

TRANSLATION FOR REFERENCE PURPOSE ONLY

This notice has been translated from the original Japanese text of the timely disclose statement and is for reference purpose only. In the event of any discrepancy between the original Japanese and this translation, the Japanese text shall prevail.

October 26, 2023

Company Name: **ARE Holdings, Inc**
Representative: Tomoya Higashiura, President & CEO
(Code: 5857, Tokyo Stock Exchange - Prime Market)
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Notice on Conclusion of Basic Agreement on Share Exchange between Japan Waste, Our Consolidated Subsidiary, and Renatus Co.,Ltd

We hereby announce that, at a meeting of its Board of Directors held on October 26, 2023, ARE Holdings, Inc. (hereinafter the "Company") resolved to enter into a basic agreement with Renatus Co., Ltd (hereinafter "Renatus") and J-STAR NO.5-A, LP to conduct a share exchange (hereinafter the "Share Exchange") in which Renatus would become the wholly owning parent company and Japan Waste Corporation (hereinafter "Japan Waste") would become the wholly owned subsidiary company. The basic agreement was concluded as of the same day.

1. Purpose of the Share Exchange

Renatus was established for the purpose of balancing waste management business and global environmental measures and is a holding company forming a group of companies owned by a fund for which J-STAR Co., Ltd. provides, by itself or through its subsidiaries, investment-related services such as research and offering of investment opportunities and development of investees. This group of companies includes SINCERE HOLDINGS CO., LTD., SNK HOLDINGS CO., LTD., Sanwa Group Corporation Co., Ltd. and Harita Metal Co., Ltd.

Japan Waste, which was established after the reorganization in April this year, has a large number of public and private customers on a nationwide business network from Hokkaido to Okinawa, which, when integrated with Renatus' large and efficient waste treatment facilities in the Tokyo, Chubu, Kinki and Hokuriku areas, will expect to generate tremendous synergy. Furthermore, with the tag line of "Think Circular", Japan Waste will deepen cooperation between the Company's precious metals recycling business and Renatus' industrial waste treatment business, thereby providing an advanced one-stop service to major waste generators as a key axis of veins in the circular economy. Moreover, prior to the execution of the Share Exchange, the Company will establish a new wholly owned subsidiary, Waste System Japan Corporation (hereinafter "WSJ"), which will take over the Environmental Preservation Business of the Company. By having WSJ hold 32% of the shares of Renatus to be acquired after the execution of the Share Exchange, and at the same time, by categorizing DXE Corporation, a subsidiary engaged in the environmental DX business, under the umbrella of WSJ, the Company will have a plan to expand sales of digital solutions for industrial waste treatment practices based on collaboration with Renatus, one of the largest players in the industry. Through these efforts, the Company is committed to building an industrial waste treatment business and related businesses with superior social value, with the aim of maximizing its corporate value.

In order to achieve the purpose of the Share Exchange, Tomoya Higashiura, Representative Director, President and CEO of the Company, will assume the position of the Chairman of Renatus, and Hiroyuki Nakanishi, Representative Director and President of Japan Waste, will be assigned to a Director of Renatus. The parties will continue discussions toward the execution of a final share exchange agreement (hereinafter the "Share Exchange Agreement"). For your reference, Renatus is planning to pursue an initial public offering. In the event the listing is achieved, the Company will continue to hold Renatus' shares through WSJ and benefit from the value derived by its growth, as a shareholder of the entity that forms a mutually supportive relationship with the Company.

2. Overview of the Share Exchange

(1) Schedule of the Share Exchange

(1)	Date of Board's resolution on the conclusion of basic agreement	October 26, 2023
(2)	Date of conclusion of basic agreement	October 26, 2023
(3)	Date of Board's resolution on conclusion of Share Exchange Agreement	End of February 2024 (subject to change)
(4)	Date of conclusion of Share Exchange Agreement	End of February 2024 (subject to change)
(5)	Date of approval of Share Exchange by General Meeting of Shareholders	End of March 2024 (subject to change)
(6)	Effective date of Share Exchange	End of March 2024 (subject to change)

Note: The schedule above is subject to change upon consultation and agreement among the parties concerned, if necessary due to the progress of the procedures for the Share Exchange or for other reasons.

(2) Method of the Share Exchange

The Share Exchange will be carried out through a share exchange in which Renatus will become the wholly owning parent company resulting from a share exchange and Japan Waste will become the wholly owned subsidiary company resulting from a share exchange.

(3) Allotment of shares in the Share Exchange

The share exchange ratio will be determined in the Share Exchange Agreement upon consultation among the respective parties to the Share Exchange based on the results of due diligence and calculations by a third-party appraiser.

(4) Handling of share options and bonds with share options in connection with the Share Exchange

This column is not applicable to Japan Waste, which will become a wholly owned subsidiary through the Share Exchange, has not issued any share options or bonds with share options.

3. Overview of the parties to the Share Exchange

(1) Overview of the wholly owning parent company resulting from the Share Exchange (Renatus)

(1)	Name	Renatus Co., Ltd
(2)	Address	6F, Shin Kokusai Building, 3-4-1 Marunouchi, Chiyoda-ku, Tokyo
(3)	Job title and name of representative	Hideaki Sakurai, President and Representative Director
(4)	Description of business	To hold domestic and foreign companies' shares; support their business activities; and provide supervision and control over them by providing management instructions
(5)	Share capital	300,025,000 yen
(6)	Date of establishment	August 18, 2023
(7)	Major shareholders and voting right ratios	Harmony LLP, 71%

(8) Relationship between the listed company and the relevant company	Capital relationship	Not applicable
	Personnel relationship	Not applicable
	Business relationship	Not applicable
	Related party relationship	Not applicable

(2) Overview of wholly owned subsidiary resulting from a share exchange (Japan Waste)

(1) Name	Japan Waste Corporation		
(2) Address	21, Uozakihama-machi, Higashinada-ku, Kobe-shi, Hyogo Prefecture		
(3) Job title and name of representative	Hiroyuki Nakanishi, Representative Director, President		
(4) Description of business	Collection, transportation, and intermediate treatment of industrial waste		
(5) Share capital	4,480,817,500 yen		
(6) Date of establishment	April 20, 1964		
(7) Major shareholders and holding ratios	ARE Holdings, Inc. 100%.		
(8) Relationship between the listing company and the relevant company	Capital relationship	A wholly owned subsidiary of the Company	
	Personnel relationship	Directors and Corporate Officers of the Company concurrently serve as officers of the relevant company.	
	Business relationship	The Company and the relevant company have certain business relationships such as the conclusion of management guidance agreement and real estate leasing.	
(9) Consolidated operating results and consolidated financial position of the relevant company for the past three years			
As of/Fiscal year ended	March 2021	March 31, 2022	March 31, 2023
Net assets	24,559 million yen (30,396 million yen)	31,362 million yen (37,460 million yen)	41,473 million yen (47,904 million yen)
Total assets	109,710 million yen (116,193 million yen)	116,591 million yen (123,106 million yen)	109,183 million yen (116,161 million yen)
Net assets per share	677.42 yen	865.07 yen	1,143.95 yen
Net sales	141,168 million yen (144,533 million yen)	174,787 million yen (178,094 million yen)	276,541 million yen (280,400 million yen)
Operating profit	19,414 million yen (20,004 million yen)	22,169 million yen (22,594 million yen)	17,433 million yen (17,972 million yen)
Ordinary profit	19,658 million yen (20,218) million yen	22,018 million yen (22,412 million yen)	17,448 million yen (17,954 million yen)
Net income	13,373 million yen (13,734 million yen)	16,162 million yen (16,424 million yen)	12,688 million yen (13,021 million yen)
Net income per share	368.88 yen	445.82 yen	349.98 yen
Dividends per share	361.34 yen	416.50 yen	137.91 yen

* While the relevant company has subsidiaries, it does not provide consolidated management indicators. Accordingly, the above shows non-consolidated management indicators and simple totals combined with subsidiaries' figures are shown in the parentheses. Furthermore, effective as of April 1, 2023, the relevant company transferred its rights and obligations associated with the precious metal recycling business,

precious metal refining, manufacturing, and sales business to the Company's wholly owned subsidiary through a company split. Therefore, the above shows non-consolidated management ratios before the company split.

4. Circumstances after the Share Exchange

	Wholly owning parent company resulting from a share exchange
(1) Name	Renatus Co.,Ltd
(2) Address	6F, Shin Kokusai Building, 3-4-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Job title and name of representative	President and Representative Director, Hideaki Sakurai
(4) Description of business	To hold domestic and foreign companies' shares; support their business activities; and provide supervision and control over them by providing management instructions
(5) Share capital	Not finalized yet
(6) Fiscal year-end	December 31
(7) Net assets	Not finalized yet
(8) Total assets	Not finalized yet

5. Future outlook

Japan Waste will be excluded from our consolidated subsidiaries and Renatus will become an equity-method affiliate of the company once executed the Share Exchange Agreement. The impact of the Share Exchange on the Company's consolidated financial performance is currently under examination. Where any matters to be disclosed arise, announcements shall be made in a swift manner.

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