

Date: June 5, 2024

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Our View on the Proxy Voting Recommendations made by ISS

Hanwa Co., Ltd. (“Hanwa”) has recognized the fact that Institutional Shareholder Services, Inc. (“ISS”) has issued a report recommending shareholders to vote against a part of candidates in the Proposal 2 "Election of Eleven (11) Directors" at our 77th Ordinary General Shareholders Meeting to be held on June 26, 2024. Hanwa would like to state our views on ISS’s recommendations to vote against our candidates as follows. Hanwa sincerely asks our shareholders and investors to read “Notice of the 77th Ordinary General Shareholders Meeting” (“the Notice”) and the contents hereof, and to understand the relevant proposal.

1. Recommendations made by ISS

ISS has established quantitative criteria to recommend a vote against a company’s top executive if the company allocates a significant portion (20 percent or more) of its consolidated net assets to cross-shareholdings.

As described on pages 22 of the Notice, Hanwa has reduced the balance of our cross-shareholdings and the ratio of cross-shareholdings to net assets (“the ratio of cross-shareholdings”) is 19.6% at the end of FY 2023, decreased from 21.7% at the end of FY 2022.

However, ISS has determined that the annual security report (“Yuho”) for FY 2022 is the latest disclosure information because the content of the Notice does not meet ISS’s policy guidelines*. If the ratio of cross-shareholdings for FY 2022 is used as the basis, it would conflict with ISS’s quantitative criteria.

Therefore, ISS recommends a vote against the proposal for the election of Yasumichi Kato (Director and Chairman, candidate #1) and Yoichi Nakagawa (Representative Director and President, candidate #2).

* ISS’s quantitative criteria for cross-shareholdings are that if the total amount of "investment shares held for purposes other than pure investment" recorded on the balance sheet and the off-balance sheet shares that are deemed to be held by the company (known as "minashi hoyu kabushiki" in Japanese) for 20% or more of the consolidated net assets, they will recommend the vote against the directors, who are the top management.

2. Our View

Hanwa recognizes that the Notice does not meet ISS’s policy guidelines because there is no statement that there are no the off-balance sheet shares that are deemed to be held by the company (“the off-balance sheet shares”).

There were no the off-balance sheet shares at the end of FY 2022, and there are no the off-balance sheet shares at the end of FY 2023. Therefore, the ratio of cross-shareholdings in FY 2023 remains 19.6% as stated in the Notice.

From the perspective of business partnerships, creating business opportunities, maintaining and strengthening business relationships, etc., Hanwa holds shares of business partners, etc., when it is considered to contribute to enhancing corporate value over the medium to long term. Each year, the Board of Directors and the Management Committee regularly and comprehensively examine the appropriateness of the holding of individual shares, taking into account factors such as investment returns from transactions and dividends, capital efficiency, and the purpose of holding. Hanwa promotes the sale of shares that are deemed to be inconsistent with the purpose of the holding.

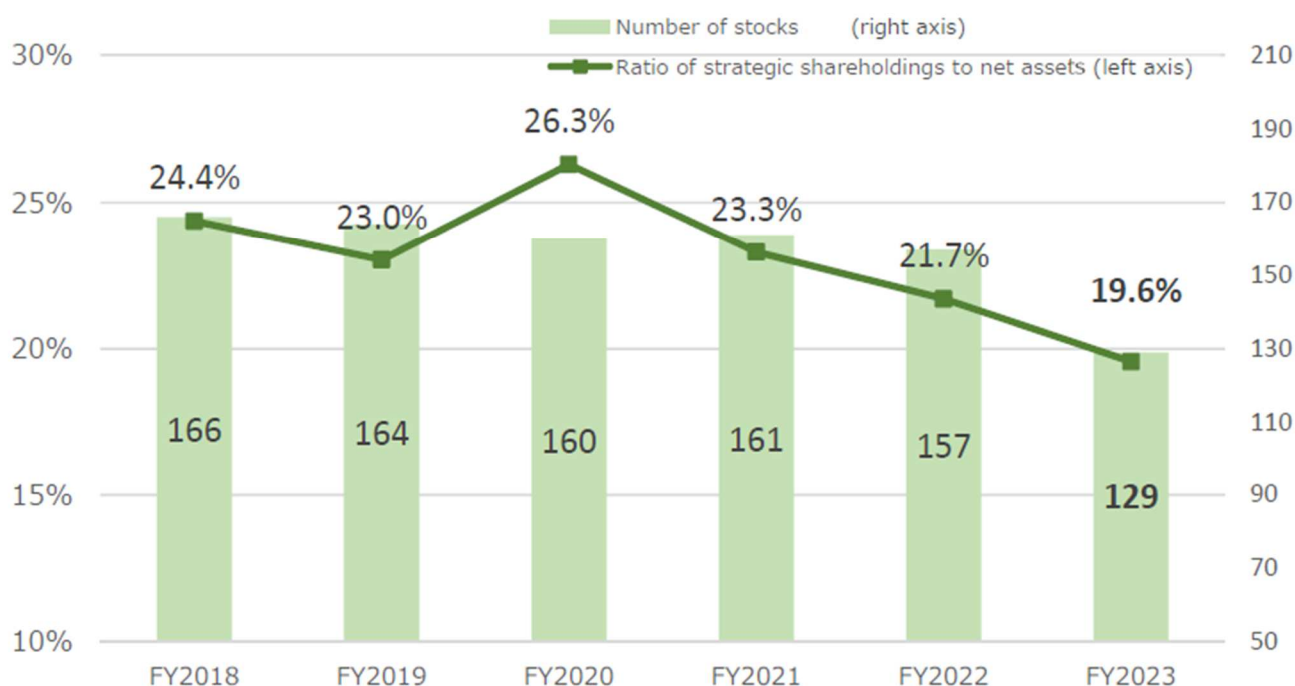
Under the leadership of Yasumichi Kato, as Director and Chairman and Yoichi Nakagawa, as Representative Director and President, Hanwa will continue to further reduce cross-shareholdings and further improve capital efficiency.

Hanwa asks all shareholders to bear in mind the above our view and to carefully consider how to exercise their voting rights.

(Reference) Status of cross-shareholdings

		FY2022	FY2023	Increase (decrease)
Number of stocks	Unlisted stocks	65	64	(1)
	Stocks other than unlisted stocks	92	65	(27)
	Total	157	129	(28)
Balance sheet amount (million yen)	Unlisted stocks	15,189	15,642	+452
	Stocks other than unlisted stocks	51,819	54,209	+2,390
	Total	67,009	69,852	+2,842
Consolidated net assets (million yen)		308,807	356,765	+47,958
Ratio to consolidated net assets		21.7%	19.6%	(2.1pt)

* There are no off-balance sheet shares that are deemed to be held by the company



For details on the status of cross-shareholdings, please refer to pages 22 of the Notice at the following URL;

https://www.hanwa.co.jp/ms/data/pdf/ir/20240527_4636.pdf

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