

Highlights of Consolidated Financial Results for the 1st Quarter of FY2021

(Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the 1st Quarter of FY2021

- During the 1st quarter of the fiscal year, economic activity progressed on a recovery trend. Net sales increased to 452.6 billion yen, as transaction volume increased in certain businesses, including Steel and Primary Metal, and prices of steel and non-ferrous metals trended upward. Profits expanded in all business segments except the Energy & Living Materials business. Operating income increased by 206% YoY, to 13.5 billion yen, while ordinary income rose by 338% YoY, to 14.0 billion yen, as foreign-exchange losses at overseas consolidated subsidiaries shrank and equity in earnings of affiliates expanded, mainly in the Steel business, and net income attributable to owners of the company increased by 329% to 9.4 billion yen.
- We plan to pay 60 yen as the annual (30 yen as the interim and 30 yen as the year-end) dividend.

Operating Results	1Q of FY2020	1Q of FY2021	YoY		Main Factors
			Change	rate	
Net sales	375.6	452.6	—*	—*	(Net sales) Net sales increased to 452.6 billion yen, as transaction volume swelled in some businesses, including the Steel and Primary Metal businesses, and prices of steel and non-ferrous metals trended upward.
Gross profit	16.3	26.8	10.4	64%	(*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). For this reason, rates of increase/decrease YoY are not shown for net sales.)
SG&A expenses	11.9	13.3	1.3	11%	(SG&A expenses) SG & A expenses increased by 1.3 billion yen YoY, with newly consolidated subsidiaries contributing 0.1 billion yen to this figure. Personnel expenses rose by 0.7 billion yen YoY, with 0.1 billion yen of this figure deriving from newly consolidated subsidiaries.
Operating income	4.4	13.5	9.0	206%	(Non-operating income/expenses) Non-operating income decreased by 0.5 billion yen and non-operating expenses decreased by 2.2 billion yen. The main impacts on ordinary income were as follows. Interest income : decrease of 0.3 billion yen(YoY) Dividend income : decrease of 0.5 billion yen(YoY) Equity in earnings of affiliates : increase of 0.3 billion yen(YoY) Interest expenses : decrease of 0.1 billion yen(YoY) Foreign exchange loss : decrease of 1.9 billion yen (YoY)
Non-operating income	2.3	1.8	(0.5)	-22%	
Non-operating expenses	3.5	1.3	(2.2)	-63%	
Ordinary income	3.2	14.0	10.8	338%	
Extraordinary gain	0.5	—	(0.5)	-100%	
Extraordinary loss	—	—	—	—	
Income before income taxes and others	3.7	14.0	10.2	271%	
Income taxes	1.5	4.4	2.8	181%	
Net income	2.2	9.5	7.3	336%	
Owners of the Company(loss)	2.2	9.4	7.2	329%	
Non-controlling interests(loss)	(0.0)	0.1	0.1	—	
EPS (yen)	54.41	233.59	179.18	329%	
Comprehensive income	0.8	13.8	12.9	—	

Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2020	1Q of FY2021	rate	1Q of FY2020	1Q of FY2021	rate	
Steel	199.9	206.4	—	1.7	8.1	361%	(Steel business) Segment income and profit margin grew. Transaction volume rose amid an upward trend in demand for steel. Steel products prices continued to rise amid mounting raw-material costs and tightening supply.
*Primary Metal	48.4	45.7	—	1.2	2.1	64%	(Primary metals business) Segment income increased as steel and non-ferrous metal manufacturers resumed operation, transaction volume in stainless-steel base metals and alloys remained strong and nickel prices rose. As a result, profit margin expanded.
Metal Recycling	17.6	30.9	—	(0.3)	1.5	—	(Metal recycling business) Segment income increased. With base metals trending at a high level, profit margin was secured by expansion of copper and aluminum sales, while transaction volume increased through utilization of the cargo-collection and inventory functions of subsidiaries.
Foods	22.9	27.6	—	0.1	0.8	397%	(Foods business) Profit margin expanded as transaction volume with volume retailers increased and the product prices followed a rising trend. Segment income also increased amid improved profitability at consolidated subsidiaries in the U.S. and Japan.
Energy& Living Materials Overseas sales subsidiaries	38.8	61.1	—	1.6	1.4	-12%	(Energy & Living Materials business) With prices for crude oil and petroleum products on a rising trend, stable revenues were secured for these products, while transaction volumes in daily necessities and household goods increased. On the other hand, an export tariff hike in Indonesia applied downward pressure on sales of palm kernel shells (PKS). Segment income decreased.
Total for reportable segments	369.4	440.6	—	4.9	15.2	209%	(Overseas sales subsidiaries) Segment income increased. Transaction volume in steel increased in some countries, including Indonesia and Singapore, while steel demand recovered in China and profitability in the Food business in the U.S. rose.
Other	19.8	23.1	—	(0.1)	0.3	—	
Total	389.2	463.7	—	4.8	15.5	224%	
Adjustment	(13.5)	(11.1)	—	(1.6)	(1.5)	-5%	
Consolidated	375.6	452.6	—	3.2	14.0	338%	

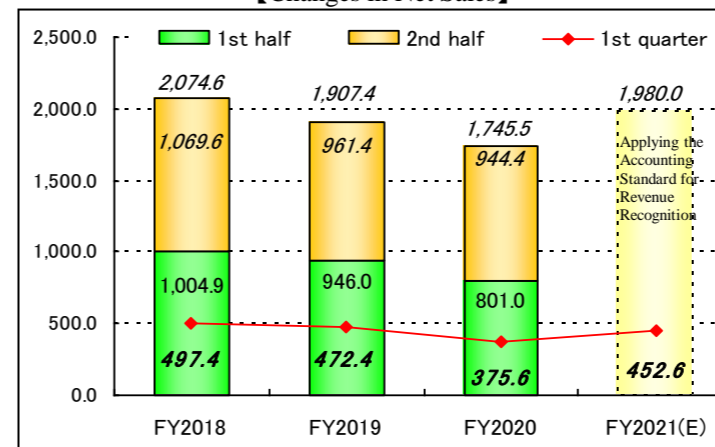
* Since the 1st Quarter of the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. Please note that comparison on a YoY basis is made in accordance with the classification method after the changing.

Topics	
	Apr. Acquire the shares in Suzuki-Sumiden Wire Products Guangzhou Co., Ltd. (SWPG), a manufacturer of high-quality stainless wire in China.

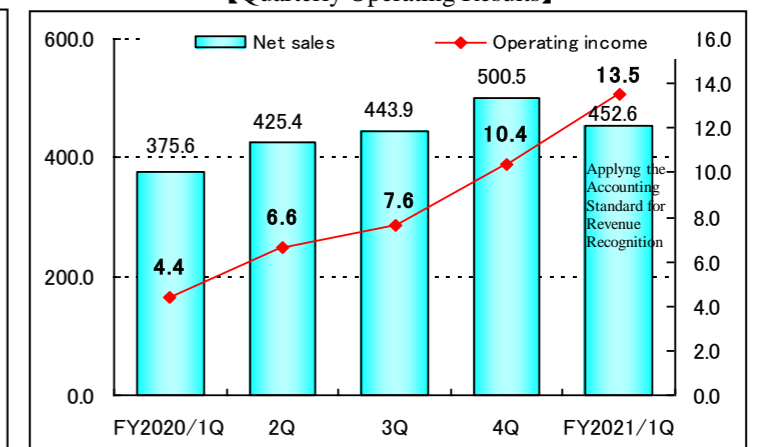
(Unit: billion yen, rounded down to 0.1 billions yen)

Financial Position	Mar. 2021	Jun. 2021	Comparison with Mar. 2021		Main Factors
			Change	rate	
Total assets	824.5	933.6	109.1	13%	(Total Assets) Total assets increased by 13% from the end of the previous fiscal year, mainly because of an increase in trade receivables resulting from a sales increase. Trade receivables 447.7 billion yen (+17% from the end of the previous period)
(Current assets)	630.0	724.4	94.3	15%	
(Fixed assets)	194.4	209.2	14.7	8%	
Total liabilities	632.7	727.3	94.6	15%	(Liabilities) Liabilities increased by 15% from the end of the previous fiscal year, mainly as a result of increases in short-term debt and trade payables. As interest-bearing debt increased by 25%, net debt-equity ratio was turned into 156% (*128%).
(Interest-bearing debt)	301.6	375.8	74.1	25%	
(Net interest-bearing debt)	250.7	317.1	66.4	26%	
Net DER	133%/105%*	156%/128%*	23pt	—	
Total net assets	191.8	206.3	14.4	8%	(Net assets) Total net assets increased 8% 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 an increase in foreign currency translation adjustments. Shareholders' equity ratio was 21.8% (*24.5%), which is 1.1 percentage points lower than at the end of the previous fiscal year.
(Equity capital)	179.7	189.8	10.1	6%	
(Valuation & translation adjustments)	9.4	13.5	4.1	43%	
(Minority interests)	2.6	2.8	0.2	9%	
BPS (yen)	4,656.17	5,006.25	350.08	8%	
Shareholders' equity	189.2	203.4	14.2	8%	
Shareholders' equity ratio	22.9/26.0%*	21.8/24.5%*	-1.1pt	-5%	*Reflecting equity credit attributes of the subordinated loan

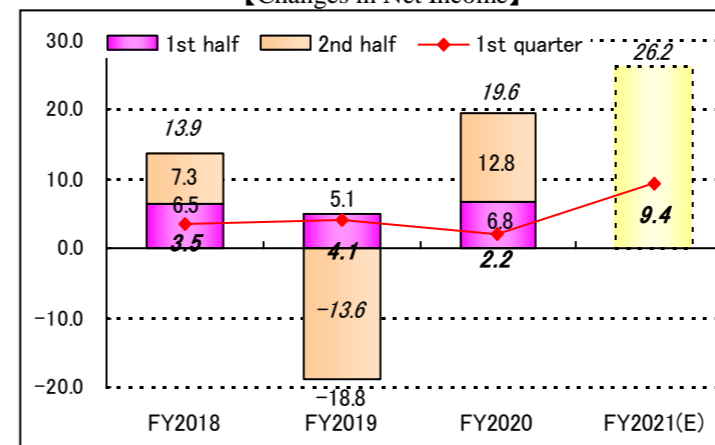
【Changes in Net Sales】



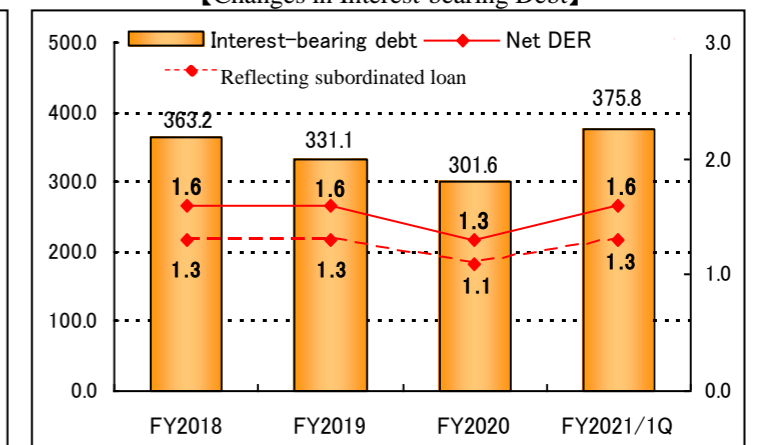
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020	FY2021 (estimated)		Cash Dividends	FY2019	FY2020	FY2021 (estimated)
			change				
Net sales	1,745.5	1,980.0	—	Interim (yen)	75.00	30.00	30.00
Operating income	29.2	42.0	44%	Year-end (yen)	25.00	30.00	30.00
Ordinary income	28.8	38.0	32%	Annual (yen)	100.00	60.00	60.00
Net income attributable to owners of parent	19.6	26.2	34%	Dividend payout ratio	—	12%	9%

* 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.