

Financial Results for the Fiscal Year ended March 31, 2021

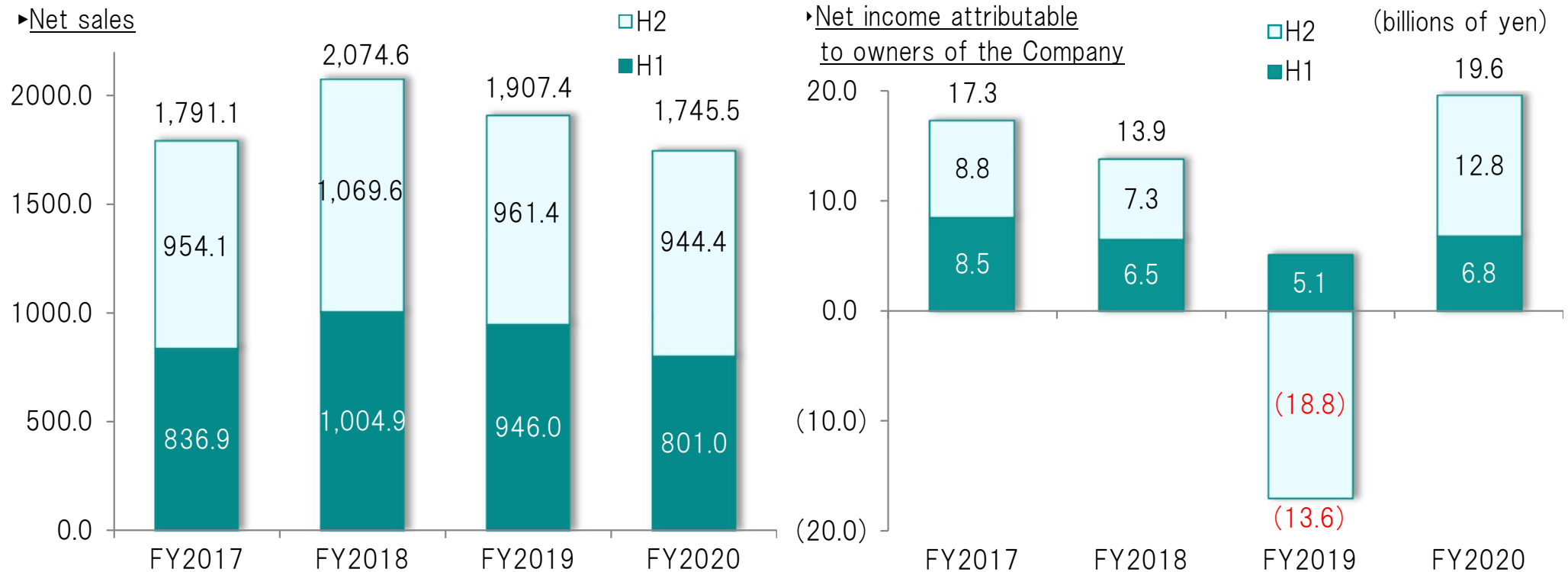
May 2021
HANWA CO., LTD.

Operating Results (Consolidated)

	Fiscal Year (ended March 31)			
	FY2019	FY2020	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	1,907.4	1,745.5	(161.9)	-8%
Gross Profit	79.8	79.9	+0.0	+0%
SG&A	52.4	50.6	(1.8)	-3%
Operating income	27.3	29.2	+1.9	+7%
Ordinary income	(12.5)	28.8	+41.4	-
Net income attributable to owners of the Company	(13.6)	19.6	+33.2	-
EPS	(336.51yen)	482.74yen	+819.25yen	-

- ▶ Net sales decreased by 8% compared to the previous year. This was caused by a pronounced decrease in a transaction volume of steel and related products in the first half, which resulted from a decline in demand under the circumstances that economic activities in each country were restricted by the outbreak of COVID-19, as well as the fact that commodity prices including petroleum products remained at a lower level in comparison to the previous year.
- ▶ SG & A expenses decreased by 1.8 billion yen compared to the previous year (of which 0.4 billion yen was equivalent to an increase in a number of consolidated subsidiaries), mainly because of decreases in travel expenses and entertaining expenses amid self-restraint of sales activities.
- ▶ Ordinary income and net income attributable to owners of the company turned into the black, because equity in earnings of affiliates was recorded and interest expenses decreased.

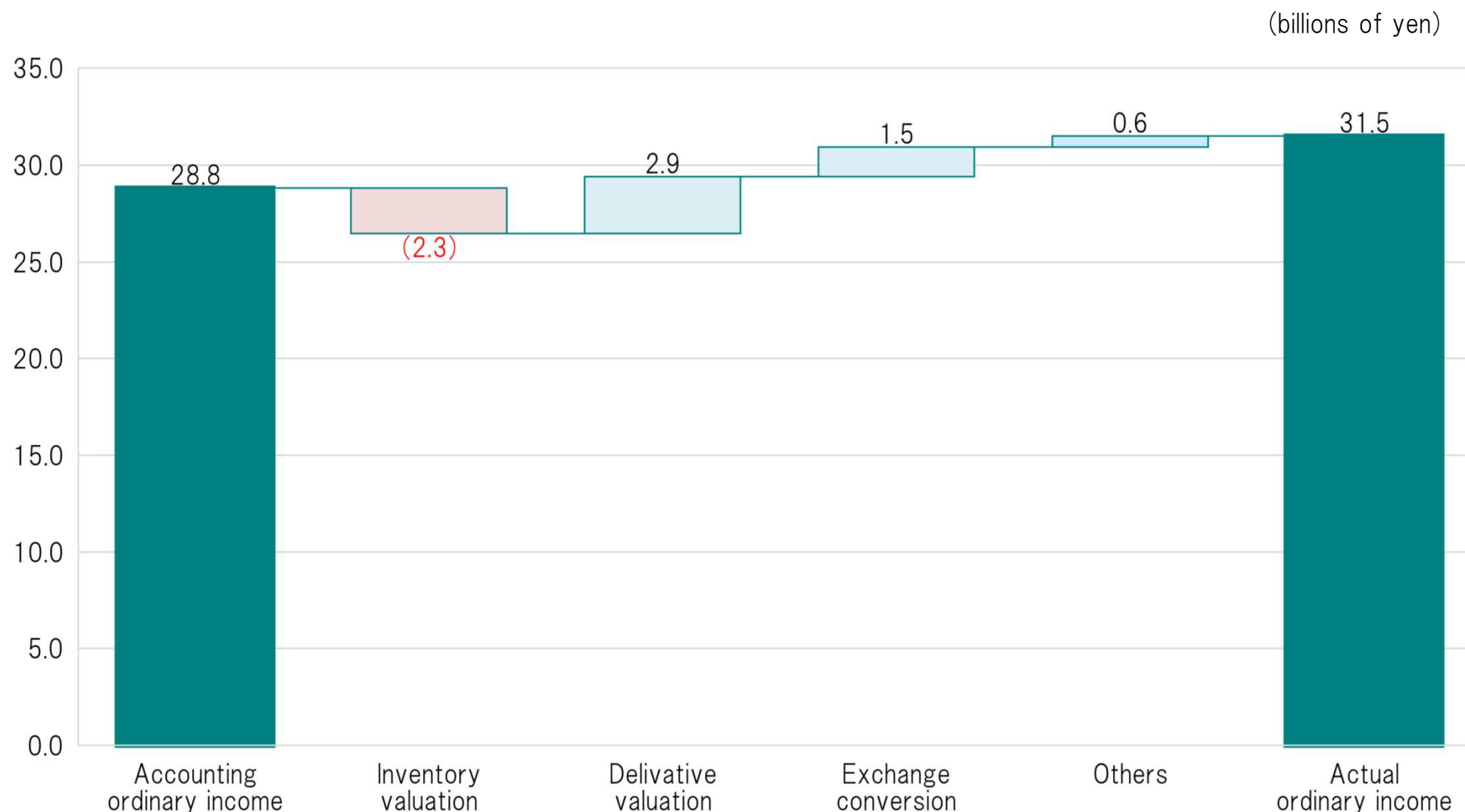
Changes in Business results (Consolidated)



▶ Net sales decreased by 8% compared to the previous year. This was caused by a pronounced decrease in a transaction volume of steel and related products in the first half, which resulted from a decline in demand under the circumstances that economic activities in each country were restricted by the outbreak of COVID-19, as well as the fact that commodity prices including petroleum products remained at a lower level in comparison to the previous year.

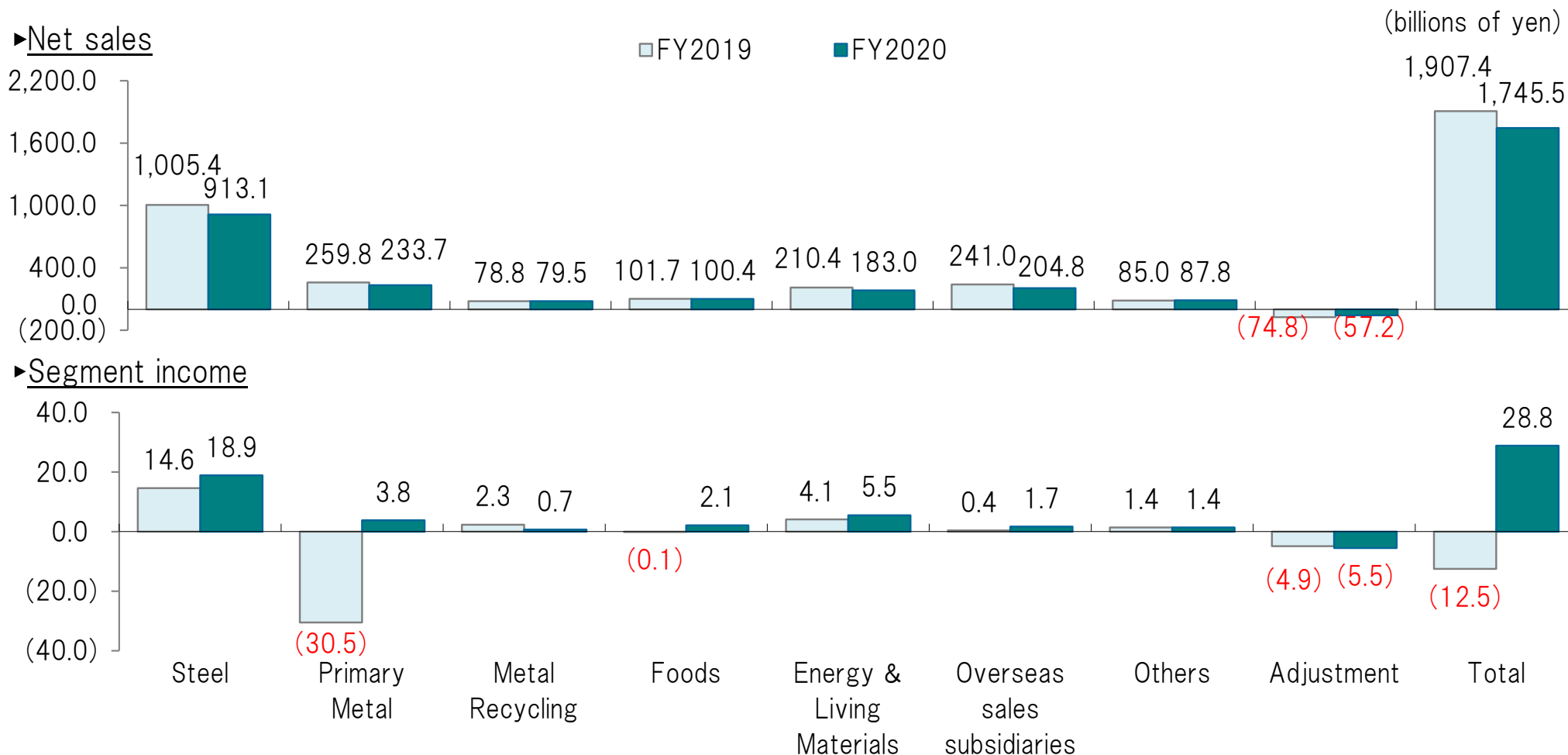
▶ Net income attributable to owners of the Company significantly increased, because operating income increased and a transient loss on Samancor, which was reported as non-operating loss in the previous year, was not realized.

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



►Reported ordinary income was 28.8 billion yen, but can be translated into about 31.5 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)



► Net sales decreased compared to the previous year, because of a decrease in transaction volume in the Steel and Primary Metal Businesses amid weak demands as well as a decline in commodity prices that had affected on the Energy & Living Materials Business.

► Segment income increased, due to increase in operating income in the Steel, Foods and Energy & Living Materials Businesses. The Primary Metal Business also saw an increase in segment income, because a transient loss on Samancor, which was reported as non-operating loss in the previous year, was not realized in this fiscal year.

Financial Position (consolidated)

	Fiscal Year (ended March 31)			
	FY2019	FY2020	Y on Y Change	Y on Y Rate
(billions of yen)				
Total assets	798.4	824.5	26.1	+3%
Total liabilities	632.3	632.7	0.3	+0%
Interest-bearing debt	331.1	301.6	(29.4)	-9%
Net DER	161%	133%	-28pt	-19%
	* 127%	* 105%	-	-
Net assets	166.0	191.8	+25.7	+16%
Shareholder's equity	163.6	189.2	+25.5	+16%
Shareholder's equity ratio	20.5%	22.9%	+2.4pt	+12%
	* 23.6%	* 26.0%	-	-
BPS	4027.01yen	4656.17yen	+629.16yen	+16%

* 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 3% from the end of the previous year, due to increase in trade receivables and investment securities.

▶ Interest-bearing debt decreased by 9% from the end of the previous year, due to decrease in corporate bonds and repayment of debt.

Net debt-equity ratio improved from 161% as of the end of the previous year to 133%. (*Improved by 105% after taking account of evaluation for equity credit on 50% of Hybrid Loan)

▶ Total net assets increased by 16% from the end of the previous year, due to accumulation from net income attributable to owners of the company.

Shareholders' equity ratio improved from 20.5% as of the end of the previous year to 22.9%.

(*Taking account of evaluation for equity credit on 50% of Hybrid Loan, shareholder's equity ratio improved from 23.6% as of the end of the previous year to 26.0%.)

Cash Flow Situation (consolidated)

	Fiscal Year (ended March 31)			
	FY2019	FY2020	Y on Y Change	Y on Y Rate
(billions of yen)				
CF from operating activities	74.2	19.0	(55.2)	-74%
CF from investing activities	(24.1)	(4.1)	+19.9	-83%
FCF	50.1	14.8	(35.3)	-70%
CF from financing activities	(42.3)	(34.2)	+8.0	-19%
Cash and cash equivalents	67.2	50.8	(16.3)	-24%

- ▶ Cash flow from operating activities was 19.0 billion yen due mainly to increase in trade payables in addition to an increase in net income.
- ▶ Cash flow from investing activities was (4.1) billion yen, due to purchase of tangible fixed assets and investment securities.
- ▶ Cash flow from financing activities was (34.2) billion yen, due to repayment of debt payable and redemption of corporate bonds.

Forecast FY2021

(billions of yen)	Fiscal Year (ending March 31)			
	FY2020 (Actual)	FY2021 (forecast)	Y on Y Change	Y on Y Rate
Net Sales*	1,745.5	1,930.0 (2,200.0)	–	–
Operating income	29.2	36.0	+6.8	+23%
Ordinary income	28.8	32.5	+3.7	+13%
Net income attributable to owners of the Company	19.6	22.6	+3.0	+15%

*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.

*The amounts in parentheses are the reference amounts calculated before adoption of the above the Accounting Standard for Revenue Recognition.

►Outlook for the next fiscal year

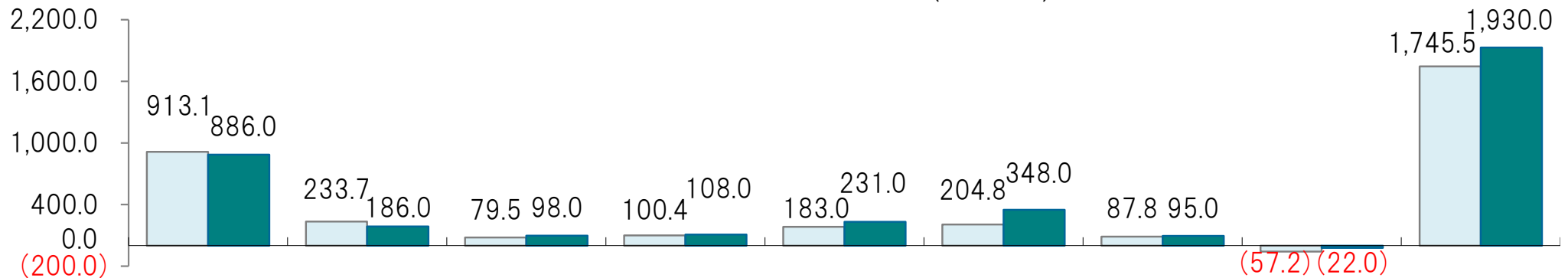
Although we still need to pay attention to the impact of the outbreak of COVID-19, it is expected that, as the global economy including that of China is on a stable track for recovery and there are some signs of an increase in exports and of improvement in production activities in the Japanese market, Company's earning opportunities will increase across all the business segments.

Forecast of Segment Information

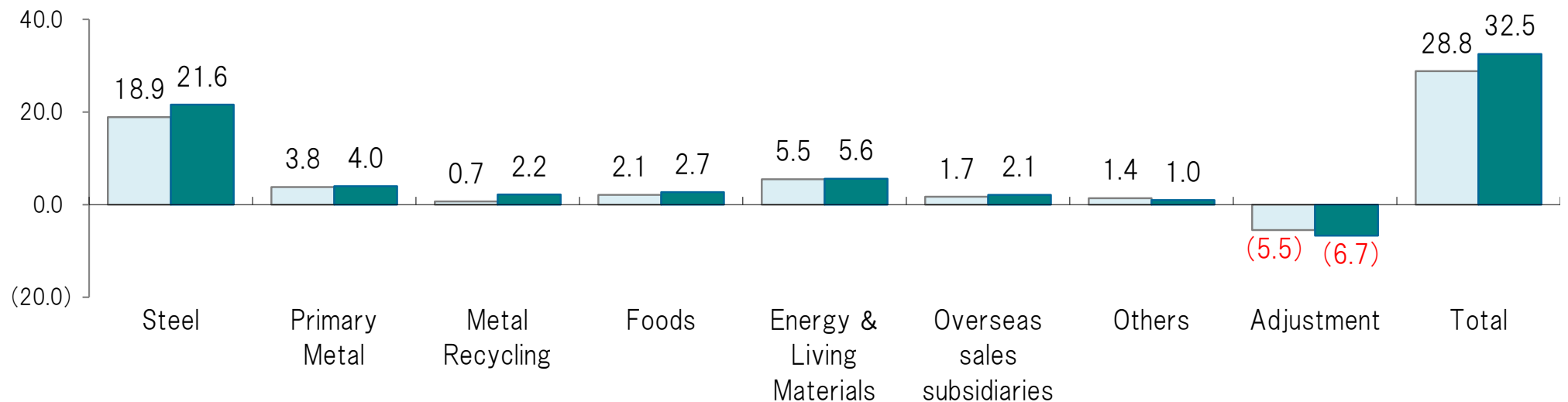
►Net sales

□FY2020 ■FY2021(Forecast)

(billions of yen)



►Segment income

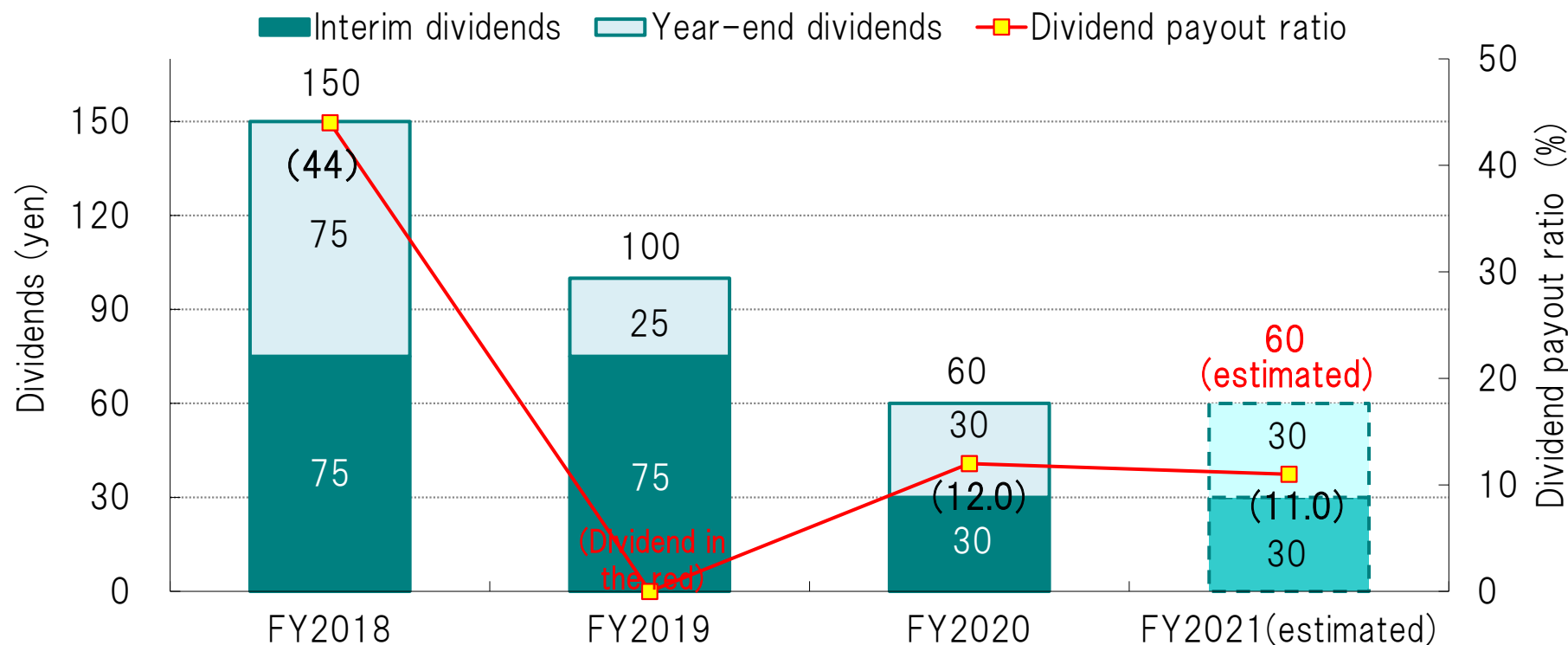


*From the beginning of the fiscal year ending March 31, 2022, the Company applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29). As a result, the figures in the above forecast of consolidated business results constitute the figures after application of said accounting standard.

►Outlook for the next fiscal year

Net Sales are expected to increase as a whole, as an increase in transaction volume and rises in prices are expected in the various Businesses, particularly in the Steel Business, which is our core business.

【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. As our basic policy for dividends, we will maintain the payment of dividends at the current level.

▶ (FY2020)

Interim dividend : 30 yen per share Year-end dividend : 30 yen per share

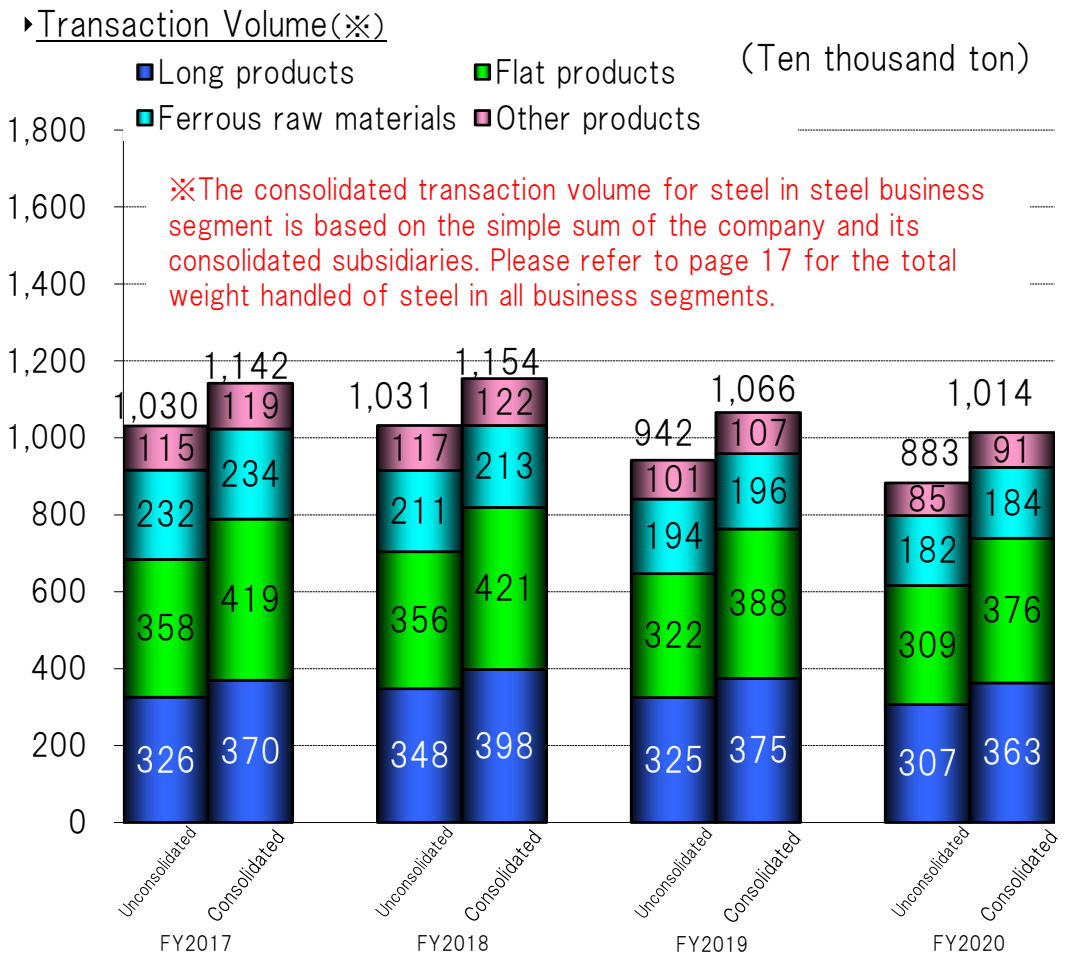
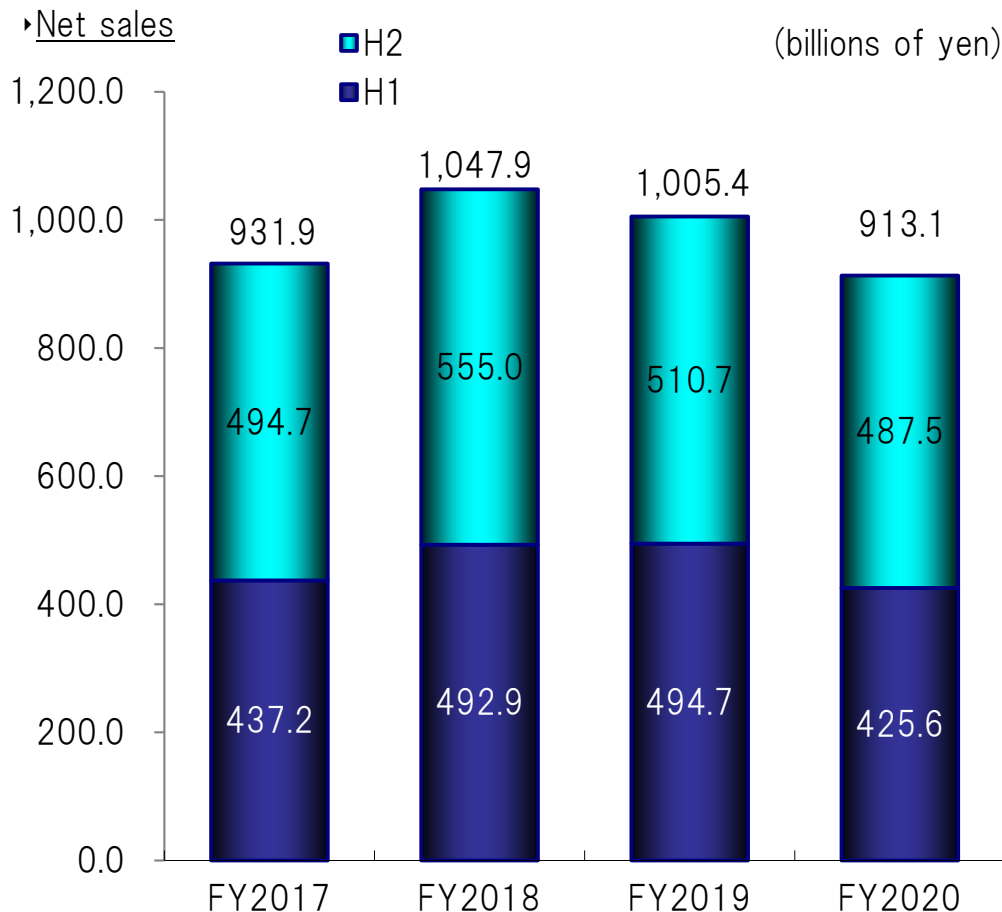
(FY2021 estimated)

Interim dividend : 30 yen per share Year-end dividend : 30 yen per share

Steel Business Segment

	Fiscal Year (ended March 31)		
(billions of yen)	FY2019	FY2020	Y on Y Rate
Net sales	1,005.4	913.1	-9%
Segment Income	14.6	18.9	+29%

▶ Although demand for steel declined, reducing transaction volume, earnings margins rose as steel prices held to a rising trend. Selling expenses also fell. These factors pushed segment income upward despite declining net sales.



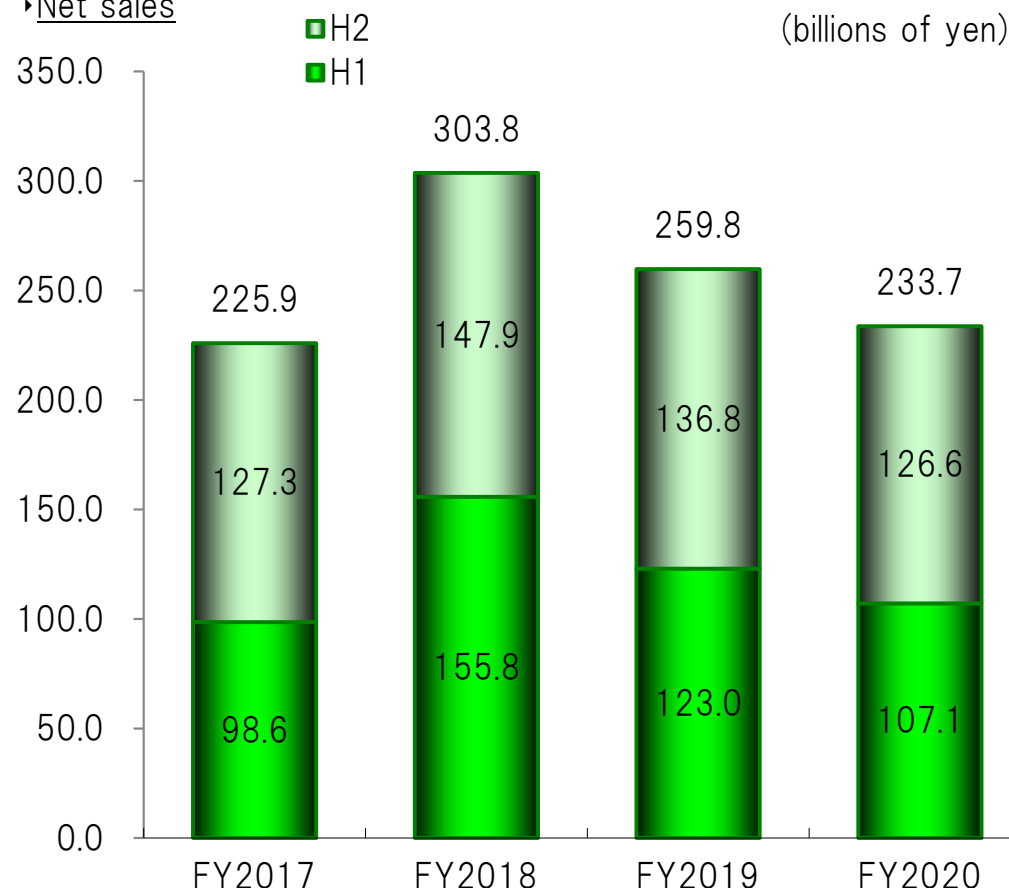
※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

Primary Metal Business Segment

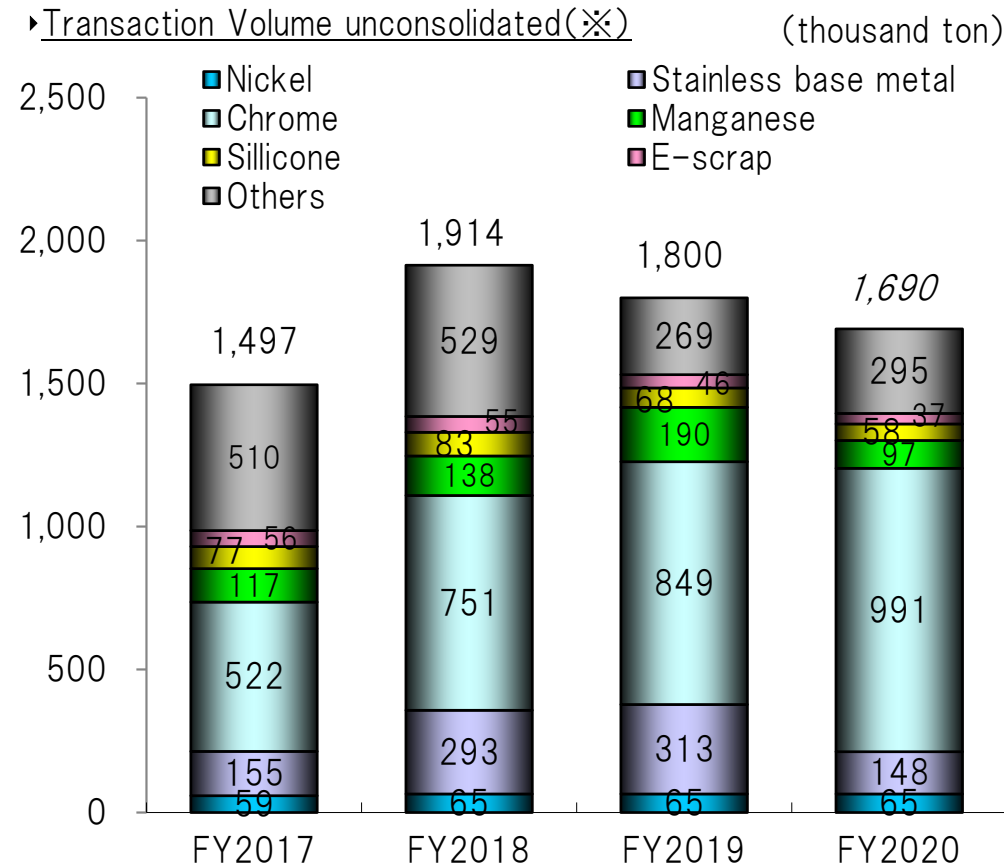
	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	259.8	233.7	-10%
Segment Income	(30.5)	3.8	—

▶A decline in activity among steel and non-ferrous-metal manufacturers in the first half of the fiscal year engendered a weakening of transaction volume. Meanwhile, a transient loss on Samancor was not realized, and interest expenses declined. Segment income rose despite a fall in net sales.

▶Net sales



▶Transaction Volume unconsolidated(※)

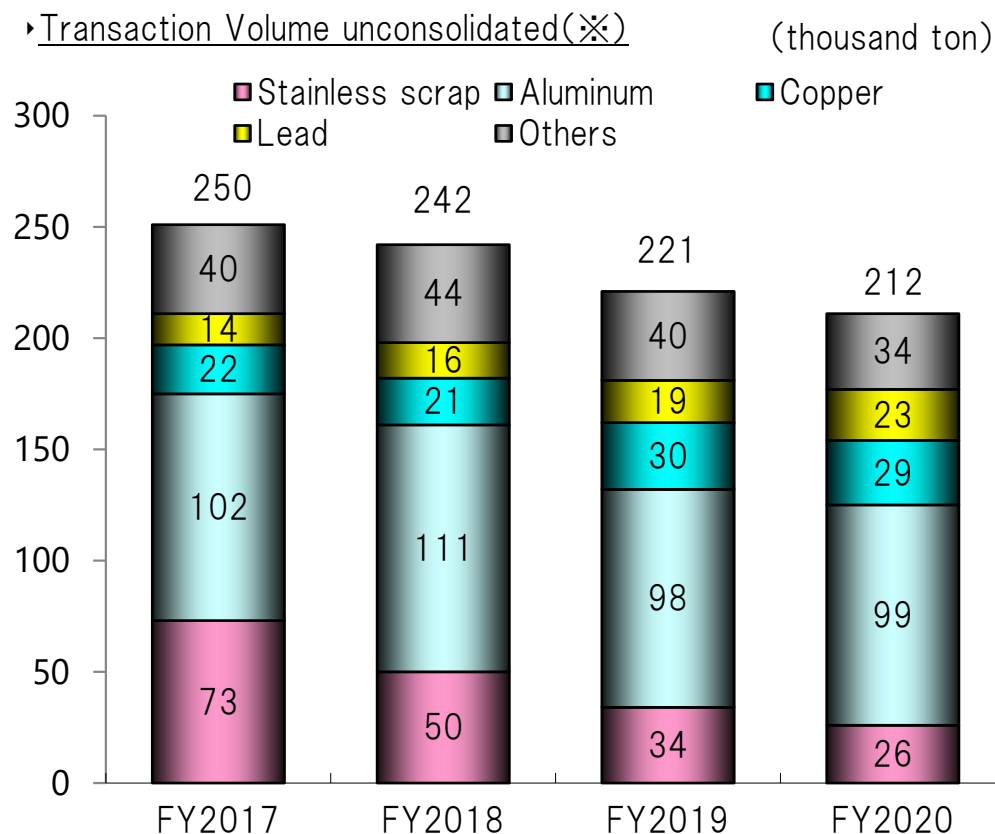
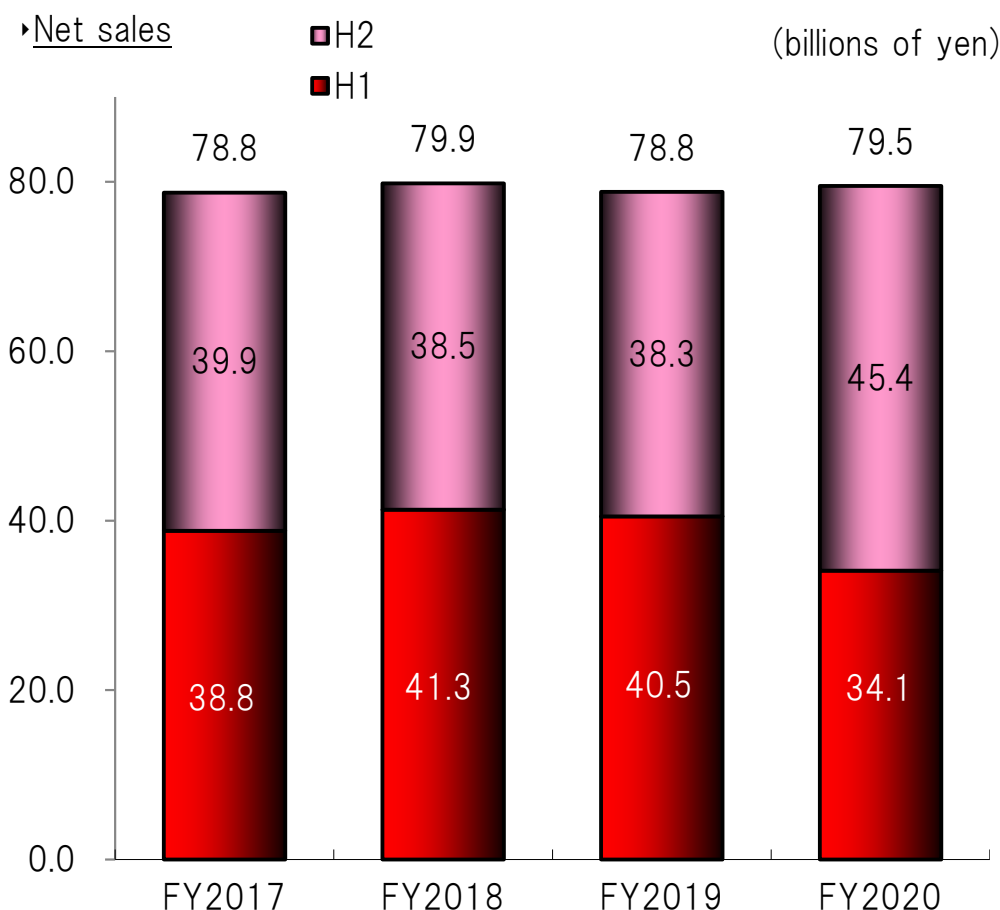


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

Metal Recycling Business Segment

	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	78.8	79.5	+1%
Segment Income	2.3	0.7	-67%

►Net sales grew amid rising prices for copper and e-scrap. However, the Company incurred a loss on valuation of derivatives transaction balance, used to hedge price-fluctuation risks in inventories amid rising prices for base metals. Segment income decreased while net sales grew.



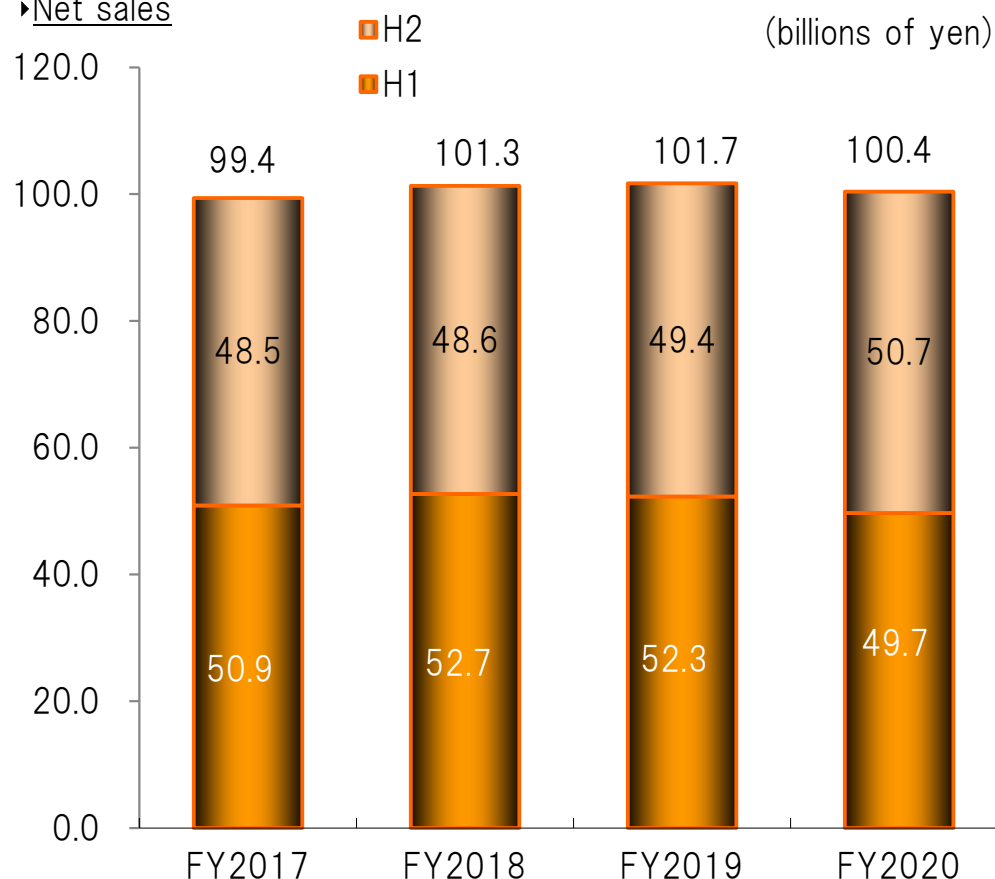
※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

Foods Business Segment

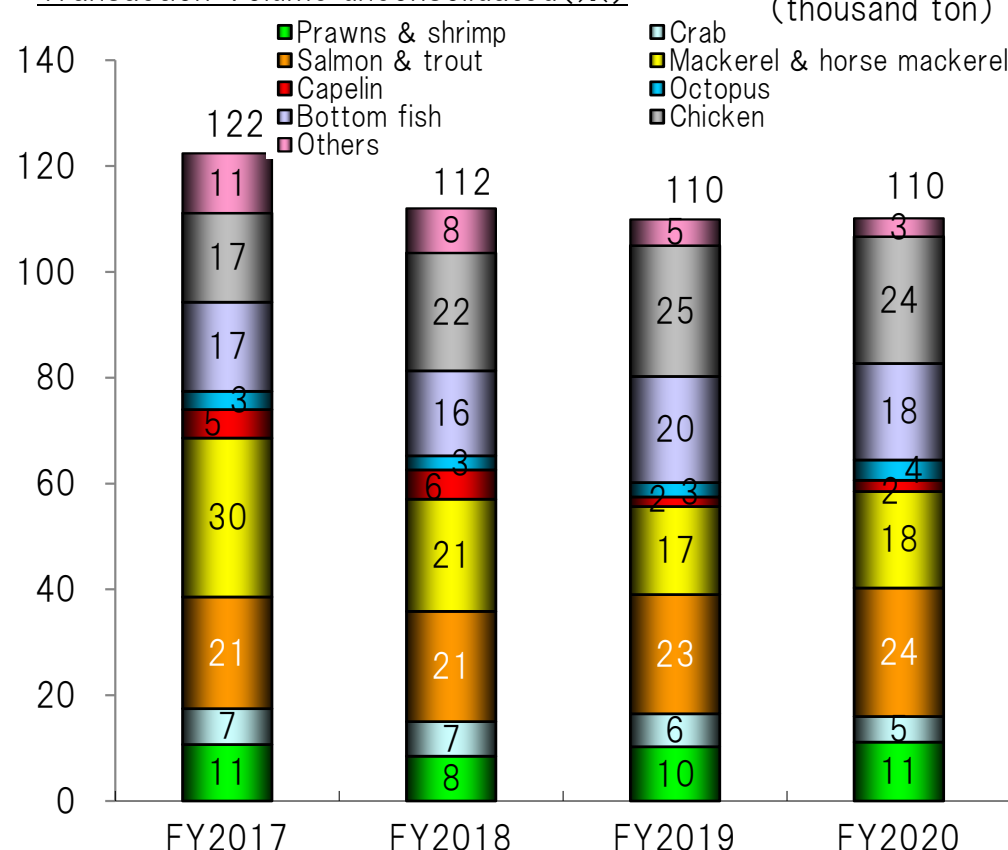
	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	101.7	100.4	-1%
Segment Income	(0.1)	2.1	—

▶ Although product prices trended at lower levels than in the previous fiscal year, the profitability of the Company's US sales subsidiary improved, while the number of domestic consolidated subsidiaries increased and valuation losses on inventories declined. Segment income rose despite a fall in net sales.

▶ Net sales



▶ Transaction Volume unconsolidated(※)

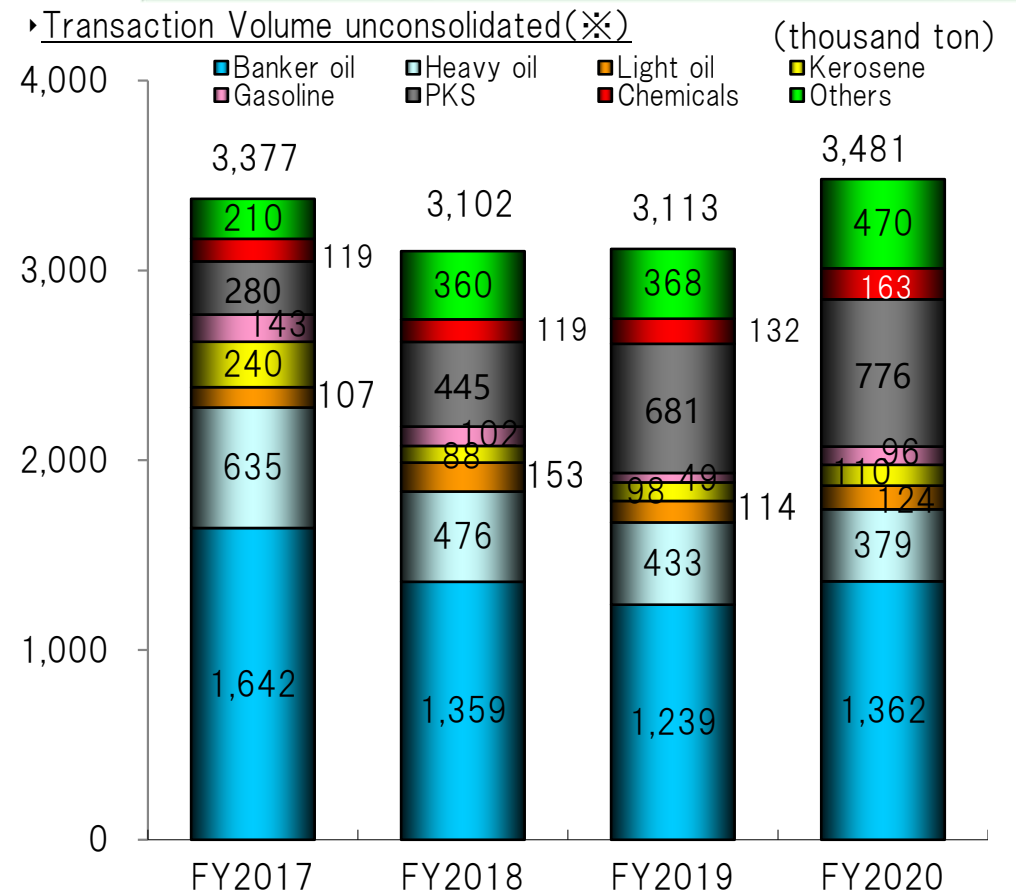
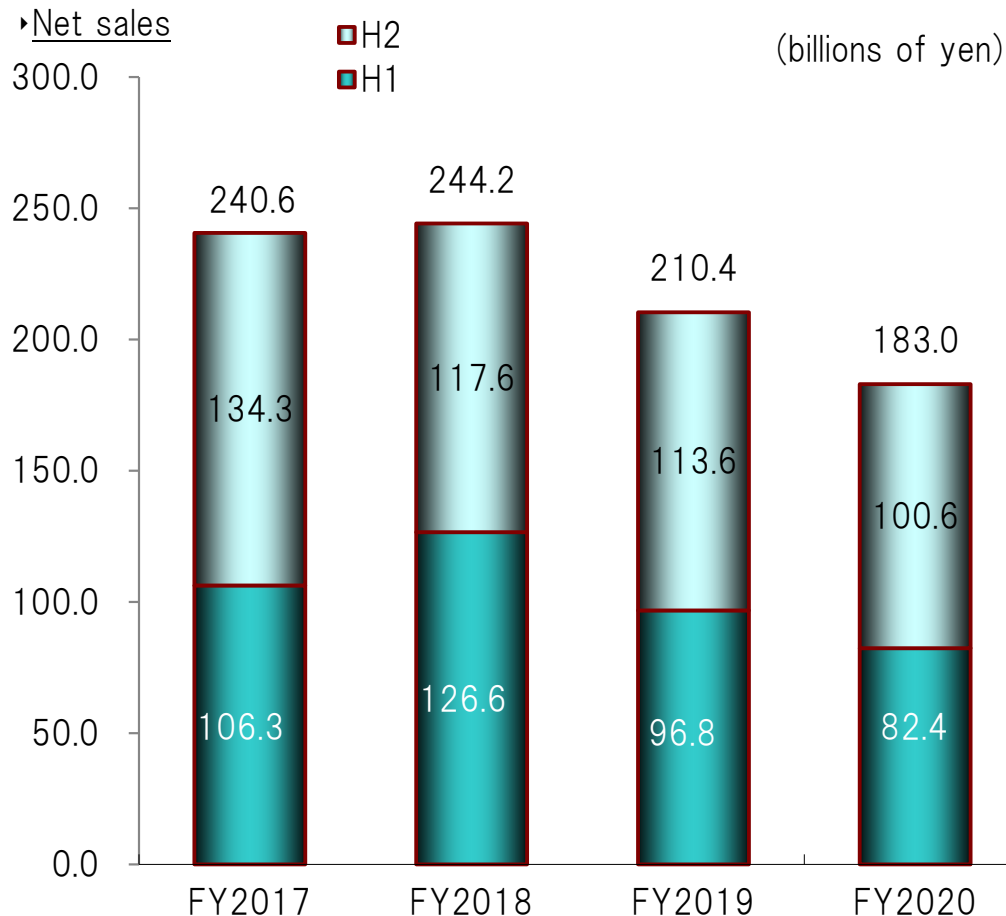


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

Energy & Living Materials Business Segment

	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	210.4	183.0	-13%
Segment Income	4.1	5.5	+33%

►Petroleum product prices followed a rising trend, while a widening price spread between the Japanese and overseas markets secured a solid earnings margin. In addition, sales of palm kernel shells (PKS) and handling of daily goods broadened. All of these trends supported an increase in segment income.



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

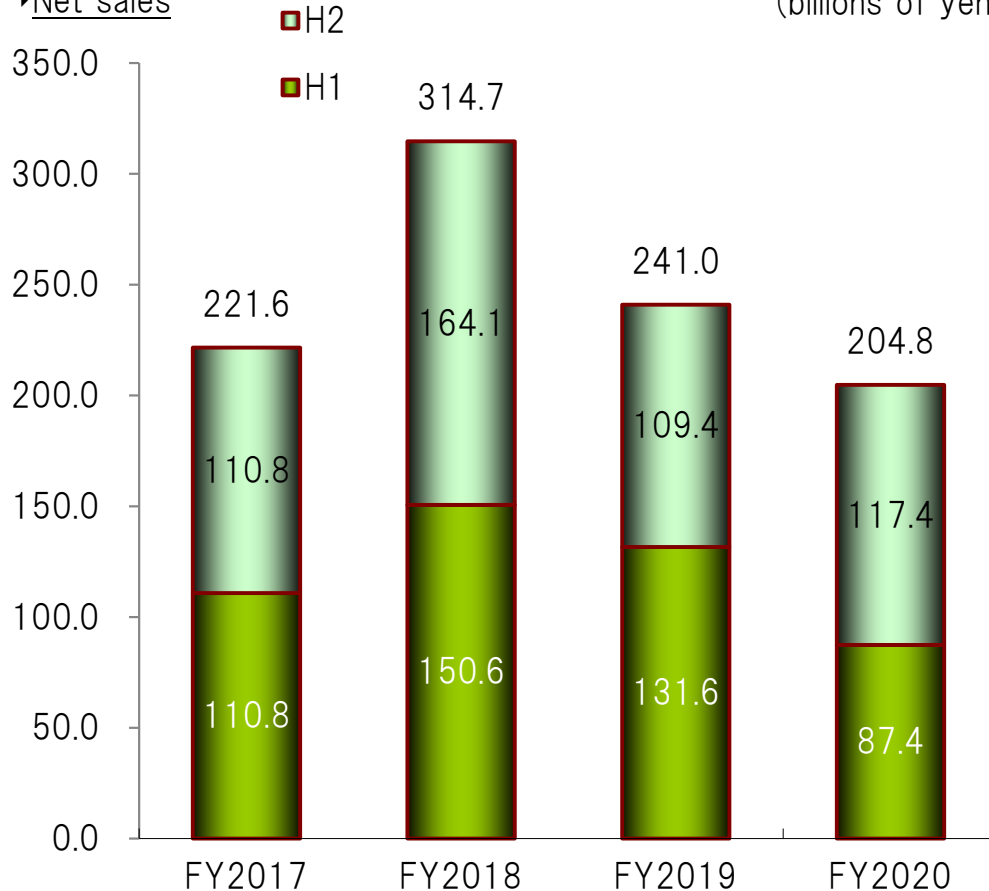
Overseas Sales Subsidiaries Segment

	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	241.0	204.8	-15%
Segment Income	0.4	1.7	+268%

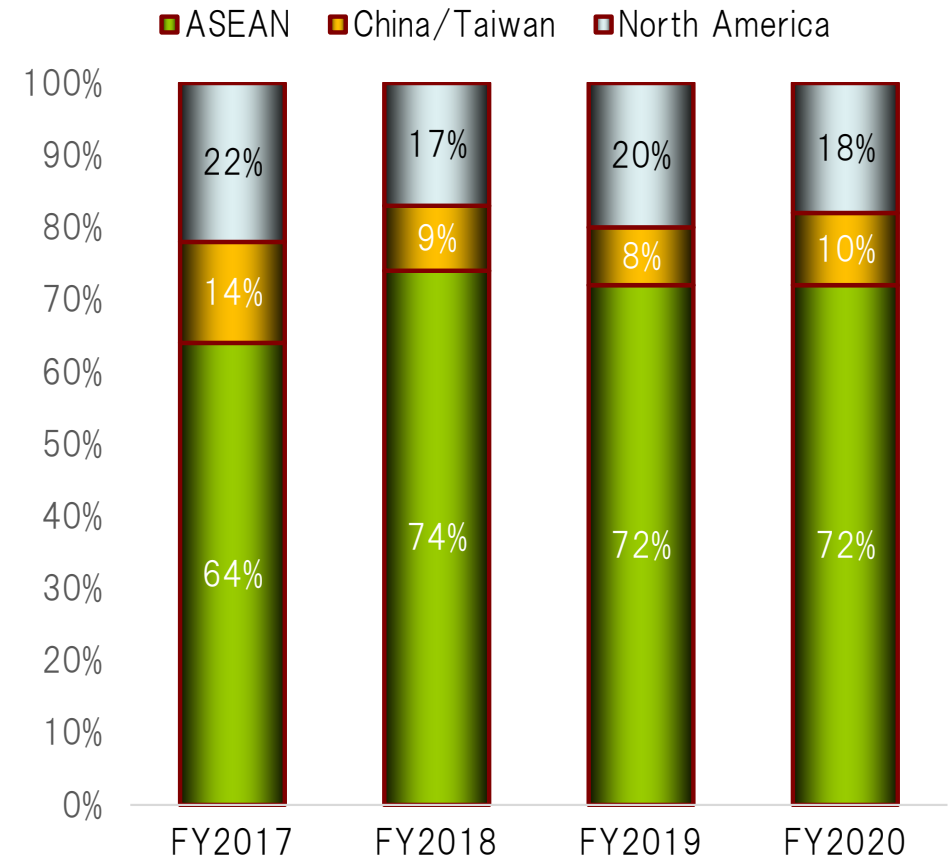
► With prices for steel on a rising trend, earnings margins expanded in Indonesia. Profitability of transactions in non-ferrous metals in Thailand improved, contributing to increased segment income.

► Net sales

(billions of yen)



► Sales ratio by region

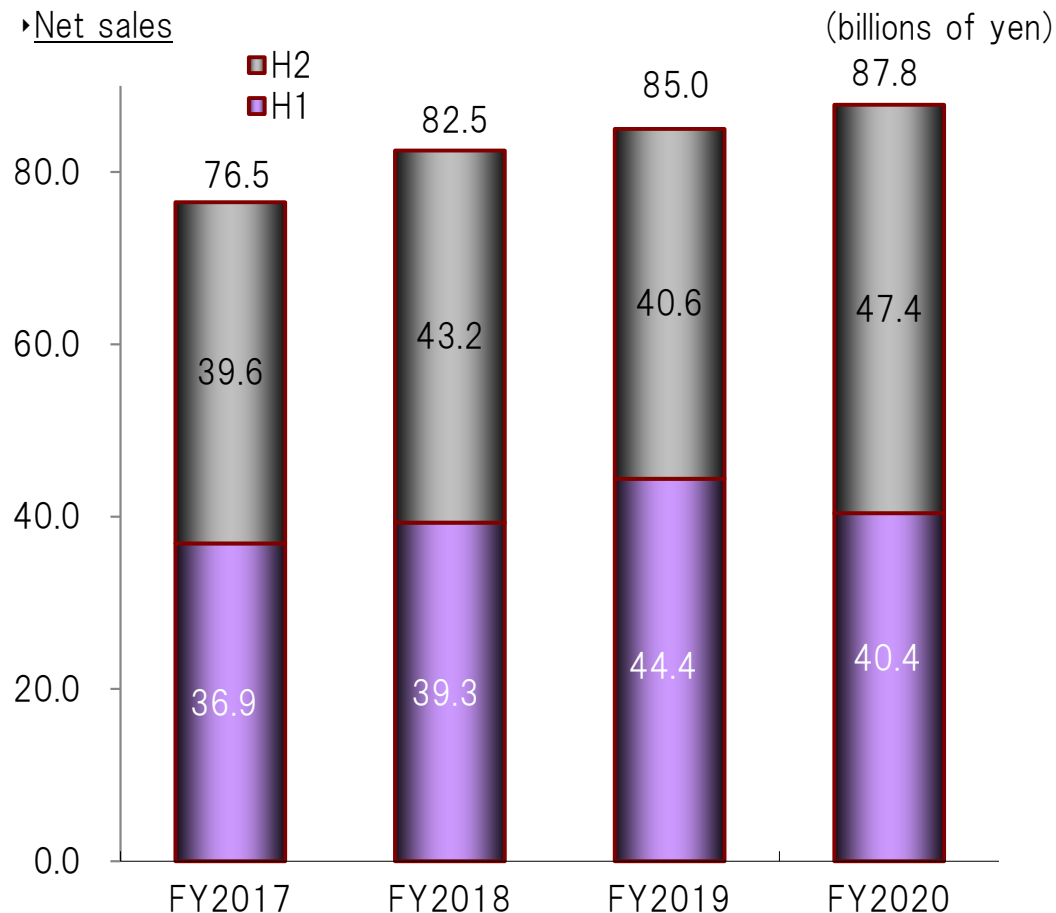


Other Segment

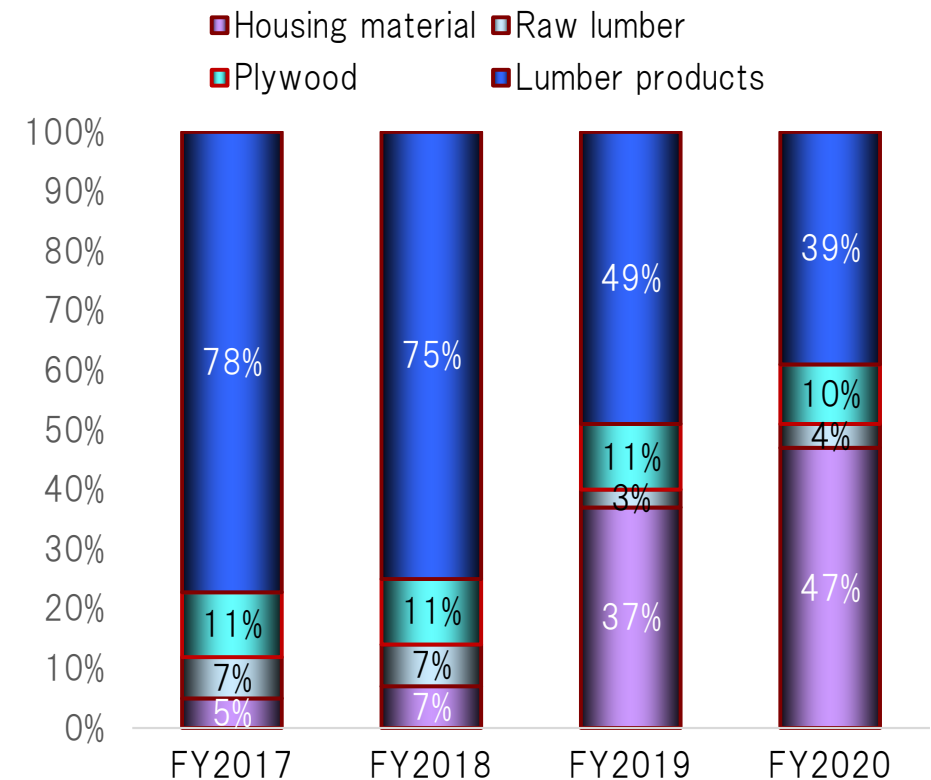
	Fiscal Year (ended March 31)		
	FY2019	FY2020	Y on Y Rate
(billions of yen)			
Net sales	85.0	87.8	+3%
Segment Income	1.4	1.4	+4%

►Both net sales and segment income increased, because the number of customers and products line mainly targeting housing manufacturers increased in the Lumber business, and income in the Machinery Business was boosted by an increased number of completions of highly profitable construction works in the industrial machineries and leisure facilities segments.

►Net sales



►Sales ratio in lumber business



Progress of Medium-Term Business Plan

	Fiscal Year (ending March 31)			
	FY2019	FY2020	FY2022 (Target)	Achievement/ Progress Rate
Net Sales (billion yen)*	1,907.4	1,745.5	2,100.0 (1,850.0)	–
Ordinary Income (billion yen)	(12.5)	28.8	30.0	96%
Shareholders' equity (billion yen)	161.3	179.7	200.0	90%
Net DER*	161% * 127%	133% * 105%	130%	–
Investment Amount (billion yen)	19.5	15.0	(in Total) 50.0	30%
Consolidated transaction volume of Steel (million ton)	12.5	12.3	15.0	82%
(Steel Segment)	10.7	10.1	–	–
(Other)	1.8	2.2	–	–
Number of new customers (Non-consolidated/Consolidated)	643 /2,092	595 /1,953	Consolidated (in Total) 5,000	39%

*Please take note that we have not adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan, No. 29) for calculating our performance goal. The net sales goal for FY2022 calculated after adoption of the above accounting standard comes to 1,850.0 billion yen.

*The figures 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).

- ▶ Transaction volume of steel and a number of new customers decreased from the previous year, due to reduction of economic activity amid the outbreak of COVID-19.
- ▶ Net DER improved from the end of the previous year because of reduced liabilities and accumulated profits. Shareholders' equity also increased in a stable manner.

Profits of Group Companies

【Ordinary income trend of subsidiaries by business segment】

(billions of yen)	Fiscal Year (ending March 31)					
	FY2019		FY2020		Y on Y Change	
	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated
Steel	1.5	(0.0)	2.3	0.6	0.8	0.6
Primary Metal	(0.2)	–	(0.0)	–	0.1	–
Metal Recycling	0.9	(0.0)	0.9	(0.1)	0.0	(0.1)
Foods	(0.4)	–	0.8	–	1.2	–
Energy & Living Material	1.2	0.0	1.3	0.0	0.2	0.0
Overseas sales subsidiaries	0.5	(0.0)	1.8	(0.1)	1.2	(0.1)
Others	0.5	–	0.2	–	(0.3)	–
Total	4.1	(0.0)	7.3	0.4	3.2	0.5

(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.)

▶ Steel Business

Segment income increased as a whole: income of overseas steel centers decreased mainly because of foreign exchange losses caused by depreciation of the local currency, and profit margin of the domestic group companies business including “SOKOKA (quick delivery, small lot, processing)” extended, as steel prices rose.

▶ Food Business

Segment income increased: profitability of a sales subsidiaries in the U.S. improved, and East Japan Foods Co., LTD. that became a consolidated subsidiary contributed to increased income.

▶ Overseas sales subsidiaries

Segment income increased: profit margin extended thanks to a rising trend of steel prices in Indonesia and improved profitability of non-ferrous metal trades in Thailand.

【Current investment records】

(billions of yen)	Amounts	Major investments
Steel	4.3	<ul style="list-style-type: none"> Enhancement of processing facilities at domestic and overseas subsidiaries Acquisition of 100% ownership of target companies through M&A
Metal Recycling	1.1	<ul style="list-style-type: none"> Capital investment by overseas subsidiaries
Energy & Living Materials	0.1	<ul style="list-style-type: none"> Capital investment by domestic subsidiaries
Overseas sales subsidiaries	5.3	<ul style="list-style-type: none"> Business investment mainly to steel-related business
Other	0.3	<ul style="list-style-type: none"> Increase in amusement facilities
The whole company	3.6	<ul style="list-style-type: none"> Building new core system, Company housing related expenses, etc.
Total	15.0	

►Moving forward the investments totaling about 15.0 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

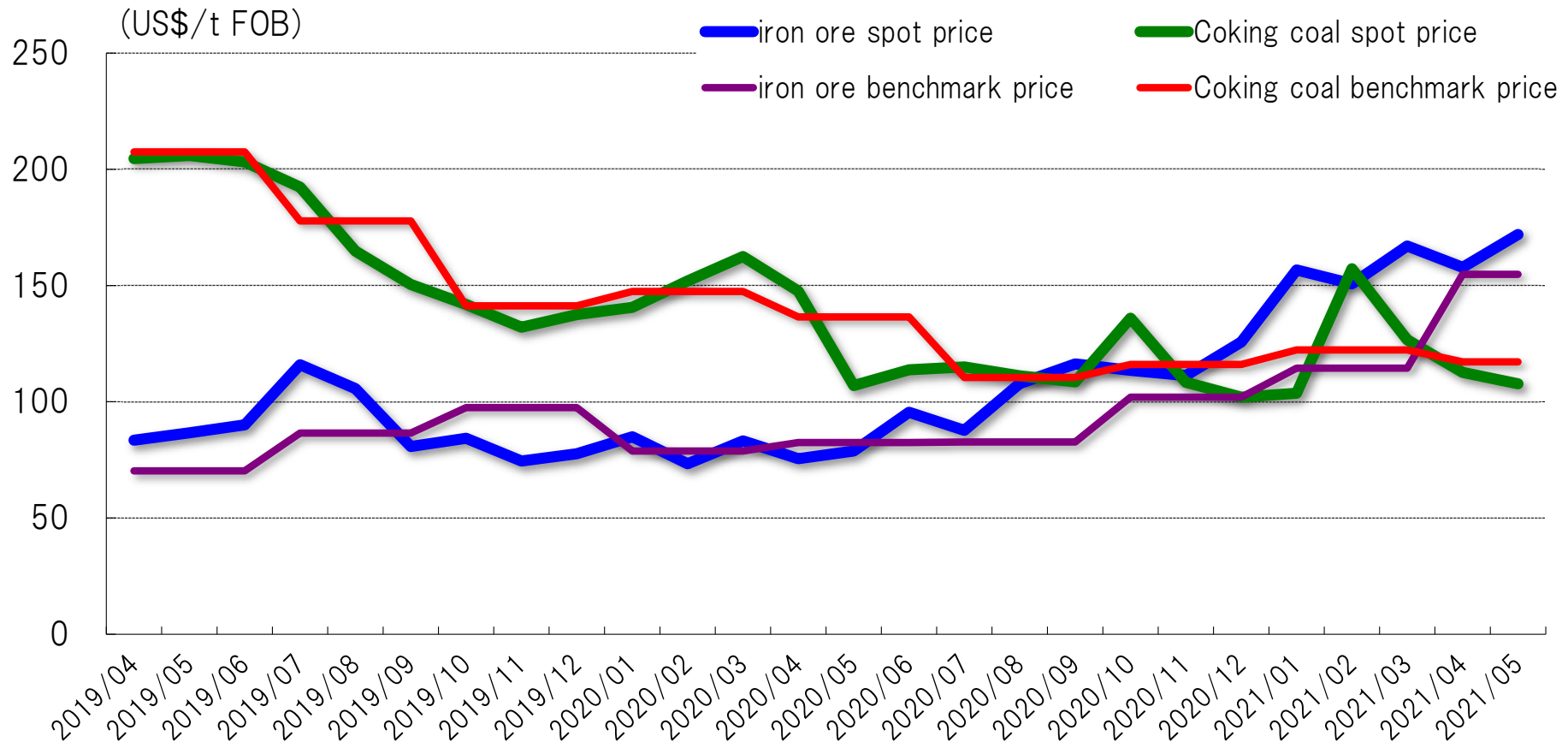
8th Plan

9th Plan (Medium-Term Business Plan 2022)

10th Plan

Appendix

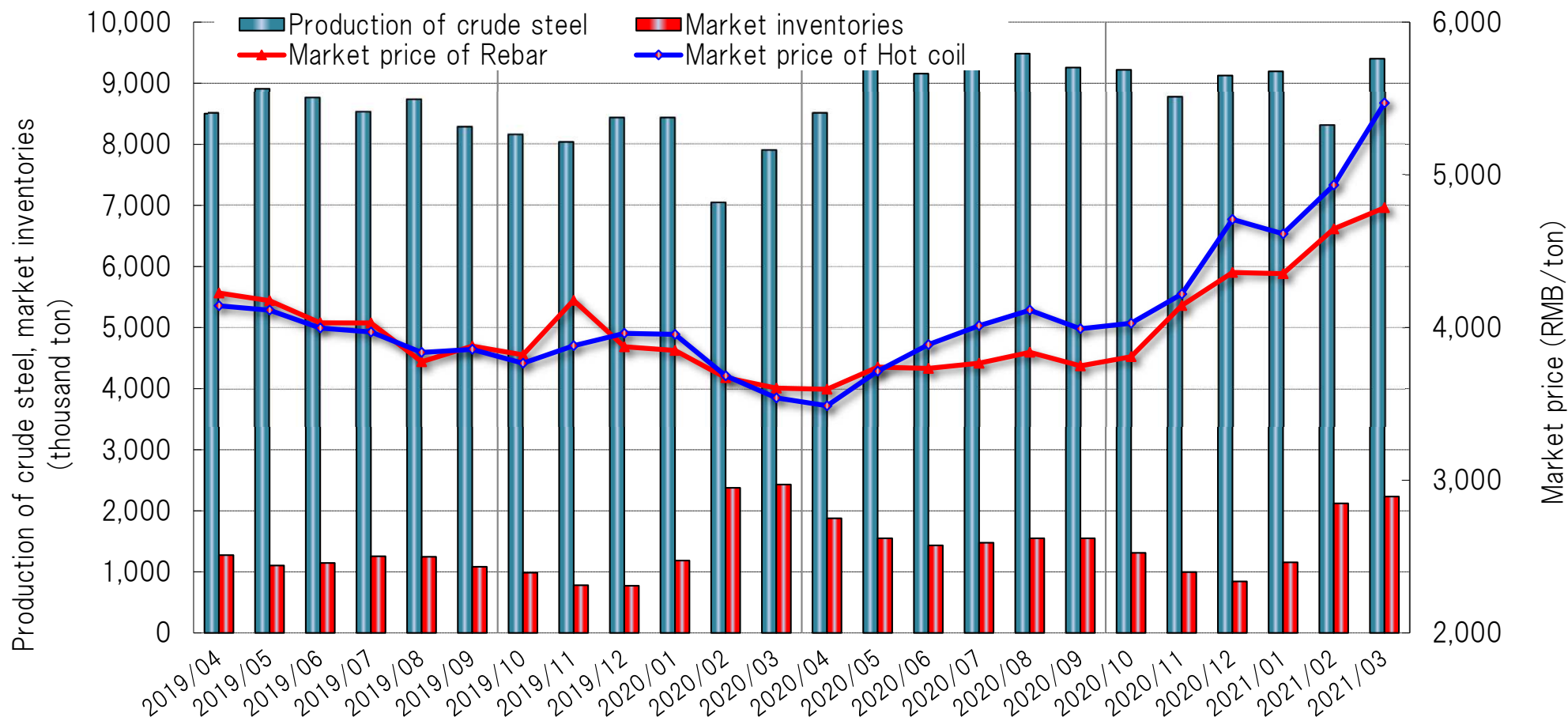
【Transaction of steel raw materials price】



- ▶ Iron ore...In China, prices of steel products are on an upward trend supported by strong domestic trend driven by infrastructure development, and steel manufacturers have strong zeal for production. As the result, market prices of iron ore have remained at a high level.
- ▶ Coking coal...Because of political conflict between China and Australia, China has continued its import restrictions on Australian. As the result, the market condition has continued to be weak.

Steel Market Trend in China

【Transition of steel market in China】



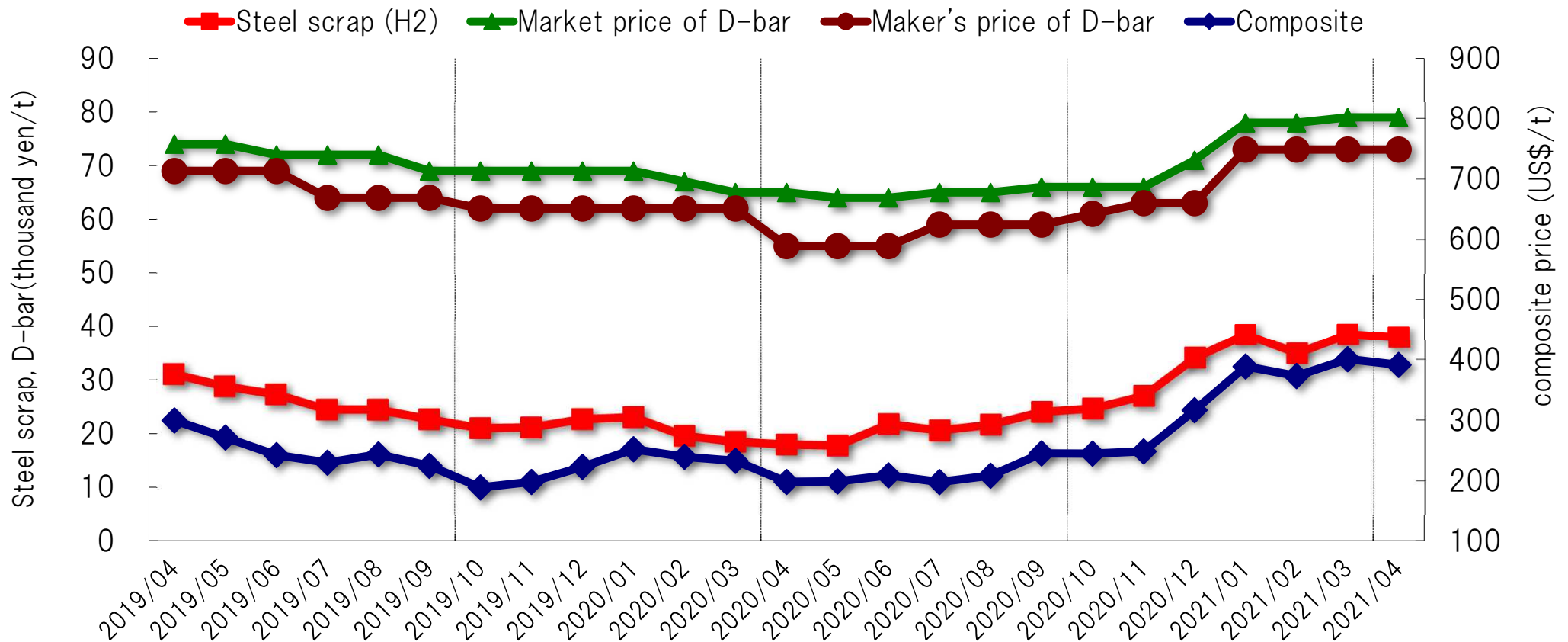
▸ Supply/Demand...Backed by the government's new five-year plan and recovery of domestic economy, demand for steel has continued to be strong. On the other hand, supply has decreased due to the government's production reduction request to blast furnace steel manufacturers on the basis of environmental regulations. As the result, the gap between demand and supply is becoming tight.

▸ Market prices...An upward trend of the steel market has been accelerated by the continued strong demand, the government's policy to reduce production, price rises of raw materials, and steep price rises in the international steel markets. As the result, the price hit a new height since the financial crisis.

(Data source : The Japan Iron and Steel Federation)

Market Trend of Steel Scrap

【Steel scrap and D-bar Market Price】

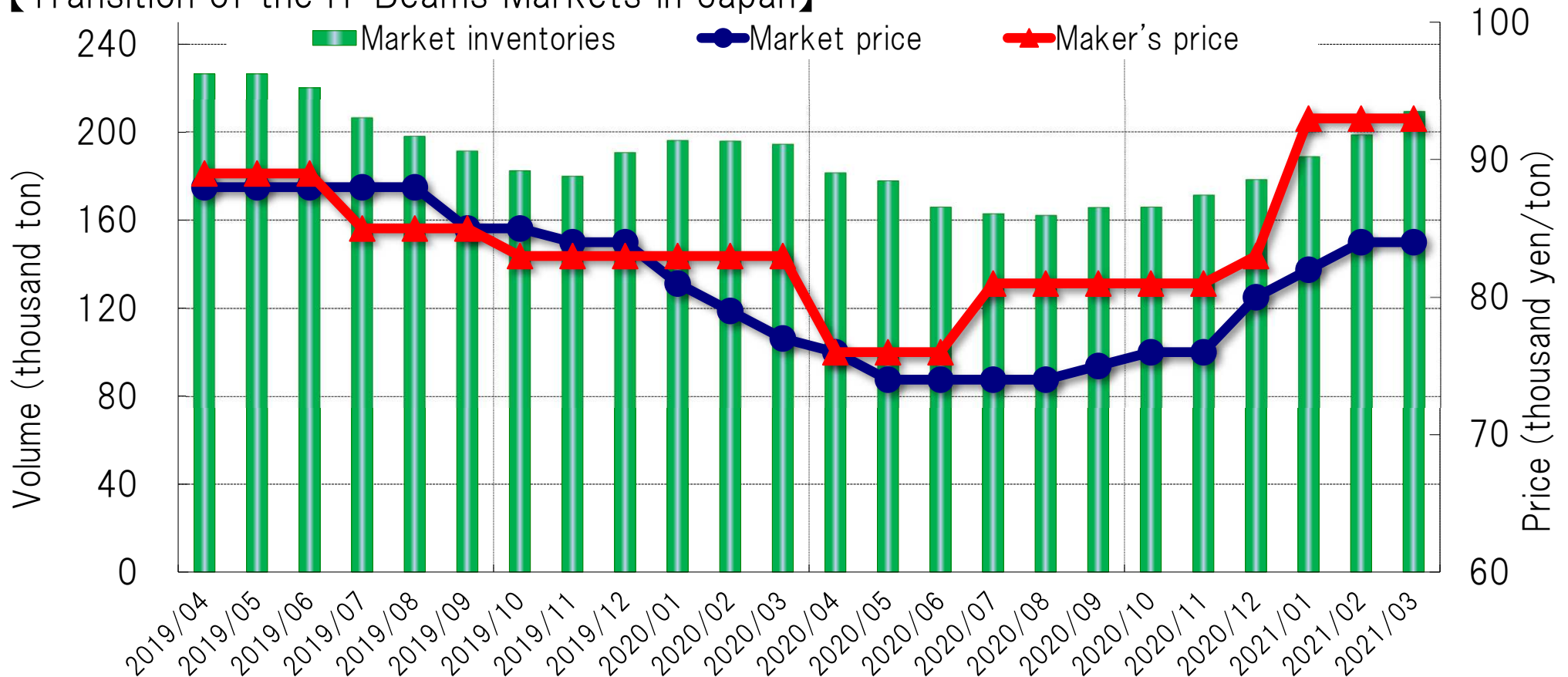


- Supply/Demand... Amid the outbreak of COVID-19 in FY2020, economic activities were sluggish, and demand and supply were weak in both construction and manufacturing business. Conversely, at present the gap between supply and demand has been tight, driven by strong demand in China and a decrease in supply of steel scrap to the market.
- Market prices... Market conditions have remained firm, driven by rising prices of Chinese steel, rising prices of shredded scrap supplied to Turkey, and rising prices in overseas markets.

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

Market Trend of Long Products

【Transition of the H-Beams Markets in Japan】

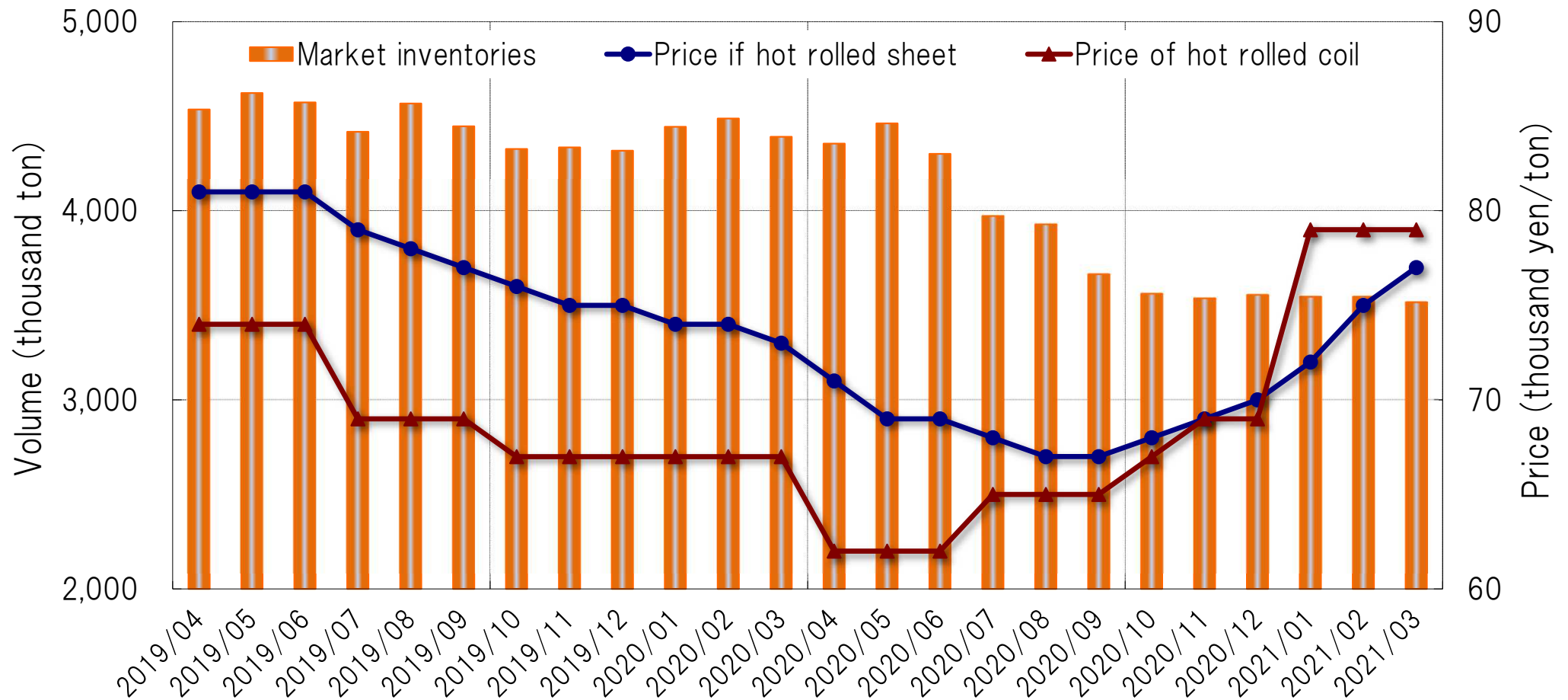


- Supply/Demand...Inventory levels lowered in the first half of the last year, because of production adjustment by steel manufacturers. Subsequently, production has gradually started to recover, but a decrease in construction starts has continued. As the result, supply and demand is balancing out. The current inventory level in the market has exceeded 200,000 tons, a rough indication showing that supply and demand are well balanced, for the first time in 20 months.
- Market prices ...Manufacturers are planning to raise prices based on rising raw material prices driven by strong demand in China, but as demand has not recovered completely, price rising of raw material has not been reflected in the prices in the distribution segment yet.

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

Market Trend of Flat Products

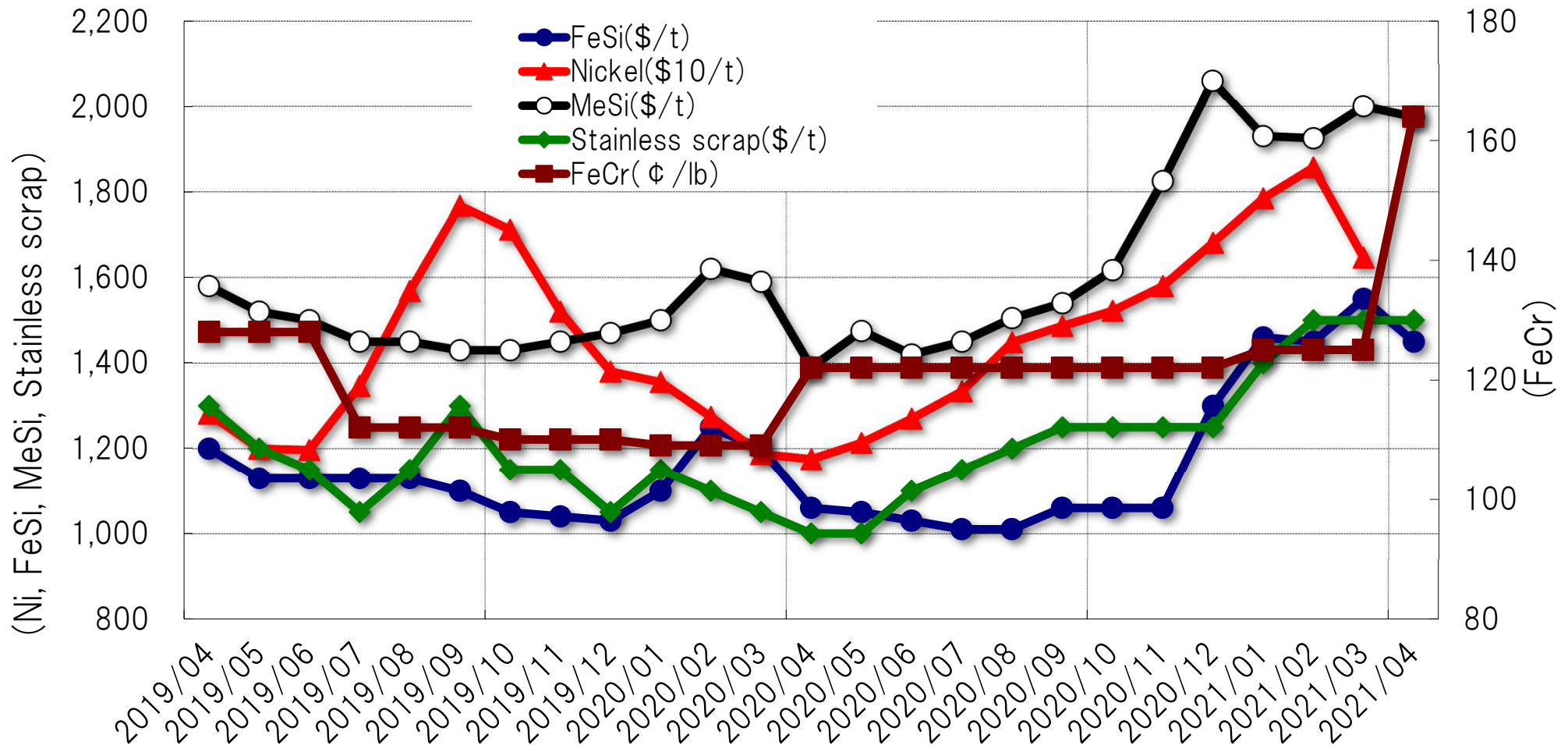
【 Transition of Steel Sheets Markets in Japan 】



- Supply/Demand...While production activities in the manufacturing industry has started to recover mainly in automobile industry, supply from manufacturers has not caught up with such trend. As the result, the supply-demand gap is still tight and the inventory ratio is at the lowest level in the last five years.
- Market prices ...As production activities in manufacturing industry including automobile industry has started rapid recovery, the gap between demand and supply is becoming tight in each country. Supply to export markets is shrinking and market prices are rising globally. Because prices of raw materials are also rising, manufacturers have raised prices in an intermittent manner.

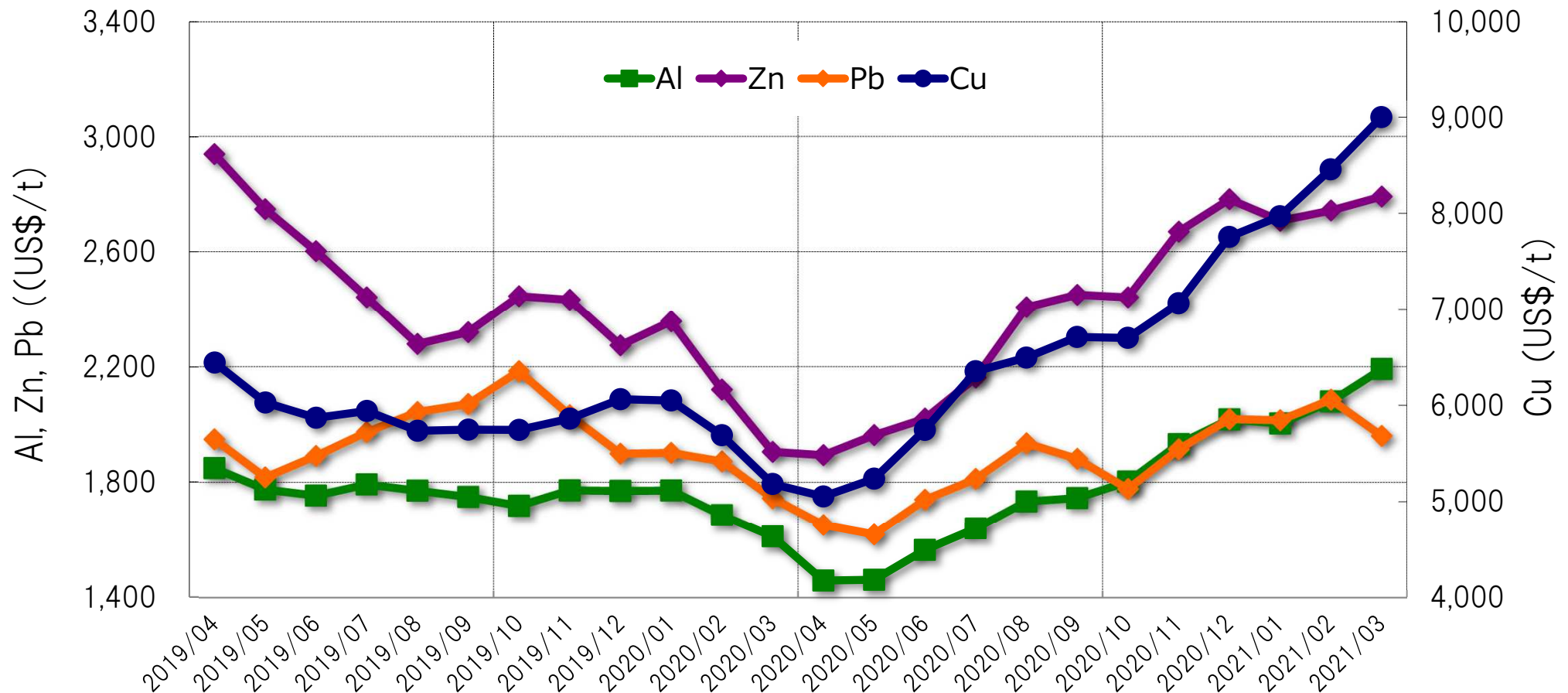
(Data source : Inventories _ The Japan Iron and Steel Federation / Price _Japan metal daily)

Market Trend of Metals & Alloys



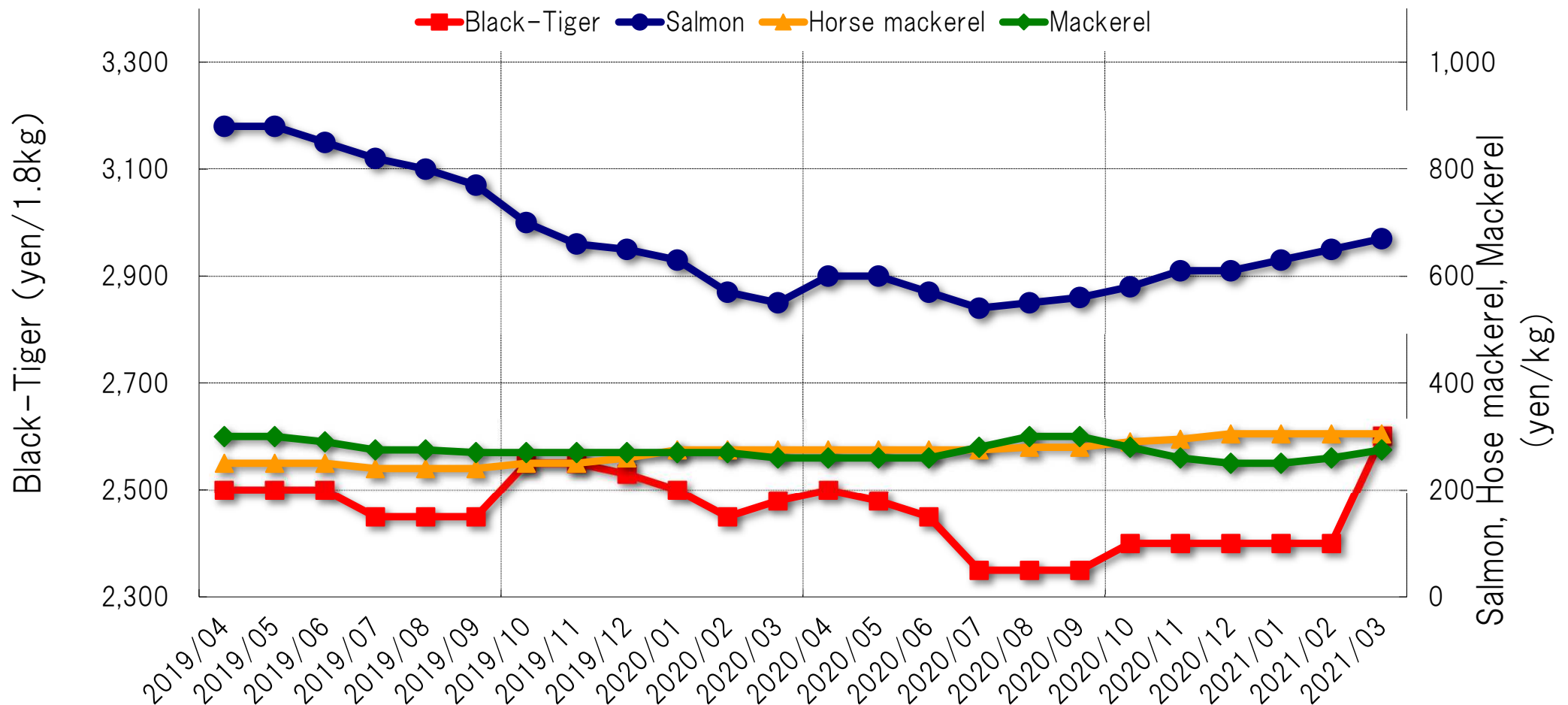
- ▶ Nickel...Market prices have risen because the economy in China, the largest consuming country, remained strong, monetary relaxation policy is expected to be maintained for a while in each country, and battery-related demand is growing. Prices that once fell in March are expected to rise, because the gap between supply and demand of stainless steel is currently tightening.
- ▶ Alloys... Market prices have significantly risen for the reasons of increased logistics cost on a global basis, supply concerns caused by resurgence of COVID-19 infections, and recovery of demand for steel.

Market Trend of Non-ferrous Metals

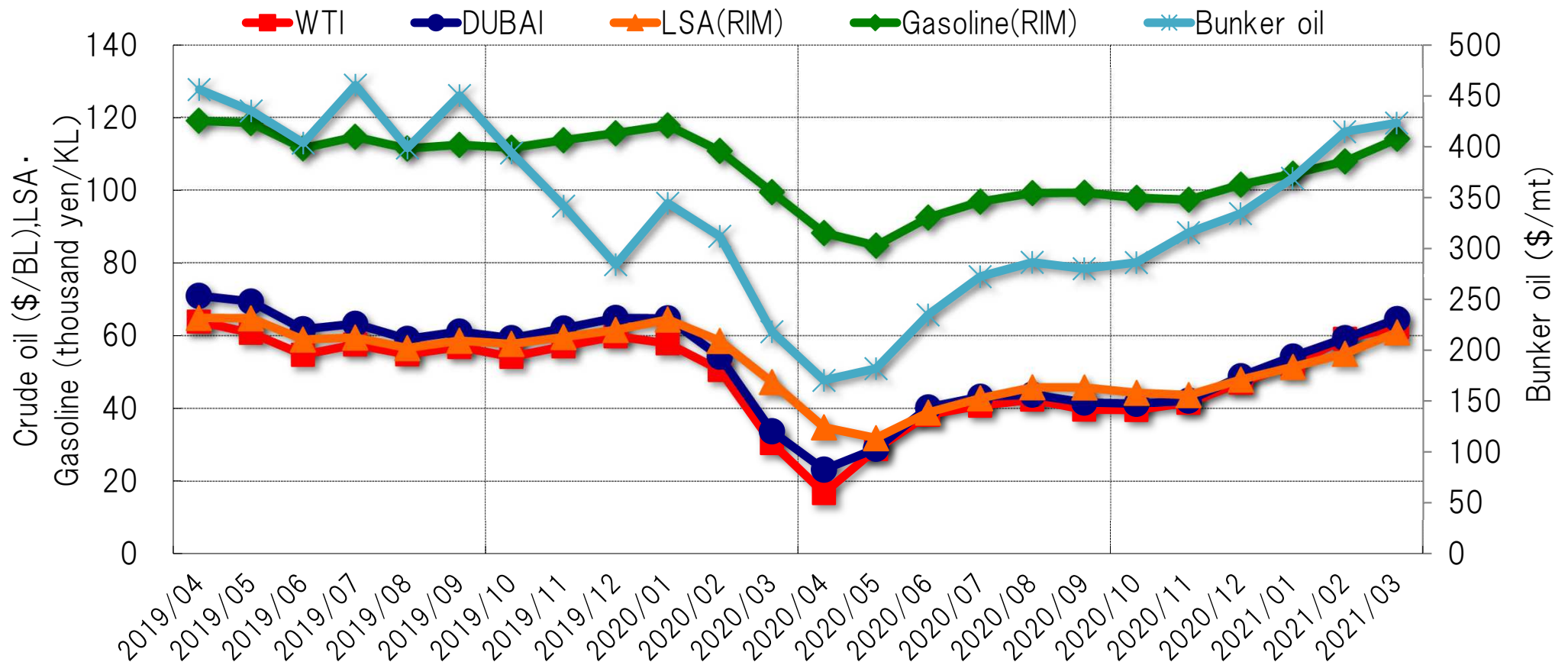


- ▶ Aluminum ...Demand is growing, being driven by economic recovery in China. In addition, as an increase in the vaccination rate in Europe and the U.S. is favored in the market, prices have continued to rise.
- ▶ Copper...Rising prices in the markets has been accelerated and the market price hit a new height in about ten years, because of rising expectation for rapid recovery of global economy after resumption of economic activities and large-scale implementation of financial policies in each country as well as expectation for an increase in demand for materials used in EVs based on decarbonization policies implemented on a global basis.

Market Trend of Frozen Marine Products



- ▶ Salmon... Market prices once declined due to the outbreak of COVID-19, but demand is currently on the track for recovery, mainly because of strong demand from mass retailers. Due to expectation for a decrease in supply, market prices have been rising.
- ▶ Shrimp... As main production areas were in off-crop season from January through March, supply was in a downward trend. Conversely, consumption has recovered in the U.S. and China, generating an anticipation for higher prices. As the result, the market prices have been rising.



▶Crude oil...The prices once significantly declined due to anticipation that demand was weakened by the outbreak of COVID-19. Thereafter, market prices have been on an upward trend, driven by the decision of oil-exporting countries to continue the coordinated production cut as well as monetary relaxation policies implemented on a global scale.

▶Petroleum products...The market has remained strong, thanks to economic recovery on a global basis. Market prices of petroleum products have also been on an upward trend.