

Highlights of Consolidated Financial Results for FY2018

(Japan GAAP)

HANWA Co., Ltd.

(Unit: billion yen, rounded down to 0.1 billions of yen)

Outline of Financial Results for the FY2018

*As for the this fiscal year, net sales have increased by 16% in the same period of the previous year, hence reached to 2,074.6billion yen, due to better market of steel products and metal resources than the same period of previous year, as well as sales expansion of ferro-alloy and increase in net sales in overseas subsidiaries. Net profit was 13.9billion yen, decreased by 20%, due to increase in interest expenses, foreign exchange loss as opposed to the gain in the same period of the previous year, and loss on devaluation of investments securities as extraordinary loss. We paid 75 yen as interim dividend and will pay additional 75 yen as the end of this fiscal year dividend. Our annual dividend payout for this fiscal year will be 150 yen.

Operating Results		FY2018	FY2017	Year-on-year		Main Factors
				Change	rate	
Net sales		2,074.6	1,791.1	283.4	16%	(Net sales) Net sales have increased by 16% from the same period of the previous year.This was due to better market of steel products than the same period of previous year, as well as sales expansion of ferro-alloy and increase in net sales in overseas subsidiaries. (SG&A expenses) SG & A expenses have increased 4.3 billion yen from the same period of previous year. 2.3 out of 4.3 billion yen was accounted for newly consolidated subsidiaries. Our personnel expenses have increased 2.4 billion yen, including 1.5 billion yen from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income has increased 2.4 billion yen and Non-operating expenses increased 7.2 billion yen. The breakdown of the main causes is as follows. interest income: increase of 2.4 billion yen(YoY) foreign exchange gain/loss: gain of 0.3 billion yen (last year) loss of 3.3 billion yen (this year) interest expenses: increase of 1.8 billion yen(YoY) commission fee: increase of 1.9 billion yen(YoY) (Extraordinary gain/loss) •Loss on devaluation of investments securities 1.8 billion yen : mainly due to decline in listed stocks •Loss (gain) on sales and disposals of fixed assets: due to sale of company residence and dormitory gain of 0.4 billion yen / loss of 0.7 billion yen
Gross profit		79.2	72.1	7.0	10%	
SG&A expenses		50.3	45.9	4.3	9%	
Operating income		28.9	26.2	2.6	10%	
Non-operating income		6.9	4.5	2.4	54%	
Non-operating expenses		12.4	5.2	7.2	138%	
Ordinary income		23.3	25.5	(2.1)	-8%	
Extraordinary gain		0.4	0.6	(0.2)	-39%	
Extraordinary loss		2.8	0.7	2.1	284%	
Income before income taxes and others		20.9	25.4	(4.4)	-18%	
Income taxes		7.1	8.3	(1.1)	-14%	
Net income		13.8	17.1	(3.2)	-19%	
Owners of the Company(loss)		13.9	17.3	(3.4)	-20%	
Non-controlling interests(loss)		(0.0)	(0.2)	0.1	-62%	
EPS (yen)		342.41	427.04	(84.63)	-20%	
Comprehensive income		3.4	22.5	(19.0)	-85%	

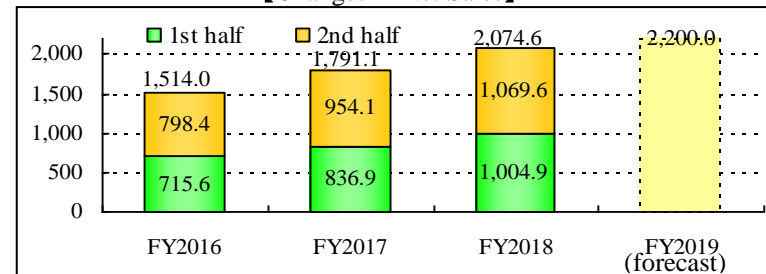
Segment Information		Net sales			Segment income			Main Factors
		FY2018	FY2017	rate	FY2018	FY2017	rate	
	Steel	1,047.9	931.9	12%	17.3	20.3	-14%	(Steel business) While strong steel demands increased net sales, segment income decreased due to the pace of the market rise being slowed down and taking time to shift cost price onto selling price. (Metals & alloys business) Net sales and segment income increased due to strong price level of nickel and sales expansion of stainless steel and ferro-alloy. (Non-ferrous metals business) While international commodity markets have remained on a level with the same period of the previous year, copper and E-scrap sales and segment income decreased due to slump in domestic demand for metal scrap by China’s restriction of the import of miscellaneous metal scrap and foreign exchange loss. (Foods business) Rising price of salmon and crab and strong sales of chicken increased net sales and segment income. (Petroleum & chemicals business) Despite high market of petroleum products, net sales and segment income became nearly flat, due to the merger of Oil refiners and slowdown in demand for heating oil in mild winter climate. (Overseas sales subsidiaries) Revenue increased due to sales expansion of steel products in Indonesia and bunker fuel and metal scrap in Singapore.
	Metals & alloys	282.9	203.2	39%	6.3	4.9	29%	
	Non-ferrous metals	97.0	99.0	-2%	0.9	2.0	-53%	
	Foods	101.3	99.4	2%	1.5	1.0	46%	
	Petroleum & chemicals	244.2	240.6	2%	2.1	2.1	0%	
	Overseas sales subsidiaries	314.7	221.6	42%	1.0	0.9	8%	
	Total for reportable segments	2,088.3	1,796.0	16%	29.4	31.4	-6%	
	Other	82.5	76.5	8%	0.9	0.6	40%	
Total		2,170.8	1,872.6	16%	30.4	32.1	-5%	
Adjustment		(96.2)	(81.5)	-18%	(7.0)	(6.6)	-5%	
Consolidated		2,074.6	1,791.1	16%	23.3	25.5	-8%	

Topics	<div>• May. Acquired additional stocks of the coil center in Malaysia, Tatt Giap Steel Centre Sdn. Bhd. and became our subsidiary</div> <div>• Jul. Succeed to insulation construction business from Bridgestone Diversified Products Japan Co.,Ltd.</div> <div>• Mar. Acquired an interst in operating company Waterberg JV Resources from JOGMEC including all metal marketing rights</div>
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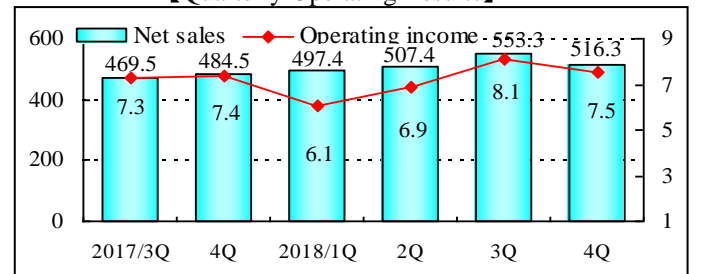
Financial Position	Mar. 2019	Mar. 2018	Comparison with Mar. 2018		Main Factors
			Change	rate	
Total assets	933.3	860.3	72.9	9%	(Total Assets) Total assets increased by 9% from the end of the previous year, due to increase in Advanced payment and Cash and Deposits. Advanced payment: 49.3 billion yen (+159% from the end of the previous year) Cash and Deposits: 59.3 billion yen (+64% from the end of the previous year)
(Current assets)	724.9	644.1	80.8	13%	
(Fixed assets)	208.3	216.2	(7.8)	-4%	
Total liabilities	730.8	656.6	74.2	11%	(Liabilities) Total liabilities increased by 11% from the end of the previous year, due to the increase in trade payables and long term loans. As interest-bearing debt increased by 12%, net debt-equity ratio was turned into 161% (*131%).
(Interest-bearing debt)	363.2	325.5	37.6	12%	
(Net interest-bearing debt)	303.9	289.3	14.6	5%	
Net DER	161%/131%	154%	7pt	—	
Total net assets	202.4	203.7	(1.2)	-1%	(Net assets) Total net assets decreased by 1% from the end of the previous year, due to the carryover of retained earnings, decrease of foreign currency translation adjustments and net unrealized holding gains on securities. Meanwhile shareholders' equity ratio was 20.2% (*22.8%), which is 1.6 percentage points lower than the end of the previous year.
(Equity capital)	180.9	172.9	7.9	5%	
(Valuation & translation adjustments)	7.2	14.8	(7.5)	-51%	
(Minority interests)	14.2	15.8	(1.6)	-10%	
BPS (yen)	4,632.55	4,621.96	10.59	0%	
Shareholders' equity	188.2	187.8	0.4	0%	
Shareholders' equity ratio	20.2/22.8%	21.8%	-1.6pt	—	*Reflecting equity credit attributes of the subordinated loan

Cash Flow	FY2018	FY2017	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	15.4	(19.7)	35.1	—	(Operating cash flows) Due to increase in trade payables and advanced payments.
Cash flows from investing activities	(20.6)	(39.9)	19.3	Δ48%	(Investment cash flows) Due to purchase of investment securities and tangible fixed assets.
Cash flows from financing activities	28.1	66.4	(38.3)	Δ58%	(Financial cash flows) Due to increase in long-term loans and corporate bonds.
Cash and cash equivalents at end of period	58.3	34.8	23.5	68%	

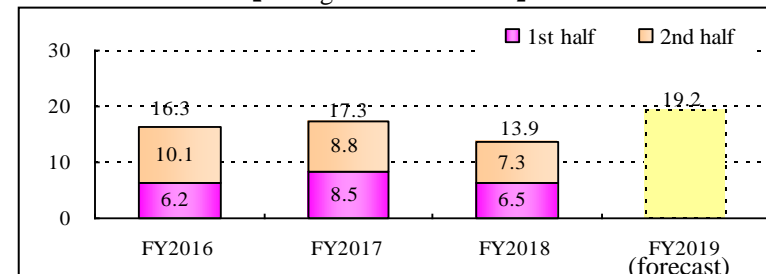
【Changes in Net Sales】



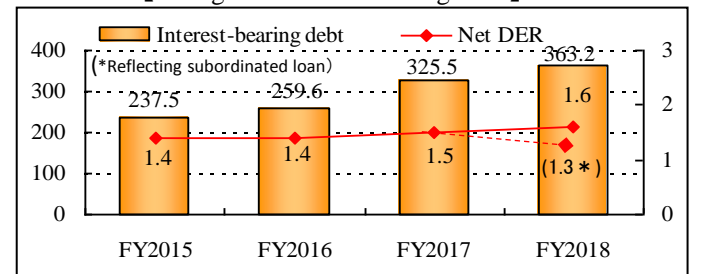
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2019	FY2018		Cash Dividends	FY2017	FY2018	FY2019 (estimated)
			change				
Net sales	2,200.0	2,074.6	6%	Interim (yen)	50.00	75.00	75.00
Operating income	35.5	28.9	23%	Year-end (yen)	75.00	75.00	75.00
Ordinary income	28.0	23.3	20%	Annual (yen)	125.00	150.00	150.00
Net income attributable to owners of parent	19.2	13.9	38%	Dividend payout ratio	29%	44%	32%