

Highlights of Consolidated Financial Results for the FY2019

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the FY2019

• As for the fiscal year, net sales have decreased by 8% compared with the previous year, hence reached to 1,907.4billion yen, due to decrease of transaction volume under weak demands in steel business and decline in commodity prices including non-ferrous metal, ferroalloy products and petroleum. Operating profit declined 5% year on year, to 27.3 billion yen chiefly because profits decreased in the Primary Metal business, Steel business and Food business, and ordinary income was a loss of 12.5 billion yen, due to impairment loss on investment in SAMANCOR which was recorded in non-operating expenses as equity in losses of affiliates. Net income was a loss of 13.6 billion yen, due to impairment accounting on securities, including available-for-sale securities.

• We paid 75 yen as the interim dividend and plan to pay additional 25 yen as the year-end dividend.

Operating Results	FY2019	FY2018	Year-on-year		Main Factors
			Change	rate	
Net sales	1,907.4	2,074.6	(167.1)	-8%	(Net sales) Net sales have decreased by 8% from the previous year. This was mainly due to decrease of transaction volume under weak demands in steel business and decline in commodity prices including non-ferrous metal, ferroalloy products and petroleum. (SG&A expenses) SG & A expenses have increased 2.1 billion yen from the previous year. 1.5 out of 2.1 billion yen was accounted for newly consolidated subsidiaries. Our personnel expenses have increased 1.0 billion yen, including 0.5 billion yen from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income has decreased 1.6 billion yen and Non-operating expenses have increased 32.7 billion yen. The breakdown of the main causes is as follows. Dividends: increase of 0.4 billion yen(YoY) Interest income: decrease of 2.0 billion yen(YoY) Equity in losses of affiliates: increase of 35.3 billion yen(YoY) (34.9 billion yen(YoY) from SAMANCOR, including impairment losses 27.3 billion yen) (Extraordinary gain/loss) Gain on sales of investment securities 0.9 billion yen : due to sales of listed stocks Loss on devaluation of investments securities 6.5billion yen : mainly due to decline in listed stocks Impairment loss 1.0billion yen : mainly due to impairment losses on land and buildings held by consolidated subsidiaries
Gross profit	79.8	79.2	0.6	1%	
SG&A expenses	52.4	50.3	2.1	4%	
Operating income	27.3	28.9	(1.5)	-5%	
Non-operating income	5.3	6.9	(1.6)	-24%	
Non-operating expenses	45.2	12.4	32.7	263%	
Ordinary income	(12.5)	23.3	(35.9)	—	
Extraordinary gain	1.2	0.4	0.7	189%	
Extraordinary loss	8.6	2.8	5.7	201%	
Income before income taxes and others	(19.9)	20.9	(40.9)	—	
Income taxes	5.5	7.1	(1.5)	-22%	
Net income	(25.5)	13.8	(39.3)	—	
Owners of the Company(loss)	(13.6)	13.9	(27.5)	—	
Non-controlling interests(loss)	(11.8)	(0.8)	(11.7)	—	
EPS (yen)	(336.51)	342.41	(678.92)	—	
Comprehensive income	(29.9)	3.4	(33.4)	—	

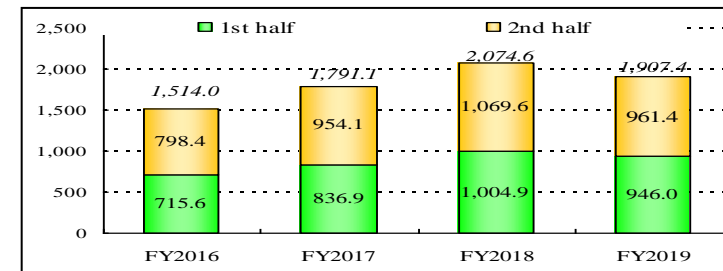
Segment Information	Net sales			Segment income			Main Factors
	FY2019	FY2018	rate	FY2019	FY2018	rate	
Steel	1,005.4	1,047.9	-4%	14.6	17.3	-16%	(Steel business) Both net sales and volumes declined due to sluggish demand, and segment income decreased mainly due to declining profit margins at domestic subsidiaries in sluggish domestic steel market. (Primary metals business) Segment income was a loss mainly due to expansion of equity in losses of affiliates for impairment losses in SAMANCOR. (Metal recycling business) Segment income increased due to improved profitability by procuring low price in the downward phase of copper scrap prices and the additional income from the newly consolidated subsidiary PT. HANWA ROYAL METALS. (Foods business) Segment income was a loss mainly due to decline in market prices of salmon, increase in valuation losses on inventories, and decrease in foreign exchange gains. (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) Segment income decreased mainly due to decline transaction volumes in the US and ASEAN region and increase local currency procurement costs due to increase in local transactions in Indonesia.
Primary Metal	259.8	303.8	-14%	(30.5)	5.8	—	
Metal Recycling	78.8	79.9	-1%	2.3	1.5	51%	
Foods	101.7	101.3	0%	(0.1)	1.5	—	
Petroleum & chemicals	210.4	244.2	-14%	4.1	2.1	93%	
Overseas sales subsidiaries	241.0	314.7	-23%	0.4	1.0	-54%	
Total for reportable segments	1,897.3	2,092.1	-9%	(9.0)	29.4	—	
Other	85.0	82.5	3%	1.4	0.9	45%	
Total	1,982.3	2,174.6	-9%	(7.6)	30.4	—	
Adjustment	(74.8)	(100.0)	-25%	(4.9)	(7.0)	-30%	
Consolidated	1,907.4	2,074.6	-8%	(12.5)	23.3	—	

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.			
	Mar.	Acquired 10% of the stocks of PT Dexin Steel Indonesia, a steel blast furnace mill, a joint venture established by Delong Steel Group.			

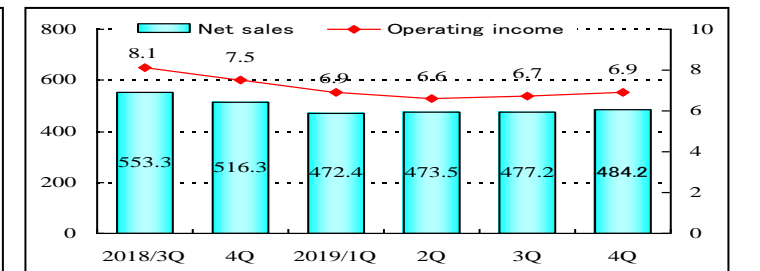
Financial Position	Mar. 2020	Mar. 2019	Comparison with Mar. 2019		Main Factors
			Change	rate	
Total assets	798.4	933.3	(134.8)	-14%	(Total Assets) Total assets decreased by 14% from the end of the previous year, due to decrease in trade receivables and investment securities. Trade notes and accounts receivables 341.5 billion yen (-18% from the end of the previous period).Investment securities 56.8 billion yen (-44% from the end of the previous period). (Liabilities) Total liabilities decreased by 13% from the end of the previous year, due to the decrease in trade payables and short-term loans. As interest-bearing debt decreased by 13%, net debt-equity ratio was turned into 161% (*127%). (Net assets) Total net assets decreased by 18% from the end of the previous year, due to decrease in retained earnings caused by recording net income loss attributable to owners of the company and net unrealized holding gains on securities. Meanwhile shareholders' equity ratio was 20.5%(*23.6%), which is 0.3 percentage points higher than the end of the previous year. *Reflecting equity credit attributes of the subordinated loan
(Current assets)	627.6	724.9	(97.3)	-13%	
(Fixed assets)	170.8	208.3	(37.5)	-18%	
Total liabilities	632.3	730.8	(98.5)	-13%	
(Interest-bearing debt)	331.1	363.2	(32.1)	-9%	
(Net interest-bearing debt)	263.8	303.9	(40.0)	-13%	
Net DER	161%/127%	161%/131%	0.2pt	-0%	
Total net assets	166.0	202.4	(36.3)	-18%	
(Equity capital)	161.3	180.9	(19.5)	-11%	
(Valuation & translation adjustments)	2.2	7.2	(5.0)	-69%	
(Minority interests)	2.4	14.2	(11.7)	-83%	
BPS (yen)	4,027.01	4,632.55	(605.55)	-13%	
Shareholders' equity	163.6	188.2	(24.5)	-13%	
Shareholders' equity ratio	20.5/23.6%	20.2/22.8%	0.3pt	2%	

Cash Flow	FY2019	FY2018	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	74.2	15.4	58.8	382%	(Operating cash flows) Due to decrease in trade receivables and inventories. (Investment cash flows) Due to purchase of investment securities and tangible fixed assets. (Financial cash flows) Due to repayment of short-term loans and redemption of corporate bonds.
Cash flows from investing activities	(24.1)	(20.6)	(3.5)	17%	
Cash flows from financing activities	(42.3)	28.1	(70.4)	—	
Cash and cash equivalents at end of period	67.2	58.3	8.8	15%	

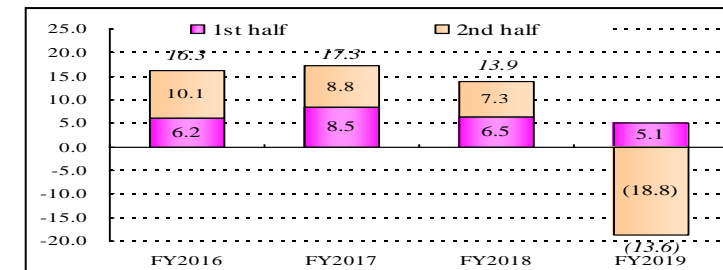
【Changes in Net Sales】



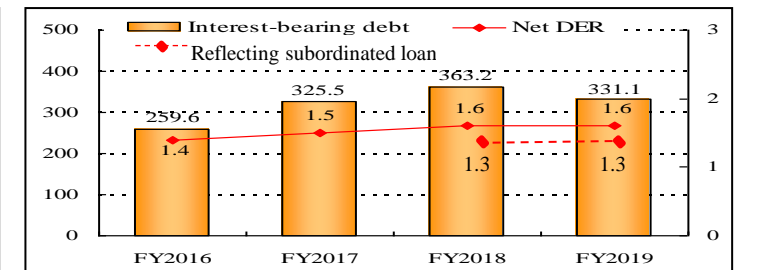
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020* (estimated)	FY2019	change	Cash Dividends	FY2018	FY2019	FY2020* (estimated)
Net sales	—	1,907.4	—	Interim (yen)	75.00	75.00	—
Operating income	—	27.3	—	Year-end (yen)	75.00	25.00	—
Ordinary income	—	(12.5)	—	Annual (yen)	150.00	100.00	—
Net income attributable to owners of parent	—	(13.6)	—	Dividend payout ratio	44%	—	—

*Forecasts for the FY2020 have not yet been determined given that it is difficult to reasonably estimate the impact of the novel coronavirus outbreak.