

HANWA CO., LTD.

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Notice Concerning Impairment Losses and Amendments to Forecasts of Consolidated Financial Results for FY2019

Hanwa Co., Ltd. (hereinafter “Hanwa”) hereby announces the recognition of impairment losses on SAMANCOR CHROME HOLDINGS PROPRIETARY LTD. (hereinafter “SAMANCOR”), our equity-method affiliate, for the consolidated 4th quarter of FY2019 (January 1, 2020 to March 31, 2020).

In addition, based on recent business performance including the losses above, the Board of Directors of Hanwa, held on April 24, 2020, resolved to amend the Forecasts of consolidated financial results for FY2019 (April 1, 2019 to March 31, 2020), previously announced on February 12, 2020, as follows:

1. Impairment accounting on investment in SAMANCOR

Hanwa and Japan South Africa Chrome Co., Ltd., our consolidated subsidiary of which Hanwa holds 50.1% of shares, invest in SAMANCOR in South Africa, which is engaged in the mining of chromium ores and the production and sale of ferrochrome, and Hanwa owns 33.5% of its voting rights, both directly and indirectly. While Hanwa regarded the expected future revenue of SAMANCOR as assets such as mining rights which are contained in our acquisition costs for the shares, based on the decline in the market prices of stainless steel and ferrochrome and the operating and profitability of SAMANCOR, we have verified the medium-to long-term business plan submitted by SAMANCOR, with the participation of the third parties. As a result, we concluded that it was difficult to recover the full carrying amount of the assets at end of the fiscal year, and we devaluated the assets. The impact of this accounting on the consolidated and non-consolidated financial statements is as follows.

(Consolidated)

Regarding impairment accounting on the carrying amount of assets such as mining rights, which are contained in our SAMANCOR shares, at end of the fiscal year, equity in losses of affiliates of approximately 27.3 billion yen is to be recorded under non-operating expenses. As a result, it is expected that the total amount of equity in losses of affiliates from SAMANCOR for FY2019 will be approximately 34.9 billion yen.

After considering net loss attributable to non-controlling interests, the impact of this impairment accounting on net income attributable to owners of the parent is expected to be approximately 18.0 billion yen, for a total of approximately 23.2 billion yen from SAMANCOR for FY2019.

(Non-Consolidated)

Loss on valuation of stocks of subsidiaries and affiliates of approximately 27.4 billion yen is to be recorded as extraordinary loss for the shares of SAMANCOR and Japan South Africa Chrome Co., Ltd. held by Hanwa.

This loss on valuation of stocks of subsidiaries and affiliates is eliminated in the consolidated financial statements and therefore has no impact on consolidated income.

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2. Amendments to forecasts of consolidated financial results for FY2019 (April 1, 2019 to March 31, 2020).

(1) Contents of amendments

(Millions of yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary Income	Net income attributable to owners of the parent	Consolidated net income per share (yen)
Previous forecasts (A)	2,000,000	31,000	18,500	10,700	263.30
Revised forecasts (B)	1,907,000	27,300	-12,600	-14,000	-344.51
Amount changed (B - A)	-93,000	-3,700	-31,000	-24,700	-607.81
% of change	-4.7	-11.9	-	-	-
(Reference) Actual results for FY2018	2,074,600	28,904	23,395	13,914	342.41

(2) Reason for the amendments

Consolidated net sales and operating income are expected to be lower than previously announced forecast, under weak demands in each business segment, due to decrease of total transaction volume and significant decline in commodity prices including petroleum and non-ferrous metal products.

As mentioned in "1. Impairment accounting on investment in SAMANCOR", consolidated ordinary income is expected to be a loss due to recording of the additional approximately 27.3 billion yen in non-operating expenses as equity in losses of affiliates.

Net income attributable to owners of the parent is expected to be well below the full-year forecast previously announced, due to impairment accounting on securities, including available-for-sale securities which is marketable announced on April 1, 2020, which resulted in approximately 6.6 billion yen being recorded in extraordinary loss as loss on valuation of investment securities.

The amount of possible uncollectible or late collection of receivables at our consolidated subsidiary, HANWA SINGAPORE (PRIVATE) LTD., which was announced on June 5, 2019, has not been determined at this point and has not taken into account in revised forecasts.

3. Forecast of dividend for FY2019 (April 1, 2019 to March 31, 2020)

There is no amendment to forecast of the year-end dividend for FY2019 of 25.00 yen per share announced on February 12, 2020.

(Note)

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

(Reference) Future Initiatives

In our Medium-term Business Plan for the period from FY2016 to FY2019, we had aimed to achieve net sales of 2.1 trillion yen, ordinary income of 35 billion yen, and net assets of 200 billion yen. However, as mentioned above, we expect to record ordinary loss on consolidated financial results for FY2019.

With regard to SAMANCOR shares, the issue of the asset value has been settled through the above-mentioned impairment accounting. Following the results, in our next Medium-term Business Plan, which we are currently formulating, we will work to maintain and strengthen financial discipline and improve capital efficiency by making much account of cash flow and reviewing assets portfolio.