ARE
Think circular

ARE Holdings, Inc.
Financial Results for FY2023 and Mid to Long Term Plan & Aspiration

April 26, 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.

ARE

I. Financial Results for FY2023

(April 1, 2023 ～March 31, 2024)

II. ARE Mid to Long Term Plan & Aspiration

Overview of ARE mid long term Plan

Business environment surrounding ARE

Growth strategy

Precious Metal Recycling Business

North American Refining Business

Environmental Preservation Business

ESG

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3 Summary of FY2023 Financial Results

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

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Business Overview of Q4 FY2023 (YoY)

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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.

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5 Consolidated Results

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

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Precious Metals Business

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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

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7 Impact of Gold Collection

- 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.

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Ref: Volume of Precious Metals Collected

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- 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.

Unit：kg

Au

Business sector
- Jewelry
- Electronic
- Dentistry

Pt

Business sector
- Jewelry
- Catalyst

Pd

Business sector
- Dentistry
- Catalyst
- Jewelry

Rh

Business sector
- Catalyst

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Rhodium Trend

- 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.

※Ref：Metals Week NY Dealer Prices

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Palladium Trend

- 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

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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	Peformance 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)**

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Ref: Structure after the share exchange

- 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

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13 Financial Position

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 Adovance 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	

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Cash Flow

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)	

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Sound Financial Base

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.

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Shareholder Return Policy

- 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%.

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)	FY2024 (Plan)
Earnings per share(yen)	125.12	326.9	238.11	141.19	319.54	172.53
Dividend payout rate(%)	52.0	26.0	37.8	63.7	28.2	46.4

※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

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Trend in Precious Metals Prices (Gold, Palladium)

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

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

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Our Purpose

Purpose:
Totally Committed to Protecting the Natural Environment and Preserving

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True Company Value

Social issues	Industry issues	Human issues
Promptly and simultaneously achieve circular economy and carbon neutrality	Create large-scale solutions for social issues incl. digitalization jointly with industry peers and between the artery and vein of industries	Empathy and engagement to solve social issues and to grow business; embark on activities that contribute to society

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Course of Actions

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Performance Objective

(Revenue and Operating profit)

Unit: bn yen

	FY2023 Results	FY2024 Forecast	FY2030 Goals
Revenue	322.3	370.0	540.0
Operating Profit	12.4	18.0	38.0

(Operating profit trend)

(Assumptions)

Gold	Palladium	Platinum	Rhodium
11,800 yen/g	5,000 yen/g	4,700 yen/g	4,600 $/toz

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Financial Policy

	FY2023	FY2030
ROE	9.4%※	13%
Equity ratio	39.8%	50%～60%

Improve profitability

Reduce total assets

Cash generation through growth policies
(Sustained expansion)

Operating CF
160.0 billion yen

Repayment of borrowings
40.0 billion yen

Use free cash flow for repayment of borrowings

Investment
50.0~60.0
billion yen

Active capital investment
Consider M&As by seizing the opportunity

Shareholder returns
60.0~70.0
billion yen

Top priority to shareholder returns
(Payout ratio of 40%)

ROE: Calculated by excluding the effect of share exchange gain.

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Capex・M&A

Unit：bn yen

	FY2024	FY2025	FY2026	Total
Precious Metals	**12.9**	**8.6**	**9.0**	**30.5**
Domestic	**6.9**	**5.2**	**2.0**	**14.0**
Overseas	**6.0**	**3.4**	**7.1**	**16.5**
Depreciation	**2.5**	**3.4**	**4.1**	**10.0**

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Shareholder Return Policy

Basic policy：

We aim to maintain a dividend payout ratio of approximately 40%, while retaining sufficient internal reserves for capital investment and M&A for future growth.

FY2024：

We plan to pay an annual dividend of 80 yen per share (payout ratio 46.4%) in FY2024. The total return ratio* is expected to be 54.0%.

Unit：yen

*This estimate includes dividends for FY2024 and planned own share acquisition amount (up to 1 billion yen).

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Circular Economy - New civilizational values

- Japan : "Proposed Act on Advancement of Recycling Business, etc. for Promotion of Resources Recycling" (MOE)
  "Growth-Oriented, Resource-Autonomous Circular Economy Strategy" (METI) ▶ Circular Partners Launch
- Global trend: Environmental concerns (CO_2 emissions, etc.) of jewelry brands, etc. and the spread of recycling premiums

Company	Commitments
Tiffany	- Use 50% or more recycled precious metal materials by 2025
Apple	- Aim to manufacture products using only recycled or recyclable materials - Eight products were made of 20% or more recycled materials as of 2021; promoting the use of recycled materials for 14 items that account for 90% of products (18% of materials used were recycled materials as of 2021)
Microsoft	- Aim to have zero waste by 2030 and to make their devices 100% recyclable by 2030
BMW	- Announced the use of plastics made of approx. 30% recycled materials from fishing equipment for the interiors/exteriors of their new model, Neue Klasse, scheduled to be launched in 2025

CO_2 emissions from gold collection

- From jewelry to other industries
- From gold to other resources

Growing consensus on recycled value

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Sources: Company websites and sustainability reports

Superiority of Recycle

Gold production

1	Muruntau	60.5トン
2	Gasberg	55.9トン
3	Carlin	48.9トン
4	Olimpiada	32.5トン
5	Boddington	24.8トン
6	Cortez	23.8トン
7	Kibali	23.3トン
8	Pueblo Vjejo	22.2トン
9	Lihir	21.8トン
10	Detour Lake	21.8トン

Palladium production

Platinum production

*GoI：Gold Focus 2023, palladium・platinum：Johnson Matthey「PGM Market Report May 2023」

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Long-term price increases

- With the rise in gold prices, our collection volume has increased by approximately 2.3 times compared to FY2015
- Higher gold prices lead to more recycling opportunities

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New Recycle market

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xEV-related :Increase sales of domestic electric vehicles

Synthetic Pharmaceutical-related : Expand global market of pharmaceutical

Hydrogen production-related : expand hydrogen production capacity in global

AI･Semiconductor-related : Expand global market of AI chips

AI･Semiconductor-related Source: Estimated by ARE Holdings based on data from Gartner Press Release and newspapers
Synthetic Pharmaceutical-related Source: Estimates by ARE Holdings based on data provided by Evaluate Pharma®
xEV-related Source: Estimates by ARE Holdings based on data provided by the Japan Automobile Dealers Association
Hydrogen production-related Source: Estimate by ARE Holdings based on data from Global Hydrogen Review 2022 by IEA

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Growth of India・ASEAN

(World Economic Growth Outlook)

(Unit:%)

	2022	2023	2024	2025	2026	2029
World	3.5	3.2	3.2	3.2	3.2	3.1
USA	1.9	2.5	2.7	1.9	2	2.1
Japan	1	1.9	0.9	1	0.8	0.4
China	3	5.2	4.6	4.1	3.8	3.3
India	7	7.8	6.8	6.5	6.5	6.5
ASEAN-5	5.5	4.1	4.5	4.6	4.6	4.6

*Created by ARE Holdings based on data from IMF documents.

(Trend of semiconductor production)

(bn dollar)

Ref： World Semiconductor Trade Statistics （WSTS）
*Created by ARE Holdings based on “WSTS Semiconductor Market Forecast Fall 2023”.

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Importance of economic security

- Precious metal recycling is a buffer against the risk of an uneven distribution of resources.

(Uneven distribution of precious metal resources)

Element	Recycling Source (Urban Mines)	Major country of origin (mine)
Platinum	Chemical Catalysts, Fuel Cells, Semiconductors	South Africa, Russia
Palladium	Automotive Catalysts, Pharmaceuticals, Dental	Russia, South Africa
Rhodium	Automotive Catalysts, Thermocouple, Reed Switch	South Africa
Ruthenium	Semiconductors (MRAM), HD, Ammonia Production	Russia
Iridium	Hydrogen production (electrode for electrolysis of H_2O)	South Africa

(Semiconductor production returns to Japan)

Location of semiconductor plants

Ref： World Semiconductor Trade Statistics （WSTS）
*Created by ARE Holdings based on "WSTS Semiconductor Market Forecast Fall 2023".

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Upstream and Downstream Strategies (Precious Metal Recycling Business)

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Upstream (Metal Collection)
- Dental
- Jewelry
- Catalysts
- Electronics

Precious Metal Recycling

Downstream (Sales)
- Green (recycled) gold
- Corporate and Retail

Trading

①Expansion into overseas and new fields

Domestic: Maintain existing market share and expand into new areas (pharmaceuticals, hydrogen, semiconductors)

②Overseas: Expansion in Asian markets

Thailand (jewelry), India (automotive catalysts)

③Strengthen production capacity

2023: Bando Plant (I) in operation

2025: Construction of new Bando Plant (II) completed

④Sales enhancement

- Expansion of green precious metals
  - →Developing new customer of green precious metals
  - →Expand from Au to PGM
- Promote retail business
- Strengthen trading

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Exploring New Fields

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Exploring Oversea market

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India-Automotive Catalyst in India

Enter the market collaborating with automaker based on the government led "End-of-Life" vehicle policy.

Plans to build a new plant within ASEAN

- **ASEAN-Electronic Semiconductor**

With a Malaysian subsidiary as a foundation Japanese, European, American and Korean manufacturers

- **Thailand-Jewelry Scrap**

Respond to recycling needs
Green Gold sales

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Source：Estimated by ARE Holdings based on data from FOURIN and FORTUNE

Improve production efficiency and increase output

- Gold production has increased dramatically since the Bando 1st plant started operating in 2022
- Demand for green precious metals is strong, especially in the jewelry industry, and production capacity has been increased by revising production processes
- In the Bando 2nd phase, the recycling processes in the electronics and catalyst fields will be newly consolidated to improve production efficiency

Changes in ARE Holdings.inc
share of the global supply of recycled gold

The Bando Plant aims to produce gold equivalent to the third largest mine in the world

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Strengthen sales: Expand Green (value-added) precious metals

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- ARE has advantages in CO2 emissions reduction, traceability, and international certification
- Expanding into new industries and fields based on the long cultivated trust in our quality, and expanding green added value

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Strengthen sales: Promote retail business

- Build a retail business that leverages our strengths, including our affluent dentist customer base and our integrated collection-to-sale system.

Our Advantages

①Customer Base
About 70% share of dental

②AMS Customers
20,000

Collaboration with North America

Market Environment

Rising precious metals prices
From savings to investment

Gold Deposit Services

Asahi Gold Club

Retail product sales

Online store

Goal

Metal Lease
Total Asset Reduction
Asset Management for Individuals
Addressing business funding needs

Developing a younger customer base
Expansion of customer base
Corporate branding

Our Advantages

①Technical capabilities to support high-quality products

②Integrated collection-to-sale system

③Green (recycled) precious metals

※AMS：Asahi Metal Account System

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Strengthen sales : Enhance trading functions

- Collaborate between trading teams in Japan and Canada to take advantage of global trading markets
- Take a leap forward from traditional trading that focusing on physical transactions, and seek to expand revenues by enhancing various customer services, such as options trading
- Traders familiar with market practices in Japan, the U.S., and Europe work together to seek global arbitrage opportunities

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Road map

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	FY2024 - FY2026	FY2027 - FY2030
Maintain existing domestic market share	Maintain existing market shares Enter advanced areas (semiconductor, xEV, pharmaceuticals, hydrogen) Build plants in ASEAN countries	
Exploring Oversea market	Cultivate new elements/businesses (Ir, Ru, increase items in cleaning area) Consolidate production bases in Bando Plant Phases 1st&2nd; raise efficiency	
Production Capacity Expansion	Create a section overseeing technology development and QCD Automate production process using AI, etc.	
Expand Green (value-added) precious metals	Obtain certification incl. RJC; market research Sale for jewelry, electronics, and automotive catalysts Enhance and expand metals handled (Au, Ag, Pd, Pt) Create recycling quotation prices	
Promote retail business Enhance trading functions	Start handling other companies' products for trading Start retail depositary & sale business	Address the investment needs of individual assets (e.g. ETF formation) and business funding

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North America Performance Turnaround

- Earnings levels have improved since the 2015 acquisition as the company has diversified its business to include products, trading, and precious metal warehousing
- Targeting further growth with a view to going public

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North American Refining Goal

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Business structure that positions the warehouse business as the core strategy and going public

Expanded earnings through diversification

Investment for Growth

- Construction of the 2nd Warehouse
- Trading Team Expansion
- Productivity and quality improvement through investment
- Expansion of product lineup
- Entering the ETF business

North America Business Goal by 2030

Business portfolio with warehousing at its core

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Warehousing business, which has a high affinity with the refining and products business, is the source of synergies

Asahi Refining Canada & USA Refining

Physical gold and silver delivered to vault after refining

Annual refining output
Gold: 400 ton
Silver: 2,000 ton

Trading Team Toronto, CA Trading

Trading team can make a forward sale and distribute the physical products in the market

Receive storage fees by storing gold and silver settled in futures on the COMEX and distributed to the market

Asahi Depository

NY Warehouse Business

Management of precious metals ETFs and physical precious metals custody

Asahi Refining ETF business in NA (New)

Store mint products in NY close to consumption area

Asahi Refining Florida Mint

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Road map

	FY2024 - FY2026	FY2027 - FY2030
Prepare for listing **Accelerate growth towards future listing in North America**	Determine the optimal business structure, taking into account listing	Consider listing in North America
Enhance products business **Expand retail product lineup and improve quality to increase orders**	Update silver refining/product processing facilities Improve/expand retail product lineup	Develop industrial silver products Increase orders received for sovereign coins
Expand financial business **Expand trading team capacity to grow new arbitrage and other business**	Enhance the trading team Enhance risk management function Expand existing businesses, new arbitrage deals, proprietary trading	
Downsize balance sheet **Reduce borrowings associated with the refining business and control financial expenses**	Downsize balance sheet by improving refining business productivity	
Expand precious metal warehouse business **Expand capacity of existing warehouse and promote construction of a second warehouse**	Invest in expanding existing warehouse Build second warehouse	

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ARE

I. Financial Results for FY2023
(April 1, 2023 ～March 31, 2024)

II. ARE Mid to Long Term Plan & Aspiration

Overview of ARE mid long term Plan

Business environment surrounding ARE

Growth strategy

Precious Metal Recycling Business

North American Refining Business

Environmental Preservation Business

ESG

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Commitment to Environmental Preservation Business

ARE

- ARE Holdings has been growing side by side with the development of Japan's industrial waste treatment
- The legal system made marked progress in keeping with the demand of the times and focused on formulation of circular-type society. However, it was unable to fully meet the demands of the society due to the delays in consolidation of scale in the industrial waste treatment industry
- The market size of the circular economy is forecast to reach 80 trillion yen in 2030, and its key is the cooperation between the artery and vein of industries
- The artery of industries is led by large companies with a high market share, while leading medium-sized companies and SMEs are the main players in the vein of industries with the largest company having a market share below 2%
- It is important to create major vein companies like in the U.S. and Europe for promoting the cooperation between the artery and vein of the industry.
- Japan Waste's joining the Renatus Group provides a foothold for creating a major vein player in Japan
- For ARE also, development of Renatus contributes to profit

We will continue with our commitment to the environmental preservation business even after the share exchange of Japan Waste and Renatus

Our history in the environmental preservation business		Law enactment
1970		Waste Management and Public Cleansing Act
1972	Establishes a facility for detoxifying waste photographic fluid at the Kobe Plant	
1975	Acquires industrial waste disposal license from Kobe City (detoxification of photographic effluent containing harmful substances)	
1978	Registers as an environmental measurement certification office	
1990	Starts the environmental preservation business other than waste photographic fluid	
1992		Act on Promotion of Development of Specified Facilities for the Disposal of Industrial Waste
1993		Basic Act on the Environment
2000		Basic Act on Establishing a Sound Material-Cycle Society
2007	Asahi Pretec establishes the Kitakyushu Office	
2008	Establishes Japan Waste	
2010	Japan Waste opens the Yokohama Office	
2020	Integrates the environmental preservation business of Asahi Pretec and Japan Waste	
2021	Asahi Pretec and Japan Waste merge Ministry of the Environment adopts hydrogen business as a subsidized project Establishes DXE, which promotes environmental DX	
2023	Changes name to Japan Waste	
2024	Share exchange of Japan Waste and Renatus	Act on Promotion of Hydrogen Society

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Formation of a foundation for both resource recycling and decarbonization

- Cabinet Decision on the "Draft Law on the Promotion of Recycling Enterprises for the Promotion of Resource Recycling"
- Industry restructuring in the huge venous industry is slow
- Aiming for a management base and presence that evolves the venous market

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

Renatus's revenue is a total of group companys'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

Source: "Report on the Market Size and Employment of the Environmental Industry 2021" released by the Ministry of the Environment, Japan

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Juxtaposition

Management inefficiency
Financial and resource bottlenecks

"Juxtaposition"

Strategically coexisting together based on common values of the venous industry platform

ARE
Think circular

×

RENATUS

"Totally Committed to Protecting the Natural Environment and Preserving Resources"

"We unite several companies for tackling global environment problems"

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Industry-leading collaboration: (1) Hydrogen business

ARE

The Yokohama Plant (Japan Waste) will install equipment to establish a supply chain in 2025. This initiative has been certified as a subsidized project by the Ministry of the Environment. After this system is established, we plan to start external sales to approximately 3,000 incinerators throughout Japan as potential customers.

Japan Waste Yokohama incinerator

Power

Water electrolysis machine

Hydrogen

Hydrogen compressor

Hydrogen

Hydrogen Cylinder bundle

Hydrogen

Hydrogen

Heat utilization hydrogen burner

Asahi Pretec Bando Plant 2nd

Waste

Power generated by waste

環境省
Ministry of the Environment

Project to achieve multiple benefits through waste disposal and decarbonization

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Industry-leading collaboration: (2) DX promotion projects

- Agency agreement with SmartDrive on April 3, 2024. Accelerating agency development
- Expand product functionality to broaden customer target
- Increase customer success 4x by 2030 to maximize customer LTV

◆Build a sales and marketing structure

Cumulative number of companies that have signed up: 1,332*

SmartDrive

YoY
Cancellation rate fell 3.5%

YoY
Number of leads acquired 220%

KPI

Average sales growth rate：167.2%
（FY2024～FY2030）
Number of contract companies
：1,300

◆Product development schedule

Product development from the ERP perspective that enables a single system to manage the entire operation process of waste management

To March 2023

DXE 処理

Launch DXE Service

Target: Collection & transportation providers

- Function to issue electronic manifests by proxy

From April 2023

DXE Station

Release DXE Station

Target: + Waste management companies

- Workflow function from waste generation, collection, transportation and disposal/treatment

From 2025

DXE Station

Develop additional functions

Target: + Waste generating businesses

- CO_2 emissions calculation function
- Matching function to select the best waste management company

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*Excerpt from the July-Sept 2024 quarter financial results briefing by SmartDrive Inc.

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ESG Initiatives (Achievements)

ARE

Item	Initiatives/Approach
E (Environmental)	• Disclosures based on TCFD • Has set a target of reducing energy-derived CO_2 by 50% from the FY2015 level by 2030 FY2022 reduction was 27% compared to FY2015 • Has declared that we will achieve carbon neutrality in 2050 (Scope 1 and Scope 2) • Implemented a third-party verification of our Scope 1, 2 and 3 CO_2 emissions in FY2022 TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
S (Social)	• Disclosure of human rights policy and sustainability procurement policy • Responsible management of precious metals • Promoting workplace diversity including "three-day weekend` model • Enhancement to the engagement survey (to conduct a survey once a year instead of once every three years as in the past)
G (Governance)	• Company with audit and Supervisory Committee • Among the six directors, four are external directors, including two women. • Responded the request "Action to Implement Management That is Conscious of Cost of Capital and Stock Price" of TSE 〔Introduction of TSR-linked stock compensation plan etc Ratio of female directors: 33% 2 women

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ESG Initiatives (Future Initiatives and Approaches)

ARE

Item	Future initiatives and approaches
E (Environment)	• Raise CO_2 emission reduction target for 2030 (vs FY2015) Before: Reduce CO_2 emissions from energy sources by 50% After: Reduce Scope 1 and 2 CO_2 emissions by 63% • Commit ourselves to acquire SBT certification within two years • Aim to achieve carbon neutrality (Scope 1 and 2) in 2050 • Acquire carbon footprint to improve the value of green gold
S (Social)	• Secure human resources that reflect changes in the businesses (especially nurturing of global human resources) • Strategically strengthen human resources for potential executive candidates • Personnel strategy with focus on personnel composition in 2030 • Further pursuit of diversity (appointing local staff members to management of local subsidiaries, and participation of women and people with disabilities)
G (Governance)	• Development of risk management structure that reflects changes in the business environment and strikes a good balance between offensive and defensive approaches

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Revision of CO_2 emission reduction targets

- Aiming for carbon neutrality by 2050; 2030 interim target raised

  (Initial goal) Reduce energy-related CO_2 emissions by 50%

  (After revision) Reduce Scope 1 and 2 CO_2 emissions by 63%

Unit：thousand t-CO2

CO_2 emissions (Scope 1 and 2) reduction plan

	FY2015	FY2022	FY2023 Plan	FY2024 Plan	FY2026 Plan	FY2030 Plan
CO2 Emission	28.2	20.2	20.4	17.9	16.0	10.4

※ Consolidated subsidiaries as of March 31, 2024 are included. Companies that have been deconsolidated by the end of March 2024 (including Japan Waste) are retroactively treated up to FY2015.

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Think circular

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