

Financial Results for the Third Quarter ended December 31, 2020

(Japan GAAP)
February 12, 2021

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)
 Representative: Hironari Furukawa President
 Enquiries: Yoichi Nakagawa Director, Senior Managing Executive Officer Phone +81-3-3544-2000
 Scheduled date of issue of audited financial statements: February 12, 2021
 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, 2020 (April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (Percentage indicate a change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the 3rd Quarter ended December 31, 2020	1,244,969	(12.5)	18,749	(8.2)	17,930	23.3	12,271	23.6
ended December 31, 2019	1,423,294	(8.7)	20,417	(4.3)	14,544	(22.4)	9,929	(12.4)

Note: Comprehensive income For the Fiscal Year ended December 31, 2020 14,758 million yen 117.1 %
 For the Fiscal Year ended December 31, 2019 6,797 million yen 295.5 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 3rd Quarter ended December 31, 2020	301.96	—
ended December 31, 2019	244.34	—

(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, 2020	823,934	179,513	21.5	4,352.36
As of March 31, 2020	798,442	166,097	20.5	4,027.01

Note: Shareholders' equity As of December 31, 2020 176,869 million yen
 As of March 31, 2020 163,648 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, 2020	—	75.00	—	25.00	100.00
Year ended March 31, 2021	—	30.00	—	—	—
Year ending March 31, 2021 (estimated)	—	—	—	30.00	60.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage indicate a change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	(%)
Annual	1,700,000	(10.9)	25,000	(8.5)	23,000	—	15,500	—	381.42	—

* 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, 2020

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2020	December 31, 2020
Assets		
Current assets;		
Cash and deposits	67,256	62,950
Trade notes and accounts receivable	341,559	337,546
Electronically recorded monetary claims	21,281	27,558
Securities	1,167	1,109
Inventories	127,460	117,861
Other	69,949	89,969
Allowance for doubtful receivables	(1,046)	(1,418)
Total current assets	627,629	635,578
Fixed assets;		
Property and equipment;		
Land	34,165	33,747
Others	40,997	38,901
Total property and equipment	75,162	72,649
Intangible assets	6,331	7,149
Investments and other assets;		
Investment securities	56,892	67,002
Others	33,496	42,040
Allowance for doubtful receivables	(1,070)	(485)
Total investments and other assets	89,318	108,557
Total fixed assets	170,812	188,355
Total assets	798,442	823,934
Liabilities		
Current liabilities;		
Trade notes and accounts payable	202,671	217,387
Electronically record obligations	19,146	22,357
Short-term loans payable	67,177	54,926
Current portion of bonds payable	10,021	10,024
Income taxes payable	2,466	4,000
Accrued bonuses	2,774	1,745
Provision for product warranties	481	415
Others	59,913	80,068
Total current liabilities	364,653	390,925
Long-term liabilities;		
Bonds payable	40,013	30,000
Long-term loans payable	212,372	205,573
Retirement benefits liabilities	6,162	6,257
Others	9,142	11,664
Total long-term liabilities	267,691	253,495
Total liabilities	632,344	644,420
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	119,475	130,580
Treasury stock	(3,728)	(3,728)
Total shareholders' equity	161,398	172,503
Accumulated other comprehensive income		
Net unrealized holding gains on securities	6,042	11,786
Deferred hedge profit and loss	745	(110)
Land revaluation difference	3,277	3,191
Foreign currency translation adjustments	(2,434)	(5,684)
Remeasurements of defined benefit plans	(5,380)	(4,816)
Total accumulated other comprehensive income	2,250	4,366
Minority interests	2,448	2,643
Total net assets	166,097	179,513
Total liabilities and net assets	798,442	823,934

Financial Results for the Third Quarter ended December 31, 2020

《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, 2019	3rd Quarter ended December 31, 2020
Net sales	1,423,294	1,244,969
Cost of sales	1,363,454	1,189,140
Gross profit	59,839	55,829
Selling, general and administrative expenses	39,421	37,080
Operating income	20,417	18,749
Other income;		
Interest income	1,616	1,524
Dividend income	1,655	1,622
Equity in earnings of affiliates	—	477
Others	937	1,107
Total other income	4,209	4,731
Other expenses;		
Interest expenses	4,149	2,880
Equity in losses of affiliates	2,609	—
Foreign exchange loss	2,355	1,550
Others	968	1,118
Total other expenses	10,082	5,550
Ordinary income	14,544	17,930
Extraordinary income;		
Gain on sale of property and equipment	208	580
Gain on sale of investment securities	806	114
Total extraordinary income	1,014	694
Extraordinary loss;		
Loss on impairment of property and equipment	298	—
Loss on devaluation of investment securities	426	—
Provision of allowance for doubtful accounts of affiliates	149	148
Total extraordinary loss	873	148
Income before income taxes and minority interest	14,685	18,476
Income taxes	5,880	6,039
Net income	8,805	12,437
Net income attributable to		
Net income attributable to owners of the Company	9,929	12,271
Net income(loss) attributable to non-controlling interests	(1,123)	166
Other Comprehensive Income		
Net unrealized holding gains(loss) on securities	312	5,744
Deferred hedge profit and loss	302	(856)
Foreign currency translation adjustments	(560)	(2,980)
Remeasurements of defined benefit plans	536	593
Share of other comprehensive income of associates accounted for using equity method	(2,598)	(181)
Total other comprehensive Income	(2,008)	2,320
Comprehensive Income	6,797	14,758
Comprehensive income attributable to;		
Comprehensive income attributable to owners of the parent	8,738	14,741
Comprehensive income(loss) attributable to non-controlling interests	(1,941)	16

Financial Results for the Third Quarter ended December 31, 2020

《Segment information》

Segment information by business category for the 3rd Quarter ended December 31, 2019 and 2020, is as follows:

(Amounts less than one million yen are rounded down)

3rd Quarter ended December 31, 2019

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	731,842	188,592	58,698	79,079	145,652	156,495	1,360,359	62,935	1,423,294	—	1,423,294
Inter-segment	8,792	3,165	854	1,001	5,804	35,012	54,631	2,108	56,739	(56,739)	—
Total	740,634	191,758	59,553	80,080	151,456	191,507	1,414,990	65,043	1,480,034	(56,739)	1,423,294
Segment income(loss)	11,279	(40)	1,514	884	2,832	414	16,886	1,276	18,162	(3,617)	14,544

3rd Quarter ended December 31, 2020

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	643,997	158,012	54,593	79,520	124,168	123,039	1,183,331	61,637	1,244,969	—	1,244,969
Inter-segment	8,220	1,927	1,291	484	5,140	22,501	39,565	2,169	41,734	(41,734)	—
Total	652,217	159,940	55,885	80,005	129,308	145,540	1,222,897	63,807	1,286,704	(41,734)	1,244,969
Segment income(loss)	11,251	3,203	379	1,710	4,375	947	21,867	453	22,321	(4,391)	17,930

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 or loss is adjusted between ordinary income on the consolidated statements of income and comprehensive income.
4. Since the 1st Quarter of the fiscal year, Company reviewed the name of segment in order to express more appropriately the business, and changed the reportable segments from "Petroleum & chemicals" to "Energy & Living Materials".
The change was only name change, and segment information had no effect from the change.
Segment information for the 3rd Quarter of the previous fiscal year has been mentioned after name change.

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2020 (Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the 3rd Quarter of FY2020

As for the 3rd quarter result for this fiscal year, in the tendency to a restraint of economic activities caused by the outbreak of COVID-19, net sales have decreased by 13% year on year, hence reached to 1,244.9 billion yen, due to decrease in transaction volume mainly in the 1st half of the fiscal year under weak demands of the steel and other products, as well as commodity prices of non-ferrous metal and petroleum products remained at a low level compared to the same period of the previous year. Operating income decreased by 8% year on year, to 18.7 billion yen chiefly because profits declined in Primary metal, Metal Recycling business. Ordinary income increased by 23% year on year, to 17.9 billion yen, because interest expenses decreased and equity in losses of affiliates turned profitable. Net income attributable to owners of the company increased by 24% year on year, to 12.2 billion yen, partly because there was no loss on a devaluation of investment securities made in the previous fiscal year. We paid 30 yen as the interim dividend and plan to pay additional 30 yen as the year-end dividend.

Operating Results	1Q-3Q of FY2020	1Q-3Q of FY2019	Year-on-year		Main Factors
			Change	rate	
Net sales	1,244.9	1,423.2	(178.3)	-13%	<p>(Net sales) Net sales have decreased by 13% from the same period of the previous year, due to a decrease in transaction volume mainly in the 1st half of the fiscal year under weak demands of the steel and other products, as well as commodity prices of non-ferrous metal and petroleum products remained at a low level compared to the same period of the previous year.</p> <p>(SG&A expenses) SG & A expenses have decreased by approximately 2.3 billion yen from the same period of the previous year mainly due to a decrease in travel expenses and entertaining expenses under self-restraint of sales activities. Personnel expenses have increased 0.4 billion yen, including 0.1 billion yen from newly consolidated subsidiaries.</p> <p>(Non-operating income/expenses) Non-operating income have increased 0.5 billion yen, and Non-operating expenses have decreased 4.5 billion yen, respectively. The breakdown of the main causes is as follows. Interest expenses: decrease of 1.2 billion yen(YoY) Foreign exchange loss: decrease of 0.8 billion yen(YoY) Equity in earnings (losses) of affiliates: losses of 2.6 billion yen in FY2019 earnings of 0.4 billion yen in FY2020</p> <p>(Extraordinary gain/loss) Gain on sales of fixed assets 0.5 billion yen : mainly due to sales of property by consolidated subsidiaries.</p>
Gross profit	55.8	59.8	(4.0)	-7%	
SG&A expenses	37.0	39.4	(2.3)	-6%	
Operating income	18.7	20.4	(1.6)	-8%	
Non-operating income	4.7	4.2	0.5	12%	
Non-operating expenses	5.5	10.0	(4.5)	-45%	
Ordinary income	17.9	14.5	3.3	23%	
Extraordinary gain	0.6	1.0	(0.3)	-32%	
Extraordinary loss	0.1	0.8	(0.7)	-83%	
Income before income taxes and others	18.4	14.6	3.7	26%	
Income taxes	6.0	5.8	0.1	3%	
Net income	12.4	8.8	3.6	41%	
Owners of the Company(loss)	12.2	9.9	2.3	24%	
Non-controlling interests(loss)	0.1	(1.1)	1.2	—	
EPS (yen)	301.96	244.34	57.62	24%	
Comprehensive income	14.7	6.7	7.9	117%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2020	1Q-3Q of FY2019	rate	1Q-3Q of FY2020	1Q-3Q of FY2019	rate	
Steel	652.2	740.6	-12%	11.2	11.2	-0%	<p>(Steel business) Net sales and segment income decreased mainly due to decline in transaction volumes caused by lower demand for steel products despite progress in construction work and recovery of manufacturing activities, and reflecting foreign exchange loss from local currency depreciation.</p> <p>(Primary metals business) Net sales decreased due to decline in transaction volume caused by decreasing steel and non-ferrous metals manufacturers operating rate. Whereas, segment income increased because there weren't equity in losses of affiliates and interest expenses were decreased.</p> <p>(Metal recycling business) Net sales and segment income decreased due to decline in transaction volumes caused by a reduction of production activities in the manufacturing industry, as well as a loss on the market value of the derivative transactions that hedge the risk of price fluctuations in our inventories.</p> <p>(Foods business) Net sales decreased due to lower commodity prices than the same period of the previous year. Whereas, segment income increased due to improved profitability at a sales subsidiary in U.S. and an increase in the number of domestic consolidated subsidiaries.</p> <p>(Energy & Living Materials business) Segment income increased due to securing margin of petroleum products under upward trend of the price and expansion of the price difference between domestic and overseas, increasing sales of PKS & daily goods.</p> <p>(Overseas sales subsidiaries) Segment income increased due to improved profitability of non-ferrous metal trading in Thailand, and decreasing of interest expenses.</p>
Primary Metal	159.9	191.7	-17%	3.2	(0)	—	
Metal Recycling	55.8	59.5	-6%	0.3	1.5	-75%	
Foods	80.0	80.0	-0%	1.7	0.8	93%	
* Energy& Living Materials	129.3	151.4	-15%	4.3	2.8	54%	
Overseas sales subsidiaries	145.5	191.5	-24%	0.9	0.4	129%	
Total for reportable segments	1,222.8	1,414.9	-14%	21.8	16.8	29%	
Other	63.8	65.0	-2%	0.4	1.2	-64%	
Total	1,286.7	1,480.0	-13%	22.3	18.1	23%	
Adjustment	(41.7)	(56.7)	-26%	(4.3)	(3.6)	21%	
Consolidated	1,244.9	1,423.2	-13%	17.9	14.5	23%	

* Since the 1st Quarter of the fiscal year, Company changed the reportable segments from "Petroleum & chemicals" to "Energy & Living Materials".

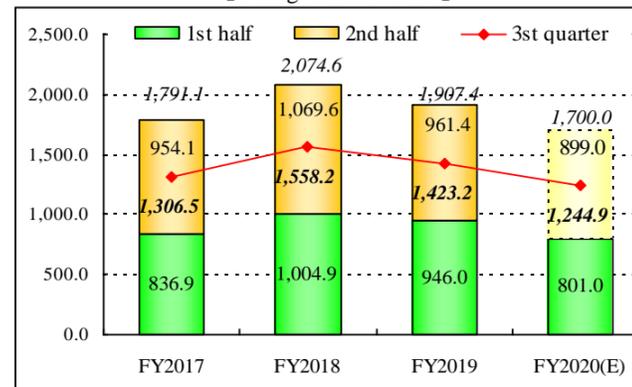
- Apr. Acquire 100% of the shares of TATSUTA CO., LTD. which is a steel material distributor in Osaka.
- Oct. Acquire 100% of the shares of TEKKEN Industry CO., LTD. which is a steel fabricator in Fukui.

Topics

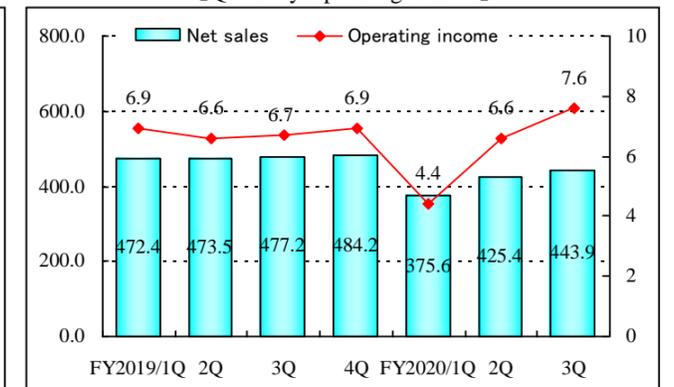
(Unit: billion yen, rounded down to 0.1 billions yen)

Financial Position	Dec. 2020	Mar. 2020	Comparison with Mar. 2020		Main Factors
			Change	rate	
Total assets	823.9	798.4	25.4	3%	<p>(Total Assets) Assets increased by 3% from the end of the previous year, due to an increase in advance payments on uncompleted construction contracts and investment securities. Advance payment 49.5 billion yen (+33% from the end of the previous year). Investment securities 67.0 billion yen (+18% from the end of the previous year).</p> <p>(Liabilities) Liabilities increased by 2% from the end of the previous year, due to an increase in notes and accounts payable-trade and advance receipts for uncompleted construction contracts. As interest-bearing debt decreased by 9%, net debt-equity ratio was turned into 135% (*106%).</p> <p>(Net assets) Net assets increased by 8% from the end of the previous year, due to an accumulation of net income attributable to owners of the company and an increase in valuation difference on available-for-sale securities. Shareholders' equity ratio was 21.5%(*24.5%), which is 1.0 percentage points higher than the end of the previous year. *Reflecting equity credit attributes of the subordinated loan</p>
(Current assets)	635.5	627.6	7.9	1%	
(Fixed assets)	188.3	170.8	17.5	10%	
Total liabilities	644.4	632.3	12.0	2%	
(Interest-bearing debt)	302.0	331.1	(29.0)	-9%	
(Net interest-bearing debt)	239.1	263.8	(24.7)	-9%	
Net DER	135%/106%*	161%/127%*	-26.0pt	-16%	
Total net assets	179.5	166.0	13.4	8%	
(Equity capital)	172.5	161.3	11.1	7%	
(Valuation & translation adjustments)	4.3	2.2	2.1	94%	
(Minority interests)	2.6	2.4	0.1	8%	
BPS (yen)	4,352.36	4,027.01	325.35	8%	
Shareholders' equity	176.8	163.6	13.2	8%	
Shareholders' equity ratio	21.5/24.5%*	20.5/23.6%*	1.0pt	5%	

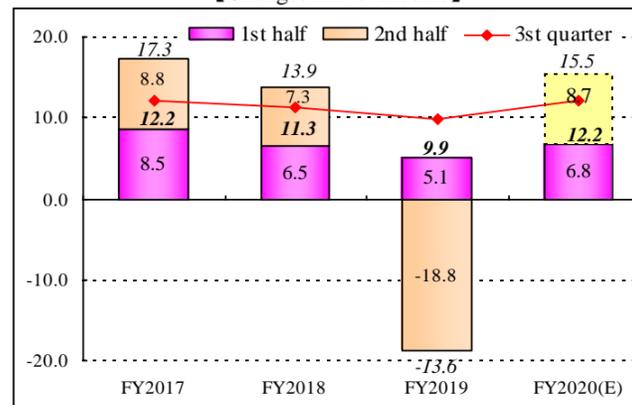
【Changes in Net Sales】



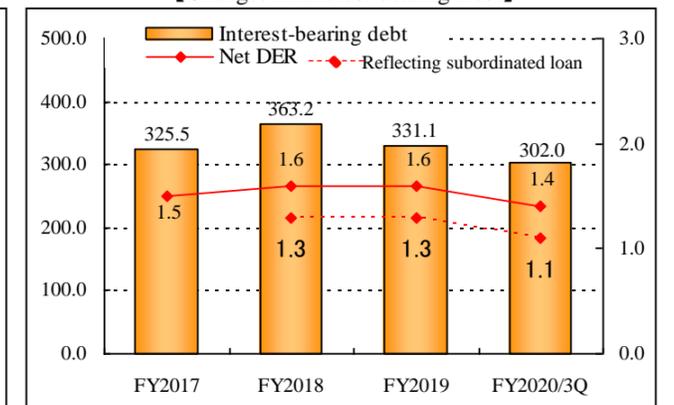
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020 (estimated)	FY2019		Cash Dividends	FY2019	FY2020	FY2020 (estimated)
			change				
Net sales	1,700.0	1,907.4	-11%	Interim (yen)	75.00	30.00	—
Operating income	25.0	27.3	-9%	Year-end (yen)	25.00	—	30.00
Ordinary income	23.0	(12.5)	—	Annual (yen)	100.00	—	60.00
Net income attributable to owners of parent	15.5	(13.6)	—	Dividend payout ratio	—	—	16%