Financial Results for the Second Quarter ended September 30, 2019

(Japanese GAAP)

November 11, 2019

HANWA Co.,Ltd. Company name: Listed stock exchange: Tokyo 8078 Stock exchange code: (URL http://www.hanwa.co.jp)

Representative: Hironari Furukawa President

Yoichi Nakagawa Director, Senior Managing Executive Officer Phone +81-3-3544-2000 Enquiries:

Scheduled date of issue of audited financial statements: November 11, 2019

Scheduled date of payout of dividend: December 2, 2019

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Second Quarter ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated opera	ating results	()	(Percentage indicate a change from the previous year)						
	Net sales		Operating inco	me	Ordinary inco	me	Profit attributable to owners of the Company		
For the 2nd Quarter	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	
ended September 30, 2019	946,024	(5.9)	13,618	3.6	10,814	(0.2)	5,157	(21.4)	
ended September 30, 2018	1,004,927	20.1	13,147	14.7	10,839	(17.3)	6,564	(23.2)	
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Note: Comprehensive income For the Fiscal Year ended September 30, 2019 2,692 million yen (48.5) % For the Fiscal Year ended September 30, 2018 5,100 million yen (53.5) %

	Net income per share	Net income per share(diluted)
For the 2nd Quarter	(yen)	(yen)
ended September 30, 2019	126.91	_
ended September 30, 2018	161.53	_

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of September 30, 2019	892,732	201,800	21.0	4,618.28
As of March 31, 2019	933,307	202,459	20.2	4,632.55

As of September 30, 2019 187,677 million yen Note: Shareholders' equity As of March 31, 2019 188,245 million yen

2. Cash dividends

	Cash dividends per share									
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual					
	(yen)	(yen)	(yen)	(yen)	(yen)					
Year ended March 31, 2019	_	75.00	_	75.00	150.00					
Year ended March 31, 2020	_	75.00								
Year ending March 31, 2020			_							
(estimated)										

For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results and Dividend for FY2019" announced on November 11, 2019.

3. Forecast of consolidated financial results for fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(Percentage indicate a change from the previous year)

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	Net sales	Operating income	Ordinary income	Profit attributable to	Net income
	1100 30103	Operating moonic	Ordinary income	owners of the Company	per share
	(Millions of yen) (%)	(yen)			
Annual	2,000,000 (3.6)	31,000 7.3	18,500 (20.9)	10,700 (23.1)	263.32

For more information, please refer to "Notice Concerning Amendments to Forecasts of consolidated financial results and Dividend for FY2019" announced on November 11, 2019.

^{*} The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to a various risks and uncertainties that could cause actual results to differ materially from this information.

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

Millions of yen

	Millions of yen				
	March 31, 2019	September 30, 2019			
Assets					
Current assets;	E0 207	E0 140			
Cash and deposits Trade notes and accounts receivable	59,307 416,394	59,148 368,742			
Electronically recorded monetary claims	36,637	40,875			
Securities	1,190	1,157			
Inventories	140,633	143,219			
Other	71,328	78,723			
Allowance for doubtful receivables	(504)	(475)			
Total current assets	724,987	691,390			
Investments and noncurrent receivables;					
Investment securities	101,900	92,647			
Other	33,853	30,561			
Allowance for doubtful receivables	(1,327)	(1,414)			
Total investments and other assets	134,426	121,794			
Duran substrated a professional to					
Property and equipment; Land	33,864	34,128			
Other	34,997	39,736			
Total property and equipment	68,862	73,865			
Other assets Intangible assets	5,031	5,682			
Total other assets	5,031	5,682			
Total	933,307	892,732			
	,				
11.199					
Liabilities and Net Assets					
Current liabilities; Short-term loans payable	92,851	103,898			
Current portion of bonds payable	10,021	103,898			
Trade notes and accounts payable	280,858	219,641			
Electronically recorded obligations	4,964	17,862			
Accrued bonuses	2,647	2,699			
Provision for product warranties	253	150			
Income taxes payable	3,486	3,085			
Other	59,833	73,503			
Total current liabilities	454,916	430,862			
Noncurrent liabilities:					
Long-term loans payable	208,936	203,367			
Bonds payable	50,034	40,024			
Retirement benefits liabilities	5,950	5,951			
Other	11,010	10,726			
Total noncurrent liabilities	275,931	260,069			
Makanaka					
Net assets Shareholders' equity;					
Common stock	45,651	45,651			
Retained earnings	139,036	141,277			
Treasury stock	(3,737)	(3,727)			
Total shareholders' equity	180,949	183,200			
	,	,			
Accumulated other comprehensive income;	10.000	40.000			
Valuation difference on available—for—sale securities, net of taxes	10,800	10,282			
Deferred gains or losses on hedges, net of taxes	61	(548) 2 277			
Land revaluation difference, net of taxes Foreign currency translation adjustments	3,343 (1,435)	3,277 (3,407)			
Remeasurements of defined benefit plans	(5,473)	(3,40 <i>7)</i> (5,127)			
Total accumulated other comprehensive income	7,295	4,476			
Non-controlling interests	14,214	14,123			
Total net assets	202,459	201,800			
Total	933,307	892,732			

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	Millions of yen				
	2nd Quarter ended	2nd Quarter ended			
	September 30, 2018	September 30, 2019			
Net sales	1,004,927	946,024			
Cost of sales	966,984	906,316			
Gross profit	37,942	39,707			
Selling, general and administrative expenses	24,795	26,089			
Operating income	13,147	13,618			
Other income;					
Interest income	1,635	1,051			
Dividend income	863	1,181			
Other	694	710			
Total other income	3,193	2,944			
Other expenses;	3,193	۷,377			
Interest expense	2,067	2,880			
Share of loss of entities accounted for using equity method	172	551			
Foreign exchange loss	2,418	1,619			
Other	842	697			
Total other expenses	5,501	5,748			
Ordinary income	10,839	10,814			
-	,	,			
Extraordinary income;					
Gain on sales of property and equipment	410	201			
Gain on sales of investment securities		780			
Total extraordinary income	410	981			
Extraordinary loss;	100				
Loss on sale of property and equipment	182				
Loss on impairment of property and equipment		163			
Loss on natural disaster	166				
Loss on valuation of investment securities	1,011	3,718			
Provision of allowance for doubtful accounts of affiliates		101			
Total extraordinary loss	1,360	3,983			
Income before income taxes	9,890	7,812			
Income taxes	3,553 6,336	2,971 4,840			
Net income	0,330	4,040			
Net income attributable to Owners of the parent	6,564	5,157			
		(317)			
non-controlling interests	(227)	(317)			
Other Comprehensive Income	0.055	/E1E\			
Valuation difference on available—for—sale securities, net of taxes	2,855	(515)			
Deferred gains or losses on hedges, net of taxes	887	(609)			
Land revaluation difference	(671)	(66)			
Foreign currency translation adjustment		(803)			
Remeasurements of defined benefit plans, net of taxes	360	357			
Share of other comprehensive income of entities accounted for using equity method	(4,668)	(577)			
Total other comprehensive income	(1,236)	(2,214)			
Comprehensive Income	5,100	2,625			
Comprehensive income attributable to;					
Owners of the parent	7,127	3,017			
non-controlling interests	(2,027)	(391)			
	_, 3 _ . ,	(301)			

《Consolidated Statements of Cash Flows》

(Amounts less than one million yen are rounded down)

Millions of yen

Ceah Income before income taxes 3,890 7,812 Depreciation and amortization 2,324 2,500 Amortization of goodwill 425 2,550 Interest and dividend income (2,498) (2,838) Interest and dividend income (2,498) (2,283) Interest expense 2,067 2,880 Share of lossidynoft of entities accounted for using equity method 172 551 Gain on sale of property and equipment (410) (201) Loss on inspannent of property and equipment 162 183 Loss on inspannent of property and equipment 161 171 Loss on inspannent of property and equipment 161 171 Loss on inspannent of property and equipment 161 171 Loss on inspannent of property and equipment 161 171 Loss on inspannent of property and equipment 161 111 Loss on inspannent of property and equipment 111 111 Loss on inspannent of property and equipment 111 113 Loss on inspannent of property and equipment 111 113		2nd Quarter ended September 30, 2018	2nd Quarter ended September 30, 2019
Income before income taxes	Cash flows from operating activities:		
Amortization of goodwill 1425 265 168 31 1617		9,890	7,812
Increase (decrease) in allowance for doubtful receivables Interest and dividend incomes (2,488) (2,233) Interest expense (2,067 2,880 (2,233) Interest expense (2,067 2,880 (2,233) Interest expense (3,100 (2,010) (2	Depreciation and amortization	2,324	2,500
Interest and dividend income (2,498) (2,238) Interest syenses 2,097 2,880 Share of loss(profit) of entities accounted for using equity method 172 551 (201) (201	Amortization of goodwill	425	265
Interest expense	Increase(decrease) in allowance for doubtful receivables	186	31
Share of loss(profit) of entities accounted for using equity method 172 551 Gain on sales of investment securities — (780) Loss on sing of property and equipment — 182 — Loss on impairment of property and equipment — 166 — Loss on impairment of property and equipment — 166 — Loss on valuation of investments securities 1,011 3,718 — 101 (Increase) decrease in interport obustiful accounts of affiliates — 101 (Increase) decrease in trade receivables 1,347 5,420 (Increase) decrease in interport obustiful accounts payable 1,341 (53,402) Increase (decrease) in decrease in decrease and accounts payable 1,1341 (53,402) Increase (decrease) in increase (decrease) in advance payments (711,33) (8,219) Increase (decrease) in retirement benefits 494 496 494 496 494 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141 11,141	Interest and dividend income	(2,498)	(2,233)
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Effect of exchange rate changes on cash and cash equivalents418(303)Net increase(decrease) in cash and cash equivalents2,239(1,711)Cash and cash equivalents at beginning of year34,85558,384Increase in cash and cash equivalents from newly consolidated subsidiaries5762,460Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries25—	Other, net	(98)	(150)
Net increase(decrease) in cash and cash equivalents2,239(1,711)Cash and cash equivalents at beginning of year34,85558,384Increase in cash and cash equivalents from newly consolidated subsidiaries5762,460Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries25—	Net cash provided by (used in) financing activities	48,457	(10,661)
Net increase(decrease) in cash and cash equivalents2,239(1,711)Cash and cash equivalents at beginning of year34,85558,384Increase in cash and cash equivalents from newly consolidated subsidiaries5762,460Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries25—	Effect of exchange rate changes on cash and cash equivalents	418	(303)
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Increase in cash and cash equivalents from newly consolidated subsidiaries5762,460Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries25—			
Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries 25 —			
		25	<u> </u>
	Cash and cash equivalents at end of period	37,696	59,133

《Segment information》

Segment information by business category for the 2nd Quarter ended September 30, 2018 and 2019, is as follows:

(Amounts less than one million yen are rounded down)

2nd Quarter ended September 30, 2018 Millions of yen											
			Repo	rtable se	gment						
	Steel	Primary Metal	Metal Recycling	Foods	Petroleum & chemicals	calec	Sub- total	Other	Total	Adjustment	Consoli- dated
Net sales											
Customers	487,763	151,560	38,041	51,969	120,574	116,868	966,779	38,148	1,004,927	_	1,004,927
Inter-segment	5,180	4,317	3,327	746	6,050	33,775	53,399	1,158	54,558	(54,558)	_
Total	492,943	155,878	41,369	52,716	126,625	150,644	1,020,178	39,307	1,059,485	(54,558)	1,004,927
Segment income(loss)	7,766	96	1,031	1,020	850	673	11,439	451	11,890	(1,050)	10,839

2nd Quarter ended September 30, 2019 Millions of yen											
			Repo	rtable seg	ment						
	Steel	Primary Metal	Metal Recycling	Foods	Petroleum & chemicals	sales	Sub- total	Other	Total	Adjustment	Consoli- dated
Net sales											
Customers	489,225	120,846	39,973	51,481	94,036	107,533	903,097	42,927	946,024	_	946,024
Inter-segment	5,502	2,207	579	821	2,841	24,131	36,082	1,487	37,570	(37,570)	—
Total	494,727	123,054	40,552	52,302	96,877	131,665	939,179	44,415	983,595	(37,570)	946,024
Segment income(loss)	7,838	1,343	848	510	1,703	33	12,278	978	13,256	(2,442)	10,814

Notes

- 1. "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
- 2. Adjustments for segment income include inter-segment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
- 3. Segment income or loss is adjusted between ordinary income on the consolidated statements of income and comprehensive income.
- 4. Since the 1st Quarter of the fiscal year, following the organizational change on April 1, 2019, Company reviewed the classification method for business segments and changed the reportable segments from "Metals & alloys" and "Non-ferrous metals" to "Primary Metal" and "Metal Recycling".

Segment information for the 2nd Quarter of the previous fiscal year has been recomposed by the new classification method.

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

HANWA Co., Ltd.

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 Popults	1Q-2Q	1Q)-2Q	Year-or	ı-year		Main Factors	· ·	Fixed assets)
Operating Results	of FY2019	of F	Y2018	Change	rate		Main Factors		iabilities
Net sales	946.0) 1	,004.9	(58.9)	-6%				t-bearing debt) est-bearing debt)
Gross profit	39.	7 	37.9	1.7	5%		sales have decreased by 6% from the same period of the ious year. This was mainly due to weak global market of		et DER
SG&A expenses	26.0		24.7	1.2	5%		ls and petroleum, as well as decline of volumes and sales in rting segments.	Total n	net assets
Operating income	13.0	6	13.1	0.4	4%	(SG&A	A expenses)		uity capital) luation & translation
Non-operating income	2.9	9	3.1	(0.2)	-8%	perio	A expenses have increased 1.2 billion yen from the same of of previous year. 0.6 out of 1.2 billion yen was		adjustments) ity interests)
Non-operating expenses	5.′	7	5.5	0.2	4%	Our	unted for newly consolidated subsidiaries. personnel expenses have increased 0.7 billion yen,		PS (yen) olders' equity
Ordinary income	10.3	3	10.8	(0.0)	-0%		ding 0.2 billion yen from newly consolidated subsidiaries. operating income/expenses)		ders' equity ratio
Extraordinary gain	0.9	7	0.4	0.5	_		operating income have decreased 0.2 billion yen and non- ating expenses have increased 0.2 billion yen. The	Ca	ash Flow
Extraordinary loss	3.9	9	1.3	2.6	_	breal	kdown of the main causes is as follows. ridends: increase of 0.3 billion yen(YoY)	Cash flow	vs from operatin
Income before income taxes and others	7.8	3	9.8	(2.0)	-21%		erest income: decrease of 0.5 billion yen(YoY)	activities	•
Income taxes	2.9	9	3.5	(0.5)	-16%		erest expenses: increase of 0.8 billion yen(YoY) eign exchange loss: decrease of 0.7 billion yen(YoY)	activities	vs from financin
Net income	4.8	3	6.3	(1.4)	-24%			activities Cash and	cash equivalent
Owners of the Company(loss)	5		6.5	(1.4)		Gain	(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		period
Non-controlling interests(loss) EPS (yen)	126.9		(0.2) 161.53	(0.0)	39% -21%	-			
Comprehensive	2.0		5.1	(2.4)	-47%	main			■ 1st half
income				1		<u> </u>		2,500	
Segment Information	1Q-2Q of	let sales 1Q-2Q of	rate	1Q-2Q of	nent incom	rate	Main Factors	1,500	798.4
	FY2019	FY2018	1410	FY2019	FY2018	7400	(Cont. Incino)	500	715.6
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	0 -	FY2016
Primary Metal	123.0	155.8	-21%	1.3	0.0	_	level of market price of steel products. (Primary metals business)		
Metal Recycling	40.5	41.3	-2%	0.8	1.0	-18%		25.0	- 🔲 1st
Foods	52.3	52.7	-1%	0.5	1.0	-50%	income increased by the turnaround from foreign exchange losses in the same period of previous year to foreign exchange gains in this fiscal year.	20.0	16.3
Petroleum & chemicals	96.8	126.6	-23%	1.7	0.8	_	(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	15.0	10.1
Overseas sales subsidiaries	131.6	150.6	-13%	0.0	0.6	-95%	stainless and copper scrap. (Foods business)	5.0	6.2
Total for reportable segments	939.1	1,020.1	-8%	12.2	11.4	7%	Segment income decreased due to shrinking margins of consolidated subsidiaries by stagnant market condition for shrimp and foreign	J.0	FY2016
Other	44.4	39.3	13%	0.9	0.4		exchange losses. (Petroleum & chemicals business) Despite decreased volume by weak market of petroleum products,		orecast
Total	983.5	1,059.4	-7%	13.2	11.8	11%	segment income increased mainly due to the expansion of profit margins of bunker fuel oil and biomass fuels such as palm kernel shells(PKS).	(<i>F</i>	Annual)
Adjustment	(37.5)	(54.5)	31%	(2.4)	(1.0)		(Overseas sales subsidiaries) Segment income decreased due to price downturn in metal and nonferrous	Net sale	es
Consolidated	946.0	1,004.9	-6%	10.8	10.8	-0%	metal and volume decrease, mainly in the U.S.and ASEAN region.	Operati	ng income
Topics	Vietr	nam.(By Au	gust 21, trai	nsaction was co	mpleted and	changed na	EMBER CO., LTD. which is a steel service center in ame to HANWA SMC STEEL SERVICE HA NOI CO., LTD)		ry income ne attributable
•	'Aug We h	ave publish	ed our first	integrated repo	rt to replace o	our Annual	Report.		s of parent

					(Unit: billion yen, rounded down to 0.1 billions of yen
Financial Position	Sep. 2019	Mar. 2019	Comparison with Change	rate	Main Factors
Total assets	892.7	933.3	(40.5)	-4%	(Total Assets)
(Current assets)	691.3	724.9	(33.5)	-5%	Total assets decreased by 4% from the end of the previous year, due to decrease in trade receivables along with sales decline.
(Fixed assets)	201.3	208.3	(6.9)	-3%	Trade notes and accounts receivables 368.7 billion yen (-11% from
Total liabilities	690.9	730.8	(39.9)	-5%	the end of the previous period)
(Interest-bearing debt) (Net interest-bearing debt) Net DER	358.6 299.5 160%/130*%	363.2 303.9 161%/131*	(4.6) (4.4) -1pt	-1% -1% -1%	(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%
Total net assets	201.8	202.4	(0.6)	-0%	(*130%).
(Equity capital) (Valuation & translation adjustments)	183.2 4.4	180.9 7.2	2.2 (2.8)	1% -39%	(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
(Minority interests) BPS (yen)	14.1 4,618.28	14.2 4,632.55	(0.0) (14.27)	-1% -0%	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.
Shareholders' equity Shareholders' equity ratio	187.6 21.0/23.8*%	188.2 20.2/22.8*%	(0.5) 0.9pt	-0%	*Reflecting equity credit attributes of the subordinated loan
Cash Flow	1Q-2Q of FY2019	1Q-2Q of FY2018	Year-or Change	rate	Main Factors
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
Cash flows from investing activities Cash flows from financing	(5.0)			-31%	working capital. (Investment cash flows) Due to purchase of investment securities and tangible fixed assets.
activities Cash and cash equivalents	(10.6)	48.4	` ′		(Financial cash flows)

(Japan GAAP)

[Changes in Net Sales] 2,000.0 2,500 2,000 -----1,791:1-----1,514.0 1,500 1,054.0 798.4 1,000 500 715.6 946.0 FY2017 FY2016 FY2018 FY2019(E)

59.1

37.6

600 400 200 2018/1Q 2Q 3Q [Changes in Net Income] [Changes in Interest-bearing Debt]

21.4

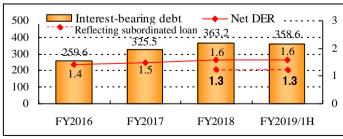
25.0	■ 1s	t half	2nd half	
20.0 15.0 10.0	16.3 10.1	17.3 8.8	7.3	10.7
5.0	6.2	8.5	6.5	5.6
	FY2016	FY2017	FY2018	FY2019(E)

Forecast	FY2019		FY2018	
(Annual)	Previous	Revised	1 1 2018	change
Net sales	2,200.0	2,000.0	2,074.6	-4%
Operating income	35.5	31.0	28.9	7%
Ordinary income	28.0	18.5	23.3	-21%
Net income attributable to owners of parent	19.2	10.7	13.9	-23%



[Quarterly Operating Results]

Due mainly to the redemption of bonds.



Cash Dividends	FY2018	FY2019	(estimated)
Interim (yen)	75.00	75.00	_
Year-end (yen)	75.00	_	To be determined
Annual (yen)	150.00	_	_
Dividend payout ratio	44%		To be determined