

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2016

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2016

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 715.6 billion yen, due to decline in petroleum and steel product prices compared with the same period of previous year. Net profit was 6.2 billion yen, increased by 3%. Loss on investment in affiliates and amortization of consolidation negative goodwill decreased.

Our annual dividend payout for this fiscal year has been predetermined at 18 yen, so that 9 yen will be paid as interim and year-end dividends is scheduled at 9 yen.

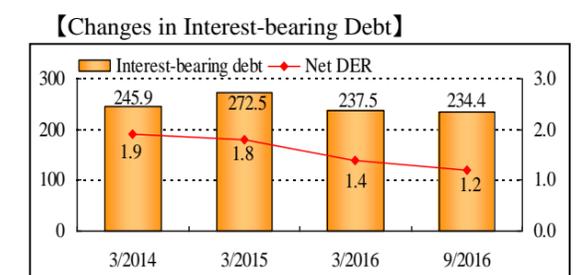
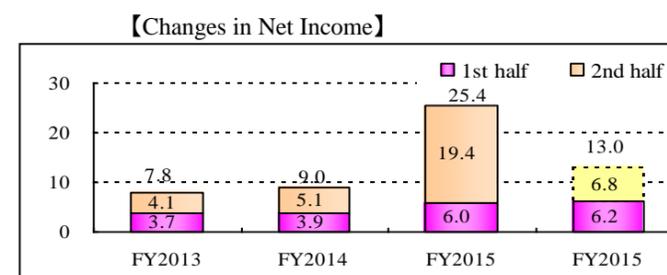
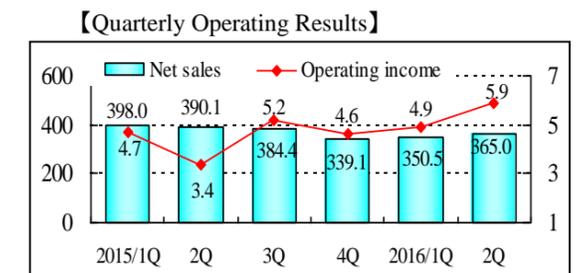
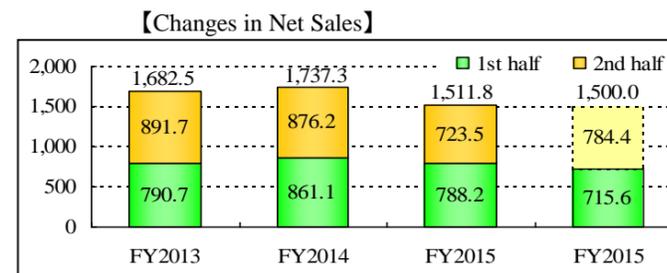
Operating Results	1Q-2Q of FY2016	1Q-2Q of FY2015	Year-on-year		Main Factors
			Change	rate	
Net sales	715.6	788.2	(72.6)	-9%	(Net sales) Net sales have decreased by 9% in the same period of the previous year. This was due to price downfall of petroleum products and steel products in the previous year.
Gross profit	30.7	27.4	3.3	12%	
SG&A expenses	19.8	19.2	0.6	3%	(SG&A expenses) SG & A expenses have increased by 3% compared with the same period of previous year and reached to 0.6 billion yen. 0.5 out of 0.6 billion yen was accounted for newly consolidated subsidiaries.
Operating income	10.9	8.1	2.8	34%	Our personnel expenses have increased 0.5 billion yen, including 0.3 billion yen from newly consolidated subsidiaries.
Non-operating income	1.7	2.3	(0.6)	-23%	
Non-operating expenses	2.8	3.5	(0.7)	-21%	
Ordinary income	9.9	6.9	3.0	43%	
Extraordinary gain	1.0	21.0	(20.0)	-94%	
Extraordinary loss	2.0	2.0	0.0	5%	(Non-operating income/expenses) Non-operating income has decreased by 23% from the same period of the previous year, mainly due to decline in reversal of allowance for doubtful accounts. Even with the increased exchange losses, non-operating expenses have decreased by 21%, mainly due to decrease in equity in losses of affiliates.
Income before income taxes and others	9.8	8.8	1.0	11%	
Income taxes	3.6	2.8	0.8	29%	
Net income	6.2	6.0	0.2	3%	(Extraordinary gain/loss) Gain on disposal of securities was recorded in extraordinary income. On the other hand, loss on liquidation of underperforming business in subsidiaries was recorded.
Owners of the Company(loss)	6.2	6.0	0.2	3%	
Minority interests(loss)	0.0	0.0	0.0	—	
EPS (yen)	30.28	29.22	1.06	4%	
Comprehensive income	4.1	1.3	2.8	197%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2016	1Q-2Q of FY2015	rate	1Q-2Q of FY2016	1Q-2Q of FY2015	rate	
Steel	371.0	406.3	-9%	8.5	6.3	35%	(Steel business) Despite the maintained sales volume, net sales decreased due to low price range. Segment income increased in profitable construction works and decline in loss on investment in affiliates.
Metals & alloys	61.7	73.9	-17%	(0.1)	1.3	—	(Metals & alloys business) Net sales decreased due to low price range and decrease in scrap sales. Strong yen, increase in collection costs and stock disposal at subsidiary has impacted to the decrease of profit.
Non-ferrous metals	37.1	45.2	-18%	0.5	0.5	0%	(Non-ferrous metals business) Due to weakness of commodity markets and demand, net sales decreased.
Foods	44.7	47.7	-6%	1.0	Δ0.1	—	Segment income was maintained at the same level due to expand sales of e-scrap and improvement of profitability in Seiki Metal Co., Ltd.
Petroleum & chemicals	125.0	150.0	-17%	0.9	1.0	-7%	(Foods business) Net sales decreased due to weakness of overseas and domestic demand.
Overseas sales subsidiaries	82.6	100.0	-17%	0.0	(0.0)	—	Margin improvement by market recovery and improvement of profitability in Seattle Shrimp & Seafood Co., Inc., contributed to this segment income.
Total for reportable segments	722.3	823.3	-12%	10.8	8.9	22%	(Petroleum & chemicals business) Decline in the price of petroleum products and decrease in demand for bunker fuel pushed down net sales. However, segment income decreased slightly, thanks to improvement of profitability in imported sundry goods because of a decline in raw material prices and strong yen.
Other	39.6	29.1	36%	0.9	0.5	71%	(Overseas sales subsidiaries) Net sales decreased because of decreased sales of bunker fuel in Singapore and weak revenue of steel business in US. New consolidated subsidiary, PT Hanwa Indonesia has contributed to segment income.
Total	761.9	852.5	-11%	11.8	9.5	25%	
Adjustment	(46.3)	(64.3)	28%	(1.9)	(2.5)	24%	
Consolidated	715.6	788.2	-9%	9.9	6.9	43%	

Topics	Content
Apr.	Acquired the steel distributor, Matsuyama Materials Co., Ltd.
May.	Released the 8th Medium-term Business Plan.
Sep.	Acquired the stainless steel pipe manufacturer, Stainless Pipe Kogyo Co., Ltd.

Financial Position	Sep. 2016	Mar. 2016	Comparison with Mar. 2016		Main Factors
			Change	rate	
Total assets	599.9	599.6	0.3	0%	(Total Assets) Total assets remained on the same level from the end of the previous year. While inventories decreased, cash and deposits increased.
(Current assets)	452.0	451.2	0.8	0%	Inventories 94.4 billion yen (-11% from the end of the previous period)
(Fixed assets)	147.8	148.4	(0.6)	-0%	(Liabilities) Total liabilities decreased slightly from the end of the previous year, due to the decrease in long-term loans payable. As interest-bearing debt has decreased by 1%, net debt-equity ratio was turned into 124.6%.
Total liabilities	443.2	443.5	(0.3)	-0%	(Net assets) Despite increase of accumulated earnings from quarterly net income, total net assets increased slightly from the end of the previous year, due to the increased treasury stock and the decreased foreign currency translation adjustments.
(Interest-bearing debt)	234.4	237.5	(3.1)	-1%	Shareholders' equity ratio was 25.9%, which is a 0.1 percentage points higher than the end of the previous year.
(Net interest-bearing debt)	193.8	210.4	(16.6)	-8%	
Net DER	124.6%	135.9%	-11.3pt	—	
Total net assets	156.6	156.1	0.5	0%	
(Equity capital)	151.3	148.8	2.5	2%	
(Valuation & translation adjustments)	4.1	6.0	(1.9)	-32%	
(Minority interests)	1.0	1.2	(0.2)	-15%	
BPS (yen)	765.42	747.40	18.02	2%	
Shareholders' equity	155.5	154.8	0.7	0%	
Shareholders' equity ratio	25.9%	25.8%	0.1pt	—	

Cash Flow	1Q-2Q of FY2016	1Q-2Q of FY2015	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	22.0	29.3	(7.3)	Δ25%	(Operating cash flows) 22.0 billion yen Due to decrease in inventories and increase in operating revenue.
Cash flows from investing activities	(1.3)	(12.3)	11.0	Δ89%	(Investment cash flows) (1.3) billion yen Due to purchase of investment securities and execution of long-term loan.
Cash flows from financing activities	(5.5)	(17.7)	12.2	Δ69%	(Financial cash flows) (5.5) billion yen Due to payback and payment for cash dividends.
Cash and cash equivalents at end of period	40.4	24.6	15.8	64%	



Forecast (Annual)	FY2016	FY2015		Cash Dividends	FY2015	FY2016	FY2016 (estimated)
			change				
Net sales	1,500.0	1,511.8	-1%	Interim (yen)	8.00	9.00	—
Operating income	21.0	18.1	16%	Year-end (yen)	10.00	—	9.00
Ordinary income	19.0	15.4	23%	Annual (yen)	18.00	—	18.00
Net income attributable to owners of parent	13.0	25.4	-49%	Dividend payout ratio	15%	—	28%