

Highlights of Consolidated Financial Results for the 1st Quarter of FY2020

(Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 1st Quarter of FY2020

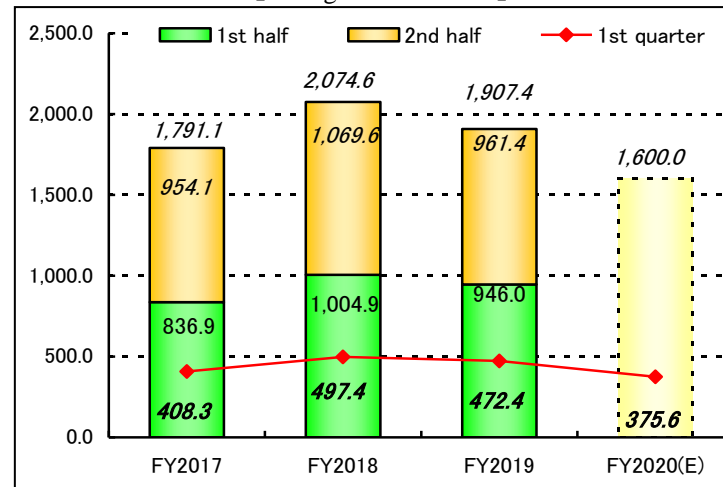
- As for the 1st quarter result for this fiscal year, net sales have decreased by 20% year on year, hence reached to 375.6 billion yen, due to decline in commodity prices including non-ferrous metal and petroleum, as well as decrease in transaction volume due to decline in demand for steel materials and self-restraint of sales activities, as economic activities in each country shrink caused by the novel coronavirus outbreak. Operating profit declined 36% year on year, to 4.4 billion yen chiefly because profits decreased in all business except for Energy & Living Materials business.* Ordinary income and net income attributable to owners of the company decreased by 50% year on year to 3.2 billion yen and 47% to 2.2 billion yen partly due to foreign exchange loss in overseas consolidated subsidiaries.
- We plan to pay 60 yen as the annual (30 yen as the interim and 30 yen as the year-end) dividend.

* Since the 1st Quarter of the fiscal year, Company changed the reportable segments from "Petroleum & chemicals" to "Energy & Living Materials".

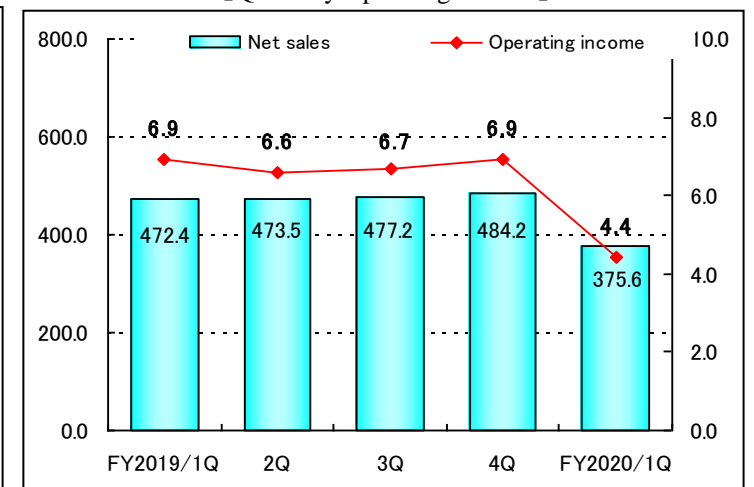
Operating Results		1Q of FY2020	1Q of FY2019	Year-on-year		Main Factors			
				Change	rate				
Net sales		375.6	472.4	(96.7)	-20%	(Net sales)			
Gross profit		16.3	19.9	(3.5)	-18%	Net sales have decreased by 20% from the same period of the previous year. This was mainly due to decrease of transaction volume under weak demands and self-restraint of sales activities and decline in commodity prices including non-ferrous metal and petroleum.			
SG&A expenses		11.9	13.0	(1.0)	-8%	(SG&A expenses)			
Operating income		4.4	6.9	(2.5)	-36%	SG & A expenses have decreased by approximately 1.0 billion yen from the same period of previous year mainly due to decrease in travel expenses and entertaining expenses.			
Non-operating income		2.3	1.9	0.4	23%	Our personnel expenses have increased 34 million yen, including 58 million yen from newly consolidated subsidiaries.			
Non-operating expenses		3.5	2.4	1.1	47%	(Non-operating income/expenses)			
Ordinary income		3.2	6.4	(3.2)	-50%	Non-operating income and expenses have increased 0.4 billion yen and 1.1 billion yen, respectively. The breakdown of the main causes is as follows.			
Extraordinary gain		0.5	0.1	0.4	254%	Interest income: increase of 0.2 billion yen(YoY)			
Extraordinary loss		—	0.3	(0.3)	-100%	Dividend income: increase of 0.1 billion yen(YoY)			
Income before income taxes and others		3.7	6.2	(2.4)	-40%	Equity in earnings of affiliates: increase of 0.2 billion yen(YoY)			
Income taxes		1.5	2.1	(0.5)	-26%	Interest expenses: decrease of 0.5 billion yen(YoY)			
Net income		2.2	4.1	(1.9)	-47%	Foreign exchange loss : increase of 1.6 billion yen(YoY)			
Owners of the Company(loss)		2.2	4.1	(1.9)	-47%	(Extraordinary gain/loss)			
Non-controlling interests(loss)		(0.0)	(0.0)	0.0	-48%	Gain on sales of fixed assets 0.5 billion yen : mainly due to sales of property by consolidated subsidiaries.			
EPS (yen)		54.41	101.88	(47.47)	-47%				
Comprehensive income		0.8	1.8	(1.0)	-55%				
Segment Information		Net sales			Segment income			Main Factors	
		1Q of FY2020	1Q of FY2019	rate	1Q of FY2020	1Q of FY2019	rate		
Steel		201.4	241.1	-16%	1.6	3.9	-58%	(Steel business)	
Primary Metal		46.9	60.3	-22%	1.2	1.5	-17%	Net sales and segment income decreased mainly due to transaction volumes declined due to spread of novel coronavirus, the market price of steel products remained at low levels, and reflecting foreign exchange loss from local currency depreciation.	
Metal Recycling		17.6	21.4	-18%	(0.3)	0.9	—	(Primary metals business)	
Foods		22.9	26.7	-14%	0.1	0.2	-26%	Net sales and segment income decreased due to the volume declined from decreasing steel and non-ferrous metals manufacturers operating rate, as well as decrease in the market price of manganese.	
Energy& Living Materials		38.8	49.6	-22%	1.6	0.7	140%	(Metal recycling business)	
Overseas sales subsidiaries		41.4	68.3	-39%	0.3	0.1	137%	Net sales and 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 due to reduction of production activities of manufacturers.	
Total for reportable segments		369.3	467.7	-21%	4.8	7.6	-37%	(Foods business)	
Other		19.8	21.2	-7%	(0.1)	0.2	—	Net sales and segment income decreased due to decline in market prices of salmon and crab by spread of novel coronavirus, as well as decrease in the transaction volume of processed goods due to self-restraint of the food-service industry.	
Total		389.1	489.0	-20%	4.7	7.8	-40%	(Energy & Living Materials business)	
Adjustment		(13.5)	(16.5)	-18%	(1.5)	(1.4)	4%	Segment income increased due to securing profit margin of petroleum products by coordinated production cut, and increase alternative trading of the palm kernel shells(PKS) by supply difficulties in some producing countries.	
Consolidated		375.6	472.4	-20%	3.2	6.4	-50%	(Overseas sales subsidiaries)	
								Segment income increased due to improved profitability of non-ferrous metal trading in Thailand.	
Topics		. Apr. Acquire the stocks of TATSUTA CO., LTD. which is a steel material distributor in Osaka.							

Financial Position	Jun. 2020	Mar. 2020	Comparison with Mar. 2020		Main Factors
			Change	rate	
Total assets	785.4	798.4	(12.9)	-2%	(Total Assets) Total assets decreased by 2% from the end of the previous year, due to decrease in trade receivables along with sales decline. Trade notes and accounts receivables 300.7 billion yen (-12% from the end of the previous period). Investment securities 59.7 billion yen (+5% from the end of the previous period).
(Current assets)	613.8	627.6	(13.7)	-2%	
(Fixed assets)	171.6	170.8	0.8	0%	
Total liabilities	618.6	632.3	(13.7)	-2%	(Liabilities) Total liabilities decreased by 2% from the end of the previous year, due to the decrease in trade payables. As interest-bearing debt decreased by 0.2%, net debt-equity ratio was turned into 144% (*112%).
(Interest-bearing debt)	330.5	331.1	(0.5)	-0%	
(Net interest-bearing debt)	237.5	263.8	(26.3)	-10%	
Net DER	144%/112%*	161%/127%*	0.2pt	-10%	(Net assets) Total net assets only increased by 0.5% from the end of the previous year, due to accumulation from net income attributable to owners of the company but decrease of foreign currency translation adjustments. Meanwhile shareholders' equity ratio was 20.9%(*24.1%), which is 0.4 percentage points higher than the end of the previous year.
Total net assets	166.8	166.0	0.7	0%	
(Equity capital)	163.6	161.3	2.2	1%	
(Valuation & translation adjustments)	0.7	2.2	(1.5)	-69%	
(Minority interests)	2.4	2.4	0.0	2%	
BPS (yen)	4,044.73	4,027.01	17.72	0%	
Shareholders' equity	164.3	163.6	0.7	0%	
Shareholders' equity ratio	20.9/24.1%*	20.5/23.6%*	0.4pt	2%	*Reflecting equity credit attributes of the subordinated loan

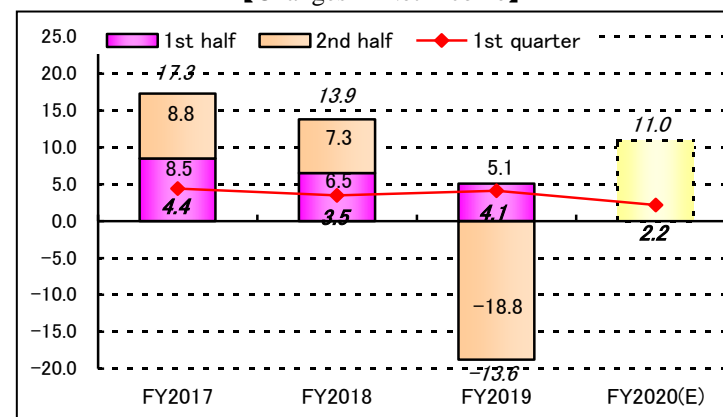
【Changes in Net Sales】



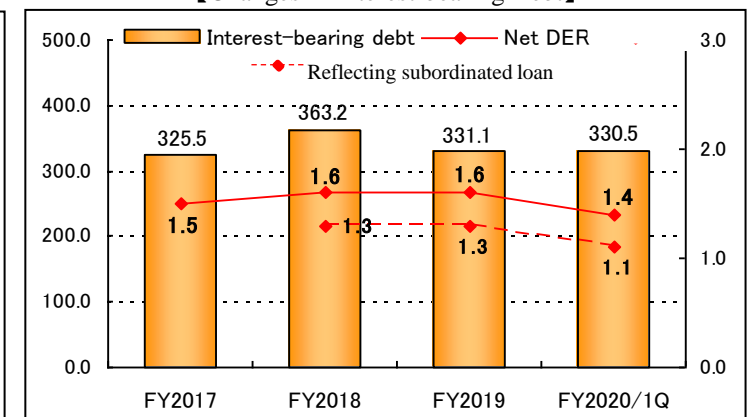
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020 (estimated)	FY2019		Cash Dividends	FY2018	FY2019	FY2020 (estimated)
			change				
Net sales	1,600.0	1,907.4	-16%	Interim (yen)	75.00	75.00	30.00
Operating income	19.5	27.3	-29%	Year-end (yen)	75.00	25.00	30.00
Ordinary income	16.5	(12.5)	—	Annual (yen)	150.00	100.00	60.00
Net income attributable to owners of parent	11.0	(13.6)	—	Dividend payout ratio	44%	—	22%