

Highlights of Consolidated Financial Results for the 2nd 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 2nd Quarter of FY2019

- As for the interim result for this fiscal year, net sales have decreased by 6% in the same period of the previous year, hence reached to 946.0 billion yen, due to weak global market of metals and petroleum, as well as decline of volumes and sales in reporting segments.
- Regarding profit, operating profits have increased thanks to profit contributions from Petroleum & chemicals business, and also from Other business. However, ordinary income was 10.8 billion yen, decreased by 0.2%, mainly due to increase in interest payments and loss on investment in affiliates.
- We plan to pay 75 yen as the interim dividend, but the year-end dividend will be disclosed as soon as such forecast becomes available.

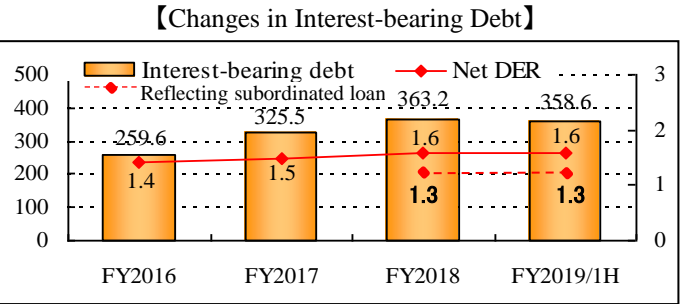
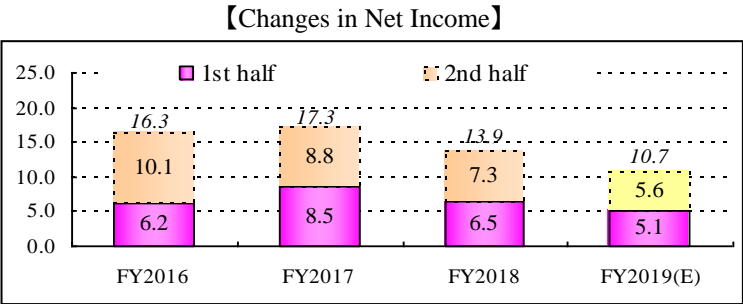
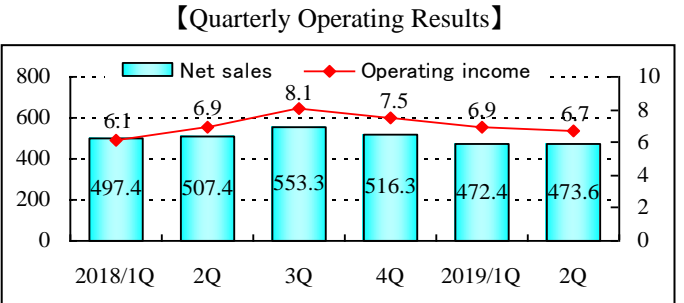
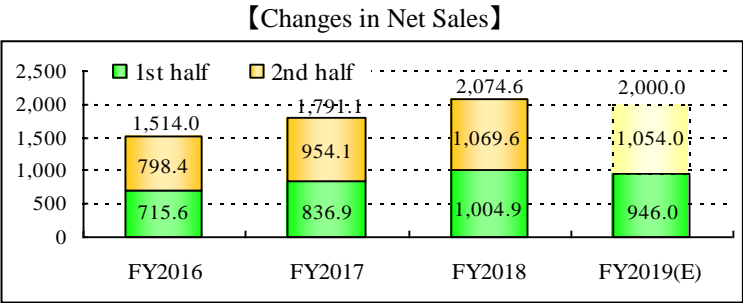
Operating Results	1Q-2Q of FY2019	1Q-2Q of FY2018	Year-on-year		Main Factors
			Change	rate	
Net sales	946.0	1,004.9	(58.9)	-6%	(Net sales) Net sales have decreased by 6% from the same period of the previous year. This was mainly due to weak global market of metals and petroleum, as well as decline of volumes and sales in reporting segments.
Gross profit	39.7	37.9	1.7	5%	
SG&A expenses	26.0	24.7	1.2	5%	(SG&A expenses) SG & A expenses have increased 1.2 billion yen from the same period of previous year. 0.6 out of 1.2 billion yen was accounted for newly consolidated subsidiaries.
Operating income	13.6	13.1	0.4	4%	
Non-operating income	2.9	3.1	(0.2)	-8%	Our personnel expenses have increased 0.7 billion yen, including 0.2 billion yen from newly consolidated subsidiaries.
Non-operating expenses	5.7	5.5	0.2	4%	
Ordinary income	10.8	10.8	(0.0)	-0%	(Non-operating income/expenses) Non-operating income have decreased 0.2 billion yen and non-operating expenses have increased 0.2 billion yen. The breakdown of the main causes is as follows. Dividends: increase of 0.3 billion yen(YoY) Interest income: decrease of 0.5 billion yen(YoY)
Extraordinary gain	0.9	0.4	0.5	—	Interest expenses: increase of 0.8 billion yen(YoY) Foreign exchange loss : decrease of 0.7 billion yen(YoY)
Extraordinary loss	3.9	1.3	2.6	—	
Income before income taxes and others	7.8	9.8	(2.0)	-21%	(Extraordinary gain/loss) Gain on sales of investment securities 0.7 billion yen : due to sales of securities Loss on devaluation of investments securities 3.7billion yen : mainly due to decline in listed stocks
Income taxes	2.9	3.5	(0.5)	-16%	
Net income	4.8	6.3	(1.4)	-24%	
Owners of the Company(loss)	5.1	6.5	(1.4)	-21%	
Non-controlling interests(loss)	(0.3)	(0.2)	(0.0)	39%	
EPS (yen)	126.91	161.53	(34.62)	-21%	
Comprehensive income	2.6	5.1	(2.4)	-47%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2019	1Q-2Q of FY2018	rate	1Q-2Q of FY2019	1Q-2Q of FY2018	rate	
Steel	494.7	492.9	0%	7.8	7.7	1%	(Steel business) Despite decrease in the sales volume, segment income increased due to revenue from large-scale property construction projects as well as high level of market price of steel products.
Primary Metal	123.0	155.8	-21%	1.3	0.0	—	
Metal Recycling	40.5	41.3	-2%	0.8	1.0	-18%	(Primary metals business) Despite the increase of loss on investment in affiliates especially in SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., segment income increased by the turnaround from foreign exchange losses in the same period of previous year to foreign exchange gains in this fiscal year.
Foods	52.3	52.7	-1%	0.5	1.0	-50%	(Metal recycling business) Segment income decreased due to decline of base metal prices in the same period of the previous year as well as decrease in the volume of both stainless and copper scrap.
Petroleum & chemicals	96.8	126.6	-23%	1.7	0.8	—	(Foods business) Segment income decreased due to shrinking margins of consolidated subsidiaries by stagnant market condition for shrimp and foreign exchange losses.
Overseas sales subsidiaries	131.6	150.6	-13%	0.0	0.6	-95%	(Petroleum & chemicals business) Despite decreased volume by weak market of petroleum products, segment income increased mainly due to the expansion of profit margins of bunker fuel oil and biomass fuels such as palm kernel shells(PKS).
Total for reportable segments	939.1	1,020.1	-8%	12.2	11.4	7%	(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	44.4	39.3	13%	0.9	0.4	—	
Total	983.5	1,059.4	-7%	13.2	11.8	11%	
Adjustment	(37.5)	(54.5)	31%	(2.4)	(1.0)	—	
Consolidated	946.0	1,004.9	-6%	10.8	10.8	-0%	

Topics	May	Decided to acquire 65% of the stocks of the SMC HA NOI ONE MEMBER CO., LTD. which is a steel service center in Vietnam.(By August 21, transaction was completed and changed name to HANWA SMC STEEL SERVICE HA NOI CO., LTD..)
	Aug	We have published our first integrated report to replace our Annual Report.

Financial Position	Sep. 2019	Mar. 2019	Comparison with Mar. 2019		Main Factors
			Change	rate	
Total assets	892.7	933.3	(40.5)	-4%	(Total Assets) Total assets decreased by 4% from the end of the previous year, due to decrease in trade receivables along with sales decline. Trade notes and accounts receivables 368.7 billion yen (-11% from the end of the previous period)
(Current assets)	691.3	724.9	(33.5)	-5%	
(Fixed assets)	201.3	208.3	(6.9)	-3%	(Liabilities) Total liabilities decreased by 5% from the end of the previous year, due to the decrease in trade payables. As interest-bearing debt decreased by 1%, net debt-equity ratio was turned into 160% (*130%).
Total liabilities	690.9	730.8	(39.9)	-5%	
(Interest-bearing debt)	358.6	363.2	(4.6)	-1%	(Net assets) Total net assets decreased by 0.3% from the end of the previous year, mainly due to decrease in accumulated other comprehensive income including foreign currency translation adjustments. Meanwhile shareholders' equity ratio was 21.0%(*23.8%), which is 0.9 percentage points higher than the end of the previous year.
(Net interest-bearing debt)	299.5	303.9	(4.4)	-1%	
Net DER	160%/130%*	161%/131%*	-1pt	-1%	*Reflecting equity credit attributes of the subordinated loan
Total net assets	201.8	202.4	(0.6)	-0%	
(Equity capital)	183.2	180.9	2.2	1%	
(Valuation & translation adjustments)	4.4	7.2	(2.8)	-39%	
(Minority interests)	14.1	14.2	(0.0)	-1%	
BPS (yen)	4,618.28	4,632.55	(14.27)	-0%	
Shareholders' equity	187.6	188.2	(0.5)	-0%	
Shareholders' equity ratio	21.0/23.8%*	20.2/22.8%*	0.9pt	—	

Cash Flow	1Q-2Q of FY2019	1Q-2Q of FY2018	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	14.3	(39.2)	53.6	—	(Operating cash flows) Due to increase in Deposits received and a smaller increase in working capital.
Cash flows from investing activities	(5.0)	(7.3)	2.2	-31%	
Cash flows from financing activities	(10.6)	48.4	(59.1)	—	(Investment cash flows) Due to purchase of investment securities and tangible fixed assets.
Cash and cash equivalents at end of period	59.1	37.6	21.4	57%	(Financial cash flows) Due mainly to the redemption of bonds.



Forecast (Annual)	FY2019		FY2018	change	Cash Dividends	FY2018	FY2019	FY2019 (estimated)
	Previous	Revised						
Net sales	2,200.0	2,000.0	2,074.6	-4%	Interim (yen)	75.00	75.00	—
Operating income	35.5	31.0	28.9	7%	Year-end (yen)	75.00	—	To be determined
Ordinary income	28.0	18.5	23.3	-21%	Annual (yen)	150.00	—	—
Net income attributable to owners of parent	19.2	10.7	13.9	-23%	Dividend payout ratio	44%	—	To be determined