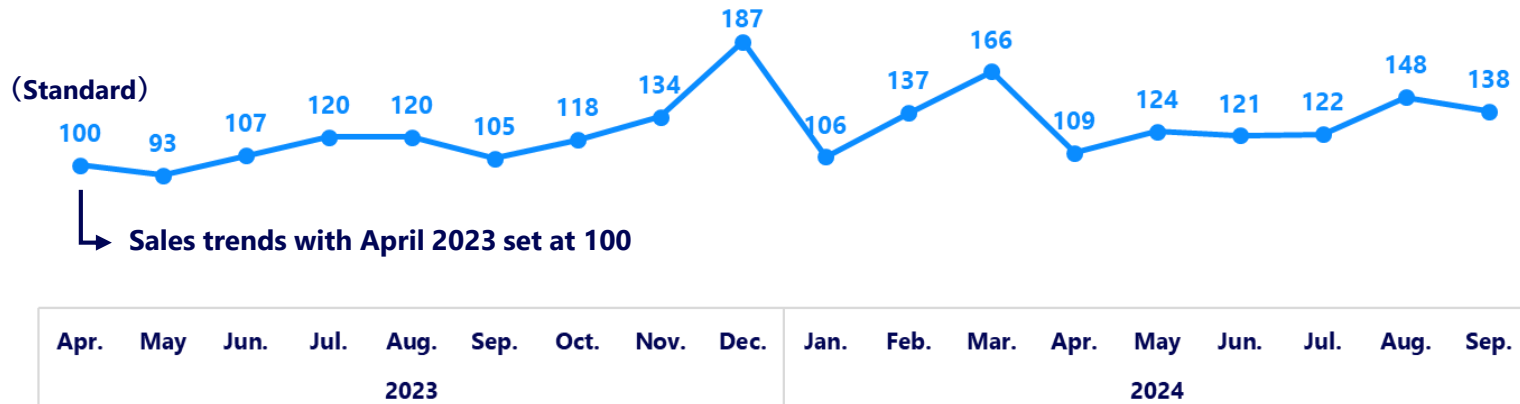
Issue

In recent years, the price of gold has continued to rise, and the barriers to investing in physical gold have increased.

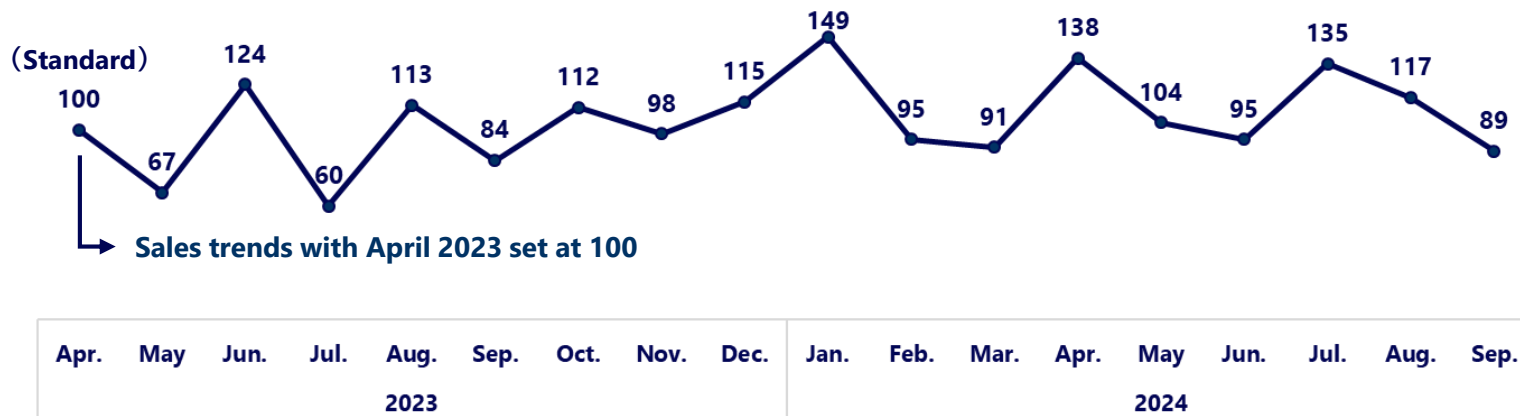
Product highlights

- High quality and purity products made possible by technology cultivated over many years
- Affordable price makes it suitable for new investments and gifts

Spot trading sales trends



Sales trends for advance payments



Unlike the general image of trading as volatile, stable profits can be expected.

Options Trading

Clients

**Gold and silver mines
in the Americas**

Benefits for each company

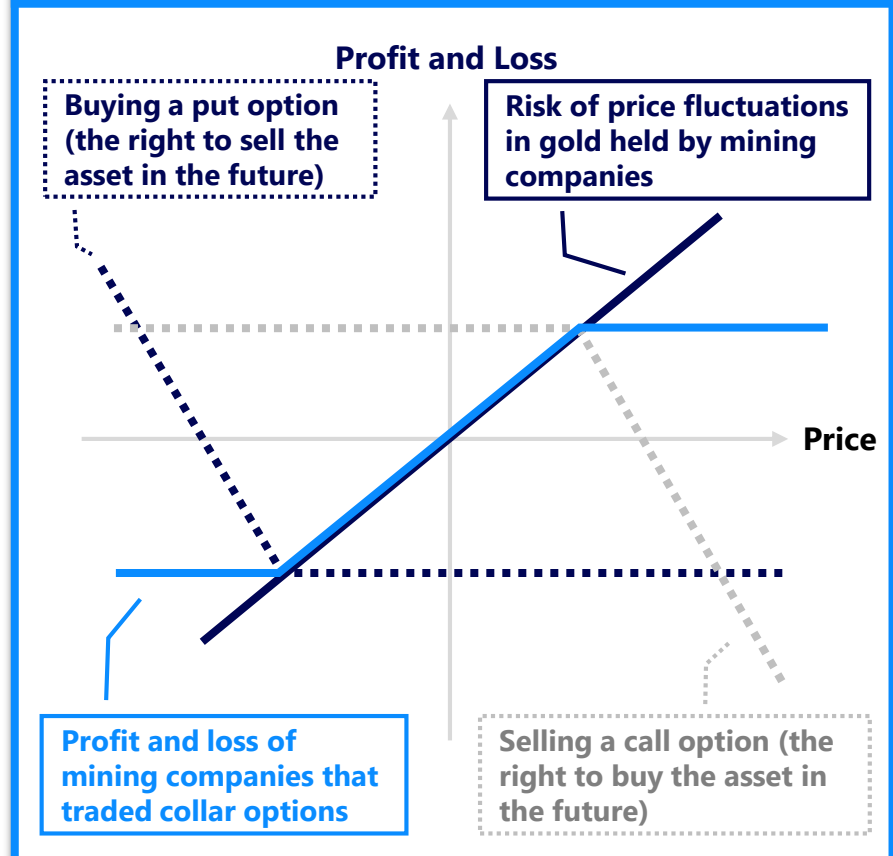
Asahi Refining

Profits from options trading as well as from winning refining contracts

Mining Company

While giving up some of the profits when gold prices rise, hedging is in place to offset losses when the prices fall.

The hedging effect of zero-cost collar options from the perspective of mining companies





Assay & Refining



Product Processing

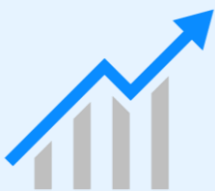
- Product business was growing steadily from 2019 until the second half of 2023, when the market began to slow down
- Due to high volatility in the product market, our performance depends on demand fluctuations

As of the end of September 2024

Au	Ag
920,000	17.4 million
Troy ounce	Troy ounce



We built a warehouse certified by COMEX and started warehousing business in 2023



Favorable product market
⇒ send bullion to market



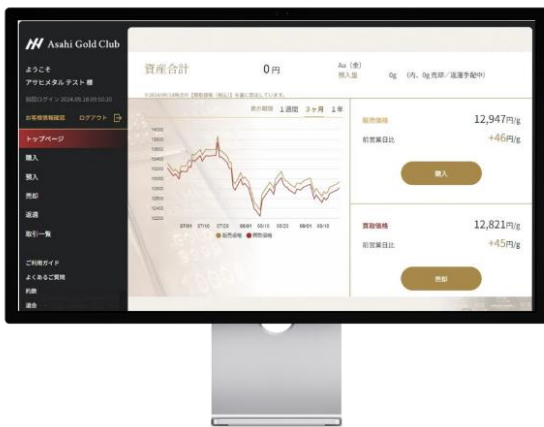
Storage fee for each bullion \$15/month



Storage fee for each bullion \$8.5/month

Unfavorable product market ⇒ earn storage fee from delivering bullion into our own warehouse

Having our own warehouse allows us to choose optimal business options.



What is Asahi Gold Club?

A comprehensive solution providing a seamless experience from buying and depositing to selling and redeeming gold bullion.



1 Flexible Operation

- ✓ We store gold bullion purchased/deposited by customers in a secure fungible deposit
- ✓ Bullion can be sold/redeemed anytime

3 Cost Effectiveness

- ✓ No charges for the purchase handling fee and storage fee
- ✓ Efficient operations facilitated through online processes

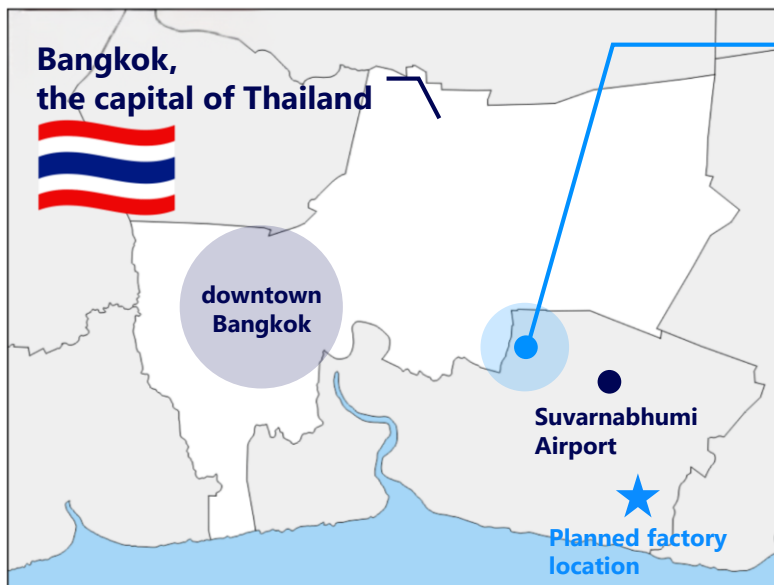
2 Digital Management

- ✓ Stored metals can be managed online
- ✓ Live updates on the asset status of precious metals and transaction history can be monitored

4 Extensive Support

- ✓ We accept deposits of bullion from other brands in addition to our own

We will start providing services to existing customers and gradually expand our business scope to new customers.



Established a Local Subsidiary in the Suburbs of Bangkok, Thailand

We established a local subsidiary in an industrial park where jewelry processing companies are concentrated. The location is advantageous for collecting shavings and scraps generated from jewelry-related factories.

Company Profile

Company Name	Asahi Pretec (Thailand) Co., Ltd.
location	Bangplee Industrial Estate (approx. 60km from Bangkok city)
Capital	Approximately 103 million yen
Investors	Asahi Pretec Co., Ltd. MHCB Consulting (Thailand) Co., Ltd. Bangkok MUFG Ltd.

About the Thailand market

Jewelry industry with strong demand for Au

Jewelry-related demand for gold is 42.1 tons per year, ranking 12th in the world* and approximately three times that of Japan.

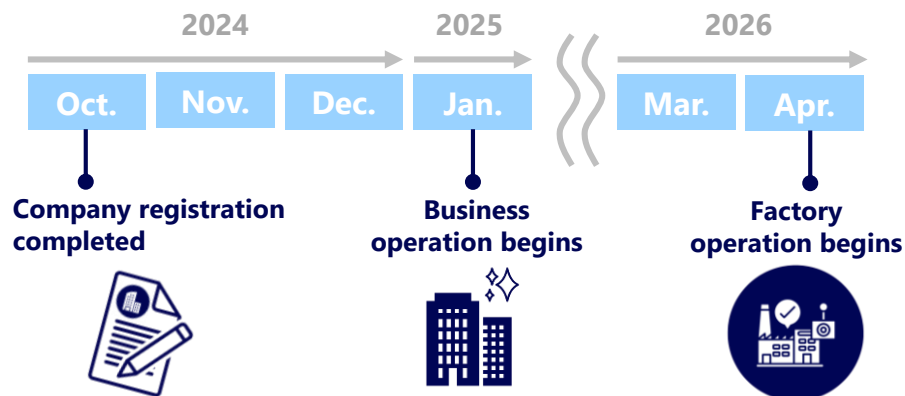
* Calculated based on data from "the World Gold Council"

We aim to differentiate ourselves from competitors not only by refining Au for jewelry, but also by refining platinum group metals such as Pd.

Electronics industry poised for growth

In recent years, electronic circuit board manufacturers, including our existing customers, have been actively expanding into Thailand.

Future schedule



Ministry of Environment, Trade and Industry(METI) upholds goals related to hydrogen in "Green Growth Strategy through Achieving Carbon Neutrality in 2050"

	Current	2030	2050
Domestic introduction	~2 million tons	up to 3 million tons	~20 million tons
Supply cost	100 yen/Nm ³	30 yen/Nm ³	20 yen/Nm ³

Source: Agency for Natural Resources and Energy



In order for our company to reduce hydrogen supply costs...

Reducing fixed costs
(depreciation costs of hydrogen production facility, etc.)

↓

Expansion of heavy water recycling business

Reducing variable costs
(electricity bills, etc.)

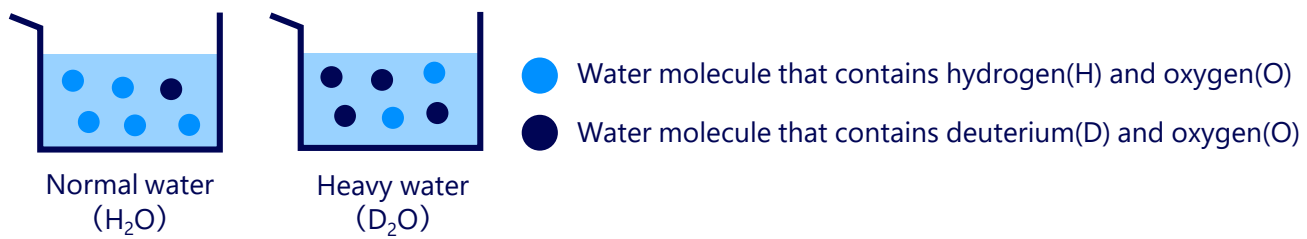
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Utilization of unused power

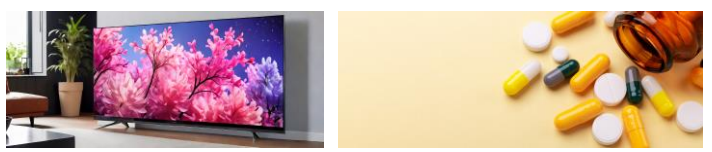
We will contribute to wider hydrogen usage by establishing a cost-effective hydrogen production scheme.

What is Heavy Water?

Heavy water (D₂O) is formed when the hydrogen(H) in normal water (H₂O) is replaced with deuterium (D). Since heavy water is rare in the natural world, it is traded at a very high price.



Deuterizing OLED luminescent materials as well as medicines



Using heavy water can enhance luminescent and lifespan of OLEDs. In medicines, the longer duration of effect would decrease the number of dosages and the side effects.

Building a support system for the expansion of heavy water recycling business

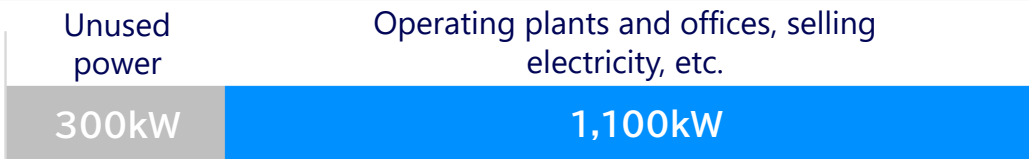


A contract was signed to establish a support system among 5 companies: Asahi Pretec (subsidiary), JAPAN WASTE, Sumitomo Mitsui Trust Bank, EIWA, and FC Development.

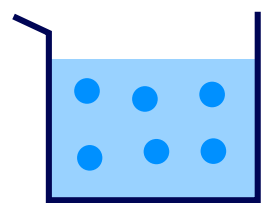
We will use our unique technology to recover, process, and commercialize used heavy water (waste heavy water), and use the revenue to reduce the investment burden of hydrogen production facilities.



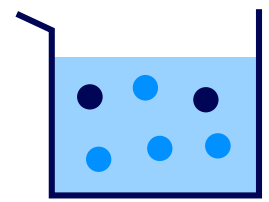
The amount of power generated through incinerating waste



low-carbon electricity
(generated without using fossil fuels)



de-ionized water



waste heavy water



hydrogen



concentrated heavy water

Utilizing unused power from JW's waste power plants(incinerators) will reduce variable costs such as electricity bills.
We aim for cost-effective production of low-carbon hydrogen by co-producing hydrogen and concentrated heavy water in the same facility.

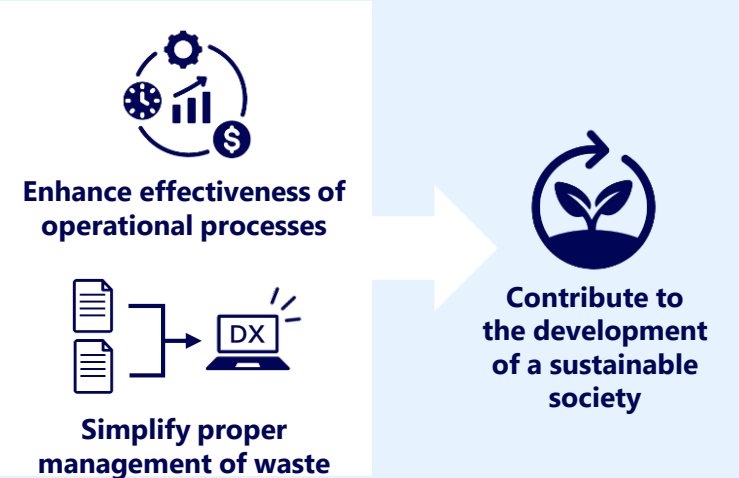
Promoting Environmental DX(Digital Transformation) Business

Optimize waste management digitally!

- Manifest
- Admin Report
- Electronic Contract



What is DXE Station?
 A cloud service for waste generators that enhances visibility and management of waste management processes.



New features added to the updated DXE Station V3.3

Contract rate
 YoY
2.2x

Average price per customer
 YoY
+22%

Catering to the needs of our current clients has increased the contract rate and average price per customer.

Received GOOD DESIGN AWARD 2024



The award recognized DXE Station for its usability in UI/UX and its number of users among waste management companies.

Unit : billion yen

	Mar 31, 2024	Sep 30, 2024	Change	Remarks
Current Assets	253.8	305.8	52.0	
Trade receivables	155.3	197.6	42.3	The greater part of the balance and changes are receivables that constitute borrowings to match metal procurement in North American business.
Inventories	33.9	37.3	3.4	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	64.6	70.8	6.2	
Non-current assets	64.2	65.7	1.5	
Total Assets	318.0	371.5	53.5	
Liabilities	191.5	241.7	50.2	
Bonds and loans	141.2	196.2	55.0	Borrowings of change in Bonds and Loans. 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	50.4	45.5	(4.9)	
Equity	126.5	129.8	3.3	
Total equity and liabilities	318.0	371.5	53.5	

Consolidated Financial Statements

Current Assets	Liabilities
305.8	241.7
Non-current assets	Equity
65.7	129.8



Excluding North America business

Current Assets	Liabilities
117.6	53.5
Non-current assets	Equity
65.7	129.8

The main factor is "Advance Payment" of North American refining business.

Equity ratio **70.8%**

"Advance Payment" of North American Refining Business



No risk for bad debt since payments happen after receiving raw materials

Unit : billion yen

	Q2 FY2025.3	Remarks
Operating CF	11.2	
Changes in inventories	(3.4)	The majority of the change was due to precious metal-containing raw materials, work in progress, and finished products in the precious metals recycling business.
Changes in trade and other receivables	(70.6)	Of the increase/decrease, minus 65.7 billion yen was due to the increase/decrease in receivables corresponding to borrowings from advance transactions, etc. in the North American business.
Changes in trade and other payables	68.3	Of the increase/decrease, +65.1 billion yen is the increase/decrease in borrowings due to advance transactions, etc. in the North American business. Of the increase/decrease in borrowings, the increase/decrease in borrowings due to advance transactions, etc. in the North American business is presented as an increase/decrease in trade receivables in operating CF, not as financing CF.
Others	16.8	
Investment CF	4.6	
Financing CF	(4.2)	
Changes in loans and bonds	0.0	
Dividends	(3.4)	
Others	(0.8)	
Effect of exchange rate change on cash and cash equivalents	0.9	
Changes in cash deposits	12.5	

Status of Capital Investment

	Unit: billion yen		
	FY2024.3	FY2025.3	FY2025.3
	Results	Q2 Results	Plan
Capital Investment Amount	8.5	3.5	12.9
Precious Metals business	6.1	3.4	12.6
Domestic	3.3	1.5	6.6
Overseas	2.8	1.9	6.0
Others	2.4	0.1	0.3
Depreciation	3.6	1.4	3.1

"Others" includes capital investment in environmental preservation projects.

Precious Metals Recycling | Expansion of Bando Plant (second phase)

Bando Plant (1st) **In operation**




BU

- Dentistry
- Jewelry

Type

- Au** (Gold) 79 196.967
- Pd** (Palladium) 46 106.42
- Pt** (Platinum) 78 195.084

Bando Plant (2nd) **Will be completed in April, 2025**



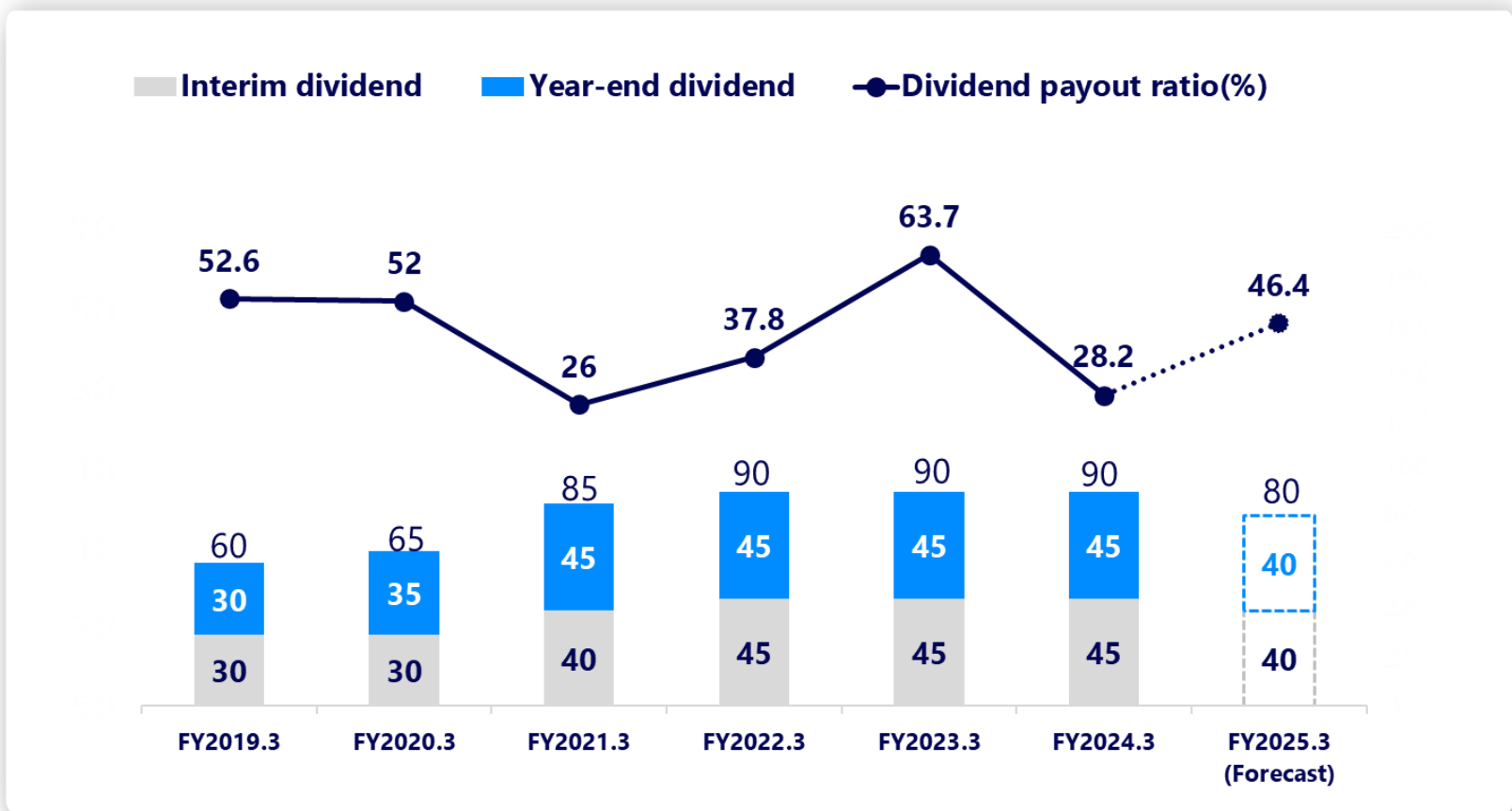
BU

- Catalyst
- Electronic

Type

- Au** (Gold) 79 196.967
- Pd** (Palladium) 46 106.42
- Pt** (Platinum) 78 195.084
- Rh** (Rhodium) 45 102.9052

Bando Plant(2nd) centralizes production of electronics and catalyst sectors, which was previously handled by Ehime Plant. This shift aims to increase productivity and shorten lead times, thereby enhancing our competitive advantage.



※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

**We will continue to pay stable dividends with a target dividend payout ratio of 40%.
 For the fiscal year ending March 2025, the total payout ratio is expected to be 54.0% through share buybacks.**

I. Financial Results for Q2 FY2025.3

(April 1, 2024 ~ September 30, 2024)

II. Appendix

Key SDG Targets

<p>Expand precious metals recycling</p> <p>Effective use of limited global resources</p>	<p>Supplying precious metals in ways that are friendly to people, society, and the environment</p> <p>Promoting responsible precious metals management</p>	<p>Reduce CO₂ emissions</p> <p>Reducing CO₂ emissions from energy sources</p>	<p>Enhancement of work-life balance and diversity promotion</p> <p>Emphasizing diversity and improving job satisfaction</p>	<p>Encourage and support SDG activities</p> <p>Supporting employee contribution activities to the SDGs</p>
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Continuously Certified for Quality



Products manufactured at the Bando Plant have acquired new UL2809 certification



What is UL2809 certification?

A standard for evaluating and verifying the recycled content rate in products.

UL2809 certified items

Au granule/Au bar/Pt plate

Demand for UL2809 as a recycle-related certification is growing, particularly in the electronics industry. We aim to enhance product premiums in sales through the acquisition of certification at Bando Plant.

External Evaluations

MSCI
ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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External evaluation of FY2022 performance

Selected in Indexes



JPX-NIKKEI 400



**FTSE Blossom
Japan Sector
Relative Index**

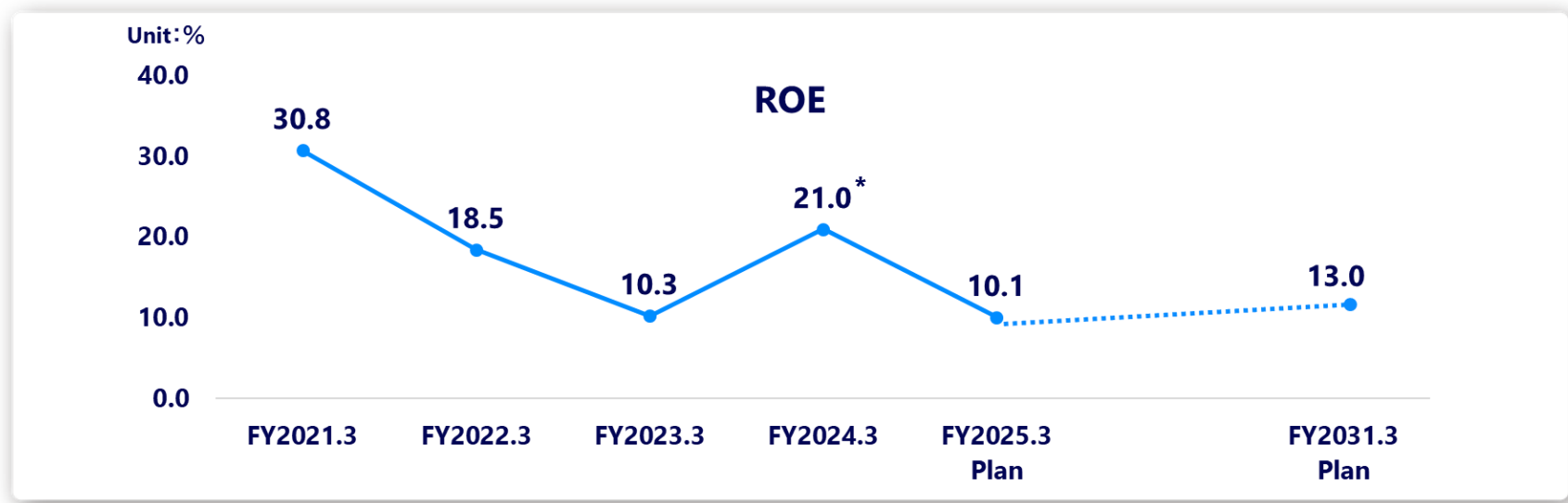


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Japan ex-REIT Gender Diversity Tilt IndexSM Constituents**

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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* Figure excludes the gain on the stock exchange between RENATUS Co., Ltd. and Japan Waste Co., Ltd.

