

ARE Holdings, Inc.

Financial Results for Q3 for Fiscal Year Ending March 2025 (FY2024)

January 29, 2025

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 Q3 FY2025.3

(April 1, 2024 - December 31, 2024)

II. Appendix

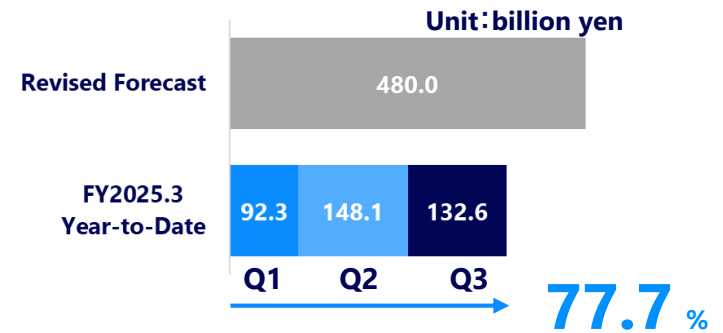
Revenue

YoY

373.0
billion yen

+149.7
billion yen

Q3 Plan Achievement Rate



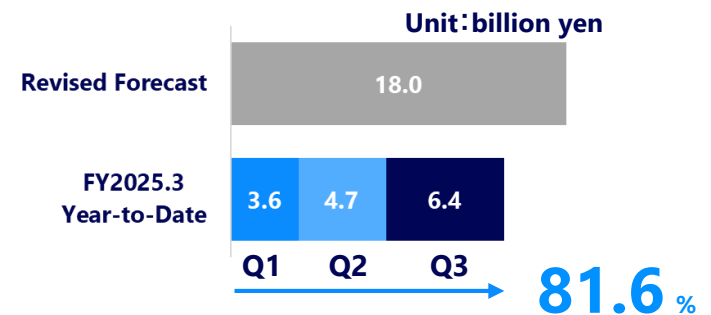
Operating Profit

YoY

14.7
billion yen

+6.8
billion yen

Q3 Plan Achievement Rate



Unit : billion yen

	Q3 FY2024.3	Q3 FY2025.3		FY2025.3
	Results	Results	YoY Change	Revised Forecast
Revenue	223.3	373.0	+ 149.7	480.0
Operating Profit	7.9	14.7	+ 6.8	18.0
Profit*	7.1	11.4	+ 4.3	13.1

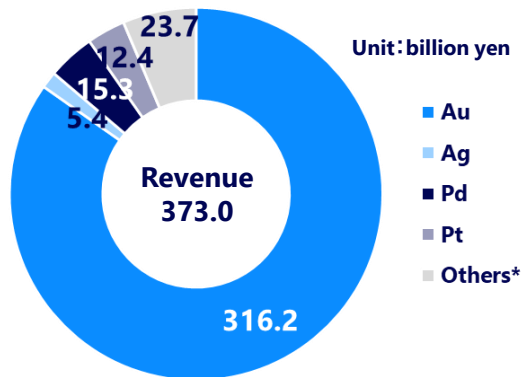
*Refers to profit attributable to owners of parent

Note: Revenue and operating profit for the Q3 of FY2024.3 show the amounts excluding discontinued operations (Japan Waste Corporation).

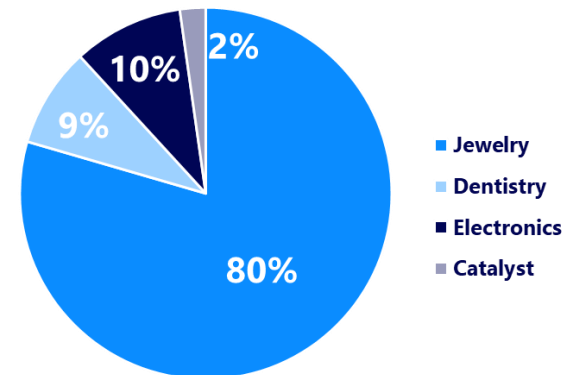
5 Reasons for Change in Sales Revenue



Breakdown of Sales by Metal Element

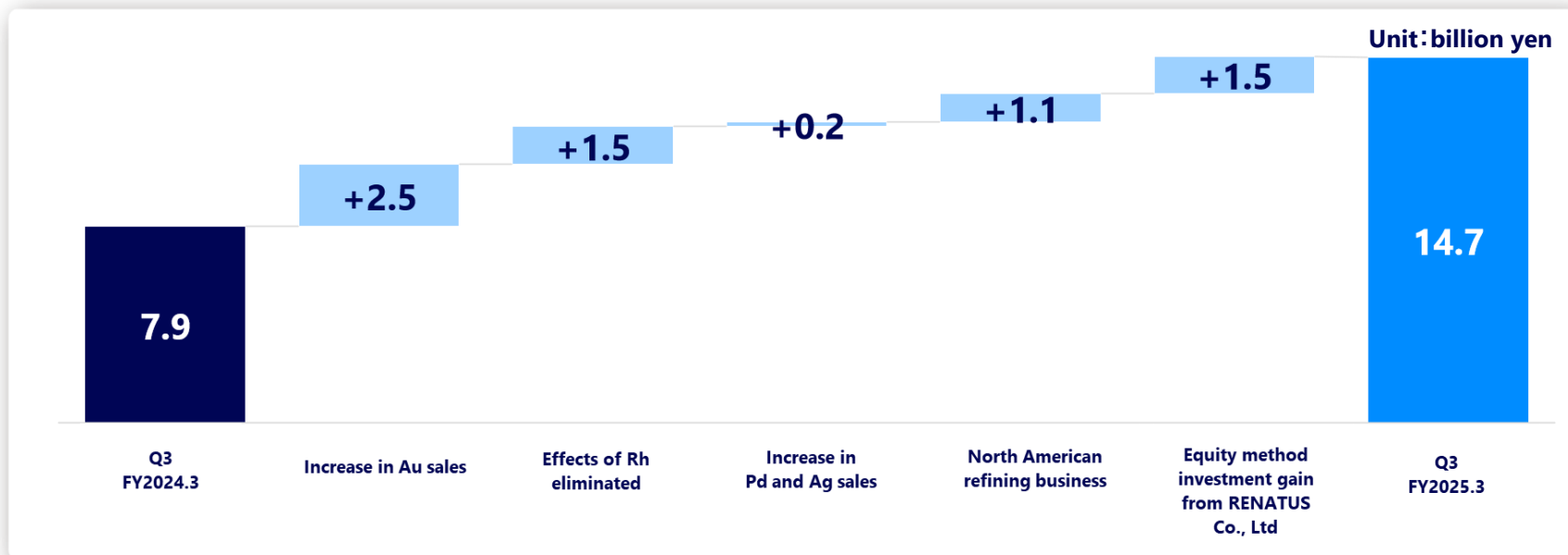


Breakdown of Sales by Business Sector



*Includes Rh sales as well as the sales revenue from the North American refining business

This figure shows a breakdown of sales by business sector in domestic precious metals recycling business and excludes sales revenue of North American refining business and domestic retail business.



Precious Metal Prices (per gram)	Q3(Apr. to Dec.) FY2024.3	Q3(Apr. to Dec.) FY2025.3	
	Average price for the period	Average price for the period	Change
Gold	9,054	12,225	3,171
Palladium	5,881	4,930	(951)
Platinum	4,481	4,841	360
Rhodium	21,746	22,484	738

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

Key Points

- Collection of gold increased primarily in jewelry sector.
- Positive growth in refining and trading businesses despite weak product business.
- Equity method investment gain from RENATUS Co., Ltd is accounted starting this fiscal year in place of Japan Waste's discontinued operations excluded from last fiscal year.

Precious Metals Business

Revenue

372.9 billion yen
(YoY +149.6 billion yen)

Operating Profit

13.4 billion yen
(YoY +5.2 billion yen)

Precious Metals Recycling Business

- Increased collection volumes in jewelry and electronics sectors, in addition to the rise in the price of gold, led to increase in sales and profits.
- Year-on-year increase in platinum and silver prices contributed to profit increase.

North American Refining Business

- Positive growth in refining and trading businesses despite weak product business.

Environmental Preservation Business

Revenue

— billion yen
(YoY — billion yen)

Operating Profit

1.5 billion yen
(YoY +1.5 billion yen)

Profit

1.5 billion yen
(YoY +1.5 billion yen)

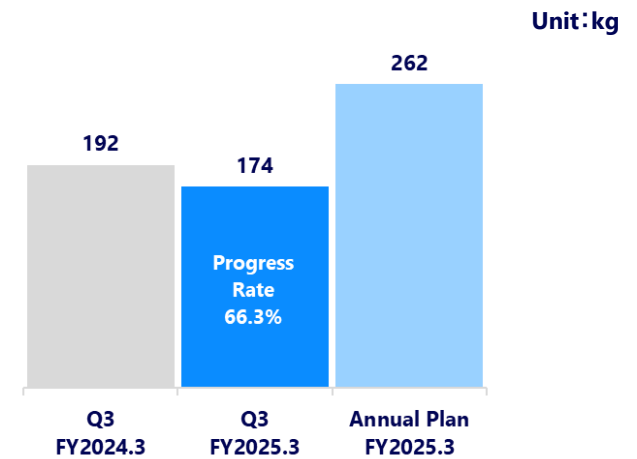
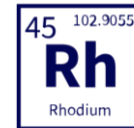
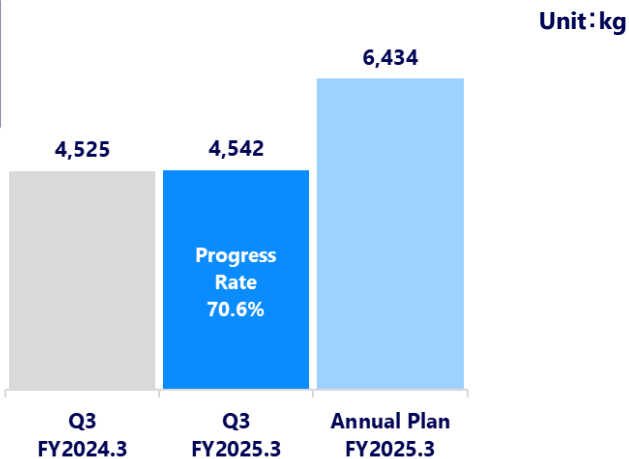
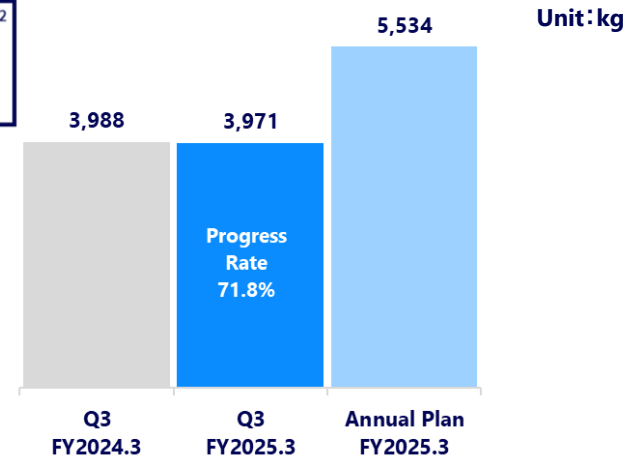
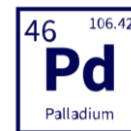
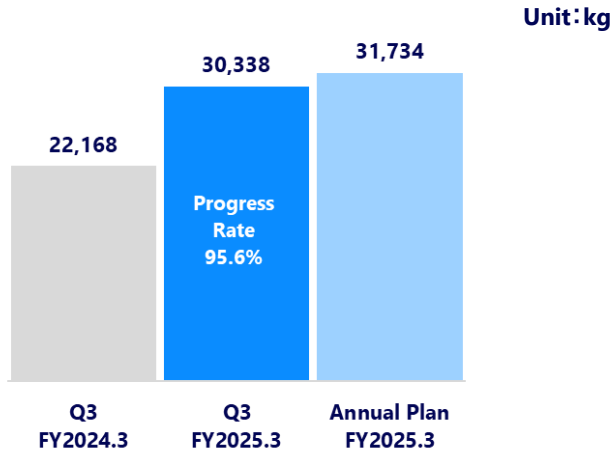
- Equity method investment gain from RENATUS Co., Ltd is included starting this fiscal year (1.5 billion yen).
- Japan Waste's results are excluded from the year-ago period.

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

	Breakdown by Metal Element				YoY Change in Collection Volume	Business Environment
	Au	Pd	Pt	Rh		
Dentistry	30~50%	50~70%	Less than 10%	—	Au 101%	Although the recycling market continues to shrink due to material shifts and technological innovation, we secured new customers through improved sales structure 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%	—	Au 148%	Increased awareness of recycling has led to a favorable market condition for second hand shops and dealers. Since they need a large amount of funds due to rise in gold price and interest rate, consolidations of companies are becoming increasingly common.
Electronics	Over 70%	Less than 10%	Less than 10%	—	Au 105%	Although the impact from the slowdown in the Chinese market and EV-related production is evident, the collection volume has increased due to a strong production of AI semiconductors.
Catalyst	—	50~70%	30~50%	Less than 10%	Pd 95%	The amount of environmental catalysts generated decreased due to process improvements by major catalyst manufacturers, contributing to the decrease in collection volume.

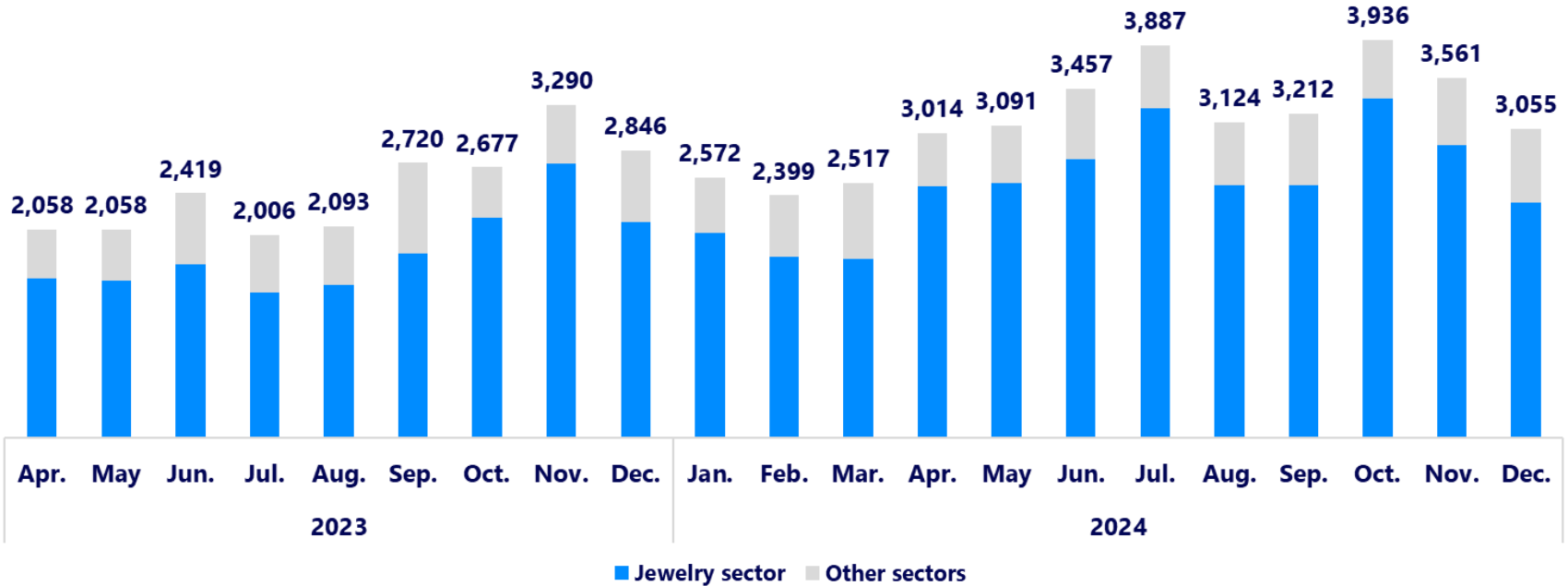
Notes:

The figures in the table indicate the percentage of each category in the total collection volume of each sector (excluding silver and copper). Comments for each area are compared to the same period last year.



Changes in the amount of Au collected

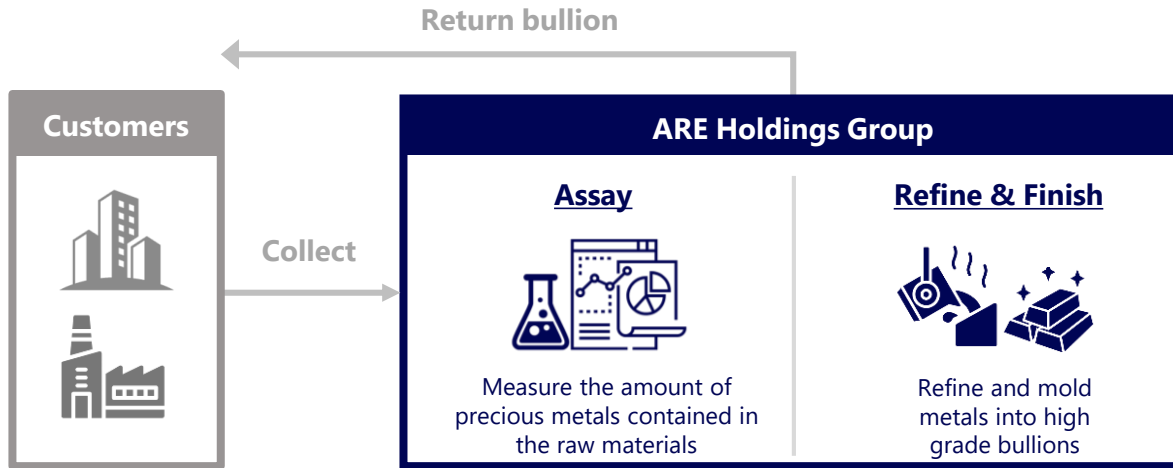
Unit: kg



Key Points

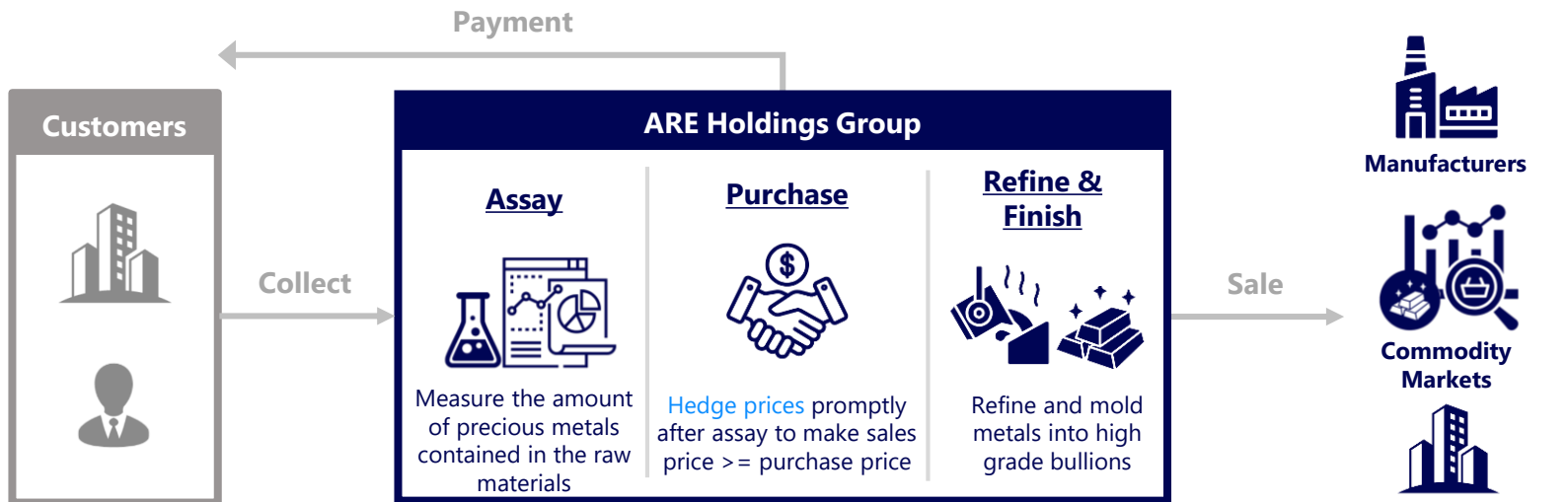
- Most of the gold collection comes from the jewelry sector.
- Jewelry sector primarily involves purchase-type transactions, which contribute largely to the increase in sales revenue.

Return Type

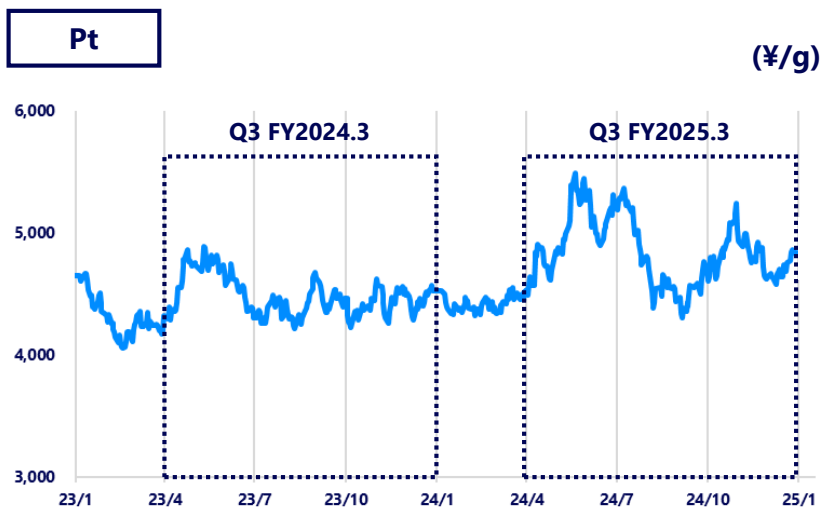
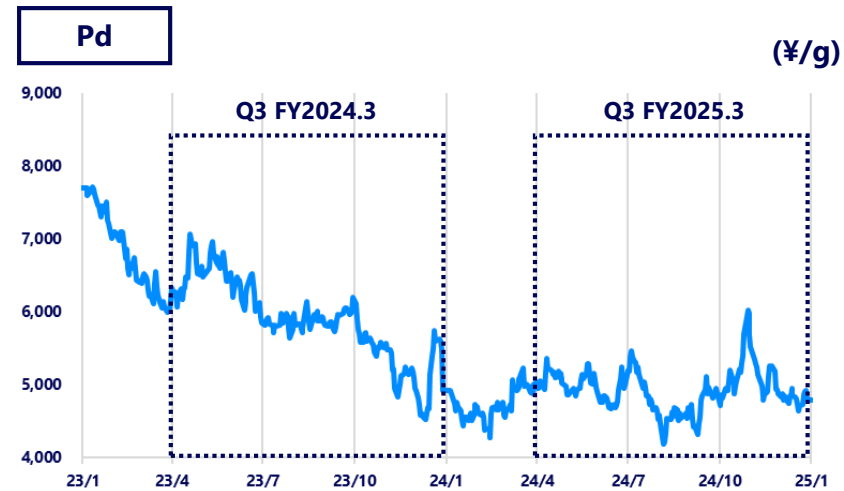
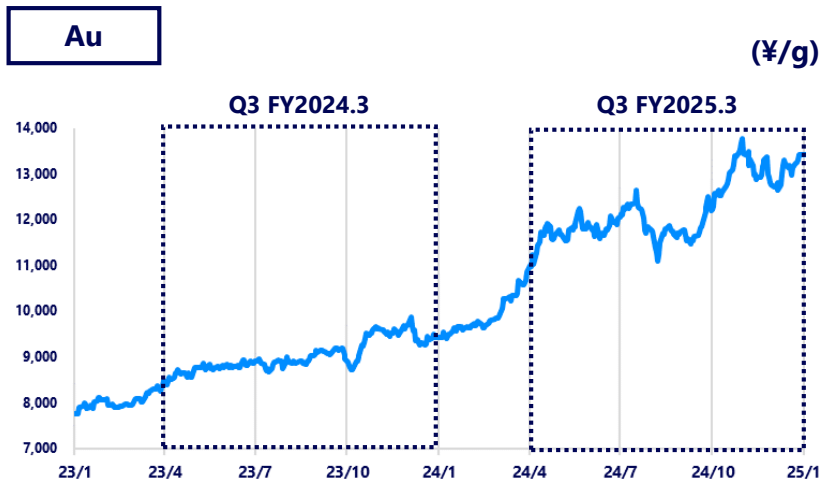


Since there is no purchase of precious metals, only the processing fee for refining is included in revenue.

Purchase Type



The purchases of collected recyclable materials becomes the cost of sales. Then, the sales of the refined bullion generate revenue.



Market Entry Opportunities

No local business in Thailand effectively refines PGMs (platinum and palladium) included in scrap jewelry

Point 1

In some cases, only the amount of gold, not PGMs, is considered at the time of sale

Point 2

Longer lead time as refining process is outsourced to Europe

Our Strategies

Effectively use both the local plant (to be built) and domestic plants in Japan based on the types of metals

Point 1

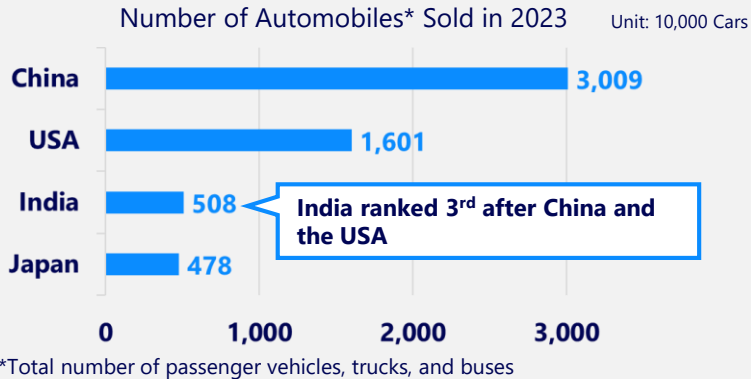
Leverage our competitive advantage by capitalizing on the amount of PGMs

Point 2

Reduce lead time with our geographic advantage



Growth Expected in the Automotive Market



Rate of Car Ownership per Household

China
Approx. 40%

India
Approx. 8%

India has low car ownership compared to China

Growing Middle Class Population

Economic growth

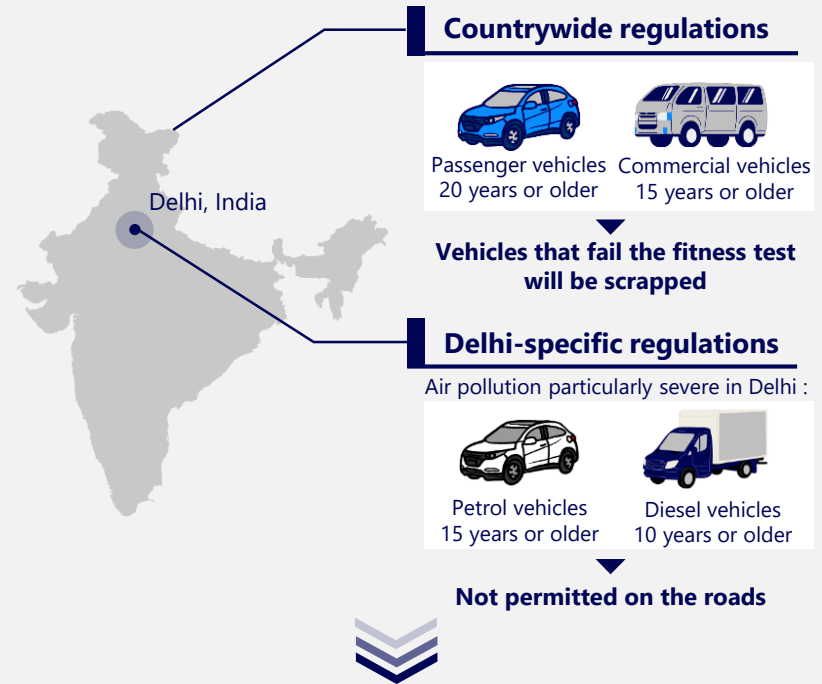
Changes in demographics

Rise of financially privileged in line with rise of working population

Expected increase in car sales

Vehicle Scrapping Policy in India

- Vehicle Scrapping Policy was introduced to mitigate environmental problems, including air pollution.
- The regulation will limit the number of polluting vehicles on the road, and encourage their replacement with new vehicles.

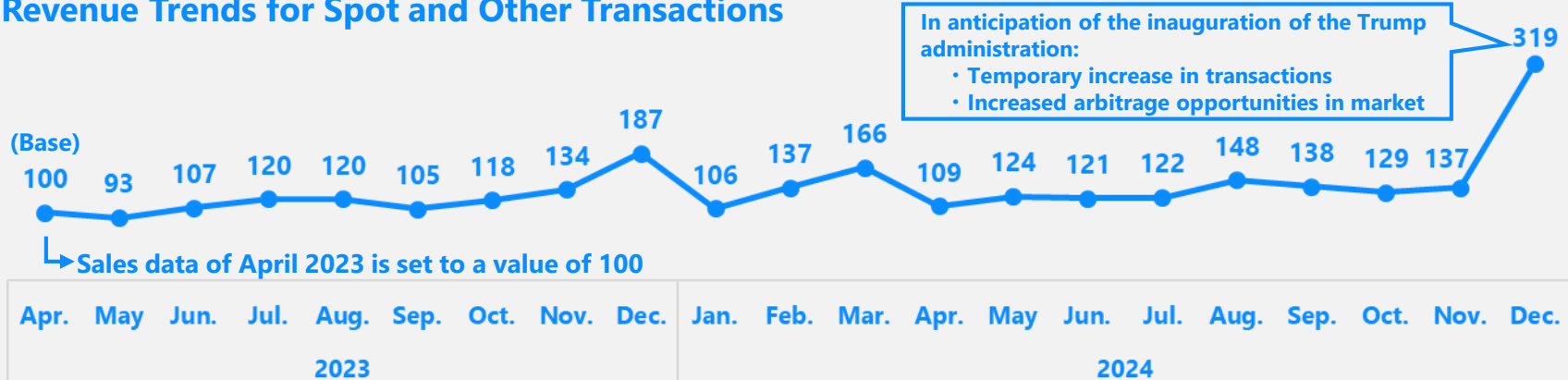


Expected increase in scrapped vehicles

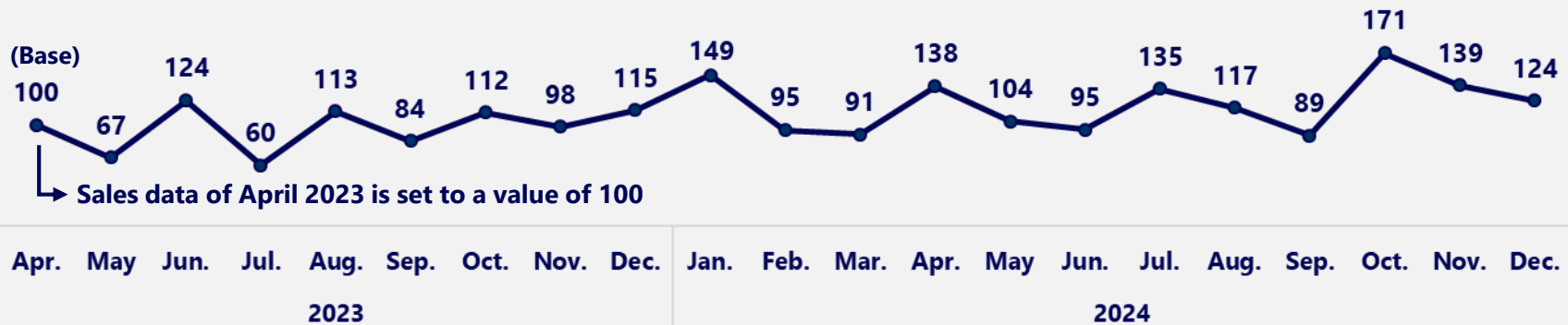
India is a market with an expected growth in collection of automotive catalysts. We are currently considering opening a new location and sending more personnel to India to enhance research for competitors and other markets.

Note: Numbers are calculated based on data from International Organization of Motor Vehicle Manufacturers (OICA) and Japan Automobile Dealers Association.

Revenue Trends for Spot and Other Transactions



Revenue Trends for Prepayment Transactions



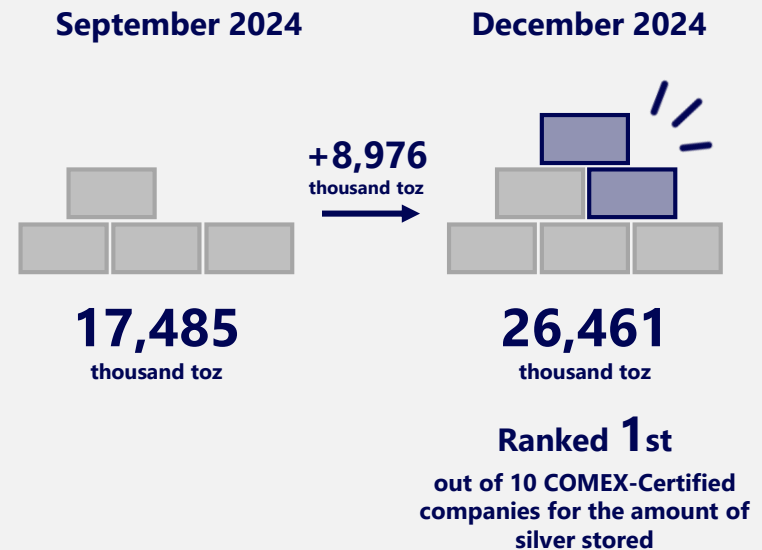
Positive progress on both spot and other transactions and prepayment transactions

Storage Amount of COMEX-Certified Precious Metals

Amount of Gold Stored



Amount of Silver Stored



Note:

Numbers are calculated based on data from Daily Metal Stocks Report and reflect Registered amount of Metal Depository Statistics by COMEX

The storage amounts of both gold and silver show steady growth.

Unit : billion yen

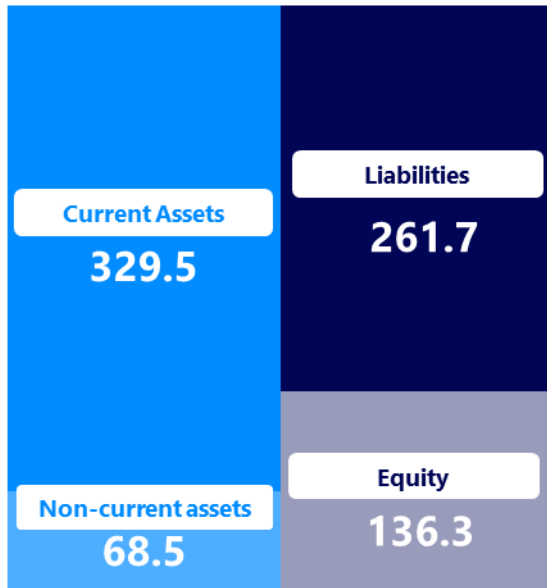
	Mar 31, 2024	Dec 31, 2024	Change	Main Changes	
Current Assets	253.8	329.5	+75.7	Trade and other receivables	+53.0
				Inventories	+17.5
Non-current assets	64.2	68.5	+4.3		
Total Assets	318.0	398.0	+80.0		
Current liabilities	113.0	179.7	+66.7	Bonds and loans payable	+66.7
Non-current liabilities	78.5	82.0	+3.5		
Equity	126.5	136.3	+9.8		
Total equity and liabilities	318.0	398.0	+80.0		

Key Points

- **North American Refining Business:** Increase in prepayment and other transactions with mining companies led to an increase in both assets and liabilities.
- **Domestic Precious Metals Business:** Increase in hedged inventory in line with higher precious metal prices and increased collection of recyclable materials.

Consolidated Balance Sheet of ARE Holdings

Unit: billion yen



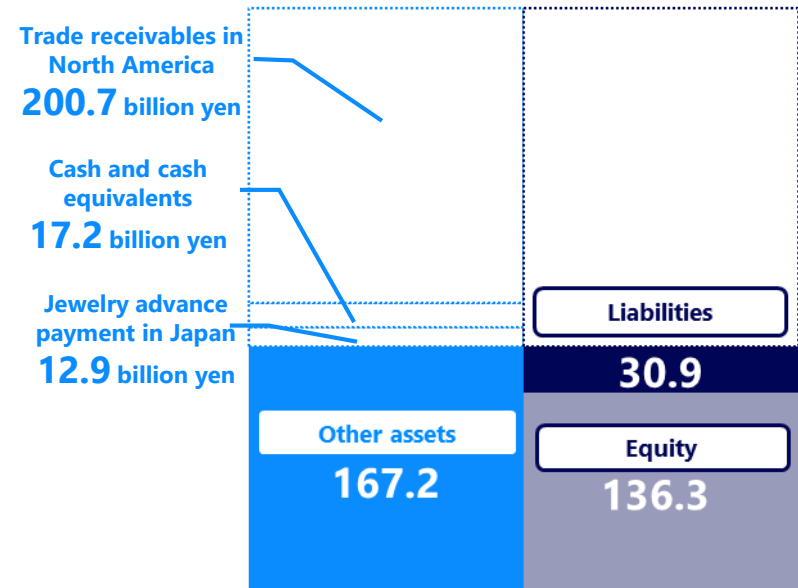
Equity Ratio

(Ratio of equity attributable to owners of the parent)

34.2%

Balance Sheet without Highly Liquid Assets

Unit: billion yen



Equity Ratio

(Ratio of equity attributable to owners of the parent)

81.6%

Key Point

Most of the company's interest-bearing liabilities are backed by highly liquid assets.

Credit Rating**R&I A-**

Rating Investment Information, Inc.

- ✓ First credit rating obtained from Rating Investment Information, Inc.
- ✓ Achieved an issuer rating of A- and a rating outlook of Stable
- ✓ Strive to enhance credibility and expand financial resources by ensuring greater transparency in our financial status

Key Points of the Credit Rating**Overall**

- ✓ The company's **risk resilience in terms of capital structure is stronger than it appears on the surface level**, as it is comparable to other ratings.
- ✓ Future improvement on profitability and cash flow-generating ability can be expected.

Precious Metals Business

- ✓ The company has a competitive advantage in the collection and recovery of the recyclable materials through its assay technology and sales network.
- ✓ The business is highly stable due to its diverse sources of material collection and the variety of precious metals processed by the company.

North American Refining Business

- ✓ Unique business expansion strategy and risk-mitigating business model are evident in the company's involvement in product processing and the provision of financial services.

Unit : billion yen

	Q3 FY2025.3	Main Changes	
Cash flow from operating activities	14.9	Profit before tax	+15.3
		Changes in inventories	(17.4)
		Changes in other receivables and payables	+17.0
Cash flow from investing activities	0.6	Purchase of property, plant and equipment (PP&E)	(4.5)
		Changes in prepayment transactions, etc. in North America	+5.5
Cash flow from financing activities	(6.1)	Loans payable	+1.1
		Cash dividends paid	(6.5)
		Purchase of treasury stock	(1.0)
Effect of exchange rate change on cash and cash equivalents	1.0		
Net change in cash and cash equivalents	10.4		
Cash and cash equivalents at end of period	17.2		

Key Points

- Inventory assets increased due to an increase in the amount of precious metals collected in the domestic Precious Metals Recycling Business.
- Cash flow from financing activities primarily came from dividend payments and the purchase of treasury stock.

Unit : billion yen

	FY2024.3 Results	FY2025.3 Q3 Results	FY2025.3 Plan	Details of the Main Investment Plan
Capital Investment Amount	8.5	5.0	12.9	
Precious Metals Business	6.1	4.9	12.6	
Domestic	3.3	1.9	6.6	Bando Plant (2nd) related : approx. 5 billion yen
Overseas	2.8	3.0	6.0	Upgrading silver refining facilities in North America : approx. 2.5 billion yen
Others*	2.4	0.1	0.3	
Depreciation	3.6	2.1	3.1	

*Includes capital investment in the Environmental Preservation Business

Bando Plant (2nd)

Will be
completed
in April
2025



Business
Sectors



Catalyst



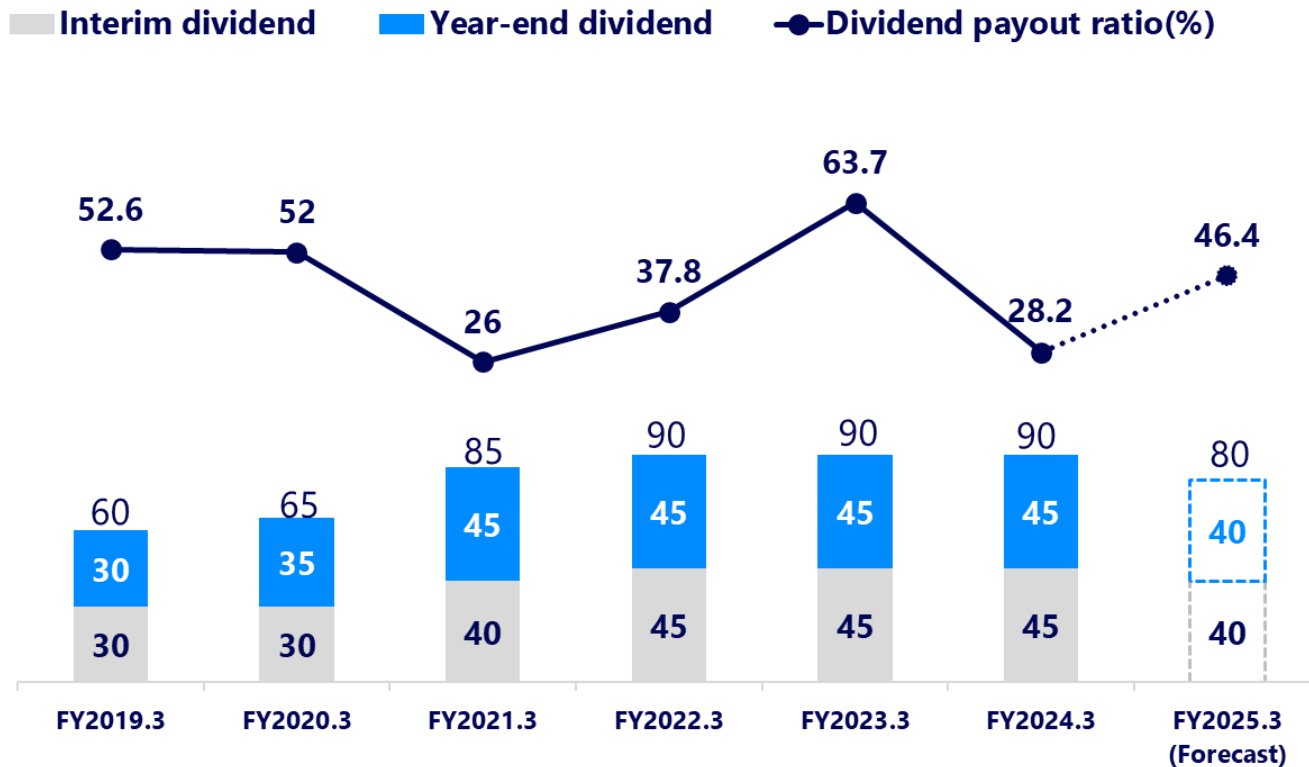
Electronics

Metal
Types

79 196.967 Au Gold	46 106.42 Pd Palladium	78 195.084 Pt Platinum	45 102.905 Rh Rhodium
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Advantages of Bando Plant (2nd)

- ✓ Increase the recovery rate of precious metals through equipment upgrades
- ✓ Competitive advantage through reducing lead time
- ✓ Improve profitability by reducing outsourcing and transportation costs



Note:

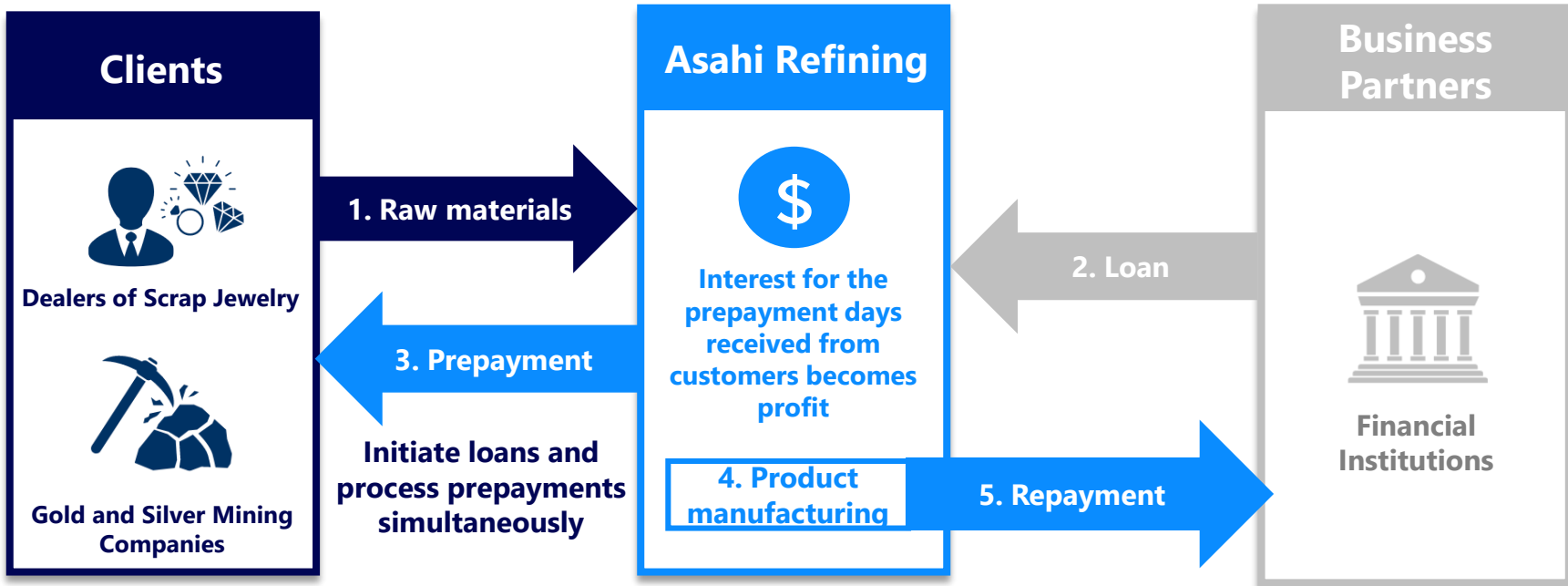
1:2 stock split was implemented on April 1, 2021, and dividends per share and earnings per share until FY2021.3 are calculated based on the post-split basis.

**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 Q3 FY2025.3

(April 1, 2024 - December 31, 2024)

II. Appendix

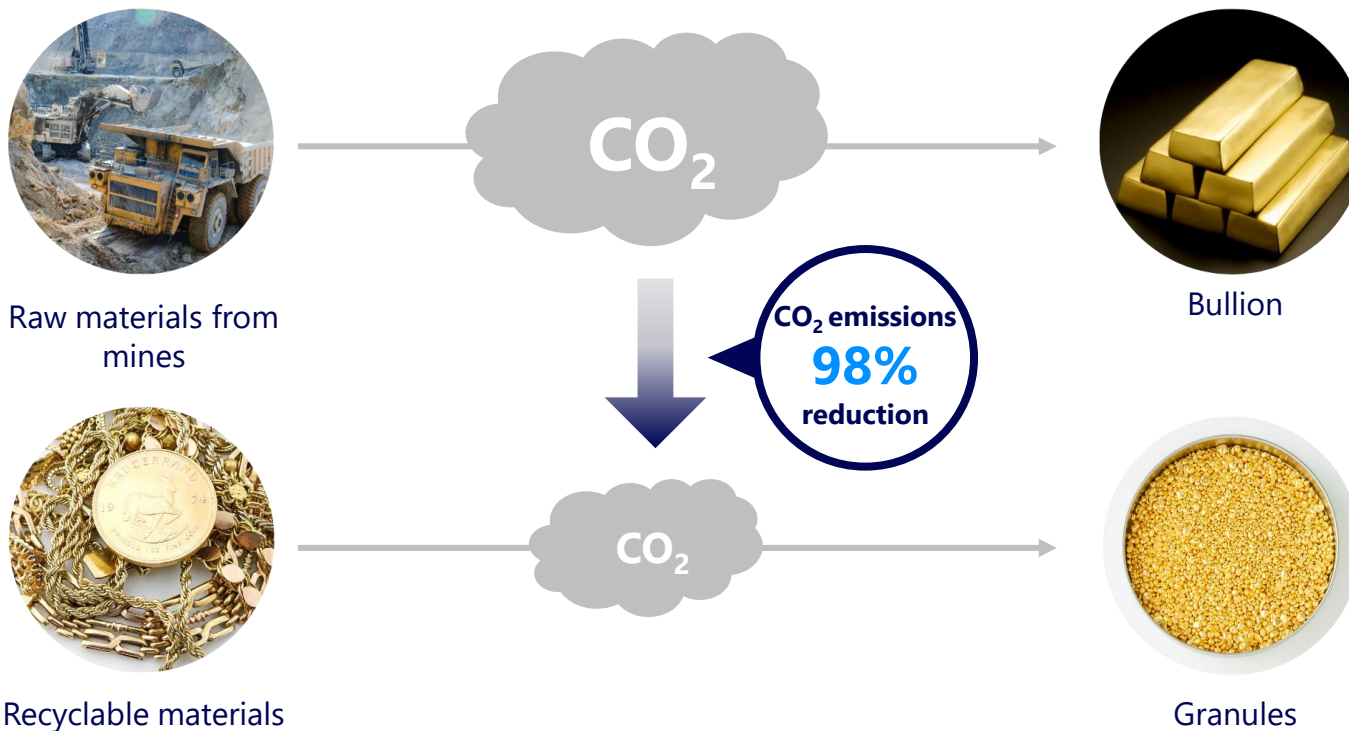


- ✓ Shorten the delivery time from receiving raw materials to returning the finished products to customers.
- ✓ Receive interest for the prepayment days from customers by delivering products before the contract's delivery date.
- ✓ Since the prepayment is made after receiving the raw materials, there is no risk of bad debt.
- ✓ An expansion of the balance sheet is driven by this type of transaction because it requires the recognition of both assets and liabilities.

Key SDG Targets	Benchmarks	FY2023 Results	H1 FY2024 Results	FY2030 Targets
 Expand precious metals recycling	1) Total amount of recycled precious metals 2) CO ₂ reduction effect	1) 231 tons 2) 600 thousand tons-CO ₂	1) 183 tons 2) 376 thousand tons-CO ₂	1) 300 tons 2) 837 thousand tons-CO ₂
 Supply precious metals in ways that are friendly to people, society, and the environment	Obtain certifications from various institutions	Published a summary of an audit report on Responsible Jewellery Council	Obtained UL 2809	—
 Reduce CO₂ emissions	Scope 1 & 2 emissions	CO ₂ emissions: 19.4 thousand tons (31% reduction compared to FY2015)	CO ₂ emissions: 21% reduction YoY	CO ₂ emissions: 10.4 thousand tons (63% reduction compared to FY2015) *Excludes data for businesses that were started or exited after FY2015
 Enhance work-life balance and employee diversity	1) Achievement rate for rest intervals of at least 11 hours 2) Percentage of women in managerial positions 3) Percentage of male parental and childcare leave usage	1) 99.9% 2) 5.0% 3) 76.9% (male childcare leave usage: 38.5%)	1) 99.9% 2) 4.7% 3) 100% (male childcare leave usage: 75%)	1) 100% 2) 7.0% 3) 100%
 Encourage and support SDG-related activities	Promote and support cleaning initiatives through Asahi Clean Project	69 initiatives with 614 participants in Asahi Clean Project	28 initiatives with 169 participants in Asahi Clean Project	—

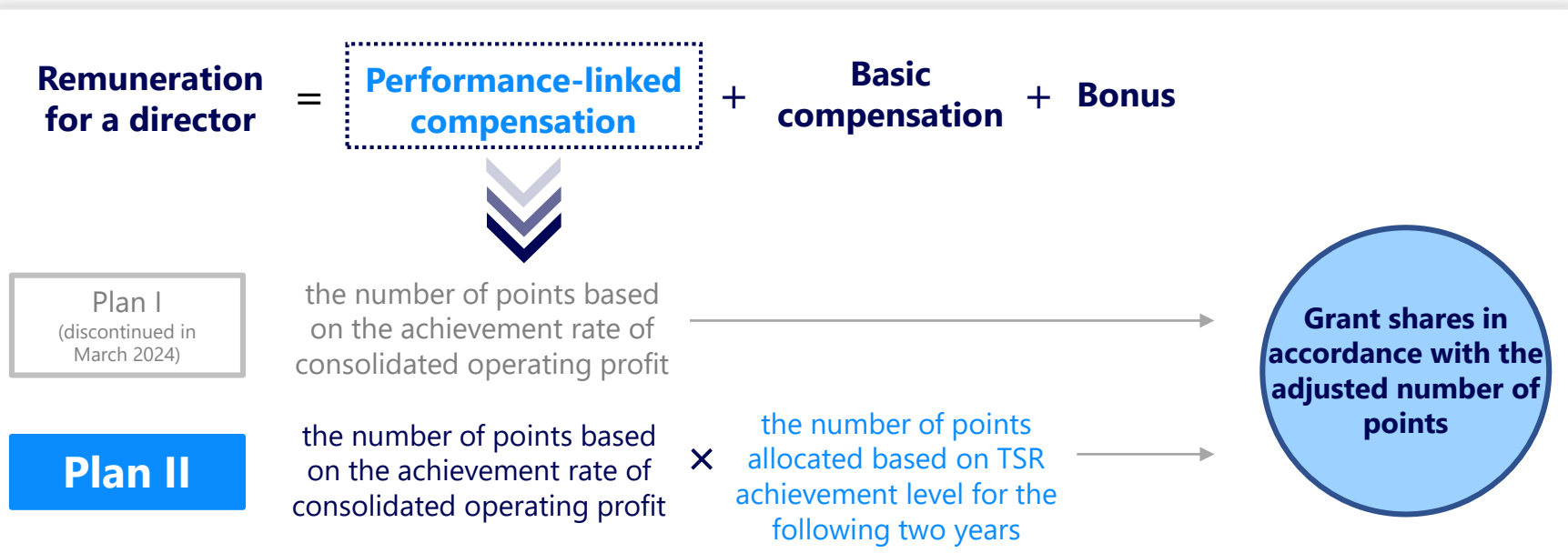
Obtained Carbon Footprint (CFP) for Gold Granule Products

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 ISO 14040:2006 and ISO 14044:2006.



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.

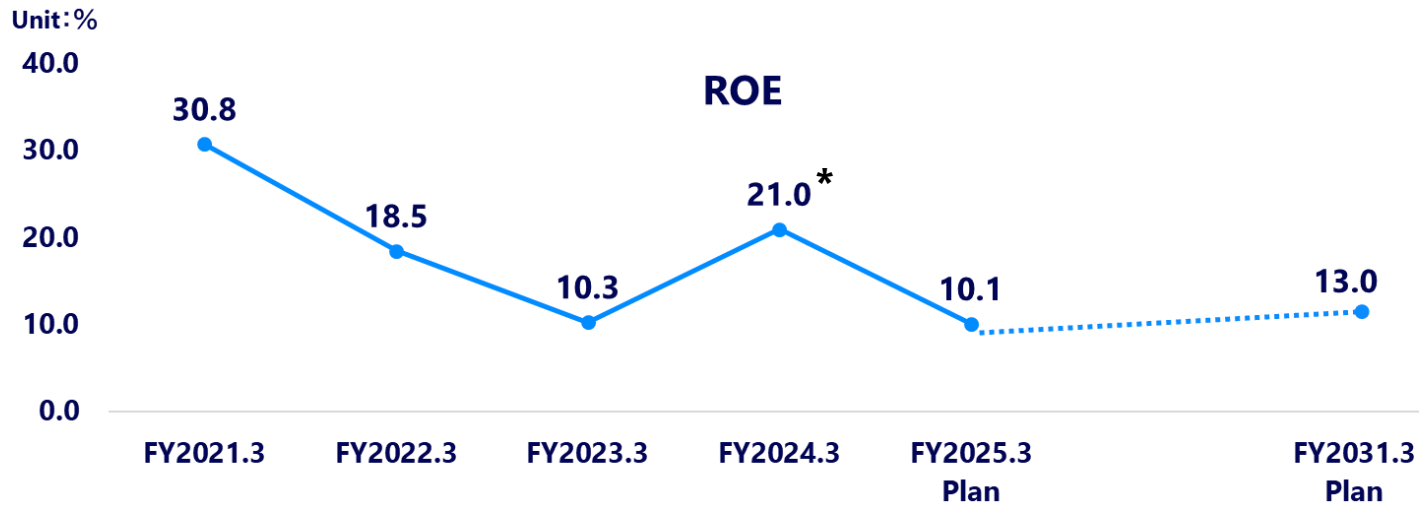
A Remuneration Policy “Plan II” Incorporates TSR Achievement Level:



Key Point

By incorporating TSR achievement level into the remuneration policy...

Strengthen the incentive to improve corporate and shareholder value over the medium to long term



* Excludes the gain on the stock exchange between RENATUS Co., Ltd. and Japan Waste Corporation

