

Highlights of Consolidated Financial Results for the 1st Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 1st Quarter of FY2023

• During the 1st quarter of fiscal year, net sales decreased by 9% YoY, to 608.7 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased. Operating income decreased by 33% YoY, to 16.2 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 52% YoY, to 16.0 billion yen, mainly because dividend income from strategic investments decreased, foreign exchange loss was reported after reported gain in the previous term, and equity in earnings of affiliates shrunk mainly in the Primary metals business. Net income attributable to owners of the parent decreased by 52% to 11.4 billion yen.

• We plan to pay 170 yen as the annual (85 yen as the interim and 85 yen as the year-end) dividend.

Operating Results	1Q of FY2022	1Q of FY2023	Y o Y		Main Factors
			Change	rate	
Net sales	665.5	608.7	(56.8)	(9%)	(Net sales) Net sales decreased by 9% YoY, to 608.7 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased. (SG&A expenses) SG & A expenses increased by 1.5 billion yen YoY, with 50 million yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income decreased by 8.5 billion yen and non-operating expenses increased by 0.8 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.3 billion yen(YoY) Dividend income : decrease of 4.5 billion yen(YoY) Equity in earnings of affiliates : decrease of 1.6 billion yen(YoY) Foreign exchange gain : decrease of 3.3 billion yen(YoY) Interest expenses : increase of 0.1 billion yen(YoY) (Extraordinary gain/loss) Gain on sale of investment securities : decrease of 0.5 billion yen(YoY) Arbitration related income : decrease of 0.2 billion yen(YoY) Loss on devaluation of investment securities : decrease of 0.2 billion yen(YoY)
Gross profit	38.8	32.5	(6.3)	(16%)	
SG&A expenses	14.7	16.2	1.5	10%	
Operating income	24.1	16.2	(7.8)	(33%)	
Non-operating income	11.8	3.2	(8.5)	(72%)	
Non-operating expenses	2.6	3.5	0.8	32%	
Ordinary income	33.3	16.0	(17.3)	(52%)	
Extraordinary gain	0.7	—	(0.7)	(100%)	
Extraordinary loss	0.2	—	(0.2)	(100%)	
Income before income taxes and others	33.8	16.0	(17.8)	(53%)	
Income taxes	9.3	4.5	(4.8)	(52%)	
Net income	24.4	11.4	(12.9)	(53%)	
Owners of the parent	23.9	11.4	(12.4)	(52%)	
Non-controlling interests	0.5	(0.0)	(0.5)	—	
EPS (yen)	588.55	282.81	(305.74)	(52%)	
Comprehensive income	33.6	13.1	(20.5)	(61%)	

Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2022	1Q of FY2023	rate	1Q of FY2022	1Q of FY2023	rate	
Steel	308.8	318.8	3%	10.1	8.4	(18%)	(Steel business) Net sales increased. The number of the projects handled increased thanks to enhanced ability to provide solutions mainly in the domestic construction industry, and good business performance of Tanaka Steel Trading Co., Ltd. that became a consolidated subsidiary in the third quarter in previous financial year contributed to the overall business performance of the Company. On the other hand, segment income decreased, because profit margin shrunk at some overseas sales subsidiaries due to price declines of steel products. (Primary metals business) Net sales increased, because of increases in transaction volume of some products represented by nickel and ferro chrome. On the other hand, segment income decreased due to falls in dividend income from strategic investments and equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., in addition to shrink of profit margin as the result of lower market prices. (Metal recycling business) Net sales decreased, because prices of base metal were at a lower level on a global basis on a year-on-year comparison as the result of the concerns about economic slowdown in each country, and transaction volume decreased due to weak demand for stainless scrap and copper scrap. In addition, segment income decreased due to appraisal gain from commodity forwards contracts in hedge transactions shrunk. (Foods business) Net sales decreased both in the Company and consolidated subsidiaries despite the transaction volume that was almost same with the previous fiscal year, due to crab market prices that had continued to decrease from the previous fiscal year. On the other hand, segment income increased due to purchase cost risings of prawns and chickens started to be sufficiently reflected in the selling prices. (Energy & Living Materials business) Net sales and segment income decreased. Although transaction volume of the products such as palm kernel shells (PKS) and wood pellet increased, sharp decrease in petroleum products had affected greatly on the business performance. (Overseas sales subsidiaries) Net sales and segment income decreased. Transaction volume at sales subsidiaries mainly in Indonesia and U.S. decreased due to sluggish demand for steel in overseas markets. In addition, decreases in market prices of steel products and non-ferrous metal products put downward pressure on profit margins of overseas sales subsidiaries as a whole.
Primary Metal	58.6	61.5	5%	6.7	4.3	(36%)	
Metal Recycling	43.1	29.4	(32%)	4.9	0.8	(82%)	
Foods	29.1	28.7	(1%)	0.3	0.4	44%	
Energy& Living Materials	88.5	69.0	(22%)	2.8	1.3	(53%)	
Overseas sales subsidiaries	126.0	86.7	(31%)	2.6	2.0	(25%)	
Total for reportable segments	654.4	594.3	(9%)	27.7	17.4	(37%)	
Other	39.3	33.0	(16%)	1.7	1.5	(15%)	
Total	693.8	627.4	(10%)	29.5	18.9	(36%)	
Adjustment	(28.2)	(18.6)	(34%)	3.8	(2.9)	—	
Consolidated	665.5	608.7	(9%)	33.3	16.0	(52%)	

Topics

- Apr Established HANWA AUSTRALIA PTY LTD. as a subsidiary of the Company.
- Established HANWA PHILIPPINES CORPORATION as a subsidiary of the Company.
- Acquired 80% of the shares of TOHO METAL Co., Ltd. and made it a subsidiary of the Company.

Financial Position	Mar. 2023	Jun. 2023	Comparison with Mar. 2023	
			Change	rate
Total assets	1,157.7	1,161.0	3.3	0%
(Current assets)	928.7	922.3	(6.4)	(1%)
(Fixed assets)	229.0	238.7	9.7	4%
Total liabilities	848.9	841.8	(7.0)	(1%)
(Interest-bearing debt)	380.9	411.3	30.3	8%
(Net interest-bearing debt)	296.7	324.7	27.9	9%
Net DER	98%/83*%	104%/89*%	6pt	6%
Total net assets	308.8	319.1	10.3	3%
(Equity capital)	270.8	279.4	8.5	3%
(Valuation & translation adjustments)	32.2	33.9	1.6	5%
(Non-controlling interests)	5.6	5.7	0.1	2%
BPS (yen)	7,459.39	7,711.69	252.30	3%
Shareholders' equity	303.1	313.3	10.2	3%
Shareholders' equity ratio	26.2/28.3*%	27.0/29.1*%	0.8pt	3%

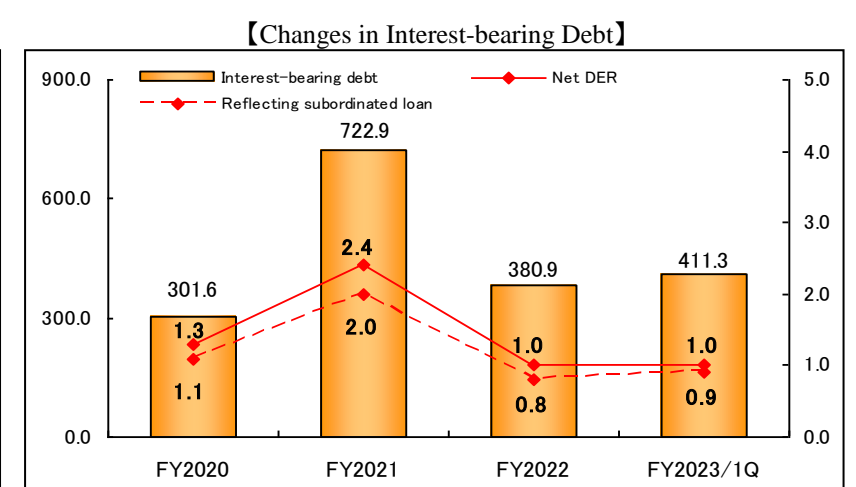
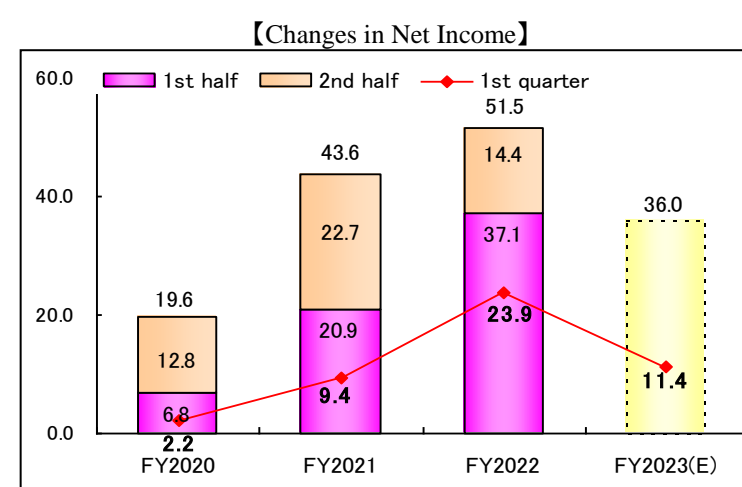
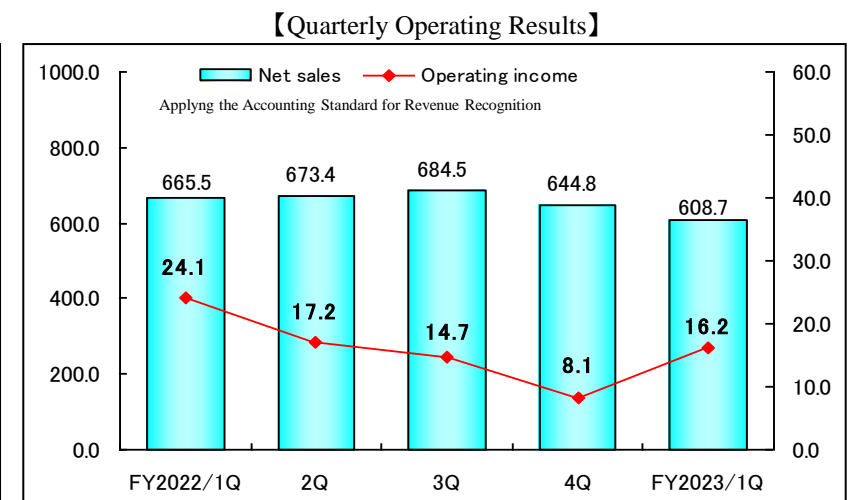
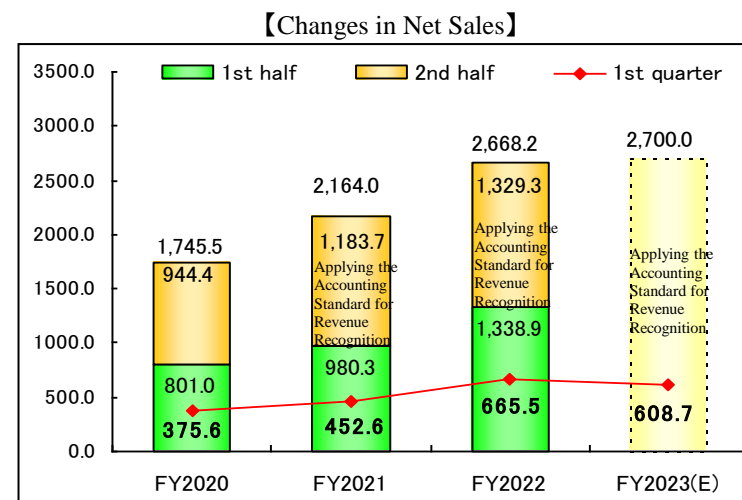
Main Factors

(Total Assets)
Total assets increased by 0.3% from the end of the previous fiscal year, mainly because of increases in trade receivables and Inventories.

(Liabilities)
Liabilities decreased by 0.8% from the end of the previous fiscal year, mainly because of redemption of current portion of bonds payable, as well as a decrease in accrued income taxes after payment of taxes including corporate tax in which the business results of the previous fiscal year were reflected. As interest-bearing debt increased by 8%, net debt-equity ratio was turned into 104% (*89%).

(Net assets)
Total net assets increased 3% 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 27.0% (*29.1%), which is 0.8 percentage points higher than at the end of the previous fiscal year.

*Reflecting equity credit attributes of the subordinated loan



Forecast (Annual)	FY2022	FY2023 (estimated)	change
Net sales	2,668.2	2,700.0	1%
Operating income	64.1	60.0	(6%)
Ordinary income	64.2	50.0	(22%)
Net income attributable to owners of the parent	51.5	36.0	(30%)

Cash Dividends	FY2021	FY2022	FY2023 (estimated)
Interim (yen)	50.00	50.00	85.00
Year-end (yen)	50.00	80.00	85.00
Annual (yen)	100.00	130.00	170.00
DOE*	—	—	2.5%

* DOE (Dividend on equity ratio) = Total dividend / Beginning total shareholders'