

Financial Results for the Second Quarter ended September 30, 2017

(Consolidated financial results have been prepared in accordance with accounting principles generally accepted in Japan)

November 10, 2017

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)
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The date of issue of audited financial statements: November 14, 2017 The date of payout of dividend: December 5, 2017
 (Rounded down to millions of yen)

1. Consolidated financial results for the second quarter ended September 30, 2017

(1) Consolidated operating results (% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the second quarter ended September 30, 2017	836,979	17.0	11,461	4.8	12,270	23.7	8,154	31.4
ended September 30, 2016	715,619	(9.2)	10,937	33.9	9,919	42.7	6,207	2.5

Note: Comprehensive income For the second quarter ended September 30, 2017 10,336 million yen 149.8 %
 For the second quarter ended September 30, 2016 4,137 million yen 197.0 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the second quarter ended September 30, 2017	200.66	—
ended September 30, 2016	151.42	—

* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, net income per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
September 30, 2017	764,653	193,493	23.3	4,387.83
March 31, 2017	694,232	171,637	24.5	4,193.50

Note: Shareholders' equity As of September 30, 2017 178,317 million yen
 As of March 31, 2017 170,422 million yen

* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, shareholders' equity per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

2. Cash dividends

(effective date)	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2017	—	9.00	—	10.00	19.00
Year ending March 31, 2018 (estimated)	—	10.00	—	50.00	—

* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, the impact of this share consolidation is taken into consideration in the amount presented for the fiscal year-end dividend per share for the year ending March 31, 2018 (estimated), and the amount for the total annual dividends per share for the same fiscal year is omitted and shown as a dash.

3. Forecast of consolidated financial results for fiscal year ending March 31, 2018 (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	
Annual	1,700,000	12.3	25,500	8.9	24,000	4.8	16,000	(2.2)	391.98	

* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, net income per share reflects the impact of the said share consolidation.

* The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to a number of risks and uncertainties that could cause actual results to differ materially from this information.

Financial Results for the Second Quarter ended September 30, 2017

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

Millions of yen

	March 31, 2017	September 30, 2017
Assets		
Current assets;		
Cash and deposits	28,465	33,641
Trade notes and accounts receivable	307,853	324,767
Electronically recorded monetary claims	30,742	32,506
Securities	486	306
Inventories	111,039	123,665
Others	59,519	43,974
Allowance for doubtful receivables	(334)	(346)
Total current assets	537,773	558,515
Fixed assets;		
Property and equipment;		
Land	29,640	31,973
Others	29,852	31,374
Total property and equipment	59,492	63,347
Intangible assets	2,034	3,006
Investments and other assets;		
Investment securities	72,524	103,604
Others	22,912	36,677
Allowance for doubtful receivables	(504)	(497)
Total investments and other assets	94,932	139,784
Total fixed assets	156,458	206,138
Total assets	694,232	764,653
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	191,989	205,865
Short-term loans payable	107,262	107,383
Commercial paper	5,000	—
Current portion of bonds payable	21	10,021
Income taxes payable	6,752	4,104
Accrued bonuses	2,306	2,426
Provision for product warranties	146	119
Provision for loss on business of subsidiaries and affiliates	512	—
Others	45,068	44,209
Total current liabilities	359,058	374,129
Long-term liabilities;		
Bonds payable	40,076	40,166
Long-term loans payable	106,232	138,090
Retirement benefits liabilities	4,518	4,533
Others	12,709	14,240
Total long-term liabilities	163,536	197,030
Total liabilities	522,595	571,160
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	117,778	123,875
Treasury stock	(3,720)	(3,722)
Total shareholders' equity	159,709	165,803
Accumulated other comprehensive income;		
Net unrealized holding gains on securities	12,580	14,381
Deferred hedge profit and loss	142	(113)
Land revaluation difference	2,966	2,966
Foreign currency translation adjustments	1,062	944
Remeasurements of defined benefit plans	(6,037)	(5,665)
Total accumulated other comprehensive income	10,713	12,513
Minority interests	1,214	15,176
Total net assets	171,637	193,493
Total liabilities and net assets	694,232	764,653

Financial Results for the Second Quarter ended September 30, 2017

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

Millions of yen

	Second quarter ended	Second quarter ended
Net sales	715,619	836,979
Cost of sales	684,823	803,393
Gross profit	30,795	33,585
Selling, general and administrative expenses	19,857	22,124
Operating income	10,937	11,461
Other income;		
Interest income	522	848
Dividend income	541	846
Revenue from investment in affiliates	—	149
Foreign exchange gain	—	457
Others	728	1,029
Total other income	1,792	3,331
Other expenses;		
Interest expenses	1,281	1,563
Loss on investment in affiliates	24	—
Foreign exchange loss	831	—
Others	672	958
Total other expenses	2,810	2,522
Ordinary income	9,919	12,270
Extraordinary income;		
Gain on sales of investment securities	126	—
Reversal of allowance for business loss of affiliates	—	512
Total extraordinary income	126	512
Extraordinary loss;		
Loss on liquidation of business	209	—
Total extraordinary loss	209	—
Income before income taxes	9,836	12,782
Income taxes	3,609	4,642
Net income	6,226	8,140
Net income attributable to		
Net income attributable to owners of the parent	6,207	8,154
Net income(loss) attributable to minority interests	19	(14)
Other Comprehensive Income;		
Net unrealized holding gains on securities	104	1,801
Deferred hedge profit and loss	13	(255)
Foreign currency translation adjustments	(2,318)	(407)
Remeasurements of defined benefit plans	389	372
Share of other comprehensive income of affiliates	(277)	686
Total other comprehensive Income	(2,089)	2,196
Comprehensive Income	4,137	10,336
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,297	9,954
Comprehensive income attributable to minority interests	(160)	381

Financial Results for the Second Quarter ended September 30, 2017

《Consolidated Statements of Cash Flows》

	(Rounded down to millions of yen)	
	<i>Millions of yen</i>	
	Second quarter ended September 30, 2016	Second quarter ended September 30, 2017
Cash flows from operating activities;		
Income before income taxes	9,836	12,782
Depreciation and amortization	2,001	1,996
Amortization of goodwill	115	199
Increase(decrease) in allowance for doubtful receivables	(19)	(9)
Interest and dividend income	(1,063)	(1,694)
Interest expense	1,281	1,563
Equity in earnings of affiliated companies (gain)	24	(149)
Gain on sales of investment securities of unconsolidated subsidiaries	(126)	—
Reversal of allowance for business loss of affiliates	—	(512)
Loss on liquidation of business	209	—
(Increase)decrease in trade receivables	(8,493)	(16,103)
(Increase)decrease in inventories	10,911	(12,030)
Increase(decrease) in trade notes and accounts payable	7,431	10,501
(Increase)decrease in deposits received	(9,732)	5,442
Increase(decrease) in advanced payment	5,031	(4,889)
Increase(decrease) in retirement benefits	472	483
Other, net	3,087	2,080
Sub total	20,967	(339)
Interest and dividends received	758	1,153
Interest paid	(1,224)	(1,531)
Income taxes paid	1,537	(6,556)
Net cash provided by (used in) operating activities	22,040	(7,274)
Cash flows from investing activities;		
Payment for time deposits	(106)	(1,822)
Proceeds from refund of time deposits	1,177	1,223
Payment for purchase of property and equipment	(1,191)	(2,105)
Proceeds from sale of property and equipment	79	113
Payment for purchase of investment securities	(1,718)	(30,475)
Proceeds from sale and redemption of investment securities	386	429
Net increase(decrease) from purchase of consolidated subsidiaries	—	289
(Increase)decrease in short – term loans receivable, net	182	12,912
Increase in long – term loans receivable	(1,545)	(14,111)
Collection of long-term loans receivable	1	62
Other, net	1,428	(55)
Net cash used in investing activities	(1,308)	(33,538)
Cash flows from financing activities;		
Increase(decrease) in short-term loans, net	(131)	8,733
Increase(decrease) in commercial paper, net	—	(5,000)
Proceeds from long-term debt	250	30,550
Repayments of long-term debt	(900)	(11,554)
Proceeds from issuance of bonds	—	9,950
Payment for redemption of bonds	(28)	(10)
Proceeds from stock issuance to minority shareholders	—	13,580
Purchase of treasury stock	(2,266)	(2)
Payment for cash dividends	(2,070)	(2,031)
Cash dividends paid to minority interest in consolidated subsidiaries	(29)	(28)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	(217)	—
Other, net	(109)	(40)
Net cash provided by (used in) financing activities	(5,503)	44,147
Effect of exchange rate changes on cash and cash equivalents	(1,417)	9
Net increase(decrease) in cash and cash equivalents	13,812	3,344
Cash and cash equivalents at beginning of year	25,804	27,206
Cash and cash equivalents from newly consolidated subsidiaries	791	1,144
Cash and cash equivalents at end of period	40,408	31,694

Financial Results for the Second Quarter ended September 30, 2017

《Segment information》

Business segment information

The Companies' operations are classified into five business segments as follows:

Steel: Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, and steelmaking raw materials

Metals and alloys: Nickel, chromium, stainless scrap and solar cell-related materials and products

Non-ferrous metals: Copper, aluminium, lead, zinc, tin, antimony and other metals

Foods: Frozen seafoods and meat products

Petroleum and chemicals : Petroleum products, chemical products, and cement

Overseas sales subsidiaries : Wholesale trade, general merchandise

Segment information by business category for the second quarter ended September 30, 2016 and 2017, is as follows:

(Rounded down to millions of yen)

Second quarter ended September 30, 2016

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	364,446	60,140	36,375	44,492	121,771	49,632	676,860	38,759	715,619	—	715,619
Inter-segment	6,593	1,586	764	233	3,302	33,003	45,483	874	46,357	(46,357)	—
Total	371,040	61,727	37,140	44,726	125,074	82,635	722,343	39,633	761,976	(46,357)	715,619
Segment income(loss)	8,597	(188)	517	1,009	938	19	10,893	983	11,876	(1,957)	9,919

Second quarter ended September 30, 2017

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	431,847	86,976	45,265	50,688	103,643	82,541	800,962	36,016	836,979	—	836,979
Inter-segment	5,390	1,929	681	232	2,668	28,317	39,220	954	40,174	(40,174)	—
Total	437,237	88,905	45,946	50,920	106,312	110,859	840,183	36,970	877,153	(40,174)	836,979
Segment income(loss)	10,419	1,481	475	854	673	217	14,122	411	14,534	(2,263)	12,270

Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
2. Adjustments for segment income include intersegment elimination and Group costs that have not been allocated to reportable segments. These group costs consist mainly of expenses of administrative departments.
3. Segment income or loss is adjusted between ordinary income on the consolidated statements of income and comprehensive income.

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2017

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2017

- As for the interim result for this fiscal year, net sales have increased by 17% in the same period of the previous year, hence reached to 836.9 billion yen, as the price of steel products and metal resources had higher than the same period of previous year's level. Net profit was 8.1 billion yen, increased by 31%, due to increase in operating income of metals/alloys business and foreign exchange loss in the same period of the previous year turned to foreign exchange gain.
- We pay 10 yen as interim dividend and plan to pay additional *50 yen as the end of this fiscal year dividend. (*:Display change of 10 yen forecast due to stock consolidation with 5 shares as 1 share on October 1.)

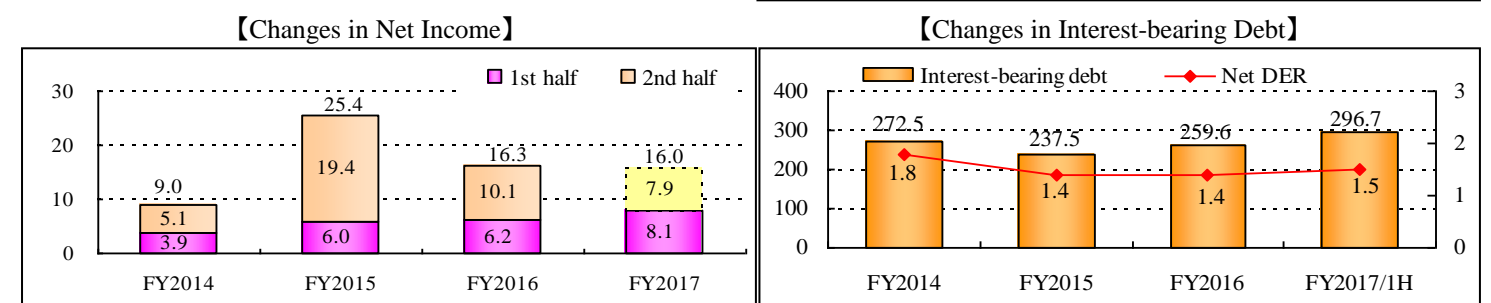
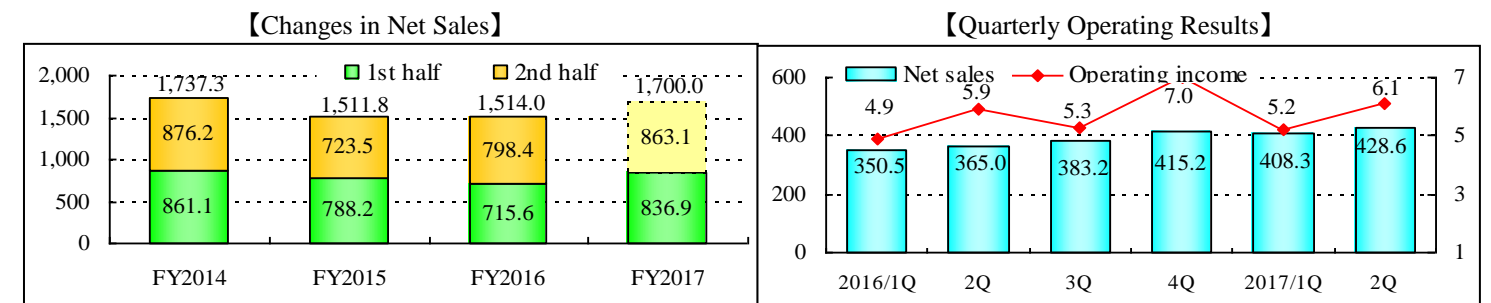
Operating Results	1Q-2Q of FY2017	1Q-2Q of FY2016	Year-on-year		Main Factors
			Change	rate	
Net sales	836.9	715.6	121.3	17%	(Net sales) Net sales have increased by 17% from the same period of the previous year. This was due to higher price level of steel products and metal resources than the same period of the previous year from recovery market prices from the second half of the previous fiscal year.
Gross profit	33.5	30.7	2.7	9%	(SG&A expenses) SG & A expenses have increased by 11% compared with the same period of previous year and reached to 2.2 billion yen. 0.7 out of 2.2 billion yen was accounted for newly consolidated subsidiaries.
SG&A expenses	22.1	19.8	2.2	11%	Our personnel expenses have increased 0.8 billion yen, including 0.3 billion yen from newly consolidated subsidiaries.
Operating income	11.4	10.9	0.5	5%	(Non-operating income/expenses) Non-operating income has increased by 86% from the same period of the previous year, mainly due to increase in interest income, dividend income and foreign exchange gain.
Non-operating income	3.3	1.7	1.5	86%	Even with the increased interest expenses due to increase bank loan, non-operating expenses have decreased by 10%, due to the reduced exchange losses.
Non-operating expenses	2.5	2.8	(0.2)	-10%	(Extraordinary gain/loss) Reversal of allowance in previous year was recorded in extraordinary income, because the loss on business of subsidiaries was less than expected.
Ordinary income	12.2	9.9	2.3	24%	
Extraordinary gain	5.0	1.0	3.0	305%	
Extraordinary loss	—	2.0	(2.0)	-100%	
Income before income taxes and others	12.7	9.8	2.9	30%	
Income taxes	4.6	3.6	1.0	29%	
Net income	8.1	6.2	1.9	31%	
Owners of the Company(loss)	8.1	6.2	1.9	31%	
Minority interests(loss)	(0.0)	0.0	(0.0)	—	
EPS (yen)	200.66	151.42	49.24	33%	
Comprehensive income	10.3	4.1	6.1	150%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2017	1Q-2Q of FY2016	rate	1Q-2Q of FY2017	1Q-2Q of FY2016	rate	
Steel	437.2	371.0	18%	10.4	8.5	21%	(Steel business) Steel demand remained steady without significant upsurge. Better market price resulted increased net sales and better margins in long term contracts pushed up the profit.
Metals & alloys	88.9	61.7	44%	1.4	Δ0.1	—	(Metals & alloys business) Net sales increased due to rising price level and sales expansion of stainless steel and ferro-alloy. Increase in profit on sale and recovery of Showa Metal's profit, which was a loss in the previous year, pushed up profit.
Non-ferrous metals	45.9	37.1	24%	0.4	0.5	-8%	(Non-ferrous metals business) Due to rise in international commodity markets and increase in copper sales amount, net sales increased. However, foreign exchange losses pushed down segment profit.
Foods	50.9	44.7	14%	0.8	1.0	-15%	(Foods business) Rising price and strong sales due to reduction of overseas catch and decrease in inventories increased net sales. Segment profit was down due to shrinking profit margin due to highed purchase costs.
Petroleum & chemicals	106.3	125.0	-15%	0.6	0.9	-28%	(Petroleum & chemicals business) Despite gently rising petroleum products price, net sales decreased due to reduction of intermarket resale transactions and supply-demand adjustment transactions. Segment income decreased, due to delay in pass-through of purchase cost increase and margin reduction of imported plastic products.
Overseas sales subsidiaries	110.8	82.6	34%	0.2	0.0	—	(Overseas sales subsidiaries) Net sales increased because of increased sales of bunker fuel in Singapore and metal scrap in Thailand, Singapore and US. Improvement of equity in earnings of affiliates from subsidiaries in North China contributed to segment income.
Total for reportable segments	840.1	722.3	16%	14.1	10.8	30%	
Other	36.9	39.6	-7%	0.4	0.9	-58%	
Total	877.1	761.9	15%	14.5	11.8	22%	
Adjustment	(40.1)	(46.3)	13%	(2.2)	(1.9)	-16%	
Consolidated	836.9	715.6	17%	12.2	9.9	24%	

- Topics**
- Apr. Acquired the steel distributor, Kamei Co., Ltd. and Sanyo Kouzai Co.,Ltd.
 - Apr. Acquired minority shares of the lithium carbonate producer, Bacanora Minerals Ltd.
 - May. Acquired additional stocks of the Chromite miner and Ferro-Chromium producer, Samancor Chrome Holdings

Financial Position	Sep. 2017	Mar. 2017	Comparison with Mar. 2017		Main Factors
			Change	rate	
Total assets	764.6	694.2	70.4	10%	(Total Assets) Total assets increased by 10% from the end of the previous year, due to increase in investment securities and trade receivables.
(Current assets)	558.5	537.7	20.7	4%	Inventories : 123.6 billion yen (+11% from the end of the previous period)
(Fixed assets)	206.1	156.4	49.6	32%	(Liabilities) Total liabilities increased by 9% from the end of the previous year, due to the increase in decrease in trade payables and long term loans. As interest-bearing debt increased by 14%, net debt-equity ratio was turned into 147%.
Total liabilities	571.1	522.5	48.5	9%	(Net assets) Total net assets increased by 13% from the end of the previous year, due to increase in minority interests of Japan South Africa Chrome Co., Ltd. and the carryover of retained earnings.
(Interest-bearing debt)	296.7	259.6	37.0	14%	Shareholders' equity ratio was 23.3%, which is a 1.2 percentage points lower than the end of the previous year.
(Net interest-bearing debt)	263.0	231.2	31.8	14%	
Net DER	147.5%	135.7%	11.9pt	—	
Total net assets	193.4	171.6	21.8	13%	
(Equity capital)	165.8	159.7	6.0	4%	
(Valuation & translation adjustments)	12.5	10.7	1.7	17%	
(Minority interests)	15.1	1.2	13.9	—	
BPS (yen)	4387.83	4193.50	194.33	5%	
Shareholders' equity	178.3	170.4	7.9	5%	
Shareholders' equity ratio	23.3%	24.5%	-1.2pt	—	

Cash Flow	1Q-2Q of FY2017	1Q-2Q of FY2016	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(7.2)	22.0	(29.3)	—	(Operating cash flows) Due to increase in capital requirement as a sales increase.
Cash flows from investing activities	(33.5)	(1.3)	(32.2)	—	(Investment cash flows) Due to purchase of investment securities and execution of long-term loan.
Cash flows from financing activities	44.1	(5.5)	49.6	—	(Financial cash flows) Due to increase in long term loans.
Cash and cash equivalents at end of period	31.6	40.4	(8.7)	-22%	



Forecast (Annual)	FY2017	FY2016	change	Cash Dividends	FY2016	FY2017	FY2017 (estimated)
Operating income	25.5	23.4	9%	Year-end (yen)	10.00	—	50.00
Ordinary income	24.0	22.9	5%	Annual (yen)	19.00	—	—
Net income attributable to owners of parent	16.0	16.3	-2%	Dividend payout ratio	24%	—	25%