

# Financial Results for the First Half of FY2021

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November 2021  
HANWA CO., LTD.

# Operating Results (Consolidated)

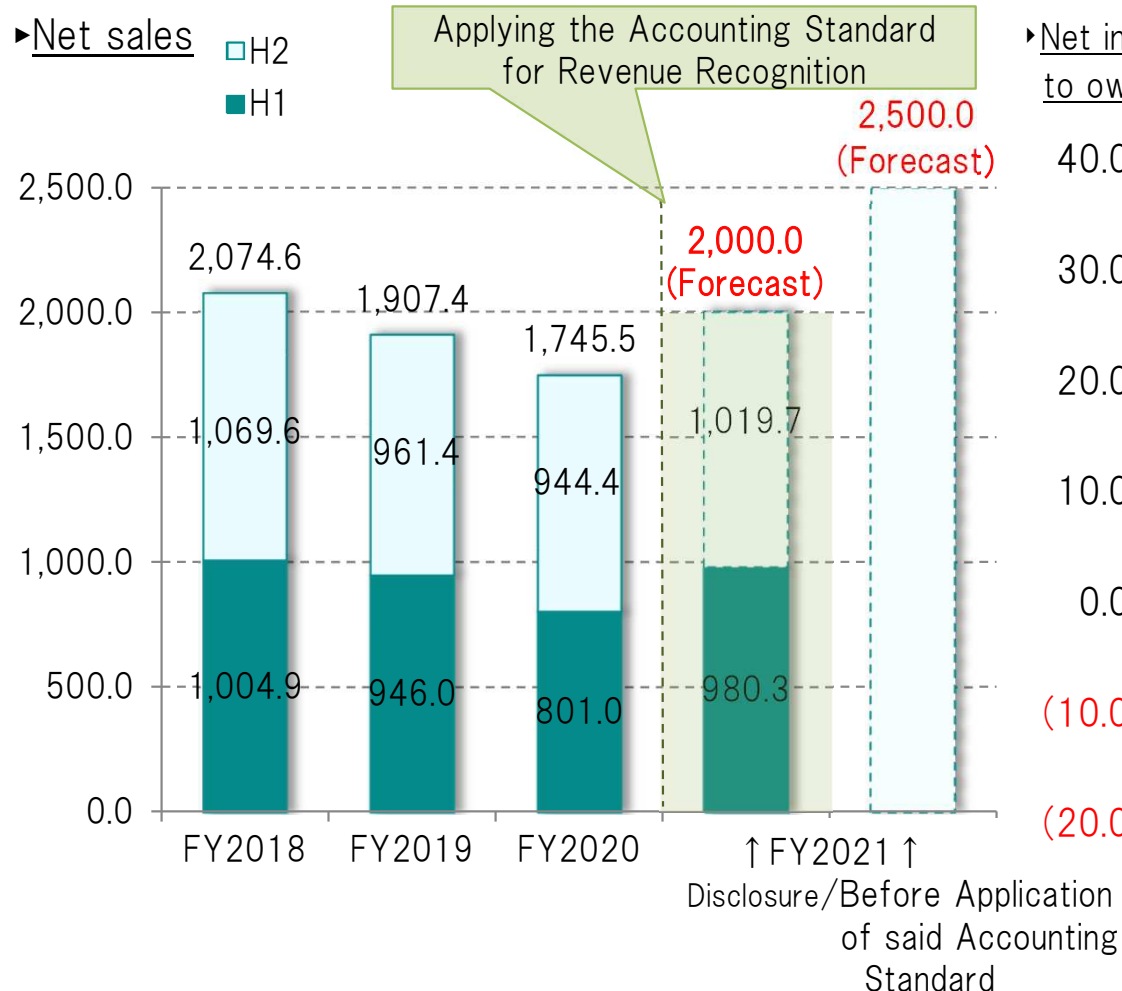
	H1 (ended September 30)			
	FY2020	FY2021	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales*	801.0	980.3	—	—
Gross Profit	35.4	57.5	+22.0	+62%
SG&A	24.3	27.1	+2.7	+11%
Operating income	11.0	30.4	+19.3	+175%
Ordinary income	10.2	30.6	+20.3	+199%
Net income attributable to owners of the Company	6.8	20.9	+14.1	+206%
EPS	168.84yen	516.69yen	+347.85yen	+206%
Comprehensive income	4.8	27.2	+22.4	+466%

\*Since the beginning of the fiscal year 2021, 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 adoption of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales.

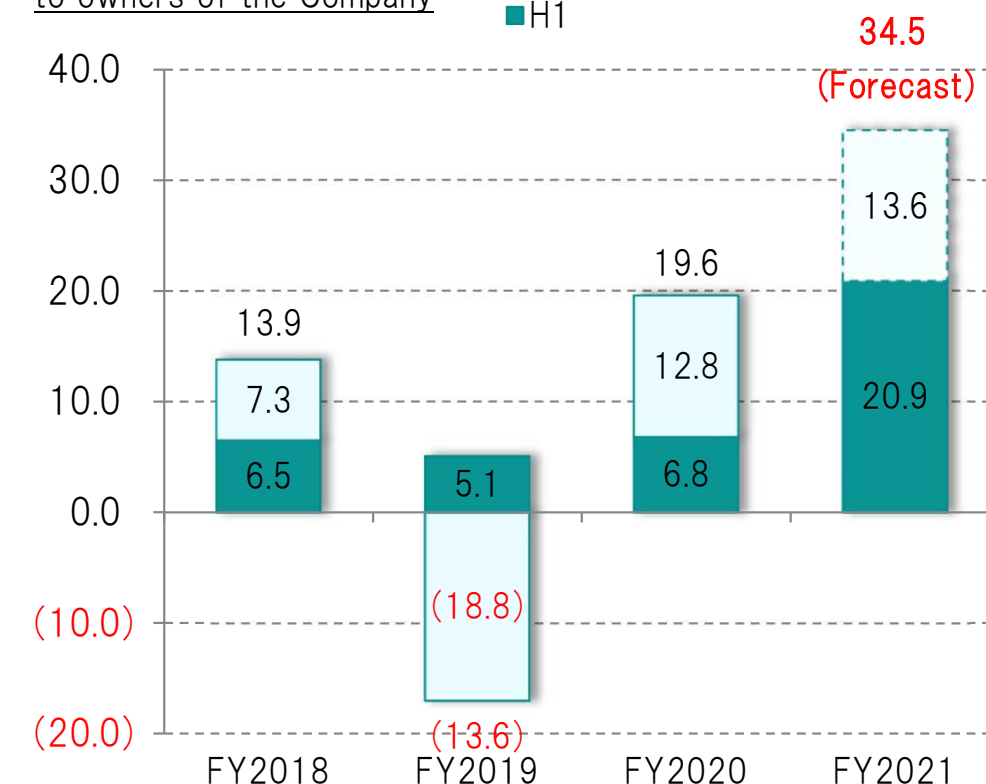
- ▶ Net sales increased thanks to a transaction volume increase and price rising of each product, which were driven by economic activities that were on the right track for recovery from the pandemic of COVID-19. (The reference figure before adoption of the Accounting Standard for Revenue Recognition was 1,199.6 billion yen.)
- ▶ SG & A expenses increased by 2.7 billion yen compared to the previous year (of which 0.3 billion yen was equivalent to an increase in a number of consolidated subsidiaries). Personnel expenses have increased 1.3 billion yen.
- ▶ Ordinary income and net income attributable to owners of the company increased respectively by 199% and 206%, because equity in earnings of affiliates expanded mainly in the Steel business, and foreign exchange losses that had been reported by consolidated subsidiaries in the previous fiscal year shrank.

# Changes in Business results (Consolidated)

► Net sales  
□ H2  
■ H1



► Net income attributable to owners of the Company  
□ H2  
■ H1 (billions of yen)



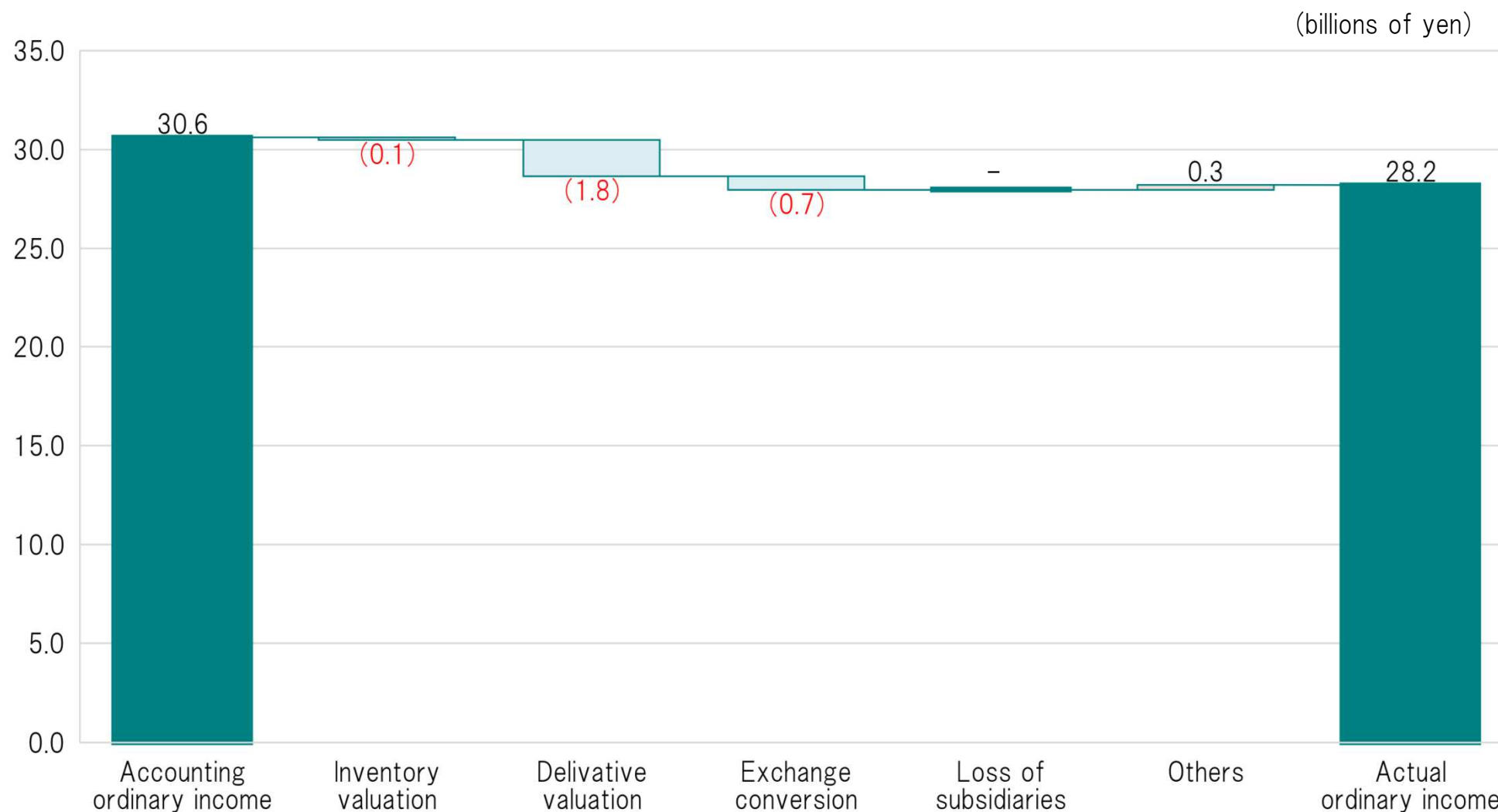
► Net sales increased because of transaction volume increases and price rising of each product supported by continued economic recovery in both Japan and overseas countries.

Net sales also increased on a year-on-year basis even after adoption of the Accounting Standard for Revenue Recognition.

(The reference figure before adoption of the Accounting Standard for Revenue Recognition was 2,500 billion yen.)

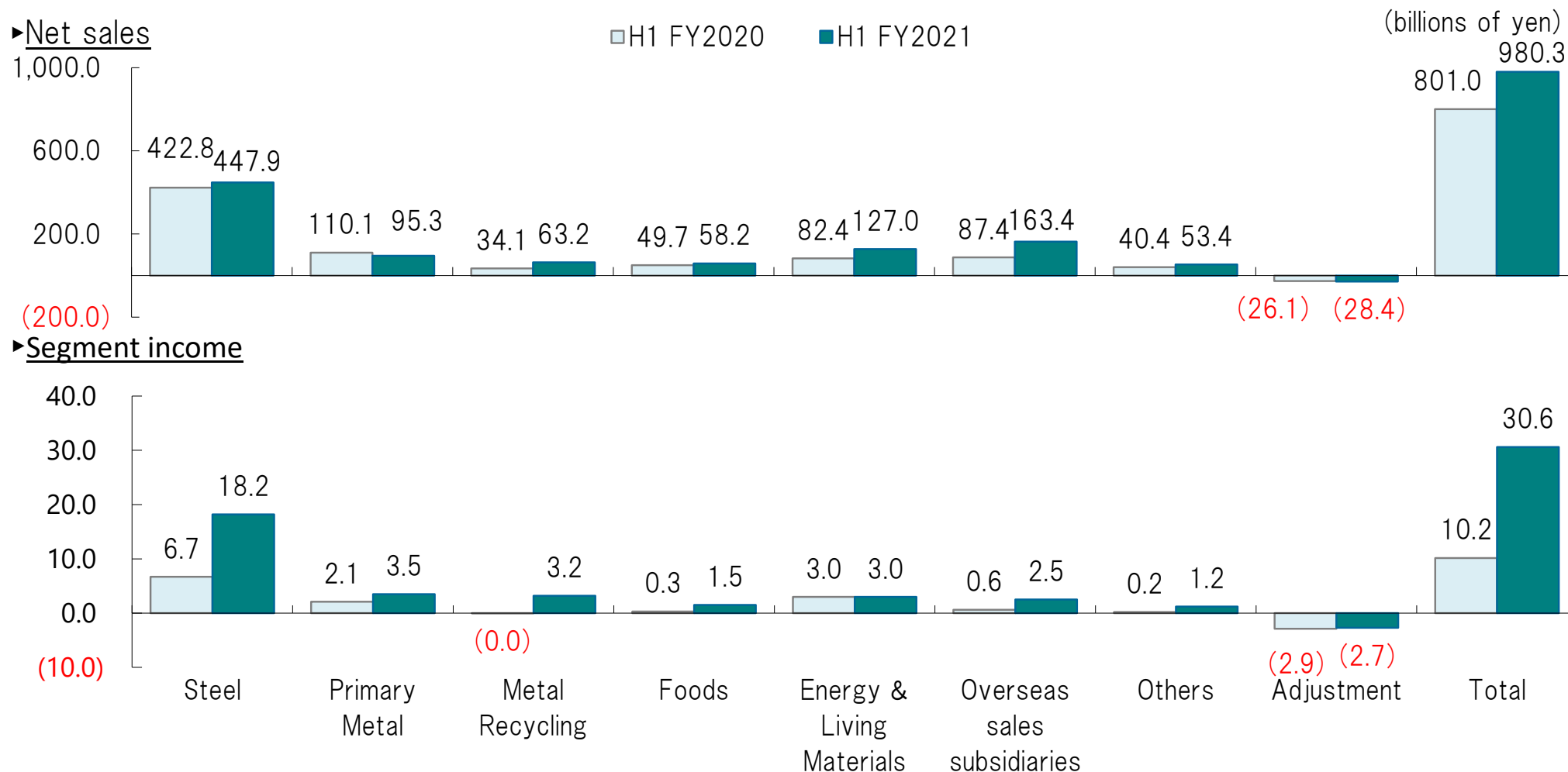
► Net income attributable to owners of the Company substantially increased on a year-on-year basis, because ordinary income in all the business segments increased from the first half of FY2020.

## Effect of Profit/Loss from Market value Accounting and Temporary factors



▶Reported ordinary income was 30.6 billion yen, but can be translated into about 28.2 billion yen after excluding one-time factors such as period-end valuation gains and losses for inventories, derivatives, foreign exchange and other items.

# Segment Information (consolidated)



※Since 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 first half of FY2020.

▶ Segment income increased in all the business segments, because transaction volume of some businesses represented by Steel business increased and market prices of steel and nonferrous metal were on an upward trend under the circumstances where the economic activities were on the right track for recovery.

# Financial Position (consolidated)

(billions of yen)	Consolidated Financial Position			
	Mar-2021	Sep-21	Y on Y Change	Y on Y Rate
Total assets	824.5	983.8	+159.4	+19%
Total liabilities	632.7	764.1	+131.4	+21%
Interest-bearing debt	301.6	386.2	+84.6	+28%
Net DER	133%	152%	+19pt	—
	* 105%	* 126%	—	—
Net assets	191.8	219.7	+27.8	+15%
Shareholder's equity	189.2	216.6	+27.3	+14%
Shareholder's equity ratio	22.9%	22.0%	-0.9pt	-4%
	* 26.0%	* 24.6%	—	—
BPS	4,656.17 yen	5,330.29 yen	+674.12 yen	+14%

\* Ratio taken account of evaluation for equity credit on 50% of Hybrid Loan (Subordinated Loan) that HANWA raised 50 billion yen in March 2019.

- ▶ Total assets increased by 19% from the end of the previous year, due to increase in trade receivables as net sales increased.
- ▶ Interest-bearing debt increased by 28% from the end of the previous year, due to increased short-term debt resulted from increased demand for working capital.
- Net debt-equity ratio increased from 133% as of the end of the previous year to 152%. (\*Increased by 126% after taking account of evaluation for equity credit on 50% of Hybrid Loan)
- ▶ Net assets increased by 15% from the end of the previous year, due to accumulation from net income attributable to owners of the company.
- Shareholders' equity ratio became from 22.9% as of the end of the previous year to 22.0%.  
(\*Taking account of evaluation for equity credit on 50% of Hybrid Loan, shareholder's equity ratio became from 26.0% as of the end of the previous year to 24.6%.)

# Cash Flow Situation (consolidated)

	H1 (ended September 30)			
	FY2020	FY2021	Y on Y Change	Y on Y Rate
(billions of yen)				
CF from operating activities	31.8	(66.1)	(98.0)	—
CF from investing activities	1.1	(8.5)	(9.6)	—
FCF	32.9	(74.6)	(107.6)	—
CF from financing activities	(22.1)	78.6	+100.8	—
Cash and cash equivalents	79.9	56.2	(23.7)	−30%

- ▶ Cash flow from operating activities was (66.1) billion yen, due mainly to increase in trade receivables and inventories.
- ▶ Cash flow from investing activities was (8.5) billion yen, due mainly to execution of short-term loans receivable and purchase of investment securities.
- ▶ Cash flow from financing activities was 78.6 billion yen, due mainly to increase in short-term loans and commercial paper.

# Business Forecast FY2021

	Fiscal Year (ending March 31)			
	FY2020 (Actual)	FY2021 (Previous forecast)	FY2021 (Revised forecast)	Y on Y Rate
(billions of yen)				
Net Sales*	1,745.5	1,980.0 (2,300.0)	2,000.0 (2,500.0)	—
Operating income	29.2	42.0	52.0	+78%
Ordinary income	28.8	38.0	50.0	+74%
Net income attributable to owners of the Company	19.6	26.2	34.5	+76%

\*Since the beginning of the fiscal year 2021, 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 adoption of said accounting standard. For this reason, rates of increase/decrease YoY are not shown for net sales.

\*The amounts in parentheses are the reference amounts calculated before adoption of said accounting standard.

## ►Amendment to Forecast FY2021

Based on recent business performance, we have amended the forecast of consolidated financial results for FY2021.

## ►Details of the amendment

While the outlook of the economy is still uncertain due to the prolonged outbreak of COVID-19, economic activities in Japan and overseas countries have continued to be on the right track for recovery. We forecast consolidated financial results for FY2021 as follows:

Net Sales: 2,000.0 billion yen, Operating income: 52.0 billion yen,

Ordinary income: 50.0 billion yen, and Net income attributable to owners of the company: 34.5 billion yen.

Under the current environment, we will endeavor to properly grasp customer needs and the recovery conditions in demand and will accumulate earnings steadily by using strategic investment as leverage.

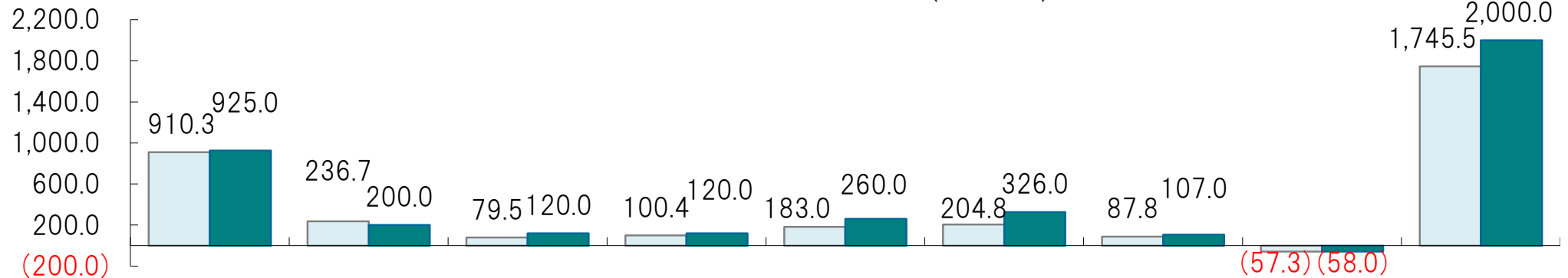


# Forecast of Segment Information

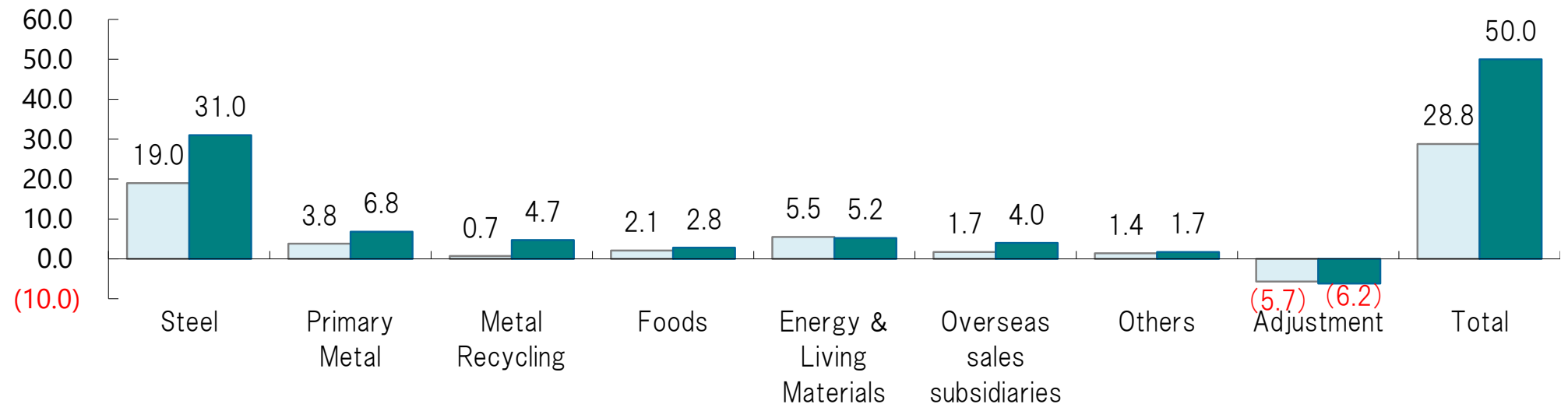
## ►Net sales

□FY2020 ■FY2021(Forecast)

(billions of yen)



## ►Segment income



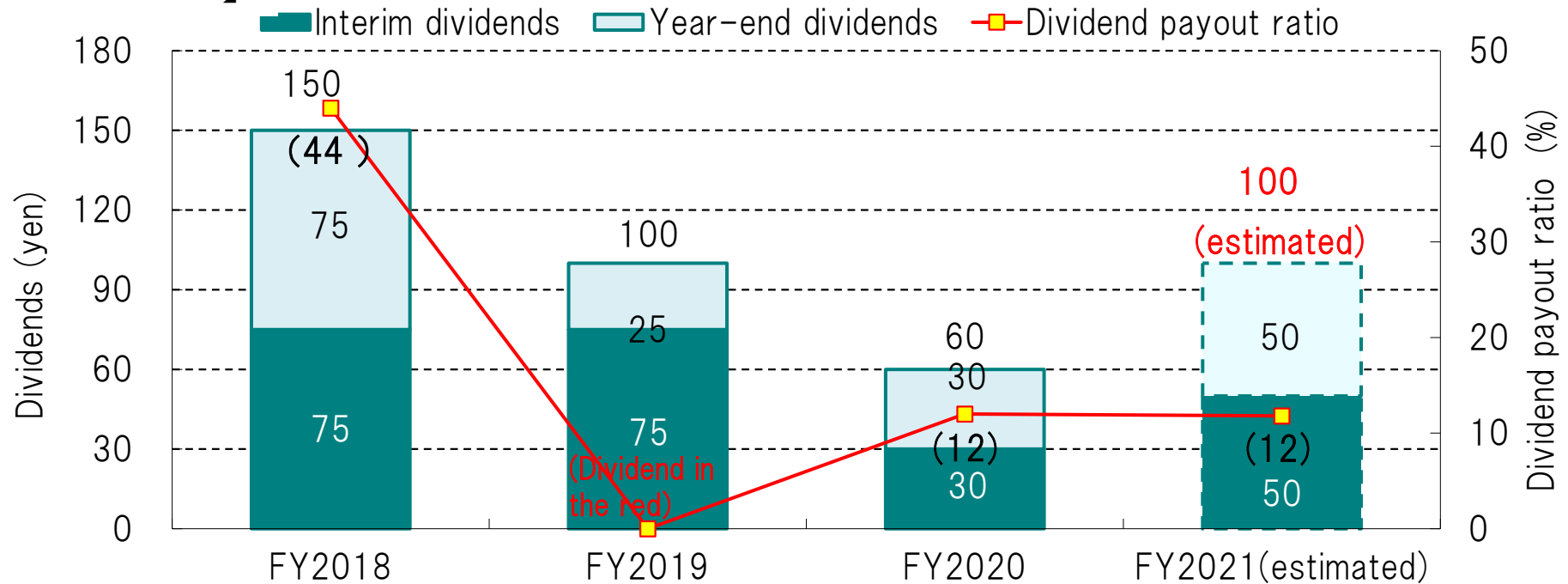
※Since the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. The classification change also applies to segment information for the first half of FY2020.

## ►Outlook for the fiscal year

Segment incomes are expected to increase in all the business segments, because of increases in transaction volume and unit prices, particularly in Steel business, our core business.

In addition, ordinary income is expected to reach a record high of 50 billion yen as a whole.

## 【Trend in dividend】

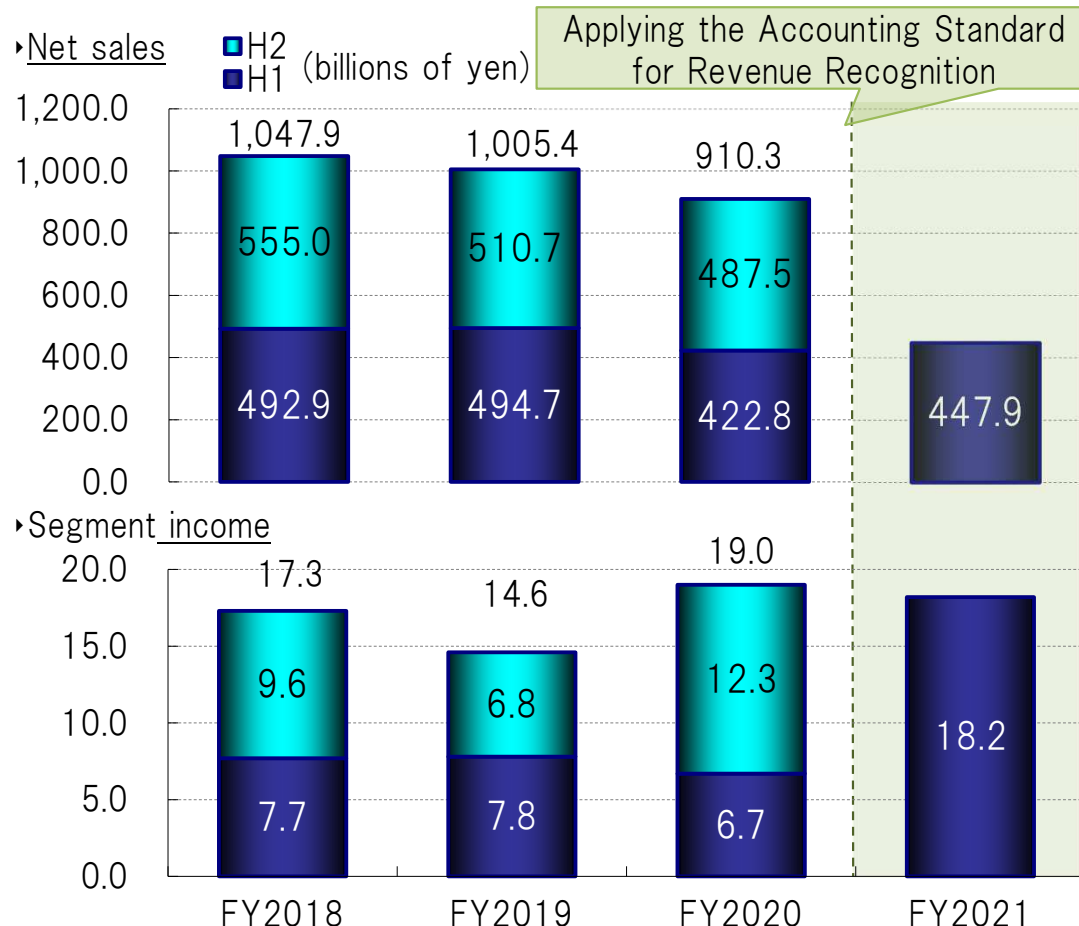


- ▶In the medium-term business plan (FY2020–2022), we have set the goal to accumulate shareholders' equity to 200.0 billion yen or more by the end of FY 2022 and will continue to strengthen our operation and financial foundation for our future long-term growth.
- ▶We will determine the amount of the dividend based on accumulation of shareholders' equity and enhancement in basic profitability for its further growth.
- ▶Based on the forecast for the financial results for FY 2021 and progress of the Medium-term Business Plan, we amend forecasts the annual dividend for FY2021 as follows:  
Interim dividend : 30→50 yen per share    Year-end dividend : 30→50 yen per share(estimated)

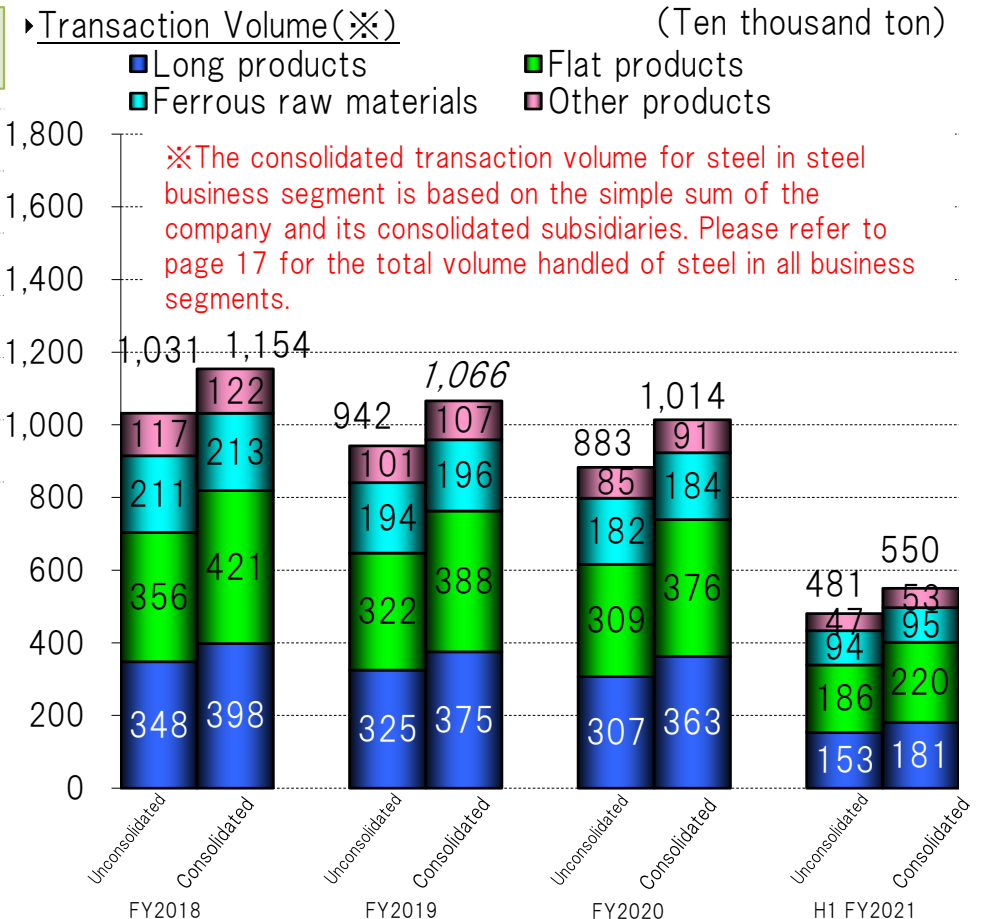
# Steel Business Segment

(billions of yen)	H1 (ended Sep 30)		
	FY2020	FY2021	Y on Y Rate
Net Sales	422.8	447.9	—
Segment Income	6.7	18.2	+170%

▶ Segment income increased, because transaction volume increased thanks to increased demand for steel, and earnings margins extended as steel prices were on a rising trend.



※ Since the fiscal year 2021, the Company has changed its method of classification of business segments. The classification change also applies to segment information for the first half of FY2020.



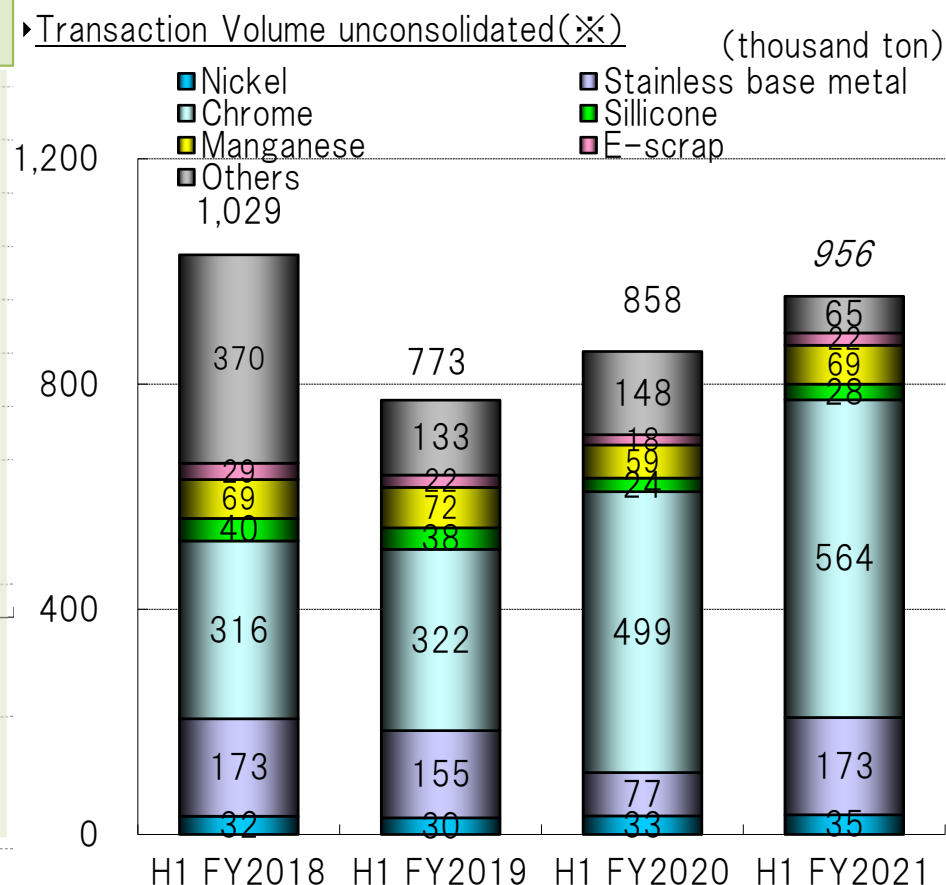
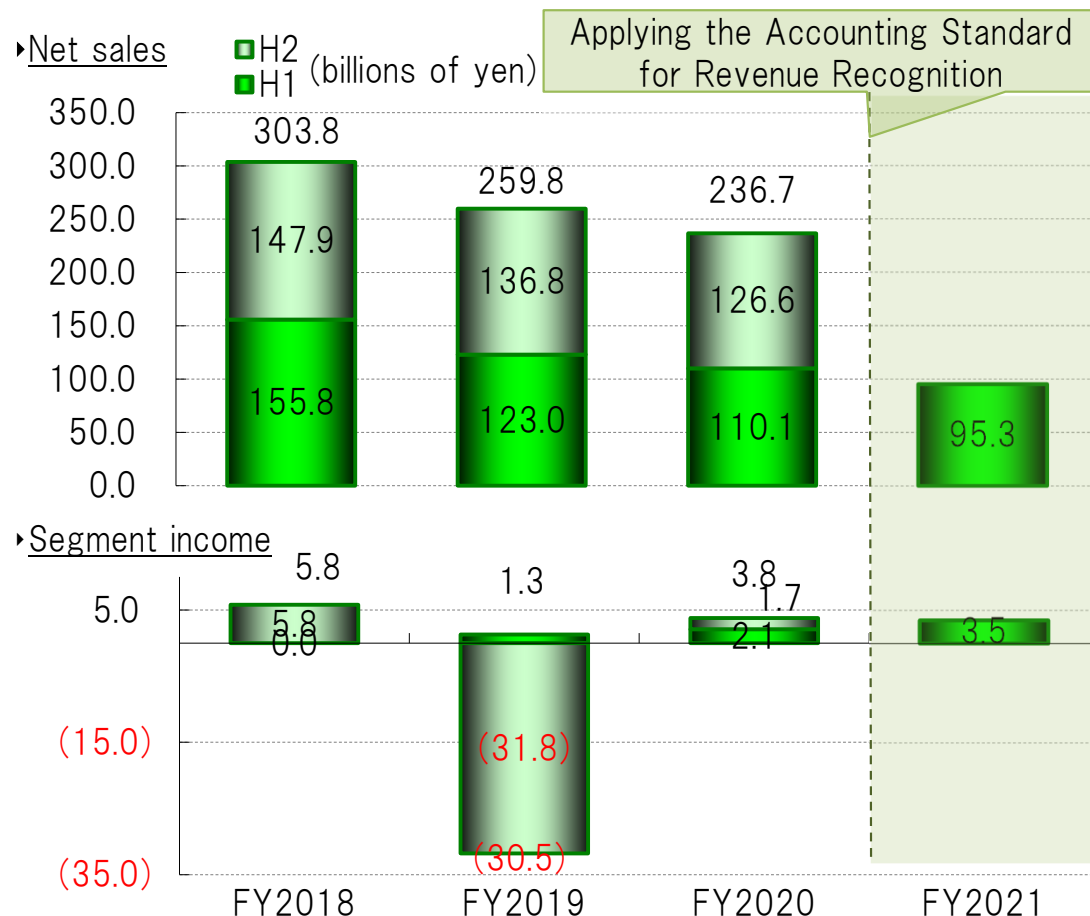
※ The consolidated transaction volume for steel in steel business segment is based on the simple sum of the company and its consolidated subsidiaries. Please refer to page 17 for the total volume handled of steel in all business segments.

※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

# Primary Metal Business Segment

	H1 (ended Sep 30)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	110.1	95.3	—
Segment Income	2.1	3.5	+62%

▶ Segment income increased, because transaction volume of stainless steel and alloys remained strong as steel and non-ferrous-metal manufacturers resumed operation, and profit margin of nickel extended thanks to price rising.



※ Since the fiscal year 2021, the Company has changed its method of classification of business segments. The classification change also applies to segment information for the first half of FY2020.

※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

# Metal Recycling Business Segment

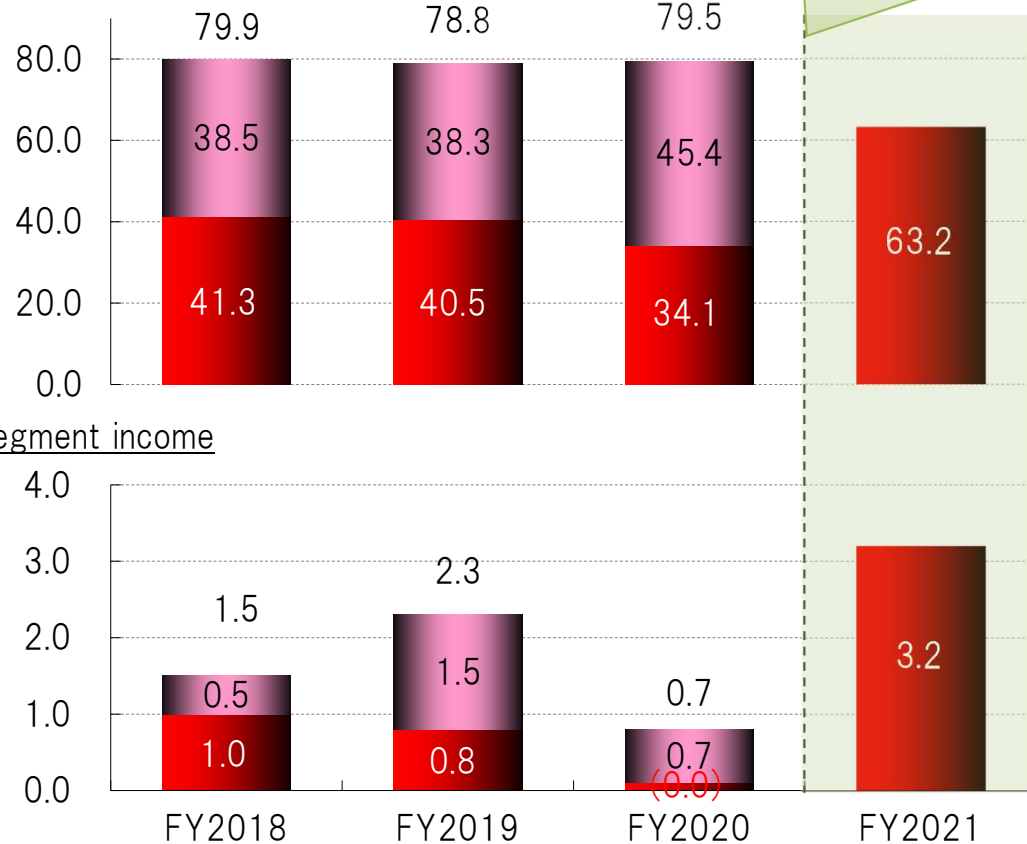
	H1 (ended Sep 30)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	34.1	63.2	—
Segment Income	(0.0)	3.2	—

▶ Segment income increased, because profit margin was secured by sales expansion of aluminum and copper as base metal prices rose globally, and transaction volume also increased through utilization of procurement and inventory functions of consolidated subsidiaries.

## Net sales

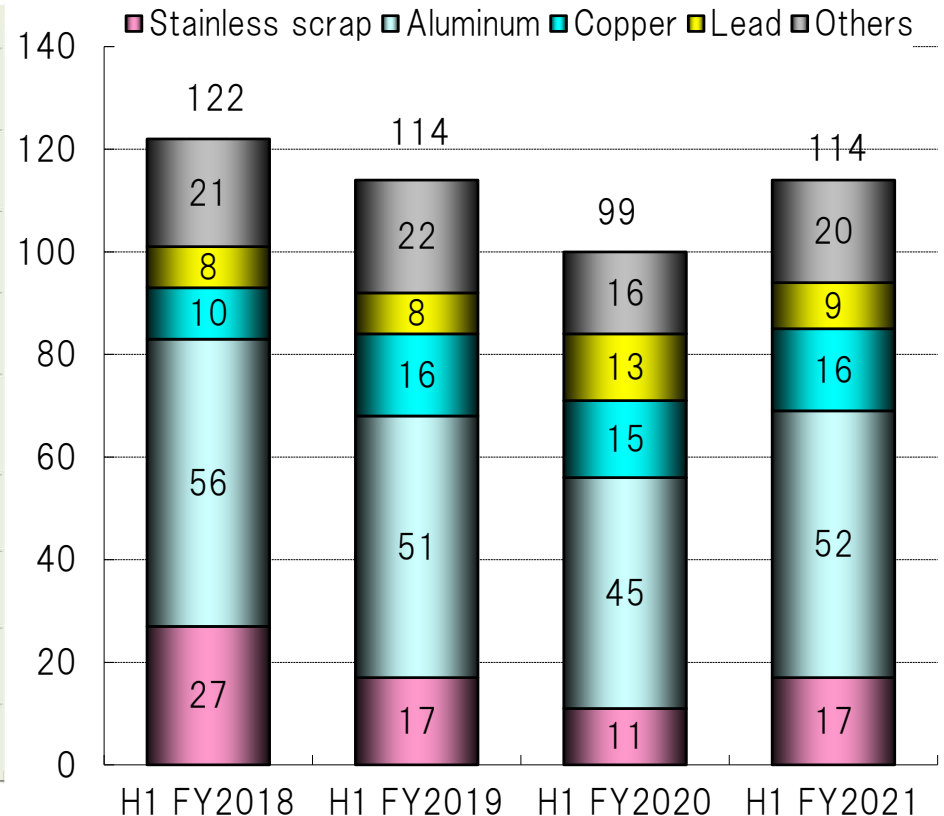
■ H2  
■ H1 (billions of yen)

Applying the Accounting Standard for Revenue Recognition



## Transaction Volume unconsolidated(※)

(thousand ton)

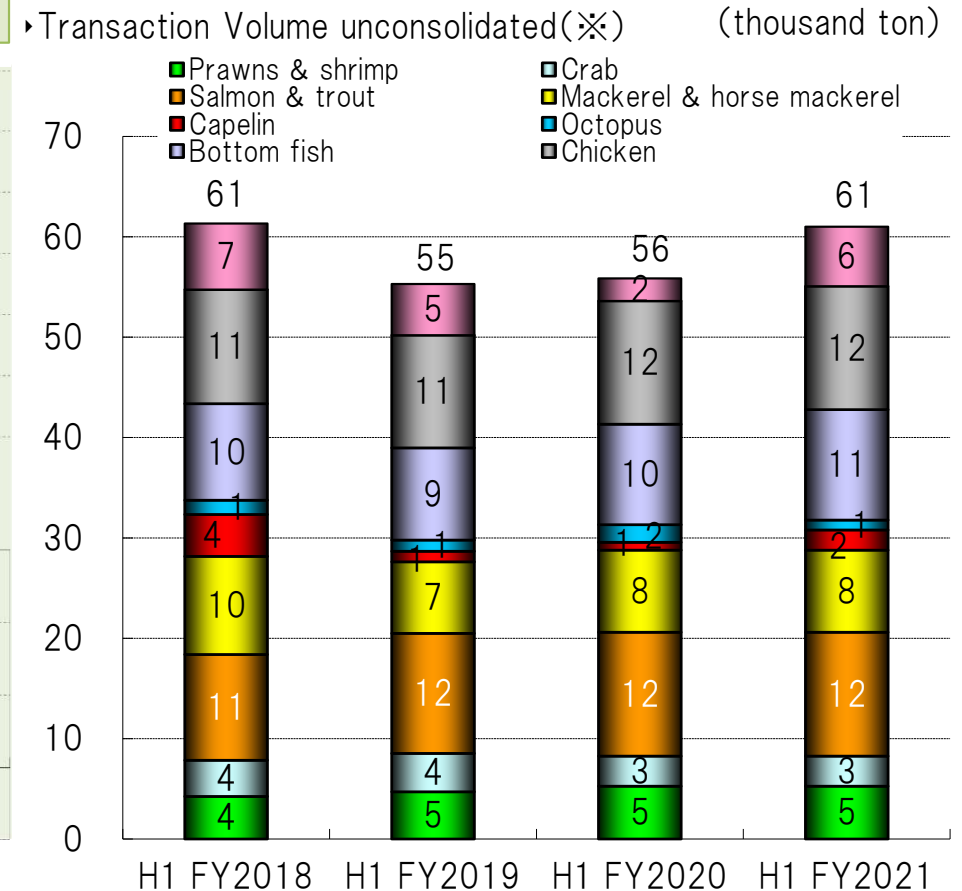
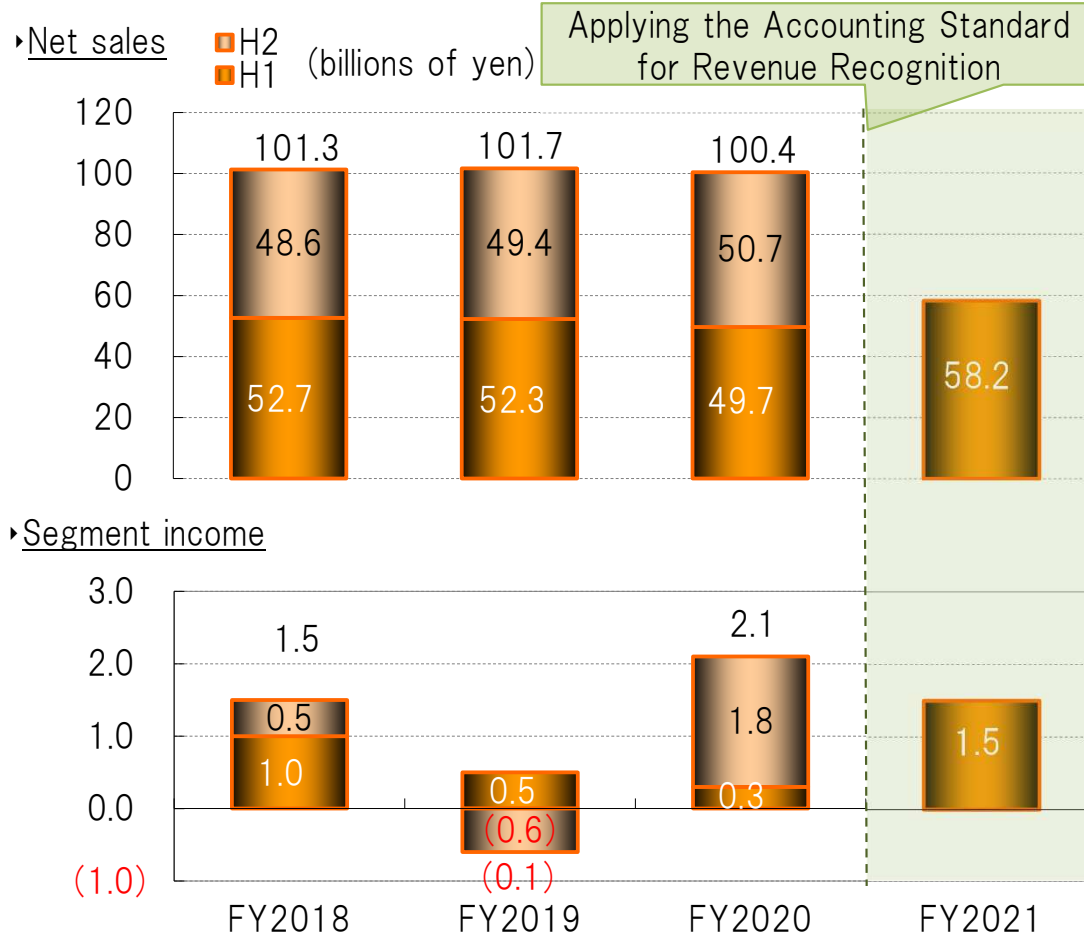


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

# Foods Business Segment

	H1 (ended Sep 30)		
(billions of yen)	FY2020	FY2021	Y on Y Rate
Net Sales	49.7	58.2	—
Segment Income	0.3	1.5	+319%

► Profit margin extended, because transaction volume for mass merchandise outlets increased and the product prices were on the rising trend. In addition, improvement of profitability in subsidiaries in U.S. contributed to the extension of profit margin.

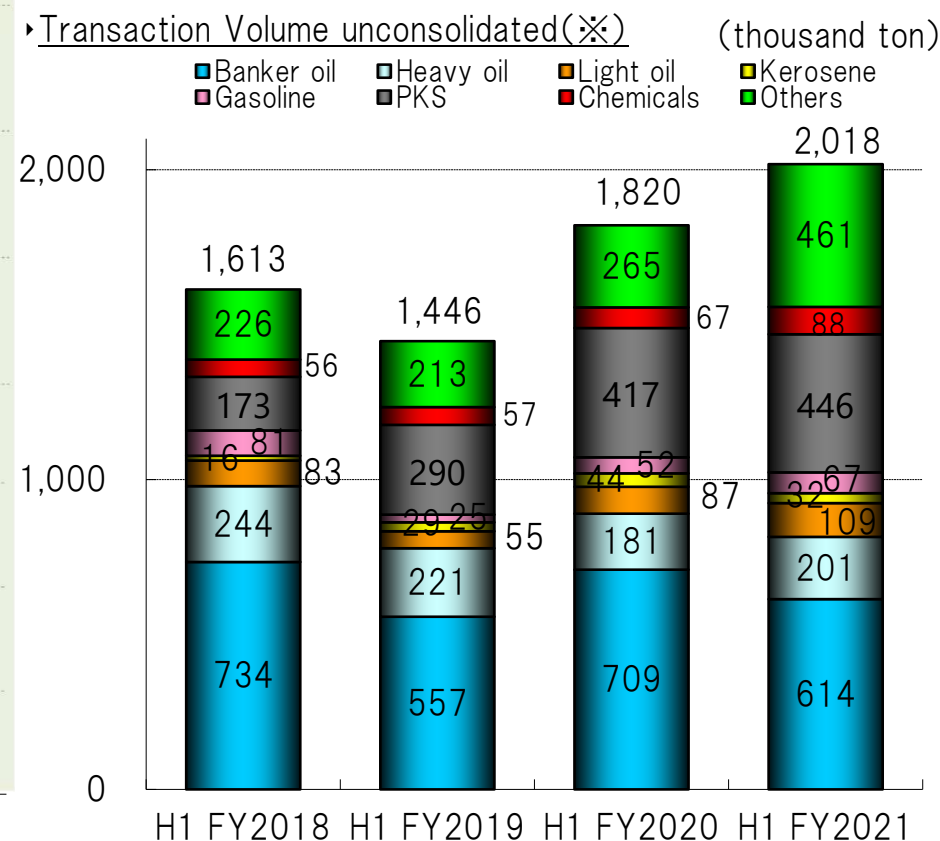
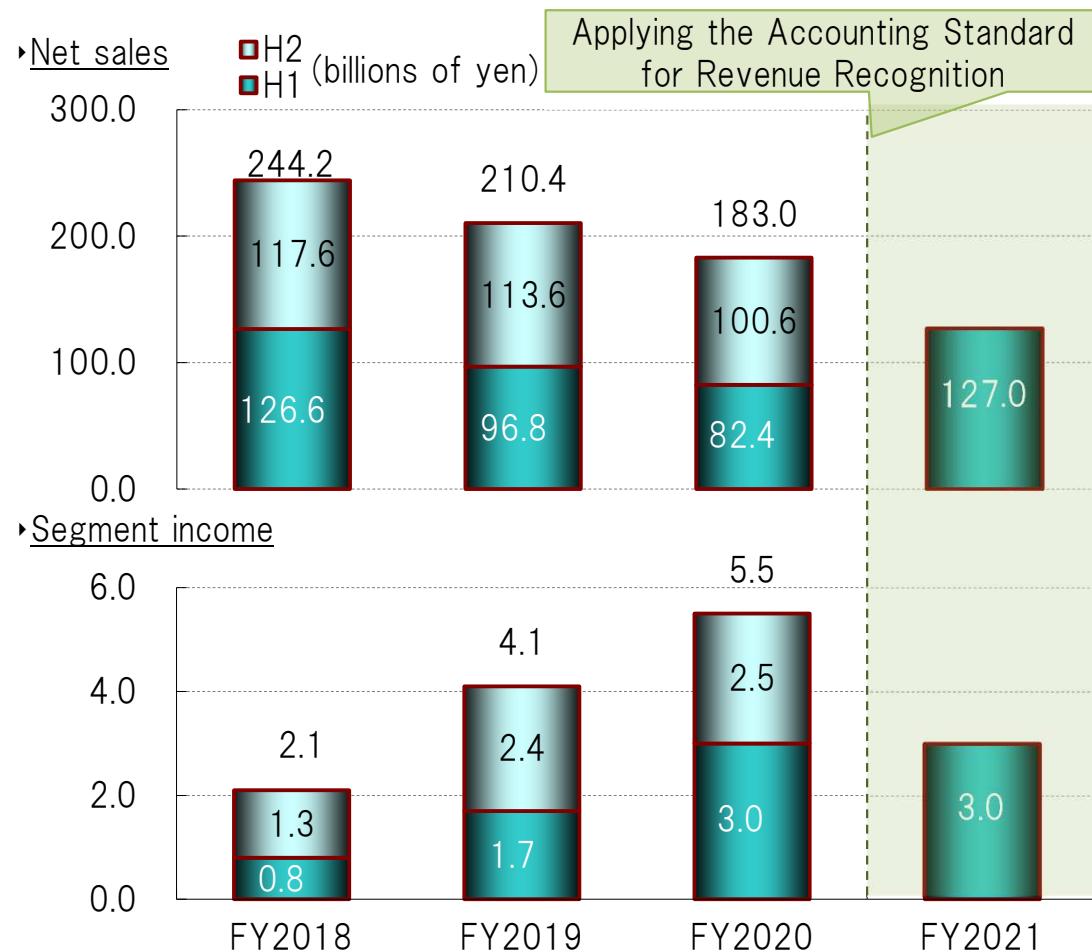


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

# Energy & Living Materials Business Segment

	H1 (ended Sep 30)		
(billions of yen)	FY2020	FY2021	Y on Y Rate
Net Sales	82.4	127.0	—
Segment Income	3.0	3.0	+0%

▶As market prices of crude oil and petroleum products were on upward trends, revenues were secured in a stable manner and transaction volume of daily necessities and household goods also increased further. On the other hand, profit margin of palm kernel shells (PKS) shrunk due to an export tariff hike in Indonesia.



※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.



# Overseas Sales Subsidiaries Segment

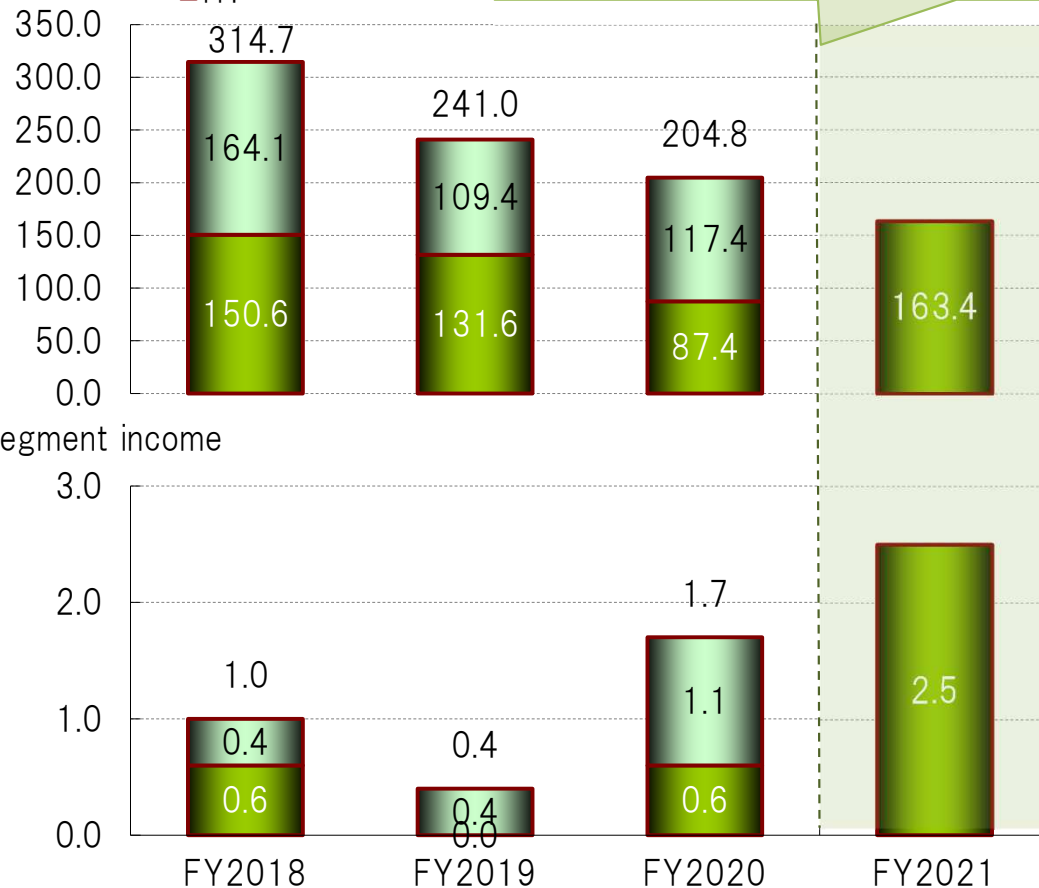
	H1 (ended Sep 30)		
(billions of yen)	FY2020	FY2021	Y on Y Rate
Net Sales	87.4	163.4	—
Segment Income	0.6	2.5	+267%

► Segment income increased, because transaction volume of steel increased in some countries including Indonesia and Singapore, and improvement in profitability of the Food business in the U.S. contributed to segment income.

## ► Net sales

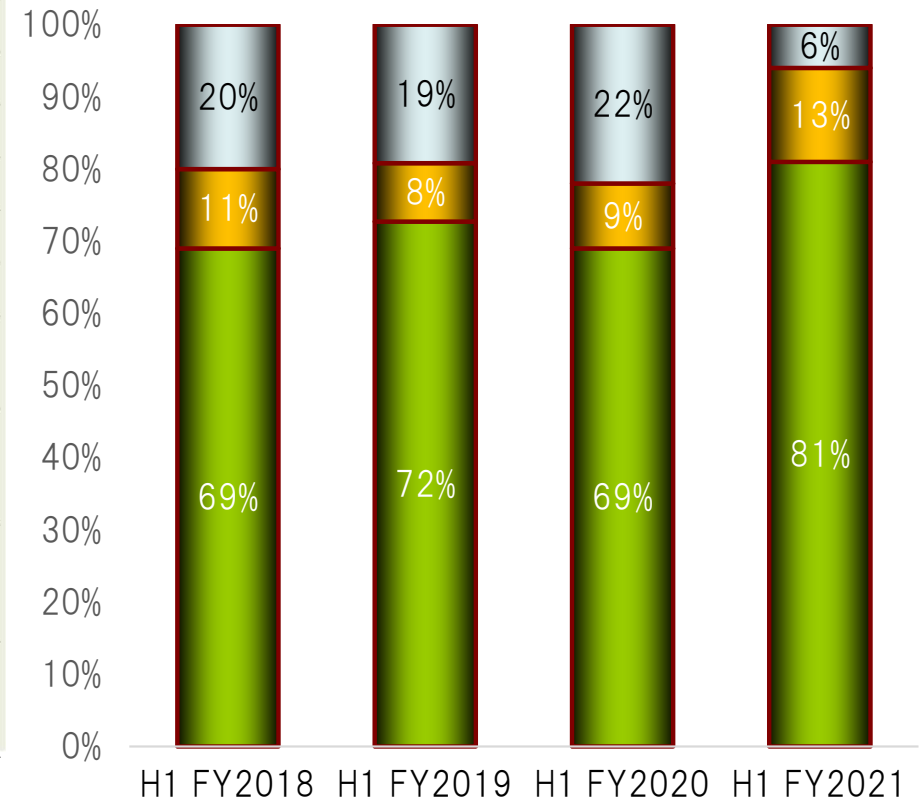
■ H2  
■ H1 (billions of yen)

Applying the Accounting Standard for Revenue Recognition



## ► Sales ratio by region

■ ASEAN ■ China/Taiwan ■ North America

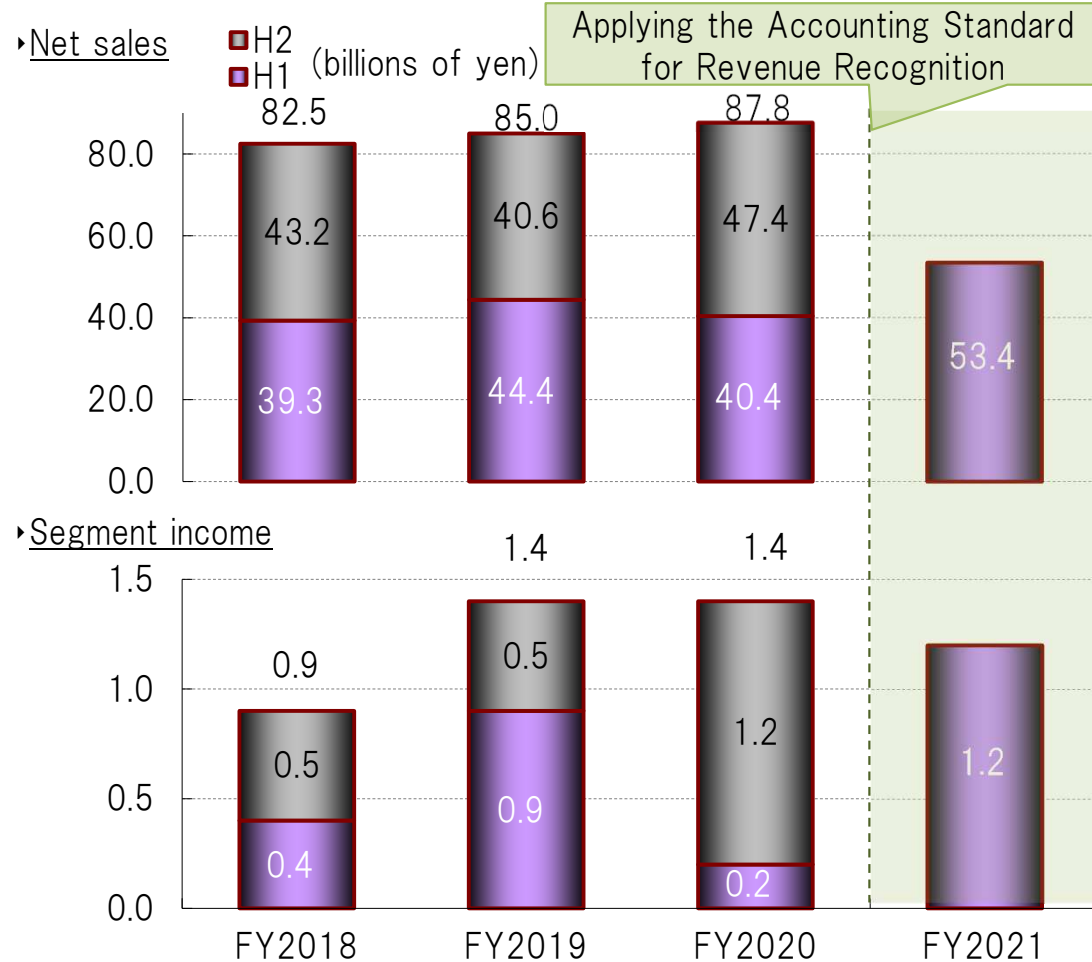




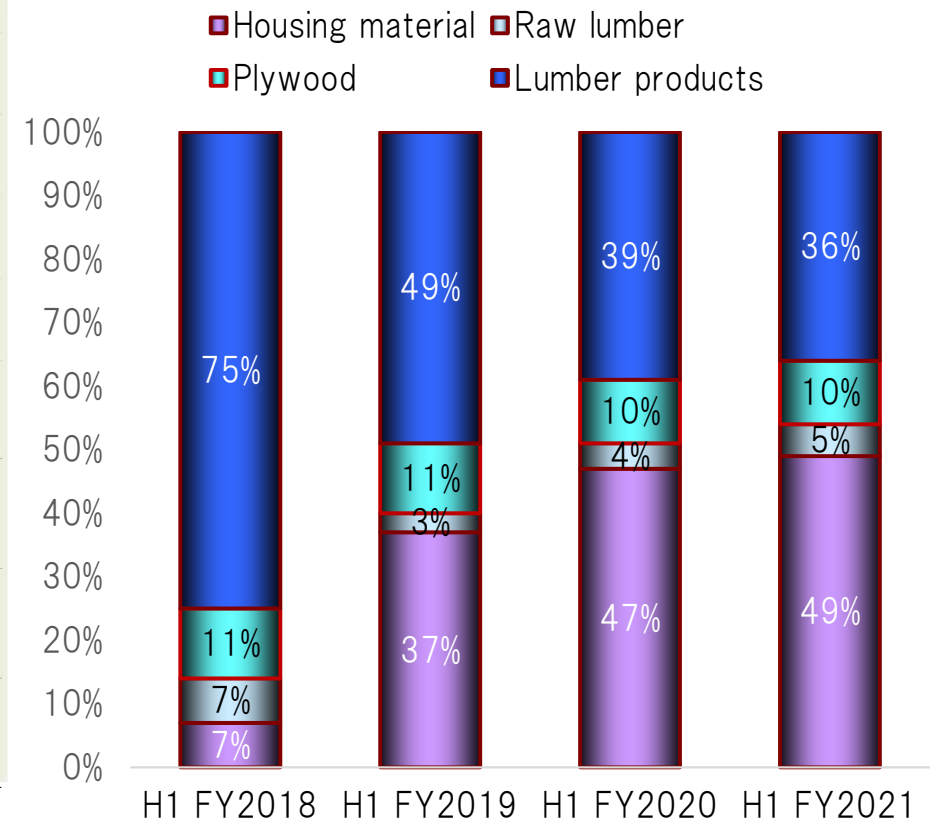
# Other Segment

	H1 (ended Sep 30)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	40.4	53.4	—
Segment Income	0.2	1.2	+479%

►In the Lumber business, segment income increased, because sales volume and products line mainly targeting housing manufacturers increased, and revenue of the imported lumber products increased for the reason of lumber price rising stemming from the U.S.



►Sales ratio in lumber business



# Transition of Quantitative Indicators

Transition of Quantitative Indicators					
	FY2020 (H1)	FY2020	FY2021 (H1)	FY2021 (Target)	Achievement/ Progress Rate
Net Sales (billions of yen)	801.0	1,745.5	980.3	2,000.0	49%
Ordinary Income (billions of yen)	10.2	28.8	30.6	50.0	61%
Net DER*	137% * 107%	133% * 105%	152% * 126%	—	—
Investment Amount (billions of yen)	5.9 (in Total)5.9	15.0 (in Total)15.0	11.8 (in Total)26.8	—	—
Consolidated transaction volume of Steel (million ton)	5.6	12.3	7.1	—	—
(Steel Segment)	4.7	10.1	5.5	—	—
(Other)	0.9	2.2	1.6	—	—
Consolidated number of new customers	666 (in Total)666	1,953 (in Total)1,953	1,096 (in Total)3,049	—	—

\*The figures in parentheses in the Net DER section of the above table shows the figures calculated after taking account of evaluation for equity credit on 50% of Hybrid Loan (Subordinated Loan).

- ▶ It is expected that full-year ordinary income in FY2021 will reach a record high of 50.0 billion yen.
- ▶ Consolidated transaction volume of steel reached 7.1 million tons of the end of the second quarter, because transaction volume of steel increased in some countries including Indonesia and Singapore.

# Profits of Group Companies

【Ordinary income trend of subsidiaries by business segment】

(billions of yen)	H1(ended Sep 30)					
	FY2020		FY2021		Y on Y Change	
	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated
Steel	(0.7)	(0.1)	4.5	0.3	5.2	0.4
Primary Metal	(0.1)	–	(0.0)	–	0.1	–
Metal Recycling	0.3	(0.1)	0.8	0.0	0.5	0.1
Foods	0.1	–	0.8	–	0.7	–
Energy & Living Materials	0.9	0.0	1.1	(0.0)	0.2	(0.0)
Overseas sales subsidiaries	0.7	(0.1)	2.6	(0.0)	1.8	0.0
Others	(0.0)	–	0.3	–	0.3	–
<b>Total</b>	<b>1.3</b>	<b>(0.2)</b>	<b>10.0</b>	<b>0.3</b>	<b>8.7</b>	<b>0.5</b>

(Earnings are the sum of earnings at all companies. Consolidated and equity-method classifications for the prior fiscal year are adjusted for consistency with this fiscal year.)

The ratio of consolidated profit to parent company's profit in ordinary income was 145% because the profits of group companies in both Japan and overseas countries increased.

► Steel Business

Segment income increased, supported by business recovery of manufacturers in each country, as well as an increase in transaction volume of the SOKOKA (quick delivery, small lot, processing) business in Japan.

► Food Business

Segment income increased, because of accumulation of profit gained from mass merchandise outlets in Japan, as well as improvement in profitability of consolidated subsidiaries in the U.S.

► Overseas sales subsidiaries

Segment income increased, because transaction volume of steel increased in some countries including Indonesia and Singapore.

## 【Current investment records】

(billions of yen)	Amounts	Major investments
Steel	2.3	・Enhancement of processing facilities at domestic and overseas subsidiaries
Primary Metal	0.5	・Invested in field of compound, production for rechargeable batteries
Overseas sales subsidiaries	7.4	・Business investment mainly to steel-related business
Others	0.3	・Increase in amusement facilities
The whole company	1.0	・Building new core system, Company housing related expenses, etc.

Total

11.8

►Moving forward the investments totaling about 11.8 billion yen to build a base for an earnings increase in the future.

## Generating steady earnings from strategic investments



(million ton : mt)  
(kilo ton : kt)

- WATERBERG JV (Platinum group metals)
  - Operations from 2024
- BACANORA LITHIUM (Lithium carbonate)
  - Operations from 2023 / production 18kt/year
- QMB NEW ENERGY (JV with CATL, Tsingshan Holdings, etc.) (Ni and Co compounds for Rechargeable Batteries)
  - Operations from 2022 / Ni production 50kt/year, Co production 4kt/year
- PT.BIOMASA JAYA (Wood pellet)
  - Operations from 2022 / production 0.15mt/year
  - Operations at 2nd and 3rd plants from 2026
- PT Dexin Steel Indonesia (steel blast furnace mill) — Steel production 3.5mt/year
- OM HOLDINGS (FeSi, FeMn) — FeSi, FeMn production 0.6mt/year
- Tsingshan Holding (NPI & Stainless HRC) — NPI production 1.5mt/year, HRC production 3.0mt/year
- SAMANCOR (Cr Ore, FeCr) — FeCr production 2.2mt/year

8<sup>th</sup> Plan

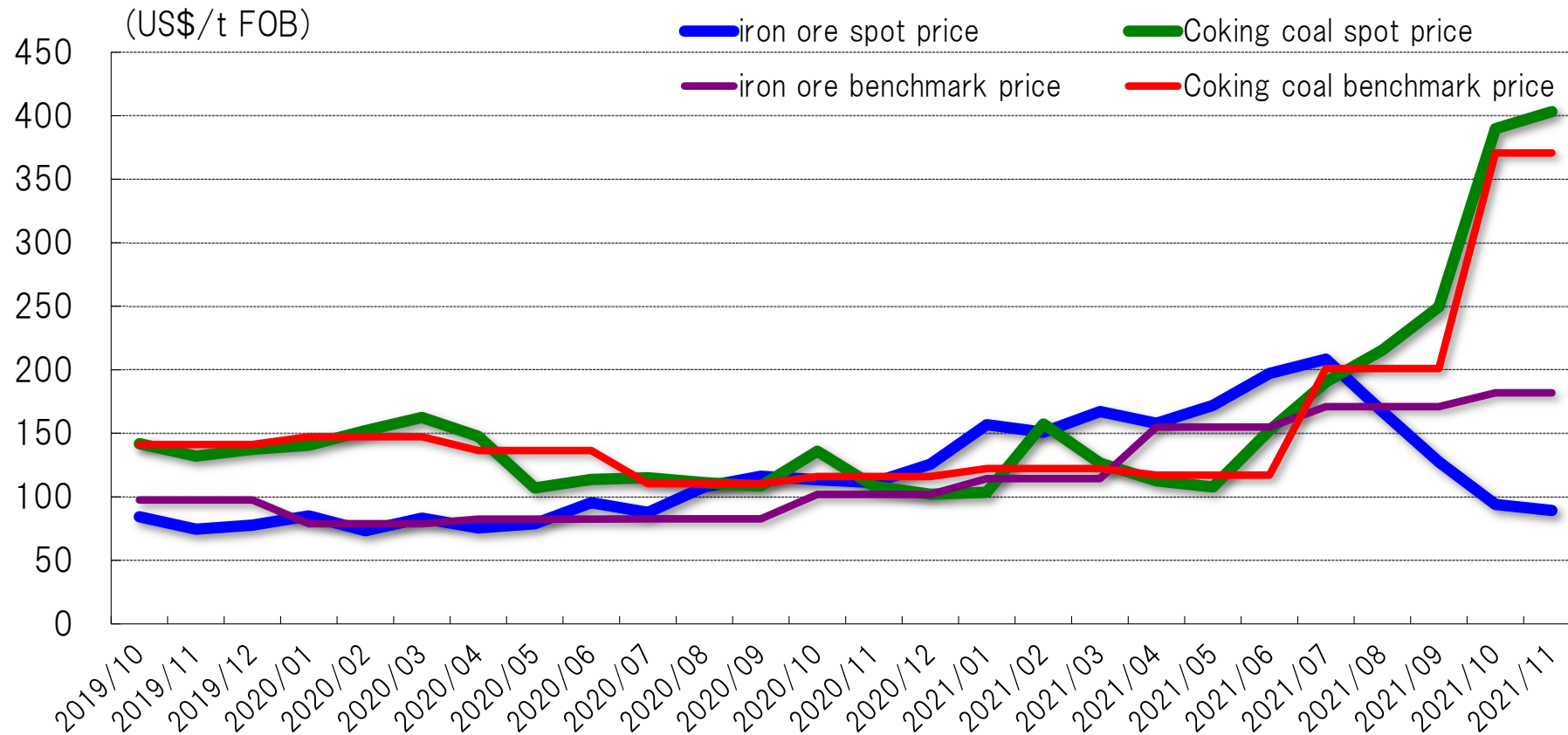
9<sup>th</sup> Plan (Medium-Term Business Plan 2022)

10<sup>th</sup> Plan

# Appendix

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## 【Transaction of steel raw materials price】

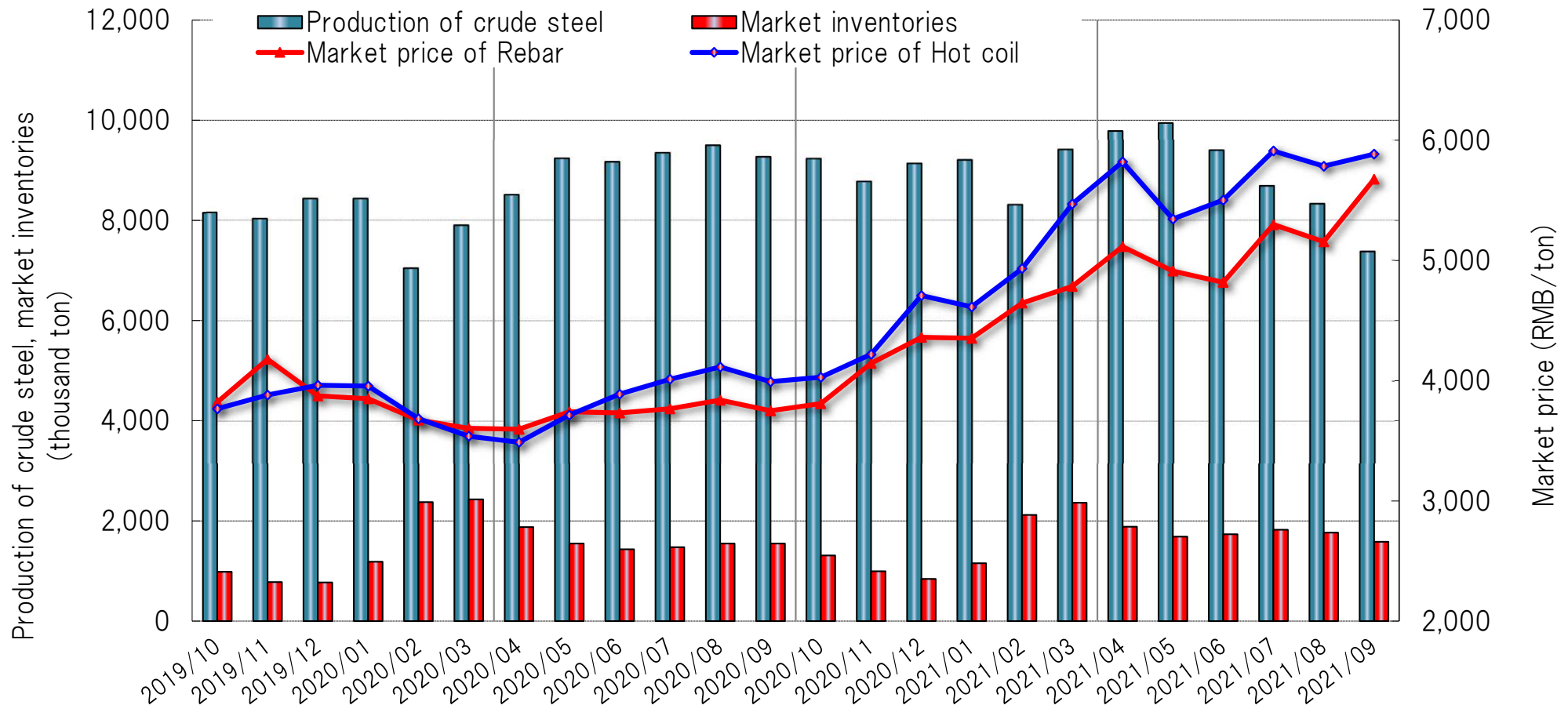


▸ Iron ore...Price started to drop since July this year when it was at the peak, mainly because of Chinese government's policy to reduce production of crude steel. The downward trend has continued, due to expectation that the production reduction policy would be extended for a long time.

▸ Coking coal...For the reason of political conflict between Australia and China, import restriction on Australian coal imposed by China has continued. In addition, restriction on coal mining due to environmental regulation and shortage of fuel coal used for power generation narrowed supply-and-demand gap in China. The price remained at a high level.

# Steel Market Trend in China

## 【Transition of steel market in China】



▸ Supply/Demand...Driven by strong demand in China that is in the process of recovery from the pandemic of COVID-19, production volume in the first half of the fiscal year increased from the same period of the previous fiscal year, but, in the second half of the fiscal year, production volume of crude steel substantially decreased mainly due to respective Chinese local government's order to reduce the production. It is estimated that the production reduction policy would be extended for a long time and the supply-demand gap continues to narrow.

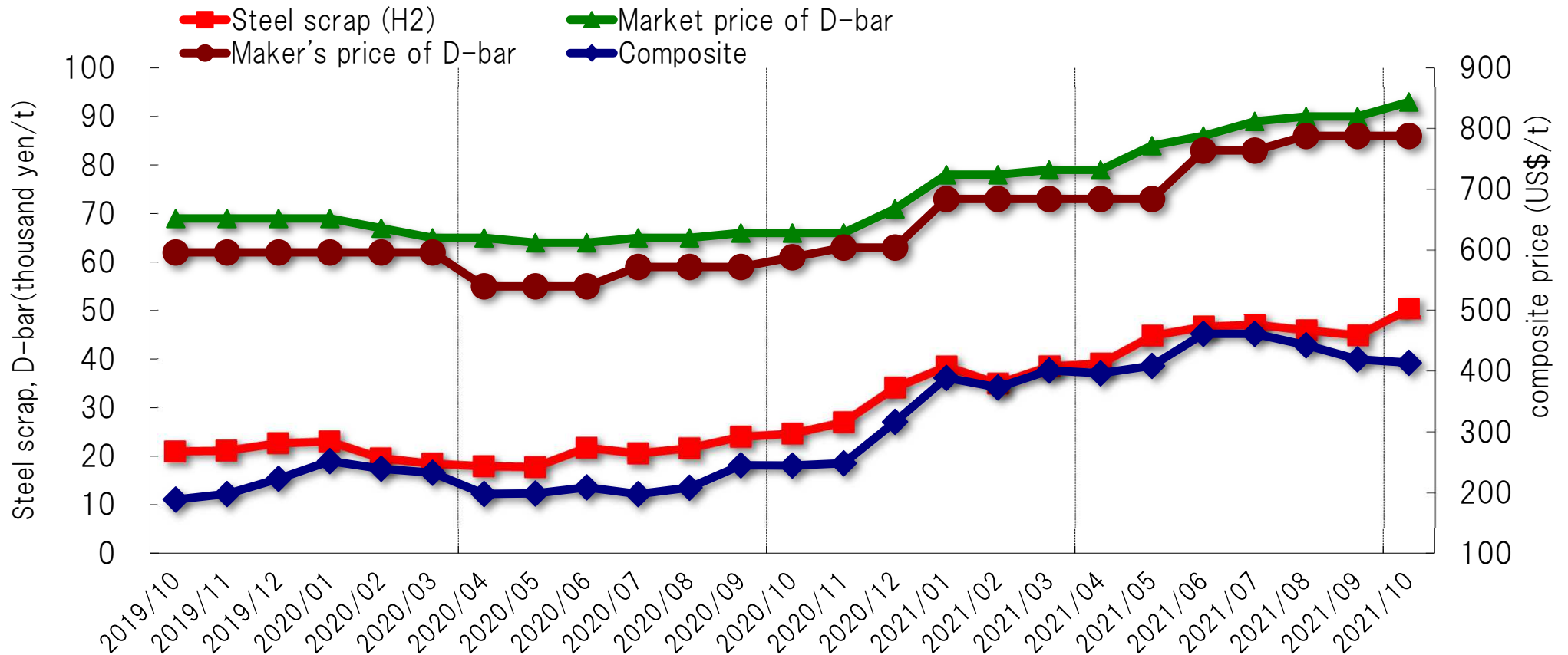
▸ Market prices...The steel market continued to be strong because of the narrowed supply-and-demand gap and price rising of raw materials. In the near term the prices continue to be weak, due to stagnant economic indicators.

(Data source : The Japan Iron and Steel Federation )



# Market Trend of Steel Scrap

## 【Steel scrap and D-bar Market Price】

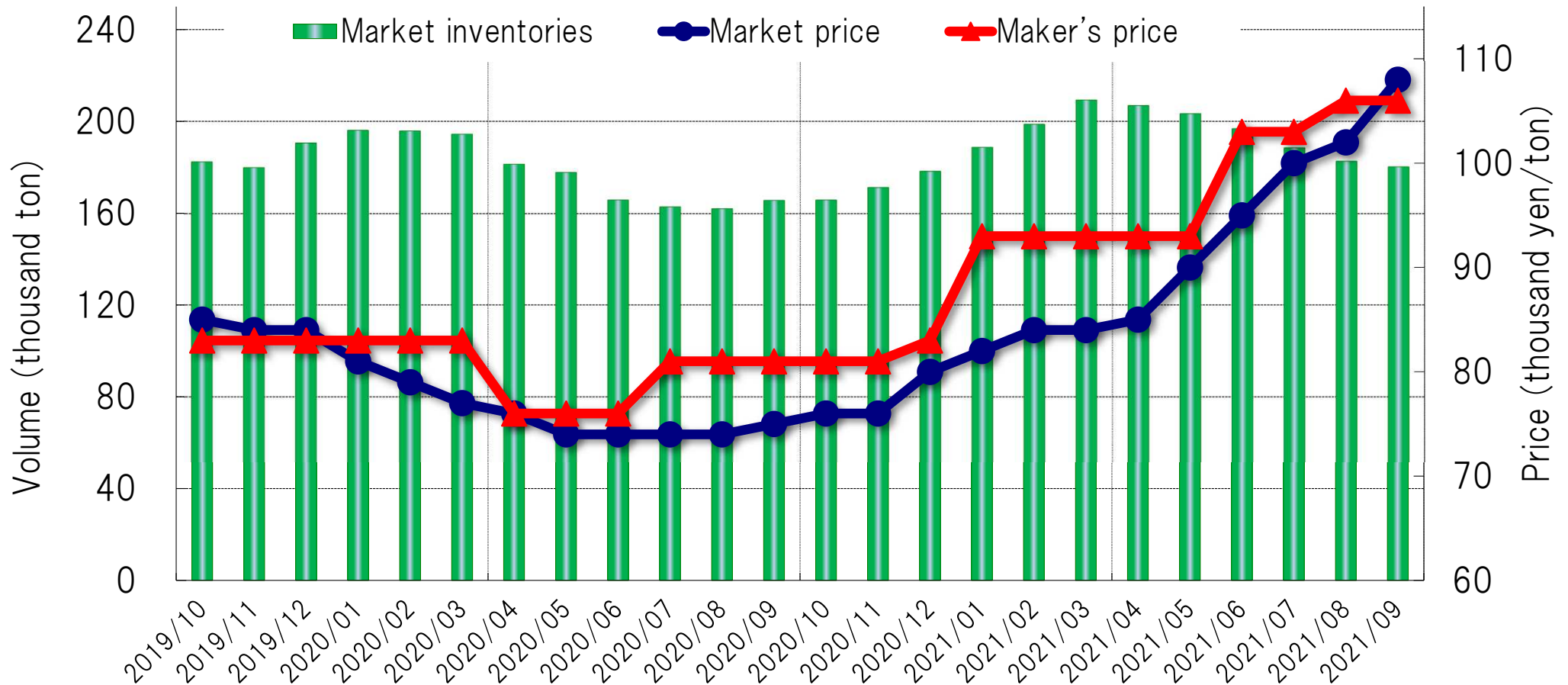


- Supply/Demand... The supply-demand gap in China has continued to be narrow, due to relationship between strong demand and weak supply in the market. Although the supply-demand gap once extended due to the lockdown in Southeast Asia in July and August after the re-expansion of COVID-19, it is still expected that the supply-demand gap will become narrower again.
- Market prices... Market prices has continued to be on an upward trend, thanks to an increase in steel demand driven by recovery of economic activities after the pandemic of COVID-19. Although market prices temporarily fell mainly due to the lockdown, demand remains strong and the market is stable, because of a global trend for decarbonization.

(Data source: The Japan ferrous raw materials association, Japan metal daily)

# Market Trend of Long Products

## 【Transition of the H-Beams Markets in Japan】

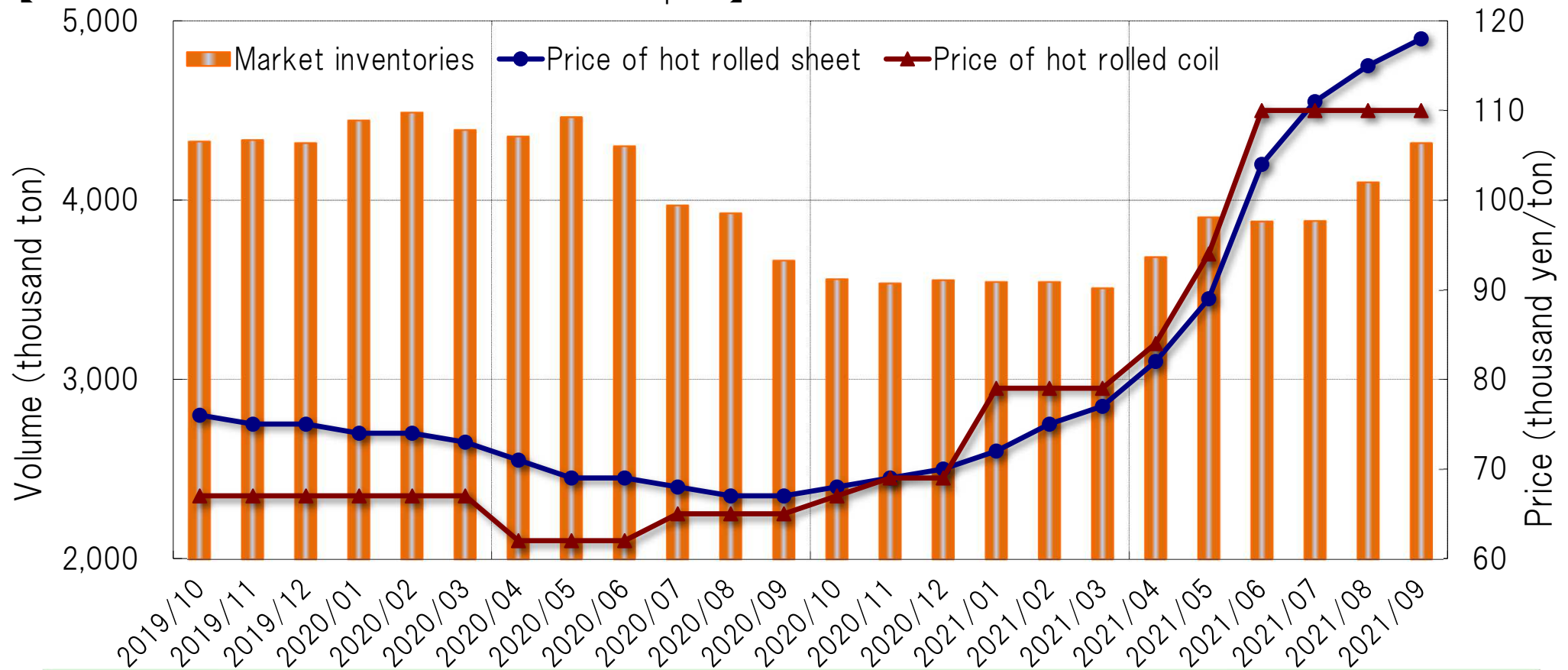


- Supply/Demand...Demand for construction of large-scale buildings such as distribution warehouses and data centers is stable, thanks to recovery of economic activities, current inventory has continued to decrease.
- Market prices ...For the reason of price rising of raw materials, electric furnace manufacturers started to increase the prices one after another. As demand recovered and current inventory decreased, price rising of raw material has started to be reflected in the market prices, although the pace is still slow.

(Data source : Inventories \_ Tokiwa-kai / Price \_Japan metal daily)

# Market Trend of Flat Products

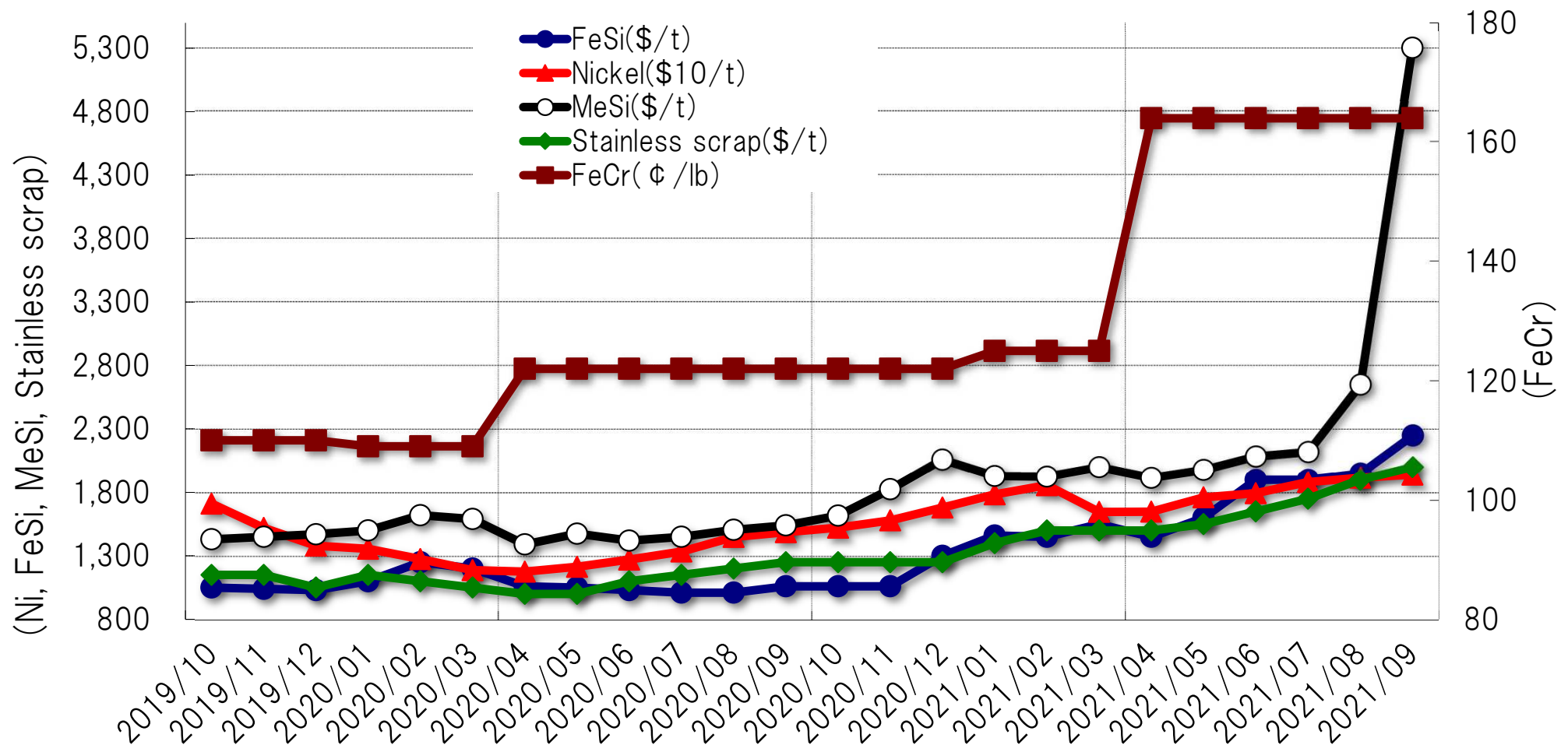
## 【 Transition of Steel Sheets Markets in Japan 】



- Supply/Demand...As production activities in the manufacturing industry started to recover to a high level mainly in automobile industry from this term, the supply-demand gap remained narrow. After such trend, current inventory has started to increase again, mainly due to shortage of semiconductors on a global basis, as well as production cutback of automobiles in Southeast Asia after the re-expansion of COVID-19.
- Market prices ...Prices remained at a high level on a global scale, due to price rising of raw materials and Chinese government's policy to reduce production of crude steel. As the result, Japanese manufactures started to increase prices intermittently. Prices have remained at a high level, because demand was strong in each manufacturing industry and price rising of raw material has started to be reflected in the market prices.

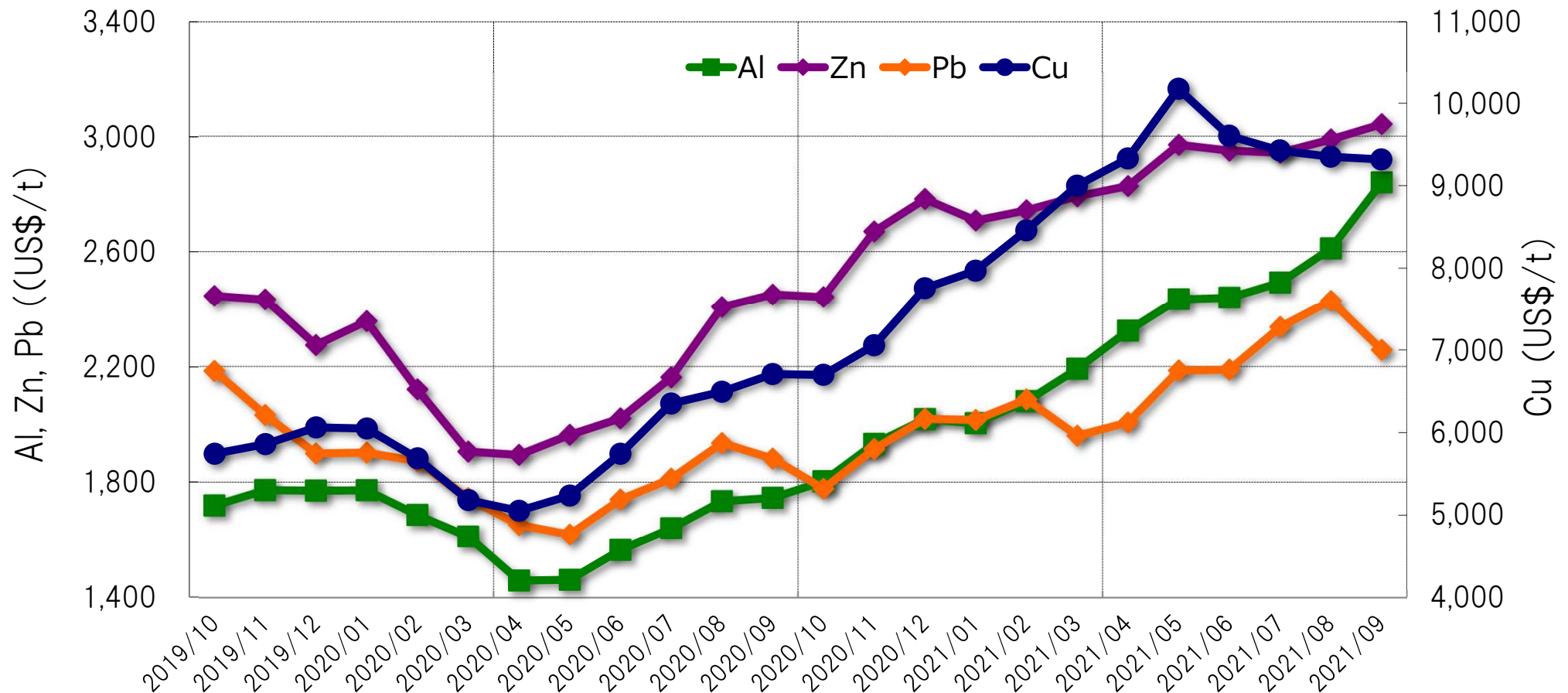
(Data source : Inventories \_ The Japan Iron and Steel Federation / Price \_Japan metal daily)

# Market Trend of Metals & Alloys



- Nickel...Prices remained at a high level, because of underlying support by monetary relaxation policy in each country, in addition to expectation of a demand increase driven by a global trend for adoption of EVs.
- MeSi...Prices remained at a high level; while operation of refineries is restrained due to environmental regulations increasingly imposed by the Chinese Government, demand for semiconductors increased.
- Alloys... Demand decreased mainly due to shortage of electricity in China. Prices rose supported by continued recovery of steel demand.

# Market Trend of Non-ferrous Metals

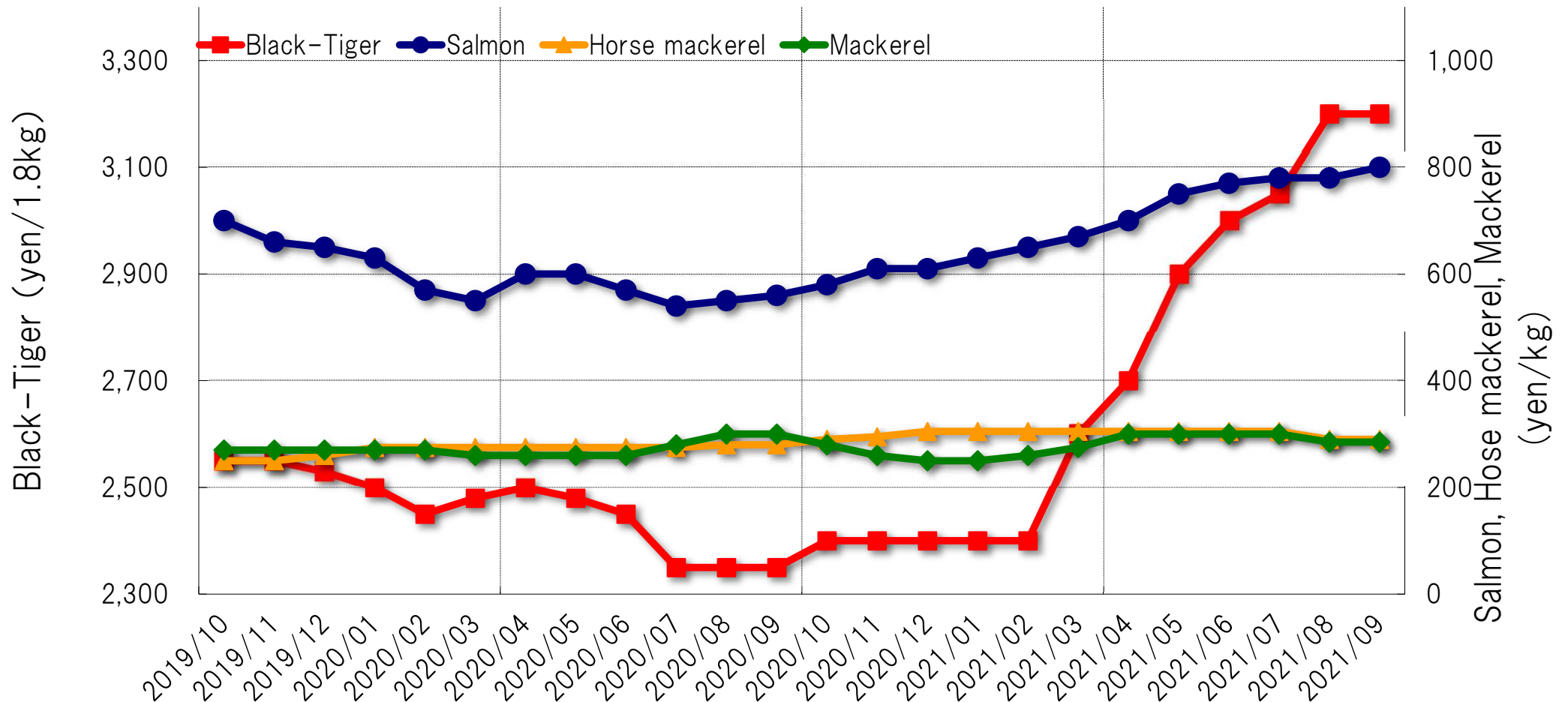


▶ Aluminum ...Prices remained at a high level, supported by concerns for supply in China, implementation of export tax in Russia, and production restraint at Rio Tinto's plant in Canada. In addition, military coup d'état occurred in Guinea, one of the major production areas of bauxite, in September. Amid mounting concerns about Disparities between supply and demand, prices increased.

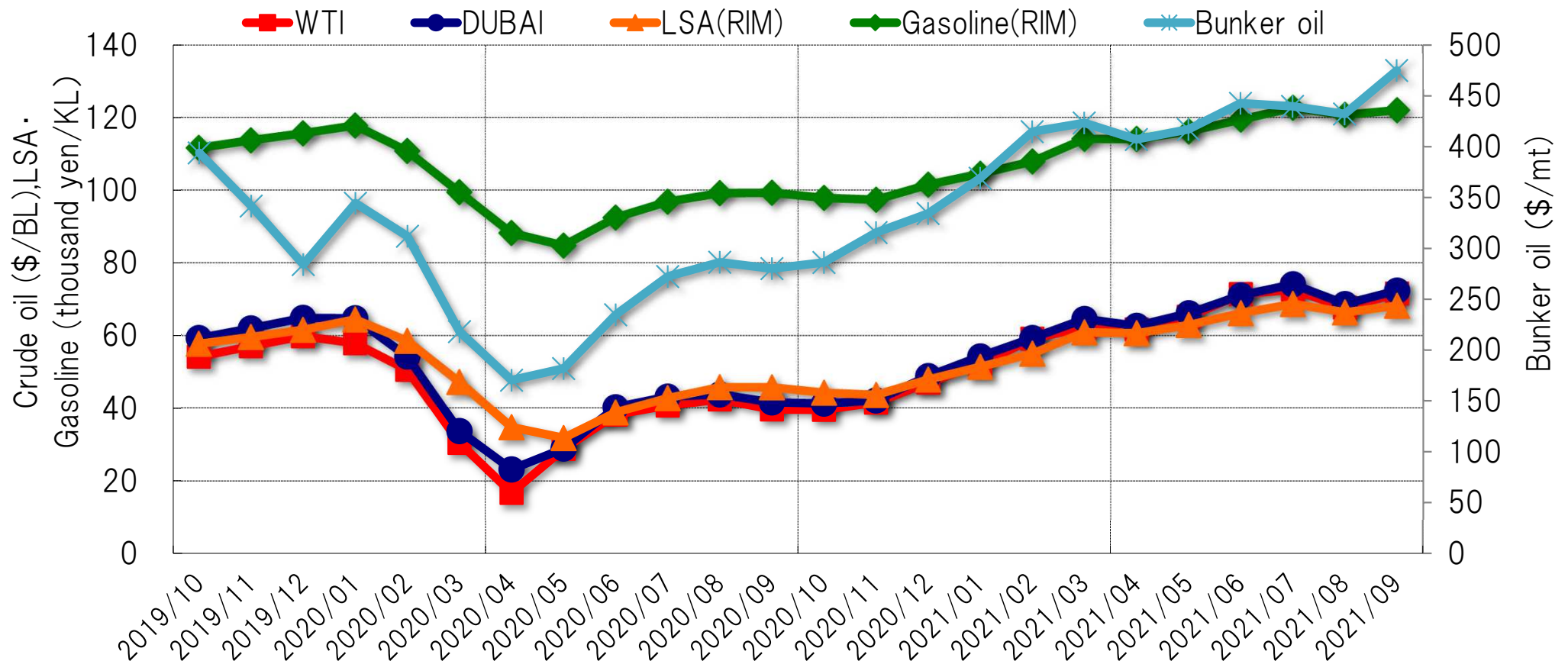
▶ Copper...Price hit the record high in May 2021, supported by economic recovery on a global basis and expectation for a demand increase for EVs. After that, prices have still remained at a high level, due to supply shortage of steel scrap.



# Market Trend of Frozen Marine Products



- ▶ Salmon...Shipment for mass merchandise increased, supported by strong demand for home meal amid the pandemic of COVID-19. Inventory remained at a low level, and prices continued to be on an upward trend. As demand was strong in Europe and the U.S., supply to Japan decreased, and, as the result, prices remained at a high level.
- ▶ Shrimp...While supply was limited, demand did not fall, rather on an upward trend. The market driven by strong demand in the U.S. contributed to price rising in Japan.



- ▶Crude oil...Price remained at a high level, supported by recovery of economic activities in each country, the decision of oil countries to continue the coordinated production cut, and delay in operation of shale oil rigs.
- ▶Petroleum products...Price of naphtha hit the bottom in June and started to rise. Prices of HDPE rose substantially in July, but have been on a correction stage. Prices are expected to be on an upward trend, because production cut is expected for the reason of China's policy to reduce usage of electricity.