

Financial Results for the First Quarter ended June 30, 2021

(Japan GAAP)

August 10, 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: August 10, 2021

Scheduled date of payout of dividend: —

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the First Quarter ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(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 1st Quarter ended June 30, 2021	452,604	—	13,503	206.2	14,028	337.9	9,492	329.3
ended June 30, 2020	375,645	(20.5)	4,410	(36.4)	3,203	(50.2)	2,211	(46.6)

Note: Comprehensive income For the Fiscal Year ended June 30, 2021 13,843 million yen — %
For the Fiscal Year ended June 30, 2020 856 million yen (54.9) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 1st Quarter ended June 30, 2021	233.59	—
ended June 30, 2020	54.41	—

* 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 for the 1st quarter ended June 30, 2021 in the above consolidated operating results constitute the figures after application of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of June 30, 2021	933,692	206,328	21.8	5,006.25
As of March 31, 2021	824,590	191,857	22.9	4,656.17

Note: Shareholders' equity As of June 30, 2021 203,441 million yen
As of March 31, 2021 189,214 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, 2021	—	30.00	—	30.00	60.00
Year ended March 31, 2022	—				
Year ending March 31, 2022 (estimated)		30.00	—	30.00	60.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	1,980,000	—	42,000	43.7	38,000	31.8	26,200	33.6	644.73

* For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results for FY2021" announced on August 10, 2021. 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.

* 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 financial results constitute the figures after application of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales.

Financial Results for the First Quarter ended June 30, 2021

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2021	June 30, 2021
Assets		
Current assets;		
Cash and deposits	50,907	58,641
Trade notes and accounts receivable	356,059	—
Trade notes, accounts receivable and contract assets	—	416,959
Electronically recorded monetary claims	27,895	30,793
Inventories	127,378	142,297
Other	69,532	77,233
Allowance for doubtful receivables	(1,679)	(1,479)
Total current assets	630,093	724,446
Fixed assets;		
Property and equipment;		
Land	34,457	34,688
Others	39,349	40,896
Total property and equipment	73,806	75,585
Intangible assets	7,893	8,487
Investments and other assets;		
Investment securities	72,472	73,887
Others	40,779	52,087
Allowance for doubtful receivables	(454)	(801)
Total investments and other assets	112,796	125,173
Total fixed assets	194,497	209,246
Total assets	824,590	933,692
Liabilities and Net Assets		
Current liabilities;		
Trade notes and accounts payable	213,436	236,353
Electronically record obligations	21,772	23,500
Short-term loans payable	65,859	120,470
Commercial paper	—	20,000
Current portion of bonds payable	10,013	20,013
Income taxes payable	6,985	5,071
Accrued bonuses	3,281	1,862
Provision for product warranties	324	320
Others	67,549	65,084
Total current liabilities	389,222	492,676
Long-term liabilities;		
Bonds payable	30,000	20,000
Long-term loans payable	193,999	193,567
Retirement benefits liabilities	5,326	5,409
Others	14,184	15,710
Total long-term liabilities	243,510	234,687
Total liabilities	632,733	727,364
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	137,825	147,943
Treasury stock	(3,729)	(3,729)
Total shareholders' equity	179,747	189,865
Accumulated other comprehensive income		
Net unrealized holding gains on securities	15,193	17,235
Deferred hedge profit and loss	372	140
Land revaluation difference	3,191	3,191
Foreign currency translation adjustments	(4,906)	(2,807)
Remeasurements of defined benefit plans	(4,384)	(4,185)
Total accumulated other comprehensive income	9,467	13,575
Minority interests	2,642	2,886
Total net assets	191,857	206,328
Total liabilities and net assets	824,590	933,692

Financial Results for the First Quarter ended June 30, 2021

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	Year ended June 30, 2020	Year ended June 30, 2021
Net sales	375,645	452,604
Cost of sales	359,250	425,764
Gross profit	16,394	26,839
Selling, general and administrative expenses	11,983	13,335
Operating income	4,410	13,503
Other income;		
Interest income	715	331
Dividend income	1,152	633
Equity in earnings of affiliates	238	544
Others	285	364
Total other income	2,392	1,873
Other expenses;		
Interest expenses	1,000	860
Foreign exchange loss	2,177	224
Others	421	264
Total other expenses	3,599	1,349
Ordinary income	3,203	14,028
Extraordinary income;		
Gain on sales of property and equipment	574	—
Total extraordinary income	574	—
Income before income taxes and minority interest	3,778	14,028
Income taxes	1,577	4,434
Net income	2,200	9,593
Net income (loss) attributable to		
Owners of parent	2,211	9,492
non-controlling interests	(10)	101
Other Comprehensive Income		
Valuation difference on available-for-sale securities	1,532	2,040
Deferred hedges profit and loss	(577)	(231)
Foreign currency translation adjustments	(2,247)	1,952
Remeasurements of defined benefit plans	197	191
Share of other comprehensive income of entities accounted for using equity method	(249)	296
Total other comprehensive Income	(1,343)	4,249
Comprehensive income	856	13,843
Comprehensive income attributable to		
Owners of the parent	1,021	13,600
non-controlling interests	(164)	242

Financial Results for the First Quarter ended June 30, 2021

《Segment information》

Segment information by business category for the 1st Quarter ended June 30, 2020 and 2021, is as follows:

(Amounts less than one million yen are rounded down)

1st Quarter ended June 30, 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	197,678	47,745	17,261	22,930	37,209	33,904	356,730	18,915	375,645	—	375,645
Inter-segment	2,315	742	423	16	1,630	7,565	12,694	902	13,597	(13,597)	—
Total	199,993	48,488	17,684	22,946	38,840	41,470	369,424	19,817	389,242	(13,597)	375,645
Segment income(loss)	1,757	1,296	(369)	166	1,679	392	4,922	(118)	4,803	(1,600)	3,203

1st Quarter ended June 30, 2021

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	202,576	44,749	29,975	27,593	59,287	66,379	430,561	22,042	452,604	—	452,604
Inter-segment	3,877	1,024	941	98	1,836	2,275	10,054	1,132	11,186	(11,186)	—
Total	206,454	45,774	30,916	27,691	61,124	68,654	440,615	23,175	463,791	(11,186)	452,604
Segment income(loss)	8,105	2,121	1,579	827	1,478	1,107	15,220	326	15,546	(1,518)	14,028

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 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. The classification change also applies to segment information for the 1st quarter of the previous fiscal year.
5. 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, we change the method of calculating revenue for business segments as well.

As a result of this change, compared to the previous method, net sales for the first quarter of this fiscal year decreased by 48,899 million yen in the Steel segment, 58,605 million yen in the Primary metal segment, 233 million yen in the Metal recycling segment, 33 million yen in the Foods segment, 116 million yen in the Energy & Living Materials segment, 14,051 million yen in overseas sales subsidiaries and decreased 273 million yen in the Other segment. In addition, segment income in the Steel segment increased by 890 million yen.

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%	
SG&A expenses	11.9	13.3	1.3	11%	
Operating income	4.4	13.5	9.0	206%	(*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.)
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%	(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.
Extraordinary gain	0.5	—	(0.5)	-100%	
Extraordinary loss	—	—	—	—	
Income before income taxes and others	3.7	14.0	10.2	271%	(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)
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%	

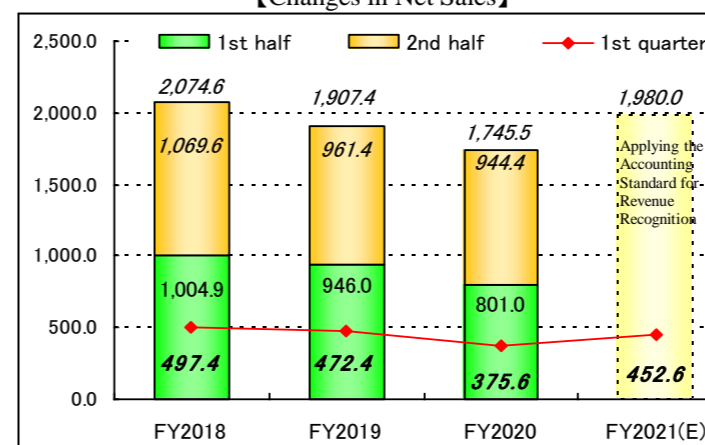
* Since the 1st Quarter of the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. Please note that comparison on a YoY basis is made in accordance with the classification method after the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

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

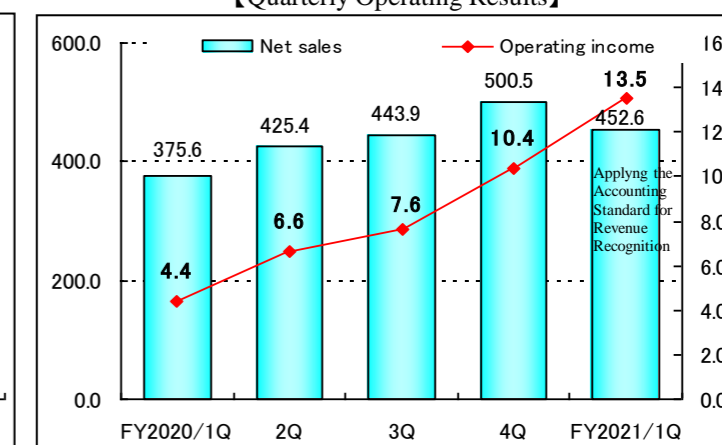
(Unit: billion yen, rounded down to 0.1 billions yen)

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

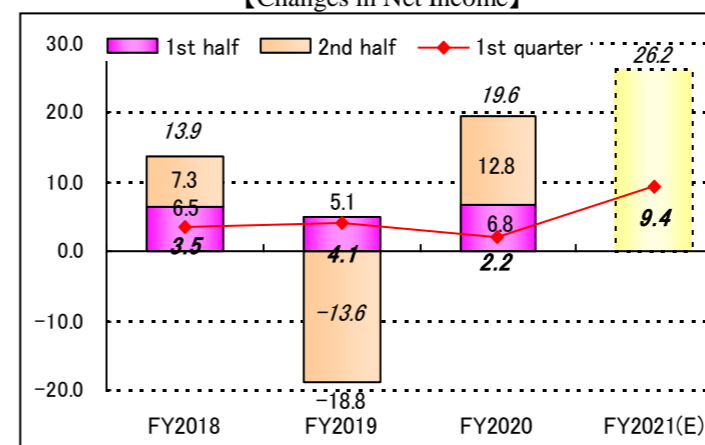
【Changes in Net Sales】



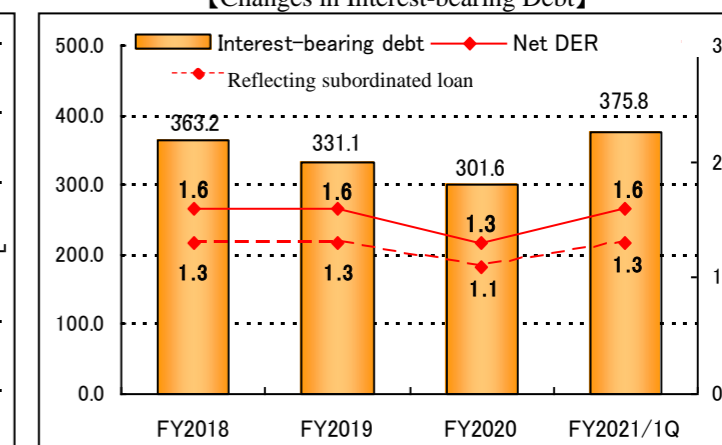
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020	FY2021 (estimated)		Cash Dividends	FY2019	FY2020	FY2021 (estimated)
		change	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%

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