

Financial Results for the Fiscal Year ended March 31, 2020

May 25, 2020
HANWA CO., LTD.

Operating Results (Consolidated)

	Fiscal Year (ended March 31)			
	FY2018	FY2019	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	2,074.6	1,907.4	(167.1)	-8%
Gross Profit	79.2	79.8	+0.6	+1%
SG&A	50.3	52.4	+2.1	+4%
Operating income	28.9	27.3	(1.5)	-5%
Ordinary income	23.3	(12.5)	(35.9)	—
Net income attributable to owners of the Company	13.9	(13.6)	(27.5)	—
EPS	342.41 yen	(336.51) yen	(678.92) yen	—
Comprehensive income	3.4	(29.9)	(33.4)	—

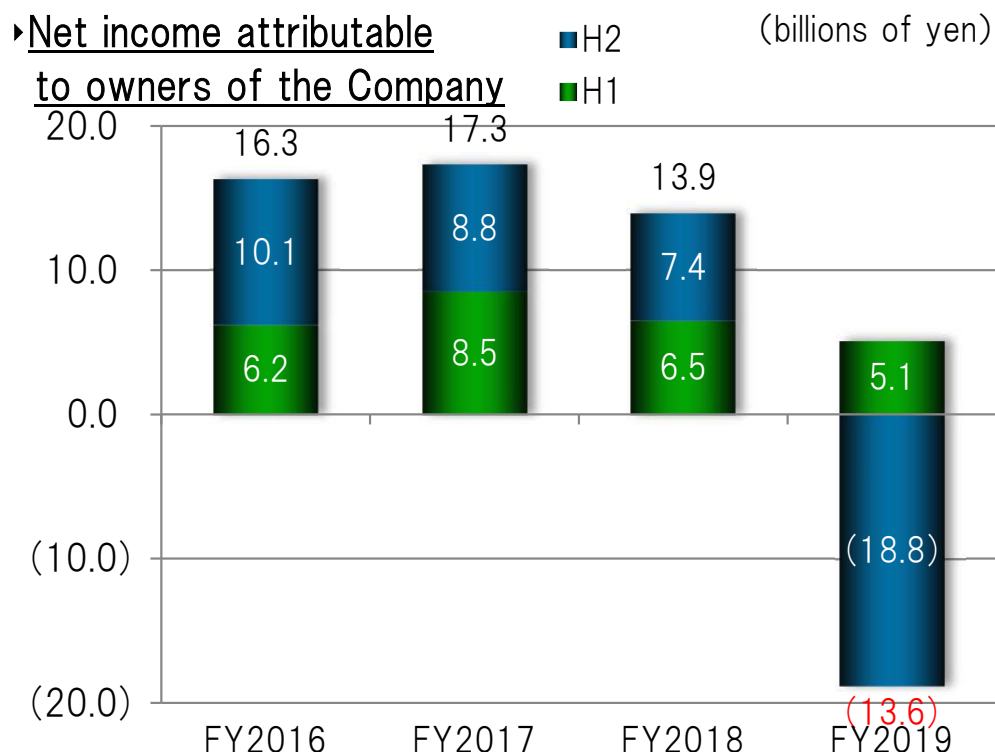
- Net sales have decreased by 8% compared with the previous year. This was due to decrease of transaction volume under weak demands in steel business and decline in commodity prices including non-ferrous metal, ferroalloy products and petroleum.
- SG & A expenses have increased by 4% compared with the previous year (of which 2% was due to increase of number of consolidated subsidiaries). Personnel expenses have increased 1.0 billion yen, including 0.5 billion yen from newly consolidated subsidiaries.
- Ordinary income was a loss of 12.5 billion yen, due to recording of 35.4 billion yen in non-operating expenses as equity in losses of affiliates (of which 34.9 billion yen was from SAMANCOR including impairment losses).
- Net income attributable to owners of the Company was a loss of 13.6 billion yen, due to extraordinary losses mainly comprised of loss on devaluation of investments securities.

Changes in Business results (Consolidated)

►Net sales



►Net income attributable to owners of the Company



►Net sales have decreased due to decrease of transaction volume mainly in steel business and decline in commodity prices including non-ferrous metal, ferroalloy products and petroleum.

►Net income attributable to owners of the Company was a loss due to equity in losses of affiliates and extraordinary losses.

(Breakdown of Non-operating income/expenses in FY2019)

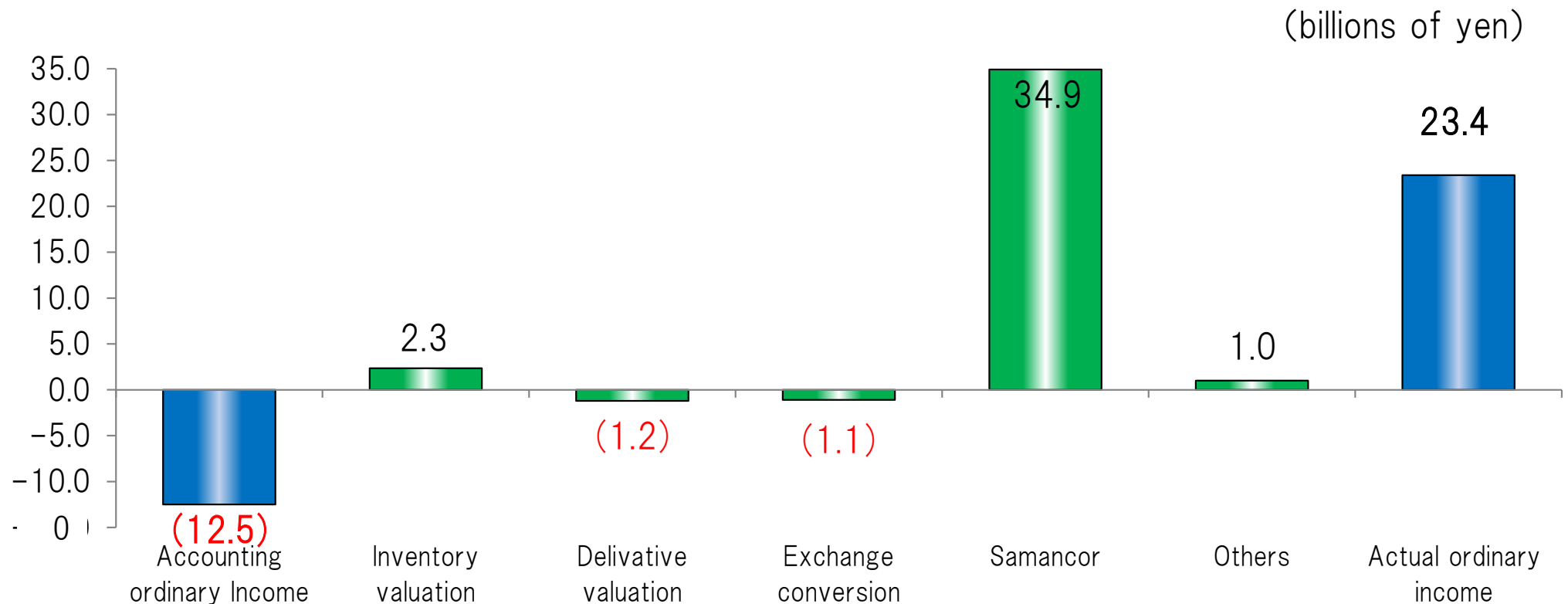
Interest income : 2.1 billion yen (decrease of 2.0 billion yen(YoY))

Equity in losses of affiliates : 35.4 billion yen (34.9 billion yen from SAMANCOR, including impairment losses of 27.3 billion yen)

(Breakdown of extraordinary loss in FY2019)

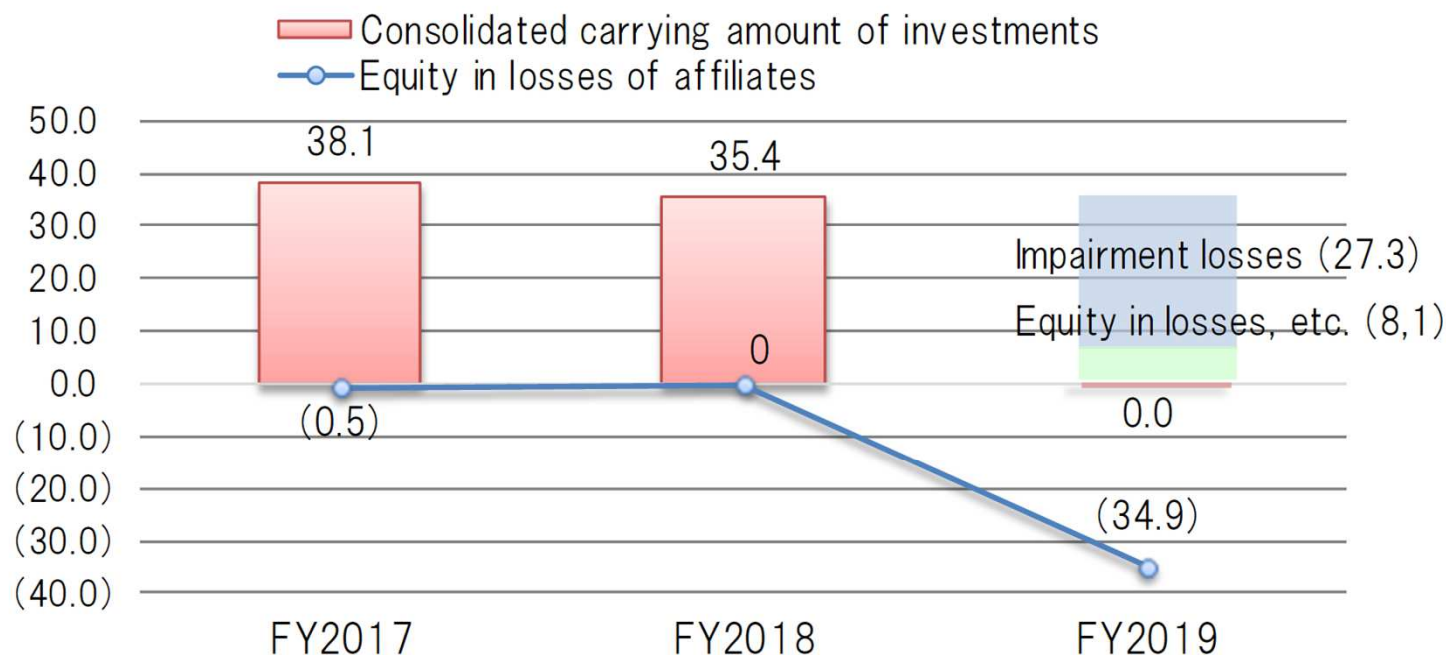
Loss on devaluation of investments securities : 6.5billion yen (mainly due to decline in listed stocks)

Impairment loss : 1.0billion yen (mainly due to losses on land and buildings held by consolidated subsidiaries)



►Reported Ordinary income was (12.5) billion yen but can be translated into about 23.4 billion yen after excluding one-time factors such as period-end valuation gains and losses for inventories, derivatives, foreign exchange and impairment losses on SAMANCOR and Nippon Egalv which were recorded as equity in losses of affiliates.

Concerning SAMANCOR



(billions of yen)	FY2017	FY2018	FY2019
Equity in losses of affiliates	(0.5)	0.0	(34.9)
Consolidated carrying amount of investments	38.1	35.4	0.0
(ref)Closing rate ¥/ZAR	9.11	7.66	7.84

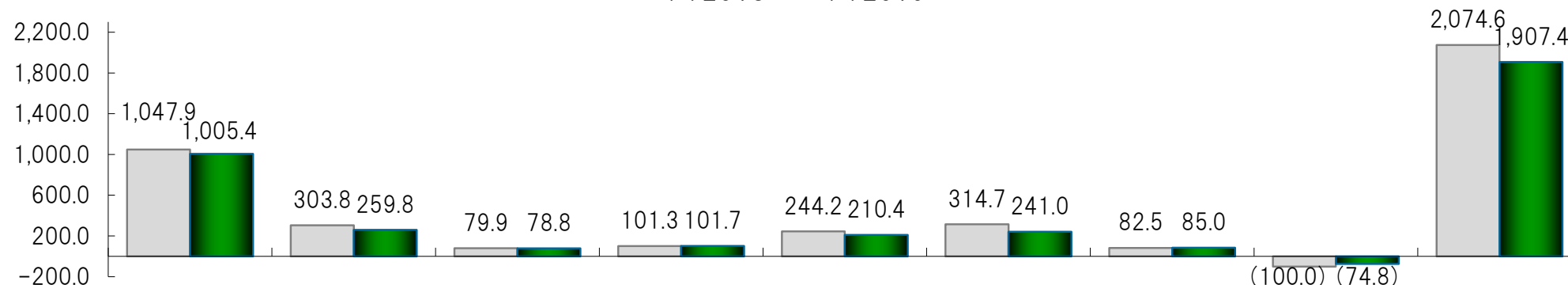
- ▶After becoming our equity method affiliated company in the FY2017, SAMANCOR had not contributed to consolidated results under the severe environment that based on decline in the market price of ferrochrome, and increase in cost of electric power.
- ▶We have verified the medium-to long-term business plan submitted by Samancor, with the participation of the third parties. As a result, we concluded that it was difficult to recover the full carrying amount of the assets at the end of the fiscal year, and we devaluated the assets.
- ▶The consolidated carrying amount of investment in Samancor is 0 yen at the end of the fiscal year, and it is basically expected that the equity method investment loss from Samancor will not be recorded in future.

Segment Information (consolidated)

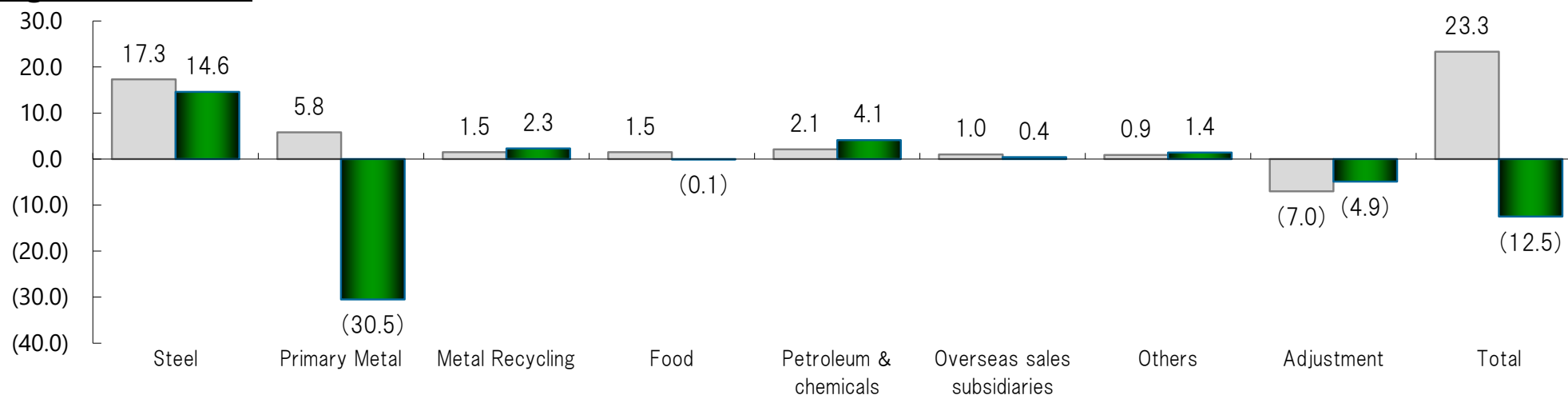
►Net sales

■FY2018 ■FY2019

(billions of yen)



►Segment income



- Net sales have decreased mainly due to decrease of transaction volume in Steel business and decline in commodity prices in Primary metal and Petroleum & Chemicals businesses.
- Segment income in total have decreased due to equity in losses affiliates from SAMANCOR in Primary metal business and decline in profit margin in Steel business, while the income have increased in Petroleum & Chemicals business and Metal recycling.

Financial Position (consolidated)

	Fiscal Year (ended March 31)			
	FY2018	FY2019	Y on Y Change	Y on Y Rate
(billions of yen)				
Total assets	933.3	798.4	(134.8)	-14%
Total liabilities	730.8	632.3	(98.5)	-13%
Interest-bearing debt	363.2	331.1	(32.1)	-9%
Net DER	161%	161%	-0.2pt	-0%
	* 131%	* 127%	—	—
Net assets	202.4	166.0	(36.3)	-18%
Shareholder's equity	188.2	163.6	(24.5)	-13%
Shareholder's equity ratio	20.2%	20.5%	0.3pt	+2%
	* 22.8%	* 23.6%	—	—
BPS	4,632.55 yen	4,027.01 yen	(605.55) yen	-13%

* 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 14% from the end of the previous year, due to decrease in trade receivables and investment securities.
- ▶ Interest-bearing debt decreased by 9% from the end of the previous year, Net debt-equity ratio have been flat of 161% (*127%) from the end of the previous year.
- ▶ Net assets decreased by 18% from the end of the previous year, due to decrease in retained earnings caused by recording net income loss attributable to owners of the company and net unrealized holding gains on securities. Shareholder's equity ratio improved to 20.5% compared with 20.2% as of the end of the previous year, as decline in liabilities was greater than decline in shareholder's equity. (*Taking account of evaluation for equity credit on 50% of Hybrid Loan, capital ratio improved 23.6% compared with 22.8% as of the end of the previous year.)

Cash Flow Situation (consolidated)

	Fiscal Year (ended March 31)			
	FY2018	FY2019	Y on Y Change	Y on Y Rate
(billions of yen)				
CF from operating activities	15.4	74.2	+58.8	+382%
CF from investing activities	(20.6)	(24.1)	(3.5)	+17%
FCF	(5.2)	50.1	+55.3	—
CF from financing activities	28.1	(42.3)	(70.4)	—
Cash and cash equivalents	58.3	67.2	+8.8	+15%

- ▶ Cash flow from operating activities was 74.2 billion yen, due to decrease in trade receivables and inventories.
- ▶ Cash flow from investing activities was (24.1) billion yen, due to purchase of investment securities and tangible fixed assets.
- ▶ Cash flow from financing activities was (42.3) billion yen, due to repayment of short-term loans and redemption of corporate bonds.

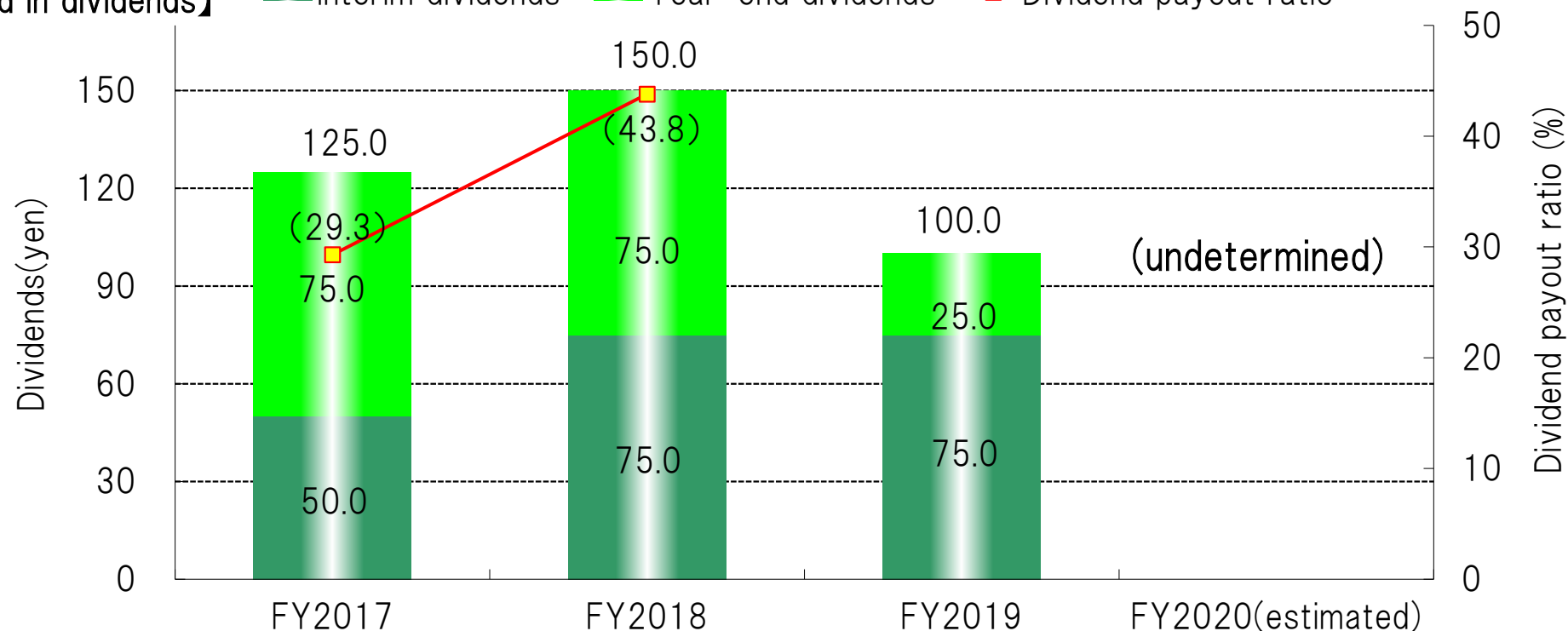
Business Forecast FY2020 (year ending Mar 31, 2021)

	Fiscal Year (ending March 31)			
	FY2019 (Actual)	FY2020 (Forecast)	Y on Y Change	Y on Y Rate
(billions of yen)				
Net Sales	1,907.4	—	—	—
Operating income	27.3	—	—	—
Ordinary income	(12.5)	—	—	—
Net income attributable to owners of the Company	(13.6)	—	—	—

- ▶ While it is difficult to predict the outlook for the global economy due to the novel coronavirus expansion, construction works and production activities in manufacturing industry have been suppressed, and there are concerns about the increase in number of bankruptcies and the deterioration of employment environments in Japan.
- ▶ The forecasts of consolidated financial results for the fiscal year ending March 31, 2021 are currently undetermined because it is difficult to reasonably calculate the impact of the spread of novel coronavirus on our group business activities and financial results.
- ▶ The forecasts will be promptly announced when it becomes available based on verification of monthly business performances.

Dividend Policy

【Trend in dividends】 ■ Interim dividends ■ Year-end dividends —■— Dividend payout ratio



【Dividend Policy】

- ▶ Although our existing businesses and subsidiaries earned profits stably under the severe business environment, we decided to reduce dividends to 100 yen per share due to recording net loss attributable to owners of the company caused by impairment loss on investment in SAMANCOR.
- ▶ The dividend forecasts for FY2020 are currently undetermined due to difficulty calculating the forecasts of consolidated financial results for the fiscal year.

(dividend forecast)

FY2019 Year-end dividends : 25 yen per share FY2020 undetermined

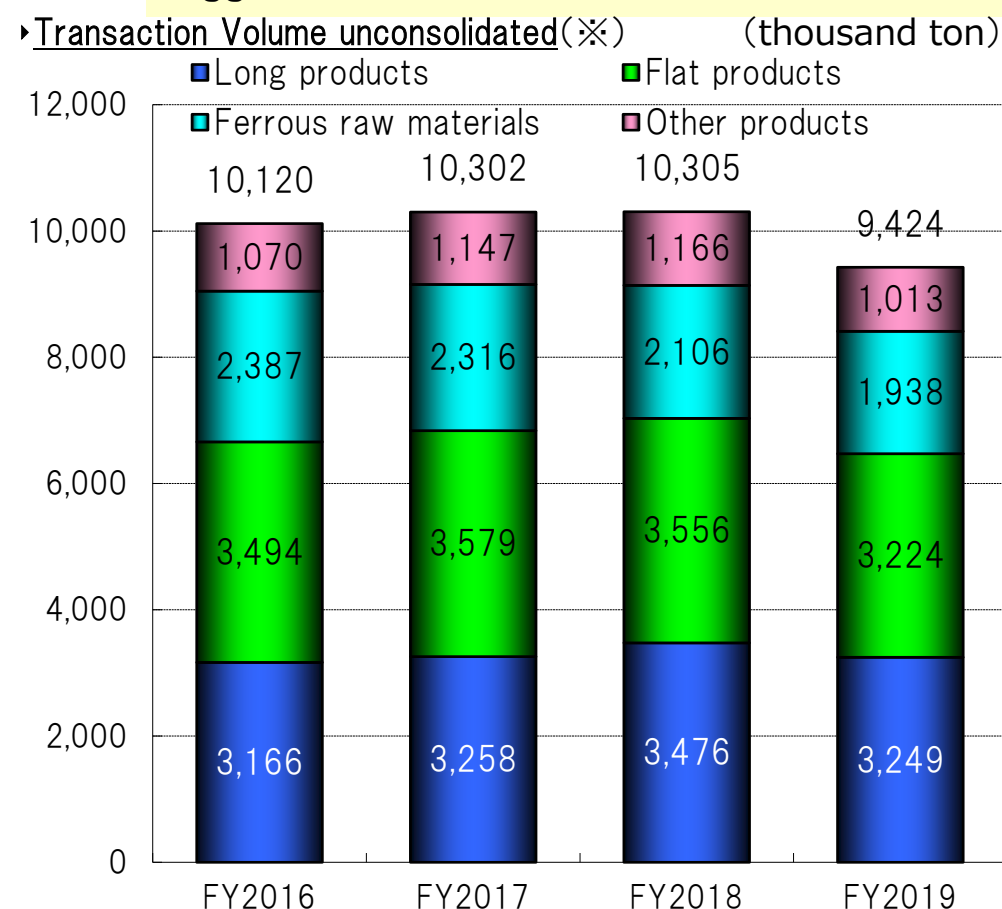
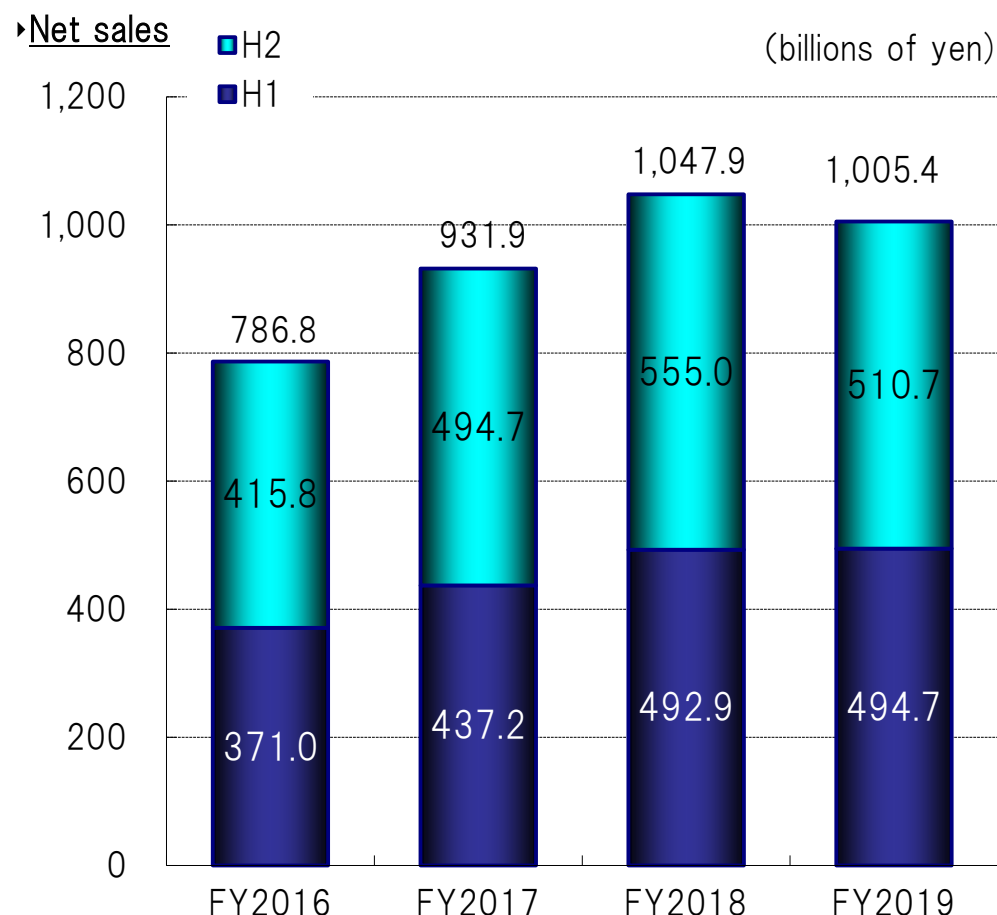
- ▶ Based on the existing policy, we will announce the dividend policy starting next fiscal year in the next medium-term business plan, and will achieve further gains in shareholders value.

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

Steel Business Segment

	Fiscal Year (ended March 31)		
(billions of yen)	FY2018	FY2019	Y on Y Rate
Net Sales	1,047.9	1,005.4	-4%
Segment Income	17.3	14.6	-16%

► Net sales and volumes decreased due to sluggish demand by the trade friction between U.S. and China and decrease in Olympic-related constructions,
 ► Segment income also decreased mainly due to decline in the profit margin of subsidiaries in sluggish domestic steel market.



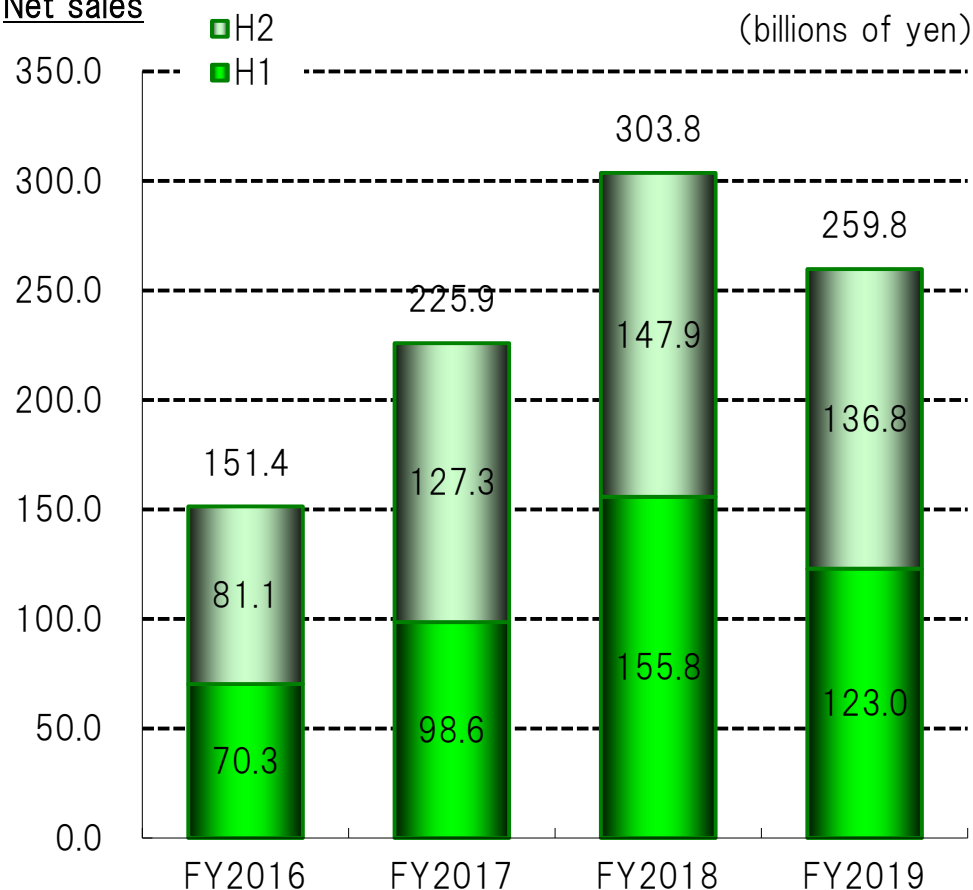
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Primary Metal Business Segment

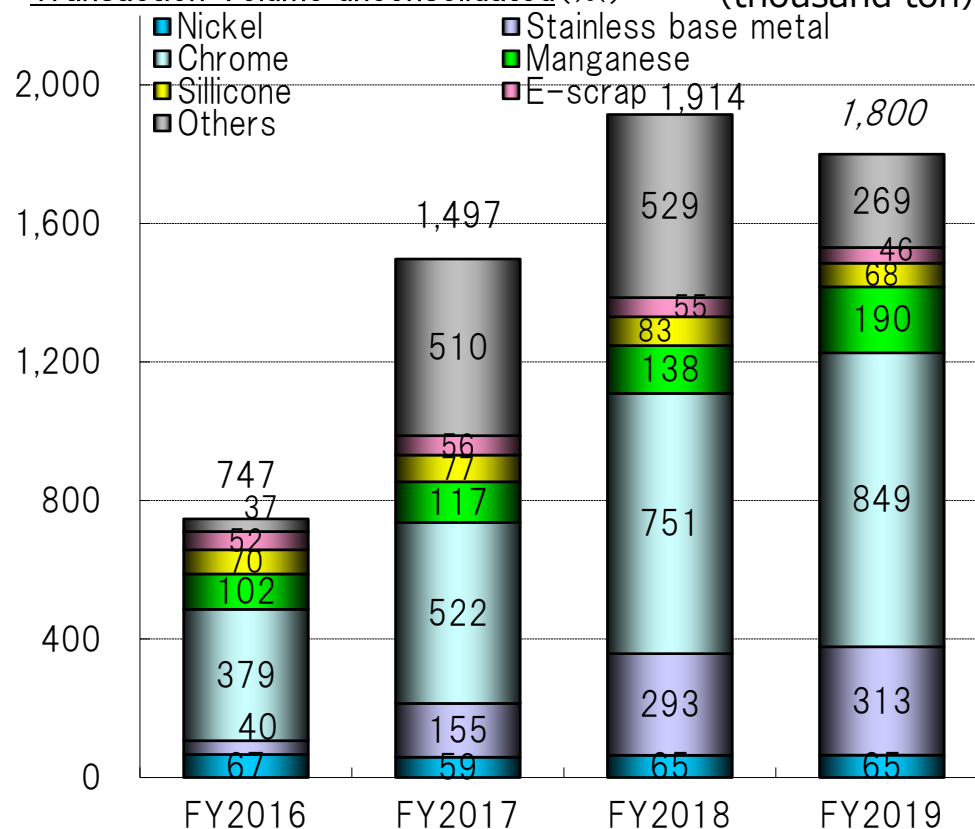
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	303.8	259.8	-14%
Segment Income	5.8	(30.5)	—

- ▶ Net sales decreased due to decline in the market price of ferroalloy.
- ▶ Segment income was a loss mainly due to expansion of equity in losses of affiliates for impairment losses in SAMANCOR.

▶ Net sales



▶ Transaction Volume unconsolidated(※) (thousand ton)



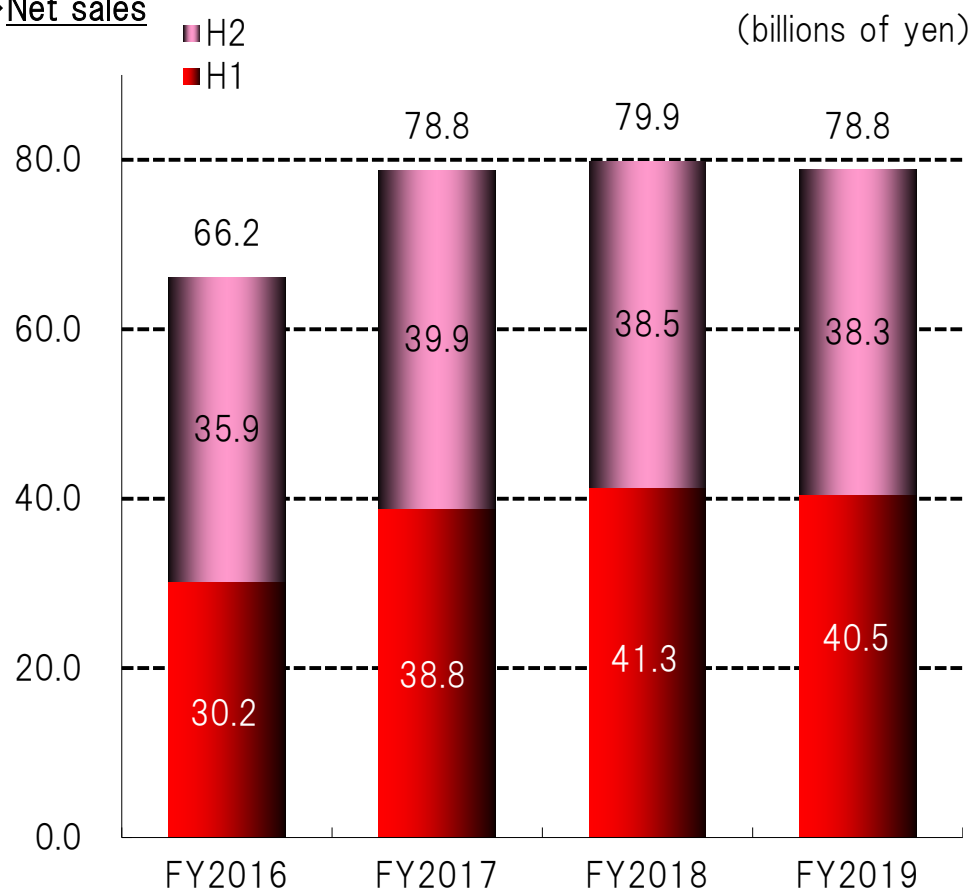
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Metal Recycling Business Segment

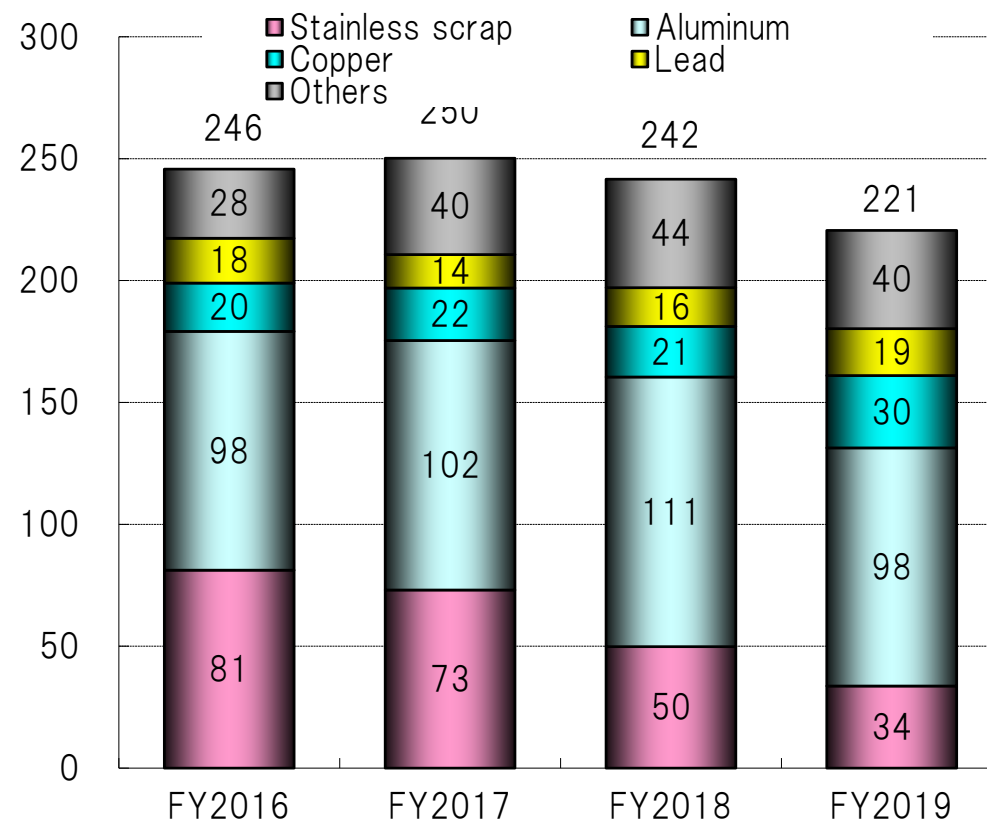
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	79.9	78.8	-1%
Segment Income	1.5	2.3	+51%

- ▶ Net sales decreased due to decline in base metal prices and decrease in transaction volume.
- ▶ Segment income increased due to improved profitability by procuring low price in the downward phase of copper scrap prices and the additional income from the newly consolidated subsidiary PT. HANWA ROYAL METALS.

▶ Net sales



▶ Transaction Volume unconsolidated(※) (thousand ton)



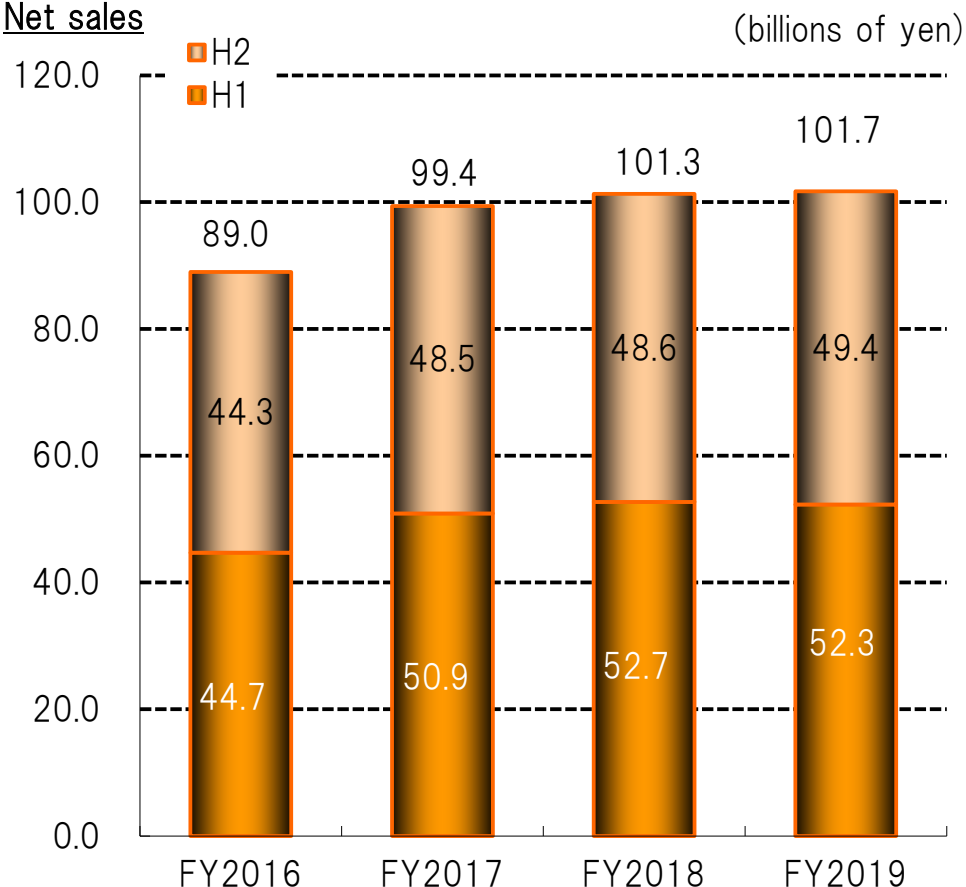
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Foods Business Segment

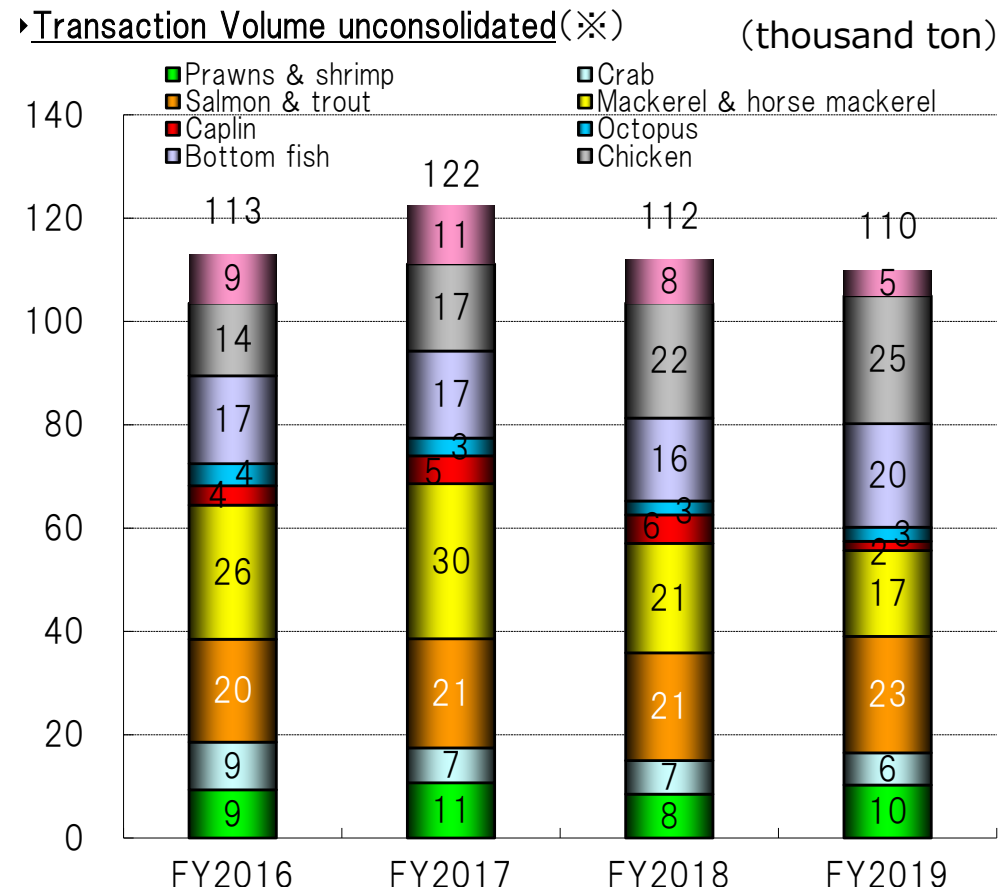
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	101.3	101.7	+0%
Segment Income	1.5	(0.1)	—

- ▶ Net sales and transaction volume remained flat.
- ▶ Segment income was a loss mainly due to decline in market prices of salmon, increase in valuation losses on inventories, and decrease in foreign exchange gains.

▶ Net sales



▶ Transaction Volume unconsolidated(※)



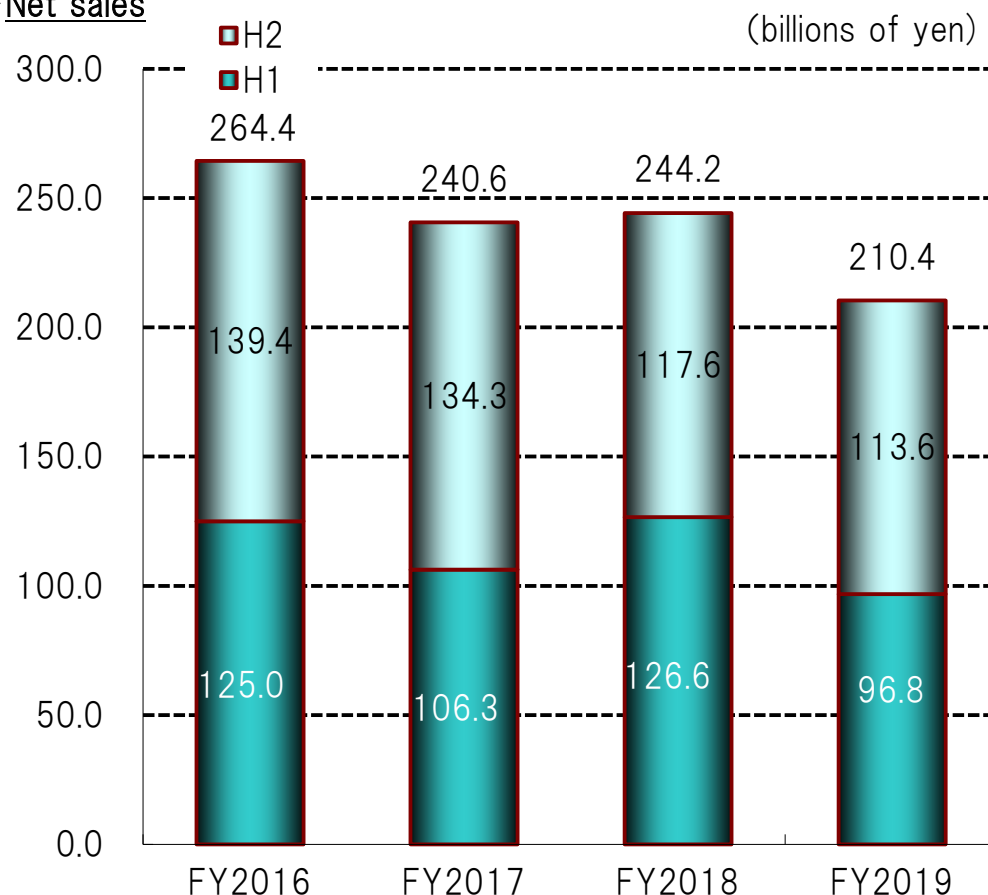
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Petroleum & Chemicals Business Segment

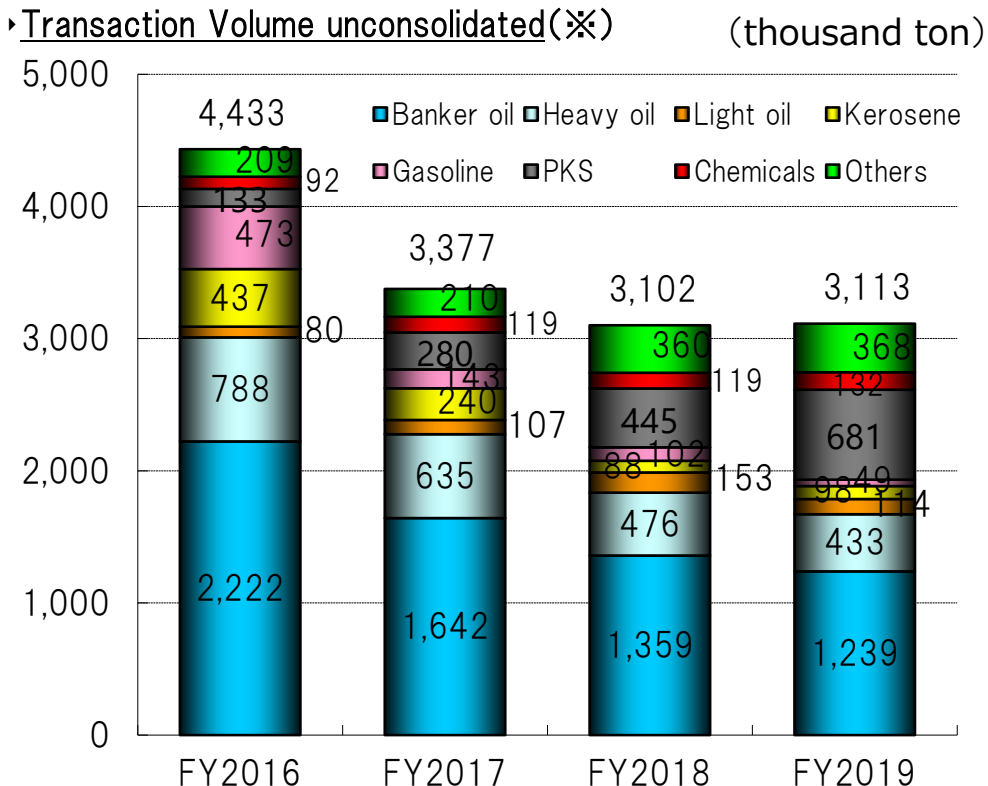
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	244.2	210.4	-14%
Segment Income	2.1	4.1	+93%

► Despite decreased volume by weak market of petroleum products, segment income increased mainly due to the expansion of profit margins of bunker fuel oil and biomass fuels such as palm kernel shells(PKS).

Net sales



Transaction Volume unconsolidated(※)



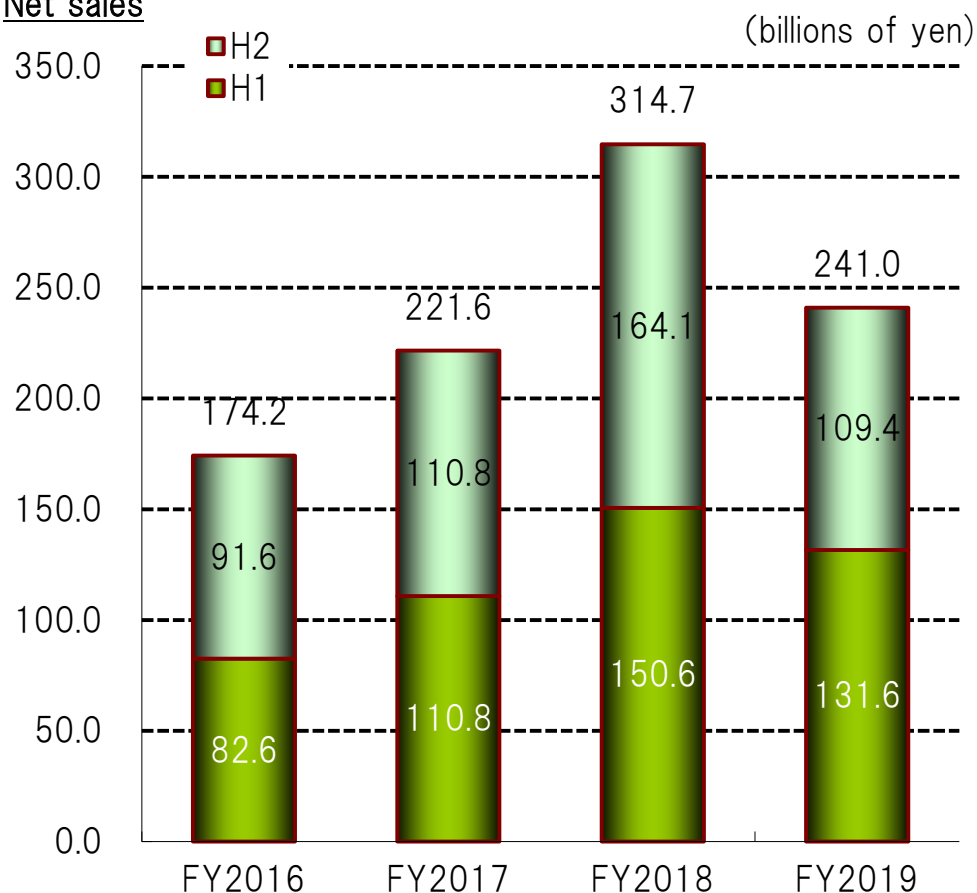
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Overseas Sales Subsidiaries Segment

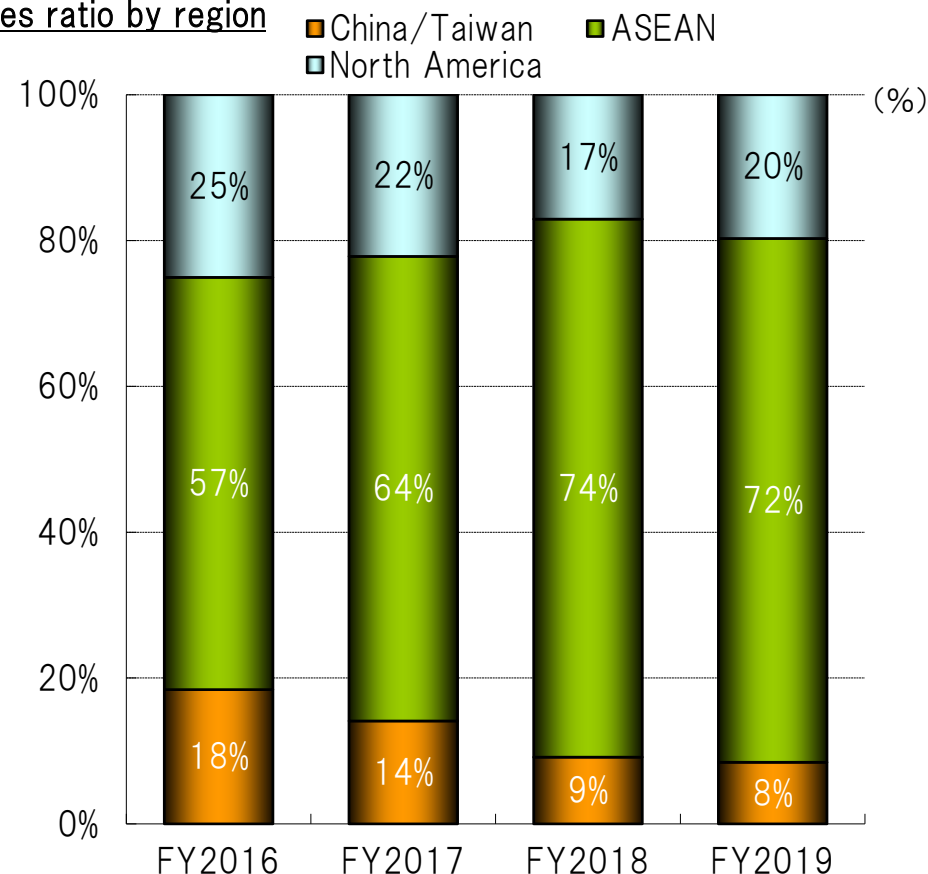
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	314.7	241.0	-23%
Segment Income	1.0	0.4	-54%

►Net sales and segment income decreased mainly due to decline in transaction volumes in the US and ASEAN region and increase in local currency procurement costs due to increase in local transactions in Indonesia.

►Net sales



►Sales ratio by region



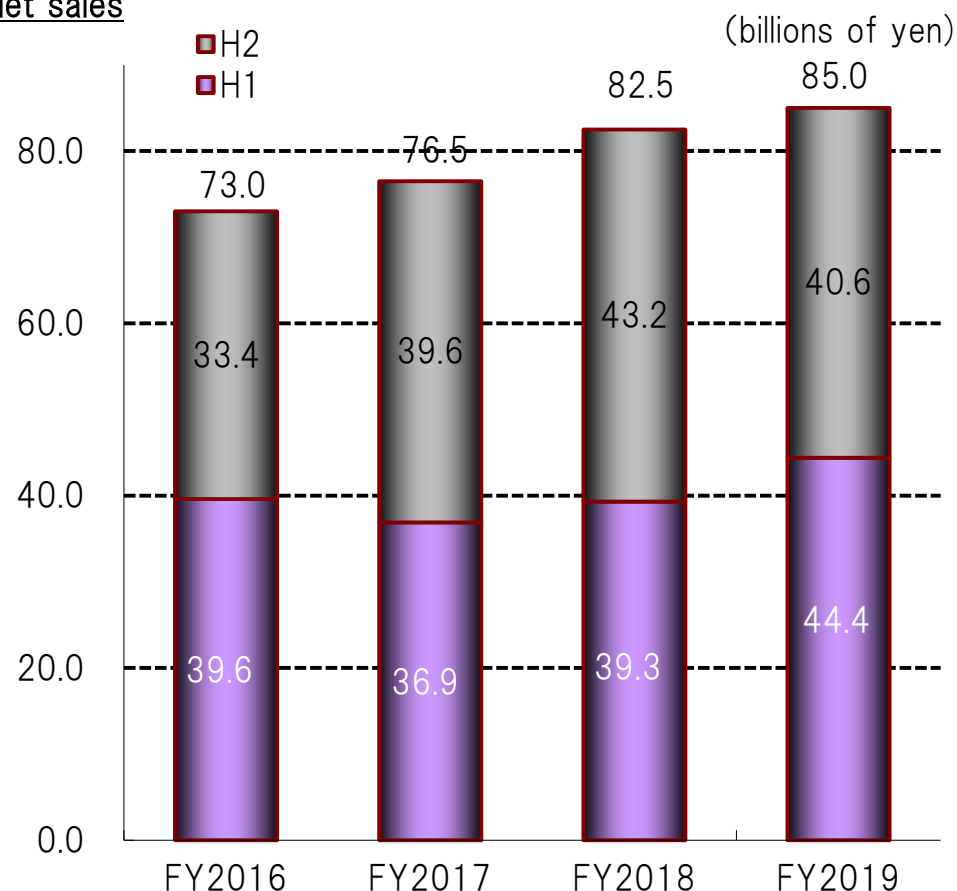
※ We record transaction volume in business segment as management approach, previously recorded in classification of products.

Other Segment

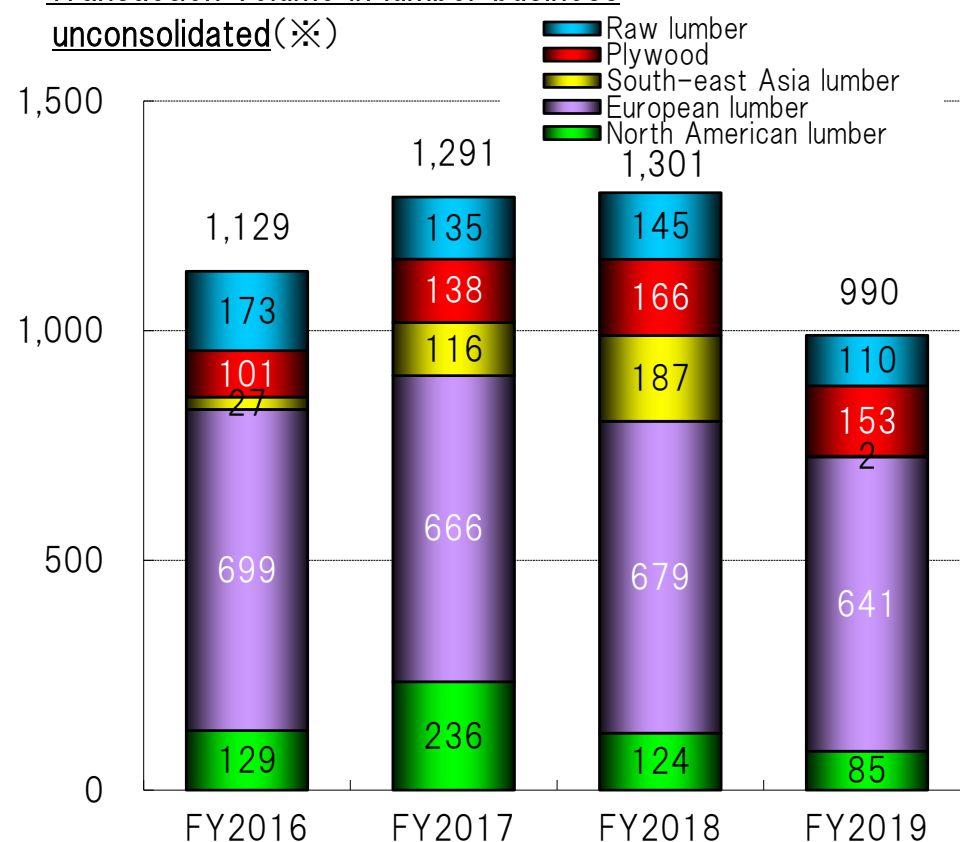
	Fiscal Year (ended March 31)		
	FY2018	FY2019	Y on Y Rate
(billions of yen)			
Net Sales	82.5	85.0	+3%
Segment Income	0.9	1.4	+45%

- ▶ In lumber business, net sales and segment income increased due to increase in transaction volume to housing manufacturers.
- ▶ In machinery business, revenue from the construction of industrial machineries and leisure facilities contributed to earnings.

▶ Net sales

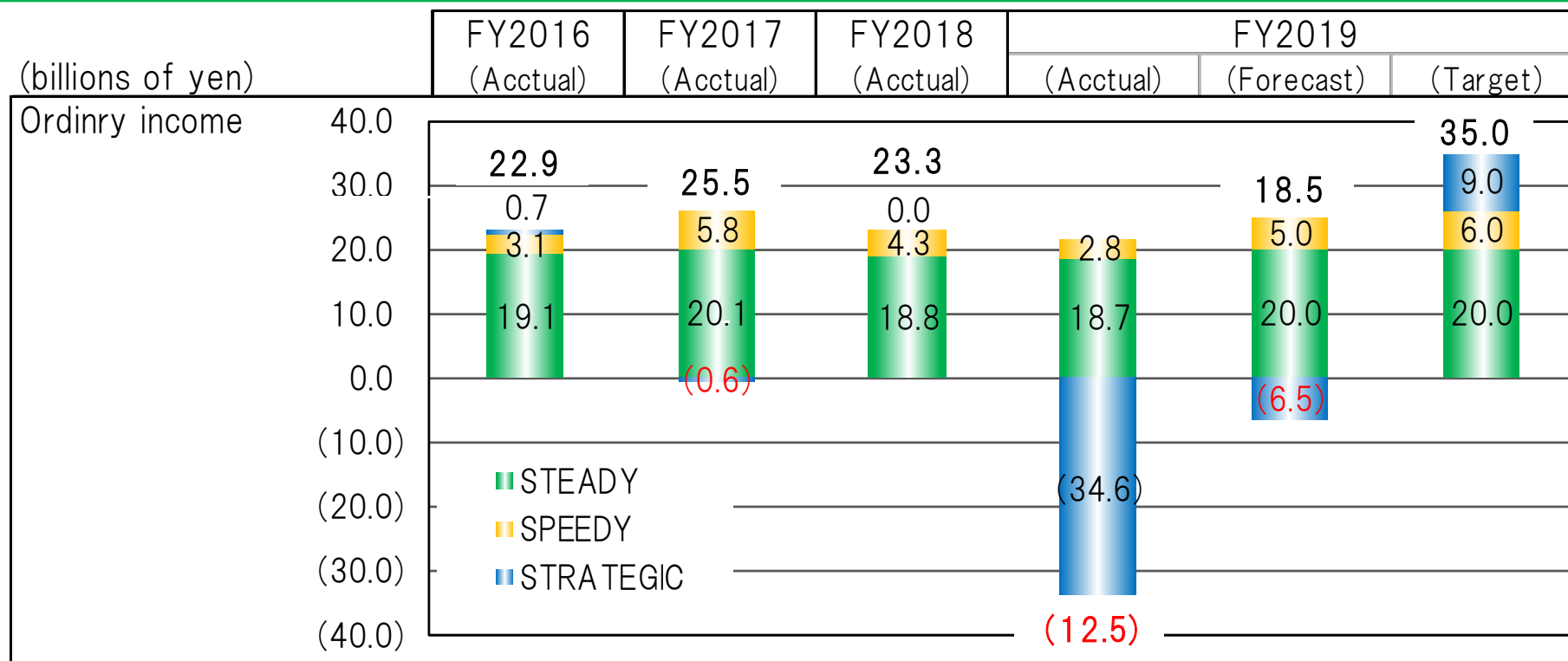


▶ Transaction volume in lumber business (thousand m³)



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

Progress of Medium-term Business Plan



▶STEADY(Ordinary income from HANWA after deducting dividend Income from subsidiaries)

Business performances were generally steady due to the shift to highly profitable products and Transactions.

▶SPEEDY(Ordinary income from consolidated subsidiaries & dividends from nonconsolidated subsidiaries)

Business were volatile due to fluctuations in local currencies and market conditions both in Japan and abroad..

▶STRATEGIC(Equity in earnings of affiliates from resource investees and dividends from strategic investments)

Business environment surrounding SAMANCOR had continued to be challenging, we were forced to write off impairment losses on SAMANCOR due to the downward revision of its profit outlook.

▶We take the above results seriously, in our next Medium-Term Business Plan (FY2020-2022), which begins in FY2020, based on existing business strategies such as SOKOKA strategy and Southeast Asian operations, we will prioritize the following measures.

- (1) Strengthening Financial Discipline and Improving Capital Efficiency
- (2) Strengthening Group management system
- (3) Sophistication and Diversification of human resources
- (4) Renewal of enterprise system and Improvement of effectiveness HKQC(Hanwa Knowledge Quality Control)
- (5) Promoting SDGs initiatives and Dialogue with Diverse Stakeholders

Transition of Quantitative indicators				
	FY2016	FY2017	FY2018	FY2019
ROE	10.1%	9.7%	7.4%	-7.8%
ROS	1.1%	1.0%	0.7%	-0.7%
Total assets turnover	2.3	2.3	2.3	2.2
Financial leverage	4.0	4.3	4.8	4.9
Total investment (billions of yen)	11.2	29.1	17.0	19.5
Net DER	136%	154%	161% *131%	161% *127%
New customers (number)	697	601	725	643

* 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 became negative due to net loss.
- ▶ Net DER has remained flat due to decrease of liabilities, while net asset has decreased.
- ▶ Progress rate of number of new customers is 98.7% of the target for all 4 years (FY2016–FY2019).

Profits of Group Companies

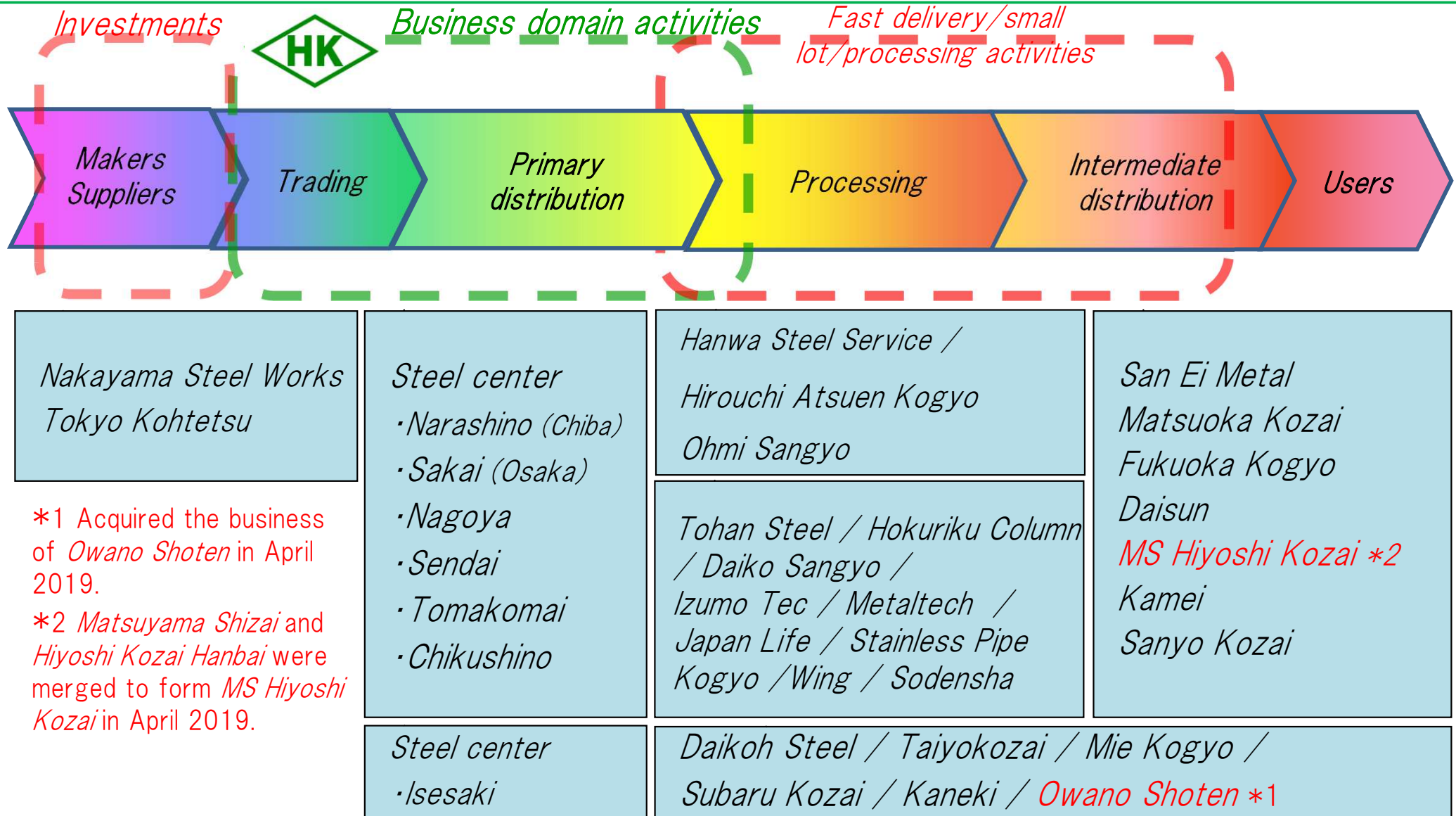
【Ordinary income trend of subsidiaries by business segment】

	Fiscal Year (ended March 31)					
	FY2018		FY2019		Y on Y Change	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
(billions of yen)						
Steel	3.0	(0.0)	1.4	0.1	(1.6)	0.2
Primary Metal	0.4	—	(0.2)	—	(0.5)	—
Metal Recycling	0.7	0.1	0.9	0.0	0.1	(0.1)
Foods	(0.3)	—	(0.5)	0.1	(0.2)	0.1
Petroleum & chemicals	0.5	0.1	1.1	0.1	0.6	0.0
Overseas sales subsidiaries	1.1	0.3	0.4	0.1	(0.6)	(0.2)
Others	0.3	0.3	0.2	0.3	(0.1)	0.0
Total	5.7	0.7	3.4	0.6	(2.2)	(0.1)

(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.)

- ▶ In Steel business, transaction volumes declined due to sluggish demand, and profit margins in mainly domestic subsidiaries also decreased due to decline in steel market price.
- ▶ In Petroleum & chemicals business, segment income increased mainly due to the expansion of profit margins of bunker fuel oil and biomass fuels such as PKS.
- ▶ In Overseas sales subsidiaries, segment income decreased mainly due to decline in transaction volumes in the US and ASEAN region and increase in local currency procurement costs due to increase in local transactions in Indonesia.

Progress with Japan Value Chain Extension Strategy



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

“Create another Hanwa in Southeast Asia” Strategy

【The major alliance partners】

Country	Distributor	Processor	Manufacturer
Thailand		HSS Thailand PCM Processing	Furukawa Unic Siam Hanwa
Indonesia	Kapurindo Sentana Baja	HSS Indonesia	<i>PT DEXIN STEEL INDONESIA</i> Araya Steel Tube Indonesia
Singapore	CosmoSteel Holdings HG Metal Manufacturing		JFE Meranti Myanmar
Vietnam	SMC Trading Ton Dong A Corp.	NST Saigon Coil Center <i>Hanwa SMC Steel Service</i> <i>HA NOI</i>	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.

Outline of strategic investment in metal resources

AFARAK

FeCr, SiMn
(Sales amount
80 kt / FY2019)



OM Holdings

FeSi, SiMn, MeMn
(Sales amount
460 kt / FY2019)



Bacanora Lithium

lithium carbonate
(2022 Production
commencement 35 kt / Year)



SAMANCOR

Cr Ore, FeCr
(FeCr Production
1,590kt / Year)



Tsingshan Holding

NPI & Stainless hot coil
(NPI 1.5 Mt / Year,
H/C3.0 Mt / Year)



WATERBERG JV

Platinum group metals
(2024 production
commencement)

QMB

*Nickel Cobalt compounds for
Rechargeable Batteries*
(2020 production
commencement) 4kt / Year)

- ▶ Although the market size is small, it is essential for industry, and it is targeted at metal resources that are not produced in China, region with the largest demand.

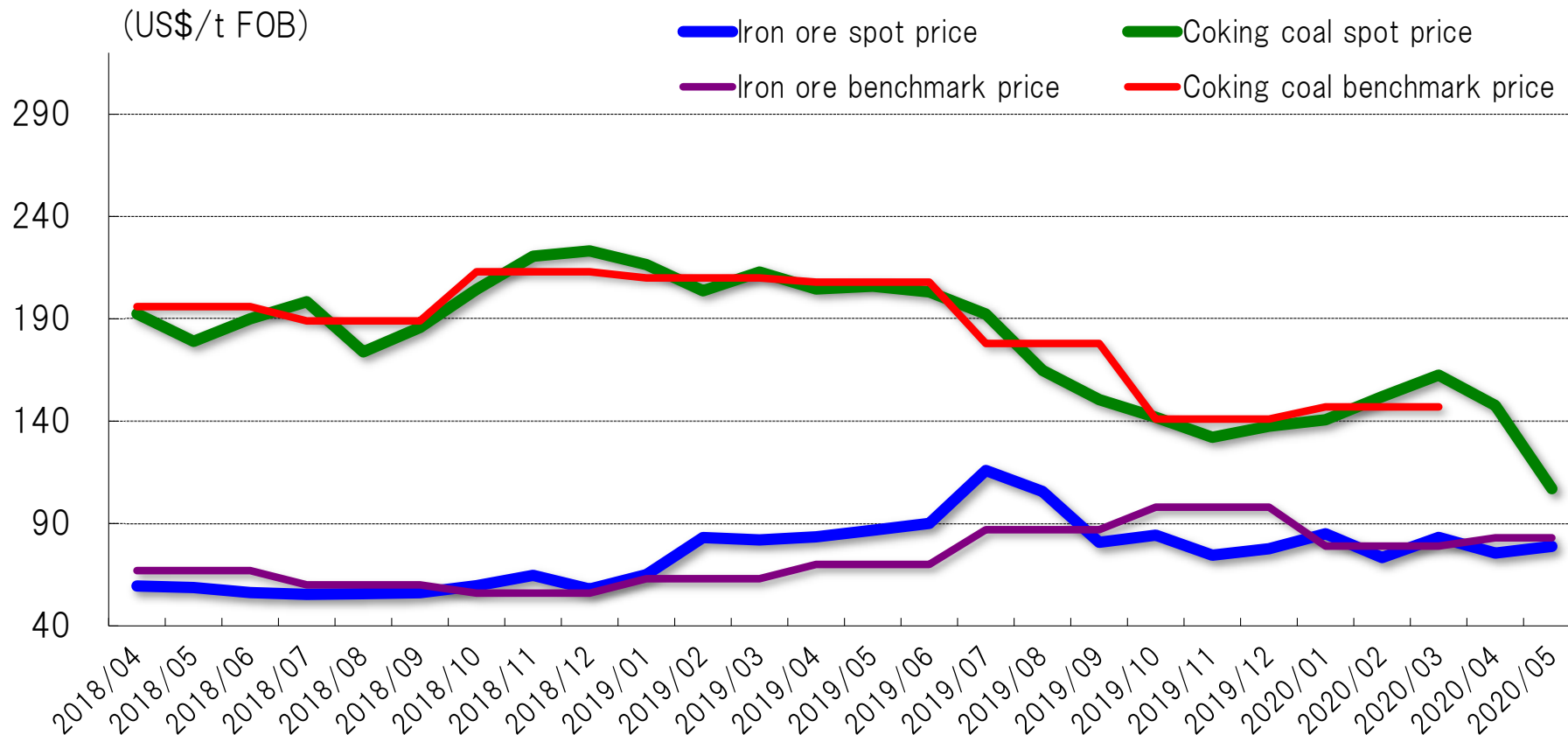
【Current investment records】

(billions of yen)	Amounts	Major investments
Steel	1.8	<ul style="list-style-type: none"> Acquired stocks of SMC HA NOI ONE MEMBER CO., LTD. Recapitalized to subsidiary
Primary metal / Metal Recycling	1.0	<ul style="list-style-type: none"> Invested in field of compound, production for rechargeable batteries
Food	0.7	<ul style="list-style-type: none"> Invested in processed seafood
Petroleum & chemicals	1.0	<ul style="list-style-type: none"> Invested in Biomass fuel business
Overseas sales subsidiaries	14.7	<ul style="list-style-type: none"> Acquired stocks of PT Dexin Steel Indonesia Recapitalized to subsidiary
Total	19.5	

- ▶ In FY2019 investments totaled about 19.5 billion yen to build a base for more earnings in future.
- ▶ We have recapitalized to prepare for the increase of transaction volume in Japan and overseas, and executed strategically regional investment with the concept of “Create another Hanwa in Southeast Asia”.

Appendix

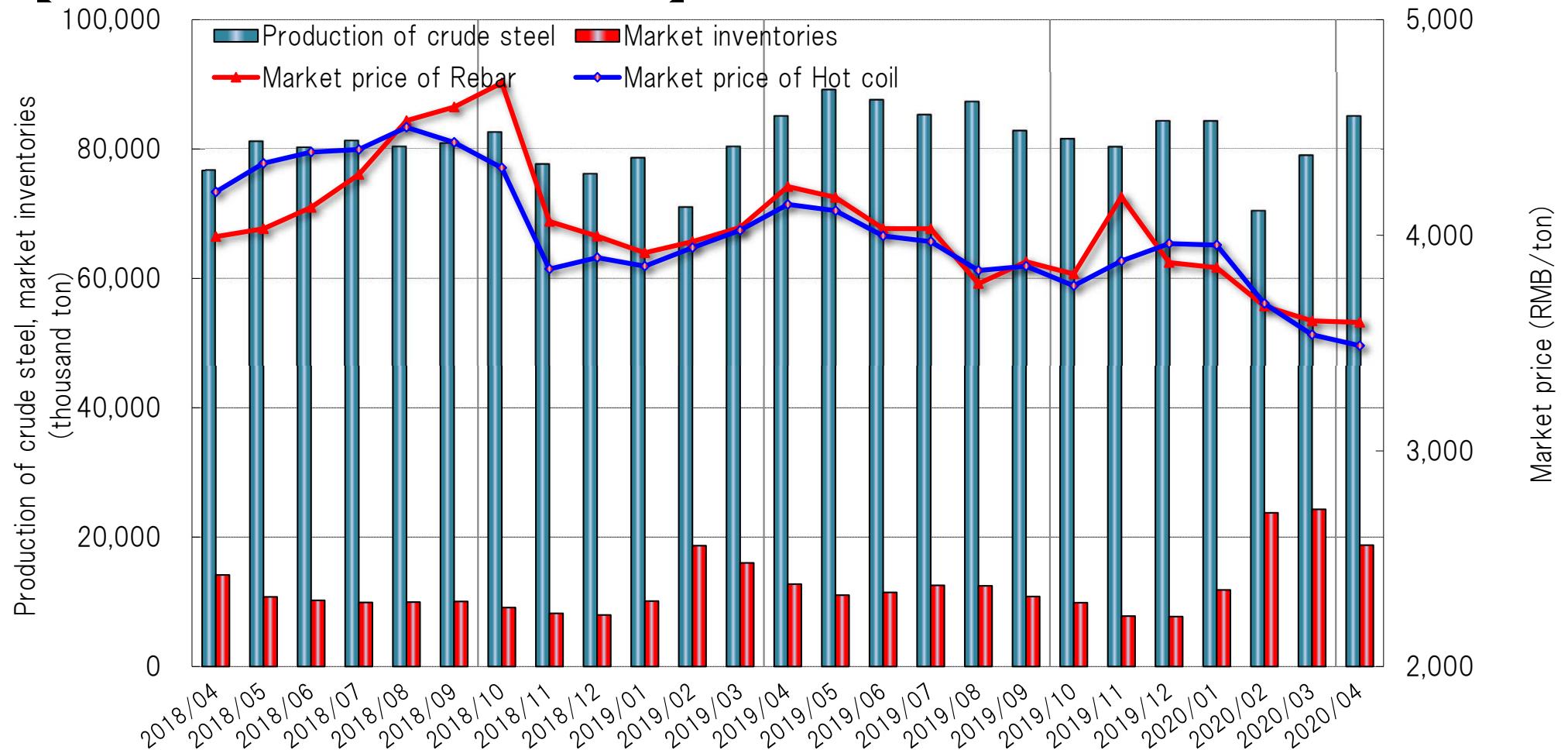
【Transaction of steel raw materials price】



- ▶Iron ore...The prices were on a weakening trend due to decline in demand in China, despite rising prices due to impacts of collapse of tailing dam in Brazil and damage caused by cyclone in Australia. At present, the prices have recovered due to the reversal of the steel market in China and the stagnation of logistics due to the spread of novel coronaviruses.
- ▶Coking coal...The prices remained low due to decline in demand in China and India. At present, the market has been declining remarkably due to reduction in production by blast furnace manufacturers caused by influence of the novel coronaviruses.

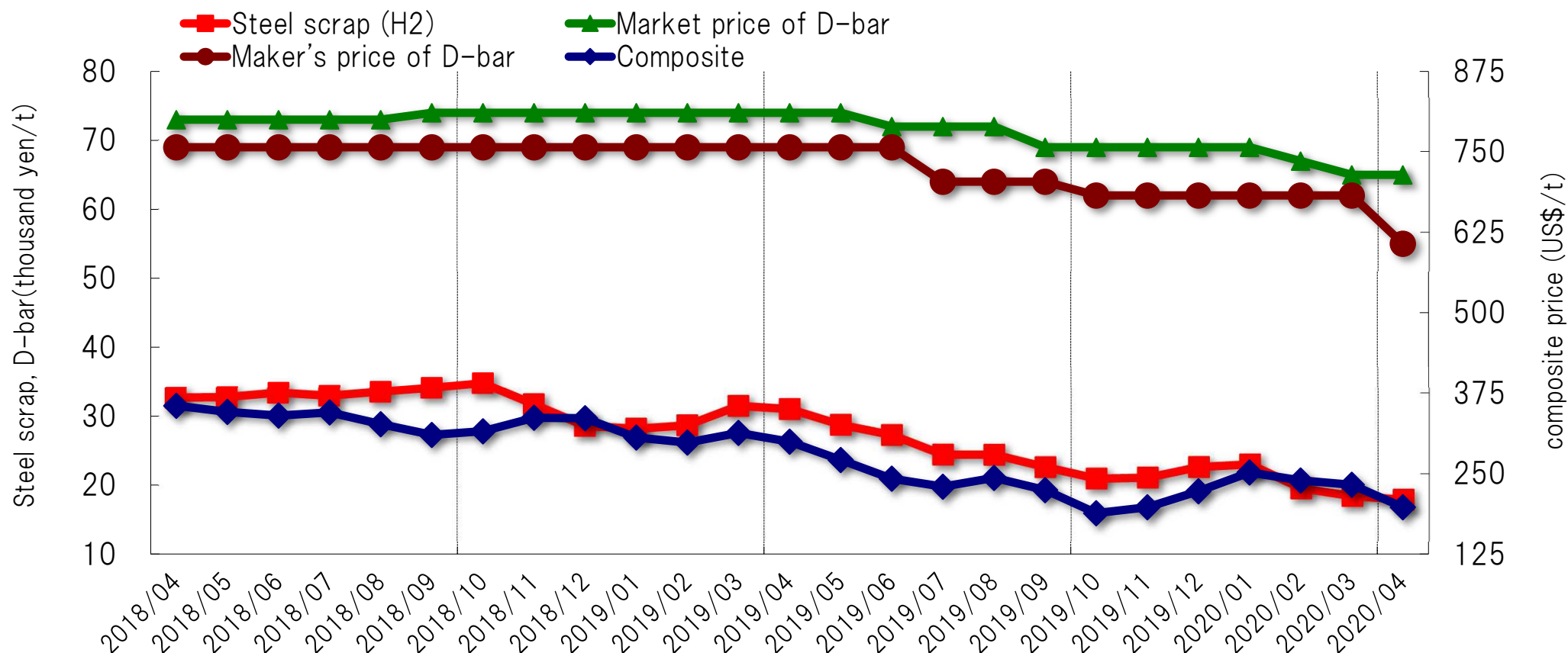
Steel Market Trend in China

【Transition of steel market in China】



- ▶Supply/Demand...Although steel manufacturers' operating rate remained high due to economic stimulus measures implemented by the government and local governments, inventories increased due to decline in demands following the spread of infectious diseases.
 - ▶Market prices...While steel markets had continued to be on moderate downward trend due to trade conflict with U.S., furthermore the prices declined significantly due to the influence of novel coronavirus. At present, there have been signs of a recovery in anticipation of economic stimulus measures..
- (Data source : The Japan Iron and Steel Federation))

【Steel scrap and D-bar Market Price】



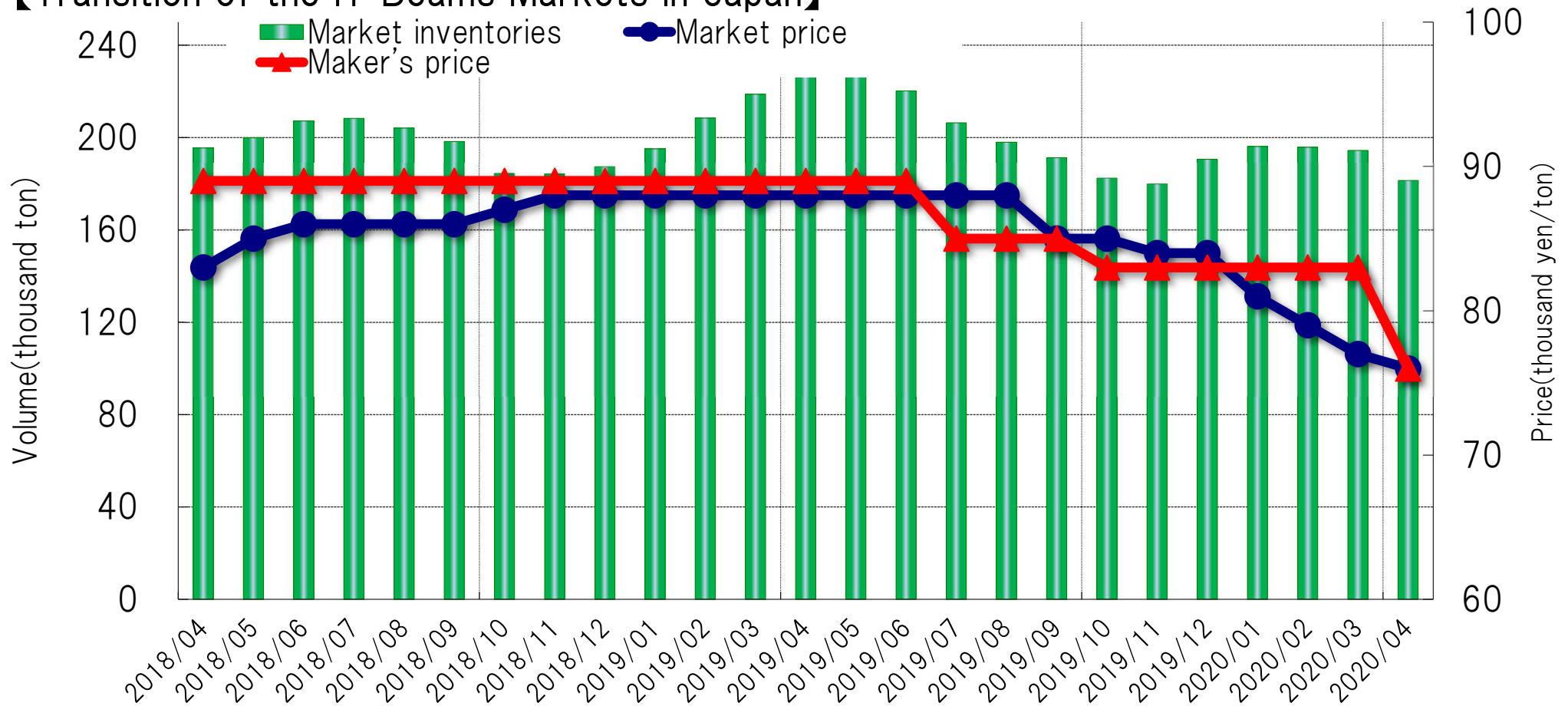
▶Supply/Demand...Supply and demand remained sluggish generally, as electric furnaces in Japan have not positively purchased and demand declined in China and Southeast Asia.

▶Market price...Market price continued to decline moderately in Japan and overseas, as price of electric furnaces' purchases continued to fall in Japan, and demand from Asia weakened.

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

Market Trend of Long Products

【Transition of the H-Beams Markets in Japan】

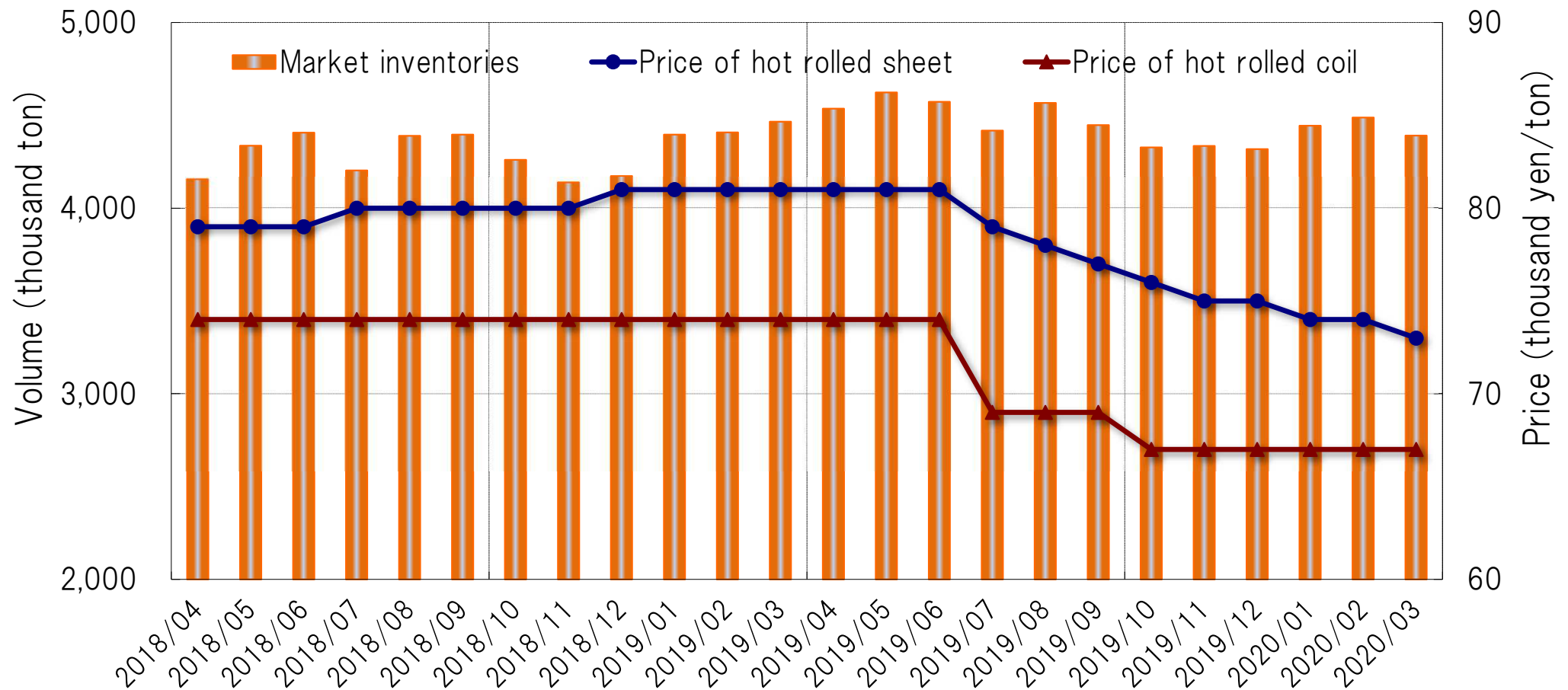


- ▶ Supply/Demand...Demand have been remained weak since Olympic construction was completed and concerns about decline in demand due to the spread of infectious diseases arose.
- ▶ Market price...Market prices fell sharply due to a downward trend caused by decline in demand and concerns about economic downturn caused by the spread of infectious diseases.

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

Market Trend of Flat Products

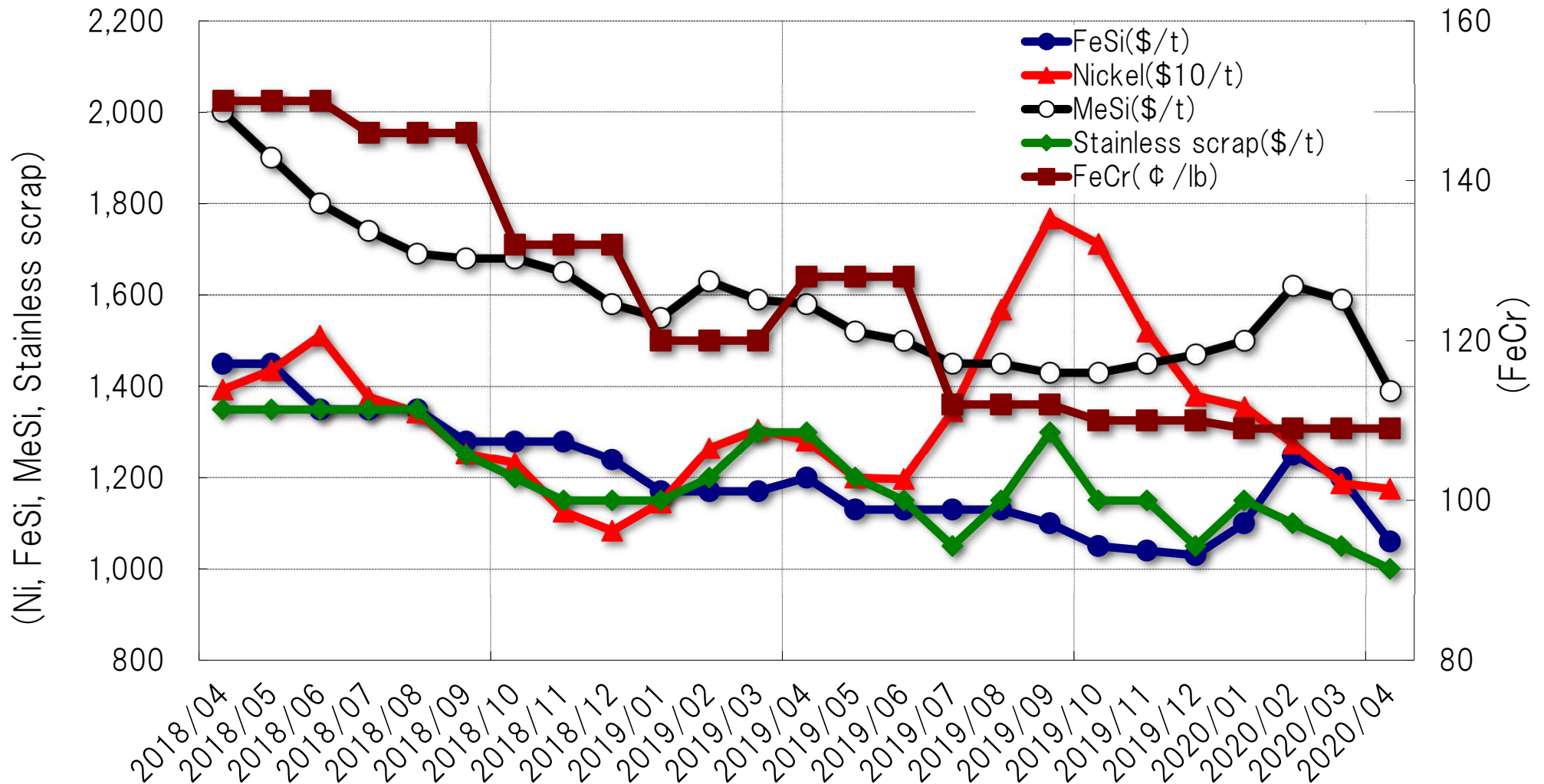
【Transition of Steel Sheets Markets in Japan】



- ▶Supply/Demand...Demand remained weak, as exports of steel declined due to the economic slowdown in China and other countries, and production activity in the manufacturing industry was weak.
- ▶Market price...Although blast furnace steel manufacturers have started to reduce production, market prices continue to decline due to weak demand in Japan and overseas.

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

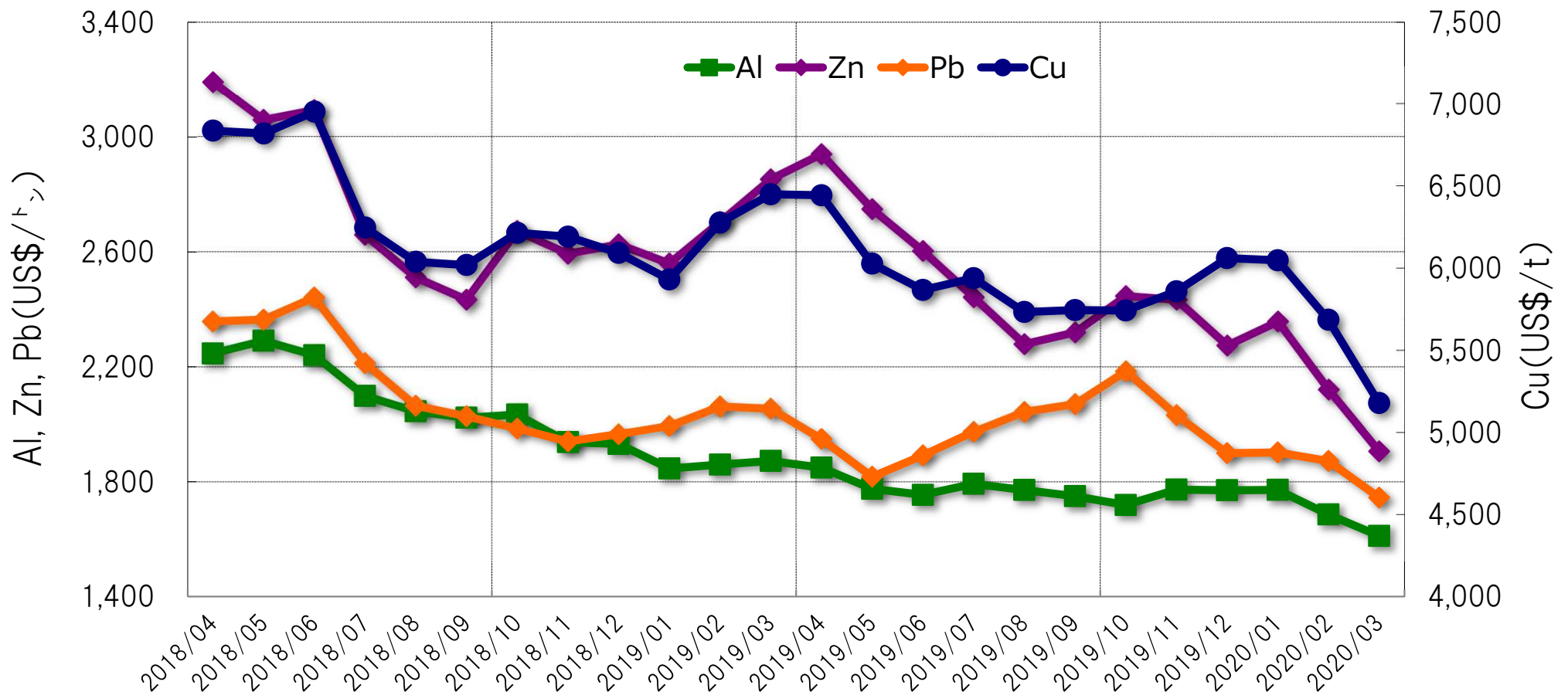
Market Trend of Metals & Alloys



►Nickel...Market prices rose temporarily, partly due to concerns over restrictions on export of ores from Indonesia and speculative purchases. However, the prices continued to decline due to concerns over the economic downturn in various countries and confusions of supply and demand caused by the spread of infectious diseases.

►Alloys...In addition to concerns about a slowdown in European and Chinese economies, stainless steel manufacturers continue to have excess supply, and the market prices are trending downward..

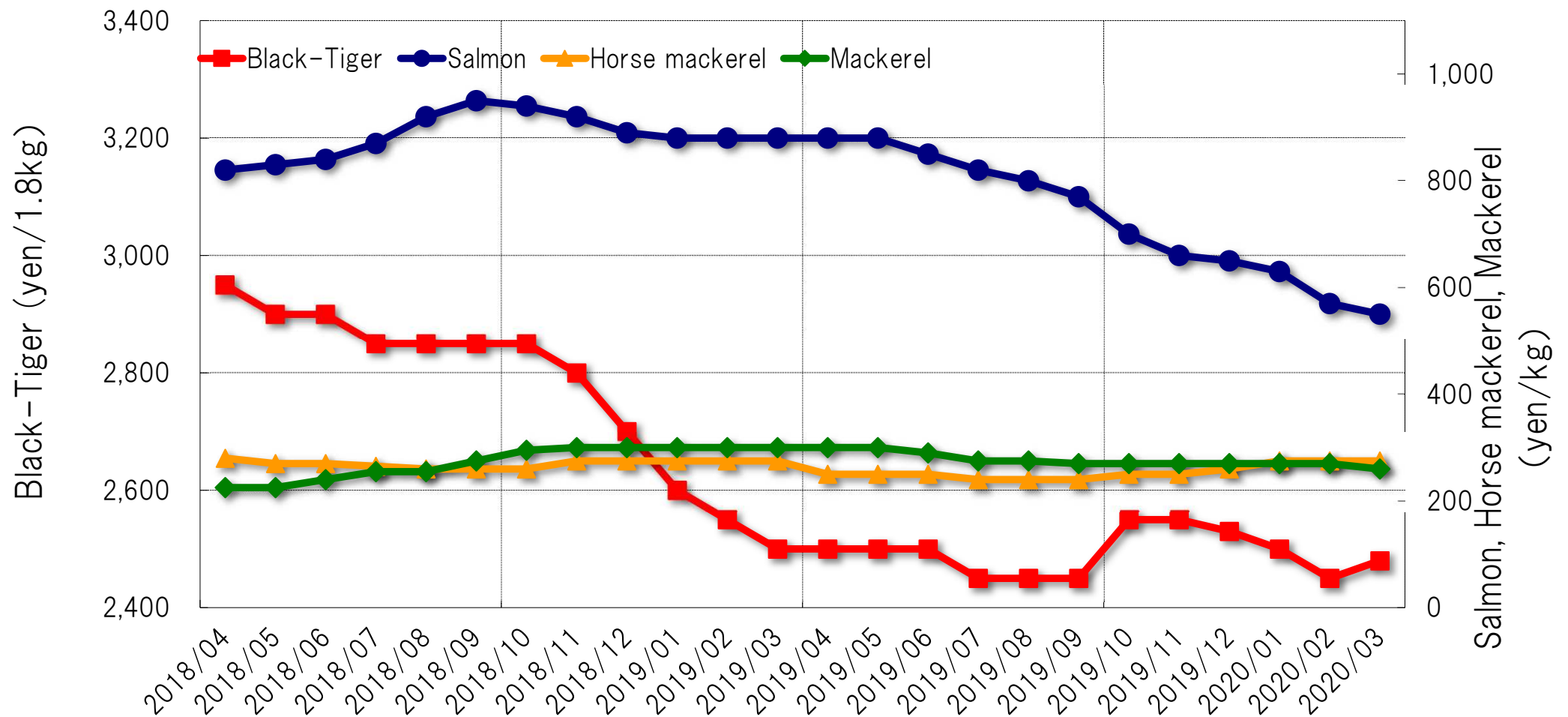
Market Trend of Non-ferrous Metals



▶Aluminum... In addition to trade friction between U.S. and China and concerns over economic slowdown in various countries, the spread of novel coronavirus caused downward trend in aluminum market.

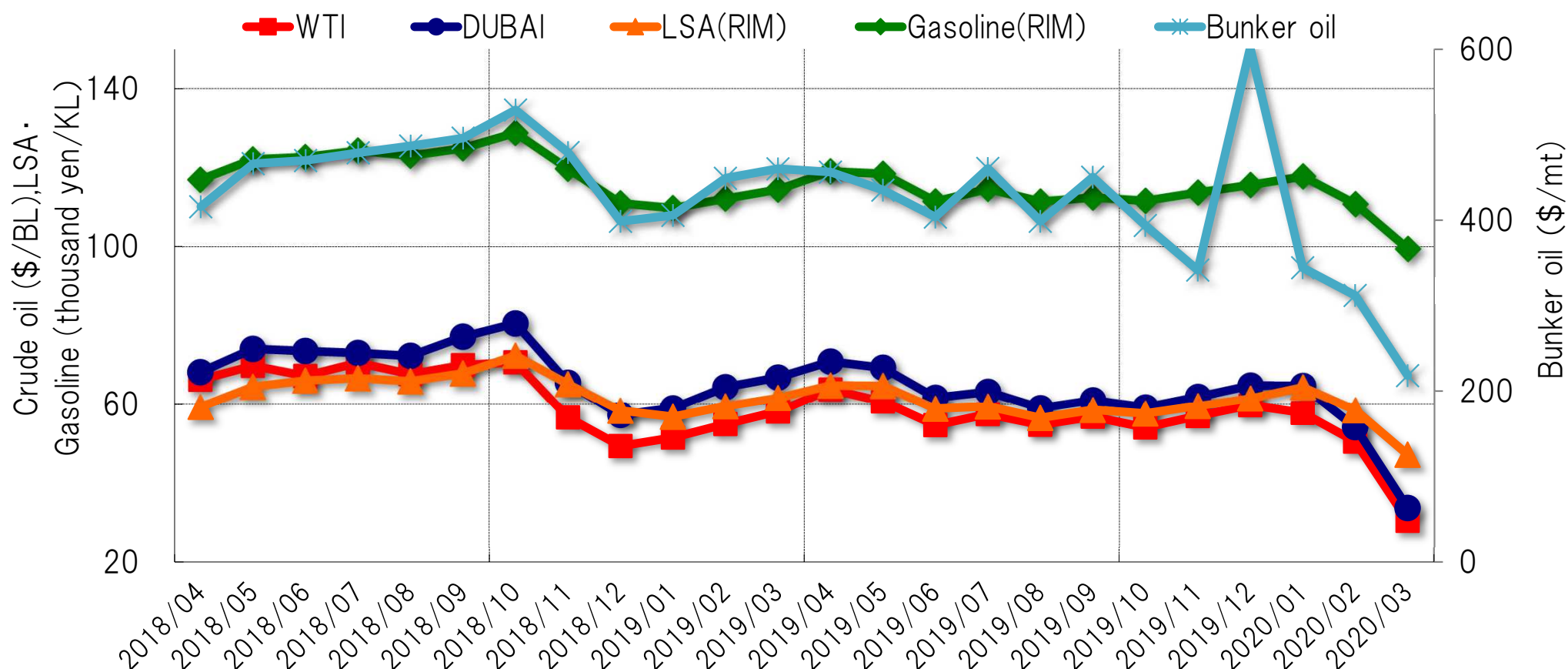
▶Copper... Although the market prices temporally had risen as the first-stage agreement was reached during the U.S. and China International Trade Consultation, the prices continue to decline due to concerns about the prospect of economic slowdown in various countries.

Market Trend of Frozen Marine Products



- ▶Salmon...The market price was generally on a downward trend due to excessive supply of Chilean Coho salmon and impact of the spread of infectious diseases.
- ▶Shrimp...The market price remained weakened due to decline in demand in U.S. and China and self-restraint in food service industry for the novel coronavirus outbreak's measure.

Market Trend of Crude Oil & Petroleum Products



▶Crude oil...Market prices have declined significantly recently, reflecting a decline in demand due to the trade frictions between U.S. and China, and concerns over breakdown of agreement on coordinated reduction of production by oil-producing countries and the infectious diseases.

▶Petroleum products...The market prices had been weaker than in previous fiscal year, but declined toward the end of the fiscal year due to the drop in crude oil prices. Banker oil prices rose sharply before the Sox regulation, and then declined again after expecting a decline in ship demand.