

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2022

(Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the 2nd Quarter of FY2022

- During the 2nd quarter of the fiscal year, net sales increased by 37% YoY, to 1,338.9 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 36% YoY, to 41.3 billion yen, while ordinary income increased by 73% YoY, to 52.9 billion yen, as dividend income from strategic investments 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 77% to 37.1 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-2Q of FY2021	1Q-2Q of FY2022	YoY		Main Factors
			Change	rate	
Net sales	980.3	1,338.9	358.6	37%	<p>(Net sales) Net sales increased by 37% YoY, to 1,338.9 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.</p> <p>(SG&A expenses) SG & A expenses increased by 2.6 billion yen YoY, with 0.18 billion yen of this figure deriving from newly consolidated subsidiaries. Personnel expenses rose by 1.1 billion yen YoY, with 0.11 billion yen of this figure deriving from newly consolidated subsidiaries.</p> <p>(Non-operating income/expenses) Non-operating income increased by 14.4 billion yen and non-operating expenses increased by 3.0 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 1.1 billion yen(YoY) Dividend income : increase of 5.4 billion yen(YoY) Equity in earnings of affiliates : increase of 5.7 billion yen(YoY) Foreign exchange gain/loss: loss of 0.7 billion yen (last year) gain of 1.7 billion yen (this year) Interest expenses : increase of 2.6 billion yen(YoY)</p> <p>(Extraordinary gain/loss) Gain on sale of investment securities : 0.5 billion yen Loss on devaluation of investment securities : 0.2 billion yen</p>
Gross profit	57.5	71.1	13.5	24%	
SG&A expenses	27.1	29.7	2.6	10%	
Operating income	30.4	41.3	10.9	36%	
Non-operating income	3.8	18.2	14.4	373%	
Non-operating expenses	3.6	6.6	3.0	82%	
Ordinary income	30.6	52.9	22.3	73%	
Extraordinary gain	—	0.8	0.8	—	
Extraordinary loss	—	0.3	0.3	—	
Income before income taxes and others	30.6	53.4	22.8	75%	
Income taxes	9.2	14.0	4.8	52%	
Net income	21.3	39.3	18.0	85%	
Owners of the parent(loss)	20.9	37.1	16.1	77%	
Non-controlling interests(loss)	0.3	2.1	1.8	570%	
EPS (yen)	516.69	915.15	398.46	77%	
Comprehensive income	27.2	57.2	29.9	110%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2021	1Q-2Q of FY2022	rate	1Q-2Q of FY2021	1Q-2Q of FY2022	rate	
Steel	447.9	610.8	36%	18.2	17.9	(1%)	<p>(Steel business) Net sales 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. On the other hand, segment income decreased. Because profit margins shrunk as purchase cost rose and equity in earnings of affiliates from overseas investment decreased.</p> <p>(Primary metals business) Segment income increased. Transaction volume of stainless base metals continued to be stable. Although the prices of various merchandises entered an adjustment phase, some commodities such as nickel and silicon-based ferroalloy remained at a relatively high level. In addition, dividend income from strategic investments as well as equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. contributed to segment income increased.</p> <p>(Metal recycling business) Segment income increased. Transaction volume of various merchandises continued to be stable and purchase cost risings due to the depreciation of yen were reflected in the selling prices. In addition, appraisal gain from commodity forwards contracts in hedge transactions contributed to segment income increased.</p> <p>(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. and decline in crab market prices due to shrink of stay-at-home demand mainly in Europe and the America, appraisal loss on the products was reported by the Company and its consolidated subsidiaries, and as the result the segment income decreased.</p> <p>(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.</p> <p>(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.</p>
Primary Metal	95.3	125.2	31%	3.5	12.5	257%	
Metal Recycling	63.2	77.8	23%	3.2	5.4	68%	
Foods	58.2	61.4	6%	1.6	(0.2)	—	
Energy& Living Materials	127.0	181.6	43%	3.0	6.6	117%	
Overseas sales subsidiaries	161.7	254.9	58%	2.5	5.4	117%	
Total for reportable segments	953.6	1,311.9	38%	32.1	47.8	49%	
Other	53.4	79.9	50%	1.2	2.2	90%	
Total	1,007.0	1,391.9	38%	33.3	50.1	50%	
Adjustment	(26.7)	(52.9)	98%	(2.7)	2.8	—	
Consolidated	980.3	1,338.9	37%	30.6	52.9	73%	

- Jun. Established Hanwa Daisun as a consolidated subsidiary of the Company.
- Sep. Established HANWA ITALIA S.R.L. as a subsidiary of the Company.

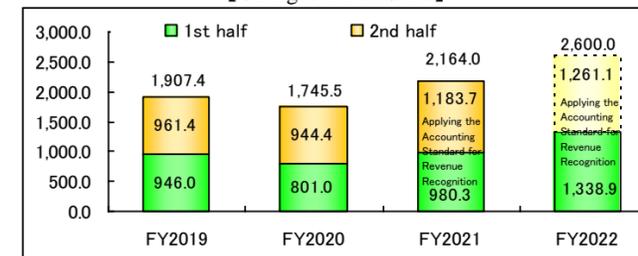
Topics

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

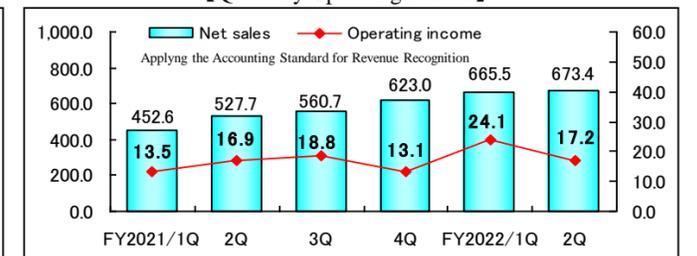
Financial Position	Mar. 2022	Sep. 2022	Comparison with Mar. 2022		Main Factors
			Change	rate	
Total assets	1,715.3	1,362.1	(353.2)	(21%)	<p>(Overview) While we have conducted hedge transactions which involve valuation gains or losses attributable to counter parties based on contracts, accounts receivable-other 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.</p> <p>(Total Assets) Total assets decreased by 21% from the end of the previous fiscal year, mainly because of decreases in long-term guarantee deposits and accounts receivable-other.</p> <p>(Liabilities) Liabilities decreased by 28% from the end of the previous fiscal year, mainly because of decrease in commodity forwards contracts liabilities and short-term loans payable. As interest-bearing debt decreased by 15%, net debt-equity ratio was turned into 163% (*142%).</p> <p>(Net assets) Total net assets increased 23% 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 21.3% (*23.1%), which is 7.5 percentage points higher than at the end of the previous fiscal year. *Reflecting equity credit attributes of the subordinated loan</p>
(Current assets)	1,272.0	1,079.6	(192.4)	(15%)	
(Fixed assets)	443.3	282.5	(160.8)	(36%)	
Total liabilities	1,474.8	1,066.3	(408.5)	(28%)	
(Interest-bearing debt)	722.9	611.3	(111.6)	(15%)	
(Net interest-bearing debt)	557.4	473.5	(83.9)	(15%)	
Net DER	235%/203%*	163%/142%*	(72pt)	(33%)	
Total net assets	240.4	295.7	55.2	23%	
(Equity capital)	222.0	257.1	35.0	16%	
(Valuation & translation adjustments)	15.0	32.6	17.6	117%	
(Non-controlling interests)	3.3	5.9	2.5	77%	
BPS (yen)	5,834.98	7,131.27	1,296.29	22%	
Shareholders' equity	237.1	289.7	52.6	22%	
Shareholders' equity ratio	13.8/15.3%*	21.3/23.1%*	7.5pt	54%	

Cash Flow	1Q-2Q of FY2021	1Q-2Q of FY2022	YoY		Main Factors
			Change	rate	
Cash flows from operating activities	(66.1)	110.1	176.2	—	(Operating cash flows) Due mainly to decrease in long-term guarantee deposits and accounts receivable-other.
Cash flows from investing activities	(8.5)	(8.6)	(0.0)	1%	(Investment cash flows) Due mainly to purchase of tangible fixed assets and investment securities.
Cash flows from financing activities	78.6	(122.5)	(201.2)	—	(Financial cash flows) Due mainly to repayment of loans payable with collection of long-term guarantee deposits.
Cash and cash equivalents at end of period	56.2	137.8	81.5	145%	

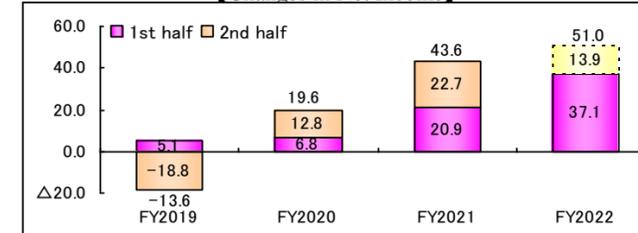
【Changes in Net Sales】



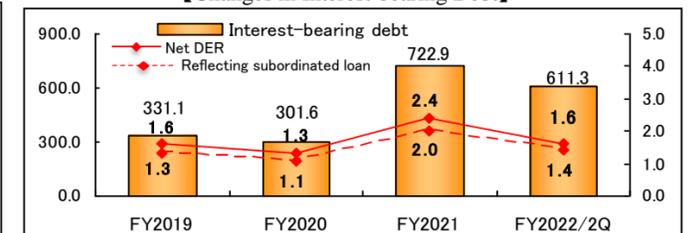
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2021	FY2022 (estimated)		Cash Dividends	FY2020	FY2021	FY2022 (estimated)
			change				
Net sales	2,164.0	2,600.0	20%	Interim (yen)	30.00	50.00	50.00
Operating income	62.3	70.0	12%	Year-end (yen)	30.00	50.00	50.00
Ordinary income	62.7	73.0	16%	Annual (yen)	60.00	100.00	100.00
Net income attributable to owners of parent	43.6	51.0	17%	Dividend payout ratio	12%	9%	8%