

The Progress of Medium-term Business Plan

(1) Performance

Planned Period			FY2016—FY2019						Reference		
			FY2016	FY2017	FY2018			FY2019	FY2020		
					(Actual)	(Actual)	(Forecast)			3rd Quarter	
										(Actual)	(Progress rate)
		(Actual)	(Actual)	(Forecast)	(Actual)	(Progress rate)	(Target)	(Target)			
Quantitative Objectives	Net Sales (bn)		1,514.0	1,791.1	2,000.0	1,558.2	77.9%	2,100.0	2,200.0		
	Ordinary income (bn)	① STEADY	19.1	20.1	20.0	15.6	78.3%	22.0	23.0		
		② SPEEDY	3.1	5.8	6.0	3.6	60.1%	7.0	8.0		
		Sub total	22.2	26.0	26.0	19.2	74.1%	29.0	31.0		
		③ STRATEGIC	0.7	(0.6)	0.0	(0.5)	-	6.0	7.0		
		Adjustment	0.0	0.0	-	0.0	-	-	-		
	Total	22.9	25.5	26.0	18.7	72.1%	35.0	38.0			
New customers			697	601	701	554	79.0%	(701)			
(In total)			(697)	(1,298)		(1,852)	(68.6%)	2,700			
Investment Amount (bn)			11.2	29.1		10.0					
(In total)			(11.2)	(40.3)		(50.3)	(100.6%)	50.0			

※① STEADY... Revenue from established business

(Ordinary income from HANWA after deducting dividend income from subsidiaries and resource investments)

② SPEEDY... Revenue from group companies

(Ordinary income from consolidated subsidiaries, dividends from non-consolidated subsidiaries and equity in earnings of affiliates (excluding resource investees))

③ STRATEGIC... Revenue from strategic investments

(Equity in earnings of affiliates from resource investees and dividends from strategic investments)

(2) Progress

Progress rate of the group business consisting of “STEADY” and “SPEEDY” was 74.1% to ordinary income target for the fiscal year. Meanwhile, “STRATEGIC” (natural resources investments) has not contributed to profit of 3rd Quarter ended December 31, 2018. The situation of our “3S” so far is as follows.

- ① STEADY... While sales in each business segment have been generally steady, transaction revenue in Metals & alloys business in particular has increased significantly taking advantage of STRATEGIC investments. As a result, the progress has been better than standard rate (75%).
- ② SPEEDY... While performances of domestic group companies including “SOKOKA (fast delivery, small lot, processing)” businesses and overseas sales subsidiaries remained strong, overseas steel processing center businesses have not been well due to normalization of the profit margin to the usual level and the impact of foreign exchange losses due to depreciation of local currencies. As a result, the progress has been less than standard rate.
- ③ STRATEGIC... SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. (hereinafter SAMANCOR), our equity-method affiliate, has not contributed to profit of this 3rd Quarter, due to longer preparation time and preceding expenditure for full operation of its acquired consolidated subsidiary in the past years. In addition, decline in chromium price and fluctuations in South African Rand have also affected this 3rd Quarter. Although revenue from SAMANCOR has been positive, adding up amortization of goodwill from its stocks, loss from “STRATEGIC” was 0.5 billion yen.

(Note) The numbers of quantitative objectives mentioned above were made based on the obtainable information as of February 13, 2019. The actual results may differ due to various factors. Especially, “STRATEGIC” results may fluctuate due to future trends of natural resources prices and/or currency.