

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2015

HANWA Co., Ltd.

Outline of Financial Results for the 2nd Quarter of FY2015

- As for the interim result for this fiscal year, net sales have decreased by 9% in the same period of the previous year, hence reached to 788.2 billion yen, due to the decline in petroleum and steel product prices. Net profit was 6.0 billion yen, increased by 52%, mainly due to decrease in exchange loss and entry of extraordinary gain.
- Our annual dividend payout for this fiscal year has been predetermined at 16 yen, so that 8 yen will be paid as interim and year-end dividends is scheduled at 8 yen.

| Operating Results | 1Q-2Q of FY2015 | 1Q-2Q of FY2014 | Year-on-year | | Main Factors |
|--|--------------------|--------------------|---------------|-------------|--|
| | | | Change | rate | |
| Net sales | 788.2 | 861.1 | (72.9) | -9% | (Net sales) Net sales have decreased by 9% in the same period of the previous year. This was due to price downfall of petroleum products and sluggish market of steel products. |
| Gross profit | 27.4 | 27.3 | 0.1 | 0% | (SG&A expenses) SG & A expenses have increased by 5% compared with the same period of previous year and reached to 0.9 billion yen. 0.5 out of 0.9 billion yen was accounted for newly consolidated subsidiaries. |
| SG&A expenses | 19.2 | 18.3 | 0.9 | 5% | Our personnel expenses have increased 0.6 billion yen, including 0.3 billion yen from newly consolidated subsidiaries. Bad debts were insignificant, but expenses of overseas subsidiaries were pushed up by weaker yen. |
| Operating income | 8.1 | 9.0 | (0.9) | -9% | (Non-operating income/expenses) Non-operating income has increased by 80% from the same period of the previous year, due to reversal entry of allowances for doubtful account thanks to decline in the bad debt ratio. Even with the reduced exchange losses, non-operating expenses have increased by 3%, mainly due to the entry of equity in losses of our new affiliate, CosmoSteel Holdings Limited. |
| Non-operating income | 2.3 | 1.3 | 1.0 | 80% | (Extraordinary gain/loss) Gain on negative goodwill and disposal of fixed assets / securities were included in extraordinary income. On the other hand, impairment losses on affiliates were recorded. |
| Non-operating expenses | 3.5 | 3.4 | 0.1 | 3% | |
| Ordinary income | 6.9 | 6.8 | 0.1 | 1% | |
| Extraordinary gain | 21.0 | — | 21.0 | — | |
| Extraordinary loss | 2.0 | — | 2.0 | — | |
| Income before income taxes and others | 8.8 | 6.8 | 2.0 | 29% | |
| Income taxes | 2.8 | 2.9 | (0.0) | -2% | |
| Net income | 6.0 | 4.0 | 2.0 | 51% | |
| Owners of the Company(loss) | 6.0 | 3.9 | 2.1 | 52% | |
| Minority interests(loss) | 0.0 | 0.0 | (0.0) | -96% | |
| EPS (yen) | 29.22 | 19.21 | 10.01 | 52% | |
| Comprehensive income | 1.3 | 7.3 | (6.0) | -81% | |

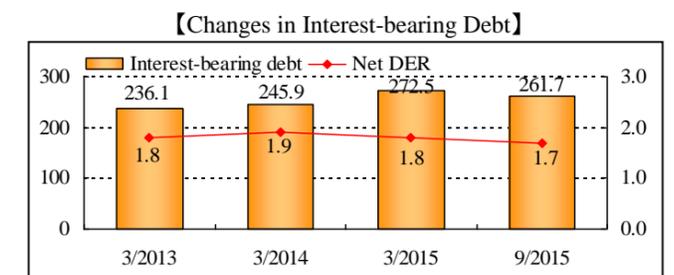
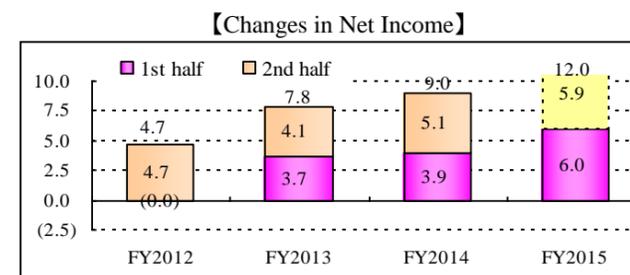
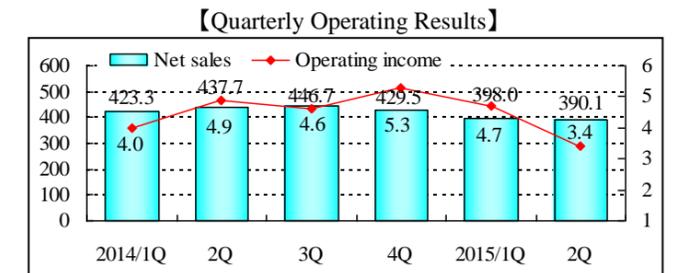
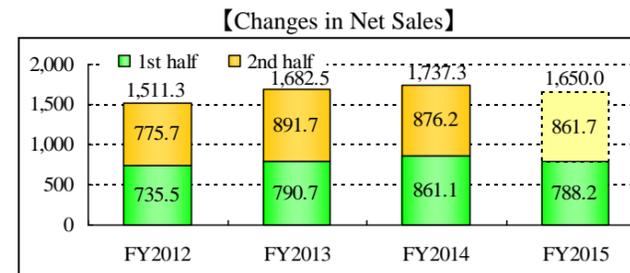
| Segment Information | Net sales | | | Segment income | | | Main Factors |
|-------------------------------|--------------------|--------------------|------------|--------------------|--------------------|-----------|--|
| | 1Q-2Q of FY2015 | 1Q-2Q of FY2014 | rate | 1Q-2Q of FY2015 | 1Q-2Q of FY2014 | rate | |
| Steel | 406.3 | 423.6 | -4% | 6.3 | 6.8 | -7% | (Steel business) Decline in export in manufacturing and sluggish sales in construction due to labour shortage were the blames for stagnant movement and slump in iron-making raw material added the pressure on the market. Also, equity in loss of affiliate was recorded. |
| Metals & alloys | 73.9 | 65.4 | 13% | 1.3 | Δ0.0 | — | (Metals & alloys business) Sales for nickel alloy and compounds have increased. Reduction of foreign exchange loss on a higher yen has contributed to the increase of profit, even with smaller margin from nickel scrap sales. |
| Non-ferrous metals | 45.2 | 41.5 | 9% | 0.5 | 0.1 | 194% | (Non-ferrous metals business) New affiliate, SEIKI Co., Ltd has contributed to the increase of sales. Also, growth of copper and lead scrap sales as well as reduction of foreign exchange loss on a strong yen pushed up the profit. |
| Foods | 47.7 | 43.9 | 9% | Δ0.1 | 0.5 | — | (Foods business) Domestic demand has been sluggish. New affiliate, Seattle Shrimp & Seafood Co., Inc., could not contribute to this segment, as seafood market in the US plummeted. |
| Petroleum & chemicals | 150.0 | 231.1 | -35% | 1.0 | 1.2 | -16% | (Petroleum & chemicals business) Besides weak petroleum products market as a result of a decline in the price of crude oil, floundering demand for industries and bunker fuel pushed down profitability further. |
| Total for reportable segments | 723.2 | 805.8 | -10% | 9.0 | 8.7 | 3% | |
| Other | 129.2 | 115.9 | 11% | 0.5 | 0.3 | 46% | |
| Total | 852.5 | 921.7 | -8% | 9.5 | 9.1 | 5% | |
| Adjustment | (64.3) | (60.6) | -6% | (2.5) | (2.2) | -14% | |
| Consolidated | 788.2 | 861.1 | -9% | 6.9 | 6.8 | 1% | |

- Topics**
- Apr. Acquired the steel distributor, Fukuoka Kogyo Co., Ltd., by our subsidiary.
 - Apr. Acquired the steel distributor and processor of deformed bars, Daiko Sangyo Co., Ltd., by our subsidiary.
 - Jul. Acquired the steel distributor, Daisun Co., Ltd., by our consolidated subsidiary.
 - Sep. Acquired minority shares of the processor of punching metals, Metaltech Co., Ltd.

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

| Financial Position | Sep. 2015 | Mar. 2015 | Comparison with Mar. 2015 | | Main Factors |
|---------------------------------------|--------------|--------------|---------------------------|------------|--|
| | | | Change | rate | |
| Total assets | 632.7 | 651.4 | (18.7) | -3% | (Total Assets) Total assets have decreased by 3% from the end of the previous year. Decrease of trade receivables and inventories correlated with decrease of sales. |
| (Current assets) | 484.5 | 510.3 | (25.8) | -5% | Inventories 119.3 billion yen (-10% from the end of the previous period) |
| (Fixed assets) | 148.2 | 141.0 | 7.2 | 5% | (Liabilities) Total liabilities have decreased by 4% from the end of the previous year, due to the decrease in trade payables and commercial paper. As interest-bearing debt has decreased by 4%, net debt-equity ratio was turned into 167.5%. |
| Total liabilities | 490.1 | 508.7 | (18.6) | -4% | (Net assets) Despite increase of accumulated earnings from quarterly net income, total net assets have slightly decreased from the end of the previous year, due to the decreased carryover of hedge gains and net unrealized holding gains on securities. Shareholders' equity ratio was 22.3%, which is a 0.6 percentage points higher than the end of the previous year. |
| (Interest-bearing debt) | 261.7 | 272.5 | (10.8) | -4% | |
| (Net interest-bearing debt) | 236.6 | 248.0 | (11.4) | -5% | |
| Net DER | 167.5% | 175.4% | -7.9pt | — | |
| Total net assets | 142.6 | 142.7 | (0.1) | -0% | |
| (Equity capital) | 131.2 | 126.3 | 4.9 | 4% | |
| (Valuation & translation adjustments) | 10.0 | 15.0 | (5.0) | -34% | |
| (Minority interests) | 1.3 | 1.3 | 0.0 | 2% | |
| BPS (yen) | 681.84 | 682.46 | (0.62) | -0% | |
| Shareholders' equity | 141.2 | 141.4 | (0.2) | -0% | |
| Shareholders' equity ratio | 22.3% | 21.7% | 0.6pt | — | |

| Cash Flow | 1Q-2Q of FY2015 | 1Q-2Q of FY2014 | Year-on-year | | Main Factors |
|--|--------------------|--------------------|--------------|------|---|
| | | | Change | rate | |
| Cash flows from operating activities | 29.3 | (24.6) | 53.9 | — | (Operating cash flows) 29.3 billion yen Collection of working capital progressed due to decrease in net sales. |
| Cash flows from investing activities | (12.3) | (2.0) | (10.3) | 509% | (Investment cash flows) (12.3) billion yen Due to completion of Osaka Head Office and execution of long-term loan. |
| Cash flows from financing activities | (17.7) | 31.9 | (49.6) | — | (Financial cash flows) (17.7) billion yen Due to decrease of short term loans and commercial paper. |
| Cash and cash equivalents at end of period | 24.6 | 21.5 | 3.1 | 14% | |



| Forecast (Annual) | FY2015 | FY2014 | change | Cash Dividends | FY2014 | FY2015 | FY2015 (estimated) |
|---|--------|--------|--------|-----------------------|--------|--------|--------------------|
| | | | | | | | |
| Operating income | 20.0 | 19.1 | 5% | Year-end (yen) | 7.50 | — | 8.00 |
| Ordinary income | 18.0 | 14.2 | 26% | Annual (yen) | 15.00 | — | 16.00 |
| Net income attributable to owners of parent | 12.0 | 9.0 | 32% | Dividend payout ratio | 34% | — | 28% |