

# Financial Results for the First Quarter ended June 30, 2023

(Japan GAAP)

August 8, 2023

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: August 8, 2023

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, 2023 (April 1, 2023 to June 30, 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 1st Quarter ended June 30, 2023	608,742	(8.5)	16,277	(32.6)	16,012	(52.0)	11,492	(51.9)
ended June 30, 2022	665,580	47.1	24,143	78.8	33,332	137.6	23,917	152.0

Note: Comprehensive income For the Fiscal Year ended June 30, 2023

13,157 million yen (60.9) %

For the Fiscal Year ended June 30, 2022

33,680 million yen 143.3 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 1st Quarter ended June 30, 2023	282.81	—
ended June 30, 2022	588.55	—

### (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, 2023	1,161,053	319,165	27.0	7,711.69
As of March 31, 2023	1,157,747	308,807	26.2	7,459.39

Note: Shareholders' equity

As of June 30, 2023

313,379 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	—				
Year ending March 31, 2024 (estimated)		85.00	—	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	

## Financial Results for the First Quarter ended June 30, 2023

## 《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2023	June 30, 2023
<b>Assets;</b>		
<b>Current assets;</b>		
Cash and deposits	84,187	86,661
Trade notes, accounts receivable and contract assets	448,980	436,383
Electronically recorded monetary claims	55,570	81,427
Inventories	253,964	259,264
Others	87,333	60,246
Allowance for doubtful receivables	(1,295)	(1,644)
<b>Total current assets</b>	<b>928,741</b>	<b>922,338</b>
<b>Fixed assets;</b>		
<b>Property and equipment;</b>		
Land	36,786	37,980
Others	50,330	51,519
<b>Total property and equipment</b>	<b>87,117</b>	<b>89,499</b>
<b>Intangible assets</b>	<b>10,807</b>	<b>10,651</b>
<b>Investments and other assets;</b>		
Investment securities	99,608	99,950
Others	34,088	40,909
Allowance for doubtful receivables	(2,613)	(2,295)
<b>Total investments and other assets</b>	<b>131,082</b>	<b>138,563</b>
<b>Total fixed assets</b>	<b>229,006</b>	<b>238,714</b>
<b>Total assets</b>	<b>1,157,747</b>	<b>1,161,053</b>
<b>Liabilities;</b>		
<b>Current liabilities;</b>		
Trade notes and accounts payable	278,823	282,558
Electronically record obligations	36,701	40,148
Short-term loans payable	83,127	78,735
Commercial paper	30,000	50,000
Current portion of bonds payable	10,000	—
Income taxes payable	14,822	5,735
Accrued bonuses	4,355	2,367
Provision for product warranties	56	132
Others	101,103	62,932
<b>Total current liabilities</b>	<b>558,990</b>	<b>522,610</b>
<b>Long-term liabilities;</b>		
Bonds payable	30,000	50,000
Long-term loans payable	224,843	229,686
Retirement benefits liabilities	4,285	4,326
Others	30,820	35,263
<b>Total long-term liabilities</b>	<b>289,949</b>	<b>319,276</b>
<b>Total liabilities</b>	<b>848,940</b>	<b>841,887</b>
<b>Net assets;</b>		
<b>Shareholders' equity;</b>		
Common stock	45,651	45,651
Capital surplus	26	26
Retained earnings	228,920	237,482
Treasury stock	(3,730)	(3,730)
<b>Total shareholders' equity</b>	<b>270,866</b>	<b>279,429</b>
<b>Accumulated other comprehensive income;</b>		
Net unrealized holding gains on securities	23,972	23,600
Deferred hedge profit and loss	673	954
Land revaluation difference	1,975	1,975
Foreign currency translation adjustments	8,360	10,047
Remeasurements of defined benefit plans	(2,720)	(2,627)
<b>Total accumulated other comprehensive income</b>	<b>32,260</b>	<b>33,950</b>
<b>Non-controlling interests</b>	<b>5,680</b>	<b>5,785</b>
<b>Total net assets</b>	<b>308,807</b>	<b>319,165</b>
<b>Total liabilities and net assets</b>	<b>1,157,747</b>	<b>1,161,053</b>

## Financial Results for the First Quarter ended June 30, 2023

## 《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, 2022	Year ended June 30, 2023
<b>Net sales</b>	665,580	<b>608,742</b>
Cost of sales	626,705	<b>576,200</b>
<b>Gross profit</b>	<b>38,874</b>	<b>32,542</b>
Selling, general and administrative expenses	14,731	<b>16,264</b>
<b>Operating income</b>	<b>24,143</b>	<b>16,277</b>
<b>Other income;</b>		
Interest income	525	<b>883</b>
Dividend income	5,947	<b>1,386</b>
Equity in earnings of affiliates	2,030	<b>346</b>
Foreign exchange gain	2,916	—
Others	456	<b>661</b>
Total other income	11,876	<b>3,277</b>
<b>Other expenses;</b>		
Interest expenses	2,046	<b>2,179</b>
Foreign exchange loss	—	<b>386</b>
Others	640	<b>975</b>
Total other expenses	2,686	<b>3,542</b>
<b>Ordinary income</b>	<b>33,332</b>	<b>16,012</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 non-controlling interests</b>	<b>33,853</b>	<b>16,012</b>
<b>Income taxes</b>	<b>9,394</b>	<b>4,536</b>
<b>Net income</b>	<b>24,459</b>	<b>11,475</b>
<b>Net income (loss) attributable to</b>		
Owners of the parent	23,917	<b>11,492</b>
Non-controlling interests	542	<b>(16)</b>
<b>Other Comprehensive Income</b>		
Net unrealized holding gains on securities	1,414	<b>(426)</b>
Deferred hedge profit and loss	1,644	<b>280</b>
Foreign currency translation adjustments	5,110	<b>1,644</b>
Remeasurements of defined benefit plans	162	<b>109</b>
Share of other comprehensive income of associates accounted for using equity method	888	<b>74</b>
Total other comprehensive Income	9,221	<b>1,682</b>
<b>Comprehensive Income</b>	<b>33,680</b>	<b>13,157</b>
<b>Comprehensive income (loss) attributable to</b>		
Owners of the parent	32,816	<b>13,182</b>
Non-controlling interests	864	<b>(24)</b>

## Financial Results for the First Quarter ended June 30, 2023

## 《Segment information》

Segment information by business category for the 1st Quarter ended June 30, 2022 and 2023, is as follows:

(Amounts less than one million yen are rounded down)

## 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

## 1st Quarter ended June 30, 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	312,977	60,845	28,910	28,633	67,686	78,494	577,548	31,194	608,742	—	608,742
Inter-segment	5,833	696	560	134	1,326	8,294	16,845	1,831	18,677	(18,677)	—
Total	318,811	61,541	29,470	28,768	69,012	86,789	594,393	33,025	627,419	(18,677)	608,742
Segment income	8,401	4,302	868	497	1,329	2,026	17,425	1,502	18,927	(2,914)	16,012

## 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.

# Highlights of Consolidated Financial Results for the 1st Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

## Outline of Financial Results for the 1st Quarter of FY2023

• During the 1st quarter of fiscal year, net sales decreased by 9% YoY, to 608.7 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 33% YoY, to 16.2 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 52% YoY, to 16.0 billion yen, mainly because dividend income from strategic investments decreased, 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. Net income attributable to owners of the parent decreased by 52% to 11.4 billion yen.

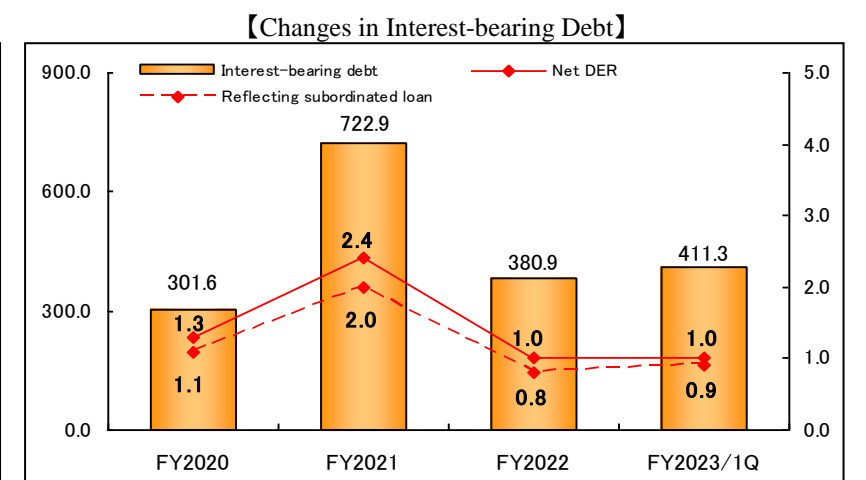
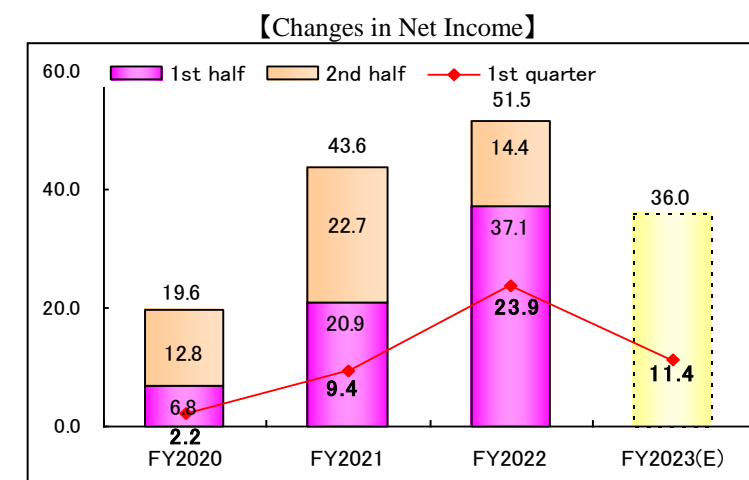
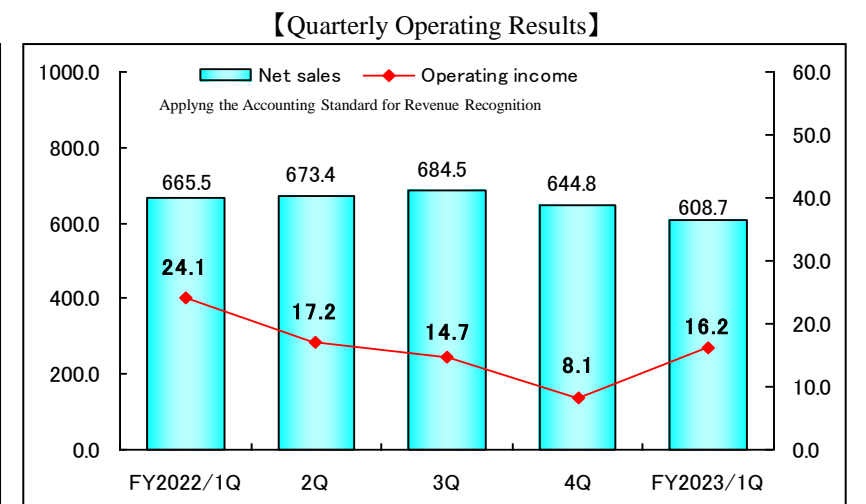
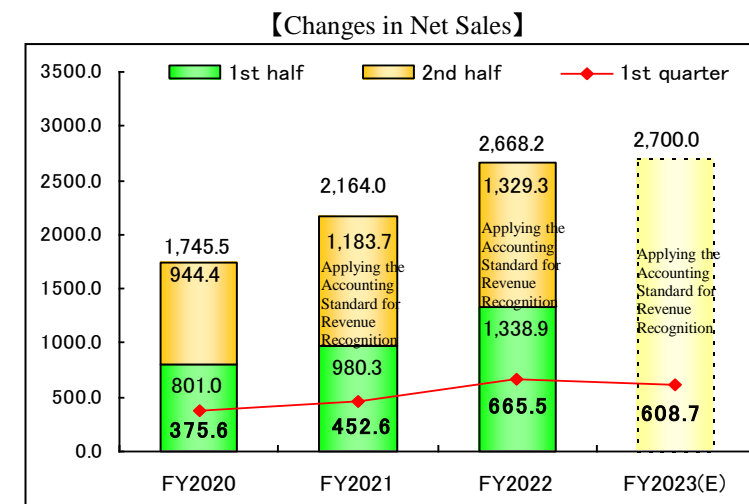
• We plan to pay 170 yen as the annual (85 yen as the interim and 85 yen as the year-end) dividend.

Operating Results	1Q of FY2022	1Q of FY2023	Y o Y		Main Factors
			Change	rate	
<b>Net sales</b>	<b>665.5</b>	<b>608.7</b>	<b>(56.8)</b>	<b>(9%)</b>	(Net sales) Net sales decreased by 9% YoY, to 608.7 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 1.5 billion yen YoY, with 50 million yen of this figure deriving from newly consolidated subsidiaries.  (Non-operating income/expenses) Non-operating income decreased by 8.5 billion yen and non-operating expenses increased by 0.8 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.3 billion yen(YoY) Dividend income : decrease of 4.5 billion yen(YoY) Equity in earnings of affiliates : decrease of 1.6 billion yen(YoY) Foreign exchange gain : decrease of 3.3 billion yen(YoY) Interest expenses : increase of 0.1 billion yen(YoY)  (Extraordinary gain/loss) Gain on sale of investment securities : decrease of 0.5 billion yen(YoY) Arbitration related income : decrease of 0.2 billion yen(YoY) Loss on devaluation of investment securities : decrease of 0.2 billion yen(YoY)
<b>Gross profit</b>	<b>38.8</b>	<b>32.5</b>	<b>(6.3)</b>	<b>(16%)</b>	
SG&A expenses	14.7	16.2	1.5	10%	
<b>Operating income</b>	<b>24.1</b>	<b>16.2</b>	<b>(7.8)</b>	<b>(33%)</b>	
Non-operating income	11.8	3.2	(8.5)	(72%)	
Non-operating expenses	2.6	3.5	0.8	32%	
<b>Ordinary income</b>	<b>33.3</b>	<b>16.0</b>	<b>(17.3)</b>	<b>(52%)</b>	
Extraordinary gain	0.7	—	(0.7)	(100%)	
Extraordinary loss	0.2	—	(0.2)	(100%)	
<b>Income before income taxes and others</b>	<b>33.8</b>	<b>16.0</b>	<b>(17.8)</b>	<b>(53%)</b>	
Income taxes	9.3	4.5	(4.8)	(52%)	
<b>Net income</b>	<b>24.4</b>	<b>11.4</b>	<b>(12.9)</b>	<b>(53%)</b>	
Owners of the parent	23.9	11.4	(12.4)	(52%)	
Non-controlling interests	0.5	(0.0)	(0.5)	—	
<b>EPS (yen)</b>	<b>588.55</b>	<b>282.81</b>	<b>(305.74)</b>	<b>(52%)</b>	
<b>Comprehensive income</b>	<b>33.6</b>	<b>13.1</b>	<b>(20.5)</b>	<b>(61%)</b>	

Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2022	1Q of FY2023	rate	1Q of FY2022	1Q of FY2023	rate	
Steel	308.8	318.8	3%	10.1	8.4	(18%)	(Steel business) Net sales increased. The number of the projects handled increased thanks to enhanced ability to provide solutions mainly in the domestic construction industry, and good business performance of Tanaka Steel Trading Co., Ltd. that became a consolidated subsidiary in the third quarter in previous financial year contributed to the overall business performance of the Company. On the other hand, segment income decreased, because profit margin shrunk at some overseas sales subsidiaries due to price declines of steel products. (Primary metals business) Net sales increased, because of increases in transaction volume of some products represented by nickel and ferro chrome. On the other hand, segment income decreased due to falls in dividend income from strategic investments and equity in earnings of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., in addition to shrink of profit margin as the result of lower market prices. (Metal recycling business) Net sales decreased, because prices of base metal were at a lower level on a global basis on a year-on-year comparison as the result of the concerns about economic slowdown in each country, and transaction volume decreased due to weak demand for stainless scrap and copper scrap. In addition, segment income decreased due to appraisal gain from commodity forwards contracts in hedge transactions shrunk. (Foods business) Net sales decreased both in the Company and consolidated subsidiaries despite the transaction volume that was almost same with the previous fiscal year, due to crab market prices that had continued to decrease from the previous fiscal year. On the other hand, segment income increased due to purchase cost risings of 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, sharp decrease in petroleum products 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 due to sluggish demand for steel in overseas markets. 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	58.6	61.5	5%	6.7	4.3	(36%)	
Metal Recycling	43.1	29.4	(32%)	4.9	0.8	(82%)	
Foods	29.1	28.7	(1%)	0.3	0.4	44%	
Energy& Living Materials	88.5	69.0	(22%)	2.8	1.3	(53%)	
Overseas sales subsidiaries	126.0	86.7	(31%)	2.6	2.0	(25%)	
Total for reportable segments	654.4	594.3	(9%)	27.7	17.4	(37%)	
Other	39.3	33.0	(16%)	1.7	1.5	(15%)	
<b>Total</b>	<b>693.8</b>	<b>627.4</b>	<b>(10%)</b>	<b>29.5</b>	<b>18.9</b>	<b>(36%)</b>	
Adjustment	(28.2)	(18.6)	(34%)	3.8	(2.9)	—	
<b>Consolidated</b>	<b>665.5</b>	<b>608.7</b>	<b>(9%)</b>	<b>33.3</b>	<b>16.0</b>	<b>(52%)</b>	

**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	Jun. 2023	Comparison with Mar. 2023		Main Factors
			Change	rate	
<b>Total assets</b>	<b>1,157.7</b>	<b>1,161.0</b>	<b>3.3</b>	<b>0%</b>	(Total Assets) Total assets increased by 0.3% from the end of the previous fiscal year, mainly because of increases in trade receivables and Inventories.
(Current assets)	928.7	922.3	(6.4)	(1%)	
(Fixed assets)	229.0	238.7	9.7	4%	(Liabilities) Liabilities decreased by 0.8% from the end of the previous fiscal year, mainly because of redemption of current portion of bonds payable, as well as a decrease in accrued income taxes after payment of taxes including corporate tax in which the business results of the previous fiscal year were reflected. As interest-bearing debt increased by 8%, net debt-equity ratio was turned into 104% (*89%).
<b>Total liabilities</b>	<b>848.9</b>	<b>841.8</b>	<b>(7.0)</b>	<b>(1%)</b>	
(Interest-bearing debt)	380.9	411.3	30.3	8%	(Net assets) Total net assets increased 3% 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 27.0% (*29.1%), which is 0.8 percentage points higher than at the end of the previous fiscal year.  *Reflecting equity credit attributes of the subordinated loan
(Net interest-bearing debt)	296.7	324.7	27.9	9%	
Net DER	98%/83*%	104%/89*%	6pt	6%	
<b>Total net assets</b>	<b>308.8</b>	<b>319.1</b>	<b>10.3</b>	<b>3%</b>	
(Equity capital)	270.8	279.4	8.5	3%	
(Valuation & translation adjustments)	32.2	33.9	1.6	5%	
(Non-controlling interests)	5.6	5.7	0.1	2%	
BPS (yen)	7,459.39	7,711.69	252.30	3%	
Shareholders' equity	303.1	313.3	10.2	3%	
Shareholders' equity ratio	26.2/28.3*%	27.0/29.1*%	0.8pt	3%	



Forecast (Annual)	FY2022	FY2023 (estimated)		Cash Dividends	FY2021	FY2022	FY2023 (estimated)
			change				
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'