

2025

INTEGRATED
R E P O R T



Connecting All
Wants and Needs



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For Users, With Users

Corporate Philosophy

Coping with changing times and markets quickly, we make a great contribution to society by satisfying various needs of customers as a “distribution specialist”

In today’s society, needs are becoming increasingly diverse. This leads to dramatic changes which require a rapid response.

In addition to the experience and performance record that Hanwa has cultivated in the distribution market for more than 70 years, we will pursue value creation and customer satisfaction through our strong business development capabilities and rapid response.

We believe our business operations to help make international and local communities. To fulfill our social responsibility, we are implementing compliance and sustainability management.

Through these activities, we will maximize our corporate value and cultivate a corporate culture that enhances credibility and trust, thereby contributing to society at large.

Corporate Policy

Accomplishment of social responsibilities

We accomplish a substantial management that attaches importance to compliance and contribute to the global society and the community through the business activities.

Improvement of “Hanwa’s Value”

We utilize management resources offered from various stakeholders effectively and raise our corporate value steadily.

Pursuing of a strong presence as a trading company

Under customer-oriented policy, we pursue permanent customer satisfaction by providing value-added distribution and proposal-driven marketing.



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President's Message



Yoichi Nakagawa

Representative Director and President

“

Transform into a “supply chain creation company”

that delivers added value through

the contribution of each and

every employee to revenue generation

”

Shaping the future with distinctive strategies grounded in our corporate culture

The strength that has enabled us to survive as an independent trading company for more than 70 years since our founding lies in the fact that we have built our trading business through our ingenuity and our efforts. The cumulative effects of this led to the formulation of the “SOKOKA” (Just-In-Time delivery, small lot, processing) strategy, which other companies cannot imitate, and the construction of supply chains, resulting in the establishment of a competitive revenue structure. We have always been unafraid of new challenges, adapting to market changes with flexible thinking and action, and this has allowed us to build trust by responding quickly and accurately to customer needs.

Moreover, in order to achieve further growth as we head toward 2030, we have set our vision as “transform into a supply chain creation company.” Our vision is to become a trading company that contributes to the realization of a sustainable society by building a supply chain that connects all “Wants and Needs.”

In the current Medium-Term Business Plan, as the next stage of the “SOKOKA” strategy we have been pursuing, we aim to expand our business domains to become a total solution-type business. This is a business that identifies issues facing customers as our needs, working deep in the field to provide one-stop solutions, and applying ingenuity to consider frameworks for issue resolution. For example, in large facility construction projects, we are constantly involved, not only in material supply but also in logistics related to procurement and delivery, and even in the actual construction work, creating value at various points in the series of processes. We are always exploring initiatives that will be meaningful to customers and also viable in a business sense. This is one strategy that leverages the characteristics of our employees, who are aggressive, in a positive way, about business.

In addition to employee characteristics, having numerous employees with deep knowledge of the commodities we handle and various qualifications constitutes another of the Group's strengths. For example, at Hanwa Engineering Co., Ltd., our Group company, there are qualified personnel who can understand design drawings, and with cooperation from our steel procurement department, it undertakes on-site projects to construct steel frames, handling everything from the drawing preparation to the on-site construction. Therefore, even in situations where the market environment for the commodities we handle is worsening, we are able to generate revenue from other processes. By fully utilizing such characteristics and the diverse capabilities of employees, we can create added value at each stage of the supply chain.

Strategic initiatives that turned FY2024 market headwinds into tailwinds

In FY2024, the environment for both domestic and international markets was severe due to increased uncertainty surrounding the impacts of geopolitical risks and the trade policies of various countries. Domestically, labor shortages and cost increases due to “The 2024 Problem” in the construction and transportation sectors became serious, and as a result

of delays in the progress of construction projects overall because of worker shortages, demand for steel in the construction sector decreased. Overseas, due to the protracted downturn in Chinese real estate market, inexpensive Chinese steel materials were exported in large quantities to Asian markets. To counter this, ASEAN countries introduced anti-dumping (AD) measures and took other steps, heightening the risk of supply chain disruptions.

Amid such an operating environment, in addition to “Domestic businesses” that provide stable cash flow, we have been focusing on “Environmentally-friendly resource business”, “High-value-added processed products business”, “Local production for local consumption business overseas”, and “Secondary battery business” as important domains that drive growth, and have allocated investment budgets to them. We are also steadily moving forward with our transformation into a supply chain creation company, while exploring possibilities for addressing social issues through workload and manpower efficiency improvements at worksites, diversification of procurement sources to break away from dependence on China, and so on.

First, regarding investment in “Domestic businesses”, our foundation domains, with an eye to leading the reorganization of the domestic steel distribution sector, where competition is expected to intensify, in April 2025 we made Kanematsu Trading Corporation (HKG Trading Co., Ltd. from October 2025) and its four affiliates, Group companies. This corporate group has developed a wide range of businesses centered on general steel distribution both domestically and internationally, including steel plate cutting, fittings design and construction, sale of special steel such as titanium products, and contracting for steel frame construction and interior and exterior work. Through the participation of this corporate group, our “SOKOKA” functions and other functions will be further strengthened, enabling us to respond quickly and accurately to customers' diverse needs. Furthermore, in the machinery business, to strengthen the foundation and improve efficiency of our domestic supply system, we welcomed SHINX Co., Ltd., which manufactures and sells woodworking and steel processing machines, to the Group. The high-performance processing machinery manufactured by this company will deliver automation and efficiency improvements in on-site work, and this will also greatly contribute to workload and headcount reduction. In addition, by leveraging our network to expand sales of SHINX machinery both in Japan and abroad, and utilizing SHINX's nationwide network of bases to strengthen our maintenance system, we will be able to provide high-quality services to customers quickly. Going forward, we will lead the industry by maximizing synergies across the entire Group and further improving supply chains and creating new ones.

Next, with respect to investments in “Environmentally-friendly resource business”, which is an important domain, in 2024, by taking an equity stake in GREEN ESTEEL PTE. LTD. of Malaysia, we acquired sales rights for Hot Briquetted Iron (HBI). HBI is a reduced iron with low CO₂ emissions during its manufacturing process made by GREEN ESTEEL, and we are promoting its sale to various parts of the world. This initiative is part of our strategy for reducing environmental impact, and represents

President's Message



an important step toward building a sustainable society. By expanding HBI distribution, we will be promoting decarbonization in the steel industry as well as advancing “Local production for local consumption business”.

As for “High-value-added processed products business”, in the food business, with the objectives of establishing a system for stably supplying high-quality marine processed products to customers domestically and internationally and expanding the business, we made Marugo Fukuyama Suisan Co., Ltd., a marine product manufacturing company, a Group company. We have long been engaged in raw ingredient distribution, and to augment that, we are aiming to strengthen our processing functions and expand sales to overseas markets. Furthermore, in Malaysia, we made an equity investment in PMB TECHNOLOGY BERHAD, which manufactures metallic silicon and aluminum products, and acquired exclusive sales rights for the distribution of products from PMB SILICON, a subsidiary of that company, in Japan and some Asian countries and also to Japanese companies overseas. And with Keiwa Fine Materials Co., Ltd., we established a joint venture company in Malaysia to process metallic silicon produced by PMB SILICON. Through these initiatives, we will contribute to the stable supply of high-quality metallic silicon to buyers in the semiconductor and solar battery industries, mainly in Asia.

Overseas, we are solidifying our foothold for growth under the theme of “Local production for local consumption business”. The aim is to create synergies and expand our business through strategic partnerships between our existing businesses and competitive overseas manufacturers. In Indonesia, we collaborated with the Yamato Kogyo Group, which operates a global electric furnace steelmaking business, to take an equity stake in PT. GARUDA YAMATO STEEL. Through this investment, we are working to enhance the Group's presence in Indonesian steel market. And with the goal of further expanding our Japonica rice sales business in ASEAN, we established a joint venture with local food distributors. By vertically integrating the supply chain from production to sales within the ASEAN region, we will build a stable supply system to meet demand for Japonica rice.

The metal raw materials that we handle are the main raw materials and auxiliary raw materials required for the production of steel, stainless

steel, non-ferrous metals, and so on. Demand for them thus tends to decline in tandem with softening steel demand, and revenues decreased in FY2024. However, we believe that when demand for commodities decreases, that's exactly when it is important to sow seeds at each stage of the supply chain, such as by diversifying procurement sources to avoid excessive dependence on China and developing sales channels overseas, and nurture these seeds as business.

Even in “Secondary battery materials business”, while some view growth in demand for EV-related products as having reached a plateau, demand will undoubtedly return at some point. The timing has temporarily shifted, and our conviction that this is an area we should focus on remains unchanged. With EV-related products as a prime example, this is a field with many areas that are underdeveloped, from infrastructure to the stable supply of materials. Yet precisely because of this, we believe that it is an area where the Group's value can be demonstrated.

While severe market conditions are predicted to continue in FY2025, we are not pessimistic at all. Even as conditions remain harsh, we are confident that the strategies we have been implementing are correct. Through investment in areas that are closely aligned with existing businesses, we will further enhance the Group's competitiveness and transform into a supply chain creation company.

Human resource development—because successful strategy execution depends on people

We believe that human resources are the most important management resources for realizing the vision as a trading company. The ones who will shape Hanwa's future through their intellectual toil and physical exertions are none other than our people. This is precisely why the Group places strong emphasis on human resource strategies. To promote “Local production for local consumption business overseas”, it is essential to develop human resources who have a global perspective, actively engage in local business themselves, and grow together with the local communities while developing an understanding of the local culture and business customs. This led us to open a corporate university, HKBS (Hanwa Business School), as a place for learning within the company. In addition to acquiring specialized knowledge in areas such as international trade procedures and financial analysis, students also systematically learn about the roles of each department and develop sales know-how. HKBS therefore enhances each employee's individual capabilities while enabling them to leverage their frontline experience. HKBS also provides support with domestic MBA acquisition and operates an overseas trainee program, which sees participants carry out specific missions abroad, thus cultivating their practical capabilities. Furthermore, HKBS offers foreign language training overseas to improve linguistic skills. Participants study at language schools and universities, developing the skills they need to succeed abroad while acquiring an on-site perspective.

We also hold Human Resource Development Committee meetings in which all personnel at executive officer level and above take part. At these meetings, they engage in unbiased discussions across departmental boundaries, as they consider how to assign the right people to the

right jobs. The meetings focus on supporting employees' career development by facilitating the rotation of future leadership candidates through various domestic and overseas roles or their assignment to management roles at Group companies, so that they can develop frontline capabilities and management skills. By accumulating cross-departmental work experience, we expect that they will encounter different work environments and cultures, learn to think flexibly, acquire broad perspectives, and enhance leadership and decision-making abilities as managers. Through such efforts, our aim is for each employee to grow and for the entire company's competitiveness to be strengthened. These Human Resource Development Committee meetings constitute a rare initiative not often seen at other companies, and are representative of our unique strength.

Regarding personnel evaluations, we have introduced ROIC (return on invested capital) as an indicator, linking it with the evaluation system, so that each employee is conscious of capital efficiency. Evaluations factor in not only the amount of net sales and profits, but also the amount of profit generated from the capital used, taking capital efficiency into consideration. Since we do business in various fields, uniform, company-wide evaluation using absolute figures would create unfairness. Therefore, by identifying the characteristics of each business division and assessing their personnel in relative terms using “degree of improvement” as the evaluation metric, we aim to ensure fairness and enhance employee motivation. We believe that such evaluation methods will result in consciousness of the importance of using capital efficiently taking root among employees, leading to improved performance across the organization.

In my view, the existence of these mechanisms for human resources strategy is the exact reason that we can achieve transformation into a supply chain creation company, namely one that finds business opportunities in various situations and creates added value.

Strengthening our management foundation through governance reform and deeper risk management

The Group has past experience of suffering heavy losses due to market fluctuations and impairment losses due to poor performance of investments. To resolve such issues, under the current Medium-Term Plan, we are simultaneously building appropriate governance systems and enhancing the advancement of risk management structure.

First, regarding governance, we fundamentally reconsidered the role and structure of the Board of Directors, aiming to speed up decision-making and further strengthen functions for monitoring the Board of Directors. As a result of approximately two years of discussions since the start of implementation of the current Medium-Term Business Plan, we have made a big step forward by transitioning from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. Also, to monitor management from diverse perspectives, we increased the number of Outside Directors, who include Audit and Supervisory Committee Members to half of the total number of Directors, and specified to include two female Outside Directors. In

companies with Audit and Supervisory Committees, members of the committee have voting rights at meetings of the Board of Directors. This has not only strengthened the supervisory function of the Board of Directors itself, but also enabled substantial delegation of important business execution decisions to specific executive directors, facilitating executive-led, agile decision-making. Going forward, we will focus on having deeper discussions at Board of Directors meetings about such matters as the overarching direction for management strategy, and will be working to build an even stronger governance structure that can respond quickly to changes in the management environment.

Next, regarding risk management, we have established the Risk Management Department to strengthen risk assessment across the entire Group. At first glance, it might seem like an organization focused solely on risk avoidance, but that is not the case. Because risk-taking is essential for business growth, we position it as a department for accurately identifying the risks we need to take for growth and strategically utilizing these risks as growth opportunities while managing them appropriately. Specifically, it advances initiatives to comprehensively and thoroughly understand the risks facing the Group, and these include monitoring inventory risk levels and managing the provision of credit, quantitatively evaluating risks in derivative transactions and country risks, and analyzing and managing impact each risk has on financial statements and other areas. This makes it possible to appropriately manage risks while taking full advantage of growth opportunities.

We also expect such risk visualization to lead to business portfolio optimization. By analyzing risks in detail and making them a driving force for growth while properly managing them, we will work to improve return on invested capital.

Fostering a culture that links revenue awareness to strengthening the balance sheet

A powerful desire for revenue is deeply rooted in our DNA, but I believe there is still room for raising awareness of our balance sheet. By enhancing awareness of investment efficiency and cash flow, we should be able to take our financial position to an even higher level. However, it will be important to carefully foster understanding, with the question of why this is necessary as the starting point. By getting each employee to be conscious of ROIC and instilling new DNA for improving investment efficiency, we will realize sustainable growth and high profitability.

With major changes occurring in the nature of supply chains, the raison d'être of trading companies is being questioned once again. Given such circumstances, we are finding value in creating new supply chains by applying ingenuity, pursuing digital transformation and leveraging the Group's comprehensive capabilities.

The target figures in the current Medium-Term Business Plan are merely milestones. We will continue working toward our ultimate goal of ordinary income of ¥100.0 billion by combining new value with the DNA we have inherited from our predecessors, viewing this period positively as a time for transformation. I hope that you will have high hopes for the future of Hanwa, and kindly ask for your continued support.

Employee Roundtable

Lee San
Manager
Metal Recycling Sect. 2,
Metal Recyczlng Dept. 1



Roza Talantemur
Global Steel Sheets Sect.,
Steel Sheets Dept.



Cao Hua
Vice General Manager
Primary Metal Dept. 1
Primary Metal Dept. 2



Nematillaev Navruz
Chartering And Operation Sect.,
Energy Dept. 2

“ Leveraging Linguistic and Cultural Diversity to Unlock Every Individual’s Potential ”

At Hanwa, employees of foreign nationality are thriving, regardless of their nationality or backgrounds. We asked our employees who are forging their careers using their language and cultural understanding as their strengths, and who have been given equal opportunities for growth and challenges, to share their experiences and thoughts.

Challenges and growth at Hanwa, transcending nationalities

Lee I'd like to begin by briefly introducing myself. I was born in Hunan Province in China, and I came to Japan when I was in elementary school. Upon graduating from a Japanese university, I joined Hanwa in 2010 as a new graduate, working in the Nagoya Branch. Ever since, I've been involved in non-ferrous metals business, primarily copper. I worked in Nagoya and Tokyo, and then spent four years in Singapore before returning to Japan in April 2025. I'm currently the Manager of Metal Recycling Sect. 2 in the Tokyo Head Office's Metal Recycling Div., which handles non-ferrous metals. My nationality is Chinese, but I've lived in Japan for so long that sometimes my identity feels a bit blurred—am I Chinese or Japanese? This is my first time meeting both of you in the roundtable, so I'd love to hear about your backgrounds and what kind of work you do.

Navruz I'm from Uzbekistan, and I went to university there for four years before coming to Japan for graduate school. After graduating from a Japanese graduate school, I joined Hanwa, so in that sense

my background is a lot like Mr. Lee's. In graduate school, I majored in law, and initially my plan had been to eventually move back to Uzbekistan and work in the legal field. However, through my experience living in Japan, I came to feel a strong desire to expand the horizons of my career, and I decided to look for work here. During that time, I learned about and became interested in the Company after discovering that a senior from Uzbekistan was working at Hanwa. Especially at the time, Hanwa was doing a lot of business with Russia, which is culturally very close to my home country. Also, the fact that it did business with biomass products was another factor that I found very appealing. So in 2021, I decided to join Hanwa. Since then, I've been in a department that works with biomass fuels for roughly four years. Currently, I'm involved in optimizing ship transport by combining the use of our ships and other companies' ships.

Roza I graduated from a Turkish university and was looking for work there. As a university student, I'd spent a year studying in Japan, and I was captivated by Japanese culture, so I really wanted to find employment with a Japanese company. I applied to many companies,

and the Hanwa employees stationed in Turkey were extremely friendly. I found the Company's warm atmosphere, the helpful support system provided by senior employees, and the ability to be a part of global business to be tremendously appealing, so I decided to join the Hanwa Group's local Turkish subsidiary. After working there for three years, I wanted to gain more experience working overseas, so I was dispatched to Japan. I'm currently responsible for steel sheet sales in the Tokyo Head Office. The main regions I'm in charge of are Mexico, the U.S., and Australia, and in addition to exporting products from Japan, I'm also involved in triangular trade.

Cao I was also hired overseas, starting my career by joining the Hanwa Group's Shanghai subsidiary in 2001. After working in Shanghai for around 12 years, I was approached with an offer to work in Japan. Although I majored in Japanese in university, I had no prior experience living or studying in Japan, so working in Japan was a significant challenge for me. However, I decided to embrace this opportunity as a chance for growth and challenge myself without hesitation. That was just about the time that Hanwa began really working on diversity promotion, such as by globalizing its workforce and promoting the advancement of women. As a pioneer of that initiative, I was transferred to Japan from the Group's local subsidiary in the form of a reverse assignments from overseas, and assigned to the then-Special Metals division. Since April 2025, I've worked as the Vice General Manager of Primary Metal Dept. 1 and 2. We work with battery-related materials such as nickel and cobalt and with stainless steel products.

Foreign nationality can be a strength as one's “individuality.”

Cao For the metal materials I deal with, such as nickel and cobalt, we do business with many Chinese companies. We're also focusing on expanding our business in the ASEAN region, where there are a lot of Chinese-based companies, so there are many times in my work where I need to communicate in Chinese. Being able to speak Chinese natively is a tremendous strength, and I feel that my ability to communicate in an honest manner with customers provides me with great advantages. We also share the same cultural background, so I can naturally accommodate the business styles of the people I work with. For example, in China, speed is often of the essence, so I try to coordinate things within the company quickly. I can feel how these efforts help us meet the expectations of the companies we deal with. In my day-to-day work, I actively share information and demonstrate this speedy work approach to others, which I feel has extended this mentality to other employees around me. I think that seeing employees of foreign nationality dealing directly with local companies also has a positive, stimulating influence within the Company.

Lee Just like with Ms. Cao, I also think that being able to communicate directly in the local language is a great strength. Being able to pick up on subtle nuances and emotions which wouldn't be possible

when going through an interpreter is extremely beneficial in my work. The copper I handle is part of a large market in which China accounts for about half of global consumption, and we therefore have many transactions with Chinese companies. What's more, there are people with Chinese backgrounds throughout Asia, so the fact that Hanwa has Chinese employees like me makes it feel more approachable to business partners, and some of them seek me out to contact me directly.

When I was stationed in Singapore, the culture was strongly one of focusing more on what kind of person you are than what your nationality is. Nationality was just one of the many parts of a person's identity, and a lot more emphasis was placed on language and communication skills.

In Singapore, both English and Chinese are official languages, and people switch between them depending on the situation. Because I understand Chinese, I was able to communicate smoothly, and I naturally built up trust with locals. Being able to speak the right language for the occasion would instantly close the distance between me and others.

Roza I've been involved in sales primarily for countries where English is a common language, like Australia or Singapore. Language skills are extremely important, and I realize every day that communication is directly linked to the quality of our work. My understanding of local business culture, nurtured through my ongoing involvement in doing business with people in the English-speaking world, and the smooth communication I have with business partners in our day-to-day interactions, have been vital in building relationships of trust with them.

Navruz I feel that, as Ms. Cao pointed out, having a similar cultural background in addition to language skill is a significant strength in our work. My home country, Uzbekistan, was part of the former Soviet Union, and Russian is widely used there. It's a country with deep ties to Russia, both geographically and historically, so it makes it easy to understand Russia's cultural background. Due to the situation in Ukraine, the business situation is currently a difficult one, but before that, we would often purchase biomass fuel from Russia and supply it to major markets such as Japan and Korea. When I first joined the



Employee Roundtable

Company, I was in charge of biomass fuel trading, and as an Uzbek, my deep understanding of Russian culture and business practices helped smooth the establishment of relationships with local companies and was a great aid in conducting fluid, problem-free operations.

The current state of diversity efforts, which began with reverses assignments from overseas

Lee Ms. Cao, when the Company began its diversity efforts, you were the first case of someone being reverses assignments from overseas, right? I'm sure there was a lot of trial and error back in those early days.



Cao At that time, there was no precedent for reverse assignments from overseas. When I was transferred to Hanwa's head office, everything — from my employment terms to the company's support system — had to be worked out from scratch. Securing suitable housing was especially challenging. Since then, the number of reverse assignments to Japan has gradually increased, and systems such as company dormitories and leased housing are now well established among non-Japanese employees.

Roza When I studied in Japan, I lived in a dorm, so housing wasn't an issue. When I was assigned to Japan for work, I decided to find a place on my own and contacted a real estate agency from Turkey. However, the process of communicating with them from overseas didn't go smoothly, and Japanese real estate agencies have strict rules, so I got a real sense of how difficult it was for us foreign nationals to find a place to stay. The company made arrangements for me for a women's dorm, and that was a huge help. What's more, when I came to Japan in 2020, the pandemic was in full swing, so travel was really difficult. Thanks to the support I got from the company, though, I was able to come to Japan and begin working. I think the system for bringing in overseas employees has become much better established now.

Navruz I got married last year, and my wife, who is also an Uzbek, lives with me here in Japan. I'm now living in a company home for families, with the same conditions as for Japanese employees. The

company doesn't treat us differently because we're foreign nationals, and I feel that it treats everyone equally.

Lee I feel like Hanwa's approach to diversity is very forward-looking and based on the principles of equality. Everyone has a chance, regardless of their nationality, and people are evaluated based on their ability. I've never felt at a disadvantage due to not being Japanese. One thing that stood out was that when I was hired, I was told, "We didn't hire you because you're Chinese; we hired you because we recognized your abilities as one of the applicants for the position." I believe Hanwa's commitment to fair evaluation based on individual ability, regardless of nationality, truly reflects the company's unique character.

Roza When it comes to career development, I feel the company is very fair. Employees of foreign nationality have the same opportunities as Japanese employees to join various training programs and take internal qualification exams. Hanwa doesn't treat people differently based on their foreign nationality, but instead provides solid support to all employees as they take on new challenges.

Cao Since April 2025, I've been taking part in an MBA program in Japan through one of the Company's training systems. This program is open to internal applicants through a public application process, and participation is formally decided by the Management Committee after application screening and interviews with executives. The fact that I, as an employee of foreign nationality, was selected through this system is a testament to the equal opportunities Hanwa provides employees, irrespective of their nationality. I plan to take advantage of this opportunity to systematically study management and further refine my skills. Looking back, I can say that I've never felt that there was a glass ceiling because of my nationality, or because I'm a woman. Instead, it's clear that I'm always being evaluated on my ability as an employee, like any other employee.

The challenges and potential involved in career development and success for employees of foreign nationality

Lee I've lived in Japan since I was a child. I graduated from a Japanese university and then I joined the Company through new graduate hiring. So, personally, I never had any issues during employee training, for example. How about you?

Roza My situation was a little unusual. I came to work in Japan in the middle of the COVID-19 pandemic, so there was no face-to-face training. Instead, I was working from home from day one. I took over my predecessor's work over the course of my first month here. I didn't have a lot of experience at the time, so I felt quite a lot of pressure. Now that I'm used to my work, I'm envisioning a career path that would lead to me becoming a team manager. The company provides a lot of training and skill improvement support that will help me achieve this, and the environment is really conducive to me working toward this career goal. However, looking back, I do wish that there had been more of a system for following up with me after



taking this position under such unusual circumstances.

Cao There's a mentor system for employees of foreign nationality and female employees who join the company as career track-employees upon graduating schools. I myself have mentored new employees through this system. This first-hand experience in being on the side that provides support has made me realize the importance of being able to freely consult with people. However, at the same time, this system does not apply to people who are reverses assignments from overseas, nor does it apply to mid-career hire employees of foreign nationality. Given the differences in cultures and lifestyles, I think introducing a mentor system for these employees, as well, would help create an environment in which they could enjoy greater peace of mind as they work. If the current mentor system were expanded, I'd also like to actively provide support as a mentor.

Another issue is that I think consideration needs to be given to the fact that employees of foreign nationality who are assigned to positions in Japan live far away from their families back home. I'm from the generation that was born under China's one-child policy, so I don't have any siblings. One of my worries is what to do if my parents require nursing care in the future. If my parents lived in Japan, I'd have the option to live with them and provide nursing care while also working, but with me living in another country, that would be much harder due to systemic and cultural differences. For example, the remote work system only allows for remote work from one's home here in Japan. If exceptions were made to allow remote work from outside Japan, I might be able to provide nursing care while working. Japan's birth rate remains low and its population continues aging, so I think preparing support systems that are aligned with the life stages of foreign employees is an important task for companies to take on.

Navruz Hanwa has a culture of actively entrusting young employees with duties, irrespective of their nationality. That helps accelerate their growth. I've done a lot of different types of work since my first year in the company, and I've grown a lot as a result. In my fourth year in the company, I was in charge of chartered ship operations, arranging for almost 20 foreign ships every month which was a position with a great deal of responsibility. In the future, I'd like to try my

hand at expanding our products such as biomass products in the European market.

Lee I think that among Hanwa's strengths are a strong focus on profit and the ability to swiftly take action. Creativity and the ability to get things done contribute to Hanwa's competitive edge. I've built up a foundation through my work in sections that are primarily focused on domestic business here in Japan, and I've worked in three different locations, including being dispatched overseas. I'm very satisfied with the way I've been developing my career. In the future, I'd like to use my experience to take on new fields. For example, I'm considering working overseas in locations other than Singapore or even working in a management position in a Group company. At Hanwa, we are in an environment where everyone is given equal opportunities, regardless of their nationality, so I can plan my career with confidence.

Roza This goes along with what Mr. Lee was saying, but one of Hanwa's strengths is the respect it has for creative thinking and the support it provides for people taking on challenges of their accord. When I was at the Turkish subsidiary, my work primarily involved steel business, but I wanted to expand into scrap trading as well. The relevant departments in Singapore and Tokyo collaborated, and senior colleagues with specialized expertise came to Turkey and provided me with close instruction. I think this flexibility and this forward-looking approach are some of Hanwa's unique features. I want to keep building up experience in this environment and broaden the scope of the department I'm in now. That's why I'm working to deepen my understanding of the countries I work with and actively improving my skills.

Cao I think another aspect of Hanwa that makes it competitive is its open and frank corporate culture. We have opportunities to share our opinions directly with the President and executives, and the company is flexible, speedily reflecting feedback from the field. As you've all touched on, there are also systems that support people's ambitions and growth. I think this speed and flexibility is what makes Hanwa so uniquely appealing. Going forward, I'd like to use the knowledge and perspectives I cultivate through the Japanese MBA program to lead our organization at an even higher level.

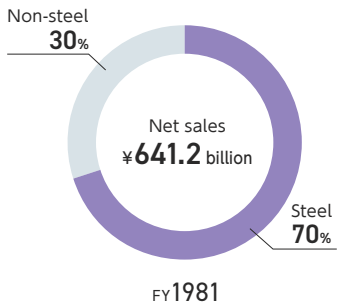


Progress in Value Creation - Contribution to the realization of a sustainable society -

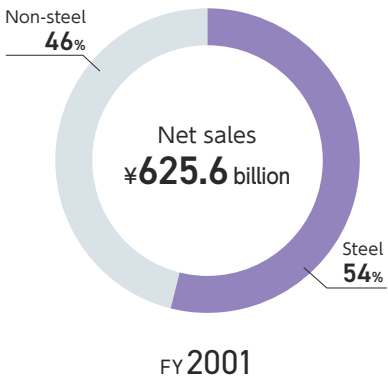
Ever since our foundation, we have never stopped moving forward and have developed our business to best suit the changing times. We will continue to be a company that constantly grows amid market diversification, accelerating speed, and globalization.



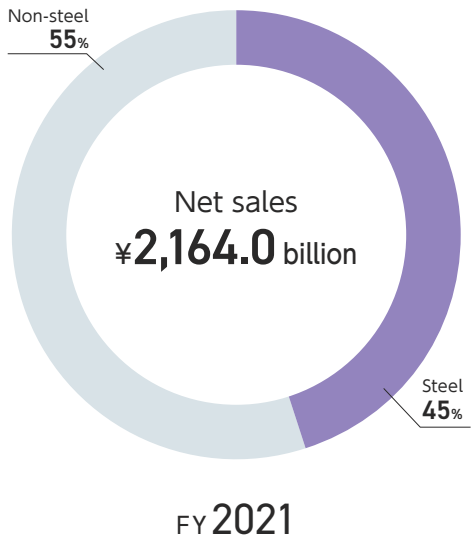
Hanwa Shokai was founded in December 1946 by three brothers, Jiro Kita, Ryosaku Naide, and Shigeru Kita. In April of the following year, it was reorganized into Hanwa Co., Ltd. Starting with sales of steel materials to the Forestry Agency, sales of round bars also increased. We subsequently strengthened its business foundation by earning the reputation of "Round Bar Hanwa" and expanded its sales channels. We were listed on the second section of the Osaka Securities Exchange in 1963. With its improved social creditworthiness and financial strength upon its listing, we diversified its operations into petroleum, lumber, non-ferrous metals, and food products businesses, in addition to its steel business, while opening overseas offices in Hong Kong, New York, and Seattle, among other places.



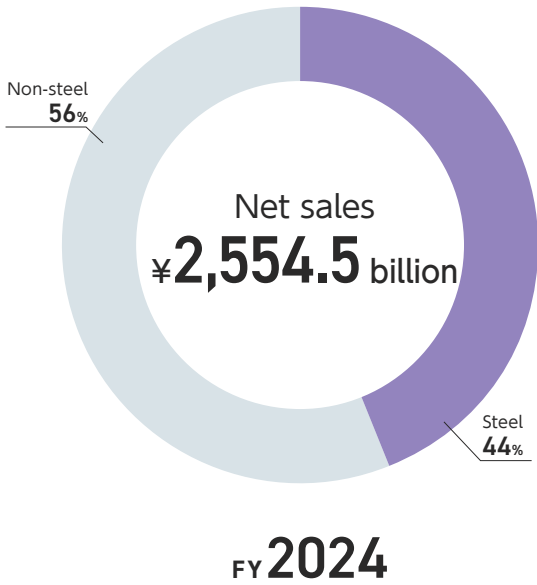
While proactively expanding its operations through enhancement of functions of its steel distribution centers in Japan and initiatives such as making capital participation in overseas steel distribution centers, we were said to be one of the most famous companies with zai-tech, but suffered great losses in the aftermath of the bursting of the bubble. In 1994, the newly appointed president of the Company, Mr. Shuji Kita, declared "a complete withdrawal from zai-tech to a focus on our core businesses" and made a start as a new Hanwa. In Japan, we established operating bases in order to expand distribution functions, and overseas, we expanded our steel processing functions mainly in China.



We made a recovery from the loss resulting from zai-tech and implemented dividend payment for the first time in 2002 after eight fiscal years. In 2004, the Fourth Medium-Term Business Plan with an "assertive management" approach was formulated with all-employee participation. In addition, we expanded offices in Japan and overseas, including the establishment of Hanwa Steel Service Ltd. and the expansion of the chromium business in South Africa. In 2011, Hironari Furukawa assumed the position of president and advocated for a "user-oriented trading company." With a view to expanding trading volume with small and mid-sized companies, through "M&A plus A (alliances)," we advanced the "SOKOKA (Just-in-Time delivery, small lot, processing)" strategy and cultivated the markets.



In April 2022, Yoichi Nakagawa assumed the position of president and we are promoting initiatives toward the creation of an organization capable of flexibly responding to rapidly changing times. In addition, based on our 3-year "Medium-Term Business Plan 2025" formulated with the theme, "Run up to HANWA 2030 ~Soar into the next stage challenging the status quo~,," which covers the period from FY2023 to FY2025, we will accelerate initiatives toward sustainable growth as we look ahead to the next 100 years. Going forward, we aim to "transform into a supply chain creation company" that contributes to the realization of a sustainable society by connecting all "Wants and Needs," while promoting management that is conscious of the balance between "offense" and "defense."



Enhancement of Corporate Foundation and Social Contribution

- Environment

Society

Governance
- 1957

Established Hanwa Scholarship Foundation

1970

Introduced corporate pension plan

1976

Established Hanwa Health Insurance Society

2000

Obtained ISO 14001 certification
- 2003

Established Corporate Ethical Standards and Corporate Rules of Ethical Business Conduct

2004

Established CSR Committee (predecessor of Sustainability Promotion Committee)

2006

Established Internal Control Committee
- 2009

Established Diversity Promotion Office

2012

Introduced executive officer system

2015

Received Medal with Dark Blue Ribbon in recognition of Japan Public-Private Partnership Donation Program to Support Students Studying Abroad
- 2021

Established Sustainability Promotion Committee

2022

Established Sustainability Basic Policy

Established Human Rights Policy

Declared support for TCFD recommendations
- 2023

Identified the materiality

Participated in the GX League

Formulated GHG emission reduction targets

2024

Established Supply Chain Action Guidelines

Certified as a "Health & Productivity Management Outstanding Organization certification" for the first time
- 2025

Transition to a company with an Audit and Supervisory Committee

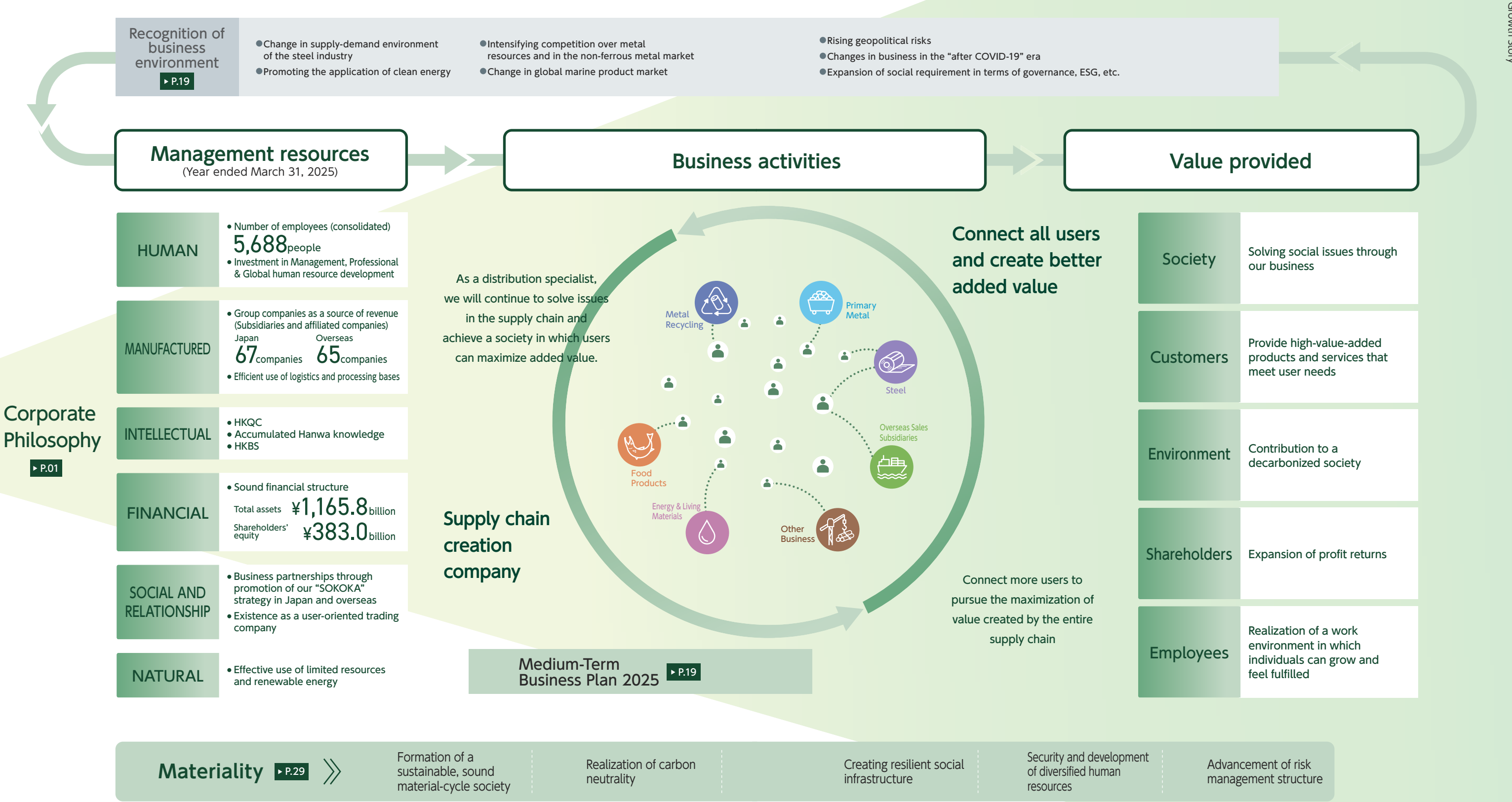
Declared support for TNFD recommendations

Progress in Value Creation - Contribution to the realization of a sustainable society through our business -

 Steel Contributing to the building of a sustainable sound material-cycle society through the promotion of the steel reusing and recycling business.	● 1953 Imported steel scrap from India and the United States ● 1955 Started Japan's first imported ship scrapping business after WWII and sold steel scraps, etc. of 17 scrapped ships ● 1965 Operated Japan's first dedicated ship for transporting steel scrap, WAKO MARU, in alliance with a business partner ● 1994 Entered into the steel plate leasing business ● 2004 Took first order in Japan to detoxify materials contaminated with dioxins onsite in a dismantling work of a waste incineration plant ● 2020 Established solar power generation facilities for in-house consumption at Hanwa Logistics Osaka Co., Ltd. ● 2022 Started large-sized solar carport business ● 2024 Started handling HBI ● 2025 Acquired shares in Kanematsu Trading Corporation (currently HKG Trading Co., Ltd.)
 Primary Metal Contributing to the building of an industrial base and the reduction of CO₂ emissions through a stable supply of metal resources, the distribution of cathode materials for rechargeable batteries, and the domestic recycling of steel scrap.	● 1975 Started handling gold, silver, silicon and nickel ● 1981 Focused on resources in financial institution equipment and started the business for scrapping/collecting information equipment Started mass imports of Chinese ferroalloy ahead of other companies which were cautious about handling it ● 1997 Started trading solar battery materials (silicon scrap) ● 2001 Developed suppliers for ferroalloy in countries other than China (India, Kazakhstan, Sweden, Iran, South Africa) ● 2018 Made capital investments in a nickel-cobalt compound production company for rechargeable batteries ● 2021 Joined the Battery Association for Supply Chain ● 2022 Concluded a strategic partnership agreement with an automobile manufacturer for the stable procurement of rare metals for electric vehicle batteries ● 2024 Acquired shares in a Malaysian company engaged in the manufacture and sale of silicon metal and other products
 Metal Recycling Working toward the formation of a circular economy with consideration given to response to climate change, through the utilization of the metal recycling knowhow and network and the introduction of facilities that emit less CO₂.	● 1953 Imported non-steel scrap for the first time ● 1981 Focused on collection of catalyst (waste catalyst) using nickel as raw material and supplied for special electric furnaces ● 1984 Established an aluminum scrap sorting workshop at Nagoya Steel Distribution Center ● 1994 Entered into the aluminum can recycling business ● 1995 Developed new suppliers of the Can to Can business and increased collection volume ● 2010 Incorporated Showa Metal Co., Ltd., which processes and sells advanced-function alloy scraps, as a subsidiary ● 2011 Established Hanwa Metals Co., Ltd., which collects and sells stainless steel scrap ● 2015 Incorporated SEIKI Co., Ltd., which recycles aluminum, and Nikko Kinzoku Co., Ltd., which recycles metals, as a subsidiary ● 2019 Acquired a license to sort and process metal scrap materials in Thailand ● 2023 An MOU for a strategic alliance with a South Korean company in the lithium-ion battery scrap recycling business ▶ P.32 ▶ P.33 ▶ P.33
 Food Products Contributing to sustainable marine and livestock resource circulation in order to distribute safe and secure food.	● 1971 Started handling Taiwan eel and entered into the food industry ● 1973 Partnered with a Korean company with freezing technology, started offshore trading, and increased frozen fish block transactions ● 1978 Conducted a survey on local fish catches and gave guidance on quality improvement at the Las Palmas Office, leading to an increase in transaction volume ● 1989 Started handling imported livestock products (beef, pork, chicken) ● 2001 Received the "Friend of India" Award from India for our contribution to the import of shrimp ● 2006 Established SEATTLE SHRIMP & SEAFOOD COMPANY, INC. to enhance shrimp sales in North America ● 2010 Obtained MSC-CoC certification for preservation of marine resources ● 2012 Established Hanwa Foods Co., Ltd., which wholesales processed marine products ● 2014 Incorporated Maruhon Honma Suisan Co., Ltd., which processes marine products, as a subsidiary ● 2019 Incorporated East Japan Foods Co., Ltd., which manufactures seafood, as a subsidiary ● 2024 Incorporated Marugo Fukuyama Suisan Co., Ltd., which processes and sells marine products, as a subsidiary
 Energy & Living Materials Contributing to the realization of a sustainable society through supply of environmentally-friendly energy and plastics and formation of a sound material-cycle society through recycling of waste paper and plastics.	● 1957 Started selling heavy oil to steel business partners ● 1965 Started handling kerosene as an alternate fuel to comply with regulations on pollution caused by factory use fuel ● 1983 Started handling waste paper ● 1997 Started business of synthetic lubricant ingredient PAO (polyalphaolefin) with a major U.S. chemicals company ● 2013 Started import of PKS ● 2015 Incorporated Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., which produce RPF, as a subsidiary ● 2017 Started trading urea ● 2019 "MV MIDORI", our biomass fuel vessel, began operations ● 2020 Obtained RSB and GGL certifications and started a service to support certification acquisition ● 2023 Participated in a biofuel research project by the Ministry of Land, Infrastructure, Transport and Tourism ▶ P.34 ▶ P.36 ▶ P.37 ▶ P.34 ▶ P.35
 Other Business [Housing Materials] Contributing to the conservation of forest resources and the formation of a circular economy by globally responding to the demand for lumber and steel. [Machinery] Contributing to the realization of a sustainable global environment by being involved in the installation of renewable energy related equipment and other facilities.	● 1947 Started selling agricultural machinery, etc. in cooperation with agricultural associations across the country ● 1965 Started import of lumber ● 1973 Sold the state-of-the-art rolling wastewater treatment (removal of oil and suspended solids from waste water by pressurized flotation) equipment ● 1975 Took an order for the industry's largest industrial wastewater treatment facilities from an electric furnace steelmaker ● 1988 Implemented Japan's first project for exporting a whole park to Asia and Europe in the secondhand amusement machine market ● 2002 Supplied crushing facilities and dust collector and deodorizer equipment for garbage transfer stations and accumulated sales results to government agencies ● 2005 Obtained FSC-CoC forest certification ● 2009 Obtained PEFC-CoC and SGEC-CoC forest certifications ● 2017 Established Lumber Procurement Policy ● 2024 Incorporated SHINX Co., Ltd., which manufactures machine tools, etc., as a subsidiary ▶ P.38

Value Creation Process

We have been growing with the policy “For Users, With Users” for over 70 years. We continue to improve our corporate value over the medium to long term, aiming for sustainable growth of the Company and society by investing an array of capital, carrying out business activities while using our strengths, and providing the value that we have gained to all of our stakeholders.



A Message from the Supervising Executive Director of Administrative Divisions



“We will maximize investment efficiency and lead our next stage of growth through organizational development and employee mindset transformation”

Hisashi Honda

Director, Managing Executive Officer in
charge of Administrative Divisions

Our FY2024 financial results demonstrated that the Medium-Term Business Plan 2025, which is aimed at enhancing both our profitability and our financial base, is proving effective, and to build on those results, we will be instilling awareness of the importance of capital efficiency throughout the entire Company and concentrating on building a firm base to support sustainable growth as we enter our next growth phase.

FY2024 Financial Results: Profitability Review and Target Comparison

The market environment in FY2024 was not one that could be viewed optimistically. From a global perspective, construction demand in China declined due to the recession of the real estate market there, and as a result, uncertainty also loomed over Japan's steel market. Furthermore, the export of inexpensive Chinese steel products to various parts of the world caused steel-related market conditions to soften worldwide. In addition, the steel and primary metal markets also softened.

Regarding our consolidated results for FY2024, net sales were ¥2,554.5 billion and ordinary income was ¥59.7 billion, with the latter falling slightly short of our initial target of ¥60.0 billion. Even so, this represented a 23.8% increase from the previous fiscal year. Net income, meanwhile, registered ¥45.4 billion, marking an increase of 18.4%. Although we invested aggressively in people, resulting in higher selling, general and administrative expenses, particularly personnel expenses, our revenue grew by an even larger margin. ROE, which we position as a key profitability indicator, reached 14.1%, significantly exceeding the target set in the current Medium-Term Business Plan. We believe we have established a foundation for achieving sustainable growth.

Especially noteworthy was the performance of our mainstay steel business, which delivered segment income of ¥33.1 billion, a 35.0%

increase from the previous fiscal year, despite the adverse conditions. In the background to this achievement is the fact that we go beyond simple buying and selling of commodities, as our “SOKOKA” (Just-in-Time delivery, small lot, processing) strategy gives us diverse revenue-earning opportunities from the upstream to the downstream. Although transaction volumes decreased, the expansion of contract work orders in the domestic construction sector and improved profitability at overseas Group companies helped us secure earnings. In the energy & living materials business, energy-related products such as wood pellets, which are used as biomass fuel, continued to sell well, providing a tailwind for profitability.

In FY2025 as well, we cannot expect a recovery from unstable conditions both domestically and internationally, and we anticipate that both demand and market conditions will continue to be severe, especially in the steel market. Against this backdrop, in FY2025 we are projecting ¥55.0 billion in ordinary income, compared to our current Medium-Term Business Plan target of ¥70.0 billion. We intend to push forward with our Group-wide efforts toward achieving our targets even in this challenging environment through flexible and rapid responses as a user-oriented trading company. Specifically, we will earn returns from our growth investments to date, generate earnings from new products, and pursue business expansion centered on overseas operations.

Solid financial position and “A” rating received from a major domestic rating agency

As for our financial position, interest-bearing liabilities increased by 4.6% from the previous fiscal year to ¥382.3 billion, while shareholders' equity climbed 11.7% to ¥339.6 billion due to the accumulation of retained earnings and other factors. Net DER was 80%, the same level as the previous fiscal year, and we expect to keep it within the target of 100% or less that we have set for FY2025, the final year of the Medium-Term Business Plan.

Our rating from R&I, a leading domestic rating agency, was upgraded to “A” in November 2024, matching our rating from JCR, which had already assigned us an “A.” As a result, both companies have externally assessed our financial base as sound and deemed us highly creditworthy. The upgrade has enhanced our reputation in the market and led us to gain trust from investors. It has also expanded our financing options, enabling us to raise funds on more favorable terms. From the perspective of capital efficiency, whereas previously each Group company procured financing independently, we have now shifted to a system that enables them to borrow from the parent company, Hanwa Co., Ltd., making it possible for us to monitor the funding situation of the entire Group centrally. We will be expanding such schemes, and further enhancing the capital efficiency and financial base of the entire Group going forward.

Maximizing profitability by improving capital efficiency and raising employee awareness

In the current Medium-Term Business Plan, we have set our investment and lending capacity at ¥80.0 billion over the three years through FY2025, and in FY2024 we executed ¥32.1 billion in investments and loans, taking the cumulative total to ¥47.8 billion. Specifically, we are actively advancing investments in fields related to commodities handled by the Group. For example, we have taken an equity stake in an electric furnace steelmaker in Indonesia, while an overseas coil center subsidiary is building a new factory. Such moves contribute to the expansion of “Local production for local consumption business overseas” as part of our current Medium-Term Business Plan's business strategy.

In FY2025, within the investment and lending capacity we have set, we will continue to invest in areas related to our core businesses, including the promotion of “Local production for local consumption business overseas”, and aim to maximize profits through business investment. The funds necessary for these investments and loans come primarily from net cash provided by operating activities, and we expect it to be sufficient to provide them.

With the Group focusing on the “SOKOKA” strategy, inventories of products and processed goods tend to increase more so than would be the case with straightforward trading or business investments. To enhance profitability, efforts to improve capital efficiency will be essential, including the suppression of excess inventory, the prevention of cash being tied up unnecessarily, and the improvement of the cash

conversion cycle by, for example, shortening accounts receivable collection periods. We are now incorporating ROIC into performance evaluations for each business division and raising awareness of it among employees. As a result, solid progress is being made with cultivating the right mindset.

Linking steady and sustainable growth to shareholder returns

The Group has experienced large fluctuations in financial performance in the past, and we regret that our dividend policy varied from year to year, resulting in our failing to gain sufficient trust from investors regarding the connection between performance and shareholder returns. Therefore, in the current Medium-Term Business Plan, our basic policy is stable and progressive shareholder returns, with a dividend on equity ratio (DOE) of 2.5% as the minimum dividend level. While maintaining stable dividends, when, for example, we achieve profits exceeding expectations, we will strengthen the return of profits to shareholders by flexibly and dynamically implementing additional return measures such as the acquisition of treasury stock. In the next Medium-Term Business Plan, too, we will keep this basic attitude unchanged, establishing an environment where shareholders can invest in us for the long term with confidence.

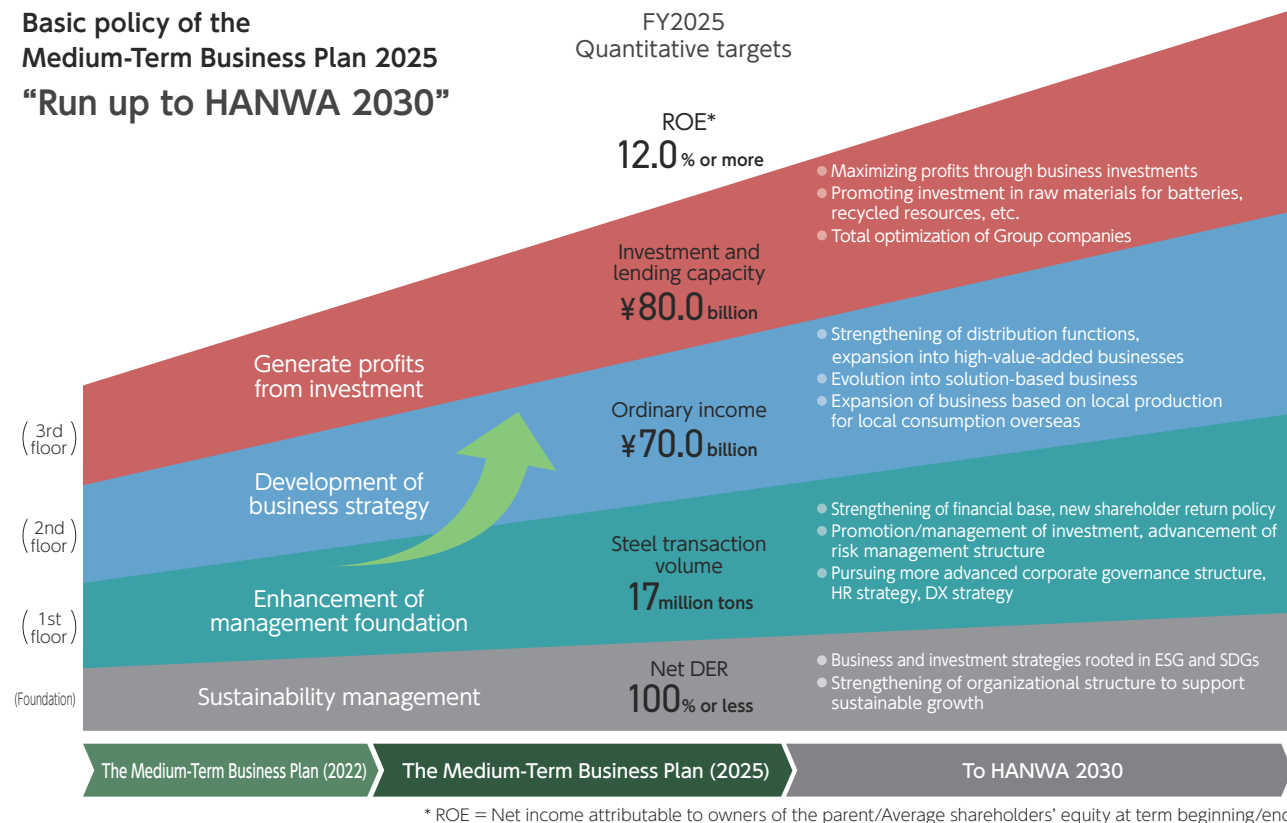
On the other hand, we also recognize that having a PBR below 1.0 times is a serious issue from a management point of view. To address it, we remain committed to implementing the necessary measures sincerely and step by step, in order to ensure that our value as an enterprise is assessed appropriately. It is therefore vital that we accurately convey our value creation process to investors and deepen their understanding of our business model, investments for sustainable growth, and shareholder return policies. To that end, we established the Corporate Management Office in FY2025. In our IR activities, one of the main responsibilities of the Corporate Management Office, we emphasize clearly and comprehensively conveying our ideas and strategies to investors while accurately feeding back market voices to our internal organization. Aiming to improve the quality of dialogue with investors, we will strive to build relationships that earn us empathy and support through transparent information disclosure and bilateral communication.

Looking back on the period from the previous Medium-Term Business Plan to the present, I truly feel that the Group has achieved significant growth. The targets set in the previous Medium-Term Business Plan were ordinary income of ¥30.0 billion, shareholders' equity of ¥200.0 billion, and Net DER of 130%. The fact that we have achieved growth to the point where those targets are now clearly within reach is a testament to the cumulative efforts of each and every employee. We will continue without slackening, further heightening awareness concerning capital efficiency while ensuring sustainable growth and the enhancement of corporate value.

Medium-Term Business Plan 2025: Overview and Progress

The Medium-Term Business Plan 2025 expands on the basic policy of the previous Plan, which is based on “sustainability management” and likened to a three-story building with “Enhancement of management foundation” on the first floor, “Development of business strategy” on the second floor, and “Generate profits from investment” on the third floor. By strengthening our management foundation in order to support further growth and promoting business strategies that are not bound by existing frameworks, we will continue our efforts to achieve sustainable growth toward FY2030.

Basic policy of the Medium-Term Business Plan 2025 “Run up to HANWA 2030”



Business Environment Surrounding our Business

Change in supply-demand environment of the steel industry

- Declining domestic demand for steel materials and greater influence of China's steel industry in the global market
- Possibility of structural changes in the steel logistics market, including the “2024 problem”
- Expansion of production bases and capacity overseas, efficiency improvements in production systems in Japan

Intensifying competition over metal resources and in the non-ferrous metal market

- Rise of resource nationalism against a backdrop of soaring resource prices
- Development of battery recycling market, such as lithium-ion batteries (LiB) for electric vehicles (EVs)
- Increasing demand for E-scrap and intensifying competition for collecting E-scrap

Rising geopolitical risks

- Turmoil in supply chains, including energy, raw materials, industrial parts, and finished products, and soaring resources prices against backdrop of Russia-Ukraine conflict
- Intensifying competition among superpowers, including the United States and China, and re-arrangement of supply chains with

awareness of geopolitical risks

Promoting the application of clean energy

- Rising international demand for initiatives toward a decarbonized society
- Expanded use of cold iron sources, such as iron scrap and reduced iron, to contribute to reduction of CO₂ emissions
- Increase in demand for renewable energy and biomass fuels

Change in global marine product market

- Decline in demand for fish consumption in the Japanese market
- Tightening of supply due to stricter restrictions outside Japan
- Growing environmental and health needs (aquaculture business, alternative proteins, nutrient fortified foods)

Expansion of social requirement in terms of governance, ESG, etc.

- Intensifying demand for environmental protection, etc.
- Rising demand for improvement of governance structure

Changes in business in the “after COVID-19” era

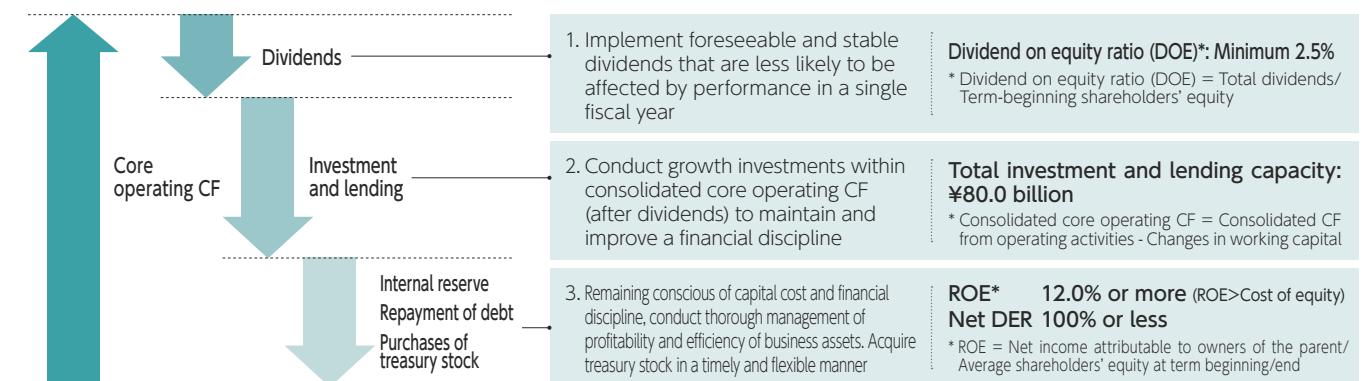
- Impact of changes in consumption and demand structure
- Increasingly diverse means of communicating with customers and suppliers, etc.

I. Enhancement of management foundation

Strengthening Financial Base

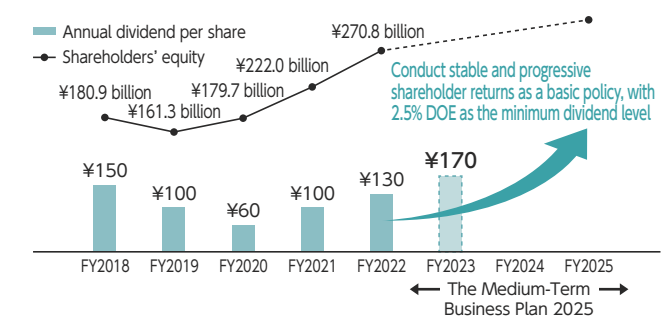
We will continue to strengthen our financial base while being conscious of the balance between “offense” and “defense” for sustainable growth. With regard to growth investment, we have set the total investment and lending capacity of ¥80.0 billion for the plan period. We will focus not only on M&A and strategic investment

in resources, but also on DX aimed at rebuilding aging facilities and improving operational efficiency, while maintaining and improving a financial discipline. In addition, we will pursue earnings that exceed the capital costs, aiming to achieve ROE of 12.0% or more and Net DER of 100% or less in the final fiscal year of the plan.



Shareholder Return Policy

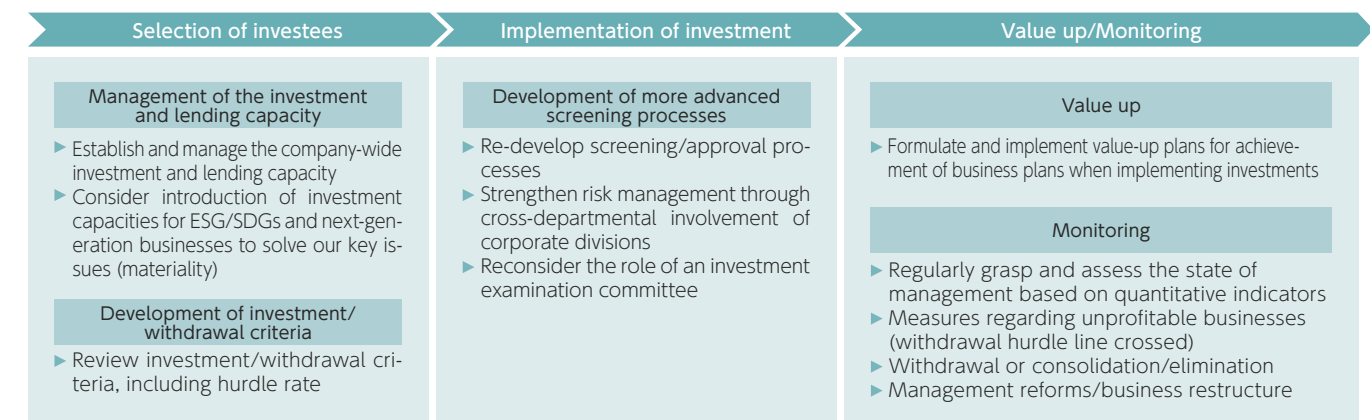
We have reviewed our shareholder return policy with our first priority on continuing to provide stable and progressive dividends. Specifically, our basic policy is to pay a minimum dividend on equity ratio (DOE) of 2.5% of shareholders' equity at beginning of period, and to give flexible consideration to the acquisition of treasury stock, etc. In addition, we will meet the expectations of shareholders by achieving an increase in corporate value with a target ROE of 12.0% or more.



Selection/Promotion/Management of Investments

In order for us to expand our business and achieve sustainable growth, we need to invest in our businesses. We will promote the sophistication of a series of processes to carefully select projects based on investment and withdrawal criteria established for the investment and

lending capacity set for the entire Company, and to continuously monitor investees to increase their value after investing. Meanwhile, we will implement processes while adopting the “Hanwa way” with an awareness of speed so that we do not fall behind the speed of the world.



Initiatives up to FY2024

● Shareholder Return

Implemented a dividend increase

In line with the shareholder return policy in the current Medium-Term Business Plan, the annual dividend per share for FY2024 was increased from the initial projection of ¥210 to ¥225 (DOE 3.0%). Furthermore, in FY2025, the final year of the current plan, we expect to pay ¥250 per share (DOE 3.0%), aiming to deliver stable and progressive shareholder returns.

Acquired treasury stock again this year

Despite the challenging economic environment, we conducted the difficult economic conditions, we conducted a treasury stock acquisition of approximately ¥2.0 billion in FY2024. This decision was based on a comprehensive assessment of stable underlying operating cash flow, temporary gains such as the sale of strategic shareholdings, attractive share valuation, and the overall status of investments, financing, and financial discipline. Moreover, since May 2025 we have been proceeding with treasury stock acquisitions of up to ¥5.0 billion.

● Status of Investment and Lending in Each Business

The total amount of investment and lending in FY2024 was approximately ¥32.1 billion yen, and the cumulative amount of investments and lending against the ¥80.0 billion investment and lending capacity set in the current plan amounted to about ¥47.8 billion. This represents the progress rate of 59.8%. Overseas, we are mainly strengthening our supply structure in global

In conjunction with the formulation of the next Medium-Term Business Plan, we will develop a new shareholder return policy to both enhance corporate value and further return profits to shareholders.

[Total Shareholder Return]

Total annual dividends

Amount of treasury stock acquisition

DOE (%)

Annual dividends per share

(Billions of yen)

15.0

10.0

5.0

¥185

2.7%

¥225

3.0%

¥250

5.0

Maintain DOE of at least 2.5%

DOE 2.5%

FY2023

FY2024

FY2025 (forecast)

markets through minority investments. In Japan, we are conducting M&As to create business synergies with existing businesses and making software investments to build a data analysis infrastructure. In investment projects, we will pursue sustainable growth, while balancing the expansion of existing businesses and the creation of new business areas with financial discipline.

Status of Investment and Lending

Business	Investment and lending amount for FY2024	Major investment and lending projects in FY2024	Cumulative total in the Medium-Term Business Plan 2025 (Investment and lending capacity ¥80.0 billion)
Steel	¥4.7billion	Establishment of new factories at overseas coil center subsidiaries, and other initiatives	¥15.0billion
Primary Metal	¥2.2billion	Investment in PMB TECHNOLOGY BERHAD, and other initiatives	¥2.3billion
Metal Recycling	¥0.9billion	Capacity expansion of domestic consolidated subsidiaries, and other initiatives	¥1.4billion
Food Products	¥1.6billion	Incorporation of Marugo Fukuyama Suisan Co., Ltd. into our Group, and other initiatives	¥1.7billion
Energy & Living Materials	¥0.5billion	Capacity expansion of domestic consolidated subsidiaries, and other initiatives	¥2.1billion
Overseas Sales Subsidiaries	¥12.7billion	Joint investment with the Yamato Kogyo Group in Indonesia Investment in GREEN STEEL PTE, LTD., and other initiatives	¥13.6billion
Other Business	¥4.6billion	Acquisition of shares in SHINX Co., Ltd. and other related matters	¥5.3billion
Whole Company	¥4.5billion	Construction/enhancement of new core systems, acquisition of new land, etc.	¥6.1billion
Total	¥32.1billion		¥47.8billion

Environmentally-friendly resource

Secondary Battery

High-value-added Processed Products

Local production for local consumption business (overseas)

Existing domestic in Japan

Progress: 59.8%

● Implementing Management that is Conscious of Cost of Capital and Stock Price

In addition to maintaining and growing profit levels, we believe it is important to provide future profit forecasts and information to raise expectations, such as by making actual values and sources of profit more visible and clarifying the timing and scale of the profit from our strategic investments, and therefore we are rein-

forcing our information disclosure. Moreover, we will also gradually move forward with priority measures including the review of our assets, enhancement of shareholder returns, reinforcement of our governance structure, and initiatives for ROIC (return on invested capital) management that is conscious of cost of capital.

Improvement targets

Promote stakeholder understanding of the Company through **more detailed disclosure** of the Company's business and growth investments

Improve core earnings by reviewing businesses and assets, and use the cash generated **to growth investments, shareholder returns, etc.**

Improve the governance structure, including risk management

Promote ROIC management while being conscious of cost of capital

Introduce a restricted stock-based compensation plan to provide incentives for sustainable growth in corporate value

Status of initiatives

Disclosed the breakdown of the ordinary income target of ¥70.0 billion and the key investment areas and themes of the ¥80.0 billion investment and lending capacity, and **major investments and asset replacements**

Based on the cash allocation policy, **we reviewed and replaced our assets and reduced strategic shareholdings**, and announced additional shareholder returns

Control risk assets on a consolidated basis within the limits of shareholders' equity and report regularly to the Board of Directors
Transition to a company with an Audit and Supervisory Committee

ROIC to be part of performance evaluations from FY2024

Introduced in FY2023

● Reduction of Strategic Shareholdings

In FY2024, we sold strategic shareholdings in 19 companies totaling ¥4.62 billion, bringing the balance of strategic shareholdings to 15.6% of our consolidated net assets. The cash obtained from these sales is allocated to share-

holder returns and investments in growth areas. Going forward, to enhance our capital efficiency and optimize our assets portfolio, we will continue with sale and further reduction of our strategic shareholdings.

As of March 2024

Ratio of strategic shareholdings to consolidated net assets

19.6%

Amount Sold in FY2024

¥5.59billion
All shares for 29 companies (¥3.81 billion)
Portion of shares for 7 companies (¥1.78 billion)

Number of shares of strategic shareholdings

129companies
Listed shares: 65 companies
Unlisted shares: 64 companies

As of March 2025

15.6%

¥4.62billion
All shares for 14 companies (¥2.32 billion)
Portion of shares for 5 companies (¥2.29 billion)

117companies (-12 companies)
Listed shares: 53 companies
Unlisted shares: 64 companies

* In FY2024, we have newly acquired shares in a domestic unlisted company and an overseas listed company as strategic shareholdings, which are included in the 64 companies above.
* In addition to the above, there are unsold shares in 3 companies (worth approximately ¥1.38 billion) approved to sell.

Advancement of Risk Management Structure

The Risk Management Department is currently playing a central role in strengthening company-wide risk management, managing company-wide exposures on a consolidated basis and regularly reporting the results of risk asset measurements and other information to the Board of Directors. The ratio of risk assets

to shareholders' equity is currently estimated to be around 50% to 60%, leaving room for further risk taking. As we engage in proactive investment and business activities to achieve ambitious growth, we recognize that further advancing our risk management system is essential to take appropriate risks.

Category	Issues	Initiatives
1. Strengthening of company-wide risk management	Balance and optimize individual management to suit types of risk and comprehensive risk management	▶ Established the Risk Management Dept. and formulated a basic policy ▶ Risk assessment by category, quantification of the amount of company-wide risk, and strengthening management of individual risks
2. Redefining key risks	Reexamine coverage of risk areas (e.g., country risk, market risk) and review their materiality	▶ Redefinition of key risks and specified response measures
3. Pursuit of more advanced screening and approval processes	Optimize processes at each stage from proposal through screening, approval, and execution	▶ Improvement of investment and lending screening and approval processes ▶ Strengthen monitoring of investments
4. Pursuit of more advanced exposure management	Develop more advanced management of consolidated exposure and assumed risks	▶ Management of company-wide exposures and measurement of risk assets* on a consolidated basis ▶ Quarterly report to the Board of Directors

* Risk assets: Maximum expected loss calculated for each risk category

▶ For more information on risk management, please see pages from P.55.

Establishing Optimal Governance Structure

We will further advance our governance structure in order to steadily press ahead with challenges raised in the previous plan and each of the measures in the current plan. We are aiming to establish an optimal governance structure that will

form the foundation for reliable and transparent management, and we will identify challenges in our current governance structure and promote specific response measures.

Category	Challenge/Response	Specific initiatives
1. Reconsideration of the role of the Board of Directors	Redefining of the role and responsibility of the Board of Directors	Establishing optimal governance structure Following the General Shareholders Meeting held in June 2025, we transitioned to a company with Audit and Supervisory Committee. In addition to revising the composition and operations of the Management Committee in FY2023, we are working to establish an optimal governance structure based on this organizational structure as well.
	Strengthening of the oversight function of the Board of Directors	
2. Review of the organizational structure	Consideration of reviewing the number of directors	Reviewing the number of directors Since FY2022, at least 1/3 of the total number of Directors were appointed from Outside Directors. In FY2025, the percentage of Outside Directors reached 50%.
	Consideration of setting terms of office for executives	
3. Review of the officer evaluation system and officer appointment/dismissal criteria	Clarification and diversification of evaluation criteria	Applying the revised officer evaluation system from FY2023 In light of changes in our management policy and business environment, we reviewed evaluation items to focus on "change and transformation," "future orientation," and "risk management," in order to introduce clearer evaluation criteria.
	Consistency between evaluation and appointment/dismissal criteria	
4. Review of the executive compensation structure	Reconsideration of the fixed amount periodical compensation/performance-based compensation structure	Implementation of the new executive compensation structure Reviewed the compensation system to further strengthen the incentive function for the executive management team and introduced a restricted stock-based compensation system in FY2023.
	Consideration of the stock-based compensation system	

Human Resources Strategy

We have added a new element, "Management," to the image of our preferred human resources we are looking for based on our existing concept of "Professional & Global." We will send mid-level employees to Group companies to develop them into management professionals, while also strengthening the development of professional and global human resources. We

will build a strong organization that continuously and autonomously adapts to changes in the environment and evolves, while enhancing the power of the "individual" through reforms of the personnel system, utilization of the Hanwa Business School launched during the previous plan, and the active recruitment of diverse talent, including mid-career hiring.

▶ For more information on human resource strategy, please see pages from P.51.

Envisaged organization

"An organization that adapts and evolves continuously and autonomously in response to changes in the environment"

Image of preferred personnel

Management Strengthening of management talent equipped with both front-line and business management skills	Professional Strengthening of corporate personnel, including high-level professionals	Global Strengthening of organizational structure to develop and take advantage of global human resources
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Measures

Elevate the individual & Strengthen the organization

Systems Draw out the individual's strengths and support them to take on challenges	Growth Promote diversity and inclusion
Development Support the growth of the individual's strengths	Ongoing Succession plan formulation
Recruitment Hire diverse individuals	Foundation Continued approaches to health and productivity management

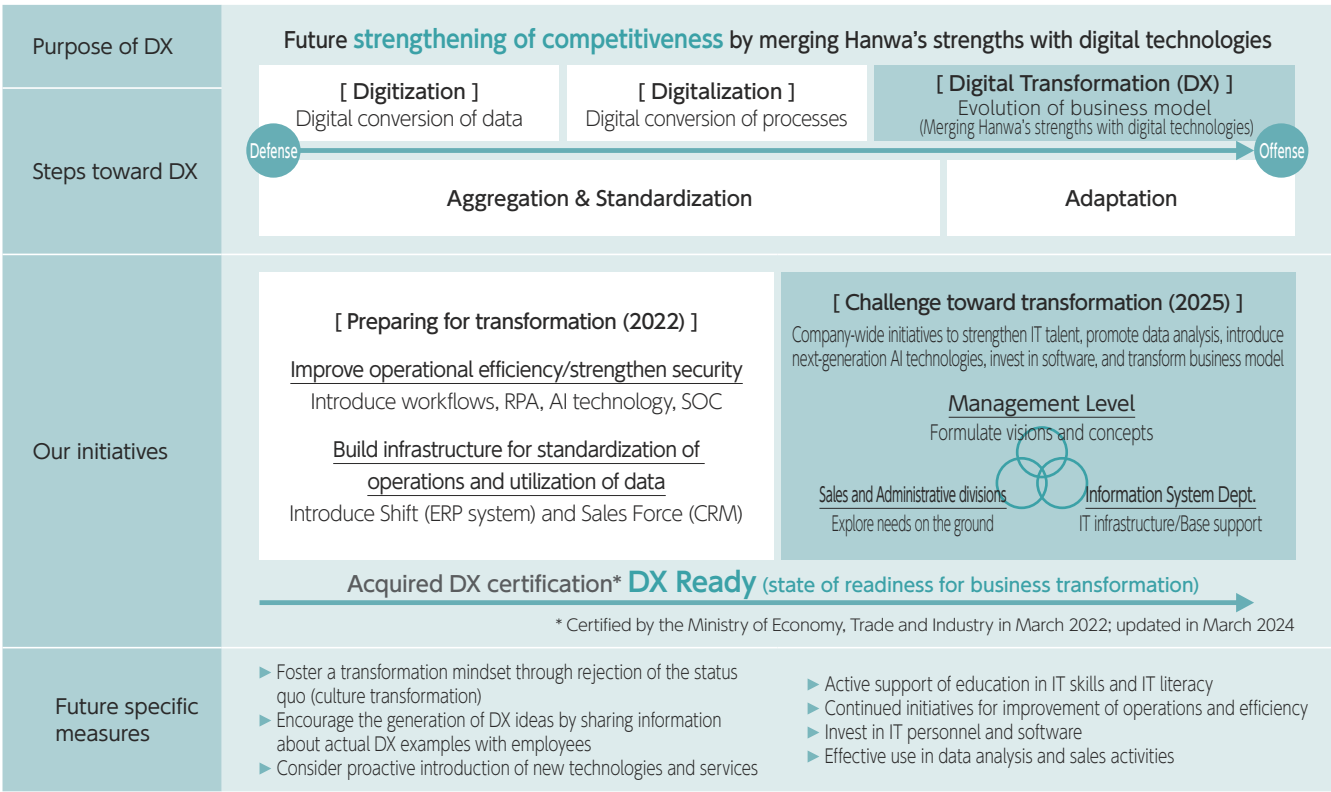
Medium-Term Business Plan 2025: Overview and Progress



DX Strategy

To merge Hanwa's strengths with digital technologies and strengthen our competitiveness in the future, we introduced a new ERP system (Shift) centered on DX, and the entire Company worked together to prepare for transformation during the previous plan. For the current plan, we are

aiming to evolve into a new business model that can provide users with higher added value through fostering of a mindset of change by rejecting the status quo through the active introduction of cutting-edge technologies such as AI technology and the promotion of data analysis.



Progress in FY2024

● **Evolution of HUBI*, an information platform supporting the enhancement of sales capabilities**
HUBI, a data integration platform built in FY2023, has provided information visualization and decision-making support through the provision of KPI dashboards based on department-level balance sheets and income statements and management strategies. In December 2024, to strengthen sales capabilities through data utilization, we expanded HUBI's functions and built a domestic business partner management database within HUBI using the core system (Shift) and publicly available information. This provides analytical information of Hanwa, its partners, and the market, supporting efficiency, rapid decision making, and business transformation. Going forward, we will consolidate data from Group companies and promote data utilization across the entire Group by further expanding of HUBI's functions.
* HUBI: HANWA U (Your)/Unify/Useful Business Intelligence

● **Integration and standardization of core systems**
We have integrated the core systems of domestic Group companies into our standard package for the purpose of visualizing management information and strengthening controls for the entire Group. This package consists of three types of systems (including Shift), tailored to the size and operations of each company to strengthen the management system. In FY2024 we completed system replacements at 11 companies, and in April 2025, 12 companies began full-scale operation of the new systems. The new systems are equipped with control functions such as credit management and approval authority management, and enable standardization, efficiency improvements, and risk reduction. Furthermore, by integrating with HUBI, the systems provide a foundation for understanding the management systems of our Group and supporting decision making based on data.

II. Development of business strategy III. Generate profits from investment

Then, regarding the second floor, "Development of business strategy," and the third floor, "Generate profits from investment," each business division will decide its own vision with the aim of achieving quantitative targets by implementing

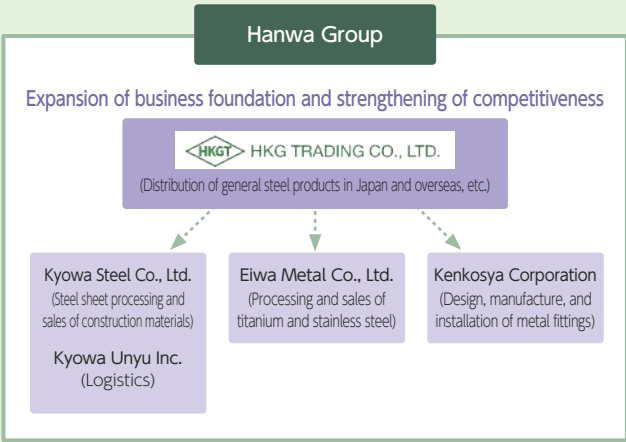
measures to achieve that vision. As an independent trading company, we will expand our business by incorporating ESG and SDG perspectives while sharing our Company-wide commitment to "For Users, With Users."

Business	Vision	Focus businesses
Steel	By focusing on actual products and solving user's issues, contribute to sustained development of all industries	● Japan: Develop from goods business/SOKOKA business ● Overseas: Develop local production for local consumption supply chains
Primary Metal	Secure sources of unevenly distributed metal resources around the world to contribute to the sustained development of industrial foundations	● Enhance sources of metal resources for steel ● Roll out secondary battery materials business ● Secure and supply precious metal resources in a stable manner
Metal Recycling	Pursue recycling transformation to realize a carbon-neutral society	● Delve even deeper into the recycling business (collecting, sorting, processing) for each type of metal ● Secure generation sources and build a closed loop
Food Products	Build vertically integrated businesses to contribute to safe and secure food distribution	● Further deepen trading ● Enhance processing functions and enhance businesses targeting retail and restaurants
Energy & Living Materials	Build environmentally responsible energy supply systems to realize a sustainable society	● Secure resources related to biomass/recycled energy ● Develop and supply recycling-derived, bio-derived polyethylene products
Housing Materials	Consistently deliver all manner of housing materials, from raw materials up, to contribute to the realization of sustainable living	● Supply materials to housing manufacturers ● Supply lumber parts to general construction companies
Machinery	Offer technological innovation to industrial society and fun to people to contribute to the realization of a rich and warm society	● Strengthen maintenance structure ● Produce amusement machinery and equipment ● Develop new facilities
Overseas Sales Subsidiaries	Through overseas business expansion with a focus on the Asian region, contribute to the development of regional communities	● Sell raw materials and semi-finished products to local steelmakers ● Source local products and sell to users ● Further develop businesses other than steel

► For more information on each business division's strategies, please see pages from P.75.

Acquisition of shares in Kanematsu Trading Corporation

On April 1, 2025, we acquired all shares of Kanematsu Trading Corporation (currently HKG Trading Co., Ltd.), a wholly owned subsidiary of KANEMATSU CORPORATION, and welcomed its four subsidiaries into our Group. For our Group, which is promoting the "SOKOKA" strategy, this directly leads to the enhancement of processing and logistics functions, the enhancing of supply chains, and the creation of new value, which contributes to the expansion of the business base and stronger competitiveness. As we are expected to further increase our presence in steel distribution domain, we will continue providing flexible services that meet the needs of our business partners and accelerate business development in Japan and overseas.



Promotion of Sustainability Management



A Message from the Sustainability Promotion Executive Officer

“Realizing a sustainable society through co-creation with partners”

Yasuhiko Watanabe
Executive Officer
Corporate Planning Div., Legal Div., Credit Div., Sustainability Promotion Div., Risk Management Div.

Social issues surrounding companies are becoming more complex and serious every year, such as increasing climate change impacts, intensifying resource and energy constraints, and heightened human rights concerns. These are common themes for achieving a sustainable society, and at the same time, they are important issues directly related to medium- to long-term value creation and business continuity of companies. In this environment, trading companies like ours have a responsibility not only to circulate goods, but also to deliver new value and mechanisms to society that incorporate a sustainability perspective.

We position sustainability at the core of our management, and are implementing company-wide initiatives while reflecting this perspective in our Medium-Term Business Plan. Examples of specific initiatives include identifying materiality, analyzing climate change risks and opportunities based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations, calculating and disclosing greenhouse gas emissions across Scope 1 to 3, and enhancing effectiveness and transparency in non-financial areas such as by formulating human rights policies and conducting due diligence in an effort to build relationships of trust with our business partners and stakeholders. Furthermore, we have initiated work on TNFD and are currently organizing and assessing our dependence on and impact on natural capital. This will

enhance our ability to respond to nature-related risks expected to intensify in the future and help us fulfill our responsibilities as a company that deals with the resources and materials sector.

We are advancing new initiatives that support a carbon-neutral society and the circular economy. In anticipation of the need to decarbonize steel products, we made investments to build a supply system for Hot Briquetted Iron (HBI) used in low-carbon steelmaking processes. This proactively establishes a procurement base for raw materials that contribute to a carbon-neutral society in our core steel business and is positioned as a medium- to long-term strategic investment. We are also working on circular use of recycled resources derived from waste tires, and contributing to the realization of a circular economy.

Going forward, through our trading company functions, our networks rooted in the field, and our collaboration with partner companies, we will regard sustainability as a driver of corporate value and continue to grow sustainably together with society.

- ▶ For more information on materiality, please see pages from P.29.
- ▶ For more information on our response to climate change, please see pages from P.41.
- ▶ For more information on our response to biodiversity, please see pages from P.45.

Basic Policy for Sustainability

Coping with changes of the times and the market quickly, we, as a “distribution specialist,” aspire to make a broad contribution to society by satisfying various needs of customers. Under this corporate philosophy, our mission is to contribute to sustainable development of international and local societies through our business.

To this end, as the world faces environmental issues such

as global warming and environmental pollution caused by waste as well as social issues including poverty and human rights infringement, we need to respond to the expectations of diverse stakeholders through promotion of various business activities fully conscious of E (environment), S (social), and G (governance), which we believe would improve our corporate value and lead to sustainable growth.

Sustainability Promotion System

The CSR Committee was taken a step further in October 2021 to establish the Sustainability Promotion Committee. The Committee will take the lead in analyzing and tracking the progress of issues to solve them through business activi-

ties and social contribution activities. Discussions of the committee are reported to the Board of Directors when appropriate, and directions are received as necessary.

[Sustainability Promotion Structure]



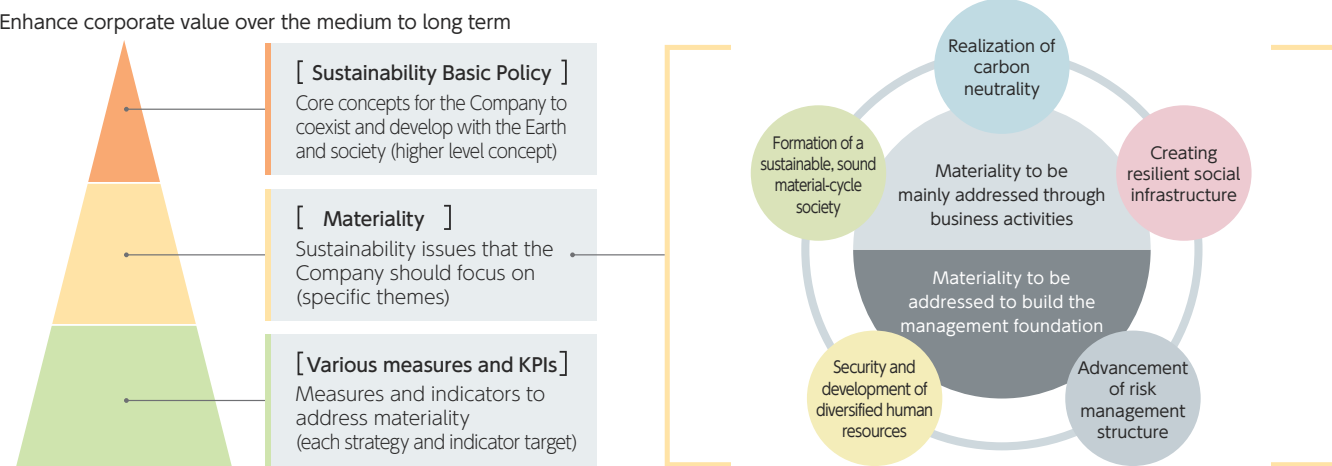
[Activity Report of the Sustainability Promotion Committee]

Fiscal year	Main agenda items		Number of times
2021	• Establishment of a sustainability promotion system • Analysis of the sustainability issues surrounding the Company • Establishment of GHG emissions calculation system	• Establishment of Sustainability Basic Policy • Analysis of sustainability requests from business partners	2
2022	• Identifying materiality • Endorsement of TCFD and disclosure of information • Status of response to supply chain questionnaire	• Formulation of Human Rights Policy and internal training on business and human rights • Analysis of ESG requests from institutional investors • Consideration of including sustainability information in the Securities Report	10
2023	• Analysis of future action items related to sustainability in general • Revision of environmental management manual • CBAM response policy	• Establishment of Supply Chain Action Guidelines • Consideration of emissions trading system • Participation in GX League and information sharing	4
2024	• Information sharing on sales activities contributing to the formation of a sound material-cycle society • Sharing the status of product handling that contributes to decarbonization • Results of a questionnaire survey on business partners regarding their sustainability activities	• Challenges and future policies for reducing GHG emissions • Analysis of status regarding sustainability initiatives of the Company and other companies in the industry • Review of the Company's response to changes in environmental laws and regulations	4

Materiality

Identifying Materiality

Based on the Sustainability Basic Policy formulated in FY2022, we have identified the following sustainability issues (materiality) that the Group should focus on, taking into account the opinions of internal and external experts, in order to improve sustainable corporate value to be realized while coexisting with the environment and society.



Materiality identification process

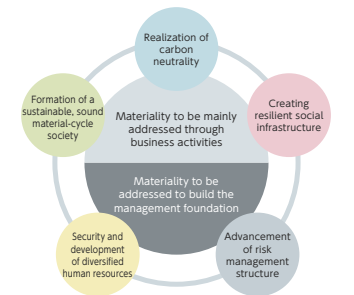
- 1 Identifying issues
Sustainability issues are derived from the Ninth Medium-Term Business Plan, which was formulated in consideration of the SDGs, and the Sustainability Basic Policy, as well as GRI, SASB, ISO 26000, and division head questionnaires.
- 2 Creating the long list (list of issues)
- 3 Conducting Sustainability Promotion Committee member questionnaire
- 4 Conducting interviews with outside experts
- 5 Identifying the proposed materiality
- 6 Discussion and approval by the Sustainability Promotion Committee
- 7 Discussion and approval by the Management Committee
- 8 Discussion and approval by the Board of Directors

Comments from experts in identifying materiality

- For Hanwa, “a sound material-cycle society,” “carbon neutrality,” and “social infrastructure” are natural targets in light of its future management strategy.
- Since Hanwa handles the minerals necessary for battery materials, as well as food and lumber, for which sustainable procurement is a high priority, it is recommended that the materiality be expressed in terms of human rights and the environment as well.
- Hanwa is exposed to countless risks as it has many investment projects and a wide range of affiliated companies. The Company has not only commercial distribution but also manufacturing operations under its control, and it is necessary to be aware of risks including environmental issues and relations with neighboring residents.
- In identifying materiality, it is better to clarify what the Company considers to be key issues. As a trading company, I believe it is reasonable to consider a single materiality perspective rather than a double materiality perspective.
- Identifying materiality is only a starting point; what is important is to put measures in practice to address and realize them. To this end, target KPIs for each materiality should be set and monitored to ensure accountability to stakeholders.

Materiality		Overview	Major indicators and targets, initiatives (results)							
Materiality to be mainly addressed through business activities	Formation of a sustainable, sound material-cycle society	By handling the distribution of various resources ranging from steel to non-ferrous metals and food products, and creating new circulations in addition to existing distribution systems, we will contribute to the effective use of limited resources. We will also address issues related to human rights and environment in the distribution networks in which we are involved, and contribute to the realization of a sustainable supply chain.	FY2024 Results							
	Realization of carbon neutrality	By handling the distribution of the metals used in batteries and alternative energy resources, we will contribute to the further distribution of resources that contribute to decarbonization by responding to changes in demand associated with the transition to a decarbonized society. We will also actively reduce the impact of our operations on climate change and contribute to the realization of carbon neutrality.	Targets		FY2024 Results		Scope 1	Scope 2		
					Domestic results		12,217t-CO ₂ e	15,889t-CO ₂ e		
▶ From P.31	Creating resilient social infrastructure	By handling the distribution of materials necessary for buildings and infrastructure, we will contribute to building more disaster-resistant communities and to updating and demolishing aging buildings and infrastructure. We will continue to support the creation of resilient social infrastructure through the supply of materials.	• Expansion of handling of steel products and other materials that contribute to the creation of social infrastructure, seismic retrofitting, etc. • Delivery of carbon fiber sheets for a highway repair project in Thailand in cooperation with JICA and others • Expansion of the demolition business for aging social infrastructure, etc. through the establishment of a new Construction Materials Recycling Sales Department							
Materiality to be addressed to build the management foundation	Security and development of diversified human resources	Human resources with diverse personalities and backgrounds play an important role in supporting our business as a trading company. Even amid social issues such as a declining population, we are building a sustainable management foundation by creating an environment where everyone can thrive and grow over the long term. We will continue to promote the active participation of more diversified human resources and contribute to the realization of a sustainable society.	Indicators		FY2025 Targets	FY2024 Results	Indicators		FY2025 Targets	FY2024 Results
	Advancement of risk management structure	As we have developed our business through various investments, we recognize that risk management is becoming increasingly important due to the recent growing uncertainty. We will continue to advance our risk management structure, including investment management, to support sustainable growth and stable business operations.	Turnover rate		3.2%	6.6%	Training expenditure per person		¥150,000	¥133,100
Percentage of female career-track employees in total hires			30.0%	29.5%	Training hours per person		20.0h	28.7h		
▶ From P.47			Percentage of career hires in total hires		30.0%	37.1%	Return to work rate after maternity/childcare leave		100.0%	95.0%
			Percentage of female employees in management positions		3.7%	2.6%	Percentage of childcare leave of male employees		80.0%	62.5%
			Number of employees studying language abroad/trainees		20 employees	3 employees	* Targets were set in FY2023			
			• Establishment of a robust risk management framework that contributes to the improvement of corporate value, comprehensive identification and response to risks surrounding the Company, and efforts to foster and disseminate a sound risk culture • Appropriate risk buffers and risk asset management to support steady business growth through proactive risk-taking • Further deepening the full cycle in the investment and lending process of screening, post-execution monitoring, withdrawal consideration, and portfolio rebalancing							

Business Activities Related to Materiality



Recycling of Steel Materials

Our steel business follows two different types of flow cycles, a primary cycle in which we are engaged in the sale of steel materials to users in a wide variety of fields, including construction, engineering, automotive, machinery, home appliances, and others, and a secondary cycle in which we are involved with the reuse of steel and recycling of steel scrap.

To ensure that both flow cycles run smoothly, we work to

Reuse of steel

Our Group is engaged in the business of reusing steel. There are various types of steel. We not only sell new steel, but also collect, clean, and prepare used steel, and reuse them wherever product design allows, for steel sheet piles, H-beams, decking panels and steel plates used in civil engineering and construction works. Reusing steel not only enables us to provide users with steel at lower prices, but also contributes to the realization of a circular society through the effective use of limited steel resources as well as to the reduction of CO₂ emissions.



We delivered steel sheet piles needed at the bay construction sites along the Sanriku Coast, which was damaged by the Great East Japan Earthquake, and reused ones that were still valuable after use.

Recycling of steel scrap

Steel materials that have been used repeatedly at construction sites or generated from the demolition of aging buildings are reused as they are if they can be reused, but steel scrap that has significantly deteriorated is recycled as raw material, remelted, and reborn as a product. We process these steel scraps into a form that can be reused as raw materials and deliver it to manufacturers.

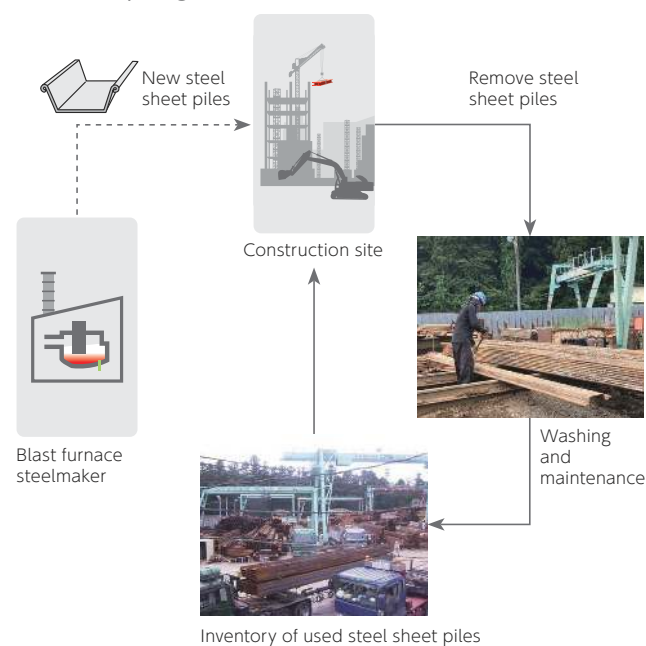
Steel recycled by manufacturers is reused as new steel products, and when these products age, they become scrap and are recycled again into products, and this cycle continues almost indefinitely.

Steel is a commodity that can be used in circulation. We take advantage of this nature of steel and recycle scrap elaborately to help realize a circular society.

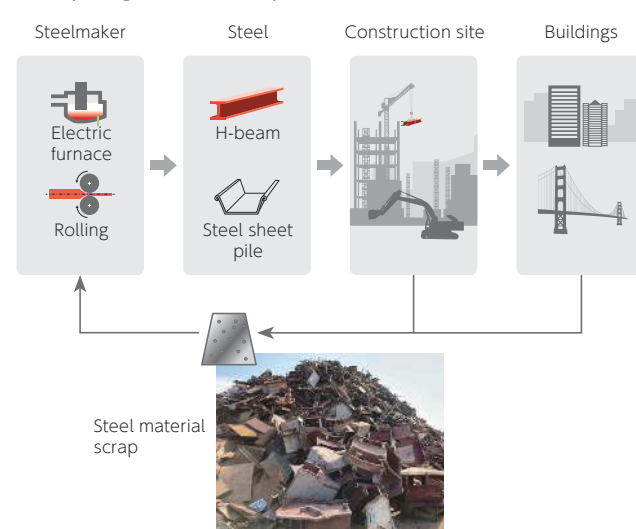
The recycling of steel also contributes to the reduction of CO₂ emissions generated in the process of manufacturing new steel.

respond to customers quickly and improve our abilities to produce the best arrangements that fit the needs of steel mills in our steel scrap business activities. We take used steel scrap materials and work in conjunction with affiliate scrap suppliers to transform the scrap into high-value-added scrap material for delivery to steel mills who can then use the scrap.

[Steel recycling]



[Recycling of steel scrap]



Wind turbine dismantling business

Wind power, a form of renewable energy, has equipment with a useful life of approximately 20 years, and one of the challenges is the dismantling of aging facilities and the treatment and recycling of its materials.

We have the systems in place to handle both demolition and appropriate valuation of scrap, and we undertake the entire process from the dismantling of wind turbine generator facilities to the disposal of scrap.

In dismantling works, we formulate construction plans that emphasize safety and efficiency, and implement on-site construction management by qualified personnel. We also contribute to the recycling of resources by sorting, processing, and otherwise properly treating the scrap generated before delivering it to steelmakers.

Although FRP (fiber-reinforced plastic) blades are considered difficult to process, our long-time partner was recog-

nized to meet certain standards for recycling methods, processing capacity, and environmental friendliness, and in July 2024 they obtained Category-2 certification under the Plastic Resource Circulation Act from the Ministry of Economy, Trade and Industry and the Ministry of the Environment. We will continue collaborating with certified partners to promote efficient resource use and reduce environmental impact.

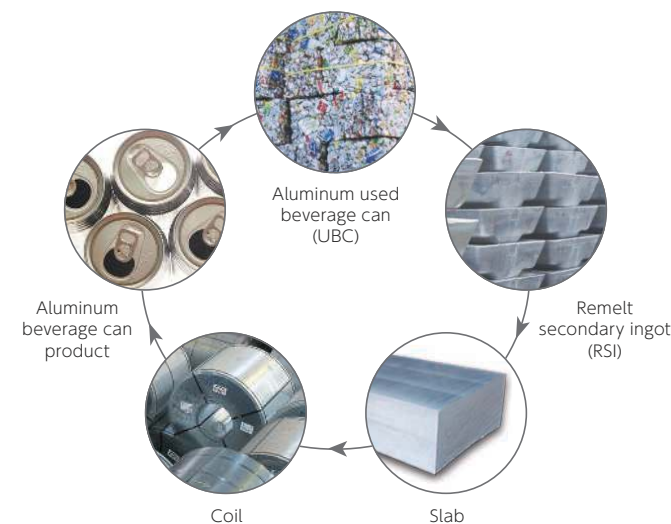


Dismantling wind turbines

Material Recycling of Aluminum

We have long been involved in aluminum recycling as one of the players handling the largest volume of aluminum scrap in Japan. We remove impurities and other materials from used aluminum cans that are collected, and we supply this material to domestic manufacturers as recycled raw materials to be reused as aluminum cans. This process of recycling used aluminum cans into aluminum cans is called "Can to Can" recycle, and in 2020, we established a processing base in Thai-

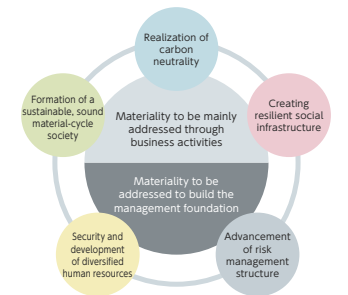
[Can to Can]



[Sash to Sash]



Business Activities Related to Materiality



Recycling of Special Metals

One of our Group companies, Showa Metal Co., Ltd., is engaged in a complete recycling of nickel and titanium scrap including the collection, quality control, sorting, processing, and reuse as raw materials for stainless steel, special metal, and titanium ingot manufacturers. While contributing to the closed loop of resources, we are engaged in expanding a rare metal scrap recycling business that caters to new needs

as a “global metal recycler,” together with Showa Metal.

A cleaning machine for degreasing, washing, and drying of finely broken titanium scrap (Naoetsu Plant, Showa Metal Co., Ltd.)



Recycling of Stainless Steel Materials

Stainless steel is 100% recyclable and does not lose its original physical properties through the recycling process. Approximately 90% of used stainless steel products are collected and recycled into new products. In the Group, stainless steel that has reached the end of its useful life as a product is mainly collected by Hanwa Metals Co., Ltd. as scrap metal and checked thoroughly for problems and supplied stably to stainless and special steel mills in and outside Japan as a melting raw material for various grades of

steel. By improving the recycling rate, we will reduce CO₂ emissions in the stainless steel manufacturing process and contribute to the realization of a sustainable society.

Stainless steel scrap is collected at and delivered from the scrap yard at Hanwa Metals Co., Ltd.



Recycling of Copper Scrap

Copper, which is said to be the first metal that human beings encountered, is used in various fields such as electrical wire, home appliances, automobiles, smartphones and money, and supports our modern lives. Due to higher social demand for carbon neutrality and electrification of vehicles, it is expected that demand for copper will be higher. Copper's high recyclability and use in diverse field make it an increasingly vital resource for addressing environmental issues and realizing a sustainable society.

We have developed our business network to collect copper scrap and provided the raw materials to material manufacturers

in Japan and around the world with our global network. We handle one of the largest volumes of the material in the world, and contribute to the preservation of the global environment, economic development and building a sound material-cycle society.



Copper scrap

Recycling of E-scrap (Gold and Silver Scrap)

Waste from electrical and electronic devices, E-waste, is generated worldwide at an annual volume of approximately 60 million tons, and the amount is increasing amid the economic development.

We are involved in the distribution of E-scrap such as electronic circuit board scrap, and contribute to the recycling of pre-

cious metals. Furthermore, the joint venture with Mitsubishi Materials in the Netherlands has been working since 2018 to create a global resource recycling system by accepting E-scrap generated in the European region and conducting sampling and other pre-shipment processing, thereby further strengthening the precious metals raw materials business.

[Recycling of E-scrap]



Stable Supply of Biomass Energy

We are engaged in the business of biomass energy that are expected to serve as a renewable energy. Our main products

include more than 2 million tons of palm kernel shells (PKS) and wood-based biomass energy such as wood pellets.

■ PKS

PKS are the shells that cover the kernels of oil palm fruit seeds, and a by-product of palm oil production from oil palms. They have been discarded as waste, but recently drawn attention as biomass energy because of their rich oil content and high calorific value. Since 2013, we have been importing PKS produced mainly in the Southeast Asian countries such as Indonesia and Malaysia and supplying them to

power generation companies in Japan and South Korea. We are currently the top importer of PKS in Japan in terms of volume handled. In 2019, we started a long-time agreement to charter a vessel for the exclusive use for the transportation of biomass energy, and we now operate a total of three vessels of our to ensure a sustainable and stable supply of biomass energy.



Power plant using wood-based biomass energy



"MV MIDORI," a vessel for the exclusive use for transporting biomass energy, sails out of port. We named the vessel after the dynamic image of a flying kingfisher and our corporate color of green. The name reflects our commitment to becoming the largest biomass supplier.

■ Biocarbon (Green carbon)

As part of our efforts toward decarbonization in the steel industry, we are promoting the biocarbon business, which is expected as an alternative fuel to coal and coke. Biocarbon, which is produced by carbonizing biomass such as wood and coconut shells, is expected to be used not only as a carbonizer and reducing agent for steel, but also as raw material for activated carbon, for agriculture, and in the future as battery materials.

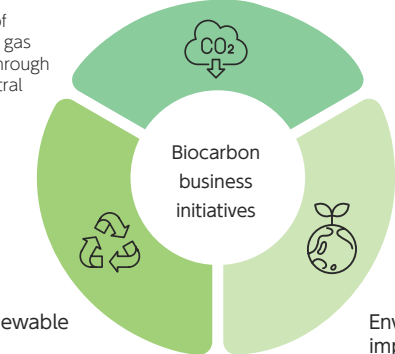
We started importing biocarbon and supplying it to the Japanese steel industry from 2024. Going forward, we will continue to build a sustainable and stable supply system with a view to expansion into the European and Asian markets.

Reduction of CO₂ emissions

Reduction of greenhouse gas emissions through carbon neutral benefits

Use of renewable resources

Contribution to a sustainable society through the use of sustainable resources



Environmental impact

Reduction of environmental impact by decreasing emissions of sulfur and ash

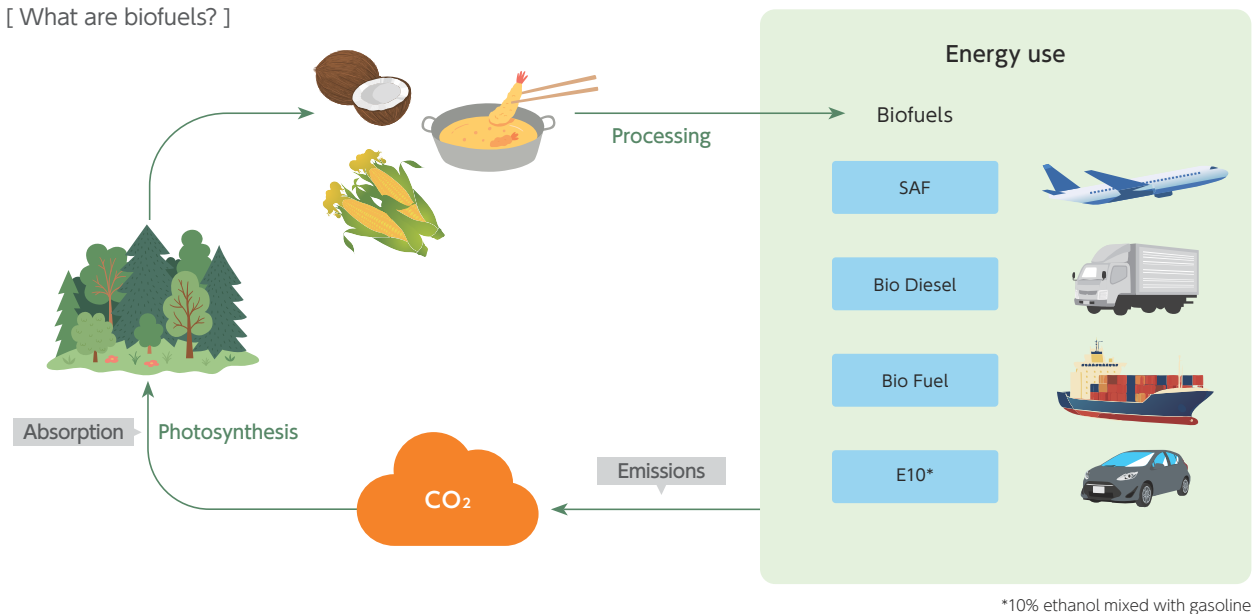
Business Activities Related to Materiality

■ Liquid biofuels

Recently, amid demands for reducing GHG emissions, biofuels made from biological resources such as waste cooking oil and animal and vegetable oils and fats are attracting attention as next-generation fuels to replace petroleum. Biofuels are considered to contribute to achieving carbon neutrality because the CO₂ emitted during fuel use is offset by the CO₂ absorbed by plants through photosynthesis.

Against this backdrop, in April 2024, we launched a cross-company organization called the Liquid Biomass Team to promote transactions in waste cooking oil as a raw material for biofuels and expand sales of biofuels for shipping, aviation, and other industries.

[What are biofuels?]



■ Obtaining certifications for biomass energy

We are working on obtaining certifications for biomass energy, including GGL certification in 2020, ISCC EU certification in 2022, ISCC PLUS certification in 2023, and SBP certification starting in 2024. Furthermore, we are also developing a business that supports certification acquisition by utilizing our know-how, and we prepare documents required for applications and internal audits on behalf of our clients. We also provide education on the standards required for each certification, as well as guidance on how to calculate greenhouse gas emissions.

While demand for biofuels is expected to increase further in the future, the stable supply of raw materials is a major issue. The Liquid Biomass Team is working on securing diverse biofuel raw materials in Southeast Asia, where raw materials are abundant, and conducting projects aimed at building a long-term, stable supply system. We will reduce environmental impact throughout the entire life cycle from raw material procurement to manufacturing, transportation, disposal, and recycling, thereby contributing to the development of all industries related to our business.

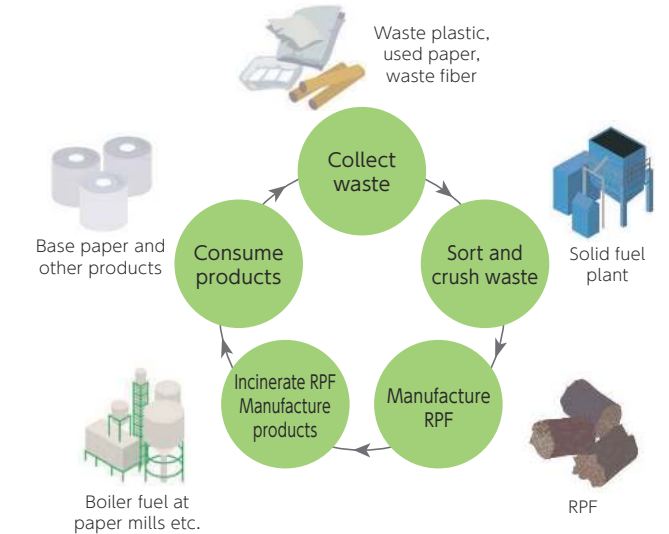


*GGL certification is a certification scheme that ensures the sustainability and traceability of biomass energy
 *ISCC EU certification is an international certification scheme for sustainability and GHG of biomass energy in the EU market
 *ISCC PLUS certification is an international certification scheme for sustainability and GHG of biomass energy
 *SBP certification is a certification scheme that assures the sustainability of woody biomass

■ Recycled Fuel RPF

We are also focusing on Refuse Paper & Plastic Fuel (RPF) that has become common as an alternative for fossil fuel for our industrial production. RPF is a solid fuel made mainly from industrial waste such as waste paper and waste plastic, and has many advantages such as less CO₂ emissions (approximately two-thirds of coal) during combustion and lower prices. Since beginning RPF operations in 2003, we have handled over 100,000 tons annually. Through cooperation with the Group companies Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., we supply RPF stably to paper mills and cement companies, which contributes to the reduction of environmental impact and the establishment of sustainable resource recycling.

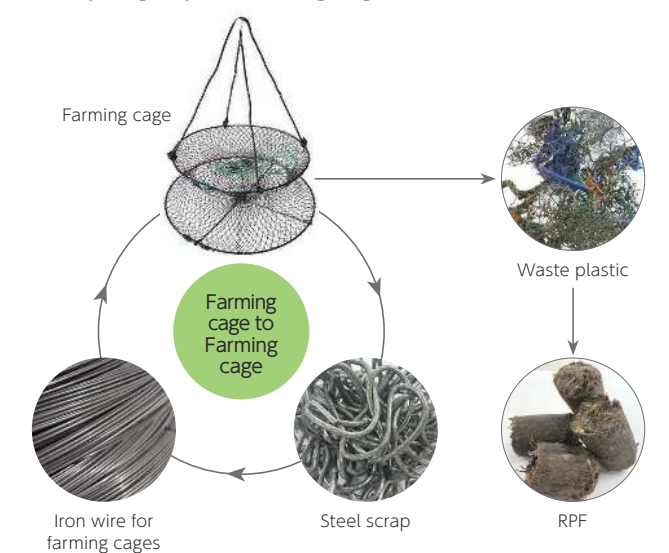
[Resource recycling of RPF]



■ Recycling of fishing net

In an effort to address the marine plastic pollution, the Group collects used fishing nets and gear piled up in fishing ports and private sites, shreds complex-shaped waste into small pieces, and manufactures and sells RPF. We are also engaged in recycling cages used in pearl farming. Used cages are collected and sorted, and the plastic parts are recycled as RPF and used as thermal energy by paper manufacturing companies and others. The metal parts are recycled as steel at electric furnace steelmakers, and after wire rod manufacturing and wire drawing, they are recycled as new farming cages, thereby realizing resource recycling.

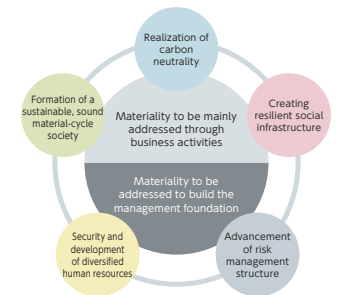
[Recycling of pearl farming cages]



BEFORE

AFTER

Business Activities Related to Materiality



Waste Tire Recycling

As environmental issues caused by illegal dumping and landfilling of waste tires become increasingly severe worldwide, we are focusing on businesses that appropriately dispose of these tires and increase their value as resources.

Tire chips, produced by crushing waste tires, are said to have about half the CO₂ emissions of coal when obtaining the same amount of energy, and are attracting attention as an alternative fuel.

In addition, recycling by pyrolysis is the mainstream overseas, and the resulting tire pyrolysis oil and carbon are reused as raw materials for tires in addition to fuel applications, and for this reason it offers potential for the promotion of the circular economy.

We will leverage our global network to build a high-value-added supply chain from waste tire collection to productization, and contribute to the realization of a carbon-neutral society.

[Waste tire recycling]

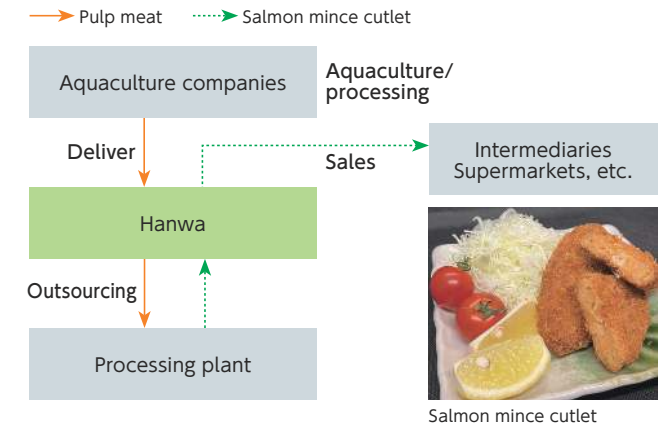


Food Loss Reduction Products Using “Pulp Meat”

In order to contribute to the sustainable recycling of marine resources, we are engaged in the production of salmon mince cutlet using pulp meat as part of food loss reduction efforts. “Pulp meat” is a by-product effectively utilizing offcuts, such as the scraped portion generated when Chilean silver salmon are filleted into three pieces. By introducing specialized machinery, we can fully use offcuts that had been discarded, which enables the production of approximately 700 tons of salmon mince cutlet per year.

We are now developing salmon hamburger patties to further promote food loss reduction. We will continue to help reduce food loss and environmental impact through sustainable effective use of marine resources.

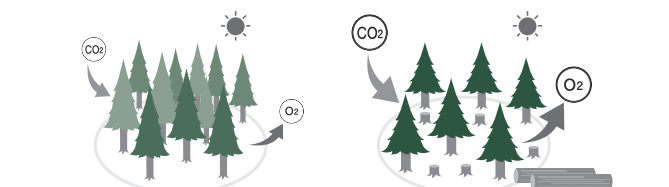
[Commercial distribution of pulp meat products]



Export of Thinned Lumber

In our lumber business, we began exporting timber from forest thinning etc. in 2006 and presently export about 150,000 m³ of lumber annually to China, Taiwan, and other markets. Timber export helps to lift timber prices by bringing in a more

diverse range of buyers and help to maintain employment, thereby stimulating local economies. In addition, exports protect the land by promoting forest maintenance, which also helps the forest to absorb more CO₂.

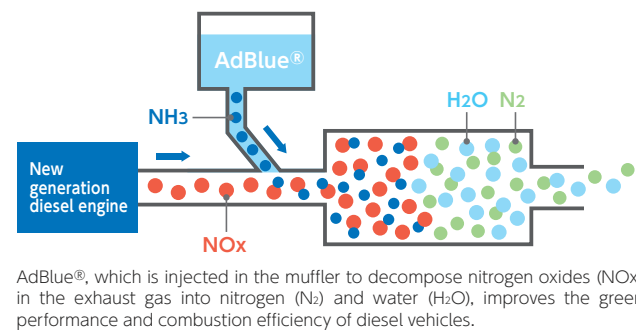


* Thinning refers to the proper care and management of forests by cutting down some trees so that sunlight can reach the ground, which enables grasses, shrubs, plants and animals to coexist.

Mitigating Air Pollutants by Stable Supply of Urea

We are also focusing on handling urea for use in fertilizers, industrial, automotive, shipping, and other applications, and we are one of the largest handlers of urea in Japan. AdBlue®, a high-grade urea solution containing urea as its main ingredient, is used as an additive to reduce nitrogen oxides (NOx) emitted by diesel vehicles, and is mainly used by large trucks and buses. AdBlue® contributes to reducing GHG emissions by breaking down NOx in exhaust gases into harmless nitrogen and water.

[How AdBlue® works]



AdBlue®, which is injected in the muffler to decompose nitrogen oxides (NOx) in the exhaust gas into nitrogen (N₂) and water (H₂O), improves the green performance and combustion efficiency of diesel vehicles.

Environment-friendly Daily Necessities

As ethical consumption becomes more popular to realize a sustainable world, we focus on exploring environment-friendly products in handling daily necessities. We develop environment-friendly products using renewable materials such as plastic bags made from bio-based raw material, paper straws and kitchen paper made from sugar cane, and sell them to 100-yen shops and other retailers.

As part of our efforts to achieve a carbon-neutral society by 2050, in 2024 we began selling plastic bags with green nano added to mitigate CO₂ emissions during combustion. Furthermore, carbon offsets will be provided for these products, which will further contribute to the reduction of greenhouse gas emissions.



Products made from bio-based raw material

Forest Certifications

We hold CoC certifications from the Forest Stewardship Council® (FSC® C018719), Programme for the Endorsement of Forest Certification Schemes (PEFC) and Sustainable Green Eco-system Council (SGEC) forest certification systems. SGEC is Japan's own forest certification system and promotes forest conservation and sustainable forest management with the aim of revitalizing forests and forestry. Timber with the CoC certification is guaranteed to be managed such that it is kept segregated from non-certified material during processing and distribution. With these certi-

fications, we pledge our corporate commitment to further promoting eco-friendly timber production and thereby encouraging sustainable forest management.



SGEC-CoC certificate

Initiatives for Environment

Environmental Management

The basic policy of the Hanwa Environmental Policy is that we strive to realize sustainable development to pass on a rich global environment to the next generation. As the world faces various environmental problems, we contribute to the realization of a sound material-cycle society by tackling issues such as the realization of a recycle-oriented society, the effective use of natural resources and energy, pollution prevention, and biodiversity.

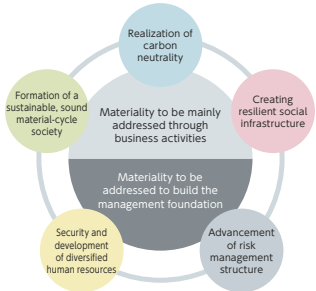
The Environmental Policy

Basic policy

Hanwa Co., Ltd. and our Group companies strive to improve the quality of daily work based on HKQC (Hanwa Knowledge Quality Control), and, as a socially recognized trading company with the motto of “Footwork, Teamwork and Network,” will make utmost efforts to realize sustainable development so that future generations will be able to inherit a rich global environment through its business activities.

Guidelines for corporate action and major activities

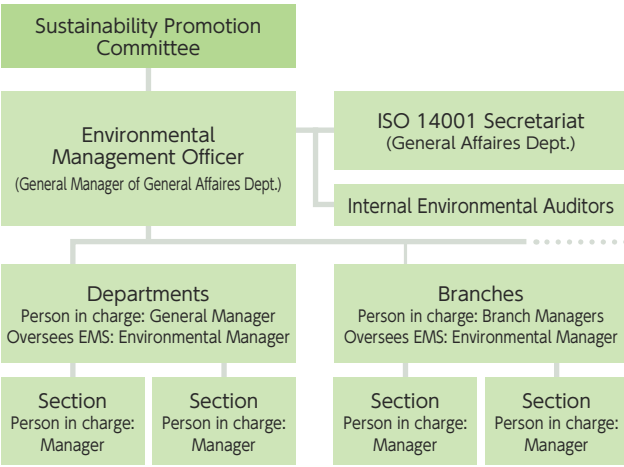
Guidelines for Corporate Action	Goals & Objectives	Major Activities
1. Continuous improvement of the Environmental Management System (EMS) We will implement and review its environmental goals and objectives targets based on this environmental policy, and operate and continually improve the EMS.	Continuous improvements in the EMS/Use of standards	Implementation of both internal and external audits Briefings on standards for newly appointed environmental managers
2. Compliance with relevant environmental laws and regulations We will comply with relevant environmental international treaties, laws and regulations of Japan and related countries, and other agreements and requirements, etc. of the trade industry which we agree to obey.	Compliance with relevant environmental international treaties, laws and regulations of Japan and countries concerned Strict observance of industry agreements and guidelines	Compliance with the Basel Convention (and its Domestic Laws) Compliance with Act on the Rational Use of Energy Compliance with Waste Management and Public Cleansing Act Participation in the Keidanren, Japan Foreign Trade Council, Inc.'s Voluntary Action Plan on the Environment
3. Contribution to a sustainable recycling system for an economic society By actively engaging in the recycling business etc., we will contribute to the realization of a sustainable recycling system for an economic society.	Promotion of recycling business	Promotion of steel scrap recycling/ Sales of used steel/ Promotion of the recycling of non-ferrous metal materials/ Promotion of the recycling of used paper
4. The effective use of natural resources and energy We will give careful consideration to the preservation of the global environment and make use of resources and energy effectively.	Involvement in activities related to renewable energy	Stable supply of biomass energy Supply of parts and materials for solar power generation and wind power generation
5. Consideration of the natural environment In addition to always considering the reduction of adverse environment impacts and making every effort to prevent pollution, Hanwa Co., Ltd. recognizes the critical importance of the conservation and sustainable use of biodiversity and will always take the natural environment into consideration.	Reduction of CO ₂ emissions	Stable supply of biomass energy
	Promotion of sales of anti-pollutant products	Sales expansion of high-corrosion-resistant coated steel sheets/Sales expansion of steel pallets
	Careful consideration toward biodiversity	Acquired SGEC-CoC certification, expanded handling of related products
6. Promotion of environmental awareness We will inform all employees of this policy and actively encourage them to recognize the importance of environmental preservation. This environmental policy will also be made available to the public.	Promotion of environmental awareness activities for employees	Environmental education for newly appointed environmental managers



Environmental Management System (EMS)

In October 2022, we integrated the Sustainability Promotion Committee and the Environmental Committee, which was the main organization responsible for environmental management such as ISO. The Sustainability Promotion Committee has established and implemented an Environmental Management System (EMS) based on our Environmental Policy. The environmental management officer is responsible for the maintenance and management of the internal EMS. Additionally, we have established the ISO 14001 Secretariat to operate our internal EMS, and as a support organization for the environmental management officer. Internal environmental auditors are selected from among persons who have completed the internal auditor training course conducted by the inspection and registration companies and carry out internal audits twice a year. Each department, branch and business location appoints environmental managers who promote EMS-related practical work and internal education.

[Environmental Management System (EMS)]



Implementation and Continuous Improvement of EMS

In order to strengthen environmental governance, the Group conducts internal audits based on the ISO 14001 international standard at the Company and domestic Group companies to confirm the effectiveness of the EMS. In FY2024, we conducted internal environmental audits in 66 departments. Furthermore, our overseas Group companies conduct internal audits based on their own EMS that complies with ISO 14001. LRQA (Lloyd's Register Quality Assurance Limited) con-

ducted an external audit of 19 departments in FY2024, with a focus on the effectiveness of EMS.

[The number of organizations that have acquired ISO 14001 certification as of April 2025]

Domestic offices	21 locations
Domestic Group companies	4 locations

* Each of our overseas offices and Group companies has established an EMS, and 6 of them have obtained certification.

Promotion of Environmental Education

Upon implementing the EMS, we conduct environmental education seminars every year for newly appointed environmental managers. In 2024, sessions were conducted in June for new environmental managers. At each session, explanations on the outline of the ISO 14001 standard and environmental management were provided, with a focus on legal compliance, crisis management, effective use of resources, and business improvement.

Consideration of the Natural Environment - reduction of CO₂ emission at domestic business sites

Endeavors as consignor

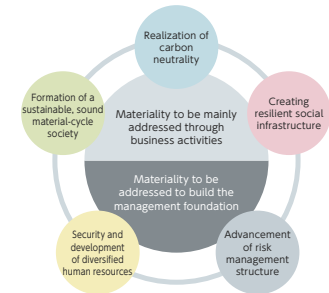
As a company involved in the distribution of goods, we have been working to reduce the energy volume of transportation since FY2006. Through the cooperation of our Group companies, Hanwa Logistics Tokyo Co., Ltd., Hanwa Logistics Osaka Co., Ltd., and Hanwa Logistics Nagoya Co., Ltd., we work to streamline shipping operations and seek the cooperation of partner forwarding companies.

Endeavors in the office

We have conducted environmental promotion activities and attempts to reduce energy spending and CO₂ emission throughout the office.

- Initiatives taken at the office
 - Reducing paper usage through the use of DX tools
 - Reducing the number of business trips through the use of teleconferencing systems
 - Introduction of business casual throughout the year
 - Enrolling in the "Morino Chonai-Kai," and using paper created from thinned wood for internal publications, etc.

Initiatives for Environment



Response to Climate Change

Basic Concept

Climate change has had various impacts on not only the natural environment such as ecosystems but also people's lives and corporate activities, and these impacts are expected to become more severe in the future. In light of these circumstances, we recognize responding to climate change as an important issue. With

an eye on both the impact of business activities on climate change and the impact of climate change on the Company, we will promote the reduction of GHG emissions in business activities and initiatives to realize a carbon neutral society through businesses and engage in minimizing the risks posed by climate change.

Governance

As a trading company, the Group handles a diverse range of products and recognizes the possibility that climate change could have an impact on the Group in many ways. Accordingly, based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), we actively disclose information on the impact of climate change on the Group and the status of our response. We also position addressing climate change as a key issue and aim to enhance corporate value sustainably while coexisting with the environment and society.

As a governance structure, we have established the Sustainability Promotion Committee, which is chaired by the officer supervising the corporate divisions and consists of mem-

bers selected from the corporate divisions and the sales divisions. The committee discusses and examines important issues related to climate change, proposes and plans response measures under the direction and supervision of the Board of Directors, and decides on responses after discussion by the Board of Directors.

Executive management verifies the results of the assessment and the status of risk management for climate-related risks and opportunities presented by the Sustainability Promotion Committee to the Board of Directors or Management Committee, and directs improvements or reviews of business plans as necessary. The activities of the committee are reported to the Board of Directors twice a year.

► Please see P.28 for details on the sustainability promotion structure.

Strategy

Given the uncertainties arising from climate change, we regularly identify risks and opportunities through scenario analysis techniques. We consider the potential future impact of climate change on our business with reference to externally published scenarios, as well as the likelihood of a financial impact and

the prioritization of responses to risks and opportunities.

In FY2025 we set two temperature scenarios, the 4° C scenario and the 1.5° C scenario, and analyzed the impact on all of the Group's businesses for time frames of 2030 and 2050.

[Scenario assumptions]

Scenario selection	Temperature scenario selection: 1.5°C, 4°C * A 2°C scenario is also set as a reference as necessary. The main scenarios referred to are as follows.	
	Transition	4°C STEPS (Stated Policies Scenario) IEA World Energy Outlook 2024
		2°C APS (Announced Pledges Scenario) IEA World Energy Outlook 2024
		1.5°C NZE (Net Zero Emissions by 2050 Scenario) IEA World Energy Outlook 2024
	Physical	4°C RCP 8.5 high-level reference scenario (radiative forcing of 8.5 W/m² by the end of the century) IPCC Fifth Assessment Report
2°C RCP 2.6 low-level stable scenario (radiative forcing of 2.6 W/m² by the end of the century) IPCC Fifth Assessment Report		
Scope of analysis	Covers businesses operated by the Company (Steel, Primary Metal, Metal Recycling, Food Products, Energy & Living Materials, and Other [Housing Materials/Machinery]).	
Period covered* (Time frames)	Period covered: up to 2050 [Time frames] Short-term: financial statement reporting period Medium-term: up to 2030 Long-term: 2031 to 2050 * Based on the definition in the European Sustainability Reporting Standards (ESRS).	

Major risks and opportunities related to climate change

Analysis items					Materiality assessment*2		Related businesses
Scenario	Category	Item	Time frames*1	Influencing factors	Likelihood of occurrence	Magnitude of impact	
1.5°C	Risk	Policy	Medium- to long-term	Decreasing demand for fossil fuels	Large	Medium	Energy & Living Materials
			Short- to long-term	Strengthening of regulations on forest protection	Large	Medium	Energy & Living Materials Housing Materials
			Short- to long-term	Country-specific levies/charges	Large	Large	Whole Company
	Opportunity	Policy	Short- to long-term	Increase in use of alternative and recycled materials due to stricter environment-related regulations	Large	Medium	Metal Recycling Primary Metal Energy & Living Materials
			Medium- to long-term	Expansion of the carbon credit market	Large	Small	Whole Company
4°C	Risk	Chronic	Short- to long-term	Increase in demand for environmentally-friendly products and capital investment	Large	Large	Whole Company
			Short- to long-term	Deterioration of growing environment for raw materials	Large	Large	Food Products Energy & Living Materials Housing Materials
		Acute	Short- to long-term	Increase in health risks such as heatstroke	Large	Medium	Whole Company
	Opportunity	Chronic	Short- to long-term	Supply chain disruptions and construction delays due to weather disasters	Large	Medium	Whole Company
			Short- to long-term	Increase in demand for disaster prevention-related materials and cold storage facilities	Large	Medium	Steel

*1 Short-term: financial statement reporting period; Medium-term: up to 2030; Long-term: 2031 to 2050
*2 Evaluation of financial impact based on decision indicators (Large: ¥100.0 billion or more; Medium: ¥50.0 to ¥100.0 billion; Small: ¥50.0 billion or less)

Summary of the financial impact on the business under each scenario

1.5°C scenario

This scenario assumes that the public and private sectors will work together to promote climate change mitigation measures to achieve carbon neutrality, as the market for decarbonization-related products expands, regulations are strengthened, such as the introduction of carbon taxes, and structural changes occur in energy markets. In the Group, while demand for recycled products, biomass energy, and critical battery metals for electrification are expected to grow, there are concerns about the risk of shrinking sales of fossil fuel-derived products. In addition, the introduction of a carbon pricing system may increase production costs based on environmental impact, and the growing need for environmentally-friendly products and sustainable raw materials will create new business opportunities.

4°C scenario

This scenario assumes that efforts related to climate change mitigation will not be sufficiently advanced and that rising temperatures will result in physical risks such as flooding, storm surges, and more frequent extreme weather events. In such an environment, companies are required to build resilience against physical impacts caused by climate change. Due to the nature of the Group's business, which has an extensive supply chain and inventory assets, there are concerns about supply chain disruptions and damage to inventory and buildings caused by weather-related disasters. On the other hand, due to the growing awareness of disaster prevention, the steel and other products we handle for reinforcing social infrastructure are expected to contribute to stakeholders and local communities from the perspective of adaptation to climate change.

Initiatives for Environment

Policy for addressing risks and opportunities

Through scenario analysis, the Group recognizes that climate change is an important issue that must be addressed in terms of both risks and opportunities, and we intend to take appropriate measures to address the issue. In particular, we recognize that metals and energy-related products are significantly

affected by changes in demand due to climate change, and we believe it is necessary to consider business strategies based on the future market environment.

The status of considerations regarding risks and opportunities identified as of today is as follows.

Business	Main countermeasures
Whole Company	- Promotion of Scope 1 and Scope 2 emissions reduction throughout the Group - Promotion of the handling of products that contribute to reducing customers' GHG emissions - Periodic review of insurance policies, etc. - Strengthening flood and storm protection measures for buildings - Strengthening of heat stroke countermeasures at factories and other work sites
Steel	- Strengthening of handling of green steel products - Capturing demand in the electrification field, such as EVs - Capturing demand for additional cold storage facilities - Expanding sales of steel construction materials that contribute to the formation and resilience of social infrastructure
Primary Metal	- Strengthening procurement capabilities for steelmaking resources - Capturing demand in the electrification field, such as EVs - Supporting the transition from blast furnaces to electric furnaces
Metal Recycling	Strengthening procurement capabilities for scrap and other recyclable materials
Food Products	- Effective use of food waste - Strengthening procurement capabilities in light of changing climate conditions
Energy & Living Materials	- Expanding the supply of renewable energy sources such as biofuels - Diversification of lumber procurement sources - Ensuring stable procurement of legally sourced materials through support for supplier certification acquisition - Expanding the handling of waste-derived fuels, etc., as alternatives to fossil fuels - Expanding the handling of bioplastics
Other Business	[Housing Materials] - Diversification of lumber procurement sources and handled products - Ensuring stable procurement of legally sourced materials through support for supplier certification acquisition [Machinery] - Expanding the handling of decarbonization and energy-saving equipment - Promotion of sales of climate-responsive recreational machinery

Risk Management

The Group has a system in place to manage risks related to climate change under the direction and supervision of the Board of Directors, with the Sustainability Promotion Committee taking the lead in gathering information, identifying and assessing risks and opportunities, and reporting the results to the Board of Directors. The management manages climate change risks by formulating a management plan and determining investments based on the identified and assessed risks, and incorporating risk mitigation measures into daily operations as necessary.

The identification of risks and opportunities related to climate change utilizes scenario analysis techniques. In assessing significance, we conduct evaluations in three stages based on two axes: the scale of financial impact and the likelihood of occurrence, in addition to estimating the timing of occurrence.

Risks and opportunities identified and evaluated are prioritized in consideration of their relevance to other sustainability issues, and specific measures are gradually considered and implemented.

► For more information on company-wide risk management, please see pages from P.55.

Metrics and Targets

To achieve carbon neutrality, which is one of the materialities of the Group, we have established medium- to long-term re-

duction targets using GHG emissions as an indicator. The targets are as follows.

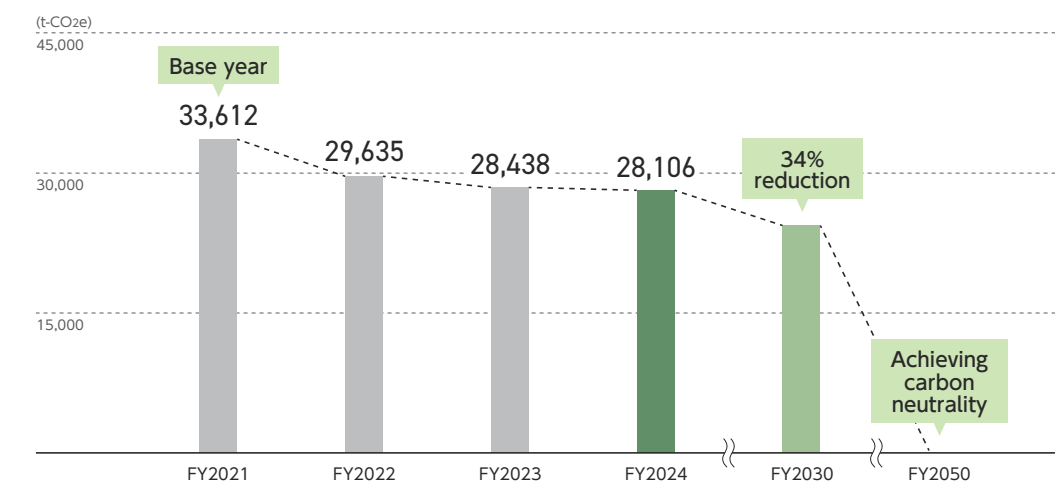
► Please see P.91 for details on the GHG emissions of the Group, including overseas consolidated subsidiaries.

The Group's targets for the "realization of carbon neutrality"

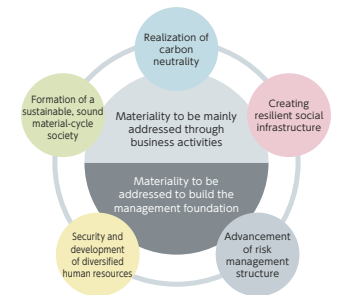
FY2030: Domestic Scope 1and2 34% reduction (compared to FY2021)

FY2050: Carbon neutrality

[The Group's domestic GHG emissions (Hanwa Co., Ltd. + consolidated subsidiaries in Japan)]



* Scope 1 and 2 emissions as reported to the GX League.



Initiatives for Environment

Responding to biodiversity

Initial Disclosure Based on TNFD

The Group understands that we have an interrelationship that both benefits from and impacts natural capital in the conduct of business activities. As stated in Hanwa’s Environmental Policy and Sustainability Basic Policy, we recognize that considerations for the natural environment, such as the effective use of resources and the mitigation of environmental impact, are essential for realizing sustainable development.

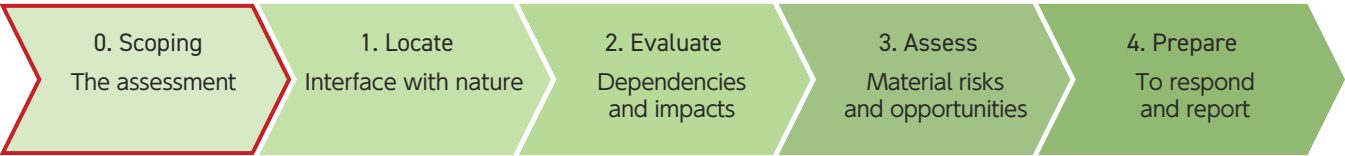
Against this backdrop, we endorsed the recommendations of the TNFD and registered as a TNFD Adopter in July 2025. In alignment with these recommendations, Hanwa will evaluate its dependencies and impacts on natural capital, and appropriately disclose and analyze the information.

Conducting Analysis Based on TNFD

Introduction of the LEAP approach

We come into contact with a wide variety of ecosystem services in the course of our business activities, including raw material procurement, processing and manufacturing, transportation, and sales. In order to build a sustainable coexistence relationships with nature, we have determined that it is necessary to understand the points of contact between nature and our business and the degree of dependence on and

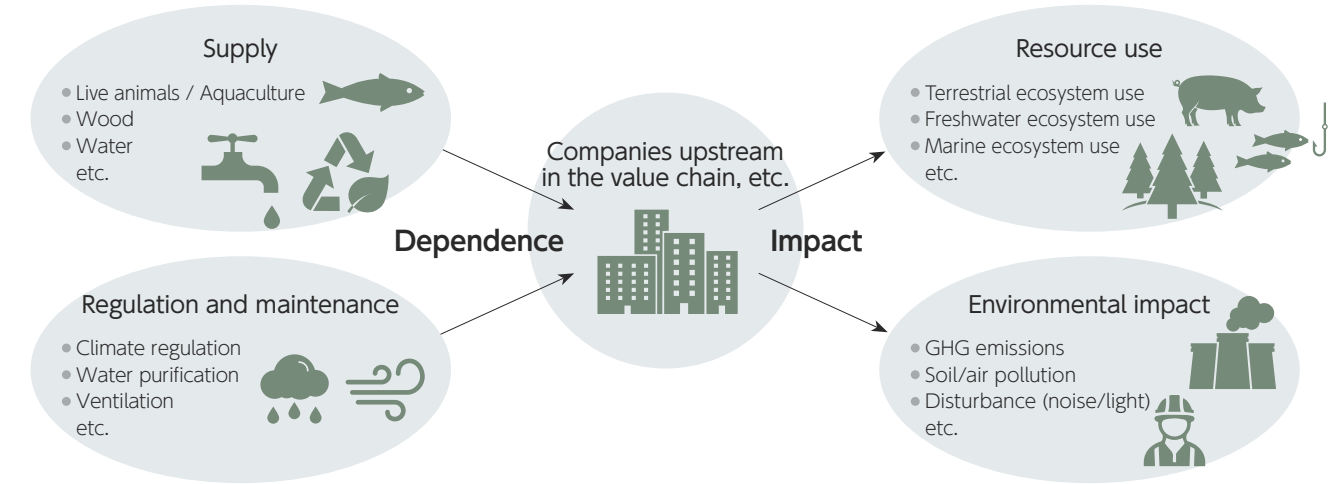
impact on, while examining the risks and opportunities. Therefore, referencing the TNFD Final Recommendations (v1.0), we undertook the scoping phase (highlighted in red), the entry point of the LEAP approach, and analyzed sectors with high dependency and high impact on natural capital within the Company.



Analysis tools and scope

We utilized ENCORE, a tool recommended by TNFD, for analysis. ENCORE is a suitable tool for visualizing the potential dependencies and impacts of corporate activities on nature. For this analysis, we set the scope as the upstream value chain of the Company.

We applied the most relevant industry classification to each of the business segments in which we operate and evaluated the extent of dependency and impact. The evaluation was conducted on a five-point scale: “Very High,” “High,” “Middle,” “Low,” and “Very Low.”



Analysis Results by Business Segment (Upstream Value Chain)

The analysis of our business’s upstream value chain revealed that the businesses with significant dependency on natural capital are Food Products, Energy & Living Materials, and Other Business (Housing Materials). Businesses with a signifi-

cant impact on natural capital are the Steel, Primary Metal, Energy & Living Materials, and Other Business (Housing Materials). This report includes only items rated “VH (Very High)” and items highly relevant to our business.

[Results of dependency and impact on nature in the upstream of our value chain]

Legend: **VH** Very High **H** High **M** Middle **L** Low **VL** Very Low

Segment	Business activities in the upstream	Breakdown of dependencies		Breakdown of impact								
		Animal-based energy	Water purification	Ecosystem (Terrestrial)	Ecosystem (Freshwater)	Ecosystem (Marine)	Water	GHG emissions	Non-GHG air pollution	Soil and water pollution	Waste	Disturbance
Steel	Mining of iron ores	VL	H	M	H	H	L	M	M	H	VH	H
Primary Metal	Mining of non-ferrous metal ores	VL	H	M	VH	VH	M	M	H	VH	H	VH
Metal Recycling	Waste collection		M	M			M	M	M	M	M	H
Food Products	Aquaculture	VH	H	M	H	H	M	M		H	H	M
	Fishing	VH	H		H	H	M	M	M	M	H	H
Energy & Living Materials	Raising of poultry	H	M	H			H	M	H	H	H	M
	Extraction of crude petroleum		M	L	VH	VH	L	H	M	VH	L	VH
	Logging	VH	M	VH	M		M	M	VH	M	L	H
Other Business	Manufacturing of plastics, etc.		M	L			H	M	M	VH	M	VH
	Logging	VH	M	VH	M		M	M	VH	M	L	H
Other Business [Housing Materials/ Machinery]	Manufacturing of general-purpose machinery		M	L			M	L	M	M	L	M

Future Initiatives

Going forward, based on these analysis results, we will advance the LEAP approach while considering actual geographic locations, characteristics of business activities, and the scale of capital.

Through this approach, we will more accurately under-

stand the risks and opportunities related to our natural capital, and strive to build an appropriate management system and ensure information disclosure. Ultimately, we aim to achieve information disclosure compliant with the TNFD framework (v1.0).

Initiatives for Human Resources

A message from the Personnel Executive Officer

“Human resource strategy that supports challenge and growth, centered on the happiness of employees”

Hideyuki Tsuruta

Executive Officer
Personnel Dept., General Affairs Dept.,
Quality, Safety & Environmental Control Dept.,
Sales Accounting Dept., Trade Administration Dept.



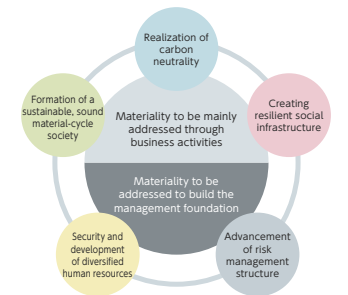
The concept of human capital management has become widely instilled in Japanese society. Since our founding, we have placed the happiness of employees and their families at the core of our management, under the philosophy that “the prosperity of a company and the welfare of its employees are inseparable like the two halves of a whole.” This concept will not change in the future, and we must continue to update our human resource policies to adapt to rapidly changing times. In the Medium-Term Business Plan 2025 announced in FY2023, we set forth the themes of strengthening of management talent equipped with both front-line and business management skills, strengthening of organizational structure to develop and take advantage of global human resources, and strengthening corporate personnel to support governance with the aim of building an organization that adapts and evolves continuously and autonomously in response to changes in the environment. As our business rapidly expands both in Japan and overseas, it is essential to create an environment in which each employee can grow, take on challenges and maximize their abilities.

Our corporate university, the Hanwa Business School (HKBS) has been in operation for four years as the core of our human resources development, and is now well established as a platform for knowledge and experience. In addition to new fields such as AI, it provides opportunities to learn about the Company's historical innovations, and contributes to the early success of career hires. Going forward, we plan to further refine the training content, expand learning opportunities throughout the Group, and foster a culture of learning.

We revamped our personnel system in FY2024 to create an environment that encourages employees to take on challenges and grow. By appropriately evaluating individual responsibilities, roles, and performance, and by introducing a well-balanced remuneration system based on challenge and results, we have created a system that allows employees to build their careers autonomously while feeling a stronger sense of fulfillment. In addition, practical experience is

essential for personal growth. Therefore, we plan to launch an internal recruitment system in FY2025 to recruit personnel from within the Company for fields and businesses that we wish to strengthen, targeting our employees. Up until now, we have offered opportunities to deepen knowledge such as overseas language study and domestic MBA programs. Going forward, we will encourage the growth of each employee by providing more opportunities to put such learning into practice, and the Company will strongly support this motivation.

In order to sustainably create new values and innovation, it is essential to foster a corporate culture in which diverse people and values are respected and everyone can thrive with authentic selves with peace of mind. We position diversity and inclusion (D&I) as a driving force for growth and are actively promoting it. The percentage of women in career-track positions has reached 30% for both new graduates and career hires, and we aim to establish a system that allows women to actively take on the challenges of overseas postings and management positions in the future. Senior employees who continue to work after retirement are also an important presence in supporting the Company. In response to the recent shortage of human resources, we are also considering changes to improve the treatment of senior human resources and expand employment opportunities for those age 65 and above, and we are promoting the creation of an environment in which they can play an active role regardless of their age or life stage. With regard to the employment of people with disabilities, Hanwa Business Partners Co., Ltd., which has been certified as a special subsidiary, is expanding employment and will take on the challenge of providing supporting the entire Group in the future. In addition to the development of systems to support health management and balancing work with childcare and nursing care, we are also working to thoroughly preventing harassment, and aim to create a workplace where all employees can perform at their best with peace of mind. We will continue to make steady progress toward building an organization where each person's diverse individuality can be fully expressed.



Human Resources Management

Basic Ideas on Human Resources

Jiro Kita, the founder of our company, believes that “trading companies have to cherish its human resource” and has developed businesses believing that “the prosperity of a company and the welfare of its employees are inseparable like the two halves of a whole.” Seventy-nine years have passed since its establishment, but this philosophy still remains as the basis of our approach to human resources.

Based on our Sustainability Basic Policy of “creating a workplace where diverse personalities blend and enhance one another,” we aim to realize “an organization that adapts and evolves continuously and autonomously in response to changes in the environment” in current Medium-Term Business Plan. To support this organization, we have clearly defined the image of preferred personnel based on the keywords “Professional & Global (P&G)” and “Management” and are promoting a variety of measures.

As part of our measures to “elevate the individual,” we prioritize the development of human resources who can create and develop business both in Japan and overseas by refining the expertise of each employee in their

own area of responsibility. We are creating an environment where employees can engage with their careers, independently learn for the future, and actively provide opportunities to apply acquired knowledge and experience. We also promote health management in close cooperation with the Hanwa Health Insurance Society, based on the recognition that good health is essential for employees and their families in order for them to reach their full potential.

As a policy for measures to “strengthen the organization,” we believe that the promotion of diversity and inclusion is indispensable for the organization to respond to rapid changes in the environment surrounding corporate management and develop sustainably. Our workforce includes diverse human resources including mid-career hires, employees of foreign nationality, and female career-track employees, and we will continue to actively incorporate employee opinions and promote the development of a healthy and fair workplace environment in which everyone can feel comfortable and demonstrate their individuality.

Corporate Philosophy

Coping with changing times and markets quickly, we make a great contribution to society by satisfying various needs of customers as a “distribution specialist”

Sustainability Basic Policy

Creating a workplace where diverse personalities blend and enhance one another

Medium-Term Business Plan 2025

Envisaged organization

“An organization that adapts and evolves continuously and autonomously in response to changes in the environment”

Image of preferred personnel

Management

Strengthening of management talent equipped with both front-line and business management skills

Professional

Strengthening of corporate personnel, including high-level professionals

Global

Strengthening of organizational structure to develop and take advantage of global human resources

Measures

Elevate the individual & Strengthen the organization

Systems Draw out the individual's strengths and support them to take on challenges

Recruitment Hire diverse individuals

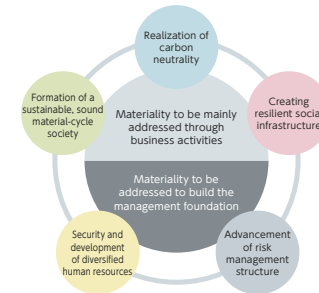
Ongoing Succession plan formulation

Development Support the growth of the individual's strengths

Growth Promote diversity and inclusion

Foundation Continued approaches to health and productivity management

Initiatives for Human Resources



Draw Out the Individual's Strengths and Support Them to Take on Challenges

Systems

Creating a Conducive Workplace Environment

We believe that creating a work environment and conditions where employment can feel secure leads to high performance in their work.

Our employees submit a self-declaration form once a year, so we understand how satisfied they are with our internal HR systems and confirm their career plans, and more than 80% of employees submits the form every year. We also started an engagement survey in FY2024. The aim is to visualize the psychological state of employees themselves and their teams, and to use the results to create a more vibrant work environment.

In the field of childcare and nursing care, we have always been establishing systems exceeding the statutory requirements to support the balancing of childcare and nursing care

with work, such as extending childcare leave until the end of the fiscal year in which a child turns three years old, allowing shorter working hours for childcare until the end of the fiscal year in which a child turns 12 years old, and providing up to 372 days of nursing care leave. In addition, along with the legal revision in FY2025, we expanded the scope of child nursing care leave from the child's first year of elementary school to the end of the third grade of elementary school, and to cover not only illness but also class closures and ceremonies such as school entrance ceremonies. We will continue to create an environment where employees can work flexibly according to their life stages and enhance systems that allow them to be as active as they want to be.

Support the Growth of the Individual's Strengths

Development

Education of Human Resources

The concept underlying our Human Resources Education is the development of "P&G" talent. "P" stands for Professional, referring to the ability to solve user's problems with a high level of expertise and management skill, while "G" stands for Global, indicating not only human resources who communicate with the understanding of the uniqueness and the diversity of each region of the world, but also human resources who have a broad perspective and humanity. Moreover, we will continue to strengthen the foundation of our management human resources in order to expand and grow the Group in Japan and overseas under the current Medium-Term Business Plan. Specifically, we are strengthening management talent equipped with both front-line and business management skills, strengthening corporate human resources, including highly skilled professionals (finance, human resources, legal, tax, and IT); and strengthening the organizational structure to develop and take advantage of global human resources.

As an effort to strengthen human resources aimed at FY2030, we have started our measures in sequence since FY2022. As part of this effort, we have opened a corporate

university, HKBS. Through HKBS, we provide education programs that further systematize practical knowledge and Hanwa DNA accumulated to date and creating an environment where employees can learn voluntarily. Lecture content actively incorporates a wide range of content tailored to needs in the field and social trends. From FY2024, we will link the new personnel system with HKBS training content to accelerate the development of next-generation management human resources with both front-line and leadership skills. The new personnel system promotes training and qualification acquisition tailored to each employee's growth stage, and supports their proactive skill development by providing examination fees and congratulatory money for acquiring qualifications according to their level of difficulty.

Furthermore, to support employee growth from multiple perspectives, we effectively implement personnel transfers, OJT, and OFF-JT to encourage employees to continue to grow autonomously and ambitiously. Through these efforts, we aim to embed as part of our culture the attitude of continuous learning required of "P&G" talent.

Promote Diversity and Inclusion

Growth

Promotion of Women's Empowerment

We formulate an action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace every three years to promote the participation of women. Under the fourth action plan, which began in FY2023, we are actively engaged in initiatives to promote the advancement of women, such as actively recruiting women, increasing the number of female employees involved in organizational decision-making, and providing support for balancing work and life events.

The main goals are to maintain the percentage of female career-track employees among new graduates hired at 30% or more, and to increase the percentage of female managers to 3.7% by the end of FY2025, with

the medium- to long-term target of 10%. In order to achieve our targets, we provide training for female employees as an opportunity for them to reevaluate their careers, and we support employees to proactively take on challenges by actively encouraging them to switch from office work to career-track positions. In addition, in light of the increase in the number of dual-income households, we are also promoting awareness of babysitter subsidies and other support measures to ease the burden of childcare. We will continue to create workplaces where everyone can work with peace of mind, and to develop an environment where women can actively participate in their own way.

Employment of People with Disabilities

In April 2024, we established Hanwa Business Partners Co., Ltd. (HBP) to promote and stabilize the employment of people with disabilities. HBP began full operations in October 2024 and obtained certification as a special subsidiary under the "Act to Facilitate the Employment of Persons with Disabilities" in February 2025. HBP aims to create a workplace environment and systems tailored to diverse individuals, enabling everyone to maximize their abilities through mutual cooperation, regardless of the presence or type of disability. A special subsidiary is a subsidiary with special considerations for employing people with disabilities, and persons with disabilities employed at these subsidiaries are considered

to be employed by the parent company or the group as a whole. As of April 2025, Hanwa Co., Ltd. and HBP together employ 50 people with disabilities, and the employment rate of people with disabilities in FY2024 was 2.6%, exceeding the statutory employment rate of 2.5%.

In the future, we will actively expand our recruitment activities to respond to the statutory employment rate, which is set to increase in July 2026. In addition, we plan to gradually apply the system to affiliated companies starting in FY2027, and by FY2031, all of our affiliated companies in Japan will calculate the statutory employment rate using the special subsidiary system.

▶ Please see P.91 for details on the sustainability data.

Continued Approaches to health and productivity management

Foundation

Hanwa views employee health management from a managerial perspective, and the Company, employees and Hanwa Health Insurance Society work together to promote the health of the employees and their families. In April 2018, we established the "Hanwa Health and Productivity Management Declaration," and established the Health and Productivity Management Office within the Personnel Department in order to prepare a system to address health and productivity management. Currently, in addition to Personnel Department staff, we have one full-time occupational health nurse stationed in each of Tokyo and Osaka.

The Representative Director and President Yoichi Nakagawa became the Chief Health Officer (CHO) in FY2022 and established the Hanwa Group Health and Safety Policy. This policy aims to ensure that employees can work with peace of mind, and promote an improved working environment, reduced risk of occupational illness, and improved health maintenance as our highest priorities.

To support the physical and mental health of employees, we conduct legally mandated health checkups and stress checks, and collaborate with the health insurance association to develop health management initiatives that employees can enjoy and

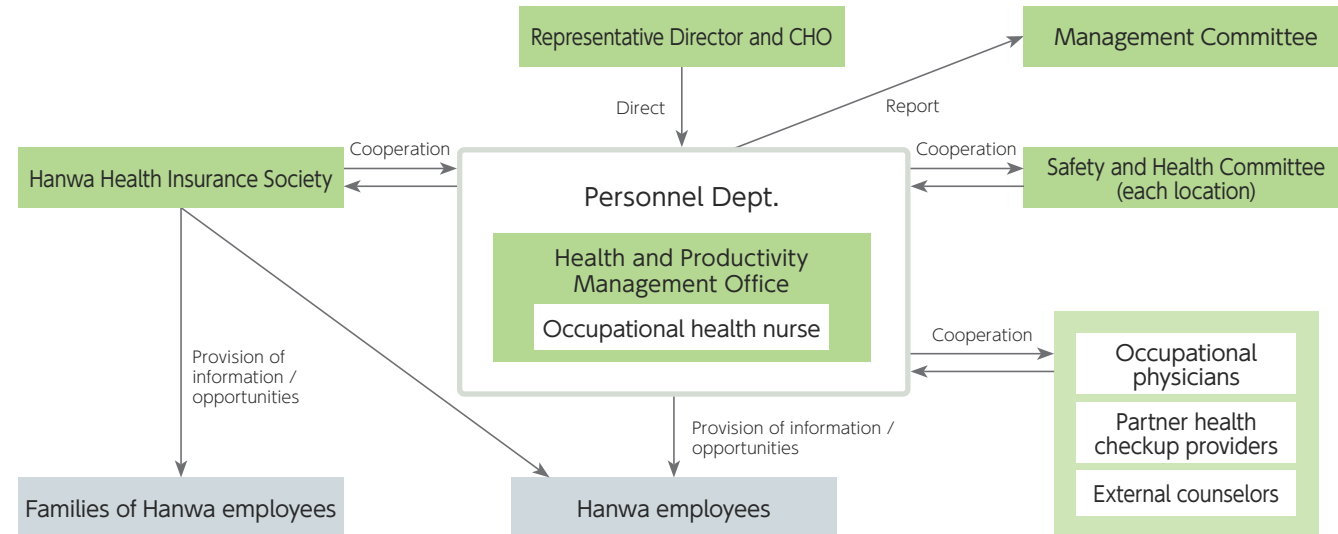
participate in, such as walking events in which they compete in the number of steps they take on their smartphones. In terms of systems, we introduced a three major illness compensation system in June 2022. In March 2025, we newly established a treatment and work balance support system for cancer and other diseases recognized by the company to strengthen support for employees continuing treatment while working.

Through these steady efforts, we were certified as a "Health & Productivity Management Outstanding Organization certification" (large enterprise category) in 2025 as in 2024. We will continue to promote measures to promote the creation of an environment where all employees can continue to be healthy, both physically and mentally, and play an active role.

- Occupational safety and health targets
 - ・Zero fatal accidents due to occupational injuries
 - ・Health checkup rate 100%
 - ・100% effective operation of occupational health and safety management system at Hanwa and the Group companies
 - ・Continuous educational offerings to improve the occupational health and safety management level and give top priority to regulatory compliance

Initiatives for Human Resources

[Health management promotion framework]



Hanwa Scholarship Foundation

Hanwa Scholarship Foundation was established in April 1957 to commemorate the 10th anniversary of the foundation of Hanwa Co., Ltd. Recalling his own tough experience of learning, Jiro Kita, our founder and the first director of the foundation, wished to develop talented human resources for Japanese society by offering financial support to young people lacking learning opportunities for economic reasons. He established the foundation by investing a tremendous 10 million yen, when our capital was only 100 million yen.

The foundation has continued its activities after being authorized as a public interest incorporated foundation by the Ministry of Education (now the Ministry of Education, Culture, Sports, Science and Technology), and with the enactment of the new public interest corporation system in 2011, it received public interest certification from the Cabinet Office and continues its operations under the new framework.

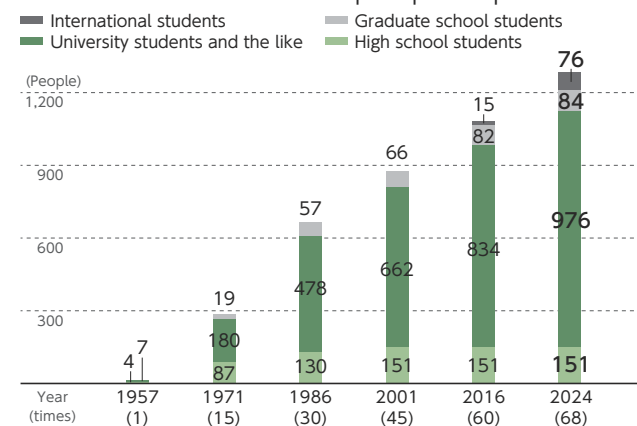
In FY2015, the foundation newly established a grant-type scholarship for studying overseas. This is out of our passion in view of the pace of globalization to support as many students, with desire and ability, as possible to widen their views through overseas studies, pursue knowledge, and become human resources who can compete with outstanding young people in countries around the world. Furthermore, in FY2021, the foundation changed its conventional loan-type scholarship for domestic scholarship recipients to a grant-type scholarship that does not require repayment, to create a system suitable for the needs of the times.

Currently, the Hanwa Scholarship Foundation's net assets stand at over 700 million yen, and it has supported a cumulative total of around 1,300 scholarship recipients to date. Many past scholarship recipients remain active in a wide range of fields, including not only

the industrial world but also academia, government service, the legal and medical profession.

The Japanese economy is past the growth stage, and is expected to face challenges in the future, such as a declining population and shrinking domestic market due to a declining birthrate, as well as widening social disparities. At the same time, in various areas, competition is growing with foreign countries where there is still room for growth, particularly emerging nations, and in such an environment, it is essential to develop human resources with a higher level of education and an international perspective. As the importance of university-based study continues to grow, the foundation will continue to enhance its support for the next generation of young people by utilizing its flexibility and unique characteristics as a private-sector scholarship foundation to enable them to play a more active role in various areas of society.

Cumulative number of scholarship recipients up to FY2024



Employee Messages

“ Building a career through our systems and personal initiatives ”

Since joining the Company, I have worked in sales for the steel sector, handling steel plates, structural steel sheets, steel sheets and thin plates, and then spent about five years stationed at a Group company in Thailand. While overseas, although I keenly felt the limitations of my previous experience and encountered moments where I recognized my shortcomings, I gained many valuable experiences by engaging in work while feeling the unique dynamism of Southeast Asia.

Upon returning to Japan, I vividly remember feeling both a sense of loss and a strong desire to become someone who can better lead local staff the next time I'm stationed overseas. Around that time, I learned that the Company had launched a domestic MBA program and immediately applied. I was part of the first cohort to attend the business school. The lectures, centered on the case method, enhanced our perspectives through discussions with instructors with a wealth of practical experience and peers from diverse backgrounds. The fact that I was able to overcome two challenging years of balancing work and schoolwork gave me a great deal of confidence. Going forward, I aim to leverage the knowledge and experience gained from the MBA program to contribute to the development of measures to solve problems in our business activities and the creation of new businesses.



Daisaku Fujita
Manager, Steel Sheets Sect. 3,
Steel Sheets Dept.
Joined the Company in 2006

Since joining the Company, I have been mainly responsible for domestic sales in the Industrial Machinery Department. In 2022, I was dispatched to a Group company in the Netherlands under the overseas trainee program to conduct market research aimed at developing relationships with European machinery manufacturers. While I was overseas, through market research on European machinery manufacturers and information gathering in the carbon neutrality field, I was able to expand my knowledge on overseas procurement resources. After returning to Japan, I handled import and export operations and overseas project management, and I am currently engaged in business with European and American companies in the Life & Amusement Department. The knowledge and network I gained while I was an overseas trainee have been extremely useful in my current work. The overseas trainee program is a framework that requires proactive learning and action beyond the scope of previous sales activities, and I feel it is highly effective in developing human resources with a global perspective. Going forward, I aim to contribute to the Company's global expansion as an internationally trusted businessperson while respecting diverse cultures and values.



Kaito Suzuki
Life & Amusement Sect.,
Life & Amusement Dept.
Joined the Company in 2017

I have been in charge of domestic sales for the steel sector for the first six years of my career with the Company. In my seventh year, last year, I utilized the overseas trainee program to undergo six months of training at the Group company's coil center (steel sheet processing base) in Malaysia, and since April 2025, I have been working in Vietnam as the Company's first female overseas coil center expatriate.

During the training period, while supporting the sales activities of expatriates and local staff, I experienced firsthand the differences in culture and business practices and realized the importance of management skills and flexible adaptability. While I was surprised by the reality of being involved in a wide range of tasks beyond sales, such as quality control, safety measures, personnel, and accounting, it was a valuable opportunity to develop a multifaceted perspective.

Through this experience, I was able to gain an overall picture of expatriate operations, which is a great asset. My work in Vietnam has just begun, and I am gradually adapting to the local environment and approaching it positively. I feel that the overseas trainee program is highly significant, not only in promoting individual growth but also from the perspective of advancing diversity. Going forward, I will continue to strive day by day to become a role model for female career-track employees.



Kanako Kose
HANWA SMC STEEL
SERVICE HA NOI, LTD.
Joined the Company in 2018

Initiatives for Human Rights

The Group has stated “Formation of a sustainable, sound material-cycle society” and “Security and development of diversified human resources” as part of our materiality. As a compa-

ny operating in various countries around the world, we are committed to promoting respect for human rights not only for our employees but also throughout our supply chain.

Structure

The Group considers respect for human rights to be a material issue. Based on the Hanwa Group Human Rights Policy, Sustainability Promotion Office acts as the secretariat and driving force, under the Sustainability Promotion Committee and the Committee Chairperson (Supervising Executive Director of Administrative Divisions). In collaboration with the sales and corporate divisions, the office promotes respect for human rights and works toward continuous improvement across the entire Group. Significant human rights matters deliberated by the committee are reported to the Board of Directors as appropriate.

ate, which provides instructions when necessary. The Board of Directors receives reports on significant human rights issues reviewed by the committee and oversees their implementation.

Executives Directors in charge	Supervising Executive Director of Administrative Divisions
Deliberative body	Sustainability Promotion Committee * Important human rights matters reviewed by the committee are reported to the Board of Directors as appropriate, and directions are received as necessary.
Secretariat	Sustainability Promotion Office

▶ Please see P.28 for details on the sustainability promotion structure

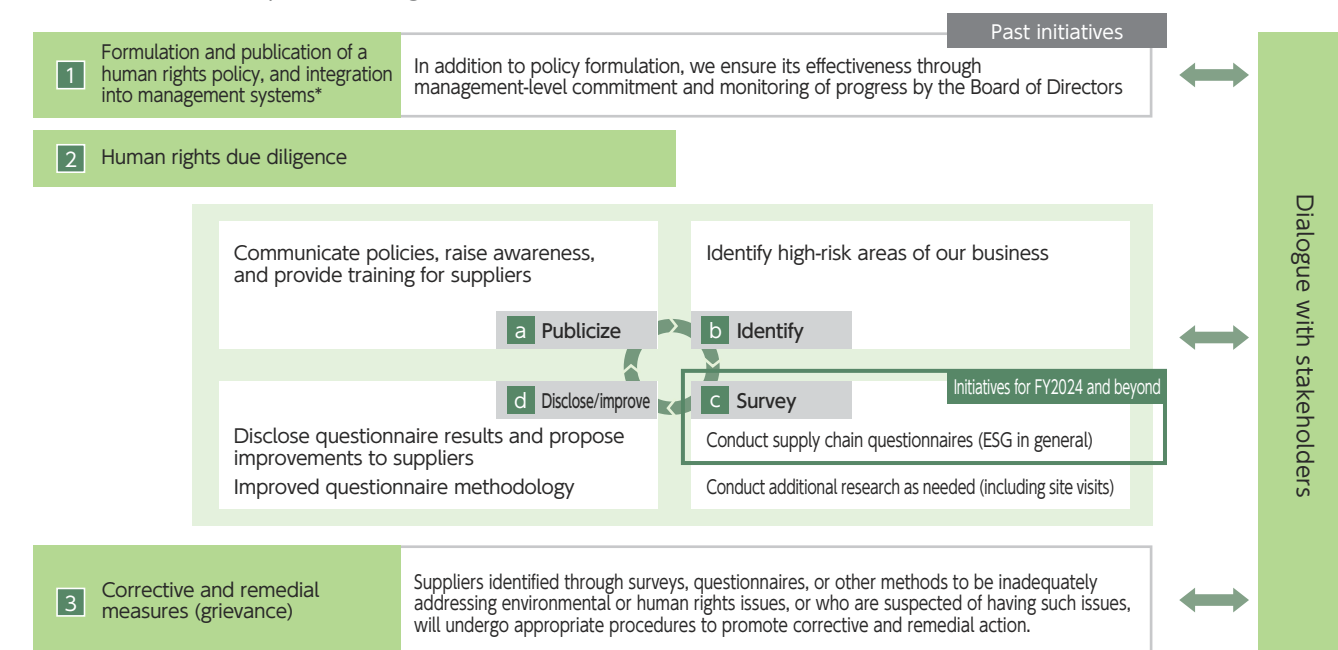
Initiatives

The Group supports international human rights standards, including the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights. We have established the Hanwa Group Human Rights Policy to identify and address adverse human rights impacts across our value chain. Through these initiatives, we work to reduce risks and

contribute to the sustainable enhancement of corporate value.

The Group is developing a human rights due diligence framework to identify, assess, and address adverse human rights impacts on stakeholders involved in its business activities, and is committed to implementing it on an ongoing basis. As a new initiative in this fiscal year, we conducted a supply chain survey with select suppliers. Looking ahead, we plan to strengthen our human rights due diligence framework in stages, including expanding the scope of our surveys.

[Overview of the Group's Human Rights Initiatives]



* Through these initiatives, we will continue to embed human rights initiatives, including due diligence into our management systems and further enhance their sophistication

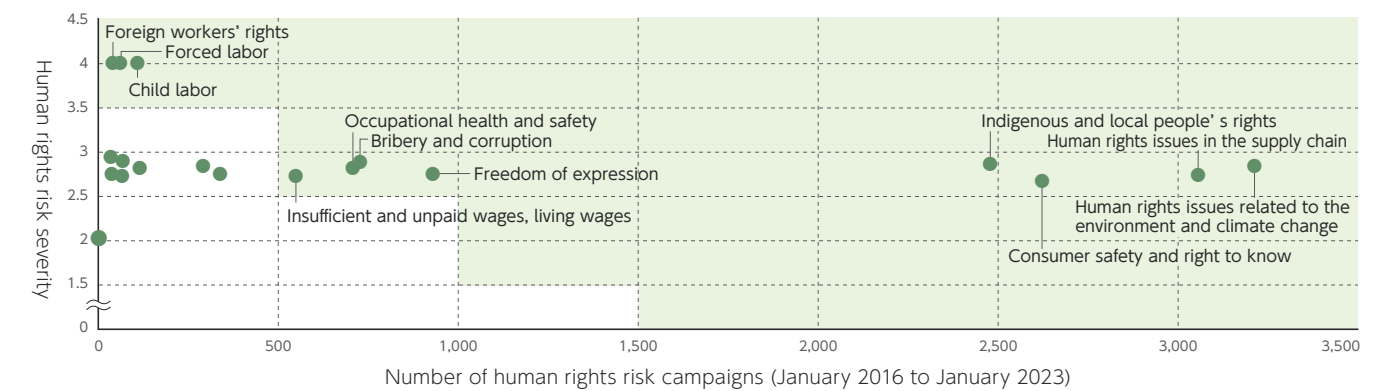
[Human rights due diligence]

2 b Specific Identification Identify high-risk areas of our business

In FY2023, we analyzed human rights issues and business areas requiring close attention in order to identify potential human rights risks in our operations.

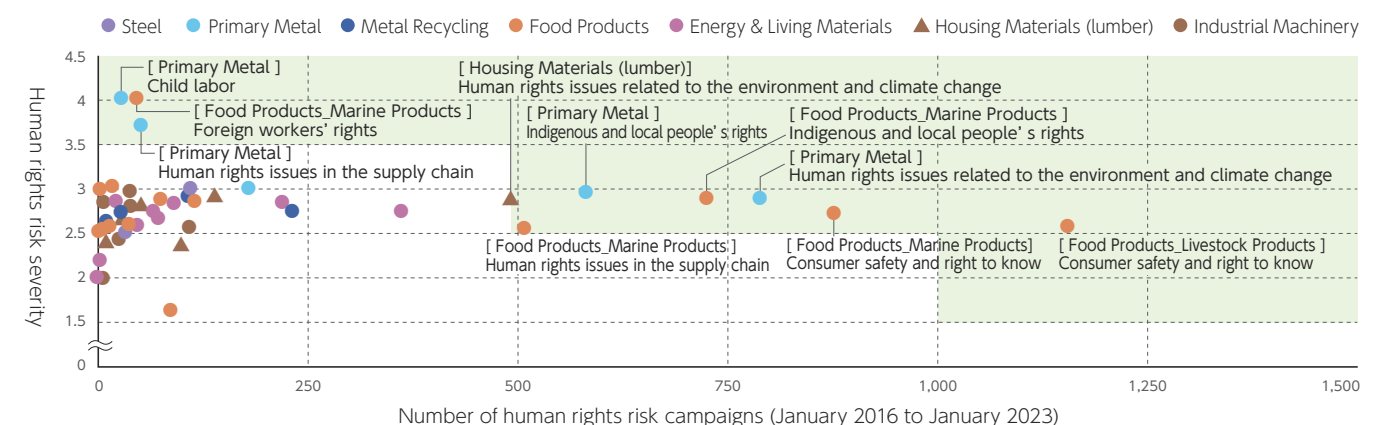
(1) Analysis of businesses to monitor

The number of campaigns on human rights issues identified by human rights groups and NGOs worldwide has been mapped by level of human rights risk, as shown below. Forced labor, child labor, and insufficient and unpaid wages, living wages were identified as key issues to monitor.



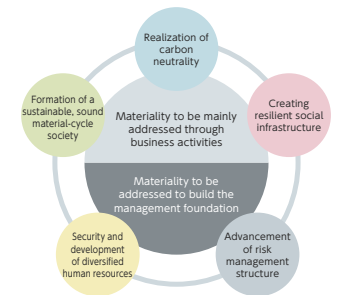
(2) Analysis of businesses to monitor

The number of human rights campaigns containing product-specific information to the corresponding businesses of our Group has been mapped by level of human rights risk, as shown below. The analysis revealed that businesses requiring particular attention are Primary Metal, Food Products, and Housing Materials (lumber).



2 c Survey Results of Supply Chain Questionnaire

We conducted a supply chain questionnaire on ESG initiatives among select suppliers, with a primary focus on those with substantial procurement volumes, and received responses from 252 companies in FY2024. After reviewing the questionnaire responses and suppliers' ESG disclosures, we identified no suppliers presenting significant concerns. Going forward, we will continue to communicate our core principles, such as our Supply Chain Action Guidelines and Human Rights Policy, to our business partners, and when necessary, request improvements or conduct status checks through written or other means as part of corrective measures.



Risk Management

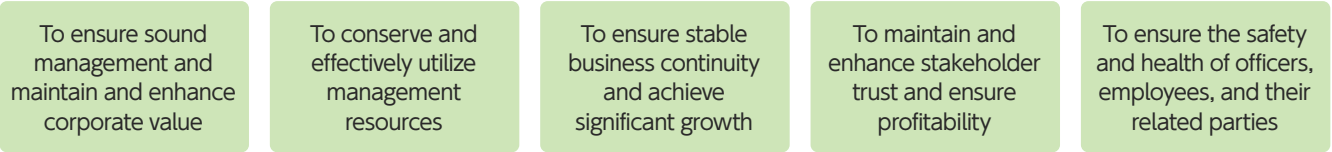
Basic Policy and Risk Management Framework

In Hanwa Group's Basic Policy on Risk Management, we define "risk" as "uncertainty that may affect the achievement of the Company's business strategy and objectives." By setting out specific measures to appropriately address and control the various risks that may arise from our business activities, we regard it as a basic principle of risk management to contribute to achieving significant business growth through proactive investment and business expansion.

We recognize the strategic importance of risk management as a material issue, and we have established a framework under the basic policy determined by the Board of Directors. We have

appointed the Supervising Executive Director of administration divisions, who is independent from the Audit and Supervisory Committee, as the person overall responsible for risk management. Additionally, we have implemented necessary risk management framework and specific management methods. Furthermore, we are actively implementing initiatives to enhance the overall risk management awareness among top management. In addition, in order to prevent the occurrence of risks and to mitigate those that do occur, we have designated departments to respond to them and developed related rules and response manuals.

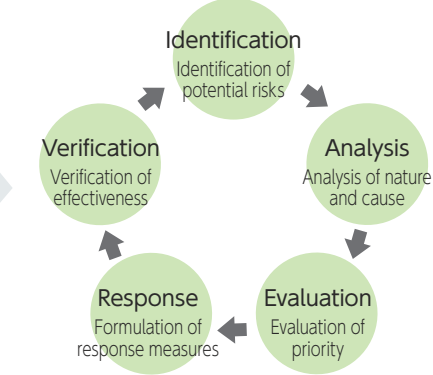
[Purpose of Risk Management]



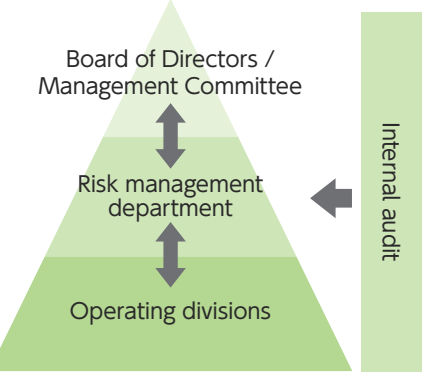
[Major Risks]

Changes in economic conditions
Fluctuations in commodity markets
Fluctuations in exchange rates
Fluctuations in interest rates
Fluctuations in stock prices and other securities
Credit risk of business partners
Business investment
Other risks

[Risk Management Process]



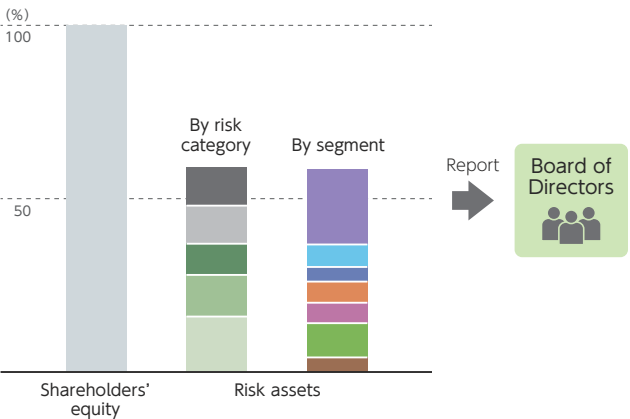
[Risk Management framework]



▶ Please refer to "Major Risks" on pages 20 to 23 of the Securities Report for the Fiscal Year Ended March 2025 for details of major risks.

Among these key risks, for those that can be quantitatively assessed, we calculate risk assets based on the maximum potential loss that could occur in the future on a consolidated basis. We regularly assess the overall risk exposure across the entire organization. With this information, we practice management that controls risks within the scope of shareholder capital (risk buffer). To achieve ambitious business growth through proactive investments and expansion, we strategically take risks within the risk buffer, aiming to enhance profitability while considering risk factors. Our goal is to balance improved corporate value with soundness of the management.

[Shareholders' Equity and Risk Assets]



Credit Risk Management of Business Partners

Most of the trade receivables and other receivables arising in the Group's business are extended to each business partner on credit terms. In addition, credit is provided in the form of advances, loans, guarantees, and other arrangements. When extending credit, we set credit limits for each business partner and take measures such as obtaining credit insurance as necessary. We also work to reduce credit risk through rigorous and flexible credit management, including monitoring the concentration of exposure.

In addition, we calculate risk assets (RA) using indicators such as probability of default (PD), loss given default (LGD), and exposure at default (EAD) based on internal ratings.

These are used to measure and monitor the Group's credit risk exposure.

[Credit Risk Management of Business Partners]

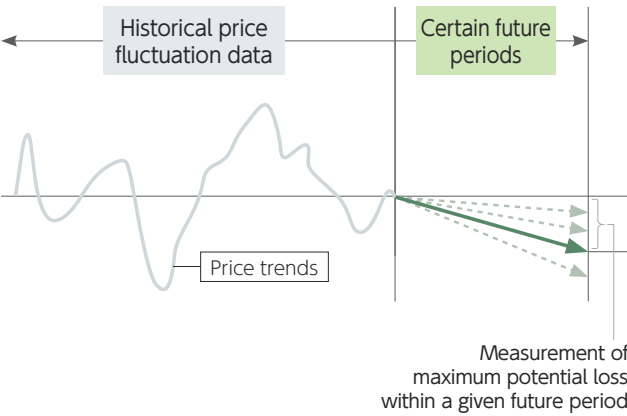
Business partner	Ratings	Credit limit	Balance of receivables	EAD	PD	LGD	RA
Company X	A	XXX	XXX	XXX	X.X%	X.X%	XX
Company Y	C	XXX	XXX	XXX	X.X%	X.X%	XX
Company Z	B	XXX	XXX	XXX	X.X%	X.X%	XX
Total		XXX	XXX	XXX			XXX

Commodity Market Risk Management

The Group trades in market commodities such as steel products, metal raw materials, nonferrous metals, food products, energy products, and living materials, and in some cases holds distribution inventories. Since these commodities are subject to market price fluctuations, we use statistical methods based on historical price data to measure the maximum potential loss over a given future period and to assess price fluctuation risk.

To prepare for periods of heightened market price volatility, we set position limits and loss limits as necessary to avoid risk concentration and excessive losses. For non-ferrous metals, petroleum products, and other commodities, we also use derivatives such as forward contracts and swap contracts to hedge against market and price risks. These transactions are managed appropriately based on internal regulations that set limits on write-downs and risk exposure.

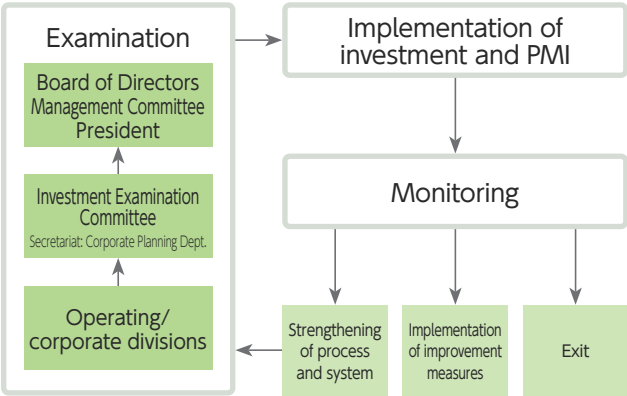
[Commodity Market]



Business Investment Risk Management

The Group makes business investments to strengthen existing operations and expand into new business domains. These investments are reviewed by the Investment Examination Committee and approved or rejected through prescribed screening processes appropriate to the nature and scale of each investment. After execution, we regularly analyze overall progress of the plan and conduct intensive monitoring of investments deemed to require special attention.

[Investment Management and Review Process]



Risk Management

Upgrading the Trade Management System

Since the Group operates many domestic and overseas bases and engages in various business activities, we regard compliance with the laws and regulations of each country as a priority issue. To ensure compliance with the Foreign Exchange and Foreign Trade Act and appropriate trade controls, we have established the Security Export Control Rules and established the Security Export Control Committee, which is chaired by the officer supervising the corporate division, to conduct company-wide management and ongoing internal education, thereby ensuring the proper and smooth

[Export control flow]



Under the Authorized Economic Operator (AEO) program, in which customs authorities approve and certify businesses with robust cargo security and compliance systems and offer simplified customs procedures, we obtained approval as an Authorized Exporter in 2023 and as an Authorized Importer in 2024.

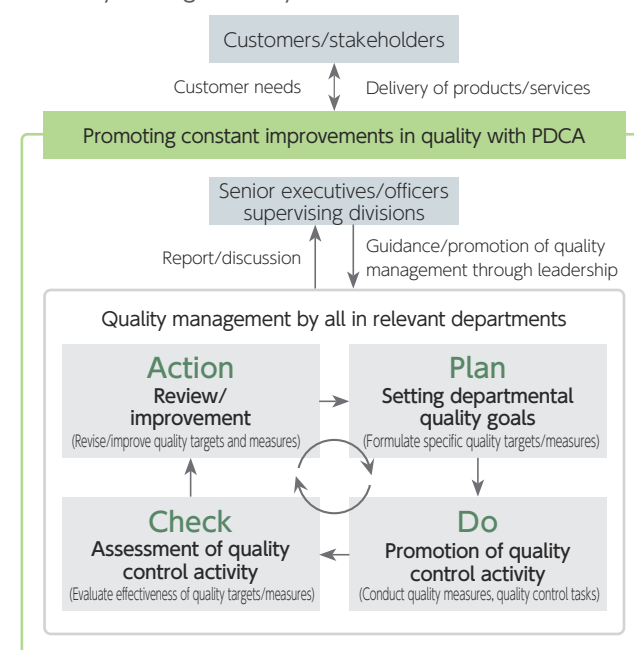
implementation of operations related to the security export control. Specifically, operating divisions and the committee secretariat double-check and review classification results, as well as the destination country, end use, and end user. Final approval of the transaction is then granted by the Committee Chairperson. Going forward, we will continue to further strengthen and enhance our trade control framework to contribute to maintaining peace and security in the international community.

In response to strengthened sanctions worldwide, such as U.S. OFAC regulations, following Russian invasion of Ukraine, we are reinforcing our management framework on a consolidated basis. This includes enhancing IT-based monitoring by the corporate divisions in addition to frontline risk management by operating divisions, including overseas offices.

Quality Control and Health & Safety Management

In recent years, the social impact of quality incidents has been increasing, requiring companies, including trading companies, to pay more attention to quality management. We have established the Quality, Safety & Environment Control Department and introduced Quality Control Rules based on the Quality Management System defined in the Japanese Industrial Standards (JIS Q 9001). All staff in related divisions, including Group companies, continuously implement quality management activities under the PDCA cycle, tailored to the nature of their businesses. Through these efforts, we work to prevent quality incidents and improve the overall level of quality management. In addition, we have established the Safety and Health Management Rules (Construction and Manufacturing Businesses) to prevent occupational and public accidents at our construction and manufacturing businesses, and strive to thoroughly ensure compliance and avoid associated risks to us. At the same time, we are working to instill a corporate culture that places the highest priority on safety.

[Quality Management System Structure]



Personal Information Protection Policy

We regard the appropriate management of personal information as part of its corporate social responsibility, and for purpose of preventing the leakage or unauthorized use of personal information, we have established the Information

Management Regulations and the Personal Information Protection Manual and has thoroughly conducted education to the officers and employees.

Information Security

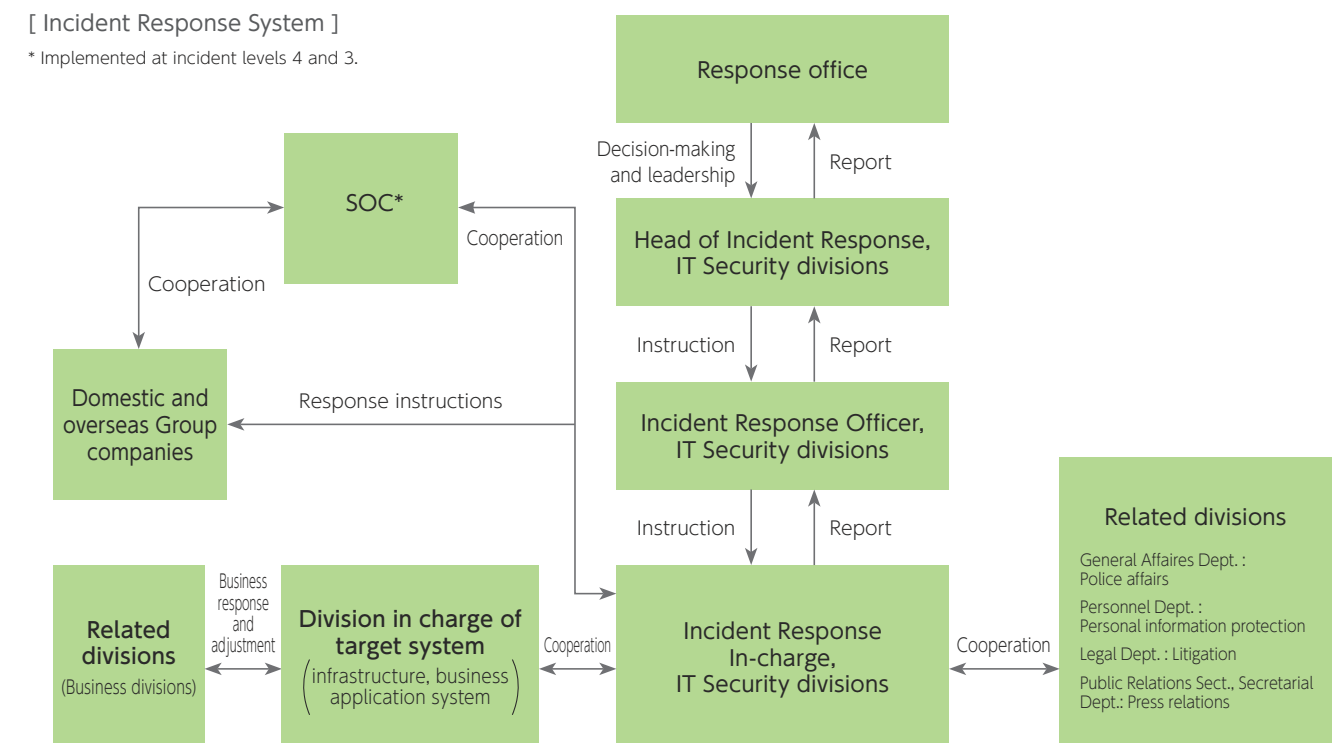
We have established the Information Management Regulations and other regulations to ensure an adequate level of information security of the Group and the appropriate management of information assets held by the company. We have built a monitoring and reporting system to prepare for attacks by unauthorized external access, and regularly conduct education and training within the Group. In the event of an incident, we will respond in accordance with our manual

and work to minimize damage to the entire Group.

In FY2025, we plan to revise the roadmap for the Group's information security measures. The new roadmap will include revising existing rules and introducing the latest security technologies. We will continue to maintain a high level of information security to secure the trust of our customers and stakeholders.

[Incident Response System]

* Implemented at incident levels 4 and 3.

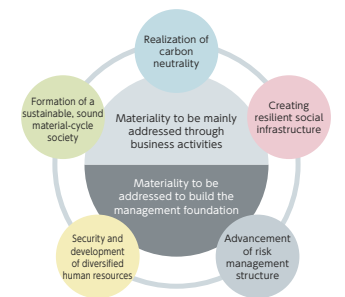


* SOC--Security Operation Center

Crisis Management Measures

We have established the Crisis Management Manual to prepare against serious crisis that could cause serious damage to our assets and the implementation of operations, as well as damage to officers and employees of our domestic and overseas companies and the Group companies as well as the safety of their families. In addition, all departments of we have established the Business Continuity Plan (BCP) Manual

for Large Scale Disasters and have set up a business continuity plan in the event of a major disaster. In the event of a crisis, we work to minimize the damage, ensure the safety of our officers and employees and their families, and establish a system necessary for the continuation and early resumption of core businesses.



HKQC Initiatives

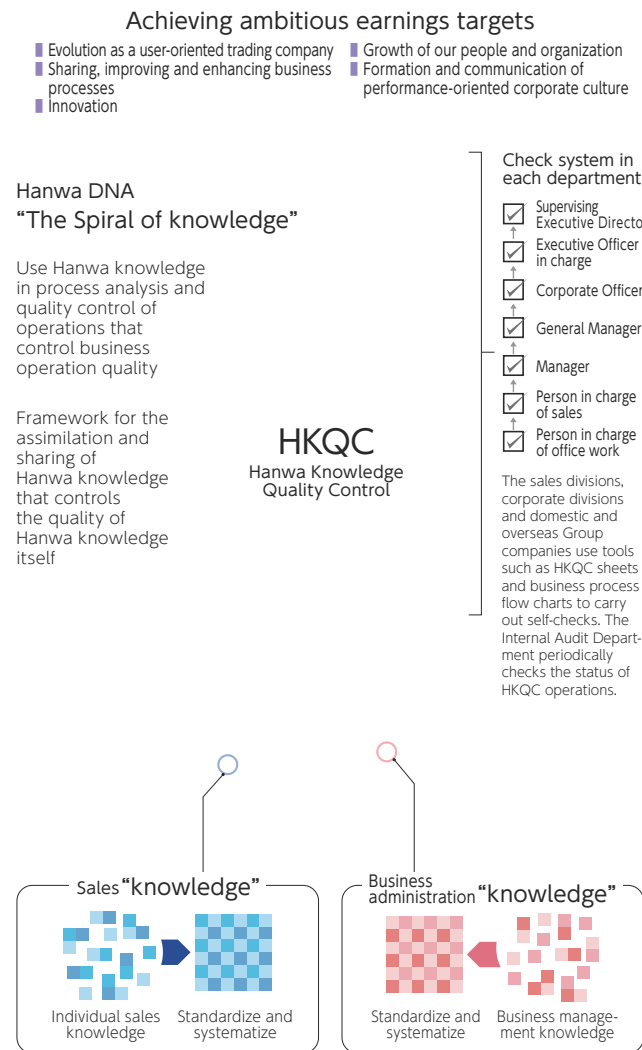
Understanding HKQC

HKQC (Hanwa Knowledge Quality Control) is a program unique to the Hanwa Group. It aims to improve the quality of our operations by using the Group's accumulated collective knowledge for more thorough risk analysis and process control, and to pass the knowledge of the Group down and develop it further. The program was launched with full employee participation in 2014.

Currently, HKQC initiatives are implemented based on the following concepts:

- ✓ They are daily operation improvement activities done autonomously by all employees in the organization
- ✓ They are activities to improve the quality of our operations, which in turn improves corporate value
- ✓ They are activities that not only comply with laws, regulations and rules, but also take into account social demands such as CSR, ESG and SDGs

They are positioned as internal control activities in the Group themselves.



Initiatives

Since FY2016, we have held HKQC Events each year, not only to improve work processes, but also as a venue to pass down our corporate culture through the spirit of HKQC. In FY2020, we linked HKQC to the personnel performance evaluation system, cascading department-level HKQC targets set at the beginning of the fiscal year down to individual goals, thereby creating a system for increasing employees' awareness and engagement. Since FY2021, each department has held an HKQC Promotion Meeting to establish the

PDCA cycle by reviewing progress and setting goals for the following fiscal year. In recent years, HKQC has evolved into a practical initiative that fosters awareness and mindset change. It now emphasizes field-based improvement activities such as streamlining operations, sharing expertise within departments, and learning from one another by sharing failure cases. Through HKQC, we are enhancing operational quality and nurturing corporate culture at the individual, departmental, and company-wide levels.

Corporate Governance

Basic Policy of Corporate Governance

Basic approach

We aim to fulfill our social responsibilities as a good corporate citizen so that we can gain and retain respect from our stakeholders and be recognized as a valuable enterprise. We work to establish a high degree of transparency in management systems to ensure full legal

and regulatory compliance and respect for social norms. In addition, to coexist with the Earth and society and to develop sustainably, we have established the Sustainability Promotion Committee and promoted management initiatives with a focus on sustainability.

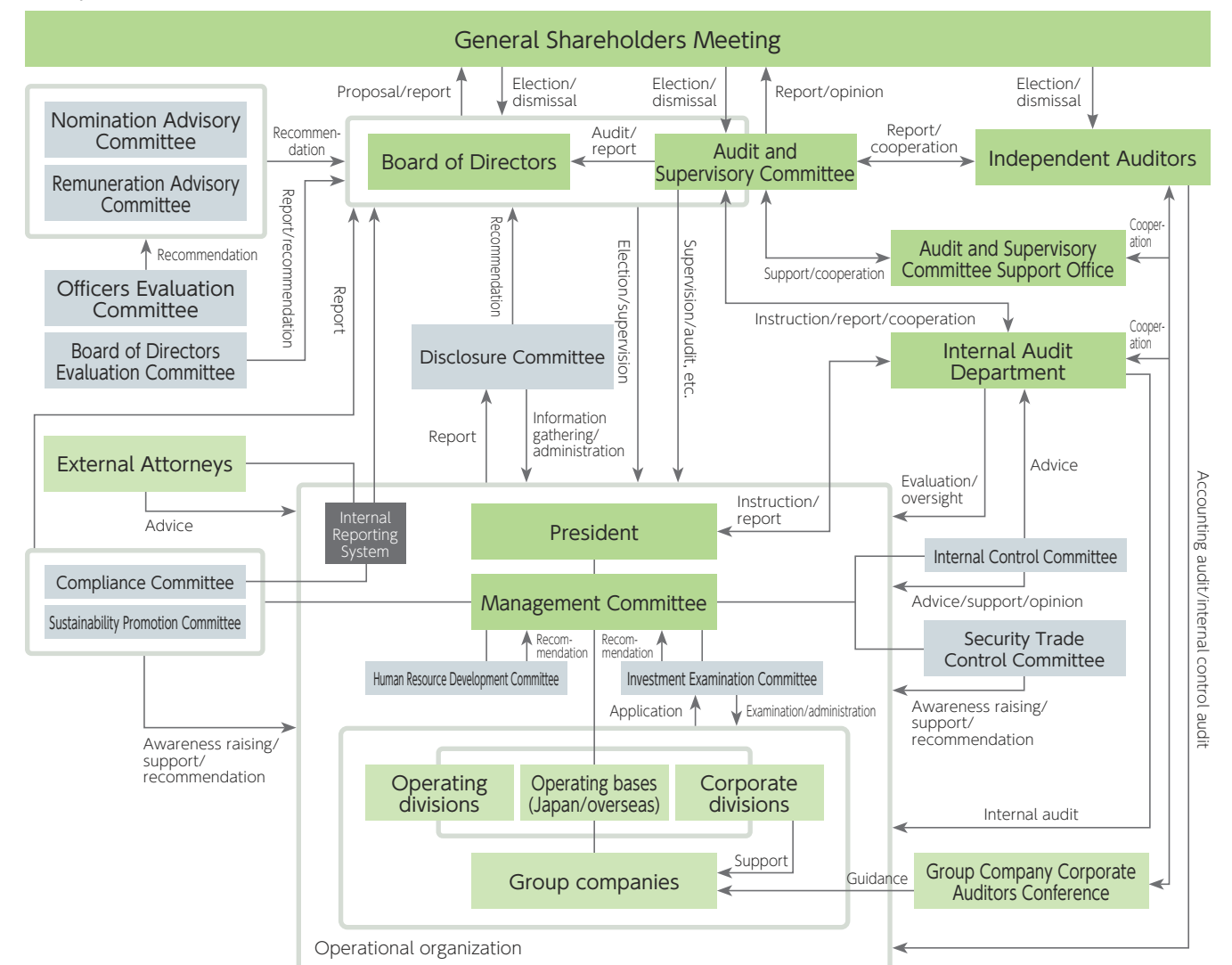
Structure

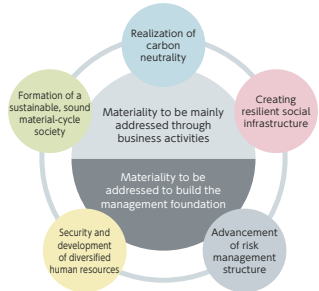
By a resolution of the 78th Ordinary General Shareholders Meeting held on June 26, 2025, the Company transitioned to a company with an Audit and Supervisory Committee. Since the Company's business spans a wide range of fields, authority will be delegated to executive directors who have a thorough understanding of their respective fields and the Company's operations. In addition, we are working to accelerate business execution with the advice and supervision of independent outside directors with high levels of expertise.

The Company is working to strengthen the supervisory function of the Board of Directors by having the Audit and Supervisory Committee Members, who audit the execution of duties by directors from the perspectives of legality and adequacy, as members of the Board of Directors.

In addition, we introduced an executive officer system to establish a system that enables more detail-oriented business operations and to promote quicker and more efficient decision-making.

[Corporate Governance Structure]





Board of Directors

The Board of Directors consists of seven internal directors and seven outside directors. Internal directors include president, two vice presidents, two directors in charge of the Steel business, one in charge of administration divisions, and one director who is a full-time Audit and Supervisory Committee Member. They utilize their wealth of knowledge and experience to oversee their respective business administration and business execution. The composition of the outside directors emphasizes the supervisory function and includes four directors who are not Audit and Supervisory Committee Members and three directors who are Audit and Supervisory Committee Members. In addition, two female directors have been appointed from outside the company.

Skill Matrix

The skills of the Company's directors are as follows.

Name	Position	Gender	Corporate Management	Sales/ Business Strategy	Overseas Experience	Finance/ Accounting	Legal affairs/ Risk Management	Human Resources/ Labor affairs	IT/Digital
Yoichi Nakagawa	Representative Director, President	Male	●		●	●	●	●	
Hiromasa Yamamoto	Representative Director, Executive Vice President	Male	●	●	●				
Yasushi Hatanaka	Director, Executive Vice President	Male	●	●	●				
Yoichi Sasayama	Director, Senior Managing Executive Officer	Male	●	●	●				
Keiji Matsubara	Director, Senior Managing Executive Officer	Male	●	●	●				
Hisashi Honda	Director, Managing Executive Officer	Male	●	●		●		●	●
Ryuji Hori	Outside Director	Male	●	●			●	●	
Kamezo Nakai	Outside Director	Male	●	●		●	●	●	●
Reiko Furukawa	Outside Director	Female	●				●		●
Chika Sato	Outside Director	Female	●		●			●	
Hideo Kawanishi	Director, Full-time Audit and Supervisory Committee Member	Male	●	●					
Hideyuki Takahashi	Outside Director, Audit and Supervisory Committee Member	Male	●			●	●		●
Naoya Sakurai	Outside Director, Audit and Supervisory Committee Member	Male	●				●		
Hisanori Kokuga	Outside Director, Audit and Supervisory Committee Member	Male	●	●	●	●		●	

* "Sales/Business Strategy" means skills or experiences related to the Company's business.

Evaluation of the Effectiveness of the Board of Directors

Since FY2019, we have been analyzing and evaluating the effectiveness of our Board of Directors to further improve its functions. In FY2023, a third-party evaluated the effectiveness of the Board of Directors, examining its composition, operation, and the quality of discussions from multiple perspectives. The results confirmed that, while some challenges remain, the Board of Directors is functioning appropriately and that its discussions are contributing to the sus-

The term of office is two years for directors who are Audit and Supervisory Committee Members and one year for other directors to respond flexibly to changes in the business environment.

In appointing directors, our policy is to appoint personnel who are valuable to our management decisions as directors, regardless of gender or nationality. In principle, the Board of Directors meeting is held once a month, to deliberate on matters stipulated in laws and regulations and the Articles of Incorporation, as well as to plan and formulate important management operations for the Group. Moreover, the Board of Directors receives reports on business execution from each director and is responsible for overseeing the execution of duties.

tainable improvement of corporate value.

In FY2024, in connection with the transition to a company with an Audit and Supervisory Committee, we reexamined the structure and operation of the Board of Directors and continued efforts to maintain and improve its effectiveness. Going forward, we will continue our efforts to sustainably improve our corporate value by strengthening the functions of the Board of Directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of one full-time internal director and three outside directors. To facilitate its activities, the committee is assisted by the Audit and Supervisory Committee Support Office and Audit and Supervisory Officers, both under the committee's direction.

From an independent and objective standpoint, the committee conducts audits and other duties for the execution of duties, by directors from the perspectives of legality and adequacy through interviews with executive directors, attendance at meetings of the Management Committee and other bodies by a full-time Audit and Supervisory Com-

mittee Member, etc. The results are approved within the committee and shared through statements to the Board of Directors and reports to general shareholders meetings, thereby contributing to improvement of governance effectiveness.

The committee also strives to strengthen monitoring function and improve audit effectiveness by collaborating closely with independent auditors and the Internal Audit Department, exchanging information and holding discussions on a regular and as-needed basis.

Outside Directors

Outside directors are expected to act as representatives for stakeholders, including shareholders. They are expected to evaluate the Group's business decisions as well as the appropriateness of the execution of business from an objective point of view and provide valuable advice and recommendations. Accordingly, candidates with the competence and experience suitable for this demanding posi-

tion are selected as outside directors. Independent outside directors also participate in the Officers Evaluation Committee, Nomination Advisory Committee, and Remuneration Advisory Committee, and appropriately express their opinions on the evaluation, appointment, etc. of directors and executive officers from a third-party perspective.

Reasons for appointment of outside directors and their attendance

Position	Name	Reason for appointment	Attendance in FY2024
Outside Directors	Ryuji Hori	He has expertise and extensive knowledge in legal affairs, cultivated through his many years of experience mainly in risk management at a general trading company, along with his experience as a university professor. He was appointed for the position of Outside Director because we expect that he can provide advice on our management decisions and supervision towards our business execution from a general and multilateral perspective.	Board of Directors 16 out of 16 meetings
	Kamezo Nakai	He has extensive knowledge and abundant experience cultivated through his many years of corporate management in the securities industry and real estate industry. He was appointed for the position of Outside Director because we expect that he can provide advice on our management decisions and supervision towards our business execution from a practical and multilateral perspective especially in finance and investment.	Board of Directors 16 out of 16 meetings
	Reiko Furukawa	She has profound insight supported by her many years of varied experience in business, management, audits, etc., at a large IT company. She was appointed for the position of Outside Director because we expect that she can provide advice on our management decisions and supervision towards our business execution from a practical and objective perspective, especially in the areas of information systems and internal control.	Board of Directors 16 out of 16 meetings
	Chika Sato	She served as a manager of human resources divisions at Japanese companies and foreign capital companies for many years, and has profound insight and various experience regarding human resources measures. She was appointed for the position of Outside Director because we expect that she can provide advice on our management decisions and supervision towards our business execution from a practical and objective perspective, especially in the areas of global human resources strategy and the promotion of diversity.	Board of Directors 12 out of 13 meetings

Position	Name	Reason for appointment	Attendance in FY2024
Outside Directors (Audit and Supervisory Committee Members)	Hideyuki Takahashi	He has expertise in banking and finance, cultivated through his many years of business experience at financial institutions, along with his abundant experience in corporate management and audit. He was appointed for the position of Outside Director who is an Audit and Supervisory Committee Member because we expect that he can utilize his knowledge and experience to audit and supervise management from an independent and objective perspective, as well as contribute to strengthening the monitoring function of the Board of Directors and enhancing the Company's corporate governance system.	Board of Directors 16 out of 16 meetings Board of Auditors 13 out of 13 meetings
	Naoya Sakurai	He has extensive insight into corporate legal affairs, cultivated through his many years of business experience in the legal affairs division of a global company. He was appointed for the position of Outside Director who is an Audit and Supervisory Committee Member because we expect that he can utilize his insight to audit and supervise management from an independent and objective perspective, as well as contribute to strengthening the monitoring function of the Board of Directors and enhancing the Company's corporate governance system.	Board of Directors 13 out of 13 meetings Board of Auditors 10 out of 10 meetings
	Hisanori Kokuga	He has expertise and extensive knowledge cultivated through his many years of business experience at a financial institution, along with his considerable international experience. He was appointed for the position of Outside Director who is an Audit and Supervisory Committee Member because we expect that he can utilize his knowledge and experience to audit and supervise management from an independent and objective perspective, as well as contribute to strengthening the monitoring function of the Board of Directors and enhancing the Company's corporate governance system.	Board of Directors 13 out of 13 meetings Board of Auditors 10 out of 10 meetings

* They satisfy the "Independence Standards for Outside Directors" stipulated by the Company, and the Company has registered them as Independent Officers pursuant to the provisions of the Tokyo Stock Exchange, Inc.

* By a resolution of the 78th Ordinary General Shareholders Meeting held on June 26, 2025, the Company transitioned to a company with an Audit and Supervisory Committee. The number of attendances by directors who are Audit and Supervisory Committee Members in FY2024 are presented based on the Company's status as a company with a Board of Auditors.

* In June 2024, Ms. Chika Sato was appointed Director, and Mr. Naoya Sakurai and Mr. Hisanori Kokuga were appointed Corporate Auditors.

Advisory Committees to the Board of Directors

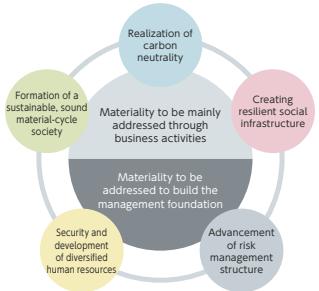
In order to maintain the independence and objectivity of the Board of Directors, we have established advisory bodies to the Board of Directors: the Officers Evaluation Committee, the Nomination Advisory Committee, and the Remuneration Advisory Committee, each of which is composed with a majority of outside directors.

Roles of the committees

Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
It is chaired by the President, and more than half of its members consist of outside directors. It meets at least twice a year to perform a comprehensive evaluation based on an assessment of the level of commitment of executive directors (excluding Chairman, President, and outside directors) and a peer review process by all directors and executive officers. The results of the evaluation are provided to the Nomination Advisory Committee and the Remuneration Advisory Committee.	It is chaired by an outside director, and more than half of its members consist of outside directors. Based on the results of officer evaluations and employee performance evaluations, it considers the composition of officers for the next fiscal year, prepares a draft, and recommends it to the Board of Directors.	It is chaired by the President, and more than half of its members consist of outside directors. Based on the results of officer evaluations, it prepares a draft of the basic remuneration for the next fiscal year, while also drafting a calculation rule for the performance-linked remuneration, which is a bonus for officers, and recommends the draft to the Board of Directors. It also examines the level of restricted stock compensation that is considered appropriate for each position.

Committee members

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee	Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Representative Director, President	Yoichi Nakagawa	Committee Chairperson	○	Committee Chairperson	Outside Director	Chika Sato	○	○	○
Representative Director, Executive Vice President	Hiromasa Yamamoto	○	○	○	Director, Full-time Audit and Supervisory Committee Member	Hideo Kawanishi	○	○	○
Director, Managing Executive Officer	Hisashi Honda	○	○	○	Outside Director, Audit and Supervisory Committee Member	Hideyuki Takahashi	○	○	○
Outside Director	Ryuji Hori	○	Committee Chairperson	○	Outside Director, Audit and Supervisory Committee Member	Naoya Sakurai	○	○	○
Outside Director	Kamezo Nakai	○	○	○	Outside Director, Audit and Supervisory Committee Member	Hisanori Kokuga	○	○	○
Outside Director	Reiko Furukawa	○	○	○					



Executive Remuneration System

The remuneration of our directors (excluding directors who are Audit and Supervisory Committee Members) is determined within the limits of the amount approved at the General Shareholders Meeting. The basic policy of the system is to ensure that it functions as an incentive for the sustainable improvement of corporate value and that it is at an appropriate level based on the responsibilities of each position.

The remuneration for executive directors consists of a combination of monetary remuneration —comprising basic remuneration and executive bonuses —and non-monetary compensation in the form of stock. For outside directors, whose duties focus on supervisory functions, the Company's policy is to provide only basic remuneration.

Remuneration for directors who are Audit and Supervisory Committee Members is determined through discussions among those members, within the limits of the amount approved at the General Shareholders Meeting.

Remuneration items		Content	Recipients
Monetary remuneration	Basic remuneration (Fixed salary)	Monthly fixed monetary remuneration Determined with an emphasis on the attitude toward medium- and long-term issues aimed at sustainable growth and the results of their efforts	Executive director/ Outside director
	Executive bonus (Performance-linked salary)	Monetary remuneration linked to ordinary income for the fiscal year Remuneration for the responsibility of the performance results	Executive director
Non-monetary remuneration	Restricted stock compensation	Remuneration in the form of restricted stock Medium- to long-term incentive aimed for the enhancement of corporate value	

In determining the ratio of remuneration for executive directors by type, the Remuneration Advisory Committee benchmarks against companies in the same scale of business, related industries, and business categories as us, using the reference values in the table below as guidelines.

The Board of Directors determines the individual remuneration of directors, based on the committee's recommendations and taking into account their responsibilities and performance evaluations.

Position	Monetary remuneration		Non-monetary remuneration
	Basic remuneration	Executive bonus (upper limit)	Restricted stock compensation
Director, Chairman/Director, President	8	6	2
Director, Vice Chairman	8	6	2
Director, Executive Vice President	9	7	2
Director, Senior Managing Executive Officer	9	8	2
Director, Managing Executive Officer	10	10	2
Director, Executive Officer	14	14	2

Amount of executive remuneration (FY2024 results)*1

Officer classification	Total (Millions of yen)	Total by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.*2	
Directors (excluding outside directors)	556	309	168	77	8
Corporate auditors (excluding outside corporate auditors)	58	58	—	—	2
Outside officers	99	99	—	—	10

*1 By a resolution of the 78th Ordinary General Shareholders Meeting held on June 26, 2025, the Company transitioned to a company with an Audit and Supervisory Committee. The amounts of executive remuneration for FY2024 are presented based on the Company's status as a company with a Board of Auditors.

*2 Non-monetary remuneration, etc. is the amount recorded as an expense for FY2024 as restricted stock compensation.

Management Committee

The Management Committee mainly consists of officers at the level of managing executive officer or higher and full-time Audit and Supervisory Committee Members. In addition to submitting important issues related to the management decisions of the Group to the Board of Directors as

agenda items, as the highest body for business execution, it meets twice a month as a rule, to execute business in accordance with the management policy determined by the Board of Directors.

Internal Control

Internal control system

In order to ensure the Group improves corporate value through the appropriate and efficient implementation of business activities in compliance with laws and regulations and the Articles of Incorporation, the Board of Directors has established a basic policy related to the development and operation of an internal control system of the Group. We are working on the steady improvement and enhancement of internal control, after confirming the status of the operation.

Strengthening of the internal control system

We have established various committees related to internal control, as seen below, to enhance and improve the internal control system of the entire Group.

Various internal control-related committees

Internal Control Committee	It is chaired by and comprised of managerial staff who are equivalent to general managers or higher in the corporate divisions. In addition to providing advice and support to the Internal Audit Department in verifying the effectiveness evaluation of the Group's internal control and expressing opinions on the Internal Control Evaluation Report, it reviews internal control issues within the Group and submits its results to the Management Committee.
Compliance Committee	It is chaired by the officer in charge of the corporate divisions and is comprised of managerial staff who are equivalent to general managers or higher in the corporate divisions. Along with establishing, maintaining, and managing the Group's overall compliance framework, the committee also investigates individual cases as necessary, consider response measures, and formulate subsequent preventive measures.
Security Trade Control Committee	It is chaired by the officer in charge of the corporate divisions and is comprised of managerial staff who are equivalent to managers or higher in the corporate divisions and sales divisions. The committee promotes compliance with laws and regulations on security trade across the Group, designs and develops the framework and procedures for export control reviews, and oversees and provides guidance on those reviews.
Investment Examination Committee	It is comprised of managerial staff who are equivalent to managers or higher in the corporate divisions and is chaired by the officer in charge of the corporate divisions or a corporate officer. The committee reviews new business, investment and loans, and special transactions, and submits its opinions to the Management Committee and the Board of Directors.
Sustainability Promotion Committee	It is chaired by the officer in charge of the corporate divisions and is comprised of managerial staff who are equivalent to managers or higher in the corporate divisions and sales divisions. It plans, formulates, implements, guides and manages company-wide initiatives necessary for the Group to coexist with the Earth and society and to develop sustainably.
Disclosure Committee	It is composed of managerial staff who are equivalent to general managers or higher in the corporate divisions and is chaired by the person in charge of information management. The committee assesses the materiality of decisions and events within the Group to determine the need for disclosure, and also reviews the appropriateness of the disclosure content. It also establishes principles and basic policies for legal and timely disclosure, and develops internal systems to support them.

Compliance

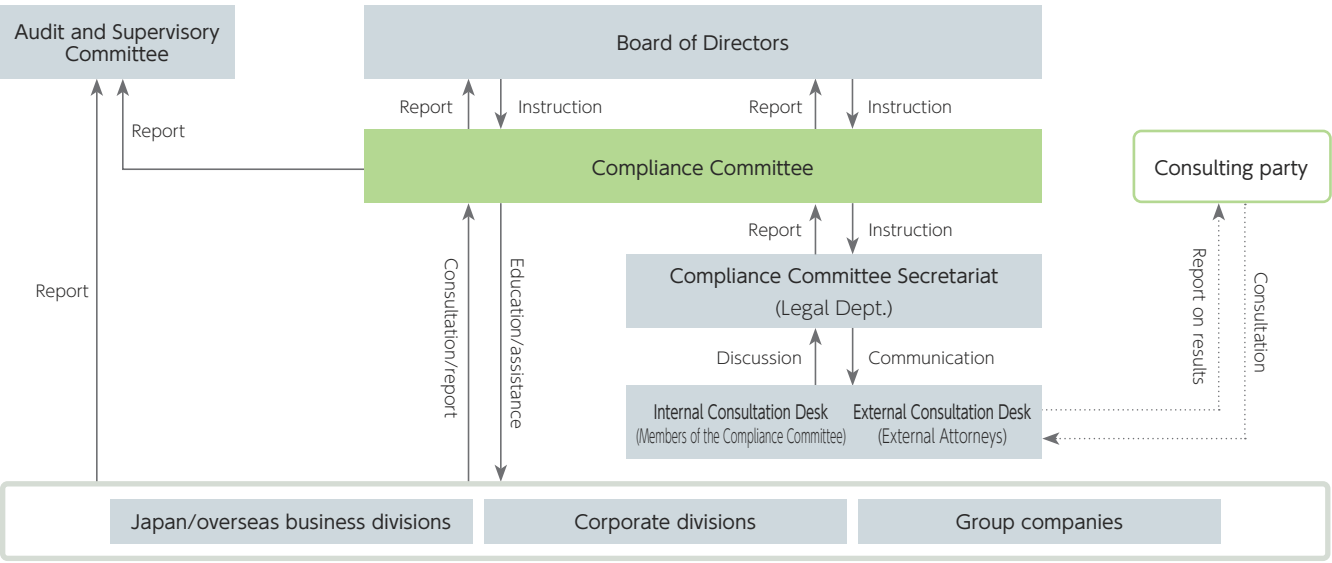
Basic approach

We have formulated a Corporate Ethical Standards and Corporate Ethics Code of Conduct as guidelines that all Group officers and employees are expected to observe in their daily

work and personal conduct. To put these standards and rules into practice, we promote lawful, fair, and responsible corporate activities through a variety of initiatives.



[Organization Chart of the Internal Compliance System]



Initiatives to ensure compliance

·Education of officers and employees

Since 2006, we have formulated a compliance manual as a guideline to be observed by all officers and employees, clearly stipulating the prevention of bribery, insider trading, harassment, and other corrupt practices. The manual is available to all Group employees worldwide in multiple languages. The manual is revised as necessary in line with changes in society and revisions to laws, and the sixth edition was issued in 2024.

Under the leadership of the corporate divisions, we provide training throughout the year tailored to different employee groups: new graduates, mid-career hires, managers, and officers. We also conduct thematic training programs on credit and legal affairs, compliance, insider trading prevention, harassment, and the prevention of bribery and corruption. Through these initiatives, we work to improve compliance awareness among all officers and employees.

·Consultation Desk

We have established both an internal consultation desk, where all officers and employees can freely consult or report compliance concerns such as bribery and other corrupt practices, anonymously if desired, and an external consultation desk operated by an independent law firm. We have also established a dedicated consultation desk for various types of harassment, which are making headlines in recent times, to ensure swift and appropriate response. In addition, we provide a contact point on our website for information and consultations from business partners and other external stakeholders.

In addition to enhancing these consultation channels, we have established "Internal Whistleblowing Rules" to ensure proper handling of consultations and reports on misconduct, and we work to identify and resolve problems at an early stage.

·Internal management system

The Compliance Committee, composed of officers and general managers from the corporate division, meets regularly to raise compliance awareness, investigate and address related cases, formulate preventive measures, and report to the Board of Directors.

In 2023, under the supervision of the Board of Directors, we established "Anti Bribery Rule" to prevent corruption, including bribery, and to prohibit providing benefits to public officials or others for the purpose of obtaining improper advantage. We also check annually the status of licenses, permits, and qualifications required for business activities, and monitor compliance with relevant laws and regulations.

Through these measures, we are continuously building and strengthening our compliance and legal frameworks.

·Responding to social change

In response to requests from the Japan Fair Trade Commission and the Small and Medium Enterprise Agency for fair subcontracting practices, we formulated Guidelines for Determining Applicability of the Subcontract Act to Transactions and have disseminated them throughout the company. We are also raising awareness internally by, for example, surveying whether price pass-through of rising labor and raw material costs is being adequately discussed between our business partners.

In this way, we have established a system to respond to the social demands, by responding promptly to any revisions to laws and regulations related to corporate activities or to administrative notifications, and by ensuring that measures are deployed internally and strictly observed.

Management Team

Number of years in office (as of June 26, 2025)/Number of shares (as of March 31, 2025)

Directors

*1 This person also previously served as a director.

*2 The number of years in office includes both terms of office as a director and as a corporate auditor.



Yoichi Nakagawa

Representative Director, President
10 years/15,929 shares

April 1986 Joined the Company
April 2022 Representative Director,
President

Hiromasa Yamamoto*1

Representative Director, Executive Vice President
(New appointment)/11,428 shares

April 1983 Joined the Company
June 2025 Representative Director,
Executive Vice President

Yasushi Hatanaka

Director, Executive Vice President
11 years/12,205 shares

April 1983 Joined the Company
April 2025 Director, Executive Vice
President



Yoichi Sasayama

Director, Senior Managing Executive Officer
8 years/7,350 shares

April 1984 Joined the Company
April 2021 Director, Senior Managing
Executive Officer

Keiji Matsubara

Director, Senior Managing Executive Officer
5 years/12,781 shares

April 1983 Joined the Company
April 2025 Director, Senior Managing
Executive Officer

Hisashi Honda

Director, Managing Executive Officer
2 years/4,177 shares

March 1991 Joined the Company
April 2024 Director, Managing Executive
Officer



Ryuji Hori Independent Officer

Outside Director
11 years/2,100 shares

Kamezo Nakai Independent Officer

Outside Director
6 years/3,769 shares

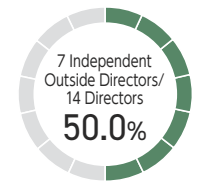
Reiko Furukawa Independent Officer

Outside Director
3 years/375 shares

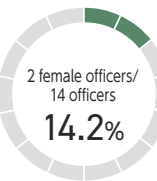
Chika Sato Independent Officer

Outside Director
1 year/52 shares

Ratio of Independent
Outside Directors



Female officers' ratio



Hideo Kawanishi*2

Director, Full-time Audit and Supervisory
Committee Member (20 years)/25,355 shares

April 1973 Joined the Company
June 2025 Director, Full-time Audit and
Supervisory Committee Member

Hideyuki Takahashi*2

Outside Director, Audit and Supervisory
Committee Member (5 years)/165 shares

Independent Officer



Naoya Sakurai*2 Independent Officer

Outside Director, Audit and Supervisory
Committee Member (1 year)/35 shares

Hisanori Kokuga*2

Outside Director, Audit and Supervisory
Committee Member (1 year)/176 shares

Independent Officer

Executive Officers

President

Yoichi Nakagawa

Executive Vice President

Hiromasa Yamamoto

Overseas, Metal Recycling Div., Primary
Metal Div., Steel Resources Dept.

Yasushi Hatanaka

Senior General Manager of Osaka
Head Office, in charge of Kyushu
Branch Office, Chugoku Branch Office,
Hokuriku Branch Office

Senior Managing Executive Officer

Yoichi Sasayama

Tokyo HQ Steel Plates & Sheets
Div., Housing Material Div., Nagoya
Branch Office, Niigata Branch Office,
Shizuoka Branch Office

Keiji Matsubara

Tokyo HQ Steel Plates Dept., Machinery
Div., Wire Products & Special Steel Div.
of all offices, East Asia

Managing Executive Officer

Chiro Ideriha

General Representative for
Americas and President of
HANWA AMERICAN CORP.

Ryuichi Takaba

General Representative for
Europe, Middle East, Africa

Yoshifumi Miyano

Energy Div., Food Div., Life Living
Materials Div., New Business
Development Office

Shigeto Minamimura

Osaka HQ Steel Bars & Construc-
tion Materials Div., Kyushu Branch
Office, Chugoku Branch Office,
Hokuriku Branch Office

Yukiaki Takada

Tokyo HQ Steel Bars & Construction
Materials Div., Steel Structure
Marketing Div. of all offices,
Thermal-insulation Construction Dept.,
Construction Materials Recycling Sales
Dept., Design Sales Dept., Hokkaido
Branch Office, Tohoku Branch Office

Hisashi Honda

Administrative Div.

Shoji Shirasawa

Metal Recycling Div., Primary
Metal Div., Steel Resources Dept.,
Asia Metal Recycling Business

Masahiko Fujitsuka

General Representative for Asia

Executive Officer

Toshihiro Kawaguchi

Osaka HQ Steel Bars &
Construction Materials Div.,
Hokuriku Branch Office, Chugoku
Branch Office Steel Bars &
Construction Materials Dept.

Takeshi Amano

Primary Metal Div., Steel
Resources Dept.

Kenji Naito

General Representative for East
Asia

Yoshinari Kouketsu

Steel Structure Marketing Div. of
all offices, Thermal-insulation
Construction Dept., Construction
Materials Recycling Sales Dept.,
Design Sales Dept., Machinery
Div.

Syogo Ozaki

Tokyo HQ Steel Sheets Dept.,
Structural Steel Sheets Dept.,
Steel Processing Project
Promote Dept.

Koichi Kishimoto

HQ & ASIA Energy Div., Food
Div., Life Living Materials Div.,
New Business Development
Office

Hideyuki Tsuruta

Personnel Dept., General Affairs
Dept., Quality, Safety &
Environmental Control Dept.,
Sales Accounting Dept., Trade
Administration Dept.

Yasuhiko Watanabe

Corporate Planning Dept., Legal
Dept., Credit Dept., Sustainability
Promotion Office., Risk Manage-
ment Dept.

Hideshi Fujita

Osaka HQ Structural Steel
Sheets Dept., Steel Sheets Sales
Dept., Steel Plates Dept.,
Chugoku Branch Office Steel
Dept.

Koichi Kishimoto

Wire Products & Special Steel
Div. of all offices and Housing
Materials Div.

Daigo Matsumoto

Tokyo HQ Steel Plates Dept.,
Steel Sheet Sales Dept., Pipe and
Tube Sales Dept., Niigata Branch
Office

Takanori Ito

General Manager of Nagoya
Branch Office, in charge of
Shizuoka Branch Office

► Please refer to the list of directors on pages 47 to 51 of the Securities Report for the Fiscal Year Ended March 2025 for detailed career summaries of directors.

Audit and Supervisory Committee Member Roundtable

Outside Director, Audit and Supervisory Committee Member **Naoya Sakurai** × Director, Full-time Audit and Supervisory Committee Member **Hideo Kawanishi** × Outside Director, Audit and Supervisory Committee Member **Hideyuki Takahashi** × Outside Director, Audit and Supervisory Committee Member **Hisanori Kokuga**

“ We will endeavor to further strengthen the governance of the Board of Directors through our transition to a company with an Audit and Supervisory Committee ”

Deepening of validity audits and transition to a company with an Audit and Supervisory Committee

Hanwa has transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee. Could you tell us about the background to and aims of this change in organizational structure?

Takahashi Until now, as a company with a Board of Auditors, the Company has been working to strengthen corporate governance functions, emphasizing soundness, transparency, and efficiency of management. Recently, however, the business environment has been changing rapidly and discontinuously due to climate change, geopolitical risks, digitalization, and other factors. Given such circumstances, we were constantly asking ourselves whether it was okay to carry on as we were. To respond accurately to such business environmental changes, it would be essential to accelerate decision-making and further strengthen the monitoring function of the Board of Directors. So about two years ago, we established the Governance Enhancement Committee, chaired by President Nakagawa, and the committee engaged in repeated discussions about

an ideal form of governance that would be aligned with our future management strategies. These discussions culminated in the decision to transition from a company with a Board of Auditors to a company with an Audit and Supervisory Committee, which was approved at the recent General Shareholders Meeting.

Kawanishi From my perspective as the full-time Audit and Supervisory Committee Member, I would like to reflect on some historical background. In the 1990s, the Company experienced a period when its management foundation was shaken, and it took about 10 years to recover from that. During that period, we actively pursued an aggressive growth strategy, and grew significantly as a result, with the scope of our business operations steadily expanding. With this rapid business expansion, however, various issues emerged, including a gap that had arisen between the speed of business expansion and the speed of human resource development. In addition, the scale of the investments we were making expanded, making it doubly necessary to investigate risks from multiple angles. I was appointed as a corporate auditor just around that time, but I felt that conventional audits, which examined legality, were inadequate on their own to cope with increasingly complex issues, so I endeavored to actively



engage in confirming the rationality of judgments in business execution processes and the subsequent status of progress. Mr. Takahashi observed my audit approach, which went further than the conventional one to also examine validity, and expressed the view that perhaps we should transition to a system aligned with actual conditions. This was another factor behind the recent change in organizational structure.

Kokuga Looking back on the time of my appointment, when I first met Mr. Kawanishi, I was deeply impressed by his clear statement that the Company would go as far as conducting validity audits. Since then, I have approached my duties with those words firmly in mind. On the other hand, there is also a deeply rooted way of thinking that the basic role of corporate auditors is to perform legality audits, and I cannot deny that I also struggled to organize my thoughts on this matter. In light of such circumstances, I feel there is great significance in the fact that this change in organizational structure has established a system whereby we have the institutional backing to probe more deeply, including with respect to validity.

Sakurai This is my personal view, but until now, whenever I have expressed my opinions as a corporate auditor about the validity of management decisions, I have always been conscious of how this relates to the duty of care of a prudent manager. In other words, I have conducted audits from the perspective of whether executive decisions might deviate from the scope of what is valid and risk causing problems in terms of fulfillment of the duty of care of a prudent manager. Therefore, I believe validity audits is positioned as an extension of legality audits. On the other hand, I feel that Audit and Supervisory Committee Members need to go beyond the framework of legality audits and, as members of the Board of Directors, become more actively involved in the area of validity, questioning whether the Company's management decisions and strategies are truly appropriate.

Takahashi As Mr. Kawanishi mentioned earlier, the Company experienced a period when its management foundation was shaken. In the process of recovery, management demonstrated a stance of actively incorporating the opinions of corporate auditors in decision-making, and the Board of Auditors responded to those expecta-

tions by substantially fulfilling functions close to those of a company with an Audit and Supervisory Committee, by conducting validity audits and getting involved in succession planning for the role of president. To begin with, in Japanese companies with Boards of Auditors, institutional constraints mean that the position of corporate auditors has remained relatively low, making it difficult for them to fully exercise the function of monitoring management, and this has been pointed to as a factor behind stagnation at Japanese companies. As a reflection of this, the Companies Act was revised, and the organizational structure of a company with an Audit and Supervisory Committee was newly established. Nowadays, many companies are transitioning to companies with Audit and Supervisory Committees. On the other hand, when making changes to organizational structure, there have been many cases where corporate auditors simply shifted laterally to become Audit and Supervisory Committee Members, with no substantial changes, and concerns about a lack of teeth in the new structures have been voiced. However, in the Company's case, the Board of Auditors had actually been fulfilling functions close to those of an Audit and Supervisory Committee, and I think this organizational structure change can be viewed as the transition that is aligned with that reality. Even so, considering that the operating environment is changing dramatically, I believe that the next year will be an important stage in which we, as the Audit and Supervisory Committee, should focus on strengthening governance further.

Strengthening monitoring function of the Board of Directors and enhancing medium- to long-term management strategy

With this change in organizational structure, what functions do you think the Company's Board of Directors needs to strengthen going forward? Please share your opinions.

Sakurai The Company, by way of its nature as a trading company, is one where sales divisions have a lot of influence. From the perspective of the so-called three lines of defense, the first line (sales divisions) is stronger than the second line (corporate divisions), or in other words, it can be said to be a structure where corporate divi-



Audit and Supervisory Committee Member Roundtable

sions control over sales divisions is relatively weak. Given such organizational characteristics, the Board of Directors has traditionally functioned much like an executive management board, with the emphasis on decision-making functions. While this has certain merits, going forward, under the new structure as a company with an Audit and Supervisory Committee, I think it will be important to spend more time discussing medium- to long-term management strategies for efficiently investing the Company's limited resources in, for example, growth areas. This transition relaxes Companies Act constraints, so I view it as a good opportunity to review what should be discussed at the Board of Directors meetings.

Kokuga I was appointed as a corporate auditor last fiscal year and have been attending the Board of Directors meetings. At the Board of Directors meetings, there is appropriate deliberation and judgment on individual matters, and I truly feel that management decision-making processes are functioning properly. However, going forward, I feel that in addition to that, deepening discussions about the Company's future direction and medium- to long-term management strategies for sustainable growth will be one of the key roles of the Board of Directors. I also expect that through frank and constructive opinion exchanges among directors, we will enhance the quality of strategic decision-making.

Takahashi For the Company to respond quickly and flexibly to changes in the operating environment and sustainably grow corporate value, it is important that the Board of Directors properly equips itself with three functions. The first is to accelerate decision-making through the delegation of authority to execution lines. The second is to continuously conduct in-depth discussions about basic policies related to management strategy at the Board of Directors meetings. And the third is for the Board of Directors itself to enhance monitoring functions and perform highly effective supervisory functions.

Deepening the involvement of Audit and Supervisory Committee Members and building an effective governance structure

The purpose of the organizational structure transition from a company with a Board of Auditors to a company with an Audit and Supervisory Committee is to strengthen the Board of Directors' supervisory function, and by laying the groundwork for that, what changes do you think will occur as a result? Please share your opinions.

Kokuga With this change in organizational structure, we former outside corporate auditors have now become members of the Board of Directors and participate in board resolutions. Seeing the corporate auditors actively voicing their opinions at the Board of Directors meetings so far, I also always tried to speak candidly, but to be honest, as a corporate auditor, I sometimes held back. But with this change in organizational structure, I feel a stronger sense of responsibility, as a director, and want to participate even more actively in discussions than I did before. We have also gained the authority to



express opinions at General Shareholders Meetings regarding the selection of other directors. This means that we Audit and Supervisory Committee Members can directly express our views to shareholders about the election and compensation of executive directors, which further strengthens our function of supervising management. I want to approach my duties with even greater sincerity, keeping in mind that I represent the shareholders.

Kawanishi Under the previous Board of Auditors system, individual corporate auditors held audit authority, so auditing largely depended on individual roles. As a result, when corporate auditors changed, there was a risk that the systems and operations that had been built up over time would deteriorate. With this change in organizational structure, we can now have continuous discussions and respond to issues with institutional backing, under the organizational framework of the Audit and Supervisory Committee. Even when Audit and Supervisory Committee Members change, we can maintain organizational consistency and sustainability, and I see this as significant progress.

Strengthening cooperation with corporate divisions for a more robust governance structure

What do you think the audit structure should be like going forward to improve audit quality?

Takahashi This organizational structure change is just the starting point. I believe that we have now entered a phase in which operation in practice will be put to the test. For instance, given that the Audit and Supervisory Committee has voting rights at the Board of Directors meetings and the right to state opinions at General Shareholders Meeting, one important challenge is how we organize the relationship and role-sharing with the Nomination Advisory Committee and Remuneration Advisory Committee. In addition, the execution side is strengthening its risk management approach, so multiple reforms are happening in parallel. We need to carefully discuss at the Board of Directors meeting level how to make the Audit and Supervisory Committee function effectively within the overall governance structure.

Sakurai Under the previous structure, as a company with a Board of Auditors, audit authority was entrusted to individual corporate auditors. But with this change in organizational structure, audit authority now belongs to the organization called the Audit and Supervisory Committee, not to individuals. Under this new structure, the Audit and Supervisory Committee is expected to conduct audits by giving specific instructions to the Company's internal control and internal audit departments. So strengthening cooperation with the Internal Audit Department and enhancing its functions is even more important than before. As part of efforts to strengthen the Company's audit structure, the Internal Audit Department was reorganized, going from being under the control of the Management Committee to under the direct control of the president. We have also established a dual reporting line, whereby it receives instructions from both the president and the Audit and Supervisory Committee. We have also clarified the priority order of instructions. If there is a contradiction between instructions from the two parties, the Audit and Supervisory Committee's instructions take priority. In addition, we have established rules requiring the Audit and Supervisory Committee's consent regarding the head of the Internal Audit Department. These secure the Internal Audit Department's independence and enhance the effectiveness of the Audit and Supervisory Committee's audit functions. Going forward, I think it will be important to further increase the frequency and quality of information sharing and collaboration not just with the Internal Audit Department, but also with other internal control-related departments like accounting, legal, and personnel departments.

The operating environment surrounding companies is changing rapidly these days. It is becoming increasingly important in auditing to understand in real time what is happening internally, what the execution side is thinking, and what they are trying to accomplish. Given that, having Mr. Kawanishi continuously monitor internal developments as a full-time Audit and Supervisory Committee Member is tremendously helpful on the practical side. The newly introduced posts of Audit and Supervisory Officers and the Audit and Supervisory Committee Support Office are also positioned as important roles that will facilitate the effective functioning of the Audit and Supervisory Committee going forward.

Kawanishi I hold regular meetings with executive officers, and which function effectively as opportunities for information exchange. I am grateful that they also consult with me about business matters and request meetings as needed. I feel that a natural two-way communication has been established. Business reports are also shared with me via email and other means, so I feel I am getting substantial information about frontline activities.

Kokuga This organizational structure change is aimed at further strengthening governance, but properly collecting materials for making decisions is essential for ensuring its effectiveness. Particularly in our current situation, with three outside Audit and Supervisory Committee Members, we have certain constraints and limitations in ac-

cessing internal information on a day-to-day basis. To make up for that, continuous follow-up by Mr. Kawanishi, our full-time Audit and Supervisory Committee Member, and also by the Audit and Supervisory Officers and the Audit and Supervisory Committee Support Office, will play a vital role. Through close collaboration with such parties, we need to accurately gather necessary information and establish a system under which we can fully exercise our supervisory functions.

Takahashi Regarding the Company's future challenges, as Mr. Sakurai mentioned earlier, the Company has been developing and strengthening its sales divisions, which stand on the frontlines of the business. However, the corporate divisions, namely the administrative divisions, seem to have taken a back seat. With the establishment of the Audit and Supervisory Committee as a catalyst, reforms are progressing in the sales divisions, with segments being re-examined and business strategies being reconsidered. But as for the strengthening of corporate divisions, while the Board of Directors recognizes that it is necessary, we are facing challenges like human resource shortages and difficulties in recruiting mid-career personnel, so substantive steps are proving slow to materialize. Going forward, I recognize that the reallocation of management resources to the corporate divisions is an urgent issue in order to fully leverage the strengths of our sales divisions, which are one of the company's key advantages.

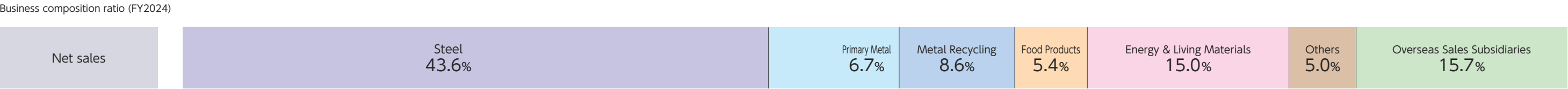
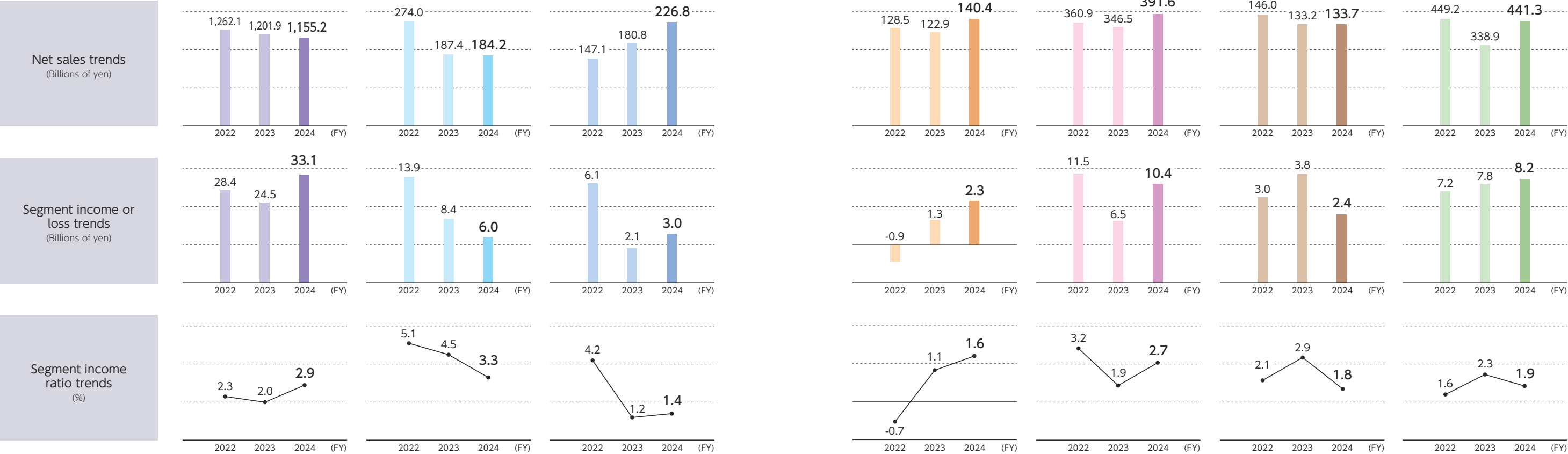
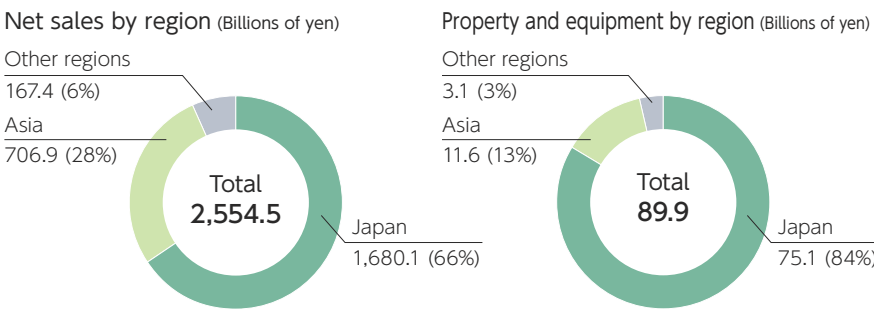


Kawanishi I believe the Company is one in which internal controls function properly. But to be honest, there is still room for improvement when we think about what would be the ideal state. The opinions and feedback I receive from outside Audit and Supervisory Committee Members fulfill a critical role in enabling us to address risks we would be unable to fully grasp from our internal perspectives alone and to tackle issues that tend to be overlooked. We gain fresh insights unconstrained by internal customs through exposure to objective, multifaceted external perspectives, which leads to improved quality in decision-making and risk management. Going forward, I want to work with our outside Audit and Supervisory Committee Members to enhance the effectiveness of our audit functions and build a sound, more transparent governance structure.

Expanding and Deepening Market Positions in Many Sectors

We have established a firm position in the industry as a trading company dealing with a wide range of products, including steel, various metals, food products, energy, living materials, housing materials, and machinery.

As a socially recognized trading company, we are expanding our business fields in response to changes in the times and society to meet the business needs of our customers.



*The business composition ratio and net sales by region are based on sales to external customers.

Steel

Steel is a core business that continues to play an important role, accounting for more than 40% of consolidated net sales. We offer steel bars, building materials, steel sheets, steel pipes, wire rods and special steel and many other steel products, to meet diverse customer needs. We also operate some of the largest distribution centers in Japan, providing services that leverage our inventory and processing capabilities.

● Main products or services

Steel products such as steel bars, steel sheets, special steel, wire rods, steel pipes and steel scrap. Undertaking of construction work, steel processing and storage

● Initiatives for sustainability

The steel business leverages its sophisticated processing techniques, optimum distribution network, and partnerships around the world, and contributes to the establishment of resilient infrastructure in Japan and abroad, as well as the sustainable development of all industries including electronics, automobile, and shipbuilding. It also contributes to building of a sustainable recycling community through promotion of the steel reusing and recycling business.

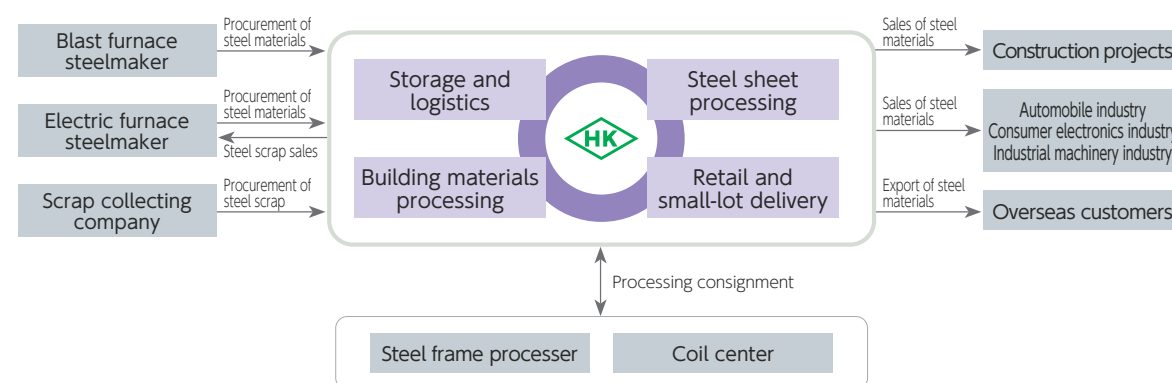


Strengths and Characteristics

In the steel business, we are able to deal with a broad range of domestic and overseas steel mills by taking advantage of our characteristics of an independent trading company not affiliated with any steel mills, and also have the advantage of being able to conduct procurement with no constraints of having to procure from a particular group of steel mills. In addition to utilizing one of Japan's leading large-scale distribution centers located in various regions, we are promoting the "SOKOKA" (Just-In-Time delivery, small lot, processing) strategy to cover the entire value chain from upstream to

downstream. We thoroughly adhere to the hands-on approach under user-first principle, accurately grasp user needs, and provide high-value-added solutions such as information functions, inventory functions, and processing functions, in addition to steel distribution functions. In addition, under the slogan of "Create another Hanwa in Southeast Asia," we are aiming to expand businesses with overseas users through the utilization of the network of Group companies, alliances with local steel mills and distributors, and joint ventures with Japanese companies.

[Value Chain]



Environment and Challenges Surrounding the Business

Domestic demand has faced with stagnant new orders due to severe labor shortages in the construction industry and accelerated cost rises stemming from work hours being capped in the construction and logistics industries to regulate transportation operations. Demand for steel materials is declining as a result, and pressure from users for further reducing costs is growing. Meanwhile, needs for green steel materials is gradually increasing in both Japan and abroad, along with the global trend toward carbon neutrality. In such a business environment, our steel business is promoting pre-fabrication to supplement labor shortages and responding to increasingly diverse and sophisticated customer needs, by

strengthening collaboration with high-functionality processing manufacturers and diversifying our products and services. We also believe that there is a need to develop our business globally by leveraging the Group's network to seek overseas customers and further deepen our relationships with domestic and overseas steel mills. At the same time, we believe it is necessary to continue to develop human resources that are equipped with wealth of specialized knowledge and can play an active role in the global market, while at the same time foster efficient and labor-saving operations using AI and robots.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision By focusing on actual products and solving user's issues, contribute to sustained development of all industries

Focus businesses ● Japan: Develop from goods business/SOKOKA business to a total solution-type business
● Overseas: Develop local production for local consumption supply chains

The "SOKOKA" strategy, which has been promoted mainly in western Japan, is being expanded to eastern Japan through collaboration across group locations, including Hanwa Daisun Co., Ltd., Hanwa Logistics Tokyo Co., Ltd., and Tanaka Steel Trading Co., Ltd., thereby strengthening distribution functions. In 2025, the business foundation and network have been further strengthened through the inclusion of five companies within the Group, including Kanematsu Trading Corporation (currently HKG Trading Co., Ltd.).

In the "SOKOKA" business, we aim to upgrade the processing

functions and establish our position as a parts trading company that handles processed products with high added value. In addition, in design and construction fields such as steel frame work and heat insulation work, we provide comprehensive solution functions to our customers through alliances with partner companies. Going forward, we aim to contribute to businesses growth by meeting all customer needs through the development of our three business areas: "SOKOKA" strategy, the parts trading company, and the solution service.

Contribute to total cost reduction for users utilizing Hanwa's unique supply chain
By meeting every need users require, we contribute to improving their own performance.

Basic Strategy for Domestic Steel Business

Base
Independent steel trading company
Make optimal procurement proposals from the user's perspective

Phase1 SOKOKA strategy
Differentiation by strengthening distribution functions
By adding some extra value to materials, aim for differentiation in materials sales and strengthening of competitiveness

Phase2 Components building & trading company
Convert to high-value-added businesses
By further increasing the degree of processing, aim to convert from materials wholesale into a business selling high-value-added processed product

Phase3 Solution providing company
Providing new value beyond the framework of procurement areas
In addition to materials and processing, aim to strengthen comprehensive solution capabilities through alliances with design and construction companies, etc.

Wholesale business with abundant inventory

SOKOKA business
(From distribution and processing to processed product sales)

High-value-added processed products business
New product development: Inventing what doesn't exist yet
Support for the hard-to-procure: Providing those that are hard to find
Optimization of QCD: Better products

Steel structure marketing business (subcontracting of steel construction)
Thermal-insulation construction business (subcontracting of thermal insulation work)

Streamlining logistics (transportation, storage, cargo handling)

User-oriented trading company
Optimal procurement proposals that take advantage of our strengths as an independent trading company
■ Economies of scale
■ Diverse suppliers

SOKOKA strategy
(Strengthening of distribution functions)
Differentiation by increasing capacity for just-in-time delivery, small lot, and processing (distribution processing)
■ Primary processing such as cutting (distribution processing)
■ Supply network including Group companies

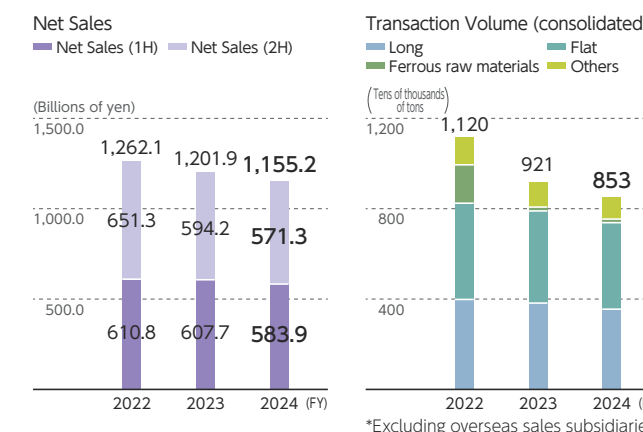
Components building & trading company
(Sales of high-value-added processed products)
Provision of one-stop supply service by rebuilding the supply chain
■ Extensive network of business partners
■ Highly specialized manufacturing personnel

Solutions
(Providing comprehensive value)
Expand business areas beyond trading in response to user needs
■ Comprehensive management of manufacturing/design/construction/robotization

FY2024 Results

Net sales **¥1,155.2 billion** Segment income **¥33.1 billion** Segment employees **3,441 people**

In the steel business, revenue was pushed down as transaction volume of various steel materials declined. On the other hand, income was boosted as business in the domestic construction field remained strong and profitability improved in overseas subsidiaries. As a result, net sales in this business segment decreased by 3.9% year-on-year to ¥1,155.245 billion, and segment income increased by 35.0% year-on-year to ¥33.130 billion.



*Excluding overseas sales subsidiaries.

Primary Metal

In the primary metal business, we are trading such as nickel, chromium, silicon, and manganese ferroalloys directly with resource countries such as South Africa, Kazakhstan, India, Brazil, Malaysia and Indonesia, as well as with producers in China, which has an overwhelming supply capacity as well as demand. In the iron and steel resources business, we contribute to resource circulation by securing iron scrap and cold iron sources and establishing a system for supply in Japan and overseas.

● Main products or services

Nickel, Chromium, Silicon, Manganese. Ferroalloys, Stainless base metals, High-Performance Alloys, steel scrap and other cold iron sources

● Initiatives for sustainability

The primary metal business contributes to the development of the industrial base through stable supply of metal resources to customers worldwide. Moreover, it contributes to addressing the reduction of CO₂ emissions and global warming issues by being deeply engaged in the distribution of the cathode materials for rechargeable batteries, which are indispensable to expand production of electric vehicles expected to become more popular, and by stimulating the recycling of steel scrap in Japan.



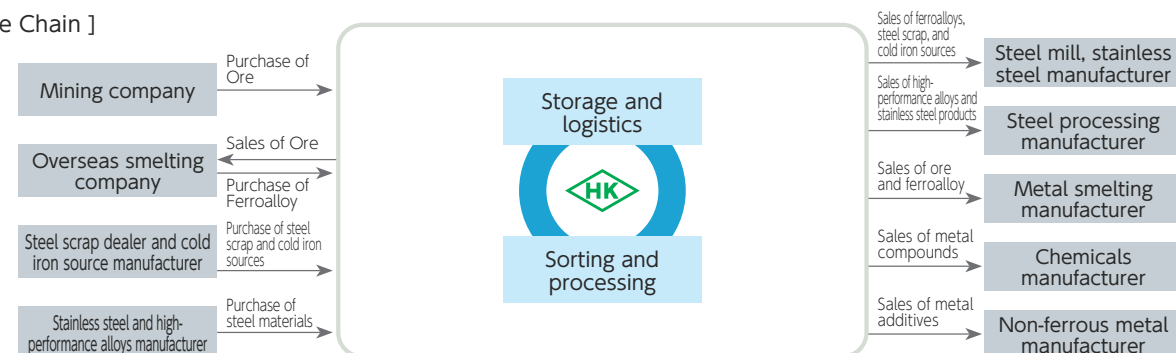
Strengths and Characteristics

In the primary metals business, we handle a large number of ferroalloy products such as ferrochrome and silicon-manganese, which represent the largest transaction volume handled in Japan, and we provide a stable supply all over the world by utilizing our hedging and the inventory functions. We have obtained exclusive sales rights for ferrochrome for Japan from SAMANCOR of South Africa, and supply special low-carbon ferrochrome produced in Germany by the AFARAK GROUP to North America and Japan. Furthermore, through collaboration with OM HOLDINGS, we have established a supply system for ferrosilicon and manganese ferroalloys in Malaysia, and we also established a stable supply system for metallic silicon through investment in PMB in 2024.

Regarding nickel, we supply nickel bullion and ferronickel to

the stainless steel and special steel industries, and chemical raw materials such as nickel, cobalt, and lithium to the automobile rechargeable battery industry, covering customers worldwide. Since 2014, we have been participating in the Indonesia nickel pig iron project hosted by the Tsingshan Holding Group of China. We are expanding our supply system for stainless steel materials and exporting Japan's high-performance materials and cold-rolled stainless steel materials to the world. We are also supplying battery materials to the Asian region through our investment in QMB. Moreover, we have established a system to meet diverse raw material needs in Japan by providing an integrated recycling function that handles the inventory, collection, and sales of steel scrap.

[Value Chain]



Environment and Challenges Surrounding the Business

About 70% of the world's reserves of chromium, which is one of the materials our primary metal business is focusing on, is concentrated in South Africa, and of that, about 70% of its ore is owned by SAMANCOR, a company we have invested in. This oligopoly of resources has led to a stronger influence on the part of suppliers in the stainless steel and special steel industries, and expectations for the Company are also increasing. Also, the manganese ferroalloy and ferrosilicon business operated in Malaysia by OM HOLDINGS is attracting attention from steel manufacturers in Japan and the ASEAN region since it is free from export tariffs and as a politically neutral production base outside of

China. Ferroalloys produced using clean hydroelectric power generation are increasingly valued as a green metal from a carbon footprint perspective.

The products handled by this business are the main and auxiliary raw materials that are essential for production of steel, stainless steel, special steel, non-ferrous metals, chemicals, semiconductors, and in energy industry, so stable demand is expected over the medium- to long-term. We recognize that this business, which is based on trading and is characterized by distinctive resource investment, has a unique position in the industry and will continue to have a strong presence in the industry.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision

Secure sources of unevenly distributed metal resources around the world with consideration of geopolitical risks, to contribute to the sustained development of industrial foundations

Focus businesses

- Enhance sources of metal resources for steel
- Roll out secondary battery materials business
- Expansion of steel scrap and cold iron source business
- Expansion into the semiconductor industry

In order to provide stable supply to steel manufacturers and chemicals manufacturers, we are focusing on enhancement of initiatives such as "securing resources through investment" and "inventory and just-in-time delivery functions in demand areas." As resource investment projects that have been strategically invested in as "distinctive resource investments" are becoming more profitable, we will continue to invest in mines and refining

equipment based on perspectives such as reserves, competitiveness, geopolitical risks, and green metals. With regard to battery materials, centered around the "BATTERY Team" established in 2021, we transformed our structure into the "BATTERY GLOBAL GROUP for ELECTRIFICATION" based in Singapore to secure battery resources that exist ubiquitously around the world and strengthen collaboration with customers on a global level.

For stable supply to steel manufacturers, chemicals manufacturers, and other customers.
"Securing resources through investment" and "inventory and just-in-time delivery functions in demand areas"

Key factors for mining/refining investment

Reserve Competitiveness Geopolitical risks Green metals

AFARAK GROUP PLC

Finland
Chromium ore mining/ferrochromium production
LC ferrochromium production: 26 kt/year (2022 Result)

Geopolitical risks
Extremely low

Technical competitiveness
High

Samancor Chrome Limited

Republic of South Africa
Chromium ore mining/ferrochromium production
1,900 kt/year

Reserve
Extremely large

Geopolitical risks
Low

OM Holdings Limited

Malaysia
Manufacture of manganese and silicon-based ferroalloys
Listed on Bursa Malaysia Berhad
600 kt/year

Green metals
High

Geopolitical risks
Low

ZENITH

Taiwan
Manufacture of Ni compounds for batteries
40 kt/year

Stable production

Tsingshan Holding Group

Indonesia
Manufacture of NPI - Stainless HRC
NPI production 1,500 kt/year

Cost competitiveness
Extremely high

QMB NEW ENERGY MATERIALS.

Indonesia
Manufacture of Ni and Co compounds for rechargeable batteries
Ni production 50 kt/year,
Co production 4 kt/year

Cost competitiveness
Extremely high

- Future key measures: ● Support for increasing the value of invested companies ● Stable supply to customers
● Materials business for the semiconductor industry

FY2024 Results

Net sales

¥184.2 billion

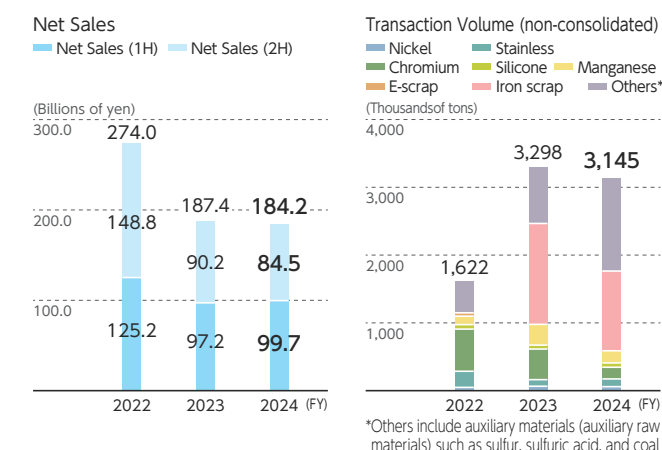
Segment income

¥6.0 billion

Segment employees

93 people

In the primary metal business, revenue was pushed down due to the result of lower transaction volume of various products and the result of lower market prices of nickel compared to the previous fiscal year. Income was also pushed down by a decline in the share of profit of entities accounted for using the equity method from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. As a result, net sales in this business segment decreased by 1.7% year-on-year to ¥184.220 billion, and segment income decreased by 28.0% year-on-year to ¥6.084 billion.



Metal Recycling

In the metal recycling business, we were one of the first companies in Japan to start the recycling business for aluminum, copper, zinc, lead, tin, titanium, special metals, and precious metals. We have established solid positions in these market sectors, and contributing to a global resource circulation that only a trading company can offer. We have processing facilities in the Group for recycling aluminum, titanium, and special metals, enabling us to respond appropriately to customer needs.

● Main products or services

Raw materials for aluminum, copper, zinc, lead, tin, titanium, special metals, and precious metals

● Initiatives for sustainability

Taking advantage of the metal recycling (collecting, separating, and processing) knowhow we have accumulated over many years and our large collection and sales networks both in Japan and overseas, we are contributing to the development of a circular economy. At the same time, in the aluminum, titanium, and special metals recycling business, we are working to address climate change and support carbon neutrality by introducing our own separation and processing facilities.



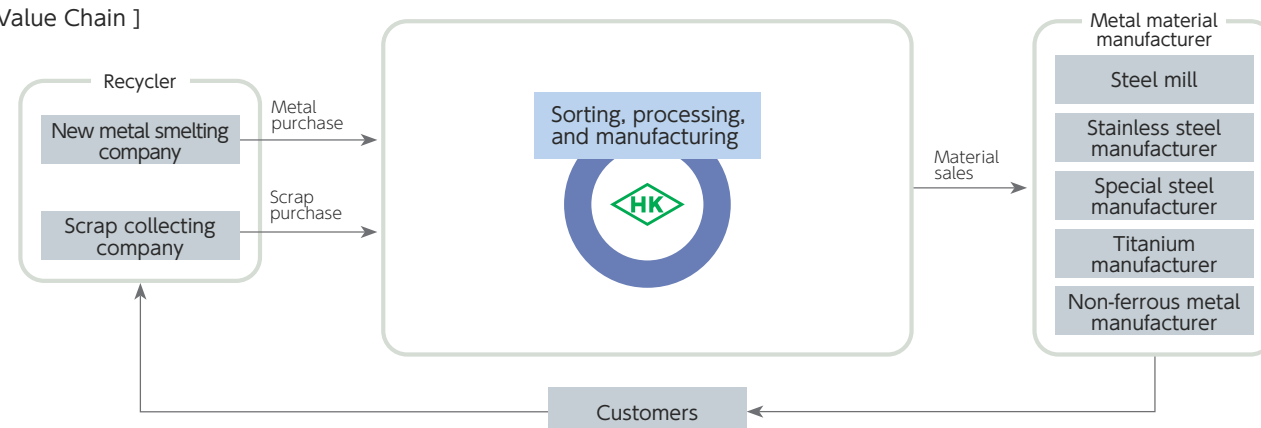
Strengths and Characteristics

In the metal recycling business, we have facilities and functions for processing, sorting, and inspecting scrap within the Group, which allow us to respond to the diverse needs of aluminum rolling and extrusion companies and steel mills for deoxidizer application. In the special metal recycling business, we supply recycled materials to stainless steel and special steel manufacturers and rare metal smelting companies, and we also handle by-products from the smelting process of copper, lead, and zinc. We are one of the leading companies of recycled precious metal raw materials in Japan, expanding a wide range of businesses such as in bullion trading.

Since 2018, we have been participating in the Waterberg project, a platinum metals deposit in South Africa, and are also working on the stable supply of important mineral resources. Through transactions involving import, export and offshore trade in compliance with the Basel Convention, we contribute to the realization of a sustainable society by building a unique value chain for users in Japan and overseas.

As for human resources development, we are actively assigning young employees to overseas offices in order to develop future global human resources by providing them with on-the-job experience and a global mindset.

[Value Chain]



Environment and Challenges Surrounding the Business

Since the COVID-19 pandemic, the global supply chain has undergone significant changes due to the formation of economic blocs and the impact of international conflicts. The Group has been procuring metal scrap from around the world, mainly from East Asia and ASEAN countries, and has established a stable supply network. In response to these changes in the environment, we have swiftly adapted to fluctuations in the supply-demand balance as well as tightening of environmental restrictions and revisions in trade rules, to achieve flexible business activities.

Currently, we are required to take the changes in the mar-

ket environment as an opportunity, and to secure a broad range of profit sources in Japan as well as overseas. The demand for metal scrap continues to increase amid the global challenge of ensuring the sustainability of limited resources and reducing GHG emissions.

In addition to responding to demand in Japan, the Group will contribute to the realization of a resource-recycling society by upgrading its sorting and processing technologies and further strengthening quality assurance capabilities in order to promote recycling from the "urban mining," and rebuild the global supply chain.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision

Pursue recycling transformation to realize a carbon-neutral society

Focus businesses

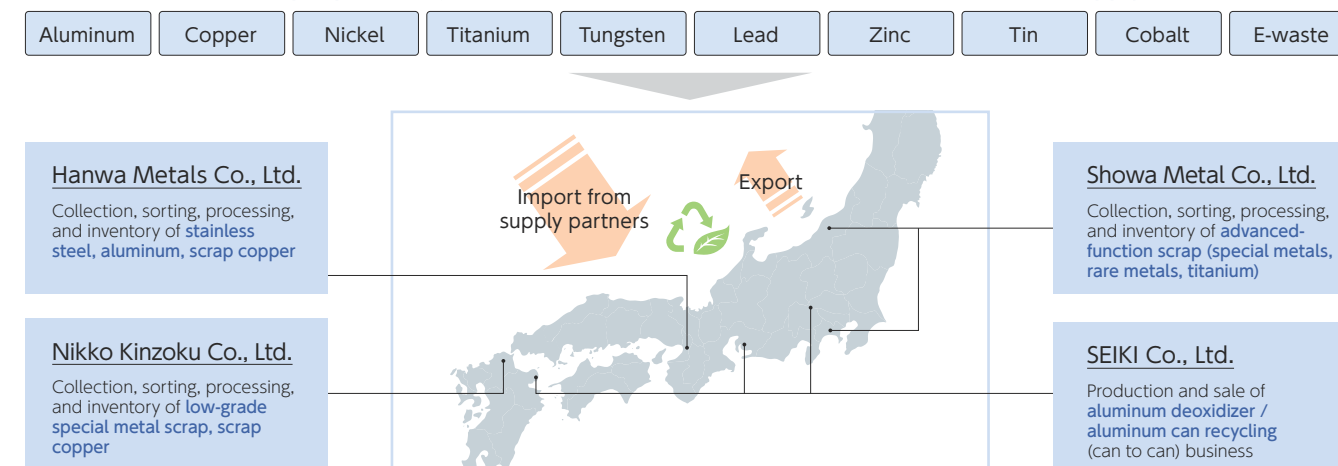
- Delve even deeper into the recycling business (collecting, sorting, processing) for each type of metal
- Secure generation sources and build a closed loop

The Group will promote "recycling transformation" aimed at transforming into one of Japan's largest metal recycling businesses centered on existing collection and processing bases. By linking Group companies that have metal scrap sorting and processing functions with the Company's trading functions, we secure generation sources of stable and good-quality scrap, and also focus on advancing recycling technologies and

strengthening logistics functions. Furthermore, with contribution to a decarbonized society as a central focus, we are advancing the construction of closed loop on a global scale, while keeping in mind new market needs such as the progress of electrification of vehicles. We aim to contribute to the formation of a sustainable, sound material-cycle society through the effective use of resources.

Promote "recycling transformation" and, transform into one of Japan's largest metal recycling businesses centered on existing collection and processing bases

Based on the Company's trading functions, build collection networks and realize stable supply to customers



- Future key measures:
- Secure generation sources for collecting stable supply of good quality scrap = Secure resources (automobiles, household appliances, scrap materials)
 - Further deepening of intra-Group collaboration
 - Prepare for recycling of solar panels and secondary batteries
 - Actively invest in recycling technologies and further processing bases and logistics networks
 - Build a closed loop that also involves customers

FY2024 Results

Net sales

¥226.8 billion

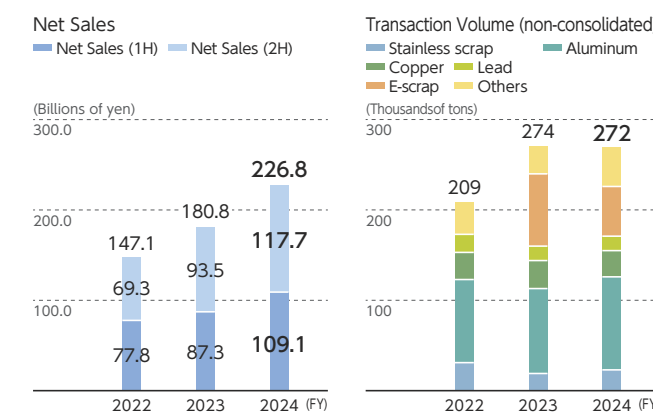
Segment income

¥3.0 billion

Segment employees

256 people

In the metal recycling business, revenue was boosted by an increase in transaction volume of aluminum scrap. In addition, income was boosted due to the result of steady market prices of copper and aluminum. As a result, net sales in this business segment increased by 25.5% year-on-year to ¥226.840 billion, and segment income increased by 43.0% year-on-year to ¥3.098 billion.



Food Products

In the food products business, we mainly handle marine products and maintain a leading import share in many items. In recent years, we have been promoting active market development by establishing purchasing bases in Europe and South America, as well as sales companies in the United States and Japan, and deploying a large number of employees to Group companies in the ASEAN region. In addition, to ensure the provision of safe and secure products, products processed at our overseas partner factories are subject to enhanced traceability and a thorough quality control system.

● Main products or services

Marine products such as salmon, shrimp and crab, and livestock products such as chicken

● Initiatives for sustainability

We fulfill our responsibilities as a company that handles food items including marine products and contribute to sustainable marine resource circulation. In addition, we engage in all levels from the upstream (material procurement) to downstream (final product sales) sectors of the value chains in Japan and overseas to support the economic development of the regions where we are involved in the food industry (production and processing of ingredients) as well as contribute to safe and secure food distribution around the world.



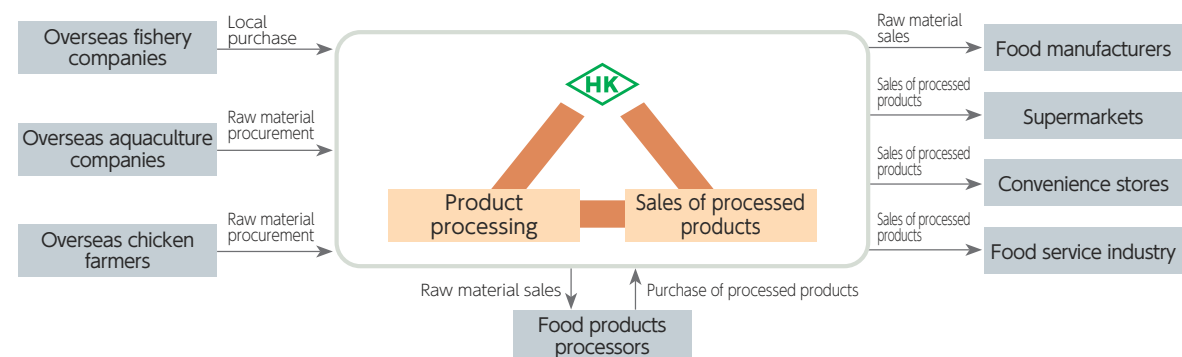
Strengths and Characteristics

In the food products business, we have established sales subsidiaries for the development of domestic end-user markets and are actively expanding the sale of products processed in such places as China, Thailand, and Vietnam, by leveraging our long-cultivated seafood raw material procurement capabilities and overseas processing experience. As the proportion of aquaculture products in the world's marine resources increases, at our local subsidiary established in the Republic of Chile, we are strengthening procurement of farmed salmon

from Chile and chicken from Brazil, with the aim of expanding our procurement network throughout South America.

Our employees, who have advanced product knowledge and are agile and responsive, are involved in the entire process from raw material procurement to local processing and final product sales. By thoroughly implementing production guidance and quality control through these means, we ensure a stable supply of safe, secure, and high-quality food products.

[Value Chain]



Environment and Challenges Surrounding the Business

Against the backdrop of the growth in overseas demand, Japanese companies now have less say over suppliers. Going forward, if a company does not have a global sales network or the ability to respond to overseas demand, it is expected that stable procurement will become tougher. At present, buyers who can directly approach the end-users still have purchasing power, but in the medium- to long-term, the supply chain is expected to be consolidated into corporate groups or organized into integrated networks by taking advantage of the functions of each company. At other trading companies in the same industry, shifts toward in-house processing and integration of operations within the group are accelerating, and going forward, companies with global operations, large handling volumes, and high information collec-

tion capacities are expected to become more competitive.

On the other hand, while purchase prices are rising due to overseas demand, selling prices in the domestic market continue to be depressed due to demand plateauing, and in the medium- to long-term it is possible that the business may shrink if we are highly dependent on the Japanese market.

In this business environment, our food products business will strengthen networks with overseas, aim to expand sales volumes in markets such as North America, ASEAN countries, and China, while shifting to a business model based on vertical integration that consistently handles from raw material procurement to processing and sales, and advancing the construction of a system to generate revenues throughout the entire Group.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision

Build vertically integrated businesses to contribute to safe and secure food distribution

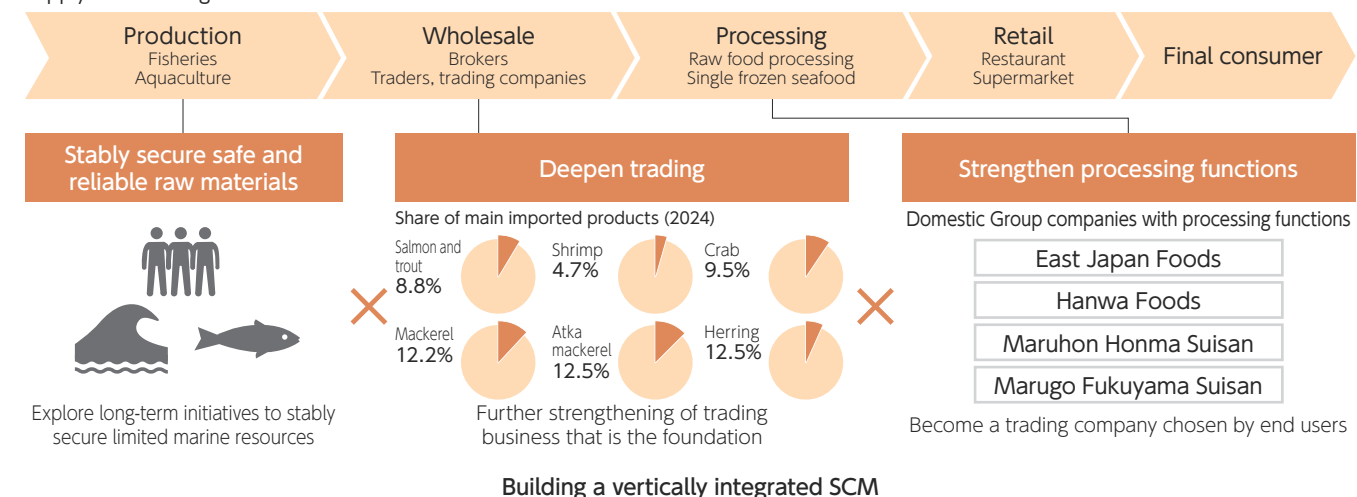
Focus businesses

- Further deepen trading
- Enhance processing functions and enhance businesses targeting retail and restaurants
- Strengthen overseas sales

We aim to become a trading company chosen by end users by building a vertically integrated business model that undertakes everything from upstream (material procurement) to downstream (final product sales). In addition to strengthening trading of core products, we will further deepen collaboration with Group companies that have processing functions, and work to further deepen the food version of our "SOKOKA" strategy. Additionally, we also recognize that there are challenges in strengthening the retail sector, especially in overseas markets, and we have positioned this sector as an area to focus on intensively going forward. In 2024, Marugo Fukuyama Suisan Co., Ltd. was incorporated into the Group to

strengthen the sales structure for scallops and other products destined for North America and Asia. Furthermore, we are seeking to expand beyond the seafood business into other food businesses, and we currently sell processed chicken products to supermarkets and convenience stores. Going forward, we are aiming to expand initiatives to livestock products such as cattle and hogs besides chicken. The Company handles trading and overseas sales of seafood raw materials, while Hanwa Foods Co., Ltd. and other affiliated companies are engaged in the retail business of processed products in Japan and overseas, thereby clarifying each role and advancing business expansion throughout the entire Group.

To become a trading company chosen by end users by building a vertically integrated business that undertakes all processes from raw materials to processing
Supply chain management for seafood business



► Other Food Businesses: ● Chicken: handle everything from raw meat to processed poultry meat products, and supply them to food processing companies, convenience stores, restaurant chains, etc.

FY2024 Results

Net sales

¥140.4 billion

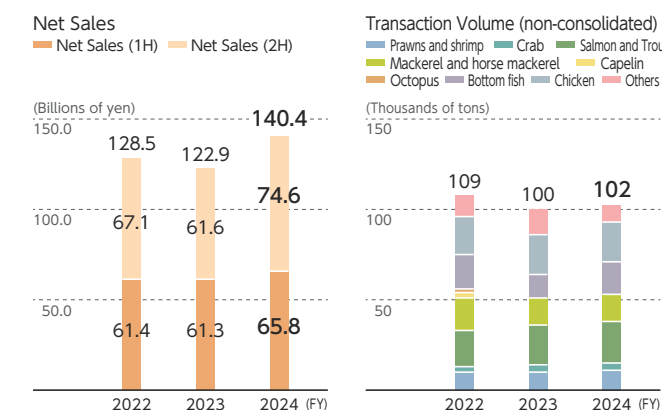
Segment income

¥2.3 billion

Segment employees

196 people

In the food products business, although transaction volumes were flat, the fact that food prices, centered on crab, remained high compared to the previous year boosted revenue and income. As a result, net sales in this business segment increased by 14.3% year-on-year to ¥140.487 billion, and segment income increased by 73.3% year-on-year to ¥2.306 billion.



Energy & Living Materials

In the energy field, we supply palm kernel shells (PKS) and wood pellets to biomass power plants, and handle recycled energy such as refuse paper and plastic fuel (RPF), tire chips, and carbonized sludge, as well as heavy oil for domestic industry. In overseas transactions, we supply marine fuels and aqueous urea, and also conduct transactions such as importing chemicals. In the living materials business, we mainly handle imported products such as synthetic resin raw materials, polyethylene products, and plastic products.

● Main products or services

Biomass energy, recycled energy, petroleum products, chemicals and general living materials

● Initiatives for sustainability

In the energy field, through the supply of biomass energy and recycled energy, and in the chemicals field, through products that remove harmful nitrogen oxides (NOx), we contribute to solving environmental and energy issues, developing local societies, and realizing a sustainable society. In the living materials field, we are contributing to the development of a sound material-cycle society by expanding our handling of bio-based raw materials and recycled resin products, and through our waste paper and plastic recycling business.

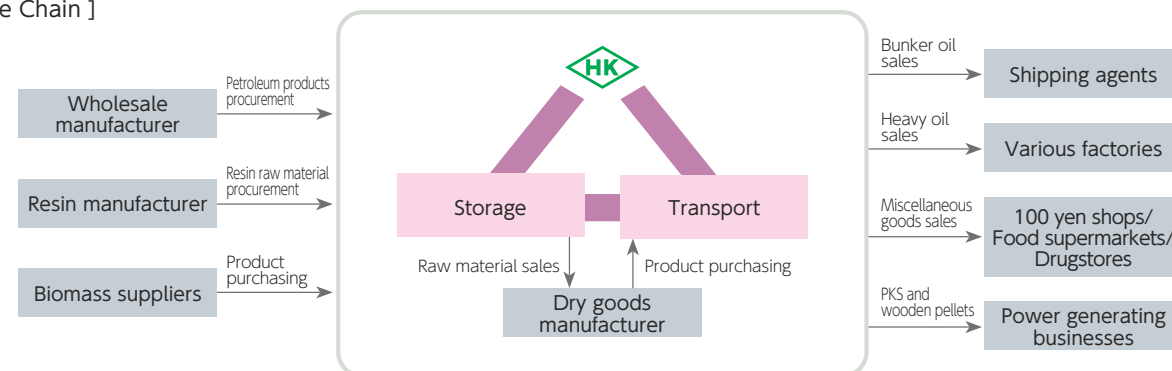


Strengths and Characteristics

In the energy field, we are building a system for supplying environmentally-friendly plant-derived biomass energy (such as PKS and wood pellets), and we also actively handle recycled energy such as RPF, tire chips, and carbonized sludge. We are one of the leading companies in our market share of industrial heavy fuel oil. In the chemicals field, we handle a wide range of products to meet diverse user needs, and do business with approximately 300 companies in Japan.

In the living materials business, we handle a wide range of products, from raw materials such as resins to finished products such as plastic shopping bags and garbage bags, and provide customers with a full range of services, from product development to package design, manufacturing, sales, and delivery. In addition, we have a department dedicated to quality control and provide safe and reliable products to our customers.

[Value Chain]



Environment and Challenges Surrounding the Business

As there is strong demand to realize a decarbonized society and shift to environmentally friendly energy, going forward, demand for renewable energy is expected to increase, such as biomass energy (PKS and wood pellets, etc.) and recycled energy (RPF, tire chips, carbonized sludge, etc.), which we handle.

In the energy field, as the domestic oil market becomes increasingly oligopolized, competitors with limited capabilities have been forced to exit the market due to declining profitability. Under these circumstances, there is growing expectations from customers for the stable supply of com-

mercial materials including delivery capability, and we aim to further expand this business by meeting these demands.

In the living materials field, we purchase mainly from overseas manufacturers such as those in Vietnam and the Philippines, and sell mainly to major retailers in Japan. Distributors are required to have a high level of procurement and quality control capabilities, as well as inventory and logistics functions, and with the recent growing trend of plastic-free particularly in developed countries, there is a growing need for companies to carry out environmentally-conscious initiatives.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision

Build environmentally responsible energy supply systems to realize a sustainable society

Focus businesses

- Secure resources related to biomass/recycled energy
- Expand handling items that reduce greenhouse gas emissions, such as aqueous urea
- Develop and supply recycling-derived, bio-derived polyethylene products

In the energy field, by setting provision of a stable supply to customers in compliance with a decarbonized society as our focused areas, we are strengthening our handling of biomass and recycled energies. For PKS, which we have the top domestic share among imported goods, we have expanded our fleet to three dedicated vessels, and we will also develop procurement sources and supply networks for wood pellets, mainly in the ASEAN region. With our Group companies playing a central role,

for recycled energy such as RPF and tire chips, in addition to thermal recycling, we will take on the challenge of chemical and material recycling. In the chemicals field, we will strive to expand the handling of environmentally friendly products such as aqueous urea, bio-naphtha, tire pyrolysis oil (TPO), and plastic pyrolysis oil (PPO). In the living materials field, as ethical consumption spreads, we will focus on proposals for procuring raw materials and developing products that are environmentally friendly.

For providing stable supply to customers

Biomass energy

PKS

Further strengthen our stable supply system while maintaining our top domestic share of imported goods handled

White pellets (wood pellets)

Expand Company-funded factories and further provide stable supply (target: 900 kt)

Black pellets (carbonized wood pellets)

Overcome technical hurdles and establish a supply network

Other products

Aqueous urea for ships

Expand transactions of raw materials for fertilizers

Expand import and export of lubricant raw materials and chemicals

Recycled energy

RPF

Strengthen purchasing centered on Seibu Services Co., Ltd. and expand our supply chain through M&A

Tire recycling

Collecting/sorting/processing tires discarded as industrial waste and turn them into carbon-neutral fuel*

*Recycled tire fuel is certified as carbon-neutral fuel under the Act on Promotion of Global Warming Countermeasures.

Carbonized sludge

Selling carbonized sludge fuel from sewage plants as alternative fuels to coal

One-stop solution for miscellaneous daily goods

Recycled raw materials, bio-based raw materials

Procurement proposals of environmentally friendly raw materials with consideration for SDGs

Product manufacturing by OEM

Product development capabilities that accurately capture user needs

Supply capability

Last mile logistics function and quality control ability

FY2024 Results

Net sales

¥391.6 billion

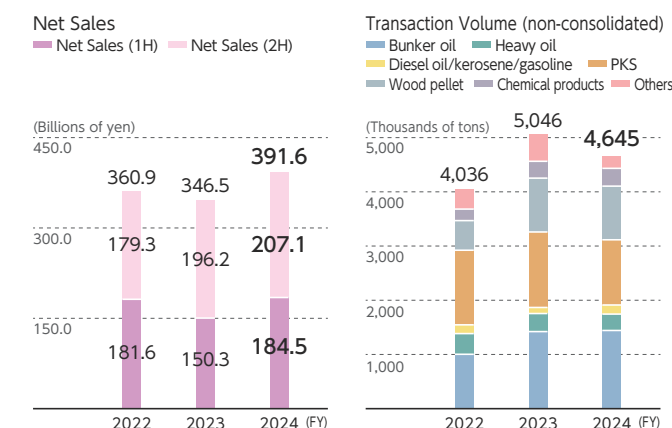
Segment income

¥10.4 billion

Segment employees

256 people

In the energy & living materials business, revenue was boosted by an increase in transaction volume of bunker oil products. In addition, increases in transaction volume and sales prices of chemical products also boosted revenue and profits. As a result, net sales in this business segment increased by 13.0% year-on-year to ¥391.655 billion, and segment income increased by 58.8% year-on-year to ¥10.425 billion.



Other Business

[Housing Materials]

We handle domestic and imported lumber and provide pre-cut lumber and peripheral building materials to housing manufacturers, and steel and processed steel products to prefabricated housing manufacturers. By merging departments, we are also advancing the development of components other than steel and wood and strengthening our comprehensive sales function for housing components.

● Main products or services

Imported and Japanese lumber and plywood, pre-cut lumber, steel, processed steel products, building materials in general

● Initiatives for sustainability

We respond to global lumber demand and contributing to the conservation of forest resources by leveraging our global network and business scale. We also contribute to the formation of a sustainable sound material-cycle society through handling products such as materials from electric furnace steelmakers.



[Machinery]

This business consists of two components: the life & amusement business, which provides amusement machines and performance directions to theme parks; and the industrial machinery business, which sells mainly various types of steel processing machines and conveyance machines.

● Main products or services

Management and operation of amusement machines, industrial machinery, and amusement facilities.

● Initiatives for sustainability

We contribute to the development of cities where people can continue living by responding to the demands for replacement of deteriorated facilities and upgrading of machinery for energy saving. We are also engaged in introduction of facilities related to renewable energy and recycling, whereby contributing to the realization of a sustainable global environment.



Strengths and Characteristics

[Housing Materials]

We sell domestic lumber not only in Japan but also export it to Asia and Southeast Asia. We import, process, and supply European lumber to housing manufacturers by utilizing our industry-leading economies of scale as a trading company, working through our group company in Europe as the point of contact. Additionally, we have been highly rated as we handle not only lumber and steel components but also building materials and are able to propose the shortest distribution route from upstream to downstream. For prefabricated housing manufacturers, we directly capture the needs of job sites, which leads to the delivery of the necessary steel products and components. In the non-residential field, through mixed structure design functions that combine the strengths of wooden construction with steel frame and RC construction, we respond to the shift toward wooden buildings and contribute to reducing CO₂ emissions.

[Machinery]

In the life & amusement business, in addition to our in-house engineers and supervisors, we have the strength to provide a full range of services from the design of amusement machines to the procurement of materials and construction by leveraging our network of external experts and examination organizations. In addition, backed by trust relationships with advanced European and American manufacturers, we also play the role of introducing the latest trends to the Japanese market as an agent.

In the industrial machinery business, we provide optimal solutions for capital investment by leveraging our information network and engineering functions through cooperation with various leading manufacturers. We also respond to the needs of other divisions of the Company, mainly in the steel sector, and support the efficient introduction of equipment through value engineering proposals.

Environment and Challenges Surrounding the Business

[Housing Materials]

In the housing industry, influenced by the declining birthrate, the market is gradually shrinking, and amid intensifying competition between housing manufacturers, users are looking more strictly at functions and costs, and the role required of distributors is also changing. While we have considerable competitiveness in terms of wood and steel feedstocks and processed products, we need to be able to propose an optimal combination of materials in the face of fluctuating prices and supply capacity.

In addition to mere sales, providing added value according to customer needs, such as delivery functions and construction, is becoming increasingly important, and further enhancement of functions is needed. In the non-residential field, there are needs for knowledge and infrastructure development to respond to the shift toward wooden buildings in order to reduce CO₂ emissions.

[Machinery]

In the life & amusement business, we have few competitors in the large-scale amusement park ride field, and we expect to maintain ongoing business relationships, backed by good relationships with major customers. In recent years, we have also been getting more requests from overseas manufacturers to do business in the Japanese market, and we will look to develop new customers going forward. In the industrial machinery business, there is a growing need for line sales, and proposal sales that bring together multiple suppliers are yielding results. As a response to labor-saving and automation, we are working to resolve customer issues through means including the introduction of automatic cranes and robots and system design support, and going forward, we believe it will be necessary to further strengthen our organizational structure through measures such as utilization of overseas manufacturers and development of a maintenance system.

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

Vision

[Housing Materials] Deliver consistently all manner of housing materials, from raw materials up, to contribute to the realization of sustainable living
[Machinery] Offer technological innovation to industrial society and fun to people to contribute to the realization of a rich and warm society

Focus businesses

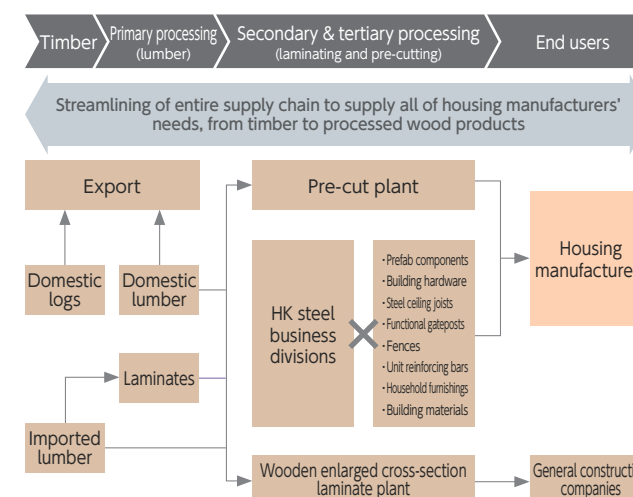
[Housing Materials] ● Supply materials to housing manufacturers ● Supply lumber parts to timber construction companies
[Machinery] ● Strengthen maintenance structure ● Produce amusement machinery and equipment ● Develop new facilities

In the housing materials business, we procure lumber from Japan and overseas, perform primary processing (lumbering) and secondary and tertiary processing (lamination and precutting), and supply our products to housing manufacturers. We are also establishing a supply system for steel products through integration with the housing steel team. As we are recently seeing an increase in demand for lumber mainly from major general construction companies since it is a recycling-oriented material, we will focus on building a supply system that accurately meets customer needs.

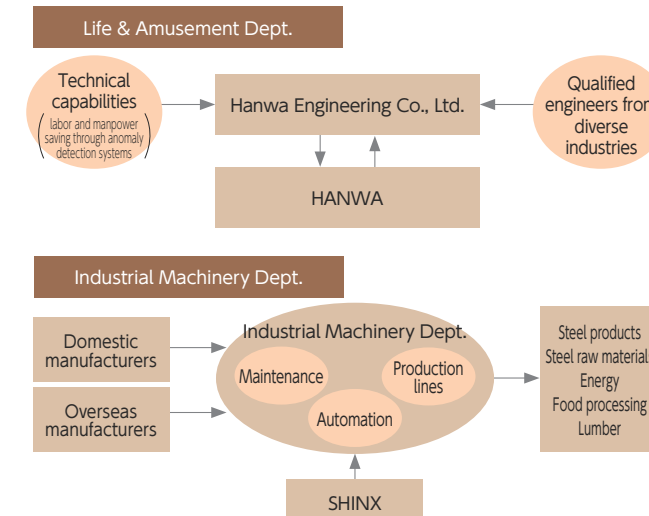
In the machinery business, the Life & Amusement Dept. will develop a comprehensive amusement business that is closely

connected to customers' lives through the production, construction and installation of amusement park attractions, swimming pools, and athletic facilities. Toward improving profitability in the maintenance field, we are concentrating human resources and technology at Hanwa Engineering Co., Ltd. and strengthening our organization. In 2025, we transferred all shares of HALOS Corporation and conducted a review of the business portfolio. In 2024, the Industrial Machinery Dept. acquired SHINX Co., Ltd. as a Group company, and we aim to build an independent organization that is capable of offering one-stop support from introduction to after-sales service by leveraging the company's manufacturing and sales capabilities and maintenance functions.

[Housing Materials] Lumber SOKOKA (build supply network that starts with downstream such as housing manufacturers) + Construction



[Machinery]



We will add functions other than logistics to products procured from Japan and overseas, and deploy them in all industries that Hanwa is engaged in.

FY2024 Results

Net sales

¥133.7 billion

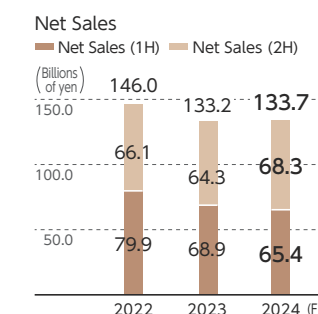
Segment income

¥2.4 billion

Segment employees

296 people

In other businesses, the housing materials business reported lower revenue and income, mainly due to the impact of lower timber prices, despite progress in increasing business with housing manufacturers. In the machinery business, although SHINX Co., Ltd. became a consolidated subsidiary in the current fiscal year, revenue increased and income decreased, mainly due to fewer completion of large projects in the life & amusement field than in the previous fiscal year. As a result, net sales in this business segment increased by 0.3% year-on-year to ¥133.744 billion, and segment income decreased by 37.8% year-on-year to ¥2.402 billion.



Overseas Sales Subsidiaries



● Main products or services

Sale of a wide variety of products, as in Japan, at major overseas bases

Medium- to Long-Term Vision and the Medium-Term Business Plan 2025 Strategies

- Vision** Through overseas business expansion with a focus on the Asian region, contribute to the development of regional communities
- Focus businesses**
- Sell raw materials and semi-finished products to local steelmakers
 - Source local products and sell to users
 - Further develop businesses other than steel

Under the theme of “Create Another Hanwa in Southeast Asia,” we will further increase the presence of our steel business in the ASEAN region, while also working to demonstrate our presence in the primary metals, food products and energy businesses.

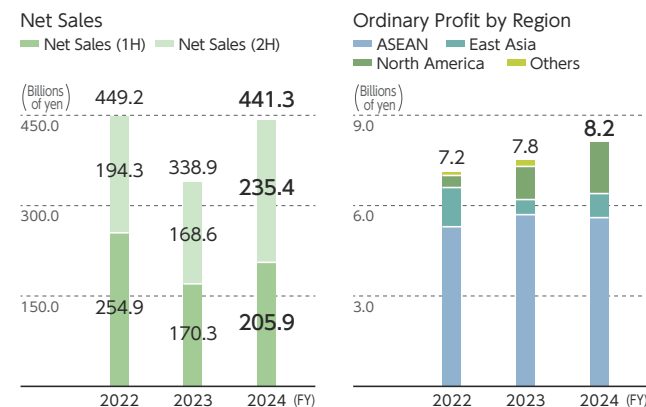
Promote the “Create another Hanwa in Southeast Asia” concept and further increase our presence in the ASEAN region, while also further expanding our global bases



FY2024 Results

Net sales **¥441.3 billion** **Segment income** **¥8.2 billion** **Segment employees** **705 people**

With regard to overseas sales subsidiaries, new transactions in China and scrap transactions to Southeast Asia grew, and companies that were previously non-consolidated subsidiaries accounted for by the equity method became consolidated subsidiaries due to their increased importance, and as a result, revenue and income were boosted. As a result, net sales in this business segment increased by 30.2% year-on-year to ¥441.319 billion, and segment income increased by 5.9% year-on-year to ¥8.278 billion.



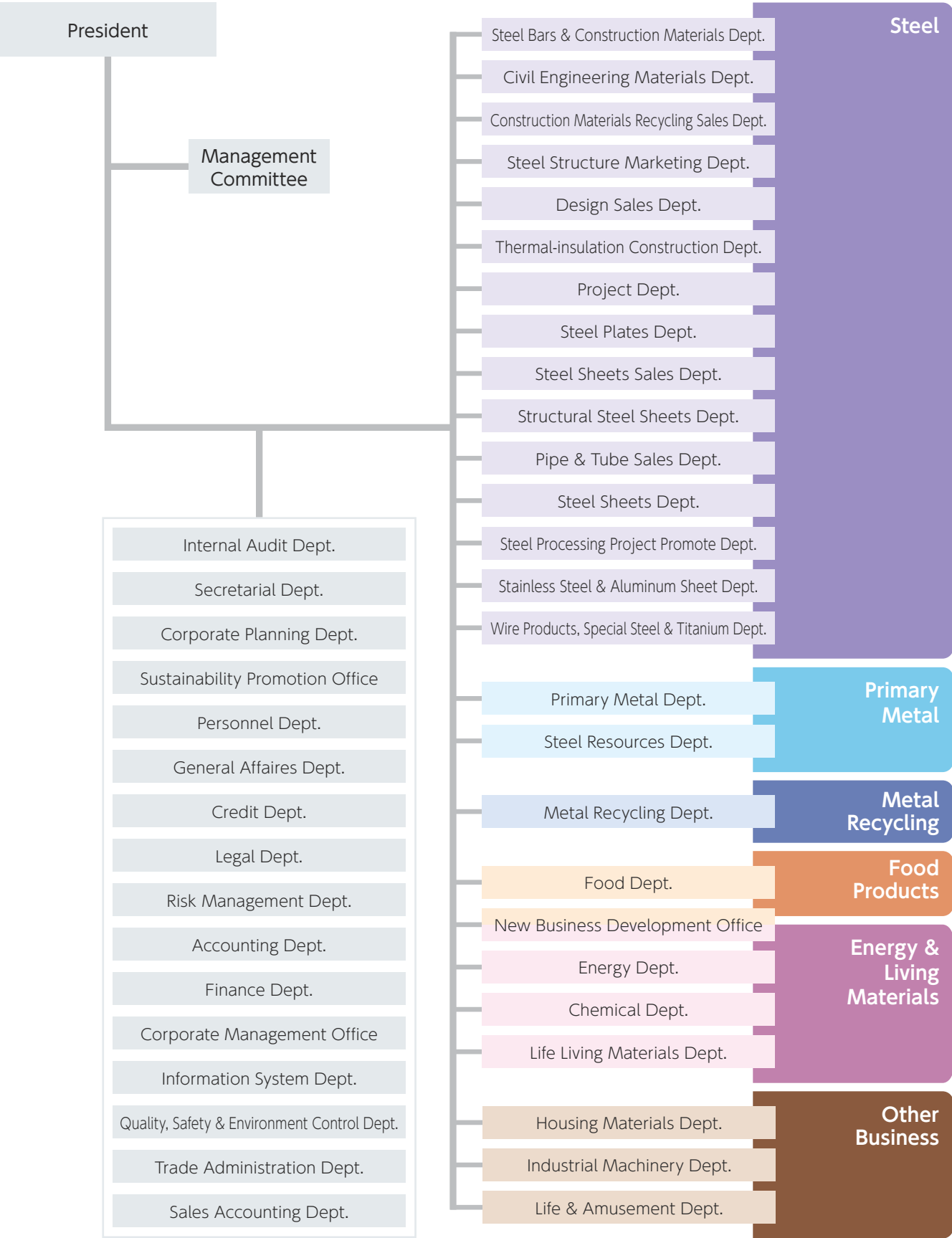
Major Affiliated Companies (As of March 31, 2025)

●: Steel ●: Primary Metal ●: Metal Recycling ●: Food Products ●: Energy & Living Materials ●: Other Business ●: Overseas Sales Subsidiaries

Name	Address	Capital or capital investments	Name	Address	Capital or capital investments
(Consolidated subsidiaries)			● Toyo Energy Co., Ltd.	Chuo-ku, Osaka	¥120 million
● S.K. Engineering Co., Ltd.	Chuo-ku, Tokyo	¥222 million	● Seibu Service Co., Ltd.	Yodogawa-ku, Osaka	¥20 million
● Hanwa Eco Steel Corporation	Kamagaya, Chiba	¥110 million	● Alpha Forme Co., Ltd.	Yodogawa-ku, Osaka	¥3 million
● Hanwa Logistics Tokyo Co., Ltd.	Narashino, Chiba	¥100 million	● HANWA SINGAPORE (PRIVATE) LTD.	Singapore	US\$ 184,527 thousand
● Hanwa Logistics Osaka Co., Ltd.	Sakai-ku, Sakai	¥100 million	● HANWA AMERICAN CORP.	New Jersey, U.S.A.	US\$ 40,000 thousand
● Hanwa Logistics Nagoya Co., Ltd.	Tobishima-mura, Ama-gun, Aichi	¥100 million	● HANWA THAILAND CO., LTD.	Bangkok, Thailand	THB 812,200 thousand
● Hanwa Steel Service Ltd.	Koka, Shiga	¥100 million	● HANWA METALS (THAILAND) CO., LTD.	Rayong, Thailand	THB 458,000 thousand
● Daisun Co., Ltd.	Nishi-ku, Osaka	¥100 million	● HANWA CO., (HONG KONG) LTD.	Hong Kong, China	HK\$ 70,000 thousand
● San Ei Metal Co., Ltd.	Chuo-ku, Osaka	¥100 million	● HANWA VIETNAM CO., LTD.	Ho Chi Minh, Vietnam	VND 178,891 million
● Fukuoka Kogyo Co., Ltd.	Tsuyama, Okayama	¥100 million	● HANWA MEXICANA S.A. DE C.V.	Mexico DF, Mexico	MXN 106,933 thousand
● Tanaka Steel Trading Co., Ltd.	Hanyu, Saitama	¥77 million	● HANWA UK LTD.	London, U.K.	GBP 1,500 thousand
● Hokuriku Column Co., Ltd.	Imizu, Toyama	¥70 million	● GUANGZHOU HANWA TRADING CO., LTD.	Guangzhou, China	US\$ 1,200 thousand
● Tohan Steel Co., Ltd.	Funabashi, Chiba	¥64 million	● HANWA ITALIA S.R.L.	Milano, Italy	EUR 500 thousand
● Japanlife Co., Ltd.	Koto-ku, Tokyo	¥60 million	● HANWA TRADING (SHANG-HAI) CO., LTD.	Shanghai, China	US\$ 2,500 thousand
● Subaru Steel Co., Ltd.	Taisho-ku, Osaka	¥57 million	● TAIWAN HANWA KOGYO CO., LTD.	Taipei, Taiwan	NT\$ 15,000 thousand
● Daikoh Owano Co., Ltd.	Suminoe-ku, Osaka	¥50 million	● PT. HANWA INDONESIA	Jakarta, Indonesia	US\$ 67,100 thousand
● KAMEI Co., Ltd.	Matsuyama, Ehime	¥50 million	● SHINX Co., Ltd.*1	Yaizu, Shizuoka	¥63 million
● Daiko Sangyo Co., Ltd.	Chuo-ku, Osaka	¥35 million	● Hanwa Alpha Business Co., Ltd.*2	Chuo-ku, Tokyo	¥20 million
● Hanwa Daisun Co., Ltd.	Chuo-ku, Tokyo	¥30 million	● HANWA REINSURANCE CORP.*3	Pohnpei, Micronesia	¥360 million
● IZUMO TEC Co., Ltd.	Chuo-ku, Osaka	¥20 million	(Equity-method affiliates)		
● Tekken Industry Company	Sakai, Fukui	¥10 million	● Ohmi Sangyo Co., Ltd.	Taisho-ku, Osaka	¥100 million
● Taiyokozai Co., Ltd.	Chuo-ku, Osaka	¥10 million	● STAINLESS PIPE KOGYO Co., Ltd.	Mihara-ku, Sakai	¥100 million
● Matsuoka Kozai Co., Ltd.	Koka, Shiga	¥10 million	● Metaltech Co., Ltd.	Sumida-ku, Tokyo	¥50 million
● Kaneki Co., Ltd.	Kumiyama-cho, Kuse-gun, Kyoto	¥20 million	● MISAWA TRADING CO., LTD.	Kita-ku, Osaka	¥100 million
● Hirouchi Steel Co., Ltd.	Yao, Osaka	¥100 million	● OHMI TECHNO METAL Co. Ltd.	Taisho-ku, Osaka	¥80 million
● MS HIYOSHI KOUZAI Co., Ltd.	Imabari, Ehime	¥20 million	● COSMOSTEEL HOLDINGS LTD.	Singapore	S\$ 56,324 thousand
● SANYO KOUZAI Co., Ltd.	Naka-ku, Hiroshima	¥20 million	● SOHBI CRAFT POLAND SP. ZO. O.	Lysomice, Poland	PLN 46,404 thousand
● HANWA STEEL SERVICE MEXICANA S.A. DE C.V.	Guanajuato, Mexico	MXN 1,394,821 thousand	● SENDO STEEL PIPE JOINT VENTURE CO., LTD.	Ba Ria Vung Tau, Vietnam	VND 176,201 million
● PT. HANWA STEEL SERVICE INDONESIA	Bekasi, Indonesia	US\$ 33,000 thousand	● SOHBI KOHGEI (PHILS.), INC.	Batangas, Philippines	US\$ 7,772 thousand
● HANWA STEEL CENTRE (M) SDN. BHD.	Penang, Malaysia	MYR 80,000 thousand	● SMC TOAMI LLC.	Ba Ria Vung Tau, Vietnam	VND 65,217 million
● HANWA STEEL SERVICE (THAILAND) CO., LTD.	Chonburi, Thailand	THB 576,000 thousand	● HANWA FELLOWS ENGINEERING (THAILAND) CO., LTD.	Bangkok, Thailand	THB 6,000 thousand
● HANWA STEEL SERVICE (DONGGUAN) CO., LTD.	Dongguan, China	US\$ 15,000 thousand	● Suzuki-Sumiden Wire Products Guangzhou Co., Ltd.	Guangzhou, China	US\$ 9,000 thousand
● CHANG FU STAINLESS STEEL CENTER (SUZHOU) CO., LTD.	Taicang, China	US\$ 18,000 thousand	● NST SAIGON COIL CENTER CO., LTD.	Binh Duong, Vietnam	VND 54,100 million
● HANWA SMC STEEL SERVICE HA NOI CO., LTD.	Ha Noi, Vietnam	VND 64,369 million	● SMC TRADING INVESTMENT JSC.	Ho Chi Minh, Vietnam	VND 736,785 million
● Japan South Africa Chrome Co. Ltd.	Chuo-ku, Tokyo	¥100 million	● SAMANCOR CHROME HOLDINGS PROPRIETARY LTD.	Johannesburg, South Africa	ZAR 2,555 million
● Showa Metal Co., Ltd.	Kawasaki-ku, Kawasaki	¥20 million	● Jiangyin Xiao Da Metal Products Manufacturing Co., Ltd.	Jiangyin, China	RMB 28,500 thousand
● Nikko Kinzoku Co., Ltd.	Moji-ku, Kitakyusyu	¥20 million	● PT. GARUDA YAMATO STEEL	West Java, Indonesia	US\$ 424,000 thousand
● SEIKI Co., Ltd.	Taketoyo-cho, Chita-gun, Aichi	¥20 million			
● PT. HANWA ROYAL METALS	Jawa Timur, Indonesia	US\$ 3,800 thousand			
● Hanwa Foods Co., Ltd.	Chuo-ku, Tokyo	¥200 million			
● Maruhon Honma Suisan Co., Ltd.	Nishi-ku, Sapporo	¥20 million			
● East Japan Foods Co., Ltd.	Ishinomaki, Miyagi	¥75 million			
● SEATTLE SHRIMP & SEAFOOD COMPANY, INC.	Washington, U.S.A.	US\$ 30,300 thousand			
● HANWA CANADA CORP.	Vancouver, Canada	CAN\$ 2,300 thousand			

*1 Machinery Business *2 Non-life insurance agency *3 Captive

Operational Organization Chart



Global Network



Sustainability Data

Environment

Greenhouse gas (GHG) emissions

	FY2022	FY2023	FY2024
Scope 1	19,556	17,226	41,469
Scope 2	27,165	27,869	28,570
Scope 3	—	—	26,861,045
[Breakdown by category]			
1: Purchased goods and services	—	—	21,507,300
2: Capital goods	—	—	6,886
3: Fuel- and energy-related activities not included in Scopes 1 or 2	—	—	10,922
4: Upstream transportation and distribution	—	—	15,552
5: Waste generated in operations	—	—	16
6: Business travel	—	—	2,393
7: Employee commuting	—	—	641
11: Use of sold products	—	—	5,317,334

* Figures are consolidated figures for Scope 1, 2, and Scope 3 Category 3, and non-consolidated figures for all other categories. Calculated figures have been assured by SOCOTEC Certification Japan, an independent third party.

* For Scope 1, we have revised the calculation boundary as of the FY2024 results to include emissions that were previously excluded.

Environmental contributions

	FY2022	FY2023	FY2024
Avoided Emissions (1,000t-CO _{2e})	—	—	5,082
Distribution of resources that contribute to a material-cycle society (handling volume, 1,000 t)	—	—	1,466

* Avoided Emissions were calculated based on the sale of biomass fuel, recycled fuel, and metal scrap (steel and aluminum).

Social

Human capital

	FY2022	FY2023	FY2024
Number of employees (consolidated)	5,442	5,508	5,688
Number of employees (non-consolidated)	1,562	1,656	1,745
Male	842	880	913
Female	720	776	832
Number of female managers	7	7	10
Percentage of female employees in management positions (%)	1.9	2.1	2.6
Employment rate of people with disabilities (%)	2.4	2.4	2.6
Turnover rate (%)	4.8	5.0	6.6
Percentage of female career-track employees in total hires (%)	30.5	33.9	29.5
Percentage of career hires in total hires (%)	39.2	49.8	37.1
Return to work rate after maternity/childcare leave (%)	89.1	93.2	95.0
Percentage of childcare leave of male employees (%)	69.0	52.3	62.5

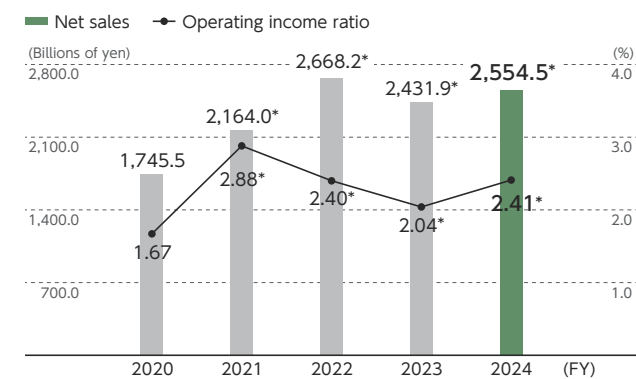
* The number of non-consolidated employees is the number of full-time employees excluding employees dispatched from the Company to affiliated companies, etc.

Developing human resources

	FY2022	FY2023	FY2024
Training expenditure per person (1,000 yen)	69.5	71.4	133.1
Training hours per person (hours)	11.3	12.1	28.7
Number of employees studying language abroad/trainees	2	6	3

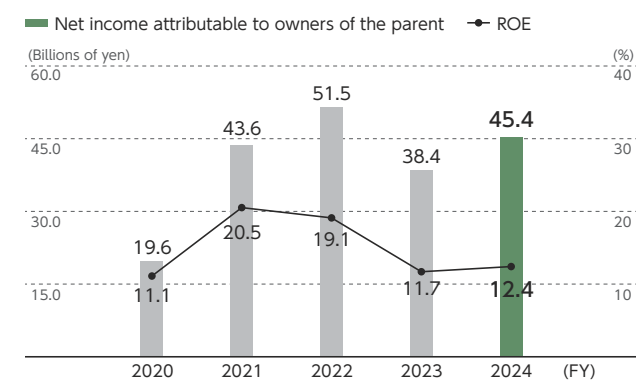
Financial Indicators

Net sales/Operating income ratio

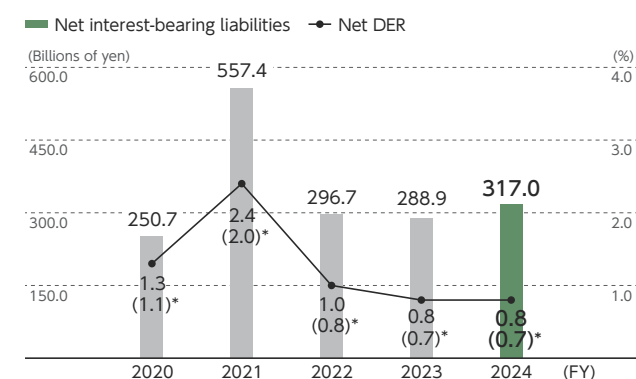


* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of FY2021. Key financial data from FY2021 onward reflects these accounting standards.

Net income attributable to owners of the parent/ROE

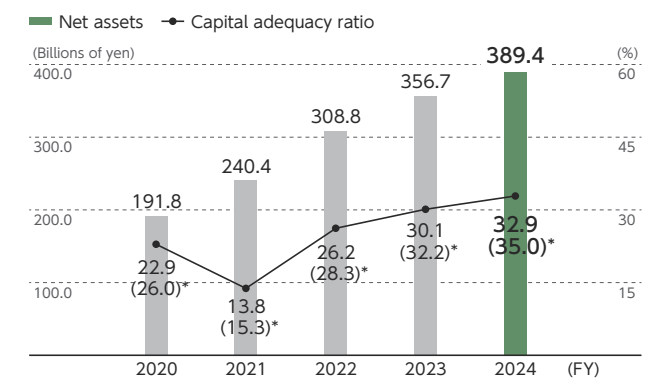


Net interest-bearing liabilities/Net DER



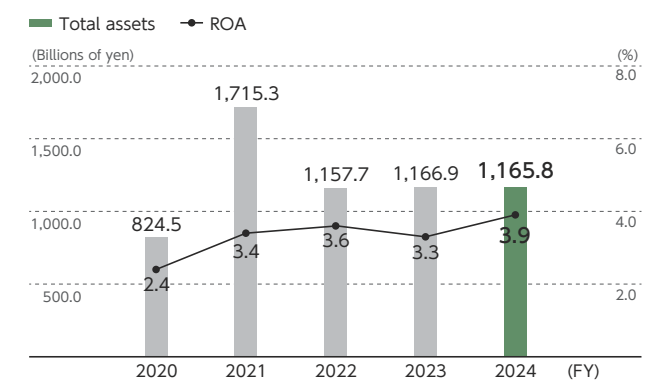
* Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan).

Net assets/Capital adequacy ratio

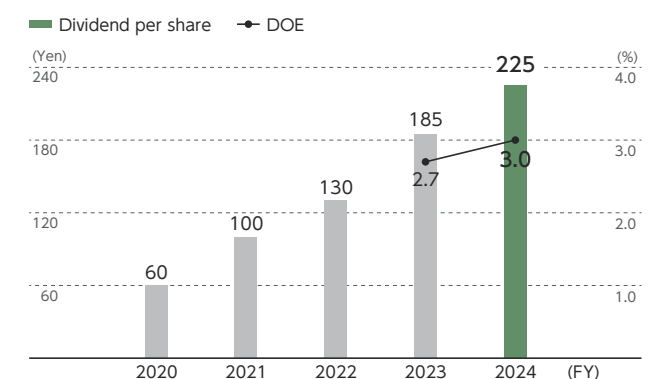


* Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan).

Total assets/ROA



Dividend per share/Dividend payout ratio



* We reviewed our shareholder return policy in the Medium-Term Business Plan 2025, and a minimum DOE of 2.5% was set as a standard.

11-Year Financial Summary

For the years ended March 31

											Millions of yen	Thousands of U.S. dollars (*1)
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025
Results of Operations:												
Net sales (*12)	¥ 1,737,397	¥ 1,511,800	¥ 1,514,037	¥ 1,791,118	¥ 2,074,600	¥ 1,907,493	¥ 1,745,501	¥ 2,164,049	¥ 2,668,228	¥ 2,431,980	¥ 2,554,514	\$ 17,084,764
Gross profit	55,729	56,559	64,514	72,195	79,222	79,826	79,925	119,008	128,541	119,845	140,607	940,389
Operating income	19,107	18,178	23,426	26,217	28,904	27,330	29,232	62,367	64,105	49,722	61,532	411,530
Ordinary profit (loss)	14,264	15,424	22,907	25,502	23,395	(12,598)	28,821	62,718	64,272	48,276	59,746	399,585
Net income (loss) attributable to owners of the parent	9,086	25,469	16,363	17,354	13,914	(13,674)	19,617	43,617	51,505	38,417	45,482	304,186
Cash Flows:												
Net cash provided by (used in) operating activities	1,790	53,098	3,959	(19,755)	15,417	74,261	19,004	(280,752)	284,226	18,187	10,131	67,756
Net cash provided by (used in) investing activities	(13,692)	(10,446)	(18,427)	(39,971)	(20,623)	(24,159)	(4,190)	(14,993)	(6,539)	1,014	(21,837)	(146,047)
Net cash provided by (used in) financing activities	19,339	(41,751)	15,447	66,435	28,132	(42,314)	(34,223)	406,820	(351,835)	(26,319)	293	1,959
Free cash flows (*3)	(11,902)	42,652	(14,468)	(59,727)	(5,205)	50,102	14,814	(295,745)	277,687	19,202	(11,705)	(78,283)
Financial Position at Year-End:												
Total assets	651,456	599,694	694,232	860,344	933,307	798,442	824,590	1,715,394	1,157,747	1,166,986	1,165,805	7,796,983
Total net assets	142,749	156,139	171,637	203,700	202,459	166,097	191,857	240,497	308,807	356,765	389,470	2,604,802
Gross interest-bearing liabilities (*4)	272,575	237,552	259,670	325,562	363,257	331,107	301,654	722,940	380,982	365,449	382,328	2,557,035
Net interest-bearing liabilities (*5)	248,032	210,437	231,205	289,346	303,949	263,850	250,747	557,489	296,795	288,923	317,015	2,120,218
Per Share Data: (*2)												
											Yen	U.S. dollars (*1)
Net income (loss) attributable to owners of the parent	43.85	122.92	80.18	427.04	342.41	(336.51)	482.74	1,073.34	1,267.44	944.90	1,125.66	7.528
Net assets attributable to owners of the parent	682.46	747.40	838.70	4,621.96	4,632.55	4,027.01	4,656.17	5,834.98	7,459.39	8,636.03	9,485.64	63.440
Cash dividends	15.00	18.00	19.00	85.00(*9)	150.00	100.00	60.00	100.00	130.00	185.00	225.00	1.504
Key Financial Ratios:												
												%
Return on assets (ROA) (*6)	1.5	4.1	2.5	2.2	1.6	(1.6)	2.4	3.4	3.6	3.3	3.9	
Return on equity (ROE) (*7)	6.9	17.2	10.1	9.7	7.4	(7.8)	11.1	20.5	19.1	11.7	12.4	
Capital adequacy ratio	21.7	25.8	24.5	21.8	20.2(22.8)(*10)	20.5(23.6)(*10)	22.9(26.0)(*10)	13.8(15.3)(*10)	26.2(28.3)(*10)	30.1(32.2)(*10)	32.9(35.0)(*10)	
Net DER (*8)	175	136	136	154	161(131)(*10)	161(127)(*10)	133(105)(*10)	235(203)(*10)	98(83)(*10)	82(70)(*10)	83(72)(*10)	
Payout ratio	34.2	14.6	23.7	29.3	43.8	—(*11)	12.4	9.3	10.3	19.6	20.0	

* 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥149.52=\$1.00.
2. The Company consolidated its common shares at a ratio of 5 shares to 1 share on October 1, 2017. Accordingly, per share data (except for cash dividends) are calculated on the assumption that the consolidation of shares was conducted at the beginning of fiscal year 2018.
3. Free cash flow is defined as net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.
4. Gross interest-bearing liabilities are defined as short-term loans payable, commercial paper, long-term debt, bonds and lease debt.
5. Net interest-bearing liabilities are defined as gross interest-bearing liabilities minus cash and cash equivalents and time deposits.
6. ROA is calculated by dividing net income (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the fiscal year.
7. ROE is calculated by dividing net income (loss) attributable to owners of the parent by the average of equity attributable to owners of the parent at the beginning and end of the fiscal year.

8. Net DER is calculated by dividing net interest-bearing liabilities by equity attributable to owners of the parent at the end of the fiscal year.
9. Dividends per share of ¥85.00 for the year ended March 31, 2018 consisted of interim dividends of ¥10.00 per share before the consolidation of shares and year-end dividends of ¥75.00 per share after the consolidation.
10. The values in parentheses of the capital adequacy ratio and the net debt/equity ratio (DER) are calculated by taking into account the equity credit attributes evaluated by rating institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan).
11. The payout ratio has not been presented for those fiscal years in which the Company incurred a net loss attributable to owners of the parent.
12. "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) was adopted from the beginning of the consolidated fiscal year ended March 31, 2022. Accordingly, key financial data for the fiscal year ended March 31, 2022 and thereafter reflect the application of this accounting standard.

Consolidated Balance Sheets

As at March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (*1)
	2025	2024	2025
Assets			
Current assets:			
Cash and cash equivalents	¥ 65,263	¥ 76,462	\$ 436,483
Receivables:			
Trade notes, accounts receivable and contract assets:			
Unconsolidated subsidiaries and affiliates	11,891	16,484	79,527
Other	403,447	429,340	2,698,281
Electronically recorded monetary claims:			
Unconsolidated subsidiaries and affiliates	68	261	454
Other	92,390	95,353	617,910
Loans:			
Unconsolidated subsidiaries and affiliates	8,442	8,693	56,460
Other	2	58	13
Allowance for doubtful receivables	(1,781)	(1,694)	(11,911)
Inventories	279,179	249,490	1,867,168
Other current assets	44,800	42,718	299,625
Total current assets	903,705	917,168	6,044,040
Investments and noncurrent receivables:			
Investment securities	72,889	80,739	487,486
Investments in unconsolidated subsidiaries and affiliates	43,410	25,323	290,329
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	1,778	1,792	11,891
Other	18,109	18,239	121,114
Other investments and noncurrent receivables	21,016	20,238	140,556
Allowance for doubtful accounts	(2,074)	(2,436)	(13,871)
Total investments and noncurrent receivables	155,130	143,897	1,037,520
Property and equipment:			
Land	40,461	37,401	270,605
Buildings and structures	61,950	60,574	414,325
Other	63,501	62,147	424,699
Accumulated depreciation	(75,967)	(71,178)	(508,072)
Total property and equipment	89,945	88,945	601,558
Other assets:			
Deferred tax assets	3,282	3,128	21,950
Retirement benefit Asset	3,648	3,840	24,398
Intangible assets	10,094	10,006	67,509
Total other assets	17,025	16,976	113,864
Total	¥ 1,165,805	¥ 1,166,986	\$ 7,796,983

* 1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥149.52= \$1.00.

	Millions of yen		Thousands of U.S. dollars (*1)
	2025	2024	2025
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable	¥ 50,994	¥ 45,358	\$ 341,051
Long-term debt due within one year	45,125	26,721	301,799
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	2,328	8,465	15,569
Other	266,184	295,382	1,780,256
Electronically recorded obligations:			
Unconsolidated subsidiaries and affiliates	25	38	167
Other	39,848	46,841	266,506
Accrued bonuses to employees	5,497	3,730	36,764
Provision for product warranties	53	95	354
Income taxes payable	12,320	2,602	82,397
Other current liabilities	39,291	57,318	262,780
Total current liabilities	461,670	486,555	3,087,680
Noncurrent liabilities:			
Long-term debt due after one year	281,520	289,957	1,882,825
Retirement benefit liability	1,759	1,353	11,764
Deferred tax liabilities	14,660	16,781	98,047
Other noncurrent liabilities	16,723	15,573	111,844
Total noncurrent liabilities	314,664	323,665	2,104,494
Contingent liabilities			
Net assets			
Shareholders' equity:			
Common stock:			
Authorized: 114,000,000 shares in 2025 and 114,000,000 shares in 2024			
Issued: 42,332,640 shares in 2025 and 42,332,640 shares in 2024	45,651	45,651	305,317
Capital surplus	1,384	1,301	9,256
Retained earnings	298,252	260,959	1,994,729
Treasury stock, at cost: 1,949,904 shares in 2025 and 1,664,411 shares in 2024	(5,593)	(3,662)	(37,406)
Total shareholders' equity	339,695	304,249	2,271,903
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	20,876	27,511	139,620
Deferred gains or losses on hedges, net of taxes	836	630	5,591
Land revaluation difference, net of taxes	1,941	1,966	12,981
Foreign currency translation adjustments	17,260	14,427	115,436
Remeasurements of defined benefit plans	2,446	2,426	16,359
Total accumulated other comprehensive income	43,360	46,962	289,994
Non-controlling interests	6,414	5,553	42,897
Total net assets	389,470	356,765	2,604,802
Total	¥ 1,165,805	¥ 1,166,986	\$ 7,796,983

For the years ended March 31, 2025 and 2024

* 1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥149.52= \$1.00.

For the years ended March 31, 2025 and 2024

* 1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥149.52= \$1.00.

Consolidated Statements of Cash Flows

For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (*1)
	2025	2024	2025
Cash flows from operating activities:			
Income before income taxes	¥ 65,489	¥ 53,888	\$ 437,994
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation	9,762	9,358	65,288
Amortization of goodwill	288	78	1,926
Increase (decrease) in allowance for doubtful accounts	(195)	60	(1,304)
Interest and dividend income	(8,065)	(8,249)	(53,939)
Interest expenses	8,715	8,754	58,286
Share of loss (profit) of entities accounted for using the equity method	(2,604)	(3,532)	(17,415)
Gain on sales of property and equipment	—	(1,204)	—
Gain on sales of investment securities	(2,825)	(5,416)	(18,893)
Gain on sales of investment securities of consolidated subsidiaries	(2,377)	—	(15,897)
Gain on sales of investment securities of unconsolidated subsidiaries	—	(76)	—
Gain on sales of investments in capital of subsidiaries and associates	(996)	—	(6,661)
Loss on retirement of property and equipment	105	—	702
Loss on valuation of investment securities	351	1,085	2,347
Decrease (increase) in trade receivables and contract assets	40,566	(29,736)	271,308
Decrease (increase) in inventories	(24,203)	11,516	(161,871)
Increase (decrease) in trade notes and accounts payable	(45,607)	29,442	(305,022)
Increase (decrease) in accounts payable-other	(12,032)	(32,165)	(80,470)
Increase (decrease) in retirement benefit asset and liability	429	619	2,869
Other, net	(6,196)	11,380	(41,439)
Subtotal	20,603	45,803	137,794
Cash flows during the year for:			
Interest and dividends received	8,013	7,417	53,591
Interest paid	(8,949)	(8,227)	(59,851)
Income taxes (paid) refund	(9,536)	(26,806)	(63,777)
Net cash provided by (used in) operating activities	10,131	18,187	67,756
Cash flows from investing activities:			
Payments into time deposits	(3)	(13)	(20)
Proceeds from withdrawal of time deposits	13	16	86
Purchase of property and equipment	(8,494)	(9,629)	(56,808)
Proceeds from sales of property and equipment	64	1,888	428
Purchase of investment securities	(18,597)	(1,940)	(124,378)
Proceeds from sales and redemption of investment securities	4,708	8,997	31,487
Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,087)	—	(34,022)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,037	—	20,311
Proceeds from sale of investment in capital of subsidiaries resulting in change in scope of consolidation	705	—	4,715
Net decrease (increase) in short-term loans receivable	765	(775)	5,116
Payments of long-term loans receivable	(120)	(2,649)	(802)
Collection of long-term loans receivable	1,647	7,603	11,015
Other, net	(477)	(2,482)	(3,190)
Net cash provided by (used in) investing activities	(21,837)	1,014	(146,047)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	818	(18,498)	5,470
Net increase (decrease) in commercial paper	—	(30,000)	—
Proceeds from long-term debt and issuance of bonds	36,651	111,909	245,124
Repayments of long-term debt and redemption of bonds	(26,733)	(82,131)	(178,792)
Purchase of treasury stock	(2,005)	(1)	(13,409)
Dividends paid	(8,291)	(6,696)	(55,450)
Dividends paid to non-controlling interests	(126)	(93)	(842)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(46)	—
Other, net	(19)	(762)	(127)
Net cash provided by (used in) financing activities	293	(26,319)	1,959
Effect of exchange rate changes on cash and cash equivalents	(1,073)	(827)	(7,176)
Net increase (decrease) in cash and cash equivalents	(12,485)	(7,944)	(83,500)
Cash and cash equivalents at beginning of year	76,462	84,121	511,383
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,286	286	8,600
Cash and cash equivalents at end of year	¥ 65,263	¥ 76,462	\$ 436,483

* 1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥149.52= \$1.00.

Corporate Data and Stock Information

(As of March 31, 2025)

Corporate Data

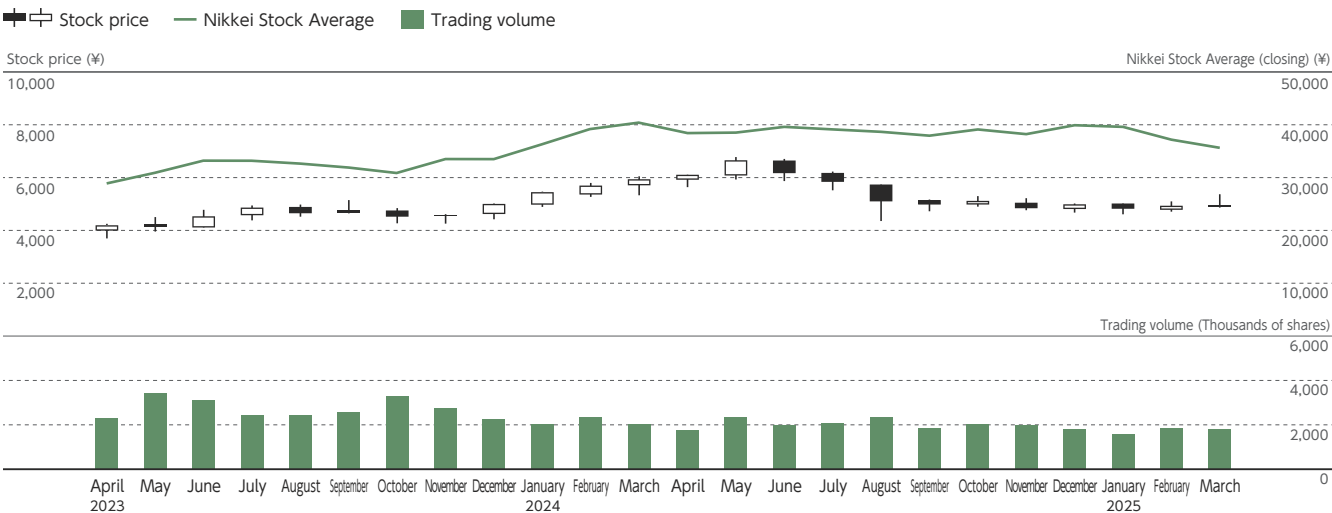
Company name	Hanwa Co., Ltd.
Established	April 1, 1947
Capital	¥45,651 million
Fiscal year	April 1 to March 31 of the following year
Number of employees	1,745 (Consolidated: 5,688)
Tokyo Head Office	Ginza Shochiku Square Bldg., 1-13-1, Tsukiji, Chuo-ku, Tokyo 104-8429, Japan
Osaka Head Office	HK Yodoyabashi Garden Avenue Bldg., 4-3-9, Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan

Principal Shareholders

Name of shareholders	Number of shares (Thousands)	Percentage of total issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,510	13.65
Hanwa Clients' Stock Investment Association	2,374	5.88
Custody Bank of Japan, Ltd. (Trust Account)	1,716	4.25
Sumitomo Mitsui Banking Corporation	1,526	3.78
JP MORGAN CHASE BANK 385632	1,192	2.95
Hanwa Employees' Stock Investment Association	1,112	2.76
DFA INTL SMALL CAP VALUE PORTFOLIO	641	1.59
NIPPON STEEL CORPORATION	600	1.49
STATE STREET BANK AND TRUST COMPANY 505001	551	1.36
The Dai-ichi Life Insurance Company, Limited	522	1.29

Note: The Company holds 1,949,904 shares of treasury stock, which is excluded from the principal shareholders listed above.

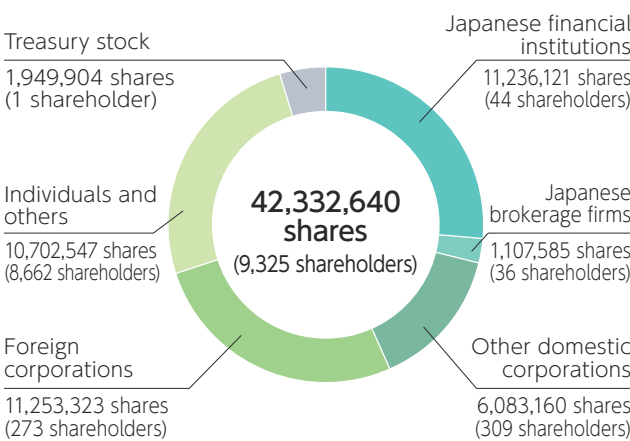
Stock Price Range and Trading Volume (April 2023 to March 2025)



Stock Information

General Shareholders Meeting	June every year
Administrator of shareholder registry and account management institution for special accounts	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Securities Agency Department, Sumitomo Mitsui Trust Bank, Limited
Telephone number	0120-782-031 (Toll-free)
Unit share	100 shares
Number of shareholders	9,325 people
Authorized shares	114,000,000 shares
Issued and outstanding shares	42,332,640 shares
Domestic stock exchange listings	The Prime Market of the Tokyo Stock Exchange
Securities code	8078

Breakdown by Type of Shareholder



Editorial Policy

Editorial Policy

The Company has been publishing integrated reports since fiscal 2019 so that our stakeholders can deepen their understanding of our medium- to long-term value creation. Through this report, we aim to further enhance our corporate value by deepening dialogue with our stakeholders.

Scope of report

The Company and its Group companies

Period covered

Fiscal 2024 (April 1, 2024 to March 31, 2025)
Some of the activities, prior to or after the period covered, are also included.

Issued

October 2025

Cautionary statement regarding forward-looking information

This report contains forward-looking information including future results of the Company. Such information reflects the Company's analysis based on information currently available to the Company and actual results may differ from these forecasts due to various factors, including economic trends and the surrounding business environment.

Reference guidelines

"International Integrated Reporting Framework" published by the IFRS Foundation

"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation 2.0" published by Ministry of Economy, Trade and Industry

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