

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2023

- During the 2nd quarter of fiscal year, net sales decreased by 10% YoY, to 1,201.2 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 36% YoY, to 26.3 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 48% YoY, to 27.4 billion yen, mainly because 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, dividend income from strategic investments decreased. Net income attributable to owners of the parent decreased by 49% to 19.0 billion yen.
- We plan to pay 170 yen as the annual (85 yen as the interim and 85 yen as the year-end) dividend.

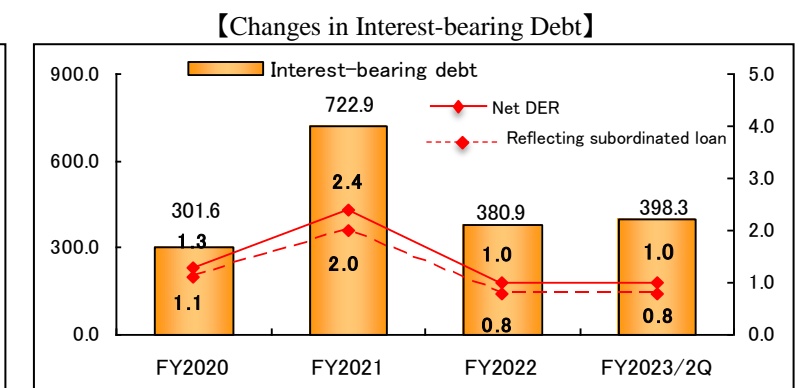
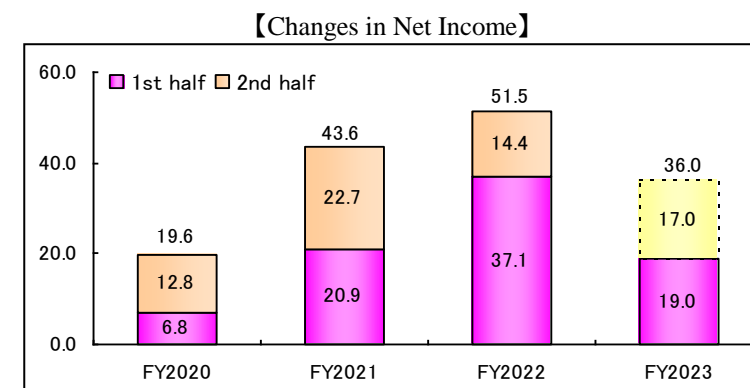
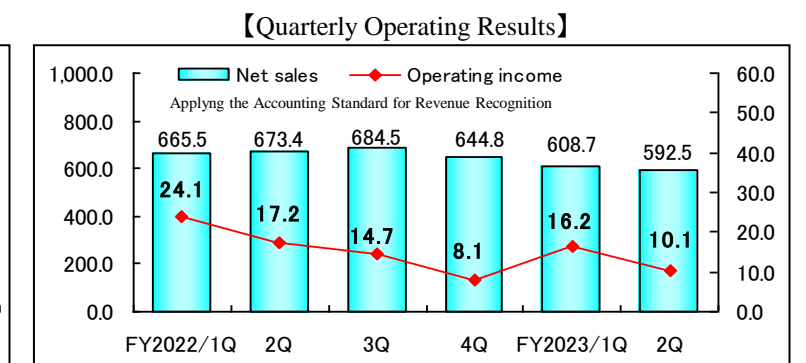
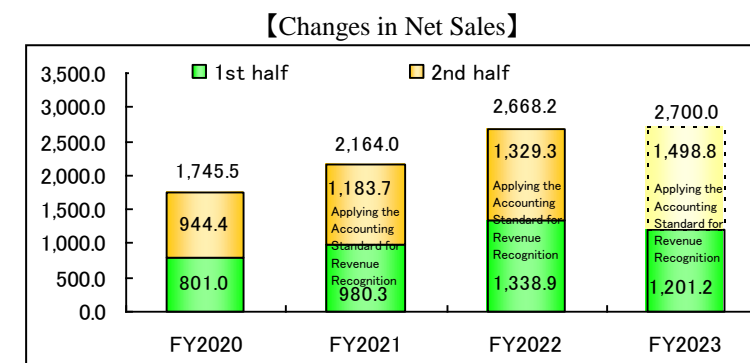
Operating Results	1Q-2Q of FY2022	1Q-2Q of FY2023	YoY		Main Factors
			Change	rate	
Net sales	1,338.9	1,201.2	(137.6)	(10%)	(Net sales) Net sales decreased by 10% YoY, to 1,201.2 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased.
Gross profit	71.1	60.2	(10.8)	(15%)	
SG&A expenses	29.7	33.9	4.1	14%	(SG&A expenses) SG & A expenses increased by 4.1 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries.
Operating income	41.3	26.3	(15.0)	(36%)	
Non-operating income	18.2	7.4	(10.8)	(59%)	(Non-operating income/expenses) Non-operating income decreased by 10.8 billion yen and non-operating expenses decreased by 0.3 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.8 billion yen(YoY) Dividend income : decrease of 4.6 billion yen(YoY) Equity in earnings of affiliates : decrease of 5.0 billion yen(YoY) Foreign exchange gain : decrease of 1.8 billion yen(YoY) Interest expenses : decrease of 95 million yen(YoY)
Non-operating expenses	6.6	6.3	(0.3)	(5%)	
Ordinary income	52.9	27.4	(25.5)	(48%)	
Extraordinary gain	0.8	—	(0.8)	(100%)	
Extraordinary loss	0.3	0.6	0.3	101%	
Income before income taxes and others	53.4	26.8	(26.6)	(50%)	
Income taxes	14.0	7.1	(6.9)	(49%)	
Net income	39.3	19.6	(19.6)	(50%)	
Owners of the parent(loss)	37.1	19.0	(18.1)	(49%)	(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 : increase of 0.3 billion yen(YoY)
Non-controlling interests(loss)	2.1	0.5	(1.5)	(72%)	
EPS (yen)	915.15	469.32	(445.83)	(49%)	
Comprehensive income	57.2	29.9	(27.2)	(48%)	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2022	1Q-2Q of FY2023	rate	1Q-2Q of FY2022	1Q-2Q of FY2023	rate	
Steel	610.8	628.5	3%	17.9	13.3	(26%)	(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 Metal	125.2	110.7	(12%)	12.5	7.0	(44%)	(Primary metals business) Net sales decreased, because the transaction volume of stainless steel products decreased due to weak demand, as well as current adjustment phase of various merchandises. 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.
Metal Recycling	77.8	58.1	(25%)	5.4	0.8	(85%)	(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 mainly stainless scrap. In addition, segment income decreased due to appraisal gain from commodity forwards contracts in hedge transactions shrunk.
Foods	61.4	61.3	(0%)	(0.2)	(0.1)	(45%)	(Foods business) Although the crab market prices had continued to decrease from the previous fiscal year, the purchase cost risings of salmon, prawns and chickens started to be sufficiently reflected in the selling prices.
Energy& Living Materials	181.6	150.3	(17%)	6.6	1.4	(78%)	(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	254.9	170.3	(33%)	5.4	4.4	(17%)	(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.
Total for reportable segments	1,311.9	1,179.4	(10%)	47.8	27.0	(43%)	
Other	79.9	61.7	(23%)	2.2	1.8	(18%)	
Total	1,391.9	1,241.1	(11%)	50.1	28.9	(42%)	
Adjustment	(52.9)	(39.9)	(25%)	2.8	(1.4)	—	
Consolidated	1,338.9	1,201.2	(10%)	52.9	27.4	(48%)	

- 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	Sep. 2023	Comparison with Mar. 2023		Main Factors
			Change	rate	
Total assets	1,157.7	1,183.2	25.4	2%	(Total Assets) Total assets increased by 2% from the end of the previous fiscal year, mainly because of increases in trade receivables and investment securities.
(Current assets)	928.7	940.4	11.6	1%	
(Fixed assets)	229.0	242.7	13.7	6%	
Total liabilities	848.9	847.1	(1.7)	(0%)	(Liabilities) Liabilities decreased by 0.2% 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 5%, net debt-equity ratio was turned into 97% (*83%).
(Interest-bearing debt)	380.9	398.3	17.3	5%	
(Net interest-bearing debt)	296.7	320.8	24.0	8%	
Net DER	98%/83*%	97%/83*%	(1pt)	(1%)	
Total net assets	308.8	336.0	27.2	9%	(Net assets) Total net assets increased 9% 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 28.0% (*30.1%), which is 1.8 percentage points higher than at the end of the previous fiscal year.
(Equity capital)	270.8	288.3	17.4	6%	
(Valuation & translation adjustments)	32.2	42.3	10.1	31%	
(Non-controlling interests)	5.6	5.2	(0.4)	(7%)	
BPS (yen)	7,459.39	8,132.89	673.50	9%	
Shareholders' equity	303.1	330.7	27.6	9%	
Shareholders' equity ratio	26.2/28.3*%	28.0/30.1*%	1.8pt	7%	*Reflecting equity credit attributes of the subordinated loan

Cash Flow	1Q-2Q of FY2022	1Q-2Q of FY2023	YoY		Main Factors
			Change	rate	
Cash flows from operating activities	110.1	(15.1)	(125.2)	—	(Operating cash flows) Due mainly to increase in trade receivables and contract assets, decrease in accounts payable-other.
Cash flows from investing activities	(8.6)	(1.9)	6.6	(77%)	(Investment cash flows) Due mainly to purchase of tangible fixed assets.
Cash flows from financing activities	(122.5)	10.2	132.8	—	(Financial cash flows) Due mainly to issuance of bonds and commercial paper.
Cash and cash equivalents at end of period	137.8	77.4	(60.3)	(44%)	



Forecast (Annual)	FY2022	FY2023 (estimated)		Cash Dividends	FY2021	FY2022	FY2023 (estimated)
			change				
Net sales	2,668.2	2,700.0	1%	Interim (yen)	50.00	50.00	85.00
Operating income	64.1	60.0	(6%)	Year-end (yen)	50.00	80.00	85.00
Ordinary income	64.2	50.0	(22%)	Annual (yen)	100.00	130.00	170.00
Net income attributable to owners of parent	51.5	36.0	(30%)	Dividend payout ratio	—	—	2.5%