

Financial Results for the First Quarter ended June 30, 2024

(Japan GAAP)

August 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 payout of dividend: -

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the First Quarter ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(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 First Quarter ended June 30, 2024	618,454	1.6	13,135	(19.3)	12,361	(22.8)	9,213	(19.8)
ended June 30, 2023	608,742	(8.5)	16,277	(32.6)	16,012	(52.0)	11,492	(51.9)

(Note) Comprehensive income For the First Quarter ended June 30, 2024 13,694 million yen 4.1 %
For the First Quarter ended June 30, 2023 13,157 million yen (60.9) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the First Quarter ended June 30, 2024	227.66	—
ended June 30, 2023	282.81	—

(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, 2024	1,177,402	364,503	30.5	8,885.01
As of March 31, 2024	1,166,986	356,765	30.1	8,636.03

(Note) Shareholders' equity As of June 30, 2024 358,591 million yen
As of March 31, 2024 351,212 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, 2024	—	85.00	—	100.00	185.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (estimated)		105.00	—	105.00	210.00

(Note) Changes in dividends forecast from the latest disclosed information: None

3. Forecast of consolidated financial results for fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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	2,800,000	15.1	61,000	22.7	60,000	24.3	43,000	11.9	1,057.34

(Note) Changes in earnings forecast from the latest disclosed information: None

Financial Results for the First Quarter ended June 30, 2024

※Notes:

- (1) Significant changes in the scope of consolidation during the period: Yes
 Newly included: 3 Companies (Company name) Guangzhou Hanwa Trading Co., Ltd.
 Other subsidiaries (2 companies)
- (2) Application of specific accounting of the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, accounting estimates and retrospective restatement
 1) Changes in accounting policies based on revisions of accounting standards: Yes
 2) Changes in accounting policies other than ones based on revisions of accounting standards: None
 3) Changes in accounting estimates: None
 4) Retrospective restatement: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury stock)

As of June 30, 2024	42,322,640 shares	As of March 31, 2024	42,332,640 shares
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2) Number of treasury stock at the end of the period

As of June 30, 2024	1,973,453 shares	As of March 31, 2024	1,664,411 shares
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3) Average number of shares during the period

As of June 30, 2024	40,469,823 shares	As of June 30, 2023	40,636,976 shares
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- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes

* Explanation regarding the appropriate usage of financial forecasts and other special instructions

Forward-looking statements, such as financial forecasts, presented in this document are based on information available and certain assumptions the Company deemed to be reasonable at the time of publication, and the Company does not guarantee its future performance. Actual results may differ significantly due to various factors.

Financial Results for the First Quarter ended June 30, 2024

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2024	June 30, 2024
Assets;		
Current assets;		
Cash and deposits	76,525	71,951
Trade notes, accounts receivable and contract assets	445,825	426,168
Electronically recorded monetary claims	95,615	89,277
Inventories	249,490	266,875
Others	51,406	62,454
Allowance for doubtful receivables	(1,694)	(1,730)
Total current assets	917,168	914,996
Fixed assets;		
Property and equipment;		
Land	37,401	37,443
Others	51,544	52,093
Total property and equipment	88,945	89,537
Intangible assets	10,006	9,818
Investments and other assets;		
Investment securities	106,062	117,697
Others	47,239	47,740
Allowance for doubtful accounts	(2,436)	(2,388)
Total investments and other assets	150,865	163,049
Total fixed assets	249,818	262,405
Total assets	1,166,986	1,177,402
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	303,848	293,684
Electronically recorded obligations	46,879	39,319
Short-term loans payable	72,080	84,554
Commercial paper	—	10,000
Income taxes payable	2,602	5,499
Accrued bonuses to employees	3,730	2,679
Provision for product warranties	95	75
Others	57,318	56,914
Total current liabilities	486,555	492,728
Long-term liabilities;		
Bonds payable	50,000	50,000
Long-term loans payable	239,957	234,928
Retirement benefit liability	1,353	1,409
Others	32,354	33,831
Total long-term liabilities	323,665	320,169
Total liabilities	810,220	812,898
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	1,301	1,304
Retained earnings	260,959	266,224
Treasury stock	(3,662)	(5,662)
Total shareholders' equity	304,249	307,517
Accumulated other comprehensive income;		
Valuation difference on available-for-sale securities, net of taxes	27,511	26,687
Deferred gains or losses on hedges, net of taxes	630	1,801
Land revaluation difference, net of taxes	1,966	1,966
Foreign currency translation adjustments	14,427	18,157
Remeasurements of defined benefit plans	2,426	2,461
Total accumulated other comprehensive income	46,962	51,074
Non-controlling interests	5,553	5,911
Total net assets	356,765	364,503
Total liabilities and net assets	1,166,986	1,177,402

Financial Results for the First Quarter ended June 30, 2024

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	1st Quarter ended June 30, 2023	1st Quarter ended June 30, 2024
Net sales	608,742	618,454
Cost of sales	576,200	586,999
Gross profit	32,542	31,454
Selling, general and administrative expenses	16,264	18,318
Operating income	16,277	13,135
Other income;		
Interest income	883	1,004
Dividend income	1,386	1,337
Share of profit of entities accounted for using the equity method	346	703
Others	661	404
Total other income	3,277	3,448
Other expenses;		
Interest expenses	2,179	2,221
Foreign exchange loss	386	1,260
Others	975	741
Total other expenses	3,542	4,223
Ordinary income	16,012	12,361
Extraordinary income;		
Gain on sales of investment securities	—	1,106
Gain on sales of investments in capital of subsidiaries and associates	—	332
Total extraordinary income	—	1,438
Income before income taxes	16,012	13,799
Income taxes	4,536	4,462
Net income	11,475	9,337
Net income attributable to;		
Owners of the parent	11,492	9,213
Non-controlling interests	(16)	123
Other comprehensive income;		
Valuation difference on available-for-sale securities, net of taxes	(426)	(854)
Deferred gains or losses on hedges, net of taxes	280	1,171
Foreign currency translation adjustment	1,644	3,606
Remeasurements of defined benefit plans, net of taxes	109	40
Share of other comprehensive income of entities accounted for using the equity method	74	394
Total other comprehensive income	1,682	4,357
Comprehensive income	13,157	13,694
Comprehensive income attributable to;		
Owners of the parent	13,182	13,325
Non-controlling interests	(24)	368

Financial Results for the First Quarter ended June 30, 2024

《Other information》

(1) Changes in accounting policies

Application of Accounting Standard for Current Income Taxes

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27; October 28, 2022; hereinafter, "2022 Revised Accounting Standard") has been applied since the beginning of the first quarter ended June 30, 2024.

Revisions concerning the recognition classification of income taxes follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28; October 28, 2022; hereinafter, "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

Regarding the revisions related to the review of treatment in consolidated financial statements when conducting a tax deferral of gains or losses on sale arising from the sale of subsidiary shares, etc. between consolidated companies, the 2022 Revised Guidance has been applied since the beginning of the first quarter ended June 30, 2024. This change in accounting policy is applied retrospectively, and the consolidated financial statements for the previous year's quarters and the previous consolidated fiscal year are after retrospective application. This change in accounting policy has no impact on the consolidated financial statements for the previous year's quarters and the previous consolidated fiscal year for ended March 31, 2024.

(2) Application of specific accounting of the quarterly consolidated financial statements

Calculation of tax expense

Income taxes are determined based on the amount of income before income taxes for the current first quarter ended June 30, 2024 multiplied by the effective tax rate, after application of tax-effect accounting, estimated for the entire fiscal year ending March 31, 2025. However, if using this estimated effective tax rate results in extremely unreasonable tax expenses, the statutory effective tax rate is used after adjusting net income (loss) before income taxes for material differences that are not temporary.

Financial Results for the First Quarter ended June 30, 2024

(3) Segment information

1 Segment information by business category for the 1st Quarter ended June 30, 2023 and 2024, is as follows:

(Amounts less than one million yen are rounded down)

First Quarter ended June 30, 2023

Millions of yen

	Reportable segment							Other business	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	301,296	52,939	45,163	28,633	67,686	78,494	574,214	34,528	608,742	—	608,742
Intersegment	6,519	913	506	134	1,326	8,294	17,694	2,210	19,905	(19,905)	—
Total	307,816	53,852	45,669	28,768	69,012	86,789	591,909	36,739	628,648	(19,905)	608,742
Segment income	8,258	4,070	1,186	497	1,329	2,026	17,369	1,558	18,927	(2,914)	16,012

First Quarter ended June 30, 2024

Millions of yen

	Reportable segment							Other business	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	282,650	43,276	53,125	28,754	91,519	88,266	587,591	30,862	618,454	—	618,454
Intersegment	11,309	2,612	966	568	2,080	9,247	26,785	1,214	27,999	(27,999)	—
Total	293,959	45,888	54,091	29,322	93,600	97,513	614,377	32,076	646,453	(27,999)	618,454
Segment income	7,738	1,189	778	392	1,470	1,638	13,208	964	14,172	(1,811)	12,361

(Notes)

1. "Other business" represents businesses such as the housing materials section and machinery section which are not included in reportable segments. From the beginning of the first quarter ended June 30, 2024, we have changed the name of the lumber section to the housing materials section.
2. Adjustments for segment income include intersegment 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 or loss on the consolidated statements of income and comprehensive income.

2 Matters Concerning Changes in Reportable Segments

Changes in the Classification Method of Reportable Segments

From the beginning of the first quarter ending June 30, 2024, the Companies have changed their method of classification of business segments, integrating a part of the steel business into the primary metal business and the other business, and integrating a part of the primary metal business into the metal recycling business. Segment information of the first quarter ended June 30, 2023 has been recomposed by the new classification method.

Financial Results for the First Quarter ended June 30, 2024

(4) Note on significant changes in shareholders' equity.

The Company has acquired 309,000 shares of treasury stock during the first quarter ended June 30, 2024, based on the resolution of the Board of Directors meeting held on May 10, 2024. As a result of this acquisition, the amount of treasury stocks increased by 1,999 million yen, resulting in treasury stock of 5,662 million yen as of June 30, 2024.

(5) Note on a going concern

None

(6) Note on statement of cash flows

Quarterly consolidated statements of cash flows have not been prepared for the first quarter ended June 30, 2024. Depreciation and Amortization of goodwill for the first quarter ended June 30, 2023 and 2024 are as follows.

	First Quarter ended June 30, 2023 (April 1, 2023 to June 30, 2023)	First Quarter ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Depreciation	¥2,206 million	¥2,289 million
Amortization of goodwill	18	20

Highlights of Consolidated Financial Results for the 1st Quarter of FY2024

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 1st Quarter of FY2024

• During the 1st quarter of this fiscal year, net sales increased by 2% YoY, to 618.4 billion yen, because transaction volume mainly represented by Energy & Living Materials business and Metal Recycling business increased. Operating income decreased by 19% YoY, to 13.1 billion yen, because prices of certain steel and non-ferrous metals were at lower levels on a year-on-year comparison, furthermore costs of transportation and labor increased, and ordinary income decreased by 23% YoY, to 12.3 billion yen, because foreign exchange loss increased notwithstanding the share of profit of entities accounted for using the equity method increased. Net income attributable to owners of the parent decreased by 20% YoY, to 9.2 billion yen.

• We plan to pay 210 yen as the annual (105 yen as the interim and 105 yen as the year-end) dividend.

Operating Results	1Q of FY2023	1Q of FY2024	Y o Y		Main Factors
			Change	rate	
Net sales	608.7	618.4	9.7	2%	(Net sales) Net sales increased by 2% YoY, to 618.4 billion yen, because transaction volume mainly represented by Energy & Living Materials business and Metal Recycling business increased on a year-on-year comparison. (SG&A expenses) SG&A expenses increased by 2 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income increased by 0.1 billion yen and non-operating expenses increased by 0.6 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.1 billion yen(YoY) Share of profit of entities accounted for using the equity method : increase of 0.3 billion yen(YoY) Foreign exchange loss : increase of 0.8 billion yen(YoY) (Extraordinary gain/loss) Gain on sales of investment securities : 1.1 billion yen Gain on sales of investments in capital of subsidiaries and associates : increase of 0.3 billion yen
Gross profit	32.5	31.4	(1.0)	(3%)	
SG&A expenses	16.2	18.3	2.0	13%	
Operating income	16.2	13.1	(3.1)	(19%)	
Non-operating income	3.2	3.4	0.1	5%	
Non-operating expenses	3.5	4.2	0.6	19%	
Ordinary income	16.0	12.3	(3.6)	(23%)	
Extraordinary gain	—	1.4	1.4	—	
Extraordinary loss	—	—	—	—	
Income before income taxes	16.0	13.7	(2.2)	(14%)	
Income taxes	4.5	4.4	(0.0)	(2%)	
Net income	11.4	9.3	(2.1)	(19%)	
Owners of the parent	11.4	9.2	(2.2)	(20%)	
Non-controlling interests	(0.0)	0.1	0.1	—	
EPS (yen)	282.81	227.66	(55.15)	(19%)	
Comprehensive income	13.1	13.6	0.5	4%	

Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2023	1Q of FY2024	rate	1Q of FY2023	1Q of FY2024	rate	
Steel	307.8	293.9	(5%)	8.2	7.7	(6%)	(Steel) Net sales decreased, because transaction volume of steel sheets and wire products decreased. In addition, segment income decreased, due to increase of labor costs. (Primary metal) Net sales decreased, because transaction volume mainly represented by nickel and ferro chrome decreased. In addition, segment income decreased, due to the result of lower market prices of various products and rising transportation cost. (Metal recycling) Net sales increased, because transaction volume of gold ingots and copper scraps increased. On the other hand, segment income decreased due to the result of lower market prices of nickel compared to the same period of the previous fiscal year. (Food) Net sales increased, because the market of foods represented by crab was high compared to the same period of the previous fiscal year. On the other hand, segment income decreased due to the purchase costs of various products arising attributed to the depreciation of the yen. (Energy & Living Materials) Net sales increased, because transaction volume of bunker oil products increased. In addition, segment income increased due to the transaction volume and sales price of urea products increased. (Overseas sales subsidiaries) Net sales increased, because of the increase of new transaction in China and the newly consolidation of companies, which were accounted for the equity method in the previous fiscal year. Segment income decreased, due to the result of lower prices of steel products in Asia, compared to the same period of the previous fiscal year.
Primary Metal	53.8	45.8	(15%)	4.0	1.1	(71%)	
Metal Recycling	45.6	54.0	18%	1.1	0.7	(34%)	
Foods	28.7	29.3	2%	0.4	0.3	(21%)	
Energy & Living Materials	69.0	93.6	36%	1.3	1.4	11%	
Overseas sales subsidiaries	86.7	97.5	12%	2.0	1.6	(19%)	
Total for reportable segments	591.9	614.3	4%	17.3	13.2	(24%)	
Other	36.7	32.0	(13%)	1.5	0.9	(38%)	
Total	628.6	646.4	3%	18.9	14.1	(25%)	
Adjustment	(19.9)	(27.9)	41%	(2.9)	(1.8)	(38%)	
Consolidated	608.7	618.4	2%	16.0	12.3	(23%)	

Topics

- Apr Established HANWA BUSSINESS PARTNERS LTD. as a subsidiary of the Company.
- May PT. HANWA INDONESIA, a subsidiary of the Company, acquired 15% of the shares of PT GARUDA YAMATO STEEL.

Financial Position	Mar. 2024	Jun. 2024	Comparison with Mar. 2024	
			Change	rate
Total assets	1,166.9	1,177.4	10.4	1%
(Current assets)	917.1	914.9	(2.1)	(0%)
(Fixed assets)	249.8	262.4	12.5	5%
Total liabilities	810.2	812.8	2.6	0%
(Interest-bearing debt)	365.4	382.8	17.4	5%
(Net interest-bearing debt)	288.9	310.9	21.9	8%
Net DER	82%/70**%	86%/74**%	4pt	5%
Total net assets	356.7	364.5	7.7	2%
(Shareholders' equity)	304.2	307.5	3.2	1%
(Accumulated Other Comprehensive Income)	46.9	51.0	4.1	9%
(Non-controlling interests)	5.5	5.9	0.3	6%
BPS (yen)	8,636.03	8,885.01	248.98	3%
Equity capital	351.2	358.5	7.3	2%
Equity ratio	30.1/32.2**%	30.5/32.6**%	0.4pt	1%

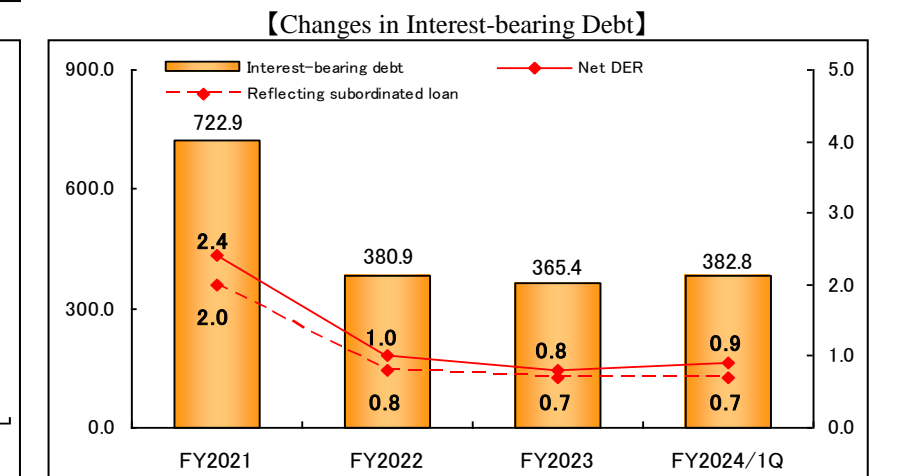
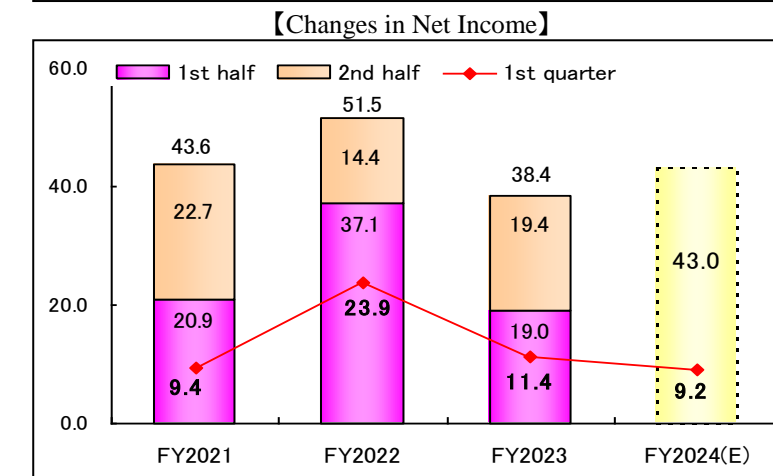
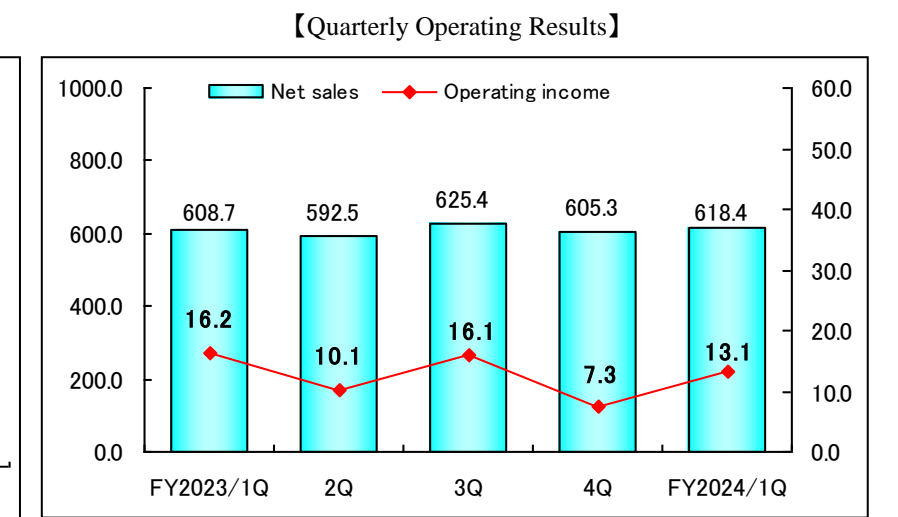
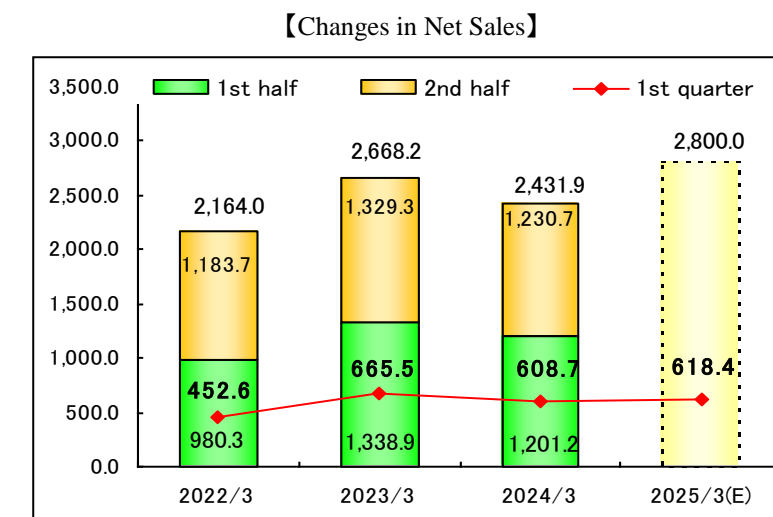
Main Factors

(Total Assets)
 Total assets increased by 0.9% from the end of the previous fiscal year, mainly because inventories and investment securities increased.

(Liabilities)
 Liabilities increased by 0.3% from the end of the previous fiscal year, mainly because of increase of short-term loans payable, as well as issuance of commercial paper. As interest-bearing debt increased by 5%, net debt-equity ratio was turned into 86% (*74%).

(Net assets)
 Total net assets increased 2% 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. Equity ratio was 30.5% (*32.6%), which is 0.4 percentage points higher than at the end of the previous fiscal year.

*Reflecting equity credit attributes of the subordinated loan



Forecast (Annual)	FY2023	FY2024 (estimated)	
		change	rate
Net sales	2,431.9	2,800.0	15%
Operating income	49.7	61.0	23%
Ordinary income	48.2	60.0	24%
Net income attributable to owners of the parent	38.4	43.0	12%

Cash Dividends	FY2022	FY2023	FY2024 (estimated)	
			change	rate
Interim (yen)	50.00	85.00	105.00	
Year-end (yen)	80.00	100.00	105.00	
Annual (yen)	130.00	185.00	210.00	
DOE*	—	2.7%	2.8%	

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