

Date: July 1, 2022

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## **Notification regarding decrease in consolidated total assets**

Due to the decline in commodity futures prices on the London Metal Exchange (LME), the assets and liabilities of Hanwa Co., Ltd. (“the Company”) shrank on June 30, 2022. As a consequence, the Company’s consolidated total assets decreased. An overview of this decrease is as follows:

1. Date of Occurrence  
June 30, 2022

2. Reason for Occurrence

The Company is carrying out hedge transactions involving commodities, a portion of which involve valuation gains or losses attributable to counter parties. The fair value of the balance of these valuation gains or losses is calculated at the end of each fiscal quarter, using the prices stated by exchange members in the quarterly accounts. The amounts of these valuation gains or losses are appropriated as assets and liabilities.

As disclosed on April 4, 2022, The Russian military invasion of Ukraine has caused a rise in futures prices on the LME, causing the Company to incur a valuation loss on said hedge transactions. Both assets and liabilities related to said valuation loss increased, resulting in an increase in consolidated total assets of ¥183.6 billion as of the end of FY2021 (March 31, 2022).

However, due to the recent decline in commodity futures prices, both assets and liabilities at the end of the first quarter of FY2022 (June 30, 2022) were approximately 70.9 billion yen and consolidated total assets decreased by approximately 112.7 billion yen compared to the end of FY2021 (March 31, 2022).

3. Future forecast

The triggered valuation losses are attributable to counter parties. The impact of these circumstances is limited to the appropriation of assets and liabilities related to the valuation loss in the same amount as the valuation loss. At this point the Company considers the impact on its earnings to be negligible.

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