

# Highlights of Consolidated Financial Results for the 3rd Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

## Outline of Financial Results for the 3rd Quarter of FY2023

• During the 3rd quarter of this fiscal year, net sales decreased by 10% YoY, to 1,826.6 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 24% YoY, to 42.4 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 33% YoY, to 42.9 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 32% to 30.7 billion yen.

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

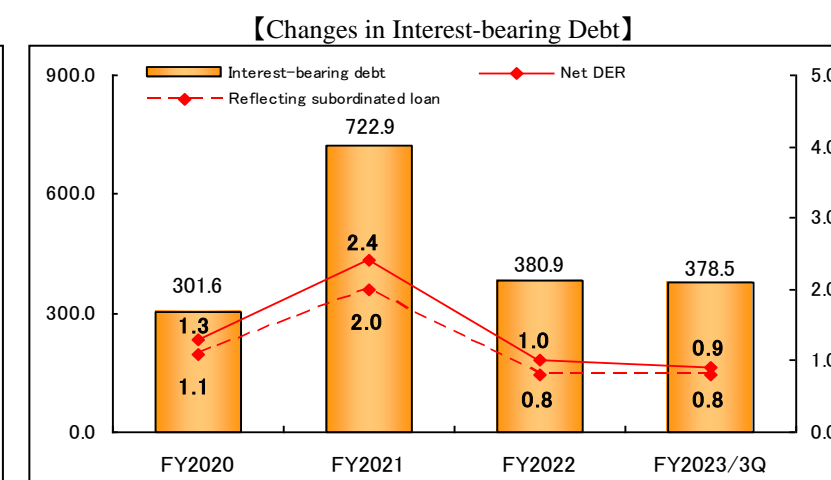
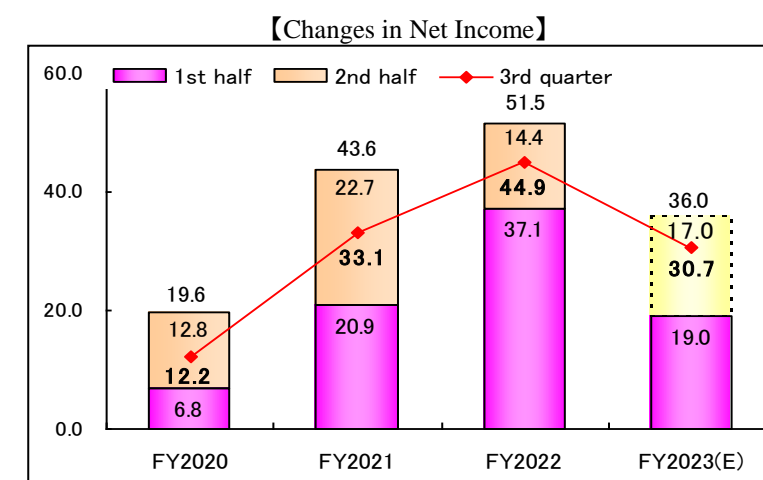
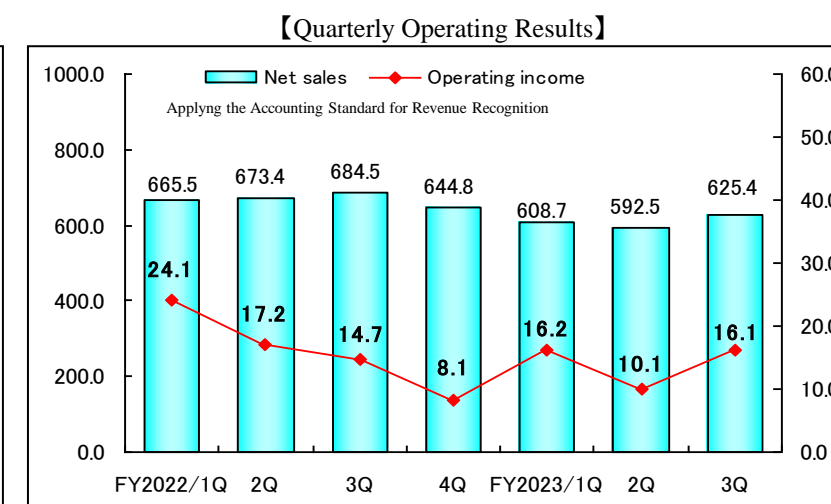
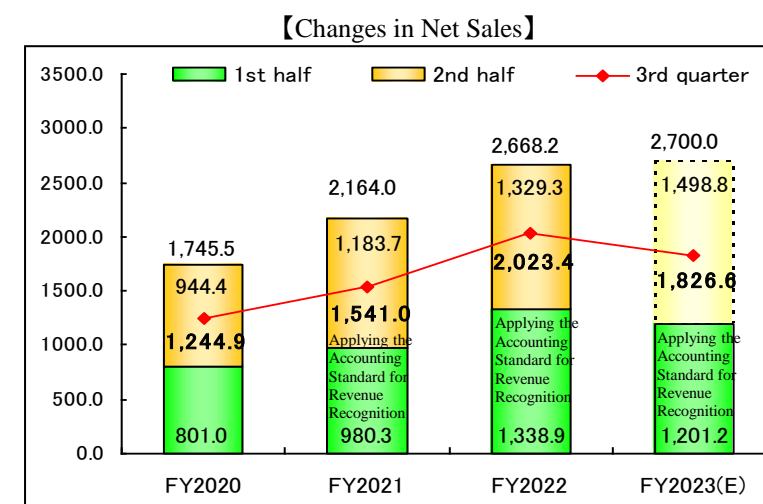
Operating Results	1Q-3Q of FY2022	1Q-3Q of FY2023	Y o Y		Main Factors
			Change	rate	
<b>Net sales</b>	<b>2,023.4</b>	<b>1,826.6</b>	<b>(196.8)</b>	<b>(10%)</b>	(Net sales) Net sales decreased by 10% YoY, to 1,826.6 billion yen, because prices of the products represented by steel, non-ferrous metal and 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 6.6 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries.  (Non-operating income/expenses) Non-operating income decreased by 8.6 billion yen and non-operating expenses decreased by 1.5 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.8 billion yen(YoY) Dividend income : decrease of 3.9 billion yen(YoY) Equity in earnings of affiliates : decrease of 4.4 billion yen(YoY) Foreign exchange gain/loss : 0.4 billion yen gain(last year) : 0.1 billion yen loss(this year) Interest expenses : decrease of 0.7 billion yen(YoY)  (Extraordinary gain/loss) Gain on sales of property and equipment : 1.1 billion yen Gain on bargain purchase : decrease of 0.7 billion yen(YoY) Arbitration related income : decrease of 0.2 billion yen(YoY) Loss on devaluation of investment securities : increase of 0.8 billion yen(YoY) Value added taxes for prior periods : decrease of 0.3 billion yen(YoY)
<b>Gross profit</b>	<b>101.4</b>	<b>94.4</b>	<b>(6.9)</b>	<b>(7%)</b>	
SG&A expenses	45.3	51.9	6.6	15%	
<b>Operating income</b>	<b>56.0</b>	<b>42.4</b>	<b>(13.6)</b>	<b>(24%)</b>	
Non-operating income	18.7	10.1	(8.6)	(46%)	
Non-operating expenses	11.1	9.6	(1.5)	(14%)	
<b>Ordinary income</b>	<b>63.6</b>	<b>42.9</b>	<b>(20.7)</b>	<b>(33%)</b>	
Extraordinary gain	1.6	1.7	0.0	5%	
Extraordinary loss	0.6	1.1	0.5	79%	
<b>Income before income taxes and others</b>	<b>64.6</b>	<b>43.5</b>	<b>(21.1)</b>	<b>(33%)</b>	
Income taxes	17.9	12.2	(5.6)	(32%)	
<b>Net income</b>	<b>46.7</b>	<b>31.2</b>	<b>(15.5)</b>	<b>(33%)</b>	
Owners of the parent	44.9	30.7	(14.1)	(32%)	
Non-controlling interests	1.8	0.4	(1.3)	(74%)	
EPS (yen)	1,105.49	756.66	(348.83)	(32%)	
<b>Comprehensive income</b>	<b>63.9</b>	<b>40.4</b>	<b>(23.4)</b>	<b>(37%)</b>	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2022	1Q-3Q of FY2023	rate	1Q-3Q of FY2022	1Q-3Q of FY2023	rate	
Steel	941.4	939.9	(0%)	25.5	22.9	(10%)	(Steel business) Overall transaction volume decreased due to sluggish demand for stainless steel and a decline in the number of new housing starts. In addition, segment income decreased, because the profit margin, mainly at overseas subsidiaries, shrunk due to the impact of lower steel product prices compared to the same period of the previous fiscal year. (Primary metal business) Net sales decreased, because the transaction volume of stainless steel products decreased, as well as current adjustment phase of various merchandises. In addition, 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 business) Net sales decreased, because prices of base metal were at a lower level on a global basis compared to the same period of the previous fiscal year, 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 business) Although the crab market prices remained low compared to the same period of the previous fiscal year, which pushed down profits, they have recently been on a gradual recovery trend. In addition, the purchase cost risings of salmon, 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, lower petroleum product prices compared to the same period of the previous fiscal year 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. 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	201.9	159.8	(21%)	16.1	6.5	(60%)	
Metal Recycling	113.1	88.0	(22%)	5.0	1.0	(79%)	
Foods	101.0	98.1	(3%)	(0.8)	1.0	—	
Energy& Living Materials	274.5	247.4	(10%)	10.4	5.1	(51%)	
Overseas sales subsidiaries	352.9	258.8	(27%)	7.3	6.5	(11%)	
Total for reportable segments	1,985.1	1,792.3	(10%)	63.7	43.3	(32%)	
Other	113.9	90.6	(21%)	2.6	2.3	(9%)	
<b>Total</b>	<b>2,099.1</b>	<b>1,883.0</b>	<b>(10%)</b>	<b>66.3</b>	<b>45.7</b>	<b>(31%)</b>	
Adjustment	(75.6)	(56.3)	(26%)	(2.6)	(2.7)	4%	
<b>Consolidated</b>	<b>2,023.4</b>	<b>1,826.6</b>	<b>(10%)</b>	<b>63.6</b>	<b>42.9</b>	<b>(33%)</b>	

**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	Dec. 2023	Comparison with Mar. 2023		Main Factors
			Change	rate	
<b>Total assets</b>	<b>1,157.7</b>	<b>1,152.6</b>	<b>(5.0)</b>	<b>(0%)</b>	(Total Assets) Total assets decreased by 0.4% from the end of the previous fiscal year, mainly because of a decrease in cash and deposits and inventories.
(Current assets)	928.7	912.3	(16.4)	(2%)	
(Fixed assets)	229.0	240.3	11.3	5%	(Liabilities) Liabilities decreased by 5% from the end of the previous fiscal year, mainly because of redemption of commercial paper, as well as a decrease in income taxes payable after payment of taxes including corporate tax in which the business results of the previous fiscal year were reflected. As interest-bearing debt decreased by 1%, net debt-equity ratio was turned into 90% (*77%).
<b>Total liabilities</b>	<b>848.9</b>	<b>809.6</b>	<b>(39.2)</b>	<b>(5%)</b>	
(Interest-bearing debt)	380.9	378.5	(2.4)	(1%)	(Net assets) Total net assets increased 11% 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 29.3% (*31.5%), which is 3.1 percentage points higher than at the end of the previous fiscal year.
(Net interest-bearing debt)	296.7	304.7	7.9	3%	
Net DER	98%/83%*	90%/77%*	(8pt)	(8%)	*Reflecting equity credit attributes of the subordinated loan
<b>Total net assets</b>	<b>308.8</b>	<b>343.0</b>	<b>34.2</b>	<b>11%</b>	
(Equity capital)	270.8	296.5	25.7	10%	
(Valuation & translation adjustments)	32.2	41.2	8.9	28%	
(Non-controlling interests)	5.6	5.2	(0.4)	(8%)	
BPS (yen)	7,459.39	8,305.97	846.58	11%	
Shareholders' equity	303.1	337.7	34.6	11%	
Shareholders' equity ratio	26.2/28.3%*	29.3/31.5%*	3.1pt	12%	



Forecast (Annual)	FY2022	FY2023 (estimated)		Cash Dividends	FY2021	FY2022	FY2023 (estimated)
		change	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 the parent	51.5	36.0	(30%)	DOE*	—	—	2.5%

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