

To Our Shareholders

We would like to take this opportunity to express our heartfelt appreciation to you for your continued support of PACIFIC METALS CO., LTD.

We hereby report the overview of the Group's business for the 99th fiscal year (from April 1, 2024 to March 31, 2025).

June 2025

Masayuki Aoyama

President & Representative Director

### **Company Philosophy**

Leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind

### **Company Policy**

1. Integrate the management strategies of the entire Group to maximize the synergy effects of each Group company.
2. Focus on the development and quality improvement of world-class smelting technology, and establish the world-leading platform for management efficiency and competitiveness.
3. Promote compliance.
4. Secure appropriate profits through fair, transparent and free competition.
5. Actively tackle all environmental problems to protect the irreplaceable earth.
6. To develop the individuality of employees and fully demonstrate their creativity, pursue a sense of comfort and affluence both physically and mentally, and realize a rewarding workplace.
7. Promote wide-ranging exchanges with society and actively disclose fair corporate information.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Securities Code 5541)

June 4, 2025

**To Shareholders with Voting Rights:**

Masayuki Aoyama  
President & Representative Director  
PACIFIC METALS CO., LTD.  
6-1, Otemachi 1-Chome, Chiyoda-ku,  
Tokyo, Japan

**NOTICE OF CONVOCAION OF  
THE 99TH ANNUAL GENERAL SHAREHOLDERS MEETING**

We would like to express our appreciation for your continued support and patronage.

Please be informed that the 99th Annual General Shareholders Meeting of PACIFIC METALS CO., LTD. (the “Company”) will be held for the purposes as described below.

In convening this year’s Annual General Shareholders Meeting, the Company has taken measures for electronic provision of information contained in the reference documents for the General Shareholders Meeting and posted the information on the Company’s website below. Please access the website below and refer to the notice. In addition to the Company’s website, the notice is also posted on the website of the Tokyo Stock Exchange (TSE) and the Portal of Shareholders’ Meeting provided by Sumitomo Mitsui Trust Bank.

No.	Website and URL	Access method
1	The Company’s website <a href="https://www.pacific-metals.co.jp/en/ir/else.php">https://www.pacific-metals.co.jp/en/ir/else.php</a>	Click “Notice of Convocation of the 99th Annual General Shareholders Meeting” under the headline “THE 99TH.”
2	Listed Company Search (Tokyo Stock Exchange) <a href="https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show">https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show</a>	Enter “Pacific Metals” in the “Issue name (company name)” field or the Company’s securities code “5541” in the “Code” field and click “Search,” select “Basic information,” then “Documents for public inspection/PR information,” and select the Notice.
3	The Portal of Shareholders’ Meeting (Sumitomo Mitsui Trust Bank) <a href="https://www.soukai-portal.net">https://www.soukai-portal.net</a> (in Japanese)	Scan the QR code on the enclosed Voting Form, or enter your ID and initial password that are also printed on the enclosed Voting Form.

If you do not attend the meeting, you may exercise your voting rights via the Internet, etc. or in writing. Please review the Reference Documents for the General Shareholders Meeting (contained in the electronically provided information) and, following the instructions stated in the Guide to Exercising Voting Rights below (Japanese original), exercise your voting rights by 4:00 p.m. Japan time on Tuesday, June 24, 2025.

- 1. Date and Time:** Wednesday, June 25, 2025 at 10:00 a.m. Japan time  
(Reception desk opens at 9:00 a.m.)
- 2. Place:** Iidabashi Rainbow Building (7F) located at  
11 Ichigayafunagawaramachi, Shinjuku-ku, Tokyo
- 3. Meeting Agenda:**

**Matters to be reported:**

  1. The Business Report, Consolidated Financial Statements for the Company's 99th Fiscal Year (April 1, 2024 - March 31, 2025) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
  2. Non-consolidated Financial Statements for the Company's 99th Fiscal Year (April 1, 2024 - March 31, 2025)

**Proposals to be resolved:**

- Proposal 1:** Election of six (6) Directors  
Proposal for the election of the following six (6) Directors:
- |                       |               |
|-----------------------|---------------|
| 1. Kazuo Iwadate      | Reappointment |
| 2. Yoshiharu Inomata  | Reappointment |
| 3. Kenichi Hara       | Reappointment |
| 4. Terunobu Matsuyama | Reappointment |
| 5. Yukari Sakai       | Reappointment |
| 6. Masahito Amano     | New candidate |

- Proposal 2:** Determination of remuneration for the granting of restricted stock to Directors (excluding Outside Directors)  
Proposal for newly granting restricted stock to Eligible Directors as part of the review of the Directors' remuneration system.

- 4. Matters determined for convocation**
    - (1) If you exercise your voting rights by proxy, the proxy must submit your Voting Rights Exercise Form and the letter of attorney. You may appoint only one proxy.
    - (2) If neither a vote for nor against a proposal is indicated on the Voting Rights Exercise Form, it shall be deemed a vote for.
    - (3) If you exercise your voting rights in duplicate via the Internet, etc. and in writing, the vote that arrives at the Company later shall be deemed valid. However, if both of them arrive on the same day, the voting rights exercised via the Internet, etc. shall be deemed valid. If you exercise your voting rights more than once via the Internet, etc., the last vote exercised shall be deemed as valid.
- The reception desk at the venue is scheduled to open at 9:00 a.m. When attending the meeting, please submit the enclosed Voting Rights Exercise Form to the reception desk
  - The documents sent to shareholders who requested the paper copy do not include Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements in accordance with provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. Therefore, the said documents are part of the documents audited by Auditors and the Accounting Auditor when they prepared their respective audit reports.
  - If there are any revisions in the matters provided electronically, the matters before revision and the matters after the revision will be posted on the Company's website, the TSE website, and the Shareholders' Meeting web portal (Japanese only).
  - Please note that any of these websites may be temporarily inaccessible due to scheduled maintenance or other reasons. If you are unable to access one of the websites indicated, please access a different website or wait for a while and try again.

# Reference Documents for the General Shareholders Meeting

## Proposals and References

### Proposal 1: Election of six (6) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this year's Annual General Shareholders Meeting. Accordingly, to create a system that will enable decisions to be made more strategically and flexibly, the election of six (6) Directors is proposed. The candidates are as follows.

Details about each candidate such as career summary, reason for nomination and other information are stated on pages 5–9.

No.	Name	Gender	Term of office	Position	Responsibilities	Attendance at Board of Directors meeting
1	Kazuo Iwadate <span>Reappointment</span>	Male	5 years	Director & Senior Executive Officer	In charge of Safety & Health Management, Utility & Maintenance and Production	22 out of 22 meetings (100.0%)
2	Yoshiharu Inomata <span>Reappointment</span>	Male	8 years	Director & Senior Managing Executive Officer	Assistant to the President, In charge of Corporate Planning, General Manager of Recycling Business & Technology Development	22 out of 22 meetings (100.0%)
3	Kenichi Hara <span>Reappointment</span>	Male	7 years	Director & Managing Executive Officer	In charge of Procurement, General Manager of Sales & Marketing Dept.	22 out of 22 meetings (100.0%)
4	Terunobu Matsuyama <span>Reappointment</span>	Male	7 years	Director & Managing Executive Officer	In charge of Internal Control, IR, General Administration, Finance & Accounting, General Manager of Personnel & Labor Relation Dept.	22 out of 22 meetings (100.0%)
5	Yukari Sakai <span>Reappointment</span> <span>Outside</span> <span>Independent</span>	Female	4 years	Outside Director	Member of Nomination and Compensation Committee	22 out of 22 meetings (100.0%)
6	Masahito Amano <span>New candidate</span> <span>Outside</span> <span>Independent</span>	Male	—	—	—	—

Note: Term of office, position and responsibilities are as at the time of this Annual General Shareholders Meeting.

Reappointment: Candidate for Director to be reappointed

New candidate: New candidate for Director

Outside: Candidate for Outside Director

Independent: Independent Director

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Kazuo Iwadate (January 14, 1967)	<p>April 1985      Joined the Company</p> <p>December 2009      Deputy General Manager, Production Dept., Production Div.</p> <p>December 2012      General Manager, Production Dept., Production Div.</p> <p>November 2015      General Manager, Production Dept. and General Manager, Environmental Business Dept., Production Div.</p> <p>June 2017      Executive Officer</p> <p>June 2017      Assistant General Manager, Production Div., General Manager, Utility &amp; Maintenance Dept. and General Manager, Environmental Business Dept.</p> <p>July 2019      General Manager, Business Process Reengineering Dept.</p> <p>May 2020      President &amp; Representative Director, Pacific Gas Center Co., Ltd.</p> <p>June 2020      Director (to present)</p> <p>June 2020      Senior Executive Officer (to present)</p> <p>June 2020      In charge of Utility &amp; Maintenance and Production (to present)</p> <p>June 2021      In charge of Safety &amp; Health Management (to present)</p>	2,551
	Reason for nomination as candidate for Director	<p>The Company nominated Kazuo Iwadate as a candidate for Director because he has extensive experience in the production and maintenance fields, and is also involved in the management of affiliates in Japan, and we determined that he has the experience and abilities suited to a chief executive officer of the Company who can take charge of the management of the Company by leveraging his past experience and track record.</p>	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Yoshiharu Inomata (June 6, 1954)	<p>April 1975      Joined the Company</p> <p>December 2004      Deputy General Manager, Quality Control Dept., Production Div. and Manager, Analysis Sec.</p> <p>December 2006      Deputy General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>December 2007      Associate General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>July 2008      General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>April 2009      General Manager, Quality Control Dept. and Manager, Quality Assurance Sec.</p> <p>June 2012      Executive Officer and General Manager, Quality Control Dept.</p> <p>June 2014      Senior Executive Officer</p> <p>June 2014      General Manager, Quality Control Dept. and General Manager, Environmental Management Dept.</p> <p>July 2016      General Manager, Quality Control &amp; Environmental Management Dept.</p> <p>September 2016      General Manager, Quality Control &amp; Environmental Management Dept., General Manager, Technical Research &amp; Development Dept. and Manager, Pyrometallurgy Development Sec.</p> <p>June 2017      Director (to present)</p> <p>June 2017      In charge of Safety &amp; Health Management, Quality Control &amp; Environmental Management</p> <p>June 2017      General Manager, Technical Research &amp; Development Dept.</p> <p>July 2019      In charge of Safety &amp; Health Management and Resources &amp; Technology Development Project</p> <p>July 2019      General Manager, Quality Control &amp; Environmental Management Dept.</p> <p>June 2020      Managing Executive Officer</p> <p>June 2020      In charge of Corporate Planning, Safety &amp; Health Management, Quality Control &amp; Environmental Management</p> <p>June 2021      Senior Managing Executive Officer (to present)</p> <p>June 2021      Assistant to President (to present)</p> <p>June 2021      In charge of Corporate Planning, Recycling Business</p> <p>April 2023      In charge of Corporate Planning, Recycling Business &amp; Technology Development</p> <p>July 2024      In charge of Corporate Planning, General Manager of Recycling Business &amp; Technology Development Department (to present)</p>	10,427
	Reason for nomination as candidate for Director	The Company nominated Yoshiharu Inomata as a candidate for Director because he has extensive experience in quality control, environmental management fields and technical research & development, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging such experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Kenichi Hara (May 20, 1964)	<p>April 1988      Joined the Company</p> <p>October 2010    Assistant General Manager, Environment &amp; Recycle Business Dept.</p> <p>December 2011   Assistant General Manager, Ferro Nickel Sales Dept.</p> <p>December 2012   Associate General Manager, Ferro Nickel Sales Dept.</p> <p>June 2014       Executive Officer</p> <p>June 2014       General Manager, Ferro Nickel Sales Dept.</p> <p>June 2017       Senior Executive Officer</p> <p>March 2018      Director, Pacific Sowa Corporation (to present)</p> <p>June 2018       Director (to present)</p> <p>June 2018       In charge of Sales</p> <p>July 2019       General Manager, Sales &amp; Marketing Dept. (to present)</p> <p>June 2020       In charge of Procurement (to present)</p> <p>June 2021       Managing Executive Officer (to present)</p>	4,800
	Reason for nomination as candidate for Director	The Company nominated Kenichi Hara as a candidate for Director because he has extensive experience in the sales field, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging his past experience and track record.	
4	Terunobu Matsuyama (December 16, 1969)	<p>April 1988      Joined the Company</p> <p>December 2010   Assistant General Manager, Finance &amp; Accounting Dept.</p> <p>December 2013   Associate General Manager, Finance &amp; Accounting Dept.</p> <p>May 2014       Auditor, Pacific Gas Center Co., Ltd.</p> <p>June 2014       General Manager, Finance &amp; Accounting Dept., the Company</p> <p>June 2017       Executive Officer</p> <p>June 2018       Director (to present)</p> <p>June 2018       Senior Executive Officer</p> <p>June 2020       In charge of IR (to present)</p> <p>May 2021       Director, Taiheiyo Kosan Co., Ltd. (to present)</p> <p>June 2021       Managing Executive Officer, the Company (to present)</p> <p>June 2021       In charge of Internal Control (to present)</p> <p>June 2021       In charge of General Administration (to present)</p> <p>June 2021       In charge of Finance &amp; Accounting (to present)</p> <p>June 2021       General Manager of Personnel &amp; Labor Relation Dept. (to present)</p>	7,943
	Reason for nomination as candidate for Director	The Company nominated Terunobu Matsuyama as a candidate for Director because he has a wealth of knowledge in the accounting/financial fields, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging such experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	[Candidate for Outside Director] Yukari Sakai (June 23, 1968)	<p>April 1991      Joined Nomura Securities Co., Ltd.</p> <p>January 2005      Director of Corporate Tune Co., Ltd.</p> <p>June 2005      Standing Outside Audit and Supervisory Board Member of UNITED ARROWS LTD.</p> <p>June 2008      Outside Auditor of REPROCELL Inc.</p> <p>September 2013      Outside Auditor of Beauty Kadan Co., Ltd.</p> <p>June 2016      Outside Director (Standing Audit and Supervisory Committee Member) of UNITED ARROWS LTD.</p> <p>October 2017      Outside Director (Audit and Supervisory Committee Member) of Tea Life Co., Ltd.</p> <p>March 2019      External Director (Audit &amp; Supervisory Board Member) of Uzabase, Inc.</p> <p>June 2021      Outside Director, the Company (to present)</p> <p>June 2022      Member of Nomination and Compensation Committee, the Company (to present)</p> <p>June 2022      Outside Director, TOYO KANETSU K.K. (to present)</p>	0
	Reason for nomination as candidate for Outside Director and expected roles	The Company nominated Yukari Sakai as a candidate for Outside Director because we determined that she is capable of properly performing her duties as Outside Director based on her extensive experience as a corporate manager in a wide range of business fields. We expect her to promote the enhancement and reinforcement of corporate governance at the Company based on a variety of perspectives from the viewpoint of diversity, by leveraging the above-mentioned experience.	
6	[New Candidate] [Candidate for Outside Director] Masahito Amano (January 20, 1959)	<p>April 1984      Registered as attorney, joined the law firm of Nishimura &amp; Sanada (currently Nishimura &amp; Asahi)</p> <p>September 1989      Joined Hughes Hubbard &amp; Reed LLP</p> <p>February 1990      Registered as attorney of the State of New York</p> <p>January 1996      General Counsel, Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.)</p> <p>December 2001      Director, Merrill Lynch Japan Securities Co., Ltd.</p> <p>June 2019      Senior Advisor, Masuda &amp; Partners Law Office</p> <p>March 2025      Representative, Masahito Amano International Law Office (to present)</p> <p>March 2025      Representative Director, Stark Advisory Co., Ltd. (to present)</p>	0
	Reason for nomination as candidate for Outside Director and expected roles	The Company nominated Masahito Amano as a candidate for Outside Director because we determined that he is capable of properly performing his duties as Outside Director based on his professional perspective as an attorney and his extensive experience as a corporate manager. We expect him to promote the enhancement of compliance and improvement of corporate governance at the Company by leveraging the above-mentioned perspective and insight.	



- Notes:
1. Mr. Masahito Amano is a new candidate for Director.
  2. There are no special interests between each candidate and the Company.
  3. Contract for limited liability with Directors  
The Company has entered into a contract for limited liability with candidate for Director Ms. Yukari Sakai pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 30 of the Articles of Incorporation, and plans to continue the said contract subject to the approval of her reappointment.  
Further, the Company plans to enter into a contract for limited liability with candidate for Director Mr. Masahito Amano pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 30 of the Articles of Incorporation if he is elected at this Annual General Meeting of Shareholders, limiting his liability referred to in Article 423, Paragraph 1 of the Companies Act.  
The gist of the said contract for limited liability is that the liability referred to in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount provided for in laws and regulations when the two Directors have acted in good faith and without gross negligence in performing their duties as Directors.
  4. Directors and officers liability insurance contract with Directors  
The Company has entered into a directors and officers liability insurance contract with an insurance company to cover damages and litigation expenses to be borne by the insureds, in the event of a claim for damages arising from the insured's conduct (including omissions) in the course of their duties as directors and officers of the Company. The candidates for Director will be insured under the relevant insurance contract. The contract is scheduled to be renewed with the same terms and conditions at the next renewal.
  5. Matters concerning Outside Directors are as follows.
    - (1) Candidates Ms. Yukari Sakai and Mr. Masahito Amano are candidates for Outside Directors provided for in Article 2, Paragraph 3 (vii) of the Ordinance for Enforcement of the Companies Act.  
The Company has designated Ms. Yukari Sakai as an Independent Director pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of her designation to the said exchange.  
Further, if candidate Mr. Masahito Amano is elected as an Outside Director of the Company, the Company plans to designate him an Independent Director pursuant to the regulations set forth by the Tokyo Stock Exchange and submit a notification of his designation to the said exchange
    - (2) Number of years served as Outside Directors by candidates for Outside Directors since their appointment  
Ms. Yukari Sakai will have served as Outside Director of the Company for four years at the conclusion of this Annual General Shareholders Meeting.
    - (3) Candidates Ms. Yukari Sakai and Mr. Masahito Amano have never been Executives or Officers (excluding those who are Executives) of a Specified Associated Service Provider (Article 2, Paragraph 3 (xix) of the Ordinance for Enforcement of the Companies Act) of the Company over the past ten years.
    - (4) Candidates Ms. Yukari Sakai and Mr. Masahito Amano each have held office as a director of other stock companies over the past five years, and there are no circumstances indicating unfair execution of business during their terms of office at these companies.

## **Proposal 2: Determination of remuneration for the granting of restricted stock to Directors (excluding Outside Directors)**

The amount of monetary remuneration for Directors of the Company was approved to be up to 350 million yen per year (however, this amount does not include the portion of employee salary of Directors who concurrently serve as employees) at the 80th Annual General Meeting of Shareholders held on June 29, 2006.

The Company now proposes that, as part of a review of the officers' remuneration system, separately from the remuneration described above, the Company's Directors (excluding Outside Directors; hereinafter, "Eligible Directors") be awarded remuneration for newly granting restricted stock, to provide them with an incentive to pursue the sustainable improvement of the Company's corporate value, and also with the objective of promoting further sharing of value with shareholders.

Based on this proposal, the remuneration to be awarded to Eligible Directors for the purpose of granting restricted stock shall be in the form of monetary claims, and the total amount shall be within 70 million yen per year (however, this amount will not include the portion of employee salary of Directors who concurrently serve as employees) as an amount believed to be appropriate in light of the aforementioned objectives. In addition, the specific timing of such awards and allocations to individual Eligible Directors shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee.

There are currently nine (9) Directors (including three (3) Outside Directors); however, if Proposal 1, "Election of six (6) Directors," is approved as proposed, there will be six (6) Directors (including two (2) Outside Directors). Therefore, the number of Directors eligible for payment under this proposal will be four (4).

In addition, the Eligible Directors shall, based on a resolution of the Board of Directors of the Company, pay in as contribution-in-kind the full amount of the monetary claims awarded under this proposal and shall receive common stock of the Company through issuance or disposal. The total number of shares of common stock of the Company to be issued or disposed of thereunder shall be up to 45,000 shares; provided, however, that if there is a share split (including the gratis allotment of shares of the Company's common stock) or share consolidation of common stock of the Company with an effective date on or after the date of approval of this proposal, or if there otherwise arises any need to adjust the total number of shares to be issued or disposed of, such number of shares shall be adjusted within a reasonable range according to the ratio of split or consolidation or other conditions).

The pay-in amount per share shall be determined by the Board of Directors within a range that is not particularly advantageous to the Eligible Directors who will receive such common shares, based on the closing price of common stock of the Company at the Tokyo Stock Exchange on its business day preceding the date of each resolution by the Board of Directors (or the closing price on the immediately preceding trading day if no transaction is made on such business day). In addition, such issuance or disposal of common stock of the Company and the awarding of monetary claims as contributions-in-kind therefor shall be conditional on the conclusion of a restricted stock allotment agreement with the following contents between the Company and the Eligible Directors (the "Allotment Agreement").

The upper limit of the remuneration amount under this proposal, total number of shares of common stock of the Company to be issued or disposed of, and other conditions for the granting of restricted shares to Eligible Directors based on this proposal have been determined in consideration of various circumstances, including the aforementioned objectives, the Company's business circumstances, and the Company's policies for determining the contents of remuneration, etc. for individual Directors (the contents of these policies are as described on pages 25–28 of the Company's 99th Business Report), and the Company believes them to be appropriate.

### **[Overview of contents of Allotment Agreement]**

#### **(1) Transfer Restriction Period**

An Eligible Director shall, for a period of 50 years from the date on which they received the allotment under the Allotment Agreement (the "Transfer Restriction Period"), not be allowed to transfer the shares of common stock of the Company allotted to them (the "Allotted Shares") under the Allotment Agreement, attach a security interest thereon, or take other means to dispose of these shares (the "Transfer Restrictions").

#### **(2) Lifting of Transfer Restriction Period**

Notwithstanding the provisions of (1) above, the Company shall lift the Transfer Restrictions at the expiry of the Transfer Restriction Period for all of the Allotted Shares, on the condition that the Eligible Director has held any of the positions predetermined by the Company's Board of Directors from among the officer or employee positions of the Company or the Company's subsidiaries during the Transfer Restriction Period. However, if the Eligible Director vacates such predetermined positions due to expiry of term of office, death, or other legitimate reason prior to the expiry of the Transfer Restriction Period, the Company shall reasonably adjust the timing of the lifting of the Transfer Restriction Period to align

with the timing of vacation of such position in principle, upon which it shall reasonably adjust, as necessary, the number of the Allotted Shares for which the Transfer Restrictions are to be lifted and the timing of the lifting of the Transfer Restrictions.

(3) Acquisition by the Company without compensation

If an Eligible Director vacates a position predetermined by the Company's Board of Directors from among the officer or employee positions of the Company or the Company's subsidiaries, the Company shall rightfully acquire the Allotted Shares without compensation, unless there is a legitimate reason for such vacation, including expiry of term of office or death. In addition, the Company shall, immediately after lifting the Transfer Restrictions pursuant to the provisions of (2) above, acquire without compensation those Allotted Shares for which the Transfer Restrictions have yet to be lifted. Further, if an Eligible Director has committed an act in violation of laws and regulations during the Transfer Restriction Period or other certain events provided in the Allotment Agreement apply, the Company shall rightfully acquire without compensation all or part of the Allotted Shares held at that time.

(4) Handling of organizational restructuring, etc.

Notwithstanding the provisions in (1) above, if, during the Transfer Restriction Period, a merger agreement in which the Company is the non-surviving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter related to organizational restructuring, etc. is approved by the General Meeting of Shareholders of the Company (or at the Board of Directors of the Company if such organizational restructuring, etc. does not require approval by the General Meeting of Shareholders), the Company shall, based on a resolution of the Board of Directors, lift the Transfer Restrictions for a certain number of the Allotted Shares that has been reasonably determined in light of the period from the start of the Transfer Restriction Period until the date of approval of the organizational restructuring, etc., prior to the effective date of the organizational restructuring, etc. If a determination is made as described above, the Company shall rightfully acquire without compensation the Allotted Shares for which the Transfer Restrictions are yet to be lifted immediately after the Transfer Restrictions are lifted.

(5) Other matters

Other matters related to the Allotment Agreement shall be determined by the Board of Directors of the Company.

(Reference)

**Skills matrix for Directors and Auditors**

	Name		1) Corporate management	2) Business portfolio construction	3) Finance/ accounting	4) Marketing	5) IT	6) Research/ development	7) Law	8) Risk management	9) Personnel and labor relations	10) Global management	11) ESG and sustainability
Directors	Kazuo Iwadate	Reappointment	○	□			○	□		○			○
	Yoshiharu Inomata	Reappointment	○	□				○		□	○		□
	Kenichi Hara	Reappointment	○	○		□				○		□	○
	Terunobu Matsuyama	Reappointment	○	○	□		○		□	□	□		○
	Yukari Sakai	Reappointment Outside Independent	○		□	○				○	○		
	Masahito Amano	New candidate Outside Independent	○		□	○			□	□		□	
Auditors	Kiichi Tatsunaka				○				○				
	Ken Yasuda	Outside Independent			○				○				
	Yutaka Iimura	Outside Independent			○				○				
	Kyosuke Miyazaki	New candidate Outside Independent			○				○				

Note: The skills matrix classifies knowledge and experience considered to be important for the Company and indicates the fields in which the Directors and Auditors have appropriate expertise (○) and the fields for which the Company has high expectations (□) of the Directors and Auditors.

The table above shows the skills matrix after the General Shareholders Meeting should Proposal 1 be approved as proposed.

### Guidelines for fulfilling each item in the skills matrix

1) Corporate management	<ul style="list-style-type: none"> <li>• Experience as president or a director of a company, etc.</li> <li>• Knowledge, experience, and track record in all aspects of corporate management to develop and implement the Company's medium- to long-term business plans</li> </ul>
2) Business portfolio construction	<ul style="list-style-type: none"> <li>• Expertise and experience that will enable the supervision of the state of execution in line with policies of the Company's PAMCOvision 2031: Toward the growth of a second core business from the transition to a metal refining business that will become a new core business and the expansion of business areas</li> </ul>
3) Finance/accounting	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of a department related to accounting</li> <li>• Experience as a director in charge or general manager of a department related to financial management or fund procurement</li> <li>• Experience at a financial institution, etc.</li> </ul>
4) Marketing	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of corporate planning and coordination</li> <li>• Experience as a director in charge or general manager of a department related to sales</li> <li>• Experience as president or a director of a related company</li> <li>• Experience as a director in charge or general manager of business investment, etc.</li> </ul>
5) IT	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of a department related to IT or information systems</li> </ul>
6) Research/development	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of a department related to R&amp;D</li> <li>• Experience as a director in charge or general manager of a department related to manufacturing technology or production facilities</li> </ul>
7) Law	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of legal affairs or compliance promotion</li> <li>• Experience as an attorney-at-law</li> </ul>
8) Risk management	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of risk management</li> </ul>
9) Personnel and labor relations	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of a department related to HR (diversity promotion) or labor</li> <li>• Experience as a member of another company's nomination or compensation committee</li> </ul>
10) Global management	<ul style="list-style-type: none"> <li>• Experience of overseas posting</li> <li>• Officer experience or business experience at an overseas subsidiary</li> </ul>
11) ESG and sustainability	<ul style="list-style-type: none"> <li>• Experience as a director in charge or general manager of a department related to ESG/CSR</li> <li>• Experience as a director in charge or general manager of a department related to sustainability</li> </ul>

## **Criteria for determining independence of independent officers**

The Company has established the criteria for determining independence of its independent officers as follows.

1. An independent officer shall be an Outside Director or an Outside Auditor with no risk of conflict of interest arising with general shareholders.
2. An independent officer shall not be a major business partner (supplier or buyer) of the Company or a director, executive or auditor thereof.
3. An independent officer shall not be a consultant, attorney, certified public accountant, certified tax accountant, etc. to whom the Company pays annual compensation amounting to one million yen or more other than officer's compensation.
4. An independent officer shall not be a shareholder of the Company.
5. An independent officer shall not be a friend of a Director or Auditor of the Company.
6. An independent officer shall not formerly or currently be:
  - (1) A director, executive, auditor or accounting advisor of the Company or the Company's subsidiaries, etc.;
  - (2) A shareholder who holds 5% or more of the Company's shares or a director, executive or auditor of an institutional shareholder who holds 5% or more of the Company's shares;
  - (3) A director, executive or auditor of the parent company of the shareholder referred to in paragraph (2) above;
  - (4) A member of a corporation organized by a consultant, attorney, certified public accountant, certified tax accountant, etc. to whom the Company pays annual compensation amounting to one million yen or more other than officer's compensation;
  - (5) A major business partner (supplier or buyer) of the Company or a former member of such client other than director, executive or auditor thereof;
  - (6) A shareholder who holds 5% or more of the Company's shares or a former member of an institutional shareholder who holds 5% or more of the Company's shares other than director, executive or auditor thereof;
  - (7) A former member of the parent company of the shareholder referred to in paragraph (6) above other than director, executive or auditor of such parent company;
  - (8) A member of a company whose relationship with the Company involves having outside officers from both parties;
  - (9) A recipient of donations from the Company or a former member thereof; or
  - (10) A relative within third degree of kinship to any of the aforementioned persons.

[End of document]

## **Business Report**

(April 1, 2024 - March 31, 2025)

### **1. Overview of the Corporate Group**

#### **(1) Business Progress and Results**

During the fiscal year ended March 31, 2025, despite concerns about the impact of high prices on economic activities, the Japanese economy showed a gradual recovery trend amid remaining standstills in some aspects, as the employment situation, corporate earnings, and other factors generally improved.

As for overseas economies, although uncertainty was high due to the effects of the stagnant real estate market in China, high interest rates in the U.S. and Europe, and growing tensions in the Middle East region and Ukraine, the economy showed continued signs of recovery, supported by solid personal consumption, a favorable employment and income environment, and other factors.

Under these circumstances, in the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group's net sales and profit and loss, in China, excess inventories resulting from continued high production levels, even amid sluggish domestic demand caused by falling construction demand due to the stagnant real estate market, were directed to exports, the effect of which was that capacity utilization rates of production facilities generally remained varied and lacked momentum.

The demand for ferronickel continued to slow down since, in addition to the environment described above, there has been a shift of some procurement to nickel pig iron, which has a price advantage, and also due to reviewing of stainless steel scrap blending ratios with carbon neutrality in mind.

On the procurement front, prices of nickel ore, the primary raw material for ferronickel products, have been high against the backdrop of robust demand for nickel ore. Moreover, prices for various raw materials and fuels remained high globally, which has kept production costs up.

Nickel prices on the London Metal Exchange (LME) were relatively volatile due to complex factors, including the slowdown of the Chinese economy, fluctuations in foreign exchange rates and financial and capital markets, increasing tensions in the Middle East and Ukraine, and concerns over nickel ore supply following the riots in New Caledonia.

In this situation, the Company's ferronickel sales volume decreased by 9.9% year on year, as the Company continued its policy with the objective of strategically controlling volume so as to secure a certain level of profitability, since the price of nickel pig iron, which has a price advantage mentioned above, is also affecting the selling price of the Company's products.

The ferronickel production volume decreased year on year due to the policy of controlling sales volume.

Regarding the selling price of ferronickel products, the LME nickel price applicable to the Company declined by 19.3% year on year, while the average exchange rate of the Japanese yen against the U.S. dollar applicable to the Company was 5.2% weaker year on year. Moreover, in addition to the market prices applicable to the Company, the Company also partly referred to the price of nickel pig iron, resulting in the lowering of the selling price of ferronickel products. Therefore, the selling environment continued to be challenging, with stagnant revenue growth due to lower selling prices compared to previous levels.

Despite this harsh business environment, the Company is striving to thoroughly focus on the profitability of orders, build a flexible production and sales system, and further improve operational efficiency to pursue cost minimization. In its efforts to restructure the profit base, the Company is currently developing businesses that will become its new core business. In an initiative launched jointly with an overseas company, it is proceeding with a feasibility study with an eye on a business that produces metal materials for batteries and raw materials for steelmaking from submarine resources, and that project is in its final stages. Further, in a project being promoted mainly by companies in Aomori Prefecture, the Company has concluded comprehensive business partnership agreements to make maximum use of resources of the Company's plant for the commercialization of beryllium production and sales, and is currently building a demonstration plant. In addition, in initiatives related to LIB, for which market expansion is expected, the Company is actively

promoting research and development. Aiming at an early launch of these new businesses, the Company has thus been continuously working on initiatives to boost business performance and stabilize profits, including carbon neutrality initiatives related to the reduction of GHG emissions.

As a result, net sales for the fiscal year under review decreased by 15.1% year on year to ¥13,175 million.

On the profit front, the Company posted an operating loss of ¥7,368 million (compared with an operating loss of ¥9,114 million for the previous fiscal year), despite a decrease in cost of sales resulting from the reversal of the write-down of inventories. Ordinary loss was ¥1,622 million (compared with an ordinary loss of ¥2,119 million for the same period of the previous fiscal year), including the recording of ¥5,413 million in share of profit of entities accounted for using the equity method under non-operating income. Loss attributable to owners of parent was ¥1,667 million (compared with loss attributable to owners of parent of ¥1,074 million for the same period of the previous fiscal year).

Operating results by business segment are as follows.

(i) Nickel business

The operating results of the nickel business are described above.

As a result, net sales in this segment decreased by 16.0% year on year to ¥12,367 million with an operating loss of ¥7,282 million (compared with the operating loss of ¥9,082 million for the previous fiscal year).

(ii) Gas business

In the gas business, increased prices for raw materials and fuels, along with other factors, resulted in a loss despite stable operations as planned.

As a result, net sales in this segment decreased by 4.5% year on year to ¥774 million with an operating loss of ¥1 million (compared with the operating profit of ¥14 million for the previous fiscal year).

(iii) Other

The segment of other businesses recorded a loss, despite concluding sales contracts in the real estate business, because the sales failed to exceed costs such as maintenance expenses.

As a result, net sales in this segment increased by 79.8% year on year to ¥109 million with an operating loss of ¥93 million (compared with the operating loss of ¥26 million for the previous fiscal year).

### Net sales by business segment

Segment	98th Term		99th Term		Change	
	Year ended March 31, 2024		Year ended March 31, 2025			
	Amount (Million yen)	Share %	Amount (Million yen)	Share %	Amount (Million yen)	Share %
Nickel business	14,727	94.9	12,367	93.9	(2,359)	(16.0)
Gas business	811	5.2	774	5.9	(36)	(4.5)
Other	61	0.4	109	0.8	48	79.8
Inter-segment eliminations	(78)	(0.5)	(76)	(0.6)	2	—
Total	15,521	100.0	13,175	100.0	(2,345)	(15.1)

### Operating profit (loss) by business segment

Segment	98th Term		99th Term		Change	
	Year ended March 31, 2024		Year ended March 31, 2025			
	Amount (Million yen)	Share %	Amount (Million yen)	Share %	Amount (Million yen)	Share %
Nickel business	(9,082)	99.6	(7,282)	98.8	1,800	—
Gas business	(14)	0.2	(1)	0.0	12	—
Other	(26)	0.3	(93)	1.3	(66)	—
Inter-segment eliminations	9	(0.1)	9	(0.1)	(0)	(0.1)
Total	(9,114)	100.0	(7,368)	100.0	1,745	—



## (2) Issues to Be Addressed

### 1) Future Outlook

With regard to the consolidated financial results forecast, the outlook remains highly uncertain due to the effects of the stagnant real estate market in China, high interest rates in the U.S. and Europe, growing tensions in the Middle East region and Ukraine, and the new U.S. tariff measures.

On the volume front of the Company's ferronickel products, the environment has remained largely unchanged, and, following on from the previous fiscal year, the Company has been continuing with the policy of volume control from a profitability perspective.

In terms of profit and loss, on the selling price front of ferronickel products, the Company also partly refers to the price of nickel pig iron in addition to the market prices applicable to the Company, so the revenue is restrained to a certain extent. On the procurement front, the prices of nickel ore, the primary raw material, and those of raw materials, fuel, and electricity remain high and are expected to significantly impact procurement prices.

In addition, regarding the U.S. tariff measures, due to the potential for wide-ranging impacts in Japan and overseas, there is concern about turmoil in the supply chain. Although the effect on consolidated results is expected to be limited, there is potential for the economic measures in each country to have significant impact on the Company's business on the demand and price fronts.

Although the circumstances remain severe, response measures to address such a business environment are consistent with activities to be undertaken under the basic policies that the Group has set forth in the Medium to Long-term Strategy PAMCOvision 2031 dated on April 25, 2025, and the Company will continue to strongly push forward with these measures.

### 2) Medium to Long-term Business Plan "PAMCOvision 2031" (formulated in April 2025)

At a meeting of its Board of Directors held on April 25, 2025, the Group formulated PAMCOvision 2031 as a medium to long-term strategy covering the seven years from the fiscal year ending March 31, 2026 (FY2025) to the fiscal year ending March 31, 2032 (FY2031).

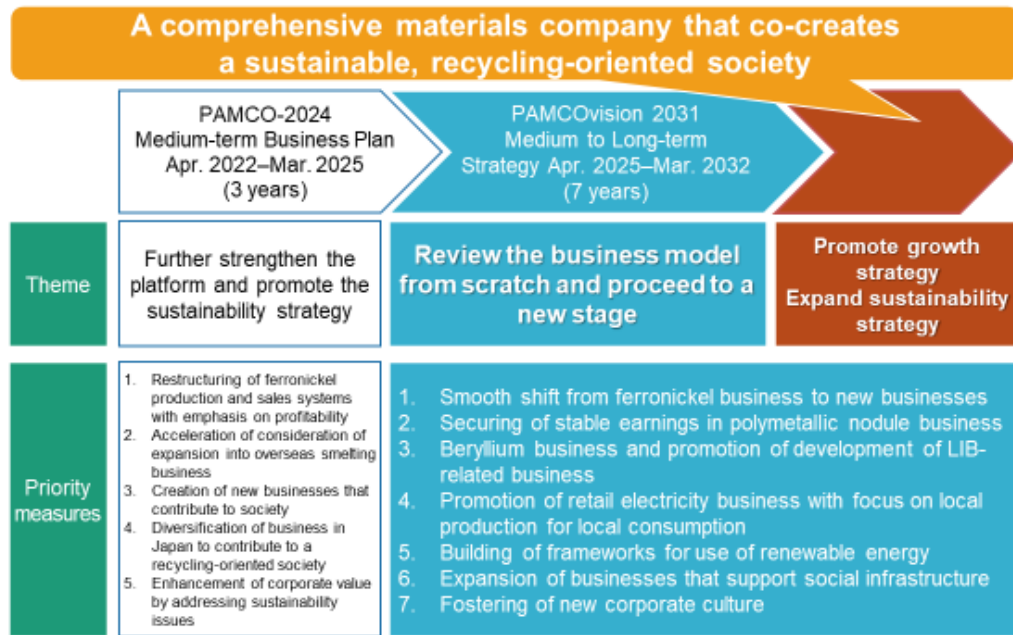
The environment surrounding the Group saw excessive competition due to the collapse of market prices and other factors caused by an oversupply of nickel pig iron by overseas producers. In addition, energy costs greatly increased due to high levels of raw materials and fuel prices. As a result, both sales and procurement conditions veered significantly from the assumptions underlying the Medium-term Business Plan PAMCO-2024.

Accordingly, the Group will review its business model from scratch and restructure its business portfolio with the aim of entering new business areas that will become new pillars for the Group, as well as address material sustainability issues. To achieve sustainable growth and enhance corporate value through these efforts, the Group will undertake further initiatives.

#### Overview of the PACIFIC METALS Medium to Long-term Strategy PAMCOvision 2031

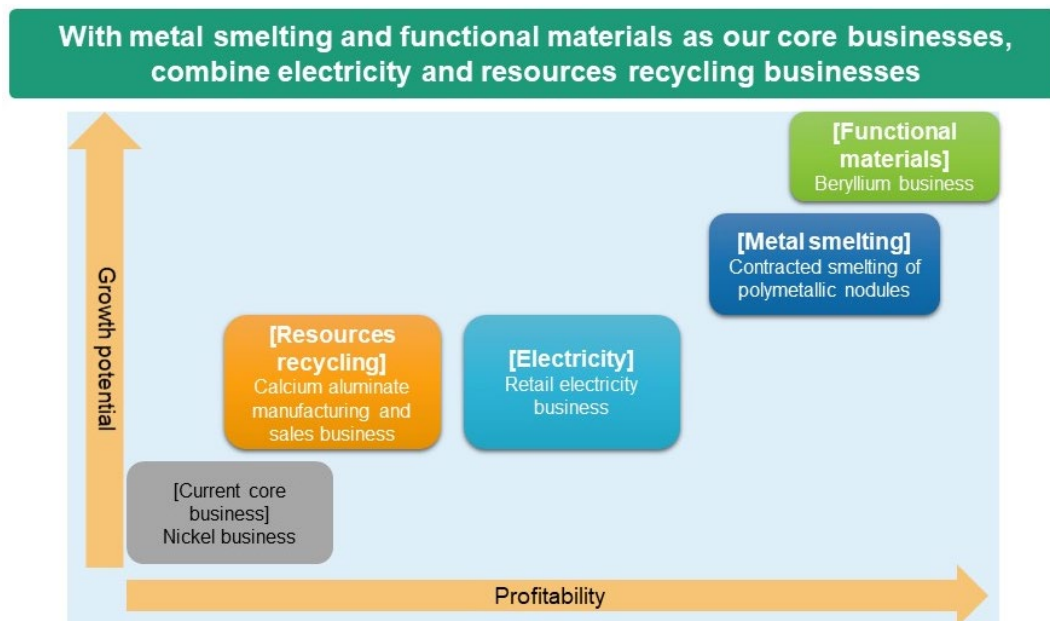
- (1) Period: Seven years from FY2025 to FY2031
- (2) Long-term vision: "A comprehensive materials company that co-creates a sustainable, recycling-oriented society"
- (3) Theme: "Review the business model from scratch and proceed to a new stage"

(4) Positioning:



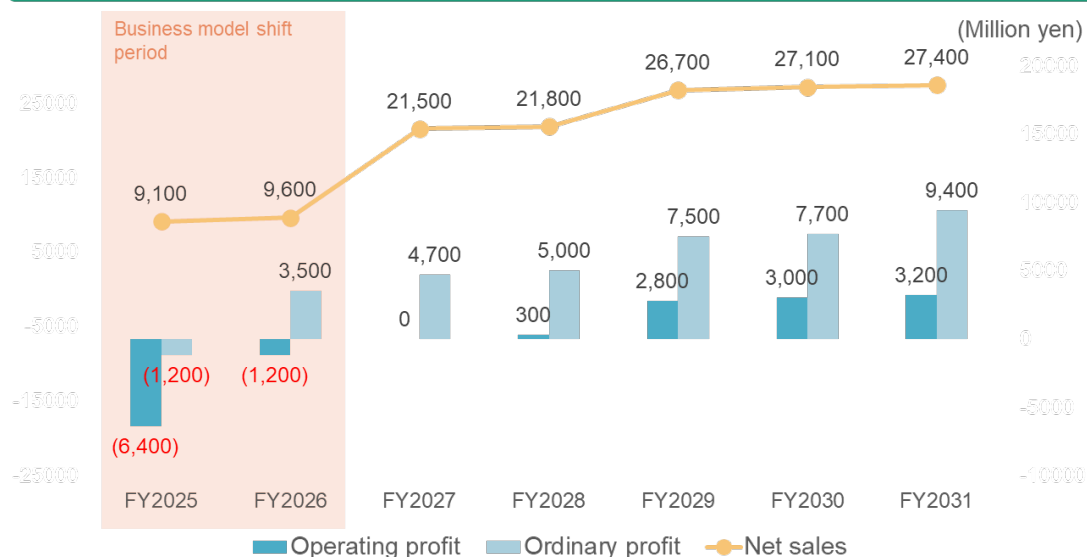
(5) Restructuring of business portfolio and management targets:

We will strive to diversify our business by entering new business areas where we have sown seeds to date.



The improvement of the Group's business results will be slow for a certain period from FY2025 to FY2026 due to the shift in business model, but we will strive to promptly break free from the recent downturn in performance.

**Although losses will be recorded for a time to maintain the energy-related foundation for resources refining, by expanding applications in nickel business and launching retail electricity business, aim to achieve operating profit and ensure stable profitability from FY2027**



For details, please also refer to our website

- Medium-term Management Plan: <https://www.pacific-metals.co.jp/en/ir/term.php>
- Sustainability: <https://www.pacific-metals.co.jp/en/sustainability/>

We would like to ask for the continued support and encouragement of our shareholders.

- (3) Capital Expenditures, Etc. and Financing  
The total amount of capital expenditures conducted in the fiscal year under review was ¥386 million.  
The Company did not conduct any financing at the end of the fiscal year under review.
- (4) Transfer, Absorption-type Split or Incorporation-type Split of Businesses  
Not applicable.
- (5) Acquisition of Business from Other Companies  
Not applicable.
- (6) Succession of Rights and Obligations regarding Businesses of Other Corporations via Absorption-type Merger or Absorption-type Split  
Not applicable.
- (7) Acquisition or Disposition of Shares and Other Equity or Share Acquisition Rights of Other Corporations  
Not applicable.
- (8) Trends in Assets and Profit (Loss)

(Million yen)

Item	96th Term Year ended March 31, 2022	97th Term Year ended March 31, 2023	98th Term Year ended March 31, 2024	99th Term Year ended March 31, 2025 (Fiscal year under review)
Net sales	57,129	34,852	15,521	13,175
Ordinary profit (loss)	12,999	(4,960)	(2,119)	(1,622)
Profit (loss) attributable to owners of parent	11,368	(5,026)	(1,074)	(1,667)
Basic earnings per share (yen)	582.93 yen	(257.75) yen	(55.10) yen	(85.52) yen
Total assets	89,852	78,825	73,790	71,795
Net assets	80,153	72,034	69,060	67,656
Net assets per share (yen)	4,095.12 yen	3,678.90 yen	3,527.21 yen	3,455.68 yen

Note: Basic earnings (loss) per share is calculated based on the average number of shares issued and outstanding during the fiscal year, while net assets per share are calculated based on the number of shares issued and outstanding at the end of the fiscal year. Treasury shares are excluded from the total number of shares issued and outstanding.

(9) Significant Subsidiaries

Company name	Capital	The Company's share of voting rights	Major business lines
	(Thousand yen)	%	
Taiheiyo Kosan Co., Ltd.	50,000	74.00	Transportation and contracting, real estate-related business, etc.
Pacific Gas Center Co., Ltd.	100,000	50.00	Manufacture and sale of gases

Notes: 1. The Company has two (2) consolidated subsidiaries and seven (7) associates accounted for using the equity method.  
2. An overview of their business results for the fiscal year under review is stated above in “(1) Business Progress and Results” (pages 15–16).

(10) Principal Business (as of March 31, 2025)

Business segment	Major business lines
Nickel business	Manufacture and sale of ferronickel and slag products
Gas business	Manufacture and sale of gases
Other	Transportation and contracting, real estate-related business, etc.

(11) Principal Business Locations (as of March 31, 2025)

1) The Company

Business location name	Location
Head Office	Chiyoda-ku, Tokyo
Hachinohe Head Office	Hachinohe City, Aomori

2) Significant subsidiaries

Business location name	Location
Taiheiyo Kosan Co., Ltd.	Hachinohe City, Aomori
Pacific Gas Center Co., Ltd.	Hachinohe City, Aomori

(12) Employees (as of March 31, 2025)

Number of employees	Year-on-year increase (decrease)
441	(18)

(13) Major Lenders (as of March 31, 2025)

Not applicable.

## 2. Shares of the Company (as of March 31, 2025)

- (1) Total number of shares authorized to be issued 50,000,000 shares
- (2) Total number of shares issued and outstanding 19,501,113 shares (excluding 75,958 treasury shares)
- (3) Number of shareholders 17,812 persons (down 59 from the end of the previous fiscal year)
- (4) Major shareholders (top ten shareholders)

Shareholder's name	Number of shares held	Percentage of shareholding
	Thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,899	9.74
NIPPON STEEL Stainless Steel Corporation	1,636	8.39
Aya Nomura	1,612	8.27
Tachibana Securities Co., Ltd.	1,166	5.98
STATE STREET BANK AND TRUST COMPANY 505103	871	4.47
Nihon Kisetsu K.K.	481	2.47
Custody Bank of Japan, Ltd. (Trust account)	357	1.83
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	300	1.54
Business Partners' Shareholding Association, PACIFIC METALS CO., LTD.	244	1.25
ECM MF	235	1.21

Notes: 1. Numbers of shares held have been rounded down to the nearest thousand.  
2. Percentage of shareholding has been calculated based on the number of shares (19,501,113 shares) obtained by subtracting treasury shares from the total number of shares issued and outstanding.  
3. NIPPON STEEL Stainless Steel Corporation merged with Nippon Steel Corporation in an absorption-type merger on April 1, 2025.

- (5) Other important matters concerning shares  
Not applicable.

### **3. Share Acquisition Rights, etc., of the Company (as of March 31, 2025)**

- (1) Status of share acquisition rights, etc. held by the officers of the Company that are issued as remuneration for the execution of duties  
Not applicable.
- (2) Status of share acquisition rights, etc. issued to employees of the Company as remuneration for the execution of duties during the fiscal year under review  
Not applicable.
- (3) Other significant matters concerning share acquisition rights, etc.  
Not applicable.

## 4. Company Officers

### (1) Directors and Auditors (as of March 31, 2025)

Position	Name	Responsibilities and significant concurrent positions
President Director	Masayuki Aoyama	Representative Director, Member of Nomination and Compensation Committee
Director & Senior Managing Executive Officer	Yoshiharu Inomata	Assistant to the President, In charge of Corporate Planning, General Manager, Recycling Business & Technology Development Dept.
Director & Managing Executive Officer	Kenichi Hara	In charge of Procurement, General Manager of Sales & Marketing Dept. Director, Pacific Sowa Corporation
Director & Managing Executive Officer	Terunobu Matsuyama	In charge of Internal Control, IR, General Administration, Finance & Accounting, General Manager of Personnel & Labor Relation Dept. Director, Taiheiyo Kosan Co., Ltd.
Director & Senior Executive Officer	Hiroaki Ichiyanagi	In charge of Quality Control & Environmental Management, General Manager, Resources & Technology Development Project Dept. Director, Rio Tuba Nickel Mining Corporation Director, Taganito Mining Corporation
Director & Senior Executive Officer	Kazuo Iwadate	In charge of Safety & Health Management, Utility & Maintenance and Production President & Representative Director, Pacific Gas Center Co., Ltd.
Director	Shinya Matsumoto	Chairperson of Nomination and Compensation Committee Outside Auditor, Impress Holdings, Inc. Outside Director, The Shibusawa Warehouse Co., Ltd.
Director	Hikari Imai	Member of Nomination and Compensation Committee Outside Director, FUJI SOFT INCORPORATED
Director	Yukari Sakai	Member of Nomination and Compensation Committee Outside Director, TOYO KANETSU K.K.
Full-time Auditor	Kiichi Tatsunaka	
Auditor	Ken Yasuda	
Auditor	Yutaka Iimura	
Auditor	Kyosuke Miyazaki	Outside Auditor, J-WAVE Inc.

- Notes: 1. Mr. Shuzo Ikeda, Auditor, retired from his position at the end of his term of office at the conclusion of the Annual General Shareholders Meeting held on June 21, 2024.
2. Mr. Kyosuke Miyazaki was newly elected as and assumed the position of Auditor at the Annual General Shareholders Meeting held on June 21, 2024.
3. Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai are Outside Directors as set forth in Article 2, Item 15 of the Companies Act. Furthermore, the Company has designated Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai as Independent Directors pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of their designation to the said exchange.
4. Mr. Ken Yasuda, Mr. Yutaka Iimura, and Mr. Kyosuke Miyazaki are Outside Auditors as set forth in Article 2, Paragraph 16 and Article 335, Paragraph 3 of the Companies Act. Furthermore, the Company has designated Auditors Mr. Ken Yasuda, Mr. Yutaka Iimura, and Mr. Kyosuke Miyazaki as Independent Auditors pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of their designation to the said exchange.
5. Prior to his assumption of office as Auditor, Permanent Auditor Mr. Kiichi Tatsunaka belonged to the Finance & Accounting Department of the Company, and he possesses considerable knowledge in the finance and accounting fields.
6. Auditors Mr. Ken Yasuda, Mr. Yutaka Iimura, and Mr. Kyosuke Miyazaki all hail from financial institutions and possess considerable knowledge in the finance and accounting fields and also as auditors.



Reference: The other Executive Officers are as follows. (As of March 31, 2025)

Position	Names
Senior Executive Officers	Chitaru Okamura, Satoshi Kawabata
Executive Officer	Tetsushi Kimura

(2) Summary of Agreement on Limitation of Liability

The Company and three (3) Outside Directors and three (3) Outside Auditors have entered into contracts to limit liability for damages pursuant to the respective provisions of Article 427, Paragraph 1 of the Companies Act, Article 30 of the Articles of Incorporation, which stipulates the contract to limit liability of Outside Directors, and Article 39 of the Articles of Incorporation, which stipulates the contract to limit liability of Outside Auditors. The limit of liability for damages under the said contracts shall be the amount provided for by laws and regulations.

(3) Summary of Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. Directors, Auditors, Executive Officers, and managerial employees of the Company are within the scope of the insured under the said insurance contract, and the insured do not bear the premiums. The said insurance contract covers legal expenses and damages for claims brought against the insured during the insurance period.

However, in order to ensure that the insured's execution of their duties is not impaired, there are certain exemptions, such as coverage not being provided for damages arising from an act committed by the insured with knowledge that the act was in violation of the law.

(4) Remuneration, etc. of Directors and Auditors in the Fiscal Year Under Review

1) Matters regarding the policy for determining the content of remuneration for individual Directors and Auditors

The Company's Nomination and Compensation Committee has established the policy described below for determining the content of remuneration for individual Directors. This basic policy has been decided by the Company's Board of Directors as the Officers' Remuneration Rules.

The Company's policy for determining the content of remuneration for individual Auditors has also been decided by the Company's Board of Directors as the Officers' Remuneration Rules, and the maximum amount was resolved at the General Shareholders Meeting and the details are determined through mutual consultation among the Auditors.

2) Summary of the determination policy

i) Basic policy

The basic policy for Director's remuneration is to link the remuneration system with the benefits of shareholders in order to make the system fully functional, as an incentive to pursue the sustainable improvement of corporate value, and to determine the individual Director's remuneration at an appropriate level according to his/her responsibilities.

Specifically, Directors' remuneration consists of "basic remuneration for officers" as fixed remuneration and "bonuses for officers (cash and shares)" as performance-linked remuneration. Regarding Outside Directors who assume the responsibility of oversight, only "basic remuneration for officers" is paid in light of their duties.

ii) Policy for determining the amounts of basic remuneration (monetary compensation) for individual Directors (including policy regarding the determination of the timing or conditions of granting remuneration)

Basic remuneration for Directors of the Company is fixed monthly remuneration, and its amount is deliberated and determined by the Nomination and Compensation Committee.

iii) Policy for determining the contents and the amount or quantity of performance-linked remuneration (including policy regarding the determination of the timing or conditions of granting remuneration)

Regarding performance benchmark, performance-linked remuneration is payable when dividends are paid. Using net income as the source of funds, performance-linked remuneration is calculated based on the distribution standard according to the level of net income determined separately. The performance benchmark is selected to raise awareness of the performance

improvement for each fiscal year, contribute to the improvement of corporate value, and share benefits with all stakeholders.

The payment is made at a fixed time each year in an amount calculated based on the performance for each fiscal year as a bonus.

iv) Policy for determining the amount of monetary remuneration and the amount of performance-linked remuneration as percentages of the amount of remuneration for individual Directors

a. Fixed monthly remuneration

◇ Basic remuneration for officers

- Fixed remuneration in cash according to the position based on the degree of responsibilities

b. Performance-linked remuneration

◇ Bonuses for officers (cash)

- Performance-linked remuneration as a short-term incentive, which fluctuates based on the Company's business performance during a fiscal year.
- Up to the amounts of individual monthly fixed remuneration for five months
- The payment of remuneration shall be made annually after the determination of the Company's performance and other items for each fiscal year.

◇ Bonuses for officers (shares)

- As performance-linked stock remuneration, points will be granted for delivery of shares during the term of office in order to promote the sharing of benefits and risks with shareholders from a medium- to long-term perspective.
- Shares, etc. will be issued to Directors at the time of their retirement.

Regarding the ratio by remuneration type, the ratio of fixed remuneration to performance-linked remuneration is in the range between 10:0 and 7:3.

v) Matters relating to the determination of the content of remuneration for Directors

In determining a draft proposal on monthly individual Directors' remuneration, the President Director carefully evaluates the role expected of each Director by the Company, submits the draft proposal to the Nomination and Compensation Committee, which deliberates and determines remuneration for individual Directors, and then the President Director submits the proposal on the total amount to the Board of Directors, which makes a decision.

The total amount of bonuses for Directors, which are performance-linked remuneration, is determined in accordance with the distribution standards, and the President Director submits a proposal on the total amount to be paid to the Board of Directors, which makes a decision. Distribution to individuals is done proportionally based on the amount of fixed monthly remuneration according to position.

At the Board of Directors meeting held on April 15, 2025, part of this policy was amended, and a new resolution was passed. In passing this resolution, the Board of Directors sought the opinion of and received a report from the Nomination and Compensation Committee. The contents of the policy after its amendment are as follows. (Amended parts are underlined.)

i) Basic policy

The basic policy for Director's remuneration is to link the remuneration system with the benefits of shareholders in order to make the system fully functional, as an incentive to pursue the sustainable improvement of corporate value, and to determine the individual Director's remuneration at an appropriate level according to his/her responsibilities.

Specifically, Directors' remuneration consists of "basic remuneration for officers (cash and shares)" as fixed remuneration and "bonuses for officers (cash)" as performance-linked remuneration. Regarding Outside Directors, who assume the responsibility of oversight, only "basic remuneration for officers (cash)" is paid in light of their duties.

ii) Policy for determining the amounts of basic remuneration (monetary compensation and shares) for individual Directors (including policy regarding the determination of the timing or conditions of granting remuneration)

Basic remuneration for Directors of the Company is fixed monthly cash remuneration and annual share remuneration, and the amount and number of shares are deliberated and determined by the Nomination and Compensation Committee.

iii) Policy for determining the contents and the amount or quantity of performance-linked remuneration (including policy regarding the determination of the timing or conditions of granting remuneration)

Regarding performance benchmark, performance-linked remuneration is payable when dividends are paid. Using net income as the source of funds, performance-linked remuneration is calculated based on the distribution standard according to the level of net income determined separately. The performance benchmark is selected to raise awareness of

the performance improvement for each fiscal year, contribute to the improvement of corporate value, and share benefits with all stakeholders.

The payment is made at a fixed time each year in an amount calculated based on the performance for each fiscal year as a bonus.

- iv) Policy for determining the amount of fixed remuneration and the amount of performance-linked remuneration as percentages of the amount of remuneration for individual Directors

a. Fixed remuneration

◇ Basic remuneration for officers (cash)

- Monthly basic remuneration according to the position based on the degree of responsibilities

◇ Basic remuneration for officers (shares)

- For share remuneration, shares with restrictions on transfer will be granted according to the position of the Directors (excluding Outside Directors), and the transfer restrictions will be lifted at the time of their retirement from the position of Director.

b. Performance-linked remuneration

◇ Bonuses for officers (cash)

- Performance-linked remuneration as a short-term incentive, which fluctuates based on the Company's business performance during a fiscal year.
- Up to the amounts of individual basic remuneration for five months
- The payment of remuneration shall be made annually after the determination of the Company's performance and other items for each fiscal year.

Regarding the ratio by remuneration type, the ratio of fixed remuneration to performance-linked remuneration is in the range between 10:0 and 7:3.

- v) Matters relating to the determination of the content of remuneration for Directors

In determining a draft proposal on monthly cash and annual share remuneration for individual basic remuneration, the President Director carefully evaluates the role expected of each Director by the Company, submits the draft proposal to the Nomination and Compensation Committee, which deliberates and determines remuneration for individual Directors, and then the President Director submits the proposal on the total amount to the Board of Directors, which makes a decision.

The total amount of bonuses for Directors, which are performance-linked remuneration, is determined in accordance with the distribution standards, and the President Director submits a proposal on the total amount to be paid to the Board of Directors, which makes a decision. Distribution to individuals is done proportionally based on the amount of monthly basic remuneration according to position.

- 3) Matters regarding the resolution of the General Shareholders Meeting concerning remuneration of Directors and Auditors

The 80th Annual General Shareholders Meeting on June 29, 2006 passed a resolution to stipulate that the amount of monetary remuneration for Directors shall be up to 350 million yen per year (excluding the portion of employee salary of Directors who concurrently serve as employees). There were ten (10) directors (including one (1) Outside Director) at the time of the conclusion of the said Annual General Shareholders Meeting.

The 80th Annual General Shareholders Meeting on June 29, 2006 passed a resolution to stipulate that the amount of monetary remuneration for Auditors shall be up to 60 million yen per year. There were four (4) auditors at the time of the conclusion of the said Annual General Shareholders Meeting.

- 4) Matters regarding the entrustment of the determination of remuneration, etc. for individual Directors

Regarding the amount of each individual Director's remuneration, the maximum amount was resolved at the General Shareholders Meeting, and the Nomination and Compensation Committee, entrusted by the Board of Directors, deliberates on the total amount of remuneration to be paid to Directors for the applicable period based on the Directors' Remuneration Policy established separately, and the President Director submits the proposal reflecting results of its deliberations to the Board of Directors, which makes a decision.

The reason for delegating authority to the Nomination and Compensation Committee is to ensure the fairness, transparency, and objectivity of the procedures for determining remuneration since the Nomination and Compensation Committee, of which a majority of members are Outside Directors, is a voluntary advisory body to the Board of Directors of the Company.

The Board of Directors has taken measures to ensure that such authority is properly exercised by the Nomination and Compensation Committee, which deliberates on the matter, and based on

its report, the President Director submits the matter to the Board of Directors for decision. Since the amount of individual Director's remuneration is determined through such procedures, the Board of Directors believes that the content of such remuneration is in line with the determination policy.

Regarding the details pertaining to the fiscal year under review, the Nomination and Compensation Committee (Chairperson: Outside Director Mr. Shinya Matsumoto; Members: Outside Director Mr. Hikari Imai, Outside Director Ms. Yukari Sakai, President Director Mr. Masayuki Aoyama) determined the details of remuneration for individual Directors. The content of its authority is defined by the Committee's Regulations and covers formulation of the basic policy regarding the remuneration system, proposals on the remuneration framework (including the calculation method), and specific amounts of remuneration for individual Directors (including the calculation method).

5) Total amount of remuneration, etc. of Directors and Auditors

Officer Category	Total amount of remuneration, etc. (million yen)	Total amount by remuneration type (million yen)			Number of eligible officers
		Basic (fixed) remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (of which, Outside Directors)	186	186 (19)	— (—)	— (—)	9 (3)
Auditors (of which, Outside Auditors)	39	39 (18)	— (—)	— (—)	5 (4)

- Notes: 1. The amount of remuneration for Auditors includes that for one Auditor who retired at the conclusion of the 98th Annual General Shareholders Meeting held on June 21, 2024.
2. The indicator for performance-linked remuneration for the fiscal year under review is the amount of consolidated profit. Since the actual result was a loss attributable to owners of parent of 1,667 million yen, the Company decided not to pay bonuses for officers to six (6) Directors (excluding Outside Directors) in accordance with the Directors' Remuneration Policy.
3. The Board of Directors' meeting, held on May 22, 2006, resolved to abolish the retirement benefits system for officers, and the 80th Annual General Shareholders Meeting, held on June 29, 2006, resolved to grant final payments in conjunction with the abolishment of the retirement benefits system. The total amount of the final payments in the future as of the end of the fiscal year under review is as follows.  
A total of 6 million yen for one Auditor
4. Outside Directors and Auditors do not receive officers' remuneration, etc., from subsidiaries.-

(5) Outside Directors and Auditors

1) Status of Activities at the Board of Directors During the Fiscal Year Under Review

Name	Position at the Company	Significant concurrent positions	Main activities and summary of duties performed with respect to the role expected of Outside Directors
Shinya Matsumoto	Director Independent Officer	Outside Auditor, Impress Holdings, Inc. Outside Director, The Shibusawa Warehouse Co., Ltd.	Mr. Matsumoto attended 22 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of compliance with laws and regulations based on his professional perspective and broad insight as an attorney. (Board of Directors attendance rate: 100.0%) In addition, by leveraging the above-mentioned perspective and insight, he serves as the chairperson of the Nomination and Compensation Committee of the Company and is playing an appropriate role in enhancing the fairness and transparency of the Company's Board of Directors.
Hikari Imai	Director Independent Officer	Outside Director, FUJI SOFT INCORPORATED	Mr. Imai attended 21 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of enhancing and strengthening corporate management, based on his extensive experience as a corporate manager over many years. (Board of Directors attendance rate: 95.5%) In addition, by leveraging the above-mentioned experience, he serves as a member of the Nomination and Compensation Committee of the Company and is playing an appropriate role in enhancing the fairness and transparency of the Company's Board of Directors.
Yukari Sakai	Director Independent Officer	Outside Director, TOYO KANETSU K.K.	Ms. Sakai attended 22 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of enhancing and strengthening corporate management, based on her extensive experience as a corporate manager over many years. (Board of Directors attendance rate: 100.0%) In addition, by leveraging the above-mentioned experience, she is providing advice, as appropriate, on various issues related to the Company's corporate management based on a variety of perspectives from the viewpoint of diversity and is playing an appropriate role in enhancing the effectiveness of the Company's Board of Directors.

## 2) Status of Activities at the Board of Auditors During the Fiscal Year Under Review

Name	Position at the Company	Significant concurrent positions	Main activities
Ken Yasuda	Auditor Independent Officer		Mr. Yasuda attended 22 of the 22 Board of Directors meetings and 15 of the 15 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)
Yutaka Iimura	Auditor Independent Officer		Mr. Iimura attended 22 of the 22 Board of Directors meetings and 15 of the 15 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)
Kyosuke Miyazaki	Auditor Independent Officer	Outside Auditor, J-WAVE Inc.	Mr. Miyazaki attended 16 of the 16 Board of Directors meetings and 8 of the 8 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)

- Notes: 1. There are no transactional relationship or special interests between Directors Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai and Auditors Mr. Ken Yasuda, Mr. Yutaka Iimura, and Mr. Kyosuke Miyazaki and the Company.
2. There are no special interests between the corporations, etc. where Directors Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai and Auditor Mr. Kyosuke Miyazaki serve in concurrent positions and the Company.
3. Auditor Mr. Kyosuke Miyazaki's attendance at meetings is for Board of Directors meetings and Board of Auditors meetings held after he assumed his position on June 21, 2024.

## 5. Accounting Auditor

- (1) Accounting Auditor's Name  
KPMG AZSA LLC

- (2) Amount of accounting auditor's remuneration, etc. and reasons for the Board of Auditors to have agreed on accounting auditor's remuneration, etc. for the fiscal year under review

Category	Amount paid (Million yen)
Remuneration for the year ended March 31, 2025	42
Total amount of cash and other property interest payable by the Company or its subsidiaries to Accounting Auditor	42

Notes: 1. The audit agreement between the Company and the accounting auditor does not differentiate the amount of accounting auditor's remuneration, etc. under the Companies Act from the amount of remuneration for the audit under the Financial Instruments and Exchange Act, and as such differentiation is practically impossible, the amount of remuneration, etc. is presented as the total of these amounts.

2. No certified public accountant or audit firm other than the Company's accounting auditor conducts audits of the financial statements of the Company's consolidated subsidiaries.

3. Description of non-audit services  
The Company has concluded a Procedural Work Contract Pursuant to Article 21, Paragraph 2, Item 3 of the Enforcement Regulation of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (Ministry of Economy, Trade and Industry Ordinance No. 46) (October 2024), and pays ¥0 million as remuneration for the said contract.

4. The Company paid ¥0 million to R.G. Manabat & Co., which is in the same network as the certified public accountant, etc. for audits, as remuneration based on audit certification work.

5. The Company paid ¥18 million to KPMG FAS Co., Ltd., which is in the same network as the certified public accountant, etc. for audits, as remuneration under a services agreement.

6. Based on the Practical Guidelines for Collaboration with Accounting Auditors published by Japan Audit & Supervisory Board Members Association, the Board of Auditors has given consent to the remuneration, etc. to be paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act as a result of confirming actual audit hours per audit item and grade in the auditing schedules of past years, trends in remuneration amounts, and the status of the execution of duties by the accounting auditor and examining the validity of auditing schedule and the remuneration amount for the fiscal year under review.

- (3) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor  
The Company's Board of Auditors shall dismiss the Accounting Auditor with the unanimous consent of all Auditors if it is judged that the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act. In such an event, an Auditor selected by the Board of Auditors shall report the dismissal of the Accounting Auditor and the reasons for that dismissal at the first General Shareholders Meeting convened after the dismissal.

The Board of Auditors shall decide on the reappointment or non-reappointment of the Accounting Auditor taking into account factors such as the number of years of continuous provision of audits by the Accounting Auditor.

## 6. Systems to Ensure the Appropriateness of the Company's Business Operations and the State of Their Implementation

- (1) System of retention and management of information concerning the execution of duties of the Directors of the Company
- 1) Reports related to the execution of duties of Directors are made in writing or in electronic media.
  - 2) Information concerning the execution of duties of Directors is retained and managed according to the document control rules and other internal rules of the Company.
- (2) Rules and other systems concerning the management of risk of loss of the Company
- 1) In order to cope with major accidents, disasters, and corporate scandals, the Company has established the Risk Management Committee, which takes measures at normal times, and the Crisis Management Manual in which basic responses to be taken in emergency situations are described.
  - 2) Business management risks are presented to the Board of Directors to determine countermeasures.
  - 3) Daily operational risks are handled by documenting management rules and business execution manuals, etc.
- (3) System to ensure the efficient execution of duties of the Directors of the Company and its subsidiaries
- 1) The Company has introduced an executive officer system to vitalize the Board of Directors

- through clarifying that the role of the Board of Directors is to determine the overall corporate management policies and supervise business execution. The Company works to accelerate decision-making and enhance the business execution function at the practical level through clarifying the roles and responsibilities of persons responsible for business execution.
- 2) In the business operation of the Company, the Management Planning Committee, consisting of Directors and the General Manager of the department in charge, formulates operation policy and management plans. The Board of Directors discusses and determines the said policy and plans, and systematic and organizational execution of business is conducted based on the policy and plans. Executive Officers in charge regularly report the progress of business execution to the Board of Directors for verification.
  - 3) The Company has set basic rules and other matters concerning IT control in order to ensure the efficiency of the business execution of the Company and its subsidiaries.
  - 4) The Company has formulated rules and introduced a web conference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors in all the Board of Directors meetings for decision-making.
- (4) System to ensure the execution of duties of Directors and employees of the Company in compliance with laws and regulations and the Articles of Incorporation of the Company
- 1) The Board of Directors has set the Management Policy, the Corporate Code of Ethics, and the Standard of Corporate Conduct, among others.
  - 2) The Company works to enhance compliance through establishing the Internal Control Committee as a structure to ensure the execution of duties of the Directors and employees in compliance with laws and regulations and the Articles of Incorporation of the Company.
  - 3) The Company eliminates any relationship with anti-social forces and other similar groups that threaten the order and safety of civic society, and resolutely rejects any requests from them. The Company has already established a contact point, and centrally manages information and always collaborates with the police, the Tokyo Metropolitan Police Department's Special Violence Prevention Measures Association (Tokubouren), and external expert institutions.
  - 4) The Company has introduced a web conference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors in all the Board of Directors meetings for decision-making.
  - 5) The Company has established the Internal Audit Dept. under the direct control of the Board of Directors, and the department implements "organizational and system audits," "operational audits," "accounting audits," and "daily monitoring" in collaboration with Auditors.
  - 6) The Company has established a whistle-blowing system (internal and external contact points) based on the Rules of Whistle-blowing System. Whistle-blowing reports are submitted to the Board of Auditors, and specific cases are reported to the Board of Directors. Disadvantageous treatment of whistle-blowers as a result of whistle-blowing is prohibited.
- (5) System to ensure the appropriateness of duties at the Group
- 1) The Company has established a system to ensure the appropriateness of duties of subsidiaries through assigning persons in charge of internal control and crisis management at its subsidiaries under the guidance of the Company and making the persons attend the Internal Control Committee and the Risk Management Committee at the Company as necessary.
  - 2) The Internal Audit Dept. of the Company implements audits in order to ensure the appropriateness of duties at consolidated subsidiaries.
  - 3) Directors of each consolidated subsidiary regularly report the operating conditions of the consolidated subsidiary to the Board of Directors.
  - 4) The Company has established a whistle-blowing system (internal and external contact points) based on the Rules of Whistle-blowing System. Whistle-blowing reports are submitted to the Board of Auditors, and specific cases are reported to the Board of Directors. The whistle-blowing system covers matters concerning subsidiaries, associates, and business partners, and other related entities. The Company ensures that the whistleblowers will not receive disadvantageous treatment in association with such internal reporting and prohibits such disadvantageous treatment.
- (6) System of employees to support the duties of Auditors of the Company
- At the requests of Auditors, the Company may appoint employees belonging to the Internal Audit Dept. as persons to support the duties of Auditors, in order to strengthen the collaboration between Auditors and the Internal Audit Dept., and have the employees support Auditors to the extent that it does not negatively affect their primary duties. The Board of Directors exchanges opinions with the



Board of Auditors as needed.

- (7) System for Directors and employees of the Company to report to Auditors of the Company
- 1) Directors of the Company immediately report to Auditors in accordance with laws and regulations when they identify facts which may potentially cause substantial damage to the Company.
  - 2) Directors of the Company allow Auditors to attend the Board of Directors meetings and other important meetings. Directors shall follow the instruction of Auditors with regard to the inspection of Auditors' important documents and the investigation into the business and assets of the Company.
  - 3) As regards whistle-blowing reports to Auditors, employees, etc. of the Company, directors, auditors, and employees, etc. of its subsidiaries, and those who have received reports from them shall not be treated disadvantageously.
  - 4) The Company shall promptly process the prepayment and redemption of expenses incurred in connection with the execution of duties of Auditors, expenses for the execution of the said duties, and debt disposal.
  - 5) For the fair execution of duties of Directors of the Company, the Company enables all of the four Auditors (of which three are Outside Auditors), including part-time Auditors, to attend all Board of Directors meetings.
- (8) System to ensure the reliability of financial reports of the Company
- In order to ensure the reliability of financial reports of the Company and its subsidiaries, the Company sets various related rules, identifies and manages the risks of causing fraud or error in financial reports, designs, operates and evaluates prevention and monitoring functions, and corrects deficiencies, if any.
- (9) Overview of the status of implementation of systems to ensure the appropriateness of the Company's business operations
- 1) The Board of Directors met 22 times to decide on matters stipulated by laws and regulations, etc. and important matters concerning management. Communication among the Directors is encouraged, and the Directors oversee the execution of each other's duties.
  - 2) The Board of Auditors met 15 times to discuss and decide audit policies and schedules and to audit the Directors' execution of their duties and the status of compliance with laws and regulations, the Articles of Incorporation, etc.
  - 3) The Risk Management Committee met 4 times to confirm the status of management of risks concerning the Company as a whole and activity policies for the following year, deal with accidents, and conduct tsunami evacuation plans and training.  
The Committee has also established a Crisis Management Manual for situations that are anticipated to cause a material impact on management and is making efforts to establish measures for dealing with such events and preventing them from happening.
  - 4) The Internal Control Committee met four times to evaluate the establishment of internal control systems and the status of their implementation. It is also working to strengthen compliance through regular confirmation of the status of compliance with laws and regulations and through education.
  - 5) Auditors and the internal audit division held four information exchange meetings, and they exchange information when necessary regarding internal audit results, etc.  
Outside Directors also take part in these information exchanges.
  - 6) Whistle-blowing contact points have been established within and outside the Company for reporting breaches of laws and regulations and internal rules, etc. They provide thorough protection of whistleblowers and strive for the early detection and remediation of breaches, etc.

## 7. Policy Concerning Decisions on Distribution of Surplus, etc.

### (1) Dividend Policy

The Company considers the return of profits to shareholders to be an important management issue and distributes dividends with the aim of DOE (dividend on equity) of 4%, while working to enhance and strengthen the corporate structure.

The Company also positions internal reserves as a fund for responding functionally to changes in the management environment and will use them for various purposes, including securing resources, the development of new technologies, capital expenditure, and the acquisition of treasury shares as part of the Company's capital policy.

### (2) Distribution of Surplus

The Company's basic policy is to pay dividends twice a year, namely an interim dividend and a year-end dividend. The Company paid the following dividends from surplus by resolution of the Board of Directors, pursuant to Article 459, Paragraph 1 of the Companies Act.

Resolution by Board of Directors on dividend of surplus as of the record date of the fiscal year under review

(1) Total amount of dividends	2,632 million yen
(2) Dividend per share of common stock	135 yen
(3) Record date	March 31, 2025

As no interim dividend was paid, the annual dividend is 135 yen.

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The amounts shown in this Business Report and the figures for the number of shares are rounded to the unit used for presentation.

## Consolidated Balance Sheets

(Million yen)

Description	(Reference) As of March 31, 2024	As of March 31, 2025	Description	(Reference) As of March 31, 2024	As of March 31, 2025
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>41,814</b>	<b>38,510</b>	<b>Current liabilities</b>	<b>1,674</b>	<b>1,230</b>
Cash and deposits	21,758	23,874	Notes and accounts payable - trade	234	112
Accounts receivable - trade	5,001	3,281	Accrued expenses	892	712
Securities	2,199	2,600	Income taxes payable	47	55
Merchandise and finished goods	7,303	4,074	Provision for bonuses	117	117
Work in process	257	263	Provision for restoration cost	5	—
Raw materials and supplies	3,521	2,864	Other	376	232
Other	1,773	1,552	<b>Non-current liabilities</b>	<b>3,055</b>	<b>2,908</b>
Allowance for doubtful accounts	(1)	(1)	Retirement benefit liability	59	68
<b>Non-current assets</b>	<b>31,975</b>	<b>33,284</b>	Deferred tax liabilities	1,135	992
<b>Property, plant and equipment</b>	<b>7,388</b>	<b>7,273</b>	Deferred tax liabilities for land revaluation	547	539
Buildings and structures	2,059	1,877	Provision for environmental measures	2	2
Machinery, equipment and vehicles	945	976	Provision for loss contract	1,273	1,273
Land	4,304	4,231	Provision for restoration cost	14	14
Other	77	187	Other	23	18
<b>Intangible assets</b>	<b>285</b>	<b>12</b>	<b>Total liabilities</b>	<b>4,729</b>	<b>4,138</b>
<b>Investments and other assets</b>	<b>24,301</b>	<b>25,998</b>	<b>Net assets</b>		
Investment securities	23,687	24,873	<b>Shareholders' equity</b>	<b>66,609</b>	<b>64,994</b>
Retirement benefit asset	476	770	<b>Share capital</b>	<b>13,922</b>	<b>13,922</b>
Other	142	359	<b>Capital surplus</b>	<b>3,481</b>	<b>3,481</b>
Allowance for doubtful accounts	(5)	(5)	<b>Retained earnings</b>	<b>49,658</b>	<b>48,044</b>
<b>Total assets</b>	<b>73,790</b>	<b>71,795</b>	<b>Treasury shares</b>	<b>(452)</b>	<b>(453)</b>
			<b>Accumulated other comprehensive income</b>	<b>2,176</b>	<b>2,395</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>1,183</b>	<b>526</b>
			<b>Deferred gains or losses on hedges</b>	<b>—</b>	<b>7</b>
			<b>Revaluation reserve for land</b>	<b>400</b>	<b>331</b>
			<b>Foreign currency translation adjustment</b>	<b>179</b>	<b>828</b>
			<b>Remeasurement of defined benefit plans</b>	<b>412</b>	<b>700</b>
			<b>Non-controlling interests</b>	<b>274</b>	<b>267</b>
			<b>Total net assets</b>	<b>69,060</b>	<b>67,656</b>
			<b>Total liabilities and net assets</b>	<b>73,790</b>	<b>71,795</b>

## Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2023 to March 31, 2024	From April 1, 2024 to March 31, 2025
<b>Net sales</b>	<b>15,521</b>	<b>13,175</b>
<b>Cost of sales</b>	<b>22,637</b>	<b>18,366</b>
<b>Gross loss</b>	<b>(7,115)</b>	<b>(5,191)</b>
<b>Selling, general and administrative expenses</b>	<b>1,998</b>	<b>2,177</b>
Selling expenses	344	304
General and administrative expenses	1,653	1,873
<b>Operating loss</b>	<b>(9,114)</b>	<b>(7,368)</b>
<b>Non-operating income</b>	<b>7,183</b>	<b>5,821</b>
Interest income	24	43
Dividend income	229	121
Rental income from real estate	107	110
Share of profit of entities accounted for using equity method	6,053	5,413
Foreign exchange gains	696	86
Other	73	45
<b>Non-operating expenses</b>	<b>188</b>	<b>75</b>
Interest expenses	0	0
Rental expenses on facilities	15	15
Commitment fees	27	27
Commission for syndicated loans	53	4
Loss on disposal of inventories	31	2
Foreign withholding tax	33	16
Other	26	7
<b>Ordinary profit (loss)</b>	<b>(2,119)</b>	<b>(1,622)</b>
<b>Extraordinary income</b>	<b>2,646</b>	<b>594</b>
Gain on sale of non-current assets	7	5
Gain on sale of investment securities	2,638	128
Insurance claim income	—	459
<b>Extraordinary losses</b>	<b>1,137</b>	<b>217</b>
Impairment losses	977	133
Loss on retirement of non-current assets	160	81
Loss on sale of investment securities	—	2
<b>Profit (loss) before income taxes</b>	<b>(611)</b>	<b>(1,245)</b>
Income taxes - current	390	407
Income taxes - deferred	85	21
<b>Profit (loss)</b>	<b>(1,087)</b>	<b>(1,675)</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(13)</b>	<b>(7)</b>
<b>Profit (loss) attributable to owners of parent</b>	<b>(1,074)</b>	<b>(1,667)</b>

## Non-Consolidated Balance Sheets

(Million yen)

Description	(Reference) As of March 31, 2024	As of March 31, 2025	Description	(Reference) As of March 31, 2024	As of March 31, 2025
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>41,344</b>	<b>38,067</b>	<b>Current liabilities</b>	<b>1,624</b>	<b>1,185</b>
Cash and deposits	21,298	23,474	Accounts payable - trade	237	118
Accounts receivable - trade	4,928	3,198	Accounts payable - other	255	104
Securities	2,199	2,600	Accrued expenses	886	708
Merchandise	301	107	Deposits	76	69
Finished goods	7,090	4,017	Provision for bonuses	102	100
Raw materials	2,697	2,171	Provision for restoration cost	5	—
Work in process	260	266	Other	61	85
Supplies	752	620	<b>Non-current liabilities</b>	<b>2,276</b>	<b>2,019</b>
Advance payments to suppliers	1,273	1,273	Deferred tax liabilities	426	180
Other	541	337	Deferred tax liabilities for land revaluation	547	539
Allowance for doubtful accounts	(0)	(0)	Provision for environmental measures	2	2
<b>Non-current assets</b>	<b>12,238</b>	<b>11,148</b>	Provision for loss contract	1,273	1,273
<b>Property, plant and equipment</b>			Provision for restoration cost	14	14
Buildings	7,213	7,097	Other	12	9
Land	1,822	1,632	<b>Total liabilities</b>	<b>3,901</b>	<b>3,205</b>
Other	4,304	4,231	<b>Net assets</b>		
<b>Intangible assets</b>	<b>285</b>	<b>12</b>	<b>Shareholders' equity</b>	<b>48,257</b>	<b>45,310</b>
<b>Investments and other assets</b>	<b>4,739</b>	<b>4,038</b>	<b>Share capital</b>	<b>13,922</b>	<b>13,922</b>
Investment securities	2,206	1,243	<b>Capital surplus</b>	<b>3,481</b>	<b>3,481</b>
Shares of subsidiaries and associates	2,378	2,363	Legal capital surplus	3,481	3,481
Prepaid pension costs	20	84	<b>Retained earnings</b>	<b>31,307</b>	<b>28,360</b>
Other	138	352	Legal retained earnings	382	382
Allowance for doubtful accounts	(5)	(5)	Other retained earnings	30,925	27,978
<b>Total assets</b>	<b>53,582</b>	<b>49,215</b>	General reserve	10,300	10,300
			Retained earnings brought forward	20,625	17,678
			<b>Treasury shares</b>	<b>(452)</b>	<b>(453)</b>
			<b>Valuation and translation adjustments</b>	<b>1,423</b>	<b>700</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>1,022</b>	<b>368</b>
			<b>Revaluation reserve for land</b>	<b>400</b>	<b>331</b>
			<b>Total net assets</b>	<b>49,681</b>	<b>46,010</b>
			<b>Total liabilities and net assets</b>	<b>53,582</b>	<b>49,215</b>

## Non-Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2023 to March 31, 2024	From April 1, 2024 to March 31, 2025
<b>Net sales</b>	<b>14,752</b>	<b>12,444</b>
<b>Cost of sales</b>	<b>21,868</b>	<b>17,660</b>
<b>Gross profit</b>	<b>(7,116)</b>	<b>(5,215)</b>
<b>Selling, general and administrative expenses</b>	<b>1,935</b>	<b>2,075</b>
Selling expenses	360	318
General and administrative expenses	1,575	1,757
<b>Operating profit (loss)</b>	<b>(9,051)</b>	<b>(7,291)</b>
<b>Non-operating income</b>	<b>5,008</b>	<b>4,383</b>
Interest income	24	43
Dividend income	4,126	4,116
Rental income from real estate	114	118
Foreign exchange gains	696	86
Other	46	18
<b>Non-operating expenses</b>	<b>188</b>	<b>74</b>
Interest expenses	0	0
Rental expenses on facilities	15	15
Commitment fees	27	27
Commission for syndicated loans	53	4
Foreign withholding tax	33	16
Provision for environmental measures	13	–
Loss on disposal of inventories	31	2
Other	13	7
<b>Ordinary profit (loss)</b>	<b>(4,231)</b>	<b>(2,983)</b>
<b>Extraordinary income</b>	<b>2,646</b>	<b>593</b>
Gain on sale of non-current assets	7	5
Gain on sale of investment securities	2,638	127
Insurance claim income	–	459
<b>Extraordinary losses</b>	<b>1,124</b>	<b>217</b>
Impairment losses	963	133
Loss on retirement of non-current assets	160	81
Loss on sale of investment securities	–	2
<b>Profit (loss) before income taxes</b>	<b>(2,709)</b>	<b>(2,607)</b>
Income taxes - current	387	397
Income taxes - deferred	(95)	(3)
<b>Profit (loss)</b>	<b>(3,000)</b>	<b>(3,001)</b>