

Financial Results for the Fiscal Year ended March 31, 2022

May 2022
HANWA CO., LTD.

Operating Results (Consolidated)

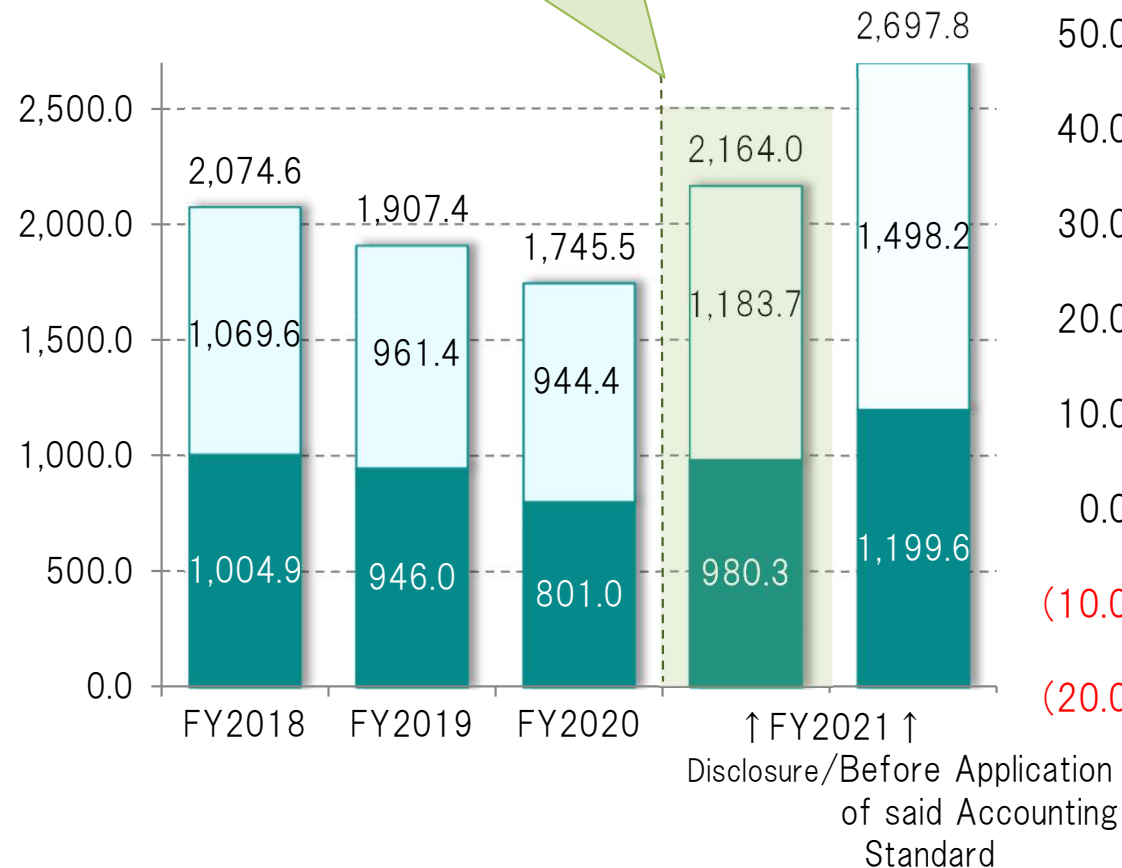
	Fiscal Year (ended March 31)			
	FY2020	FY2021	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales*	1,745.5	2,164.0	—	—
Gross Profit	79.9	119.0	+39.0	+49%
SG&A	50.6	56.6	+5.9	+12%
Operating income	29.2	62.3	+33.1	+113%
Ordinary income	28.8	62.7	+33.8	+118%
Net income attributable to owners of the Company	19.6	43.6	+24.0	+122%
EPS	482.74yen	1073.34yen	+590.60yen	+122%
Comprehensive income	27.3	50.2	+22.9	+84%

*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 for FY2020 results constitute the figures before adoption of said accounting standard.

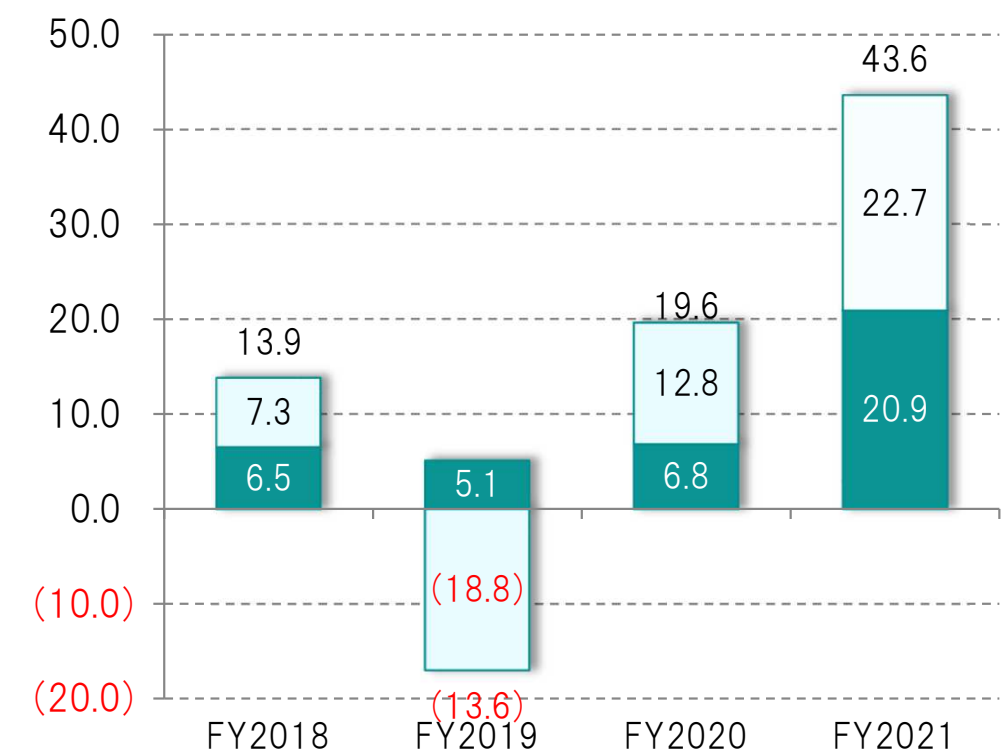
- ▶ Net sales increased thanks to a transaction volume increase and price rising of each product, which were driven by economic activities that were on the right track for recovery from the pandemic of COVID-19. (The reference figure before adoption of the Accounting Standard for Revenue Recognition was 2,697.8 billion yen.)
- ▶ SG & A expenses increased by 5.9 billion yen compared to the previous year (of which 0.7 billion yen was equivalent to an increase in a number of consolidated subsidiaries). Personnel expenses have increased by 3.1 billion yen.
- ▶ Ordinary income and net income attributable to owners of the company increased respectively by 118% and 122% because sales and profit margin increased, in addition, equity in earnings of affiliates expanded.

Changes in Business results (Consolidated)

► Net sales
□ H2
■ H1

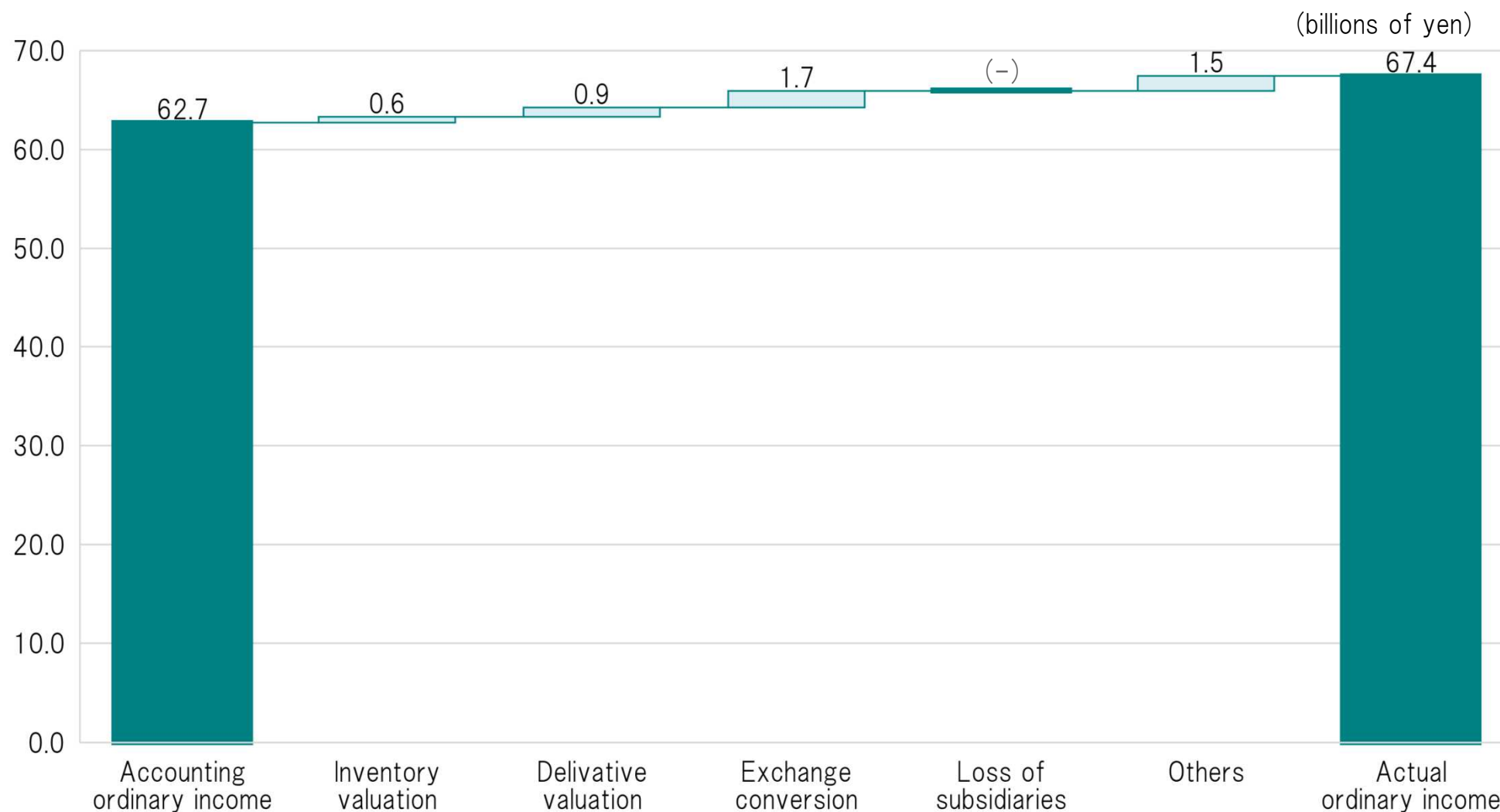


► Net income attributable to owners of the Company
□ H2
■ H1 (billions of yen)



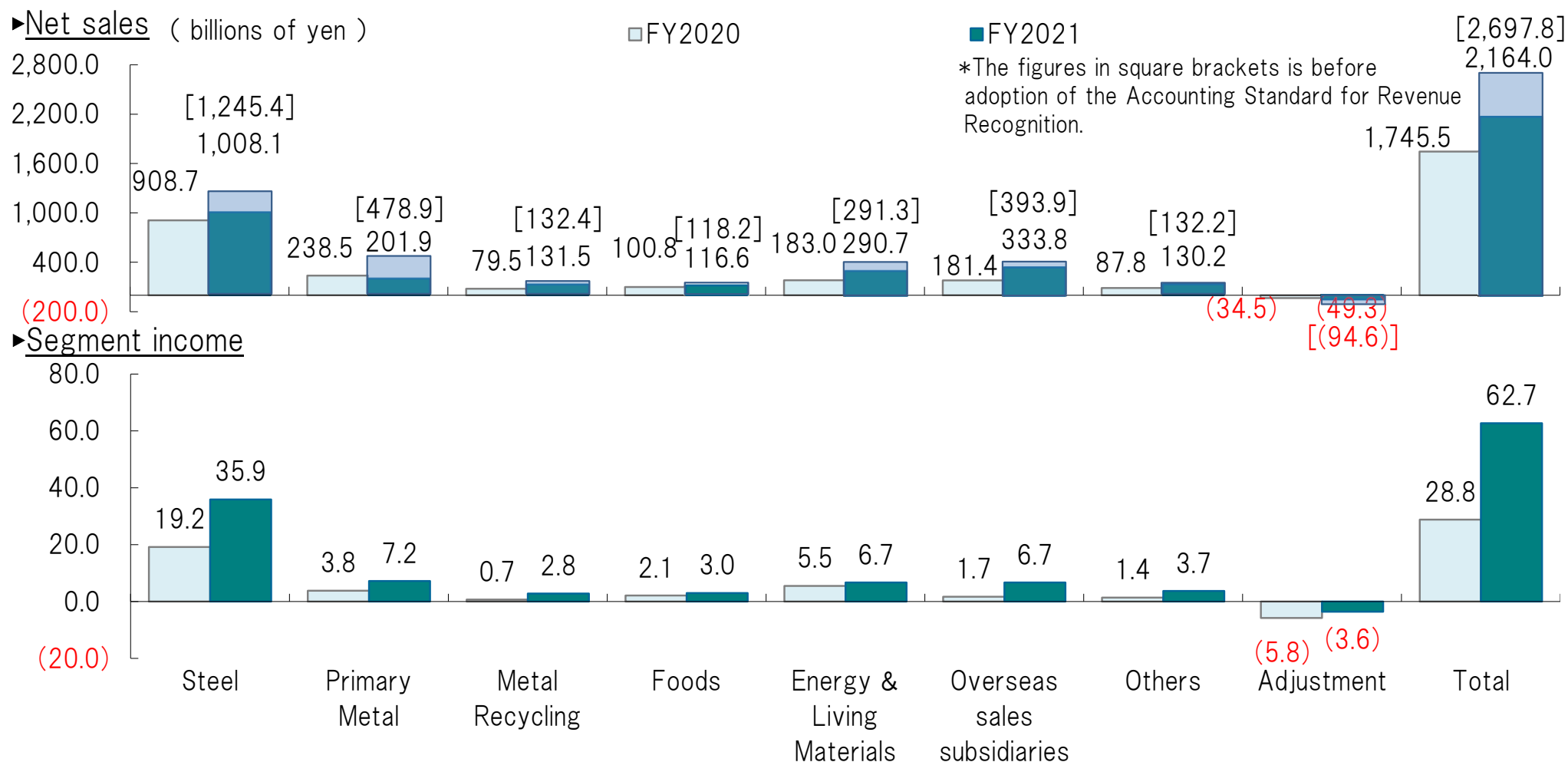
- Net sales increased because of transaction volume increases and price rising of each product supported by continued economic recovery in both Japan and overseas countries.
- Net income attributable to owners of the Company substantially increased on a year-on-year basis, because ordinary income in all the business segments increased from FY2020.

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



▶Reported ordinary income was 62.7 billion yen, but can be translated into about 67.4 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 expanded in all business segments, as transaction volume increased in Steel businesses, and prices of steel and non-ferrous metals trended upward during economic activity progressed on a recovery trend in FY2021,

Financial Position (consolidated)

	Fiscal Year (ended March 31)			
	FY2020	FY2021	Y on Y Change	Y on Y Rate
(billions of yen)				
Total assets	824.5	1,715.3	+890.8	+108%
Total liabilities	632.7	1,474.8	+842.1	+133%
Interest-bearing debt	301.6	722.9	+421.2	+140%
Net DER	133%	235%	+102pt	+85%
	* 105%	* 203%	—	—
Net assets	191.8	240.4	+48.6	+25%
Shareholder's equity	189.2	237.1	+47.9	+25%
Shareholder's equity ratio	22.9%	13.8%	-9.1pt	-40%
	* 26.0%	* 15.3%	—	—
BPS	4,656.17 yen	5,834.98 yen	+1,178.81 yen	+25%

* 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 108% from the end of the previous year, mainly due to increases in long-term guarantee deposits and accounts receivable-other, which were resulted from sharp rises in commodity futures prices in hedge transactions which involve valuation gains or losses attributable to counter parties based on contracts.

► Interest-bearing debt increased by 140% 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 235%. (*Increased by 203% after taking account of evaluation for equity credit on 50% of Hybrid Loan)

► Net assets increased by 25% 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 13.8%.

(*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 15.3%.)

Cash Flow Situation (consolidated)

(billions of yen)	Fiscal Year (ended March 31)			
	FY2020	FY2021	Y on Y Change	Y on Y Rate
CF from operating activities	19.0	(280.7)	(299.7)	–
CF from investing activities	(4.1)	(14.9)	(10.8)	+258%
FCF	14.8	(295.7)	(310.5)	–
CF from financing activities	(34.2)	406.8	+441.0	–
Cash and cash equivalents	50.8	165.0	+114.1	+224%

- ▶ Cash flow from operating activities was (280.7) billion yen, due mainly to increase in long-term guarantee deposits
- ▶ Cash flow from investing activities was (14.9) billion yen, due mainly to increase in execution of short-term loans receivable and purchase of tangible fixed assets.
- ▶ Cash flow from financing activities was 406.8 billion yen, due mainly to increase in short-term loans payable for long-term guarantee deposits

Business Forecast FY2022

	Fiscal Year (ending March 31)			
	FY2021 (Actual)	FY2022 (Forecast)	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	2,164.0	2,400.0	+236.0	+11%
Operating income	62.3	55.0	(7.3)	-12%
Ordinary income	62.7	50.0	(12.7)	-20%
Net income attributable to owners of the Company	43.6	36.5	(7.1)	-16%

►Outlook for the next fiscal year

Considering impact of inflation that may cause rises in resource prices, supply restriction that may be resulted from virus infection etc., and downward risk of economy brought by interest rate rising to be resulted from tight money policies implemented by the central banks in the respective countries, we forecast FY 2022 as follows:

Net Sales: 2,400.0 billion yen, Operating income: 55.0 billion yen,
Ordinary income: 50.0 billion yen, and Net income attributable to owners of the company: 36.5 billion yen.

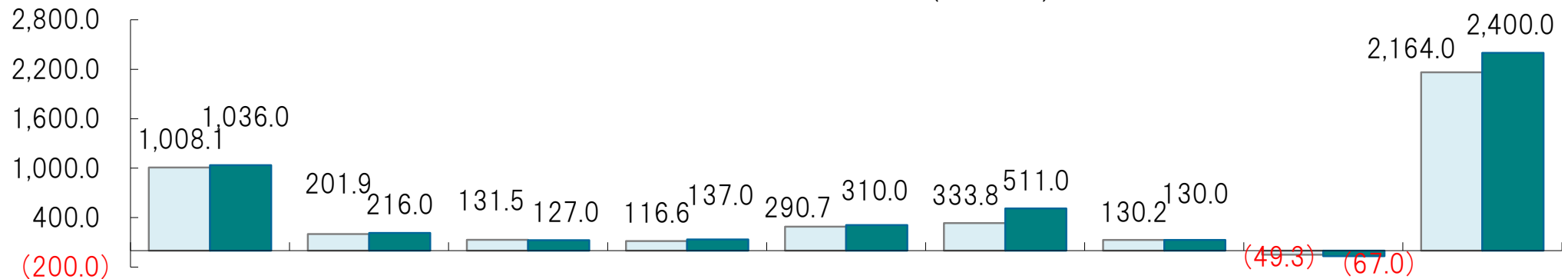
Under the current environment, we will endeavor to properly grasp customer needs and the recovery conditions in demand and will accumulate earnings steadily by using strategic investment as leverage.

Forecast of Segment Information

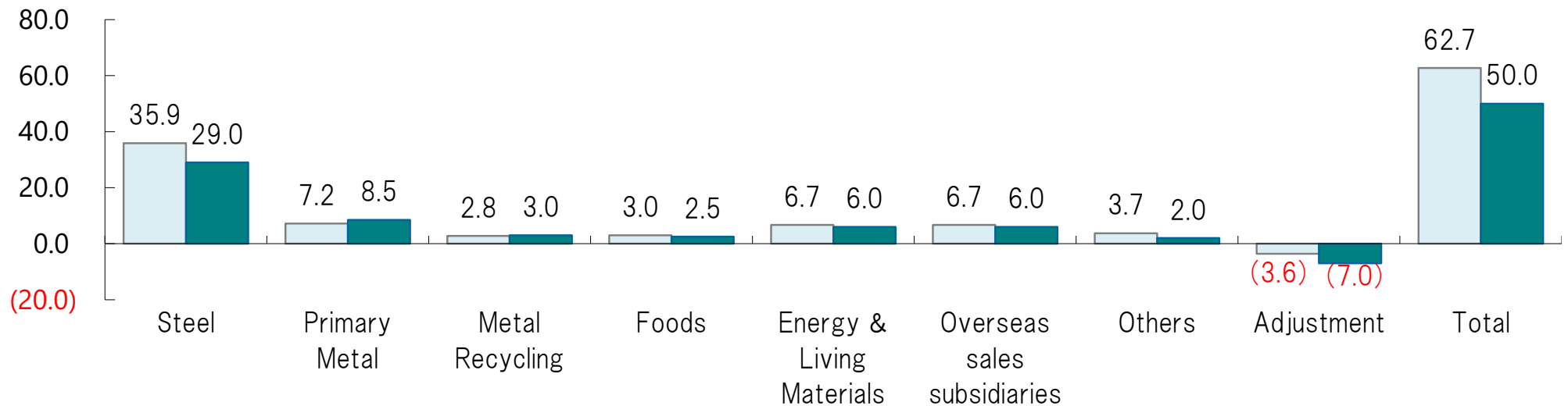
►Net sales

□FY2021 ■FY2022(Forecast)

(billions of yen)



►Segment income

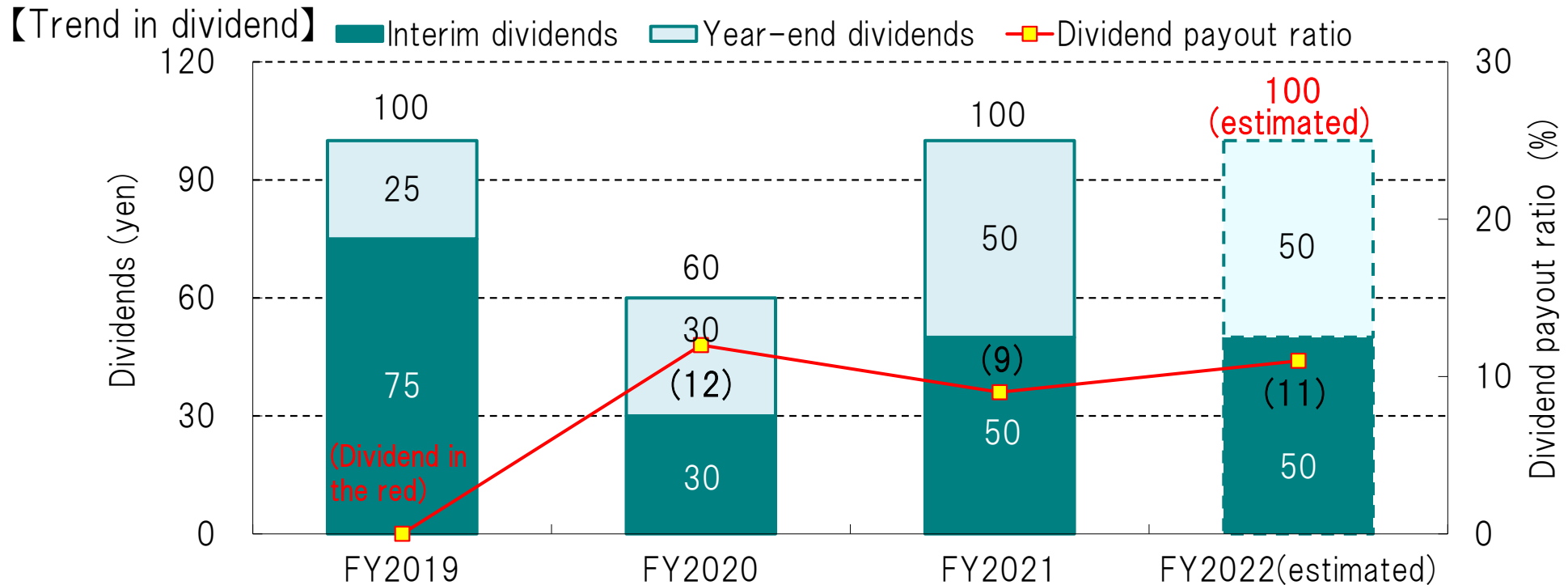


*Since the fiscal year 2021, the Company has changed its method of classification of business segments, integrating a part of the Steel business into the Primary Metal business. Since January 2022, the Company has changed its method of classification of business segments, integrating a part of the Overseas sales subsidiaries business into the Foods business.

► Outlook for the next fiscal year

Net sales are expected to increase from the previous fiscal year except the Metal Recycling business and some other businesses, because commodity prices are forecasted to rise. On the other hand, segment income is expected to decrease except the Primary Metal and Metal Recycling businesses, because profit margins are expected to be shrunk due to rises in purchase prices.

Dividend Policy



While we attained record highs in both net sales and income, we will continue to make further efforts to improve our business performance and strengthen our business and cash flow foundation in accordance with the Medium-term Business Plan.

► (FY2021)

Interim dividend : 50 yen per share Year-end dividend : 50 yen per share

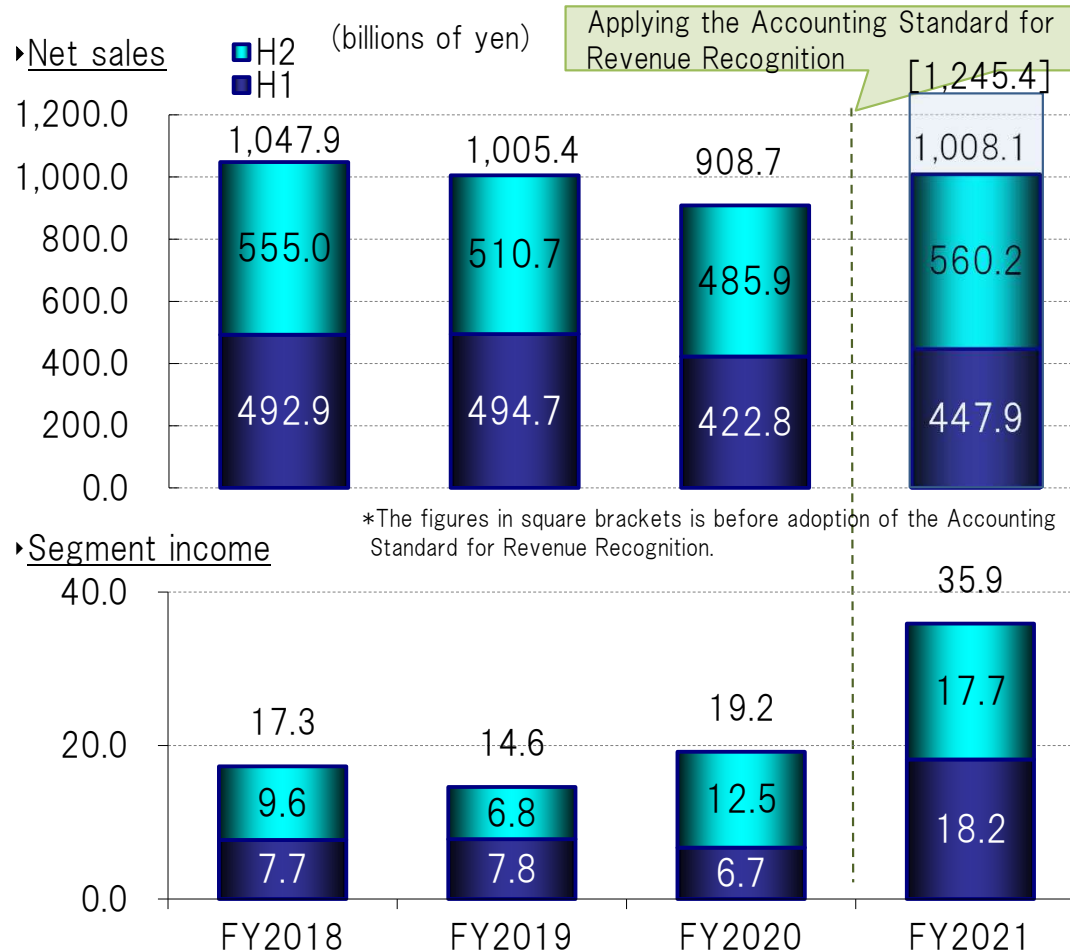
(FY2022 estimated)

Interim dividend : 50 yen per share Year-end dividend : 50 yen per share

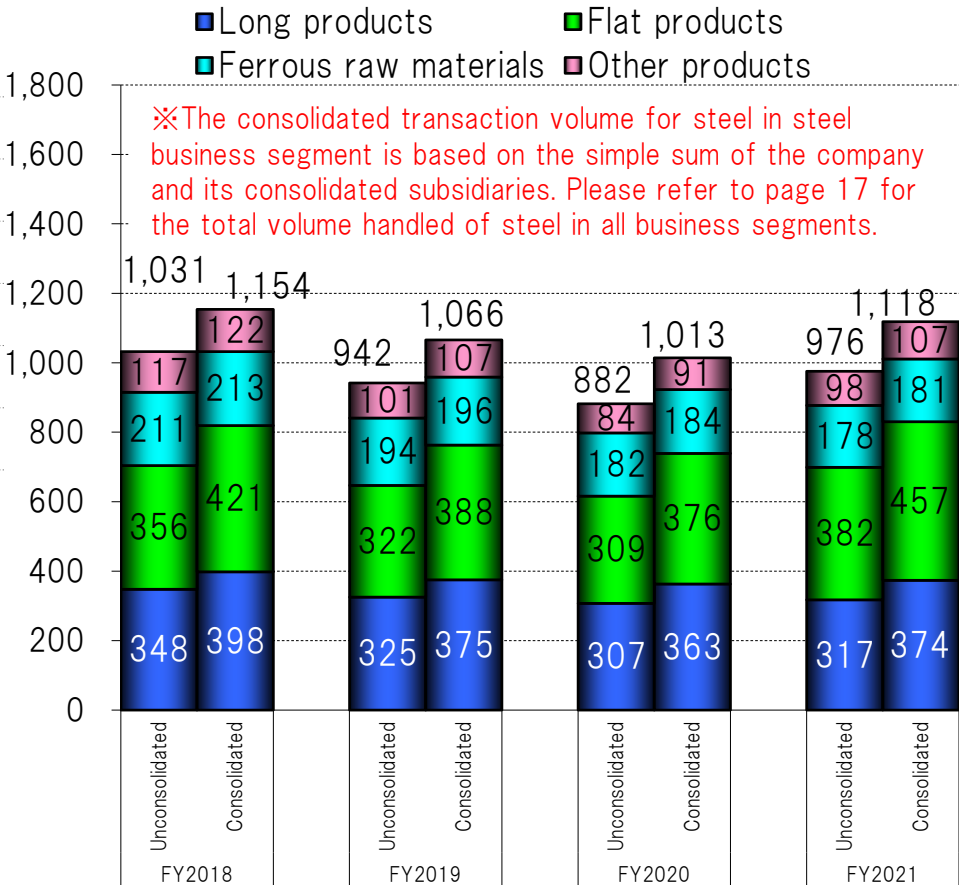
Steel Business Segment

	Fiscal Year (ended March 31)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	908.7	1,008.1	—
Segment Income	19.2	35.9	+87%

▶ 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.



▶ Transaction Volume(※) (Ten thousand ton)



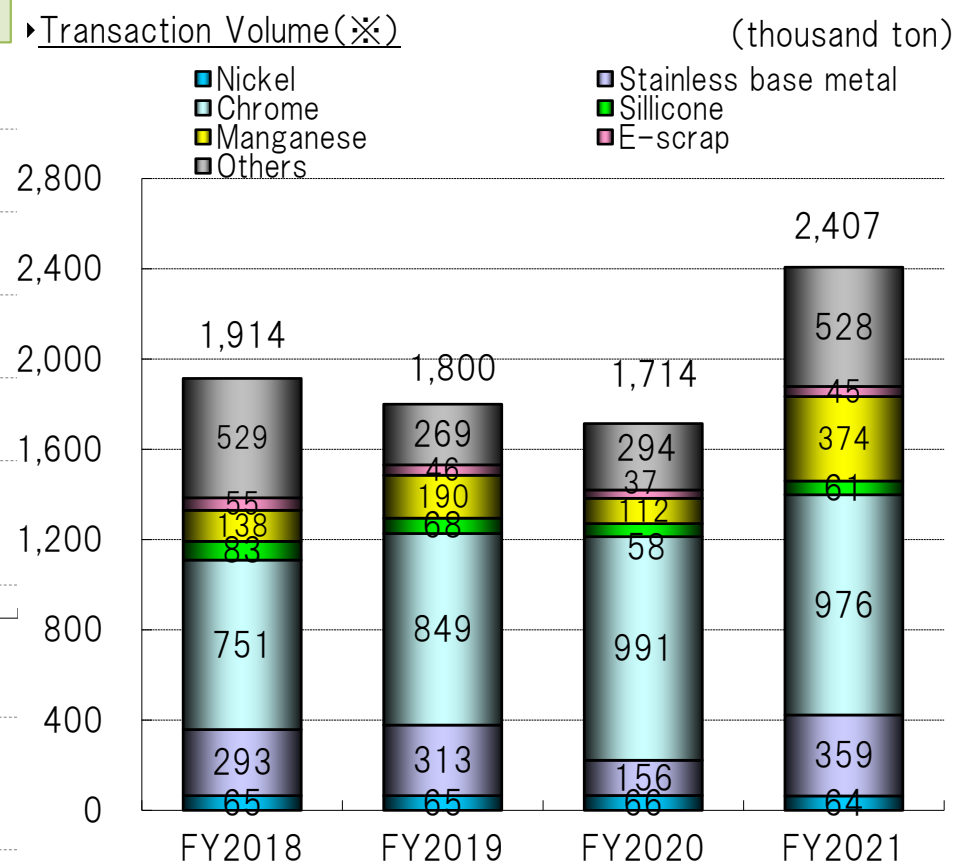
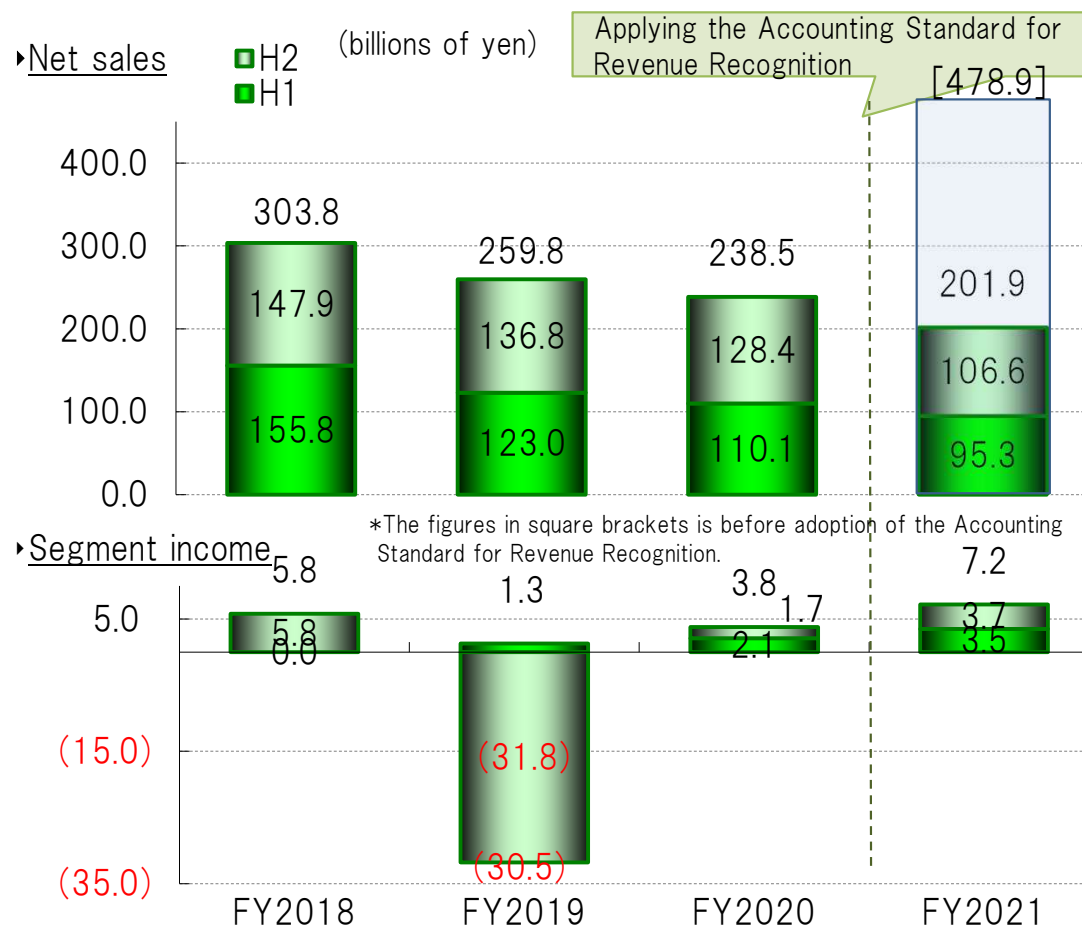
※Since the fiscal year 2021, the Company has changed its method of classification of business segments. The classification change also applies to segment information for FY2020.

*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)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	238.5	201.9	—
Segment Income	3.8	7.2	+89%

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.



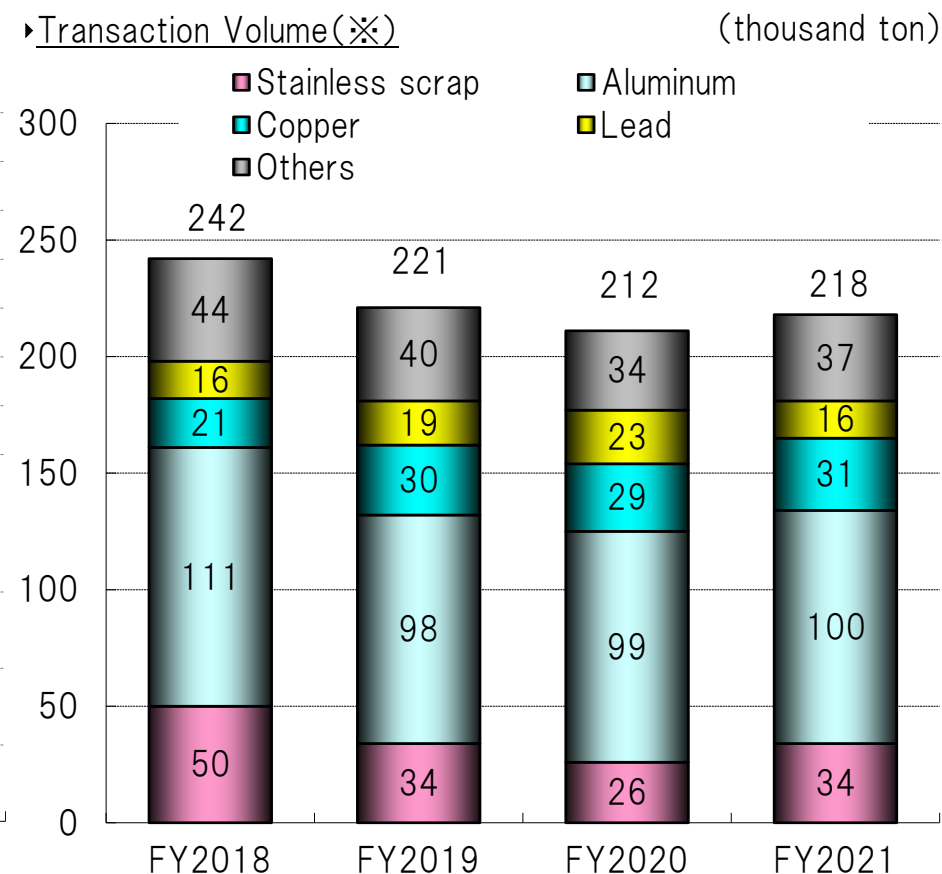
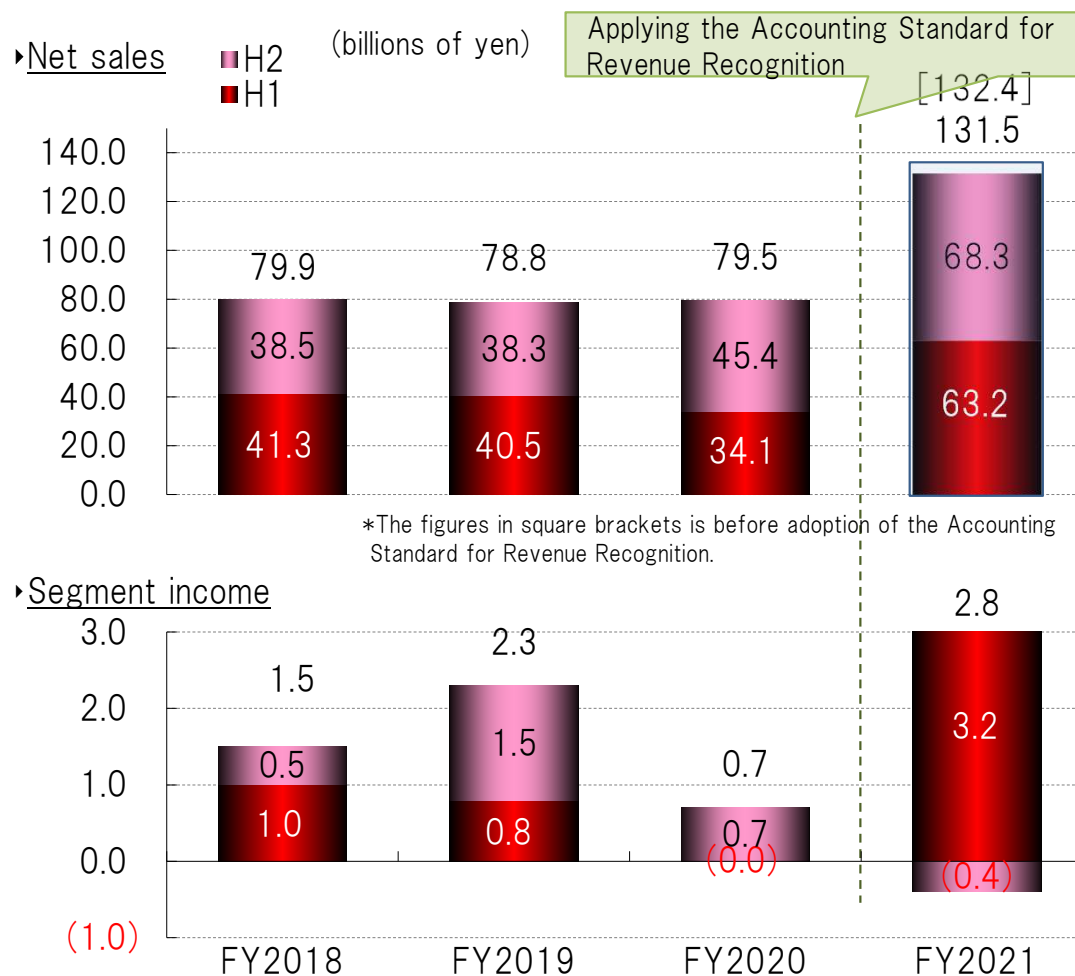
※ Since the fiscal year 2021, the Company has changed its method of classification of business segments. The classification change also applies to segment information for FY2020.

※ 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)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	79.5	131.5	—
Segment Income	0.7	2.8	+276%

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.

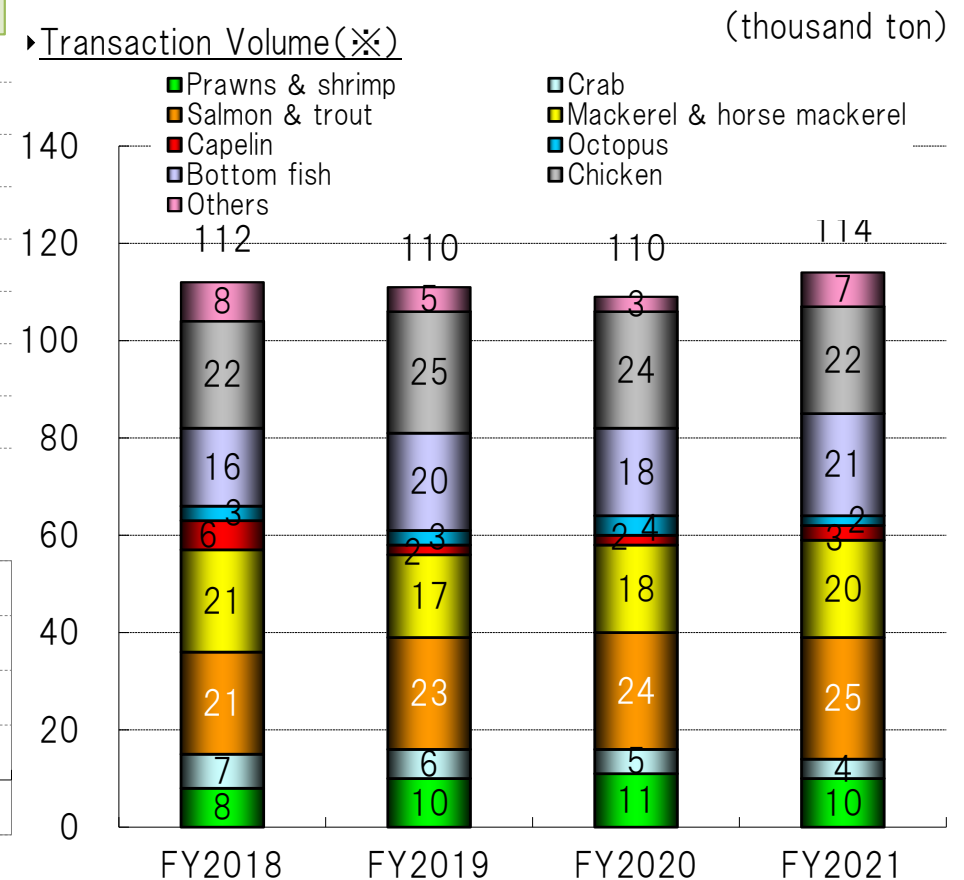
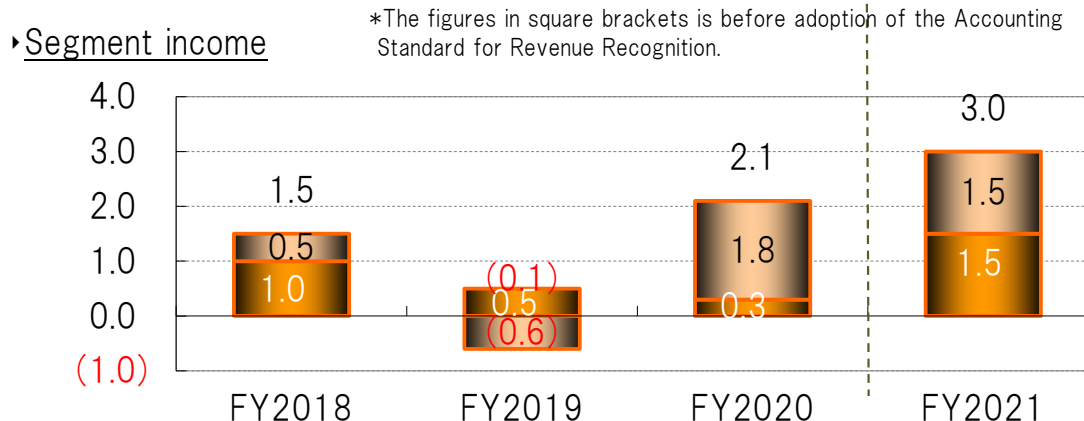
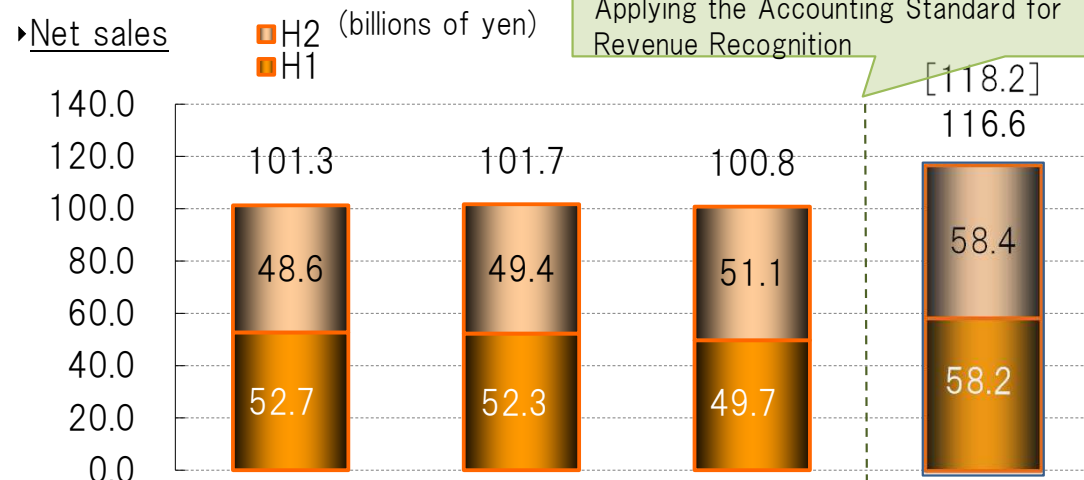


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products.

Foods Business Segment

Fiscal Year (ended March 31)			
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	100.8	116.6	—
Segment Income	2.1	3.0	+43%

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.



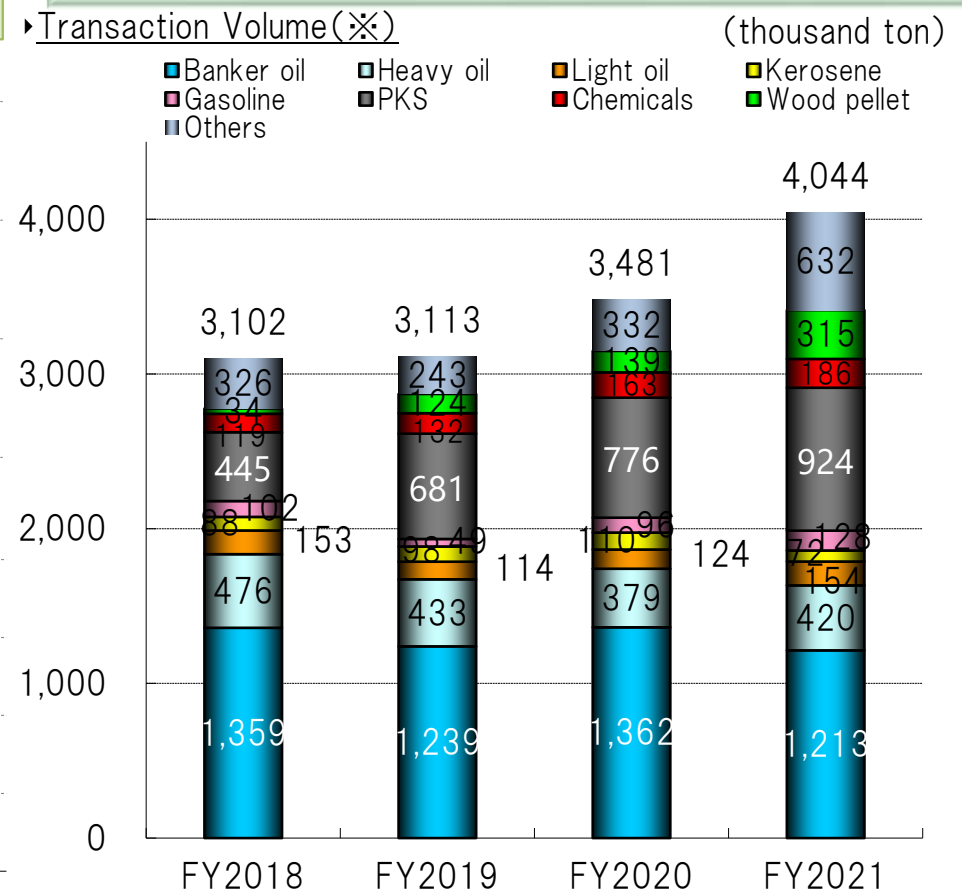
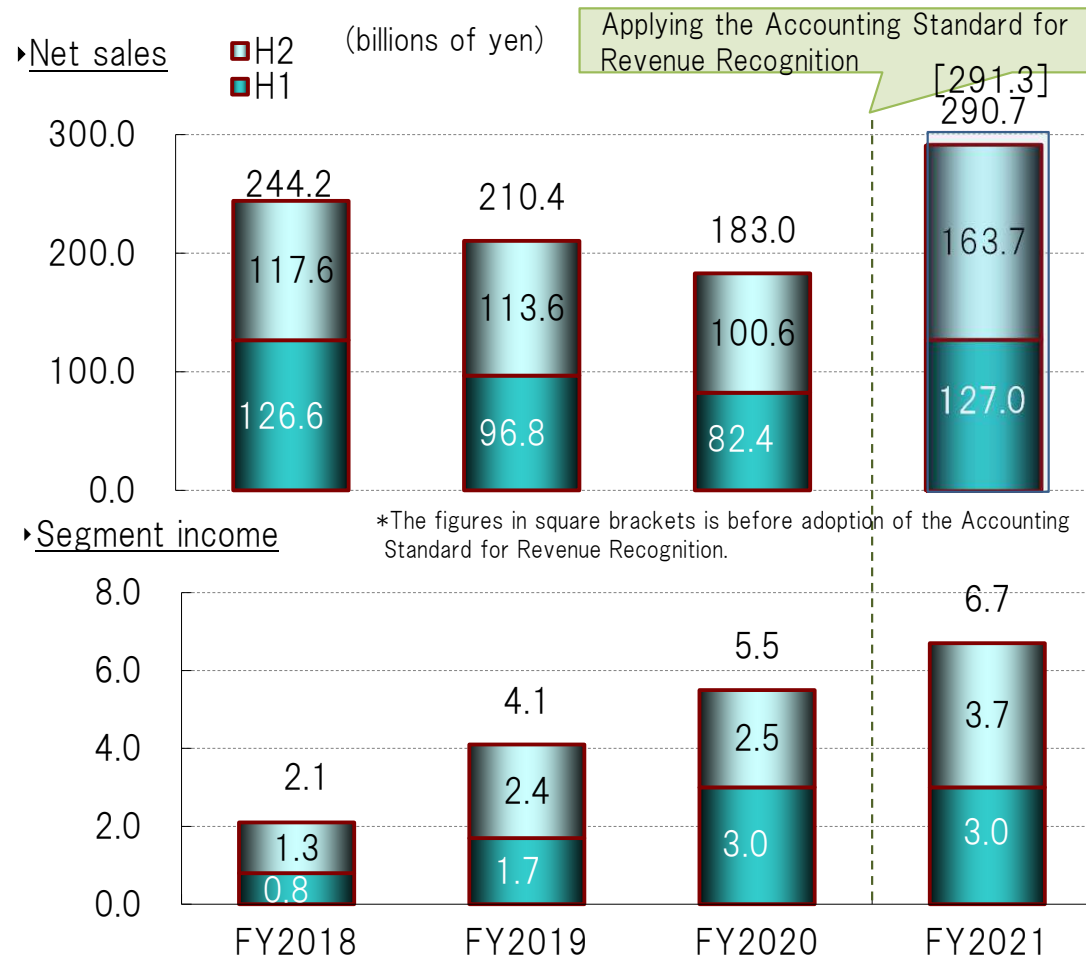
※ Since January 2022, the Company has changed its method of classification of business segments, integrating a part of the Overseas sales subsidiaries business into the Foods business.

※ 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)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	183.0	290.7	—
Segment Income	5.5	6.7	+22%

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.

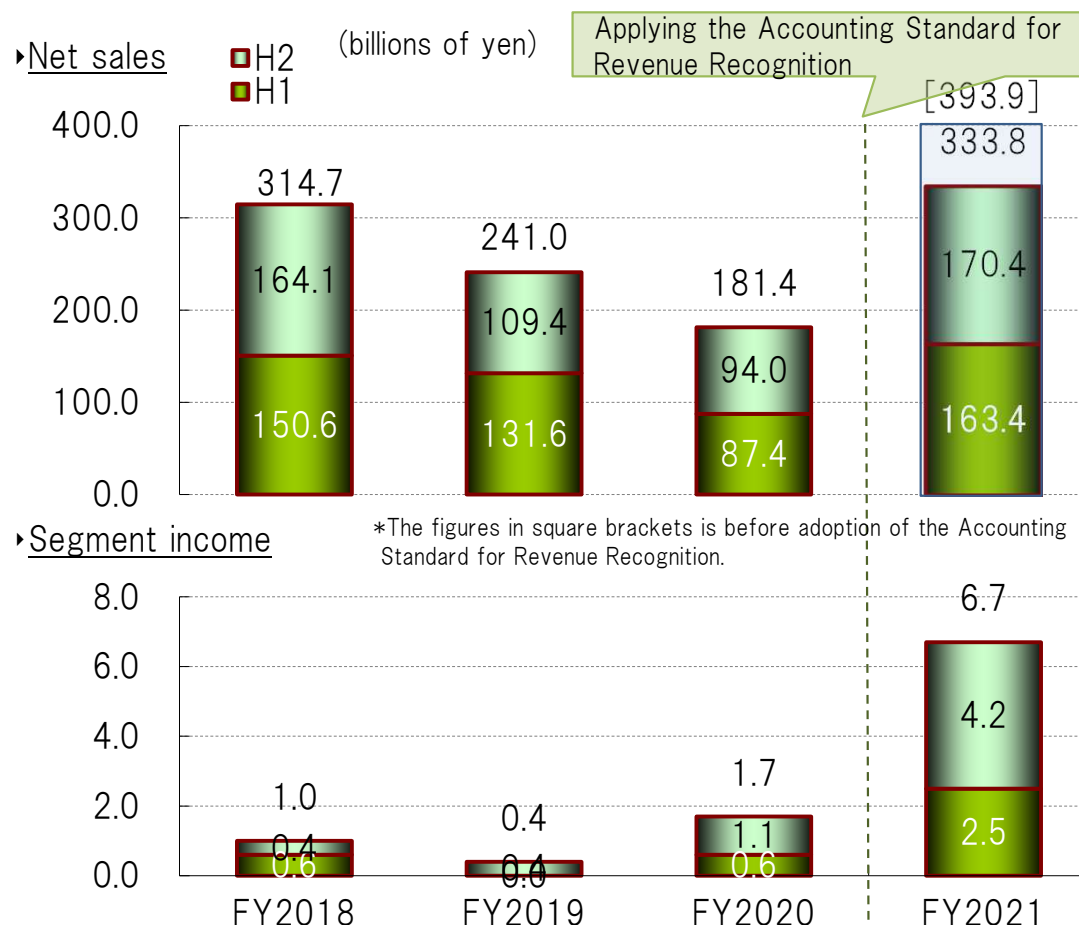


※ We record transaction volume in each business segment as management approach, previously recorded in classification of products

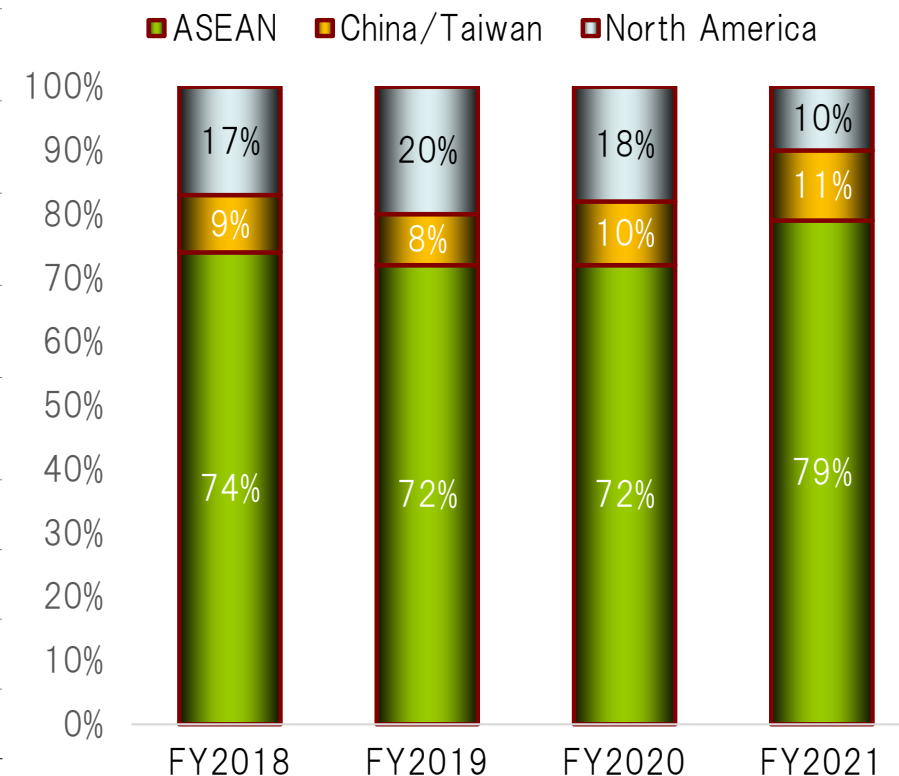
Overseas Sales Subsidiaries Segment

	Fiscal Year (ended March 31)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	181.4	333.8	—
Segment Income	1.7	6.7	+286%

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.



► Sales ratio by region



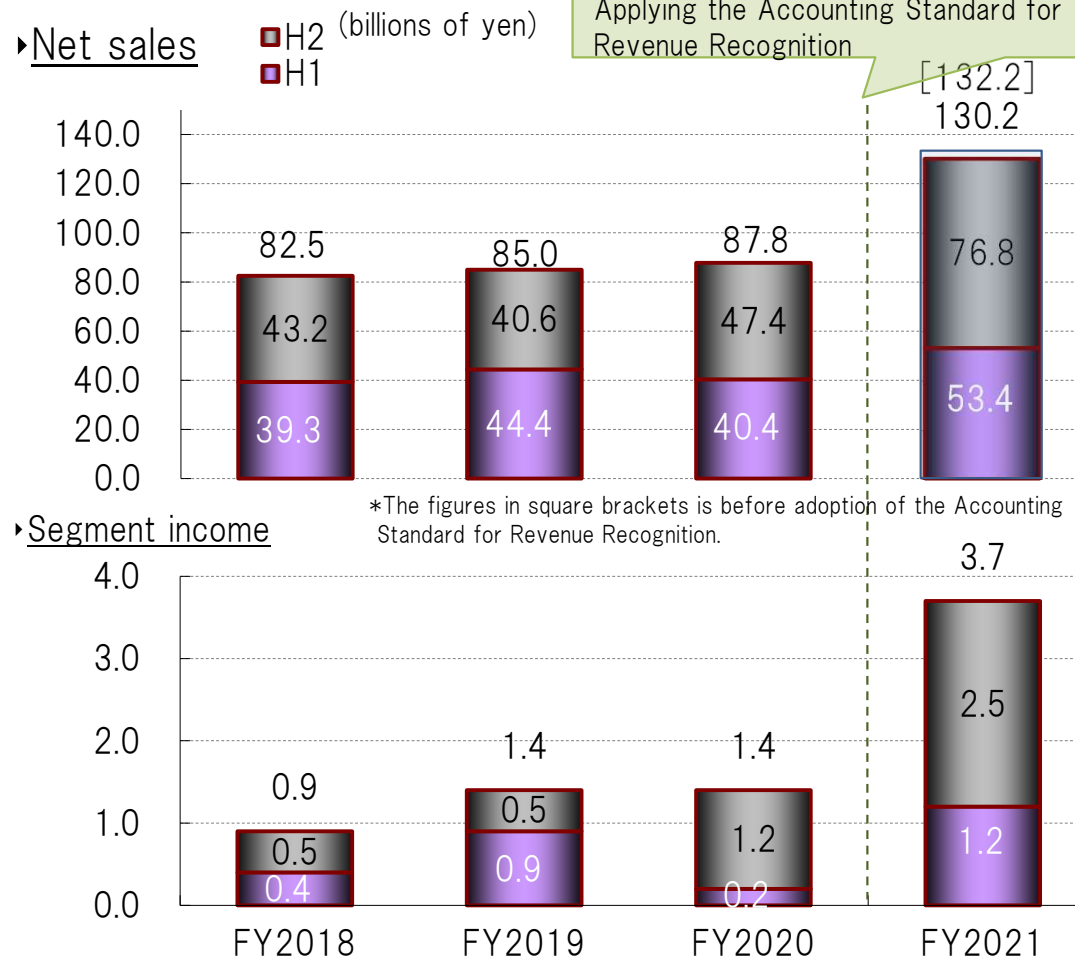
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※ We record transaction volume in each business segment as management approach, previously recorded in classification of products

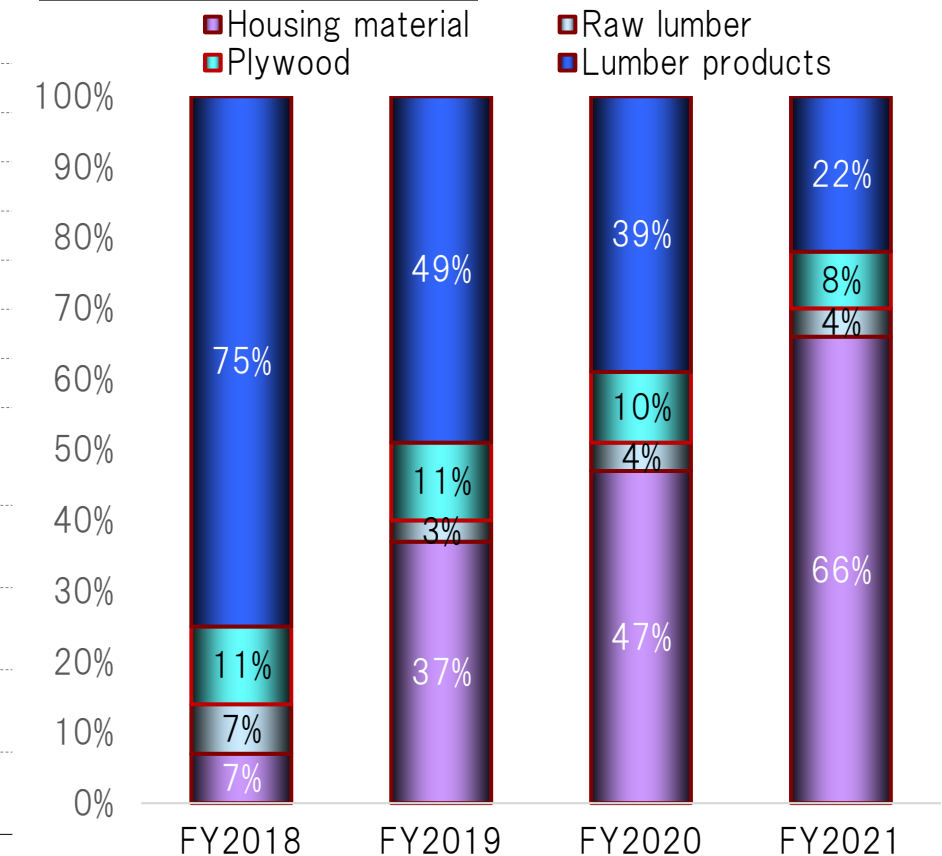
Other Segment

	Fiscal Year (ended March 31)		
	FY2020	FY2021	Y on Y Rate
(billions of yen)			
Net Sales	87.8	130.2	—
Segment Income	1.4	3.7	+156%

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	FY2021	FY2022 (Forecast)
Net Sales (billions of yen)*	1,745.5	2,164.0	2,400.0
Ordinary Income (billions of yen)	28.8	62.7	50.0
Net DER*	133% * 105%	235% * 203%	—
Investment Amount (billions of yen)	15.0	(in Total)36.4	—
Consolidated transaction volume of Steel (million ton)*	12.3	14.4	—
(Steel Segment)	10.1	11.2	—
(Other)	2.2	3.3	—
Consolidated number of new customers	1,953 (in total)1,953	2,249 (in total)4,202	—

*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 for FY2020 results constitute the figures before adoption of said accounting standard.

*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).

*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 FY2020.

- ▶ It is expected that full-year ordinary income in FY2022 will reach a record high of 50.0 billion yen.
- ▶ Consolidated transaction volume of steel reached 14.0 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】

	Fiscal Year (ended March 31)					
	FY2020		FY2021		Y on Y Change	
	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated	Consolidated/ Equity method	Unconsolidated
(billions of yen)						
Steel	2.5	0.4	8.8	0.8	+6.3	+0.3
Primary Metal	(0.0)	–	(0.0)	–	+0.0	–
Metal Recycling	0.9	(0.1)	1.3	0.0	+0.3	+0.1
Foods	0.8	–	1.4	–	+0.6	–
Energy & Living Materials	1.3	0.0	1.5	0.0	+0.2	(0.0)
Overseas sales subsidiaries	1.8	(0.1)	6.9	(0.0)	+5.1	+0.1
Others	0.2	–	0.6	–	+0.5	–
Total	7.4	0.3	20.4	0.8	+13.0	+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.)

The ratio of consolidated profit to parent company's profit in ordinary income was 147% 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.

Investments in business

【Current investment records】

(billions of yen)	Amounts	Major investments
Steel	5.4	・Enhancement of processing facilities at domestic and overseas subsidiaries
Primary Metal	2.2	・Invested in field of compound, production for rechargeable batteries
Overseas sales subsidiaries	11.9	・Business investment mainly to steel-related business
Others	0.5	・Increase in amusement facilities
The whole company	1.1	・Building new core system, Company housing related expenses, etc.

Total

21.4

▶Moving forward the investments totaling about 21.4 billion yen to build a base for an earnings increase in the future

Generating steady earnings from strategic investments



(million ton : Mlt)
(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 0.15Mlt/year
 - Operations at 2nd and 3rd plants from 2026 / production 0.45Mlt/year
 - PT Dexin Steel Indonesia (steel blast furnace mill) — Steel production 6.0Mlt/year
 - OM HOLDINGS (FeSi, FeMn) — FeSi, FeMn production 0.6Mlt/year
 - Tsingshan Holding (NPI & Stainless HRC) — NPI production 1.5Mlt/year, HRC production 3.0Mlt/year
 - SAMANCOR (Cr Ore, FeCr) — FeCr production 1.9Mlt/year (2021)

8th Plan

9th Plan (Medium-Term Business Plan 2022)

10th Plan

Appendix

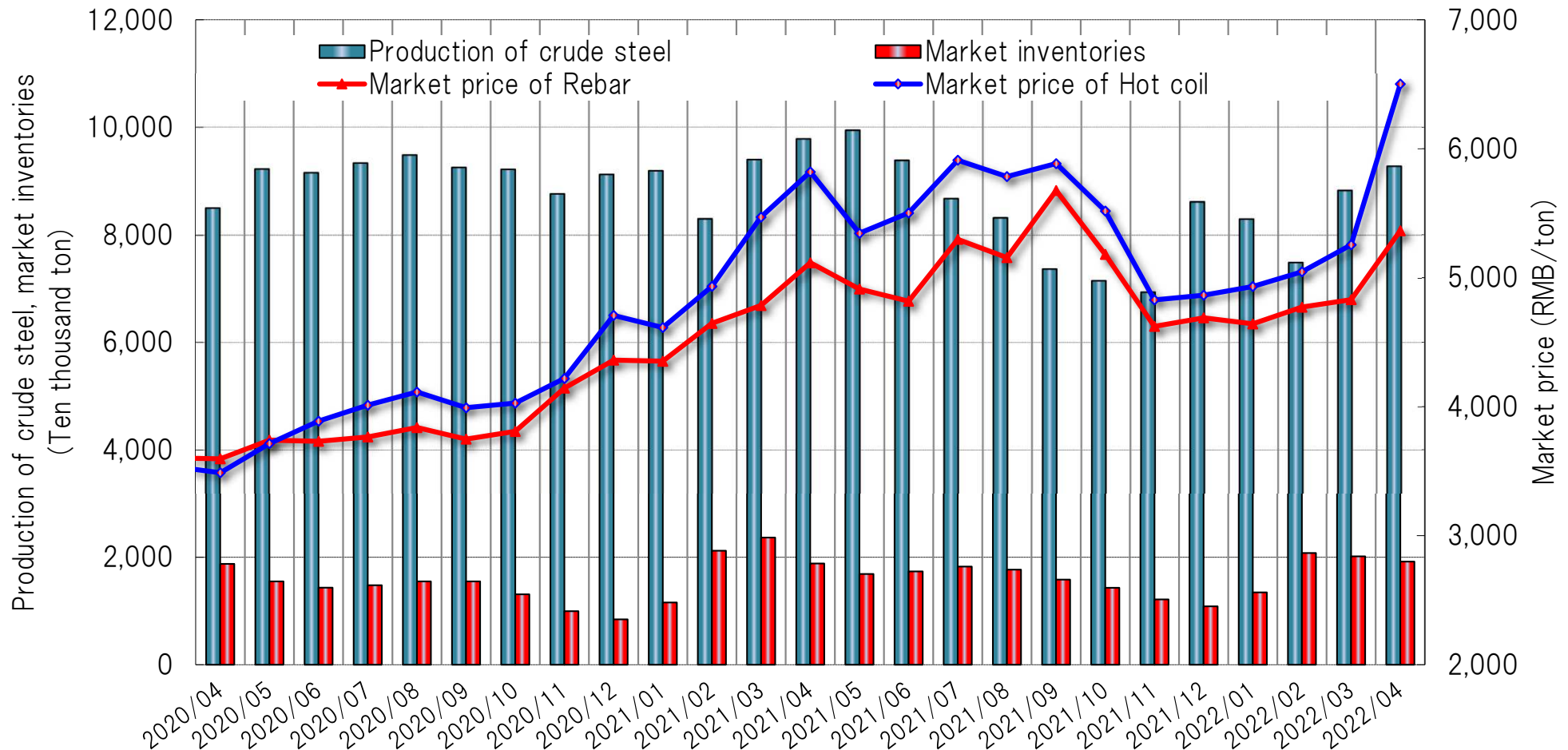
【Transaction of steel raw materials price】



- Iron ore... The market price gradually rose from the beginning of the year, because of expectation for recovery of the demand after the Chinese New Year, but further price rising cannot be expected due to delay in steel demand recovery resulted from the lockdown in some cities in China and continued weak actual demand.
- Coking coal ... The market price rose, because of a decrease in the supply of Australian coal due to rainfall and re-expansion of the infection. Although the market price temporarily fell due to speculative purchase and ending of anticipatory demand, the price rose sharply again after the E.U. had announced embargo of Russian coal.

Steel Market Trend in China

【Transition of steel market in China】

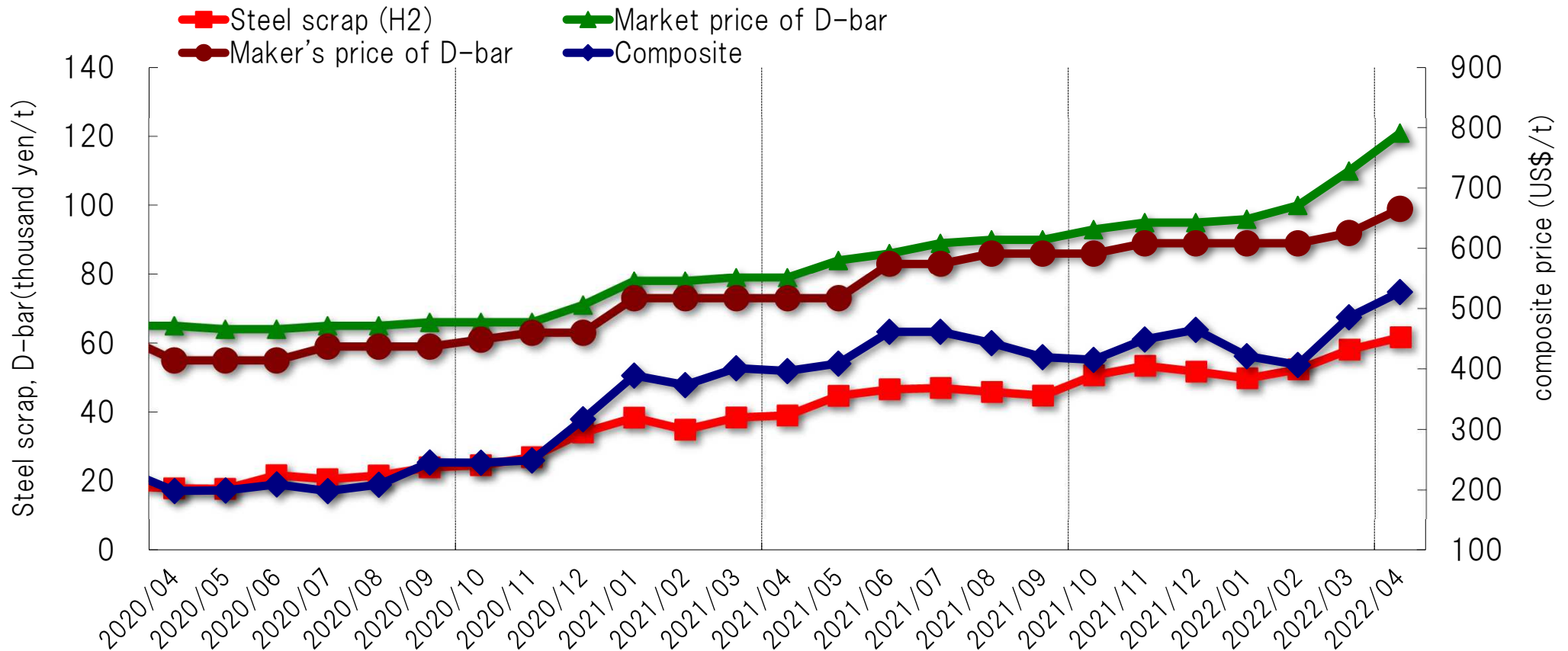


- Supply/Demand...The demand grew at a sluggish pace due to the Zero-COVID policy implemented by the Chinese government as well as downturn in the real estate market. On the other side, production activities came back on an upward trend again despite continued production restriction resulted from the government's order to reduce the production, because the winter environmental regulations were lifted and there was high expectation for the demand season of spring.
- Market prices...Demand in China was weak as a whole. Although production cost increased, the steel market price did not have momentum for rising.

(Data source : The Japan Iron and Steel Federation)

Market Trend of Steel Scrap

【Steel scrap and D-bar Market Price】

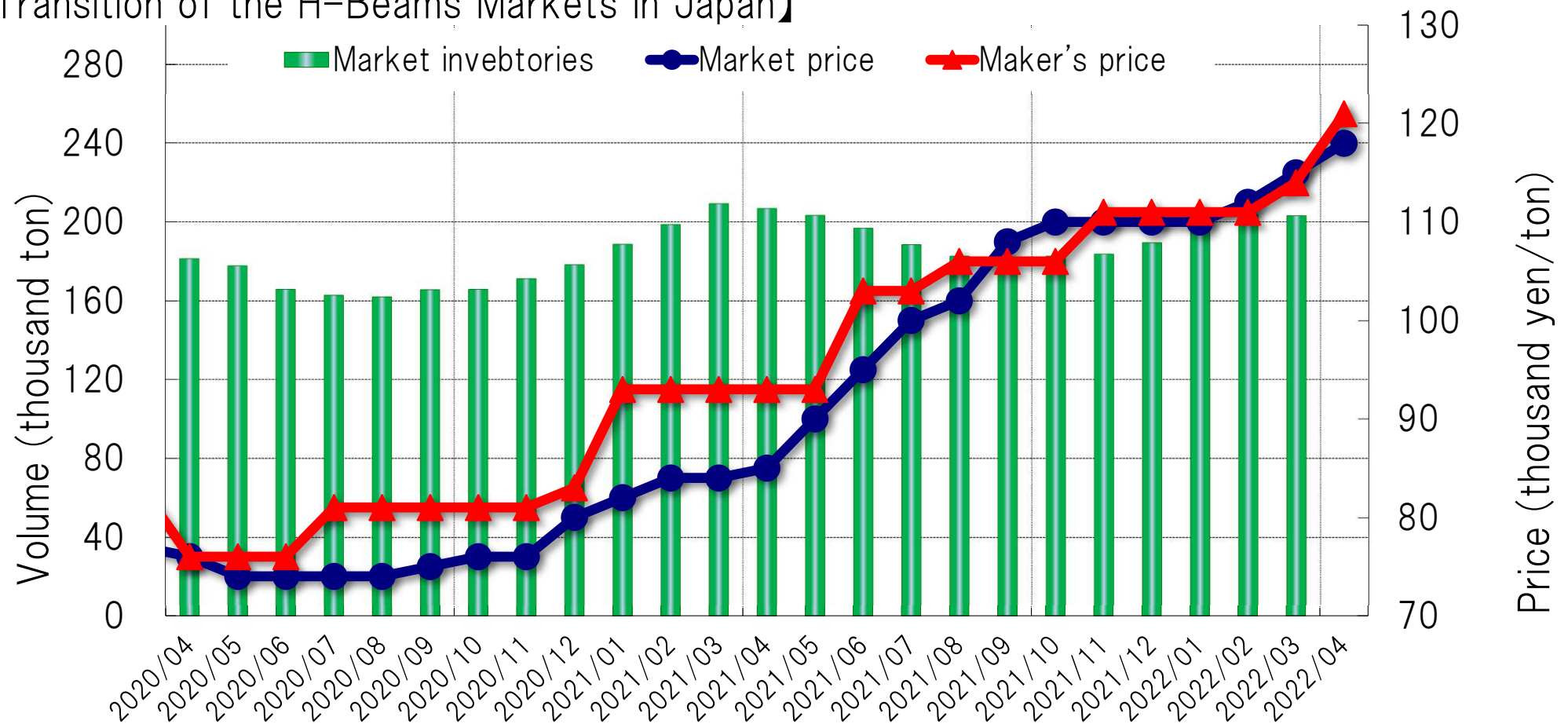


- Supply/Demand... The supply-demand gap became tighter, because generation of steel scrap in the market decreased due to decreases in construction and demolition works in the domestic market and production cutback of automobiles resulted from a shortage of semiconductors; a shortage of pig iron resulted from the situation in Ukraine drove alternative demand in the overseas markets; and purchase of shaft furnaces increased.
- Market prices... The market prices in the overseas markets temporarily rose sharply, due to concerns that the situation in Ukraine may tighten the supply-demand balance. Following the overseas market trend, the price in the Japanese H2 market hit a record high.

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

Market Trend of Long Products

【Transition of the H-Beams Markets in Japan】

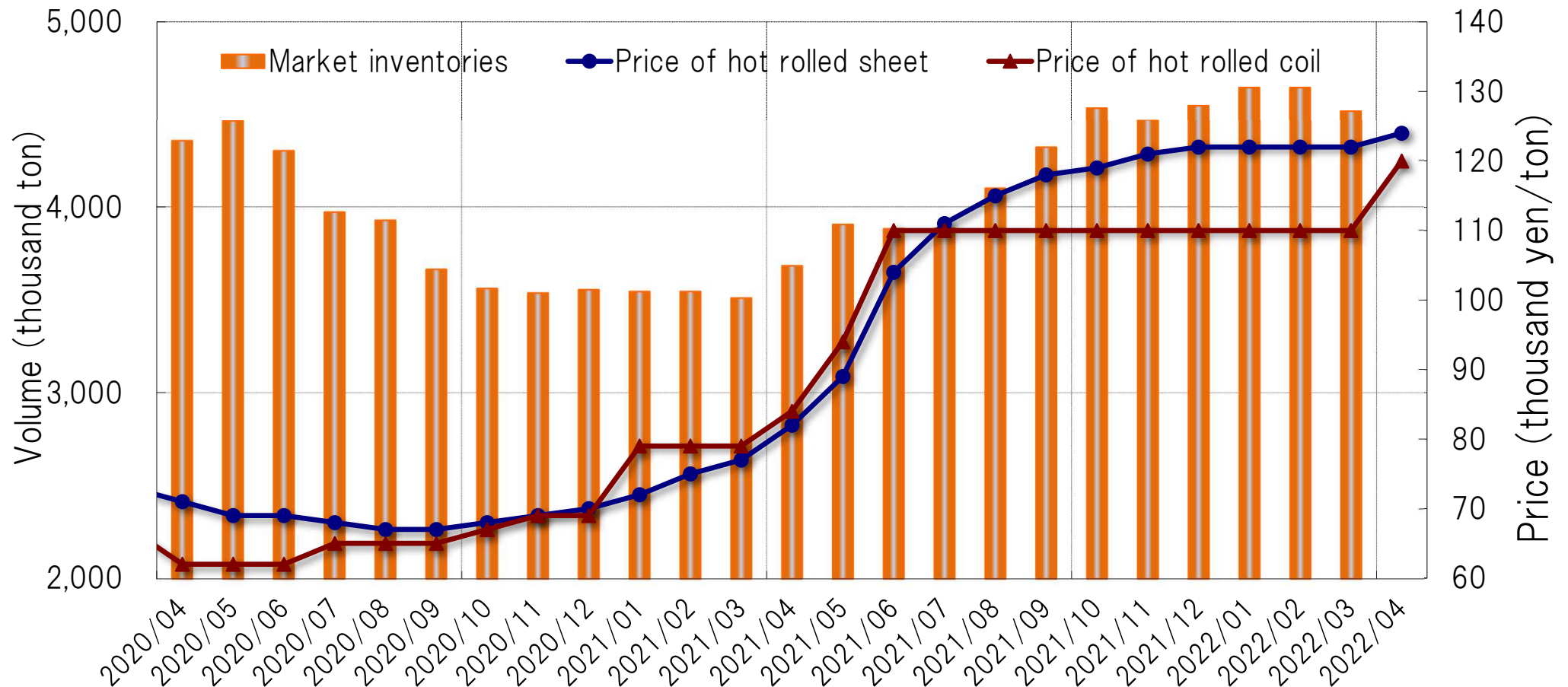


- ▶ Supply/Demand... Demand from the construction industry stably increased, thanks to the demand recovery from the COVID-19 pandemic. It is expected that large-scale projects such as redevelopment in urban areas as well as construction of logistic warehouses and data centers will increase.
- ▶ The market prices... For the reason of price rising of raw materials, manufacturers have continued to reflect the price rising of raw material in their products. As there is an anticipation for higher prices in the market, distribution companies were forced to accept the higher prices. On the other hand, supply did not seem to have decreased. As the result, it may take more time to allow manufactures to reflect the price rising to their products completely.

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

Market Trend of Flat Products

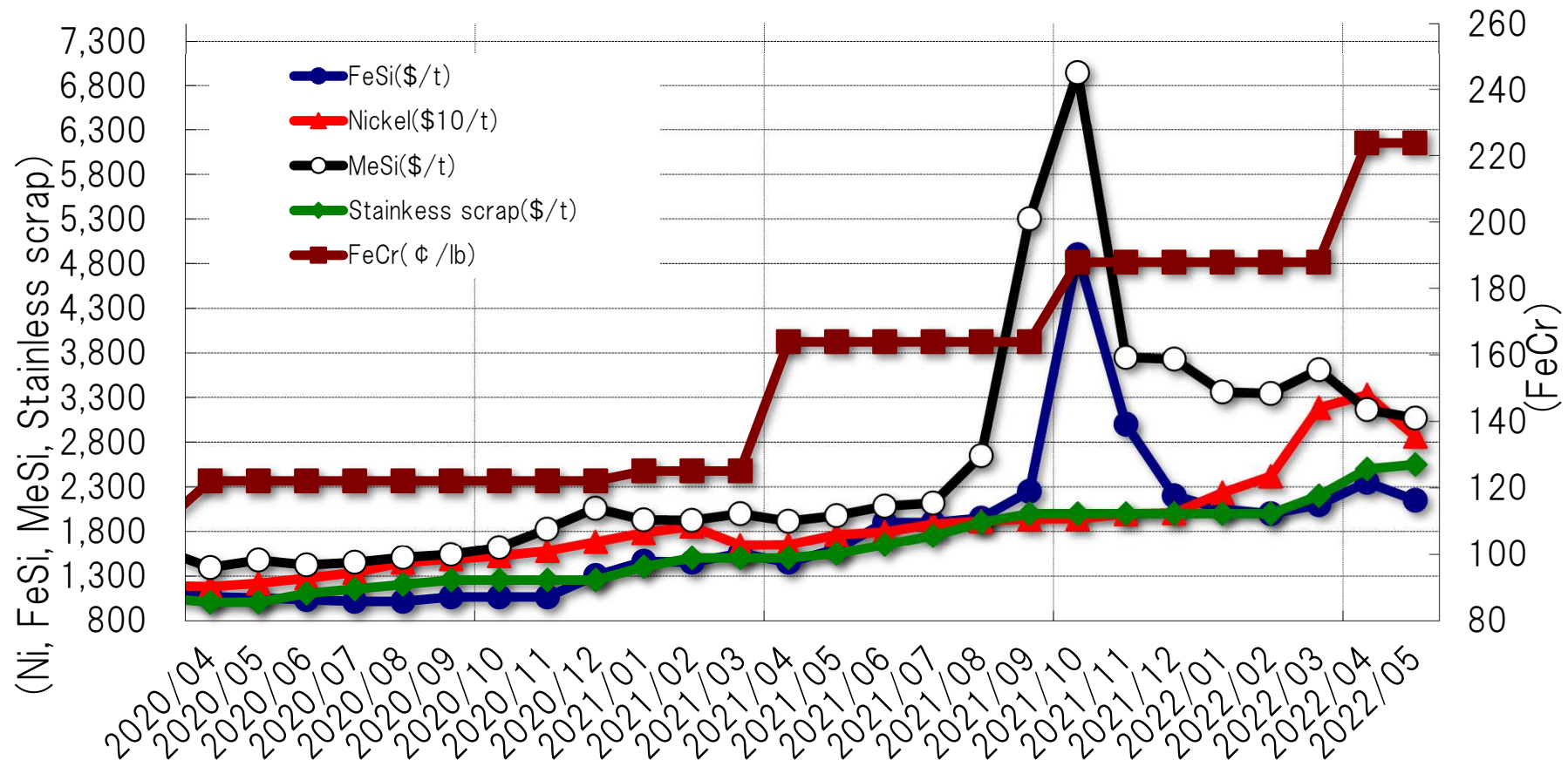
【 Transition of Steel Sheets Markets in Japan 】



- ▶ Supply/Demand... Shipment did not increase and inventory remained at a high level, mainly due to reduced production in the automobile industry resulted from a shortage of semiconductors and parts.
- ▶ The market prices... As production cost continued to increase due to price rising of raw materials and energy, Japanese manufacturers increased price intermittently. Although demand was slow and inventory adjustment was on a delay, manufacturers forced to rise prices by big margins and such price rising is to be reflected in the retail prices.

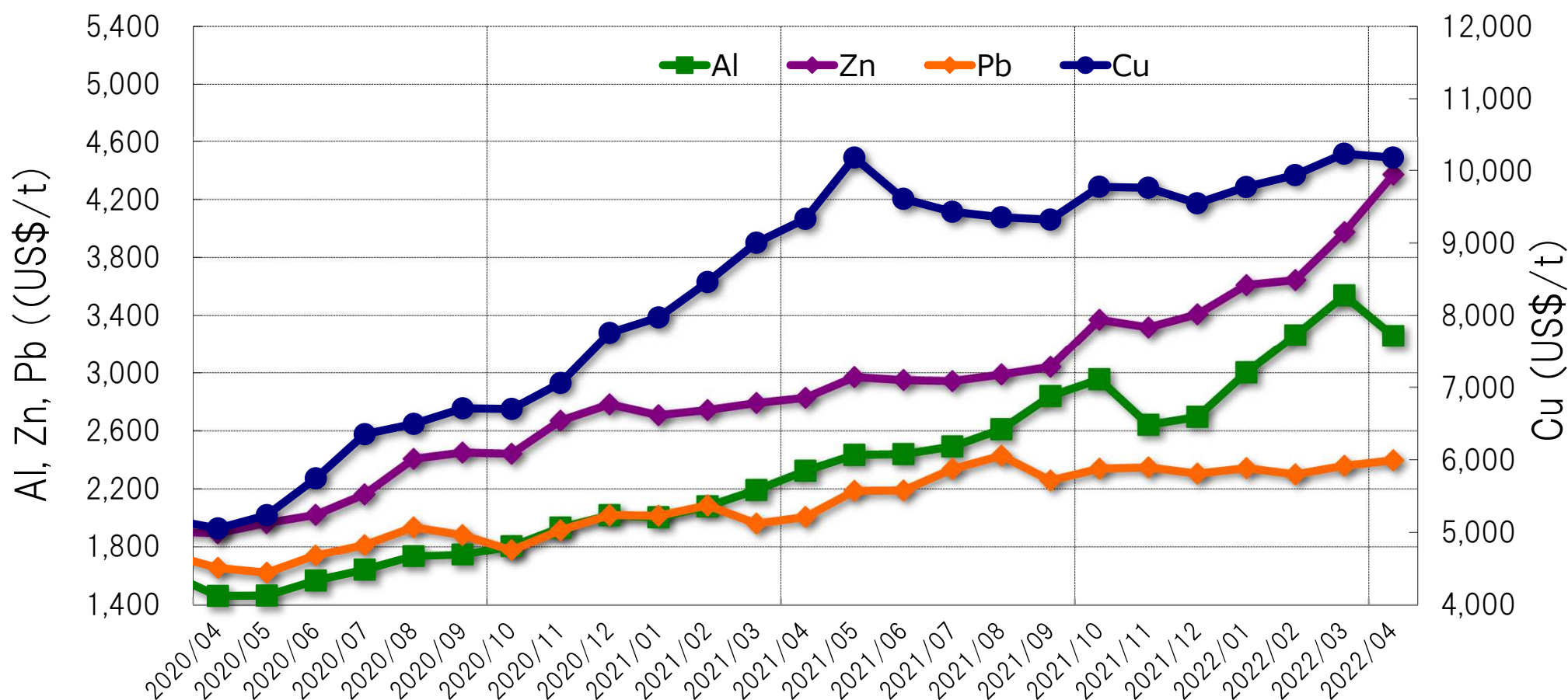
(Data source : Inventories _ The Japan Iron and Steel Federation / Price _Japan metal daily)

Market Trend of Metals & Alloys



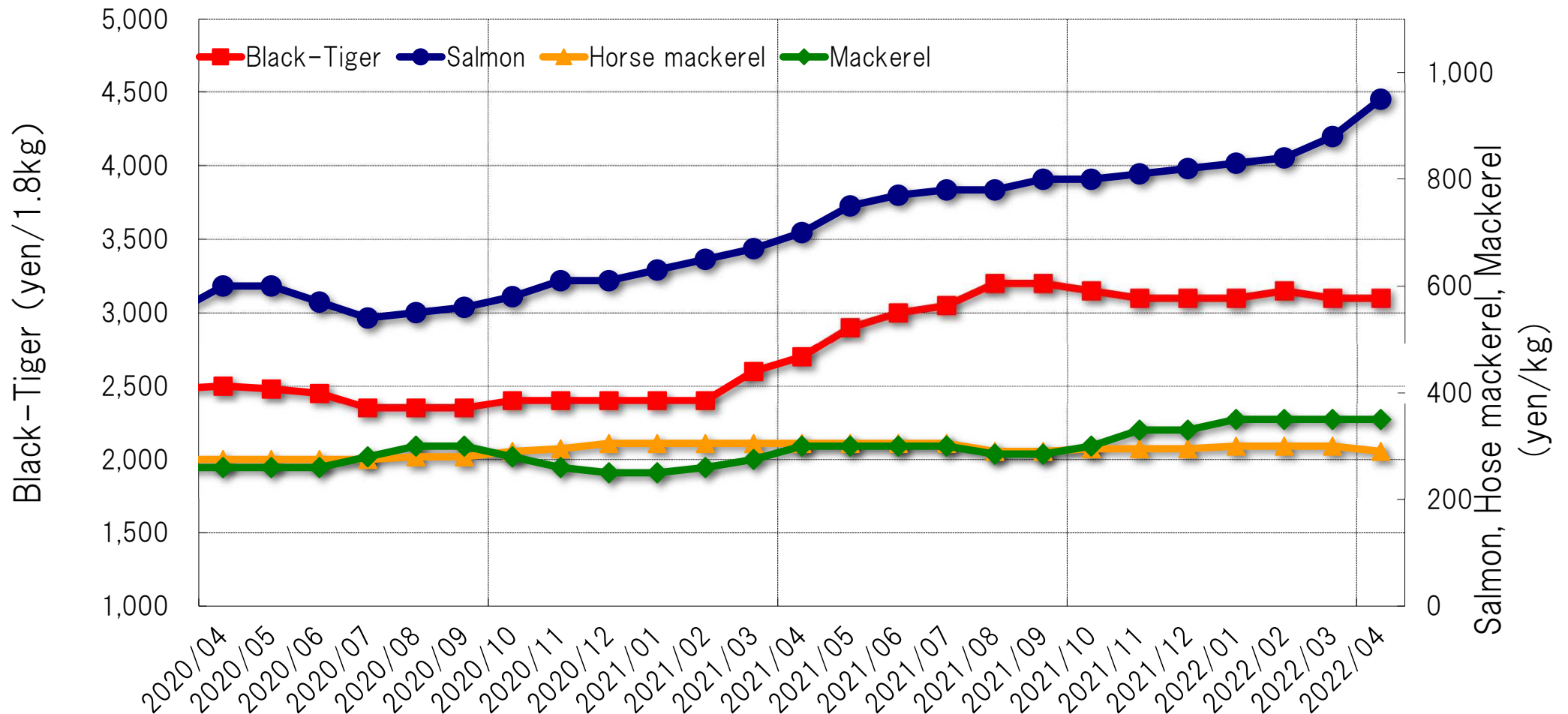
- Nickel... Due to concerns about a decrease in supply from Russia, the price of LME nickel rose sharply at the beginning of March. As the result, trades were suspended temporarily. After the trade suspension, the market price has been on a downward trend and is currently at a level under US\$30,000.
- FeCr... The market price rose sharply before and after the Russian invasion to Ukraine and has continued to be at a higher level. On the other hand, there was no momentum to push the price higher in the Asian markets due to limited demand in China. As the result, the price has polarized between Europe and Asia.
- Silicon... Abnormal price rising was seen in the market at the end of the last year, due to large-scale production restriction and non-operation after the order to reduce usage of electricity had been issued by the Chinese government. After the government order, the market price fell sharply. Currently the price has been remained at a lower level than before.

Market Trend of Non-ferrous Metals

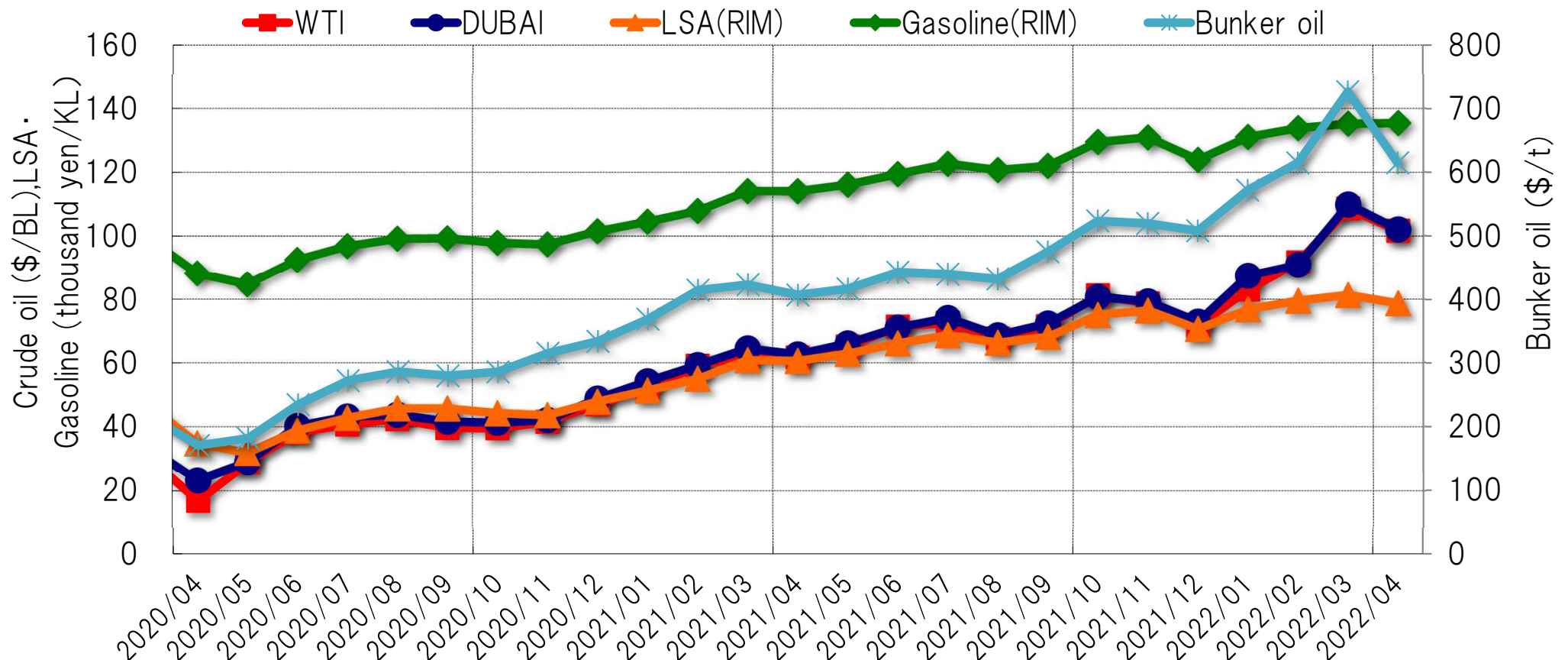


- ▶ **Aluminum...** In the aluminum market of which the biggest producer is Rusal that is located in Russia, the price rose just before and after the Russian invasion to Ukraine had started. The price hit a record high in February. The price is currently on a downward trend due to appreciation of the dollar resulted from the interest rate rising and concerns about slowdown of the demand resulted from the lockdown in China.
- ▶ **Copper...** As with other metals, the market price once rose at the beginning of the year due to growing concerns about geopolitical risk concerning the situation in Ukraine, but is currently at a lower level than before, because appreciation of the dollar and weak actual demand.

Market Trend of Frozen Marine Products



- ▶Salmon...The market price soared thanks to the global demand increase. In addition, the current trend of the weakened yen has accelerated the price rising. Domestic demand is also strong and trades are firm even at higher prices.
- ▶Shrimp...Rising of the market price has temporarily stopped despite supply restriction on a global basis, because of weak demand in the U.S. that had supported the market price. It is expected that the price will continue to be at a lower level, due to forecast of oversupply at the beginning of the season.



- ▶Crude oil... The market price of petroleum rose sharply due to the intensified situation in Ukraine. As OPEC showed a willingness not to accept the request for a further production increase, it is concerned that the price will rise even higher.
- ▶Petroleum products...The market price of naphtha has continued to rise since the end of the last year due to rising crude oil prices. The price entered an adjustment phase after hitting the highest price in March, and has still continued to be strong.