

Outline of Financial Results for the First Quarter ended June 30, 2024

August 2024
HANWA CO., LTD.

- 1. Summary of FY2024 Q1 Financial Results and Progress**
- 2. Details by Business Segment**
- 3. Progress on Medium-Term Business Plan 2025**

* From FY2024 Q1, due to our organizational changes effective April 1, 2024, the Company has reviewed its reporting segment classification and transferred a part of “Steel Business Segment” to “Primary Metals Business Segment” and “Other Segment”, and a part of “Primary Metals Business Segment” to “Metals Recycling Business Segment”. In accordance with this change, forecast for FY2024 and actuals by segment for FY2023 Q1 have been revised to reflect the new classification of reporting segments.

1. Summary of FY2024 Q1 Financial Results and Progress

Summary of Consolidated Financial Results



- Ordinary income for FY2024 Q1 was 12.3 bil. yen, making 21% progress toward the full-year forecast of 60 bil. yen. The full-year forecast remained unchanged.

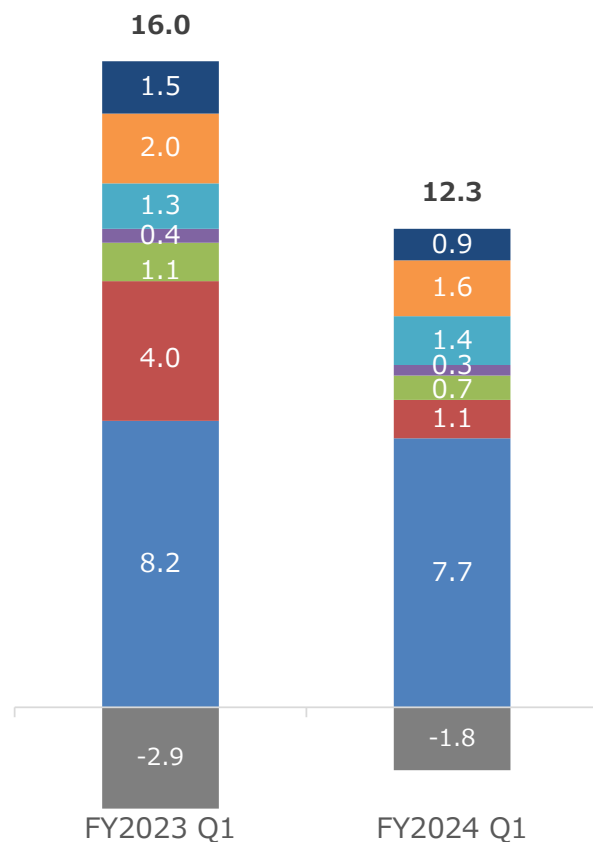
(billions of yen)	FY2023 Q1 Results	FY2024 Q1 Results	Y on Y change (Rate)	FY2024 Forecast	Progress
Net Sales	608.7	618.4	+9.7 (+2%)	2,800	22%
Gross Profit	32.5	31.4	-1.0 (-3%)	—	—
Operating Income	16.2	13.1	-3.1 (-19%)	61	22%
Ordinary Income	16.0	12.3	-3.6 (-23%)	60	21%
Net Income Attributable to Owners of the Company	11.4	9.2	-2.2 (-20%)	43	21%
Consolidated Steel Transaction Volume (million metric tons) *1	3.49	3.22	-0.28 (-8%)	—	—

*1 Consolidated Trading volume is the simple sum of the weight of steel handled by the Company and its consolidated subsidiaries.

Segment Information (Consolidated)

(billions of yen)

Ordinary Income by Segment



Business Segments	FY2023 Q1	FY2024 Q1	Y on Y Change (Y on Y Rate)
Steel	8.2	7.7	-0.5 (-6%)
Primary Metal	4.0	1.1	-2.8 (-71%)
Metal Recycling	1.1	0.7	-0.4 (-34%)
Foods	0.4	0.3	-0.1 (-21%)
Energy & Living Materials	1.3	1.4	+0.1 (+11%)
Overseas Sales Subsidiaries	2.0	1.6	-0.3 (-19%)
Other	1.5	0.9	-0.5 (-38%)
Adjustment	-2.9	-1.8	+1.1
Total	16.0	12.3	-3.6 (-23%)

Main Factors
Lower transaction volumes due to a decline in housing starts and other factors, as well as higher labor costs, weighed on profits.
A decline in market prices for products and lower transaction volumes weighed on profits.
Lower nickel prices and other factors weighed on profits.
Although transaction volumes remained flat, higher procurement costs due to yen depreciation and other factors pushed down profits.
Higher handling volumes of bunker oil, urea, and other products increased profits.
Weak steel market conditions, especially in Asia, pushed down profits.
Housing Materials: An increase in the volumes of high-margin products. Machinery: A reduction in the number of large-scale completed projects.

Segment Ordinary Income compared to Forecast



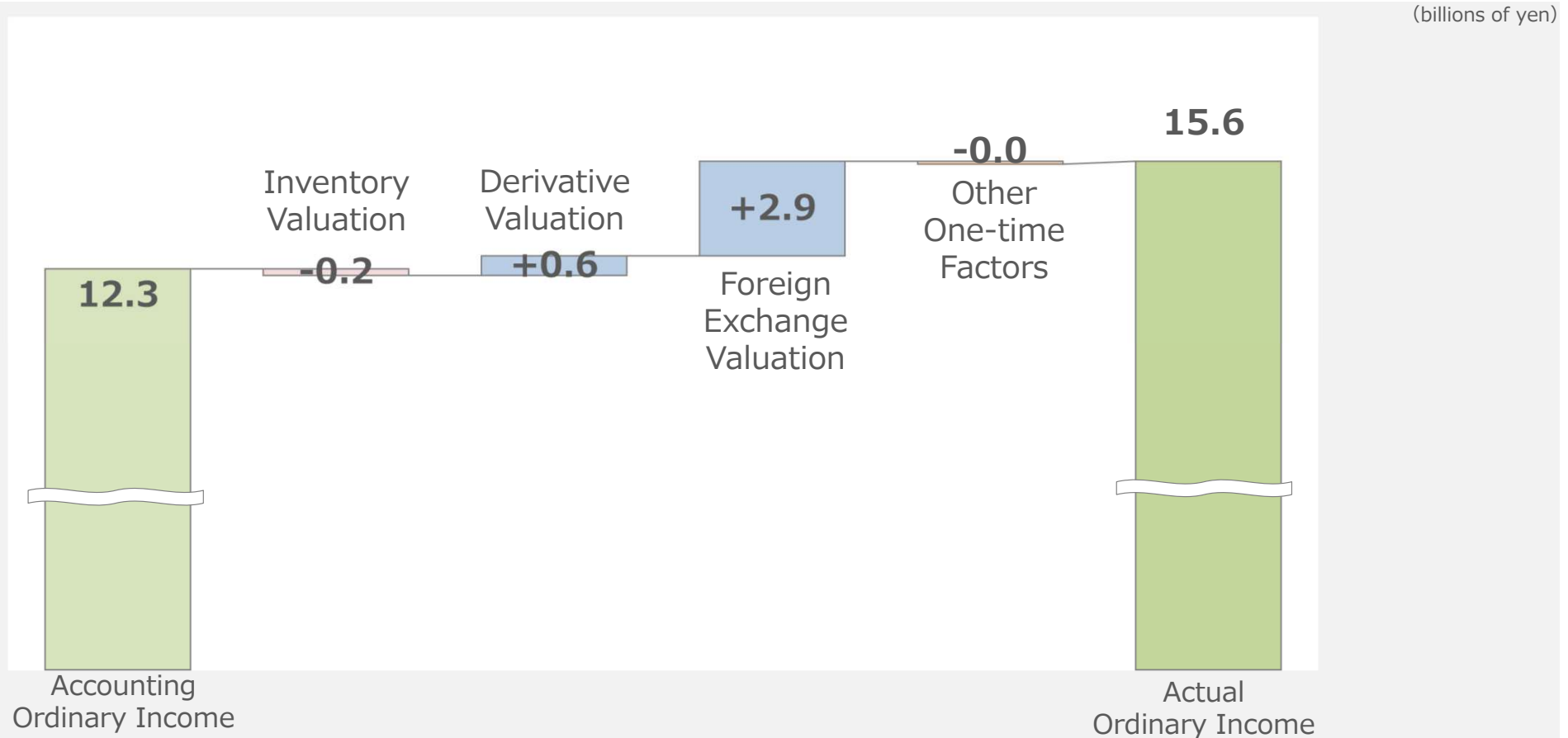
(billions of yen)

Business Segments	FY2024 Forecast			FY2024 Q1 Results	Rate against 1st Half Forecast	Rate against Full year Forecast	Progress
	1st Half	2nd Half	Full year				
Steel	12.0	15.0	27.0	7.7	64%	29%	The price of steel remained relatively stable, and the domestic construction sector continued to perform well.
Primary Metal	6.5	6.5	13.0	1.1	17%	8%	Equity earnings from SAMANCOR contributed to the results, which were lower than the initial estimates. Decrease in transaction volumes amid falling market prices for various commodities.
Metal Recycling	1.5	1.5	3.0	0.7	47%	23%	While the nickel market remained low, which put downward pressure on profits, the volumes of gold bullion and copper scrap handled remained strong.
Foods	1.0	2.0	3.0	0.3	30%	10%	While markets remained relatively stable, there was an increase in procurement costs due to the depreciation of the yen and other contributing factors. Profits are expected to be higher in the second half of the year.
Energy & Living Materials	5.0	7.0	12.0	1.4	28%	12%	The volumes of bunker oil and urea, etc. increased, and that of PKS and wood pellet remained strong. However, the market environment for petroleum products such as gasoline and kerosene remained challenging in terms of profitability.
Overseas Sales Subsidiaries	4.0	4.0	8.0	1.6	40%	20%	New business expanded in China, but steel market conditions remained sluggish, especially in Asia.
Other	1.0	1.0	2.0	0.9	90%	45%	The volumes of high-margin products increased in the housing materials sector.
Adjustment	-4.0	-4.0	-8.0	-1.8	-	-	
Total	27.0	33.0	60.0	12.3	46%	21%	

*Figures are revised to reflect the change in the classification of reporting segments.

Impacts of Profits/Losses from Market Value Accounting and Temporary Factors

- Actual ordinary income was 15.6 bil. yen (up 1.9 bil. yen year on year), while accounting ordinary income was 12.3 bil. yen.
- In FY2023, actual ordinary income was 13.7 bil. yen, while accounting ordinary income was 16.0 bil. yen.



* Actual ordinary income is calculated by deducting gains/losses of inventory valuation, derivative valuation, foreign exchange valuation and other one-time factors from accounting ordinary income.

Financial Position (Consolidated)



(billions of yen)

	Mar. 2024	June. 2024	Change (Rate)	Main Factors
Total Assets	1,166.9	1,177.4	+10.4 (+1%)	Increased due to increase in inventories and investment securities, etc.
Shareholder's Equity	304.2	307.5	+3.2 (+1%)	Increased due to accumulation of retained earnings and fluctuation in foreign currency translation adjustments.
Owner's Equity	351.2	358.5	+7.3 (+2%)	
Owner's equity ratio (taking account of hybrid loan)	30.1% (32.2%)	30.5% (32.6%)	+0.4pt	
Interest-bearing Debt	365.4	382.8	17.4 (+5%)	Increased due to increase in short-term loans and commercial paper, etc.
Net Interest-bearing Debt	288.9	310.9	21.9 (+8%)	
Net DER (taking account of hybrid loan)	82% (70%)	86% (74%)	+4pt	

Investments Updates FY2024 Q1



Segments	Amount FY2024 Q1 (bil. Yen)	Major Investment Projects	Cum. amount during "Mid-Term plan 2025" (Total budget 80 bil.yen)
Steel	2.6	Construction of new factories at the overseas coil center subsidiary	13
Metal Recycling	0.1	Capital investment to expand capacity of a domestic subsidiary	0.6
Energy & Living Materials Business	0.1	Investment in chemical manufacturing facilities	1.8
Overseas Sales Subsidiaries	10.9	Joint investment with the Yamato Kogyo Group in PT Garuda Yamato Steel in Indonesia	11.7
Other	0.2	Capacity expansion at domestic subsidiaries	0.9
Whole Company	0.4	Building and enhancing the new core system	2
Total Amount	14.7		合計 30.3
			Progress 37%

■ Environmentally Responsible Resources
 ■ Secondary Battery
 ■ High-Value-added processed products
 ■ Local business(Overseas)
 ■ Existing Business in Japan

* The previously disclosed "Acquisition of shares in Shinx" are planned to be implemented in FY2024 Q2.

Reducing Strategic Shareholdings

- Sold shares in 7 companies, maintaining the value of strategic shareholdings at less than 20% of consolidated net assets as of the end of June 2024.
- Continue divestments to achieve a further reduction in terms of capital efficiency and asset replacement.

	Mar. 2024	Jun. 2024	
Ratio of strategic shareholdings to net assets	19.6%	18.7%	
Amount Sold in FY2024 Q1	-	1.57 bil. yen	
Number of shares of strategic shareholdings	129 companies Listed 65 companies Unlisted 64 companies	123 companies (-6 companies) Listed 59 companies Unlisted 64 companies	
Summary	All shares sold	6 companies	1.18 bil. yen
	Partially sold	1 company	0.39 bil. yen
	Total	7 companies	1.57 bil. yen
	Approved to sell (not sold yet)	4 companies	Equiv. to 2.1 bil. yen

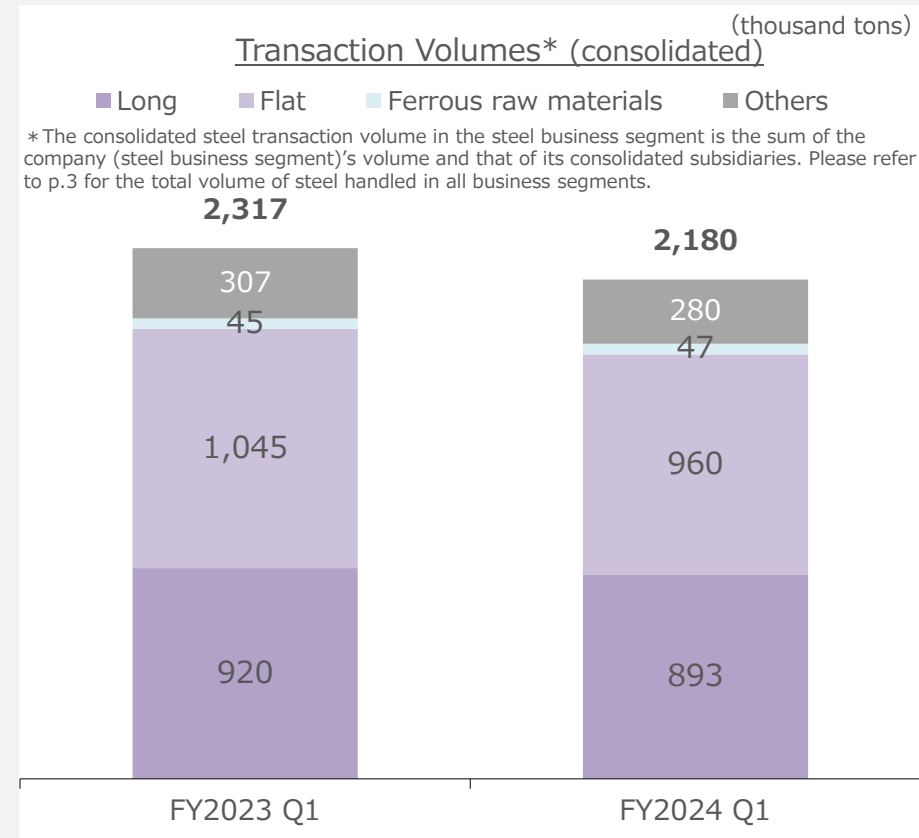
2. Details by Business Segment

Steel Business Segment

The Sales declined due to lower volume of steel sheet and wire rod handled, while domestic construction remained strong. Income decreased due to lower transaction volume and higher labor costs, although steel prices remained at the same level as 2023 Q1.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	307.8	293.9	-13.8 (-5%)
Ordinary income	8.2	7.7	-0.5 (-6%)
Parent only	7.1	7.1	-0.0 (-0%)
Domestic consolidated subsidiaries	1.1	0.9	-0.2 (-19%)
Overseas consolidated subsidiaries	1.0	0.3	-0.6 (-67%)
Equity in earnings of affiliates	0.1	0.3	+0.1 (+66%)
Adjustment	-1.3	-1.0	+0.2 -

* Figures reflect reclassification of reporting segments.



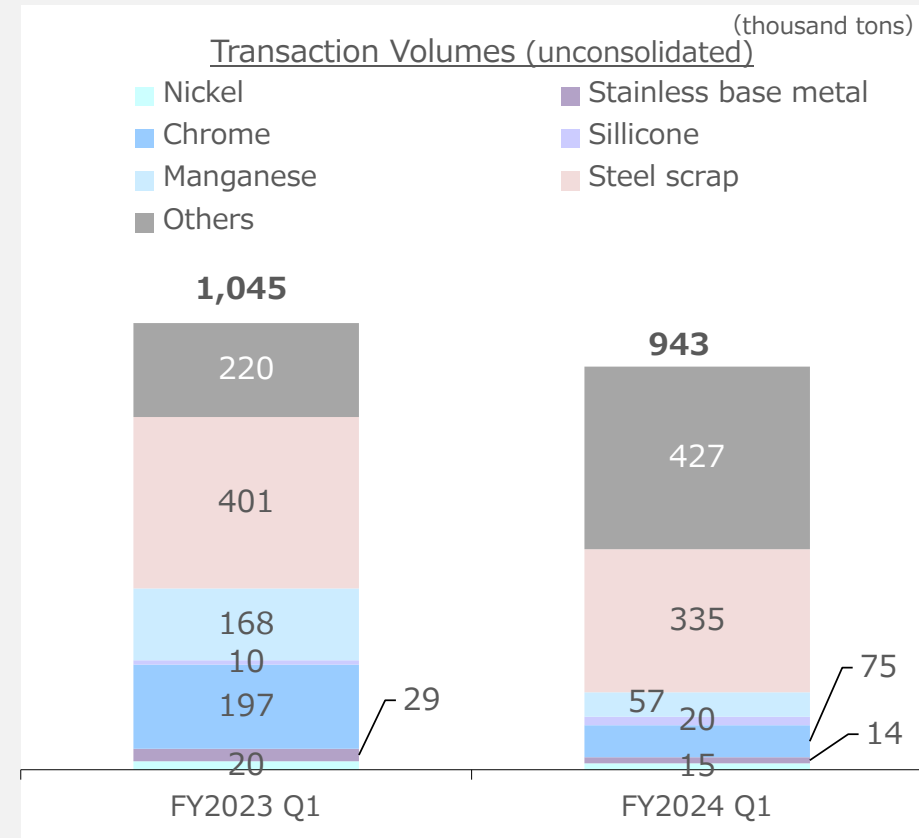
Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

Primary Metal Business Segment

Sales and earnings decreased due to lower transaction volumes, lower market prices for various products and higher transportation costs, despite higher equity earnings from Samancor Chrome Holdings Proprietary Limited.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	53.8	45.8	-7.9 (-15%)
Ordinary income	4.0	1.1	-2.8 (-71%)
Parent only	4.0	0.8	-3.1 (-78%)
Domestic consolidated subsidiaries	-0.0	-0.0	+0.0 -
Overseas consolidated subsidiaries	-	-	-
Equity in earnings of affiliates	-0.0	0.2	+0.3 -
Adjustment	0.0	-0.0	-0.0 -

* Figures reflect reclassification of reporting segments.



Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

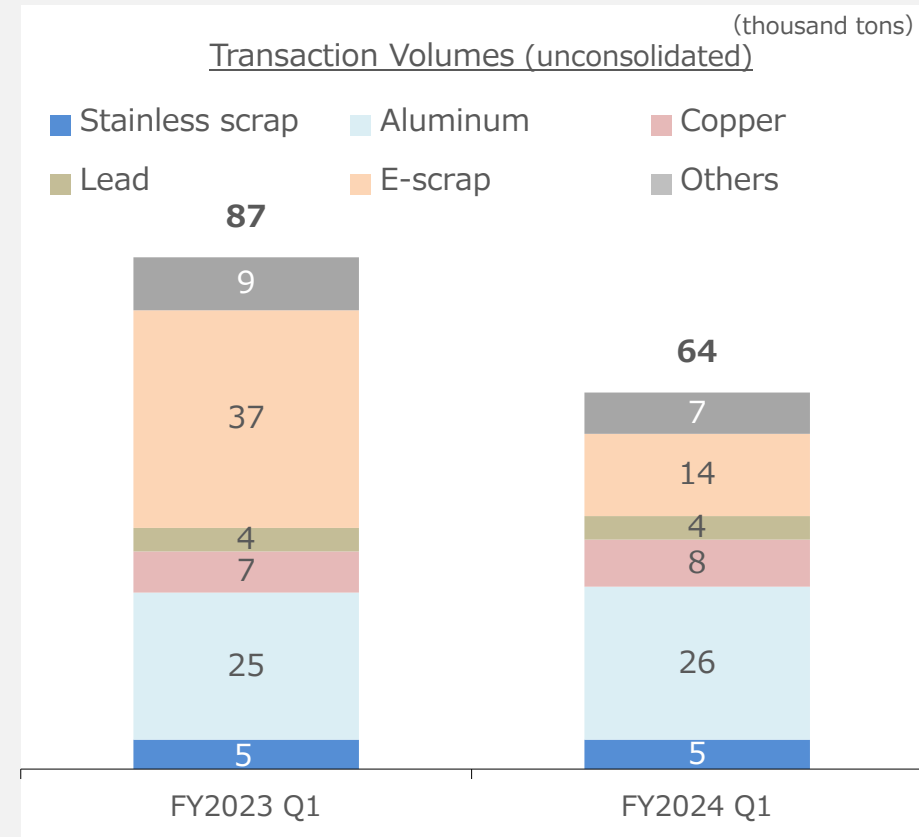
Metal Recycling Business Segment



Sales increased due to higher transaction volume of gold bullion and copper scrap, but income decreased due to lower market price of nickel compared to FY2023 Q1.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	45.6	54.0	+8.4 (+18%)
Ordinary income	1.1	0.7	-0.4 (-34%)
Parent only	1.2	0.5	-0.6 (-56%)
Domestic consolidated subsidiaries	0.0	0.2	+0.1 (+259%)
Overseas consolidated subsidiaries	-0.0	-0.0	-0.0 -
Equity in earnings of affiliates	0.0	0.0	-0.0 (-22%)
Adjustment	-0.1	-0.0	+0.1 -

* Figures reflect reclassification of reporting segments.

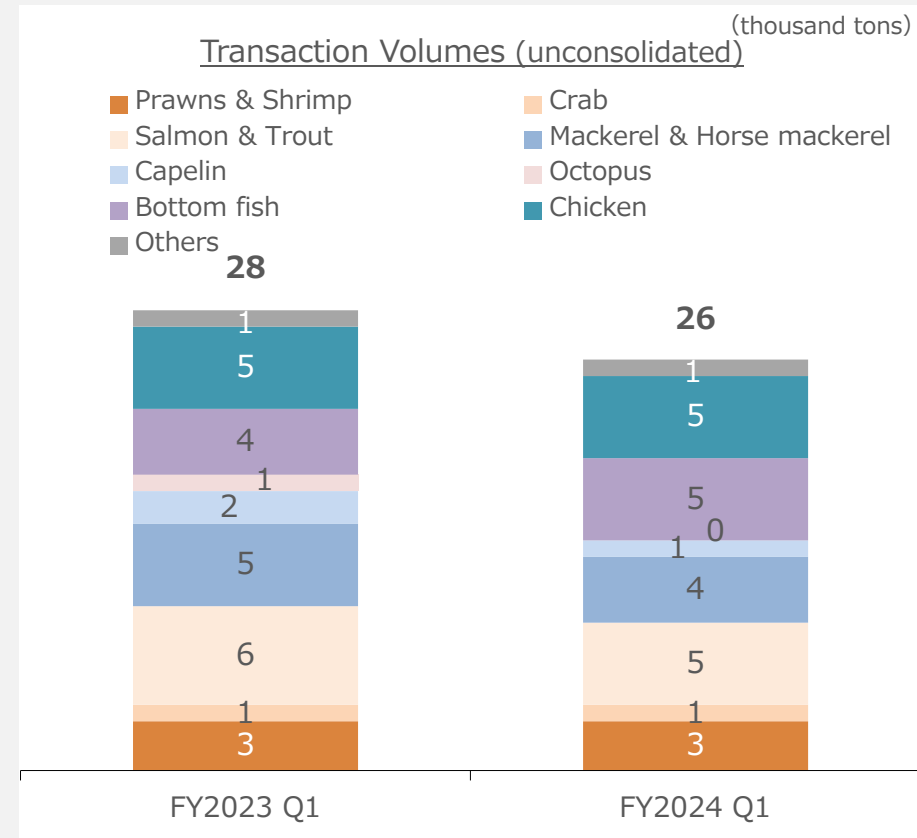


Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

Foods Business Segment

Sales increased due to higher food prices, especially for crab, compared to FY2023 Q1.
Income decreased due to higher procurement costs resulting from the depreciation of the yen and other factors.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	28.7	29.3	+0.5 (+2%)
Ordinary income	0.4	0.3	-0.1 (-21%)
Parent only	0.8	0.5	-0.3 (-38%)
Domestic consolidated subsidiaries	0.0	0.0	-0 (-5%)
Overseas consolidated subsidiaries	-0.2	0.0	+0.3
Equity in earnings of affiliates	-	-	-
Adjustment	-0.1	-0.2	-0.1



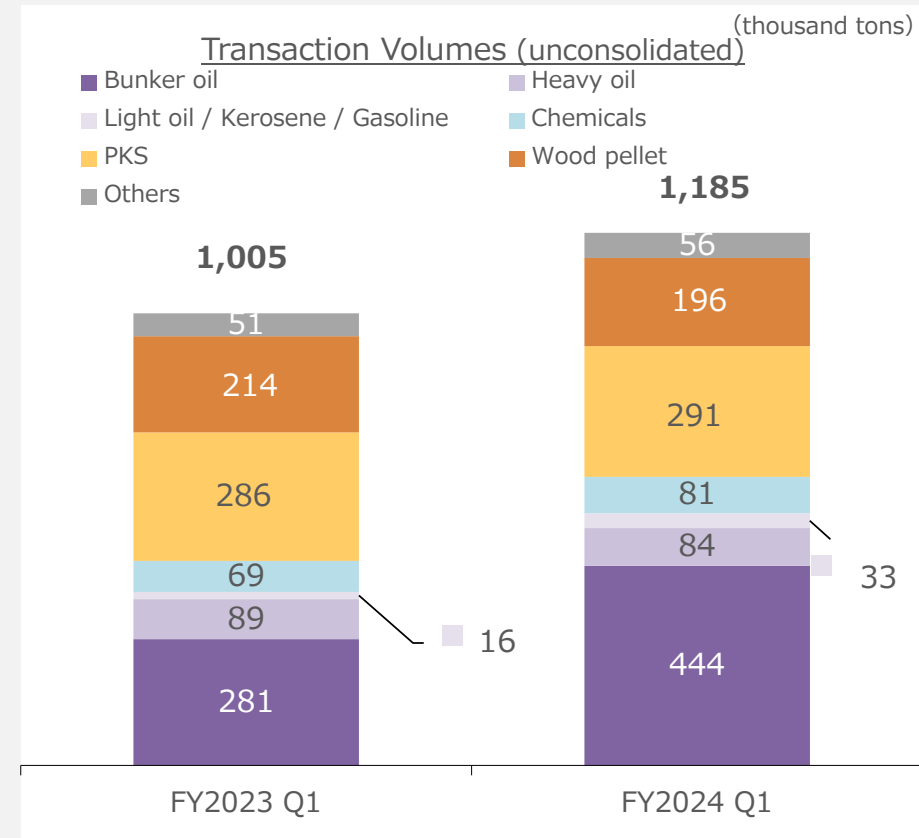
Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

Energy & Living Materials Business Segment



Sales and income increased due to significant increase in bunker oil and urea transaction volumes.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	69.0	93.6	+24.5 (+36%)
Ordinary income	1.3	1.4	+0.1 (+11%)
Parent only	2.4	1.9	-0.5 (-22%)
Domestic consolidated subsidiaries	-0.2	-0.3	-0.0 -
Overseas consolidated subsidiaries	-	-	-
Equity in earnings of affiliates	0.0	0.0	-0.0 (-15%)
Adjustment	-0.9	-0.1	+0.7 -

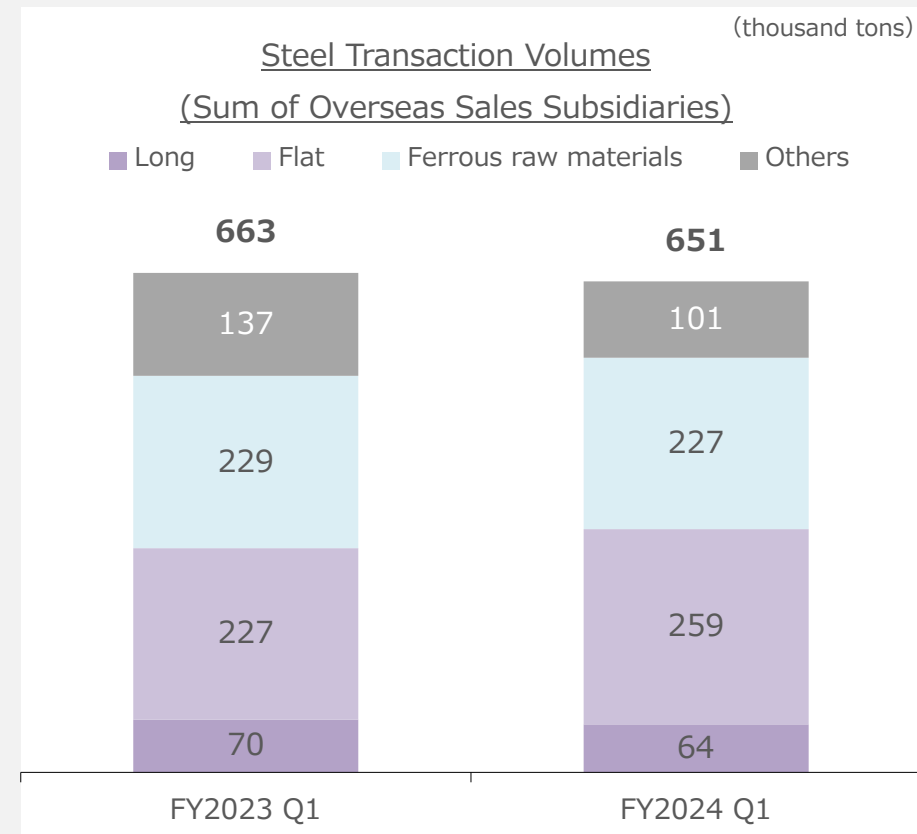


Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

Overseas Sales Subsidiaries Segment

Sales increased due to an increase in new business in China and a new consolidated company, but income decreased due to sluggish steel market conditions, mainly in Asia.

(billions of yen)	FY2023	FY2024	Y on Y Change
	Q1	Q1	(Y on Y Rate)
Net Sales	86.7	97.5	+10.7 (+12%)
Ordinary income	2.0	1.6	-0.3 (-19%)
ASEAN	1.6	1.1	-0.4 (-30%)
East Asia	0.0	0.1	+0.0 (+136%)
North America	0.2	0.3	+0.1 (+59%)
Other	0.0	0.0	-0.0 (-60%)
Adjustment	0.0	0.0	-0.0 (-95%)



Transaction volumes indicate the volume of products handled by each business segment as per the management approach.

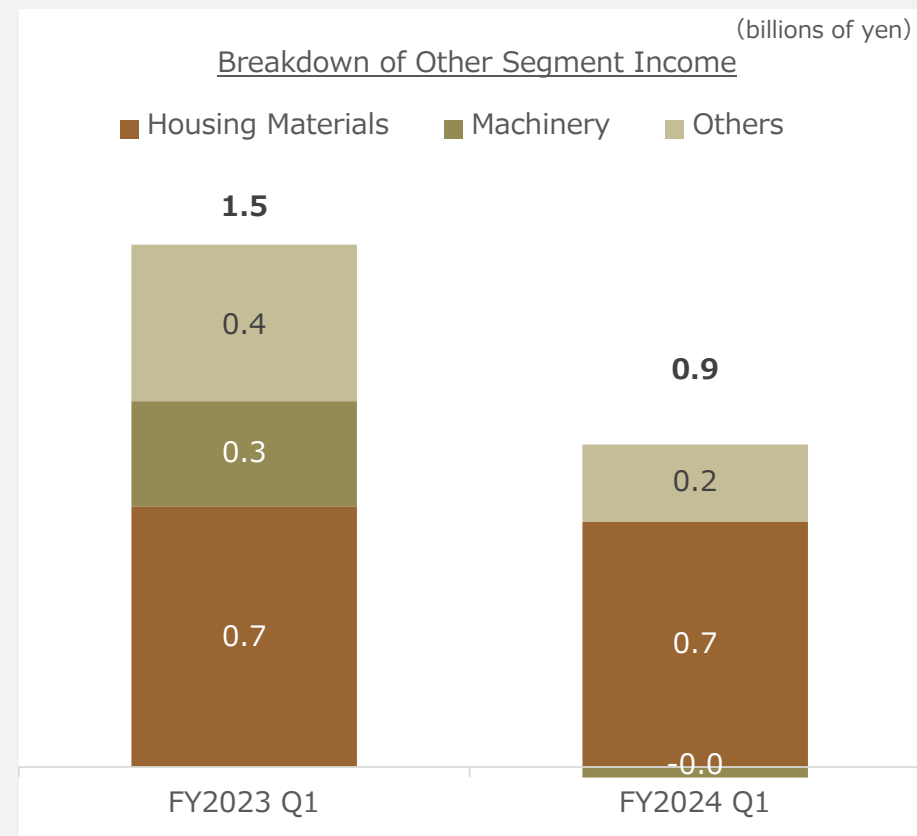
Other Segment

Housing Materials :Although sales decreased due to a slight decrease in transaction volume, income increased due to an increase in high-margin products for wooden houses.

Machinery :Sales and income decreased due to a decrease in large projects compared to FY2023 Q1.

(billions of yen)	FY2023 Q1	FY2024 Q1	Y on Y Change (Y on Y Rate)
Net Sales	36.7	32.0	-4.6 (-13%)
Ordinary income	1.5	0.9	-0.5 (-38%)
Parent only	1.4	0.8	-0.6 (-42%)
Domestic consolidated subsidiaries	0.1	0.1	+0.0 (+10%)
Overseas consolidated subsidiaries	—	—	—
Equity in earnings of affiliates	—	—	—
Adjustment	-0.0	—	+0.0 —

* Figures reflect reclassification of reporting segments.



Actual Ordinary Income by Segment



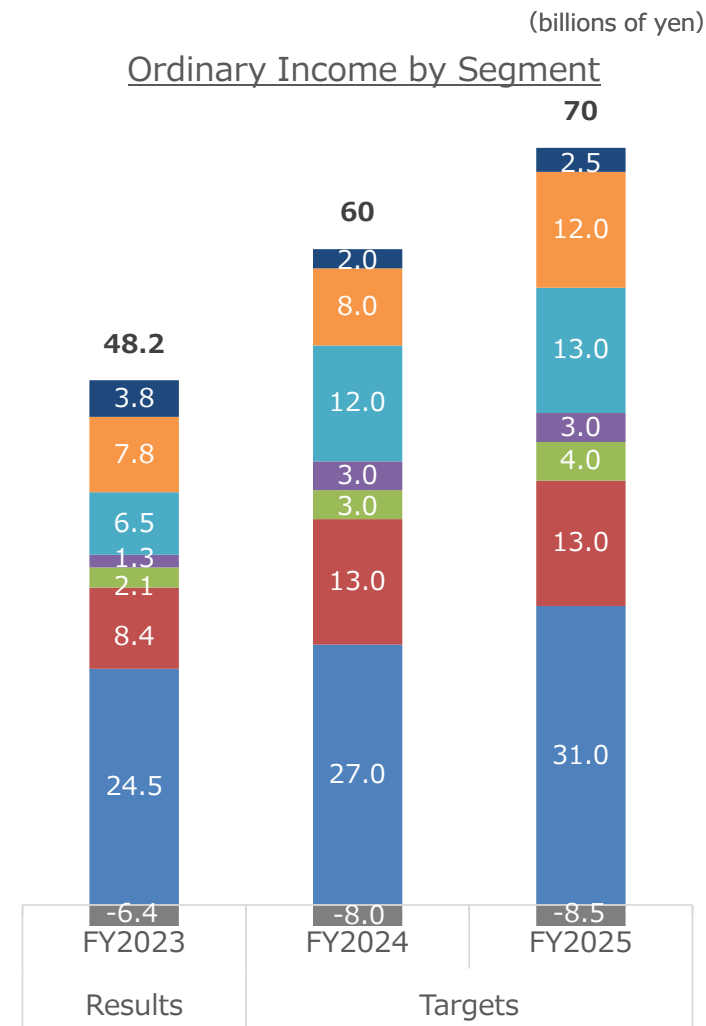
(billions of yen)

Segments	Net Sales	Accounting Ordinary Income	Valuation and Temporary Items				Actual Ordinary Income	Rate against FY2024 Forecast	
			Inventory Valuation	Derivative Valuation	Foreign Exchange Valuation	Other One-time Factors		1st Half	Full year
Steel	293.9	7.7	-0.2	–	-0.1	–	8.1	68%	30%
Primary Metal	45.8	1.1	0.0	0.0	-0.3	–	1.5	23%	12%
Metal Recycling	54.0	0.7	0.2	-0.1	0.0	–	0.7	47%	23%
Foods	29.3	0.3	0.1	–	0.0	–	0.3	30%	10%
Energy & Living Materials	93.6	1.4	0.0	0.0	0.0	–	1.3	26%	11%
Overseas Sales Subsidiaries	97.5	1.6	0.0	-0.5	0.0	0.0	2.1	53%	26%
Other	32.0	0.9	0.0	–	-0.4	–	1.3	130%	65%
Adjustment	-27.9	-1.8	–	–	-1.9	–	0.1	–	–
Total	618.4	12.3	0.2	-0.6	-2.9	0.0	15.6	58%	26%

3. Progress on Medium-Term Business Plan 2025

Progress on Targets of the Medium-Term Business Plan

	FY2023 Results	FY2024 Targets	FY2025 Targets	
Net Sales	2,431.9	2,800.0	3,200.0	
Ordinary Income by segment	Steel	24.5	27.0	31.0
	Primary Metal	8.4	13.0	13.0
	Metal Recycling	2.1	3.0	4.0
	Foods	1.3	3.0	3.0
	Energy & Living Materials	6.5	12.0	13.0
	Overseas Sales Subsidiaries	7.8	8.0	12.0
	Other	3.8	2.0	2.5
	Adjustment	-6.4	-8.0	-8.5
Total	48.2	60.0	70.0	
Consolidated steel transaction volume (Million MT)	13.48	-	17.00	
Investments	15.6	-	-	
(Cumulative total of investments)			80.0	
Return on Equity (ROE)	13.4%	12.0% or more	12.0% or more	
Net DER	82%	100% or less	100% or less	



* Figures are revised to reflect the change in the classification of reporting segments.

Run Up to HANWA 2030

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This presentation contains forward-looking statements concerning future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. Consequently, due to a range of possible factors, actual results may materially differ from the forecasts.

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