

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2020 (Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 3rd Quarter of FY2020

As for the 3rd quarter result for this fiscal year, in the tendency to a restraint of economic activities caused by the outbreak of COVID-19, net sales have decreased by 13% year on year, hence reached to 1,244.9 billion yen, due to decrease in transaction volume mainly in the 1st half of the fiscal year under weak demands of the steel and other products, as well as commodity prices of non-ferrous metal and petroleum products remained at a low level compared to the same period of the previous year. Operating income decreased by 8% year on year, to 18.7 billion yen chiefly because profits declined in Primary metal, Metal Recycling business. Ordinary income increased by 23% year on year, to 17.9 billion yen, because interest expenses decreased and equity in losses of affiliates turned profitable. Net income attributable to owners of the company increased by 24% year on year, to 12.2 billion yen, partly because there was no loss on a devaluation of investment securities made in the previous fiscal year. We paid 30 yen as the interim dividend and plan to pay additional 30 yen as the year-end dividend.

Operating Results	1Q-3Q of FY2020	1Q-3Q of FY2019	Year-on-year		Main Factors
			Change	rate	
Net sales	1,244.9	1,423.2	(178.3)	-13%	(Net sales) Net sales have decreased by 13% from the same period of the previous year, due to a decrease in transaction volume mainly in the 1st half of the fiscal year under weak demands of the steel and other products, as well as commodity prices of non-ferrous metal and petroleum products remained at a low level compared to the same period of the previous year.
Gross profit	55.8	59.8	(4.0)	-7%	
SG&A expenses	37.0	39.4	(2.3)	-6%	
Operating income	18.7	20.4	(1.6)	-8%	(SG&A expenses) SG & A expenses have decreased by approximately 2.3 billion yen from the same period of the previous year mainly due to a decrease in travel expenses and entertaining expenses under self-restraint of sales activities. Personnel expenses have increased 0.4 billion yen, including 0.1 billion yen from newly consolidated subsidiaries.
Non-operating income	4.7	4.2	0.5	12%	
Non-operating expenses	5.5	10.0	(4.5)	-45%	
Ordinary income	17.9	14.5	3.3	23%	(Non-operating income/expenses) Non-operating income have increased 0.5 billion yen, and Non-operating expenses have decreased 4.5 billion yen, respectively. The breakdown of the main causes is as follows. Interest expenses: decrease of 1.2 billion yen(YoY) Foreign exchange loss: decrease of 0.8 billion yen(YoY) Equity in earnings (losses) of affiliates: losses of 2.6 billion yen in FY2019 earnings of 0.4 billion yen in FY2020
Extraordinary gain	0.6	1.0	(0.3)	-32%	
Extraordinary loss	0.1	0.8	(0.7)	-83%	
Income before income taxes and others	18.4	14.6	3.7	26%	(Extraordinary gain/loss) Gain on sales of fixed assets 0.5 billion yen : mainly due to sales of property by consolidated subsidiaries.
Income taxes	6.0	5.8	0.1	3%	
Net income	12.4	8.8	3.6	41%	
Owners of the Company(loss)	12.2	9.9	2.3	24%	
Non-controlling interests(loss)	0.1	(1.1)	1.2	—	
EPS (yen)	301.96	244.34	57.62	24%	
Comprehensive income	14.7	6.7	7.9	117%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2020	1Q-3Q of FY2019	rate	1Q-3Q of FY2020	1Q-3Q of FY2019	rate	
Steel	652.2	740.6	-12%	11.2	11.2	-0%	(Steel business) Net sales and segment income decreased mainly due to decline in transaction volumes caused by lower demand for steel products despite progress in construction work and recovery of manufacturing activities, and reflecting foreign exchange loss from local currency depreciation. (Primary metals business) Net sales decreased due to decline in transaction volume caused by decreasing steel and non-ferrous metals manufacturers operating rate. Whereas, segment income increased because there weren't equity in losses of affiliates and interest expenses were decreased. (Metal recycling business) Net sales and segment income decreased due to decline in transaction volumes caused by a reduction of production activities in the manufacturing industry, as well as a loss on the market value of the derivative transactions that hedge the risk of price fluctuations in our inventories. (Foods business) Net sales decreased due to lower commodity prices than the same period of the previous year. Whereas, segment income increased due to improved profitability at a sales subsidiary in U.S. and an increase in the number of domestic consolidated subsidiaries. (Energy & Living Materials business) Segment income increased due to securing margin of petroleum products under upward trend of the price and expansion of the price difference between domestic and overseas, increasing sales of PKS & daily goods. (Overseas sales subsidiaries) Segment income increased due to improved profitability of non-ferrous metal trading in Thailand, and decreasing of interest expenses.
Primary Metal	159.9	191.7	-17%	3.2	(0)	—	
Metal Recycling	55.8	59.5	-6%	0.3	1.5	-75%	
Foods	80.0	80.0	-0%	1.7	0.8	93%	
* Energy& Living Materials	129.3	151.4	-15%	4.3	2.8	54%	
Overseas sales subsidiaries	145.5	191.5	-24%	0.9	0.4	129%	
Total for reportable segments	1,222.8	1,414.9	-14%	21.8	16.8	29%	
Other	63.8	65.0	-2%	0.4	1.2	-64%	
Total	1,286.7	1,480.0	-13%	22.3	18.1	23%	
Adjustment	(41.7)	(56.7)	-26%	(4.3)	(3.6)	21%	
Consolidated	1,244.9	1,423.2	-13%	17.9	14.5	23%	

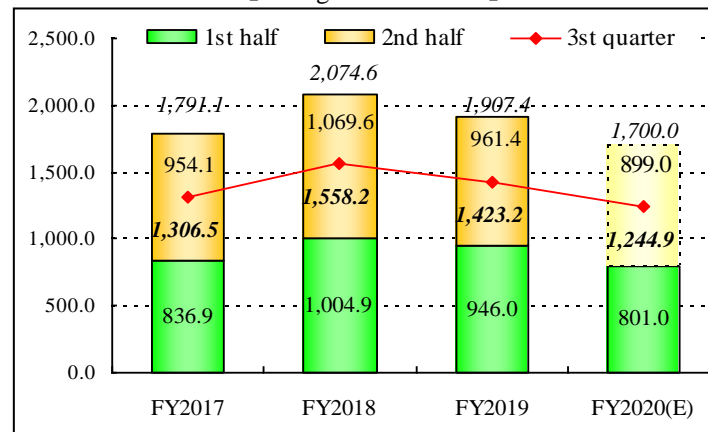
* Since the 1st Quarter of the fiscal year, Company changed the reportable segments from "Petroleum & chemicals" to "Energy & Living Materials".

- Apr. Acquire 100% of the shares of TATSUTA CO., LTD. which is a steel material distributor in Osaka.
- Oct. Acquire 100% of the shares of TEKKEN Industry CO., LTD. which is a steel fabricator in Fukui.

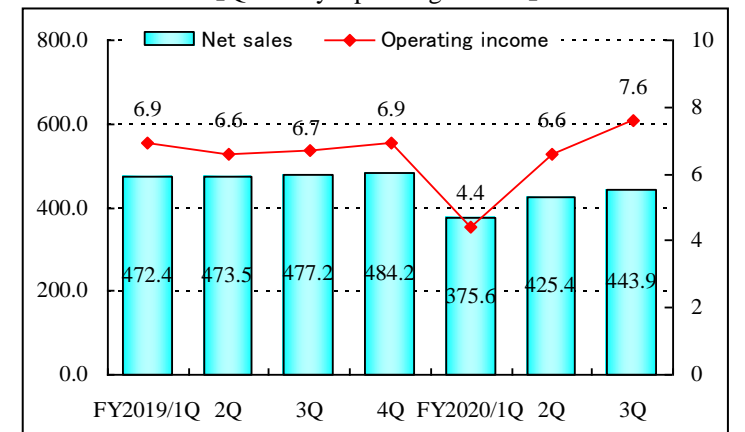
Topics

Financial Position	Dec. 2020	Mar. 2020	Comparison with Mar. 2020		Main Factors
			Change	rate	
Total assets	823.9	798.4	25.4	3%	(Total Assets) Assets increased by 3% from the end of the previous year, due to an increase in advance payments on uncompleted construction contracts and investment securities. Advance payment 49.5 billion yen (+33% from the end of the previous year). Investment securities 67.0 billion yen (+18% from the end of the previous year).
(Current assets)	635.5	627.6	7.9	1%	
(Fixed assets)	188.3	170.8	17.5	10%	
Total liabilities	644.4	632.3	12.0	2%	(Liabilities) Liabilities increased by 2% from the end of the previous year, due to an increase in notes and accounts payable-trade and advance receipts for uncompleted construction contracts. As interest-bearing debt decreased by 9%, net debt-equity ratio was turned into 135% (*106%).
(Interest-bearing debt)	302.0	331.1	(29.0)	-9%	
(Net interest-bearing debt)	239.1	263.8	(24.7)	-9%	
Net DER	135%/106%*	161%/127%*	-26.0pt	-16%	(Net assets) Net assets increased by 8% from the end of the previous year, due to an accumulation of net income attributable to owners of the company and an increase in valuation difference on available-for-sale securities. Shareholders' equity ratio was 21.5%(*24.5%), which is 1.0 percentage points higher than the end of the previous year. *Reflecting equity credit attributes of the subordinated loan
Total net assets	179.5	166.0	13.4	8%	
(Equity capital)	172.5	161.3	11.1	7%	
(Valuation & translation adjustments)	4.3	2.2	2.1	94%	
(Minority interests)	2.6	2.4	0.1	8%	
BPS (yen)	4,352.36	4,027.01	325.35	8%	
Shareholders' equity	176.8	163.6	13.2	8%	
Shareholders' equity ratio	21.5/24.5%*	20.5/23.6%*	1.0pt	5%	

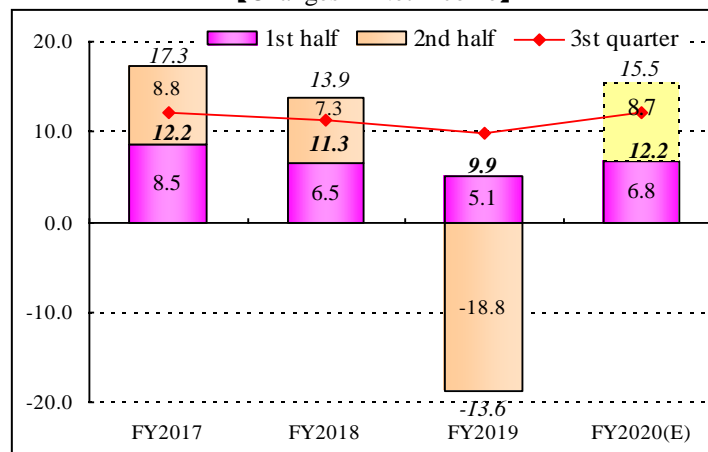
【Changes in Net Sales】



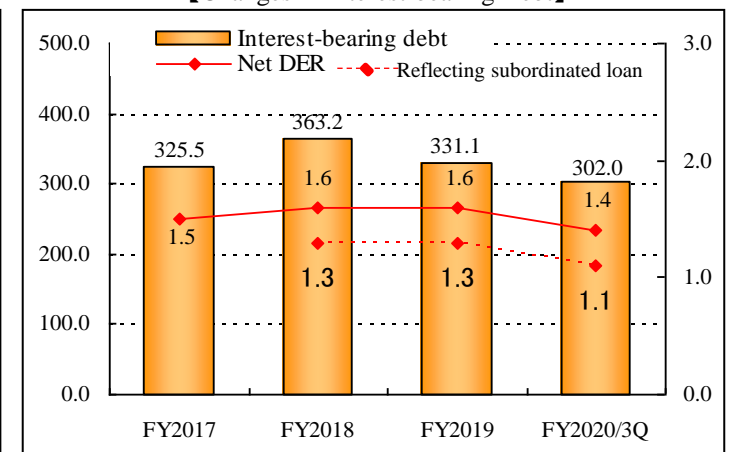
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2020 (estimated)	FY2019		Cash Dividends	FY2019	FY2020	FY2020 (estimated)
			change				
Net sales	1,700.0	1,907.4	-11%	Interim (yen)	75.00	30.00	—
Operating income	25.0	27.3	-9%	Year-end (yen)	25.00	—	30.00
Ordinary income	23.0	(12.5)	—	Annual (yen)	100.00	—	60.00
Net income attributable to owners of parent	15.5	(13.6)	—	Dividend payout ratio	—	—	16%