June 18, 2026

Hosokura Metal Mining Co., Ltd.

Annual Report on Responsible Minerals Sourcing (Lead)

The following is a report on the status of the Company's initiatives for responsible minerals sourcing in the sourcing of lead raw materials during the year from April 2025 to March 2026.

Description

1. Overview of the lead raw materials supply chain due diligence process management system (hereinafter "Management System")

Hosokura Metal Mining Co., Ltd. (hereinafter “the Company”) implements risk management on its supply chains by conducting a five-step due diligence process as defined in Annex I of "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas" (hereinafter “OECD Guidance”) based on the Company’s policy on responsible mineral sourcing (hereinafter “the Policy;” see the Company’s website http://www.hosokura.co.jp/eco.html) for supply chains related to sourcing of lead raw materials for electrolytic lead that is manufactured at the Company and registered as the “THREE DIAMOND” brand with the London Metal Exchange (hereinafter “LME”).

2. Persons responsible for the effectiveness of the Management System

The following are the persons responsible for the Management System in accordance with the Company's manual on responsible minerals sourcing (hereinafter “the Manual”).

○ Supply Chain Officer: Representative Director of the Company

The Supply Chain Officer has experience in responsible minerals sourcing and has the following major responsibilities and authorities:

[1] Periodically check the effectiveness and results of the Management System for responsible minerals sourcing
[2] Take measures necessary for the improvement of the Management System for responsible minerals sourcing
[3] Develop policy on responsible minerals sourcing
[4] Establish and revise the Manual
[5] Provide the means necessary for the supervision and execution of duties to the Compliance Officer
[6] Give approval for supply chains for which risks have been identified, and make decisions on whether to continue transactions

○ Compliance Officer: In principle, General Manager; Safety, Environment and Quality Management Department of the Company

The Compliance Officer has the following major responsibilities and authorities:

[1] Assist the Supply Chain Officer in establishing, implementing, and maintaining the Management System for responsible minerals sourcing
[2] Give instructions to the Raw Materials Purchasing Officer based on the results of responsible minerals sourcing
[3] Plan and implement education and training on responsible minerals sourcing
[4] Internal and external communication on responsible minerals sourcing
[5] Assist the Supply Chain Officer in assessing whether responsible minerals sourcing is implemented properly
[6] Implement appropriate measures for supply chains for which risks have been identified
[7] Report to the Supply Chain Officer on responsible minerals sourcing

○ Raw Materials Purchasing Officer: General Manager, Administration Department of the Company

The Raw Materials Purchasing Officer has the following major responsibilities and authorities:

[1] Purchase raw materials in accordance with the Manual
[2] Report to the Compliance Officer on new transactions in which red flags have been identified or projects in which potential risks have been identified

○ The Smelter & Refinery Raw Materials Manager: General Manager, Administration Department of the Company

The Smelter & Refinery Raw Materials Manager has the following major responsibilities and authorities:

[1] Check documents related to received raw materials and actual raw materials
[2] Prepare and retain records on received raw materials

3. Assess the effectiveness of the Management System and its results

The effectiveness of the Management System has been checked based on the Manual.

- Summary of assessment

Scope of assessment: Suppliers of lead raw materials
Period of assessment: From April 2025 to March 2026
Assessment method: Copper Mark's Joint Due Diligence Tool (hereinafter "JDD Tool")
Timing of implementation: March 2026

- Results of effectiveness assessment

The Management System was working effectively, and no problems were found.

- Improvement of the Management System

There were no matters to be improved because no problems were found with the Management System.

In the future, necessary measures will be taken to improve the Management System in accordance with the Manual.

- Results of the Management System

[1] Supply chain due diligence

The Company has developed the Policy and published it on its website, while sending the Company's Policy and KYC (questionnaires) on lead raw materials to all suppliers of lead raw materials to ask for their understanding of and agreement to the Policy. The Policy was established in 2023 to inform all suppliers of the Company's stance on the LME responsible minerals sourcing and potential risks in supply chains.

A KYC (questionnaire) was conducted with all 90 suppliers from which the Company purchases lead raw materials, and the following results were obtained.

- Suppliers that do not fall under the red flag 91 companies
  Suppliers that fall under the red flag 0 companies
- Suppliers that agree to the Company's LME responsible minerals sourcing policy 91 companies
  Suppliers that are still confirming whether to agree to the Company's LME responsible minerals sourcing policy 0 companies

Based on the results of the KYC (questionnaire), it was confirmed that the lead raw materials purchased by the Company do not fall under a red flag. The reasons why the assessment did not result in a red flag are as follows.

(1) All of the raw materials handled by the suppliers were recycled materials, and we determined that they did not fall under the red flag.
(2) We confirmed that all of the abovementioned suppliers were located in Japan and did not fall under the CAHRAs list.

The Company also manufactures electrolytic lead with lead deposits and other lead raw materials received from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd. Since the raw materials used by both the smelters and refineries are procured by Mitsubishi Materials Corporation, the Company obtained the "Annual Report on Responsible Mineral Sourcing (Copper)" (Mitsubishi and Onahama),and "Report on Responsible Mineral Sourcing (Copper) Red Flag Review Results" (Mitsubishi) prepared by both companies, and confirmed that these raw materials do not fall under the red flag.

Based on the above, the Company has confirmed that supply chain management has been implemented in accordance with the supply chain due diligence policy, and has determined that there is no problem.

[2] Education and training

In September 2023, the Compliance Officer received education and training from the Sustainability Department of the Metals Company of Mitsubishi Materials Corporation on the OECD Guidance, the requirements for LME Responsible Sourcing, Copper Mark's Joint Due Diligence Standard, the Company's CAHRAs list, and other matters deemed necessary for responsible mineral sourcing.

In October 2025 and February 2026, the Compliance Officer who attended that training served as a lecturer and provided education and training to all the staff of the Company involved in the lead

raw material supply chain. There were 41 trainees and the participation rate was 100%.

[3] Management review

The Compliance Officer has the authorities and responsibilities set forth in internal regulations, including the supervision of relevant departments and the operation of the Management System. The Compliance Officer supervises the Management System as a whole, conducts periodic management reviews, and reports the results of these activities to the Supply Chain Officer as necessary.

Regarding the period of assessment, we reported to the Supply Chain Officer that there were no lead raw material suppliers that fell under the red flag according to the Red Flag Review.

[4] Communication / reporting desk

In addition to the existing company-wide communication mechanism, the Company's website has the LME Responsible Minerals Sourcing Policy (http://www.hosokura.co.jp/eco.html) available in both English and Japanese.

The Company's website also has a link to the Responsible Minerals Sourcing Hotline, available in both English in Japanese, to establish a system by which internal and external stakeholders, including employees, can anonymously report any concerns related to the Company's responsible sourcing of lead raw materials.

The Compliance Officer performs risk assessment based on the information provided and reports the results to the Supply Chain Officer. The Compliance Officer, who is not directly involved in the sourcing of raw materials, handles the information provided with sincerity and respect so as to prevent interference by related parties.

During the period under assessment, the reporting desk linked on the Company's website did not receive any reports regarding the supply chain for lead raw materials.

[5] Storage of records

All information (documents and records) related to the responsible sourcing of lead raw materials is stored for at least five years in accordance with the Manual. The information shall be stored in an electronic format or in a paper medium.

4. The resources and resource handling required to implement, maintain, and continuously improve the Management System

In accordance with the Manual, we took care of the resources and resource handling required to implement, maintain, and continuously improve the Management System as below.

[1] Personnel

Required personnel:

Based on the backgrounds of the Supply Chain Officer and the Compliance Officer, we determined that there is no problem with a system involving those Officers. In addition, the Compliance Officer decided on the required number of personnel by consulting with other department heads as deemed necessary.

Resource handling:

Since the Compliance Officer is the General Manager of the Safety, Environment and Quality Management Department and has staff to perform duties for the ISO Secretariat, we determined that there are adequate resources to maintain the LME responsible minerals sourcing system.

In addition, since the General Manager of the Administration Department is in charge of both the Raw Material Purchasing Officer and the Smelter & Refinery Raw Materials Manager and has Logistics Section staff to actually procure and manage raw materials, we determined that there are adequate resources to implement LME responsible minerals sourcing.

[2] Budget

Required budget:

The necessary expenses for this operation have been secured.

Resource handling:

Since the necessary expenses such as labor costs for the personnel in charge have been secured, we have determined that resources have been secured.

[3] System

Required system:

Since the Compliance Officer is the General Manager of the Safety, Environment and Quality Management Department and has staff to perform duties for the ISO Secretariat, there is a system in place to maintain the LME responsible minerals sourcing system.

In addition, since the Raw Materials Purchasing Officer and the Smelter & Refinery Raw Materials Manager are the General Manager of the Administration Department and have the Logistics Section staff to actually procure and manage raw materials, there is a system in place to implement the LME responsible minerals sourcing.

Resource handling:

The personnel involved in this operation were assigned after they received training on the due diligence management system.

5. System to collect and retain information necessary for identifying red flags

We conducted a survey of supply chains for lead raw materials in accordance with the Manual to determine if there were any red flags in the supply chains.

[1] Regarding suppliers of lead raw materials received by the Company

A KYC (questionnaire) was conducted with all 91 suppliers from which the Company purchases lead raw materials. We have also confirmed that all raw materials handled by the suppliers from which the Company purchases lead raw materials were recycled materials and that all suppliers are located in Japan.

Therefore, we have confirmed that lead raw materials received by the Company from the suppliers do not fall under the red flag.

[2] Raw materials such as lead deposits from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd.

The Company manufactures electrolytic lead with lead deposits and other lead raw materials received from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd. Since the raw materials used by both the smelters and refineries are procured by Mitsubishi Materials Corporation, the Company obtained the "Annual Report on Responsible Mineral Sourcing (Copper)" (Mitsubishi and Onahama),and "Report on Responsible Mineral Sourcing (Copper) Red Flag Review Results" (Mitsubishi) prepared by both companies, and confirmed that these raw materials do not fall under the red flag.

The Company received the CAHRAs list for the relevant period established by Mitsubishi Materials Corporation based on the following indicators, and set it as the CAHRAs list that serves as the Company's own standard, and has revised it as necessary.

[1] The DRC and nine neighboring countries under the Dodd-Frank Act
[2] Jurisdictions with Intensity Level 5 or higher under the Heidelberg Conflict Barometer
[3] High-Risk Jurisdictions subject to a Call for Action as designated by the FATF (Financial Action Task Force on Money Laundering)
[4] Jurisdictions suspected to be at high risk based on industry information from raw material sourcing departments (JOGMEC, etc.)
[5] Jurisdictions subject to regulations by the Office of Foreign Asset Control (OFAC) of the U.S. Ministry of Finance
[6] The bottom 10 countries in the Cato Institute's Human Freedom Index
[7] Jurisdictions where copper involves child labor and/or forced labor in the List of Products Produced by Child Labor or Forced Labor by the Bureau of International Labor Affairs of the U.S. Department of Labor

6. Due diligence process with collected information

(1) Definition of risks

Sourcing of lead raw materials the Company regards as being at high risk include sourcing that certainly involves or is highly likely to involve human rights violations, terrorist financing, money-laundering, illegal trade, violations of legal requirements related to the environment and sustainability, and CAHRAs defined by the Company. If any of the following items applies, the suppler shall be regarded as high risk.

[1] Location risks

- Raw materials originating in or transported through conflict-affected and high-risk areas (CAHRAs)
- Raw materials reasonably suspected to be derived from countries through which CAHRA-produced lead is known to pass
- Raw materials allegedly produced in countries where the known or expected production volume is limited

[2] Supplier risks

- The interests of shareholders, the UBO, or other parties meet the high-risk location criteria
- Organizations engaged in high-risk business activities, including arms, the casino industry, and religion, and the leaders thereof
- Companies that are found to have procured lead raw materials from high-risk countries in the past 12 months
- Significant discrepancies or inconsistencies in documents provided, or refusal to submit documents requested by the Company

[3] Raw material risks

- Lead raw materials produced from small-scale artisanal mines
- That public records or due diligence have revealed that it would cause, for example, significant damage or extremely dangerous ESG elements

The Company's zero-tolerance supply chains are as follows:

- Lead raw materials procured in violation of international sanctions
- Lead raw materials supplied by suppliers whose primary suppliers or their known upstream companies have a UBO who is known to be a money launderer, fraudster, or terrorist
- Lead raw materials involved in serious human rights violations or direct or indirect support for non-governmental armed groups that are risks listed in ANNEX II of the OECD Guidance

In the case of high-risk raw materials, we conduct enhanced due diligence, including on-site assessment. If a zero-tolerance problem is identified, then the Company will not enter into the business relationship, and will terminate the existing relationship immediately.

(2) Identification of risks

The Company conducts due diligence on all suppliers related to lead raw materials, and conducts a Red Flag Review of supply chains. Supply chain risk assessment adopts a risk-based approach. With new suppliers, supply chain risk assessment is conducted before beginning a transaction. Supply chain risk assessment is also conducted annually to determine whether to continue transactions. The Company may discontinue acceptance if, as a result of risk assessment, the Compliance Officer determines that there is a significant risk.
Specifically, the Company implements its own KYC and uses Copper Mark's JDD Tool with information provided from Mitsubishi Materials Corporation and Onahama Smelting and Refining Co., Ltd. to identify supply chain risks based on the following information.

1) Location risks
    - Identification of the place of origin
    - Whether the route of transportation from the place of departure falls under CAHRAs
    - Whether the sourcing from the country of origin is subject to international sanctions

2) Supplier risks (primary suppliers)
    - Use information provided by Tokyo Shoko Research, Ltd. and other trusted third-parties to confirm the profile of suppliers and their directors and UBO, and confirm that they have no crime history and are not subject to international sanctions

3) Raw material risks
    (1) Recycled raw materials (waste batteries, lead scrap, bullion and lesd slag)
    - Supplier profiles
    - Types and forms of lead raw materials procured by the suppliers
    - The status of smelting, refining, and melting of delivered products

    (2) Mined materials (e.g. lead deposits from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd.)
    - "Annual Report on Responsible Mineral sourcing (Copper)" (Mitsubishi and Onahama), and "Report on Responsible Mineral sourcing (Copper) Red Flag Review Results" (Mitsubishi) prepared by Mitsubishi Materials Corporation and Onahama Smelting and Refining Co., Ltd.

The Raw Material Purchasing Officer verifies the consistency of the KYC information obtained from the suppliers. If there are any inconsistencies, the Raw Materials Purchasing Officer confirms them with the supplier as soon as possible and, if there are no mistakes on the supplier's part, requests that the shipment information be corrected. The Smelter & Refinery Raw Materials Manager confirms that the lots of raw materials received are consistent with the information received in advance from Mitsubishi Materials Corporation in the following items.

- Estimated weight and analysis values, including estimated metal content
- Information on the brand names of lead raw materials, the names of purchasers, etc.
- Shipping document
- That the production volume of lead raw materials in their countries of origin is reasonably larger than the volume purchased by the Company

The Company records smelted raw materials for each lot of lead raw materials provided from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd. in order to ensure traceability.

7. Results of the Red Flag Review

Based on KYC conducted by the Company and information obtained from Mitsubishi Materials Corporation and Onahama Smelting and Refining Co., Ltd., we conducted a Red Flag Review of all lead raw materials. As a result, no red flags were identified.
The specific reviews we conducted were as follows.

[1] Regarding suppliers of lead raw materials received by the Company

A KYC (questionnaire) was conducted with all 91 suppliers from which the Company purchases lead raw materials. We have also confirmed that all raw materials handled by the suppliers from which the Company purchases lead raw materials were recycled materials and that all suppliers are located in Japan.
Therefore, we have confirmed that lead raw materials received by the Company from the suppliers do not fall under the red flag.

[2] Raw materials such as lead deposits from the Naoshima Smelter & Refinery and Onahama Smelting and Refining Co., Ltd.

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We have determined that collecting all information on lead raw materials has strengthened the

Company's efforts toward due diligence.

8. Risk assessment

If a red flag is identified as a result of the Red Flag Review, the Company reports it to the Supply Chain Officer and conducts risk assessment. In the risk assessment, the Company contacts suppliers directly, uses third-party information to confirm that there are no gaps in the data, and carries out on-site inspection as necessary.

Since no red flags were identified as a result of the Red Flag Review, we determined that risk assessment was not necessary for the Company’s supply chains during the period of assessment.

End