

Financial Results for the First Half of FY2020

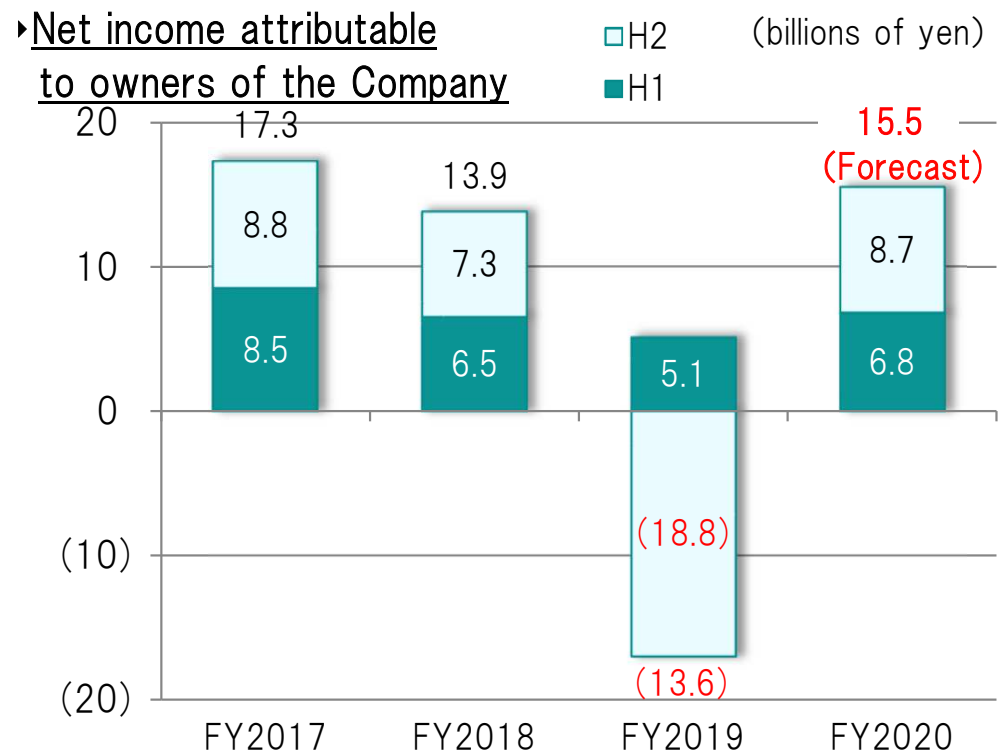
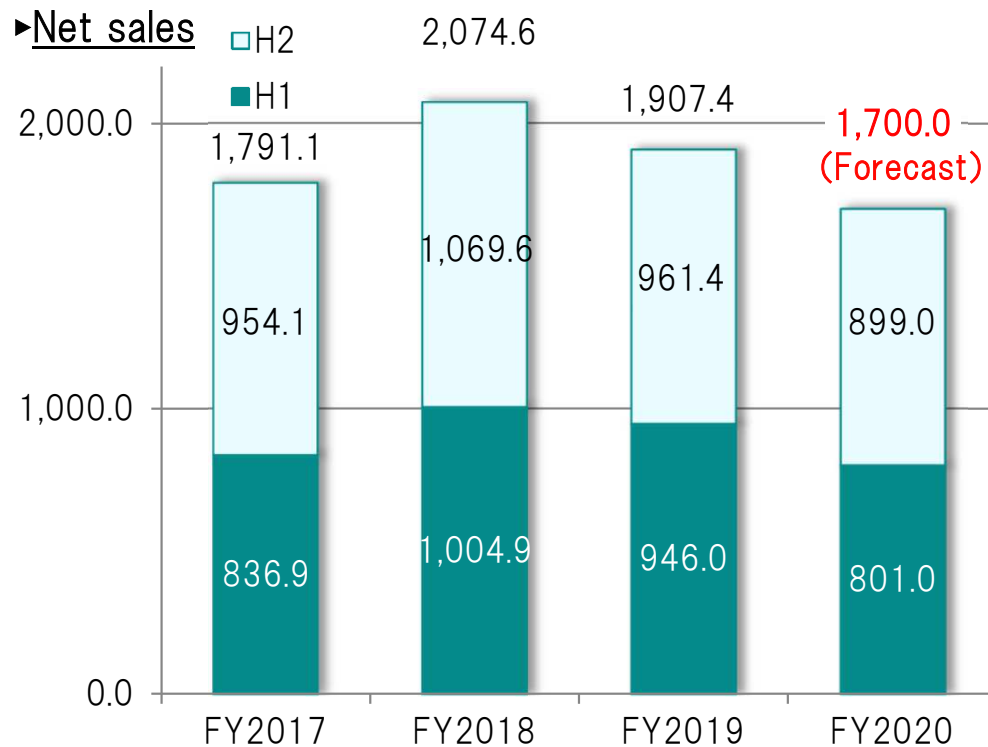
November 2020
HANWA CO., LTD.

Operating Results (Consolidated)

| | H1 (ended September 30) | | | |
|--|-------------------------|-----------|---------------|-------------|
| | FY2019 | FY2020 | Y on Y Change | Y on Y Rate |
| (billions of yen) | | | | |
| Net Sales | 946.0 | 801.0 | (144.9) | -15% |
| Gross Profit | 39.7 | 35.4 | (4.2) | -11% |
| SG&A | 26.0 | 24.3 | (1.7) | -7% |
| Operating income | 13.6 | 11.0 | (2.5) | -19% |
| Ordinary income | 10.8 | 10.2 | (0.5) | -5% |
| Net income attributable to owners of the Company | 5.1 | 6.8 | +1.7 | +33% |
| EPS | 126.91yen | 168.84yen | +41.93yen | +33% |
| Comprehensive income | 2.6 | 4.8 | +2.1 | +79% |

- ▶ Net sales have decreased by 15% year on year due to decline in commodity prices including non-ferrous metal and petroleum products, 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 outbreak of COVID-19.
- ▶ SG & A expenses have decreased by 7% year on year (of which 0.3 billion yen was due to increase of number of consolidated subsidiaries), mainly due to decrease in travel expenses and entertaining expenses under self-restraint of sales activities. Personnel expenses have increased 0.1 billion yen.
- ▶ Ordinary income decreased by 5% year on year due to decline in net sales, whereas interest expenses decreased of 0.9 billion yen and equity in losses of affiliates turned profitable.
- ▶ Net income attributable to owners of the company increased by 33% year on year partly because there were no loss on devaluation of investments securities that made in the previous fiscal year

Changes in Business results (Consolidated)



► Net sales have decreased compared with the same period of the previous year, due to decline in demands and commodity prices under outbreak of COVID-19.

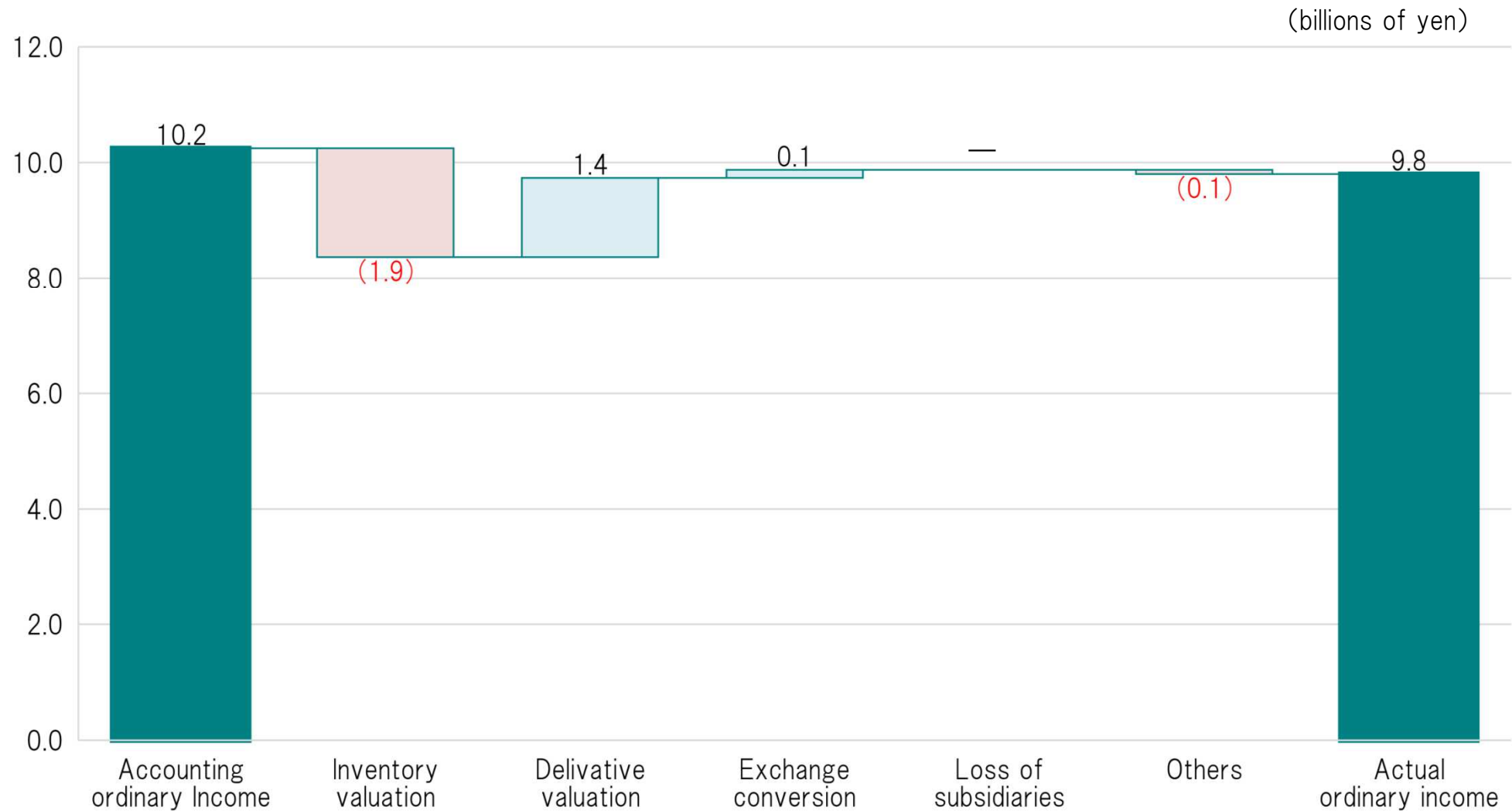
► Net income attributable to owners of the Company have increased compared with the same period of the previous year, due to decline in extraordinary loss.

(Breakdown of extraordinary income and loss)

Gain on sale of property and equipment : approximately 0.5 billion yen

Provision of allowance for doubtful accounts of affiliates : approximately 0.1 billion yen

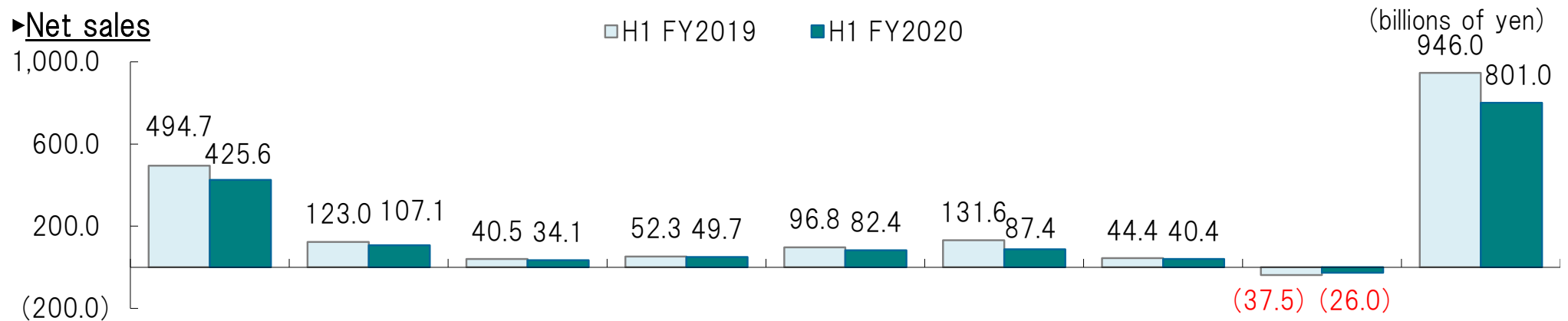
Effect of Profit/Loss from Market value Accounting and Temporary factors



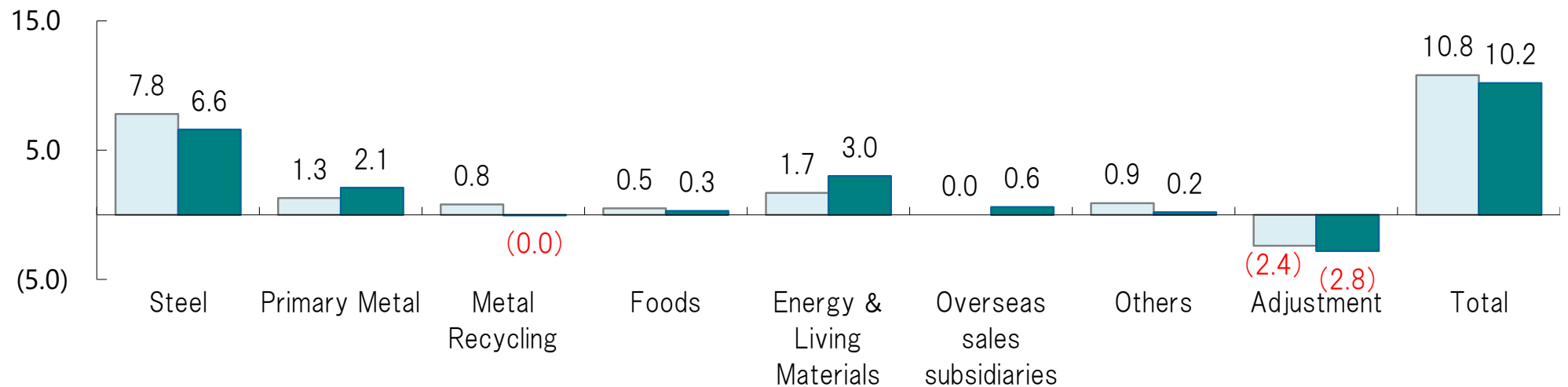
▶Reported Ordinary income was 10.2 billion yen but can be translated into about 9.8 billion yen after excluding one-time factors such as period-end valuation gains and losses for inventories, derivatives, foreign exchange and other items.

Segment Information (consolidated)

▶ Net sales



▶ Segment income



- ▶ Net sales have decreased in all segments compared with the same period of the previous year under economic contraction due to the outbreak of COVID-19.
- ▶ Segment income have increased in Primary metal business, Energy & Living materials business, and Overseas sales subsidiaries, while the income have decreased in other businesses, including Steel business, resulting in decrease in overall income.

Financial Position (consolidated)

| | Consolidated Financial Position | | | |
|----------------------------|---------------------------------|--------------|---------------|-------------|
| | Mar-2019 | Sep-20 | Y on Y Change | Y on Y Rate |
| (billions of yen) | | | | |
| Total assets | 798.4 | 773.0 | (25.3) | -3% |
| Total liabilities | 632.3 | 602.2 | (30.0) | -5% |
| Interest-bearing debt | 331.1 | 311.3 | (19.7) | -6% |
| Net DER | 161% | 137% | -24pt | - |
| | * 127% | * 107% | - | - |
| Net assets | 166.0 | 170.8 | +4.7 | +3% |
| Shareholder's equity | 163.6 | 168.2 | +4.6 | +3% |
| Shareholder's equity ratio | 20.5% | 21.8% | +1.3pt | +6% |
| | * 23.6% | * 25.0% | - | - |
| BPS | 4,027.01 yen | 4,140.99 yen | +113.98 yen | +3% |

* Ratio taken account of evaluation for equity credit on 50% of Hybrid Loan (Subordinated Loan) that HANWA raised 50 billion yen in March 2019.

- ▶ Total assets decreased by 3% from the end of the previous year, due to decrease in trade receivables along with sales decline.
 - ▶ Interest-bearing debt decreased by 6% from the end of the previous year. Net debt-equity ratio decreased of 24points from the end of the previous year.
 - ▶ Total net assets increased by 3% from the end of the previous year, due to accumulation from net income attributable to owners of the company.
- Shareholders' equity ratio improved to 21.8% compared with 20.5% as of the end of the previous year due to decrease in liabilities as well
 (*Taking account of evaluation for equity credit on 50% of Hybrid Loan, capital ratio improved 25.0% compared with 23.6% as of the end of the previous year.)

Cash Flow Situation (consolidated)

| | H1 (ended September 30) | | | |
|------------------------------|-------------------------|--------|------------------|----------------|
| | FY2019 | FY2020 | Y on Y Change | Y on Y Rate |
| (billions of yen) | | | | |
| CF from operating activities | 14.3 | 31.8 | +17.5 | +122% |
| CF from investing activities | (5.0) | 1.1 | +6.2 | - |
| FCF | 9.3 | 32.9 | +23.6 | +254% |
| CF from financing activities | (10.6) | (22.1) | (11.5) | +108% |
| Cash and cash equivalents | 59.1 | 79.9 | +20.8 | +35% |

- ▶ Cash flow from operating activities was 31.8 billion yen due mainly to decrease in trade receivables.
- ▶ Cash flow from investing activities was 1.1 billion yen due to excess of expenditure of the purchase of investment securities and tangible fixed assets over revenue from collection of the long-term loans receivables.
- ▶ Cash flow from financing activities was (22.1) billion yen, due to repayment of loans payable and redemption of corporate bonds.

Business Forecast FY2020



| | Fiscal Year (ending March 31) | | | | |
|---|-------------------------------|--------------------|-------------------------------|------------------------------|----------------|
| | (billions of yen) | FY2019 (Actual) | FY2020 (Previous forecast) | FY2020 (Revised forecast) | Y on Y Rate |
| Net Sales | | 1,907.4 | 1,600.0 | 1,700.0 | -11% |
| Operating income | | 27.3 | 19.5 | 25.0 | -9% |
| Ordinary income | | (12.5) | 16.5 | 23.0 | - |
| Net income attributable to owners of the Company | | (13.6) | 11.0 | 15.5 | - |

▶Amendment to Forecast FY2020

Based on recent business performance, we have amended the forecast of consolidated financial results for FY2020.

▶Details of the amendment

While it is still difficult to predict the outlook for the global economy due to the outbreak of COVID-19, it is expected that demand in each business field will recover in the second half of the year as economic activities are gradually resumed in Japan and overseas.

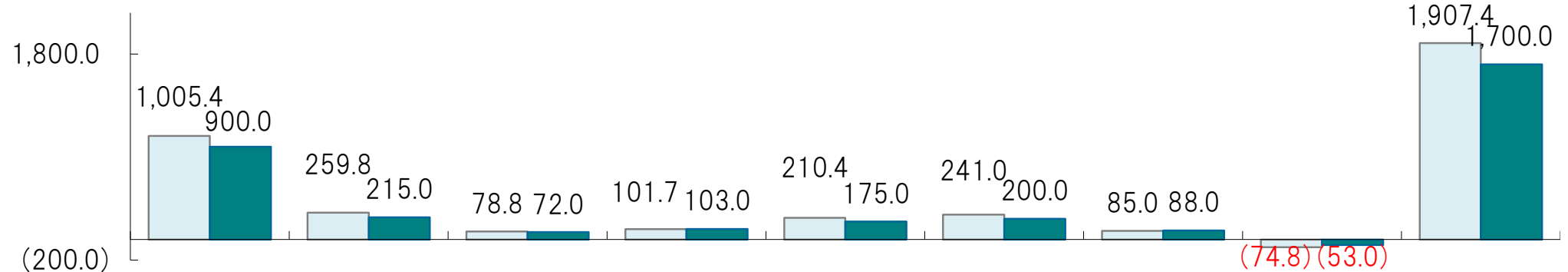
| | | |
|--|-------------------------------|-------------------|
| Net Sales | 1,700.0billion yen(2Q results | 801.0billion yen) |
| Operating income | 25.0billion yen(2Q results | 11.0billion yen) |
| Ordinary income | 23.0billion yen(2Q results | 10.2billion yen) |
| Net income attributable to owners of the company | 15.5billion yen(2Q results | 6.8billion yen) |

Forecast of Segment Information

▶Net sales

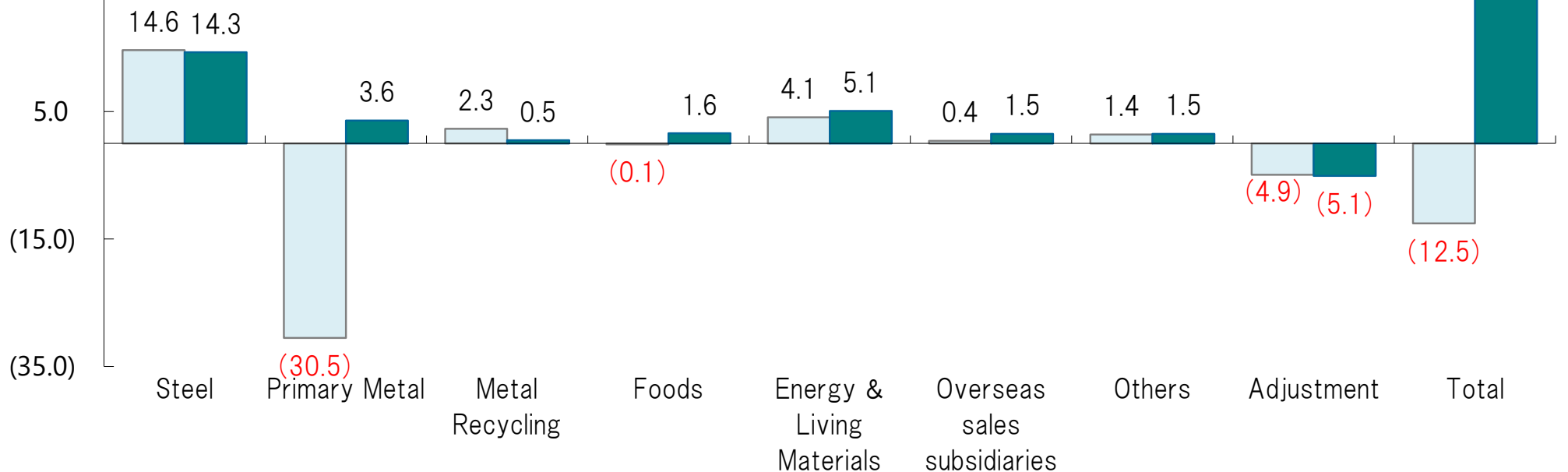
□FY2019 ■FY2020(Forecast)

(billions of yen)



▶Segment income

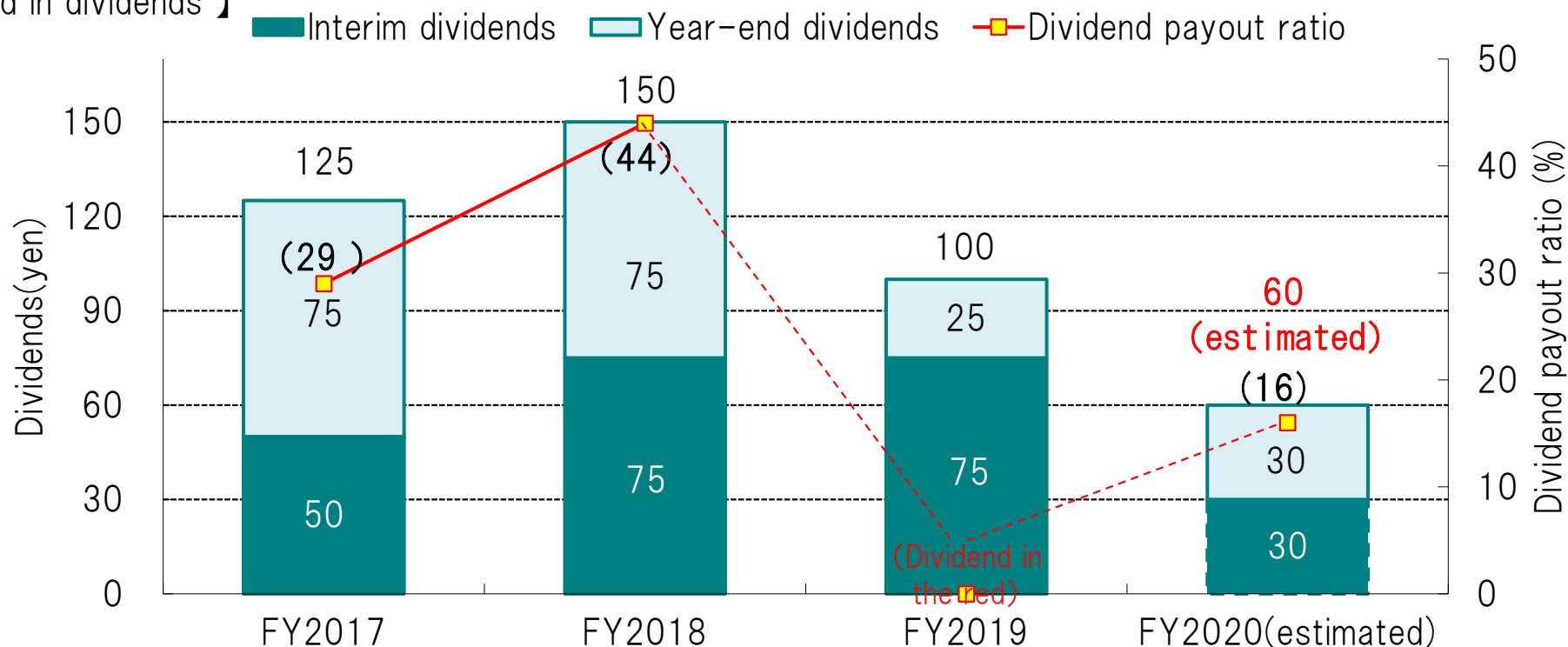
25.0



- ▶ Net Sales are expected to decrease in all business segment except Foods and Others year on year.
- ▶ Segment income is expected to increase mainly in Energy and Living materials business and Foods business. In Primary Metal business, there is not impairment loss on SAMANCOR in the current fiscal year.

Dividend Policy

【 Trend in dividends 】



【Dividend Forecast】

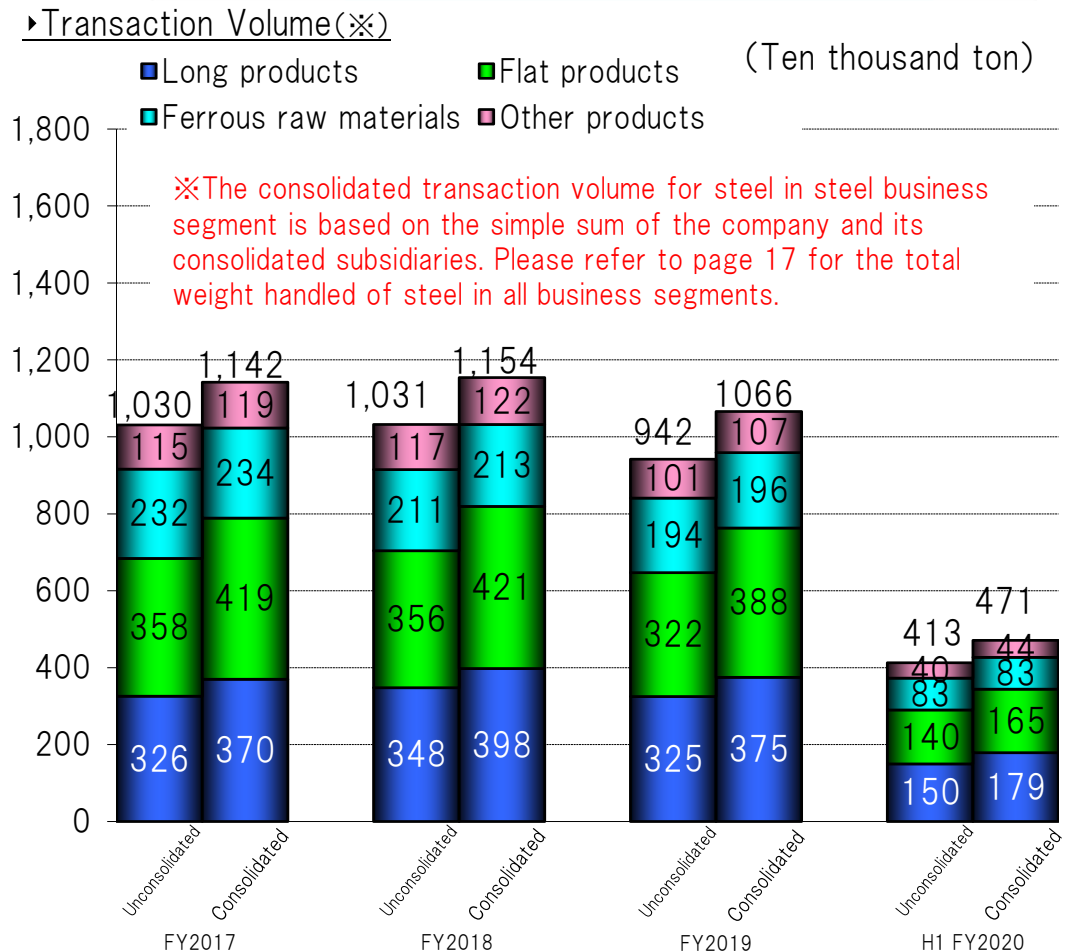
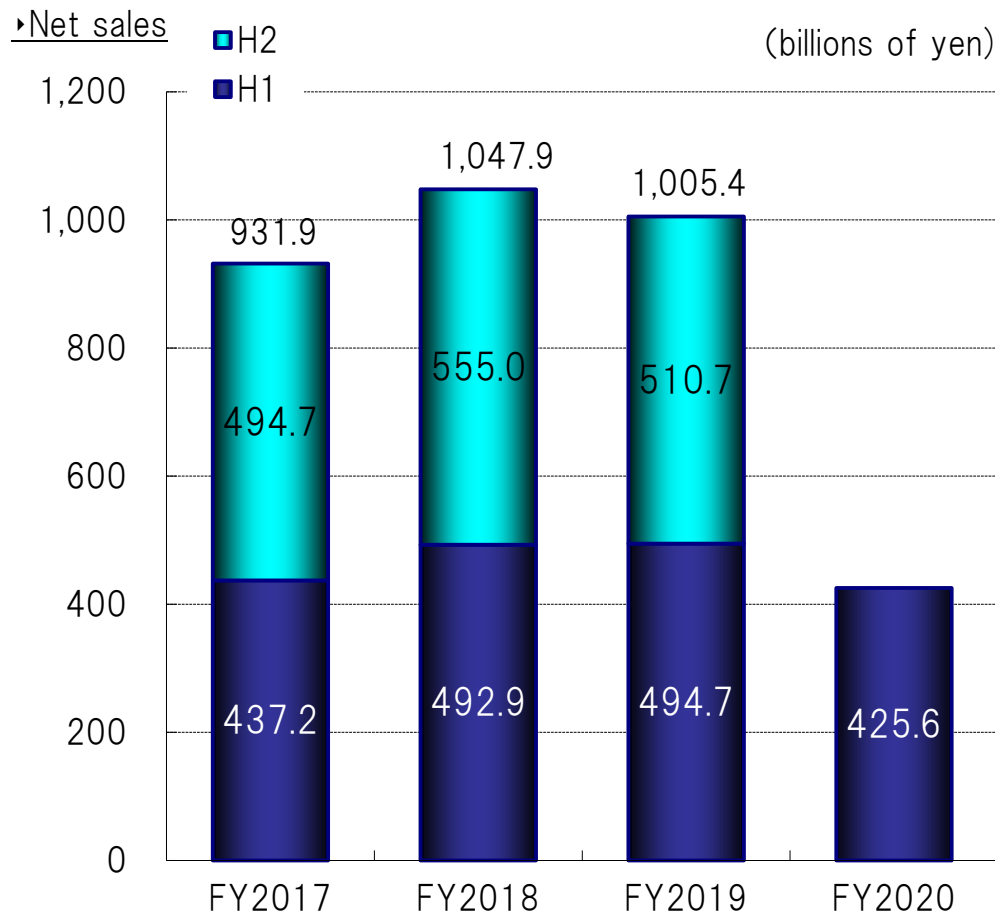
- ▶ During the medium-term business plan period (FY2020–2022), which begins in the current fiscal year, we will prioritize strengthening our financial foundation by accumulating retained earnings and aim to accumulate shareholders' equity of 200.0 billion yen or more.
- ▶ Our basic policy for dividends is to continue the current level.
- ▶ (Dividend for the current fiscal year)
Interim dividend: 30 yen per share Year-end dividend: 30 yen per share (estimated)

(Dividends in FY2017 are taken account of share consolidation at the ratio of 5 to 1 share)

Steel Business Segment

| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 494.7 | 425.6 | -14% |
| Segment Income | 7.8 | 6.6 | -15% |

▶Net sales and transaction volumes decreased due to delay in recovery of production activities in manufacturing industry, while revenue were secured mainly in the construction contracting business in construction and civil engineering field. Adding to above, segment income decreased due to foreign exchange losses caused by depreciation of emerging market currencies.



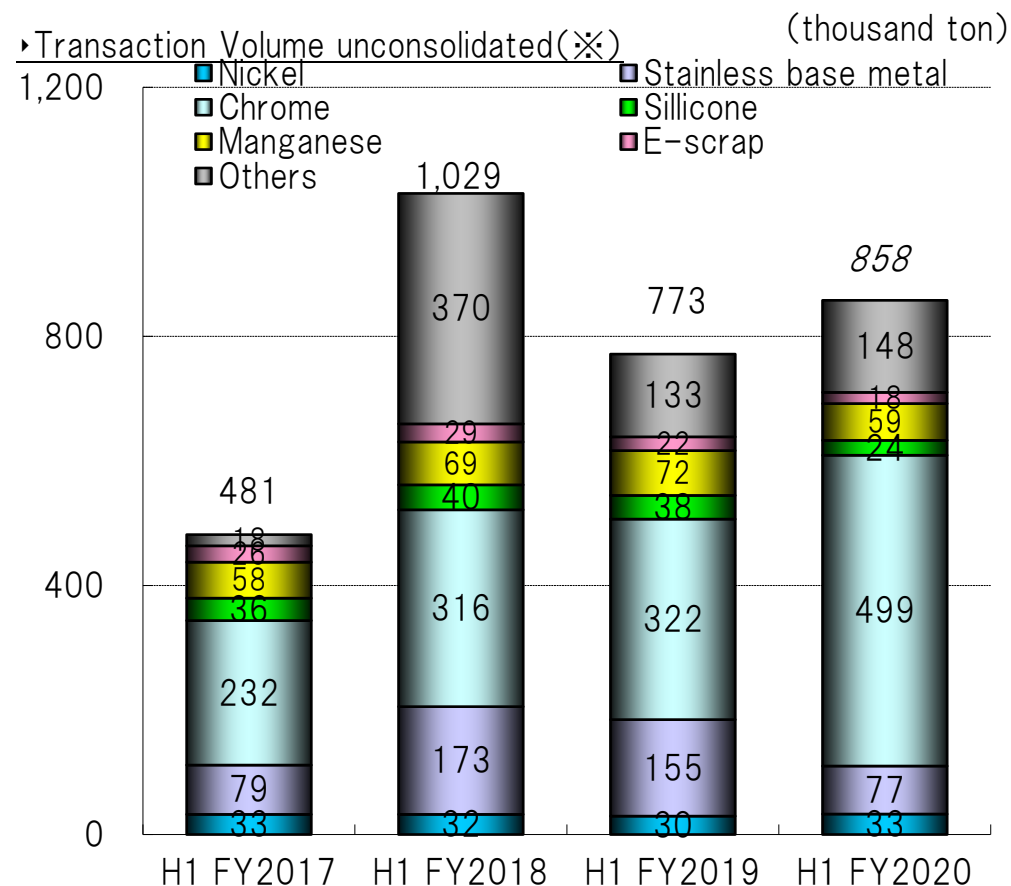
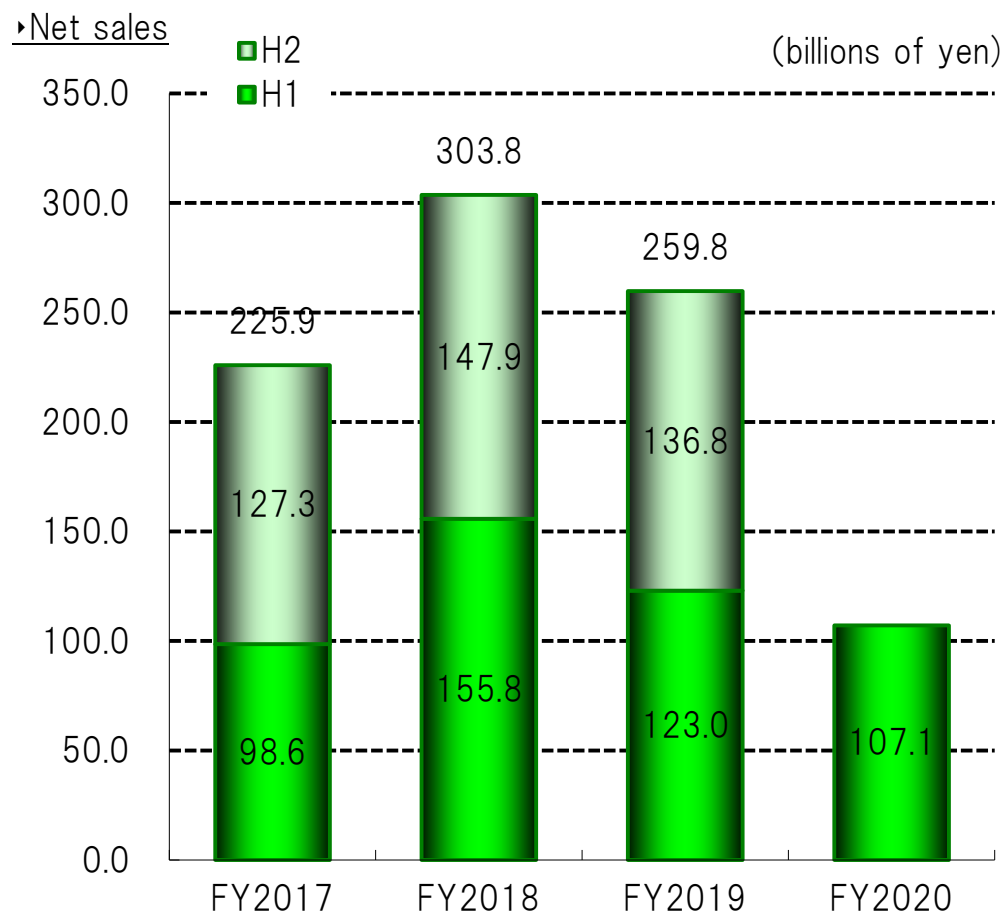
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Primary Metal Business Segment

| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 123.0 | 107.1 | -13% |
| Segment Income | 1.3 | 2.1 | +57% |

▶ Net sales decreased due to decline in the market prices of ferroalloy and transaction volume of stainless steel under production restraints in steel and non-ferrous metal manufacturers.

▶ On the other hand, Segment income increased because there were not equity in loss of affiliates and interest expense decreased

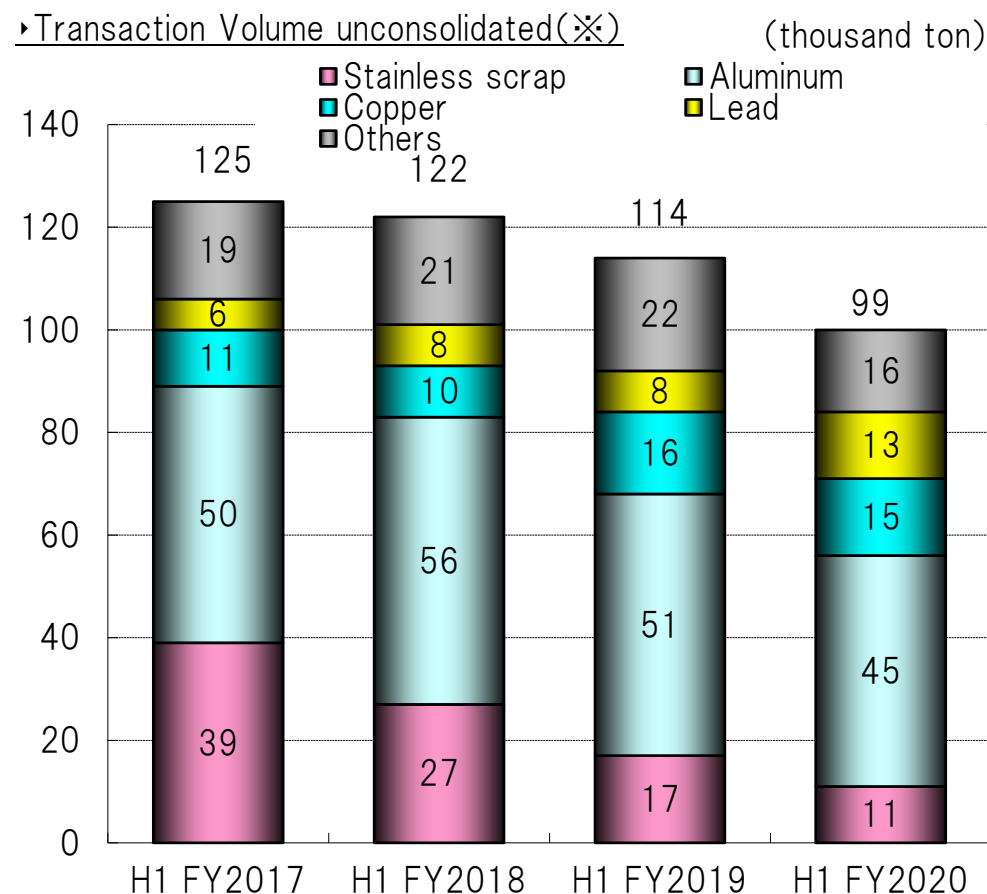
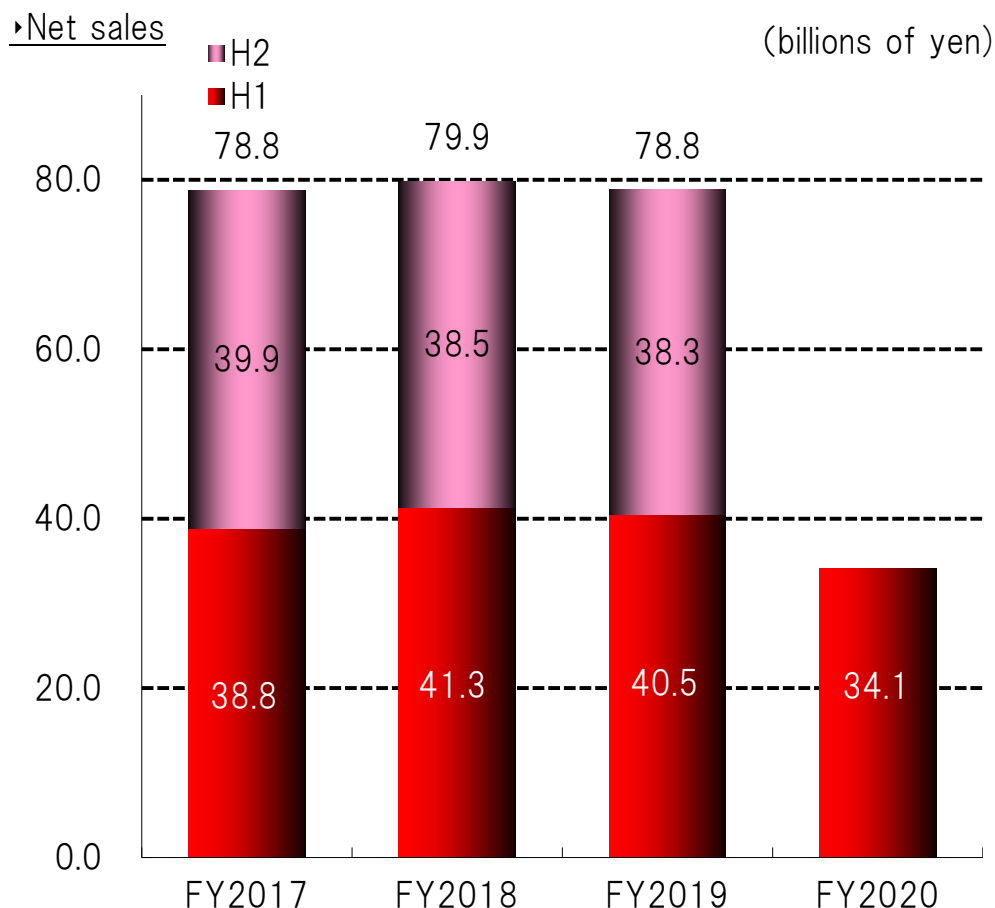


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Metal Recycling Business Segment

| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 40.5 | 34.1 | -16% |
| Segment Income | 0.8 | (0.0) | — |

▶ Net sales and segment income decreased due to decline in base metal prices compared with the same period of the previous year under the recession in each country as well as decrease in transaction volume due to reduction of production activities of manufacturers.

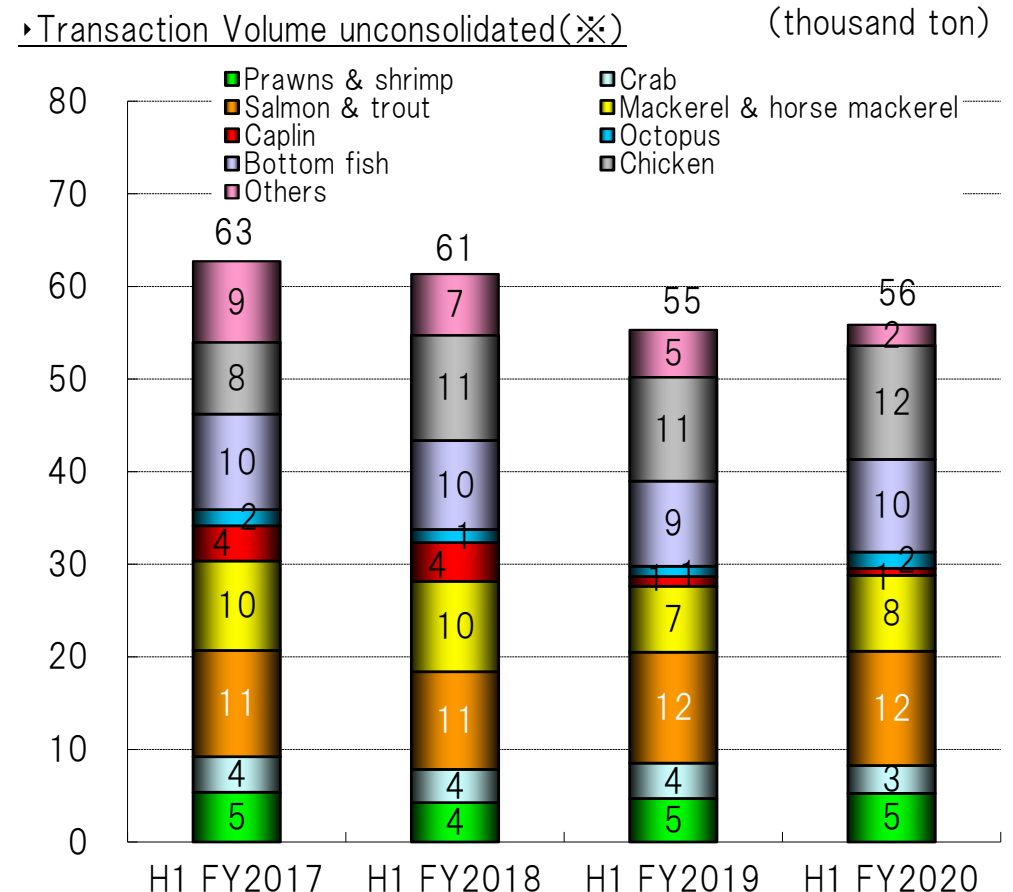
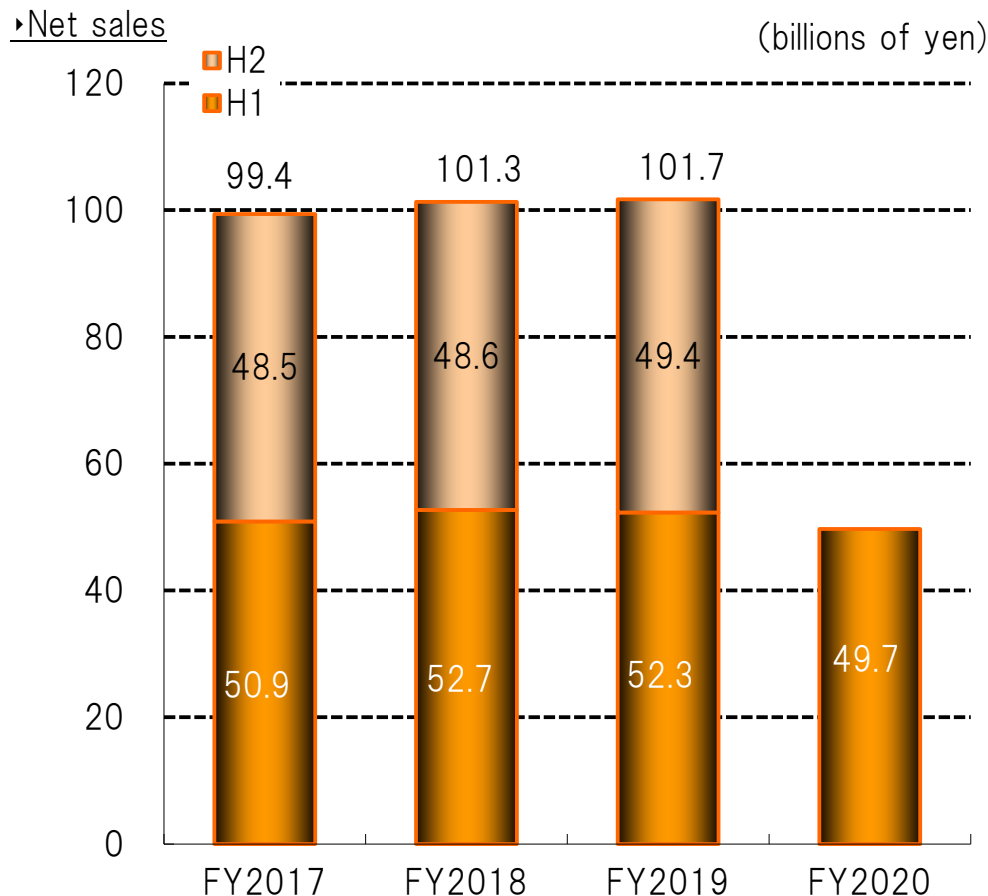


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Foods Business Segment

| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 52.3 | 49.7 | -5% |
| Segment Income | 0.5 | 0.3 | -28% |

▶ Net sales and segment income decreased due to decline in market prices of salmon, as well as decrease in transaction volume of processed products due to self-restraint of the food-service industry.

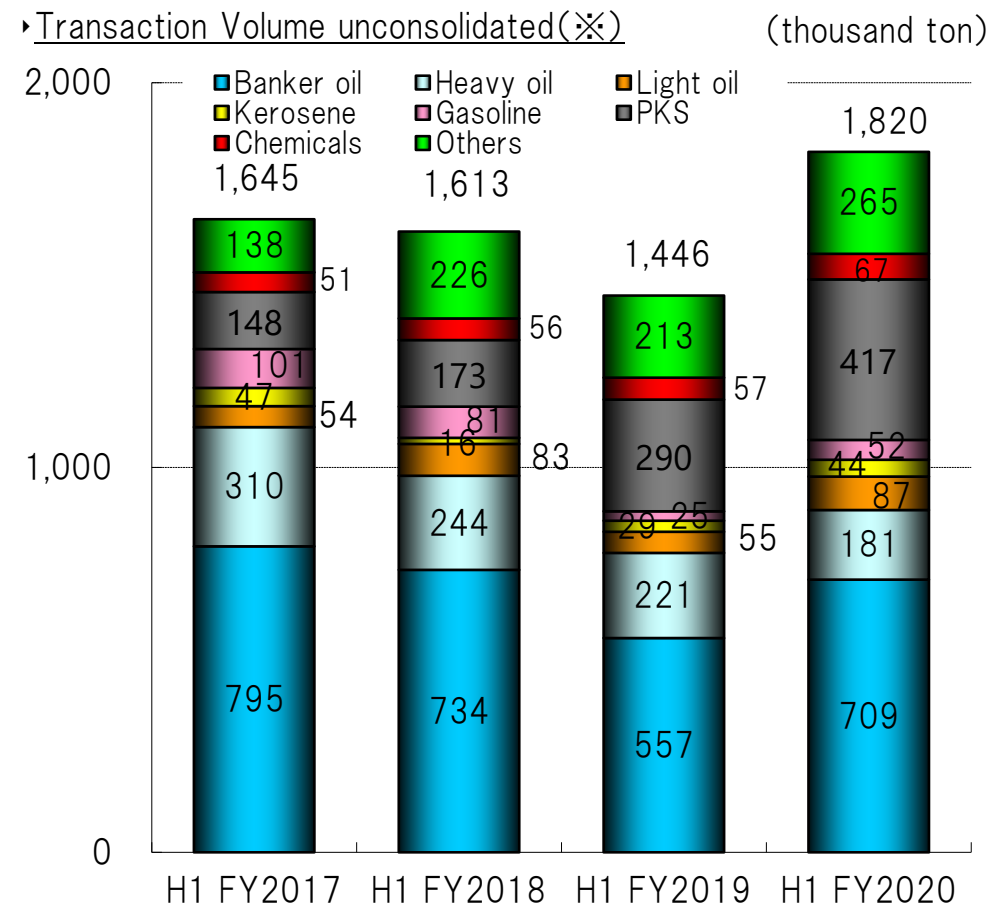
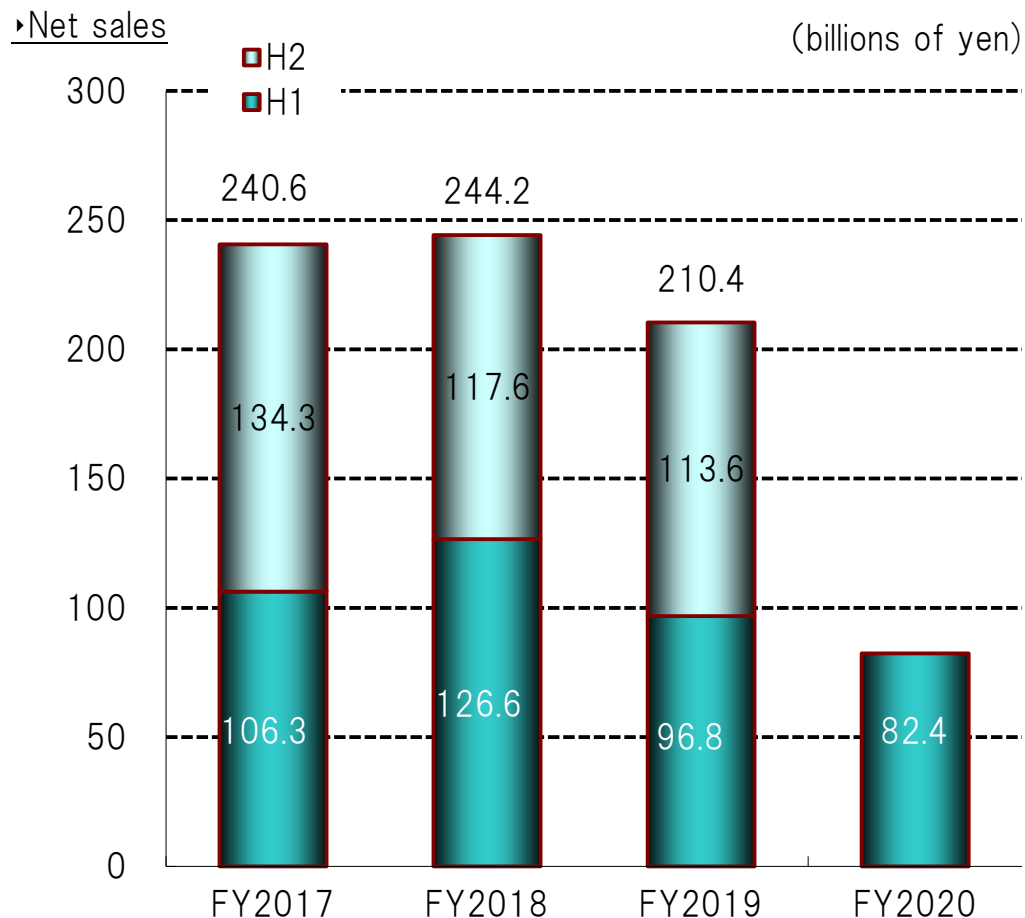


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Energy & Living Materials Business Segment

| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 96.8 | 82.4 | -15% |
| Segment Income | 1.7 | 3.0 | +79% |

▶ Segment Income increased due to securing profit margin of petroleum products under recovery of the prices by coordinated production cuts, and increasing revenue of the trading of PKS (Palm Kernel Shell) due to long-term contracts for biomass power plants.



※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

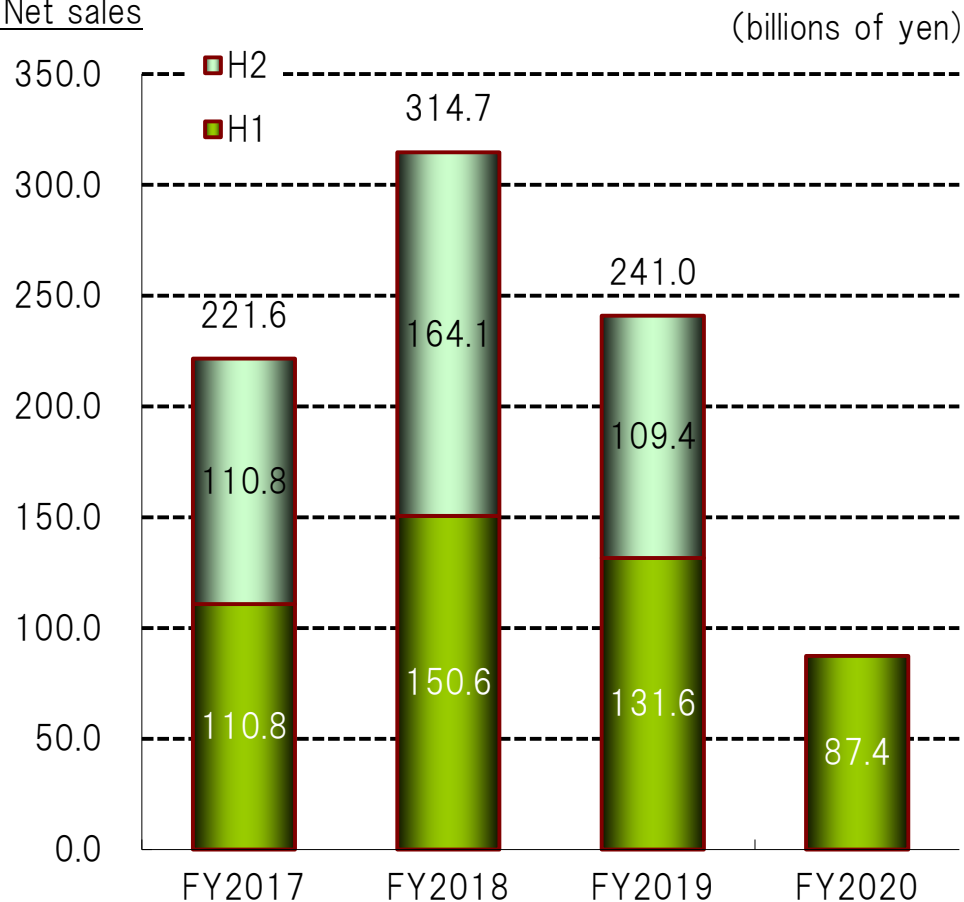
Overseas Sales Subsidiaries Segment



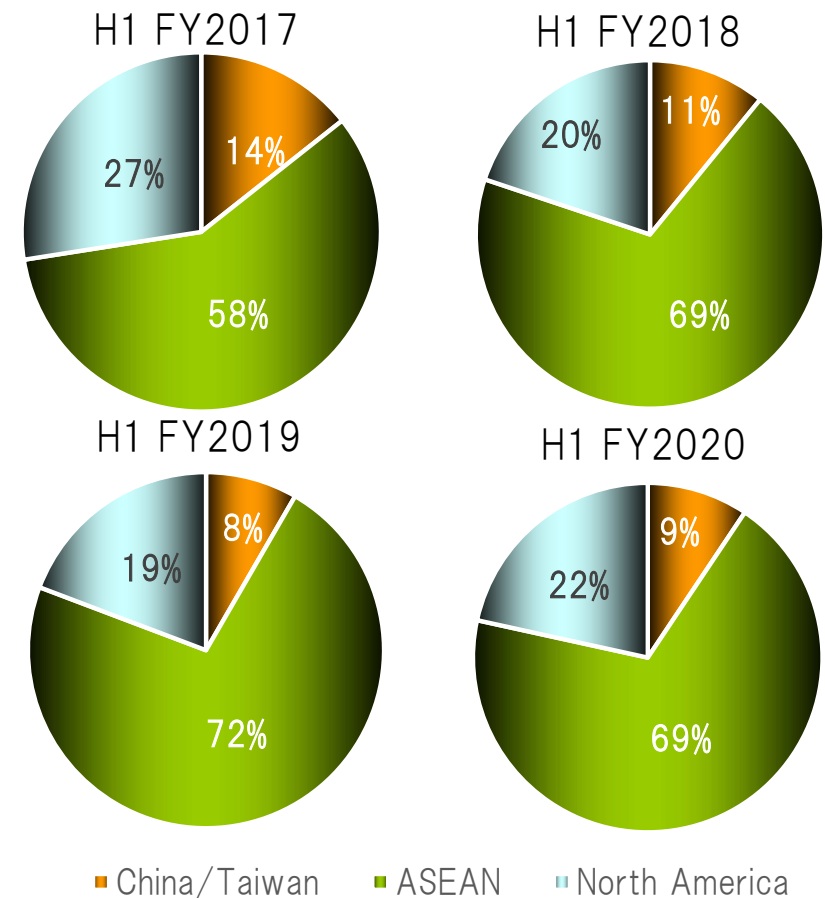
| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 131.6 | 87.4 | -34% |
| Segment Income | 0.0 | 0.6 | — |

- ▶ Net sales decreased due to decline in transaction volume of fuel for ships in Singapore and decline in demands for food for the food-service industry in U.S.
- ▶ Segment income increased due to improved profitability of non-ferrous metal trading in Thailand, and decrease of interest expenses.

▶Net sales



▶Sales ratio by region

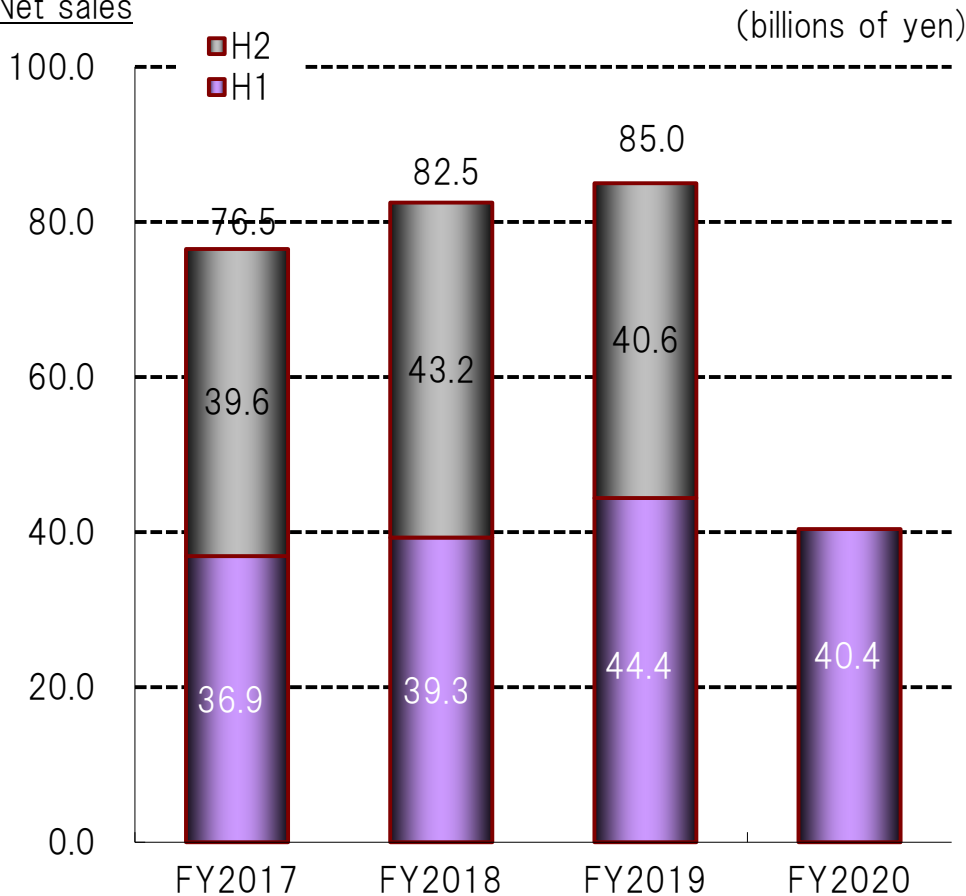


Other Segment

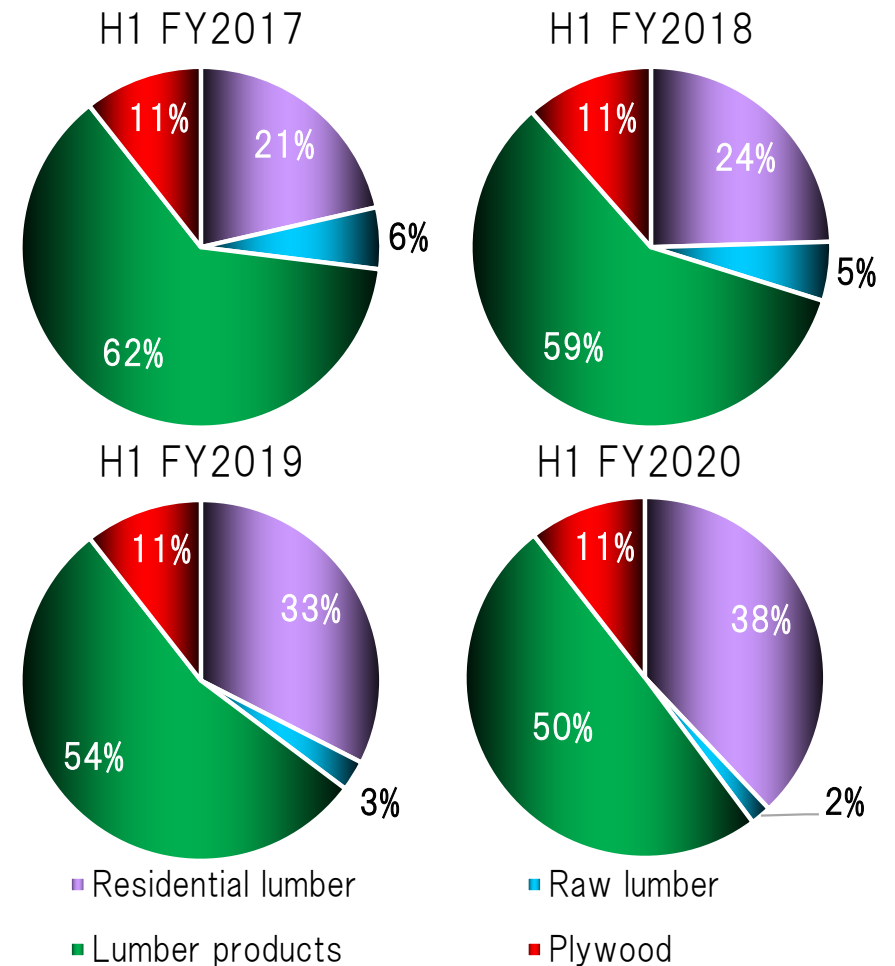
| | H1 (ended Sep 30) | | |
|-------------------|-------------------|--------|-------------|
| | FY2019 | FY2020 | Y on Y Rate |
| (billions of yen) | | | |
| Net Sales | 44.4 | 40.4 | -9% |
| Segment Income | 0.9 | 0.2 | -79% |

▶Net sales and segment income decreased due to decline in revenue in amusement facilities operated by consolidated subsidiary, as well as decrease in the number of completion of construction work of industrial machineries and leisure facilities in the Machinery Business.

▶Net sales



▶Sales ratio in lumber business



Transition of Quantitative indicators

| | | Transition of Quantitative Indicators | | | | |
|---|--------------------------|---------------------------------------|---------------|-----------------------|----------------|----------------|
| | | FY2017 | FY2018 | FY2019 (Full-year) | FY2019 (H1) | FY2020 (H1) |
| The transaction volume of steel (millions ton) | Total | 12.51 | 13.10 | 12.51 | 6.21 | 5.60 |
| | (Steel Business Segment) | 11.42 | 11.54 | 10.66 | 5.33 | 4.71 |
| | (Others) | 1.09 | 1.56 | 1.85 | 0.88 | 0.89 |
| New customers (number, Unconsolidated/Consolidated) | | 601/1,862 | 725/2,209 | 643/2,092 | 344/— | 302/666 |
| Net DER | | 154% | 161% *131% | 161% *127% | 160% *130% | 137% *107% |
| Total investment (billions of yen) | | 29.1 | 17.0 | 19.5 | 3.1 | 5.9 |
| ROE | | 9.7% | 7.4% | -7.8% | 2.7% 5.4% | 4.1% 8.2% |

*The number of new customers(consolidated) in the first half of FY2019 is not tallied.

* Ratio taken account of evaluation for equity credit on 50% of Hybrid Loan (Subordinated Loan) that HANWA raised 50 billion yen in March 2019.

* For ROE in the first half of FY2019 and FY2020, the results for the first half are shown in the upper row. And those are doubled in the lower row for comparing the other full-year results.

- ▶ From the current fiscal year, the transaction volume of steel is managed on a consolidated basis. The volume decreased compared with same period of the previous year due to reduction of economic activity due to COVID-19.
- ▶ Net DER improved from end of the previous year due to reduced liabilities and accumulated profits.

Profits of Group Companies

【Ordinary income trend of subsidiaries by business segment】

| (billions of yen) | H1 (ended Sep 30) | | | | | |
|-----------------------------|--------------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|
| | FY2019 | | FY2020 | | Y on Y Change | |
| | Consolidated/ Equity method | Unconsolidated | Consolidated/ Equity method | Unconsolidated | Consolidated/ Equity method | Unconsolidated |
| Steel | 0.8 | 0.1 | (0.7) | (0.1) | (1.4) | (0.2) |
| Primary Metal | (0.1) | – | (0.1) | – | 0.0 | – |
| Metal Recycling | 0.5 | – | 0.3 | (0.1) | (0.2) | – |
| Foods | (0.2) | – | 0.1 | – | 0.3 | – |
| Energy & Living Materials | 0.4 | 0.0 | 0.9 | 0.0 | 0.4 | 0.0 |
| Overseas sales subsidiaries | 0.0 | (0.0) | 0.7 | (0.1) | 0.7 | (0.0) |
| Others | 0.4 | – | (0.0) | – | (0.4) | – |
| Total | 1.9 | 0.0 | 1.3 | (0.2) | (0.6) | (0.2) |

(Earnings are the sum of earnings at all companies. Consolidated and equity-method classifications for the prior fiscal year are adjusted for consistency with this fiscal year.)

▶ Steel Business

Transaction volume decreased and steel prices remained at a low level due to the effects of COVID-19. In addition, there were foreign exchange losses caused by the depreciation of local currency at overseas steel centers, resulting in decrease in segment income.

▶ Energy & Living Materials Business

Market prices of petroleum product have recovered and profit margins have expanded due to the coordinated production cuts by oil-producing countries.

▶ Overseas Sales Subsidiaries

Segment income increased due to a decrease in interest expense and improved profitability of non-ferrous metal trading in Thailand.

Investment in business

【Current investment records】

| (billions of yen) | Amounts | Major investments |
|-------------------|---------|---|
| Steel | 2.4 | ·Enhancement of processing facilities at domestic and overseas subsidiaries |
| Metal Recycling | 1.1 | ·Capital investment of HANWA METALS (THAILAND) |
| Others | 0.1 | ·HALOS's store opening |
| The whole company | 2.3 | ·Building new core system, Company housing related expenses, etc. |

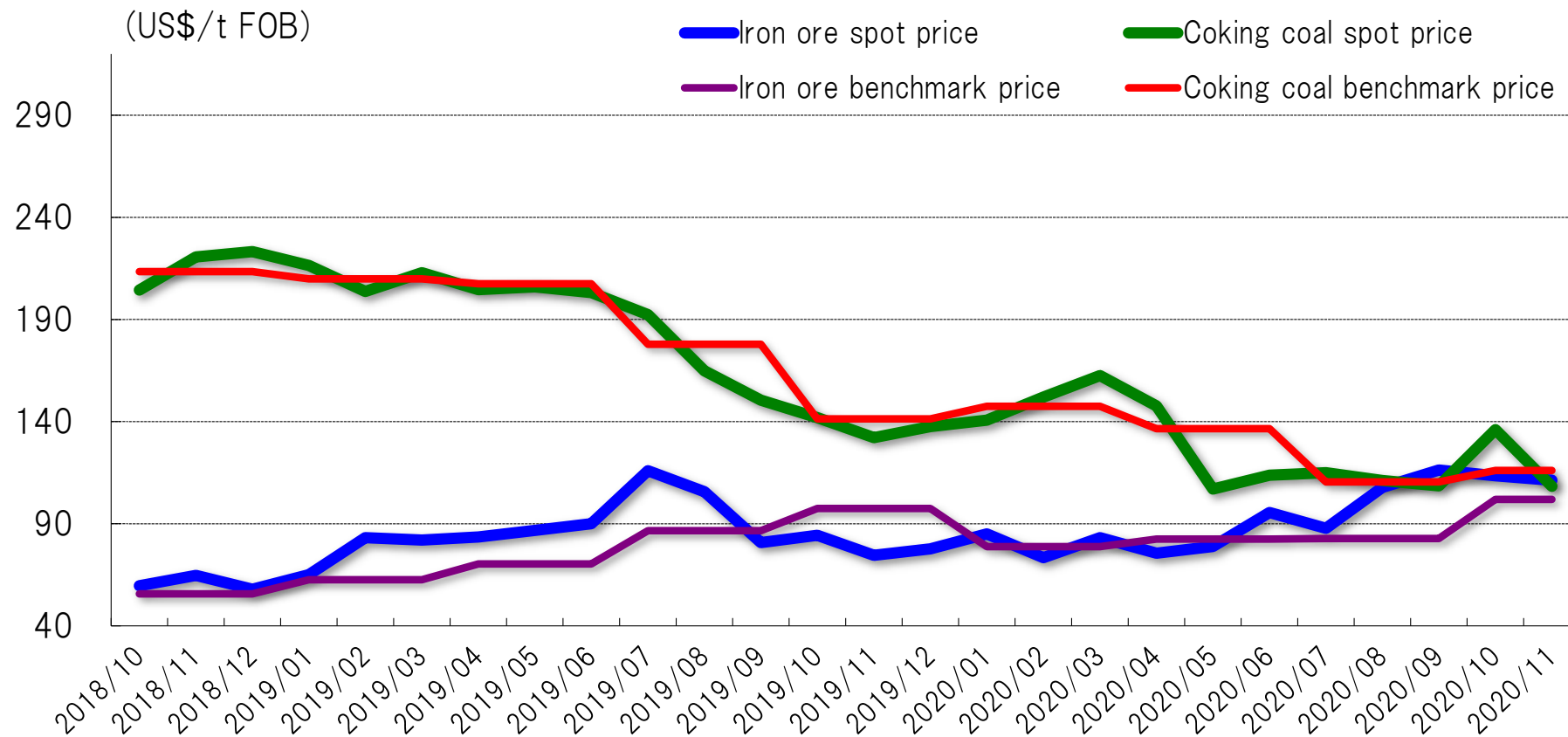
Total

5.9

▶ First half in FY2020 investments totaled about 5.9 billion yen to build a base for more earnings in future.

Appendix

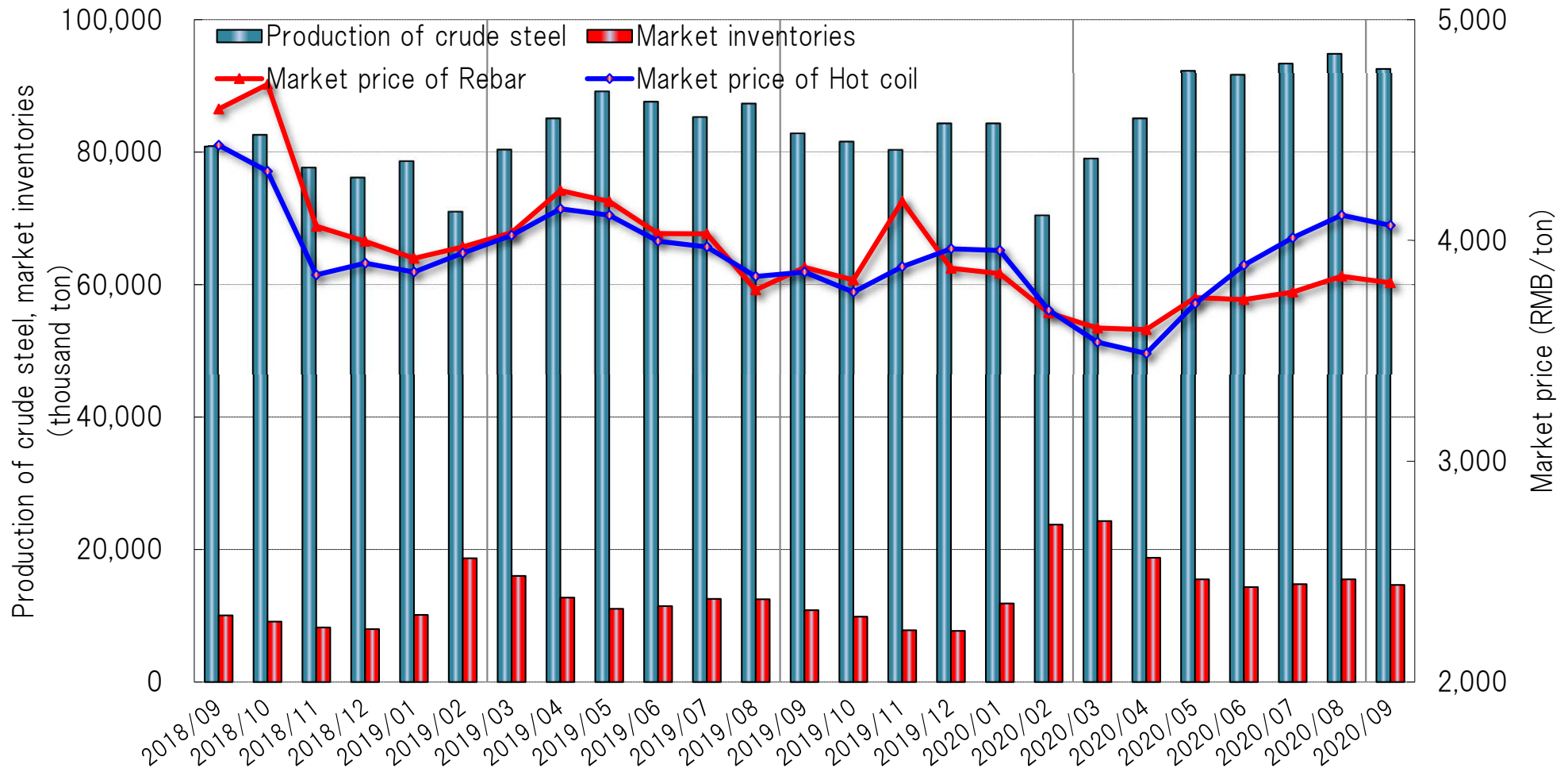
【Transaction of steel raw materials price】



- Iron ore...The market prices were on an upward trend due to increasing demand for blast furnace steel manufacturers after the subsidence of COVID-19 in China. At present, it has fallen due to the announcement of environmental regulations by the Chinese government.
- Coking coal...While the market prices were flat for a long time due to import restrictions in China and reductions of operations of steel manufacturers in each country such as India, the prices have also been on an upward trend as demand has increased due to the mitigation of lockdown regulations.

Steel Market Trend in China

【Transition of steel market in China】

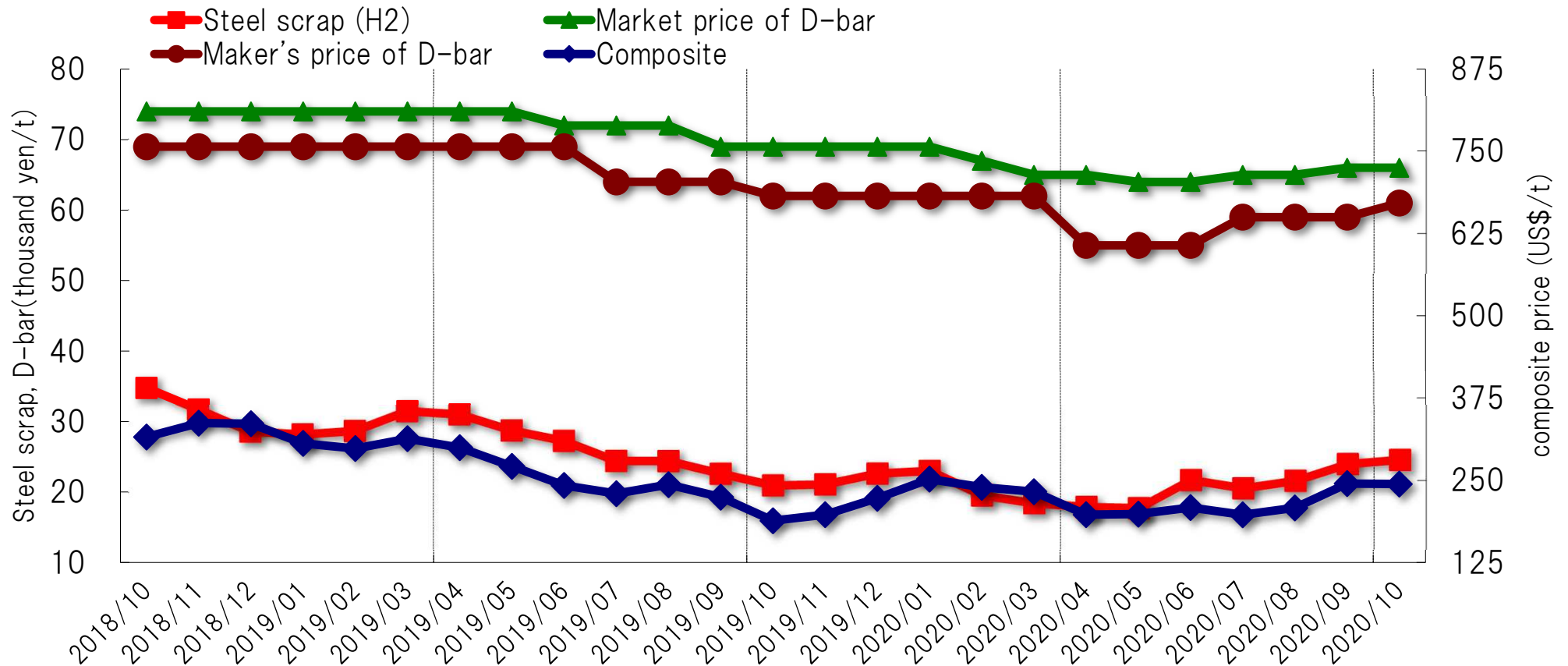


- ▶ Supply/Demand...Crude steel production reached a record high in July and August because economic activity was supported by economic stimulus measures by the government and local governments. Steel demand remains at a high level due to active public investment.
- ▶ Market prices...The steel market has turned to be on an upward trend since early spring in response to the government-led demand stimulus. Market conditions are generally strong as the autumn demand season begins.

(Data source : The Japan Iron and Steel Federation)

Market Trend of Steel Scrap

【Steel scrap and D-bar Market Price】

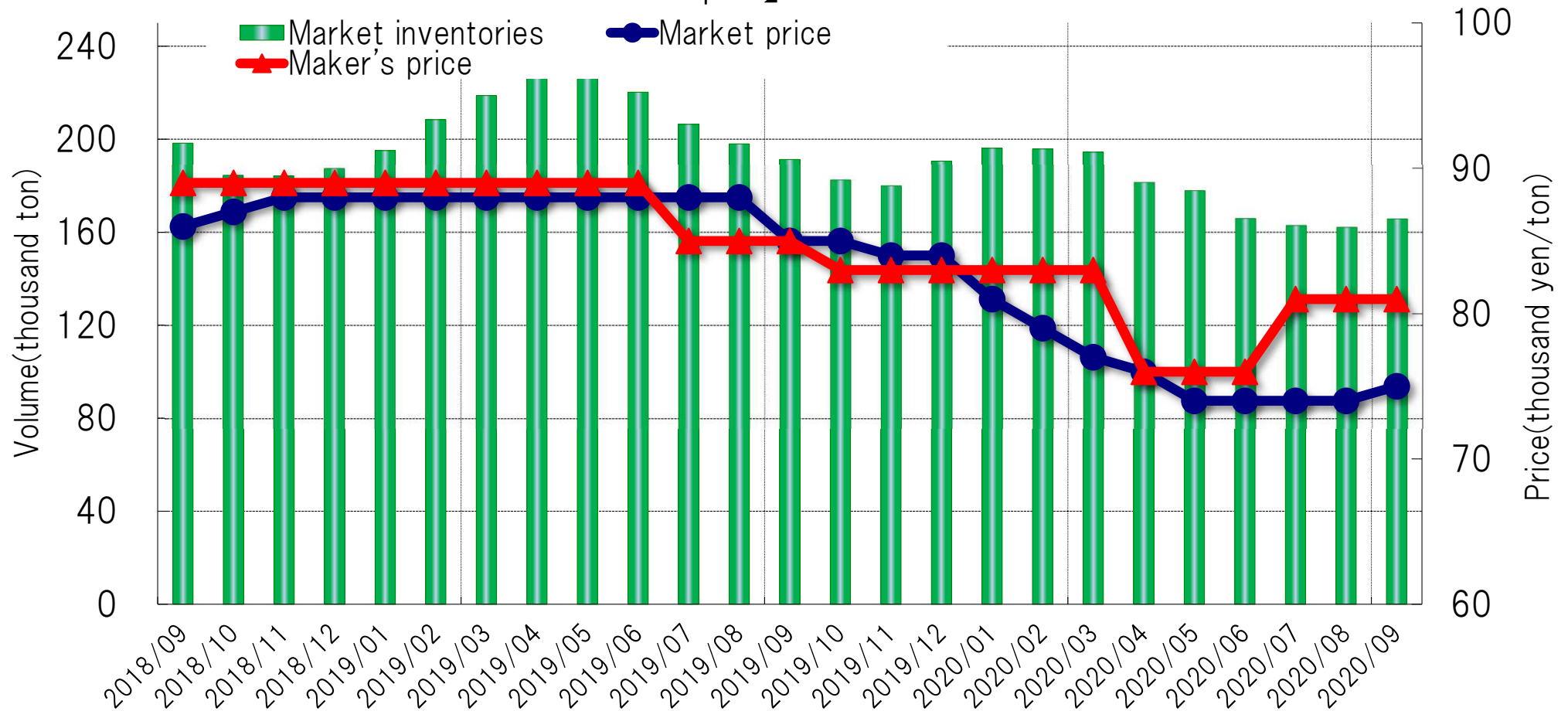


- ▶ Supply/Demand...The amount of steel scrap generated in Japan has been sluggish while demolition works has decreased due to the impact of COVID-19. Although the purchasing motivation of electric furnace manufacturers is still sluggish, overseas demands are steady, and inquiries are becoming tighter.
- ▶ Market prices... Market conditions have remained firm, driven by strong overseas markets such as China, while the amount of scrap generated is declining.

(Data source: The Japan ferrous raw materials association, Japan metal daily)

Market Trend of Long Products

【Transition of the H-Beams Markets in Japan】

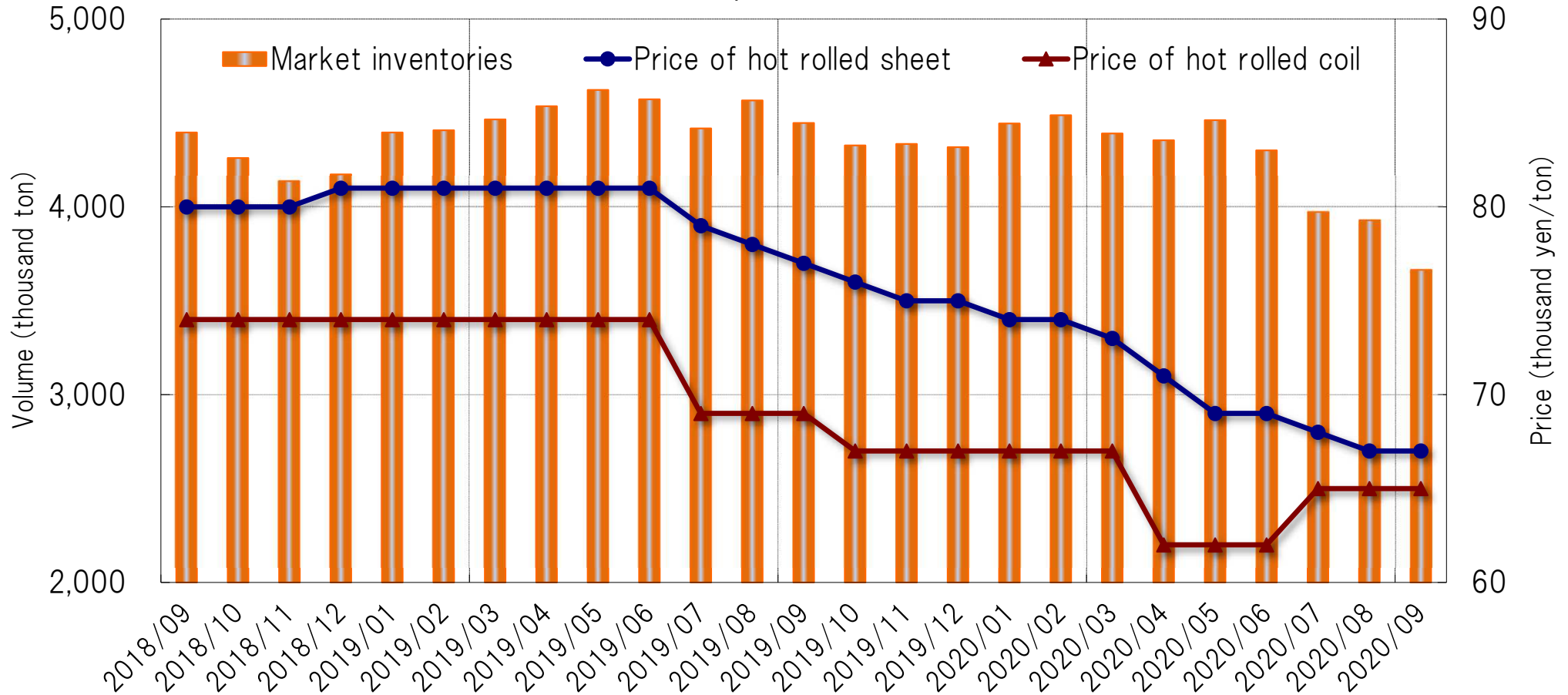


- ▶ Supply/Demand...Inventory levels remained low due to reduced production by steel manufacturers and restrained purchases by distributors. Whereas, in terms of demand, although demand for high-rise buildings and logistics facilities in urban areas is steady, construction starts have remained at a low level as a whole.
- ▶ Market prices ...Manufacturers are planning to raise prices based on soaring raw material prices. Although it has gradually penetrated into distributors, the top price has been suppressed due to the decrease in demand.

(Data source : Inventories _ Tokiwa-kai / Price _Japan metal daily)

Market Trend of Flat Products

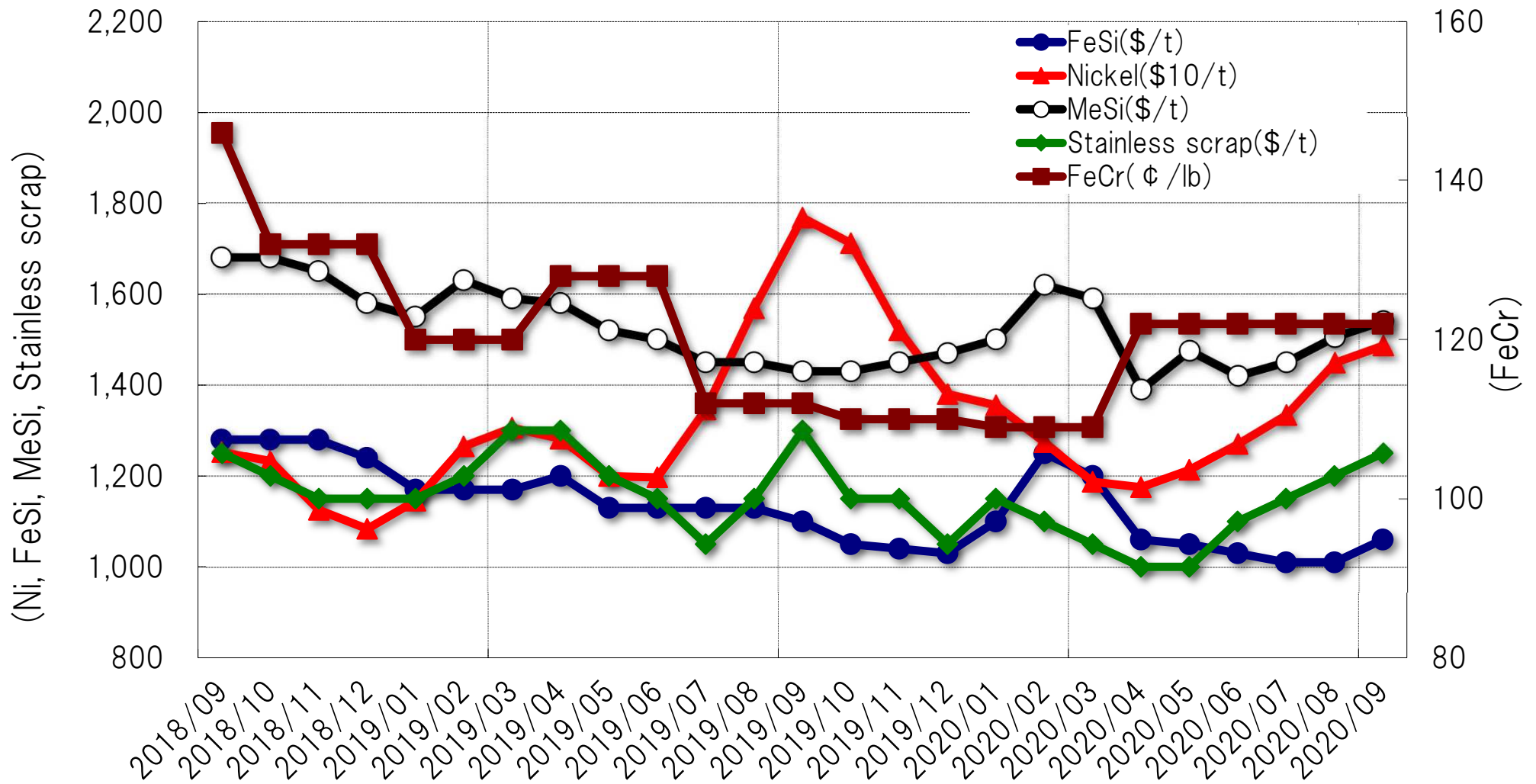
【 Transition of Steel Sheets Markets in Japan 】



- ▶ Supply/Demand...Whereas production activities in the manufacturing industry have tended to be restrained due to the effects of COVID-19, at present, they are beginning to improve mainly in automobile industry.
- ▶ Market prices ...As raw material costs rise according to growing demand for steel plates in China, steel manufacturers are starting to raise the prices in earnest. Although the pressure to push up market prices is increasing, the demand is on the way to recovery and the penetration of price increases is gradual.

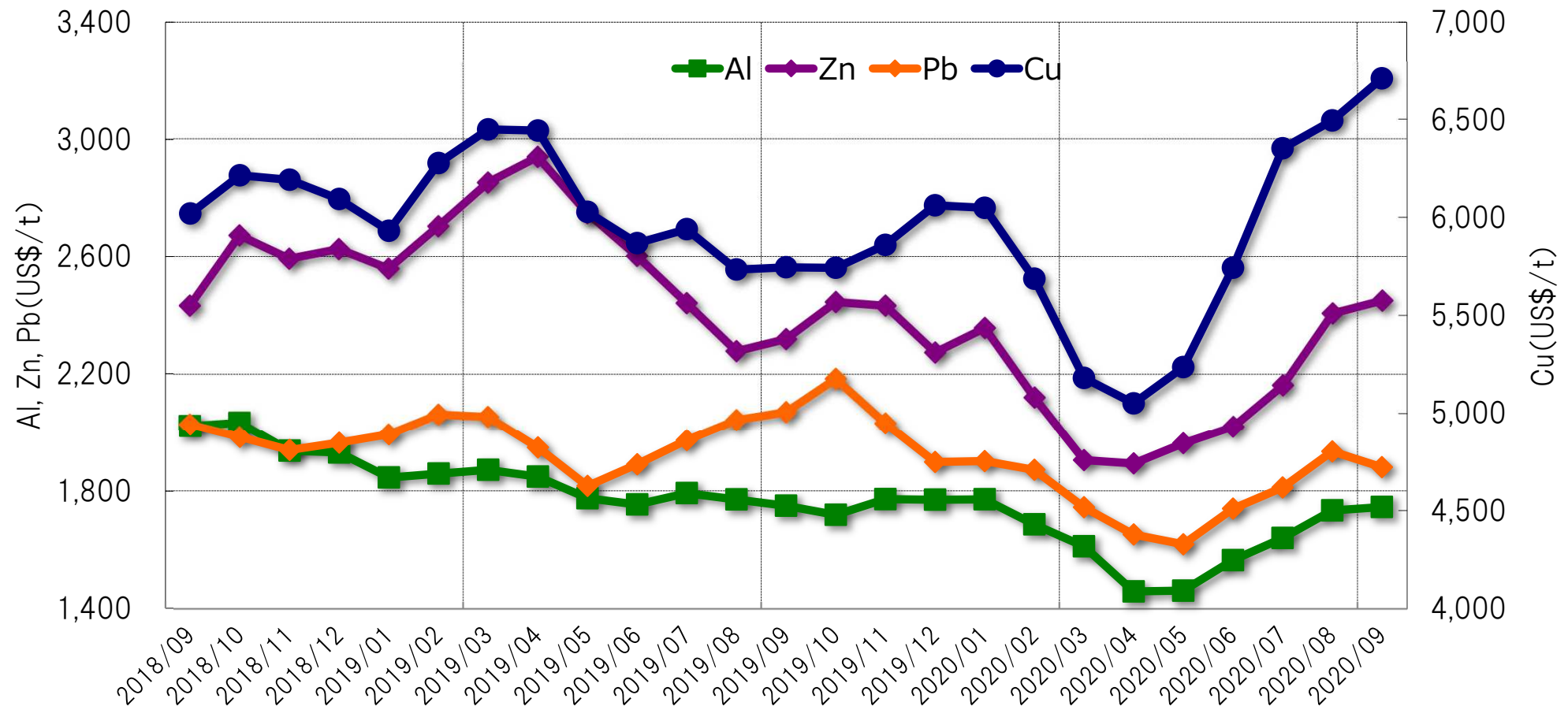
(Data source : Inventories _ The Japan Iron and Steel Federation / Price _Japan metal daily)

Market Trend of Metals & Alloys



- ▶ Nickel... The demand for stainless steel remains steady due to active infrastructure investment in China. The nickel market is on an upward trend, with crude steel production reaching record highs.
- ▶ Alloys... The market prices of alloys have remained firm due to strong demand in China and tightened supply from metal resources and ferroalloy manufacturers caused by the impact of COVID-19.

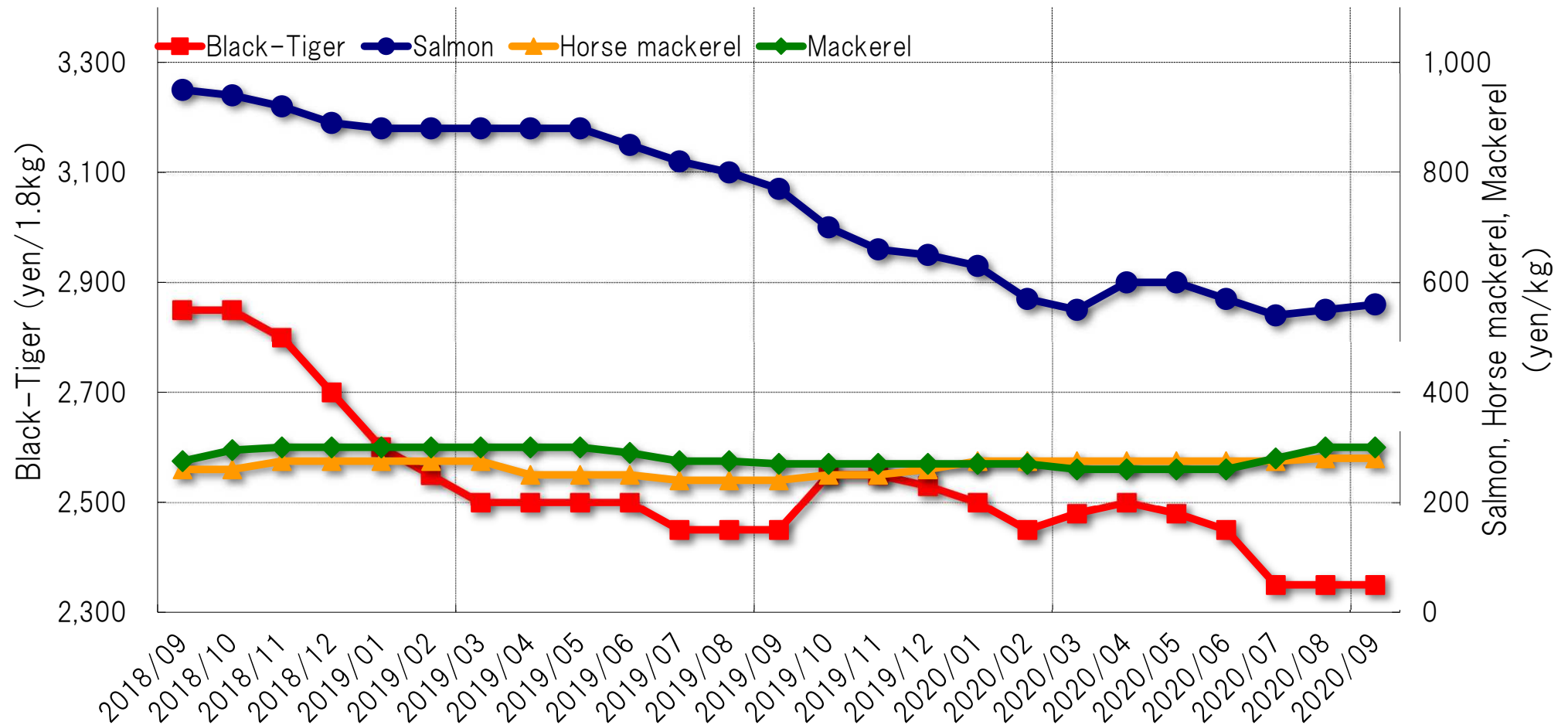
Market Trend of Non-ferrous Metals



▶ Aluminum ...The market price has been on an upward trend as indicators of economy have improved with the gradual resumption of economic activity. At present, the top price has been suppressed due to concerns over the re-expansion of COVID-19.

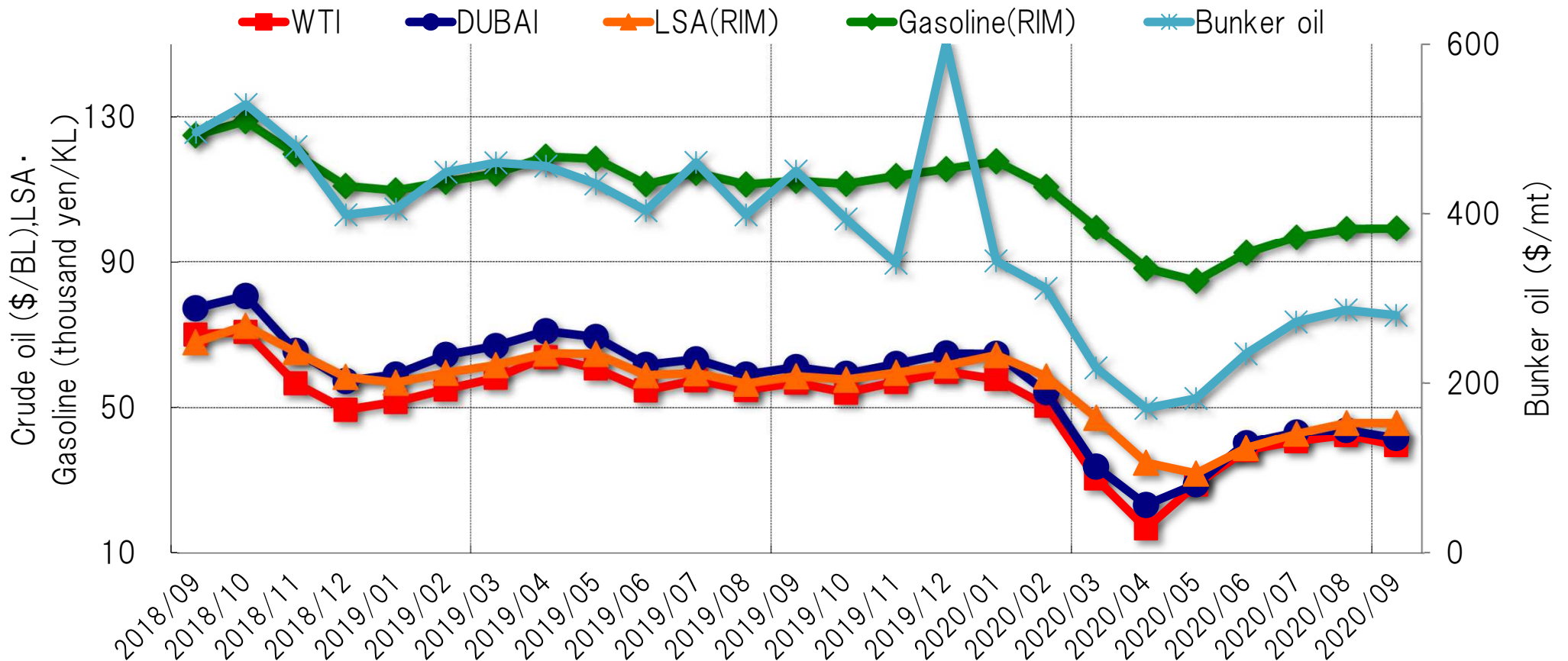
▶ Copper...The market price has rose due to the resumption of economic activities in each country and strong demand in China. At present, it has reached a high level due to the labor disputes in Chile and the expectations for additional economic measures in U.S.

Market Trend of Frozen Marine Products



- ▶ Salmon... The market price remained on a downward trend due to an excessive supply of Chilean Coho salmon, and then the price has continued to be at a low level due to the impact of COVID-19.
- ▶ Shrimp... The market price plummeted due to the deterioration of relation between China and India, the detection of COVID-19 in Ecuadorian shrimp and decrease in China's import volume. It has recently bottomed out due to the resumption of imports from China.

Market Trend of Crude Oil & Petroleum Products



▶Crude oil...The market price declined significantly due to the trade friction between U.S. and China and the decline in fuel demand because of COVID-19. After that, it has been on an gradual upward trend due to continued coordinated production cuts by oil-producing countries.

▶Petroleum products...While the market price is moving according to the price of crude oil, recovery of demand is still sluggish due to the influence of infectious disease countermeasures such as immigration regulations in each country