

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2019

(Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the 3rd Quarter of FY2019

- As for the 3rd quarter result for this fiscal year, net sales have decreased by 9% in the same period of the previous year, hence reached to 1,423.2 billion yen, due to weak global market of nonferrous metals, ferroalloy products and petroleum, as well as decline of volumes and sales in reporting segments. Operating profit declined 4% year on year, to 20.4 billion yen chiefly because profits decreased in the Steel business and Metals & Alloys business, and ordinary income stood at 14.5 billion yen, down 22% from the same period of the previous year mainly due to decrease in interest income and increase of loss on investment in affiliates.
- We paid 75 yen as the interim dividend and plan to pay additional 25 yen as the year-end dividend.

Operating Results	1Q-3Q of FY2019	1Q-3Q of FY2018	Year-on-year		Main Factors
			Change	rate	
Net sales	1,423.2	1,558.2	(134.9)	-9%	(Net sales) Net sales have decreased by 9% from the same period of the previous year. This was mainly due to weak global market of nonferrous metals, ferroalloy products and petroleum, as well as decline of volumes and sales in reporting segments.
Gross profit	59.8	58.9	0.9	2%	
SG&A expenses	39.4	37.5	1.8	5%	
Operating income	20.4	21.3	(0.9)	-4%	(SG&A expenses) SG & A expenses have increased 1.8 billion yen from the same period of previous year. 1.0 out of 1.8 billion yen was accounted for newly consolidated subsidiaries.
Non-operating income	4.2	5.3	(1.1)	-21%	Our personnel expenses have increased 0.9 billion yen, including 0.3 billion yen from newly consolidated subsidiaries.
Non-operating expenses	10.0	7.9	2.1	27%	(Non-operating income/expenses) Non-operating income has decreased 1.1 billion yen and Non-operating expenses have increased 2.1 billion yen. The breakdown of the main causes is as follows. Dividends: increase of 0.3 billion yen(YoY) Interest income: decrease of 1.5 billion yen(YoY)
Ordinary income	14.5	18.7	(4.2)	-22%	Loss on investment in affiliates: increase of 2.0 billion yen(YoY)
Extraordinary gain	1.0	0.4	0.6	146%	
Extraordinary loss	0.8	2.0	(1.2)	-58%	(Extraordinary gain/loss) Gain on sales of investment securities 0.8 billion yen : due to sales of listed stocks Gain on sales of fixed assets 0.2 billion yen : due to sales of real estate held by consolidated subsidiaries Loss on devaluation of investments securities 0.4billion yen : mainly due to decline in listed stocks
Income before income taxes and others	14.6	17.0	(2.3)	-14%	
Income taxes	5.8	6.0	(0.1)	-2%	
Net income	8.8	11.0	(2.2)	-20%	
Owners of the Company(loss)	9.9	11.3	(1.4)	-12%	
Non-controlling interests(loss)	(1.1)	(0.2)	(0.8)	335%	
EPS (yen)	244.34	278.86	(34.52)	-12%	
Comprehensive income	6.7	1.7	5.0	296%	

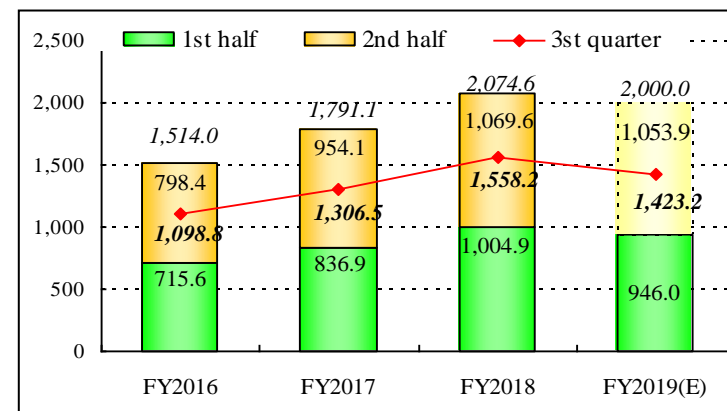
Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2019	1Q-3Q of FY2018	rate	1Q-3Q of FY2019	1Q-3Q of FY2018	rate	
Steel	740.6	766.1	-3%	11.2	11.9	-6%	(Steel business) Both net sales and volumes declined due to sluggish demand, and segment income decreased mainly due to declining profit margins at domestic subsidiaries in sluggish domestic steel market.
Primary Metal	191.7	235.7	-19%	(0)	3.8	-101%	(Primary metals business) Segment income decreased mainly due to decrease in interest income and the increase of loss on investment in affiliates especially in SAMANCOR CHROME HOLDINGS PROPRIETARY LTD..
Metal Recycling	59.5	61.6	-3%	1.5	1.7	-13%	(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 aluminum and stainless scrap.
Foods	80.0	80.3	-0%	0.8	1.5	-41%	(Foods business) Segment income decreased reflecting stagnant market condition for marine products, shrinking margins of newly consolidated subsidiary Maruhon Honma Suisan Co.,Ltd. and a decrease in foreign exchange gains.
Petroleum & chemicals	151.4	191.0	-21%	2.8	1.6	74%	(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).
Overseas sales subsidiaries	191.5	241.1	-21%	0.4	0.9	-54%	(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.
Total for reportable segments	1,414.9	1,575.9	-10%	16.8	21.5	-22%	
Other	65.0	60.8	7%	1.2	0.5	154%	
Total	1,480.0	1,636.8	-10%	18.1	22.0	-18%	
Adjustment	(56.7)	(78.5)	-28%	(3.6)	(3.3)	9%	
Consolidated	1,423.2	1,558.2	-9%	14.5	18.7	-22%	

Topics	<ul style="list-style-type: none"> Aug. Acquired 65% of the stocks of the SMC HA NOI ONE MEMBER CO.,LTD.(and changed name to HANWA SMC STEEL SERVICE HA NOI CO., LTD.) We have published our first integrated report to replace our Annual Report. Nov. Start full-scale operation of the comprehensive steel processing center with Daming International Holdings in China.
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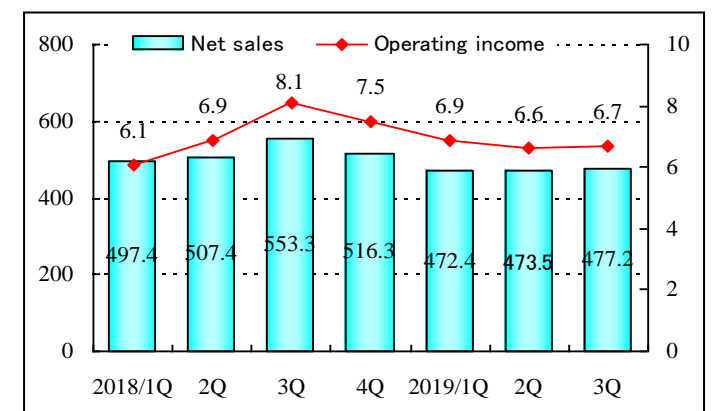
(Unit: billion yen, rounded down to 0.1 billions of yen)

Financial Position	Dec. 2019	Mar. 2019	Comparison with Mar. 2019		Main Factors
			Change	rate	
Total assets	897.4	933.3	(35.8)	-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 365.0 billion yen (-12% from the end of the previous period).
(Current assets)	693.8	724.9	(31.1)	-4%	
(Fixed assets)	203.5	208.3	(4.7)	-2%	
Total liabilities	694.6	730.8	(36.2)	-5%	(Liabilities) Total liabilities decreased by 5% from the end of the previous year, due to the decrease in trade payables. As interest-bearing debt increased by 0.2%, net debt-equity ratio was turned into 163% (*132%).
(Interest-bearing debt)	364.1	363.2	0.8	0%	
(Net interest-bearing debt)	310.1	303.9	6.2	2%	
Net DER	163%/132%*	161%/131%*	2.0pt	1%	(Net assets) Total net assets increased by 0.2% from the end of the previous year, due to the carryover of retained earnings, the appropriation of surplus for year-end dividend and decrease of foreign currency translation adjustments. Meanwhile shareholders' equity ratio was 21.2%(*24.0%), which is 1.0 percentage point higher than the end of the previous year. *Reflecting equity credit attributes of the subordinated loan
Total net assets	202.8	202.4	0.4	0%	
(Equity capital)	184.9	180.9	4.0	2%	
(Valuation & translation adjustments)	5.3	7.2	(1.9)	-27%	
(Minority interests)	12.5	14.2	(1.6)	-12%	
BPS (yen)	4,682.83	4,632.55	50.28	1%	
Shareholders' equity	190.3	188.2	2.0	1%	
Shareholders' equity ratio	21.2/24.0%*	20.2/22.8%*	1.0pt	5%	

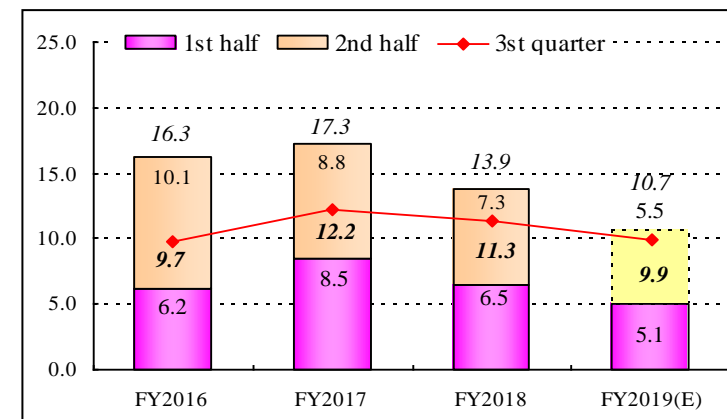
【Changes in Net Sales】



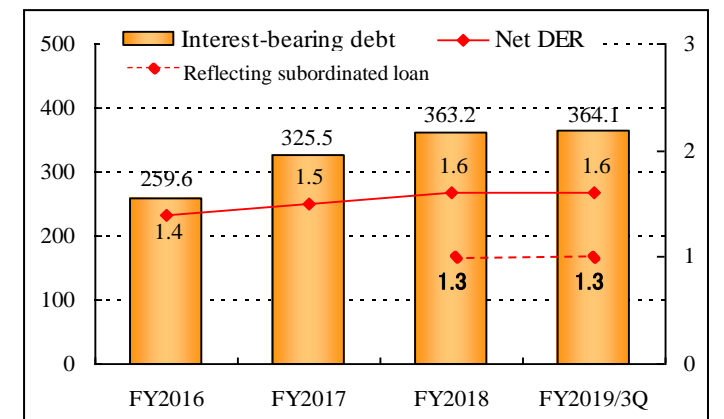
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2019	FY2018		Cash Dividends	FY2018	FY2019	FY2019 (estimated)
			change				
Net sales	2,000.0	2,074.6	-4%	Interim (yen)	75.00	75.00	—
Operating income	31.0	28.9	7%	Year-end (yen)	75.00	—	25.00
Ordinary income	18.5	23.3	-21%	Annual (yen)	150.00	—	100.00
Net income attributable to owners of parent	10.7	13.9	-23%	Dividend payout ratio	44%	—	38%