

# Medium-Term Business Plan 2025

“Run up to HANWA 2030 ~Soar into the next stage challenging the status quo~”

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HANWA Co., LTD.

May, 2023

## Review of Medium-Term Business Plan 2022 (The 9th Plan)

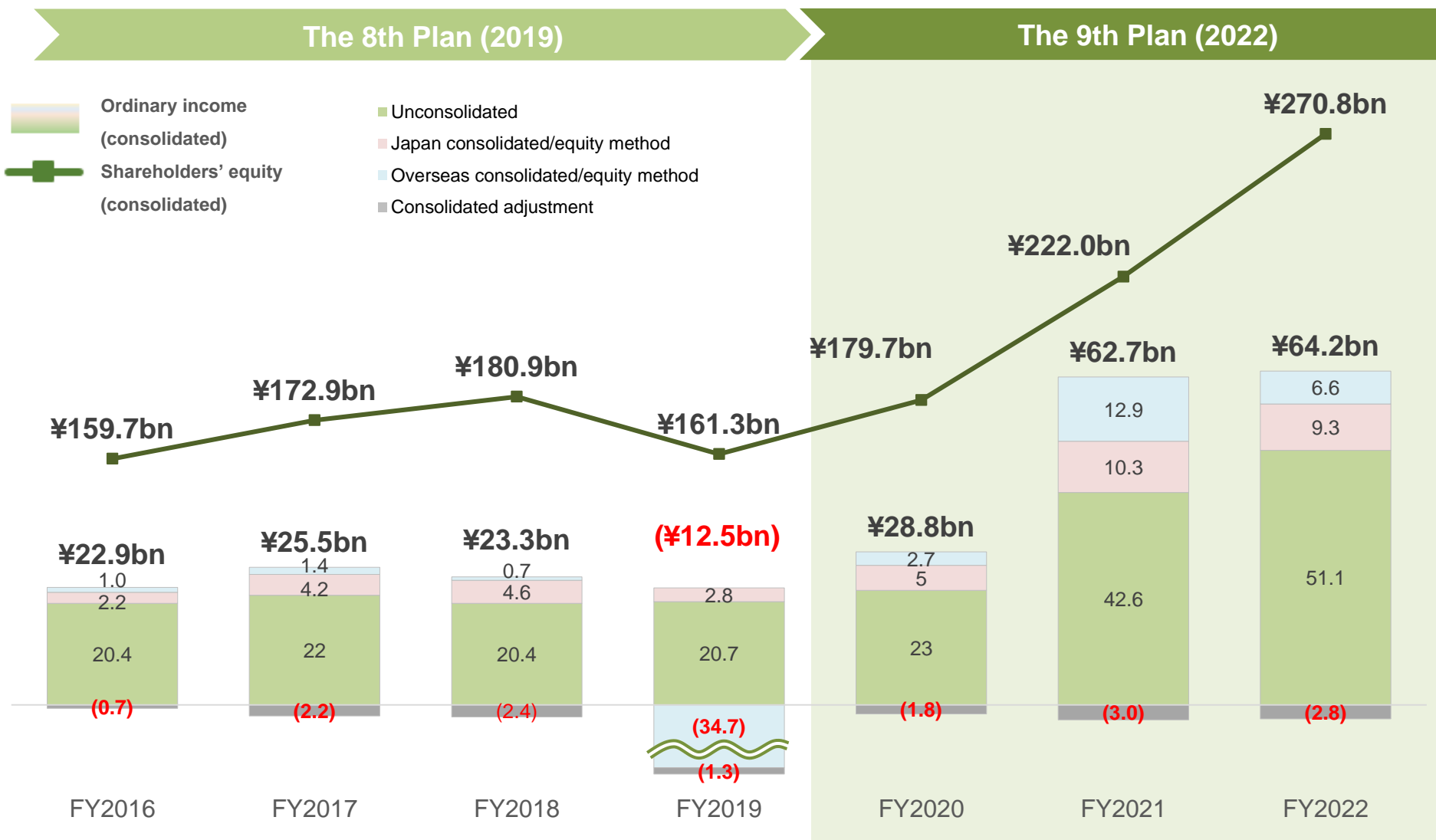
- Reflection and Future Challenges

## Medium-Term Business Plan 2025 (The 10th Plan)

- Basic Policy
- Enhancement of Management Foundation
- Development of Business Strategy
- Summary of Quantitative Targets

# Reflection and Future Challenges

# Trends of Business Performance



- Ordinary income (consolidated) amounted to ¥64.2bn, the highest since the Company was founded. With remarkable growth in profit by the consolidated companies, etc., profit expansion in Asia and profit from strategic investments particularly contributed to these results.
- Shareholders' equity (consolidated) rose to ¥270.8bn due to steady aggregation of profit over the years of the 9th Plan.

# Achievement Status of Quantity Targets

	Quantitative targets		Achievement	FY2022 Result	Outcomes/Details
FY2022 <b><u>Net sales</u></b>	Before application of revenue recognition standard	<b>¥2,100.0 bn</b>	Achieved	<b>¥3,100.6 bn</b>	As well as growing transaction volumes in Japan and overseas, commodity prices, including steel, non-ferrous metals, and crude oil, trended at high levels due to high resources prices
	After application of revenue recognition standard	–		<b>¥2,668.2 bn</b>	
FY2022 <b><u>Ordinary income</u></b>		<b>¥30.0 bn</b>	Achieved	<b>¥64.2 bn</b>	Expansion of sales networks in Asia (mainly ASEAN) and generation of profit from investments contributed to rise in income
FY2020-2022 <b><u>Cumulative investment capacity</u></b>		Cumulative total: <b>¥50.0 bn</b>	Exceeded	Cumulative total: <b>¥62.8 bn</b>	Promoted growth investments in Japan and overseas and introduced new ERP system within consolidated core operating CF
As of end of FY2022 <b><u>Shareholders' equity</u></b>		<b>¥200.0 bn</b>	Achieved	<b>¥270.8 bn</b>	Increased due to steady build-up of retained earnings from net income attributable to owners of the parent
<b><u>Net DER</u></b>		Approx. <b>130%</b>	Achieved	<b>98% (83%*)</b>	Fell due to steady build-up of retained earnings and contraction of interest-bearing liabilities *Net DER after taking account of Hybrid loan
<b><u>HR devt/training budget</u></b>		<b>3x</b> compared with prior years	Achieved	Approx. <b>3x</b> (compared with FY2019)	Established corporate university program with VR environment (Hanwa Business School), began sending employees to MBA programs in Japan, resumed language study abroad program
Global <b><u>Steel transaction volume</u></b>		<b>15 million</b> tons/year	Unachieved	<b>14.59 million</b> tons/year	Although short of the target, transaction volumes increased due to expansion of local production/local consumption business overseas, particularly in Asia (mainly ASEAN)
Global <b><u>New customers</u></b>		Cumulative: <b>5,000</b> companies	Achieved	Cumulative: <b>6,430</b> companies	Expanded transaction base by expanding sales networks, particularly in Asia (mainly ASEAN) and promoting SOKOKA strategy in Japan.

# Evaluation of the 9th Plan

## Future Challenges and Action Policies

Evaluation of the 9th Plan	Challenges and action policies for the 10th Plan
<ul style="list-style-type: none"> <li>❑ With “SOKOKA (Just-in-Time delivery, small lot, processing)” strategy in Japan and “Create another Hanwa in Southeast Asia” strategy overseas as starting points, revenue of the Group companies in both Japan and overseas increased significantly.</li> <li>❑ Generated profit from strategic investments, such as in Samancor and Tsingshan Holding Group. Equity and dividend income contributed in addition to business revenue.</li> <li>❑ Developed the foundation for generation of future digital x business model transformation through digitalization of data processing, such as introduction of new ERP system and obtaining DX certification.</li> </ul>	<ul style="list-style-type: none"> <li>❑ Promote transition to business strategy that will optimize the entire supply chain beyond the boundaries of trading.</li> <li>❑ Strengthen company-wide risk management structure to accommodate diversifying business models and support stable growth of individual businesses.</li> <li>❑ Allocate profit and cashflow to “shareholder returns,” “strengthening of financial foundations,” and “growth investments” in a well-balanced manner and pursue sustainable growth of corporate value.</li> </ul>

# Basic Policy

# Recognition of Business Environment

## Recognition of business environment surrounding the Company business

### Change in supply-demand environment of the steel industry

- ❑ Declining domestic demand for steel materials and greater influence of China's steel industry in the global market
- ❑ Possibility of structural changes in steel logistics market, including the "2024 problem" (overtime restrictions on truck drivers due to come into force in Japan in 2024)
- ❑ Expansion of production bases and capacity overseas, efficiency improvements in production systems in Japan

### Progress in application of clean energy

- ❑ Rising international demand for initiatives toward carbon-free society
- ❑ Expanded use of cold iron sources, such as iron scrap and reduced iron, to contribute to reduction of CO<sub>2</sub> emissions
- ❑ Increase in demand for renewable energy and biomass fuels

### Intensifying competition over metal resources and in the non-ferrous metal market

- ❑ Rise of resource nationalism against a backdrop of soaring resource prices
- ❑ Development of battery recycling market, such as lithium-ion batteries (LiB) for electric vehicles (EVs)
- ❑ Increasing demand for E-scrap and intensifying competition for collecting E-scrap

### Change in global marine product market

- ❑ Decline in demand for fish consumption in Japanese market
- ❑ Tightening of supply due to stricter restrictions outside Japan
- ❑ Growing environmental and health needs (aquaculture business / alternative proteins / nutrient fortification)

### Rising geopolitical risks

- ❑ Turmoil in supply chains, including energy, raw materials, industrial parts, and finished products, and soaring resources prices against backdrop of Russia-Ukraine conflict
- ❑ Intensifying competition among superpowers, including United States and China, and re-arrangement of supply chains with awareness of geopolitical risks

### Expansion of social requirements, including governance and ESG

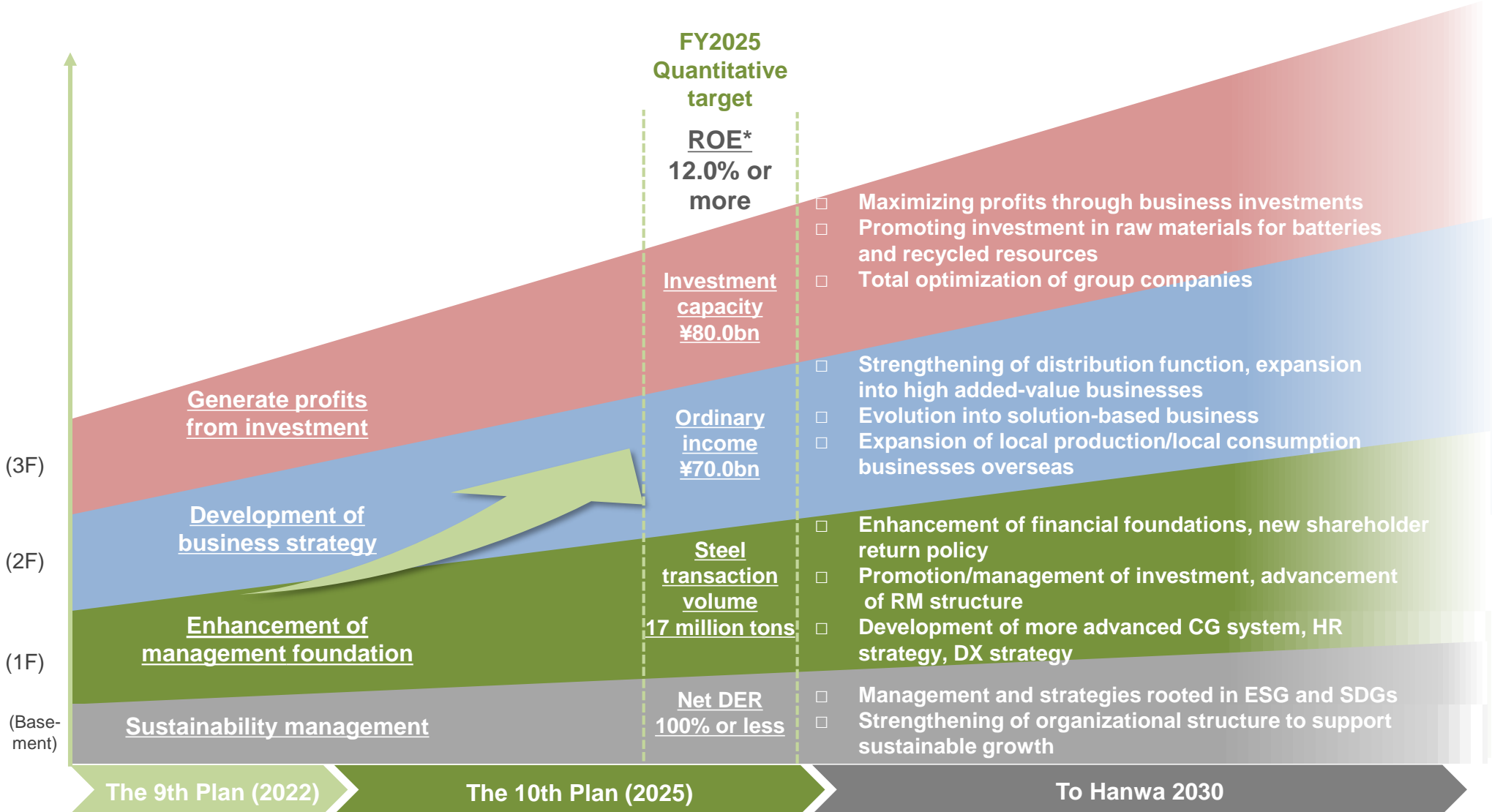
- ❑ Intensifying demand for environmental protection, etc.
- ❑ Rising demands for improvement of governance structures

### Changes in business in the "after COVID-19" era

- ❑ Impact of changes in consumption and demand structure
- ❑ Increasingly diverse means of communicating with customers and suppliers, etc.



## “Run up to HANWA 2030”



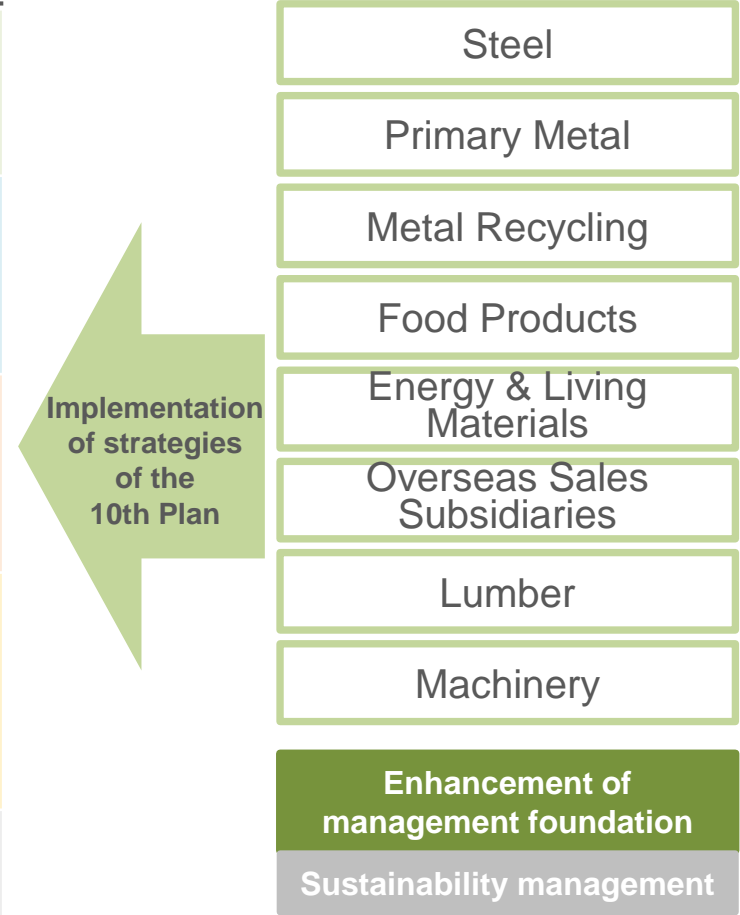
\*ROE = Profit attributable to owners of the parent / Average shareholders' equity at term beginning/end

# Sustainability Management (ESG/SDGs)

Work on material issues of the Company through implementation of individual strategies

## The Company's material issues and its viewpoints

<b>Formation of a recycling-oriented society</b>	<ul style="list-style-type: none"> <li>❑ Effective use of limited resources</li> <li>❑ Building supply chains that are considerate of the environment and human rights</li> </ul>
<b>Realization of carbon neutrality</b>	<ul style="list-style-type: none"> <li>❑ Distribution of materials that contribute to decarbonization</li> <li>❑ Reduction of the Company's GHG emissions</li> </ul>
<b>Building strong and flexible social infrastructure</b>	<ul style="list-style-type: none"> <li>❑ Distribution of materials required for social infrastructure</li> <li>❑ Demolition and updating of aging buildings and infrastructure</li> </ul>
<b>Security and development of diversified human resources</b>	<ul style="list-style-type: none"> <li>❑ Creating environments where increasingly diverse people can work sustainably</li> <li>❑ Creating environments that will allow increasingly diverse people to grow</li> </ul>
<b>Advancement of risk management system</b>	<ul style="list-style-type: none"> <li>❑ Risk management of business investment/business continuation</li> <li>❑ Corporate governance system</li> </ul>

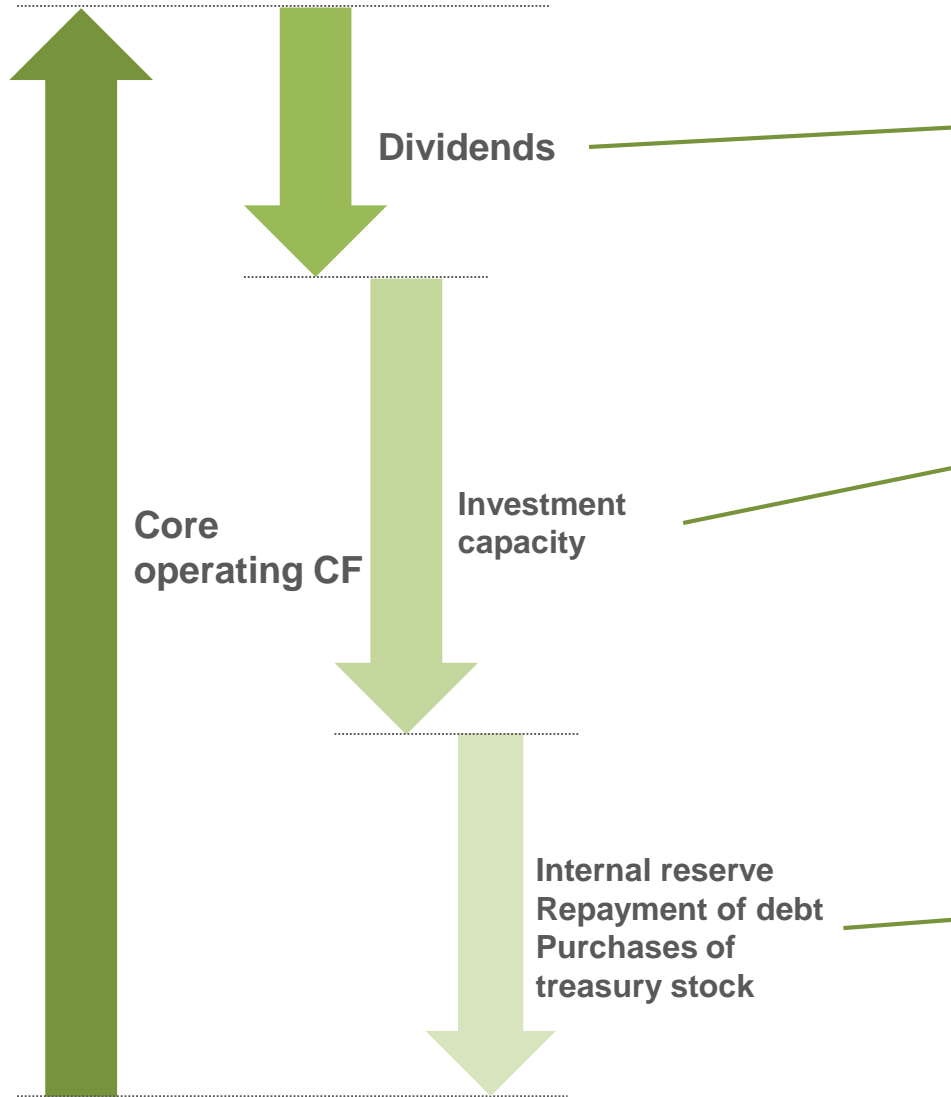


**Improve corporate value over the medium to long term**

# Enhancement of Management Foundation

# Enhancement of Financial Foundations

Be conscious of balance between “offense” and “defense” toward sustainable growth, enhance shareholder returns



- (1) Implement foreseeable and stable dividends that are less likely to be affected by performance in a single fiscal year

**Dividend on equity ratio (DOE)\*: Minimum 2.5%**

\* Dividend on equity ratio (DOE) = Total dividends / Term-beginning shareholders' equity

- (2) Conduct growth investments within consolidated core operating CF (after dividends) to maintain and improve financial discipline

**Investment capacity = ¥80.0 bn**

\*Consolidated core operating CF = Consolidated CF from operating activities – Changes in working capital

- (3) Remaining conscious of capital cost and financial discipline, conduct thorough management of profitability and efficiency of business assets  
Acquire treasury stock in a timely and flexible manner

**ROE\* 12.0% or more (ROE>Cost of equity)**

**Net DER 100% or less**

\*ROE = Profit attributable to owners of the parent / Average shareholders' equity at term beginning/end

# Shareholder Return Policy

With the aim of stable and progressive shareholder returns, the shareholder return policy will be reviewed as follows:

The first priority is to continue stable dividends

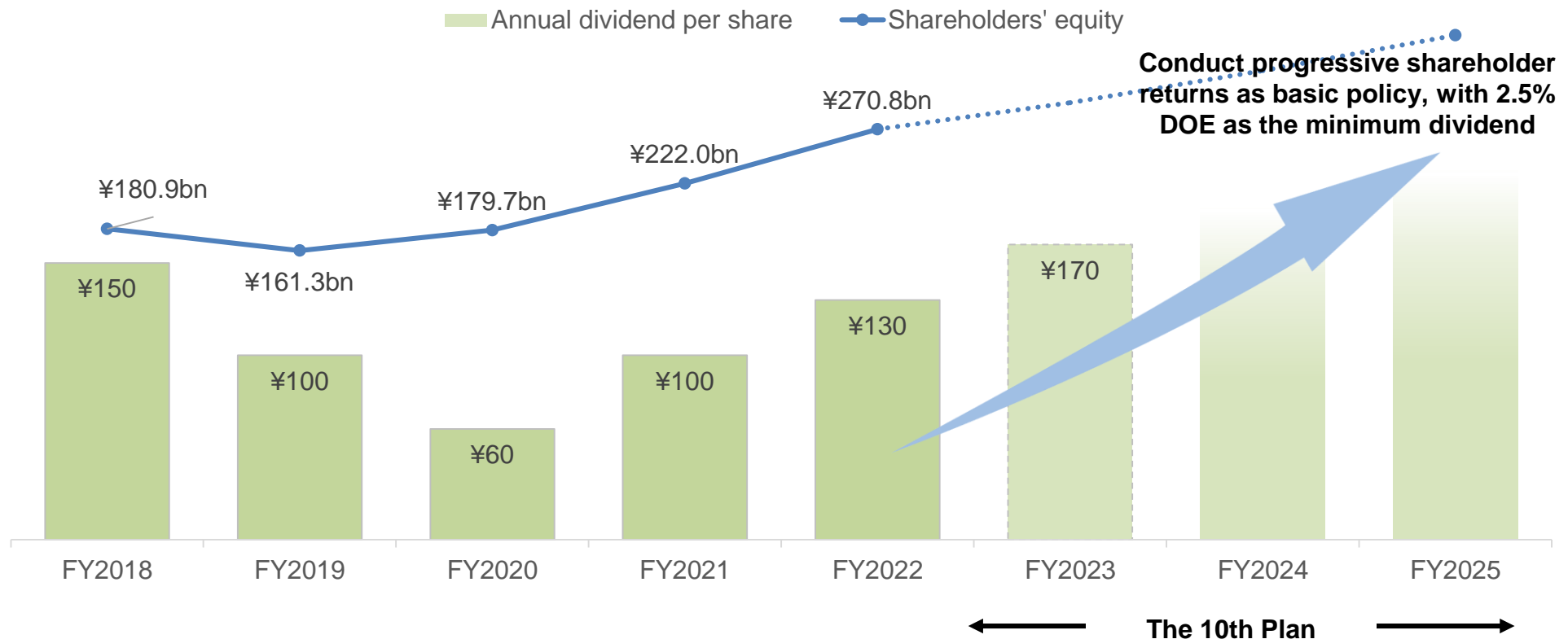
■ New shareholder return policy

Strive for sustainable growth of corporate value with aim to increase dividends over the medium to long term

During the Plan period, in addition to conducting dividends with **dividend on equity ratio (DOE) of 2.5% of beginning consolidated shareholders' equity as the minimum dividend level**, give flexible consideration to **additional shareholder returns through the acquisition of treasury stock, etc.**

■ FY2023 (Forecast)

Annual dividend per share is expected to be **¥170 (DOE of 2.55%)**



# Selection/Promotion/Management of Investments

Selective investments for sustainable growth and pursuit of more advance operation/monitoring



## Management of investment capacity

- ❑ Establish and manage company-wide investment and lending capacity
- ❑ Consider introduction of investment capacities for ESG/SDGs and next-generation businesses to solve material issues of the Company

## Development of investment/withdrawal criteria

- ❑ Review investment/withdrawal criteria, including hurdle rate

## Development of more advanced screening processes

- ❑ Re-develop screening/approval processes
- ❑ Strengthen risk management through cross-departmental involvement of corporate divisions
- ❑ Reconsider the role of an investment examination committee

## Value up

- ❑ Formulate and implement value-up plans for achievement of business plans when implementing investments

## Monitoring

- ❑ Regularly grasp and assess state of management based on quantitative indicators
- ❑ Measures regarding unprofitable businesses (withdrawal hurdle line crossed)
  - Withdrawal or consolidation/elimination
  - Management reforms/business restructure

# Advancement of Risk Management Structure

**Risk management that promotes and support dramatic business growth through proactive investment and business expansion**

To respond to the increasing size and complexity of risks as business domains expand and deepen, pursue an even more advanced risk management structure that supports appropriate action in response to risk (avoid, transfer, mitigate, accept, etc.) to boost business growth

	Category	Issue	Specific measures
1.	Strengthening of company-wide risk management	Balance and optimize individual management to suit types of risk and comprehensive risk management	<ul style="list-style-type: none"> <li>❑ Reinforce risk management division and aim for minimization of risk and maximization of effect by working together with sales divisions, etc.</li> </ul>
2.	Redefining of material risks	Reexamine coverage of risk areas (e.g. country risk, market risk) and review their materiality	<ul style="list-style-type: none"> <li>❑ Identify risks inherent in individual businesses</li> <li>❑ Analyze and manage degree of impact of individual risks on whole-company financial statements</li> </ul>
3.	Pursuit of more advanced screening and approval processes	Optimize processes at each stage from proposal through screening, approval, and execution	<ul style="list-style-type: none"> <li>❑ Rebuild flow of screening process</li> <li>❑ Develop more advanced criteria for investment, etc. and withdrawal criteria</li> </ul>
4.	Pursuit of more advanced exposure management	Develop more advanced management of consolidated exposure and assumed risk	<ul style="list-style-type: none"> <li>❑ Measure consolidated exposure</li> <li>❑ Quantify maximum risks in finer detail</li> </ul>

# Pursuing Optimal Corporate Governance Structure

Press further ahead with responses to challenges raised in the 9th Plan and build a structure for corporate governance that is transparent and fair toward shareholders and stakeholders and that will form the foundation of sustained growth

Category	Challenge & Response
1. Reconsideration of the role of the Board of Directors	Redefining of the role and responsibility of the Board of Directors
	Strengthening of the oversight function of the Board of Directors
2. Review of the organizational structure	Review and consideration of the number of directors
	Consideration of setting terms of office for executives
3. Review of the officer evaluation system and officer appointment/dismissal criteria	Clarification and diversification of evaluation criteria
	Consistency between evaluation and appointment/dismissal criteria
4. Review of the executive compensation structure	Reconsideration of the fixed amount periodical compensation/performance-based compensation structure
	Consideration of a stock-based compensation system

## Status of specific measures

### Construction of an optimal governance structure

Pursue the construction of the optimal governance structure, including consideration of a transition to a company with audit and supervisory committee  
Review the members and operational structure of the Management Committee and rebuild it into a body that allows more free and open debate, for launch this fiscal year

### Reviewing the number of directors

From FY2022, revise number of directors so that outside directors will account for at least one-third of the total number

### Applying revised officer evaluation system from FY2023

### Plans to introduce new executive compensation structure

To enable further strengthening of the incentive function for the executive management team, review the compensation structure, decide on the introduction of a restricted stock-based compensation system, with plans to introduce it at an early stage during the Plan period

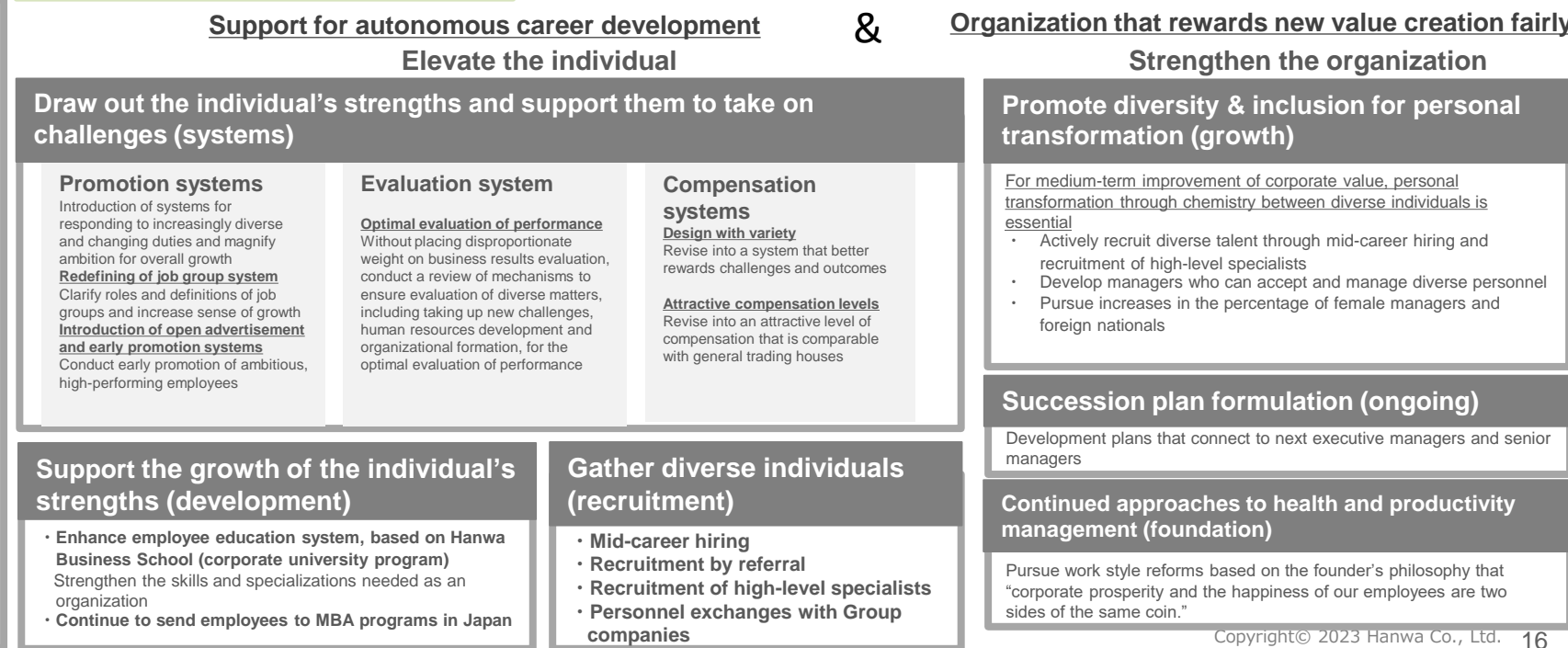


# Human Resources Strategy

HR organization that will continue to adapt to changes in the environment



Common measures



# DX Strategy

Offer higher added value than ever by merging Hanwa’s commercial sensibilities with digital technologies (specialization & standardization)



\*) Awarded on March 1, 2022 by Ministry of Economy, Trade and Industry

- Future specific measures:
- Foster a transformation mindset through rejection of the status quo (culture transformation)
  - Encourage the generation of DX ideas by sharing information about actual DX examples with employees
  - Consider proactive introduction of new technologies and services
  - Active support of education in IT skills and IT literacy
  - Continued initiatives for improvement of operations and efficiency
  - Invest in IT personnel and software
  - Actively use in data analysis and sales activities

# Development of Business Strategy

# Business Strategy

For users, with users

## Segment

## Vision

## Focus businesses

Steel

By focusing on actual products and solving user's issues,  
Contribute to sustained development of all industries

- ✓ Japan: Develop from goods business/SOKOKA business
- ✓ Overseas: Develop local production/local consumption supply chains

Primary Metal

Secure sources of unevenly distributed metal resources around the world to  
Contribute to the sustained development of industrial foundations

- ✓ Enhance sources of metal resources for steel
- ✓ Roll out secondary battery materials business
- ✓ Secure and supply precious metal resources in a stable manner

Metal Recycling

Pursue recycling transformation to  
Realize a carbon-neutral society

- ✓ Delve even deeper into the recycling business (collecting, sorting, processing) for each type of metal
- ✓ Secure generation sources and build a closed loop

Food Products

Build vertically integrated businesses to  
Contribute to safe and secure food distribution

- ✓ Further deepen trading
- ✓ Enhance processing functions and enhance businesses targeting retail and restaurants

Energy & Living Materials

Build environmentally responsible energy supply systems to  
Realize a sustainable society

- ✓ Secure resources related to biomass/recycled energy
- ✓ Develop and supply recycling-derived, bio-derived polyethylene products

Overseas Sales Subsidiaries

Through overseas business expansion with a focus on the Asian region,  
Contribute to the development of regional communities

- ✓ Sell raw materials and semi-finished products to local steelmakers
- ✓ Source local products and sell to users
- ✓ Further develop businesses other than steel

Lumber

By consistently delivering all manner of housing materials, from raw materials up,  
Contribute to the realization of sustainable living

- ✓ Supply materials to housing manufacturers
- ✓ Supply lumber parts to general construction companies

Machinery

Offer technological innovation to industrial society and fun to people to  
Contribute to the realization of a rich and warm society

- ✓ Strengthen maintenance structure
- ✓ Produce amusement machinery and equipment
- ✓ Develop new facilities

# Steel Business Segment

## Grand design of domestic business for actual steel products

Contribute to users' total cost reductions through Hanwa's unique supply chain

Supply commodities in the form that the user wants, to contribute to the improvement of the user's own business results

### Basic strategy for domestic steel business

#### Base

Independent steel trading company

Make optimal procurement proposals from users' perspective

Wholesale business with abundant inventories

Logistics efficiency improvements  
(Transport, storage, cargo handling)

#### Phase 1 "SOKOKA" \*

Differentiate through strengthening of distribution functions

By adding some extra value to materials, aim for differentiation in materials sales and strengthening of competitiveness

\*SOKOKA Just-in-Time delivery, small lot, processing

SOKOKA business

(From distribution processing to sales of processed products)

- **SOKOKA** (strengthening of distribution functions)  
Differentiation by strengthening Just-in-Time delivery, small lot, processing (distribution processing) capabilities
  - Initial processing, e.g. cutting (distribution processing)
  - Supply network (including Group companies)

#### Phase 2 Components building & trading company

Convert to high value added business

By further raising the degree of processing, aim to convert from materials wholesale into a business selling high value-added processed products

High added-value processed products businesses

New product development: Products that don't yet exist  
Support for the hard-to-procure: Products that are rare or unusual  
Optimization of QCD: Better products

- **Components building & trading company** (sale of high valued-added processed products)  
Provision of one-stop supply service by rebuilding of supply chain
  - Extensive network of suppliers
  - Highly specialized manufacturing personnel

#### Phase 3 Solution providing company

Provide new value that transcends the procurement domain

In addition to materials and processing, aim to strengthen comprehensive solutions capabilities through alliances, etc. with design offices and building firms, etc.

Steel structure marketing business  
(subcontracting of steel framing work)

Thermal-insulation construction business  
(subcontracting of thermal insulation work)

- **Solution providing company** (provision of comprehensive value)  
Meet user needs and expand business domain into non-trading areas
  - Integrated management of manufacturing/design/installation/robotics

# Primary Metals Business Segment

For stable supply to steelmakers and non-ferrous metal manufacturers, etc.

Secure resources through capital investment x Inventory/immediate delivery function in key demand areas

Key points of investment in mines

<b>Reserves</b>	<b>Competitiveness</b>	<b>Geopolitical risk</b>	<b>Green metals</b>
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**AFARAK GROUP PLC**  
 Finland  
 Chrome ore mining/ferrochrome production  
 LC ferrochrome annual production: 26,000 tons (2022 results)

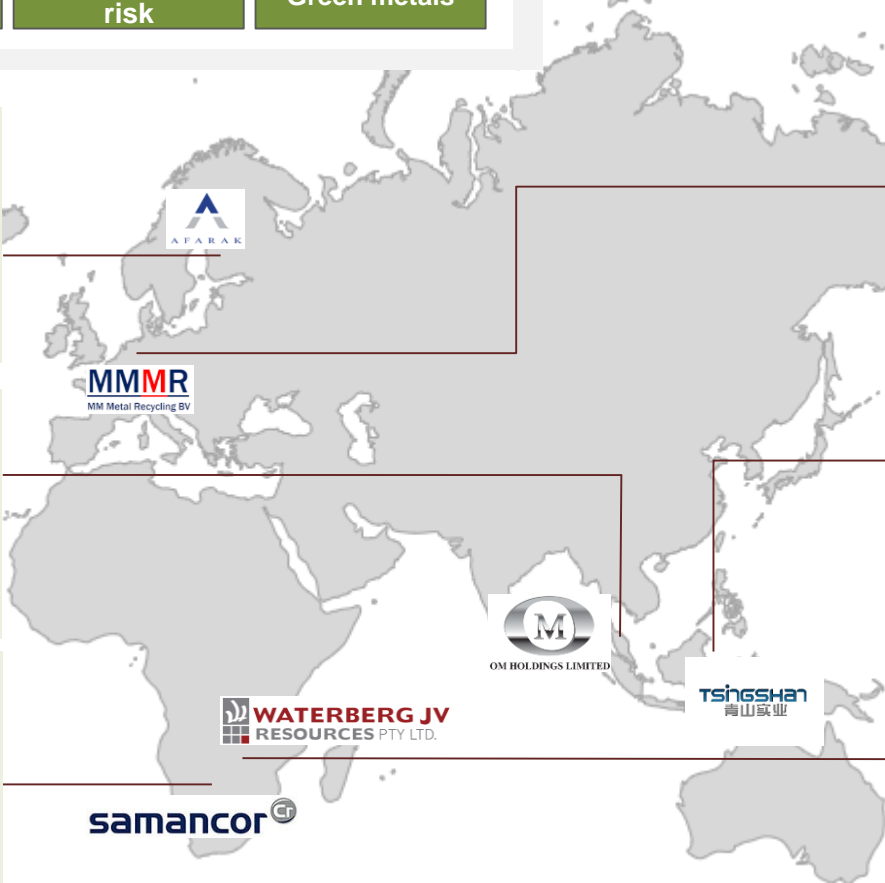
Geopolitical risk <b>Extremely low</b>	Technical competitiveness <b>High</b>
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**OM Holdings Limited**  
 Malaysia  
 Production of manganese and silicon-based ferroalloys  
 Listed on Malaysian Stock Exchange  
 Annual production: 600,000 tons

Green metal <b>High</b>	Geopolitical risk <b>Low</b>
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**Samancor Chrome Limited**  
 South Africa  
 Chrome ore mining/ferrochrome production  
 Annual production: 1.9 million tons

Reserves <b>Extremely large</b>	Geopolitical risk <b>Low</b>
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**MM Metal Recycling B.V.**  
 Netherlands  
 Accepts, inspects, and samples gold and silver slag (E-Scrap)  
 Joint investment: Mitsubishi Material 90%; Hanwa 10%

Green metal <b>High</b>	Geopolitical risk <b>Low</b>
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**Tsingshan Holding Group**  
 Indonesia  
 NPI – stainless steel HRC production  
 NPI annual production: 1.5 million tons

Cost competitiveness <b>Extremely high</b>
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**Waterberg JV Resources Proprietary Ltd.**  
 South Africa  
 Refined ores of platinum group, nickel, copper and other critical minerals  
 Scheduled to commence operation in 2026

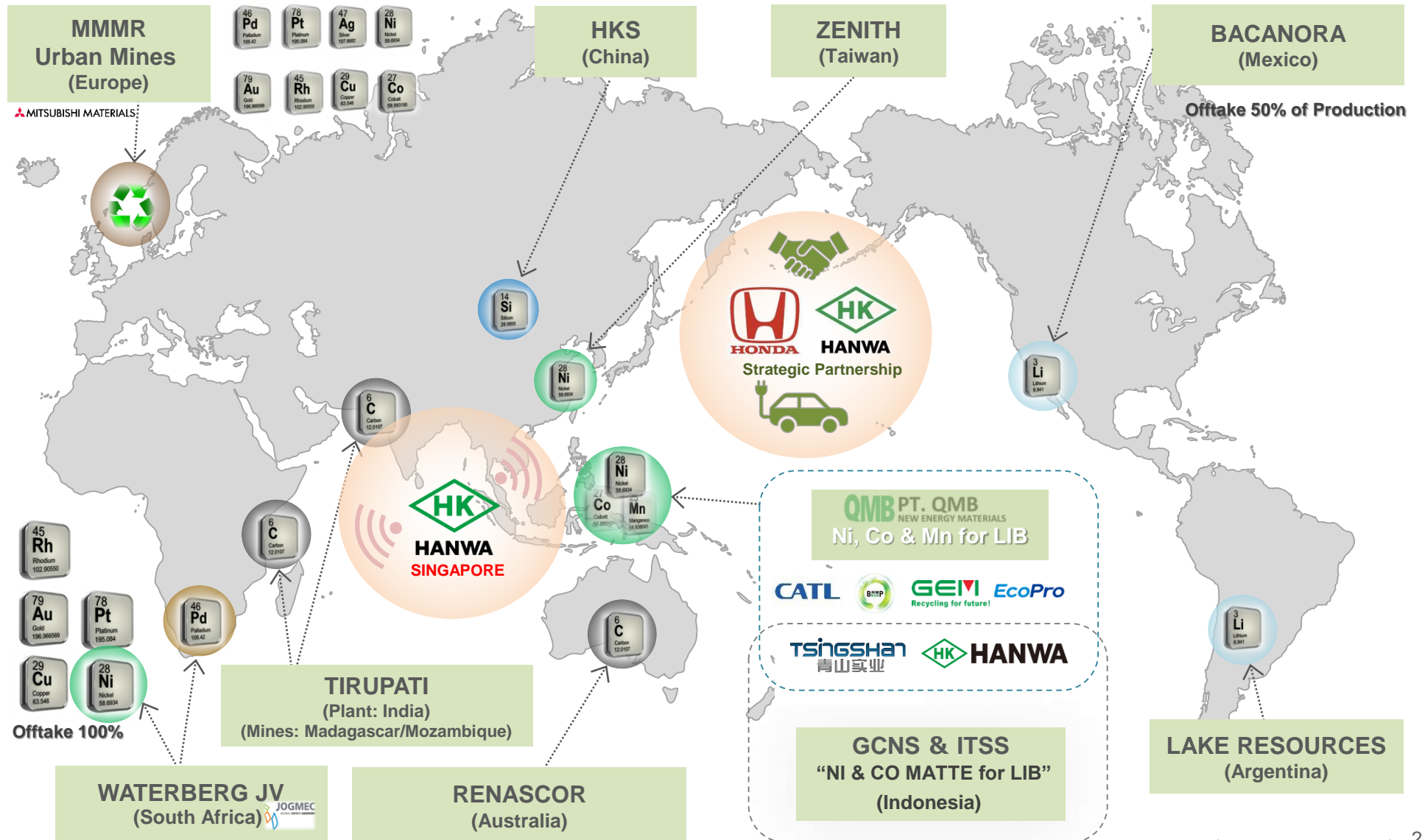
Reserves <b>Extremely large</b>	Geopolitical risk <b>Low</b>
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**Future key measures:**

- Support for value-up of investee companies
- Stable supply to users
- Materials business targeting semiconductor industry

# Sublimation as “BATTERY GLOBAL GROUP for ELECTRIFICATION”

With a keen aim of further expansion and deepening of “BATTERY TEAM” firstly formed in April 2021, **the TEAM has been reformed into a “GLOBAL SCALE”**. Further striving to secure maldistributed natural resources for the BATTERY and contributing to customers as well as ELECTRIFICATION-related industries overall.





# Metal Recycling Business Segment

Promote “Recycling Transformation” and, centered on existing collection and processing bases, transform into one of Japan’s largest metal recycling businesses

**Based on main company’s trading functions, build collection network and realize stable supply to customers**

Aluminum

Copper

Nickel

Titanium

Tungsten

Zinc

Tin

Cobalt

Chromium

Molybdenum

## Showa Metal Co., Ltd.

Collection, sorting, processing, and inventory of **advanced-function scrap (special metals, rare metals, titanium)**

## SEIKI Co., Ltd.

Production and sale of **aluminum deoxidizer**  
**Aluminum can recycling** (can-to-can) business

## Hanwa Metals Co., Ltd.

Collection, sorting, processing, and inventory of **stainless steel, aluminum, scrap steel**

## Nikko Kinzoku Co., Ltd.

Collection, sorting, processing, and inventory of **Low-grade special metal scrap, scrap copper**



- Future key measures:**
- Secure generation sources for collecting stable supply of good quality scrap = Secure resources (automobiles, household appliances, scrap materials)
  - Further deepening of intra-Group collaboration
  - Prepare for recycling of solar panels and secondary batteries
  - Actively invest in recycling technologies and further processing bases and logistics networks
  - Build a closed loop that also involves customers



# Food Products Business Segment

Build a vertically integrated business from raw materials to processing and become the trading house of choice among end users

## Marine products industry supply chain management



**Secure stable supply of safe and secure raw materials**

Explore long-term initiatives to secure stable supply of limited marine resources

**Deepen trading**

Share of main imported marine products (2022)

Salmon, trout	Shrimp	Crab
2.5%	4.4%	3.4%
Mackerel	Okhotsk atka mackerel	Herring
4.7%	11.1%	37.4%

Further strengthening of trading business that is the foundation

**Strengthen processing functions**

Group companies in Japan with processing functions

東日本フーズ株式会社 (Higashinihon Foods Co., Ltd.)

ハンワフーズ株式会社 (Hanwa Foods Co., Ltd.)

本間水産株式会社 (Honma Suisan Co., Ltd.)

To become the trading house of choice among end users



**Other food businesses**

- Poultry: We handle various products, from fresh meat to processed chicken products, supplying to food processing companies, convenience stores, restaurant chains, etc.

# Energy & Living Materials Business Segment

For stable supply to customers

## Biomass Energy

### ● PKS (palm kernel shell)

Further strengthen stable supply structure while maintaining top share of transacted volumes of imports in Japan

### ● White pellets (wood pellets)

Expand factory we have invested in for further stable supply (BIOMASA annual production: 150,000 tons)

### ● Black pellets (wood coal pellets)

Overcome technical hurdles and establish supply network



## Recycled Energy

### ● RPF

Strengthen procurement, centered on Seibu Service Co.,Ltd., and **expand supply chain through M&A**

### ● Tire recycling

Collect, sort, and process tires, which are disposed of as industrial waste and convert into carbon neutral fuel\*



## Other Energy

### ● Aqueous urea (DEF) for watercraft

### ● Expand transactions of raw materials for fertilizer

### ● Expand imports and exports of lubricant raw materials and additives



## One-stop Solution for Miscellaneous Daily Goods

### ● Recycled raw materials, bio-materials

Propose procurement of environmentally friendly raw materials with SDGs in mind

### ● OEM production

Product development capabilities that accurately meet user needs

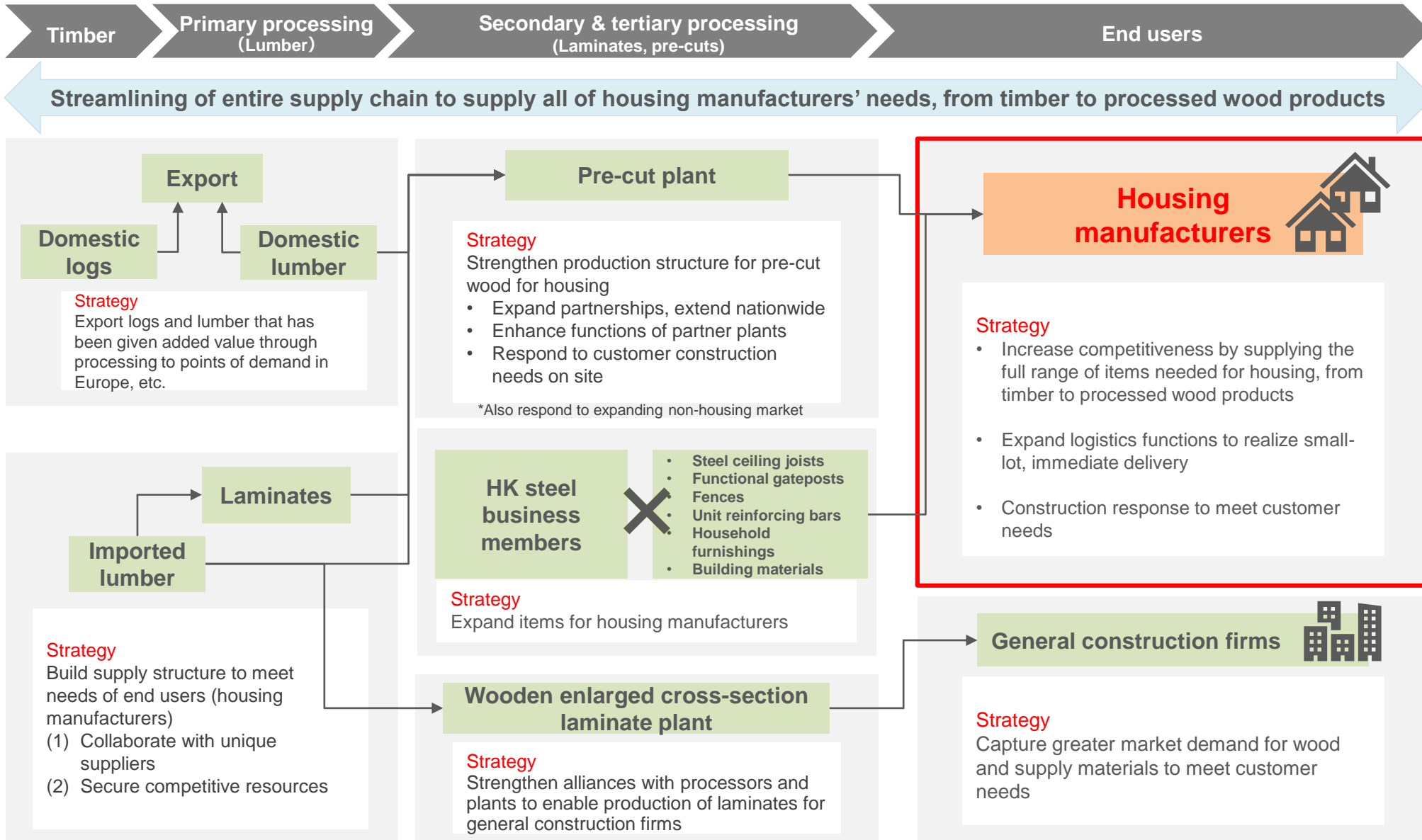
### ● Supply capabilities

Last one mile logistics functions, quality control capabilities



# Lumber Business Segment

Lumber SOKOKA (build supply network that starts with downstream such as **housing manufacturers**) + Construction



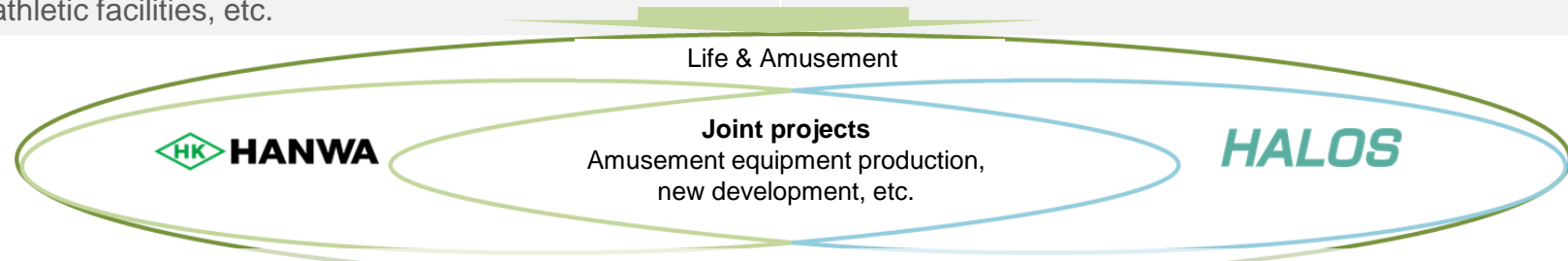
# Machinery Business Segment

## - Life & Amusement Dept./HALOS -

Name changed from Leisure Facilities Dept. to Life & Amusement Dept.

Together with Company subsidiary, HALOS, creates new merchandise and markets and is developing a new comprehensive amusement business through the revision of its business concept

(Former) Leisure Facility Dept.	HALOS
<ul style="list-style-type: none"> <li>❑ Production and construction of amusement park attractions</li> <li>❑ Construction and installation of swimming pools and athletic facilities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>❑ Operation of amusement facilities</li> <li>❑ Fitness club franchise operation</li> </ul>



Leveraging experience gained in the leisure business and facility operation to date,  
provides amusement experiences that are close to customers' lives

## - Industrial Machinery Dept. -

**[Future Vision] Be an independent and perpetual organization  
armed with maintenance functions**

### Vision

- ❑ To have an extensive product range from both domestic and overseas manufacturers
- ❑ To offer one-stop support from introduction to after sales service
- ❑ To achieve high profitability through independent and proactive sales activities

### Specific measures

- ❑ Build maintenance structure (including M&As)
- ❑ Strengthen relationships with existing suppliers
- ❑ Strengthen transactions with overseas manufacturers

# Overseas Sales Subsidiaries Segment

– Global business development with focus on ASEAN region –

Promote the **“Create another Hanwa in Southeast Asia”** concept and further increase our presence in ASEAN region, while also further expanding our global bases

## Steel (final products / semi-finished products / scrap)

Through investment in and collaboration with steel manufacturers, expand supply chain in ASEAN region by supplying semi-finished products such as slab

## Primary Metals

Secure supply of EV battery materials, demand of which is expected to grow rapidly, and strengthen sales of stainless steel products (ASEAN region and Europe)



## Food Products

In line with overseas expansion of Japanese chains, supply processed food products to overseas markets

## Energy

Secure supply of biofuel, PKS (palm kernel shell), as well as forest planting and raw materials for wood pellets

## Food Products

Start supplying ingredients such as rice and chicken meat for employees of investee manufacturers

# Overseas Sales Subsidiaries Segment

-Steel business strategy in ASEAN region-

During the 9th Plan period, ASEAN sales subsidiaries as a whole have grown into a key strategic base with 3 million tons of steel volume sold per annum

## Further advancement of “Create another Hanwa in Southeast Asia”

Challenge 1: Due to growing environmental awareness such as carbon neutrality and decarbonization, demand for cold iron sources and iron scrap is surging, making securing supply a matter of urgency

Challenge 2: Explore transport, processing, and inventory functions in individual ASEAN countries



### Measures

- ❑ Strengthen collaboration with local major steel manufacturers, including capital investments
- ❑ Supply cold iron sources and iron scrap from Japan, Australia, and the United States to steel manufacturers in ASEAN region
- ❑ Realize ASEAN version of “SOKOKA (Just-in-Time delivery, small lot, processing)” strategy by developing steel product transactions within ASEAN region
- ❑ Supply reduced iron (DRI, HBI), which can reduce CO<sub>2</sub> emissions from the steel making process, to steel manufacturers
- ❑ Realize optimal and efficient maritime logistics among countries and subsidiaries in ASEAN region

	Target annual transaction volume of steel in ASEAN region (million tons)
2025	4.5

# Summary of Quantitative Targets

Ordinary Income(FY2025) :  
70 Billion yen

Return on Equity (ROE)\* :  
12.0% or more  
(ROE>Cost of Equity)

\*ROE = Profit attributable to owners of the parent /  
Average shareholders' equity at term beginning/end

Dividend on Equity (DOE)\* :  
2.5% (Minimum)

\* DOE = Total dividends / Term-beginning shareholders' equity

Net DER :  
100% or less

Cumulative Investment and  
Lending Capacity :  
80 Billion yen

Global Steel Transaction  
Volume :  
17 million tons



# HANWA CO., LTD.

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