

# Outline of Financial Results for the 3<sup>rd</sup> Quarter of FY2023

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February 2024  
HANWA CO., LTD.

# Summary of Financial Results

# Summary of Financial Results for the 3<sup>rd</sup> Quarter of FY2023



- Ordinary income for the 3<sup>rd</sup> quarter of FY2023 was 42.9 billion yen, making 86% progress toward the full-year forecasts of 50 billion yen. The Full-year Forecasts remain unchanged.

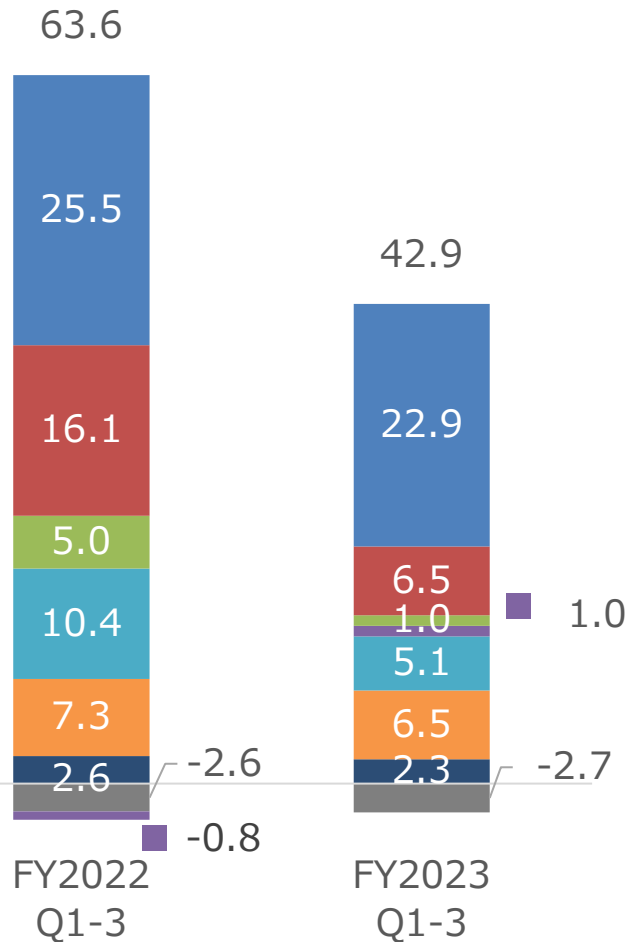
(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y change (Rate)	FY2023 Forecast	Progress
Net Sales	2,023.4	1,826.6	-196.8 (-10%)	2,700.0	68%
Ordinary Income	63.6	42.9	-20.7 (-33%)	50	86%
Net Income Attributable to Owners of the Company	44.9	30.7	-14.1 (-32%)	36	85%
Consolidated Trading volume of Steels (million tons) *1	11.09	10.23	-0.87 (-8%)	-	-
	Mar. 2023	Dec. 2023	Change	FY2023 Target	
Net DER (taking account of hybrid loan)	98% (83%)	90% (77%)	-8pt	100% or Less	

\*1: This is a simple sum of the volume of steels handled by the parent company and its all consolidated subsidiaries.

# Segment Information (Consolidated)

(billions of yen)

Income by Segment



Business Segments	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change(Rate)
Steel	25.5	22.9	-2.6 (-10%)
Primary Metal	16.1	6.5	-9.6 (-60%)
Metal Recycling	5.0	1.0	-4.0 (-79%)
Foods	-0.8	1.0	+1.9 -
Energy & Living Materials	10.4	5.1	-5.3 (-51%)
Overseas Sales Subsidiaries	7.3	6.5	-0.7 (-11%)
Others	2.6	2.3	-0.2 (-9%)
Adjustment	-2.6	-2.7	+0.0 (+4%)
<b>Total</b>	<b>63.6</b>	<b>42.9</b>	<b>-20.7</b> <b>(-33%)</b>

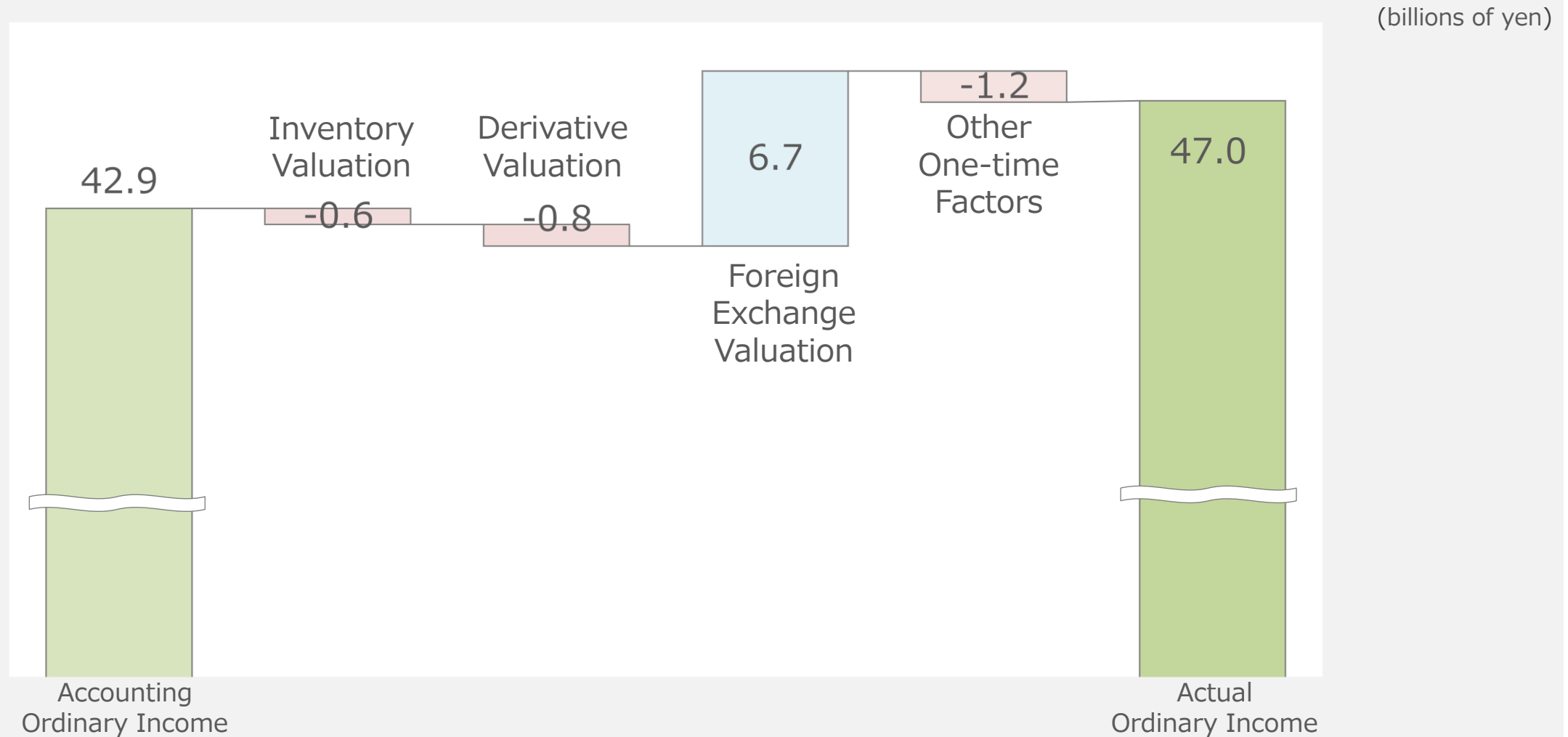
Main Factors
Margins shrunk mainly at overseas steel service center subsidiaries due to falling steel product prices.
Due to falling in dividend income from strategic investments and equity in earnings of affiliates from SAMANCOR.
Due to decreasing appraisal gain from commodity forward contracts in hedge transactions.
The increase in the cost of salmon, prawns and chicken started to be sufficiently reflected in the selling prices.
Due to the sharp decrease in petroleum product prices.
Due to sluggish demand for steel in overseas markets mainly in Indonesia and the U.S.
Wood : Product prices remained sluggish due to the rebound from the wood shock. Machinery : Several large-scale projects have been completed.

# Segment Income Progress

Business Segment	FY2023 Forecast	FY2023 Q1-3	Progress	Main Factors	(billions of yen)
Steel	29.0	22.9	79%	Despite falling market prices for steel products, income increased due to the impact of exchange rates.	
Primary Metal	5.7	6.5	114%	SAMANCOR's performance exceeded forecasts as of the beginning of the fiscal year. Transaction volume of chromium and manganese increased.	
Metal Recycling	2.7	1.0	37%	International prices of base metals remain low. The transaction volume decreased due to the weak demand, mainly for stainless steel scrap.	
Foods	1.5	1.0	67%	Crab market prices have been on a gradual recovery trend, and the increase in the cost of salmon, prawns and chicken started to be sufficiently reflected in the selling prices.	
Energy & Living Materials	6.8	5.1	75%	Transaction volume of the products such as palm kernel shells (PKS) and wood pellet increased.	
Overseas Sales Subsidiaries	9.0	6.5	72%	Although the volume of transactions declined, it has made steady progress in response to the demand.	
Others	2.2	2.3	105%	Wood and Machinery segment income has been firm.	
Adjustment	-6.9	-2.7	–		
Total	50.0	42.9	86%		

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

- The reported ordinary income was 42.9 billion yen but can be translated into about 47.0 billion yen after excluding one-time factors such as period-end valuation gains and losses.



# Financial Position (Consolidated)

(billions of yen)

	Mar. 2023	Dec. 2023	Change (Rate)	Main Factors
Total Assets	1,157.7	1,152.6	-5.0 (-0%)	Decrease in cash and deposits and inventories.
Shareholder's Equity	270.8	296.5	+25.7 (+10%)	Accumulation of retained earnings, etc.
Owner's Equity	303.1	337.7	+34.6 (+11%)	
Owner's equity ratio (taking account of hybrid loan)	26.2% (28.3%)	29.3% (31.5%)	+3.1pt	
Interest-bearing Debt	380.9	378.5	-2.4 (-1%)	Maintained the target level of the Mid-Term Management Plan.
Net Interest-bearing Debt	296.7	304.7	+7.9 (+3%)	
Net DER (taking account of hybrid loan)	98% (83%)	90% (77%)	-8pt	

# Reducing Strategic Shareholdings

We achieved our target of having strategic shareholdings represent less than 20% of net assets ahead of schedule, as of the end of December. The sale of them has progressed as planned, although the remaining balance of the strategic shareholdings has increased due to the recent increase in stock prices. We are working on further reductions of them during the Q4 period.

	Mar. 2023	Dec. 2023
Ratio of strategic shareholdings to net assets	<b>21.7%</b>	<b>19.9%</b>
Number of stocks of strategic shareholdings	<b>157</b> companies Listed 92 companies Unlisted 65 companies	<b>146</b> companies (-11 companies) Listed 81 companies Unlisted 65 companies
Balance of strategic shareholdings	<b>67.0</b> bil. yen	<b>68.1</b> bil. yen
<b>Sold &amp; scheduled to sell</b>	All shares sold	12 companies      0.47 bil. yen
	Partially sold	2 companies      0.05 bil. yen
	Approved to sell (not sold yet)	7 companies      0.45 bil. yen
	<b>Total</b>	<b>21</b> companies <b>0.97</b> bil. yen

\* Acquired the stocks of a company (0.8 billion yen) in a domestic unlisted company.

\* Consolidated subsidiaries are reducing their strategic shareholdings as well. (Sold:8 stocks/0.04 bil. yen, Approved to sell:21 stocks/1.02 bil. yen, Total:29 stocks/1.06 bil. yen)

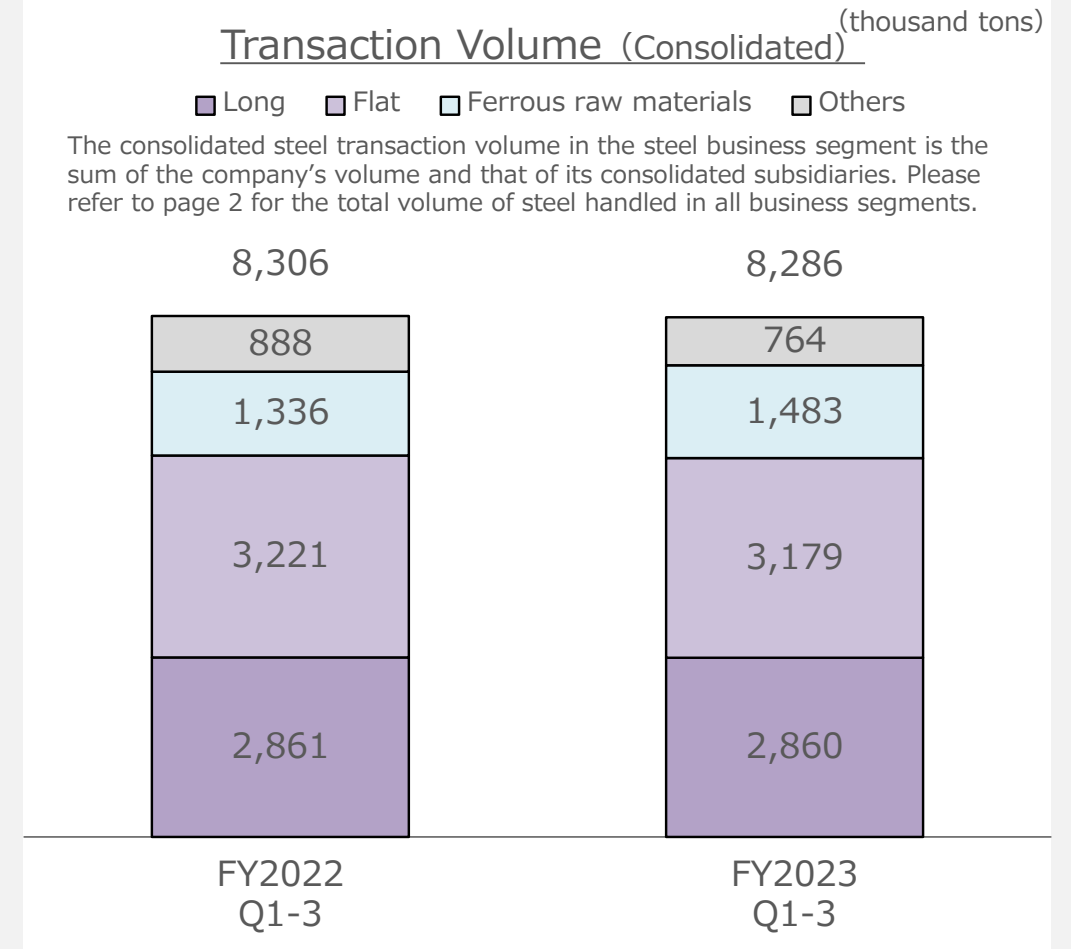


# Details by Segment

# Steel Business Segment

Segment income decreased as profit margins shrunk at some overseas steel service center subsidiaries due to declining steel product prices.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	941.4	<b>939.9</b>	-1.5 (-0%)
Ordinary income	25.5	<b>22.9</b>	-2.6 (-10%)
Parent only	20.9	<b>21.2</b>	+0.3 (+2%)
Domestic consolidated subsidiaries	3.5	<b>4.4</b>	+0.9 (+26%)
Overseas consolidated subsidiaries	2.7	<b>0.2</b>	-2.4 (-90%)
Equity in earnings of affiliates	0.2	<b>-0.3</b>	-0.5 -
Adjustment	-1.8	<b>-2.7</b>	-0.8 (+46%)

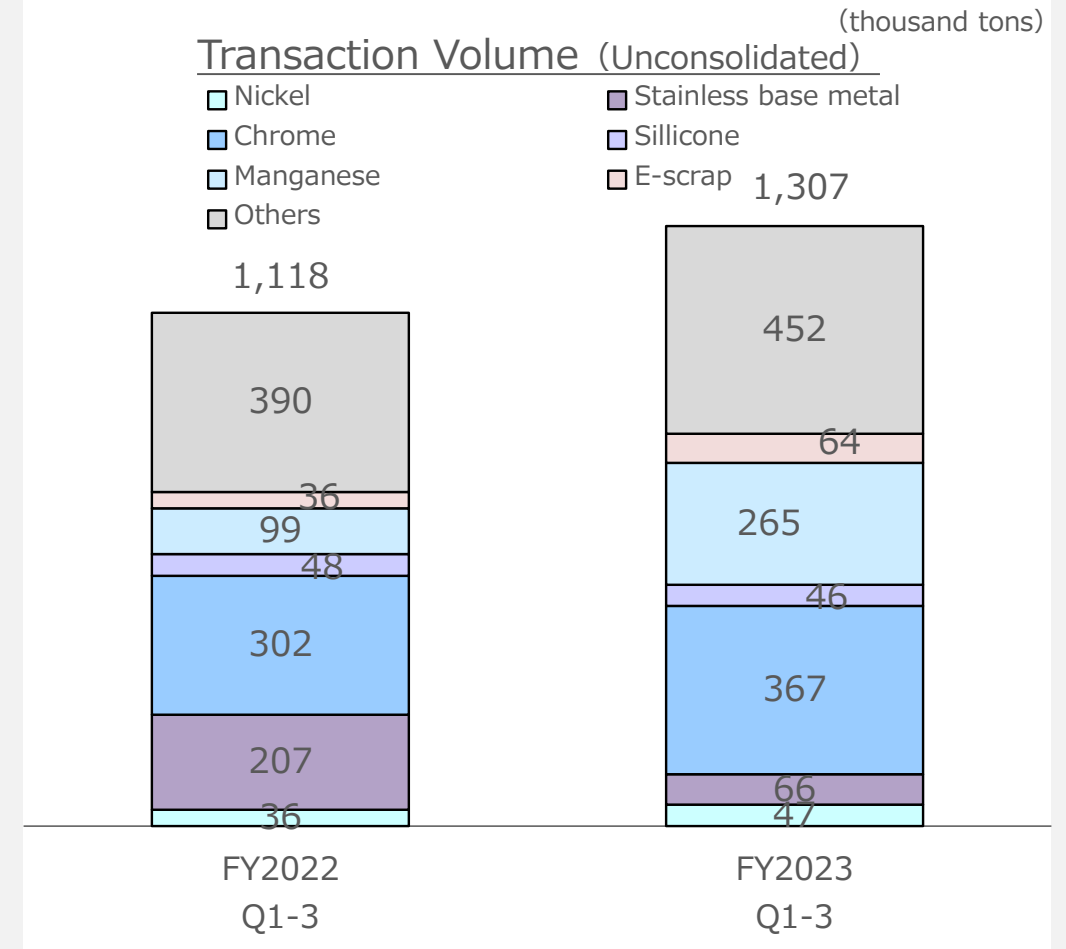


Transaction volume indicates the volume of products handled by each business segment as per the management approach.

# Primary Metal Business Segment

Segment income decreased due to falls in dividend income from strategic investments and equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	201.9	<b>159.8</b>	-42.1 (-21%)
Ordinary income	16.1	<b>6.5</b>	-9.6 (-60%)
Parent only	11.0	<b>5.0</b>	-6.0 (-55%)
Domestic consolidated subsidiaries	-0.0	<b>-0.0</b>	—
Overseas consolidated subsidiaries	—	—	—
Equity in earnings of affiliates	5.0	<b>1.4</b>	-3.5 (-71%)
Adjustment	-0.1	<b>-0.1</b>	+0.1 (-55%)

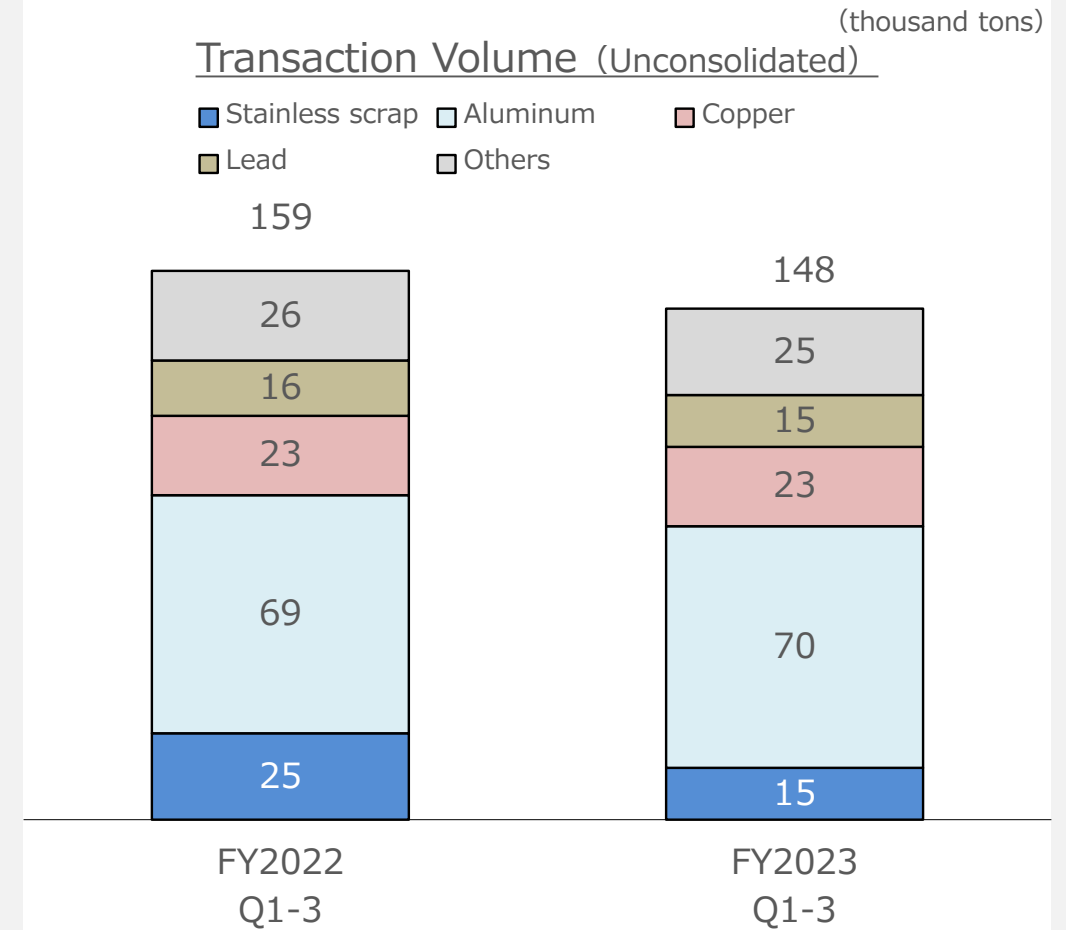


Transaction volume indicates the volume of products handled by each business segment as per the management approach.

# Metal Recycling Business Segment

International prices of base metals have declined year-on-year. The demand and transaction volume, especially for stainless scrap, has also decreased. Additionally, a decrease in appraisal gain from commodity forward contracts in hedge transactions has depressed segment income.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	113.1	<b>88.0</b>	-25.1 (-22%)
Ordinary income	5.0	<b>1.0</b>	-4.0 (-79%)
Parent only	4.0	<b>0.8</b>	-3.1 (-79%)
Domestic consolidated subsidiaries	0.6	<b>0.4</b>	-0.1 (-18%)
Overseas consolidated subsidiaries	0.3	<b>-0.1</b>	-0.5 -
Equity in earnings of affiliates	0.0	<b>0.0</b>	-0.0 (-6%)
Adjustment	-0.1	<b>-0.1</b>	-0.1 (+501%)

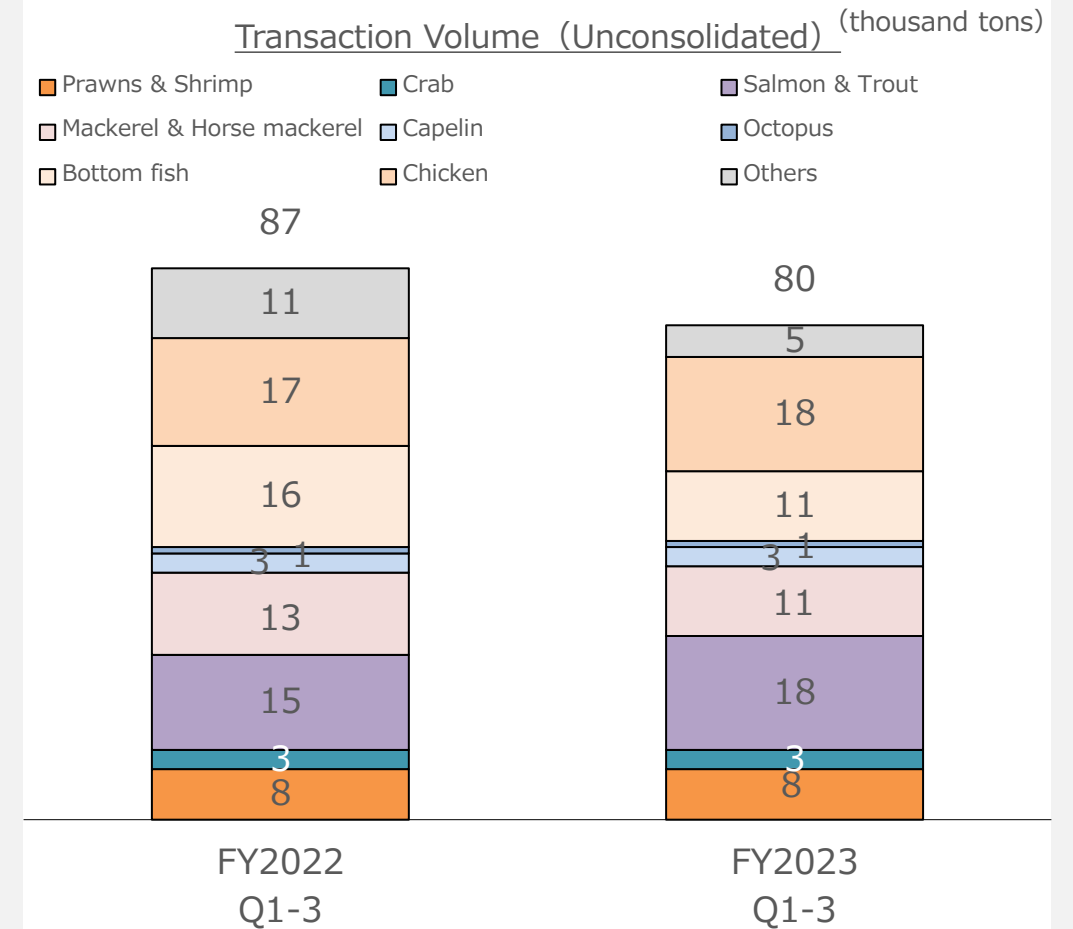


Transaction volume indicates the volume of products handled by each business segment as per the management approach.

# Foods Business Segment

Crab market prices have been on a gradual recovery trend, and the increase in the cost of salmon, prawns and chicken started to be sufficiently reflected in the selling prices.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	101.0	<b>98.1</b>	-2.8 (-3%)
Ordinary income	-0.8	<b>1.0</b>	+1.9 -
Parent only	0.3	<b>1.0</b>	+0.7 (+201%)
Domestic consolidated subsidiaries	0.5	<b>0.4</b>	-0.1 (-21%)
Overseas consolidated subsidiaries	-1.8	<b>-0.2</b>	+1.6 (-86%)
Equity in earnings of affiliates	-	-	-
Adjustment	0.1	<b>-0.1</b>	-0.2 -

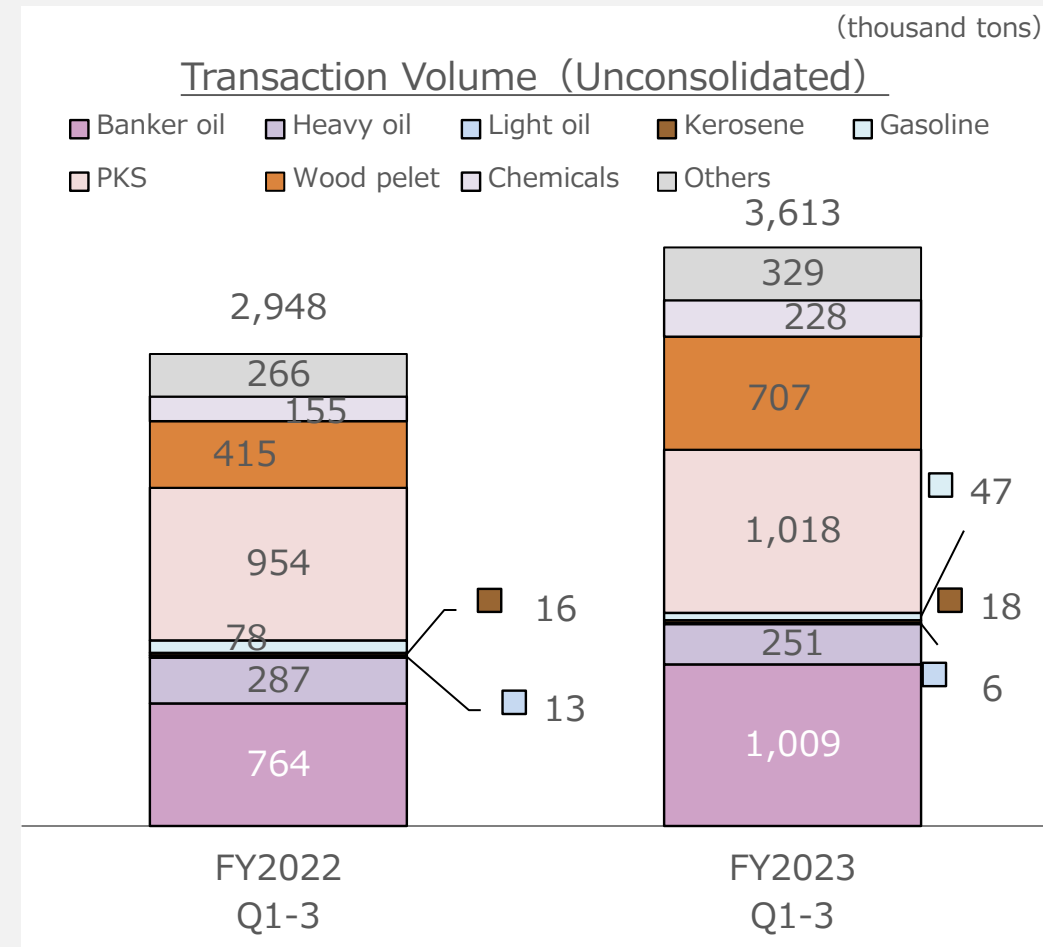


Transaction volume indicates the volume of products handled by each business segment as per the management approach.

# Energy & Living Materials Business Segment

Although the transaction volume of the products such as palm kernel shells (PKS) and wood pellets has increased, the impact of lower petroleum product prices was significant, pushing down the segment income.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	274.5	<b>247.4</b>	-27.1 (-10%)
Ordinary income	10.4	<b>5.1</b>	-5.3 (-51%)
Parent only	8.6	<b>5.7</b>	-2.8 (-33%)
Domestic consolidated subsidiaries	2.1	<b>0.1</b>	-2.0 (-93%)
Overseas consolidated subsidiaries	—	—	—
Equity in earnings of affiliates	0.1	<b>0.1</b>	-0.0 (-3%)
Adjustment	-0.4	<b>-0.9</b>	-0.4 (+98%)

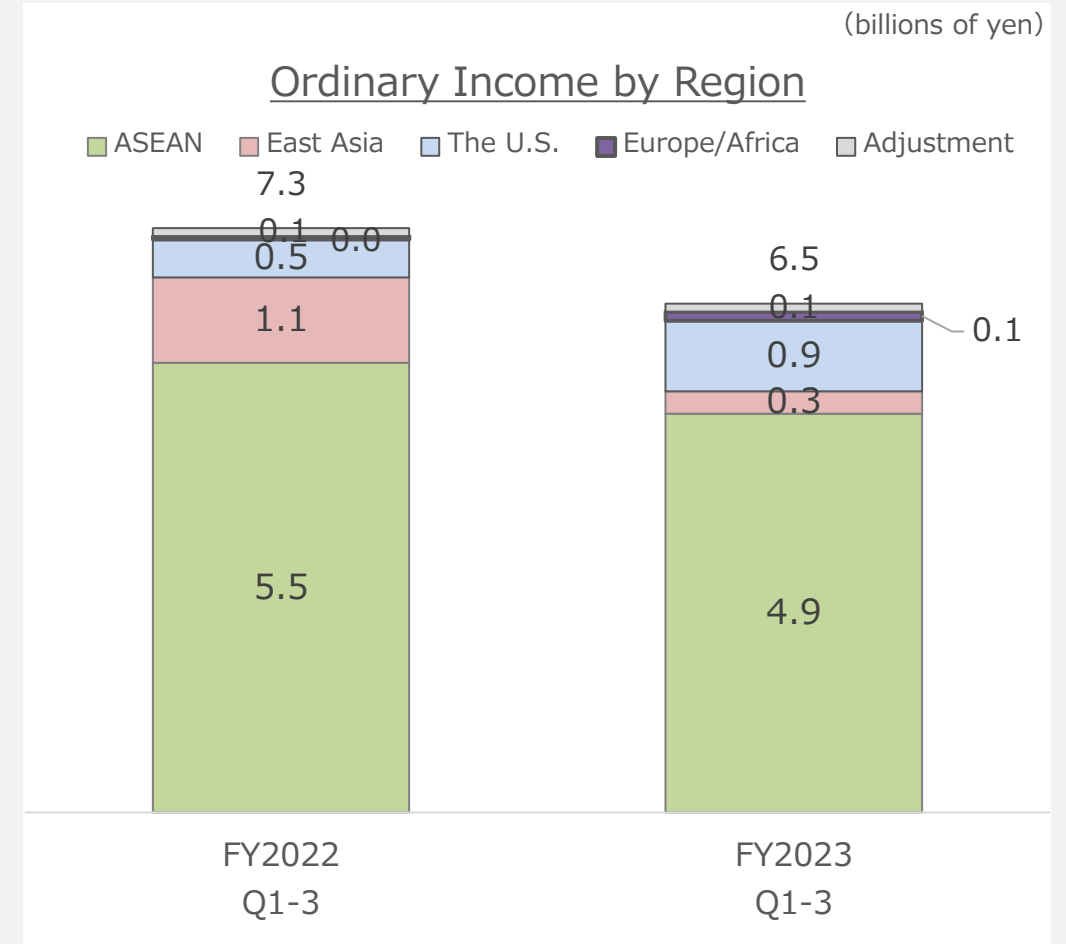


Transaction volume indicates the volume of products handled by each business segment as per the management approach.

# Overseas Sales Subsidiaries Segment

Transaction volumes of sales subsidiaries, mainly in Indonesia and the U.S. decreased due to sluggish demand for steels in overseas markets. In addition, the decreases in market prices of steel products and non-ferrous metal products put pressure on the profit margins of the overseas sales subsidiaries as a whole.

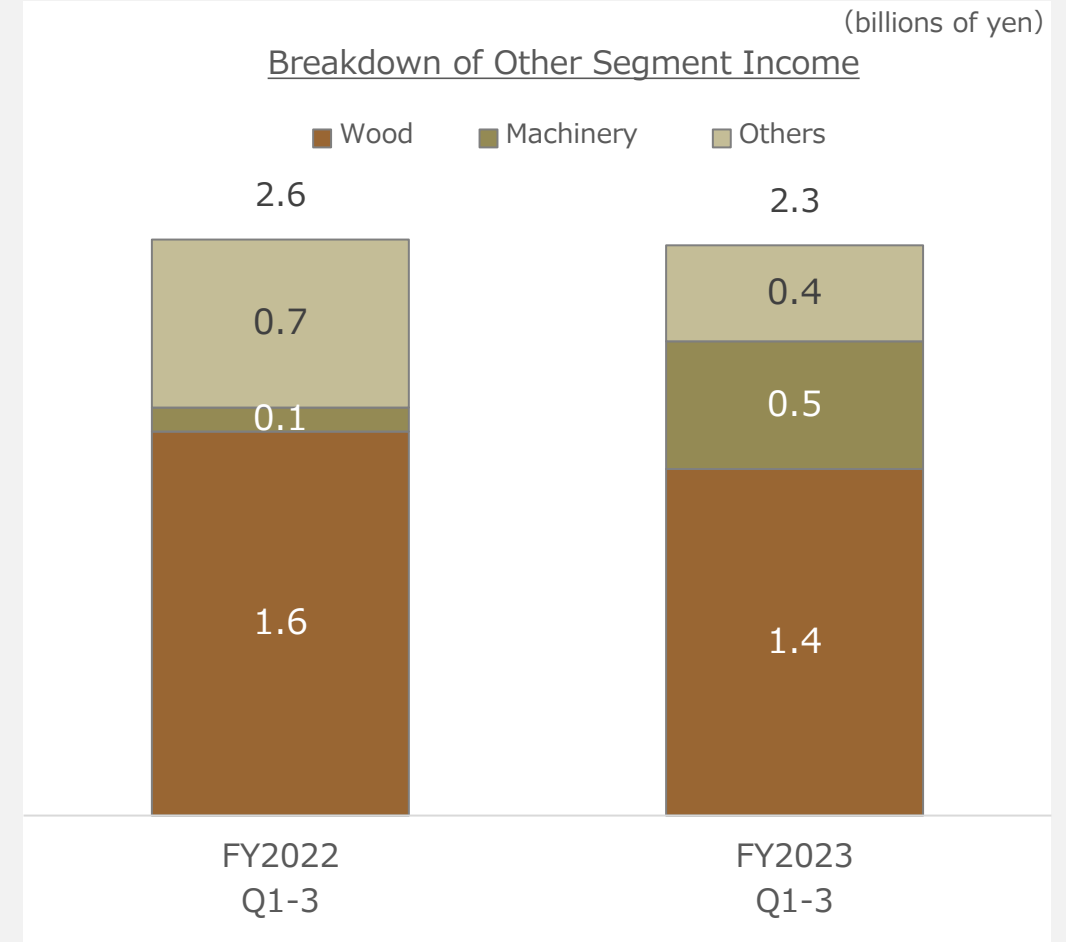
(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	352.9	<b>258.8</b>	-94.0 (-27%)
Ordinary income	7.3	<b>6.5</b>	-0.7 (-11%)
Overseas consolidated subsidiaries	6.4	<b>5.9</b>	-0.5 (-8%)
Equity in earnings of affiliates	0.8	<b>0.6</b>	-0.2 (-30%)
Adjustment	0.1	<b>0.1</b>	+0.1 (+11%)



# Other Segments

Wood : Product prices remain sluggish due to the rebound from the wood shock.  
 Machinery : Several large-scale projects have been completed.

(billions of yen)	FY2022 Q1-3	FY2023 Q1-3	Y on Y Change (Y on Y Rate)
Net Sales	113.9	<b>90.6</b>	-23.3 (-21%)
Ordinary income	2.6	<b>2.3</b>	-0.2 (-9%)
Parent only	2.0	<b>2.0</b>	-0.0 (-2%)
Domestic consolidated subsidiaries	0.5	<b>0.3</b>	-0.1 (-33%)
Overseas consolidated subsidiaries	—	—	—
Equity in earnings of affiliates	—	—	—
Adjustment	0.1	<b>0.0</b>	-0.1 —





# Actual Ordinary Income by Segment

(billions of yen)

Segments	Net Sales	Accounting Ordinary Income	Valuation and Temporary Items				Actual Ordinary Income
			Inventory Valuation	Derivative Valuation	Foreign Exchange Valuation	Other One-time Factors	
Steel	939.9	22.9	0.0	—	1.6	0.4	20.8
Primary Metal	159.8	6.5	0.0	-0.0	-0.7	—	7.2
Metal Recycling	88.0	1.0	-0.3	0.2	0.0	—	1.1
Foods	98.1	1.0	0.4	—	0.1	—	0.5
Energy & Living Materials	247.4	5.1	0.0	0.4	-0.0	—	4.5
Overseas Sales Subsidiaries	258.8	6.5	0.2	0.1	-0.1	0.7	5.6
Others	90.6	2.3	0.1	—	-0.1	—	2.4
Adjustment	-56.3	-2.7	—	—	-7.5	—	4.7
<b>Total</b>	<b>1,826.6</b>	<b>42.9</b>	<b>0.6</b>	<b>0.8</b>	<b>-6.7</b>	<b>1.1</b>	<b>47.0</b>



# HANWA CO., LTD.

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.