

# Financial Results for the First Quarter ended June 30, 2022

(Japan GAAP)

August 12, 2022

Company name: **HANWA Co., Ltd.**

Listed stock exchange: Tokyo

Stock exchange code: 8078

(URL <https://www.hanwa.co.jp>)

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Scheduled date of issue of audited financial statements: August 12, 2022

Scheduled date of payout of dividend: —

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the First Quarter ended June 30, 2022 (April 1, 2022 to June 30, 2022)

### (1) Consolidated operating results

(Percentage indicate a change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the 1st Quarter ended June 30, 2022	665,580	47.1	24,143	78.8	33,332	137.6	23,917	152.0
ended June 30, 2021	452,604	—	13,503	206.2	14,028	337.9	9,492	329.3

Note: Comprehensive income For the Fiscal Year ended June 30, 2022 33,680 million yen 143.3 %  
For the Fiscal Year ended June 30, 2021 13,843 million yen — %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 1st Quarter ended June 30, 2022	588.55	—
ended June 30, 2021	233.59	—

\* From the beginning of the fiscal year ending March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29). As a result, the figures for the 1st quarter ended June 30, 2021 in the above consolidated operating results constitute the figures after application of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales ended June 30, 2021.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of June 30, 2022	1,507,932	272,340	17.8	6,597.34
As of March 31, 2022	1,715,394	240,497	13.8	5,834.98

Note: Shareholders' equity As of June 30, 2022 268,097 million yen  
As of March 31, 2022 237,117 million yen

## 2. Cash dividends

	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2022	—	50.00	—	50.00	100.00
Year ended March 31, 2023	—	—	—	—	—
Year ending March 31, 2023 (estimated)	—	50.00	—	50.00	100.00

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentage indicate a change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Annual	2,600,000	20.1	65,000	4.2	65,000	3.6	46,000	5.5	1,131.97

\* For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results for FY2022" announced on August 12, 2022. The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to various risks and uncertainties that could cause actual results to differ materially from this information.

Financial Results for the First Quarter ended June 30, 2022

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2022	June 30, 2022
<b>Assets</b>		
<b>Current assets;</b>		
Cash and deposits	165,451	115,699
Trade notes, accounts receivable and contract assets	542,444	539,474
Electronically recorded monetary claims	33,012	42,821
Inventories	243,603	265,442
Accounts receivable-other	222,549	136,029
Others	66,569	79,899
Allowance for doubtful receivables	(1,580)	(1,450)
<b>Total current assets</b>	<b>1,272,049</b>	<b>1,177,916</b>
<b>Fixed assets;</b>		
<b>Property and equipment;</b>		
Land	34,677	35,357
Others	43,211	47,038
<b>Total property and equipment</b>	<b>77,889</b>	<b>82,395</b>
<b>Intangible assets</b>	<b>10,556</b>	<b>10,739</b>
<b>Investments and other assets;</b>		
Investment securities	81,443	84,188
Long-term guarantee deposits	248,541	125,317
Others	26,317	28,563
Allowance for doubtful receivables	(1,403)	(1,188)
<b>Total investments and other assets</b>	<b>354,898</b>	<b>236,881</b>
<b>Total fixed assets</b>	<b>443,344</b>	<b>330,016</b>
<b>Total assets</b>	<b>1,715,394</b>	<b>1,507,932</b>
<b>Liabilities;</b>		
<b>Current liabilities;</b>		
Trade notes and accounts payable	388,294	329,787
Electronically record obligations	33,456	35,903
Short-term loans payable	458,984	387,326
Commercial paper	40,000	40,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	16,098	10,112
Accrued bonuses	4,223	2,220
Provision for product warranties	66	63
Commodity forwards contracts liabilities	186,766	72,120
Others	100,725	123,890
<b>Total current liabilities</b>	<b>1,238,615</b>	<b>1,011,425</b>
<b>Long-term liabilities;</b>		
Bonds payable	20,000	10,000
Long-term loans payable	190,890	185,862
Retirement benefits liabilities	4,454	4,476
Others	20,935	23,827
<b>Total long-term liabilities</b>	<b>236,280</b>	<b>224,166</b>
<b>Total liabilities</b>	<b>1,474,896</b>	<b>1,235,592</b>
<b>Net assets;</b>		
<b>Shareholders' equity;</b>		
Common stock	45,651	45,651
Capital surplus	26	26
Retained earnings	180,119	202,147
Treasury stock	(3,729)	(3,729)
<b>Total shareholders' equity</b>	<b>222,066</b>	<b>244,094</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized holding gains on securities	16,725	18,136
Deferred hedge profit and loss	(1,000)	644
Land revaluation difference	3,191	3,191
Foreign currency translation adjustments	(531)	5,185
Remeasurements of defined benefit plans	(3,334)	(3,155)
<b>Total accumulated other comprehensive income</b>	<b>15,050</b>	<b>24,002</b>
<b>Minority interests</b>	<b>3,379</b>	<b>4,242</b>
<b>Total net assets</b>	<b>240,497</b>	<b>272,340</b>
<b>Total liabilities and net assets</b>	<b>1,715,394</b>	<b>1,507,932</b>

Financial Results for the First Quarter ended June 30, 2022

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	Year ended June 30, 2021	Year ended June 30, 2022
<b>Net sales</b>	452,604	665,580
Cost of sales	425,764	626,705
<b>Gross profit</b>	<b>26,839</b>	<b>38,874</b>
Selling, general and administrative expenses	13,335	14,731
<b>Operating income</b>	<b>13,503</b>	<b>24,143</b>
<b>Other income;</b>		
Interest income	331	525
Dividend income	633	5,947
Equity in earnings of affiliates	544	2,030
Foreign exchange gain	—	2,916
Others	364	456
Total other income	1,873	11,876
<b>Other expenses;</b>		
Interest expenses	860	2,046
Foreign exchange loss	224	—
Others	264	640
Total other expenses	1,349	2,686
<b>Ordinary income</b>	<b>14,028</b>	<b>33,332</b>
<b>Extraordinary income</b>		
Gain on sale of investment securities	—	541
Arbitration related income	—	248
Total extraordinary income	—	789
<b>Extraordinary loss;</b>		
Loss on devaluation of investment securities	—	268
Total extraordinary loss	—	268
<b>Income before income taxes and minority interest</b>	<b>14,028</b>	<b>33,853</b>
<b>Income taxes</b>	<b>4,434</b>	<b>9,394</b>
<b>Net income</b>	<b>9,593</b>	<b>24,459</b>
<b>Net income attributable to</b>		
Owners of the parent	9,492	23,917
Non-controlling interests	101	542
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	2,040	1,414
Deferred hedge profit and loss	(231)	1,644
Foreign currency translation adjustments	1,952	5,110
Remeasurements of defined benefit plans	191	162
Share of other comprehensive income of entities accounted for using equity method	296	888
Total other comprehensive Income	4,249	9,221
<b>Comprehensive Income</b>	<b>13,843</b>	<b>33,680</b>
<b>Comprehensive income attributable to</b>		
Owners of the parent	13,600	32,816
Non-controlling interests	242	864

Financial Results for the First Quarter ended June 30, 2022

《Segment information》

Segment information by business category for the 1st Quarter ended June 30, 2021 and 2022, is as follows:

(Amounts less than one million yen are rounded down)

1st Quarter ended June 30, 2021

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	202,576	44,749	29,975	27,746	59,287	66,225	430,561	22,042	452,604	—	452,604
Inter-segment	3,877	1,024	941	0	1,836	1,325	9,006	1,132	10,138	(10,138)	—
Total	206,454	45,774	30,916	27,746	61,124	67,551	439,567	23,175	462,743	(10,138)	452,604
Segment income	8,105	2,121	1,579	846	1,478	1,088	15,220	326	15,546	(1,518)	14,028

1st Quarter ended June 30, 2022

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	301,850	57,418	42,378	28,915	85,301	111,548	627,414	38,165	665,580	—	665,580
Inter-segment	6,983	1,255	785	184	3,260	14,532	27,002	1,231	28,233	(28,233)	—
Total	308,834	58,674	43,164	29,100	88,561	126,081	654,416	39,397	693,813	(28,233)	665,580
Segment income	10,191	6,751	4,926	345	2,818	2,691	27,725	1,774	29,500	3,832	33,332

Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
2. Adjustments for segment income include inter-segment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
3. Segment income is adjusted between ordinary income on the consolidated statements of income and comprehensive income.
4. Since January 2022, the Company has changed its method of classification of business segments, integrating a part of the Overseas sales subsidiaries business into the Foods business. The classification change also applies to segment information for the 1st quarter of the previous fiscal year.

# Highlights of Consolidated Financial Results for the 1st Quarter of FY2022

(Japan GAAP)

HANWA Co., Ltd.

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

## Outline of Financial Results for the 1st Quarter of FY2022

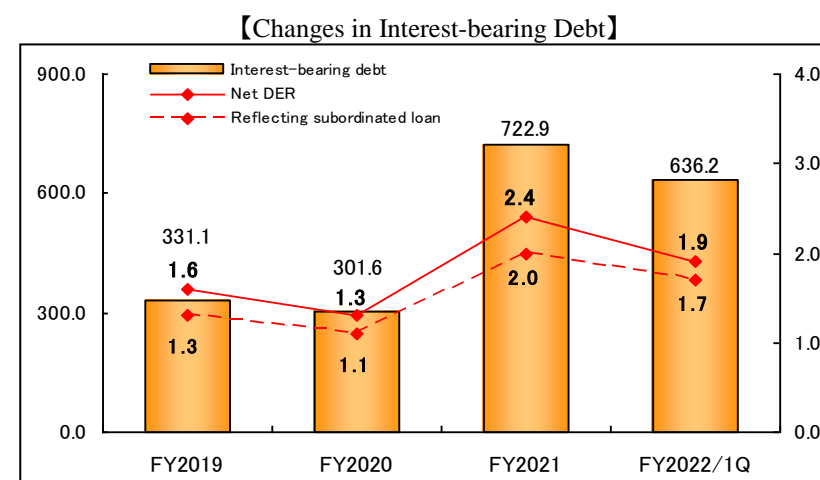
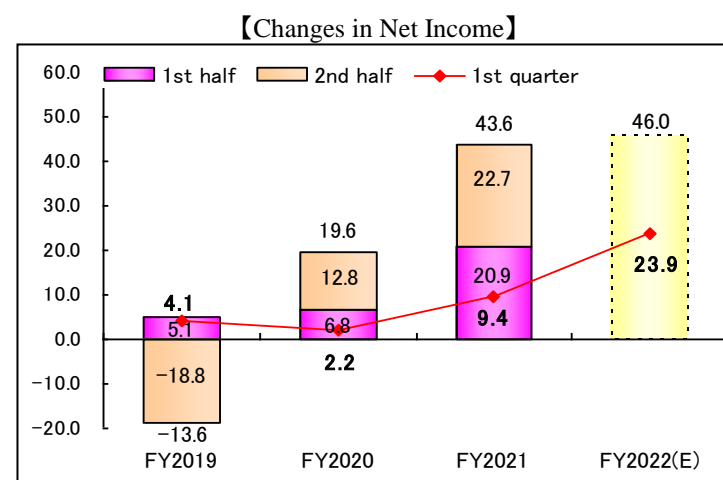
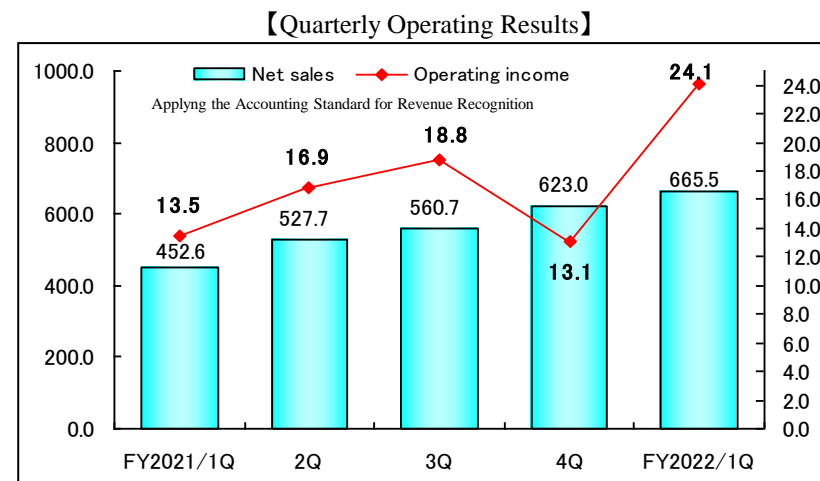
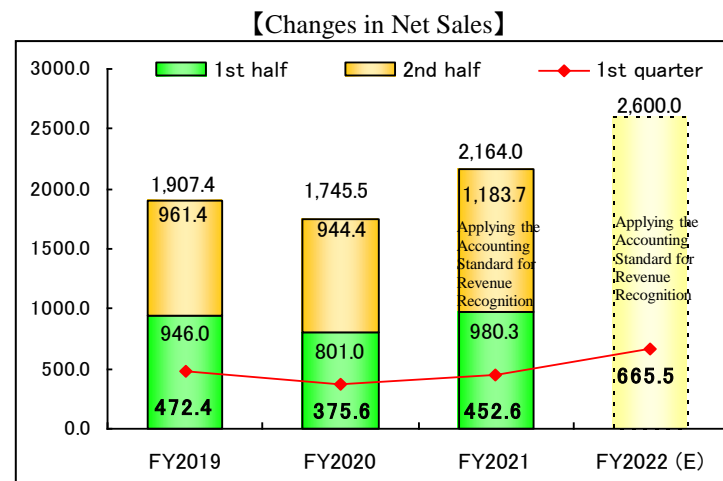
During the 1st quarter of the fiscal year, net sales increased to 665.5 billion yen, because as economic activities continued to be on the right track for recovery, price of the products represented by steel, non-ferrous metal and crude oil remained at a high level. In addition, enhancement in business performance of the overseas sales subsidiaries contributed to the net sales increase.

Profits expanded in all business segments except for Foods business. Operating income increased by 79% YoY, to 24.1 billion yen, while ordinary income increased by 138% YoY, to 33.3 billion yen, as dividend income from strategic investment increased and equity in earnings of affiliates expanded, mainly in the Primary metals business, and net income attributable to owners of the parent increased by 152% to 23.9 billion yen.

We plan to pay 100 yen as the annual (50 yen as the interim and 50 yen as the year-end) dividend.

Operating Results	1Q of FY2021	1Q of FY2022	Y o Y		Main Factors
			Change	rate	
<b>Net sales</b>	<b>452.6</b>	<b>665.5</b>	<b>212.9</b>	<b>47%</b>	(Net sales) Net sales increased to 665.5 billion yen, because as economic activities continued to be on the right track for recovery, price of the products represented by steel, non-ferrous metal and crude oil remained at a high level. In addition, enhancement in business performance of the overseas sales subsidiaries contributed to the net sales increase.  (SG&A expenses) SG & A expenses increased by 1.3 billion yen YoY, with newly consolidated subsidiaries contributing 90 million yen to this figure. Personnel expenses rose by 0.4 billion yen YoY, with 58 million yen of this figure deriving from newly consolidated subsidiaries.  (Non-operating income/expenses) Non-operating income increased by 10 billion yen and non-operating expenses increased by 1.3 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.1 billion yen(YoY) Dividend income : increase of 5.3 billion yen(YoY) Equity in earnings of affiliates : increase of 1.4 billion yen(YoY) Foreign exchange gain : increase of 3.1 billion yen (YoY) Interest expenses : increase of 1.1 billion yen(YoY)  (Extraordinary gain/loss) Gain on sale of investment securities : 0.5 billion yen Loss on devaluation of investment securities : 0.2 billion yen
<b>Gross profit</b>	<b>26.8</b>	<b>38.8</b>	<b>12.0</b>	<b>45%</b>	
SG&A expenses	13.3	14.7	1.3	10%	
<b>Operating income</b>	<b>13.5</b>	<b>24.1</b>	<b>10.6</b>	<b>79%</b>	
Non-operating income	1.8	11.8	10.0	534%	
Non-operating expenses	1.3	2.6	1.3	99%	
<b>Ordinary income</b>	<b>14.0</b>	<b>33.3</b>	<b>19.3</b>	<b>138%</b>	
Extraordinary gain	—	0.7	0.7	—	
Extraordinary loss	—	0.2	0.2	—	
<b>Income before income taxes and others</b>	<b>14.0</b>	<b>33.8</b>	<b>19.8</b>	<b>141%</b>	
Income taxes	4.4	9.3	4.9	112%	
<b>Net income</b>	<b>9.5</b>	<b>24.4</b>	<b>14.8</b>	<b>155%</b>	
Owners of the parent	9.4	23.9	14.4	152%	
Non-controlling interests	0.1	0.5	0.4	436%	
EPS (yen)	233.59	588.55	354.96	152%	
<b>Comprehensive income</b>	<b>13.8</b>	<b>33.6</b>	<b>19.8</b>	<b>143%</b>	

Financial Position	Mar. 2022	Jun. 2022	Comparison with Mar. 2022		Main Factors
			Change	rate	
<b>Total assets</b>	<b>1,715.3</b>	<b>1,507.9</b>	<b>(207.4)</b>	<b>(12%)</b>	(Overview) While we have conducted hedge transactions which involve valuation gains or losses attributable to counter parties based on contracts, accounts receivable-other and long-term guarantee deposits decreased due to decrease in the outstanding contract amount of the commodity forwards contracts, collection of accounts receivable-other and a fall in futures prices on the London Metal Exchange. In addition, the Company repaid part of short-term loan payable provided by financial institute.  (Total Assets) Total assets decreased by 12% from the end of the previous fiscal year, mainly because of decreases in accounts receivable-other and long-term guarantee deposits  (Liabilities) Liabilities decreased by 16% from the end of the previous fiscal year, mainly as a result of decreases in short-term loans payable and commodity forwards contracts liabilities. As interest-bearing debt decreased by 12%, net debt-equity ratio was turned into 194% (*169%).  (Net assets) Total net assets increased 13% 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. Shareholders' equity ratio was 17.8% (*19.4%), which is 4.0 percentage points higher than at the end of the previous fiscal year.  *Reflecting equity credit attributes of the subordinated loan
(Current assets)	1,272.0	1,177.9	(94.1)	(7%)	
(Fixed assets)	443.3	330.0	(113.3)	(26%)	
<b>Total liabilities</b>	<b>1,474.8</b>	<b>1,235.5</b>	<b>(239.3)</b>	<b>(16%)</b>	
(Interest-bearing debt)	722.9	636.2	(86.6)	(12%)	
(Net interest-bearing debt)	557.4	520.5	(36.8)	(7%)	
Net DER	235%/203%*	194%/169%*	(41pt)	(21%)	
<b>Total net assets</b>	<b>240.4</b>	<b>272.3</b>	<b>31.8</b>	<b>13%</b>	
(Equity capital) (Valuation & translation adjustments)	222.0 15.0	244.0 24.0	22.0 8.9	10% 60%	
(Minority interests)	3.3	4.2	0.8	26%	
BPS (yen)	5,834.98	6,597.34	762.36	13%	
Shareholders' equity	237.1	268.0	30.9	13%	
Shareholders' equity ratio	13.8/15.3%*	17.8/19.4%*	4.0pt	29%	



Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2021	1Q of FY2022	rate	1Q of FY2021	1Q of FY2022	rate	
Steel	206.4	308.8	50%	8.1	10.1	26%	(Steel business) Segment income increased. Transaction volume continued to be stable mainly in the domestic construction industry and steel prices remained at a high level due to the spread of increases in manufacturing cost were reflected in steel prices. In addition, foreign exchange gains were reported in the steel coil service center in the overseas countries contributed to segment income increased. (Primary metals business) Segment income increased. Transaction volume of stainless base metals continued to be stable and prices of various merchandises, which seemed to have entered an adjustment phase, remained at a relatively high level. In addition, dividend income from strategic investment as well as equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. contributed to segment income increased. (Metal recycling business) Segment income increased. Base metal prices remained at a high level globally and the value of the yen fell. In addition, appraisal gain from commodity forwards contracts in hedge transactions contributed to segment income increased. (Foods business) Segment income decreased. While demand for marine products expanded on a global scale, purchase cost risings due to the depreciation of yen were not sufficiently reflected in the selling prices. In addition, as import of crabs from Russia were banned in some countries including the U.S., appraisal loss on the products was reported by the Company and its consolidated subsidiaries, and as the result the segment income decreased. (Energy & Living Materials business) Segment income increased. Market prices of crude oil and petroleum products rose further due to the crisis in Ukraine, income from the products such as bunker fuel oil increased. In addition, both transaction volume and unit prices of palm kernel shells (PKS) and wood pellet fuel rose due to a demand increase on a global scale contributed to segment income increased. (Overseas sales subsidiaries) Segment income increased. Transaction volume in steel increased in some countries, including Indonesia and Singapore. In addition, while profitability at consolidated subsidiaries in the U.S. improved contributed to segment income increased.
Primary Metal	45.7	58.6	28%	2.1	6.7	218%	
Metal Recycling	30.9	43.1	40%	1.5	4.9	212%	
Foods	27.7	29.1	5%	0.8	0.3	(59%)	
Energy& Living Materials	61.1	88.5	45%	1.4	2.8	91%	
Overseas sales subsidiaries	67.5	126.0	87%	1.0	2.6	147%	
Total for reportable segments	439.5	654.4	49%	15.2	27.7	82%	
Other	23.1	39.3	70%	0.3	1.7	443%	
<b>Total</b>	<b>462.7</b>	<b>693.8</b>	<b>50%</b>	<b>15.5</b>	<b>29.5</b>	<b>90%</b>	
Adjustment	(10.1)	(28.2)	179%	(1.5)	3.8	—	
<b>Consolidated</b>	<b>452.6</b>	<b>665.5</b>	<b>47%</b>	<b>14.0</b>	<b>33.3</b>	<b>138%</b>	

Forecast (Annual)	FY2021	FY2022 (estimated)	
		change	rate
Net sales	2,164.0	2,600.0	20%
Operating income	62.3	65.0	4%
Ordinary income	62.7	65.0	4%
Net income attributable to owners of the parent	43.6	46.0	6%

Cash Dividends	FY2020	FY2021	FY2022 (estimated)
Year-end (yen)	30.00	50.00	50.00
Annual (yen)	60.00	100.00	100.00
Dividend payout ratio	12%	9%	9%

\* Jun. Established Hanwa Daisun as a consolidated subsidiary of the Company.

## Topics