From Asahi Holdings
to ARE Holdings
—Think circular—

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

Our Purpose

Totally Committed to Protecting the Natural Environment and Preserving Resources

Sustainability Vision

The ARE Holdings Group has developed its business activities over a long period of time based on its Group purpose of “Totally Committed to Protecting the Natural Environment and Preserving Resources.” Our business activities are our contribution to sustainability, and we are achieving both business growth and solutions to social issues. Today, as action is required of all of society, including corporations, we will further our mission by proactively working to achieve goals that we set for those issues to which we can make significant contributions toward solutions.

The Asahi Way

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

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

Our Credo

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

Our Employee Principles

Innovate and embrace challenges
Put safety first
Maintain high quality
Promptly report (especially bad news)
Build trust and connections

Our Corporate Values

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

Corporate governance with a balance of protective and proactive measures
We boldly promote growth strategies and business reform while securing transparency in decision-making and properly managing risk.

No growth without profit
We realize long-term improvement of shareholder value by ensuring the entire group grows and is profitable.

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

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

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

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

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

The ARE Holdings Group Code of Conduct

#1 We comply with all laws and regulations

#2 We respect the dictates of social norms and our own conscience

#3 We treat everyone equally, regardless of age, gender, nationality, race, religion, or other characteristics

#4 We refrain from conducting any political or religious activities in the workplace

#5 We treat customers with sincerity

#6 We practice fair competition and optimal decision-making when selecting business partners

#7 We respect the confidential information obtained through our work and avoid disclosing it externally

#8 We refrain from providing or receiving meals or gifts in pursuit of personal benefit

#9 We act for the greater good, not for personal or affiliated parties' gain

#10 We focus on the actual sites, actual things, and actual facts

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The Group Logo

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

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

Editorial Policy

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

Guidelines Referenced

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

Report Period

April 1, 2022, to March 31, 2023

Scope

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

Numbers and Graphs

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

Note on Future Prospects

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

We are ARE

ARE Holdings Value Creation Drivers and Business Models

Value-creation drivers

Highly efficient precious metals recovery technology

By advancing and combining both wet and dry refining technologies, ARE Holdings has established effective precious metals refining methods that can be applied to all raw materials

Salespeople

Our specialized, trained sales staff make effective use of IT to conduct customer-oriented sales by proposing optimal solutions for customer needs.

Licenses and collection, transport, and processing facilities (network)

Utilizing the Group's network, our large team of salespeople can provide a wide range of solutions to meet customer needs, from waste collection to transport and disposal. Our licenses cover all of Japan, and we handle a wide variety of waste types

Hazardous substance processing, waste treatment, and recycling technology

We hold licenses for collection, transportation, and intermediate treatment of most types of industrial waste and specially controlled industrial waste, and our system enables proper and prompt disposal and recycling

Business Models

Precious Metals Business

› P. 24

Competitive advantage

High-precision analysis
+
Highest-efficiency collection and refinement
+
Market hedge

Environmental Preservation Business

› P. 30

Competitive advantage

One-stop solution for industrial waste
+
Small-quantity special processing, high unit price
+
M&A in the environmental business area

ARE Holdings By the Numbers

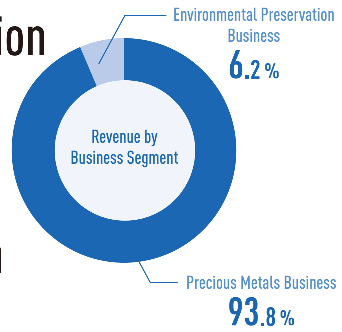
Performance

Revenue

292.4 billion yen

Operating Profit

19.3 billion yen



R&D

R&D expenses

410 million yen

Sites

Domestic

34 sites

Overseas

10 sites

Number of employees

Consolidated

1,467 people

Percentage of women

10.1 %

Percentage of employees outside Japan

24.5 %

Environmental Contributions

Energy-derived CO_2 emissions compared to FY2015

27 % reduction

Electricity/ gasoline usage

Down compared to the previous year

Avoided CO_2 emissions* from precious metals recycling

Equivalent to **38.45** million trees

When CO_2 savings are expressed as the amount of greenhouse gases absorbed by forests, it is equal to **22,617** hectares of forest (an area one-third the size of Lake Biwa)

Avoided CO_2 emissions **538,000** t-CO_2

Source: Forestry Agency of Japan, Ministry of the Environment; calculation was based on the assumption that one cedar tree absorbs 14 kg of CO_2 annually, and 1,700 cedar trees are planted in an area of one ha

*The data shows the difference in CO_2 emissions between the amount of precious metals recycled by the Group and the hypothetical production of the same amount of precious metals using mined raw materials. It does not represent the actual reduction in CO_2 emissions within the Group.

Work-life Balance

Achievement rate for rest intervals of at least 11 hours

99.9 %

STRENGTHS

Our Strengths Based on "The Asahi Way"

Innovate and embrace challenges

Putting the "Scrap and Build" Business Approach Into Practice

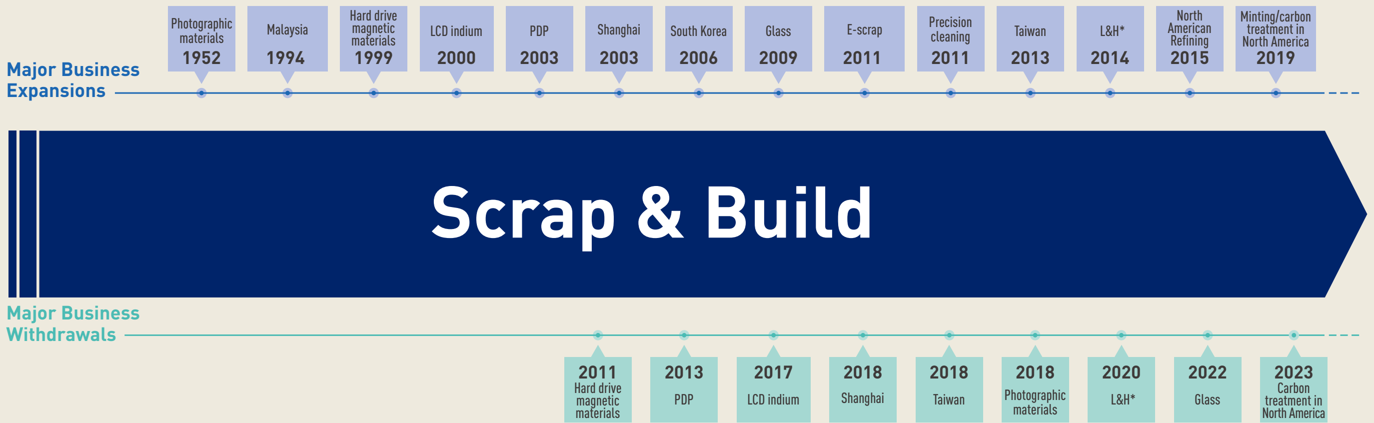
Our company, which was founded in 1952, celebrated its 70th anniversary last year. Since our founding, we have consistently promoted businesses that contribute to the creation of a circular society, and we have now developed into a company that operates on a global scale.
Looking back on our company's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

A Trust-Based Relationship with Our Employees

Being a company of good people

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

Promoting Business Reform with an Emphasis on Speed



* Life & Health Business Segment

8 Factors Supporting Value Creation

Strengths rooted in Asahi's history

Ability to Adapt to Change

By paying close attention to the business environment and lifecycle and practicing flexible thinking, decisive action, and quick decision-making, we have built original business models and quickly exited businesses in decline. With the ability to respond in this manner, we will continue to maintain growth.

Industry-Leading Unique Technologies

We are proud of the original technologies we have developed. These include the following technologies: recovering precious metals with high efficiency and advanced analytical capabilities, properly processing various industrial waste materials, and product development based on accurately ascertaining customer needs. Through constant research and development, the Group continues to enhance its unique technologies in each of its business fields.

Highly Motivated Employees

The Group's growth has been driven by our employees, who share the group-wide values of the Asahi Way, deeply value trust and connections, and are motivated by a passion for innovation and embracing challenges. The Group proactively invests in human resources and continues to develop highly motivated employees.

Good Relationships with Stakeholders

We actively engage in dialogue with investors and listen to our customers and business partners to strengthen governance and develop our products and services. We value the mutual trust we have with our employees with the local community and work to increase our long-term corporate value.

Management Capabilities for Regeneration of Business

Over the past 20 years, we have brought more than 20 companies into the Group through mergers and acquisitions, and we have improved corporate management. Thanks to our flexible management capabilities matched to specific business environments, nearly all of our companies perform better than they did prior to joining the Group. We will continue to improve performance.

Trusted Asahi Brand

The Asahi Group's precious metal products are highly regarded throughout the world for their reliable quality. We are committed to building a trusted Asahi brand by continuing to provide high-quality products and services in all of our businesses.

Globally Expanding Network

Since establishing a local subsidiary in Malaysia in 1994, we have expanded into other countries in Asia, including South Korea, China, and Taiwan. In 2015, we acquired a refining business in North America through a merger and acquisition, expanding our target customer base to countries around the world.

Substantial Market Share

Our highest priority is to satisfy our customers and business partners, and we have worked hard to improve our products and services. Our sales and technical capabilities that meet a wide range of needs have earned us the trust of our customers and enabled us to acquire a strong market share.

History of ARE Holdings

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

Act 1 Foundation and Early Decades 1952

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

Precious Metals Business

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

Environmental Preservation Business

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

Act 2 Public Company 1999

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

Precious Metals Business

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

Environmental Preservation Business

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

Act 3 New Development 2012

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

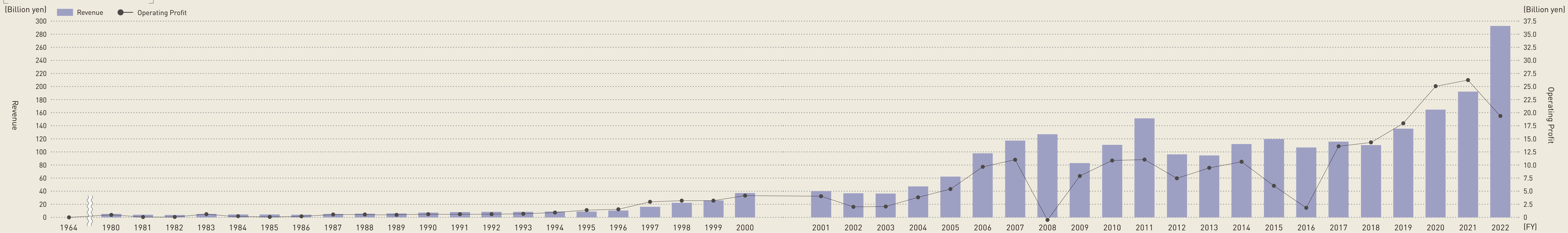
Precious Metals Business

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

Environmental Preservation Business

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

Business Performance



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

Representative Director, President & CEO

Tomoya Higashiura

A New Company Name that Embodies Our Purpose

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

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

Leading up to this recent name change, as of April 1st this year, we split our major subsidiary, "Asahi Pretec Corp.," into three distinct companies. I shall provide more details about the split shortly. Furthermore, our subsidiaries in North America and Asia are continuing to grow, thereby enhancing their contribution to our consolidated results. While it's natural for the centrifugal force of the organization to strengthen due to this kind of division and expansion of overseas business operations, we recognized the need for a unifying momentum to reconnect all of our Group companies and the employees who work within them. Additionally, the Asahi Refining Group in North America provides precious metal products to general consumers. We are also exploring similar initiatives for products and services in Japan and the Asia region. BtoC engagement is a possibility, and we have felt that end-user-focused branding was essential. This name change is part of that strategy.

Coinciding with the name change, we've crafted a new logo and tagline. We chose a Danish company with strength in the design field as our partner, and based on their expert prototypes, we gathered outside directors knowledgeable about branding and deliberated for several months. We see ourselves as the "Leader in creating a circular economy that connects society to the environment." "Circularity" is a theme shared by both our Precious Metals Business and our Environmental Preservation Business. We spent endless hours debating how the logo and tagline could embody this theme while also capturing the strength and cheerfulness needed to carve out the future of society. We believe we managed to come up with a fairly innovative result. We hope it can be utilized around the world for many years to come.

Reorganizing Our Domestic Operations

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

Asahi Pretec Corp.

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

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

■Precious materials recycling sector business strategy

Ensuring increased collection volume by entering sectors where market expansion is anticipated due to technological innovation

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

ASAHI METALFINE, Inc.

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

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

The greatest strength of ASAHI METALFINE lies in possessing precious metals derived from recycling. CO_2 emissions from the production of precious metals through recycling are extremely low. Furthermore, ASAHI METALFINE's Bando Plant, which began operations last April, is equipped with a system that does not release greenhouse gases into the atmosphere. As a result, global jewelry brands are specifically procuring precious metals recycled by ASAHI METALFINE, which thereby gains a premium (value added on top of the value of the bullion). This traded gold is referred to as green gold, and Asahi Refining Canada is also following ASAHI METALFINE's lead in developing the green gold business.

Japan Waste Corporation

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

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

While industrial waste processing is purely a business-to-business transaction, there exists a robust system whereby the government oversees that the waste is properly treated, making the procedures related to industrial waste rather complex. To support the automation and labor-saving of manifests and industrial waste contracts within the industry, Japan Waste spent three years digitally reconstructing the complicated administrative work, from the emission of industrial waste to disposal, and last June, it began offering the digital service "DXE" on the cloud. The company has already entered into paid service contracts with nearly 100 clients. Eventually, it aspires to evolve into a digital platform that helps emitting businesses actively select collection and transportation methods with lower CO_2 emissions and disposal methods that do not squander resources.

Risk, Opportunities, and Growth Strategy

Recognizing risks in resource trading

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

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

Old	New	Objective
Asahi Holdings	ARE Holdings	
Asahi Pretec: Precious Metals Recycling Business; Environmental Preservation Business	Asahi Pretec: Precious Metals Recycling Business	As a leading company in precious metals recycling, develop new business domains including oversea expansion and products in addition to further strengthen existing business
	ASAHI METALFINE: Precious Metals Refining, Manufacturing & Trading Business	Aim to establish a global Asahi brand through refining, manufacturing and trading of precious metals products with consideration for human rights, the environment, and other new services
	Japan Waste: Environmental Preservation Business	Aim to become one of Japan's leading industrial waste specialists utilizing its networks and licensing covering the entire nation, technical skills, highly specialized salesforces, and unique DX service

Business opportunities through cooperation by the artery and vein of industries

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

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

Growth in two core business fields

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

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

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

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

Aggressive capital investments

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

In connection with our North American business, we completed an investment for the precious metals warehouse business in the suburbs of New York City, and it opened this past May. In the future, we will implement investments to improve the efficiency of the Salt Lake site's silver refining line and enhance the minting capabilities of the Miami site.

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

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

A challenging situation due to fluctuations in precious metals prices

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

However, rhodium, which is contained in automotive catalysts, cannot be hedged on the exchange market due to its extremely low circulation volume. The price of this rhodium plummeted by nearly half during the three-month period of the fourth quarter of the fiscal year ended March 2023. It has fallen to less than one-third the price it was just over a year ago. Losses occurred due to the price drop since hedging was not possible, and the lower-of-cost-or-market method was applied to the rhodium work-in-process inventory, leading to a significant decrease in profit.

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

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

Maintaining shareholder dividends

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

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

Addendum regarding cash flow and balance sheet

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

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

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

Improving ESG Performance

E: Achieving Carbon Neutrality by 2050

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

In addition, we will gradually reduce the CO_2 emitted in our business processes and the supply chains of our operations. We have set a goal of reducing energy- derived CO_2 emissions such as electricity and gasoline by 50% by fiscal 2030 compared to fiscal 2015. We have also declared our aim to achieve carbon neutrality for Scope 1 and Scope 2 emissions by fiscal 2050. To that end, in addition to transitioning to CO_2-free electricity and achieving Zero Energy Building (ZEB) status at our facilities, we are also undertaking initiatives such as capturing greenhouse gases emitted from our factories and repurposing them as chemicals. During the construction of our new plant in Bando City, we incorporated designs to minimize the use of water, chemicals, and energy from the planning stages.

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

S: Achieving Diversity Through Workplace Transformation

Our company practices responsible precious metals management. We comply with the guidelines set by international organizations related to our businesses, including LBMA, LPPM, and RJC, and in addition to adhering to national laws and international norms, we actively fulfill our social responsibility with regard to fairness and ethics in transactions, consideration for human rights, safety, and the environment, among other areas. One specific example of our efforts is the expansion of workplaces where women and people with disabilities can flourish. We are fundamentally transforming our traditional approach.

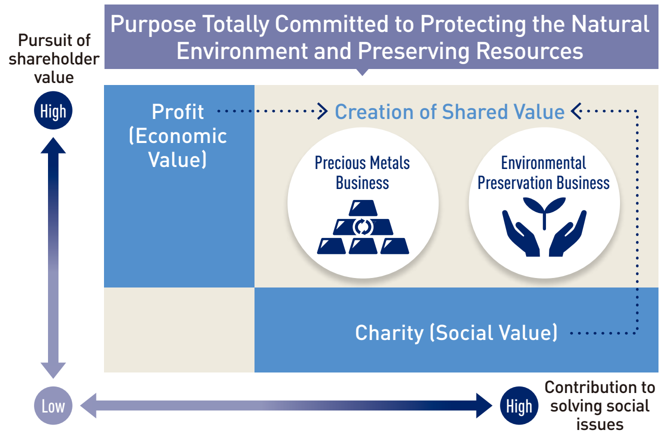
Regarding the active participation of female employees, there used to be many workplaces that refrained from appointing women due to concerns like maternity protection, but we are now increasing the number of workplaces where they can work comfortably by transforming the tasks themselves. For example,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

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

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

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

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



To Our Stakeholders

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

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

Overview of ARE Holdings Value Creation Process

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

Capital Investment (INPUT)

Financial capital

Total capital 107 billion yen

Medium-term Investment Plan 22.7 billion yen

Production capital

Sites: Domestic 34, Overseas 10

Human capital

Employees 1,467

Technical specialists 137

Intellectual capital

Assay technology
Refining technology and recycling technology

Raw materials

Scraps containing precious metals
Doré

Industrial waste

Natural capital

Value-creation drivers

▶P.04

- Highly efficient precious metals recovery technology
- Salespeople
- Licenses and collection, transport, and processing facilities (network)
- Hazardous substance processing, waste treatment, and recycling technology

Business Models

Precious Metals Business

Competitive advantage

High-precision analysis
+
Highest-efficiency collection and refinement
+
Market hedge

Through our precious metals recycling business, we offer high-quality products by utilizing salespeople with strong IT expertise for customer-focused sales and high-precision analysis and recovery technologies. Our North American refining business uses the refining business as a platform to provide financial services and manufacture value-added products.

Environmental Preservation Business

Competitive advantage

One-stop solution for industrial waste
+
Small-quantity special processing, high unit price
+
M&A in the environmental business area

In our Environmental Preservation Business, we provide a one-stop solution through our nationwide network, licenses, and sales personnel with thorough expertise in waste materials.

8 Factors Supporting Value Creation ▶ P.07

The Asahi Way

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

Business Activities (OUTPUT)

Precious metal bullion

Green gold

Minted items
Bullion of various precious metals

Proper industrial waste disposal

Detoxification
Recycling products
Fermented compost, fuels and raw materials for cement, fire-proof brick and paving materials, etc.

Power generation

CO_2

Effect of reducing emissions by precious metal recycling
538,000 t-CO_2

> Emissions by the ARE Holdings Group
106,000 t-CO_2

Created Value (OUTCOME)

Natural environment

- Creating a circular society
- Effective use of limited global resources

Shareholders and Investors

- Improve corporate value over the medium to long term
- Continuous and stable shareholder returns

Business partners

- Supplying precious metals in ways that are friendly to people, society, and the environment
- One-stop solution for industrial waste

Employees

- Improving workplace support and job satisfaction
- Utilization of diverse human resource

Local Communities

- Contribution through participation in community activities

Recycling of precious metals products | Detoxification and proper treatment of waste

Our Vision

To be a leader in creating a circular economy that connects society to the environment

Precious Metals Business ▶ P.24

Social value: Effective use of resources

Economic value: Stable, high profits

Contributing to the SDGs: 12, 9, 15, 16, 6, 8, 13, 17

Environmental Preservation Business ▶ P.30

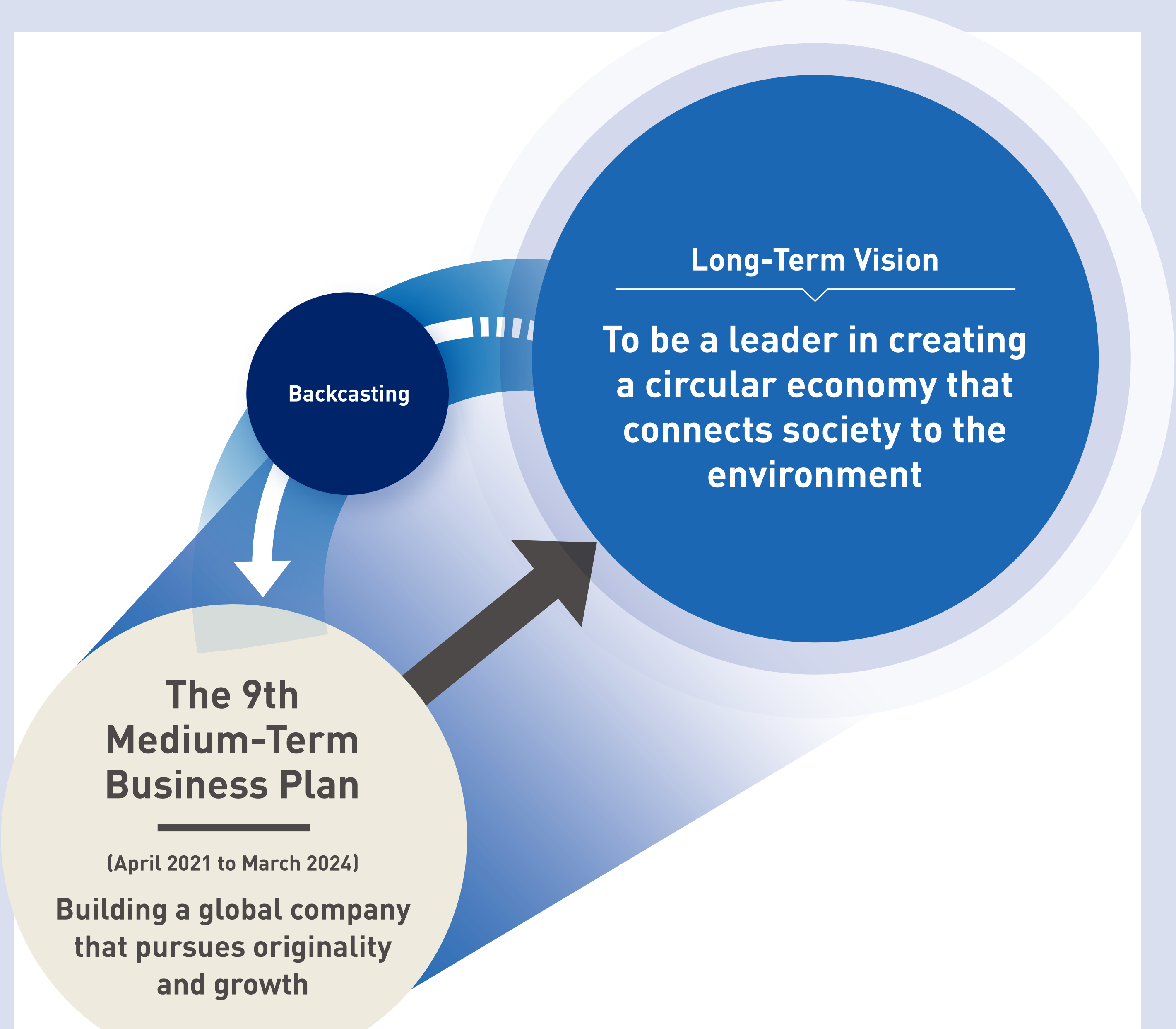
Social value: Contribute to the resolution of global environmental problems

Economic value: Sales leader in Japan

Contributing to the SDGs: 12, 6, 14, 15, 9, 11, 13, 17

(As of March 31, 2023)

Long-Term Vision and Medium-Term Business Plan



Basic Policies			FY2022 Results
1. Reinforce the Foundation for Global Growth	Precious Metals Business	Improve efficiency in Japan and promote global expansion strategy	• Launched operations at Asia's largest precious metals recycling plant featuring state-of-the-art facilities • Expanding the lineup and production volume of minted items in North America
	Environmental Preservation Business	Strive to achieve sustainable growth and globalization	• Launching a SaaS service to digitally streamline industrial waste management
2. Promote New Human Resource Policies			• Introduction of a talent management system • Introduction of overseas trainee program • Introduction of a mentorship system • Introduction of a three-day weekend model and a designated 10-day annual leave model
3. Strengthen Group Risk Management			• Strengthening risk management for diversified North American operations
4. Contribute to the SDGs	Effectively utilize limited resources		• Precious metals recycling avoided 538 thousand tons of CO_2 emissions • Expanding sales of green gold derived from recycling in Japan and North America
	Enhance programs such as those for encouraging work-life balance		• Encouraging men to take paternity leave • Company-wide advancement of employment for individuals with disabilities

Financial Strategy

Building a Strong Financial Base to Support Sustainable Growth

Financial Policies

Basic Policies

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

Funding Needs and Financing

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

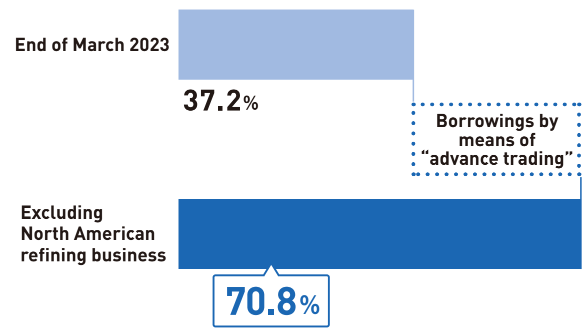
The Group's working capital needs are primarily for the purchase of raw materials for manufacturing products in the precious metal recycling business, and the purchase of precious metal bullion for "advance trading" in the North American refining business. Investment capital needs consist primarily of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

"Advance trading" in the North American Refining Business

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

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

(Equity ratio)



Financial Results

Diversifying funding sources to enhance cost competitiveness

In March 2021, we raised a total of US$201 million, primarily for the expansion of our North American business, by executing the first scheme in Japan whereby a U.S. subsidiary issued U.S. dollar-denominated convertible bonds with the parent company guarantee. In addition, we attained co-financing with JBIC and private financial institutions for a total of US$117 million. Through diversification of financing, borrowing costs are being reduced, which has enhanced the competitiveness and profitability of the refining business.
In Japan, we issued the first green bond ever in the domestic non-ferrous metals industry in March 2020, raising 5 billion yen. The eligibility of these green bonds has undergone third-party evaluation by Rating and Investment Information, Inc., which resulted in the highest R&I Green Bond Assessment rating of "GA1" being conferred. Additionally, in December 2022, we issued private placement bonds specifically aimed at accelerating investments to reduce CO_2 emissions at our plants and R&D centers, successfully raising five billion yen.

Medium-term Financial Targets

Continue strengthening financial base to achieve financial targets

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

Investment Policies

Actively expanding investments that contribute to solving environmental issues

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

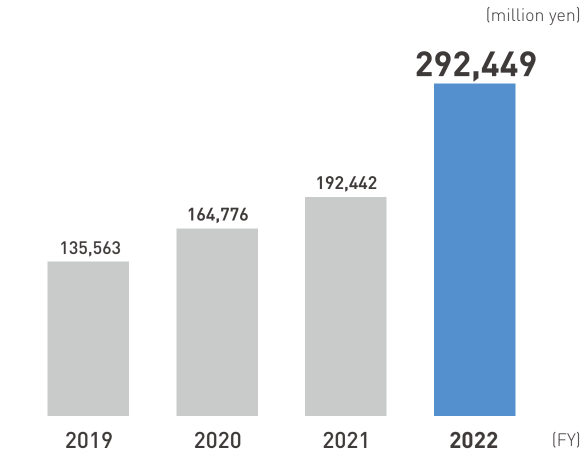
Basic Policy on Shareholder Returns

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

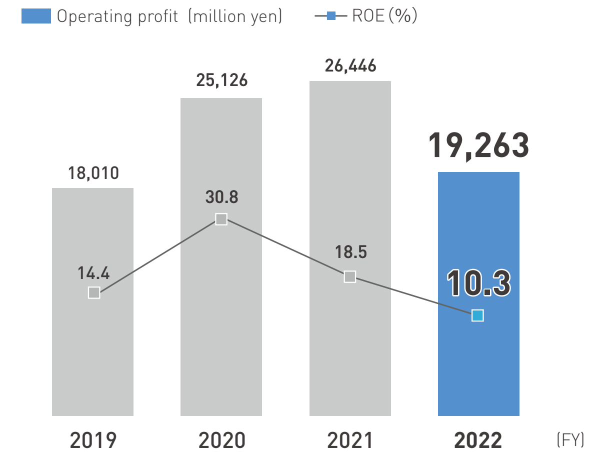
The Group's policy is to maintain a stable dividend payout ratio of 40%, with no reduction in the current annual dividend level, all while ensuring sufficient internal reserves for capital investment and M&A activities to support its growth strategy.

Consolidated Financial/Non-Financial Highlights

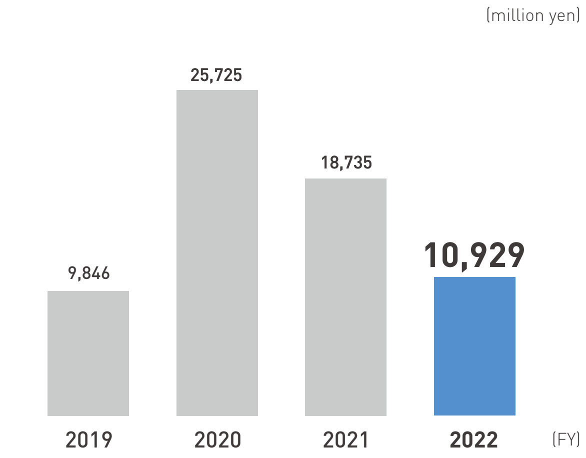
Revenue



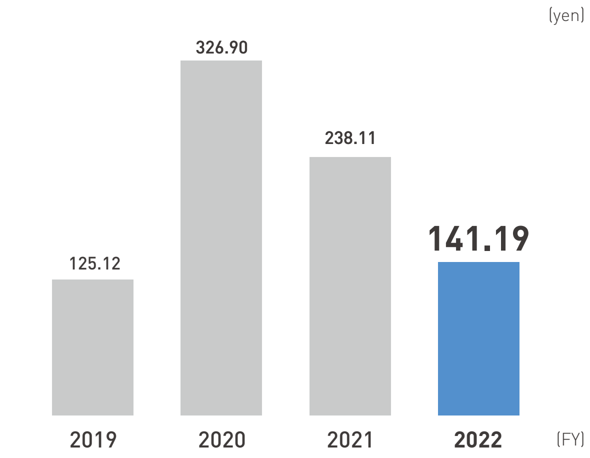
Operating profit / ROE



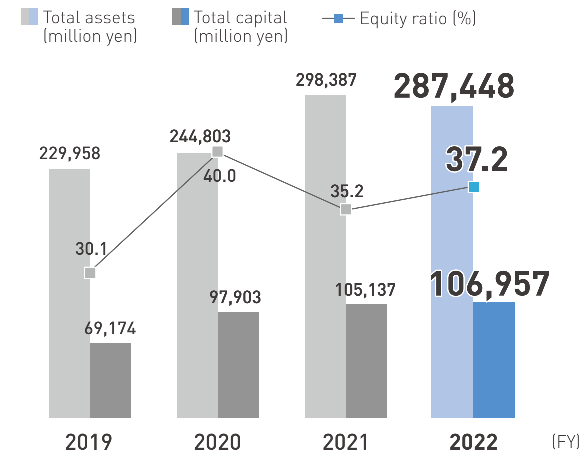
Income for the year attributable to owners of the parent



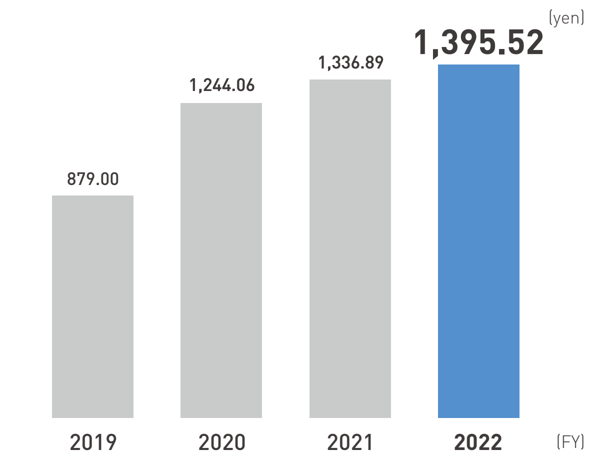
Basic earnings per share*1



Total assets / Total capital / Equity ratio

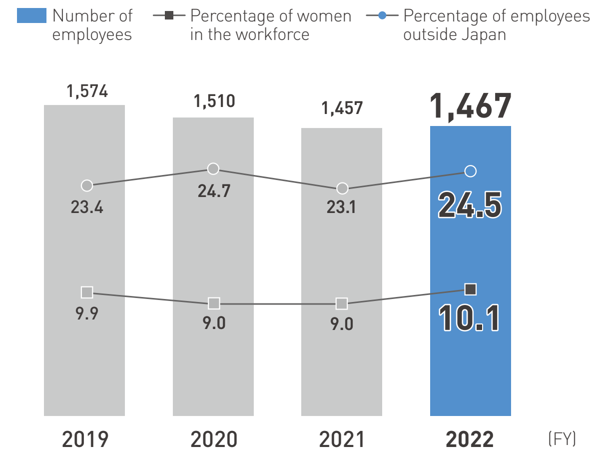


Equity attributable to owners of the parent company per share*1

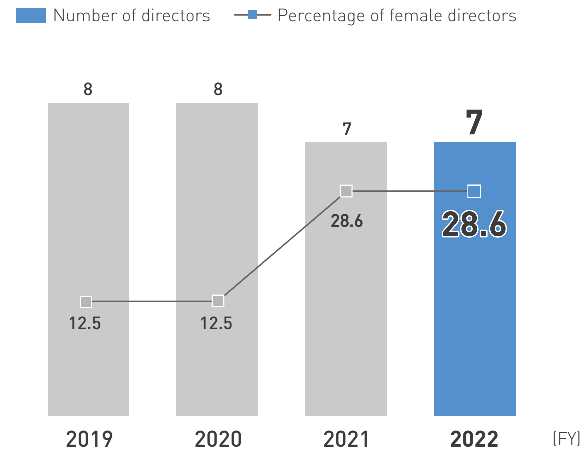


*1 On April 1, 2021, a stock split was conducted with a ratio of two common shares for one. The basic earnings per share and equity attributable to owners of parent per share have been calculated based on the assumption that the stock split was conducted at the beginning of FY2019.

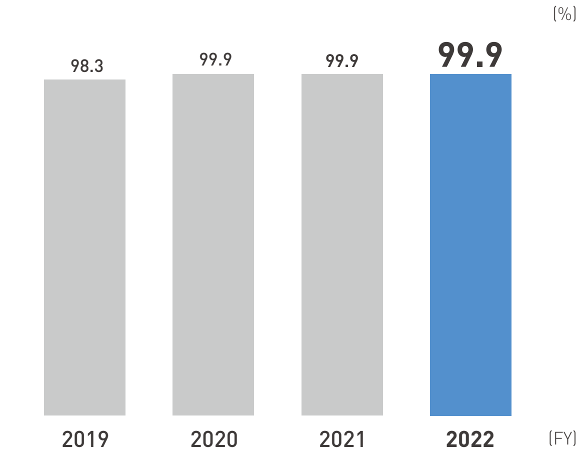
Number of employees, percentage of women in the workforce, and percentage of employees outside Japan



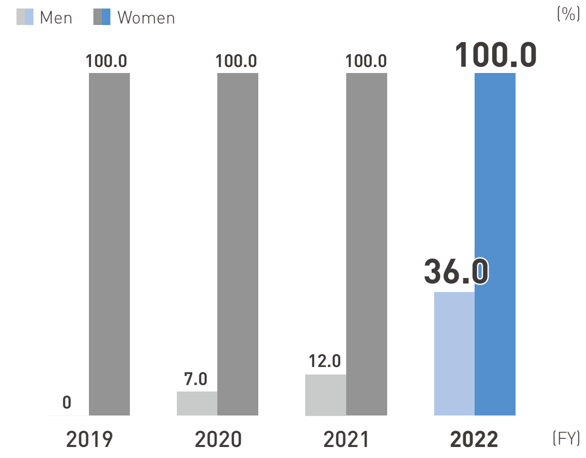
Number of directors and percentage of female directors



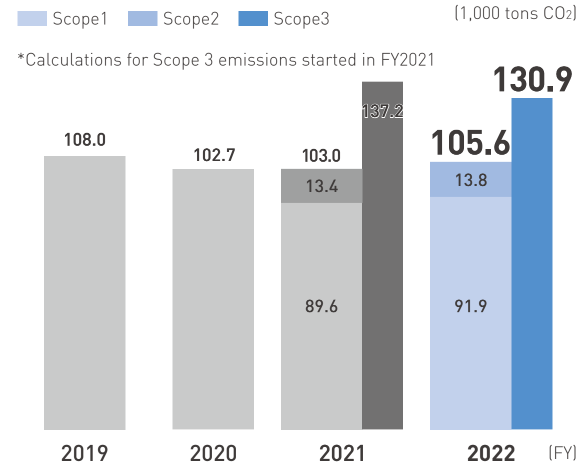
Achievement rate for rest intervals of at least 11 hours*2



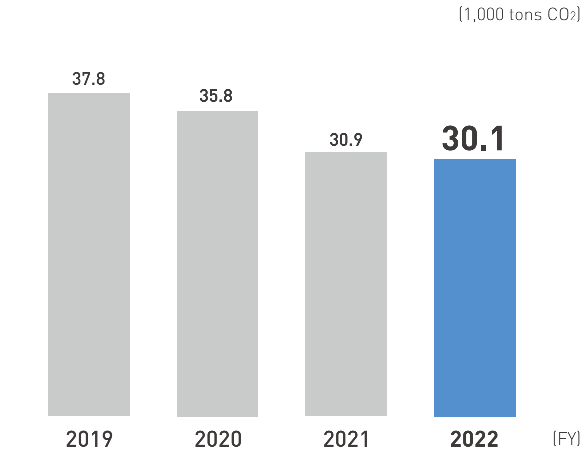
Percentage of taking childcare leave*2



CO_2 emissions



Energy-derived CO_2 emissions*3



*2 Scope: Group companies in Japan.

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