

Environmental Initiatives of the Asahi Holdings Group

The Asahi 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 FY2021

216t



Priority SDG-Related Goal

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

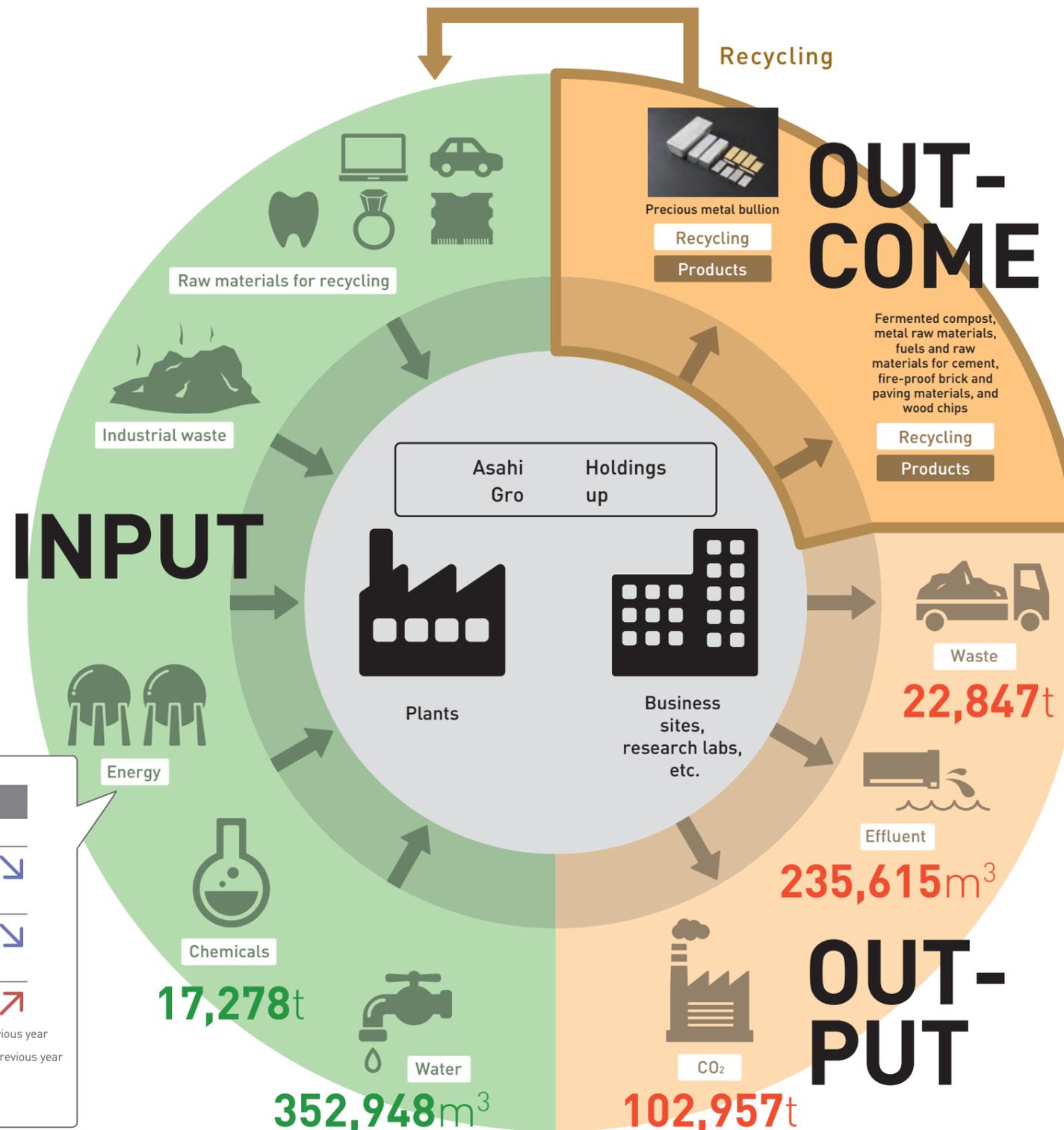
The precious metals we supply are certified to meet international standards and address the concerns of people, society, and the environment. Going forward, we will continue our business activities and initiatives with even greater consideration for ethical, social, and environmental issues, and fulfill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



Energy Sources

Electricity	45.71 million kWh/year	↓	Heavy oil	765 kL/year	↓
Kerosene	324 kL/year	↓	Light oil	3,003 kL/year	↓
Gasoline	855 kL/year	↓	Urban gas	2.64 million m ³ /year	↑
LPG	32 t/year	↑			

↑ Up compared to the previous year
 ↓ Down compared to the previous year
 All figures are for FY2021



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 recycling-oriented society.

Amounts of properly disposed industrial waste FY2021 results

Liquid waste	85,000 t/year	Glass and ceramic waste	15,000 t/year
Sludge	89,000 t/year	Other (waste reagents, waste plastic, etc.)	98,000 t/year
Waste oil	21,000 t/year	Total	308,000 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 FY2021 results



27%

reduction compared to FY2015

Environmental Management

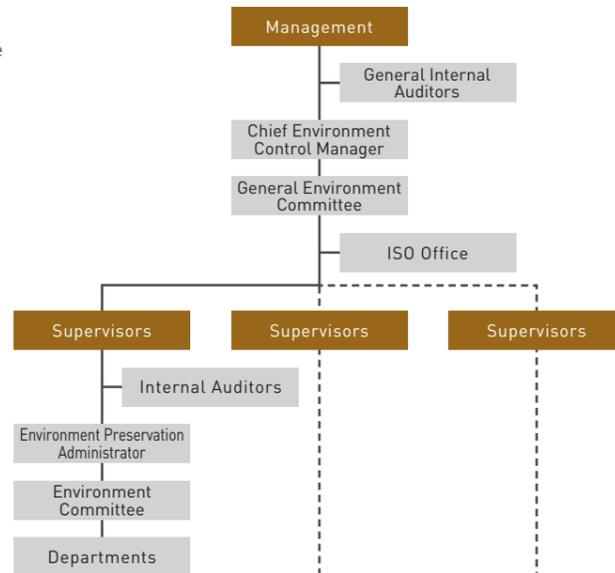
ISO 14001 Certification

In August 2018, we obtained ISO 14001 certification for our sites in Japan, including those at subsidiaries. As of March 31, 2022, we have achieved certification for 31 sites at 4 companies. Going forward, we will continue to focus on maintenance and improvement activities with an emphasis on extending certification to all sites.



ISO 14001 certificate

Environmental Management Structure



Environmental Management Promotion System

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

Promoting Green Purchasing

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

Recommended products

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

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

*PEFC: Programme for the Endorsement of Forest Certification



Contributing to Biodiversity

The Group recognizes that biodiversity is essential for a sustainable society. We contribute to the preservation of ecosystems, aquatic environments and oceans by providing recycled precious metals and proper treatment of industrial waste, which includes the detoxification of waste liquids.

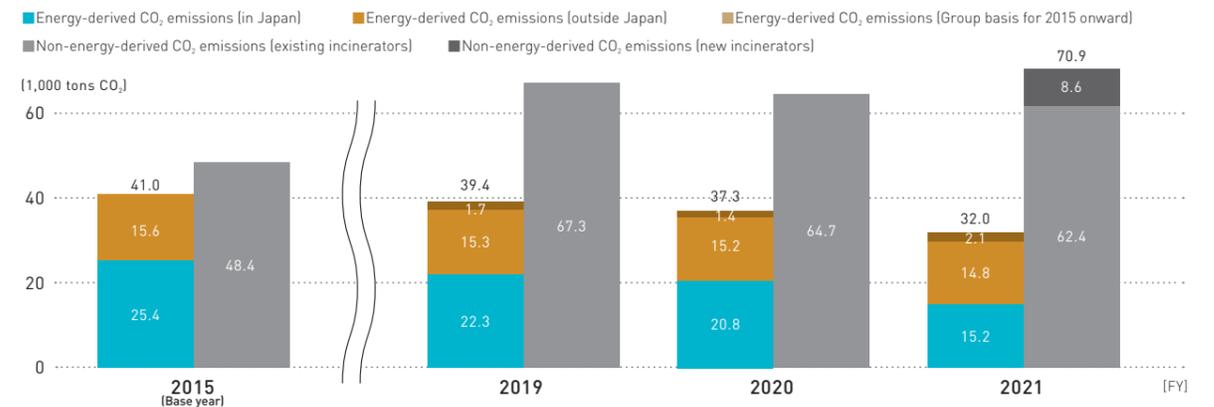
Climate Change Initiatives

Priority SDG-Related Goal

Reduce CO₂ Emissions

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

CO₂ Emission Trends



In FY2021, 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. Energy-derived CO₂ emissions remained at about the same level overseas, but in Japan, they were reduced due to consumption of high-efficiency self-generated power using waste to energy facility as well as a review of each site's electricity contract plans. 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 29% 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 89,600 tons of CO₂, and Scope 2 emissions account for 13,400 tons of CO₂. Scope 3 emissions account for 137,200 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, 2022. 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

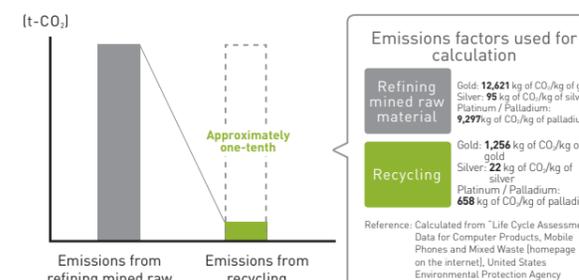
Energy-derived emissions: Calculated based on the amounts of electricity and fuel consumed at each site (emissions in Japan calculated based on the Act on Promotion of Global Warming Countermeasures and the Act on the Rational Use of Energy)

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

CO₂ Emissions Reduction from Precious Metals Recycling

Effect of reducing emissions by precious metal recycling 438,000 t-CO₂ > emissions by the Asahi Holdings Group 103,000 t-CO₂ (Scope 1, Scope 2)

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 438,000 t-CO₂, more than four 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

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

18,411 hectares of forest
(an area one-third the size of Lake Biwa)

Note: Calculation was based on the assumption that one cedar tree absorbs 14 kg of CO₂ annually (Source: Forestry Agency of Japan), and 1,700 cedar trees are planted in an area of one ha

Emissions reduction benefit
438 thousand tons-CO₂





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

Expressed Endorsement of the TCFD and Strengthening the Governance System

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. We have also strengthened our Sustainability Promotion System. [Details on P23](#)

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 extracted 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 qualitatively assessed them on three levels: "Large," "Medium," and "Small." At that time, we also considered the further impact of climate change from 2030 to 2050. As a result, "Policy and Legal," "Market," "Technology," etc. were identified.

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

Summary of Scenarios

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

Results of Scenario Analysis

The 4°C scenario is a world where the current situation continues on, and we found that there would be little impact as of 2030. On the other hand, as we move toward 2050, we anticipate an increase in physical risk: the intensification of natural disasters such as cyclones or floods caused by abnormal weather. In addition to formulating business continuity management (BCM), we are also taking actions such as selecting a location that is strong against disasters when a plant is moved.

In the 1.5°C scenario, strong policy measures are expected to be taken to achieve carbon neutrality in the mid-century. One of these risks is the introduction of carbon pricing including carbon tax. Being affected by cost increases will become a risk, especially in the environmental preservation business. On the other hand, in the precious metals business, it is likely that the evaluation of recycled metals with relatively low CO₂ emissions and their cost superiority will increase. This is an opportunity for the company, which has strengths in the production and traceability of recycled precious metals. In the environmental preservation business, the shift from simple incineration to thermal recycling during the transition to decarbonization will be an opportunity for our company which has already been addressed. The expansion of recycling demand, including the expansion of the target product, will provide an opportunity to take advantage of our strength in consulting sales [proposal-based sales].

While reducing risk, we will focus on expanding opportunities.

Risk Management

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

Metrics and Targets

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

- **Reduce energy-derived CO₂ emissions, such as electricity and gasoline, by 50% (compared to FY2015) by FY2030**

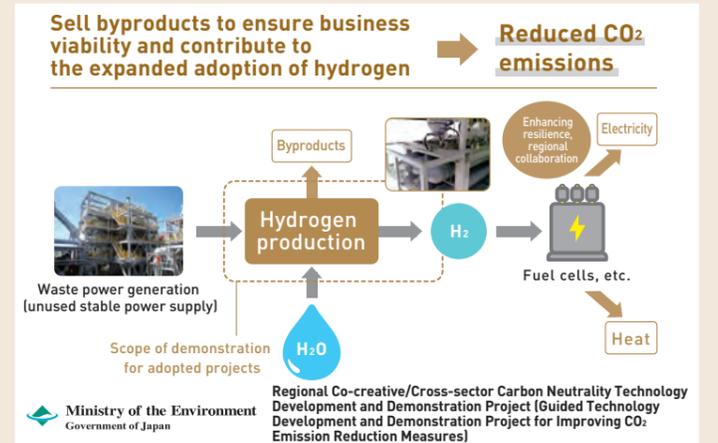
In order to achieve this target, we are moving forward with switching to CO₂ free electricity, reducing fuel usage, and making our business offices ZEBs (Zero Energy Buildings). We have also declared that we will aim for carbon neutrality in FY2050 (targets are Scope 1 and Scope 2). Although we recycle industrial waste that can be recycled through our Environmental Preservation Business, it is also true that there are some things that must be incinerated to ensure proper disposal, such as reduction and detoxification. Therefore, we will first focus on achieving our energy-derived CO₂ emissions reduction target.

Recommended Disclosures	Status of Efforts / Action Policies
Governance	<ul style="list-style-type: none"> • Deliberating on climate change issues at the management level of the Sustainability Committee, which is chaired by the CEO, and which consists of directors from the Business Unit, Technical Unit, and Administration Unit • Establishing the Climate Change Working Group under the Sustainability Committee to promote measures for climate change • Building a system to supervise the matters discussed by the Sustainability Committee under the Board of Directors
Strategy	<ul style="list-style-type: none"> • Conducting scenario analysis of risks and opportunities related to short-, medium-, and long-term climate change at 4°C and 1.5°C • Setting "Reduction of CO₂ emissions" as one of our business materiality themes
Risk Management	<ul style="list-style-type: none"> • Reporting the progress of measures on risks and targets extracted from scenario analysis, etc. to the Sustainability Committee and the Board of Directors on a regular basis • Incorporating the reported matters into the overall group's risk management system by reporting it to the Group Risk Management Department
Metrics and Targets	<ul style="list-style-type: none"> • The Group has already set a target of reducing energy-derived CO₂ emissions by 50% from the FY2015 level by 2030, and it has already declared that it will achieve carbon neutrality in 2050 (Scope 1 and Scope 2) • FY2021 reduction in energy-derived CO₂ emissions (-27% compared to FY2015) <p>For details about Scope 1 - 3 emissions, see P41</p>

Initiatives for a Hydrogen Society

Asahi Pretec has been working with FC Development Co., Ltd., X-Scientia Co., Ltd., and Sumitomo Mitsui Trust Bank, Limited since September 2021 on the development of a system for building a green hydrogen supply chain through effective use of by-products as part of the "FY2021 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 Asahi Pretec 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.



Human Capital to Support Business and Strategy

The People We're Looking for

When it comes to human capital, one of the cores of our approach is enhancing talent base with individuals who possess both professional expertise and initiative. The basic qualities we require are the ability to acquire the knowledge and expertise necessary for the job, as well as the willingness to think independently and utilize that knowledge to handle one's responsibilities on one's own.

Qualities we look for in core personnel

The core personnel who will drive our company's sustainable growth must possess the following three qualities. First, they must be able to innovate and take on challenges and act on new ideas without letting themselves be bound by existing frameworks. Second, they must be open to diversity and accepting of differences in experience, ideology, and culture, and be able to communicate smoothly and make the most of the abilities of those around them. Third, they must have a sense of how to manage risks appropriately for the various incidents that occur in a business environment that is changing at unprecedented speed.

Generating innovation

To co-exist with society on a long-term basis, innovation that transcends conventional thinking is essential. It is also essential to secure and develop human resources that can devise new paradigms for the industrial waste treatment process to create ways that take climate change and biodiversity into further consideration. They should also have a high affinity for areas such as IoT and AI and be able to accelerate and manifest the digital transformation of the industry. We believe that we can achieve our long-term vision of being "a leader in creating a circular economy that connects society to the environment" by securing and cultivating personnel who can propose solutions appropriate for the times at a variety of sites.

Developing Personnel

To support the "scrap and build" approach of our resourceful businesses as well as the company's rapid growth, we have expanded our personnel primarily through mid-career hires. One of our strengths is that we have personnel from diverse backgrounds, and it is important to establish a foundation that will enable each of them to maximize their potential and develop into core human resources.

Ensuring all employees are compensated based on performance and abilities

We have thoroughly implemented a system in which talented employees are given the opportunity to be promoted to higher positions regardless of their career at the company or their age. To efficiently conduct evaluations for this purpose, by the end of fiscal 2022, we plan to launch a talent management system that makes it easy to visualize the qualifications and skills of each employee. We will use this system to rotate and recruit personnel strategically in line with our business strategy.

● Training system diagram

Qualification Level	New Graduate/New Recruit	Assistant Manager	Manager	General Manager
All	Basic education, e-learning, etc. (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	Mid-career training (new hire training and follow-up training)	Mid-career training for managers (guidance by Head of Department/on-site training)	
	Learn the core skills necessary for business operations	Practical business skills training	Correspondence education: Essential courses by level Basic business skills, Intermediate course, Manager fundamentals course, Manager course, Advanced management course	Training for new managers Correspondence education: Essential courses for knowledge/skills Logical writing, Accounting, finance and labor management
Selective Training	Gain advanced expertise	Mentor development training	Domestic business schools (short-/long-term)	
	Developing global and managerial talent	Specialized courses by job category (competence certification, on-site education, external training, support for qualification acquisition, etc.)	Global Course (support for language examinations, overseas trainees)	

Enhancing training opportunities to develop human capital

While we still provide a variety of training and self-development programs, we will further enhance our training opportunities, which includes strengthening our selective training programs. One particular example is establishing a new "mentor system" and "mentor development training." We will select senior employees to provide on-the-job training to new employees and formally appoint them as "mentors," and new employee training will be considered an official personal mission as well as an evaluation item. At the same time, mentor development training will be provided for those employees who will become mentors so that they can learn how to guide and train junior employees and subordinates. Doing this will achieve both uniform, high-quality training for new employees and the development of future candidates for management positions.

One specific example is the establishment of a new "Global Course," which combines support for language exams and training programs at overseas offices to enhance the development of personnel who can achieve their potential on the global stage in accordance with our business strategy.

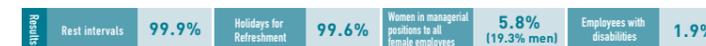
Asahi Intrepreneur Program, our in-house venture program

We have established the "Asahi Intrepreneur Program," an in-house venture program that helps to commercialize employees' ideas. By launching and managing businesses based on employees' own ideas, we can discover and cultivate future management talent.

Enhance Work-Life Balance and Employee Diversity

Priority SDG-Related Goal

Our priority SDG-related goals for fiscal 2021 are as follows.



Improving work-life balance: Promotion of new work style models

Our turnover rate is around 3%, which is due to our fair evaluation system based on performance and ability as well as our safe and comfortable work environment. Rather than grow complacent with the current state of affairs, we aim to further enhance the diverse working lives of our employees. Specifically, we plan to introduce a new work style model in fiscal 2022 that will allow employees to choose a "four-day workweek" option depending on their workplace and the type of work they do. We will strive to promote new initiatives that are ahead of the times and "innovate and embrace challenges" in the way we work.

Diversity & inclusion

We are committed to making efforts to promote the advancement of women within our company. Last year, we launched the "Asahi Cheer-Up Meeting" to enhance networking among female employees. For the first event, we had our female employees nationwide who are assistant managers or above connect online, and we held a discussion with our female outside directors as panelists. In addition to being exposed to the outside directors' diverse array of careers and experience, they were able to expand their networks within the company and raise their awareness of the need for diverse career development. Besides expanding the existing support system for balancing work and family life, we are also making efforts to transition toward work environments that are not affected by physical disparities between genders in the various business fields, which will allow women to be active in more areas. For example, in the dental sector, outsourcing the collection and transportation of waste materials, which has thus far been done alongside sales activities, to a specialized company will foster an environment in which female sales staff can be more active. The percentage of female employees among the new graduates who joined in fiscal 2022 is 60%, and we have already assigned some of them to sales positions in the Precious Metals Business Division.

In April 2022, we established a policy to further support the increase in the rate of men taking parental leave to create a workplace environment where men can take parental leave with ease, thereby lending indirect support to women being more active in the workplace.

Occupational Safety and Health

Health and productivity management

We consider the physical and mental health of each and every employee a corporate asset, and under the "Asahi Holdings Health Declaration," we are working to make healthy and productive workplaces a reality. The company has a comprehensive health checkup system that exceeds the statutory requirements, including a recommended gastrointestinal endoscopy for employees aged 35 and older and periodic advanced medical examinations, including MRI/MRA and PET scans, for all employees aged 40 and older, and has been recognized as a "2022 Certified Health & Productivity Management Outstanding Organization." With regard to mental health, we are also promoting the creation of a workplace where employees can work with peace of mind in collaboration with occupational physicians specializing in mental health.

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 Responsible Precious Metals Management

The Asahi 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 U.S. 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 Pretec 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 Pretec 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).

Asahi Holdings Group's Action

Based on the Group's corporate philosophy and code of conduct, the "Asahi Way," we have set out a Responsible Precious Metals Management Policy at Asahi Pretec, and a Precious Metals Procurement Policy at Asahi Refining. We conduct due diligence for suppliers and materials of precious metals in accordance with the LBMA and LPPM Guidances, and we practice responsible precious metals procurement.

The compliance status is audited annually by a third party, and then reported to the LBMA and LPPM. These reports are disclosed on our website along with the assurance reports issued by the auditing organizations.

To fulfill one of our Priority SDG-Related Goals, "supply precious metals in ways that are friendly to people, society, and the environment," we work to maintain the Asahi brand as a trusted presence that reassures customers all over the world that we practice highly transparent procurement and traceability of raw materials as certified by third parties, and that our precious metal products are made with consideration for human rights and the environment.

Asahi Pretec's Responsible Precious Metals Management Policy → <https://www.asahipretec.com/responsible-sourcing/>
 Asahi Refining's Precious Metals Procurement Policy → <https://www.asahirefining.com/corporate-responsibility/>

Priority SDG-Related Goal

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



Asahi Pretec's Action

Utilizing its sales network that covers all of Japan as well as other sites in Asia, Asahi Pretec 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, Asahi Pretec is contributing to the effective use of resources and the development of the industry.

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

* RJC: 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.

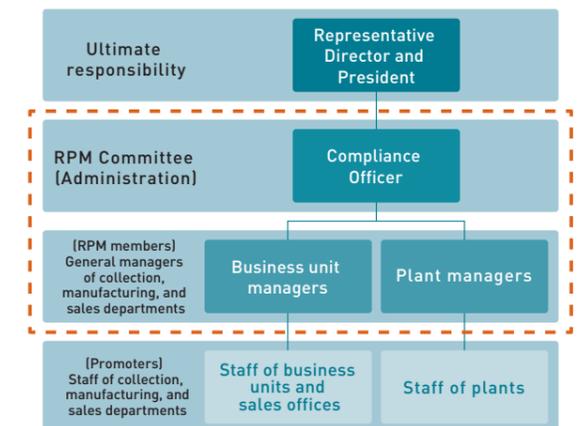


Responsible Precious Metals Management System

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.

In FY2021, while there was one supplier that fell into the high-risk category, we continued to do business with the supplier once the risks were mitigated.



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 send 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 has relationships with various 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. Asahi Pretec 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 "Asahi 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 527 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.



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 Asahi 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

At Asahi Pretec, 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 Asahi 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

Asahi Pretec has implemented a CSR Procurement Policy. It pertains to the procurement of secondary materials such as chemicals and consumables used in the 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 and building schools in Myanmar. Asahi Pretec provides support for these activities by recycling the precious metals donated to the TOOTH FAIRY project. At Asahi Refining companies, the employees cooperate in making donations. In FY2021, a large number of food and toys were collected and donated to food banks and other organizations.



Asahi Refining Canada

Food and toys being donated to KNIGHTS TABLE



Asahi Refining Florida

Food and toys being donated to FEEDING SOUTH FLORIDA



Asahi Refining USA

Donating food to the UTAH FOOD BANK and toys to CHRISTMAS BOX HOUSE



Other social contribution activities

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

Director Skill Matrix

Name	General executive management skills	Industry knowledge	International experience	Sales	Technology and innovation	Administrative experience	Legal	Finance and accounting
Director and Chairman Mitsuharu Terayama	●	●		●	●			●
Representative Director, President & CEO Tomoya Higashiura	●	●	●	●		●		●
Director, Chairman of the Audit and Supervisory Committee Yuji Kimura		●	●			●		
Director, Audit and Supervisory Committee Member Kyoko Kanazawa			●				●	
Director, Audit and Supervisory Committee Member Yoshimori Hara			●		●			●
Director, Audit and Supervisory Committee Member Miyoko Kimura	●			●				
Director, Audit and Supervisory Committee Member Mitsutoshi Kagimoto	●	●					●	
Corporate Officer Hiroyuki Nakanishi	●	●		●	●			
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 Asahi 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

Classification	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)	134 (0)	65 (0)	55 (0)	14 (0)	4 (0)
Directors who are Audit and Supervisory Committee members (outside directors only)	37 (23)	37 (23)	0 (0)	0 (0)	6 (4)
Total (outside directors only)	171 (23)	102 (23)	55 (0)	14 (0)	10 (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 2022 was 26,446 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 Asahi Holdings and the directors of Asahi 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 Asahi 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 FY2021 to FY2023, 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 Asahi Holdings directors (excluding directors who were Audit and Supervisory Committee members or outside directors) who were in their positions for the three years from FY2021 to FY2023. At the end of the general meeting, the number of directors (excluding directors who were Audit and Supervisory Committee members and outside directors) was two. Further, the maximum total number of points to be granted to directors per fiscal year was set to 40,000 points, and the maximum total number of shares to be issued to directors for the target period was set to 120,000 shares.

Compliance and Risk Management

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

Compliance

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

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

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

Anti-Corruption Measures

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

Business Continuity Management (BCM)

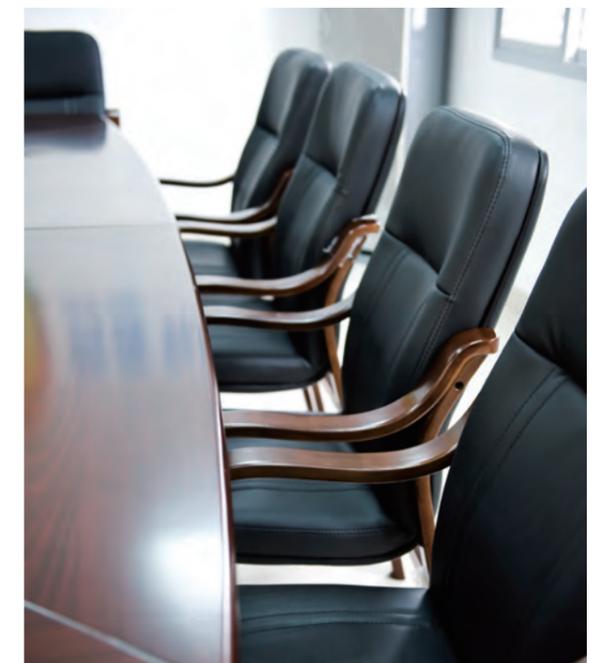
Various factors such as large-scale disasters entail the risk of impairing the functions needed for business continuity. As an action plan to achieve quick restoration of mission-critical functions even after a disaster, we created a business continuity plan (BCP). In addition to the BCP, we are conducting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

Information Security

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

Internal Reporting System (Whistle-Blowing System)

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



Group-Wide Oversight and Auditing by Directors

Asahi 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 Group Executive Committee, attended by directors of Asahi Holdings, Inc., and its Group companies. Particularly important matters are submitted to the Asahi 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 Asahi 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.

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

On April 1, 2021, a Group Risk Management Department was created to properly identify potential risks in the Group's business execution processes and business structures. It was established to 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 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 challenge-taking 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 each business location, management standard-setting and location monitoring must be performed independently. Recognizing this, Asahi Holdings decided to enhance its organizational response capabilities by introducing a unified management framework for the

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



Mitsuharu Terayama

Profile

[Born March 10, 1940]

Apr 1964: Joined Kuraray Co., Ltd.
 Jul 1973: Joined Asahi Pretec Corp.
 May 1981: Appointed Representative Director and President of Asahi Pretec Corp.
 Apr 2009: Appointed Representative Director and President of Asahi Holdings, Inc.
 Jun 2014: Appointed Representative Director, President and Chairman of Asahi Holdings, Inc.
 Apr 2018: Appointed Representative Director, Chairman of Asahi Holdings, Inc.
 Jun 2020: Appointed Director and Chairman of Asahi Holdings, Inc. (to present)



Tomoya Higashiura

Profile

[Born January 26, 1961]

Apr 1984: Joined NEC Corporation
 Feb 2001: Joined Asahi Pretec Corp.
 Jun 2006: Appointed Director of Asahi Pretec Corp.
 Apr 2011: Appointed Director of Asahi Holdings, Inc.
 Jun 2014: Appointed Representative Director and President of Asahi Pretec Corp.
 Apr 2017: Appointed Representative Director and President of Asahi Americas Holdings, Inc. and President of Asahi Pretec Corp.
 Apr 2018: Appointed Director of Asahi Pretec Corp. (to present)
 Apr 2018: Appointed Representative Director and President of Asahi Holdings, Inc.
 Jun 2020: Appointed Representative Director, President & CEO of Asahi Holdings, Inc. (to present)

Audit and Supervisory Committee Members



Yuji Kimura

Profile

[Born July 23, 1955]

Apr 1979: Joined the Environment Agency
 Jul 2006: Appointed General Manager of Industrial Waste Management Division, Waste Management and Recycling Department of the Ministry of the Environment
 Aug 2010: Appointed Director-General of Kyoto Mechanism Business Promotion Department of New Energy and Industrial Technology Development Organization
 Jul 2012: Appointed Director-General of Hakodate Customs, Ministry of Finance Japan
 Oct 2014: Appointed Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation (to present)
 Jun 2017: Appointed Independent Outside Director (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc.
 June 2021: Appointed Head of Independent Outside Director (serving as Chairman of Audit and Supervisory Committee) of Asahi Holdings, Inc. (to present)



Kyoko Kanazawa

Profile

[Born October 11, 1965]

Apr 1989: Joined Fuji Research Institute Corporation
 Apr 2000: Registered as attorney/Joined Hata & Co. Law Offices (to present)
 Jun 2017: Appointed Independent Outside Director (to present)



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 (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (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
 May 2017: Appointed Chief Marketing Officer (CMO), Executive Officer, Executive Officer of Life Creation Unit and Value Creation Center Unit, B-to-C Company of ASKUL Corporation
 Mar 2020: Appointed Director, Supervisor of Merchandising Unit, Chief Marketing Officer (CMO), Executive Officer of ASKUL Corporation
 May 2021: Appointed Director in charge of branding, designing, and supplier relations of ASKUL Corporation
 Jun 2021: Appointed Independent Outside Director of Asahi Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)
 Aug 2022: ASKUL Corporation Senior Fellow



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 Asahi Pretec Corp.
 Apr 2013: Appointed General Manager of Purchasing Division of INTER CENTRAL, INC.
 Oct 2015: Appointed General Manager of Audit and Supervisory Committee Secretariat of Asahi Holdings, Inc.
 Jun 2021: Appointed Director of Asahi Holdings, Inc. (serving as Audit and Supervisory Committee Member) (to present)
 Dec 2021: Appointed Auditor of Asahi Pretec Corp. (to present)

(As of June 15, 2022)



Special Feature Roundtable Discussion with Outside Directors

Based on the spirit of “innovate and embrace challenges,” we will continue to strengthen our governance system.

In an effort to further enhance corporate governance, Asahi Holdings has appointed four individuals with a wide range of expertise and experience as outside directors. The Chairman of the Board of Directors also joined us on this occasion to speak frankly about the governance reforms we have been working on and our goals for the future.

—To start things off, please share how you view your responsibilities as outside directors and the role of the Board of Directors.

(Yuji) Kimura: I believe that outside directors are responsible for utilizing their expertise and experience to contribute to healthy, sustainable corporate growth and the enhancement of corporate value. This entails looking at matters from the perspective of every shareholder and stakeholder and remaining independent from management so that one can ensure corporate compliance and governance and monitor the execution of business operations to confirm management risks, as well as provide advice on business strategies and other matters. I have been involved in waste management, recycling and global environmental issues as a government official for many years. I would like to bring my experience to bear by offering advice and contribute to the monitoring of proper business execution, including compliance, as well as climate change initiatives, which will become increasingly important. The waste recycling sector is one of the major pillars of our business. We are also expanding our precious metal recycling focused business. Compliance is particularly important in the sector of waste management and recycling, and up until now I have offered many opinions and pieces of advice at board meetings based on my experience. I hope to continue to apply my experience in this area going forward. Climate change is another important issue. How do we curb the greenhouse gas emissions produced by waste incineration? How do we reduce greenhouse gas emissions produced during the course of our corporate activities? How do we raise awareness about our climate change initiatives to the outside world? This will be a very important initiative, and I will continue to apply my own knowledge to fulfill my responsibilities as an outside director.

Kanazawa: I believe that the responsibilities generally expected of outside directors are as Director (Yuji) Kimura described at the start. I think that one of our main characteristics is constantly innovating and challenging ourselves, as evidenced by the fact that we have achieved growth while revamping our business portfolio. Assuming that these characteristics remain, I believe that the most important role of the Board of Directors is to point out the risks involved when the company is both considering and implementing innovation and taking on challenges. This ensures that judgments of risk are made in an appropriate manner and monitors whether our risk control system is in place and functioning. The Board of Directors should also point out when the company is not acting as it should, such as when it is not innovating or taking on challenges, or such efforts appear to be weakening. In addition, given that we are a company that is always innovating and taking on challenges, it may sometimes be difficult for stakeholders to understand what we do. When this happens, I would like to ask the Board of Directors to devise ways for helping stakeholders to understand the company, and as a member of the Board, I would like to be part of this process. When it comes to my duties as an outside director for the company, I value the approach of “harmonizing without agreeing.” In fact, I have always emphasized this approach, even when I was working as an attorney. A professor who mentored me during my legal training told me that my duty and approach as a lawyer should be to “listen carefully, investigate carefully, think carefully, and then repeat this process, cognizant of the fact that this occasionally means you have to say things you think others may not want to hear. Even if this ends the relationship, you have conveyed what is important.” I believe this concept is applicable not only as an attorney, but also when fulfilling my responsibilities of an outside director.

Hara: I feel that the idea of “harmonizing without agreeing” is vital not only for individuals, but for organizations as well. Among the many responsibilities required of an outside director, I believe it is particularly essential to remain unbound by internal considerations and provide candid opinions and recommendations based on the general situation outside the company. I am currently conducting educational research on innovation management at a graduate school of business administration. From my perspective, in addition to the nonferrous metals industry, we are a company with a very unique business model in that, we create service innovations that generate new added value while simultaneously creating social innovations that are essential to achieving a recycling-oriented society. In the past, it has been said that achieving the balance between economic value and social value that we have aspired to since our founding would be difficult, but recently, the value of ESG and non-financial information has become more prominent, and there is a growing emphasis on balancing economic and social values. As an academic with expertise in business administration as well as electrical and electronic informatics, I will contribute in terms of both theory and practice from the perspective of the impact on stakeholder value and strengthening governance. By taking firm steps to promote and raise awareness about the value we offer, I would like to contribute to the sustainable growth of our company and the enhancement of our corporate value over the medium and long term. In addition, during my career thus far, I spent about 10 years conducting research in Silicon Valley in North America, and I have hands-on experience at an in-house research institute. As such, I would like to lend my services by providing both practical and academic advice on how to introduce approaches both from abroad and from the IT field, as well as

how to expand to the rest of the world from Japan.

(Miyoko) Kimura: To follow up on Director Hara’s mention of innovation, when I joined our Board of Directors last June, I myself was very surprised to see how the company has continued to innovate without growing complacent due to its success, in spite of our 70 years of history. “Innovation and taking on challenges” are not easy, but I believe that the fact that we continue to do so is one of the great things about our company. The spirit of “innovate and embrace challenges,” respect for our employees, and our insistence on profits have all been part of our company’s DNA since its founding, but at the same time, if we examine the history of our business development, we have taken an aggressive “scrap and build” approach, and this is the point I appreciate it. I agree with what everyone has said regarding the role of outside directors, but I believe that as a representative of general shareholders and as a member of society, it is important for us to occasionally be able to express our opinions without worrying about how we might be perceived, particularly when we are monitoring executive operations from an independent and objective standpoint. However, doing this naturally requires that I deepen my understanding of the company. I have had the opportunity not only to communicate with management, but also to visit actual company sites, such as the Technical Research Center and plants. This allowed me to get a feel for the reality on the ground and the actual products, as well as the sincere and earnest attitude and culture with regard to workplace safety and security. I will leverage my management experience as a founding member of a mail-order sales company for office supplies, and I would like to contribute to the enhancement of our medium- to long-term corporate value by incorporating what I experienced on the ground and drawing on the experience and knowledge I have cultivated in the launch and development of new B2B and B2C businesses, as well as in the marketing sector. I believe that our strengths lie in the fact that our business itself contributes to a circular economy that links the environment and society, that we have a clear management strategy for expanding globally on the strength of our advanced technological and sales capabilities, and that we value our corporate culture and human resources based on the “Asahi Way.” In the coming era, which will emphasize climate change and ESG, Asahi Holdings, Inc. will be positioned right in the middle of these issues, and I hope to lend my support by communicating its branding and initiatives to the outside world in a more active manner.



Yuji Kimura
Head of Independent Outside Director (Chairman of the Audit and Supervisory Committee) of Asahi Holdings, Inc.
After working for the Environment Agency, the New Energy and Industrial Technology Development Organization, and the Director General of Hakodate Customs at the Ministry of Finance, he was appointed Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation in 2014. He has served as an independent outside director for Asahi Holdings, Inc. since June 2017, and he has been the Head of Independent Outside Director (Chairman of the Audit and Supervisory Committee) since June 2021.



Kyoko Kanazawa
Independent Outside Director (Audit and Supervisory Committee Member)

After working for Fuji Research Institute Corporation, she was registered as an attorney in April 2000 and joined Hata & Co. Law Offices, where she is currently employed. She has served as an independent outside director (Audit and Supervisory Committee Member) for Asahi Holdings, Inc. since June 2017.

—We have been pushing for governance reform for the past several years. Please tell us what challenges you have faced in the past and what specific reforms have been made to address them.

[Yuji] Kimura: In the past, there have been areas where it appeared that a systematic and organized approach to legal affairs and risk management had not been sufficiently established. Such issues have been identified at Board of Directors meetings and Group company management meetings, and this has led to a strengthening of the organizational structure.

Kanazawa: The Audit and Supervisory Committee, including the outside directors, have pointed out three issues: strengthening the legal and risk management functions, ensuring and enhancing the independence of the internal audit function, and promoting stakeholders' understanding of the company. Regarding the third issue in particular, visible reforms are underway, such as adjusting how IR materials are presented so that stakeholders can more accurately understand the company's capabilities.

[Yuji] Kimura: Right. I believe that we will continue to take actions that we feel are necessary in a timely manner. In promoting the advancement of various aspects of governance, I consider risk management to be the most important issue. As Director Kanazawa mentioned earlier, the company is to anticipate social trends and develop businesses in new sectors without growing complacent with the status quo. However, starting new businesses always entails risk. Looking back on our company's development to date, I believe that rather than avoiding risks, it has taken risks and managed to overcome them in an effort to develop new businesses. The nature and content of these risks differ by business sector, and we have also been working to make our risk management more advanced while taking such differences into account, such as by establishing a new Group Risk Management Department in April 2021 that manages risks across the entire company. While we have always been skilled at reviewing and adapting our organizational structure in response to changing circumstances, as we look ahead to future business developments, the weight of our overseas businesses is likely to increase, so we must continue to review our risk management structure as required to keep pace with the development of our businesses. I think it is important to continue to recognize that risk management will always be a challenge.

Hara: I think you're right. Some aspects of our previous

governance structure that I found to be challenge were, in addition to risk management, the lack of communication between internal management and employees and outside directors, as well as the inadequacy of our governance structure due to a lack of communication among company departments. This is because creating social capital requires each individual in a trust-based organization to believe that they have a personal stake in environmental issues and social values such as the SDGs, and to pursue these issues with a sense of ownership. While I believe that organizational measures to set and implement goals such as the SDGs have been thoroughly implemented, there remain issues from the perspective of diversity management, for example, particularly in terms of gender diversity. The number of female outside directors has increased, and the percentage of women on the Board of Directors has surpassed that of other companies. However, we need to further increase the number of female managers and even the number of female employees themselves, so we must further strengthen measures to increase the number of female managers. We believe that it is necessary to further enhance measures that will lead to an increase in social value, such as promoting understanding of diversity and introducing a system to lend support to female employees.

—What kinds of specific proposals or measures were implemented to reform governance? Additionally, what is your assessment of our current governance structure?

Hara: To continue on the topic of diversity management that I just mentioned, because I work at a university, I have organized a variety of diversity-related events, introduced them to employees, and actually had them participate in them remotely. Further, when Outside Director (Miyoko) Kimura visited our Technical Research Center and plants, she had the opportunity to discuss diversity with female employees, and I took part as well. I know that it takes time to solve diversity issues, but when I actually talked with the employees, I got the impression that many of them have very high potential, so I believe that we can expect to see an increase in the number of female managers depending on future initiatives. As for the current governance system, my assessment is that we are currently implementing effective governance that is receptive to what is being said.

[Yuji] Kimura: Right. I believe that the executive side of the company has listened to the opinions of the outside directors and created systems that are optimal for that particular point in time. I think there is a high degree of flexibility and adaptability even as a strong core is maintained.

Kanazawa: Actually, I believe that comments from Outside Director (Yuji) Kimura, the Chairman of the Audit and Supervisory Committee, are reflected at the Board of Directors meetings. We outside directors speak our minds, and our opinions and suggestions are faithfully reflected in the company's governance management. The fact that this attitude is present in our governance operations is appreciated. I also find it very easy to participate in discussions at the Audit and Supervisory Committee meetings that are held right before the Board of Directors meetings. The Audit and Supervisory Committee is a forum for auditing the legality and appropriateness of the directors' execution of their duties, but we consider auditing to mean monitoring in a broader sense, and the Audit and Supervisory Committee Members (outside directors), with their wide range of expertise, use this forum to actively ask questions, deliberate, and exchange opinions on the Board of Directors' proposals in advance. I believe that this has

resulted in more effective sharing of questions, opinions, and proposals from the outside directors at the Board of Directors meetings. In particular, I feel that the outside directors are able to make proposals and engage in discussions regarding the medium- to long-term direction of the company as a whole as opposed to as individuals.

[Miyoko] Kimura: Right. I've also found that the Audit and Supervisory Committee discussions that take place just prior to the Board of Directors meetings have been excellent. Having a diverse group of experts freely share opinions and proposals with the executive side and direct questions to the Board of Directors in advance of the meeting has felt easy to manage.

[Yuji] Kimura: At the preliminary review for discussions at the Board of Directors meeting held by the Audit and Supervisory Committee prior to the Board of Directors meeting, while no resolutions are reached, I get the impression that the outside directors, who each have different areas of expertise, share opinions and questions, which allows a certain degree of direction regarding the agenda to take shape. As the Chairman of the Audit and Supervisory Committee, I sometimes speak at Board of Directors meetings, but each outside director also actively speaks at these meetings from the perspective of their own area of expertise. I believe this is another part of their role as outside directors.

Kanazawa: Director (Miyoko) Kimura mentioned earlier that it is important to deepen one's understanding of the company and its businesses to speak without concern about how one is perceived. Being able to participate in Group company management meetings in addition to Audit and Supervisory Committee meetings has been very beneficial in terms of me fulfilling my role as an outside director. I am grateful to have a chance to gain a firsthand understanding of the situation a little more closely by taking part.

[Yuji] Kimura: That truly is the case. In fact, without such opportunities, I think our opinions would tend to be superficial. Of course, compared to the executive side, our knowledge of the businesses and the situation on the ground is quite limited, but I feel that through such opportunities I have gained a great deal of information that is required to participate in discussions as an outside director and to contribute to the management of the company. While the agenda of the Board of Directors meetings is limited to very broad topics, some of the topics discussed at the management meetings naturally involve specific risks, so I make a conscious effort to ask questions and listen to the answers before responding to them when it comes to areas that I need to understand as an outside director.

—What issues do you think need to be addressed to further enhance the company's governance structure in the future?

[Miyoko] Kimura: I think there are two major points. The importance of risk management was touched upon previously, but one is strengthening cooperation with the Group Risk Management Department and Audit Department to monitor the establishment and operation of internal control and risk management systems comprehensively and from a broad perspective without becoming too removed from the situation on the ground. This is to promote "innovation and challenge" in an effort to further develop and accelerate businesses in new sectors, such as the North American business and new DXE businesses in the future. The other is supporting our company in making proactive efforts to disclose information based on the TCFD recommendations and address human rights issues in the face of new ESG-related disclosure provisions that are called

for by revisions to the 2021 Corporate Governance Code and other guidelines. This will enable us to continue to enhance our corporate value.

[Yuji] Kimura: Right. Regarding the first point you mentioned, given that our expansion overseas, such as our North American business, has become even more important, we have been utilizing various financial methods to increase profits through added value in addition to refining virgin gold and silver ore. I agree that one challenge is maximizing profits while appropriately managing the risks associated with the use of these financial methods. Risk assessment and management requires specialized knowledge, and we must continue to improve efforts to ensure that error-free management decisions are made based on the newly developed internal system. In addition, because it is possible that the same type of business model may be developed in regions other than North America, it is essential to utilize the experience gained in North America and turn it into a profitable business even more quickly when making decisions on the implementation of such business models and developing systems. Also, with regard to the Environmental Preservation Business, I have some challenges, or rather expectations for our company based on my experience as an official in this sector. Looking at the structure of this industry, the overall reality is that there are a lot of small- and medium-sized businesses, some of which are in non-compliance, some of which operate in a gray area, and some of which have even experienced problems with local residents. In such an industry, we have a very high level of compliance awareness and possess excellent in-house waste treatment and recycling technologies. Given that we also work with other companies to develop consulting services that allow waste disposal to be reliably outsourced for waste generators, there is no doubt that we are positioned as a leading company. I am very much looking forward to the company further enhancing this sector to promote modernization, streamlining, and optimization of the industry as a whole, and more broadly, to serve as a driving force in the transition of Japanese society toward a recycling-oriented society. If this is achieved, there would be a tremendous impact not only in terms of increasing the company's own profits, but also in terms of contributing to society at large.



Yoshinori Hara
Independent Outside Director (Audit and Supervisory Committee Member)

After working at NEC Corporation, as a visiting researcher at Stanford University, and supervised NEC's Kansai Research Laboratory, he became a professor at Kyoto University's Graduate School of Management in 2006. Later, he also served as Dean of the Graduate School of Management at Kyoto University. He has served as an independent outside director (Audit and Supervisory Committee Member) for Asahi Holdings, Inc. since 2019.

Kanazawa: I think that's exactly right. I would also like to add that, to further improve governance and achieve sustainable growth for our company going forward, we must also think long-term and devise a plan to develop personnel who can become our successors.

Hara: Right. As for human resources, I believe that what we need for sustainable growth is people with an entrepreneurial spirit. I am sure that many of the people had such a mindset when founded, but once a company grows to a certain degree, it becomes easier to tolerate the types of situations that ail big companies. We are in the VUCA era, and I believe that personnel who are willing to take action, make proposals, and assume some degree of risk to meet challenges and seize business opportunities are essential for our company's growth. Not just our company, but Japanese companies in general, have a problem with intangible assets such as human capital not being properly reflected as corporate value, despite having extremely high potential. We need to strengthen our public relations strategy in a broad sense so that our intangible assets can be properly evaluated, and we need to strive to get people to understand the potential of our activities and businesses. I think that preparing an integrated report, which is exactly what this roundtable discussion will address, will serve as one of the tools for fulfilling this function.

Kanazawa: I agree. I also think that the integrated report will be an important tool.

— Throughout the discussion thus far, we've touched upon diversity in human resources as well as succession planning. In closing, please share your thoughts about the issues facing the management of human capital as well as measures that can be taken.

(Miyoko) Kimura: I believe that increasing corporate value through intangible assets will become increasingly important for differentiating companies and achieving sustainable growth. In particular, making a conscious effort to incorporate a diverse array of human resources, including women, people from overseas, young people, seniors, and people with experience in other industries, will be essential for generating future-oriented

innovation. As Director Hara mentioned earlier, particularly from the perspective of women's advancement, I think it is essential to create an environment that facilitates an increase in the number of female managers in key decision-making positions throughout the company. In February of this year, as part of the women's advancement action plan, the "Asahi Cheer-Up Meeting," led by CEO Higashiura and the directors of the Human Resources Department, was launched to empower female employees. As female directors, I and Director Kanazawa support the promotion of diversity and inclusion for the company's corporate strategy. We were given the opportunity to hold a discussion with 26 female employees at the assistant manager level and above about our own careers, the ease with which women can work, past failures, and more. Besides this meeting, I have had other opportunities to exchange views with female employees as well since assuming my position. As Director Hara mentioned, I was very impressed by the high level of communication skills and the earnest, honest, and positive attitude many of them displayed. In addition, I learned that the company has a good support system for balancing work with childcare and nursing care, and that it is convenient for working women. If we can bring out the best in these women, have them channel those aspects into their careers, and develop them into core personnel, I believe that we will be able to generate even more innovation in the future. It is also important to promote diversity in conjunction with the succession plan mentioned earlier by Director Kanazawa. How do we develop human resources for the next generation, and what kind of human resource strategy do we formulate to achieve this? As the Board of Directors, I would like us to provide support for the company to continue to remain sustainable while expressing our views on issues related to such a strategy.

(Yuji) Kimura: Regarding diversity in human resources, as Director Hara and Director (Miyoko) Kimura have pointed out, in terms of gender diversity, the reality is that we do not necessarily have that many female employees. I believe this is in no small part due to the nature and content of the business we are developing. Recently, we have been reviewing job duties in a way that is not affected by gender differences, and we are promoting a number of initiatives, such as exchanges among working women inside and outside the company, to enable female employees to advance their careers. In addition, I believe that it is essential that this issue does not only raise awareness among women concerning the importance of diversity, but among male employees as well. If we examine our company's employee composition from perspectives other than gender, unlike most companies, we have a large number of career hires, as well as career personnel hired with the expectation that they will become future management candidates, mid-career executives and career personnel with expertise in specific fields, personnel who became group employees through M&A, and recent graduates. Our employees come from an extremely diverse set of backgrounds, including their expertise, experience, and careers. Because we established our corporate values and philosophy, as represented by the "Asahi Way," in the early stages, I believe that working to raise awareness of and instill them within employees from diverse backgrounds will strengthen our human capital, which will be extremely impactful in enhancing our corporate value.

Hara: I think you are absolutely right. With regard to the raising awareness of our corporate values and philosophy that Director (Yuji) Kimura just mentioned, I believe that we still have a lot of work to do in terms of instilling these values and our philosophy within individual employees, as well as ensuring consistency with

our human resource strategy and carrying it out. In a society that is placing increasing emphasis on making a circular economy and decarbonized society a reality, our company's position in society is more important than our employees realize. Still, when I look at the degree to which our corporate philosophy and perspectives have been instilled in our employees, I feel that we are relatively underperforming. That being said, it is also important to maintain a certain level of distance from our corporate philosophy and purpose. When I did research on what influences corporate sustainability, I conducted a survey of approximately 6,000 companies that have been in business for more than 100 years and analyzed the trends in the responses I received from approximately 450 of those companies. The results showed that, for a company to survive over the long term, it is best to maintain a certain degree of freedom within one's corporate character. In the case of our company, this means that our employees should be able to exercise a certain degree of freedom of behavior that exists between what is typical of the "Asahi Way" and what is not. This will allow us to promote new businesses and other activities that enhance sustainability. As times continue to change, we should not bind ourselves too closely to the corporate philosophy, but rather take on challenges with a certain degree of freedom even as we continue to respect it. I think this is a good approach to take.

Kanazawa: Regarding my involvement as an outside director in terms of human capital management, if we look back over the past few years, we transitioned to the Higashiura CEO system, and last year we transitioned to a monitoring model, so I think we were in the phase where we were keeping watch over how these changes were coming along. I believe that we are now entering the next phase. As stipulated by the Corporate Governance Code, I believe that we must require the executive side to formulate a broader human resource strategy, including a succession plan, and have the Board of Directors discuss and approve it, then monitor whether the approved plan is being implemented. The Corporate Governance Code requires outside directors to be actively involved in human resource strategies, especially when it comes to succession planning. The company's governance system is well-organized at least in terms of form, given that the company has established a Nomination Committee and Compensation Committee, outside directors comprise the majority of members on the Board of Directors, and an outside director has been appointed as the Chairman of the Audit and Supervisory Committee. However, there are also social demands for which form-related aspects alone are not sufficient. Under such circumstances, in terms of the involvement of outside directors in the succession plan, the executive side may ask, "What does an outside director know about personnel affairs?" I am sure some share this view, and I can understand the intent behind it. However, as long as stakeholders demand that outside directors be substantively involved in succession planning, it is necessary for outside directors to consider and devise some measures for doing so.

Terayama: We have been keenly aware of the need to strengthen governance, and we have introduced systems as well as enhanced the content of these systems, such as by instituting a company with Audit and Supervisory Committee and establishing a Compensation Committee and Nominating Committee. We have also made efforts to apply the feedback received from outside directors as quickly as possible. We will continue to strengthen governance as we confront new challenges, but the spirit of "innovate and embrace challenges" is key to our efforts. As everyone pointed out today, there are always risks involved in any new business venture. We have always taken risk



Mitsuharu Terayama
Director and Chairman

After joining Asahi Pretec in 1973, he served as President and Representative Director of Asahi Pretec Corp. Then he served as President and Representative Director of Asahi Holdings, Inc. in 2009 and was appointed Representative Director, Chairman, and President of the company in 2014. He has served as Director and Chairman of the company since June 2020.

into consideration when conducting business, and we are very grateful for the opportunity to receive feedback on these risks from experts in their respective fields with perspectives different than those that we have within the company. I believe that discussions with outside directors are as indispensable as the two wheels of a car when it comes to management. The most common advice we received from you today concerned human capital. We believe that succession planning is a top priority on the executive side, and we know that outside directors are also keenly aware of the issue. We will take your comments into consideration and respond to them in future. We will also continue to promote the development of executives and mid-career employees, and in the year since the new personnel system was launched last year, we have also promoted town hall meetings at all sites to allow direct contact with employees and facilitate exchanges of views. This is also where the spirit of "actual sites, actual things, and actual facts" espoused in the "Asahi Way" originated. In terms of knowing what is happening on the ground, you mentioned earlier that Group company management meetings are helpful for understanding our business. While we would ordinarily be happy to invite you to attend management meetings held in other countries such as South Korea, Malaysia, and North America, it is difficult to do so given the COVID-19 pandemic, so they are now held remotely. We are very grateful for your enthusiastic participation, not only in terms of monitoring the situation on the executive side, but also in terms of understanding our business.

(Yuji) Kimura: I believe we are a company that incorporates protection of the global environment into our business structure, but there are considerable obstacles that we must overcome to achieve carbon neutrality by 2050. In this respect, I believe that our corporate stance of taking the initiative to achieve carbon neutrality will lead to returns in the form of increased corporate value for our company, and I would like to see our company make a strong, concerted move in this direction.

Terayama: I couldn't have put it better myself. I hope that our shareholders understand our stance.



Miyoko Kimura
Independent Outside Director (Audit and Supervisory Committee Member)

After joining ASKUL Corporation and serving as Representative Director and President of ASMARU Corporation and Chief Marketing Officer (CMO) of ASKUL Corporation, then becoming a Director of the company in charge of branding, designing and supplier relations, she became a Senior Fellow of the company in August 2022. She has served as an independent outside director (Audit and Supervisory Committee Member) for Asahi Holdings, Inc. since June 2021.