



INTEGRATED REPORT 2022

Year ended March 31, 2022



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For Users, With Users

Corporate Philosophy

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.

Success in today’s markets demands speed and the ability to meet a broad range of needs. Great change has come about on an unprecedented scale. Only companies that can adapt quickly will survive.

Hanwa has accumulated experience and accomplishments in the field of “distribution” that spans more than 70 years. We know how to build powerful businesses and move quickly in the pursuit of value creation and customer satisfaction.

Dedicated to corporate citizenship, we want our business operations to help make communities and the world a better place to live. This is why we prioritize compliance and other activities that enable us to fulfill our obligation to society.

Through such activities, we keep nurturing a corporate culture that will enhance the value and reliability of our Company. We aim to make greater contributions by fulfilling our social responsibilities.

Corporate Policy

Accomplishment of social responsibilities

We contribute to the global society and the community through our business activities with sound management practices that attach importance to compliance.

Improvement of “Hanwa’s Value”

We raise our corporate value steadily by effective utilization of the management resources offered from various stakeholders.

Pursuit of trading company distribution with strong presence

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

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President's Message



“ Working hard to mediate between suppliers and business partners and adding value to trades.

No matter how the demands of the times may change, our fundamental blueprint as a trading company will remain the same. ”

Yoichi Nakagawa

Representative Director and President

Aiming for management which contributes to the stable development of society

In April of this year, we celebrated the 75th anniversary of our founding. I am humbled to have been appointed the president in this momentous year. My term began under such troubled circumstances as interest rate hikes and Russia's military invasion of Ukraine. Working in tandem with Chairman Hironari Furukawa and Vice Chairman Yasumichi Kato, however, we have determined a clear path forward and intend to manage the Company with even greater agility amid the massive changes taking place in world affairs.

Fortunately, in FY2021, we posted record high gains, with net sales of ¥2,164 billion and ordinary income of ¥62.7 billion. We had established a goal for ordinary income of ¥50 billion for FY2030, and I believe our achievement of this number ahead of schedule is truly the result of the efforts of our employees, and the cooperation of our business partners and everyone with whom we are involved. Our credit rating also rose from BBB+ to A-. We will be making every effort to maintain this going forward.

We are currently in the final fiscal year of our Ninth Medium-Term Business Plan, “Run up to HANWA 2030 - Challenge the unknown beyond the present.” During this plan period, we have modeled the framework of our basic management policy after that of a building, composed of a foundation, first, second, and third floors.

The foundation is the implementation of “Management rooted in ESG and SDGs.” No matter how the state of the world may change,

working toward a decarbonized society remains essential. Aiming to “Accelerate circular society,” we intend to concentrate even greater effort in this area.

In the domain of “Realize renewable energy-based society,” we are promoting our import business for palm kernel shells (PKS), wood pellets, and other biomass fuels, and we boast the greatest market share in Japan.

With regard to waste generated through consumption and usage activities, we were quick to engage in businesses involving the reuse of steel as well as the recycling of aluminum, copper and other non-ferrous special metals. We are also increasing our presence in the field of thermal recycling. For example, annually, we handle over 100 thousand tons of refuse paper and plastic fuel (RPF), which is primarily composed of waste plastics, waste paper, and other industrial waste.

In order to realize a decarbonized society, in the rapidly growing field of electric vehicles (EVs), we are moving forward with the construction of a global network for the procurement of lithium, nickel, cobalt, and other essential materials for vehicle batteries

Involving ourselves in the entire cycle from resource production to manufacturing, processing, and waste recycling will make our “Hanwa circular supply chain management” an even more effective measure, and enable us to deliver a broad array of value which contributes to society through our core businesses.

It is also important for us to contribute to society by supporting people and fostering their growth. We established the Hanwa Scholar-

ship Foundation in 1957, providing grant-type scholarships to students who study in Japan and abroad. Going forward, we would like to see increasing numbers of the young people who will support Japanese society to study overseas, and we will continue to provide aid so that they will not give up on their studies for financial reasons and will be able to fully dedicate themselves to scholarship.

Since our founding, we have aimed for growth based on the view that corporate prosperity and the happiness of our employees are two sides of the same coin. Going forward, however, we will also be working to proactively contribute to the stable development of society.

Strengthening our balance sheet and solidifying our foundation for growth

The “first floor” of our Ninth Medium-Term Business Plan is the “Enhancement of management foundation.”

A trading company's greatest treasure is its people. We have always viewed the enhancement of our human resources to be a priority issue and, under the theme of “Professional & Global,” we have significantly increased our training budget.

We have finally opened the Hanwa Business School, an online corporate university program which has long been in the works. Participants create their own unique avatars and learn in a virtual environment. The school is designed to deliver a broad range of knowledge and is composed of a faculty system, including the Faculty of Literature to learn Hanwa's “DNA,” the Faculty of Foreign Language to acquire

Chinese, English, and other languages; the Faculty of Business Administration to learn the practice of professional, global business administration; the Faculty of Engineering to enhance IT literacy; and the Faculty of Commerce, which handles subjects such as finance theory. The program enables participants to learn anywhere, anytime, 24 hours a day. Our desire is for this program to expand participants' interests and deepen their learning.

Turning to our DX strategy, this is something we are currently making preparations for at a rapid pace. We acquired DX certification from the Ministry of Economy, Trade and Industry in March 2022 and are planning on putting our new core system into operation in FY2022.

For some time, we have been engaged in optimizing work processes and introducing robotic process automation (RPA) to automate tasks formerly performed manually, but this move will optimize the work of our employees in the workplace even further. The new core system is also designed so that management indices will come out in a more timely manner, enabling management to speed up implementation of management measures.

All employees and management will be engaging in business companywide with full recognition of the significance of the introduction of this core system.

With regard to financial affairs, while we have achieved good net sales and ordinary income, we recognize that we have some balance sheet issues.

At the end of December 2021, shareholders' equity was ¥211.5



President's Message

billion and net DER was 1.4 times. However, after Russia's military invasion of Ukraine in February of this year, the nickel futures market soared on the London Metal Exchange. The result was futures trades requiring long-term guarantee deposits. As a countermeasure, we raised funds from financial institutions with whom we already had agreements. In addition, assets and liabilities related to year-end loss on valuation of hedging transactions increased, but the effect of this on our performance was minimal.

Against this backdrop, at the end of FY2021, our liabilities had increased 133.1% over the end of the previous fiscal year to ¥1,470 billion. Gross interest-bearing liabilities were ¥722.9 billion, with net DER rising to 2.4 times at the end of the consolidated fiscal year under review.

We view this situation as a temporary matter resulting from the situation in Ukraine, but enhancing financial soundness is a serious issue for us and we will be promoting initiatives aimed at the end of FY2022. Amid expanding revenue, we are optimizing stock volumes and revising our cash conversion cycle throughout the entire Company with the aim of improving our business segment cash flow. Going forward, we will further leverage our new core system to analyze our financial and revenue structures and enhance profitability.

Our balance sheet reveals the fundamental strengths of our company management. Strengthening our financial base will enable us to be successful and avoid missing opportunities for Company growth and, further, help us to take risks. We believe that strengthening our balance sheet is a necessary measure in order to take the next step forward from our current financial position.

With regard to profits and losses, we expect to satisfactorily achieve our target figures for FY2022. However, social conditions are increasingly unstable, and we must always be prepared and watchful. I personally have extensive experience in the financial field and believe that now is the time to leverage this accumulated expertise. Together with the Board of Directors, Chairman, and Vice Chairman, I will be promoting management which reliably produces results.

Amid increasing resource competition, Hanwa has a conspicuous role to play

The "second floor" of the Ninth Medium-Term Business Plan is "Development of business strategy," and in regards to this, we are developing our "SOKOKA (Just-in-Time delivery, small lot, processing)" strategy designed to add even greater value to our transactions with business partners. Expanding the strategy area nationwide to include eastern Japan in addition to the western Japan and Chubu regions, we will further enhance our capabilities as a steel trading company.

In order to intensify our SOKOKA strategy, we will continue to promote "M&A plus A (alliances)" where we acquire and tie up with small- to medium-sized companies specializing in small-lot logistics and steel and other metals processing. Currently, the Japanese steel industry is facing double blows in terms of contractions in both domestic demand and exports, resulting in facility consolidations and structural changes. In order to implement our SOKOKA strategy together

with small- to medium-sized companies facing an uncertain future, last year we established a Business Development Implementation Team. We will be stepping away from our previous stance of waiting for companies lacking successors to approach us. Leveraging external information sources such as financial institutions and investment funds, we will proactively approach outstanding companies and expand our range of M&A targets to enter diverse markets which would be difficult for the Company to reach on its own.

Overseas, under the "Create another Hanwa in Southeast Asia" catchphrase, we are engaged in investment with a focus on the ASEAN union.

We have transplanted business models that have been successful in Japan to Indonesia, Singapore, Thailand, and Vietnam, and are further expanding a local production and local consumption model in the region. In FY2021, the amount of steel we handled globally exceeded 14 million tons, and this figure is expected to further rise in the future, contributing to increased income.

Securing resources is another important role of a trading company. As competition for resources intensifies worldwide, a failure to procure resources also means an inability to sell them and to function as a trading company. We are not a general trading company and are unable to draw on extensive capital, but as an entity which is a major part of the supply chain, we have secured sources to procure resources essential to Japan. More specifically, we have invested in PT DEXIN STEEL INDONESIA, a steel blast furnace mill on the island of Sulawesi, Indonesia. We are also participating in a nickel pig iron, stainless steel smelting and rolling factory project on Sulawesi led by China's Tsingshan Holding Group, the world's largest stainless steel producer. Taking charge of everything from raw material procurement to product sales, we are fulfilling our roles as a trading company.

There are some things, such as global affairs and raw materials demand, which cannot be grasped from a purely domestic perspective. These become apparent to us, however, through our dialogue with Chinese companies. Chinese manufacturers are highly influential on the economy, and getting firsthand information from them is of great value. In turn, this is an area we will be developing greatly going forward. While avoiding political risks, we will be exploring our own way of working with such companies, such as doing business primarily with Chinese companies which have expanded into Indonesia and other nations abroad.

Creating the future of distinctive resources investment

Per the "third floor" of our Ninth Medium-Term Business Plan—"Generate profits from investment"—we have invested in distinctive resources, and the time is finally approaching for these investments to bear fruit and be harvested.

During our Eighth Medium-Term Business Plan, we invested in Indonesia-based QMB NEW ENERGY MATERIALS, which engages in the integrated production of high-purity nickel-cobalt compounds essential for rechargeable batteries, from ore. A joint venture between Tsing-

shan Holding Group; CATL, the world's largest manufacturer of rechargeable batteries for automobiles; and GEM, a leading recycling company in China; as well as the Company, QMB NEW ENERGY MATERIALS finally began production in FY2022.

Mexico-based Bacanora Lithium's factory for producing high-purity lithium carbonate for lithium-ion batteries is scheduled to start operating in 2023 and is expected to expand sales into Asia.

In South Africa, we are participating in the WATERBERG JV Project to produce nickel and platinum group metals. Jointly investing in the project with partners such as PTM (a Canadian mine development company) and Japan Oil, Gas and Metals National Corporation (JOGMEC), it is scheduled to begin operating in 2024. We will be in charge of selling the products the project produces.

Per the above, we are extensively involved in battery businesses, from lithium, nickel, cobalt, and other primary materials used in rechargeable batteries; cathode materials and other key components; semi-finished products; and recycled materials; to product reuse. Society's need for rechargeable batteries will grow even stronger in the future, and last year we established BATTERY Team to serve as a cross-organizational group in charge of rechargeable batteries, from upstream to downstream and even recycling. We will be aiming to contribute to expanding businesses as well as to society.

We knew that these moves would not immediately lead to profit, but we gritted our teeth and continued to make investments. Now, at long last, their fruits are coming into view and, may be deemed a major contributing factor to our business performance going forward.

Preserving Hanwa's DNA while advancing toward our 100th anniversary

Although currently new large-scale investment projects have come to a close, it is necessary for us to continue to sow new seeds. Now is the time for the transition to a decarbonized society. Renewable energy, biomass, scrap, rechargeable batteries, and more—we will examine current conditions from every perspective, reexamine our tactics while engaging in both thorough offense and defense, and create new business opportunities.

While sowing these seeds, it will also be necessary for us to continue to strengthen the financial base that serves as our fundamental strength during the following Tenth Medium-Term Business Plan. Societal instability is rising, making it difficult to predict the future. We view outfitting this company with the resilience to withstand whatever may happen going forward as our next major theme. A sound financial backing will make the Company an even more stable presence.

Working to distribute risk will also be essential in realizing this. We will fully consider where the risks lie in every project and factor these risks into our plans in advance. Even if an individual project does poorly and temporarily slows down operations, this will enable us to survive sufficiently and in turn lead us to the next opportunity.

I worked in the administrative divisions for a long time, and as a result, I believe that I can clearly see the Company's strengths and en-



gage in management from a new and different perspective. I feel that my role is to create a virtuous circle in the Company and push us forward toward the next step.

Demands may change with the times, but there are also parts of the Company that will never change.

In recent years, we have taken on a variety of investment projects and the range of products we handle as well as the breadth of our financial affairs have brought us closer to that of a general trading company. Trade, however, remains our focus. Working hard to mediate between suppliers and business partners and adding value to trades. Pleasing both suppliers and buyers and receiving a reasonable profit in return. This orthodox form of business is Hanwa's DNA, and we have no intention of changing our fundamental blueprint as a trading company.

The Tenth Medium-Term Business Plan starts in the next fiscal year, and we are currently working on its formulation. Employees who joined the Company in 2022, the year of its 75th anniversary, will likely continue to be working for the Company on the day it reaches its 100th anniversary. Accordingly, we must anticipate what society will be like 25 years in the future.

Human resources are a trading company's lifeblood, and it is always important to us to make this a company which is open and in which our employees can work comfortably and without hindrance. I intend to go on frequent walks around the Company, visit Company locations in Japan and around the world, and hear the frank opinions of our employees.

In accordance with our medium- to long-term-based management, in the current plan period, we further strengthened our financial base by accumulating internal reserves while at the same time paying out annual dividends of ¥100 per share.

In order to satisfy the shareholders who have supported us in the medium- and long-term, we will succeed through confident management and, at the same time, share the perspective of our shareholders and provide thorough explanations of our current situation.

I encourage you to continue to expect Hanwa to grow to be even more robust and sure.

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

1946 - 1981

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 and the Forestry Bureau, sales of round bars also increased. The Company subsequently strengthened its business foundation by earning the reputation of "Round Bar Hanwa" and expanded its sales channels. The Company was listed on the second section of the Osaka Securities Exchange in 1963. With its improved social creditworthiness and financial strength upon its listing, the Company 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.

1982 - 2001

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, the Company was 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.

2002 - 2021

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.

Present

The Ninth Medium-Term Business Plan for the 3-year period from FY2020 to FY2022 was formulated with the theme "Run up to HANWA 2030 - Challenge the unknown beyond the present." In addition, in April 2022, Yoichi Nakagawa assumed the position of president and under the new president, we are promoting initiatives toward sustainable growth.

Enhancement of Corporate Foundation and Social Contribution



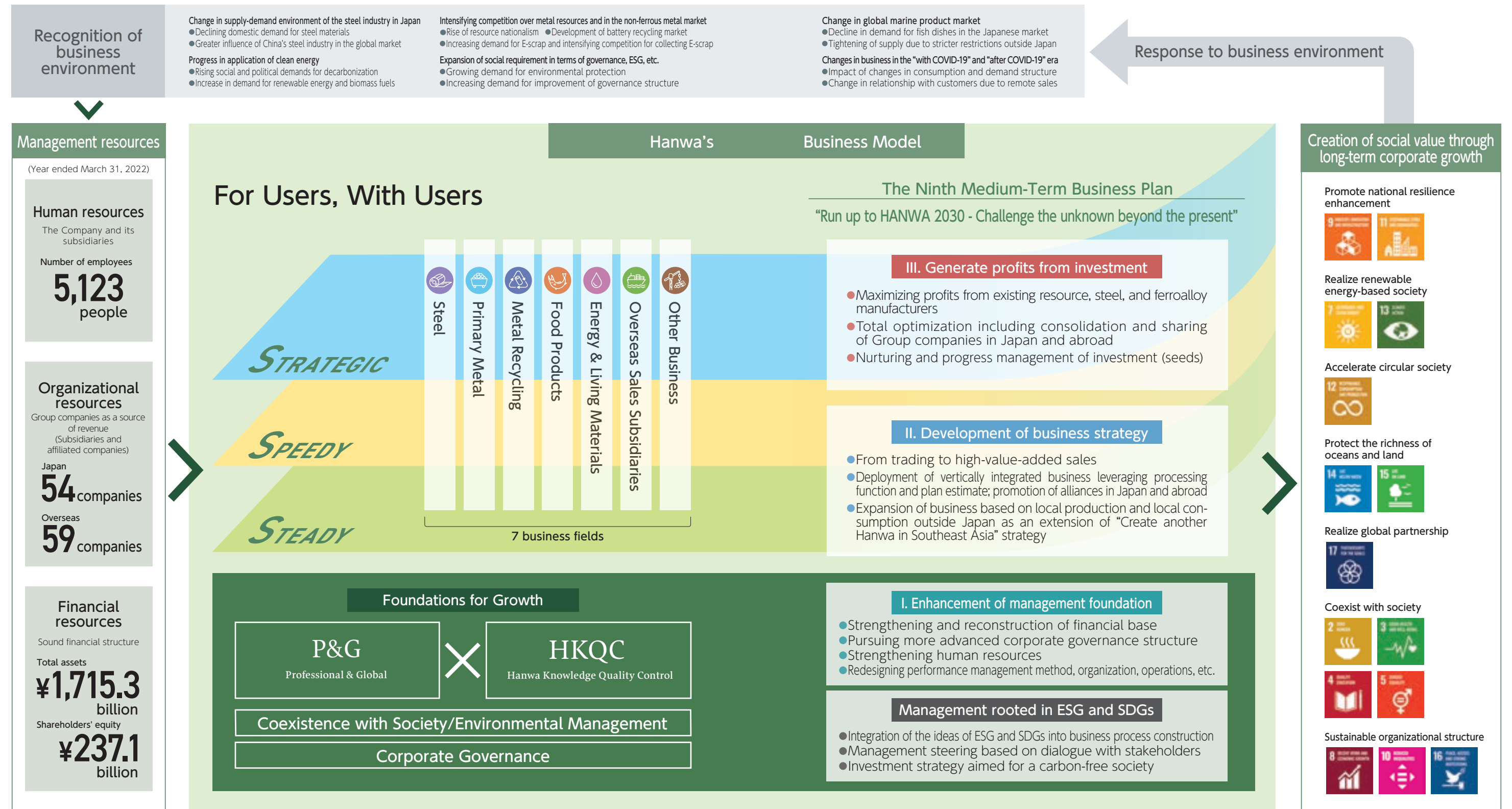
Ever since our foundation, Hanwa Co., Ltd. has always anticipated what lies ahead and grown by responding to the diverse needs of the users. With our corporate philosophy to become a "distribution specialist," we will continue to satisfy various needs of our users accurately by leveraging our high level of expertise and extensive network and contribute to the realization of a sustainable society through our business.

Contribution to the Realization of a Sustainable Society through Our Business

Steel	Primary Metal	Metal Recycling	Food Products	Energy & Living Materials	Other Business [Lumber/Machinery]
<p>We aim to contribute to the building of a sustainable recycling community through the promotion of the steel reusing and recycling business.</p> <p>▶1953 Imported steel scrap from India and the United States</p> <p>▶1955 Started Japan's first imported ship scrapping business after WWII and sold non-steel scrap of 17 scrapped ships</p> <p>▶1965 Operated Japan's first dedicated ship for transporting steel scrap, WAKO MARU, in alliance with a business partner</p> <p>▶1988 Renovated waste marine containers and entered into the karaoke box business</p> <p>▶1994 Entered into the steel plate leasing business</p> <p>▶2004 Took first order in Japan to detoxify materials contaminated with dioxins onsite in a dismantling work of a waste incineration plant</p> <p>▶2020 Established solar power generation facilities for in-house consumption at Hanwa Logistics Osaka Co., Ltd.</p>	<p>We aim to contribute to the building of an industrial base through a stable supply of metal resources and addressing global warming issues through the distribution of cathode materials for rechargeable batteries.</p> <p>▶1975 Started handling gold, silver, silicon and nickel</p> <p>▶1981 Focused on resources contained in the equipment of financial institutions and started the business for scrapping/collecting information equipment at the time of upgrading or disposal</p> <p>Started mass imports of Chinese ferroalloy ahead of other companies which were cautious about handling it</p> <p>▶1997 Started trading solar battery materials (silicon scrap)</p> <p>▶2001 Developed suppliers for ferroalloy in countries other than China (India, Kazakhstan, Sweden, Iran, South Africa)</p> <p>▶2018 Made capital investments in a nickel-cobalt compound production company for rechargeable batteries</p> <p>▶2021 Newly established a BATTERY Team</p> <p>Joined the Battery Association for Supply Chain</p>	<p>Through the utilization of the metal recycling knowhow and network and the introduction of facilities that emit less CO2, we will work toward the formation of a recycling-oriented economy with consideration given to response to climate change.</p> <p>▶1953 Imported non-steel scrap for the first time</p> <p>▶1981 Focused on collection of catalyst (waste catalyst) using nickel as raw material and supplied for special electric furnaces</p> <p>▶1984 Established an aluminum scrap sorting workshop at Nagoya Steel Distribution Center</p> <p>▶1994 Entered into the aluminum can recycling business</p> <p>▶1995 Developed new suppliers of the Can To Can business and increased collection volume</p> <p>▶2011 Established Hanwa Metals Co., Ltd., which collects and sells stainless steel scrap</p> <p>▶2015 Made SEIKI Co., Ltd., which recycles aluminum, and Nikko Kinzoku Co., Ltd., which recycles metals, into our subsidiaries</p> <p>▶2019 Acquired a license to sort and process metal scrap materials in Thailand</p>	<p>We contribute to sustainable marine resource circulation in order to distribute safe and secure food.</p> <p>▶1971 Started handling Taiwan eel and entered into the food industry</p> <p>▶1973 Partnered with a Korean company having freezing technology and started offshore trading, resulting in an increase in transaction volume of frozen fish block.</p> <p>▶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.</p> <p>▶2001 Received the "Friend of India" Award from India for our contribution to the import of shrimp</p> <p>▶2006 Established SEATTLE SHRIMP & SEAFOOD COMPANY, INC. to enhance shrimp sales in North America</p> <p>▶2010 Obtained MSC-CoC certification for preservation of marine resources</p> <p>▶2012 Established Hanwa Foods Co., Ltd., which wholesales processed marine products</p> <p>▶2014 Made Maruhon Honma Suisan Co., Ltd., which processes marine products, into our subsidiary</p> <p>▶2019 Made East Japan Foods Co., Ltd., which manufactures seafood, into our subsidiary</p>	<p>We contribute to the realization of a sustainable society through supply of environmentally-friendly energy and plastics and formation of a recycling-oriented society through recycling of waste paper and plastics.</p> <p>▶1957 Started selling heavy oil to steel business partners</p> <p>▶1965 Started handling kerosene as an alternate fuel to comply with regulations on pollution caused by factory use fuel</p> <p>▶1983 Started handling waste paper</p> <p>▶1986 The recycled pulp business performed well.</p> <p>▶1992 Developed sales of environmentally friendly packing materials made from recycled milk cartons</p> <p>▶1997 Started business of synthetic lubricant ingredient PAO (polyalphaolefin) with a major U.S. chemicals company</p> <p>▶2005 Concluded a contract of high-quality waste paper in cooperation with the Ho Chi Minh Office</p> <p>▶2015 Made Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., which produce RPF as energy from industrial wastes, into our subsidiaries</p> <p>▶2017 Started trading urea</p> <p>▶2018 The cumulative import volume of PKS achieved one million tons.</p> <p>▶2019 "MIDORI," our biomass fuel vessel, began operations</p> <p>▶2020 Obtained RSB certification and GGL certification and started providing a service to support the acquisition of certification</p>	<p>[Lumber] We aim to contribute to the sustainable development of Japanese forestry and the preservation of abundant forests.</p> <p>[Machinery] We are engaged in the introduction of facilities related to renewable energy, whereby contributing to the realization of a sustainable global environment.</p> <p>▶1947 Started selling high-performance oil press machines and sugar squeezing machines nationwide in cooperation with agricultural associations across the country</p> <p>▶1965 Started import of lumber</p> <p>▶1973 Sold the state-of-the-art rolling wastewater treatment (removal of oil and suspended solids from waste water by pressurized flotation) equipment</p> <p>▶1975 Took an order for the industry's largest industrial wastewater treatment facilities from an electric furnace steelmaker</p> <p>▶1988 Implemented Japan's first project for exporting a whole park to Asia and Europe in the secondhand amusement machine market</p> <p>▶2002 Supplied crushing facilities and dust collector and deodorizer equipment for garbage transfer stations and accumulated sales results to government agencies</p> <p>▶2005 Obtained FSC-CoC forest certification</p> <p>▶2009 Obtained PEFC forest certification</p> <p>▶2017 Established Lumber Procurement Policy</p>

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.



Chairman's Message



**Hironari
Furukawa**

Representative Director and
Chairman

“ The President must have his finger on the pulse of the times and conceptualize them. I aim to grow stronger, grasp the complex movements of the global economy, and support our new leader's difficult role. ”

11 years of managing with catchphrases

In April of this year, Yoichi Nakagawa was appointed Representative Director and President and initiated a new management structure. I was appointed Representative Director and Chairman and, together with Representative Director and Vice Chairman Yasumichi Kato, well-versed in the steel business, I will be supporting President Nakagawa.

I was previously appointed President in 2011, the year the Great East Japan Earthquake occurred. From that time until today, I have spent the last 11 years completely immersed in the management of the Company. The time truly has passed in the blink of an eye.

The role of the President is tremendous—to have their finger on the pulse of the times and conceptualize them. They must then convey this concept through internal and external messages and apply it so that action can be taken. It is an extremely important job. Looking back, I see that I expressed and shared many of my messages in the form of catchphrases.

The first catchphrase I worked out was “resonant management.” The aim of resonant management is to increase resonance with

business partners and further develop our presence as a “user-oriented trading company.”

In 2012, aiming to expand business with small- to medium-sized companies, we launched our “SOKOKA” strategy, a name comprised of the initial sounds of the Japanese words for “Just-in-Time delivery,” “small lot,” and “processing.” It was the kind of idea only a user-oriented trading company, able to meet all of the diverse needs of our customers, could come up with, and it enabled us to further strengthen our business base.

What was essential to the evolution of our SOKOKA strategy was business tie-ups and the acquisition of outstanding companies specializing in processing and small-lot logistics. I promoted this as our “M&A plus A (alliances)” strategy, and it led to expanded consolidated profits.

Catchphrase management also worked well with our overseas businesses. In accordance with Southeast Asian nations building their own blast furnaces, more and more steel began being produced and consumed locally in the region. In turn, under the “Create another Hanwa in Southeast Asia” catchphrase, we expanded our SOKOKA strategy

to include the members of the ASEAN union, promoting capital participation in stainless steel, blast furnace, manufacturing, and other businesses.

Another overseas venture worthy of special mention is our “distinctive resources investment,” which focuses on nickel, cobalt, lithium, and manganese—raw materials for the cathodes used in rechargeable batteries for electric vehicles. Working with parties such as China's Tsingshan Holding Group, the world's largest stainless steel producer, we are participating in a project to produce high-purity nickel-cobalt compounds in Indonesia. We are also participating in resource investment projects in Australia, South Africa, and Mexico among other locations, steadily making strategic moves in anticipation of future developments.

Finding the seeds of growth in critical junctures of the times

The following series of catchphrases may seem to each come under different fields, but in fact they all emerged from the same soil. They emerged as a product of dispassionately analyzing the current state of society and evaluating the future business environment, and, at the same time, envisioning the best future for the Company five and ten years hence to backcast from there.

With Japan's declining population, each year the domestic market has been steadily shrinking. Japan's demand for steel has also gradually decreased. That is why it was necessary to increase domestic customers under our SOKOKA strategy, and further strengthen our foundation via our “M&A plus A (alliances)” strategy.

Southeast Asia has been a chief export destination. In accordance with industrial development in the region, however, in the near future, its nations' dependence on Japanese steel will decline. In response, we have touted the catchphrase “Create another Hanwa in Southeast Asia,” expanding into Southeast Asian nations and strengthening cooperation and alliances with strategic partners. In addition, with eyes on the future development of electric vehicles, we will be promoting investment in areas such as the cathode materials used in rechargeable batteries. These are what is meant by “distinctive resources investment.” We envision the future, backcast the optimum strategies based on this, and do today what needs to be done.

Steadily implementing these plans is reliably producing results, and I believe these results are the end product of the Company's management engaging in thorough and repeated discussion, demonstrating leadership, and making resolute decisions.

Over the last 11 years, the Company has taken due initiative and invested appropriately in order to reach its requisite position. The long-term investments we have made in areas such as resources are only just beginning to bud, and the time when they will bear fruit is still somewhat ahead. With major developments in our investments in rechargeable batteries for electric vehicles, in particular, close at hand, I expect President Nakagawa to set even great goals.

The 11 years I held the rudder of the Company was an age of globalism. Although the Japanese economy shrank, China developed significantly as the world's factory, and we too engaged in a strategy of

growth. We hastened to do all that we could in response to the COVID-19 pandemic, but we were fortunate in that no large-scale conflicts occurred, and, in terms of business, it was perhaps a fortuitous period.

Going forward, we will be facing a variety of challenges, including Russia's military invasion of Ukraine, a divided global economy, and a new Cold War. We are also at a critical juncture domestically, and, alongside the declining birthrate and aging population, great changes will be occurring in the Japanese economy. These critical societal junctures are also key junctures for companies.

I led the Company to spread its roots, thickened its trunk, and spread its branches on a foundation built by Shuji Kita, who served as President before me. My hope is that now President Nakagawa will use this critical juncture to sow new seeds which will in turn spread their branches and grow to take the Company to yet even greater heights.

The “take good risks” spirit

From the outside, the Japanese people of today seem introspective and reluctant to take on new challenges. Japan is missing out on global economic growth. When a company only considers safe management policies, it tends to make the choice to do nothing at all, but this cannot lead to growth. One must be extremely careful not to manage a company like a salaried employee.

Leaping before you look is a poor way to manage a company, but so too is being overly cautious and always looking but never leaping. What is needed is to look but also to leap.

“Take good risks” is a phrase I use frequently. It is important to take good risks, continue moving forward, and harness animal spirits. The choice of what risks to take is a product of the insight of senior management and the outstanding governance of a Board of Directors who appreciate this insight, and herein lies the secret to growth.

President Nakagawa is a unique individual. Having lived in New York for 13 years, he is well-versed in international affairs. He also has a background in finance. Over the last 11 years, the Company has invested boldly and expanded its business domains. Someone with a strong financial background becoming president and building a sound financial structure is something these times seem to demand.

We have grown to be a company with nearly ¥3 trillion in net sales. Now Yoichi Nakagawa, Hironari Furukawa, and Yasumichi Kato have assumed representation of the Company and have built a system to thoroughly support President Nakagawa. In a trading company, it is important to meet with many people, communicate, and work closely with them, whether that be domestically or internationally. This work is difficult to do alone, but with these three helping each other, their abilities will surely be tripled or more.

Going forward, I will stand behind President Nakagawa, care about what he cares about and worry about what he worries about, think together with him, and strive to give him the best advice. I humbly ask you to continue to support Hanwa in its new form.

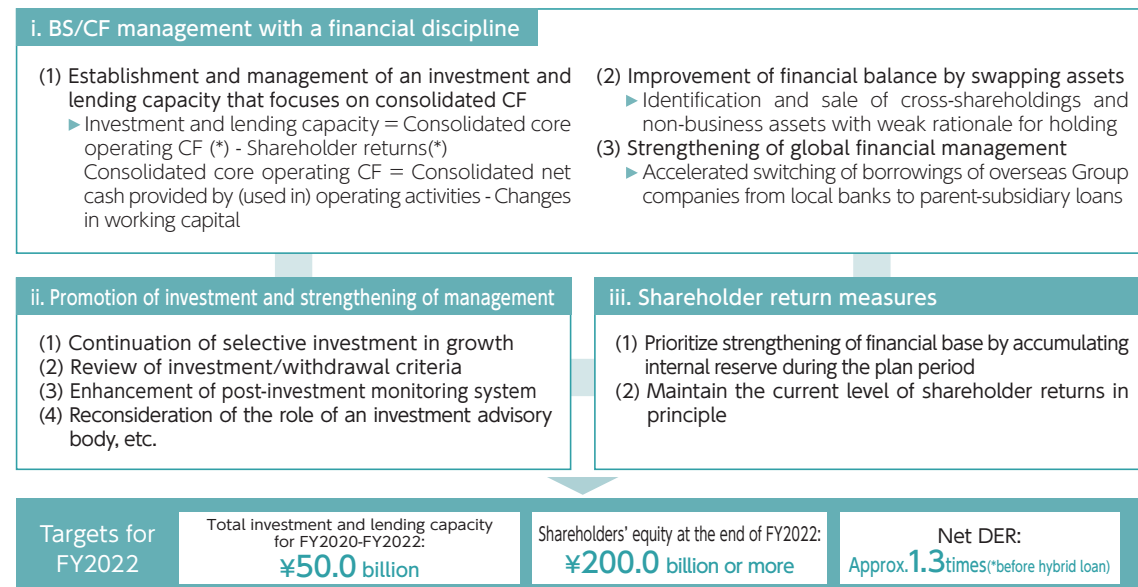
Outline of the Ninth Medium-Term Business Plan

The Group has been implementing the Ninth Medium-Term Business Plan over a three-year period starting in FY2020. The plan is based on the framework of a three-story building, with "Management rooted in ESG and SDGs" as the foundation, "I. Enhancement of management foundation" as the first floor, "II. Development of business strategy" as the second floor, and "III. Generate profits from investment" as the third floor. Under it, we are taking a balanced approach to enhance our corporate structure and increase profitability in the medium- and long-term, promoting initiatives aimed at sustainable growth while also focusing on FY2030.

Basic policy Theme: **"Run up to HANWA 2030 - Challenge the unknown beyond the present"**



I. Enhancement of management foundation



iv. Pursuing more advanced corporate governance structure

- Reconsideration of the role of the Board of Directors**
 - Redefining of the role and responsibility of the Board of Directors
 - Strengthening of the oversight function of the Board of Directors
- Review of the organizational structure**
 - Review and consideration of the number of directors
 - Consideration of setting terms of office for executives
- Review of the officer evaluation system and officer appointment/dismissal criteria**
 - Clarification and diversification of evaluation criteria
 - Consistency between evaluation and appointment/dismissal criteria
- Review of the executive compensation structure**
 - Reconsideration of the fixed amount periodical compensation/ performance-based compensation structure
 - Consideration of the stock-based compensation system

v. Strengthening human resources

- Development of solution sales talents and management talents**
 - Systematic training on knowledge and skills necessary for corporate management
 - Introduction of "Musha Shugyo Plan" for young employees (including temporary transfer to other group companies or business partners); consideration of diversifying the utilization of human resources
- Development of "Professional & Global" talents**
 - Establishment of a corporate university program (Hanwa Business School)
 - Introduction of a credit system based on job groups and work responsibilities
 - Significant increase in training budget (Inaugural year for developing global talents; expansion of upskilling training)
- Human resource assessment**
 - Consideration of appropriate personnel assignment based on 360-degree (multiphase) evaluation and objective evaluation utilizing statistical data
 - Consideration of introducing external qualifications as a requirement for promotion
- Diversification of human resources**
 - Active hiring of foreign nationals in Head Offices; increase in the number of women promoted to managerial positions
 - Utilization and development of local staff in overseas offices in other locations including Head Offices
 - Provision of various work opportunities for employees after mandatory retirement age under new personnel system for senior employees

Targets for FY2022

Corporate university program
Establishment of Hanwa Business School

Significant increase in training budget
3 times compared with prior years

vi. Redesigning performance management method, organization, and operations

- Upgrade of the performance management method and organization**
 - Review and reform of the management accounting system
 - Introduction of performance management and evaluation systems that focus on BS/CF as well as PL management
 - Group-wide profit and loss management
 - Enhancement of budget management and strategic and efficient organizational transformation based on integration into planning and administrative sections in administrative departments
- Introduction of a new core system (Shift)**
 - Contribution to the redesigning of operations and organization as a foundation for DX
 - Standardization of operations by shifting from work procedures dependent on individual expertise to unified system flow
- Work style reform**
 - Diversification of work styles and workplaces
 - Enhancement of IT infrastructure and promotion of projects to reduce paper usage
 - Productivity improvement through streamlining of business process flows and use of digital tools

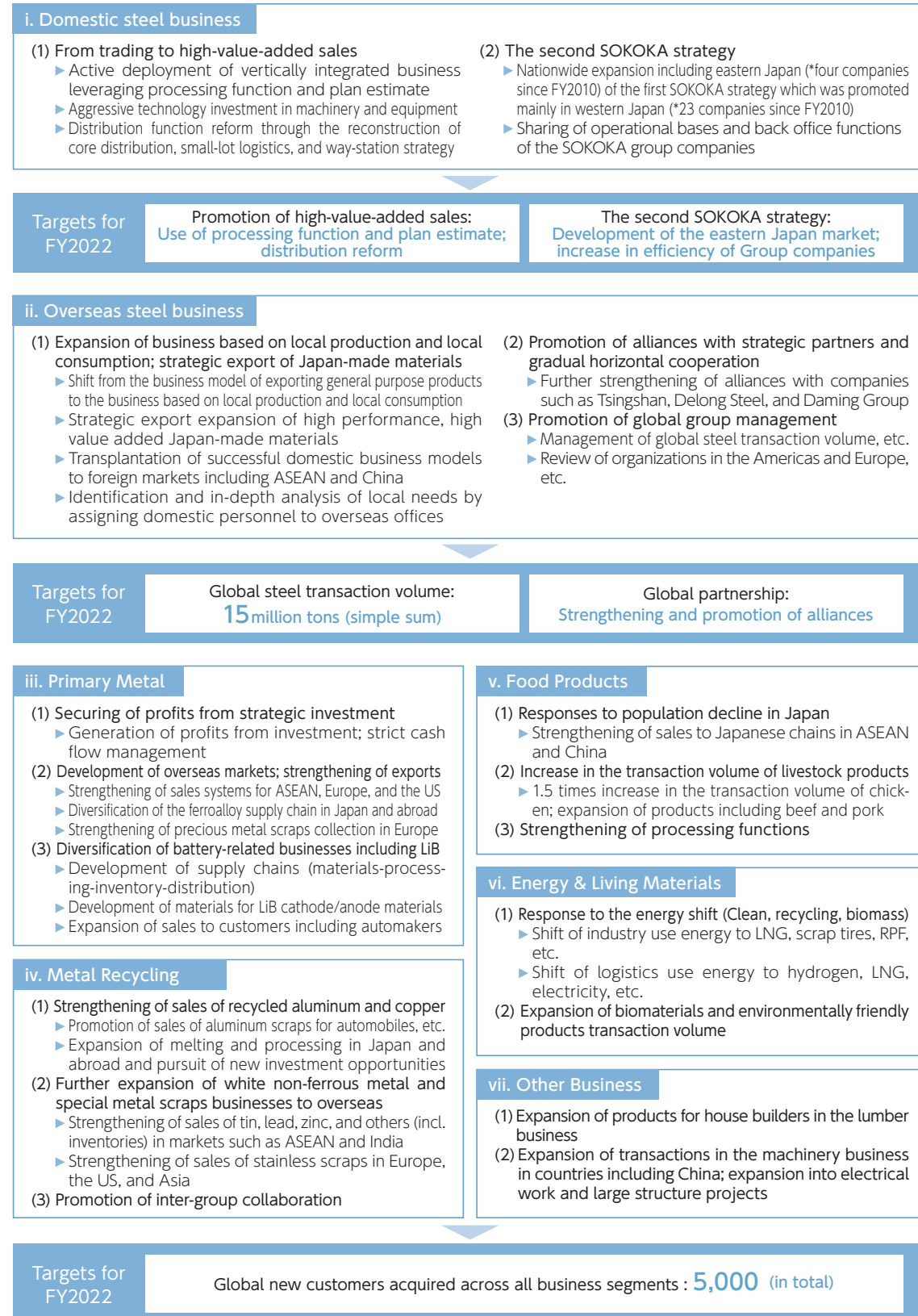
Targets for FY2022

New management accounting system
Launch in FY2021

New core system "System for Hanwa to Innovating Finance & Trading"
Develop in FY2022

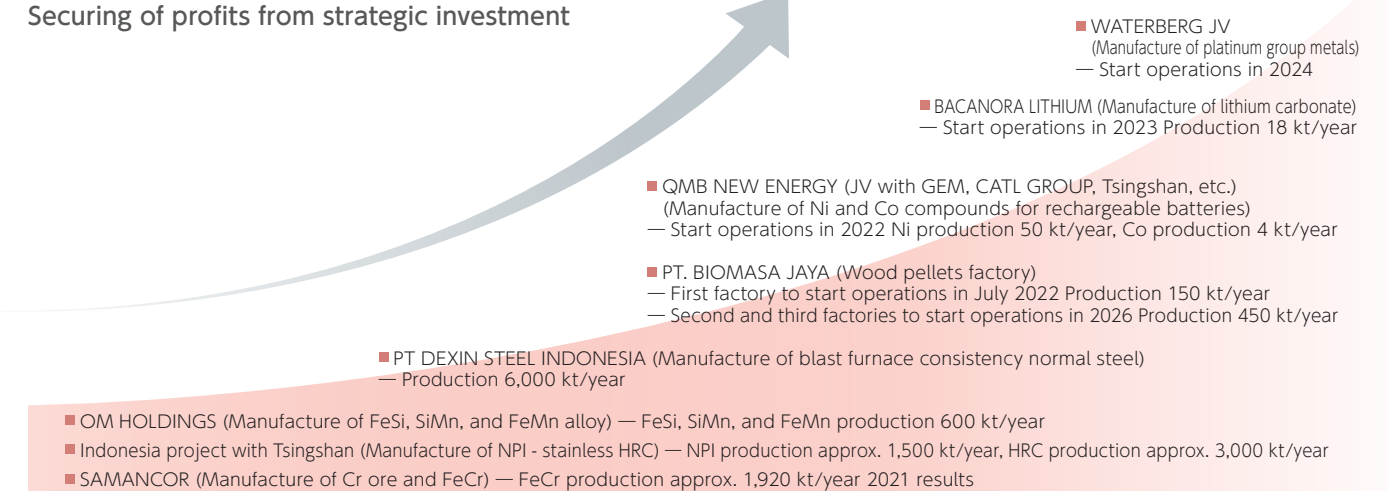
Outline of the Ninth Medium-Term Business Plan

II. Development of business strategy



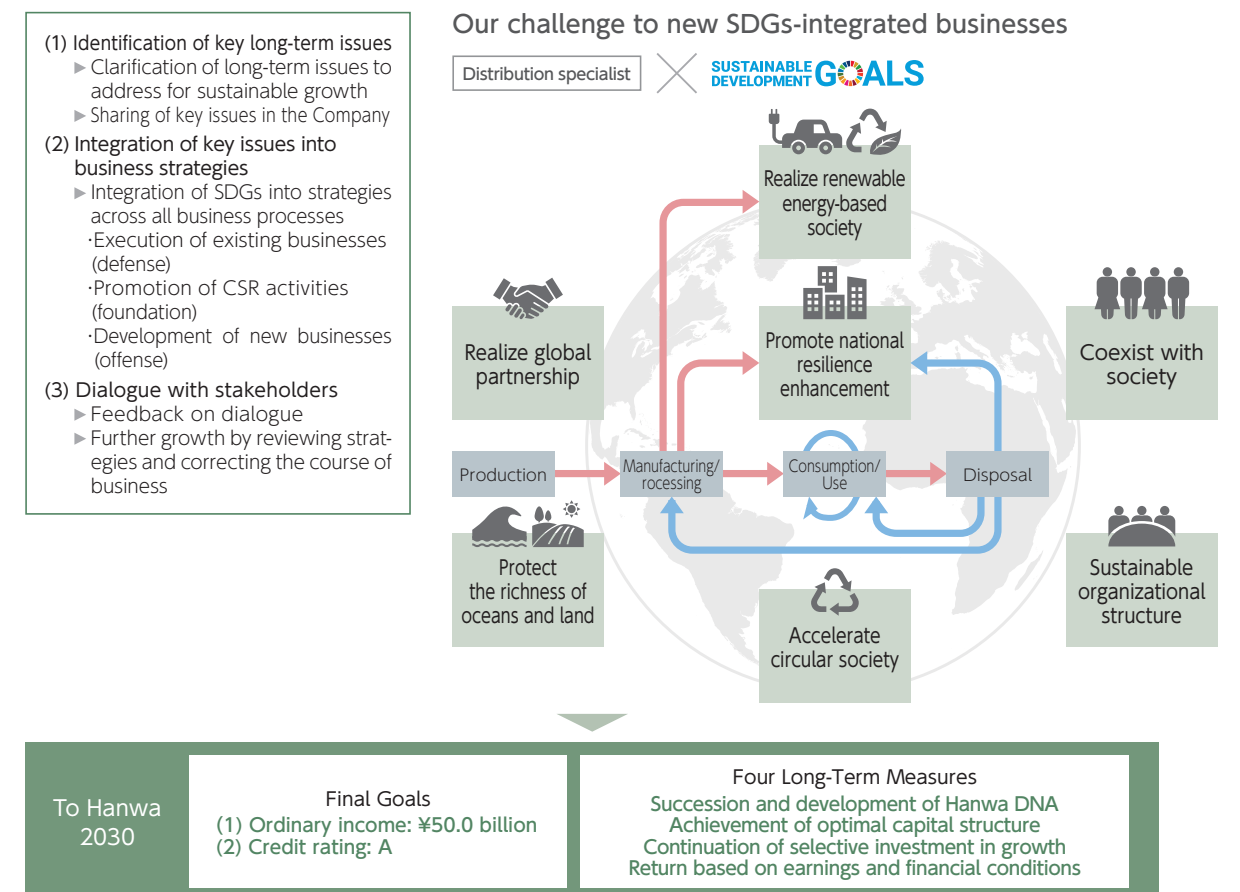
III. Generate profits from investment

Securing of profits from strategic investment



The Eighth Medium-Term Plan The Ninth Medium-Term Plan (2022) The Tenth Medium-Term Plan

IV. Management rooted in ESG and SDGs



Strengthening procurement of EV battery materials Strategy for Battery Business

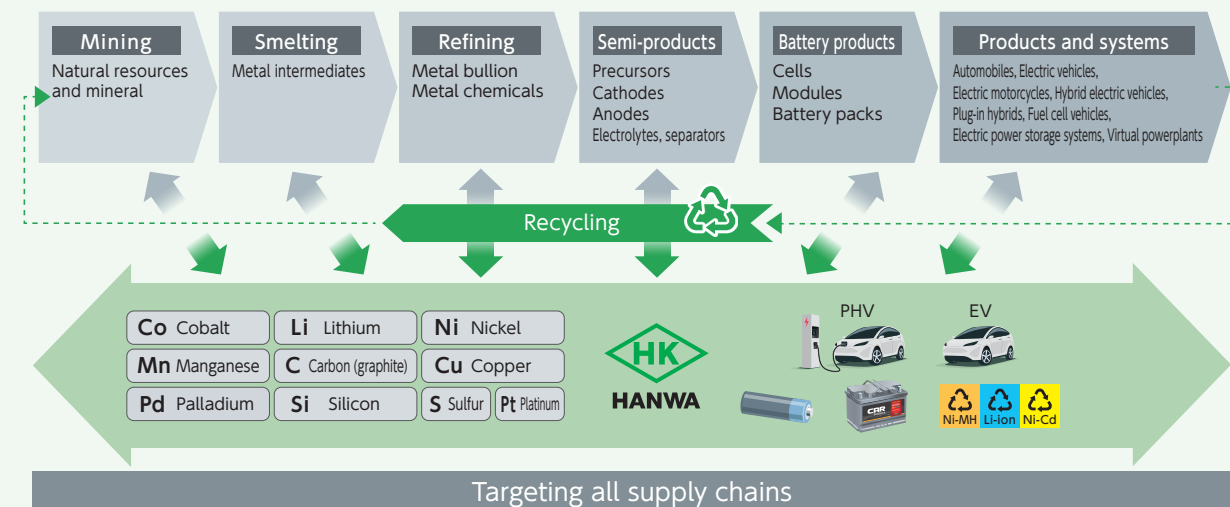
The world is now fully shifting toward the realization of carbon neutrality.

In the Japanese automobile industry, as well, the shift toward electric vehicles is accelerating.

Until now, we have contributed as unsung heroes to battery materials businesses.

Amid the significant changes in the market environment, however,

in April 2021 we established our BATTERY Team. Leveraging knowhow cultivated over a period of more than two decades, we are engaging in business cross-sectionally and comprehensively concerning every aspect of the Secondary battery lifecycle—upstream, downstream, and recycling. In turn, we are expanding our battery businesses as well as contributing to the realization of a carbon neutral society.



Understanding Secondary Batteries

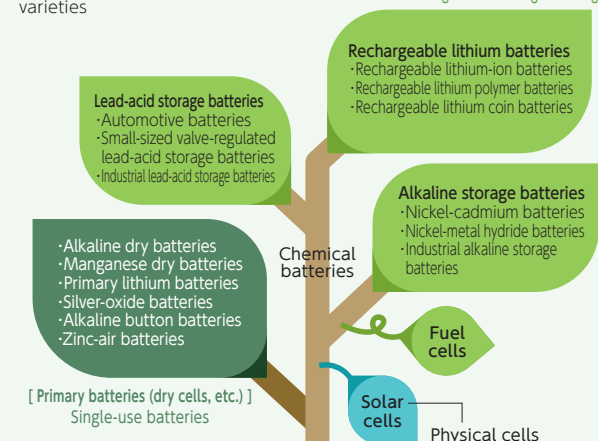
Secondary batteries are a kind of battery which can be repeatedly charged. There are many types of secondary batteries, each of which has its own characteristics and which has evolved with the times.

Succeeding nickel-cadmium and nickel-metal hydride batteries, today, lithium-ion batteries are one of the types most commonly used. Lithium-ion batteries are used in many of the devices found in everyday life, including mobile phones. They have also gained attention as a power source for automobiles.

The battery tree

Batteries come in many varieties

[Secondary batteries (rechargeable batteries, storage batteries)]
Batteries which can be charged and used again and again



Distinctive Resources Investment and Strategic Partnerships

In addition to nickel, cobalt, manganese, and lithium for use in the cathodes that are primary components in lithium-ion batteries, we are also investing in platinum group metals for fuel cell vehicles (FCVs) and graphite for anodes, which are experiencing rising demand. We are also promoting partnerships with resource companies worldwide and are proactively securing “distinctive resources” with an eye toward the 2030s.

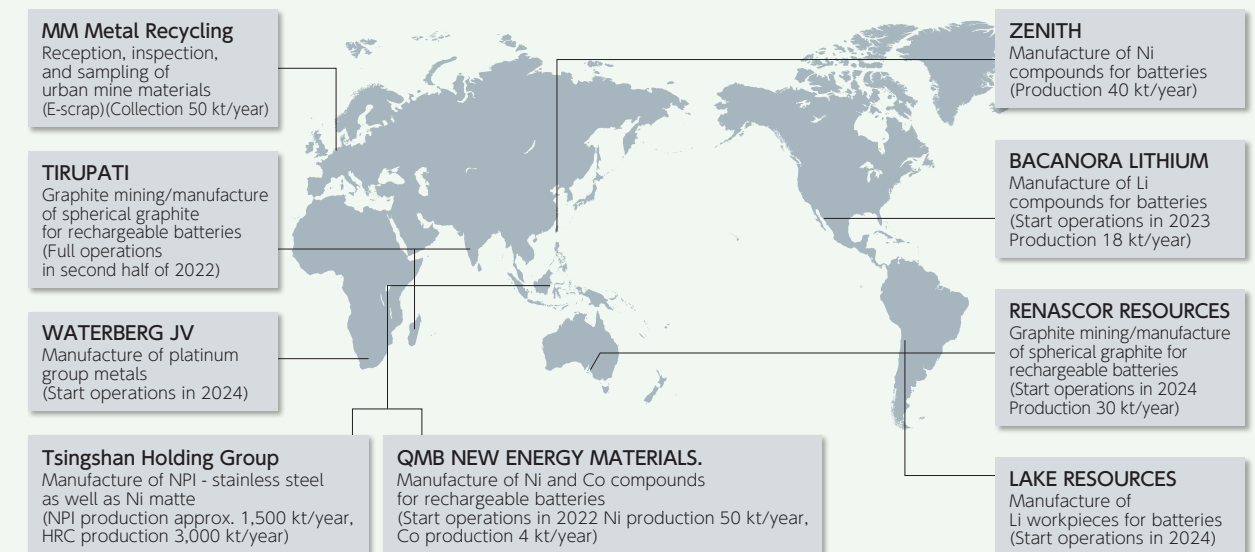


Graphite mine in South Australia



Bird's-eye view of QMB NEW ENERGY MATERIALS

[Primary investments and business partners]



In Charge Officer's Message

FY2021 was the year in which we established our BATTERY Team and initiated an approach toward the batteries industry that was more comprehensive than anything we had done before. While further enhancing our handling of the raw materials used in cathodes, a chief product for us, we also expanded our business fields in areas such as electricity storage products and raw materials for anodes. These moves have given us opportunities for continued sustainable growth in the future. In spite of the global semiconductor shortage, total sales of electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs) grew rapidly to 6.6 million vehicles, a 2.2-fold increase over the previous year. This could well be taken to mean the world as a whole has expressed a strong intent to decarbonize. In part because of Russia's unforeseen military invasion of Ukraine, the prices of essential raw materials for rechargeable batteries, and even of the auxiliary raw materials which heretofore had largely been ignored, soared. With an eye on future exploding demand, interest in securing resources is growing, particularly among Chinese companies. In 2025, it is anticipated that more than 15 million electric vehicles will be sold annually, and that in 2030, this number will reach 30 million vehicles. No longer some hazy prediction, these figures have taken on an air of reality. In our battery business, we are engaged in trading and investing in distinctive resources. In addition, we are promoting strategic partnerships with prominent companies in every aspect of the supply chain and will also proactively be engaging in horizontal development not only of our battery business but also in derivative industries.



Junichi Tomono
Corporate Officer
in charge of
Primary Metal Division

Providing “hard-earned wisdom”

Establishment of Hanwa Business School

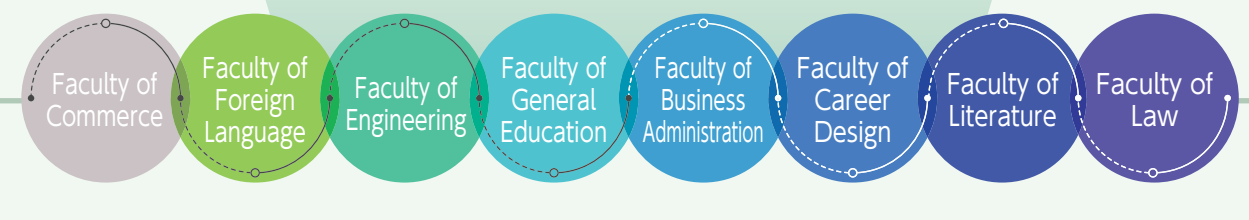


We opened our Hanwa Business School corporate university program in June 2022.

Employees are able to choose their own curriculum and study on a virtual campus using their avatars.

By providing an environment which enables learning anytime, anywhere, we aim to raise the overall intellectual literacy of the entire Company and cultivate “Professional and Global” human resources.

Hanwa Business School



Faculty of Commerce

Aiming to become distribution specialist able to flourish globally, students learn accounting knowledge and finance theory indispensable to trade, as well as trade practice.

Faculty of Foreign Language

Aiming to acquire the language abilities needed to succeed on a global level, students engage in level- and objective-appropriate language training, including studying abroad.

Faculty of Engineering

Aiming to become human resources with high-level IT literacy and outstanding digital insight, students study a broad array of topics useful for improving daily operations, from IT skills to the latest digital technologies.

Faculty of General Education

In order to acquire the foundational education required of a Hanwa employee, students learn general business knowledge from experienced employees, as well as the work each Company department does.

Faculty of Business Administration

Aiming to become global and professional management, students learn the management theory and practical knowledge needed for company management.

Faculty of Career Design

Clarifies what knowledge is required based on the individual employee's career stage and, through training, provides information useful for future career design.

Faculty of Literature

Students learn how to build future businesses by studying the Hanwa DNA passed down by their predecessors while exploring Hanwa's existing distribution channels.

Faculty of Law

Aiming to become human resources capable of discerning risk, students study the legal knowledge and credit decision skills needed for risk management.

Goals of Hanwa Business School

Hanwa Business School provides employees with the opportunity to systematically learn not just general business theory but also the knowledge the Company has cultivated to date. In addition, we aim for Hanwa Business School to function as a space for active learn-

ing instead of only one-way classroom lectures. Hanwa Business School provides participants with a place to discuss how to practically apply the knowledge they have acquired, and to thoroughly debate the “Hanwa way” of working unsparingly to satisfy customers.

Hanwa Business School's Most Distinguishing Feature

Hanwa Business School's most distinguishing feature is the fact that it exists in the metaverse.*1 Employees use their individual avatars*2 to attend lectures, training, and events in the metaverse.

Aiming to promote exchange between the employees who visit it, the school has individual spaces, including a courtyard, auditorium, classrooms, and library. Going forward, it will also be possible to invite external parties such as business partners to engage in business discussions in the metaverse.

Even in situations where face-to-face training and business discussions are difficult such as during the COVID-19 pandemic, with the metaverse, it is possible to provide virtual spaces where parties can engage in mutual communication. We are planning on further developing Hanwa Business School going forward, incorporating technologies such as VR goggles.

*1: 3D virtual spaces built online and the accompanying service.
*2: A virtual representation of a person used online.



School campus



Courtyard



Auditorium



Library

In Charge Officer's Message

We also expect Hanwa Business School to increase employee engagement

In addition to the goal of sharing Company knowledge, we established Hanwa Business School in the hopes of creating a place where employees could relax and refresh themselves. For example, one of the things people look forward to when they have training is to meet up with others who joined at the same time whom they haven't seen in a while. Unfortunately, however, the COVID-19 pandemic makes such exchanges impossible right now. Using the metaverse, however, enables vigorous, real-time communication with colleagues who were previously unable to meet face-to-face. And being a “university,” Hanwa Business School participants can also create clubs. Giving our employees a space not just to learn but also to relax and refresh themselves is another of our goals for Hanwa Business School.

We also hope that participating in Hanwa Business School will increase employee engagement. This makes it important for employees to feel a sense of excitement. A future issue will be preventing obsolescence. We will be further enhancing Hanwa Business School, providing a continuous stream of new events and intriguing content, in order to maintain employee enthusiasm.



Yoichi Sasayama
Director and Senior
Managing Executive Officer

Promotion of Sustainability Management

Basic Stance 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

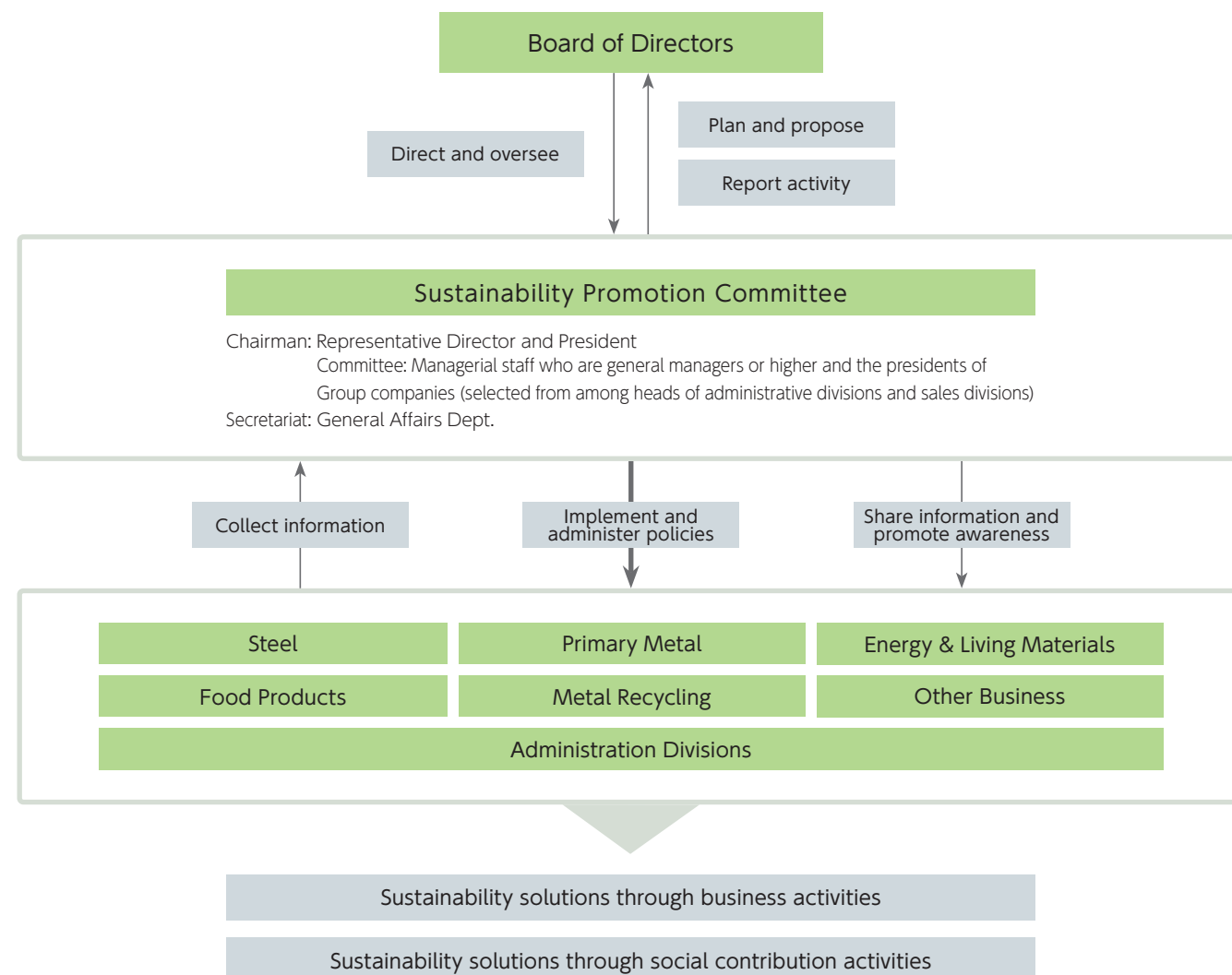
as global warming and environmental pollution caused by waste as well as social issues including poverty and human rights infringement, we need to respond to the expectations of diverse stakeholders through promotion of various business activities fully conscious of E (environment), S (social), and G (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 ac-

tivities 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]



Sustainability Basic Policy

As a “distribution specialist” (advocated in the corporate philosophy) that identifies with various stakeholders and grasps their needs, the Hanwa Group will connect with stakeholders through tangible and intangible services, make a broad contribution to society, and pass on a prosperous earth and comfortable society to the next generation.





Initiatives for Environmental Issues

Environmental Management

The basic policy of the Hanwa Environmental Policy is that the Company strives 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 sustainable 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.

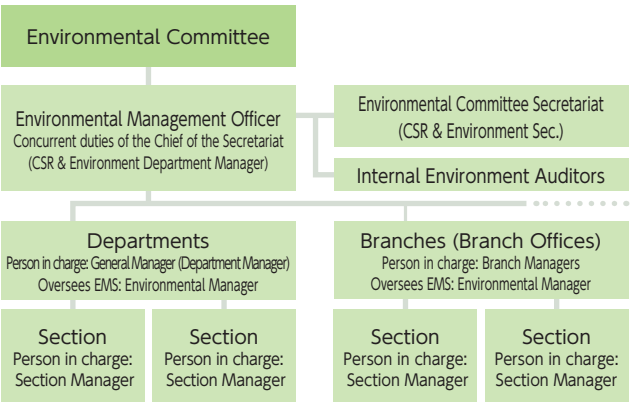
Guidelines for corporate action and major activities

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 ta 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 Law 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/ Drafting of proposals for and sales of steel slag
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	Promotion of the development of biomass fuels 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.	Reductions in CO2 emissions produced by domestic plant and office locations Maritime pollution prevention measures Promotion of sales of anti-pollutant products Careful consideration toward biodiversity	Measures to conserve electricity Maritime pollution prevention at the oil tank facility in Funabashi Sales expansion of high-corrosion-resistant coated steel sheets/Sales expansion of steel pallets 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 section managers and environmental managers

Environmental Management System (EMS)

We have an Environmental Committee in place, and operate an Environmental Management System (EMS). The environmental management officer appointed by the Environmental Committee is responsible for the maintenance and management of the internal EMS. We have the CSR & Environment Section as the secretariat of the Environmental Committee and as a support organization for the environmental management officer. Internal environment 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)]



Continuous Improvement of EMS

Internal environment audit

An internal environmental audit was conducted for 25 departments during July 27-30, 2021 and for 28 departments during November 18-22, 2021. The audit focused on reviewing whether measures to fulfill goals and objectives were clearly defined, whether appropriate reviews were being conducted, whether procedures and evaluations of risks including related legislation were appropriate, and whether measures were taken to improve on the recommendations made by the previous internal and external audits.

External audit

LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 18 departments during January 24-27, 2022. The audits focused on whether the EMS was effectively implemented at the respective sections.

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

Domestic offices	19	*An Environmental Management System (EMS) is developed in each overseas office or Group company and the necessary certifications are acquired.
Domestic Group companies	3	
Overseas Group companies	17	

Promotion of Environmental Awareness

Upon implementing the EMS, we conduct environmental education seminars every year for newly appointed section managers and environmental managers. In 2021, the sessions were conducted on March 25 for new section managers, and for new environmental managers, on June 8 and 10. At each session, an outline of the ISO 14001 standard was given, and the environmental management manual was explained with a focus on legal compliance, crisis management, effective use of resources, and business improvement.

Consideration for 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
 - Implementation of projects to promote reduction in paper usage
 - 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 Environmental Issues

Response to Climate Change

Approach to Climate Change Response

Climate change has had various impacts on not only the natural environment such as ecosystems but also people's lives and corporate activities, and the impacts may become deeper in the future. Against this backdrop, we recognize that response to climate change is a significant issue that the Company needs to address, and believe that it is necessary to take responses considering both the "im-

pact of business activities on climate change" and the "im-
 pact of climate change on the Company."
 We will promote the reduction of greenhouse gas (GHG) emissions in business activities and initiatives to realize carbon neutral society through businesses and actively engage in minimizing the risks posed by climate change.

Governance Structure

The Company establishes the Sustainability Promotion Committee chaired by the Representative Director and President and composed of members selected from administration divisions and sales divisions. Under the direction and supervision of the Board of Directors, the Committee examines matters related to climate change and proposes plans to take measures. The Board of Directors then determines responses after having discussions. The activities of the Committee are reported to the Board of Directors through the Committee Chairperson when appropriate.

Roles of the management
The management verifies the results of the assessment and management status of climate change-related risks and opportunities that are presented from the Sustainability Promotion Committee or other organizations to the Board of Directors or Management Committee, and directs improvement or review of a business plan as necessary.

Strategy

Our business covers a wide variety of areas, and the risks and opportunities brought by climate change differ depending on businesses. Therefore, we set a basic time frame of up to

2030, and carry out scenario analysis of businesses one after another, starting from those that are highly likely to be affected by climate change according to TCFD recommendations.

About scenario analysis






[Selecting a scenario]

In order to assess the change in the business environment in an objective manner, we carried out an analysis mainly in reference to scenarios presented in World Energy Outlook 2021 and Net Zero by 2050 of IEA (International Energy Agency) and Fifth Assessment Report and Special Report on Global Warming of 1.5° C of IPCC (Intergovernmental Panel on Climate Change).

Scenario classification	Referred scenario name	Details	Temperature rise at the end of this century
Transition scenario	IEA SDS [Sustainable Development Scenario]	Sustainable growth scenario to be able to achieve SDGs that covers the 2°C goal in the Paris Agreement in reference to IEA World Energy Outlook 2021 and other documents	+1.7°C
	IEA NZE [Net Zero Emission Scenario]	Scenario indicating how demand for energy and energy mix should change for the world to achieve net zero emissions by 2050 and limit the temperature rise to within 1.5°C in reference to IEA Net Zero by 2050	+1.5°C
	IPCC RCP 2.6 / 1.9 [Representative Concentration Pathways]	Scenario with low emissions developed with the target of limiting the future temperature rise to 2°C or lower in reference to IPCC Fifth Assessment Report and Special Report on Global Warming of 1.5°C	+1.6°C/ +1.5°C
Current scenario	IEA STEPS [Stated Policies Scenario]	Scenario reflecting the countries' current policies and targets in reference to IEA World Energy Outlook 2021, Net Zero by 2050 and other documents	+2.6°C
	IPCC RCP 8.5/6.0/4.5 [Representative Concentration Pathways]	Scenario stating that the world's average temperature will rise by roughly 4°C at the end of the 21st century compared to before the Industrial Revolution in reference to IPCC Fifth Assessment Report	+4.3°C, +2.8°C, +2.4°C

[Scenario analysis]

We conducted a scenario analysis of Energy and Metal Recycling, and identified risks and opportunities by identifying the factors of climate change that are considered important in each business.

Scenario	Business	Climate change factor		Assumption	Opportunities/risks and impacts
Transition scenario	Energy 	Policies, laws and regulations	Reinforcement of environmental regulations	·Regulations on GHG emissions will lead to fuel conversion. ·The use of renewable energy will become more mandatory.	<div>Opportunity</div> ·Increase in revenue opportunities in line with increases in demand for PKS, RPF and other fossil fuel alternatives and new products (impact: large) <div>Risk</div> ·Decrease in revenue opportunities in line with a decrease in demand for fossil fuel (impact: medium)
			Carbon pricing (carbon tax, etc.)	·GHG emissions will be taxed. ·The introduction of an emissions trading system will increase costs imposed at the time of credit purchase and others.	
		Technology	Development and widespread use of next-generation technology	·Demand for gasoline will decline due to the widespread use of electric vehicles. ·The market of oil products will be smaller as carbon tax becomes more common.	
			Market	Change in energy	
	Modal shift	·There will be more demand for vessel fuel.			
	Metal Recycling 	Policies, laws and regulations	Reinforcement of environmental regulations	·The use of alternative and renewable materials will become more mandatory. ·There will be more demand for switches from other materials.	<div>Opportunity</div> ·Increase in revenue opportunities in line with an increase in demand for aluminum which is a light material and highly recyclable (impact: large) ·Increase in revenue opportunities in line with an increase in demand for copper which is required in batteries and whose recycled material can be provided (impact: large) <div>Risk</div> ·Decrease in revenue opportunities in line with a decrease in demand for aluminum parts that are used in internal combustion vehicles (impact: medium)
			Technology	Development and widespread use of next-generation technology	
		Market	More environmental awareness	·Demand for aluminum scrap will increase due to the reassessment of aluminum's recyclability.	
			Change in energy	·There will be more energy shifts in countries refining aluminum ingots. ·The market of services related to ZEB/ZEH and renewable energy will be formed.	
	Common to the entire Company 	Policies, laws and regulations	Carbon pricing (carbon tax, etc.)	·Costs will increase in the entire market as carbon tax becomes more common.	<div>Risk</div> ·Increase in taxes such as carbon tax (impact: medium) ·Increase in costs in line with soaring electricity and material prices (impact: medium)
			Change in energy	·There will be an excessive increase in demand for renewable energy.	
	Current scenario	Metal Recycling 	Physics	Rise in average temperature	·There will be more demand for soft drinks and beer.
Rise in sea level		·There will be more risks of lowered port functions and storm surges (whose impact will not last in the medium term).		<div>Risk</div> ·Generation of costs for capital investment for measures against global warming, storm surge and others (impact: medium) ·Increase in costs in line with an increase in electricity use and soaring transportation insurance premium (impact: medium) ·Generation of costs to repair disrupted logistics network and opportunity cost (impact: medium)	
Increase of abnormal weather		·There will be more risk of disasters such as typhoons. ·Transportation insurance premiums will increase.			
Rise in average temperature		·There will be more risk of workplace accidents when conducting operations outdoors. ·Further capital investment will be required for air conditioners, etc.			
Common to the entire Company 					

Initiatives for Environmental Issues

[Response policy]

We promote the following response to identified risks and opportunities.
We will recognize and analyze risks and opportunities further and enhance responses to increase opportunities and reduce risks.

(1) For further increase of opportunities

Business	Opportunity	Response policy
Energy	·Increase in revenue opportunities in line with increases in demand for PKS, RPF and other fossil fuel alternatives and new products	·Promotion of waste tire recycling business ·Promotion of waste plastic and RPF business ·Promotion of PKS and wooden pellet business ·Promotion of vessel biofuel business ·Promotion of carbonized biomass business ·Promotion of ESCO business ·Promotion of construction waste material business ·Promotion of ammonia business ·Participation in the carbon credit market ·Others (promotion of business using M&A and others)
Metal Recycling	·Increase in revenue opportunities in line with an increase in demand for aluminum which is a light material and highly recyclable ·Increase in revenue opportunities in line with an increase in demand for copper which is required in batteries and whose recycled material can be provided ·Increase in revenue opportunities in line with an increase in demand for aluminum cans	·Promotion of strengthening of the ability to procure scrap ·Further understanding of customers' needs and promotion of a stable supply of scrap ·Enhancement of recycling facilities and promotion of strengthening of their functions ·Promotion of inter-departmental collaboration and sharing of existing facilities

(2) For reduction of risks

Business	Risk	Response policy
Energy	·Decrease in revenue opportunities in line with a decrease in demand for fossil fuel	·Active promotion of sales of alternatives ·Promotion of business in which selling, general and administrative expenses are reduced through streamlining of operation
Metal Recycling	·Decrease in revenue opportunities in line with a decrease in demand for aluminum parts that are used in internal combustion vehicles	·Shift to materials for electric vehicles in collaboration with customers
Common to the entire Company	·Increase in taxes such as carbon tax ·Increase in costs in line with soaring electricity and material prices ·Increase in costs in line with an increase in electricity use and soaring transportation insurance premium ·Generation of costs for capital investment for measures against global warming, storm surge and others ·Generation of costs to repair disrupted logistics network and opportunity cost	·Promotion of reduction of GHG emissions ·Promotion of energy saving ·Promotion of periodic review of insurance, etc. ·Promotion of measures for buildings against flooding and storms ·Identification of products with high procurement risk in the case of disasters and promotion of risk distribution

Risk Management

For climate change-related risks, the Sustainability Promotion Committee takes the lead in collecting information and identifies and assesses risks under the direction and supervision of the Board of Directors, and manages them after reporting to the Board of Directors. The management manages climate change-related risks by formulating a management plan and determining investments after examining the identified and assessed risks, and adding measures to minimize risks to daily business activities as necessary.

Climate Change-related Initiatives

Support for TCFD recommendations

The Company announced support for TCFD recommendations in June 2022. We will sincerely face with climate change, deepen our understanding of opportunities and risks that affect our business and actively strive to disclose initiatives for that.



* TCFD refers to Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board (FSB) upon the request of G20 to examine how to disclose climate-related information and take responses in financial institutions.

Sustainable growth and development through “circular supply chain management”

“Hanwa circular supply chain management” is a system that reorganizes and reframes our business activities from the perspectives of ESG and SDGs, achievement of sustainable growth and coexistence with environment and society. We manage supply chains in which we undertake “Production of resources” and “Manufacturing/Processing” with consideration given to climate change and human rights, provide services of “Consumption/Use” for society and consumers, collect “Waste” generated in the process and offer recycled raw materials to “Manufacturing/Processing.” We also contribute to the conversion from fossil energy to renewable energy by supporting the lifecycles of PKS, RPF, rechargeable batteries and fuel cells. Such management steps create a cycle, which contributes to building a circular society.

Our challenge to new SDGs-integrated businesses



Initiatives for Creating a Circular Society

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 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.

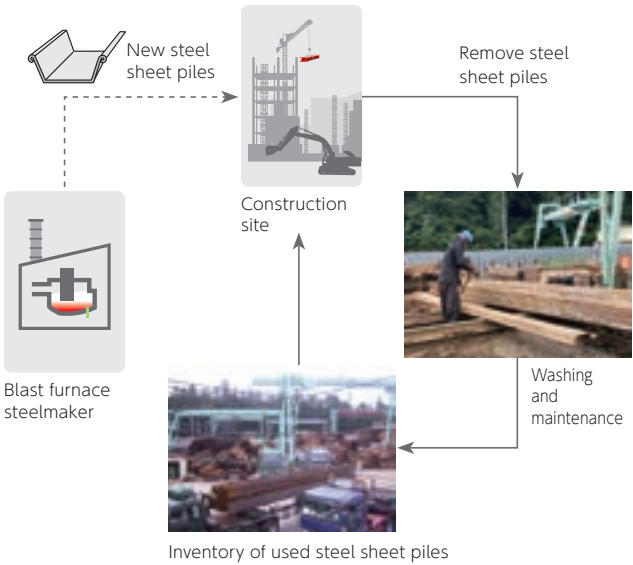
Reuse of steel

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.

[Steel recycling]



Initiatives for Environmental Issues

Recycling of steel scrap

Accelerate circular society

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 those that have deteriorated are disposed of as steel scrap. We process these steel scraps into reusable shapes and deliver them to electric arc furnace manufacturers ("mini mills").

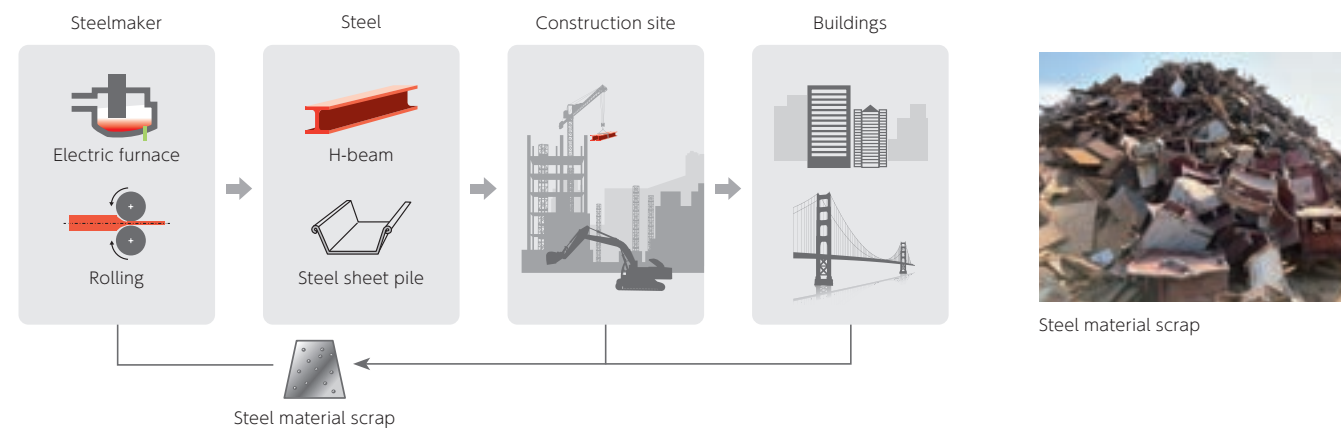
Steel recycled by mini mills are reused as new steel products, and when they age, they become scrap and are

recycled again into products.

Steel is a commodity that can be reused many times. 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.

[Recycling of steel scrap]



Material recycling of aluminum

Accelerate circular society

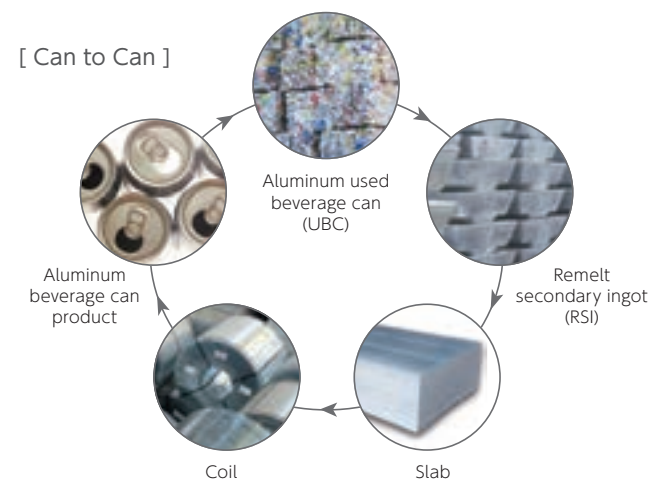
We have long been involved in aluminum recycling as one of the players handling the largest volume of aluminum scrap in Japan.

We recover used aluminum cans, remove the impurities and other materials from the cans, and melt them down into recycled aluminum ingots. As a result of this process, they can be reused as aluminum cans. This pro-

cess of recycling used aluminum cans into aluminum cans is called "Can to Can." We also recycle window frames (sashes) in the same way to achieve "Sash to Sash."

In this way, we are making a significant contribution to the realization of a sustainable society by recycling aluminum raw materials such as used aluminum cans.

[Can to Can]



[Sash to Sash]



Recycling of non-ferrous metals

Accelerate circular society

One of our Group companies, Showa Metal Co., Ltd., is engaged in a complete recycling process of titanium and nickel scrap starting from the collection and quality control of the scrap to the sorting, shipping, and delivery to stainless steel and special metal manufacturers. Working together with Showa Metal, we are engaged in expanding a rare metal scrap processing business that caters to the specific needs of customers as a "global metal recycler."



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

Recycling of stainless steel materials

Accelerate circular society

Our Group leverages toward stable supply of scrap metal mainly through our Group company, Hanwa Metals Co., Ltd., by collecting stainless steel scrap. Stainless steel that has reached the end of its useful life as part of a regular product is collected by Hanwa Metals as scrap metal and checked thoroughly for problems and supplied stably to stainless and special steel mills in and outside Japan as scrap metal.



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

Non-ferrous metal scrap business overseas

Accelerate circular society

We engage in the non-ferrous scrap metal business outside Japan mainly at five overseas locations: HANWA THAILAND CO., LTD., HANWA SINGAPORE (PRIVATE) LTD., PT. HANWA INDONESIA, the LONDON BRANCH OF HANWA CO., LTD., and HANWA AMERICAN CORP. We operate in compliance with the Basel Convention in handling transactions involving import, export and offshore trade, provide users in Japan and elsewhere with consistent supplies of recycled materials and take steps to reduce environmental loads. In 2016, Hanwa established a joint venture with Mitsubishi Materials in the Netherlands that began its operation in 2018. This has further strengthened our business handling precious metal scrap con-

tained especially in circuit board scrap.

We send our highly-skilled employees to other locations with the mission of expanding our network of suppliers so that we can better ensure quality and consistent supplies of non-ferrous scrap metal. In 2018, we began trade with Russia, the three Baltic nations, and several African nations including Nigeria, Botswana, and Morocco. In recent years, we have been further enhancing our ability to provide Just-In-Time deliveries to factories by successively setting up factories in the ASEAN member countries, as Japanese firms increasingly expand operations overseas.

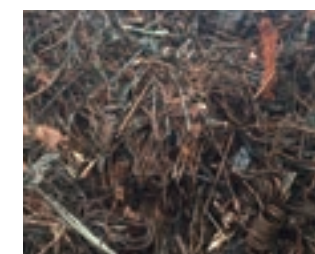
Recycling of copper scrap

Accelerate circular society

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. Amid higher social demand for carbon neutrality and electrification of vehicles, it is expected that demand for copper will be higher, and copper has become more indispensable for a solution to environmental issues and development of society.

We have developed a network to collect raw materials of copper scrap and given back the raw materials to material makers in the world using the network formed throughout the world. We handle one of the largest volumes of the material in the world, and contribute to the global environ-

ment, economic development and building a sustainable recycling system.



Birch Cliff



Copper scrap

Initiatives for Environmental Issues

Recycling of E-scrap

Accelerate circular society

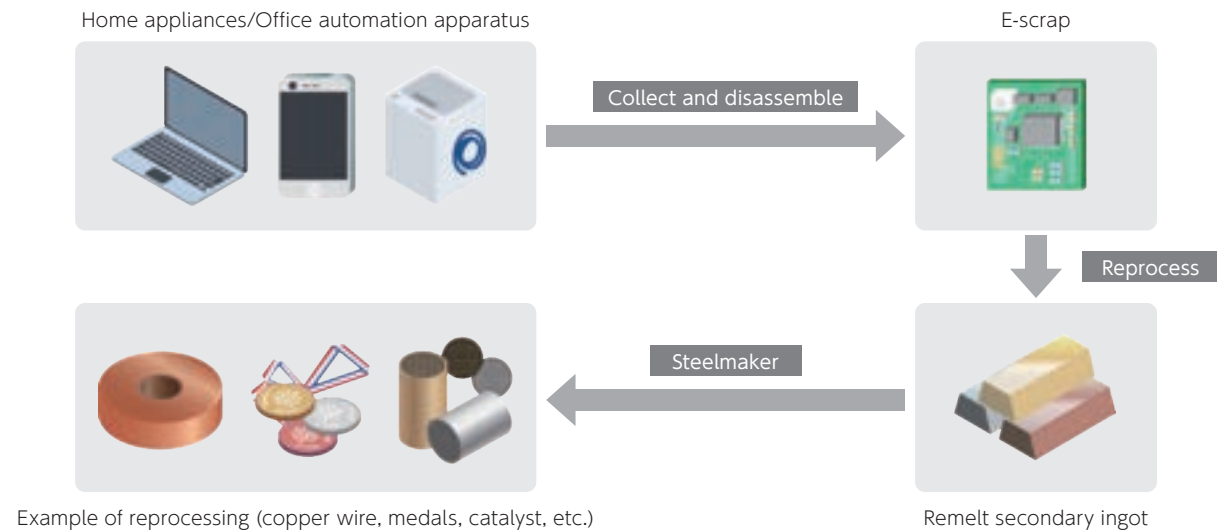
Waste from electrical and electronic devices is called E-waste. Approximately 50 million tons of such waste is generated throughout the world, and the amount is increasing amid the countries' economic development.

E-waste includes multiple recyclable resources that are recycled in various ways by being collected and disassembled.

bled.

We are involved in the distribution of gold and silver scrap (E-scrap) such as electronic circuit board scrap, and contribute to the recycling of gold, silver and other precious metals.

[Recycling of E-scrap]



Recycled fuel RPF

Realize renewable energy-based society

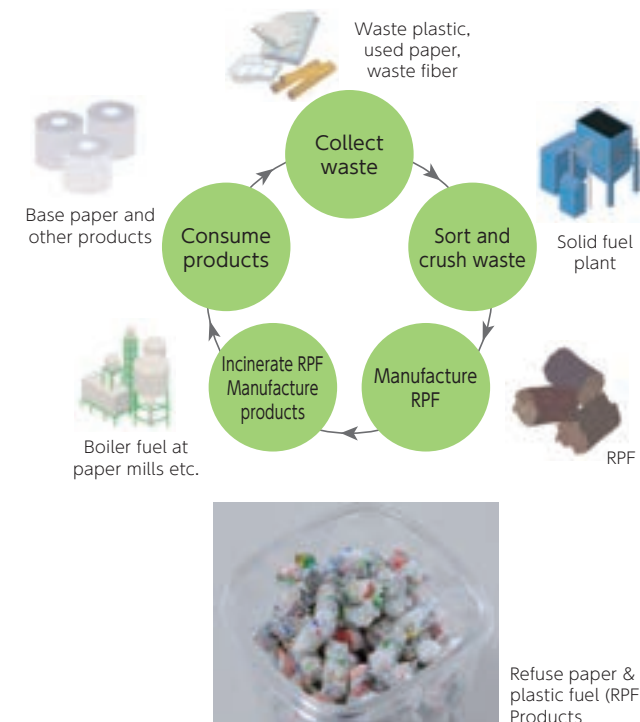
Accelerate circular society

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 made mainly from industrial waste such as waste paper and waste plastic. It has many advantages such as less CO₂ emissions (approximately two-thirds of coal) and lower prices. We began handling RPF in 2003 and currently handle more than 100 kt/year. In addition to our nationwide network, we welcomed an RPF producer, Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., in our Group in 2015 to achieve a more stable supply system.



Seibu Service Co., Ltd. (Kobe Plant)

[Resource recycling of RPF]



Stable supply of biomass energy

Realize renewable energy-based society

Accelerate circular society

We are engaged in the business of biomass energy that are expected to serve as a renewable energy. Our main products include palm kernel shells (PKS) and wood-based biomass energy such as wood pellets. For PKS, we are the largest importer in Japan in terms of handling volume.

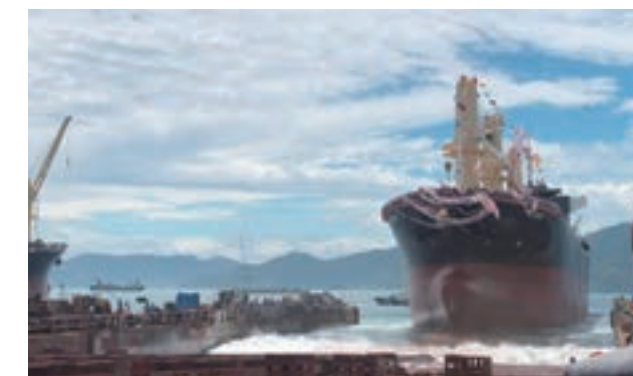
PKS are the shells that cover the kernels of oil palm fruit seeds, and a by-product of palm oil production from oil palms. They have been discarded as waste, but recently drawn attention as biomass energy because of their rich oil content and high calorific value. PKS are produced mainly in the Southeast Asian countries such as Indonesia and Malaysia. We have been importing PKS since 2013 and supplying them to power generating businesses in Japan and South Korea. In 2019, we chartered a vessel for the exclusive use for the transportation of biomass energy as part of our efforts to ensure a sustainable and stable supply of biomass energy.

ply of biomass energy.

We have also obtained Roundtable on Sustainable Biomaterials (RSB) certification (a certification system that ensures sustainability in the entire production and distribution of biomass energy) and Green Gold Label (GGL) certification (a certification system that ensures sustainability and traceability of biomass energy) since 2020. In addition, we are providing a service to support the acquisition of certification by leveraging our know-how. The services we offer include preparing documents necessary for applications and internal audits on behalf of our clients, providing education on the standards required for each certification, and providing guidance on how to calculate greenhouse gas emissions.

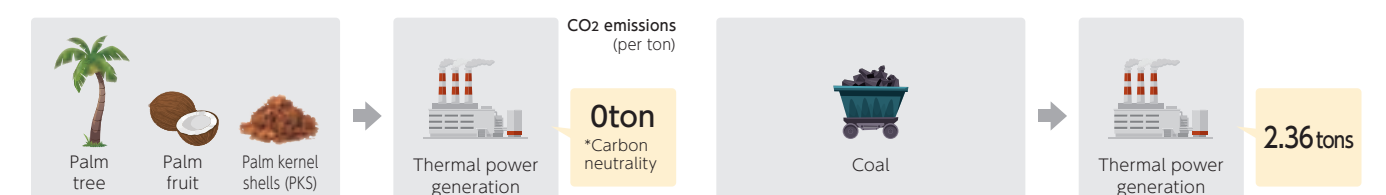


Power plant using wood-based biomass energy



"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.

[Reference] Comparisons of CO₂ emissions from PKS and coal



* Excluding CO₂ emissions from transportation

Initiatives for Environmental Issues

Recycling of used paper

Accelerate circular society

We have been selling a wide range of recyclable used paper ranging from old newspapers, cardboard, and other standard paper types to more specialized, high-quality types such as milk cartons to domestic paper mills for 30 years. In recent years, we have also been engaged in the handling of used office supply paper (such as shredded documents) and the export of used paper to Southeast Asian countries that have been seeing explosive growth. We have also begun working with environmentally friendly, recyclable packing materials made from recycled milk cartons.



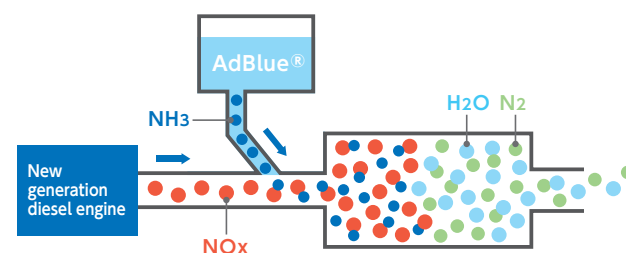
Used office supply paper

Mitigating air pollutants by stable supply of urea

Protect the richness of oceans and land

We also focus on handling urea for use in fertilizers, industrial, automotive, shipping, and other applications, as a player handling one of the largest volumes in Japan. AdBlue®, a high-grade urea solution containing urea as its main ingredient, is used as a nitrogen compound (NOx) reducing additive. It prevents greenhouse gases from being emitted into the open air by reducing nitrogen compounds emitted by diesel vehicles such as large trucks and buses.

[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.

Obtaining MSC-CoC and ASC-CoC certifications for preservation of marine resources

Protect the richness of oceans and land

We contribute to initiatives to support sustainable marine products obtaining MSC-CoC and ASC-CoC certifications to make sure the distributed fisheries are MSC- and ASC-certified. Also known as the eco label of ocean, MSC certificate is the proof of marine products fished with consideration for marine resources and eco system. It is given only to natural marine products harvested in methods that meet strict environmental standards. ASC certificate is the proof of sustainable marine products that were produced at farms that give consideration to environment and society.



MSC certification

* CoC (Chain of Custody) certification proves that the product has been properly managed throughout the manufacturing, processing and distribution processes, that uncertified products are not mixed, and that the labeling is true.

Exploring environment-friendly products

Accelerate circular society

As ethical consumption becomes more popular to realize a sustainable world, we focus on exploring environment-friendly products in handling daily necessities. We explore eco-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.



Products made from bio-based raw material

Initiatives for exporting timber from forest thinning

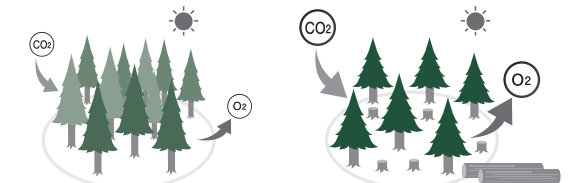
In our lumber business, we began exporting timber from forest thinning in 2006 and presently export about 150,000 m3 of lumber annually to China, Taiwan, and other markets. Timber export helps to lift timber prices by bringing in a more diverse



Protect the richness of oceans and land

Accelerate circular society

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.

Obtaining forest certifications for forestry preservation and product use

Protect the richness of oceans and land

Accelerate circular society

We hold CoC certifications from the Forest Stewardship Council® (FSC®), Programme for the Endorsement of Forest Certification Schemes (PEFC) and Sustainable Green Ecosystem 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 certifications, we pledge our corporate commitment to further promoting eco-friendly timber production and thereby encouraging sustainable forest management.



SGEC-CoC certificate

Initiatives for responsible procurement of lumber

Lumber Procurement Policy

The Company established Lumber Procurement Policy in February 2017 to carry out responsible procurement of lumber. Based on the policy, we conduct procurement activities taking into consideration the economy, society and environment, aiming at contributing to the realization of a sustainable society and preservation of the global environment by developing global businesses and through our daily businesses.

- We will observe the Clean Wood Act (the Act on Promotion of Use and Distribution of Legally-harvested Wood and Wood Products) and other relevant laws and regulations to promote the use of legal lumber.
- We will support the expansion of the system by prioritizing the procurement of lumber certified by the lumber certification system.
- We will promote the use of timber from forest thinning and other timber made in Japan.

Response to the Clean Wood Act

The Company was registered as a Category-1 Registered Wood-related Business Entity pursuant to the Clean Wood Act in June 2018 (JIA- CLW-I 18004). Pursuant to the Act, we describe "a product whose legality has been confirmed pursuant to the Clean Wood Act" in the agreements and invoices sent to sales destinations of products whose legality have been confirmed.



Initiatives for Social Issues

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 “corporate prosperity and the happiness of our employees are two sides of the same coin.” Seventy-five years have passed since its establishment, but this philosophy still remains as the basis of our Company’s approach to human resources.

Undergoing the changing social environment in the world, arranging personnel systems and welfare systems to create an ideal workplace is crucial to enlarge our business. Our workforce has become more diversified with an increasing number

of mid-career employees, employees of foreign nationality and female career employees. By reflecting the voices of our employees, Hanwa will continually improve working conditions.

With regard to human resources development, we have adopted the keyword “Professional & Global” (= “P&G”). We need people who are eager to enhance their expertise in their respective domains and fully utilize it to play active roles in various fields. In order to cultivate employees who think and act on their own to create business, we have prepared the necessary training and challenging opportunities.

Creating a Worker-friendly Environment

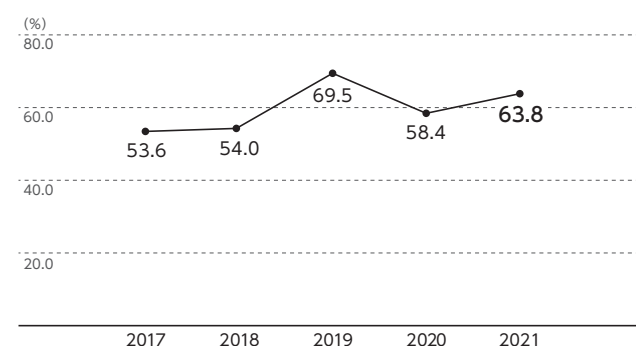
The Company believes that providing a work environment and terms of employment that are worker-friendly lead to high work performance.

Our employees may submit a self-declaration form once a year so the Company can understand how satisfied they are with our internal HR systems and confirm their career plans. More than 80% of employees submitted the form every year. We have also set a “suggestion box” which allows employees to express their requests and opinions to the Personnel Department at any time throughout a year. These initiatives allow us to receive requests and opinions from employees, improve welfare programs, and reform the personnel system to enable flexible work arrangements. Past improvements include the revision of the housing allowance system and the introduction of a system for annual paid holiday on an hourly basis. We plan to revise childcare leave system in accordance with revision of the Act on Childcare Leave, Caregiver Leave, and Other

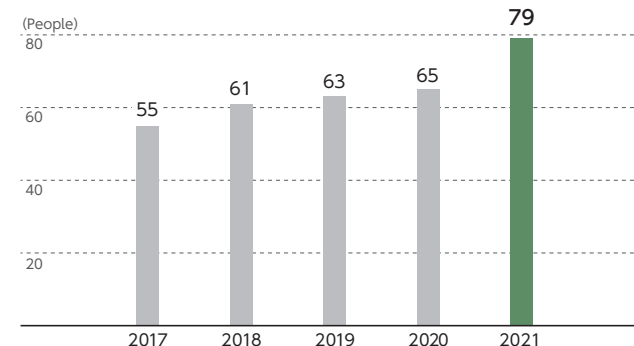
Measures for the Welfare of Workers Caring for Children or Other Family Members, and will continue efforts to increase productivity of employees, while adopting systems necessary to respond to the change of the times.

We urgently introduced provisional work-from-home and provisional staggered working hours measures for all domestic offices to prevent the spread of COVID-19 from FY2020. We also promoted improvements to IT systems and other infrastructure for the smooth performance of work at home. Our ongoing project to reduce paper usage by reorganizing/reducing or digitalizing vast paper media such as order forms and delivery notices has proved effective in developing an environment conducive to remote working. However, there are a certain number of jobs that require physical attendance, so we will continue to develop the optimal working environment for the Company in life of “coexistence with COVID-19.”

Paid leave acquisition rate



Number of persons taking childcare leave



Education of Human Resources

The concept underlying our Human Resources Education is the development of “P&G” resources.

“P” is the acronym of Professional and refers to the ability to solve user’s problems with a high level of expertise and management skill. “G” is for Global. This not only refers to human resources who communicate with the understanding of the uniqueness and the diversity of each region of the world, but also includes human resources who have an open-mind.

In addition, as stipulated in the Ninth Medium-Term Business Plan, we established “Hanwa Business School,” the corporate university program, as a way to strengthen human resources in

the run up to 2030. We will further systematize “hard-earned wisdom” and “Hanwa DNA” accumulated to date in developing talent. In addition, we will continue conducting personnel assignment and OJT and OFF-JT effectively. As to the content of lectures at the corporate university program, we will eagerly incorporate various topics, always keeping our eyes on the needs of the field and social trends.

We believe that the continuous improvement by employees themselves will be an extremely important requirement for “P&G” talent in future as well. Employees constantly striving for self-development foster an “organization of continued learning.”

“ A message from the Personnel Executive Officer Development of ‘Professional & Global’ talent ”

The Ninth Medium-Term Business Plan summarizes our initiatives for strengthening human resources to enhance the management foundation. We are aiming for the development of solution-oriented sales personnel and management personnel, building on our existing trading business. We established “Hanwa Business School,” the corporate university program, in June this year. The corporate university program develops and reorganizes in-house training formerly provided by the Personnel Dept., where employees can acquire knowledge and skills required for corporate management, and learn experiences and spirit we have accumulated in a step-by-step manner. In order for employees to master the knowledge they learn at the corporate university, we will actively provide them with opportunities to put what they learn to use, including loans to domestic and overseas group companies and business partners.

We will promote reform in personnel evaluation and optimal assignments as we push forward with human resource development. Evaluations have been conducted through individual interviews between employees and their bosses and departmental meetings have been held to discuss the fairness of such evaluations. Going forward, the plan is to conduct 360-degree evaluation and add objective perspectives such as statistics and to achieve appropriate personnel assignments more than ever. In today’s rapidly changing environment, known as VUCA, in order for a company to sustainably create new values and innovation, it is indispensable to have a corporate culture in which diverse people and values are respected and everyone can thrive with his/her individuality. Not only will we continue to actively deploy employees of foreign nationality and

Hisashi Honda

Executive Officer
In charge of the Accounting Dept.,
Finance Dept., Personnel Dept.,
Information System Dept.,
Sales Accounting Dept.,
Trade Administration Dept.



women on the career-track and expand career recruitment, but also give more opportunities for the local staff of overseas group companies to thrive at the Company and other group companies, as part of our policy to further deepen diversity and inclusion. Moreover, we launched a personnel system for senior employees in FY2020. We provide senior employees with venues to play an active role in corporate activities in various ways based on their abilities and wishes even after retirement by offering several dedicated job groups for senior employees while ensuring continuity with the pre-retirement personnel system. Going forward, we will continue to study alleys of employment opportunities to persons who are not eligible for the senior employees system due to being aged 65 and above.

The two-year-long COVID-19 pandemic has prompted the Company to significantly review its traditional work styles in the office and work processes. While digitalization, remoteness and efficiency of internal operations are accelerated by proactively introducing advanced IT technologies, a working style in which employees themselves think autonomously about productivity and work styles is becoming firmly established. In addition, we will promote further advancement of internal operations through a new core system that is scheduled to be operational by the end of this fiscal year. We will continue to pursue productive work styles throughout the Company.

Initiatives for Social Issues

Promotion of Diversity

Promotion of women's participation and career advancement in the workplace

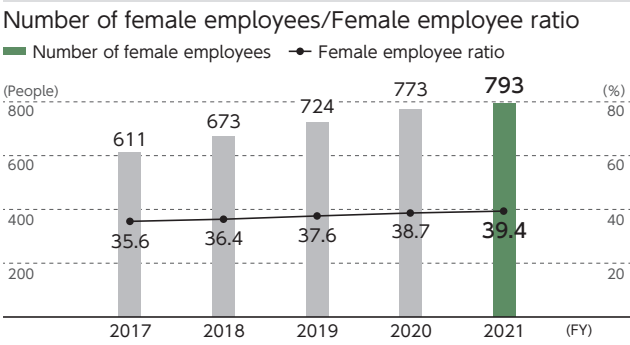
Two years have passed since we launched our action plan to promote women's participation and career advancement in April 2020. In April 2022, 18 female new graduates joined the Company as career-track employees, achieving our goal.

We provide women empowerment programs and measures to support employees to return to work from childcare leave on an ongoing basis. Going forward, we will further promote initiatives for women's participation and advancement.

Action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children

Plan period	Three years from April 1, 2020 to March 31, 2023
Our issues	[Issue 1] We have not sufficiently improved the working environment, increased the paid leave acquisition rate, and reduced overtime hours → [Goal 1, 2, 3] [Issue 2] The rate of male employees taking childcare leave is low → [Goal 4] [Issue 3] General office workers and managerial general office workers have few opportunities to be transferred and gain new experience → [Goal 5] [Issue 4] The percentage of women among career employees including managers is low → [Goal 6]

Goals	Initiatives	Progress through FY2021 and future plans
1. Improvement of the working environment to increase productivity	· Utilization of a new personnel system	· Introduced in April 2020
	· Introduction of systems for annual paid holiday on an hourly basis	· Introduced in April 2020
	· Introduction of a telecommuting system	· Implemented special work-from-home measures in response to COVID-19. Currently considering its establishment as a permanent system for normal times
	· Informing employees about nursing care leave, etc.	· Conducted an online seminar in August 2021
	· Consideration of the introduction of flextime	· Under consideration
	· Support for employees to return to work from childcare leave	· Held the online social gathering for working mothers to eliminate concerns of employees on childcare leave
	· Training to improve IT literacy	· Implemented ten IT training courses (total of 2,276 participants)
2. Increase the annual paid leave acquisition rate to 65%	· Introduction of a new core system to achieve the standardization and greater efficiency of operations	· Scheduled to start operations in FY2022
	· Setting of recommended dates to encourage employees to take annual paid leave	FY2021: Rate of taking annual paid leave: 63.8% (up 5.5 points year-on-year)
3. Reduce the annual total working hours per employee to 1,900	· Contact from the Personnel Department to each employee who takes less or no annual paid leave through the Personnel Department	
	· Regular summing up of the annual paid leave acquisition rates of each department and reporting to all managers	
4. Encourage male employees to take childcare leave	· Informing all general managers or higher of the maximum overtime hours	FY2021: Annual total working hours per employee: 1,986 hours (up 26 hours year-on-year)
	· Informing all general managers or higher of overtime hours for each department every month.	
5. Promote personnel changes	· Informing all employees of the childcare leave system	FY2021: Rate of male employees taking childcare leave: 44.6% Average number of days: 2.4
	· Regular implementation of personnel changes to facilitate long-term career goals of employees, taking into account both employee intention and department needs	Implemented regular personnel transfers in Spring and Autumn upon understanding employee intention through self-declaration forms and other means taking into account department preference.
6. Increase the percentage of women among career-track employees and managers	· Keeping the percentage of female career-track employees among new graduates hired at 20% or more, and achieving 30% or more in the final fiscal year of the plan period	Recruitment of female new graduates in April 2022: female career-track employees: 18 persons (31%) (up 8 points year-on-year) Female managers: 7 persons
	· Provision of opportunities to review career plans by offering women empowerment programs	FY2020: Logical thinking training by a female lecturer with a trading firm background, training on how to interact with one's manager, diversity management training FY2021: Lecture by female Outside Director Women empowerment programs (for managers and female employees)

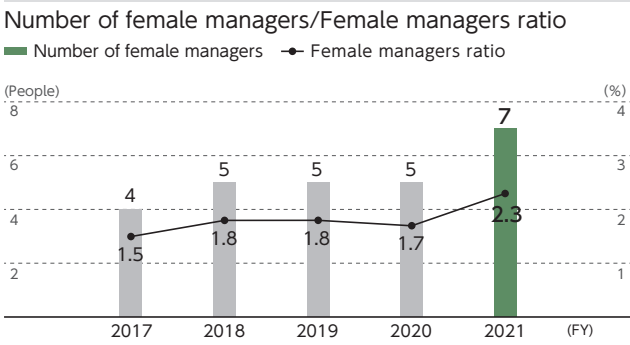


Employment of people with disabilities

The employment rate of people with disabilities in FY2021 was 2.4%, attaining the statutory employment rate of 2.3%. As of April 2022, we have 39 employees with disabilities.

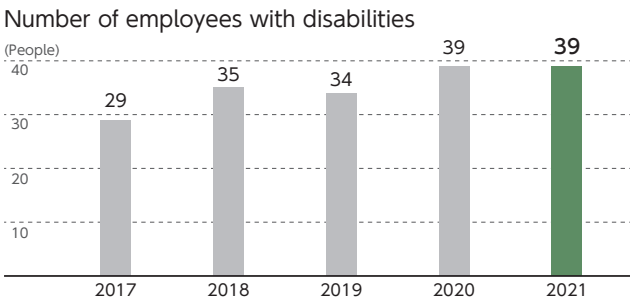
We are conscious of creating a workplace which allows them to work with a peace of mind for a long period. We have a consulting contract with a company specialized in the employment of people with disabilities and have arranged consulting sessions on a monthly basis with people with disabilities to discuss their various concerns. We are also implementing initiatives to provide a flexible work style that matches personal circumstances. One example is hiring based on work-from-home arrangements that commenced from May 2018. The number of such employees has now increased to 12, mainly engaging in PC data entry. Every morning, team members communicate, checking in with each other's health conditions. Thus, we are creating a worker-friendly environment where they can learn about each other and work as a team. Recruitment takes place nationwide in Hokkaido, Tokyo, Osaka, Nara, Wakayama, Kochi, Kagawa and Oita contributing to job creation in rural areas. This initiative has been in place since before the spread of COVID-19, attracting attention in the field of HR. We have appeared in several seminars as good instances of work-from-home for persons with disabilities.

In addition, as part of our social contribution activities, we are encouraging employees with disabilities to communicate their characteristics in online maga-



zines on employment of people with disabilities and seminars on social withdrawal, whereby sharing feelings and possible solutions with those with the same characteristic. We plan to continue these activities as they have been well received by readers and seminar participants.

We have also embarked on a new challenge in employing people with disabilities. In April 2020, we partnered with a start-up shoeshine company where people with disabilities are working as professional shoe shiners and employed two shoe shine specialists. We offer its shoe shine services not only to our employees but also to our business partners. This activity, in which people with disabilities continuously participate in a sustainable business, is a perfect example of an initiative that contributes to the SDGs.



Health and Productivity Management

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, the Company 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.

The Representative Director and President Yoichi Nakagawa became the CHO (Chief Health Officer) in FY 2022 and established a health and safety policy. We work on health and productivity management with the goal of "creating an environment where people can work with peace of mind, and promoting an improved working environment, reduced risk of occupational illness, and improved

health maintenance as our highest priorities." We promote disease prevention, severity prevention and mental health care, support the cost for smoking cessation outpatient treatment, strictly prohibit smoking outside the designated smoking areas as a way to eliminate the risk of passive smoking, hold health improvement seminars by our public health nurse, and conduct tests to analyze employee's stress conditions. We have also conducted various programs that would help employees manage their health while having fun, such as selling healthy box lunches, and bringing in balance balls.

In FY2022, we introduced a three major illness compensation system to help employees balance treatment and work. Going forward, 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.

Initiatives for Social Issues

Social Contribution Activities

Hanwa Scholarship Foundation

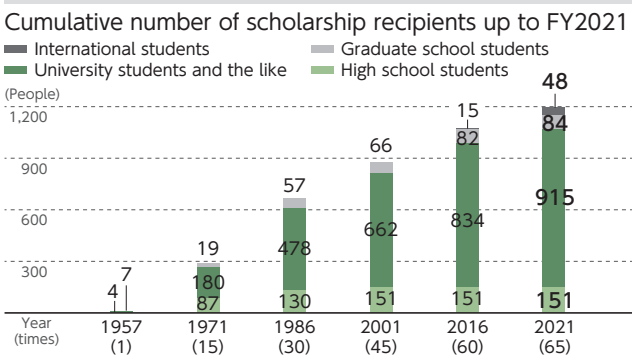
Hanwa Scholarship Foundation was established in April 1957 to commemorate the 10th anniversary of the foundation of Hanwa Co., Ltd. Jiro Kita, the company's founder and the first director of the foundation, recalling his own tough experience of learning, wished to develop talented human resources for Japanese society by offering scholarships. He established the foundation by investing 10 million yen, when the company's capital was only 0.1 billion yen. Having celebrated its 65th anniversary in April 2022, the foundation has provided support to more than 1,200 scholarship recipients to date.

The foundation started a grant-type scholarship of 1 million yen per person for studying overseas in FY2015. This is out of our passion in view of the greater 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, we also extended the payments of grant-type scholarships to domestic scholarship recipients from FY2021, with the aim of creating a system suitable for the needs of the times.

More than 65 years of experience and an expanding network

The Hanwa Scholarship Foundation's net assets in FY2021 totaled 704.38 million yen. The number of recipients totaled 1,198. Of those recipients, 84 were graduate school students, 915 were university students and the like, 151 were high school

While Japan has become a financially affluent society, there has been heated discussions about education reform on matters such as the population decline due to low birthrate, increasing economic disparities, deterioration of social morality, and declining education levels. Hanwa Scholarship Foundation continues to develop its business by utilizing its unique characteristics as a private-sector scholarship foundation, so that young people who will lead the next generation can play a more active role in society.



students, and 48 were students from overseas. 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.

Support for the Arts, Sports, Education, and Cultural Activities

Japan Public-Private Partnership Student Study Abroad Program	The Kobe University Fund	Osaka Symphony Orchestra	T. League
Hands On Tokyo	Japanese Foundation for Cancer Research	Middle Army Band Supporters' Association	Valqua Cup
Japan Association for the 2025 World Exposition	New Japan Philharmonic	Sports Promotion Fund	
Osaka City University Yumekikin (Dream Foundation)	Japan Philharmonic Orchestra	All Japan Judo Federation	
	Nagoya Philharmonic Orchestra	Asuka Half Marathon	

Work Experience Training

We implemented an online work experience training for junior high school students attending special needs schools and their parents. This initiative is sponsored by the Osaka Prefectural Board of Education, with the aim of promoting social independence for students attending the junior-high school section of special needs school by providing them with career education from an early stage, as well as helping their parents better understand their career paths.

The work experience training consisted of workshops in which groups of several students work together to check package designs in a style of finding mistakes, under the concept of conveying

the importance and fun of working as a team. Some of the preparation of the training materials and lectures were done by our employees with disabilities. The training received high marks from students who participated in the training and their parents. In May 2022, we received a letter of appreciation from the Osaka Prefectural Board of Education for our significant contribution to career education for junior high school students, and we have received requests to continue the training in the future.



topics

Human Rights policy

The Company established the "Hanwa Group Human Rights Policy" at a resolution of the Board of Directors on June 24, 2022, in light of the growing awareness of human rights issues and corporate social responsibility. The

Group, which operates in various countries around the world, believes that respect for human rights is the foundation of our business, and we will clarify this concept in this policy and strive to fulfill this responsibility.

Human Rights Policy

Hanwa and its subsidiaries ("the Group") have a corporate philosophy of responding to the diverse needs of customers and contributing to society as a "distribution specialist." Based on this philosophy, we aim to realize a sustainable international community and local community through our business. The Group, which operates in various countries around the world, believes that respect for human rights is the foundation of our business, and we will clarify this concept in this policy and strive to fulfill this responsibility.

1. Scope of application

This policy applies to all officers and employees of the Group. We also expect our suppliers and other business partners and other related parties to respect this policy.

2. Support for international norms and principles regarding human rights

The Group supports and respects international norms on human rights including the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), which stipulates the basic human rights for all people around the world, and the ILO Declaration on Fundamental Principles and Rights at Work by the International Labour Organization (ILO), which stipulates the fundamental rights regarding labor (freedom of association and collective bargaining rights, the elimination of forced or compulsory labor, the abolition of child labor, and the elimination of discrimination in respect of employment and occupation). Also, the group supports and respects the Guiding Principles on Business and Human Rights endorsed by the UN Human Rights Council in 2011.

3. Human rights due diligence

The Group will endeavor to understand, prevent or mitigate the negative human rights impacts that may be caused through its business.

4. Remedy

If the Group's business activities cause or reveal a negative impact on human rights, we will work to correct them through appropriate procedures and dialogue.

5. Dialogue and discussion

The Group will hold dialogues and discussions with related stakeholders as appropriate in efforts in line with this policy.

6. Education and enlightenment

The Group will provide appropriate education to officers and employees and strive to prevent negative impacts on human rights.

7. Report

The Group will appropriately report on its efforts to respect human rights in this policy through various reports and websites.

June 24, 2022

Yoichi Nakagawa
Representative Director and President

Governance Structure

Reasons for appointment of outside corporate auditors and their attendance

Title	Name	Independent officer	Reason for appointment	Attendance in FY2021
Outside Corporate Auditor	Yasuo Naide	○	Mr. Yasuo Naide was appointed as a corporate auditor because he was judged to be able to utilize his extensive practical experience with heavy equipment manufacturers and his broad knowledge and experience gained through corporate management.	Board of Directors meetings 17 out of 17 meetings Board of Auditors meetings 13 out of 13 meetings
Outside Corporate Auditor	Katsunori Okubo	○	Mr. Katsunori Okubo 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 as a corporate auditor because the Company believes that he can audit the Company's management from a global perspective.	Board of Directors meetings 17 out of 17 meetings Board of Auditors meetings 13 out of 13 meetings
Outside Corporate Auditor	Hideyuki Takahashi	○	Mr. Hideyuki Takahashi has expertise in finance cultivated through his many years of business experience at a financial institution along with his considerable experience in management and audit. He was appointed as a corporate auditor because the Company believes that he can appropriately audit and supervise the Company's Board of Directors by leveraging his knowledge and experience.	Board of Directors meetings 17 out of 17 meetings Board of Auditors meetings 13 out of 13 meetings

Independence Standards for Outside Officers

When an outside officer (outside director and outside corporate auditor) of the Company does not fall under any of the following cases, he or she is judged independent from the Company.

- (1) A major shareholder of the Company (meaning a shareholder who holds either directly or indirectly 10% or more of the total voting rights of the Company at the end of the most recent fiscal year), or an executing person thereof.
- (2) A person belonging to or an executing person of a company of which the Company is a major shareholder (holding 10% or more of the total voting rights of the Company at the end of the most recent fiscal year).
- (3) A major business partner of the Company (whose annual transactions with the Company exceed 2% of the consolidated net sales of the Company during the most recent fiscal year), or an executing person thereof.
- (4) A major lender to the Company (whose outstanding loans to the Company at the end of the most recent fiscal year exceeds 2% of the consolidated total net assets of the Company), or an executing person thereof.
- (5) A representative or an employee who belongs to the audit corporation that is the accounting auditor of the Company
- (6) A consultant, legal professional, certified public accountant, tax accountant, or other person providing a specialist service who received ¥10 million or more of monetary consideration nor other properties per year from the Company other than officer remuneration in the most recent

- fiscal year (referring to a person belonging to the organization if the one who received the relevant property is an organization such as a corporation or association.)
- (7) A person who received the annual total of ¥10 million or more of donations or aid funds from the Company in the most recent fiscal year (referring to an executing person who belongs to the organization if the one who received the relevant donations or aid funds is an organization such as a corporation or association.)
- (8) A person who falls under any of (1) to (7) above in the past three years.
- (9) A person whose close relative falls under any of (1) to (8) above.

Notes: 1. An executing person refers to an executive director, executive officer, corporate officer, or staff executing business of an entity.
2. A close relative means a relative within the second degree of kinship.

Even if a person falls under any of the above criteria, such person may be elected as a candidate for independent outside officer if the person satisfies the requirements of an outside director or an outside corporate auditor under the Companies Act, has specialization and experience necessary in view of the Company's current situations and his/her knowledge and viewpoint are judged to be beneficial to the Company's management, on the condition that the Company provides explanations to shareholders of the reasons for its judgment and the fact that the person satisfies the requirements of an independent outside officer.

Advisory Committees to the Board of Directors

In order to maintain the independence and objectivity of the Board of Directors, the Company has established advisory bodies to the Board of Directors, namely, Officers

Evaluation Committee, Nomination Advisory Committee, and Remuneration Advisory Committee, in which outside directors and outside corporate auditors participate.

Roles of the committees

Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
The committee compiles evaluation of directors and executive officers which forms the basis of discussion regarding officer appointment and compensation proposals.	Based on the results of officer evaluations and employee performance evaluations, the committee considers the composition of officers for the next fiscal year, prepare a draft, and report it to the Board of Directors.	Based on the results of the comprehensive evaluation of each officer at the Officers Evaluation Committee, the committee compiles a basic remuneration plan, which is a fixed monthly amount, prepares a draft formula for calculating performance-based compensation for officers' bonuses, and reports them to the Board of Directors.

Committee members

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Representative Director and Chairman	Hironari Furukawa	○	Committee Chairperson	○
Representative Director and Vice Chairman	Yasumichi Kato	○	○	○
Representative Director and President	Yoichi Nakagawa	Committee Chairperson	○	Committee Chairperson
Director and Senior Managing Executive Officer	Hidemi Nagashima	○	—	—
Director and Senior Managing Executive Officer	Yasuharu Kurata	○	—	—
Director and Senior Managing Executive Officer	Yasushi Hatanaka	○	—	—
Director and Senior Managing Executive Officer	Yoichi Sasayama	○	—	—
Outside Director	Ryuji Hori	○	○	○
Outside Director	Tatsuya Tejima	○	○	○
Outside Director	Kamezo Nakai	○	○	○

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Outside Director	Reiko Furukawa	○	○	○
Corporate Auditor (full-time)	Hideo Kawanishi	○	○	○
Corporate Auditor (full-time)	Akihiko Ogasawara	○	—	—
Outside Corporate Auditor	Yasuo Naide	○	○	○
Outside Corporate Auditor	Katsunori Okubo	○	—	○
Outside Corporate Auditor	Hideyuki Takahashi	○	—	○
Senior Managing Executive Officer	Hiromasa Yamamoto	○	—	—
Senior Managing Executive Officer	Takatoshi Kuchiishi	○	—	—
Executive Officer (in charge of Personnel Dept.)	Hisashi Honda	○	—	—

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. The summary and results of the most recent effectiveness evaluation of the Board of Directors are as follows.

Taking into consideration the valuation result, we will work toward maintenance and improvement of the effectiveness of the Board of Directors and enhancement of its functions.

Evaluation method	The Board of Directors Evaluation Committee, which is chaired by one of the full-time corporate auditors and consists of all corporate auditors and all outside directors, conducts an anonymous questionnaire survey of all directors and corporate auditors, and based on the results of the survey and analysis, the Board of Directors deliberated on the effectiveness of themselves and made the final decision on the evaluation.		
Questionnaire content	1) Functions and roles of the Board of Directors 2) Materials for the Board of Directors meetings 3) Deliberations at the Board of Directors meetings	4) Operation and support system of the Board of Directors meetings 5) Basic policy of the Ninth Medium-Term Business Plan	
Evaluation result	It was confirmed that the Board of Directors appropriately discusses factors and viewpoints that directors and corporate auditors should emphasize in decision-making and supervision concerning basic management policy, business strategy and important business execution. And the Board of Directors Evaluation Committee evaluated that the effectiveness of the Board of Directors is ensured. In addition, as an approach to the issues recognized in the previous effectiveness evaluation, we reviewed the criteria for proposals by the Board of Directors and improved the deliberation process of the Investment Examination Committee. On the other hand, from the viewpoint of further enhancing the effectiveness, the following recommendations were made by the Board of Directors Evaluation Committee. (i) In order to deepen discussions on major company policies such as management strategies, devise ways to set the agenda of the board of directors and proceed with business execution reports. (ii) Review how to proceed with the proceedings and the structure of the materials in order to proceed with the deliberation of investment and loan projects more effectively and efficiently. (iii) To strengthen risk management for the entire group, enhance the regular reporting system for internal control.		

Executive Compensation System

Director's compensation is determined within the limits of the remuneration amount approved at the Ordinary General Shareholders Meeting.

With regard to individual compensation of the management members and directors, an Officers Evaluation Committee chaired by the President and composed of members including outside directors and outside corporate auditors as advisors meets at least twice a year to perform a comprehensive evaluation of the directors' performance. This includes an assessment of the level of commitment and a peer review process by all directors and executive officers except the President. The comprehensive evaluation provided by the Officers Evaluation Committee are used by the

Remuneration Advisory Committee, which is made up of a majority of outside directors and outside corporate auditors, to determine each director's compensation. The fixed monthly amount is then submitted as a regular basic remuneration plan to the Board of Directors. In terms of the directors' bonuses, we adopt a performance-based compensation system to clearly reflect each individual management member's and director's achievement level. The Board of Directors approves this performance-based calculation model after the Remuneration Advisory Committee reviews it.

Corporate auditors' remuneration is determined by the Board of Auditors' discussion within the limits of the amount of remuneration approved at the Ordinary General Shareholders Meeting.

Governance Structure

Content of compensation

Basic remuneration (regular fixed remuneration)	Monthly salary (regular fixed salary) is determined by the Board of Directors based on the recommendations of the Remuneration Advisory Committee, which is equivalent to the Compensation Committee established within the Executive Officers Evaluation Committee. Evaluations of executive directors and executive officers shall be determined by peer review among them based on our approach to addressing medium- to long-term issues aimed at sustainable growth and the results of these efforts. Based on these evaluations, the Executive Officers Evaluation Committee makes evaluation of each director and executive officer.
Officers' bonuses (performance-based compensation)	On the other hand, bonuses to officers using the performance-based compensation method are determined based on the amount of net income attributable to owners of the parent in accordance with the payment criteria specified in advance, and the management as a whole is responsible for the results for the performance of a single fiscal year.

Amount of officer compensation

Officer classification	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)		Number of eligible officers
		Fixed amount periodical compensation	Performance-based compensation	
Directors (excluding outside directors)	523	377	146	9
Corporate auditors (excluding outside corporate auditors)	51	51	—	2
Outside officers	73	73	—	7

Management Committee

It consists of chairman, vice chairman and all executive officers and meets twice a month as a rule. At the Management Committee, important issues related to the management decisions of the Group are

submitted to the Board of Directors as agenda items, and as the highest body for business execution, it executes business in accordance with the management policy determined by the Board of Directors.

Internal Control

Internal control system

In order to improve 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 as the entire Group including its subsidiaries. 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	The committee consisting of managerial staff who are general managers or higher. 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 "Internal Control Evaluation Report" and "Internal Control Report," which are prepared by the Internal Audit Department, the committee reviews various issues in the internal control of the Group and reports the results to the Management Committee.
Compliance Committee	The committee is chaired by an executive officer from the administrative divisions and is comprised of managerial staff who are general managers or higher. The committee raises awareness of and comprehensively manages issues concerning compliance with laws and regulations across the Group.
Security Trade Control Committee	This committee is chaired by an executive officer from the administrative divisions and is comprised of managerial staff who are section managers or higher in the administrative divisions and sales divisions. In order to appropriately and smoothly implement operations related to security trade control, the committee conducts company-wide management as well as plans and formulates internal education plans.
Investment Examination Committee	The committee is composed of managerial staff who are section managers or higher and is chaired by an executive officer or a corporate officer. The committee examines new business projects and investment and lending projects and provides opinions to the Management Committee and the Board of Directors.
Sustainability Promotion Committee	The committee is composed of managerial staff who are general managers or higher and the presidents of the Group companies and is chaired by the President. The committee plans, formulates, guides and manages company-wide initiatives necessary for the Group to coexist with the Earth and society and to develop sustainably.
Disclosure Committee	The committee is composed of managerial staff who are general managers or higher and is chaired by the person in charge of information management. By conducting timely and appropriate disclosure of management-related information, the committee aims to promote the understanding of all stakeholders, including shareholders, investors, and local communities.
Environmental Committee	The committee is composed of managerial staff who are general managers or higher and the presidents of the Group companies and is chaired by an executive officer or a corporate officer from the administrative divisions. The committee has established a system to manage the environment and operates an environmental management system (EMS).

Risk Management

Basic stance

As the Group operates a wide range of businesses around the world, it is exposed to a variety of risks. In order to prevent the occurrence of risks and to reduce the risks that occur, we have chosen departments to respond to each of these risks and developed various regulations and manuals.

Crisis management measures

The Company has established the Crisis Management Manual to prepare against serious crisis that could cause serious damage to the Company's 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 the Company

Quality control and health & safety management

In recent years, the social impact of quality defects has been increasing, requiring companies, including trading companies, to pay more attention to quality management. The Company has established the Quality, Safety & Environment Control Department, and in April 2021, we established the Quality Control Rules to strengthen the quality control system to also include group companies. We have set goals of avoiding quality risks while we pursue satisfying customer needs, as well as constantly raising the level of quality management. To achieve these goals, relevant departments refer to the Quality Management System to raise the level of quality control while all persons involved steadily implement the PDCA cycle according to the business characteristics of each department. 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 the Company.

Health and Safety Policy

We established "Hanwa Group Health and Safety Policy" in April 2022 to create an environment where people, the Group's greatest asset, can work with peace of mind. In accordance with this policy, we will continue to work to maintain and improve the health of our employees and create a comfortable working environment.

In addition, we will set the following goals, and then implement and verify different measures.

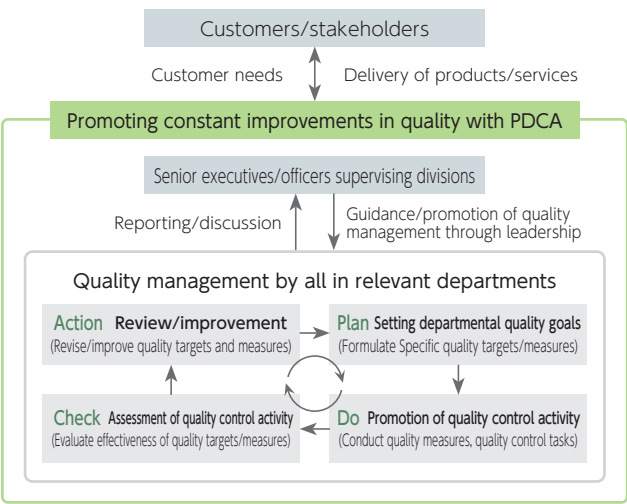
- Zero fatal accidents due to occupational injuries
- Health checkup rate 100%
- 100% effective operation of occupational health and safety management system at Hanwa and the Group companies
- Continuous educational offerings to improve the occupational health and safety management level and give top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

Personal information protection policy

The Company regards 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, the Company has established the Information Management Regulations and the Personal Information Protection Manual and has thoroughly conducted education to the officers and employees.

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.

[Quality Management System Structure]



[Hanwa Group Health and Safety Policy]

1. We will create an environment where people, the greatest asset of Hanwa and the Group companies, 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.
2. We will promote management based on compliance with applicable labor standards and different laws and regulations in domestic and international business.
3. Under the leadership of executives, we will promote an effective occupational health and safety management system and strive to prevent occupational injuries and accidents.
4. We aim to create a good workplace where everyone can develop good communication within each organization and experience a sense of satisfaction and purpose in life.

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 wisdom for more thorough risk analysis and process control, and to pass the wisdom of the Group down and develop it further.

As part of HKQC initiatives, we prepared business process flow charts for each department to identify potential risks, and describe control methods for those risks on HKQC sheets to make risks more visible and share control methods.

HKQC initiatives are implemented based on the following concepts:

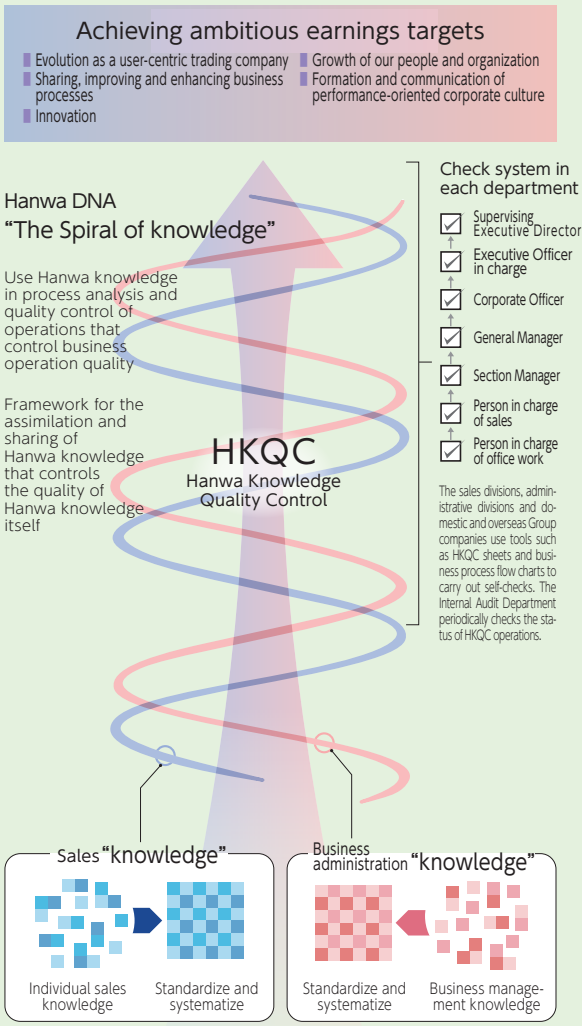
- They are daily operation improvement activities done autonomously by all employees in the organization
- They are activities to improve the quality of our operations, which in turn improves corporate value
- They are activities that not only comply with laws, regulations and rules, but also take into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

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

Initiatives

HKQC Events were held each year from 2016 to 2020, which were utilized not only to improve work processes, but also as a venue to pass down the Group culture, including the HKQC spirit.

In FY2020, we reviewed the employee performance evaluation system and introduced a goal management system for HKQC. At the beginning of the fiscal year, HKQC organizational goals are set at the department level, and then these organizational goals are broken down into individual goals to create a mechanism to raise each employee's awareness of



HKQC activities.

Furthermore, in FY2021, an HKQC Promotion Meeting was held at the department level with all members participating to ensure that the PDCA cycle regarding HKQC goals function effectively. The meeting was held at the end of the fiscal year as part of initiatives to improve the effectiveness of HKQC activities to discuss the setting of HKQC goals for the next fiscal year (A: action) after confirming and analyzing the status of achievement of HKQC goals for the current fiscal year (C: check).

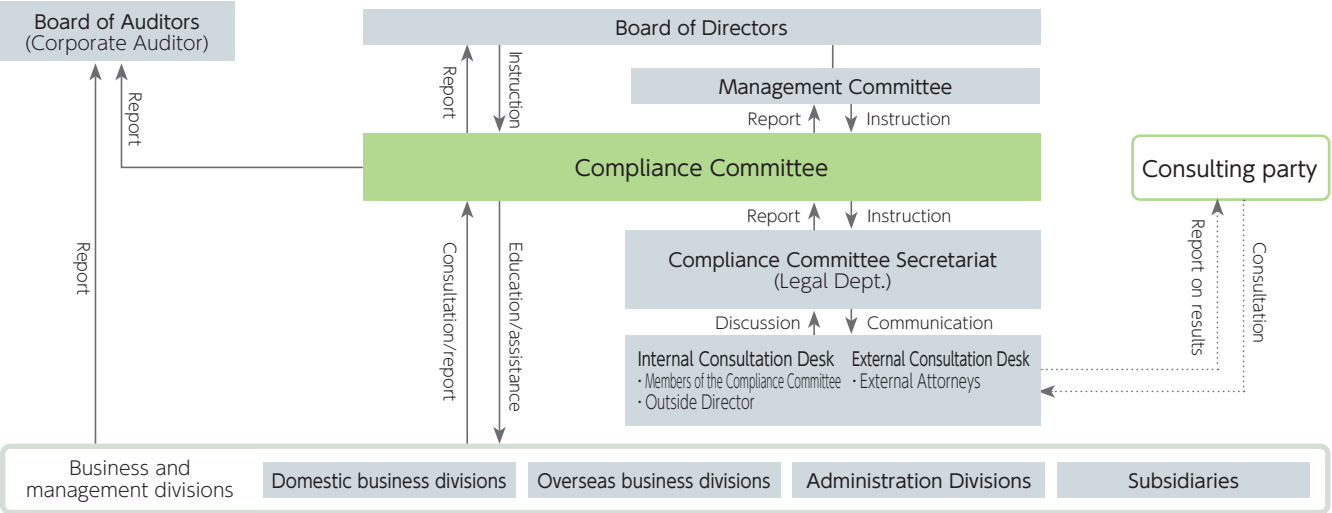
Compliance

In recent years, society is paying rigorous attention to corporate injustices, and news about corporate scandals have been emerging one after another. The Company is committed to ensuring that all officers and employees thoroughly adhere to compliance in their daily business activities, and to creating a corporate culture that is open to the public and with high ethical standards.

Basic stance

In order to embody the Corporate Ethics and Corporate Ethics Code of Conduct formulated based on the Company's creed, the Company promotes legitimate and fair corporate activities through various initiatives.

[Organization Chart of the Internal Compliance System]



Initiatives to ensure compliance

- Education of officers and employees**

Since April 2006, the Company has created a compliance manual as a guideline to be observed by all officers and employees, and it has been prepared in various languages for all officers and employees of the Group around the world. This manual has been revised as necessary in line with changes in the environment and revisions in the law, and the fifth edition was issued in April 2019. In addition, the Compliance Committee, whose members consist of managerial staff who are general managers or higher in the administrative divisions, is held regularly. The administrative divisions such as the Personnel Department and the Legal Department work together to improve the compliance awareness of each individual employee by conducting training for new employees and managers.
- Strengthening of the organization**

The Company started its operation of HKQC (Hanwa Knowledge Quality Control) in 2015 and is working to further bolster management of a wide range of risks, including violations of laws and regulations related to Company's business operations.
- Responding to social change**

In April 2018, the Company established the "Hanwa Health and Productivity Management Declaration" and the Representative Director and President himself became the CHO (Chief Health Officer), establishing the Health and Productivity Management

Office within the Personnel Department. This initiative shows the Company's commitment to promoting the health of each and every one of the officers and employees, a basic foundation of a trading company, and its aim to create a worker-friendly environment for all officers and employees. It is also an initiative responding to the enforcement of laws related to work style reform. In this way, if there are any revisions to laws and regulations related to corporate activities, we will promptly respond to such revisions and ensure compliance with them.

- Consultation Desk**

The Company has established multiple internal consultation desks to enable all officers and employees of the Hanwa Group to freely consult and report on compliance issues, as well as an external consultation desk supported by law firms. We have also established dedicated consultation desks for various types of harassment and so forth, which are making headlines in recent times. By establishing a number of consultation desks that are independent from the management, all Group officers and employees can feel free to consult on any matter without having to take it all on themselves. In addition, information and consultation contact points for external parties, including business partners, are provided on the Company's website.

By enhancing these consultation points, we work to identify and resolve problems at an early stage.

Our Management Team

(As of June 24, 2022) *Number of shares (as of March 31, 2022)

Directors



Hironari Furukawa
Representative Director and Chairman
*36,438 shares

March 1969 Joined the Company
April 1996 Executive Vice President of Hanwa Co., (Hong Kong) Ltd. and Vice General Manager of Asian Region (China & Hong Kong)
June 1997 Appointed Director
April 2011 Appointed Representative Director and President
April 2022 Appointed Representative Director and Chairman (current position)



Yasumichi Kato
Representative Director and Vice Chairman
*27,720 shares

April 1978 Joined the Company
April 2009 Appointed Corporate Officer In charge of Osaka HQ Steel Plates, Structural Steel Sheets and Steel Sheets Sales
June 2010 Appointed Director
April 2021 Appointed Representative Director and Executive Vice President
April 2022 Appointed Representative Director and Vice Chairman (current position)



Yoichi Nakagawa
Representative Director and President
*6,915 shares

April 1986 Joined the Company
April 2013 Appointed Corporate Officer In charge of Accounting and Affiliated Enterprises, and General Manager of Accounting Dept. and Affiliated Enterprises Dept.
June 2015 Appointed Director and Executive Officer
April 2017 Appointed Director and Senior Managing Executive Officer
April 2022 Appointed Representative Director and President (current position)



Hidemi Nagashima
Director and Senior Managing Executive Officer
*15,613 shares

April 1983 Joined the Company
April 2011 Appointed Corporate Officer In charge of Tokyo HQ Steel Plates, Steel Sheets Sales, Structural Steel Sheets Dept. 1, Structural Steel Sheets Dept. 2, and Hokkaido Branch Office
June 2015 Appointed Director and Executive Officer
April 2017 Appointed Director and Senior Managing Executive Officer (current position)



Yasuharu Kurata
Director and Senior Managing Executive Officer
*2,085 shares

April 1982 Joined the Company
April 2011 Appointed Corporate Officer General Manager of Asian Region (ASEAN, India, Middle East) In charge of Departments excluding Steel and Machinery and Chairman of HANWA SINGAPORE (PRIVATE) LTD.
June 2016 Appointed Director and Managing Executive Officer
April 2017 Appointed Director and Senior Managing Executive Officer (current position)



Yasushi Hatanaka
Director and Senior Managing Executive Officer
*6,975 shares

April 1983 Joined the Company
August 2012 Appointed Corporate Officer In charge of Osaka HQ Steel Sheets Dept. 1, Steel Sheets Dept. 2, Steel Sheets Dept. 3 and Steel Processing Project Promote Team, Assistant to Director in charge of Tokyo HQ Steel Sheet International and General Manager of Osaka HQ Steel Sheets Dept. 3
June 2014 Appointed Director and Executive Officer
April 2019 Appointed Director and Senior Managing Executive Officer (current position)



Yoichi Sasayama
Director and Senior Managing Executive Officer
*2,187 shares

April 1984 Joined the Company
April 2012 Appointed Corporate Officer In charge of Tokyo HQ Steel Sheets, and General Manager of Steel Sheets Dept.
June 2017 Appointed Director and Managing Executive Officer
April 2021 Appointed Director and Senior Managing Executive Officer (current position)



Keiji Matsubara
Director and Managing Executive Officer
*6,270 shares

April 1983 Joined the Company
April 2014 Appointed Corporate Officer General Representative for East China Region, Chairman and President of HANWA TRADING (SHANGHAI) CO., LTD., and in charge of Wire Products & Special Steel Titanium for Asian Region
June 2020 Appointed Director and Managing Executive Officer (current position)

Directors



Ryuji Hori Independent Officer
Outside Director
*1,624 shares

April 1966 Joined Iwai Sangyo Company Ltd. (currently Sojitz Corporation)
June 1996 Appointed Director of Nissho Iwai Corporation (currently Sojitz Corporation)
June 2000 Appointed Managing Director of Nissho Iwai Corporation
June 2002 Appointed Senior Managing Executive Officer of Nissho Iwai Corporation (Retired from the position in March 2003)
April 2003 Professor, School of Law, Waseda University
April 2004 Professor, Waseda Law School, Waseda University (Retired from the position in March 2014)
June 2005 Appointed Audit & Supervisory Board Member (External Auditor) of Tokuyama Corporation (Retired from the position in June 2017)
June 2011 Appointed Outside Director of Riskmonster.com (current position)
June 2012 Appointed Outside Director of T&D Holdings, Inc. (Retired from the position in June 2018)
April 2013 Managing Director and Principal of Waseda Osaka Gakuen (Retired from the position in December 2018)
April 2014 Advisor of TMI Associates (current position)
June 2014 Professor Emeritus Waseda University (current position)
June 2014 Appointed Director of the Company (current position)
May 2016 Appointed Outside Director of NISHIKI Co., LTD. (Retired from the position in May 2020)
June 2018 Appointed Outside Corporate Auditor of Lotte Co., Ltd. (current position)
December 2019 Appointed Representative Director and President of TMI Ventures Co., Ltd. (current position)

April 1966 Joined Iwai Sangyo Company Ltd. (currently Sojitz Corporation)
June 1996 Appointed Director of Nissho Iwai Corporation (currently Sojitz Corporation)
June 2000 Appointed Managing Director of Nissho Iwai Corporation
June 2002 Appointed Senior Managing Executive Officer of Nissho Iwai Corporation (Retired from the position in March 2003)
April 2003 Professor, School of Law, Waseda University
April 2004 Professor, Waseda Law School, Waseda University (Retired from the position in March 2014)
June 2005 Appointed Audit & Supervisory Board Member (External Auditor) of Tokuyama Corporation (Retired from the position in June 2017)
June 2011 Appointed Outside Director of Riskmonster.com (current position)
June 2012 Appointed Outside Director of T&D Holdings, Inc. (Retired from the position in June 2018)
April 2013 Managing Director and Principal of Waseda Osaka Gakuen (Retired from the position in December 2018)
April 2014 Advisor of TMI Associates (current position)
June 2014 Professor Emeritus Waseda University (current position)
June 2014 Appointed Director of the Company (current position)
May 2016 Appointed Outside Director of NISHIKI Co., LTD. (Retired from the position in May 2020)
June 2018 Appointed Outside Corporate Auditor of Lotte Co., Ltd. (current position)
December 2019 Appointed Representative Director and President of TMI Ventures Co., Ltd. (current position)



Tatsuya Tejima Independent Officer
Outside Director
*3,079 shares

April 1969 Joined Toho Zinc Co., Ltd.
June 1999 Appointed Director of Toho Zinc Co., Ltd.
June 2000 Appointed Executive Officer of Toho Zinc Co., Ltd.
January 2002 Appointed Managing Executive Officer of Toho Zinc Co., Ltd.
June 2002 Appointed Managing Director and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2003 Appointed Representative Director and Managing Director, and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2005 Appointed Representative Director and Senior Managing Director, and Senior Managing Executive Officer of Toho Zinc Co., Ltd.
June 2006 Appointed Representative Director and President, and COO of Toho Zinc Co., Ltd.
June 2008 Appointed Representative Director and President of Toho Zinc Co., Ltd. (Retired from the position in June 2017)
June 2017 Appointed Advisor of Toho Zinc Co., Ltd. (current position)
June 2018 Appointed Outside Director of Furukawa Co., Ltd. (current position)
June 2018 Appointed Director of the Company (current position)

April 1969 Joined Toho Zinc Co., Ltd.
June 1999 Appointed Director of Toho Zinc Co., Ltd.
June 2000 Appointed Executive Officer of Toho Zinc Co., Ltd.
January 2002 Appointed Managing Executive Officer of Toho Zinc Co., Ltd.
June 2002 Appointed Managing Director and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2003 Appointed Representative Director and Managing Director, and Managing Executive Officer of Toho Zinc Co., Ltd.
June 2005 Appointed Representative Director and Senior Managing Director, and Senior Managing Executive Officer of Toho Zinc Co., Ltd.
June 2006 Appointed Representative Director and President, and COO of Toho Zinc Co., Ltd.
June 2008 Appointed Representative Director and President of Toho Zinc Co., Ltd. (Retired from the position in June 2017)
June 2017 Appointed Advisor of Toho Zinc Co., Ltd. (current position)
June 2018 Appointed Outside Director of Furukawa Co., Ltd. (current position)
June 2018 Appointed Director of the Company (current position)



Kamezo Nakai Independent Officer
Outside Director
*2,438 shares

April 1974 Joined Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)
June 1995 Appointed Director of Nomura Securities Co., Ltd.
April 1999 Appointed Managing Director of Nomura Securities Co., Ltd.
April 2003 Appointed Director and Senior Managing Executive Officer of Nomura Asset Management Co., Ltd.
June 2003 Appointed Senior Managing Executive Officer of Nomura Asset Management Co., Ltd. Executive Managing Director of Nomura Holdings, Inc. (Retired from the position in March 2006)
April 2008 Appointed Advisor of Nomura Asset Management Co., Ltd. (Retired from the position in March 2009)
June 2009 Appointed Director and President (Representative Director) of Nomura Land and Building Co., Ltd. (Retired from the position in March 2012)
June 2011 Appointed Director and President (Representative Director) of Nomura Real Estate Holdings, Inc.
February 2012 Appointed Director and Executive Officer of Nomura Real Estate Development Co., Ltd.
April 2012 Appointed Director and President (Representative Director), Chief Executive Officer of Nomura Real Estate Development Co., Ltd.
May 2012 Appointed Director and President (Representative Director) and Chief Executive Officer of Nomura Real Estate Holdings, Inc.
April 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Development Co., Ltd.
June 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Holdings, Inc. (Retired from the position in June 2017)
April 2017 Appointed Director of Nomura Real Estate Development Co., Ltd. (Retired from the position in June 2017)
June 2017 Appointed Senior Advisor of Nomura Real Estate Development Co., Ltd. (Retired from the position in September 2020)
November 2018 Appointed Outside Director of DSB Co., Ltd. (Retired from the position in March 2021)
November 2018 Appointed Outside Director of BIC CAMERA INC. (Retired from the position in November 2020)
June 2019 Appointed Director of the Company (current position)
December 2020 Appointed Representative Director of Kinmiraisekkei Co., Ltd. (current position)
April 2021 Appointed Advisor of DSB Co., Ltd. (Retired from the position in March 2022)

April 1974 Joined Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)
June 1995 Appointed Director of Nomura Securities Co., Ltd.
April 1999 Appointed Managing Director of Nomura Securities Co., Ltd.
April 2003 Appointed Director and Senior Managing Executive Officer of Nomura Asset Management Co., Ltd.
June 2003 Appointed Senior Managing Executive Officer of Nomura Asset Management Co., Ltd. Executive Managing Director of Nomura Holdings, Inc. (Retired from the position in March 2006)
April 2008 Appointed Advisor of Nomura Asset Management Co., Ltd. (Retired from the position in March 2009)
June 2009 Appointed Director and President (Representative Director) of Nomura Land and Building Co., Ltd. (Retired from the position in March 2012)
June 2011 Appointed Director and President (Representative Director) of Nomura Real Estate Holdings, Inc.
February 2012 Appointed Director and Executive Officer of Nomura Real Estate Development Co., Ltd.
April 2012 Appointed Director and President (Representative Director), Chief Executive Officer of Nomura Real Estate Development Co., Ltd.
May 2012 Appointed Director and President (Representative Director) and Chief Executive Officer of Nomura Real Estate Holdings, Inc.
April 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Development Co., Ltd.
June 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Holdings, Inc. (Retired from the position in June 2017)
April 2017 Appointed Director of Nomura Real Estate Development Co., Ltd. (Retired from the position in June 2017)
June 2017 Appointed Senior Advisor of Nomura Real Estate Development Co., Ltd. (Retired from the position in September 2020)
November 2018 Appointed Outside Director of DSB Co., Ltd. (Retired from the position in March 2021)
November 2018 Appointed Outside Director of BIC CAMERA INC. (Retired from the position in November 2020)
June 2019 Appointed Director of the Company (current position)
December 2020 Appointed Representative Director of Kinmiraisekkei Co., Ltd. (current position)
April 2021 Appointed Advisor of DSB Co., Ltd. (Retired from the position in March 2022)



Reiko Furukawa Independent Officer
Outside Director
*- shares

April 1981 Joined Nippon Univac Kaisha, Ltd. (currently BIPROGY Inc.)
April 2007 Appointed General Manager of Industries Development Department of Nihon Unisys Excelutions, Ltd. (currently UEL Corporation)
April 2009 Appointed Executive Officer of Nihon Unisys Excelutions, Ltd.
April 2011 Appointed General Manager of Outsourcing Planning Department of UNIADEX, Ltd.
April 2014 Appointed General Manager of Quality Assurance Department of UNIADEX, Ltd.
July 2017 Appointed Full-time Auditor of UNIADEX, Ltd. (Retired from the position in June 2021)
June 2022 Appointed Director of the Company (current position)

April 1981 Joined Nippon Univac Kaisha, Ltd. (currently BIPROGY Inc.)
April 2007 Appointed General Manager of Industries Development Department of Nihon Unisys Excelutions, Ltd. (currently UEL Corporation)
April 2009 Appointed Executive Officer of Nihon Unisys Excelutions, Ltd.
April 2011 Appointed General Manager of Outsourcing Planning Department of UNIADEX, Ltd.
April 2014 Appointed General Manager of Quality Assurance Department of UNIADEX, Ltd.
July 2017 Appointed Full-time Auditor of UNIADEX, Ltd. (Retired from the position in June 2021)
June 2022 Appointed Director of the Company (current position)

Our Management Team

(As of June 24, 2022) *Number of shares (as of March 31, 2022)

Corporate Auditors



Hideo Kawanishi
Corporate Auditor (full-time)
*24,382 shares

April 1973 Joined the Company
April 2005 Appointed Corporate Officer In charge of Osaka HQ Steel Plates, Steel Sheets Sales and Structural Steel Sheets
June 2005 Appointed Director
June 2017 Appointed Corporate Auditor (full-time) (current position)



Akihiko Ogasawara
Corporate Auditor (full-time)
*11,029 shares

April 1976 Joined the Company
April 2006 Appointed Corporate Officer In charge of Non-ferrous Metals, Metals & Alloys and Special Metals & Alloys and General Manager of Metals and Alloys Dept.
June 2006 Appointed Director
June 2018 Appointed Corporate Auditor (full-time) (current position)



Yasuo Naide Independent Officer
Outside Corporate Auditor
*48,200 shares

April 1971 Joined Sumitomo Heavy Industries, Ltd.
June 2001 Appointed Senior Vice President of Sumitomo Heavy Industries, Ltd.
June 2003 Appointed Executive Vice President of Sumitomo Heavy Industries, Ltd. (Retired from the position in March 2007)
December 2006 Appointed Representative Director and President of Sumitomo Heavy Industries Environment Co., Ltd. (Retired from the position in March 2010)
April 2010 Appointed Representative Director and President of Sumitomo Heavy Industries Business Associates Co., Ltd. (Retired from the position in March 2012)
June 2012 Appointed Corporate Auditor of the Company (current position)



Katsunori Okubo Independent Officer
Outside Corporate Auditor
*3,318 shares

April 1978 Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation (SMBC))
April 2006 Appointed Executive Officer of SMBC
April 2010 Appointed Managing Executive Officer of SMBC (Retired from the position in April 2013)
May 2013 Appointed Advisor of SMBC (Retired from the position in August 2018)
June 2014 Appointed Corporate Auditor of the Company (current position)



Hideyuki Takahashi Independent Officer
Outside Corporate Auditor
*73 shares

April 1980 Joined the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
April 2012 Appointed Managing Executive Officer of Mizuho Financial Group, Inc.
June 2012 Appointed Executive Managing Director of Mizuho Financial Group, Inc.
April 2013 Appointed Deputy President of Mizuho Financial Group, Inc.
April 2014 Appointed Member of the Board of Directors of Mizuho Financial Group, Inc. (Vice Chairman of the Board of Directors) (Retired from the position in June 2017)
June 2017 Appointed President and CEO of Mizuho Research Institute Ltd. (Retired from the position in June 2019)
June 2019 Appointed Chairman of the Kyoritsu Co., Ltd. (Retired from the position in June 2021)
June 2020 Appointed Outside Audit & Supervisory Board Member of WOWOW INC. (current position)
June 2021 Appointed Senior Advisor of the Kyoritsu Co., Ltd. (Retired from the position in June 2022)

Skill Matrix

Name	Role	Corporate Management	Sales/ Business Strategy	Overseas experience	Finance/ Accounting	Legal affairs/ Risk Management	Human Resources/ Labor affairs	IT/Digital
Hironari Furukawa	Representative Director and Chairman	●	●	●	●	●	●	●
Yasumichi Kato	Representative Director and Vice Chairman	●	●					
Yoichi Nakagawa	Representative Director and President	●		●	●	●	●	
Hidemi Nagashima	Director and Senior Managing Executive Officer	●	●					
Yasuharu Kurata	Director and Senior Managing Executive Officer	●	●	●				
Yasushi Hatanaka	Director and Senior Managing Executive Officer	●	●	●				
Yoichi Sasayama	Director and Senior Managing Executive Officer	●	●	●				
Ryuji Hori	Outside Director	●	●			●	●	
Tatsuya Tejima	Outside Director	●	●		●	●	●	
Kamezo Nakai	Outside Director	●	●		●	●	●	●
Reiko Furukawa	Outside Director	●				●		●
Keiji Matsubara	Director and Managing Executive Officer	●	●	●				
Hideo Kawanishi	Corporate Auditor (full-time)	●	●					
Akihiko Ogasawara	Corporate Auditor (full-time)	●	●					
Yasuo Naide	Outside Corporate Auditor	●	●	●				
Katsunori Okubo	Outside Corporate Auditor	●	●	●	●			
Hideyuki Takahashi	Outside Corporate Auditor	●			●	●		●

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

Executive Officers

President

Yoichi Nakagawa

Senior Managing Executive Officers

Hidemi Nagashima

General Manager of Nagoya Branch Office

Yasuharu Kurata

In charge of Energy Division, Food Division, Life Living Materials Division, New Business Development Office

Yasushi Hatanaka

Senior General Manager of Osaka Head Office In charge of Osaka HQ Steel Bars & Construction Materials Division, Osaka HQ Steel Plates & Sheets Division, Steel Processing Project Promote, Kyushu Branch Office, Chugoku Branch Office, Hokuriku Branch Office

Hiromasa Yamamoto

General Representative for Asia

Yoichi Sasayama

In charge of Tokyo HQ Steel Plates & Sheets Division, Niigata Branch Office, Lumber & Plywood Division

Takatoshi Kuchiishi

In charge of Tokyo HQ Steel Bars & Construction Materials Division, Steel Structure Marketing Division of all offices, Ferrous Raw Materials Division of all offices, Tokyo HQ Thermal-insulation Construction Dept., Hokkaido Branch Office, Tohoku Branch Office, Kitakanto Branch Office

Managing Executive Officers

Chiro Ideriha

General Representative for Americas and President of HANWA AMERICAN CORP.

Keiji Matsubara

In charge of Tokyo HQ Steel Plates Dept., Machinery Division, Wire Products & Special Steel Division of all offices

Ryuichi Takaba

In charge of Metal Recycling Division, Primary Metal Division, Hedging Administration Office

Yoshifumi Miyano

In charge of Energy Division, Food Division, Life Living Materials Division, New Business Development Office

Executive Officers

Hideo Kobayashi

In charge of Osaka HQ Structural Steel Sheets Dept. 1, Dept. 2 Steel Sheets Sales Dept., Steel Plates Dept., Stainless Steel & Aluminum Sheet Dept., Western Japan Steel Sheets Division

Yoshimasa Ikeda

In charge of Credit Dept., Legal Dept., General Affairs Dept., Quality, Safety & Environment Control Dept.

Toshihiro Kawaguchi

Deputy General Manager of Nagoya Branch Office

Shoji Shirasawa

In charge of Asia (ASEAN, India, Middle East) except for Steel Division and Machinery Division and Chairman of HANWA SINGAPORE (PRIVATE) LTD.

Yukiaki Takada

In charge of Asia (ASEAN, India, Middle East) for Steel Division and Machinery Division and Chairman of PT. HANWA INDONESIA

Takeshi Amano

In charge of Metal Recycling Division, Primary Metal Division, Hedging Administration Office

Shigeto Minamimura

In charge of Steel Structure Marketing Division of all offices, Tokyo HQ Steel Bars & Construction Materials Dept. 2, Tokyo HQ Civil Engineering Materials Dept., Thermal-insulation Construction Dept., Tohoku Branch Office, Kitakanto Branch Office

Masahiko Fujitsuka

General Representative for China

Hideaki Takemura

In charge of Osaka HQ Steel Bars & Construction Materials Dept., Western Japan Steel Bars & Construction Materials Division, Osaka HQ Ferrous Raw Materials Division, Hokuriku Branch Office

Kenji Naito

In charge of Wire Products & Special Steel Division of all offices and Machinery Division

Hisashi Honda

In charge of the Accounting Dept., Finance Dept., Personnel Dept., Information System Dept., Sales Accounting Dept., Trade Administration Dept.

Outside Directors' Messages



“ I will work even harder to support Hanwa as it aims to be a ‘trading company as a value creator’ under its new structure ”

Ryuji Hori
Outside Director

Thoroughly managing risk with a discerning eye for the unknowable future while improving the organization

In the eight-year period during which I have served as an Outside Director for Hanwa, the Company has evolved significantly. Sales have grown steadily and Hanwa is now gradually becoming a general trading company. This is a result of the significant contributions Chairman Hironari Furukawa made when he served as President. With a discerning eye for the future of not just steel but also fields such as other metals, energy, food products, and materials, he proactively engaged in domestic and international projects involving investment and lending, and M&As. He also did not neglect the process of submitting items to the Management Committee and Board of Directors, engaging in discussion, and receiving approval. He strengthened the Company's governance and compliance, and personally dealt with credit management. He worked closely with business partners 365 days a year, including holidays, and I think it is rare to see a President who values relationships with business partners as much as this.

Now there is a new management structure centering on President Yoichi Nakagawa and Hanwa has started on its course to become a “trading company as a value creator.” A trading company that only stays the course will be left behind. It is necessary to keep one's eye on the bewildering

changes in the economy and society, including digital technology, decarbonization, and the environment, formulate a management plan, and execute it. Risk is a part of the trading business. Other general trading companies are also only here today because they have overcome countless difficulties. In a world where it is impossible to know that events like the COVID-19 pandemic and the war in Ukraine will happen, it is necessary to learn from history and have a discerning eye for the unknowable future. We are required to thoroughly manage risk, further enhance organizational mechanisms, and, moreover, engage in governance that is proper and in line with the law. In addition, people are a trading company's lifeblood, and Hanwa's officers must band together in the management of the Company going forward. With a background in the Company's administrative divisions as well as having been involved in the operating divisions, President Nakagawa possesses extremely balanced insight. Able to engage in both offense and defense, I expect him to do great things.

As an Outside Director, and as an experienced trading company employee, I intend to work even harder to support Hanwa.



New Outside Directors' message

“ Leveraging my experience, I will focus on promoting DX and diversity in Hanwa ”

Reiko Furukawa
Outside Director

Focusing on enhancing Group governance and promoting DX and diversity

Across a greater than 30-year span, I have experienced a variety of IT company work, including system development and being in charge of customer support as well as quality management. After working in a rural location and serving in the compliance division, in my final four years, I was in charge of auditing management of the company as a whole as a Full-time Auditor. Now I am fortunate to have become a member of an energetic company like Hanwa. I am extremely happy and looking forward to my work.

As an Outside Director, I particularly want to focus on the following three items.

The first is the promotion of DX. It is the duty of a company to utilize IT to optimize management and improve quality. It is unavoidable. Hanwa is introducing its new core system. However, I would like to focus on and support not only this, but also the degree to which DX can be implemented throughout the Company as a whole, and to what extent management can be optimized and quality can be improved.

The second is Group governance. Hanwa possesses numerous Group companies. Going forward, to what extent Group companies can be organically and successfully managed will be extremely important. Group governance is also important from the perspective of management risk, and the degree to which the

above-mentioned DX promotion can be tied into Group governance is also a point I would like to focus on in an ongoing manner.

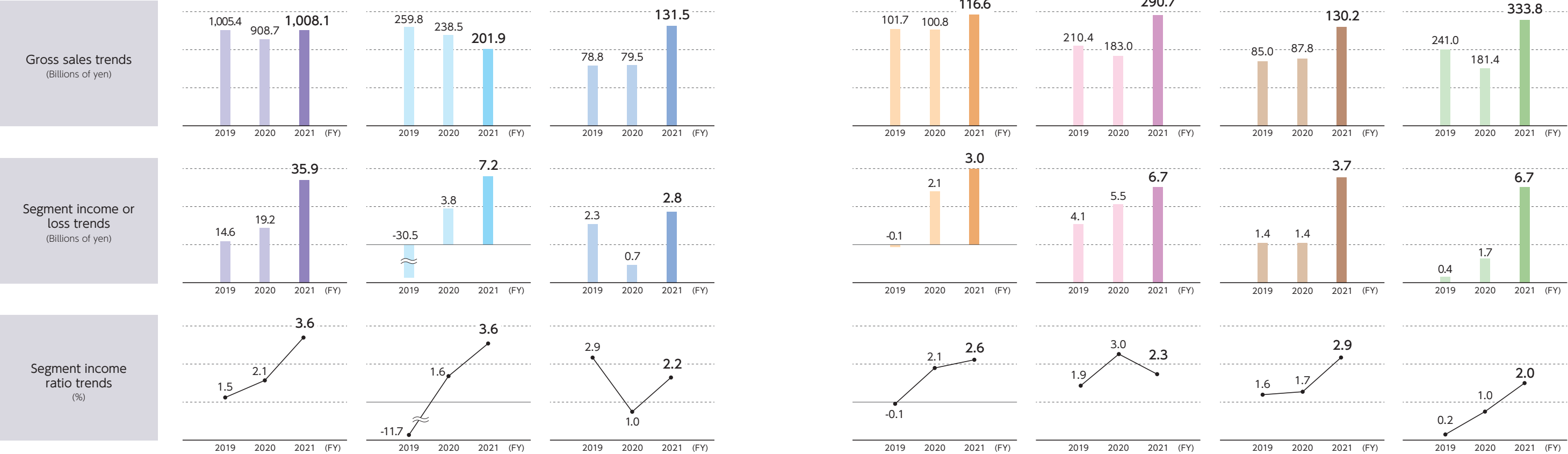
The third is the promotion of diversity. I myself moved from a rural area to Tokyo and utilized maternity leave, childcare leave, and preschool to raise two children while continuing to work. The world is full of not just women and seniors but people of all kinds of different backgrounds and abilities. The creation of creative workplaces which value diverse employees' individual lifestyles while enabling them to succeed is important to the development of a company. In the past, I, like many people, looked at diversity from the perspective of human resources utilization, but now I recognize that diversity of perspective also greatly influences the fortunes of a company. I will be focusing on and supporting the process of creating a communication environment which enables diverse employees to be free from fear of change, take on new challenges, and be comfortable expressing their opinions.

I will fulfill my duties as Outside Director in order to increase the Company's corporate value for all of its stakeholders—shareholders, investors, customers, business partners, society, and employees.

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, primary metal, metal recycling, food products, energy & living materials, lumber, 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.



Business composition ratio (FY2021)



* The business composition ratio is based on sales to external customers. * In accordance with the organizational change dated April 1, 2021, the method for classifying business segments has been revised, and portions of the existing "Steel" segment have been included in the "Primary Metal" segment. Additionally, in accordance with the reorganization of subsidiaries implemented in January 2022, portions of the subsidiary business, included in "Overseas Sales Subsidiaries," are included in "Food Products." Note that comparisons with the previous fiscal year are based on the post-change classifying method.

* 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 for FY2021 reflects these accounting standards.



Steel

Business summary

Steel is our major product, accounting for approximately half of total sales. We sell steel bars, building materials, steel sheets, steel pipes, wire rods and special steel and many other steel products. With this broad lineup, we can meet the requirements of various customers. In addition, we have one of the largest distribution centers in Japan and offer services that take advantage of our inventory and processing capabilities.

Main products or services

Main products are steel bars, steel sheets, special steel, wire rods, steel pipes and steel scrap. We also undertake construction work as well as steel processing and storage.

SDGs-related initiatives



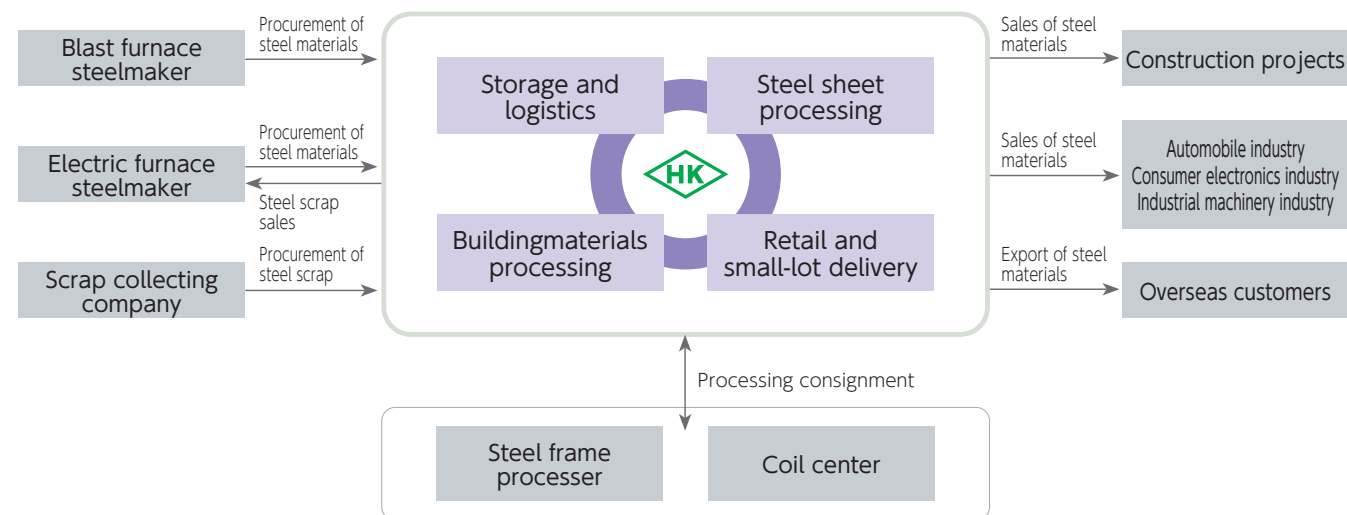
The steel business leverages its sophisticated processing techniques, optimum distribution network, and partnerships around the world, whereby contributing to the establishment of resilient infrastructure in Japan and abroad as well as sustainable development of all industries including electronics, 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 down-

stream. 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 banner 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 leading local distributors, and joint ventures with Japanese companies.

[Value Chain]



> Environment and Challenges Surrounding the Business

While domestic demand remains strong, mainly in the construction industry, there is a high probability that there will be customers who will have difficulty in securing human resources in the medium to long-term, and this will lead to a progression of outsourcing of functions such as processing. As for other companies in the same industry, reorganization is taking place among a group of affiliated companies in response to the restructuring of domestic steel mills. In addition, there is a strong demand for higher functionality yet at lower prices for customers' steel materials, and in the medium to long-term, we believe that it is possible customers switch to other materials depending on the balance between functionality and price. Especially in construction-related products, there is no denying the possibility of shifting to products related to construction

methods that can cope with the shortage of labor.

In such a business environment, in order to respond to the ever diversifying and sophisticated customer needs of the steel business, we believe that there is a need to work to further secure processing manufacturers with functions, diversify our products and services, and develop our business globally by taking advantage of the network of the Hanwa Group to seek overseas customers and broaden our relationships with overseas steel mills. At the same time, we believe it is necessary to develop human resources that are fully equipped with 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 Business Policy

We believe that in order for our steel business to continue to grow in the medium- to long-term, it is necessary to meet customer needs across the entire business domain, from supply chain upstream to downstream; and to provide high added value. We intend to precisely and accurately meet the diversifying needs of our customers by further following through with our "SOKOKA" strategy and, at

the same time, acquiring additional functions through M&As. In addition, it is our policy to deepen our business relationships not only with domestic steel mills but also overseas steel mills and processors. At the same time, we will develop markets across the world with a focus on Asia and deliver the ability to distribute a wide variety of products globally.

> FY2021 Results

Net sales

¥1,008.1 billion

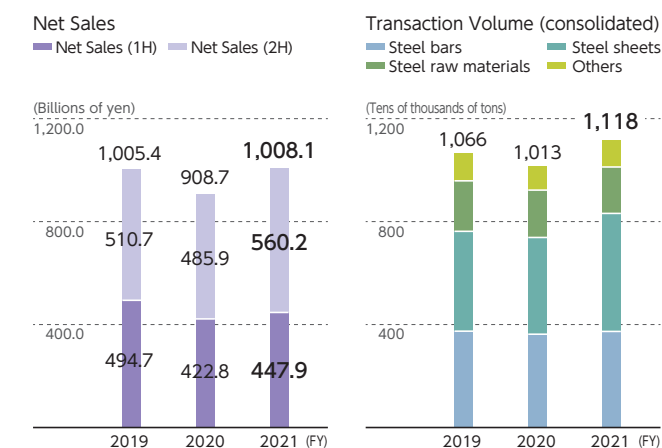
Segment income

¥35.9 billion

Segment employees

3,213 people

In the steel business, both the manufacturing field and the construction and civil engineering field continued to recover, and demand for steel materials increased. Against this backdrop, our transaction volume for steel materials grew. In addition, reflecting the rise in materials prices, steel prices continued to follow a general increasing trend. In turn, profit margins in the retail field rose. As a result, sales in this business segment were ¥1,008.164 billion, and segment income increased by 86.9% year-on-year, to ¥35.958 billion.





Primary Metal

Business summary

In the primary metal business, we are trading such items as nickel, chromium, silicon, and manganese ferroalloys directly with resource countries such as Russia, 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.

Main products or services

Main items are nickel, chromium, silicon, manganese as well as ferroalloys, stainless steel materials, and precious metal scrap.

SDGs-related initiatives



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

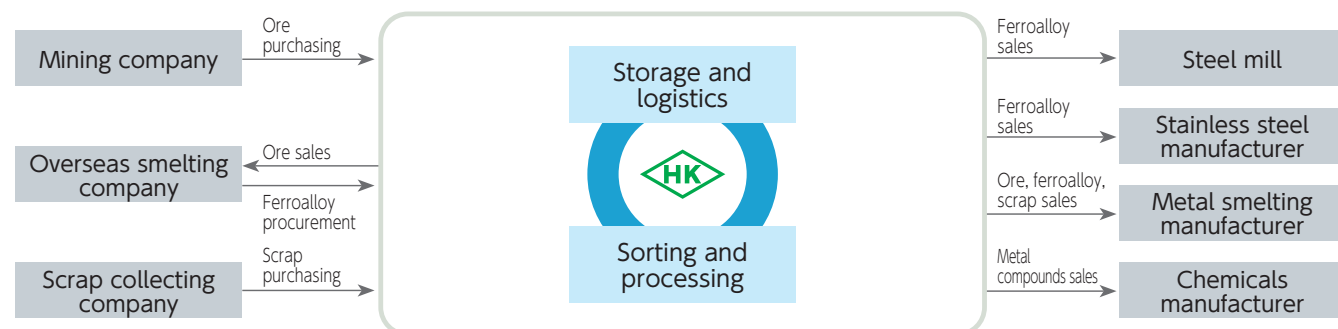
> Strengths and Characteristics

In the primary metal business, in terms of trade, we boast the largest transaction volume of ferroalloy products, such as ferrochrome and silicon-manganese, among Japanese distributors and we are responsible for the stable supply of raw materials all over the world by taking advantage of our hedging and the inventory functions. With regard to investments, we have invested in SAMANCOR, a leading company in the chromium business in South Africa and have acquired exclusive sales rights of ferrochrome for Japan, and have also invested in OM HOLDINGS, supplying ferrosilicon and manganese ferroalloys produced in Sarawak, Malaysia,

to customers in and outside Japan.

Regarding nickel, we supply nickel metal, ferronickel, and stainless steel scrap to the stainless steel and special steel industries. In addition, we supply a wide range of products to customers around the world, such as nickel and cobalt chemical raw materials for the automobile rechargeable battery industry. In addition, since 2014 we have been participating in the Indonesia nickel pig iron project hosted by the Tsingshan Holding Group of China, which boasts the largest production of stainless steel in the world, in order to expand our supply system for stainless steel materials.

[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 unevenly distributed in South Africa, and of that, about 70% of its ore is owned by SAMANCOR, a company we have invested in. The oligopoly of chromium resources in the world is believed to lead to great benefits for suppliers in the stainless steel and special steel industries which require chromium resources over the medium to long-term, and these customers have high expectations for the Company. Also, the manganese business in the Sarawak state of Malaysia conducted by OM Holdings, in which the Company has invested, is regarded important production base outside the China continent by Japanese blast furnace steel manufacturers, electric furnace steel manufacturers and other companies which manufacture steel product in ASEAN region since it is free from export tariff and politically neutral.

Since materials handled by the primary metal business are the main and auxiliary raw materials that are essential for steel production and stainless steel/special steel production, we believe that ongoing demand will remain in the medium to long-term. In addition, 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 presence in the industry. Since major trading companies have already withdrawn from ferroalloy trading, there are many products in which the Company is the largest domestic handler. The challenge therefore is to strengthen our profitability in parallel with the increase in the handling volume, while taking advantage of our financial ability not to be struck by price competition with other ferroalloy resource companies and specialized ferroalloy wholesalers.

> Medium to Long-Term Business Policy

Based on our trading ability cultivated through long years of business experience, we provide a stable supply of useful metal resources for each customer such as steel, special steel, and non-ferrous metal smelting companies. At the same time, we will expand our business into the field of ferroalloy producers through characteristic resource investments and differentiate ourselves from our competitors. In addition, it is our policy to focus on business based

in regions including South Africa, Indonesia, Malaysia, Australia, and Kazakhstan, which we have already invested in, and to expand business into China and India by paying attention to political and economic trends and environmental issues. In this way, we aim to build a global value chain from upstream to downstream and to become a leading company with a medium to long-term presence in each product.

> FY2021 Results

Net sales

¥201.9 billion

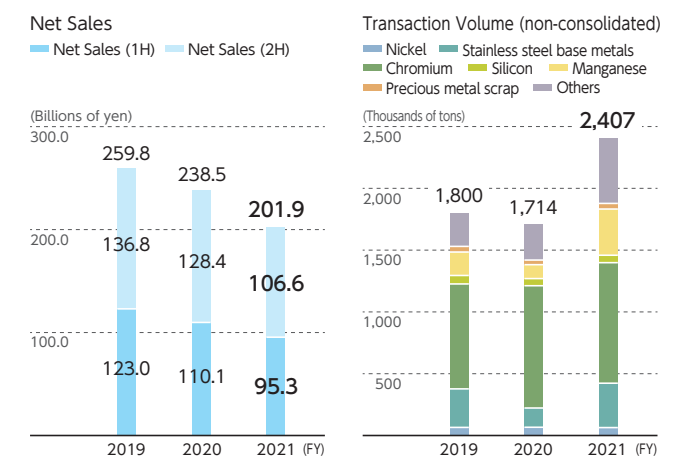
Segment income

¥7.2 billion

Segment employees

66 people

In the primary metal business, steel and non-ferrous metal manufacturers continued to recover production. Within this context, our handling of stainless steel base metals and manganese ferroalloys increased. Product prices were also on a rising trend, such as increased nickel prices due to rising battery demand. Accordingly, profit margins rose. As a result, sales in this business segment were ¥201.97 billion, and segment income increased by 88.9% year-on-year to ¥7.247 billion.





Metal Recycling

Business summary

In the metal recycling business, we are one of the first companies in Japan to establish a recycling business for aluminum, copper, zinc, lead, stainless steel, special metals, and titanium. We have established solid positions in these market sectors, backed by expertise in organizing business activities on a global scale, an advantage that only a trading company can offer. We have processing facilities for the entire Group for aluminum cans, aluminum sash, special metals, and titanium to respond appropriately to users' needs.

Main products or services

We are engaged in the recycling business for aluminum, copper, zinc, lead, nickel-based special metals, stainless steel, and titanium.

SDGs-related initiatives



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 recycling-oriented economy. At the same time, in the aluminum recycling business, we are working to address climate change and support carbon neutrality by introducing our own separation and processing facilities.

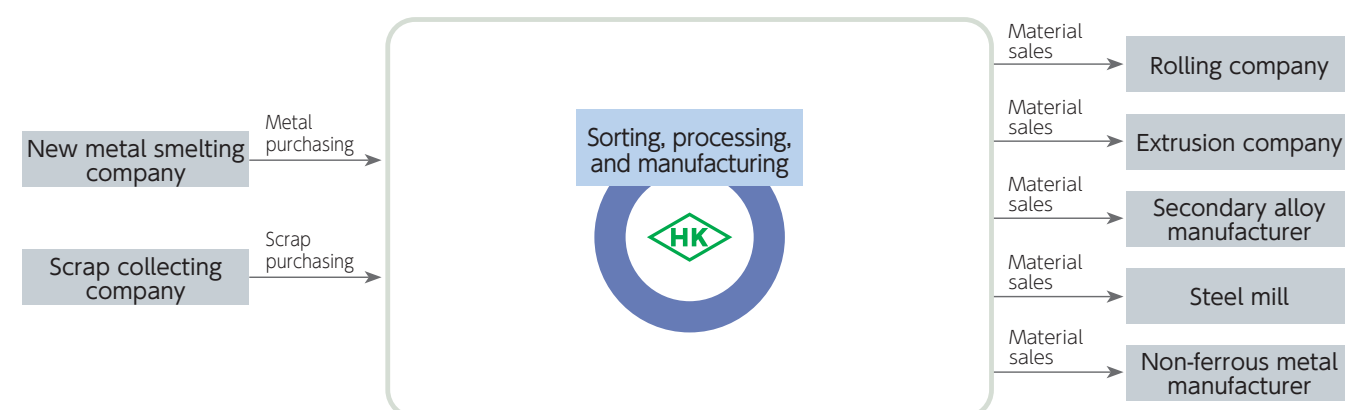
> Strengths and Characteristics

In the metal recycling business, we have facilities and functions for processing, separating, and inspecting scrap within the Group, which allow us to respond to needs of aluminum rolling/extrusion companies and steel mills for deoxidizer application. In the special metal recycling business, we offer recycled materials to stainless steel and special steel manufacturers and rare metal smelting companies and we also proactively recycle by-products from the smelting process of lead, zinc, and tin.

We operate in compliance with the Basel Convention in handling transactions involving import, export and offshore trade, and provide users in Japan and overseas with a stable supply of recycled materials.

As for human resources development, we carry out business rotation to overseas offices from a young age in order to develop human resources who are familiar with trade practices, competitive globally, and understanding of front-line operations and a global perspective.

[Value Chain]



> Environment and Challenges Surrounding the Business

China, which had been restricting the import of metal scrap, removed all restrictions in November 2020. Since that time, the country has tightened quality standards substantially, treating recycled materials as products. In China, we have been required to offer high-quality metal scrap or process and raise the grade of low and middle grade scrap.

Meanwhile, demand for metal scrap in Japan is expected to decline in the medium to long term, and we need to expand our business to overseas markets and ensure a wide range of profit opportunities.

What we must do to cope with these challenges is to increase our transaction volume of copper scrap conform-

ing with China's new rules, to improve our ability to separate and process low and middle grade scrap, and to enhance our capabilities to leverage machinery and equipment to separate, collect, and sort various aluminum scrap including automobile panels, which are expected to grow also in Japan.

As the ratio of recycled materials used in products increases at an accelerating pace around the world to ensure sustainability of materials and reduction of carbon emissions, it is necessary to improve our technology to separate and process metal scrap and ability to assure quality in every direction.

> Medium to Long-Term Business Policy

For metal scrap, we will enhance domestic subsidiaries' sorting and processing functions and form an alliance with business partners that have technical strength. In anticipation of the plateauing of domestic demand, we plan to expand our business with overseas customers in such areas as the United States, Europe, China, Southeast Asia and India as well as to promote partnerships with companies with excellent sorting and processing capabilities. At

processing centers, we will promote high-level standardization in their common areas of production, strengthen their functions, and build a system that enables us to respond quickly to requests of customers.

For non-ferrous products, we will seek to handle non-ferrous semi-finished products and internationally competitive niche products, which we have not dealt with before.

> FY2021 Results

Net sales

¥131.5 billion

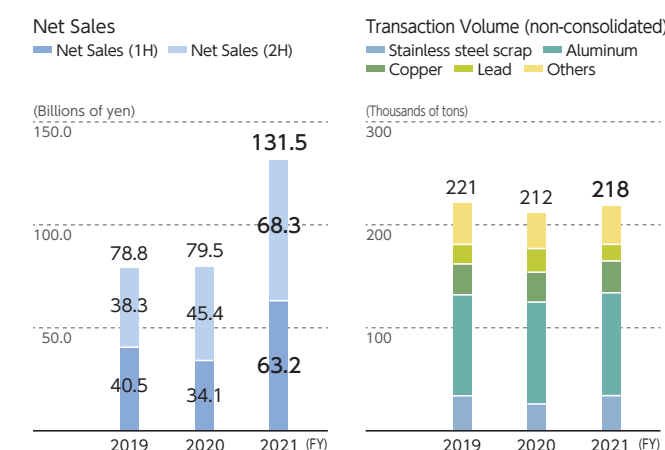
Segment income

¥2.8 billion

Segment employees

272 people

In the metal recycling business, supported by the recovery in production activities in the manufacturing industry, international prices of base metals continue to rise. The resulting expansion of sales of aluminum and copper scrap boosted revenue. In addition, amid a shortage in the supply of stainless scrap domestically and internationally, we leveraged the collection and inventory capabilities of consolidated subsidiaries to increase our transaction volume. As a result, sales in this business segment were ¥131.588 billion, and segment income increased by 276.1% year-on-year to ¥2.883 billion.





Food Products

Business summary

In the food products business, we mainly handle marine products and maintain a top-level import share in many items. In recent years, in order to further develop the market, we have been actively working on establishing purchasing bases in Europe and South America and sales companies in the United States and Japan. In addition, we have strengthened traceability and utilize a thorough quality control system for the products we process at our overseas partner factories.

Main products or services

The main products handled are marine products such as salmon, shrimp and crab, and livestock products such as chicken.

SDGs-related initiatives



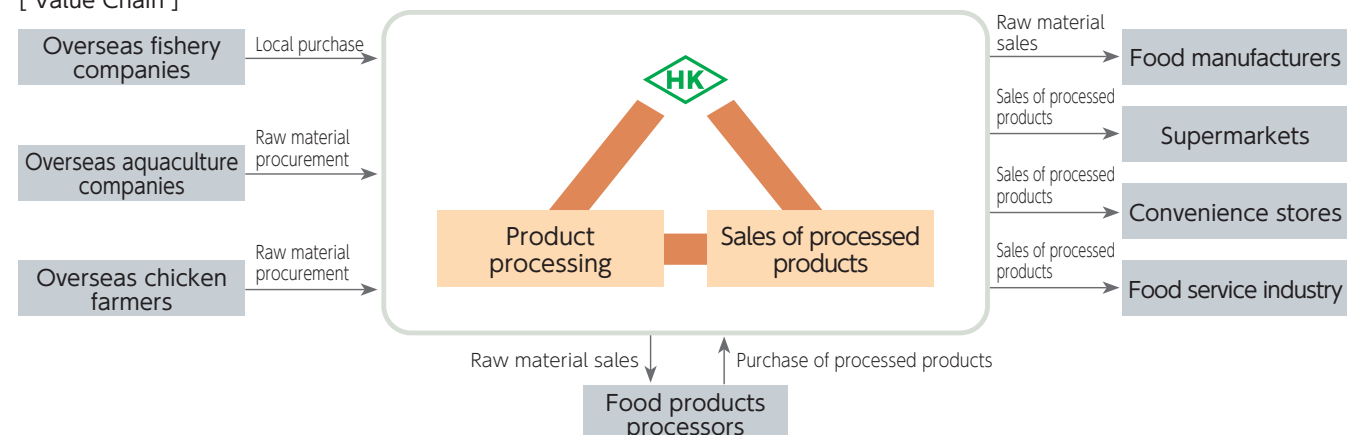
We fulfill the responsibilities that are required upon handling foodstuff including marine products and contribute to sustainable marine resource circulation. At the same time, we engage in all levels from the upstream (material procurement) to downstream (final product) sectors of the value chains in Japan and overseas to contribute to the economic development of the regions where we are involved in the food industry (production and processing of ingredients) as well as safe and secure food distribution around the world.

> Strengths and Characteristics

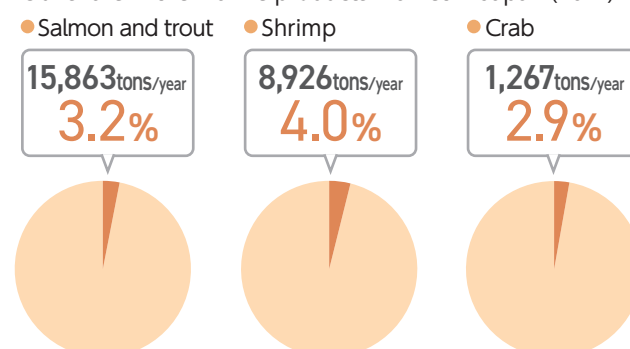
In the food products business, we have established sales subsidiaries for the development of domestic end-user markets and are actively promoting the sale of products processed in such places as China, Thailand, and Vietnam, by leveraging our long-cultivated seafood raw material procurement capabilities and overseas processing experience. In addition, while the proportion of farmed products in the world's seafood resources is increasing, at the subsidiary we have established in the Republic of Chile, we are strengthening procurement of farmed salmon. At the same time, we are aiming to develop markets throughout South America.

Our employees with advanced product knowledge and good agility in business are personally involved in the procurement of raw materials, local processing, and final product sales, and supply safe, secure and high-quality food products through thorough production guidance and quality control.

[Value Chain]



Our share in the marine products market in Japan (2021)



> Environment and Challenges Surrounding the Business

Against the backdrop of the strong 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 procurement will become tougher. In addition, at present, vendors who can approach the end-users still have purchasing power, but in the medium to long-term, it is expected that the entire supply chain will be clustered and systemized by taking advantage of the functions of each company. At other trading companies in the same industry, the internal processing and other operations of each process is progressing within the group, and in the medium to long-term, it is expected that large companies that can expand globally and secure a large han-

dling volume and have high information collection capacity will become strong. Overseas demand is pushing up purchase prices while domestic demand is continuing to depress selling prices, and in the medium to long-term it is possible that the business may shrink if we only focus on the Japanese market.

In this business environment, the food products business must shift to a global business model so that it can expand sales volume even in markets with soaring demand by strengthening its overseas network and also shift to a business model based on vertical integration from upstream to downstream to increase the earning power of the entire Group.

> Medium to Long-Term Business Policy

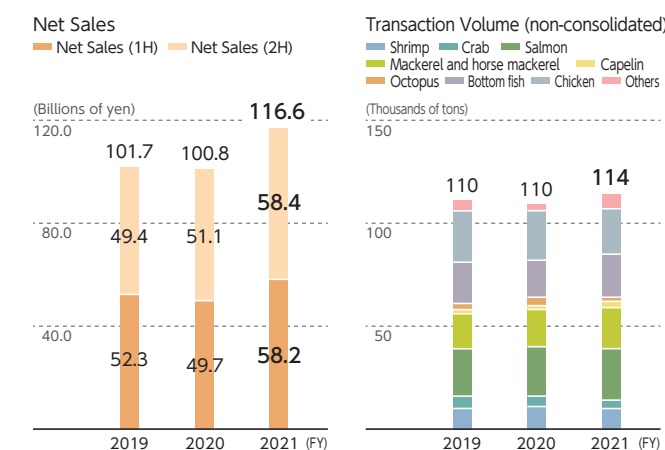
Through capital tie-ups and alliances, we will strengthen our relationships with overseas marine product processors and aquaculture operators, and as a downstream business, we will aim to expand sales channels for end users of our group companies. In addition, we will expand our busi-

ness into other food products including livestock products, rather than limiting ourselves to marine products, and expand into the markets of North America, South America, China, and Southeast Asia.

> FY2021 Results

Net sales **¥116.6 billion** Segment income **¥3.0 billion** Segment employees **187 people**

In the food products business, our transaction volume of processed products for the food service industry, in which businesses activities continued to be restrained, remained low. Conversely, backed by healthy demand for home replacement meals and home cooking, our transaction volume of products for mass retailers increased. Profit margins grew as product prices rose. In addition, with regard to our consolidated subsidiaries, our U.S. subsidiary profits continued to be boosted by growth in markets for crab and increased transactions with mass retailers. Our domestic subsidiary increased profits through means such as expanding the selection of products it carries. As a result, sales in this business segment were ¥116.699 billion, and segment income increased by 42.9% year-on-year to ¥3.024 billion.





Energy & Living Materials

Business summary

In the energy business, we supply palm kernel shells (PKS) and wood pellets to biomass power producers. We also handle cut tires and refuse paper and plastic fuel (RPF) for recycled energy. Additionally, we supply heavy oil and diesel oil for domestic industry. Overseas, we supply energy for vessel and aqueous urea, and also focus on importing biomass energy and petroleum products. In the living materials business, we sell mainly to foreign countries and handle such products as synthetic resin raw materials and plastic products such as polyethylene plastic shopping bags and garbage bags. In the paper stock business, we are promoting industrial paper sales and the waste paper recycling business.

Main products or services

The main products are biomass energy, recycled energy, petroleum products, and industrial chemicals.

SDGs-related initiatives



In the energy field, we are working on supply of environmentally friendly energy sources including biomass energy while striving to achieve harmonious coexistence with the community, whereby contributing to solution of energy and environmental issues around the world, development of local societies, and realization of sustainable society. In the living materials field, we are contributing to the development of a recycling-oriented economy by expanding our handling of bio-based plastic products and biodegradable resin products, and through our waste paper and plastic recycling business.

> Strengths and Characteristics

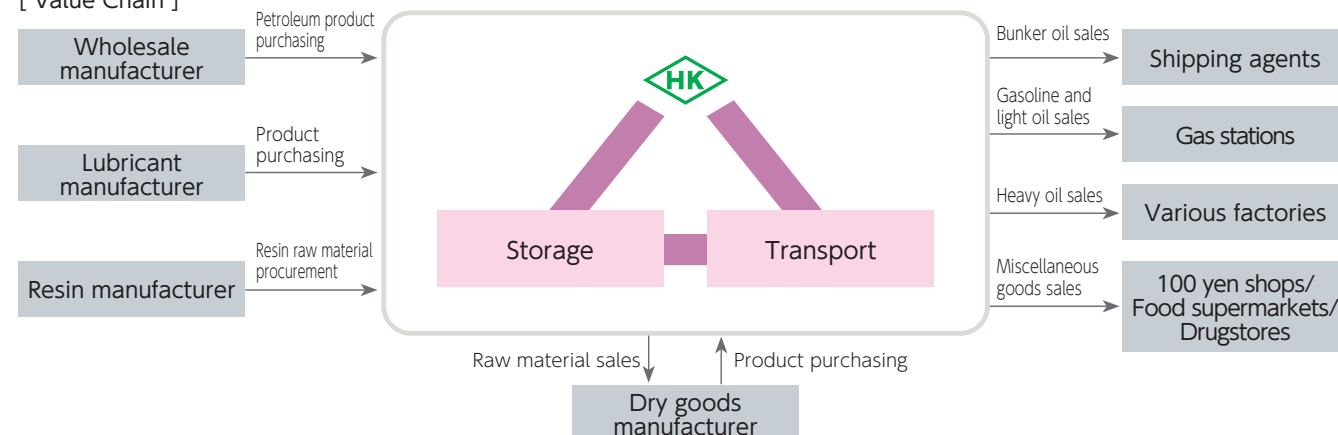
In the energy business, we are making efforts to build a system for supplying environmentally-friendly plant-derived biomass energy (such as wood pellets and PKS). In addition, we are meeting customer needs with regard to lubricant raw materials, additives, and chemicals, carrying a wide range of products. Further, we have a wide variety of procurement sources and supply high-quality energy in a timely manner by fully leveraging our capabilities as a trading company, such as import/export trading and inventory management. We do business with approximately 300 customers and have several products which boast top market shares in their industry, such as heavy oil for domestic industrial needs.

In the living materials business, we handle a wide range of

products, from raw materials (resins) to finished products (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 secure products to our customers.

In the paper business, waste paper and scrap paper generated in Japan, which have a price advantage, are exported to ASEAN countries and elsewhere where paper usage is increasing due to economic growth. We are also expanding our environmental business, including the recycled energy business (such as RPF).

[Value Chain]



> Environment and Challenges Surrounding the Business

Demand of biomass energy, with which we maintain a high market share, is expected to increase as a renewable energy source.

In the energy business, with the market oligopoly of domestic major oil companies continuing, sector peers with less advantageous functions become less profitable, thus forced to withdraw from the market, while there is an increased demand from customers for the stable supply of commercial materials including delivery capability.

In the living materials business, we purchase mainly from overseas manufacturers such as those in Vietnam and the Philippines, and sell mainly to major retailers in Japan, and distributors are required to have a high level of procurement and quality control capabilities, and inventory distribution functions. In recent years, with the growing trend of plastic-free

particularly in developed countries, there is a growing requirement for companies to carry out environmentally-conscious initiatives.

In the paper business, globally the trend toward limiting and eliminating paper continued under the COVID-19 pandemic. Conversely, rapid growth in the e-commerce market has resulted in a striking expansion in demand for packaging worldwide, and, like mills in other countries, Japanese paper mills are accelerating their export of base paper. In addition, incidental demand for used paper also appears to be growing in the countries of the ASEAN union, and it is believed intense competition for used paper will unfold between paper mills in Japan and abroad. We believe that, as an effective solution to realizing a decarbonized society, further increases in demand for refuse paper and plastic fuel (RPF) can be expected.

> Medium to Long-Term Business Policy

In the energy business, in line with the growing interest in global environmental issues, we plan to expand the handling of wood pellets and PKS for the biomass power generation business. In addition, we will continue to maintain business transactions with major oil companies in Japan and supply industrial heavy oil, marine energy, and aqueous urea to shipping companies and various manufacturers.

In the living materials business, we will position major business partners in Japan as our main customers in the medium to long-term and aim to strengthen sales by offering product proposal and inventory distribution functions. With regard to the main products, we will shift our focus from the

supplies used by consumers, such as plastic shopping bags and garbage bags, to the products that our customers sell, such as stationery and daily necessities. As for our suppliers, Vietnam will be the country with focus for the time being, but we will also plan to restructure procurement from China.

In the paper business, with regard to used paper, the Company plans to expand its exports mainly to the ASEAN region. As for RPF, which is an alternative energy to fossil fuel, we aim to increase its domestic market share as a supplier and also expand our business in the ASEAN region to build a recycling business.

> FY2021 Results

Net sales

¥290.7 billion

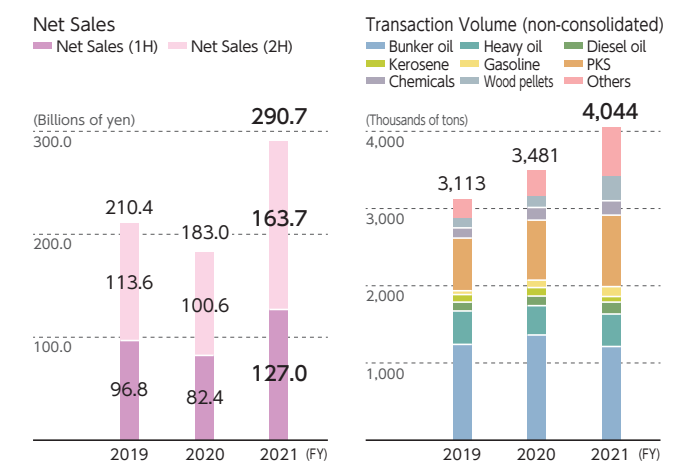
Segment income

¥6.7 billion

Segment employees

231 people

In the energy & living materials business, due to the global increase in demand for energy, prices for crude oil and petroleum products were on a rising trend. In addition, we increased our transaction volume of PKS and wood pellets. This boosted revenue. We also increased our transaction volume in the field of living materials due to the increase in demand for daily necessities and household goods caused by the voluntary restraint on outings. As a result, sales in this business segment were ¥290.769 billion, and segment income increased by 22.3% year-on-year to ¥6.784 billion.





Other Business [Lumber] [Machinery]

[Lumber]

Business summary

In the lumber business, we import fine lumber from around the world and sell them to our customers such as housing companies, building material trading companies, building material manufacturers, lumber processors, and sales agents. We sell the products not only in Japan but are also focusing on offshore trading for construction and building materials in Asia and the Middle East. We are also enhancing our function as a general sales agent of housing components centered on processed lumber products for housing companies.

Main products or services

The main products are imported and Japanese lumber products and building materials for houses in general.

SDGs-related initiatives



We are responding to lumber demand worldwide by taking advantage of our economy of scale and network in Japan and abroad. We are also focusing on the export of domestic lumber and aim to contribute to sustainable development of the Japanese forestry and preservation of the abundant forests.

[Machinery]

Business summary

The machinery business has two components: the leisure facilities business, which sells amusement machines and performance directions to theme parks; and the industrial machinery business, which sells mainly various types of steel processing machines and various conveyance machines.

Main products or services

The main products are amusement machines and industrial machinery. We also manage and operate amusement facilities.

SDGs-related initiatives



We contribute to the development of cities where people can continue living by responding to the demands for replacement of deteriorated facilities or 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

[Lumber]

We import and sell competitive lumber by taking advantage of our economy of scale as a top-class lumber importer. In particular, we boast top shares in European lumber and Russian lumber, which we import through the Vienna Office. We are also expanding trading of Japanese lumber and have high shares not only in domestic consumption but also in exports to Southeast and other parts of Asia.

The housing materials business has expanded its business scope downstream. The business of processing imported lumber and selling it to housing companies is cost competitive, and we have grown to become a major player among trading companies involved in the business.

Moreover, we sell building materials and steel components together with lumber, and our ability to propose the shortest commercial distribution route from upstream to downstream represents our great strength, which has been highly rated by customers.

[Machinery]

Since the leisure facilities business has in-house engineers and supervisors, as well as strong networks with external experts and examination organizations, we provide users with a full range of services from the design of amusement machines to the procurement of materials and construction. In addition, we have established a strong relationship of trust with European and American manufacturers, which are the leading countries of the amusement machinery industry, and, as agents for them, we introduce the latest industry trends to the Japanese market.

In the industrial machinery business, we provide valuable solutions for users' capital investment plans by using our rich information network and engineering functions created by close cooperation with various leading industrial machinery manufacturers. In addition, a VE proposal system has been established to make suggestions on the capital investment plans of customers of other divisions of the Company, mainly in the steel sector, so that they can invest in efficient equipment.

> Environment and Challenges Surrounding the Business

[Lumber]

As the housing industry, which is the business's main market, is gradually shrinking due to declining birthrate, the competition between housing companies is intensifying. Users are taking an increasingly stringent look at the functions and costs, as a result of which the industry is tending towards eliminating intermediate distribution with fewer functions.

While we already have considerable competitiveness in terms of wood feedstock and processed products, we need to enhance the ability to propose appropriate combination of materials amid fluctuating markets.

At the same time, it is becoming more important to offer products by adding values corresponding to customer needs such as delivery function and construction rather than merely selling products, and we need to further expand the functions we offer.

[Machinery]

In the leisure facilities business, we have few competitors in the large-scale amusement park ride field. We also have good relationships with major customers and expect to maintain ongoing business relationships with them in the future. In recent years, we have also been getting more requests from overseas manufacturers to do business in the Japanese market. Going forward, we will look to develop new customers.

In the industrial machinery business, transactions of general-purpose machinery such as simple cranes have remained difficult to expand. However, we have been designated as a prime contractor in a number of complicated projects, such as those of production line equipment, that require the consolidation of multiple vendors and ideas.

Going forward, we believe that it is necessary to develop a purchasing source that can deal with simple and small-scale facilities, build a sufficient organizational structure that can cope with prime contract work, and develop human resources who are familiar with English and trade practices.

> Medium to Long-Term Business Policy

[Lumber]

We aim to become a trading firm that is selected by housing companies, our main customers, through the provision of comprehensive services that respond to their needs.

We do not limit our products to lumber but also offer steel components and overall building materials and will develop a sales framework to offer everything customers need from the viewpoint of business partners.

Further, in terms of functions, we will enhance collaboration with vendors and our other divisions to build a company network capable of coordinating the entire process from raw materials to delivery to the work site, whereby upgrading and expanding the functions.

[Machinery]

In the leisure facilities business, we continue to expand our business throughout Japan based on our advantage of being able to provide all services from design to material procurement and construction, and with strong, trusting relationships with European and American manufacturers. In addition, we expand and improve the maintenance business associated with the facilities.

In the industrial machinery business, we focus on areas where high added value is expected and where demand is expected to grow over the medium to long-term, such as by proposing measures to save labor in manufacturing equipment lines and providing proposals for automation. In addition, we will expand our business into the Hokkaido, Shikoku, and Kyushu regions, which previously we had been slow to develop.

> FY2021 Results

Net sales

¥130.2 billion

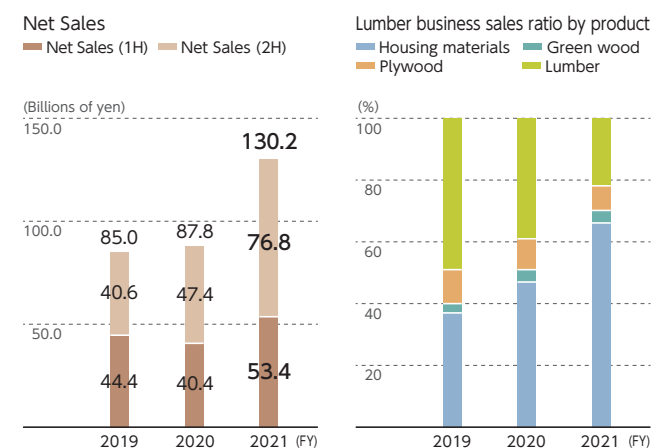
Segment income

¥3.7 billion

Segment employees

218 people

Turning to other businesses, in the lumber business, we expanded the number of customers as well as the number of products we carry mainly targeting housing manufacturers. In addition, in accordance with the soaring price of lumber originating in the U.S., revenue was boosted, primarily by the sale of imported lumber. Conversely, in the machinery business, in comparison with the previous year, the number of projects completed was fewer in both the leisure facilities and industrial machinery fields, and in turn both revenue and profits declined. As a result, sales were ¥130.289 billion, and segment income rose by 156.0% to ¥3.726 billion.





Overseas Sales Subsidiaries

Main products or services

We sell a wide variety of products, as in Japan, at major overseas bases.

> FY2021 Results

Net sales

¥333.8 billion

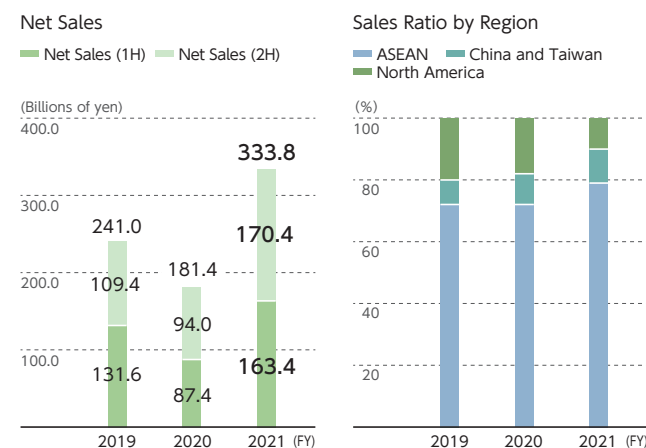
Segment income

¥6.7 billion

Segment employees

539 people

With regard to overseas sales subsidiaries, economic activity, particularly in Southeast Asian nations, remained restrained. However, we increased our transaction volume of steel made by PT DEXIN STEEL INDONESIA in Indonesia and Singapore, expanding revenue. In addition, against the backdrop of tightening supply in the United States, our U.S. steel and metal recycling businesses increased their handling of imported materials. In turn, these factors contributed to revenue. As a result, sales in this business segment were ¥333.898 billion, and segment income rose by 286.4% to ¥6.722 billion.



Net sales and property and equipment by region

(1) Net sales

Japan (Millions of yen)	Asia (Millions of yen)	Other areas (Millions of yen)	Total (Millions of yen)
1,484,766	535,271	144,011	2,164,049

* Net sales are based on the location of the customer and are grouped into countries or regions.

(2) Property and equipment

Japan (Millions of yen)	Asia (Millions of yen)	Other areas (Millions of yen)	Total (Millions of yen)
66,126	9,300	2,462	77,889

Major Affiliated Companies

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

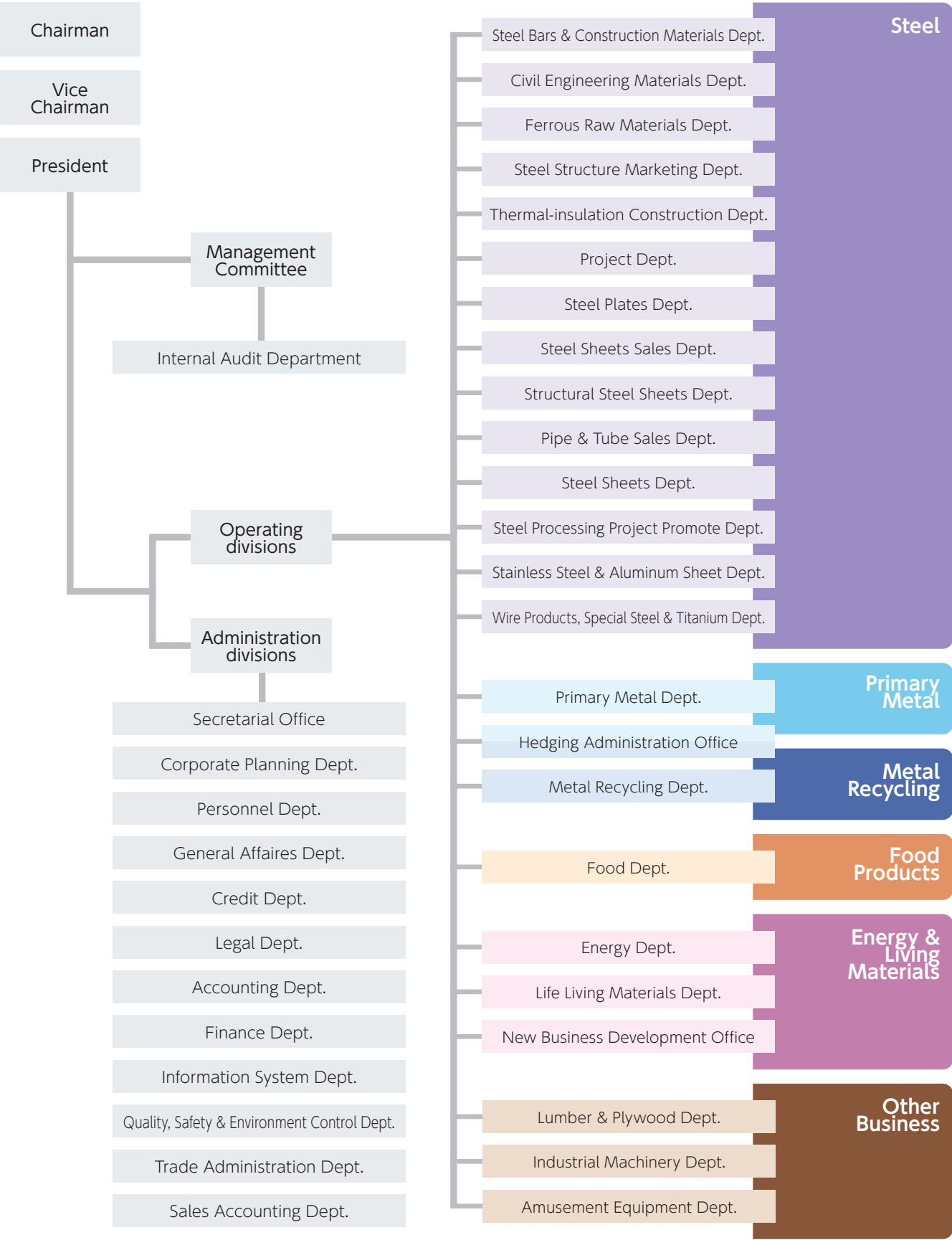
Name	Address	Capital or capital investments	Name	Address	Capital or capital investments
(Consolidated subsidiaries) ● S.K. Engineering Co., Ltd.	Chuo-ku, Tokyo	¥222 million	● Hanwa Foods Co., Ltd.	Chuo-ku, Tokyo	¥200 million
● Daisun Co., Ltd.	Nishi-ku, Osaka	¥200 million	● Maruhon Honma Suisan Co., Ltd.	Nishi-ku, Sapporo	¥20 million
● Hanwa Eco Steel Corporation	Kamagaya, Chiba	¥110 million	● East Japan Foods Co., Ltd.	Ishinomaki, Miyagi	¥75 million
● Hanwa Logistics Tokyo Co., Ltd.	Narashino, Chiba	¥100 million	● SEATTLE SHRIMP & SEAFOOD COMPANY, INC.	Washington, U.S.A.	US\$ 10,300 thousand
● Hanwa Logistics Osaka Co., Ltd.	Sakai-ku, Sakai	¥100 million	● Toyo Energy Co., Ltd.	Chuo-ku, Osaka	¥120 million
● Hanwa Logistics Nagoya Co., Ltd.	Tobishima-mura, Ama-gun, Aichi	¥100 million	● Seibu Service Co., Ltd.	Yodogawa-ku, Osaka	¥20 million
● Hanwa Steel Service Ltd.	Koka, Shiga	¥100 million	● Alpha Forme Co., Ltd.	Yodogawa-ku, Osaka	¥3 million
● San Ei Metal Co., Ltd.	Chuo-ku, Osaka	¥100 million	● HANWA SINGAPORE (PRIVATE) LTD.	Singapore	US\$ 144,527 thousand
● Tohan Steel Co., Ltd.	Funabashi, Chiba	¥64 million	● HANWA AMERICAN CORP.	New Jersey, U.S.A.	US\$ 40,000 thousand
● Japanlife Co., Ltd.	Chuo-ku, Tokyo	¥60 million	● HANWA THAILAND CO., LTD.	Bangkok, Thailand	THB 612,200 thousand
● Subaru Steel Co., Ltd.	Taisho-ku, Osaka	¥57 million	● HANWA CO., (HONG KONG) LTD.	Hong Kong, China	HK\$ 70,000 thousand
● Daikoh Owano Co., Ltd.	Suminoe-ku, Osaka	¥50 million	● HANWA VIETNAM CO., LTD.	Ho Chi Minh, Vietnam	VND 178,891 million
● KAMEI Co., Ltd.	Matsuyama, Ehime	¥50 million	● HANWA TRADING (SHANG-HAI) CO., LTD.	Shanghai, China	US\$ 2,500 thousand
● Daiko Sangyo Co., Ltd.	Chuo-ku, Osaka	¥35 million	● TAIWAN HANWA KOGYO CO., LTD	Taipei, Taiwan	NT\$ 15,000 thousand
● Tekken Industry Company	Sakai, Fukui	¥10 million	● HANWA CANADA CORP.	Vancouver, Canada	CAN\$ 2,300 thousand
● Taiyokozai Co., Ltd.	Chuo-ku, Osaka	¥10 million	● PT. HANWA INDONESIA	Jakarta, Indonesia	US\$ 32,100 thousand
● Matsuoka Kozai Co., Ltd.	Koka, Shiga	¥10 million	● HALOS Corporation*1	Chuo-ku, Tokyo	¥100 million
● Fukuoka Kogyo Co., Ltd.	Tsuyama, Okayama	¥10 million	● Hanwa Alpha Business Co., Ltd.*2	Chuo-ku, Tokyo	¥20 million
● Hokuriku Column Co., Ltd.	Imizu, Toyama	¥70 million	● HANWA REINSURANCE CORP.*3	Pohnpei, Micronesia	¥360 million
● Kaneki Co., Ltd.	Kumiyama-cho, Kuse-gun, Kyoto	¥20 million	(Equity-method affiliates)		
● Hirouchi Atsuen Kogyo Co., Ltd.	Jyoto-ku, Osaka	¥100 million	● OHMI SANGYO CO., LTD.	Taisho-ku, Osaka	¥100 million
● SANYO KOUZAI Co., Ltd.	Naka-ku, Hiroshima	¥20 million	● STAINLESS PIPE KOGYO Co., Ltd.	Mihara-ku, Sakai	¥100 million
● HANWA STEEL SERVICE MEXICANA S.A. DE C.V.	Guanajuato, Mexico	MXN 870,547 thousand	● Metaltech Co., Ltd.	Sumida-ku, Tokyo	¥50 million
● PT. HANWA STEEL SERVICE INDONESIA	Bekasi, Indonesia	US\$ 33,000 thousand	● NIPPON EGALV STEEL SDN. BHD.	Penang, Malaysia	MYR 183,429 thousand
● HANWA STEEL CENTRE (M) SDN.BHD.	Penang, Malaysia	MYR 80,000 thousand	● SOHBI CRAFT POLAND SP.Z O.O.	Lysomice, Poland	PLN 46,404 thousand
● HANWA STEEL SERVICE (THAILAND) CO., LTD.	Chonburi, Thailand	THB 576,000 thousand	● COSMOSTEEL HOLDINGS LTD.	Singapore	S\$ 56,324 thousand
● HANWA STEEL SERVICE (DONGGUAN) CO., LTD.	Dongguan, China	US\$ 15,000 thousand	● SENDO STEEL PIPE JOINT VENTURE CO., LTD.	Ba Ria Vung Tau, Vietnam	VND 176,201 million
● CHANG FU STAINLESS STEEL CENTER (SUZHOU) CO., LTD.	Taicang, China	US\$ 18,000 thousand	● SOHBI KOHGEI (PHILS.), INC.	Batangas, Philippines	US\$ 7,772 thousand
● HANWA SMC STEEL SERVICE HA NOI CO., LTD.	Ha Noi, Vietnam	VND 64,369 million	● SMC TOAMI LLC.	Ba Ria Vung Tau, Vietnam	VND 65,217 million
● RI HONG STAINLESS (SHANGHAI) CO., LTD.	Shanghai, China	RMB 95,000 thousand	● HANWA FELLOWS ENGINEERING (THAI-LAND) CO., LTD.	Bangkok, Thailand	THB 6,000 thousand
● Japan South Africa Chrome Company Limited	Chuo-ku, Tokyo	¥100 million	● Suzuki-Sumiden Wire Products Guangzhou Co., Ltd.	Guangzhou, China	US\$ 9,000 thousand
● Showa Metal Co., Ltd.	Kawasaki-ku, Kawasaki	¥20 million	● NST SAIGON COIL CENTER CO., LTD.	Binh Duong, Vietnam	VND 54,100 million
● Nikko Kinzoku Co., Ltd.	Moji-ku, Kitakyusyu	¥20 million	● SMC TRADING INVESTMENT JSC.	Ho Chi Minh, Vietnam	VND 609,946 million
● SEIKI Co., Ltd.	Takeotoyo-cho, Chita-gun, Aichi	¥20 million	● SAMANCOR CHROME HOLDINGS PROPRIETARY LTD.	Johannesburg, South Africa	ZAR 2,555 million
● PT. HANWA ROYAL METALS	Jawa Timur, Indonesia	US\$ 3,800 thousand	● Jiangyin Xiao Da Metal Products Manufacturing Co., Ltd.	Jiangyin, China	RMB 28,500 thousand

*1 Management and operation of amusement facilities

*2 Non-life insurance agency

*3 Captive

Operational Organization Chart



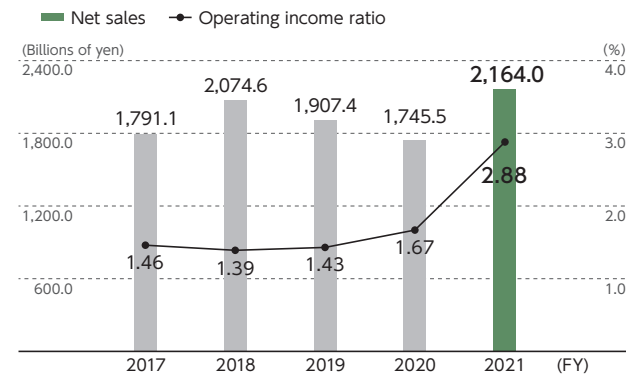
Global Network



Highlights

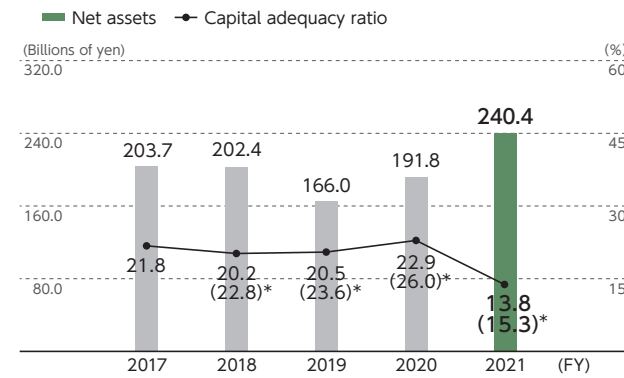
Financial Indicators

Net sales/Operating income ratio



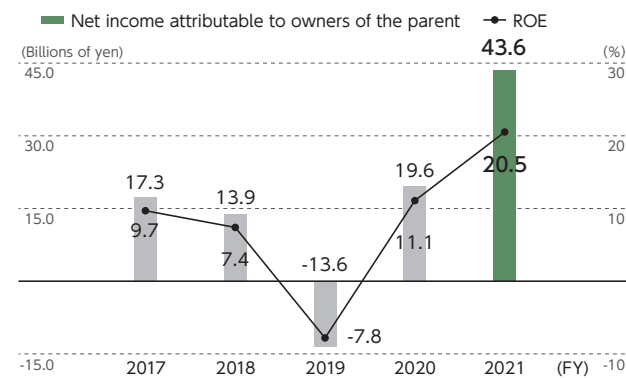
* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of FY2021. Key financial data for FY2021 reflects these accounting standards.

Net assets/Capital adequacy ratio

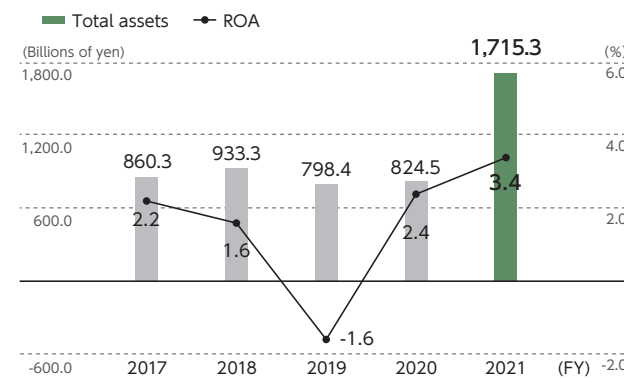


* Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan) implemented in March 2019.

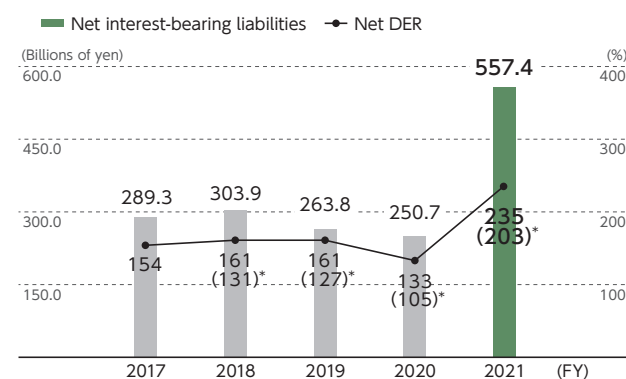
Net income attributable to owners of the parent/ROE



Total assets/ROA

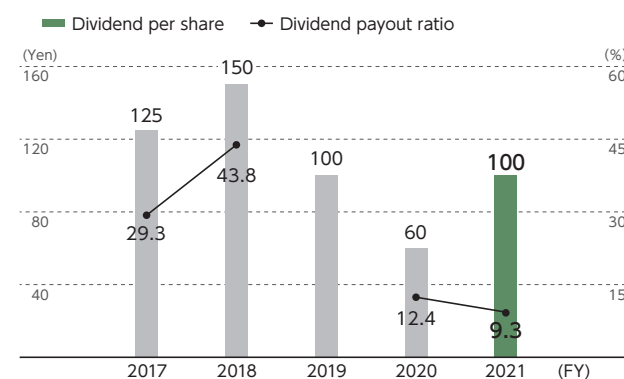


Net interest-bearing liabilities/Net DER



* Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan) implemented in March 2019.

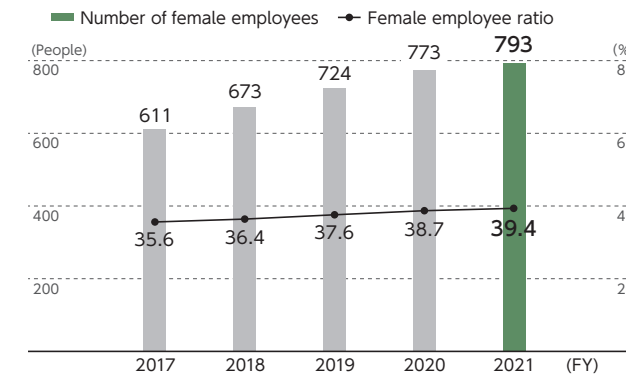
Dividend per share/Dividend payout ratio



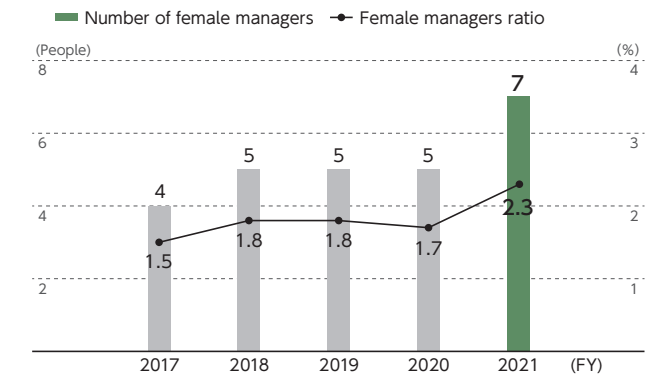
Note: The Company consolidated its shares at a ratio of 5 shares to 1 share on October 1, 2017. Dividend per share is the amount taking into account the consolidation of shares.

Sustainability Data

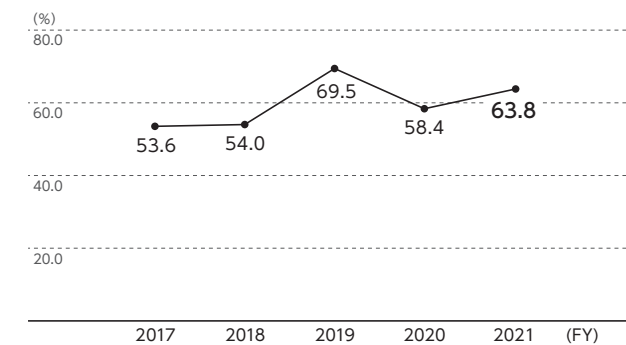
Number of female employees/Female employee ratio



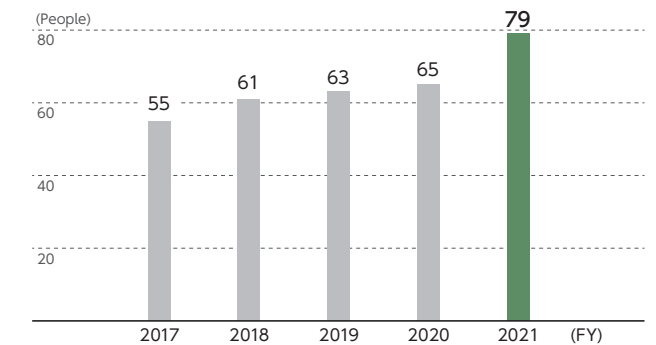
Number of female managers/Female managers ratio



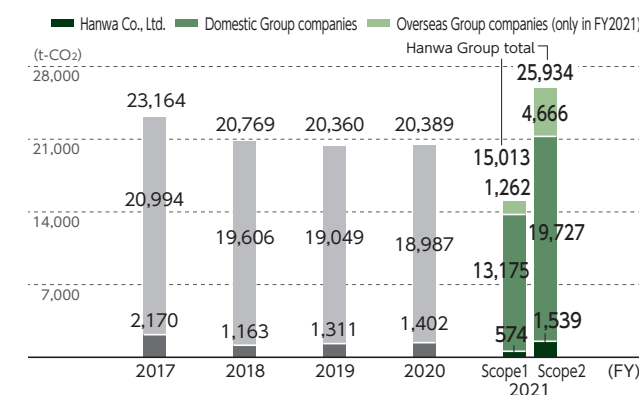
Paid leave acquisition rate



Number of persons taking childcare leave

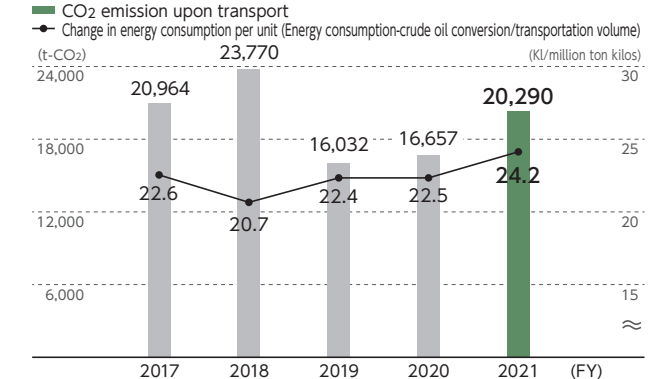


CO2 emission



Note: Up to FY2020, CO2 emissions at domestic offices are shown. In FY2021, the Company changed its method of calculation and CO2 emission at domestic and overseas consolidated subsidiaries is shown.

Change in CO2 emission upon transport and energy consumption per unit of GDP (gross domestic product)



Note: This covers domestic transportation for which Hanwa is the consignee.

11-Year Financial Summary

For the years ended March 31

											Millions of yen	Thousands of U.S. dollars (*1)
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
Results of Operations:												
Net sales	¥ 1,564,250	¥ 1,511,324	¥ 1,682,503	¥ 1,737,397	¥ 1,511,800	¥ 1,514,037	¥ 1,791,118	¥ 2,074,600	¥ 1,907,493	¥ 1,745,501	¥ 2,164,049	\$ 17,681,583
Gross profit	46,346	44,762	51,365	55,729	56,559	64,514	72,195	79,222	79,826	79,925	119,008	972,367
Operating income	14,976	12,491	16,252	19,107	18,178	23,426	26,217	28,904	27,330	29,232	62,367	509,575
Ordinary profit (loss)	13,116	8,871	14,698	14,264	15,424	22,907	25,502	23,395	(12,598)	28,821	62,718	512,443
Net income (loss) attributable to owners of the parent	4,632	4,720	7,896	9,086	25,469	16,363	17,354	13,914	(13,674)	19,617	43,617	356,377
Cash Flows:												
Net cash provided by (used in) operating activities	11,970	19,380	343	1,790	53,098	3,959	(19,755)	15,417	74,261	19,004	(280,752)	(2,293,912)
Net cash provided by (used in) investing activities	(12,009)	(5,106)	(5,244)	(13,692)	(10,446)	(18,427)	(39,971)	(20,623)	(24,159)	(4,190)	(14,993)	(122,501)
Net cash provided by (used in) financing activities	1,596	(16,363)	(4,927)	19,339	(41,751)	15,447	66,435	28,132	(42,314)	(34,223)	406,820	3,323,964
Free cash flows (*3)	(39)	14,273	(4,901)	(11,902)	42,652	(14,468)	(59,727)	(5,205)	50,102	14,814	(295,745)	(2,416,414)
Financial Position at Year-End:												
Total assets	582,404	552,908	593,351	651,456	599,694	694,232	860,344	933,307	798,442	824,590	1,715,394	14,015,801
Total net assets	115,956	120,674	125,361	142,749	156,139	171,637	203,700	202,459	166,097	191,857	240,497	1,965,005
Gross interest-bearing liabilities (*4)	243,142	236,169	245,906	272,575	237,552	259,670	325,562	363,257	331,107	301,654	722,940	5,906,855
Net interest-bearing liabilities (*5)	219,594	212,883	229,899	248,032	210,437	231,205	289,346	303,949	263,850	250,747	557,489	4,555,020
Per share data: (*2)											Yen	U.S. dollars (*1)
Net income (loss) attributable to owners of the parent	22.35	22.78	38.11	43.85	122.92	80.18	427.04	342.41	(336.51)	482.74	1,073.34	8.769
Net assets attributable to owners of the parent	548.22	570.50	591.68	682.46	747.40	838.70	4,621.96	4,632.55	4,027.01	4,656.17	5,834.98	47.675
Cash dividends	12.00	12.00	12.00	15.00	18.00	19.00	85.00(*9)	150.00	100.00	60.00	100.00	0.817
Key financial ratios:											%	
Return on assets (ROA) (*6)	0.8	0.8	1.4	1.5	4.1	2.5	2.2	1.6	(1.6)	2.4	3.4	
Return on equity (ROE) (*7)	4.1	4.1	6.6	6.9	17.2	10.1	9.7	7.4	(7.8)	11.1	20.5	
Capital adequacy ratio	19.5	21.4	20.6	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)	
Net DER (*8)	193	180	188	175	136	136	154	161(131)(*10)	161(127)(*10)	133(105)(*10)	235(203)(*10)	
Payout ratio	53.7	52.7	31.5	34.2	14.6	23.7	29.3	43.8	— (*11)	12.4	9.3	

* 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥122.39=\$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) implemented in March 2019.
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 are the amounts after the application of such accounting standard.

Consolidated Balance Sheets

As of March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Assets			
Current assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 165,083	¥ 50,892	\$ 1,348,827
Receivables:			
Trade notes and accounts receivable (Notes 3):			
Unconsolidated subsidiaries and affiliates	—	7,036	—
Other	—	349,023	—
Trade notes, accounts receivable and contract assets (Notes 3 and 19):			
Unconsolidated subsidiaries and affiliates	14,230	—	116,267
Other	528,213	—	4,315,818
Electronically recorded monetary claims (Note 3):			
Unconsolidated subsidiaries and affiliates	25	—	204
Other	32,986	27,895	269,515
Loans:			
Unconsolidated subsidiaries and affiliates	7,101	4,068	58,019
Other	10,394	5,584	84,925
Allowance for doubtful receivables	(1,580)	(1,679)	(12,909)
Accounts receivable-other	222,549	6,224	1,818,359
Inventories (Note 6)	243,603	127,378	1,990,383
Other current assets	49,442	53,669	403,970
Total current assets	1,272,049	630,093	10,393,406
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	66,897	58,769	546,588
Investments in unconsolidated subsidiaries and affiliates (Note 3)	14,545	13,702	118,841
Long-term guarantee deposits	248,541	7,997	2,030,729
Long-term loans receivable (Note 3):			
Unconsolidated subsidiaries and affiliates	572	789	4,673
Other	11,864	17,140	96,936
Other investments and noncurrent receivables	12,592	14,046	102,884
Allowance for doubtful accounts	(1,403)	(454)	(11,463)
Total investments and noncurrent receivables	353,610	111,991	2,889,206
Property and equipment (Note 7):			
Land (Note 12)	34,677	34,457	283,331
Buildings and structures	54,519	51,294	445,453
Other	47,875	41,302	391,167
Accumulated depreciation	(59,183)	(53,247)	(483,560)
Total property and equipment	77,889	73,806	636,400
Other assets:			
Deferred tax assets (Note 8)	1,288	805	10,523
Intangibles assets (Note 7)	10,556	7,893	86,248
Total other assets	11,844	8,699	96,772
Total	¥ 1,715,394	¥ 824,590	\$ 14,015,801

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 3 and 9)	¥ 414,880	¥ 35,334	\$ 3,389,819
Commercial paper (Notes 3 and 9)	40,000	—	326,824
Long-term debt due within one year (Notes 3, 7 and 9)	54,104	40,539	442,062
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	2,959	3,503	24,176
Other	385,334	209,933	3,148,410
Electronically recorded obligations (Note 3):			
Unconsolidated subsidiaries and affiliates	108	148	882
Other	33,348	21,624	272,473
Accrued bonuses to employees	4,223	3,281	34,504
Commodity forward contract liabilities	186,766	5,523	1,525,990
Provision for product warranties	66	324	539
Income taxes payable	16,098	6,985	131,530
Other current liabilities (Note 19)	100,725	62,026	822,983
Total current liabilities	1,238,615	389,222	10,120,230
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3, 7 and 9)	210,890	223,999	1,723,098
Retirement benefit liability (Note 10)	4,454	5,326	36,391
Deferred tax liabilities (Note 8)	7,241	7,136	59,163
Other noncurrent liabilities	13,693	7,048	111,880
Total noncurrent liabilities	236,280	243,510	1,930,549
Contingent liabilities (Note 11)			
Net assets (Note 12)			
Shareholders' equity:			
Common stock:			
Authorized: 114,000,000 shares in 2022 and 114,000,000 shares in 2021			
Issued: 42,332,640 shares in 2022 and 42,332,640 shares in 2021	45,651	45,651	372,996
Capital surplus	26	—	212
Retained earnings	180,119	137,825	1,471,680
Treasury stock, at cost: 1,695,350 shares in 2022 and 1,695,152 shares in 2021	(3,729)	(3,729)	(30,468)
Total shareholders' equity	222,066	179,747	1,814,412
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	16,725	15,193	136,653
Deferred gains or losses on hedges, net of taxes	(1,000)	372	(8,170)
Land revaluation difference, net of taxes	3,191	3,191	26,072
Foreign currency translation adjustment	(531)	(4,906)	(4,338)
Remeasurements of defined benefit plans (Note 10)	(3,334)	(4,384)	(27,240)
Total accumulated other comprehensive income	15,050	9,467	122,967
Non-controlling interests	3,379	2,642	27,608
Total net assets	240,497	191,857	1,965,005
Total	¥ 1,715,394	¥ 824,590	\$ 14,015,801

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Net sales (Note 19)	¥ 2,164,049	¥ 1,745,501	\$ 17,681,583
Cost of sales	2,045,040	1,665,576	16,709,208
Gross profit	119,008	79,925	972,367
Selling, general and administrative expenses	56,641	50,692	462,791
Operating income	62,367	29,232	509,575
Other income (expenses):			
Interest and dividend income	3,294	3,494	26,913
Interest expenses	(4,073)	(3,764)	(33,278)
Share of profit of entities accounted for using equity method	3,321	858	27,134
Foreign exchange gain (loss)	(1,848)	(1,053)	(15,099)
Gain on sales of property and equipment (Note 13)	—	584	—
Gain on sales of investment securities	1,449	126	11,839
Arbitration related income	145	—	1,184
Loss on retirement of property and equipment (Note 14)	—	(116)	—
Loss on valuation of investment securities	(1,055)	(387)	(8,619)
Provision of allowance for doubtful accounts for subsidiaries and affiliates (Note 15)	(118)	(188)	(964)
Other, net	(343)	52	(2,802)
Income before income taxes	63,138	28,839	515,875
Income taxes (Note 8):			
Current	20,160	9,012	164,719
Deferred	(1,426)	(33)	(11,651)
Total income taxes	18,733	8,978	153,059
Net income	¥ 44,405	¥ 19,860	\$ 362,815
Net income attributable to:			
Owners of the parent	¥ 43,617	¥ 19,617	\$ 356,377
Non-controlling interests	787	242	6,430
Other comprehensive income (Note 16):			
Valuation difference on available-for-sale securities, net of taxes	1,532	9,146	12,517
Deferred gains or losses on hedges, net of taxes	(1,373)	(373)	(11,218)
Foreign currency translation adjustment	4,109	(2,211)	33,573
Remeasurements of defined benefit plans, net of taxes	1,037	1,011	8,472
Share of other comprehensive income of entities accounted for using equity method	577	(121)	4,714
Total other comprehensive income	5,883	7,451	48,067
Comprehensive income	¥ 50,288	¥ 27,311	\$ 410,883
Comprehensive income attributable to:			
Owners of the parent	¥ 49,201	¥ 27,188	\$ 402,001
Non-controlling interests	1,087	122	8,881
			U.S. dollars (Note 1)
	Yen		2022
	2022	2021	2022
Net income per share	¥ 1,703.34	¥ 482.74	\$ 8.77
Cash dividends per share	100.00	60.00	0.82

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2022 and 2021

	Thousands	Millions of yen									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Non-controlling interests
Balance at April 1, 2020	42,332	¥ 45,651	¥ —	¥ 119,475	¥ (3,728)	¥ 6,042	¥ 745	¥ 3,277	¥ (2,434)	¥ (5,380)	¥ 2,448
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—
Balance at April 1, 2020 after accounting policies changed	42,332	45,651	—	119,475	(3,728)	6,042	745	3,277	(2,434)	(5,380)	2,448
Cash dividends paid	—	—	—	(2,235)	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	88	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	911	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	85	—	—	—	—	—	—	—
Net income attributable to owners of the parent	—	—	—	19,617	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	—	(117)	—	—	—	—	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	9,151	(373)	(85)	(2,472)	996	193
Balance at March 31, 2021	42,332	45,651	—	137,825	(3,729)	15,193	372	3,191	(4,906)	(4,384)	2,642
Balance at April 1, 2021	42,332	45,651	—	137,825	(3,729)	15,193	372	3,191	(4,906)	(4,384)	2,642
Cumulative effects of changes in accounting policies	—	—	—	1,402	—	—	—	—	—	—	—
Balance at April 1, 2021 after accounting policies changed	42,332	45,651	—	139,228	(3,729)	15,193	372	3,191	(4,906)	(4,384)	2,642
Cash dividends paid	—	—	—	(3,250)	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	223	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	133	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—
Net income attributable to owners of the parent	—	—	—	43,617	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	26	—	—	—	—	—	—	—	—
Other changes	—	—	—	167	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	1,531	(1,373)	—	4,375	1,049	737
Balance at March 31, 2022	42,332	¥ 45,651	¥ 26	¥ 180,119	¥ (3,729)	¥ 16,725	¥ (1,000)	¥ 3,191	¥ (531)	¥ (3,334)	¥ 3,379
	Thousands	Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Non-controlling interests
Balance at April 1, 2021	42,332	\$ 372,996	\$ —	\$ 1,126,113	\$ (30,468)	\$ 124,135	\$ 3,039	\$ 26,072	\$ (40,084)	\$ (35,819)	\$ 21,586
Cumulative effects of changes in accounting policies	—	—	—	11,455	—	—	—	—	—	—	—
Balance at April 1, 2021 after accounting policies changed	42,332	372,996	—	1,137,568	(30,468)	124,135	3,039	26,072	(40,084)	(35,819)	21,586
Cash dividends paid	—	—	—	(26,554)	—	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	1,822	—	—	—	—	—	—	—
Change in scope of equity method	—	—	—	1,086	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—
Net income attributable to owners of the parent	—	—	—	356,377	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	212	—	—	—	—	—	—	—	—
Other changes	—	—	—	1,364	0	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	12,509	(11,218)	—	35,746	8,570	6,021
Balance at March 31, 2022	42,332	\$ 372,996	\$ 212	\$ 1,471,680	\$ (30,468)	\$ 136,653	\$ (8,170)	\$ 26,072	\$ (4,338)	\$ (27,240)	\$ 27,608

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 63,138	¥ 28,839	\$ 515,875
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation	6,123	5,479	50,028
Amortization of goodwill	392	468	3,202
Increase (decrease) in allowance for doubtful accounts	690	(167)	5,637
Interest and dividend income	(3,294)	(3,494)	(26,913)
Interest expenses	4,073	3,764	33,278
Share of loss (profit) of entities accounted for using equity method	(3,321)	(858)	(27,134)
Gain on sales of property and equipment	—	(584)	—
Gain on sales of investment securities	(1,449)	(126)	(11,839)
Loss on retirement of property and equipment	—	116	—
Loss on valuation of investment securities	1,055	387	8,619
Provision of allowance for doubtful accounts for subsidiaries and affiliates	118	188	964
Arbitration related income	(145)	—	(1,184)
Decrease (increase) in trade receivables	—	(21,603)	—
Decrease (increase) in trade receivables and contract assets	(173,734)	—	(1,419,511)
Decrease (increase) in inventories	(111,643)	282	(912,190)
Increase (decrease) in trade notes and accounts payable	175,780	13,576	1,436,228
Increase (decrease) in deposits received	27,238	(2,472)	222,550
Decrease (increase) in advance payments-trade	(12,261)	(2,766)	(100,179)
Decrease (increase) in long-term guarantee deposits	(240,054)	(6,385)	(1,961,385)
Increase (decrease) in retirement benefit liability	552	583	4,510
Other, net	(1,842)	8,663	(15,050)
Subtotal	(268,582)	23,890	(2,194,476)
Cash flows during the year for:			
Interest and dividends received	3,129	3,567	25,565
Interest paid	(4,155)	(3,797)	(33,948)
Income taxes (paid) refund	(11,290)	(4,656)	(92,246)
Arbitration related income	145	—	1,184
Net cash provided by (used in) operating activities	(280,752)	19,004	(2,293,912)
Cash flows from investing activities:			
Payments into time deposits	(50)	(14)	(408)
Proceeds from withdrawal of time deposits	89	73	727
Purchase of property and equipment	(6,287)	(6,332)	(51,368)
Proceeds from sales of property and equipment	43	1,318	351
Purchase of investment securities	(6,054)	(2,788)	(49,464)
Proceeds from sales and redemption of investment securities	2,368	1,228	19,347
Net decrease (increase) in short-term loans receivable	(11,730)	1,171	(95,841)
Payments of long-term loans receivable	(239)	(4,701)	(1,952)
Collection of long-term loans receivable	10,135	7,715	82,809
Other, net	(3,266)	(1,860)	(26,685)
Net cash provided by (used in) investing activities	(14,993)	(4,190)	(122,501)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	371,112	(10,497)	3,032,208
Net increase (decrease) in commercial paper	40,000	—	326,824
Proceeds from long-term debt and issuance of bonds	41,005	12,098	335,035
Repayments of long-term debt and redemption of bonds	(40,847)	(32,823)	(333,744)
Dividends paid	(3,255)	(2,242)	(26,595)
Dividends paid to non-controlling interests	(133)	(134)	(1,086)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(100)	(134)	(817)
Other, net	(961)	(490)	(7,851)
Net cash provided by (used in) financing activities	406,820	(34,223)	3,323,964
Effect of exchange rate changes on cash and cash equivalents	1,265	2,402	10,335
Net increase (decrease) in cash and cash equivalents	112,339	(17,006)	917,877
Cash and cash equivalents at beginning of year	50,892	67,243	415,818
Increase in cash and cash equivalents from newly consolidated subsidiaries	1,842	632	15,050
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	9	22	73
Cash and cash equivalents at end of year	¥ 165,083	¥ 50,892	\$ 1,348,827

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Hanwa Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with Japanese GAAP. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information

included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2022, which was ¥122.39 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million yen are omitted in the presentation for 2021 and 2022. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its 54(49 in 2021) significant subsidiaries (the “Companies”). The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods that ended three months or less prior to March 31, and significant transactions after these year-ends were appropriately adjusted in consolidation. Intercompany transactions and accounts have been eliminated. All material unrealized profits included in assets resulting from intercompany transactions are eliminated.

Equity method

As of March 31, 2022, the Company had 34 unconsolidated subsidiaries and 25 affiliates. The equity method has been applied to the investments in 11 of the unconsolidated subsidiaries and 15 of the affiliates. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method as the application of the equity method would not have a material effect on net income (loss) and retained earnings or on the consolidated financial statement as a whole. Where the fiscal year-ends of the entities accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is mainly stated at an amount based on the actual rate of historical bad debts, and for certain doubtful accounts, the uncollectible amount is individually estimated.

Securities

The Companies classify securities as (a) securities held for trading purposes (hereafter “trading securities”), (b) debt securities intended to be held to maturity (hereafter “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter “available-for-sale securities”).

The Companies do not hold trading securities. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are

Notes to Consolidated Financial Statements

stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Valuation differences on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Realized gains on the sales of such securities are computed using moving average cost. Other available-for-sale securities are stated at moving average cost.

Inventories

Inventories are stated at the lower of cost (based principally on a moving average basis or a specific identification basis) or net realizable value.

Property and equipment (except under lease)

Property and equipment are carried at cost. Recognized loss on impairment of property and equipment has been deducted from acquisition costs. Depreciation is provided principally on the straight-line method over the estimated useful life of the asset. Major renewals and improvements are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

Software costs

The Companies include software in "Intangible assets" and depreciate it using the straight-line method over the estimated useful life, especially 5 years for computer software for internal use.

Bonuses

The Companies follow the Japanese practice of paying bonuses to employees. At the balance sheet date, accrued bonuses to employees are estimated and accounted for on an accrual basis.

Provision for product warranties

Provision for product warranties is recorded to cover the payment of product warranty costs with the potential to occur within a certain period of time based on the ratio of the warranty costs to sales in the past.

For certain consolidated subsidiaries, the provision is recognized based on the amount individually estimated.

Income taxes

Income taxes comprise corporate tax, prefectural and municipal inhabitant taxes and enterprise tax. The Companies recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the ex-

pected future tax consequences of the temporary differences.

The Company and its wholly owned domestic subsidiaries file consolidated tax returns.

The Company and its wholly owned domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system from the beginning of the consolidated fiscal year ending March 31, 2023. With regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), however, the Company and its wholly owned domestic consolidated subsidiaries do not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but apply provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system. "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which sets out accounting and disclosure of corporation and local taxes and tax effect accounting under the group tax sharing system, will be applied from the beginning of the consolidated fiscal year ending March 31, 2023.

Retirement benefits

1. Attribution of estimated retirement benefits

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the consolidated fiscal year under review based on the benefit formula.

2. Treatment of unrecognized actuarial differences and past service costs

Past service costs are posted in expenses based on the straight-line method for a fixed period of years within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses mainly after the consolidated fiscal year following their accrual based on the straight-line method for a fixed period of years within the average remaining service years of employees.

3. Adoption of simplified method by small companies

In calculating net defined benefit liability and retirement benefit expenses, certain subsidiaries adopt a simplified method that regards the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end as retirement benefit obligations.

Translation of foreign currencies

Receivables and payables denominated in foreign currencies

are translated into Japanese yen at year-end rates.

Balance sheets of foreign consolidated subsidiaries are translated into Japanese yen at year-end rates, except for shareholders' equity accounts, which are translated at historical rates. Income statements of foreign consolidated subsidiaries are translated at average rates, except for transactions with the Company, which are translated at rates used by the Company.

The Companies report foreign currency translation adjustments in accumulated other comprehensive income.

Accounting policy for recognition of significant revenues and expenses

The Companies derive revenues from the sale of various commodities such as steel, primary metals, recycled metals, foods, energy and living materials, lumber and machinery. The Companies also earn revenues from the sale of products that have undergone processing services such as steel processing and recycled metal processing.

For such sales, revenue is recognized at the time of delivery to the customer or acceptance upon inspection. However, for such domestic sales where the period between the time of shipment and the time of transfer of control is a normal period, revenue is recognized at the time of shipment.

In addition, certain transactions in the steel business, such as construction work, are accounted for under construction contracts.

For such construction contracts, the Companies determine their obligations as the performance obligations satisfied over time, therefore the Companies recognize revenue based on the degree of completion related to the satisfaction of performance obligations.

The stage of progress is measured by the output method based on the progress confirmation documents exchanged with the customer, or by the input method based on the percentage of the construction cost incurred by the end of the reporting period to the total expected construction cost.

Transaction prices are in accordance with contracts with customers and there are no contracts that include significant variable consideration.

In addition, the promised consideration is paid generally within 6 months from the time the performance obligation is satisfied, and the amount of consideration does not include a significant financial component.

With respect to the identification of performance obligations, in determining whether the Companies are transacting as a party or as an agent, the Companies consider whether it has primary responsibility for providing goods or services to customers, whether it bears inventory risk, and whether it has

discretion in setting sales prices.

When the Companies conduct transactions as an agent, revenues are presented as the net amount by deducting cost of sales from the total amount of consideration received from the customer.

Finance leases

Finance leases that do not transfer ownership of the leased property to the lessee at the end of the lease period are depreciated using the straight-line method over the period of the lease with a residual value assumed to be zero.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer the recognition of gain or loss resulting from the changes in the fair value of the derivative financial instruments until the related gain or loss on the hedged items are recognized. For certain overseas consolidated subsidiaries, fair value hedge accounting is applied.

Also, if interest rate swap agreements are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap agreements is added to or deducted from the interest on the assets or liabilities for which the swap agreement was executed.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:

- Interest rate swap agreements
- Commodity forward contracts
- Cross-currency swap agreements

Hedged items:

- Interest expenses on borrowings
- Inventories and commitments
- Foreign subsidiaries' equity

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or changes in the fair value of the hedged items and the corresponding changes in the hedging derivative instruments.

Goodwill

Goodwill is amortized by the straight-line method over 5 years.

Notes to Consolidated Financial Statements

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Amounts per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted net income per share is not disclosed because potentially dilutive securities are not issued. Cash dividends per share in the consolidated statements of income and comprehensive income are dividends applicable to the respective years, including dividends to be paid after the end of the consolidated fiscal year.

Changes in accounting policies

(Accounting Standard for Revenue Recognition)

The Companies apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the consolidated fiscal year ended March 31, 2022, and apply accounting policy to recognize revenue with the amounts expected to be received in exchange for the promised goods or services as the controls of such goods or services are transferred to customers.

The main changes are as follows.

(1) Revenue recognition for agent transactions

The Companies previously recognized the gross amount of consideration received from customers as revenue, but have changed to the method for transactions in which the Companies' role in providing goods to customers is that of an agent, the Companies recognize revenue at the net amount of the transaction with the customer, less the amount of the transaction with the supplier of the goods.

(2) Revenue recognition for transactions of supplied goods for consideration

The Companies previously recognized revenue from the transfer of supplied goods at the gross amount of the consideration, but have changed to a method whereby revenue from the transfer of supplied goods is not recognized if the transaction is a paid transaction.

(3) Revenue recognition for construction contracts

The Companies previously applied the completed-contract method for construction contracts in principle, but have changed to the percentage-of-completion method as for transactions which revenue is recognized as performance obligations are fulfilled over a certain period of time. The percentage-of-completion method is used to estimate the percentage of completion in relation to the fulfillment of per-

formance obligations using either the output method or the input method, depending on the nature of the transaction.

(4) Revenue recognition for consideration payable to customers

The Companies previously treated a portion of consideration payable to customers, such as incentive payments as cost of sales, but have changed to recognize as a reduction from the transaction price.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, such that the new accounting policy was applied from the beginning balance of retained earnings of the current consolidated fiscal year to add to or deduct from the amount of the beginning balance of retained earnings of the current consolidated fiscal year the cumulative effects of applying retrospectively the new accounting policy from the beginning of the current consolidated fiscal year.

Due to the adoption of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable," which was presented in "Current assets" in the consolidated balance sheets in the previous consolidated fiscal year, is included in "Trade notes, accounts receivable and contract assets" from this consolidated fiscal year. In addition, "Decrease (increase) in trade receivables," which was presented in "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year, is included in "Decrease (increase) in trade receivables and contract assets" from this fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), no reclassification has been made for the previous consolidated fiscal year using the new presentation.

As a result, compared with the amounts before the adoption of the Accounting Standard for Revenue Recognition, Net sales decreased by ¥533,833 million, Cost of sales decreased by ¥533,947 million, and Operating income and Income before income taxes each increased by ¥114 million in the consolidated statement of income for the current consolidated fiscal year.

In the consolidated statement of cash flow for the current consolidated fiscal year, Income before income taxes increased by ¥114 million.

Due to the cumulative effects on the beginning balance of net assets of the current consolidated fiscal year, the beginning balance of retained earnings in the consolidated statement of changes in net assets for the current fiscal year increased by ¥1,402 million.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of "Accounting Standard for Revenue Recogni-

tion" (ASBJ Statement No. 29, March 31, 2020), "Revenue recognition" notes for the previous fiscal year are not presented.

Changes in accounting policies

(Accounting Standard for Fair Value Measurement)

The Companies apply "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) from the beginning of the consolidated fiscal year ended March 31, 2022, and apply the new accounting policies prescribed by ASBJ Statement No. 30 in the future, following the transitional treatment in paragraph 19 of ASBJ Statement No. 30 and in

3. Financial instruments

At March 31, 2022 and 2021, information on financial instruments was as follows.

(A) Qualitative information on financial instruments

Policy for financial instruments

The Companies' main business is the sales of various products ranging from mainly steel, primary metal, metal recycling, food, energy and living materials, lumber to machinery. The Companies also engage in other business activities such as steel material processing, recycling metal processing and amusement park management and operations. While the Companies depend primarily on bank borrowings to procure funds necessary for these operational transactions as well as investing and financing activities, the Companies seek to diversify their financing instruments to ensure stable and flexible liquidity, with funding of these activities by issuing bonds and commercial paper in the capital markets in some cases. Temporary surplus funds are managed in low-risk financial assets.

It is the Companies' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Components of financial instruments and risks

Trade notes, accounts receivable and contract assets, and electronically recorded monetary claims are exposed to credit risk of customers. Some of them are denominated in foreign currencies, which have foreign exchange rate fluctuation risk as well.

Accounts receivable-other are exposed to credit risk of customers and other parties.

Securities mainly consist of stocks and are exposed to price fluctuation risk. Some of them are denominated in foreign currencies, which have foreign exchange rate fluctuation

paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The effects on the consolidated financial statements were inconsequential.

In addition, fair value information of financial instruments by level are disclosed in the notes of "Financial Instruments". However, following the transitional treatment in paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, July 4, 2019), relevant information for the previous consolidated fiscal year is not provided.

risk.

Long-term loans receivable are mainly for the suppliers of the Companies and are exposed to credit risk. Some of them have interest rate risk and foreign exchange rate fluctuation risk.

Long-term guarantee deposits mainly consist of margin deposits with domestic and foreign brokers and are exposed to credit risk of the brokers.

Foreign currency denominated trade notes and accounts payable are exposed to foreign exchange rate fluctuation risk.

Short-term loans payable, commercial paper, bonds payable and long-term loans payable are used for raising working capital and investment funds, although they have liquidity risk related to changes in financial market environments. Some of them have interest rate risk and foreign exchange rate fluctuation risk.

Foreign exchange forward contracts and currency swap agreements are used to hedge foreign exchange rate fluctuation risk associated with certain assets and liabilities denominated in foreign currencies. Interest rate swap agreements are used for hedging fluctuations in forward interest rates. Commodity forward contracts and commodity swap agreements aim to hedge market risks associated with certain inventories and commitments. Cross-currency swap agreements are used to hedge foreign exchange rate fluctuation risk associated with foreign subsidiaries' equity.

Refer to No. 2, "Significant accounting policies — Derivatives and hedge accounting" for an explanation of the Companies' hedging instruments, hedged items and evaluation of hedge effectiveness.

In addition, accounts receivable-other include those from hedging transactions in which valuation gains or losses are attributable to counterparties based on the contract.

Notes to Consolidated Financial Statements

Risk management system for financial instruments

With regard to credit risk to which trade notes, accounts receivable and contract assets, electronically recorded monetary claims and long-term loans receivable are exposed, the Companies set a credit limit amount for each business partner and manage the outstanding balance in accordance with the “Credit administrative provisions” while monitoring the credit status on a regular basis. Furthermore, the Companies are committed to reducing foreign exchange rate fluctuation risk to which trade notes, accounts receivable and contract assets, long-term loans and trade notes and accounts payable are exposed by means of derivatives trading.

With regard to credit risk to which accounts receivable-other are exposed, the Companies determine the risk on an individual basis and implement necessary measures.

Because price fluctuation risks associated with securities mainly affect stocks of the Companies’ business partners, the Companies report the regularly assessed market values and their financial status to the Board of Directors. In regard to foreign exchange rate fluctuation risk, the Companies are committed to reducing it by means of derivatives trading.

In order to reduce credit risk to which long-term guarantee deposits are exposed, the Companies trade only with highly rated brokers.

In regard to business investments, in compliance with the “Rules for the Review and Approval of New Businesses, Loans and Investments,” the Companies decide whether or not to invest after following the prescribed procedures. The Companies continuously monitor the financial status and trading conditions of the issuing company and review its policies for the holding of stocks.

To deal with liquidity risk associated with procuring funds for short-term loans payable, commercial paper, and long-term debt, the Companies create a fund procurement plan based on the outlook of the Companies’ financial requirements. Taking financial market trends into consideration as well, the Companies work to diversify fund procurement to ensure liquidity. In addition, with regard to interest rate risk and foreign exchange rate fluctuation risk, the Companies seek to reduce such risks through derivatives trading and other means.

The Companies practice and manage the trading of derivatives related to currencies and products in compliance with the “Business Department Operating Rules,” and each department receives the approval of a supervising director to engage in such trading. In addition, the trading authority and trading limit are clearly stated in the “Regulations for Administrative Authority” and the bylaws.

With respect to derivatives trading related to interest rates

associated with loans, the Companies receive approval from a supervising director in charge of the administration department before engaging in such trading.

In order to reduce credit risk to which derivatives trading partners are exposed, the Companies trade only with highly rated financial institutions.

Furthermore, with regard to the contract balances of derivatives trading related to products, the trading department reports it to the supervising director of each department. The Hedging Administration Office checks the balance confirmations from the contractors and reports them to the supervising director of each department.

Supplementary explanation for items concerning fair values of financial instruments

As variable factors are incorporated into the estimation of the fair value of financial instruments, values may vary depending on the assumptions used.

The contract amount related to derivative transactions in Note 5, “Derivatives” does not express the market risk related to the derivative transactions themselves.

(B) Fair value information of financial instruments and those by level of inputs

Book values, fair values and differences between carrying amounts and fair value of relevant items as of March 31, 2022 and 2021, and fair value information of financial instruments by level of inputs as of March 31, 2022 are as follows:

March 31, 2022

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Securities						
a) Held-to-maturity debt securities	¥ 2,670	¥ 2,670	¥ —	\$ 21,815	\$ 21,815	\$ —
b) Equity securities issued by affiliated	4,523	3,816	(707)	36,955	31,179	(5,776)
c) Available-for-sale securities(Equity securities)	43,008	43,008	—	351,401	351,401	—
d) Available-for-sale securities(Corporate bonds)	20	20	—	163	163	—
(2) Long-term loans receivable	12,437			101,617		
Allowance for doubtful accounts	(500)			(4,085)		
Net	11,936	11,654	(281)	97,524	95,220	(2,295)
(3) Long-term guarantee deposits	248,541	248,541	—	2,030,729	2,030,729	—
Total assets	¥ 310,700	¥ 309,712	¥ (988)	\$ 2,538,606	\$ 2,530,533	\$ (8,072)
(1) Long-term debt due after one year	¥ 210,890	¥ 209,910	¥ 980	\$ 1,723,098	\$ 1,715,091	\$ 8,007
Total liabilities	¥ 210,890	¥ 209,910	¥ 980	\$ 1,723,098	\$ 1,715,091	\$ 8,007
Derivatives:						
Hedge accounting not applied	¥ (208,502)	¥ (208,502)	¥ —	\$ (1,703,586)	\$ (1,703,586)	\$ —
Hedge accounting applied	(2,401)	(2,444)	(43)	(19,617)	(19,968)	(351)
Total derivatives	¥ (210,903)	¥ (210,946)	¥ (43)	\$ (1,723,204)	\$ (1,723,555)	\$ (351)

1. “Cash and cash equivalents”, “Trade notes, accounts receivable and contract assets”, “Electronically recorded monetary claims”, “Accounts receivable-other”, “Short-term loans payable”, “Commercial paper”, “Long-term debt due within one year”, “Trade notes and accounts payable” and “Electronically recorded obligations” are not included in the table above.

This is because their book values are a reasonable approximation of fair value, as items included in the caption are either cash or deposits expected to be settled shortly.

2. Allowance for doubtful accounts recognized in long-term loans receivable was offset.

3. Derivative assets and liabilities were on a net basis.

4. Equity securities without market prices and investment in partnerships are not included in “(1) Securities”.

The book value of those financial instruments as of March 31, 2022 are as follows:

	Thousands of U.S. dollars	
	2022	2022
	Book value	Book value
(1) Unlisted stocks	¥ 29,801	\$ 243,492
(2) Investment in limited partnerships	1,419	11,594
Total	¥ 31,220	\$ 255,086

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: the fair value measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: the fair value measured using observable inputs other than Level 1.

Level 3 fair value: fair values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Companies classified fair values into a category to which the lowest priority is assigned.

Notes to Consolidated Financial Statements

(1) Financial instruments measured at fair values in the consolidated balance sheet

March 31, 2022

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level2	Level3	Total
Securities								
Available-for-sale securities (Equity securities)	¥ 43,008	¥ —	¥ —	¥ 43,008	\$ 351,401	\$ —	\$ —	\$ 351,401
Available-for-sale securities (Corporate bonds)	—	20	—	20	—	163	—	163
Total assets	¥ 43,008	¥ 20	¥ —	¥ 43,028	\$ 351,401	\$ 163	\$ —	\$ 351,564
Derivatives:								
Hedge accounting not applied	¥ (187,431)	¥ (21,071)	¥ —	¥ (208,502)	\$ (1,531,424)	\$ (172,162)	\$ —	\$ (1,703,586)
Hedge accounting applied	(1,676)	(724)	—	(2,401)	(13,693)	(5,915)	—	(19,617)
Total derivatives	¥ (189,108)	¥ (21,795)	¥ —	¥ (210,903)	\$ (1,545,126)	\$ (178,078)	\$ —	\$ (1,723,204)

(2) Financial instruments other than those measured at fair values in the consolidated balance sheet

March 31, 2022

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level2	Level3	Total
Securities								
Held-to-maturity debt	¥ —	¥ 2,670	¥ —	¥ 2,670	\$ —	\$ 21,815	\$ —	\$ 21,815
Equity securities issued by affiliated companies	3,816	—	—	3,816	31,179	—	—	31,179
Long-term loans receivable	—	11,654	—	11,654	—	95,220	—	95,220
Long-term loans receivable	—	248,541	—	248,541	—	2,030,729	—	2,030,729
Total assets	¥ 3,816	¥ 262,866	¥ —	¥ 266,683	\$ 31,179	\$ 2,147,773	\$ —	\$ 2,178,960
(1) Long-term debt due after one year	¥ —	¥ 209,910	¥ —	¥ 209,910	\$ —	\$ 1,715,091	\$ —	\$ 1,715,091
Total liabilities ¹	¥ —	¥ 209,910	¥ —	¥ 209,910	\$ —	\$ 1,715,091	\$ —	\$ 1,715,091
Derivatives:								
Hedge accounting not applied	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
Hedge accounting applied	—	(43)	—	(43)	—	(351)	—	(351)
Total derivatives	¥ —	¥ (43)	¥ —	¥ (43)	\$ —	\$ (351)	\$ —	\$ (351)

Valuation techniques and inputs used in measuring fair values are as follows:

Securities

Listed equity securities are measured using quoted prices. Fair value of listed equity securities are classified as level 1, because they are exchanged in active markets.

Corporate bonds and other debt securities held by the Companies are classified as level 2, because their fair values are measured by certain periods using the discounted present value method based on the future cash flows and the interest rate that reflects appropriate indicators, such as yields of national bonds, together with credit spread.

Long-term loans receivable

Long-term loans receivable are classified as level 2, because their fair values are measured by certain periods using the discounted present value method based on the fu-

ture cash flows and the interest rate that reflects appropriate indicators, such as yields of national bonds, together with credit spread.

The fair values of claims with a possibility of default are measured using the discounted present value method based on the discounted present value of estimated cash flows by the similar discount rate, or the estimated collection amount by collateral or guarantee. The fair values of claims with a possibility of default are classified as level 3 if the unobservable input to the fair value is significant, otherwise, they are classified as level 2.

Long-term guarantee deposits

Long-term guarantee deposits are classified as level 2, because they are primarily margins to foreign clearing organizations through domestic and foreign trading brokers, and the amount pledged at the end of the period is their fair

value.

Long-term debt due after one year

Bonds payable are classified as level 2, because their fair values are based on the quoted price provided mainly by Japan Securities Dealers Association.

Long-term borrowings are classified as level 2, because their fair values are measured using the discounted present value method based on the interest rates that would be applicable to new similar types of borrowings with similar terms and remaining maturities.

Derivatives

Currency-related derivatives

The fair values of foreign exchange transactions and currency swap transactions are calculated based on the forward exchange rate as of the closing date.

Interest rate-related derivatives

The fair values of interest-rate swaps are calculated based on the present value of future cash flow discounted at an interest rate that takes into account the period to maturity and credit risk.

Commodity-related derivatives

The fair values of commodity forward transactions and commodity swap transactions are based on the quoted price provided mainly by financial institutions and exchange members calculated using the index prices publicly announced at the fiscal year-end.

The fair values of derivatives are classified as Level 2, except for commodity futures transactions, which fair values are classified as Level 1.

March 31, 2021

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 50,892	¥ 50,892	¥ —
(2) Trade notes and accounts receivable	356,059		
Allowance for doubtful accounts	(331)		
Net	355,727	355,727	—
(3) Electronically recorded monetary claims	27,895		
Allowance for doubtful accounts	(23)		
Net	27,872	27,872	—
(4) Securities			
a) Equity securities issued by affiliated companies	3,379	2,332	(1,046)
b) Available-for-sale securities	39,474	39,474	—
(5) Long-term loans receivable	17,929		
Allowance for doubtful accounts	(7)		
Net	17,921	17,921	—
Total assets	¥ 495,267	¥ 494,220	¥ (1,046)
(1) Short-term loans payable	¥ 35,334	¥ 35,334	¥ —
(2) Long-term debt due within one year	40,539	40,520	18
(3) Trade notes and accounts payable	213,436	213,436	—
(4) Electronically recorded obligations	21,772	21,772	—
(5) Long-term debt due after one year	223,999	223,636	362
Total liabilities	¥ 535,081	¥ 534,700	¥ 380
Derivatives:			
Hedge accounting not applied	¥ (7,733)	¥ (7,733)	¥ —
Hedge accounting applied	(248)	(368)	(119)
Total derivatives	¥ (7,982)	¥ (8,102)	¥ (119)

Allowances for doubtful accounts recognized in trade notes and accounts receivable, electronically recorded monetary claims and long-term loans receivable were offset.

Derivative assets and liabilities were on a net basis.

Notes to Consolidated Financial Statements

Basis of determining the fair value of financial instruments is as follows:

Cash and cash equivalents, Trade notes and accounts receivable, and Electronically recorded monetary claims

The book values of cash and cash equivalents, trade notes and accounts receivable, and electronically recorded monetary claims approximate fair value due to their short maturities.

Securities

The fair value of securities is based on the quoted market price on the stock exchange. The fair value of bonds is based on the quoted price provided by financial institutions.

Long-term loans receivable

The book value of long-term loans receivable approximates fair value due to their floating interest rates.

Short-term loans payable, Trade notes and accounts payable and Electronically recorded obligations

The book values of short-term loans payable and trade notes and accounts payable approximate fair value due to their short maturities.

Long-term debt

The book value of long-term loans payable with floating interest rates approximates fair value. The fair value of long-term loans payable with fixed interest rates is estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. The fair value of straight bonds is based on the quoted price provided mainly by the Japan Securities Dealers Association.

Derivatives

The fair value of derivatives is based on the quoted price provided mainly by financial institutions and exchange members.

The following tables summarize book values of financial instruments whose fair values were hard to determine as of March 31, 2021:

Millions of yen	
2021	
Book value	
(1) Equity securities issued by unconsolidated subsidiaries and affiliated companies	¥ 10,323
(2) Held-to-maturity debt securities	¥ 1,871
(3) Available-for-sale securities:	
Unlisted stocks	¥ 3,764
Unlisted foreign stocks	12,709
Unlisted domestic convertible bonds	26
Investment in limited partnerships	923
Total	¥ 17,423

The maturities of receivables and securities with maturities outstanding at March 31, 2022 were as follows:

Year ending March 31

Millions of yen				
	2023	from 2024 to 2027	from 2028 to 2032	Thereafter
Cash and cash equivalents	¥ 165,083	¥ —	¥ —	¥ —
Trade notes, accounts receivable and contract assets	542,444	—	—	—
Electronically recorded monetary claims	33,012	—	—	—
Accounts receivable-other	222,549	—	—	—
Held-to-maturity debt securities	—	601	2,069	—
Available-for-sale securities with maturity dates	—	—	20	—
Long-term loans receivable	—	6,237	5,232	49
Total	¥ 963,088	¥ 6,838	¥ 7,321	¥ 49

Thousands of U.S. dollars				
	2023	from 2024 to 2027	from 2028 to 2032	Thereafter
Cash and cash equivalents	\$1,348,827	\$ —	\$ —	\$ —
Trade notes, accounts receivable and contract assets	4,432,094	—	—	—
Electronically recorded monetary claims	269,727	—	—	—
Accounts receivable-other	1,818,359	—	—	—
Held-to-maturity debt securities	—	4,910	16,904	—
Available-for-sale securities with maturity dates	—	—	163	—
Long-term loans receivable	—	50,960	42,748	400
Total	\$7,869,008	\$ 55,870	\$ 59,816	\$ 400

Long-term loans receivable of ¥917 million (\$7,492 thousand) are excluded from the table above because the redemption schedule has not been determined.

Long-term guarantee deposits are excluded from the table above because they are primarily margins to foreign clearing organizations through domestic and foreign trading brokers, and it is difficult to estimate the maturities.

4. Securities

(A) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2022 and 2021:

March 31, 2022

Millions of yen				Thousands of U.S. dollars			
	Book value	Fair value	Difference	Book value	Fair value	Difference	
Held-to-maturity debt securities with fair values exceeding book values	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	—
Held-to-maturity debt securities with fair values not exceeding book values	¥ 2,670	¥ 2,670	¥ —	\$ 21,815	\$ 21,815	\$ —	—

March 31, 2021

Not applicable.

(B) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available market values as of March 31, 2022 and 2021:

March 31, 2022

Millions of yen				Thousands of U.S. dollars			
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	
Securities with book values exceeding acquisition costs:							
Equity securities	¥ 12,952	¥ 37,171	¥ 24,218	\$ 105,825	\$ 303,709	\$ 197,875	
Bonds	—	—	—	—	—	—	
Securities with book values not exceeding acquisition costs:							
Equity securities	¥ 7,013	¥ 5,837	¥ (1,175)	\$ 57,300	\$ 47,691	\$ (9,600)	
Bonds	26	20	(6)	212	163	(49)	

March 31, 2021

Millions of yen			
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 14,665	¥ 37,245	¥ 22,579
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 2,801	¥ 2,228	¥ (572)

Notes to Consolidated Financial Statements

(C) The following tables summarize sales of available-for-sale securities in the years ended March 31, 2022 and 2021:

March 31, 2022

	Millions of yen				Thousands of U.S. dollars			
	Proceeds from sales	Gains on sales	Losses on sales		Proceeds from sales	Gains on sales	Losses on sales	
Equity securities	¥ 2,080	¥ 1,449	¥ —	\$ 16,994	\$ 11,839	\$ —		

March 31, 2021

	Millions of yen			
	Proceeds from sales	Gains on sales	Losses on sales	
Equity securities	¥ 330	¥ 126	¥ 14	

(D) The loss on valuation of investment securities in the years ended March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Available-for-sale securities	¥ 1,055	¥ 387	\$ 8,619
Total	¥ 1,055	¥ 387	\$ 8,619

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2022 and 2021 for the derivatives to which hedge accounting has not been applied:

March 31, 2022

Currency related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:								
Selling:								
U.S. dollars	¥ 267,750	¥ —	¥ (16,208)	¥ (16,208)	\$ 2,187,678	\$ —	\$ (132,429)	\$ (132,429)
Other currencies	14,791	—	(694)	(694)	120,851	—	(5,670)	(5,670)
Buying:								
U.S. dollars	6,318	—	(23)	(23)	51,621	—	(187)	(187)
Other currencies	4,082	—	162	162	33,352	—	1,323	1,323
Cross-currency swap agreements:								
Japanese yen received for U.S. dollars	50,543	47,184	(4,325)	(4,325)	412,966	385,521	(35,337)	(35,337)
Total	¥ —	¥ —	¥ —	¥ (21,088)	\$ —	\$ —	\$ —	\$ (172,301)

Commodity related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:								
Petroleum:								
Selling	¥ 2,347	¥ —	¥ (121)	¥ (121)	\$ 19,176	\$ —	\$ (988)	\$ (988)
Buying	636	—	85	85	5,196	—	694	694
Non-ferrous metals:								
Selling	36,690	—	(4,470)	(4,470)	299,779	—	(36,522)	(36,522)
Buying	17,390	—	1,583	1,583	142,086	—	12,934	12,934
Commodity swap agreements:								
Petroleum:								
Fixed receipt / Fluctuated payment	956	—	(133)	(133)	7,811	—	(1,086)	(1,086)
Fluctuated receipt / Fixed payment	2,624	—	150	150	21,439	—	1,225	1,225
Total	¥ —	¥ —	¥ —	¥ (2,906)	\$ —	\$ —	\$ —	\$ (23,743)

Derivatives in which valuation gains or losses are attributable to counterparties based on the contracts were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:								
Non-ferrous metals:								
Selling	¥ 458,071	¥ 7,839	¥ (183,574)	¥ (183,574)	\$ 3,742,716	\$ 64,049	\$ (1,499,910)	\$ (1,499,910)
Buying	83,127	—	(933)	(933)	679,197	—	(7,623)	(7,623)
Total	¥ —	¥ —	¥ —	¥ (184,507)	\$ —	\$ —	\$ —	\$ (1,507,533)

The derivatives above are included in "Derivatives: Hedge accounting not applied" in Note 3,"Financial instruments."

March 31, 2021

Currency related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:				
Selling:				
U.S. dollars	¥ 96,489	¥ —	¥ (4,444)	¥ (4,444)
Other currencies	11,801	—	(230)	(230)
Buying:				
U.S. dollars	4,529	—	(49)	(49)
Other currencies	1,358	—	15	15
Cross-currency swap agreements:				
Japanese yen received for U.S. dollars	27,419	12,966	(364)	(364)
Total	¥ —	¥ —	¥ —	¥ (5,073)

Notes to Consolidated Financial Statements

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Petroleum:				
Selling	¥ 1,020	¥ —	¥ (108)	¥ (108)
Buying	126	—	18	18
Non-ferrous metals:				
Selling	24,748	—	(2,834)	(2,834)
Buying	13,636	—	963	963
Commodity swap agreements:				
Petroleum:				
Fixed receipt / Fluctuated payment	1,157	—	4	4
Fluctuated receipt / Fixed payment	2,216	—	(6)	(6)
Total	¥ —	¥ —	¥ —	¥ (1,962)

Derivatives in which valuation gains or losses are attributable to counterparties based on the contracts were as follows:

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Non-ferrous metals:				
Selling	¥ 151,883	¥ 15,984	¥ (697)	¥ (697)
Buying	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ (697)

The derivatives above are included in "Derivatives: Hedge accounting not applied" in Note 3,"Financial instruments."

(B) The following tables summarize fair value information as of March 31, 2022 and 2021 for the derivatives to which hedge accounting was applied:

March 31, 2022 Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Cross-currency swap agreement for foreign subsidiaries' equity:						
Japanese yen received for U.S. dollars	¥ 5,401	¥ —	¥ (724)	\$ 44,129	\$ —	\$ (5,915)

Interest rate related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Interest rate swap for long-term loans:						
Floating rate received for fixed rate	¥ 10,000	¥ 5,000	¥ (43)	\$ 81,706	\$ 40,853	\$ (351)

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:						
Non-ferrous metals						
Selling	¥ 27,700	¥ —	¥ (3,196)	\$ 226,325	\$ —	\$ (26,113)
Buying	17,895	—	1,520	146,212	—	12,419

March 31, 2021

Currency related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	
Cross-currency swap agreement for foreign subsidiaries' equity:				
Japanese yen received for U.S. dollars	¥ 5,401	¥ 5,401	¥ (160)	

Interest rate related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	
Interest rate swap for long-term loans:				
Floating rate received for fixed rate	¥ 10,015	¥ 10,000	¥ (119)	

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	
Forwards for inventories and commitments:				
Non-ferrous metals				
Selling	¥ 23,752	¥ 107	¥ 538	
Buying	16,645	—	(626)	

6. Inventories

Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Merchandise and finished products	¥ 204,064	¥ 113,296	\$ 1,667,325
Work-in-process	2,229	1,605	18,212
Raw materials and supplies	37,308	12,476	304,828
Total	¥ 243,603	¥ 127,378	\$ 1,990,383

The provisions made or reversed in the year were determined after considering the realizable value of the inventories due to the decline in profitability. Such provisions recognized in profit and loss were a net loss of ¥588 million (loss of \$4,804 thousand) and a net gain of ¥2,339 million for the years ended March 31, 2022 and 2021, respectively.

Notes to Consolidated Financial Statements

7. Pledged assets

At March 31, 2022 and 2021, assets pledged as collateral for loans payable in the amount of zero and ¥54 million, respectively, for guaranty deposits, and for loans of third parties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
For loans payable:			
Land	¥ —	¥ 393	\$ —
Buildings and structures, net of accumulated depreciation	576	775	4,706
Intangible assets	259	249	2,116
Total	¥ 836	¥ 1,418	\$ 6,830
For guaranty deposits:			
Cash and cash equivalents	¥ 13	¥ 13	\$ 106
Investment securities	5,652	5,318	46,180
Total	¥ 5,665	¥ 5,331	\$ 46,286
For loans of third parties:			
Investment securities	¥ 7,796	¥ 2,215	\$ 63,698
Total	¥ 7,796	¥ 2,215	\$ 63,698

8. Income taxes

The Company is subject to a number of taxes based on income, which indicates an aggregate statutory income tax rate in Japan of approximately 30.6% for the year ended March 31, 2022 and 2021.

An aggregate statutory income tax rate for the year

ended March 31, 2022 and 2021 was omitted here because the difference between the aggregate statutory income tax rate and the effective tax rate was not more than 5% of the aggregate statutory income tax rate.

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	¥ 2,731	¥ 2,731	\$ 22,313
Tax losses carried forward	1,817	2,237	14,845
Loss on valuation of investment securities, currently not deductible	1,786	1,793	14,592
Retirement benefit liability	1,362	1,673	11,128
Loss on sale-repurchase agreements of land	1,293	1,293	10,564
Accrued bonuses to employees	1,221	972	9,976
Land revaluation difference, net of taxes unrealized loss	80	80	653
Other	7,841	6,227	64,065
Total deferred tax assets	18,135	17,011	148,173
Valuation allowance	(10,940)	(11,650)	(89,386)
Net deferred tax assets	7,195	5,360	58,787
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	7,262	6,636	59,334
Retained earnings of overseas subsidiaries and affiliates	1,957	1,069	15,989
Land revaluation difference, net of taxes unrealized gain	1,524	1,524	12,451
Other	2,403	2,460	19,633
Total deferred tax liabilities	13,148	11,692	107,427
Net deferred tax liabilities	¥ (5,953)	¥ (6,331)	\$ (48,639)

9. Short-term loans payable, commercial paper and long-term debt

The weighted average interest rates applicable to short-term loans outstanding at March 31, 2022 and 2021 were 1.0% and 1.5%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing currencies. There were outstanding balances of ¥414,880 million (\$3,389,819 thousand) and ¥35,334 million at March 31, 2022

and 2021, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥40,000 million (\$326,824 thousand) and zero at March 31, 2022 and 2021, respectively.

Bonds at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Issued in 2016, 0.29% unsecured straight bonds, due 2021	¥ —	¥ 10,000	\$ —
Issued in 2017, 0.27% unsecured straight bonds, due 2022	10,000	10,000	81,706
Issued in 2018, 0.24% unsecured straight bonds, due 2023	10,000	10,000	81,706
Issued in 2018, 0.59% unsecured straight bonds, due 2028	10,000	10,000	81,706
Issued in 2014, unsecured floating rate bonds, due 2021	—	13	—
Total	¥ 30,000	¥ 40,013	\$ 245,118

Long-term loans payable at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loans from banks with weighted average interest rates of 0.8% and 0.8% at March 31, 2022 and 2021, respectively, maturing serially through 2054	¥ 234,995	¥ 224,524	\$ 1,920,050
Less amounts due within one year	(44,104)	(30,525)	(360,356)
Total	¥ 190,890	¥ 193,999	\$ 1,559,686

The interest rates represent weighted average rates regardless of borrowing currencies, though the range of the interest rates varies by borrowing currencies.

The annual maturities of long-term loans payable outstanding at March 31, 2022 were as follows:

Years ending March 31

	Millions of yen	Thousands of U.S. dollars
2023	¥ 44,104	\$ 360,356
2024	21,707	177,359
2025	26,694	218,106
2026	20,082	164,082
2027	23,078	188,561
Thereafter	99,328	811,569
Total	¥ 234,995	\$ 1,920,050

Notes to Consolidated Financial Statements

10. Employees' severance and retirement benefits

(A) Overview of retirement benefit system adopted

To provide retirement benefits for employees, the Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans. These Companies may also pay extra retirement allowances to employees at retirement.

Under its defined benefit corporate pension plan, the Company provides employees with lump-sum or pension benefits after determining the amount of benefits based on their salary and years of service. In calculating pension benefits, the Company uses a life pension system with a guarantee period of 20 years in which pension conversion rates vary according to mar-

ket interest rates.

In the defined benefit corporate pension plans and lump-sum retirement payment plans which certain subsidiaries have, retirement benefit liability and retirement benefit costs are calculated mainly based on the simplified method.

Certain subsidiaries participate in corporate pension plans, which are classified as multi-employer plans. In regard to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Company accounts for such pension plans in the same manner in which it recognizes defined contribution plans.

(B) Defined benefit plans

(1) Movements in defined benefit obligations, except plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 29,572	¥ 28,443	\$ 241,621
Service cost	1,415	1,371	11,561
Interest cost	117	111	955
Actuarial loss (gain)	(52)	458	(424)
Benefits paid	(1,074)	(813)	(8,775)
Past service costs	(6)	—	(49)
Other	6	1	49
Balance at end of year	¥ 29,978	¥ 29,572	\$ 244,938

(2) Movements in plan assets, except plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 25,265	¥ 23,186	\$ 206,430
Expected return on plan assets	635	582	5,188
Actuarial gain (loss)	329	773	2,688
Contributions paid by the employer	1,531	1,540	12,509
Benefits paid	(1,072)	(821)	(8,758)
Other	6	4	49
Balance at end of year	¥ 26,696	¥ 25,265	\$ 218,122

(3) Movements in retirement benefit liability for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥ 1,019	¥ 905	\$ 8,325
Retirement benefit costs	158	137	1,290
Benefits paid	(47)	(34)	(384)
Contributions paid by the employer	(31)	(18)	(253)
Other	72	29	588
Balance at end of year	¥ 1,172	¥ 1,019	\$ 9,575

(4) Reconciliation from the balances of retirement benefit obligations and plan assets and the liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligations	¥ 30,609	¥ 30,169	\$ 250,093
Plan assets	(27,193)	(25,728)	(222,183)
	3,415	4,440	27,902
Unfunded retirement benefit obligations	1,038	885	8,481
Total net liability (asset) for retirement benefits at end of year	4,454	5,326	36,391
Retirement benefit liability	4,454	5,326	36,391
Total net liability (asset) for retirement benefits at end of year	¥ 4,454	¥ 5,326	\$ 36,391

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 1,415	¥ 1,371	\$ 11,561
Interest cost	117	111	955
Expected return on plan assets	(635)	(582)	(5,188)
Net actuarial loss amortization	1,112	1,142	9,085
Past service costs amortization	(6)	—	(49)
Retirement benefit costs based on the simplified method	158	137	1,290
Other	(0)	(2)	(0)
Total retirement benefit costs	¥ 2,161	¥ 2,178	\$ 17,656

(6) Remeasurements of defined benefit plans in other comprehensive income (before applicable tax effects)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gains and losses	¥ 1,494	¥ 1,458	\$ 12,206
Total	¥ 1,494	¥ 1,458	\$ 12,206

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income (before applicable tax effects)

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Actuarial gains and losses that are yet to be recognized	¥ 4,883	¥ 6,378	\$ 39,897
Total balance at end of year	¥ 4,883	¥ 6,378	\$ 39,897

Notes to Consolidated Financial Statements

(8) Breakdown of plan assets

	2022	2021
Bonds (*1)	17.1%	27.5%
Equity securities (*1)	33.6	18.0
Cash and cash equivalents	1.1	1.2
General account assets	20.1	21.0
Other (*2)	28.1	32.3
Total	100.0%	100.0%

*1. These consist of investment products that use mainly traditional assets and derivatives for hedging purposes.

2. "Other" consists of investments in investment products mainly targeting asset classes other than traditional assets, and various futures and derivatives.

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Principal actuarial assumptions

	2022	2021
Discount rate	0.4%	0.4%
Long-term expected rate of return	2.5	2.5
Expected salary increase rate	3.1	3.1

(C) Defined contribution plans

The Companies were required to contribute ¥337 million (\$2,753 thousand) and ¥325 million to the defined contribution plans (including corporate pension fund plans under the multi-employer pension system accounted for in the same way as defined contribution plans) for the years ended March 31, 2022 and 2021, respectively.

11. Contingent liabilities

At March 31, 2022 and 2021, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Export letters of credit and trade notes (including export bills) discounted	¥ 47,059	¥ 8,735	\$ 384,500
Electronically recorded monetary claims discounted	135	83	1,103
Trade notes endorsed	215	47	1,756
Guarantees of indebtedness	4,743	5,121	38,753

12. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income and non-controlling interests.

Under the Japanese Companies Act ("the Act"), the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Under the Act, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25 % of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve and additional paid-in capital are included in retained earnings and legal capital surplus, respectively, in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital are able to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

Under the Act, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 24, 2022, the shareholders approved cash dividends of ¥50.00 per share (\$0.40) amounting to ¥2,031 million (\$16,594 thousand). This appropriation had not been accrued in the consolidated financial statements as of March 31, 2022. Such appropriations are recognized in the period in which they are approved by the shareholders.

Land revaluation difference

Pursuant to the Law Concerning Land Revaluation, the Companies revaluated land used for business activities at March 31, 2002.

Unrealized gain (loss) on land revaluation is recorded as a land revaluation difference in a separate component of accumulated other comprehensive income in the consolidated balance sheets until realized. The amounts are shown net of applicable income tax.

The revaluation of land was determined based on a declared land value with certain necessary adjustments in accordance with Article 2, Paragraph 1 of the Enforcement Ordinance Concerning Land Revaluation.

As of March 31, 2022, the carrying amount of the land after the above one-time revaluation did not exceed the market value.

13. Gain on sales of property and equipment

The following table summarizes gain on sales of property and equipment in the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Land	¥ —	¥ 564	\$ —
Buildings and structures	—	7	—
Machinery, equipment and vehicles	—	9	—
Other	—	2	—
Intangible assets	—	1	—
Total	¥ —	¥ 584	\$ —

14. Loss on retirement of property and equipment

The following table summarizes loss on retirement of property and equipment in the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures	¥ —	¥ 71	\$ —
Machinery, equipment and vehicles	—	23	—
Other	—	18	—
Intangible assets	—	3	—
Total	¥ —	¥ 116	\$ —

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15. Provision of allowance for doubtful accounts for subsidiaries and affiliates

Year ended March 31, 2022

The provision of allowance for doubtful accounts for subsidiaries and affiliates is calculated by allowance for doubtful accounts on loans to subsidiaries and affiliated companies.

Year ended March 31, 2021

The provision of allowance for doubtful accounts for subsidiaries and affiliates is calculated by allowance for doubtful accounts on loans to subsidiaries and affiliated companies.

16. Other comprehensive income

Years ended March 31, 2022 and 2021

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	¥ 2,501	¥ 12,698	\$ 20,434
Reclassification adjustments	(378)	223	(3,088)
Sub-total, before tax	2,122	12,921	17,338
Tax expense (benefit)	590	3,775	4,820
Sub-total, net of tax	1,532	9,146	12,517
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	(4,210)	(952)	(34,398)
Reclassification adjustments	2,218	368	18,122
Sub-total, before tax	(1,991)	(583)	(16,267)
Tax expense (benefit)	(618)	(210)	(5,049)
Sub-total, net of tax	(1,373)	(373)	(11,218)
Foreign currency translation adjustments:			
Increase (decrease) during the year	4,109	(2,211)	33,573
Reclassification adjustments	—	—	—
Sub-total, before tax	4,109	(2,211)	33,573
Tax expense (benefit)	—	—	—
Sub-total, net of tax	4,109	(2,211)	33,573
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the year	391	316	3,194
Reclassification adjustments	1,103	1,141	9,012
Sub-total, before tax	1,494	1,458	12,206
Tax expense (benefit)	457	446	3,733
Sub-total, net of tax	1,037	1,011	8,472
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	614	(121)	5,016
Reclassification adjustments	(37)	—	(302)
Sub-total	577	(121)	4,714
Total other comprehensive income	¥ 5,883	¥ 7,451	\$ 48,067

17. Leases

Operating leases

As Lessee

Obligations under non-cancelable operating leases as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 568	¥ 626	\$ 4,640
Due after one year	6,480	6,961	52,945
Total	¥ 7,049	¥ 7,588	\$ 57,594

18. Investment and rental properties

Information about fair value of investment and rental properties is disclosed as follows:

The Company and certain subsidiaries own office buildings, logistics centers and other properties for rent in Tokyo, Osaka and other cities.

Book value, annual net increase and decrease amount and fair value of investment and rental properties were as follows:

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2021

Millions of yen			
Book value			
Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 7,678	¥ 584	¥ 7,093	¥ 9,780

Book value is net of accumulated depreciation and impairment loss.

Fair values of these properties are measured mainly by the Company, based on "Standard for real-estate appraisal."

Rental profit from these properties was ¥362 million and was included in gross profit.

Notes to Consolidated Financial Statements

19. Revenue recognition

(A) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market in the year ended March 31, 2022.

The table also includes a reconciliation of the disaggregated revenue with the Companies' reportable segments (see Note 20).

Year ended March 31, 2022

	Reportable segment									Total
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries		Other business		
Japan	¥ 818,731	¥ 135,920	¥ 101,465	¥ 85,331	¥ 219,283	¥ 634	¥ 1,361,367	¥ 123,399	¥ 1,484,766	
Asia	107,572	37,698	25,396	8,449	54,701	298,323	532,140	3,130	535,271	
Other	57,347	21,979	711	22,385	6,413	34,601	143,438	573	144,011	
Total	¥ 983,651	¥ 195,597	¥ 127,573	¥ 116,167	¥ 280,397	¥ 333,558	¥ 2,036,946	¥ 127,103	¥ 2,164,049	

	Reportable segment									Total
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries		Other business		
Japan	\$ 6,689,525	\$ 1,110,548	\$ 829,030	\$ 697,205	\$ 1,791,674	\$ 5,180	\$ 11,123,188	\$ 1,008,244	\$ 12,131,432	
Asia	878,928	308,015	207,500	69,033	446,940	2,437,478	4,347,904	25,573	4,373,486	
Other	468,559	179,581	5,809	182,898	52,398	282,711	1,171,974	4,681	1,176,656	
Total	\$ 8,037,020	\$ 1,598,145	\$ 1,042,348	\$ 949,154	\$ 2,291,012	\$ 2,725,369	\$ 16,643,075	\$ 1,038,508	\$ 17,681,583	

1. "Other business" represents businesses such as lumber section and machinery section which are not included in the above reportable segments.
2. Amounts are shown as net sales from external customers.
3. Revenue recognized from other sources is included, as net sales is mostly recognized from contract with customers.

(B) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of March 31, 2022 and April 1, 2021:

Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2022	April 1, 2021	March 31, 2022	April 1, 2021
Receivables arising from contracts with customers	¥ 575,445	¥ 391,664	\$ 4,701,732	\$ 3,200,130
Trade notes	20,148	19,612	164,621	160,241
Electronically recorded monetary claims	33,012	27,895	269,727	227,918
Accounts receivable	522,284	344,156	4,267,374	2,811,961
Contract assets	¥ 10	¥ 175	\$ 81	\$ 1,429
Contract liabilities	¥ 15,009	¥ 10,022	\$ 122,632	\$ 81,885

The contract assets primarily relate to Companies' rights to consideration for work completed but not billed at the reporting date for the contract with performance obligations satisfied over time.

The contract liabilities primarily relate to the advance consideration received from customers for the contract with performance obligations satisfied at the point of services trans-

ferred.

The amount of ¥8,129 million (\$66,419 thousand) included in contract liabilities at 31 March 2021 has been recognized as revenue for the years ended March 31, 2022.

The amount of revenue recognized for the years ended March 31, 2022 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

(C) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2022 is as follows:

March 31, 2022

	Thousands of U.S. dollars	
	March 31, 2022	March 31, 2022
Within one year	¥ 27,366	\$ 223,596
Over one year, within three years	69,517	567,995
Over three years, within five years	36,339	296,911
Over five years, within ten years	70,548	576,419
Over ten years	69,090	564,506
Total	¥ 272,862	\$ 2,229,446

The amounts mainly relate to commodity sales contracts in the steel business and energy and living materials business and construction contracts in steel business.

Revenue from performance obligations that are satisfied at a point in time is mainly expected to be recognized based on shipment, arrival and inspection. Revenue from performance obligations that are satisfied over time is expected to be recognized based on the progress of performance obligations.

In addition, the remaining performance obligations with an initial expected term of one year or less, unsatisfied at the end

of the reporting period are not included in the table above, applying the practical expedient method. The above aggregate transaction price does not include any significant estimated amounts of variable consideration.

Other than the above contracts, in the primary metal business and metal recycling business, there are long-term sales contracts with the transaction price based on market price at the time of sale. However, due to the possibility of significant reversals being conducted in the future on amounts estimated as of March 31, 2022, these are not presented.

20. Segment information

(A) Overview of the reportable segments

The Companies' reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Companies' main business is buying and selling of various products with a focus on steel, and the business departments, which are divided according to products handled or service contents, mainly carry out business activities. For this reason, the Companies consist of business segments with the business departments as the basis. The 6 reportable segments are "steel business," "primary metal business," "metal recycling business," "food business," "energy and living materials business," and "overseas sales subsidiaries."

The main products and services that fall under these reportable segments are listed as follows. (Shown in parentheses are contents of services.)

Steel:

Steel bars and shapes, steel plates and sheets, special

steels, wire products, steel pipes, steelmaking raw materials and (steel processing and storage)

Primary metal:

Nickel, chromium, silicon, manganese, steel alloys, precious metals, stainless steel sheets, high-performance metal material

Metal recycling:

Recycling business of aluminum, copper, zinc, titanium nickel and others

Food:

Seafood and meat products

Energy and Living Materials:

Petroleum products, industrial chemicals, chemicals, biomass and recycling fuel

Overseas sales subsidiaries:

(Trading of various goods and related business activities)

From the beginning of the fiscal year ending March 31, 2022, the Companies have changed their method of classification of business segments, integrating a part of the steel business into the primary metal business. And since January 2022,

Notes to Consolidated Financial Statements

the Companies have changed their method of classification of business segments, integrating a part of the overseas sales subsidiaries business into the food business.

Segment information of the year ended March 31, 2021 has been recomposed by the new classification method.

The reportable segment income figures are based on operating income coupled with interest and dividend income, interest expenses, foreign currency translation adjustment and share of profit (loss) of entities accounted for using equity method. Intersegment transactions are presented based on the current market prices at the time of this report.

From the beginning of the fiscal year ending March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No.29, March 31, 2020).

For this reason, the Company changes the method of cal-

culating revenue for business segments as well.

As a result of this change, compared to the previous method, net sales for this fiscal year decreased by ¥237,244 million (\$1,938,426 thousand) in the steel business, ¥276,974 million (\$2,263,044 thousand) in the primary metal business, ¥853 million (\$6,969 thousand) in the metal recycling business, ¥1,522 million (\$12,435 thousand) in the food business, ¥ 554 million (\$4,526 thousand) in the energy & living materials business, ¥60,041 million (\$490,571 thousand) in overseas sales subsidiaries and ¥1,959 million (\$16,006 thousand) in the other business. In addition, segment income in the steel business increased by ¥114 million (\$931 thousand), and segment assets in the steel business decreased ¥22,565 million (\$184,369 thousand).

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2022 were as follows:

Year ended March 31, 2022

Millions of yen

	Reportable segment										
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 983,651	¥ 195,597	¥ 127,573	¥ 116,167	¥ 280,397	¥ 333,558	¥ 2,036,946	¥ 127,103	¥ 2,164,049	¥ —	¥ 2,164,049
Intersegment	24,512	6,373	4,015	531	10,371	339	46,144	3,186	49,330	(49,330)	—
Total	¥ 1,008,164	¥ 201,970	¥ 131,588	¥ 116,699	¥ 290,769	¥ 333,898	¥ 2,083,090	¥ 130,289	¥ 2,213,379	¥ (49,330)	¥ 2,164,049
Segment income	¥ 35,958	¥ 7,247	¥ 2,883	¥ 3,024	¥ 6,784	¥ 6,722	¥ 62,620	¥ 3,726	¥ 66,346	¥ (3,628)	¥ 62,718
Assets	¥ 563,951	¥ 701,699	¥ 41,650	¥ 52,480	¥ 55,050	¥ 140,510	¥ 1,555,341	¥ 51,476	¥ 1,606,818	¥ 108,575	¥ 1,715,394
Depreciation	4,676	21	361	74	213	286	5,633	381	6,014	108	6,123
Amortization of goodwill	392	—	—	—	—	—	392	—	392	—	392
Interest income	345	549	0	2	30	774	1,702	0	1,703	28	1,731
Interest expenses	3,343	2,509	364	424	259	575	7,476	258	7,735	(3,661)	4,073
Share of profit of entities accounted for using equity method	1,737	1,070	60	—	88	364	3,321	—	3,321	—	3,321
Investment for entities accounted for equity method	8,029	1,019	263	—	674	1,980	11,967	—	11,967	—	11,967
Increase in property and equipment	9,512	107	288	181	298	150	10,540	857	11,397	163	11,561

Year ended March 31, 2022

Thousands of U.S. dollars

	Reportable segment							Other business	Total	Adjustment	Consolidated
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total				
Net sales	\$ 8,037,020	\$ 1,598,145	\$ 1,042,348	\$ 949,154	\$ 2,291,012	\$ 2,725,369	\$ 16,643,075	\$ 1,038,508	\$ 17,681,583	\$ —	\$ 17,681,583
Intersegment	200,277	52,071	32,804	4,338	84,737	2,769	377,024	26,031	403,055	(403,055)	—
Total	\$ 8,237,306	\$ 1,650,216	\$ 1,075,153	\$ 953,501	\$ 2,375,757	\$ 2,728,147	\$ 17,020,099	\$ 1,064,539	\$ 18,084,639	\$ (403,055)	\$ 17,681,583
Segment income	\$ 293,798	\$ 59,212	\$ 23,555	\$ 24,707	\$ 55,429	\$ 54,922	\$ 511,643	\$ 30,443	\$ 542,086	\$ (29,642)	\$ 512,443
Assets	\$ 4,607,819	\$ 5,733,303	\$ 340,305	\$ 428,793	\$ 449,791	\$ 1,148,051	\$ 12,708,072	\$ 420,589	\$ 13,128,670	\$ 887,123	\$ 14,015,801
Depreciation	38,205	171	2,949	604	1,740	2,336	46,025	3,112	49,138	882	50,028
Amortization of goodwill	3,202	—	—	—	—	—	3,202	—	3,202	—	3,202
Interest income	2,818	4,485	0	16	245	6,324	13,906	0	13,914	228	14,143
Interest expenses	27,314	20,500	2,974	3,464	2,116	4,698	61,083	2,108	63,199	(29,912)	33,278
Share of profit of entities accounted for using equity method	14,192	8,742	490	—	719	2,974	27,134	—	27,134	—	27,134
Investment for entities accounted for equity method	65,601	8,325	2,148	—	5,506	16,177	97,777	—	97,777	—	97,777
Increase in property and equipment	77,718	874	2,353	1,478	2,434	1,225	86,118	7,002	93,120	1,331	94,460

1. “Other business” represents businesses such as the lumber section and machinery section which are not included in the above reportable segments.
2. Adjustments are as follows:
 - (1) Adjustments of negative ¥3,628 million (\$29,642 thousand) for segment income include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
 - (2) Adjustments for segment assets amounting to ¥108,575 million (\$887,123 thousand) include Group assets that were not allocated to reportable segments. These Group assets consist mainly of cash and cash equivalents, invest-

- ment securities and assets of administrative departments.
- (3) Adjustments for depreciation and amortization amounting to ¥108 million (\$882 thousand) include mainly depreciation and amortization expenses of Group assets.
- (4) Adjustments for interest income and interest expenses amounting to ¥28 million (\$228 thousand) and negative ¥3,661 million (\$29,912 thousand) include intersegment elimination, revenue and expenses that were not allocated to reportable segments.
- (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥163 million (\$1,331 thousand) are increases in Group assets.

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2021 were as follows:

Year ended March 31, 2021

Millions of yen

	Reportable segment							Other business	Total	Adjustment	Consolidated
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total				
Net sales	¥ 896,732	¥ 235,347	¥ 77,699	¥ 100,507	¥ 176,043	¥ 174,350	¥ 1,660,680	¥ 84,821	¥ 1,745,501	—	¥ 1,745,501
Intersegment	12,002	3,210	1,874	330	7,002	7,064	31,485	3,038	34,523	(34,523)	—
Total	¥ 908,734	¥ 238,558	¥ 79,573	¥ 100,837	¥ 183,045	¥ 181,414	¥ 1,692,165	¥ 87,860	¥ 1,780,025	¥ (34,523)	¥ 1,745,501
Segment income	¥ 19,239	¥ 3,837	¥ 766	¥ 2,116	¥ 5,548	¥ 1,739	¥ 33,248	¥ 1,455	¥ 34,704	¥ (5,883)	¥ 28,821
Assets	¥ 398,212	¥ 150,656	¥ 28,464	¥ 41,667	¥ 43,034	¥ 90,501	¥ 752,536	¥ 33,187	¥ 785,724	¥ 38,866	¥ 824,590
Depreciation	4,119	16	347	89	205	216	4,995	379	5,374	104	5,479
Amortization of goodwill	390	—	22	—	54	—	468	—	468	—	468
Interest income	268	1,001	0	2	24	496	1,795	3	1,798	51	1,850
Interest expenses	2,512	1,639	272	417	195	387	5,425	169	5,594	(1,830)	3,764
Share of profit (loss) of entities accounted for using equity method	547	(32)	25	—	44	63	648	209	858	—	858
Investment for entities accounted for equity method	5,834	—	211	—	585	1,864	8,496	1,505	10,002	—	10,002
Increase in property and equipment	6,012	89	249	142	293	158	6,945	638	7,583	199	7,782

1. “Other business” represents businesses such as lumber section and machinery section which are not included in the above reportable segments.
2. Adjustments are as follows:
 - (1) Adjustments of negative ¥5,883 million for segment income include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
 - (2) Adjustments for segment assets amounting to ¥38,866 million include Group assets that were not allocated to reportable segments. These Group assets consist mainly

- of cash and cash equivalents, investment securities and assets of administrative departments.
- (3) Adjustments for depreciation and amortization amounting to ¥104 million include mainly depreciation and amortization expenses of Group assets.
- (4) Adjustments for interest income and interest expenses amounting to ¥51 million and negative ¥1,830 million include intersegment elimination, revenue and expenses that were not allocated to reportable segments.
- (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥199 million are increases in Group assets.

Notes to Consolidated Financial Statements

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Food	Petroleum and chemicals	Other	Total
Net sales to external customers	¥ 1,173,190	¥ 180,573	¥ 242,540	¥ 118,795	¥ 294,647	¥ 154,300	¥ 2,164,049

Year ended March 31, 2022

	Thousands of U.S. dollars						
	Steel	Metals and alloys	Non-ferrous metals	Food	Petroleum and chemicals	Other	Total
Net sales to external customers	\$ 9,585,668	\$ 1,475,390	\$ 1,981,697	\$ 970,626	\$ 2,407,443	\$ 1,260,723	\$ 17,681,583

Year ended March 31, 2021

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Food	Petroleum and chemicals	Other	Total
Net sales to external customers	¥ 995,305	¥ 201,813	¥ 145,827	¥ 101,870	¥ 193,631	¥ 107,054	¥ 1,745,501

Geographic information

(1) Net sales in different countries for the years ended March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,484,766	¥ 535,271	¥ 144,011	¥ 2,164,049

Year ended March 31, 2022

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Net sales to external customers	\$ 12,131,432	\$ 4,373,486	\$ 1,176,656	\$ 17,681,583

Year ended March 31, 2021

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,129,536	¥ 531,694	¥ 84,270	¥ 1,745,501

(2) Property and equipment in different countries for the years ended March 31, 2022 and 2021 were as follows:

Year ended March 31, 2022

	Millions of yen			
	Japan	Asia	Other	Total
Property and equipment	¥ 66,126	¥ 9,300	¥ 2,462	¥ 77,889

Year ended March 31, 2022

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property and equipment	\$ 540,289	\$ 75,986	\$ 20,116	\$ 636,400

Year ended March 31, 2021

	Millions of yen			
	Japan	Asia	Other	Total
Property and equipment	¥ 63,752	¥ 7,562	¥ 2,491	¥ 73,806

Loss on impairment of property and equipment in reportable segment

Loss on impairment of property and equipment in a reportable segment for the years ended March 31, 2022 and 2021 was as follows:

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2021

Not applicable.

Outstanding balance of goodwill and amortization of goodwill in reportable segment

Outstanding balance of goodwill for the years ended March 31, 2022 and 2021 was as follows:

Year ended March 31, 2022

	Millions of yen								
	Reportable segment								
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Adjustment
Balance at end of year	¥ 283	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 283	¥ —	¥ —

Year ended March 31, 2022

	Thousands of U.S.dollars								
	Reportable segment								
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Adjustment
Balance at end of year	\$ 2,312	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,312	\$ —	\$ —

The information of amortization of goodwill was omitted here because it has been noted in the overview of the reportable segments.

Year ended March 31, 2021

	Millions of yen								
	Reportable segment								
	Steel	Primary metal	Metal recycling	Food	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Adjustment
Balance at end of year	¥ 656	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 656	¥ —	¥ —

The information of amortization of goodwill was omitted here because it has been noted in the overview of the reportable segments.

21. Related party information

(A) Related party transactions

Year ended March 31, 2022

Not applicable.

Year ended March 31, 2021

Not applicable.

Notes to Consolidated Financial Statements

(B) Notes on significant affiliates

A summary of the financial statements of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., which is defined as a significant affiliate, for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total current assets	¥ 80,739	¥ 51,124	\$ 659,686
Total noncurrent assets	74,703	73,727	610,368
Total current liabilities	71,398	60,918	583,364
Total noncurrent liabilities	44,065	40,047	360,037
Total net assets	39,979	23,885	326,652
Net sales	242,464	140,256	1,981,076
Income (loss) before income taxes	23,853	(8,935)	194,893
Net income (loss)	16,197	(5,369)	132,339

22. Significant subsequent events

Establishment of a Subsidiary and Company Split with Wholly-Owned Subsidiary

At a meeting of the Board of Directors held May 13, 2022, the Company passed a resolution to establish a new subsidiary company to strengthen the "SOKOKA" (quick delivery, small lots, processing) business in eastern Japan, based on the basic policy of the Medium-Term Business Plan, and this new compa-

ny was established on June 1, 2022.

A resolution was also passed for a company split (hereinafter: the company split), with this new company serving as the successor and the Company and its wholly-owned subsidiary Daisun Co., Ltd. (hereinafter: Daisun) as the splitting companies.

1. Purpose of this restructuring

The Company is establishing Hanwa Daisun Co., Ltd. (hereinafter: Hanwa Daisun) in order to strengthen the "SOKOKA" (quick delivery, small lots, processing) business in eastern Japan, based on the basic policy of the Medium-Term Business Plan.

Hanwa Daisun is established as a merger of the Company's expertise in fields such as steel frame engineering, project operation, and multi-perspective wide-ranging business expansion with the adaptability of Daisun in handling business aspects such as warehousing and small lot sales, and Hanwa Daisun will inherit a portion of the bar steel department at the Company's Tokyo Head Office and the entirety of its North Kanto Branch, as well as Daisun's Tokyo Branch and North Kanto Sales Office.

2. Establishment of a subsidiary

(1) New company overview

Trade name	Hanwa Daisun Co., Ltd.
Representative	Daigo Matsumoto, Representative Director, President
Business content	Sales and manufacturing of general steel materials and construction products
Capital	¥30 million (\$239 thousand)
Date of establishment	June 1, 2022
Major shareholders and holdings ratio	Hanwa Co., Ltd.: 100%
Accounting period	March 31

3. Company split

(1) Company split schedule

Resolution by the Company's Board of Directors	May 13, 2022
Resolution by Daisun's Board of Directors	July 31, 2022
Company split contract signing date	August 1, 2022
Company split effective date	October 1, 2022 (planned)

(Note) The company split will be carried out without the approval of a resolution by a general meeting of stockholders because it is a simple absorption split as defined in Article 784-2 of the Companies Act.

(2) Company split method

The method is an absorption split with the Company and Daisun as split company and Hanwa Daisun as the successor company.

(3) Allocation for the company split

Although the company split is being carried out between the parent company and the wholly-owned subsidiary, no split compensation will be provided to the Company, while 520,000 shares of Hanwa Daisun will be provided to Daisun as absorption split compensation. The planned allocation will be adjusted to a 66:34 ratio between the Company and Daisun.

4. Overview of companies involved in the company split (as of the end of March 2022)

	Split company	Split company	Successor company
(1) Name	Hanwa Co., Ltd.	Daisun Co., Ltd.	Hanwa Daisun Co., Ltd.
(2) Address	4-3-9 Fushimi-machi, Chuo-ku, Osaka-shi, Osaka	4-5-7 Itachibori, Nishi-ku, Osaka-shi, Osaka	1-13-1 Tsukiji, Chuo-ku, Tokyo
(3) Representative's title and name	Hironari Furukawa, Representative Director, President	Masaki Konishi, Representative Director, President	Daigo Matsumoto, Representative Director, President
(4) Business content	Sales of various types of products such as iron and steel, metal raw materials, nonferrous metals, foodstuffs, oil and chemical products, lumber, and machinery; steel and nonferrous metal manufacturing; amusement facility management and operations, etc.	Sales and standard warehousing of general steel materials and iron and steel construction products	Sales and manufacturing of general steel materials and construction products
(5) Capital	¥45,651 million (\$372,996 thousand)	¥200 million (\$1,634 thousand)	¥30 million (\$245 thousand)
(6) Date of establishment	April 1, 1947	August 4, 1948	June 1, 2022
(7) Number of issued shares	42,332,640 shares	2,000,000 shares	1,000,000 shares
(8) Accounting period	March 31	March 31	March 31
(9) Major shareholders and holdings ratio	The Master Trust Bank of Japan, Ltd. (Trust) 13.78% Hanwa Clients' Stock Investment Association 5.02% Custody Bank of Japan, Ltd. (Trust) 4.93% JP MORGAN CHASE BANK 385632 4.47% Sumitomo Mitsui Banking Corporation 3.76%	Hanwa Co., Ltd. 100%	Hanwa Co., Ltd. 100%

Notes to Consolidated Financial Statements

(10) Financial status and business performance in the preceding fiscal year (ending March 2022)

	Hanwa Co., Ltd. (Consolidated)	Daisun Co., Ltd. (Unconsolidated)	Hanwa Daisun Co., Ltd. (Unconsolidated)
Net assets	¥240,497 million (\$1,965,005 thousand)	¥2,687 million (\$21,954 thousand)	¥30 million (\$245 thousand)
Total assets	¥1,715,394 million (\$14,015,801 thousand)	¥9,295 million (\$75,945 thousand)	¥30 million (\$245 thousand)
Net assets per share	¥5,834.98 (\$47.68)	¥1,343.62 (\$10.98)	¥30 (\$0.25)
Net sales	¥2,164,049 million (\$17,681,583 thousand)	¥18,265 million (\$149,236 thousand)	—
Operating income	¥62,367 million (\$509,575 thousand)	¥1,051 million (\$8,587 thousand)	—
Net income for the year	¥43,617 million (\$356,377 thousand)	¥736 million (\$6,013 thousand)	—
Net income for the year per share	¥1,073.34 (\$8.77)	¥368.40 (\$3.01)	—

(Note) Hanwa Daisun was established on June 1, 2022, and there is no previous business year. Therefore, in point 10, Financial position and business results for the previous financial year (ending March 2022), the net assets, total assets and net assets per share only refer to figures at the date of its establishment.

5. Overview of split business departments

(1) Content of split business departments

A portion of the bar steel department at the Company's Tokyo Head Office and the entirety of its North Kanto Branch, as well as Daisun's Tokyo Branch and North Kanto Sales Office.

(2) Performance of split business departments (fiscal year ended March 2022)

Net sales	¥12,925 million (\$105,605 thousand)
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(3) Inherited asset and liability items and amounts (as of March 31, 2022)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	—	Current debts	—
Fixed assets	¥3,614 million (\$29,528 thousand)	Fixed liabilities	¥435million (\$3,554 thousand)
Total assets	¥3,614 million (\$29,528 thousand)	Total liabilities	¥435 million (\$3,554 thousand)

(Note) The amount is an estimated amount based on the current position as of the end of March 2022, and the actual amount of assets and liabilities to be split may change from the above.

6. Summary of accounting treatment

The Company will treat it as a transaction under common control on the basis of “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019)

Prepayment of loans

On June 27, 2022, the Company decided on prepayment of loans and prepaid them on June 30, 2022.

In response to a rise in futures prices on the LME caused by the Russian military invasion of Ukraine, the Company had

borrowed ¥120,000 million (\$980,472 thousand). However, due to the recent decline in futures prices and the decrease in the long-term guarantee deposit, the Company prepaid the above loan of ¥120,000 million (\$980,472 thousand) in full.

Details of prepayment loans

Lenders	Sumitomo Mitsui Banking Corporation, Mizuho Bank, MUFG Bank, and Sumitomo Mitsui Trust Bank
Total loan amount	¥120,000 million (\$980,472 thousand)
Loan interest rate	Standard interest rate + spread
Resolution date	March 8, 2022
Loan dates	March 8 -11, 2022
Loan period	6 months from the loan date
Prepayment date	June 30,2022

Decrease in consolidated total assets

The Company is carrying out hedge transactions involving commodities, a portion of which involve valuation gains or losses attributable to counter parties. The fair value of the balance of these valuation gains or losses is calculated at the end of each fiscal quarter, using the prices stated by exchange members in the quarterly accounts. The amounts of these valuation gains or losses are appropriated as assets and liabilities.

Due to the recent decline in commodity futures prices, both assets and liabilities at the end of the first quarter of the year ended March 31, 2023 (June 30, 2022) were approximately ¥70,900 million (\$579,295 thousand) and consolidated total assets decreased by approximately ¥112,700 million (\$920,826 thousand) compared to the end of the year ended March 31, 2022.

Corporate Data and Stock Information

(As of March 31, 2022)

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	1,521 (Consolidated: 5,123)
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

Stock Information

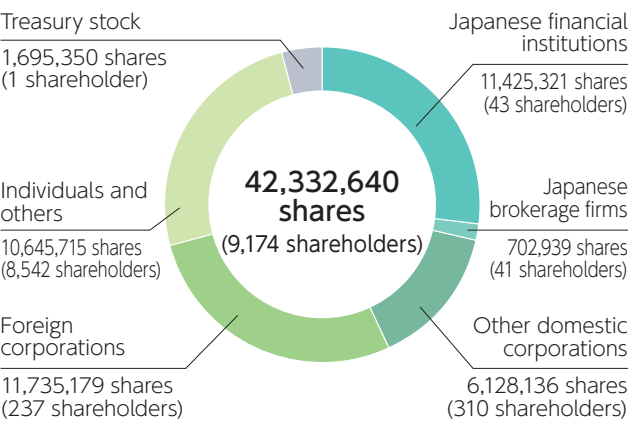
Annual meeting of shareholders	June every year
Administrator of shareholder registry and account management institution for special accounts	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Securities Agency Department, Sumitomo Mitsui Trust Bank, Limited
Telephone number	0120-782-031 (Toll-free)
Unit share	100 shares
Number of shareholders	9,174
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

Principal Shareholders

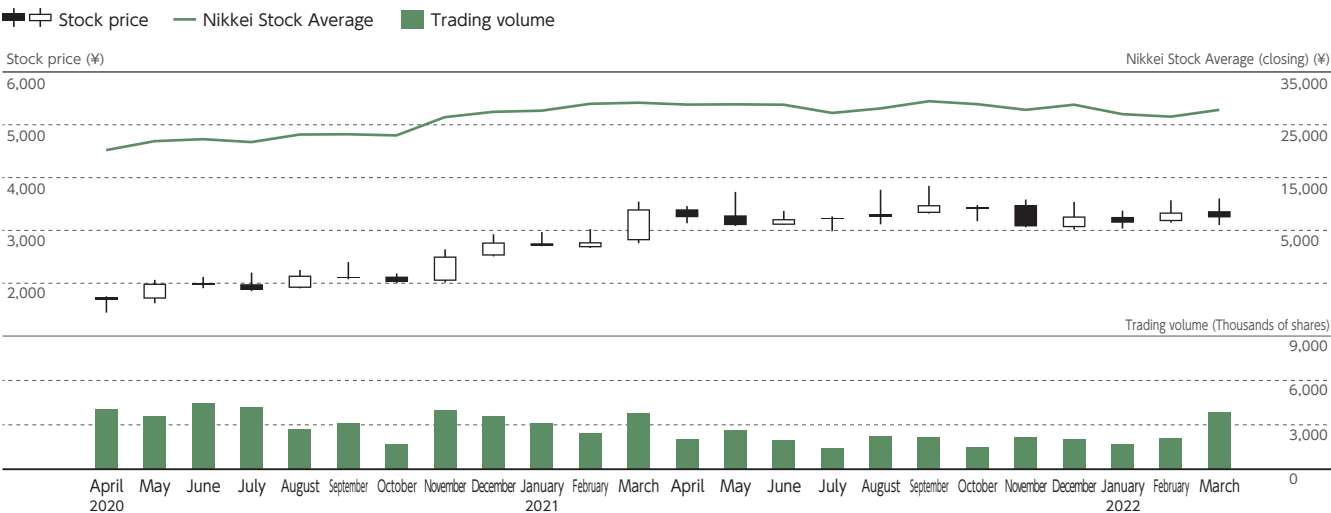
Name of shareholders	Number of shares (Thousands)	Percentage of total issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,599	13.78
Hanwa Clients' Stock Investment Association	2,041	5.02
Custody Bank of Japan, Ltd. (Trust Account)	2,004	4.93
JP MORGAN CHASE BANK 385632	1,816	4.47
Sumitomo Mitsui Banking Corporation	1,526	3.76
Hanwa Employees' Stock Investment Association	985	2.42
GOVERNMENT OF NORWAY	752	1.85
THE BANK OF NEW YORK MELLON 140044	697	1.72
DFA INTL SMALL CAP VALUE PORTFOLIO	639	1.57
NIPPON STEEL CORPORATION	600	1.48

Note: The Company holds 1,695,350 shares of treasury stock, which is excluded from the principal shareholders listed above.

Breakdown by Type of Shareholder



Stock Price Range and Trading Volume (Common Stock) (April 2020 to March 2022)



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 subsidiaries

Period covered

Fiscal 2021 (April 1, 2021 to March 31, 2022)

Some of the activities, prior to or after the period covered, are also included.

Issued

October 2022

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 International Integrated Reporting Council (IIRC)

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

Contact

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