

# Financial Results for the Fiscal Year ended March 31, 2019

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May 21, 2019

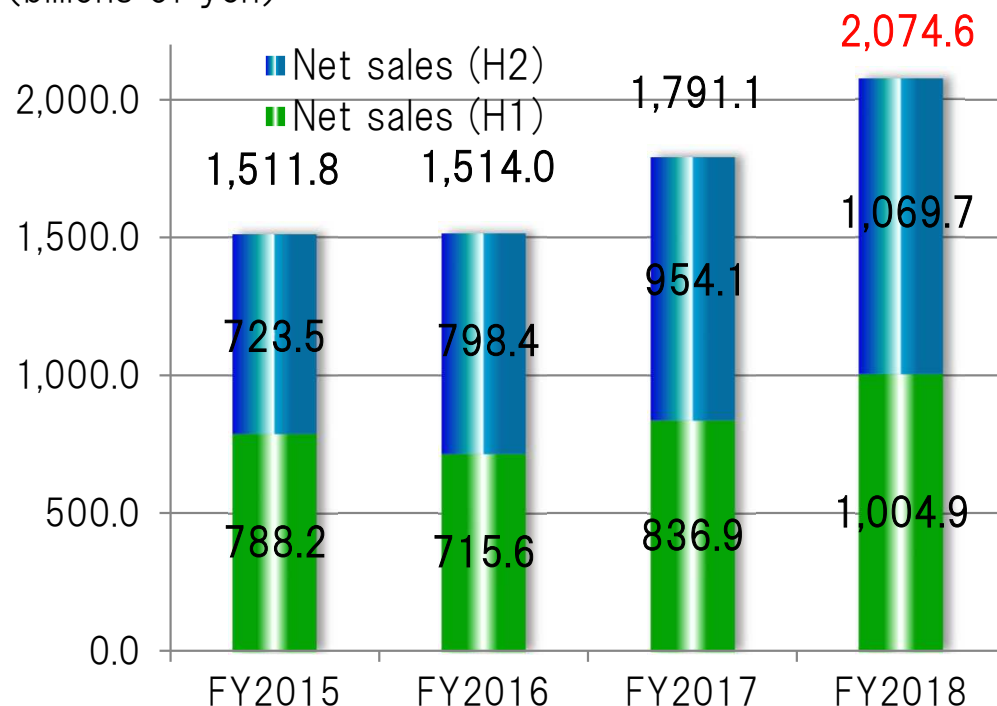
HANWA CO., LTD.

# Operating Results (Consolidated)

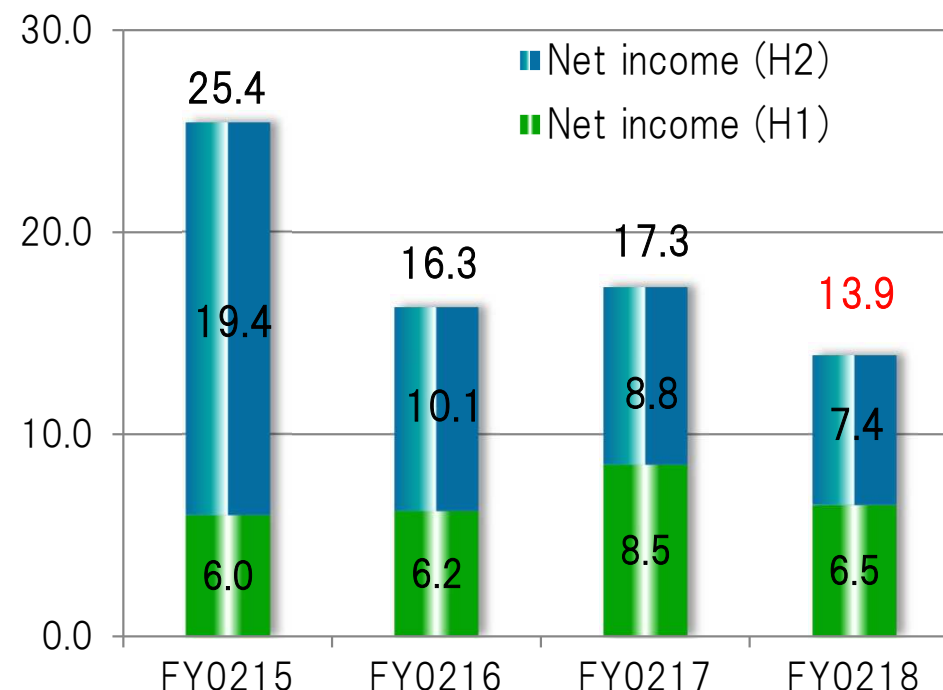
	Fiscal Year (ended March 31)			
	FY2017	FY2018	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	1,791.1	2,074.6	+283.4	+16%
Gross Profit	72.1	79.2	+7.0	+10%
SG&A	45.9	50.3	+4.3	+9%
Operating income	26.2	28.9	+2.6	+10%
Ordinary income	25.5	23.3	▲ 2.1	▲ 8%
Net income attributable to owners of the Company	17.3	13.9	▲ 3.4	▲ 20%
EPS	427.04 yen	342.41 yen	▲ 84.63 yen	▲ 20%
Comprehensive income	22.5	3.4	▲ 19.0	▲ 85%

- Net sales have increased by 16% from the previous fiscal year, due to better market of steel products and metal resources, as well as sales expansion of ferro-alloy and increase in net sales in overseas subsidiaries.
- SG&A expenses have increased by 9% (of which 5% was due to increase of number of consolidated subsidiaries). Personnel expenses have increased 2.4 billion yen.
- Ordinary income have decreased by 8%, due to impacts of foreign exchange loss (3.3 billion yen), interest expenses (5.0 billion yen) and commission fee (2.6 billion yen).
- Net income attributable to owners of the Company have decreased by 20%, due to extraordinary losses mainly comprised of loss on devaluation of investments securities.

(billions of yen)



(billions of yen)



- Net Sales have been increasing trend as steel and resource markets have been risen.
- Net income attributable to owners of the Company have decreased from the same period of the previous year due to impact of extraordinary loss.

(Breakdown of extraordinary loss and gain in FY2018)

Loss on devaluation of investments securities : approximately 1.8 billion yen

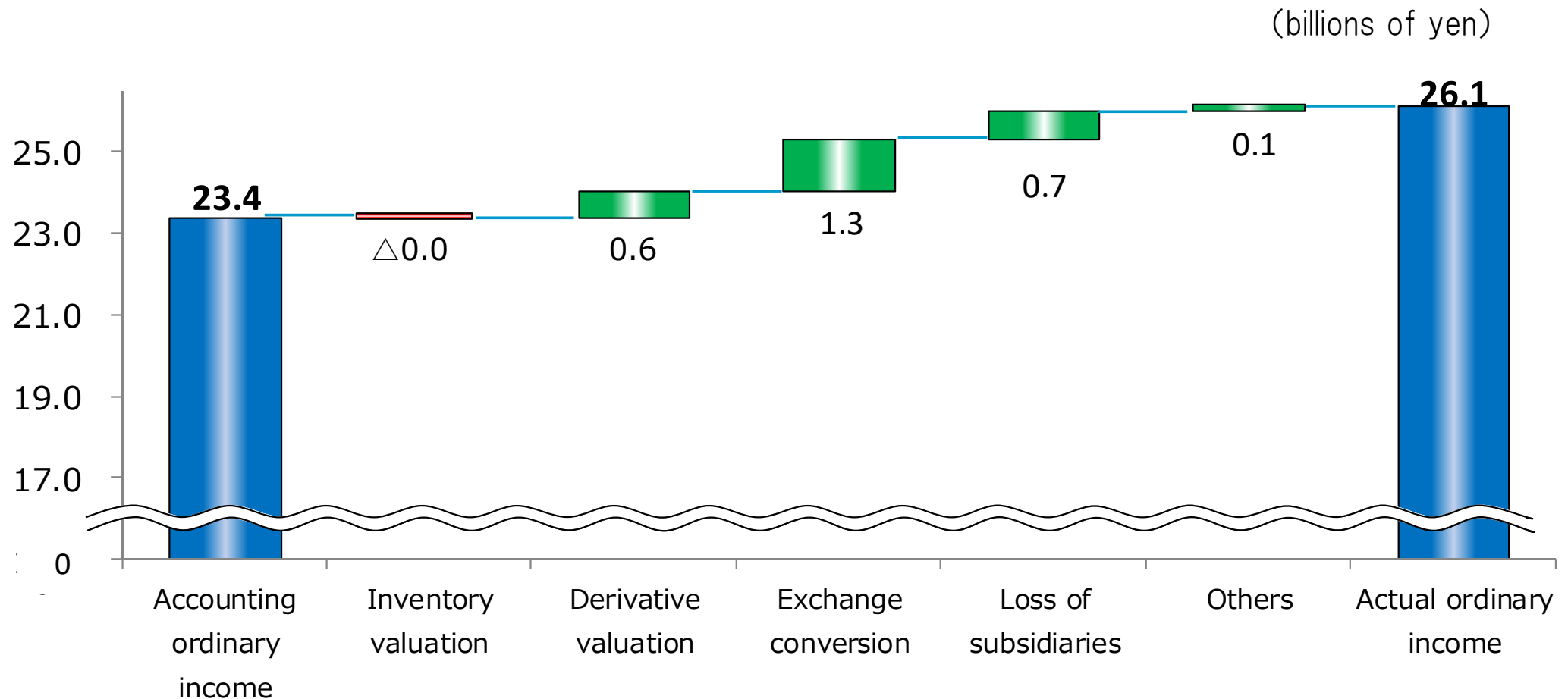
Loss on impairment of property and equipment : approximately 0.2 billion yen

Provision of allowance for doubtful accounts of affiliates : approximately 0.2 billion yen

Loss on sale and retirement of property and equipment (net) : approximately 0.1 billion yen

\*Net income of FY2015 increased due to the impact of decrease in taxes for the sale of real estate.

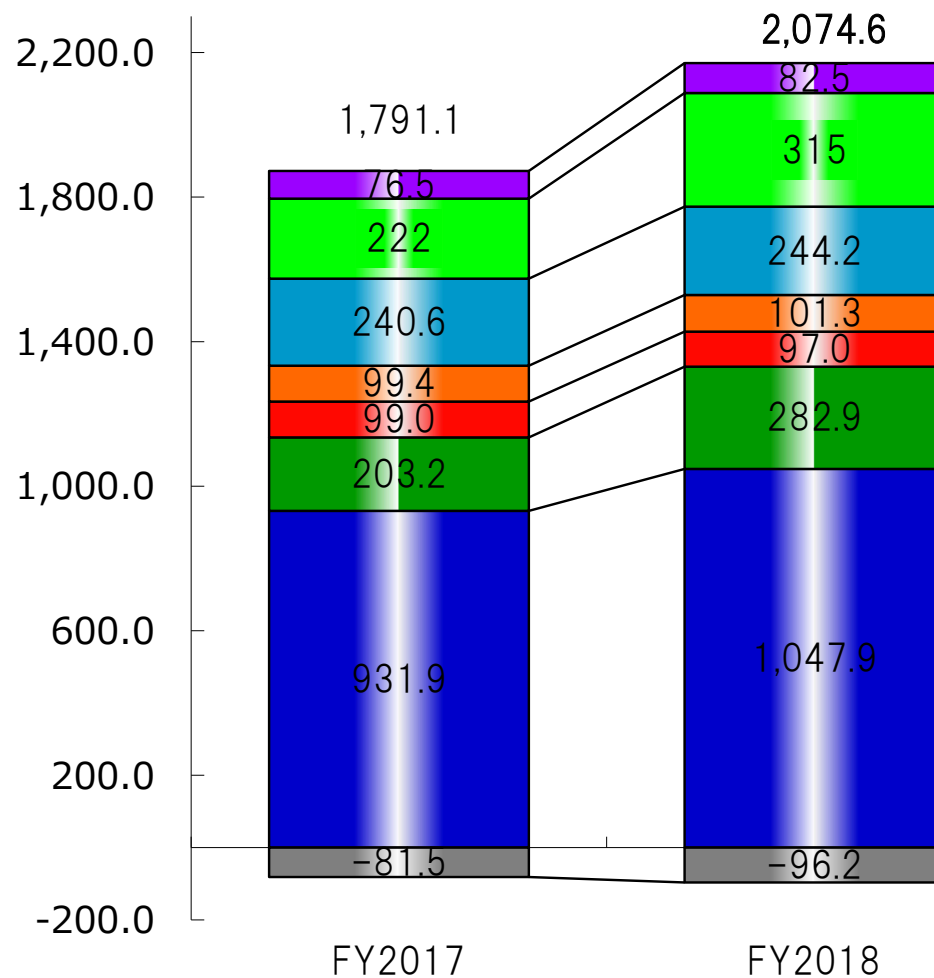
# Effect of Profit/Loss from Market value Accounting and Temporary factors



- Reported Ordinary income was 23.4 billion yen but can be translated into about 26.1 billion yen after excluding one-time factors as period-end valuation gains and losses for inventories, derivatives, foreign exchange and other items, one-time losses at subsidiaries.

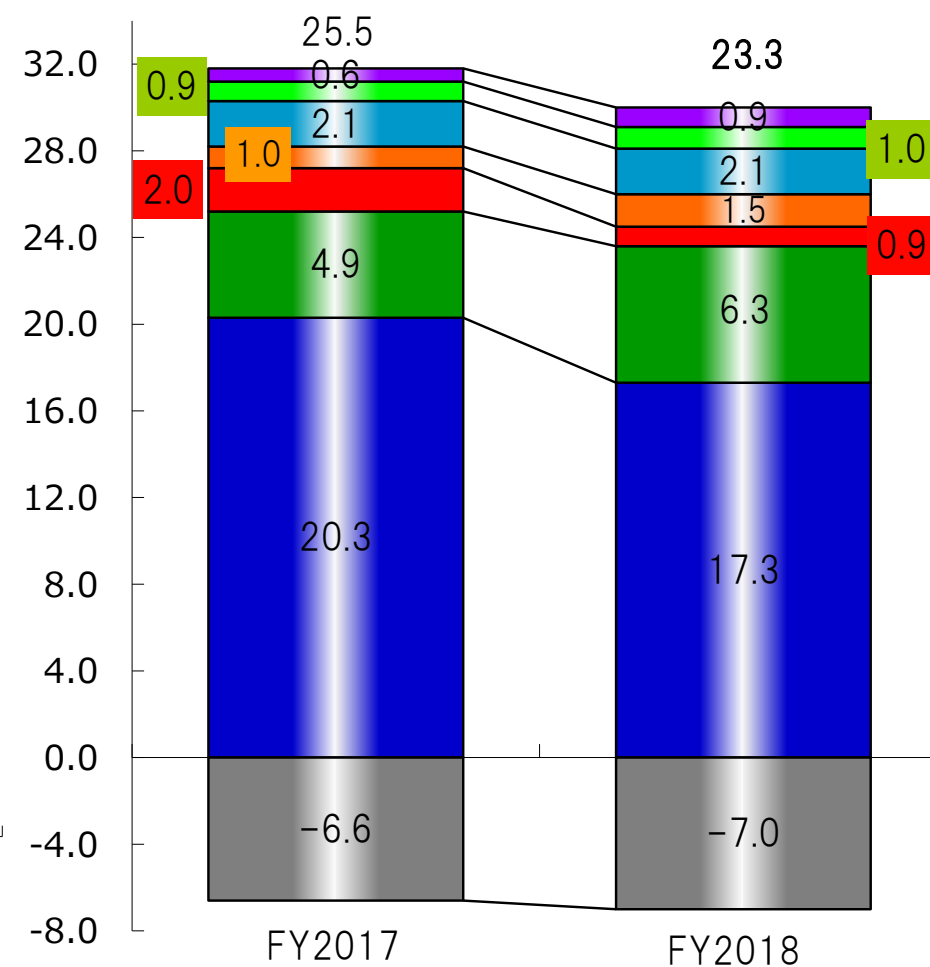
# Segment Information (consolidated)

Net Sales



Segment income

(billions of yen)



- Steel
- Metals & alloys
- Non-ferrous metal
- Foods
- Petroleum & chemicals
- Overseas sales subsidiaries
- Others
- Adjustment

- Net Sales have been increased in all segments except Non-ferrous metal.
- From a profit perspective, Steel segment decreased due to pace of the market rise being slowed down and taking time to shift cost price onto selling price, while Metals & alloys segment increased due to strong price level of nickel and sales expansion of stainless steel and ferro-alloy.

	Fiscal Year (ended March 31)			
	FY2017	FY2018	Y on Y Change	Y on Y Rate
(billions of yen)				
Total assets	860.3	933.3	+72.9	+9%
Total liabilities	656.6	730.8	+74.2	+11%
Interest-bearing debt	325.5	363.2	+37.6	+12%
Net DER	154%	161% * 131%	+7pt -	- -
Net assets	203.7	202.4	▲ 1.2	▲ 1%
Shareholder's equity	187.8	188.2	+0.4	+0%
Shareholder's equity ratio	21.8%	20.2% * 22.8%	▲ 1.6pt -	- -
BPS	4,621.96 yen	4,632.55 yen	10.59 yen	+0%

\* 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 increased by 9% from the end of the previous year, due to increase in advance payment, cash and deposits.
- Interest-bearing debt was 12% higher compared with the end of the previous year, because of increased loans payable including Hybrid Loan for greater needs for working capital. Net debt-equity ratio increased to 161% (\* 131%).
- Net assets decreased by 1% from the end of the previous year, due to decrease of Net unrealized holding gains on securities and so on.

# Cash Flow Situation (consolidated)

	Fiscal Year (ended March 31)			
	FY2017	FY2018	Y on Y Change	Y on Y Rate
(billions of yen)				
CF from operating activities	▲ 19.7	15.4	+35.1	–
CF from investing activities	▲ 39.9	▲ 20.6	+19.3	▲ 48%
FCF	▲ 59.7	▲ 5.2	+54.5	–
CF from financing activities	66.4	28.1	▲ 38.3	▲ 58%
Cash and cash equivalents	34.8	58.3	+23.5	+68%

- Cash flow from operating activities was 15.4 billion yen, due to increase in trade notes and accounts payable and increase in interest and dividends received.
- Cash flow from investing activities was ▲20.6 billion yen, due to acquisition of investment securities, purchase of property and equipment.
- Cash flow from financing activities was 28.1 billion yen, due to increase in long-term loans including Hybrid Loan.

	Fiscal Year (ending March 31)			
	FY2018 (Actual)	FY2019 (Forecast)	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	2,074.6	2,200.0	+125.4	+6%
Operating income	28.9	35.5	+6.5	+23%
Ordinary income	23.3	28.0	+4.6	+20%
Net income attributable to owners of the Company	13.9	19.2	+5.2	+38%

➤ Net Sales Forecast

Hanwa and group companies mainly in Metals & alloys segment are expected to increase sales volume.

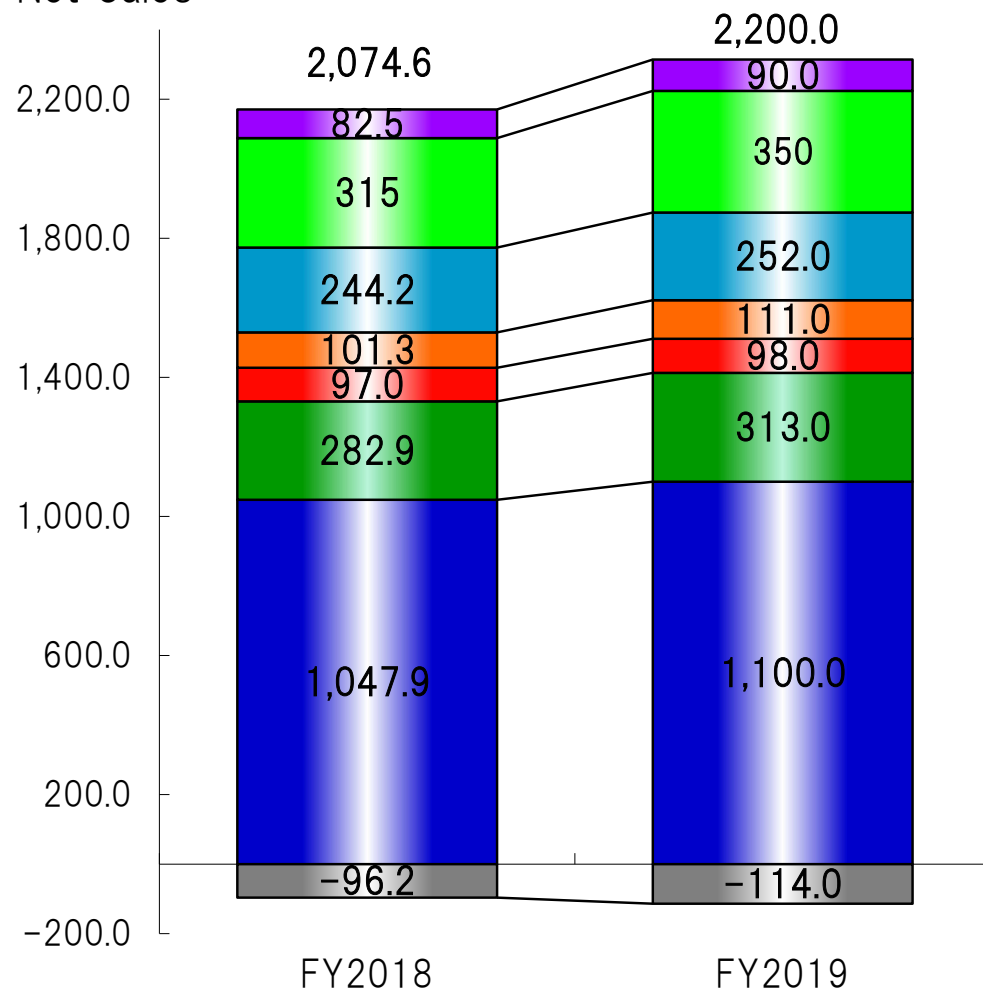
➤ Profit Forecast

In addition to steady earnings on HANWA, profits are expected to increase due to improved earnings at overseas companies, dividends and equity in earnings of affiliates from strategic investees.

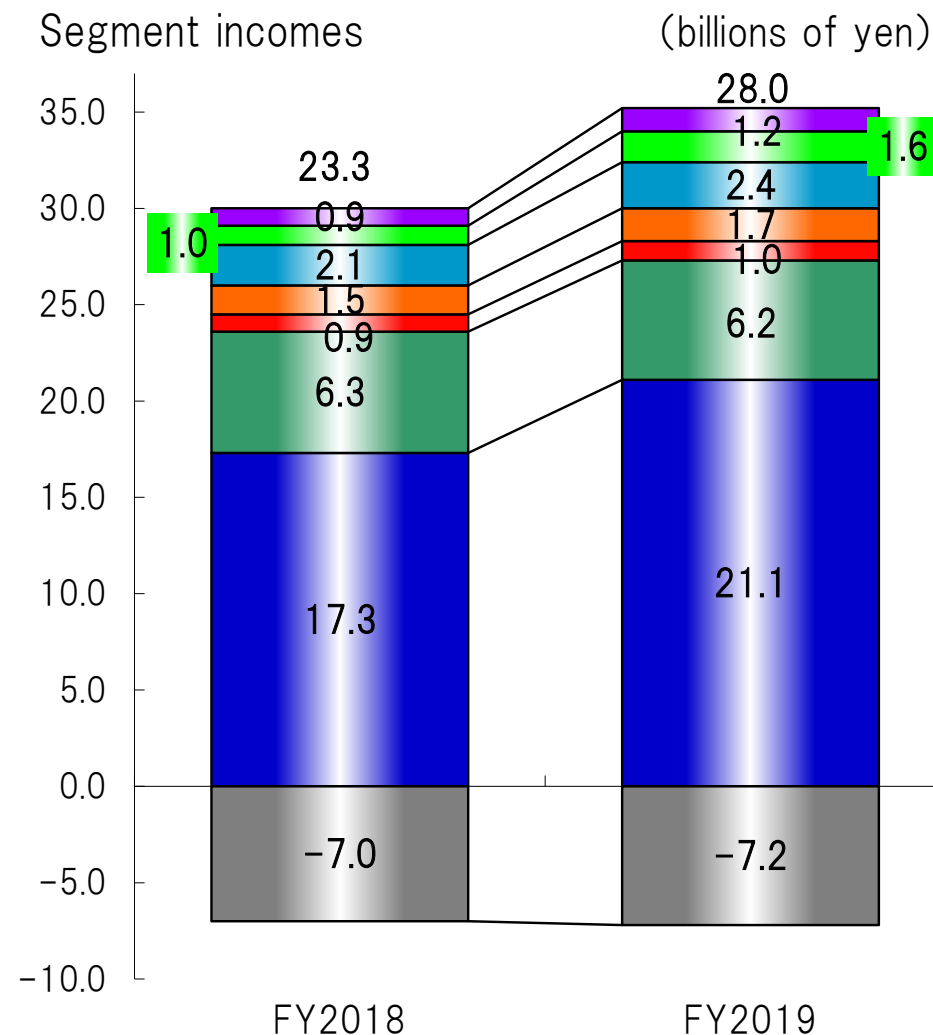


# Forecast of Segment Information

Net Sales



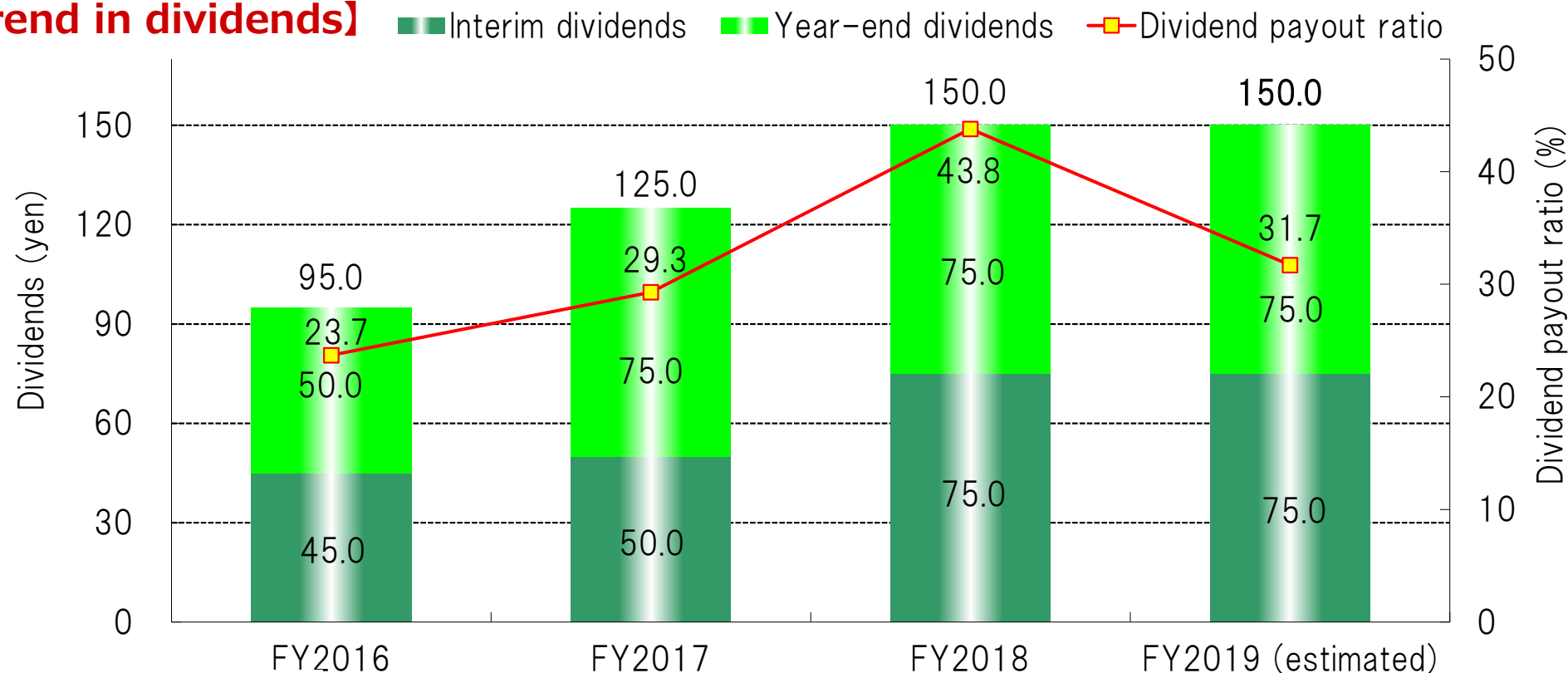
Segment incomes



- Steel
- Metals & alloys
- Non-ferrous metals
- Foods
- Petroleum & chemicals
- Overseas sales subsidiaries
- Other
- Adjustment

- Net Sales is expected to increase in all segments.
- Segment income in Steel segment is expected to increase due to improved earnings at overseas companies.

## 【Trend in dividends】



## 【Dividend Policy】

- Our policy is to pay a stable dividend to shareholders. In addition, our aim is to increase the dividend based on growth in basic earnings resulting from actions to improve profitability and to reflect the level of returns from strategic investments.

(dividend forecast)

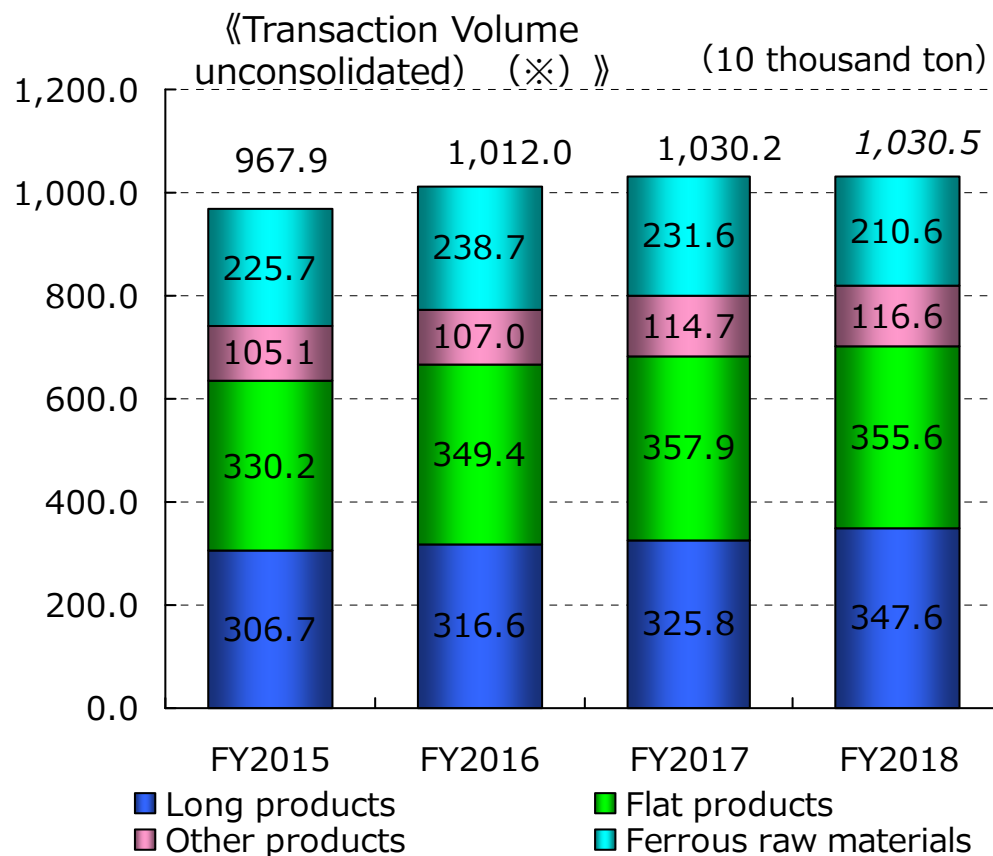
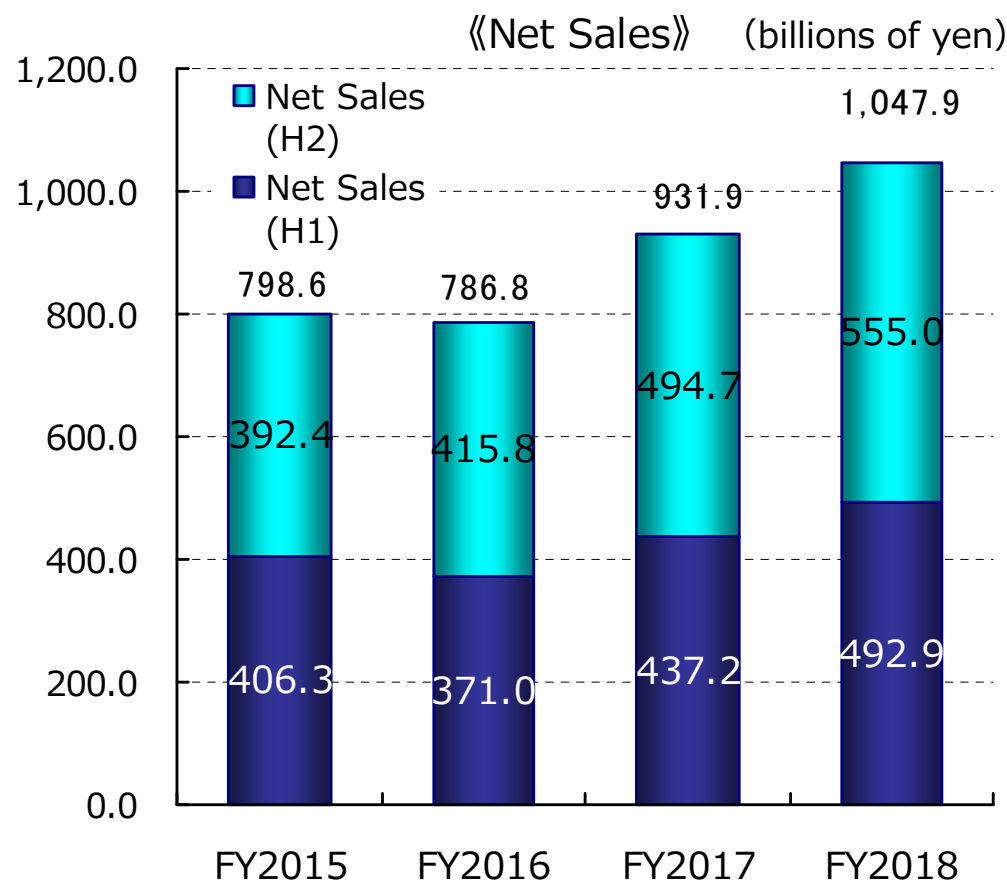
FY2018 Year-end dividends : 75 yen per share

FY2019 Interim dividends : 75 yen per share Year-end dividends : 75 yen per share

(Prior dividends are taken account of share consolidation in October 2017 at the ratio of 5 to 1 share )

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	931.9	1,047.9	+12%
Segment Income	20.3	17.3	▲14%

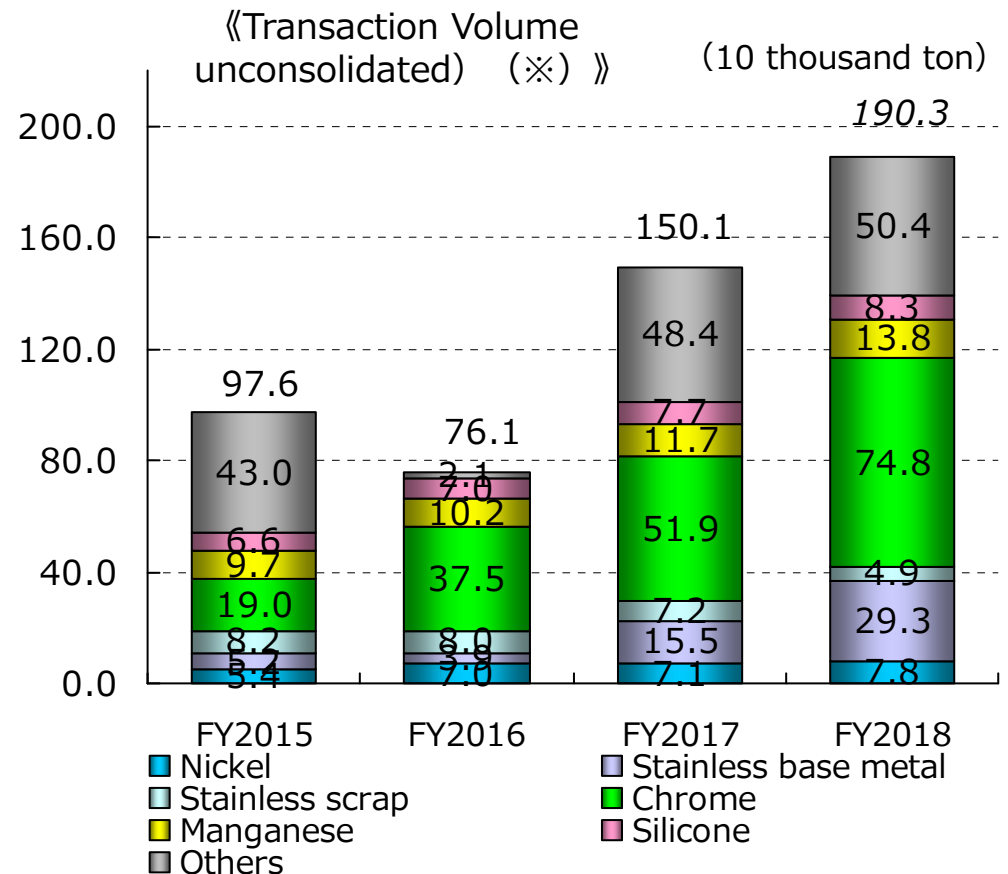
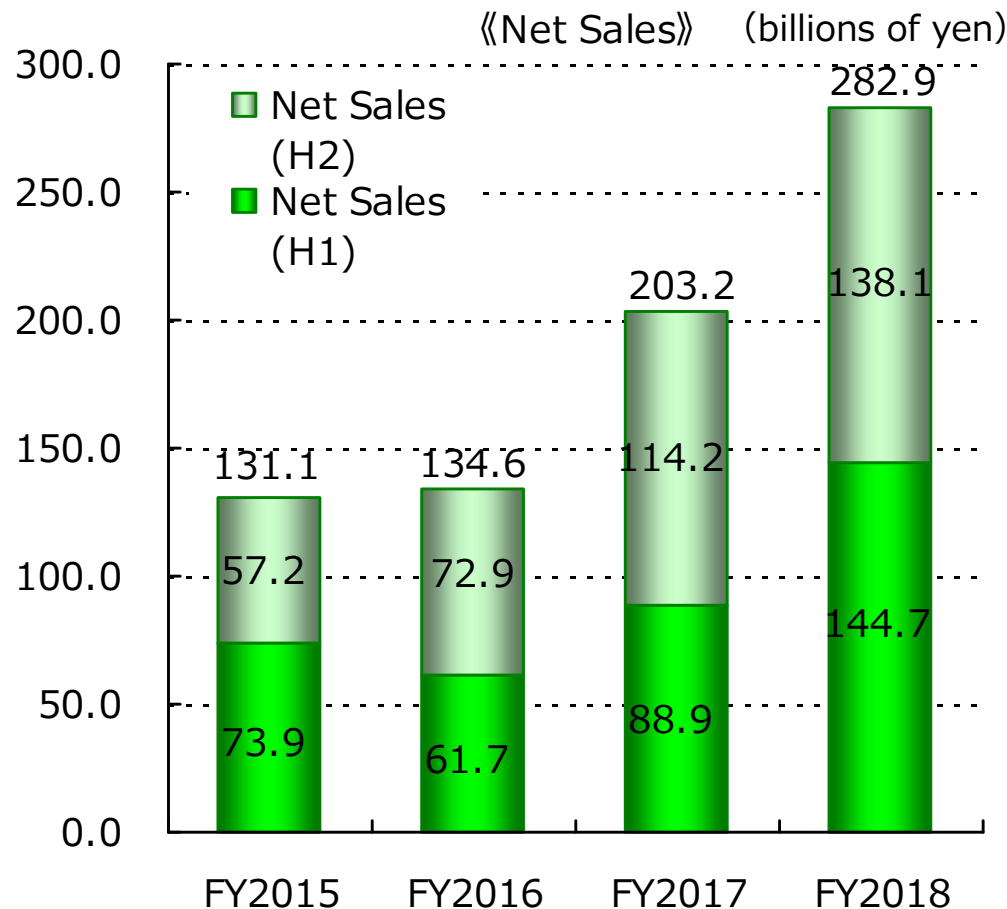
- Net sales increased, due to strong steel demands.
- Segment income decreased due to pace of the market rise being slowed down and taking time to shift cost price onto selling price.



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

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	203.2	282.9	+39%
Segment Income	4.9	6.3	+29%

➤ Net sales and Segment income increased due to strong price level of nickel and sales expansion of stainless steel and ferro-alloy.

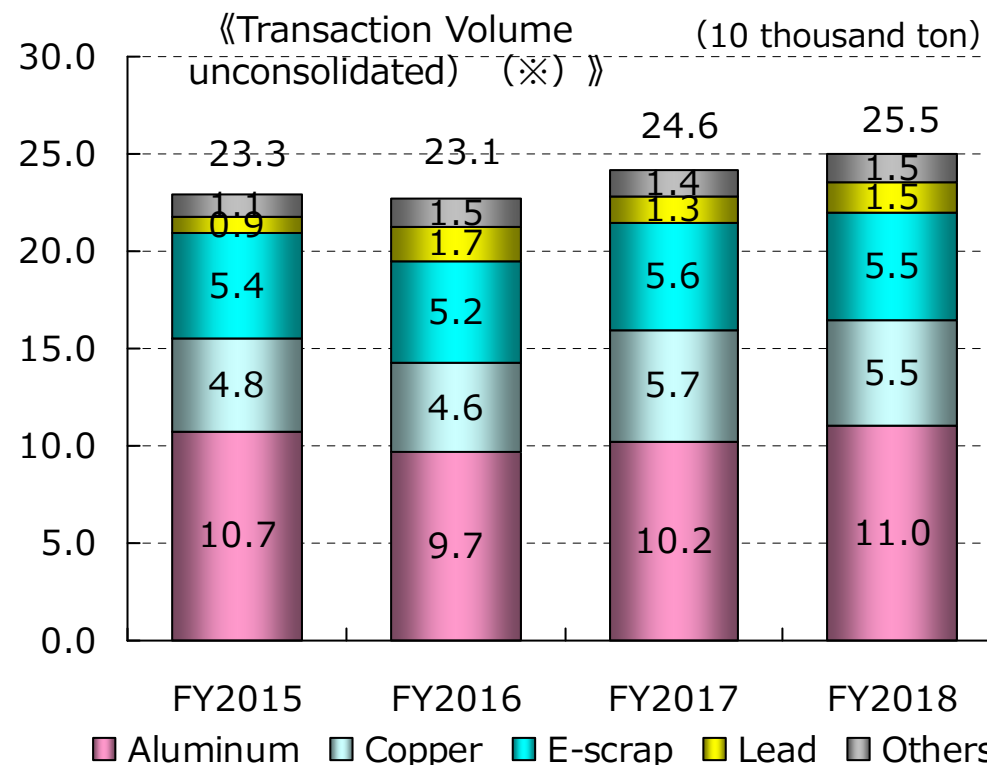
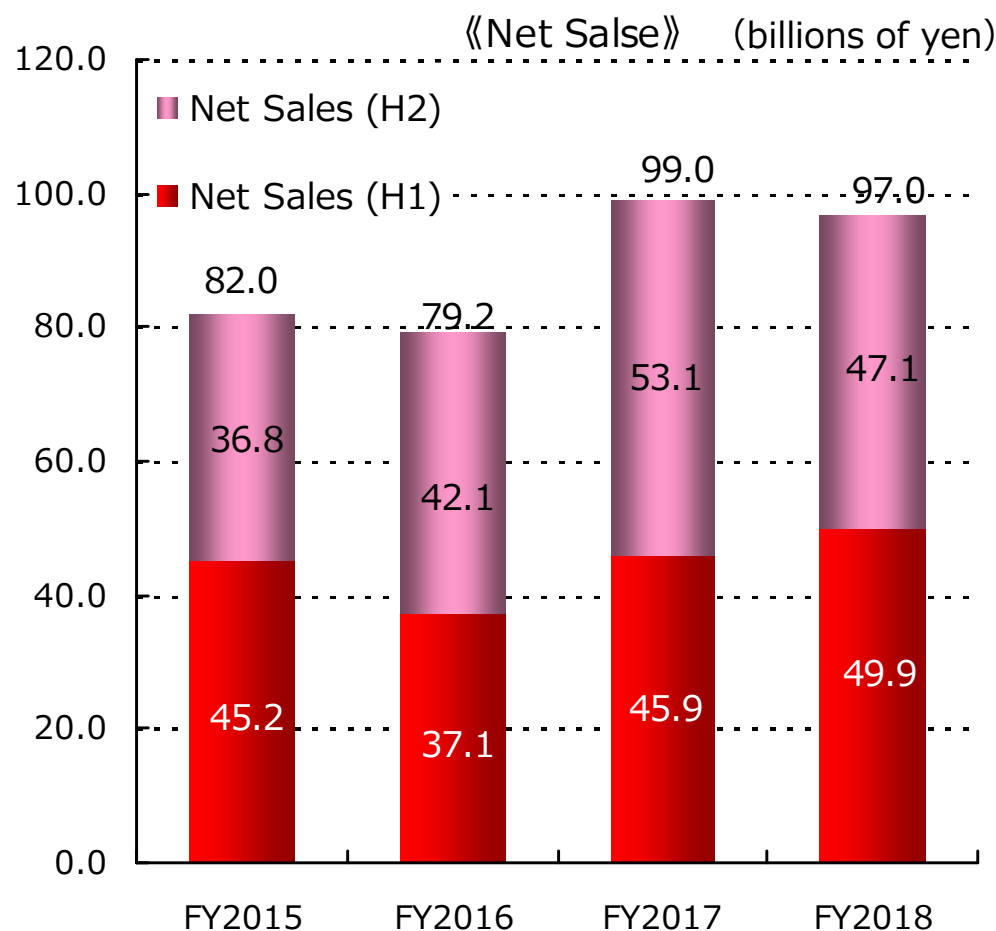


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

# Non-ferrous Metals Business Segment

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	99.0	97.0	▲2%
Segment Income	2.0	0.9	▲53%

➤ While international commodity markets have remained on a level with the same period of the previous year, copper and E-scrap sales and segment income decreased due to slump in domestic demand for metal scrap by Chinese restriction of the import of miscellaneous metal scrap.

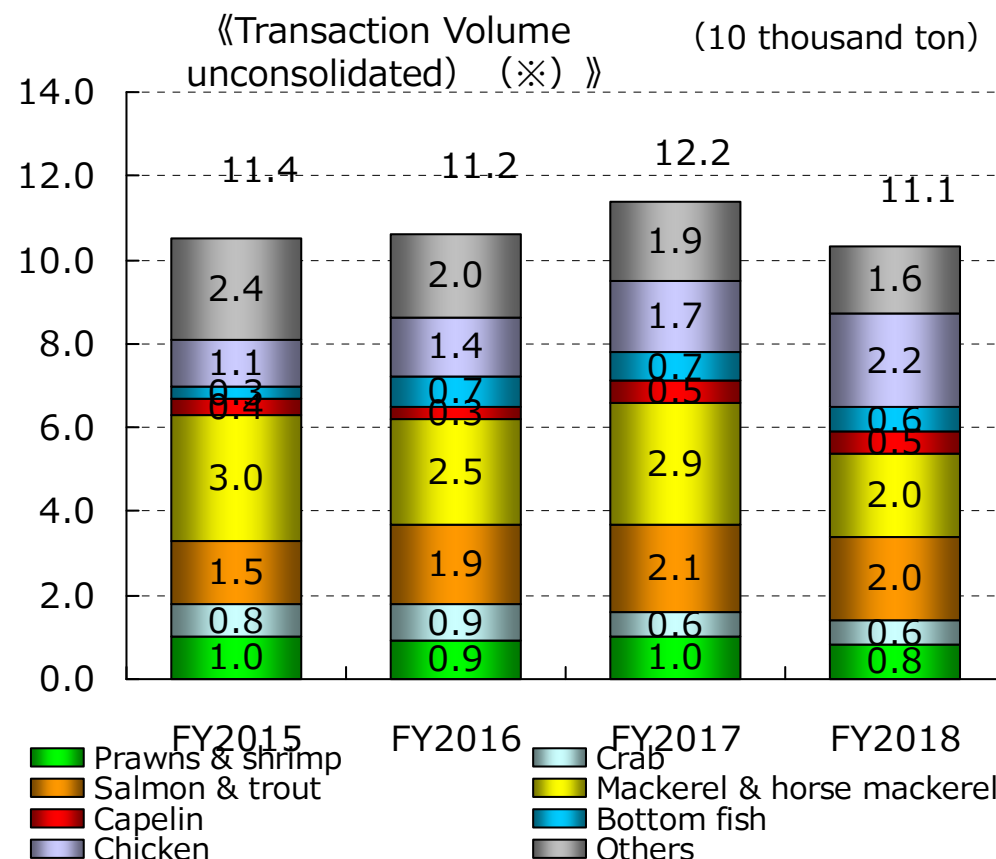
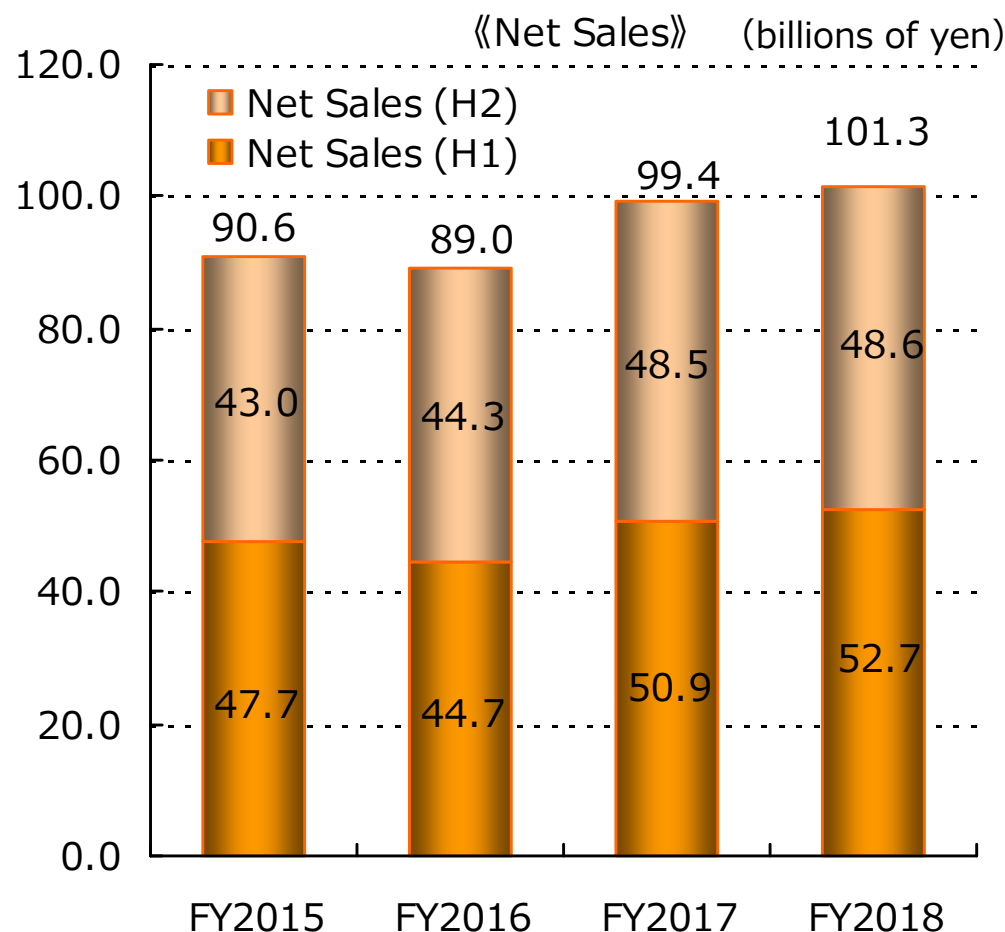


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

# Foods Business Segment

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	99.4	101.3	+2%
Segment Income	1.0	1.5	+46%

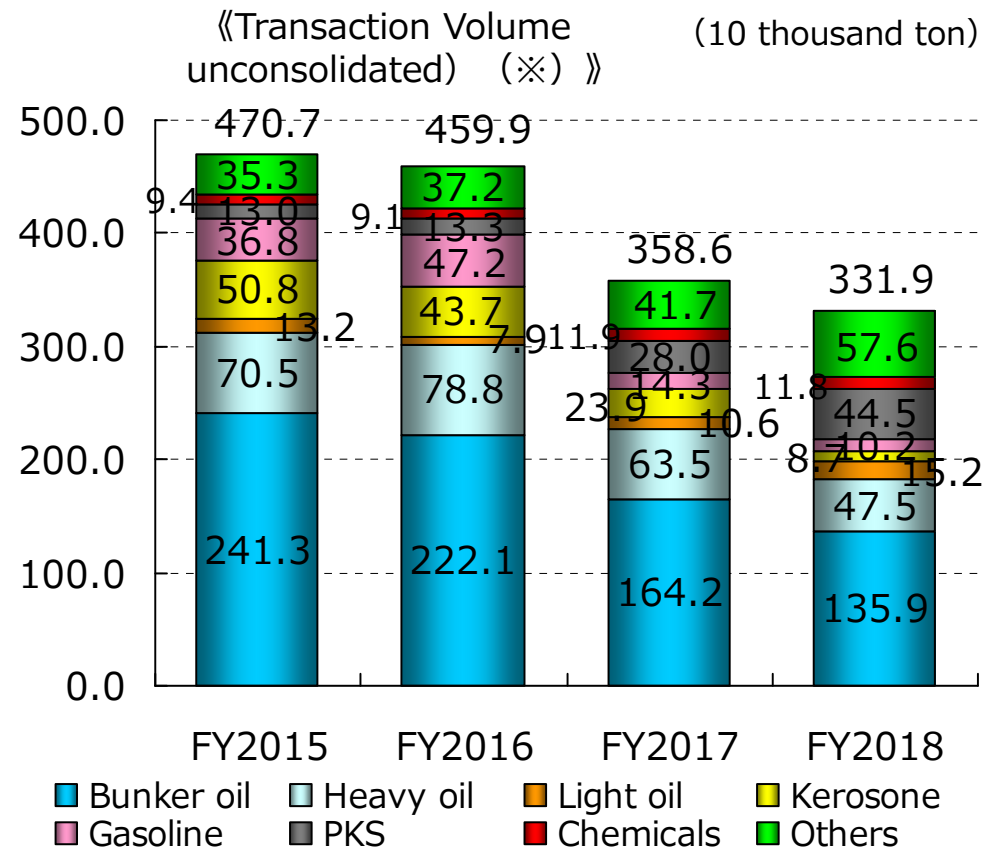
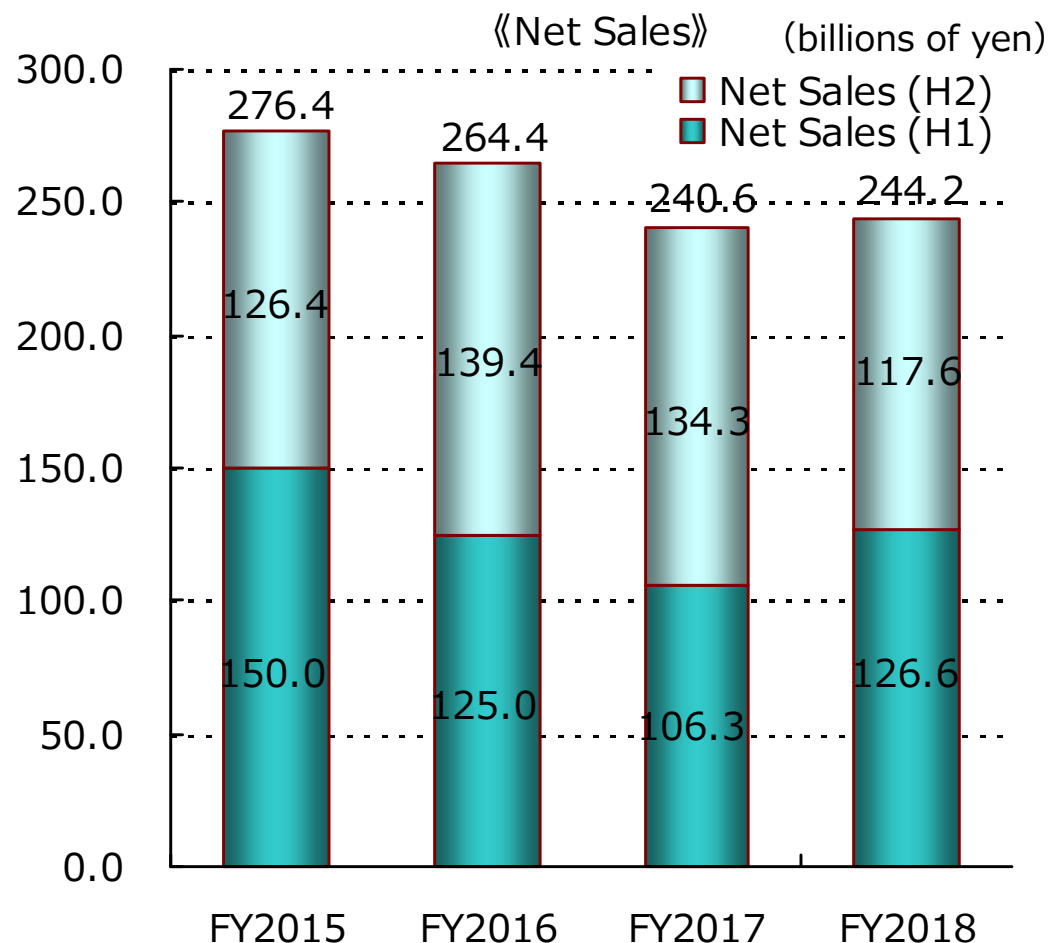
➤ Rising price of salmon and Crab, and strong sales of chicken increased net sales and segment income.



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

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	240.6	244.2	+2%
Segment Income	2.1	2.1	0%

➤ Despite high market of petroleum products, net sales and segment income became nearly flat, due to the merger of Oil refiners and slowdown in demand for heating oil in mild winter climate.

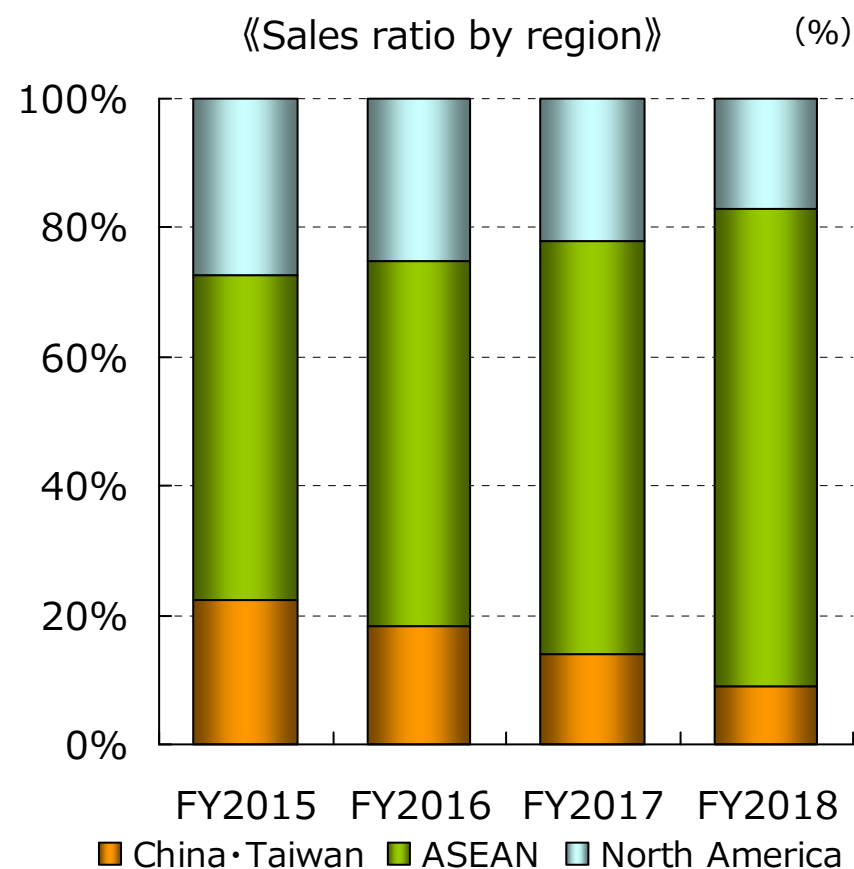
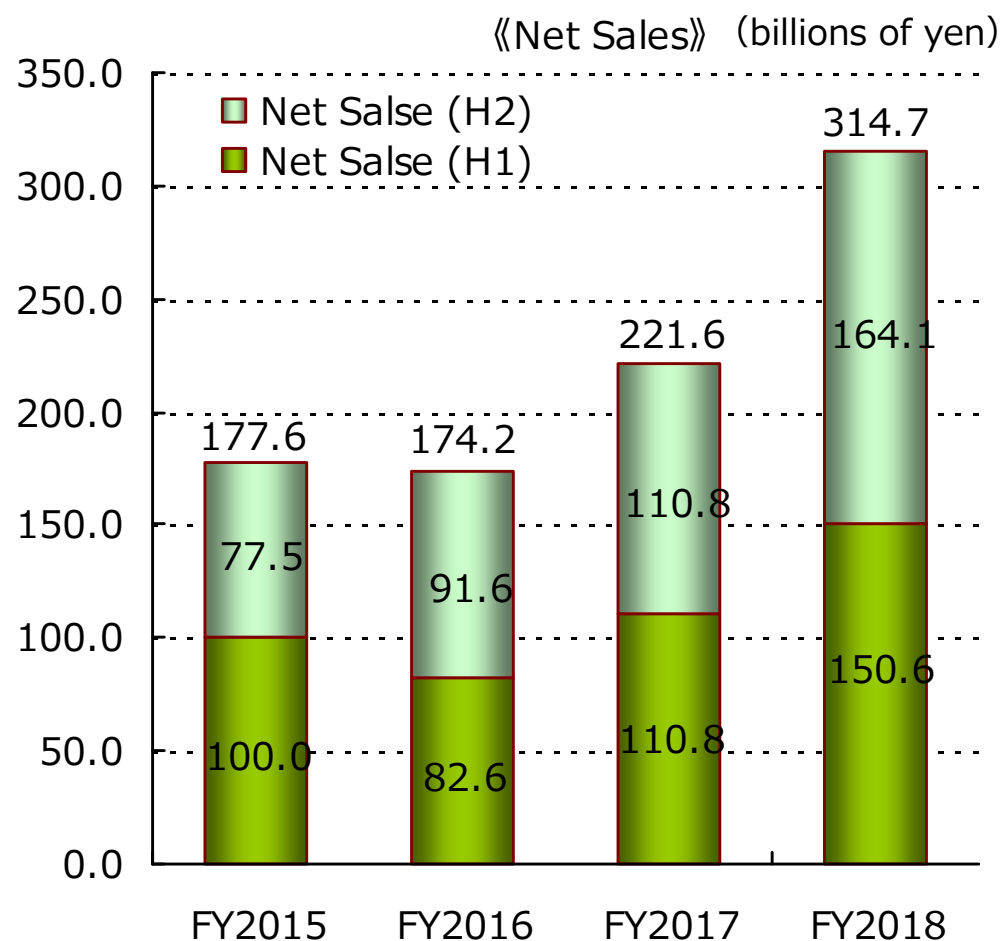


※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

# Overseas Sales Subsidiaries Segment

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	221.6	314.7	+42%
Segment Income	0.9	1.0	+8%

➤ Revenue increased due to sales expansion of steel products in Indonesia and bunker fuel and metal scrap in Singapore.

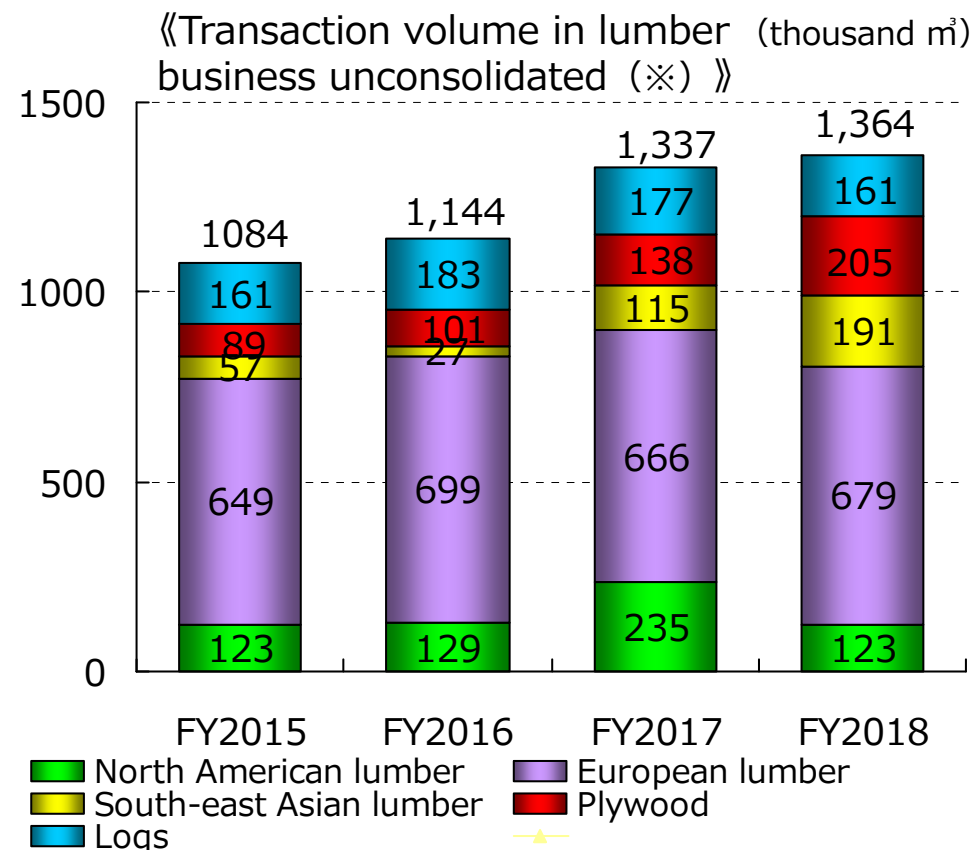
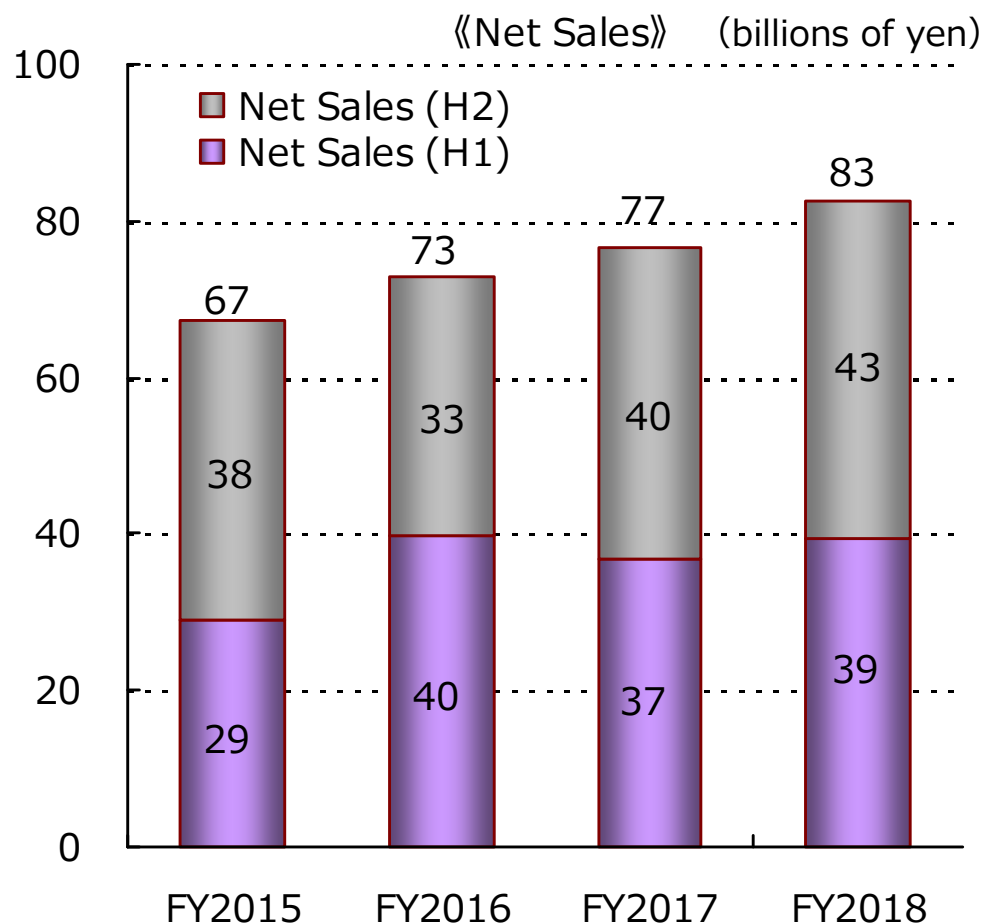




# Other Segment

	Fiscal Year (ended March 31)		
	FY2017	FY2018	Y on Y Rate
(billions of yen)			
Net Sales	76.5	82.5	+8%
Segment Income	0.6	0.9	+40%

- Net sales of lumber to homebuilders was strong, and in machinery business revenue from the construction of leisure facilities and sales of industrial equipment also contributed to earnings.



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

		(FY2018)		(FY2019)
(billions of yen)	Ordinary income	Forecast	Actual	Achievement
<div>Additional revenue from strategic investments</div> <div>Revenue from domestic and Overseas Group companies</div> <div>Revenue from HANWA</div>	<b>STRATEGIC</b> Equity in earnings of affiliates from resource investees and dividends from strategic investments	–	0	—%
	<b>SPEEDY</b> Ordinary income from consolidated subsidiaries & dividends from nonconsolidated subsidiaries	6.0	4.3	73.3%
	<b>STEADY</b> Ordinary income from HANWA after deducting dividend Income from subsidiaries	20.0	18.8	94.4%
	<b>Total</b>	<b>26.0</b>	<b>23.3</b>	<b>90.0%</b>

- ▶ **STEADY**: While transaction revenue mainly in Metals and alloys business has increased under strong demands, increase of financing costs has affected downward pressure on profit.
- ▶ **SPEEDY**: Overseas steel service center businesses have not been well due to normalization of the profit margin and the impact of foreign exchange losses. As a result, the achievement rate remained 73%.
- ▶ **STRATEGIC**: Contribution from SAMANCOR to our equity in earnings of affiliates could not meet our expectation, due to longer preparation time for its acquired subsidiary, lower operation ratio by natural disasters over some mines and smelters and annual depreciation and amortization of such as mining rights.

		Transition of Quantitative indicators			
		FY2015	FY2016	FY2017	FY2018
ROE		17.2%	10.1%	9.7%	7.4%
	ROS	1.7%	1.1%	1.0%	0.7%
	Total assets turnover	2.4	2.3	2.3	2.3
	Financial leverage	4.2	4.0	4.3	4.8
ROIC		4.5%	6.2%	6.1%	5.3%
Net DER		136%	136%	154%	161% *131%
New customers (number)		705	697	601	725

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

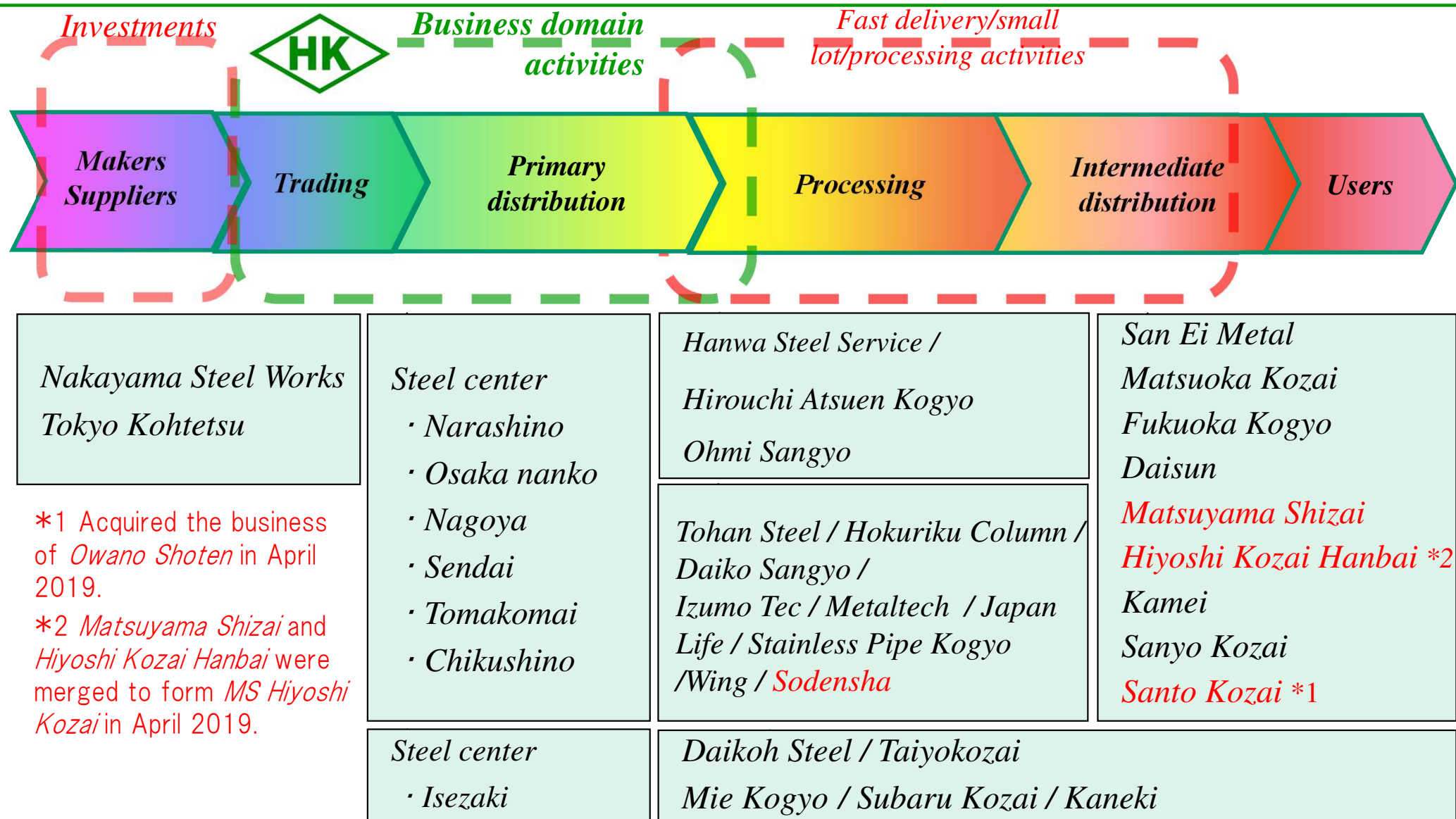
- ▶ ROE decreased due to decline of ROS.
- ▶ Net DER decreased by 131% in case of taking account of evaluation for equity credit of Hybrid Loan.
- ▶ Progress rate of number of new customers is 74.9% of the target for all 4 years (FY2016–FY2019).

## 【Ordinary income trend of subsidiaries by business segment】

(billions of yen)	Fiscal Year (ended March 31)					
	FY2017		FY2018		Y on Y Change	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
Steel	4.2	0.7	2.7	0.6	▲ 1.5	▲ 0.1
Metals & alloys	0.2	0.0	0.5	0.1	+0.3	+0.1
Non-ferrous metals	0.3	0.3	0.4	0.2	+0.1	▲ 0.1
Foods	▲ 0.2	0.0	▲ 0.1	▲ 0.2	+0.1	▲ 0.2
Petroleum & chemicals	0.3	0.1	0.5	0.1	+0.2	+0.0
Overseas sales subsidiaries	0.7	0.1	1.1	0.3	+0.4	+0.2
Others	0.3	0.2	0.3	0.3	+0.0	+0.1
<b>Total</b>	<b>5.8</b>	<b>1.3</b>	<b>5.4</b>	<b>1.3</b>	<b>▲ 0.4</b>	<b>▲ 0.0</b>

(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.)

- Ordinary income in steel segment decreased due to normalization of the profit margin to the usual level and impact of currency decline in emerging countries on overseas steel centers, although domestic subsidiaries increased their income.
- Overseas sales subsidiaries increased ordinary income due to sales expansion of steel products in Indonesia and bunker fuel and metal scrap in Singapore.



- Promoting a strategy of “SOKOKA (fast delivery, small lot, processing)” through the grouping of functional small and medium steel wholesalers and processors.
- In FY208, Sodensha joined Hanwa Group.

**【The major alliance partners】**

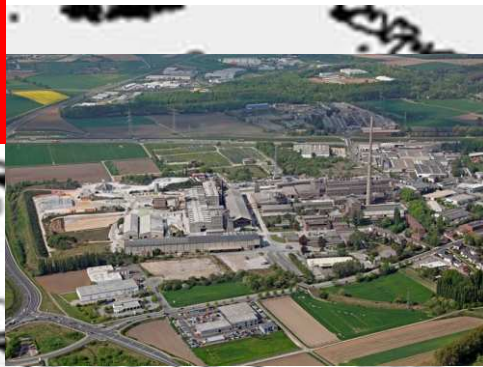
Country	Distributor	Processor	Manufacturer
Thailand		HSS Thailand PCM Processing	Furukawa Unic Siam Hanwa
Indonesia	Kapurindo Sentana Baja	HSS Indonesia	Araya Steel Tube Indonesia
Singapore	CosmoSteel Holdings HG Metal Manufacturing		JFE Meranti Myanmar
Vietnam	SMC Trading Ton Dong A Corp.	NST Saigon Coil Center <b>SMC HA NOI ONE</b> <b>MEMBER</b> *Acquired stocks of and made our subsidiary in May 2019.	Nippon Steel & Sumikin Pipe Vietnam SMC Toami Sendo Steel Pipe
Malaysia	TATT GIAP Group	Eversendai Corp. TATT GIAP Steel Centre	Nippon Egalv Steel Bahru Stainless
Philippine			Sohbi Kohgei (Phlis)

Hanwa forms alliances with prominent local distribution companies and joint activities with Japanese companies to establish Hanwa's business model in the ASEAN region.



## AFARAK

FeCr, SiMn  
(Sales amount  
100 kt / FY2018)



## OM Holdings

FeSi, SiMn, MeMn  
(Sales amount  
510 kt / FY2018)



## Bacanora Lithium

lithium carbonate  
(2021 Production  
commencement 35 kt / Year)



## SAMANCOR

Cr Ore, FeCr  
(FeCr Production  
1,550kt / Year)



## Tsingshan Holding

NPI & Stainless hot coil  
(NPI 1.5 Mt / Year,  
H/C3 Mt / Year)



## WATERBERG JV

Platinum group metals  
(Acquired an interest in  
Mar 2019)

## QMB

Nickel Cobalt  
compounds for  
Rechargeable Batteries  
(Concluded  
investment contract)

Although the market is small, it is essential for industry, and it is targeted at metal resources that are not produced in China, which is the largest demand area.

## 【Current investment records】

(billions of yen)	Amounts	Major investments
Steel	7.4	<ul style="list-style-type: none"> <li>• Invested in Jiaxing Processing Center constructed by Daming International Holdings</li> <li>• Built an extension of Kita-Kanto Steel Center</li> <li>• Acquired stocks of JFE Meranti Myanmar Holding</li> <li>• Acquired additional stocks of and made our subsidiary Tatt Giap Steel Centre Sdn. Bhd. *</li> </ul>
Metals & alloys / Non-ferrous metals	5.9	<ul style="list-style-type: none"> <li>• Invested in WATERBERG JV</li> <li>• Established subsidiary</li> </ul>
Petroleum & chemicals	0.2	<ul style="list-style-type: none"> <li>• Invested in Biomass fuel business</li> </ul>
Overseas sales subsidiaries	3.3	<ul style="list-style-type: none"> <li>• Recapitalized to subsidiary</li> </ul>
<b><u>Total</u></b>	<b><u>17.0</u></b>	* Changed the company name to Hanwa Steel Centre (M) Sdn. Bhd.

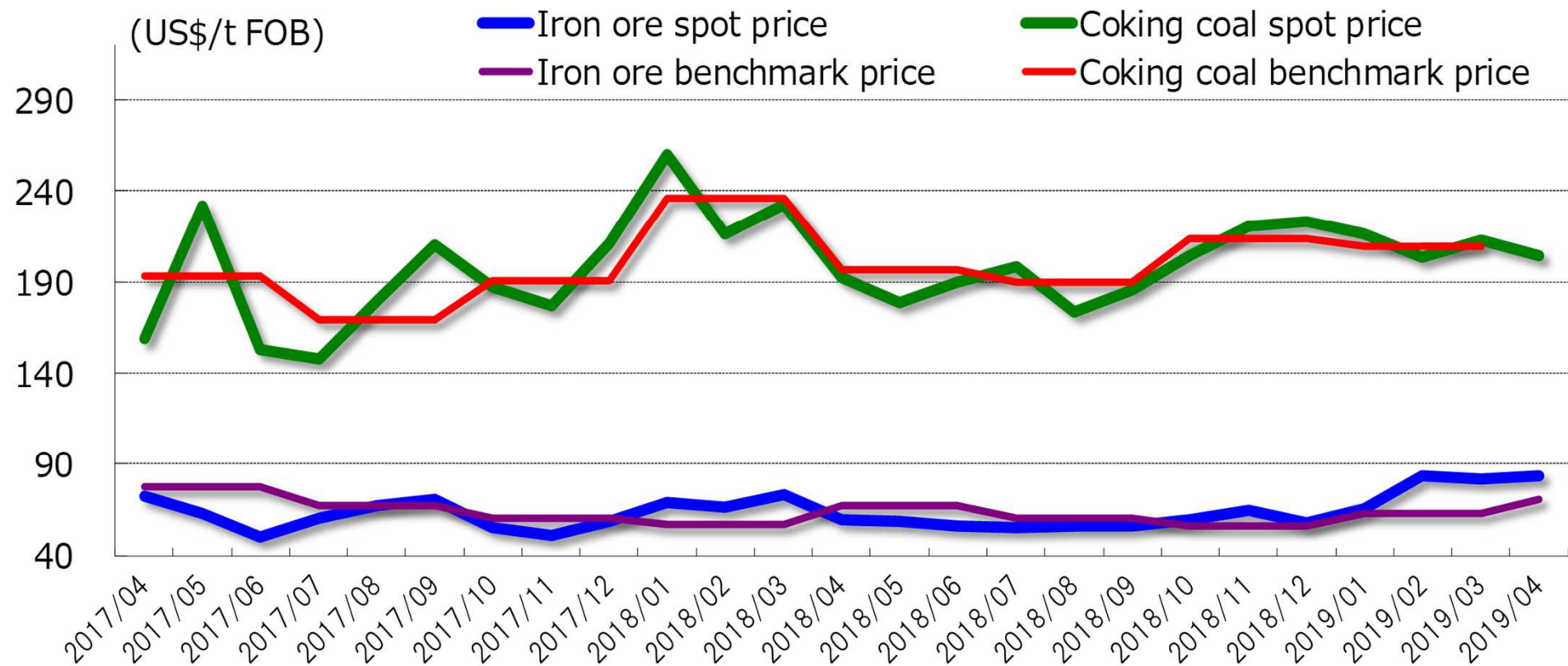
- Hanwa is continuing to make business investments to build a base for more earnings in future.
- In FY2018 investments totaled about 17.0 billion yen, including investment in steel center inside and outside the country and recapitalization to overseas sales subsidiary.



# Appendix

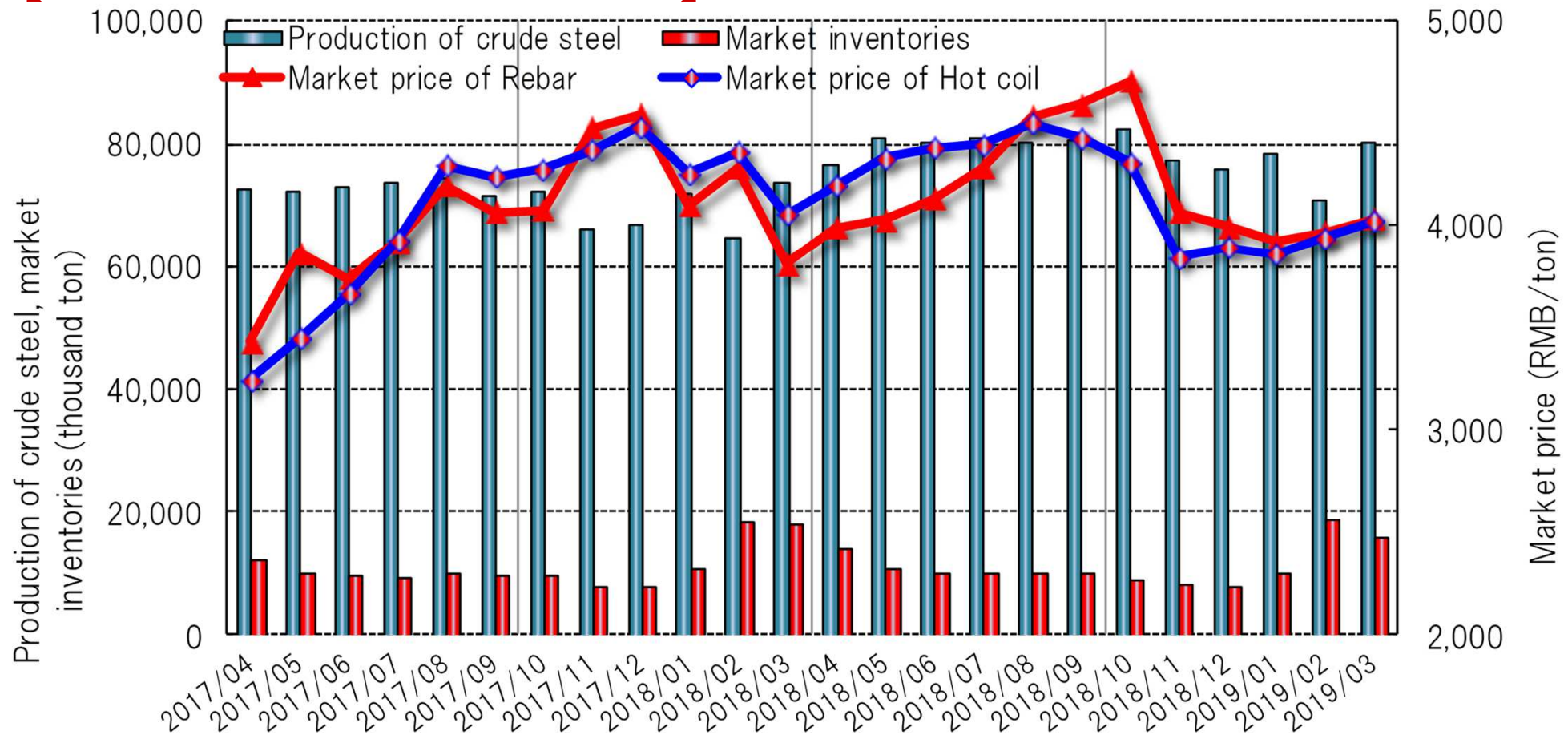
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## 【Transaction of steel raw materials price】



- Iron ore...Price of Iron ore remains stable, reflecting the steel market in China. The price is on an uptrend due to the impact of collapse of mining dam in Brazil and Australian cyclone.
- Coking coal...The price has been high, due to tightness of domestic coal in China caused by environmental regulation and shifting to imported coal, as well as high demand from India and impact of port troubles and sluggishness in logistics.

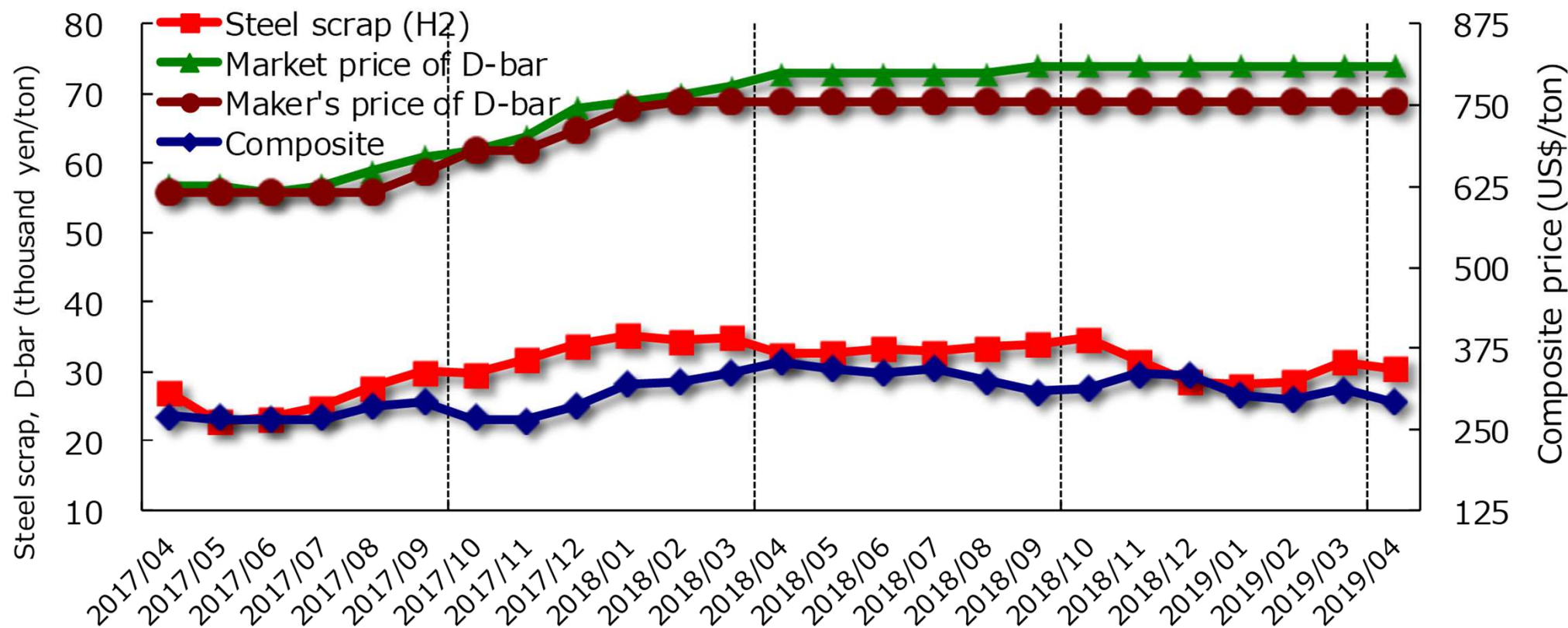
## 【Transition of steel market in China】



- Supply/ Demand...The supply-demand balance of steel has remained tight on the supply side, partly due to the impact of environmental regulations. On the other hand, demand has been weak due to decline in such as capital investment and consumer confidence.
- Market price...Market prices fell sharply in November due to easing of operational regulations and concerns over trade frictions between U.S. and China. The prices, after rising for expectations of recovery in demand, recently have turned to moderate downward trend due to the trade frictions and concerns about the future of the domestic economy.

(Data source : The Japan Iron and Steel Federation))

## 【Steel scrap and D-bar Market Price】

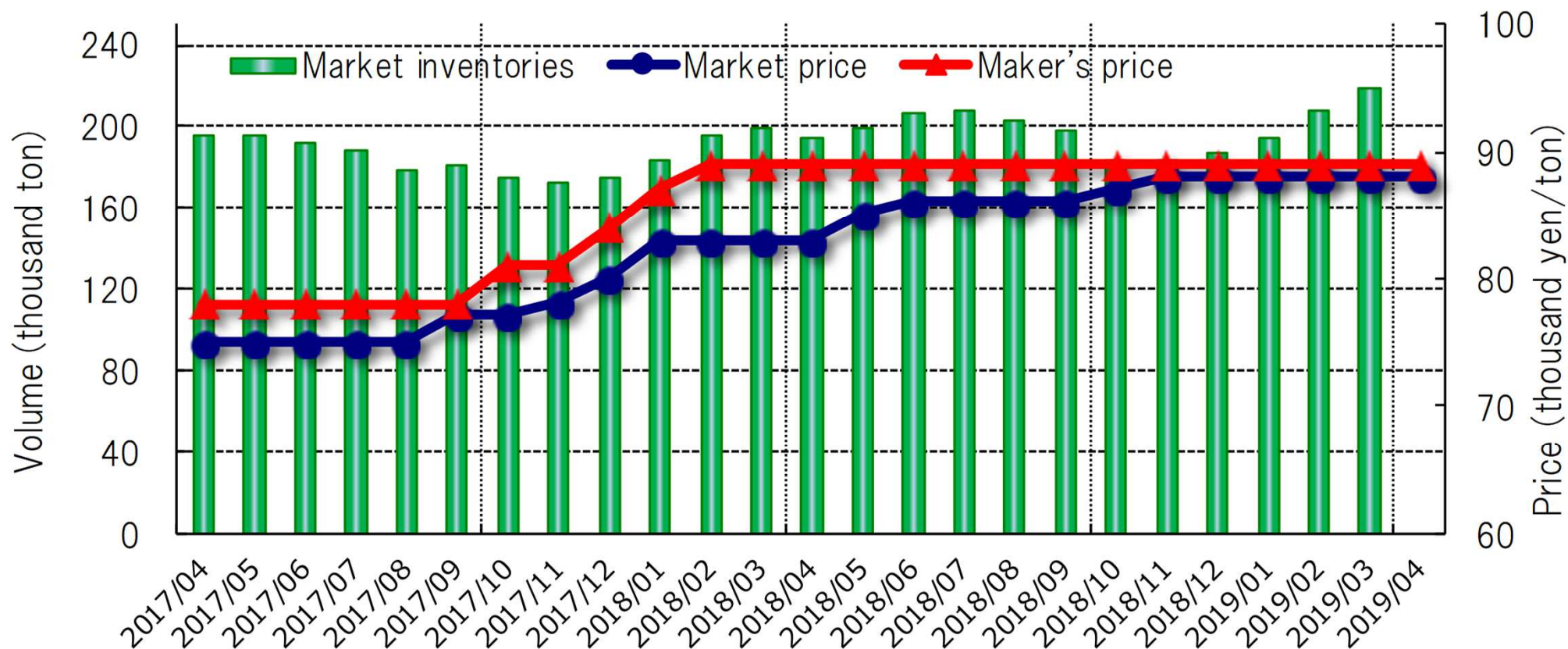


- Supply/Demand...Domestically, EAF steel mills continue to be active in buying steel scrap, reflecting firm construction demand. However tightness seems to be eased, due to decline in demand in China and ASEAN and strengthening regulations on miscellaneous scraps.
- Market price...Purchasing prices of EAF steel mills in Japan continued to rise, but recently, demand in Asia was weak and the market turned to an adjustment phase.

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



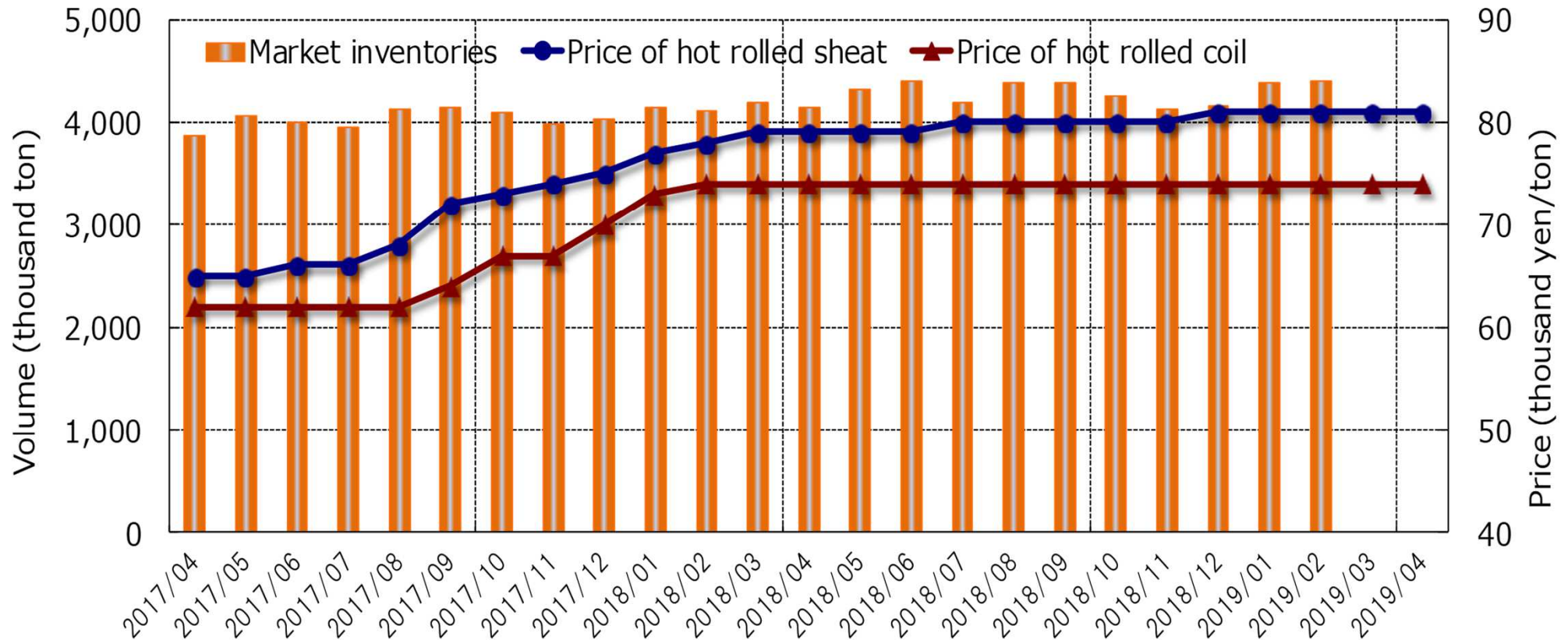
## 【Transition of the H-Beams Markets in Japan】



- Supply/Demand...Although demand for large-scale buildings and civil engineering projects remained firm, construction schedules were delayed due to labor shortages in fabricators and logistics, as well as shortage of high strength bolts supplies.
- Market price...Market prices have been on an upward trend, reflecting the policy of raising prices of steel mills and increasing demand, but the pace of increase has been moderating.

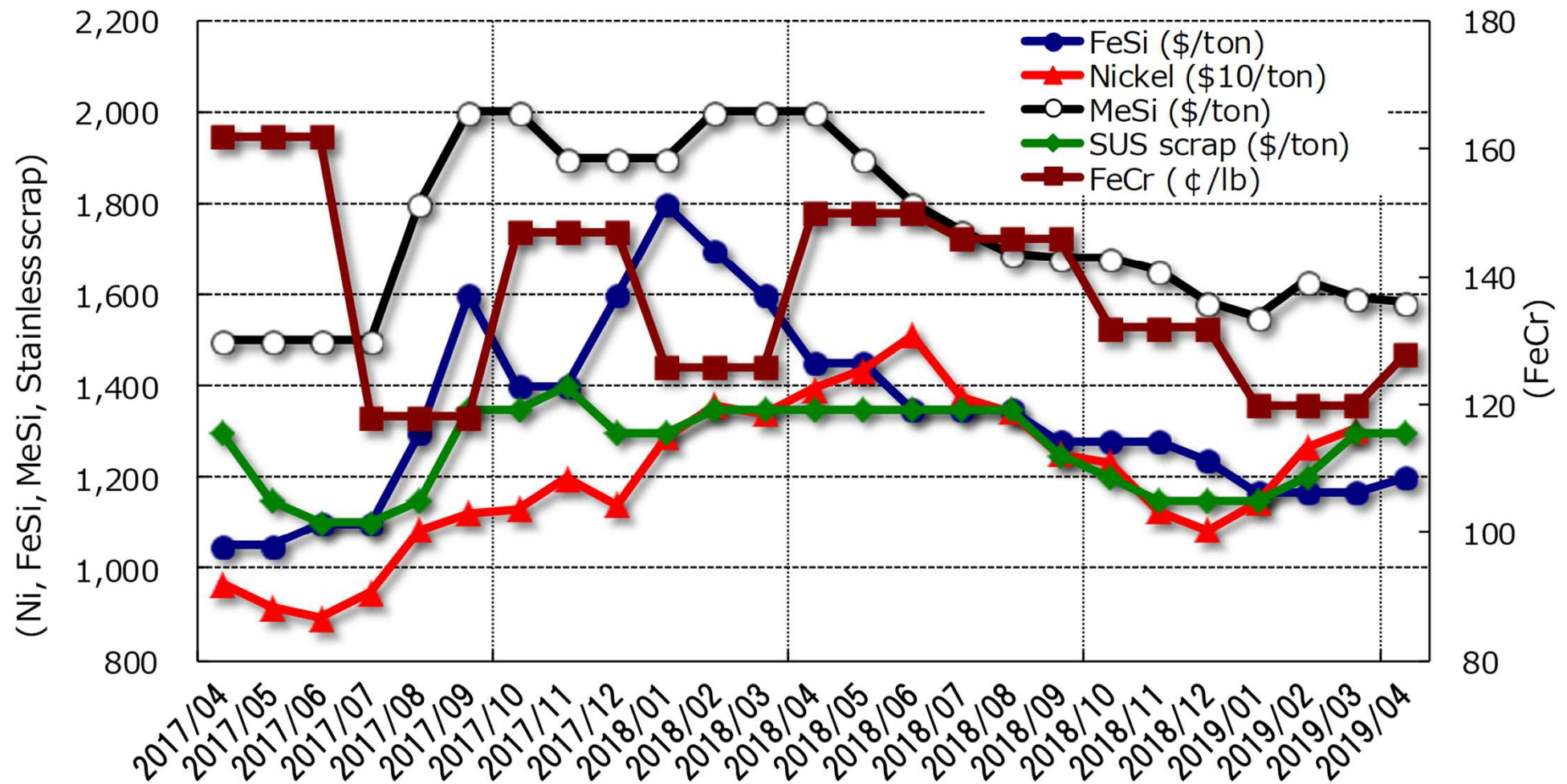
(Data source : Inventories \_ Tokiwa-kai / Price \_Japan metal daily)

## 【Transition of Steel Sheets Markets in Japan】



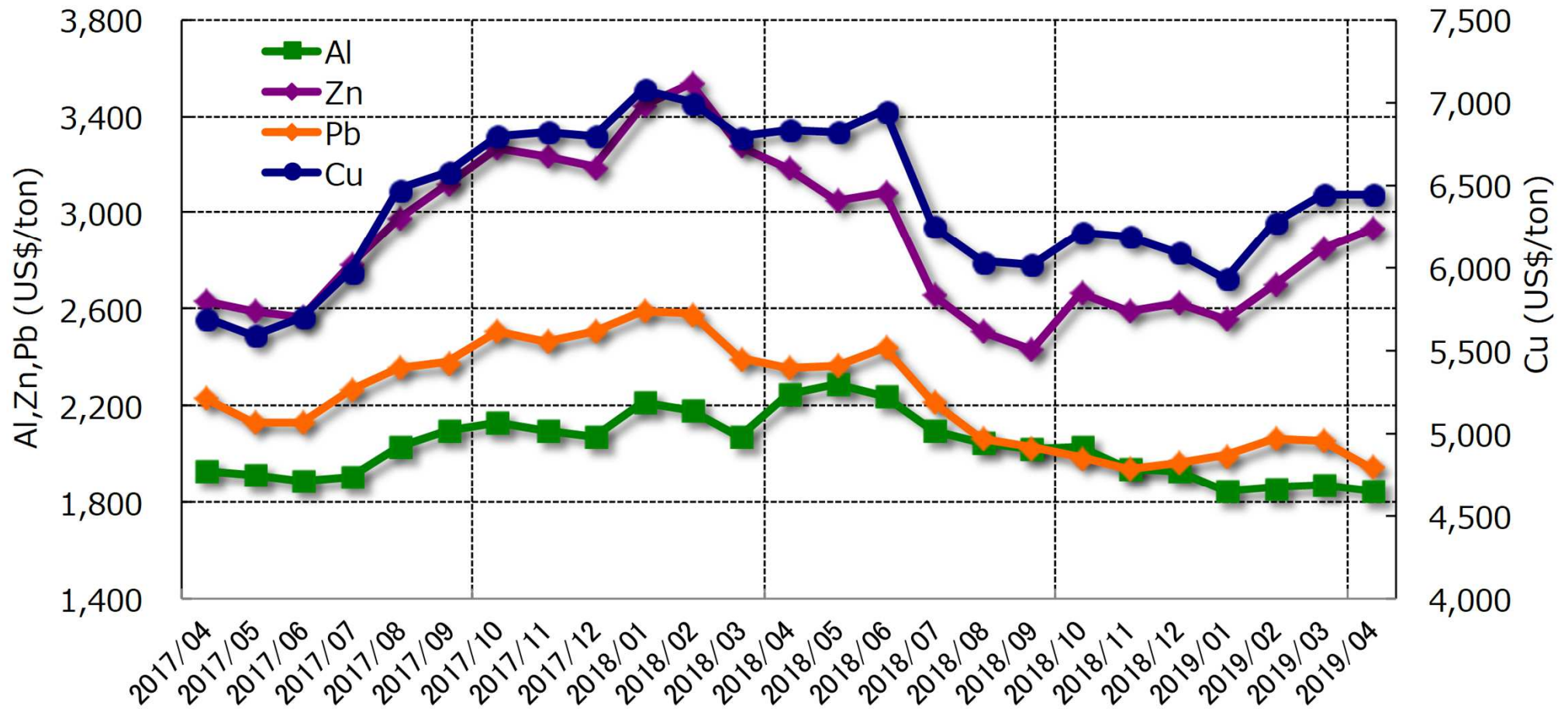
- Supply/Demand...Demand for steel sheets remained firm due to production activities and capital investment in manufacturing industry being generally firm. And there was a sense of tightness in the supply side due to the repair of steel mills, and the impact of natural disasters.
- Market price...Despite the policy of steel mills to raise prices, the pace of the market rise has been gradually slowed down.

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



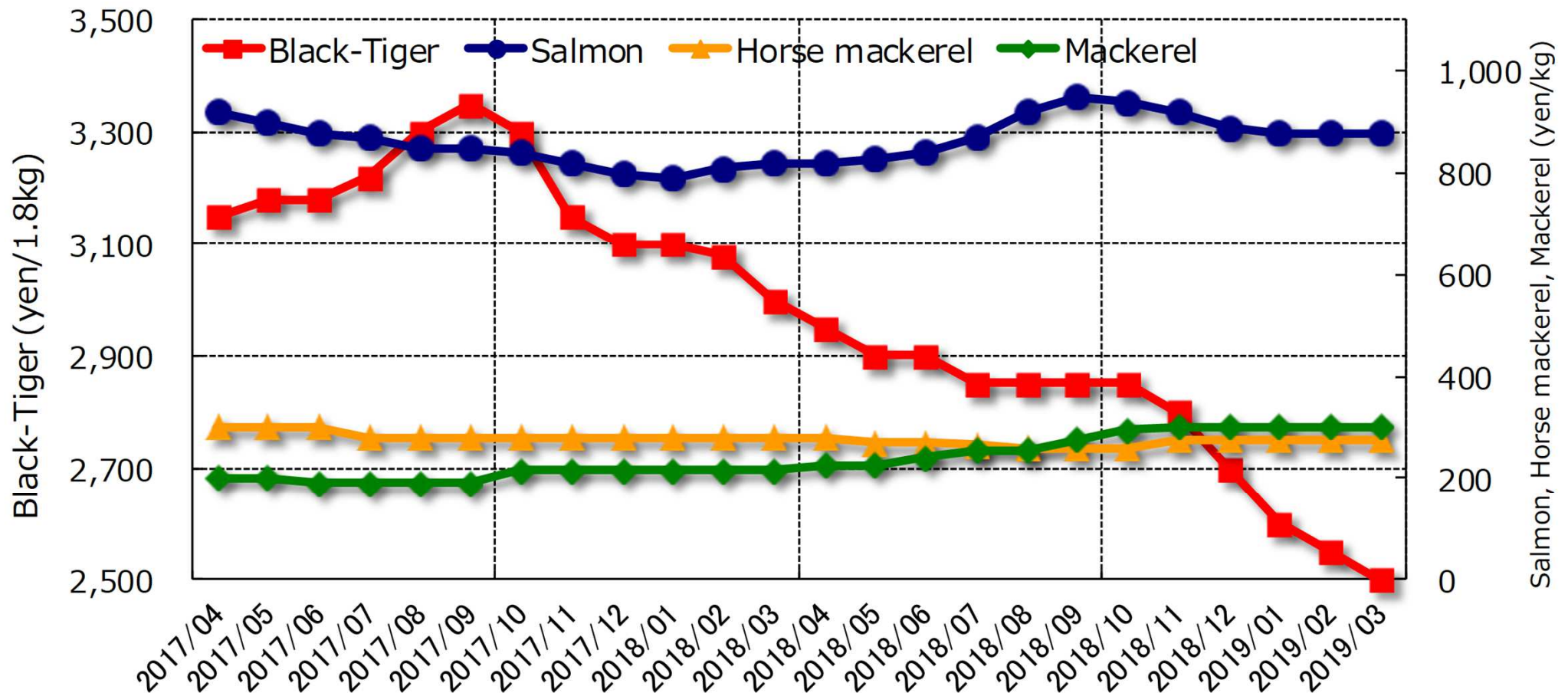
- Nickel...Prices have continued to rise due to expectations of demand for stainless steel and secondary batteries, entering an adjustment phase due to trade frictions between U.S. and China and uncertainty about the Chinese economy.
- Alloys...Prices have continued to rise due to the effects of increased steel production in China and environmental regulations, turning to a moderate declining trend as concerns about a slowdown in the Chinese economy increased.



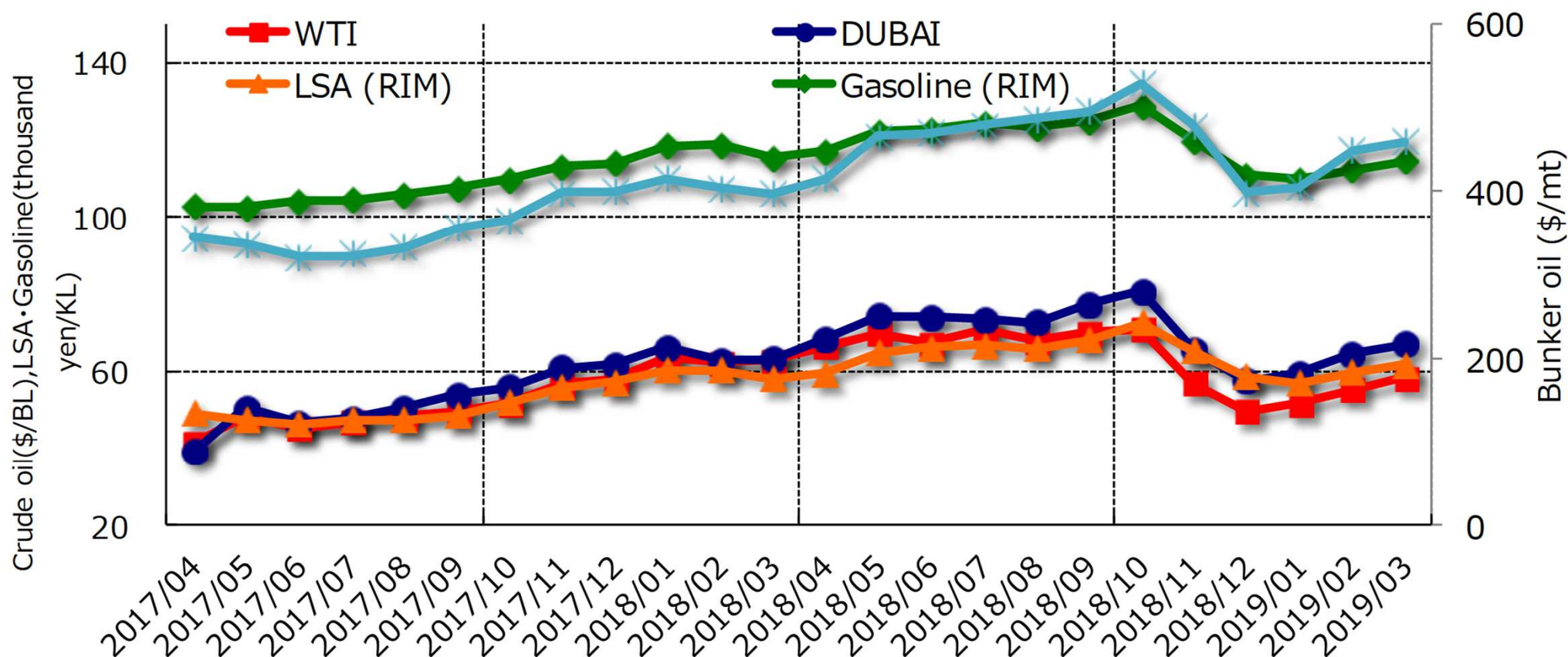


- Aluminum...Prices generally remained high despite rising and falling due to the sanctions imposed by U.S. on Russian companies and concerns about trade frictions between U.S. and China.
- Copper...Prices were in part on an upward trend due to labor disputes at copper mines in South America and protests by the residents, but trade frictions and concerns about the future of the Chinese economy have weighed on them.





- Salmon...In addition to the decrease in the amount of Sockeye salmon caught in Russia and Alaska, Chilean Coho salmon have been in short supply, domestic market has been on an upward trend.
- Shrimp...Prices declined due to an increase in harvest volume in each production region, and have been weak due to an overstocked situation in North America and Japan.



- Crude oil...Prices have remained at high levels on the whole, mainly due to the effect of the coordinated reduction of production by oil-producing countries and heightened expectations of a decline in oil production in regions with geopolitical risks.
- Petroleum products...Prices have been high level on the whole, reflecting the pricing policies by primary wholesalers and oil refinery troubles.