

# Highlights of Consolidated Financial Results for the 2nd Quarter of FY2021 (Japan GAAP)

HANWA Co., Ltd.

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

## Outline of Financial Results for the 2nd Quarter of FY2021

- During the 2nd quarter of the fiscal year, economic activity progressed on a recovery trend. Net sales increased to 980.3 billion yen, as transaction volume increased in Steel businesses, and prices of steel and non-ferrous metals trended upward. Profits expanded in all business segments. Operating income increased by 175% YoY, to 30.4 billion yen, while ordinary income rose by 199% YoY, to 30.6 billion yen, as equity in earnings of affiliates expanded, mainly in the Steel business and foreign-exchange losses at overseas consolidated subsidiaries shrank, and net income attributable to owners of the parent increased by 206% to 20.9 billion yen.
- We plan to pay 100 yen as the annual (50 yen as the interim and 50 yen as the year-end) dividend.

Operating Results	1Q-2Q of FY2020	1Q-2Q of FY2021	YoY		Main Factors
			Change	rate	
<b>Net sales</b>	<b>801.0</b>	<b>980.3</b>	—*	—*	(Net sales) Net sales increased to 980.3 billion yen, as transaction volume swelled in Steel businesses, and prices of steel and nonferrous metals trended upward.  (*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) SG & A expenses increased by 2.7 billion yen YoY, with newly consolidated subsidiaries contributing 0.3 billion yen to this figure. Personnel expenses rose by 1.3 billion yen YoY, with 0.2 billion yen of this figure deriving from newly consolidated subsidiaries.  (Non-operating income/expenses) Non-operating income increased by 0.3 billion yen and non-operating expenses decreased by 0.6 billion yen. The main impacts on ordinary income were as follows. Interest income : decrease of 0.4 billion yen(YoY) Dividend income: decrease of 0.3 billion yen(YoY) Equity in earnings of affiliates: : increase of 1.0 billion yen(YoY) Interest expenses : decrease of 0.1 billion yen(YoY) Foreign exchange loss: decrease of 0.8 billion yen (YoY)
<b>Gross profit</b>	<b>35.4</b>	<b>57.5</b>	<b>22.0</b>	<b>62%</b>	
SG&A expenses	24.3	27.1	2.7	11%	
<b>Operating income</b>	<b>11.0</b>	<b>30.4</b>	<b>19.3</b>	<b>175%</b>	
Non-operating income	3.5	3.8	0.3	9%	
Non-operating expenses	4.3	3.6	(0.6)	-16%	
<b>Ordinary income</b>	<b>10.2</b>	<b>30.6</b>	<b>20.3</b>	<b>199%</b>	
Extraordinary gain	0.5	—	(0.5)	-100%	
Extraordinary loss	0.1	—	(0.1)	-100%	
<b>Income before income taxes and others</b>	<b>10.7</b>	<b>30.6</b>	<b>19.8</b>	<b>185%</b>	
Income taxes	3.8	9.2	5.4	144%	
<b>Net income</b>	<b>6.9</b>	<b>21.3</b>	<b>14.4</b>	<b>208%</b>	
Owners of the parent(loss)	6.8	20.9	14.1	206%	
Non-controlling interests(loss)	0.0	0.3	0.2	538%	
EPS (yen)	168.84	516.69	347.85	206%	
<b>Comprehensive income</b>	<b>4.8</b>	<b>27.2</b>	<b>22.4</b>	<b>466%</b>	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2020	1Q-2Q of FY2021	rate	1Q-2Q of FY2020	1Q-2Q of FY2021	rate	
Steel	422.8	447.9	—	6.7	18.2	170%	(Steel business) Segment income and profit margin grew. Transaction volume rose amid an upward trend in demand for steel. Steel prices continued to rise amid mounting raw-material costs and tightening supply.  (Primary metals business) Segment income increased as steel and non-ferrous-metal manufacturers resumed operation, transaction volume in stainless-steel base metals and alloys increased and nickel prices rose. As a result, profit margin expanded.  (Metal recycling business) Segment income increased. With a rising trend in base metal, 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 consolidated subsidiaries.  (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..  (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 volume 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).  (Overseas sales subsidiaries) Segment income increased. Transaction volume in steel increased in some countries, including Indonesia and Singapore, while profitability in the Food business in the U.S. rose.
*Primary Metal	110.1	95.3	—	2.1	3.5	62%	
Metal Recycling	34.1	63.2	—	(0.0)	3.2	—	
Foods	49.7	58.2	—	0.3	1.5	319%	
Energy& Living Materials	82.4	127.0	—	3.0	3.0	0%	
Overseas sales subsidiaries	87.4	163.4	—	0.6	2.5	267%	
Total for reportable segments	786.8	955.3	—	13.0	32.1	147%	
Other	40.4	53.4	—	0.2	1.2	479%	
<b>Total</b>	<b>827.2</b>	<b>1,008.8</b>	—	<b>13.2</b>	<b>33.3</b>	<b>152%</b>	
Adjustment	(26.1)	(28.4)	—	(2.9)	(2.7)	-9%	
<b>Consolidated</b>	<b>801.0</b>	<b>980.3</b>	—	<b>10.2</b>	<b>30.6</b>	<b>199%</b>	

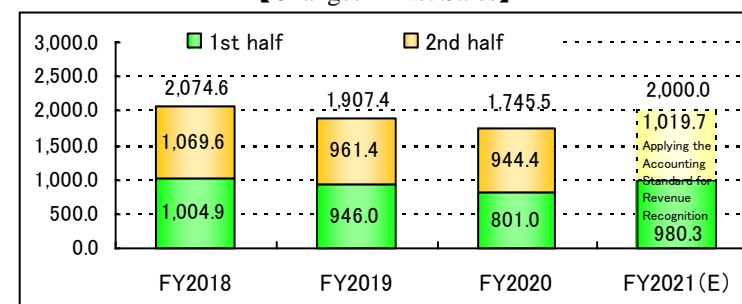
\* Since the 1st Quarter of the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. Please note that comparison on a YoY basis is made in accordance with the classification method after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

Topics	Apr.	Sep.
Acquire the shares in Suzuki-Sumiden Wire Products Guangzhou Co., Ltd. (SWPG), a manufacturer of high-quality stainless wire in China.		
Acquire the shares in Da Ming International Holdings Limited, a holding company of Daming Group which is one of China's largest distributor of steel products and also a comprehensive steel service center.		

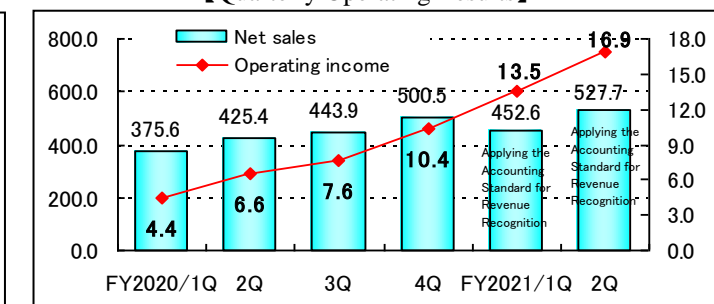
Financial Position	Mar. 2021	Sep. 2021	Comparison with Mar. 2021		Main Factors
			Change	rate	
<b>Total assets</b>	<b>824.5</b>	<b>983.8</b>	<b>159.3</b>	<b>19%</b>	(Total Assets) Total assets increased by 19% from the end of the previous fiscal year, mainly because of an increase in trade receivables resulting from a sales increase. Trade receivables 479.6 billion yen (+25% from the end of the previous period)
(Current assets)	630.0	774.2	144.1	23%	
(Fixed assets)	194.4	209.6	15.1	8%	
<b>Total liabilities</b>	<b>632.7</b>	<b>764.1</b>	<b>131.4</b>	<b>21%</b>	(Liabilities) Liabilities increased by 21% 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 28%, net debt-equity ratio was turned into 152% (*126%).
(Interest-bearing debt)	301.6	386.2	84.6	28%	
(Net interest-bearing debt)	250.7	329.6	78.8	31%	
Net DER	133%/105%	152%/126%	19pt	—	
<b>Total net assets</b>	<b>191.8</b>	<b>219.7</b>	<b>27.8</b>	<b>15%</b>	(Net assets) Total net assets increased 15% 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 valuation difference on available-for-sale securities. Shareholders' equity ratio was 22.0% (*24.6%), which is 0.9 percentage points lower than at the end of the previous fiscal year.
(Equity capital)	179.7	201.3	21.6	12%	
(Valuation & translation adjustments)	9.4	15.2	5.7	61%	
(Minority interests)	2.6	3.1	0.4	18%	
BPS (yen)	4656.17	5330.29	674.12	14%	
Shareholders' equity	189.2	216.6	27.3	14%	
Shareholders' equity ratio	22.9/26.0*	22.0/24.6*	-0.9pt	-4%	*Reflecting equity credit attributes of the subordinated loan

Cash Flow	1Q-2Q of FY2020	1Q-2Q of FY2021	YoY		Main Factors
			Change	rate	
Cash flows from operating activities	31.8	(66.1)	(98.0)	—	(Operating cash flows) Due mainly to increase in trade receivables and inventories.
Cash flows from investing activities	1.1	(8.5)	(9.6)	—	(Investment cash flows) Due mainly to execution of short-term loans receivable and purchase of investment securities.
Cash flows from financing activities	(22.1)	78.6	100.8	—	(Financial cash flows) Due mainly to increase in short-term loans and commercial paper.
Cash and cash equivalents at end of period	79.9	56.2	(23.7)	-30%	

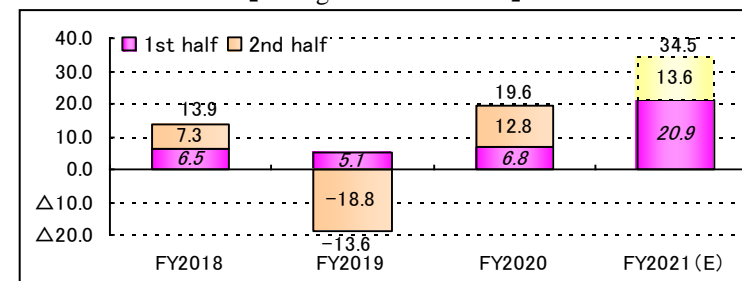
【Changes in Net Sales】



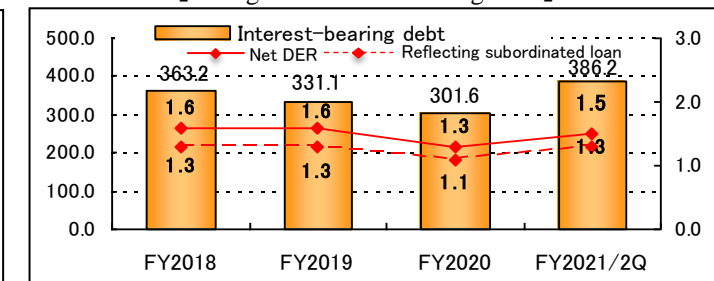
【Quarterly Operating Results】



【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	2,000.0	—	Interim (yen)	75.00	30.00	50.00
Operating income	29.2	52.0	78%	Year-end (yen)	25.00	30.00	50.00
Ordinary income	28.8	50.0	74%	Annual (yen)	100.00	60.00	100.00
Net income attributable to owners of parent	19.6	34.5	76%	Dividend payout ratio	—	12%	12%

\* 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.