

Highlights of Consolidated Financial Results for the FY2020

(Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the FY2020

During the fiscal year under review, the COVID-19 pandemic impacted the business results of Hanwa Co., Ltd. As measures to restrain the pandemic suppressed business activity, demand for steel and related products declined. Transaction volume fell as a result, particularly in the first half of the fiscal year. Prices for petroleum products persisted at a low ebb. As a result, net sales declined 8% from the previous fiscal year (YoY) to 1,745.5 billion yen. In earnings terms, operating income appreciated 7% YoY to 29.2 billion yen, buoyed by increases in the Steel, Foods and Energy & Living Materials segments. Other favorable developments included equity in losses of affiliates in the previous fiscal year turned profitable in the period under review and a decrease in interest expenses, resulting in ordinary income of 28.8 billion yen and net income attributable to owners of parent of 19.6 billion yen.

The Company distributed an interim dividend of 30 yen per share and expects to distribute a year-end dividend of 30 yen per share.

Operating Results	FY2019	FY2020	Year-on-year		Main Factors
			Change	rate	
Net sales	1,907.4	1,745.5	(161.9)	-8%	(Net sales) Demand for steel and related products retreated, with transaction volume falling particularly in the first half of the fiscal year. Prices for petroleum products persisted at a low ebb as compared with the previous fiscal year. Net sales declined 8% YoY to 1,745.5 billion yen. (SG&A expenses) Travel expenses and entertaining expenses declined amid the curtailment of sales activities. SG&A expenses decreased by 1.8 billion yen YoY. However, personnel expenses rose by 1.2 billion yen YoY (including 0.2 billion yen at newly consolidated subsidiaries). (Non-operating income/expenses) Non-operating income grew by 0.5 billion yen YoY while non-operating expenses dropped by 38.9 billion yen YoY. The main impacts on ordinary income were as follows. Interest expenses: decrease of 1.7 billion yen(YoY) Foreign exchange loss: decrease of 1.4 billion yen(YoY) Equity in earnings (losses) of affiliates: losses of 35.4 billion yen in FY2019 earnings of 0.8 billion yen in FY2020 (Extraordinary gain/loss) Gain on sales of fixed assets Approx. 0.5 billion yen: Mainly sales of property by consolidated subsidiaries
Gross profit	79.8	79.9	0.0	0%	
SG&A expenses	52.4	50.6	(1.8)	-3%	
Operating income	27.3	29.2	1.9	7%	
Non-operating income	5.3	5.8	0.5	10%	
Non-operating expenses	45.2	6.2	(38.9)	-86%	
Ordinary income	(12.5)	28.8	41.4	—	
Extraordinary gain	1.2	0.7	(0.4)	-41%	
Extraordinary loss	8.6	0.6	(7.9)	-92%	
Income before income taxes and others	(19.9)	28.8	48.8	—	
Income taxes	5.5	8.9	3.4	62%	
Net income	(25.5)	19.8	45.4	—	
Owners of the Company(loss)	(13.6)	19.6	33.2	—	
Non-controlling interests(loss)	(11.8)	0.2	12.1	—	
EPS (yen)	(336.51)	482.74	819.25	—	
Comprehensive income	(29.9)	27.3	57.2	—	

Segment Information	Net sales			Segment income			Main Factors
	FY2019	FY2020	rate	FY2019	FY2020	rate	
Steel	1,005.4	913.1	-9%	14.6	18.9	29%	(Steel business) Although demand for steel declined, reducing transaction volume, earnings margins rose as steel prices held to a rising trend. Selling expenses also fell. These factors pushed segment income upward despite declining net sales. (Primary metals business) A decline in activity among steel and non-ferrous-metal manufacturers in the first half of the fiscal year engendered a weakening of transaction volume. At the same time, a transient loss on Samancor was not realized, resulting in a decline in interest expenses. Segment income rose despite a fall in net sales. (Metal recycling business) Net sales grew amid rising prices for copper and e-scrap. However, the Company incurred a loss on valuation of derivatives transaction balance. In addition, hedge price-fluctuation risks in inventories amid rising prices for base metals. Segment income decreased while net sales grew. (Foods business) Although product prices trended at lower levels than in the previous fiscal year, the profitability of the Company's US sales subsidiary improved, while the number of domestic consolidated subsidiaries increased and valuation losses on inventories declined. Segment income rose despite a fall in net sales. (Energy & Living Materials business) Petroleum product prices followed a rising trend, while a widening price spread between the Japanese and overseas markets secured a solid earnings margin. In addition, sales of palm kernel shells (PKS) and handling of daily goods broadened. All of these trends supported an increase in segment income. (Overseas sales subsidiaries) With prices for Indonesian steel on a rising trend, earnings margins expanded. Profitability of transactions in non-ferrous metals in Thailand improved, contributing to increased segment income.
Primary Metal	259.8	233.7	-10%	(30.5)	3.8	—	
Metal Recycling	78.8	79.5	1%	2.3	0.7	-67%	
Foods	101.7	100.4	-1%	(0.1)	2.1	—	
* Energy & Living Materials	210.4	183.0	-13%	4.1	5.5	33%	
Overseas sales subsidiaries	241.0	204.8	-15%	0.4	1.7	268%	
Total for reportable segments	1,897.3	1,714.8	-10%	(9.0)	32.8	—	
Other	85.0	87.8	3%	1.4	1.4	4%	
Total	1,982.3	1,802.7	-9%	(7.6)	34.3	—	
Adjustment	(74.8)	(57.2)	-23%	(4.9)	(5.5)	12%	
Consolidated	1,907.4	1,745.5	-8%	(12.5)	28.8	—	

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

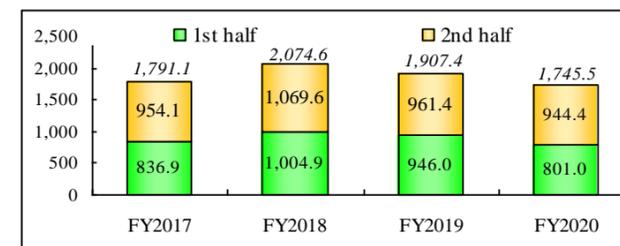
Topics	Details
Apr.	Acquire 100% of the shares of TATSUTA CO., LTD. which is a steel material distributor in Osaka.
Oct.	Acquire 100% of the shares of TEKKEN Industry CO., LTD. which is a steel fabricator in Fukui.
Mar.	Japanlife Co., Ltd., a consolidated subsidiary of the Company, acquired 100% shares of BiC Co., Ltd..

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

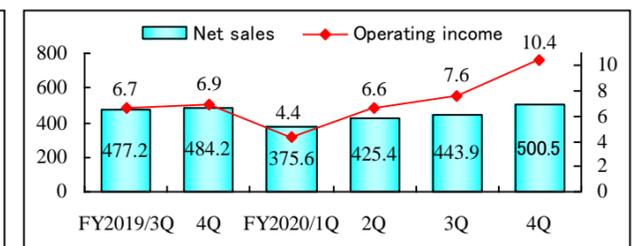
Financial Position	Mar. 2020	Mar. 2021	Comparison with Mar. 2020		Main Factors
			Change	rate	
Total assets	798.4	824.5	26.1	3%	(Total Assets) Trade receivables and investment securities increased, raising total assets 3% from the end of the previous fiscal year. Trade notes and accounts receivables 356 billion yen (4% from the end of the previous period). Investment securities 72.4 billion yen (27% from the end of the previous period). (Liabilities) Factors such as an increase in trade payables contributed to an increase in total liabilities of 0.1% from the end of the previous fiscal year. Interest-bearing debt declined 9%, while net debt-equity ratio was 133% (*105%). (Net assets) Total net assets increased 16% from the end of the previous fiscal year, as the Company accumulated retained earnings from net income attributable to owners of parent and valuation difference on available-for-sale securities rose. Shareholders' equity ratio was 22.9% (*26.0%), which is 2.4 percentage points higher than at the end of the previous fiscal year. *Reflecting equity credit attributes of the subordinated loan
(Current assets)	627.6	630.0	2.4	0%	
(Fixed assets)	170.8	194.4	23.6	14%	
Total liabilities	632.3	632.7	0.3	0%	
(Interest-bearing debt)	331.1	301.6	(29.4)	-9%	
(Net interest-bearing debt)	263.8	250.7	(13.1)	-5%	
Net DER	161%/127%	133%/105%	-28pt	—	
Total net assets	166.0	191.8	25.7	16%	
(Equity capital)	161.3	179.7	18.3	11%	
(Valuation & translation adjustments)	2.2	9.4	7.2	321%	
(Minority interests)	2.4	2.6	0.1	8%	
BPS (yen)	4,027.01	4,656.17	629.16	16%	
Shareholders' equity	163.6	189.2	25.5	16%	
Shareholders' equity ratio	20.5/23.6%	22.9/26.0%	2.4pt	12%	

Cash Flow	FY2019	FY2018	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	74.2	19.0	(55.2)	-74%	(Operating cash flows) Due to increase in net sales and trade payables. (Investment cash flows) Due to purchase of tangible fixed assets and investment securities. (Financial cash flows) Due to repayment of debt and redemption of corporate bonds.
Cash flows from investing activities	(24.1)	(4.1)	19.9	-83%	
Cash flows from financing activities	(42.3)	(34.2)	8.0	-19%	
Cash and cash equivalents at end of period	67.2	50.8	(16.3)	-24%	

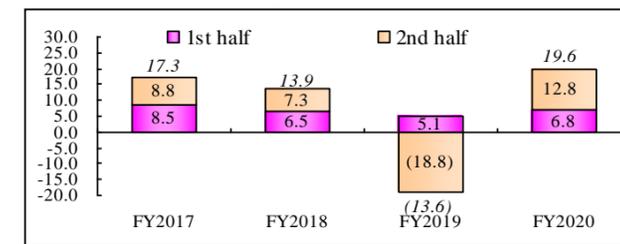
【Changes in Net Sales】



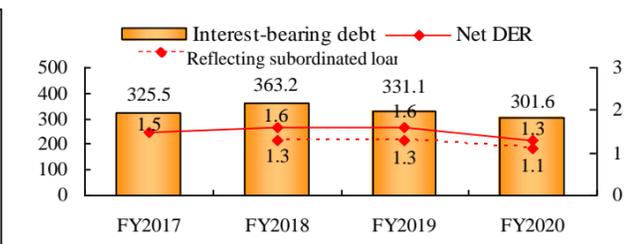
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020	FY2021 (estimated)		Cash Dividends	FY2019	FY2020	FY2021 (estimated)
		change	change				
Net sales	1,745.5	1,930.0	—	Interim (yen)	75.00	30.00	30.00
Operating income	29.2	36.0	23%	Year-end (yen)	25.00	30.00	30.00
Ordinary income	28.8	32.5	13%	Annual (yen)	100.00	60.00	60.00
Net income attributable to owners of parent	19.6	22.6	15%	Dividend payout ratio	—	12%	11%

* From the beginning of the fiscal year ending March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29). As a result, the figures in the above forecast of consolidated business results constitute the figures after application of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales.