

Highlights of Consolidated Financial Results for the 1st Quarter of FY2019 (Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 1st Quarter of FY2019

- As for the 1st quarter result for this fiscal year, net sales have decreased by 5% in the same period of the previous year, hence reached to 472.4 billion yen, due to weak global market of nonferrous metals and petroleum, as well as decline of volumes and sales for domestic and export in steel business.
- Ordinary income was 6.4 billion yen, increased by 18%, mainly due to dividend income from strategically invested companies and decrease in loss on investment in affiliates in the same period of the previous year.
- We plan to pay 150 yen as the annual (75 yen as the interim and 75 yen as the year-end) dividend.

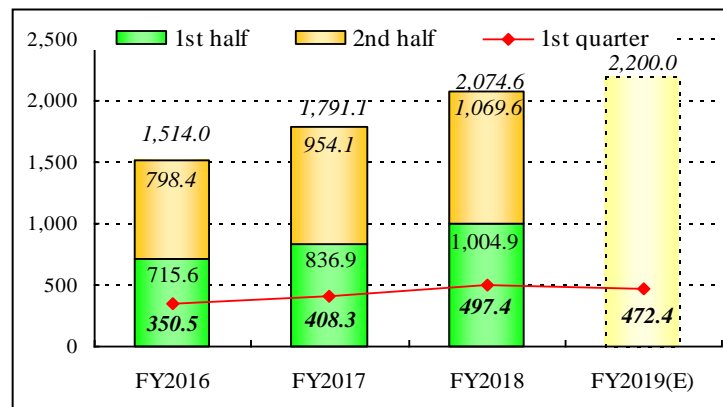
Operating Results	1Q of FY2019	1Q of FY2018	Year-on-year		Main Factors
			Change	rate	
Net sales	472.4	497.4	(25.0)	-5%	(Net sales) Net sales have decreased by 5% from the same period of the previous year. This was mainly due to weak global market of nonferrous metals and petroleum, as well as decline of volumes and sales for domestic and export in steel business.
Gross profit	19.9	18.4	1.5	8%	
SG&A expenses	13.0	12.2	0.7	6%	(SG&A expenses) SG & A expenses have increased 0.7 billion yen from the same period of previous year. 0.3 out of 0.7 billion yen was accounted for newly consolidated subsidiaries.
Operating income	6.9	6.1	0.7	13%	
Non-operating income	1.9	1.6	0.3	20%	Our personnel expenses have increased 0.3 billion yen, including 0.1 billion yen from newly consolidated subsidiaries.
Non-operating expenses	2.4	2.3	0.1	6%	
Ordinary income	6.4	5.4	0.9	18%	(Non-operating income/expenses) Non-operating income and expenses have increased 0.3 billion yen and 0.1 billion yen, respectively. The breakdown of the main causes is as follows. Dividends: increase of 0.3 billion yen(YoY)
Extraordinary gain	0.1	—	0.1	—	Interest expenses: increase of 0.4 billion yen(YoY) Loss on investment in affiliates: decrease of 0.3 billion
Extraordinary loss	0.3	0.1	0.1	144%	
Income before income taxes and others	6.2	5.3	0.9	17%	(Extraordinary gain/loss) Gain on sales of fixed assets 0.1 billion yen : mainly due to sales of real estate by consolidated subsidiaries Loss on devaluation of investments securities 0.3 billion yen : mainly due to decline in listed stocks
Income taxes	2.1	1.9	0.1	7%	
Net income	4.1	3.3	0.7	23%	
Owners of the Company(loss)	4.1	3.5	0.5	16%	
Non-controlling interests(loss)	(0.0)	(0.2)	0.2	-91%	
EPS (yen)	101.88	87.84	14.04	16%	
Comprehensive income	1.8	2.2	(0.3)	-14%	

Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2019	1Q of FY2018	rate	1Q of FY2019	1Q of FY2018	rate	
Steel	241.1	243.4	-1%	3.9	4.4	-10%	(Steel business) While the market price of steel products remained at high levels, segment income decreased due to difficulties in passing costs increase to end-users, so it ended decline of profit margins.
Primary Metal	60.3	79.1	-24%	1.5	Δ0.5	—	
Metal Recycling	21.4	21.2	1%	0.9	0.6	58%	(Primary metals business) Segment income increased mainly due to the reduction of loss on investment in affiliates especially in SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. and the turnaround from foreign exchange losses in the same period of previous year to foreign exchange gains in this fiscal year.
Foods	26.7	27.4	-3%	0.2	0.5	-61%	(Metal recycling business) Segment income increased mainly due to high-profit margin sales on copper business by low procurement costs and foreign exchange gains.
Petroleum & chemicals	49.6	59.5	-17%	0.7	0.4	49%	(Foods business) Segment income decreased due to stagnant market condition for shrimp and foreign exchange losses.
Overseas sales subsidiaries	68.3	70.0	-2%	0.1	0.4	-60%	(Petroleum & chemicals business) Despite decreased volume by weak market condition of petroleum products, segment income increased mainly due to the expansion of sales of biomass fuels such as palm kernel shells (PKS).
Total for reportable segments	467.7	500.8	-7%	7.6	5.9	28%	(Overseas sales subsidiaries) Segment income decreased due to price downturn in metal and nonferrous metal and volume decrease, mainly in the U.S. and ASEAN region.
Other	21.2	19.1	11%	0.2	0.0	238%	
Total	489.0	520.0	-6%	7.8	6.0	31%	
Adjustment	(16.5)	(22.5)	27%	(1.4)	(0.5)	-167%	
Consolidated	472.4	497.4	-5%	6.4	5.4	17%	

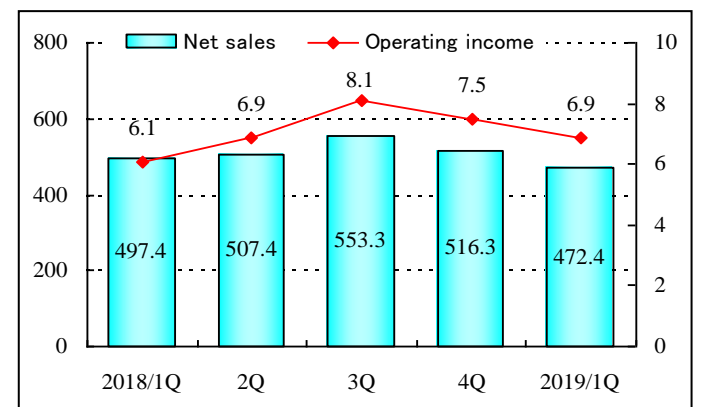
Topics	May. Decided to acquire 65% of the stocks of the SMC HA NOI ONE MEMBER CO., LTD. which is a coil service center in Vietnam.
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Financial Position	Jun. 2019	Mar. 2019	Comparison with Mar. 2019		Main Factors
			Change	rate	
Total assets	923.1	933.3	(10.1)	-1%	(Total Assets) Total assets decreased by 1% from the end of the previous year, due to decrease in trade receivables along with sales decline. Trade notes and accounts receivables 392.2 billion yen (-6% from the end of the previous period)
(Current assets)	719.1	724.9	(5.8)	-1%	
(Fixed assets)	203.9	208.3	(4.3)	-2%	(Liabilities) Total liabilities decreased by 1% from the end of the previous year, due to the decrease in trade payables. As interest-bearing debt increased by 5%, net debt-equity ratio was turned into 170% (*138%).
Total liabilities	721.2	730.8	(9.5)	-1%	
(Interest-bearing debt)	381.8	363.2	18.5	5%	(Net assets) Total net assets decreased by 0.3% from the end of the previous year, due to the appropriation of surplus for year-end dividend and decrease in net unrealized holding gains on securities. Meanwhile shareholders' equity ratio was 20.3%(*23.0%), which is 0.1 percentage points higher than the end of the previous year.
(Net interest-bearing debt)	318.3	303.9	14.4	5%	
Net DER	170%/138%*	161%/131%	9pt	5%	*Reflecting equity credit attributes of the subordinated loan
Total net assets	201.8	202.4	(0.6)	-0%	
(Equity capital)	182.0	180.9	1.1	1%	
(Valuation & translation adjustments)	5.3	7.2	(1.9)	-27%	
(Minority interests)	14.4	14.2	0.2	2%	
BPS (yen)	4,610.27	4,632.55	(22.28)	-0%	
Shareholders' equity	187.3	188.2	(0.8)	-0%	
Shareholders' equity ratio	20.3/23.0%*	20.2/22.8%*	0.1pt	—	

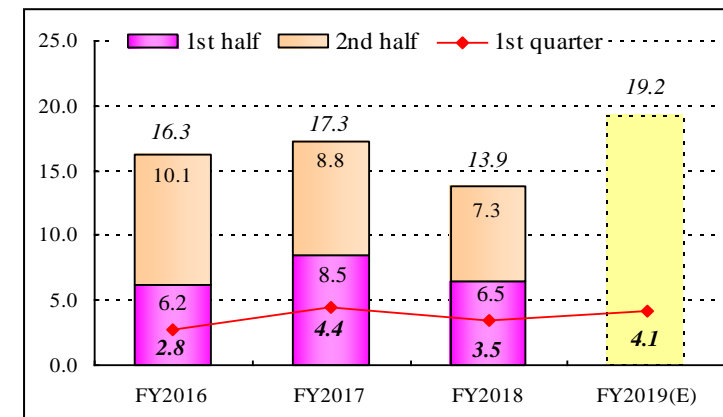
【Changes in Net Sales】



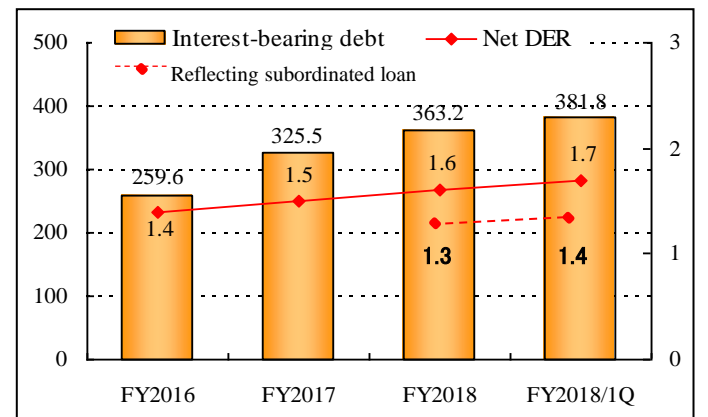
【Quarterly Operating Results】



【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%