

Highlights of Consolidated Financial Results for the 1st Quarter of FY2022

(Japan GAAP)

HANWA Co., Ltd.

(Unit: billion yen, rounded down to 0.1 billions yen)

Outline of Financial Results for the 1st Quarter of FY2022

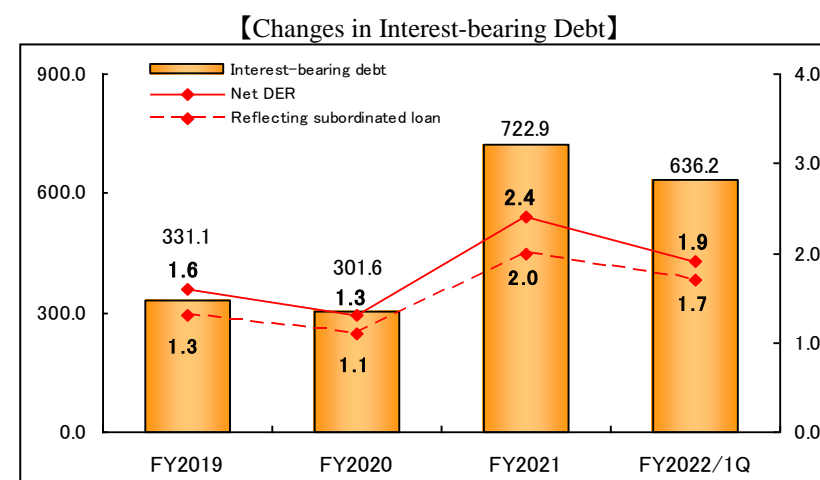
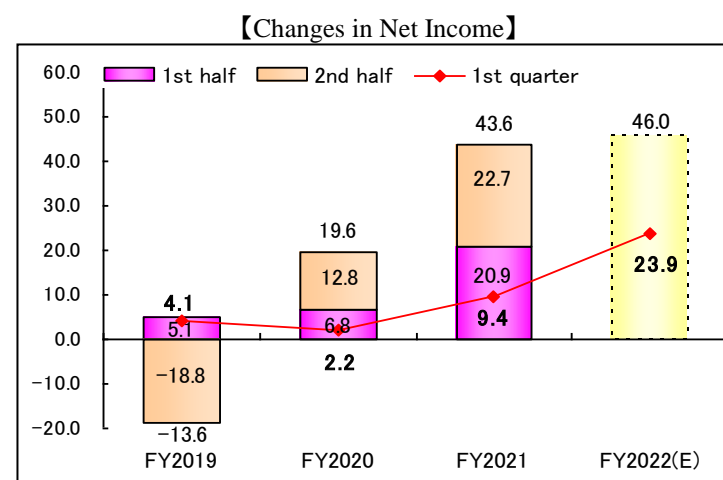
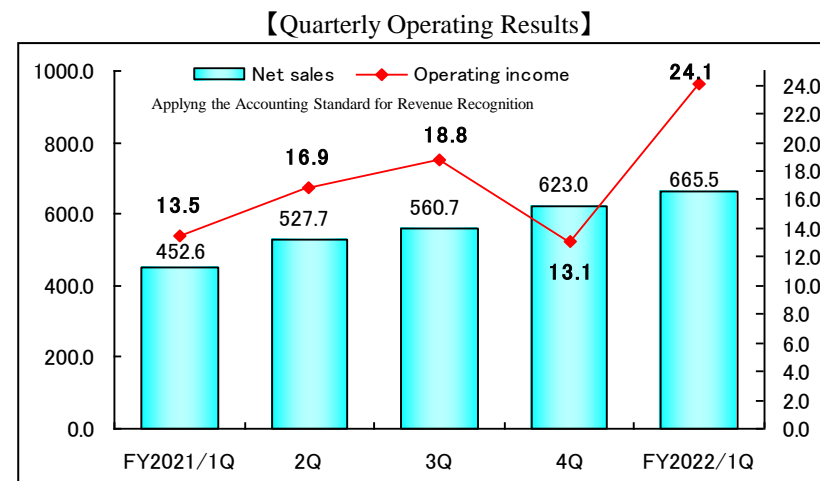
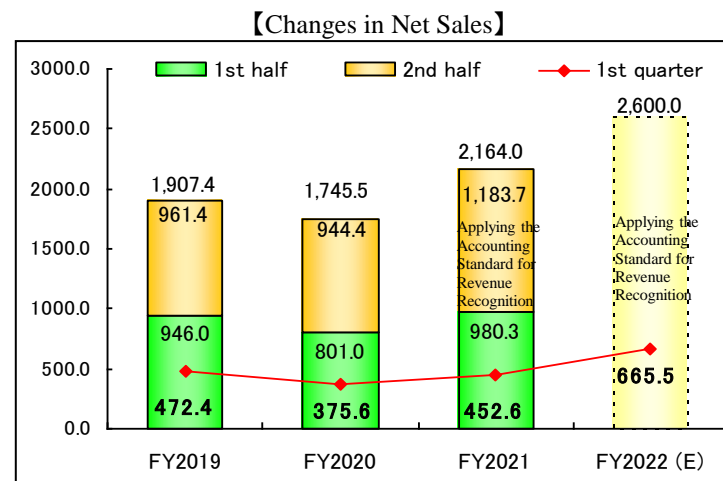
During the 1st quarter of the fiscal year, net sales increased to 665.5 billion yen, because as economic activities continued to be on the right track for recovery, price of the products represented by steel, non-ferrous metal and crude oil remained at a high level. In addition, enhancement in business performance of the overseas sales subsidiaries contributed to the net sales increase.

Profits expanded in all business segments except for Foods business. Operating income increased by 79% YoY, to 24.1 billion yen, while ordinary income increased by 138% YoY, to 33.3 billion yen, as dividend income from strategic investment increased and equity in earnings of affiliates expanded, mainly in the Primary metals business, and net income attributable to owners of the parent increased by 152% to 23.9 billion yen.

We plan to pay 100 yen as the annual (50 yen as the interim and 50 yen as the year-end) dividend.

Operating Results	1Q of FY2021	1Q of FY2022	Y o Y		Main Factors
			Change	rate	
Net sales	452.6	665.5	212.9	47%	(Net sales) Net sales increased to 665.5 billion yen, because as economic activities continued to be on the right track for recovery, price of the products represented by steel, non-ferrous metal and crude oil remained at a high level. In addition, enhancement in business performance of the overseas sales subsidiaries contributed to the net sales increase. (SG&A expenses) SG & A expenses increased by 1.3 billion yen YoY, with newly consolidated subsidiaries contributing 90 million yen to this figure. Personnel expenses rose by 0.4 billion yen YoY, with 58 million yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income increased by 10 billion yen and non-operating expenses increased by 1.3 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.1 billion yen(YoY) Dividend income : increase of 5.3 billion yen(YoY) Equity in earnings of affiliates : increase of 1.4 billion yen(YoY) Foreign exchange gain : increase of 3.1 billion yen (YoY) Interest expenses : increase of 1.1 billion yen(YoY) (Extraordinary gain/loss) Gain on sale of investment securities : 0.5 billion yen Loss on devaluation of investment securities : 0.2 billion yen
Gross profit	26.8	38.8	12.0	45%	
SG&A expenses	13.3	14.7	1.3	10%	
Operating income	13.5	24.1	10.6	79%	
Non-operating income	1.8	11.8	10.0	534%	
Non-operating expenses	1.3	2.6	1.3	99%	
Ordinary income	14.0	33.3	19.3	138%	
Extraordinary gain	—	0.7	0.7	—	
Extraordinary loss	—	0.2	0.2	—	
Income before income taxes and others	14.0	33.8	19.8	141%	
Income taxes	4.4	9.3	4.9	112%	
Net income	9.5	24.4	14.8	155%	
Owners of the parent	9.4	23.9	14.4	152%	
Non-controlling interests	0.1	0.5	0.4	436%	
EPS (yen)	233.59	588.55	354.96	152%	
Comprehensive income	13.8	33.6	19.8	143%	

Financial Position	Mar. 2022	Jun. 2022	Comparison with Mar. 2022		Main Factors
			Change	rate	
Total assets	1,715.3	1,507.9	(207.4)	(12%)	(Overview) While we have conducted hedge transactions which involve valuation gains or losses attributable to counter parties based on contracts, accounts receivable-other and long-term guarantee deposits decreased due to decrease in the outstanding contract amount of the commodity forwards contracts, collection of accounts receivable-other and a fall in futures prices on the London Metal Exchange. In addition, the Company repaid part of short-term loan payable provided by financial institute. (Total Assets) Total assets decreased by 12% from the end of the previous fiscal year, mainly because of decreases in accounts receivable-other and long-term guarantee deposits (Liabilities) Liabilities decreased by 16% from the end of the previous fiscal year, mainly as a result of decreases in short-term loans payable and commodity forwards contracts liabilities. As interest-bearing debt decreased by 12%, net debt-equity ratio was turned into 194% (*169%). (Net assets) Total net assets increased 13% from the end of the previous fiscal year because of accumulation of retained earnings from net income attributable to owners of parent as well as a fluctuation in foreign currency translation adjustments. Shareholders' equity ratio was 17.8% (*19.4%), which is 4.0 percentage points higher than at the end of the previous fiscal year. *Reflecting equity credit attributes of the subordinated loan
(Current assets)	1,272.0	1,177.9	(94.1)	(7%)	
(Fixed assets)	443.3	330.0	(113.3)	(26%)	
Total liabilities	1,474.8	1,235.5	(239.3)	(16%)	
(Interest-bearing debt)	722.9	636.2	(86.6)	(12%)	
(Net interest-bearing debt)	557.4	520.5	(36.8)	(7%)	
Net DER	235%/203%*	194%/169%*	(41pt)	(21%)	
Total net assets	240.4	272.3	31.8	13%	
(Equity capital) (Valuation & translation adjustments)	222.0 15.0	244.0 24.0	22.0 8.9	10% 60%	
(Minority interests)	3.3	4.2	0.8	26%	
BPS (yen)	5,834.98	6,597.34	762.36	13%	
Shareholders' equity	237.1	268.0	30.9	13%	
Shareholders' equity ratio	13.8/15.3%*	17.8/19.4%*	4.0pt	29%	



Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2021	1Q of FY2022	rate	1Q of FY2021	1Q of FY2022	rate	
Steel	206.4	308.8	50%	8.1	10.1	26%	(Steel business) Segment income increased. Transaction volume continued to be stable mainly in the domestic construction industry and steel prices remained at a high level due to the spread of increases in manufacturing cost were reflected in steel prices. In addition, foreign exchange gains were reported in the steel coil service center in the overseas countries contributed to segment income increased. (Primary metals business) Segment income increased. Transaction volume of stainless base metals continued to be stable and prices of various merchandises, which seemed to have entered an adjustment phase, remained at a relatively high level. In addition, dividend income from strategic investment as well as equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. contributed to segment income increased. (Metal recycling business) Segment income increased. Base metal prices remained at a high level globally and the value of the yen fell. In addition, appraisal gain from commodity forwards contracts in hedge transactions contributed to segment income increased. (Foods business) Segment income decreased. While demand for marine products expanded on a global scale, purchase cost risings due to the depreciation of yen were not sufficiently reflected in the selling prices. In addition, as import of crabs from Russia were banned in some countries including the U.S., appraisal loss on the products was reported by the Company and its consolidated subsidiaries, and as the result the segment income decreased. (Energy & Living Materials business) Segment income increased. Market prices of crude oil and petroleum products rose further due to the crisis in Ukraine, income from the products such as bunker fuel oil increased. In addition, both transaction volume and unit prices of palm kernel shells (PKS) and wood pellet fuel rose due to a demand increase on a global scale contributed to segment income increased. (Overseas sales subsidiaries) Segment income increased. Transaction volume in steel increased in some countries, including Indonesia and Singapore. In addition, while profitability at consolidated subsidiaries in the U.S. improved contributed to segment income increased.
Primary Metal	45.7	58.6	28%	2.1	6.7	218%	
Metal Recycling	30.9	43.1	40%	1.5	4.9	212%	
Foods	27.7	29.1	5%	0.8	0.3	(59%)	
Energy & Living Materials	61.1	88.5	45%	1.4	2.8	91%	
Overseas sales subsidiaries	67.5	126.0	87%	1.0	2.6	147%	
Total for reportable segments	439.5	654.4	49%	15.2	27.7	82%	
Other	23.1	39.3	70%	0.3	1.7	443%	
Total	462.7	693.8	50%	15.5	29.5	90%	
Adjustment	(10.1)	(28.2)	179%	(1.5)	3.8	—	
Consolidated	452.6	665.5	47%	14.0	33.3	138%	

Forecast (Annual)	FY2021	FY2022 (estimated)	
		change	rate
Net sales	2,164.0	2,600.0	20%
Operating income	62.3	65.0	4%
Ordinary income	62.7	65.0	4%
Net income attributable to owners of the parent	43.6	46.0	6%

Cash Dividends	FY2020	FY2021	FY2022 (estimated)
Year-end (yen)	30.00	50.00	50.00
Annual (yen)	60.00	100.00	100.00
Dividend payout ratio	12%	9%	9%

* Jun. Established Hanwa Daisun as a consolidated subsidiary of the Company.

Topics