

Financial Results for the Third Quarter ended December 31, 2021

(Japan GAAP)
February 10, 2022

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <https://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: February 10, 2022
 Scheduled date of payout of dividend: -

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Third Quarter ended December 31, 2021 (April 1, 2021 to December 31, 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 3rd Quarter ended December 31, 2021	1,541,082	—	49,234	162.6	49,478	175.9	33,177	170.4
ended December 31, 2020	1,244,969	(12.5)	18,749	(8.2)	17,930	23.3	12,271	23.6

Note: Comprehensive income For the Fiscal Year ended December 31, 2021 38,617 million yen 161.7 %
 For the Fiscal Year ended December 31, 2020 14,758 million yen 117.1 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 3rd Quarter ended December 31, 2021	816.43	—
ended December 31, 2020	301.96	—

* 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 3rd quarter ended December 31, 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 December 31, 2021	1,108,760	229,021	20.4	5,555.47
As of March 31, 2021	824,590	191,857	22.9	4,656.17

Note: Shareholders' equity As of December 31, 2021 225,759 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

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	2,100,000	—	62,000	112.1	62,000	115.1	43,000	119.2	1,058.14

* For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results for FY2021". 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 Third Quarter ended December 31, 2021

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2021	December 31, 2021
Assets		
Current assets;		
Cash and deposits	50,907	36,826
Trade notes and accounts receivable	356,059	—
Trade notes, accounts receivable and contract assets	—	491,619
Electronically recorded monetary claims	27,895	32,614
Inventories	127,378	218,130
Other	69,532	110,780
Allowance for doubtful receivables	(1,679)	(1,467)
Total current assets	630,093	888,503
Fixed assets;		
Property and equipment;		
Land	34,457	34,673
Others	39,349	42,847
Total property and equipment	73,806	77,520
Intangible assets		
	7,893	9,953
Investments and other assets;		
Investment securities	72,472	79,623
Others	40,779	54,494
Allowance for doubtful receivables	(454)	(1,335)
Total investments and other assets	112,796	132,782
Total fixed assets	194,497	220,256
Total assets	824,590	1,108,760
Liabilities and Net Assets		
Current liabilities;		
Trade notes and accounts payable	213,436	306,015
Electronically record obligations	21,772	32,741
Short-term loans payable	65,859	138,493
Commercial paper	—	60,000
Current portion of bonds payable	10,013	10,000
Income taxes payable	6,985	10,139
Accrued bonuses	3,281	2,043
Provision for product warranties	324	223
Others	67,549	93,965
Total current liabilities	389,222	653,623
Long-term liabilities;		
Bonds payable	30,000	20,000
Long-term loans payable	193,999	181,920
Retirement benefits liabilities	5,326	5,441
Others	14,184	18,752
Total long-term liabilities	243,510	226,115
Total liabilities	632,733	879,738
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	137,825	169,584
Treasury stock	(3,729)	(3,729)
Total shareholders' equity	179,747	211,506
Accumulated other comprehensive income		
Net unrealized holding gains on securities	15,193	16,773
Deferred hedge profit and loss	372	(160)
Land revaluation difference	3,191	3,191
Foreign currency translation adjustments	(4,906)	(1,748)
Remeasurements of defined benefit plans	(4,384)	(3,803)
Total accumulated other comprehensive income	9,467	14,252
Minority interests	2,642	3,262
Total net assets	191,857	229,021
Total liabilities and net assets	824,590	1,108,760

Financial Results for the Third Quarter ended December 31, 2021

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	3rd Quarter ended December 31, 2020	3rd Quarter ended December 31, 2021
Net sales	1,244,969	1,541,082
Cost of sales	1,189,140	1,450,578
Gross profit	55,829	90,504
Selling, general and administrative expenses	37,080	41,269
Operating income	18,749	49,234
Other income;		
Interest income	1,524	1,396
Dividend income	1,622	1,498
Equity in earnings of affiliates	477	1,955
Others	1,107	1,106
Total other income	4,731	5,957
Other expenses;		
Interest expenses	2,880	2,872
Foreign exchange loss	1,550	1,477
Others	1,118	1,364
Total other expenses	5,550	5,714
Ordinary income	17,930	49,478
Extraordinary income;		
Gain on sale of property and equipment	580	—
Gain on sale of investment securities	114	—
Total extraordinary income	694	—
Extraordinary loss;		
Loss on devaluation of investment securities	—	1,170
Provision of allowance for doubtful accounts of affiliates	148	106
Total extraordinary loss	148	1,276
Income before income taxes and minority interest	18,476	48,201
Income taxes	6,039	14,568
Net income	12,437	33,633
Net income attributable to		
Owners of the parent	12,271	33,177
Non-controlling interests	166	455
Other Comprehensive Income		
Valuation difference on available-for-sale securities	5,744	1,579
Deferred hedge profit and loss	(856)	(533)
Foreign currency translation adjustments	(2,980)	3,035
Remeasurements of defined benefit plans	593	574
Share of other comprehensive income of entities accounted for using equity method	(181)	328
Total other comprehensive Income	2,320	4,984
Comprehensive Income	14,758	38,617
Comprehensive income attributable to;		
Owners of the parent	14,741	37,962
Non-controlling interests	16	654

Financial Results for the Third Quarter ended December 31, 2021

《Segment information》

Segment information by business category for the 3rd Quarter ended December 31, 2020 and 2021, is as follows:

(Amounts less than one million yen are rounded down)

3rd Quarter ended December 31, 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	640,407	161,602	54,593	79,520	124,168	123,039	1,183,331	61,637	1,244,969	—	1,244,969
Inter-segment	8,230	2,123	1,291	484	5,140	22,501	39,771	2,169	41,941	(41,941)	—
Total	648,637	163,726	55,885	80,005	129,308	145,540	1,223,103	63,807	1,286,910	(41,941)	1,244,969
Segment income	11,454	3,256	379	1,710	4,375	947	22,124	453	22,578	(4,648)	17,930

3rd Quarter ended December 31, 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	703,816	138,100	94,345	90,133	196,733	230,298	1,453,428	87,654	1,541,082	—	1,541,082
Inter-segment	18,710	4,943	2,658	1,485	7,304	12,804	47,907	2,297	50,205	(50,205)	—
Total	722,527	143,043	97,003	91,619	204,037	243,103	1,501,335	89,952	1,591,288	(50,205)	1,541,082
Segment income	28,451	5,863	4,118	2,968	4,775	4,899	51,076	2,279	53,356	(3,878)	49,478

Notes:

- “Other” comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
- 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.
- Segment income or loss is adjusted between ordinary income on the consolidated statements of income and comprehensive income.
- 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 3rd quarter of the previous fiscal year.
- 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 3rd quarter of this fiscal year decreased by 159,276 million yen in the Steel segment, 195,042 million yen in the Primary metal segment, 617 million yen in the Metal recycling segment, 87 million yen in the Foods segment, 424 million yen in the Energy & Living Materials segment, 32,787 million yen in overseas sales subsidiaries and decreased 1,304 million yen in the Other segment. In addition, segment income in the Steel segment increased by 1,837 million yen.

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2021

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 3rd Quarter of FY2021

• During the 3rd quarter of the fiscal year, economic activity progressed on a recovery trend. Net sales increased to 1,541 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 163% YoY, to 49.2 billion yen, while ordinary income increased by 176% YoY, to 49.4 billion yen, as equity in earnings of affiliates expanded mainly in the Steel business, and net income attributable to owners of the company increased by 170% to 33.1 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-3Q of FY2020	1Q-3Q of FY2021	Y o Y		Main Factors
			Change	rate	
Net sales	1,244.9	1,541.0	—*	—*	(Net sales) Net sales increased to 1,541 billion yen, as transaction volume swelled in Steel businesses, and prices of steel and nonferrous metals trended upward.
Gross profit	55.8	90.5	34.6	62%	
SG&A expenses	37.0	41.2	4.1	11%	
Operating income	18.7	49.2	30.4	163%	(*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	4.7	5.9	1.2	26%	
Non-operating expenses	5.5	5.7	0.1	3%	(SG&A expenses) SG & A expenses increased by 4.1 billion yen YoY, with newly consolidated subsidiaries contributing 0.5 billion yen to this figure. Personnel expenses rose by 1.9 billion yen YoY, with 0.4 billion yen of this figure deriving from newly consolidated subsidiaries.
Ordinary income	17.9	49.4	31.5	176%	
Extraordinary gain	0.6	—	(0.6)	-100%	
Extraordinary loss	0.1	1.2	1.1	761%	(Non-operating income/expenses) Non-operating income increased by 1.2 billion yen and non-operating expenses increased by 0.1 billion yen. The main impacts on ordinary income were as follows. Interest income : decrease of 0.1 billion yen(YoY) Dividend income : decrease of 0.1 billion yen(YoY) Equity in earnings of affiliates : increase of 1.4 billion yen(YoY)
Income before income taxes and others	18.4	48.2	29.7	161%	
Income taxes	6.0	14.5	8.5	141%	
Net income	12.4	33.6	21.1	170%	(Extraordinary loss) Loss on devaluation of investments securities : 1.1 billion yen
Owners of the parent(loss)	12.2	33.1	20.9	170%	
Non-controlling interests(loss)	0.1	0.4	0.2	174%	
EPS (yen)	301.96	816.43	514.47	170%	
Comprehensive income	14.7	38.6	23.8	162%	

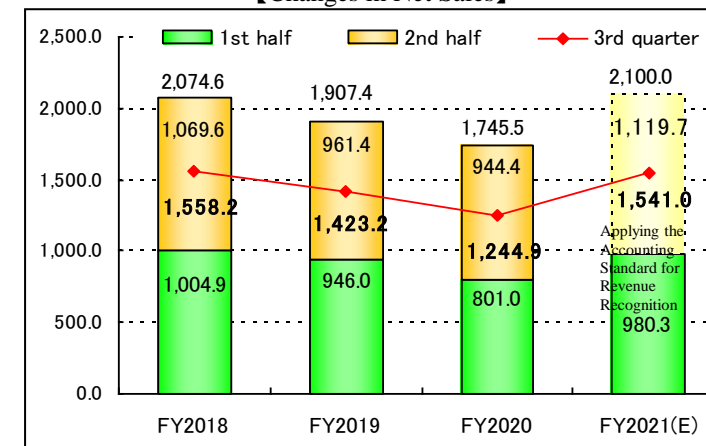
Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2020	1Q-3Q of FY2021	rate	1Q-3Q of FY2020	1Q-3Q of FY2021	rate	
Steel	648.6	722.5	—	11.4	28.4	148%	(Steel business) Segment income and profit margin grew. Transaction volume increased amid an upward trend in demand for steel. Steel products prices continued to rise amid mounting raw-material costs.
* Primary Metal	163.7	143.0	—	3.2	5.8	80%	(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	55.8	97.0	—	0.3	4.1	984%	(Metal recycling business) Segment income increased. With base metals trending at a high level, profit margin was secured by expansion of aluminum and copper-scrap sales, while transaction volume in stainless-scrap increased through utilization of the cargo-collection and inventory functions of subsidiaries.
Foods	80.0	91.6	—	1.7	2.9	74%	(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	129.3	204.0	—	4.3	4.7	9%	(Energy & Living Materials business) Segment income increased. With prices for crude oil and petroleum products on a rising trend, profit margin was secured as transaction volume in palm kernel shells (PKS) and wood pellets increased, while transaction volume in daily necessities and household goods increased.
Overseas sales subsidiaries	145.5	243.1	—	0.9	4.8	417%	(Overseas sales subsidiaries) Segment income increased. Transaction volume in steel increased in some countries, including Indonesia and Singapore, while transaction volume in imported steel materials increased amid mounting tightening supply in the U.S..
Total for reportable segments	1,223.1	1,501.3	—	22.1	51.0	131%	
Other	63.8	89.9	—	0.4	2.2	402%	
Total	1,286.9	1,591.2	—	22.5	53.3	136%	
Adjustment	(41.9)	(50.2)	—	(4.6)	(3.8)	-17%	
Consolidated	1,244.9	1,541.0	—	17.9	49.4	176%	

* 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.

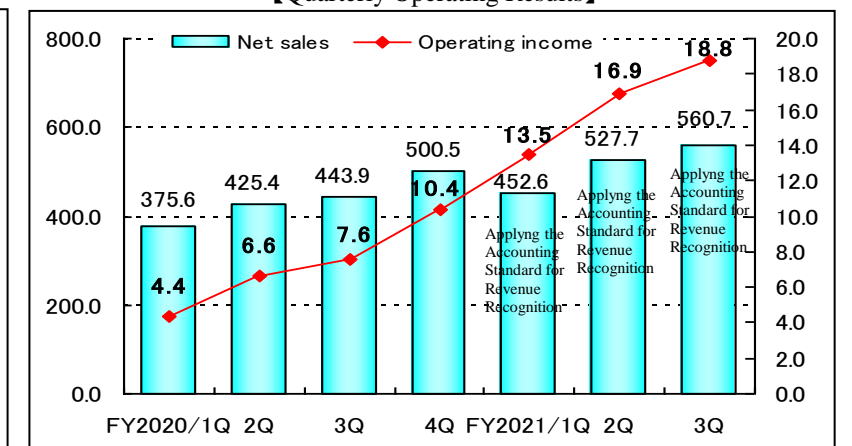
Topics	
• Apr.	Acquire the shares in Suzuki-Sumiden Wire Products Guangzhou Co., Ltd. (SWPG), a manufacturer of high-quality stainless wire in China.
• Sep.	Acquire the shares in Da Ming International Holdings Limited, a holding company of Daming Group which is one of China's largest distributor of steel products and also a comprehensive steel service center.
• Oct.	Hanwa Trading (Shanghai) Co., Ltd., a consolidated subsidiary of the Company, acquire the shares in JiangYin XiaoDa Metal Products Manufacturing Co., Ltd..

Financial Position	Mar. 2021	Dec. 2021	Comparison with Mar. 2021		Main Factors
			Change	rate	
Total assets	824.5	1,108.7	284.1	34%	(Total Assets) Total assets increased by 34% from the end of the previous fiscal year, mainly because of an increase in trade receivables resulting from a sales increase. Trade receivables 524.2 billion yen (+37% from the end of the previous fiscal year)
(Current assets)	630.0	888.5	258.4	41%	
(Fixed assets)	194.4	220.2	25.7	13%	
Total liabilities	632.7	879.7	247.0	39%	(Liabilities) Liabilities increased by 39% from the end of the previous fiscal year, mainly as a result of increases in trade payables and short-term debt. As interest-bearing debt increased by 37%, net debt-equity ratio was turned into 167% (*140%).
(Interest-bearing debt)	301.6	413.5	111.9	37%	
(Net interest-bearing debt)	250.7	376.7	126.0	50%	
Net DER	133%/105%*	167%/140%*	34pt	31%	(Net assets) Total net assets increased 19% 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 a fluctuation in foreign currency translation adjustments. Shareholders' equity ratio was 20.4% (*22.6%), which is 2.5 percentage points lower than at the end of the previous fiscal year.
Total net assets	191.8	229.0	37.1	19%	
(Equity capital)	179.7	211.5	31.7	18%	
(Valuation & translation adjustments)	9.4	14.2	4.7	51%	
(Minority interests)	2.6	3.2	0.6	23%	
BPS (yen)	4,656.17	5,555.47	899.30	19%	
Shareholders' equity	189.2	225.7	36.5	19%	
Shareholders' equity ratio	22.9/26.0%*	20.4/22.6%*	-2.5pt	-11%	*Reflecting equity credit attributes of the subordinated loan

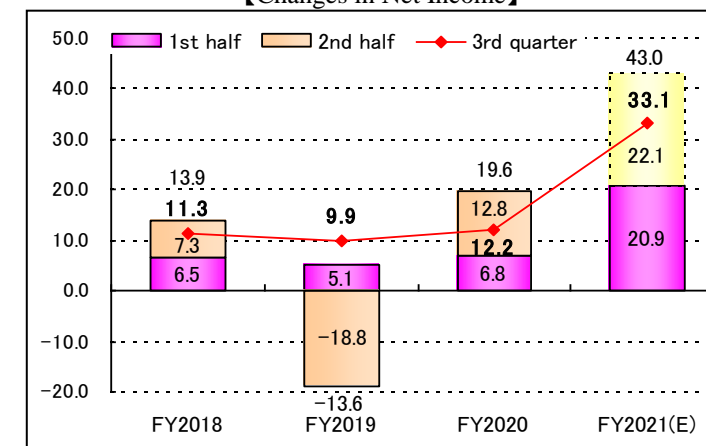
【Changes in Net Sales】



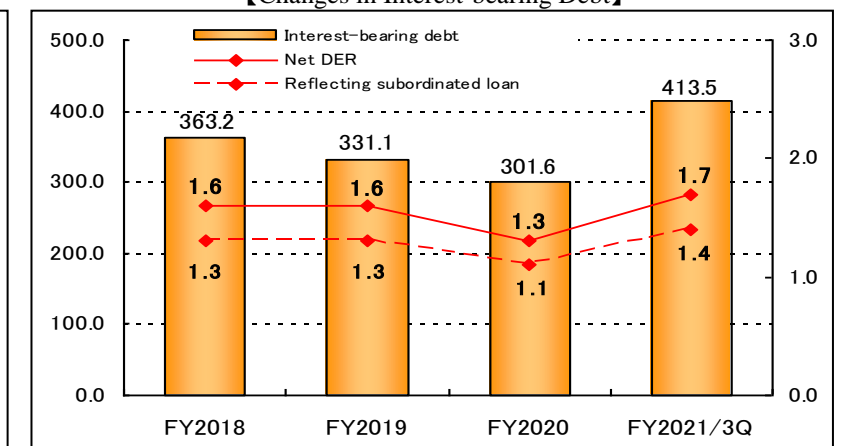
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020	FY2021 (estimated)	change
Net sales	1,745.5	2,100.0	—
Operating income	29.2	62.0	112%
Ordinary income	28.8	62.0	115%
Net income attributable to owners of parent	19.6	43.0	119%

Cash Dividends	FY2019	FY2020	FY2021 (estimated)
Interim (yen)	75.00	30.00	50.00
Year-end (yen)	25.00	30.00	50.00
Annual (yen)	100.00	60.00	100.00
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.