

Environmental Initiatives of ARE Holdings

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

Priority SDG-Related Goal

Expand precious metals recycling

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

Amount of precious metals recycled in FY2022

207t

Priority SDG-Related Goal

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

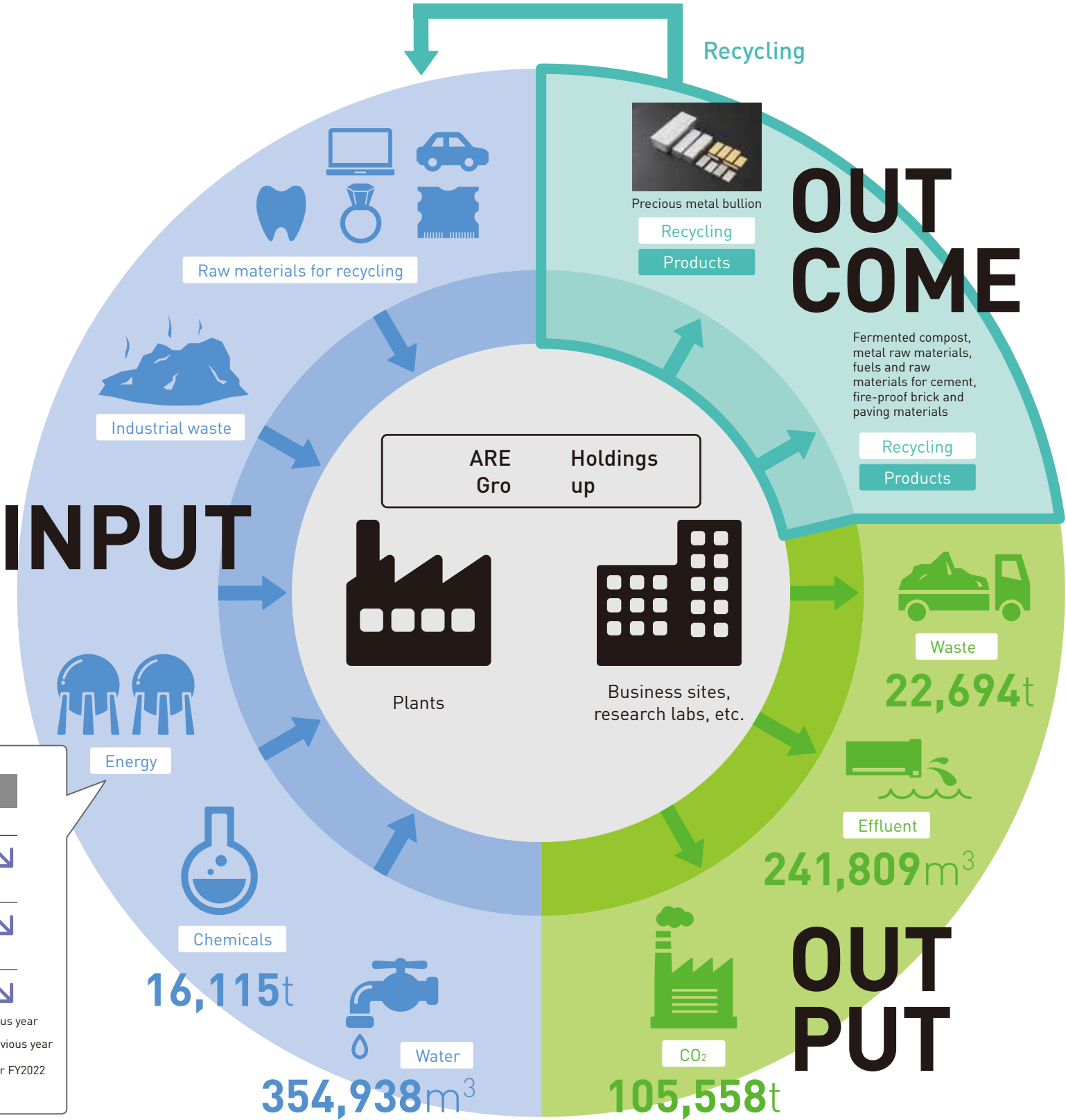
The precious metals we supply are certified to meet international standards and address the concerns of people, society, and the environment. Going forward, we will continue our business activities and initiatives with even greater consideration for ethical, social, and environmental issues, and fulfill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

Energy Sources	
Electricity	Heavy oil
45.20 million kWh/year	456 kL/year
Kerosene	Light oil
350 kL/year	2,606 kL/year
Gasoline	Urban gas
769 kL/year	2.50 million m³/year
LPG	
57 t/year	

Up compared to the previous year

Down compared to the previous year

All figures are actual results for FY2022. The same applies for the rest.



Priority SDG-Related Goal

Expand Proper Industrial Waste Disposal

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

Amounts of properly disposed industrial waste FY2022 results

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

Priority SDG-Related Goal

Reduce CO2 Emissions

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

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

Compared to FY2015

27% reduction

Climate Change Initiatives

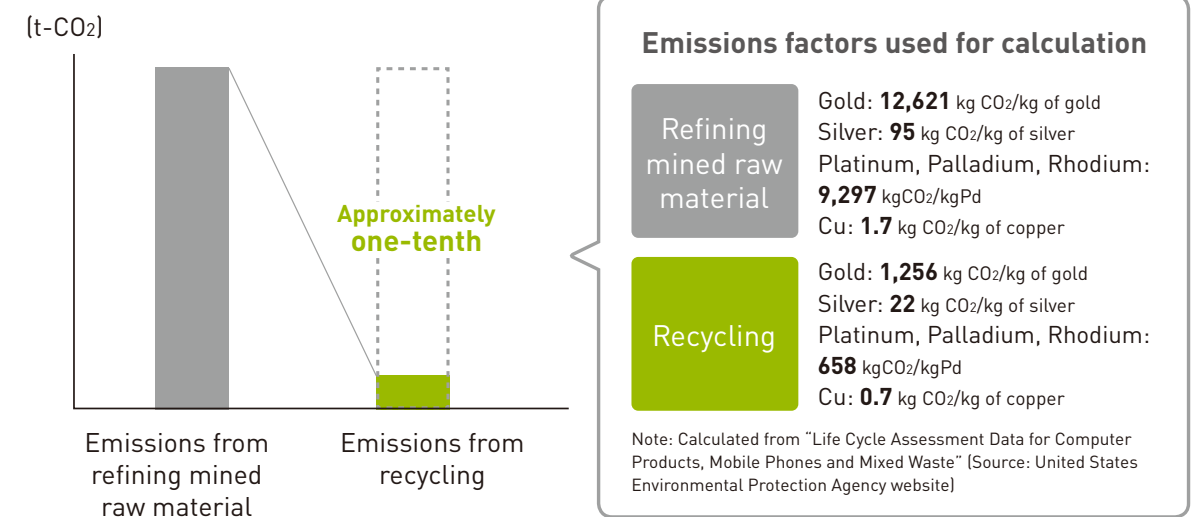
Climate change is a challenge shared by all humankind and is considered one of our business priorities. To make a sustainable society a reality, we will continue to make contributions through our business activities and reduce our own CO2 emissions.

CO2 Emissions Reduction from Precious Metals Recycling

Effect of reducing emissions by precious metal recycling 538,000 t-CO2
Emissions by the ARE Holdings Group 106,000 t-CO2

Emissions reduction over 5 times

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

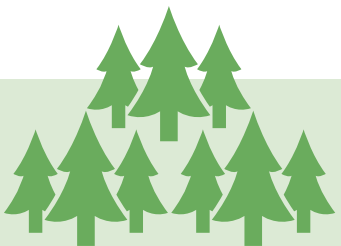


Environmental benefit of precious metals recycling

Equivalent to 38.45 million trees

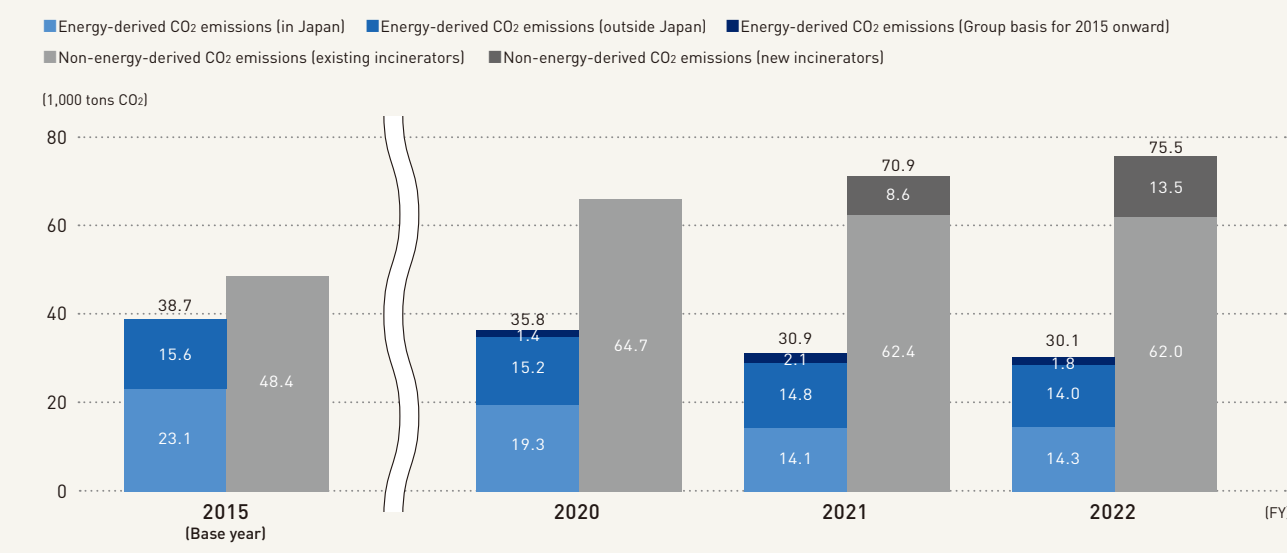
When CO2 savings are expressed as the amount of greenhouse gases absorbed by forests, it is equal to

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



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

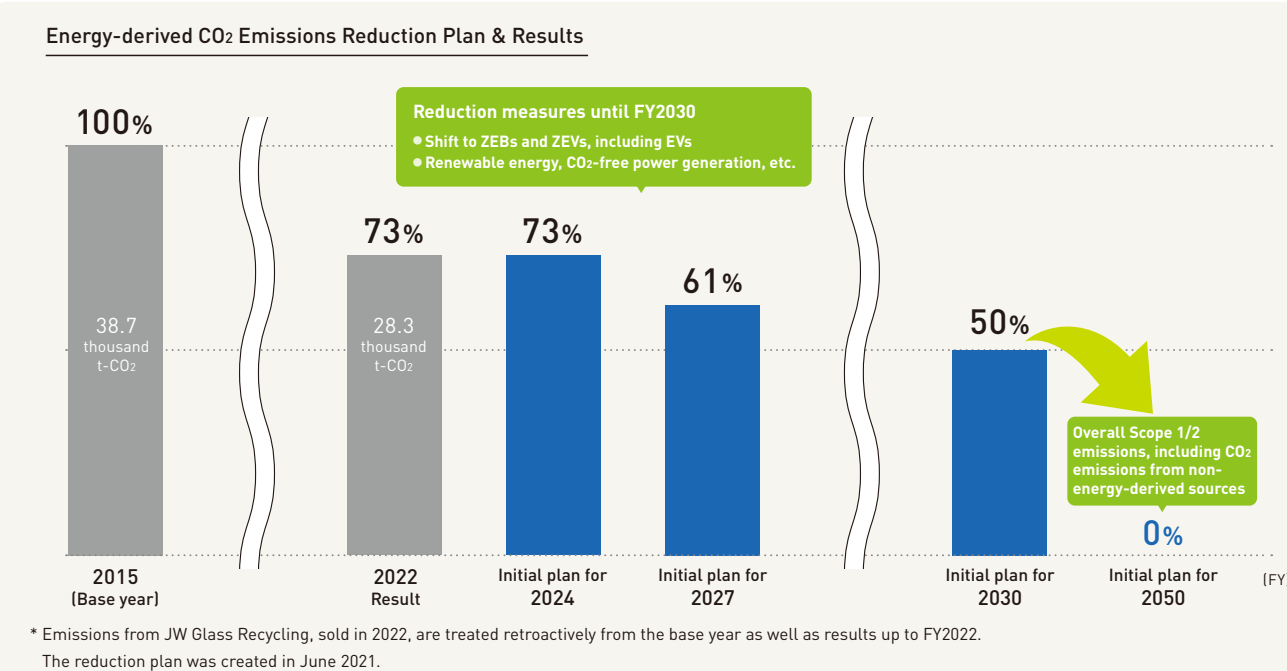
CO2 Emission Trends



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

Scope of data
Headquarters, sites, sales offices, and plants in Japan, as well as Group companies* and overseas subsidiaries* (Calculation period: April to March)
* The data pertains to consolidated subsidiaries as of March 31, 2023. Data for deconsolidated subsidiaries has been subtracted retroactively, while data for subsidiaries that were previously non-consolidated has been added retroactively, going back to the fiscal year when the subsidiary became consolidated.
Calculation method
Energy-derived emissions: Calculated based on the amounts of electricity and fuel consumed at each site (emissions in Japan calculated based on the Act on Promotion of Global Warming Countermeasures and the Act on the Rational Use of Energy)
Non-energy-derived emissions: Calculated based on the amount of industrial waste incineration

CO2 Emission Reduction Plan





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

Governance

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

Strategy

Extraction of Risks and Opportunities

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

Item			Contents	2030		2050	Measures
				4°C	1.5°C		
Risk	Transition risks	Policies and Legal	• Increased costs due to the application of carbon pricing (including carbon tax)	—	Large	➡	• Switching to CO ₂ free power, replacing gasoline cars by EVs and so on to achieve CO ₂ reduction targets for FY2030.
	Physical risks	Acute	• Intensifying natural disasters, such as cyclones or floods, causing damage to the facility and stopping long-term operation	—	—	➡ (4°C)	• Expanding BCM at plants that are expected to be impacted based on hazard maps • Selecting disaster-resistant locations and implementing measures against disasters upon large-scale capital investment
Opportunities	Transition risks	Policies and Legal	• Recycled metals with relatively low CO ₂ emissions will be highly regarded and increase in competitiveness with the application of carbon pricing • Compliance with regulations and enhancing reporting of CO ₂ emissions	—	Large	➡	• Strengthening value-added sales of recycled metals utilizing traceability • Strengthening consulting sales that add value, such as CO ₂ emissions analysis • Expanding business by supporting companies that struggle to comply with regulations
		Market	• Increase in recycling demand and target products	—	Large	➡	• Expanding consulting sales in the field of materials and chemical recycling • Handling of low-grade scrap and expanding metals that are handled
		Technology	• Expanding the incentive to aim for accelerating the development of technologies that contribute to decarbonization such as hydrogen, and early commercialization	—	Medium	➡	• Further promoting the utilization of hydrogen with surplus power, etc.

Summary of Scenarios

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

Results of Scenario Analysis

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

Risk Management

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

Indicators and Targets

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

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

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

Recommended disclosures	Status of Efforts / Action Policies
Governance	• Deliberating on climate change issues at the management level of the Sustainability Committee, which is chaired by the CEO and consists of the presidents of operating companies and directors from the Technology Development Department and Management Department • Establishing the Climate Change Working Group under the Sustainability Committee to promote measures for climate change • Building a system to supervise the matters discussed by the Sustainability Committee under the Board of Directors
Strategy	• Conducting scenario analysis of risks and opportunities related to short-, medium-, and long-term climate change at 4°C and 1.5°C • Setting “Reduction of CO ₂ emissions” as one of our business materiality themes
Risk Management	• Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis • Incorporating the reported matters into the overall group’s risk management system by reporting it to the Group Risk Management Department
Indicators and Targets	• The Group has already set a target of reducing energy-derived CO ₂ emissions by 50% from the FY2015 level by FY2030, and it has already declared that it will achieve carbon neutrality in FY2050 (Scope 1 and Scope 2) • FY2022 Reduction in energy-derived CO ₂ emissions (-27% compared to FY2015) <div>➤ For information regarding the plan to reduce CO₂ emissions for energy-derived CO₂ emissions by FY2030, as well as information about FY2022 Scope 1 to Scope 3 emissions, see p. 41</div>

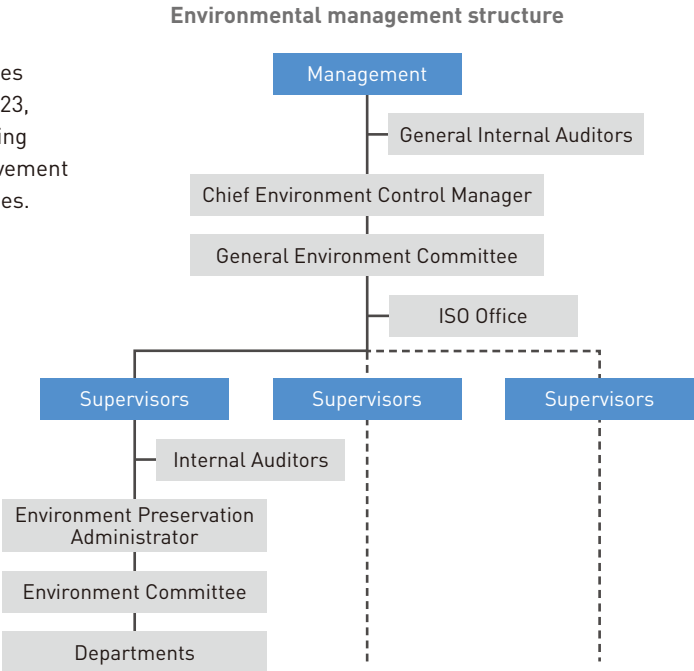
Environmental Management

ISO 14001 Certification

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



ISO 14001 certificate



Environmental Management Promotion System

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

Promoting Green Purchasing

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

<Recommended products>

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

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

*PEFC: Programme for the Endorsement of Forest Certification



Contributing to Biodiversity

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

Water stress

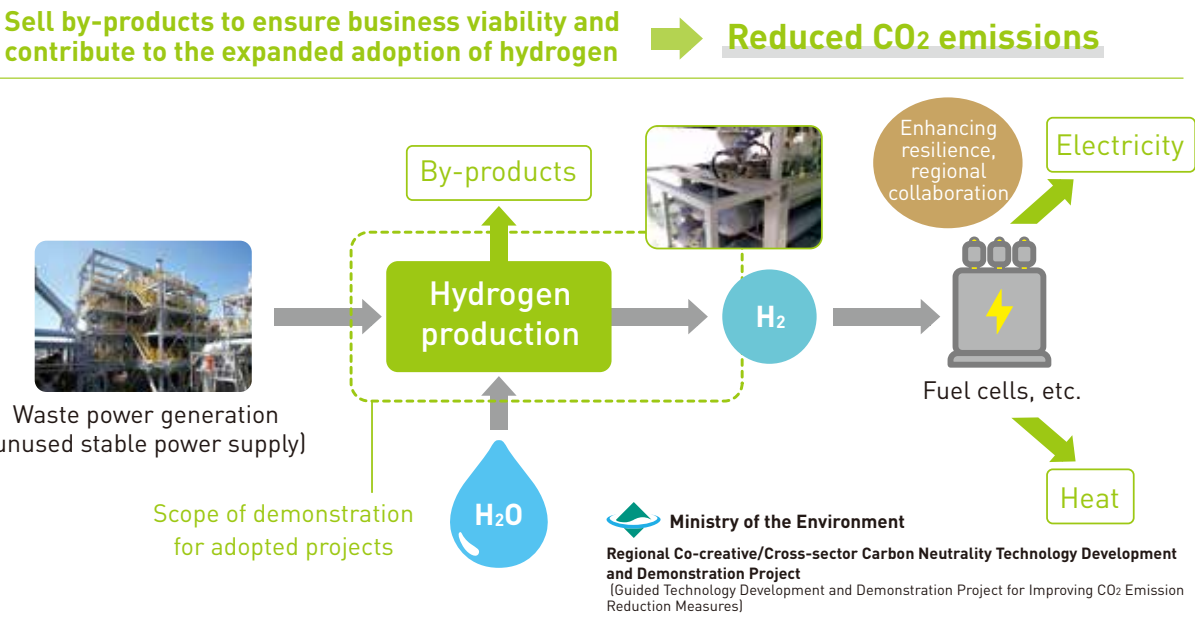
In our business operations, the Group is dedicated to reducing its environmental footprint by continuing to cut back on water consumption and enhance efficiency. While we recognize the importance of managing water stress alongside the efficient use of water resources, none of our business sites—either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

Creating a safe workplace

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

Initiatives for a Hydrogen Society

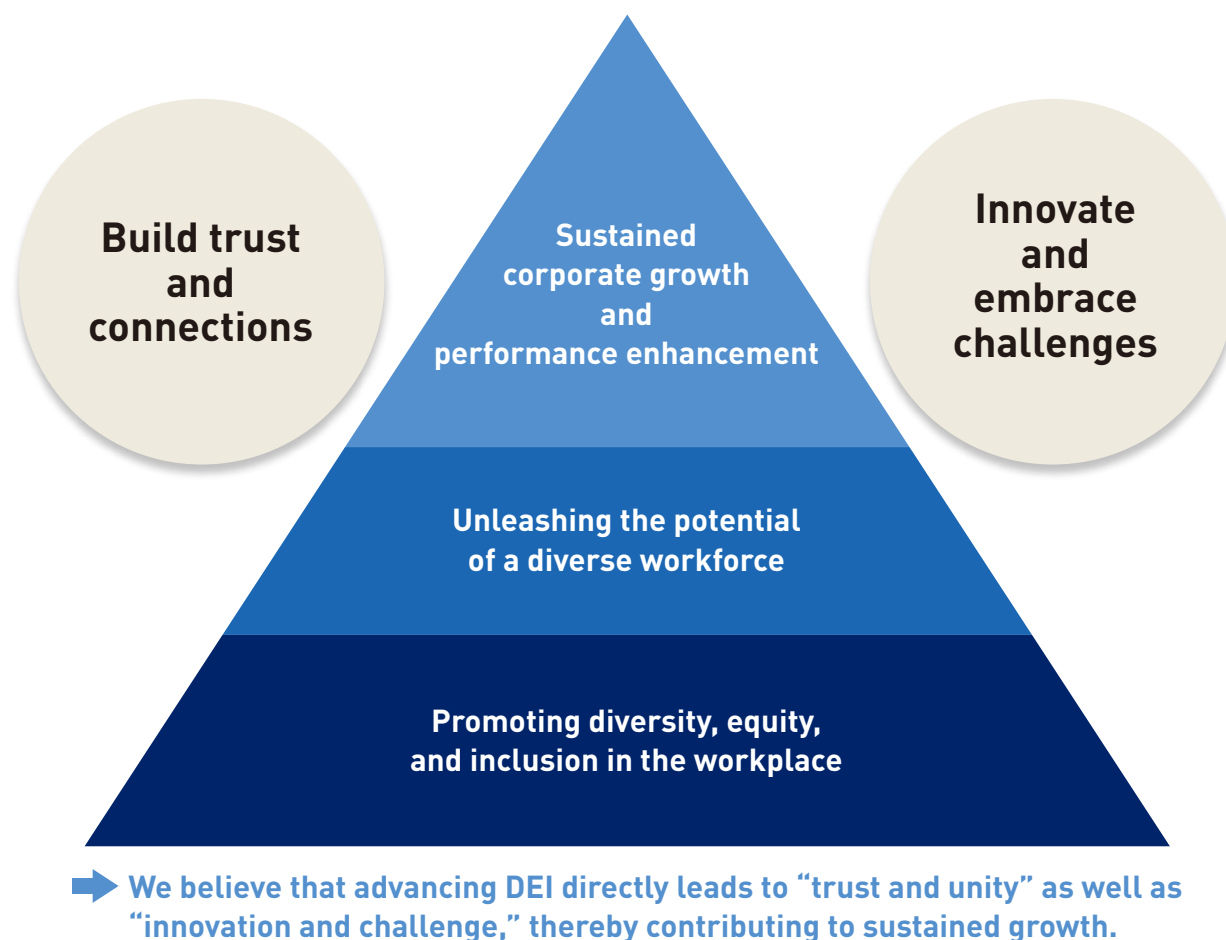
Japan Waste conducted a demonstration with FC Development Co., Ltd., X-Scientia Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited for the development of a system for building a green hydrogen supply chain through the effective use of by-products as part of the "Cross-Regional Cross-Sector Carbon Neutrality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



Human Capital to Support Our Business Strategy

Our Philosophy on Human Capital Management

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



Key Initiatives Undertaken in Fiscal 2022

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

Examples of Our Initiatives

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

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

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

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

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

Example Initiative (3) Introduction of a talent management system

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

Example Initiative (4) Introduction of overseas trainee program

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



Example Initiative (5) Introduction of training for new managers

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



Example Initiative (6) Introduction of a mentorship system

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

Enhance Work-Life Balance and Employee Diversity

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



Priority SDG-Related Goal

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

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



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

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



Example Initiative (9) Encouraging men to take paternity leave

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

List of Flexible Work Arrangements

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

List of Health Examination Policies

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

+

Re-examination support

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

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

Training System Organizational Chart

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

Initiatives for Responsible Precious Metals Management

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

What is Responsible Precious Metals Management?

Responsible Sourcing of Minerals

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

Responsible Precious Metals Management

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

ARE Holdings Group's Action

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

Priority SDG-Related Goal

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



ASAHI METALFINE's Action

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

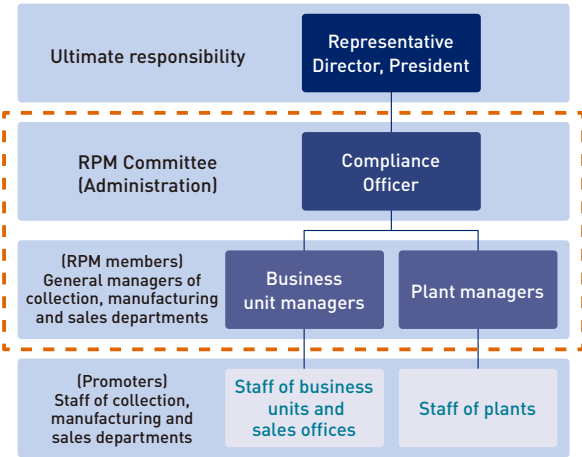
In July 2019, ASAHI METALFINE became the first Japanese refiner to obtain the Code of Practices (COP)*2 certification from the Responsible Jewellery Council (RJC)*1. In July 2021, the company also obtained Chain of Custody (COC)*3 certification. ASAHI METALFINE operations meet the RJC's strict standard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



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

Responsible Precious Metals Management System

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



Supply Chain Management

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

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

Relationship with Society

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

Main Initiatives

Ethical Sustainable Jewelry

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



Asahi Clean Project

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



Priority
SDG-Related Goal

Encourage and Support
SDG-Related Activities



Serving Our Customers

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

Fair Trade Measures

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

Quality Assurance System

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

Procurement Initiatives

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

CSR Procurement Policy

Procurement is carried out based on the following seven points:

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

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



Strengthening Cooperation with Outside Stakeholders

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

ASAHI JEWELRY JOURNAL

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



Participating in Social Contribution Activities

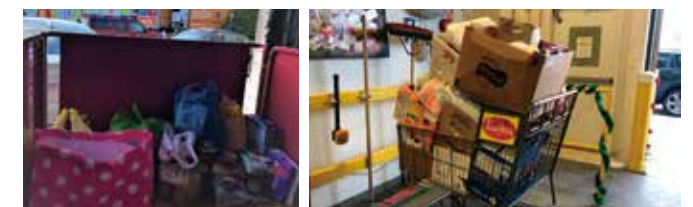
As a corporate citizen, the Group carries out social contribution activities rooted in local neighborhoods and environmental preservation. The initiatives are promoted in various ways and are important for remaining an organization that supports local communities. As part of its social contribution activities,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



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



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



<Other social contribution activities>

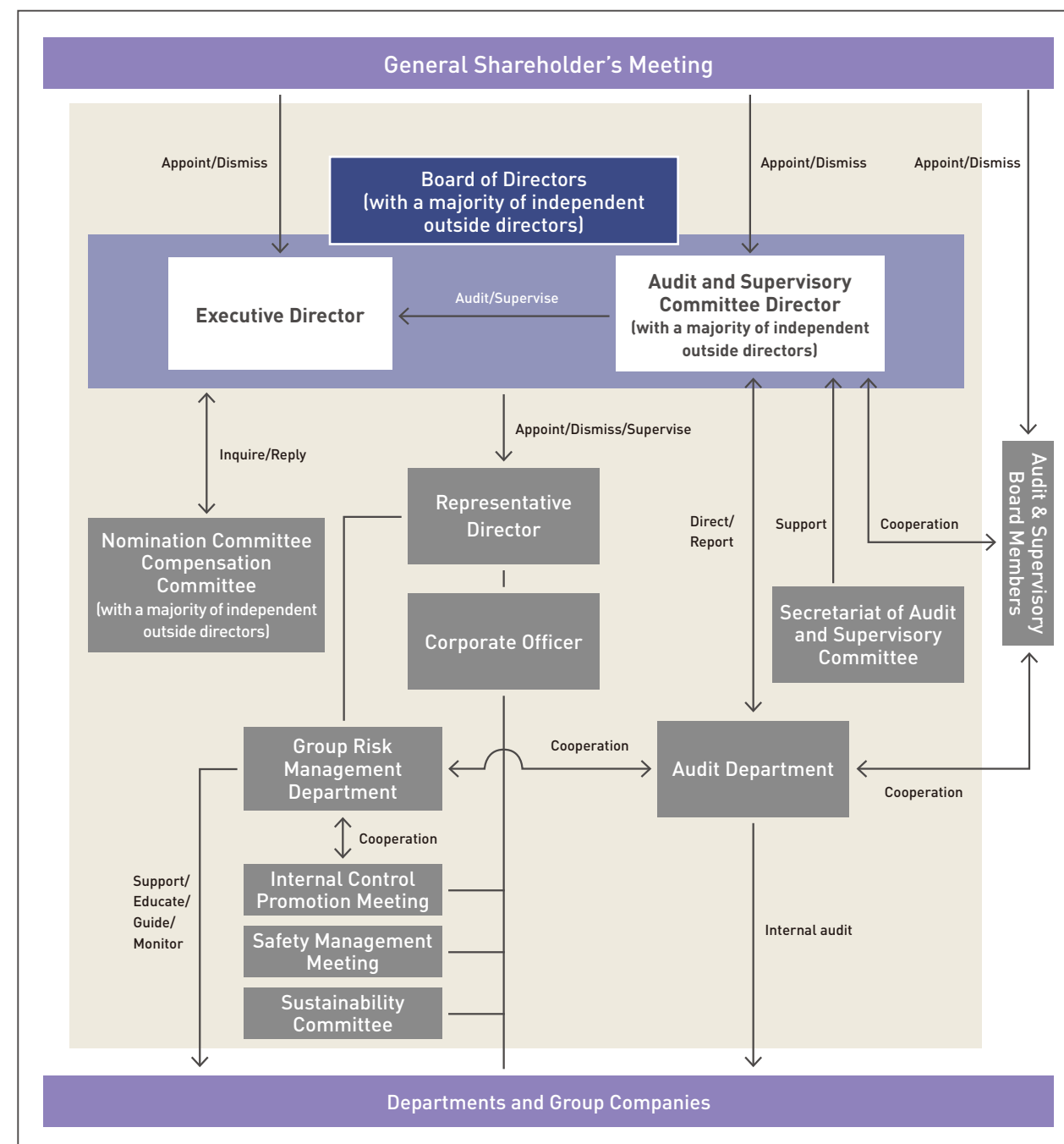
- Support for the activities of nonprofits like Médecins du Monde Japan
- Support for the activities of nonprofits like the Japan Cleft Palate Foundation
- Nippon Foundation donations through vending machines, etc.

Corporate Governance

Basic Corporate Governance Approach

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

Corporate Governance Structure



Organization Design

Board of Directors

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

Outside Directors

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

Audit and Supervisory Committee

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

Nominating and Compensation Committees

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

Adherence to Japan's Corporate Governance Code

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

Maintaining an Internal Control System

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

Evaluating the Effectiveness of the Board of Directors

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

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

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

Questionnaire evaluation categories

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

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

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

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

3 Measures to improve effectiveness

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

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

Director Skill Matrix

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

Reasons for Selection of Skill Matrices

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

Remuneration for Directors

Policy for Determining the Details of Director Remuneration

● Remuneration policy determination

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

● Overview of the remuneration policy

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

Total Amount of Director Remuneration

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

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

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

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

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

Compliance and Risk Management

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

Compliance

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

Business Continuity Management (BCM)

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

Information Security

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

Internal Reporting System (Whistle-Blowing System)

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

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

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

Anti-Corruption Measures

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



Group-Wide Oversight and Auditing by Directors

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

Strengthening Group Risk Management

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

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

Group Risk Management Department Created

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

Strengthening Risk Management in the North American Business

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

Director Profiles



Tomoya Higashiura

Profile
[Born January 26, 1961]
Apr 1984: Joined NEC Corporation
Feb 2001: Joined Asahi Pretec Corp. (currently Japan Waste Corporation)
Jun 2006: Appointed Director, Senior Vice President of Planning & Administration Department
Apr 2009: Appointed Director, Senior Vice President of Planning & Administration Department of ARE Holdings, Inc.
Jun 2010: Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation)
Apr 2011: Appointed Director of ARE Holdings, Inc.
Jun 2014: Appointed as Representative Director, President & CEO of Asahi Pretec Corp. (currently Japan Waste Corporation)
Apr 2018: Appointed Representative Director and President of ARE Holdings, Inc.
Apr 2018: Appointed Director of Asahi Pretec Corp. (currently Japan Waste Corporation) (to present)
Jun 2020: Appointed Representative Director, President & CEO of ARE Holdings, Inc. (to present)
Apr 2023: Appointed Director of Asahi Pretec Corp. (newly established through absorption-type split and change of trade name) (to present)

Audit and Supervisory Committee Members



Yoshinori Hara

Profile
[Born July 21, 1958]
Apr 1983: Joined NEC Corporation
Aug 1990: Became a Visiting Researcher, Stanford University
Jul 2004: Supervised NEC’s Kansai Research Laboratories
Apr 2006: Professor of Graduate School of Management, Kyoto University (to present)
Apr 2018: Dean of Graduate School of Management, Kyoto University
Jun 2019: Appointed Independent Outside Director (Audit and Supervisory Committee Member)
Jun 2023: Appointed Head of Independent Outside Director of ARE Holdings, Inc. (serving as Chairman of Audit and Supervisory Committee Member) (to present)



Miyoko Kimura

Profile
[Born June 12, 1964]
Apr 1988: Joined PLUS Corporation
May 1999: Joined ASKUL Corporation
Feb 2010: Appointed Representative Director and President of ASMARU Corporation
Aug 2017: Appointed Director, Chief Marketing Officer (CMO), and Senior Vice President of Life Creation Unit and Value Creation Center Unit of ASKUL Corporation
May 2021: Appointed Director in charge of branding, design, and supplier relations of ASKUL Corporation
Jun 2021: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)
Sep 2022: Appointed Director and Managing Executive Officer, General Manager, R&D Division of KING JIM CO., LTD. (to present)
Jun 2023: Appointed Outside Director of JAPAN POST HOLDINGS Co., Ltd. (to present)



Mitsutoshi Kagimoto

Profile
[Born June 15, 1958]
Apr 1984: Joined Teijin Limited
Feb 2006: Joined Asahi Pretec Corp.
Mar 2009: Appointed Assistant General Manager of Kitakanto Office of Asahi Pretec Corp.
Dec 2009: Appointed Representative Director and President of JW Glass Recycling Co., Ltd
Apr 2013: Appointed General Manager of Purchase Division of INTER CENTRAL, INC.
Oct 2015: Appointed General Manager of Secretariat of Audit and Supervisory Committee of ARE Holdings, Inc.
Jun 2021: Appointed Director of ARE Holdings, Inc. (full-time Audit and Supervisory Committee Member) (to present)
Dec 2021: Appointed Auditor of Asahi Pretec Corp. (to present)
Apr 2023: Appointed Auditor of Japan Waste Corporation (to present)



Akinori Yamamoto

Profile
[Born February 26, 1981]
Apr 2005: Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
Apr 2007: Joined GCA Corporation (currently Houlihan Lokey, Inc.)
Jan 2019: Appointed Partner, Executive Director of GCA Corporation
Feb 2022: Appointed Executive Director of JPMorgan Securities Japan Co., Ltd.
Mar 2023: Appointed Representative of Yamamoto Certified Public Accountant Office (to present)
Jun 2023: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)



Yuki Tsuru

Profile
[Born May 16, 1969]
Apr 2000: Registered in the roll of attorneys (joined Tokyo Bar Association)
Oct 2007: Joined Kyowa-Sogo Partners Law Office (to present)
Apr 2015: Appointed Member of Infringement Judgement Advisory Committee (to present)
Feb 2019: Appointed Customs Technical Advisors (to present)
Jun 2020: Appointed External Director of Hankyu Hanshin Holdings, Inc. (to present)
Jun 2021: Appointed Part-time Auditor of National Institute of Technology and Evaluation (to present)
Jun 2022: Appointed as Outside Director of SUGIMOTO & CO., LTD (to present)
Jun 2022: Appointed as Outside Director of JAMCO Corporation (to present)
Jun 2023: Appointed Independent Outside Director of ARE Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)

[As of June 21, 2023]



Message from an Outside Director

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

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

Yoshinori Hara



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

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

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

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

Discussion Focused on Risk Assessment for New Ventures

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

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

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

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

Cultivating a Culture to Maximize the Value of Human Capital

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

A Company that Leads in Creating a Circular Society

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

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

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

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

Newly
Appointed

Message from an Outside Director

Supporting the Management Team to Enhance Shareholder & Corporate Value

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

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

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



Independent Outside Director
(Audit and Supervisory
Committee Member)

Akinori Yamamoto



Independent Outside Director
(Audit and Supervisory
Committee Member)

Yuki Tsuru

Advice from the perspective of intellectual property utilization and dispute prevention

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