Hanwa Co., Ltd. and Subsidiaries

Consolidated Financial Statements
For the Years Ended March 31,
2026 and 2025
Together with Independent
Auditors' Report

Consolidated Balance Sheets

As at March 31, 2026 and 2025

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars (Note 1) 2026
Assets			
Current assets:			
Cash and deposits (Notes 3 and 7)	¥ 85,672	¥ 65,313	$ 535,851
Receivables:			
Notes and accounts receivable - trade, and contract assets (Notes 3 and 19):			
Subsidiaries and associates	10,985	11,891	68,707
Other	393,999	403,447	2,464,342
Electronically recorded monetary claims - operating (Note 3):			
Subsidiaries and associates	867	68	5,422
Other	89,532	92,390	559,994
Loans:			
Subsidiaries and associates	13,149	8,442	82,242
Other	242	2	1,513
Inventories (Note 6)	291,370	279,179	1,822,429
Other current assets	44,844	44,750	280,485
Allowance for doubtful accounts	(1,958)	(1,781)	(12,246)
Total current assets	928,704	903,705	5,808,756
Non-current assets:			
Property, plant and equipment :			
Buildings and structures	62,311	61,950	389,736
Land (Note 12)	39,574	40,461	247,523
Other	66,438	63,501	415,549
Accumulated depreciation	(81,597)	(75,967)	(510,364)
Total property, plant and equipment	86,727	89,945	542,450
Intangible assets	9,284	10,094	58,068
Investments and other assets:			
Investment securities (Notes 3, 4 and 7)	96,388	72,889	602,877
Shares of subsidiaries and associates (Note 3)	48,623	43,410	304,121
Long-term loans receivable (Note 3):			
Subsidiaries and associates	1,944	1,778	12,159
Other	7,580	18,109	47,410
Retirement benefit asset (Note 10)	8,987	3,648	56,210
Deferred tax assets (Note 8)	3,511	3,282	21,960
Other investments and assets	22,706	21,016	142,019
Allowance for doubtful accounts	(1,795)	(2,074)	(11,227)
Total investments and other assets	187,946	162,060	1,175,544
Total non-current assets	283,958	262,100	1,776,069
Total assets	¥ 1,212,662	¥ 1,165,805	$ 7,584,826

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable - trade (Note 3):			
Subsidiaries and associates	¥ 1,855	¥ 2,328	$ 11,602
Other	296,997	266,184	1,857,624
Electronically recorded obligations - operating (Note 3):			
Subsidiaries and associates	36	25	225
Other	30,712	39,848	192,094
Short-term borrowings (Notes 3 and 9)	40,354	50,994	252,401
Current portion of bonds payable and long-term borrowings (Notes 3, 7 and 9)	38,115	45,125	238,397
Income taxes payable	4,972	12,320	31,098
Provision for bonuses	4,787	5,497	29,941
Provision for product warranties	40	53	250
Other current liabilities (Note 18)	49,280	39,291	308,231
Total current liabilities	467,154	461,670	2,921,903
Non-current liabilities:			
Bonds payable and long-term borrowings (Notes 3, 7 and 9)	273,405	281,520	1,710,063
Deferred tax liabilities (Note 8)	18,956	14,660	118,563
Retirement benefit liability (Note 10)	2,788	1,759	17,438
Other non-current liabilities	17,406	16,723	108,869
Total non-current liabilities	312,557	314,664	1,954,947
Contingent liabilities (Note 11)			
Net assets (Note 12)			
Shareholders' equity:			
Share capital:			
Authorized: 114,000,000 shares in 2026 and 114,000,000 shares in 2025			
Issued: 42,332,640 shares in 2026 and 42,332,640 shares in 2025	45,651	45,651	285,532
Capital surplus	1,468	1,384	9,181
Retained earnings	328,598	298,252	2,055,278
Treasury shares, at cost: 3,428,904 shares in 2026 and 1,949,904 shares in 2025	(15,508)	(5,593)	(96,997)
Total shareholders' equity	360,209	339,695	2,252,995
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	38,575	20,876	241,274
Deferred gains or losses on hedges	(13)	836	(81)
Revaluation reserve for land (Note 12)	1,285	1,941	8,037
Foreign currency translation adjustment	21,684	17,260	135,626
Remeasurements of defined benefit plans (Note 10)	5,739	2,446	35,895
Total accumulated other comprehensive income	67,271	43,360	420,759
Non-controlling interests	5,470	6,414	34,213
Total net assets	432,951	389,470	2,707,974
Total liabilities and net assets	¥ 1,212,662	¥ 1,165,805	$ 7,584,826

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net sales (Note 19)	¥ 2,662,669	¥ 2,554,514	$ 16,654,171
Cost of sales (Note 6)	2,521,552	2,413,907	15,771,528
Gross profit	141,116	140,607	882,636
Selling, general and administrative expenses	82,672	79,074	517,087
Operating profit	58,444	61,532	365,549
Non-operating income (expenses):			
Interest and dividend income	6,692	8,065	41,856
Share of profit (loss) of entities accounted for using equity method	(1,672)	2,604	(10,457)
Interest expenses	(7,574)	(8,715)	(47,373)
Foreign exchange losses	(3,149)	(2,367)	(19,696)
Gain on sales of investment securities	1,336	2,825	8,356
Gain on sales of shares of subsidiaries and associates	60	2,377	375
Gain on sales of investments in capital of subsidiaries and associates	—	996	—
Loss on sales of non-current assets (Note 13)	(175)	—	(1,094)
Loss on retirement of non-current assets (Note 14)	—	(105)	—
Loss on sales of investment securities	(197)	—	(1,232)
Loss on valuation of investment securities	(386)	(351)	(2,414)
Provision of allowance for doubtful accounts for subsidiaries and associates (Note 15)	(116)	—	(725)
Other, net	(478)	(1,373)	(2,989)
Profit before income taxes	52,783	65,489	330,141
Income taxes (Note 8):			
Current	14,991	19,215	93,764
Deferred	385	133	2,408
Total income taxes	15,376	19,349	96,172
Profit	¥ 37,406	¥ 46,140	$ 233,962
Profit attributable to:			
Profit attributable to owners of parent	¥ 38,265	¥ 45,482	$ 239,335
Profit (loss) attributable to non-controlling interests	(859)	658	(5,372)
Other comprehensive income (Note 16):			
Valuation difference on available-for-sale securities	17,463	(6,621)	109,225
Deferred gains or losses on hedges	(849)	206	(5,310)
Revaluation reserve for land	—	(25)	—
Foreign currency translation adjustment	3,971	1,935	24,837
Remeasurements of defined benefit plans, net of tax	3,343	35	20,909
Share of other comprehensive income of entities accounted for using equity method	818	1,356	5,116
Total other comprehensive income	24,747	(3,113)	154,784
Comprehensive income	¥ 62,153	¥ 43,027	$ 388,747
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 62,831	¥ 41,880	$ 392,988
Comprehensive income attributable to non-controlling interests	(677)	1,146	(4,234)

	Yen		U.S. dollars (Note 1)
	2026	2025	2026
Basic earnings per share	¥ 965.67	¥ 1,125.66	$ 6.03
Cash dividends per share	290.00	225.00	1.81

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2026 and 2025

	Thousands	Millions of yen										
	Number of issued shares	Share capital	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
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
Dividends of surplus	—	—	—	(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	—	—	—	—	—	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	45,482	—	—	—	—	—	—	—	45,482
Purchases of treasury shares	—	—	—	—	(2,001)	—	—	—	—	—	—	(2,001)
Disposal of treasury shares	—	—	80	—	70	—	—	—	—	—	—	150
Purchase of shares of consolidated subsidiaries	—	—	2	—	—	—	—	—	—	—	—	2
Net changes in 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
Balance at April 1, 2025	**42,332**	**45,651**	**1,384**	**298,252**	**(5,593)**	**20,876**	**836**	**1,941**	**17,260**	**2,446**	**6,414**	**389,470**
Dividends of surplus	—	—	—	(9,807)	—	—	—	—	—	—	—	(9,807)
Change in scope of consolidation	—	—	—	1,777	—	—	—	—	—	—	—	1,777
Change in scope of equity method	—	—	—	(545)	—	—	—	—	—	—	—	(545)
Reversal of revaluation reserve for land	—	—	—	655	—	—	—	—	—	—	—	655
Profit attributable to owners of parent	—	—	—	38,265	—	—	—	—	—	—	—	38,265
Purchases of treasury shares	—	—	—	—	(10,001)	—	—	—	—	—	—	(10,001)
Disposal of treasury shares	—	—	54	—	86	—	—	—	—	—	—	140
Purchase of shares of consolidated subsidiaries	—	—	29	—	—	—	—	—	—	—	—	29
Net changes in items other than shareholders' equity	—	—	—	—	—	17,698	(849)	(655)	4,423	3,293	(944)	22,966
Balance at March 31, 2026	**42,332**	**¥ 45,651**	**¥ 1,468**	**¥ 328,598**	**¥ (15,508)**	**¥ 38,575**	**¥ (13)**	**¥ 1,285**	**¥ 21,684**	**¥ 5,739**	**¥ 5,470**	**¥ 432,951**

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of issued shares	Share capital	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total
Balance at April 1, 2025	**42,332**	**$ 285,532**	**$ 8,656**	**$ 1,865,474**	**$ (34,982)**	**$ 130,572**	**$ 5,228**	**$ 12,140**	**$ 107,955**	**$ 15,298**	**$ 40,117**	**$ 2,436,014**
Dividends of surplus	—	—	—	(61,339)	—	—	—	—	—	—	—	(61,339)
Change in scope of consolidation	—	—	—	11,114	—	—	—	—	—	—	—	11,114
Change in scope of equity method	—	—	—	(3,408)	—	—	—	—	—	—	—	(3,408)
Reversal of revaluation reserve for land	—	—	—	4,096	—	—	—	—	—	—	—	4,096
Profit attributable to owners of parent	—	—	—	239,335	—	—	—	—	—	—	—	239,335
Purchases of treasury shares	—	—	—	—	(62,553)	—	—	—	—	—	—	(62,553)
Disposal of treasury shares	—	—	337	—	537	—	—	—	—	—	—	875
Purchase of shares of consolidated subsidiaries	—	—	181	—	—	—	—	—	—	—	—	181
Net changes in items other than shareholders' equity	—	—	—	—	—	110,695	(5,310)	(4,096)	27,664	20,596	(5,904)	143,645
Balance at March 31, 2026	**42,332**	**$ 285,532**	**$ 9,181**	**$ 2,055,278**	**$ (96,997)**	**$ 241,274**	**$ (81)**	**$ 8,037**	**$ 135,626**	**$ 35,895**	**$ 34,213**	**$ 2,707,974**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Profit before income taxes	¥ 52,783	¥ 65,489	$ 330,141
Adjustments to reconcile profit(loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation	9,253	9,762	57,874
Amortization of goodwill	569	288	3,558
Increase (decrease) in allowance for doubtful accounts	(323)	(195)	(2,020)
Interest and dividend income	(6,692)	(8,065)	(41,856)
Interest expenses	7,574	8,715	47,373
Share of loss (profit) of entities accounted for using the equity method	1,672	(2,604)	10,457
Gain on sales of investment securities	(1,336)	(2,825)	(8,356)
Gain on sales of shares of subsidiaries and associates	(60)	(2,377)	(375)
Gain on sales of investments in capital of subsidiaries and associates	—	(996)	—
Loss on sales of non-current assets	175	—	1,094
Loss on retirement of non-current assets	—	105	—
Loss on sales of investment securities	197	—	1,232
Loss on valuation of investment securities	386	351	2,414
Provision of allowance for doubtful accounts for subsidiaries and associates	116	—	725
Decrease (increase) in accounts receivable - trade, and contract assets	18,394	40,566	115,048
Decrease (increase) in inventories	(5,161)	(24,203)	(32,280)
Increase (decrease) in trade payables	15,641	(45,607)	97,829
Increase/decrease in retirement benefit asset or liability	521	429	3,258
Other, net	4,238	(18,228)	26,507
Subtotal	97,951	20,603	612,653
Cash flows during the year for:			
Interest and dividends received	6,897	8,013	43,138
Interest paid	(7,733)	(8,949)	(48,367)
Income taxes refund (paid)	(22,783)	(9,536)	(142,500)
Net cash provided by (used in) operating activities	74,331	10,131	464,917
Cash flows from investing activities:			
Payments into time deposits	(129)	(3)	(806)
Proceeds from withdrawal of time deposits	146	13	913
Purchase of property, plant and equipment	(3,861)	(8,494)	(24,149)
Proceeds from sales of property, plant and equipment	1,825	64	11,414
Purchase of investment securities	(13,931)	(18,597)	(87,134)
Proceeds from sales and redemption of investment securities	2,318	4,708	14,498
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,087)	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	3,037	—
Proceeds from sale of investments in capital of subsidiaries resulting in change in scope of consolidation	—	705	—
Net decrease (increase) in short-term loans receivable	(6,417)	765	(40,136)
Long-term loan advances	(19)	(120)	(118)
Proceeds from collection of long-term loans receivable	10,746	1,647	67,212
Other, net	(1,516)	(477)	(9,482)
Net cash provided by (used in) investing activities	(10,840)	(21,837)	(67,800)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(10,784)	818	(67,450)
Proceeds from long-term borrowings	30,000	26,700	187,640
Repayments of long-term borrowings	(30,616)	(26,733)	(191,493)
Proceeds from issuance of bonds	—	9,951	—
Redemption of bonds	(15,000)	—	(93,820)
Purchase of treasury shares	(10,016)	(2,005)	(62,646)
Dividends paid	(9,809)	(8,291)	(61,352)
Dividends paid to non-controlling interests	(100)	(126)	(625)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(264)	—	(1,651)
Other, net	(1,046)	(19)	(6,542)
Net cash provided by (used in) financing activities	(47,638)	293	(297,960)
Effect of exchange rate changes on cash and cash equivalents	1,587	(1,073)	9,926
Net increase (decrease) in cash and cash equivalents	17,440	(12,485)	109,081
Cash and cash equivalents at beginning of period	65,263	76,462	408,199
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	2,801	1,286	17,519
Cash and cash equivalents at end of period	¥ 85,505	¥ 65,263	$ 534,807

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 adjusted as necessary to conform to Japanese GAAP for consolidation purposes. 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, 2026, which was ¥159.88 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 2025 and 2026. 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 66 (62 in 2025) 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, 2026, the Company had 41 unconsolidated subsidiaries and 37 associates. The equity method has been applied to the investments in 12 of the unconsolidated subsidiaries and 19 of the associates. Investments in the remaining unconsolidated subsidiaries and associates are not accounted for by the equity method as the application of the equity method would not have a material effect on net profit (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 associated 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 associated 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, plant and equipment (except under lease)

Property, plant 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 provide for 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 identify such obligations as 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 principal or as an agent, the Companies consider whether they have 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 measure 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
- Foreign currency forward contract transactions

Hedged items:

- Interest expenses on borrowings
- Inventories and commitments
- 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.

3. Financial instruments

At March 31, 2026 and 2025, 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

Notes and accounts receivable – trade, and contract assets, and electronically recorded monetary claims – operating 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.

Investment 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 notes and accounts payable – trade are exposed to foreign exchange rate fluctuation risk.

Short-term borrowings, commercial paper, bonds payable and long-term borrowings 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.

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 notes and accounts receivable – trade, 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 and accounts receivable – trade and contract assets, long-term loans receivable and notes and accounts payable – trade are exposed by means of derivatives trading.

Because price fluctuation risks associated with investment 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, Investments and Special Transactions," 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 borrowings, commercial paper, and long-term borrowings, 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 in the Business Department", the "Regulations for commodity derivatives" and the bylaws of these regulations.

With respect to derivatives trading related to interest rates associated with borrowings, 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, 2026 and 2025 are as follows:

“Cash and deposits”, “Notes and accounts receivable - trade, and contract assets”, “Electronically recorded monetary claims - operating”, “Notes and accounts payable - trade” ,“Electronically recorded obligations- operating”,“Short-term borrowings” and “Current portion of bonds payable and long-term borrowings ”, 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, 2026

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Investment securities						
a) Equity securities issued by associates	¥ 1,246	¥ 1,153	¥ (93)	$ 7,793	$ 7,211	$ (581)
b) Available-for-sale securities (Equity securities)	55,082	55,082	—	344,520	344,520	—
c) Available-for-sale securities (Corporate bonds)	19	19	—	118	118	—
(2) Long-term loans receivable	9,524			59,569		
Allowance for doubtful accounts	(64)			(400)		
Net	9,459	9,453	(5)	59,163	59,125	(31)
Total assets	¥ 65,808	¥ 65,709	¥ (99)	$ 411,608	$ 410,989	$ (619)
Bonds payable and long-term borrowings	¥ 273,405	¥ 268,135	¥ 5,270	$ 1,710,063	$ 1,677,101	$ 32,962
Total liabilities	¥ 273,405	¥ 268,135	¥ 5,270	$ 1,710,063	$ 1,677,101	$ 32,962
Derivatives:						
Hedge accounting not applied	¥ (7,219)	¥ (7,219)	¥ —	$ (45,152)	$ (45,152)	$ —
Hedge accounting applied	(177)	62	240	(1,107)	387	1,501
Total derivatives	¥ (7,396)	¥ (7,156)	¥ 240	$ (46,259)	$ (44,758)	$ 1,501

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 and investment in partnerships are not included in “(1) Investment securities”.
The book value of those financial instruments as of March 31, 2026 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2026	2026
	Book value	Book value
(1) Unlisted stocks	¥ 88,079	$ 550,906
(2) Investment in limited partnerships	583	3,646
Total	¥ 88,662	$ 554,553

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, 2025

Millions of yen

		Book value		Fair value		Difference
(1) Investment securities						
a) Held-to-maturity debt securities	¥	680	¥	680	¥	—
b) Equity securities issued by associates		3,787		1,630		(2,157)
c) Available-for-sale securities (Equity securities)		46,170		46,170		—
d) Available-for-sale securities (Corporate bonds)		120		120		—
(2) Long-term loans receivable		19,888				
Allowance for doubtful accounts		(139)				
Net		19,748		19,745		(3)
Total assets	¥	70,508	¥	68,347	¥	(2,161)
Bonds payable and long-term borrowings	¥	281,520	¥	277,511	¥	4,009
Total liabilities	¥	281,520	¥	277,511	¥	4,009
Derivatives:						
Hedge accounting not applied	¥	769	¥	769	¥	—
Hedge accounting applied		(581)		(581)		—
Total derivatives	¥	188	¥	188	¥	—

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

Millions of yen

		2025
		Book value
(1) Unlisted stocks	¥	64,959
(2) Investment in limited partnerships		579
Total	¥	65,539

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, 2026 were as follows:

Year ended March 31

Millions of yen

		2027		from 2028 to 2031		from 2032 to 2036		Thereafter
Cash and deposits	¥	**85,672**	¥	—	¥	—	¥	—
Notes and accounts receivable - trade, and contract assets		**404,984**		—		—		—
Electronically recorded monetary claims - operating		**90,400**		—		—		—
Held-to-maturity debt securities		**726**		—		—		—
Available-for-sale securities with maturity dates		—		**19**		—		—
Long-term loans receivable		—		**7,879**		**10**		**41**
Total	¥	**581,782**	¥	**7,899**	¥	**10**	¥	**41**

Thousands of U.S. dollars

	2027	from 2028 to 2031	from 2032 to 2036	Thereafter
Cash and deposits	$ 535,851	$ —	$ —	$ —
Notes and accounts receivable - trade, and contract assets	2,533,049	—	—	—
Electronically recorded monetary claims - operating	565,424	—	—	—
Held-to-maturity debt securities	4,540	—	—	—
Available-for-sale securities with maturity dates	—	118	—	—
Long-term loans receivable	—	49,280	62	256
Total	$3,638,866	$ 49,405	$ 62	$ 256

Long-term loans receivable of ¥1,592 million ($9,957 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 values measured using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Companies classify 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, 2026

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities								
Available-for-sale securities (Equity securities)	¥ 55,082	¥ —	¥ —	¥ 55,082	$ 344,520	$ —	$ —	$ 344,520
Available-for-sale securities (Corporate bonds)	—	19	—	19	—	118	—	118
Total assets	¥ 55,082	¥ 19	¥ —	¥ 55,101	$ 344,520	$ 118	$ —	$ 344,639
Derivatives:								
Hedge accounting not applied	¥ (2,923)	¥ (4,295)	¥ —	¥ (7,219)	$ (18,282)	$ (26,863)	$ —	$ (45,152)
Hedge accounting applied	(396)	219	—	(177)	(2,476)	1,369	—	(1,107)
Total derivatives	¥ (3,320)	¥ (4,076)	¥ —	¥ (7,396)	$ (20,765)	$ (25,494)	$ —	$ (46,259)

March 31, 2025

	Millions of yen			
	fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities (Equity securities)	¥ 46,170	¥ —	¥ —	¥ 46,170
Available-for-sale securities (Corporate bonds)	—	120	—	120
Total assets	¥ 46,170	¥ 120	¥ —	¥ 46,291
Derivatives:				
Hedge accounting not applied	¥ (75)	¥ 844	¥ —	¥ 769
Hedge accounting applied	284	(865)	—	(581)
Total derivatives	¥ 209	¥ (20)	¥ —	¥ 188

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

March 31, 2026

	Millions of yen				Thousands of U.S. dollars			
	fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities								
Equity securities issued by associates	¥ 1,153	¥ —	¥ —	¥ 1,153	$ 7,211	$ —	$ —	$ 7,211
Long-term loans receivable	—	9,453	—	9,453	—	59,125	—	59,125
Total assets	¥ 1,153	¥ 9,453	¥ —	¥ 10,607	$ 7,211	$ 59,125	$ —	$ 66,343
Bonds payable and long-term borrowings	¥ —	¥ 268,135	¥ —	¥ 268,135	$ —	$ 1,677,101	$ —	$ 1,677,101
Total liabilities	¥ —	¥ 268,135	¥ —	¥ 268,135	$ —	$ 1,677,101	$ —	$ 1,677,101
Derivatives:								
Hedge accounting not applied	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Hedge accounting applied	—	240	—	240	—	1,501	—	1,501
Total derivatives	¥ —	¥ 240	¥ —	¥ 240	$ —	$ 1,501	$ —	$ 1,501

March 31, 2025

	Millions of yen			
	fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity debt	¥ —	¥ 680	¥ —	¥ 680
Equity securities issued by associates	1,630	—	—	1,630
Long-term loans receivable	—	19,745	—	19,745
Total assets	¥ 1,630	¥ 20,425	¥ —	¥ 22,056
Bonds payable and long-term borrowings	¥ —	¥ 277,511	¥ —	¥ 277,511
Total liabilities	¥ —	¥ 277,511	¥ —	¥ 277,511

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

Investment 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 using a discounted cash flow 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 using a discounted cash flow 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 guarantees. 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.

Bonds payable and long-term borrowings

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 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, 2026 and 2025:

March 31, 2026

	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	¥ 726	¥ 726	¥ —	$ 4,540	$ 4,540	$ —

March 31, 2025

	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	¥ 680	¥ 680	¥ —

(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, 2026 and 2025:

March 31, 2026

	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	¥ 16,688	¥ 52,799	¥ 36,110	$ 104,378	$ 330,241	$ 225,856
Bonds	—	—	—	—	—	—
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 3,352	¥ 2,282	¥ (1,069)	$ 20,965	$ 14,273	$ (6,686)
Bonds	26	19	(6)	162	118	(37)

March 31, 2025

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 14,396	¥ 43,226	¥ 28,830
Bonds	—	—	—
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 4,349	¥ 2,944	¥ (1,405)
Bonds	127	120	(6)

(C) The following tables summarize sales of available-for-sale securities in the years ended March 31, 2026 and 2025:

March 31, 2026

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	**¥ 2,212**	**¥ 1,396**	**¥ 197**	**$ 13,835**	**$ 8,731**	**$ 1,232**

March 31, 2025

	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 4,628	¥ 2,825	¥ 23

(D) The loss on valuation of investment securities in the years ended March 31, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Securities in subsidiaries and associates	**¥ 382**	¥ 5	**$ 2,389**
Available-for-sale securities	**4**	345	**25**
Total	**¥ 386**	¥ 351	**$ 2,414**

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2026 and 2025 for derivatives to which hedge accounting has not been applied:

March 31, 2026
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	¥ 46,996	¥ —	¥ (2,368)	¥ (2,368)	$ 293,945	$ —	$ (14,811)	$ (14,811)
Other currencies	31,680	—	(1,020)	(1,020)	198,148	—	(6,379)	(6,379)
Buying:								
U.S. dollars	7,510	—	(88)	(88)	46,972	—	(550)	(550)
Other currencies	1,680	—	8	8	10,507	—	50	50
Cross-currency swap agreements:								
Japanese yen received for U.S. dollars	30,428	21,557	(1,610)	(1,610)	190,317	134,832	(10,070)	(10,070)
Total	¥ —	¥ —	¥ —	¥ (5,080)	$ —	$ —	$ —	$ (31,773)

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	¥ 1,837	¥ —	¥ (864)	¥ (864)	$ 11,489	$ —	$ (5,404)	$ (5,404)
Buying	—	—	—	—	—	—	—	—
Non-ferrous metals:								
Selling	84,092	—	(4,678)	(4,678)	525,969	—	(29,259)	(29,259)
Buying	50,091	—	2,620	2,620	313,303	—	16,387	16,387
Commodity swap agreements:								
Petroleum:								
Fixed receipt/Floating payment	2,921	—	(134)	(134)	18,269	—	(838)	(838)
Floating receipt/Fixed payment	6,443	—	918	918	40,298	—	5,741	5,741
Total	¥ —	¥ —	¥ —	¥ (2,139)	$ —	$ —	$ —	$ (13,378)

March 31, 2025

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	¥ 51,351	¥ —	¥ 1,021	¥ 1,021
Other currencies	21,671	—	37	37
Buying:				
U.S. dollars	9,964	—	(16)	(16)
Other currencies	4,414	—	77	77
Cross-currency swap agreements:				
Japanese yen received for U.S. dollars	29,670	25,778	(280)	(280)
Total	¥ —	¥ —	¥ —	¥ 840

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Petroleum:				
Selling	¥ 5,038	¥ —	¥ 69	¥ 69
Buying	—	—	—	—
Non-ferrous metals:				
Selling	39,844	—	(447)	(447)
Buying	20,120	—	302	302
Commodity swap agreements:				
Petroleum:				
Fixed receipt/Floating payment	—	—	—	—
Floating receipt/Fixed payment	658	—	4	4
Total	¥ —	¥ —	¥ —	¥ (71)

(B) The following tables summarize fair value information as of March 31, 2026 and 2025 for derivatives to which hedge accounting was applied:

March 31, 2026

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	¥ 1,666	¥ —	¥ 219	$ 10,420	$ —	$ 1,369

Interest rate related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Interest rate swap for long-term loans:						
Fixed receipt/ Floating payment	¥ 10,000	¥ 10,000	¥ 446	$ 62,546	$ 62,546	$ 2,789
Floating receipt/ Fixed payment	¥ 10,000	¥ 10,000	¥ (206)	$ 62,546	$ 62,546	$ (1,288)

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	¥ 33,502	¥ —	¥ (606)	$ 209,544	$ —	$ (3,790)
Buying	12,896	—	209	80,660	—	1,307

March 31, 2025

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	¥ 4,254	¥ 1,857	¥ 147
Cross-currency swap agreement for foreign subsidiaries' equity:			
Japanese yen received for U.S. dollars	¥ 6,487	¥ —	¥ (1,012)
Total	¥ 10,741	¥ 1,857	¥ (865)

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	¥ 34,505	¥ —	¥ 590
Buying	20,067	—	(306)

6. Inventories

Inventories at March 31, 2026 and 2025 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Merchandise and finished products	¥ 261,691	¥ 245,784	$1,636,796
Work-in-process	3,298	3,676	20,627
Raw materials and supplies	26,379	29,718	164,992
Total	¥ 291,370	¥ 279,179	$1,822,429

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 ¥48 million (loss of $300 thousand) and a net loss of ¥215 million for the years ended March 31, 2026 and 2025, respectively.

7. Pledged assets

At March 31, 2026 and 2025, assets pledged as collateral for loans payable in the amount of zero, respectively, for guaranty deposits, and for loans of third parties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
For loans payable:			
Land	¥ —	¥ 1,591	$ —
Buildings and structures, net of accumulated depreciation	¥ —	¥ 60	$ —
Total	¥ —	¥ 1,651	$ —
For guaranty deposits:			
Cash and cash equivalents	¥ 121	¥ —	$ 756
Investment securities	9,788	7,079	61,220
Total	¥ 9,909	¥ 7,079	$ 61,977
For loans of third parties:			
Investment securities	¥ 20,823	¥ 9,161	$ 130,241
Total	¥ 20,823	¥ 9,161	$ 130,241

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, 2026 and 2025.

An aggregate statutory income tax rate for the year ended March 31, 2026 and 2025 are 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.

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	**¥ 2,812**	¥ 2,812	**$ 17,588**
Tax losses carried forward	**1,813**	1,844	**11,339**
Accrued bonuses to employees	**1,409**	1,637	**8,812**
Loss on sale-repurchase agreements of land	**1,331**	1,331	**8,324**
Impairment loss	**1,091**	1,091	**6,823**
Retirement benefit liability	**636**	567	**3,977**
Other	**8,634**	8,294	**54,003**
Total deferred tax assets	**17,729**	17,578	**110,889**
Valuation allowance	**(10,319)**	(9,944)	**(64,542)**
Net deferred tax assets	**7,410**	7,634	**46,347**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**11,992**	9,435	**75,006**
Retained earnings of overseas subsidiaries and associates	**3,690**	3,745	**23,079**
Retirement benefit assets	**2,650**	1,122	**16,574**
Land revaluation difference, net of taxes unrealized gain	**591**	893	**3,696**
Other	**3,929**	3,815	**24,574**
Total deferred tax liabilities	**22,855**	19,012	**142,950**
Net deferred tax liabilities	**¥ 15,445**	¥ 11,378	**$ 96,603**

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.
In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed 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 borrowings, bonds payable and long-term borrowings

The weighted average interest rates applicable to short-term borrowings outstanding at March 31, 2026 and 2025 were 3.1% and 2.7%, respectively, regardless of borrowing currencies although the range of interest rates varies by borrowing currency.

There was an outstanding balance of ¥40,354 million ($252,401 thousand) and ¥50,994 million at March 31, 2026 and 2025, respectively.

Bonds payable at March 31, 2026 and 2025, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Issued in 2018, 0.59% unsecured straight bonds, due 2028	¥ 10,000	¥ 10,000	$ 62,546
Issued in 2022, 0.41% unsecured straight bonds, due 2025	—	15,000	—
Issued in 2022, 0.60% unsecured straight bonds, due 2027	5,000	5,000	31,273
Issued in 2023, 0.35% unsecured straight bonds, due 2026	10,000	10,000	62,546
Issued in 2023, 0.54% unsecured straight bonds, due 2028	10,000	10,000	62,546
Issued in 2024, 1.01% unsecured straight bonds, due 2029	10,000	10,000	62,546
Total	¥ 45,000	¥ 60,000	$ 281,461

Long-term borrowings at March 31, 2026 and 2025, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loans from banks with weighted average interest rates of 1.7% and 1.3% at March 31, 2026 and 2025, respectively, maturing serially through 2059.	¥ 266,520	¥ 266,646	$1,667,000
Current portion of long-term borrowings	(28,115)	(30,125)	(175,850)
Total	¥ 238,405	¥ 236,520	$1,491,149

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 borrowings outstanding at March 31, 2026 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2027	¥ 28,115	$ 175,850
2028	41,611	260,263
2029	25,111	157,061
2030	40,066	250,600
2031	36,613	229,003
Thereafter	95,003	594,214
Total	¥ 266,520	$ 1,667,000

10. Employees' severance and retirement benefits

(A) Overview of retirement benefit system adopted

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

Under its defined benefit corporate pension plan, the Company provides employees 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
	2026	2025	2026
Balance at beginning of year	¥ 24,651	¥ 24,615	$ 154,184
Service cost	1,125	1,082	7,036
Interest cost	280	280	1,751
Actuarial loss (gain)	(3,962)	(158)	(24,781)
Benefits paid	(1,300)	(1,164)	(8,131)
Past service costs	—	(8)	—
Other	3	5	18
Balance at end of year	¥ 20,798	¥ 24,651	$ 130,085

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

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Balance at beginning of year	¥ 28,268	¥ 28,435	$ 176,807
Expected return on plan assets	715	719	4,472
Actuarial gain (loss)	727	(292)	4,547
Contributions paid by the employer	542	562	3,390
Benefits paid	(1,262)	(1,139)	(7,893)
Other	12	(17)	75
Balance at end of year	¥ 29,005	¥ 28,268	$ 181,417

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

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars 2026
Balance at beginning of year	¥ 1,728	¥ 1,332	$ 10,808
Retirement benefit costs	358	235	2,239
Benefits paid	(126)	(66)	(788)
Contributions paid by the employer	—	(36)	—
Other	46	263	287
Balance at end of year	¥ 2,007	¥ 1,728	$ 12,553

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

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars 2026
Funded retirement benefit obligations	¥ 20,425	¥ 24,928	$ 127,752
Plan assets	(29,264)	(28,523)	(183,037)
	(8,839)	(3,595)	(55,285)
Unfunded retirement benefit obligations	2,640	1,706	16,512
Total net liability (asset) for retirement benefits at end of year	(6,199)	(1,888)	(38,772)
Retirement benefit liability	2,788	1,759	17,438
Retirement benefit asset	(8,987)	(3,648)	(56,210)
Total net liability (asset) for retirement benefits at end of year	¥ (6,199)	¥ (1,888)	$ (38,772)

(5) Retirement benefit costs

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars 2026
Service cost	¥ 1,125	¥ 1,082	$ 7,036
Interest cost	280	280	1,751
Expected return on plan assets	(715)	(719)	(4,472)
Net actuarial loss amortization	404	446	2,526
Past service costs amortization	(214)	(223)	(1,338)
Retirement benefit costs based on the simplified method	358	235	2,239
Extra retirement allowances	1	1	6
Other	(7)	(8)	(43)
Total retirement benefit costs	¥ 1,232	¥ 1,096	$ 7,705

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

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars 2026
Past service costs	¥ (214)	¥ (214)	$ (1,338)
Actuarial gains and losses	5,094	313	31,861
Total	¥ 4,879	¥ 99	$ 30,516

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

	Millions of yen 2026	Millions of yen 2025	Thousands of U.S. dollars 2026
Past service costs that are yet to be recognized	¥ (2,519)	¥ (2,733)	$ (15,755)
Actuarial gains and losses that are yet to be recognized	(5,890)	(795)	(36,840)
Total balance at end of year	¥ (8,409)	¥ (3,529)	$ (52,595)

(8) Breakdown of plan assets

	2026	2025
Bonds (*1)	**18.8%**	14.8%
Equity securities (*1)	**35.0**	33.3
Cash and cash equivalents	**0.8**	8.3
General account assets	**24.7**	22.6
Other (*2)	**20.7**	21.0
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

	2026	2025
Discount rate	**2.5-2.7%**	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 ¥447 million ($2,795 thousand) and ¥402 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, 2026 and 2025, respectively.

11. Contingent Assets and Liabilities

At March 31, 2026 and 2025, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Export letters of credit and trade notes (including export bills) discounted	**¥ 3,544**	¥ 1,705	**$ 22,166**
Trade notes endorsed	**74**	96	**462**
Electronically recorded monetary claims discounted	**65**	73	**406**
Electronically recorded monetary claims endorsed	**59**	53	**369**
Guarantees of indebtedness	**3,712**	6,940	**23,217**

As of March 31, 2026 and 2025, the market value of gold ingots under the loan agreement is as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Lending	**¥ 3,640**	¥ 3,726	**$ 22,767**
Borrowing	**6,552**	3,726	**40,980**

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, 2026, the shareholders approved cash dividends of ¥165.00 per share ($1.03) amounting to ¥6,419 million ($40,148 thousand). This appropriation had not been accrued in the consolidated financial statements as of March 31, 2026. 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, 2026, the carrying amount of the land after the above one-time revaluation did not exceed the market value.

13. Loss on sale of non-current assets

The following table summarizes loss on sale of non-current assets in the years ended March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Buildings and structures	¥ (279)	¥ —	$ (1,745)
Land	451	—	2,820
Other	3	—	18
Total	¥ 175	¥ —	$ 1,094

14. Loss on retirement of non-current assets

The following table summarizes loss on retirement of non-current assets in the years ended March 31, 2026 and 2025:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Buildings and structures	¥ —	¥ 67	$ —
Other	—	29	—
Intangible assets	—	8	—
Total	¥ —	¥ 105	$ —

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

Year ended March 31, 2026

The provision for allowance for doubtful accounts for subsidiaries and associates represents the provision for doubtful loans to subsidiaries and associates.

Year ended March 31, 2025

Not applicable.

16. Other comprehensive income

Years ended March 31, 2026 and 2025

Amounts reclassified to net profit 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
	2026	2025	**2026**
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	**¥ 21,101**	¥ (6,719)	**$ 131,980**
Reclassification adjustments	**(1,251)**	(2,449)	**(7,824)**
Sub-total, before taxes	**19,850**	(9,168)	**124,155**
Income taxes (benefit)	**2,386**	(2,547)	**14,923**
Sub-total, net of taxes	**17,463**	(6,621)	**109,225**
Deferred gains or losses on hedges:			
Increase (decrease) during the year	**1,656**	1,287	**10,357**
Reclassification adjustments	**(2,818)**	(1,009)	**(17,625)**
Sub-total, before taxes	**(1,162)**	278	**(7,267)**
Income taxes (benefit)	**(312)**	71	**(1,951)**
Sub-total, net of taxes	**(849)**	206	**(5,310)**
Revaluation reserve for land:			
Increase (decrease) during the year	**—**	—	**—**
Reclassification adjustments	**—**	—	**—**
Sub-total, before taxes	**—**	—	**—**
Income taxes (benefit)	**—**	25	**—**
Sub-total, net of taxes	**—**	(25)	**—**
Foreign currency translation adjustment:			
Increase (decrease) during the year	**3,971**	1,830	**24,837**
Reclassification adjustments	**—**	108	**—**
Sub-total, before taxes	**3,971**	1,938	**24,837**
Income taxes (benefit)	**—**	3	**—**
Sub-total, net of taxes	**3,971**	1,935	**24,837**
Remeasurements of defined benefit plans, net of tax:			
Increase (decrease) during the year	**4,280**	(136)	**26,770**
Reclassification adjustments	**599**	235	**3,746**
Sub-total, before taxes	**4,879**	99	**30,516**
Income taxes (benefit)	**1,536**	63	**9,607**
Sub-total, net of taxes	**3,343**	35	**20,909**
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	**818**	1,430	**5,116**
Reclassification adjustments	**—**	(73)	**—**
Sub-total	**818**	1,356	**5,116**
Total other comprehensive income	**¥ 24,747**	¥ (3,113)	**$ 154,784**

17. Cash flow information

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

Year ended March 31, 2026

Not applicable.

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
	2025
Current assets	¥ 4,293
Non-current assets	1,147
Goodwill	2,468
Current liabilities	(3,726)
Non-current liabilities	(381)
Acquisition cost of shares	3,800
Cash and cash equivalents of acquired companies	(1,537)
Loan advanced from the date of obtaining control to the deemed date of acquisition	2,825
Net cash payments for acquisition of shares of a subsidiary	¥ 5,087

18. Leases

Operating leases
As Lessee

Obligations under non-cancelable operating leases as of March 31, 2026 and 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	**2026**
Due within one year	**¥ 687**	¥ 519	**$ 4,296**
Due after one year	**6,928**	6,932	**43,332**
Total	**¥ 7,616**	¥ 7,451	**$ 47,635**

19. Revenue recognition

(A) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market in the years ended March 31, 2026 and 2025.

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

Year ended March 31, 2026

Millions of yen

	Reportable segment								
	Steel	Primary Metal	Metal Recycling	Foods	Energy and Living Materials	Overseas Sales Subsidiaries	Total	Other business	Total
Japan	¥ 879,851	¥ 78,429	¥ 202,114	¥ 103,135	¥ 264,877	¥ 917	¥ 1,529,326	¥ 126,466	¥ 1,655,793
Asia	103,474	140,289	38,694	11,417	109,344	414,618	817,838	2,531	820,370
Other	50,682	5,566	40,427	34,240	4,796	49,577	185,291	1,213	186,505
Total	¥ 1,034,009	¥ 224,285	¥ 281,236	¥ 148,793	¥ 379,018	¥ 465,114	¥ 2,532,457	¥ 130,212	¥ 2,662,669

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	$ 5,503,196	$ 490,549	$ 1,264,160	$ 645,077	$ 1,656,723	$ 5,735	$ 9,565,461	$ 791,005	$ 10,356,473
Asia	647,197	877,464	242,019	71,409	683,912	2,593,307	5,115,323	15,830	5,131,160
Other	317,000	34,813	252,858	214,160	29,997	310,088	1,158,937	7,586	1,166,531
Total	$ 6,467,406	$ 1,402,833	$ 1,759,044	$ 930,654	$ 2,370,640	$ 2,909,144	$ 15,839,736	$ 814,435	$ 16,654,171

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.

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

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 contracts with customers.

(Change in reportable segments)
From the third quarter of financial year, following the share transfer from the Company to a consolidated subsidiary, the segment classification of COSMO STEEL HOLDINGS LTD., which formerly used to be classified in the "Steel" segment, has now been changed to the "Overseas Sales Subsidiaries" segment. 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, 2025, 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, 2026 and 2025:

Year ended March 31, 2026

	Millions of yen		Thousands of U.S. dollars	
	March 31, 2026	**April 1, 2025**	**March 31, 2026**	**April 1, 2025**
Receivables arising from contracts with customers	**¥ 492,264**	¥ 505,536	**$ 3,078,959**	$ 3,161,971
Trade notes	**1,935**	14,284	**12,102**	89,342
Electronically recorded monetary claims	**90,400**	92,458	**565,424**	578,296
Accounts receivable	**399,928**	398,792	**2,501,426**	2,494,320
Contract assets	**¥ 3,120**	¥ 2,261	**$ 19,514**	$ 14,141
Contract liabilities	**¥ 16,868**	¥ 15,118	**$ 105,504**	$ 94,558

Year ended March 31, 2025

	Millions of yen	
	March 31, 2025	April 1, 2024
Receivables arising from contracts with customers	¥ 505,536	¥ 539,849
Trade notes	14,284	22,620
Electronically recorded monetary claims	92,458	95,615
Accounts receivable	398,792	421,613
Contract assets	¥ 2,261	¥ 1,590
Contract liabilities	¥ 15,118	¥ 9,446

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 ¥12,596 million ($78,784 thousand) included in contract liabilities at 31 March 2025, and the amount of ¥8,788 million included in contract liabilities at 31 March 2024, have been recognized as revenue for the years ended March 31, 2026 and 2025, respectively.

The amounts of revenue recognized for the years ended March 31, 2026 and 2025, 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, 2026 and 2025 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31 , 2026	March 31 , 2025	**March 31 , 2026**
Within one year	**¥ 62,647**	¥ 54,702	**$ 391,837**
Over one year, within three years	**79,106**	83,909	**494,783**
Over three years, within five years	**50,767**	35,431	**317,531**
Over five years, within ten years	**58,063**	64,708	**363,166**
Over ten years	**73,114**	80,227	**457,305**
Total	**¥ 323,699**	¥ 318,979	**$ 2,024,637**

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, 2026 and 2025, these contracts are not presented.

20. Segment information

(A) Overview of the reportable segments

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

The Companies' main business is buying and selling of various products with a focus on steel, and the business departments, which are divided according to products handled or service contents, mainly carry out business activities. For this reason, the Companies consist of business segments 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 third quarter of financial year, following the share transfer from the Company to a consolidated subsidiary, the segment classification of COSMO STEEL HOLDINGS LTD., which formerly used to be classified in the "Steel" segment, has now been changed to the "Overseas Sales Subsidiaries" segment. Segment information for the fiscal year ended March 31, 2025 has been recomposed by the new classification method.

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

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2026 were as follows:

Year ended March 31, 2026

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	¥ 1,034,009	¥ 224,285	¥ 281,236	¥ 148,793	¥ 379,018	¥ 465,114	¥ 2,532,457	¥ 130,212	¥ 2,662,669	¥ —	¥ 2,662,669
Intersegment	37,904	19,819	2,976	1,740	4,694	52,591	119,726	3,714	123,440	(123,440)	—
Total	¥ 1,071,913	¥ 244,105	¥ 284,212	¥ 150,533	¥ 383,713	¥ 517,705	¥ 2,652,183	¥ 133,926	¥ 2,786,110	¥ (123,440)	¥ 2,662,669
Segment profit (loss)	¥ 38,707	¥ (150)	¥ 1,302	¥ 3,041	¥ 8,541	¥ 5,528	¥ 56,970	¥ 2,132	¥ 59,103	¥ (6,840)	¥ 52,262
Assets	¥ 542,029	¥ 106,569	¥ 90,194	¥ 85,975	¥ 75,604	¥ 149,364	¥ 1,049,737	¥ 46,582	¥ 1,096,319	¥ 116,342	¥ 1,212,662
Depreciation	5,875	131	596	195	450	996	8,244	361	8,606	647	9,253
Amortization of goodwill	—	—	—	75	—	—	75	493	569	—	569
Interest income	775	984	20	3	147	1,132	3,063	41	3,105	590	3,696
Interest expenses	4,982	1,678	815	1,762	539	1,607	11,386	423	11,810	(4,236)	7,574
Share of profit (loss) of entities accounted for using equity method	2,673	(4,004)	104	—	96	(542)	(1,672)	—	(1,672)	—	(1,672)
Investment in entities accounted for using equity method	10,996	5,987	802	—	1,235	16,176	35,198	—	35,198	—	35,198
Increase in property, plant and equipment and intangible assets	3,734	98	581	157	277	1,123	5,972	635	6,608	479	7,088

Year ended March 31, 2026

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	$ 6,467,406	$ 1,402,833	$ 1,759,044	$ 930,654	$ 2,370,640	$ 2,909,144	$ 15,839,736	$ 814,435	$ 16,654,171	$ —	$ 16,654,171
Intersegment	237,077	123,961	18,613	10,883	29,359	328,940	748,849	23,229	772,079	(772,079)	—
Total	$ 6,704,484	$ 1,526,801	$ 1,777,658	$ 941,537	$ 2,400,006	$ 3,238,084	$ 16,588,585	$ 837,665	$ 17,426,257	$ (772,079)	$ 16,654,171
Segment profit (loss)	$ 242,100	$ (938)	$ 8,143	$ 19,020	$ 53,421	$ 34,575	$ 356,329	$ 13,335	$ 369,671	$ (42,782)	$ 326,882
Assets	$ 3,390,223	$ 666,556	$ 564,135	$ 537,747	$ 472,879	$ 934,225	$ 6,565,780	$ 291,356	$ 6,857,136	$ 727,683	$ 7,584,826
Depreciation	36,746	819	3,727	1,219	2,814	6,229	51,563	2,257	53,827	4,046	57,874
Amortization of goodwill	—	—	—	469	—	—	469	3,083	3,558	—	3,558
Interest income	4,847	6,154	125	18	919	7,080	19,158	256	19,420	3,690	23,117
Interest expenses	31,160	10,495	5,097	11,020	3,371	10,051	71,215	2,645	73,867	(26,494)	47,373
Share of profit (loss) of entities accounted for using equity method	16,718	(25,043)	650	—	600	(3,390)	(10,457)	—	(10,457)	—	(10,457)
Investment in entities accounted for using equity method	68,776	37,446	5,016	—	7,724	101,175	220,152	—	220,152	—	220,152
Increase in property, plant and equipment and intangible assets	23,355	612	3,633	981	1,732	7,024	37,353	3,971	41,330	2,995	44,333

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 (¥6,840) million (($42,782) thousand) for segment profit or loss 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 of ¥116,342 million ($727,683 thousand) for segment assets 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 of ¥647 million ($4,046 thousand) for depreciation include mainly depreciation expenses of Group assets.
   (4) Adjustments of ¥590 million ($3,690 thousand) and (¥4,236) million (($26,494) thousand) for interest income and interest expenses include intersegment elimination, income and expenses that were not allocated to reportable segments.
   (5) Adjustments of ¥479 million ($2,995 thousand) for increases in property, plant and equipment and intangible assets are increases in Group assets.

Net sales, profit, assets and others 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 profit	¥ 33,155	¥ 6,084	¥ 3,098	¥ 2,306	¥ 10,425	¥ 8,253	¥ 63,324	¥ 2,402	¥ 65,726	¥ (5,979)	¥ 59,746
Assets	¥ 539,444	¥ 127,129	¥ 62,987	¥ 80,527	¥ 70,371	¥ 113,100	¥ 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 equity method	94	1,742	75	—	79	612	2,604	—	2,604	—	2,604
Investment in entities accounted for using equity method	6,069	9,537	689	—	1,139	17,583	35,020	—	35,020	—	35,020
Increase in property, plant and equipment and intangible assets	5,502	57	1,049	90	1,047	1,139	8,888	518	9,406	279	9,686

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 (¥5,979) million for segment profit 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 of ¥128,236 million for segment assets 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 of ¥603 million for depreciation include mainly depreciation expenses of Group assets.
   (4) Adjustments of ¥504 million and (¥1,468) million for interest income and interest expenses include intersegment elimination, income and expenses that were not allocated to reportable segments.
   (5) Adjustments of ¥279 million for increases in property, plant and equipment and intangible assets are increases in Group assets.

(B) Entity-wide disclosures

Products and services information

Net sales by products and services for the years ended March 31, 2026 and 2025 was as follows:

Year ended March 31, 2026

Millions of yen

	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	¥ 1,244,812	¥ 174,936	¥ 489,213	¥ 154,070	¥ 456,722	¥ 142,914	¥ 2,662,669

Year ended March 31, 2026

Thousands of U.S. dollars

	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	$ 7,785,914	$ 1,094,170	$ 3,059,876	$ 963,660	$ 2,856,654	$ 893,882	$ 16,654,171

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

Regional information

(1) Net sales in different countries for the years ended March 31, 2026 and 2025 were as follows:

Year ended March 31, 2026

Millions of yen

	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,655,793	¥ 820,370	¥ 186,505	¥ 2,662,669

Year ended March 31, 2026

Thousands of U.S. dollars

	Japan	Asia	Other	Total
Net sales to external customers	$ 10,356,473	$ 5,131,160	$ 1,166,531	$ 16,654,171

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

(2) Property, plant and equipment in different countries for the years ended March 31, 2026 and 2025 were as follows:

Year ended March 31, 2026

Millions of yen

	Japan	Asia	Other	Total
Property, plant and equipment	¥ 72,064	¥ 11,404	¥ 3,257	¥ 86,727

Year ended March 31, 2026

Thousands of U.S. dollars

	Japan	Asia	Other	Total
Property, plant and equipment	$ 450,738	$ 71,328	$ 20,371	$ 542,450

Year ended March 31, 2025

Millions of yen

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

Information on losses on impairment of non-current assets by reportable segment

Losses on impairment of non-current assets by reportable segment for the years ended March 31, 2026 and 2025 was as follows:

Year ended March 31, 2026

Not applicable.

Year ended March 31, 2025

Not applicable.

Information on amortization of goodwill and unamortized balance by reportable segment

Amortization of goodwill and unamortized balance by reportable segment for the years ended March 31, 2026 and 2025 was as follows:

Year ended March 31, 2026

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	¥ —	¥ —	¥ —	¥ 264	¥ —	¥ —	¥ 264	¥ 1,727	¥ —	¥ 1,992

Year ended March 31, 2026

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	$ —	$ —	$ —	$ 1,651	$ —	$ —	$ 1,651	$ 10,801	$ —	$ 12,459

Amount of amortization of goodwill is omitted, as similar information is disclosed in segment information

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

Amount of amortization of goodwill is omitted, as similar information is disclosed in segment information.

Information on gains on bargain purchase by reportable segment

Gains on bargain purchase by reportable segment for the years ended March 31, 2026 and 2025 was as follows:

Year ended March 31, 2026

Not applicable.

Year ended March 31, 2025

Not applicable.

21. Related party information

(A) Related party transactions

Year ended March 31, 2026

Type	Name	Voting rights held (%)	Relationship with the related parties	Transactions	Amount	Account name	Balance as of March 31, 2026
Officer	Yoichi Nakagawa	Direct ownership 0.1%	Representative Director, President of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1)	¥15 million ($93 thousand)	—	—
Officer	Hiromasa Yamamoto	Direct ownership 0.0%	Representative Director, Executive Vice President of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1)	¥12 million ($75 thousand)	—	—
Officer	Yasushi Hatanaka	Direct ownership 0.0%	Director, Executive Vice President of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claims (Note 1)	¥12 million ($75 thousand)	—	—

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

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	—	—
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 associates

A summary of the financial statements of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., which is defined as a significant associate, for the years ended March 31, 2026 and 2025, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total current assets	¥ 112,565	¥ 128,357	$ 704,059
Total non-current assets	80,432	97,918	503,077
Total current liabilities	110,154	98,288	688,979
Total non-current liabilities	65,269	60,724	408,237
Total net assets	17,574	67,263	109,919
Net sales	299,607	357,489	1,873,949
Profit before income taxes	(53,346)	3,126	(333,662)
Profit	(52,793)	2,272	(330,203)

22. Significant events after reporting period

Stock split and partial amendment to articles of incorporation due to stock split

The Company resolved, at the Board of Directors meeting held on November 7, 2025, to conduct a stock split and to partially amend the Articles of Incorporation in conjunction with the stock split on April 1, 2026, as follows:

1. Stock split

(1) Purpose of stock split

By conducting stock split, we aim to improve the liquidity of our shares and expand our investor base by lowering the price per investment unit.

(2) Overview of stock split

i) Method of stock split

The Company conducted stock split at a ratio of five shares for every one share of common stock held by shareholders registered or recorded on the final shareholder register on Tuesday, March 31, 2026.

ii) Number of shares to be increased by stock split

Total number of outstanding shares before the stock split	42,332,640 shares
Number of shares to be increased by the stock split	169,330,560 shares
Total number of outstanding shares after the stock split	211,663,200 shares
Total number of shares authorized to be issued after the stock split	570,000,000 shares

(3) Schedule

Date of public notice of the record date	Monday, March 9, 2026
Record date	Tuesday, March 31, 2026
Effective date	Wednesday, April 1, 2026

(4) Other

There is no change in the amount of share capital at the time of stock split.

2. Partial amendment to the Articles of Incorporation in connection with the stock split

(1) Reason for amendment to the Articles of Incorporation

In connection with the stock split, and pursuant to a resolution of the Board of Directors based on Article 184(2) of the Companies Act, part of our Articles of Incorporation are amended as follows, effective Wednesday, April 1, 2026.

(2) Contents of amendment

(Amendment underlined.)

Current	As amended
(Total number of authorized shares to be issued) Article 6. The total number of shares the Company is authorized to issue shall be 114,000,000.	(Total number of authorized shares to be issued) Article 6. The total number of shares the Company is authorized to issue shall be 570,000,000.

(3) Schedule

Date of resolution by the Board of Directors	Friday, November 7, 2025
Effective date	Wednesday, April 1, 2026

3. Other

Year-end dividend during the consolidated fiscal year

Since this stock split took effect on April 1, 2026, the year-end dividend during the consolidated fiscal year, with a record date of March 31, 2026, will be paid on the shares before the stock split.

Acquisition of the Company's own shares and Cancellation of Treasury shares

The Board of Directors meeting held on May 12, 2026 resolved matters relating to its own shares pursuant to Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act, and also resolved the cancellation of treasury shares pursuant to Article 178 of the Companies Act. The details are as follows.

1. Reason for the acquisition of the Company's own shares

To promote returns to shareholders and improve capital efficiency.

2. Details of acquisition

(1) Class of shares to be acquired:	Common stock
(2) Number of shares to be acquired:	Up to 4,000,000 shares (equivalent to 1.89% of the total issued shares)
(3) Total amount of shares to be acquired:	Up to 5.0 billion yen
(4) Schedule of acquisition:	From May 13, 2026 to December 31, 2026
(5) Acquisition method:	Purchase on the Tokyo Stock Exchange market

3. Details of the cancellation of treasury shares

(1) Class of shares to be cancelled:	Common stock
(2) Number of shares to be cancelled:	7,525,500 shares plus all shares acquired pursuant to Section 2 above (upper limit equivalent to 5.45% of the total issued shares before cancellation)
(3) Scheduled date of cancellation:	January 29, 2027

※The final number of shares to be cancelled will be announced after the completion of the acquisition of treasury shares described in Section 2 above.

Acquisition of Membership Interests in Associated Steel Group, LLC in the U.S.A.

Hanwa Co., Ltd. (the "Company") hereby announces that, based on the authority delegated by a resolution of its Board of Directors held on June 12, 2026, the Company, by a decision of its Representative Director and President, determined to enter into an equity purchase agreement to acquire all membership interests in Associated Steel Group, LLC, a U.S. entity ("ASG"), through a joint investment with Development Bank of Japan Inc. ("DBJ").

1. Reason for the Acquisition of Membership Interests

In its Medium-Term Business Plan 2028 "Go Beyond" announced on May 12, 2026, the Company set forth a shift toward "proactive business investments that enable non-linear growth," supported by a strengthened financial and risk management base. In light of structural changes in demand in the domestic market, and to further accelerate expansion into the growth markets of the Americas and Europe, the Company has positioned the full-scale adoption and promotion of an overseas M&A strategy as a key strategic option. Through these initiatives, the Company aims to achieve a future overseas revenue mix of 50%.

ASG is a steel structure manufacturing group centered on Alliance Steel, Inc., based in Oklahoma, and ACI Building Systems, LLC, based in Mississippi. The group provides Pre-Engineered Metal Building ("PEMB") systems for non-residential buildings, primarily in the southern United States, in which steel framing components designed and fabricated in factories are assembled on-site. ASG's key strengths include an organizational structure that enables it to respond flexibly to customers' delivery schedule requirements, as well as technological expertise and quality in the field of structural design. Through these strengths, ASG has built long-standing, trust-based relationships with its regional customers.

Through the acquisition of membership interests in ASG, the Company will acquire a business foundation in the PEMB sector in the Americas. Leveraging its strengths in the distribution of construction steel materials, high value-added processing, and the provision of solutions in the design and construction fields, the Company will use ASG as a starting point to maximize synergies by strengthening downstream operations and building and reinforcing a resilient supply chain that spans the entire value chain, extending upstream to North American steel manufacturers.

2. Method of Acquisition of Membership Interests

This acquisition will be conducted as a co-investment with DBJ. The Company will acquire a majority of the membership interests in ASG through Hanwa America Corp., its North American subsidiary, while DBJ will acquire the remaining membership interests through a newly established SPC to be set up in Japan. However, if DBJ does not close the transaction, the Company intends to acquire 100.0% of the membership interests.

3. Overview of the Company Whose Membership Interests Are to Be Acquired

(1) Name	Associated Steel Group, LLC
(2) Location	850 New Burton Road, Suite 201, Dover, DE 19904, U.S.A.
(3) Title and name of representative	President & CEO, Robert Mutersbaugh
(4) Description of business	Manufacturing and sales of custom-designed steel structures and related products for non-residential use in the United States
(5) Date of establishment	August 2012
(6) Major shareholders and ownership ratios	Associated Group Holdings, LLC: 100%
(7) Relationship between the Company and said company	Capital relationship None Personnel relationship None Business relationship None
(8) Consolidated operating results and financial position of said company for the last three years	

As of / Fiscal year ended	December 31, 2023	December 31, 2024	December 31, 2025
Net assets	$ 35,820 thousand	$ (28,401) thousand	$ (7,937) thousand
Total assets	$ 111,912 thousand	$ 127,978 thousand	$ 141,919 thousand
Net sales	$ 225,398 thousand	$ 233,847 thousand	$ 211,937 thousand
Operating profit	$ 49,458 thousand	$ 49,223 thousand	$ 41,794 thousand
Profit before income taxes	$ 42,944 thousand	$ 40,108 thousand	$ 30,538 thousand
Profit attributable to owners of parent	$ 37,841 thousand	$ 32,184 thousand	$ 23,471 thousand

(Note 1: As ASG is a Limited Liability Company, there is no concept equivalent to share capital, and the amount of contributions is not recognized as share capital.)

4. Overview of the Counterparty to the Acquisition of Membership Interests

(1) Name	Associated Group Holdings, LLC
(2) Location	251 Little Falls Drive, Wilmington, DE 19808, U.S.A.
(3) Title and name of representative	Chairman, Jon Vesely
(4) Description of business	Managing activities of operating company
(5) Date of establishment	July 2012
(6) Relationship between the Company and said company	Capital relationship None Personnel relationship None Business relationship None Related party relationship None

(Note 2: Based on the obligation of confidentiality with the counterparty to the acquisition of membership interests, the major shareholders and ownership ratios will not be disclosed.)

5. Number of Membership Interests to Be Acquired and Ownership Percentage Before and After the Acquisition

(1) Percentage of membership interests held before the change	0%
(2) Percentage of membership interests to be acquired	50.1%～100.0%
(3) Acquisition price	$347 million (Note 3)
(4) Percentage of membership interests held after the change	50.1%～100.0%

(Note 3: This is the aggregate base value on a 100.0% membership interest basis. The Company's final acquisition price is expected to be determined by applying various adjustments stipulated in the equity purchase agreement—such as adjustments for cash, indebtedness, and net working capital, and pro-rata adjustment based on the applicable percentage at closing—to the aggregate base value.)

6. Timetable

(1) Date of execution of the agreement	June 29, 2026 (Central Daylight Time)
(2) Date of commencement of the transfer of membership interests	After the terms of the equity purchase agreement have been satisfied, and after obtaining clearance from United States competition authorities

Independent Auditor's Report

Hanwa Co.,Ltd. and Subsidiaries

For the Years ended March 31,
2026 and 2025

KPMG AZSA LLC
July 2026

KPMG

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, 2026 and 2025, 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, 2026 and 2025, 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 of public interest entities 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 173 million yen and 39 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 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

July30, 2026