

# Environmental Initiatives of ARE Holdings

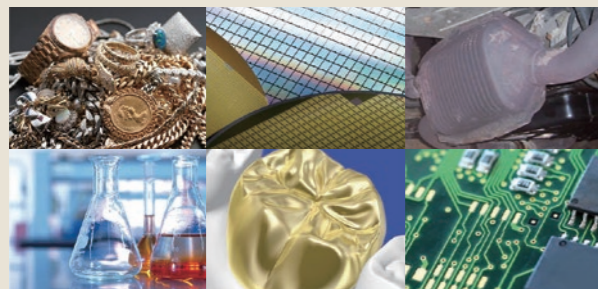
The ARE Holdings Group strives to ensure that its business activities contribute to healthy cyclical use of materials to protect the global environment.

## 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 FY2023 **231 t**

### Key SDG Targets

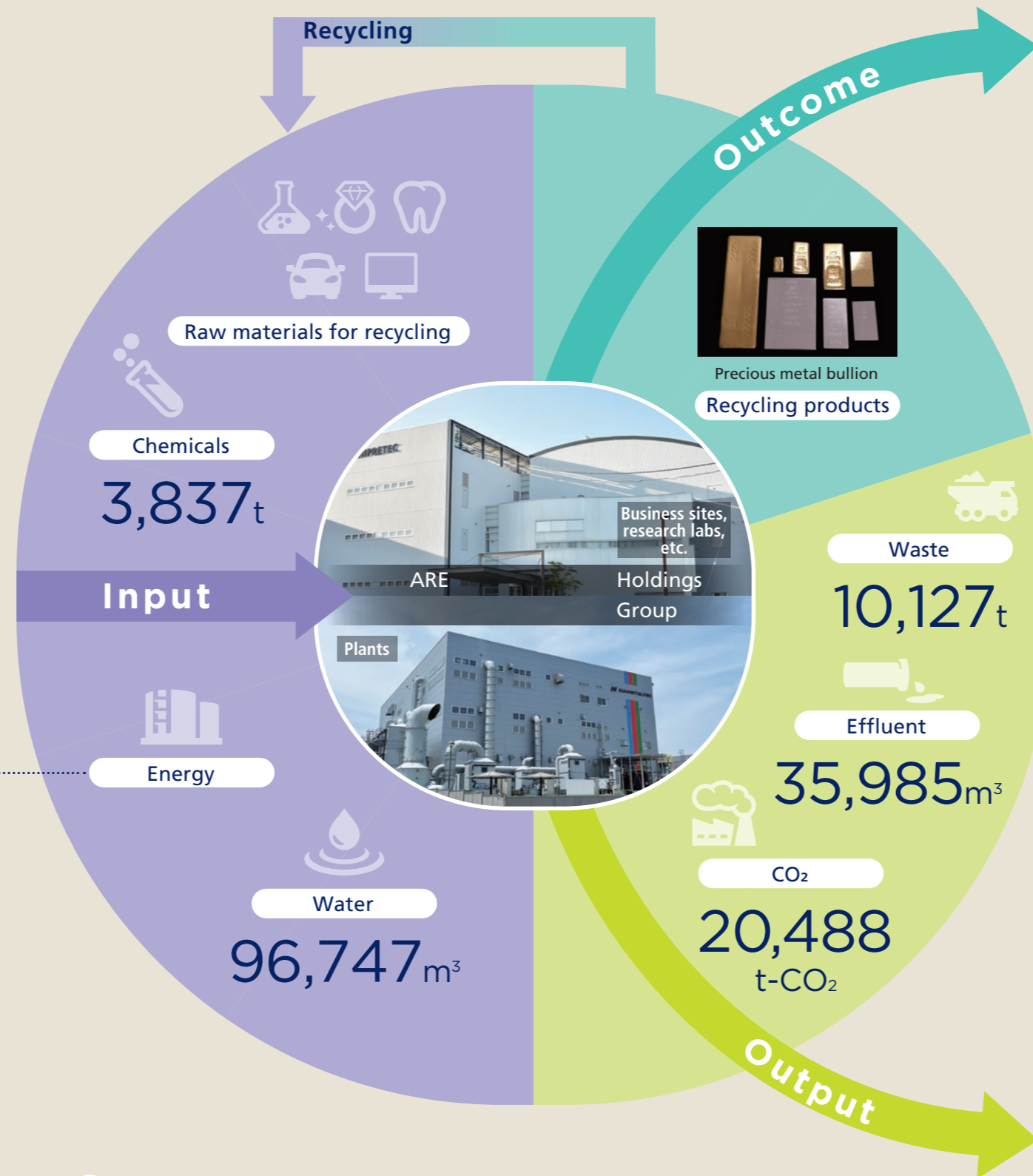


### Energy Sources

Electricity	35.24 million kWh/year	↓
Kerosene	351 kL/year	↑
Heavy oil	223 kL/year	↓
Light oil	318 kL/year	↓
Gasoline	544 kL/year	↓
Urban gas	2.50 million m <sup>3</sup> /year	↓
LPG	50 t/year	↓

↓ Decreased YoY    ↑ Increased YoY

All figures are actual results for fiscal year 2023. The same applies for the rest.



## 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.

### Key SDG Targets

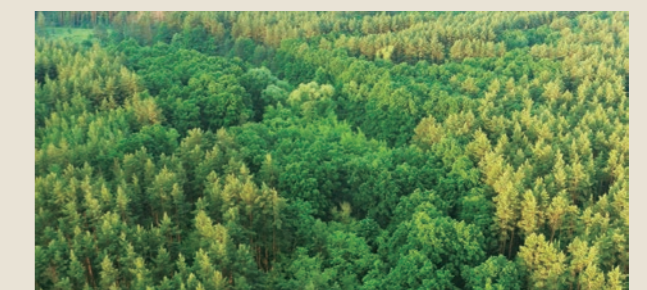


## Reduce CO<sub>2</sub> Emissions

By FY2030, we aim to reduce energy-derived CO<sub>2</sub> emissions by 63% compared to FY2015.

Rate of reduction in CO<sub>2</sub> emissions FY2023 results **31% reduction** Compared to FY2015

### Key SDG Targets



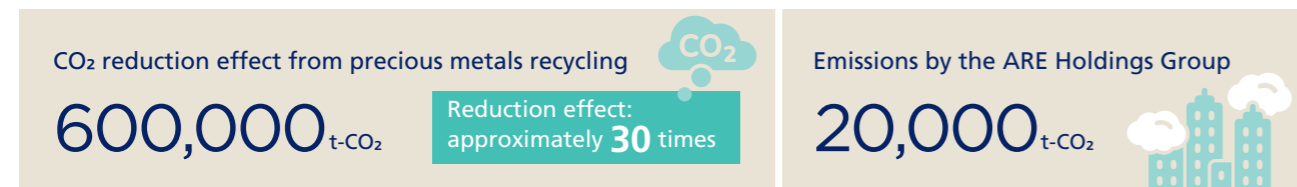
## Addressing Climate Change

Key SDG Targets  
Reduce CO<sub>2</sub> emissions

Climate change is a common challenge for humankind, and we believe it is one of our business materiality themes. We are committed to achieving a sustainable society through our businesses and by reducing our own CO<sub>2</sub> emissions.

### CO<sub>2</sub> emissions reduction from precious metals recycling

Precious metals recycling is recognized as having a lower environmental impact than producing new precious metals from virgin mining. For example, when comparing CO<sub>2</sub> emissions, gold is estimated to produce approximately one-tenth the emissions. Applying this ratio to our precious metals recycling volume would result in an indirect CO<sub>2</sub> reduction of 600,000 t-CO<sub>2</sub>, which is approximately 30 times the emissions of our Group. In addition to continuing its own efforts to reduce emissions, the Group remains committed to helping reduce CO<sub>2</sub> through precious metals recycling. (This CO<sub>2</sub> emissions reduction figure does not represent emissions directly reduced by the Group.)

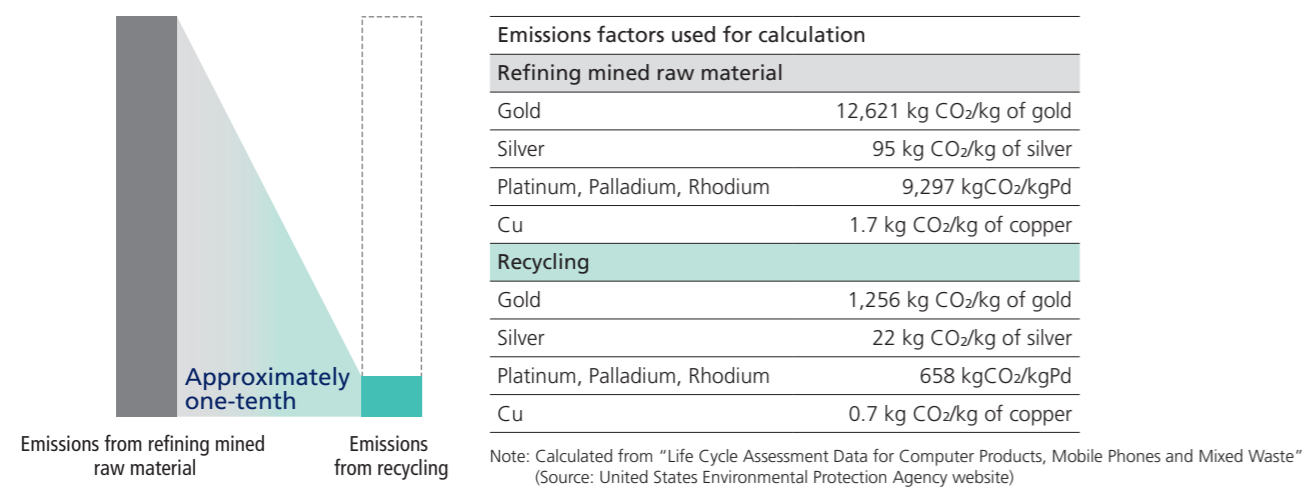


### Environmental benefit of precious metals recycling



Source: Forestry Agency of Japan, Ministry of the Environment; calculation was based on the assumption that one cedar tree absorbs 14 kg of CO<sub>2</sub> annually, and 1,700 cedar trees are planted in an area of one ha

### Effect of reducing emissions by precious metals recycling



### Third-Party Verification of CO<sub>2</sub> Emissions

For our main product, 99.99% gold granules, we calculated the CO<sub>2</sub> emissions from raw material collection to product manufacturing (Cradle to Gate) and conducted third-party verification in accordance with ISO14040:2006 and ISO14044:2006. This value will be made available to the users of this product in a format suitable for use as primary data in calculating their indirect emissions.



## Results and Plans for CO<sub>2</sub> Emissions

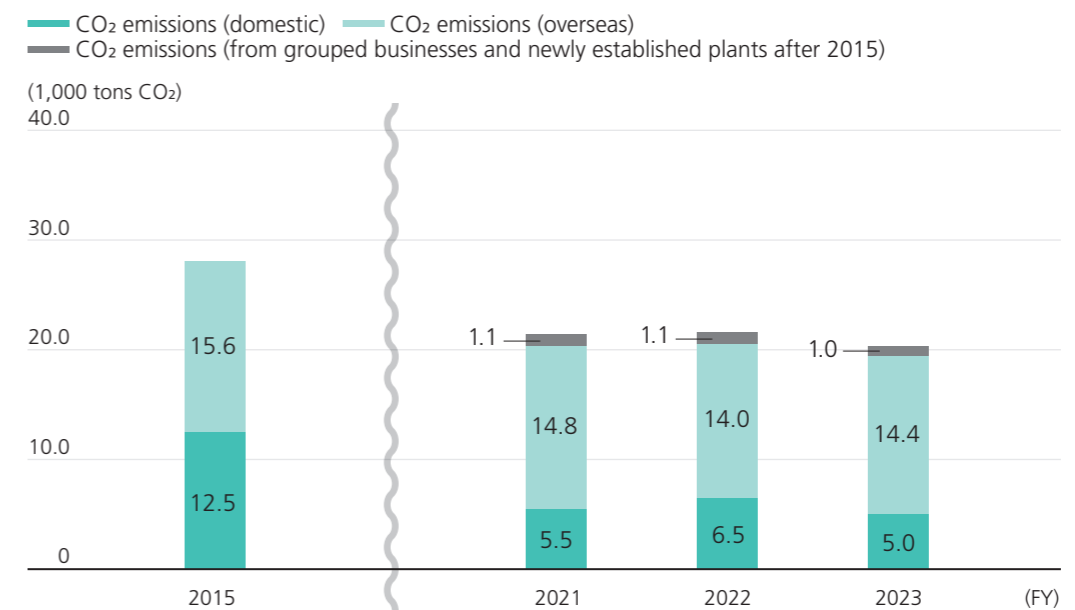
In fiscal year 2023, the Group's total CO<sub>2</sub> emissions decreased by approximately 31% compared to the base year of fiscal year 2015, excluding emissions from sites (two outside Japan) that became part of the Group after the base year. The breakdown of the reduction shows a domestic decrease of approximately 60%, achieved through efforts such as reviewing power suppliers, replacing vehicles, and changing fuel types due to factory transfers.

Emissions overseas were reduced by approximately 7% due to reduced city gas usage, a lower CO<sub>2</sub> emission intensity, and other factors.

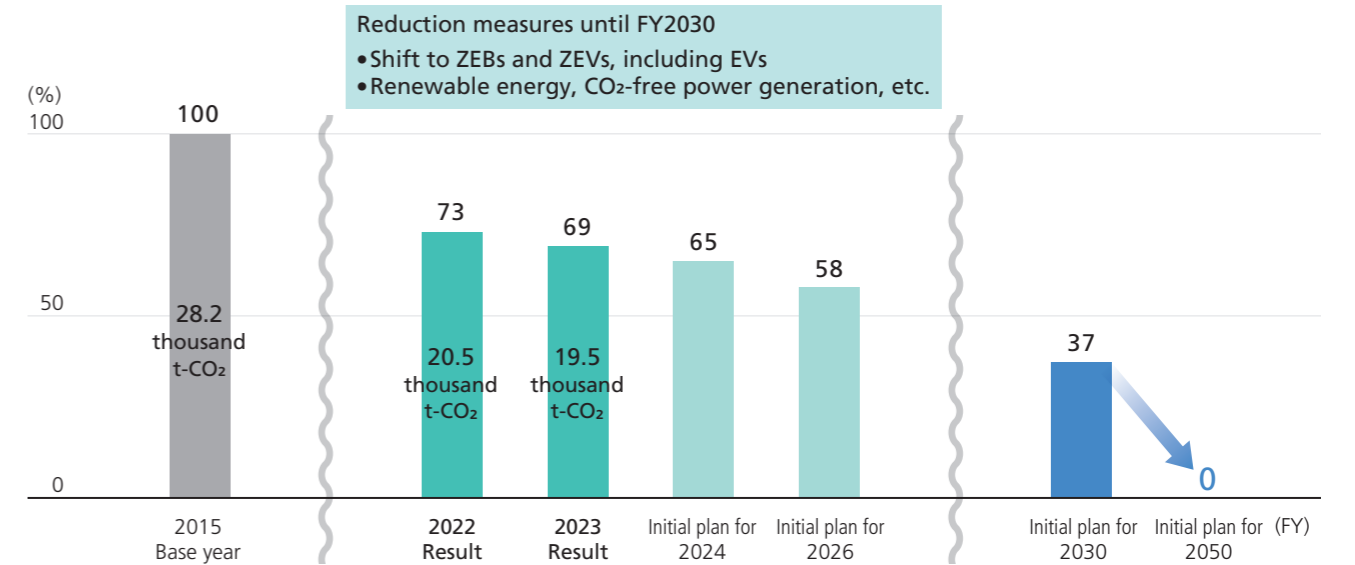
The ARE Group recognized the reduction of CO<sub>2</sub> emissions as a key business materiality and has set a target of reducing CO<sub>2</sub> emissions by 63% from fiscal year 2015 levels by fiscal year 2030. Furthermore, we have declared our commitment to achieving carbon neutrality by fiscal year 2050.

**Scope of data collection**  
Scope 1 and 2 emissions from the company and its consolidated subsidiaries\* (Reporting period: April to March)  
\* Pertains to consolidated subsidiaries as of March 31, 2024. Data for subsidiaries removed from the group is updated retrospectively. Data for new subsidiaries is included starting from the fiscal year they joined in terms of CO<sub>2</sub> emission trends.

### CO<sub>2</sub> Emission Trends



### CO<sub>2</sub> Emission Reduction Plan



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

### Governance

In December 2021, we endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and established a cross-company team for TCFD. This team included staff from the Business, Technical, and Administration Units who identified risks and opportunities related to climate change, assessed the medium- to long-term impact of climate change on our business, and considered countermeasures. Currently, this is carried out by the Climate Change Working Group of the Sustainability Committee, which is overseen by the Representative Director and President (CEO). The members include the directors in charge of the Business, Technical, and Administration Units, as well as others. The identified risks and opportunities are reviewed at least once a year and the status of responses is reported to both the Sustainability Committee and the Board of Directors. Critical matters are decided by the Board of Directors to reinforce governance.

### Strategies

#### Identification of Risks and Opportunities

We identify risks and opportunities related to climate change that will affect our precious metals business segment (domestic and North American refining businesses) as well as the environmental preservation business segment in 2030. We separated the risks and opportunities into these categories: 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. We also considered the further impact of climate change from 2030 to 2050. As a result, policy and legal, market, technology factors, etc. were identified.

Category		Description	2030		2050	Mitigation Measures
			4°C	1.5°C		
Risks	Transition Risks Policies and Regulations	● Increased costs due to the introduction of carbon pricing mechanisms, including carbon taxes.	—	High impact	↗	● Switching to CO <sub>2</sub> -free power sources and replacing gasoline vehicles with EVs to meet FY2030 CO <sub>2</sub> reduction targets.
	Physical Risks Acute	● Intensifying natural disasters, such as typhoons and floods, causing facility damage and prolonged operational disruptions.	—	—	↗ (4°C)	● Expanding BCM (Business Continuity Management) at plants identified as high-risk based on hazard maps. ● Selecting disaster-resistant locations and implementing disaster mitigation measures for large-scale capital investments.
Opportunities	Transition Risks Policies and Regulations	● Recycled metals with relatively low CO <sub>2</sub> emissions will be highly valued and gain competitiveness under carbon pricing mechanisms. ● Compliance with regulations and enhancement of CO <sub>2</sub> emissions reporting.	—	High impact	↗	● Enhancing value-added sales of recycled metals by leveraging traceability. ● Strengthening consulting services that provide value, such as CO <sub>2</sub> emissions analysis. ● Expanding business by assisting companies that have difficulty complying with regulations.
	Transition Risks Market	● Growing demand for recycled products and expansion in the range of products targeted for recycling.	—	High impact	→	● Expanding the handling of low-grade scrap materials and increasing the range of metals recycled.
	Technology	● Greater incentives to accelerate the development and early commercialization of decarbonization technologies, such as hydrogen.	—	Medium impact	↗	● Promoting further utilization of hydrogen using surplus power and other renewable sources.

#### Summary of Scenarios

Next, we conducted scenario analyses for climate change to investigate the impact on our business. We chose two scenarios: one where the global average temperature is expected to increase by around 4°C by 2100, and another where the increase is 1.5°C by 2100, compared to pre-industrial levels. These analyses were based on the World Energy Outlook 2021 by the International Energy Agency (IEA), reports by the Intergovernmental Panel on Climate Change (IPCC), and materials published by the Japanese government.

### Results of Scenario Analyses

The 4°C scenario is where the current situation continues, and we found that there would be little impact on our operations as of 2030. On the other hand, as we move toward 2050, under this scenario, we anticipate an increase in a physical risk: the intensification of natural disasters such as typhoons or floods caused by severe weather. In addition to managing business continuity, we are also taking actions such as selecting disaster-resistant locations when relocating plants.

For the 1.5°C scenario, strong policy measures are expected to be taken to achieve carbon neutrality by the mid-century. One of these risks is the introduction of carbon pricing, including a carbon tax. Being affected by cost increases will become a risk. On the other hand, in the precious metals business segment, recycled metals, which emit relatively little CO<sub>2</sub> emissions, could gain a reputational and cost advantage. This is an opportunity for the Company, which has strengths in the production and traceability of recycled precious metals.

In our environmental preservation business segment, providing systems that reduce environmental impact presents an opportunity. We will focus on expanding these opportunities while mitigating risks.

### Risk Management

The Climate Change Working Group will compile the responses to risks and opportunities related to climate change and CO<sub>2</sub> emissions. The Sustainability Committee will monitor and evaluate them every year. The Board of Directors will also be informed of the contents for supervision and direction. In addition, the Group Risk Management Department is also informed of the risk management of the entire Group.

### Indicators and Targets

One of our business materiality themes is to reduce CO<sub>2</sub> emissions, so we have set the following targets:

- Final target** — Aim to reach carbon neutrality by FY2050 (targets are Scopes 1 and 2)
- Interim target** — Reduce CO<sub>2</sub> emissions by 63% (compared with FY2015) by FY2030 (targets are Scopes 1 and 2)

In order to achieve these targets, we are moving forward with switching to CO<sub>2</sub>-free electricity, reducing fuel usage, and making our business offices ZEBs (Zero Energy Buildings). We are also planning to reduce emissions by 35% compared to fiscal year 2015 by fiscal year 2024, and by 42% compared to fiscal year 2015 by fiscal year 2026.

Recommended disclosures	Status of Efforts / Action Policies
Governance	<ul style="list-style-type: none"> <li>● 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</li> <li>● Establishing the Climate Change Working Group under the Sustainability Committee to promote measures for climate change</li> <li>● Building a system to supervise the matters discussed by the Sustainability Committee under the Board of Directors</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>● Conducting scenario analysis of risks and opportunities related to short-, medium-, and long-term climate change at 4°C and 1.5°C</li> <li>● Setting "Reduction of CO<sub>2</sub> emissions" as one of our business materiality themes</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>● 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</li> <li>● Incorporating the reported matters into the overall group's risk management system by reporting it to the Group Risk Management Department</li> </ul>
Indicators and Targets	<ul style="list-style-type: none"> <li>● The Group has already set a target of reducing CO<sub>2</sub> emissions by 63% from the FY2015 level by FY2030, and it has already declared that it will achieve carbon neutrality in FY2050 (Scope 1 and Scope 2)</li> </ul> <p><b>For information regarding the plan to reduce CO<sub>2</sub> emissions by FY2030 and the FY2023 emissions data, see p. 35</b></p>

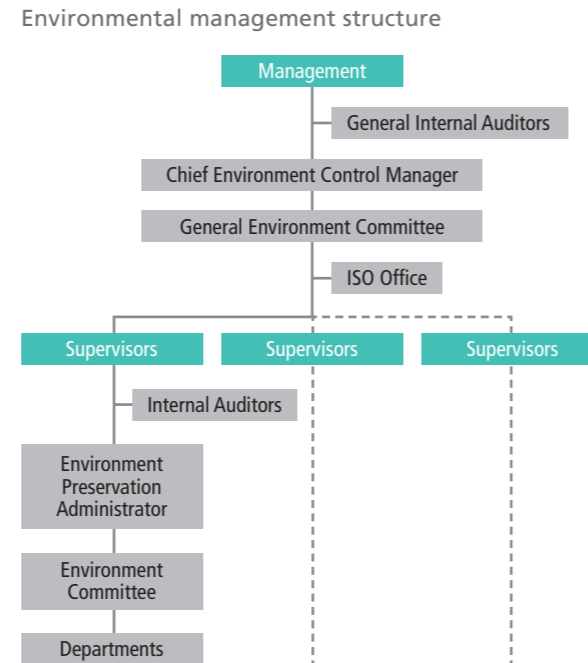
## Environmental Management

### Environmental Management Promotion System

ARE Holdings Group contributes to protecting the earth's natural resources through precious metals recycling and environment preservation. However, at the same time, we consume resources and energy.

Guided by our Environmental Policy to help minimize the environmental impact, we follow environment-conscious operations where an optimal balance can be achieved between limiting the environmental impact and generating economic value.

We are actively pursuing ISO 14001 certification, the international standard for environmental management, aiming to reduce our environmental impact globally. Each year, we establish company-wide environmental goals aligned with our Environmental Policy. At ISO 14001-certified sites in Japan, we also develop site-specific annual environmental goals. Each site appoints an environmental preservation administrator and establishes an environment committee. These committees ensure compliance with environmental laws and regulations, revise plans, and enhance environmental education. All such activities are reported to management. Additionally, we ensure full application of our Environmental Management System (EMS) across all sites.



### Our Initiatives

#### ISO 14001 Certification Overview

In August 2018, we acquired ISO 14001 certification for our sites in Japan, including those at our subsidiaries. As of August 2024, we have been certified at 21 sites in two companies. Going forward, we will continue to focus on maintenance and improvements with an emphasis on extending certification to all sites.

#### Promoting Green Purchasing

The Group strives to help resolve serious environmental issues. This includes climate change caused by emissions from mass production, consumption, and 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 using products and services that help reduce impact on the environment.

#### Recommended Products

- 1) Products contributing to forest protection approved by the Program for the Endorsement of Forest Certification
- 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

ISO 14001 Certificate



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

### Contributing to Biodiversity

Since launching our service for detoxifying liquid waste in the 1970s, the Group has dedicated over 50 years to environmental conservation. By effectively handling industrial waste, we contribute to preserving ecosystems, aquatic environments, and the oceans. We are aware that it is crucial to stop and reverse the loss of natural habitats, deliver outcomes that are beneficial to nature, and mitigate and manage natural risks for conserving 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 our environmental footprint by continuing to cut back on water use and to become more efficient. While we recognize the importance of managing stress on water resources alongside the efficient use of these resources, none of our business sites—in Japan and overseas—are in areas categorized by WRI Aqueduct as being at high risk or above. We have concluded that none of our business sites are exposed to water stress.



### Initiating Joint Discussions to Expand the Heavy Water Recycling Business

Asahi Pretec is collaborating with Japan Waste Corporation, Sumitomo Mitsui Trust Bank, Limited, EIWA Corporation, and FC Development Co., Ltd. to expand the heavy water recycling business.

Hydrogen (H<sub>2</sub>) is regarded as a key material for achieving carbon neutrality. Deuterium (D<sub>2</sub>), a hydrogen isotope, is being utilized and researched for purposes such as improving the efficiency and durability of OLED luminescent materials and extending the efficacy of pharmaceuticals while reducing the side effects. Furthermore, deuterium is gaining attention as a potential fuel for future nuclear fusion. However, heavy water, the primary source of deuterium, is almost entirely imported, making it scarce and subject to significant price volatility.

As part of the fiscal year 2022 Cross-Regional Cross-Sector Carbon Neutrality Technology Research, Development and Demonstration Program implemented by Japan's Ministry of the Environment, Asahi Pretec developed a technology to co-produce hydrogen and heavy water while recycling and reusing spent heavy water, which is currently treated as industrial waste. Leveraging this technology enables the reuse of previously discarded heavy water, thereby meeting domestic demand for heavy water through resource reclamation. In addition, by selling the co-produced hydrogen, we will contribute to the reduction of CO<sub>2</sub> emissions by decreasing reliance on fossil fuels.



# Human Capital Supporting Our Business Strategy

Our Approach to Human Capital Management



To achieve our Medium- to Long-Term Plan & Aspiration, we believe it is imperative for all employees to understand and practice the ARE Group Way. We are convinced that when diverse employees collaborate, respectfully and with care for one another, think independently, actively take on challenges, and pursue innovation, the productivity of the entire organization is maximized. Therefore, we position our employees as key stakeholders and are systematically investing in human capital. We have established an environment that encourages employees to continuously learn and fully express their abilities in daily tasks, underpinned by our commitment to promoting Diversity, Equity & Inclusion, and health and productivity management, allowing each diverse employee to achieve a balance between work and life in a way that suits them.

Specifically, we are advancing initiatives such as promoting employment for people with disabilities, encouraging women's participation in the workforce, and adopting an optional three-day weekend as part of our work style reforms. We focus on recruitment strategies and competitive compensation aimed at attracting core personnel for the medium to long term—individuals who embody the ARE Group Way, enhance their expertise, and are capable of planning, designing, and executing the future development of our business.

In a labor market where workforce mobility is expected to increase, we believe enhancing engagement is the most effective way to retain talent. Through investments in human capital, we aim to elevate employee engagement and foster unique organizational capabilities that are rooted in the ARE Group Way, making them difficult for competitors to replicate.

## Enhancing the Foundations of Work-Life Balance and Diversity

Key SDG Targets



### Introduction of new work styles (including an optional three-day weekend and designated 10-day annual leave system)

This program has been in place since October 2022, aiming to both maintain and enhance labor productivity in our business operations while accommodating the diverse personal lives of our members. It encompasses not only childbirth, childcare, school runs, nursing care, medical treatments, and doctor visits, but also encourages the use of newly created personal time for re-skilling (relearning through self-improvement) as well as hobbies and leisure activities.

Achievement rate for rest intervals between shifts	99.9%
Annual paid leave acquisition rate	58.8%

### 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 raising awareness about paternity leave among male employees, we are promoting the creation of an environment where men can comfortably engage in childcare, including running in-house training programs (under the banner of Asahi Learning) for all managers.

Paternity leave acquisition rate	76.9%
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### Measures to increase the percentage of women in managerial positions

We are continuously working to improve support systems that enable a balanced work-life approach, including flexible working arrangements such as work from home and reduced hours to support childcare until children complete elementary school. As a strategy for increasing the percentage of women in managerial positions, 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, is an ongoing effort to foster the active engagement of female employees through dialogue and interaction among colleagues. In recognition of these efforts, Asahi Pretec Corporation achieved the Platinum Kurumin certification in 2024.

Percentage of female managers	5.0%
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### Company-wide promotion of employment for individuals with disabilities

Through the Sustainability Committee, we are actively promoting a corporate culture and workplace environment where employees with disabilities can thrive. Rather than treating the employment of individuals with disabilities merely as social responsibility or obligation, we aim to achieve diversity, equity, and inclusion by enabling these employees to contribute to business growth and find meaning in their work. These efforts are reflected in our achievement of the legally mandated employment rate.

Disability employment rate	3.6%
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### Improving employee engagement

We have transitioned from conducting a company-wide survey every three years to conducting it annually with enhanced content, allowing for more precise measurement of employee and organizational engagement levels. The results are shared with all employees. Additionally, we provide organizational leaders with training and expertise to drive engagement improvements, establishing a framework where each organization can independently take the initiative in implementing enhancements.

#### Overview of Flexible Work Arrangements

Programs	Details	Eligible participants
New work styles	We offer workplace-specific options such as a three-day weekend model and a designated 10-day annual leave system. Offering flexible work options accommodates a wide range of personal needs, not just for childbirth, childcare, school pick-ups, nursing care, and medical treatment, but also for 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 prevent the adoption of new work styles, adjustments can be made flexibly 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 six hours per day, with childcare available until the child completes sixth grade.	All employees
Work from home (for childcare and nursing care)	Up to two days of work from home per week.	All employees
Special leave (for childbirth)	Up to three days of paid leave when a spouse gives birth.	All employees
Nursing care leave	Up to five days per year per person, available in one-hour units.	All employees

## Human Resource Development

### Training System Organization

We have implemented our own qualification systems and internal education courses with the goal of developing professional human resources who can operate on a global level, regardless of their position or occupation. We are also developing employees who enjoy taking on a challenge, using systems that fairly and objectively evaluate every employee's contribution to business performance.

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

### Overseas Trainee Program

We have introduced this trainee program to better understand the diversity of cultures through firsthand experiences and to cultivate a global perspective. This is part of our strategy to nurture future managers who can perform on the world stage. We intend to send young engineers from our Technical Research Center to North America, with the goals of not only improving their technical skills but also of developing the ability to adapt to a global environment.



### Training for New Managers

This program offers a structured approach to learning the knowledge, behaviors, attitudes, and mindset required for effective management. Rooted in the values of the ARE Group Way, the program equips managers to practice these principles and foster a corporate culture aligned with the ARE Group Way.



### Mentorship System

This system involves senior employees acting as mentors and providing structured on-the-job training (OJT), which facilitates rapid growth for new employees. Mentors undergo training, enabling them to develop foundational skills for managing and developing subordinates. Additionally, this system aims to foster the mindset of continuous learning and independent initiative, in alignment with the principles of the ARE Group Way.

### Increase in starting salaries for new graduates

	Current Amount	After Revision	Increase
Bachelor's Degree	¥255,000	¥280,000	¥25,000
Master's Degree	¥280,000	¥300,000	¥20,000

In light of the intensifying competition for human resource, we raised the starting salaries for new graduates joining in April 2024. To stay ahead of external trends, we are planning another salary increase in 2026. By strengthening our recruitment communication efforts, we aim to expand student applications and attract top talent who will drive the company's future.

## Health and Productivity Management

Our purpose is to be "Totally Committed to Protecting the Natural Environment and Preserving Resources," and we are committed to balancing the resolution of social issues with ongoing enhancements to our corporate value. As stated in the ARE Group Way Values, "Care for Others," we regard each employee as the driving force of our organization and a crucial management foundation. By promoting health and productivity management, we aim to address key management challenges, including the sustainable growth of the company, organizational revitalization, and increased productivity.

### ARE Holdings Health Declaration

The ARE Holdings Group recognizes that every employee's mental and physical health are assets to the company and is working to enhance corporate value by building healthy, productive workplaces.

Tomoya Higashiura, Representative Director, President & CEO

### Robust Health Exam Program that Exceeds Legal Requirements

Starting at age 35, a gastroscopic examination is recommended for employees, and advanced medical checkups including brain MRIs and PET scans are provided periodically starting at age 40.

We have been recognized by Japan's Ministry of Economy, Trade and Industry as a 2024 Certified Health & Productivity Management Outstanding Organization. This recognition is given to corporations that are promoting employee health from a strategic business perspective.



### Mental Health

Since good mental health is essential for improving productivity and vitality, employees are provided individual consultations and other services by industrial physicians specializing in mental health. In addition, stress checks are given to all employees at all sites including workplaces with fewer than 50 people.

After the checks are carried out, we analyze the results for each site and improve workplaces to promote even more supportive working environments.

## Creating a Safe Workplace

### Initiatives under the Occupational Safety and Health Management System (OSHMS)

To reduce occupational accidents, it is essential to proactively mitigate the numerous risks that exist in the workplace. We have adopted the concept of OSHMS, a systemized approach to risk management, and established systematic safety processes to ensure ongoing health and safety management. Our goal is to improve workplace health and safety standards. Through initiatives such as risk assessments and hazard prediction training, we are strengthening accident prevention and safety education, with a focus on preventing serious accidents and disasters.

## Commitment to Responsible Management of Precious Metals

The ARE Holdings Group is engaged in the global procurement of 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 as a key element of fulfilling our social responsibilities. This includes compliance with laws, respect for international norms, human and labor rights, health and safety, environmental preservation, fair and impartial transaction, and ethics.

### What is Responsible Precious Metals Management

Key SDG targets **Supplying Precious Metals in a Way That is Friendly to People, Society, and the Environment**



### Responsible Sourcing of Minerals

The Dodd-Frank Act was passed in the United States in 2010 out of concern that mineral resources were being used as sources of funding for armed groups causing conflicts and human rights abuses. This 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 U.S. and which procure tin, tantalum, tungsten, and gold (called 3TG) are required to carry out due diligence, determine the 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 (OECD Guidance). 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. This regulation 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, 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 that the companies are trusted by customers in the global market.

To maintain Good Delivery accreditations, in addition to regular quality and technical testing, Good Delivery refiners are required to be audited annually by a third party for the LBMA Responsible Gold and Silver Guidance (called LBMA Guidance), and the LPPM Responsible Platinum and Palladium Guidance (LPPM Guidance) in compliance with OECD Guidance.

In addition to avoiding conflict minerals, human rights abuses, money laundering, financing terrorism, and fraudulent transactions, the LBMA Guidance also now requires refiners to fulfill their social responsibilities for sustainability and the environment.

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).

#### Our Initiatives

As ARE Holdings Group sets being "Totally Committed to Protecting the Natural Environment and Preserving Resources" as our purpose, the Group sees creating a sustainable supply chain to achieve this purpose as essential. For our own sustainable business development as well as for our business partners and suppliers, together with them, we fulfill social responsibilities for legal compliance, human rights, ethics, labor, health and safety, and the environment. In our procurement activities, we have established a Sustainable Procurement Policy aimed at enhancing the corporate value of both our partners and suppliers and building a sustainable supply chain based on mutual cooperation and trust with both parties.

**(Compliance with laws, regulations, and social norms)** We will comply with local and international laws, regulations, and social norms applicable to our business activities.

**(Respect for human rights)** We will eliminate all human rights violations, such as forced labor, child labor, harassment, and discrimination in our supply chain.

**(Occupational health and safety)** We will understand local and international labor conditions applicable to our business activities and strive to maintain and improve the working environment as well as health and safety.

**(Environmental considerations)** We will take into consideration the impact on climate change and biodiversity, and promote procurement activities with minimal impact on the global environment.

**(Ensuring quality and safety of products and services)** We will ensure the quality and safety management of our products and services, and strive to continuously maintain and improve them.

**(Fair and impartial transaction)** We will conduct fair and impartial transactions in accordance with corporate ethics, sound business practices, and social norms.

**(Information security)** We will properly manage confidential information and personal information obtained in procurement activities and strive to prevent leaks.

## ASAHI METALFINE's Initiatives

Leveraging its sales network that covers all of Japan and its overseas sites in Asia, ARE Holdings Group collects and recycles scrap containing precious metals generated from sources such as e-scrap, plating treatment, precision cleaning, catalysts, dentistry, and jewelry. By recycling gold, silver, platinum, palladium, and other precious metals essential to modern manufacturing, ARE Holdings Group contributes to the effective use of resources and the advancement of the industry.

ASAHI METALFINE's gold, silver, platinum, and palladium products are recognized worldwide. In addition to receiving Good Delivery accreditation from LBMA and LPPM, its products have also been approved for delivery by futures exchanges, including the Osaka Exchange (OSE) in Japan, the Commodity Exchange (COMEX) and the New York Mercantile Exchange (NYMEX) in the United States, establishing them as a globally recognized brand.

In July 2019, ASAHI METALFINE became the first Japanese refiner to receive the Responsible Jewellery Council (RJC)\* Code of Practices (COP) certification. In July 2021, the company also obtained the Chain of Custody (COC) certification for its processing and distribution management. ASAHI METALFINE adheres to the RJC's strict standards for ethics, human rights, society, and the environment, as well as for due diligence and traceability. The company is committed to fulfilling its responsibilities as a member of the precious metals supply chain, including gold and platinum.

\* A non-profit organization that promotes transaction transparency and responsible corporate behavior in the jewelry industry, targeting companies that handle precious metals and diamonds, from mining to retail.



### Responsible Management of Precious Metals

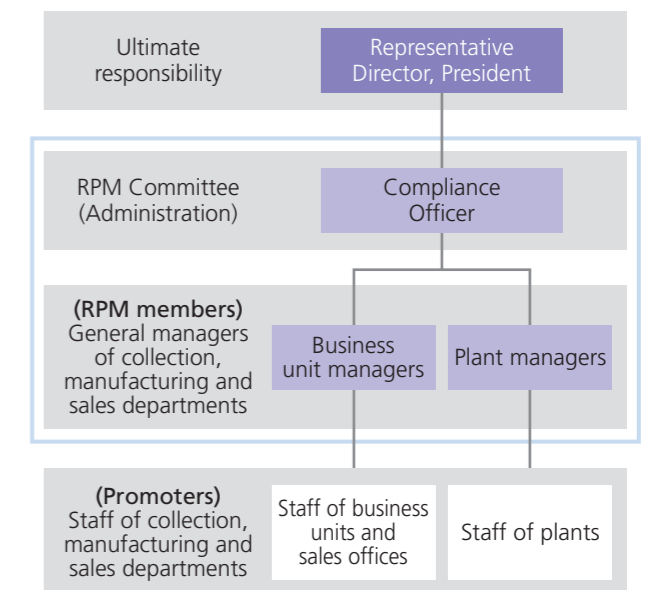
In the precious metals supply chain, we have established a Responsible Precious Metals Management Policy and formed the Responsible Precious Metals Management Committee (RPM Committee) to oversee our domestic Group companies. Under the leadership of the Chief Compliance Officer, appointed by the President and CEO, the RPM Committee is responsible for making key decisions, including formulating and revising policies, developing management systems, monitoring implementation, educating employees, and reporting to senior management.

We evaluate transactions that adversely impact our precious metals supply chain as high-risk. The RPM Committee discusses these transactions, and additional due diligence is conducted as necessary to further strengthen the management system.

### Supply Chain Management

Our due diligence process uses an approach that assesses 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 through know-your-customer questionnaires, we gain an understanding of the transaction and the origin of materials; we then evaluate the risks for suppliers and materials. We sent a consent form to all of our suppliers, requiring them to confirm that they agree with our RPM Management Policy, and we request their understanding and cooperation in responsible precious metals sourcing. We establish relationships of trust with our suppliers and conduct continuing due diligence to mitigate risk in the supply chain.

- 1) Implementation of due diligence for suppliers (risk assessment based on information such as business type, location, types of materials, and 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 conducting management reviews
- 6) Conducting annual independent third-party audits



## Relationship with Society

### 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 our customers.

### Fair and Impartial Transaction

The ARE Holdings Group is committed to upholding fair and impartial trading practices and corporate ethics as we strive to achieve one of the ARE Group Way Goals: “Establishing a globally trusted corporate brand.”

### Quality Assurance System

At Asahi Pretec, quality assurance is positioned as the core department, and it works closely with the sales, technology development, and product manufacturing departments. Quality assurance 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 all products deliver satisfaction and peace of mind to customers. We strive to continually improve our quality management system and maintain the highest level of quality.

### Procurement Initiatives

As ARE Holdings Group sets being “Totally Committed to Protecting the Natural Environment and Preserving Resources” as our purpose, the Group sees creating a sustainable supply chain to achieve this purpose as essential. For our own sustainable business development as well as for our business partners and suppliers, together with them, we fulfill social responsibilities for legal compliance, human rights, ethics, labor, health and safety, and the environment. We have established the Sustainable Procurement Policy as our basic approach to procurement, and have also set up material- and company-specific policies to achieve the goals of the basic procurement policy.

#### ARE Sustainability Procurement Policy

- (Compliance with laws, regulations, and social norms)** We will comply with local and international laws, regulations, and social norms applicable to our business activities.
- (Respect for human rights)** We will eliminate all human rights violations, such as forced labor, child labor, harassment, and discrimination in our supply chain.
- (Occupational health and safety)** We will understand local and international labor conditions applicable to our business activities and strive to maintain and improve the working environment as well as health and safety.
- (Environmental considerations)** We will take into consideration the impact on climate change and biodiversity, and promote procurement activities with minimal impact on the global environment.
- (Ensuring quality and safety of products and services)** We will ensure the quality and safety management of our products and services, and strive to continuously maintain and improve them.
- (Fair and impartial transaction)** We will conduct fair and impartial transactions in accordance with corporate ethics, sound business practices, and social norms.
- (Information security)** We will properly manage confidential information and personal information obtained in procurement activities and strive to prevent leaks.

Asahi Pretec and ASAHI METALFINE have established the CSR Procurement Policy as well for secondary materials such as chemicals and consumables used in business activities. The ARE Holdings Group fulfills all social responsibilities and improves corporate value for both suppliers and the Group through procurement that emphasizes seven perspectives: environmental protection, quality management, fair and impartial transaction, information security, risk management, social responsibility, human rights, and occupational health and safety.

### Engaging with Local Communities

Key SDG targets  
Encourage and Support SDG-Related Activities 

The Group plays a critical role in the circular economy, functioning much like the veins in a circulatory system—a role that will grow increasingly important in the future. As our business recycles waste materials from local communities and companies into resources, strengthening our relationships with those stakeholders is essential. Accordingly, the Group actively participates in initiatives led by national and local governments as well as industry associations, while also engaging in its own social contribution and sponsorship activities.

### ASAHI JEWELRY JOURNAL

Nowadays, all companies are expected to address environmental, social, and governance (ESG) issues. The Group recognizes the importance of not only pursuing its own initiatives such as Responsible Precious Metals Management, but also raising awareness and sharing knowledge of its efforts. In June 2020, Asahi Pretec launched the Asahi Jewelry Journal for its partners in the jewelry industry. Published regularly, it features SDGs initiatives and other timely topics.



### Coexistence with Local Communities

Our company views harmony and development with the communities in which we operate as a key priority. Guided by this philosophy, we are implementing initiatives to enhance disaster preparedness in the local community at our new plant under construction in Bando City. Scheduled to begin operations in April 2025, the new plant is designed not only as a production facility but also as a hub that contributes to the safety and security of the community. To this end, we have signed a cooperation agreement with Bando City for disaster response, pledging to make parts of the plant's facilities available as an emergency shelter. Specifically, the plant's cafeteria (600m<sup>2</sup>) and parking area (1,400m<sup>2</sup>, accommodating 90 vehicles) will be opened during disasters, with the capacity to shelter approximately 70 households. Additionally, the plant is equipped with a solar power generation system and battery storage to ensure electricity can be provided to evacuees even during power outages. Through these measures, we aim to support the local community during emergencies.

The new plant is located on elevated ground outside the flood-prone areas identified on the flood hazard map, ensuring safety from natural disasters. By leveraging this advantageous location, the plant will function as a disaster preparedness hub, contributing to the safety and security of the local community.

### Participating in Social Contribution Activities

As a corporate citizen, the Group engages in social contribution activities rooted in local communities and environmental preservation.

#### TOOTH FAIRY project

Asahi Pretec participates in the TOOTH FAIRY project, which is jointly managed by the Nippon Foundation and the Japan Dental Association. This initiative 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 the sale of these recycled metals are used for social contribution activities, including supporting children with intractable diseases and their families. Asahi Pretec provides support by recycling the precious metals donated to the TOOTH FAIRY project.



#### Asahi Clean Project

The Group encourages and supports employee activities that contribute to the SDGs as responsible members of society, including individual and group volunteer efforts, under the ARE Holdings SDGs Activities initiative. On April 1, 2021, we launched the Asahi Clean Project to promote cleaning initiatives, with a total of 1,548 employees and their families participating. These cleanup activities extend beyond our offices and sales locations to various communities.



#### Donation Activities at Overseas Locations

At Asahi Refining companies, employees collaborate on donation activities. Each year, a large amount of food and toys is collected and donated to food banks and other organizations.




### Other Social Contribution Activities

- Support for the activities by nonprofits such as Médecins du Monde Japon
- Support for the activities by nonprofits such as the Japan Cleft Palate Foundation
- Donations to the Nippon Foundation through vending machines, etc.

Social Contribution Activities (Since 2018)  
Total reported cases: **346**



## Directors and Officers



Number of Shares Held	100,000 shares
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

Director of Asahi Pretec Corp.  
Representative Director of Waste System Japan Corporation  
Chairperson and Director of RENATUS Co., Ltd.  
Director of Japan Waste Corporation

**Reason for Appointment**

Mr. Tomoya Higashiura engages in the management of the Group as a Representative Director of the Company and as a Director of the Group companies, having deep insight and abundant experience in overall management. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his abundant experience in the Precious Metals Business and its global expansion would contribute to the sustainable enhancement of the corporate value of the Group.

**Career History**

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 Asahi Holdings, Inc. (currently ARE Holdings, Inc.)

Jun 2010 Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation)

Apr 2011 Appointed Director of Asahi Holdings, Inc. (currently ARE Holdings, Inc.)


Jun 2014 Appointed Representative Director, President of Asahi Pretec Corp. (currently Japan Waste Corporation)

Apr 2018 Appointed Representative Director, President of Asahi Holdings, Inc. (currently ARE Holdings, Inc.)  
Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation) (to present)

Jun 2020 Appointed Representative Director, President & CEO of Asahi Holdings, Inc. (currently 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)

Mar2024 Appointed Representative Director, President of Waste System Japan Corporation (to present)  
Appointed Chairperson and Director of RENATUS Co., Ltd. (to present)



Number of Shares Held	None
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

Adjunct Professor of the Graduate School of Management, Kyoto University  
Professor of the School of Data Science, Osaka Seikei University

**Expected Contributions and Role**

Mr. Yoshinori Hara has professional expertise and practical experience concerning development of service management personnel, through his involvement in university management as a former Dean of Graduate School of Management (MBA), Kyoto University, and as a Professor at the aforementioned university graduate school. The Company appointed him as an Outside Director (Audit and Supervisory Committee Member) since the Company expects that he will continue to provide supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from a standpoint independent of management toward sustainable enhancement of corporate value of the Company.

**Career History**

Born July 21, 1958

Apr 1983 Joined NEC Corporation

Aug 1990 Became a Visiting Researcher, Stanford University

Jul 2004 Supervised NEC 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 Asahi Holdings, Inc. (currently ARE Holdings, Inc.) (serving as Chairman of Audit and Supervisory Committee) (to present)

Apr 2024 Professor Emeritus of Kyoto University (to present)  
Adjunct Professor of the Graduate School of Management, Kyoto University (to present)  
Professor of the School of Data Science, Osaka Seikei University (to present)



Number of Shares Held	None
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

President & CEO of KING JIM CO., LTD.  
Outside Director, JAPAN POST HOLDINGS Co., Ltd.

**Expected Contributions and Role**

Ms. Miyoko Kimura has abundant business experience in corporate management and knowledge and actual experience in the marketing field, having been engaged in business expansion of ASKUL Corporation and KING JIM CO., LTD. as a Director, after launching the ASKUL business as one of its founders and serving as a Representative Director of ASMARU Corporation which was a subsidiary of ASKUL Corporation. The Company appointed her as an Outside Director (Audit and Supervisory Committee Member) since the Company expects that she will continue to provide supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from a standpoint independent of management toward sustainable enhancement of corporate value of the Company.

**Career History**

Born June 12, 1964

Apr 1988 Joined PLUS Corporation

May1999 Joined ASKUL Corporation

Feb 2010 Appointed Representative Director and President of ASMARU Corporation

Aug2017 Appointed Director, Chief Marketing Officer (CMO), and Senior Vice President of Life Creation Unit and Value Creation Center Unit of ASKUL Corporation


May2021 Appointed Director in charge of branding, design, and supplier relations of ASKUL Corporation

Jun 2021 Appointed Independent Outside Director of Asahi Holdings, Inc. (currently 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)

Sep 2024 Appointed President & CEO of KING JIM CO., LTD. (to present)



Number of Shares Held	2,000 shares
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

Auditor of Asahi Pretec Corp.

**Reason for Appointment**

Mr. Mitsutoshi Kagimoto has abundant insight and experience concerning the Company's business, having been an employee of the Company for many years and engaged in the management of the Group as a Representative Director of a Group company, and, furthermore, in auditing of the Company as General Manager of the Secretariat of Audit and Supervisory Committee. Using his abundant insight and experience, he has provided supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors, and the Company expects him to continue to perform these roles. Therefore, the Company appointed him as a Director (Audit and Supervisory Committee Member).

**Career History**

Born June 15, 1958

Apr 1984 Joined Teijin Limited

Feb 2006 Joined Asahi Pretec Corp. (currently Japan Waste Corporation)

Mar2009 Appointed Assistant General Manager of Kitakanto Office of Asahi Pretec Corp. (currently Japan Waste Corporation)

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 Asahi Holdings, Inc. (currently ARE Holdings, Inc.)

Jun 2021 Appointed Director of Asahi Holdings, Inc. (currently ARE Holdings, Inc.) (full-time Audit and Supervisory Committee Member) (to present)

Dec 2021 Appointed Auditor of Asahi Pretec Corp. (currently Japan Waste Corporation)

Apr 2023 Appointed Auditor of Asahi Pretec Corp. (newly established through absorption-type split and change of trade name) (to present)



Number of Shares Held	None
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

Representative, Yamamoto Certified Public Accountant Office  
Representative Director of GIP Co., Ltd.

**Expected Contributions and Role**

Mr. Akinori Yamamoto has highly professional expertise concerning accounting systems, corporate finance, etc., as a Certified Public Accountant, since he was involved in many M&A projects inside and outside Japan for an investment bank after engaging in auditing services for an audit firm. The Company appointed him as an Outside Director (Audit and Supervisory Committee Member) since the Company expects that he will continue to provide supervision and advice in the aspect of finance and accounting to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from a standpoint independent of management toward sustainable enhancement of corporate value of the Company.

**Career History**

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.

Mar2023 Appointed Representative of Yamamoto Certified Public Accountant Office (to present)

Jun 2023 Appointed Independent Outside Director of Asahi Holdings, Inc. (currently ARE Holdings, Inc.) (serving as Audit and Supervisory Committee Member) (to present)  
Representative Director of GIP Co., Ltd. (to present)



Number of Shares Held	None
Attendance at the Board of Directors Meeting	100%

**Major Concurrent Positions**

Lawyer, Kyowa-Sogo Partners Law Office  
Member of Infringement Judgement Advisory Committee  
Customs Technical Advisor  
External Director, Hankyu Hanshin Holdings, Inc.

Part-time Auditor, National Institute of Technology and Evaluation  
Outside Director, SUGIMOTO & CO., LTD.  
Outside Director, JAMCO Corporation

**Expected Contributions and Role**

Ms. Yuki Tsuru has highly professional expertise concerning laws as a lawyer and experience in supervision of management from an objective standpoint as an Outside Director of the other companies. The Company appointed her as an Outside Director (Audit and Supervisory Committee Member) since the Company expects that she will continue to provide supervision and advice in the aspect of legal and compliance to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from a standpoint independent of management toward sustainable enhancement of corporate value of the Company.

**Career History**

Born May 16, 1969

Apr 2000 Registered in the role of attorney (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 Advisor (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)

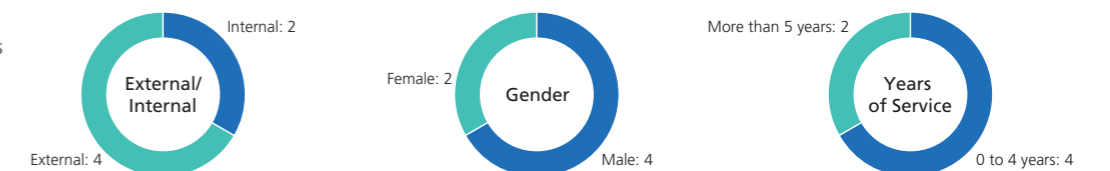
Jun 2022 Appointed Outside Director of SUGIMOTO & CO., LTD. (to present)  
Appointed Outside Director of JAMCO Corporation (to present)

Jun 2023 Appointed Independent Outside Director of Asahi Holdings, Inc. (currently ARE Holdings, Inc.) (serving as Audit and Supervisory Committee Member) (to present)

## Skill Matrix of Directors and Officers

Name	General executive management skills	Industry knowledge	International experience	Sales	Technology and innovation	Administrative experience	Legal	Finance and accounting
Representative Director, President & CEO <b>Tomoya Higashiura</b>	✓	✓	✓	✓		✓		✓
Director, Chairman of Audit and Supervisory Committee <b>Yoshinori Hara</b>			✓		✓			✓
Director, Audit and Supervisory Committee Member <b>Miyoko Kimura</b>	✓			✓				
Director, Audit and Supervisory Committee Member <b>Mitsutoshi Kagimoto</b>	✓	✓					✓	
Director, Audit and Supervisory Committee Member <b>Akinori Yamamoto</b>			✓					✓
Director, Audit and Supervisory Committee Member <b>Yuki Tsuru</b>			✓				✓	
Corporate Officer <b>Tsutomu Nakashima</b>	✓	✓	✓	✓	✓			
Corporate Officer <b>Nobuo Tajima</b>	✓	✓	✓	✓				✓
Corporate Officer <b>Yoshihito Iwasa</b>	✓	✓	✓		✓		✓	

### Composition of the Board of Directors

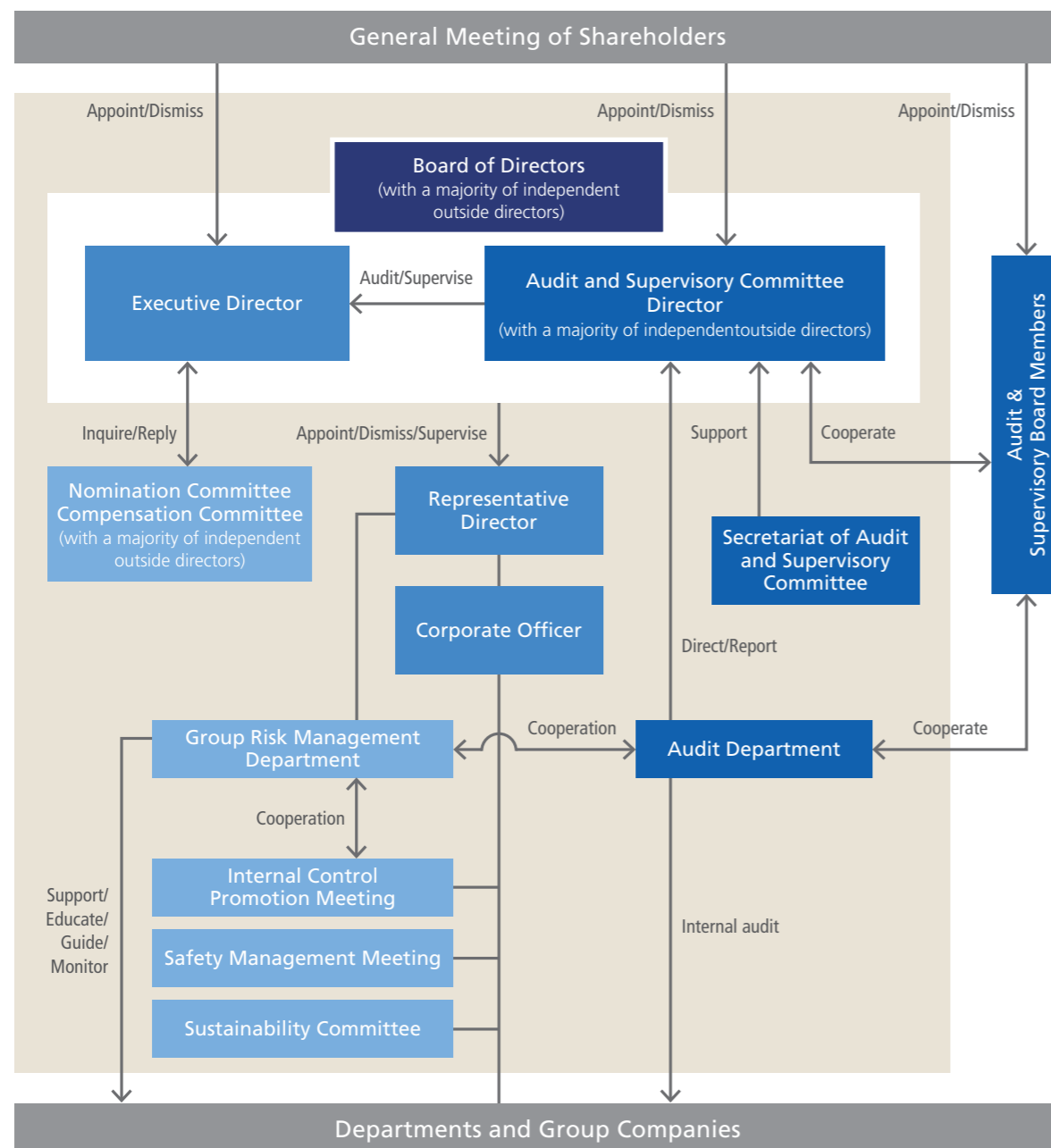


## Corporate Governance

### Basic Approach to Corporate Governance

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

### Corporate Governance System



### Organization Design

#### Board of Directors

The Board of Directors comprises executive directors who have expert knowledge of their respective business, technical, or administration departments, as well as outside directors with various expertise essential to corporate management. To further enhance the objectivity and independence of the Board of Directors and ensure that discussions are lively and effective, the majority of members are independent outside directors. The Board consists of six directors, including four independent outside directors.

The Board of Directors deliberates and decides on basic management policies, management strategies, our medium- to long-term plan, annual plans and other important managerial matters regarding our strategic direction. The Board of Directors met eight times during the fiscal year ended March 31, 2024, and all Directors attended all meetings.

#### Outside Directors

We have established independence criteria for outside directors and appoint independent outside directors with the capacity to perform their duties independently from the management of the company, considering 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 executive and management committee meetings at Group companies. As part of their wide-ranging activities, outside directors share their opinions from an independent point of view. In addition, in order to further strengthen cooperation between independent outside directors and executive directors and to establish a system that enables smooth communication and coordination, we have appointed one independent outside director to lead the independent outside directors.

#### Audit and Supervisory Committee

The main agenda items for Audit and Supervisory Committee meetings include, deciding audit policy and plans, auditing financial results, deciding whether to reappoint the accounting auditor, approving compensation to be paid to the accounting auditor, deciding its opinion regarding personnel and remunerations to be paid to directors, auditing business reports and proposals for General Meetings of Shareholders, auditing the internal control system, conducting interviews regarding operations at overseas subsidiaries, and auditing important requests for approval, etc.

The Audit and Supervisory Committee met eleven times during the fiscal year ended March 31, 2024, and all Audit and Supervisory Committee members attended all meetings.

Meetings with the audit firm that serves as our accounting auditor were held eight times, and we received regular reports from the Audit Department six times, signally the strengthening of collaboration.

#### Nomination and Compensation Committees

A Nomination 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 of these committees is to further enhance corporate governance by ensuring transparency, fairness, and objectivity when appointing and dismissing directors and key management team members and determining 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 items of governance information in a standard format, to the Tokyo Stock Exchange, and we post reports on our website. In addition, we have formulated the ARE Holdings Corporate Governance Policies and are implementing each policy to ensure we continuously enhance corporate governance.

## Remuneration for Directors

### Policy for Determining the Details of Director Remuneration

#### How we determine our remuneration policy

The Board of Directors requests the Compensation Committee, which consists of three 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 a 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, performance-linked 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)	79(-)	33(-)	18(-)	27(-)	2(0)
Directors who are Audit and Supervisory Committee members (outside directors only)	37(25)	37(25)	-	-	7(6)
<b>Total (outside directors only)</b>	<b>116(25)</b>	<b>70(25)</b>	<b>18(-)</b>	<b>27(-)</b>	<b>9(6)</b>

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

Notes: 1. The amount paid to directors (excluding directors 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. In the fiscal year ended March 2023, consolidated operating profit was 12,367 million yen. 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 plan in which ARE Holdings shares are granted to eligible directors according to their position and performance target achievement rates, aiming to provide an incentive to improve corporate value over the medium- and long-term. The formula for calculating the number of points granted in a single business year is the Base Points multiplied by the Performance-Linked Coefficient and further adjusted by the Assessment Coefficient. The performance-linked coefficient follows the methodology described above. The plan ("PLAN I") links the allocation of points to the achievement rate of performance targets, specifically the consolidated operating profit for each fiscal year. Eligible individuals are those who are enrolled in the plan as of May 1, 2024, following the completion of the 9th Medium-Term Business Plan. At the 14th Annual General Meeting of Shareholders held on June 20, 2023, a resolution was passed on the partial amendment of the amount and details of the stock compensation plan that led to the discontinuation of Plan I on March 31, 2024 and the introduction of a replacement plan in fiscal year 2023. The new plan, Plan II, allocates points—used as the basis for the number of shares granted—in accordance with the achievement level of business performance for each year. Furthermore, the new plan adjusts the number of points allocated based on the total shareholder return achievement level for the following two years, and shares are issued in accordance with the adjusted number of points. The performance-linked coefficients are as provided above. The number of points granted in a single business year under PLAN II is determined by multiplying the Consolidated Operating Profit by the Stock Compensation Ratio and the Position Points of Each Participant, then dividing by the Total Position Points of All Participants and the Stock Price for Point Calculation. 4. At the 6th Annual General Meeting of Shareholders held on June 16, 2015, the monetary compensation for directors (excluding directors who are Audit and Supervisory Committee members) was set 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 directors who were Audit and Supervisory Committee members) at the end of that general meeting was five. 5. At the 6th Annual General Meeting of Shareholders, the amount of monetary compensation for directors who are Audit and Supervisory Committee members was also set 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 14th Annual General Meeting of Shareholders held on June 20, 2023, the amount and details of the performance-linked stock compensation plan were partially revised. 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 held their positions for the four years from fiscal year 2023 to 2026. At the end of that general meeting, the number of directors (excluding directors who were Audit and Supervisory Committee members and outside directors) was one. Furthermore, the upper limit of the total number of shares that directors may be awarded per fiscal year shall be 70,000 shares, and the maximum number of the Company's shares to be issued to directors during the four fiscal years from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2027 shall be 280,000 shares.

### Maintaining an Internal Control System

Aiming to reinforce internal controls, we have established an Audit and Supervisory Committee within the Board of Directors. The Committee includes four independent outside directors and cooperates with the 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 also gives advice and makes recommendations to each department, and promptly reports to senior management.

### Evaluation of the Effectiveness of the Board of Directors

As part of our efforts to enhance corporate governance, 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. We are pleased to announce that we have completed the analysis and evaluation for the fiscal year ended March 2024. The analysis and evaluation methods as well as the method of disclosing a summary of the evaluation results are also described in the ARE Holdings Corporate Governance Policies.

#### Analysis and evaluation methods for the fiscal year ended March 2024

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.

#### Summary of evaluation results for the fiscal year ended March 2024

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

- Discussion of major strategies, such as corporate strategy**  
In addition to the Board of Directors meetings, a Medium- to Long-Term Plan & Aspiration Study Group has been established to share and discuss the direction of management.
- Creating an environment that promotes appropriate risk taking**  
We request that important issues and the details of high-risk projects be regularly shared and explained at Board of Directors meetings or executive and management committee meetings.
- 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.
- Appropriate communication with shareholders**  
Although voluntary disclosures are currently posted on the company's website, we would like the company to consider using TDnet, etc., so that the information contained in voluntary disclosures can be disseminated to a wider audience, including potential individual shareholders.
- Composition of the Board of Directors**  
Aside from theoretical training for directors, the company also provides ample opportunities for directors to deepen their understanding of the company through visits to workplaces and facilities, participation in general meetings of employees and members, social events with female employees called Asahi Cheer-up Meeting, and other activities.
- Management of the Board of Directors**  
We would like prior briefings and advance notice at meetings on the direction of important issues and issues that are subject to major changes.

#### Measures to improve effectiveness

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

- We will promote effective discussion of proposals by sharing appropriate information on the status of business operations through ongoing exchanges of opinions and participation in events between senior management and outside directors.
- For important issues that could have a major impact on management, we will encourage more active discussions by preparing materials that enable risk assessment.

## Compliance and Risk Management

To appropriately manage various apparent and latent risks relating to our corporate activities, the Group comprehensively identifies and evaluates risks, and implements mitigation measures. By promoting 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. In particular, operations related to proper waste disposal are based on environmental laws and regulations as well as governmental licenses, and we require our employees to act with a highly compliant mindset at all times. We are conducting activities to raise the legal compliance awareness of each and every staff member through education and communication, along with rules and manuals related to compliance.

#### Internal Reporting System (Whistle-Blowing System)

To quickly identify and resolve problems such as unlawful or unjust behavior, we have set up the Asahi Hotline. All employees working at domestic and overseas Group companies can directly report to either our internal hotline or an external law firm anonymously. We take corrective action after investigating reports, taking care not to reveal the identity of the person reporting or the person being reported.

#### Business Continuity Management

Various factors such as large-scale disasters risk impairing the functions needed for business continuity. We have formulated a business continuity plan (BCP) as an action plan to achieve quick restoration of mission-critical functions after a disaster. We are also conducting systematic business continuity management activities to constantly improve the BCP and business continuity endeavors.

#### Information Security

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

#### Avoiding All Interactions with Organized Crime Groups and Other Anti-Social Forces

The following statement is part of our Corporate Governance Policies, and all our executives and employees are familiarized with this statement. "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 one of the Goals of our Group Philosophy, the ARE Group Way, we have declared the establishment of a globally trusted corporate brand. Group staff members endeavor to ensure that they do not engage in any transactions that could result in bribery, such as providing benefits to a business partner or competitor for personal gain. Moreover, the Group 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 regular employee training on this topic.

## Risk Management

### 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 they are operating properly. Important executive decisions by Group companies are carefully deliberated and determined by the Executive Committees of each Group company, of which the representative directors of the Group companies are members. Particularly important matters are submitted and reported to the ARE Holdings Board of Directors. Directors who are Audit and Supervisory Committee members also participate in management meetings at 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 and ad-hoc basis, and the resulting audit reports are shared with the Audit and Supervisory Committee and relevant departments.

### Strengthening Group Risk Management

Compliance is essential to maintaining trustworthy corporate activities. The Group therefore ensures legal compliance and thorough adherence to corporate ethics. While the ARE Group Way emphasizes taking on challenges and we continue to expand into new areas, we must also acknowledge the increasingly diverse demands 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 and performed independently. Recognizing this, ARE Holdings decided to enhance its organizational response capabilities by introducing a unified management framework for the Group. As a result, 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 to minimize various legal risks at our business locations. We will continue to further enhance our risk management system going forward.

### Establishment of a Group Risk Management Department

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 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 Our North American Refining Business

In North American Refining 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 "prepayment transactions," and we will also develop new financial products. To do this, we 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 Refining Business, which is one of our growth drivers.

## Roundtable Discussion among Outside Directors

# We support the operations of ARE Holdings by identifying future risks to help create a resource recycling society.



**Akinori Yamamoto**

Independent Outside Director  
(serving as Audit and  
Supervisory Committee Member)

**Miyoko Kimura**

Independent Outside Director  
(serving as Audit and  
Supervisory Committee Member)

**Yoshinori Hara**

Head of Independent Outside Directors  
(serving as Chairman of the Audit  
and Supervisory Committee)

**Yuki Tsuru**

Independent Outside Director  
(serving as Audit and  
Supervisory Committee Member)

### Progress in the First Year under the New Company Name and Structure

Please tell us about the progress of the rebranding in 2023 as well as developments for the Board of Directors and the governance structure over the past year.

**Kimura** As a specialist in marketing and branding, I supported re-examining the company name and logo design. The logo was created by an organization based in Denmark that is renowned for advanced design, digitalization, environmental sustainability, and public health. We hope that partnering with a company from such a forward-thinking nation would bring us closer to the ideal vision. Given the growing awareness of social and resource-related issues, this was also an opportunity to highlight the Company's initiatives and strategies in anticipation of global expansion.

**Hara** Leveraging opportunities for effective public relations is crucial for improving the brand value as an intangible asset. In fact, I believe that the higher corporate value, due to rebranding, is making strong progress.

**Yamamoto** The transition to the new company name has been impressively smooth, despite this being a significant change.

**Kimura** Newspaper ads with the company name alongside popular phrases related to the Hanshin Tigers' (professional baseball team) victory in Nippon Professional Baseball not only improved public communication but also boosted employee engagement. At the same time, the Company's president participated in every selection process for the logo, resulting in branding that reflects the collective dedication of the entire organization. The tagline Think Circular emerged from these discussions and holds significant meaning for the Company's sustainable growth.

**Yamamoto** The smooth transition was also made

possible by integrating the rebranding with strategic changes in the management structure and business operations, such as the Medium- to Long-Term Plan & Aspiration developed with employee input and the share exchange with Japan Waste and RENATUS. This approach not only supported the rebranding but also clearly defined the direction of ARE Holdings.

**Tsuru** I did not take part in the Company's name change, as I first heard about it before I assumed a position on the Board of Directors. After joining the Board, though, I was surprised by how quickly the decisions are made on important matters. News of the share exchange with RENATUS, which came shortly after the Group company reorganization in April of last year, was also unexpected. However, after receiving detailed explanations on the reasoning and background during Board meetings and engaging in thorough discussions, I came to understand and accept the decision. Through these experiences, I have come to view ARE Holdings as active and forward-looking.

**Hara** In Board meetings, we focused on clarifying the division of roles between business execution and auditing. While supporting the execution team's ambitious challenges, we were vigilant and managed risks from several perspectives. The execution team responded openly to our feedback. The prompt sharing of essential information for decision-making allowed us to clearly prioritize both short-term and long-term issues, leading to precise decisions and swift executions.

**Kimura** Before the Board meetings, the Audit

and Supervisory Committee convenes to discuss and add information to the agenda. The Board meetings benefit from these detailed prior discussions and a positive atmosphere, which fosters open and frank deliberations. When some executive team member struggled to articulate their points, President Higashiura sometimes provided explanations in his own words.

**Yamamoto** Because of the active discussions, it is not unusual for the initial topics raised at the beginning of a Board meeting to differ from the final conclusions. A system that allows for flexible management decisions through these types of discussions is both healthy and desirable.

**Kimura** The new structure, with President Higashiura as the sole executive director, has been in place since last year. Recently, I noted an increase in his speed and vigor in decision-making. He has not only delegated responsibilities to the representative directors of Group companies but he has actively driven them forward. He represents the principle of "take on challenges" mentioned in Values of ARE Group Way.

**Yamamoto** As outside directors, we also participate in management meetings for Group companies. Quarterly updates keep us closely informed about the business environment and Company operations, allowing us to effectively discuss and set challenges for the future.

**Hara** As part of our initiatives to enhance governance, we have restructured the Precious Metals Recycling Business by dividing it into collection as well as assay and adding value. This separation is designed to support the growth and efficiency of both areas. The share exchange with RENATUS, aimed at gaining an industry-leading position, is an example of this approach to restructuring. The ability to make quick, timely decisions, whether when we launch new ventures or withdraw from them, is a key aspect of the Company's operations. The consistent improvement in corporate value from nearly all M&As shows how effective this type of decision-making is. As outside directors, as a part of governance, we will continue to support challenges for the future while maintaining an objective perspective.

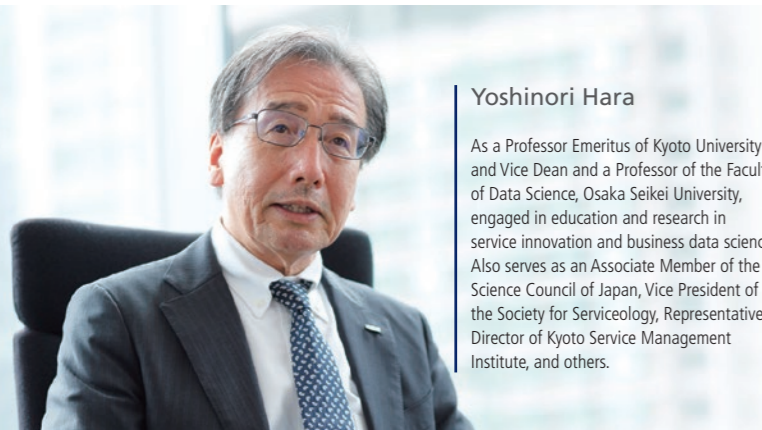
### Formulating the Medium- to Long-Term Plan & Aspiration

What kind of discussions were held when you formulated this vision?

**Hara** In developing the Medium- to Long-Term Plan & Aspiration, starting in fiscal year 2024, we focused on improving brand value and efficiency, addressing these two key issues by working backward (backcasting) from the looked-for state in 2030. The first issue involved the jewelry sector of the Precious Metals Recycling Business. Higher gold prices led to an increase in gold flowing from households

to the market, raising the proportion of jewelry in the Company's portfolio. Although sales have grown, this has negatively affected our profitability. The second issue is the inefficiency in managing industrial waste due to the number of small and medium-sized enterprises in the field.

To address the first issue, we have set a goal over the medium to long term to focus on high-value-added products



**Yoshinori Hara**

As a Professor Emeritus of Kyoto University and Vice Dean and a Professor of the Faculty of Data Science, Osaka Seikei University, engaged in education and research in service innovation and business data science. Also serves as an Associate Member of the Science Council of Japan, Vice President of the Society for Serviceology, Representative Director of Kyoto Service Management Institute, and others.

such as green gold (precious metals managed to fulfill social responsibilities, including compliance with regulations on raw materials in products, respect for international customs, as well as considering human rights, labor regulations, safety, hygiene, environmental protection, fair trade, and ethics). For the second issue, inefficiency, we intend to ramp up efficiency in our industrial waste operations by developing a platform that adds value to the supply chain across the industry and contributes to building a circular economy. DXE, a Group company, started providing these services. They took on the role of a leading company in the circular society, which is both socially valuable and a key perspective for formulating the Company's vision.

**Kimura** The development of the current vision reflects discussions by younger employees from Group companies, reportedly the first time that this has happened for ARE Holdings. This approach not only demonstrates a commitment to diversity, but also creates a forward-looking impression toward the year 2030. However, I suggested

### Risk Management for Improving Shareholder and Corporate Value

Please provide an evaluation of the current risk management system as well as the actions required and the challenges associated with improving shareholder and corporate value.

**Hara** I believe that effective risk management is being carried out under the current structure, where the Audit Department collaborates with the Group Risk Management Department and external accounting auditors. However, while companies need to focus on short-term profits, aiming for growth that includes social value over the medium to long term is also crucial. Balancing these perspectives is also part of our role. Specifically, the Company's financial operations in North America, while showing strong growth potential, are also highly volatile. Therefore, it is necessary to assess the risks to gain short-term profits, as well as to focus on sustainable growth over the longer term, in collaboration with the execution team. Public relations activities through branding

that areas where specific strategies are unclear should be communicated more effectively to stakeholders. Involving younger employees from the early stages of discussion fosters a sense of unity within the Company and encourages employees to take personal ownership of our vision. This ambitious vision includes plans for business expansion into Asia and India, as well as shows an interest in precious metals sales through personal e-commerce channels.

**Yamamoto** It is rare for a company to involve younger employees so extensively in the development of a corporate vision. However, this was a valuable opportunity that goes beyond conventional approaches and provides a new direction for the Company. Strengthening the commitment of mid-career and younger employees also produces secondary benefits for the Company's prospects. Participating in these discussions, I observed that what initially appeared as a mix of abstract and concrete ideas gradually coalesced, through feedback, into a clear vision.

**Tsuru** When I first became involved in formulating this vision, I had recently assumed my position in the Company, and there were many things that were unclear to me. However, additional meetings were scheduled outside of the Board sessions to provide explanations, and through repeated questions and discussions, the vision became more understandable. What initially focused only on understanding the current situation and gradually envisioning the future, as discussions deepened, evolved into a clearly articulated thought process. Although there were moments when I questioned whether certain targets could realistically be achieved by 2030, I ultimately came to understand and believe it has become something good and effective.

are also an important way to improve sustainable value.

**Yamamoto** Maintaining a balance between shareholder returns and a growth investment strategy based on recognized standards is not only necessary for global recognition but also sends a clear message to shareholders.

**Kimura** Our role is to manage the risks that come from being a company that continually takes on challenges. With this in mind, we continued to ask questions during phone conferences with North America.

**Yamamoto** In such a large company, just maintaining and continuing with existing businesses is difficult in the current business environment, and I believe the execution team understands this. To continue growing, the Company

is constantly required to make decisions. While evaluating the current risks, the Board of Directors needs to develop a solid risk evaluation system to confidently approve of new decisions. Making precise judgments is the responsibility of the Audit and Supervisory Committee and, ultimately, the Board of Directors.

**Tsuru** A risk response system helps prevent a decline in shareholder value. Although risk management does not directly increase shareholder value, preventing a decline is even more important. For example, in recent years, the importance of human rights due diligence has been gaining attention in Japan, and aligning with these trends is crucial for maintaining corporate value. As an Audit and Supervisory Committee member, I believe we have established a clear collaboration with the Audit Department. I attend all Board and management meetings and I receive detailed explanations, leading me to see that the Company's management system is effective. We also have four

### Pursuing Diversity, including Women's Empowerment

The percentage of female employees in the Company is 10%, which is below average. Could you please share your assessment of the current situation and the challenges for empowering women?

**Kimura** Three years ago, the awareness of women's empowerment among executives was not very high, but today the situation has completely changed. The percentage of new female hires has increased to 50%, and some women are now taking on overseas assignments as managers. There is a heightened awareness of diversity, and women are now being assigned to sales positions that were traditionally considered suitable only for men. I hope that women will change their own attitudes and consider aiming for management positions. In this spirit, Director Tsuru and I participate in the Asahi Cheer-Up Meeting. We share our career stories, including our failures, to spark interest in becoming a leader, and we are seeing positive results. It is encouraging that President Higashiura participates at the beginning of every meeting and clearly states the importance of pursuing diversity. Since these meetings take place online, connecting employees nationwide, they also help to build networks among women and employees of the same generation.

**Tsuru** The participation rate in these meetings is high, and it is wonderful to see that every participant, along with their colleagues, understands the importance of their involvement. Through these interactions, I believe we are fostering a shared commitment within the Company for hard work. I have always been impressed by the work of the women in the Secretariat of the Audit and Supervisory

opportunities a year to speak with the accounting auditors, and I have the impression that information sharing and responses to questions are thorough.

**Hara** Looking at our market evaluation, there is still room for improvement in the price-to-book ratio (PBR). Since the rebranding is part of promoting purpose-driven management, rebranding can be a stepping stone for a better PBR.

**Yamamoto** I believe that improving the balance sheet over the medium to long term is essential. While current management initiatives have led growth, more discussions are needed on rebuilding the balance sheet with capital efficiency in mind.

**Hara** The share exchange with RENATUS and Japan Waste have created the anticipated M&A synergy, indicating a major shift from last year. This is the first step in the new process for improving corporate value.

Committee, and after talking with them at events, such as the Asahi Cheer-Up Meeting, I found them all to be highly capable and to have confidence in their own ideas. I am hopeful that the number of female managers will increase in the future.

**Kimura** The Company has a facility called the Technical Research Center where technical development and assay are conducted, and many female employees work there. Given the increasing importance of women in science and technology, I hope to see more contributions from women in leadership roles.

**Yamamoto** The percentage of female employees is a key focus in several contexts. In administrative units in

**Miyoko Kimura**

Joined PLUS Corporation in 1988. As a founding member, assigned to ASKUL Business Promotion Office in 1993. In 2009, appointed as Representative Director and President of ASMARU Corporation which engages in e-commerce services for general consumers. After returning to ASKUL, engaged in LOHACO, an e-commerce service for general consumers. Appointed as Director, CMO, Executive Officer, Executive Officer of Life Creation Unit, B-to-C Company in 2017. Director and Managing Executive Officer of KING JIM CO., LTD. in 2022. Since 2024, serves as President & CEO (to present).



particular, the percentage of female employees is relatively high compared with other companies. As ARE Holdings grows and enters new fields, the need for diversity in various positions will naturally increase, making diversity essential, including the involvement of overseas employees. Looking at the current size and positioning of the Company, I certify that the management team of the Company recognizes the effectiveness of diversity and inclusion. The efficient placement of talent is crucial for corporate growth, making this an important issue.

**Hara** Seeing that the Company's starting point was the collection of waste liquid from silver

### Toward Human Capital Management in the Future

Could you please share the challenges and your approach to pursuing more diversity as well as the HR strategy with a focus on the workplace in 2030?

**Hara** In the past, it was common practice for the labor share to be kept low and to allocate more funds to internal reserves. However, moving forward, the Company needs to recognize that people are the real source of value and there is a clear need to adjust strategies for recruiting and retaining talent for that reason. From the perspective of diversity, the initial step is to address the low percentage of female employees aiming to improve this situation—a concept we refer to as “diversity of disparity (unlikeness).” Looking ahead to an HR strategy with a focus on the employee structure in 2030, it might be valuable to consider the second step, “diversity of types.” This involves leveraging a range of personal values and expertise to create new corporate value. In addition to supporting female employees with experiences and specializations, integrating international students and individuals from different age groups could effectively boost diversity.

**Kimura** I believe it is also necessary to recognize and

halide photography and industrial waste disposal, it is understandable that the role of women was less apparent. For this reason, it is clear that the percentage of female employees and opportunities for them to make a contribution have steadily improved. However, it is vital to balance promotions with the individual's outlook and expertise. To achieve this balance, the Company should focus on developing noncognitive skills, such as being proactive and resilient, along with specializations through education and practical experience. Using insights from different industries and lifelong learning will naturally help increase diversity.

harness the strengths of individuals. For example, skills as a manager are a kind of expertise. ARE Holdings, under the leadership of President Higashiura, who specializes in human resources, values employees, so one of the important aspects we focus on is creating an encouraging work environment. To ensure that everyone can work in a way that suits them, we have taken on new initiatives, such as a three-day weekend and improved remote working options. Another crucial initiative is to provide suitable educational opportunities and chances for growth along with fair evaluations. When employees feel fulfilled in their work, their personal growth not only contributes to the company's growth but also benefits society, leading to a positive cycle for individuals, the company, and society.

**Yamamoto** Compensation is also a necessary element in human capital management. In addition to providing meaningful work and fair evaluations, it is important to consider two aspects of meaningful work: increasing specialization and adjusting work-life balance according to different life stages. It is essential to have evaluations that align with the pace of employees at each stage.

**Hara** Over the medium to long term, moving toward a data-driven approach for quantitative analysis and evaluations could be considered. However, at this point, we prefer to avoid relying too heavily on quantification.

**Yamamoto** Fair evaluations improve motivation and foster a sense of participation. Leveraging these evaluations and motivation will enhance corporate value. For example, by offering stock options as a form of employee compensation, the Company can incentivize employees. While it is crucial not to focus solely on compensation, ensuring that everyone benefits from the company's growth and feels a sense of

success is a strategic approach that should be addressed as a medium- to long-term challenge. At the same time, it is necessary to implement a long-term HR strategy, while every year assessing the composition of future management executives and the next generation.

**Tsuru** There are times when I feel the number of employees is not enough, and with a high proportion of mid-career hires, the average tenure is relatively short. On the positive side, efficient work practices seem to help prevent excessive labor. The Company should focus on hiring individuals who fit in well with the Company's culture and provide them with training to support long-term employment. Currently, it appears that such a system is being established to address these issues. For example, many employees demonstrate strong presentation skills, which can be attributed to the Company's educational programs. Training

improves skills and we are attracting more talented people, so I expect that every employee will now be able to approach their work with more confidence and ease.



Yuki Tsuru

Appointed as Director (serving as Audit and Supervisory Committee Member) in June 2023. Registered as a lawyer in April 2000, specializes in intellectual property matters. Currently also serves as a Part-time Auditor of National Institute of Technology and Evaluation under the jurisdiction of the Ministry of Economy, Trade and Industry.

### Message from Outside Directors

Could you please share your mission as an outside director and your expectations for the Company?

**Hara** In the 21st century, characterized by global environmental and resource constraints, promoting an efficient and effective resource circulating (circular) economy is both socially significant and a critical mission for ARE Holdings. Our precious metals refining operations are among the best in the world, having a substantial impact on circulating resources. As an outside director, I feel it is my mission to support these activities. At the same time, I intend to strengthen the balance between short-term profitability and medium- to long-term development in multi-stakeholder management, while leveraging value from an outside perspective. I expect the Company to lead the way in the circular society by going beyond nonferrous metals businesses and by establishing a global presence as a broad-service platform, in this way contributing to our industry's development.

**Kimura** First, I intend to support the principle of “take on challenges” mentioned in Values of ARE Group Way from the perspective of governance. Next, I will use the inspiring purpose of “Totally Committed to Protecting the Natural Environment and Preserving Resources” as a guiding principle for formulating corporate strategies, which can be seen as purpose-driven management. I hope to contribute meaningfully through our discussions. Third, for promoting diversity and inclusion (D&I), I believe we are seeing some progress, and I will continue to support these initiatives. Given that the Company is agile in its various ways to improve corporate value, it is crucial for us to

proactively identify and assess risks, while diligently working on governance. I intend to speak up and take action without hesitation from an independent perspective.

**Yamamoto** I believe that ARE Holdings' medium-term management policies are now in place, following last year's name change and this year's announcement of Medium- to Long-Term Plan & Aspiration. We have also established a new capital structure through share exchange with RENATUS as well as the DXE platform business. Over the next year, I will support and monitor the implementation of these plans, making adjustments as needed. Moreover, we should support branding by communicating externally about our commitment to carbon neutrality and a circular economy, under the Think Circular tagline. In other words, we must support both the actual implementation of these initiatives and gain understanding and support from external stakeholders. This dual approach is what I believe is required of us right now.

**Tsuru** I feel that our Company's business operations are currently playing a vital role. In the Precious Metals Recycling Business, maintaining quality standards during the regeneration of recovered precious metals is fundamental to earning social trust. Ensuring quality is one of our key responsibilities from a risk management perspective. Moving forward, I intend to audit the execution of our operations and governance systems to ensure that ARE Holdings continues to be effective for society.



Akinori Yamamoto

Appointed as the company's Director in June 2023, and serves as a member of the Nominating/Compensation Committees. Has over 15 years of extensive work experience as a Certified Public Accountant and as an M&A and financing specialist at investment banks including JP Morgan Securities and GCA (currently Houlihan Lokey).

## 10-Year Financial and Nonfinancial Summary

Fiscal year	Unit	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
		Japanese Standard	IFRS								
<b>Financial Indicators</b> <sup>1,2, and 3</sup>											
Revenue	billion yen	111.4	119.4	106.8	115.8	110.4	135.6	164.8	192.4	274.2	322.3
Operating profit	billion yen	10.5	6.1	2.0	13.8	13.4	18.0	25.1	26.4	16.3	12.4
Pre-tax income	billion yen	9.7	5.9	1.8	13.4	12.4	17.7	26.1	26.4	12.6	12.4
Income for the year attributable to owners of the parent	billion yen	5.8	2.9	-1.2	9.4	9.0	9.8	25.7	18.7	10.9	24.5
Total capital	billion yen	51.0	48.6	44.3	64.4	67.8	69.2	97.9	105.1	107.0	126.5
Total assets	billion yen	104.9	101.6	89.0	131.5	160.3	230.0	244.8	298.4	287.4	318.0
Capital investment	billion yen	1.5	1.7	3.0	3.1	5.7	4.2	5.3	8.3	4.9	6.2
Depreciation	billion yen	1.8	2.4	2.3	2.3	2.3	2.8	2.5	2.7	2.3	2.6
R&D expenses	billion yen	0.44	0.51	0.51	0.51	0.37	0.35	0.32	0.36	0.41	0.43
Cash flow from operating activities	billion yen	9.4	14.3	3.3	-13.4	-20.6	4.6	-33.4	11.1	36.8	12.6
Cash flow from investing activities	billion yen	-29.6	-1.9	-2.4	-2.8	-5.6	1.9	-2.8	-7.8	-3.9	-28.7
Cash flow from financial activities	billion yen	21.4	-6.5	-6.6	29.8	18.3	0.3	24.4	-6.0	-23.8	7.1
Basic earnings per share (EPS) <sup>4</sup>	yen	88.45	43.74	-18.62	135.39	114.07	125.12	326.90	238.11	141.19	319.54
Equity attributable to owners of the parent company per share (BPS) <sup>4</sup>	yen	771.41	745.28	679.51	813.6	861.58	879.00	1,244.06	1,336.89	1,395.52	1,650.20
Dividend per share <sup>4</sup>	yen	30.0	30.0	30.0	31.5	60.0	65.0	85.0	90.0	90.0	90.0
Operating profit margin	%	9.4	5.1	1.9	11.9	12.2	13.3	15.2	13.7	5.9	3.8
Return on equity (ROE) attributable to owners of the parent	%	11.9	5.8	-2.6	17.3	13.6	14.4	30.8	18.5	10.3	21.0
Pre-tax return on assets (ROA)	%	12.4	5.7	1.8	12.2	8.5	9.0	11.0	9.7	4.3	4.1
Ratio of equity attributable to owners of the parent	%	48.2	47.8	49.8	49.0	42.3	30.1	40.0	35.2	37.2	39.8
Payout ratio	%	33.9	68.6	-	23.3	52.6	52.0	26.0	37.8	63.7	28.2

Nonfinancial Indicators <sup>5</sup>

Environmental	Electricity consumption <sup>6</sup>	10,000 kWh	2,329	4,752	4,635	4,554	4,451	4,999	4,841	4,571	3,561	3,524	
	CO <sub>2</sub> emissions <sup>7</sup>	1,000 tons	-	28.2	25.2	25.1	25.3	26.1	25.0	21.4	21.6	20.5	
Social	Women in Leadership	Number of employees		2,080	2,005	1,961	1,928	2,042	1,574	1,510	1,457	1,467	952
		Percentage of overseas employees	%	20.2	18.4	17.5	16.7	21.2	23.4	24.7	23.1	24.5	38.3
		Percentage of employees with disabilities <sup>8</sup>	%	1.52	1.88	2.00	2.28	2.00	2.07	1.91	1.94	2.22	3.58
		Percentage of female employees	%	12.0	11.7	11.8	11.5	11.6	9.9	8.9	8.9	10.1	12.8
	Parental Leave	Percentage of women in managerial positions <sup>8 and 9</sup>	%	0.7	0.7	0.7	0.7	0.6	1.3	1.1	2.1	2.9	5.0
		Percentage of female parental leave usage <sup>8</sup>	%	100	100	100	100	100	100	100	100	100	100
		Percentage of men taking childcare leave <sup>8 and 9</sup>	%	0.0	0.0	0.0	0.0	0.0	4.0	7.0	12.0	36.0	38.5
	Recruitment	Percentage of male parental and childcare leave usage <sup>8 and 9</sup>	%	-	-	-	-	-	-	-	-	-	76.9
		Number of new hires		-	-	-	-	-	74	93	154	109	
		Percentage of female new hires	%	-	-	-	-	-	10.8	11.8	20.8	23.9	
		Number of mid-career hires		-	-	-	-	-	69	83	144	100	
		Paid leave utilization rate <sup>8</sup>	%	66.5	64.3	65.2	60.6	57.2	81.1	67.2	66.3	64.7	58.8
		Average length of employment (men)	years	-	-	-	-	-	-	14.8	13.4	13.3	14.3
	Governance	Directors	Average length of employment (women)	years	-	-	-	-	-	13.1	10.8	9.1	9.3
Gender pay gap (all employees) <sup>8</sup>			%	-	-	-	-	-	-	-	67.6	69.5	
Number of directors <sup>11</sup>			10	9	9	9	9	8	8	7	7	6	
Percentage of female directors		%	0.0	0.0	0.0	11.1	11.1	12.5	12.5	28.6	28.6	33.3	
Percentage of external directors		%	20.0	33.3	33.3	33.3	33.3	37.5	37.5	57.1	57.1	66.7	
Number of board meetings held			7	10	9	9	7	10	7	8	9	8	
Number of internal reports <sup>8</sup>			-	-	-	-	-	-	-	-	3	2	
Number of information security incidents <sup>8</sup>		0	1	0	0	0	0	0	0	0	0		

## Notes:

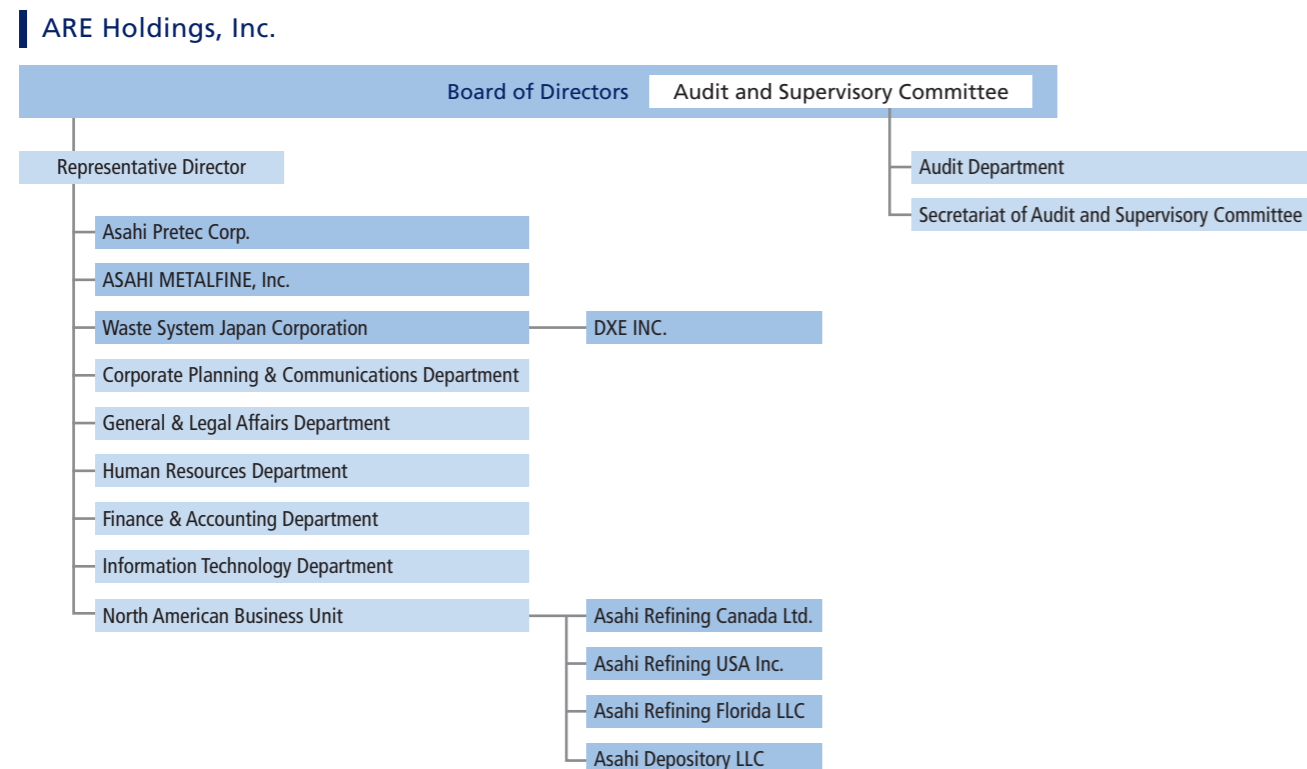
- Since the Group adopted the International Financial Reporting Standards (IFRS) in fiscal year 2016, the financial figures for fiscal year 2015 are also shown based on IFRS.
- The business operations of Fuji Medical Instruments Mfg. Co., Ltd., which was a consolidated subsidiary, were reclassified as non-consolidated business operations in fiscal year 2019. As a result, the related figures for fiscal years 2018 and 2019 have been reclassified to reflect this change.
- The operations of Japan Waste Corporation, which was a consolidated subsidiary, were reclassified as non-consolidated operations in fiscal year 2023. As a result, the related figures for fiscal years 2022 and 2023 have been reclassified to reflect this change.
- 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 year 2014.
- The annual nonfinancial information is compiled as of March 31 and includes data for all Group companies, including overseas companies.
- The operations of Japan Waste Corporation, which was a consolidated subsidiary, were reclassified as non-consolidated operations in fiscal year 2023. As a result, the figures

for fiscal years 2022 and 2023 have been reclassified to reflect this change.

- The data pertains to consolidated subsidiaries as of March 31, 2024. 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.
- The proportion is calculated excluding overseas subsidiaries, focusing only on our domestic consolidated Group companies.
- 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.
- 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 and 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.
- The company transitioned to a "company with Audit and Supervisory Committees" structure in fiscal year 2015. Through fiscal year 2014, the figures include the number of Auditors.



## Group Company Structure (As of April 1, 2024)



## Asahi Pretec Corp.



## ASAHI METALFINE, Inc.

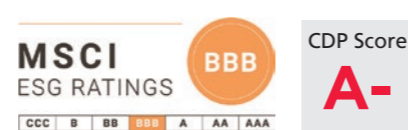


## External Evaluations

Added to the Following Indexes (As of June 30, 2024)



ESG-related (Based on FY2023 assessment)



## Corporate Group Overview (As of July 1, 2024)

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. +81 78-333-5633 Fax. +81 78-333-5681 Sapia Tower 11F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan Tel. +81 3-6270-1833 Fax. +81 3-6270-1859
Number of employees (consolidated)	952 (As of March 31, 2024)
URL	https://www.are-holdings.com/english/
Subsidiaries	Asahi Refining Canada Ltd. Asahi Refining USA Inc. Asahi Refining Florida LLC Asahi Depository LLC

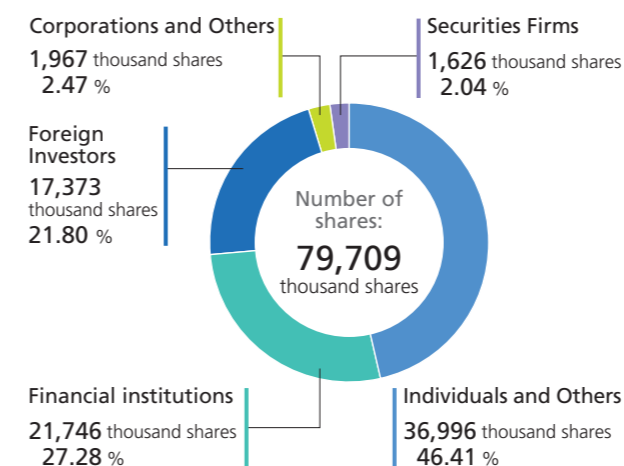
Asahi Pretec Corp.	
Business activities	Precious metals recycling
Representative Director	Yoshihito Iwasa
Head Office	Sapia Tower 11F 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005 Japan Tel. +81 3-6270-1820 Fax. +81 3-6270-1825
URL	https://www.asahipretec.com/
Subsidiaries	ASAHI G&S SDN. BHD (Malaysia) 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. +81 3-6270-1828 Fax. +81 3-6270-1813
URL	https://www.asahimetalfine.com/en/

## Share Information (As of March 31, 2024)

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)	11,920	15.30
Custody Bank of Japan, Ltd. (trust account)	4,996	6.41
Mitsuharu Terayama	1,793	2.30
STATE STREET BANK WEST CLIENT - TREATY 505234	1,628	2.09
Masamichi Terayama	1,404	1.80
CEPLUX-ERSTE GROUP BANK AG (UCITS CLIENTS)	1,207	1.55
Asahi Employee Stock Ownership Plan	1,205	1.55
JP MORGAN CHASE BANK 385781	939	1.21
The Master Trust Bank of Japan, Ltd. (Stock-grant ESOP trust account, 75,882 units)	916	1.18
MUFG BANK, LTD.	900	1.16

Trends in Stock Price and Market Capitalization

