

Financial Results for the First Quarter ended June 30, 2020

(Japan GAAP)

August 7, 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: August 7, 2020

Scheduled date of payout of dividend: —

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the First Quarter ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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 1st Quarter ended June 30, 2020	375,645	(20.5)	4,410	(36.4)	3,203	(50.2)	2,211	(46.6)
ended June 30, 2019	472,424	(5.0)	6,935	12.5	6,431	17.5	4,140	16.0

Note: Comprehensive income For the Fiscal Year ended June 30, 2020 856 million yen (54.9) %
For the Fiscal Year ended June 30, 2019 1,899 million yen (13.8) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 1st Quarter ended June 30, 2020	54.41	—
ended June 30, 2019	101.88	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of June 30, 2020	785,478	166,856	20.9	4,044.73
As of March 31, 2020	798,442	166,097	20.5	4,027.01

Note: Shareholders' equity As of June 30, 2020 164,369 million yen
As of March 31, 2020 163,648 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, 2020	—	75.00	—	25.00	100.00
Year ended March 31, 2021	—	—	—	—	—
Year ending March 31, 2021 (estimated)	—	30.00	—	30.00	60.00

* For more information, please refer to "Notice Concerning Forecasts of consolidated financial results and Dividend for FY2020" announced on August 7, 2020.

3. Forecast of consolidated financial results for fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(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	1,600,000	(16.1)	19,500	(28.6)	16,500	—	11,000	—	270.68	—

* For more information, please refer to "Notice Concerning Forecasts of consolidated financial results and Dividend for FY2020" announced on August 7, 2020.

* 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 First Quarter ended June 30, 2020

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2020	June 30, 2020
Assets		
Current assets;		
Cash and deposits	67,256	93,083
Trade notes and accounts receivable	341,559	300,795
Electronically recorded monetary claims	21,281	27,013
Securities	1,167	1,155
Inventories	127,460	124,124
Other	69,949	69,040
Allowance for doubtful receivables	(1,046)	(1,378)
Total current assets	627,629	613,835
Fixed assets;		
Property and equipment;		
Land	34,165	33,741
Others	40,997	40,233
Total property and equipment	75,162	73,974
Intangible assets	6,331	6,708
Investments and other assets;		
Investment securities	56,892	59,754
Others	33,496	32,004
Allowance for doubtful receivables	(1,070)	(798)
Total investments and other assets	89,318	90,960
Total fixed assets	170,812	171,642
Total assets	798,442	785,478
Liabilities and Net Assets		
Current liabilities;		
Trade notes and accounts payable	202,671	186,165
Electronically record obligations	19,146	18,758
Short-term loans payable	67,177	66,542
Current portion of bonds payable	10,021	10,021
Income taxes payable	2,466	2,007
Accrued bonuses	2,774	1,769
Provision for product warranties	481	452
Others	59,913	64,357
Total current liabilities	364,653	350,074
Long-term liabilities;		
Bonds payable	40,013	40,013
Long-term loans payable	212,372	212,415
Retirement benefits liabilities	6,162	6,232
Others	9,142	9,886
Total long-term liabilities	267,691	268,547
Total liabilities	632,344	618,622
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	119,475	121,740
Treasury stock	(3,728)	(3,728)
Total shareholders' equity	161,398	163,663
Accumulated other comprehensive income		
Net unrealized holding gains on securities	6,042	7,573
Deferred hedge profit and loss	745	168
Land revaluation difference	3,277	3,191
Foreign currency translation adjustments	(2,434)	(5,010)
Remeasurements of defined benefit plans	(5,380)	(5,217)
Total accumulated other comprehensive income	2,250	706
Minority interests	2,448	2,486
Total net assets	166,097	166,856
Total liabilities and net assets	798,442	785,478

Financial Results for the First Quarter ended June 30, 2020

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	Year ended June 30, 2019	Year ended June 30, 2020
Net sales	472,424	375,645
Cost of sales	452,479	359,250
Gross profit	19,945	16,394
Selling, general and administrative expenses	13,010	11,983
Operating income	6,935	4,410
Other income;		
Interest income	521	715
Dividend income	1,069	1,152
Equity in earnings of affiliates	24	238
Others	328	285
Total other income	1,943	2,392
Other expenses;		
Interest expenses	1,476	1,000
Foreign exchange loss	610	2,177
Others	359	421
Total other expenses	2,446	3,599
Ordinary income	6,431	3,203
Extraordinary income;		
Gain on sales of property and equipment	162	574
Total extraordinary income	162	574
Extraordinary loss;		
Loss on devaluation of investment securities	334	—
Total extraordinary loss	334	—
Income before income taxes and minority interest	6,260	3,778
Income taxes	2,141	1,577
Net income	4,119	2,200
Net income attributable to		
Owners of parent	4,140	2,211
non-controlling interests	(21)	(10)
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(1,313)	1,532
Deferred hedges profit and loss	1	(577)
Foreign currency translation adjustments	(859)	(2,247)
Remeasurements of defined benefit plans	178	197
Share of other comprehensive income of entities accounted for using equity method	(227)	(249)
Total other comprehensive Income	(2,219)	(1,343)
Comprehensive Income	1,899	856
Comprehensive income attributable to;		
Owners of the parent	1,977	1,021
non-controlling interests	(78)	(164)

Financial Results for the First Quarter ended June 30, 2020

《Segment information》

Segment information by business category for the 1st Quarter ended June 30, 2019 and 2020, is as follows:

(Amounts less than one million yen are rounded down)

1st Quarter ended June 30, 2019

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	238,686	59,292	21,118	26,392	48,027	58,299	451,816	20,608	472,424	—	472,424
Inter-segment	2,504	1,021	381	312	1,643	10,078	15,941	649	16,591	(16,591)	—
Total	241,191	60,313	21,499	26,704	49,670	68,377	467,758	21,258	489,016	(16,591)	472,424
Segment income(loss)	3,979	1,567	998	225	700	165	7,637	242	7,880	(1,448)	6,431

1st Quarter ended June 30, 2020

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Primary Metal	Metal Recycling	Foods	Energy & Living Materials	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	199,176	46,247	17,261	22,930	37,209	33,904	356,730	18,915	375,645	—	375,645
Inter-segment	2,312	676	423	16	1,630	7,565	12,625	902	13,528	(13,528)	—
Total	201,489	46,923	17,684	22,946	38,840	41,470	369,355	19,817	389,173	(13,528)	375,645
Segment income(loss)	1,660	1,294	(369)	166	1,679	392	4,824	(118)	4,705	(1,502)	3,203

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, Company reviewed the name of segment in order to express more appropriately the business, and changed the reportable segments from "Petroleum & chemicals" to "Energy & Living Materials".
The change was only name change, and segment information had no effect from the change.
Segment information for the 1st Quarter of the previous fiscal year has been mentioned after name change.

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".

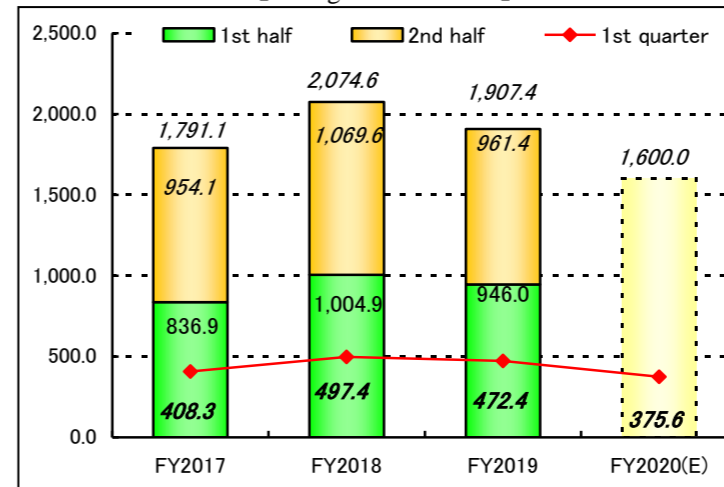
Operating Results	1Q of FY2020	1Q of FY2019	Year-on-year		Main Factors
			Change	rate	
Net sales	375.6	472.4	(96.7)	-20%	(Net sales) Net sales have decreased by 20% from the same period of the previous year. This was mainly due to decrease of transaction volume under weak demands and self-restraint of sales activities and decline in commodity prices including non-ferrous metal and petroleum.
Gross profit	16.3	19.9	(3.5)	-18%	(SG&A expenses) 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.
SG&A expenses	11.9	13.0	(1.0)	-8%	Our personnel expenses have increased 34 million yen, including 58 million yen from newly consolidated subsidiaries.
Operating income	4.4	6.9	(2.5)	-36%	(Non-operating income/expenses) 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. Interest income: increase of 0.2 billion yen(YoY) Dividend income: increase of 0.1 billion yen(YoY) Equity in earnings of affiliates: increase of 0.2 billion yen(YoY) Interest expenses: decrease of 0.5 billion yen(YoY) Foreign exchange loss : increase of 1.6 billion yen(YoY)
Non-operating income	2.3	1.9	0.4	23%	(Extraordinary gain/loss) Gain on sales of fixed assets 0.5 billion yen : mainly due to sales of property by consolidated subsidiaries.
Non-operating expenses	3.5	2.4	1.1	47%	
Ordinary income	3.2	6.4	(3.2)	-50%	
Extraordinary gain	0.5	0.1	0.4	254%	
Extraordinary loss	—	0.3	(0.3)	-100%	
Income before income taxes and others	3.7	6.2	(2.4)	-40%	
Income taxes	1.5	2.1	(0.5)	-26%	
Net income	2.2	4.1	(1.9)	-47%	
Owners of the Company(loss)	2.2	4.1	(1.9)	-47%	
Non-controlling interests(loss)	(0.0)	(0.0)	0.0	-48%	
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) 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.
Primary Metal	46.9	60.3	-22%	1.2	1.5	-17%	(Primary metals business) 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.
Metal Recycling	17.6	21.4	-18%	(0.3)	0.9	—	(Metal recycling business) 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.
Foods	22.9	26.7	-14%	0.1	0.2	-26%	(Foods business) 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.
Energy & Living Materials	38.8	49.6	-22%	1.6	0.7	140%	(Energy & Living Materials business) 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.
Overseas sales subsidiaries	41.4	68.3	-39%	0.3	0.1	137%	(Overseas sales subsidiaries) Segment income increased due to improved profitability of non-ferrous metal trading in Thailand.
Total for reportable segments	369.3	467.7	-21%	4.8	7.6	-37%	
Other	19.8	21.2	-7%	(0.1)	0.2	—	
Total	389.1	489.0	-20%	4.7	7.8	-40%	
Adjustment	(13.5)	(16.5)	-18%	(1.5)	(1.4)	4%	
Consolidated	375.6	472.4	-20%	3.2	6.4	-50%	

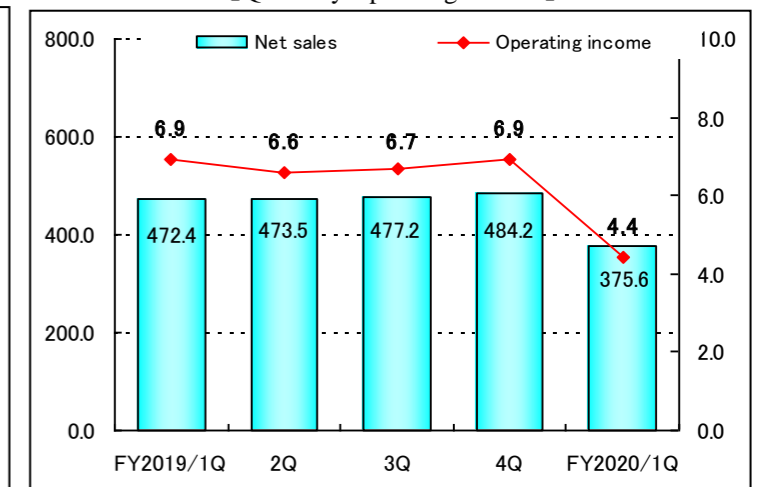
Apr. Acquire the stocks of TATSUTA CO., LTD. which is a steel material distributor in Osaka.

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%	(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%).
(Fixed assets)	171.6	170.8	0.8	0%	(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 liabilities	618.6	632.3	(13.7)	-2%	
(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%	
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%	

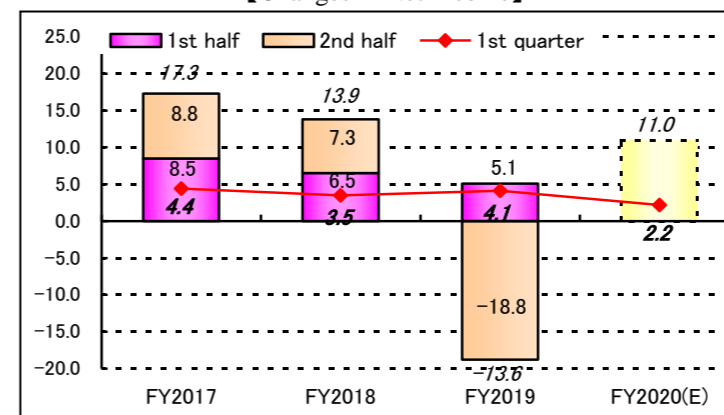
【Changes in Net Sales】



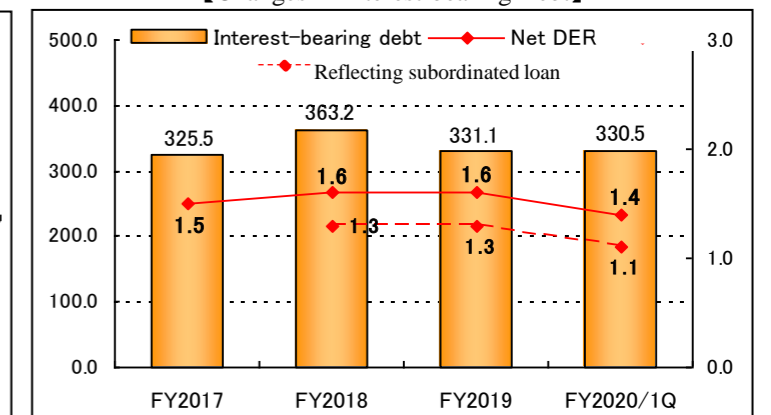
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020 (estimated)	FY2019		change	Cash Dividends	FY2018	FY2019	FY2020 (estimated)
Net sales	1,600.0	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%