

The Progress of Medium-term Business Plan

(1)Performance

Planned Period			FY2016—FY2019						Reference			
			FY2016	FY2017		FY2018		FY2019	FY2020			
						(Actual)	(Actual)			(Forecast)	Annual	
											(Actual)	(Progress rate)
			(Actual)	(Actual)	(Forecast)	(Actual)	(Progress rate)	(Forecast)	(Forecast)			
Quantitative Objectives	Net Sales (bn)		1,514.0	1,791.1	2,000.0	2,074.6	103.7%	2,100.0	2,200.0			
	Ordinary income (bn)	① STEADY	19.1	20.1	20.0	18.8	94.4%	22.0	23.0			
		② SPEEDY	3.1	5.8	6.0	4.3	73.3%	7.0	8.0			
		Sub total	22.2	26.0	26.0	23.2	89.6%	29.0	31.0			
		③ STRATEGIC	0.7	(0.6)	0.0	0.0	-	6.0	7.0			
		Adjustment	0.0	0.0	-	0.0	-	-	-			
	Total	22.9	25.5	26.0	23.3	90.0%	35.0	38.0				
New customers (In total)			697	601	701	725	103.4%	677				
			(697)	(1,298)		(2, 023)	(74.9%)	2,700				
Investment Amount (bn)			11.2	29.1		17.0						
(In total)			(11.2)	(40.3)		(57.3)	(114.6%)	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

Achievement rate of the group business consisting of “STEADY” and “SPEEDY” was 89.6% to ordinary income forecast for the fiscal year. Meanwhile, “STRATEGIC” (natural resources investments) has not contributed to profit of the fiscal year ended March 31, 2019. The situation of our “3S” is as follows.

① STEADY... While transaction revenue mainly in Metals & alloys business has increased under strong demands, increase of financing costs, due to strong demands for funds including foreign currency, has affected downward pressure on profit. As a result, the actual achievement was slightly less than our forecast.

② SPEEDY... While performance of domestic group companies including “SOKOKA (quick delivery, small lot, processing)” businesses and overseas sales subsidiaries remained strong, overseas steel service 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 achievement rate remained 73% to our forecast.

③ STRATEGIC... Regarding business overview of our equity-method affiliate, SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. (hereinafter SAMANCOR), decline of chromium price, longer preparation time for full operation of its acquired subsidiary in the past year as well as lower operation ratio by natural disasters and so on over some mines and smelters have affected. In addition, at HANWA, annual depreciation and amortization of such as mining rights were incurred in full from this fiscal year (approximately 1.6 billion yen in this fiscal year). Therefore, contribution from SAMANCOR to our equity in earnings of affiliates could not meet our expectation at the beginning of the fiscal year. On the other hand, transactions with strategic investees such as SAMANCOR and joint venture partner Tsingshan Holding Group Co., Ltd. have been growing steadily, contributing to group's business earnings (STEADY, SPEEDY).

(3)Forecast

Having examined the future business environment and SAMANCOR's earnings outlook etc., the forecast for earnings after FY2019 will be as follows.

Planned Period		FY2016—FY2019					Reference	
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2020	
		(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	(Forecast)	
Quantitative Objectives	Net Sales (bn)	1,514.0	1,791.1	2,074.6	2,200.0	2,400.0	2,500.0	
	Ordinary income (bn)	① STEADY	19.1	20.1	18.8	20.5	22.0	23.0
		② SPEEDY	3.1	5.8	4.3	7.0	8.0	9.0
		Sub total	22.2	26.0	23.2	27.5	30.0	32.0
		③ STRATEGIC	0.7	(0.6)	0.0	0.5	1.0	2.0
		Adjustment	0.0	0.0	0.0	-	-	-
		Total	22.9	25.5	23.3	28.0	31.0	34.0

(Note) The numbers of quantitative objectives mentioned above were made based on the obtainable information as of May 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.

###