

# Financial Results for the Third Quarter ended December 31, 2019

(Japanese GAAP)

February 12, 2020

Company name: **HANWA Co.,Ltd.**

Listed stock exchange: Tokyo

Stock exchange code: 8078

(URL <http://www.hanwa.co.jp>)

Representative: Hironari Furukawa President

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

Scheduled date of issue of audited financial statements: February 12, 2020

Scheduled date of payout of dividend: —

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the Third Quarter ended December 31, 2019 (April 1, 2019 to December 31, 2019)

### (1) Consolidated operating results

(Percentage indicate a change from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the 3rd Quarter ended December 31, 2019	1,423,294	(8.7)	20,417	(4.3)	14,544	(22.4)	9,929	(12.4)
ended December 31, 2018	1,558,271	19.3	21,334	13.5	18,746	3.4	11,331	(7.5)

Note: Comprehensive income For the Fiscal Year ended December 31, 2019 6,797 million yen 295.5 %  
For the Fiscal Year ended December 31, 2018 1,718 million yen (89.3) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 3rd Quarter ended December 31, 2019	244.34	—
ended December 31, 2018	278.86	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of December 31, 2019	897,468	202,868	21.2	4,682.83
As of March 31, 2019	933,307	202,459	20.2	4,632.55

Note: Shareholders' equity As of December 31, 2019 190,300 million yen  
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 ending March 31, 2020	—	75.00	—	—	—
Year ending March 31, 2020 (estimated)	—	—	—	25.00	100.00

\* For more information, please refer to "Notice Concerning Amendment to Forecast of Dividend for FY2019" announced on February 12, 2020.

## 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)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	
Annual	2,000,000	(3.6)	31,000	7.3	18,500	(20.9)	10,700	(23.1)	263.30	

\* 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.

## Financial Results for the Third Quarter ended December 31, 2019

## 《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2019	December 31, 2019
<b>Assets</b>		
<b>Current assets;</b>		
Cash and deposits	59,307	53,964
Trade notes and accounts receivable	416,394	365,059
Electronically recorded monetary claims	36,637	32,699
Securities	1,190	1,174
Inventories	140,633	142,335
Other	71,328	99,123
Allowance for doubtful receivables	(504)	(483)
<b>Total current assets</b>	<b>724,987</b>	<b>693,875</b>
<b>Investments and noncurrent receivables;</b>		
Investment securities	101,900	93,868
Other	33,853	31,247
Allowance for doubtful receivables	(1,327)	(1,509)
<b>Total investments and other assets</b>	<b>134,426</b>	<b>123,605</b>
<b>Property and equipment;</b>		
Land	33,864	34,126
Other	34,997	40,040
<b>Total property and equipment</b>	<b>68,862</b>	<b>74,167</b>
<b>Other assets</b>		
Intangible assets	5,031	5,820
<b>Total other assets</b>	<b>5,031</b>	<b>5,820</b>
<b>Total</b>	<b>933,307</b>	<b>897,468</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities;</b>		
Short-term loans payable	92,851	108,613
Current portion of bonds payable	10,021	10,021
Trade notes and accounts payable	280,858	216,578
Electronically recorded obligations	4,964	19,301
Accrued bonuses	2,647	1,565
Provision for product warranties	253	516
Income taxes payable	3,486	2,391
Other	59,833	74,051
<b>Total current liabilities</b>	<b>454,916</b>	<b>433,038</b>
<b>Noncurrent liabilities;</b>		
Long-term loans payable	208,936	204,180
Bonds payable	50,034	40,024
Retirement benefits liabilities	5,950	5,906
Other	11,010	11,450
<b>Total noncurrent liabilities</b>	<b>275,931</b>	<b>261,561</b>
<b>Net assets</b>		
<b>Shareholders' equity;</b>		
Common stock	45,651	45,651
Retained earnings	139,036	143,074
Treasury stock	(3,737)	(3,728)
<b>Total shareholders' equity</b>	<b>180,949</b>	<b>184,997</b>
<b>Accumulated other comprehensive income;</b>		
Valuation difference on available-for-sale securities, net of tax:	10,800	11,106
Deferred gains or losses on hedges, net of taxes	61	363
Land revaluation difference, net of taxes	3,343	3,277
Foreign currency translation adjustments	(1,435)	(4,482)
Remeasurements of defined benefit plans	(5,473)	(4,962)
<b>Total accumulated other comprehensive income</b>	<b>7,295</b>	<b>5,302</b>
<b>Non-controlling interests</b>	<b>14,214</b>	<b>12,567</b>
<b>Total net assets</b>	<b>202,459</b>	<b>202,867</b>
<b>Total</b>	<b>933,307</b>	<b>897,468</b>

## Financial Results for the Third Quarter ended December 31, 2019

## 《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	3rd Quarter ended December 31, 2018	3rd Quarter ended December 31, 2019
<b>Net sales</b>	1,558,271	1,423,294
Cost of sales	1,499,359	1,363,454
<b>Gross profit</b>	<b>58,911</b>	<b>59,839</b>
Selling, general and administrative expenses	37,577	39,421
<b>Operating income</b>	<b>21,334</b>	<b>20,417</b>
<b>Other income;</b>		
Interest income	3,172	1,616
Dividend income	1,317	1,655
Other	871	937
Total other income	5,360	4,209
<b>Other expenses;</b>		
Interest expense	3,566	4,149
Share of loss of entities accounted for using equity method	604	2,609
Foreign exchange loss	2,380	2,355
Other	1,396	968
Total other expenses	7,948	10,082
<b>Ordinary income</b>	<b>18,746</b>	<b>14,544</b>
<b>Extraordinary income;</b>		
Gain on sales of property and equipment	412	208
Gain on sales of investment securities	—	806
Total extraordinary income	412	1,014
<b>Extraordinary loss;</b>		
Loss on sale of property and equipment	191	—
Loss on impairment of property and equipment	—	298
Loss on natural disaster	43	—
Loss on valuation of investment securities	1,846	426
Provision of allowance for doubtful accounts of affiliates	—	149
Total extraordinary loss	2,081	873
<b>Income before income taxes</b>	<b>17,078</b>	<b>14,685</b>
<b>Income taxes</b>	<b>6,004</b>	<b>5,880</b>
<b>Net income</b>	<b>11,073</b>	<b>8,805</b>
<b>Net income attributable to</b>		
Owners of the parent	11,331	9,929
non-controlling interests	(258)	(1,123)
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities, net of taxes	(6,173)	312
Deferred gains or losses on hedges, net of taxes	1,012	302
Land revaluation difference	—	—
Foreign currency translation adjustment	(206)	(560)
Remeasurements of defined benefit plans, net of taxes	541	536
Share of other comprehensive income of entities accounted for using equity method	(4,529)	(2,598)
Total other comprehensive income	(9,354)	(2,008)
<b>Comprehensive Income</b>	<b>1,718</b>	<b>6,797</b>
<b>Comprehensive income attributable to;</b>		
Owners of the parent	3,779	8,738
non-controlling interests	(2,060)	(1,941)

## Financial Results for the Third Quarter ended December 31, 2019

## 《Segment information》

Segment information by business category for the 3rd Quarter ended December 31, 2018 and 2019, is as follows:

(Amounts less than one million yen are rounded down)

## 3rd Quarter ended December 31, 2018

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	758,019	229,441	56,991	79,333	182,274	193,430	1,499,491	58,780	1,558,271	—	1,558,271
Inter-segment	8,101	6,326	4,613	978	8,731	47,707	76,458	2,095	78,553	(78,553)	—
Total	766,121	235,767	61,605	80,311	191,005	241,137	1,575,949	60,875	1,636,825	(78,553)	1,558,271
Segment income(loss)	11,938	3,841	1,742	1,509	1,629	906	21,568	502	22,071	(3,324)	18,746

## 3rd Quarter ended December 31, 2019

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	731,842	188,592	58,698	79,079	145,652	156,495	1,360,359	62,935	1,423,294	—	1,423,294
Inter-segment	8,792	3,165	854	1,001	5,804	35,012	54,631	2,108	56,739	(56,739)	—
Total	740,634	191,758	59,553	80,080	151,456	191,507	1,414,990	65,043	1,480,034	(56,739)	1,423,294
Segment income(loss)	11,279	(40)	1,514	884	2,832	414	16,886	1,276	18,162	(3,617)	14,544

## 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 3rd Quarter of the previous fiscal year has been recomposed by the new classification method.

# 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	
<b>Net sales</b>	<b>1,423.2</b>	<b>1,558.2</b>	<b>(134.9)</b>	<b>-9%</b>	(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.
<b>Gross profit</b>	<b>59.8</b>	<b>58.9</b>	<b>0.9</b>	<b>2%</b>	
SG&A expenses	39.4	37.5	1.8	5%	(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.
<b>Operating income</b>	<b>20.4</b>	<b>21.3</b>	<b>(0.9)</b>	<b>-4%</b>	Our personnel expenses have increased 0.9 billion yen, including 0.3 billion yen from newly consolidated subsidiaries.
Non-operating income	4.2	5.3	(1.1)	-21%	(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)
Non-operating expenses	10.0	7.9	2.1	27%	Loss on investment in affiliates: increase of 2.0 billion yen(YoY)
<b>Ordinary income</b>	<b>14.5</b>	<b>18.7</b>	<b>(4.2)</b>	<b>-22%</b>	(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 0.4 billion yen : mainly due to decline in listed stocks
Extraordinary gain	1.0	0.4	0.6	146%	
Extraordinary loss	0.8	2.0	(1.2)	-58%	
<b>Income before income taxes and others</b>	<b>14.6</b>	<b>17.0</b>	<b>(2.3)</b>	<b>-14%</b>	
Income taxes	5.8	6.0	(0.1)	-2%	
<b>Net income</b>	<b>8.8</b>	<b>11.0</b>	<b>(2.2)</b>	<b>-20%</b>	
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%	
<b>Comprehensive income</b>	<b>6.7</b>	<b>1.7</b>	<b>5.0</b>	<b>296%</b>	

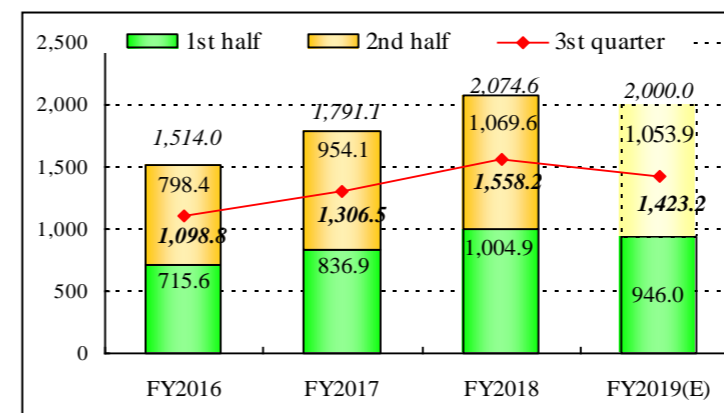
Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2019	1Q-3Q of FY2018	rate	1Q-3Q of FY2019	1Q-3Q of FY2018	rate	
Steel	740.6	766.1	-3%	11.2	11.9	-6%	(Steel business) Both net sales and volumes declined due to sluggish demand, and segment income decreased mainly due to declining 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%	
<b>Total</b>	<b>1,480.0</b>	<b>1,636.8</b>	<b>-10%</b>	<b>18.1</b>	<b>22.0</b>	<b>-18%</b>	
Adjustment	(56.7)	(78.5)	-28%	(3.6)	(3.3)	9%	
<b>Consolidated</b>	<b>1,423.2</b>	<b>1,558.2</b>	<b>-9%</b>	<b>14.5</b>	<b>18.7</b>	<b>-22%</b>	

Topics	
• 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.

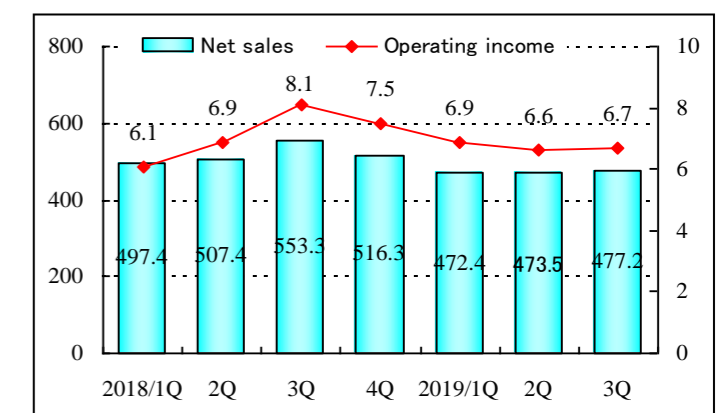
(Unit: billion yen, rounded down to 0.1 billions of yen)

Financial Position	Dec. 2019	Mar. 2019	Comparison with Mar. 2019		Main Factors
			Change	rate	
<b>Total assets</b>	<b>897.4</b>	<b>933.3</b>	<b>(35.8)</b>	<b>-4%</b>	(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%	
<b>Total liabilities</b>	<b>694.6</b>	<b>730.8</b>	<b>(36.2)</b>	<b>-5%</b>	(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%	
<b>Total net assets</b>	<b>202.8</b>	<b>202.4</b>	<b>0.4</b>	<b>0%</b>	(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
(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%	

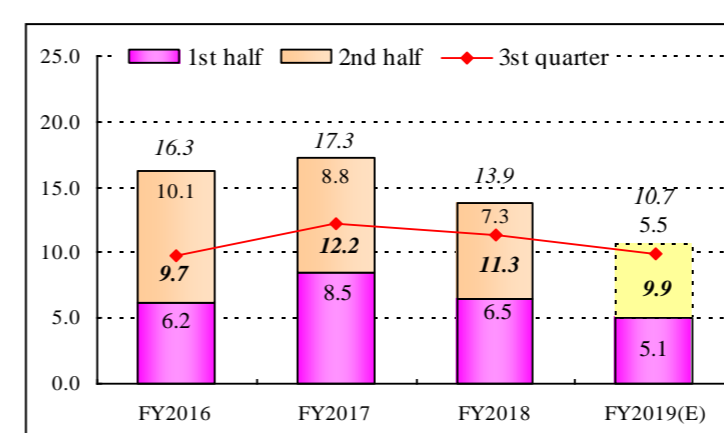
【Changes in Net Sales】



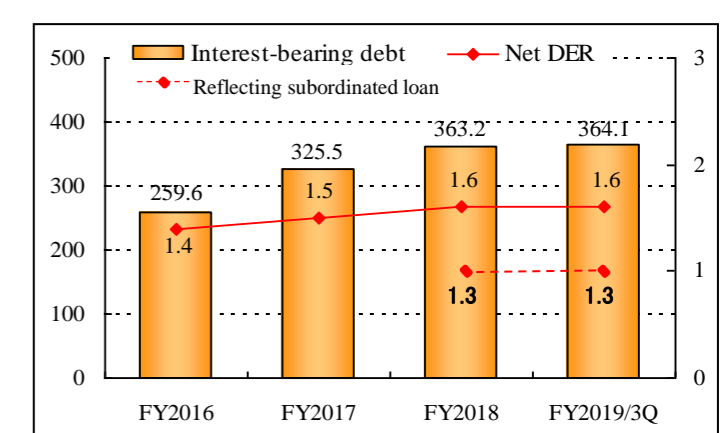
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



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

Cash Dividends	FY2018	FY2019	FY2019 (estimated)
Interim (yen)	75.00	75.00	—
Year-end (yen)	75.00	—	25.00
Annual (yen)	150.00	—	100.00
Dividend payout ratio	44%	—	38%