

# 2024

INTEGRATED  
R E P O R T



Connecting All  
Wants and Needs



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# For Users, With Users



## Corporate Philosophy

Coping swiftly with changes in the times and the market, we, as a “distribution specialist”, aspire to make a broad contribution to society by satisfying various needs of customers.

Today’s marketplace is becoming faster and more diverse in its needs. Therefore, the changes are also becoming larger, and the quick response is required.

In this market, we will pursue value creation and customer satisfaction by strengthening our business development capabilities and responding quickly, in addition to our more than 70 years of experience and achievements in the field of “distribution”.

Furthermore, we believe that our business will contribute to the international and local communities, and we are committed compliance-oriented management and fulfillment of our social responsibilities. Through these activities, we will make a broad contribution to society by nurturing a corporate culture that will enhance the value and reliability of our Company.

## Corporate Policy

- Accomplishment of social responsibilities**  
We will contribute to international and local communities through our business activities with sound management that emphasizes compliance.
- Improvement of “Hanwa’s Value”**  
We will enhance our corporate value steadily by effective utilization of the management resources offered from various stakeholders.
- Pursuit of trading company distribution with strong presence**  
On a customer-oriented policy, we pursue lasting customer satisfaction by providing high value-added product distribution and proposal-based marketing.

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## President's Message

“ We aim to transform into a “supply chain creation company” that contributes to the realization of a sustainable society through management that is conscious of the balance between “offense” and “defense.” ”

Yoichi Nakagawa

Representative Director and President



### Environmental measures, shift to EVs – responding to the changing times from a medium- to long-term perspective

The first year of the Medium-Term Business Plan 2025, which started in FY2023 is now behind us. Under the theme of “Run up to HANWA 2030 ~Soar into the next stage challenging the status quo~,” we are pushing forward with our Group-wide efforts to soar even higher on the back of the various challenges we have taken on thus far, in anticipation of further growth as we head toward 2030.

First, looking back at the global economic trends surrounding Hanwa over the past year, the business environment remained highly uncertain. We were faced with the risk of disruptions in the supply chain, which serves as the backbone of our business as a trading company, the “distribution specialist,” and the subsequent risk of fluctuations in commodity and resource prices. Additionally, conflict between countries, particularly in Ukraine and the Middle East, are showing no signs of ending, and exchange rates and interest rates remain unstable. In China, despite various economic stimulus measures, the impact of US-China friction and its sluggish real estate market has led to an economic downturn, which has had a negative impact on other emerging countries.

Meanwhile, the Japanese economy, bolstered by factors such as improvement in consumer sentiment due to the end of the COVID-19 pandemic and the steady employment situation, showed signs of recovery primarily in private consumption, amid a pickup in demand from foreign visitors to Japan and expectations for wage increases.

In this environment, demand for steel and scrap decreased due partly

to the uncertain outlook, while prices of commodities such as steel, non-ferrous metals, and petroleum products remained low compared to the previous fiscal year. As a result, in the fiscal year ended March 31, 2024, net sales decreased 9% year-on-year to ¥2,431.9 billion, and ordinary income decreased 25% year-on-year to ¥48.2 billion amid a drop in dividend income from strategic investments, accounting for 96% of our full-year target of ¥50.0 billion.

Going forward, the global economy is expected to continue facing various risks such as prolonged friction between the United States and China and the accompanying economic sanctions. As for Japan, it will be necessary to closely monitor the impact from labor shortages and cost increases in the fields in which we operate, including the “2024 problem” (overtime restrictions for truck drivers) in the construction and transportation industries.

At the same time, there is a major push for the realization of a decarbonized society and a shift toward environmentally friendly energy. Against this backdrop, expectations and needs remain high in our biomass energy business and in our metal recycling business, which utilizes our extensive network in Japan and overseas. As such, we are working to further strengthen these operations through M&As and investments among other means. Furthermore, “BATTERY GLOBAL GROUP for ELECTRIFICATION” is steadily operating its business activities following its launch last year, in order to globally expand upstream, downstream, and recycling operations mainly in the primary metal business in the field of secondary batteries for electric vehicles (EVs). The EV market has been

somewhat stagnant in Europe as the demand has been curbed by technical challenges and the end of subsidies. Even so, addressing environmental issues should be prioritized, and the shift toward EVs is likely to continue. While Japan has lagged a little behind in the EV area, the slowdown of leading manufacturers has brought forth new opportunities. This means we will also focus on the battery business and ramp up initiatives to grow it into one of the major pillars of our business.

### Strengthening risk management structure for better balance sheet and cash flows

The Company has solidified its presence as a “user-oriented trading company” that meets the needs of its business partners by addressing the challenges faced by each industry and workplace, such as declining domestic demand for steel, intensifying competition for resources, and social demands for decarbonization, based on a thorough user-first principle and hands-on approach. In addition, we have been promoting sales that respond to customers’ needs in detail epitomized in our “SOKOKA” (Just-in-Time delivery, small lot, processing) strategy and practicing “M&A plus A (alliances)” to promote the acquisition of outstanding companies specializing in processing and small-lot logistics and forming business alliances in order to promote the SOKOKA strategy. Furthermore, under the slogan of “Create another Hanwa in Southeast Asia,” we have made various preemptive moves in response to the changing times, such as developing a SOKOKA strategy for ASEAN countries, where local production for local consumption of steel is increasing.

Going forward, our focus will be on strengthening our “defenses” to enable us to take “offensive” measures, such as further enhancing our risk management structure to respond to risks that are increasing in scale and complexity.

Following on from the previous Medium-Term Plan, the basic policy of the current Medium-Term Plan can be likened to the structure of a building, with “Sustainability management” as the foundation, “Enhancement of management foundation” on the first floor, “Development of business strategy” on the second floor, and “Generate profits from investment” on the third floor. The basic policy defines the strengthening of our foundations to support further growth and business strategies without being bound by our existing framework.

First, with regard to “Enhancement of management foundation,” we have been establishing a financial base that is conscious of the balance between “offense” and “defense” for sustainable growth. Our capital adequacy ratio, having fallen to the 10% level at one point, recovered to the 30% level in the fiscal year ended March 31, 2024, and interest-bearing liabilities decreased by 4% year-on-year. As a result, net DER decreased from 100% at the end of the previous fiscal year to 80%, and ROE came to 13.4%, reaching the target level set in the current Medium-Term Plan.

Despite recording a decrease in revenue and profits on the statement of income in FY2023, we made steady progress with efforts to strengthen the balance sheet. Going forward, we will focus on further strengthening our balance sheet and improving cash flows to ensure that we are a strong company that will not be shaken by unprecedented circumstances, with

## President's Message

the goal of raising both credit ratings to "A" (currently "A" by JCR and "A-" by R&I).

In the current Medium-Term Plan, our dividend policy, which is one way of returning profit to shareholders, calls for the enhancement of shareholder returns over the medium term by implementing stable and progressive dividends with a minimum DOE of 2.5%, in addition to flexible purchases of treasury stock, etc. In FY2023, we increased the annual dividend per share by ¥15 from the most recent dividend forecast to ¥185, taking into account additional profits and cash generated from the sale of cross-shareholdings. In addition, we acquired roughly ¥2.0 billion in treasury stock in May 2024. For FY2024, we forecast both revenue and profits to increase, with net sales of ¥2,800 billion and ordinary income of ¥60.0 billion. Accordingly, we plan to further enhance shareholder returns with an annual dividend of ¥210 per share.

To strengthen our risk management structure, in April 2024 we officially established the Risk Management Department responsible for company-wide risk management. Ongoing measures include balancing individual management to suit each type of risk with comprehensive risk management and optimizing them, as well as pursuing more advanced exposure management. By taking and managing appropriate risks, we are taking steps to build a foundation that promotes and supports sustainable growth through appropriate investments and loans and business expansion.

### Proactively investing in growth areas to strengthen our competitiveness in various business fields

We are already seeing the results in various fields in terms of the "Development of business strategy" and "Generate profits from investment."

In our mainstay steel business, we plan to expand our fields in Japan by deepening our SOKOKA strategy, shift from being a materials wholesaler to being a high-value-added processed goods seller by upgrading our processing capabilities, and strengthen our solutions function. To achieve this, efforts are underway to improve the efficiency of our logistics and production systems with the aim of improving synergies with partner companies, and to integrate core systems throughout the Group.

Overseas, we have jointly acquired a controlling interest in an Indonesian electric furnace steelmaker with the Yamato Kogyo Group, which operates its electric furnace steelmaking business globally, with the aim of increasing our presence in the growing Indonesian steel market. Furthermore, we have also invested in PT Dexin Steel Indonesia, based in Sulawesi, Indonesia. Its No.3 blast furnace began operation in September 2023. The focus will be on expanding sales of slabs, billets, wire rods, and round bars manufactured by the company to customers both inside and outside Indonesia, and we will strive to strengthen our foundation for businesses based on local production for local consumption under the concept of "Create another Hanwa in Southeast Asia."

In the metal recycling business, an agreement was reached with South Korea-based SEBITCHEM in March 2024 as a new initiative, to form a strategic alliance for recycling lithium-ion battery (LIB) waste. Our aim is to work in response to the global trend toward decarbonization as well as

the growing demand for EV batteries expected to witness continued growth and the need to utilize recycled materials generated in the process. By collaboration with the primary metal business, promoting the recycling of various metals and securing their sources, we will work comprehensively to build a closed loop. We have been involved in recycling and other operations for waste substrates (E-scrap) such as those in PCs and home appliances, also known as "urban mines," from an early stage. As such, we have a strong competitive advantage in this business, including the recycling expertise we have accumulated over many years. We will continue to actively promote recycling transformation with an eye to developing it into one of Japan's largest metal recycling businesses and thus making further contributions to society.

In the food products business, we are strengthening our cooperation with Group companies that have processing functions as part of efforts to deepen the food version of our SOKOKA strategy. With Japanese ingredients also proving popular overseas, Japanese food and beverage chains are accelerating their moves to expand overseas. Against this backdrop, we are also strengthening our sales capabilities in the ASEAN region, where population growth is expected, as well as other overseas locations with an eye to building partnerships with local business operators.

In the energy & living materials business, efforts are being made on biomass energy, particularly palm kernel shells (PKS) and wood chips. This year, we increased our vessels for the exclusive use for the transportation of biomass energy, bringing the number to three. Our operations are currently centered on Japan and the ASEAN region, particularly Indonesia, but we aim to expand this procurement network not only in ASEAN, but also worldwide in the future.

In our lumber business, we are strengthening our processing functions and supply network, with a focus on lumber for housing manufacturers and general construction firms, an initiative we have dubbed "Lumber SOKOKA + Construction." While doing so, in FY2024 the department of steel sales for housing manufacturers were integrated to form the "Housing Materials Department," which was reorganized into one that provides a one-stop housing-related materials supply service, thereby strengthening our sales capabilities. We also supply materials for the "Grand Ring," one of the world's largest wooden buildings and a symbolic facility for the Expo 2025 Osaka, Kansai, Japan to be held in 2025, and we truly hope it attracts a great deal of attention.

Also, in the machinery business, an agreement was reached in February 2024 to acquire a 100% stake in SHINX, a company that handles processing machinery for wood and steel materials, expected to serve as a new growth driver. In response to the growing need for labor saving, we will strengthen the machinery business while utilizing our customer network.

With regard to overseas sales subsidiaries, we have been making efforts to increase the presence of our steel business in the ASEAN region, and we feel that we are getting gradually closer to our goal of "Create another Hanwa in Southeast Asia," including the synergic benefits we can expect from the investments mentioned above. We will also work to raise awareness of the Hanwa brand in non-steel businesses.

In the current Medium-Term Plan, we have set an investment and lending capacity of ¥80.0 billion aimed at driving future growth. The business areas on which focus is placed for building and strengthening supply chains are environmentally responsible resources, secondary battery, high-value-added processed goods, and local production for local consumption business. We also plan to continuously make investments in strengthening and streamlining supply chains and expanding and upgrading facilities for existing businesses in Japan.

Investment in FY2023 amounted to ¥15.6 billion, which accounts for 18% of our capacity target on a cash basis. With further cash outflows planned for FY2024, we sold cross-shareholdings and reshuffled assets in light of the possibility of the investments and loan amount already exceeding our plan of ¥80.0 billion for the period of the current Medium-Term Plan. In addition to investments, we intend to deepen discussion on making more effective use of our cash and assets, including shareholder returns and employee compensation.

### Establishment of a fair and highly transparent evaluation system that incorporates ROIC in the personnel system

Human resources are the most important element of our management foundation when it comes to carrying out initiatives for "Development of business strategy" and "Generate profits from investments" to achieve our vision. In particular, with regard to "strengthening human resources," a trading company's greatest treasure, Hanwa Business School (HKBS), a corporate university we opened in 2022, is now in its third year, and is carrying out new initiatives to secure and develop diverse human resources.

One of these initiatives involves collaboration with the personnel system. Making attendance of relevant curriculums at the School a condition for receiving a promotion, etc. leads to an increase in the significance of and motivation toward learning, thereby serving as a measure aimed at realizing a fair personnel system that "rewards people who work hard."

Furthermore, as stated in the current Medium-Term Plan, we use ROIC (return on invested capital) as part of efforts to implement "management that is conscious of cost of capital and stock price." From this fiscal year, we will also start linking ROIC to performance evaluations. Evaluations factor in not only the size of net sales and profits, but also the amount of profit generated from the capital used, taking capital efficiency into consideration. However, because we operate businesses in a variety of fields, we do not apply uniform company-wide indicators. Instead, we have a system in place that assesses the characteristics of each industry and division and evaluates their rate of growth and degree of improvement.

Many of our employees perform their work with enthusiasm, and we intend to further increase learning opportunities beyond HKBS so that each employee can start improving ROIC and independently build their careers while taking pride in their work.

We are also strengthening our governance, which serves as the foundation of all of our corporate activities. As part of these efforts, we have delegated further authority to the Management Committee, which is responsible for business execution, and reduced the number of Board members in order to stimulate more lively discussions at Board of Directors



meetings. Additionally, we are reviewing our officer evaluation system with an eye to realizing more multi-layered and accurate evaluations. With regard to the Board of Directors, we have also begun to implement measures geared toward improving effectiveness. For example, from the second half of FY2023, use of videos has been introduced as a tool to explain agenda items, etc., allowing Directors to check details by watching the videos prior to meetings. This has enabled us to shorten the time needed for explanations at Board of Directors meetings and secure time to focus on discussions.

### Striving to contribute to the realization of a sustainable, sound material-cycle society by playing a central role in the supply chain

The current Medium-Term Plan sets the ordinary income of ¥70.0 billion as the FY2025 target, which we consider achievable through various initiatives and measures such as these that help strengthen our foundations. After this fiscal year and the next, the second and the third year of the Plan respectively, we envision an ordinary income target of ¥100.0 billion for the next Medium-Term Plan. Moreover, in order to achieve further growth as we head toward 2030, we have set our vision for 2030 as "transform from a steel trading company into a supply chain creation company." Our vision is to become a trading company that contributes to the realization of a sustainable society by building a supply chain that connects all "Wants and Needs."

As mentioned earlier, the risk of supply chain disruption is expected to remain. Under this uncertain situation in which a business might suddenly disappear, our focus should not be on trading goods alone, but also on connecting with users by becoming a core part of the supply chain for various businesses. On this front, we have begun to see some results in Indonesia in the ASEAN region. We are also working to strengthen our supply chains at locations outside the ASEAN region, such as by appointing a new director in charge of our European business. Amidst such efforts, our presence in environmentally-friendly business fields such as recycling is likely to become even more prominent. We will place further focus on areas where we can leverage such strengths.

In order to achieve sustainable growth, we will foster employee satisfaction and contribute to their well-being, increase opportunities for dialogue with investors, and have officers, including myself as President, proactively communicate "what Hanwa is thinking and what we are trying to do." We will steadily carry out our strategies in order to reach the next stage and realize our vision. I hope that you will have high hopes for the future of Hanwa, and kindly ask for your continued support.



## Roundtable Discussion Between Female Outside Director and Female Managers



**Mariko Yamaoka**

Section Manager, Project Sect.,  
Project Dept.

**Reiko Furukawa**

Outside Director

**Hiroko Otsuka**

Section Manager,  
Trade Administration Sect. Tokyo,  
Trade Administration Dept.

**Noriko Kobayashi**

Section Manager,  
Steel Sheets Sales Sect.,  
Steel Sheets Sales Dept.

“ We aim to go beyond providing an ideal workplace that allows women to work for many years, and become a company where they can truly play an active role. ”

Hanwa incorporates human capital management to address themes such as diversity and work style reform etc..

In this section, we present the lively discussion held between our female outside director and female managers who work on the front lines about the promotion of women's participation and career advancement in the workplace, which is core to diversity.

### Facing each subordinate on equal footing regardless of gender, age, nationality, or career history

**Furukawa** I think this is the first time we have met all one other. I will start off by briefly introducing myself. I joined an IT company as a new graduate, where I was involved in the development of production systems for manufacturers as a system engineer. After that, I held various positions, such as the general manager of a development department, executive officer, and full-time auditor of a subsidiary. I have also experienced being transferred to Kyushu with my two-year-old child. I hope that I can utilize what I have gained and learned through these twists and turns to realize diverse work styles at Hanwa.

**Yamaoka** In September 2020, I left my job at a housing manufacturer to join Hanwa, where I was assigned to the Project Department, which is mainly responsible for expanding sales of steel. In April 2024, I was appointed as the section manager. My team consists of nine members of various genders, ages, and career histories, and although each day is a challenge for me as a new manager, my motto is to al-

ways treat section employees as individuals on equal footing.

**Otsuka** I joined Hanwa in 1995 as an office worker. In 2010, I converted to a career-track position under the recommendation from my boss. In 2015, I became the section manager of the Trade Administration Sect.. After that, I was transferred to the Information System Dept., and then returned to the Trade Administration Sect. in August 2023, where I currently work. My career path has been an unusual one, having converted job groups from office worker to a career-track position, and then becoming a manger. At the time I was appointed as section manager, there were two female section managers at our Osaka Head Office, but I was the first one at our Tokyo Head Office, so I struggled because there was no one close to me I could consult with. My current department has an organizational structure that is rare even for Hanwa, with 70% of the 20 employees being women. I want to have more one-on-one conversations with fellow women, but the difficulty in fully engaging with them due to the large number of people is frustrating.

**Kobayashi** I joined Hanwa in 2008 as a career-track position. Having



worked in the Legal & Credit Dept. and the Structural Steel Sheets Dept., I was transferred to the Steel Sheets Sales Dept., which mainly sells steel sheets to sales agents. I was appointed as the section manager of a team with 13 members in April 2024. In addition to trying to see things from the same perspective as the employees on the front lines, as a manager I am also required to take on a different perspective and see the bigger picture, so as a new manager, I still get flustered at times. Also, as I get older, there are moments when I worry about how long I can work energetically while maintaining my current performance.

### Take on challenges without using “because I am a woman” or “I don’t have a role model” as an excuse

**Furukawa** What made you decide to become a manager?

**Otsuka** My conversion from an office worker to a career-track position was triggered by my interest in trade administration work and motivation to take my work to the next level. During this time, my boss who had experience working overseas encouraged me to change job groups again and move into a management position. I was taken aback when he told me, “Isn’t it a waste not to try just because you are a woman or there are no role models around you?” After receiving various words of encouragement, I decided to give it a shot.

**Kobayashi** During the course of my long career, I have gained the drive to tackle my work from different perspectives rather than just running around work sites. I think I was also blessed with great bosses in many ways. I believe I am where I am today because people have continued to tell me, “Do what you want to do” and “Always make decisions by yourself,” regardless of gender. While I still face a great deal of difficulties, I am grateful that I have been given new experiences as a manager.

**Furukawa** We call it sponsorship, but regardless of gender, it is essential for superiors to lift up those under them in order to enable the younger generation to thrive. Some superiors may be hesitant to assign challenging tasks due to excessive consideration for female subordinates. Without challenges, however, people cannot grow. “While consideration is necessary, excessive consideration is not.” How

should a manager approach this idea?

“If you don’t understand something, ask someone who knows” is a fundamental part of work. If you don’t know how to support someone, the best approach is to ask that person directly. Based on the premise of “I want to help you grow,” what areas does the person have a strong interest or strengths in, and when and how can they utilize those strengths? The answer is different for each individual. It also depends on which life stage they are in. It would be great if managers could casually talk to the employee in question when necessary and think about how to deal with the situation together to create an ideal outcome.

In fact, the same is true not only for women, but also for nurturing younger generations who have values different from your own values. I believe that having respect for different values and different ways of life is the basic attitude required of future managers.

Going forward, I think there will be more managers like those who have advised Ms. Otsuka and Ms. Kobayashi, with a flexible mindset that can propose challenges to women and young subordinates. I think that when you become a manager, you have endless worries about how to support your subordinates. But this also serves as a valuable experience that can only be gained from being a manager.

**Yamaoka** In terms of how to deal with employees, I sometimes worry about things like my choice of words, like, “I said this yesterday, but I wonder if it was taken this way?” I used to conduct myself as a salesperson. Now that I am a manager, the same words and actions are taken differently, and things I thought were okay can backfire. Every day I reflect on these mistakes (wry smile).

**Kobayashi** Maybe I am being oversensitive, but for example, worrying over how to give instructions to a male subordinate who is close to me in age, or how to say it in a way that will not hurt his pride makes it harder for me to vocalize what I really think.

**Furukawa** Back when I first became a general manager, I remember being taken aback by an employee one year my senior that had called me “Ms. Furukawa” until the day before suddenly calling out to me using my title. I felt like, “Oh, um, yes, I am the general manager, but I’m sorry.” But I see management as simply a job role assigned to you, nothing more and nothing less. The company decided that “this





## Roundtable Discussion Between Female Outside Directors and Female Managers



department will run smoothly if you are in charge,” and that is all there is to it. So, if the company asks you to become a manager, it is probably best to accept the offer without taking it too seriously, saying, “I would be happy to help.”

Some people hesitate out of fear of not being able to fulfill their duties, but if they are not successful, whether they are male or female, it is the role of the company to remove them from management and think about putting the right person in the right position to enable them to better demonstrate their skills. So, there is no need to worry too much. I think that kind of approach is very important in nurturing people.

### Being different is meaningful, regardless of gender That is the essence of diversity

**Furukawa** I believe that there are many optimistic and powerful women at Hanwa, including all of you here, and I feel that this also leads to the strength of the Company. However, this is slightly different to there being many excellent human resources and having systems in place to provide an ideal workplace that enables women to work for many years, and being a company where women can play an active role.

Do you know how many female position of Hanwa are in career-track positions? Women in fact account for about 7% of all career-track employees aged 30 or older.

**Kobayashi** There are also two female career-track position in my section, giving me the impression that the number of women in career-track positions is increasing. I think that in itself is a positive change, but if the aim is to increase the number of women in managerial positions, I feel a little doubtful whether increasing the number of women hired alone is enough.

**Yamaoka** I was surprised to find that there are more women aged 30 or older working in career-track positions than I had expected. Since I came to Hanwa, I have felt that there were few opportunities to meet women in career-track positions, and wondered where this 7% was. The lack of horizontal connections between women in career-track positions that enable them to exchange information may be one of the reasons why only a minority of women are willing to

take on managerial roles.

**Furukawa** That's true. Hanwa has set the target of achieving a percentage of female managers of 3.7% by March 2026. At present, this percentage is about 2%, so I think it is a realistic target. If women make up 7% of career-track position aged 30 or older, it seems natural that they would account for around 7% of managers. The fact that we have not reached that level is evidence that certain opportunities are being wasted. In the past, organizations were formed by gathering people of similar characteristics, and when they were told to “go to the right,” everyone would efficiently “go to the right,” and this is how both companies and Japanese society developed. However, as we are now living in an era where diverse individuals collide, if companies do not create new innovations, they will not be able to survive. I think that ideas born out of such collisions will serve as the foundation for the future development of the company. I believe that if we can reduce these wasted opportunities even a little, Hanwa will be able to make a further leap forward.

### Changing the mindset and awareness of management Changes to our corporate culture are essential

**Kobayashi** Becoming a manager requires resolve. I think the lack of model cases is an issue in terms of whether there is an environment within the Company that can foster resolve. To be honest, as mentioned earlier, there are many male managers whom I respect, but there are also those still holding onto outdated customs. I hear that some female employees are put off by this kind of atmosphere.

**Yamaoka** Then other times, a young male employee would express concern and speak up when a superior behaves in a way that goes against female employees' wishes, so this may be a problem caused by a generational gap.

**Otsuka** What I feel from my many years at Hanwa is that, even though systems have changed drastically from the time I joined the Company, the organizational culture has not yet caught up with these changes. I believe that when the awareness of the management team changes, and specific goals and actions are set and then instilled among employees, these fundamentals will finally be reflected in numerical results. I feel like we are currently in a transitional period toward achieving this.

**Furukawa** It would be a shame if someone with the skills gave up on becoming a manager because they could not adapt to the old culture.

**Kobayashi** In increasing the motivation of women to aspire to become managers, I think a big factor is the lack of women working in managerial positions while also raising children. When my female subordinates come to me with concerns such as, “How can I balance work with marriage and childbirth?” the only advice I can give is, “It is your life, so live it the way you want to.” The difficulty is that there are no role models around to show that they also have the option of getting married, having children, and being a manager.

**Otsuka** I constantly feel that it would be nice if women didn't give up

before even trying because they assume it would be too difficult to balance the tough workload with raising children. To enable this, I feel that if everyone, regardless of gender, could view childcare and other issues as their own responsibility, the overall mood of society would change even further.

**Furukawa** After maternity leave, I returned to work with shortened hours. When I first returned to work, every time my colleagues helped me due to my reduced hours I would constantly apologize. One day, I realized “I have been apologizing all day long. That is weird,” so I started saying “thank you” instead of “sorry.” This made the atmosphere around me more supportive. Above all, I think being able to overcome any feelings of inferiority I had was a major factor.

Also, working while raising my children has led to a drastic improvement in my work efficiency and organizational skills. I think many employees with childcare experience have realized this. I feel that childcare is a valuable experience that gives you new skills from a different perspective to work, and also deepens your empathy toward other people. When you become a manager, you have more discretion in your work, and you can eliminate unnecessary tasks from your team's work duties and change the way they work. As I was promoted from the general manager of a department to that of an entire division, my responsibilities increased but my authority also expanded, giving me more and more freedom. It would be great if each person could create a new way of working and a new management image, rather than following the image created by prior managers. Depending on how it is done, managerial positions can be good for work-life balance. For the sake of the younger generations that will follow in our footsteps, I hope that others will remain conscious of this and make a point of conveying their image as a new manager.

### Aiming to be a leader who speaks up with the aim of fostering a new organizational culture

**Furukawa** It is hard to be a pioneer like you all have been, someone who goes against the “status quo.” Because of this, the horizontal connections Ms. Yamaoka mentioned earlier are also important.

**Yamaoka** We regularly hold discussions these days with female career-track employees at other companies, but I think it would be



good to try all possible means to test out various approaches. It would be nice if there was a place where people could express their honest opinions more casually. Sometimes just talking about it can relieve your worries and frustrations.

**Otsuka** It doesn't have to be an official system or event, we could start with a casual chat or other online format. It would be reassuring to have a forum for open discussions and a place, or network, where people can exchange information.

**Furukawa** I believe that having a place where women can feel that they are not alone is essential for empowerment. It could be a network through which female managers get together. It would also be good to involve younger employees and categorize them as leaders or potential leaders. You would be surprised by how just sharing your worries with colleagues who are also experiencing discomfort or difficulties gives you the strength to go to work tomorrow. It is very important to feel included. Finally, please tell us about your aspirations for the future.

**Yamaoka** There are still few female managers, I always tell myself that I need to become someone who can serve as a guide for the younger generation to continue working at Hanwa and progress into managerial positions. I would like to start with actively speaking up, whether that be through training or building a network, in order to foster a new organizational culture. Hanwa is a company with an open atmosphere, so I expect swift action to be taken if we raise our voices.

**Otsuka** Through this roundtable discussion today, I once again felt the importance of horizontal connections. I hope that I, with my long career as a female manager, can better demonstrate my leadership and broaden my reach.

**Kobayashi** If everyone can come to see that being male or female doesn't matter when it comes to work, more female employees will be able to aim higher with a lighter weight on their shoulders. I hope that Hanwa will evolve into a company where women play an active role as a matter of course, and that many women aspiring to become managers come forward. I intend to explore what I can do from my end to help achieve that.

**Furukawa** I sincerely want Hanwa to become a company where all employees, regardless of gender, can work with a sense of fulfillment and enjoyment, and one that receives more gratitude from society. I would also like to actively support the Company so that we can build a solid support system for female managers. We must not forget that we don't promote women's participation and career advancement in the workplace solely for the sake of women, but also for the sake of the company. I am hopeful that Hanwa will evolve into a company that can create new social value where diverse human resources, including young leadership candidates, seniors, and foreign nationals, can play an active role in the true sense of the word, regardless of gender.

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



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



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



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



In April 2022, Yoichi Nakagawa assumed the position of president and we are promoting initiatives toward the creation of a flexible organization capable of responding to rapidly changing times. In addition, based on our "Medium-Term Business Plan 2025" formulated with the theme, "Run up to HANWA 2030 ~Soar into the next stage challenging the status quo~, " which covers the 3-year period from FY2023 to FY2025, we will promote initiatives toward sustainable growth as we head toward our 100th anniversary.

Enhancement of Corporate Foundation and Social Contribution ● Environment ● Society ● Governance

1957	1970	1976	2000	2003	2004	2006	2009	2012	2015	2021	2022	2023
● Established Hanwa Scholarship Foundation	● Introduced corporate pension plan	● Established Hanwa Health Insurance Society	● Obtained ISO 14001 certification	● Established Corporate Ethical Standards and Corporate Rules of Ethical Business Conduct	● Established CSR Committee (predecessor of Sustainability Promotion Committee)	● Established Internal Control Committee	● Established Diversity Promotion Office	● Introduced executive officer system	● Received Medal with Dark Blue Ribbon in recognition of Japan Public-Private Partnership Donation Program to Support Students Studying Abroad	● Established Sustainability Promotion Committee	● Established Sustainability Basic Policy ● Established Human Rights Policy ● Declared support for TCFD recommendations	● Identified the materiality ● Participated in the GX League ● Formulated GHG emission reduction targets

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

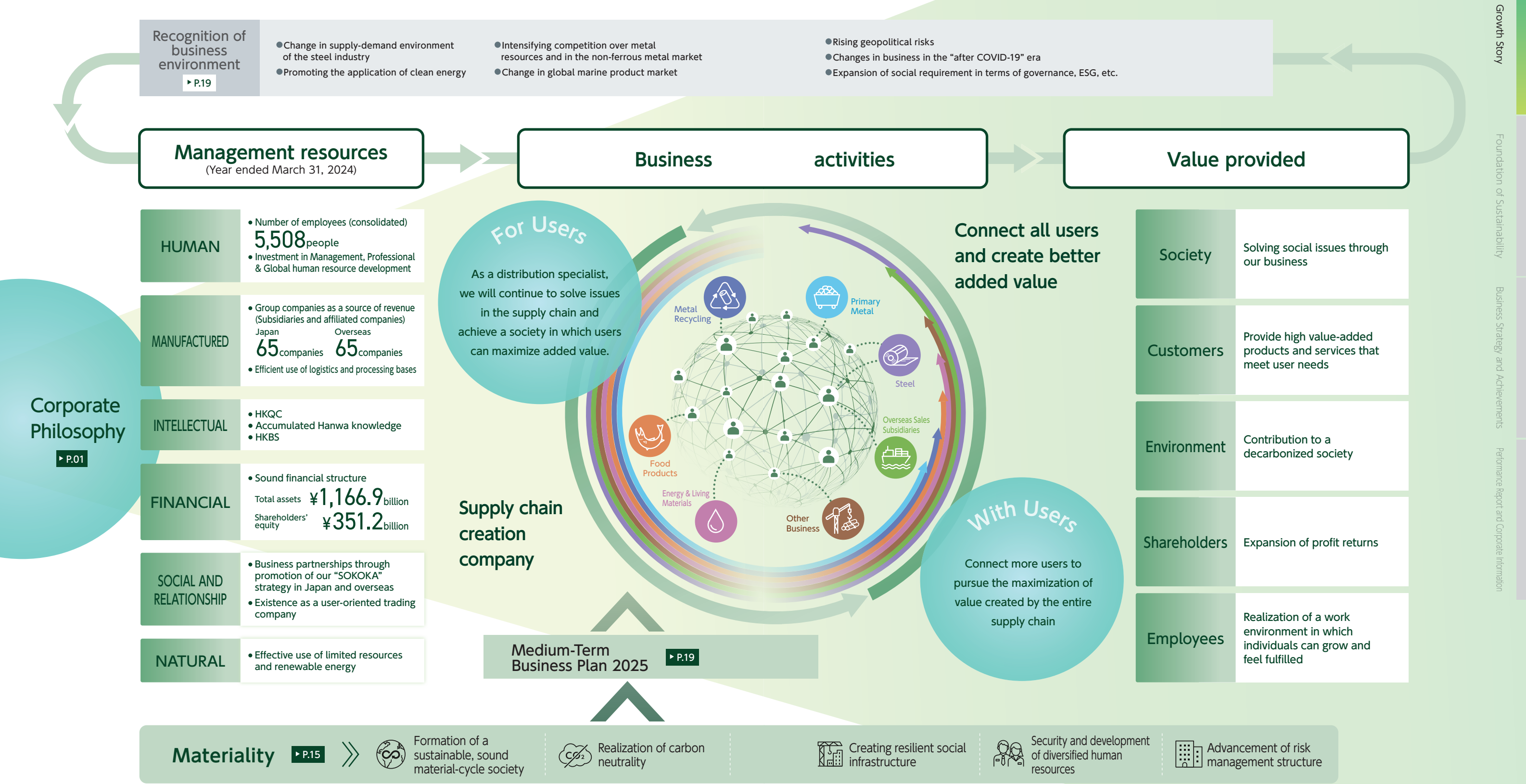
Contribution to the Realization of a Sustainable Society through Our Business

Steel	Primary Metal	Metal Recycling	Food Products	Energy & Living Materials	Other Business [ Housing Materials/Machinery ]
Contributing to the building of a sustainable sound material-cycle society through the promotion of the steel reusing and recycling business.	Contributing to the building of an industrial base and the reduction of CO2 emissions through a stable supply of metal resources, the distribution of cathode materials for rechargeable batteries, and the domestic recycling of steel scrap.	Working toward the formation of a circular economy with consideration given to response to climate change, through the utilization of the metal recycling knowhow and network and the introduction of facilities that emit less CO2.	Contributing to sustainable marine and livestock resource circulation in order to distribute safe and secure food.	Contributing to the realization of a sustainable society through supply of environmentally-friendly energy and plastics and formation of a sound material-cycle society through recycling of waste paper and plastics.	Contributing to the sustainable development of forestry and the building of a sound material-cycle society by meeting the demand for lumber. Contributing to the realization of a sustainable global environment by being involved in the installation of renewable energy related equipment and other facilities.
● 1953 Imported steel scrap from India and the United States ● 1955 Started Japan's first imported ship scrapping business after WWII and sold non-steel scrap of 17 scrapped ships ● 1965 Operated Japan's first dedicated ship for transporting steel scrap, WAKO MARU, in alliance with a business partner ● 1994 Entered into the steel plate leasing business ● 2004 Took first order in Japan to detoxify materials contaminated with dioxins onsite in a dismantling work of a waste incineration plant ● 2020 Established solar power generation facilities for in-house consumption at Hanwa Logistics Osaka Co., Ltd. ● 2022 Started large-sized solar carport business	● 1975 Started handling gold, silver, silicon and nickel ● 1981 Focused on resources in financial institution equipment and started the business for scrapping/collecting information equipment Started mass imports of Chinese ferroalloy ahead of other companies which were cautious about handling it ● 1997 Started trading solar battery materials (silicon scrap) ● 2001 Developed suppliers for ferroalloy in countries other than China (India, Kazakhstan, Sweden, Iran, South Africa) ● 2018 Made capital investments in a nickel-cobalt compound production company for rechargeable batteries ● 2021 Newly established a BATTERY Team Joined the Battery Association for Supply Chain ● 2022 Concluded a strategic partnership agreement with an automobile manufacturer for the stable procurement of rare metals for electric vehicle batteries	● 1953 Imported non-steel scrap for the first time ● 1981 Focused on collection of catalyst (waste catalyst) using nickel as raw material and supplied for special electric furnaces ● 1984 Established an aluminum scrap sorting workshop at Nagoya Steel Distribution Center ● 1994 Entered into the aluminum can recycling business ● 1995 Developed new suppliers of the Can To Can business and increased collection volume ● 2011 Established Hanwa Metals Co., Ltd., which collects and sells stainless steel scrap ● 2015 Made SEIKI Co., Ltd., which recycles aluminum, and Nikko Kinzoku Co., Ltd., which recycles metals, into our subsidiaries ● 2019 Acquired a license to sort and process metal scrap materials in Thailand ● 2023 An MOU for a strategic alliance with a South Korean company in the lithium-ion battery scrap recycling business	● 1971 Started handling Taiwan eel and entered into the food industry ● 1973 Partnered with a Korean company with freezing technology, started offshore trading, and increased frozen fish block transactions. ● 1978 Conducted a survey on local fish catches and gave guidance on quality improvement at the Las Palmas Office, leading to an increase in transaction volume. ● 1989 Started handling imported livestock products (beef, pork, chicken) ● 2001 Received the "Friend of India" Award from India for our contribution to the import of shrimp ● 2006 Established SEATTLE SHRIMP & SEAFOOD COMPANY, INC. to enhance shrimp sales in North America ● 2010 Obtained MSC-CoC certification for preservation of marine resources ● 2012 Established Hanwa Foods Co., Ltd., which wholesales processed marine products ● 2014 Made Maruhon Honma Suisan Co., Ltd., which processes marine products, into our subsidiary ● 2019 Made East Japan Foods Co., Ltd., which manufactures seafood, into our subsidiary	● 1957 Started selling heavy oil to steel business partners ● 1965 Started handling kerosene as an alternate fuel to comply with regulations on pollution caused by factory use fuel ● 1983 Started handling waste paper ● 1992 Developed sales of environmentally friendly packing materials made from recycled milk cartons ● 1997 Started business of synthetic lubricant ingredient PAO (polyalphaolefin) with a major U.S. chemicals company ● 2005 Concluded a contract of high-quality waste paper in cooperation with the Ho Chi Minh Office ● 2015 Made Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., which produce RPF as energy from industrial wastes, into our subsidiaries ● 2017 Started trading urea ● 2018 The cumulative import volume of PKS achieved one million tons ● 2019 "MIDORI," our biomass fuel vessel, began operations ● 2020 Obtained RSB and GGL certifications and started providing a service to support the acquisition of certification ● 2023 Participated in a biofuel research project by the Ministry of Land, Infrastructure, Transport and Tourism	● 1947 Started selling agricultural machinery, etc. in cooperation with agricultural associations across the country ● 1965 Started import of lumber ● 1973 Sold the state-of-the-art rolling wastewater treatment (removal of oil and suspended solids from waste water by pressurized flotation) equipment ● 1975 Took an order for the industry's largest industrial wastewater treatment facilities from an electric furnace steelmaker ● 1988 Implemented Japan's first project for exporting a whole park to Asia and Europe in the secondhand amusement machine market ● 2002 Supplied crushing facilities and dust collector and deodorizer equipment for garbage transfer stations and accumulated sales results to government agencies ● 2005 Obtained FSC-CoC forest certification ● 2009 Obtained PEFC forest certification ● 2017 Established Lumber Procurement Policy



Value Creation Process

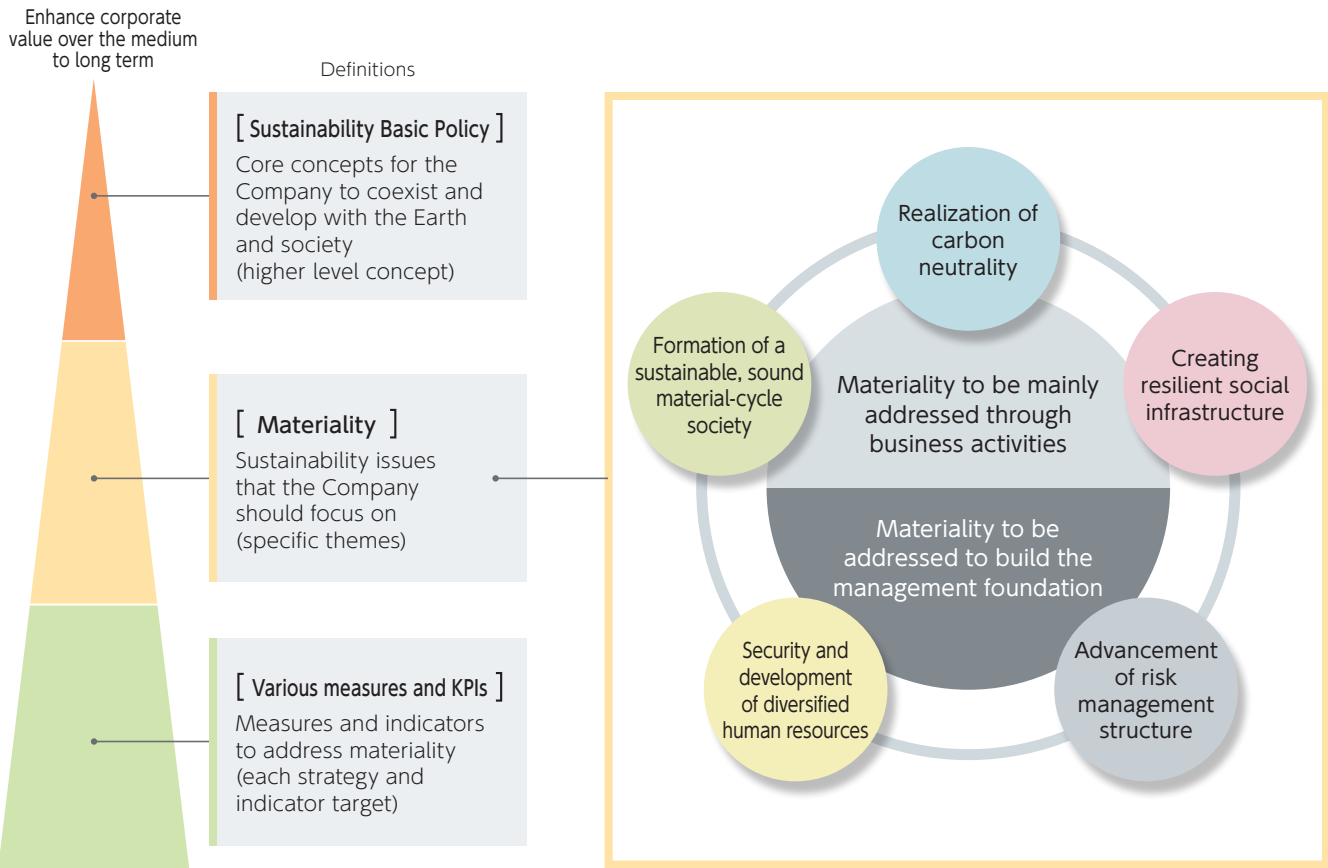
We have been growing with the policy “For Users, With Users” for over 70 years. We continue to improve our corporate value over the medium to long term, aiming for sustainable growth of the Company and society by investing an array of capital, carrying out business activities while using our strengths,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





# Materiality






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



## Materiality identification process



Going forward, we will develop strategies, indicators and targets for each materiality. We believe that these efforts will lead to the realization of our Sustainability Basic Policy and contribute to the improvement of our corporate value over the medium to long term. The relationship between the Sustainability Basic Policy and materiality is organized as follows.

Materiality to be mainly addressed through business activities	Themes to be addressed
 Formation of a sustainable, sound material-cycle society	<ul style="list-style-type: none"><li>Effective use of limited materials</li><li>Building supply chains that are considerate of the environment and human rights</li></ul> P.30
 Realization of carbon neutrality	<ul style="list-style-type: none"><li>Distribution of materials that contribute to decarbonization</li><li>Reduction of the Group's GHG emissions</li></ul> P.30
 Creating resilient social infrastructure	<ul style="list-style-type: none"><li>Distribution of materials required for social infrastructure</li><li>Updating and demolition of aging buildings and infrastructure</li></ul> P.30
Materiality to be addressed to build the management foundation	
 Security and development of diversified human resources	<ul style="list-style-type: none"><li>Creating environments where increasingly diverse people can work sustainably</li><li>Creating environments that will allow increasingly diverse people to grow</li></ul> P.44
 Advancement of risk management structure	<ul style="list-style-type: none"><li>Risk management of business investment/business continuation</li><li>Corporate governance system</li></ul> P.51

## Comments from experts in identifying Materiality

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

## A Message from the Supervising Executive Director of Administrative Divisions

“ We will facilitate the Company’s transformation through human resource development and organizational development with an eye to our future as a supply chain creation company. ”

Hisashi Honda

Director, Managing Executive Officer in  
charge of Administration Divisions



As part of the Medium-Term Business Plan 2025, under which we aim to soar higher based on challenges that we have taken on to date, administrative divisions will facilitate the Group’s efforts to transform from a steel trading company into a supply chain creation company by enhancing the management foundation in light of the results and challenges faced in the first year of the plan.

### Looking back at the first year of the Medium-Term Business Plan from a financial perspective

In FY2023, Hanwa witnessed declines in both revenue and profits, with net sales, operating income, and ordinary income falling short of our initial targets. The main factors behind the decline in net sales were a drop in demand for steel and scrap, as well as persistently low selling prices for various products. On the profit front, negatives such as the year-on-year decrease in dividend income from strategic investments in the primary metal business had an impact. Additionally, selling, general and administrative expenses were pushed higher by stepped up sales activities following the end of the COVID-19 pandemic and depreciation owing to the introduction of a new ERP system.

In FY2024, we expect revenues and profits to increase, calling for net sales of ¥2,800.0 billion and ordinary income of ¥60.0 billion. We anticipate growth in net sales and profits being driven by the primary metal business, which we expect to see increases in transaction volume and dividends from strategic investments, and the energy & living materials business, which has strengths in biomass fuels such as palm kernel shells (PKS) and wood pellets. In the second half of the fiscal

year, we also envision a demand recovery for the steel business, which has recently suffered a sustained decline in profit.

As for measures connected to our financial strategy, we established the Risk Management Department in FY2024 with the aim of minimizing risks that could potentially have an adverse impact on our profit and cash flow to prevent the occurrence of losses and the need to procure emergency funds. At the same time, we are promoting the introduction of ROIC (return on invested capital) as a management indicator, to incorporate the capital efficiency of each division, i.e., how much capital is used and how much profit is generated, into their performance evaluations.

Under the current Medium-Term Business Plan 2025, we have set an investment and lending capacity of ¥80.0 billion, which we plan to allocate to growth investments geared toward soaring higher over the plan’s three-year period through to FY2025. In the first year of the plan, investment and lending only totaled ¥15.6 billion versus this figure (accounting for 18% of the total). However, this was simply because the amount executed in the plan’s first year was low due to progress with investment and lending projects. We are already considering projects that will bring us closer to our ¥80.0 billion target

over the next two years. We plan to steadily sow the seeds to generate cash in our existing domestic businesses and to grow our focused areas, such as our high-value-added processed goods business.

In FY2023, interest-bearing liabilities decreased year-on-year from ¥380.9 billion to ¥365.4 billion, and the capital adequacy ratio widened from 26.2% to 30.1%. As a result, net DER improved from 100% in FY2022 to 80%, below the target of 100% or less, set for the final year of the business plan. Demand for funds, however, was not very high and net sales decreased over the past year, and we believe it is because of this that we were able to maintain this balance. We will need to continue maintaining a level of 100% or less going forward.

### Continued strengthening of human capital and efforts for further digitalization

Under the current Medium-Term Plan, we have placed greater focus on strengthening human capital than in the previous plan. The previous Medium-Term Plan laid out initiatives for Professional & Global human resource development. In the current plan, we have added Management to this, setting “Management, Professional & Global” as the image of our preferred personnel. We will adopt a new personnel system that encourages employees to take on challenges and bring out their individual strengths based on the three themes of on-site development of management personnel, overseas dispatch of corporate human resources, and the strengthening of our global structure, in our bid to become an organization that adapts and evolves continuously and autonomously in response to changes in the environment. The new personnel system is based on the concept of “continue to encourage employees to take on challenges and achieve growth by establishing a job group system with clear roles and definitions and an evaluation system and compensation structure that appropriately reflects performance,” and serves to clarify roles for each job group to ensure that employees fully understand their own roles when carrying out their duties. Additionally, in order to develop the human resources and next generation of leaders we are looking for, we provide growth opportunities by linking the new personnel system with the training content of the Hanwa Business School (HKBS) opened in FY2022. In doing so, we support the acquisition of external qualifications, which is one of the requirements for being promoted to senior positions. Furthermore, by rewarding each job group with balanced and appropriate compensation for the performance in their roles, we will work to realize a system that enables each employee to feel growth, thereby increasing their motivation toward their work duties and career advancement.

Looking at our Group employees, I would say that there are many employees with strong drive who are eager to achieve results and grow as individuals. I feel that a corporate culture that accepts various ideas and challenges without being bound by stereotypes, coupled with the individuality of employees, fosters a positive attitude throughout the Group. Personnel exchanges within Japan, such as transfers between divisions and Group companies, are commonplace. Over-

seas, more companies are also moving to promote local employees to executive and managerial positions. Also, many of our young employees, in particular, want to work overseas. By encouraging such employees to grow and supporting their career development, we aim to produce “Management, Professional & Global” human resources.

Another initiative being spearheaded by the administrative divisions is our DX strategy. What DX means, in essence, is to utilize digital technology to transform work styles and business models, thereby creating a competitive advantage. We are still on our way, currently at the point where we have made some progress in digitalizing our operations. We were recognized by the Ministry of Economy, Trade and Industry as being ready to transform our business through digitalization (DX-Ready), and as such acquired DX certification in March 2022.

The use of digital technology has enabled us to achieve business improvement, improve efficiency, update our device and network environment, and, in particular, strengthen our security drastically. We have completed the introduction of the new ERP system, and although improvements are still needed, we believe that our digitalization efforts have overcome a major hurdle. Going forward, we will proactively introduce the latest technologies such as AI, promote the acquisition and development of IT-savvy DX talents, and continue to carry out initiatives aimed at utilizing the data accumulated throughout the Group via the new ERP system in management and sales activities.

### Administrative divisions that support business management as strategists

The Group has set Hanwa’s vision for FY2030 and beyond as “transform from a steel trading company into a supply chain creation company.” This represents the kind of company we aim to be. By creating our own supply chain and providing solutions that connect all “wants,” we will continue to exist into the future as a trading company that contributes to the realization of a sustainable society.

In order to facilitate this transformation into a supply chain creation company, we will further evolve the human resources and DX strategies described above and expand our support for business activities. Furthermore, in building our own supply chain, compliance and risk management will likely become more important elements than ever before. I believe that strengthening our response in these areas will also become an important role for us.

From here on out, administrative divisions will need to take on the role of formulating and implementing optimal strategies while taking a broader view of management and the Company’s businesses. With the aim of becoming an organization that can further deepen cooperation with each division and create synergies across divisions, we will endeavor to expand the skills, knowledge, and insights acquired by each employee throughout the Company through repeated two-way personnel exchanges between the administration and sales divisions. If we can successfully achieve this, I think Hanwa will be able to achieve significant growth.

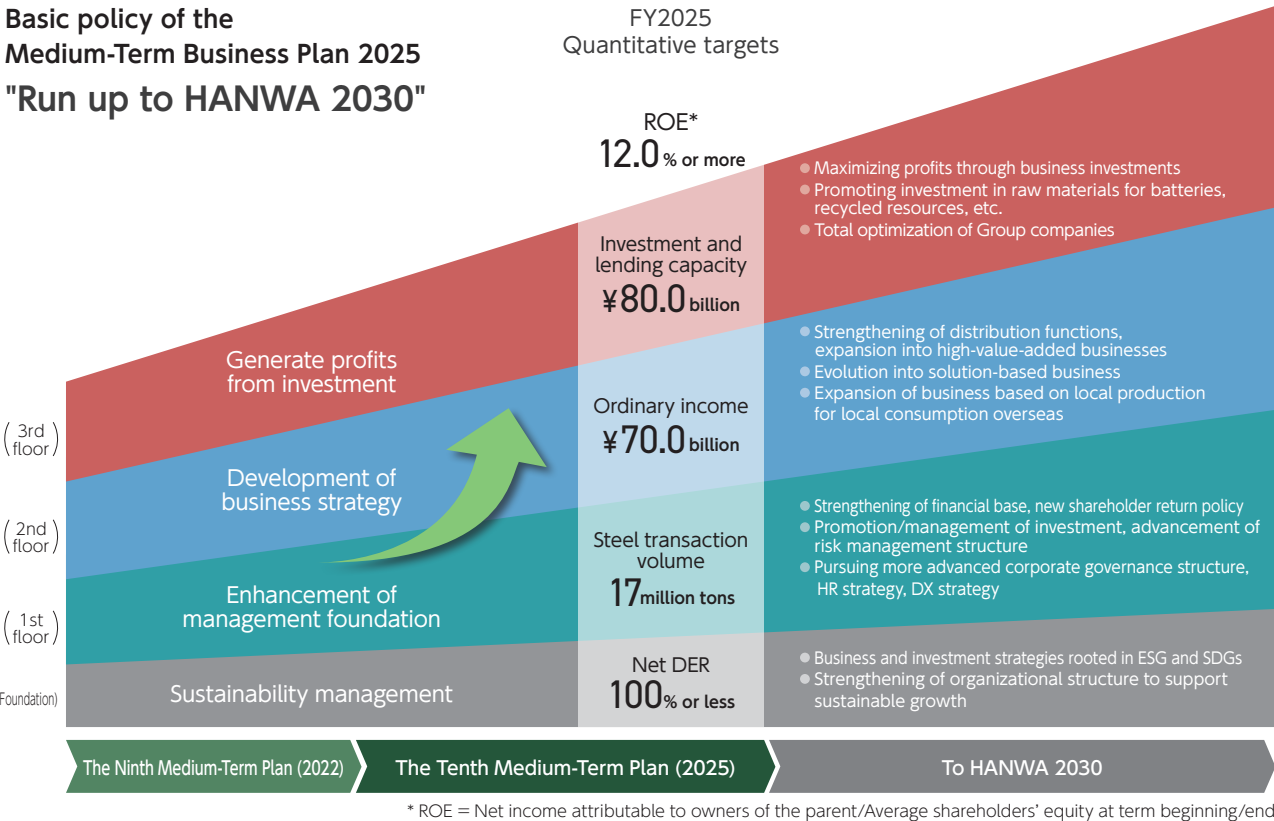


# Medium-Term Business Plan 2025: Overview and Progress



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

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



## Business Environment Surrounding our Business

### Change in supply-demand environment of the steel industry

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

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

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

### Rising geopolitical risks

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

ness of geopolitical risks

### Promoting the application of clean energy

- Rising international demand for initiatives toward a decarbonized society
- Expanded use of cold iron sources, such as iron scrap and reduced iron, to contribute to reduction of CO<sub>2</sub> emissions
- Increase in demand for renewable energy and biomass fuels

### Change in global marine product market

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

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

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

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

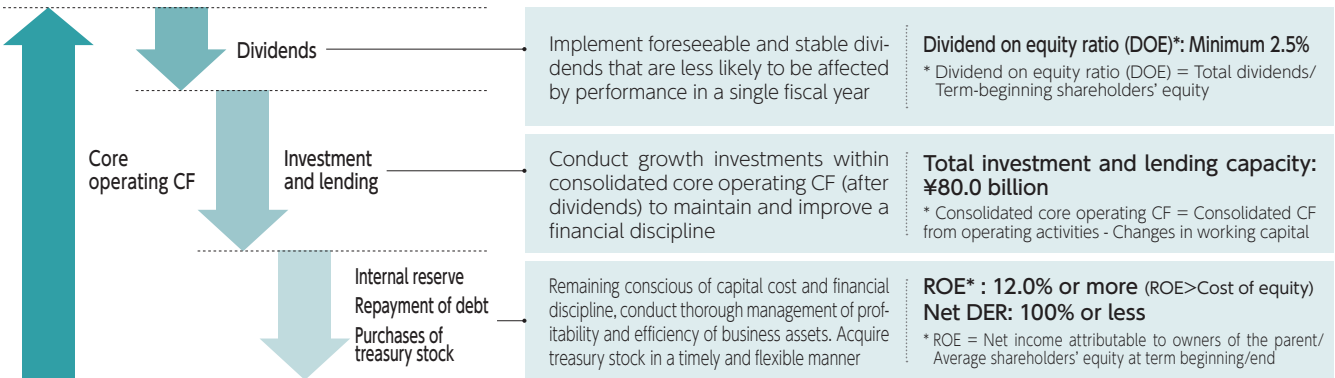
- Impact of changes in consumption and demand structure
- Increasingly diverse means of communicating with customers and suppliers, etc.

## I. Enhancement of management foundation

### Strengthening Financial Base

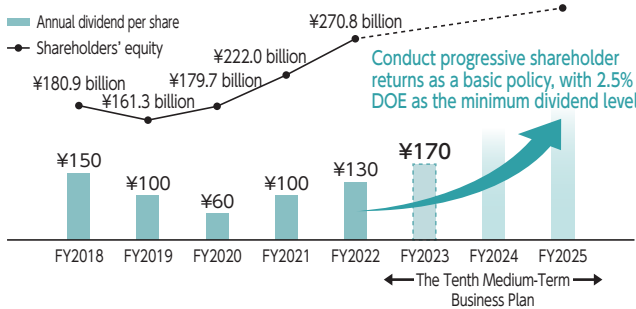
We will continue to strengthen our financial base while being conscious of the balance between “offense” and “defense” for sustainable growth. With regard to growth investment, we have set the total investment and lending capacity of ¥80.0 billion for the plan period. We will focus not only on M&A and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

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



### Shareholder Return Policy

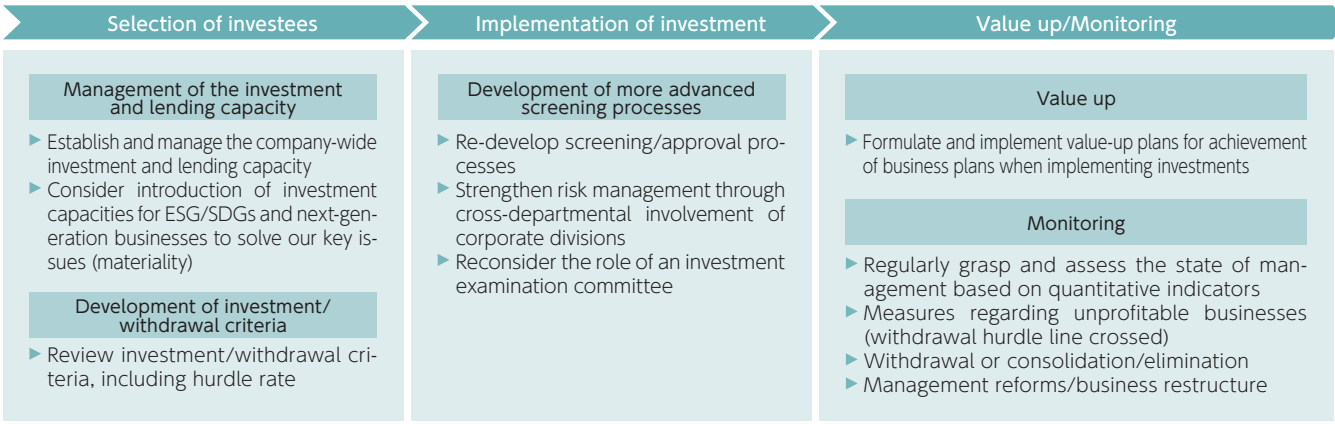
We have reviewed our shareholder return policy with our first priority on continuing to provide stable dividends. Specifically, our basic policy is to pay a minimum dividend on equity ratio (DOE) of 2.5% of shareholders' equity at beginning of period, and to give flexible consideration to the acquisition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



### Selection/Promotion/Management of Investments

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

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



Initiatives for FY2023

● Shareholder Return

In accordance with the shareholder return policy in the current Medium-Term Plan, the annual dividend per share for FY2023 was increased ¥15 from the initial projection of ¥170 to ¥185 (DOE 2.7%). In FY2024, annual dividend per share expected to be ¥210 (DOE 2.8%), and approximately ¥2.0 billion of treasury stock was acquired.

● Status of Investment and Lending in Each Business

The total amount of investment and lending in FY2023 reached approximately ¥15.6 billion, representing 18% progress towards the ¥80.0 billion investment and lending capacity set in the current Medium-Term Plan. Through investments in existing domestic businesses, including the strengthening of the processing facilities handled by Group companies in Japan and overseas, we are building a foundation for generating stable profits and cash flow. Furthermore, in the metal recycling business and the energy & living materials business, we will plant seeds for the future and capture growth in fields where market growth can be expected. In investment projects, we will proceed with even more cautious selection than before, while balancing our efforts to improve our financial position and cash flow.

Investment and lending results for FY2023

Environmentally-friendly resource

High value-added Processed Products

Secondary Battery

Existing domestic in Japan

Local production for local consumption business (overseas)

Business	Amount	Main projects
Steel	¥10.2billion	<div>Hanwa Daisun Co., Ltd.: Facility Enhancement – Ota Steel Center: Installation of H-beam line, shaping machine, and crane – Isesaki Steel Center: Installation of Fabri Gear</div> <div>Hanwa Eco Steel Corporation: Opening of Nagoya Plant</div>
Metal Recycling	¥0.5billion	<div>HANWA METALS (THAILAND): Expansion of aluminum can recycling line</div>
Energy & Living Materials	¥1.6billion	<div>Investment in Biomasa Jaya Abadi, an Indonesian WP Producer</div>
Overseas Sales Subsidiaries	¥0.9billion	
Other	¥0.8billion	<div>Capacity expansion of domestic Group companies</div>
Whole Company	¥1.6billion	<div>Establishment and enhancement of a new ERP system</div>
Total	¥15.6billion	<div>Cumulative total of investment amount in the current Medium-Term Business Plan: ¥80.0billion Progress: 18%</div>

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

In addition to maintaining and growing profit levels, we believe it is important to provide future profit forecasts and information to raise expectations, such as by making actual values and sources of profit more visible and clarifying the timing and scale of the profit from our strategic investments, and therefore reinforcing our information disclosure. Moreover, we will also gradually move forward with priority measures including the review of our assets, enhancement of shareholder returns, reinforcement of our governance structure, and initiatives for ROIC (return on invested capital) management that is conscious of cost of capital.

¥185

2.7%

¥210

2.8%

Maintain DOE of at least 2.5%

DOE 2.5%

FY2023

FY2024 (forecast)

From FY2025 onward

Improvement targets

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

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

**Improve the governance structure**, including risk management

**Promote ROIC management** while being conscious of cost of capital

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

Specific initiatives

**Disclosed breakdown of ordinary income target of ¥70.0 billion and key investment areas and themes of the ¥80.0 billion investment**

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

**Established the Risk Management Department** in FY2024 to strengthen the company-wide risk management

**ROIC to be part of performance evaluations** from FY2024

**Introduced** in FY2023

● Reduction of Strategic Shareholdings

In FY2023, we sold off strategic shareholdings in 36 companies. This brought the balance of strategic shareholdings to 19.6% of our consolidated net assets, enabling us to achieve our target of less than 20%, which was set in November 2023. The cash obtained from this sale are appropriated to shareholder returns and investments in growth areas. Going forward, to enhance our capital efficiency and optimize our assets, we will continue with the sale and further reduction of our strategic shareholdings.

As of March 2023

As of March 2024

Ratio of strategic shareholdings to consolidated net assets

21.7%

19.6%

Amount Sold in FY2023

—

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

Number of shares of strategic shareholdings

157companies  
Listed 92 companies/Unlisted 65 companies

129companies (-28 companies)  
Listed 65 companies/Unlisted 64 companies (-28 companies)

\* In FY2023, we have newly acquired shares in a domestic unlisted company as strategic shareholdings, which is included in the 64 companies above.

\* In addition to the above, there are unsold shares in 9 companies (worth approximately ¥3.5 billion) approved to sell. Their value is calculated based on the stock price (closing price) as of March 29, 2024.

Advancement of Risk Management System

We will work to advance our risk management structure to identify risks that are becoming increasingly complex and growing as our business domain expand and deepen, and to support appropriate action in response to such risks. We will boost business growth by increasing risk sensitivity through the advancement of screening and approval processes for new investments and loans, and by redefining critical risks related to business continuity.

Category	Issues	Specific measures
1. Strengthening of company-wide risk management	Balance and optimize individual management to suit types of risk and comprehensive risk management	▶ Reinforce risk management divisions and aim for minimization of risk and maximization of effect by working together with sales divisions, etc.
2. Redefining material risks	Reexamine coverage of risk areas (e.g., country risk, market risk) and review their materiality	▶ Identify risks inherent in individual businesses ▶ Analyze and manage degree of impact of individual risks on whole-company financial statements
3. Pursuit of more advanced screening and approval processes	Optimize processes at each stage from proposal through screening, approval, and execution	▶ Rebuild flow of screening process ▶ Develop more advanced criteria for investment, etc. and withdrawal criteria
4. Pursuit of more advanced exposure management	Develop more advanced management of consolidated exposure and assumed risks	▶ Measure consolidated exposure ▶ Quantify maximum risks in finer detail

▶ For more information on risk management, please see pages from P.51.

Growth Story

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Establishing Optimal Governance Structure

We will further advance our governance structure in order to steadily press ahead with challenges raised in the previous Medium-Term Business Plan and each of the measures in the current Medium-Term Business Plan. We are aim-

ing to establish an optimal governance structure that will form the foundation for reliable and transparent management, and we will identify challenges in our current governance structure and promote specific response measures.

Category	Challenge/Response	Specific initiatives
1. Reconsideration of the role of the Board of Directors	Redefining of the role and responsibility of the Board of Directors	<b>Establishing optimal governance structure</b> Pursue the construction of the optimal governance structure, including consideration of a transition to a company with audit and supervisory committee. In FY2023 the composition and operational structure of the Management Committee was reviewed and restricted to enable to more free and open discussions.
	Strengthening of the oversight function of the Board of Directors	
2. Review of the organizational structure	Consideration of reviewing the number of directors	<b>Reviewing the number of directors</b> From FY2022, the number of directors was revised so that outside directors will account for at least one-third of the total. In FY2024, the number of directors was revised from 12 to 11, bringing the percentage of outside directors to 36.3%.
	Consideration of setting terms of office for executives	
3. Review of the officer evaluation system and officer appointment/dismissal criteria	Clarification and diversification of evaluation criteria	<b>Applying the revised officer evaluation system from FY2023</b> In light of changes in our management policy and business environment, we reviewed evaluation items to focus on "change and transformation," "future orientation," and "risk management," in order to clarify evaluation criteria.
	Consistency between evaluation and appointment/dismissal criteria	
4. Review of the executive compensation structure	Reconsideration of the fixed amount periodical compensation/performance-based compensation structure	<b>Implementation of the new executive compensation structure</b> Reviewed the compensation structure to further strengthen the incentive function for the executive management team and introduced restricted stock-based compensation system.
	Consideration of the stock-based compensation system	

Discussions on Establishing an Optimal Governance Structure

The business environment surrounding Hanwa is changing discontinuously due to factors such as climate change, increasing geopolitical risks, and the dramatic progress of digitalization and DX. We have adopted the management strategy of "transforming from a steel trading company to a supply chain creation company" in order to respond to this uncertain and unpredictable business environment.

In order to achieve this strategy, we believe it is necessary to establish a strong governance structure suitable for this evolving business model, and numerous discussions at the Board of Directors meetings led by President Nakagawa, outside directors, and outside corporate auditors. And we have positioned "establishing optimal governance structure" as one of our key strategies in the Medium-Term Business Plan 2025.

In order to respond to the accelerating changes in the business environment and achieve further improvements in corporate value, it is necessary to (1) further accelerate decision-making through the delegation of authority to executives, (2) discuss the overall direction of management strategy at the Board of Directors meetings, and (3) enhance the monitoring function of the Board of Directors and perform highly effective oversight.

In FY2023, we took a series of actions such as reviewing the members and operation methods of the Management Committee, strengthening the risk governance system, and clarifying the criteria for investment projects.

Going forward, we will deepen discussions at the Board of Directors meetings through means such as the transition to a company with an Audit and Supervisory Committee. We intend to speedily advance toward an optimal governance structure in order to achieve a sustainable improvement in corporate value by making the most of Hanwa's forward-thinking corporate culture of taking on challenges.



Hideyuki Takahashi  
Outside Corporate Auditor

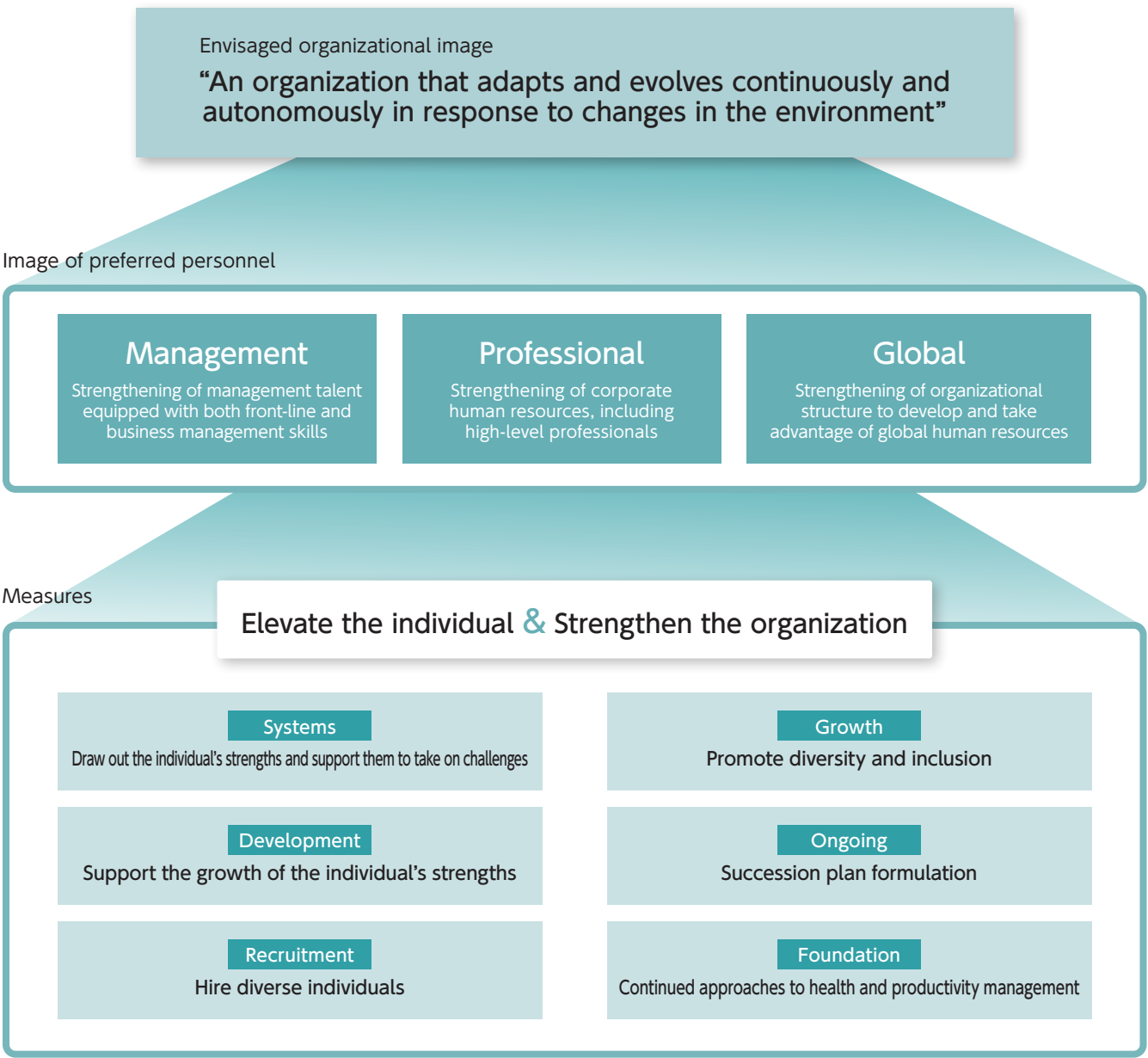
topics

Human Resources Strategy

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

ly and autonomously adapts to changes in the environment and evolves, while enhancing the power of the "individual" through reforms of the personnel system, utilization of the Hanwa Business School launched during the previous Medium-Term Business Plan, and the active recruitment of diverse talent, including mid-career hiring.

► For more information on human resource strategy, please see pages from P.44.



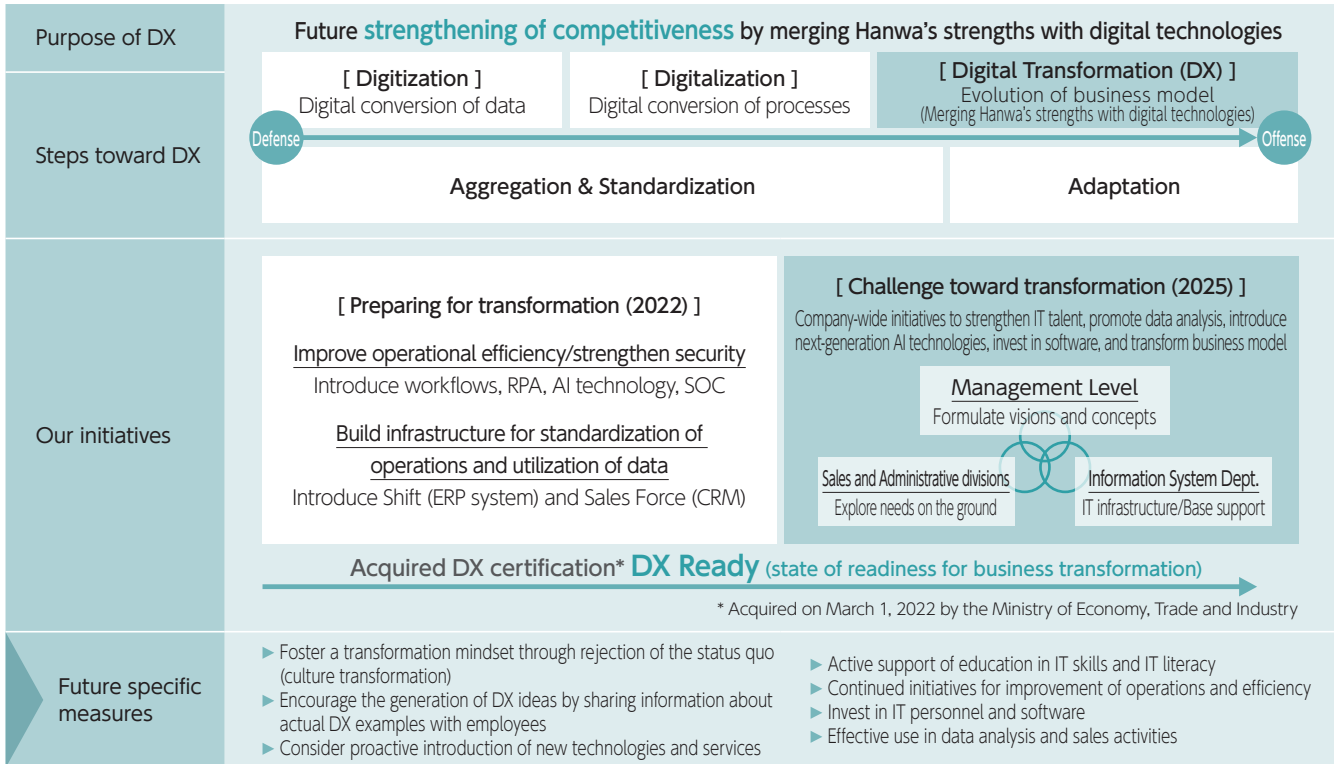
Medium-Term Business Plan 2025: Overview and Progress



DX Strategy

To merge Hanwa's strengths with digital technologies and strengthen our competitiveness in the future, we introduced a new ERP system (Shift) centered on DX, and the entire Company worked together to prepare for reform during the previous Medium-Term Business Plan. For the Medium-Term Business Plan 2025, we are aiming to evolve into a new business model that can provide users with higher added value through fostering of a mindset of change by rejecting the status quo through the active introduction of new technologies such as AI technology and the promotion of data analysis.

ness Plan 2025, we are aiming to evolve into a new business model that can provide users with higher added value through fostering of a mindset of change by rejecting the status quo through the active introduction of new technologies such as AI technology and the promotion of data analysis.



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

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

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

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

► For more information on each business division's strategies, please see pages from P.67.

FY2023 Progress

● Utilization of New ERP System (Shift)

To optimize the organization as a whole and standardize operations, in the previous Medium-Term Business Plan we introduced Shift, a version of SAP's S/4HANA system developed specially for us. In areas where our businesses are particularly strong, along with additional related system development to differentiate us from our competitors, we are extending functions for greater operational efficiency and error prevention, allowing us to operate an optimal ERP system. Use of Shift has led to numerous benefits including the standardization of operational processes, improvements in operational quality, reduction in operational costs, and the integration of data.

● Use of Generative AI

We have implemented Microsoft Copilot, a generative AI that meets security requirements, and are increasing its use by communicating its use methods and advantages through in-house seminars and provision of various information. In addition to improving operational efficiency, there have already been examples of this generative AI

tool being used to improve participants' understanding in discussions. As such, by stimulating users' creativity and thinking skills, the tool is contributing to higher quality operational achievements.

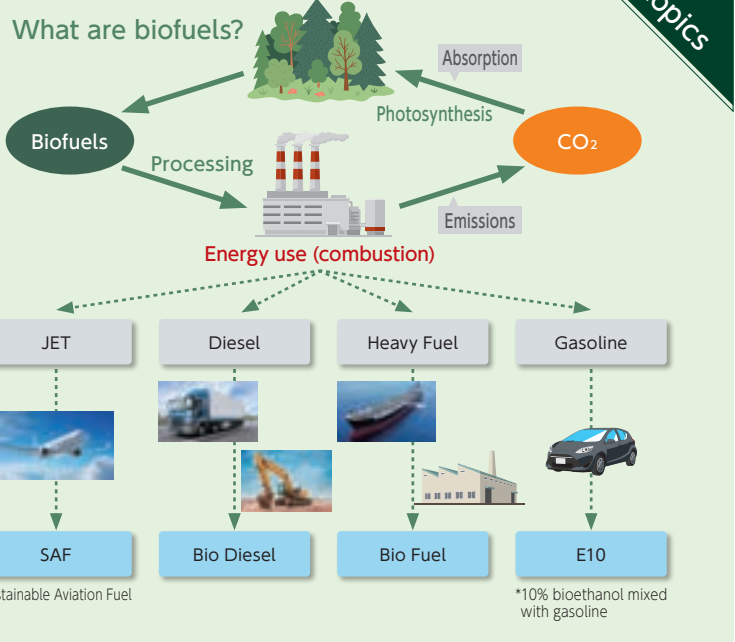
● Creation of a Data Analysis Platform

We have built a data integration platform called HUBI that can visualize the data accumulated by Shift through business intelligence software. The platform's dashboard can show the KPIs for each office, department, and section in line with our management strategies. In addition to showing BS and PL at the section level, the creation of HUBI has enabled the display of KPIs for earning potential, growth potential, and value creation potential. We can now check data on each department's actual values, which was something we could not do before. Going forward, by integrating data from across the Group, we will aim to visualize digital data that is directly linked to our business activities.

\* HUBI: HANWA U (Your)/Unify/Useful Business Intelligence

Launch of the Liquid Biomass Team

We created the Liquid Biomass Team in April 2024 as a cross-company organization with the vision of establishing an environmentally responsible energy supply system. Biofuels made from biological resources, such as used cooking oil, corn, and palm, are expected to be an alternative to petroleum because the CO<sub>2</sub> absorbed by plants through photosynthesis is believed to offset the CO<sub>2</sub> produced when the biofuels are used. As each industry is being called on to reduce GHG emissions, we aim to provide a stable supply of liquid biofuels for shipping, aviation, and other industries and reduce the environmental impact of the entire life cycle from raw material procurement to manufacturing, transportation, disposal, and recycling, thereby contributing to the development of all industries related to our business.





## A Message from the Sustainability Executive Officer

“ We view sustainability as a social responsibility as well as an opportunity to bring about further growth. ”

### Yasuhiko Watanabe

Executive Officer in charge of Corporate Planning Div., Legal Div., Credit Div., Sustainability Promotion Div. and Risk Management Div.



At Hanwa, we implement sustainability initiatives in conjunction with our business strategies to create a foundation for value creation with an eye to future growth. In order to share a prosperous future with all stakeholders, we will enhance both social and corporate value through sustainability management.

### Why Hanwa places importance on sustainability management

Sustainability management, as we see it, is an initiative to ensure that a company exists perpetually and continues to grow by resolving issues associated with the environment, society, and the economy through its business activities. We believe that there are three prerequisites of sustainability management for a company that continues to generate value: to be needed by the market, to be able to stably secure human resources and products to be distributed in order to conduct business activities, and to be trusted by society in terms of compliance and governance.

We have been conducting business activities based on our corporate philosophy of “Coping with changes of the times and the market quickly, we, as a “distribution specialist,” aspire to make a broad contribution to society by satisfying various needs of customers.” With the aim of further improving capital efficiency and conducting business in line with the needs of our customers and of society based on the expertise and values we have cultivated through our business activities to date, in FY2022 we formulated the Sustainability Basic Policy to serve as our medium- to long-term vision. In particular, we

plan to achieve sustainability management by identifying the key issues (materiality) that we should focus on and linking them to various measures. With regard to the supply chain, over the past two years we have announced the “Hanwa Group Human Rights Policy,” “Declaration of Partnership Building,” and “Multi-Stakeholder Policy,” with the aim of achieving coexistence and co-prosperity by building fair and sound relationships with our business partners.

As for the stock market, overseas institutional investors that view Hanwa shares as an ESG investment have shown strong interest in initiatives for carbon neutrality. In Europe, investors also expect reports and disclosures on the status of GHG emission reductions based on local environmental regulations. There will be increasing demand on us to address environmental issues surrounding our overseas Group companies going forward. As such, sustainability divisions at the Head Office will likely need to oversee and manage the initiatives of the entire Group in the future.

We view sustainability initiatives as a social responsibility that we must fulfill, and at the same time, expect them to bring further growth opportunities to the Group’s businesses. From this perspective, we will strive to raise awareness of sustainability throughout the Compa-

ny and promote understanding and dissemination of our initiatives.

### Progress of initiatives related to our five-pillar materiality

The Group has identified five materiality issues: “Formation of a sustainable, sound material-cycle society,” “Realization of carbon neutrality,” and “Creating resilient social infrastructure,” which are to be mainly addressed through business activities, and “Security and development of diversified human resources” and “Advancement of risk management system,” which are to be addressed to build the management foundation.

For “Formation of a sustainable, sound material-cycle society,” the Group has long engaged in businesses for recycling scrap metal such as scrap iron and aluminum. For some time now, we have been selling scrap steel collected in Japan to electric furnace steelmakers, and distributing the steel products produced there across Japan. We have begun expanding this business overseas, including in the ASEAN region. The sustainable, stable supply of biomass energy, such as palm kernel shells (PKS) and wood pellets, is also a business that contributes to the formation of material-cycle society.

Among the materiality related to our businesses, we believe that the “Realization of carbon neutrality” will significantly contribute to improving our corporate value. We endorsed the TCFD recommendations and the basic concept of the GX League in FY2022, and then in FY2023 went on to set the target of a 34% reduction in Scope 1 and 2 GHG emissions in Japan by FY2030 (compared to FY2021), as well as a medium- to long-term goal of achieving carbon neutrality by FY2050. In order to achieve these targets, the Group is working to reduce emissions by switching types of electricity and fuel, among other measures. Being a trading company, it is extremely difficult for us to significantly reduce the emissions generated across the entire supply chain, unlike in the manufacturing industry. Nevertheless, we intend to indirectly contribute to the realization of carbon neutrality by expanding sales of various products that contribute to decarbonization, such as biomass energy, an alternative to fossil fuels, and recycled energy. In FY2023, we also entered into a collaboration with Asuene Inc., a company that provides cloud services for visualizing, reducing, and reporting emissions. This partnership will allow us to visualize the GHG emissions of companies and local governments, and to make proposals for reducing them.

In “Creating resilient social infrastructure,” we are engaged in projects that contribute to Japan’s national policy of building national resilience, such as supplying materials for seismic retrofitting in the civil engineering and building construction fields. Our efforts include supplying steel products such as those for bridge pier collapse prevention devices, highway slabs, and reinforcing bars used in precast concrete, and undertaking the subcontracting of steel frame construction work.

With regard to “Security and development of diversified human resources,” we have continued to uphold the philosophy of “a trading

company is its people” since our founding. For the Company to grow in a sustainable manner, we believe it is essential to create a work environment in which diverse human resources can grow and thrive over the long term, regardless of gender or nationality. Accordingly, we are focusing on developing human resources that can play an active role globally by strengthening our talent through education and training via our corporate university, Hanwa Business School (HKBS), and our overseas trainee system. As an example of our overseas trainee system, the Credit Department, which also screens overseas companies’ ratings and overseas transactions, dispatches employees to Group companies in Indonesia as trainees. Trainees learn about the overall operations of corporate divisions, with a focus on receivables and insurance management and credit rating operations. They also get involved with human resource development at Group companies in Indonesia to cultivate their ability to play an active role overseas. By continuing these initiatives, we expect to nurture future global human resources and raise the operational level of the Group as a whole. Turning to diversity, many non-Japanese personnel play an active role in Japan, and we are also promoting personnel exchanges between our overseas bases. Examples of such exchanges include having personnel hired in Shanghai work at Group companies in Indonesia.

As for “Advancement of risk management system,” we believe that it is necessary to further strengthen our risk management in order to proactively take risks and expand our business. As such, in an attempt to further strengthen our company-wide risk management structure, we established the Risk Management Department in April 2024. Its major tasks are: redefining material risks; pursuit of more advanced screening and approval processes; and pursuit of more advanced exposure management. By taking appropriate measures and controlling various risks, we will endeavor to achieve dramatic business growth through proactive investment and lending activities.

### Efforts to realize sustainability management that enhance the Company’s attractiveness

Promotion of sustainability management across the entire Company requires instilling of our approach to sustainability and initiatives among all employees. If we can become a company where each and every employee embraces sustainability, takes ownership of these initiatives, and acts accordingly by building a system that allows sales divisions to acquire new business opportunities from a sustainability perspective and generate tangible profits and benefits, we should be able to enhance corporate value and social value simultaneously.

I believe it is my mission as the Sustainability Executive Officer to enhance the attractiveness of the Company through sustainability initiatives and foster a corporate culture that attracts people who want to find job satisfaction at Hanwa and want to join Hanwa and make a difference in the world. I will do my utmost to fulfill these duties.

# Promotion of Sustainability Management

## Basic Stance for Sustainability

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

To this end, as the world faces environmental issues such

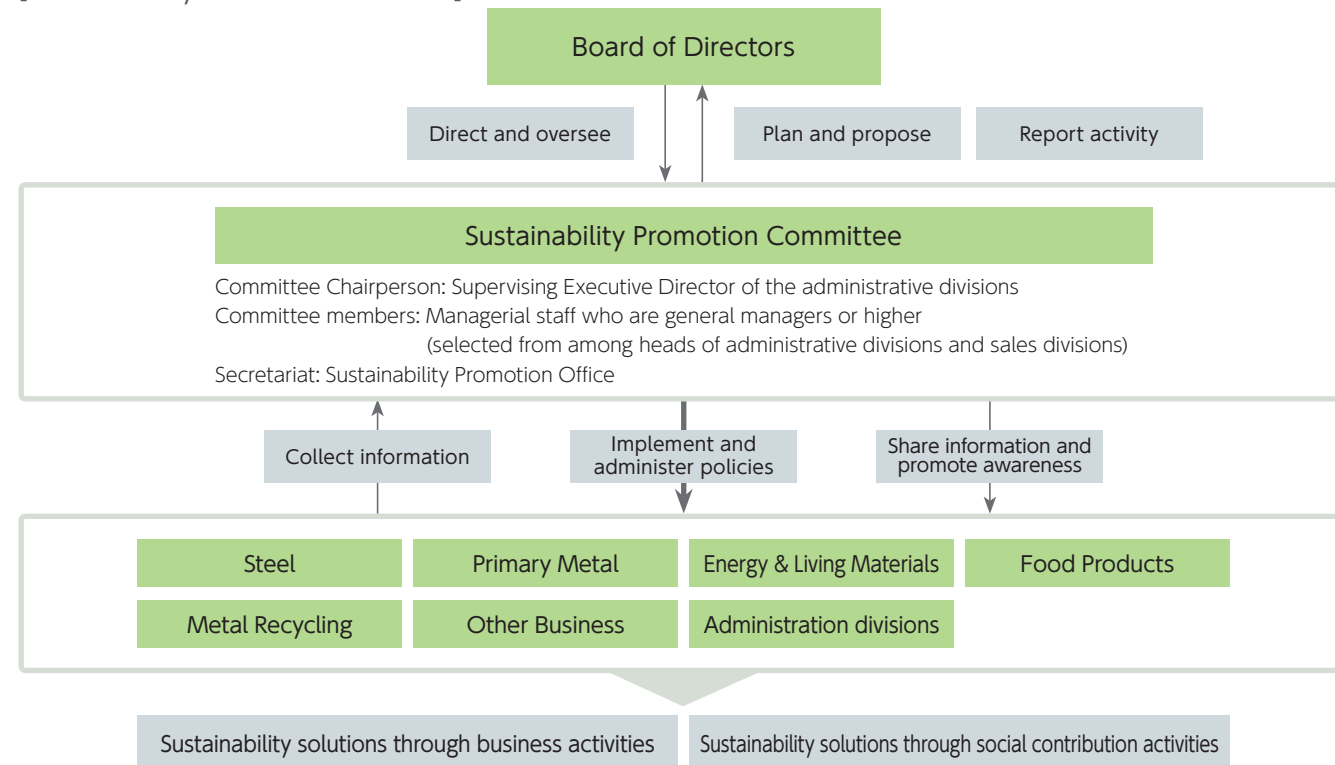
as global warming and environmental pollution caused by waste as well as social issues including poverty and human rights infringement, we need to respond to the expectations of diverse stakeholders through promotion of various business activities fully conscious of E (environment), S (social), and G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

## Sustainability Promotion System

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

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

[ Sustainability Promotion Structure ]

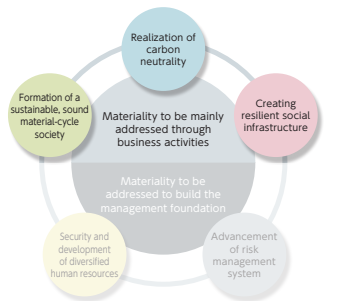


## Activity Report of the Sustainability Promotion Committee

In addition to developing various policies, our Sustainability Promotion Committee has worked on individual topics such as climate change and human rights, and met four times in FY2023. First, the Committee organized the issues to address related to sustainability, ensuring a common understanding of the challenges ahead of improving our

corporate value over the medium to long term. Then, in terms of individual topics, the Committee discussed and made decisions relating to the formulation of a set of supply chain guidelines, our response to systems related to the EU's Carbon Border Adjustment Mechanism (CBAM), initiatives for emissions trading, etc.

# Materiality to be Mainly Addressed Through Business Activities



## Formation of a sustainable, sound material-cycle society

### Relationship with us

We are responsible for the distribution of various resources ranging from steel to non-ferrous metals and food products. We contribute to the effective use of limited resources by creating new circulations in addition to existing distribution systems. We will also address human rights and environmental issues in the distribution networks in which we are involved, and contribute to the realization of a healthy and sustainable supply chain.

### Examples of related topics

- Circular economy
- Limited natural resources
- Human rights issues in the supply chain
- Environmental issues in the supply chain



## Realization of carbon neutrality

### Relationship with us

We are responsible for the distribution of metals used in batteries and alternative energy. We will contribute to the further distribution of resources that contribute to decarbonization by responding to changes in demand associated with the transition to a decarbonized society. We will also actively reduce the impact of our operations on climate change.

### Examples of related topics

- Conversion to alternative energy (energy sources, power generation methods)
- Green steel
- ZEB, ZEH
- GHG emissions



## Creating resilient social infrastructure

### Relationship with us

We are responsible for the distribution of materials necessary for buildings and infrastructure. We will contribute through the distribution of materials needed to build more disaster-resistant communities, as well as through the updating and demolition of aging buildings and infrastructure.

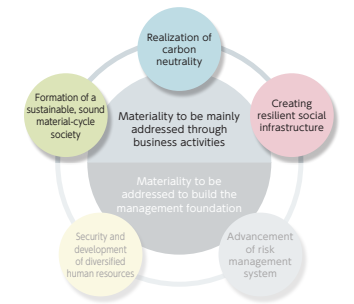
### Examples of related topics

- Disaster-resilient materials
- Construction and demolition





# Initiatives Related to Business Activities



## Recycling of Steel Materials

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

To ensure that both flow cycles run smoothly, we work

### Reuse of steel

Our Group is engaged in the business of reusing steel. There are various types of steel. We not only sell new steel, but also collect, clean, and prepare used steel, and reuse them wherever product design allows, for steel sheet piles, H-beams, decking panels and steel plates used in civil engineering and construction works. Reusing steel not only enables us to provide users with steel at lower prices, but also contributes to the realization of a circular society through the effective use of limited steel resources as well as to the reduction of CO<sub>2</sub> emissions.



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

### Recycling of steel scrap

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

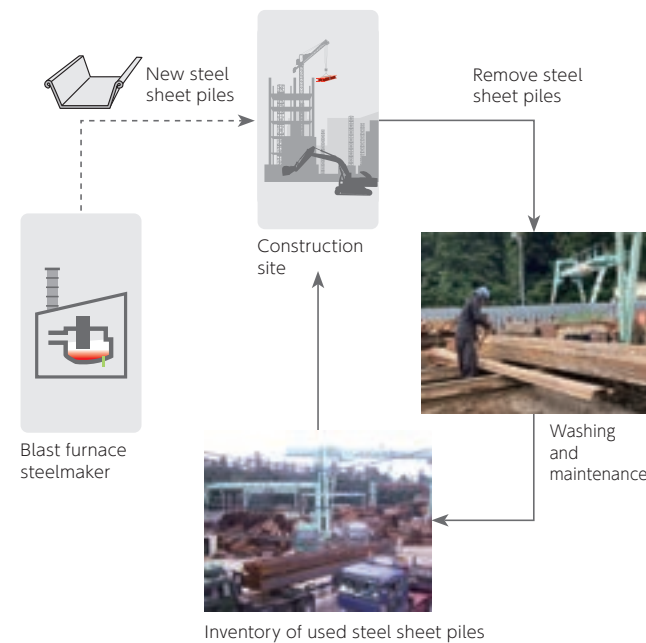
Steel recycled by manufacturers is reused as new steel products, and when these products age, they become scrap and are recycled again into products, and this cycle continues almost indefinitely.

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

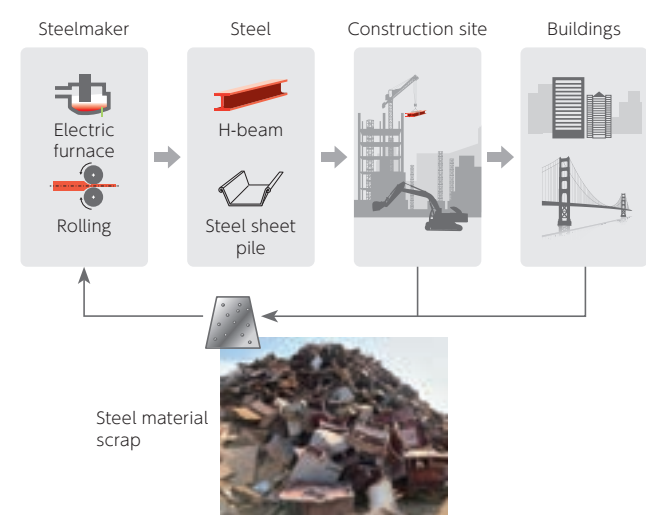
The recycling of steel also contributes to the reduction of CO<sub>2</sub> emissions generated in the process of manufacturing new steel.

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

#### [ Steel recycling ]



#### [ Recycling of steel scrap ]



### Wind turbine dismantling business

Although wind power is a form of renewable energy, one of the challenges is the dismantling of power generation equipment at the end of its useful life, which is estimated to be about 20 years, and the treatment and recycling of its materials.

We have both functions of demolition and appropriate valuation of scrap. We utilize this knowhow to undertake the dismantling of wind turbine generator facilities and the disposal of the scrap generated from these facilities in a single integrated process.

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

erated before delivering it to steelmakers.

We are also working to reduce environmental impact and energy consumption by conducting research with experts on the disposal of wind turbine blades, which has recently become a social issue, with the goal of achieving recycling.



Dismantling wind turbines

## Material Recycling of Aluminum

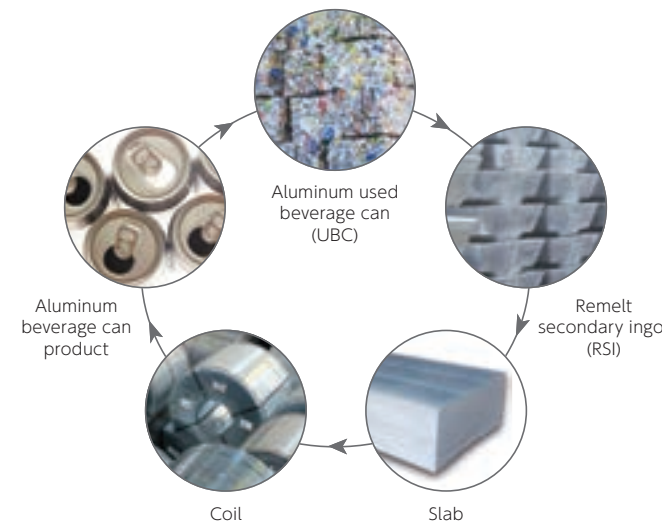
We have long been involved in aluminum recycling as one of the players handling the largest volume of aluminum scrap in Japan.

We remove impurities and other materials from used aluminum cans, melt them down and adjust their composition to create remelt secondary ingots. We supply them to manufacturers to recycle them as aluminum cans. As a result of this process, they can be reused as aluminum

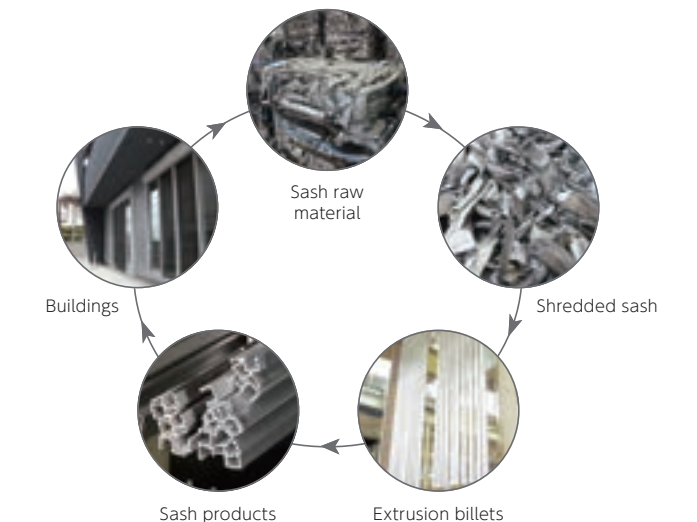
cans. This process of recycling used aluminum cans into aluminum cans is called "Can to Can." We also recycle window frames (aluminum sashes) in the same way to achieve "Sash to Sash."

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

#### [ Can to Can ]



#### [ Sash to Sash ]



## Initiatives Related to Business Activities

### Recycling of Special Metals

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



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

### Recycling of Stainless Steel Materials

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



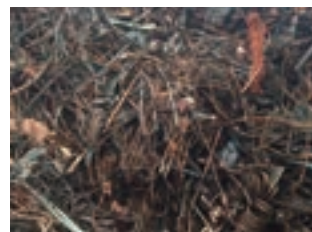
Stainless steel scrap is collected at and delivered from the scrap yard at Hanwa Metals Co., Ltd.

### Recycling of Copper Scrap

Copper, which is said to be the first metal that human beings encountered, is used in various fields such as electrical wire, home appliances, automobiles, smartphones and money, and supports our modern lives. Amid higher social demand for carbon neutrality and electrification of vehicles, it is expected that demand for copper will be higher, and copper has become more indispensable for a solution to environmental issues and development of society.

We have developed a network to collect raw materials of copper scrap and provided the raw materials to material makers in the world using the network formed throughout the world.

We handle one of the largest volumes of the material in the world, and contribute to the global environment, economic development and building a sound material-cycle society system.



Birch Cliff



Copper scrap

### Recycling of E-scrap

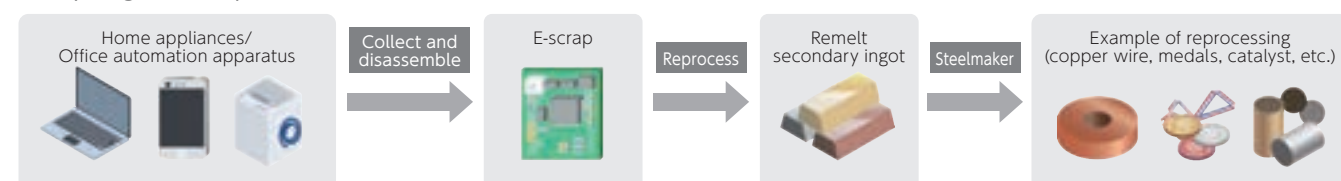
Waste from electrical and electronic devices is called E-waste. Approximately 60 million tons of such waste is generated throughout the world, and the amount is increasing amid the countries' economic development.

E-waste includes multiple recyclable resources that are re-

cycled in various ways by being collected and disassembled.

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

#### [ Recycling of E-scrap ]



### Non-ferrous Metal Scrap Business Overseas

We engage in the non-ferrous scrap metal business outside Japan mainly at five overseas locations: HANWA THAILAND CO., LTD., HANWA SINGAPORE (PRIVATE) LTD., PT. HANWA INDONESIA-SIA, HANWA EUROPE B.V., and HANWA AMERICAN CORP. We operate in compliance with the Basel Convention in handling transactions involving import, export and off-shore trade, provide users in Japan and elsewhere with consistent supplies of recycled materials and take steps to reduce environmental loads. In 2016, we established a joint venture with Mitsubishi Materials in the Netherlands that began its operation in

2018. This has further strengthened our business handling precious metal scrap contained especially in circuit board scrap.

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

### Stable Supply of Biomass Energy

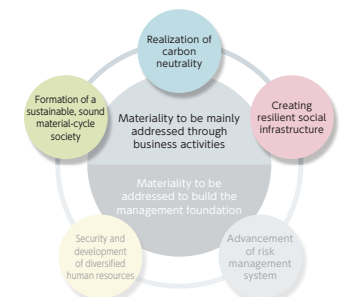
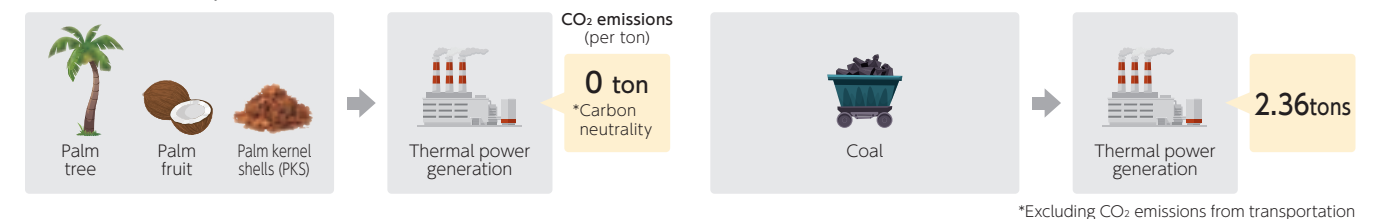
We are engaged in the business of biomass energy that are expected to serve as a renewable energy. Our main products include palm kernel shells (PKS) and wood-based biomass energy such as wood pellets. For PKS, we are the largest importer in Japan in terms of handling volume.

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

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

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

#### [ Reference ] Comparisons of CO<sub>2</sub> emissions from PKS and coal





## Initiatives Related to Business Activities

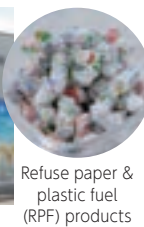
### Recycled Fuel RPF



We are also focusing on Refuse Paper & Plastic Fuel (RPF) that has become common as an alternative for fossil fuel for our industrial production. RPF is made mainly from industrial waste such as waste paper and waste plastic. It has many advantages such as less CO<sub>2</sub> emissions (approximately two-thirds of coal) and lower prices. We began handling RPF in 2003 and currently handle more than 100 kt/year. In addition to our nationwide network, we welcomed an RPF producer, Seibu Service Co., Ltd. and Alpha Forme Co., Ltd., in our Group in 2015 to achieve a more stable supply system.

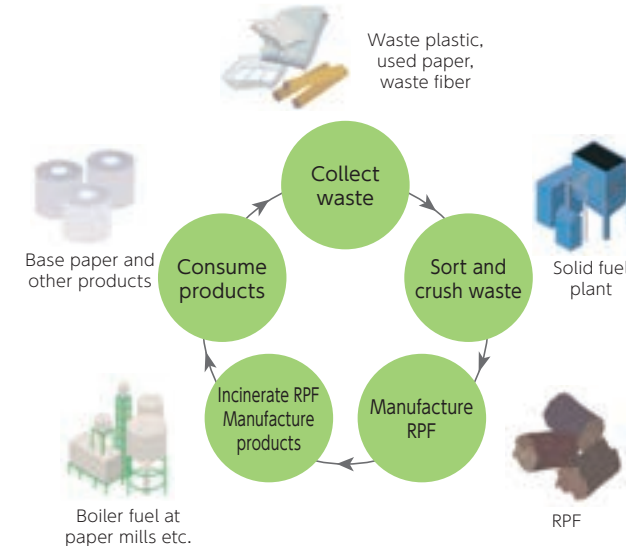


Seibu Service Co., Ltd. (Kobe Plant)



Refuse paper & plastic fuel (RPF) products

#### [ Resource recycling of RPF ]



### Recycling of Used Paper



We have been selling a wide range of recyclable used paper ranging from old newspapers, cardboard, and other standard paper types to more specialized, high-quality types such as milk cartons and printing paper as raw materials for papermaking to domestic paper mills for approximately 30 years. In recent years, we have also been handling environment-friendly, recyclable packaging materials made from properly managed forests and recycled milk cartons. We are also engaged in exporting used paper to Southeast Asian countries that have been seeing explosive growth.



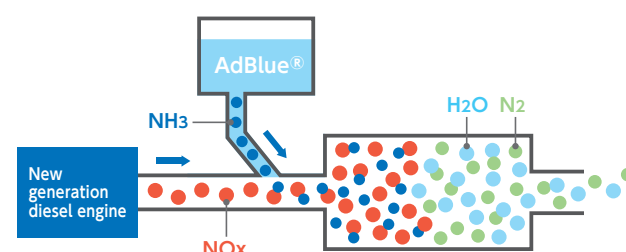
Used office supply paper

### Mitigating Air Pollutants by Stable Supply of Urea



We also focus on handling urea for use in fertilizers, industrial, automotive, shipping, and other applications, as a player handling one of the largest volumes in Japan. AdBlue®, a high-grade urea solution containing urea as its main ingredient, is used as a nitrogen compound (NO<sub>x</sub>) reducing additive. It contributes to the prevention of GHG emissions into the atmosphere by reducing nitrogen compounds emitted by diesel vehicles such as large trucks and buses.

#### [ How AdBlue® works ]



AdBlue®, which is injected in the muffler to decompose nitrogen oxides (NO<sub>x</sub>) in the exhaust gas into nitrogen (N<sub>2</sub>) and water (H<sub>2</sub>O), improves the green performance and combustion efficiency of diesel vehicles.

### Obtaining MSC-CoC and ASC-CoC Certifications for Preservation of Marine Resources



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

that were produced at farms that give consideration to environment and society.



MSC certification

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

### Exploring Environment-friendly Products



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



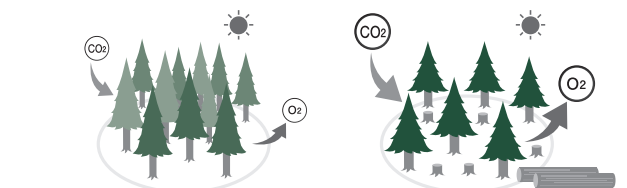
Products made from bio-based raw material

### Export of Thinned Lumber



In our lumber business, we began exporting timber from forest thinning etc. in 2006 and presently export about 150,000 m<sup>3</sup> of lumber annually to China, Taiwan, and other markets. Timber export helps to lift timber prices by bringing in a more di-

verse range of buyers and help to maintain employment, thereby stimulating local economies. In addition, exports protect the land by promoting forest maintenance, which also helps the forest to absorb more CO<sub>2</sub>.



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

### Obtaining Forest Certifications for Forestry Preservation and Product Use



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

non-certified material during processing and distribution. With these certifications, we pledge our corporate commitment to further promoting eco-friendly timber production and thereby encouraging sustainable forest management.

SGEC-CoC certificate



Initiatives for Environment

Environmental Management

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

The Environmental Policy

Basic policy

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

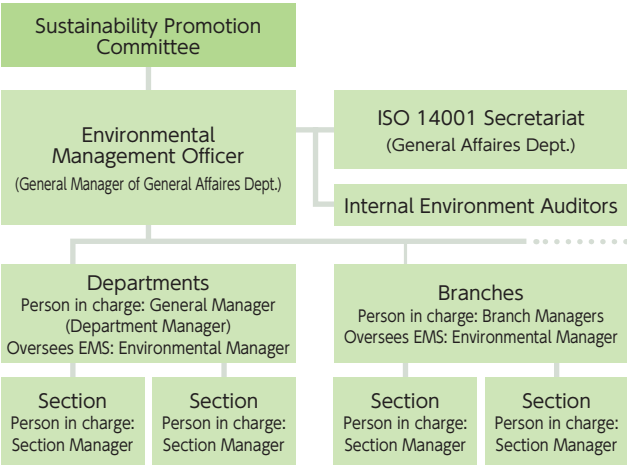
Guidelines for corporate action and major activities

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

Environmental Management System (EMS)

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

[ Environmental Management System (EMS) ]



Implementation and Continuous Improvement of EMS

In order to strengthen environmental governance, the Group conducts internal audits based on the ISO 14001 international standard at the Company and domestic Group companies to confirm the effectiveness of the EMS. In FY2023, we conducted internal environmental audits in 62 departments. Furthermore, our overseas Group companies conduct internal audits based on their own EMS that complies with ISO 14001. LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 58 departments in FY2023, with a focus on the effectiveness of EMS.

[ The number of organizations that have acquired ISO 14001 certification as of March 2024 ]

Domestic offices .....	19 locations
Domestic Group companies .....	5 locations

\* Each of our overseas offices and Group companies has established an EMS, and 8 of them have obtained certification.

Promotion of Environmental Education

Upon implementing the EMS, we conduct environmental education seminars every year for newly appointed section managers and environmental managers. In 2023, sessions were conducted in March for new section managers, and in June for new environmental managers. At each session, explanations on the outline of the ISO 14001 standard and environmental management were provided, with a focus on legal compliance, crisis management, effective use of resources, and business improvement.

Consideration for the Natural Environment - reduction of CO<sub>2</sub> emission at domestic business sites

Endeavors as consignor

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

Endeavors in the office

We have conducted environmental promotion activities and attempts to reduce energy spending and CO<sub>2</sub> emission throughout the office.

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



Initiatives for Environment

Response to Climate Change

Approach to Climate Change Response

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

considering both the "impact of business activities on climate change" and the "impact of climate change on the Company."  
We will promote the reduction of GHG emissions in business activities and initiatives to realize carbon neutral society through businesses and actively engage in minimizing the risks posed by climate change.

Governance Structure

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

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

Strategy

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

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

Risk Management

For climate change-related risks, the Sustainability Promotion Committee takes the lead in collecting information and identifies and assesses risks under the direction and supervision of the Board of Directors, and manages them after reporting to the Board of Directors. The management manages climate

change-related risks by formulating a management plan and determining investments after examining the identified and assessed risks, and adding measures to minimize risks to daily business activities as necessary.

Metrics and Targets

To achieve our long-term target of becoming carbon neutral by FY2050, we have set ourselves the medium-term target of a 34% reduction in domestic Scope 1 and 2 emissions by FY2030 (compared to FY2021). To help us achieve this target,

we are moving forward with efforts to reduce GHG emissions from our business activities, such as by switching our electricity to renewable energy and transitioning from fossil fuels to low-carbon fuels.

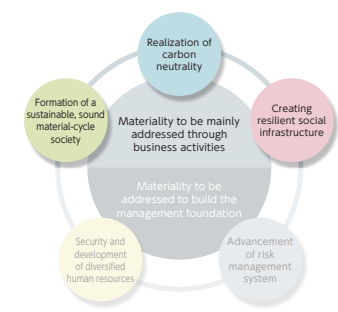


[ Scenario analysis ]

We conducted scenario analyses of the Energy, Metal Recycling, Food Products, and Housing Materials (lumber) businesses, and identified risks and opportunities by identifying the factors of climate change that are considered important in each business.

Scenario	Business	Climate change factor		Assumption	Opportunities/risks and impacts
Transition scenario	Energy	Policies, laws and regulations	Reinforcement of environmental regulations	•Regulations on GHG emissions will lead to fuel conversion. •The use of renewable energy will become more mandatory.	<b>Opportunity</b> •Increase in revenue opportunities in line with increases in demand for PKS, RPF and other fossil fuel alternatives and new products (impact: large)
			Carbon pricing (carbon tax, etc.)	•GHG emissions will be taxed. •The introduction of an emissions trading system will increase costs imposed at the time of credit purchase and others.	<b>Risk</b> •Decrease in revenue opportunities in line with a decrease in demand for fossil fuel (impact: medium)
		Technology	Development and widespread use of next-generation technology	•Demand for gasoline will decline due to the widespread use of electric vehicles. •The market of petroleum products will be smaller as carbon tax becomes more common.	
		Market	Change in energy	•Renewable energy will be introduced further. •Distributed energy systems will be developed and widespread.	
			Modal shift	•There will be more demand for vessel fuel.	
	Metal Recycling	Policies, laws and regulations	Reinforcement of environmental regulations	•The use of alternative and renewable materials will become more mandatory. •There will be more demand for switches from other materials.	<b>Opportunity</b> •Increase in revenue opportunities in line with an increase in demand for aluminum which is a light material and highly recyclable (impact: large)
			Development and widespread use of next-generation technology	•Demand for batteries and relevant materials will increase due to the transition to hydrogen society and widespread use of electric vehicles, leading to more demand as vehicles become lighter. •There will be more use of recycled materials and manufacturing yield due to the integration of alloys.	<b>Risk</b> •Decrease in revenue opportunities in line with a decrease in demand for aluminum parts that are used in internal combustion vehicles (impact: medium)
		Market	More environmental awareness	•Demand for aluminum scrap will increase due to the reassessment of aluminum's recyclability.	
			Change in energy	•There will be more energy shifts in countries refining aluminum ingots. •The market of services related to ZEB/ZEH and renewable energy will be formed.	
	Food Products	Policies, laws and regulations	Carbon tax	•Cost of raw materials and energy will increase.	<b>Opportunity</b> •Increase in revenue opportunities in line with an increase in demand for environment-friendly products (impact: large)
			Environmental regulations	•Investment costs for non-fluorocarbon refrigerators and freezers will increase.	<b>Risk</b> •Increase in procurement costs of fishery and livestock raw materials and products due to imposition of carbon tax and environmental measures (impact: large)
		Technology	Development and widespread use of next-generation technology	•Transition to agriculture technology and smart aquaculture will occur. •Development of renewable materials and biomass-related technology will progress.	
			Changes in consumer behavior and awareness	•Interest in environment-friendly consumption will increase. •Interest in disaster prevention measures will increase. •Health demand will increase.	
		Market	Change in energy	•Changes in demand for fossil fuels will increase the cost of cold storage materials, etc.	<b>Opportunity</b> •Increase in revenue opportunities in line with an increase in demand for lumber in housing and other construction (impact: large)
			Changes in business models	•Business models will change to sharing and upcycling. •Joint delivery, modal shift, and other initiatives will progress.	
	Housing Materials (lumber)	Policies, laws and regulations	Carbon tax	•Cost of raw materials and energy will increase.	<b>Risk</b> •Procurement costs associated with imposition of carbon tax and environmental measures (impact: large)
			Environmental regulations and policies	•Insulation and energy conservation standards for housing and other buildings will be raised. •ZEB and ZEH will become mandatory. •Policies related to forest protection and carbon sinks will be implemented.	
		Market	Changes in consumer behavior and awareness	•Interest in environment-friendly consumption will increase. •The demand structure will change as preferences change from owning to sharing and preferences for housing.	
			Change in energy	•The use of non-fossil energy sources will expand (and the use of fossil fuels will shrink).	<b>Opportunity</b> •Increase in revenue opportunities in line with an expansion of wood fuel market (impact: large)
			Other market changes and the impact of technological innovation and its spread	•It will be possible to generate carbon credits from forest absorption. •The ZEB and ZEH markets will expand.	
				•Demand for housing and other buildings prepared to respond to weather disasters will increase. •Demand will increase and processes will shift toward low-carbon materials, such as wood that can fix CO <sub>2</sub> . •Demand for environment-friendly products (FSC products, plastic-free products, etc.) will increase.	
	Common to the entire Company	Policies, laws and regulations	Carbon pricing (carbon tax, etc.)	•Costs will increase in the entire market as carbon tax becomes more common.	<b>Risk</b> •Increase in taxes such as carbon tax (impact: medium) •Increase in costs in line with soaring electricity and material prices (impact: medium)
			Change in energy	•There will be an excessive increase in demand for renewable energy.	

Initiatives for Environment



Scenario	Business	Climate change factor	Assumption	Opportunities/risks and impacts
Current scenario	Metal Recycling	Rise in average temperature	·There will be more demand for soft drinks and beer.	<b>Opportunity</b> ·Increase in revenue opportunities in line with an increase in demand for aluminum cans (impact: medium)
	Food Products	Rise in sea level	·Farms, processing plants, and aquaculture ponds in low-lying areas will have difficulty operating.	<b>Opportunity</b> ·Increase in revenue opportunities due to handling of new marine resources (impact: medium)
		Rise in average temperature	·Growing conditions of raw materials will change and productivity will decrease. ·Logistics costs for food products will increase.	<b>Risk</b> ·Increase in procurement and storage costs for marine and livestock raw materials and products due to changes in the production and logistics environment (impact: large)
		Changes in weather patterns	·Demand for frozen and processed foods will increase. ·Water stress will increase. ·Harvests of agricultural, livestock, and fishery products will decrease and quality will decline. ·Distribution of commercial products will decrease, making it difficult to procure sufficient supplies.	
	Housing Materials (lumber)	Intensification of abnormal weather	·Increased probability of supply chain disruptions due to damage to road, rail, and port facilities. ·Landslides and fallen trees in forests will increase.	<b>Opportunity</b> ·Increase in revenue opportunities in line with an increase in demand for strengthening facilities and infrastructure in preparation for disasters and increase in demand for relocations from disaster-prone areas (impact: large)
		Rise in sea level	·Demand for capital investment and relocation in flood risk areas will increase.	
		Rise in temperature	·Plant growth conditions will change. ·Fires, tree pests, etc. will occur in forests.	<b>Risk</b> ·Increase in costs associated with supply chain restructuring (impact: medium)
		Combined chronic impacts	·Vegetation and timber procurement areas will change, including deterioration of tree growing conditions. ·Frequency of pests and diseases will change. ·It will be difficult to maintain quality. ·There will be more demand for insulation and shielding effects.	
	Common to the entire Company	Rise in sea level	·There will be more risks of lowered port functions and storm surges (whose impact will not last in the medium term).	<b>Risk</b> ·Generation of costs for capital investment for measures against global warming, storm surge and others (impact: medium)

[ Selecting a scenario ]

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

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

[ Response policy ]

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

Business	Opportunity	Risk
Energy	·Increase in revenue opportunities in line with increases in demand for PKS, RPF and other fossil fuel alternatives and new products <b>&lt; Response policy &gt;</b> ·Promotion of waste tire recycling business ·Promotion of waste plastic and RPF business ·Promotion of PKS and wooden pellet business ·Promotion of vessel biofuel business ·Promotion of carbonized biomass business ·Promotion of ESCO business ·Promotion of construction waste material business ·Promotion of ammonia business ·Participation in the carbon credit market ·Others (promotion of business using M&A and others)	·Decrease in revenue opportunities in line with a decrease in demand for fossil fuel <b>&lt; Response policy &gt;</b> ·Active promotion of sales of alternatives ·Promotion of business in which selling, general and administrative expenses are reduced through streamlining of operation
Metal Recycling	·Increase in revenue opportunities in line with an increase in demand for aluminum which is a light material and highly recyclable ·Increase in revenue opportunities in line with an increase in demand for copper which is required in batteries and whose recycled material can be provided ·Increase in revenue opportunities in line with an increase in demand for aluminum cans <b>&lt; Response policy &gt;</b> ·Promotion of strengthening of the ability to procure scrap ·Further understanding of customers' needs and promotion of a stable supply of scrap ·Promotion of inter-departmental collaboration and sharing of existing facilities ·Enhancement of recycling facilities and promotion of strengthening of their functions	·Decrease in revenue opportunities in line with a decrease in demand for aluminum parts that are used in internal combustion vehicles <b>&lt; Response policy &gt;</b> ·Shift to materials for electric vehicles in collaboration with customers
Food Products	·Increase in revenue opportunities in line with an increase in demand for environment-friendly products ·Increase in revenue opportunities by creating new businesses through the use of next-generation technologies and collaboration with different industries ·Increase in revenue opportunities due to handling of new marine resources <b>&lt; Response policy &gt;</b> ·Promotion of vertically integrated business ·Promotion of raw material origin processing ·Promotion of onshore aquaculture business ·Promotion of microalgae business ·Promotion of food tech	·Increase in costs related to procurement and storage of fishery and livestock raw materials and products ·Decrease in revenue opportunities in line with a decrease in demand for natural resources <b>&lt; Response policy &gt;</b> ·Secure multiple procurement routes ·Promotion of frozen foods and development of new marine resources
Housing Materials (lumber)	·Increase in revenue opportunities in line with an increase in demand for lumber in the housing market ·Increase in revenue opportunities in line with an expansion of wood fuel market ·Increase in revenue opportunities in line with an increase in demand for strengthening facilities and infrastructure in preparation for disasters and increase in demand for relocations from disaster-prone areas <b>&lt; Response policy &gt;</b> ·Expansion of immediate delivery, small-lot and processing functions and product development for housing and other buildings in cooperation with the Steel Business ·Securing production of wood structural materials from raw materials and product development ·Creation and acquisition of carbon credits	·Increase in procurement costs for logs, lumber products, etc. due to imposition of carbon tax and environmental measures ·Increase in costs associated with supply chain restructuring <b>&lt; Response policy &gt;</b> ·Strengthen procurement capabilities of domestic and overseas raw materials with a view to M&A and build a competitive supply chain ·Securing suppliers including forest acquisition and forest management
Common to the entire Company	Company-wide opportunities realized in each business	·Increase in taxes such as carbon tax ·Increase in costs in line with soaring electricity and material prices ·Increase in costs in line with an increase in electricity use and soaring transportation insurance premium ·Generation of costs for capital investment for measures against global warming, storm surge and others ·Generation of costs to repair disrupted logistics network and opportunity cost <b>&lt; Response policy &gt;</b> ·Promotion of reduction of GHG emissions ·Promotion of energy saving ·Promotion of periodic review of insurance, etc. ·Promotion of measures for buildings against flooding and storms ·Identification of products with high procurement risk in the case of disasters and promotion of risk distribution



# Materiality to be Addressed to Build the Management Foundation



## Security and development of diversified human resources

### Relationship with us

Our diverse workforce plays a fundamental role in our business as a trading company. We are working to create an environment in which a diverse workforce can work and grow sustainably, in order to establish a management foundation for sustainable growth of the Company, even if it is affected by future concerns such as a declining population in Japan.

### Examples of related topics

- Developing human resources
- Securing human resources
- Diversity of human resources
- Internal human rights issues



## Advancement of risk management system

### Relationship with us

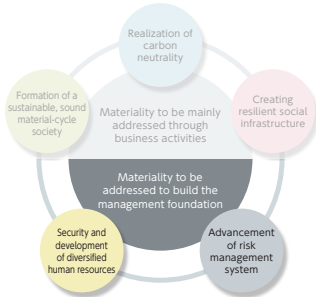
We have made a variety of investments to date, and we believe that risk management is becoming increasingly important due to growing uncertainty. In order for us to continue to grow in the future, we will continue to advance our investment management and other risk management systems.

### Examples of related topics

- Business risks
- Investment management
- BCP
- Corporate governance



# Initiatives for Human Resources



## Human Resources Management

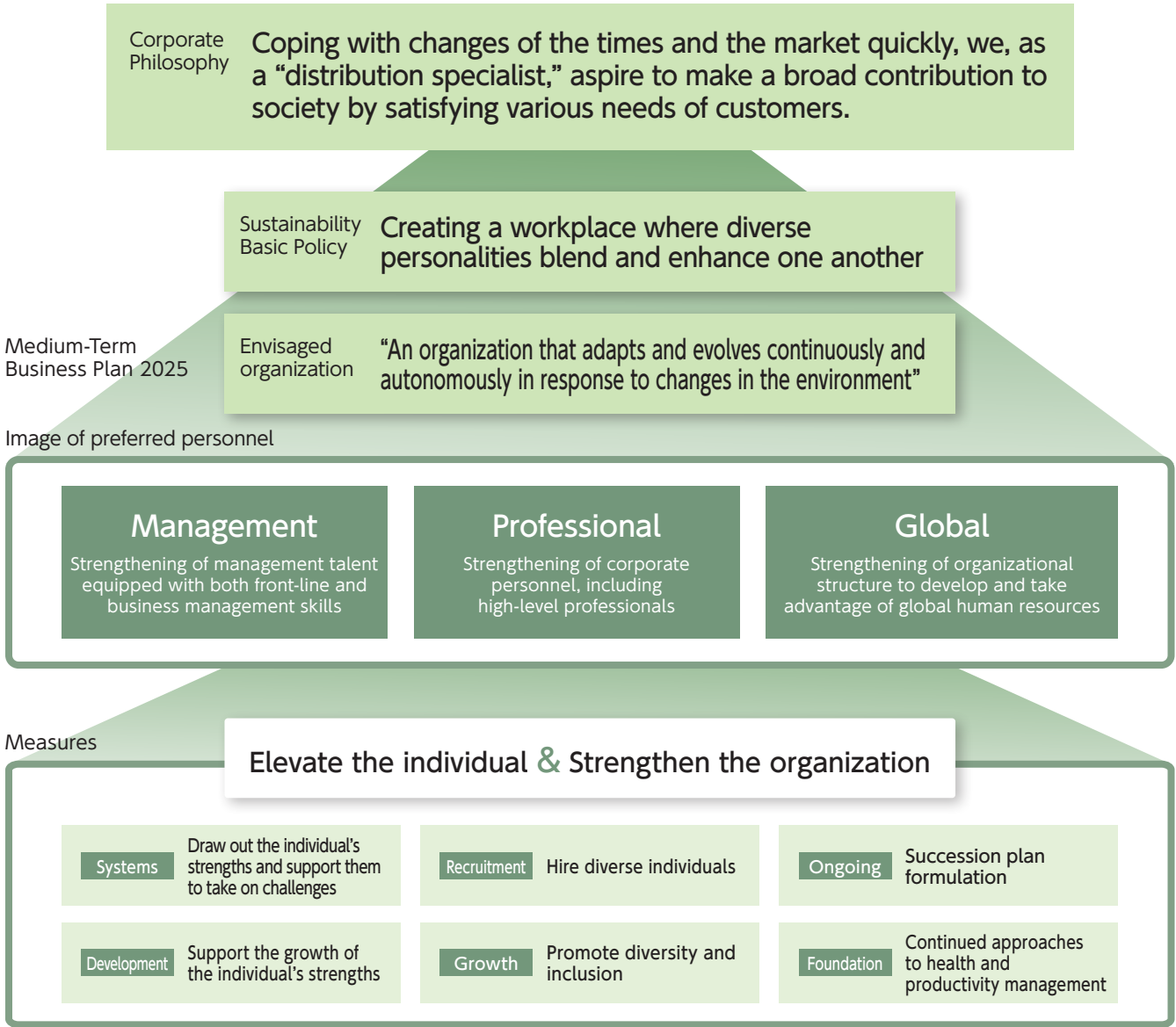
### Basic Ideas on Human Resources

Jiro Kita, the founder of our company, believes that “trading companies have to cherish its human resource” and has developed businesses believing that “corporate prosperity and the happiness of our employees are two sides of the same coin.” Seventy-eight years have passed since its establishment, but this philosophy still remains as the basis of our Company’s approach to human resources.

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

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

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



## Initiatives for Human Resources

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

#### Systems

#### Creating a Conducive Workplace Environment

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

Our employees may submit a self-declaration form once a year so we can understand how satisfied they are with our internal HR systems and confirm their career plans, and more than 80% of employees submitted the form every year. We have also set a suggestion box which allows employees to express their requests and opinions to the Personnel Department at any time throughout a year. These initiatives allow us to receive requests and opinions from employees, improve welfare programs, and reform the personnel system to enable flexible work arrangements.

Following the 2022 revision of the Act on Childcare and Caregiver Leave, we established system for parental leave

and split-period childcare leave. Starting in FY2024, the age limit for children eligible for the shorter working hour system for childcare was raised from the end of third grade (age 9) to the end of sixth grade (age 12). These actions have established a system that allows employees to take childcare leave more flexibly, while maintaining our existing childcare leave system, which is more generous than legal requirements. We will continue to further deepen diversity and inclusion for human resources and improve our internal environment going forward. As a post-COVID-19 response, going forward, we will continue efforts to increase productivity of employees, while adopting systems necessary to respond to the change of the times, such as the introduction of a work-from-home system and a staggered working hours system for normal times at all domestic offices since FY2023.

### Support the Growth of the Individual's Strengths

#### Development

#### Education of Human Resources

The concept underlying our Human Resources Education is the development of "P&G" talent. "P" stands for Professional, referring to the ability to solve user's problems with a high level of expertise and management skill. "G" stands for Global, indicating not only refers to human resources who communicate with the understanding of the uniqueness and the diversity of each region of the world, but also includes human resources who have an open-mind. Moreover, we will continue to strengthen the foundation of our management human resources with both front-line and business management skills in order to expand and grow the Group in Japan and overseas.

Furthermore, we opened our corporate university, Hanwa Business School (HKBS), in FY2022 to strengthen our hu-

man resources toward FY2030. We provide educational programs that further systematize "hard-earned wisdom" and "Hanwa DNA" accumulated to date and creating an environment where employees can learn voluntarily. The content of HKBS lectures is constantly updated to reflect the needs of the field and social trends, actively incorporating a wide range of topics. From FY2024, we will also start linking the new personnel system with HKBS training contents to help with the development of next-generation management human resources with both front-line and leadership skills, more than ever before. In addition, we will continue conducting personnel assignment and OJT and OFF-JT effectively.

We believe that it will be an extremely important for "P&G" talent to continue honing their skills on their own."

### Promote Diversity and Inclusion

#### Growth

#### Promotion of Women's Empowerment

In the action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the fourth term of which was newly launched in April 2023, we will continue to actively recruit women, increase the number of female employees involved in organizational decision-making, and support for balancing work and life events, thereby actively promoting initiatives for women's participation and advancement.

##### ● Major Activities

- Maintaining the percentage of female career-track employees among new graduates hired at 30% or more
- By April 2026, we will increase the percentage of female managers to 3.7%, with a medium- to long-term target of 10%
- Providing opportunities to review career plans through women's empowerment training

#### Employment of People with Disabilities

The employment rate of people with disabilities in FY2023 was 2.4%, exceeding the statutory employment rate of 2.3%. As of April 2024, we employ 48 people with disabilities, and the employment rate of people with disabilities of 2.6% exceeds the statutory employment rate of 2.5%, which was raised in April 2024. We will actively continue our recruitment activities to respond to the statutory employment rate, which is set to increase to 2.7% in July 2026.

We are actively working to create an environment where people with disabilities can work with peace of mind for a long time. This includes providing them monthly opportunities to receive advice from specialists to address workplace conditions and personal concerns. In addition, a work-from-home system was introduced in 2018, and currently 20 employees are engaged mainly in input work on computers. Based on an understanding of each individual's characteristics, we check in with each other's health conditions every morning to ensure a conducive environment. Our workplaces are located all over Japan, from Hokkaido to Kumamoto, contributing to job creation in local areas. This initiative has been introduced at

several seminars as good instances of work-from-home for persons with disabilities. In addition, we also conduct hands-on learning at support schools.

As the statutory employment rate for people with disabilities is expected to increase further in the future, we established Hanwa Business Partners Co., Ltd. in April 2024, which will be certified as a special subsidiary under the Act to Facilitate the Employment of Persons with Disabilities, in order to contribute to expanding opportunities for employment for people with disabilities. With the goal of obtaining certification as a special subsidiary in FY2024, the company will promote the creation of a work environment and systems that better support diverse individual characteristics and aim to create an environment in which each individual can maximize their abilities at work in a way that is true to themselves while cooperating with others, regardless of whether or not they have a disability or the type of disability they may have. We will strive to promote the employment of people with disabilities and ensure a conducive work environment, contribute to the realization of a sustainable society.

### Continued Approaches to "KENKO Investment for Health"

#### Foundation

#### "KENKO Investment for Health" Initiatives

Hanwa views employee health management from a managerial perspective, and the company, employees and Hanwa Health Insurance Society work together to promote the health of the employees and their families. In April 2018, we established the "Hanwa Health and Productivity Management Declaration," and established the Health and Productivity Management Office within the Personnel Department in order to prepare a system to address health and productivity management. In FY2022, we introduced a three major illness compensation system to help employees balance treatment and work. In April 2023, the organization was reorganized into the Health and Productivity Management Section to further promote health management. The Section is staffed with public health nurses, and is actively working to promote the health of employees and their families, visualize issues, and conduct preventive activities.

The Representative Director and President Yoichi Nakagawa became the Chief Health Officer (CHO) in FY2022 and established the Hanwa Group Health and Safety Policy. This policy emphasizes

ensuring a conducive working environment, improving working conditions, reducing the risk of occupational diseases, and enhancing health maintenance as top priorities. We promote disease prevention, severity prevention and mental health care, subsidize smoking cessation treatment, strictly prohibit smoking outside the designated smoking areas as a way to eliminate the risk of passive smoking, hold health improvement seminars by our public health nurse, and conduct stress check on employees. Furthermore, to encourage employees to enjoy managing their health, we have organized walking events where they can compete on step counts using a mobile app. As a result of these steady efforts, we were recognized as a Health & Productivity Management Outstanding Organization 2024 (large enterprise category) in March 2024. We will continue to promote measures to promote the creation of an environment where all employees can continue to be healthy, both physically and mentally, and play an active role.

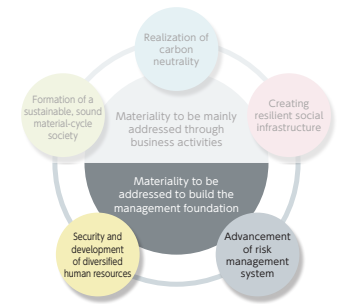
#### Health and Safety Policy

We established "Hanwa Group Health and Safety Policy" in April 2022 to create a safe and secure working environment for our more valuable asset, our employees. In accordance with this policy, we will continue to work to maintain and improve the health of our employees and create a conducive working environment.

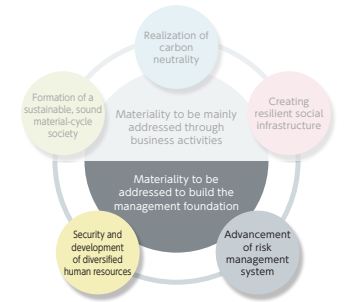
In addition, we will set the goals listed on the right, and then implement and verify different measures.

##### ● Goals

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







A message from the Personnel Executive Officer

“ **Development of  
‘Professional & Global’  
talent** ”

**Hideyuki Tsuruta**  
Executive Officer  
In charge of Personnel Dept.,  
General Affairs Dept.,  
Quality, Safety & Environmental  
Control Dept., Sales Accounting Dept.,  
Trade Administration Dept.



In the Medium-Term Business Plan 2025, with the goal of becoming an organization that continuously and autonomously adapts and evolves in response to environmental changes, we are focusing on the development of management personnel with both front-line and business management skills, global human resources throughout the Group, and corporate human resources to support stronger governance. To this end, we will further enhance the training content of HKBS, which launched in June 2022, to expand learning opportunities throughout the Group and provide opportunities for personal growth. Specifically, we will increase opportunities for employees to practice their skills through language study abroad, expansion of overseas trainee dispatches, and bi-directional personnel exchanges with domestic and overseas group companies.

We are promoting reforms in personnel evaluation and promotion, appropriate placement, and compensation systems as well as human resource development, and in FY2024 we introduced a new personnel system. In order to draw out individual strengths and support challenges, we will redefine job groups to accommodate diversified operations, introduce an open recruitment system and an early promotion system for highly motivated employees, and support employees to grow by proactively providing opportunities for growth. We will then realize a well-balanced system design and compensation level that appropriately evaluates performance and rewards challenge and achievement. We will accelerate the move-

ment to place the right people in the right places more than ever before.

In order for a company to sustainably create new values and innovation, it is essential to have a corporate culture in which diverse people and values are respected and everyone can thrive with authentic selves. In order to attract diverse individuals, we will actively promote the appointment of female managers, encourage paternity leave for men, expand career and referral hiring, and hire highly specialized personnel. We have introduced a senior personnel system to provide opportunities for employees to continue working after retirement. However, to address the shortage of human resources, we are also considering methods to expand employment opportunities after the age of 65 to further deepen the diversity and inclusion of our human resources.

The three-year-long COVID-19 pandemic has prompted us to significantly review our conventional work styles in the office and work processes, and due to the new ERP system introduced in FY2023, we have further accelerated the digitalization and elimination of paper of internal operations. By achieving support for more advanced operations and pursuing a balance between new work styles such as remote work and productivity, we will promote work style reform based on the founder's philosophy that "corporate prosperity and the happiness of our employees are two sides of the same coin."

## Employee Messages

### “ Utilizing Diversity as a Business Advantage ”

**Zhu Zhiheng**  
Legal Sect.-2,  
Legal Dept.



I came to Japan from China as an international student in 2014, and later worked for a Japanese manufacturer and foodservice company. I joined HANWA as a mid-career hire in August 2023. My first impression was that the Company had a welcoming environment and warm-hearted personnel, made me feel like a very attractive place to work.

At my job interview, I felt that the Company's environment has no glass ceiling for employees of foreign nationality, and that regardless of nationality we would all have an opportunity to develop our careers, be it through promotion to management positions or experience overseas. So, when I heard that I'd been offered the job, I didn't hesitate to join.

After starting work, it was great to see senior employees of foreign nationality being treated equally and flourishing. I felt first-hand how the Company utilizes diversity to its

business advantage, making full use of the new viewpoints and ideas that come from different backgrounds.

Of course, as a trading company of more than 70 years, there are traditional processes still in place, but I can see how the Company is striving to improve its working environments and systems in line with the changing times, such as by implementing work-from-home systems, childcare leave for male employees, and mentorship systems for female and employees of foreign nationality, and I am also looking forward to the future diversity promotion initiatives.

It has been a year since I started working for the Company, and I am really happy that I decided to become a part of Hanwa! Going forward, I will continue to use my language skills and understanding of different cultures to contribute to the Company's further success on the global stage.

### “ I hope to deepen interactions through active communication ”

**Qiao Wei (Vanessa)**  
Global Trading Sect.,  
Wire Products,  
Special Steel & Titanium Dept.



After working at the Group company HANWA TRADING (SHANGHAI) CO., LTD. (Hanwa Shanghai) for 19 years, I was transferred to the Tokyo Head Office in November 2022. While feeling a bit lost personally and professionally when I was living in Japan for the first time, I spent a year and a half adjusting while receiving support from many of my seniors and colleagues.

Although HANWA is committed to promoting diversity, I had never been particularly conscious of diversity as the majority of the management team at Hanwa Shanghai were women, with the exception of expatriates from Japan. The percentage of female managers in Japan is only a few percent, so I think Shanghai is more advanced in terms of active participation regardless of gender. Although I have never felt at a disadvantage be-

cause of my foreign nationality, I do feel that Japanese companies can be slow at making decisions as there are many traditions and rules and there is also a culture of employees being reserved with one another. While the Company is also focusing on foreign language training, even if you are not fluent in a foreign language, I do think that active communication without hesitation will help win over more customers and deepen interaction.

Because the Company is a global company, I think that personnel exchanges across borders will increase further. I would also like to propose the development of office layouts that allow customers and employees with various cultures and customs from all over the world to feel comfortable and relaxed during business meetings and consultations.

message

## Initiatives for Human Resources

### Hanwa Scholarship Foundation

Hanwa Scholarship Foundation was established in April 1957 to commemorate the 10th anniversary of the foundation of Hanwa Co., Ltd. Recalling his own tough experience of learning, Jiro Kita, our founder and the first director of the foundation, wished to develop talented human resources for Japanese society by offering financial support through scholarships to personnel who could not pursue education due to financial constraints. He established the foundation by investing 10 million yen, when our capital was only 0.1 billion yen.

Following recognition that the foundation's scholarships were for the public's benefit, in 2011 the foundation was made a public interest incorporated foundation.

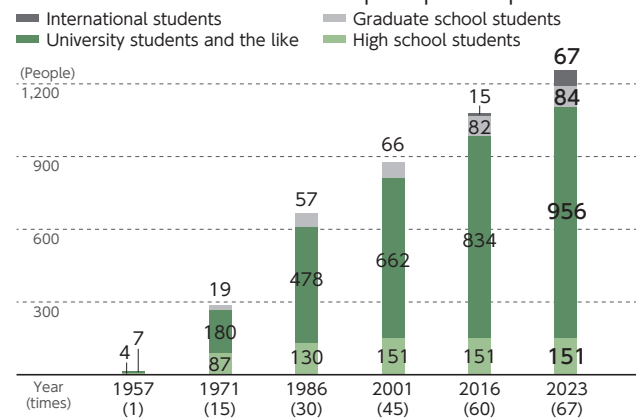
In FY2015, the foundation newly established a grant-type scholarship for studying overseas. This is out of our passion in view of the pace of globalization to support as many students, with desire and ability, as possible to widen their views through overseas studies, pursue knowledge, and become human resources who can compete with outstanding young people in countries around the world. In FY2021, the foundation changed its conventional loan-type scholarship for domestic scholarship recipients to a grant-type scholarship, to create a system suitable for the needs of the times.

Currently, the Hanwa Scholarship Foundation's net assets stand at over 700 million yen, and has supported around 1,300 scholarship recipients to date. Many past scholarship recipients remain active in a wide range of fields, including not only the industrial world but also academia, government service, the legal and medi-

cal profession.

Japanese economy is past the growth stage, and with progressively low birthrates and a declining population, domestic markets will shrink and social disparities will continue to widen. In various areas, competition is set to grow with foreign countries where there is still room for growth, particularly emerging nations. Against this backdrop, advanced personnel education will be essential, and the importance of university-based study will grow further. Utilizing its unique characteristics as a private-sector scholarship foundation, Hanwa Scholarship Foundation will continue to enhance its support so that young people who will lead the next generation can play a more active role in society.

Cumulative number of scholarship recipients up to FY2023



### Initiatives for Human Rights

We have set forth "Formation of a sustainable, sound material-cycle society" and "Security and development of diversified human resources" in our materiality, and we are working

#### Human Rights Policy

As a company operating in various countries around the world, the Group considers respect for human rights as one of the foundations of our business, and formulated our Human Rights Policy in June 2022, incorporating the opinions of third parties. We will clarify this concept in this policy and strive to fulfill our responsibilities as a company.

#### Main contents of the Hanwa Group Human Rights Policy

1. Scope of application
2. Support for international norms and principles regarding human rights
3. Human rights due diligence
4. Remedy
5. Dialogue and discussion
6. Education and enlightenment
7. Report

on initiatives to realize respect for human rights not only for our employees but also for our supply chain.

#### Human rights due diligence

In proceeding with the human rights due diligence, we first conducted a human rights risk analysis as follows.

#### [ Human rights risk analysis ]

To clarify the human rights risks in our businesses, we conducted an analysis based on two approaches using NGO campaign results confirmed between January 2016 and January 2023.

#### (1) Approach from general information

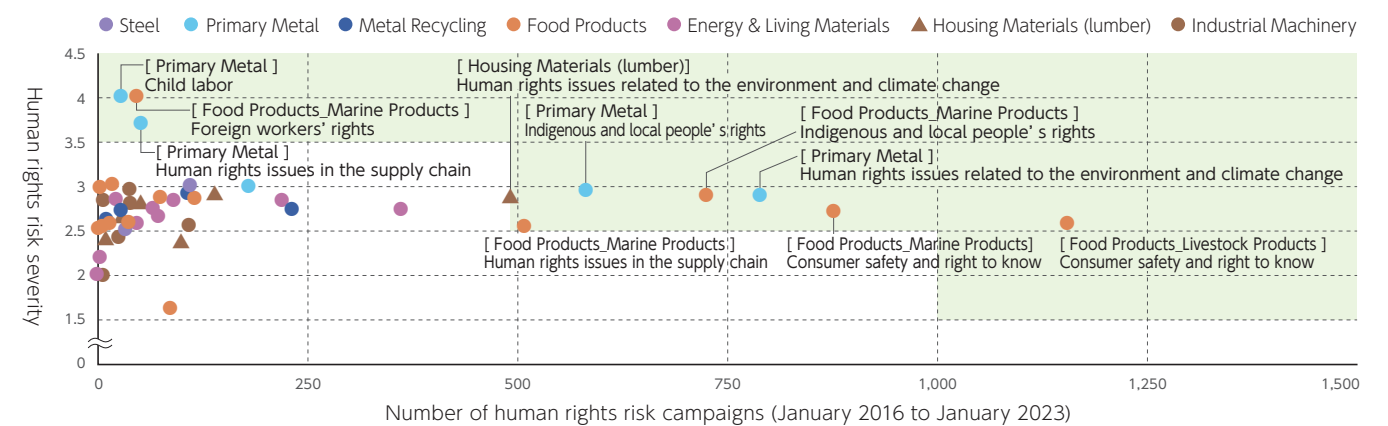
The NGO campaign results include content related to a variety of commercial products. The following chart shows an analysis of the "human rights risk severity" and "number of human rights risk campaigns" for general campaign content regardless of commercial products, by the type of human rights that the campaign is promoting.



\* The human rights risk analysis is based on the results of a third-party research organization analyzing and evaluating the performance of campaigns for human rights issues identified by human rights organizations and NGOs around the world.

#### (2) Approach from product-specific information

Of the NGO campaign results pertaining to the campaign content of product-specific information (e.g., campaigns related to food production sites), the following chart shows an analysis of "human rights risk severity" and "number of human rights risk campaigns" by the type of such human rights promoted by the campaign and by our business.



#### (3) Summary of human rights risk analysis results

From (1) above, we identified "forced labor," "child labor," "insufficient and unpaid wages, living wages" and others as human rights issues that require more attention in the overall supply chain. From (2) above, we identified Primary Metal, Food Products, and Housing Materials (lumber) as businesses that should be given particular attention with regard to human rights issues.

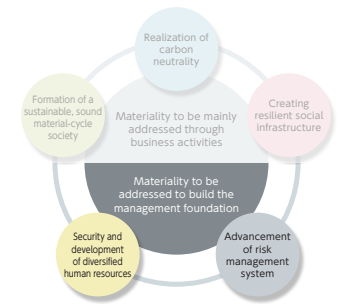
#### [ Supply chain initiatives ]

##### ・Establishment of Supply Chain Action Guidelines

We have established the Supply Chain Action Guidelines in order to build a sustainable supply chain that takes into consideration social and environmental aspects, including respect for human rights. With this, we will share our thoughts with suppliers and other business partners and fulfill our social responsibilities together.

##### ・Conducting questionnaires

For the primary metals, food products, and housing materials (lumber) businesses that have been identified as businesses that require special attention based on the results of an analysis of human rights risks, we are sequentially conducting questionnaires on social and environmental aspects for business partners in these businesses in an aim to better understand actual conditions for business partners.





## Risk Management

## Basic stance

## Basic Policy

We define “risk” as “uncertainty that may affect the achievement of the Company’s business strategy and business objectives” in the Company’s “Basic Policy on Risk Management,” and we implement specific measures to control various risks that may arise from busi-

## Risk Management System

We recognize the strategic importance of risk management as a material issue, and we have established a framework under the basic policy determined by the Board of Directors. We have appointed the Supervising Executive Director of administration divisions as the overall responsible person for risk management. Additionally, we have implemented necessary risk management structures and specific management methods. Furthermore, we are actively promoting initiatives to enhance the overall risk management awareness among top management. In addition, in order to prevent the occurrence of risks and to reduce them that occur, we have chosen departments to respond to them and developed various regulations and manuals.

Specifically, within the various risks surrounding our company group—including credit risks (including credit risks related to creditworthiness and country risks), business investment risks, market risks (such as commodity price fluctuations), and compliance risks (including adherence to security trade management and various

ness operations within our company group. It is basic concept of the risk management that we contribute to achieving dramatic business growth through proactive investments and business expansion with these measures.

economic sanctions)—we identify significant risks that could significantly impact our company's management. We establish a Risk Management Department as a specialized unit to manage these risks effectively. This department collaborates with relevant divisions to develop necessary policies and regulations, ensuring an integrated risk management system on a consolidated basis.

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

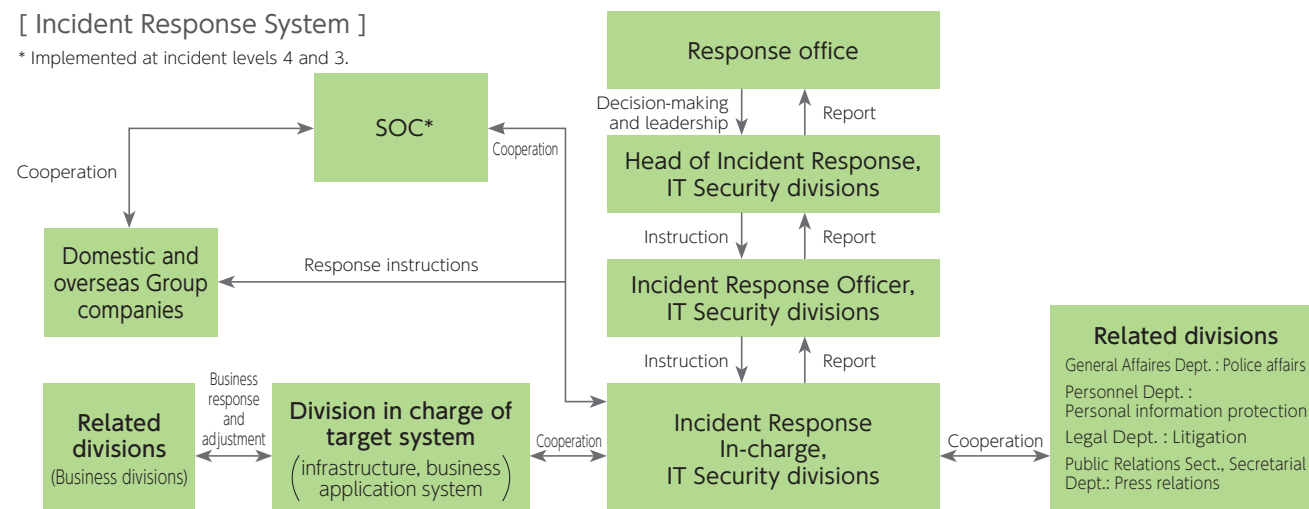
## Information Security

We have established the Information Management Regulations and a Rules of Conduct to ensure an adequate level of information security of the Group and the appropriate management of company-owned information. We have built a system to prepare for attacks by unauthorized ex-

ternal access or computer virus intrusion, and regularly conduct education and training within the Group. In the event of an incident, we will respond in accordance with our manual and work to minimize damage to the entire Group.

[ Incident Response System ]

\* Implemented at incident levels 4 and 3.



\* SOC...Security Operation Center

## Personal Information Protection Policy

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

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

## Crisis Management Measures

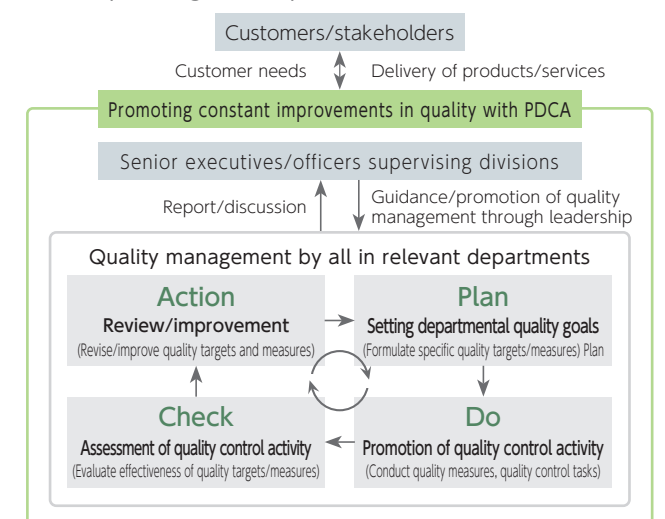
We have established the Crisis Management Manual to prepare against serious crisis that could cause serious damage to our assets and the implementation of operations, as well as damage to officers and employees of our domestic and overseas companies and the Group companies as well as the safety of their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

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

## Quality Control and Health & Safety Management

In recent years, the social impact of quality defects has been increasing, requiring companies, including trading companies, to pay more attention to quality management. We have established the Quality, Safety & Environment Control Department, and in April 2021, we established the Quality Control Rules to strengthen the quality control system to also include group companies. We have set goals of avoiding quality risks while we pursue satisfying customer needs, as well as constantly raising the level of quality management. To achieve these goals, relevant departments refer to the Quality Management System to raise the level of quality control while all persons involved steadily implement the PDCA cycle according to the business characteristics of each department. In addition, we have established the Safety and Health Management Rules (Construction and Manufacturing Businesses) to prevent occupational and public accidents at our construction and manufacturing businesses, and strive to thoroughly ensure compliance and avoid associated risks to us.

[ Quality Management System Structure ]

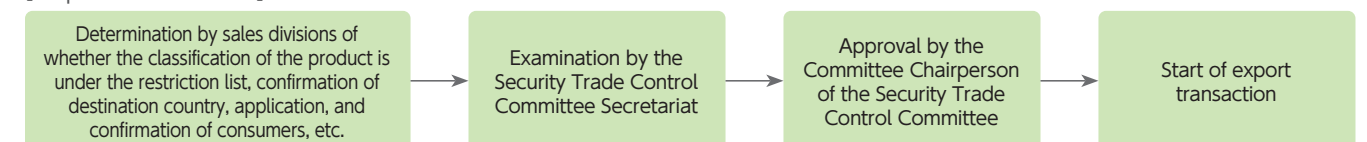


## Security Trade Control

From the perspective of maintaining peace and security in the international community, we are thoroughly committed to compliance with the Foreign Exchange and Foreign Trade Act and appropriate trade control, in order to prevent the flow of arms and military-usable cargo and technology to nations involved in the development of weapons of mass destruction and conventional weapons, as well as terrorists. As part of our efforts, we have established the Security Trade Control Rules and established the Security Trade Control Committee which is chaired by the officer supervising the administrative divisions, to conduct company-wide management and inter-

nal education, thereby ensuring the appropriate and smooth implementation of operations related to security trade control. Procedures for export transactions are stipulated in the Security Trade Control Rules. The chairperson of the committee approves the transaction after double checks and examinations by the sales divisions and the committee's Secretariat for classification, destination country, intended use, and end-user confirmation. In order to maintain peace and security in the international community, we will continue to make efforts to disseminate the security trade control within us and to improve and enhance our trade control system.

[ Export control flow ]



## HKQC Initiatives

## Understanding HKQC

HKQC (Hanwa Knowledge Quality Control) is a program unique to the Hanwa Group. It aims to improve the quality of our operations by using the Group's accumulated collective wisdom for more thorough risk analysis and process control, and to pass the wisdom of the Group down and develop it further.

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

HKQC initiatives are implemented based on the following concepts:

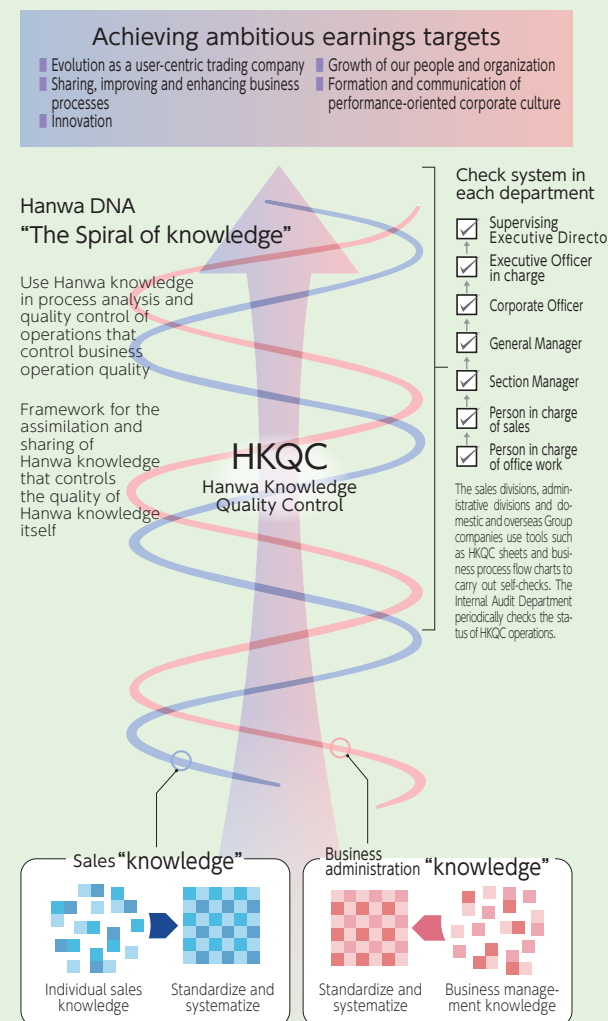
- ☒ They are daily operation improvement activities done autonomously by all employees in the organization
- ☒ They are activities to improve the quality of our operations, which in turn improves corporate value
- ☒ They are activities that not only comply with laws, regulations and rules, but also take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

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

## ■ Initiatives

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

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



awareness of HKQC activities.

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

## Corporate Governance

## Basic Policy of Corporate Governance

## Basic approach to corporate governance

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

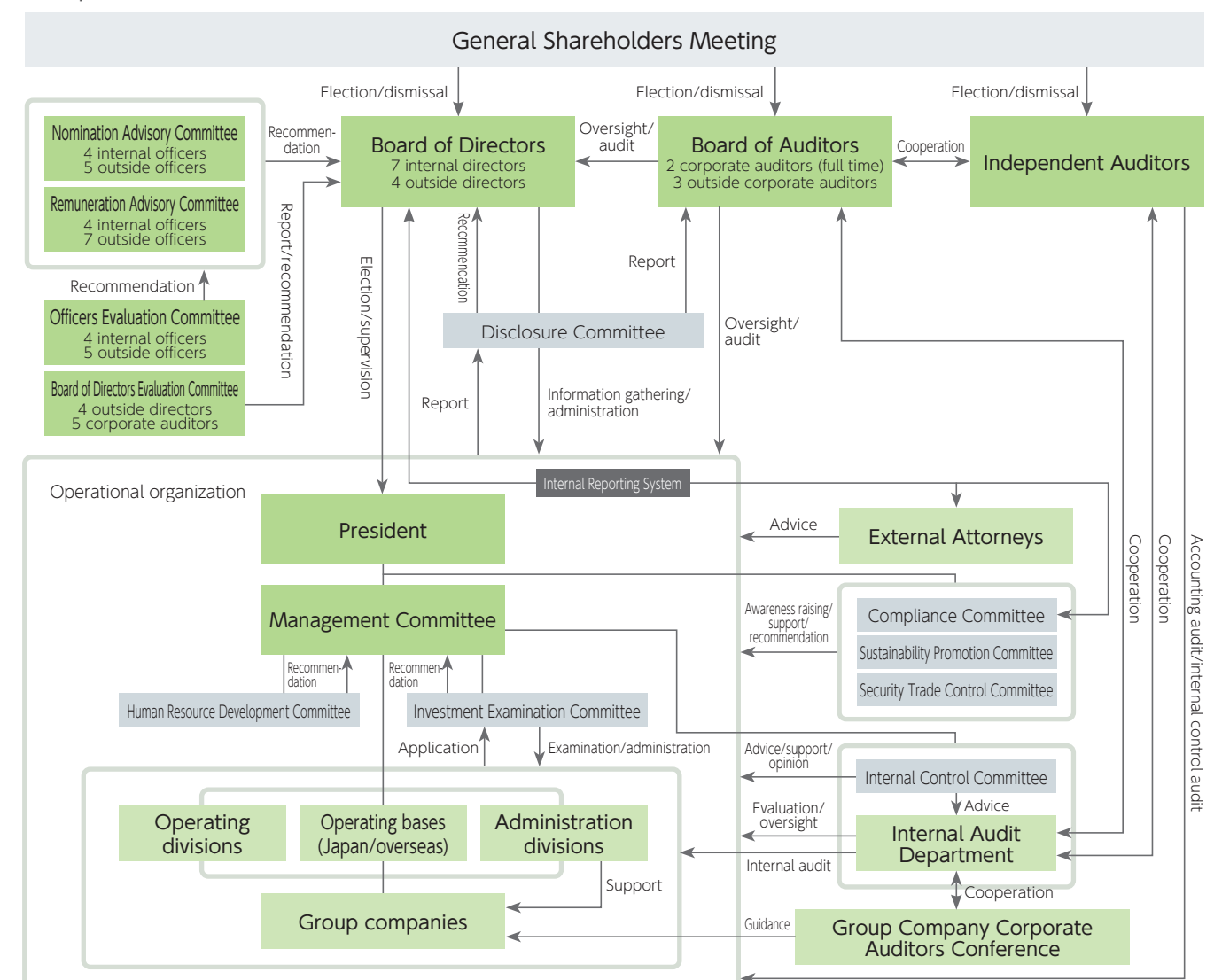
## Corporate governance structure

We have adopted a corporate auditors' system. We have expanded our business over the years across a wide range of business fields, while making optimal use of the high level of expertise we can offer as a "distribution specialist." Business matters of significance are discussed and decided at the Board of Directors meeting by our internal directors, who understand thoroughly our operations, and outside direc-

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

tors, who have a wide range of experience and a high degree of insight. We believe our model, in which corporate auditors (including outside corporate auditors) perform an audit and inspection, is appropriate for our company. In addition, we introduced an executive officer system to establish a system that enables more detail-oriented business operations and to promote quicker and more efficient decision-making.

## [ Corporate Governance Structure ]





Directors and the Board of Directors

Composition of the Board of Directors

The Board of Directors consists of seven internal directors and four outside directors. In appointing directors, we believe that we should appoint personnel who are valuable to our management decisions as directors, regardless of gender or nationality. Regarding female officers, we have appointed two female outside directors.

In addition to the chairman and president, we have

three directors in charge of the Steel business, one in charge of the Meal Recycling and Primary Metal businesses, and one in charge of administration divisions. Based on their wealth of knowledge and experience, they oversee their respective business administration and business execution. The term of office of each director is one year to respond flexibly to changes in the business environment.

Roles of outside directors

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

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

Functions of the Board of Directors

In principle, a meeting is held once a month, and in addition to the matters stipulated in laws and regulations and the Articles of Incorporation, plan and formulate important management operations for the Group. Moreover, the

Board of Directors receives reports on business execution from each director and is responsible for overseeing the execution of duties by the directors of the Group.

Reasons for appointment of outside directors and their attendance

Name	Independent Officer	Reason for appointment	Attendance in FY2023
Ryuji Hori	○	He has expertise and extensive knowledge in legal affairs, cultivated through his many years of experience mainly in risk management at a general trading company, along with his experience as a university professor. He was appointed for the position of Outside Director because we expect that he can provide advice on our management decisions and supervision towards our business execution from a general and multi-lateral perspective.	Board of Directors 15 out of 16 meetings
Kamezo Nakai	○	He has extensive knowledge and abundant experience cultivated through his many years of corporate management in the securities industry and real estate industry. He was appointed for the position of Outside Director because we expect that he can provide advice on our management decisions and supervision towards our business execution from a practical and multilateral perspective especially in finance and investment.	Board of Directors 16 out of 16 meetings
Reiko Furukawa	○	She has profound insight supported by her many years of varied experience in business, management, audits, etc., at a large corporate group for information systems. She was appointed for the position of Outside Director because we expect that she can provide advice on our management decisions and supervision towards our business execution from a practical and objective perspective, especially in the areas of information systems and internal control.	Board of Directors 16 out of 16 meetings
Chika Sato	○	She served as a manager of human resources divisions at Japanese companies and foreign capital companies for many years, and has profound insight and various experience regarding human resources measures. She was appointed for the position of Outside Director because we expect that she can provide advice on our management decisions and supervision towards our business execution from a practical and objective perspective, especially in the areas of global human resources strategy and the promotion of diversity.	— (Assumed office in June 2024)

Corporate Auditors and the Board of Auditors

Composition of the Board of Auditors

It consists of two internal corporate auditors and three outside corporate auditors. Full-time corporate auditors, who are from within the Company, mainly attend the Management Committee to gather information related to the busi-

ness management and explain to outside corporate auditors with their own perspectives to support the understanding of outside corporate auditors. They also hold meetings with management and express their opinions, as necessary.

Functions of the Board of Auditors

The corporate auditors and the Board of Auditors endeavor to make appropriate assessments from an independent and objective standpoint, and in order to do so, they work to monitor us by attending the Management Committee and the Board of Directors, conducting audits of the Group companies, conducting interviews with senior executives and sharing information regularly with the Internal Audit Department and an external independent auditor. In addition, the Board of

Auditors places great importance on preventive audits of misconduct and strives to conduct not only legality audits but also validity audits. We have appointed three outside corporate auditors with a wealth of insights into corporate activities. They conduct appropriate business audits while maintaining their independence from the Board of Directors, express their opinions to the Board of Directors, and make reports at general shareholders' meetings.

Reasons for appointment of outside corporate auditors and their attendance

Name	Independent Officer	Reason for appointment	Attendance in FY2023
Hideyuki Takahashi	○	He has expertise in finance cultivated through his many years of business experience at a financial institution along with his considerable experience in management and audit. He was appointed as a corporate auditor because we believe that he can appropriately audit and supervise our Board of Directors by leveraging his knowledge and experience.	Board of Directors 16 out of 16 meetings Board of Auditors 13 out of 13 meetings
Naoya Sakurai	○	He has extensive insight into corporate legal affairs, cultivated through his many years of business experience in the legal affairs division of a globally operating company. He was appointed as a corporate auditor because we believe that he can utilize his insight in the auditing of the Company.	— (Assumed office in June 2024)
Hisanori Kokuga	○	He has expertise and extensive knowledge cultivated through his many years of business experience at a financial institution along with his considerable international experience. He was appointed as a corporate auditor because we believe that he can audit our management from a global perspective.	— (Assumed office in June 2024)

Independence Standards for Outside Officers

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

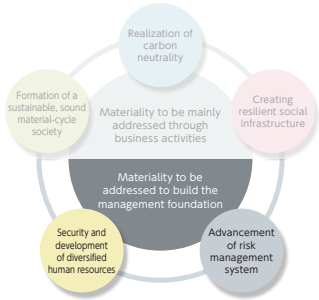
- (1) A major shareholder of the Company (meaning a shareholder who holds either directly or indirectly 10% or more of the total voting rights of the Company at the end of the most recent fiscal year), or an executing person thereof.
- (2) A person belonging to or an executing person of a company of which the Company is a major shareholder (holding 10% or more of the total voting rights of the Company at the end of the most recent fiscal year).
- (3) A major business partner of the Company (whose annual transactions with the Company exceed 2% of the consolidated net sales of the Company during the most recent fiscal year), or an executing person thereof.
- (4) A major lender to the Company (whose outstanding loans to the Company at the end of the most recent fiscal year exceeds 2% of the consolidated total net assets of the Company), or an executing person thereof.
- (5) A representative or an employee who belongs to the audit corporation that is the accounting auditor of the Company
- (6) A consultant, legal professional, certified public accountant, tax account-

tant, or other person providing a specialist service who received ¥10 million or more of monetary consideration nor other properties per year from the Company other than officer compensation in the most recent fiscal year (referring to a person belonging to the organization if the one who received the relevant property is an organization such as a corporation or association.)

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

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

Even if an outside officer falls under any of the above criteria, if the officer is judged to be suitable as an independent outside officer, the officer will be judged to be independent.



Skill Matrix

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

Name	Position	Gender	Corporate Management	Sales/Business Strategy	Overseas Experience	Finance/ Accounting	Legal affairs/ Risk Management	Human Resources/ Labor affairs	IT/Digital
Yasumichi Kato	Director, Chairman	Male	●	●					
Yoichi Nakagawa	Representative Director, President	Male	●		●	●	●	●	
Yasuharu Kurata	Director, Senior Managing Executive Officer	Male	●	●	●				
Yasushi Hatanaka	Director, Senior Managing Executive Officer	Male	●	●	●				
Yoichi Sasayama	Director, Senior Managing Executive Officer	Male	●	●	●				
Ryuji Hori	Outside Director	Male	●	●			●	●	
Kamezo Nakai	Outside Director	Male	●	●		●	●	●	●
Reiko Furukawa	Outside Director	Female	●				●		●
Chika Sato	Outside Director	Female	●		●			●	
Keiji Matsubara	Director, Managing Executive Officer	Male	●	●	●				
Hisashi Honda	Director, Managing Executive Officer	Male	●	●		●		●	●
Hideo Kawanishi	Corporate Auditor (full-time)	Male	●	●					
Yoshimasa Ikeda	Corporate Auditor (full-time)	Male	●				●		●
Hideyuki Takahashi	Outside Corporate Auditor	Male	●			●	●		●
Naoya Sakurai	Outside Corporate Auditor	Male	●				●		
Hisanori Kokuga	Outside Corporate Auditor	Male	●	●	●	●		●	

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

Advisory Committees to the Board of Directors

In order to maintain the independence and objectivity of the Board of Directors, we have established advisory bodies to the Board of Directors, namely, Officers Evaluation Committee,

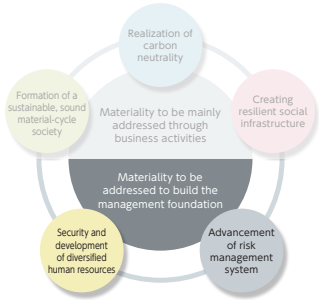
Nomination Advisory Committee, and Remuneration Advisory Committee, in which outside directors and outside corporate auditors participate.

Roles of the committees

Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
It is chaired by the President, and consists of members that include outside directors and outside corporate auditors. It meets at least twice a year to conduct a comprehensive evaluation of each of the officers based on the evaluation of commitment set by each of them at the beginning of the fiscal year, as well as the results of qualitative evaluations. The results of the comprehensive evaluation are provided to the Nomination Advisory Committee and Remuneration Advisory Committee.	It is chaired by an outside director, and more than half of its members consist of outside directors and outside corporate auditors. Based on the results of officer evaluations and employee performance evaluations, it considers the composition of officers for the next fiscal year, prepares a draft, and recommends it to the Board of Directors.	It is chaired by the President, and more than half of its members consist of outside directors and outside corporate auditors. Based on the results of officer evaluations, it prepares a draft of the basic remuneration for the next fiscal year, while also drafting a calculation rule for the performance-linked remuneration, which is a bonus for officers, and recommends the draft to the Board of Directors. It also examines the level of restricted stock compensation that is considered appropriate for each position.

Committee members

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee	Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Director, Chairman	Yasumichi Kato	○	○	○	Director, Managing Executive Officer	Hisashi Honda	○	○	○
Representative Director, President	Yoichi Nakagawa	Committee Chairperson	○	Committee Chairperson	Corporate Auditor (full-time)	Hideo Kawanishi	○	○	○
Outside Director	Ryuji Hori	○	Committee Chairperson	○	Outside Corporate Auditor	Hideyuki Takahashi	○	○	○
Outside Director	Kamezo Nakai	○	○	○	Outside Corporate Auditor	Naoya Sakurai	—	—	○
Outside Director	Reiko Furukawa	○	○	○	Outside Corporate Auditor	Hisanori Kokuga	—	—	○
Outside Director	Chika Sato	○	○	○					



Evaluation of the Effectiveness of the Board of Directors

Since FY2019, we have been analyzing and evaluating the effectiveness of our Board of Directors to further improve its functions. The summary and results of the most recent effectiveness evaluation of the Board of Directors are as follows.

Our Board of Directors will continue its efforts toward maintaining and improving its effectiveness, strengthen its functions, and sustainably improve corporate value.

Evaluation method	In FY2023, a third-party assessment was made to evaluate the effectiveness of the Board of Directors in a neutral and objective manner. ・Anonymous questionnaire survey of all directors and corporate auditors ・A third-party interview of all directors and corporate auditors ・Discussions at the Board of Directors Evaluation Committee ・Discussion at the Board of Directors meetings
Questionnaire content	1) The ideals, composition and operation of the Board of Directors 2) Discussions held at the Board of Directors meetings 3) Regarding monitoring function of the Board of Directors 4) Regarding performance and training of all directors 5) Dialogue with shareholders (investors)
Evaluation result	It was confirmed that the Board of Directors appropriately discusses factors and viewpoints that directors and corporate auditors should emphasize in decision-making, supervision and other operations concerning basic management policy, business strategy and important business execution, and the Board of Directors Evaluation Committee evaluated that the effectiveness of the Board of Directors is ensured. In addition, as an approach to the issues recognized in the previous effectiveness evaluation, time limits were set for explanations of materials and materials were made more compact in order to improve the operation of the Board of Directors. On the other hand, several mid- to long-term issues were identified to further enhance effectiveness including the following.  [ Medium to long-term issues ] ・Strengthen the supervisory function of the Board of Directors, including the delegation of authority to the Management Committee and reviewing the organizational structure ・Consider the diversity required of the Board of Directors ・Further facilitate discussions at the Board of Directors meetings ・Further enhance discussions at the Board of Directors meetings on highly important matters such as medium to long-term management strategies and succession planning

Executive Remuneration System

Our Directors' remuneration is determined within the limits of the amount approved at the General Shareholders Meeting. The basic policy of the system is to ensure that it functions sufficiently as an incentive for the sustainable improvement of corporate value and that it is at an appropriate level based on the responsibilities of each position. Specifically, the remuneration of executive directors consists of monetary basic remuneration, performance-linked remuneration, and non-monetary shares. Outside directors, who are responsible for supervisory functions, are paid only the basic remuneration in consideration of their duties. In determining the ratio of remuneration for executive

directors by type the Remuneration Advisory Committee reviews the ratio of basic remuneration, performance-linked remuneration, and restricted shares, in consideration of the level of remuneration based on the benchmarks of companies in the same scale of business, related industries, and business categories as us. The Board of Directors determines the individual remuneration of directors taking into consideration the report of the Remuneration Advisory Committee.

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

Content of remuneration

Cash	Basic remuneration (Fixed)	It is determined with an emphasis on the attitude toward medium- and long-term issues aimed at sustainable growth and the results of their efforts.
	Performance-linked remuneration (Variable)	It reflects the amount of ordinary income for the fiscal year, as it is positioned as remuneration for the responsibility of the performance results for each fiscal year that the management team has accomplished as a whole.
Non-cash	Restricted shares	A fixed amount or number for each position of executive directors is paid with the aim of granting an incentive for the enhancement of corporate value in the medium- to long-term.

Amount of officer remuneration (FY2023 results)

Officer classification	Total (Millions of yen)	Total by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Performance-linked remuneration	Non-cash remuneration, etc.	
Directors (excluding outside directors)	570	353	154	62	9
Corporate auditors (excluding outside corporate auditors)	53	53	—	—	3
Outside officers	88	88	—	—	7

\*Non-cash remuneration, etc. is the amount recorded as an expense for FY2023 as restricted shares.



## Management Committee

It mainly consists of officers at the level of managing executive officer or higher and corporate auditors (full-time), and meets twice a month as a rule. It submits important issues related to the management decisions of the Group

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

## Internal Control

### Internal control system

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

### Strengthening of the internal control system

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

### Various internal control-related committees

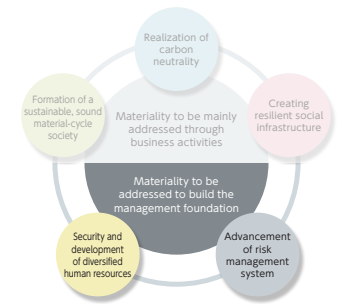
Internal Control Committee	It is chaired by and comprised of managerial staff who are equivalent to general managers or higher in the administrative divisions. In addition to providing advice and support to the Internal Audit Department in verifying the effectiveness evaluation of the Group's internal control and expressing opinions on "Internal Control Evaluation Report" and "Internal Control Report," which are prepared by the Internal Audit Department, it reviews various issues in the internal control of the Group and reports the results to the Management Committee.
Compliance Committee	It is chaired by the officer in charge of the administrative divisions and is comprised of managerial staff who are equivalent to general managers or higher in the administrative divisions. It raises awareness of and comprehensively manages issues concerning compliance with laws and regulations across the Group.
Security Trade Control Committee	It is chaired by the officer in charge of the administrative divisions and is comprised of managerial staff who are equivalent to section managers or higher in the administrative divisions and sales divisions. In order to appropriately and smoothly implement operations related to security trade control, it conducts company-wide management as well as plans and formulates internal education plans.
Investment Examination Committee	It is comprised of managerial staff who are equivalent to section managers or higher in the administrative divisions and is chaired by the officer in charge of the administrative divisions or a corporate officer. It examines new business projects and investment and lending projects and provides opinions to the Management Committee and the Board of Directors.
Sustainability Promotion Committee	It is comprised of managerial staff who are equivalent to section managers or higher in the administrative divisions and sales divisions and is chaired by the Supervising Executive Director of the administrative divisions. It plans, formulates, guides and manages company-wide initiatives necessary for the Group to coexist with the Earth and society and to develop sustainably.
Disclosure Committee	It is composed of managerial staff who are equivalent to general managers or higher in the administrative divisions and is chaired by the person in charge of information management. By conducting timely and appropriate disclosure of management-related information, it aims to promote the understanding of all stakeholders, including shareholders, investors, and local communities.

## Compliance

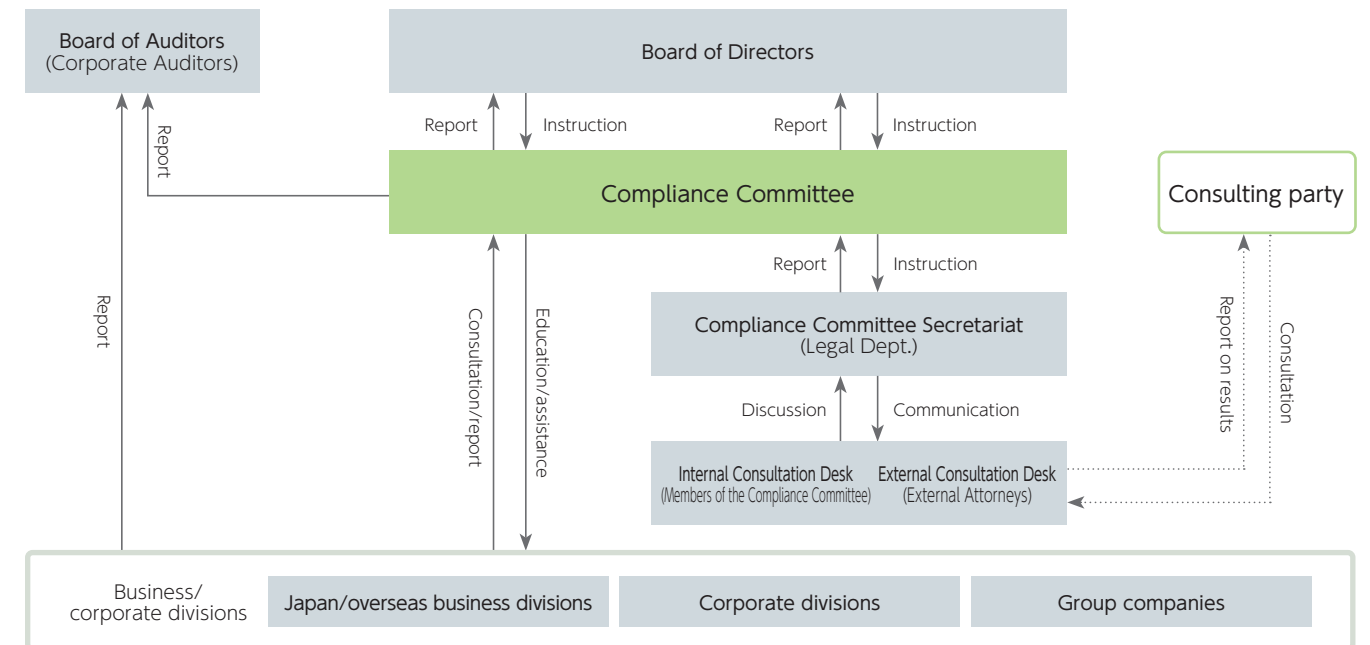
In recent years, society is paying rigorous attention to corporate injustices, and news about corporate scandals have been emerging one after another. We are committed to ensuring that all officers and employees thoroughly adhere to compliance in their daily business activities, and to creating a corporate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

## Basic stance

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



[ Organization Chart of the Internal Compliance System ]



### Initiatives to ensure compliance

- Education of officers and employees

Since April 2006, we have created a compliance manual as a guideline to be observed by all officers and employees, and it has been prepared in various languages for all officers and employees of the Group around the world. This manual has been revised as necessary in line with changes in the environment and revisions in the law, and the sixth edition was issued in April 2024. In addition, the Compliance Committee, whose members consist of managerial staff who are equal to general managers or higher in the administrative divisions, is held regularly. The administrative divisions such as the Personnel Department and the Legal Department work together to improve the compliance awareness of each individual employee by conducting training for new employees and managers.

- Responding to social change

In April 2018, we established the “Hanwa Health and Productivity Management Declaration” and the Representative Director and President himself became the CHO (Chief Health Officer), establishing the Health and Productivity Management Section within the Personnel Department. This initiative shows our commitment to promoting the health of each and every one of the officers and employees, a basic foundation of a trading company, and its aim to create a worker-friendly environment for all officers and employees. It is also an initiative responding to the enforcement of laws related to work style reform. In this way, if there are any revisions to laws and regulations related to corporate activities, we will promptly respond to such revisions and ensure compliance with them.

- Strengthening of the organization

We started its operation of HKQC (Hanwa Knowledge Quality Control) in 2015 and is working to further bolster management of a wide range of risks, including violations of laws and regulations related to our business operations. In November 2023, we reviewed our structure to establish a legal compliance system through means such as establishing a new “Anti Bribery Rule” and strengthening the system of advance checks for bribery prevention.

- Consultation Desk

We have established internal consultation desks to enable all officers and employees of the Group to freely consult and report on compliance issues, as well as an external consultation desk supported by law firms. We have also established dedicated consultation desks for various types of harassment and so forth, which are making headlines in recent times. In addition, information and consultation contact points for external parties, including business partners, are provided on the Company's website.

By enhancing these consultation points and establishing the “Internal Whistleblowing Rules” in June 2022 regarding consultation on fraudulent acts and appropriate treatment of whistleblowing, we work to identify and resolve problems at an early stage.

# Our Management Team

Number of years in office (as of June 26, 2024)/Number of shares (as of March 31, 2024)

## Director



**Yasumichi Kato**  
Director, Chairman  
14 years/33,101 shares  
April 1978 Joined the Company  
April 2024 Director, Chairman

**Yoichi Nakagawa**  
Representative Director, President  
9 years/12,432 shares  
April 1986 Joined the Company  
April 2022 Representative Director, President

**Yasuharu Kurata**  
Director, Senior Managing Executive Officer  
8 years/5,471 shares  
April 1982 Joined the Company  
April 2017 Director, Senior Managing Executive Officer

**Yasushi Hatanaka**  
Director, Senior Managing Executive Officer  
10 years/10,118 shares  
April 1983 Joined the Company  
April 2019 Director, Senior Managing Executive Officer



**Yoichi Sasayama**  
Director, Senior Managing Executive Officer  
7 years/5,313 shares  
April 1984 Joined the Company  
April 2021 Director, Senior Managing Executive Officer

**Keiji Matsubara**  
Director, Managing Executive Officer  
4 years/10,372 shares  
April 1983 Joined the Company  
June 2020 Director, Managing Executive Officer

**Hisashi Honda**  
Director, Managing Executive Officer  
1 year/2,672 shares  
March 1991 Joined the Company  
April 2024 Director, Managing Executive Officer

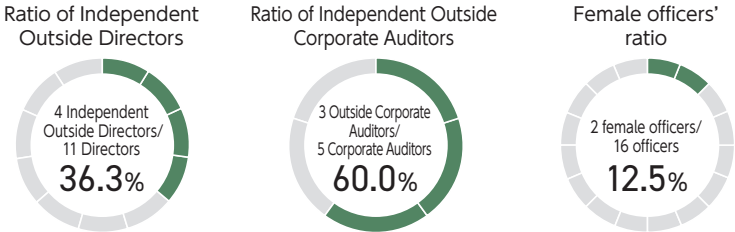


**Ryuji Hori** Independent Officer  
Outside Director  
10 years/1,960 shares

**Kamezo Nakai** Independent Officer  
Outside Director  
5 years/3,532 shares

**Reiko Furukawa** Independent Officer  
Outside Director  
2 years/254 shares

**Chika Sato** Independent Officer  
Outside Director  
(New appointment)/ — shares



## Corporate Auditor



**Hideo Kawanishi**  
Corporate Auditor (full-time)  
7 years/25,088 shares  
April 1973 Joined the Company  
June 2017 Corporate Auditor (full-time)

**Yoshimasa Ikeda**  
Corporate Auditor (full-time)  
1 year/5,663 shares  
April 1984 Joined the Company  
June 2023 Corporate Auditor (full-time)



**Hideyuki Takahashi** Independent Officer  
Outside Corporate Auditor  
4 years/138 shares

**Naoya Sakurai** Independent Officer  
Outside Corporate Auditor  
(New appointment)/ — shares



**Hisanori Kokuga** Independent Officer  
Outside Corporate Auditor  
(New appointment)/ — shares

▶ Please refer to the list of directors and corporate auditors on pages 42 to 45 of the June 2024 Securities Report for detailed career summaries of directors and corporate auditors.

## Executive Officer

**President**  
**Yoichi Nakagawa**

**Vice President**  
**Hiromasa Yamamoto**  
General Representative for Asia in charge of Middle East and Africa

**Senior Managing Executive Officer**  
**Hidemi Nagashima**  
General Manager of Nagoya Branch Office

**Yasuharu Kurata**  
Metal Recycling Div., Primary Metal Div., Steel Resources Dept.

**Yasushi Hatanaka**  
Senior General Manager of Osaka Head Office, Kyushu Branch Office, Chugoku Branch Office, Hokuriku Branch Office

**Yoichi Sasayama**  
Tokyo HQ Steel Plates & Sheets Div., Niigata Branch Office, Housing Material Div.

**Managing Executive Officer**  
**Keiji Matsubara**  
Tokyo HQ Steel Plates Dept., Machinery Div., Wire Products & Special Steel Div. of all offices. East Asia

**Hisashi Honda**  
Administration Div.

**Chiro Ideriha**  
General Representative for Americas and President of HANWA AMERICAN CORP.

**Ryuichi Takaba**  
General Representative for Europe, Middle East, Africa

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

**Shigeto Minamimura**  
Osaka HQ Steel Bars & Construction Materials Div., Kyushu Branch Office, Chugoku Branch Office, Hokuriku Branch Office

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

**Executive Officer**  
**Toshihiro Kawaguchi**  
Deputy General Manager of Nagoya Branch Office

**Shoji Shirasawa**  
Metal Recycling Division, Asia Metal Recycling Business

**Takeshi Amano**  
Primary Metal Div., Steel Resources Dept.

**Masahiko Fujitsuka**  
Asia Steel Business

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

**Kenji Naito**  
General Representative for China

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

**Syogo Ozaki**  
Tokyo HQ Steel Sheets Div., Structural Steel Sheets Div., Steel Processing Project Promote Div.

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

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

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

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

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



# Messages from New Officers

## Leveraging My Experience in Human Resources to Strengthen Human Capital

I have a career in human resources spanning over 30 years, with experience working at both Japanese and foreign-owned companies. At the time I got my first job, the human resources field mainly involved routine and operational back-office work. With the changing times, however, the position of human resources has become increasingly important, and now it has become a strong force that drives the sustainable growth of a company. As I deepened my knowledge as a human resources professional at numerous companies, I was fortunate enough to be entrusted with the important responsibility of serving as an outside director at Hanwa. I am delighted and excited to fully utilize my expertise to help carry out the mission of enhancing Hanwa's corporate value together with its management team and employees as it strives to become a company that grows in a sustainable manner with an eye to the future.

The following are the three themes that I would like to focus on together with everyone at Hanwa, which align with my life agenda and values.

The first is the integration of management and human resources strategies. As mentioned above, there is a strong connection between management and human resources. At Hanwa, we ensure that both strategies are well-aligned, that HR measures directly contribute to achieving management goals, and that we are nurturing talent that aligns with the company's values. We support Hanwa Co., Ltd. in progressing correctly from these perspectives.

## Solidifying the Foundation for Growth Through Internal Control Quality Enhancement

In my many years in corporate legal affairs at a comprehensive electronics manufacturer, I promoted a range of initiatives including a fundamental redesign of institutional systems related to corporate governance and the revitalization of Board of Director activities through the introduction of executive sessions (exclusive platforms for discussion for external directors). I hope to utilize this experience in my new role and contribute to HANWA as an outside corporate auditor.

Corporate auditors are elected at the General Shareholders Meeting, and as such are entrusted by shareholders to audit the execution of duties by Directors, etc., and the Board of Auditors is an independent organization as required by the Companies Act. The most important mission for auditors is to monitor and improve the effectiveness of governance and internal control through audit activities. Companies are a key presence within society, and the results of their activities must be continuously paid back to all their stakeholders, be it shareholders, customers, employees, or regional societies. Appropriate and effective corporate governance is fundamental to supporting these universal corporate activities, alongside continuously effective internal control functions.

To fulfill my duties as an outside corporate auditor, it is essential that I contribute to lively discussions at the Board of Directors meetings and work closely with independent auditors and the internal audit divisions. Moreover, through closer communication with corporate planning, financial affairs, legal affairs, human resources, and other administrative and business departments, it is

## Supporting Sustainable Growth by Having "Two Balances" as the Basis for Decisions

I am delighted to join Hanwa, a company with rich traditions, as an outside corporate auditor.

Over the past 40 years or so, I have worked for a bank and a comprehensive information service company. During my time at the bank, I worked in planning, management, and sales departments in Tokyo, Osaka, and Ehime. I also worked as the manager of overseas branches in China and Hong Kong. At the comprehensive information service company, I was predominantly in charge of corporate departments where I oversaw human resources, planning, financial affairs, and risk management.

Using these experiences, in addition to ensuring legality with a focus on compliance with laws, regulations, and the Articles of Incorporation, as an outside corporate auditor of the Company I will fulfil my responsibilities by focusing on the appropriateness of management decisions.

In my role as a corporate auditor, I will concentrate on the following two balances.

The first is a balance between a customer-first mindset and a compliance-first mindset. A customer-first mindset is fundamental to any company's activities. That said, it is never acceptable to violate compliance in order to prioritize the customers' needs. In other words, an activity cannot truly be defined as customer-first if it means a compliance violation.

The second is a balance between the pursuit of economic value and the pursuit of social value. Conventionally, a company's

The second is diversity and inclusion. In Japanese society, the reality of the situation is that while many companies take diversity and inclusion seriously as a key issue, there is still much room for improvement to reach the ideal situation and environment. I will do my utmost to support Hanwa in its efforts to become a company where everyone can truly play an active role in their own way, and to become a role model for the industry and other Japanese companies.

The third theme is integrity and compliance. In this field, standards are becoming increasingly stringent around the world, so there is no such thing as "this is good enough." In addition to ensuring that each and every employee of the Hanwa Group engages in their work with integrity, I also plan to help improve mechanisms to prevent the risk of accidents and support the creation of a corporate culture in which anyone can raise doubts or issues without hesitation.

As an outside director, I look forward to leveraging my experience in human resource management to ensure that Hanwa remains a good company and continues to grow as a strong company.



**Chika Sato**  
Outside Director

paramount that I accurately gauge the Company's actual conditions through timely access to the relevant information. From an external and objective standpoint, I look forward to ensuring that the Company's common sense aligns with that of society.

With a history of more than 70 years, and based on its outstanding sales capabilities, Hanwa has expanded from steel and other metal products to food products, lumber, energy, and a wide range of other products to become a comprehensive trading company. Ahead of further growth in the future, I have no doubt that the scale and nature of the Company's businesses will continue to expand through new business investments and other initiatives. However, during this process the Company will encounter more risks that has not faced before. It will therefore be extremely important for the Company to further enhance its ability to detect risks and its resistance to them, and ensure appropriate Group-wide governance from a global perspective and high-quality, robust internal control. Using the expertise and experience I have gained to date, I will do everything I can to contribute to Hanwa's sustainable growth and development.



**Naoya Sakurai**  
Outside Corporate Auditor

priority has been to maximize profit. However, stakeholders surrounding companies have become increasingly diverse, and companies are now required to create social value, in addition to economic value. Of course, there is a certain cost to creating social value, but if this social value is neglected for its lack of profitability, eventually the company will lose touch with its stakeholders. In this sense, companies that do not pursue social value will not be able to pursue economic value over the long term.

Although there may have to be a compromise between these two values in the short term, I am confident that the balance can be achieved, and that it is essential to ensure a thorough balance between the two in the long term.

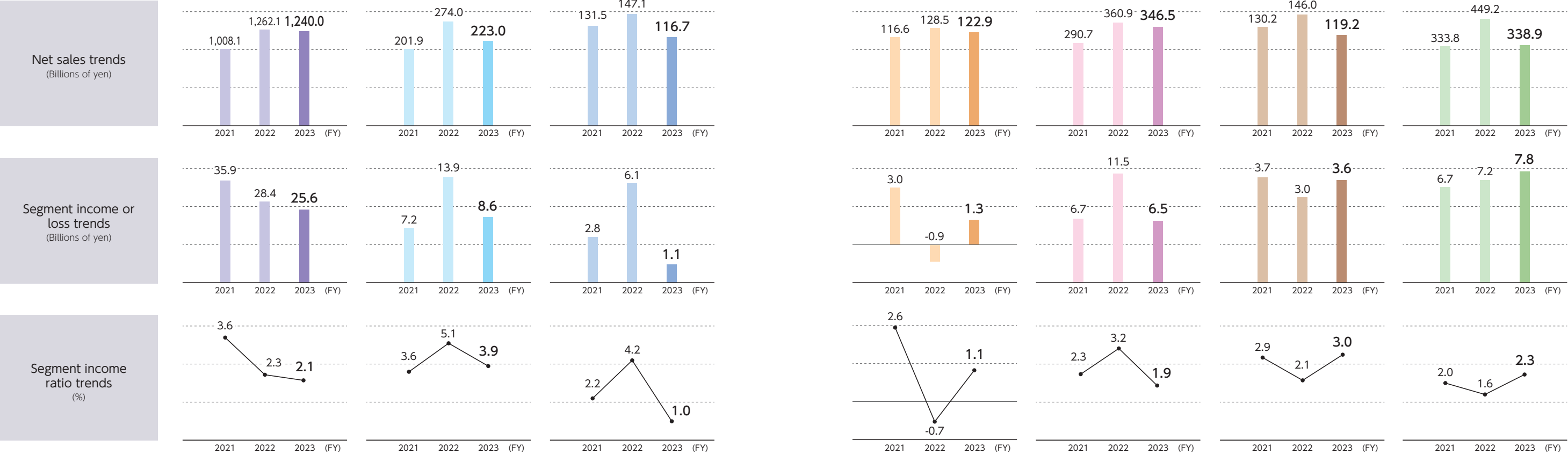
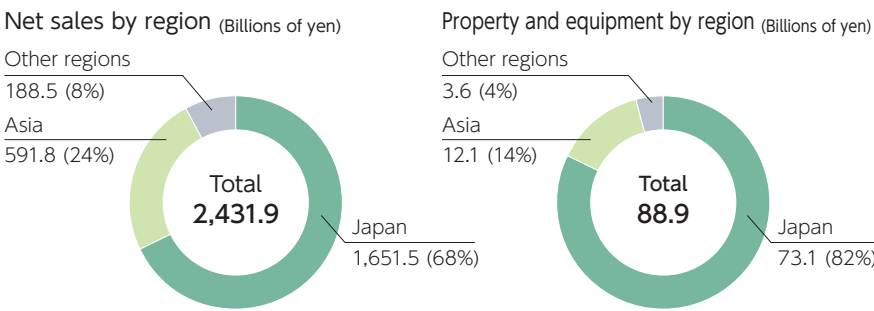
With these two balances as the basis for my decisions, I will strive to fulfill my duties as a corporate auditor and hope that I can contribute to Hanwa's sustainable growth in the future.



**Hisanori Kokuga**  
Outside Corporate Auditor

# Expanding and Deepening Market Positions in Many Sectors

We have established a firm position in the industry as a trading company dealing with a wide range of products, including steel, primary metal, metal recycling, food products, energy & living materials, housing materials, and machinery. As a socially recognized trading company, we are expanding our business fields in response to changes in the times and society to meet the business needs of our customers.



202120222023 (FY)

3.0-0.91.3

202120222023 (FY)

6.711.56.5

202120222023 (FY)

3.73.03.6

202120222023 (FY)

6.77.27.8

202120222023 (FY)

2.6-0.71.1

202120222023 (FY)

2.33.21.9

202120222023 (FY)

2.92.13.0

202120222023 (FY)

2.01.62.3

Business composition ratio (FY2023)



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



# Steel

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

## ● Main products or services

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

## ● Initiatives for sustainability



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

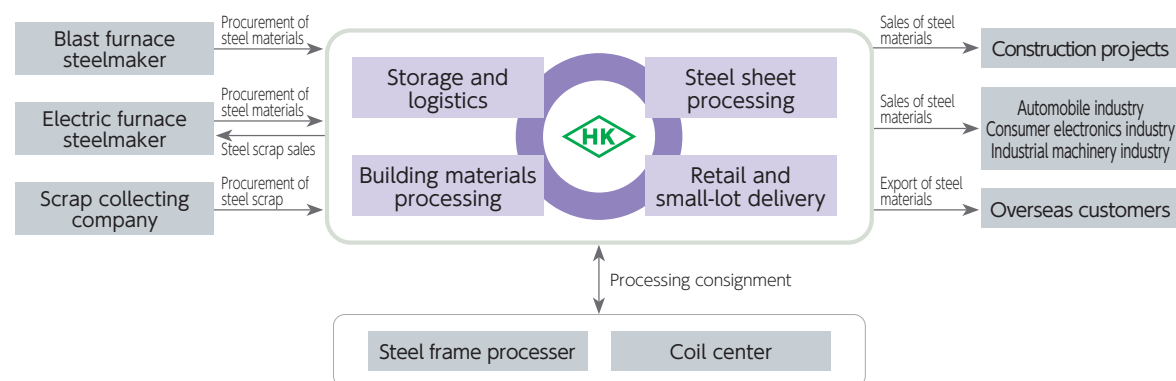


## Strengths and Characteristics

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

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

### [ Value Chain ]



## Environment and Challenges Surrounding the Business

Domestic demand has faced with stagnant new orders due to severe labor shortages in the construction industry and accelerated cost rises stemming from the "2024 problem" where work hours are capped in the construction and logistics industries to regulate transportation operations. Demand for steel materials is declining as a result, and pressure from users for further reducing costs is growing. Meanwhile, needs for green steel materials is gradually increasing also in Japan along with the global trend toward carbon neutrality.

In such a business environment, in order to respond to the prefabrication to supplement labor shortages as well as ever diversifying and sophisticated customer needs of the

steel business, we believe that there is a need to work to further secure processing manufacturers with functions, diversify our products and services, and develop our business globally by taking advantage of the network of the Group to seek overseas customers and further broaden our relationships with domestic and overseas steel mills. At the same time, we believe it is necessary to continue to develop human resources that are equipped with wealth of specialized knowledge and can play an active role in the global market, while at the same time foster efficient and labor-saving operations using AI and robots.

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

### Vision

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

### Focus businesses

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

In Japan, we plan to expand the "SOKOKA" strategy that we have been promoting mainly in western Japan, and strengthen it in eastern Japan as well. Centered on Hanwa Daisun Co., Ltd., which started operations in October 2022, we will utilize synergies between our bases, including Hanwa Logistics Tokyo Co., Ltd. as well as Tanaka Steel Trading Co., Ltd. which became a consolidated subsidiary in December 2022, to deepen our "SOKOKA" strategy in eastern Japan and strengthen our distribution function. In addition, by upgrading the processing functions of the "SOKOKA" business,

we aim to establish our position as a parts trading company that handles processed products with high added value. Furthermore, we will form alliances with partner companies for design and construction for steel frame work and heat insulation work, and provide comprehensive solution functions to our customers. We aim to contribute to the development of users' businesses by supplying them with materials in the forms they require by developing our three business areas: "SOKOKA" strategy, components building & trading company, and solution providing company.

Contribute to total cost reduction for users utilizing Hanwa's unique supply chain

By supplying materials in the forms that users require, we contribute to improving their own performance

### Basic Strategy for Domestic Steel Business



## FY2023 Results

### Net sales

¥1,240.0 billion

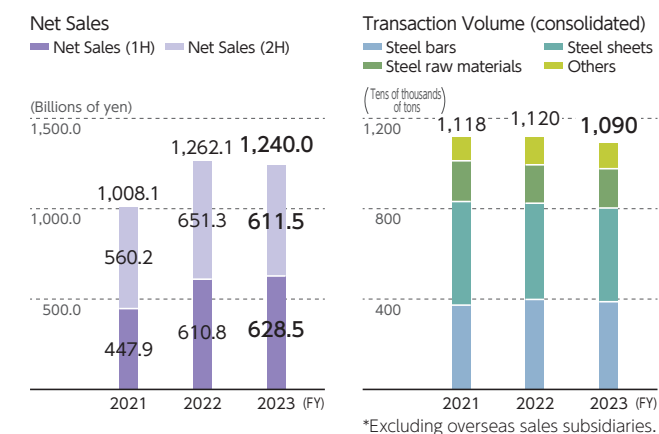
### Segment income

¥25.6 billion

### Segment employees

3,470 people

In the steel business, although Tanaka Steel Trading Co., Ltd., which became a consolidated subsidiary in the third quarter of the previous fiscal year, and the strengthened solution functions in the domestic construction field contributed to business performance, transaction volume of steel materials declined due mainly to a decrease in the number of new housing starts. Also, income was pushed down due to the worsening profitability of some construction projects. As a result, net sales in this business segment decreased by 1.7% year-on-year to ¥1,240.056 billion, and segment income decreased by 10.0% year-on-year to ¥25.617 billion.



\*Excluding overseas sales subsidiaries.

# Primary Metal

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

## ● Main products or services

Nickel, Chromium, Silicon, Manganese. Ferroalloys, stainless steel materials, High-Performance Alloys, steel scrap and other cold iron sources

## ● Initiatives for sustainability



The primary metal business contributes to the development of the industrial base through stable supply of metal resources to customers around the world. Moreover, it contributes to addressing the reduction of CO<sub>2</sub> emissions and global warming issues by being deeply engaged in the distribution of the cathode materials for rechargeable batteries, which are indispensable to expand production of electric vehicles expected to become more popular in the future, and by stimulating the recycling of steel scrap in Japan.



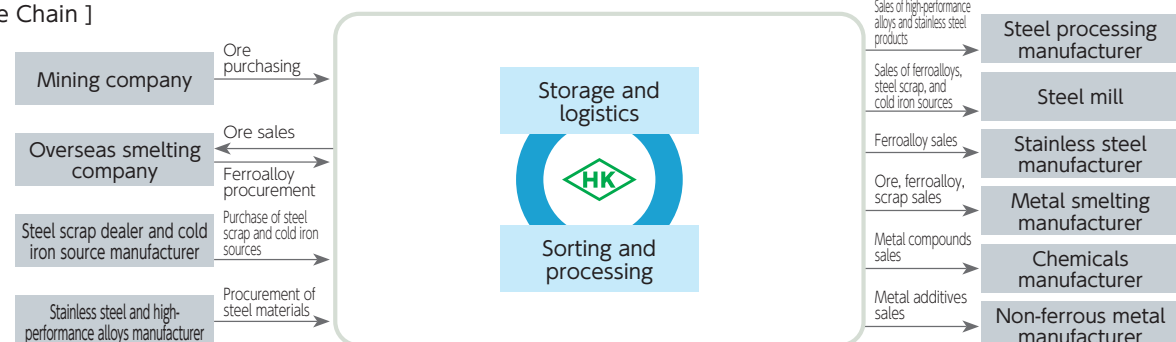
## Strengths and Characteristics

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

Regarding nickel, we supply nickel bullion, ferronickel, and pure nickel for hydrogen production equipment to the stainless

steel and special steel industries. In addition, we supply a wide range of products to customers around the world, such as nickel, cobalt and lithium chemical raw materials for the automobile rechargeable battery industry. In addition, since 2014 we have been participating in the Indonesia nickel pig iron project hosted by the Tsingshan Holding Group of China, which boasts the largest production of stainless steel in the world. We are expanding our supply system for stainless steel materials and exporting Japan's high-performance materials and cold-rolled stainless steel materials to the world. We have also set up stock bases for steel scrap in Japan, providing a recycling function that covers everything from collection to sales, supplying steel manufacturers both in Japan and overseas.

### [ Value Chain ]



## Environment and Challenges Surrounding the Business

About 70% of the world's reserves of chromium, which is one of the materials our primary metal business is focusing on, is unevenly distributed in South Africa, and of that, about 70% of its ore is owned by SAMANCOR, a company we have invested in. The oligopoly of chromium resources in the world is believed to influence the stainless steel and special steel industries which require chromium resources over the medium to long-term, and these customers are likely to have high expectations for the Company. Also, the manganese ferroalloy and ferrosilicon business is attracting attention from Japanese blast furnace steel manufacturers, electric furnace steel manufacturers and other companies which manufacture steel products in the ASEAN region since it is free from export tariffs and

is politically neutral. As companies are being called for to disclose carbon footprint information, our business, which manufactures ferroalloys using clean electricity generated by hydroelectric power generation, is being valued around the world for producing green metal.

Since materials handled by the primary metal business are the main and auxiliary raw materials that are essential for production of steel, stainless steel, special steel, non-ferrous metals, and chemicals, we believe that ongoing demand will remain in the medium to long-term. We recognize that this business, which is based on trading and is characterized by distinctive resource investment, has a unique position in the industry and will continue to have a presence in the industry.

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

### Vision

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

### Focus businesses

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

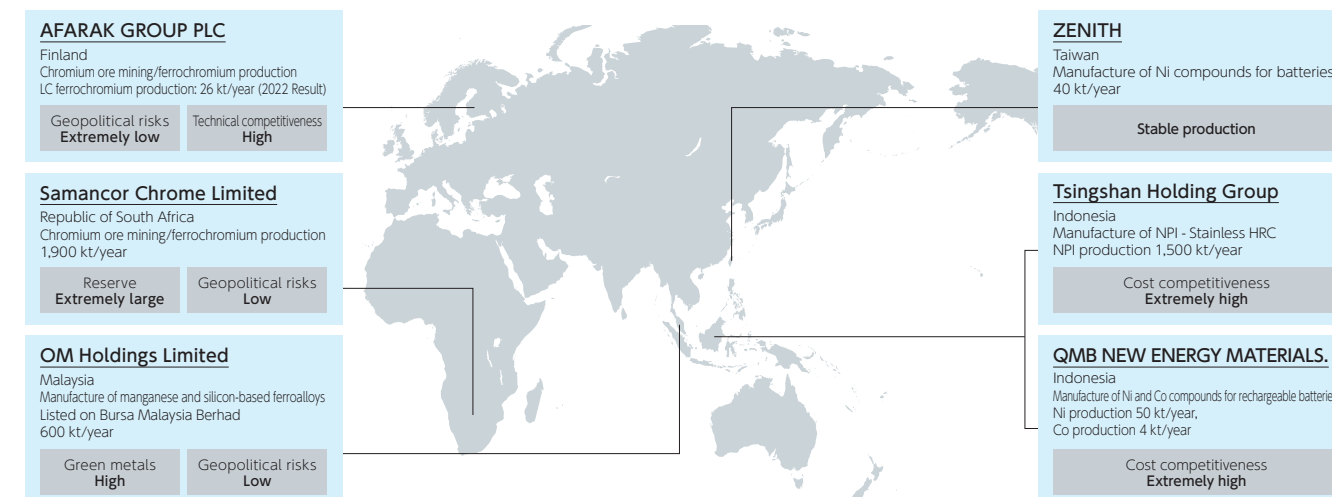
In order to provide stable supply to steel manufacturers and chemicals manufacturers, we will focus on "securing resources through investment" and "inventory and just-in-time delivery functions in demand areas." As projects that have been strategically invested in as "distinctive resource investments" are becoming more profitable, we will continue to invest in mines and refining equipment based on criteria such as reserves, competitiveness, geopolitical risks, and green metals.

Furthermore, with regard to battery materials, the "BATTERY Team" moved its base to Singapore and we reorganized our global structure as the "BATTERY GLOBAL GROUP for ELECTRIFICATION" with the aim of further expanding and deepening the team. We will secure battery resources that exist ubiquitously around the world and strengthen collaboration with customers.

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

Key factors for mining/refining investment

Reserve Competitiveness Geopolitical risks Green metals



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

## FY2023 Results

Net sales

¥223.0 billion

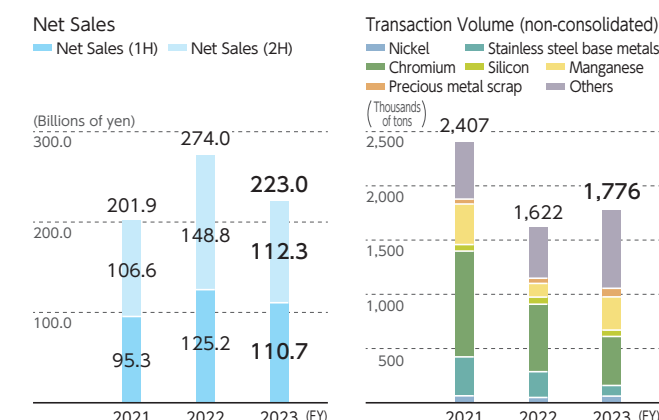
Segment income

¥8.6 billion

Segment employees

79 people

In the primary metal business, revenue decreased due to various merchandises entering the adjustment phase, in addition to a decrease in transaction volumes of stainless products including stainless steel sheets. In addition, profits were pushed down due to a decrease in dividend income from strategic investments and others. As a result, net sales in this business segment decreased by 18.6% year-on-year to ¥223.052 billion, and segment income decreased by 37.8% year-on-year to ¥8.670 billion.





# Metal Recycling

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

## ● Main products or services

Recycling business for aluminum, copper, zinc, lead, tin, nickel-based special metals, stainless steel, titanium, and precious metals

## ● Initiatives for sustainability



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



## Strengths and Characteristics

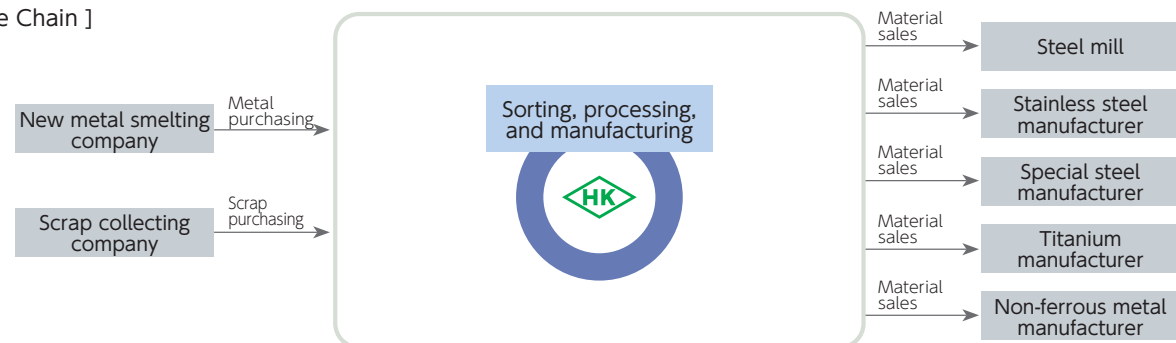
In the metal recycling business, we have facilities and functions for processing, sorting, and inspecting scrap within the Group, which allow us to respond to needs of aluminum rolling/extrusion companies and steel mills for deoxidizer application. In the special metal recycling business, we offer recycled materials to stainless steel and special steel manufacturers and rare metal smelting companies, and we also proactively recycle by-products from the smelting process of copper, lead, and zinc. In addition, we are the leading company in Japan handling imported electronic circuit board scrap, and also expanding a wide range of businesses in the

precious metals field, from recycling to bullion trading.

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

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

### [ Value Chain ]



## Environment and Challenges Surrounding the Business

In November 2020, China, which had been the world's largest importer of metal scrap, has tightened quality standards substantially. Followed by various changes that occurred in the economic environment due to the COVID-19 pandemic, the supply chain has changed drastically across the globe.

As the Group has procured metal scrap from around the world and built a supply network primarily in the East Asia and ASEAN regions, we have quickly addressed not only with changes in the supply and demand balance but also with such tightening of environmental restrictions and revisions in trade rules. We are currently required to take the changes in the market environment as an opportunity, and to secure a wide range of profit opportunities in Japan as well as over-

seas.

As the ratio of recycled materials used in products increases at an accelerating pace around the world to ensure sustainability of limited resources and reduction of carbon emissions, demands for metal scrap in Japan, which at one time was under concerns over the shrinking scale of its market, are also rapidly recovering. It is necessary to leverage the Group's comprehensive capabilities through building a supply chain on a global scale and promoting recycling from the "urban mining," in order to improve our technology to sort and process metal scrap and ability to assure quality in every direction.

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

### Vision

Pursue recycling transformation to realize a carbon-neutral society

### Focus businesses

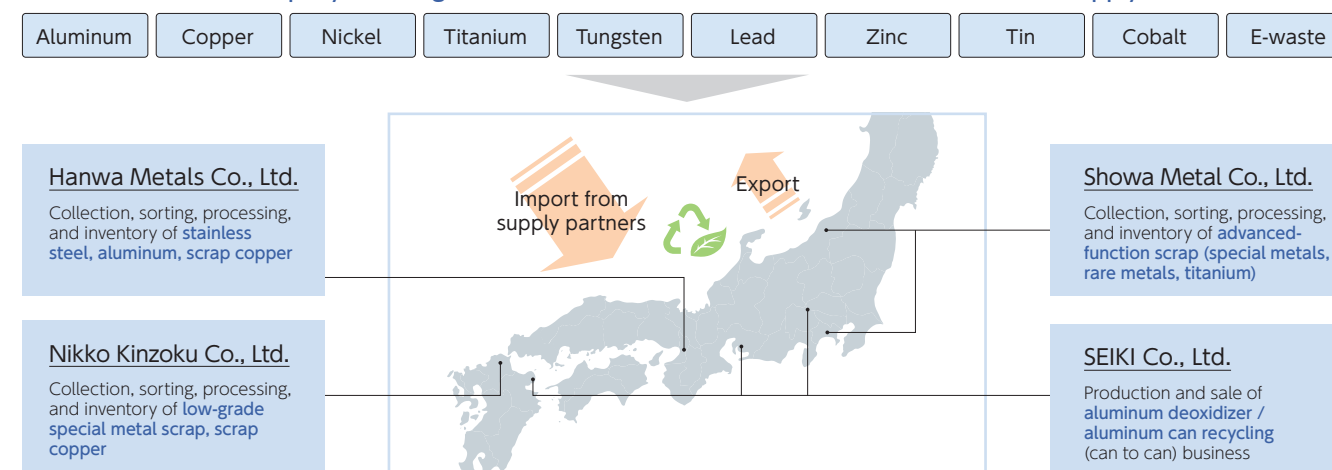
- Delve even deeper into the recycling business (collecting, sorting, processing) for each type of metal
- Secure generation sources and build a closed loop

We will promote recycling transformation aimed at transforming into one of Japan's largest metal recycling businesses centered on existing collection and processing bases. With our subsidiaries that have scrap sorting and processing functions and the Company's trading functions as a base, we will deepen intra-Group collaboration to secure generation sources of stable and good-quality

ty scrap, hone our recycling technologies while also focusing on strengthening the logistics function. Furthermore, with an eye toward the trend of electrification of vehicles that is accelerating along with the development of businesses contributing to decarbonization, we will also build a closed loop that involves our customers, aiming for better resource recycling.

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

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



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

## FY2023 Results

Net sales

¥116.7 billion

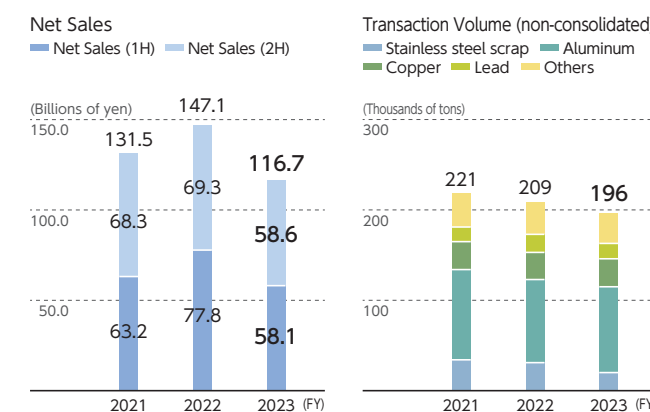
Segment income

¥1.1 billion

Segment employees

274 people

In the metal recycling business, international prices of base metals remained lower than the previous fiscal year, and transaction volumes also decreased due to the impact of a decline in demand mainly for stainless scrap. Also, valuation gains recorded on forward commodity transactions for hedging purposes decreased compared to the previous fiscal year. As a result, net sales in this business segment decreased by 20.7% year-on-year to ¥116.702 billion, and segment income decreased by 81.5% year-on-year to ¥1.134 billion.



# Food Products

In the food products business, we mainly handle marine products and maintain a top-level import share in many items. In recent years, we have been actively working on market development by establishing purchasing bases in Europe and South America, as well as sales companies in the United States and Japan, and deploying a large number of human resources to Group companies in the ASEAN region. In addition, we have strengthened traceability and utilize a thorough quality control system for the products we process at our overseas partner factories.

## ● Main products or services

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

## ● Initiatives for sustainability



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



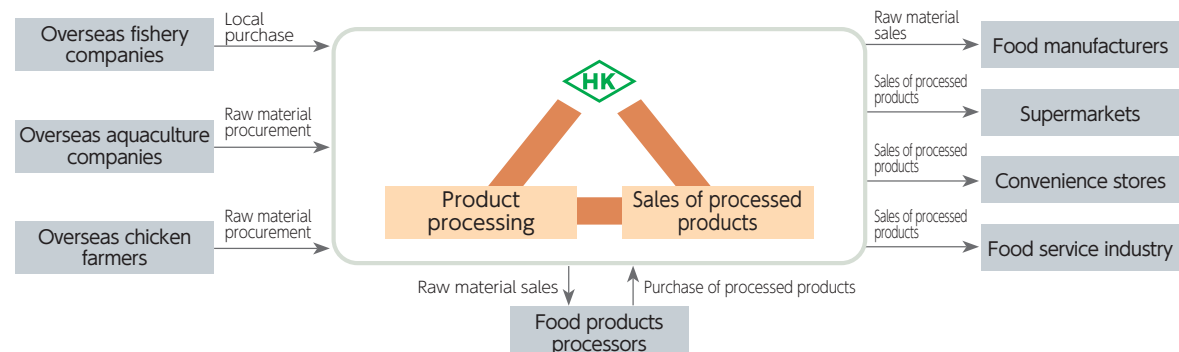
## Strengths and Characteristics

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

farmed salmon from Chile and chicken from Brazil, with the aim of developing suppliers throughout South America.

Our employees, who have advanced product knowledge and are light on their feet, are involved in raw material procurement, local processing, and final product sales. By thoroughly implementing production guidance and quality control through these means, we are supplying safe, secure, and high-quality foods.

### [ Value Chain ]



## Environment and Challenges Surrounding the Business

Against the backdrop of the strong growth in overseas demand, Japanese companies now have less say over suppliers. Going forward, if a company does not have a global sales network or the ability to respond to overseas demand, it is expected that procurement will become tougher. In addition, at present, vendors who can approach the end-users still have purchasing power, but in the medium to long-term, it is expected that the entire supply chain will be clustered and systemized by taking advantage of the functions of each company. At other trading companies in the same industry, the internal processing and other operations of each process is progressing within the group, and in the medium to long-term, it is expected that large companies that can expand

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

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

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

### Vision

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

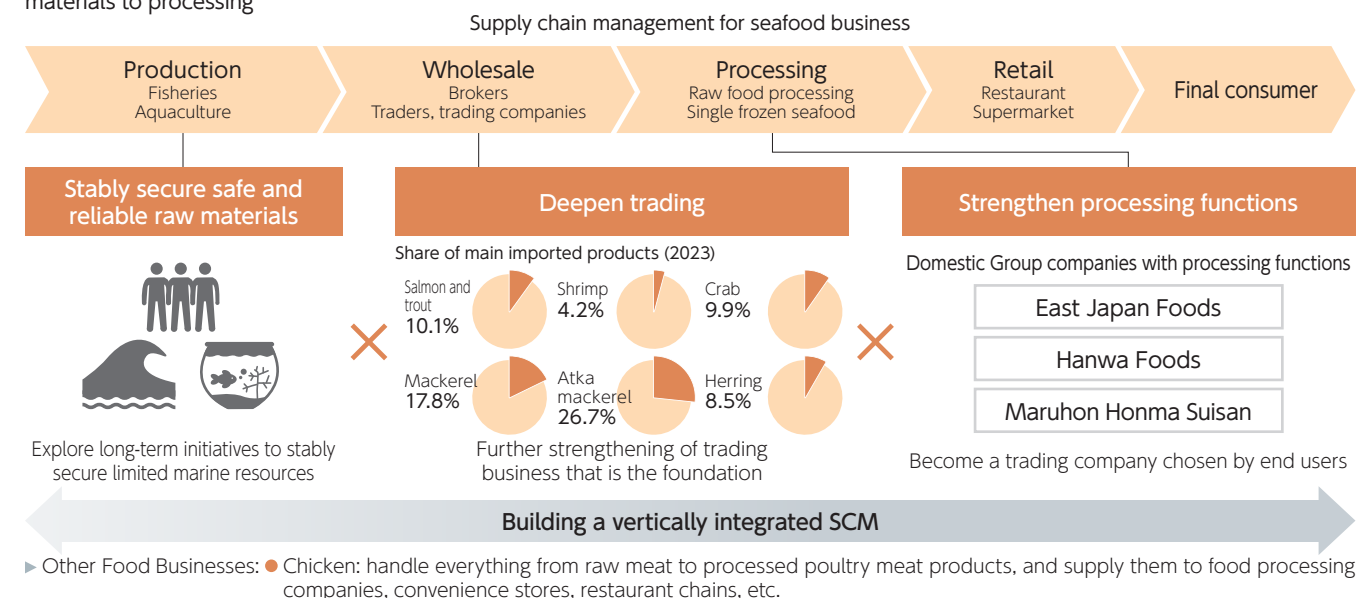
### Focus businesses

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

We aim to become a trading company chosen by end users by building a vertically integrated business model that undertakes all processes from upstream raw materials to downstream processing. In addition to strengthening trading of core products, we will further strengthen collaboration with Group companies that have processing functions such as East Japan Foods Co., Ltd., Hanwa Foods Co., Ltd., and Maruhon Honma Suisan Co., Ltd., and deepen the food version of our "SOKOKA" strate-

gy. Additionally, as there are challenges in strengthening retail sales, particularly overseas, we recognize that this is an area we will focus on going forward. Furthermore, we are exploring methods to expand into the market not only in the seafood business but also in other food businesses. Currently, we sell processed chicken products to supermarkets and convenience stores. In the future, we would also like to work on livestock products other than chicken, such as cattle and hogs.

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



## FY2023 Results

### Net sales

¥122.9 billion

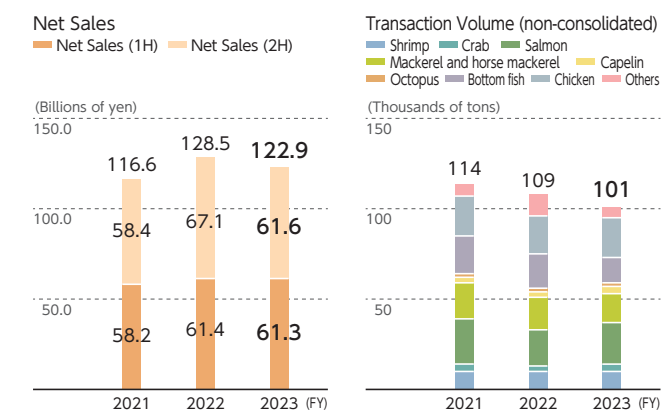
### Segment income

¥1.3 billion

### Segment employees

191 people

In the food products business, although revenue was pushed down as the market price of crabs remained lower than the previous fiscal year, it is currently on a gradual recovery track. Also, passing on of the increase in purchasing costs mainly for salmon, shrimp and chicken progressed. As a result, net sales in this business segment decreased by 4.4% year-on-year to ¥122.941 billion, but the segment had an income of ¥1.331 billion (¥0.960 billion in segment loss in the previous fiscal year).





# Energy & Living Materials

In the energy business, we supply palm kernel shells (PKS) and wood pellets to biomass power producers. We also handle cut tires, refuse paper and plastic fuel (RPF), and carbonized sludge for recycled energy, and supply heavy oil and diesel oil for domestic industry. In overseas transactions, we supply marine energy and aqueous urea, and also import chemicals. In the living materials business, we mainly handle imported products from foreign countries such as synthetic resin raw materials and plastic products such as polyethylene plastic shopping bags and garbage bags.

## ● Main products or services

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

## ● Initiatives for sustainability



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



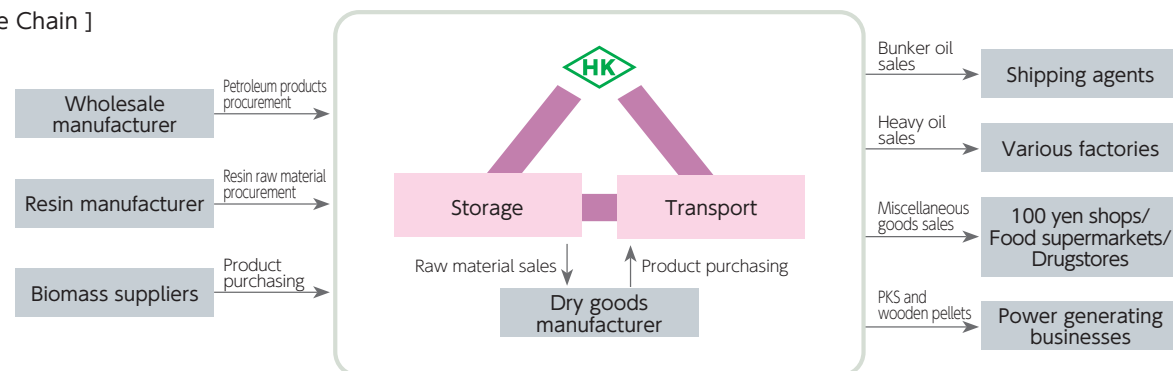
## Strengths and Characteristics

In the energy business, we are making efforts to build a system for supplying environmentally-friendly plant-derived biomass energy (such as PKS and wood pellets), and we also actively handle recycled energy RPF, cut tires, and carbonized sludge. Furthermore, we are meeting customer needs with regard to chemicals, carrying a wide range of products. For domestic business, we do business with approximately 300 customers and have several products which boast top market shares in their industry, such as heavy oil for industrial

needs.

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

### [ Value Chain ]



## Environment and Challenges Surrounding the Business

As there is strong demand to realize a decarbonized society and shift to environmentally friendly energy, demand for renewable energy is expected to increase, such as biomass energy (PKS and wood pellets, etc.), which we actively handle as alternative fuels to coal, and recycled energy (RPF, cut tires, carbonized sludge, etc.).

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

lieve that responding to these user demands will contribute to our business expansion.

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

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

### Vision

Build environmentally responsible energy supply systems to realize a sustainable society

### Focus businesses

- Secure resources related to biomass/recycled energy
- Develop and supply recycling-derived, bio-derived polyethylene products

In the energy business, we will strengthen our handling of biomass energy and recycled energy, with the major theme of providing a stable supply to customers in compliance with a decarbonized society. For PKS, which we have the top domestic share among imported goods, we have expanded our fleet from one to three dedicated vessels in order to expand its stable procurement sources. We will also develop procurement sources and supply networks for white pellets and black pellets, mainly in the ASEAN region. For recycled energy, our Group companies will

play a central role in strengthening our suppliers and expanding our supply chain through M&A, and we will focus on recycling tires, which can also be used as carbon-neutral fuel. We are also handling chemicals such as aqueous urea that prevents greenhouse gases from being emitted into the atmosphere.

In the living materials business, as ethical consumption becomes more widespread, we will focus on proposals for procuring environmentally friendly raw materials and developing environmentally friendly products.

### For providing stable supply to customers

#### Biomass energy

##### PKS

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

##### White pellets (wood pellets)

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

##### Black pellets (carbonized wood pellets)

Overcome technical hurdles and establish a supply network

#### Other products

##### Aqueous urea for ships

##### Expand transactions of raw materials for fertilizers

##### Expand import and export of lubricant raw materials and chemicals

#### Recycled energy

##### RPF

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

##### Tire recycling

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

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

##### Carbonized sludge

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

#### One-stop solution for miscellaneous daily goods

##### Recycled raw materials, bio-based raw materials

Procurement proposals of environmentally friendly raw materials with consideration for SDGs

##### Product manufacturing by OEM

Product development capabilities that accurately capture user needs

##### Supply capability

Last mile logistics function and quality control ability

## FY2023 Results

### Net sales

¥346.5 billion

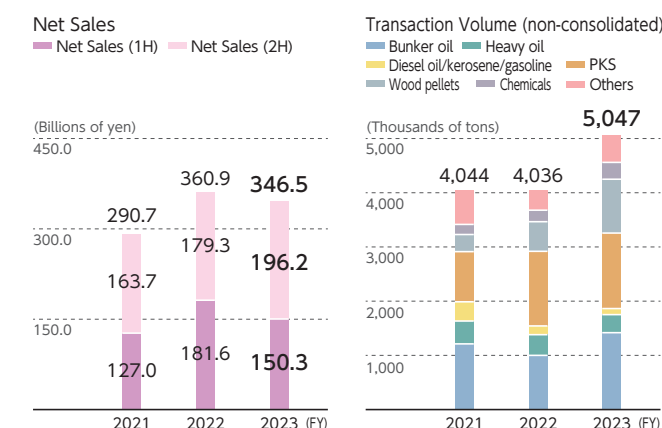
### Segment income

¥6.5 billion

### Segment employees

238 people

In the energy & living materials business, although transaction volumes increased mainly for palm kernel shells (PKS) and wood pellets, the impact of continued lower prices of petroleum products compared to the previous fiscal year was significant, pushing down both revenue and profits. As a result, net sales in this business segment decreased by 4.0% year-on-year to ¥346.502 billion, and segment income decreased by 43.3% year-on-year to ¥6.563 billion.



# Other Business

## [ Housing Materials ]

We handle not only domestic lumber, but also high-quality imported lumber from around the world and sell pre-cut lumber and peripheral building materials to wooden housing manufacturers, and steel and processed steel products to prefabricated housing manufacturers. We have merged several departments that were previously separated by product type, and in addition to developing components that are not limited to steel and wood, we are also further expanding our role as a general sales agent for housing components.

### ● Main products or services

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

### ● Initiatives for sustainability

We are responding to global lumber demand and contributing to the sustainable development of forestry and the preservation of abundant forests by taking advantage of our economy of scale and network both domestically and internationally. We also contribute to the formation of a sustainable sound material-cycle society by handling products such as materials from electric furnace steelmakers.

## [ Machinery ]

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

### ● Main products or services

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

### ● Initiatives for sustainability

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



## Strengths and Characteristics

### [ Housing Materials ]

In the housing materials business, we not only handle domestic lumber in Japan but also export it to Asia and Southeast Asia. In addition, through our Group company in Europe, we leverage top-class economies of scale among trading companies to import, process, and sell competitive European lumber to housing manufacturers.

Additionally, we have been highly rated by customers as we sell building materials together with lumber and steel components, and we are able to propose the shortest distribution route from upstream to downstream. In the sale of steel and processed steel products for prefabricated housing manufacturers, we directly capture the needs of factories and job sites, which leads to the delivery of the necessary steel products and components. As the shift toward wooden buildings advances, we are contributing to the reduction of CO<sub>2</sub> emissions by serving a design function specializing in mixed structures that combine the advantages of both wooden and non-wooden structures.

### [ Machinery ]

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

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

## Environment and Challenges Surrounding the Business

### [ Housing Materials ]

As the housing industry, which is the business's main market, is gradually shrinking due to declining birthrate, the competition between housing companies is intensifying. Users are taking an increasingly stringent look at the functions and costs, and the role expected of distributors is also changing. While we already have considerable competitiveness in terms of wood feedstock and processed products, we need to be able to propose an appropriate combination of materials in a market with fluctuating prices and supply capacity.

It is becoming more important to offer products by adding values corresponding to customer needs such as delivery function and construction rather than merely selling products, and we need to further expand the functions we offer. In addition, there are needs for knowledge and infrastructure to respond to the shift toward wooden buildings in order to reduce CO<sub>2</sub> emissions.

### [ Machinery ]

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

In the industrial machinery business, there is a growing need for line sales including material handling in addition to single general-purpose equipment, and proposal sales that bring together multiple suppliers are yielding results. Furthermore, we are actively working on labor saving and automation, which are issues facing the domestic industry in general, and we are working to resolve customer issues through the introduction of automatic cranes and robots including system design support. Going forward, we believe it will be necessary to further strengthen our organizational structure by building a maintenance system to meet diversifying needs, which includes the adoption of overseas manufacturers.

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

### Vision

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

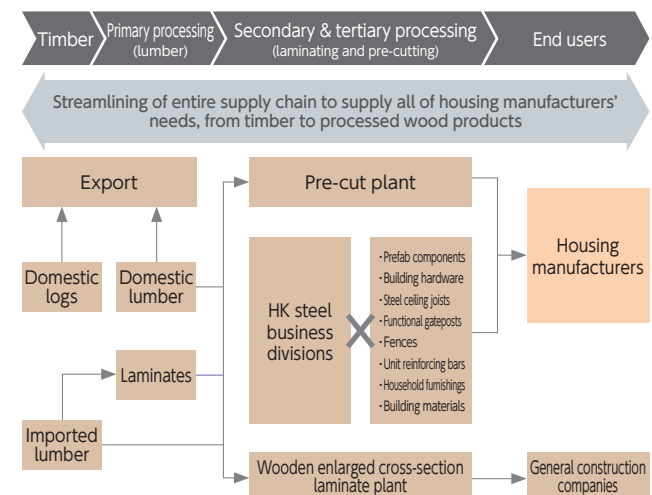
### Focus businesses

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

In the housing materials business, we procure lumber from Japan and overseas, perform primary processing (lumbering) and secondary and tertiary processing (laminating and pre-cutting), and supply our products to housing manufacturers. We are also establishing a functioning supply structure for steel products by merging with the steel team for housing. As we are recently seeing an increase in demand for lumber from major general construction companies since it is a recycling-oriented material, we will also focus on capturing and meeting the needs of our customers.

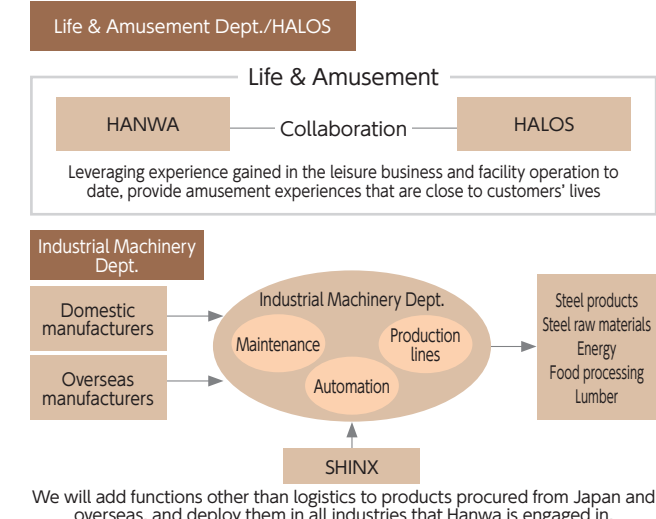
In machinery business, we will change the name of Leisure Facilities Dept. to Life & Amusement Dept. and combine the production, construction and installation of amusement park

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



attractions and swimming pools and athletic facilities that had been conducted by the Leisure Facilities Dept. with the operation of amusement facilities and fitness club franchises that had been conducted by our Group company HALOS, and develop a comprehensive amusement business that is close to customers' lives. Furthermore, the Industrial Machinery Dept. acquired steel and woodworking processing machinery manufacturer SHINX Co., Ltd. as a Group company in July 2024. By leveraging the company's manufacturing and sales capabilities as the core, reinforcing its maintenance functions, and working closely with its customers, we aim to build an independent organization that is capable of offering one-stop support from introduction to after-sales service.

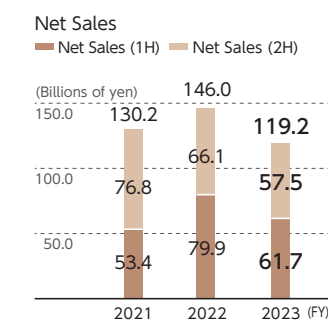
### [ Machinery ]



## FY2023 Results

Net sales **¥119.2 billion** Segment income **¥3.6 billion** Segment employees **232 people**

In other businesses, the lumber business segment saw a decline in revenue and an increase in profits as a result of increased transaction volumes of highly profitable products, although product prices remained weak as the impact of the phenomenon known as the "wood shock" subsided. Conversely, in the machinery business, both revenue and profit increased due to the completion of multiple large projects in the life & amusement area. As a result, net sales in this business segment decreased by 18.3% year-on-year to ¥119.287 billion, and segment income increased by 17.1% year-on-year to ¥3.609 billion.





# Overseas Sales Subsidiaries



- Main products or services  
Sale of a wide variety of products, as in Japan, at major overseas bases

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

Vision

Through overseas business expansion with a focus on the Asian region, contribute to the development of regional communities

Focus businesses

Sell raw materials and semi-finished products to local steelmakers

Source local products and sell to users

Further develop businesses other than steel

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

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



## FY2023 Results

Net sales

¥338.9 billion

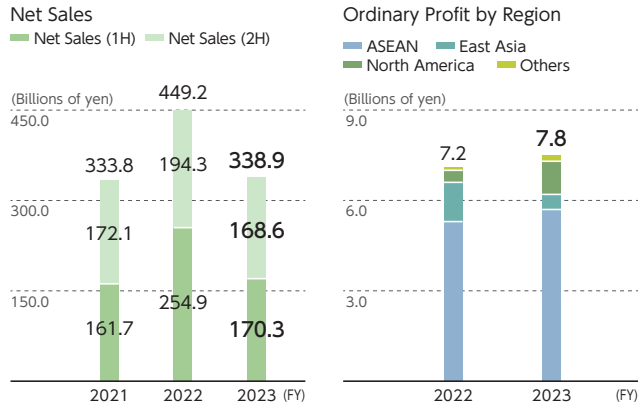
Segment income

¥7.8 billion

Segment employees

590 people

With regard to overseas sales subsidiaries, although revenues decreased due to a decline in transaction volume mainly at sales subsidiaries in Indonesia and the US stemming from the decline in steel demand overseas, along with the impact from a deterioration in market conditions for steel and non-ferrous metal products, profits were boosted by factors such as an increase in financial revenue generated from strategic investments. As a result, net sales in this business segment decreased by 24.6% year-on-year to ¥338,917 billion, and segment income increased by 7.4% year-on-year to ¥7,820 billion.



Major Affiliated Companies (As of March 31, 2024)

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

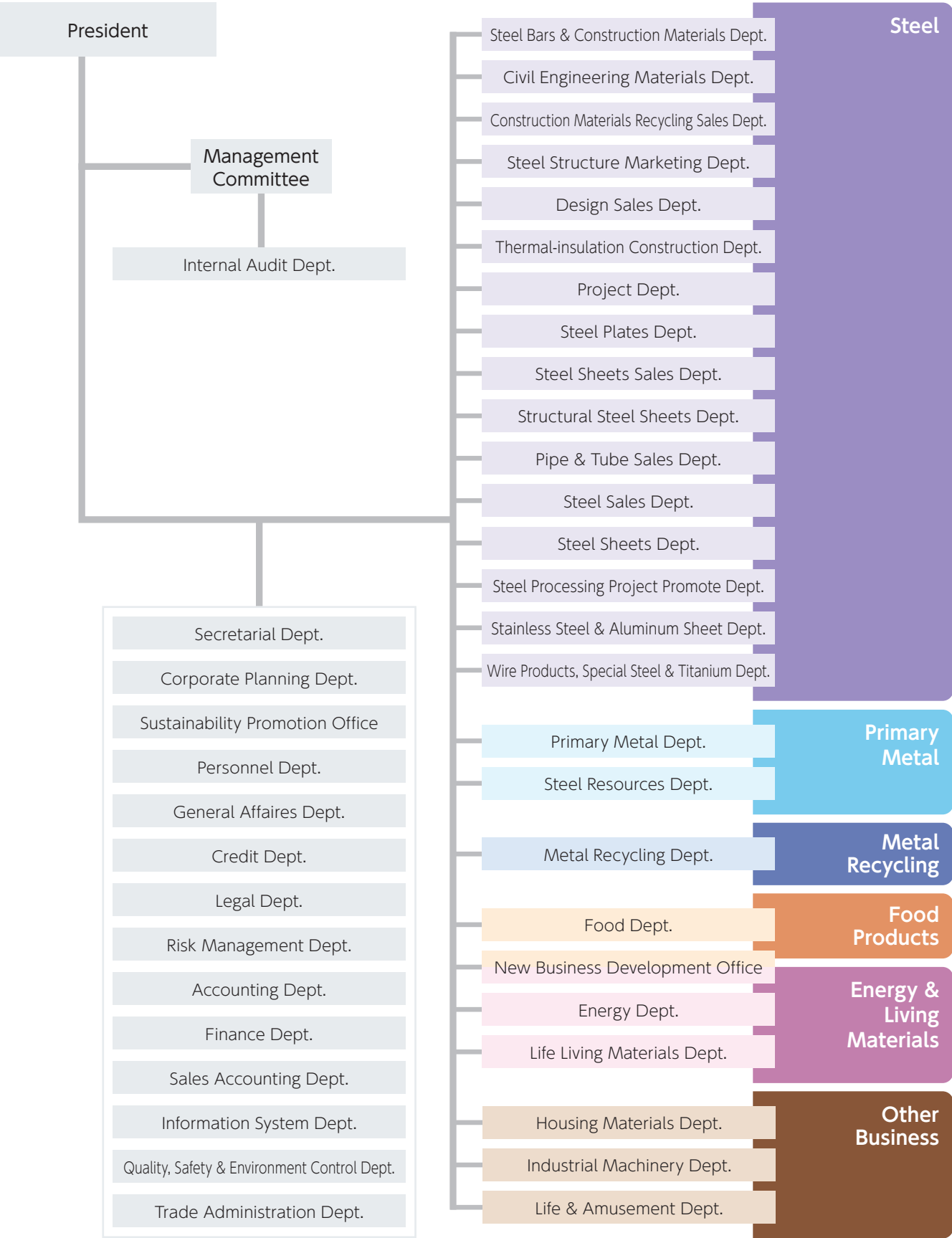
Name	Address	Capital or capital investments	Name	Address	Capital or capital investments
(Consolidated subsidiaries) ● S.K. Engineering Co., Ltd.	Chuo-ku, Tokyo	¥222 million	● East Japan Foods Co., Ltd.	Ishinomaki, Miyagi	¥75 million
● Hanwa Eco Steel Corporation	Kamagaya, Chiba	¥110 million	● SEATTLE SHRIMP & SEAFOOD COMPANY, INC.	Washington, U.S.A.	US\$30,300 thousand
● Hanwa Logistics Tokyo Co., Ltd.	Narashino, Chiba	¥100 million	● HANWA CANADA CORP.	Vancouver, Canada	CAN\$ 2,300 thousand
● Hanwa Logistics Osaka Co., Ltd.	Sakai-ku, Sakai	¥100 million	● Toyo Energy Co., Ltd.	Chuo-ku, Osaka	¥120 million
● Hanwa Logistics Nagoya Co., Ltd.	Tobishima-mura, Ama-gun, Aichi	¥100 million	● Seibu Service Co., Ltd.	Yodogawa-ku, Osaka	¥20 million
● Hanwa Steel Service Ltd.	Koka, Shiga	¥100 million	● Alpha Forme Co., Ltd.	Yodogawa-ku, Osaka	¥3 million
● Daisun Co., Ltd.	Nishi-ku, Osaka	¥100 million	● HANWA SINGAPORE (PRIVATE) LTD.	Singapore	US\$ 174,527 thousand
● San Ei Metal Co., Ltd.	Chuo-ku, Osaka	¥100 million	● HANWA AMERICAN CORP.	New Jersey, U.S.A.	US\$40,000 thousand
● Fukuoka Kogyo Co., Ltd.	Tsuyama, Okayama	¥100 million	● HANWA THAILAND CO., LTD.	Bangkok, Thailand	THB 812,200 thousand
● Tanaka Steel Trading Co., Ltd.	Hanyu, Saitama	¥77 million	● HANWA CO., (HONG KONG) LTD.	Hong Kong, China	HK\$70,000 thousand
● Hokuriku Column Co., Ltd.	Imizu, Toyama	¥70 million	● HANWA VIETNAM CO., LTD.	Ho Chi Minh, Vietnam	VND 178,891 million
● Tohan Steel Co., Ltd.	Funabashi, Chiba	¥64 million	● HANWA UK LTD.	London, U.K.	GBP 1,500 thousand
● Japanlife Co., Ltd.	Koto-ku, Tokyo	¥60 million	● HANWA TRADING (SHANG-HAI) CO., LTD.	Shanghai, China	US\$ 2,500 thousand
● Subaru Steel Co., Ltd.	Taisho-ku, Osaka	¥57 million	● TAIWAN HANWA KOGYO CO., LTD.	Taipei, Taiwan	NT\$15,000 thousand
● Daikoh Owano Co., Ltd.	Suminoe-ku, Osaka	¥50 million	● HANWA METALS (THAILAND) CO., LTD.	Rayong, Thailand	THB 458,000 thousand
● KAMEI Co., Ltd.	Matsuyama, Ehime	¥50 million	● PT. HANWA INDONESIA	Jakarta, Indonesia	US\$ 32,100 thousand
● Daiko Sangyo Co., Ltd.	Chuo-ku, Osaka	¥35 million	● HALOS Corporation*1	Chuo-ku, Tokyo	¥100 million
● Hanwa Daisun Co., Ltd.	Chuo-ku, Tokyo	¥30 million	● Hanwa Alpha Business Co., Ltd.*2	Chuo-ku, Tokyo	¥20 million
● IZUMO TEC Co., Ltd.	Chuo-ku, Osaka	¥20 million	● HANWA REINSURANCE CORP.*3	Pohnpei, Micronesia	¥360 million
● Tekken Industry Company	Sakai, Fukui	¥10 million	(Equity-method affiliates)		
● Taiyokozai Co., Ltd.	Chuo-ku, Osaka	¥10 million	● Ohmi Sangyo Co., Ltd.	Taisho-ku, Osaka	¥100 million
● Matsuoka Kozai Co., Ltd.	Koka, Shiga	¥10 million	● STAINLESS PIPE KOGYO Co., Ltd.	Mihara-ku, Sakai	¥100 million
● Kaneki Co., Ltd.	Kumiyama-cho, Kuse-gun, Kyoto	¥20 million	● Metaltech Co., Ltd.	Sumida-ku, Tokyo	¥50 million
● Hirouchi Steel Co., Ltd.	Yao, Osaka	¥100 million	● MISAWA TRADING CO., LTD.	Kita-ku, Osaka	¥100 million
● MS HIYOSHI KOUZAI Co., Ltd.	Imabari, Ehime	¥20 million	● OHMI TECHNO METAL Co. Ltd.	Taisho-ku, Osaka	¥80 million
● SANYO KOUZAI Co., Ltd.	Naka-ku, Hiroshima	¥20 million	● COSMOSTEEL HOLDINGS LTD.	Singapore	S\$56,324 thousand
● HANWA STEEL SERVICE MEXICANA S.A. DE C.V.	Guanajuato, Mexico	MXN 1,394,821 thousand	● SOHBI CRAFT POLAND SP. Z O. O.	Lysomice, Poland	PLN46,404 thousand
● PT. HANWA STEEL SERVICE INDONESIA	Bekasi, Indonesia	US\$33,000 thousand	● SENDO STEEL PIPE JOINT VENTURE CO., LTD.	Ba Ria Vung Tau, Vietnam	VND 176,201 million
● HANWA STEEL CENTRE (M) SDN. BHD.	Penang, Malaysia	MYR80,000 thousand	● SOHBI KOHGEI (PHILS.), INC.	Batangas, Philippines	US\$ 7,772 thousand
● HANWA STEEL SERVICE (THAILAND) CO., LTD.	Chonburi, Thailand	THB 576,000 thousand	● SMC TOAMI LLC.	Ba Ria Vung Tau, Vietnam	VND 65,217 million
● HANWA STEEL SERVICE (DONGGUAN) CO., LTD.	Dongguan, China	US\$15,000 thousand	● HANWA FELLOWS ENGINEERING (THAILAND) CO., LTD.	Bangkok, Thailand	THB 6,000 thousand
● CHANG FU STAINLESS STEEL CENTER (SUZHOU) CO., LTD.	Taicang, China	US\$18,000 thousand	● Suzuki-Sumiden Wire Products Guangzhou Co., Ltd.	Guangzhou, China	US\$ 9,000 thousand
● HANWA SMC STEEL SERVICE HA NOI CO., LTD.	Ha Noi, Vietnam	VND 64,369 million	● NST SAIGON COIL CENTER CO., LTD.	Binh Duong, Vietnam	VND 54,100 million
● RI HONG STAINLESS (SHANGHAI) CO., LTD.	Shanghai, China	RMB95,000 thousand	● SMC TRADING INVESTMENT JSC.	Ho Chi Minh, Vietnam	VND 736,785 million
● Japan South Africa Chrome Co. Ltd.	Chuo-ku, Tokyo	¥100 million	● SAMANCOR CHROME HOLDINGS PROPRIETARY LTD.	Johannesburg, South Africa	ZAR 2,555 million
● Showa Metal Co., Ltd.	Kawasaki-ku, Kawasaki	¥20 million	● Jiangyin Xiao Da Metal Products Manufacturing Co., Ltd.	Jiangyin, China	RMB28,500 thousand
● Nikko Kinzoku Co., Ltd.	Moji-ku, Kitakyusyu	¥20 million			
● SEIKI Co., Ltd.	Taketoyo-cho, Chita-gun, Aichi	¥20 million			
● PT. HANWA ROYAL METALS	Jawa Timur, Indonesia	US\$ 3,800 thousand			
● Hanwa Foods Co., Ltd.	Chuo-ku, Tokyo	¥200 million			
● Maruhon Honma Suisan Co., Ltd.	Nishi-ku, Sapporo	¥20 million			

\*1 Management and operation of amusement facilities

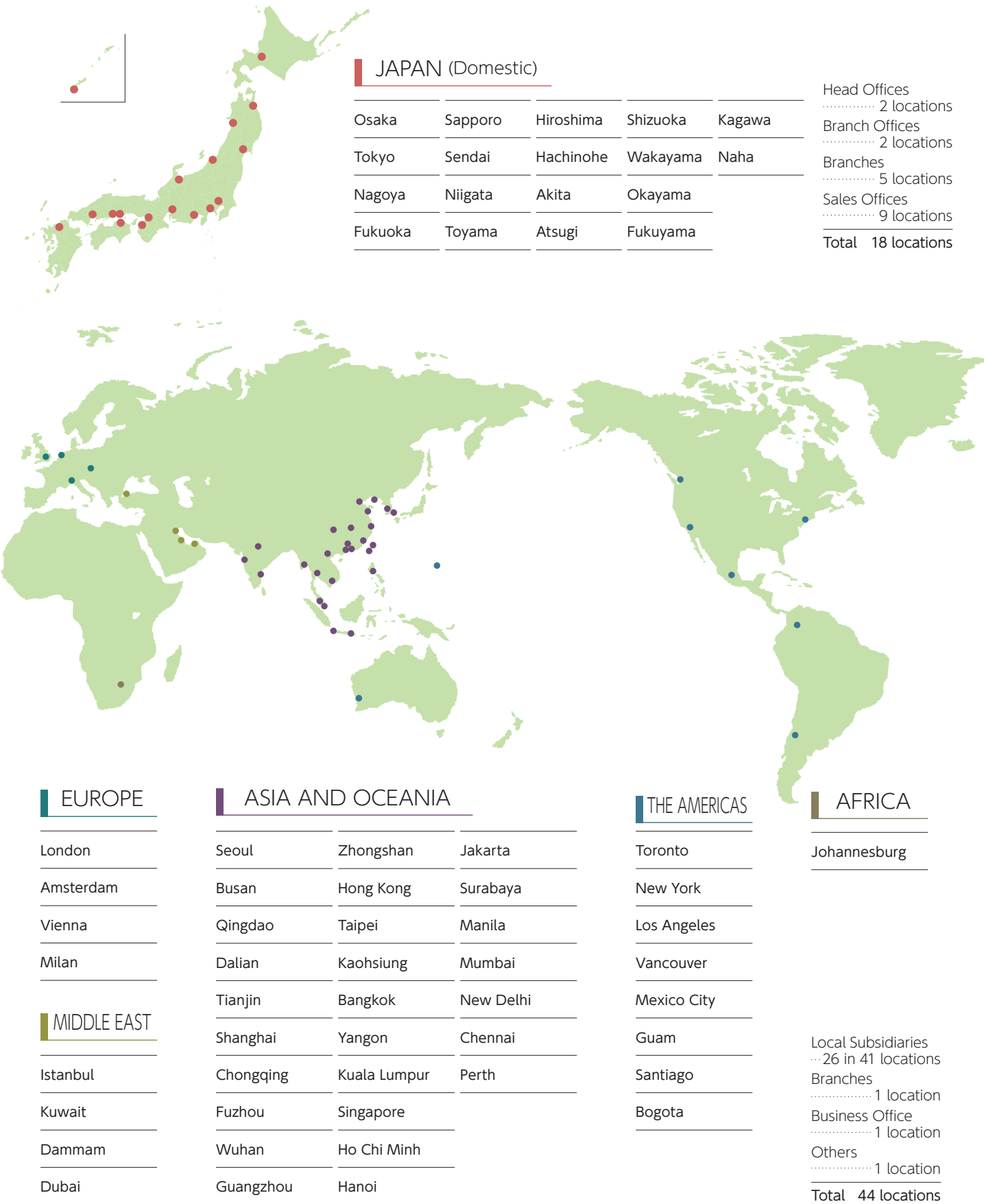
\*2 Non-life insurance agency

\*3 Captive

Operational Organization Chart



Global Network

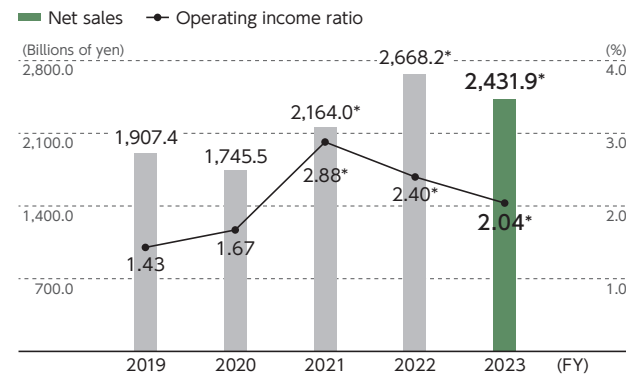




# Highlights

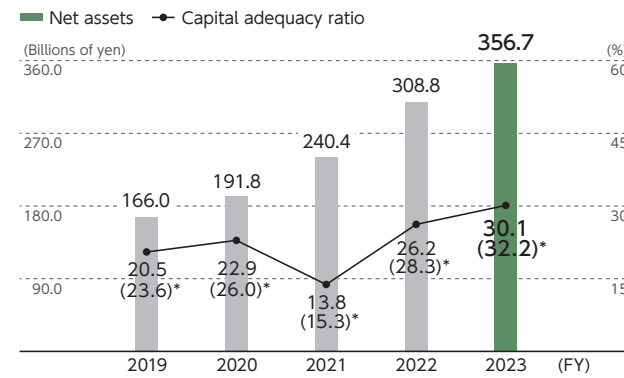
## Financial Indicators

### Net sales/Operating income ratio



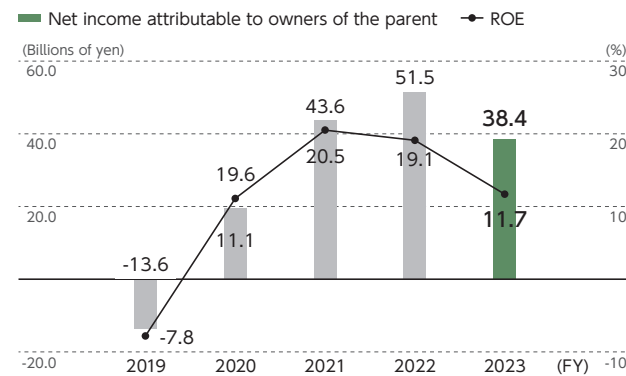
\* The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of FY2021. Key financial data from FY2021 onward reflects these accounting standards.

### Net assets/Capital adequacy ratio

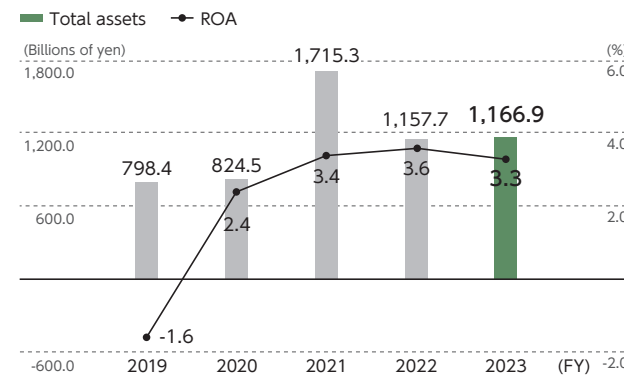


\* Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan).

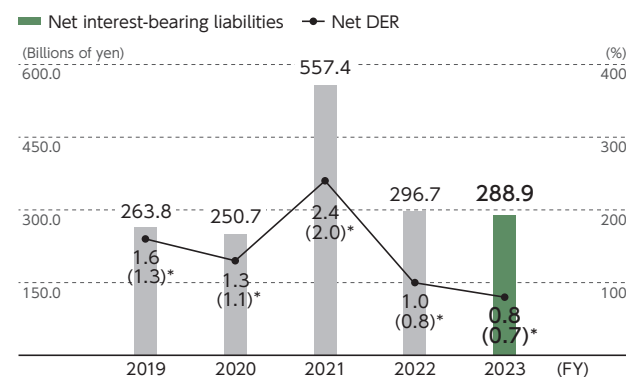
### Net income attributable to owners of the parent/ROE



### Total assets/ROA

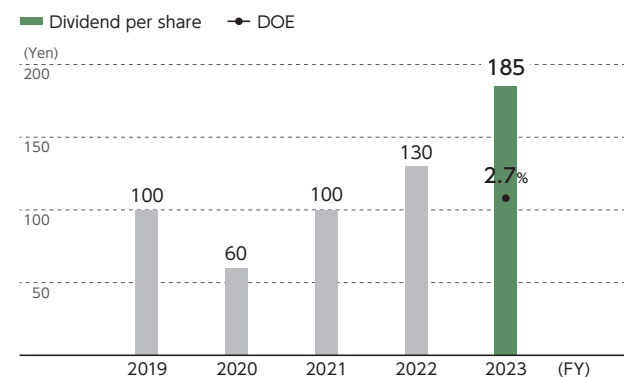


### Net interest-bearing liabilities/Net DER



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

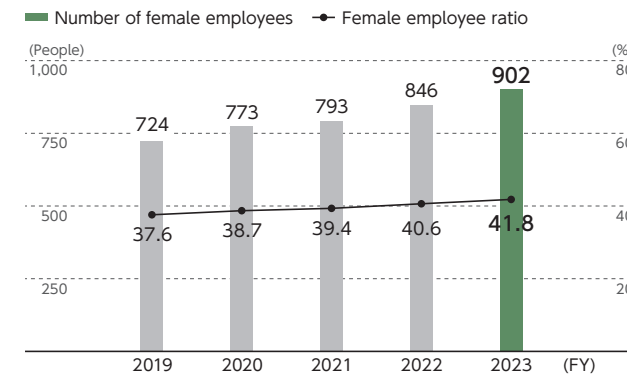
### Dividend per share/Dividend payout ratio



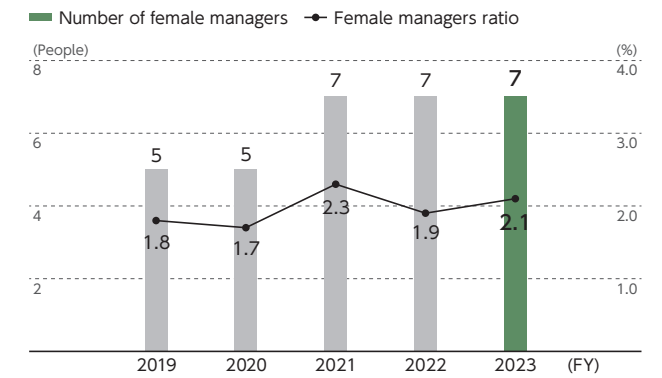
\* We reviewed our shareholder return policy in the Medium-Term Business Plan 2025, and a minimum DOE of 2.5% was set as a standard.

## Sustainability Data

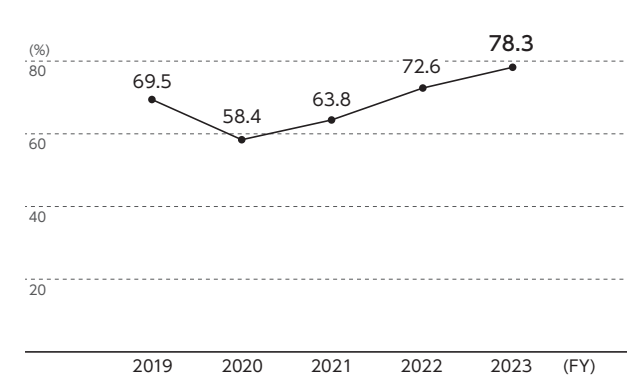
### Number of female employees/Female employee ratio



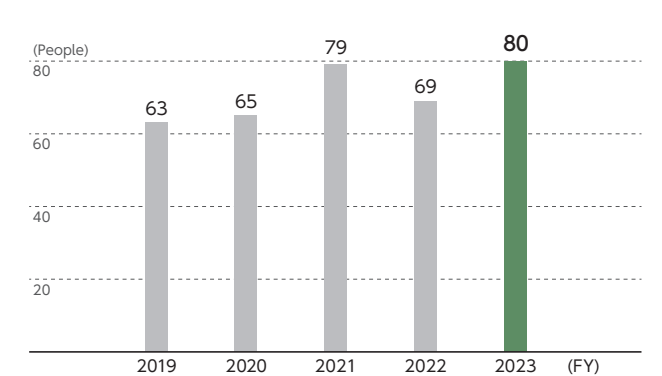
### Number of female managers/Female managers ratio



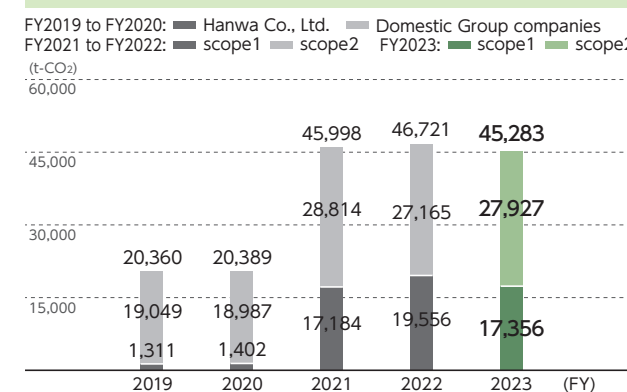
### Paid leave acquisition rate



### Number of persons taking childcare leave

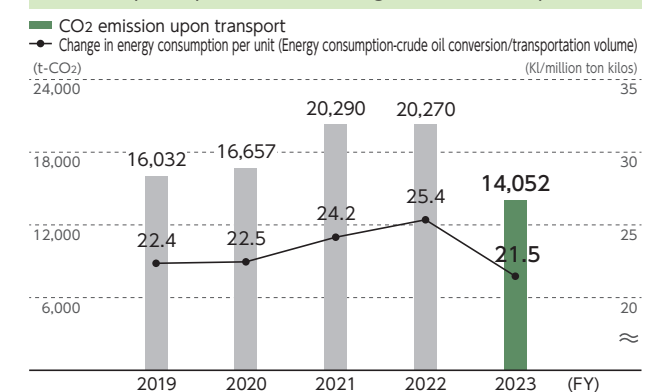


### CO2 emission



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

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



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

# 11-Year Financial Summary

For the years ended March 31

											Millions of yen	Thousands of U.S. dollars (*1)
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024
Results of Operations:												
Net sales (*12)	¥ 1,682,503	¥ 1,737,397	¥ 1,511,800	¥ 1,514,037	¥ 1,791,118	¥ 2,074,600	¥ 1,907,493	¥ 1,745,501	¥ 2,164,049	¥ 2,668,228	¥ 2,431,980	\$ 16,062,215
Gross profit	51,365	55,729	56,559	64,514	72,195	79,222	79,826	79,925	119,008	128,541	119,845	791,526
Operating income	16,252	19,107	18,178	23,426	26,217	28,904	27,330	29,232	62,367	64,105	49,722	328,393
Ordinary profit (loss)	14,698	14,264	15,424	22,907	25,502	23,395	(12,598)	28,821	62,718	64,272	48,276	318,842
Net income (loss) attributable to owners of the parent	7,896	9,086	25,469	16,363	17,354	13,914	(13,674)	19,617	43,617	51,505	38,417	253,728
Cash Flows:												
Net cash provided by (used in) operating activities	343	1,790	53,098	3,959	(19,755)	15,417	74,261	19,004	(280,752)	284,226	18,187	120,117
Net cash provided by (used in) investing activities	(5,244)	(13,692)	(10,446)	(18,427)	(39,971)	(20,623)	(24,159)	(4,190)	(14,993)	(6,539)	1,014	6,697
Net cash provided by (used in) financing activities	(4,927)	19,339	(41,751)	15,447	66,435	28,132	(42,314)	(34,223)	406,820	(351,835)	(26,319)	(173,826)
Free cash flows (*3)	(4,901)	(11,902)	42,652	(14,468)	(59,727)	(5,205)	50,102	14,814	(295,745)	277,687	19,202	126,821
Financial Position at Year-End:												
Total assets	593,351	651,456	599,694	694,232	860,344	933,307	798,442	824,590	1,715,394	1,157,747	1,166,986	7,707,456
Total net assets	125,361	142,749	156,139	171,637	203,700	202,459	166,097	191,857	240,497	308,807	356,765	2,356,284
Gross interest-bearing liabilities (*4)	245,906	272,575	237,552	259,670	325,562	363,257	331,107	301,654	722,940	380,982	365,449	2,413,638
Net interest-bearing liabilities (*5)	229,899	248,032	210,437	231,205	289,346	303,949	263,850	250,747	557,489	296,795	288,923	1,908,216
Per Share Data: (*2)												
											Yen	U.S. dollars (*1)
Net income (loss) attributable to owners of the parent	38.11	43.85	122.92	80.18	427.04	342.41	(336.51)	482.74	1,073.34	1,267.44	944.90	6.240
Net assets attributable to owners of the parent	591.68	682.46	747.40	838.70	4,621.96	4,632.55	4,027.01	4,656.17	5,834.98	7,459.39	8,636.03	57.037
Cash dividends	12.00	15.00	18.00	19.00	85.00 (*9)	150.00	100.00	60.00	100.00	130.00	185.00	1.221
Key Financial Ratios:												
											%	
Return on assets (ROA) (*6)	1.4	1.5	4.1	2.5	2.2	1.6	(1.6)	2.4	3.4	3.6	3.3	
Return on equity (ROE) (*7)	6.6	6.9	17.2	10.1	9.7	7.4	(7.8)	11.1	20.5	19.1	11.7	
Capital adequacy ratio	20.6	21.7	25.8	24.5	21.8	20.2(22.8) (*10)	20.5(23.6) (*10)	22.9(26.0) (*10)	13.8(15.3) (*10)	26.2(28.3) (*10)	30.1(32.2) (*10)	
Net DER (*8)	188	175	136	136	154	161(131) (*10)	161(127) (*10)	133(105) (*10)	235(203) (*10)	98(83) (*10)	82(70) (*10)	
Payout ratio	31.5	34.2	14.6	23.7	29.3	43.8	— (*11)	12.4	9.3	10.3	19.6	

\* 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥151.41=\$1.00.  
2. The company consolidated its common shares at a ratio of 5 shares to 1 share on October 1, 2017. Accordingly, per share data (except for cash dividends) are calculated on the assumption that the consolidation of shares was conducted at the beginning of fiscal year 2018.  
3. Free cash flow is defined as net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.  
4. Gross interest-bearing liabilities are defined as short-term loans payable, commercial paper, long-term debt, bonds and lease debt.  
5. Net interest-bearing liabilities are defined as gross interest-bearing liabilities minus cash and cash equivalents and time deposits.  
6. ROA is calculated by dividing net income (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the fiscal year.  
7. ROE is calculated by dividing net income (loss) attributable to owners of the parent by the average of equity attributable to owners of the parent at the beginning and end of the fiscal year.

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



# Consolidated Balance Sheets

As at March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (*1)
	2024	2023	2024
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 76,462	¥ 84,121	\$ 504,999
Receivables:			
Trade notes, accounts receivable and contract assets			
Unconsolidated subsidiaries and affiliates	16,484	13,941	108,869
Other	429,340	435,038	2,835,611
Electronically recorded monetary claims			
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	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
<b>Investments and noncurrent receivables:</b>			
Investment securities	80,739	79,964	533,247
Investments in unconsolidated subsidiaries and affiliates	25,323	19,643	167,247
Long-term loans receivable			
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
<b>Property and equipment</b>			
Land	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
<b>Other assets:</b>			
Deferred tax assets	3,128	1,261	20,659
Retirement benefit asset	3,840	—	25,361
Intangibles assets	10,006	10,807	66,085
Total other assets	16,976	12,069	112,119
<b>Total</b>	¥ 1,166,986	¥ 1,157,747	\$ 7,707,456

\*1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥151.41=\$1.00.

	Millions of yen		Thousands of U.S. dollars (*1)
	2024	2023	2024
<b>Liabilities and Net Assets</b>			
<b>Current liabilities:</b>			
Short-term loans payable	¥ 45,358	¥ 61,194	\$ 299,570
Commercial paper	—	30,000	—
Long-term debt due within one year	26,721	31,932	176,481
Trade notes and accounts payable			
Unconsolidated subsidiaries and affiliates	8,465	17,988	55,907
Other	295,382	260,834	1,950,875
Electronically recorded obligations			
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	57,318	101,103	378,561
Total current liabilities	486,555	558,990	3,213,493
<b>Noncurrent liabilities:</b>			
Long-term debt due after one year	289,957	254,843	1,915,045
Retirement benefit liability	1,353	4,285	8,936
Deferred tax liabilities	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
<b>Contingent liabilities</b>			
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
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
<b>Accumulated other comprehensive income:</b>			
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	1,966	1,975	12,984
Foreign currency translation adjustments	14,427	8,360	95,284
Remeasurements of defined benefit plans	2,426	(2,720)	16,022
Total accumulated other comprehensive income	46,962	32,260	310,164
<b>Non-controlling interests</b>	5,553	5,680	36,675
Total net assets	356,765	308,807	2,356,284
<b>Total</b>	¥ 1,166,986	¥ 1,157,747	\$ 7,707,456

## For the years ended March 31, 2024 and 2023

\*1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥151.41=\$1.00.

For the years ended March 31, 2024 and 2023

\*1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥151.41=\$1.00.



# Consolidated Statements of Cash Flows

For the years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (*1)
	2024	2023	2024
<b>Cash flows from operating activities:</b>			
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 cotract 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
<b>Cash flows from investing activities:</b>			
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	—	(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
<b>Cash flows from financing activities:</b>			
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)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(827)</b>	<b>(7,279)</b>	<b>(5,461)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,944)</b>	<b>(81,427)</b>	<b>(52,466)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>84,121</b>	<b>165,083</b>	<b>555,584</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>286</b>	<b>464</b>	<b>1,888</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 76,462</b>	<b>¥ 84,121</b>	<b>\$ 504,999</b>

\*1 The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥151.41=\$1.00.

# Corporate Data and Stock Information

(As of March 31, 2024)

## Corporate Data

Company name	Hanwa Co., Ltd.
Established	April 1, 1947
Capital	¥45,651 million
Fiscal year	April 1 to March 31 of the following year
Number of employees	1,656 (Consolidated: 5,508)
Tokyo Head Office	Ginza Shochiku Square Bldg., 1-13-1, Tsukiji, Chuo-ku, Tokyo 104-8429, Japan
Osaka Head Office	HK Yodoyabashi Garden Avenue Bldg., 4-3-9, Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan

## Principal Shareholders

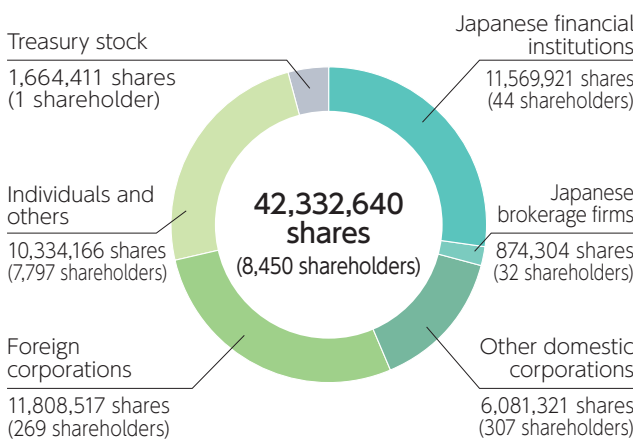
Name of shareholders	Number of shares (Thousands)	Percentage of total issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,637	13.86
Hanwa Clients' Stock Investment Association	2,291	5.63
Custody Bank of Japan, Ltd. (Trust Account)	2,103	5.17
JP MORGAN CHASE BANK 385632	1,738	4.28
Sumitomo Mitsui Banking Corporation	1,526	3.75
Hanwa Employees' Stock Investment Association	1,095	2.69
DFA INTL SMALL CAP VALUE PORTFOLIO	625	1.54
STATE STREET BANK AND TRUST COMPANY 505223	616	1.52
THE BANK OF NEW YORK MELLON 140044	616	1.52
NIPPON STEEL CORPORATION	600	1.48

Note: The Company holds 1,664,411 shares of treasury stock, which is excluded from the principal shareholders listed above.

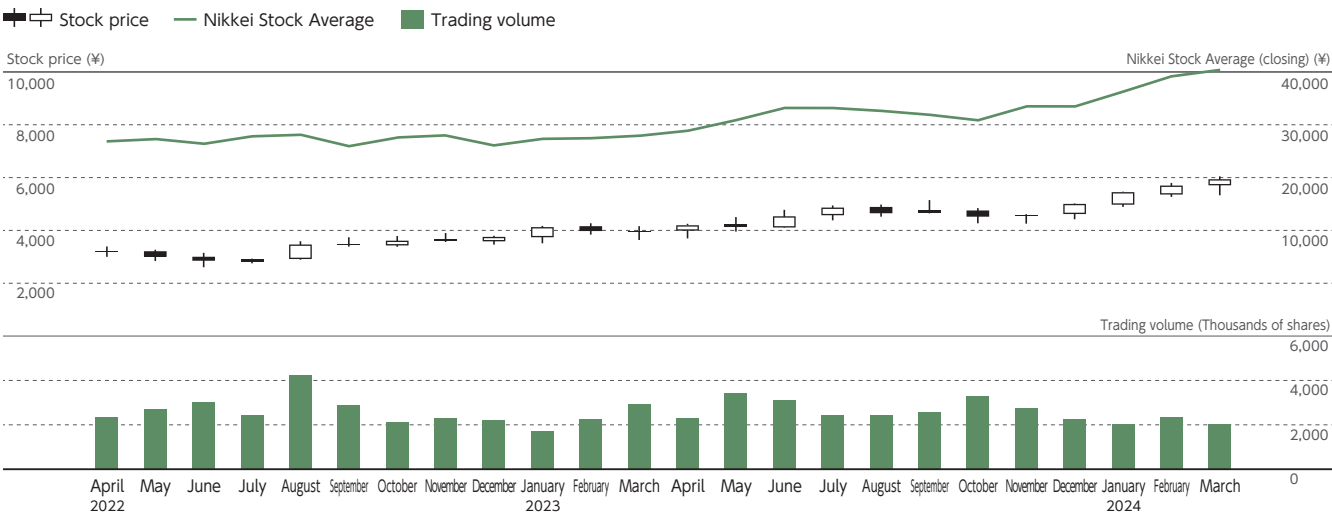
## Stock Information

General Shareholders Meeting	June every year
Administrator of shareholder registry and account management institution for special accounts	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Securities Agency Department, Sumitomo Mitsui Trust Bank, Limited
Telephone number	0120-782-031 (Toll-free)
Unit share	100 shares
Number of shareholders	8,450 people
Authorized shares	114,000,000 shares
Issued and outstanding shares	42,332,640 shares
Domestic stock exchange listings	The Prime Market of the Tokyo Stock Exchange
Securities code	8078

## Breakdown by Type of Shareholder



## Stock Price Range and Trading Volume (April 2022 to March 2024)



Editorial Policy

Editorial Policy

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

Scope of report

The Company and its Group companies

Period covered

Fiscal 2023 (April 1, 2023 to March 31, 2024)  
Some of the activities, prior to or after the period covered, are also included.

Issued

September 2024

Cautionary statement regarding forward-looking information

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

Reference guidelines

"International Integrated Reporting Framework" published by the IFRS Foundation

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

Contact

Public Relations Sect., Secretarial Dept., Hanwa Co., Ltd.  
TEL: 03-3544-2000 FAX: 03-3544-2435  
URL: <https://www.hanwa.co.jp/en/contact/>