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**Notice Concerning New Medium-Term Business Plan
(From April 2020 to March 2023)**

Hanwa Co., Ltd. announces that it formulated the Medium-Term Business Plan (From April 2020 to March 2023), as attached hereto:

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“Medium-Term Business Plan 2022”

November 9, 2020
HANWA Co., Ltd.

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I . Review of 8th Medium-Term Business Plan

II . Medium-Term Business Plan 2022

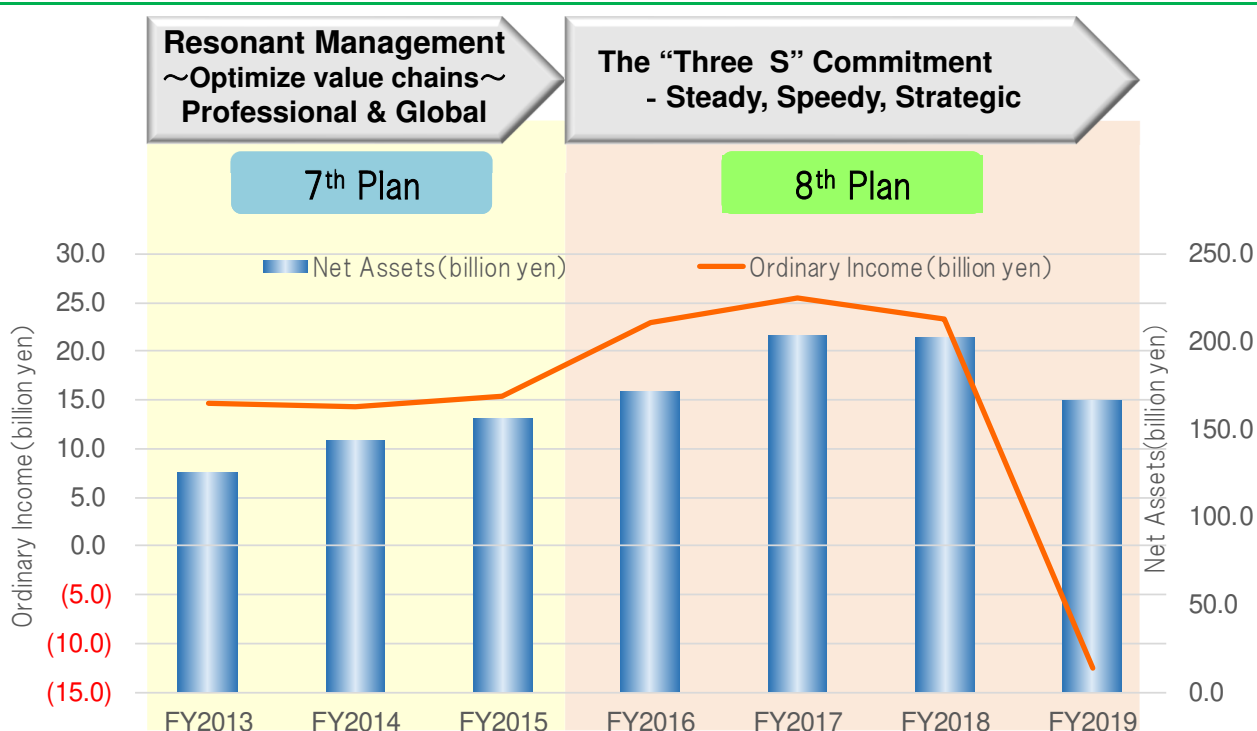
III . Progress of the Plan in FY2020

I. Review of 8th Medium-Term Business Plan

II. Medium-Term Business Plan 2022

III. Progress of the Plan in FY2020

Transition of 8th Medium-Term Business Plan  HANWA



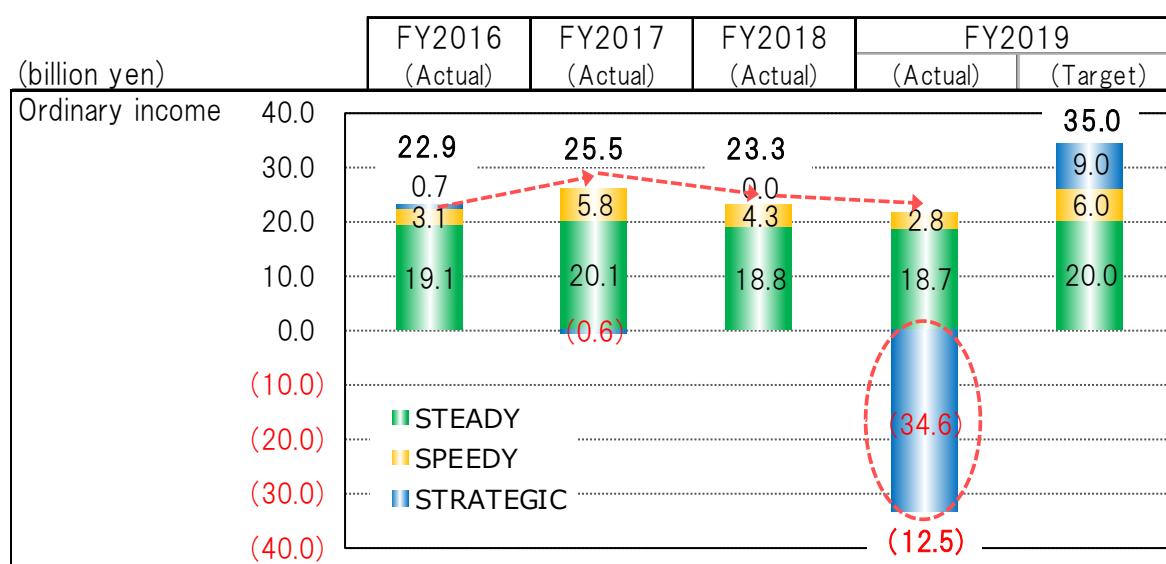
■ While Ordinary income and net assets had generally increased, impairment losses on investments were recorded in FY2019. Hanwa recorded ordinary loss for the first time and net assets declined.

Status of Achievement of Quantitative Targets



	FY2019 (Actual)	Performance	Review
Net Sales 2,000.0 (bn yen)	1,907.4 (bn yen)	Unachieved	Achieved in FY2018, but not achieved in FY2019 due to decline in market conditions and demands
Ordinary income 35.0 (bn yen)	(12.5) (bn yen)	Unachieved	Significantly unachieved in FY2019 due to impairment losses on investments
Net Assets 200.0 (bn yen)	166.0 (bn yen)	Unachieved	While achieved in FY2017, unachieved in FY2019 due to impairment losses on investments
New Customers 2,700 (in total)	2,666	Unachieved	While slightly less than the objective, number of our customers has expanded
Investment Amount 50.0 (bn yen) (in total)	76.8 (bn yen)	Exceeded	Exceeded the objective due to large scale resource investments. Effects of the investments will appear from FY2020 onward
Net DER less than 150%	127% *161%	Achieved	Turned into 127% due to procurement of Finance through Hybrid Loan *Reflecting equity credit attributes of the Hybrid loan

Transition of “Three S” (STEADY, SPEEDY, STRATEGIC)



- STEADY (Revenue from HANWA) had generally maintained stable profitability
- SPEEDY (Revenue from group companies) had remarkably affected by fluctuations in domestic and overseas market conditions and in local currencies overseas
- STRATEGIC (Revenue from strategic investments) had devaluated assets regarding SAMANCOR in 2019, based on decline in market of ferrochrome

Results

- Divided Group business domains into three S (STEADY, SPEEDY, STRATEGIC) and captured revenue and growth opportunities according to the properties and risks of the business domains
- Sowed the seeds for the future through domestic strategy of “SOKOKA” (quick delivery, small lots, processing), overseas strategy of “Create another Hanwa in Southeast Asia” and strategic investments in natural resource sectors with distinctive characteristics
- Promoted HKQC (Hanwa Knowledge Quality Control) to hand down Hanwa’s knowledge

Issues

- Strengthening management foundations such as financial position once again in light of decrease in net assets due to a large-scale impairment loss and uncertain outlook due to COVID-19
- In addition to aiming to improve business efficiency in domestic “SOKOKA” strategy, including through the sharing of group operation bases, we will capture demand for overseas “local production for local consumption”
- Following our investment-oriented strategy in anticipation of future changes in business environment, we will properly manage the progress and monetize the investment

- I . Strengthening of Management Foundation
- II . Development of Business Strategy
- III . Monetization of investment

I . Review of 8th Medium-Term Business Plan

II . Medium-Term Business Plan 2022

III . Progress of the Plan in FY2020

Changes in the supply–demand environment of domestic steel industry

- ✓ Decline in domestic demand for steel materials
- ✓ Chinese steel industry’s increasing influence in the global market

Progress in the use of clean energy

- ✓ Increasing Social and Political demand for Decarbonization
- ✓ Increase in demand for renewable energy and biomass fuels

Intensified competition in metal resources and non–ferrous metal markets

- ✓ Enhancement of resource nationalism
- ✓ Development of the battery recycling market
- ✓ Increase in demand for E–scrap/intensified competition for collection of the scrap

Increasing social demands such as governance and ESG

- ✓ Intensifying demands for environmental protection
- ✓ Increasing demands for improvement of the governance system

Changes in global market for marine products

- ✓ Decline in demand for fish food in the domestic market
- ✓ Tightening of supply by tightening regulations in overseas production areas

Business changes in New Normal caused by COVID–19

- ✓ Impact of changes in consumption and demand structures
- ✓ Changes in customer relationships due to remote sales

Basic Policy on the Plan

Run up to “HANWA 2030”
 ~ Challenge to step into the Unknown beyond the present ~”



i . Management of BS & CF based on Financial Discipline

- 1 Establishment and management of **Investment & Lending Limits based on emphasis on consolidated CF**
 - ▶ Investment & Lending limits = Consolidated basic operating CF(*) - Returns to Shareholders
 - (*) Consolidated basic operating CF = Consolidated operating CF - Increase/Decrease in Working Capital
- 2 Improvement of financial balance by **reallocating assets**
 - ▶ Selection/sale of Cross Shareholdings and non-business assets with low holding effects
- 3 Strengthening **Global Financial Management**
 - ▶ Promoting switch from local borrowing to parent-subsidary loans at group companies

ii . Promoting investments / strengthening management of investments

- 1 Continuing **selected growth investments**
- 2 Review of **investment/withdrawal criteria**
- 3 Strengthening **monitoring system**
- 4 Reconsideration of **Investment Examination Committee**

iii . Shareholder Return Policy

- 1 Prioritizing **enhancement of financial foundation** through **accumulation of internal reserves** during the plan
- 2 Basic policy for shareholder returns is to continue **at the current level**

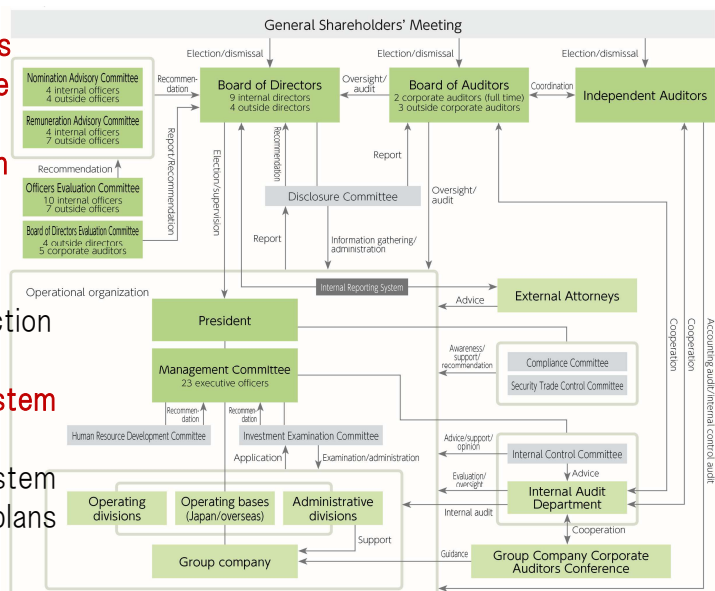
Cumulative Investment and Lending limit (FY2020-FY2022): **50.0 billion yen**

Shareholders' equity at the end of FY2022: **200.0 billion yen or more**

Net DER: approximately **130%**
(※Unreflecting Hybrid loan)

iv . Sophistication of Corporate Governance System


- 1 Reconsidering the Board of Directors
 - ▶ Redefining **roles and responsibilities of the Board of Directors**
 - ▶ Enhancement of **supervising function of the Board of Directors**
- 2 Review of organizational structure
 - ▶ Reconsideration of **number of directors**
 - ▶ Consideration of **setting term of office for executive officers**
- 3 Review of **executive evaluation system / appointment and dismissal standards**
 - ▶ Clarification/Diversification of evaluation standards
 - ▶ Continuity between evaluation and election / dismissal standards
- 4 Review of **executive compensation system**
 - ▶ Reconsideration of the periodic/ performance-related compensation system
 - ▶ Consideration of stock compensation plans



v . Strengthening Human Resources


- 1 Development of solution-oriented sales personnel and management personnel
 - ▶ Systematic education of knowledge and skills **required for corporate management**
 - ▶ Consideration of **diversification of human resource utilization** and introduction of **training plan for human resources**, including loans to group companies, etc.
- 2 Development of Professional & Global personnel
 - ▶ Establishment of in-house educational system (*Hanwa Business School*)
 - ▶ Introduction of **credits systems** according to job classification and responsibilities
 - ▶ **Significant increase in training budget**
- 3 Human Resource Assessment
 - ▶ Consideration of appropriate placement through **multi-faceted and objective evaluation** utilizing statistical data
 - ▶ Introduction of **requirements for acquiring external qualifications** for promotion
- 4 Human Resource Diversity
 - ▶ Active recruitment of **foreign human resources**/Increased **promotion of women** to managerial positions
 - ▶ Utilization and development of **national staff at** headquarters and other bases
 - ▶ Providing **various opportunities for senior employees**


Establishment of in-house education system (*Hanwa Business School*) 

Significant increase in training budget (3 times than before) 

vi. Redesign of Performance management methods, Organizations, Operations

- 1 Renovations of Performance management methods and Organization
 - ▶ Review and renovation of **management accounting system**
 - ▶ Introduction of performance management / evaluation with **emphasis on BS/CF** in addition to PL management
 - ▶ **Group-wide** profit and loss management
 - ▶ **Strategic and efficient transformation of organizations** based on strengthening of budget management and arrangement to planning and clerical staff in administrative department
- 2 Introduction of new ERP systems (*SHIFT*)
 - ▶ Contributing to redesign of operations and organizations as **the foundation of DX**
 - ▶ **Standardization** from personal business procedures **to uniform system flow**
- 3 Work style innovation
 - ▶ Diversification of **working styles and locations**
 - ▶ **Enhancement of IT infrastructure** and **promotion of paper reduction projects**
 - ▶ **Improvement in productivity** by making business flow efficient and utilizing digital tools

New management accounting system 
starting in FY2021

New ERP System (*System for Hanwa Innovating Finance and Trading*) 
starting in FY2022

i. Domestic Steel Business

- 1 From trading to high-value-added sales
 - ▶ Aggressive Development of **vertically integrated businesses** that leverage **processing & drawing**
 - ▶ Aggressive technological investment in **machinery and equipment**
 - ▶ **Reforming logistics** by restructuring core logistics, small-lot logistics, and relaying spot strategies
- 2 2nd **“SOKOKA” (quick delivery, small lots, processing) strategy**
 - ▶ From the 1st “SOKOKA” centered on western Japan (* 23 companies since FY2010), promoting **nationwide deployment of “SOKOKA” including eastern Japan** (* 4 companies)
 - ▶ **Sharing of bases and indirect divisions** of “SOKOKA” group companies

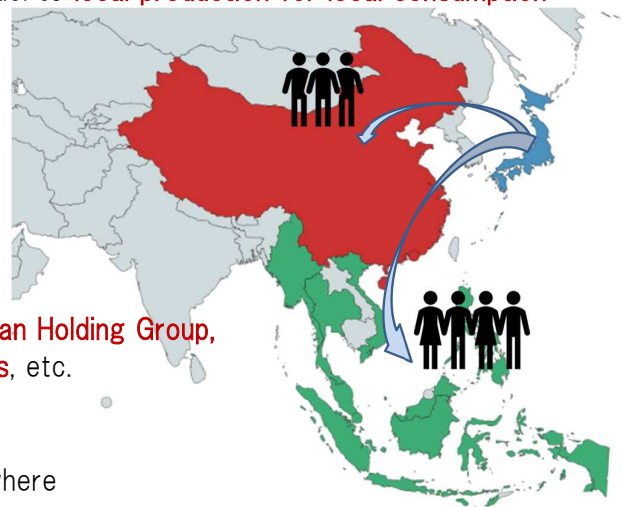


Promoting high-value-added sales :
Processing/Drawing/Reform of Logistics

2nd “SOKOKA” strategy
Development of East Japan/ Efficiency improvement of Group companies

ii. Overseas Steel Business

- 1 Expansion of business based on **local production for local consumption /** strategic exports of Japanese products
 - ▶ Shift from general-purpose products export model to **local production for local consumption**
 - ▶ Expansion of exports of **high-function, high-value-added** Japanese products
 - ▶ Transporting successful business in Japan **into ASEAN, China and other countries**
 - ▶ Grasping and deepening local needs by **distributing domestic human resources overseas**
- 2 Promoting **alliances with strategic partners** and gradual **horizontal collaboration**
 - ▶ Further strengthening collaboration with **Tsingshan Holding Group, Delong Steel Group, Daming International Holdings, etc.**
- 3 Promotion of **global group management**
 - ▶ Managing **global transaction volume of steel**
 - ▶ **Organizational reviews** in U.S., Europe, and elsewhere

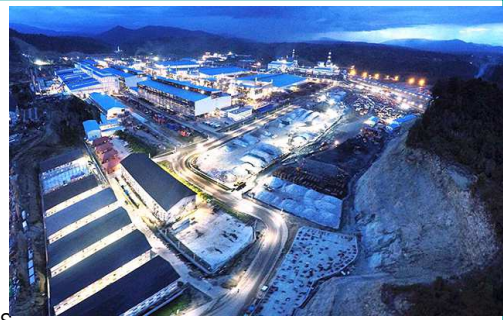


Global transaction volume of Steel :
15 million tons (simple sum)

Global Partnerships : **Strengthening and Promoting Collaboration**

iii. Primary Metal Business

- 1 Generating steady earnings from **strategic investments**
 - ▶ **Monetization** of investments and thorough **CF management**
- 2 Developing **overseas markets** and strengthening **exports**
 - ▶ Strengthening sales systems for **ASEAN, Europe and U.S.**
 - ▶ Diversification of **ferroalloy supply network** domestically and overseas
 - ▶ Strengthening collection functions of **E-scrap** in Europe
- 3 **Diversification** of **LiB** and other battery-related businesses
 - ▶ **Establishment of supply chain** extending from raw material → processing → inventory → logistics
 - ▶ Development of **materials for LiB cathode and anode**
 - ▶ Sales expansion including for **automobile manufacturers**



iv. Metal Recycling Business

- 1 Strengthening sales of **aluminum and copper recycling**
 - ▶ Expanding sales of **aluminum scrap for automobiles, etc.**
 - ▶ Expansion of **dissolution and processing domestically and overseas** and pursuit of further investment opportunities
- 2 **Strengthening overseas expansion** of white-based non-ferrous/specialty metals scrap, etc.
 - ▶ Strengthening sales of **tin/lead/zinc**, including inventories in **ASEAN, India**, etc.
 - ▶ Strengthening sales of **stainless steel scrap** in Europe, U.S. and Asia
- 3 Promoting collaboration **among group companies**



v. Foods Business

- 1 Coping with **decline in domestic population**
 - ▶ Strengthening sales to Japanese food chains in **ASEAN and China**
- 2 Increasing volume of **livestock products**
 - ▶ Increasing transaction volume of **chicken by 50%** / adding new categories of products, **such as beef and pork**
- 3 Strengthening **processing**



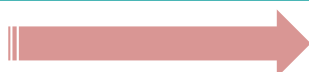
vi. Energy & Living Materials Business

- 1 Coping with **Energy Conversion** (Clean, Recycled, Biomass)
 - ▶ Conversion of industrial-use energy to **LNG/tires/RPF**
 - ▶ Conversion of energy for physical distribution to **H₂ / LNG / electricity**
- 2 Expansion of transaction of **bio-based raw materials** and **Eco-friendly products**



vii. Other Business

- 1 **Adding new categories of products in lumber business** for housing manufacturers, etc.
- 2 **Expansion of transactions in China** and expansion into **electrical construction and large-scale buildings in machinery business**



Number of new customers in all global businesses
(cumulative total) **5,000 companies**

Generating steady earnings from strategic investments



(million ton : mt)
(kilo ton : kt)

- WATERBERG JV (Platinum group metals)
 - Operations from 2024
- BACANORA LITHIUM (Lithium carbonate)
 - Operations from 2023 / production 18kt/year
- QMB NEW ENERGY (JV with CATL, Tsingshan Holdings, etc.) (Ni and Co compounds for Rechargeable Batteries)
 - Operations from 2022 / Ni production 50kt/year, Co production 4kt/year
- PT.BIOMASA JAYA (Wood pellet)
 - Operations from 2022 / production 0.15mt/year
 - Operations at 2nd and 3rd plants from 2026
- PT Dexin Steel Indonesia (steel blast furnace mill) — Steel production 3.5mt/year
- OM HOLDINGS (FeSi, FeMn) — FeSi, FeMn production 0.6mt/year
- Tsingshan Holding (NPI & Stainless HRC) — NPI production 1.5mt/year, HRC production 3.0mt/year
- SAMANCOR (Cr Ore, FeCr) — FeCr production 1.6mt/year

8th Plan

9th Plan (Medium-Term Business Plan 2022)

10th Plan

ESG / Dialogue with Stakeholders

Hanwa circular supply chain management

Hanwa will ensure the sustainable growth and development by appropriately coping with changing international and economic conditions, increasingly challenging industry trends, and increasingly complex environmental and social issues.

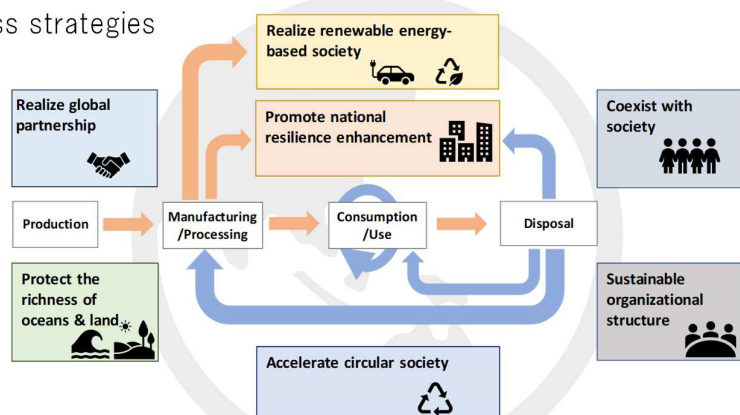
(1) Identification of key long-term issues

- ▶ Clarification of long-term issues to address for sustainable growth
- ▶ Sharing of key issues in the Company

Our challenge to new SDGs-integrated businesses Distribution specialist × SUSTAINABLE DEVELOPMENT GOALS

(2) Integration of key issues into business strategies

- ▶ Integration of SDGs into strategies across all business processes
 - Execution of existing businesses (defense)
 - Promotion of CSR activities (foundation)
 - Development of new businesses (offence)



(3) Dialogue with stakeholders

- ▶ Feedback on dialogue
- ▶ Further growth by reviewing strategies and correcting the course of business

Status of ESG/SDGs Initiatives and Future Direction

Accelerate circular society		Promote national resilience enhancement		Realize renewable energy-based society	
Segment	Steel Business Metal Recycling Business Foods Business Energy & Living Materials Business Lumber, Machinery Business	Segment	Steel Business Lumber Business Machinery Business	Segment	Steel Business Primary metal Business Energy & Living Materials Business Lumber, Machinery Business
Reuse	Reuse of used steel products Lease of floor iron plate	Main transaction	Civil engineering work, Construction materials	Main transaction	[Solid fuel] Waste plastic, Used paper → RPF [Biomass fuel] Palm → PKS Thinned wood → Wood chip, Wood pellet
Recycling	Reuse of food waste Waste battery Iron scrap Aluminum / Copper scrap E-scrap Recycled plastic bag Used paper	Protect the richness of oceans & land		Realize global partnership	
Machinery & Equipment	Environmental machinery	Segment	Foods Business, Lumber Business	Main partnership	Tsingshan HD Group, Delong Steel Group, Daming International HD, SMC
Coexist with society		Sustainable organizational structure			
Expansion & Diversification of Hanwa Scholarship Foundation (Provision of opportunity for study, Development of Global personnel)		HKQC and thorough quality control	Promoting Health and Productivity Management	Realization of Human resource diversity	
Promoting corporate citizenship and volunteer activity		Enhancement of development of personnel	Expansion of basement overseas securing employment		

Summary of Quantitative Targets

Cumulative Investment and Lending limit (FY2020–FY2022) : <u>50.0 billion yen</u>	Shareholders' equity at the end of FY2022 : <u>200.0 billion yen or more</u>
Net DER : <u>approximately 130%</u>	Training budget for Human Resources : <u>3 times than before</u>
Global transaction volume of Steel : <u>15 million tons</u>	Number of new customers in all global businesses (cumulative total) <u>5,000</u>

Financial Targets

Financial Targets in FY2022	8th Plan (reference)				9th Plan	
	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Actual)	FY2019 (Actual)	FY2022 (Objective)	
Net Sales (billion yen)	1,514.0	1,791.1	2,074.6	1,907.4	2,100.0	*1
Ordinary income (billion yen)	22.9	25.5	23.3	(12.5)	30.0	*4
Consolidated transaction volume of Steel (million ton)	10.2	10.5	10.6	9.8	15.0	*2
Consolidated number of new customers	697	601	725	643	-	*3
(in total)	(697)	(1,298)	(2,023)	(2,666)	(5,000)	
Investment Amount (billion yen)	11.2	29.1	17.0	19.5	-	
(in total)	(11.2)	(40.3)	(57.3)	(76.8)	50.0	

*1 “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)” is not applied in calculating Financial Targets for FY2022.

*2 Figures for the period of 8th Plan are the transaction volume on non-consolidated basis.

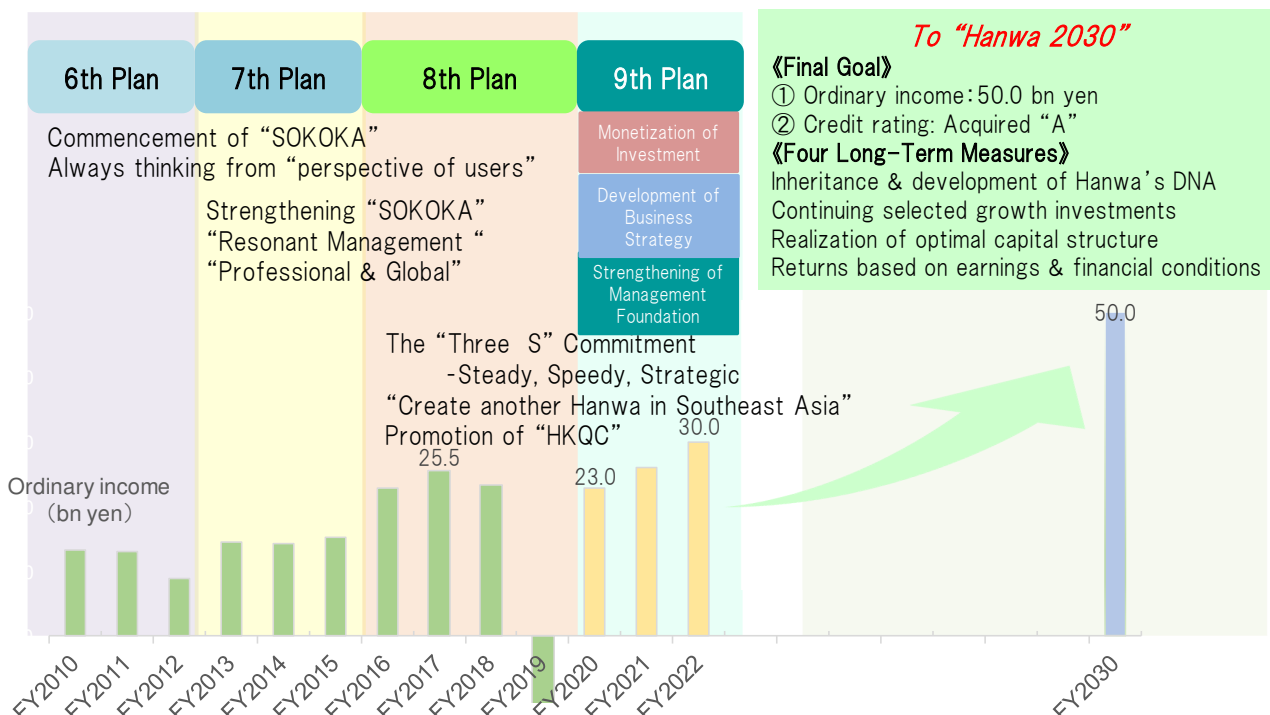
*3 Figures for the period of 8th Plan are the number of new customers on non-consolidated basis.

*4 Breakdown of ordinary income is expected to be STEADY (Revenue from HANWA): 18 billion yen, SPEEDY (Revenue from group companies): 6 billion yen, and STRATEGIC (Revenue from strategic investments): 6 billion yen. STRATEGIC also includes business revenues that were previously included in STEADY and SPEEDY.

Outlook for 2030

Looking Ahead to the Stage 10 Years from Now

In order to adapt to future changes in business environment and achieve further growth, Hanwa will strive to improve profitability and strengthen corporate foundation in well-balanced manner by targeting the following.



I . Review of 8th Medium-Term Business Plan

II . Medium-Term Business Plan 2022

III . Progress of the Plan in FY2020

Progress of FY2020

Planned Period	9th Plan			
	(Forecast)	FY2020		FY2022 (Target)
		2nd Quarter		
		(Actual)	(Progress rate)	
Net Sales (billion yen)	1,700.0	801.0	47%	2,100.0
Ordinary income (billion yen)	23.0	10.2	44%	30.0
Consolidated transaction volume of Steel (million ton)	-	5.6	-	15.0
Consolidated number of new customers	-	666	-	-
(in total)	-	(666)	13%	(5,000)
Investment Amount (billion yen)	-	5.9	-	-
(in total)	-	(5.9)	12%	(50)

For Users, With Users



HANWA CO., LTD.

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