

Highlights of Consolidated Financial Results for the FY2021

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the FY2021

• During the fiscal year, economic activity progressed on a recovery trend. Net sales increased to 2,164 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 113% YoY, to 62.3 billion yen, while ordinary income increased by 118% YoY, to 62.7 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 122% to 43.6 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	FY2020	FY2021	Year-on-year		Main Factors
			Change	rate	
Net sales	1,745.5	2,164.0	—*	—*	(Net sales) Net sales increased to 2,164 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 5.9 billion yen YoY, with newly consolidated subsidiaries contributing 0.7 billion yen to this figure. Personnel expenses rose by 3.1 billion yen YoY, with 0.5 billion yen of this figure deriving from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income increased by 2.5 billion yen and non-operating expenses increased by 1.8 billion yen. The main impacts on ordinary income were as follows. Interest income : decrease of 0.1 billion yen(YoY) Equity in earnings of affiliates : increase of 2.4 billion yen(YoY) Interest expenses : increase of 0.3 billion yen(YoY) Foreign exchange loss: increase of 0.7 billion yen (YoY) (Extraordinary gain/loss) Gain on sale of investment securities : 1.4 billion yen Loss on devaluation of investments securities : 1.0 billion yen
Gross profit	79.9	119.0	39.0	49%	
SG&A expenses	50.6	56.6	5.9	12%	
Operating income	29.2	62.3	33.1	113%	
Non-operating income	5.8	8.4	2.5	44%	
Non-operating expenses	6.2	8.0	1.8	29%	
Ordinary income	28.8	62.7	33.8	118%	
Extraordinary gain	0.7	1.5	0.8	124%	
Extraordinary loss	0.6	1.1	0.4	69%	
Income before income taxes and others	28.8	63.1	34.2	119%	
Income taxes	8.9	18.7	9.7	109%	
Net income	19.8	44.4	24.5	124%	
Owners of the parent(loss)	19.6	43.6	24.0	122%	
Non-controlling interests(loss)	0.2	0.7	0.5	224%	
EPS (yen)	482.74	1,073.34	590.60	122%	
Comprehensive income	27.3	50.2	22.9	84%	

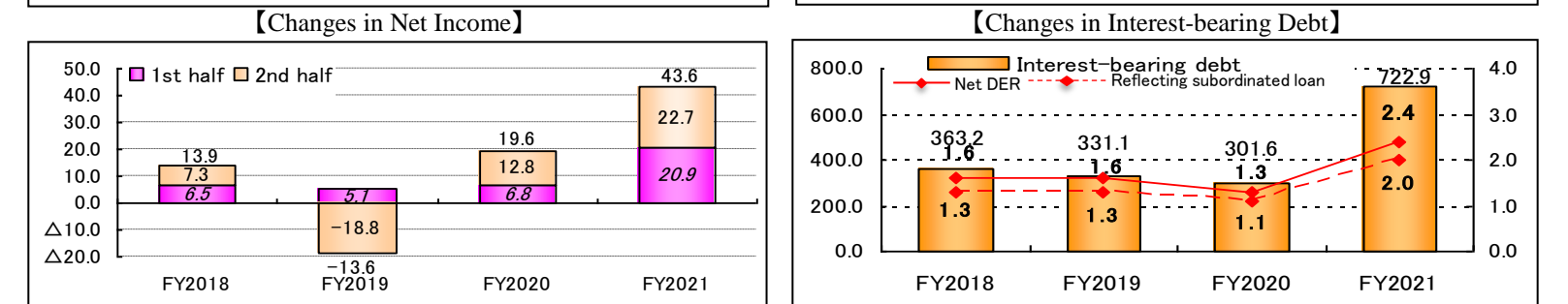
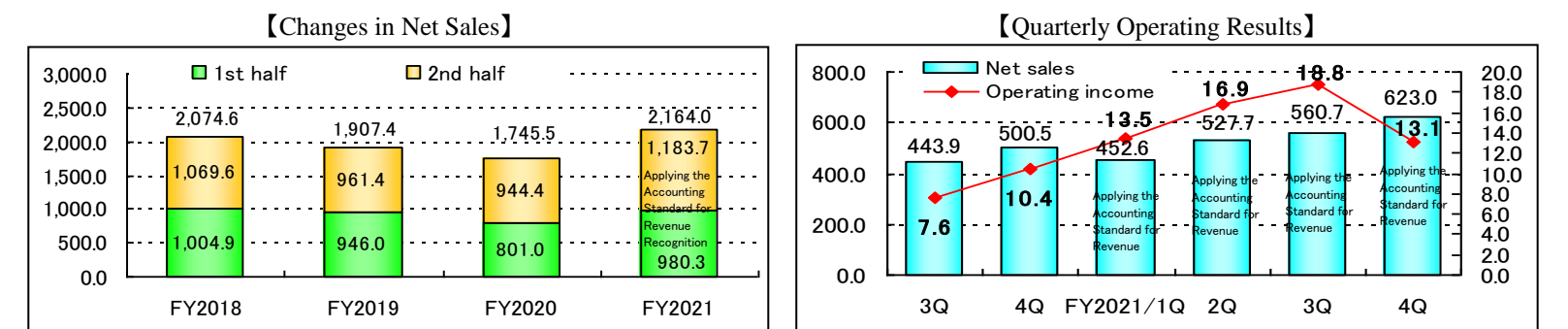
Financial Position	Mar. 2021	Mar. 2022	Comparison with Mar. 2021		Main Factors
			Change	rate	
Total assets	824.5	1,715.3	890.8	108%	(Overview) Due to hedge transactions which involve valuation gains or losses attributable to counter parties based on contracts, long-term guarantee deposits and short-term loans payable increased. In addition, due to the market-value accounting treatment of the hedge transaction, accounts receivable-other and commodity forwards contracts liabilities in which equivalent to valuation losses attributable to counter parties (Total Assets) Total assets increased by 108% from the end of the previous fiscal year, mainly because of an increase in long-term guarantee deposits and accounts receivable-other. (Liabilities) Liabilities increased by 133% from the end of the previous fiscal year, mainly as a result of increases in short-term loans payable and commodity forwards contracts liabilities. As interest-bearing debt increased by 140%, net debt-equity ratio was turned into 235% (*203%). (Net assets) Total net assets increased 25% from the end of the previous fiscal year because of accumulation of retained earnings from net income attributable to owners of parent. Shareholders' equity ratio was 13.8% (*15.3%), which is 9.1 percentage points lower than at the end of the previous fiscal year. *Reflecting equity credit attributes of the subordinated loan
(Current assets)	630.0	1,272.0	641.9	102%	
(Fixed assets)	194.4	443.3	248.8	128%	
Total liabilities	632.7	1,474.8	842.1	133%	
(Interest-bearing debt)	301.6	722.9	421.2	140%	
(Net interest-bearing debt)	250.7	557.4	306.7	122%	
Net DER	133%/105%*	235%/203%*	102pt	85%	
Total net assets	191.8	240.4	48.6	25%	
(Equity capital) <small>(Valuation & translation adjustments)</small>	179.7	222.0	42.3	24%	
(Minority interests)	2.6	3.3	0.7	28%	
BPS (yen)	4,656.17	5,834.98	1,178.81	25%	
Shareholders' equity	189.2	237.1	47.9	25%	
Shareholders' equity ratio	22.9/26.0%*	13.8/15.3%*	-9.1pt	-40%	

Cash Flow	FY2020	FY2021	YoY		Main Factors
			Change	rate	
Cash flows from operating activities	19.0	(280.7)	(299.7)	—	(Operating cash flows) Due mainly to increase in long-term guarantee deposits.
Cash flows from investing activities	(4.1)	(14.9)	(10.8)	258%	(Investment cash flows) Due mainly to increase in execution of short-term loans receivable and purchase of tangible fixed assets.
Cash flows from financing activities	(34.2)	406.8	441.0	—	(Financial cash flows) Due mainly to increase in short-term loans payable for long-term guarantee deposits.
Cash and cash equivalents at end of period	50.8	165.0	114.1	224%	

Segment Information	Net sales			Segment income			Main Factors
	FY2020	FY2021	rate	FY2020	FY2021	rate	
Steel	908.7	1,008.1	—	19.2	35.9	87%	(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 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 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 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) 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) 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..
*Primary Metal	238.5	201.9	—	3.8	7.2	89%	
Metal Recycling	79.5	131.5	—	0.7	2.8	276%	
Foods	100.8	116.6	—	2.1	3.0	43%	
Energy& Living Materials	183.0	290.7	—	5.5	6.7	22%	
Overseas sales subsidiaries	181.4	333.8	—	1.7	6.7	286%	
Total for reportable segments	1,692.1	2,083.0	—	33.2	62.6	88%	
Other	87.8	130.2	—	1.4	3.7	156%	
Total	1,780.0	2,213.3	—	34.7	66.3	91%	
Adjustment	(34.5)	(49.3)	—	(5.8)	(3.6)	-38%	
Consolidated	1,745.5	2,164.0	—	28.8	62.7	118%	

* 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. Since January 2022, the Company has changed its method of classification of business segments, integrating a part of the Overseas sales subsidiaries business into the Foods business. Please note that comparison on a YoY basis is made in accordance with the classification method after the changing.

Topics	Details
• Apr.	Acquired the shares in Suzuki-Sumiden Wire Products Guangzhou Co., Ltd. (SWPG), a manufacturer of high-quality stainless wire in China.
• Sep.	Acquired 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, acquired the shares in JiangYin XiaoDa Metal Products Manufacturing Co., Ltd..
• Feb.	The Board of Directors resolved that Yoichi Nakagawa will assume the post of Representative Director and President on April 1, 2022.
• Mar.	Obtained the Digital Transformation Certification



Forecast (Annual)	FY2021	FY2022 (estimated)		Cash Dividends	FY2020	FY2021	FY2022 (estimated)
		change	change				
Net sales	2,164.0	2,400.0	11%	Interim (yen)	30.00	50.00	50.00
Operating income	62.3	55.0	Δ12%	Year-end (yen)	30.00	50.00	50.00
Ordinary income	62.7	50.0	Δ20%	Annual (yen)	60.00	100.00	100.00
Net income attributable to owners of parent	43.6	36.5	Δ16%	Dividend payout ratio	12%	9%	11%