

Financial Results for the Third Quarter ended December 31, 2023

(Japan GAAP)

February 8, 2024

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

Listed stock exchange: Tokyo

Stock exchange code: 8078

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

Representative: Yoichi Nakagawa President

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Scheduled date of issue of audited financial statements: February 8, 2024

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, 2023 (April 1, 2023 to December 31, 2023)

(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, 2023	1,826,628	(9.7)	42,467	(24.3)	42,932	(32.6)	30,761	(31.5)
ended December 31, 2022	2,023,476	31.3	56,068	13.9	63,683	28.7	44,924	35.4

Note: Comprehensive income For the Fiscal Year ended December 31, 2023 40,447 million yen (36.7) %
For the Fiscal Year ended December 31, 2022 63,902 million yen 65.5 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 3rd Quarter ended December 31, 2023	756.66	—
ended December 31, 2022	1,105.49	—

(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, 2023	1,152,671	343,015	29.3	8,305.97
As of March 31, 2023	1,157,747	308,807	26.2	7,459.39

Note: Shareholders' equity As of December 31, 2023 337,789 million yen
As of March 31, 2023 303,127 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, 2023	—	50.00	—	80.00	130.00
Year ended March 31, 2024	—	85.00	—	—	—
Year ending March 31, 2024 (estimated)	—	—	—	85.00	170.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	2,700,000	1.2	60,000	(6.4)	50,000	(22.2)	36,000	(30.1)	885.89	

* 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, 2023

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2023	December 31, 2023
Assets;		
Current assets;		
Cash and deposits	84,187	73,809
Trade notes, accounts receivable and contract assets	448,980	430,266
Electronically recorded monetary claims	55,570	102,172
Inventories	253,964	243,901
Others	87,333	63,820
Allowance for doubtful receivables	(1,295)	(1,661)
Total current assets	928,741	912,309
Fixed assets;		
Property and equipment;		
Land	36,786	37,440
Others	50,330	52,588
Total property and equipment	87,117	90,028
Intangible assets	10,807	10,113
Investments and other assets;		
Investment securities	99,608	103,611
Others	34,088	39,313
Allowance for doubtful receivables	(2,613)	(2,704)
Total investments and other assets	131,082	140,220
Total fixed assets	229,006	240,362
Total assets	1,157,747	1,152,671
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	278,823	295,470
Electronically record obligations	36,701	43,880
Short-term loans payable	83,127	86,904
Commercial paper	30,000	—
Current portion of bonds payable	10,000	—
Income taxes payable	14,822	2,216
Accrued bonuses	4,355	2,294
Provision for product warranties	56	111
Others	101,103	49,926
Total current liabilities	558,990	480,804
Long-term liabilities;		
Bonds payable	30,000	50,000
Long-term loans payable	224,843	237,990
Retirement benefits liabilities	4,285	4,330
Others	30,820	36,530
Total long-term liabilities	289,949	328,851
Total liabilities	848,940	809,656
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	26	1,301
Retained earnings	228,920	253,295
Treasury stock	(3,730)	(3,662)
Total shareholders' equity	270,866	296,585
Accumulated other comprehensive income;		
Net unrealized holding gains on securities	23,972	25,727
Deferred hedge profit and loss	673	722
Land revaluation difference	1,975	1,975
Foreign currency translation adjustments	8,360	15,200
Remeasurements of defined benefit plans	(2,720)	(2,421)
Total accumulated other comprehensive income	32,260	41,203
Non-controlling interests	5,680	5,226
Total net assets	308,807	343,015
Total liabilities and net assets	1,157,747	1,152,671

Financial Results for the Third Quarter ended December 31, 2023

《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, 2022	3rd Quarter ended December 31, 2023
Net sales	2,023,476	1,826,628
Cost of sales	1,922,068	1,732,189
Gross profit	101,407	94,439
Selling, general and administrative expenses	45,339	51,971
Operating income	56,068	42,467
Other income;		
Interest income	2,838	3,693
Dividend income	7,365	3,375
Equity in earnings of affiliates	6,389	1,943
Foreign exchange gain	474	—
Others	1,719	1,091
Total other income	18,787	10,103
Other expenses;		
Interest expenses	7,311	6,588
Foreign exchange loss	—	163
Others	3,861	2,885
Total other expenses	11,173	9,638
Ordinary income	63,683	42,932
Extraordinary income;		
Gain on sale of property and equipment	—	1,170
Gain on sale of investment securities	655	559
Gain on bargain purchase	722	—
Arbitration related income	269	—
Total extraordinary income	1,647	1,730
Extraordinary loss;		
Loss on devaluation of investment securities	278	1,158
Value added taxes for prior periods	369	—
Total extraordinary loss	647	1,158
Income before income taxes and non-controlling interests	64,683	43,504
Income taxes	17,935	12,262
Net income	46,747	31,241
Net income attributable to;		
Owners of the parent	44,924	30,761
Non-controlling interests	1,823	479
Other comprehensive income;		
Net unrealized holding gains on securities	3,943	1,695
Deferred hedge profit and loss	542	48
Foreign currency translation adjustments	10,544	6,032
Remeasurements of defined benefit plans	489	327
Share of other comprehensive income of associates accounted for using equity method	1,634	1,101
Total other comprehensive income	17,154	9,206
Comprehensive income	63,902	40,447
Comprehensive income attributable to;		
Owners of the parent	61,581	39,704
Non-controlling interests	2,320	742

Financial Results for the Third Quarter ended December 31, 2023

《Segment information》

Segment information by business category for the 3rd Quarter ended December 31, 2022 and 2023, is as follows:

(Amounts less than one million yen are rounded down)

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

3rd Quarter ended December 31, 2023

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	920,394	155,318	85,894	97,715	241,296	240,929	1,741,549	85,079	1,826,628	—	1,826,628
Inter-segment	19,561	4,527	2,150	440	6,154	17,945	50,780	5,592	56,372	(56,372)	—
Total	939,955	159,845	88,044	98,156	247,451	258,875	1,792,329	90,671	1,883,001	(56,372)	1,826,628
Segment income	22,957	6,514	1,050	1,098	5,103	6,581	43,305	2,398	45,703	(2,771)	42,932

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 or loss on the consolidated statements of income and comprehensive income.

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 3rd Quarter of FY2023

• During the 3rd quarter of this fiscal year, net sales decreased by 10% YoY, to 1,826.6 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased. Operating income decreased by 24% YoY, to 42.4 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 33% YoY, to 42.9 billion yen, mainly because foreign exchange loss was reported after reported gain in the previous term, and equity in earnings of affiliates shrunk mainly in the Primary metals business, dividend income from strategic investments decreased. Net income attributable to owners of the parent decreased by 32% to 30.7 billion yen.

• We plan to pay 170 yen as the annual (85 yen as the interim and 85 yen as the year-end) dividend.

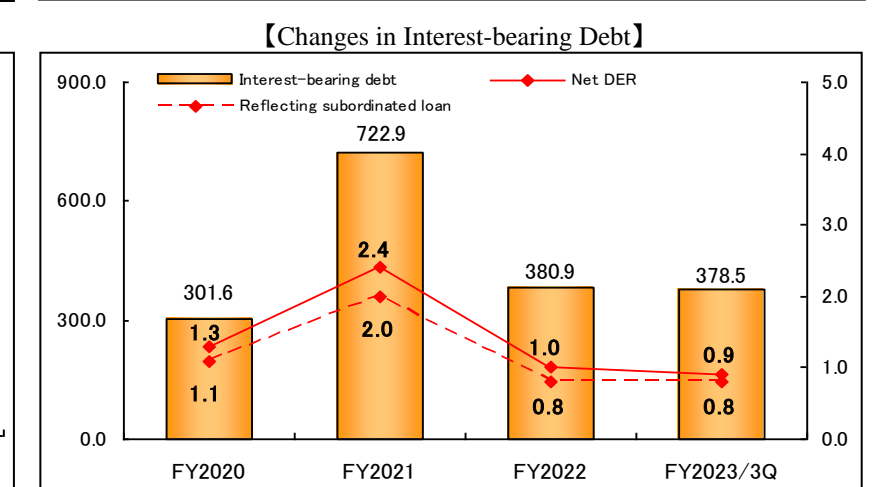
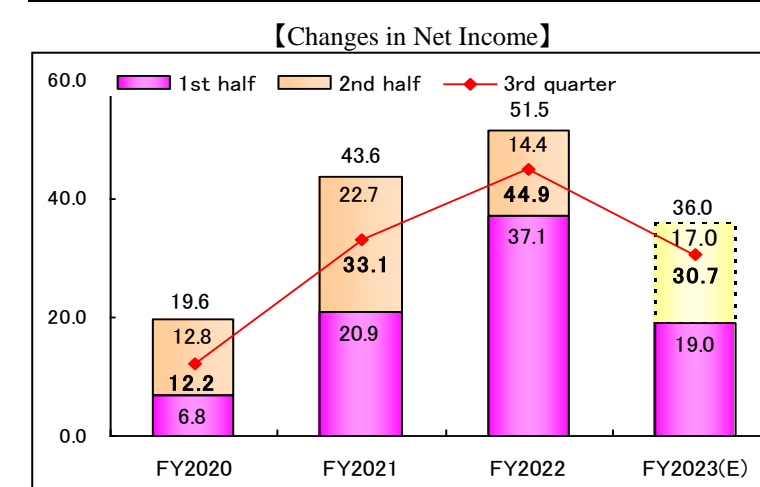
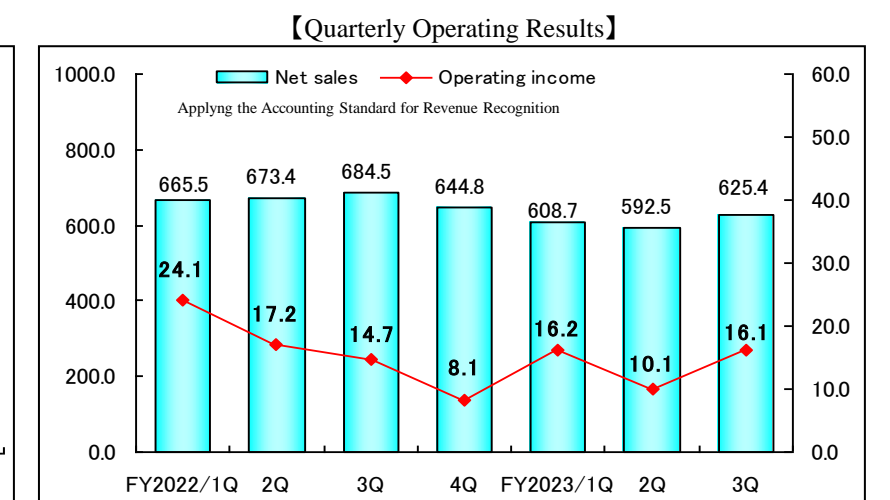
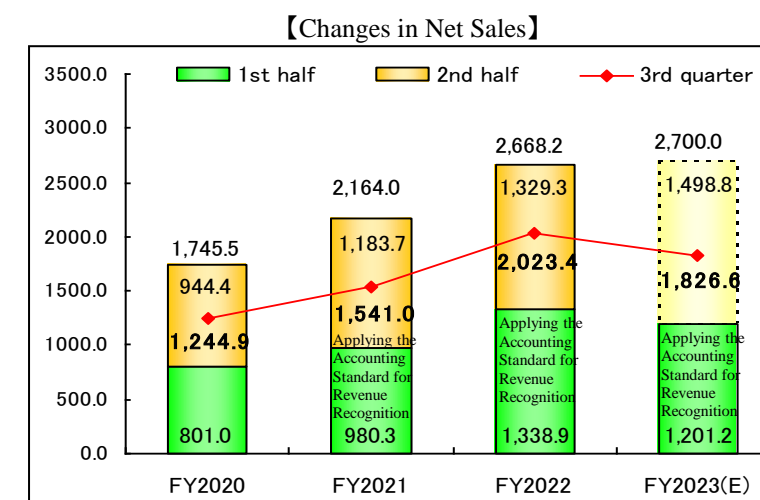
Operating Results	1Q-3Q of FY2022	1Q-3Q of FY2023	Y o Y		Main Factors
			Change	rate	
Net sales	2,023.4	1,826.6	(196.8)	(10%)	(Net sales) Net sales decreased by 10% YoY, to 1,826.6 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased. (SG&A expenses) SG & A expenses increased by 6.6 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income decreased by 8.6 billion yen and non-operating expenses decreased by 1.5 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.8 billion yen(YoY) Dividend income : decrease of 3.9 billion yen(YoY) Equity in earnings of affiliates : decrease of 4.4 billion yen(YoY) Foreign exchange gain/loss : 0.4 billion yen gain(last year) : 0.1 billion yen loss(this year) Interest expenses : decrease of 0.7 billion yen(YoY) (Extraordinary gain/loss) Gain on sales of property and equipment : 1.1 billion yen Gain on bargain purchase : decrease of 0.7 billion yen(YoY) Arbitration related income : decrease of 0.2 billion yen(YoY) Loss on devaluation of investment securities : increase of 0.8 billion yen(YoY) Value added taxes for prior periods : decrease of 0.3 billion yen(YoY)
Gross profit	101.4	94.4	(6.9)	(7%)	
SG&A expenses	45.3	51.9	6.6	15%	
Operating income	56.0	42.4	(13.6)	(24%)	
Non-operating income	18.7	10.1	(8.6)	(46%)	
Non-operating expenses	11.1	9.6	(1.5)	(14%)	
Ordinary income	63.6	42.9	(20.7)	(33%)	
Extraordinary gain	1.6	1.7	0.0	5%	
Extraordinary loss	0.6	1.1	0.5	79%	
Income before income taxes and others	64.6	43.5	(21.1)	(33%)	
Income taxes	17.9	12.2	(5.6)	(32%)	
Net income	46.7	31.2	(15.5)	(33%)	
Owners of the parent	44.9	30.7	(14.1)	(32%)	
Non-controlling interests	1.8	0.4	(1.3)	(74%)	
EPS (yen)	1,105.49	756.66	(348.83)	(32%)	
Comprehensive income	63.9	40.4	(23.4)	(37%)	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2022	1Q-3Q of FY2023	rate	1Q-3Q of FY2022	1Q-3Q of FY2023	rate	
Steel	941.4	939.9	(0%)	25.5	22.9	(10%)	(Steel business) Overall transaction volume decreased due to sluggish demand for stainless steel and a decline in the number of new housing starts. In addition, segment income decreased, because the profit margin, mainly at overseas subsidiaries, shrunk due to the impact of lower steel product prices compared to the same period of the previous fiscal year. (Primary metal business) Net sales decreased, because the transaction volume of stainless steel products decreased, as well as current adjustment phase of various merchandises. In addition, segment income decreased due to falls in dividend income from strategic investments and equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. (Metal recycling business) Net sales decreased, because prices of base metal were at a lower level on a global basis compared to the same period of the previous fiscal year, and transaction volume decreased due to weak demand for mainly stainless scrap. In addition, segment income decreased due to appraisal gain from commodity forwards contracts in hedge transactions shrunk. (Foods business) Although the crab market prices remained low compared to the same period of the previous fiscal year, which pushed down profits, they have recently been on a gradual recovery trend. In addition, the purchase cost risings of salmon, prawns and chickens started to be sufficiently reflected in the selling prices. (Energy & Living Materials business) Net sales and segment income decreased. Although transaction volume of the products such as palm kernel shells (PKS) and wood pellet increased, lower petroleum product prices compared to the same period of the previous fiscal year had affected greatly on the business performance. (Overseas sales subsidiaries) Net sales and segment income decreased. Transaction volume at sales subsidiaries, mainly in Indonesia and U.S., decreased. In addition, decreases in market prices of steel products and non-ferrous metal products put downward pressure on profit margins of overseas sales subsidiaries as a whole.
Primary Metal	201.9	159.8	(21%)	16.1	6.5	(60%)	
Metal Recycling	113.1	88.0	(22%)	5.0	1.0	(79%)	
Foods	101.0	98.1	(3%)	(0.8)	1.0	—	
Energy& Living Materials	274.5	247.4	(10%)	10.4	5.1	(51%)	
Overseas sales subsidiaries	352.9	258.8	(27%)	7.3	6.5	(11%)	
Total for reportable segments	1,985.1	1,792.3	(10%)	63.7	43.3	(32%)	
Other	113.9	90.6	(21%)	2.6	2.3	(9%)	
Total	2,099.1	1,883.0	(10%)	66.3	45.7	(31%)	
Adjustment	(75.6)	(56.3)	(26%)	(2.6)	(2.7)	4%	
Consolidated	2,023.4	1,826.6	(10%)	63.6	42.9	(33%)	

Topics

- Apr Established HANWA AUSTRALIA PTY LTD. as a subsidiary of the Company.
- Established HANWA PHILIPPINES CORPORATION as a subsidiary of the Company.
- Acquired 80% of the shares of TOHO METAL Co., Ltd. and made it a subsidiary of the Company.

Financial Position	Mar. 2023	Dec. 2023	Comparison with Mar. 2023		Main Factors
			Change	rate	
Total assets	1,157.7	1,152.6	(5.0)	(0%)	(Total Assets) Total assets decreased by 0.4% from the end of the previous fiscal year, mainly because of a decrease in cash and deposits and inventories.
(Current assets)	928.7	912.3	(16.4)	(2%)	
(Fixed assets)	229.0	240.3	11.3	5%	(Liabilities) Liabilities decreased by 5% from the end of the previous fiscal year, mainly because of redemption of commercial paper, as well as a decrease in income taxes payable after payment of taxes including corporate tax in which the business results of the previous fiscal year were reflected. As interest-bearing debt decreased by 1%, net debt-equity ratio was turned into 90% (*77%).
Total liabilities	848.9	809.6	(39.2)	(5%)	
(Interest-bearing debt)	380.9	378.5	(2.4)	(1%)	(Net assets) Total net assets increased 11% 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 29.3% (*31.5%), which is 3.1 percentage points higher than at the end of the previous fiscal year.
(Net interest-bearing debt)	296.7	304.7	7.9	3%	
Net DER	98%/83%*	90%/77%*	(8pt)	(8%)	*Reflecting equity credit attributes of the subordinated loan
Total net assets	308.8	343.0	34.2	11%	
(Equity capital)	270.8	296.5	25.7	10%	
(Valuation & translation adjustments)	32.2	41.2	8.9	28%	
(Non-controlling interests)	5.6	5.2	(0.4)	(8%)	
BPS (yen)	7,459.39	8,305.97	846.58	11%	
Shareholders' equity	303.1	337.7	34.6	11%	
Shareholders' equity ratio	26.2/28.3%*	29.3/31.5%*	3.1pt	12%	



Forecast (Annual)	FY2022	FY2023 (estimated)		Cash Dividends	FY2021	FY2022	FY2023 (estimated)
		change	rate				
Net sales	2,668.2	2,700.0	1%	Interim (yen)	50.00	50.00	85.00
Operating income	64.1	60.0	(6%)	Year-end (yen)	50.00	80.00	85.00
Ordinary income	64.2	50.0	(22%)	Annual (yen)	100.00	130.00	170.00
Net income attributable to owners of the parent	51.5	36.0	(30%)	DOE*	—	—	2.5%

* DOE (Dividend on equity ratio) = Total dividend / Beginning total shareholders' equity