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Principles for Responding to the Corporate Governance Code

HANWA Co., Ltd. ("the Company") will further introduce measures required for corporate governance hereafter in line with the trend of the times toward improved governance. In response to the enforcement of the Corporate Governance Code, the Company believes that explanations from the Company focused on its current situations and its views will be conducive to the common interests of its shareholders, investors, and the Company. Accordingly, we have disclosed these principles for responding to all items of the Corporate Governance Code.

For disclosure at this time, the Company has partly revised the principles based on its current situations. The Company will endeavor to take measures from a long-term and continuous viewpoint to increase corporate value through reinforced effectiveness of governance. We appreciate our shareholders and investors' understanding.

The Company transitioned to a company with an audit and supervisory committee following a resolution at the 78th Ordinary General Shareholders Meeting held on June 26, 2025. As a result, the terms "auditor" and "board of auditors" in the Code are interpreted as "directors who are audit and supervisory committee members" and "audit and supervisory committee," etc.

Section 1: Securing the Rights and Equal Treatment of Shareholders

General Principle 1

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

The Company strives to develop an environment to secure the rights of all shareholders. With regard to corporate information, the Company proactively discloses information deemed beneficial to shareholders in addition to information subject to the timely disclosure standards of the stock exchange. In addition, the Company discloses the above information on its website without delay and makes efforts to disclose the information in English concurrently with its disclosure in Japanese, as far as practicable. With regard to voting rights, the Company provides a voting method via the Internet in addition to a method in writing, so that more shareholders have equal opportunities to exercise their rights.

Principle 1.1 Securing the Rights of Shareholders

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

With regard to the provision of opportunities to exercise voting rights, the Company uses a voting site

operated by Sumitomo Mitsui Trust Bank, Limited and the Electronic Voting Platform operated by ICJ, Inc. (Investor Communications Japan). The Company therefore recognizes that it duly provides shareholders with wide opportunities to exercise their voting rights and takes appropriate measures.

Supplementary Principles

1.1.1 When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

The Company will appropriately incorporate shareholders' opinions into its management. Therefore, when the ratio of vote against for a company proposal submitted to the General Shareholders Meeting is high, the Board of Directors will analyze the reasons and consider the need for a response, including dialogue with shareholders.

1.1.2 When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

With regard to the delegation of the matters requiring resolutions of the Shareholders Meeting to the Board of Directors, the Company considers it a necessary condition that the Board of Directors be a structure that can bear the responsibilities to decide such matters. The Company has elected six outside directors who oversee the appropriateness of decision-making by the Board of Directors. As we consider it desirable to delegate authority within a confined scope even though permitted under laws and regulations, the matters requiring resolutions of the Shareholders Meeting delegated to the Board of Directors under the provisions of the Articles of Incorporation at this point are issuance of shares within the authorized number of shares to be issued, implementation of interim dividends, and acquisition of treasury stock.

1.1.3 Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

The Company has established Share Handling Regulations to stipulate procedures in advance for the exercise of rights by minority shareholders, and will not prevent the exercise of rights.

Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

To make the Shareholders Meeting an opportunity for constructive dialogue with shareholders, the Company discloses information at appropriate times, provides shareholders with opportunities to exercise their voting rights, explains business conditions using methods such as slides, and thereby takes appropriate measures to ensure the exercise of shareholder rights. In addition, the Company strives to give reasonable consideration in accordance with the Act for Eliminating Discrimination against Persons with Disabilities so that shareholders can attend the Shareholders Meeting without inconvenience or anxiety.

Supplementary Principles

1.2.1 Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.

The Company considers that it should promptly disclose information which would facilitate appropriate decision-making by shareholders at the Shareholders Meeting. In addition, the Company posts the Notice of the Shareholders Meeting on the Company's website to broadly provide information.

1.2.2 While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.

The Company dispatches the notice of convocation of the General Meeting of Shareholders approximately three weeks prior to the date of the meeting in order to ensure that shareholders have sufficient time to consider the agenda items. In addition, the Company discloses such notice on TDnet and its website after the resolution of the Board of Directors for convening the General Meeting of Shareholders and prior to the dispatch of the notice.

1.2.3 The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The Company ensures that shareholders have sufficient time to consider the proposals for the General Meeting of Shareholders by dispatching the notice of convocation at an early stage and disclosing it on its website. In addition, the Company schedules the date of the General Meeting of Shareholders in a manner that allows as many shareholders as possible to attend, while also taking into consideration the need to secure sufficient audit time for the external accounting auditor.

1.2.4 Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting.

In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

As mentioned above, the Company has created an infrastructure for the exercise of voting rights that allows shareholders to use a voting site operated by Sumitomo Mitsui Trust Bank, Limited and the Electronic Voting Platform operated by ICJ, Inc. (Investor Communications Japan), in addition to voting in writing, to ensure that institutional and foreign shareholders have opportunities to exercise voting rights. In addition, with regard to the Notice of the Shareholders Meeting, the essentials of the agenda are translated into English and posted on the Company's website, etc.

1.2.5 In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (shintaku ginko) and/or custodial institutions to consider such possibility.

The Company permits shareholders recorded on the shareholder register to attend the General Shareholders Meeting. The Company does not permit beneficial shareholders to attend the Meeting because there are no means by which to confirm the credibility of shareholding by substantial shareholders. However, if such a request is made in advance and it can be confirmed with appropriate evidence that the requester is a beneficial shareholder, the Company will consider allowing attendance at the General Shareholders Meeting and the exercise of voting rights, etc., in consultation with the trust bank and/or custodial institutions.

Principle 1.3 Basic Strategy for Capital Policy

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Company aims at comprehensively increasing corporate value and sustainable corporate growth and believes that the most important management responsibility is to enable sustainable returns of earnings to shareholders while building sufficient internal reserves for the reinforcement of management base and investment in future growth.

The Company places emphasis on improving capital efficiency and aims to enhance corporate value through the sustainable improvement of ROE. In terms of capital allocation, based on the generation of core operating cash flow, the Company prioritizes growth investments expected to generate returns exceeding the cost of capital and promotes the strengthening and restructuring of its business portfolio. In addition, while taking into account the cash balance after considering investments, loans, and shareholder returns, the Company achieves flexible and stable capital allocation by combining the replacement of assets, including the reduction of policy shareholdings, with the disciplined use of interest-bearing debt premised on maintaining credit ratings (net D/E ratio of approximately 1.0x). Furthermore, the Company aims to achieve an optimal capital structure while taking into consideration the maintenance of its credit rating levels and financial risk management.

With respect to shareholder returns, the Company adopts a policy of stable and progressive dividends and will provide continuous shareholder returns with a minimum DOE (dividend on equity) of 3.5%. In addition, the Company targets a total payout ratio of approximately 40% and intends to provide returns through a combination of dividends and share repurchases. As for share repurchases, the Company will give priority to ensuring stable dividends based on DOE, and will implement repurchases flexibly, taking into account the gap from the total payout ratio target, the progress of investments and loans, and financial conditions.

If the Company intends to raise funds by means that dilute existing shares, the Company will implement the fundraising after the Board of Directors sufficiently examines the purpose and effect of the funds and upon careful explanations are provided to shareholders.

Principle 1.4 Cross-Shareholdings

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

(1) Holding Policy

From the perspective of business partnerships, creating business opportunities, maintaining and strengthening business relationships, etc., the Company holds shares of business partners, etc., when it is considered to contribute to enhancing corporate value over the medium to long term.

(2) Verification and Reduction Policy

Each year, the Board of Directors and the Management Committee regularly and comprehensively examine the appropriateness of the holding of individual shares, taking into account factors such as investment returns from transactions and dividends, capital efficiency, and the purpose of holding. The Company promotes the sale of shares that are deemed to be inconsistent with the purpose of the holding. In addition, during the period of the "Medium-Term Management Plan 2028," the Company aims to reduce its holdings to within 10% of consolidated net assets, excluding those with offtake rights.

(3) Criteria for Exercising Voting Rights

The Company has established the following screening criteria for exercising voting rights. For the stock issues that meet the criteria, the Company will scrutinize the details of the proposals and determine whether to vote for or against them.

- 1) a company whose value of shares are judged to be significantly impaired according to its stock price level and financial conditions
 - 2) a company whose operating income, ordinary income, or net income was recorded as negative in its business results for the previous fiscal year
 - 3) a company that caused a scandal with significant social impact, including violations of laws and regulations or anti-social acts
 - 4) a company that submits a proposal that is likely to hinder the purpose of shareholding and significantly impair the value of shares, including any proposal on changes of control or substantial revisions of corporate organization
- (4) Reduction Status for the Year Ended March 2026
- The Company sold all shares of 11 companies and a portion of shares of 1 company. As of the end of March 2026, the ratio of cross-shareholdings to consolidated net assets was 15.7%

Supplementary Principles

1.4.1 When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

If a cross-shareholder indicates an intention to sell the Company's shares, the Company will confirm the background of the intention to sell the shares. However, in principle, the Company will respect the intention of the other party and will not hinder the sale.

1.4.2 Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transaction without carefully examining the underlying economic rationale.

In its business activities, the Company believes that it is essential to ensure economic rationality in business transactions in order to achieve sustainable growth and increase corporate value, and this does not depend on whether or not the Company holds policy-held stocks.

Principle 1.5 Anti-Takeover Measures

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

We have continued to implement Large Scale Purchase Countermeasures (so-called Takeover Defense) since they were introduced in February 2007. However, we discontinued the takeover defense measures at the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2018.

Supplementary Principles

1.5.1 In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In the event of a large-scale purchase of our shares, we will require the purchaser to provide necessary and sufficient information, and will disclose the opinions of our Board of Directors in a timely and appropriate manner. In addition, we will endeavor to secure the time and information necessary for shareholders to consider, and will take appropriate measures to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

Principle 1.6 Capital Policy that May Harm Shareholder Interests

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and kansayaku should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Company is not currently scheduled to adopt a capital policy that results in a change of control or in significant dilution. If the Company plans to implement such a capital policy, however, the Company will duly consider the views of the independent outside directors and Audit and Supervisory Committee and make every effort to provide careful explanations to shareholders on the background, purposes, effects, etc. in relation to the adoption of the policy.

Principle 1.7 Related Party Transactions

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

The Company has established approval authority standards for related party transactions according to their importance and nature, in order to ensure that such transactions do not harm the interests of the Company and its shareholders. Based on these standards, transactions of a certain level of importance are submitted to the Board of Directors for deliberation and approval. In addition, for transactions that may give rise to conflicts of interest, such as transactions with the Company's officers, the Company conducts appropriate deliberations at the Board of Directors based on the details of such transactions and provides approval accordingly. With respect to these transactions, the Company strives to ensure their appropriateness under the supervision of the Board of Directors.

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

General Principle 2

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

The resources that sustain the Company's corporate activities and increase its corporate value are the Company's employees who share the majority of their lives with the Company; customers who purchase the Company's products and services; suppliers who provide the Company with products and services; financial institutions and corporate bond investors who provide the Company with operating funds and investment funds; and local communities who support the Company's business by providing infrastructure; and sustainable corporate activities and increased corporate value result from cooperation of all of these persons. For these various stakeholders, the Company voluntarily chooses business activities in recognition of the merit of the Company's existence, and the Company will further deepen cooperative relationships with each of these stakeholders.

Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

The Corporate Philosophy of the Company proclaims that by "Coping with changing times and markets quickly, Hanwa makes a great contribution to society by satisfying various needs of customers as a 'distribution specialist.'" The Company has a policy of pursuing trading company logistics with a difference, increasing its corporate value, and fulfilling social responsibility with an emphasis on compliance.

Principle 2.2 Code of Conduct

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

The Company strives to promote understanding of its corporate culture by communicating the meaning of its corporate creed, corporate slogan, and other principles at the time of employees' entry into the Company. Additionally, we have established the Hanwa Group Ethical Standards, Hanwa Group Code of Conduct, Hanwa Group Human Rights Policy, and other standards. The contents of these standards are compiled in our Compliance Manual, which is prepared in six languages and made available for all officers and employees to access, thereby promoting their practice and permeation.

In addition, under the 11th Medium-Term Management Plan, the Company has redefined its Mission and Hanwa Spirit based on a transformation-oriented approach and is promoting the permeation of values centered on "GRIP & GRIT" (the ability to seize opportunities and see things through).

Supplementary Principles

2.2.1 The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

In addition to the initiatives described in Principle 2-2, the Company has established a Compliance Committee, which promotes awareness of compliance and examines responses and measures to prevent recurrence in the event of incidents.

The Company also positions the maintenance of a sound workplace environment, including the prevention of harassment, as a key issue. The Committee implements various measures and enhances their effectiveness, and reports on its activities to the Board of Directors.

Principle 2.3 Sustainability Issues, Including Social and Environmental Matters

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

The Company has established the Sustainability Promotion Committee and addresses the issues related to the Company's sustainability. The Company has also established the "Environmental Policy" and "Guidelines for Environmental Corporate Action," has acquired ISO 14001 certification and promotes an environmental management program, where internal committee members and outside professionals conduct regular reviews.

The summary of the Company's sustainability basic policy is as follows.

1. Realization of sustainability through our business
2. Building of a sound and highly transparent organization
3. Creating a workplace where diverse personalities resonate and enhance each other
4. Passing on a rich global environment to the next generation
5. Realization of a society in which everyone can live comfortably

Furthermore, based on the Sustainability Basic Policy, we have identified the following sustainability issues (materiality) that the Group should focus on.

<Materiality to be mainly addressed through business activities>

- Formation of a recycling-oriented society
- Realization of carbon neutrality
- Building strong and flexible social infrastructure

<Materiality to be addressed to build the management foundation>

- Security and development of diversified human resources
- Advancement of risk management system

Supplementary Principles

2.3.1 The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.

The Company is promoting various initiatives to address issues related to its sustainability in order to realize the sustainable development and enhancement of corporate value of the Company and its group companies (collectively referred to as the "Group") over the mid- to long-term.

In responding to environmental issues, the Company obtained ISO 14001 certification for environmental management according to international standards in April 2000 and is promoting environmental management. With regard to business activities, in addition to its business development for the recycling of resources such as steel scrap, ferrous raw material, and wastepaper, the Company has realized effective measures for

“reducing (curtailing waste), reusing (reusing waste) and recycling (recycling waste)” in its activities, including its trade business approved by the relevant countries’ regulatory environmental authorities under the Basel Convention provisions governing procedures for the international transfer of metallic industrial waste and the biomass fuel/RPF business, in order to contribute to the evolution of a recycling-oriented society. Furthermore, in the “Medium-Term Management Plan 2028,” the Company positions decarbonization and resource recycling as growth opportunities and aims to further strengthen its problem-solving-oriented business. Specifically, in addition to expanding the handling of recyclable resources such as steel scrap, the Company is promoting initiatives to expand the handling of decarbonization-contributing products, including direct reduced iron (HBI). In the battery-related field as well, the Company is leveraging its expertise in battery raw material resources cultivated over many years to engage in transactions of intermediate materials for EV batteries, expand its lineup of battery-related materials, and promote recycling transactions of EV-related raw materials.

Through these initiatives, the Company aims to achieve both the realization of a decarbonized society across industries related to its business and the enhancement of corporate value.

Regarding respect for human rights, in accordance with the UK’s Modern Slavery Act 2015, which prohibits modern slavery and human trafficking, the Company has disclosed a statement regarding our response to modern slavery in our business activities and supply chain. In addition, we have formulated the Hanwa Group Human Rights Policy (<https://www.hanwa.co.jp/en/csr/society/human-rights.html>) and are working to ensure that human rights are respected across our business activities.

Regarding employee health management, the Company established the “Hanwa Health and Productivity Management Declaration” in April 2018, and the Representative Director and President assumed the position of Chief Health Officer (CHO). The Company also established a Health Management Promotion Section within the Personnel Department to promote the maintenance of physical and mental health among employees and the development of an environment in which employees can thrive.

Regarding crisis management, the Company has established a Crisis Management Manual and a Business Continuity Plan (BCP) Manual for Large Scale Disasters to respond to various risks that may arise while conducting business in a wide range of countries around the world. It works to minimize damage and ensure the safety of employees in the event of a crisis.

Regarding compliance issues, the Company has maintained a compliance manual since April 2006 as a guideline to be observed by all officers and employees. It has been prepared in various languages for all officers and employees of the Group around the world to ensure thorough compliance with laws and regulations.

In addition, to respond to sustainability issues, the Company established a Sustainability Promotion Committee in October 2021 and a system to discuss company-wide sustainability issues. Under the direction and supervision of the Board of Directors, the Committee plays a central role in promoting initiatives necessary for the Group to coexist with the Earth and society and pursue sustainable development.

Specific information on our sustainability initiatives, including the above, can be found on our website’s “Sustainability” page (<https://www.hanwa.co.jp/en/csr>) , among other pages.

Principle 2.4 Ensuring Diversity, Including Active Participation of Women

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

The Company recognizes that the presence of diverse perspectives and values based on a wide range of experiences, skills, and attributes within the organization constitutes an essential foundation for enhancing corporate value over the medium to long term and achieving sustainable growth. Based on this recognition, the Company positions the promotion of diversity, including the advancement of women, as one of its key priorities and actively promotes related initiatives.

Specifically, the Company strives to create an environment in which each employee can fully demonstrate their capabilities, while implementing recruitment and promotion based on individual abilities and aptitudes regardless of attributes such as nationality or gender. From the perspective of promoting women's advancement, in addition to implementing measures based on the action plan formulated under the Act on Promotion of Women's Participation and Advancement in the Workplace, the Company is deploying multifaceted human resource development and career support initiatives. These include roundtable discussions for female career-track employees targeting both management candidates and younger employees, participation in external leadership development programs, women's empowerment training, operation of a mentoring system, and the provision of overseas study opportunities.

Supplementary Principles

2.4.1 Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

The Company recognizes that the active participation of diverse human resources with a wide range of experience and values contributes to the enhancement of corporate value over the medium to long term. Based on this recognition, the Company has established as its basic policy to ensure equal opportunities at each stage of recruitment, assignment, development, and promotion, and to promote employees based on individual abilities, aptitudes, and performance. The Company discloses its approach to human resource strategies, as well as its policies on human resource development and workplace environment improvement, in its Annual Securities Report (including disclosures on human capital) and integrated reports.

As specific initiatives, with regard to the promotion of women's advancement, the Company has set numerical targets, including maintaining a hiring ratio of 30% or more for female career-track graduates and increasing the proportion of female career-track employees in managerial positions. In addition, the Company promotes planned development and advancement through initiatives such as a mentoring system, various training programs, and overseas assignments. With respect to mid-career hires, the Company monitors not only the hiring ratio but also the status of their promotion to managerial positions, and promotes them based on their abilities and aptitudes. The progress of these indicators is continuously disclosed in the Annual Securities Report and integrated reports.

On the other hand, the Company has not established numerical targets for the promotion of foreign nationals to managerial positions at this time. While this reflects the Company's current hiring structure, in line with the expansion of its overseas business, the Company is promoting the development and utilization of global talent, including foreign nationals. The Company is working to ensure diversity by providing opportunities for promotion based on ability regardless of nationality and by enhancing the working environment.

The Company continuously monitors these conditions and will, as necessary, review its approach to setting indicators, taking into account future business developments and changes in its human resource portfolio.

Principle 2.5 Whistleblowing

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

The Company has established the Internal Whistleblowing Rules and set up points of contact both inside and outside the Company that group employees can freely reach out to report on compliance and other issues with no restrictions from their organizations. The Company will not be notified of the names of employees who report issues without their consent. Information reported to a reporting whistleblowing channel is forwarded to the office of the Compliance Committee with strict protection of privacy, and the Company promptly investigates all the facts in cooperation with members of the Compliance Committee and takes measures to correct them, etc., as necessary. If an event is judged to be critical, the Company will disclose the relevant information promptly and accurately, fulfill all its duties of accountability, and report the event to the Board of Directors.

Supplementary Principles

2.5.1 As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside kansayaku). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

The Company appoints external attorneys as points of contact who are independent from the management. Such persons who are contacted to report to the Company on facts that come to light through the reports, give guidance, and conduct investigations with strict protection of the privacy of the whistleblowers who contact them. In addition, the Company appropriately handles facts reported to the points of contact to ensure that the whistleblowers are not treated unfairly by the Company, regardless of whether the information is reported anonymously or not.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Company manages pension reserves through Pension Fund of Hanwa Co., Ltd. (hereinafter referred to as the Pension Fund).

The Company assigns personnel responsible for pension asset management within its Finance Department, who concurrently serve as staff members of the Pension Fund. In addition to utilizing personnel with experience in markets and investment within the Finance Department, the Company has established a Pension Committee, primarily composed of officers and managers responsible for the Human Resources, Finance, and Accounting Departments, as well as an Asset Management Subcommittee specializing in investment operations, in order to ensure the stable and efficient management and operation of the Pension Fund and its assets.

Furthermore, the Company has engaged an external investment consultant to obtain professional advice on asset management from an independent third-party perspective and conducts continuous monitoring while appropriately managing conflicts of interest.

The Pension Fund aims to secure the pension assets necessary to reliably provide benefits stipulated in its regulations to participants and beneficiaries of the corporate pension plan over the long term. In line with

this objective, it has established investment targets and policies as the “Basic Policy for Pension Asset Management,” which is provided to asset management institutions, and monitors those institutions on an ongoing basis.

The “Basic Policy for Pension Asset Management” is reviewed periodically in light of changes in the investment environment and other relevant factors.

In addition, as an asset owner that allocates its assets independently, the Pension Fund has declared its acceptance of Japan’s Stewardship Code and requires the asset management institutions entrusted with asset management to engage in stewardship activities.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

General Principle 3

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

As the Company believes that appropriate information disclosure is required to enable shareholders and other stakeholders to deepen their understanding of the Company, it strives for prompt and accurate information disclosure in accordance with the Disclosure Policy. With regard to important information including non-financial information, not to mention disclosures under laws and regulations, the Disclosure Committee deliberates on the necessity of disclosure and the content thereof. Important information judged by the Committee to facilitate the shareholders' and stakeholders' understanding of the Company will be provided on the Company's website, etc.

Principle 3.1 Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;**
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;**
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;**
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and kansayaku candidates; and**
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).**

- i) Company objectives (e.g., business principles), business strategies and business plans;**

The Company's Corporate Philosophy proclaims that by "Coping with changing times and markets quickly, Hanwa makes a great contribution to society by satisfying various needs of customers as a 'distribution specialist.'" Under this Corporate Philosophy, as a user-oriented trading company which provides high value-added product distribution and proposal-based services which meet customer demands, the Company pursues trading company logistics with distinction. The Company is committed to enhancing corporate value and fulfillment of its social responsibilities, emphasizing compliance in these activities. In principle, the Company formulates a medium-term management plan every three years and publicly discloses the plan. In addition, the Company announced its "Medium-Term Management Plan 2028" on May 12, 2026, covering the period from fiscal 2026 to fiscal 2028. An overview is as described in Principle 5-2. For further details, please refer to the Company's website.

- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;**

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

In addition, to coexist with the Earth and society and to develop sustainably, we have established the

Sustainability Promotion Committee and promoted management initiatives with a focus on sustainability.

iii) Board policies and procedures in determining the remuneration of the senior management and directors;

The Company has established a remuneration system consisting of monetary remuneration and compensation in the form of company stock (restricted stock compensation) for directors (excluding directors who are Audit and Supervisory Committee members). The annual monetary remuneration decided at the Ordinary General Shareholders Meeting held in June 2025 is within the total amount of 860 million yen (within 100 million yen for outside directors). The restricted stock compensation is within the total annual amount of 150 million yen (the maximum number of shares to be granted is 50,000 per year, or 250,000 per year after the stock split at a ratio of five shares for each share, effective April 1, 2026) decided at the Ordinary General Shareholders Meeting held in June 2025. The Board of Directors determines the specific amount of remuneration for each director. The Company has established a decision-making policy pertaining to the content of remuneration for each director (excluding directors who are Audit and Supervisory Committee members), a summary of which is as follows.

The basic policy of the Company's remuneration system for directors (excluding directors who are Audit and Supervisory Committee members) is to ensure that it functions sufficiently as an incentive for the sustainable enhancement of corporate value and that it is at an appropriate level based on the responsibilities of each position. Specifically, the remuneration system consists of basic remuneration, which is a monthly fixed amount determined based on the standard amount of remuneration for each position and taking into consideration the comprehensive evaluation of directors made by the Nomination and Remuneration Advisory Committee, which is chaired by an outside director and composed of a majority of outside directors, with an emphasis on their attitude toward medium- and long-term issues aimed at sustainable growth and the results of their efforts; performance-linked remuneration, which reflects the performance indicators for each fiscal year that the management team as a whole bears; and restricted stock compensation designed to provide incentives to increase corporate value over the medium to long term. Outside directors, who are responsible for supervisory functions, are paid only basic remuneration in consideration of their duties.

In determining the ratio of remuneration by type, the Nomination and Remuneration Advisory Committee considers the level of remuneration based on the benchmarks of companies in the same scale of business and related industries and business categories as the Company.

With regard to procedures for determining the individual compensation of the management members and directors (excluding directors who are Audit and Supervisory Committee members), the Nomination and Remuneration Advisory Committee plays a leading role in determining them, in accordance with the following procedures.

The Nomination and Remuneration Advisory Committee meets at least twice a year to conduct a comprehensive evaluation of basic remuneration based on an assessment of the level of commitment of executive directors and executive officers (excluding the President and outside directors) and a peer review process by all directors and executive officers. Based on the results, the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors, prepares a proposal for basic remuneration and the Board of Directors makes a decision on the amount.

Performance-linked remuneration is determined by the Board of Directors after the Nomination and Remuneration Advisory Committee examines the proposed calculation method for each fiscal year, with the aim of ensuring that the remuneration accurately reflects the achievements and responsibilities of each management member and executive director.

Restricted stock compensation is positioned as compensation for each management member and executive director's responsibilities to shareholders in increasing corporate value in accordance with his or her position. With this in mind, the Board of Directors determines the specific number of shares to be paid (the amount of monetary compensation claims to be used to pay for the acquisition of shares)

based on the Nomination and Remuneration Advisory Committee's consideration of the level deemed appropriate for each position.

The amount of remuneration for each executive member of the management team other than directors (executive officers) is determined in accordance with the same system and procedures as those for executive members who also serve as directors.

The remuneration for directors who are Audit and Supervisory Committee members was determined through the discussion held by directors who are Audit and Supervisory Committee members to be within the total annual amount of 120 million yen as determined by the Ordinary General Shareholders Meeting held in June 2025.

- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors candidates.

To select internal directors(excluding directors who are Audit and Supervisory Committee members), the Nomination and Remuneration Advisory Committee, which is chaired by an outside director and the majority of its members consist of outside directors, reviews the directors of the following fiscal year based on their evaluation from directors and executive officers and the results of their performance evaluations of employees. A draft is then submitted to the Board of Directors where a proposal of the list of candidates is then forwarded to the Annual Shareholders Meeting. In addition, the Nomination and Remuneration Advisory Committee deliberates on the positions of directors (excluding directors who are Audit and Supervisory Committee members) and draws up a draft to be approved by the Board of Directors.

With regard to director who is full-time Audit and Supervisory Committee member, the Board of Directors selects persons deemed capable of executing the duties as candidates from among internal directors and executive officers, etc. in consideration of their fields of specialty, their careers, and other factors. A proposal list of candidates is then forwarded to the Annual Shareholders Meeting with prior consent from the Audit and Supervisory Committee.

To select outside directors, appropriate candidates are examined from all perspectives in consideration of the balance of their abilities and any excesses or deficiencies in the fields of specialty of the outside directors based on the fields of specialty of those retiring and of those remaining, and a proposal of the list of candidates is then prepared.

More specific criteria for the nomination of candidates for directors and the appointment and dismissal of senior management are currently under consideration, including the necessity of such criteria. Discussions will be held at the Nomination and Remuneration Advisory Committee in the future.

- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

Reasons for proposals for electing the senior management, directors are stated in the Notice of Shareholders Meeting, together with brief career summaries. In the event that a senior executive is dismissed, the company will explain the background and the reason for the dismissal of the previous executive when disclosing the replacement.

Supplementary Principles

3.1.1 These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

With respect to descriptions in fields not legally regulated, including disclosures in compliance with relevant laws and regulations, the Company aims to offer descriptions that are practicably clear and specific to deepen the understanding of users.

3.1.2 Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

To respond to increase in foreign shareholders, the Company provides fundamental information in English

language company guides and web pages and makes the efforts to schedule its English language disclosures of settlement information, timely information disclosure, and Notice of Shareholders Meeting concurrently with its disclosures in Japanese. In addition, the Company prepares English versions of Integrated Report.

3.1.3 Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

The Company has identified key sustainability issues (materialities) to be addressed on a priority basis in order to coexist with the environment and society while achieving sustainable enhancement of corporate value. The details are as follows:

- Realization of a sustainable circular society
- Achievement of carbon neutrality
- Development of resilient and flexible social infrastructure
- Securing and developing diverse human resources
- Enhancement of risk management systems

The Company discloses information on sustainability, including initiatives related to materiality, as appropriate through the "Sustainability" page (<https://www.hanwa.co.jp/en/csr/>) on its website.

The Company also has a human resources strategy aimed at enhancing human capital and is working to create an environment in which a diverse workforce can work while growing sustainably, as well as promoting the introduction of systems that support each employee's ability to demonstrate his or her strengths and take on challenges. The specific efforts, indicators, targets, and results related to human capital are disclosed in the securities report.

Furthermore, the Company has expressed its support for the TCFD recommendations and utilizes the TCFD's framework to assess and identify the impact of climate change on the Company's business activities from the perspectives of risks and profit opportunities, the details of which are disclosed. With regard to climate change-related indicators and targets, greenhouse gas emissions have been set as an indicator, with medium- to long-term reduction targets set as "FY2030 Domestic Scope 1+2 34% reduction (compared to FY2021)" and "FY2050 Carbon neutrality." TCFD disclosures can be found on the "Dealing with Climate Change" page (<https://www.hanwa.co.jp/en/csr/environment/climate-change.html>) of the Company's website.

Principle 3.2 External Auditors

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

As the Company believes that the appropriateness of its financial information is guaranteed by the audits by the external auditor (independent auditor), the Company fully cooperates with the independent auditor's audit engagements and strives to ensure coordination of the Internal Audit Department and the Audit and Supervisory Committee with the independent auditor. The Company judges that the independent auditor conducts the auditing of the Company with the same recognition.

Supplementary Principles

3.2.1 The kansayaku board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and**
- ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.**

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors;

With regard to selection of the external auditor and other matters, the Audit and Supervisory Committee evaluates the external auditor annually by comprehensively considering evaluation items such as quality control, independence, and expertise, in addition to understanding the content of audits through audit reports and other means, as well as the status of initiatives and information exchange related to accounting audits.

- ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.

The Company has selected KPMG AZSA LLC as its independent auditor. The Audit and Supervisory Committee of the Company has confirmed that KPMG AZSA LLC possesses sufficient independence and expertise, through the actual results of past audits of the Company, social evaluations as an audit corporation, regular information exchanges, audit reports, etc.

3.2.2 The board and the kansayaku board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;**
- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;**
- iii) Ensure adequate coordination between external auditors and each of the kansayaku (including attendance at the kansayaku board meetings), the internal audit department and outside directors; and**
- iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.**

- i) Give adequate time to ensure high quality audits;

The Company believes that it provides necessary and adequate time for audits based on requests from the external auditor (independent auditor).

- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;

With regard to the point of contact between the independent auditor and the senior management of the Company, the independent auditor holds regular interviews with the Director and President around once a year and requests interviews at any time as necessary. In addition, a place for hearing from other senior management has been established consecutively or as necessary.

- iii) Ensure adequate coordination between external auditors, the Audit and Supervisory Committee, the internal audit department and outside directors;

The independent auditor has a place to exchange information with the directors who are the Audit and Supervisory Committee and the Internal Audit Department of the Company during the review of each quarterly settlement and makes inquiries, etc., at any time as necessary. Opportunities for regular interviews with outside directors, etc. have not yet been determined, but there is no hindrance from conducting interviews as necessary.

- iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.

If the independent auditor discovers misconduct, etc. to which the Company is required to respond or identifies inadequacies or concerns, the independent auditor will report the fact to the management or to

the Compliance Committee depending on content. In case of significant impact, the Company will report the fact to the Board of Directors, etc. while disclosing information in a timely and precise manner. A director or executive officer in charge will examine potential responses to the issues identified by the independent auditor and immediately take measures to correct or improve them as necessary.

Section 4: Responsibilities of the Board

General Principle 4

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including shikkoyaku and so-called shikkoyakuin) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with Kansayaku Board (where a part of these roles and responsibilities are performed by kansayaku and the kansayaku board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

In principle, the Board of Directors of the Company establishes the medium-term business plan every three years to show the direction toward which the Company should strive. In addition, the Company stipulates the decision-making authority according to each position and allows the management members and directors to make management decisions within the scope of their authority to execute their duties taking a certain risk, provided that they are required to fulfill their responsibilities for results and accountability. Furthermore, in order to support appropriate risk-taking, the Company is developing a framework for the quantitative assessment and monitoring of risks based on a group-wide risk appetite approach. Specifically, the Company continuously assesses its overall risk level using indicators such as financial metrics and risk assets, and has established a system that enables management decisions with due consideration for the balance between capital efficiency and financial soundness.

With respect to highly effective oversight of the management and directors, the Company strives to ensure more appropriate and effective oversight by having the Board of Directors regularly receive reports on and verify the status of key risks and capital allocation as well as by strengthening the function of the Audit and Supervisory Committee and separating the executive function from the Board of directors.

Principle 4.1 Roles and Responsibilities of the Board (1)

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The Board of Directors of the Company decides the final contents of the medium-term business plan drafted by the Management Committee while closely examining how specific the contents are and the appropriateness of the direction toward which the Company should strive. During the period of the medium-term business plan, the Company judges the appropriateness of execution of duties in light of the policies set forth in the plan.

Supplementary Principles

4.1.1 The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

The Company stipulates the decision-making authority of an organ according to the importance of decisions and monetary scale and other factors in the Regulation on the Board of Directors and the Standard for Submission to the Board of Directors, as well as the Regulations on the Management Committee and the Standard for Submission to the Management Committee, while prescribing the scope of operational delegation according to the positions of the executive officers, etc. in the Standard for Approval.

4.1.2 Recognizing that a mid-term business plan (chuuki keiei keikaku) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

At the Company, the Board of Directors resolves the medium-term business plan, and all officers and employees make every effort to achieve the targets.

In promoting the plan, we identify and analyze the progress of each measure through regular strategy promotion meetings and make course corrections as necessary. In addition, we report on the progress of the promotion meetings and each theme to the Management Committee and the Board of Directors for further discussion. For shareholders and other stakeholders, we mainly report on the progress of quantitative targets at financial results briefing sessions and other occasions.

At the end of the medium-term business plan, we analyze the differences between the plan and actual results and reflect this analysis in the formulation of the next plan. The details of the plan are explained to shareholders and other stakeholders at financial results briefing sessions and other events.

4.1.3 Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

The Company has established a Nomination and Remuneration Advisory Committee as an advisory organ of the Board of Directors to deliberate on the appointment of directors. The Committee conducts deliberations, including with the participation of outside directors, and submits its recommendations to the Board of Directors.

With respect to the succession plan, although no fixed procedures have been formally established at this time, from fiscal 2026 the Company plans to initiate the formation of a candidate pool for the selection of a successor to the Chief Executive Officer and to commence reviews of candidates by the Nomination and Remuneration Advisory Committee, in order to enhance the visibility of management talent candidates and their development plans. In addition, the Committee will discuss the desired profile and qualities required of the Chief Executive Officer, as well as methods for developing such talent.

Based on these considerations, the Board of Directors will examine, in addition to the required qualifications and development policies for management personnel, how it should be involved in the formulation and operation of the succession plan.

Furthermore, from fiscal 2024 the Company has introduced a succession plan for executive officers, including executive directors. In addition, since fiscal 2003, the Company has operated a qualitative evaluation system for executive officers, including executive directors, under which evaluation items reflecting the qualities required of desirable management personnel are set and the results are accumulated. By accumulating annual evaluations and feedback, and combining them with succession planning for management appointments, the Nomination and Remuneration Advisory Committee deliberates and reports to the Board of Directors, thereby contributing to the selection of candidates who possess the appropriate qualities as senior management.

In terms of development, the Company intends to enhance training programs for directors and director candidates, as well as to provide opportunities that contribute to improving a management perspective through job rotations and other assignments.

In selecting successors, the Company comprehensively evaluates not only the performance of directors and executive officers but also their character, insight, leadership, and other attributes. Following deliberations by the Nomination and Remuneration Advisory Committee, candidates are recommended to the Board of Directors, which makes the final decision on the next Chief Executive Officer and other positions.

Principle 4.2 Roles and Responsibilities of the Board (2)

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

With regard to routine work, the Company determines decision-making authority based on a monetary standard. It allows senior management members to make operational judgments within the scope of their authority and with responsibility for results and accountability. In addition, with respect to investment and new business, the Company presents decision-making procedures and items to be confirmed, etc., for approval to facilitate new efforts by senior management.

In terms of the management's remuneration, we use a system combining basic remuneration fluctuates based on the level of achievement in evaluations of commitment to medium- to long-term management issues, the formulation and execution of strategies, and risk management; a bonus (performance-linked salary) determined based on each fiscal year's corporate performance; and restricted stock compensation that aims to reflect the medium- to long-term improvement in corporate value in the compensation of the management team. We design this system while considering perspectives such as time frame and objectives.

Supplementary Principles

4.2.1 The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately

The procedures for determining the specific amount of compensation for individual members of the Company's management team are described in "[Principle 3-1.] (iii) Board policies and procedures in determining the remuneration of the senior management and directors.

The percentage of each type of remuneration is determined by the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors, and the Board of Directors, which receives reports from the Committee, through deliberation and consideration in establishing the "Policy for Determining Individual Director Remuneration," and the Company believes that the content of these decisions is appropriate.

4.2.2 The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid-to long-term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

In order to achieve sustainable growth for the Group, the Company has established the Sustainability Promotion Committee, which oversees our efforts to address sustainability issues. The Board of Directors directs and oversees the efforts of the Committee, and periodically verifies the progress of the medium-term business plan and other plans, thereby effectively exercising its supervisory function to ensure the sustainable growth of the Group. The Company's sustainability basic policy is as follows.

Sustainability Basic Policy

As “Distribution specialist” as stated in our management philosophy, the Company and its group, by resonating with various stakeholders and understanding their needs, will connect each other through tangible and intangible services and contribute to society at large, thereby passing on prosperous planet and comfortable society to the next generation.

1. Realization of sustainability through our business

As a distributor, we will build a sustainable supply chain and contribute to each industry and society by providing a wide variety of products and services, taking into account the needs of suppliers and users at every stage of the supply chain.

2. Building of a sound and highly transparent organization

We will share the values of our corporate creed (Trust, Honesty, Ingenuity, Harmonious Cooperation, and Contribution) with all employees, and aim for management that is highly satisfactory to various stakeholders by making decisions in consideration of compliance and risks through appropriate and transparent processes.

3. Creating a workplace where diverse personalities resonate and enhance each other

We provide a healthy and stress-free work environment for a diverse range of employees regardless of nationality or gender, and foster a place where they can work hard for self-development and self-improvement by providing opportunities for them to play an active role in accordance with their abilities.

4. Passing on a rich environment to the next generation

We will preserve the ecosystem by complying with business rules and environmental regulations, making effective use of resources, and reducing environmental impact. We will pass on to future generations a global environment that is free from climate change and pollution, where a wide variety of living creatures can coexist and natural resources such as forests and oceans can be used sustainably.

5. Realization of a society in which everyone can live comfortably

We respect the human rights of individuals and the differences in culture and customs between countries and regions, do not engage in human rights abuses or discriminatory practices, and contribute to the development of comfortable and healthy international and local communities by realizing global partnerships through cross-border transactions.

Principle 4.3 Roles and Responsibilities of the Board (3)

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

With regard to the evaluation of business execution of directors and executive officers, the Company has enforced the Officer Evaluation System since FY2003 (as for executive officers, since FY2012 when the Executive Officer System started) and determined the evaluation every year based on the examination by the Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors. Based on the results of the evaluation, the Nomination and Remuneration Advisory Committee examines personnel appointments of senior management, and executive officers and the Board of Directors makes decisions.

With respect to information disclosure, internal control and risk management, the Company has established a Disclosure Committee, Internal Control Committee, Compliance Committee, Trade Compliance Committee, Investment Review Committee, etc. Furthermore, the Board of Directors receives reports from each committee as necessary, thereby developing and supervising the management systems for each of these areas.

In addition, regarding conflict-of-interest acts with related parties, including management, controlling shareholders and others, the Company has established a management framework as described in Principle 1-7 above.

Supplementary Principles

4.3.1 The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.

The Nomination and Remuneration Advisory Committee, the majority of whose members are outside directors, conducts a comprehensive evaluation based on an assessment of the level of commitment of senior management and a peer review process by all directors and executive officers. As the result of the evaluation, the Committee determines drafts for the election, promotion and dismissal of senior management members, and consults the Board of Directors for deliberation.

4.3.2 Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

The Company has introduced an officer evaluation system that employs the evaluation of achievement levels for medium- to long-term management issues and qualitative evaluations. Based on the evaluations conducted every fiscal year, the evaluation criteria are checked, and the results are reviewed by the Nomination and Remuneration Advisory Committee, which selects candidates. Since the Company has presented the requirements for officer that they should aim for upon assuming office as directors through evaluation criteria, we believe that those who have received excellent evaluations will be promoted to higher positions and will ultimately be selected as candidates for the position of Chief Executive Officer with unanimous approval.

Furthermore, the Nomination and Remuneration Advisory Committee makes decisions on reappointment or dismissal, considering factors such as changes in the environment and circumstances surrounding the Company and progress of established strategies as well as the values, abilities, behavioral characteristics, etc. required of the CEO.

4.3.3 The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

The CEO may be dismissed, even during his/her term of office, by a resolution of the Board of Directors after deliberation by the Nomination and Remuneration Advisory Committee, chaired by an outside director, in the event of a violation of laws and regulations by the CEO or if the CEO is clearly recognized as not fulfilling the CEO's responsibilities properly.

4.3.4 The establishment of effective internal control and proactive enterprise risk management systems has the potential to supporting sound risk-taking. The board should place priority on the appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.

The Company has established a Compliance Committee, Internal Control Committee, Security Trade Control Committee, etc., each of which is chaired by a director or executive officer in charge and is mainly composed of the heads of administrative departments. These Committees inspect risk on compliance, internal control, investment and financing, trade transactions, etc., serve as points of contact for consultation, appropriately handle the issues, and The Board of Directors has established a framework under which it receives reports as necessary and conducts oversight accordingly. In addition, the Company has established an Internal Audit Department as an organization independent from both the sales and administrative divisions. The Board of Directors has also established a management framework whereby it regularly receives reports on various audit results from the Internal Audit Department and exercises oversight based on such reports.

Principle 4.4 Roles and Responsibilities of Kansayaku and the Kansayaku Board

Kansayaku and the kansayaku board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of kansayaku and external auditors and the determination of auditor remuneration.

Although so-called “defensive functions,” such as business and accounting audits, are part of the roles and responsibilities expected of kansayaku and the kansayaku board, in order to fully perform their duties, it would not be appropriate for kansayaku and the kansayaku board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

The Audit and Supervisory Committee and its members strive to make appropriate judgments from independent and objective standpoints. To that end, they attend meetings of the Management Committee and other important meetings, conduct visiting audits of group companies, hold hearings with senior management, and establish a regular place for sharing information with the Internal Audit Department and the external auditor (independent auditor), in order to monitor the Company and group companies. In addition, the Audit and Supervisory Committee of the Company focuses on proactive auditing to prevent scandals and strives to audit legal compliance and operational validity. Furthermore, with the participation of three outside directors who are Audit and Supervisory Committee members with ample knowledge and experience in corporate activities, the committee maintains an independent and objective stance from the Board of Directors to perform operational auditing accurately and express their opinions to the Board of Directors.

Supplementary Principles

4.4.1 Given that not less than half of the kansayaku board must be composed of outside kansayaku and that at least one full-time kansayaku must be appointed in accordance with the Companies Act, the kansayaku board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, kansayaku or the kansayaku board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

For the Audit and Supervisory Committee, a its inside member chiefly elected from within the Company attends the meetings of the Management Committee and other meetings to collect management-related information, etc., and reports the information, etc. with his/her own commentary to the outside directors who are Audit and Supervisory Committee members to facilitate the understanding of the outside directors who are Audit and Supervisory Committee members while conducting interviews with the senior management, etc. and expressing his/her views as necessary.

With regard to cooperation with outside directors to assist with their collection of information, the outside directors attend hearings with senior management conducted by the Audit and Supervisory Committee and may jointly conduct activities according to the importance of management issues.

Principle 4.5 Fiduciary Responsibilities of directors and Kansayaku

With due attention to their fiduciary responsibilities to shareholders, the directors, kansayaku and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

Directors and the management of the Company strive to execute their ideal roles in cooperation with various stakeholders in order to fulfill their fiduciary responsibilities to shareholders. The Company considers this to be conducive to the interests of the Company, and consequently to the common interests of its shareholders. In addition, the Company discloses information to its shareholders in a timely and appropriate manner.

Principle 4.6 Business Execution and Oversight of the Management

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

The Company has appointed six outside directors and therefore believes that the effectiveness of the Board of Directors' oversight function over management is duly ensured.

Principle 4.7 Roles and Responsibilities of independent directors

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;**
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;**
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and**
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.**

The Company's six independent outside directors have expertise in areas such as finance/accounting, legal affairs, IT, human resources/labor affairs, etc. in addition to experience in corporate management. They provide beneficial advice and opinions from third-party perspectives based on their knowledge, experience, etc., at the Board of Directors meetings and other occasions. In addition, the independent outside directors also participate in the Nomination and Remuneration Advisory Committee and appropriately express their views from third-party perspectives about the evaluation, election, etc. of directors and executive officers.

Principle 4.8 Effective Use of independent directors

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on the other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on the other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

As of the conclusion of the 79th General Shareholder Meeting held on June 26, 2026, the total number of directors is thirteen, and six independent outside directors, more than one-third of the total, have been appointed.

The Company recognizes that each outside director has expressed useful opinions and proposals from an independent standpoint at the Board of Directors meetings and is fulfilling his/her functions sufficiently.

Supplementary Principles

4.8.1 In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

Independent outside directors regularly hold in meetings with the full-time director who is the Audit and Supervisory member to exchange information and share their understanding.

4.8.2 independent directors should endeavor to establish a framework for communicating with the management and for cooperating with kansayaku or the kansayaku board by, for example, appointing the lead independent director from among themselves.

Although the Company has not appointed a lead independent outside director, an independent outside director serves as the chairperson of the Nomination and Remuneration Advisory Committee and the Board of Directors Evaluation Committee, playing a leading role in communicating with the management team and collaborating with the Audit and Supervisory Committee.

4.8.3 Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent directors to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.

The composition of the Company's major shareholders (top 10) as of the latest record date is as disclosed on the Company's website, etc. In addition, the Company recognizes that there are no shareholders, including so-called substantial shareholders who are not listed in the shareholders' register, who fall under the category of controlling shareholders of the Company because no shareholder or investor has submitted a report on the holding of shares at a level that has a controlling relationship with the Company in the Statement of Large-Volume Holdings submitted to the Finance Bureau in accordance with the Financial Instruments and Exchange Act.

Principle 4.9 Independence Standards and Qualification for independent directors

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

With regard to standards for judgment when electing independent outside directors, the Company established regarding "Independence Standards for Outside Directors" as follows.

"Independence Standards for Outside Directors"

When an outside director of the Company does not fall under any of the following cases, he or she is judged independent from the Company.

1. A major shareholder of the Company (meaning a shareholder who holds either directly or indirectly 10% or more of the total voting rights of the Company at the end of the most recent fiscal year), or an executing person thereof.
2. A person belonging to or an executing person of a company of which the Company is a major shareholder (holding 10% or more of the total voting rights of the company at the end of the most recent fiscal year.)
3. A major business partner of the Company (whose annual transaction with the Company exceeds 2% of the consolidated net sales of the Company during the most recent fiscal year), or an executing person thereof.
4. A major lender to the Company (whose outstanding loans to the Company at the end of most recent fiscal year exceeds 2% of the consolidated total net assets of the Company), or an executing person thereof.
5. A representative or an employee who belongs to the audit corporation that is the accounting auditor of the Company.
6. A consultant, legal professional, certified public accountant, tax accountant, or other person providing a specialist service who received 10 million yen or more of monetary consideration or other properties per year from the Company other than officer remuneration in the most recent fiscal year (referring to a person belonging to the organization if the one who received the relevant property is an organization such as corporation and association.)
7. A person who received the annual total of 10 million yen or more of donations or aid funds from the Company in the most recent fiscal year (referring to an executing person who belongs to the organization if the one who received the relevant donations or aid funds is an organization such as corporation and association.)

8. A person who falls under any of 1 to 7 above in the past three years
9. A person whose close relative falls under any of 1 to 8 above.

(Note1.) An executing person refers to an executive director, executive officer, corporate officer, or staff executing business of an entity

(Note2.) A close relative means a relative within the second degree of kinship

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

Principle 4.10 Use of Optional Approach

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Company has adopted a company with an Audit and Supervisory Committee structure under the Company Act. In addition, to improve governance functions, the Company has established the Nomination and Remuneration Advisory Committee responsible for preparing drafts the evaluation, appointment and dismissal, and compensation of directors and executive officers. The Company has established committees such as the Disclosure Committee, Compliance Committee, Internal Control Committee, Security Trade Control Committee, Investment Examination Committee, and other committees to deal with companywide issues in the execution of business operations. Each committee examines relevant matters, gives advice as necessary, and provides the Management Committee and the Board of Directors with its opinions.

Supplementary Principles

4.10.1 If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

As an advisory organ for the evaluation, appointment, and remuneration of directors and executive officers, the Company has established the Nomination and Remuneration Advisory Committee. The chairperson and the majority of the members of the Committee are outside directors, which ensures the independence and objectivity of the supervisory function of the Board of Directors.

In addition the Committee determines the comprehensive evaluation based on an assessment of the level of commitment of executive directors and executive officers (excluding the President and outside directors) and a peer review process by all directors and executive officers. The Committee discusses the proposed composition of the senior management and directors (including candidates), as well as the overall remuneration system for the senior management and directors (excluding directors who are Audit and Supervisory Committee members). By comprehensively deliberating on nominations and remuneration based on the evaluation results of directors and executive officers, the Committee enhances the linkage among the evaluation, appointment, and remuneration of senior management. The committee has the authority to report the details of its decisions to the Board of Directors.

Principle 4.11 Preconditions for Board and Kansayaku Board Effectiveness

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender and international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as kansayaku. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as kansayaku.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Company operates in a wide range of business fields. The Company has internal directors who are well versed in each field to match our business balance. Five out of the Company's seven internal directors are internationally minded, with experience of international assignments. Outside directors (two of whom are female outside directors) are also selected based on their outstanding expertise in finance/accounting, legal affairs, IT, human resources/labor affairs, etc. in addition to experience in corporate management.

The Company believes that it should appoint personnel who are valuable to our management decisions as directors, regardless of gender, internationality, or other factors. As for female directors, two women have been appointed as outside directors. In the future, the company will continue its efforts to promote female employees to management positions so that female candidates for directors can be appointed within the company. There are no foreign directors. This is because, in light of the fact that we have inadequate internal systems, including language support, and that approximately 62% of our current sales are from transactions in Japan, the Company believes that there is no strong need for foreign directors at this time. The Company intends to continue to discuss the necessity of including foreign nationals among the candidates for directors at meetings of the Nomination and Remuneration Advisory Committee as an issue to be studied in the future.

Some directors who are Audit and Supervisory Committee members with financial knowledge who used to work at banks, as well as individuals who have long been engaged in legal departments have been appointed. Although the Company judges that directors who are Audit and Supervisory Committee members possess management experience, business experience, and skills that are appropriate for their duties as business auditors, they are not all necessarily well versed in all areas of finance, accounting, and legal affairs, but they are naturally striving to improve their skills. However, the Company judges that the members complement one another in auditing operations and that the Audit and Supervisory Committee as a whole possesses sufficient auditing capabilities. The Company believes that it is useful for it to appoint Audit and Supervisory Committee members from the perspective of enhancing effective governance at this point in time, rather than relying on external standards such as organization of origin.

In addition, the Board of Directors endeavors to improve its functions in consideration of the evaluations of individual directors and the views expressed by the Audit and Supervisory Committee.

Supplementary Principles

4.11.1 The board should identify the skills, etc., that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what it known as a “skills matrix.” When doing so, independent directors with management experience in other companies should be included.

Regarding the appointment of directors, please refer to Principle 3-1 iv. The Company believes that the main skills required of each director to ensure the effectiveness of the Board of Directors are “corporate management,” “sales/business strategy,” “overseas experience,” “finance/accounting,” “legal/risk management,” “human resources/labor affairs,” and “IT/digital.” The expertise possessed by each director is as shown in the skill matrix, and we appoint persons with each skill in a well-balanced manner.

The Board of Directors of the Company consists of thirteen members, including six independent outside directors, all six of whom have management experience at other companies.

Skill Matrix

Name	Position	Gender	Corporate management	Sales/ Business strategy	Overseas experience	Finance/ Accounting	Legal affairs /RM	HR/ Labor affairs	IT/ Digital
Yoichi Nakagawa	Representative Director and President	Male	●		●	●	●	●	
Yoshifumi Miyano	Director and Senior Managing Executive Officer	Male	●	●	●				
Hisashi Honda	Director and Senior Managing Executive Officer	Male	●	●		●		●	●
Kenji Naito	Director and Managing Executive Officer	Male	●	●	●				
Yasuhiko Watanabe	Director and Managing Executive Officer	Male	●	●	●	●	●		
Daigo Matsumoto	Director and Executive Officer	Male	●	●					
Kamezo Nakai	Outside Director	Male	●	●		●	●	●	●
Reiko Furukawa	Outside Director	Female	●				●		●
Chika Sato	Outside Director	Female	●		●			●	
Ryuichi Takaba	Director, Audit and Supervisory Committee Member (Full-time)	Male	●	●	●				
Hideyuki Takahashi	Outside Director, Audit and Supervisory Committee Member	Male	●			●	●		●
Naoya Sakurai	Outside Director, Audit and Supervisory Committee Member	Male	●				●		
Hisanori Kokuga	Outside Director, Audit and Supervisory Committee Member	Male	●	●	●	●		●	

Note: “Sales/Business strategy” means the skills or experiences related to the Company’s business.

4.11.2 Outside directors, outside kansayaku, and other directors and kansayaku should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and kansayaku also serve as directors, kansayaku or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

Currently, internal officers only hold concurrent positions as officers of the Company's group companies. The Company believes it is desirable for its directors to focus their efforts on the Company. However, concurrent service as officers of other listed companies may broaden their knowledge and, in turn, have a positive impact on their managerial decisions at the Company. Therefore, the Company does not rule out concurrent positions unless they become excessive.

Kamezo Nakai, Outside Director, concurrently serves as Outside Director of TAIHEI Engineering Co., Ltd. Reiko Furukawa, Outside Director, concurrently serves as External Member of the Board of NHK Spring Co., Ltd. Chika Sato, Outside Director, concurrently serves as Outside Director of Asahi Group Holdings, Ltd and Shoko Co., Ltd. Hideyuki Takahashi, Outside Director, concurrently serves as Outside Director of Aozora Bank, Ltd. The Company judges that these individuals have ensured adequate time and effort to properly fulfill their roles and responsibilities at the Company. There are no special transaction relations between the above companies and the Company.

4.11.3 Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

The effectiveness of the Board of Directors is not only confirmed on a daily basis by the Audit and Supervisory Committee through their attendance at Board of Directors meetings, hearings with business departments, and exchange of information with the Internal Audit Department, but the Company has also established a Board of Directors Evaluation Committee chaired by one of the outside directors. This committee introduces a mechanism to report evaluation results and make recommendations to the Board of Directors based on the results of a questionnaire survey of all directors. The outline of the most recent evaluation of the effectiveness of the Board of Directors is disclosed on "Corporate Governance" page (<https://www.hanwa.co.jp/en/company/governance.html>) of the Company's website and other media.

Principle 4.12 Active Board Deliberations

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

The Company has endeavored to set an appropriate size for the Board of Directors since the introduction of the executive officer system, in order to facilitate active discussion at the Board of Directors meeting.

Supplementary Principles

4.12.1 The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;**
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);**
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;**
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and**
- v) Sufficient time for deliberations.**

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;

Materials for the Board of Directors meeting are distributed three business days before the meeting. Since most agenda items of the Board of Directors meetings are deliberated at the Management Committee prior to the Board of Directors meetings, the Company distributes the materials for the Management Committee to the outside directors at the timing of the Management Committee, and thereby makes efforts to compensate for the short lead time between the distribution of materials for the Board of Directors meeting and the meeting date.

- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the Company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);

As mentioned above, all of the materials for the agenda items of the Management Committee are distributed to the outside directors to provide information. Questions and requests for explanations regarding individual items are handled by the relevant divisions. Additionally, for items that require extensive explanation, we have introduced a system where we request the drafting department to create an explanatory video in advance to facilitate understanding of the contents of the agenda items.

- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;

The schedule for the Board of Directors meetings for the next fiscal year is determined one year in advance to facilitate scheduling. With respect to agenda items, the approximate timing is determined for items related to financial results and items stipulated by laws and regulations, but there are also many spot agenda items, making it difficult to anticipate them in advance.

- iv) The number of agenda items and the frequency of board meetings are set appropriately;

The time allotted for a meeting is half a day, in principle, but this period is generally extended to complete deliberations as necessary without adjusting the number of agenda items, chiefly because the respective agenda items have inherent circumstances and urgency. The Board of Directors meeting is in principle held once a month, and twice in the months when quarterly financial results are announced.

- v) Sufficient time for deliberations.

As mentioned above, because the time allotted for a meeting is in principle half a day and extended as necessary, the Company believes that sufficient time for deliberations is secured.

Principle 4.13 Information Gathering and Support Structure

In order to fulfill their roles and responsibilities, directors and kansayaku should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and kansayaku, including providing sufficient staff.

The board and the kansayaku board should verify whether information requested by directors and kansayaku is provided smoothly.

If there is anything uncertain or unclear in the various materials provided by the Company, the directors act to acquire additional information or additional explanations to enable them to form their own judgments appropriately. If the Company is requested to provide additional information, it will appropriately handle the request. In addition, the Company has the Secretarial Office for directors (excluding directors who are Audit and Supervisory Committee members), and the Audit and Supervisory Committee Support Office for directors who are Audit and Supervisory Committee members, work to make adjustments with each relevant division when addressing respective requests.

Supplementary Principles

4.13.1 Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, kansayaku, including outside kansayaku, should collect information appropriately, including the use of their statutory investigation power.

If there is anything uncertain or unclear regarding the contents of materials, etc. provided by the Company for the Board of Directors meeting, directors, including outside directors, do not hesitate to request additional material and additional information, and the Company appropriately responds to such requests to provide additional information. The Company takes due measures to enable outside directors and to attend a Sales Committee jointly held by all departments once every month and to grasp the conditions of business execution. In addition, the Audit and Supervisory Committee additionally requests necessary information and requests the relevant persons to give explanations based on the authority of the Audit and Supervisory Committee. The Company instructs the provision of information conducive to audits through the Internal Audit Department and Legal Department and otherwise takes appropriate measures.

4.13.2 Directors and kansayaku should consider consulting with external specialists at company expense, where they deem it necessary.

If the directors determine it to be necessary to consult with external specialists in order to fulfill their roles and responsibilities, the Company does not hesitate to appoint external specialists at the Company's expense within an appropriate scope.

4.13.3 Companies should ensure coordination between the internal audit department, directors and kansayaku by establishing a system in which the internal audit department appropriately reports directly to the board and the kansayaku board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside kansayaku. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside kansayaku are appropriately processed.

The Company's Internal Audit Department is under the direct control of the Management Committee and regularly submits audit reports to the directors and the Audit and Supervisory Committee.

With regard to the provision of information to outside directors, the Company has taken necessary measures by appointing a person from the Secretarial Office to be responsible for contact and adjustment for outside directors (excluding directors who are Audit and Supervisory Committee members), and for outside directors who are Audit and Supervisory Committee members from the Audit and Supervisory Committee Support Office, respectively.

Principle 4.14 director and Kansayaku Training

New and incumbent directors and kansayaku should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and kansayaku along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

The Company recognizes that, for directors to appropriately fulfill their roles and responsibilities, it is important for them to acquire the necessary knowledge and engage in continuous self-improvement. Based on this recognition; while placing emphasis on autonomous capability development tailored to each director's experience and expertise, the Company provides training opportunities and financial support as necessary. Specifically, the Company offers opportunities to attend external training programs on topics such as legal and regulatory changes, governance, and risk management, and promotes the acquisition and updating of practical expertise through participation in various committees. In addition, for outside directors, the Company promotes a deeper understanding of its management conditions and business trends by providing materials for management meetings and offering opportunities to attend internal meetings as necessary. Going forward, the Company will continue to develop an environment that supports the maintenance and enhancement of knowledge in accordance with the roles of each director.

Supplementary Principles

4.14.1 Directors and kansayaku, including outside directors and outside kansayaku, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

The Company believes that it is important for directors to deepen their understanding of the Company's business, finance, and organization upon appointment in order to appropriately fulfill their roles and responsibilities. In addition, even after their appointment, the Company shares information on its management status and business activities, including by providing materials for management meetings, and strives to further enhance their understanding in light of changes in the business environment and management conditions.

4.14.2 Companies should disclose their training policy for directors and kansayaku.

The Company recognizes that, in order for directors to appropriately fulfill their roles and responsibilities, it is important for each director to take the initiative in acquiring necessary knowledge and continuously improving their capabilities, while building on their own expertise and experience. Accordingly, the Company's basic policy is to place emphasis on autonomous self-improvement tailored to each director's experience and expertise, while providing training opportunities and necessary support to complement such efforts. The content of training is designed to enable directors to appropriately acquire and update necessary knowledge from perspectives such as governance, compliance, risk management, accounting, human and organizational management, and sustainability, in light of the roles and responsibilities expected of directors and changes in the business environment, and the Company has established an environment in which external training programs can be attended as needed. For outside directors (including those who are Audit and Supervisory Committee members), the Company provides information on its management conditions and business activities, considering their respective areas of expertise, and offers opportunities to gain a practical understanding through visits to domestic and overseas group companies and investee companies. In addition, the Company promotes a deeper understanding of its business by providing opportunities to attend internal meetings as necessary.

Section 5: Dialogue with Shareholders

General Principle 5

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company proactively works on IR activities for institutional investors and, in addition to quarterly financial results briefings, participates in small meetings for business briefings, conferences hosted by securities companies, and overseas roadshows as far as practicable. The details of meetings with investors, investor trends, etc. are regularly reported to the directors for their perusal when management policies, dividend policy, etc. are examined.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Company has a structure in which the Corporate Management Office is in charge of IR activities and promotes the activities in cooperation with the Corporate Planning Department, Finance Department, Accounting Department, other administrative departments, and sales departments. The Company proactively conducts dialogue with investors and may approach investors to provide meetings, in addition to meetings requested by investors. The Company thinks of IR activities as opportunities to provide investors with materials that help them to deepen their understanding about the Company's actual business conditions and revenue structure and judge the Company's growth potential and prospects. Going forward, the Company will aggressively strive for stronger ties with investors accordingly.

[Initiatives to enhance corporate value] [English disclosure available]

Regarding "Initiatives to enhance corporate value", please refer to page 10-11 of the "Medium-Term Management Plan (FY2026–FY2028)" released in May 2026.

[Dialogue with shareholders] [English disclosure available]

Regarding "Dialogue with shareholders," please refer to page 26 of the "Outline of Financial Results for the Fiscal Year ended March 31, 2026" released in May 2026.

The above explanatory materials are available on our website in the "IR Library". The URL is as follows:
<https://www.hanwa.co.jp/en/ir/library/explain.html>

Supplementary Principles

5.1.1 Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management and directors, including outside directors, and kansayaku should have a basic position to engage in dialogue (management meetings) with shareholders.

Dialogue with shareholders is conducted by the officer in charge of the Corporate Management Office, which has IR team. In addition, upon receiving requests for having small meetings with institutional investors, overseas roadshows and one-on-one interview from investors, the senior management and directors will respond to the extent practicable.

5.1.2 At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;**
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;**
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);**
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and**
- v) Measures to control insider information when engaging in dialogue.**

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place

The Company operates IR under control of the president and the director who is in charge of Administrative Division and the information handling officer assists the president. Operation is supported by directors and executive officers in administrative departments and sales departments as necessary depending on the theme of IR.

- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;

The main IR operations are handled by the Corporate Management Office, but it collaborates with the Corporate Planning, Accounting, Finance, Legal, General Affairs, Sustainability Promotion departments, etc., as needed, to consider responses and align views according to themes such as financial results, capital policy, legal regulations, governance, sustainability, etc.

- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);

In addition to financial results briefing sessions held twice a year, the Company participates in small meetings for business briefing, domestic and overseas conferences hosted by securities companies, and overseas roadshows. In addition, the Company makes arrangements to mediate visits to its domestic and overseas offices upon the request of its investors.

- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board

The Company distributes to senior management a report on topics taken up at meetings with investors as appropriate during IR periods after financial results announcement. The Company also reports to the Board of Directors on the latest investor trends when it reports the results of its research to identify shareholders twice a year. In addition, the Company reports IR activities to the Board of Directors four times a year.

- v) Measures to control insider information when engaging in dialogue.

The Company establishes the disclosure guideline for IR/SR/PR activities as a standard of its information disclosure. To prevent the leakage of financial results information and ensure fairness, the Company in principle sets the three-week period before the date of financial results announcement (including quarterly results) as a quiet period during which the Company withholds information disclosure on financial results, the exchange of relevant comments, responses to related inquiries, etc. In addition, before opening of IR periods, the results of analyses of the details of settlement are shared among the relevant departments that settle the details of the information to be provided to investors. In principle, two or more officers and employees of the Company conduct a meeting with an investor so as to avoid the leakage of insider information to specific interviewers.

5.1.3 Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

The Company confirms the shareholders on the shareholders register every half and researches beneficial shareholders at the end of every March and September, in order to grasp the actual composition of shareholders and to use that information for planning targets for its IR activities.

Principle 5.2 Establishing and Disclosing Business Strategy and Business Plan

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capitals, and specific measures that will be taken in order to achieve their plans and targets.

In May 2026, the Hanwa Group formulated the Medium-Term Business Plan 2028 covering the three-year period from FY2026 to FY2028. An overview of the Medium-Term Management Plan is as follows.

<Theme> "Go Beyond"

<Quantitative targets> Final year (FYE3/2029)

Capital Efficiency	Ordinary Profit (Final Year)	Investment and Financing Framework (Cumulative Total for the Three-Year Plan Period)
ROE: 12.0% or higher (Note1)	JPY 75.0 billion	JPY 160.0 billion
Shareholder Returns	Global Steel Trading Volume	Financial Soundness
DOE: minimum 3.5% (Note 2) and a target total payout ratio of approximately 40%	17 million tons	Net D/E Ratio: approximately 1.0x

(Notes)

1. ROE (Return on Equity) = Net income attributable to owners of the parent ÷ Average shareholders' equity at the beginning and end of the period
2. DOE (Dividend on Equity) = Total dividends ÷ Shareholders' equity at the beginning of the period

Building on the strengthened financial base and risk management framework established under the Medium-Term Management Plan 2025, under the Medium-Term Management Plan 2028 the Company will steadily implement a shift toward proactive business investments that contribute to non-continuous growth, strengthen human capital as a driving force to promote business strategies, and refine and restructure its business portfolio, while optimizing the global allocation of businesses and human resources. The Company will continue to strive to enhance corporate value by aiming to become a trading company that creates supply chains supporting a sustainable society.

Supplementary Principles

5.2.1 In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.

In order to achieve sustainable growth and further enhance corporate value, the Company formulates strategies for each business segment and conducts business portfolio management.

The Board of Directors manages and reports on the progress of medium-term performance targets. Strategies for each business segment are formulated and reviewed flexibly at target meetings held twice a year, in light of the business environment and other factors.

In addition, for important new businesses and investment projects, the Investment Examination Committee verifies profitability and identifies risks, and periodically reports to the Board of Directors and the Management Committee on the verification of the effects after implementation, in order to evaluate the business from a medium- to long-term perspective.

Under the current medium-term management plan and beyond, the Company will, through evaluations based on the growth potential and capital efficiency of each business segment, examine whether it is the best owner from the perspective of refining and replacing existing businesses as necessary, and will strive to build a business portfolio aimed at achieving sustainable growth.