



AICE

**INTEGRATED
REPORT 2023**

From Asahi Holdings
to ARE Holdings
—Think circular—

ARE



Asahi Holdings, Inc. changed its company name to ARE Holdings, Inc., effective as of July 1, 2023. The “A” in ARE stands for Asahi, “R” stands for Resources, and “E” stands for Environment. It is pronounced “A-R-E.” As interest in global environmental issues such as climate change continues to rise, we have changed our company name to reflect our purpose, explicitly stating our reason for existence. At the same time, through our precious metals and environmental preservation businesses, we are committed to directly engaging both in the pursuit of financial value and the solving of social issues such like circularity.

Our Purpose

Totally Committed to Protecting the Natural Environment and Preserving Resources



Sustainability Vision

The ARE Holdings Group has developed its business activities over a long period of time based on its Group purpose of “Totally Committed to Protecting the Natural Environment and Preserving Resources.”

Our business activities are our contribution to sustainability, and we are achieving both business growth and solutions to social issues. Today, as action is required of all of society, including corporations, we will further our mission by proactively working to achieve goals that we set for those issues to which we can make significant contributions toward solutions.

The Asahi Way

The ARE Holdings Group has established the Asahi Way as a set of values for all employees. The Asahi Way is made up of Our Credo, Our Corporate Values, Our Employee Principles, and the Group Code of Conduct. The Asahi Way drives the Group's sustainable growth and improves corporate value over the medium to long term, and directors and management executives take the lead by serving as role models who put it into practice.

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

Our Credo

We conserve limited natural resources, preserve the global environment, and contribute to the realization of a sustainable world.

Our Corporate Values

Cooperation with stakeholders

We constantly seek to earn even greater trust from shareholders, customers, business partners, employees, and local communities as we work to preserve the natural environment.

Corporate governance with a balance of protective and proactive measures

We boldly promote growth strategies and business reform while securing transparency in decision-making and properly managing risk.

No growth without profit

We realize long-term improvement of shareholder value by ensuring the entire group grows and is profitable.

Trusted corporate brand

We aim to be widely recognized as an exemplary corporate group and to build a brand that will be trusted over many years.

Addressing diverse risks

We strive to minimize risks and avert disasters by taking daily safety measures in workplaces and by constantly working to prevent accidents.

Highly motivated employees

We promote work-life balance for employees and continuously improve working environments and conditions.

Strong sense of mission and high ethical standards

We strive to be an organization where employees take pride in their own work and executives maintain a strong sense of mission and high ethical standards.

Being a company of good people

We value good employees over the long term. Our vision of a "good employee" is a person who is not self-centered and who contributes to mutual prosperity and the development of the business.

Our Employee Principles

Innovate and embrace challenges

Put safety first

Maintain high quality

Promptly report (especially bad news)

Build trust and connections

The ARE Holdings Group Code of Conduct

- #1 We comply with all laws and regulations
- #2 We respect the dictates of social norms and our own conscience
- #3 We treat everyone equally, regardless of age, gender, nationality, race, religion, or other characteristics
- #4 We refrain from conducting any political or religious activities in the workplace
- #5 We treat customers with sincerity
- #6 We practice fair competition and optimal decision-making when selecting business partners
- #7 We respect the confidential information obtained through our work and avoid disclosing it externally
- #8 We refrain from providing or receiving meals or gifts in pursuit of personal benefit
- #9 We act for the greater good, not for personal or affiliated parties' gain
- #10 We focus on the actual sites, actual things, and actual facts

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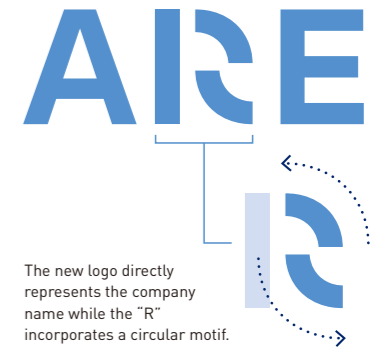
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The Group Logo

The "A" in ARE stands for Asahi, "R" stands for Resources, and "E" stands for Environment.



The new logo directly represents the company name while the "R" incorporates a circular motif.

Editorial Policy

This report is created as a way to convey an overall picture of ARE Holdings' business operations and approach in the hopes of helping stakeholders to gain a broad and deep understanding of our activities. It focuses on the company's measures to address social issues through its business activities, as well as the kind of value it is working to create. By presenting specific Group activities and initiatives, the report also serves as a company profile.

Guidelines Referenced

- International Integrated Reporting Council (IIRC, currently the International Financial Reporting Standards) "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry "Guidance for Collaborative Value Creation"
- Global Reporting Initiative "GRI Standards"

Report Period

April 1, 2022, to March 31, 2023

Scope

In principle, this report covers the entire ARE Holdings Group, including ARE Holdings, Inc., and its consolidated subsidiaries.

Numbers and Graphs

The figures shown here are rounded off. Due to this rounding, totals may not agree with the constituent figures shown. The Group adopted the International Financial Reporting Standards (IFRS) in fiscal 2016, and each reporting item name basically follows the IFRS guidelines. The financial figures for fiscal 2015 are also shown based on IFRS.

Note on Future Prospects

In addition to past and current facts about the Group, this report includes forecasts based on strategies, outlooks, and business plans. These forecasts were created based on information available at the time of writing. Therefore, it is important to note that actual performance and results may differ greatly from any forecasts presented here, and depend to a large extent on future changes in the business environment.

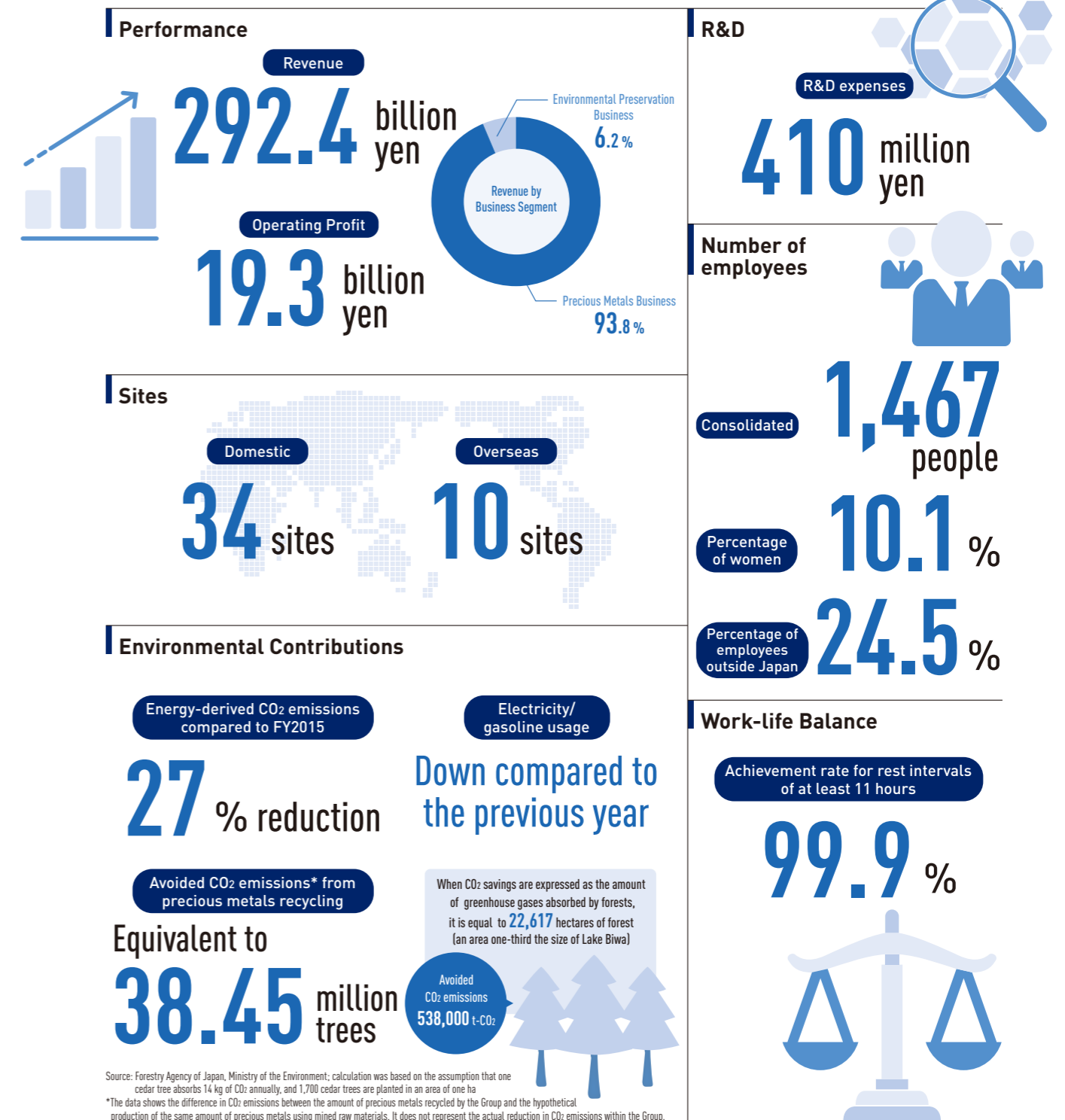
We are ARE



ARE Holdings Value Creation Drivers and Business Models



ARE Holdings By the Numbers



STRENGTHS

Our Strengths Based on "The Asahi Way"

Innovate and embrace challenges

A Trust-Based Relationship with Our Employees

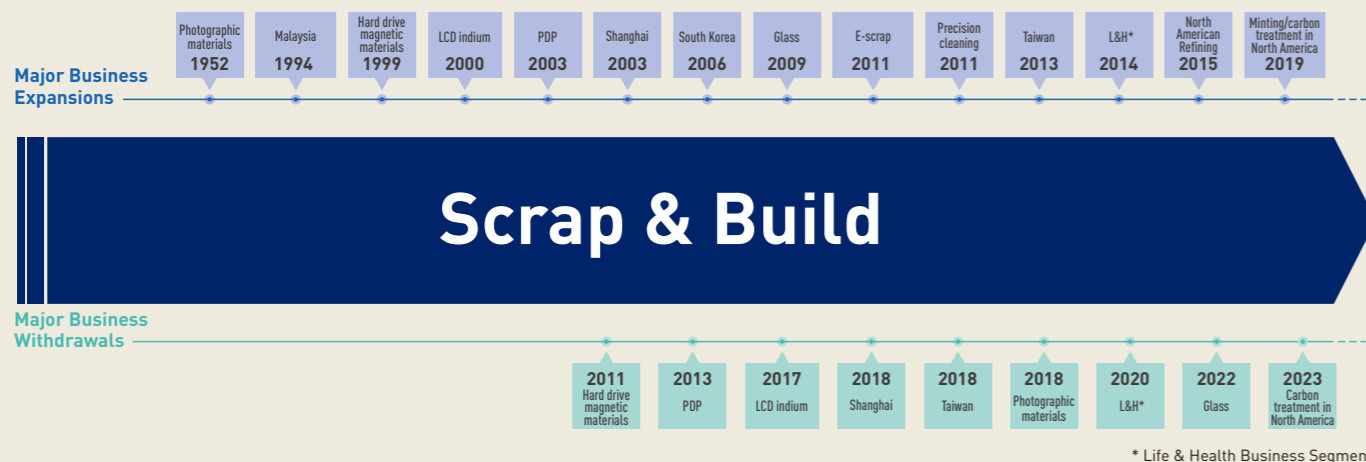
Putting the "Scrap and Build" Business Approach Into Practice

Our company, which was founded in 1952, celebrated its 70th anniversary last year. Since our founding, we have consistently promoted businesses that contribute to the creation of a circular society, and we have now developed into a company that operates on a global scale. Looking back on our company's history, our journey has been a series of "innovations and challenges." We got our start recycling silver from photographic fixer, and in 1975, we became the first company in Japan to obtain an industrial waste disposal license from Kobe City, which is a license for detoxifying waste photographic fluid containing hazardous substances. This helped our business to expand nationwide. Since then, while managing to overcome various difficulties, we have expanded the scope of our precious metals recycling to sectors that also involve handling precious metals other than silver, such as dentistry, jewelry, electronics, and catalysts. At the same time, we've taken on the challenge of creating new businesses. In addition, we have acquired about 20 companies over the past 20 years, primarily in the Environmental Preservation Business. Further, we obtained a North American refining company in a major acquisition, transforming our business portfolio. On the other hand, we did not hesitate to make an early exit from businesses that we determined should not be continued from the perspectives of profitability, growth potential, and synergy. Our withdrawal from the photographic materials business and the Life & Health Business Segment, which remained profitable at the time of withdrawal, are two such examples. Our "scrap and build" approach to business has allowed us to innovate and embrace challenges.

Being a company of good people

A trusting relationship with our employees has definitely supported the development of our company. We've gone through a number of phases, starting off as a family-run business focused on personal ownership ("My Company"); then becoming a business focused on communal ownership ("Our Company") that worked with its employees to create new businesses in response to various changes; and finally turning into a publicly listed company with external ownership ("Your Company") that is very mindful of its shareholders and other stakeholders. Throughout this journey, we have maintained a strong sense of purpose and high ethical standards in spreading the "Asahi Way," which summarizes the management philosophy and code of conduct that comprise our traditional values. At the same time, we have actively recruited a diverse workforce with an eye towards future globalization. We have improved compensation through fair and impartial evaluations and a performance-based system. We have also paid attention to job satisfaction and work-life balance, implementing the internal application system and satisfaction surveys, among other changes. Just as "Being a company of good people," one of the principles of the Asahi Way, suggests, a group of employees that contributes to mutual prosperity and the development of the business is the foundation for overcoming difficulties brought about by various changes in the business environment.

Promoting Business Reform with an Emphasis on Speed



Scrap & Build

8 Factors Supporting Value Creation

Strengths rooted in Asahi's history

<p>Ability to Adapt to Change</p> <p>By paying close attention to the business environment and lifecycle and practicing flexible thinking, decisive action, and quick decision-making, we have built original business models and quickly exited businesses in decline. With the ability to respond in this manner, we will continue to maintain growth.</p>	<p>Industry-Leading Unique Technologies</p> <p>We are proud of the original technologies we have developed. These include the following technologies: recovering precious metals with high efficiency and advanced analytical capabilities, properly processing various industrial waste materials, and product development based on accurately ascertaining customer needs. Through constant research and development, the Group continues to enhance its unique technologies in each of its business fields.</p>	<p>Highly Motivated Employees</p> <p>The Group's growth has been driven by our employees, who share the group-wide values of the Asahi Way, deeply value trust and connections, and are motivated by a passion for innovation and embracing challenges. The Group proactively invests in human resources and continues to develop highly motivated employees.</p>	<p>Good Relationships with Stakeholders</p> <p>We actively engage in dialogue with investors and listen to our customers and business partners to strengthen governance and develop our products and services. We value the mutual trust we have with our employees with the local community and work to increase our long-term corporate value.</p>
<p>Management Capabilities for Regeneration of Business</p> <p>Over the past 20 years, we have brought more than 20 companies into the Group through mergers and acquisitions, and we have improved corporate management. Thanks to our flexible management capabilities matched to specific business environments, nearly all of our companies perform better than they did prior to joining the Group. We will continue to improve performance.</p>	<p>Trusted Asahi Brand</p> <p>The Asahi Group's precious metal products are highly regarded throughout the world for their reliable quality. We are committed to building a trusted Asahi brand by continuing to provide high-quality products and services in all of our businesses.</p>	<p>Globally Expanding Network</p> <p>Since establishing a local subsidiary in Malaysia in 1994, we have expanded into other countries in Asia, including South Korea, China, and Taiwan. In 2015, we acquired a refining business in North America through a merger and acquisition, expanding our target customer base to countries around the world.</p>	<p>Substantial Market Share</p> <p>Our highest priority is to satisfy our customers and business partners, and we have worked hard to improve our products and services. Our sales and technical capabilities that meet a wide range of needs have earned us the trust of our customers and enabled us to acquire a strong market share.</p>

History of ARE Holdings

Our 70-year history is one of innovation and challenge. Over that time, we have developed into a global corporate group and continue to grow today.

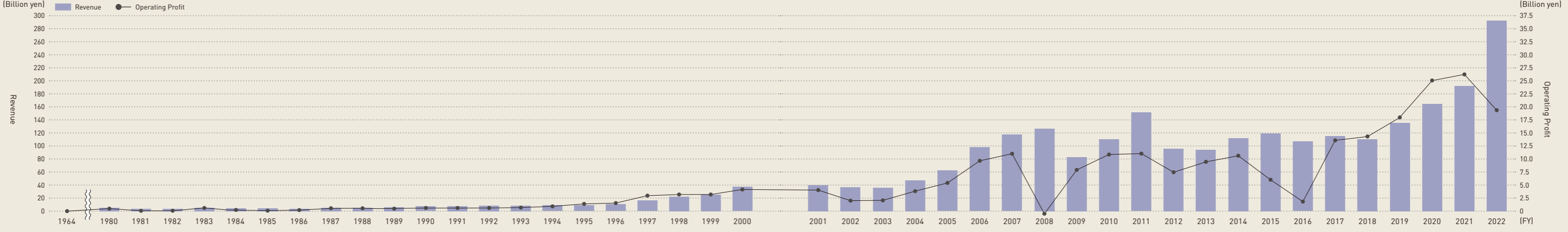
Act 1 Foundation and Early Decades

- 1952** Asahi Chemical Laboratory founded in Joto-ku, Osaka City
- 1964** Becomes kabushiki gaisha (stock-based company)
- 1974** Fukuoka sales office opens. Sales offices start to be established across Japan
- 1978** Head Office building completed in Higashi-Nada-ku, Kobe City
- 1997** Name changed to Asahi Pretec Corp.
- 1998** Headquarters operations transferred to Chuo-ku, Kobe City
Technical Research Center opens in Nishi-ku, Kobe City

- 1952** Launch of business recycling silver extracted from photographic fixer
- 1975** Compact electrolytic silver collection equipment "PLATA" developed
- 1982** Precious metals recycling business launched in the dental field
- 1984** Precious metals recycling business launched in the plating solution field
- 1986** Precious metals recycling business launched in the electronics components and jewelry fields
Compact electrolytic gold collection equipment "ZIPANG" developed
- 1994** ASahi G&S SDN. BHD. established in Malaysia

- 1972** Equipment for detoxification of photographic effluents installed at the Kobe Plant
- 1975** Industrial waste disposal license acquired from Kobe City (detoxification of photographic effluent containing harmful substances)
- 1978** Registered as an environmental measurement certification office
- 1990** Entry into environmental preservation businesses other than photographic effluents

Business Performance



Act 2 Public Company

- 1999** Initial public stock offering made on over-the-counter market
- 2000** Listed on the 2nd Section of the Tokyo Stock Exchange
- 2002** Promoted to the 1st Section of the Tokyo Stock Exchange
- 2009** Asahi Holdings, Inc. established

- 2003** Automobile catalyst business launched
- 2006** Asahi Pretec Korea Co., Ltd. established
- 2011** E-scrap business launched
Precision cleaning business launched



- 2004** Nihon Chemitech Co., Ltd. acquired
- 2007** Taiyo Chemical Co., Ltd. acquired
Kitakyushu Office of Asahi Pretec Corp. opened
- 2008** Japan Waste Corporation established
Fuji Rozai Co., Ltd. acquired
- 2010** Yokohama Office of Japan Waste Corporation opened
Ecomax Co., Ltd. acquired

Act 3 New Development

- 2012** The Asahi Way established
Selected for inclusion in an ESG index by the Tokyo Stock Exchange
- 2015** Company with an Audit and Supervisory Committee system adopted
Nominating and Compensation Committees established
Performance-based stock-option system introduced
- 2016** International Financial Reporting Standards (IFRS) adopted
- 2017** Capital increased through new share issue
- 2018** The Asahi Way undergoes comprehensive revision
- 2022** Transferred to the Tokyo Stock Exchange Prime Market
- 2023** Name changed to ARE Holdings, Inc.

- 2015** US and Canadian gold and silver refining subsidiaries acquired from Johnson Matthey (UK), and Asahi Refining USA Inc. and Asahi Refining Canada Ltd. established
- 2019** Asahi Refining Florida LLC established
- 2022** Construction of Bando Plant in Bando City, Ibaraki Prefecture completed
- 2023** ASahi METALFINE, Inc. established

- 2017** Nihon Chemitech Co., Ltd. and Ecomax Co., Ltd. integrated into Japan Waste Corporation
- 2020** Asahi Pretec Corp. and Japan Waste Corporation integrate environmental preservation businesses
- 2021** Asahi Pretec merges with Japan Waste Corporation and Taiyo Chemical Co., Ltd.
- 2023** Integrated into Japan Waste Corporation



The ARE Group will take bold steps forward based on our heartfelt belief in being “Totally Committed to Protecting the Natural Environment and Preserving Resources.”

Representative Director,
President & CEO

Tomoya Higashiura

A New Company Name that Embodies Our Purpose

Asahi Holdings, Inc. changed its company name to ARE Holdings, Inc., effective as of July 1, 2023.

The “A” in “ARE” stands for Asahi, “R” stands for Resources, and “E” stands for Environment. We explained this in our summer TV commercials that aired in the Hanshin area. Under our purpose of being “Totally Committed to Protecting the Natural Environment and Preserving Resources,” our company has long operated its “Precious Metals Business,” which reduces the impact on the environment, and our “Environmental Preservation Business,” which aids in the recycling of resources and energy. We wanted to weave these endeavors into our new company name. With this name change as a catalyst, we seek to define our role to both internal and external stakeholders, ponder its value, and persist in moving forward to achieve financial success and address societal challenges.

Leading up to this recent name change, as of April 1st this year, we split our major subsidiary, “Asahi Pretec Corp.,” into three distinct companies. I shall provide more details about the split shortly. Furthermore, our subsidiaries in North America and Asia are continuing to grow, thereby enhancing

their contribution to our consolidated results. While it’s natural for the centrifugal force of the organization to strengthen due to this kind of division and expansion of overseas business operations, we recognized the need for a unifying momentum to reconnect all of our Group companies and the employees who work within them. Additionally, the Asahi Refining Group in North America provides precious metal products to general consumers. We are also exploring similar initiatives for products and services in Japan and the Asia region. BtoC engagement is a possibility, and we have felt that end-user-focused branding was essential. This name change is part of that strategy.

Coinciding with the name change, we’ve crafted a new logo and tagline. We chose a Danish company with strength in the design field as our partner, and based on their expert prototypes, we gathered outside directors knowledgeable about branding and deliberated for several months. We see ourselves as the “Leader in creating a circular economy that connects society to the environment.” “Circularity” is a theme shared by both our Precious Metals Business and our Environmental Preservation Business. We spent endless hours debating how the logo and tagline could embody this theme while also capturing the strength and cheerfulness needed to



carve out the future of society. We believe we managed to come up with a fairly innovative result. We hope it can be utilized around the world for many years to come.

Reorganizing Our Domestic Operations

We have split "Asahi Pretec Corp.," which had been responsible for the Precious Metals Business and Environmental Preservation Business, into the following three companies: "Asahi Pretec Corp.," which recycles scrap containing precious metals from various industries; "ASAHI METALFINE, Inc.," which handles refining, manufacturing selling products and trading; and "Japan Waste Corporation," a firm specialized in the environmental preservation business that handles industrial waste. Each company's management has expertise specific to its business, and we have granted substantial decision-making authority to them, thus enhancing the speed and nimbleness of our operations. This restructuring lays the groundwork for fresh growth, and we will strive to elevate the entire Group's value through additional development in each company. I will now delve into the missions of these three companies in a bit more detail.

Asahi Pretec Corp.

Asahi Pretec is a leading company in the field of precious metals recycling and boasts a high share of the market in existing business domains, such as jewelry, dental, electronics, and catalysts. In the future, we will enrich our specialized services in sales through the utilization of digital technology, and in our plants, we will enhance cost competitiveness by furthering technological development and capital expenditure. Through these measures, we aim to further increase our market share and profitability. In particular, to boost our recycling capabilities in the catalyst sector, we will expand the plant in Bando City, Ibaraki Prefecture. Construction will begin soon, with operations slated to start in April 2025.

Additionally, we will venture into new business domains. For instance, in the rapidly growing pharmaceutical industry, the use of palladium catalysts, which facilitate reactions in mass production processes, is on the rise. In the automotive sector, with the ongoing shift to electric vehicles, highly conductive precious metals are used extensively in the circuit controls and sensor systems that support electric vehicles' ability to move, turn, and stop. The frontier of precious metals recycling goes beyond these applications. In the fuel domain, metals like ruthenium are employed as catalysts for ammonia production, and iridium is utilized in electrodes for electrolyzing water to generate hydrogen. These industrial technological trends harbor potential as new growth sources for precious metals recycling. Furthermore, in the Asia region, where economic development is progressing at a rapid pace, there still exists abundant room for expanding the horizontal deployment of precious



metals recycling. We are primarily targeting growth in the electronic and jewelry industries in countries such as Thailand, Vietnam, and India. We are channeling our focus into marketing and R&D to broaden new business domains and overseas business development.

ASAHI METALFINE, Inc.

ASAHI METALFINE produces and sells precious metal products with consideration for human rights and the environment, and is engaged in the development of various new services related to precious metals. If Asahi Pretec's business collecting scrap containing precious metals is considered "upstream," then ASAHI METALFINE's domain of supplying precious metal products and related services is deemed "downstream." Traditionally, added value from Precious Metals Business was reliant on upstream domains, but ASAHI METALFINE assumes the role of expanding value in downstream domains.

Moreover, ASAHI METALFINE will collaborate with its North American operations. Since its acquisition in 2015, the North American business was solely engaged in refining raw materials, known as doré, supplied from mines and the jewelry industry into bullion and returning them to the suppliers, but it has pursued diversification to enhance profitability. These diversification efforts include a product business. This business garners fees through processing bullion into products referred to as mints or casts. In retrospect, this marked the inception of downstream operations. ASAHI METALFINE is actively developing its downstream business in both products and services across the entire Asia region. Moreover, through coordination between the Precious Metal Sales & Trading Departments in Toronto and Tokyo, we have constructed a trading system that allows for 24-hour utilization of global markets.

The greatest strength of ASAHI METALFINE lies in possessing precious metals derived from recycling. CO₂ emissions from the production of precious metals through recycling are extremely low. Furthermore, ASAHI METALFINE's Bando Plant, which began operations last April, is equipped with a system that does not release greenhouse gases into the atmosphere. As a result, global jewelry brands are specifically procuring precious metals recycled by ASAHI METALFINE, which thereby gains a

premium (value added on top of the value of the bullion). This traded gold is referred to as green gold, and Asahi Refining Canada is also following ASAHI METALFINE's lead in developing the green gold business.

Japan Waste Corporation

Japan Waste has secured licenses from regulatory authorities in every region of Japan, from Hokkaido in the north to Okinawa in the south, and has built a network that encompasses the entire country in terms of sales representative placement. Being a unique entity in the industrial waste industry, which is said to comprise more than 100,000 companies, Japan Waste has derived a competitive edge from this distinction. It owns treatment facilities capable of handling challenging materials in various locations and, to provide the best disposal solutions, collaborates broadly with other companies' facilities, not relying solely on its own. This allows it to achieve an integrated approach that accommodates a wide array of industrial waste from a diverse group of industrial sectors nationwide. In addition, Japan Waste is committed to material recycling and energy recovery, which contribute to the low-carbon processing of industrial waste.

In particular, to maximize energy recovery, they are concentrating their efforts on trapping the waste heat from incinerators to generate power and producing hydrogen using the electricity obtained in the process. Last year, they successfully completed a government-supported hydrogen production demonstration experiment at the Kitakyushu office. A waste incinerator scheduled to launch at the Yokohama office in October 2025 is expected to have substantial hydrogen manufacturing capabilities.

While industrial waste processing is purely a business-to-business transaction, there exists a robust system whereby the government oversees that the waste is properly treated, making the procedures related to industrial waste rather complex. To support the automation and labor-saving of manifests and industrial waste contracts within the industry, Japan Waste spent three years digitally reconstructing the complicated administrative work, from the emission of industrial waste

to disposal, and last June, it began offering the digital service "DXE" on the cloud. The company has already entered into paid service contracts with nearly 100 clients. Eventually, it aspires to evolve into a digital platform that helps emitting businesses actively select collection and transportation methods with lower CO₂ emissions and disposal methods that do not squander resources.

Risk, Opportunities, and Growth Strategy

Recognizing risks in resource trading

Natural resources tend to be dependent on the production of specific countries or regions, given the reality that their deposits are often geographically unevenly distributed. However, it has become clear that it is perilous to take free trade, predicated on international interdependence, for granted, especially in light of recent global developments such as the sudden spread of infectious disease and conflicts between nations, which have abruptly disrupted supply chains. In particular, this has reinforced the consensus that for mineral resources such as precious metals and rare metals, which are vital industrial raw materials, as they are unevenly distributed around the globe, it is preferable for countries or regions to secure them independently as much as possible.

Thus, I feel that the importance of recycling resources, including precious metals, has heightened considerably. Recycling efforts are constrained by regulations such as the Basel Convention, and their profitability can be affected by transportation costs, thus making recycling a system that tends to be completed within a relatively narrow geographic range. On the other hand, in advanced sectors such as electronics, there is a noticeable movement among our customers to switch to domestic production for critical parts and modules. This convergence of the trend toward domestic production and the regional self-contained nature of recycling signifies an expanding opportunity for precious metals recycling within Japan.



Business opportunities through cooperation by the artery and vein of industries

We are making progress in our endeavors to minimize the loss of resources and energy not only in the precious metals recycling business, but also in our Environmental Preservation Business. We strive to recycle materials back into industrial raw materials wherever possible, and when that proves challenging, we resort to incineration while maximizing the amount of energy recovered and reclaiming electricity and hydrogen.

However, regarding waste plastics and similar materials, I am aware of the demand from society for further enhancement of the percentage recycled. In the past, Japan's waste plastics were exported to China and Southeast Asia as industrial raw materials, facilitating international resource regeneration. But as I mentioned previously, export and import restrictions have intensified under agreements such as the Basel Convention, thus necessitating a complete recycling process within Japan itself. To further elevate the domestic recycling rate, it is essential to actively make concerted advances in chemical recycling, including processes like gasification and monomerization. For this purpose, mobilizing business resources in the materials and chemical sectors as the arteries of industries is effective. There is no option but to utilize this approach in the transition towards decarbonization for industrial society. We do not have any concerns about losing processing tasks to the materials and chemical industries. We have fostered a flexible business foundation, not solely relying on our processing facilities, but aligning with other companies and other industries to achieve optimal disposal operations from both a customer and a societal perspective. In an effort to achieve the SDGs, we will also lead future development from the position as a critical player that can guide the cooperation between the artery and vein of industries, namely manufacturing and recycling businesses.

Growth in two core business fields

Our company's core business fields are Precious Metals and Environmental Preservation. At present, we have no intention of venturing into completely new business fields. In these two business fields, we will work towards resolving various issues, including global warming, while



striving for business development.

The medium-term growth strategies for each company overlap with the descriptions related to the subsidiaries I mentioned earlier, but I will restate them briefly. Asahi Pretec's Precious Metal Recycling Business, which entails reclaiming metals from scrap produced by other industries ("industrial mining") as opposed to conventional mining or urban mining, will make forays into new domains while utilizing its foresight into the dynamics of both domestic and international industrial structures. ASAHI METALFINE will continue pursuing its extensive business development within downstream domains. Asahi Refining in North America aims to further diversify its offerings, using its refining operations as a foundation.

The goals include expanding the product business, fortifying financial and trading capabilities, and targeting early profitability for its New York precious metals warehouse operation that launched this past May.

Japan Waste, leveraging its unique business foundation, will make active utilization of M&A to solidify its position as an industry-leading company. Since becoming a separate entity exclusively focused on environmental preservation, it has been bolstering its internal talent and organizational framework to autonomously develop and implement strategies. Additionally, it is exploring the option of going public to accurately assess the true business value of its operations.

Aggressive capital investments

To promote growth and enhance competitiveness, we are continuing to make capital investments in line with our current medium-term management plan. The medium-term management plan period will end at the end of March next year, but we will continue to invest actively thereafter. With regard to domestic precious metals recycling, last April, we launched the Bando Plant in Bando City, Ibaraki Prefecture, which we not only outfitted with the latest equipment, but also integrated all precious metals recycling processes from pre-treatment to the final product, thereby not only expanding capacity, but also improving cost competitiveness and achieving further decarbonization. Furthermore, we plan to launch a new plant on an adjacent plot in April 2025, and with this, we will complete the consolidation of almost all of Asahi Pretec's business sectors. At the new plant, we will significantly improve the cost, yield, and lead time of our catalyst recovery business. The construction of the new and old Bando Plants is the result of a scrap-and-build strategy to enhance competitiveness. We closed the Saitama Plant in Kitakatsushika District, Saitama Prefecture at the end of March last year, and will close the Ehime Plant in Saijo City, Ehime Prefecture at the end of March 2025. I visited the Ehime Plant myself this past June and directly informed all employees of the closure plan. During the individual interviews with all employees that followed, more employees than expected had a positive mindset about transferring to Bando.

In connection with our North American business, we completed an investment for the precious metals



warehouse business in the suburbs of New York City, and it opened this past May. In the future, we will implement investments to improve the efficiency of the Salt Lake site's silver refining line and enhance the minting capabilities of the Miami site.

In relation to our Environmental Preservation Business, we will complete a new incinerator at our Yokohama office in Tsurumi Ward, Yokohama City in October 2025. The new incinerator at the Yokohama office will be equipped with a large-scale hydrogen production function, leveraging the hydrogen production demonstration experiments at our Kitakyushu office. We are currently working on securing sales channels for this hydrogen.

Results for Fiscal Year Ended March 2023 and Status of Fiscal Year Ending March 2024

A challenging situation due to fluctuations in precious metals prices

The fiscal year ended March 2023 saw a significant deterioration in profit and loss due to a sudden drop in rhodium prices in the fourth quarter. This effect is continuing into the fiscal year ending March 2024. When we buy raw materials for precious metals recycling, we usually hedge 100% of the price to avoid the impact of falling precious metals prices until they are processed into products. In other words, we always retain the right to sell the precious metals after processing at the price at which we bought the raw material containing it. Therefore, losses due to falling precious metals prices ordinarily should not occur in precious metals recycling transactions.

However, rhodium, which is contained in automotive catalysts, cannot be hedged on the exchange market due to its extremely low circulation volume. The price of this rhodium plummeted by nearly half during the three-month

period of the fourth quarter of the fiscal year ended March 2023. It has fallen to less than one-third the price it was just over a year ago. Losses occurred due to the price drop since hedging was not possible, and the lower-of-cost-or-market method was applied to the rhodium work-in-process inventory, leading to a significant decrease in profit.

With regard to rhodium, hedging is not possible at the exchange market, but by implementing substantial hedging through long-term contracts with end-users and alternative hedging using metals that correlate with rhodium price fluctuations, we will restrict the impact starting in the latter half of the fiscal year ending March 2024 when prices fall. However, the absolute price levels of rhodium and palladium being lower compared to when the medium-term business plan and annual business plan were formulated presents a headwind for profit generation in the Precious Metals Business, making early recovery of profit levels difficult.

Nevertheless, to solidify the foundation for future growth, we are carrying out planned actions, such as strengthening the organizational structure of companies after spin-offs, enhancing employee engagement through improved education and training opportunities and holding all-employee general meetings, establishing corporate identity through name changes and various advertising efforts and promotions, and targeting new market development through marketing and R&D.

Maintaining shareholder dividends

Our policy of continuing dividends as stably as possible, with a 40% dividend payout ratio as a guideline, is being steadfastly maintained. For the fiscal year ended March 2023, there were factors leading to a significant decrease in profits, including the losses incurred from the sudden drop in rhodium prices mentioned above, as well as losses from the sale of shares related to the Life & Health business, which we had decided to withdraw from, and losses associated with the resolution of intellectual property disputes related to that business. As a result, shares and assets related to the Life & Health business have been completely eliminated, and there are no disputes regarding intellectual property rights within our current corporate group. Therefore, these will not serve as factors for reduced profits again after the fiscal year ending March 2024. For this reason, at present, the dividend forecast for the fiscal year ending March 2024 is being viewed in terms of keeping things as stable as possible, with the 40% dividend payout ratio serving as a guideline.

We aim to return to a profit growth trajectory as soon as possible. We consider doing so to enhance shareholder returns to be one of management's missions. In relation to this, a new kind of stock-based compensation linked to Total Shareholder Return (TSR) has been introduced for executives. This is a reform to increase the stock compensation ratio. In theoretical calculations, the ratio of stock compensation to the CEO's total compensation is about 40%, more than double the traditional ratio. This was resolved at the ordinary shareholders' meeting this past June.

Addendum regarding cash flow and balance sheet

We prioritize investments to lead growth and emphasize cash flow in determinations of business performance. I mentioned that cost competitiveness was improved thanks to the establishment of the Bando Factory, but considering the depreciation costs immediately following capital investment, the profit figures on the income statement have not improved very much. That being said, we have enhanced our ability to generate positive cash flow in transactions similar to those done previously. We consider this an improvement in competitiveness.

We will continue to focus on improving cash flow and making proactive capital investments from a medium-to-long-term perspective. Our management also places importance on shareholder dividends. During the phase where the current medium-term management plan has been completed and we are looking to the future, we intend to more clearly define our vision by forecasting the cash flow that our company can generate over a certain period based on certain assumptions, as well as consider how to allocate the total cash flow to future capital investments and shareholder dividends.

With regard to the balance sheet, total assets have increased compared to before the acquisition of the North American business since it is engaged in financial operations, including advance trading. The main cause is an increase in trade receivables due to handing over precious metal bullion with interest before the contract's refining period. However, advance trading involves lending bullion for a short period after taking sufficient security in the form of precious metal raw materials from customers and hedging precious metal prices, so the risk is minimized. Moreover, the scale of the advance trading will not increase at the pace it has in the past. We will constantly inspect individual assets on the balance sheet according to their risk levels and strive for control based on reality without relying on formal indicators.

Improving ESG Performance

E: Achieving Carbon Neutrality by 2050

We will address urgent issues, such as climate change mitigation and biodiversity conservation, by promoting resource recycling as much as possible while remaining mindful of the global environment. We will also further advance the management of industrial waste for resource and energy conservation based on our own purpose. It can be said that our business itself is directly linked to SDGs.

In addition, we will gradually reduce the CO₂ emitted in our business processes and the supply chains of our operations. We have set a goal of reducing energy-derived CO₂ emissions such as electricity and gasoline by 50% by fiscal 2030 compared to fiscal 2015. We have also declared our aim to achieve carbon neutrality for Scope 1 and Scope 2 emissions by fiscal 2050. To that end, in addition to transitioning to CO₂-free electricity and achieving Zero Energy Building (ZEB) status at our facilities, we are also undertaking initiatives such as capturing greenhouse gases emitted from our factories and repurposing them as chemicals. During the construction of our new plant in Bando City, we incorporated designs to minimize the use of water, chemicals, and energy from the planning stages.

We believe that by actively disclosing information regarding these initiatives, we can attain even higher ratings from ESG evaluation agencies.

S: Achieving Diversity Through Workplace Transformation

Our company practices responsible precious metals management. We comply with the guidelines set by international organizations related to our businesses, including LBMA, LPPM, and RJC, and in addition to adhering to national laws and international norms, we actively fulfill our social responsibility with regard to fairness and ethics in transactions, consideration for human rights, safety, and the environment, among other

areas. One specific example of our efforts is the expansion of workplaces where women and people with disabilities can flourish. We are fundamentally transforming our traditional approach.

Regarding the active participation of female employees, there used to be many workplaces that refrained from appointing women due to concerns like maternity protection, but we are now increasing the number of workplaces where they can work comfortably by transforming the tasks themselves. For example, in a sales role that involves visiting dentists and making various professional proposals while collecting precious metal raw materials, the essential task can be performed regardless of gender. However, due to heavy loads that required manual transportation, the related task of collecting dental plaster and medical waste made it challenging for women. We decided to transfer this collection work to specialized local contractors, and as a result, we began assigning new female graduates to the dental precious metals collection sales department. We have already assigned women to the jewelry business division, and we plan to assign women to the industrial waste treatment sales as well.

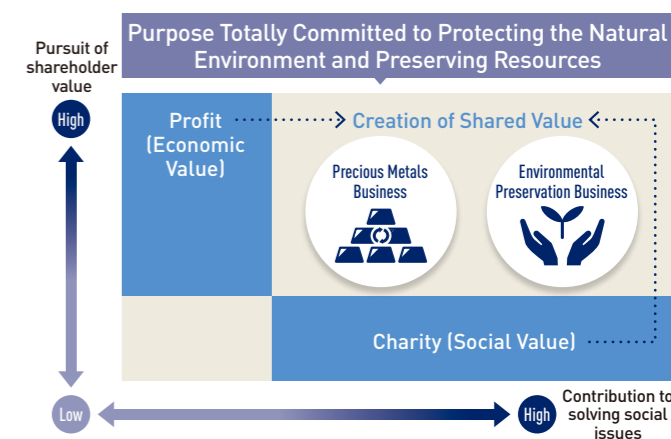
Regarding the employment of people with disabilities, we are shifting away from making them adapt to a regular workplace and toward creating an environment where individuals with various disabilities can work safely alongside those without disabilities, thus expanding the employment of people with disabilities throughout the Group.

G: Composition of the Board of Directors Ahead of Its Time

This past June, in Europe, after individual meetings with many institutional investors, including shareholders, we received high praise for our governance. Among the subjects related to governance, our approach to the Board of Directors has garnered particular notice, and we were able to demonstrate our superiority in this area. Our Board of Directors is composed of a majority of outside directors, with 4 out of a total of 6 directors being outside directors. Moreover, our Board of Directors' composition is more than 30% female, with 2 out of the 6 directors being female. Additionally, our Board of Directors has formed a skill matrix that takes diversity and balance into careful consideration. This Board composition is the culmination of approximately 10 years of gradual work, and as a result, we have been able to achieve standards and goals required by the stock exchange ahead of time. Of course, it's not enough for the Board of Directors to have a good composition; it must also embody a mission, with a collective determination and ambition to thoughtfully guide the company and consider a wide range of stakeholders. I believe that through earnest deliberations within the Board and a variety of committees, our Board of Directors is evolving in the correct manner from this essential perspective as well.

The previously mentioned expansion of the stock-based compensation ratio for executives is also a governance-

related reform. In our dialogue with investors, we received the feedback that the management's compensation should be linked not only to the profit level each year, but also to fluctuations in stock prices and dividends in a constructive manner. By aligning the criteria for returns on shareholder investment with the returns for management's efforts, we can continuously encourage management that respects shareholder value. Furthermore, making the link between executive compensation and ESG performance improvement more explicit is our next theme.



To Our Stakeholders

When I announced the decline in the profit forecast for the fiscal year ended March 2023 a year ago, I said that we were "bending down to make a big leap." However, I must apologize for not being able to restore profit levels during the fiscal year ending March 2024. I might be repeating myself, but our efforts towards "reinforce the foundation for growth," as outlined in the 9th Medium-Term Business Plan, continue. Although this may not immediately reconcile with an early recovery in profit levels, we prioritize achieving medium to long-term growth. We intend to bring our consolidated performance back on a strong growth trajectory as research and development, capital investment, and organizational restructuring bear fruit in each business domain at the right time.

I continue to ask all of our stakeholders for their understanding and support. Thank you.



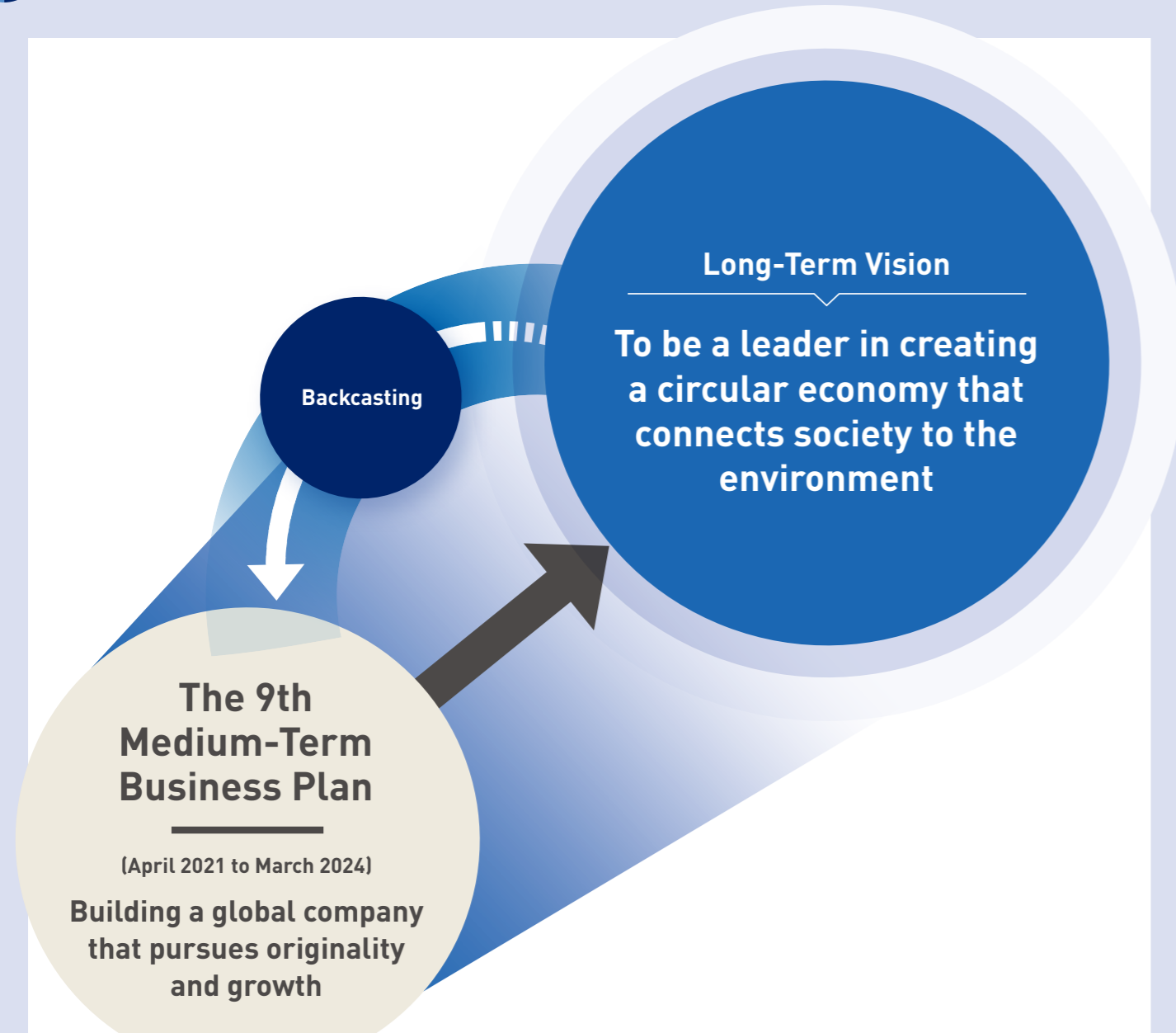
Overview of ARE Holdings Value Creation Process

Over the years, we have managed to achieve both business growth and solutions to social issues in our mission to be a leader in creating a circular economy that connects society to the environment. We strive to maximize the value created by our business activities and aim to position ourselves as a global company that pursues originality and growth.



Overview of ARE Holdings Value Creation Process

(As of March 31, 2023)



Basic Policies		FY2022 Results
1. Reinforce the Foundation for Global Growth	Precious Metals Business	<ul style="list-style-type: none"> Launched operations at Asia's largest precious metals recycling plant featuring state-of-the-art facilities Expanding the lineup and production volume of minted items in North America
	Environmental Preservation Business	<ul style="list-style-type: none"> Launching a SaaS service to digitally streamline industrial waste management
2. Promote New Human Resource Policies		<ul style="list-style-type: none"> Introduction of a talent management system Introduction of overseas trainee program Introduction of a mentorship system Introduction of a three-day weekend model and a designated 10-day annual leave model
3. Strengthen Group Risk Management		<ul style="list-style-type: none"> Strengthening risk management for diversified North American operations
4. Contribute to the SDGs	Effectively utilize limited resources	<ul style="list-style-type: none"> Precious metals recycling avoided 538 thousand tons of CO2 emissions Expanding sales of green gold derived from recycling in Japan and North America
	Enhance programs such as those for encouraging work-life balance	<ul style="list-style-type: none"> Encouraging men to take paternity leave Company-wide advancement of employment for individuals with disabilities

Financial Policies

Basic Policies

The Group is expanding its business through aggressive investments toward growth as it maintains a solid financial base. To secure the stable funds necessary for business expansion, we strive to improve the corporate value of the entire Group by generating cash flow through sustainable profit growth, improving capital efficiency, and strengthening financial governance.

Funding Needs and Financing

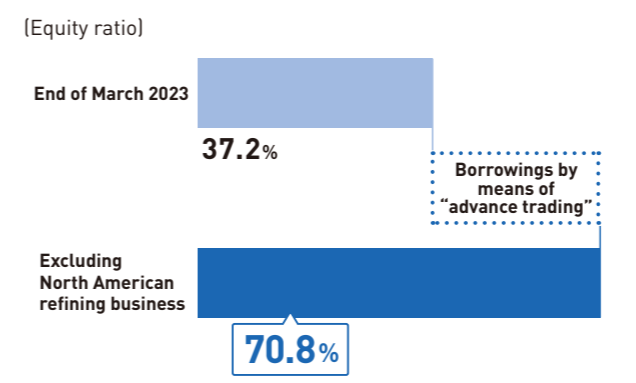
Respond to funding needs while maintaining a stable financial base and improving capital efficiency

The Group's working capital needs are primarily for the purchase of raw materials for manufacturing products in the precious metal recycling business, and the purchase of precious metal bullion for "advance trading" in the North American refining business. Investment capital needs consist primarily of capital investments for new businesses, expansion of capacity, and improving productivity at main plants in Japan and North America. The company's policy is to proactively respond to strategic funding needs for future growth while maintaining both a stable financial base and improving capital efficiency. Working capital and investment capital are primarily provided by funds obtained from operating activities, and funds are raised through loans from financial institutions and corporate bonds as required.

"Advance trading" in the North American Refining Business

Transactions that have a significant impact on financial indicators, but contain no credit risks or soundness issues

Ever since acquiring its current North American business from Johnson Matthey of the UK in 2015, the Group has expanded its North American precious metals refining operations. In recent years, the refining business has been used as a platform for creating new products and services. One such service is "advance trading" transactions. In these types of transactions, once we receive raw materials from a customer, we return the refined bullion with interest at the customer's request without waiting for the contractual delivery date. Because we procure the bullion and make the advance trade using low-interest loans from a financial institution, we benefit financially. This results in a large amount of trade receivables and borrowings being recorded on our financial statements, but because we return bullion after receiving raw materials in principle, there is no credit risk and virtually zero risk of bad debt. In addition, the financial statements will show a higher debt-to-equity ratio and a lower equity ratio. The equity ratio as of March 31, 2023 was 37.2%, but if we exclude our North American refining business, the equity ratio is 70.8%, indicating that the company is doing a good job maintaining its financial soundness.



Financial Results

Diversifying funding sources to enhance cost competitiveness

In March 2021, we raised a total of US\$201 million, primarily for the expansion of our North American business, by executing the first scheme in Japan whereby a U.S. subsidiary issued U.S. dollar-denominated convertible bonds with the parent company guarantee. In addition, we attained co-financing with JBIC and private financial institutions for a total of US\$117 million. Through diversification of financing, borrowing costs are being reduced, which has enhanced the competitiveness and profitability of the refining business.

In Japan, we issued the first green bond ever in the domestic non-ferrous metals industry in March 2020, raising 5 billion yen. The eligibility of these green bonds has undergone third-party evaluation by Rating and Investment Information, Inc., which resulted in the highest R&I Green Bond Assessment rating of "GA1" being conferred. Additionally, in December 2022, we issued private placement bonds specifically aimed at accelerating investments to reduce CO2 emissions at our plants and R&D centers, successfully raising five billion yen.

Medium-term Financial Targets

Continue strengthening financial base to achieve financial targets

Our medium-term financial targets include achieving an ROE of 16% and an equity ratio of 40%. Through profit growth, we hope to expand our equity capital and raise funds through direct financing such as corporate bonds and commercial paper while keeping an eye on market trends. Regarding our various investments toward growth, our policy is to make investments without exceeding our operating cash flow. Surplus funds will be used to repay loans. 22.7 billion yen in total capital investment is planned for the three-year period between 2021 and 2023.

Investment Policies

Actively expanding investments that contribute to solving environmental issues

The Group makes decisions on individual investment projects by meticulously considering the potential for profit and growth in the business as well as synergies with existing businesses. In addition to this, we are actively engaged in R&D from a medium- to long-term perspective, energy conservation and energy creation, promoting DX, introducing EVs, and making other capital investments to solve environmental problems.

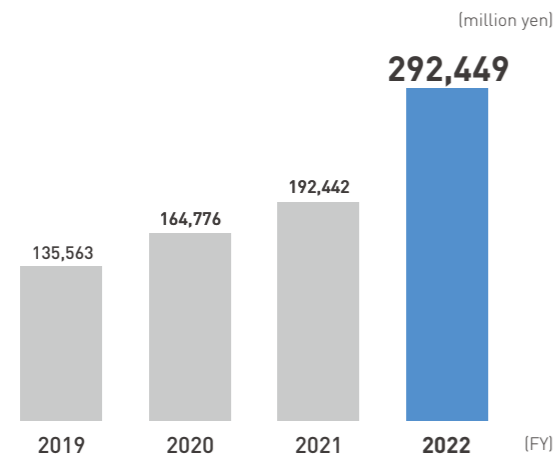
Basic Policy on Shareholder Returns

Continue to pay stable dividends, with a target payout ratio of 40%

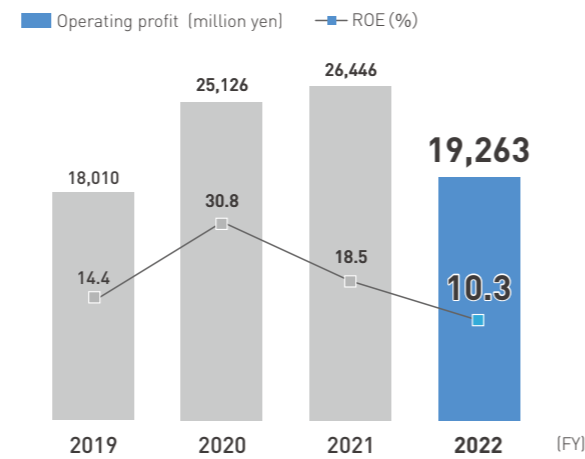
The Group's policy is to maintain a stable dividend payout ratio of 40%, with no reduction in the current annual dividend level, all while ensuring sufficient internal reserves for capital investment and M&A activities to support its growth strategy.

Consolidated Financial/Non-Financial Highlights

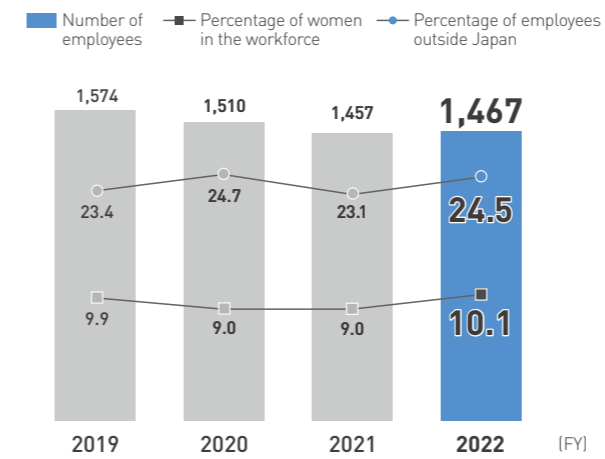
Revenue



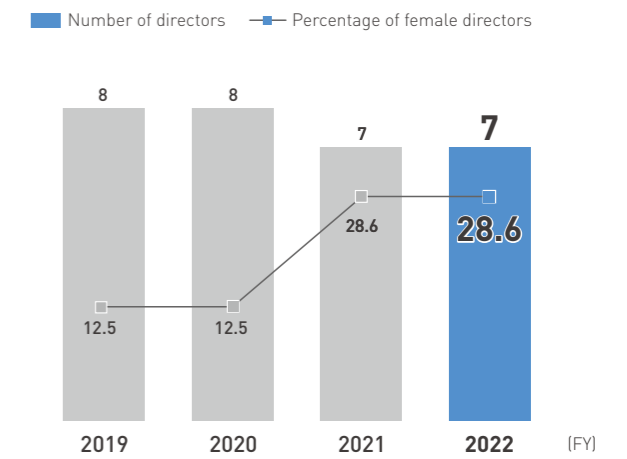
Operating profit / ROE



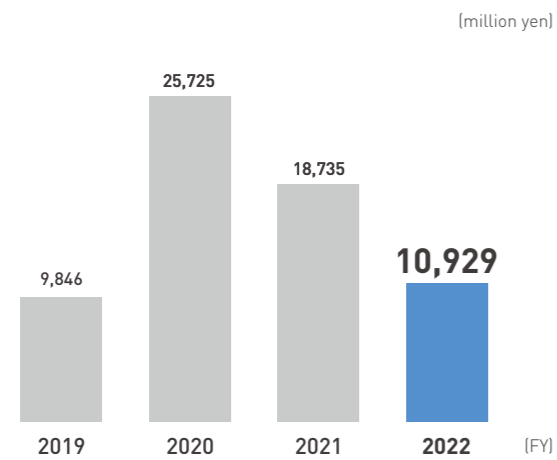
Number of employees, percentage of women in the workforce, and percentage of employees outside Japan



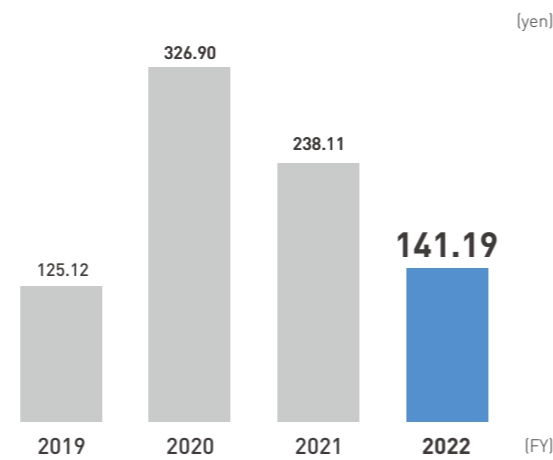
Number of directors and percentage of female directors



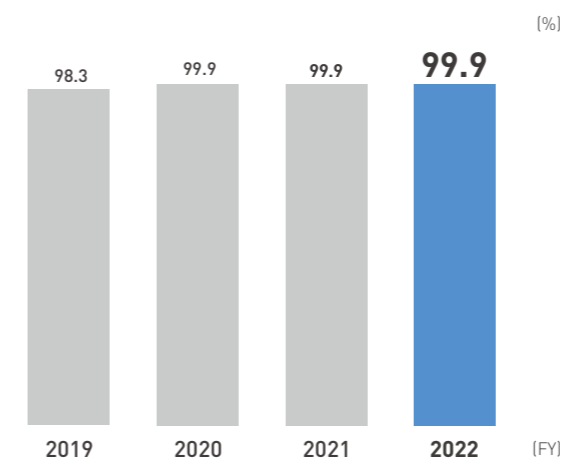
Income for the year attributable to owners of the parent



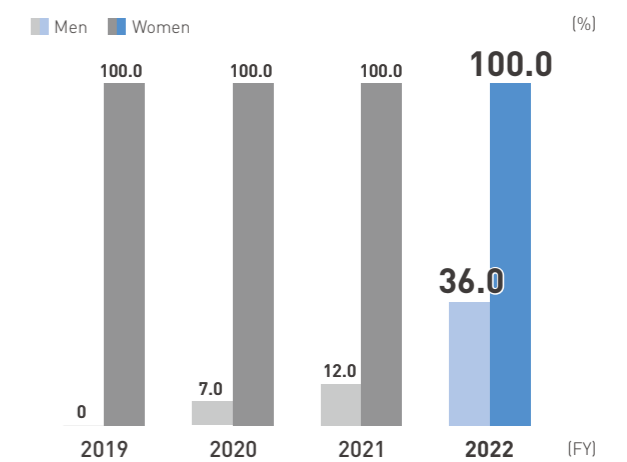
Basic earnings per share^{*1}



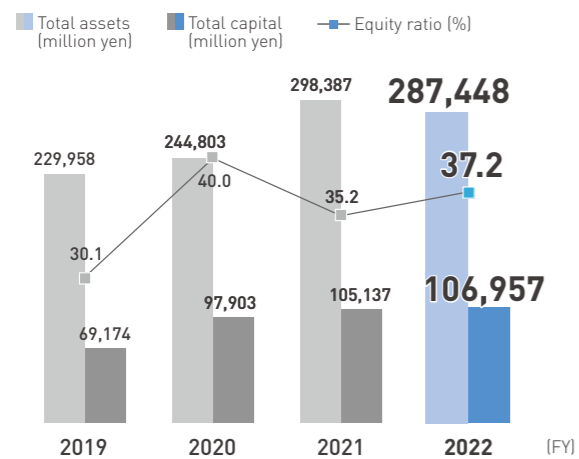
Achievement rate for rest intervals of at least 11 hours^{*2}



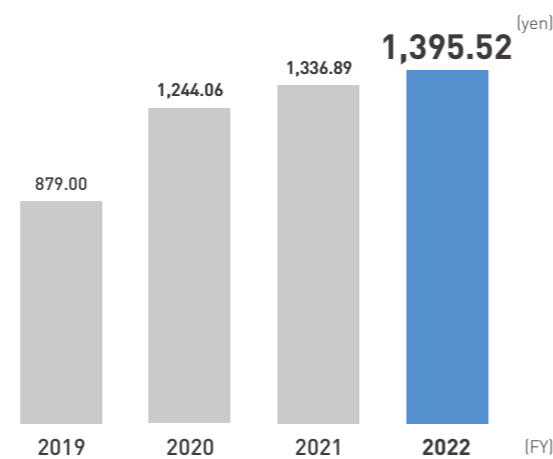
Percentage of taking childcare leave^{*2}



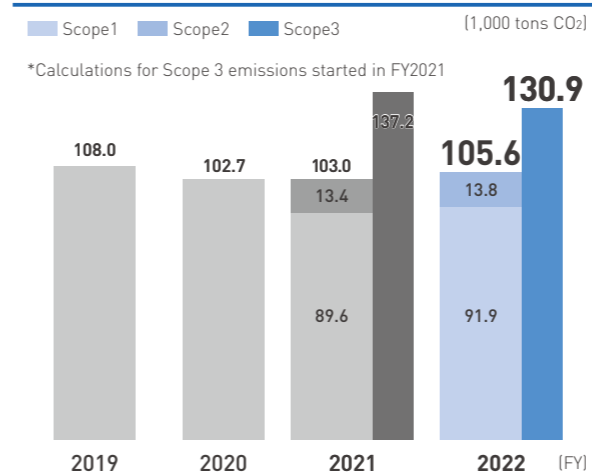
Total assets / Total capital / Equity ratio



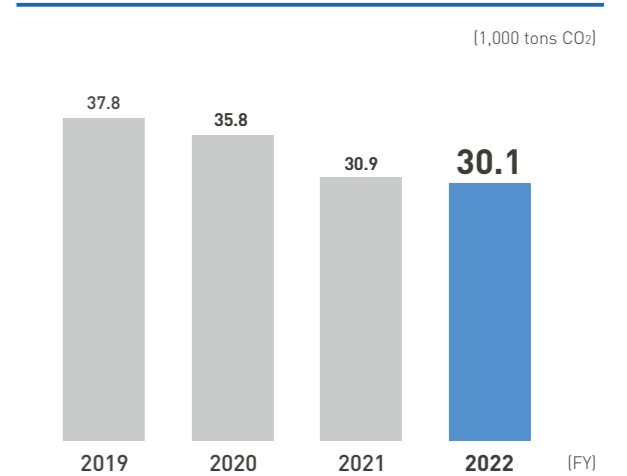
Equity attributable to owners of the parent company per share^{*1}



CO₂ emissions



Energy-derived CO₂ emissions^{*3}



*1 On April 1, 2021, a stock split was conducted with a ratio of two common shares for one. The basic earnings per share and equity attributable to owners of parent per share have been calculated based on the assumption that the stock split was conducted at the beginning of FY2019.

*2 Scope: Group companies in Japan.

*3 The data pertains to consolidated subsidiaries as of March 31, 2023. Data for deconsolidated subsidiaries has been subtracted retroactively, while data for subsidiaries that were previously non-consolidated has been added retroactively, going back to the fiscal year when the subsidiary became consolidated.

Precious Metals Business

The Group collects and recycles scraps containing precious metals from various sectors. By recovering and providing gold, silver, platinum, palladium and other as precious metals indispensable to modern manufacturing, we are contributing to the effective utilization of resources and the development of industry.

E-Scrap

Gold Silver Palladium



Electronic substrates used in personal computers, smartphones, and home appliances contain gold, silver, and palladium. We collect manufacturing process scrap and electronic substrates from used products. We then put them through various processes such as crushing and sorting to recover and recycle precious metals. Our precise sampling and advanced analysis techniques are just some of our strengths.

Precision Cleaning

Gold Silver Platinum Palladium



We strive to ensure the quality of equipment used by customers in their electronic component and semiconductor manufacturing processes by regularly and precisely cleaning them. Customers entrust us with their equipment parts, and we perform stripping and recovery of precious metals adhering to them. The recovered precious metals are returned to the customers upon request.

Plating Treatment

Gold Silver Palladium



Since precious metal plating is an excellent way to prevent corrosion and enhance electrical conductivity, it is used in various applications from industrial to decorative products. Utilizing a proprietary electrolytic precious metals recovery system, we recover and recycle the precious metals remaining in plating solutions. We also return the recovered materials to customers in the form of a precious metal compound of their request.

Catalysts

Palladium Platinum Rhodium



Automobiles are equipped with catalytic converters to detoxify harmful substances in exhaust gas, and precious metals such as palladium and platinum are used in these devices. We use our original technologies to recycle precious metals from automotive, chemical, and other catalysts.

Dentistry

Gold Silver Platinum Palladium



Gold-silver-palladium alloys are the main materials in dental prostheses such as crowns and inlays, and the percentage of precious metal content varies by type. Customers such as dental clinics and laboratories provide us with waste containing these metals and we recycle them. We offer high-value recovery with our own system for integrated management of collection, assay, and reporting.

Jewelry

Gold Silver Platinum Palladium

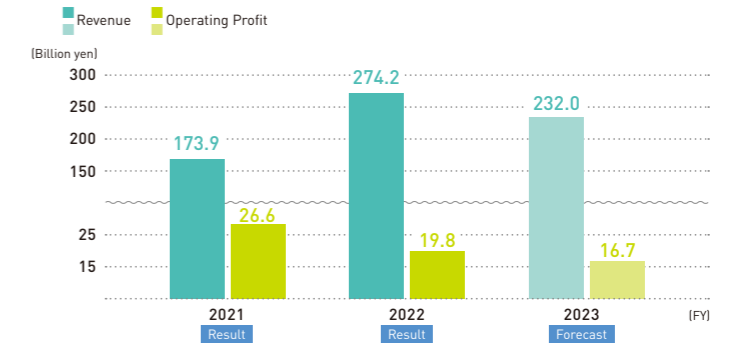


We collect and recycle precious metals from jewelry and ornaments that are no longer needed as well as precious metal scrap generated at each stage of the manufacturing process from purchasers, manufacturers, and processors. In addition to accurate analysis, we offer high-quality precious metal bullion products, while also returning raw materials to manufacturing and processing company customers.

Market Conditions

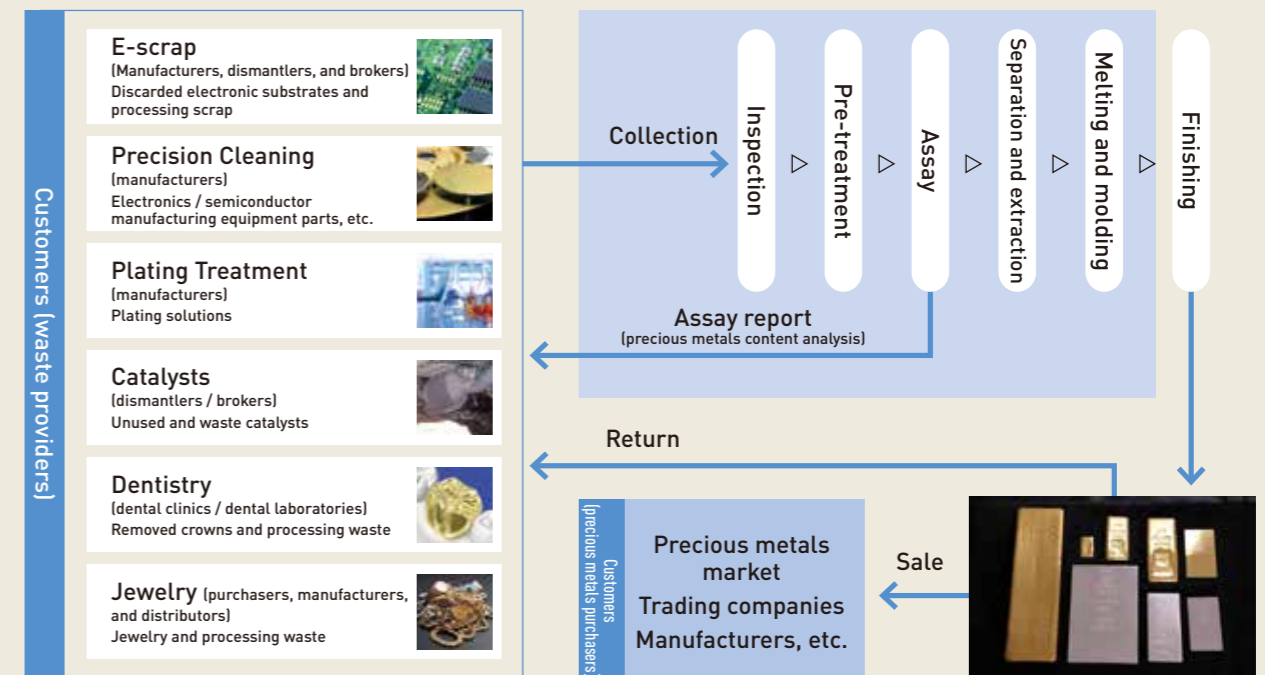
As geopolitical risks, increased resource costs, and concerns about inflation continue to surface, the expectations with regard to precious metals recycling have only become higher. There is also increased interest in "supplying precious metals in ways that are friendly to people, society, and the environment." The nature of recycling means that it is impacted by production trends and other factors in the industries that provide the materials, but we have been seeing a rise in materials collected in the jewelry and electronics industries.

Introduction to Segments



Collecting and Recycling Precious Metals

We have deployed manufacturing operations in Japan and elsewhere in Asia that enable the most efficient recovery of precious metals and carry out optimal processing of recyclable materials depending on the different characteristics and admixtures in the business fields where we collect materials. Furthermore, we accurately meet customer needs by fully utilizing optimal methods and efficient refining facilities depending on the type of precious or rare metal.



Main Profit Drivers for the Precious Metals Recycling Business

The main profit drivers are stable refining fees and income from yield differentials ("free metal").

Category	Profit Drivers	Impact on Profit
Precious metals recycling	Refining fees	<ul style="list-style-type: none"> Refining fee income increases along with the amount of material collected. The unit price for refining fees is higher for materials that require difficult pre-processing. This means the average unit price rises along with the proportion of items that require difficult processing.
	Yield differential (difference between actual yield and contracted yield = "free metal")	<ul style="list-style-type: none"> The volume of "free metal" expands when the actual yield climbs due to improvements in technical capabilities and processes. Income from "free metal" increases in line with rising market prices.

Global Expansion

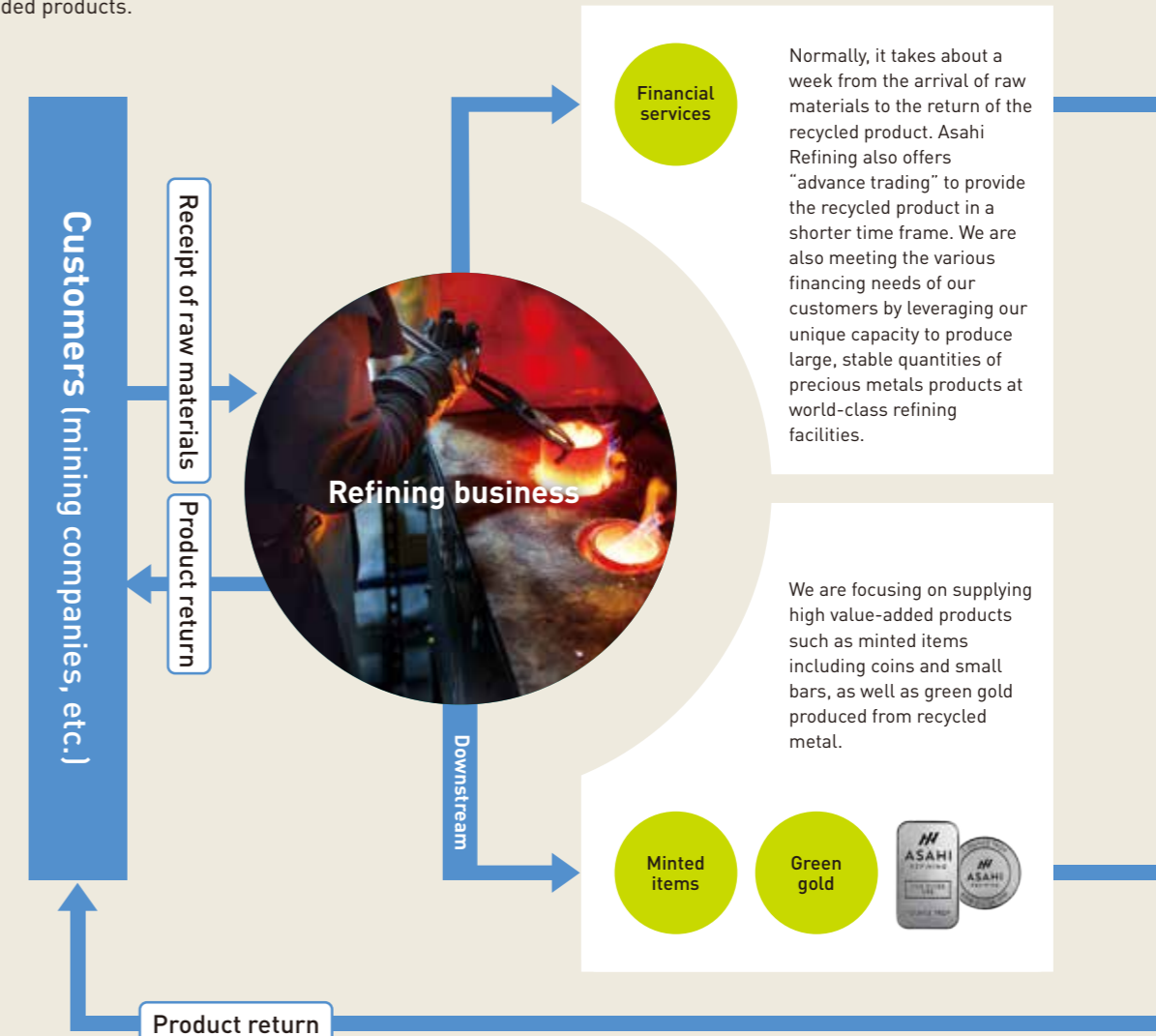
We have been expanding our precious metals recycling operations in Asia since 1994, focusing on dentistry and electronics waste. We have done this by developing business models tailored to local market conditions while utilizing the technology we have developed in Japan. Furthermore, with the addition of the Asahi Refining businesses to the Group in March 2015, we have expanded our operations to North America.



[As of April 1, 2023]

Refining Business in North America

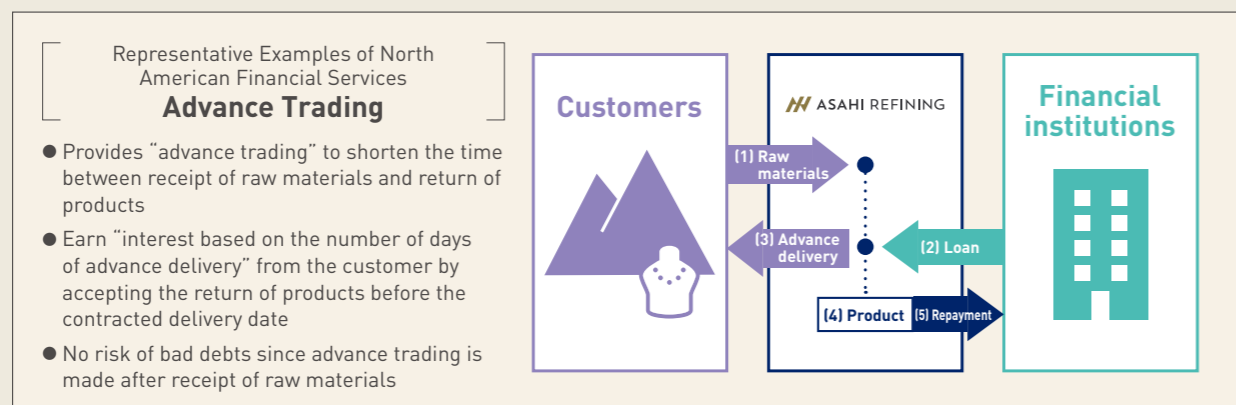
In North America, we mainly refine gold and silver raw materials produced by mining companies, and we are proud of our refining volume, which is among the largest in the world. We also are striving to develop new services using our refining business as a platform, while responding to the diverse needs of our customers with financial services and high-value-added products.



Main Revenue Drivers for the Refining Business in North America

In addition to refining fees, which are a stable source of revenue, we are expanding related businesses by using refining as a platform, such as revenues from financial services and processed products.

Category	Profit Drivers	Impact on Profit
Refining business	Refining fees	<ul style="list-style-type: none"> Refining fee income increases along with the volume of incoming raw materials (doré). The unit fee cost does not change over the short-term because contracts are long-term.
	Yield differential (difference between actual yield and contracted yield = "free metal")	<ul style="list-style-type: none"> The volume of "free metal" expands when the actual yield climbs due to improvements in technical capabilities and processes. Income from "free metal" increases in line with rising market prices.
Related businesses	Financial revenue (advance trading, etc.)	<ul style="list-style-type: none"> Income increases when interest rates rise in advance trading contracts with mining companies. Income increases when the period of advance delivery is extended. Income increases when metal procurement costs fall, and the interest rate spread expands.
	Value-added product revenue (minted products, etc.)	<ul style="list-style-type: none"> Income increases along with the market demand for value-added products. Income increases along with the brand value of our value-added products.



R&D System



Technical Research Center Pursuing Original R&D

We conduct proprietary research and development and analytical technology improvement in the fields of recycling of precious metals and rare metals and detoxification and recycling of industrial waste. We established the Technical Research Center in Kobe High-Tech Park to serve as our R&D hub. We are looking to take even greater strides forward as a company that contributes to society by improving quality and technical innovation.

R&D

We anticipate the needs of our customers and strive to create new products and business by applying our large body of elemental technologies and developing new technologies.

- Technology for separating and refining precious and rare metals
- Environmental preservation and resource recycling technology
- Precious metals molding and refining technology

Refining Technology

In addition to wet precious metals refining technology, which is particularly effective for recycled material processing, the Group is developing dry precious metals refining technology effective for the primary raw material processing it is performing in North America. By advancing and combining both wet and dry refining technologies, we are creating effective precious metals refining techniques for handling all kinds of raw materials.

Release Technology

In order to collect precious metals adhered to the surfaces of parts and jigs, etc., used in the manufacture of electronic components and semiconductors, the Group is developing technology to chemically and physically exfoliate precious metals safely and reliably without damaging the parts and jigs.



Assay

The ARE Holdings Group's core assay function supports a diverse range of corporate activities using the latest assay equipment and high-level assay technology. In addition, we play an important role in maintaining and enhancing trust with the Group's customers.

- Development of new assay technology
- Technical guidance for assay groups at each plant and sales office
- Purity assay of precious metals products
- Environmental analysis of issues such as plant wastewater discharges
- Environmental measurement certification business

Assay Technology

The Group is developing assay techniques using X-ray and inductively coupled plasma (ICP) optical emission spectrometry with the aim of conducting rapid and accurate transactions with customers. We are upgrading our precious metals analysis at sites in and outside of Japan, including Asahi Refining.



Engineering

Using cutting-edge technology, experts from each sector design, produce, construct, and provide maintenance of facilities at subsidiaries in and outside Japan, helping to support safe and stable operation of the facilities.

- Design, production, construction, and maintenance of facilities and buildings
- Maintenance control of existing facilities
- Installation and maintenance of precious metals collection facilities for our customers
- Support for installation of robotics and IoT for equipment



Strengths and Responses to Potential Risks

	Strengths	Responses to Risks
Precious metals recycling	<ul style="list-style-type: none"> (1) Ability to analyze the precious metal content of recycled materials (2) A sales force of about 200 people all over the country who are customer-focused and well-versed in IT (3) Sourcing of raw materials with attention to human rights and environmental factors, along with traceability management during processing and distribution 	<ul style="list-style-type: none"> (1) Allocating resources to growing markets and new sectors (2) Growing market share by utilizing proprietary systems in sectors with shrinking markets (3) Strengthening competitiveness through enhanced production efficiency (4) Improved green gold sales
North American Refining	<ul style="list-style-type: none"> (1) The largest refinery in North America as our refining platform (2) Location close to client mining companies (3) Our Group's credit worthiness and financing capacity 	<ul style="list-style-type: none"> (1) Expansion of value-added services based on our refining platform (2) Avoiding dependence on global supply chains

Solving Social Issues through Business Activities

Social issues relating to the Precious Metals Business

- Depletion of precious metal resources
- Environmental destruction during mining
- Human rights and labor issues related to mining
- Money laundering and terrorism financing risk

Contributing to the SDGs

- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**: Leveraging precious metals recycling to turn consumption into production, transforming waste into precious metal resources
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**: Contributing to industrial sustainability by continually improving our highly efficient and high-quality precious metals recycling technologies
- 15 LIFE ON LAND**: Helping to preserve terrestrial ecosystems, forests, and other land-based resources by expanding precious metals recycling, instead of mining
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**: Promoting peaceful, inclusive societies by practicing responsible precious metals management and transparent procurement
- 6 CLEAN WATER AND SANITATION**: Contributing to sustainable water use by practicing precious metals recycling without contaminant discharge
- 8 DECENT WORK AND ECONOMIC GROWTH**: Helping to protect human rights and prevent child labor in high-risk regions such as conflict zones
- 13 CLIMATE ACTION**: Helping to prevent climate change by supplying recycled resources with low CO2 emissions
- 17 PARTNERSHIPS FOR DEVELOPMENT**: Promoting high levels of sustainability by collaborating with other companies

Environmental Preservation Business

The companies of the ARE Holdings Group meet the diverse needs of their customers by leveraging the unique technologies they have developed over the decades in their respective fields to detoxify and properly dispose of various waste materials. As experts in waste disposal, we are helping to solve global environmental problems and playing a key role in building sustainable societies.

Waste reagents



The Group collects reagents for disposal from educational and research institutions. They are packed one by one for collection after confirming that they are stored in proper collection containers. Chemical content analysis is performed for any unidentified (poorly labeled) reagents to determine the appropriate processing method before disposal. Even small quantities of miscellaneous waste that are difficult to handle are also processed properly.

Waste oil and sludge



Based on analysis results, waste oils from plants are mixed and adjusted to achieve the optimal composition, before being recycled as alternative fuels. Meanwhile, sludge is recycled as raw material for cement after adjusting the content and moisture and then kneading. The aim is to ensure and maintain the quality of all recycled materials.

Medical waste



We collect infectious waste and other waste materials generated by medical institutions. The collected medical waste is incinerated at our plant, and the waste residue is finally disposed of at a controlled landfill site.

Paint film debris



During bridge repair projects, repainting is often performed. The old paint film that gets removed during the repainting process may contain lead, which serves as an anti-rust agent. We collect this old paint film and treat it for safe and proper disposal via concrete solidification.

Waste fire-proof bricks



Fire-proof bricks are used as refractories to line glass furnaces, kilns, and incinerators. Waste fire-proof bricks generated by the demolishing of such facilities and periodic repair work are collected and carefully sorted. Recyclable items are reused as paving materials and fire-proof bricks.

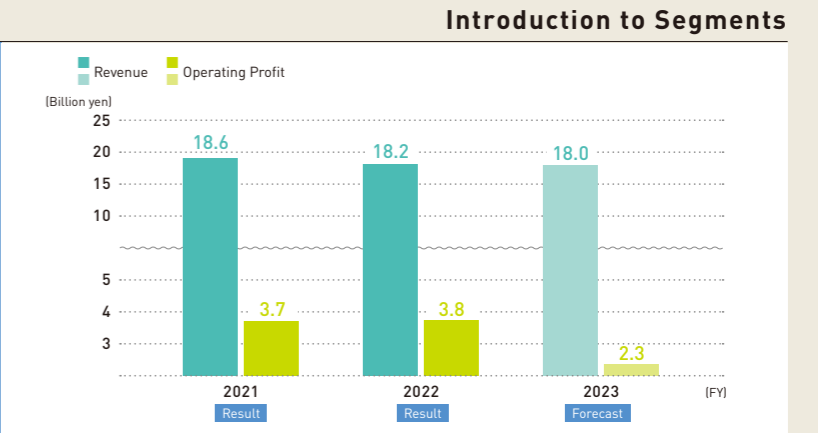
Waste acids, alkalis and sludge (inorganic/organic)



Waste acids, alkalis, and sludge are generated by a wide range of industries, and they have a diverse range of properties, including inorganic and organic. Liquid waste is collected by a vacuum truck, subjected to neutralization and dewatering processes, then treated with microbes before being discharged into the public sewer system. The residual sludge is recycled as a raw material for refining or composting, etc.

Market Conditions

Emissions from industrial waste have generally remained at a steady level in recent years. The market is said to be worth as much as five trillion yen, but even major players in the industry have not secured a large share of the market, which underscores how many companies there are in the market. Businesses are expected to evolve as society as a whole transitions toward carbon neutrality and digital transformation continues to spread.



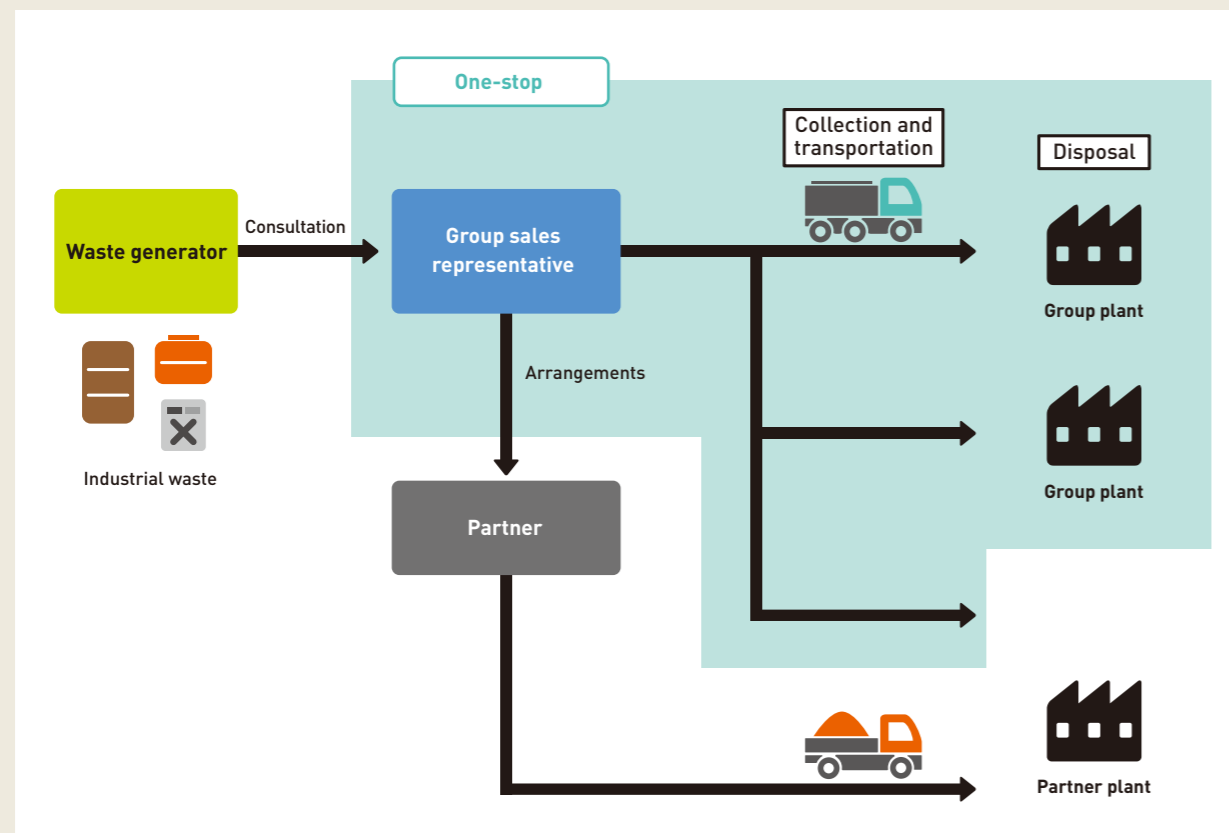
Business Models for the Environmental Preservation Business

ARE Holdings offers proper processing of waste from various industries, including detoxification and recycling of difficult-to-handle materials. In addition, we are developing consulting sales across Japan based on our multiple business models.

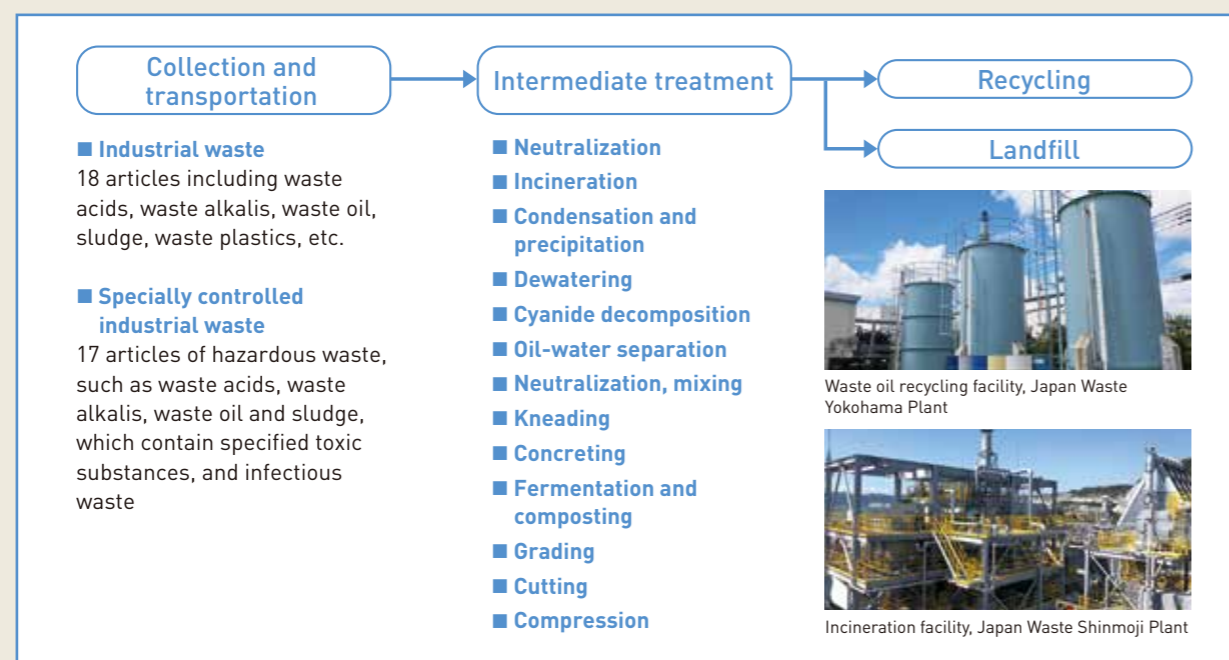


Providing a One-Stop Solution

The ARE Holdings Group provides one-stop support for all inquiries regarding industrial waste disposal. We provide a wide range of solutions from collection and transportation to disposal through an experienced sales team that extends across our group network. We hold relevant licenses from authorities across Japan and can handle a wide variety of materials.

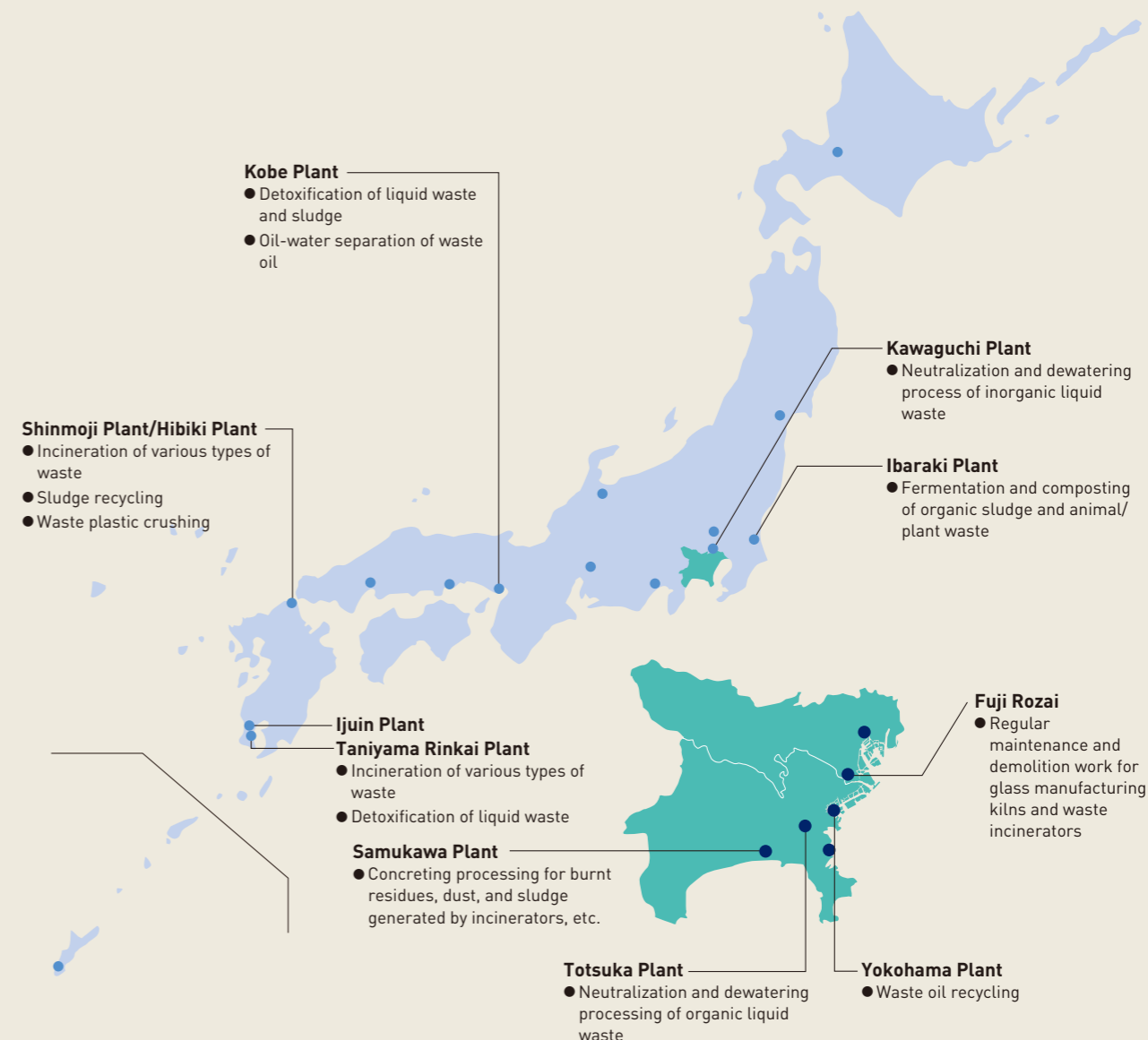


Industrial Waste Disposal and Recycling Processes



Group Network

We have a system for swift and proper waste disposal based on the necessary licenses for collection, transportation, and intermediate treatment of most types of industrial waste and specially controlled industrial waste. In addition, our outstanding technology for detoxifying various waste materials offers optimal solutions for environmental preservation.



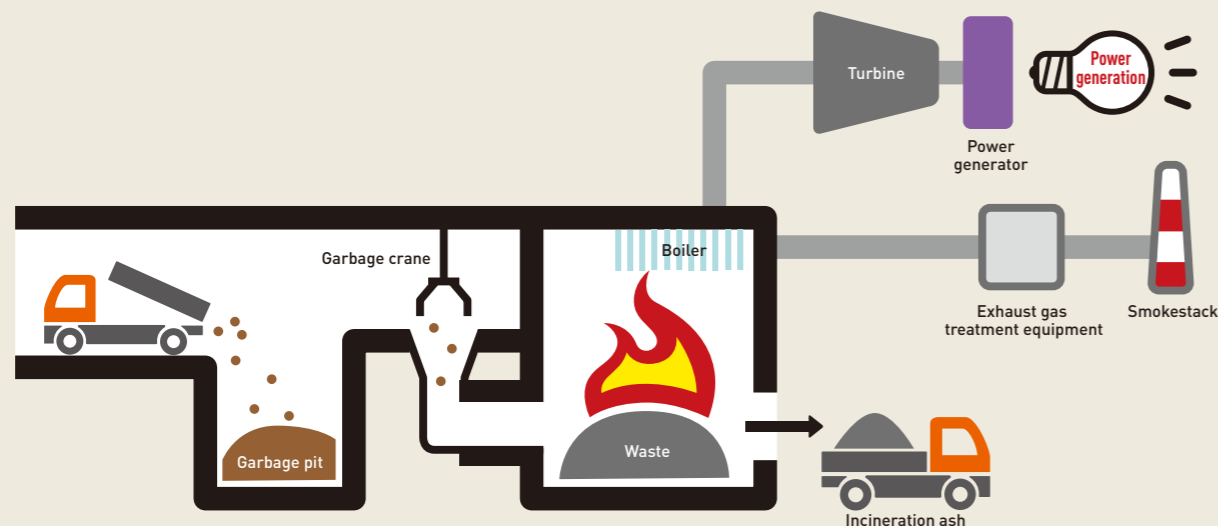
[As of August 1, 2023]

Licenses Acquired by the Group [As of April 1, 2023]

Industrial waste collection and transportation license	All prefectures, 9 government ordinance cities and core cities
Industrial waste disposal license	9 prefectures, 5 government ordinance cities and core cities
Specially controlled industrial waste collection and transportation license	All prefectures, 9 government ordinance cities and core cities
Specially controlled industrial waste disposal license	8 prefectures, 5 government ordinance cities and core cities
General waste	Kitakyushu City/Kagoshima City

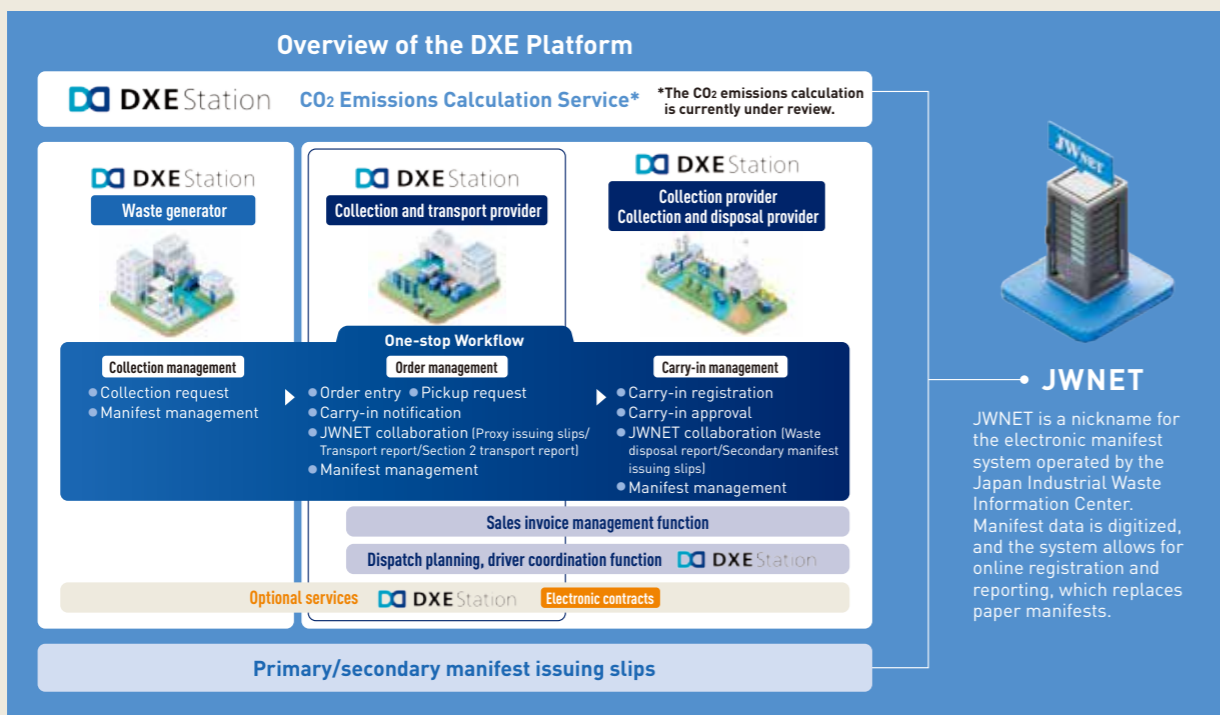
Generating Power from Waste

Waste-to-energy is a power generation method that uses the heat generated from waste incineration. It produces high temperatures and high-pressure steam to rotate turbines. By taking advantage of the energy released during waste incineration to produce electricity rather than simply incinerating the waste, the Group can reduce the amount of fuel used, thereby reducing CO₂ emissions. The Group constructed a waste-to-energy power plant in the city of Kitakyushu. A portion of the construction funds were covered by the issuance of green bonds, which can only be used for projects that benefit the environment. The eligibility of these green bonds has undergone third-party evaluation by Rating and Investment Information, Inc. (R&I), which resulted in the highest R&I Green Bond Assessment rating of "GA1" being conferred. We will continue our efforts to properly dispose of waste and reduce CO₂ emissions as we transition to a decarbonized society.



Digital Transformation in the Environmental Preservation Business

The Group will leverage its industry-leading experience to provide a digital platform for solving issues in the industrial waste industry. Digital technology streamlines operations for businesses, from generation to treatment of industrial waste, allowing for waste-free business collaboration based on the electronic manifest. Through our digital platform, we will contribute to the creation of a sustainable society by streamlining operations and business collaboration, as well as making proper waste management easier.



Strengths and Responses to Potential Risks

Strengths	Responses to Risks
(1) Nationwide network (possession of licenses for collection and transportation of industrial waste in all 47 prefectures in Japan)	(1) Further expansion of company processing facilities, including large processing facilities in the Kanto region, where demand is concentrated
(2) Nationwide deployment of approximately 150 sales representatives experienced in various types of waste disposal	(2) Expanding consulting sales by leveraging our wealth of expertise, experience, and network
(3) A one-stop solution for industrial waste that utilizes our own facilities and those of our partners	(3) Proactive adaptation to society's shift towards decarbonization, with further expansion of our DX business in the waste disposal sector
(4) The technical capability to handle waste that is highly difficult to process, such as chemicals with unknown contents	

Solving Social Issues through Business Activities

Social issues relating to the Environmental Preservation Business

- Contamination by hazardous waste
- Impact on land and ocean ecosystems
- Pollution of water resources

Contributing to the SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Realizing a sustainable society by recycling and detoxifying waste

14 LIFE BELOW WATER

Preventing marine pollution by properly treating liquid and plastic waste

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Advancing technological innovation from the standpoint of further improving efficiency in utilizing resources for various waste products, and promoting global sustainability

6 CLEAN WATER AND SANITATION

Ensuring the sustainability of water resources by detoxifying discharge such as waste acids and alkalis

15 LIFE ON LAND

Preventing pollution of land environments by detoxifying waste, and extending the lifespan of final disposal sites by promoting recycling

11 SUSTAINABLE CITIES AND COMMUNITIES

Achieving sustainable cities and other communities by properly managing waste

13 CLIMATE ACTION

Helping to prevent climate change by reducing CO₂ emissions from waste-to-energy power generation

17 PARTNERSHIPS FOR GOALS

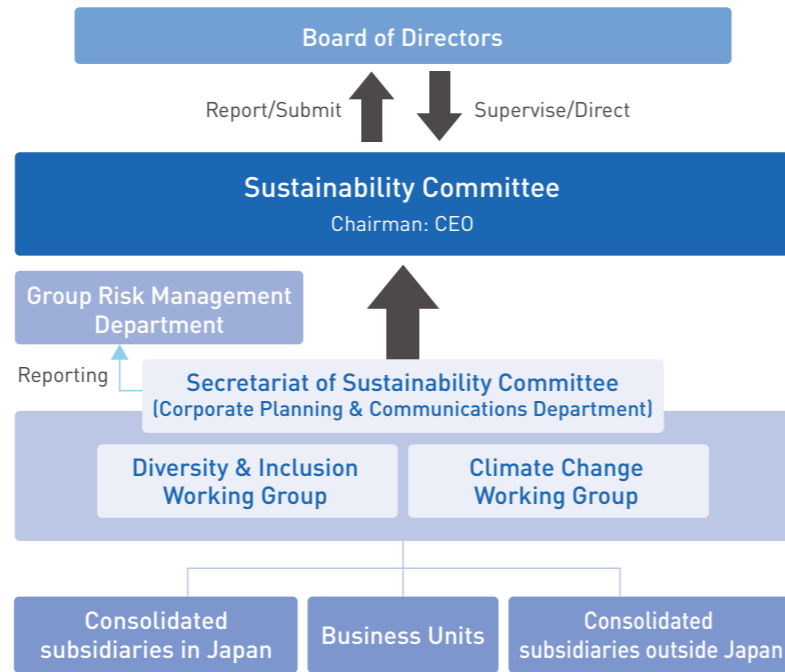
Promoting high levels of sustainability by collaborating with other companies

Our Approach to Sustainability

With "Totally Committed to Protecting the Natural Environment and Preserving Resources" as our Group's common shared purpose, we are committed to making effective use of resources and engaging in a wide range of environmental preservation activities. Based on the conviction that our business activities contribute to sustainability itself and that our business growth will directly help us to address social issues, we have established priority issues, themes, and targets, and are working hard to achieve them.

Sustainability Promotion System

Our Group's sustainability initiatives are driven by the Sustainability Committee, which convenes on a quarterly basis. The Sustainability Committee consists of the Representative Director, President & CEO; the presidents of our operating companies; and the Heads of the Technology Development Department and Management Department, with the CEO serving as the chairperson. The Sustainability Committee deliberates on sustainability-related strategies, plans, measures, risk management, and monitoring. In addition to reporting matters discussed by the Sustainability Committee to the Board of Directors every quarter, effective governance is ensured by having the Board of Directors pass resolutions on matters of import.



Materiality Identification Process



Priority Issues to be Addressed by ARE Holdings (Key SDG Goals)

Business Materiality

- 1 Expand Precious Metals Recycling**

We will expand our precious metals recycling globally to promote more effective use of limited resources.

Goals Total amount of recycled precious metals: **410 tons** in FY2030 (1.5 times FY2015)
Effective reduction of CO₂: **1.465 million tons** in FY2030 (1.5 times FY2015)

▶ P38, P40
- 2 Supply Precious Metals in Ways That Are Friendly to People, Society, and the Environment**

We will contribute to responsible management of precious metals by expanding the supply of precious metal products while protecting the environment and human rights. We will use precious metal-containing scrap and raw materials free from conflict minerals.

▶ P38, P50-51
- 3 Expand Proper Industrial Waste Disposal**

We will strive to ensure proper treatment of waste as a waste disposal expert and work to help build a circular society.

Goals Amount of proper industrial waste disposal: **500,000 tons** in FY2030 (1.6 times FY2015)

▶ P39
- 4 Reduce CO₂ Emissions**

We will work to reduce CO₂ emissions group-wide by implementing energy saving activities at each site, switching to next-generation vehicles, and switching to low CO₂ emission power plans.

Goals Energy-derived CO₂ emissions: **-50%** in FY2030 (compared to FY2015)

▶ P39-43

Human resource development and contribution to the SDGs

- 5 Enhance Work-Life Balance and Employee Diversity**

We will strive to enhance job satisfaction by improving the system to help diverse human resources to succeed within the Group. This will be done by reforming working styles, implementing health and productivity management, and promoting diversity.

Goals Achievement rate for rest intervals of at least 11 hours: **100%** every year
Percentage of women in managerial positions to all female employees: **Equal to men** by the end of FY2030
Percentage of employees with disabilities: **By the end of FY2030**
Meet or exceed the legally mandated employment rate

Annual paid leave utilization rate: **70%** by FY2030
Percentage of men taking childcare leave: **50%**

▶ P48-49
- 6 Encourage and Support SDG-Related Activities**

We will encourage and support employee activities outside the Group's main business areas that contribute to SDGs achievement, including individual and group volunteer activities. This initiative is called "ARE Holdings SDGs Activities."

▶ P52

Environmental Initiatives of ARE Holdings

The ARE Holdings Group strives to ensure that its business activities contribute to healthy cyclical use of materials to protect the global environment.

Priority SDG-Related Goal

Expand precious metals recycling

We will expand our precious metals recycling globally to promote more effective use of limited resources.

Amount of precious metals recycled in FY2022

207 t



Priority SDG-Related Goal

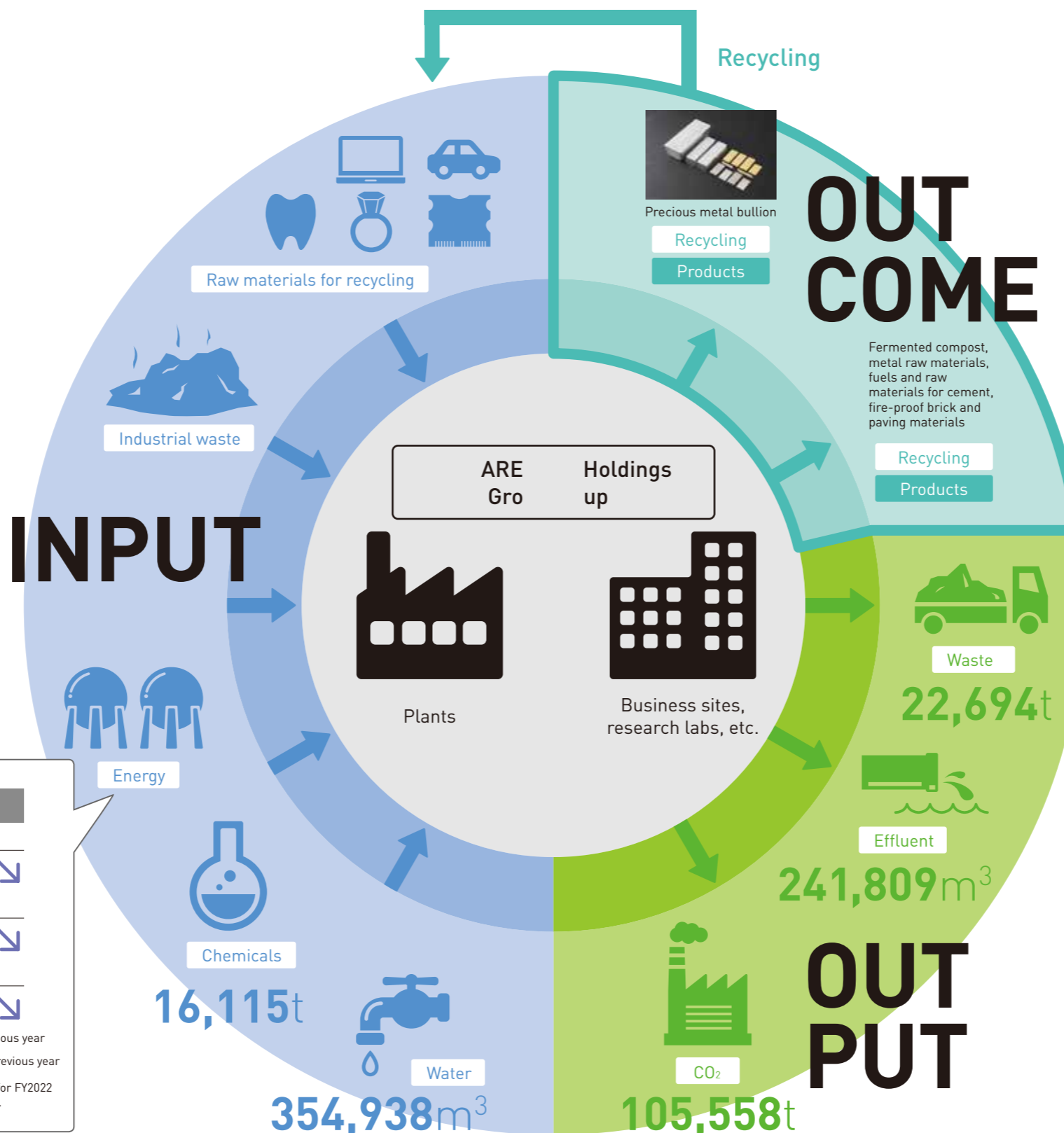
Supply Precious Metals in Ways That Are Friendly to People, Society, and the Environment

The precious metals we supply are certified to meet international standards and address the concerns of people, society, and the environment. Going forward, we will continue our business activities and initiatives with even greater consideration for ethical, social, and environmental issues, and fulfill our responsibilities by supplying precious metals.



Energy Sources

Electricity 45.20 million kWh/year	↓	Heavy oil 456 kL/year	↓
Kerosene 350 kL/year	↑	Light oil 2,606 kL/year	↓
Gasoline 769 kL/year	↓	Urban gas 2.50 million m ³ /year	↓
LPG 57 t/year	↑	↑ Up compared to the previous year ↓ Down compared to the previous year All figures are actual results for FY2022. The same applies for the rest.	



Priority SDG-Related Goal

Expand Proper Industrial Waste Disposal

We will strive to ensure proper treatment of waste as a waste disposal expert and work to help build a circular society.

Amounts of properly disposed industrial waste FY2022 results

Liquid waste 96,000 t/year	Glass and ceramic waste 11,000 t/year
Sludge 84,000 t/year	Other (waste reagents, waste plastic, etc.) 138,000 t/year
Waste oil 15,000 t/year	Total 344,000 t/year

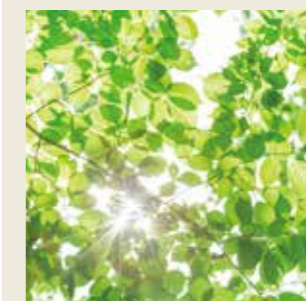


Priority SDG-Related Goal

Reduce CO₂ Emissions

By FY2030, we aim to reduce energy-derived CO₂ emissions by 50% compared to FY2015.

(Rate of reduction for energy-derived CO₂ emissions) FY2022 results



Compared to FY2015
27 % reduction

Climate Change Initiatives

Priority SDG-Related Goal

Reduce CO₂ Emissions



Climate change is a challenge shared by all humankind and is considered one of our business priorities. To make a sustainable society a reality, we will continue to make contributions through our business activities and reduce our own CO₂ emissions.

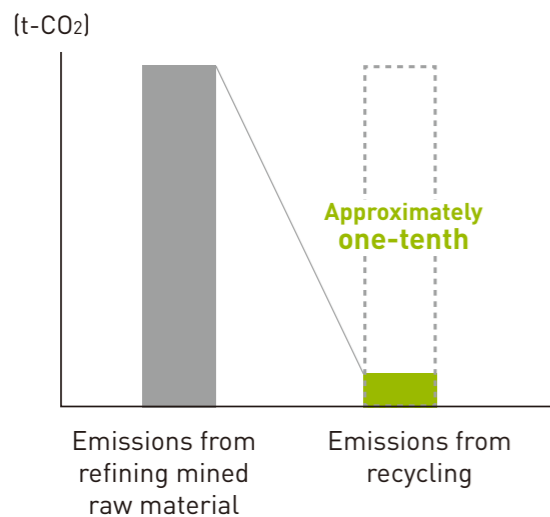
CO₂ Emissions Reduction from Precious Metals Recycling

Effect of reducing emissions by precious metal recycling 538,000 t-CO₂

> Emissions by the ARE Holdings Group
106,000 t-CO₂

Emissions reduction over **5** times

Precious metals recycling is considered to have a lower environmental impact than producing new precious metals from virgin mining. For example, in terms of CO₂ emissions, it is said to produce about one-tenth the emissions in the case of gold. If this were applied to our precious metals recycling volume, this would result in an indirect reduction of 538,000 t-CO₂, more than five times our Group's emissions. In addition to continuing its own efforts to reduce emissions, the Group will continue to help reduce CO₂ through precious metals recycling. (The CO₂ emissions reduction figure does not indicate the level of emissions directly reduced by the Group.)



Emissions factors used for calculation

Category	Material	Emissions Factor (kg CO ₂ /kg)
Refining mined raw material	Gold	12,621
	Silver	95
	Platinum, Palladium, Rhodium	9,297
	Cu	1.7
Recycling	Gold	1,256
	Silver	22
	Platinum, Palladium, Rhodium	658
	Cu	0.7

Note: Calculated from "Life Cycle Assessment Data for Computer Products, Mobile Phones and Mixed Waste" [Source: United States Environmental Protection Agency website]

Environmental benefit of precious metals recycling

Equivalent to **38.45** million trees

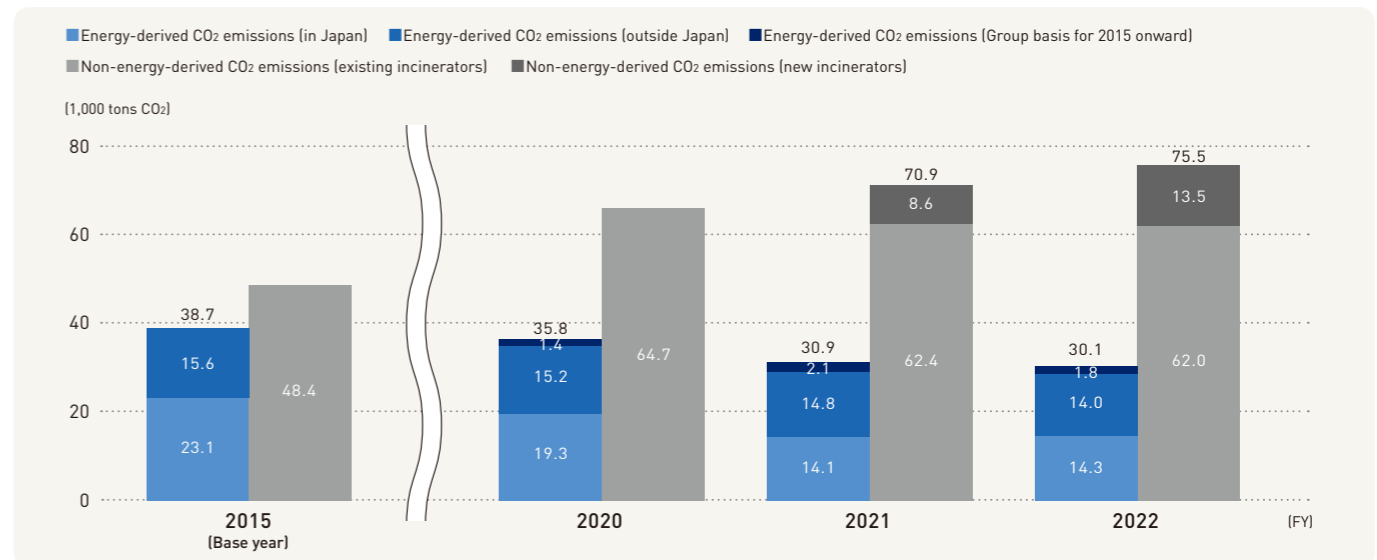
When CO₂ savings are expressed as the amount of greenhouse gases absorbed by forests, it is equal to

22,617 hectares of forest
(an area one-third the size of Lake Biwa)



Source: Forestry Agency of Japan, Ministry of the Environment; calculation was based on the assumption that one cedar tree absorbs 14 kg of CO₂ annually, and 1,700 cedar trees are planted in an area of one ha

CO₂ Emission Trends



In FY2022, the Group's total CO₂ emissions were up approximately 4% from FY2015. This does not include the emissions attributed to one site in Japan and one outside Japan that joined the Group after the base year. With regard to energy-derived CO₂ emissions, while there were negative factors, such as surging fuel prices and electric power companies withdrawing from their low CO₂ emission power plan they provided, emissions were reduced due to the stable operation of high-efficiency power generation using waste heat generated by waste incinerators, as well as a review by electric power companies. The result was an overall reduction of 27%. On the other hand, non-energy-derived CO₂ emissions generated through industrial waste incineration were up approximately 28% from FY2015, but the lifespan of final disposal sites was extended by incinerating waste plastic and drastically reducing its volume. If we look at the CO₂ emissions above by Scope, Scope 1 emissions account for 91,900 tons of CO₂, and Scope 2 emissions account for 13,800 tons of CO₂. Scope 3 emissions account for 130,900 tons of CO₂.

Scope of data

Headquarters, sites, sales offices, and plants in Japan, as well as Group companies* and overseas subsidiaries* (Calculation period: April to March)

* The data pertains to consolidated subsidiaries as of March 31, 2023. Data for deconsolidated subsidiaries has been subtracted retroactively, while data for subsidiaries that were previously non-consolidated has been added retroactively, going back to the fiscal year when the subsidiary became consolidated.

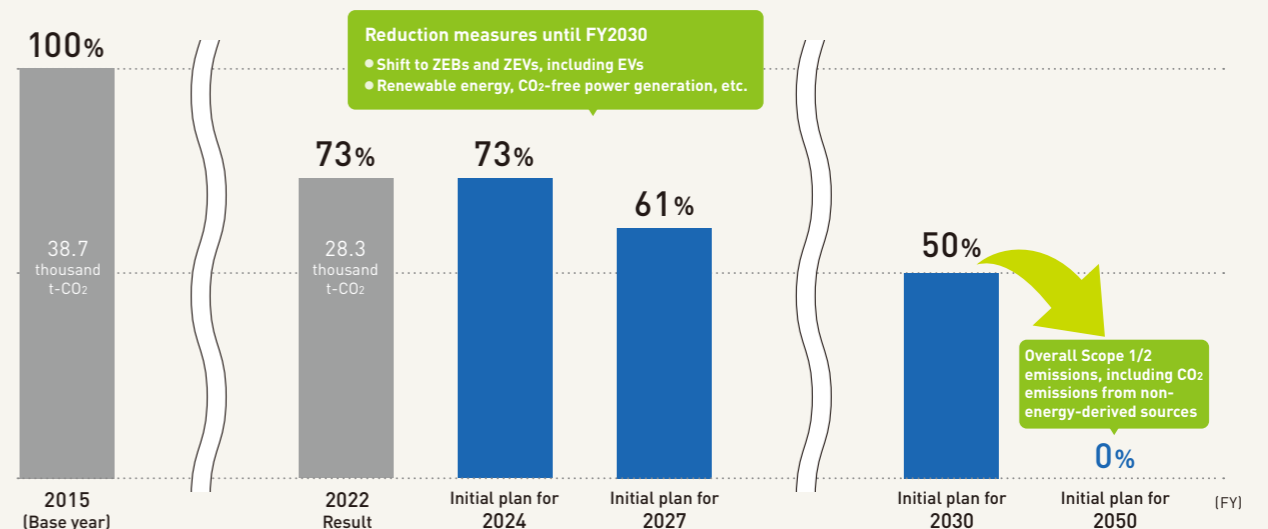
Calculation method

Energy-derived emissions: Calculated based on the amounts of electricity and fuel consumed at each site (emissions in Japan calculated based on the Act on Promotion of Global Warming Countermeasures and the Act on the Rational Use of Energy)

Non-energy-derived emissions: Calculated based on the amount of industrial waste incineration

CO₂ Emission Reduction Plan

Energy-derived CO₂ Emissions Reduction Plan & Results



* Emissions from JW Glass Recycling, sold in 2022, are treated retroactively from the base year as well as results up to FY2022. The reduction plan was created in June 2021.

Response to Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)



Governance

In December 2021, we expressed our endorsement for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and established a cross-company team for TCFD consisting of the Business Unit, Technical Unit, and Administration Unit in order to identify risks and opportunities related to climate change and understand the medium- to long-term impact of climate change on our business, and have considered relevant countermeasures. Such results were published in April 2022 based on TCFD recommendations. With regard to governance, we deliberate on climate change issues at the management level during quarterly meetings of the Sustainability Committee, which is chaired by the CEO and consists of the presidents of operating companies and directors from the Technology Development Department and Management Department. In addition to reporting the details discussed by the Sustainability Committee at Board of Directors meetings every quarter, effective governance is ensured by having the Board of Directors pass resolutions on matters of import. The risks and opportunities identified in the TCFD actions will be reported to the Board of Directors and the Sustainability Committee at least once every year.

Strategy

Extraction of Risks and Opportunities

We identified risks and opportunities relevant to climate change that will affect our Precious Metals Business (domestic and North American businesses) and Environmental Preservation Business in 2030. We separated them into the categories of "Short-term (1 year or less)," "Medium-term (over 1 year and up to 3 years)," and "Long-term (over 3 years and up to 10 years)," and we qualitatively assessed them on three levels: "Large," "Medium," and "Small." At that time, we also considered the further impact of climate change from 2030 to 2050. As a result, "Policy and Legal," "Market," "Technology," etc. were identified.

Item	Contents		2030		2050	Measures
			4°C	1.5°C		
Risk	Transition risks	Policies and Legal	-	Large	➔	• Switching to CO ₂ free power, replacing gasoline cars by EVs and so on to achieve CO ₂ reduction targets for FY2030.
	Physical risks	Acute	-	-	➔ (4°C)	• Expanding BCM at plants that are expected to be impacted based on hazard maps • Selecting disaster-resistant locations and implementing measures against disasters upon large-scale capital investment
Opportunities	Transition risks	Policies and Legal	-	Large	➔	• Strengthening value-added sales of recycled metals utilizing traceability • Strengthening consulting sales that add value, such as CO ₂ emissions analysis • Expanding business by supporting companies that struggle to comply with regulations
		Market	-	Large	➔	• Expanding consulting sales in the field of materials and chemical recycling • Handling of low-grade scrap and expanding metals that are handled
	Technology	-	Medium	➔	• Further promoting the utilization of hydrogen with surplus power, etc.	

Summary of Scenarios

In the next place, we conducted a scenario analysis to investigate the impact on the business. We adopted two scenarios. One is that the global average temperature is expected to increase by around 4°C by 2100, and the other is that the global average temperature is expected to increase by 1.5°C by 2100, compared to that before the industrial revolution. The analysis was based on the World Energy Outlook 2021 by the International Energy Agency (IEA), the reports by the Intergovernmental Panel on Climate Change (IPCC), and other materials published by the Japanese government.

Results of Scenario Analysis

The 4°C scenario is a world where the current situation continues on, and we found that there would be little impact as of 2030. On the other hand, as we move toward 2050, we anticipate an increase in physical risk: the intensification of natural disasters such as cyclones or floods caused by abnormal weather. In addition to formulating business continuity management (BCM), we are also taking actions such as selecting a location that is strong against disasters when a plant is moved. In the 1.5°C scenario, strong policy measures are expected to be taken to achieve carbon neutrality in the mid-century. One of these risks is the introduction of carbon pricing including carbon tax. Being affected by cost increases will become a risk, especially in the environmental preservation business. On the other hand, in the precious metals business, it is likely that the evaluation of recycled metals with relatively low CO₂ emissions and their cost superiority will increase. This is an opportunity for the company, which has strengths in the production and traceability of recycled precious metals. In the environmental preservation business, the shift from simple incineration to thermal recycling during the transition to decarbonization will be an opportunity for our company which has already been addressed. The expansion of recycling demand, including the expansion of the target product, will provide an opportunity to take advantage of our strength in consulting sales (proposal-based sales). While reducing risk, we will focus on expanding opportunities.

Risk Management

The Climate Change Working Group will compile the status of responses to risks and opportunities related to climate change and CO₂ emissions. The Sustainability Committee will monitor and evaluate them each year. The Board of Directors will also be informed of the contents for supervision and direction. Also, by reporting it to the Group Risk Management Department, it will be reflected in the overall group risk management.

Indicators and Targets

One of our business materiality themes is to reduce CO₂ emissions. Accordingly, we have set the following targets:

(Final target) Aim to reach carbon neutrality by FY2050 (targets are Scope 1 and Scope 2)
(Interim target) Reduce energy-derived CO₂ emissions, such as electricity and gasoline, by 50% (compared to FY2015) by FY2030

In order to achieve this target, we are moving forward with switching to CO₂-free electricity, reducing fuel usage, and making our business offices ZEBs (Zero Energy Buildings). We are also planning to reduce emissions by 27% compared to FY2015 by FY2024, and by 39% compared to FY2015 by FY2027. Although we recycle industrial waste that can be recycled through our Environmental Preservation Business, it is also true that there are some things that must be incinerated to ensure proper disposal, such as reduction and detoxification. Therefore, we will first focus on achieving our energy-derived CO₂ emissions reduction target.

Recommended disclosures	Status of Efforts / Action Policies
Governance	<ul style="list-style-type: none"> • Deliberating on climate change issues at the management level of the Sustainability Committee, which is chaired by the CEO and consists of the presidents of operating companies and directors from the Technology Development Department and Management Department • Establishing the Climate Change Working Group under the Sustainability Committee to promote measures for climate change • Building a system to supervise the matters discussed by the Sustainability Committee under the Board of Directors
Strategy	<ul style="list-style-type: none"> • Conducting scenario analysis of risks and opportunities related to short-, medium-, and long-term climate change at 4°C and 1.5°C • Setting "Reduction of CO₂ emissions" as one of our business materiality themes
Risk Management	<ul style="list-style-type: none"> • Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis • Incorporating the reported matters into the overall group's risk management system by reporting it to the Group Risk Management Department
Indicators and Targets	<ul style="list-style-type: none"> • The Group has already set a target of reducing energy-derived CO₂ emissions by 50% from the FY2015 level by FY2030, and it has already declared that it will achieve carbon neutrality in FY2050 (Scope 1 and Scope 2) • FY2022 Reduction in energy-derived CO₂ emissions (-27% compared to FY2015) <p>➤ For information regarding the plan to reduce CO₂ emissions for energy-derived CO₂ emissions by FY2030, as well as information about FY2022 Scope 1 to Scope 3 emissions, see p. 41</p>

Environmental Management

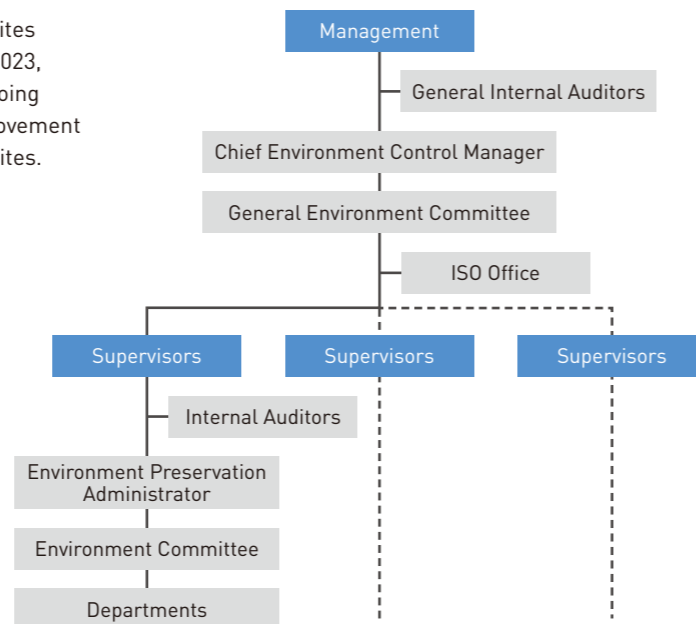
ISO 14001 Certification

In August 2018, we obtained ISO 14001 certification for our sites in Japan, including those at subsidiaries. As of September, 2023, we have achieved certification for 46 sites at 6 companies. Going forward, we will continue to focus on maintenance and improvement activities with an emphasis on extending certification to all sites.



ISO 14001 certificate

Environmental management structure



Environmental Management Promotion System

Every year we develop company-wide Environmental Goals based on our Environmental Policy, which sets out our environmental preservation philosophy. According to the above-established purposes and goals, each ISO 14001-certified site in Japan develops its own Annual Environmental Goals and implements environmental preservation activities closely related to their business tasks. In addition, the Environment Committee of each site deliberates on such matters as compliance with environmental laws and regulations, revisions of plans and environmental education, and provides reports to management. While the ISO Office controls the environmental management system (EMS), an environmental preservation administrator is also assigned for each site in order to ensure thorough implementation of environmental initiatives.

Promoting Green Purchasing

The Group strives to solve serious environmental problems. This includes climate change, which is caused by emissions from mass production, mass consumption, and mass disposal. To help build a sustainable society and protect the global environment, we have established guidelines for green purchasing that comply with Japan's Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Green Purchasing Law), which encourages the use of products and services that help reduce environmental impact.

<Recommended products>

- (1) Products contributing to forest protection approved by the Programme for the Endorsement of Forest Certification (PEFC*)
- (2) Products that are certified by the Japan Environmental Association for their low environmental impact and usefulness for environmental conservation
- (3) Products that meet the criteria for specific procured products under the Green Purchasing Law
- (4) Products listed as eco-friendly by the Green Purchasing Network

Going forward, the Group will continue to actively pursue green purchasing. We will carefully conserve limited resources and reduce waste generation, thereby helping to build a recycling-oriented economic system.

*PEFC: Programme for the Endorsement of Forest Certification



Contributing to Biodiversity

Since launching our liquid waste detoxification service in the 1970s, our Group has dedicated over 50 years to environmental preservation efforts. Through the appropriate handling of industrial waste, we have continuously contributed to the preservation of ecosystems, aquatic environments, and oceans. We are aware that it is crucial to halt and reverse the loss of natural habitats, deliver outcomes that are beneficial to nature, and mitigate and manage natural risks for the preservation of biodiversity. We also believe that producing precious metals through recycling significantly contributes to biodiversity.

Water stress

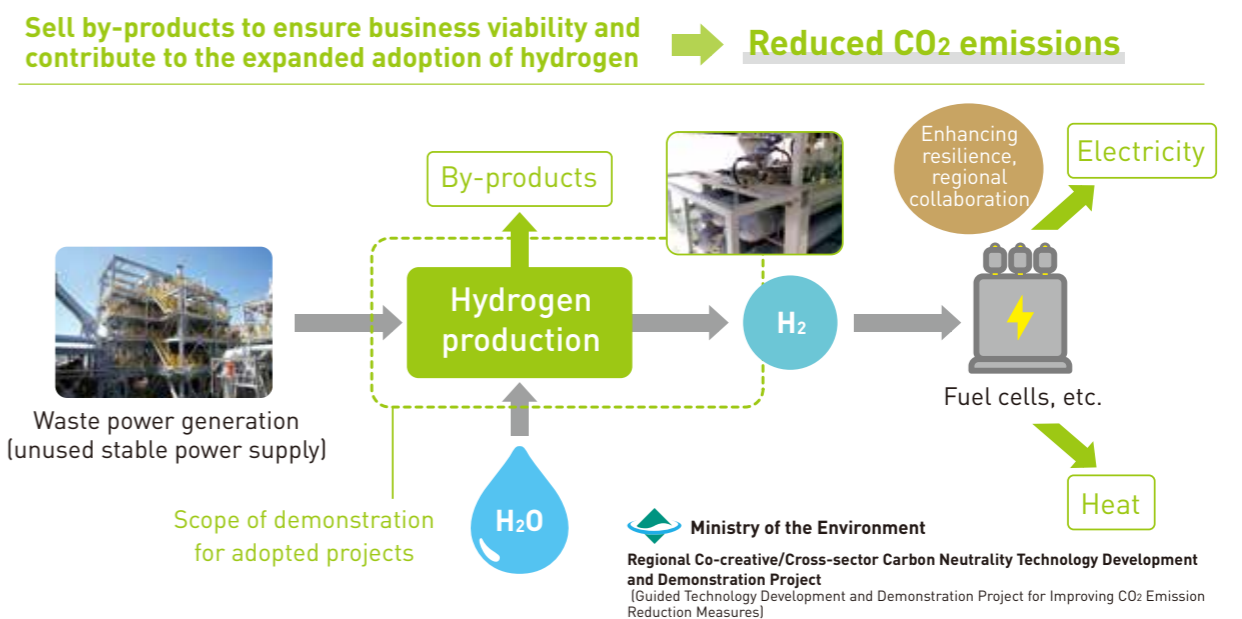
In our business operations, the Group is dedicated to reducing its environmental footprint by continuing to cut back on water consumption and enhance efficiency. While we recognize the importance of managing water stress alongside the efficient use of water resources, none of our business sites—either within Japan or abroad—are located in areas categorized as High Risk or above, according to WRI Aqueduct assessments. We have thus concluded that none of our business sites are exposed to water stress.

Creating a safe workplace

To reduce the occurrence of occupational accidents, we have adopted the Occupational Safety and Health Management System (OSHMS) to improve the level of safety and health in the workplace through continuous safety and health management. We will continue to focus on preventing serious accidents and disasters through accident prevention efforts and improved safety education, such as risk assessments and hazard prediction training.

Initiatives for a Hydrogen Society

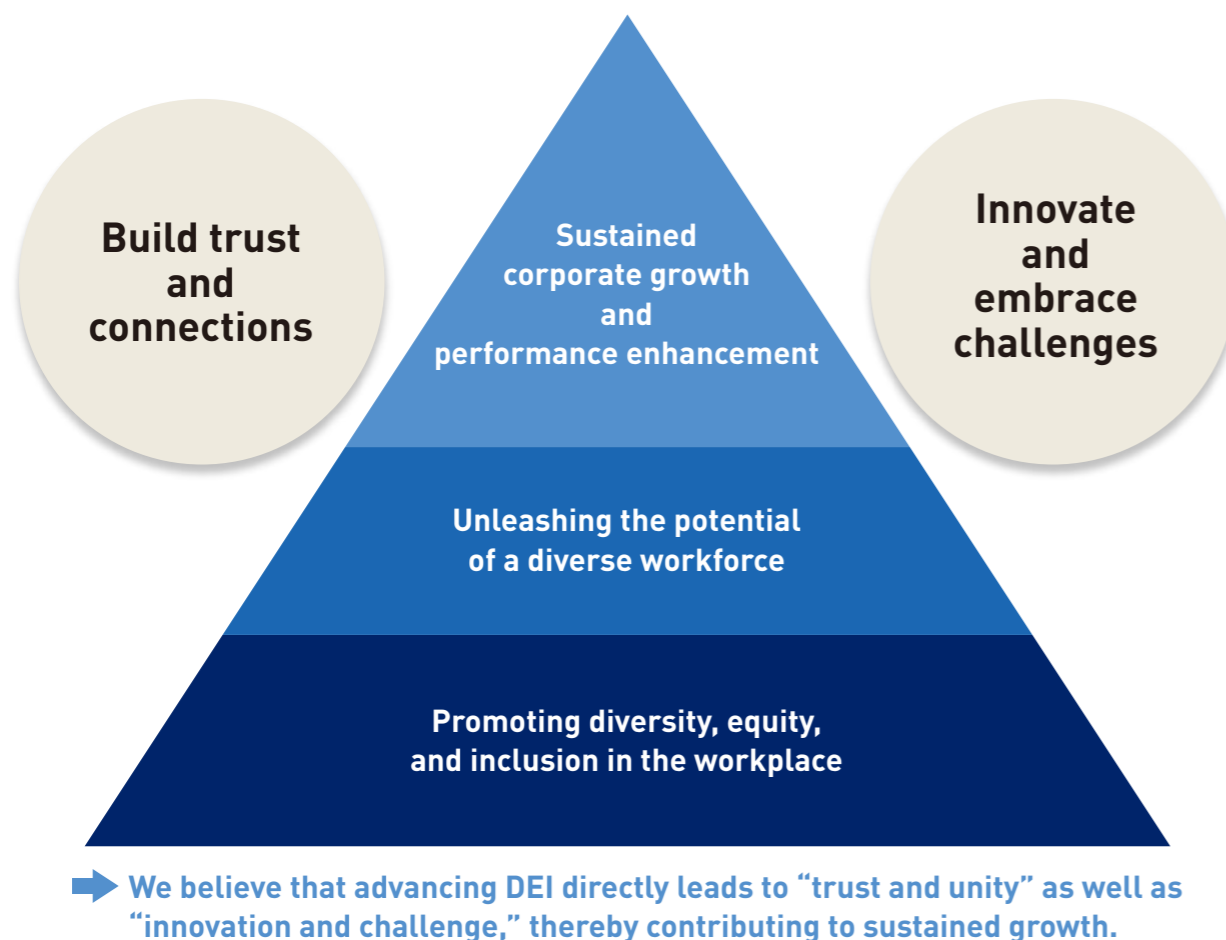
Japan Waste conducted a demonstration with FC Development Co., Ltd., X-Scientia Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited for the development of a system for building a green hydrogen supply chain through the effective use of by-products as part of the "Cross-Regional Cross-Sector Carbon Neutrality Technology Research, Development and Demonstration Program" implemented by Japan's Ministry of the Environment. This program involves utilizing unused electricity from waste-to-energy plants owned by Japan Waste to develop a hydrogen production system that can significantly reduce hydrogen production costs via the co-production of hydrogen and by-products. After the completion of the program, we will contribute to the spread and expansion of hydrogen by manufacturing inexpensive hydrogen and selling it externally, thus helping to reduce greenhouse gas emissions. Installation of hydrogen production equipment to the Shinmoji Plant was completed in December 2022, and technology demonstration tests were completed without incident at the end of March 2023. Going forward, the aim is to establish a hydrogen supply chain and sell by-products.



Human Capital to Support Our Business Strategy

Our Philosophy on Human Capital Management

To achieve our Long-term Vision, we believe it is imperative for all employees to grasp and embody our purpose and The Asahi Way. We hold the conviction that when a diverse workforce collaborates on a foundation of trust and unity, taking pride in their roles and energetically striving for innovation, this enhances the productivity of the entire organization. As such, we consider each and every employee to be a valuable stakeholder and are committed to a systematic investment in human capital. We have created an environment where a diverse array of employees can grow and demonstrate their abilities in their day-to-day responsibilities, regarding it as its basis to promote Diversity, Equity & Inclusion and health and productivity management, which allows them to achieve harmony between their work and overall lifestyle in a way that befits them. Specifically, we are promoting the employment of people with disabilities, fostering women’s career development, adopting a three-day weekend model to revolutionize the way we work, conducting recruitment aimed at securing mid- to long-term core personnel (individuals who exemplify The Asahi Way, possess a variety of specializations, and have the capability to plan, design, and execute the future trajectory of our business), and implementing a range of programs designed to develop human resources. In a labor market where talent mobility is expected to increase, we believe that enhancing engagement is the most effective strategy for employee retention. By focusing on The Asahi Way in our investment in human capital, we aim to elevate employee engagement and establish an unparalleled level of organizational capability.



Key Initiatives Undertaken in Fiscal 2022

- (1) Introduction of new work styles (three-day weekend model/designated 10-day annual leave model)
- (2) Increase in starting salary for new graduates (for those entering company in April 2024)
- (3) Introduction of a talent management system
- (4) Introduction of overseas trainee program
- (5) Introduction of training for new managers
- (6) Introduction of a mentorship system
- (7) Company-wide advancement of employment for individuals with disabilities
- (8) Measures to improve percentage of women in managerial positions
- (9) Encouraging men to take paternity leave

Examples of Our Initiatives

Example Initiative (1) Introduction of new work styles (three-day weekend model/designated 10-day annual leave model)

We introduced this program with the dual aim of maintaining and improving human productivity within our business activities and providing work styles that cater to the diverse lifestyles of our employees. This includes not only childbirth, childcare, school runs, nursing care, medical treatment, and clinic visits, but also actively encourages the effective use of newly created time for re-skilling—learning anew through personal development—as well as hobbies and leisure activities.

Example Initiative (2) Increase in starting salary for new graduates (for those entering company in April 2024)

In light of the increasingly competitive environment for talent acquisition, we have decided to raise the starting salary for new graduates. We are intensifying our PR efforts in recruitment to increase student applications and secure talented individuals who will shape our future.

	Current Status	After Revision	Increased By
Bachelor's Degree	¥255,000	¥280,000	¥25,000
Master's Degree	¥280,000	¥300,000	¥20,000

Example Initiative (3) Introduction of a talent management system

We have thoroughly implemented a system in which highly capable employees are given the opportunity to be promoted to higher positions regardless of their career at the company or their age. To efficiently and effectively conduct evaluations for this purpose, we launched a talent management system that makes it easy to visualize the qualifications and skills of each employee. Going forward, we will use this system to rotate and recruit personnel strategically in line with our business strategy, with a view toward our long-term vision.

Example Initiative (4) Introduction of overseas trainee program

We have introduced this program to provide opportunities for understanding a diverse array of cultures through firsthand experiences and to cultivate a global perspective. This is part of our strategy to nurture future management talent who can perform on the global stage. We have resolved to send young engineers from our Technical Research Center to North America, with the goal of not only enhancing their technical skills, but also developing the ability to adapt to a global environment.



Example Initiative (5) Introduction of training for new managers

This training has been implemented to systematically instill knowledge essential for management and develop the behaviors, attitudes, and thought processes required for managerial roles. The initiative also aims to cultivate the heightened sense of responsibility and motivation befitting a manager.



Example Initiative (6) Introduction of a mentorship system

The system has been created to further ingrain The Asahi Way through on-the-job training that passes knowledge from senior to junior employees. This is part of our strategy to expedite individual employee growth, thus enhancing the company's overall human productivity. In this system, mentors lay the groundwork for subordinate development and managerial skills. Mentees, on the other hand, strive for early success through intensive skill development on the job. This will assist in fostering a culture where individuals both teach and learn.

Enhance Work-Life Balance and Employee Diversity

Our priority SDG-related goals for fiscal 2022 are as follows.

Rest intervals	99.9%	Annual paid leave utilization rate	65.5%	Percentage of men taking childcare leave	36.0%	Women in managerial positions to all female employees	6.2% (Men: 21.1%)	Percentage of employees with disabilities	2.2%
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Priority SDG-Related Goal



Example Initiative (7) Company-wide advancement of employment for individuals with disabilities

Through our Sustainability Committee, we are actively fostering a company culture that takes into account the needs of individuals with disabilities, as well as creating roles that are considerate of such employees. In doing so, we aim not just to meet the legally mandated employment rates for people with disabilities but also to further advance our Diversity, Equity, and Inclusion (DEI) management.



Example Initiative (8) Measures to improve percentage of women in managerial positions

We have already earned the Kurumin certification and are now engaged in enhancing systems that support a balanced work-life approach, including flexible working arrangements such as remote work and reduced hours to allow for childcare through elementary school. As a strategy for increasing the ratio of female managers, we have implemented selective career training programs to cultivate a culture that encourages employees to take on challenges. The Asahi Cheer-up Meeting, established in 2022, will continue as an ongoing effort to stimulate the active participation of female employees through dialogue and interaction among employees.



Example Initiative (9) Encouraging men to take paternity leave

Promoting a diverse work culture that accommodates the varied working styles and contributions of all our employees cannot be achieved solely by targeting female employees. In addition to disseminating information about paternity leave for male employees, we are also promoting the creation of an environment where men can comfortably engage in childcare by, for example, implementing in-house training programs (under the banner of Asahi Learning) targeting all managers in fiscal 2022.

List of Flexible Work Arrangements

Systems	Contents	Eligibility
New work styles	Workplace-specific options such as a three-day weekend model and an annual 10-day designated leave model are available Offering flexible work options accommodates a wide range of personal needs, not just for childbirth, childcare, school drop-offs, nursing care, and clinic visits, but also re-skilling and achieving a better work-life balance	Regular employees, contracted employees, associate employees
Flexible working hours	If there are constraints on working hours that make new work styles unfeasible, flexible adjustments can be made within the month's predetermined working hours	Shift workers, part-time workers, etc.
Shorter working hours (for childcare and nursing care)	Shorter working hours of up to 6 hours per day Childcare option available until the child completes 6th grade	All employees
Remote work (for childcare and nursing care)	Up to two days of remote work per week	All employees
Special leave (for childbirth)	Three days of paid leave available when a spouse gives birth	All employees
Nursing care leave	Five days per year for each employee; available in one-hour units	All employees

List of Health Examination Policies

Eligibility	Types of Exams by Age	35	40	45	50	51	52	53	54	55	56	74
Regular employees (up to age 59)	Advanced health screenings	PET/MRI/Colonoscopy	High (every 5 yrs.)	High (every 5 yrs.)	High	High	High	High	High	High	High (every 2 yrs.)	High
Contracted employees (ages 60-64)	Regular health screenings	Endoscopy										
Semi-regular employees (age 65 and above)		Prevention of lifestyle diseases	AH thorough checkup (Lifestyle disease prevention screening plus additional screenings)									
Fixed-term employees	Regular health screenings	Endoscopy										
		Prevention of lifestyle diseases	Incl.	← Additional screenings →	Incl.	Lifestyle disease prevention screening						

Re-examination support

--- A system that exceeds legal requirements

Health Checkup Course	Eligibility	Details	Notes
Advanced health screenings	Regular employees (and former regular employees) Age 40 & 45 Every two years for those aged 50 and over	PET scan: 110,000 yen Brain MRI/MRA: 33,000 yen Colonoscopy: 33,000 yen	Choice between PET scan or brain MRI/MRA Colonoscopy for all who are interested
Regular health screenings	Regular employees (and former regular employees) Age 35 and above	AH Human Dock: Fully subsidized	Additional screenings as an all-age option for the Lifestyle disease prevention screening provided by the Japan Health Insurance Association *Details of additional screenings: Fundoscopy, lung function test, abdominal ultrasound, hematologic tests, biochemical tests, etc.
Endoscopy	Regular employees (and former regular employees) Fixed-term employees Age 35 and above	Gastroscopy: Fully subsidized	Gastroscopy for all applicants
Re-examination	Those requiring re-examination	Re-examination support: 5,000 yen per case	5,000 yen subsidy for each required re-examination item

Our company has received the Health and Productivity Management Organization certification (in the Large Corporations Category) every year since fiscal 2020.

Training System Organizational Chart

Eligibility	New and young employees	Mid-level & leadership	Management	Senior management
All	Basic education (safety training, IT education, sustainability education, language learning support)			
Level-specific Training	Obtain the knowledge and business skills that form the foundation of our operations	Training for new graduates and recruits Mentor system (for one year after entering the company)		
	Understand roles and expectations	Training for mid-career hires		
			New assistant manager training	Training for executive-level mid-career hires
	Learn the core skills necessary for business operations	Correspondence education: Essential courses by level		
Basic business skills		Intermediate course	Manager fundamentals course	Manager course
Selective Training	Gain advanced expertise	Training and development of evaluators		
			Training for new managers	
	Developing global and managerial talent	Practical business skills training	Correspondence education: Essential courses for knowledge/skills	Logical writing
		Mentor development training	Domestic business schools (short-/long-term)	
	Specialized courses by job category (competence certification, on-site education, external training, support for qualification acquisition, etc.)			
	Global course (overseas trainees)			

Initiatives for Responsible Precious Metals Management

The ARE Holdings Group is engaged in global procurement of the materials from which it recovers precious metals, which are essential for manufacturing products such as electronics, auto parts, and jewelry. We have established a management system that complies with guidance issued by relevant international organizations. As a member of the precious metals supply chain, we promote Responsible Precious Metals Management. This is an important part of fulfilling our social responsibilities for compliance with laws, respect for international norms, human and labor rights, health and safety, environmental preservation, fair trade, and ethics.

What is Responsible Precious Metals Management?

Responsible Sourcing of Minerals

The Dodd-Frank Act was enacted in the United States in 2010 out of concern that mineral resources were being used as sources of funds for armed groups causing conflict and human rights abuses. The act regulates the use of conflict minerals from the Democratic Republic of the Congo and nine surrounding countries. Companies that are publicly listed in the US and which procure tin, tantalum, tungsten, and gold (3TG) are required to carry out due diligence, survey country of origin, and report on the use of any conflict minerals. The Organization for Economic Co-operation and Development (OECD) has issued Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This OECD Guidance sets out a five-step framework for companies: (1) establish strong company management systems; (2) identify and assess risks in the supply chain; (3) design and implement a strategy to respond to identified risks; (4) carry out independent third-party audits; and (5) report annually on supply chain due diligence. The Conflict Minerals Regulation also came into effect in the European Union in January 2021. It applies to importers of materials containing 3TG into the EU from conflict and high-risk areas, and they are now required to carry out due diligence in their supply chain. As a result, responsible sourcing of minerals is expanding globally.

Responsible Precious Metals Management

Refiners who meet criteria in areas such as quality of products, assaying capability, and responsible sourcing, and which have passed testing procedures, are accredited by the London Bullion Market Association (LBMA) for gold and silver or the London Platinum and Palladium Market (LPPM) for platinum and palladium as Good Delivery refiners. ASAHI METALFINE has received Good Delivery accreditation for gold, silver, platinum, and palladium, while Asahi Refining (USA and Canada) has received the same for gold and silver. These accreditations ensure the companies are trusted by customers in the global market. To maintain Good Delivery status, in addition to regular quality and technical testing procedures, Good Delivery refiners are required to be audited annually by a third party for the LBMA Responsible Gold and Silver Guidance (hereafter LBMA Guidance), and the LPPM Responsible Platinum and Palladium Guidance (hereafter LPPM Guidance) in compliance with OECD Guidance. In addition to avoiding conflict minerals, human rights abuses, money laundering, terrorist financing, and fraudulent transactions, the LBMA Guidance also now requires refiners to fulfill their social responsibilities related to the environment and sustainability. ASAHI METALFINE and Asahi Refining (USA and Canada) are also accredited by the Responsible Minerals Initiative (RMI) as conflict-free gold refiners that comply with the Responsible Minerals Assurance Process (RMAP).

ARE Holdings Group's Action

As ARE Holdings Group sets "Totally Committed to Protecting the Natural Environment and Preserving Resources" as its purpose, the Group regards it indispensable to create a sustainable supply chain to achieve the purpose. To ensure sustainable business development for our business partners and suppliers as well as us, we aim to fulfill social responsibilities regarding legal compliance, human rights, ethics, labor, health and safety, and the environment together with them. We have established a "Sustainability Procurement Policy" in our procurement activities and aim to enhance the corporate value of our suppliers, business partners, and ours and build a sustainable supply chain, based on mutual cooperation and relationships of trust with them. (Compliance with laws and social norms) We comply with domestic and international laws and social norms applied to business activities. (Respect for human rights) We eliminate all kinds of human rights violations, such as forced labor, child labor, harassment, and discrimination, across the entire supply chain. (Occupational safety and health) We ensure that we understand domestic and international working conditions applicable to our business activities and make efforts to improve the working environment and maintain and upgrade safety and health. (Consideration for the environment) We promote procurement activities that have less impact on the global environment by considering the effect on climate change and biodiversity. (Securing the quality and safety of products and services) We ensure that the quality and safety of our products and services are thoroughly managed as well as continuously maintained and improved. (Fair and impartial trading) We promote fair and impartial trading in line with corporate ethics, sound business practices, and social norms. (Information security) We ensure that the classified information and personal information obtained through our procurement activities are appropriately managed and prevented from leaking.

Priority SDG-Related Goal

Supply Precious Metals in Ways That Are Friendly to People, Society, and the Environment



ASAHI METALFINE's Action

Utilizing its sales network that covers all of Japan as well as other sites in Asia, ARE Holdings Group collects and recycles recyclable materials containing precious metals from sources such as e-scrap, plating treatment, precision cleaning, catalysts, dentistry, and jewelry. By recycling gold, silver, platinum, palladium, and other precious metals that are essential for modern manufacturing, ARE Holdings Group is contributing to the effective use of resources and the development of the industry. The ASAHI METALFINE is recognized worldwide for its gold, silver, platinum, and palladium products. In addition to LBMA and LPPM Good Delivery accreditation, its products have also been accredited as a deliverable brand by futures exchanges such as the Osaka Exchange (OSE) in Japan, as well as the Commodity Exchange (COMEX) and the New York Mercantile Exchange (NYMEX) in the United States.

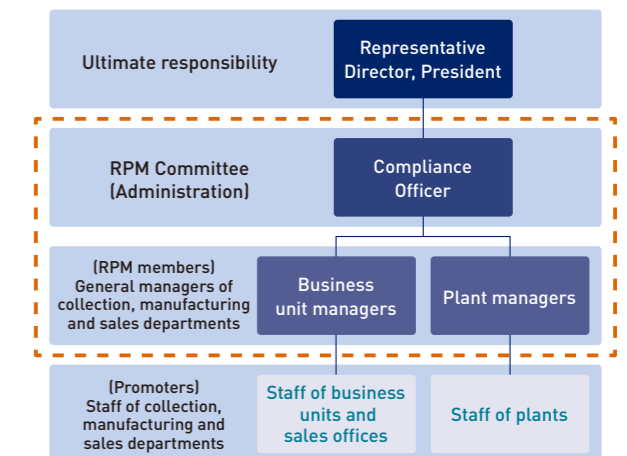
In July 2019, ASAHI METALFINE became the first Japanese refiner to obtain the Code of Practices (COP)*2 certification from the Responsible Jewellery Council (RJC)*1. In July 2021, the company also obtained Chain of Custody (COC)*3 certification. ASAHI METALFINE operations meet the RJC's strict standard for code of practices on ethics, human rights, society, and the environment, due diligence and traceability, and the company will continue to fulfill its responsibilities as a member of the precious metals supply chain.



*1 A non-profit organization that promotes transaction transparency and responsible corporate behavior in the jewelry industry. This includes businesses that handle precious metals and diamonds, from mines to retailers.
*2 An abbreviation of Code of Practices
*3 An abbreviation of Chain of Custody

Responsible Precious Metals Management System

Based on our Responsible Precious Metals (RPM) Management Policy, we have established the Responsible Precious Metals Management Committee (RPM Committee) to oversee our RPM management across the company. The President of Asahi Pretec has ultimate responsibility for our RPM management, and we have appointed a Compliance Officer, who is chairman of the RPM Committee, to manage our RPM. The RPM Committee, chaired by the Compliance Officer, adopts and revises policy, decides on important measures, implements the management system, monitors the operation status, provides training to employees, and reports to senior management. We consider any transactions that adversely impact our precious metals supply chain to be high-risk. Any transactions considered to be risky are deliberated by the RPM Committee, and additional due diligence is carried out as necessary to enhance the management system.



Supply Chain Management

Our due diligence process is carried out using a risk-based approach addressing the risks in the precious metals supply chain, such as conflict, compliance with laws, human rights, labor rights, health and safety, and the environment. By communicating with suppliers and conducting know-your-customer questionnaires, we understand the transaction and origin of materials, and we assess risks of suppliers and materials. We sent a consent form to all of our suppliers, requiring them to confirm that they consent to our RPM Management Policy, and we ask them for their understanding and cooperation in responsible precious metals sourcing. We establish relationships of trust with our suppliers and conduct continuous due diligence to mitigate supply chain risk.

- (1) Implementation of due diligence for suppliers (risk assessment based on information such as nature of business, location of business, type of materials, county of origin)
- (2) Communicating our Responsible Precious Metals Management Policy to suppliers
- (3) Recording transactions and managing traceability
- (4) Providing training to employees on Responsible Precious Metals Management and due diligence
- (5) Monitoring implementation status and reviewing by management
- (6) Conducting annual independent third-party audits

Relationship with Society

The Group's corporate activities are built on relationships with a variety of stakeholders. We place special emphasis on maintaining good communication with stakeholders and strive to build strong relationships with them.

Main Initiatives

Ethical Sustainable Jewelry

In recent years, ethical and sustainable jewelry has been gaining attention as products made from materials that are friendly to people, society, and the environment. As a company, we can help solve various environmental and social problems by supplying this kind of jewelry. Sustainable jewelry is also very suitable for use as special gifts such as engagement rings. This is because consumers appreciate knowing that their piece of jewelry has not negatively impacted the environment or contributed to other social problems. In recent years, famous jewelry brands have launched products based on a sustainability concept, while brands specializing exclusively in ethical and sustainable jewelry have also emerged. The new trend is even being featured in women's magazines. The Group supports the ethical and sustainable jewelry movement by supplying precious metals that are friendly to people, society and the environment.



Asahi Clean Project

The Group encourages and supports activities in which employees contribute to the SDGs as members of society, such as volunteer activities by individuals and groups, as "ARE Holdings SDGs Activities." On April 1, 2021, the "Asahi Clean Project" was launched to promote activities specializing in cleaning up litter in which a total of 934 employees and their family members participated. We are engaged in cleanup activities not only around our offices and sales offices, but also in various areas.

Priority
SDG-Related Goal

Encourage and Support
SDG-Related Activities

Serving Our Customers

Our motto is "the customer comes first," and we mean it. We do all that we can to provide finely tuned responses to the wide-ranging needs of each of our customers.

Fair Trade Measures

As part of the Asahi Way, the Code of Conduct of the ARE Holdings Group prohibits any behavior that impedes fair competition, violates the confidentiality of supplier information and technology, or results in improper benefits. These rules are strictly enforced to ensure compliance with fair business practices and corporate ethics.

Quality Assurance System

For the Group, quality assurance is positioned as the core department, and it works closely with the sales, technology development, and product manufacturing departments. It shares customer feedback and market trends with these departments and cooperates with them to improve customer satisfaction. In addition, the ARE Holdings Group maintains ISO 9001 certification to ensure that its products deliver satisfaction and peace of mind to customers. We strive to continuously improve our quality management system and maintain the highest quality possible.

Procurement Initiatives

The Group has implemented a CSR Procurement Policy. It pertains to the procurement of secondary materials, such as chemicals and consumables used in precious metals recycling and Environmental Preservation Businesses.

CSR Procurement Policy

Procurement is carried out based on the following seven points:

- (1) Environmental preservation
- (2) Quality control
- (3) Fair trade
- (4) Information security
- (5) Crisis management
- (6) Social responsibility
- (7) Human rights protection and occupational safety and health

Transactions are promoted based on relationships of trust with our business partners. The aim is to improve corporate value for both the company and our business partners.



Strengthening Cooperation with Outside Stakeholders

The role of the Group in the circular economy is much like the veins of the human circulatory system, and this role will become even more important in the future. Since our business brings back waste resources from local communities and companies for reuse, we must further strengthen our relationships with those stakeholders. Accordingly, the Group engages in various initiatives, such as those organized by national and local governments as well as industry groups, while conducting its own social contribution and sponsorship activities.

ASAHI JEWELRY JOURNAL

Nowadays, all companies are expected to promote their environmental, social, and governance activities. The Group also believes it must take its own particular measures such as Responsible Precious Metals Management, and widely share information about them. Asahi Pretec launched the Asahi Jewelry Journal in June 2020 for its partners in the jewelry business. Published on a regular basis, it covers SDGs initiatives and other relevant topics.



Participating in Social Contribution Activities

As a corporate citizen, the Group carries out social contribution activities rooted in local neighborhoods and environmental preservation. The initiatives are promoted in various ways and are important for remaining an organization that supports local communities. As part of its social contribution activities, Asahi Pretec participates in the TOOTH FAIRY project, which is jointly run by the Nippon Foundation and the Japan Dental Association. The project promotes the collection and recycling of gold, palladium, and other precious metals that have served their purpose at dental clinics across Japan. Profits obtained from selling the resulting recycled precious metals are used for social contribution activities such as support for children with intractable diseases and their families in Japan. Asahi Pretec provides support for these activities by recycling the precious metals donated to the TOOTH FAIRY project.



At Japan Waste, we welcome trainees from around the world and provide educational opportunities through plant tours focused on waste detoxification and recycling. Additionally, we work in partnership with local governments to ensure the proper handling of waste produced during disasters, illegally dumped waste, and ocean debris.



At Asahi Refining companies, the employees cooperate in making donations. Every year, a large number of food and toys were collected and donated to food banks and other organizations.



<Other social contribution activities>

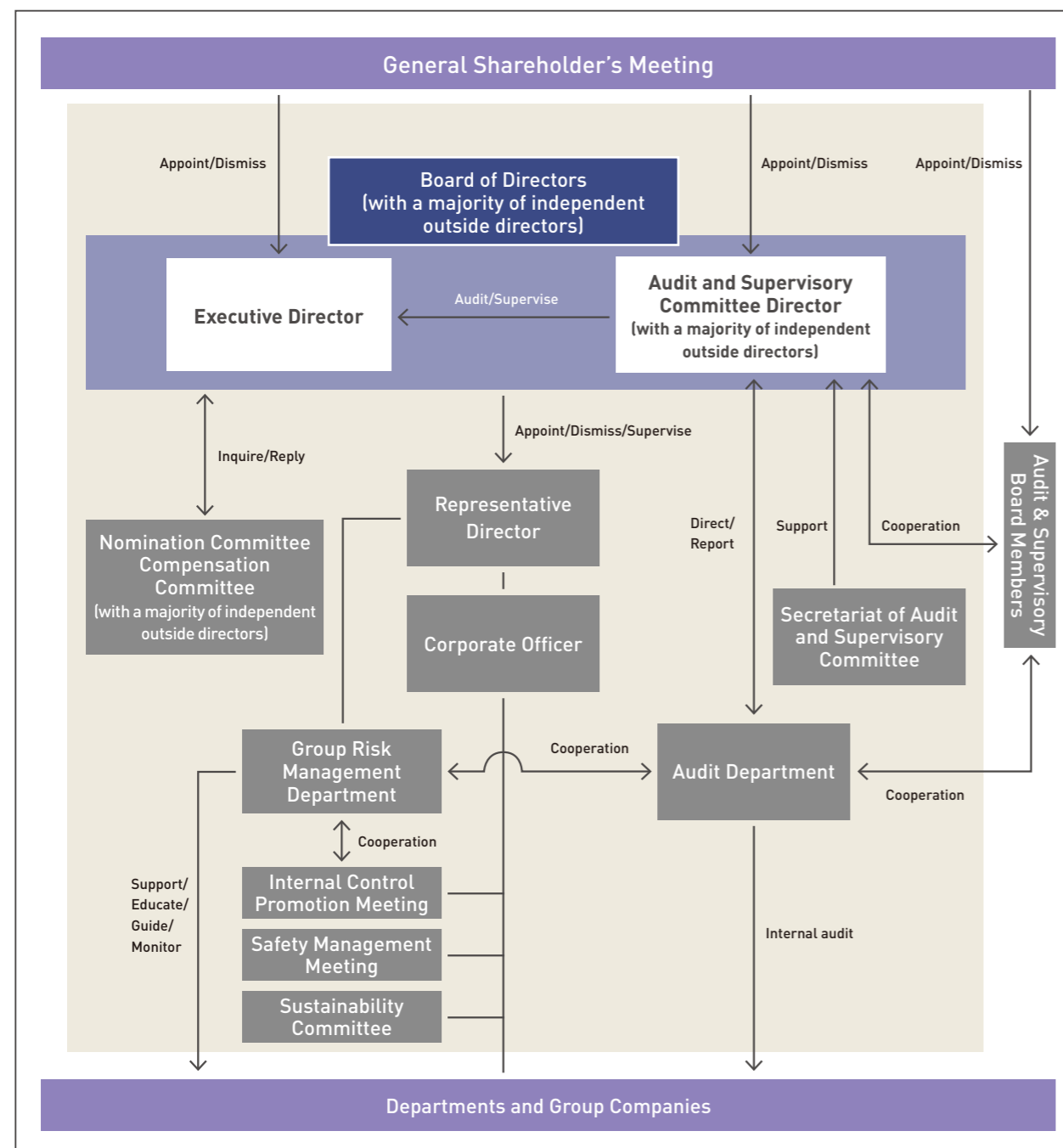
- Support for the activities of nonprofits like Médecins du Monde Japon
- Support for the activities of nonprofits like the Japan Cleft Palate Foundation
- Nippon Foundation donations through vending machines, etc.

Corporate Governance

Basic Corporate Governance Approach

Practicing effective corporate governance is a key part of corporate social responsibility. Good governance enhances management efficiency and transparency, and it helps keep corporate value growing. The ARE Holdings Group's practice of corporate governance seeks to earn the confidence of shareholders, business partners, employees, local communities, and other important stakeholders. In addition to fulfilling the social mission and responsibilities of a publicly listed company, we aim to keep growing corporate value by maintaining a corporate governance system that can quickly respond to changes in the business environment while always securing compliance.

Corporate Governance Structure



Organization Design

Board of Directors

The Board of Directors comprises executive directors who are knowledgeable concerning their respective Business, Technical or Administration Units, as well as outside directors with various types of expertise essential to corporate management. To further enhance the objectivity and independence of the Board of Directors and ensure that discussions are active and effective, the majority of members are independent outside directors. The Board consists of one executive director and five Audit and Supervisory Committee members, including four independent outside directors, two of whom are women, for a total of six board members. All directors share their opinions actively and freely on important subjects such as the Group's management strategies and business plans.

Outside Directors

Independence criteria have been established, and independent outside directors with the capacity to perform their duties independently from the management of the company have been appointed, taking into consideration their individual backgrounds and relationships with the Group. They attend Board of Directors meetings and fulfill their roles and responsibilities as directors. Whenever possible, they also attend the executive and management committee meetings of Group companies. As part of their wide-ranging activities, the outside directors share their opinions from an independent point of view. In addition, in order to further strengthen cooperation between independent outside directors and the executive directors and to establish a system that enables smooth communication and coordination, we appointed one of the independent outside directors to serve as the head of the independent outside directors.

Audit and Supervisory Committee

Under Japan's Companies Act, ARE Holdings has elected to be a company with an Audit and Supervisory Committee, and has four independent outside directors. This structure has strengthened the supervisory function of the Board of Directors. It also delegates important executive decisions to the executive directors for quicker decision-making and improved management efficiency.

Nominating and Compensation Committees

A Nominating Committee, consisting of one internal director and two independent outside directors, as well as a Compensation Committee, have been established as advisory bodies to the Board of Directors. The chairpersons of both committees are appointed from among the independent outside directors. The aim is to further enhance corporate governance by ensuring transparency, fairness, and objectivity for the appointment and dismissal of directors and key management team members, as well as for the determination of director remuneration.

Adherence to Japan's Corporate Governance Code

The ARE Holdings Group adheres to all the principles of Japan's Corporate Governance Code formulated by the Tokyo Stock Exchange. We submit Corporate Governance Reports, which provide investors with 83 points of governance information in a standard format, to the Tokyo Stock Exchange, and these are available on our website. In addition, we have formulated the ARE Holdings Corporate Governance Policies and are implementing each one to continuously enhance corporate governance.

Maintaining an Internal Control System

Aiming to reinforce internal controls, we have established an Audit and Supervisory Committee within the Board of Directors. It includes four independent outside directors and cooperates with Audit Department and other related departments. The Audit Department assesses the appropriateness and effectiveness of operations, while also auditing compliance with laws, regulations, and company rules. It advises and makes recommendations to each department, and promptly reports to senior management. In addition, trained staff in each department conduct internal audits based on an annual plan and report their findings at the Internal Control Promotion Meeting.

Evaluating the Effectiveness of the Board of Directors

As part of corporate governance enhancement, we are engaged in a continuous process of analyzing and evaluating the effectiveness of the Board of Directors as well as in the investigation of improvement measures. The analysis and evaluation for the fiscal year ended March 2023 has been completed.

1 Analysis and evaluation methods for the fiscal year ended March 2023

A questionnaire consisting of multiple evaluation items in six categories was distributed to all directors, including directors who are Audit and Supervisory Committee members. Responses were obtained from all directors, and the evaluation results were reported to and examined by the Board of Directors.

Questionnaire evaluation categories

- ① Discussion of main strategies, such as corporate strategy
- ② Creating an environment that promotes appropriate risk taking
- ③ Execution of highly effective oversight
- ④ Appropriate communication with shareholders
- ⑤ Composition of the Board of Directors
- ⑥ Management of the Board of Directors

2 Summary of evaluation results for the fiscal year ended March 2023

The results of the evaluation of the Board of Directors' effectiveness are summarized as follows.

- (1) Discussion of major strategies, such as corporate strategy
 ⇒ There is discussion about our vision for what kind of company we want to be, and there is ample discussion about strategic challenges, etc.
- (2) Creating an environment that promotes appropriate risk taking
 ⇒ We would like to request that opportunities for early discussions about high-risk projects be provided, and that the availability of accurate and sufficient information for proper risk assessment is ensured.
- (3) Execution of highly effective oversight
 ⇒ The exchange of views between outside directors, executive directors, and corporate officers provides a good opportunity to discuss the status of business execution, and we hope that this continues. The risk management system is well-established, but we would like to see further improvement to how matters are responded to, as well as reports on activity results and so on.
- (4) Appropriate communication with shareholders
 ⇒ Information is disclosed in an appropriate manner, and feedback from shareholders and other stakeholders is shared in a timely manner to ensure proper communication.
- (5) Composition of the Board of Directors
 ⇒ The majority of independent outside directors provide the appropriate combination of knowledge and skills required for effective discussions. Diversity is sufficiently achieved as well, including female directors and the appointment of corporate executives. In addition, study sessions are held every year on themes that contribute to directors' performance of their duties, and ample training opportunities for directors are provided.
- (6) Management of the Board of Directors
 ⇒ While the frequency of meetings is appropriate and lively discussions are held, we expect a deeper understanding of the agenda items for important matters through the distribution of more detailed explanatory materials in advance, as well as the implementation of preliminary briefings. Also, we would like the materials to be made easier to understand through the addition of qualitative information and visual elements.

3 Measures to improve effectiveness

By taking the following measures, we will further improve the effectiveness of Board of Directors management and strive to keep strengthening corporate governance.

- Promote effective discussion on the matters at hand by actively holding exchange meetings between outside directors, executive directors, etc., and sharing information on business execution as appropriate.
- For important matters that have a significant impact on management, implement preliminary briefings, involve the Group Risk Management Department in cases that are deemed high-risk, ensure that sufficient information is provided for risk evaluation, enhance the explanatory materials, and support more in-depth discussions.

Director Skill Matrix

Name	General executive management skills	Industry knowledge	International experience	Sales	Technology and innovation	Administrative experience	Legal	Finance and accounting
Representative Director, President & CEO Tomoya Higashiura	●	●	●	●		●		●
Director, Chairman of Audit and Supervisory Committee Member Yoshinori Hara			●		●			●
Director, Audit and Supervisory Committee Member Miyoko Kimura	●			●				
Director, Audit and Supervisory Committee Member Mitsutoshi Kagimoto	●	●					●	
Director, Audit and Supervisory Committee Member Akinori Yamamoto			●					●
Director, Audit and Supervisory Committee Member Yuki Tsuru			●				●	
Corporate Officer Hiroyuki Nakanishi	●	●		●	●			
Corporate Officer Tsutomu Nakashima	●	●		●	●			
Corporate Officer Nobuo Tajima	●	●	●					●
Corporate Officer Shohei Yasuda	●	●	●					●

Reasons for Selection of Skill Matrices

Our directors include executive directors who are knowledgeable concerning their respective Business, Technical or Administration Units, as well as outside directors with various types of expertise essential to corporate management. Based on the characteristics of our business, such as the international experience essential for conducting business on a global scale and the administrative experience gained from operating businesses that necessitate licenses, we have identified eight skills that are required overall.

Remuneration for Directors

Policy for Determining the Details of Director Remuneration

● Remuneration policy determination

The Board of Directors requests the volunteer Compensation Committee, which consists of three board members, including two independent outside directors, to draft a recommendation for remunerating the directors of ARE Holdings. Based on this recommendation, the Board of Directors determines a policy detailing the remuneration for each director.

● Overview of the remuneration policy

Director remuneration must be within the limits approved by the General Meeting of Shareholders. The Board of Directors determines the specific director remuneration policy within these limits, based on the recommendation from the Compensation Committee, which plays an advisory role. The remuneration system is designed to motivate directors to improve the Group's business performance. Their remuneration consists of basic compensation, bonuses, and performance-linked stock-based compensation. However, directors who are Audit and Supervisory Committee members receive only basic compensation.

Total Amount of Director Remuneration

Profit Drivers	Total amount of remuneration (million yen)	Total amounts by type of remuneration (million yen)			Number of applicable directors (people)
		Monetary compensation		Stock-based compensation	
		Fixed compensation	Performance-linked compensation	Non-monetary remuneration	
Directors excluding those who are Audit and Supervisory Committee members (outside directors only)	115 (-)	47 (-)	55 (-)	12 (-)	2 (0)
Directors who are Audit and Supervisory Committee members (outside directors only)	36 (24)	36 (24)	0 (-)	0 (-)	5 (4)
Total (outside directors only)	151 (24)	84 (24)	55 (-)	12 (-)	7 (4)

Notes 1. The amount paid to directors (excluding those who are Audit and Supervisory Committee members) does not include employee salaries for directors who also serve in employee positions. 2. The indicator used for performance-linked compensation (bonus and performance-linked stock-based compensation) is consolidated operating profit, which is considered to be the most suitable management index for profits earned by the main business. The result of fiscal year ended March 2023 was 19,263 million yen. The performance-linked compensation (bonuses) is calculated by first multiplying the consolidated operating profit for the relevant fiscal year by a certain ratio to calculate the total amount for all directors including the corporate officers of ARE Holdings and the directors of ARE Holdings subsidiaries. The amounts for each director are then determined according to the weighting for each position and the degree of individual contribution to business performance. 3. Performance-linked stock-based compensation is a non-monetary compensation system in which ARE Holdings shares are awarded to eligible directors according to their position and performance target achievement rates. Since the purpose is to provide incentive to improve corporate value over the medium- and long-term allocation points are awarded according to the achievement rate of the performance target, namely consolidated operating profit each fiscal year. Those who are enrolled as of May 1, 2024 after the completion of the 9th Medium-Term Business Plan are eligible for the award. At the 12th Annual General Meeting of Shareholders held on June 15, 2021, continuation of the performance-linked stock-based compensation system was approved. The shareholders also approved the number of allocation points to be awarded to directors in their positions for the three years from fiscal 2021 to 2023, not including outside directors, part-time directors, and Audit and Supervisory Committee members. The performance-linked coefficients are provided below.

Performance target achievement rate	Performance-linked coefficient
100%	1.0
50% or more	0.5
Less than 50%	0

Calculation Formula (number of points per fiscal year)
→ Base number of points x performance-linked coefficient x assessment coefficient

4. At the 6th Annual General Meeting of Shareholders held on June 16, 2015, the monetary compensation for directors (excluding those who are Audit and Supervisory Committee members) was established at a total of no more than 200 million yen per year. (This does not include, however, employee salaries for directors who also serve in employee positions.) The number of directors (excluding those who were Audit and Supervisory Committee members) at the end of that general meeting was five. 5. Also at the 6th Annual General Meeting of Shareholders, the amount of monetary compensation for directors who are Audit and Supervisory Committee members was established at a total of no more than 100 million yen per year. The number of directors who were Audit and Supervisory Committee members at the end of that general meeting was four. 6. At the 12th Annual General Meeting of Shareholders held on June 15, 2021, continuation of the performance-linked stock-based compensation system was approved. In addition to the above monetary compensation level, the amount and details of remuneration was determined for ARE Holdings directors (excluding directors who were Audit and Supervisory Committee members or outside directors) who were in their positions for the three years from fiscal 2021 to 2023. At the end of the general meeting, the number of directors (excluding directors who were Audit and Supervisory Committee members and outside directors) was two. Further, the maximum total number of points to be granted to directors per fiscal year was set to 40,000 points, and the maximum total number of shares to be issued to directors for the target period was set to 120,000 shares.

Compliance and Risk Management

In order to appropriately manage various apparent and latent risks relating to corporate activities, the Group identifies risks comprehensively, evaluates them, and implements mitigation measures. By implementing risk management, we strive to prevent risk materialization and minimize losses in the event of an incident.

Compliance

We consider compliance a priority issue in delivering fair business activities and ensuring legal compliance and high ethical standards. Particularly, operations related to the proper processing of waste are based on environmental laws and regulations as well as governmental licenses, and each and every employee is required to always act with a highly compliant mindset. We are conducting activities to raise the legal compliance awareness of each and every employee through education and mutual communication, along with rules and manuals related to compliance.

Avoiding All Interactions with Organized Crime and other Anti-Social Forces

The following statement is part of our Corporate Governance Policies, and is understood by all our executives and employees. "We will never have any relationship, including business relationships, with anti-social forces that threaten the social order and sound corporate activities. In the event of an illegal request, we will take a firm attitude and respond to it organizationally in accordance with the laws and internal rules."

Anti-Corruption Measures

As part of our Group Philosophy, the Asahi Way, we have a ten-point Code of Conduct. One of these points states that "we refrain from providing or receiving meals or gifts in pursuit of personal benefit." Group employees ensure that they do not engage in any transactions that could result in bribery, such as providing some benefit to a business partner or competitor for personal gain. Moreover, Asahi Pretec, which manages the Group's Precious Metals Business, has established a Responsible Precious Metals Management Policy. It has declared and implemented a policy of avoiding transactions that could result in money laundering or fraudulent transactions in the precious metals supply chain. Asahi Pretec also conducts employee education on this topic on a regular basis.

Business Continuity Management (BCM)

Various factors such as large-scale disasters entail the risk of impairing the functions needed for business continuity. As an action plan to achieve quick restoration of mission-critical functions even after a disaster, we created a business continuity plan (BCP). In addition to the BCP, we are conducting systematic business continuity management (BCM) activities to constantly improve the BCP and business continuity endeavors.

Information Security

The laptops and tablets used by the Group's sales force are equipped with the latest security measures. Even if a device is lost or stolen, the possibility of information leakage is virtually zero thanks to technology such as remote data wiping.

Internal Reporting System (Whistle-Blowing System)

To quickly identify and resolve problems such as unlawful and unjust behavior, we have set up the Asahi Hotline. All employees in and outside of Japan can directly report to either an internal desk or an external law firm anonymously. We take corrective actions to address the reported matters after investigation, without revealing the identity of the disclosing or disclosed parties.



Group-Wide Oversight and Auditing by Directors

ARE Holdings has established a system to appropriately oversee and audit Group companies from every angle to ensure these businesses are always operating properly. Important executive decisions for Group companies are carefully deliberated and made by the Executive Committees of each Group company, of which the representative directors of the Group companies are members. Particularly important matters are submitted to the ARE Holdings Board of Directors for determination. Directors who are Audit and Supervisory Committee members also participate in the management meetings of Group companies and actively provide input. The management situation and sales activities of Group companies are regularly reported to the Board of Directors of ARE Holdings. In addition, the company's Audit Department audits Group companies on a regular basis and whenever required, and the resulting audit reports are shared with the Audit and Supervisory Committee and relevant departments.

Strengthening Group Risk Management

As compliance is essential to maintaining trustworthy corporate activities, the Group ensures legal compliance and thorough adherence to corporate ethics among its members. While developing human resources that embrace innovation and taking on challenges by continuously expanding the types of challenges they undertake, the Group must also recognize the increasingly diverse needs and values of society. To pursue sustainable growth going forward, the Group must not only comply with laws and regulations, but also enhance management of all kinds of risks. While risk management is practiced at business locations, management standard-setting and location monitoring must be separated from them and performed independently. Recognizing this, ARE Holdings decided to enhance its organizational response capabilities by introducing a unified management framework for the

Group. Through these circumstances, the Audit Department was placed under the Audit and Supervisory Committee to enhance the independence of the function responsible for checking and monitoring business execution. We have also established a General & Legal Affairs Department and taken other steps to bolster the framework for minimizing various legal risks at our business locations. We will continue to further enhance our risk management system going forward.

Group Risk Management Department Created

In April 2021, a Group Risk Management Department was created to properly identify potential risks in the Group's business execution processes and business structures, evaluate risks in business activities, and implement mitigation measures across the Group. The department implements compliance risk management for each business unit from an independent perspective, and it strives to ensure appropriate governance in collaboration with the Audit Department. We have also established a compliance and safety system under which we hold Internal Control Meetings and Safety Management Meetings regularly to prevent risks from materializing.

Strengthening Risk Management in the North American Business

In our North American business, we are working to establish a model to expand our business into related areas, using refining as a platform. In particular, we will continue to aggressively promote financial services such as "advance trading," and we will also develop new financial products. To do this, we will first need to establish strong mechanisms to ascertain and monitor the credit risk of our business partners. In addition, identity verification [Know Your Customer, a.k.a. KYC] procedures are becoming increasingly important to prevent the funding of organized crime and terrorism. Accordingly, we will work to strengthen credit risk management of business partners and enhance systems at individual sites as we promote the expansion of our North American business, which is one of our growth drivers.

Director Profiles



Tomoya Higashiura

Profile

(Born January 26, 1961)

- Apr 1984: Joined NEC Corporation
- Feb 2001: Joined Asahi Pretec Corp. (currently Japan Waste Corporation)
- Jun 2006: Appointed Director, Senior Vice President of Planning & Administration Department
- Apr 2009: Appointed Director, Senior Vice President of Planning & Administration Department of ARE Holdings, Inc.
- Jun 2010: Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation)
- Apr 2011: Appointed Director of ARE Holdings, Inc.
- Jun 2014: Appointed as Representative Director, President & CEO of Asahi Pretec Corp. (currently Japan Waste Corporation)
- Apr 2018: Appointed Representative Director and President of ARE Holdings, Inc.
- Apr 2018: Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation) (to present)
- Jun 2020: Appointed Representative Director, President & CEO of ARE Holdings, Inc. (to present)
- Apr 2023: Appointed Director of Asahi Pretec Corp. (newly established through absorption-type split and change of trade name) (to present)

Audit and Supervisory Committee Members



Yoshinori Hara

Profile

(Born July 21, 1958)

- Apr 1983: Joined NEC Corporation
- Aug 1990: Became a Visiting Researcher, Stanford University
- Jul 2004: Supervised NEC's Kansai Research Laboratories
- Apr 2006: Professor of Graduate School of Management, Kyoto University (to present)
- Apr 2018: Dean of Graduate School of Management, Kyoto University
- Jun 2019: Appointed Independent Outside Director (Audit and Supervisory Committee Member)
- Jun 2023: Appointed Head of Independent Outside Director of ARE Holdings, Inc. (serving as Chairman of Audit and Supervisory Committee Member) (to present)



Miyoko Kimura

Profile

(Born June 12, 1964)

- Apr 1988: Joined PLUS Corporation
- May 1999: Joined ASKUL Corporation
- Feb 2010: Appointed Representative Director and President of ASMARU Corporation
- Aug 2017: Appointed Director, Chief Marketing Officer (CMO), and Senior Vice President of Life Creation Unit and Value Creation Center Unit of ASKUL Corporation
- May 2021: Appointed Director in charge of branding, design, and supplier relations of ASKUL Corporation
- Jun 2021: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)
- Sep 2022: Appointed Director and Managing Executive Officer, General Manager, R&D Division of KING JIM CO., LTD. (to present)
- Jun 2023: Appointed Outside Director of JAPAN POST HOLDINGS Co., Ltd. (to present)



Mitsutoshi Kagimoto

Profile

(Born June 15, 1958)

- Apr 1984: Joined Teijin Limited
- Feb 2006: Joined Asahi Pretec Corp.
- Mar 2009: Appointed Assistant General Manager of Kitakanto Office of Asahi Pretec Corp.
- Dec 2009: Appointed Representative Director and President of JW Glass Recycling Co., Ltd
- Apr 2013: Appointed General Manager of Purchase Division of INTER CENTRAL, INC.
- Oct 2015: Appointed General Manager of Secretariat of Audit and Supervisory Committee of ARE Holdings, Inc.
- Jun 2021: Appointed Director of ARE Holdings, Inc. (full-time Audit and Supervisory Committee Member) (to present)
- Dec 2021: Appointed Auditor of Asahi Pretec Corp. (to present)
- Apr 2023: Appointed Auditor of Japan Waste Corporation (to present)



Akinori Yamamoto

Profile

(Born February 26, 1981)

- Apr 2005: Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
- Apr 2007: Joined GCA Corporation (currently Houlihan Lokey, Inc.)
- Jan 2019: Appointed Partner, Executive Director of GCA Corporation
- Feb 2022: Appointed Executive Director of JPMorgan Securities Japan Co., Ltd.
- Mar 2023: Appointed Representative of Yamamoto Certified Public Accountant Office (to present)
- Jun 2023: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)



Yuki Tsuru

Profile

(Born May 16, 1969)

- Apr 2000: Registered in the roll of attorneys (joined Tokyo Bar Association)
- Oct 2007: Joined Kyowa-Sogo Partners Law Office (to present)
- Apr 2015: Appointed Member of Infringement Judgement Advisory Committee (to present)
- Feb 2019: Appointed Customs Technical Advisors (to present)
- Jun 2020: Appointed External Director of Hankyu Hanshin Holdings, Inc. (to present)
- Jun 2021: Appointed Part-time Auditor of National Institute of Technology and Evaluation (to present)
- Jun 2022: Appointed as Outside Director of SUGIMOTO & CO., LTD (to present)
- Jun 2022: Appointed as Outside Director of JAMCO Corporation (to present)
- Jun 2023: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)

(As of June 21, 2023)



Message from an Outside Director

I will strive for neutral, transparent, and fair operations under the new company name and structure, just as I always have.

Head of Independent Outside Director
(Chairman of Audit and Supervisory Committee)

Yoshinori Hara



Balancing Short-Term Profit and Medium- to Long-Term Development from a Multi-Stakeholder Perspective

I have been appointed as Head Independent Outside Director (Chairman of Audit and Supervisory Committee). Outside Directors (Audit and Supervisory Committee Members) have multifaceted responsibilities. Their core mission is to provide balanced oversight for exercising risk management from a variety of perspectives while standing alongside the executive team as they embark on new initiatives. As Outside Directors, we have been able to conduct in-depth audits with members who have various specialties and experiences. While considering the balance among short-term economic value and profit, medium- to long-term corporate growth and development, solving social issues, and achieving a circular society, I strive for neutral, transparent, and fair operations, not only from the perspective of shareholders and those within the company, but also from a multi-stakeholder view.

Our company has a long history of growth under the leadership of Mitsuharu Terayama, the previous Director and Chairman and a member of the founding family. He recently stepped down as a Director at the latest shareholders' meeting. We intend to continue our support just like before under this new structure, in which President Higashiura is the lone Director on the executive side.

Since my appointment as an Outside Director in 2019, I have felt that our corporate culture is characterized by fair, impartial, and quick decision-making. Activities such as launching new ventures through M&A and divesting businesses are also highly precise and effective. After 70 years in operation, a corporation often becomes susceptible to the pitfalls associated with being a large enterprise. However, as far as I have heard about our company, there has not been even a single case of a company being sold or withdrawn at a lower value than at the time of the M&A. Our company takes the wide range of feedback from our Outside Directors seriously, with priority assigned based on whether the issue must be addressed immediately or on a medium- to long-term basis, thereby enabling precise decision-making and rapid action.

Discussion Focused on Risk Assessment for New Ventures

Last year was marked by significant changes, including the COVID-19 pandemic, the Ukraine issue, and rising precious

metals prices. In that context, the primary matter we focused on in discussions was a risk assessment for our businesses. Although our company is classified under the non-ferrous metals category, we are pursuing a business model that does not fit neatly within that category. In our North American Refining Business, we handle not only the refining of raw materials acquired from mines, but also engage in areas of higher added value, such as Green Gold (a precious metal managed to meet societal responsibilities such as legal compliance, adherence to international standards, and respect for human rights, labor, safety, hygiene, the environment, fair trade, and ethics). Furthermore, we are involved in minting activities like the production of coins, medals, and commemorative coins, as well as warehousing services for the centralized storage and management of precious metals. In addition to trading precious metals, we operate financial services that take into account the unique characteristics of precious metals, such as advance trading, which involve returning products more quickly upon receipt of raw materials. These ventures are quite bold and have high growth prospects, but they also come with a variety of risks. While these are, of course, discussed at the executive level, additional scrutiny occurs within the Audit and Supervisory Committee. In the committee, discussions take place from a supervisory perspective about anticipated risks, and alternative solutions and legal aspects are given careful consideration. Our North American business, indirectly supporting President Higashiura's leadership, has overcome numerous challenges, even under tough conditions.

A second major topic of discussion last year centered on whether the intrinsic corporate value of our Group, as indicated by metrics like the Price-to-Book Ratio (PBR), was being properly assessed. We discussed ways to more accurately articulate our corporate value, which could be influenced by having a BtoB corporate structure. Specifically, last fiscal year, we considered how the company name could better reflect the value of our brand as an intangible asset. One of our Outside Directors, Director Kimura, who has experience with BtoC operations, provided various advice. And this past July, we embarked on a new branding phase as "ARE Holdings."

We hope that this move reflects our sense of direction and freedom towards our future business.

Cultivating a Culture to Maximize the Value of Human Capital

One challenge for future governance is creating a culture and structure that enables our cherished human capital to fully demonstrate its inherent value. Historically, our business operations have relied on top-down decision-making from the management team. However, moving forward, I believe it is vital for our business operations to embrace an organizational structure where executives can receive feedback and suggestions from the bottom up from employees with diverse viewpoints, discussing and expanding them into new businesses. In other words, there needs to be an environment that is both diverse and tolerant. As we look toward the next 5 to 10 years, if we emphasize diversity in the sense of utilizing our employees' unique knowledge and experience, I believe there is a great potential for the company to grow into an even better position than we are in now.

A Company that Leads in Creating a Circular Society

Regarding our Environmental Preservation Business, we believe it is critical for the recently spun-off Japan Waste Corporation, along with our group company DXE Inc., to grow as a platform for managing industrial waste. DXE

Inc. is striving to build a platform that can provide optimal solutions in a complete sense, including decarbonization and other companies' resources, based on an understanding of the entire supply chain, not merely confined to simple cost reduction. We see this as not only a key growth driver for our own company, but also as an initiative with the potential to elevate the value of the entire industry. As a catalyst contributing to the overall value enhancement of the industry, the Environmental Preservation Business has the potential for growth, and its social significance is indeed substantial.

As for our Precious Metals Business, we anticipate taking on challenges in new businesses and sectors, such as financial businesses that take into account the unique characteristics of precious metals. A number of potential unforeseen risks accompany such ventures. This is why I believe it crucial for the executive side to take steps to understand and acknowledge these risks and to forge ahead with new ventures while sharing these insights with the auditing team. I believe this would enable us to further enhance the added value of handling precious metals, which are a finite resource.

Our philosophy and experience can position us well to become a leader in the circular society of the future. I will continue to support the growth of ARE Holdings in my capacity as an Outside Director.



Message from an Outside Director

Supporting the Management Team to Enhance Shareholder & Corporate Value

Since starting my career as a certified public accountant, I have been involved for over 15 years in domestic and international investment banks, with a focus on M&A advice and finance. I have supported corporate management through advice on increasing corporate value through M&A and enhancing shareholder value in capital markets. I want to provide support for management that contributes to the improvement of ARE Holdings' shareholder and corporate value based on this experience and knowledge.

While the supervisory function of corporate management is essential, I believe that an Outside Director needs to also possess a function that supports the executive side in implementing measures necessary for enhancing shareholder and corporate value, not just a conservative supervisory function. Moreover, it is vital to support value alignment with all stakeholders connected to the company along with shareholder value.

I want to create a Board of Directors that can act as one with the executive side with regard to measures to improve both shareholder value and corporate value while reliably performing its supervisory function. I also want to make proposals to strengthen the accurate dissemination of our company's value and the effectiveness and attractiveness of future management measures to shareholders.



Independent Outside Director
(Audit and Supervisory Committee Member)

Akinori Yamamoto



Independent Outside Director
(Audit and Supervisory Committee Member)

Yuki Tsuru

Advice from the perspective of intellectual property utilization and dispute prevention

I registered as a lawyer in April 2000, and this is my 24th year as a lawyer. My specialty is intellectual property, having worked in a patent office before passing the bar exam. Ever since registering as a lawyer, I have been involved in dispute resolution through trials and so on. If consulted before deciding on a scheme or concluding a contract, I provide advice based on experience from a dispute prevention perspective. As an Outside Director, I do not know all the details of the company's business, so to first have a good understanding of the company's business is essential. On that basis, if any concerns about running the company arise based on the experience that each Outside Director has cultivated, I think our role is to create opportunities for confirmation, reconsideration, and reassessment. Of course, I do not think Outside Directors should avoid all risks by being too concerned about the safety of their position, but I believe we are called upon to provide a third-party perspective and contribute to advancing corporate management through sufficient discussion. From my standpoint, going forward, I wish to provide suggestions regarding how intellectual property should be utilized, as well as dispute prevention and compliance.

Financial and Non-Financial Data

←[Japanese Standard] [IFRS]→

10-Year Financial and Non-Financial Summary

	Fiscal year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Unit										
Financial Data*1											
Revenue*2	Billions of yen	94.3	111.4	119.4	106.8	115.8	110.4	135.6	164.8	192.4	292.4
Operating profit*2	Billions of yen	9.6	10.5	6.1	2.0	13.8	13.4	18.0	25.1	26.4	19.3
Pre-tax income	Billions of yen	9.9	9.7	5.9	1.8	13.4	12.4	17.7	26.1	26.4	16.1
Income for the year attributable to owners of the parent	Billions of yen	6.0	5.8	2.9	-1.2	9.4	9.0	9.8	25.7	18.7	10.9
Total capital	Billions of yen	46.5	51.0	49.0	44.8	64.4	67.8	69.2	97.9	105.1	107.0
Total assets	Billions of yen	66.1	104.9	101.6	89.0	131.5	160.3	230.0	244.8	298.4	287.4
Capital investment	Billions of yen	1.1	1.5	1.7	3.0	3.1	5.7	4.2	5.3	8.3	4.9
Depreciation	Billions of yen	1.8	1.8	2.4	2.3	2.3	2.3	2.8	2.5	2.7	3.3
R&D expenses	Billions of yen	0.37	0.44	0.50	0.51	0.51	0.45	0.35	0.32	0.36	0.41
Cash flow from operating activities	Billions of yen	14.1	9.4	14.3	3.3	-13.4	-20.6	4.5	-33.4	1.1	36.8
Cash flow from investing activities	Billions of yen	-1.1	-29.6	-1.9	-2.4	-2.8	-5.6	1.9	-2.8	-7.8	-3.9
Cash flow from financial activities	Billions of yen	-8.0	21.4	-6.5	-6.6	29.8	18.3	0.3	24.4	-6.0	-23.8
Basic earnings per share (EPS)*3	Yen	91.75	88.45	43.74	-18.62	135.39	114.07	125.12	326.90	238.11	141.19
Equity attributable to owners of the parent company per share (BPS)*3	Yen	711.26	771.41	745.28	679.51	813.60	861.58	879.00	1,244.06	1,336.89	1,395.52
Dividend per share*3	Yen	30.00	30.00	30.00	30.00	31.50	60.00	65.00	85.00	90.00	90.00
Operating profit margin	%	10.2	9.4	5.1	1.9	11.9	12.2	13.3	15.2	13.7	6.6
Return on equity (ROE) attributable to owners of the parent*4	%	13.6	11.9	5.8	-2.6	17.3	13.6	14.4	30.8	18.5	10.3
Pre-tax return on assets (ROA)*5	%	15.6	12.4	5.7	1.8	12.2	8.5	9.0	11.0	9.7	5.5
Ratio of equity attributable to owners of the parent	%	70.1	48.2	47.8	49.8	49.0	42.3	30.1	40.0	35.2	37.2
Payout ratio	%	32.7	33.9	68.6	-	23.3	52.6	52.0	26.0	37.8	63.7
Non-Financial Information*6											
Number of employees		1,360	2,080	2,005	1,961	1,928	2,042	1,574	1,510	1,457	1,467
Percentage of women in the workforce	%	10.5	12.0	11.7	11.8	11.5	11.6	9.9	9.0	9.0	10.1
Percentage of employees outside Japan	%	4.0	20.2	18.4	17.5	16.7	21.2	23.4	24.7	23.1	24.5
Number of new hires		-	-	-	-	-	-	-	74	93	154
Percentage of women among new hires	%	-	-	-	-	-	-	-	10.8	11.8	20.8
Percentage of female directors*7 *8	%	-	-	-	-	-	-	-	-	-	2.9
Percentage of managers among women	%	-	-	-	-	-	-	-	8.5	10.4	9.1
Average years of employment (men)	Year	-	-	-	-	-	-	-	14.8	13.4	13.3
Average years of employment (women)	Year	-	-	-	-	-	-	-	13.1	10.8	9.1
Percentage of men taking childcare leave*8 *9	%	-	-	-	-	-	-	-	7.0	12.0	36.0
Male-female wage gap (all workers)*8	%	-	-	-	-	-	-	-	-	-	67.6
Number of directors*10		10	10	9	9	9	9	8	8	7	7
Percentage of female directors	%	0.0	0.0	0.0	0.0	11.1	11.1	12.5	12.5	28.6	28.6
Electricity consumption	1,000 kWh	22,963	23,292	47,522	46,354	45,542	44,509	49,993	48,413	45,706	45,199
Energy-derived CO2 emissions*11	1,000 tons	-	-	38.7	38.6	38.1	37.9	37.8	35.8	30.9	30.1

Note 1 Since the Group adopted the International Financial Reporting Standards (IFRS) in fiscal 2016, the financial figures for fiscal 2015 are also shown based on IFRS. Since the Group adopted the International Financial Reporting Standards (IFRS) in fiscal 2016, the financial figures shown are also based on the IFRS.

Note 2 The business of Fuji Medical Instruments Mfg. Co., Ltd. was categorized as a non-consolidated business in fiscal 2019. As a result, the revenue and operating profit figures for fiscal 2018 and 2019 reflect this change.

Note 3 On April 1, 2021, a stock split was conducted with a ratio of two-for-one, and the calculation is based on the assumption that the stock split was conducted at the beginning of fiscal 2013.

Note 4 Return on equity (ROE) attributable to owners of the parent corresponds to return on equity under the Japanese GAAP.

Note 5 Pre-tax return on assets (ROA) corresponds to return on assets under the Japanese GAAP.

Note 6 The annual non-financial information is compiled as of March 31 and includes data for all Group companies, including overseas companies.

Note 7 Calculated based on the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015). The number of workers is determined based on the number of working hours.

Note 8 The proportion is calculated exclusive of our overseas subsidiaries, focusing on our domestic consolidated Group companies.

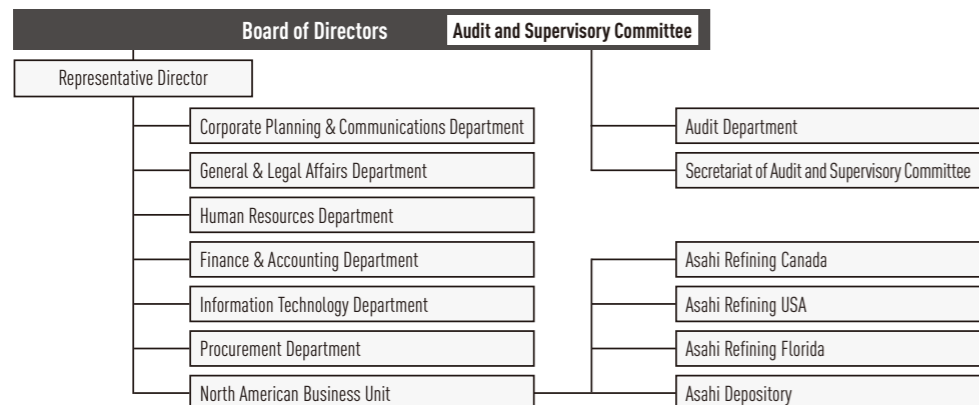
Note 9 The percentage of employees taking childcare and caregiver leave is calculated in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and the relevant Ordinance for Enforcement (Ordinance of the Ministry of Labor No. 25 of 1991) under Article 71-4, Paragraph 1.

Note 10 The company transitioned to a "company with Audit and Supervisory Committees" structure in fiscal 2015. Through fiscal 2014, the figures include the number of Auditors.

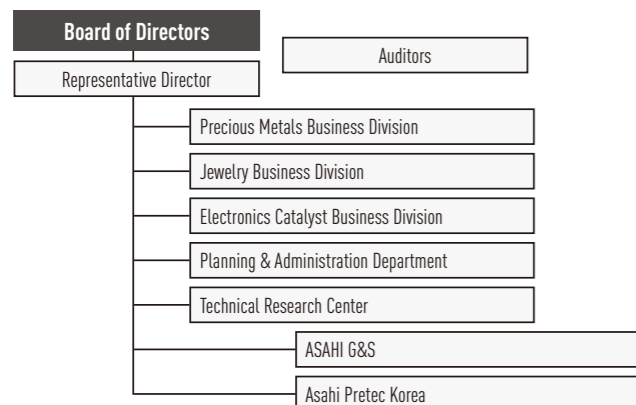
Note 11 The data pertains to consolidated subsidiaries as of March 31, 2023. Data for deconsolidated subsidiaries has been subtracted retroactively, while data for subsidiaries that were previously non-consolidated has been added retroactively, going back to the fiscal year when the subsidiary became consolidated.

Group Company Structure

ARE Holdings



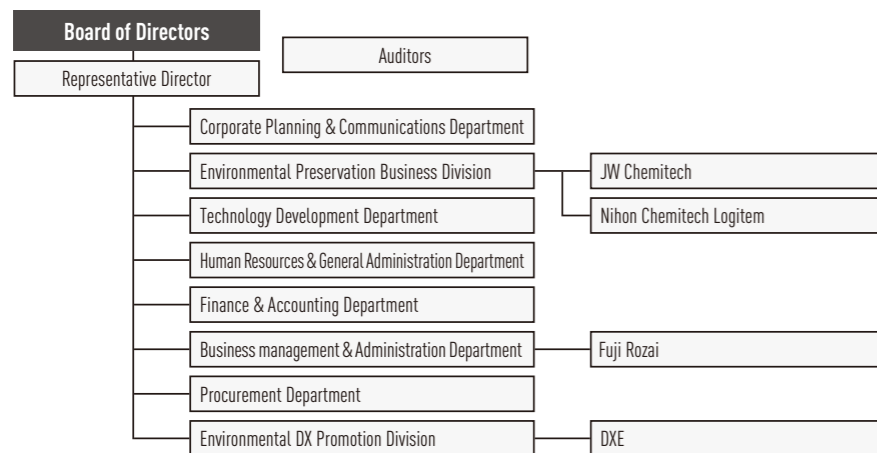
Asahi Pretec



ASAHI METALFINE



Japan Waste



(As of September 1, 2023)

Corporate Group Overview

ARE Holdings, Inc.

Established: July 1952
 Incorporated: April 2009
 Capital: 7,790 million yen
 Representative Director: Tomoya Higashiura
 Head Office: Nissay Sannomiya Building 16F 4-4-17 Kanocho, Chuo-ku, Kobe, Hyogo 650-0001 Japan
 TEL: 078-333-5633 FAX: 078-333-5681
 Sapia Tower 11F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
 TEL: 03-6270-1833 FAX: 03-6270-1859
 Number of employees: 1,467 (as of March 31, 2023)
 URL: <https://www.are-holdings.com/>



Kobe Head Office / Tokyo Head Office

Subsidiaries
 Asahi Refining USA Inc. / Asahi Refining Canada Ltd.
 Asahi Refining Florida LLC / Asahi Depository LLC

Asahi Pretec Corp.

Business activities: Precious metals recycling
 Representative Director: Tsutomu Nakashima
 Head Office: Sapia Tower 11F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
 TEL: 03-6270-1820 FAX: 03-6270-1825
 URL: <https://www.asahipretec.com/>

Subsidiaries

ASAHI G&S SDN. BHD. (Malaysia) / Asahi Pretec Korea Co., Ltd

ASAHI METALFINE, Inc.

Business activities: Manufacturing and sales of precious metals
 Representative Director: Nobuo Tajima
 Head Office: Sapia Tower 11F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan
 TEL: 03-6270-1828 FAX: 03-6270-1813
 URL: <https://www.asahimetalfine.com/>

Japan Waste Corporation

Business activities: Industrial waste management and other environmental preservation activities
 Representative Director: Hiroyuki Nakanishi
 Head Office: PMOEX NIHONBASHIKAYABACHO 8F, 2-12-10, Nihonbashikayabacho, Chuo-ku, Tokyo, 103-0025, Japan
 TEL: 03-6661-2327 FAX: 03-6661-2328
 URL: <https://www.japanwaste.co.jp/>

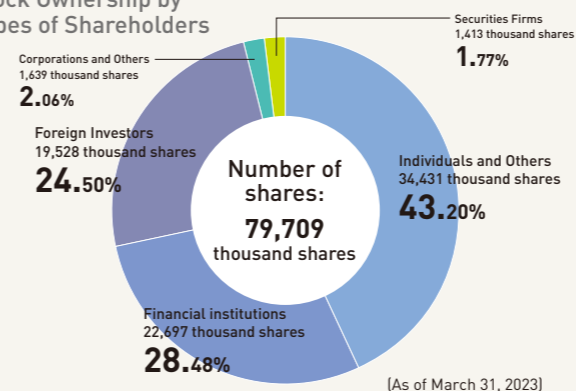
Subsidiaries

JW Chemitech Co., Ltd. / Nihon Chemitech Logitem Co., Ltd.
 Fuji Rozai Co., Ltd. / DXE Inc.

(As of July 1, 2023)

Share Information

Stock Ownership by Types of Shareholders

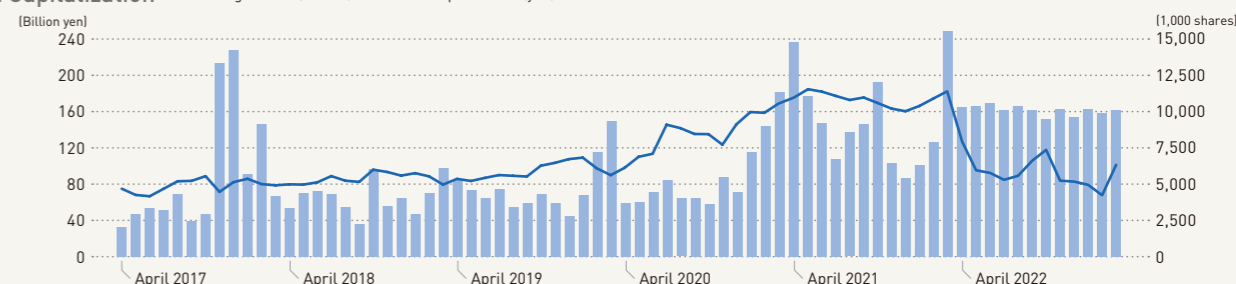


Major Shareholders

Shareholder Name	Number of Shares Held (1,000 Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	12,846	16.55
Custody Bank of Japan, Ltd. (trust account)	5,050	6.50
Mitsuharu Terayama	1,793	2.31
State Street Bank West Client - Treaty 505234	1,634	2.11
Masamichi Terayama	1,404	1.81
Asahi Employee Stock Ownership Plan	1,322	1.70
Ceplux-Erste Group Bank AG (UCITS Clients)	1,225	1.58
The Master Trust Bank of Japan, Ltd. (Stock-grant ESOP trust account, 75,882 units)	916	1.18
MUFG BANK, LTD.	900	1.16
Credit Suisse (Luxembourg) S. A. / Customer Assets, Funds UCITS	804	1.04

(As of March 31, 2023)

Market Capitalization



External Evaluations

Added to the Following Indexes



(As of June 30, 2023)

ESG-related



(Based on 2022 evaluation)



Think circular

ARE Holdings, Inc.