

Financial Results for the Third Quarter ended December 31, 2022

(Japan GAAP)
February 10, 2023

Company name: **HANWA Co., Ltd.** Listed stock exchange: Tokyo
Stock exchange code: 8078 (URL <https://www.hanwa.co.jp>)
Representative: Yoichi Nakagawa President
Enquiries: Hisashi Honda Executive Officer Phone +81-3-3544-2000
Scheduled date of issue of audited financial statements: February 10, 2023
Scheduled date of payout of dividend: -

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Third Quarter ended December 31, 2022 (April 1, 2022 to December 31, 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 parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the 3rd Quarter ended December 31, 2022	2,023,476	31.3	56,068	13.9	63,683	28.7	44,924	35.4
ended December 31, 2021	1,541,082	—	49,234	162.6	49,478	175.9	33,177	170.4

Note: Comprehensive income For the Fiscal Year ended December 31, 2022 63,902 million yen 65.5 %
For the Fiscal Year ended December 31, 2021 38,617 million yen 161.7 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 3rd Quarter ended December 31, 2022	1,105.49	—
ended December 31, 2021	816.43	—

* 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 3rd quarter ended December 31, 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 December 31, 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 December 31, 2022	1,326,105	301,379	22.2	7,255.20
As of March 31, 2022	1,715,394	240,497	13.8	5,834.98

Note: Shareholders' equity As of December 31, 2022 294,829 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	—	50.00	—	—	—
Year ending March 31, 2023 (estimated)	—	—	—	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 parent		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	
Annual	2,600,000	20.1	70,000	12.2	73,000	16.4	51,000	16.9	1,255.01	

* 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 Third Quarter ended December 31, 2022

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2022	December 31, 2022
Assets		
Current assets;		
Cash and deposits	165,451	112,333
Trade notes, accounts receivable and contract assets	542,444	472,263
Electronically recorded monetary claims	33,012	44,746
Inventories	243,603	279,342
Accounts receivable-other	222,549	65,738
Others	66,569	75,211
Allowance for doubtful receivables	(1,580)	(1,436)
Total current assets	1,272,049	1,048,199
Fixed assets;		
Property and equipment;		
Land	34,677	39,469
Others	43,211	50,318
Total property and equipment	77,889	89,787
Intangible assets	10,556	11,127
Investments and other assets;		
Investment securities	81,443	98,145
Long-term guarantee deposits	248,541	51,726
Others	26,317	28,336
Allowance for doubtful receivables	(1,403)	(1,218)
Total investments and other assets	354,898	176,990
Total fixed assets	443,344	277,905
Total assets	1,715,394	1,326,105
Liabilities		
Current liabilities;		
Trade notes and accounts payable	388,294	299,058
Electronically record obligations	33,456	40,307
Short-term loans payable	458,984	240,364
Commercial paper	40,000	70,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	16,098	7,554
Accrued bonuses	4,223	2,312
Provision for product warranties	66	58
Commodity forwards contracts liabilities	186,766	25,956
Others	100,725	78,378
Total current liabilities	1,238,615	773,990
Long-term liabilities;		
Bonds payable	20,000	30,000
Long-term loans payable	190,890	191,020
Retirement benefits liabilities	4,454	4,460
Others	20,935	25,253
Total long-term liabilities	236,280	250,734
Total liabilities	1,474,896	1,024,725
Net assets		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	26	26
Retained earnings	180,119	220,858
Treasury stock	(3,729)	(3,730)
Total shareholders' equity	222,066	262,805
Accumulated other comprehensive income;		
Net unrealized holding gains on securities	16,725	20,662
Deferred hedge profit and loss	(1,000)	(458)
Land revaluation difference	3,191	3,455
Foreign currency translation adjustments	(531)	11,219
Remeasurements of defined benefit plans	(3,334)	(2,855)
Total accumulated other comprehensive income	15,050	32,024
Non-controlling interests	3,379	6,550
Total net assets	240,497	301,379
Total liabilities and net assets	1,715,394	1,326,105

Financial Results for the Third Quarter ended December 31, 2022

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	3rd Quarter ended December 31, 2021	3rd Quarter ended December 31, 2022
Net sales	1,541,082	2,023,476
Cost of sales	1,450,578	1,922,068
Gross profit	90,504	101,407
Selling, general and administrative expenses	41,269	45,339
Operating income	49,234	56,068
Other income;		
Interest income	1,396	2,838
Dividend income	1,498	7,365
Equity in earnings of affiliates	1,955	6,389
Foreign exchange gain	—	474
Others	1,106	1,719
Total other income	5,957	18,787
Other expenses;		
Interest expenses	2,872	7,311
Foreign exchange loss	1,477	—
Others	1,364	3,861
Total other expenses	5,714	11,173
Ordinary income	49,478	63,683
Extraordinary income;		
Gain on sale of investment securities	—	655
Gain on bargain purchase	—	722
Arbitration related income	—	269
Total extraordinary income	—	1,647
Extraordinary loss;		
Loss on devaluation of investment securities	1,170	278
Provision of allowance for doubtful accounts of affiliates	106	—
Value added taxes for prior periods	—	369
Total extraordinary loss	1,276	647
Income before income taxes and non-controlling interests	48,201	64,683
Income taxes	14,568	17,935
Net income	33,633	46,747
Net income attributable to;		
Owners of the parent	33,177	44,924
Non-controlling interests	455	1,823
Other Comprehensive income;		
Valuation difference on available-for-sale securities	1,579	3,943
Deferred hedge profit and loss	(533)	542
Foreign currency translation adjustments	3,035	10,544
Remeasurements of defined benefit plans	574	489
Share of other comprehensive income of entities accounted for using equity method	328	1,634
Total other comprehensive income	4,984	17,154
Comprehensive income	38,617	63,902
Comprehensive income attributable to;		
Owners of the parent	37,962	61,581
Non-controlling interests	654	2,320

Financial Results for the Third Quarter ended December 31, 2022

《Segment information》

Segment information by business category for the 3rd Quarter ended December 31, 2021 and 2022, is as follows:

(Amounts less than one million yen are rounded down)

3rd Quarter ended December 31, 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	703,816	138,100	94,345	90,242	196,733	230,190	1,453,428	87,654	1,541,082	—	1,541,082
Inter-segment	18,710	4,943	2,658	296	7,304	11,057	44,970	2,297	47,268	(47,268)	—
Total	722,527	143,043	97,003	90,538	204,037	241,247	1,498,399	89,952	1,588,351	(47,268)	1,541,082
Segment income	28,451	5,863	4,118	3,034	4,775	4,833	51,076	2,279	53,356	(3,878)	49,478

3rd Quarter ended December 31, 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	918,823	197,873	111,009	100,413	264,356	320,330	1,912,806	110,669	2,023,476	—	2,023,476
Inter-segment	22,635	4,115	2,147	624	10,230	32,585	72,337	3,326	75,663	(75,663)	—
Total	941,458	201,988	113,156	101,038	274,586	352,916	1,985,144	113,995	2,099,140	(75,663)	2,023,476
Segment income(loss)	25,597	16,146	5,063	(883)	10,436	7,369	63,729	2,625	66,354	(2,671)	63,683

Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
2. Adjustments for segment income or loss 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 or loss 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 3rd quarter of the previous fiscal year.

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2022

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 3rd Quarter of FY2022

During the 3rd quarter of the fiscal year, net sales increased by 31% YoY, to 2023.4 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. Operating income increased by 14% YoY, to 56.0 billion yen, as segment income increased in Primary metals business and Energy & Living Materials business, while ordinary income increased by 29% YoY, to 63.6 billion yen, as dividend income from strategic investments 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 35% to 44.9 billion yen.

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

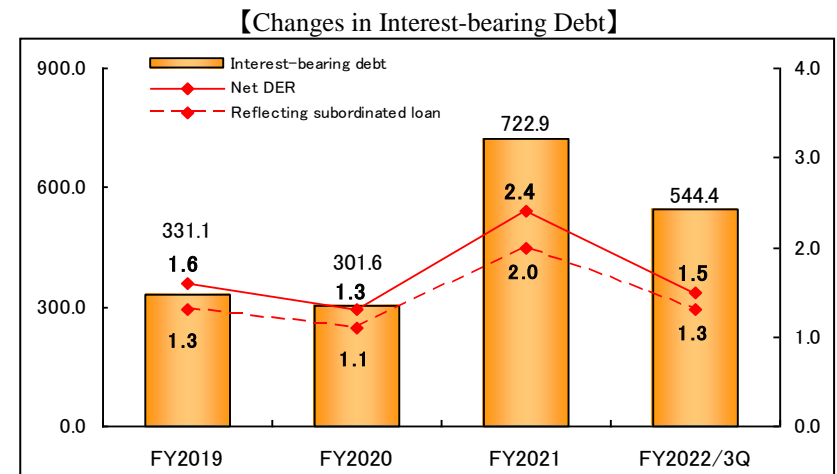
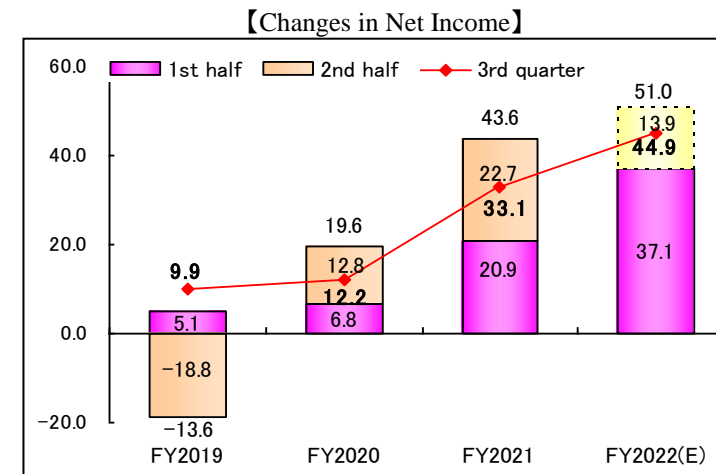
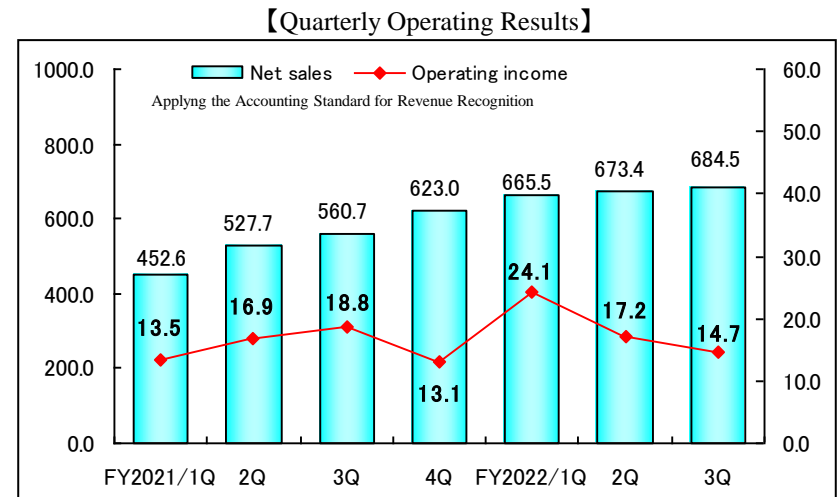
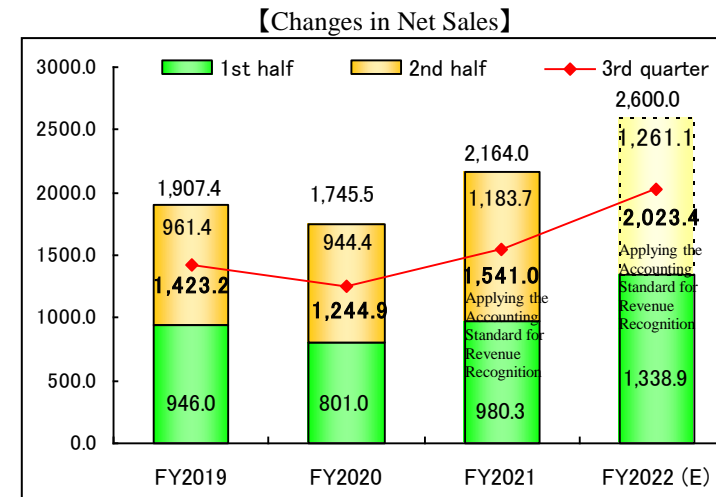
Operating Results	1Q-3Q of FY2021	1Q-3Q of FY2022	Y o Y		Main Factors
			Change	rate	
Net sales	1,541.0	2,023.4	482.3	31%	(Net sales) Net sales increased by 31% YoY, to 2023.4 billion yen, because as economic activities continued to be on the right track for recovery, price of the products represented 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 4.0 billion yen YoY, with 0.49 billion yen of this figure deriving from newly consolidated subsidiaries. Personnel expenses rose by 1.6 billion yen YoY, with 0.32 billion yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income increased by 12.8 billion yen and non-operating expenses increased by 5.4 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 1.4 billion yen(YoY) Dividend income : increase of 5.8 billion yen(YoY) Equity in earnings of affiliates : increase of 4.4 billion yen(YoY) Foreign exchange gain/loss: loss of 1.4 billion yen (last year) gain of 0.4 billion yen (this year) Interest expenses : increase of 4.4 billion yen(YoY) (Extraordinary gain/loss) Gain on sale of investment securities : 0.6 billion yen Gain on bargain purchase : 0.7 billion yen Loss on devaluation of investment securities : 0.2 billion yen Value added taxes for prior periods : 0.3 billion yen
Gross profit	90.5	101.4	10.9	12%	
SG&A expenses	41.2	45.3	4.0	10%	
Operating income	49.2	56.0	6.8	14%	
Non-operating income	5.9	18.7	12.8	215%	
Non-operating expenses	5.7	11.1	5.4	96%	
Ordinary income	49.4	63.6	14.2	29%	
Extraordinary gain	—	1.6	1.6	—	
Extraordinary loss	1.2	0.6	(0.6)	(49%)	
Income before income taxes and others	48.2	64.6	16.4	34%	
Income taxes	14.5	17.9	3.3	23%	
Net income	33.6	46.7	13.1	39%	
Owners of the parent	33.1	44.9	11.7	35%	
Non-controlling interests	0.4	1.8	1.3	300%	
EPS (yen)	816.43	1,105.49	289.06	35%	
Comprehensive income	38.6	63.9	25.2	65%	

Financial Position	Mar. 2022	Dec. 2022	Comparison with Mar. 2022		Main Factors
			Change	rate	
Total assets	1,715.3	1,326.1	(389.2)	(23%)	(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 23% from the end of the previous fiscal year, mainly because of decreases in long-term guarantee deposits and accounts receivable-other. (Liabilities) Liabilities decreased by 31% from the end of the previous fiscal year, mainly because of decrease in short-term loans payable and commodity forwards contracts liabilities. As interest-bearing debt decreased by 25%, net debt-equity ratio was turned into 147% (*127%). (Net assets) Total net assets increased 25% 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 22.2% (*24.1%), which is 8.4 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	1,048.1	(223.8)	(18%)	
(Fixed assets)	443.3	277.9	(165.4)	(37%)	
Total liabilities	1,474.8	1,024.7	(450.1)	(31%)	
(Interest-bearing debt)	722.9	544.4	(178.5)	(25%)	
(Net interest-bearing debt)	557.4	432.0	(125.3)	(22%)	
Net DER	235/203*%	147/127*%	(88pt)	(38%)	
Total net assets	240.4	301.3	60.8	25%	
(Equity capital) (Valuation & translation adjustments)	222.0	262.8	40.7	18%	
(Non-controlling interests)	15.0	32.0	16.9	113%	
BPS (yen)	5,834.98	7,255.20	1,420.22	24%	
Shareholders' equity	237.1	294.8	57.7	24%	
Shareholders' equity ratio	13.8/15.3*%	22.2/24.1*%	8.4pt	61%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2021	1Q-3Q of FY2022	rate	1Q-3Q of FY2021	1Q-3Q of FY2022	rate	
Steel	722.5	941.4	30%	28.4	25.5	(10%)	(Steel business) Net sales 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. On the other hand, segment income decreased. Because profit margins shrank as purchase cost rose and equity in earnings of affiliates from overseas investment decreased. (Primary metals business) Segment income increased. Price of the products such as stainless base metals and nickel remained at a relatively high level. In addition, dividend income from strategic investments 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. Transaction volume of various merchandises continued to be stable and purchase cost risings due to the depreciation of yen were reflected in the selling prices. 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. and decline in crab market prices due to shrink of stay-at-home demand mainly in Europe and the America, 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 remained at a high level 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 of steel increased in some countries, including Indonesia and Singapore.
Primary Metal	143.0	201.9	41%	5.8	16.1	175%	
Metal Recycling	97.0	113.1	17%	4.1	5.0	23%	
Foods	90.5	101.0	12%	3.0	(0.8)	—	
Energy& Living Materials	204.0	274.5	35%	4.7	10.4	119%	
Overseas sales subsidiaries	241.2	352.9	46%	4.8	7.3	53%	
Total for reportable segments	1,498.3	1,985.1	33%	51.0	63.7	25%	
Other	89.9	113.9	27%	2.2	2.6	15%	
Total	1,588.3	2,099.1	32%	53.3	66.3	24%	
Adjustment	(47.2)	(75.6)	60%	(3.8)	(2.6)	(31%)	
Consolidated	1,541.0	2,023.4	31%	49.4	63.6	29%	

Topics

- Jun. Established Hanwa Daisun Co., Ltd. as a consolidated subsidiary of the Company.
- Sep. Established Hanwa Italia S.R.L. as a subsidiary of the Company.
- Dec. Acquire 90.2% of the shares of Tanaka Steel Trading Co., Ltd. and made it a consolidated subsidiary of the Company.



Forecast (Annual)	FY2021	FY2022 (estimated)	change
Net sales	2,164.0	2,600.0	20%
Operating income	62.3	70.0	12%
Ordinary income	62.7	73.0	16%
Net income attributable to owners of the parent	43.6	51.0	17%

Cash Dividends	FY2020	FY2021	FY2022 (estimated)
Interim (yen)	30.00	50.00	50.00
Year-end (yen)	30.00	50.00	50.00
Annual (yen)	60.00	100.00	100.00
Dividend payout ratio	12%	9%	8%