



Hanwa Co., Ltd. and Subsidiaries

Consolidated Financial Statements
For the Years Ended March 31,
2024 and 2023
Together with Independent
Auditors' Report

Consolidated Balance Sheets

As at March 31, 2024 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-------------|------------------------------------|
| | 2024 | 2023 | 2024 |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents (Notes 3 and 7) | ¥ 76,462 | ¥ 84,121 | \$ 504,999 |
| Receivables: | | | |
| Trade notes, accounts receivable and contract assets (Notes 3 and 18): | | | |
| Unconsolidated subsidiaries and affiliates | 16,484 | 13,941 | 108,869 |
| Other | 429,340 | 435,038 | 2,835,611 |
| Electronically recorded monetary claims (Note 3): | | | |
| Unconsolidated subsidiaries and affiliates | 261 | 15 | 1,723 |
| Other | 95,353 | 55,554 | 629,766 |
| Loans: | | | |
| Unconsolidated subsidiaries and affiliates | 8,693 | 7,014 | 57,413 |
| Other | 58 | 11,500 | 383 |
| Allowance for doubtful receivables | (1,694) | (1,295) | (11,188) |
| Inventories (Note 6) | 249,490 | 253,964 | 1,647,777 |
| Other current assets | 42,718 | 68,885 | 282,134 |
| Total current assets | 917,168 | 928,741 | 6,057,512 |
| Investments and noncurrent receivables: | | | |
| Investment securities (Notes 3, 4 and 7) | 80,739 | 79,964 | 533,247 |
| Investments in unconsolidated subsidiaries and affiliates (Note 3) | 25,323 | 19,643 | 167,247 |
| Long-term loans receivable (Note 3): | | | |
| Unconsolidated subsidiaries and affiliates | 1,792 | 1,015 | 11,835 |
| Other | 18,239 | 12,798 | 120,460 |
| Other investments and noncurrent receivables | 20,238 | 19,012 | 133,663 |
| Allowance for doubtful accounts | (2,436) | (2,613) | (16,088) |
| Total investments and noncurrent receivables | 143,897 | 129,820 | 950,379 |
| Property and equipment (Note 7): | | | |
| Land (Note 12) | 37,401 | 36,786 | 247,018 |
| Buildings and structures | 60,574 | 57,917 | 400,066 |
| Other | 62,147 | 58,315 | 410,455 |
| Accumulated depreciation | (71,178) | (65,902) | (470,101) |
| Total property and equipment | 88,945 | 87,117 | 587,444 |
| Other assets: | | | |
| Deferred tax assets (Note 8) | 3,128 | 1,261 | 20,659 |
| Retirement benefit asset | 3,840 | — | 25,361 |
| Intangibles assets (Note 7) | 10,006 | 10,807 | 66,085 |
| Total other assets | 16,976 | 12,069 | 112,119 |
| Total | ¥ 1,166,986 | ¥ 1,157,747 | \$ 7,707,456 |

See accompanying Notes to Consolidated Financial Statements.

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-------------|------------------------------------|
| | 2024 | 2023 | 2024 |
| Liabilities and Net Assets | | | |
| Current liabilities: | | | |
| Short-term loans payable (Notes 3 and 9) | ¥ 45,358 | ¥ 61,194 | \$ 299,570 |
| Commercial paper (Notes 3 and 9) | — | 30,000 | — |
| Long-term debt due within one year (Notes 3, 7 and 9) | 26,721 | 31,932 | 176,481 |
| Trade notes and accounts payable (Note 3): | | | |
| Unconsolidated subsidiaries and affiliates | 8,465 | 17,988 | 55,907 |
| Other | 295,382 | 260,834 | 1,950,875 |
| Electronically recorded obligations (Note 3): | | | |
| Unconsolidated subsidiaries and affiliates | 38 | 38 | 250 |
| Other | 46,841 | 36,662 | 309,365 |
| Accrued bonuses to employees | 3,730 | 4,355 | 24,635 |
| Provision for product warranties | 95 | 56 | 627 |
| Income taxes payable | 2,602 | 14,822 | 17,185 |
| Other current liabilities (Note 18) | 57,318 | 101,103 | 378,561 |
| Total current liabilities | 486,555 | 558,990 | 3,213,493 |
| Noncurrent liabilities: | | | |
| Long-term debt due after one year (Notes 3, 7 and 9) | 289,957 | 254,843 | 1,915,045 |
| Retirement benefit liability (Note 10) | 1,353 | 4,285 | 8,936 |
| Deferred tax liabilities (Note 8) | 16,781 | 10,888 | 110,831 |
| Other noncurrent liabilities | 15,573 | 19,932 | 102,853 |
| Total noncurrent liabilities | 323,665 | 289,949 | 2,137,672 |
| Contingent liabilities (Note 11) | | | |
| Net assets (Note 12) | | | |
| Shareholders' equity: | | | |
| Common stock: | | | |
| Authorized: 114,000,000 shares in 2024 and 114,000,000 shares in 2023 | | | |
| Issued: 42,332,640 shares in 2024 and 42,332,640 shares in 2023 | 45,651 | 45,651 | 301,505 |
| Capital surplus | 1,301 | 26 | 8,592 |
| Retained earnings | 260,959 | 228,920 | 1,723,525 |
| Treasury stock, at cost: 1,664,411 shares in 2024 and 1,695,653 shares in 2023 | (3,662) | (3,730) | (24,185) |
| Total shareholders' equity | 304,249 | 270,866 | 2,009,437 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities, net of taxes | 27,511 | 23,972 | 181,698 |
| Deferred gains or losses on hedges, net of taxes | 630 | 673 | 4,160 |
| Land revaluation difference, net of taxes (Note 12) | 1,966 | 1,975 | 12,984 |
| Foreign currency translation adjustments | 14,427 | 8,360 | 95,284 |
| Remeasurements of defined benefit plans (Note 10) | 2,426 | (2,720) | 16,022 |
| Total accumulated other comprehensive income | 46,962 | 32,260 | 310,164 |
| Non-controlling interests | | | |
| Total net assets | 356,765 | 308,807 | 2,356,284 |
| Total | ¥ 1,166,986 | ¥ 1,157,747 | \$ 7,707,456 |

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2024 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-------------|------------------------------------|
| | 2024 | 2023 | 2024 |
| Net sales (Note 18) | ¥ 2,431,980 | ¥ 2,668,228 | \$ 16,062,215 |
| Cost of sales (Note 6) | 2,312,135 | 2,539,686 | 15,270,688 |
| Gross profit | 119,845 | 128,541 | 791,526 |
| Selling, general and administrative expenses | 70,122 | 64,435 | 463,126 |
| Operating income | 49,722 | 64,105 | 328,393 |
| Other income (expenses): | | | |
| Interest and dividend income | 8,249 | 11,144 | 54,481 |
| Interest expenses | (8,754) | (9,969) | (57,816) |
| Share of profit of entities accounted for using the equity method | 3,532 | 4,194 | 23,327 |
| Foreign exchange gain (loss) | (555) | (681) | (3,665) |
| Gain on sales of property and equipment (Note 13) | 1,204 | 14,417 | 7,951 |
| Gain on bargain purchase | — | 722 | — |
| Gain on sales of investment securities | 5,416 | 655 | 35,770 |
| Gain on sales of investment securities of unconsolidated subsidiaries | 76 | — | 501 |
| Arbitration-related income | — | 268 | — |
| Loss on valuation of investment securities | (1,085) | — | (7,165) |
| Value added taxes for prior periods (Note 14) | — | (4,375) | — |
| Other, net | (3,918) | (4,520) | (25,876) |
| Income before income taxes | 53,888 | 75,961 | 355,907 |
| Income taxes (Note 8): | | | |
| Current | 14,136 | 24,364 | 93,362 |
| Deferred | 387 | (1,145) | 2,555 |
| Total income taxes | 14,524 | 23,218 | 95,924 |
| Net income | ¥ 39,364 | ¥ 52,742 | \$ 259,982 |
| Net income attributable to: | | | |
| Owners of the parent | ¥ 38,417 | ¥ 51,505 | \$ 253,728 |
| Non-controlling interests | 946 | 1,237 | 6,247 |
| Other comprehensive income (Note 15): | | | |
| Valuation difference on available-for-sale securities, net of taxes | 3,380 | 7,246 | 22,323 |
| Deferred gains or losses on hedges, net of taxes | (43) | 1,674 | (283) |
| Foreign currency translation adjustment | 5,508 | 8,077 | 36,378 |
| Remeasurements of defined benefit plans, net of taxes | 5,143 | 625 | 33,967 |
| Share of other comprehensive income of entities accounted for using the equity method | 845 | 970 | 5,580 |
| Total other comprehensive income | 14,834 | 18,594 | 97,972 |
| Comprehensive income | ¥ 54,198 | ¥ 71,336 | \$ 357,955 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | ¥ 53,127 | ¥ 69,878 | \$ 350,881 |
| Non-controlling interests | 1,070 | 1,457 | 7,066 |
| | | | |
| | Yen | | U.S. dollars (Note 1) |
| | 2024 | 2023 | 2024 |
| Net income per share | ¥ 944.90 | ¥ 1,267.44 | \$ 6.24 |
| Cash dividends per share | 185.00 | 130.00 | 1.22 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2024 and 2023

| 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 | Total |
| Balance at April 1, 2022 | 42,332 | ¥ 45,651 | ¥ 26 | ¥ 180,119 | ¥ (3,729) | ¥ 16,725 | ¥ (1,000) | ¥ 3,191 | ¥ (531) | ¥ (3,334) | ¥ 3,379 | ¥ 240,497 |
| Cash dividends paid | — | — | — | (4,063) | — | — | — | — | — | — | — | (4,063) |
| Change in scope of consolidation | — | — | — | 246 | — | — | — | — | — | — | — | 246 |
| Change in scope of equity method | — | — | — | (103) | — | — | — | — | — | — | — | (103) |
| Reversal of revaluation reserve for land | — | — | — | 1,216 | — | — | — | — | — | — | — | 1,216 |
| Net income attributable to owners of the parent | — | — | — | 51,505 | — | — | — | — | — | — | — | 51,505 |
| Purchases of treasury stock | — | — | — | — | (1) | — | — | — | — | — | — | (1) |
| Purchase of shares of consolidated subsidiaries | — | — | — | — | — | — | — | — | — | — | — | — |
| Other changes | — | — | — | — | — | — | — | — | — | — | — | — |
| Net changes of items other than shareholders' equity | — | — | — | — | — | 7,247 | 1,674 | (1,216) | 8,891 | 613 | 2,300 | 19,510 |
| Balance at March 31, 2023 | 42,332 | 45,651 | 26 | 228,920 | (3,730) | 23,972 | 673 | 1,975 | 8,360 | (2,720) | 5,680 | 308,807 |
| Balance at April 1, 2023 | 42,332 | 45,651 | 26 | 228,920 | (3,730) | 23,972 | 673 | 1,975 | 8,360 | (2,720) | 5,680 | 308,807 |
| Cash dividends paid | — | — | — | (6,707) | — | — | — | — | — | — | — | (6,707) |
| Change in scope of consolidation | — | — | — | 262 | — | — | — | — | — | — | — | 262 |
| Change in scope of equity method | — | — | — | 58 | — | — | — | — | — | — | — | 58 |
| Reversal of revaluation reserve for land | — | — | — | 8 | — | — | — | — | — | — | — | 8 |
| Net income attributable to owners of the parent | — | — | — | 38,417 | — | — | — | — | — | — | — | 38,417 |
| Purchases of treasury stock | — | — | — | — | (1) | — | — | — | — | — | — | (1) |
| Disposal of treasury stock | — | — | 78 | — | 69 | — | — | — | — | — | — | 147 |
| Purchase of shares of consolidated subsidiaries | — | — | 1,196 | — | — | — | — | — | — | — | — | 1,196 |
| Net changes of items other than shareholders' equity | — | — | — | — | — | 3,538 | (43) | (8) | 6,067 | 5,147 | (126) | 14,575 |
| Balance at March 31, 2024 | 42,332 | ¥ 45,651 | ¥ 1,301 | ¥ 260,959 | ¥ (3,662) | ¥ 27,511 | ¥ 630 | ¥ 1,966 | ¥ 14,427 | ¥ 2,426 | ¥ 5,553 | ¥ 356,765 |

| 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 | Total |
| Balance at April 1, 2023 | 42,332 | \$ 301,505 | \$ 171 | \$ 1,511,921 | \$ (24,635) | \$ 158,325 | \$ 4,444 | \$ 13,044 | \$ 55,214 | \$ (17,964) | \$ 37,514 | \$ 2,039,541 |
| Cash dividends paid | — | — | — | (44,296) | — | — | — | — | — | — | — | (44,296) |
| Change in scope of consolidation | — | — | — | 1,730 | — | — | — | — | — | — | — | 1,730 |
| Change in scope of equity method | — | — | — | 383 | — | — | — | — | — | — | — | 383 |
| Reversal of revaluation reserve for land | — | — | — | 52 | — | — | — | — | — | — | — | 52 |
| Net income attributable to owners of the parent | — | — | — | 253,728 | — | — | — | — | — | — | — | 253,728 |
| Purchases of treasury stock | — | — | — | — | (6) | — | — | — | — | — | — | (6) |
| Disposal of treasury stock | — | — | 515 | — | 455 | — | — | — | — | — | — | 970 |
| Purchase of shares of consolidated subsidiaries | — | — | 7,899 | — | — | — | — | — | — | — | — | 7,899 |
| Net changes of items other than shareholders' equity | — | — | — | — | — | 23,367 | (283) | (52) | 40,070 | 33,993 | (832) | 96,261 |
| Balance at March 31, 2024 | 42,332 | \$ 301,505 | \$ 8,592 | \$ 1,723,525 | \$ (24,185) | \$ 181,698 | \$ 4,160 | \$ 12,984 | \$ 95,284 | \$ 16,022 | \$ 36,675 | \$ 2,356,284 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2023

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|---------------------------------------|
| | 2024 | 2023 | 2024 |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 53,888 | ¥ 75,961 | \$ 355,907 |
| Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities: | | | |
| Depreciation | 9,358 | 7,368 | 61,805 |
| Amortization of goodwill | 78 | 193 | 515 |
| Increase (decrease) in allowance for doubtful accounts | 60 | 805 | 396 |
| Interest and dividend income | (8,249) | (11,144) | (54,481) |
| Interest expenses | 8,754 | 9,969 | 57,816 |
| Share of loss (profit) of entities accounted for using equity method | (3,532) | (4,194) | (23,327) |
| Gain on sales of property and equipment | (1,204) | (14,417) | (7,951) |
| Gain on bargain purchase | — | (722) | — |
| Gain on sales of investment securities | (5,416) | (655) | (35,770) |
| Gain on sales of investment securities of unconsolidated subsidiaries | (76) | — | (501) |
| Loss on valuation of investment securities | 1,085 | — | 7,165 |
| Arbitration related income | — | (268) | — |
| Value added taxes for prior periods | — | 4,375 | — |
| Decrease (increase) in trade receivables and contract assets | (29,736) | 88,701 | (196,393) |
| Decrease (increase) in inventories | 11,516 | 6,714 | 76,058 |
| Decrease (increase) in accounts receivable-other | 21,655 | 198,852 | 143,022 |
| Decrease (increase) in advance payments-trade | 3,480 | 8,903 | 22,983 |
| Increase (decrease) in trade notes and accounts payable | 29,442 | (116,530) | 194,452 |
| Increase (decrease) in accounts payable-other | (32,165) | 33,282 | (212,436) |
| Increase (decrease) in deposits received | (14,045) | (22,774) | (92,761) |
| Increase (decrease) in advances received | (7,452) | 1,730 | (49,217) |
| Increase (decrease) in retirement benefit asset and liability | 619 | 706 | 4,088 |
| Other, net | 7,741 | 42,550 | 51,126 |
| Subtotal | 45,803 | 309,407 | 302,509 |
| Cash flows during the year for: | | | |
| Interest and dividends received | 7,417 | 10,773 | 48,986 |
| Interest paid | (8,227) | (9,790) | (54,335) |
| Income taxes (paid) refund | (26,806) | (26,431) | (177,042) |
| Arbitration related income | — | 268 | — |
| Net cash provided by (used in) operating activities | 18,187 | 284,226 | 120,117 |
| Cash flows from investing activities: | | | |
| Payments into time deposits | (13) | (49) | (85) |
| Proceeds from withdrawal of time deposits | 16 | 401 | 105 |
| Purchase of property and equipment | (9,629) | (12,858) | (63,595) |
| Proceeds from sales of property and equipment | 1,888 | 17,566 | 12,469 |
| Purchase of investment securities | (1,940) | (3,413) | (12,812) |
| Proceeds from sales and redemption of investment securities | 8,997 | 1,331 | 59,421 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16) | — | (7,400) | — |
| Net decrease (increase) in short-term loans receivable | (775) | 2,318 | (5,118) |
| Payments of long-term loans receivable | (2,649) | (3,529) | (17,495) |
| Collection of long-term loans receivable | 7,603 | 125 | 50,214 |
| Other, net | (2,482) | (1,031) | (16,392) |
| Net cash provided by (used in) investing activities | 1,014 | (6,539) | 6,697 |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term loans payable | (18,498) | (357,803) | (122,171) |
| Net increase (decrease) in commercial paper | (30,000) | (10,000) | (198,137) |
| Proceeds from long-term debt and issuance of bonds | 111,909 | 70,541 | 739,112 |
| Repayments of long-term debt and redemption of bonds | (82,131) | (49,186) | (542,441) |
| Dividends paid | (6,696) | (4,067) | (44,224) |
| Dividends paid to non-controlling interests | (93) | (309) | (614) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (46) | — | (303) |
| Other, net | (763) | (1,010) | (5,039) |
| Net cash provided by (used in) financing activities | (26,319) | (351,835) | (173,826) |
| Effect of exchange rate changes on cash and cash equivalents | (827) | (7,279) | (5,461) |
| Net increase (decrease) in cash and cash equivalents | (7,944) | (81,427) | (52,466) |
| Cash and cash equivalents at beginning of year | 84,121 | 165,083 | 555,584 |
| Increase in cash and cash equivalents from newly consolidated subsidiaries | 286 | 464 | 1,888 |
| Cash and cash equivalents at end of year | ¥ 76,462 | ¥ 84,121 | \$ 504,999 |

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, 2024, which was ¥151.41 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 2023 and 2024. 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 60(58 in 2023) 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, 2024, the Company had 36 unconsolidated subsidiaries and 34 affiliates. The equity method has been applied to the investments in 15 of the unconsolidated subsidiaries and 16 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 (hereinafter "trading securities"), (b) debt securities intended to be held to maturity (hereinafter "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 (hereinafter "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

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, generally 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

expected future tax consequences of the temporary differences.

Retirement benefits

To prepare for disbursement of employees' retirement benefits under the defined benefit plan, the Company and some of its consolidated subsidiaries state a defined benefit liability (asset), which is the amount of defined benefit obligations less plan assets based on the expected benefit obligation at the end of the fiscal year.

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 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. Treatment of unrecognized actuarial differences and unrecognized past service costs

Unrecognized actuarial differences and unrecognized past service costs are accrued as remeasurements of defined benefit plans, net of tax, in accumulated other comprehensive income.

4. 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 construction cost incurred by the end of the reporting period as a percentage of 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 is 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
- Foreign exchange swap contracts
- Foreign currency forward contract transactions

Hedged items:

- Interest expenses on borrowings
- Inventories and commitments
- Foreign subsidiaries' equity
- Forecasted transactions, assets and liabilities denominated in foreign currencies

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.

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.

Accounting standards and guidance not yet applied

- Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022, ASBJ)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, October 28, 2022, ASBJ)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022, ASBJ)

3. Financial instruments

At March 31, 2024 and 2023, 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 in order 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.

Securities mainly consist of stocks and are exposed to price fluctuation risk. Some of them are denominated in foreign

1. Overview

These accounting standards and implementation guidance prescribe the classifications of income taxes in the case where other comprehensive income is taxed, and the treatment of tax effects related to the sale of shares, etc. of subsidiaries in the case where the group taxation regime is applied.

2. Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2025.

3. Effects of the application of the standards

The effects of the application of Accounting Standard for Current Income Taxes, etc. on the consolidated financial statements are currently under evaluation.

currencies, which have foreign exchange rate fluctuation 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.

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 and forecast transactions 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 and foreign exchange swap contracts 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.

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.

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 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 in order 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 the bylaws 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", the "Regulations for commodity derivatives" and the bylaws of these regulations.

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

Book values, fair values and differences between carrying amounts and fair value of relevant items as of March 31, 2024 and 2023 are as follows:

“Cash and cash equivalents” , “Trade notes, accounts receivable and contract assets” , “Electronically recorded monetary claims” , “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 below. 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.

March 31, 2024

| | 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 | ¥ 714 | ¥ 714 | ¥ — | \$ 4,715 | \$ 4,715 | \$ — |
| b) Equity securities issued by affiliated companies | 3,832 | 2,127 | (1,705) | 25,308 | 14,047 | (11,260) |
| c) Available-for-sale securities (Equity securities) | 55,201 | 55,201 | — | 364,579 | 364,579 | — |
| d) Available-for-sale securities (Corporate bonds) | 19 | 19 | — | 125 | 125 | — |
| (2) Long-term loans receivable | 20,031 | | | 132,296 | | |
| Allowance for doubtful accounts | (166) | | | (1,096) | | |
| Net | 19,864 | 19,868 | 3 | 131,193 | 131,219 | 19 |
| Total assets | ¥ 79,633 | ¥ 77,931 | ¥ (1,701) | \$ 525,942 | \$ 514,701 | \$ (11,234) |
| Long-term debt due after one year | ¥ 289,957 | ¥ 288,085 | ¥ 1,871 | \$ 1,915,045 | \$ 1,902,681 | \$ 12,357 |
| Total liabilities | ¥ 289,957 | ¥ 288,085 | ¥ 1,871 | \$ 1,915,045 | \$ 1,902,681 | \$ 12,357 |
| Derivatives: | | | | | | |
| Hedge accounting not applied | ¥ (14,467) | ¥ (14,467) | ¥ — | \$ (95,548) | \$ (95,548) | \$ — |
| Hedge accounting applied | (409) | (409) | — | (2,701) | (2,701) | — |
| Total derivatives | ¥ (14,877) | ¥ (14,877) | ¥ — | \$ (98,256) | \$ (98,256) | \$ — |

1. Allowance for doubtful accounts recognized in long-term loans receivable was offset.
2. Derivative assets and liabilities were on a net basis.
3. 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, 2024 are as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| | 2024 | 2024 |
| | Book value | Book value |
| (1) Unlisted stocks | ¥ 45,451 | \$ 300,184 |
| (2) Investment in limited partnerships | 841 | 5,554 |
| Total | ¥ 46,293 | \$ 305,745 |

March 31, 2023

| Millions of yen | | | | |
|--|------------|------------|------------|---------|
| | Book value | Fair value | Difference | |
| (1) Securities | | | | |
| a) Held-to-maturity debt securities | ¥ 2,904 | ¥ 2,904 | ¥ | — |
| b) Equity securities issued by affiliated companies | 4,516 | 1,743 | | (2,773) |
| c) Available-for-sale securities (Equity securities) | 53,398 | 53,398 | | — |
| d) Available-for-sale securities (Corporate bonds) | 20 | 20 | | — |
| (2) Long-term loans receivable | 13,813 | | | |
| Allowance for doubtful accounts | (537) | | | |
| Net | 13,276 | 12,764 | | (511) |
| Total assets | ¥ 74,115 | ¥ 70,830 | ¥ | (3,285) |
| Long-term debt due after one year | ¥ 254,843 | ¥ 253,463 | ¥ | 1,379 |
| Total liabilities | ¥ 254,843 | ¥ 253,463 | ¥ | 1,379 |
| Derivatives: | | | | |
| Hedge accounting not applied | ¥ (10,350) | ¥ (10,350) | ¥ | — |
| Hedge accounting applied | 183 | 182 | | (0) |
| Total derivatives | ¥ (10,167) | ¥ (10,167) | ¥ | (0) |

1. Allowance for doubtful accounts recognized in long-term loans receivable was offset.
2. Derivative assets and liabilities were on a net basis.
3. 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, 2023 are as follows:

| Millions of yen | |
|--|------------|
| 2023 | |
| | Book value |
| (1) Unlisted stocks | ¥ 37,848 |
| (2) Investment in limited partnerships | 919 |
| Total | ¥ 38,768 |

The maturities of receivables and securities with maturities outstanding at March 31, 2024 were as follows:

Year ended March 31

| Millions of yen | | | | |
|--|-----------|-------------------|-------------------|------------|
| | 2025 | from 2026 to 2029 | from 2030 to 2034 | Thereafter |
| Cash and cash equivalents | ¥ 76,462 | ¥ — | ¥ — | ¥ — |
| Trade notes, accounts receivable and contract assets | 445,825 | — | — | — |
| Electronically recorded monetary claims | 95,615 | — | — | — |
| Held-to-maturity debt securities | — | 714 | — | — |
| Available-for-sale securities with maturity dates | — | 19 | — | — |
| Long-term loans receivable | — | 8,566 | 10,100 | 43 |
| Total | ¥ 617,903 | ¥ 9,301 | ¥ 10,100 | ¥ 43 |

| Thousands of U.S. dollars | | | | |
|--|--------------|-------------------|-------------------|------------|
| | 2025 | from 2026 to 2029 | from 2030 to 2034 | Thereafter |
| Cash and cash equivalents | \$ 504,999 | \$ — | \$ — | \$ — |
| Trade notes, accounts receivable and contract assets | 2,944,488 | — | — | — |
| Electronically recorded monetary claims | 631,497 | — | — | — |
| Held-to-maturity debt securities | — | 4,715 | — | — |
| Available-for-sale securities with maturity dates | — | 125 | — | — |
| Long-term loans receivable | — | 56,574 | 66,706 | 283 |
| Total | \$ 4,080,992 | \$ 61,429 | \$ 66,706 | \$ 283 |

Long-term loans receivable of ¥1,320 million (\$8,718 thousand) are excluded from the tables above because the redemption schedule has not been determined.

(C) Fair value information of financial instruments by level of inputs

Fair value information of financial instruments by level of inputs as of March 31, 2024 and 2023 are as follows:

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.

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

March 31, 2024

| Millions of yen | | | | | Thousands of U.S. dollars | | | |
|---|------------|------------|---------|------------|---------------------------|-------------|---------|-------------|
| | Fair value | | | | | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Securities | | | | | | | | |
| Available-for-sale securities (Equity securities) | ¥ 55,201 | ¥ — | ¥ — | ¥ 55,201 | \$ 364,579 | \$ — | \$ — | \$ 364,579 |
| Available-for-sale securities (Corporate bonds) | — | 19 | — | 19 | — | 125 | — | 125 |
| Total assets | ¥ 55,201 | ¥ 19 | ¥ — | ¥ 55,221 | \$ 364,579 | \$ 125 | \$ — | \$ 364,711 |
| Derivatives: | | | | | | | | |
| Hedge accounting not applied | ¥ (648) | ¥ (13,818) | ¥ — | ¥ (14,467) | \$ (4,279) | \$ (91,262) | \$ — | \$ (95,548) |
| Hedge accounting applied | 627 | (1,036) | — | (409) | 4,141 | (6,842) | — | (2,701) |
| Total derivatives | ¥ (21) | ¥ (14,855) | ¥ — | ¥ (14,877) | \$ (138) | \$ (98,111) | \$ — | \$ (98,256) |

March 31, 2023

| Millions of yen | | | | |
|---|------------|------------|---------|------------|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Securities | | | | |
| Available-for-sale securities (Equity securities) | ¥ 53,398 | ¥ — | ¥ — | ¥ 53,398 |
| Available-for-sale securities (Corporate bonds) | — | 20 | — | 20 |
| Total assets | ¥ 53,398 | ¥ 20 | ¥ — | ¥ 53,418 |
| Derivatives: | | | | |
| Hedge accounting not applied | ¥ (115) | ¥ (10,235) | ¥ — | ¥ (10,350) |
| Hedge accounting applied | 441 | (258) | — | 183 |
| Total derivatives | ¥ 326 | ¥ (10,493) | ¥ — | ¥ (10,167) |

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

March 31, 2024

| | | Millions of yen | | | | Thousands of U.S. dollars | | | |
|--|---|-----------------|-----------|---------|-----------|---------------------------|--------------|---------|--------------|
| | | Fair value | | | | | | | |
| | | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Securities | | | | | | | | | |
| Held-to-maturity debt | ¥ | — | ¥ 714 | ¥ — | ¥ 714 | \$ — | \$ 4,715 | \$ — | \$ 4,715 |
| Equity securities issued by affiliated companies | | 2,127 | — | — | 2,127 | 14,047 | — | — | 14,047 |
| Long-term loans receivable | | — | 19,868 | — | 19,868 | — | 131,219 | — | 131,219 |
| Total assets | ¥ | 2,127 | ¥ 20,582 | ¥ — | ¥ 22,710 | \$ 14,047 | \$ 135,935 | \$ — | \$ 149,990 |
| Long-term debt due after one year | ¥ | — | ¥ 288,085 | ¥ — | ¥ 288,085 | \$ — | \$ 1,902,681 | \$ — | \$ 1,902,681 |
| Total liabilities | ¥ | — | ¥ 288,085 | ¥ — | ¥ 288,085 | \$ — | \$ 1,902,681 | \$ — | \$ 1,902,681 |

March 31, 2023

| | | Millions of yen | | | |
|--|---|-----------------|-----------|---------|-----------|
| | | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Securities | | | | | |
| Held-to-maturity debt | ¥ | — | ¥ 2,904 | ¥ — | ¥ 2,904 |
| Equity securities issued by affiliated companies | | 1,743 | — | — | 1,743 |
| Long-term loans receivable | | — | 12,764 | — | 12,764 |
| Total assets | ¥ | 1,743 | ¥ 15,669 | ¥ — | ¥ 17,412 |
| Long-term debt due after one year | ¥ | — | ¥ 253,463 | ¥ — | ¥ 253,463 |
| Total liabilities | ¥ | — | ¥ 253,463 | ¥ — | ¥ 253,463 |
| Derivatives: | | | | | |
| Hedge accounting not applied | ¥ | — | ¥ — | ¥ — | ¥ — |
| Hedge accounting applied | | — | (0) | — | (0) |
| Total derivatives | ¥ | — | ¥ (0) | ¥ — | ¥ (0) |

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

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 used to determine the fair value is significant; otherwise, they are classified as Level 2.

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, currency swap transactions and foreign exchange 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.

4. Securities

(A) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2024 and 2023:

March 31, 2024

| | 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 | ¥ 714 | ¥ 714 | ¥ — | \$ 4,715 | \$ 4,715 | \$ — | | | |

March 31, 2023

| | Millions of yen | | | | | |
|---|-----------------|------------|------------|--|--|--|
| | 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 | ¥ 2,904 | ¥ 2,904 | ¥ — | | | |

(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, 2024 and 2023:

March 31, 2024

| | 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 | ¥ 15,978 | ¥ 52,825 | ¥ 36,846 | \$ 105,528 | \$ 348,887 | \$ 243,352 | | | |
| Bonds | — | — | — | — | — | — | | | |
| Securities with book values not exceeding acquisition costs: | | | | | | | | | |
| Equity securities | ¥ 2,749 | ¥ 2,375 | ¥ (374) | \$ 18,156 | \$ 15,685 | \$ (2,470) | | | |
| Bonds | 26 | 19 | (6) | 171 | 125 | (39) | | | |

March 31, 2023

| | Millions of yen | | | | | |
|--|------------------|------------|------------|--|--|--|
| | Acquisition cost | Book value | Difference | | | |
| Securities with book values exceeding acquisition costs: | | | | | | |
| Equity securities | ¥ 14,513 | ¥ 49,005 | ¥ 34,492 | | | |
| Bonds | — | — | — | | | |
| Securities with book values not exceeding acquisition costs: | | | | | | |
| Equity securities | ¥ 5,952 | ¥ 4,392 | ¥ (1,559) | | | |
| Bonds | 26 | 20 | (6) | | | |

(C) The following tables summarize sales of held-to-maturity debt securities in the years ended March 31, 2024 and 2023:

March 31, 2024

| | Millions of yen | | | Thousands of U.S. dollars | | |
|-------|-----------------|---------------------|-----------------------|---------------------------|---------------------|-----------------------|
| | Cost of sales | Proceeds from sales | Gain or loss on sales | Cost of sales | Proceeds from sales | Gain or loss on sales |
| Bonds | ¥ 1,778 | ¥ 2,463 | ¥ (1) | \$ 11,742 | \$ 16,267 | \$ (6) |

March 31, 2023

Not applicable.

(D) The following tables summarize sales of available-for-sale securities in the years ended March 31, 2024 and 2023:

March 31, 2024

| | 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 | ¥ 6,877 | ¥ 5,416 | ¥ 11 | \$ 45,419 | \$ 35,770 | \$ 72 |

March 31, 2023

| | Millions of yen | | |
|-------------------|---------------------|----------------|-----------------|
| | Proceeds from sales | Gains on sales | Losses on sales |
| Equity securities | ¥ 1,331 | ¥ 655 | ¥ 5 |

(E) The loss on valuation of investment securities in the years ended March 31, 2024 and 2023 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
| | 2024 | 2023 | 2024 |
| Available-for-sale securities | ¥ 1,085 | ¥ 80 | \$ 7,165 |
| Total | ¥ 1,085 | ¥ 80 | \$ 7,165 |

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2024 and 2023 for the derivatives to which hedge accounting has not been applied:

March 31, 2024

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 | ¥ 2,130 | ¥ — | ¥ 10 | ¥ 10 | \$ 14,067 | \$ — | \$ 66 | \$ 66 |
| Other currencies | 15,724 | — | (332) | (332) | 103,850 | — | (2,192) | (2,192) |
| Buying: | | | | | | | | |
| U.S. dollars | 15,762 | — | (70) | (70) | 104,101 | — | (462) | (462) |
| Other currencies | 809 | — | 7 | 7 | 5,343 | — | 46 | 46 |
| Cross-currency swap agreements: | | | | | | | | |
| Japanese yen received for U.S. dollars | 45,714 | 8,137 | (13,444) | (13,444) | 301,921 | 53,741 | (88,792) | (88,792) |
| Total | ¥ — | ¥ — | ¥ — | ¥ (13,829) | \$ — | \$ — | \$ — | \$ (91,334) |

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 | ¥ 7,058 | ¥ — | ¥ (658) | ¥ (658) | \$ 46,615 | \$ — | \$ (4,345) | \$ (4,345) |
| Buying | — | — | — | — | — | — | — | — |
| Non-ferrous metals: | | | | | | | | |
| Selling | 30,718 | — | (356) | (356) | 202,879 | — | (2,351) | (2,351) |
| Buying | 14,927 | — | 366 | 366 | 98,586 | — | 2,417 | 2,417 |
| Commodity swap agreements: | | | | | | | | |
| Petroleum: | | | | | | | | |
| Fixed receipt/Fluctuated payment | — | — | — | — | — | — | — | — |
| Fluctuated receipt/Fixed payment | 441 | — | 10 | 10 | 2,912 | — | 66 | 66 |
| Total | ¥ — | ¥ — | ¥ — | ¥ (638) | \$ — | \$ — | \$ — | \$ (4,213) |

March 31, 2023

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 | ¥ 31,336 | ¥ — | ¥ (274) | ¥ (274) |
| Other currencies | 20,423 | — | (196) | (196) |
| Buying: | | | | |
| U.S. dollars | 7,985 | — | (99) | (99) |
| Other currencies | 538 | — | (5) | (5) |
| Cross-currency swap agreements: | | | | |
| Japanese yen received for U.S. dollars | 64,027 | 41,469 | (9,649) | (9,649) |
| Total | ¥ — | ¥ — | ¥ — | ¥ (10,224) |

Commodity related

| | Millions of yen | | | |
|----------------------------------|-----------------------------|--------------------|------------|-----------------------------|
| | Contract or notional amount | Due after one year | Fair value | Net recognized gain or loss |
| Forwards: | | | | |
| Petroleum: | | | | |
| Selling | ¥ 3,290 | ¥ — | ¥ 85 | ¥ 85 |
| Buying | — | — | — | — |
| Non-ferrous metals: | | | | |
| Selling | 32,259 | — | 338 | 338 |
| Buying | 15,667 | — | (325) | (325) |
| Commodity swap agreements: | | | | |
| Petroleum: | | | | |
| Fixed receipt/Fluctuated payment | 391 | — | 9 | 9 |
| Fluctuated receipt/Fixed payment | 973 | — | (19) | (19) |
| Total | ¥ — | ¥ — | ¥ — | ¥ 88 |

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 | ¥ 15,699 | ¥ — | ¥ 678 | ¥ 678 |
| Buying | 15,912 | — | (892) | (892) |
| Total | ¥ — | ¥ — | ¥ — | ¥ (213) |

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, 2024 and 2023 for the derivatives to which hedge accounting was applied:

March 31, 2024

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 |
| Foreign exchange forward contracts for forecast transaction and foreign currency receivables and payables | | | | | | |
| Buying: | | | | | | |
| U.S. dollars | ¥ 7,462 | ¥ 5,042 | ¥ 83 | \$ 49,283 | \$ 33,300 | \$ 548 |
| Cross-currency swap agreement for foreign subsidiaries' equity: | | | | | | |
| Japanese yen received for U.S. dollars | ¥ 6,487 | ¥ 6,487 | ¥ (1,120) | \$ 42,843 | \$ 42,843 | \$ (7,397) |
| Total | ¥ 13,949 | ¥ 11,529 | ¥ (1,036) | \$ 92,127 | \$ 76,144 | \$ (6,842) |

Interest rate related

Not applicable.

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 | ¥ 42,536 | ¥ — | ¥ 632 | \$ 280,932 | \$ — | \$ 4,174 |
| Buying | 34,379 | — | (5) | 227,058 | — | (33) |

March 31, 2023

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 | ¥ 6,487 | ¥ 6,487 | ¥ (258) |

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 | ¥ 5,150 | ¥ — | ¥ (0) |

Commodity related

| | Millions of yen | | |
|---|--------------------------------|-----------------------|------------|
| | Contract or notional amount | Due after one year | Fair value |
| Forwards for inventories and commitments: | | | |
| Non-ferrous metals | | | |
| Selling | ¥ 19,041 | ¥ — | ¥ 829 |
| Buying | 9,482 | — | (387) |

6. Inventories

Inventories at March 31, 2024 and 2023 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|-----------|------------------------------|
| | 2024 | 2023 | 2024 |
| Merchandise and finished products | ¥ 220,470 | ¥ 215,662 | \$ 1,456,112 |
| Work-in-process | 2,552 | 2,612 | 16,854 |
| Raw materials and supplies | 26,467 | 35,689 | 174,803 |
| Total | ¥ 249,490 | ¥ 253,964 | \$ 1,647,777 |

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 ¥127 million (loss of \$838 thousand) and a net loss of ¥2,685 million for the years ended March 31, 2024 and 2023, respectively.

7. Pledged assets

At March 31, 2024 and 2023, assets pledged as collateral for loans payable in the amount of ¥4 million (\$26 thousand) and ¥262 million, respectively, for guaranty deposits, and for loans of third parties were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | 2024 | 2023 | 2024 |
| For loans payable: | | | |
| Land | ¥ 1,591 | ¥ 2,026 | \$ 10,507 |
| Buildings and structures, net of accumulated depreciation | 67 | 124 | 442 |
| Total | ¥ 1,658 | ¥ 2,150 | \$ 10,950 |
| For guaranty deposits: | | | |
| Cash and cash equivalents | ¥ 13 | ¥ 13 | \$ 85 |
| Investment securities | 11,683 | 7,317 | 77,161 |
| Total | ¥ 11,696 | ¥ 7,330 | \$ 77,247 |
| For loans of third parties: | | | |
| Investment securities | ¥ 3,949 | ¥ 10,992 | \$ 26,081 |
| Total | ¥ 3,949 | ¥ 10,992 | \$ 26,081 |

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, 2024 and 2023.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Companies' effective tax rate for financial state-

ment purposes for the years ended March 31, 2024 and 2023.

An aggregate statutory income tax rate for the year ended March 31, 2023 is omitted here because the difference between the aggregate statutory income tax rate and the Companies' effective tax rate was not more than 5% of the aggregate statutory income tax rate.

| | 2024 | 2023 |
|--|--------|------|
| Statutory tax rate: | 30.6 % | —% |
| Tax effect of permanent differences | 0.5 | — |
| Valuation allowance recognized for deferred tax assets | (1.6) | — |
| Consolidation adjustment for equity method | (1.8) | — |
| Difference in tax rates for consolidated subsidiaries | (1.0) | — |
| Other | 0.3 | — |
| Effective tax rate | 27.0 % | —% |

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Deferred tax assets: | | | |
| Temporary differences resulting from the merger with consolidated subsidiaries | ¥ 2,731 | ¥ 2,731 | \$ 18,037 |
| Tax losses carried forward | 2,321 | 1,434 | 15,329 |
| Loss on valuation of investment securities, currently not deductible | 1,529 | 1,324 | 10,098 |
| Loss on sale-repurchase agreements of land | 1,293 | 1,293 | 8,539 |
| Accrued bonuses to employees | 1,161 | 1,312 | 7,667 |
| Retirement benefit liability | 437 | 1,331 | 2,886 |
| Other | 7,284 | 8,112 | 48,107 |
| Total deferred tax assets | 16,760 | 17,541 | 110,692 |
| Valuation allowance | (10,607) | (10,031) | (70,054) |
| Net deferred tax assets | 6,152 | 7,510 | 40,631 |
| Deferred tax liabilities: | | | |
| Valuation difference on available-for-sale securities | 11,982 | 10,503 | 79,136 |
| Retained earnings of overseas subsidiaries and affiliates | 2,574 | 2,090 | 17,000 |
| Retirement benefit asset | 1,175 | — | 7,760 |
| Land revaluation difference, net of taxes unrealized gain | 867 | 871 | 5,726 |
| Other | 3,203 | 3,672 | 21,154 |
| Total deferred tax liabilities | 19,804 | 17,137 | 130,797 |
| Net deferred tax liabilities | ¥ 13,652 | ¥ 9,626 | \$ 90,165 |

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.

In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

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, 2024 and 2023 were 2.4% and 3.2%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing currencies. There was an outstanding balance of ¥45,358 million (\$299,570 thousand) and ¥61,194 million at March 31, 2024 and 2023,

respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of zero and ¥30,000 million at March 31, 2024 and 2023, respectively.

Bonds at March 31, 2024 and 2023, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Issued in 2018, 0.24% unsecured straight bonds, due 2023 | ¥ — | ¥ 10,000 | \$ — |
| Issued in 2018, 0.59% unsecured straight bonds, due 2028 | 10,000 | 10,000 | 66,045 |
| Issued in 2022, 0.41% unsecured straight bonds, due 2025 | 15,000 | 15,000 | 99,068 |
| Issued in 2022, 0.60% unsecured straight bonds, due 2027 | 5,000 | 5,000 | 33,022 |
| Issued in 2023, 0.35% unsecured straight bonds, due 2026 | 10,000 | — | 66,045 |
| Issued in 2023, 0.54% unsecured straight bonds, due 2028 | 10,000 | — | 66,045 |
| Total | ¥ 50,000 | ¥ 40,000 | \$ 330,229 |

Long-term loans payable at March 31, 2024 and 2023, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Loans from banks with weighted average interest rates of 0.8% and 0.8% at March 31, 2024 and 2023, respectively, maturing serially through 2059. | ¥ 266,679 | ¥ 246,776 | \$ 1,761,303 |
| Less amounts due within one year | (26,721) | (21,932) | (176,481) |
| Total | ¥ 239,957 | ¥ 224,843 | \$ 1,584,816 |

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, 2024 were as follows:

Years ending March 31

| | Millions of yen | | Thousands of U.S. dollars |
|------------|-----------------|-----------|---------------------------|
| | 2024 | 2023 | 2024 |
| 2025 | ¥ 26,721 | ¥ 30,105 | \$ 176,481 |
| 2026 | | 30,105 | 198,830 |
| 2027 | | 28,095 | 185,555 |
| 2028 | | 41,591 | 274,691 |
| 2029 | | 25,091 | 165,715 |
| Thereafter | | 115,074 | 760,015 |
| Total | ¥ 266,679 | ¥ 224,843 | \$ 1,584,816 |

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.

The Company has revised the formula of calculating the amount of benefits of its defined corporate pension plan from the final salary proportional method to the point-based method during the fiscal year ended March 31, 2024, applicable from April 1, 2024.

Under the revised defined benefit corporate pension plan,

the Company would provide employees lump-sum or pension benefits after determining the amount of benefits which are calculated according to the accumulated number of points awarded in accordance with the employees' duty or performance.

In providing pension benefits, the Company adopts a life pension system with a guarantee period of 20 years in which pension conversion rates vary according to market interest rates or a defined benefit pension system for 20 years.

Due to the above plan revision, past service costs have occurred during the fiscal year ended March 31, 2024.

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 the 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 |
|------------------------------|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 30,159 | ¥ 29,978 | \$ 199,187 |
| Service cost | 1,453 | 1,397 | 9,596 |
| Interest cost | 117 | 121 | 772 |
| Actuarial loss (gain) | (2,900) | (182) | (19,153) |
| Benefits paid | (1,210) | (1,130) | (7,991) |
| Past service costs | (3,004) | (43) | (19,840) |
| Other | (0) | 18 | (0) |
| Balance at end of year | ¥ 24,615 | ¥ 30,159 | \$ 162,571 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 27,130 | ¥ 26,696 | \$ 179,182 |
| Expected return on plan assets | 685 | 672 | 4,524 |
| Actuarial gain (loss) | 925 | (166) | 6,109 |
| Contributions paid by the employer | 901 | 1,105 | 5,950 |
| Benefits paid | (1,212) | (1,127) | (8,004) |
| Other | 5 | (50) | 33 |
| Balance at end of year | ¥ 28,435 | ¥ 27,130 | \$ 187,801 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Balance at beginning of year | ¥ 1,255 | ¥ 1,172 | \$ 8,288 |
| Retirement benefit costs | 172 | 210 | 1,135 |
| Benefits paid | (74) | (98) | (488) |
| Contributions paid by the employer | (40) | (40) | (264) |
| Other | 18 | 12 | 118 |
| Balance at end of year | ¥ 1,332 | ¥ 1,255 | \$ 8,797 |

(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 |
|--|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Funded retirement benefit obligations | ¥ 25,334 | ¥ 30,823 | \$ 167,320 |
| Plan assets | (29,021) | (27,670) | (191,671) |
| | (3,686) | 3,153 | (24,344) |
| Unfunded retirement benefit obligations | 1,198 | 1,131 | 7,912 |
| Total net liability (asset) for retirement benefits at end of year | (2,487) | 4,285 | (16,425) |
| Retirement benefit liability | 1,353 | 4,285 | 8,936 |
| Retirement benefit asset | (3,840) | — | (25,361) |
| Total net liability (asset) for retirement benefits at end of year | ¥ (2,487) | ¥ 4,285 | \$ (16,425) |

(5) Retirement benefit costs

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Service cost | ¥ 1,453 | ¥ 1,397 | \$ 9,596 |
| Interest cost | 117 | 121 | 772 |
| Expected return on plan assets | (685) | (672) | (4,524) |
| Net actuarial loss amortization | 640 | 884 | 4,226 |
| Past service costs amortization | (55) | (43) | (363) |
| Retirement benefit costs based on the simplified method | 172 | 210 | 1,135 |
| Extra retirement allowances | 176 | 0 | 1,162 |
| Other | (11) | (7) | (72) |
| Total retirement benefit costs | ¥ 1,807 | ¥ 1,890 | \$ 11,934 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|-------|---------------------------|
| | 2024 | 2023 | 2024 |
| Past service costs | ¥ 2,948 | ¥ — | \$ 19,470 |
| Actuarial gains and losses | 4,465 | 901 | 29,489 |
| Total | ¥ 7,413 | ¥ 901 | \$ 48,959 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Past service costs that are yet to be recognized | ¥ (2,948) | ¥ — | \$ (19,470) |
| Actuarial gains and losses that are yet to be recognized | (482) | 3,982 | (3,183) |
| Total balance at end of year | ¥ (3,430) | ¥ 3,982 | \$ (22,653) |

(8) Breakdown of plan assets

| | 2024 | 2023 |
|---------------------------|--------|--------|
| Bonds (*1) | 18.5% | 16.4% |
| Equity securities (*1) | 35.5 | 31.0 |
| Cash and cash equivalents | 3.6 | 4.0 |
| General account assets | 19.4 | 19.9 |
| Other (*2) | 23.0 | 28.7 |
| 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

| | 2024 | 2023 |
|-----------------------------------|------|------|
| Discount rate | 1.1% | 0.4% |
| Long-term expected rate of return | 2.5 | 2.5 |
| Expected salary increase rate | 4.8 | 3.1 |

(C) Defined contribution plans

The Companies were required to contribute ¥399 million (\$2,635 thousand) and ¥368 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, 2024 and 2023, respectively.

11. Contingent liabilities

At March 31, 2024 and 2023, the Companies were contingently liable as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Export letters of credit and trade notes (including export bills) discounted | ¥ 7,061 | ¥ 15,724 | \$ 46,634 |
| Electronically recorded monetary claims discounted | 237 | 169 | 1,565 |
| Trade notes endorsed | 146 | 114 | 964 |
| Electronically recorded monetary claims endorsed | 29 | — | 191 |
| Guarantees of indebtedness | 5,875 | 2,550 | 38,801 |

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 26, 2024, the shareholders approved cash dividends of ¥100.00 per share (\$0.66) amounting to ¥4,066 million (\$26,854 thousand). This appropriation had not been accrued in the consolidated financial statements as of March 31, 2024. 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 revalued land used for business activities at March 31, 2002.

Unrealized gain (loss) on land revaluation is recorded as 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, 2024, 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, 2024 and 2023:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Land | ¥ 930 | ¥ 14,277 | \$ 6,142 |
| Buildings and structures | 249 | 123 | 1,644 |
| Other | 24 | 16 | 158 |
| Total | ¥ 1,204 | ¥ 14,417 | \$ 7,951 |

14. Value added taxes for prior periods

Year ended March 31, 2024

Not applicable.

Year ended March 31, 2023

HANWA THAILAND CO., LTD. ("HKT") a consolidated subsidiary located in the Kingdom of Thailand, was audited by Thai Revenue Department ("TRD") with respect to value added tax for the tax years ended December 31, 2017 through December 31, 2020.

As a result, HKT received tax assessment letters issued by TRD dated March 9, 2022 for 2 million baht (¥11 million), May 11, 2022 for 0 million baht (¥2 million), May 23, 2022 for 12 million baht (¥45 million), September 27, 2022 for 83 million baht (¥314 million), February 3, 2023 for 802 million baht (¥3,008 million) and March 20, 2023 for 264 million baht (¥992 million), totaling 1,166 million baht (¥4,375 million), and recognized the same amount as expenses.

HKT regards all these corrective actions as unjust and unacceptable, and therefore filed an appeal with the Complaints Court of the Department of Revenue of Thailand by April 18, 2023. If the Thai authorities do not respond favorably to HKT's declarations, HKT intends to continue to assert the correctness of HKT's opinion in the Central Tax Court.

Payment of the tax amounts in each of the above cases has been substituted for the payment of provisional payments by the submission of payment guarantees from the banks with which HKT does business.

*The yen amounts are converted at the rate of ¥3.75=THB1.00, which is the average exchange rate during FY2022.

15. Other comprehensive income

Years ended March 31, 2024 and 2023

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 |
|--|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Valuation difference on available-for-sale securities, net of taxes: | | | |
| Increase (decrease) during the year | ¥ 9,169 | ¥ 10,517 | \$ 60,557 |
| Reclassification adjustments | (4,308) | (28) | (28,452) |
| Sub-total, before tax | 4,860 | 10,488 | 32,098 |
| Tax expense (benefit) | 1,480 | 3,241 | 9,774 |
| Sub-total, net of tax | 3,380 | 7,246 | 22,323 |
| Deferred gains or losses on hedges, net of taxes: | | | |
| Increase (decrease) during the year | 9,633 | 943 | 63,621 |
| Reclassification adjustments | (9,693) | 1,478 | (64,018) |
| Sub-total, before tax | (59) | 2,422 | (389) |
| Tax expense (benefit) | (16) | 747 | (105) |
| Sub-total, net of tax | (43) | 1,674 | (283) |
| Foreign currency translation adjustments: | | | |
| Increase (decrease) during the year | 5,515 | 8,100 | 36,424 |
| Reclassification adjustments | — | — | — |
| Sub-total, before tax | 5,515 | 8,100 | 36,424 |
| Tax expense (benefit) | 6 | 23 | 39 |
| Sub-total, net of tax | 5,508 | 8,077 | 36,378 |
| Remeasurements of defined benefit plans, net of taxes: | | | |
| Increase (decrease) during the year | 6,836 | (38) | 45,148 |
| Reclassification adjustments | 576 | 939 | 3,804 |
| Sub-total, before tax | 7,413 | 901 | 48,959 |
| Tax expense (benefit) | 2,269 | 275 | 14,985 |
| Sub-total, net of tax | 5,143 | 625 | 33,967 |
| Share of other comprehensive income of entities accounted for using equity method: | | | |
| Increase (decrease) during the year | 899 | 1,022 | 5,937 |
| Reclassification adjustments | (54) | (52) | (356) |
| Sub-total | 845 | 970 | 5,580 |
| Total other comprehensive income | ¥ 14,834 | ¥ 18,594 | \$ 97,972 |

16. Cash flow information

Major breakdown of assets and liabilities of companies which newly became consolidated subsidiaries through share acquisition.

Year ended March 31, 2024

Not applicable.

Year ended March 31, 2023

The assets and liabilities of a newly consolidated subsidiary at the start of consolidation and the reconciliation between the acquisition cost of shares and net cash proceeds from purchase of shares were as follows:

| | Millions of yen | |
|---|-----------------|---------|
| | 2023 | |
| Current assets | ¥ | 11,689 |
| Noncurrent assets | | 3,079 |
| Current liabilities | | (2,239) |
| Noncurrent liabilities | | (723) |
| Non-controlling interests | | (1,152) |
| Gain on bargain purchase | | (722) |
| Acquisition cost of shares | ¥ | 9,931 |
| Cash and cash equivalents of acquired companies | | (2,230) |
| Long-term accounts payable-other | | (300) |
| Net cash payments for acquisition of shares of a subsidiary | ¥ | 7,400 |

17. Leases

Operating leases

As Lessee

Obligations under non-cancelable operating leases as of March 31, 2024 and 2023 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|---------|---------------------------|
| | 2024 | 2023 | 2024 |
| Due within one year | ¥ 534 | ¥ 508 | \$ 3,526 |
| Due after one year | 7,391 | 7,819 | 48,814 |
| Total | ¥ 7,926 | ¥ 8,328 | \$ 52,347 |

18. 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 years ended March 31, 2024 and 2023. The table also includes a reconciliation of the disaggregated revenue with the Companies' reportable segments (see Note 19).

Year ended March 31, 2024

Millions of yen

| | Reportable segment | | | | | | | Other business | Total |
|-------|--------------------|---------------|-----------------|-----------|-----------------------------|-----------------------------|-------------|----------------|-------------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | |
| Japan | ¥ 983,631 | ¥ 115,486 | ¥ 99,401 | ¥ 95,194 | ¥ 244,778 | ¥ 1,976 | ¥ 1,540,470 | ¥ 111,087 | ¥ 1,651,557 |
| Asia | 123,872 | 75,551 | 13,090 | 6,861 | 88,938 | 282,720 | 591,034 | 828 | 591,863 |
| Other | 108,673 | 25,293 | 1,462 | 20,056 | 4,890 | 27,740 | 188,117 | 442 | 188,560 |
| Total | ¥ 1,216,177 | ¥ 216,332 | ¥ 113,954 | ¥ 122,113 | ¥ 338,607 | ¥ 312,437 | ¥ 2,319,622 | ¥ 112,358 | ¥ 2,431,980 |

Thousands of U.S. dollars

| | Reportable segment | | | | | | | Other business | Total |
|-------|--------------------|---------------|-----------------|------------|-----------------------------|-----------------------------|---------------|----------------|---------------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | |
| Japan | \$ 6,496,473 | \$ 762,736 | \$ 656,502 | \$ 628,716 | \$ 1,616,656 | \$ 13,050 | \$ 10,174,162 | \$ 733,683 | \$ 10,907,846 |
| Asia | 818,122 | 498,982 | 86,453 | 45,314 | 587,398 | 1,867,247 | 3,903,533 | 5,468 | 3,909,008 |
| Other | 717,739 | 167,049 | 9,655 | 132,461 | 32,296 | 183,211 | 1,242,434 | 2,919 | 1,245,360 |
| Total | \$ 8,032,342 | \$ 1,428,782 | \$ 752,618 | \$ 806,505 | \$ 2,236,358 | \$ 2,063,516 | \$ 15,320,137 | \$ 742,077 | \$ 16,062,215 |

1. "Other business" represents businesses such as the 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.

Year ended March 31, 2023

Millions of yen

| | Reportable segment | | | | | | | Other business | Total |
|-------|--------------------|---------------|-----------------|-----------|-----------------------------|-----------------------------|-------------|----------------|-------------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | |
| Japan | ¥ 960,394 | ¥ 172,494 | ¥ 111,785 | ¥ 94,025 | ¥ 263,528 | ¥ 2,060 | ¥ 1,604,288 | ¥ 139,639 | ¥ 1,743,928 |
| Asia | 157,259 | 77,640 | 30,588 | 8,033 | 77,036 | 348,224 | 698,783 | 1,724 | 700,507 |
| Other | 115,031 | 17,254 | 2,032 | 25,334 | 8,651 | 54,692 | 222,995 | 796 | 223,792 |
| Total | ¥ 1,232,686 | ¥ 267,389 | ¥ 144,406 | ¥ 127,392 | ¥ 349,216 | ¥ 404,976 | ¥ 2,526,068 | ¥ 142,160 | ¥ 2,668,228 |

1. "Other business" represents businesses such as the 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 for the years ended March 31, 2024 and 2023:

Year ended March 31, 2024

| | Millions of yen | | Thousands of U.S. dollars | |
|---|-----------------|---------------|---------------------------|---------------|
| | March 31, 2024 | April 1, 2023 | March 31, 2024 | April 1, 2023 |
| Receivables arising from contracts with customers | ¥ 539,849 | ¥ 501,863 | \$ 3,565,477 | \$ 3,314,596 |
| Trade notes | 22,620 | 14,510 | 149,395 | 95,832 |
| Electronically recorded monetary claims | 95,615 | 55,570 | 631,497 | 367,016 |
| Accounts receivable | 421,613 | 431,783 | 2,784,578 | 2,851,746 |
| Contract assets | ¥ 1,590 | ¥ 2,687 | \$ 10,501 | \$ 17,746 |
| Contract liabilities | ¥ 9,446 | ¥ 16,702 | \$ 62,386 | \$ 110,309 |

Year ended March 31, 2023

| | Millions of yen | |
|---|-----------------|---------------|
| | March 31, 2023 | April 1, 2022 |
| Receivables arising from contracts with customers | ¥ 501,863 | ¥ 575,445 |
| Trade notes | 14,510 | 20,148 |
| Electronically recorded monetary claims | 55,570 | 33,012 |
| Accounts receivable | 431,783 | 522,284 |
| Contract assets | ¥ 2,687 | ¥ 10 |
| Contract liabilities | ¥ 16,702 | ¥ 15,009 |

The contract assets primarily relate to the 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 in time when the services are provided.

The amount of ¥15,980 million (\$105,541 thousand) included in contract liabilities at 31 March 2023, and the amount of ¥12,530 million included in contract liabilities at 31 March 2022 have been recognized as revenue for the years ended March 31, 2024 and 2023, respectively.

The amounts of revenue recognized for the years ended March 31, 2024 and 2023 from performance obligations satisfied (or partially satisfied) in previous periods are 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, 2024 and 2023 was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|----------------|---------------------------|
| | March 31, 2024 | March 31, 2023 | March 31, 2024 |
| Within one year | ¥ 44,877 | ¥ 40,313 | \$ 296,393 |
| Over one year, within three years | 64,298 | 43,833 | 424,661 |
| Over three years, within five years | 45,588 | 32,964 | 301,089 |
| Over five years, within ten years | 77,651 | 70,251 | 512,852 |
| Over ten years | 93,230 | 63,720 | 615,745 |
| Total | ¥ 325,646 | ¥ 251,082 | \$ 2,150,756 |

The amounts mainly relate to commodity sales contracts in the steel business and energy and living materials business and construction contracts in the 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, 2024 and 2023, these are not presented.

19. 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)

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 the equity method. Intersegment transactions are presented based on the current market prices at the time of this report.

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2024 were as follows:

Year ended March 31, 2024

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 | ¥ 1,216,177 | ¥ 216,332 | ¥ 113,954 | ¥ 122,113 | ¥ 338,607 | ¥ 312,437 | ¥ 2,319,622 | ¥ 112,358 | ¥ 2,431,980 | — | ¥ 2,431,980 |
| Intersegment | 23,879 | 6,720 | 2,748 | 828 | 7,894 | 26,479 | 68,551 | 6,929 | 75,480 | (75,480) | — |
| Total | ¥ 1,240,056 | ¥ 223,052 | ¥ 116,702 | ¥ 122,941 | ¥ 346,502 | ¥ 338,917 | ¥ 2,388,173 | ¥ 119,287 | ¥ 2,507,461 | ¥ (75,480) | ¥ 2,431,980 |
| Segment income | ¥ 25,617 | ¥ 8,670 | ¥ 1,134 | ¥ 1,331 | ¥ 6,563 | ¥ 7,820 | ¥ 51,136 | ¥ 3,609 | ¥ 54,746 | ¥ (6,470) | ¥ 48,276 |
| Assets | ¥ 627,492 | ¥ 115,035 | ¥ 40,371 | ¥ 70,901 | ¥ 69,605 | ¥ 76,006 | ¥ 999,412 | ¥ 38,602 | ¥ 1,038,015 | ¥ 128,971 | ¥ 1,166,986 |
| Depreciation | 6,395 | 100 | 382 | 186 | 376 | 667 | 8,109 | 658 | 8,768 | 590 | 9,358 |
| Amortization of goodwill | 78 | — | — | — | — | — | 78 | — | 78 | — | 78 |
| Interest income | 730 | 1,096 | 2 | 20 | 99 | 2,668 | 4,619 | 13 | 4,632 | 143 | 4,775 |
| Interest expenses | 5,646 | 1,519 | 571 | 753 | 450 | 1,857 | 10,797 | 220 | 11,018 | (2,263) | 8,754 |
| Share of profit (loss) of entities accounted for using the equity method | (675) | 3,094 | 59 | — | 117 | 936 | 3,532 | — | 3,532 | — | 3,532 |
| Investment for entities accounted for equity method | 8,770 | 7,018 | 582 | — | 1,059 | 4,693 | 22,125 | — | 22,125 | — | 22,125 |
| Increase in property and equipment | 7,660 | 90 | 623 | 139 | 580 | 1,813 | 10,906 | 976 | 11,882 | 497 | 12,380 |

Year ended March 31, 2024

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 | \$ 8,032,342 | \$ 1,428,782 | \$ 752,618 | \$ 806,505 | \$ 2,236,358 | \$ 2,063,516 | \$ 15,320,137 | \$ 742,077 | \$ 16,062,215 | \$ — | \$ 16,062,215 |
| Intersegment | 157,710 | 44,382 | 18,149 | 5,468 | 52,136 | 174,882 | 452,750 | 45,763 | 498,513 | (498,513) | — |
| Total | \$ 8,190,053 | \$ 1,473,165 | \$ 770,768 | \$ 811,974 | \$ 2,288,501 | \$ 2,238,405 | \$ 15,772,888 | \$ 787,840 | \$ 16,560,735 | \$ (498,513) | \$ 16,062,215 |
| Segment income | \$ 169,189 | \$ 57,261 | \$ 7,489 | \$ 8,790 | \$ 43,345 | \$ 51,647 | \$ 337,731 | \$ 23,835 | \$ 361,574 | \$ (42,731) | \$ 318,842 |
| Assets | \$ 4,144,323 | \$ 759,758 | \$ 266,633 | \$ 468,271 | \$ 459,712 | \$ 501,987 | \$ 6,600,700 | \$ 254,950 | \$ 6,855,656 | \$ 851,799 | \$ 7,707,456 |
| Depreciation | 42,236 | 660 | 2,522 | 1,228 | 2,483 | 4,405 | 53,556 | 4,345 | 57,908 | 3,896 | 61,805 |
| Amortization of goodwill | 515 | — | — | — | — | — | 515 | — | 515 | — | 515 |
| Interest income | 4,821 | 7,238 | 13 | 132 | 653 | 17,621 | 30,506 | 85 | 30,592 | 944 | 31,536 |
| Interest expenses | 37,289 | 10,032 | 3,771 | 4,973 | 2,972 | 12,264 | 71,309 | 1,453 | 72,769 | (14,946) | 57,816 |
| Share of profit (loss) of entities accounted for using the equity method | (4,458) | 20,434 | 389 | — | 772 | 6,181 | 23,327 | — | 23,327 | — | 23,327 |
| Investment for entities accounted for equity method | 57,922 | 46,350 | 3,843 | — | 6,994 | 30,995 | 146,126 | — | 146,126 | — | 146,126 |
| Increase in property and equipment | 50,591 | 594 | 4,114 | 918 | 3,830 | 11,974 | 72,029 | 6,446 | 78,475 | 3,282 | 81,764 |

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 ¥6,470 million (\$42,731 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 ¥128,971 million (\$851,799 thousand) 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 ¥590 million (\$3,896 thousand) include mainly depreciation and amortization expenses of Group assets.
- (4) Adjustments for interest income and interest expenses amounting to ¥143 million (\$944 thousand) and negative ¥2,263 million (\$14,946 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 ¥497 million (\$3,282 thousand) are increases in Group assets.

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2023 were as follows:

Year ended March 31, 2023

Millions of yen

| | Reportable segment | | | | | | Total | Other business | Total | Adjustment | Consolidated |
|--|--------------------|---------------|-----------------|-----------|-----------------------------|-----------------------------|-------------|----------------|-------------|------------|--------------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | | | | | |
| Net sales | ¥ 1,232,686 | ¥ 267,389 | ¥ 144,406 | ¥ 127,392 | ¥ 349,216 | ¥ 404,976 | ¥ 2,526,068 | ¥ 142,160 | ¥ 2,668,228 | — | ¥ 2,668,228 |
| Intersegment | 29,444 | 6,647 | 2,784 | 1,186 | 11,759 | 44,233 | 96,056 | 3,880 | 99,937 | (99,937) | — |
| Total | ¥ 1,262,130 | ¥ 274,037 | ¥ 147,191 | ¥ 128,578 | ¥ 360,976 | ¥ 449,210 | ¥ 2,622,125 | ¥ 146,040 | ¥ 2,768,165 | ¥ (99,937) | ¥ 2,668,228 |
| Segment income (loss) | ¥ 28,477 | ¥ 13,934 | ¥ 6,135 | ¥ (960) | ¥ 11,574 | ¥ 7,278 | ¥ 66,439 | ¥ 3,083 | ¥ 69,522 | ¥ (5,249) | ¥ 64,272 |
| Assets | ¥ 589,143 | ¥ 156,421 | ¥ 45,586 | ¥ 66,113 | ¥ 57,355 | ¥ 87,403 | ¥ 1,002,025 | ¥ 43,615 | ¥ 1,045,640 | ¥ 112,107 | ¥ 1,157,747 |
| Depreciation | 5,523 | 25 | 285 | 108 | 234 | 577 | 6,754 | 499 | 7,253 | 114 | 7,368 |
| Amortization of goodwill | 193 | — | — | — | — | — | 193 | — | 193 | — | 193 |
| Interest income | 914 | 1,448 | 0 | 3 | 43 | 1,389 | 3,798 | 0 | 3,799 | (122) | 3,676 |
| Interest expenses | 5,711 | 10,052 | 831 | 699 | 547 | 1,351 | 19,193 | 317 | 19,510 | (9,540) | 9,969 |
| Share of profit (loss) of entities accounted for using the equity method | (419) | 3,246 | 96 | — | 128 | 1,142 | 4,194 | — | 4,194 | — | 4,194 |
| Investment for entities accounted for equity method | 8,007 | 4,229 | 484 | — | 942 | 3,514 | 17,177 | — | 17,177 | — | 17,177 |
| Increase in property and equipment | 15,327 | 233 | 476 | 401 | 363 | 809 | 17,612 | 4,136 | 21,748 | 430 | 22,179 |

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 ¥5,249 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 ¥112,107 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 ¥114 million include mainly depreciation and amortization expenses of Group assets.

(4) Adjustments for interest income and interest expenses amounting to negative ¥122 million and negative ¥9,540 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 ¥430 million are increases in Group assets.

(B) Related information**Product information**

Net sales information by products for the years ended March 31, 2024 and 2023 were as follows:

Year ended March 31, 2024

Millions of yen

| | Steel | Metals and alloys | Non-ferrous metals | Food | Petroleum and chemicals | Other | Total |
|---------------------------------|-------------|-------------------|--------------------|-----------|-------------------------|-----------|-------------|
| Net sales to external customers | ¥ 1,388,159 | ¥ 159,235 | ¥ 262,207 | ¥ 124,483 | ¥ 360,559 | ¥ 137,334 | ¥ 2,431,980 |

Year ended March 31, 2024

Thousands of U.S. dollars

| | Steel | Metals and alloys | Non-ferrous metals | Food | Petroleum and chemicals | Other | Total |
|---------------------------------|--------------|-------------------|--------------------|------------|-------------------------|------------|---------------|
| Net sales to external customers | \$ 9,168,212 | \$ 1,051,680 | \$ 1,731,768 | \$ 822,158 | \$ 2,381,342 | \$ 907,033 | \$ 16,062,215 |

Year ended March 31, 2023

Millions of yen

| | Steel | Metals and alloys | Non-ferrous metals | Food | Petroleum and chemicals | Other | Total |
|---------------------------------|-------------|-------------------|--------------------|-----------|-------------------------|-----------|-------------|
| Net sales to external customers | ¥ 1,503,671 | ¥ 277,833 | ¥ 241,610 | ¥ 129,493 | ¥ 364,252 | ¥ 151,366 | ¥ 2,668,228 |

Geographic information

(1) Net sales in different countries for the years ended March 31, 2023 and 2022 were as follows:

Year ended March 31, 2024

Millions of yen

| | Japan | Asia | Other | Total |
|---------------------------------|-------------|-----------|-----------|-------------|
| Net sales to external customers | ¥ 1,651,557 | ¥ 591,863 | ¥ 188,560 | ¥ 2,431,980 |

Year ended March 31, 2024

Thousands of U.S. dollars

| | Japan | Asia | Other | Total |
|---------------------------------|---------------|--------------|--------------|---------------|
| Net sales to external customers | \$ 10,907,846 | \$ 3,909,008 | \$ 1,245,360 | \$ 16,062,215 |

Year ended March 31, 2023

Millions of yen

| | Japan | Asia | Other | Total |
|---------------------------------|-------------|-----------|-----------|-------------|
| Net sales to external customers | ¥ 1,743,928 | ¥ 700,507 | ¥ 223,792 | ¥ 2,668,228 |

(2) Property and equipment in different countries for the years ended March 31, 2023 and 2022 were as follows:

Year ended March 31, 2024

Millions of yen

| | Japan | Asia | Other | Total |
|------------------------|----------|----------|---------|----------|
| Property and equipment | ¥ 73,165 | ¥ 12,113 | ¥ 3,665 | ¥ 88,945 |

Year ended March 31, 2024

Thousands of U.S. dollars

| | Japan | Asia | Other | Total |
|------------------------|------------|-----------|-----------|------------|
| Property and equipment | \$ 483,224 | \$ 80,001 | \$ 24,205 | \$ 587,444 |

Year ended March 31, 2023

Millions of yen

| | Japan | Asia | Other | Total |
|------------------------|----------|----------|---------|----------|
| Property and equipment | ¥ 73,137 | ¥ 11,206 | ¥ 2,773 | ¥ 87,117 |

Loss on impairment of property and equipment by reportable segment

Loss on impairment of property and equipment by reportable segment for the years ended March 31, 2024 and 2023 was as follows:

Year ended March 31, 2024

The information is omitted because the monetary materiality is minimal.

Year ended March 31, 2023

Not applicable.

Outstanding balance of goodwill and amortization of goodwill by reportable segment

Outstanding balance of goodwill for the years ended March 31, 2024 and 2023 was as follows:

Year ended March 31, 2024

Millions of yen

| | Reportable segment | | | | | | | Other business | Adjustment | Total |
|------------------------|--------------------|---------------|-----------------|------|-----------------------------|-----------------------------|-------|----------------|------------|-------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | | |
| Balance at end of year | ¥ 39 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 39 | ¥ — | ¥ — | ¥ 39 |

Year ended March 31, 2024

Thousands of U.S.dollars

| | Reportable segment | | | | | | | Other business | Adjustment | Total |
|------------------------|--------------------|---------------|-----------------|------|-----------------------------|-----------------------------|--------|----------------|------------|--------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | | |
| Balance at end of year | \$ 257 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 257 | \$ — | \$ — | \$ 257 |

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

Year ended March 31, 2023

Millions of yen

| | Reportable segment | | | | | | | Other business | Adjustment | Total |
|------------------------|--------------------|---------------|-----------------|------|-----------------------------|-----------------------------|-------|----------------|------------|-------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | | |
| Balance at end of year | ¥ 111 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 111 | ¥ — | ¥ — | ¥ 111 |

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

Gain on negative goodwill by reportable segment

Gain on negative goodwill by reportable segment for the years ended March 31, 2024 and 2023 was as follows:

Year ended March 31, 2024

Not applicable.

Year ended March 31, 2023

Millions of yen

| | Reportable segment | | | | | | | Other business | Adjustment | Total |
|---------------------------|--------------------|---------------|-----------------|------|-----------------------------|-----------------------------|-------|----------------|------------|-------|
| | Steel | Primary metal | Metal recycling | Food | Energy and living materials | Overseas sales subsidiaries | Total | | | |
| Gain on negative goodwill | ¥ 722 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 722 | ¥ — | ¥ — | ¥ 722 |

20. Related party information

(A) Related party transactions Year ended March 31, 2024

| Type | Name | Voting rights held (%) | Relationship with the related parties | Transactions | Amount | Account name | Balance as of March 31, 2024 |
|---------|-----------------|------------------------|---|--|------------------------------|--------------|------------------------------|
| Officer | Yasumichi Kato | Direct ownership 0.1% | Representative Director, Chairman of the Company | Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1) | ¥ 15 million (\$99 thousand) | — | — |
| Officer | Yoichi Nakagawa | Direct ownership 0.0% | Representative Director, President of the Company | Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1) | ¥ 15 million (\$99 thousand) | — | — |

Note 1: In-kind contribution of monetary compensation claims associated with restricted stock remuneration plan.

Year ended March 31, 2023

Not applicable.

(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, 2024 and 2023, was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------|-----------------|----------|---------------------------|
| | 2024 | 2023 | 2024 |
| Total current assets | ¥ 104,857 | ¥ 97,074 | \$ 692,536 |
| Total noncurrent assets | 78,827 | 81,598 | 520,619 |
| Total current liabilities | 90,283 | 79,736 | 596,281 |
| Total noncurrent liabilities | 34,186 | 45,888 | 225,784 |
| Total net assets | 59,215 | 53,047 | 391,090 |
| Net sales | 338,387 | 288,272 | 2,234,905 |
| Income before income taxes | 12,692 | 15,053 | 83,825 |
| Net income | 9,874 | 10,380 | 65,213 |



Independent Auditor's Report

Hanwa Co.,Ltd. and Subsidiaries

For the Years Ended March 31,
2024 and 2023

KPMG AZSA LLC
August 2024

This independent auditor's report prepared by KPMG AZSA LLC (including the one that is signed with electronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.



Independent auditor's report

To the Board of Directors of Hanwa Co., Ltd.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hanwa Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2024 and 2023, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of an accounting period in which net sales were recognized from direct shipping transactions in the steel business of Hanwa Co., Ltd.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The steel business is the core businesses of the Group. Net sales from direct shipping transactions in the steel business of the Company, which mainly engages in the steel | The primary procedures we performed to assess the appropriateness of an accounting period in which net sales were recognized from the direct shipping |

business, accounts for approximately one third of net sales.

As described in Note 2, "Significant accounting policies, Accounting policy for recognition of significant revenues and expenses" to the consolidated financial statements, sales from the sale of products are recognized at the time when the delivery or inspection of goods is completed. For the direct shipping transactions in the steel business, the Group recognizes sales on the date of shipment from suppliers to customers.

In applying the accounting standard for revenue recognition, there is a potential risk that sales from direct shipping transactions are not recognized in the appropriate accounting period for the following reasons:

- As sales are recognized based on the communication from the product suppliers, the product shipping date cannot be tracked in a timely manner and the sales recognition may be delayed.
- As the Group only makes shipment instructions to the product suppliers and does not directly conduct shipping operations, sales may be recognized without any fact of shipment.

We, therefore, determined that our assessment of the appropriateness of an accounting period in which net sales were recognized from the direct shipping transactions in the steel business of the Company was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

transactions in the steel business of the Company included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the process of recognizing net sales related to the direct shipping transactions of the Company. In this assessment, we focused our testing on controls designed to confirm the fact that products were shipped.

(2) Assessment of whether sales were recognized in the appropriate accounting period

In order to assess whether net sales were recognized in the appropriate accounting period, for selected transactions that might cover multiple fiscal years or had a higher risk of exception considering the level of profit margin and the status of receivable collection, among others, we:

agreed the dates indicated on the evidence showing the shipment from the supplier with the dates of sales recognition.

Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. We did not perform any work on the other information as we concluded such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and network firms for audit and non-audit services provided to the Company and its subsidiaries for the current year are 154 million yen and 24 million yen, respectively

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Narumoto Koji

Designated Engagement Partner

Certified Public Accountant

Tatsuta Yoshinori

Designated Engagement Partner

Certified Public Accountant

Tomohiro Yamanaka

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

August 5, 2024