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**Asahi Holdings, Inc.**  
(Stock code: 5857)

## **Notice of the 12th Annual General Meeting of Shareholders**

Date and time:

10:30 a.m. on Tuesday, June 15, 2021

Reception opens at 10:00 a.m.

Venue:

KOBE PORTOPIA HOTEL

10-1, Minatojima Nakamachi 6-chome, Chuo-ku, Kobe-shi

“Kairaku-no-ma,” basement floor, Main Building

Proposals:

- Proposal 1: Partial Amendments to the Articles of Incorporation
- Proposal 2: Election of Two (2) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)
- Proposal 3: Election of Five (5) Directors Serving as the Audit and Supervisory Committee Members
- Proposal 4: Determination of Amounts and the Content of Performance-Based Stock Compensation Plan for Directors

Please exercise your voting rights:

Voting rights at the General Meeting of Shareholders are an important right of shareholders. Please make sure to exercise your voting rights. Please see pages 7 to 9 for details.

- If you are attending the General Meeting of Shareholders:
  - Please submit the Voting Right Exercise Form at the reception desk upon arrival.
- If you are unable to attend the General Meeting of Shareholders:
  - Please exercise your voting rights in writing or via the Internet, etc.

Documents must arrive before noon on Monday, June 14, 2021.

From the viewpoint of preventing the spread of the novel coronavirus (COVID-19) infection, if you are attending the General Meeting of Shareholders, please pay close attention to the status of the spread of the virus as of the date of the meeting and your physical condition. Also, please take appropriate precautions to prevent infection, including wearing masks.

In addition, please understand that we will take infection prevention measures at the meeting.

Cover

## **Message from the CEO To Shareholders**

**Tomoya Higashiura,  
Representative Director and President**

I would like to express our cordial appreciation for your continuous support and loyal patronage.

I would also like to take the opportunity of sending this Notice of the 12th Annual General Meeting of Shareholders to offer a short greeting.

While the world has been buffeted by the COVID-19 pandemic since early 2020, the Company's resource recycling and environmental preservation businesses have continued operations in response to demand from industrial and civic society and we were able to continue fulfilling the roles and responsibilities that likened to the "veins of the human body." As a result, with revenue of 164.7 billion yen and operating profit of 25.1 billion yen, we achieved a record high for the fourth consecutive year. The year-end dividend was decided to be 90 yen per share. While the new Mid-term Business Plan started in April this year, we will make efforts to create a green society in the longer term by fully utilizing digital technologies.

Recycling operations, which the Precious Metals business conducts in Japan and overseas, contribute to cyclical use of rare natural resources and beyond that, its sophisticated traceability system can prove that raw materials of those resources do not contribute to environmental pollution and human rights issues while gold metals recycled from such raw materials are called "green gold," which provide high added value. Meanwhile, we have significantly increased production and sales of coins and bars made from precious metals made by the Company in North America and the high-quality Asahi brand is starting to make inroads into the market. We will expand this type of product business worldwide.

As for the Environmental Preservation business, we will increase treatment capacity in stages through capital investment and improve profitability in terms of both treatment and management of industrial waste by utilizing our strengths gained by treating various kinds of wastes across a wide area. In addition, we would like to create opportunities for reducing the environmental load from the overall industry and aim to realize a low-carbon society by digitizing important and complicated management processes ranging from waste emission through disposal.

As human society will need the SDGs to ensure its survival, social responsibility is becoming a requirement for companies under capitalism. The Company will contribute to realizing a sustainable society by continuing to respond to such responsibilities in good faith through the main business and its advancement. I hope that our shareholders will continue to give us their support.

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Documents below are disclosed on the Company's website

- Structure to ensure the appropriateness of business
- Status of operation of structure to ensure the appropriateness of business
- Notes to consolidated financial statements
- Notes to non-consolidated financial statements

<https://www.asahiholdings.com/>

## ASAHI WAY

### “Totally Committed to Protecting the Natural Environment and Preserving Resources”

#### Our Credo

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

#### Our Corporate Values

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- Cooperation with stakeholders  
We constantly seek to earn even greater trust from shareholders, customers, business partners, employees, and local communities as we work to preserve the natural environment.
- Corporate governance with a balance of protective and proactive measures  
We boldly promote growth strategies and business reform while securing transparency in decision-making and properly managing risk.
- No growth without profit  
We realize long-term improvement of shareholder value by ensuring the entire group grows and is profitable.
- Trusted corporate brand  
We aim to be widely recognized as an exemplary corporate group and to build a brand that will be trusted over many years.
- Addressing diverse risks  
We strive to minimize risks and avert disasters by taking daily safety measures in workplaces and by constantly working to prevent accidents.
- Highly motivated employees  
We promote work-life balance for employees and continuously improve working environments and conditions.
- Strong sense of mission and high ethical standards  
We strive to be an organization where employees take pride in their own work and executives maintain a strong sense of mission and high ethical standards.
- Being a company of good people  
We value good employees over the long-term; our vision of a “good employee” is a person who is not self-centered and who contributes to mutual prosperity and the development of the business.

#### Our Employee Principles

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

## **The Asahi Holdings Group Code of Conduct**

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

Dear Shareholders:

(Stock code: 5857)

May 25, 2021

4-17 Kano-cho 4-chome, Chuo-ku, Kobe-shi, Japan

**Asahi Holdings, Inc.**

Tomoya Higashiura,

Representative Director and President

### Notice of the 12th Annual General Meeting of Shareholders

This is to inform you that the 12th Annual General Meeting of Shareholders of Asahi Holdings, Inc. (hereinafter the “Company”) will be held at the following time and place.

**Instead of attending the meeting in person, you are entitled to exercise your voting rights in writing or by electronic method (the Internet, etc.). You are kindly requested to read the attached reference documents and exercise your voting rights by noon on Monday, June 14, 2021, in accordance with the instructions on the page 7 to 9.**

#### Details of the meeting

**1. Date and time:** 10:30 a.m. on Tuesday, June 15, 2021 (Reception will open at 10:00 a.m.)

**2. Venue:** KOBE PORTOPIA HOTEL

10-1, Minatojima Nakamachi 6-chome, Chuo-ku, Kobe-shi

“Kairaku-no-ma,” basement floor, Main Building

Please understand that souvenirs for shareholders who attend the meeting will not be provided.

### 3. Meeting Agenda

- Items to be reported:**
- 1) Business Report, the consolidated financial statements and the results of audits of the consolidated financial statements by the Accounting Auditor and the Audit and Supervisory Committee for the 12th fiscal term (April 1, 2020 through March 31, 2021)
  - 2) Report on non-consolidated financial statements for the 12th fiscal term (April 1, 2020 through March 31, 2021)

**Items to be resolved:**

Proposal 1: Partial Amendments to the Articles of Incorporation

Proposal 2: Election of Two (2) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)

Proposal 3: Election of Five (5) Directors Serving as the Audit and Supervisory Committee Members

Proposal 4: Determination of Amounts and the Content of Performance-Based Stock Compensation Plan for Directors

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- If you attend the meeting, please submit the “Voting Right Exercise Form” at the reception desk upon arrival.
  - Pursuant to the provisions of laws and regulations and the Articles of Incorporation of the

Company, of the documents to be disclosed, “Structure to ensure the appropriateness of business,” “Status of operation of structure to ensure the appropriateness of business,” “Notes to consolidated financial statements,” and “Notes to non-consolidated financial statements” are disclosed on the Company’s website (<https://www.asahiholdings.com/>) and therefore are not included in this Notice and its Appendix. Accordingly, this Notice and its Appendix constitute part of the business report and financial statements audited by the Audit and Supervisory Committee and Accounting Auditor when preparing the audit report and accounting audit report, respectively.

- Please note that any modifications to the business report, the financial statements and/or the reference documents will be posted on our website (<https://www.asahiholdings.com/>).

## **Guide to Exercising Voting Rights**

### **If you are attending the General Meeting of Shareholders:**

Please submit the enclosed Voting Right Exercise Form at the reception desk upon arrival.  
In addition, please also bring this Notice.

### **If you are unable to attend the General Meeting of Shareholders:**

#### **• Exercising your voting rights in writing (Voting Right Exercise Form)**

Please indicate your vote for or against each proposal on the enclosed Voting Right Exercise Form and return the Form by mailing it such that it arrives by the deadline for exercising voting rights below. If a vote for or against is not indicated for any proposal when exercising voting rights in writing (Voting Right Exercise Form), we will treat it as an indication of approval of the proposal.

#### **• Exercising your voting rights via the Internet**

Please refer to the “Procedure for Exercising Voting Rights via the Internet” on the next page, and input your vote for or against each proposal by the deadline for exercising voting rights below.

### **Deadline for Exercising Voting Rights: noon on Monday, June 14, 2021**

#### **Treatment of Voting Rights Exercised Multiple Times**

- If you have exercised your voting rights both in writing and via the Internet, those exercised via the Internet will be considered as valid.
- If you have exercised your voting rights multiple times on the Internet, the final vote will be considered as valid. If you have exercised your voting rights multiple times with computers, smartphones and/or mobile phones, the final vote cast will be considered as valid.

#### **Electronic Voting Platform for Institutional Investors**

Nominee shareholders including banks specializing in asset and trust management/custody (including standing proxy) may use with prior application the “Electronic Voting Platform” operated by ICJ Inc. established by Tokyo Stock Exchange, Inc., and other entities, as a means to exercise their voting rights electronically and participate in the General Meeting of Shareholders of the Company.

## Procedure for Exercising Voting Rights via the Internet

If you intend to exercise your voting rights via the Internet, please pay attention to the following notes. If you are attending the meeting, no procedures to exercise voting rights in writing (Voting Right Exercise Form) or via the Internet are necessary.

### 1. Voting Rights Exercise Web Site

- (1) The exercise of voting rights via the Internet is possible only by accessing the Voting Rights Exercise Web Site (<https://evote.tr.mufg.jp/>) designated by the Company either from a computer, a smartphone or a mobile phone. (However, this Web site is not available from 2:00 a.m. to 5:00 a.m. daily.)
- (2) The exercise of voting rights using computers or smartphones may be disabled by operating environments, including the use of a firewall when accessing the Internet, the use of antivirus software, the use of a proxy server and/or if you have not designated the use of encrypted transmission (TLS transmission).
- (3) To preserve security, you cannot exercise voting rights through a model of mobile phone that does not allow TLS transmission or transmission of the phone ID information.
- (4) Although we will accept the exercise of voting rights via the Internet until noon on Monday, June 14, 2021, we recommend voting as early as possible. If you have any questions, please contact our Help Desk.

### 2. Exercising Your Voting Rights via the Internet

- (1) By computers or mobile phones
    - At the Voting Rights Exercise Web Site (<https://evote.tr.mufg.jp/>), use the “log-in ID” and “temporary password” given on the Voting Right Exercise Form and follow the on-screen instructions to indicate your approval or disapproval of each proposal.
    - To protect against illegal access by persons other than qualified shareholders (“spoofing”) and the manipulation of voting details, please be aware that shareholders using the site will be asked to change their “temporary password.”
    - Whenever a meeting of shareholders is convened, new “log-in IDs” and “temporary passwords” will be issued.
  - (2) By smartphones
    - By scanning the “QR code for log-in” given on the Voting Right Exercise Form using smartphones, you can automatically access the Voting Rights Exercise Web Site and exercise your voting right. (There is no need to enter the “log-in ID” and “temporary password.”)
    - For security reasons, the exercise of voting rights through QR code is available only once. For the second time and afterwards, you will need to enter the “log-in ID” and “temporary password” even when scanning QR code.
    - You may not be able to log in through QR code depending on a model of smartphone. When you cannot log in through QR code, please exercise your voting rights by computers or mobile phones as indicated in 2. (1) above.
- \*QR Code is a registered trademark of DENSO WAVE CORPORATION.

### 3. Treatment of Voting Rights Exercised Multiple Times

- (1) If you have exercised your voting rights both in writing and via the Internet, those exercised via the Internet will be considered as valid.
- (2) If you have exercised your voting rights multiple times on the Internet, the final vote will be considered as valid. If you have exercised your voting rights multiple times with computers, smartphones and/or mobile phones, the final vote cast will be considered as valid.

4. Costs Incurred in Accessing the Voting Rights Exercise Web Site

The costs incurred when accessing the Voting Rights Exercise Web Site such as Internet access fees will be the responsibility of the shareholder. Similarly, fees required to use mobile phones, such as packet transmission fees, will also be the responsibility of the shareholder.

5. Method of Receiving a Convocation Notice

Beginning with the next meeting of shareholders, shareholders will be given the option of receiving their convocation notices via email. If you wish to receive your convocation notices in this manner, please use a computer or a smartphone to access the Voting Rights Exercise Web Site and take the procedures shown on the screen. (You will not be able to access the site from a mobile phone.)

**For inquiries about the system or other matters, contact:**

Help Desk for voting rights exercise via the Internet, Mitsubishi UFJ Trust and Banking Corporation  
Phone: 0120-173-027 (Toll Free within Japan) (available from 9:00 a.m. to 9:00 p.m.)

**Reference Documents for General Meeting of Shareholders**

**Proposal 1 Partial Amendments to the Articles of Incorporation**

1. Reasons for the amendment

- (1) We propose an amendment to Article 2 of the current Articles of Incorporation to clarify business details in accordance with the current state of the Company’s business.
- (2) To maintain and enhance independent and objective supervisory functions of management, we propose an amendment to Article 13 and Article 21 of the current Articles of Incorporation that currently states that only a Representative Director can become a chairman of the Annual General Meeting of Shareholders and the Board of Directors, to enable any Director other than Representative Director to become a chairman.

2. Details of amendments

We propose that the current articles be partly amended as described in the draft below. The proposed partial amendments to the Articles of Incorporation shall take effect upon the conclusion of this Annual General Meeting of Shareholders.

(Amended portions are underlined)

Current Articles of Incorporation	Draft of Amended Articles of Incorporation
<b>CHAPTER 1. GENERAL PROVISIONS</b>	<b>CHAPTER 1. GENERAL PROVISIONS</b>
(Purpose)	(Purpose)
Article 2: The purpose of the Company shall be to control or manage the business activities of companies engaging in the following or similar types of business through holding shares or equity of such companies. 1. to 14. <Omitted>	Article 2: <Same as the present>
<u>15. General and specified worker dispatching business based on the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers</u>	1. to 14. <Same as the present> <Deleted>
<u>16. Fee-charging employment placement business based on the Employment Security Act</u>	<Deleted>
<u>17. Antiques business</u>	<u>15</u> Antiques business
<u>18. Sales and contracts for installation work of house equipment and interior and exterior products</u>	<Deleted>

Current Articles of Incorporation	Draft of Amended Articles of Incorporation
<p data-bbox="296 277 772 387">19. <u>Assembly and processing of gas equipment and parts and automobile parts</u></p> <p data-bbox="296 396 772 465">20. Any and all businesses incidental to each of the foregoing</p> <p data-bbox="229 517 772 584" style="text-align: center;"><b>CHAPTER 3.</b> GENERAL MEETING OF SHAREHOLDERS</p> <p data-bbox="220 636 517 667">(Convener and Chairman)</p> <p data-bbox="220 676 772 981">Article 13: Unless otherwise specified by laws and regulations, the <u>Representative</u> Director determined by the Board of Directors based on a resolution of the Board of Directors meeting shall convene the general meeting of shareholders and act as chairman thereof.</p> <p data-bbox="296 994 772 1299">2. In the event that the <u>Representative</u> Director determined by the <u>Board of Directors</u> is unable to act, another Director, determined in accordance with an order of priority previously determined by the Board of Directors, shall act as convener and chairman.</p> <p data-bbox="252 1352 746 1503" style="text-align: center;"><b>CHAPTER 4.</b> DIRECTORS AND BOARD OF DIRECTORS, AS WELL AS AUDIT AND SUPERVISORY COMMITTEE</p> <p data-bbox="220 1554 692 1585">(Convener and Chairman of the Meeting)</p> <p data-bbox="220 1594 772 1823">Article 21. Unless otherwise specified by laws and regulations, the <u>Representative</u> Director determined by the Board of Directors shall convene the Board of Directors meeting and act as chairman thereof.</p>	<p data-bbox="938 277 1059 309">&lt;Deleted&gt;</p> <p data-bbox="874 396 1347 465">16. Any and all businesses incidental to each of the foregoing</p> <p data-bbox="810 517 1347 584" style="text-align: center;"><b>CHAPTER 3.</b> GENERAL MEETING OF SHAREHOLDERS</p> <p data-bbox="801 636 1098 667">(Convener and Chairman)</p> <p data-bbox="801 676 1353 981">Article 13: Unless otherwise specified by laws and regulations, the Director determined by the Board of Directors based on a resolution of the Board of Directors meeting shall convene the general meeting of shareholders and act as chairman thereof.</p> <p data-bbox="874 994 1347 1299">2. In the event that the Director determined by the <u>preceding paragraph</u> is unable to act, another Director, determined in accordance with an order of priority previously determined by the Board of Directors, shall act as convener and chairman.</p> <p data-bbox="829 1352 1324 1503" style="text-align: center;"><b>CHAPTER 4.</b> DIRECTORS AND BOARD OF DIRECTORS, AS WELL AS AUDIT AND SUPERVISORY COMMITTEE</p> <p data-bbox="801 1554 1273 1585">(Convener and Chairman of the Meeting)</p> <p data-bbox="801 1594 1353 1861">Article 21. Unless otherwise specified by laws and regulations, the Director determined by the Board of Directors <u>based on a resolution of the Board of Directors</u> shall convene the Board of Directors meeting and act as chairman thereof.</p>

Current Articles of Incorporation	Draft of Amended Articles of Incorporation
<p>2. In the event that the <u>Representative Director</u> determined by the <u>Board of Directors</u> is unable to act, another Director, determined in accordance with an order of priority previously determined by the Board of Directors, shall act as convener and chairman.</p>	<p>2. In the event that the Director determined by the <u>preceding paragraph</u> is unable to act, another Director, determined in accordance with an order of priority previously determined by the Board of Directors, shall act as convener and chairman.</p>

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**Proposal 2 Election of Two (2) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)**

The terms of office of all four (4) Directors (excluding Directors serving as the Audit and Supervisory Committee Members; the same applies hereinafter in this proposal) will expire at the close of this Annual General Meeting of Shareholders.

Accordingly, we propose the election of two (2) Directors.

The Audit and Supervisory Committee has expressed no opinion on this proposal.

The candidates for Director to be elected are as follows.

Candidate No.	Name (Date of birth)		Position and Duties at the Company (Important concurrent assignment)	Attendance at the Board of Directors meeting
1	To be Reelected	Mitsuharu Terayama (March 10, 1940)	Director and Chairman [Significant concurrent duties] None	7 out of 7 meetings
2	To be Reelected	Tomoya Higashiura (January 26, 1961)	Representative Director and President [Significant concurrent duties] Director of Asahi Pretec Corp.	7 out of 7 meetings

Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
1	 Mitsuharu Terayama (March 10, 1940) <span style="border: 1px solid black; padding: 2px;">To be Reelected</span>	April 1964: Joined KURARAY CO., LTD. July 1973: Joined Asahi Pretec Corp. October 1973: Appointed as Senior Managing Director of Asahi Pretec Corp. May 1981: Appointed as Representative Director and President of Asahi Pretec Corp. April 2009: Appointed as Representative Director and President of Asahi Holdings, Inc. April 2011: Appointed as CEO & COO of Asahi Holdings, Inc. April 2011: Appointed as Chairman and Director of Asahi Pretec Corp. June 2012: Appointed as CEO of Asahi Holdings, Inc. June 2014: Appointed as President & CEO of Asahi Holdings, Inc. April 2018: Appointed as Chairman & CEO of Asahi Holdings, Inc. June 2020: Appointed as Director and Chairman of Asahi Holdings, Inc. (to present)  [Significant concurrent duties] -	1,774,290 shares

Attendance at the Board of Directors meeting: 7 out of 7 meetings

(Reason for nomination as a candidate)

Mr. Terayama engages in the management of the Group as a Director of the Company. The Company therefore requests his election as a Director of the Company based on its judgment that his continued tenure of office as a Director is appropriate because his past performance of having driven the entire Group with strong leadership, as well as his deep insight and abundant experience in overall management, would contribute to the further functional reinforcement of the Board of Directors and the corporate governance of the entire Group.

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Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
2	 Tomoya Higashiura (January 26, 1961) <u>To be Reelected</u>	April 1984: Joined NEC Corporation February 2001: Joined Asahi Pretec Corp. June 2006: Appointed as Director and General Manager of Administration Division of Asahi Pretec Corp. April 2009: Appointed as Director and General Manager of Corporate Development & Administration Division of Asahi Holdings, Inc. June 2010: Appointed as Director and General Manager of Precious Metal Recycling Business Division of Asahi Pretec Corp. April 2011: Appointed as Director of Asahi Holdings, Inc. June 2014: Appointed as Representative Director & President of Asahi Pretec Corp. April 2017: Appointed as Representative Director and President of Asahi Americas Holdings, Inc. April 2018: Appointed as Representative Director and President of Asahi Holdings, Inc. (to present) April 2018: Appointed as Director of Asahi Pretec Corp. (to present) [Significant concurrent duties] Director of Asahi Pretec Corp.	50,000 shares

Attendance at the Board of Directors meeting: 7 out of 7 meetings

(Reason for nomination as a candidate)

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

- (Notes) 1. There are no special interests between each candidate and the Company.  
 2. The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. Accordingly, Ownership of Shares is based on the number of the shares after the stock split.

3. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance agreement covers damages that may arise when the insured including the Company's Directors assume liability for the execution of their duties or receives a claim related to the pursuit of such liability. If the candidates are elected and appointed as Director, each of them will continue to be insured under the insurance agreement. Also, the Company plans to renew the insurance agreement with the same contents at the next renewal date.

**Proposal 3 Election of Five (5) Directors Serving as the Audit and Supervisory Committee Members**

The terms of office of all four (4) Directors serving as the Audit and Supervisory Committee Members will expire at the close of this Annual General Meeting of Shareholders.

Accordingly, we propose the election of five (5) Directors Serving as the Audit and Supervisory Committee Members.

This proposal has already acquired the approval of the Audit and Supervisory Committee.

The candidates for Director serving as the Audit and Supervisory Committee Members to be elected are as follows.

Candidate No.	Name (Date of birth)		Position and Duties at the Company (Important concurrent assignment)	Attendance at the Board of Directors and the Audit and Supervisory Committee meeting
1	To be Reelected	Yuji Kimura (July 23, 1955)	Outside Director (Audit and Supervisory Committee Member) [Significant concurrent duties] Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation	7 out of 7 meetings 13 out of 13 meetings
2	To be Reelected	Kyoko Kanazawa (October 11, 1965)	Outside Director (Audit and Supervisory Committee Member) [Significant concurrent duties] Lawyer Outside Director of Tokushu Tokai Paper Co., Ltd.	7 out of 7 meetings 13 out of 13 meetings
3	To be Reelected	Yoshinori Hara (July 21, 1958)	Outside Director (Audit and Supervisory Committee Member) [Significant concurrent duties] Professor of Graduate School of Management, Kyoto University	7 out of 7 meetings 11 out of 13 meetings
4	Newly Elected	Miyoko Kimura (current surname: Sakagawa) (June 12, 1964)	- [Significant concurrent duties] Director in charge of branding, designing and supplier relations of ASKUL Corporation	- -
5	Newly Elected	Mitsutoshi Kagimoto (June 15, 1958)	General Manager of Audit and Supervisory Committee Secretariat [Significant concurrent duties] -	- -

Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
1	 Yuji Kimura (July 23, 1955) <u>To be Reelected</u>	April 1979: Joined the Environment Agency July 2006: Appointed as General Manager of Industrial Waste Management Division, Waste Management and Recycling Department of the Ministry of the Environment August 2010: Appointed as Director-General of Kyoto Mechanism Business Promotion Department of New Energy and Industrial Technology Development Organization July 2012: Appointed as Director-General of Hakodate Customs, Ministry of Finance Japan October 2014: Appointed as Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation (to present) June 2017: Appointed as Outside Director (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (to present) [Significant concurrent duties] Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation	2,000 shares

Attendance at the Board of Directors meeting: 7 out of 7 meetings

Attendance at the Audit and Supervisory Committee meeting: 13 out of 13 meetings

(Reason for nomination as a candidate for Outside Director and his expected roles)

Mr. Kimura has professional expertise in environmental preservation and abundant experience including organizational management as an executive officer of the Ministry of the Environment. Through using such expertise and experience, he provided supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from an independent standpoint and the Company expects him to continue to perform these roles. Although he has no experience of being engaged in corporate management other than serving as an outside director, he has appropriately performed his duties as Outside Director for the above reason and therefore, the Company nominated him as a candidate for Outside Director.

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Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
2	 Kyoko Kanazawa (October 11, 1965) <span style="border: 1px solid black; padding: 2px;">To be Reelected</span>	April 1989: Joined FUJI RESEARCH INSTITUTE CORPORATION April 2000: Registered as lawyer April 2000: Joined Kazama & Hata Law Office (currently Hata & Co. Law Offices) (to present) June 2017: Appointed as Outside Director (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (to present) June 2018: Appointed as Outside Director of Tokushu Tokai Paper Co., Ltd. (to present) [Significant concurrent duties] Lawyer Outside Director of Tokushu Tokai Paper Co., Ltd.	- shares

Attendance at the Board of Directors meeting: 7 out of 7 meetings

Attendance at the Audit and Supervisory Committee meeting: 13 out of 13 meetings

(Reason for nomination as a candidate for Outside Director and her expected roles)

Ms. Kanazawa has highly professional expertise concerning laws as a lawyer and experience as an outside director of the other company. Through using such expertise and experience, she provided supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from an independent standpoint and the Company expects her to continue to perform these roles. Although she has no experience of being engaged in corporate management other than serving as an outside director, she has appropriately performed her duties as Outside Director for the above reason and therefore, the Company nominated her as a candidate for Outside Director.

Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
3	 Yoshinori Hara (July 21, 1958) <u>To be Reelected</u>	April 1983: Joined NEC Corporation August 1990: Appointed as Visiting Scholar at Stanford University July 2004: Appointed as Manager of NEC Kansai Research Laboratories April 2006: Appointed as Professor of Graduate School of Management, Kyoto University (to present) April 2018: Appointed as Dean of Graduate School of Management, Kyoto University June 2019: Appointed as Outside Director (serving as Audit and Supervisory Committee Member) of Asahi Holdings, Inc. (to present)  [Significant concurrent duties] Professor of Graduate School of Management, Kyoto University	- shares

Attendance at the Board of Directors meeting: 7 out of 7 meetings

Attendance at the Audit and Supervisory Committee meeting: 11 out of 13 meetings

(Reason for nomination as a candidate for Outside Director and his expected roles)

Mr. Hara has professional expertise and practical experience concerning development of service management personnel, through his involvement in University management as a former Dean of Graduate School of Management (MBA), Kyoto University, and as a Professor at the aforementioned university graduate school. Through using such expertise and experience, he provided supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from an independent standpoint and the Company expects him to continue to perform these roles. Although he has no experience of being engaged in corporate management other than serving as an outside director, he has appropriately performed his duties as Outside Director for the above reason and therefore, the Company nominated him as a candidate for Outside Director.

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Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
4	 Miyoko Kimura (current surname: Sakagawa) (June 12, 1964) <u>Newly Elected</u>	April 1988: Joined PLUS Corporation May 1999: Joined ASKUL Corporation February 2010: Appointed as Representative Director and President of ASMARU Corporation May 2017: Appointed as Chief Marketing Officer (CMO), Executive Officer, Executive Officer of Life Creation Unit and Value Creation Center Unit, B-to-C Company of ASKUL Corporation March 2020: Appointed as Director, Supervisor of Merchandising Unit, Chief Marketing Officer (CMO), Executive Officer of ASKUL Corporation May 2021: Appointed as Director in charge of branding, designing and supplier relations of ASKUL Corporation (to present)  [Significant concurrent duties] Director in charge of branding, designing and supplier relations of ASKUL Corporation	- shares

Attendance at the Board of Directors meeting: -

Attendance at the Audit and Supervisory Committee meeting: -

(Reason for nomination as a candidate for Outside Director and her expected roles)

Ms. Kimura has been engaged in business expansion of ASKUL Corporation as a Director, after launching the ASKUL business as one of its founders and serving as a Representative Director of ASMARU Corporation which was a subsidiary of ASKUL Corporation. The Company expects that she will prove supervision and advice to ensure the appropriateness and properness of decision-making of the Company's Board of Directors from an independent standpoint by using her abundant business experience as corporate management and her knowledge and actual experience in the marketing field and therefore, nominated her as a candidate for Outside Director.

Candidate No.	Name (Date of birth)	Career, Position and Duties at the Company	Ownership of Shares
5	 Mitsutoshi Kagimoto (June 15, 1958) Newly Elected	April 1984: Joined TEIJIN LIMITED February 2006: Joined Asahi Pretec Corp. March 2009: Appointed as Assistant General Manager of Kitakanto Office of Asahi Pretec Corp. December 2009: Appointed as Representative Director and President of JW Glass Recycling Co., Ltd. April 2013: Appointed as General Manager of Purchase Division of INTER CENTRAL, INC. October 2015: Appointed as General Manager of Audit and Supervisory Committee Secretariat of Asahi Holdings, Inc. (to present)  [Significant concurrent duties] -	2000 shares

Attendance at the Board of Directors meeting: -

Attendance at the Audit and Supervisory Committee meeting: -

(Reason for nomination as a candidate)

Mr. Kagimoto has been engaged in the management of the Group for many years as an employee of the Company and a Representative Director of the Group company. Furthermore, he has been engaged in auditing of the Company as General Manager of the Audit and Supervisory Committee Secretariat of the Company, with abundant insight and experience concerning the Company's business.

The Company expects that he will provide useful opinions based on his abundant insight and experience and therefore, determined that he is appropriate as Director serving as the Audit and Supervisory Committee Member.

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- (Notes)
1. There are no special interests between each candidate and the Company.
  2. The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. Therefore, Ownership of Shares is based on the number of the shares after the stock split.
  3. Yuji Kimura, Kyoko Kanazawa, Yoshinori Hara and Miyoko Kimura are candidates for Outside Director.
  4. The term of office of Yuji Kimura and Kyoko Kanazawa as Outside Director serving as the Audit and Supervisory Committee Member will be four years at the close of this Annual General Meeting of Shareholders. The term of office of Yoshinori Hara as Outside Director serving as the Audit and Supervisory Committee Member will be two years at the close of this Annual General Meeting of Shareholders.
  5. The Company has entered into a contract with each of Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara that limits their liability for compensation for damages set forth in Article 423, Paragraph 1, of the Companies Act under provisions set forth in Article 427, Paragraph 1, of the same Act. The limit amount of the liability for compensation for damages under such a contract is determined to be the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act. If Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara are reelected, the Company intends to continue said contract with each of them. If Miyoko Kimura and Mitsutoshi Kagimoto are newly elected, the Company intends to enter into the same contract with each of them to limit their liability for compensation for damages.
  6. The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance agreement covers damages that may arise when the insured including the Company's Directors serving as the Audit and Supervisory Committee Members assume liability for the execution of their duties or receives a claim related to the pursuit of such liability. If the candidates are elected and appointed as Director serving as the Audit and Supervisory Committee Member, each of them will continue to be insured under the insurance agreement. Also, the Company plans to renew the insurance agreement with the same contents at the next renewal date.
  7. The Company has notified the Tokyo Stock Exchange that Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara are Independent Directors as per the provisions of the Tokyo Stock Exchange, and they will continue to be Independent Directors if this proposal is approved and they assume the position of Outside Director. Miyoko Kimura satisfies the requirements of an Independent Director as per the provisions of the Tokyo Stock Exchange. Accordingly, if this proposal is approved and she assumes the position of Outside Director, the Company intends to newly notify the Tokyo Stock Exchange that she is an Independent Director.

**Proposal 4 Determination of Amounts and the Content of Performance-Based Stock Compensation Plan for Directors**

1. Reasons for the Proposal

A performance-based stock compensation plan (hereinafter the “Compensation Plan”) for Directors of the Company (excluding Directors serving as the Audit and Supervisory Committee Members and Outside Directors; the same applies hereinafter in this proposal) was approved at the 6th Annual General Meeting of Shareholders held on June 16, 2015 and at the 9th Annual General Meeting of Shareholders held on June 19, 2018 and we propose the continuation of the Compensation Plan, with changes to the maximum amount of funds to be contributed, the maximum number of shares to be issued, etc. as set forth below. The purpose of the Compensation Plan is to increase the awareness of Directors of the Company (excluding Directors serving as the Audit and Supervisory Committee Members and Outside Directors) of contributing to enhancing the Group’s business performance and corporate value and we consider the continuation of the Compensation Plan and the partial changes to be appropriate. The number of Directors eligible for the Compensation Plan will be two (2) Directors if Proposal 2 “Election of Two (2) Directors (Excluding Directors Serving as the Audit and Supervisory Committee Members)” is approved and resolved as originally proposed.

2. Amounts and the Content of the Remuneration in the Compensation Plan

(1) Details of the Compensation Plan

The Compensation Plan is a stock compensation plan, in which the Company’s shares are acquired through a trust using an amount of compensation for Directors contributed by the Company as funds, and the Company’s shares are issued to Directors in accordance with their positions and the achievement of business performance targets as well as individual evaluation.

(2) Maximum amount of funds to be contributed by the Company

When continuing the Compensation Plan, the Company will contribute funds, of which the maximum amount is 330 million yen, for compensation for Directors for the three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024 (hereinafter the “Applicable Period”), thereby establishing a trust (hereinafter the “Trust”) with a three-year trust period during which the Company’s share are issued with an upper limit of 120,000 shares for each Applicable Period, with Directors who meet the criteria for beneficiaries as beneficiaries.

Meanwhile, at the expiry of the trust period of the Trust, the Trust may be continued through a revision to the trust agreement and additional trust, in lieu of establishing a new trust. In such case, the trust period of the Trust shall be extended by three years. If the trust period is extended, the subsequent three fiscal years shall be the Applicable Period. The Company shall make additional contributions within 330 million yen for each extended period and continue to grant points to Directors, while the Trust will continue to issue the Company’s shares during the extended trust period. However, if, in the case of making such additional contributions, the Company’s shares (excluding the Company’s shares corresponding to the points which were already granted but not yet issued) and money (hereinafter, collectively the “Remaining Shares, etc.”) remain in the trust assets at the time of extension, the total amount of Remaining

Shares, etc. and additional money contributed by the Company shall be within 330 million yen.

- (3) Calculation method and upper limit of the Company's shares to be issued to Directors  
In May of every year during the trust period, in principle, points will be awarded to Directors in accordance with their position in the fiscal year ending March 31 of that year and the achievement of target consolidated operating profit as well as individual evaluations in each fiscal year, and shares shall be issued according to the accumulated number of points on May 31 immediately after the end of the Applicable Period.

One point will equate to one share of the Company's shares, and if it is recognized that an adjustment in the points is fair and impartial due to stock splits, mergers, etc. of the Company's shares, an adjustment to the number of the Company's shares per point can be made, in accordance with the split ratio, consolidation ratio, etc.

Furthermore, the upper limit of the total number of points that Directors may be awarded per fiscal year shall be 40,000 points, and the maximum number of the Company's shares to be issued to Directors during the Applicable Period shall be 120,000 shares.

- Formula for calculation (number of points per fiscal year)  
“Base points” as described in 1) below × “performance-based coefficient” as described in 2) below × “evaluation coefficient” specified in the Regulations Concerning Stock Issuance

1) Base points

The number of base points granted to Directors during applicable fiscal years is as shown below.

Position of Director	Number of base points
Director of the Company	6,400

2) Performance-based coefficient

The performance-based coefficient shall be as follows, in accordance with the achievement ratio of “consolidated operating profit” in each fiscal year.

Business performance target achievement ratio	Performance-based coefficient
100% or more	1.0
50% or more	0.5
Below 50%	0

\* The “Evaluation coefficient” is decided based on individual evaluations of Directors in accordance with the Regulations Concerning Stock Issuance.

- (4) Method and timing of issuance of the Company’s shares to Directors  
A number of the Company’s shares calculated as described in the above item (3) will be issued by the Trust in August immediately after the Applicable Period expires to the Directors who meet the criteria for beneficiaries.
- (5) Other details of the Compensation Plan  
Other details related to the Compensation Plan shall be determined by the Board of Directors each time the Trust is established, the trust agreement is modified, and additional contributions to the Trust are made.

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## 1. Current Status of the Group

### (1) Status of business for the fiscal year

#### 1) Circumstances and results of business

The Japanese economy continued to be in an extremely difficult situation during the fiscal year under review due to the global spread of the novel coronavirus disease (COVID-19). Although the economy showed some signs of recovery due to the phased resumption of economic activities and the effects of the government's economic measures, the future remains uncertain due to the situation of reemergence of infections and the lack of prospects for when the COVID-19 crisis will subside.

Under these conditions, the Group's results in each business segment were as follows.

##### Precious Metals business

Revenue: 144,795 million yen (up 27.3% YOY)

Revenue and operating profit in precious metal recycling business in Japan, South Korea and Malaysia increased from the previous year, thanks to the rise in precious metal prices as well as market share gains in all our business areas. Also, revenue and operating profit in precious metal refining business in North America expanded from a year before thanks to significant expansion in product processing and sales as well as financial transactions. As a result, revenue and operating profit in this segment increased significantly from the previous year.

##### Environmental Preservation business

Revenue: 19,981 million yen (down 3.6% YOY)

Although industrial production activities are recovering after the stagnation caused by COVID-19, revenue in this segment decreased from the previous year due to a general decrease in industrial waste. Operating profit remained at the same level as in the previous year due to maintaining the utilization rate at the Company's facilities, increasing the price of processing and other factors, but it decreased compared to the previous year due to the recording of losses on disposal and loss on sales associated with the disposal of unnecessary equipment.

As a result of the above, revenue during the fiscal year was 164,776 million yen, a year-on-year increase of 29,213 million yen (+21.5 percent). Operating profit was 25,126 million yen, a year-on-year increase of 7,115 million yen (+39.5 percent). Profit before tax was 26,136 million yen, a year-on-year increase of 8,486 million yen (+48.1 percent). Profit was 25,725 million yen, a year-on-year increase of 15,879 million yen (+161.3 percent). Profit attributable to owners of parent was therefore 25,725 million yen, an increase of 15,879 million yen (+161.3 percent) year-on-year, which are all record highs. By segment, revenue in the Precious Metals business was 144,795 million yen, a year-on-year increase of 31,039 million yen (+27.3 percent). In the Environmental Preservation business, revenue was 19,981 million yen, a year-on-year decrease of 735 million yen (-3.6 percent).

Revenue and operating profit were composed of the following:

<Breakdown of revenue and operating profit>

Category	Revenue (Millions of yen)	Ratio (%)	YOY change (%)	Operating Profit (Millions of yen)
Precious Metals business	144,795	87.9	27.3	24,037
Environmental Preservation business	19,981	12.1	(3.6)	3,833
Other	-	-	-	(2,743)
Total	164,776	100.0	21.5	25,126

Revenue	164,776 million yen	Up 21.5% YOY
Operating Profit	25,126 million yen	Up 39.5% YOY
ROE	30.8%	Up 16.4% YOY

## 2) Capital expenditure

Capital expenditure made in the fiscal year totaled 5,314 million yen. The main expenditure was an investment in buildings, machinery and equipment.

## 3) Financing

Asahi Refining USA Inc., a consolidated subsidiary of the Company, issued bonds as follows to finance capital expenditure for building up precious metal refining facilities in North America and working capital for expanding procurement of precious metals, mainly for advance trading in the North America region:

Date of issuance	Company name	Type of bonds	Issue amount	Redemption date
March 15, 2021	Asahi Refining USA Inc.	Unsecured bonds	201 million US dollars	March 16, 2026

## 4) Assignment, absorption-type split and incorporation-type split of business

Not applicable for the fiscal year

## 5) Acquisition of the business of other companies

Not applicable for the fiscal year

## 6) Succession of rights and obligations pertaining to the business of other corporations, etc., through an absorption-type merger or an absorption-type split

Not applicable for the fiscal year

## 7) Acquisition or disposal of shares or other equity or share acquisition rights of other companies

As of March 31, 2021, all shares of INTER CENTRAL, INC., a consolidated subsidiary of the Company, were transferred to OTEC Corporation.

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**(2) Property and profit/loss**

Category	9 <sup>th</sup> term April 1, 2017 through March 31, 2018	10 <sup>th</sup> term April 1, 2018 through March 31, 2019	11 <sup>th</sup> term April 1, 2019 through March 31, 2020	12 <sup>th</sup> term April 1, 2020 through March 31, 2021 (Current fiscal year)
Revenue (Millions of yen)	115,797	110,412	135,563	164,776
Operating profit (Millions of yen)	13,791	13,442	18,010	25,126
Profit attributable to owners of parent (Millions of yen)	9,416	9,000	9,846	25,725
Basic earnings per share (Yen)	135.39	114.07	125.12	326.90
Total assets (Millions of yen)	131,484	160,272	229,958	244,803
Total equity (Millions of yen)	64,435	67,804	69,174	97,903
Equity per share attributable to owners of parent (Yen)	813.60	861.58	879.00	1,244.06

(Notes) 1. For the 11th term, businesses of Fuji Medical Instruments MFG. Co., Ltd. have been reclassified as discontinued operations. Consequently, income from discontinued operations are presented separately from continuing operations in the consolidated statement of income. Accordingly, revenue and operating profit are presented in amounts from continuing operations. In addition, the Company also restated revenue and operating profit from the 10th term to amounts from continuing operations.

2. The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. Basic earnings per share and equity per share attributable to owners of parent are calculated assuming the stock split had already been carried out at the start of the 9th term.

3. The interest expenses corresponding to advance trading of precious metal refining business were previously recorded as finance cost, but the method was changed from the current fiscal year to be recorded as cost of sales. As a result, operating profit has been restated to reflect the aforementioned reclassification, and the figures for the previous year have also been restated in the same way.

**(3) Major sales offices and plants (as of March 31, 2021)**

<b>Asahi Holdings, Inc.</b>	
Main office	4-17 Kano-cho 4-chome, Chuo-ku, Kobe-shi
Head offices	Kobe Head Office: 4-17 Kano-cho 4-chome, Chuo-ku, Kobe-shi Tokyo Head Office: 7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Overseas subsidiaries	Asahi Refining USA Inc. (the U.S.) Asahi Refining Canada Ltd. (Canada) Asahi Refining Florida LLC (the U.S.)

<b>Asahi Pretec Corp.</b>	
Main office	21, Uozakihamamachi, Higashinada-ku, Kobe-shi
Head offices	Kobe Head Office: 4-17 Kano-cho 4-chome, Chuo-ku, Kobe-shi Tokyo Head Office: 7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Research laboratory	The Technical Research Center (Kobe-shi)
Business offices	Kitakanto (Kitakatsushika-gun, Saitama Pref.) Nagano (Tomi-shi, Nagano Pref.) Hanshin (Amagasaki-shi, Hyogo Pref.) Kobe (Kobe-shi) Shikoku (Saijo-shi, Ehime Pref.) Kitakyushu (Kitakyushu-shi) Fukuoka (Koga-shi, Fukuoka Pref.)
Sales offices	Sapporo (Kitahiroshima-shi, Hokkaido) Aomori (Aomori-shi) Sendai (Miyagi-gun, Miyagi Pref.) Niigata (Sanjo-shi, Niigata Pref.) Kitakanto (Kitakatsushika-gun, Saitama Pref.) Kanto (Kawaguchi-shi, Saitama Pref.) Yokohama (Yokohama-shi) Kofu (Chuo-shi, Yamanashi Pref.) Shizuoka (Yaizu-shi, Shizuoka Pref.) Nagoya (Komaki-shi, Aichi Pref.) Hokuriku (Toyama-shi) Hanshin (Amagasaki-shi, Hyogo Pref.) Kobe (Kobe-shi) Okayama (Okayama-shi) Hiroshima (Hiroshima-shi) Shikoku (Saijo-shi, Ehime Pref.) Fukuoka (Koga-shi, Fukuoka Pref.) Kagoshima (Kagoshima-shi) Okinawa (Itoman-shi, Okinawa Pref.)

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Plants	Saitama (Kitakatsushika-gun, Saitama Pref.) Nagano (Tomi-shi, Nagano Pref.) Amagasaki (Amagasaki-shi, Hyogo Pref.) Kobe (Kobe-shi) The Technical Research Center (Kobe-shi) Ehime (Saijo-shi, Ehime Pref.) Kitakyushu (Kitakyushu-shi) Hibiki (Kitakyushu-shi) Fukuoka (Koga-shi, Fukuoka Pref.)
Overseas subsidiaries	Asahi G&S Sdn. Bhd. (Malaysia) Asahi Pretec Korea Co., Ltd. (Korea)

### **Japan Waste Corporation**

Main office	7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Head office	7-12 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Business offices	Saitama (Kawaguchi-shi, Saitama Pref.) Yokohama (Yokohama-shi) Shonan (Koza-gun, Kanagawa Pref.)
Plants	Yokohama (Yokohama-shi) Ogimachi Center (Kawasaki-shi) Samukawa (Koza-gun, Kanagawa Pref.)
Subsidiaries in Japan	JW Chemitech Co., Ltd. (Kawaguchi-shi, Saitama Pref.) Taiyo Chemical Co., Ltd. (Kagoshima-shi) Fuji Rozai Co., Ltd. (Ota-ku, Tokyo) JW Glass Recycling Co., Ltd. (Koto-ku, Tokyo)

**(4) Significant parent company and subsidiaries****1) Relationship with parent company**

Not applicable

**2) Significant subsidiaries**

Company name	Capital	Our voting right ratio	Major business
Asahi Pretec Corp.	4,480 million yen	100.0%	Precious Metals business and Environmental Preservation business
Japan Waste Corporation	400 million yen	100.0%	Environmental Preservation business

(Note) Asahi Life & Health Corporation was excluded from the significant subsidiaries since it was merged with Japan Waste Corporation on April 1, 2020. Moreover, Asahi Americas Holdings, Inc. was removed from the list of significant subsidiaries because its liquidation was completed on March 26, 2021.

**3) Specified wholly owned subsidiary**

## a. Name and address of the specified wholly owned subsidiary

Name: Asahi Pretec Corp.

Address: 21 Uozakihamamachi, Higashinada-ku, Kobe-shi

## b. Total book value of shares of the specified wholly owned subsidiary held by the Company and wholly owned subsidiaries at the end of the fiscal year under review:

24,621 million yen

## c. Total amount recorded in the assets section of the balance sheet of the Company for the fiscal year under review: 111,021 million yen

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**(5) Principal businesses (as of March 31, 2021)**

The Group is mainly engaged in the Precious Metals business and the Environmental Preservation business.

**1) Precious Metals business**

We collect scraps containing precious metals which are yielded from a variety of fields and recycle them.

In North America, we refine gold and silver from mines.

- Collection/reproduction and processing of precious metals (gold, silver, palladium, platinum, etc.) and other metals and refining of precious metals
- Purchase and sales of precious metals and other metals
- Manufacturing and sales of precious metal products

**2) Environmental Preservation business**

We detoxify and properly dispose of each type of industrial waste.

- Collection and transportation of industrial waste
- Intermediate treatment of industrial waste (detoxification, appropriate disposal, reuse, reduce, and recycle)

**(6) Employees (as of March 31, 2021)****1) Employees of the Group**

Number of employees	Change from the end of previous fiscal year
1,510 (133)	-64 (down 20)

(Note) The number of employees refers to the number of workers (excluding the staff seconded from the Group to companies outside the Group but including staff seconded from companies outside the Group to the Group) and for the number of part-timers and fixed-term employees, annual average number of persons are shown separately in brackets.

**2) Employees of the Company**

Number of employees	Change from the end of previous fiscal year	Average age	Average length of service
10 (1)	-34 (1)	51 years and 9 months	3 years and 9 months

(Note) The number of employees refers to the number of workers (excluding the staff seconded from the Company to companies outside the Company but including staff seconded from companies outside the Company to the Company) and for the number of part-timers and fixed-term employees, annual average number of persons are shown separately in brackets.

**(7) Major financial institutions with loans to the Company** (as of March 31, 2021)

Financial institutions	Loan amount
Mizuho Bank, Ltd.	30,142 million yen
MUFG Bank, Ltd.	23,765 million yen
Sumitomo Mitsui Banking Corporation	19,071 million yen
The Chugoku Bank, Ltd.	4,000 million yen
The Minato Bank, Ltd.	1,000 million yen
The Joyo Bank, Ltd.	1,000 million yen

**(8) Other important matters relating to the current state of the Group**

Not applicable

**(9) Challenges to be addressed****1) Precious Metals business segment**

As it is the Group's core business, the Group will take the following measures to expand earnings in this segment.

- Utilize IT to establish an efficient sales structure and technical process and enhance competitiveness.
- Conduct thorough "Responsible Precious Metals Management" and strengthen risk management.
- Pursue stable operation of the refining business in North America and expand revenue sources by building up value added services.

**2) Environmental Preservation business segment**

As a stable growth business of the Group, we will manage the segment's business with an emphasis on growth and profitability. The Group will take the following measures to increase earnings in this segment.

- Establish a position as a leading environmental company in Japan through the Group's nationwide network and by utilizing a high level of treatment technology.
- Establish an efficient and effective business structure by utilizing digital technologies.
- Promote globalization and expand the business into the world market.

**■ The 9th Mid-term Business Plan (the 13th fiscal term to the 15th fiscal term)**

Slogan: Building a global company that pursues originality and growth

- Precious Metals business: Strengthening domestic efficiency and promoting global strategy
- Environmental Preservation business: Sustainable growth and attempts to globalization

Basic policy

1. Reinforcing the foundation for global growth
2. Promotion of new human resources policies
3. Strengthening Group risk management
4. Promoting SDGs

■ **Reference: Initiatives for the achievement of SDGs**

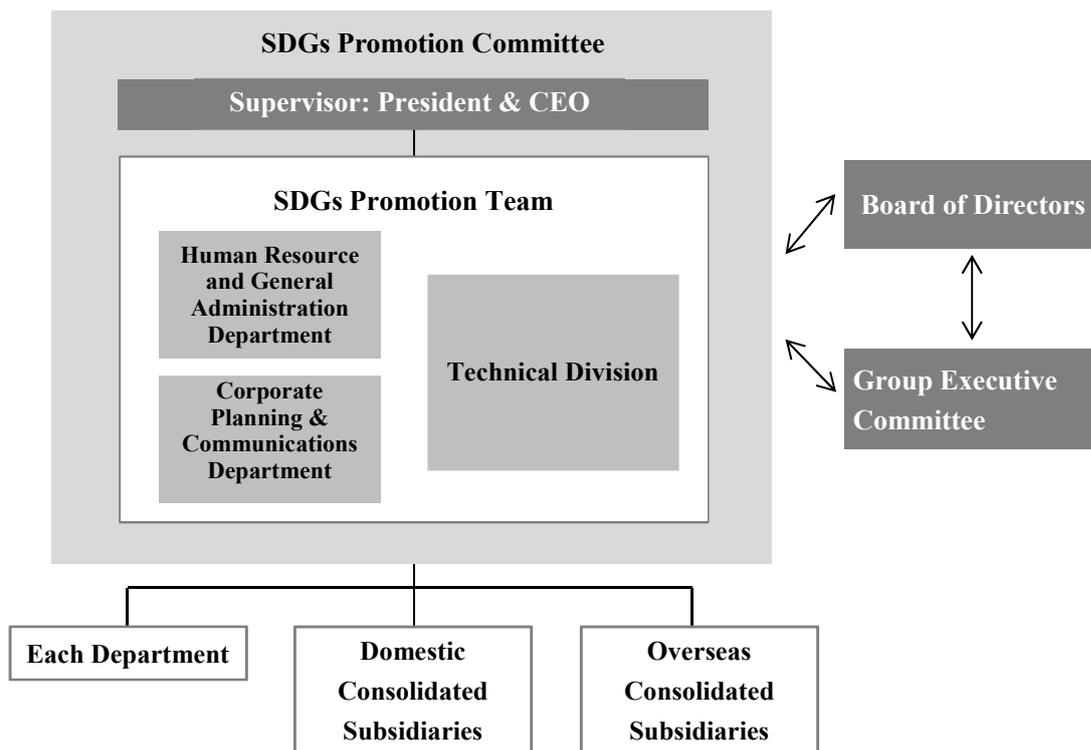
Sustainability Vision:

The Asahi Holdings Group has developed its business activities over a long period of time based on its core mission of “A Total Commitment to Protecting the Natural Environment and Preserving Resources.” Our business activities are our contribution to sustainability, and we are achieving both business growth and solutions for the issues our societies face.

Today, as action is required of all of society, including corporations, we will further our mission by proactively working to achieve goals that we set for those issues to which we can make significant contributions toward solutions.

Sustainability promotion system:

The Group promotes sustainability-related initiatives by developing measures that focus on priority SDG-related goals, monitoring the achievement of set targets, and communicating these initiatives both internally and outside of the Group. These efforts are discussed and determined by the SDGs Promotion Committee, headed by the President & CEO, which steers the system.



**Priority SDG-related Goals**

<p><b>1. Expand precious metal recycling</b></p> <p>The further utilize effectively limited earth resources, we will globally expand and promote precious metal recycling.</p> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">13 CLIMATE ACTION</div> <div style="border: 1px solid black; padding: 2px;">15 LIFE ON LAND</div>	<p><b>2. Supply precious metals in ways that are friendly to people, society, and the environment</b></p> <p>We will expand the provision of raw materials that do not include conflict minerals and precious metals produced from scrap containing precious metals in consideration of human rights and the environment and promote responsible precious metal management.</p> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">8 DECENT WORK AND ECONOMIC GROWTH</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div style="border: 1px solid black; padding: 2px;">16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div>	<p><b>3. Expand proper industrial waste disposal</b></p> <p>We will work to expand appropriate disposal of industrial waste as experts in waste processing, and work toward realizing a sustainable recycling-oriented society.</p> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">6 CLEAN WATER AND SANITATION</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">14 LIFE BELOW WATER</div> <div style="border: 1px solid black; padding: 2px;">15 LIFE ON LAND</div>
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<p><b>4. Reduce CO<sub>2</sub> emissions</b></p> <p>Through initiatives such as energy conservation activities, transitioning to next-generation automobiles, and transitioning to low CO<sub>2</sub> emission power plants, we will work toward reducing CO<sub>2</sub> emissions across the Group.</p> <div data-bbox="240 692 497 792" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">7 AFFORDABLE AND CLEAN ENERGY</div> <div data-bbox="240 813 497 913" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div data-bbox="240 934 497 1034" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">13 CLIMATE ACTION</div> <div data-bbox="240 1055 497 1155" style="border: 1px solid black; padding: 5px;">17 PARTNERSHIPS FOR THE GOALS</div>	<p><b>5. Enhance Work-Life Balance and Employee Diversity</b></p> <p>Through workstyle reforms, health management, and diversity promotion, we will work to raise job satisfaction by enriching foundations to allow for diverse human resources to take active roles.</p> <div data-bbox="632 651 888 752" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">3 GOOD HEALTH AND WELL-BEING</div> <div data-bbox="632 772 888 873" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">4 QUALITY EDUCATION</div> <div data-bbox="632 893 888 994" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">5 GENDER EQUALITY</div> <div data-bbox="632 1014 888 1115" style="border: 1px solid black; padding: 5px;">8 DECENT WORK AND ECONOMIC GROWTH</div>	<p><b>6. Encourage and support SDG-related activities</b></p> <p>We will work to preserve the global environment through encouragement and support of individual and group cleaning activities as the “Asahi Clean Project.”</p> <div data-bbox="1067 611 1324 712" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div data-bbox="1067 732 1324 833" style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">14 LIFE BELOW WATER</div> <div data-bbox="1067 853 1324 954" style="border: 1px solid black; padding: 5px;">15 LIFE ON LAND</div>
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■ **Reference: Corporate Governance Structure**

**Basic Policies for Corporate Governance**

Corporate Governance Policies, etc. can also be found on the Company’s website:

<https://www.asahiholdings.com/ir/library/governance/>

To establish corporate governance and have it work effectively is a corporate social responsibility and contributes to more efficient and transparent management as well as to sustainable corporate value growth.

The Group will build our corporate governance that will respond to the confidence of shareholders, business partners, employees, local communities and other various stakeholders so as to fulfill our social mission and responsibility as a listed company. Also, we will develop a “corporate governance structure” that will promptly respond to the management environment changes with emphasis on compliance, aiming at sustainable corporate value growth.

Board of Directors	The Board of Directors of the Group is comprised of Executive Directors who are knowledgeable concerning their respective business, technical or administrative divisions, as well as Outside Directors with various types of expertise essential to corporate management. To have an adequate number of Directors for active, substantial and effective discussions at meetings, the Board of Directors consists of eight (8) Directors, including three (3) Independent Outside Directors. All Directors share their opinions actively and freely on important subjects such as the Group’s management strategies and business plans.
Audit and Supervisory Committee	Under Japan’s Companies Act, the Group has elected to be a company with an Audit and Supervisory Committee, and has three Independent Outside Directors. This structure has strengthened the supervisory function of the Board of Directors. It also delegates important executive decisions to the Executive Directors for quicker decision-making and improved management efficiency.
Nominating Committee/ Compensation Committee	A Nominating Committee, consisting of three (3) members including two (2) Independent Outside Directors, as well as a Compensation Committee, have been established as advisory bodies to the Board of Directors. The aim is to further enhance corporate governance by ensuring transparency, fairness, and objectivity for the appointment and dismissal of Directors and key management team members, as well as for the determination of Director remuneration.



## 2. Current state of the Company

### (1) Shares (as of March 31, 2021)

- 1) **Number of shares authorized:** 129,000,000 shares
- 2) **Number of shares issued:** 39,854,344 shares
- 3) **Number of shareholders:** 26,270
- 4) **Major shareholders (top 10 shareholders)**

Shareholders	Number of shares held (Thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,045	7.65
Custody Bank of Japan, Ltd. (Trust account)	2,428	6.10
Mitsuharu Terayama	887	2.23
STATE STREET BANK WEST CLIENT - TREATY 505234	772	1.94
Masamichi Terayama	742	1.86
Asahi Employee Stock Ownership Plan	711	1.79
Custody Bank of Japan, Ltd. (Trust account 5)	569	1.43
Custody Bank of Japan, Ltd. (Securities investment trust account)	520	1.31
Custody Bank of Japan, Ltd. (Trust account 6)	504	1.27
JP MORGAN CHASE BANK 385781	495	1.24

- (Notes) 1. Percentage of shares held is calculated by excluding treasury stock.
2. The Company conducted a stock split with a ratio of two-for-one on April 1, 2021. As a result, the number of shares authorized became 258,000,000 and the number of shares issued became 79,708,688.

### 5) Status of shares granted to the Company's board members as consideration for execution of their duties during the fiscal year

Not Applicable

### Shareholder distribution

Individuals, others	16,773 thousand shares (42.09%)
Financial institutions	11,036 thousand shares (27.69%)
Foreign corporations, etc.	9,890 thousand shares (24.82%)
General corporations, other corporations	954 thousand shares (2.39%)
Securities companies	1,201 thousand shares (3.01%)

### (2) Share acquisition rights, etc.

- 1) Share acquisition rights granted to and held by the Company's board members as a consideration for execution of their duties on the end of the fiscal year under review  
Not Applicable
- 2) Share acquisition rights granted to the Company's employees, etc. as a consideration for execution of their duties during the fiscal year under review  
Not Applicable

3) Other status of share acquisition rights

Share acquisition rights by a resolution of the Board of Directors meeting as of February 25, 2021

- Allotment date            March 15, 2021
- Allotment method      Allot all shares to Asahi Refining USA Inc. through a third-party allotment method
- Number of share acquisition rights            2,000 units
- Class and number of shares for the purpose of share acquisition rights and calculation method thereof

The class of shares for the purpose of share acquisition rights shall be common stock of the Company and the number of shares per unit of the share acquisition rights shall be equal to that calculated by dividing 100,000 US dollars by the exercise price per share (value of the property to be contributed when the share acquisition rights are exercised or calculation method thereof are defined in (2)); however, if two or more units of the share acquisition rights are exercised at the same time, the number equal to that calculated by dividing 100,000 US dollars which were multiplied by the number of the units exercised, by the exercise price per share). Any fractions below one share generated as a result of exercise shall be rounded down.

- Amount to be paid in for share acquisition rights or calculation method thereof and description that no payment is required

5,257 US dollars in cash per unit of share acquisition rights (total amount to be paid in for the share acquisition rights: 10,514,000 US dollars in cash)

- Value of property to be contributed when share acquisition rights are exercised and calculation method thereof

(1) The property to be contributed when each of the share acquisition rights is exercised shall be cash, of which value shall be 100,000 US dollars.

(2) The value of cash per share of the Company's common stock to be contributed when exercising the share acquisition rights (hereinafter the "Exercise Price per Share") shall be initially 42.94 US dollars (Note). The Exercise Price per Share shall be adjusted in accordance with the following rules. After the share acquisition rights are issued, the Exercise Price per Share shall be adjusted in accordance with the following formula if the Company issues the Company's common stock or disposes of the Company's common stock held by the Company with a paid-in amount below the market value of the Company's common stock. In the following formula, "Exercise price after adjustment" is the Exercise Price per Share after adjustment, "Exercise price before adjustment" is the Exercise Price per Share before adjustment, and "Number of shares already issued" is the total number shares of the Company's outstanding common stock (excluding those held by the Company).

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares newly issued or disposed of} \times \text{Amount paid in per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of shares newly issued or disposed of}}$$

The Exercise Price per Share shall be also adjusted as necessary in case of a split or reverse split of the Company's common stock, a specific amount of dividend of surplus, and issuance of share acquisition rights (including those attached to bonds with share acquisition rights) by which granting of the Company's common stock can be requested at a price below market value of the Company's common stock, as well as when there are certain reasons by which the exchange value shall be adjusted for bonds with exchange rights (hereinafter the "Exchange Rights") into the Company's common stock (hereinafter the "Exchangeable Bonds") that are issued by Asahi Refining USA Inc.

- Period during which share acquisition rights can be exercised

Share acquisition rights may be exercised from March 29, 2021 to March 18, 2026. However, the period shall be 1) until the day that is nine business days (defined below) after the redemption date if the Exchangeable Bonds are redeemed early (excluding those that are selected not to undergo early redemption), 2) until the day that is 12 business days after the date on which the Exchangeable Bonds are cancelled, if the Exchangeable Bonds are purchased and cancelled, or 3) until the day that is 12 business days after the date on which the benefit of time is forfeited, if the benefit of time of the Exchangeable Bonds is forfeited. In any case above, the share acquisition rights cannot be exercised after March 18, 2026. Notwithstanding the above, if the Company reasonably determines that it is necessary to conduct an organizational restructure, etc., the share acquisition rights cannot be exercised during the period of within 30 days designated by the Company that will end within 14 days from the day after the effective date of the organizational restructure, etc. "Business days" refer to days on which commercial banks are open for business in Tokyo other than Saturdays, Sundays and public holidays.

- Conditions for exercise of share acquisition rights

- (1) Partial exercise of the share acquisition rights is not allowed.
- (2) Holders of the share acquisition rights may exercise the number of those corresponding to the Exchange Rights exercised, only when the Exchange Rights have been exercised in accordance with the guidelines of the Exchangeable Bonds.

(Note) The Exercise Price per Share has been adjusted to 21.47 US dollars as the Company conducted a two-for-one stock split as of April 1, 2021.

**(3) Board members and corporate officers****1) Directors (as of March 31, 2021)**

Position	Name	Responsibility and important concurrent assignment
Director and Chairman	Mitsuharu Terayama	
Representative Director and President	Tomoya Higashiura	Director, Asahi Pretec Corp.
Director	Amane Kojima	General Manager of Financial Planning Office Corporate Auditor, Asahi Pretec Corp.
Director	Hiroyuki Nakanishi	Representative Director and President, Asahi Pretec Corp.
Director/Audit and Supervisory Committee Member	Yuji Kimura	Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation
Director/Audit and Supervisory Committee Member	Kyoko Kanazawa	Lawyer Outside Director, Tokushu Tokai Paper Co., Ltd.
Director/Full-Time Audit and Supervisory Committee Member	Yoshikatsu Takeuchi	
Director/Audit and Supervisory Committee Member	Yoshinori Hara	Professor of Graduate School of Management, Kyoto University

- (Notes)
1. According to a resolution at the 6th Annual General Meeting of Shareholders held on June 16, 2015, the Company made a transition to a Board with Audit and Supervisory Committee as of the same date.
  2. Directors/Audit and Supervisory Committee Members Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara are Outside Directors.
  3. Director/Full-Time Audit and Supervisory Committee Member Yoshikatsu Takeuchi has been engaged in the management of the Group for many years as a Representative Director and Director of the Group companies and possesses extensive expertise in overall management.
  4. The Company has a full-time Audit and Supervisory Committee Member to enhance the effectiveness of audits including information gathering and strengthen its auditing and supervisory functions.
  5. The Company designated Directors/Audit and Supervisory Committee Members Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara as Independent Directors under the provisions of the Tokyo Stock Exchange, and filed such status with the Exchange.

**2) Directors who resigned during the fiscal year**

Not Applicable

**3) Description of the limited liability contract**

The Company and each Director (excluding any Director with executive authority over operations, etc.) signed a contract that limits the liability for compensation for damage set forth in Article 423, Paragraph 1 of the Companies Act under provisions set forth Article 427, Paragraph 1 of the same Act.

The limit amount of the liability for compensation for damage under such a contract is determined to be the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

**4) Overview of the directors and officers liability insurance agreement**

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The insurance agreement covers damages that may arise when the insured assume liability for the execution of their duties or receives a claim related to the pursuit of such liability. However, there are certain exemptions; for example, damage caused as a result of any conduct committed while knowing that the conduct is in violation of laws and regulations shall not be covered. The insured of the insurance agreement are board members, corporate officers, executive officers and employees in managerial and supervisory positions of the Company and all subsidiaries under the Companies Act, and the Company bears the entire premium for all the insured.

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## 5) Compensation, etc., for Directors

(a) Policy on decision of contents of the board members' compensation, etc.

- Decision method of the decision policy

The Board of Directors of the Company consults with the voluntary Compensation Committee that consists of three members including two (2) Independent Outside Directors about preparation of a draft plan of the Company's Directors compensation, etc., and based on opinions received from the Committee, resolves a policy about decision on contents of compensation, etc. for each Director at a Board of Directors meeting of the Company.

- Overview of contents of the decision policy

The Company makes a decision within the maximum amount of the board members' compensation which was resolved at a General Meeting of Shareholders at the Board of Directors meeting based on opinions from the Compensation Committee that is an advisory body of the Board of Directors.

The compensation structure shall be developed so that incentives for improving business performance will be enhanced, and compensation for Directors (excluding those serving as the Audit and Supervisory Committee Members) consists of "basic remuneration," "bonuses" and "performance-based stock compensation." Compensation for Directors serving as the Audit and Supervisory Committee Members consists of "basic remuneration" only.

1) The amount of "basic remuneration" is determined for each Director in accordance with their duties and responsibilities.

2) The amount of "bonuses" is determined for each Director in accordance with their position points and contribution to business performance, after the total amount (including that for Directors of the Company's subsidiaries) is calculated by multiplying the consolidated operating profit of the relevant fiscal year by a specific ratio.

3) The purpose of "performance-based stock compensation" is to enhance incentives for improving mid- to long-term corporate value and the number of shares to be granted is linked to the business performance target achievement ratio of "consolidated operating profits" of each fiscal year or other factors.

The base of performance-based compensation (bonuses and performance-based stock compensation) shall be consolidated operating profits which are profits gained from the main business and we believe it is the most appropriate as a management benchmark. The basic policy is that performance-based compensation shall account for 30% to 70% of the total if business performance targets are achieved. The structure and level of compensation is determined with an importance placed on objectivity in consideration of the level of compensation for directors at other companies, etc., the balance with those of the Group's employees, and other factors.

- The reason that the Board of Directors considered that contents of compensation, etc. for each Director for the fiscal year comply with the decision policy

For decisions on the content of compensation, etc. for each Director, the Compensation Committee made a comprehensive review of the draft plan, including its consistency with the decision policy, and the Board of Directors respects its opinions and determines if the decision policy was complied with.

b) Total compensation, etc., for the fiscal year

Category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of Directors subject to payment (persons)
		Cash compensation		Stock compensation	
		Fixed compensation	Performance-based compensation, etc.	Non-cash compensation, etc.	
Directors (excluding Directors serving as the Audit and Supervisory Committee Members) (Outside Directors)	163 (0)	86 (0)	54 (0)	22 (0)	4 (0)
Directors serving as the Audit and Supervisory Committee Members (Outside Directors)	38 (18)	38 (18)	0 (0)	0 (0)	4 (3)
Total (Outside Directors)	201 (18)	124 (18)	54 (0)	22 (0)	8 (3)

- (Notes) 1. The amount of compensation for Directors (excluding Directors serving as the Audit and Supervisory Committee Members) does not include the employee salaries of Directors who serve concurrently as employees.
2. The base for performance-based compensation (bonuses and performance-based stock compensation) is consolidated operating profits which are profits gained from the main business and we believe to be the most appropriate as a management benchmark; actual results was 25,126 million yen. The amount of performance-based compensation (bonuses) of the Company is determined for each Director in accordance with their position points and contribution to business performance, after the total amount (including that for Directors of the Company's subsidiaries) is calculated by multiplying the consolidated operating profit of the relevant fiscal year by a specific ratio.
3. The performance-based stock compensation is a stock compensation plan (nonmonetary compensation, etc.) in which the Company's shares are granted to eligible Directors in accordance with their positions and the achievement ratio of business performance targets. As the purpose of the plan is to enhance incentives for improving mid- to long-term corporate value, the points to be granted are linked to the business performance target achievement ratio of "consolidated operating profits" for each fiscal year. The eligible Directors are those who belong to the Company as of May 31, 2021 after the 8th Mid-term Business Plan ended. At the 9th Annual General Meeting of Shareholders held on June 19, 2018, a continuation of the performance-based stock compensation plan and the number of share points to be granted to Directors (excluding Outside Directors, part-time Directors and Directors serving as the Audit and Supervisory Committee Members) in office in a three-year period from fiscal year 2018 to fiscal year 2020 were resolved. The performance-

based coefficient is as follows:

Business performance target achievement ratio	Performance-based coefficient
100% or more	1.0
50% or more	0.5
Below 50%	0

4. At the 6th Annual General Meeting of Shareholders held on June 16, 2015, it was resolved that the amount of cash compensation for Directors (excluding Directors serving as the Audit and Supervisory Committee Members) be up to an annual 200 million yen (not including the portion of salary as employees). The number of Directors (excluding Directors serving as the Audit and Supervisory Committee Members) was five (5) at the conclusion of said General Meeting of Shareholders.
5. At the 6th Annual General Meeting of Shareholders held on June 16, 2015, it was resolved that the amount of cash compensation for Directors serving as Audit and Supervisory Committee Members be up to an annual 100 million yen. The number of Directors serving as the Audit and Supervisory Committee Members was four (4) at the conclusion of said General Meeting of Shareholders.
6. At the 9th Annual General Meeting of Shareholders held on June 19, 2018, a continuation of the “performance-based stock compensation” plan and in addition to the maximum amount of compensation as stated above, the amount of compensation, etc. and details thereof for the Company’s Directors (excluding Directors serving as the Audit and Supervisory Committee Members and Outside Directors) in office in a three-year period from fiscal year 2018 to fiscal year 2020 were decided. The number of Directors (excluding Directors serving as the Audit and Supervisory Committee Members and Outside Directors) was five (5) at the conclusion of said General Meeting of Shareholders.

**6) Matters related to outside board members**

- (i) Important concurrent assignment at other corporations, etc., and relationship between the Company and the other corporations, etc.
- Director/Audit and Supervisory Committee Member Yuji Kimura serves as the Executive Director and General Manager of Tokyo Office, Global Environment Centre Foundation. There are no special relationships between the Company and the corporation where he has the concurrent assignment.
  - Director/Audit and Supervisory Committee Member Kyoko Kanazawa serves as a lawyer (belonging to Hata & Co. Law Offices) and the Outside Director of Tokushu Tokai Paper Co., Ltd. There are no special relationships between the Company and the corporation where she has the concurrent assignment.
  - Director/Audit and Supervisory Committee Member Yoshinori Hara serves as a Professor of Graduate School of Management at Kyoto University. There are no special relationships between the Company and the institution where he has the concurrent assignment.
- (ii) Kinship with a person executing business or an officer not executing business of the Company or specified related business operators of the Company  
Not applicable
- (iii) Main activities in the fiscal year

Category	Name	Activities and summary of duties performed in relation to expected role of Outside Directors
Director (Audit and Supervisory Committee Member)	Yuji Kimura	He attended all the meetings of the Board of Directors and the Audit and Supervisory Committee held during the fiscal year. He has been performing his proper role to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters by, for example, conducting supervision and providing advice from a highly professional standpoint relating to environmental preservation, including waste treatment and recycling.
Director (Audit and Supervisory Committee Member)	Kyoko Kanazawa	She attended all the meetings of the Board of Directors and the Audit and Supervisory Committee held during the fiscal year. She has been performing her proper role to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters by, for example, conducting supervision and providing advice from a highly professional standpoint relating to laws as a lawyer.
Director (Audit and Supervisory Committee Member)	Yoshinori Hara	He attended all the meetings of the Board of Directors held during the fiscal year and 11 of 13 Audit and Supervisory Committee (85%) held during the fiscal year. He has been performing his proper role to ensure the validity and appropriateness of making decisions on deliberations of agenda and other matters by, for example, conducting supervision and providing advice from a highly professional standpoint relating to service innovation.

**(4) Accounting Auditor****1) Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

**2) Amount of compensation, etc., for the Accounting Auditor**

	Amount of compensation, etc.
(i) Amount to be paid by the Company	28 million yen
(ii) Total amount of money to be paid by the Company and the Company's subsidiaries and other benefits on property	68 million yen

- (Notes) 1. In the agreement between the Company and the Accounting Auditor, the amount of compensation, etc., for audit under the Companies Act and the amount of compensation, etc., for audit under the Financial Instruments and Exchange Act are not separated and may not be separated actually. Therefore, the total of those amounts is stated for the amount in (i) above.
2. The Audit and Supervisory Committee provided its consent to the amount of compensation, etc., for the Accounting Auditor based on its verification as necessary of its auditing plan, the status of its execution of duties of accounting audits and the appropriateness of the basis for calculating its estimates.

**3) Description of non-audit services**

The Company pays to Ernst & Young ShinNihon LLC a consideration for preparation of overseas comfort letters relating to the issuance of corporate bonds.

**4) Policy for determining the dismissal or the refusal of reappointment of the Accounting Auditor**

When it is found that the Accounting Auditor falls under the items set forth in any of items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will dismiss the Accounting Auditor in accordance with the consent of all Audit and Supervisory Committee Members. In this case, the Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee will report the fact of the dismissal of the Accounting Auditor and reasons for the dismissal at the General Meeting of Shareholders convened for the first time after the dismissal.

When it is deemed necessary to change the Accounting Auditor in consideration of the status of the execution of its duties, the Company's auditing system and other factors, the Audit and Supervisory Committee will determine the content of a proposal concerning the dismissal or the refusal of reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders.

**(5) Policy to determine the distribution, etc., of surplus**

We consider improving corporate value by maintaining stable profitability and sustainable growth as well as meeting the expectations of shareholders through a return of profits to be critical tasks of management.

We will strive to continue distribution of surplus without decreasing the current level of annual dividends, intending to maintain a payout ratio of 40%, while strengthening internal reserves to execute capital investment and M&A toward future growth.

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**Consolidated Statement of Financial Position** (as of March 31, 2021)

(Millions of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>191,961</b>	<b>Current liabilities</b>	<b>119,568</b>
Cash and cash equivalents	10,023	Trade and other payables	26,465
Trade and other receivables	100,775	Loans payable	79,337
Inventories	63,515	Income tax payable	5,914
Income tax receivables	2,833	Other financial liabilities	1,247
Other financial assets	2,169	Provisions	1,601
Other current assets	12,644	Other current liabilities	5,002
<b>Non-current assets</b>	<b>52,841</b>	<b>Non-current liabilities</b>	<b>27,331</b>
Property, plant and equipment	37,904	Bonds and loans payable	25,501
Goodwill	1,040	Deferred tax liabilities	968
Intangible assets	697	Net defined benefit liability	106
Investments accounted for using equity method	3,544	Other financial liabilities	754
Deferred tax assets	8,392	<b>Total liabilities</b>	<b>146,899</b>
Net defined benefit asset	165	<b>EQUITY</b>	
Financial assets	1,051	<b>Equity attributable to owners of parent</b>	<b>97,903</b>
Other non-current assets	44	Capital stock	7,790
		Capital surplus	11,952
		Treasury stock	(957)
		Retained earnings	80,604
		Other components of equity	(1,486)
		<b>Total equity</b>	<b>97,903</b>
<b>Total assets</b>	<b>244,803</b>	<b>Total liabilities and equity</b>	<b>244,803</b>

(Note) Amounts less than one million yen are omitted.

**Consolidated Statement of Income** (April 1, 2020 to March 31, 2021)

(Millions of yen)

Account	Amount	
<b>Revenue</b>		<b>164,776</b>
<b>Cost of sales</b>		<b>(131,962)</b>
<b>Gross profit</b>		<b>32,814</b>
Selling, general and administrative expenses	(7,263)	
Other operating income	96	
Other operating expenses	(806)	
Share of profit of investments accounted for using equity method	285	(7,688)
<b>Operating profit</b>		<b>25,126</b>
Finance income	136	
Finance costs	(84)	
Other non-operating income	962	
Other non-operating expenses	(3)	1,010
<b>Profit before tax</b>		<b>26,136</b>
Income tax expenses		(411)
<b>Profit</b>		<b>25,725</b>
<b>Profit attributable to:</b>		
Owners of parent		25,725
Non-controlling interests		—

(Note) Amounts less than one million yen are omitted.

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**Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)**

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Translation adjustments of foreign operations	Cash flow hedges
Balance at April 1, 2020	7,790	10,755	(956)	60,797	(4,198)	(5,008)
Profit				25,725		
Other comprehensive income					1,254	6,462
Total comprehensive income	—	—	—	25,725	1,254	6,462
Purchase of treasury stock			(0)			
Dividends				(5,902)		
Issuance of convertible bond-type bonds with share acquisition rights		996				
Reclassified from other components of equity to retained earnings				(16)		
Share-based payment transactions		200				
Total transactions with owners	—	1,197	(0)	(5,919)	—	—
Balance at March 31, 2021	7,790	11,952	(957)	80,604	(2,944)	1,454

(Note) Amounts less than one million yen are omitted.

(Millions of yen)

	Equity attributable to owners of parent				
	Other components of equity			Total	Total
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total		
Balance at April 1, 2020	(5)	—	(9,212)	69,174	69,174
Profit			—	25,725	25,725
Other comprehensive income	10	(17)	7,709	7,709	7,709
Total comprehensive income	10	(17)	7,709	33,434	33,434
Purchase of treasury stock			—	(0)	(0)
Dividends			—	(5,902)	(5,902)
Issuance of convertible bond-type bonds with share acquisition rights			—	996	996
Reclassified from other components of equity to retained earnings	(0)	17	16	—	—
Share-based payment transactions			—	200	200
Total transactions with owners	(0)	17	16	(4,705)	(4,705)
Balance at March 31, 2021	3	—	(1,486)	97,903	97,903

(Note) Amounts less than one million yen are omitted.

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### Balance Sheet (as of March 31, 2021)

(Millions of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>61,646</b>	<b>Current liabilities</b>	<b>30,164</b>
Cash and deposits	5,912	Short-term loans payable	30,000
Short-term loans to affiliated companies	53,047	Accounts payable-other	84
Income taxes receivable	2,661	Accrued expenses	4
Other	26	Provision for bonuses	1
		Provision for directors' bonuses	68
<b>Non-current assets</b>	<b>49,375</b>	Other	6
<b>Property, plant and equipment</b>	<b>5,343</b>	<b>Non-current liabilities</b>	<b>5,274</b>
Buildings	1,986	Bonds payable	5,000
Tools, equipment and fixtures	0	Provision for stocks payment	34
Land	3,355	Provision for management board incentive plan trust	83
<b>Intangible assets</b>	<b>23</b>	Other	157
Software	23	<b>Total liabilities</b>	<b>35,439</b>
<b>Investments and other assets</b>	<b>44,008</b>	<b>NET ASSETS</b>	
Shares of affiliated companies	36,087	<b>Shareholders' equity</b>	<b>74,435</b>
Deferred tax assets	7,921	<b>Capital stock</b>	<b>7,790</b>
		<b>Capital surplus</b>	<b>27,651</b>
<b>Total assets</b>	<b>111,021</b>	Capital reserve	9,364
		Other capital surplus	18,287
		<b>Retained earnings</b>	<b>39,950</b>
		Other retained earnings	39,950
		Retained earnings carried forward	39,950
		<b>Treasury stock</b>	<b>(957)</b>
		<b>Share acquisition rights</b>	<b>1,146</b>
		<b>Total Net Assets</b>	<b>75,582</b>
		<b>Total Liabilities and Net Assets</b>	<b>111,021</b>

(Note) Amounts less than one million yen are omitted.

Statement of Income (April 1, 2020 to March 31, 2021)

(Millions of yen)

Account	Amount	
<b>Operating revenue</b>		<b>14,003</b>
<b>Operating expenses</b>		<b>922</b>
<b>Operating profit</b>		<b>13,080</b>
<b>Non-operating profit</b>		
Interest income	229	
Guarantee commission received	261	
Other	3	494
<b>Non-operating expenses</b>		
Interest expenses	36	
Bond issuance cost	64	
Bad debts expenses	1,038	1,139
<b>Ordinary income</b>		<b>12,435</b>
<b>Extraordinary loss</b>		
Loss on retirement of non-current assets	0	0
<b>Net profit before income taxes</b>		<b>12,435</b>
Income taxes-current	3	
Income taxes-deferred	(7,851)	(7,848)
<b>Net profit</b>		<b>20,283</b>

(Note) Amounts less than one million yen are omitted.

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Statement of Changes in Net Assets (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Capital stock	Capital surplus		Retained earnings	Treasury stock	
		Capital reserve	Other capital surplus	Other retained earnings Retained earnings carried forward		
Balance at April 1, 2020	7,790	9,364	18,287	25,639	(956)	60,126
Changes during the period						
Dividends from surplus				(5,973)		(5,973)
Net profit				20,283		20,283
Purchase of treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						
Total changes during the period	—	—	—	14,310	(0)	14,309
Balance at March 31, 2021	7,790	9,364	18,287	39,950	(957)	74,435

	Share acquisition rights	Total net assets
Balance at April 1, 2020	—	60,126
Changes during the period		
Dividends from surplus		(5,973)
Net profit		20,283
Purchase of treasury stock		(0)
Net changes of items other than shareholders' equity	1,146	1,146
Total changes during the period	1,146	15,456
Balance at March 31, 2021	1,146	75,582

(Note) Amounts less than one million yen are omitted.

## Audit Reports

### Transcript of Accounting Auditor's audit report on consolidated financial statements

#### Independent Auditor's Report

May 11, 2021

To the Board of Directors of  
Asahi Holdings, Inc.

Ernst & Young ShinNihon LLC

Tokyo office

Designated and  
Engagement Partner,

Certified Public Accountant

Toshinari Takeno

Designated and  
Engagement Partner,

Certified Public Accountant

Hiroaki Hono

#### **Audit Opinion**

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated statement of financial position, the consolidated statement of income, and the consolidated statement of changes in equity, and the basis of preparing consolidated financial statements and other notes of Asahi Holdings, Inc. for the consolidated fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the above consolidated financial statements prepared in conformity with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards, present fairly, in all material respects, the assets as well as income and losses in the period pertaining to consolidated financial statements of the corporate group which consists of Asahi Holdings, Inc. and its consolidated subsidiaries.

#### **Basis for the Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### **Responsibility of Management and Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in

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accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards.

Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### **Auditors' Responsibility for the Audit of the Consolidated Financial Statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Rules of Corporate Accounting, which allows partial omission of the disclosures required by the designated international accounting standards, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the

audit of the consolidated financial statements, and is solely responsible for the audit opinion. The auditor reports to Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards. The auditor reports to Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor’s independence and any safeguards that are in place to reduce or eliminate obstacles.

**Interests**

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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## Transcript of Accounting Auditor's audit report

### Independent Auditor's Report

May 11, 2021

To the Board of Directors of  
Asahi Holdings, Inc.

Ernst & Young ShinNihon LLC

Tokyo office

Designated and  
Engagement Partner,

Certified Public Accountant Toshinari Takeno

Designated and  
Engagement Partner,

Certified Public Accountant Hiroaki Hono

#### **Audit Opinion**

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the financial statements, namely the balance sheet, the statement of income, and the statement of changes in net assets of Asahi Holdings, Inc. for the 12th fiscal year from April 1, 2020 to March 31, 2021, including notes to non-consolidated financial statements and accompanying supplementary schedules thereto.

In our opinion, the financial statements and the accompanying supplementary schedules thereto referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to such financial statements and the accompanying supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

#### **Basis for the Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### **Responsibility of Management and Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present financial statements and the accompanying supplementary schedules thereto that are free from material misstatements caused by fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties

related to designing and operating the financial reporting process.

### **Auditors' Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules**

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

**Interests**

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

## Transcript of Audit and Supervisory Committee's audit report

### Audit Report

The Audit and Supervisory Committee audited the Directors' performance of their duties during the 12th fiscal year (from April 1, 2020 to March 31, 2021), and hereby reports the method and results of the audit as follows.

#### 1. Method and Content of Audit

The Audit and Supervisory Committee received reports periodically from Directors and employees about the details of Board of Directors' resolutions concerning the matters set forth in Article 399-13, Paragraph 1, Item 1 (b) and (c), of the Companies Act, as well as the establishment and application of the internal control systems based on such resolutions, and then requested explanations as necessary, expressed opinions and conducted audits by the following methods.

- 1) In conformity with the Audit and Supervisory Committee Auditing Standards established by the Audit and Supervisory Committee and in accordance with the audit policies and important audit items, directing the Audit Department and cooperating with the internal control division, each Audit and Supervisory Committee Member attended important meetings, received reports on the status of performance of duties from the Directors and other employees and requested explanations as necessary, examined important approval documents, etc., and inspected the status of the corporate affairs and assets of the Company. In addition, opinions were exchanged with Representative Director and President as well as Directors. Also regarding the Company's major subsidiaries, each Audit and Supervisory Committee Member attended important meetings, received reports on businesses, requested explanations as necessary and shared opinions with Directors.
- 2) Each Audit and Supervisory Committee Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties including its auditing plan, results of quarterly review, results of audit at the end of the period and others, and requested explanations as necessary. Each Audit and Supervisory Committee Member was notified by the Accounting Auditor that it had established a "system to ensure that the performance of duties of the Accounting Auditor was properly conducted" (the matters listed in the items of Article 131 of the Rules of Corporate Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council on October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each Audit and Supervisory Committee Member examined the business report and the supplementary schedules thereto, the financial statements (balance sheet, statements of income and statements of changes in net assets and notes to non-consolidated financial statements) and the supplementary schedules thereto, as well as the consolidated financial statements (consolidated statement of financial position, consolidated statements of income and

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consolidated statements of changes in equity and notes to consolidated financial statements), for the fiscal year under review.

## 2. Results of Audit

(1) Results of audit of business report, etc.

- (i) We acknowledge that the business report and the supplementary schedules thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the company was found with respect to the directors' performance of their duties.
- (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the descriptions in the business report and directors' performance of their duties concerning the internal control systems.

(2) Results of audit of financial statements and supplementary schedules thereto

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of audit of consolidated financial statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 11, 2021

Audit and Supervisory Committee, Asahi Holdings, Inc.

Chairman:	Yuji Kimura
Audit and Supervisory Committee Member:	Kyoko Kanazawa
Full-time Audit and Supervisory Committee Member:	Yoshikatsu Takeuchi
Audit and Supervisory Committee Member:	Yoshinori Hara

(Note) Audit and Supervisory Committee Members Yuji Kimura, Kyoko Kanazawa and Yoshinori Hara are Outside Directors set forth in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

## TOPICS

- **Kitakyushu and Hibiki Plants: New incineration facilities put into operation**

Asahi Pretec Corp., one of the companies in the Group, renewed an incinerator for existing waste treatment facilities at the Kitakyushu Plant in June 2020. The newly introduced power generation facilities utilize waste heat generated by incineration of waste and generate the entire amount of electricity consumed in its offices, resulting in CO<sub>2</sub> reduction.

In April 2021, in the same Kitakyushu-shi, waste treatment facilities (Hibiki Plant) were newly installed.

For financing these projects, green bonds issued last year were used.

By further detoxifying and recycling industrial waste through promotion of proper treatment of waste, we will contribute to solving various social problems and achieving a sustainable society.

- **Received DEALWATCH AWARDS**

In March 2021, Asahi Refining USA Inc., one of the companies in the Group, issued exchangeable bonds with share acquisition rights of the Company, which is its parent, to procure funds for capital investment and working capital of the refining business in North America.

Investors were enthusiastic about Asahi Refining USA as it opened the new way for procuring US dollar-denominated funds by introducing the first scheme in Japan that a US subsidiary issues US dollar-denominated convertible bonds with a parent company as a guarantor. Consequently, Asahi Refining USA won “Innovative Equity Deal of the Year” of the Equity Segment at “DEALWATCH AWARDS 2020” sponsored by Refinitiv Japan K.K.