

Highlights of Consolidated Financial Results for the FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the FY2023

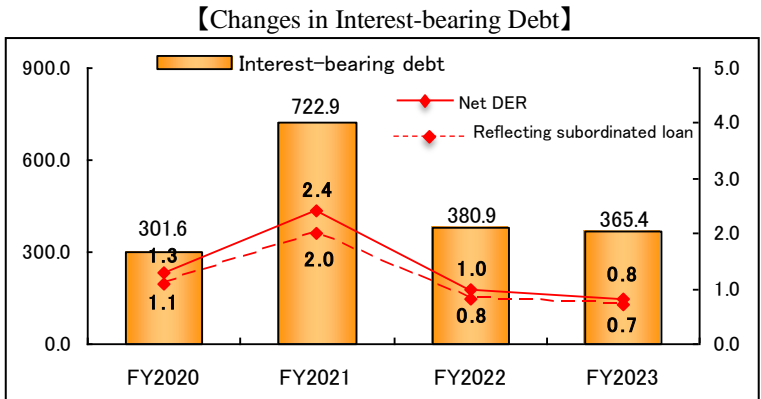
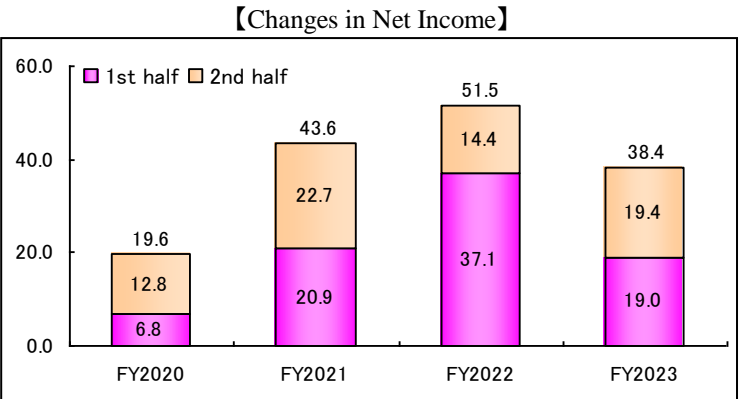
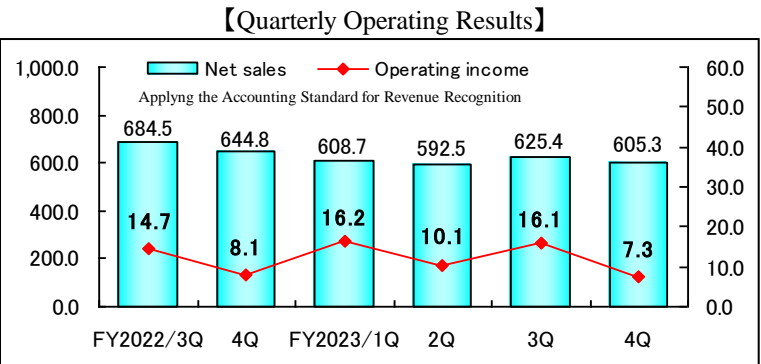
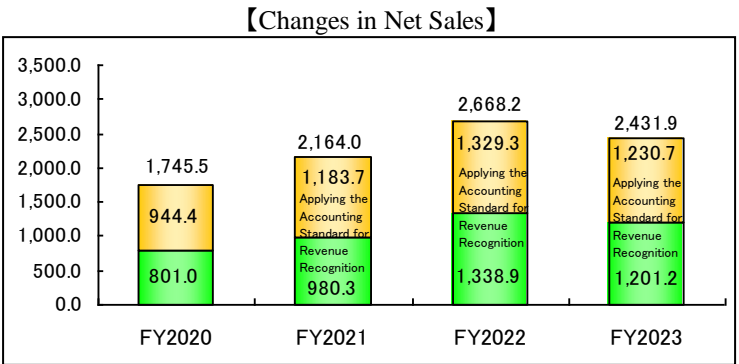
- During the fiscal year, net sales decreased by 9% YoY, to 2,431.9 billion yen and operating income decreased by 22% YoY, to 49.7 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased. Ordinary income decreased by 25% YoY, to 48.2 billion yen, mainly because dividend income from strategic investments decreased. Net income attributable to owners of the parent decreased by 25% to 38.4 billion yen.
- We plan to pay 185 yen as the annual (85 yen as the interim and 100 yen as the year-end) dividend.

Operating Results	FY2022	FY2023	YoY		Main Factors
			Change	rate	
Net sales	2,668.2	2,431.9	(236.2)	(9%)	<p>(Net sales)</p> <p>Net sales decreased by 9% YoY, to 2,431.9 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.</p> <p>(SG&A expenses)</p> <p>SG & A expenses increased by 5.6 billion yen YoY, with 0.2 billion yen of this figure deriving from newly consolidated subsidiaries.</p> <p>(Non-operating income/expenses)</p> <p>Non-operating income decreased by 3.8 billion yen and non-operating expenses decreased by 2.2 billion yen.</p> <p>The main impacts on ordinary income were as follows.</p> <p>Interest income : increase of 1.0 billion yen(YoY)</p> <p>Dividend income : decrease of 3.9 billion yen(YoY)</p> <p>Equity in earnings of affiliates : decrease of 0.6 billion yen(YoY)</p> <p>Interest expenses : decrease of 1.2 billion yen(YoY)</p> <p>Foreign exchange loss : decrease of 0.1 billion yen(YoY)</p> <p>Commision fee : increase of 0.2 billion yen(YoY)</p> <p>(Extraordinary gain/loss)</p> <p>Gain on sales of property and equipment : decrease of 13.2 billion yen(YoY)</p> <p>Gain on sales of investment securities : increase of 4.8 billion yen(YoY)</p> <p>Gain on bargain purchase : decrease of 0.7 billion yen(YoY)</p> <p>Arbitration related income : decrease of 0.2 billion yen(YoY)</p> <p>Loss on devaluation of investment securities : 1.0 billion yen</p> <p>Value added taxes for prior periods : decrease of 4.3 billion yen(YoY)</p>
Gross profit	128.5	119.8	(8.6)	(7%)	
SG&A expenses	64.4	70.1	5.6	9%	
Operating income	64.1	49.7	(14.3)	(22%)	
Non-operating income	17.3	13.5	(3.8)	(22%)	
Non-operating expenses	17.2	14.9	(2.2)	(13%)	
Ordinary income	64.2	48.2	(15.9)	(25%)	
Extraordinary gain	16.0	6.6	(9.3)	(58%)	
Extraordinary loss	4.3	1.0	(3.2)	(75%)	
Income before income taxes and others	75.9	53.8	(22.0)	(29%)	
Income taxes	23.2	14.5	(8.6)	(37%)	
Net income	52.7	39.3	(13.3)	(25%)	
Owners of the parent	51.5	38.4	(13.0)	(25%)	
Non-controlling interests	1.2	0.9	(0.2)	(24%)	
EPS (yen)	1,267.44	944.90	(322.54)	(25%)	
Comprehensive income	71.3	54.1	(17.1)	(24%)	

Segment Information	Net sales			Segment income			Main Factors
	FY2022	FY2023	rate	FY2022	FY2023	rate	
Steel	1,262.1	1,240.0	(2%)	28.4	25.6	(10%)	<p>(Steel business)</p> <p>Net sales decreased. Transaction volume of steel decreased due to a decline in the number of new housing starts. In addition, segment income decreased, because the profitability of some construction projects deteriorated.</p> <p>(Primary metals business)</p> <p>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.</p> <p>(Metal recycling business)</p> <p>Net sales decreased, because prices of base metal were at a lower level on a global basis compared to 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.</p> <p>(Foods business)</p> <p>Net sales decreased, and segment income increased. Although the crab market prices remained low compared to 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.</p> <p>(Energy & Living Materials business)</p> <p>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 previous fiscal year had affected greatly on the business performance.</p> <p>(Overseas sales subsidiaries)</p> <p>Net sales 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. On the other hand, segment income increased mainly due to financial income from strategic investments.</p>
Primary Metal	274.0	223.0	(19%)	13.9	8.6	(38%)	
Metal Recycling	147.1	116.7	(21%)	6.1	1.1	(82%)	
Foods	128.5	122.9	(4%)	(0.9)	1.3	—	
Energy& Living Materials	360.9	346.5	(4%)	11.5	6.5	(43%)	
Overseas sales subsidiaries	449.2	338.9	(25%)	7.2	7.8	7%	
Total for reportable segments	2,622.1	2,388.1	(9%)	66.4	51.1	(23%)	
Other	146.0	119.2	(18%)	3.0	3.6	17%	
Total	2,768.1	2,507.4	(9%)	69.5	54.7	(21%)	
Adjustment	(99.9)	(75.4)	(24%)	(5.2)	(6.4)	23%	
Consolidated	2,668.2	2,431.9	(9%)	64.2	48.2	(25%)	

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.
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Financial Position	Mar. 2023	Mar. 2024	Comparison with Mar. 2023		Main Factors
			Change	rate	
Total assets	1,157.7	1,166.9	9.2	1%	<p>(Total Assets)</p> <p>Total assets increased by 1% from the end of the previous fiscal year, mainly because of an increase in electronically recorded monetary claims and investment securities.</p> <p>(Liabilities)</p> <p>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.</p> <p>As interest-bearing debt decreased by 4%, net debt-equity ratio was turned into 82% (*70%).</p> <p>(Net assets)</p> <p>Total net assets increased 16% 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.</p> <p>Shareholders' equity ratio was 30.1% (*32.2%), which is 3.9 percentage points higher than at the end of the previous fiscal year.</p> <p>*Reflecting equity credit attributes of the subordinated loan</p>
(Current assets)	928.7	917.1	(11.5)	(1%)	
(Fixed assets)	229.0	249.8	20.8	9%	
Total liabilities	848.9	810.2	(38.7)	(5%)	
(Interest-bearing debt)	380.9	365.4	(15.5)	(4%)	
(Net interest-bearing debt)	296.7	288.9	(7.8)	(3%)	
Net DER	98%/83*%	82%/70*%	(16pt)	(16%)	
Total net assets	308.8	356.7	47.9	16%	
(Equity capital)	270.8	304.2	33.3	12%	
(Valuation & translation adjustments)	32.2	46.9	14.7	46%	
(Non-controlling interests)	5.6	5.5	(0.1)	(2%)	
BPS (yen)	7,459.39	8,636.03	1,176.64	16%	
Shareholders' equity	303.1	351.2	48.0	16%	
Shareholders' equity ratio	26.2/28.3*%	30.1/32.2*%	3.9pt	15%	
Cash Flow	FY2022	FY2023	YoY	rate	Main Factors
Cash flows from operating activities	284.2	18.1	(266.0)	(94%)	<p>(Operating cash flows)</p> <p>Due mainly to increase in trade payables and decrease in accounts receivable-other.</p> <p>(Investment cash flows)</p> <p>Due mainly to sale and redemption of investment securities and collection of long-term loans receivable.</p> <p>(Financial cash flows)</p> <p>Due mainly to repayment long-term debt and redemption of commercial paper.</p>
Cash flows from investing activities	(6.5)	1.0	7.5	—	
Cash flows from financing activities	(351.8)	(26.3)	325.5	93%	
Cash and cash equivalents at end of period	84.1	76.4	(7.6)	(9%)	



Forecast (Annual)	FY2023	FY2024 (estimated)	change	Cash Dividends	FY2022	FY2023	FY2024 (estimated)
Net sales	2,431.9	2,800.0	15%	Interim (yen)	50.00	85.00	105.00
Operating income	49.7	61.0	23%	Year-end (yen)	80.00	100.00	105.00
Ordinary income	48.2	60.0	24%	Annual (yen)	130.00	185.00	210.00
Net income attributable to owners of parent	38.4	43.0	12%	DOE*	—	2.7%	2.8%

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