

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2022

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 3rd Quarter of FY2022

During the 3rd quarter of the fiscal year, net sales increased by 31% YoY, to 2023.4 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. Operating income increased by 14% YoY, to 56.0 billion yen, as segment income increased in Primary metals business and Energy & Living Materials business, while ordinary income increased by 29% YoY, to 63.6 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 35% to 44.9 billion yen.

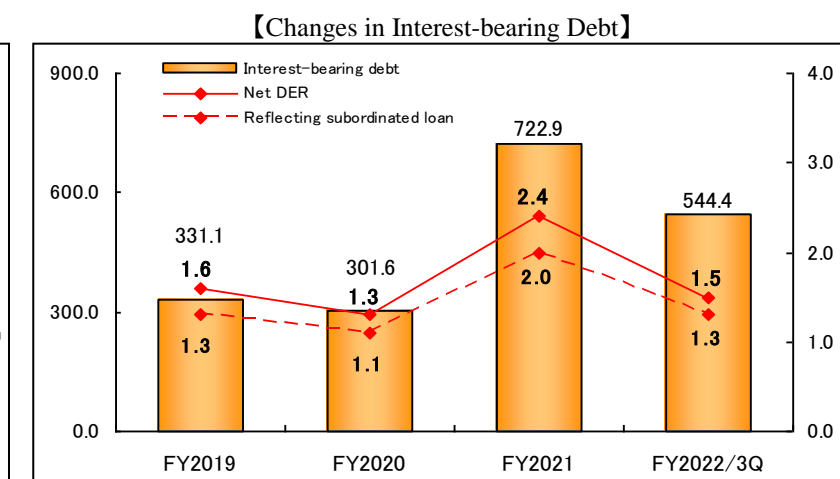
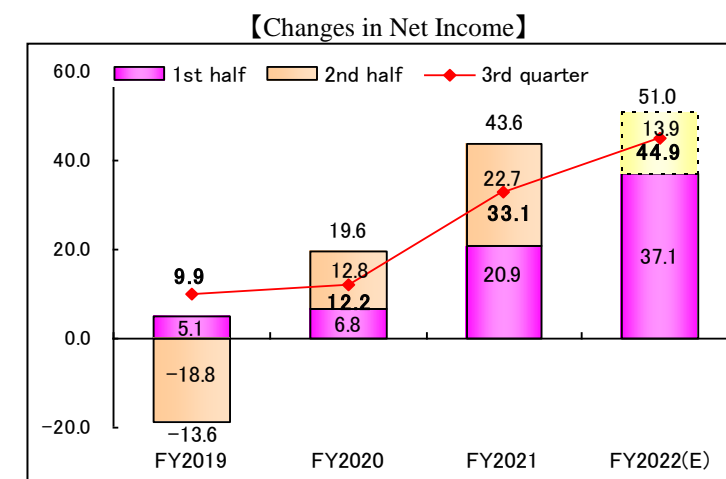
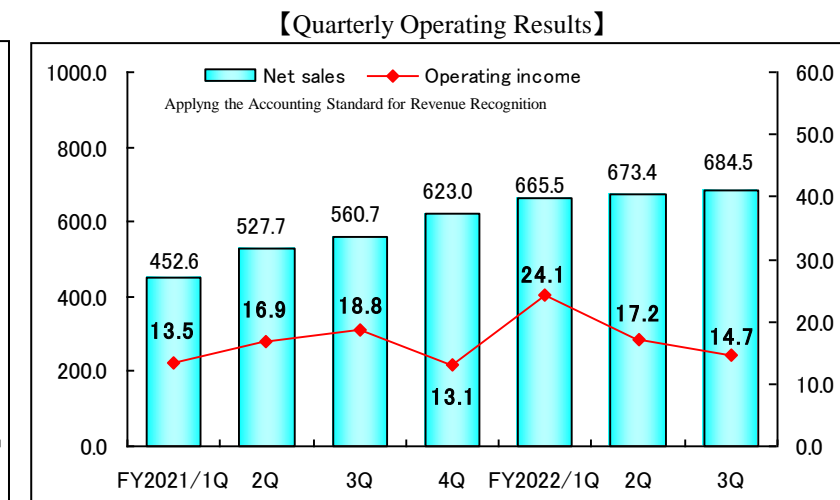
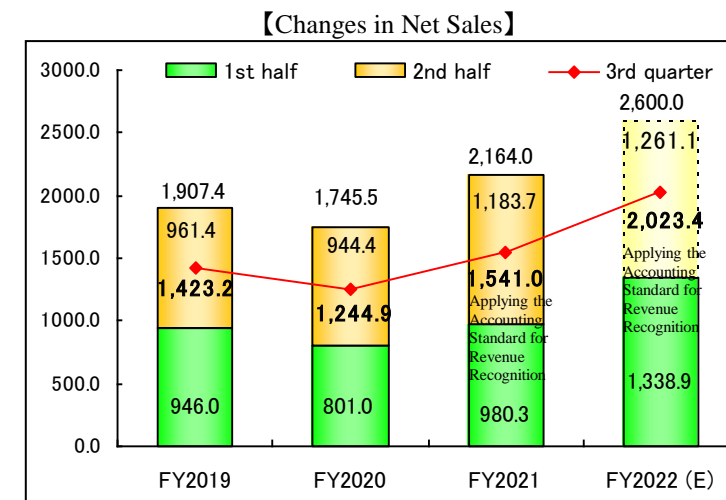
We plan to pay 100 yen as the annual (50 yen as the interim and 50 yen as the year-end) dividend.

| Operating Results | 1Q-3Q of FY2021 | 1Q-3Q of FY2022 | Y o Y | | Main Factors |
|--|--------------------|--------------------|--------------|------------|---|
| | | | Change | rate | |
| Net sales | 1,541.0 | 2,023.4 | 482.3 | 31% | <p>(Net sales) Net sales increased by 31% YoY, to 2023.4 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 4.0 billion yen YoY, with 0.49 billion yen of this figure deriving from newly consolidated subsidiaries. Personnel expenses rose by 1.6 billion yen YoY, with 0.32 billion yen of this figure deriving from newly consolidated subsidiaries.</p> <p>(Non-operating income/expenses) Non-operating income increased by 12.8 billion yen and non-operating expenses increased by 5.4 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 1.4 billion yen(YoY) Dividend income : increase of 5.8 billion yen(YoY) Equity in earnings of affiliates : increase of 4.4 billion yen(YoY) Foreign exchange gain/loss: loss of 1.4 billion yen (last year) gain of 0.4 billion yen (this year) Interest expenses : increase of 4.4 billion yen(YoY)</p> <p>(Extraordinary gain/loss) Gain on sale of investment securities : 0.6 billion yen Gain on bargain purchase : 0.7 billion yen Loss on devaluation of investment securities : 0.2 billion yen Value added taxes for prior periods : 0.3 billion yen</p> |
| Gross profit | 90.5 | 101.4 | 10.9 | 12% | |
| SG&A expenses | 41.2 | 45.3 | 4.0 | 10% | |
| Operating income | 49.2 | 56.0 | 6.8 | 14% | |
| Non-operating income | 5.9 | 18.7 | 12.8 | 215% | |
| Non-operating expenses | 5.7 | 11.1 | 5.4 | 96% | |
| Ordinary income | 49.4 | 63.6 | 14.2 | 29% | |
| Extraordinary gain | — | 1.6 | 1.6 | — | |
| Extraordinary loss | 1.2 | 0.6 | (0.6) | (49%) | |
| Income before income taxes and others | 48.2 | 64.6 | 16.4 | 34% | |
| Income taxes | 14.5 | 17.9 | 3.3 | 23% | |
| Net income | 33.6 | 46.7 | 13.1 | 39% | |
| Owners of the parent | 33.1 | 44.9 | 11.7 | 35% | |
| Non-controlling interests | 0.4 | 1.8 | 1.3 | 300% | |
| EPS (yen) | 816.43 | 1,105.49 | 289.06 | 35% | |
| Comprehensive income | 38.6 | 63.9 | 25.2 | 65% | |

| Segment Information | Net sales | | | Segment income | | | Main Factors |
|-------------------------------|--------------------|--------------------|------------|--------------------|--------------------|------------|---|
| | 1Q-3Q of FY2021 | 1Q-3Q of FY2022 | rate | 1Q-3Q of FY2021 | 1Q-3Q of FY2022 | rate | |
| Steel | 722.5 | 941.4 | 30% | 28.4 | 25.5 | (10%) | <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 shrank as purchase cost rose and equity in earnings of affiliates from overseas investment decreased.</p> <p>(Primary metals business) Segment income increased. Price of the products such as stainless base metals and nickel 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 remained at a high level 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 of steel increased in some countries, including Indonesia and Singapore.</p> |
| Primary Metal | 143.0 | 201.9 | 41% | 5.8 | 16.1 | 175% | |
| Metal Recycling | 97.0 | 113.1 | 17% | 4.1 | 5.0 | 23% | |
| Foods | 90.5 | 101.0 | 12% | 3.0 | (0.8) | — | |
| Energy& Living Materials | 204.0 | 274.5 | 35% | 4.7 | 10.4 | 119% | |
| Overseas sales subsidiaries | 241.2 | 352.9 | 46% | 4.8 | 7.3 | 53% | |
| Total for reportable segments | 1,498.3 | 1,985.1 | 33% | 51.0 | 63.7 | 25% | |
| Other | 89.9 | 113.9 | 27% | 2.2 | 2.6 | 15% | |
| Total | 1,588.3 | 2,099.1 | 32% | 53.3 | 66.3 | 24% | |
| Adjustment | (47.2) | (75.6) | 60% | (3.8) | (2.6) | (31%) | |
| Consolidated | 1,541.0 | 2,023.4 | 31% | 49.4 | 63.6 | 29% | |

- Topics**
- Jun. Established Hanwa Daisun Co., Ltd. as a consolidated subsidiary of the Company.
 - Sep. Established Hanwa Italia S.R.L. as a subsidiary of the Company.
 - Dec. Acquire 90.2% of the shares of Tanaka Steel Trading Co., Ltd. and made it a consolidated subsidiary of the Company.

| Financial Position | Mar. 2022 | Dec. 2022 | Comparison with Mar. 2022 | | Main Factors |
|---|----------------|----------------|---------------------------|--------------|--|
| | | | Change | rate | |
| Total assets | 1,715.3 | 1,326.1 | (389.2) | (23%) | <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 23% 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 31% from the end of the previous fiscal year, mainly because of decrease in short-term loans payable and commodity forwards contracts liabilities. As interest-bearing debt decreased by 25%, net debt-equity ratio was turned into 147% (*127%).</p> <p>(Net assets) Total net assets increased 25% 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 22.2% (*24.1%), which is 8.4 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 | 1,048.1 | (223.8) | (18%) | |
| (Fixed assets) | 443.3 | 277.9 | (165.4) | (37%) | |
| Total liabilities | 1,474.8 | 1,024.7 | (450.1) | (31%) | |
| (Interest-bearing debt) | 722.9 | 544.4 | (178.5) | (25%) | |
| (Net interest-bearing debt) | 557.4 | 432.0 | (125.3) | (22%) | |
| Net DER | 235/203*% | 147/127*% | (88pt) | (38%) | |
| Total net assets | 240.4 | 301.3 | 60.8 | 25% | |
| (Equity capital) (Valuation & translation adjustments) | 222.0 15.0 | 262.8 32.0 | 40.7 16.9 | 18% 113% | |
| (Non-controlling interests) | 3.3 | 6.5 | 3.1 | 94% | |
| BPS (yen) | 5,834.98 | 7,255.20 | 1,420.22 | 24% | |
| Shareholders' equity | 237.1 | 294.8 | 57.7 | 24% | |
| Shareholders' equity ratio | 13.8/15.3*% | 22.2/24.1*% | 8.4pt | 61% | |



| 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 the parent | 43.6 | 51.0 | 17% | Dividend payout ratio | 12% | 9% | 8% |