

Financial Results for the Second Quarter ended September 30, 2021

(Japan GAAP)
November 10, 2021

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <https://www.hanwa.co.jp>)
 Representative: Hironari Furukawa President
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 Scheduled date of issue of audited financial statements: November 10, 2021
 Scheduled date of payout of dividend: December 2, 2021

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Second Quarter ended September 30, 2021 (April 1, 2021 to September 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 2nd Quarter ended September 30, 2021	980,342	—	30,426	174.7	30,615	198.7	20,996	206.0
ended September 30, 2020	801,053	(15.3)	11,077	(18.7)	10,248	(5.2)	6,861	33.0

Note: Comprehensive income For the Fiscal Year ended September 30, 2021 27,266 million yen 465.6 %
 For the Fiscal Year ended September 30, 2020 4,820 million yen 79.1 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 2nd Quarter ended September 30, 2021	516.69	—
ended September 30, 2020	168.84	—

* 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 2nd quarter ended September 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 September 30, 2021	983,893	219,738	22.0	5,330.29
As of March 31, 2021	824,590	191,857	22.9	4,656.17

Note: Shareholders' equity As of September 30, 2021 216,608 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	—	50.00	—	—	—
Year ending March 31, 2022 (estimated)	—	—	—	50.00	100.00

* For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results, Distribution of Interim Dividend and Dividend Forecast for FY2021" announced on November 10, 2021.

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	2,000,000	—	52,000	77.9	50,000	73.5	34,500	75.9	848.97

* For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results, Distribution of Interim Dividend and Dividend Forecast for FY2021" announced on November 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 Second Quarter ended September 30, 2021

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2021	September 30, 2021
Assets		
Current assets;		
Cash and deposits	50,907	56,645
Trade notes and accounts receivable	356,059	—
Trade notes, accounts receivable and contract assets	—	450,346
Electronically recorded monetary claims	27,895	29,264
Inventories	127,378	170,882
Other	69,532	68,678
Allowance for doubtful receivables	(1,679)	(1,541)
Total current assets	630,093	774,276
Fixed assets;		
Property and equipment;		
Land	34,457	34,688
Others	39,349	41,103
Total property and equipment	73,806	75,792
Intangible assets	7,893	8,828
Investments and other assets;		
Investment securities	72,472	78,693
Others	40,779	47,408
Allowance for doubtful receivables	(454)	(1,104)
Total investments and other assets	112,796	124,997
Total fixed assets	194,497	209,617
Total assets	824,590	983,893
Liabilities and Net Assets		
Current liabilities;		
Trade notes and accounts payable	213,436	270,104
Electronically record obligations	21,772	27,399
Short-term loans payable	65,859	118,160
Commercial paper	—	40,000
Current portion of bonds payable	10,013	20,000
Income taxes payable	6,985	9,379
Accrued bonuses	3,281	3,112
Provision for product warranties	324	270
Others	67,549	47,415
Total current liabilities	389,222	535,842
Long-term liabilities;		
Bonds payable	30,000	20,000
Long-term loans payable	193,999	186,422
Retirement benefits liabilities	5,326	5,439
Others	14,184	16,451
Total long-term liabilities	243,510	228,313
Total liabilities	632,733	764,155
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	137,825	159,446
Treasury stock	(3,729)	(3,729)
Total shareholders' equity	179,747	201,367
Accumulated other comprehensive income		
Net unrealized holding gains on securities	15,193	17,844
Deferred hedge profit and loss	372	612
Land revaluation difference	3,191	3,191
Foreign currency translation adjustments	(4,906)	(2,419)
Remeasurements of defined benefit plans	(4,384)	(3,988)
Total accumulated other comprehensive income	9,467	15,241
Minority interests	2,642	3,129
Total net assets	191,857	219,738
Total liabilities and net assets	824,590	983,893

Financial Results for the Second Quarter ended September 30, 2021

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	2nd Quarter ended September 30, 2020	2nd Quarter ended September 30, 2021
Net sales	801,053	980,342
Cost of sales	765,620	922,809
Gross profit	35,433	57,532
Selling, general and administrative expenses	24,355	27,105
Operating income	11,077	30,426
Other income;		
Interest income	1,151	734
Dividend income	1,370	1,020
Equity in earnings of affiliates	294	1,384
Others	726	727
Total other income	3,543	3,866
Other expenses;		
Interest expenses	1,986	1,854
Foreign exchange loss	1,645	747
Others	739	1,076
Total other expenses	4,372	3,678
Ordinary income	10,248	30,615
Extraordinary income;		
Gain on sale of property and equipment	578	—
Total extraordinary income	578	—
Extraordinary loss;		
Provision of allowance for doubtful accounts of affiliates	100	—
Total extraordinary loss	100	—
Income before income taxes and minority interest	10,726	30,615
Income taxes	3,814	9,295
Net income	6,912	21,319
Net income attributable to		
Owners of the parent	6,861	20,996
Non-controlling interests	50	323
Other Comprehensive Income		
Valuation difference on available-for-sale securities	1,316	2,648
Deferred hedge profit and loss	(834)	240
Foreign currency translation adjustments	(2,807)	2,361
Remeasurements of defined benefit plans	395	382
Share of other comprehensive income of entities accounted for using equity method	(162)	314
Total other comprehensive Income	(2,091)	5,946
Comprehensive Income	4,820	27,266
Comprehensive income attributable to;		
Owners of the parent	4,932	26,770
Non-controlling interests	(112)	496

Financial Results for the Second Quarter ended September 30, 2021

《Consolidated Statements of Cash Flows》

(Amounts less than one million yen are rounded down)

Millions of yen

	2nd Quarter ended September 30, 2020	2nd Quarter ended September 30, 2021
Cash flows from operating activities;		
Income before income taxes	10,726	30,615
Depreciation and amortization	2,659	2,900
Amortization of goodwill	259	196
Increase(decrease) in allowance for doubtful receivables	(406)	490
Interest and dividend income	(2,522)	(1,754)
Interest expense	1,986	1,854
Equity in earnings of affiliated companies (gain)	(294)	(1,384)
Gain on sale of property and equipment	(578)	—
Provision of allowance for doubtful accounts of affiliates	100	—
(Increase)decrease in trade receivables	22,936	—
(Increase)decrease in trade receivables and contract assets	—	(81,171)
(Increase)decrease in inventories	4,668	(41,581)
Increase(decrease) in trade notes and accounts payable	(14,070)	52,947
Increase(decrease) in advance payment	(277)	(11,706)
Increase(decrease) in retirement benefits	617	604
Other, net	8,094	(11,229)
Sub total	33,902	(59,219)
Interest and dividends received	2,065	1,531
Interest paid	(2,007)	(1,798)
Income taxes paid	(2,109)	(6,695)
Net cash provided by (used in) operating activities	31,851	(66,182)
Cash flows from investing activities;		
Payment for time deposits	—	(24)
Proceeds from refund of time deposits	60	12
Payment for purchase of property and equipment	(3,446)	(3,064)
Proceeds from sale of property and equipment	1,223	21
Payment for acquisition of investment securities	(1,023)	(3,317)
Proceeds from sale and redemption of investment securities	32	25
(Increase)decrease in short – term loans receivable, net	(860)	(5,410)
Increase in long – term loans receivable	(0)	(238)
Collection of long–term loans receivable	5,237	4,522
Other, net	(76)	(1,075)
Net cash provided by (used in) investing activities	1,145	(8,549)
Cash flows from financing activities;		
Increase(decrease) in short–term loans, net	(4,669)	40,610
Increase(decrease) in commercial paper, net	—	40,000
Proceeds from long–term debt	13	6,605
Repayments of long–term debt	(6,361)	(6,882)
Payment for redemption of bonds	(10,010)	(13)
Payment for cash dividends	(1,020)	(1,223)
Cash dividends paid to minority interest in consolidated subsidiaries	(2)	(12)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	(31)	—
Other, net	(108)	(438)
Net cash provided by (used in) financing activities	(22,191)	78,644
Effect of exchange rate changes on cash and cash equivalents	1,283	(429)
Net increase(decrease) in cash and cash equivalents	12,089	3,482
Cash and cash equivalents at beginning of year	67,243	50,892
Increase in cash and cash equivalents from newly consolidated subsidiaries	632	1,842
Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries	22	9
Cash and cash equivalents at end of period	79,987	56,226

Financial Results for the Second Quarter ended September 30, 2021

《Segment information》

Segment information by business category for the 2nd Quarter ended September 30, 2020 and 2021, is as follows:

(Amounts less than one million yen are rounded down)

2nd Quarter ended September 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	418,768	108,740	33,205	49,517	79,031	72,830	762,094	38,958	801,053	—	801,053
Inter-segment	4,104	1,403	917	228	3,427	14,647	24,729	1,469	26,199	(26,199)	—
Total	422,873	110,144	34,123	49,746	82,459	87,478	786,824	40,428	827,253	(26,199)	801,053
Segment income(loss)	6,752	2,172	(23)	368	3,056	699	13,025	207	13,232	(2,984)	10,248

2nd Quarter ended September 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	438,193	92,594	61,665	57,837	122,182	155,939	928,414	51,928	980,342	—	980,342
Inter-segment	9,724	2,800	1,557	420	4,904	7,547	26,955	1,529	28,484	(28,484)	—
Total	447,918	95,395	63,223	58,258	127,087	163,487	955,370	53,457	1,008,827	(28,484)	980,342
Segment income	18,213	3,519	3,234	1,545	3,065	2,564	32,143	1,201	33,344	(2,728)	30,615

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 2nd 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 2nd quarter of this fiscal year decreased by 101,166 million yen in the Steel segment, 108,988 million yen in the Primary metal segment, 443 million yen in the Metal recycling segment, 33 million yen in the Foods segment, 229 million yen in the Energy & Living Materials segment, 25,533 million yen in overseas sales subsidiaries and decreased 667 million yen in the Other segment. In addition, segment income in the Steel segment increased by 1,828 million yen.

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	
Net sales	801.0	980.3	—*	—*	(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)
Gross profit	35.4	57.5	22.0	62%	
SG&A expenses	24.3	27.1	2.7	11%	
Operating income	11.0	30.4	19.3	175%	
Non-operating income	3.5	3.8	0.3	9%	
Non-operating expenses	4.3	3.6	(0.6)	-16%	
Ordinary income	10.2	30.6	20.3	199%	
Extraordinary gain	0.5	—	(0.5)	-100%	
Extraordinary loss	0.1	—	(0.1)	-100%	
Income before income taxes and others	10.7	30.6	19.8	185%	
Income taxes	3.8	9.2	5.4	144%	
Net income	6.9	21.3	14.4	208%	
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%	
Comprehensive income	4.8	27.2	22.4	466%	

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%	
Total	827.2	1,008.8	—	13.2	33.3	152%	
Adjustment	(26.1)	(28.4)	—	(2.9)	(2.7)	-9%	
Consolidated	801.0	980.3	—	10.2	30.6	199%	

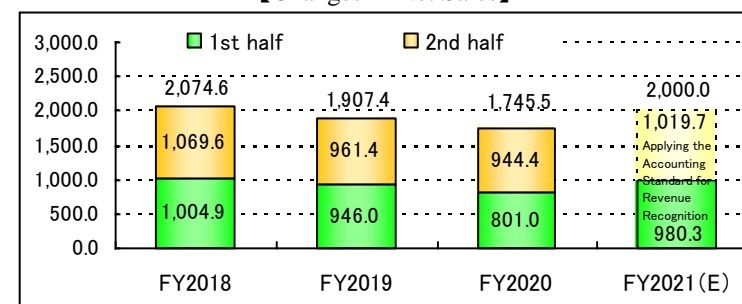
*Since the 1st Quarter of the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. Please note that comparison on a YoY basis is made in accordance with the classification method after the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

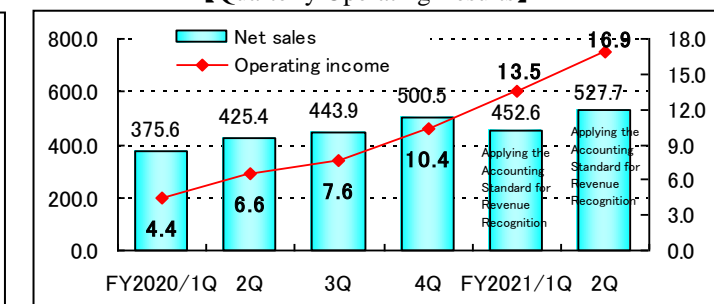
Financial Position	Mar. 2021	Sep. 2021	Comparison with Mar. 2021		Main Factors
			Change	rate	
Total assets	824.5	983.8	159.3	19%	(Total Assets) Total assets increased by 19% from the end of the previous fiscal year, mainly because of an increase in trade receivables resulting from a sales increase. 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%	
Total liabilities	632.7	764.1	131.4	21%	(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	—	
Total net assets	191.8	219.7	27.8	15%	(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%	

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%	

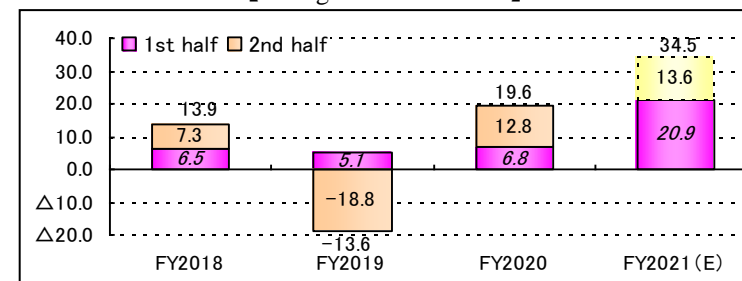
【Changes in Net Sales】



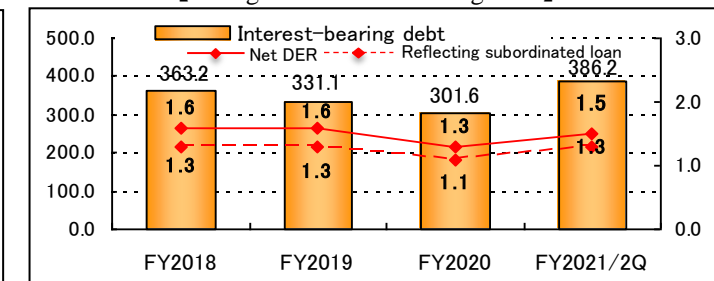
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



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