

Financial Results for the Second Quarter ended September 30, 2023

(Japan GAAP)
November 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: November 8, 2023
 Scheduled date of payout of dividend: November 30, 2023

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Second Quarter ended September 30, 2023 (April 1, 2023 to September 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 2nd Quarter ended September 30, 2023	1,201,276	(10.3)	26,339	(36.3)	27,444	(48.2)	19,076	(48.7)
ended September 30, 2022	1,338,965	36.6	41,374	36.0	52,958	73.0	37,189	77.1

Note: Comprehensive income For the Fiscal Year ended September 30, 2023 29,989 million yen (47.6) %
 For the Fiscal Year ended September 30, 2022 57,236 million yen 109.9 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 2nd Quarter ended September 30, 2023	469.32	—
ended September 30, 2022	915.15	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of September 30, 2023	1,183,200	336,014	28.0	8,132.89
As of March 31, 2023	1,157,747	308,807	26.2	7,459.39

Note: Shareholders' equity As of September 30, 2023 330,751 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 Second Quarter ended September 30, 2023

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2023	September 30, 2023
Assets;		
Current assets;		
Cash and deposits	84,187	77,490
Trade notes, accounts receivable and contract assets	448,980	453,051
Electronically recorded monetary claims	55,570	103,557
Inventories	253,964	254,054
Others	87,333	53,930
Allowance for doubtful receivables	(1,295)	(1,678)
Total current assets	928,741	940,405
Fixed assets;		
Property and equipment;		
Land	36,786	38,039
Others	50,330	52,860
Total property and equipment	87,117	90,900
Intangible assets	10,807	10,423
Investments and other assets;		
Investment securities	99,608	104,240
Others	34,088	39,961
Allowance for doubtful receivables	(2,613)	(2,731)
Total investments and other assets	131,082	141,470
Total fixed assets	229,006	242,794
Total assets	1,157,747	1,183,200
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	278,823	308,536
Electronically record obligations	36,701	39,908
Short-term loans payable	83,127	91,940
Commercial paper	30,000	40,000
Current portion of bonds payable	10,000	—
Income taxes payable	14,822	7,708
Accrued bonuses	4,355	3,624
Provision for product warranties	56	124
Others	101,103	50,049
Total current liabilities	558,990	541,892
Long-term liabilities;		
Bonds payable	30,000	50,000
Long-term loans payable	224,843	213,054
Retirement benefits liabilities	4,285	4,323
Others	30,820	37,915
Total long-term liabilities	289,949	305,293
Total liabilities	848,940	847,185
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	26	1,301
Retained earnings	228,920	245,067
Treasury stock	(3,730)	(3,661)
Total shareholders' equity	270,866	288,357
Accumulated other comprehensive income;		
Net unrealized holding gains on securities	23,972	26,662
Deferred hedge profit and loss	673	2,337
Land revaluation difference	1,975	1,975
Foreign currency translation adjustments	8,360	13,942
Remeasurements of defined benefit plans	(2,720)	(2,523)
Total accumulated other comprehensive income	32,260	42,393
Non-controlling interests	5,680	5,263
Total net assets	308,807	336,014
Total liabilities and net assets	1,157,747	1,183,200

Financial Results for the Second Quarter ended September 30, 2023

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	2nd Quarter ended September 30, 2022	2nd Quarter ended September 30, 2023
Net sales	1,338,965	1,201,276
Cost of sales	1,267,834	1,140,980
Gross profit	71,131	60,295
Selling, general and administrative expenses	29,756	33,955
Operating income	41,374	26,339
Other income;		
Interest income	1,875	2,734
Dividend income	6,421	1,759
Equity in earnings of affiliates	7,141	2,080
Foreign exchange gain	1,763	—
Others	1,076	903
Total other income	18,278	7,477
Other expenses;		
Interest expenses	4,503	4,408
Foreign exchange loss	—	100
Others	2,190	1,864
Total other expenses	6,693	6,373
Ordinary income	52,958	27,444
Extraordinary income;		
Gain on sale of investment securities	541	—
Arbitration related income	259	—
Total extraordinary income	800	—
Extraordinary loss;		
Loss on devaluation of investment securities	251	623
Value added taxes for prior periods	57	—
Total extraordinary loss	309	623
Income before income taxes and non-controlling interests	53,450	26,821
Income taxes	14,096	7,147
Net income	39,353	19,673
Net income attributable to		
Owners of the parent	37,189	19,076
Non-controlling interests	2,164	596
Other comprehensive income		
Net unrealized holding gains on securities	3,692	2,606
Deferred hedge profit and loss	2,019	1,663
Foreign currency translation adjustments	10,103	4,941
Remeasurements of defined benefit plans	326	218
Share of other comprehensive income of associates accounted for using equity method	1,741	885
Total other comprehensive income	17,882	10,316
Comprehensive income	57,236	29,989
Comprehensive income attributable to		
Owners of the parent	54,513	29,209
Non-controlling interests	2,723	779

Financial Results for the Second Quarter ended September 30, 2023

《Consolidated Statements of Cash Flows》

(Amounts less than one million yen are rounded down)

Millions of yen

	2nd Quarter ended September 30, 2022	2nd Quarter ended September 30, 2023
Cash flows from operating activities;		
Income before income taxes	53,450	26,821
Depreciation and amortization	3,333	4,546
Amortization of goodwill	152	37
Increase(decrease) in allowance for doubtful receivables	(451)	293
Interest and dividend income	(8,297)	(4,494)
Interest expense	4,503	4,408
Equity in earnings of affiliated companies (gain)	(7,141)	(2,080)
Gain on sale of investment securities	(541)	—
Loss on devaluation of investment securities	251	623
Arbitration related income	(259)	—
Value added taxes for prior periods	57	—
(Increase)decrease in trade receivables and contract assets	91,559	(45,274)
(Increase)decrease in inventories	(23,201)	6,886
(Increase)decrease in accounts receivable—other	127,589	21,817
(Increase)decrease in advance payment	8,669	7,431
Increase(decrease) in trade notes and accounts payable	(135,602)	26,996
Increase(decrease) in accounts payable—other	9,369	(32,709)
Increase(decrease) in deposits received	(24,963)	(12,811)
Increase(decrease) in retirement benefits	476	334
Other, net	23,947	(2,550)
Sub total	122,903	276
Interest and dividends received	7,956	3,616
Interest paid	(4,438)	(3,851)
Income taxes (paid) refund	(16,566)	(15,163)
Arbitration related income	259	—
Net cash provided by (used in) operating activities	110,114	(15,122)
Cash flows from investing activities;		
Payment for time deposits	(16)	(3)
Proceeds from refund of time deposits	369	3
Payment for purchase of property and equipment	(5,573)	(6,938)
Proceeds from sale of property and equipment	425	259
Payment for acquisition of investment securities	(3,961)	(428)
Proceeds from sale and redemption of investment securities	1,164	2,009
(Increase)decrease in short-term loans receivable, net	(258)	(959)
Increase in long-term loans receivable	(301)	(101)
Collection of long-term loans receivable	51	5,382
Other, net	(508)	(1,180)
Net cash provided by (used in) investing activities	(8,609)	(1,957)
Cash flows from financing activities;		
Increase(decrease) in short-term loans, net	(130,745)	(5,603)
Increase(decrease) in commercial paper, net	30,000	10,000
Proceeds from long-term debt	5,050	5,000
Repayments of long-term debt	(14,245)	(5,276)
Proceeds from issuance of bonds	—	19,909
Payment for redemption of bonds	(10,000)	(10,000)
Payment for cash dividends	(2,031)	(3,245)
Cash dividends paid to non-controlling interests in consolidated subsidiaries	(136)	(93)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	—	(46)
Other, net	(485)	(411)
Net cash provided by (used in) financing activities	(122,593)	10,231
Effect of exchange rate changes on cash and cash equivalents	(6,647)	(135)
Net increase(decrease) in cash and cash equivalents	(27,736)	(6,983)
Cash and cash equivalents at beginning of year	165,083	84,121
Increase in cash and cash equivalents from newly consolidated subsidiaries	464	286
Cash and cash equivalents at end of period	137,811	77,423

Financial Results for the Second Quarter ended September 30, 2023

《Segment information》

Segment information by business category for the 2nd Quarter ended September 30, 2022 and 2023, is as follows:

(Amounts less than one million yen are rounded down)

2nd Quarter ended September 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	595,927	122,476	76,366	61,005	173,989	231,613	1,261,379	77,586	1,338,965	—	1,338,965
Inter-segment	14,885	2,740	1,482	473	7,641	23,384	50,607	2,375	52,982	(52,982)	—
Total	610,813	125,216	77,848	61,478	181,631	254,998	1,311,986	79,961	1,391,948	(52,982)	1,338,965
Segment income(loss)	17,968	12,576	5,421	(225)	6,663	5,431	47,835	2,282	50,117	2,840	52,958

2nd Quarter ended September 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	614,596	107,790	56,854	61,045	146,962	156,491	1,143,740	57,536	1,201,276	—	1,201,276
Inter-segment	13,975	2,974	1,331	290	3,350	13,822	35,745	4,168	39,914	(39,914)	—
Total	628,571	110,764	58,185	61,336	150,313	170,314	1,179,486	61,704	1,241,190	(39,914)	1,201,276
Segment income(loss)	13,354	7,070	824	(122)	1,458	4,485	27,070	1,863	28,934	(1,489)	27,444

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 2nd Quarter of FY2023

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2023

- During the 2nd quarter of fiscal year, net sales decreased by 10% YoY, to 1,201.2 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 36% YoY, to 26.3 billion yen, due to income decreases in all the business segments except the Food business, and ordinary income decreased by 48% YoY, to 27.4 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 49% to 19.0 billion yen.
- We plan to pay 170 yen as the annual (85 yen as the interim and 85 yen as the year-end) dividend.

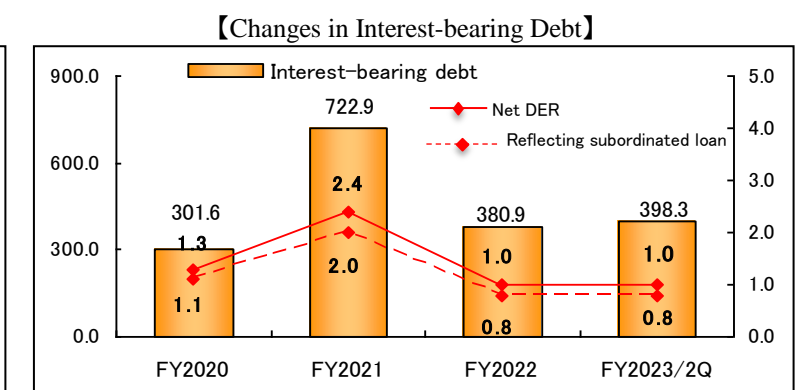
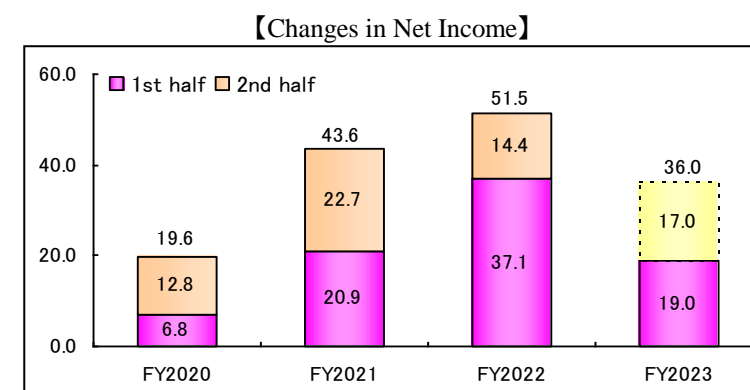
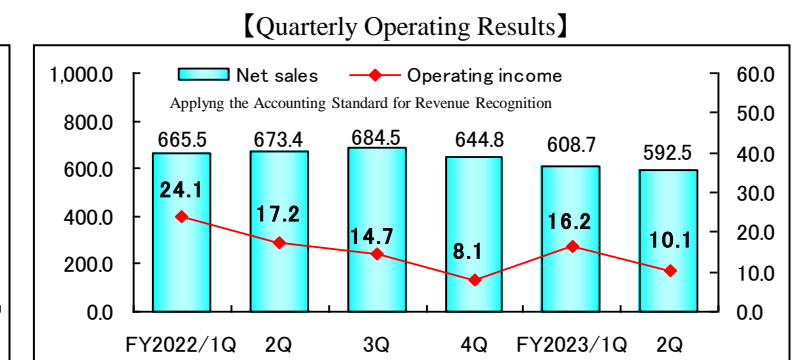
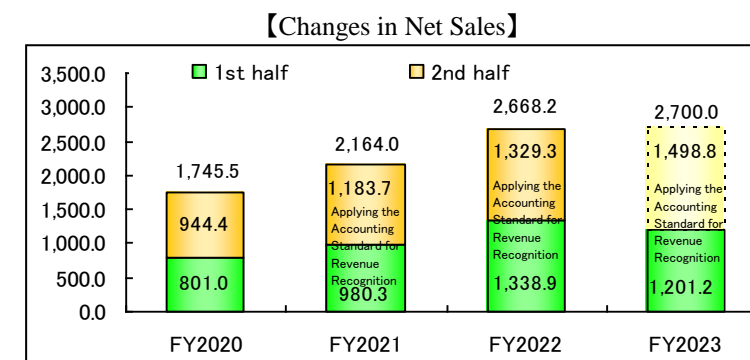
Operating Results	1Q-2Q of FY2022	1Q-2Q of FY2023	YoY		Main Factors
			Change	rate	
Net sales	1,338.9	1,201.2	(137.6)	(10%)	(Net sales) Net sales decreased by 10% YoY, to 1,201.2 billion yen, because prices of the products represented by steel, non-ferrous metal and crude oil were at lower levels on a year-on-year comparison and demand for steel and scrap decreased.
Gross profit	71.1	60.2	(10.8)	(15%)	
SG&A expenses	29.7	33.9	4.1	14%	(SG&A expenses) SG & A expenses increased by 4.1 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries.
Operating income	41.3	26.3	(15.0)	(36%)	
Non-operating income	18.2	7.4	(10.8)	(59%)	(Non-operating income/expenses) Non-operating income decreased by 10.8 billion yen and non-operating expenses decreased by 0.3 billion yen. The main impacts on ordinary income were as follows. Interest income : increase of 0.8 billion yen(YoY) Dividend income : decrease of 4.6 billion yen(YoY) Equity in earnings of affiliates : decrease of 5.0 billion yen(YoY) Foreign exchange gain : decrease of 1.8 billion yen(YoY) Interest expenses : decrease of 95 million yen(YoY)
Non-operating expenses	6.6	6.3	(0.3)	(5%)	
Ordinary income	52.9	27.4	(25.5)	(48%)	
Extraordinary gain	0.8	—	(0.8)	(100%)	
Extraordinary loss	0.3	0.6	0.3	101%	
Income before income taxes and others	53.4	26.8	(26.6)	(50%)	
Income taxes	14.0	7.1	(6.9)	(49%)	
Net income	39.3	19.6	(19.6)	(50%)	
Owners of the parent(loss)	37.1	19.0	(18.1)	(49%)	(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 : increase of 0.3 billion yen(YoY)
Non-controlling interests(loss)	2.1	0.5	(1.5)	(72%)	
EPS (yen)	915.15	469.32	(445.83)	(49%)	
Comprehensive income	57.2	29.9	(27.2)	(48%)	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2022	1Q-2Q of FY2023	rate	1Q-2Q of FY2022	1Q-2Q of FY2023	rate	
Steel	610.8	628.5	3%	17.9	13.3	(26%)	(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 Metal	125.2	110.7	(12%)	12.5	7.0	(44%)	(Primary metals business) Net sales decreased, because the transaction volume of stainless steel products decreased due to weak demand, as well as current adjustment phase of various merchandises. 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.
Metal Recycling	77.8	58.1	(25%)	5.4	0.8	(85%)	(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 mainly stainless scrap. In addition, segment income decreased due to appraisal gain from commodity forwards contracts in hedge transactions shrunk.
Foods	61.4	61.3	(0%)	(0.2)	(0.1)	(45%)	(Foods business) Although the crab market prices had continued to decrease from the previous fiscal year, the purchase cost risings of salmon, prawns and chickens started to be sufficiently reflected in the selling prices.
Energy& Living Materials	181.6	150.3	(17%)	6.6	1.4	(78%)	(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	254.9	170.3	(33%)	5.4	4.4	(17%)	(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.
Total for reportable segments	1,311.9	1,179.4	(10%)	47.8	27.0	(43%)	
Other	79.9	61.7	(23%)	2.2	1.8	(18%)	
Total	1,391.9	1,241.1	(11%)	50.1	28.9	(42%)	
Adjustment	(52.9)	(39.9)	(25%)	2.8	(1.4)	—	
Consolidated	1,338.9	1,201.2	(10%)	52.9	27.4	(48%)	

- 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	Sep. 2023	Comparison with Mar. 2023		Main Factors
			Change	rate	
Total assets	1,157.7	1,183.2	25.4	2%	(Total Assets) Total assets increased by 2% from the end of the previous fiscal year, mainly because of increases in trade receivables and investment securities.
(Current assets)	928.7	940.4	11.6	1%	
(Fixed assets)	229.0	242.7	13.7	6%	
Total liabilities	848.9	847.1	(1.7)	(0%)	(Liabilities) Liabilities decreased by 0.2% 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 5%, net debt-equity ratio was turned into 97% (*83%).
(Interest-bearing debt)	380.9	398.3	17.3	5%	
(Net interest-bearing debt)	296.7	320.8	24.0	8%	
Net DER	98%/83*%	97%/83*%	(1pt)	(1%)	
Total net assets	308.8	336.0	27.2	9%	(Net assets) Total net assets increased 9% 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 28.0% (*30.1%), which is 1.8 percentage points higher than at the end of the previous fiscal year.
(Equity capital)	270.8	288.3	17.4	6%	
(Valuation & translation adjustments)	32.2	42.3	10.1	31%	
(Non-controlling interests)	5.6	5.2	(0.4)	(7%)	
BPS (yen)	7,459.39	8,132.89	673.50	9%	
Shareholders' equity	303.1	330.7	27.6	9%	
Shareholders' equity ratio	26.2/28.3*%	28.0/30.1*%	1.8pt	7%	*Reflecting equity credit attributes of the subordinated loan

Cash Flow	1Q-2Q of FY2022	1Q-2Q of FY2023	YoY		Main Factors
			Change	rate	
Cash flows from operating activities	110.1	(15.1)	(125.2)	—	(Operating cash flows) Due mainly to increase in trade receivables and contract assets, decrease in accounts payable-other.
Cash flows from investing activities	(8.6)	(1.9)	6.6	(77%)	(Investment cash flows) Due mainly to purchase of tangible fixed assets.
Cash flows from financing activities	(122.5)	10.2	132.8	—	(Financial cash flows) Due mainly to issuance of bonds and commercial paper.
Cash and cash equivalents at end of period	137.8	77.4	(60.3)	(44%)	



Forecast (Annual)	FY2022	FY2023 (estimated)		Cash Dividends	FY2021	FY2022	FY2023 (estimated)
		change	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 parent	51.5	36.0	(30%)	Dividend payout ratio	—	—	2.5%