

Date: February 12, 2020

### The Progress of Medium-term Business Plan

#### (1) Performance

Planned Period			FY2016—FY2019					
			FY2016	FY2017	FY2018		FY2019	
							(Actual)	(Actual)
			(Actual)	(Actual)	(Actual)	(Forecast)	(Actual)	(Progress rate)
Quantitative Objectives	Net Sales (bn)		1,514.0	1,791.1	2,074.6	2,000.0	1,423.2	71.2%
	Ordinary income (bn)	① STEADY	19.1	20.1	18.8	20.0	14.7	73.7%
		② SPEEDY	3.1	5.8	4.3	5.0	2.5	50.3%
		Sub total	22.2	26.0	23.2	25.0	17.2	69.0%
		③ STRATEGIC	0.7	(0.6)	0.0	(6.5)	(2.7)	-
		Adjustment	0.0	0.0	0.0	-	0.0	-
		Total	22.9	25.5	23.3	18.5	14.5	78.6%
New customers (In total)			697	601	725	677	533	78.7%
			(697)	(1,298)	(2,023)	(2,700)	(2,556)	(94.7%)
Investment Amount (bn) (In total)			11.2	29.1	17.0		4.2	
			(11.2)	(40.3)	(57.3)	(50.0)	(61.5)	(123.0%)

※Target for FY2020 will be presented as soon as the next Medium-term Business plan (FY2020—FY2022) is announced.

※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

Progress rate of HANWA group business consisting of “STEADY” and “SPEEDY” was 69.0% against ordinary income forecast for the fiscal year. Meanwhile, “STRATEGIC” (natural resources investments) posted a loss of 2.7 billion yen (forecast for the fiscal year is estimated to be a loss of 6.5 billion yen). The situation of our “3S” so far is as follows.

① STEADY...Although total transaction volume has decreased under weak demand in each business area, business has progressed generally as planned due to the shift to highly profitable products and transactions, such as Petroleum & chemicals business and Lumber business in Other business segment.

② SPEEDY...Profit margin of domestic group companies including “SOKOKA (quick delivery, small lot, processing)” businesses have declined due to sluggish steel demand. Transaction volume of steel and non-ferrous metals in overseas sales subsidiaries has also decreased mainly due to influence of trade frictions between U.S. and China. As a result, progress was less than standard progress rate (75%).

③ STRATEGIC...Equity in losses of affiliates from SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. (hereinafter SAMANCOR) has expanded and we expect a loss of 6.5 billion yen, including depreciation and amortization like mining rights, for the fiscal year.

Business environment surrounding SAMANCOR and other ferrochrome producers continues to be challenging,

including decline in market price, due to worldwide weak demand for stainless steel mainly caused by the influence of trade frictions between U.S. and China, and excessive supplies from Chinese producers. Meanwhile, in South Africa, where SAMANCOR is located, cost of electric power continues to soar due to financial difficulties faced by ESKOM, a state-owned electric power company. In addition, planned power outages and demands for reductions in electricity consumption by ESKOM pushed up SAMANCOR's production costs. As a result, SAMANCOR's marginal profits from the production and sale of ferrochrome have declined significantly, which has led to a deterioration in profitability and negative free cash flow.

Under these circumstances, SAMANCOR has notified labor unions of its personnel reduction plan, and has also requested relevant authorities to provide political support for issues of electric power and mineral resources. We are also repeatedly engaged in discussions with several Chinese companies that are substantial controlling shareholders of SAMANCOR, and we are also working together with them to reduce SAMANCOR's production costs, including improvements of refining processes of ferrochrome.

However, although results of the above efforts gradually appear, we anticipate that it will take a certain amount of time to recover SAMANCOR's performance, including improvements in external environment, thus we are currently carefully reviewing SAMANCOR's business plans and the value of our interests in SAMANCOR. We will promptly announce any relevant facts if there are any significant effects to our forecasts of consolidated financial results for FY2019.

(Note) The numbers of quantitative objectives mentioned above were made based on the obtainable information as of February 12, 2020. 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.

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