HANWA

Hanwa Co., Ltd. and Subsidiaries

Consolidated Financial Statements
For the Years Ended March 31,
2025 and 2024
Together with Independent
Auditors' Report

Consolidated Balance Sheets

As at March 31, 2025 and 2024

	Millions of yen 2025	2024	Thousands of U.S. dollars (Note 1) 2025
Assets			
Current assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 65,263	¥ 76,462	$ 436,483
Receivables:			
Trade notes, accounts receivable and contract assets (Notes 3 and 18):			
Unconsolidated subsidiaries and affiliates	11,891	16,484	79,527
Other	403,447	429,340	2,698,281
Electronically recorded monetary claims (Note 3):			
Unconsolidated subsidiaries and affiliates	68	261	454
Other	92,390	95,353	617,910
Loans:			
Unconsolidated subsidiaries and affiliates	8,442	8,693	56,460
Other	2	58	13
Allowance for doubtful receivables	(1,781)	(1,694)	(11,911)
Inventories (Note 6)	279,179	249,490	1,867,168
Other current assets	44,800	42,718	299,625
Total current assets	903,705	917,168	6,044,040
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	72,889	80,739	487,486
Investments in unconsolidated subsidiaries and affiliates (Note 3)	43,410	25,323	290,329
Long-term loans receivable (Note 3):			
Unconsolidated subsidiaries and affiliates	1,778	1,792	11,891
Other	18,109	18,239	121,114
Other investments and noncurrent receivables	21,016	20,238	140,556
Allowance for doubtful accounts	(2,074)	(2,436)	(13,871)
Total investments and noncurrent receivables	155,130	143,897	1,037,520
Property and equipment (Note 7):			
Land (Note 12)	40,461	37,401	270,605
Buildings and structures	61,950	60,574	414,325
Other	63,501	62,147	424,699
Accumulated depreciation	(75,967)	(71,178)	(508,072)
Total property and equipment	89,945	88,945	601,558
Other assets:			
Deferred tax assets (Note 8)	3,282	3,128	21,950
Retirement benefit Asset (Note10)	3,648	3,840	24,398
Intangible assets	10,094	10,006	67,509
Total other assets	17,025	16,976	113,864
Total	¥ 1,165,805	¥ 1,166,986	$ 7,796,983

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen 2025	2024	Thousands of U.S. dollars (Note 1) 2025
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 3 and 9)	¥ 50,994	¥ 45,358	$ 341,051
Long-term debt due within one year (Notes 3, 7 and 9)	45,125	26,721	301,799
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	2,328	8,465	15,569
Other	266,184	295,382	1,780,256
Electronically recorded obligations (Note 3):			
Unconsolidated subsidiaries and affiliates	25	38	167
Other	39,848	46,841	266,506
Accrued bonuses to employees	5,497	3,730	36,764
Provision for product warranties	53	95	354
Income taxes payable	12,320	2,602	82,397
Other current liabilities (Note 17)	39,291	57,318	262,780
Total current liabilities	461,670	486,555	3,087,680
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3, 7 and 9)	281,520	289,957	1,882,825
Retirement benefit liability (Note 10)	1,759	1,353	11,764
Deferred tax liabilities (Note 8)	14,660	16,781	98,047
Other noncurrent liabilities	16,723	15,573	111,844
Total noncurrent liabilities	314,664	323,665	2,104,494
Contingent liabilities (Note 11)			
Net assets (Note 12)			
Shareholders' equity:			
Common stock:			
Authorized: 114,000,000 shares in 2025 and 114,000,000 shares in 2024			
Issued: 42,332,640 shares in 2025 and 42,332,640 shares in 2024	45,651	45,651	305,317
Capital surplus	1,384	1,301	9,256
Retained earnings	298,252	260,959	1,994,729
Treasury stock, at cost: 1,949,904 shares in 2025 and 1,664,411 shares in 2024	(5,593)	(3,662)	(37,406)
Total shareholders' equity	339,695	304,249	2,271,903
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	20,876	27,511	139,620
Deferred gains or losses on hedges, net of taxes	836	630	5,591
Land revaluation difference, net of taxes (Note 12)	1,941	1,966	12,981
Foreign currency translation adjustments	17,260	14,427	115,436
Remeasurements of defined benefit plans (Note 10)	2,446	2,426	16,359
Total accumulated other comprehensive income	43,360	46,962	289,994
Non-controlling interests	6,414	5,553	42,897
Total net assets	389,470	356,765	2,604,802
Total	¥ 1,165,805	¥ 1,166,986	$ 7,796,983

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 18)	¥ 2,554,514	¥ 2,431,980	$ 17,084,764
Cost of sales (Note 6)	2,413,907	2,312,135	16,144,375
Gross profit	140,607	119,845	940,389
Selling, general and administrative expenses	79,074	70,122	528,852
Operating income	61,532	49,722	411,530
Other income (expenses):			
Interest and dividend income	8,065	8,249	53,939
Interest expenses	(8,715)	(8,754)	(58,286)
Share of profit of entities accounted for using the equity method	2,604	3,532	17,415
Foreign exchange gain (loss)	(2,367)	(555)	(15,830)
Gain on sales of property and equipment (Note 13)	—	1,204	—
Gain on sales of investment securities	2,825	5,416	18,893
Gain on sales of investment securities of consolidated subsidiaries	2,377	—	15,897
Gain on sales of investment securities of unconsolidated subsidiaries	—	76	—
Gain on sales of investments in capital of subsidiaries and associates	996	—	6,661
Loss on retirement of property and equipment (Note 14)	(105)	—	(702)
Loss on valuation of investment securities	(351)	(1,085)	(2,347)
Other, net	(1,373)	(3,918)	(9,182)
Income before income taxes	65,489	53,888	437,994
Income taxes (Note 8):			
Current	19,215	14,136	128,511
Deferred	133	387	889
Total income taxes	19,349	14,524	129,407
Net income	¥ 46,140	¥ 39,364	$ 308,587
Net income attributable to:			
Owners of the parent	¥ 45,482	¥ 38,417	$ 304,186
Non-controlling interests	658	946	4,400
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities, net of taxes	(6,621)	3,380	(44,281)
Deferred gains or losses on hedges, net of taxes	206	(43)	1,377
Land revaluation difference, net of taxes	(25)	—	(167)
Foreign currency translation adjustment	1,935	5,508	12,941
Remeasurements of defined benefit plans, net of taxes	35	5,143	234
Share of other comprehensive income of entities accounted for using the equity method	1,356	845	9,069
Total other comprehensive income	(3,113)	14,834	(20,819)
Comprehensive income	¥ 43,027	¥ 54,198	$ 287,767
Comprehensive income attributable to:			
Owners of the parent	¥ 41,880	¥ 53,127	$ 280,096
Non-controlling interests	1,146	1,070	7,664

	Yen		U.S. dollars (Note 1)
	2025	2024	2025
Net income per share	¥ 1,125.66	¥ 944.90	$ 7.53
Cash dividends per share	225.00	185.00	1.50

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2025 and 2024

	Thousands	Millions of yen										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2023	42,332	¥ 45,651	¥ 26	¥ 228,920	¥ (3,730)	¥ 23,972	¥ 673	¥ 1,975	¥ 8,360	¥ (2,720)	¥ 5,680	¥ 308,807
Cash dividends paid	—	—	—	(6,707)	—	—	—	—	—	—	—	(6,707)
Change in scope of consolidation	—	—	—	262	—	—	—	—	—	—	—	262
Change in scope of equity method	—	—	—	58	—	—	—	—	—	—	—	58
Reversal of revaluation reserve for land	—	—	—	8	—	—	—	—	—	—	—	8
Net income attributable to owners of the parent	—	—	—	38,417	—	—	—	—	—	—	—	38,417
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	78	—	69	—	—	—	—	—	—	147
Purchase of shares of consolidated subsidiaries	—	—	1,196	—	—	—	—	—	—	—	—	1,196
Net changes of items other than shareholders' equity	—	—	—	—	—	3,538	(43)	(8)	6,067	5,147	(126)	14,575
Balance at March 31, 2024	42,332	45,651	1,301	260,959	(3,662)	27,511	630	1,966	14,427	2,426	5,553	356,765
Balance at April 1, 2024	**42,332**	**45,651**	**1,301**	**260,959**	**(3,662)**	**27,511**	**630**	**1,966**	**14,427**	**2,426**	**5,553**	**356,765**
Cash dividends paid	—	—	—	(8,307)	—	—	—	—	—	—	—	(8,307)
Change in scope of consolidation	—	—	—	764	—	—	—	—	—	—	—	764
Change in scope of equity method	—	—	—	(646)	—	—	—	—	—	—	—	(646)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Net income attributable to owners of the parent	—	—	—	45,482	—	—	—	—	—	—	—	45,482
Purchases of treasury stock	—	—	—	—	(2,001)	—	—	—	—	—	—	(2,001)
Disposal of treasury stock	—	—	80	—	70	—	—	—	—	—	—	150
Purchase of shares of consolidated subsidiaries	—	—	2	—	—	—	—	—	—	—	—	2
Net changes of items other than shareholders' equity	—	—	—	—	—	(6,634)	206	(25)	2,832	19	860	(2,740)
Balance at March 31, 2025	**42,332**	**¥ 45,651**	**¥ 1,384**	**¥ 298,252**	**¥ (5,593)**	**¥ 20,876**	**¥ 836**	**¥ 1,941**	**¥ 17,260**	**¥ 2,446**	**¥ 6,414**	**¥ 389,470**

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Non-controlling interests	Total
Balance at April 1, 2024	**42,332**	**$ 305,317**	**$ 8,701**	**$ 1,745,311**	**$ (24,491)**	**$ 183,995**	**$ 4,213**	**$ 13,148**	**$ 96,488**	**$ 16,225**	**$ 37,138**	**$ 2,386,068**
Cash dividends paid	—	—	—	(55,557)	—	—	—	—	—	—	—	(55,557)
Change in scope of consolidation	—	—	—	5,109	—	—	—	—	—	—	—	5,109
Change in scope of equity method	—	—	—	(4,320)	—	—	—	—	—	—	—	(4,320)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—
Net income attributable to owners of the parent	—	—	—	304,186	—	—	—	—	—	—	—	304,186
Purchases of treasury stock	—	—	—	—	(13,382)	—	—	—	—	—	—	(13,382)
Disposal of treasury stock	—	—	535	—	468	—	—	—	—	—	—	468
Purchase of shares of consolidated subsidiaries	—	—	13	—	—	—	—	—	—	—	—	13
Net changes of items other than shareholders' equity	—	—	—	—	—	(44,368)	1,377	(167)	18,940	127	5,751	(18,325)
Balance at March 31, 2025	**42,332**	**$ 305,317**	**$ 9,256**	**$ 1,994,729**	**$ (37,406)**	**$ 139,620**	**$ 5,591**	**$ 12,981**	**$ 115,436**	**$ 16,359**	**$ 42,897**	**$ 2,604,802**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2025 and 2024

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

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with Japanese GAAP. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2025, which was ¥149.52 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

As permitted, amounts of less than one million yen are omitted in the presentation for 2024 and 2025. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its 62 (60 in 2024) significant subsidiaries (the "Companies"). The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods that ended three months or less prior to March 31, and significant transactions after these year-ends were appropriately adjusted in consolidation. Intercompany transactions and accounts have been eliminated. All material unrealized profits included in assets resulting from intercompany transactions are eliminated.

Equity method

As of March 31, 2025, the Company had 36 unconsolidated subsidiaries and 34 affiliates. The equity method has been applied to the investments in 13 of the unconsolidated subsidiaries and 17 of the affiliates. Investments in the remaining unconsolidated subsidiaries and affiliates are not accounted for by the equity method as the application of the equity method would not have a material effect on net income (loss) and retained earnings or on the consolidated financial statement as a whole. Where the fiscal year-ends of the entities accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method.

Cash and cash equivalents

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

Allowance for doubtful accounts

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

Securities

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

The Companies do not hold trading securities. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Valuation differences on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Realized gains on the sales of such securities are computed using moving average cost. Other available-for-sale securities are stated at moving average cost.

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

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

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

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

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

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

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

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

1. Attribution of estimated retirement benefits
   To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the consolidated fiscal year under review based on the benefit formula.
2. Treatment of actuarial differences and past service costs
   Past service costs are posted in expenses based on the straight-line method for a fixed period of years within the average remaining service years of employees when costs accrue from their service.

   Actuarial differences are posted in expenses mainly after the consolidated fiscal year following their accrual based on the straight-line method for a fixed period of years within the average remaining service years of employees.
3. Treatment of unrecognized actuarial differences and unrecognized past service costs
   Unrecognized actuarial differences and unrecognized past service costs are accrued as remeasurements of defined benefit plans, net of tax, in accumulated other comprehensive income.
4. Adoption of simplified method by small companies
   In calculating net defined benefit liability and retirement benefit expenses, certain subsidiaries adopt a simplified method that regards the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end as retirement benefit obligations.

Translation of foreign currencies
Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

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

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

Accounting policy for recognition of significant revenues and expenses
The Companies derive revenues from the sale of various commodities such as steel, primary metals, recycled metals, foods, energy and living materials, housing materials and machinery.

The Companies also earn revenues from the sale of products that have undergone processing services such as steel processing and recycled metal processing.

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

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

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

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

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

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

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

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

Finance leases

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

Derivatives and hedge accounting

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

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

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

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

Hedging instruments:
- Interest rate swap agreements
- Commodity forward contracts
- Cross-currency swap agreements
- Foreign exchange swap contracts
- Foreign currency forward contract transactions

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

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

Goodwill

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

Reclassifications

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

Amounts per share

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

Accounting standards and guidance not yet applied

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), and other revisions of relevant guidance, including Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance.

1. Overview
   Similar to international accounting standards, these standards stipulate the treatment of all leases held by lessees, including the recognition of assets and liabilities.
2. Effective date
   The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2028.
3. Effects of the application of the standards
   The effects of the application of Accounting Standard for Leases, etc. on the consolidated financial statements are currently under evaluation.

Changes in accounting policies
(Application of Accounting Standard for Current Income Taxes)
The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, "2022 Revised Accounting Standard") has been applied since the beginning of the fiscal year ended March 31, 2025. Revisions concerning the recognition classification of income taxes follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28; October 28, 2022; hereinafter, "2022 Revised Guidance"). This change in accounting policy has no impact on consolidated financial statements.

Regarding the revisions related to the review of treatment in consolidated financial statements when conducting a tax deferral of gains or losses on sale arising from the sale of subsidiary shares, etc. between consolidated companies, the 2022 Revised Guidance has been applied since the beginning of the fiscal year ended March 31, 2025. This change in accounting policy is applied retrospectively, and the consolidated financial statements for the previous consolidated fiscal year are after retrospective application. This change in accounting policy has no impact on the consolidated financial statements for the consolidated fiscal year ended March 31, 2024.

3. Financial instruments

At March 31, 2025 and 2024, information on financial instruments was as follows.

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

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

Components of financial instruments and risks
Trade notes, accounts receivable and contract assets, and electronically recorded monetary claims are exposed to credit risk of customers. Some of them are denominated in foreign currencies, which are also subject to foreign exchange rate fluctuation risk.

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

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

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

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

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

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

Risk management system for financial instruments

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

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

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

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

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

With respect to derivatives trading related to interest rates associated with loans, the Companies receive approval from a supervising director in charge of the administration department before engaging in such trading.

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

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

Supplementary explanation for items concerning fair values of financial instruments

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

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

(B) Fair value information of financial instruments

Book values, fair values and differences between carrying amounts and fair value of relevant items as of March 31, 2025 and 2024 are as follows:

“Cash and cash equivalents” , “Trade notes, accounts receivable and contract assets” , “Electronically recorded monetary claims” , “Short-term loans payable” , “Long-term debt due within one year” , “Trade notes and accounts payable” and “Electronically recorded obligations” are not included in the table below. This is because their book values are a reasonable approximation of fair value, as items included in the caption are either cash or deposits expected to be settled shortly.

March 31, 2025

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Securities						
a) Held-to-maturity debt securities	¥ 680	¥ 680	¥ —	$ 4,547	$ 4,547	$ —
b) Equity securities issued by affiliated companies	3,787	1,630	(2,157)	25,327	10,901	(14,426)
c) Available-for-sale securities (Equity securities)	46,170	46,170	—	308,788	308,788	—
d) Available-for-sale securities (Corporate bonds)	120	120	—	802	802	—
(2) Long-term loans receivable	19,888			133,012		
Allowance for doubtful accounts	(139)			(929)		
Net	19,748	19,745	(3)	132,075	132,055	(20)
Total assets	¥ 70,508	¥ 68,347	¥ (2,161)	$ 471,562	$ 457,109	$ (14,452)
Long-term debt due after one year	¥ 281,520	¥ 277,511	¥ 4,009	$ 1,882,825	$ 1,856,012	$ 26,812
Total liabilities	¥ 281,520	¥ 277,511	¥ 4,009	$ 1,882,825	$ 1,856,012	$ 26,812
Derivatives:						
Hedge accounting not applied	¥ 769	¥ 769	¥ —	$ 5,143	$ 5,143	$ —
Hedge accounting applied	(581)	(581)	—	(3,885)	(3,885)	—
Total derivatives	¥ 188	¥ 188	¥ —	$ 1,257	$ 1,257	$ —

1. Allowance for doubtful accounts recognized in long-term loans receivable was offset.
2. Derivative assets and liabilities were presented on a net basis.
3. Equity securities without market prices are not included in “(1) Securities”.
   The book value of those financial instruments as of March 31, 2025 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2025	2025
	Book value	Book value
(1) Unlisted stocks	¥ 64,959	$ 434,450
(2) Investment in limited partnerships	579	3,872
Total	¥ 65,539	$ 438,329

Investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet are not subject to fair value disclosure in accordance with Paragraph 24-16 of "Implementation Guidance on Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

March 31, 2024

Millions of yen

	Book value	Fair value	Difference
(1) Securities			
a) Held-to-maturity debt securities	¥ 714	¥ 714	¥ —
b) Equity securities issued by affiliated companies	3,832	2,127	(1,705)
c) Available-for-sale securities (Equity securities)	55,201	55,201	—
d) Available-for-sale securities (Corporate bonds)	19	19	—
(2) Long-term loans receivable	20,031		
Allowance for doubtful accounts	(166)		
Net	19,864	19,868	3
Total assets	¥ 79,633	¥ 77,931	¥ (1,701)
Long-term debt due after one year	¥ 289,957	¥ 288,085	¥ 1,871
Total liabilities	¥ 289,957	¥ 288,085	¥ 1,871
Derivatives:			
Hedge accounting not applied	¥ (14,467)	¥ (14,467)	¥ —
Hedge accounting applied	(409)	(409)	—
Total derivatives	¥ (14,877)	¥ (14,877)	¥ —

1. Allowance for doubtful accounts recognized in long-term loans receivable was offset.
2. Derivative assets and liabilities were presented on a net basis.
3. Equity securities without market prices are not included in “(1) Securities”.
The book value of those financial instruments as of March 31, 2024 are as follows:

Millions of yen

	2024
	Book value
(1) Unlisted stocks	¥ 45,451
(2) Investment in limited partnerships	841
Total	¥ 46,293

Investments in partnerships and other similar entities which are recorded at a net amount corresponding to the equity interest on the consolidated balance sheet are not subject to fair value disclosure in accordance with Paragraph 24-16 of "Implementation Guidance on Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

The maturities of receivables and securities with maturities outstanding at March 31, 2025 were as follows:

Year ended March 31

Millions of yen

	2026	from 2027 to 2030	from 2031 to 2035	Thereafter
Cash and cash equivalents	¥ 65,263	¥ —	¥ —	¥ —
Trade notes, accounts receivable and contract assets	415,339	—	—	—
Electronically recorded monetary claims	92,458	—	—	—
Held-to-maturity debt securities	—	680	—	—
Available-for-sale securities with maturity dates	—	120	—	—
Long-term loans receivable	—	8,742	9,807	41
Total	¥ 573,061	¥ 9,543	¥ 9,807	¥ 41

Thousands of U.S. dollars

	2026	from 2027 to 2030	from 2031 to 2035	Thereafter
Cash and cash equivalents	$ 436,483	$ —	$ —	$ —
Trade notes, accounts receivable and contract assets	2,777,815	—	—	—
Electronically recorded monetary claims	618,365	—	—	—
Held-to-maturity debt securities	—	4,547	—	—
Available-for-sale securities with maturity dates	—	802	—	—
Long-term loans receivable	—	58,467	65,589	274
Total	$3,832,671	$ 63,824	$ 65,589	$ 274

Long-term loans receivable of ¥1,297 million ($8,674 thousand) are excluded from the tables above because the redemption schedule has not been determined.

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

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

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

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

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

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

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

March 31, 2025

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities								
Available-for-sale securities (Equity securities)	¥ 46,170	¥ —	¥ —	¥ 46,170	$ 308,788	$ —	$ —	$ 308,788
Available-for-sale securities (Corporate bonds)	—	120	—	120	—	802	—	802
Total assets	¥ 46,170	¥ 120	¥ —	¥ 46,291	$ 308,788	$ 802	$ —	$ 309,597
Derivatives:								
Hedge accounting not applied	¥ (75)	¥ 844	¥ —	¥ 769	$ (501)	$ 5,644	$ —	$ 5,143
Hedge accounting applied	284	(865)	—	(581)	1,899	(5,785)	—	(3,885)
Total derivatives	¥ 209	¥ (20)	¥ —	¥ 188	$ 1,397	$ (133)	$ —	$ 1,257

March 31, 2024

	Millions of yen			
	fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Available-for-sale securities (Equity securities)	¥ 55,201	¥ —	¥ —	¥ 55,201
Available-for-sale securities (Corporate bonds)	—	19	—	19
Total assets	¥ 55,201	¥ 19	¥ —	¥ 55,221
Derivatives:				
Hedge accounting not applied	¥ (648)	¥ (13,818)	¥ —	¥ (14,467)
Hedge accounting applied	627	(1,036)	—	(409)
Total derivatives	¥ (21)	¥ (14,855)	¥ —	¥ (14,877)

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

March 31, 2025

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Securities								
Held-to-maturity debt	¥ —	¥ 680	¥ —	¥ 680	$ —	$ 4,547	$ —	$ 4,547
Equity securities issued by affiliated companies	1,630	—	—	1,630	10,901	—	—	10,901
Long-term loans receivable	—	19,745	—	19,745	—	132,055	—	132,055
Total assets	¥ 1,630	¥ 20,425	¥ —	¥ 22,056	$ 10,901	$ 136,603	$ —	$ 147,512
Long-term debt due after one year	¥ —	¥ 277,511	¥ —	¥ 277,511	$ —	$ 1,856,012	$ —	$ 1,856,012
Total liabilities	¥ —	¥ 277,511	¥ —	¥ 277,511	$ —	$ 1,856,012	$ —	$ 1,856,012

March 31, 2024

	Millions of yen			
	fair value			
	Level 1	Level 2	Level 3	Total
Securities				
Held-to-maturity debt	¥ —	¥ 714	¥ —	¥ 714
Equity securities issued by affiliated companies	2,127	—	—	2,127
Long-term loans receivable	—	19,868	—	19,868
Total assets	¥ 2,127	¥ 20,582	¥ —	¥ 22,710
Long-term debt due after one year	¥ —	¥ 288,085	¥ —	¥ 288,085
Total liabilities	¥ —	¥ 288,085	¥ —	¥ 288,085

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

Securities

Listed equity securities are measured using quoted prices. The fair values of listed equity securities are classified as Level 1, because they are exchanged in active markets.

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

Long-term loans receivable

Long-term loans receivable are classified as Level 2, because their fair values are measured by certain periods using the discounted present value method based on future cash flows and interest rates that reflect appropriate indicators, such as yields of national bonds, together with credit spread. The fair values of claims with a possibility of default are measured using the discounted present value method based on the discounted present value of estimated cash flows from the similar discount rate, or the estimated collection amount by collateral or gurantees. The fair values of claims with a possibility of default are classified as Level 3 if the unobservable input to the fair value is significant, otherwise; they are classified as Level 2.

Long-term debt due after one year

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

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

Derivatives

Currency-related derivatives

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

Interest rate-related derivatives

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

Commodity-related derivatives

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

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

4. Securities

(A) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2025 and 2024:

March 31, 2025

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity debt securities with fair values exceeding book values	¥ —	¥ —	¥ —	$ —	$ —	$ —
Held-to-maturity debt securities with fair values not exceeding book values	¥ 680	¥ 680	¥ —	$ 4,547	$ 4,547	$ —

March 31, 2024

	Millions of yen		
	Book value	Fair value	Difference
Held-to-maturity debt securities with fair values exceeding book values	¥ —	¥ —	¥ —
Held-to-maturity debt securities with fair values not exceeding book values	¥ 714	¥ 714	¥ —

(B) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available market values as of March 31, 2025 and 2024:

March 31, 2025

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥ 14,396	¥ 43,226	¥ 28,830	$ 96,281	$ 289,098	$ 192,817
Bonds	—	—	—	—	—	—
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 4,349	¥ 2,944	¥ (1,405)	$ 29,086	$ 19,689	$ (9,396)
Bonds	127	120	(6)	849	802	(40)

March 31, 2024

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 15,978	¥ 52,825	¥ 36,846
Bonds	—	—	—
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 2,749	¥ 2,375	¥ (374)
Bonds	26	19	(6)

(C) The following tables summarize sales of held-to-maturity debt securities in the years ended March 31, 2025 and 2024:

March 31, 2025

Not applicable.

March 31, 2024

	Millions of yen		
	Cost of sales	Proceeds from sales	Gain or loss on sales
Bonds	¥ 1,778	¥ 2,463	¥ (1)

(D) The following tables summarize sales of available-for-sale securities in the years ended March 31, 2025 and 2024:

March 31, 2025

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 4,628	¥ 2,825	¥ 23	$ 30,952	$ 18,893	$ 153

March 31, 2024

	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 6,877	¥ 5,416	¥ 11

(E) The loss on valuation of investment securities in the years ended March 31, 2025 and 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Securities in subsidiaries and affiliates	¥ 5	¥ —	$ 33
Available-for-sale securities	345	1,085	2,307
Total	¥ 351	¥ 1,085	$ 2,347

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2025 and 2024 for derivatives to which hedge accounting has not been applied:

March 31, 2025
Currency related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:								
Selling:								
U.S. dollars	¥ 51,351	¥ —	¥ 1,021	¥ 1,021	$ 343,439	$ —	$ 6,828	$ 6,828
Other currencies	21,671	—	37	37	144,937	—	247	247
Buying:								
U.S. dollars	9,964	—	(16)	(16)	66,639	—	(107)	(107)
Other currencies	4,414	—	77	77	29,521	—	514	514
Cross-currency swap agreements:								
Japanese yen received for U.S. dollars	29,670	25,778	(280)	(280)	198,434	172,405	(1,872)	(1,872)
Total	¥ —	¥ —	¥ —	¥ 840	$ —	$ —	$ —	$ 5,617

Commodity related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:								
Petroleum:								
Selling	¥ 5,038	¥ —	¥ 69	¥ 69	$ 33,694	$ —	$ 461	$ 461
Buying	—	—	—	—	—	—	—	—
Non-ferrous metals:								
Selling	39,844	—	(447)	(447)	266,479	—	(2,989)	(2,989)
Buying	20,120	—	302	302	134,563	—	2,019	2,019
Commodity swap agreements:								
Petroleum:								
Fixed receipt/Fluctuated payment	—	—	—	—	—	—	—	—
Fluctuated receipt/Fixed payment	658	—	4	4	4,400	—	26	26
Total	¥ —	¥ —	¥ —	¥ (71)	$ —	$ —	$ —	$ (474)

March 31, 2024

Currency related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:				
Selling:				
U.S. dollars	¥ 2,130	¥ —	¥ 10	¥ 10
Other currencies	15,724	—	(332)	(332)
Buying:				
U.S. dollars	15,762	—	(70)	(70)
Other currencies	809	—	7	7
Cross-currency swap agreements:				
Japanese yen received for U.S. dollars	45,714	8,137	(13,444)	(13,444)
Total	¥ —	¥ —	¥ —	¥ (13,829)

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Petroleum:				
Selling	¥ 7,058	¥ —	¥ (658)	¥ (658)
Buying	—	—	—	—
Non-ferrous metals:				
Selling	30,718	—	(356)	(356)
Buying	14,927	—	366	366
Commodity swap agreements:				
Petroleum:				
Fixed receipt/Fluctuated payment	—	—	—	—
Fluctuated receipt/Fixed payment	441	—	10	10
Total	¥ —	¥ —	¥ —	¥ (638)

(B) The following tables summarize fair value information as of March 31, 2025 and 2024 for derivatives to which hedge accounting was applied:

March 31, 2025
Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Foreign exchange forward contracts for forecast transaction and foreign currency receivables and payables						
Buying:						
U.S. dollars	¥ 4,254	¥ 1,857	¥ 147	$ 28,451	$ 12,419	$ 983
Cross-currency swap agreement for foreign subsidiaries' equity:						
Japanese yen received for U.S. dollars	¥ 6,487	¥ —	¥ (1,012)	$ 43,385	$ —	$ (6,768)
Total	¥ 10,741	¥ 1,857	¥ (865)	$ 71,836	$ 12,419	$ (5,785)

Interest rate related

Not applicable.

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:						
Non-ferrous metals						
Selling	¥ 34,505	¥ —	¥ 590	$ 230,771	$ —	$ 3,945
Buying	20,067	—	(306)	134,209	—	(2,046)

March 31, 2024
Currency related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Foreign exchange forward contracts for forecast transaction and foreign currency receivables and payables			
Buying:			
U.S. dollars	¥ 7,462	¥ 5,042	¥ 83
Cross-currency swap agreement for foreign subsidiaries' equity:			
Japanese yen received for U.S. dollars	¥ 6,487	¥ 6,487	¥ (1,120)
Total	¥ 13,949	¥ 11,529	¥ (1,036)

Interest rate related

Not applicable.

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:			
Non-ferrous metals			
Selling	¥ 42,536	¥ —	¥ 632
Buying	34,379	—	(5)

6. Inventories

Inventories at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Merchandise and finished products	¥ 245,784	¥ 220,470	$1,643,820
Work-in-process	3,676	2,552	24,585
Raw materials and supplies	29,718	26,467	198,756
Total	¥ 279,179	¥ 249,490	$1,867,168

The provisions made or reversed in the year were determined after considering the realizable value of the inventories due to the decline in profitability. Such provisions recognized in profit and loss were a net loss of ¥215 million (loss of $1,437 thousand) and a net loss of ¥127 million for the years ended March 31, 2025 and 2024, respectively.

7. Pledged assets

At March 31, 2025 and 2024, assets pledged as collateral for loans payable in the amount of zero and ¥4 million, respectively, for guaranty deposits, and for loans of third parties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
For loans payable:			
Land	¥ 1,591	¥ 1,591	$ 10,640
Buildings and structures, net of accumulated depreciation	60	67	401
Total	¥ 1,651	¥ 1,658	$ 11,042
For guaranty deposits:			
Cash and cash equivalents	¥ —	¥ 13	$ —
Investment securities	7,079	11,683	47,344
Total	¥ 7,079	¥ 11,696	$ 47,344
For loans of third parties:			
Investment securities	¥ 9,161	¥ 3,949	$ 61,269
Total	¥ 9,161	¥ 3,949	$ 61,269

8. Income taxes

The Company is subject to a number of taxes based on income, which indicates an aggregate statutory income tax rate in Japan of approximately 30.6% for the year ended March 31, 2025 and 2024.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2025 and 2024.

An aggregate statutory income tax rate for the year ended March 31, 2025 is omitted here because the difference between the aggregate statutory income tax rate and the Companies' effective tax rate was not more than 5% of the aggregate statutory income tax rate.

	2025	2024
Statutory tax rate:	— %	30.6 %
Tax effect of permanent differences	—	0.4
Valuation allowance recognized for deferred tax assets	—	(1.6)
Consolidation adjustment for equity method	—	(1.8)
Difference in tax rates for consolidated subsidiaries	—	(1.0)
Other	—	0.4
Effective tax rate	— %	27.0 %

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	¥ 2,812	¥ 2,731	$ 18,806
Tax losses carried forward	1,844	2,321	12,332
Accrued bonuses to employees	1,637	1,161	10,948
Loss on sale-repurchase agreements of land	1,331	1,293	8,901
Impairment loss	1,091	1,063	7,296
Retirement benefit liability	567	437	3,792
Other	8,294	7,750	55,470
Total deferred tax assets	17,578	16,760	117,562
Valuation allowance	(9,944)	(10,607)	(66,506)
Net deferred tax assets	7,634	6,152	51,056
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	9,435	11,982	63,101
Retained earnings of overseas subsidiaries and affiliates	3,745	2,574	25,046
Retirement benefit assets	1,122	1,175	7,504
Land revaluation difference, net of taxes unrealized gain	893	867	5,972
Other	3,815	3,203	25,514
Total deferred tax liabilities	19,012	19,804	127,153
Net deferred tax liabilities	¥ 11,378	¥ 13,652	$ 76,096

Since amendments to the Japanese tax regulations were enacted into law on March 31, 2025, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized in the fiscal year beginning on or after April 2026 has been changed from 30.6% to 31.5%.
The impact of this change on the financial statements has been immaterial.
The Company and some of its domestic consolidated subsidiaries have been adopted the group tax sharing system.
In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed in accordance with Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

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

The weighted average interest rates applicable to short-term loans outstanding at March 31, 2025 and 2024 were 2.7% and 2.4%, respectively, regardless of borrowing currencies although the range of interest rates varies by borrowing currency.

There was an outstanding balance of ¥50,994 million ($341,051 thousand) and ¥45,358 million at March 31, 2025 and 2024, respectively.

Bonds at March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Issued in 2018, 0.59% unsecured straight bonds, due 2028	¥ 10,000	¥ 10,000	$ 66,880
Issued in 2022, 0.41% unsecured straight bonds, due 2025	15,000	15,000	100,321
Issued in 2022, 0.60% unsecured straight bonds, due 2027	5,000	5,000	33,440
Issued in 2023, 0.35% unsecured straight bonds, due 2026	10,000	10,000	66,880
Issued in 2023, 0.54% unsecured straight bonds, due 2028	10,000	10,000	66,880
Issued in 2024, 1.01% unsecured straight bonds, due 2029	10,000	—	66,880
Total	¥ 60,000	¥ 50,000	$ 401,284

Long-term loans payable at March 31, 2025 and 2024, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Loans from banks with weighted average interest rates of 1.3% and 0.8% at March 31, 2025 and 2024, respectively, maturing serially through 2059.	¥ 266,646	¥ 266,679	$1,783,346
Less amounts due within one year	(30,125)	(26,721)	(201,478)
Total	¥ 236,520	¥ 239,957	$1,581,861

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

The annual maturities of long-term loans payable outstanding at March 31, 2025 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2026	¥ 30,125	$ 201,478
2027	28,115	188,035
2028	41,611	278,297
2029	25,111	167,944
2030	40,066	267,964
Thereafter	101,616	679,614
Total	¥ 266,646	$ 1,783,346

10. Employees' severance and retirement benefits

(A) Overview of retirement benefit system adopted

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

During the fiscal year ended March 31, 2024, the Company revised the formula for calculating the amount of benefits under its defined corporate pension plan, changing from the final salary proportional method to the point-based method effective April 1, 2024.

Under the revised defined benefit corporate pension plan, the Company provides employees lump-sum or pension benefits after determining the amount of benefits which are calculated according to the accumulated number of points awarded in accordance with the employees' duty or performance.

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

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

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

(B) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at beginning of year	¥ 24,615	¥ 30,159	$ 164,626
Service cost	1,082	1,453	7,236
Interest cost	280	117	1,872
Actuarial loss (gain)	(158)	(2,900)	(1,056)
Benefits paid	(1,164)	(1,210)	(7,784)
Past service costs	(8)	(3,004)	(53)
Other	5	(0)	33
Balance at end of year	¥ 24,651	¥ 24,615	$ 164,867

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at beginning of year	¥ 28,435	¥ 27,130	$ 190,175
Expected return on plan assets	719	685	4,808
Actuarial gain (loss)	(292)	925	(1,952)
Contributions paid by the employer	562	901	3,758
Benefits paid	(1,139)	(1,212)	(7,617)
Other	(17)	5	(113)
Balance at end of year	¥ 28,268	¥ 28,435	$ 189,058

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

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Balance at beginning of year	¥ 1,332	¥ 1,255	$ 8,908
Retirement benefit costs	235	172	1,571
Benefits paid	(66)	(74)	(441)
Contributions paid by the employer	(36)	(40)	(240)
Other	263	18	1,758
Balance at end of year	¥ 1,728	¥ 1,332	$ 11,556

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

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Funded retirement benefit obligations	¥ 24,928	¥ 25,334	$ 166,720
Plan assets	(28,523)	(29,021)	(190,763)
	(3,595)	(3,686)	(24,043)
Unfunded retirement benefit obligations	1,706	1,198	11,409
Total net liability (asset) for retirement benefits at end of year	(1,888)	(2,487)	(12,627)
Retirement benefit liability	1,759	1,353	11,764
Retirement benefit asset	(3,648)	(3,840)	(24,398)
Total net liability (asset) for retirement benefits at end of year	¥ (1,888)	¥ (2,487)	$ (12,627)

(5) Retirement benefit costs

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Service cost	¥ 1,082	¥ 1,453	$ 7,236
Interest cost	280	117	1,872
Expected return on plan assets	(719)	(685)	(4,808)
Net actuarial loss amortization	446	640	2,982
Past service costs amortization	(223)	(55)	(1,491)
Retirement benefit costs based on the simplified method	235	172	1,571
Extra retirement allowances	1	176	6
Other	(8)	(11)	(53)
Total retirement benefit costs	¥ 1,096	¥ 1,807	$ 7,330

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

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Past service costs	¥ (214)	¥ 2,948	$ (1,431)
Actuarial gains and losses	313	4,465	2,093
Total	¥ 99	¥ 7,413	$ 662

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

	Millions of yen 2025	2024	Thousands of U.S. dollars 2025
Past service costs that are yet to be recognized	¥ (2,733)	¥ (2,948)	$ (18,278)
Actuarial gains and losses that are yet to be recognized	(795)	(482)	(5,317)
Total balance at end of year	¥ (3,529)	¥ (3,430)	$ (23,602)

(8) Breakdown of plan assets

	2025	2024
Bonds (*1)	**14.8%**	18.5%
Equity securities (*1)	**33.3**	35.5
Cash and cash equivalents	**8.3**	3.6
General account assets	**22.6**	19.4
Other (*2)	**21.0**	23.0
Total	**100.0%**	100.0%

*1. These consist of investment products that use mainly traditional assets and derivatives for hedging purposes.
*2. "Other" consists of investments in investment products mainly targeting asset classes other than traditional assets, and various futures and derivatives.

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

(9) Principal actuarial assumptions

	2025	2024
Discount rate	**1.1%**	1.1%
Long-term expected rate of return	**2.5**	2.5
Expected salary increase rate	**4.8**	4.8

(C) Defined contribution plans
The Companies were required to contribute ¥402 million ($2,688 thousand) and ¥399 million to the defined contribution plans (including corporate pension fund plans under the multi-employer pension system accounted for in the same way as defined contribution plans) for the years ended March 31, 2025 and 2024, respectively.

11. Contingent Assets and Liabilities

At March 31, 2025 and 2024, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Export letters of credit and trade notes (including export bills) discounted	**¥ 1,705**	¥ 7,061	**$ 11,403**
Trade notes endorsed	**96**	146	**642**
Electronically recorded monetary claims discounted	**73**	237	**488**
Electronically recorded monetary claims endorsed	**53**	29	**354**
Guarantees of indebtedness	**6,940**	5,875	**46,415**

As of March 31, 2025 and 2024, the market value of gold ingots under the loan agreement is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Lending	**¥ 3,726**	¥ —	**$ 24,919**
Borrowing	**3,726**	—	**24,919**

12. Net assets

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

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

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

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

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

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

At the annual shareholders' meeting held on June 26, 2025, the shareholders approved cash dividends of ¥120.00 per share ($0.80) amounting to ¥4,845 million ($32,403 thousand). This appropriation had not been accrued in the consolidated financial statements as of March 31, 2025. Such appropriations are recognized in the period in which they are approved by the shareholders.

Land revaluation difference

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

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

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

As of March 31, 2025, the carrying amount of the land after the above one-time revaluation did not exceed the market value.

13. Gain on sales of property and equipment

The following table summarizes gain on sales of property and equipment in the years ended March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Land	¥ —	¥ 930	$ —
Buildings and structures	—	249	—
Other	—	24	—
Total	¥ —	¥ 1,204	$ —

14. Loss on retirement of property and equipment

The following table summarizes loss on retirement of property and equipment in the years ended March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Buildings and structures	¥ 67	¥ —	$ 448
Other	29	—	193
Intangible assets	8	—	53
Total	¥ 105	¥ —	$ 702

15. Other comprehensive income

Years ended March 31, 2025 and 2024

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	¥ (6,719)	¥ 9,169	$ (44,937)
Reclassification adjustments	(2,449)	(4,308)	(16,379)
Sub-total, before taxes	(9,168)	4,860	(61,316)
Income taxes (benefit)	(2,547)	1,480	(17,034)
Sub-total, net of taxes	(6,621)	3,380	(44,281)
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	1,287	9,633	8,607
Reclassification adjustments	(1,009)	(9,693)	(6,748)
Sub-total, before taxes	278	(59)	1,859
Income taxes (benefit)	71	(16)	474
Sub-total, net of taxes	206	(43)	1,377
Land revaluation difference, net of taxes:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Sub-total, before taxes	—	—	—
Income taxes (benefit)	25	—	167
Sub-total, net of taxes	(25)	—	(167)
Foreign currency translation adjustments:			
Increase (decrease) during the year	1,830	5,515	12,239
Reclassification adjustments	108	—	722
Sub-total, before taxes	1,938	5,515	12,961
Income taxes (benefit)	3	6	20
Sub-total, net of taxes	1,935	5,508	12,941
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the year	(136)	6,836	(909)
Reclassification adjustments	235	576	1,571
Sub-total, before taxes	99	7,413	662
Income taxes (benefit)	¥ 63	¥ 2,269	$ 421
Sub-total, net of taxes	35	5,143	234
Share of other comprehensive income of entities accounted for using the equity method:			
Increase (decrease) during the year	1,430	899	9,563
Reclassification adjustments	(73)	(54)	(488)
Sub-total	1,356	845	9,069
Total other comprehensive income	¥ (3,113)	¥ 14,834	$ (20,819)

16. Cash flow information

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

Year ended March 31, 2025

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

	Millions of yen	Thousands of U.S. dollars
	2025	2025
Current assets	¥ 4,293	$ 28,711
Noncurrent assets	1,147	7,671
Goodwill	2,468	16,506
Current liabilities	(3,726)	(24,919)
Noncurrent liabilities	(381)	(2,548)
Acquisition cost of shares	3,800	25,414
Cash and cash equivalents of acquired companies	(1,537)	(10,279)
Loan advanced from the date of obtaining control to the deemed date of acquisition	2,825	18,893
Net cash payments for acquisition of shares of a subsidiary	¥ 5,087	$ 34,022

Year ended March 31, 2024

Not applicable.

17. Leases

Operating leases

As Lessee

Obligations under non-cancelable operating leases as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Due within one year	¥ 519	¥ 534	$ 3,471
Due after one year	6,932	7,391	46,361
Total	¥ 7,451	¥ 7,926	$ 49,832

18. Revenue recognition

(A) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market in the years ended March 31, 2025 and 2024. The table also includes a reconciliation of the disaggregated revenue with the Companies' reportable segments (see Note 19).

Year ended March 31, 2025

Millions of yen

	Reportable segment								
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total
Japan	¥ 938,688	¥ 83,926	¥ 154,829	¥ 106,568	¥ 265,869	¥ 2,123	¥ 1,552,006	¥ 128,093	¥ 1,680,100
Asia	114,693	78,553	38,146	8,534	113,739	351,840	705,508	1,427	706,935
Other	59,469	7,883	25,779	23,110	4,167	46,509	166,918	560	167,478
Total	¥ 1,112,851	¥ 170,363	¥ 218,755	¥ 138,213	¥ 383,776	¥ 400,473	¥ 2,424,433	¥ 130,081	¥ 2,554,514

Thousands of U.S. dollars

	Reportable segment								
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total
Japan	$ 6,278,009	$ 561,302	$ 1,035,506	$ 712,734	$ 1,778,150	$ 14,198	$ 10,379,922	$ 856,694	$ 11,236,623
Asia	767,074	525,367	255,123	57,075	760,694	2,353,130	4,718,485	9,543	4,728,029
Other	397,732	52,722	172,411	154,561	27,869	311,055	1,116,359	3,745	1,120,104
Total	$ 7,442,823	$ 1,139,399	$ 1,463,048	$ 924,378	$ 2,566,720	$ 2,678,390	$ 16,214,773	$ 869,990	$ 17,084,764

1. "Other business" represents businesses such as the housing materials section and machinery section which are not included in reportable segments. From the beginning of the fiscal year ended March 31, 2025, we have changed the name of the lumber section to the housing materials section.
2. Amounts are shown as net sales from external customers.
3. Revenue recognized from other sources is included, as net sales is mostly recognized from contract with customers.

Year ended March 31, 2024

Millions of yen

	Reportable segment								
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total
Japan	¥ 964,197	¥ 98,868	¥ 122,008	¥ 95,194	¥ 244,778	¥ 1,976	¥ 1,527,024	¥ 124,533	¥ 1,651,557
Asia	105,858	75,453	31,201	6,861	88,938	282,720	591,034	828	591,863
Other	108,119	4,437	22,872	20,056	4,890	27,740	188,117	442	188,560
Total	¥ 1,178,176	¥ 178,759	¥ 176,081	¥ 122,113	¥ 338,607	¥ 312,437	¥ 2,306,176	¥ 125,804	¥ 2,431,980

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

(Change in reportable segments)
From the beginning of the fiscal year ended March 31, 2025, the Companies have changed their method of classification of business segments, integrating a part of the steel business into the primary metal business and the other business, and integrating a part of the primary metal business into the metal recycling business. As a result of this segment change, information that breaks down the revenue generated by contracts with customers for the fiscal year ended March 31, 2024, is presented based on the new segmentation.

(B) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers for the years ended March 31, 2025 and 2024:

Year ended March 31, 2025

	Millions of yen				Thousands of U.S. dollars			
	March 31, 2025		**April 1, 2024**		**March 31, 2025**		**April 1, 2024**	
Receivables arising from contracts with customers	**¥**	**505,536**	¥	539,849	**$**	**3,381,059**	$	3,610,547
Trade notes		**14,284**		22,620		**95,532**		151,284
Electronically recorded monetary claims		**92,458**		95,615		**618,365**		639,479
Accounts receivable		**398,792**		421,613		**2,667,148**		2,819,776
Contract assets	**¥**	**2,261**	¥	1,590	**$**	**15,121**	$	10,634
Contract liabilities	**¥**	**15,118**	¥	9,446	**$**	**101,110**	$	63,175

Year ended March 31, 2024

	Millions of yen			
	March 31, 2024		April 1, 2023	
Receivables arising from contracts with customers	¥	539,849	¥	501,863
Trade notes		22,620		14,510
Electronically recorded monetary claims		95,615		55,570
Accounts receivable		421,613		431,783
Contract assets	¥	1,590	¥	2,687
Contract liabilities	¥	9,446	¥	16,702

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

The contract liabilities primarily relate to advance consideration received from customers under contracts with performance obligations satisfied at the point in time when the services are provided.

The amount of ¥8,788 million ($58,774 thousand) included in contract liabilities at 31 March 2024, and the amount of ¥15,980 million included in contract liabilities at 31 March 2023, have been recognized as revenue for the years ended March 31, 2025 and 2024, respectively.

The amounts of revenue recognized for the years ended March 31, 2025 and 2024, from performance obligations satisfied (or partially satisfied) in previous periods are not material.

(C) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2025 and 2024 was as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2025		March 31, 2024		**March 31, 2025**	
Within one year	**¥**	**54,702**	¥	44,877	**$**	**365,850**
Over one year, within three years		**83,909**		64,298		**561,189**
Over three years, within five years		**35,431**		45,588		**236,964**
Over five years, within ten years		**64,708**		77,651		**432,771**
Over ten years		**80,227**		93,230		**536,563**
Total	**¥**	**318,979**	¥	325,646	**$**	**2,133,353**

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

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

In addition, remaining performance obligations with an initial expected term of one year or less, unsatisfied at the end of the reporting period are not included in the table above, in accordance with the practical expedient. The above aggregate transaction price does not include any significant estimated amounts of variable consideration.

Other than the above contracts, in the primary metal business and metal recycling business, there are long-term sales contracts with transaction prices based on market prices at the time of sale. However, due to the possibility of significant reversals being conducted in the future on amounts estimated as of March 31, 2025 and 2024, these contracts are not presented.

19. Segment information

(A) Overview of the reportable segments

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

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

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

Steel:

Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes (steel processing and storage)

Primary metal:

Nickel, chromium, silicon, manganese, ferroalloys, stainless steel materials,

high-performance metal materials and steelmaking raw materials

Metal recycling:

Recycling business of aluminum, copper, zinc, titanium, nickel and precious metals

Foods:

Seafood and meat products

Energy and Living Materials:

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

Overseas sales subsidiaries:

(Trading of various goods and related business activities)

From the beginning of the fiscal year ended March 31, 2025, the Companies have changed their method of classification of business segments, integrating a part of the steel business into the primary metal business and the other business, and integrating a part of the primary metal business into the metal recycling business. Segment information for the fiscal year ended March 31, 2024 has been recomposed by the new classification method.

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

Net sales, profit, assets and other items by reportable segment for the year ended March 31, 2025 were as follows:

Year ended March 31, 2025

Millions of yen

	Reportable segment										
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 1,112,851	¥ 170,363	¥ 218,755	¥ 138,213	¥ 383,776	¥ 400,473	¥ 2,424,433	¥ 130,081	¥ 2,554,514	¥ —	¥ 2,554,514
Intersegment	42,393	13,857	8,084	2,273	7,879	40,846	115,335	3,662	118,998	(118,998)	—
Total	¥ 1,155,245	¥ 184,220	¥ 226,840	¥ 140,487	¥ 391,655	¥ 441,319	¥ 2,539,768	¥ 133,744	¥ 2,673,512	¥ (118,998)	¥ 2,554,514
Segment income	¥ 33,130	¥ 6,084	¥ 3,098	¥ 2,306	¥ 10,425	¥ 8,278	¥ 63,324	¥ 2,402	¥ 65,726	¥ (5,979)	¥ 59,746
Assets	¥ 542,535	¥ 127,129	¥ 62,987	¥ 80,527	¥ 70,371	¥ 110,009	¥ 993,560	¥ 44,009	¥ 1,037,569	¥ 128,236	¥ 1,165,805
Depreciation	6,282	121	467	191	535	861	8,459	699	9,158	603	9,762
Amortization of goodwill	41	—	—	—	—	—	41	246	288	—	288
Interest income	616	1,038	16	32	164	1,675	3,544	29	3,573	504	4,078
Interest expenses	4,727	1,451	566	905	284	1,914	9,850	333	10,183	(1,468)	8,715
Share of profit of entities accounted for using the equity method	68	1,742	75	—	79	638	2,604	—	2,604	—	2,604
Investment for entities accounted for the equity method	9,161	9,537	689	—	1,139	14,492	35,020	—	35,020	—	35,020
Increase in property and equipment	5,502	57	1,049	90	1,047	1,139	8,888	518	9,406	279	9,686

Year ended March 31, 2025

Thousands of U.S. dollars

	Reportable segment										
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total	Adjustment	Consolidated
Net sales	$ 7,442,823	$ 1,139,399	$ 1,463,048	$ 924,378	$ 2,566,720	$ 2,678,390	$ 16,214,773	$ 869,990	$ 17,084,764	$ —	$ 17,084,764
Intersegment	283,527	92,676	54,066	15,201	52,695	273,180	771,368	24,491	795,866	(795,866)	—
Total	$ 7,726,357	$ 1,232,075	$ 1,517,121	$ 939,586	$ 2,619,415	$ 2,951,571	$ 16,986,142	$ 894,489	$ 17,880,631	$ (795,866)	$ 17,084,764
Segment income	$ 221,575	$ 40,690	$ 20,719	$ 15,422	$ 69,723	$ 55,363	$ 423,515	$ 16,064	$ 439,579	$ (39,987)	$ 399,585
Assets	$ 3,628,511	$ 850,247	$ 421,261	$ 538,570	$ 470,646	$ 735,747	$ 6,644,997	$ 294,335	$ 6,939,332	$ 857,651	$ 7,796,983
Depreciation	42,014	809	3,123	1,277	3,578	5,758	56,574	4,674	61,249	4,032	65,288
Amortization of goodwill	274	—	—	—	—	—	274	1,645	1,926	—	1,926
Interest income	4,119	6,942	107	214	1,096	11,202	23,702	193	23,896	3,370	27,273
Interest expenses	31,614	9,704	3,785	6,052	1,899	12,800	65,877	2,227	68,104	(9,818)	58,286
Share of profit of entities accounted for using the equity method	454	11,650	501	—	528	4,266	17,415	—	17,415	—	17,415
Investment for entities accounted for the equity method	61,269	63,784	4,608	—	7,617	96,923	234,216	—	234,216	—	234,216
Increase in property and equipment	36,797	381	7,015	601	7,002	7,617	59,443	3,464	62,907	1,865	64,780

1. "Other business" represents businesses such as the housing materials section and machinery section which are not included in reportable segments. From the beginning of the fiscal year ended March 31, 2025, we have changed the name of the lumber section to the housing materials section. The name of the section of the fiscal year ended March 31, 2024 has been changed to the new name.
2. Adjustments are as follows:
   (1) Adjustments of negative ¥5,979 million ($39,987 thousand) for segment income include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥128,236 million ($857,651 thousand) include Group assets that were not allocated to reportable segments. These Group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
   (3) Adjustments for depreciation and amortization amounting to ¥603 million ($4,032 thousand) include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expenses amounting to ¥504 million ($3,370 thousand) and negative ¥1,468 million ($9,818 thousand) include intersegment eliminations and revenue and expenses that were not allocated to reportable segments.
   (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥279 million ($1,865 thousand) represent increases in Group assets.

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

Year ended March 31, 2024

Millions of yen

	Reportable segment										
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 1,178,176	¥ 178,759	¥ 176,081	¥ 122,113	¥ 338,607	¥ 312,437	¥ 2,306,176	¥ 125,804	¥ 2,431,980	¥ —	¥ 2,431,980
Intersegment	23,753	8,713	4,733	828	7,894	26,479	72,402	7,488	79,891	(79,891)	—
Total	¥ 1,201,929	¥ 187,472	¥ 180,815	¥ 122,941	¥ 346,502	¥ 338,917	¥ 2,378,579	¥ 133,292	¥ 2,511,872	¥ (79,891)	¥ 2,431,980
Segment income	¥ 24,547	¥ 8,451	¥ 2,167	¥ 1,331	¥ 6,563	¥ 7,820	¥ 50,881	¥ 3,865	¥ 54,746	¥ (6,470)	¥ 48,276
Assets	¥ 602,549	¥ 124,051	¥ 49,591	¥ 70,901	¥ 69,605	¥ 76,006	¥ 992,704	¥ 45,310	¥ 1,038,015	¥ 128,971	¥ 1,166,986
Depreciation	6,395	100	382	186	376	667	8,109	658	8,768	590	9,358
Amortization of goodwill	78	—	—	—	—	—	78	—	78	—	78
Interest income	730	1,096	2	20	99	2,668	4,619	13	4,632	143	4,775
Interest expenses	5,646	1,519	571	753	450	1,857	10,797	220	11,018	(2,263)	8,754
Share of profit (loss) of entities accounted for using the equity method	(675)	3,094	59	—	117	936	3,532	—	3,532	—	3,532
Investment for entities accounted for the equity method	8,770	7,018	582	—	1,059	4,693	22,125	—	22,125	—	22,125
Increase in property and equipment	7,660	90	623	139	580	1,813	10,906	976	11,882	497	12,380

1. “Other business” represents businesses such as the housing materials section and machinery section which are not included in reportable segments.
2. Adjustments are as follows:
   (1) Adjustments of negative ¥6,470 million for segment income include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥128,971 million include Group assets that were not allocated to reportable segments. These Group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
   (3) Adjustments for depreciation and amortization amounting to ¥590 million include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expenses amounting to ¥143 million and negative ¥2,263 million include intersegment eliminations and revenue and expenses that were not allocated to reportable segments.
   (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥497 million represent increases in Group assets.

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2025 and 2024 was as follows:

Year ended March 31, 2025

Millions of yen

	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	¥ 1,338,752	¥ 155,637	¥ 354,912	¥ 141,941	¥ 423,826	¥ 139,444	¥ 2,554,514

Year ended March 31, 2025

Thousands of U.S. dollars

	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	$ 8,953,665	$ 1,040,910	$ 2,373,675	$ 949,311	$ 2,834,577	$ 932,611	$ 17,084,764

Year ended March 31, 2024

Millions of yen

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

Geographic information

(1) Net sales in different countries for the years ended March 31, 2025 and 2024 were as follows:

Year ended March 31, 2025

Millions of yen

	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,680,100	¥ 706,935	¥ 167,478	¥ 2,554,514

Year ended March 31, 2025

Thousands of U.S. dollars

	Japan	Asia	Other	Total
Net sales to external customers	$ 11,236,623	$ 4,728,029	$ 1,120,104	$ 17,084,764

Year ended March 31, 2024

Millions of yen

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

(2) Property and equipment in different countries for the years ended March 31, 2025 and 2024 were as follows:

Year ended March 31, 2025

Millions of yen

	Japan	Asia	Other	Total
Property and equipment	¥ 75,161	¥ 11,664	¥ 3,119	¥ 89,945

Year ended March 31, 2025

Thousands of U.S. dollars

	Japan	Asia	Other	Total
Property and equipment	$ 502,681	$ 78,009	$ 20,860	$ 601,558

Year ended March 31, 2024

Millions of yen

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

Loss on impairment of property and equipment by reportable segment

Loss on impairment of property and equipment by reportable segment for the years ended March 31, 2025 and 2024 was as follows:

Year ended March 31, 2025

Not applicable.

Year ended March 31, 2024

The information is ommited because the monetary materiality is minimal.

Outstanding balance of goodwill and amortization of goodwill by reportable segment

Outstanding balance of goodwill for the years ended March 31, 2025 and 2024 was as follows:

Year ended March 31, 2025

Millions of yen

	Reportable segment									
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Adjustment	Total
Balance at end of year	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 2,221	¥ —	¥ 2,221

Year ended March 31, 2025

Thousands of U.S.dollars

	Reportable segment									
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Adjustment	Total
Balance at end of year	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 14,854	$ —	$ 14,854

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

Year ended March 31, 2024

Millions of yen

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

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

Gain on negative goodwill by reportable segment

Gain on negative goodwill purchase by reportable segment for the years ended March 31, 2025 and 2024 was as follows:

Year ended March 31, 2025

Not applicable.

Year ended March 31, 2024

Not applicable.

20. Related party information

(A) Related party transactions

Year ended March 31, 2025

Type	Name	Voting rights held (%)	Relationship with the related parties	Transactions	Amount	Account name	Balance as of March 31, 2025
Officer	Yasumichi Kato	Direct ownership 0.1%	Director, Chairman of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1)	¥15 million ($100 thousand)	—	—
Officer	Yoichi Nakagawa	Direct ownership 0.0%	Representative Director, President of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1)	¥15 million ($100 thousand)	—	—

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

Year ended March 31, 2024

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

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

(B) Notes on significant affiliates

A summary of the financial statements of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., which is defined as a significant affiliate, for the years ended March 31, 2025 and 2024, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	**2025**
Total current assets	¥ **128,357**	¥ 104,857	$ **858,460**
Total noncurrent assets	**97,918**	78,827	**654,882**
Total current liabilities	**98,288**	90,283	**657,356**
Total noncurrent liabilities	**60,724**	34,186	**406,126**
Total net assets	**67,263**	59,215	**449,859**
Net sales	**357,489**	338,387	**2,390,910**
Income before income taxes	**3,126**	12,692	**20,906**
Net income	**2,272**	9,874	**15,195**

Independent Auditor’s Report

Hanwa Co.,Ltd. and Subsidiaries

For the Years ended March 31,
2025 and 2024

KPMG AZSA LLC
July 2025

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Hanwa Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

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

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

business, accounts for approximately one third of net sales. As described in Note 2, "Significant accounting policies, Accounting policy for recognition of significant revenues and expenses" to the consolidated financial statements, sales from the sale of products are recognized at the time when the delivery or inspection of goods is completed. For the direct shipping transactions in the steel business, the Group recognizes sales on the date of shipment from suppliers to customers. In applying the accounting standard for revenue recognition, there is a potential risk that sales from direct shipping transactions are not recognized in the appropriate accounting period for the following reasons: ● As sales are recognized based on the communication from the product suppliers, the product shipping date cannot be tracked in a timely manner and the sales recognition may be delayed. ● As the Group only makes shipment instructions to the product suppliers and does not directly conduct shipping operations, sales may be recognized without any fact of shipment. We, therefore, determined that our assessment of the appropriateness of an accounting period in which net sales were recognized from the direct shipping transactions in the steel business of the Company was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	transactions in the steel business of the Company included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the process of recognizing net sales related to the direct shipping transactions of the Company. In this assessment, we focused our testing on controls designed to confirm the fact that products were shipped. (2) Assessment of whether sales were recognized in the appropriate accounting period In order to assess whether net sales were recognized in the appropriate accounting period, for selected transactions that might cover multiple fiscal years or had a higher risk of exception considering the level of profit margin and the status of receivable collection, among others, we: agreed the dates indicated on the evidence showing the shipment from the supplier with the dates of sales recognition.

Other Information

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

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

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

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

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

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

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

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

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

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

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Fee-related Information

Fees paid or payable to our firm and network firms for audit and non-audit services provided to the Company and its subsidiaries for the current year are 161 million yen and 33 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

Tatsuta Yoshinori

Designated Engagement Partner

Certified Public Accountant

Tomohiro Yamanaka

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 29, 2025