



HMC
HOLDINGS, LLC

Homak
TOOL STORAGE

FIRST WATCH
GUARDIAN

Geneva

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Dear

Over the past several months, we have been working diligently to minimize passing on any type of significant price increases to our customers. Even though we have been successful in mitigating a portion of these increases, there are still large portions that cannot be offset.

Dramatic increases over the past 12 months and more recently in the last 4 months in raw material, domestic transportation, ocean freight, direct labor, healthcare, and the exchange rate have made it both necessary and urgent for us to implement a 2021 price increase, effective April 1st, 2021. Price increases for direct import goods are applicable on any orders placed after Feb 12.

I would like to share with you confidentially some of the dramatic and unprecedented cost increases we have seen over the past 11 months. The exchange rate and raw material costs have tremendously changed in the last 4 months alone. The exchange rate dropped by more than 7% while steel cost increased by an unbelievable 60% from Q2 2020.

We delayed announcing a price change hoping to see some relief! All of the economic indicators suggest, at best the markets have started to level off but no relief on the escalated raw material or exchange rate.

The Below chart show the changes in the exchange rate, raw materials and labor since Q2 2020.

RMB PER TON --update 2021-01-13							
2016~2017 year	Exchange Rate	钢Steel (RMB) per ton	铜Brass (RMB) per ton	锌Zinc (RMB) per ton	镍Nickel (RMB) per ton	铝Aluminium (RMB) per ton	纸板cardboard (RMB) per ton
% Change	92.48%	160.69%	136.05%	146.60%	130.58%	132.44%	118.78%

HMC CHINA	Period	% +/-
Wages Office Admin	CNY/Year	112.36%
Wages in Manufacturing	CNY/Year	111.11%

We are still hopeful there will be some relief by Q3-2021 and have decided to take an optimistic approach and base our new prices on the cost of steel decreasing to 4900 per metric ton (Current 6090) the exchange rate leveling off at 6.40 (current 6.49) and shipping cost to land between \$4,200USD - \$5,200 peak (current \$6,000-7,500).

Should you have any questions, please do not hesitate to contact your sales manager or representative. We sincerely appreciate your understanding and thank you in advance for your business and continued support. The entire HOMAK team looks forward to providing you and your customers with continued outstanding service.

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