Think Circular

ARE Holdings, Inc.
Financial Results for Fiscal Year Ending March 2025 (FY2024)

April 25, 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.

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I. Financial Results for FY2025.3
(April 1, 2024 - March 31, 2025)

II. Current Progress Toward Our Medium- to Long-Term Plan & Aspiration

III. Action to Implement Management that is Conscious of Cost of Capital and Stock Price

IV. Appendix

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Consolidated Results

Unit : billion yen

	FY2024.3	FY2025.3		FY2026.3
	Results	Results	YoY Change	Revised Forecast
Revenue	322.3	506.2	+ 184.0	448.2
Operating Profit	12.4	20.0	+ 7.6	22.0
Profit*	24.5	14.3	△ 10.2	16.2

*Refers to profit attributable to owners of parent

Notes:

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

Profit for the FY2024.3 shows the amount including 16 billion yen from discontinued operations (includes share exchange gain from Japan Waste Corporation).

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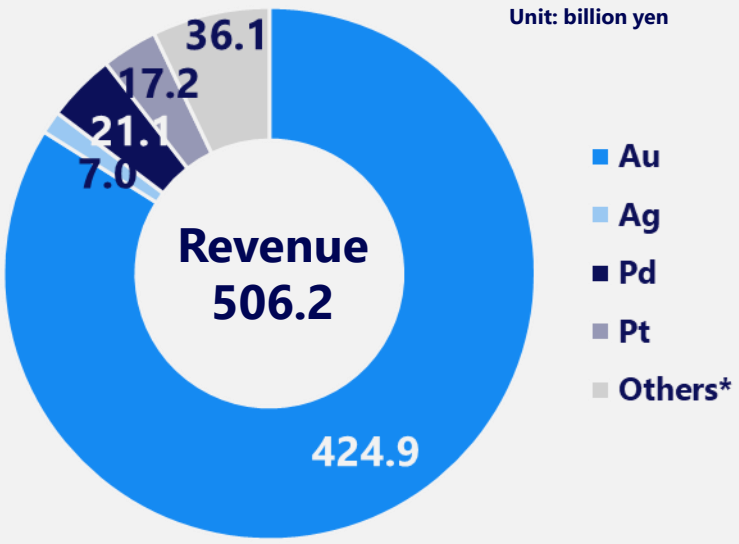
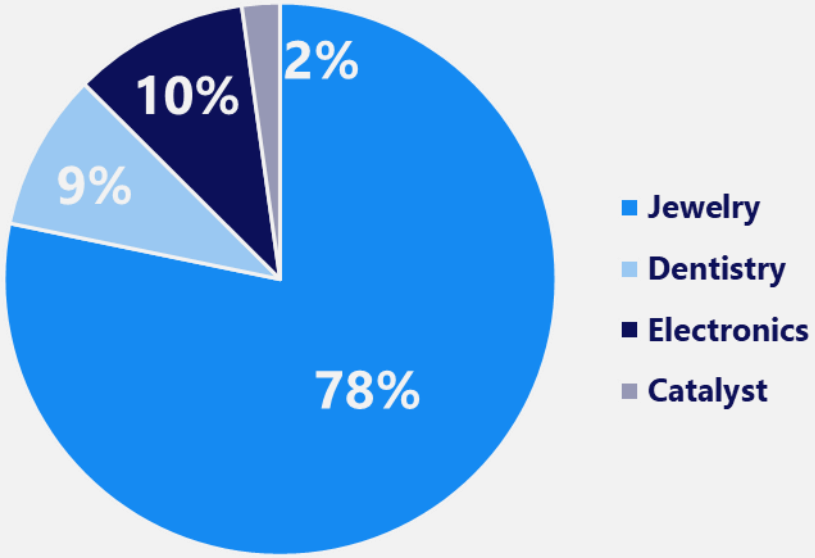
4 Breakdown of Sales Revenue

Breakdown of Sales by Metal Element



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

Breakdown of Sales by Business Sector



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.

Point

- Sales revenue is primarily driven by gold, with its contribution further increasing amid rising prices.
- Sales revenue remained strong, supported by increased gold collection, primarily in the jewelry sector.

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Reasons for Change in Operating Profit

Unit：billion yen



Unit：Yen

Precious Metal Prices (per gram)	FY2024.3	FY2025.3	
	Average price for the period	Average price for the period	Change
Gold	9,271	12,677	3,406
Palladium	5,590	4,888	(703)
Platinum	4,464	4,834	370
Rhodium	21,476	22,607	1,131

【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.**
- **Despite impairment losses from product business, North American refining business overall achieved a YoY increase in operating profit.**
- **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.**

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Precious Metals Business

Revenue 506.1 billion yen (YoY +183.9 billion yen)

Operating Profit 18.3 billion yen (YoY +5.6 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 both sales revenue and operating profit.
- Profits increased YoY across all sectors.

North American Refining Business

- Strong growth in refining and trading businesses resulted in an increase in operating profit.

Environmental Preservation Business

Revenue — billion yen (YoY — billion yen)

Operating Profit 1.9 billion yen (YoY +1.9 billion yen)

Profit 1.9 billion yen (YoY +1.9 billion yen)

- Equity method investment gain from RENATUS Co., Ltd is included starting this fiscal year (1.9 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).

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	Breakdown by Metal Element				YoY Change in Collection Volume	Business Environment
	Au	Pd	Pt	Rh		
Dentistry	 30～50%	 50～70%	 Less than10%	—	Au 100%	Although material shifts continue to impact the market, we maintained the same level of collection volume as the previous year.
Jewelry	 Over 70%	 Less than10%	 10～30%	—	Au 139%	Collection volume from jewelry resale shops increased.
Electronics	 Over 70%	 Less than10%	 Less than10%	—	Au 108%	Although the impact of the slowdown in the Chinese market is evident, the collection volume has increased due to the recovery seen in the production of semiconductors and electronic components.
Catalyst	—	 50～70%	 30～50%	 Less than10%	Pd 92%	A decrease in catalyst generation and intensifying competition led 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.

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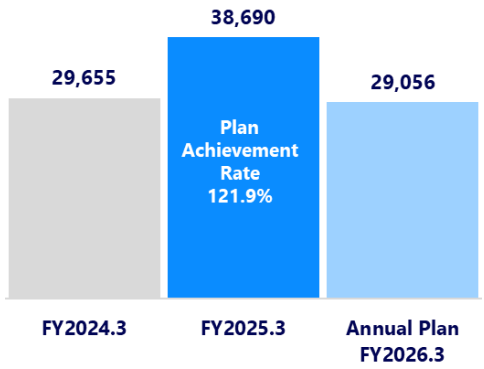
79 196.967 Au Gold

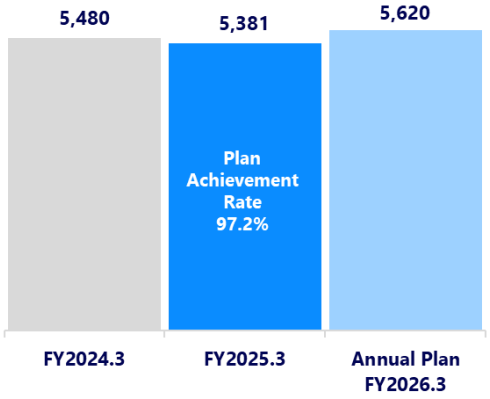
Unit：kg



While collection volume temporarily increased in FY2025.3, FY2026.3 target has been conservatively estimated.

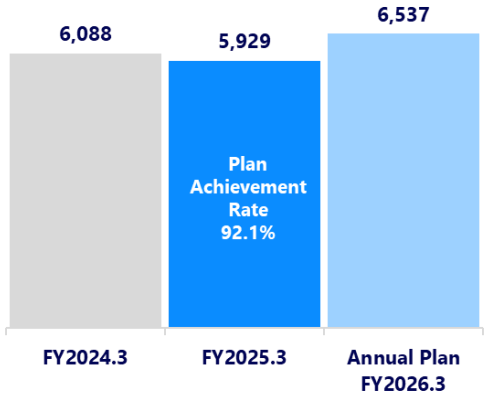
46 106.42 Pd Palladium

Unit：kg



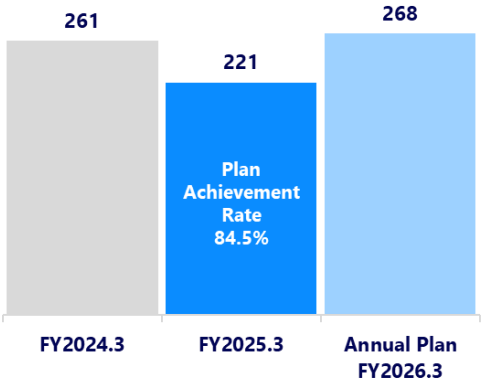
78 195.084 Pt Platinum

Unit：kg



45 102.9055 Rh Rhodium

Unit：kg



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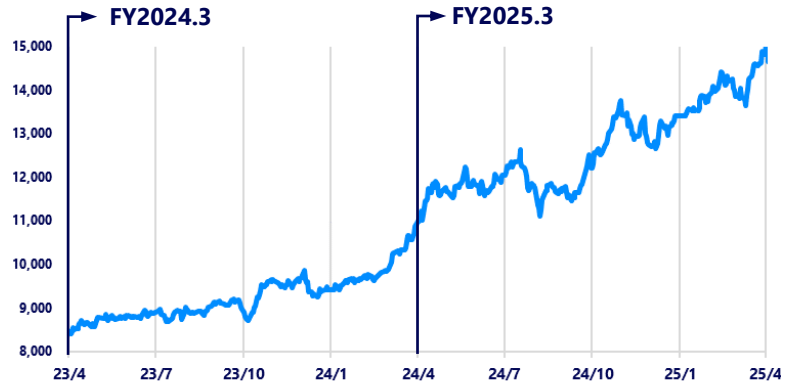
Au

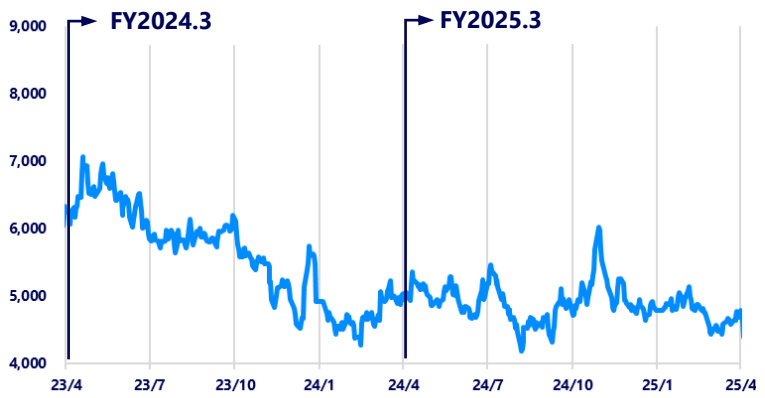
(¥/g)



Reference：Quote from mining company

Pd

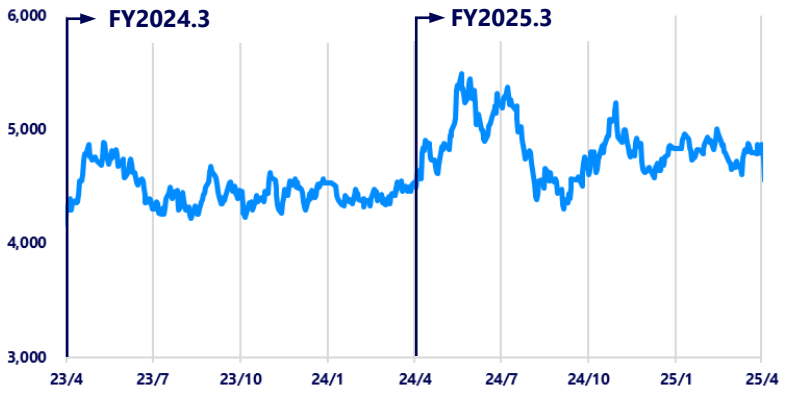
(¥/g)



Reference：Nikkei low price

Pt

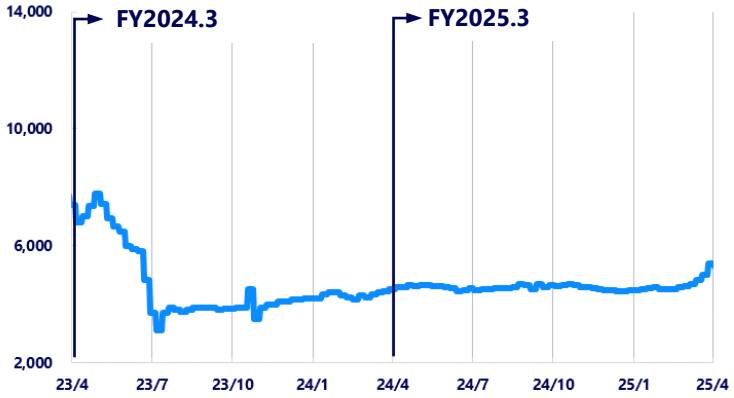
(¥/g)



Reference：retail price (excluding tax)

Rh

($/toz)



Reference：Metals Week NY Dealer Prices

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Established a Local Subsidiary near Delhi, India

- ✓ Operations focused on the export of automotive catalysts from India, with refining processing done at Bando Plant (2nd).
- ✓ Market research underway on collection of gold in electronics and jewelry sectors.

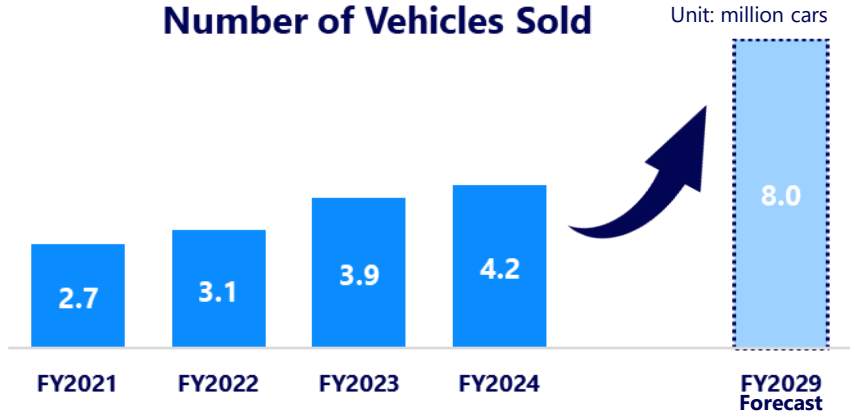
Company Profile	
Company Name	ASAHI PRETEC INDIA PRIVATE LIMITED
Location	Gurgaon（approx. 20km from Indira Gandhi International Airport）
Capital	15 million rupees (approx. 30 million yen)
Investors	Asahi Pretec Corp. ASAHI METALFINE, Inc.



Operations scheduled to begin in July 2025

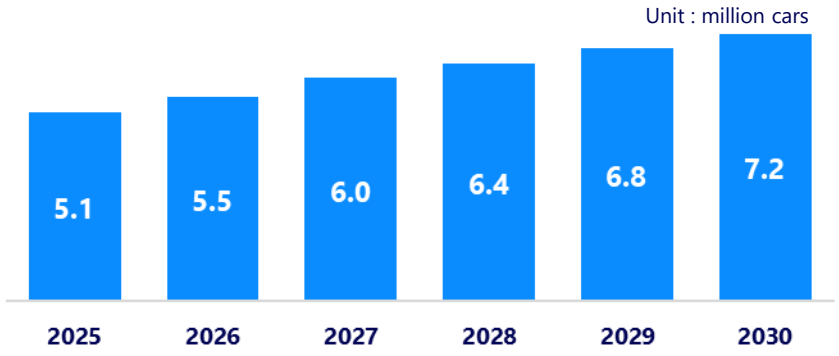
Further Growth Expected in Indian Automotive Market

Number of Vehicles Sold



* Created based on data from the Society of Indian Automobile Manufacturers (SIAM) and the Japan External Trade Organization (JETRO)

Automobile Dismantling Forecast



* Created based on data from the Japan External Trade Organization (JETRO)

An increase in scrapped vehicles is expected due to the Indian government's vehicle scrapping policy, presenting an opportunity to collect precious metals from automotive catalysts.

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Current Tariff Situation in North America

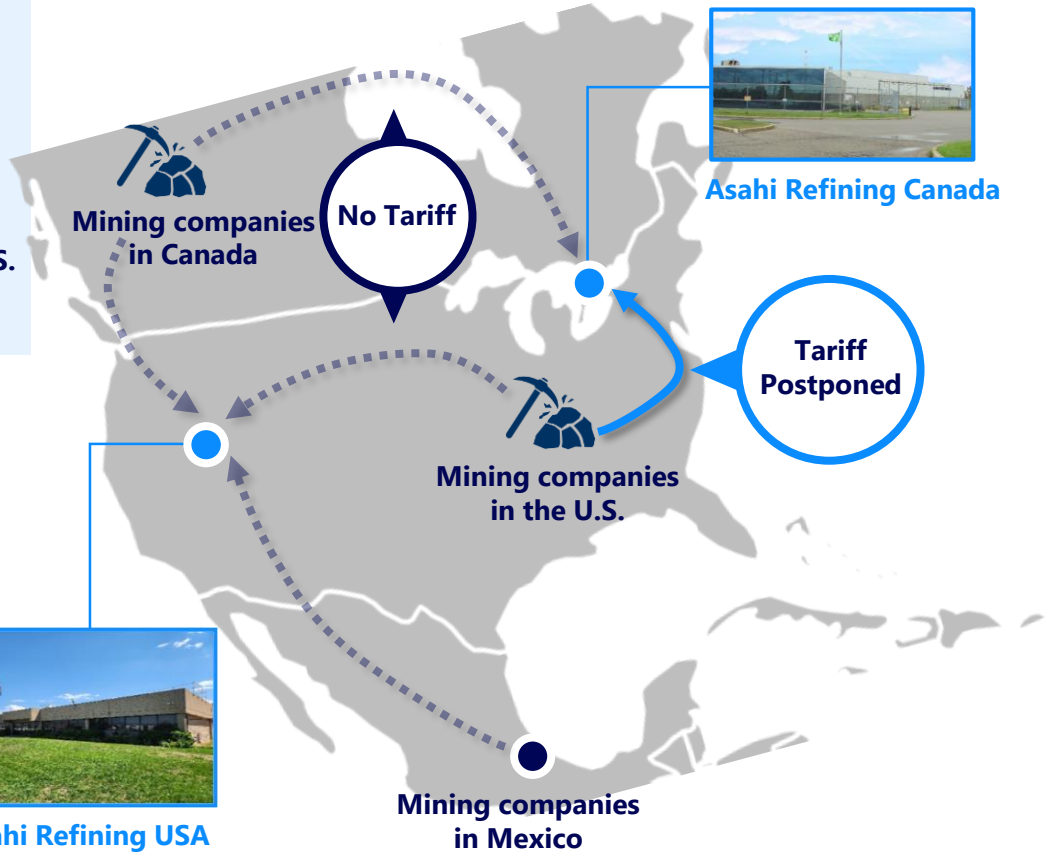
United States

Both Au and Ag are exempt from tariffs

Canada

A 25% tariff will be imposed on Au and Ag imported from the U.S.

- **Postponed until October 15, 2025**



There is currently no direct impact of the tariffs on our business.
We will continue to monitor potential future implications.

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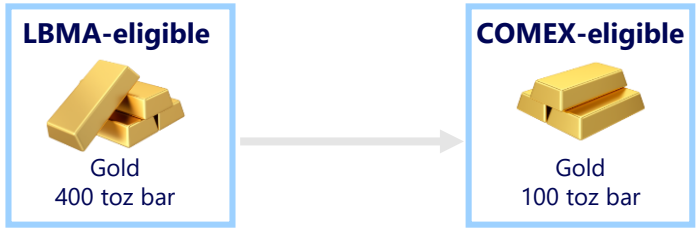
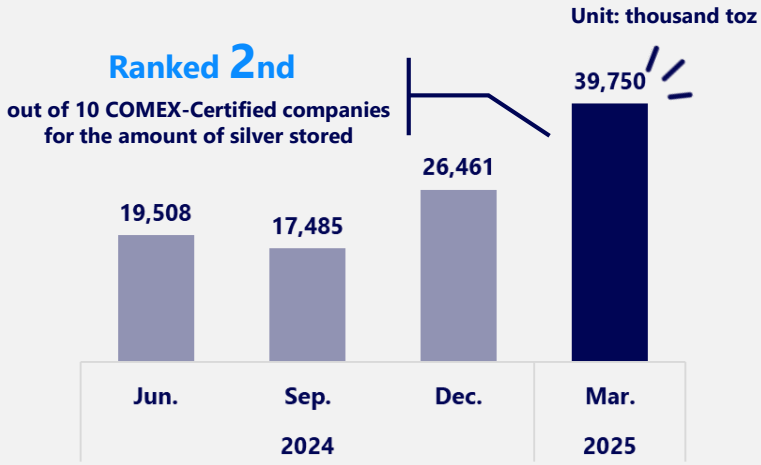


**With the increase in gold inflows to the U.S.,
demand for recasting into COMEX-eligible bullion is growing.**

Amount of Gold Stored



Amount of Silver Stored



*Created based on data from Daily Metal Stocks Report by COMEX and reflects Registered amount

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

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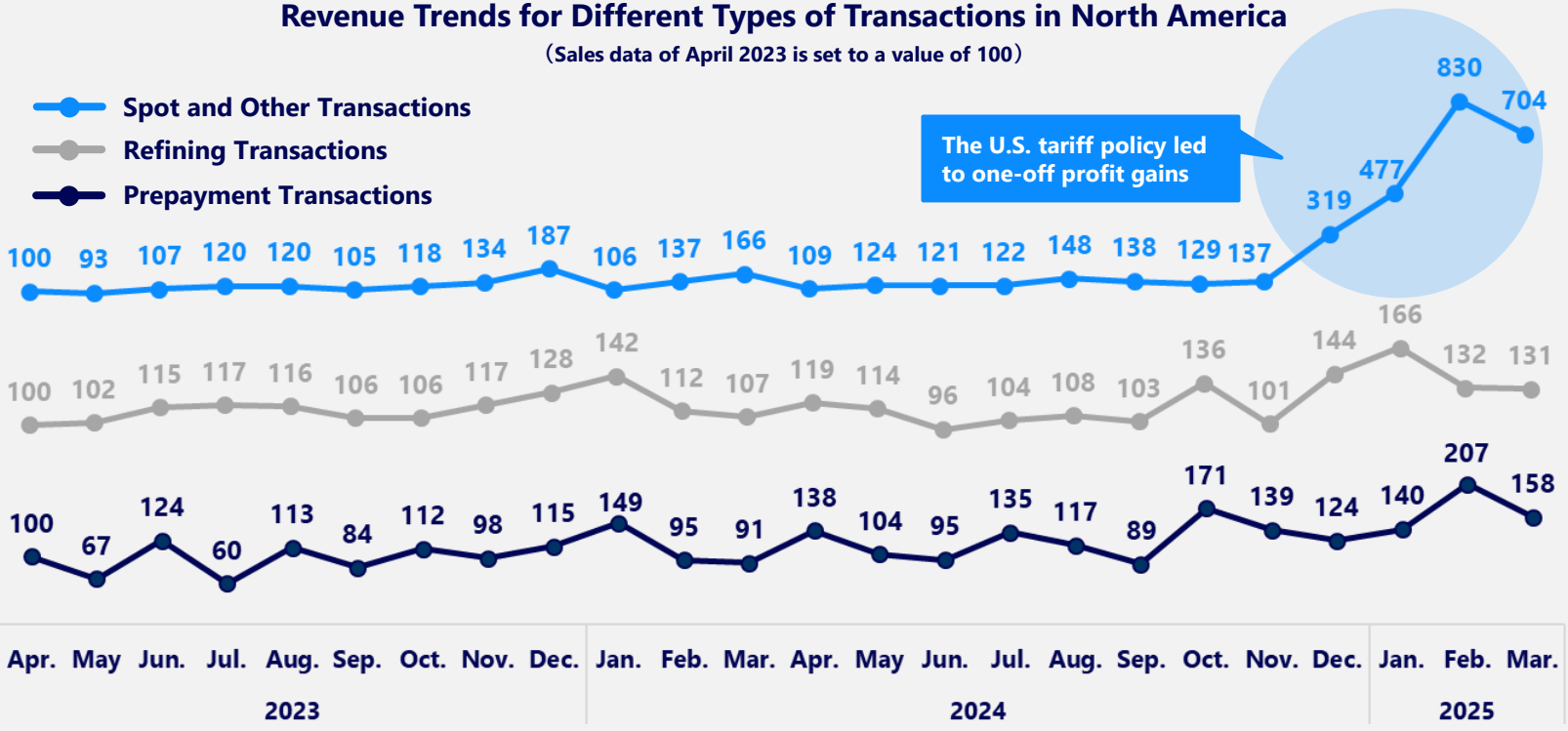
- **Amid market volatility driven by U.S. tariff policy, arbitrage opportunities expanded.**
- **Sales revenue from refining and prepayment transactions increased in line with the surge in gold prices.**

Revenue Trends for Different Types of Transactions in North America

(Sales data of April 2023 is set to a value of 100)



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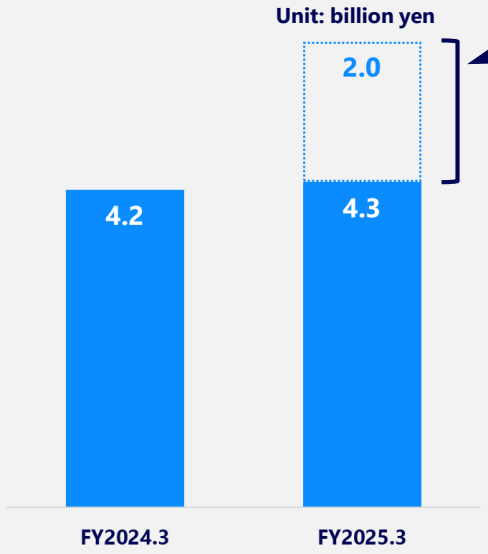
North American Refining Business

Withdrawal from Minted Product Processing Business

North American Refining Business Operating Profit



Impairment losses of ¥2.0 billion from the withdrawal from the minted product processing business

Point

- The product business had performed strongly since 2019, but saw a sharp decline in the second half of FY2023.
- Due to the continued contraction of the market for processed gold and silver products, including 1 oz coins, we have decided to withdraw from the minted product processing business.
- Despite the impairment losses from the withdrawal, strong performance of refining and trading businesses offset the impact, resulting in an increase in operating profit.

North American Refining Business's Revised Business Model



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Consolidated Statements of Financial Position

Unit：billion yen

	Mar 31, 2024	Mar 31, 2025	Change	Main Changes	
Current Assets	253.8	419.6	+165.8	Trade and other receivables	+149.0
				Inventories	+17.3
Non-current assets	64.2	70.4	+6.2		
Total Assets	318.0	490.0	+172.0		
Current liabilities	113.0	311.3	+198.3	Bonds and loans payable	+148.7
Non-current liabilities	78.5	52.4	△ 26.1		
Equity	126.5	126.3	△ 0.2		
Total equity and liabilities	318.0	490.0	+172.0		

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.

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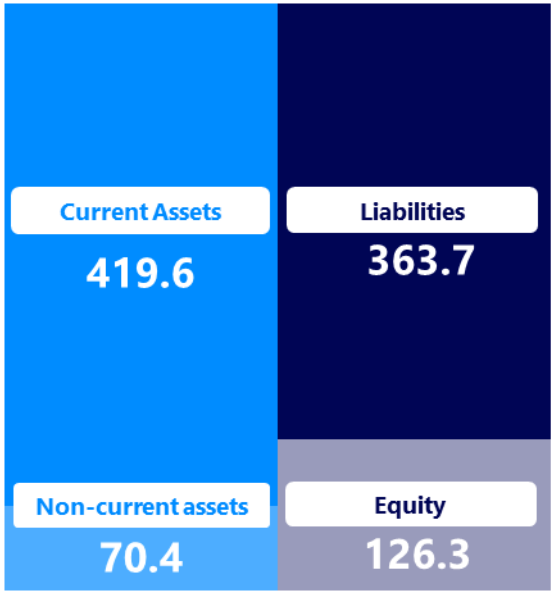
Financial Foundation Backed by Highly Liquid Assets

Consolidated Balance Sheet of ARE Holdings

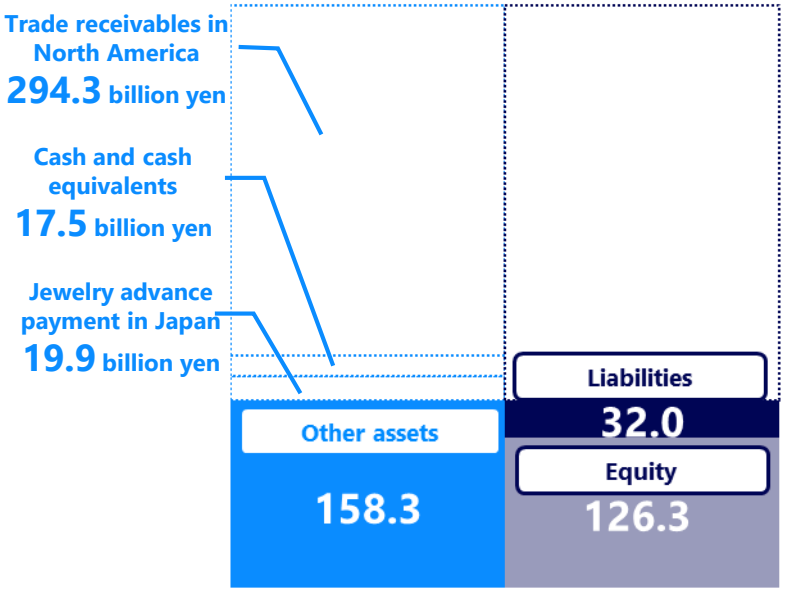
Unit: billion yen



Equity Ratio
(Ratio of equity attributable to owners of the parent)
25.8%

Balance Sheet without Highly Liquid Assets

Unit: billion yen



Equity Ratio
(Ratio of equity attributable to owners of the parent)
79.9%

Key Point

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

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Plan for Issuance of Public Straight Bonds

Credit Rating

R&I A-

Rating Investment Information, Inc.

In response to the credit rating obtained in January 2025…

Issuance of Public Straight Bonds

1 Addressing Financing Needs in North America



Allocated as working capital for prepayment transactions in North America, which require significant borrowing.

2 Reducing Financial Costs



Seeking to reduce financial costs through long-term, stable, and low-interest financing.

3 Diversification of Financing Options



Striving to diversify financing methods in preparation for potential M&A opportunities.

By diversifying financing options and reducing financial costs, we aim to enhance our corporate value.

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Consolidated Statements of Cash Flows

Unit：billion yen

	FY2025.3	Main Changes	
Cash flow from operating activities	14.7	Profit before tax	+20.4
		Changes in inventories	(17.2)
		Changes in other receivables and payables	+11.4
Cash flow from investing activities	0.3	Purchase of property, plant and equipment (PP&E)	(7.4)
		Changes in prepayment transactions, etc. in North America	+7.8
Cash flow from financing activities	(6.2)	Loans payable	+1.0
		Cash dividends paid	(6.5)
		Purchase of treasury stock	(1.0)
Effect of exchange rate change on cash and cash equivalents	1.9		
Net change in cash and cash equivalents	10.7		
Cash and cash equivalents at end of period	17.6		

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.

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Capital Investment Progress

Unit : billion yen

	FY2024.3 Results	FY2025.3 Results	Details of the Main Investment
Capital Investment Amount	8.5	8.2	
Precious Metals Business	6.1	8.1	
Domestic	3.3	3.3	Bando Plant (2nd) related : approx. 2.0 billion yen
Overseas	2.8	4.8	Upgrading silver refining facilities in North America : approx. 3.0 billion yen
Others	2.4	0.1	
Depreciation	3.6	2.7	

"Others" and "Depreciation" includes capital investment in the Environmental Preservation Business

Bando Plant (2nd)



Business Sectors: Catalyst, Electronics

Metal Types: Au (Gold), Pd (Palladium), Pt (Platinum), Rh (Rhodium)

Advantages of Bando Plant (2nd)

- ✓ Increase the recovery rate of precious metals through equipment upgrades.
- ✓ Competitive advantage through reducing lead time by 10%.
- ✓ Improve profitability by reducing outsourcing and transportation costs.

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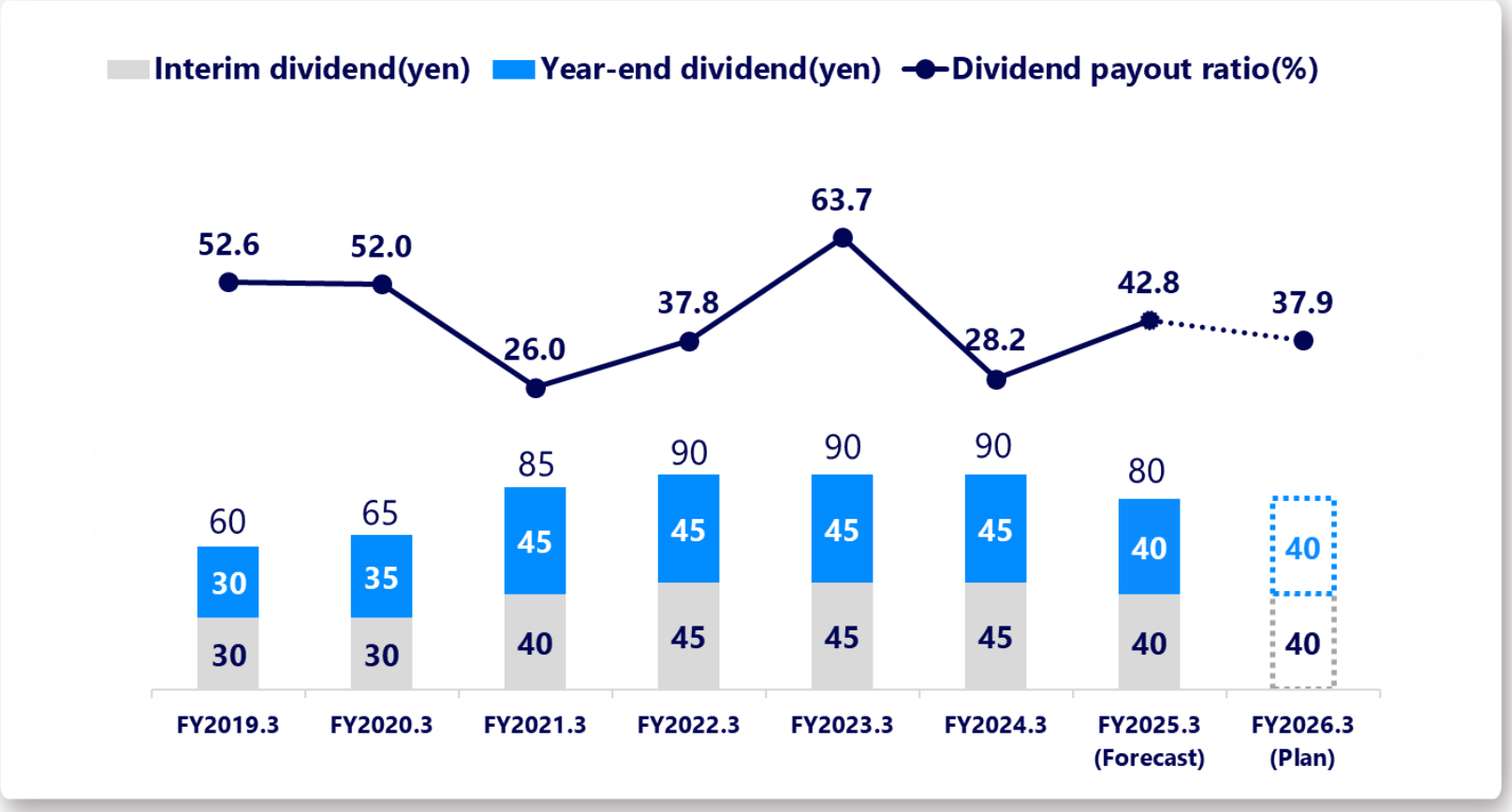
Shareholder Return Policy



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%.

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Key SDG Targets

Expand precious metals recycling

Effective use of limited global resources

Supplying precious metals in ways that are friendly to people, society, and the environment

Promoting responsible precious metals management

Reduce CO_2 emissions

Reducing CO_2 emissions from energy sources

Enhancement of work-life balance and diversity promotion

Emphasizing diversity and improving job satisfaction

Encourage and support SDG activities

Supporting employee contribution activities to the SDGs

Acquisition of ISO/IEC 17025 Accreditation

What is ISO/IEC 17025?

An international standard for testing and calibration laboratories that perform product testing, sampling, and calibration.

Testing LAB RTL05260

Name of Laboratory	Asahi Pretec Corp. Technical Research Center Research & Development Department Analysis Group
Field of Accreditation	Chemical Testing
Classification of Item to be Tested	Reagents and related products (Gold Solution, Silver Solution, Platinum Solution, Palladium Solution)
Technical Classification of Test	Gravimetric analysis (Gravimetric analysis by chemical reduction)

This accreditation enhances the transparency and reliability of our analysis for recyclable materials containing precious metals, strengthening our competitive advantage and unlocking new business opportunities.

Achieved an A- rating on CDP

CDP Discloser 2024

A-

External evaluation of FY2023 performance

- ✓ **Achieved an A- rating (the 2nd-highest of 8 levels) for two consecutive years.**
- ✓ **We remain committed to actively advancing our initiatives to create a circular economy, in alignment with our corporate purpose.**

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Mid-Term Performance Targets

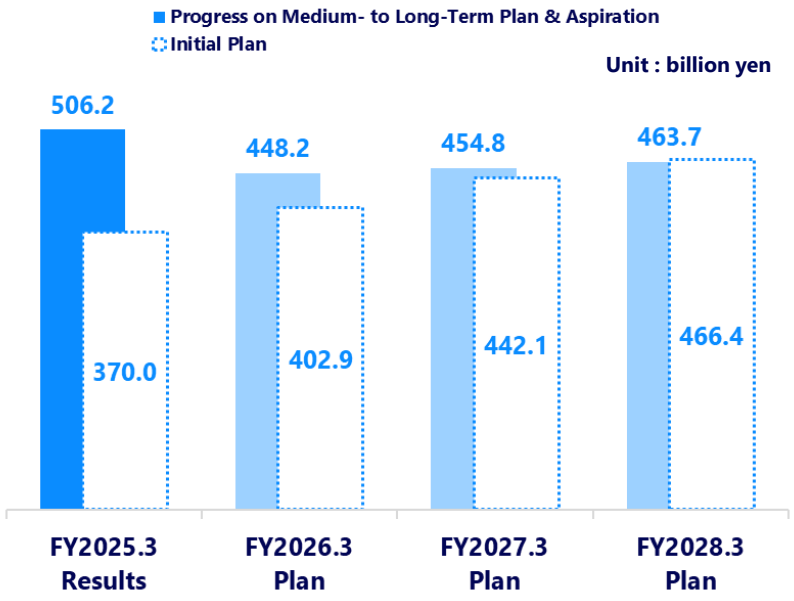
Sales Revenue

- **While collection volume temporarily increased in FY2025.3, FY2026.3 target has been conservatively estimated.**

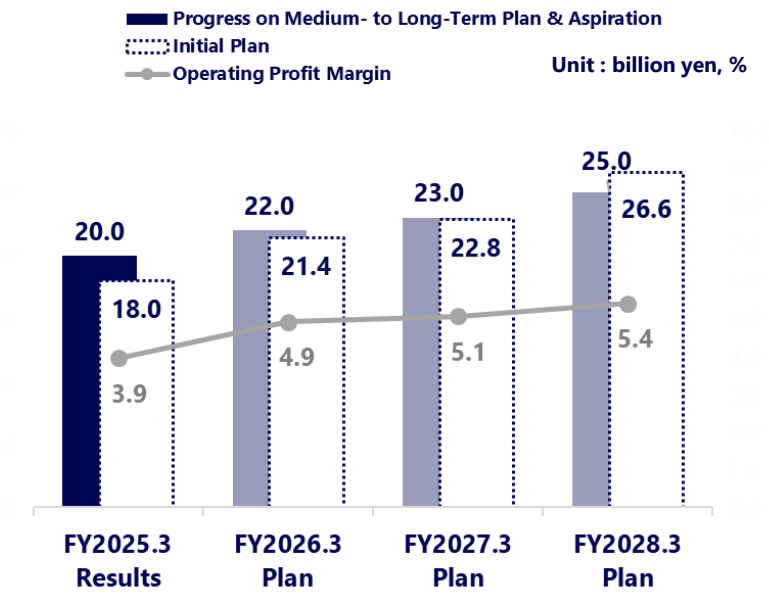
Operating Profit

- **Enhance profit level through the promotion of growth strategies.**
- **Actively explore new investments, including M&A in existing business areas, to further drive profit expansion.**

Sales Revenue



Operating Profit & Operating Profit Margin



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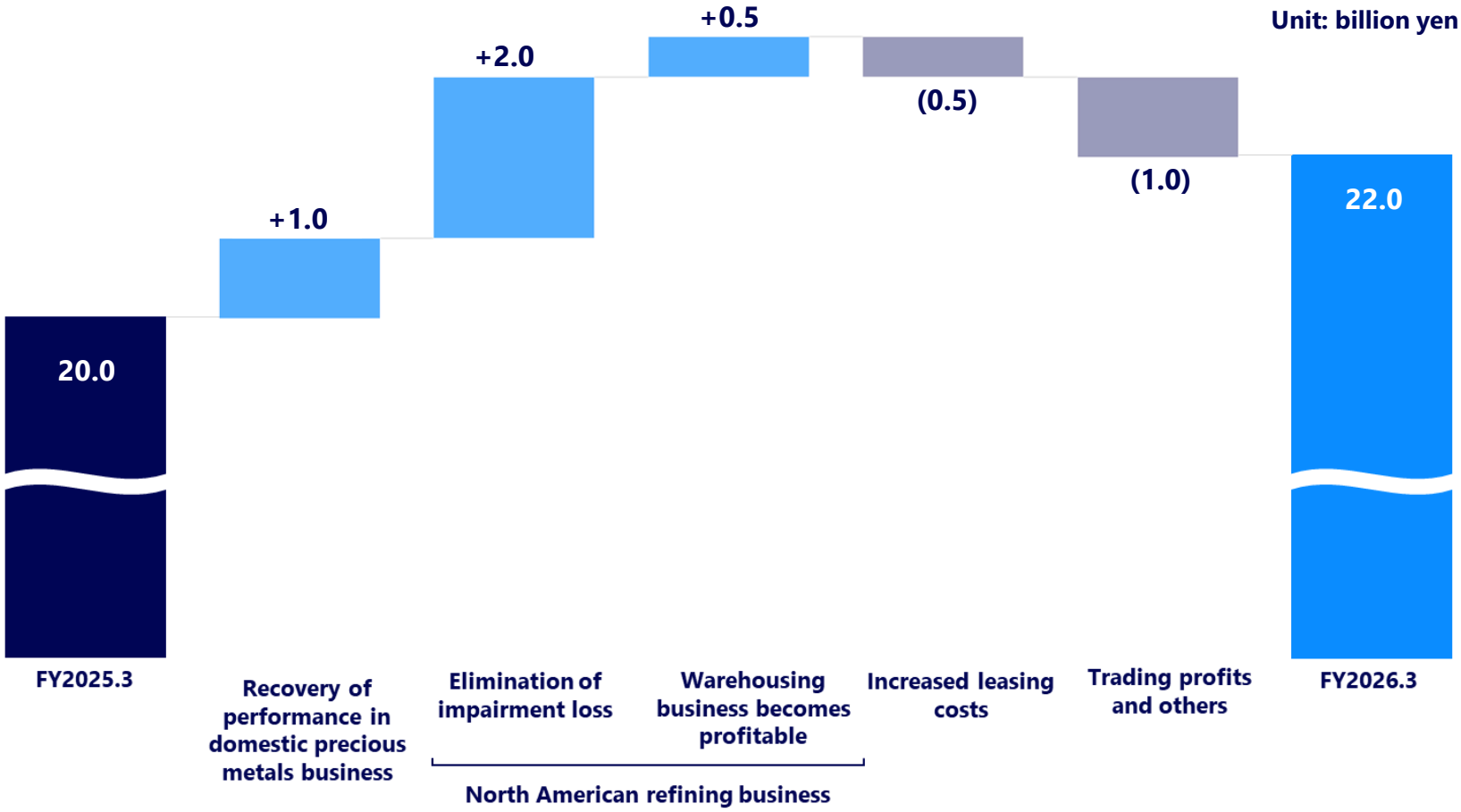
Reasons for Change in Operating Profit for FY2026.3 (Plan)

- **The domestic precious metals business is expected to see an increase in operating profit, primarily driven by higher collection volume from the recovering electronics sector.**
- **The North American refining business is also projected to improve, reflecting the absence of impairment losses from the minted product processing business and enhanced profitability in the warehousing business.**



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1 Exploring New Fields



xEVs

- ✓ Slow growth in BEV sales has led to excess inventory of electrical components, causing significant production stagnation at companies that are highly dependent on BEVs.
- ✓ HEVs and PHEVs continue to perform well and are expected to gradually recover, with the launch of next-generation BEVs likely to be a major catalyst for demand recovery.



Synthetic Pharmaceuticals

- ✓ The types of low-molecular-weight pharmaceuticals and agrochemicals, along with their manufacturing scales, require various chemical catalysts, leading to significant recovery losses.
- ✓ We aim to expand our market share by leveraging our precious metals recovery technology, the start of operations at Bando Plant (2nd), and collaboration with chemical catalyst manufacturers.



AI Semiconductors

- ✓ Strengthen initiatives with related companies to collect precious metals used in the manufacturing process of AI semiconductor-related parts.
- ✓ By developing new technologies and recovery processes, we aim to expand our market share by adapting to the rapid advancement of AI semiconductors and enhancing the recovery of precious metals across diverse applications.

2 Expansion into Overseas Markets



Subsidiary established in Thailand
Asahi Pretec (Thailand) Co., Ltd.

- ✓ Operations have already commenced, and preparations are underway for the local plant to begin operations in April 2026.
- ✓ We will collect grinding debris and scrap materials generated by jewelry-related facilities.



Proposed subsidiary in India
ASAHI PRETEC INDIA PRIVATE LIMITED

- ✓ A local subsidiary is scheduled to be established in June 2025.
- ✓ Collection of scrapped automotive catalysts is expected due to the Indian government's vehicle scrapping policy.
- ✓ We will continue market research on jewelry products and e-scrap.

3 Improving Production Capabilities





Bando Plant (2nd) nearing completion

Business Sectors

Catalyst
(operations scheduled to begin in April 2025)

Electronics
(operations scheduled to begin in July 2025)

Production Capacity

1.5x increase from pre-transfer

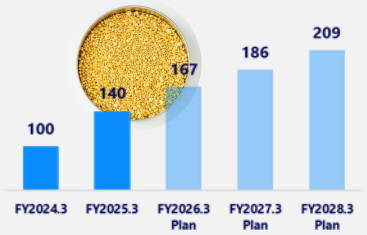
Advantages

- ✓ Improved reliability through the introduction of new equipment and enhanced quality control.
- ✓ 15% improvement in human productivity through automation.
- ✓ 10% reduction in lead time to strengthen competitiveness.

4 Upgrading Sales Strategies

- ✓ Sales of Green Metal remain strong. In addition to existing jewelry manufacturers, we plan to expand sales to other industries, including the automotive industry.
- ✓ For retail sales, which began in FY2024, we aim to increase membership through customer outreach efforts and achieve profits approximately three times higher than the current fiscal year in FY2025.

Profit Trends of Green Metal Sales



*Profit data of April 2024 is set to a value of 100

Branding through Social Media



Engaging a broad audience through Instagram, a platform with a large and diverse user base



Raising Brand Awareness

Increase in Membership

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DX Promotion Business Initiatives Through FY2024

Product Development and Feature Enhancement

DXE





Feature enhancement of "manifest management system" through API integration with cloud services, administrative reporting, and paper manifest printing.

Sales Marketing

Existing Customers

The UI/UX design and operability that led to the Good Design Award have been well-received by existing customers.

- Monthly churn rate: 0.25%
- NPS*: 8.3UP

*NPS：Net Promoter Score

Future Clients

We will diversify our sales channel through inside sales and strategic collaborations.

- User session on service platform: 260%
- Contract rate: 11%UP

Building a Solid Customer Base and Improving Profitability

Expanding target audience by enhancing features and services

Expansion of service offerings
- ✓ Launch of new service plan
- ✓ Standalone electronic contract sales

Diversification of products and services
- ✓ Expansion of "management functions"
- ✓ Additional functions for multi-operators of waste

Expansion of target audience
- ✓ Service development for disposal operators
- ✓ First step toward platformization

	FY2025.3	FY2026.3	FY2027.3	FY2028.3
Sales		1.7x	3x	4.5x
Number of Customers		2.2x	3.4x	4.8x

* Sales and customer numbers are compared to the results for 2025/3.

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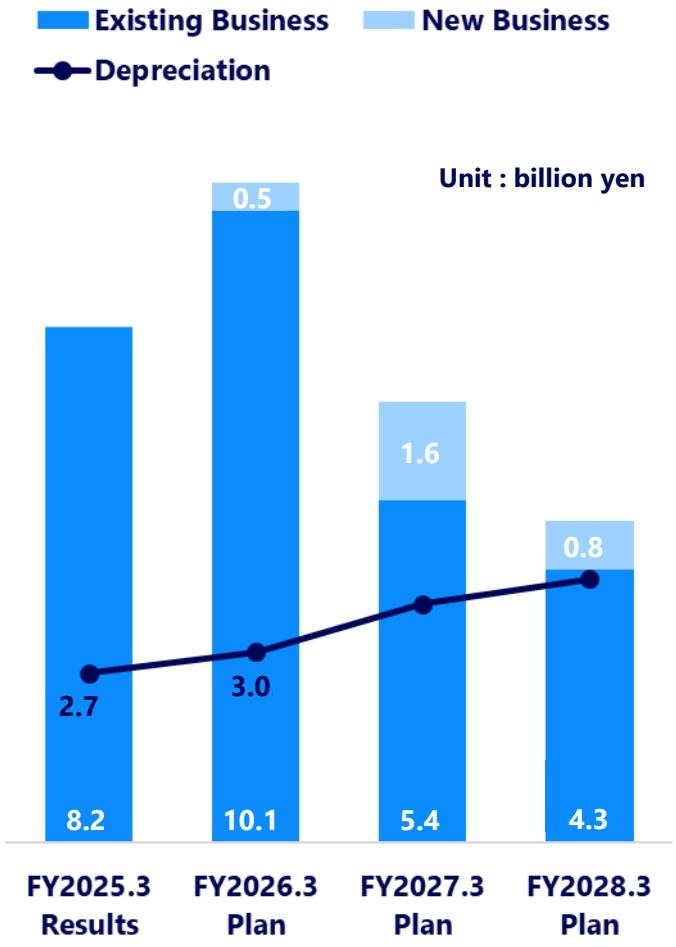
Capital Investment

Investment Plan for the Next Three Years



Investment Details for the Next Three Years

*Total over three-year plan period

Precious Metals Business

Investment for domestic business	**11.5 billion yen**
Bando Plant (2nd)	~6.0 billion yen
Equipment renovation and expansion	~1.0 billion yen
Various system replacements	~1.0 billion yen
Investment for overseas business	**11.2 billion yen**
Renovation of silver refining equipment in North America	~9.0 billion yen
ASEAN & India-related	~2.0 billion yen

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IV. Appendix

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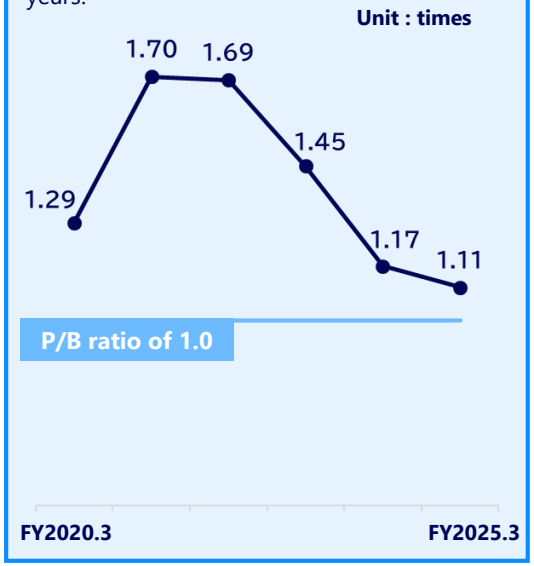
Situation Analysis and Issue Identification

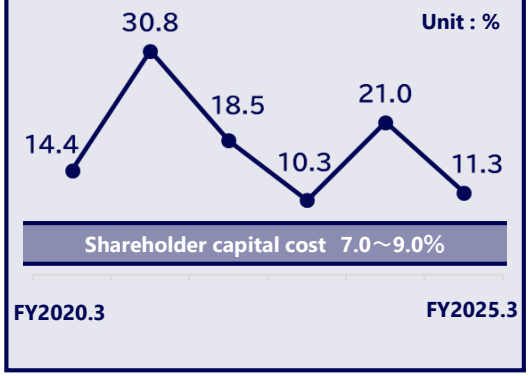
P/B ratio

P/B ratio has been declining since 2021, dropping to around 1x over the past two years.



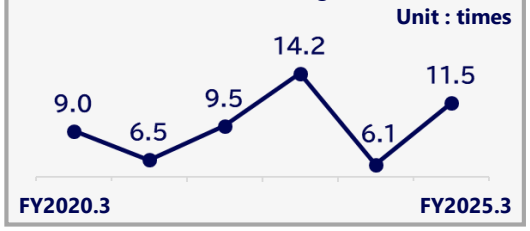
ROE

In recent years, ROE has remained above 10%, surpassing our estimated cost of shareholder capital, which is between 7.0% to 9.0%.



P/E ratio

Although P/E ratio temporarily declined due to the recording of stock exchange gains, it has returned to the 10x range.



1 Enhancing Profitability

- Execution of growth strategies
- Business portfolio management

2 Enhancing Financial Strategies

- Cash allocation

Method of calculating shareholder capital costs (CAPM-based)

Risk-free rate + (β × Market risk premium)

- Risk-free rate: 10-year government bond yield
- Market risk premium: Reflects market and liquidity excess returns on our proprietary risks

3 Enhancing Nonfinancial Strategies

- Promoting dialogue with shareholders and investors
- Strengthening communication of growth strategies
- ESG management initiatives

Issue

We recognize that improving the P/B ratio requires enhancing the net profit margin and optimizing total assets to increase ROE. Additionally, further promotion of our medium- to long-term growth strategy and shareholder return policy is essential for driving market performance.

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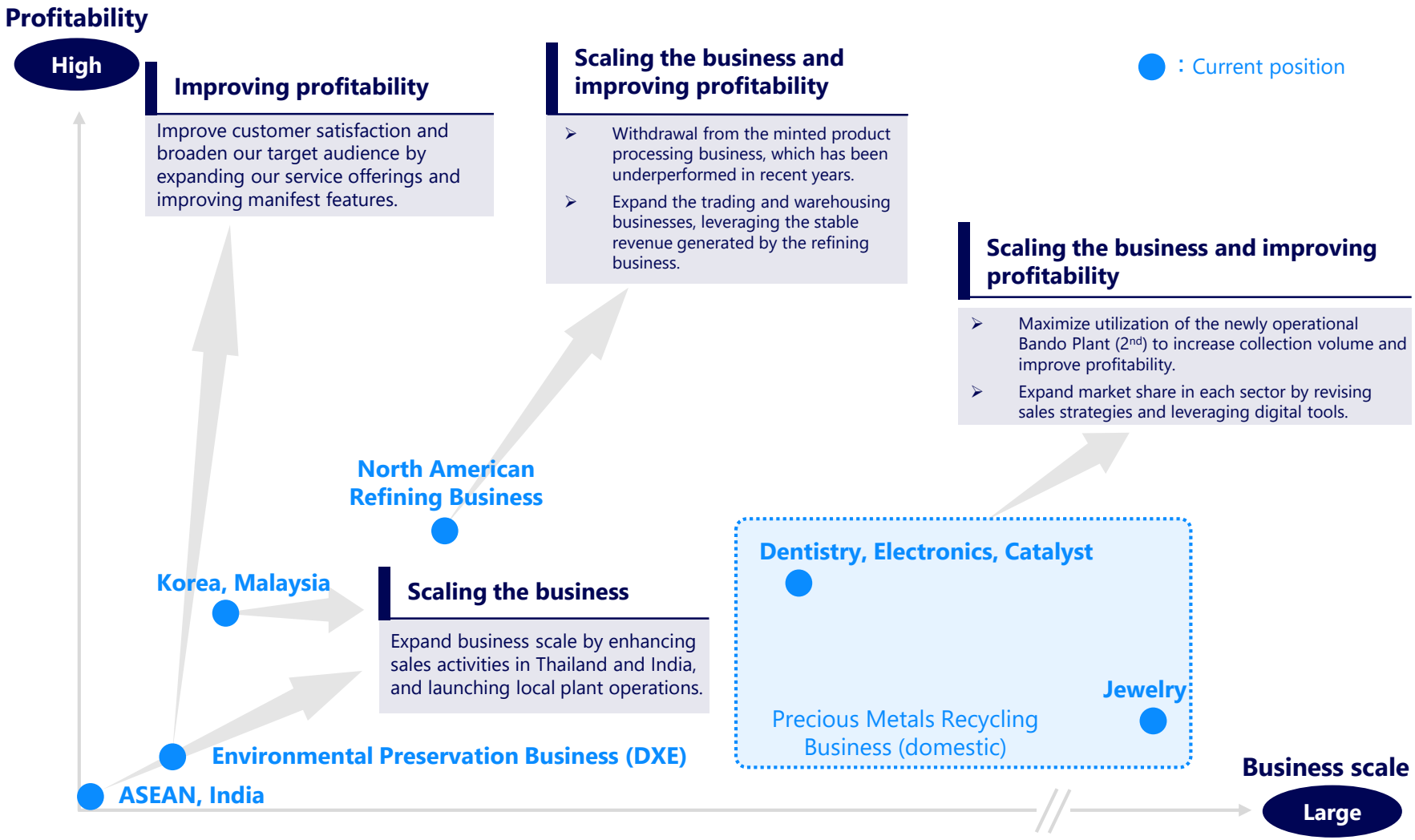
Enhancing Profitability



Promote the expansion of business scale and improvement of profitability to achieve Medium- to Long-Term Plan & Aspiration

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Cash inflow
(Total over next three years)

Operating CF
65 billion yen~

Cash outflow
(Total over next three years)

Growth Investment
47 billion yen~

Investment in existing business

- Expansion of equipment at Bando Plant (2nd) to enhance profitability and efficiency
- Expansion of silver refining facilities in North America to enhance production efficiency and quality

Investment in growth areas

- Establishment of a local plant in Thailand
- Investment to expand business opportunities
- M&As in Japan and North America

Shareholder Returns
18 billion yen~

Dividends

- Continue to pay stable dividends with a target dividend payout ratio of 40%.

Continue stable shareholder returns while allocating cash to the steady execution of growth strategies outlined in Medium- to Long-Term Plan & Aspiration.

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Promoting Dialogue with Shareholders and Investors

Status of the Dialogue (FY2023 Results)

Dialogue Method

One-on-one meetings	Briefing sessions*	Communication with overseas shareholders
130	5	40

*Total number of financial results briefings, securities firm-hosted conferences, and small group meetings with institutional investors

Attending Personnel

- Representative Director, President
- General Manager of Finance & Accounting
- General Manager of Corporate Planning & Communications (IR Officer)

- Representative Director, President
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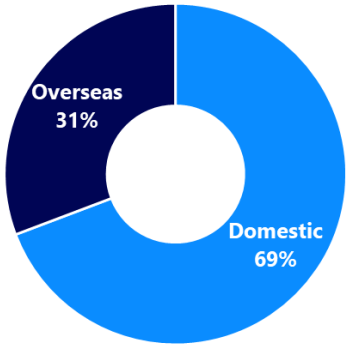
Attributes of Dialogue Participating Shareholders (FY2023 Results)



Engaged in active dialogues with fund managers, analysts, and ESG representatives

Key Outcomes of the Dialogues

Insights Gained from the Dialogues	Our Actions
Disclosure of initiatives or strategies to improve P/B ratio	Disclosed in the section “Actions to Implement Management Focused on Cost of Capital and Stock Price” of this material. Plans for continuous updates in the future.
Enhancement of disclosure for North American Refining Business	Hosted a small group meeting for institutional investors in FY2024. Aims to enhance disclosure in financial results materials to deepen stakeholder understanding.
Disclosure of engagement survey methods and outcomes	Disclosed in the section “ESG Management Initiatives”

We actively expanded dialogue opportunities with investors and ensured that the insights gained were incorporated into management through regular reports to the Board of Directors and other relevant bodies.

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	Environment	Social	Governance
			
Key Targets and Benchmarks	■ **Expand Precious Metals Recycling** ➢ Precious metals recycling volume ➢ CO_2 reduction effect ■ **Supply Precious Metals in Ways That Are Friendly to People, Society, and the Environment** ➢ Certifications from various institutions ■ **Reduce CO_2 Emissions** ➢ Scope1&2 emissions	■ **Enhance Work-Life Balance and Employee Diversity** ➢ Achievement rate for rest intervals of at least 11 hours ➢ Percentage of women in managerial positions ➢ Percentage of male parental and childcare leave usage ■ **Encourage and Support SDG-Related Activities** ➢ Promote and support Asahi Clean Project (cleaning initiatives)	■ **Enhance Risk Management** ➢ Enhance risk management for overseas expansion ➢ Enhance risk management in North America : Key SDG Targets
Achievements	• **Addressing climate change** ➢ Third-party verification of CO2 emissions ➢ Introduction of internal carbon pricing ➢ Initiatives for obtaining SBT certification • **Certifications from various institutions** ➢ UL 2809 certification obtained	• **Human resource development** ➢ Level-specific training ➢ Promoting overseas trainee program • **Organizational development** ➢ Reinforcing awareness and adoption of ARE Group Way ➢ Engagement survey	• **Enhancing corporate governance** ➢ Reviewing director remuneration system ➢ Evaluation of the effectiveness of the Board of Directors • **Appropriate disclosure** ➢ Active disclosure of information essential for investment decisions

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Environment

Main Achievements of This Fiscal Year

Obtained Carbon Footprint (CFP) for Gold Granule Products



Summary	For our main product, 99.99% gold granules, we have calculated CO_2 emissions from the collection of raw materials through product manufacturing and conducted third-party verification based on ISO 14040:2006 and ISO 14044:2006.
Plan	With the addition of carbon footprint information, we expect positive outcomes such as acquisition of new business partners and the potential for premium pricing.

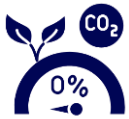
Acquisition of ISO/IEC 17025 Accreditation



Summary	An international standard for testing and calibration laboratories that perform product testing, sampling, and calibration.
Plan	This accreditation enhances the transparency and reliability of our analysis, strengthening our competitive advantage and unlocking new business opportunities.

Name of Laboratory	Asahi Pretec Corp. Technical Research Center Research & Development Department Analysis Group
Field of Accreditation	Chemical Testing
Classification of Item to be Tested	Reagents and related products (Gold Solution, Silver Solution, Platinum Solution, Palladium Solution)
Technical Classification of Test	Gravimetric analysis (Gravimetric analysis by chemical reduction)

Initiatives for Obtaining SBT Certification



Summary	As part of our initiatives toward realizing a circular economy, we are preparing to obtain SBT certification. By obtaining the certification, we aim to further enhance our corporate value by demonstrating our commitment to a net-zero carbon society.

Plans After Next Fiscal Year

1. **Complying with the disclosure standards set by the Sustainability Standards Board of Japan (SSBJ)**
   - We plan to gradually enhance our sustainability disclosures in accordance with the standards for sustainability reporting in securities reports published by SSBJ.
2. **Efforts to meet the CDP response criteria**
   - Further enhance the sustainability initiatives to maintain and improve the A- rating obtained based on FY2023 performance.

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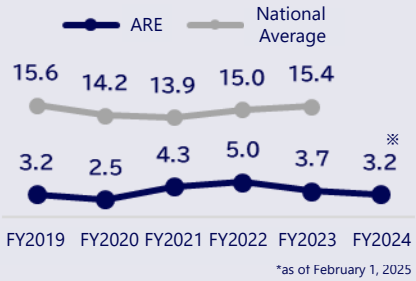
Social

Maintaining High Employee Retention

Turnover rate trends of our Group (domestic)

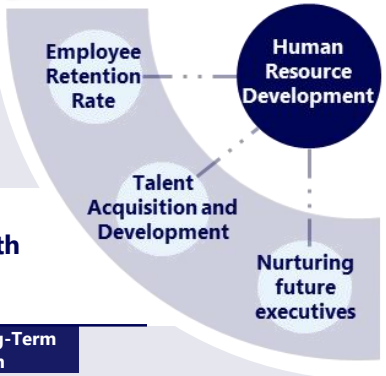


*as of February 1, 2025

Maintaining high employee retention, with the turnover rate being well below the national average.

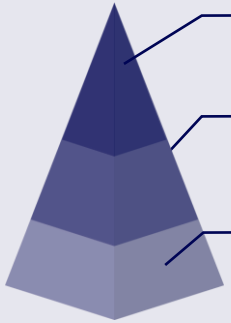








Building a Foundation for Growth Through Talent Acquisition and Development



Medium- to Long-Term Plan & Aspiration

Human Resources Strategy

Enhancing talent acquisition and development by reviewing and improving the human resources system and policies, and development strategies.

ARE Group Way

Realizing Medium- to Long-Term Plan & Aspiration by implementing various human resource initiatives, such as talent acquisition and development strategies, aligned with ARE Group Way

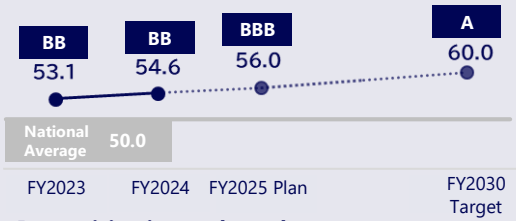
Reinforcing Awareness and Adoption of ARE Group Way



Our corporate philosophy "The Asahi Way" was updated to "ARE Group Way" on August 1, 2024. Fostering shared values across the Group by raising awareness at domestic and overseas locations through internal dialogue.

Enhancing Employee Engagement Initiatives

Engagement survey score trends



Recognizing issues through engagement surveys

- Enhancing intergenerational communication
- Promoting recruitment and allocation aligned with business characteristics

Addressing issues

- Providing follow-up support for organizations facing challenges
- Reviewing the human resource framework and restructuring the training system

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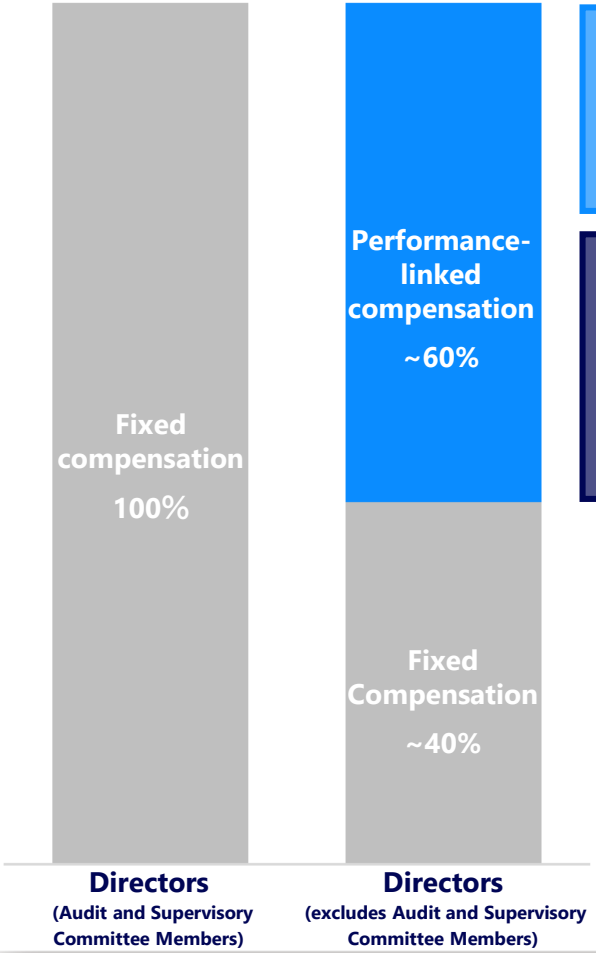
Governance

Director Remuneration Structure



Short-term incentive compensation ~40%

- Consolidated Operating Profit
  - Multiply consolidated operating profit by a certain percentage and determine the compensation amount for each director based on their position and contribution to performance.

Medium- to long-term incentive compensation ~60%

- Consolidated operating profit
  - Progress on target achievement
- TSR (Total Shareholder Return)
  - Two-year period target achievement rate
- Achievement of ESG Benchmarks
  - Key SDGs Targets, etc.

The above percentages are calculated based on the payment amounts for the most recent fiscal year and are subject to change depending on factors such as the company's performance and fluctuations in stock price.

Key SDG Targets as Benchmarks



- Precious metals recycling volume
- CO_2 reduction effect
- Percentage of women in managerial positions
- Percentage of male parental and childcare leave usage etc.

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Return Type

Return bullion

Customers

Collect

ARE Holdings Group

Assay

Measure the amount of precious metals contained in the raw materials

Refine & Finish

Refine and mold metals into high grade bullions

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

Purchase Type

Payment

Customers

Collect

ARE Holdings Group

Assay

Measure the amount of precious metals contained in the raw materials

Purchase

Hedge prices promptly after assay to make sales price >= purchase price

Refine & Finish

Refine and mold metals into high grade bullions

Sale

- Manufacturers
- Commodity Markets
- Trading Companies

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

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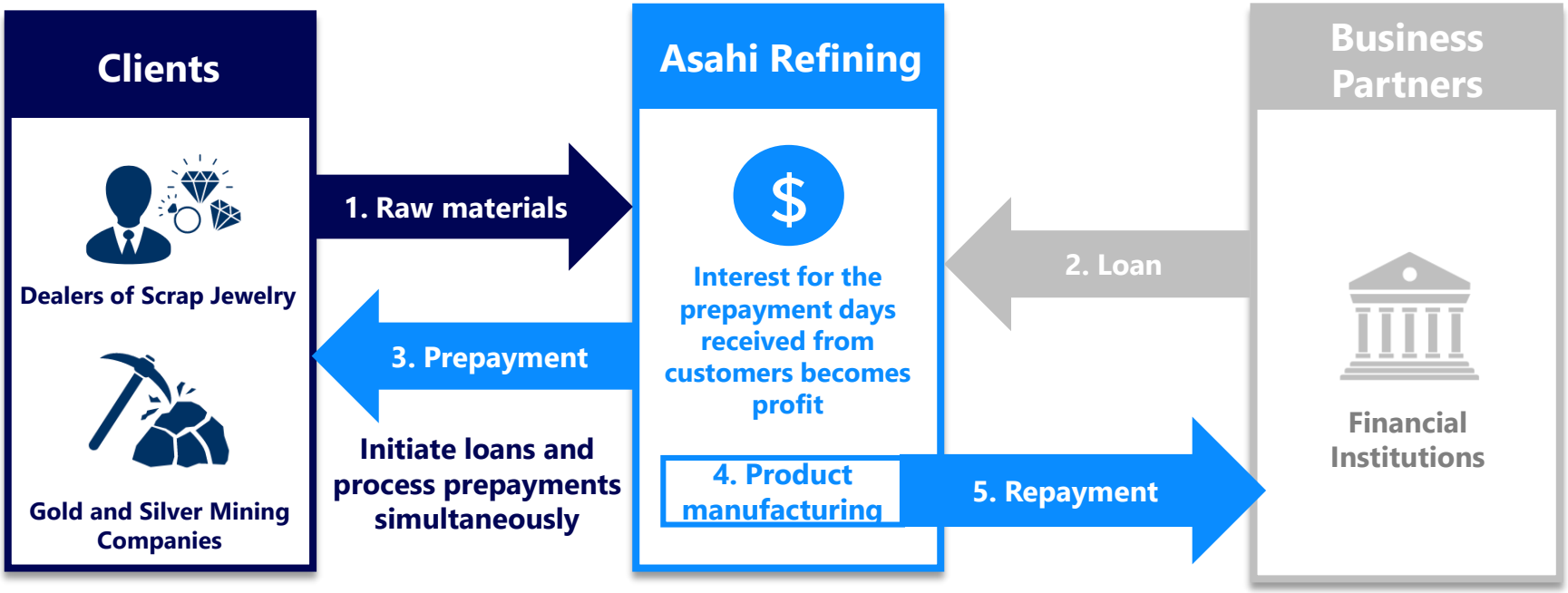
Prepayment Transactions of North American Refining Business



- ✓ **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.**

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Obtained Carbon Footprint (CFP) for Gold Granule Products

For our main product, 99.99% gold granules, we have calculated CO_2 emissions from the collection of raw materials through product manufacturing and conducted third-party verification based on ISO 14040:2006 and ISO 14044:2006.



Raw materials from mines



Recyclable materials



Bullion



Granules

Our granular products are made from recycled materials, and can reduce CO_2 emissions during the manufacturing process by approximately 98% compared to bullion made from mined raw materials.

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