

Financial Results for the Nine Months ended December 31, 2024

(Japan GAAP)

February 7, 2025

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 Director, Managing Executive Officer

Phone +81-3-3544-2000

Scheduled date of payout of dividend: -

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2024 (April 1, 2024 to December 31, 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 nine months ended December 31, 2024	1,919,583	5.1	47,394	11.6	43,205	0.6	31,794	3.4
ended December 31, 2023	1,826,628	(9.7)	42,467	(24.3)	42,932	(32.6)	30,761	(31.5)

(Note) Comprehensive income For the nine months ended December 31, 2024 27,215 million yen (32.7) %
For the nine months ended December 31, 2023 40,447 million yen (36.7) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the nine months ended December 31, 2024	786.75	—
ended December 31, 2023	756.66	—

(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, 2024	1,167,183	373,659	31.6	9,120.97
As of March 31, 2024	1,166,986	356,765	30.1	8,636.03

(Note) Shareholders' equity As of December 31, 2024 368,330 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	—	105.00			
Year ending March 31, 2025 (estimated)				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 Nine Months ended December 31, 2024

※Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 4 Companies (Company name) SHINX Co., Ltd.
Other subsidiaries (3 companies)

Excluded: 1 Company (Company name) Ri Hong Stainless (Shanghai) Co., Ltd.

(2) Application of specific accounting of the consolidated quarterly 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 December 31, 2024	42,332,640 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 December 31, 2024	1,949,813 shares	As of March 31, 2024	1,664,411 shares
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3) Average number of shares during the period

For the nine months ended December 31, 2024	40,411,999 shares	For the nine months ended December 31, 2023	40,654,438 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 Nine Months ended December 31, 2024

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2024	December 31, 2024
Assets;		
Current assets;		
Cash and deposits	76,525	65,566
Trade notes, accounts receivable and contract assets	445,825	419,006
Electronically recorded monetary claims	95,615	104,527
Inventories	249,490	262,570
Others	51,406	57,345
Allowance for doubtful receivables	(1,694)	(1,798)
Total current assets	917,168	907,218
Fixed assets;		
Property and equipment;		
Land	37,401	40,413
Others	51,544	49,778
Total property and equipment	88,945	90,191
Intangible assets	10,006	10,538
Investments and other assets;		
Investment securities	106,062	114,515
Others	47,239	46,865
Allowance for doubtful accounts	(2,436)	(2,146)
Total investments and other assets	150,865	159,235
Total fixed assets	249,818	259,965
Total assets	1,166,986	1,167,183
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	303,848	272,492
Electronically recorded obligations	46,879	41,276
Short-term loans payable	72,080	80,336
Bond payable due within one year	—	15,000
Income taxes payable	2,602	7,773
Accrued bonuses to employees	3,730	2,558
Provision for product warranties	95	65
Others	57,318	57,329
Total current liabilities	486,555	476,831
Long-term liabilities;		
Bonds payable	50,000	45,000
Long-term loans payable	239,957	236,567
Retirement benefit liability	1,353	1,798
Others	32,354	33,327
Total long-term liabilities	323,665	316,693
Total liabilities	810,220	793,524
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	1,301	1,384
Retained earnings	260,959	284,564
Treasury stock	(3,662)	(5,593)
Total shareholders' equity	304,249	326,007
Accumulated other comprehensive income;		
Valuation difference on available-for-sale securities, net of taxes	27,511	22,684
Deferred gains or losses on hedges, net of taxes	630	1,426
Land revaluation difference, net of taxes	1,966	1,966
Foreign currency translation adjustments	14,427	13,722
Remeasurements of defined benefit plans	2,426	2,523
Total accumulated other comprehensive income	46,962	42,322
Non-controlling interests	5,553	5,329
Total net assets	356,765	373,659
Total liabilities and net assets	1,166,986	1,167,183

Financial Results for the Nine Months ended December 31, 2024

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	1,826,628	1,919,583
Cost of sales	1,732,189	1,815,693
Gross profit	94,439	103,890
Selling, general and administrative expenses	51,971	56,495
Operating income	42,467	47,394
Other income;		
Interest income	3,693	3,076
Dividend income	3,375	3,823
Share of profit of entities accounted for using the equity method	1,943	—
Others	1,091	1,302
Total other income	10,103	8,202
Other expenses;		
Interest expenses	6,588	6,736
Share of loss of entities accounted for using the equity method	—	224
Foreign exchange loss	163	2,895
Others	2,885	2,535
Total other expenses	9,638	12,391
Ordinary income	42,932	43,205
Extraordinary income;		
Gain on sales of property and equipment	1,170	—
Gain on sales of investment securities	559	1,774
Gain on sales of investments in capital of subsidiaries and associates	—	996
Total extraordinary income	1,730	2,770
Extraordinary loss;		
Loss on devaluation of investment securities	1,158	—
Total extraordinary loss	1,158	—
Income before income taxes	43,504	45,975
Income taxes	12,262	14,359
Net income	31,241	31,616
Net income attributable to;		
Owners of the parent	30,761	31,794
Non-controlling interests	479	(177)
Other comprehensive income;		
Valuation difference on available-for-sale securities, net of taxes	1,695	(4,864)
Deferred gains or losses on hedges, net of taxes	48	796
Foreign currency translation adjustment	6,032	(117)
Remeasurements of defined benefit plans, net of taxes	327	122
Share of other comprehensive income of entities accounted for using the equity method	1,101	(337)
Total other comprehensive income	9,206	(4,400)
Comprehensive income	40,447	27,215
Comprehensive income attributable to;		
Owners of the parent	39,704	27,154
Non-controlling interests	742	60

Financial Results for the Nine Months ended December 31, 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 nine months ended December 31, 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 consolidated quarterly 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 nine months ended December 31, 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 quarterly financial statements and consolidated financial statements for consolidated fiscal year ended March 31, 2024.

(2) Application of particular accounting procedures for the quarterly consolidated financial statements

Calculation of tax expense

Income taxes are determined based on the amount of income before income taxes for the nine months ended December 31, 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 Nine Months ended December 31, 2024

《Other information》

(3) Segment information

1 Segment information by business category for the nine months ended December 31, 2023 and 2024, is as follows:

(Amounts less than one million yen are rounded down)

Nine Months ended December 31, 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	890,219	134,111	126,896	97,715	241,296	240,929	1,731,169	95,459	1,826,628	—	1,826,628
Intersegment	18,710	7,030	3,418	440	6,154	17,945	53,701	6,005	59,707	(59,707)	—
Total	908,930	141,142	130,315	98,156	247,451	258,875	1,784,870	101,465	1,886,335	(59,707)	1,826,628
Segment income	22,110	6,448	1,763	1,098	5,103	6,581	43,106	2,597	45,703	(2,771)	42,932

Nine Months ended December 31, 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	840,124	132,912	171,119	106,585	278,454	293,368	1,822,564	97,018	1,919,583	—	1,919,583
Intersegment	33,246	9,873	7,503	1,449	5,888	28,850	86,812	2,681	89,493	(89,493)	—
Total	873,370	142,785	178,622	108,035	284,342	322,219	1,909,376	99,700	2,009,076	(89,493)	1,919,583
Segment income	23,658	2,988	2,954	2,230	7,626	6,224	45,681	1,507	47,189	(3,984)	43,205

(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 nine months ended December 31, 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 nine months ended December 31, 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 for the nine months ended December 31, 2023 has been recomposed by the new classification method.

Financial Results for the Nine Months ended December 31, 2024

(4) Note on Significant Changes in Shareholders' Equity.

The Company has acquired 309,000 shares of treasury stock during the nine months ended December 31, 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 1,930 million yen, resulting in treasury stock of 5,593 million yen as of December 31, 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 nine months ended December 31, 2024. Depreciation and Amortization of goodwill for the nine months ended December 31, 2023 and 2024 are as follows.

	For the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)	For the nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)
Depreciation	¥6,935 million	¥7,255 million
Amortization of goodwill	57	165

Highlights of Consolidated Financial Results for the Nine Months ended December 31, FY2024

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the Nine Months ended December 31, FY2024

- During the nine months of this fiscal year, net sales increased by 5% YoY, to 1,919.5 billion yen, because transaction volume mainly represented by Energy & Living Materials business and Metal Recycling business increased. Operating income increased by 12% YoY, to 47.3 billion yen, because the profitability of Steel business and Food business recovered, and ordinary income increased by 1% YoY, to 43.2 billion yen. Net income attributable to owners of the parent increased by 3% YoY, to 31.7 billion yen.
- We plan to pay 210 yen as the annual (105 yen as the interim and 105 yen as the year-end) dividend.

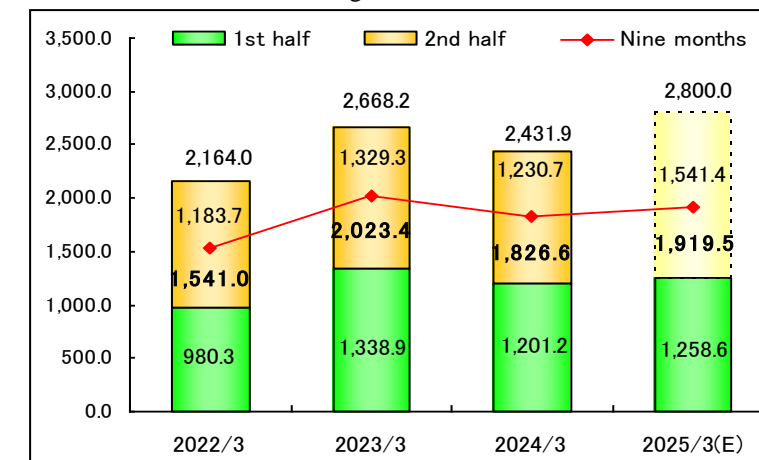
Operating Results	Nine months ended Dec. FY2023	Nine months ended Dec. FY2024	Y o Y		Main Factors
			Change	Rate	
Net sales	1,826.6	1,919.5	92.9	5%	(Net sales) Net sales increased by 5% YoY, to 1,919.5 billion yen, because transaction volume mainly represented by Energy & Living Materials business and Metal Recycling business increased.
Gross profit	94.4	103.8	9.4	10%	
SG&A expenses	51.9	56.4	4.5	9%	(SG&A expenses) SG&A expenses increased by 4.5 billion yen YoY, with 1 billion yen of this figure deriving from newly consolidated subsidiaries. Cost of labor increased by 3 billion yen YoY, with 0.6 billion yen of this figure deriving from newly consolidated subsidiaries.
Operating income	42.4	47.3	4.9	12%	
Non-operating income	10.1	8.2	(1.9)	(19%)	(Non-operating income/expenses) Non-operating income decreased by 1.9 billion yen and non-operating expenses increased by 2.7 billion yen. The main impacts on ordinary income were as follows. Share of profit of entities accounted for using the equity method : decreased by 2.1 billion yen YoY Foreign exchange loss : increased by 2.7 billion yen YoY
Non-operating expenses	9.6	12.3	2.7	29%	
Ordinary income	42.9	43.2	0.2	1%	(Extraordinary gain/loss) Gain on sales of property and equipment : decreased by 1.1 billion yen YoY Gain on sales of investment securities : increased by 1.2 billion yen YoY Gain on sales of investments in capital of subsidiaries and associates : 0.9 billion yen Loss on devaluation of investment securities : decreased by 1.1 billion yen YoY
Extraordinary gain	1.7	2.7	1.0	60%	
Extraordinary loss	1.1	—	(11.0)	—	
Income before income taxes	43.5	45.9	2.4	6%	
Income taxes	12.2	14.3	2.0	17%	
Net income	31.2	31.6	0.3	1%	
Owners of the parent	30.7	31.7	1.0	3%	
Non-controlling interests	0.4	(0.1)	(0.6)	—	
EPS (yen)	756.66	786.75	30.09	4%	
Comprehensive income	40.4	27.2	(13.2)	(33%)	

Segment Information	Net sales			Segment income			Main Factors
	Nine months ended Dec. FY2023	Nine months ended Dec. FY2024	Rate	Nine months ended Dec. FY2023	Nine months ended Dec. FY2024	Rate	
Steel	908.9	873.3	(4%)	22.1	23.6	7%	(Steel) Net sales decreased, because transaction volume of steel products decreased. On the other hand, segment income increased, because business in the highly profitable domestic construction sector remained strong and profitability improved in some overseas subsidiaries.
Primary Metal	141.1	142.7	1%	6.4	2.9	(54%)	
Metal Recycling	130.3	178.6	37%	1.7	2.9	68%	(Primary metal) The overseas transaction volume increased. On the other hand, segment income decreased, due to the result of lower market prices of various products and a turnaround in share of profit of entities accounted for using the equity method from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD to a loss.
Foods	98.1	108.0	10%	1.0	2.2	103%	
Energy & Living Materials	247.4	284.3	15%	5.1	7.6	49%	(Metal recycling) Net sales increased, because transaction volume of precious metals and aluminum scraps increased. Segment income increased due to the result of steady market prices of copper and aluminum, despite the result of lower market prices of nickel compared to the same period of the previous fiscal year.
Overseas sales subsidiaries	258.8	322.2	25%	6.5	6.2	(5%)	
Total for reportable segments	1,784.8	1,909.3	7%	43.1	45.6	6%	(Food) Net sales volume remained flat compared to the same period of the previous fiscal year. Net sales and segment income increased because the market of foods represented by crab was higher compared to the same period of the previous fiscal year.
Other	101.4	99.7	(2%)	2.5	1.5	(42%)	
Total	1,886.3	2,009.0	7%	45.7	47.1	3%	(Energy & Living Materials) Net sales increased, because transaction volume of bunker oil products increased significantly. In addition, net sales and segment income increased because the transaction volume and sales price of chemical products increased.
Adjustment	(59.7)	(89.4)	50%	(2.7)	(3.9)	44%	
Consolidated	1,826.6	1,919.5	5%	42.9	43.2	1%	(Overseas sales subsidiaries) Net sales increased, because of the increase of new transactions 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.

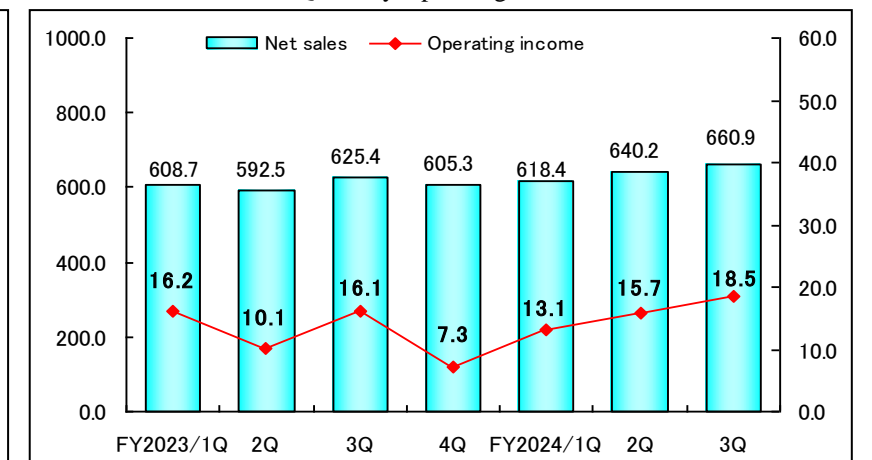
Topics	Content
Apr	Established HANWA BUSSINESS PARTNERS LTD. as a subsidiary of the Company.
May	PT. HANWA INDONESIA, a subsidiary of the Company, acquired 15% of the shares of PT GARUDA YAMATO STEEL.
Jul	Acquired 100% of the shares of SHINX CO., LTD. and made it as a consolidated subsidiary of the Company.
Sep	Acquired 80% of the shares of MARUGO FUKUYAMA SUISAN CO., LTD. and made it as a subsidiary of the Company.

Financial Position	Mar. 2024	Dec. 2024	Comparison with Mar. 2024		Main Factors
			Change	Rate	
Total assets	1,166.9	1,167.1	0.1	0%	(Total Assets) Total assets increased by 0.0% from the end of the previous fiscal year, mainly because of an increase in investment securities and a decrease in trade receivables.
(Current assets)	917.1	907.2	(9.9)	(1%)	
(Fixed assets)	249.8	259.9	10.1	4%	(Liabilities) Liabilities decreased by 2% from the end of the previous fiscal year, mainly because of an decrease in trade payables. As interest-bearing debt increased by 4%, net debt-equity ratio was turned into 86% (*74%).
Total liabilities	810.2	793.5	(16.6)	(2%)	
(Interest-bearing debt)	365.4	381.6	16.1	4%	(Net assets) Total net assets increased by 5% 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 31.6% (*33.7%), which is 1.5 percentage points higher than at the end of the previous fiscal year.
(Net interest-bearing debt)	288.9	316.0	27.1	9%	
Net DER	82%/70*%	86%/74*%	4pt	4%	*Reflecting equity credit attributes of the subordinated loan
Total net assets	356.7	373.6	16.8	5%	
(Shareholders' equity)	304.2	326.0	21.7	7%	
(Accumulated Other Comprehensive Income)	46.9	42.3	(4.6)	(10%)	
(Non-controlling interests)	5.5	5.3	(0.2)	(4%)	
BPS (yen)	8,636.03	9,120.97	484.94	6%	
Equity capital	351.2	368.3	17.1	5%	
Equity ratio	30.1/32.2*%	31.6/33.7*%	1.5pt	5%	

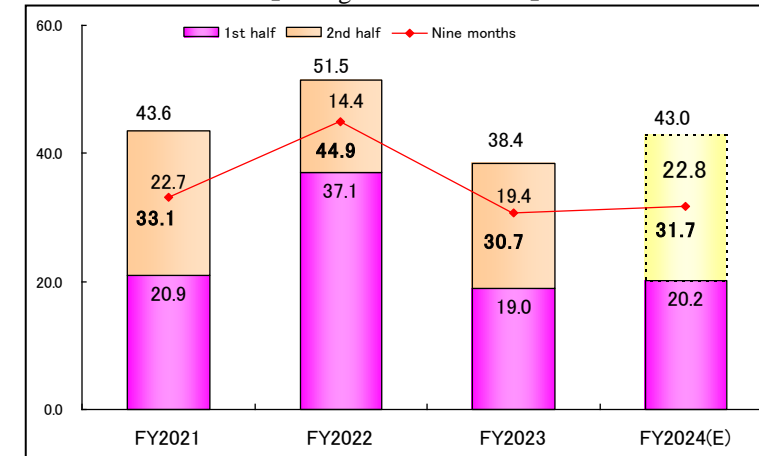
【Changes in Net Sales】



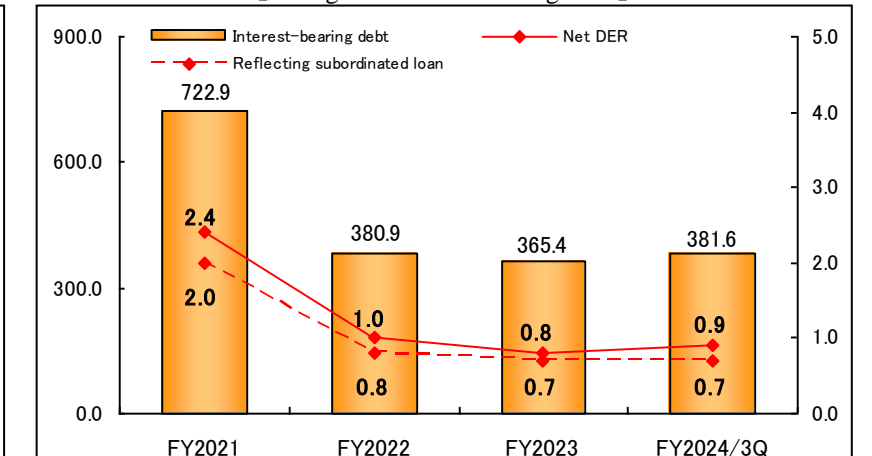
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2023	FY2024 (Estimated)	Change
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)
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