

Recycling

We aim to further grow our business by expanding our business portfolio.

Takuya Sano

Director and Operating Officer of ARBIZ Co., Ltd.,
President and Representative Director of SMART Inc.

Profile

Takuya Sano joined ARBIZ Co., Ltd. in 2004 after serving in the Japan Air Self-Defense Force. In 2013, he was promoted to General Manager of the metal and plastic recycling business before assuming his current post as the Director and Operating Officer of ARBIZ Co., Ltd. and the President and Representative Director of SMART Inc. in 2019.



Fiscal review

In FY 2024, ARBIZ Co., Ltd.—a USS Group company which operates a resource recycling business—posted a slight increase in net sales and a slight decrease in operating profit that were almost unchanged from the previous year. These results were due to our price revisions and marketing efforts, and despite the effects of a decrease in end-of-life vehicles and an increase in energy costs. Meanwhile, in the USS Group's plant recycling business SMART Inc., new construction and rebuilding projects for large-scale properties were postponed due to a sharp rise in construction costs, leading to a series of delays in dismantling projects for

existing properties. Consequently, the number of demolition projects decreased and price competition intensified, which meant that SMART lost out on a number of potential contracts due to lower bids by other companies. This in turn led to a halving of net sales and a significant decrease in operating profit compared to the previous fiscal year.

As a result, the Recycling Segment generated ¥8,407 million in net sales from outside customers, down 20.1% year on year (YoY), and an operating profit of ¥542 million, down 53.4% YoY.

Future strategies

Expansion of business portfolio

In our resource recycling business, our performance targets for FY 2025 are net sales of ¥6.1 billion and operating profit of ¥700 million. Key to achieving these targets are the horizontal recycling of aluminum and the recycling of solar panels. We will therefore expedite our business development efforts in both of these areas.

In the area of aluminum horizontal recycling, we will focus on the aluminum recycling business within the automotive sector, where demand is expected to continue. Within the automotive sector, horizontal recycling of wrought-to-wrought recycling is rare, with the majority of wrought material (i.e., cold-rolled aluminum plates) for automotive use being manufactured from 100% new ingots. However, if the recovered aluminum can be sorted by alloy type, various aluminum components can be directly recycled into manufacturing raw materials without undergoing a secondary alloy manufacturing process. In order to realize the horizontal recycling of wrought-to-wrought aluminum that can be used as automotive parts, we will initially aim to establish a direct recycling system for wrought aluminum. We have therefore proposed a joint venture with UACJ Corporation, which is also an aluminum consumer, and Yano

Research Institute Ltd., which excels in market research, and are currently working to fast-track the business while conducting pilot projects.

In the area of solar panel recycling, we commenced a pilot study in FY 2024 as a joint project with Sumitomo Corporation and Sumitomo Mitsui Finance and Leasing Group (SMFL Group). Through this joint project, we have already established a recycling method for the glass portion of solar panel as part of our scheme to ensure profitability based on the 800,000 tons of solar panel waste that is projected to be generated annually in the 2030s.

Moreover, as a means of expanding our business portfolio, we intend to make IT-related services another pillar of our business. Specifically, this business will promote the recycling and reuse of IT-related materials through the secure deletion of data from IT equipment containing personal information, such as PCs, servers, and ATMs. ARBIZ Co., Ltd. has been working to establish certain parts of this business over the past several years and has obtained R2 certification (short for "Responsible Recycling")—a recycling management system guideline that is specific to the electrical and electronic equipment recycling business. R2 certification is widespread in the U.S., but has only been obtained by a dozen or so companies

in Japan. As a leading R2-certified company, ARBIZ is committed to the recycling of electrical and electronic equipment. In addition to the disposal of hard disks from ATMs and data centers, the comprehensive disposal of tablets and PCs distributed to elementary and junior high schools is scheduled to be carried out from 2025 to 2026. ARBIZ will capture this demand by leveraging its reliability as evidenced by its R2 certification, as well as its comprehensive capabilities in the bulk disposal of IT equipment including PCs and server peripherals. Through these efforts, ARBIZ aims to help realize a circular economy and expand its business.

Strengthening our sales structure in the plant recycling business

In the plant recycling business, our performance targets for FY 2025 are net sales of ¥5.2 billion and operating profit of ¥300 million. While we currently have an order backlog of

approximately ¥3.5 billion, we will also need to strengthen our sales structure in order to recover from the poor performance of the previous fiscal year. We have therefore jointly established a Sales Promotion Department with the SMFL Group as a unit tasked with directly approaching customer upper management during the marketing phase. After receiving sales personnel on secondment from the SMFL Group and enhancing our internal sales structure from April 2025, SMART's recycling capabilities have gained widespread recognition, with positive signs of prospective growth in orders received. We are also planning to expand our business domains by entering into public works projects and building demolitions.

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SWOT analysis

	Description		Responses & Countermeasures
Strength	A	● An exclusive recycling technology (covered by multiple patents) ● Equipment and technologies capable of handling many types of waste materials	● Expand the scope of our technologies by strengthening co-development with other companies
	S	● Leveraging all of our strengths including collaborating with the Sumitomo Mitsui Finance and Leasing Group for cost cutting and developing proposals	● Maximize benefits by further strengthening our collaborations
Weakness	A	● Insufficient network to circulate resources internationally	● Promote collaboration with trading companies ● Promote collaboration in North America, the EU, and Southeast Asia
	S	● Inadequate number of certified employees to foster business growth	● Increase the number of certified employees by raising the benchmark of our upskilling program
Opportunity	A	● Configuration of resource recycling system ● Increased demand for IT-related equipment	ARBIZ / SMART ● Reexamining the recycling business to contribute to achieving carbon neutrality ● Realize the horizontal recycling of aluminum ● Realize the safe disposal of IT-related equipment by obtaining R2 certification ● Expand our business domains to include non-plant public works and buildings
	S	● Aging of structures during Japan's many years of rapid economic growth ● Growth of investments in the manufacturing and energy sectors	
Threat	A	● Difficult to differentiate services in a highly competitive market ● Fiercer competition for resources from manufacturers and companies entering the market from other industries	ARBIZ / SMART ● Entry of foreign capital ● Establish a scheme to ensure earnings in the recycling business with our joint venture partners ● Bolster our marketing power by reviewing our existing sales structure
	S	● Entry of medium-sized general contractors to the dismantling business	



Mineo Asano

General Manager
Flat Rolled, Foundry and Forged
Product Development Department
Research & Development Center
Marketing & Technology Division
UACJ Corporation

Closed recycling of aluminum through advanced sorting technology

We are participating in a joint project to realize closed recycling in which aluminum scrap sorted by alloy type is recycled into aluminum products of the same alloy type. I am responsible for identifying the alloy components that can be reused by the Company while also assessing the sorting capacity of our sorting machines. Going forward, we aim to reduce our GHG emissions and streamline our economic efficiency by eliminating the reclaimed bulk process through the use of advanced sorting technologies.



Hirotsugu Harada

Senior Managing Executive Officer
Sumitomo Mitsui Finance
and Lease Co., Ltd.

Supporting the frontline of dismantling and recycling

To support SMART's business expansion, we are introducing dismantling projects leveraging the customer base of Sumitomo Mitsui Financial Group and Sumitomo Corporation. In FY 2025, we despatched four new personnel, including a department manager, to strengthen SMART's sales structure. Going forward, we will deepen our collaboration in various circular economy-related initiatives such as metal recycling and solar panel reuse.