

Highlights of Consolidated Financial Results for the 3rd Quarter of FY2017

HANWA Co., Ltd.

Outline of Financial Results for the 3rd Quarter of FY2017

- As for the 3rd quarter result for this fiscal year, net sales have increased by 19% in the same period of the previous year, hence reached to 1,306.5 billion yen, as market of steel products and metal resources being higher than the same period of previous year's level. Net profit was 11.7 billion yen, increased by 21%, due to increase in operating income of metals/alloys business and foreign exchange gain as opposed to the loss in the same period of the previous year.
- We paid 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-3Q of FY2017	1Q-3Q of FY2016	Year-on-year		Main Factors
			Change	rate	
Net sales	1,306.5	1,098.8	207.7	19%	(Net sales) Net sales have increased by 19% from the same period of the previous year. This was due to market recovery of steel products and metal resources from the second half of the previous fiscal year.
Gross profit	52.7	46.3	6.4	14%	
SG&A expenses	33.9	29.9	3.9	13%	(SG&A expenses) SG & A expenses have increased 3.9 billion yen from the same period of previous year. 1.5 out of 3.9 billion yen was accounted for newly consolidated subsidiaries.
Operating income	18.7	16.3	2.4	15%	Our personnel expenses have increased 1.5 billion yen, including 0.6 billion yen from newly consolidated subsidiaries.
Non-operating income	4.2	2.5	1.6	64%	(Non-operating income/expenses) Non-operating income has increased by 64% from the same period of the previous year, mainly due to increase in interest income, dividend income and foreign exchange gain.
Non-operating expenses	5.6	3.8	1.8	47%	Non-operating expenses have increased by 47%, due to increase in equity in losses of affiliates and interest expenses.
Ordinary income	17.3	15.0	2.3	15%	
Extraordinary gain	0.5	0.5	(0.0)	-2%	(Extraordinary gain/loss) Reversal of allowance in previous year was recorded in extraordinary income, because the expected loss from restructuring of subsidiary was less.
Extraordinary loss	0.1	0.3	(0.1)	-45%	For extraordinary losses, we recorded loss on valuation of investments of sale of subsidiary.
Income before income taxes and others	17.6	15.2	2.4	16%	
Income taxes	6.6	5.4	1.1	22%	
Net income	11.0	9.7	1.2	13%	
Owners of the Company(loss)	11.7	9.7	2.0	21%	
Minority interests(loss)	(0.6)	0.0	(0.7)	—	
EPS (yen)	289.14	237.74	51.40	22%	
Comprehensive income	15.4	12.6	2.8	23%	

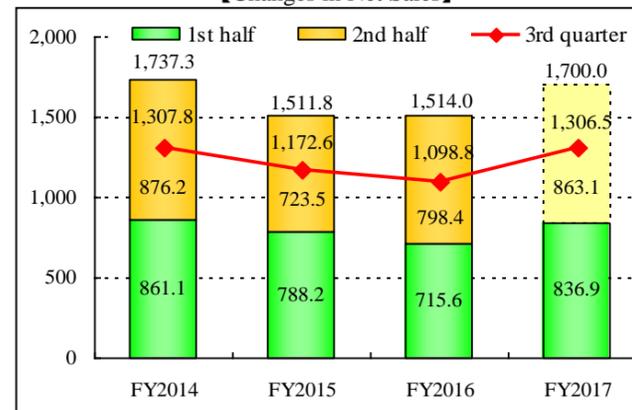
Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2017	1Q-3Q of FY2016	rate	1Q-3Q of FY2017	1Q-3Q of FY2016	rate	
Steel	672.1	566.7	19%	15.3	13.0	17%	(Steel business) Recovery trend of steel demand has been kept. Better market price resulted increased net sales due to high raw material prices and tightening supply/demand. Better margins in long term contracts pushed up the profit.
Metals & alloys	149.0	95.3	56%	1.2	Δ0.8	—	(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	71.5	57.0	26%	0.9	0.1	401%	(Non-ferrous metals business) Due to rise in international commodity markets and increase in copper sales amount, revenue increased. In addition, foreign exchange loss in the same period of the previous year turned to foreign exchange gain.
Foods	79.4	70.3	13%	1.2	2.3	-45%	(Foods business) Rising price and strong sales due to reduction of overseas catch and low inventories increased net sales. Segment profit margin was shrunken by higher purchase costs.
Petroleum & chemicals	173.2	194.7	-11%	1.4	1.8	-19%	(Petroleum & chemicals business) Despite slow gain on petroleum products price, net sales decreased due to reduction of spot transactions. Segment income decreased, due to delay in pass-through of purchase cost increase and margin reduction of imported plastic products.
Overseas sales subsidiaries	162.7	124.5	31%	0.6	(0.7)	—	(Overseas sales subsidiaries) Revenue increased because of increased sales of bunker fuel in Singapore, metal scrap in Thailand and Singapore, and steel products in Indonesia, China and US.
Total for reportable segments	1,308.2	1,108.7	18%	20.9	15.8	32%	
Other	57.2	56.0	2%	0.5	1.4	-65%	
Total	1,365.4	1,164.7	17%	21.4	17.2	24%	
Adjustment	(58.9)	(65.9)	-11%	(4.0)	(2.2)	-84%	
Consolidated	1,306.5	1,098.8	19%	17.3	15.0	15%	

Topics	Apr.	May.	Oct.
Acquired minority shares of the lithium carbonate producer, Bacanora Minerals Ltd.			
Acquired additional stocks of the Chromite miner and Ferro-Chromium producer, Samancor Chrome Holdings.			
Acquired the producer of metal hardware products for use in architectural and civil construction.			

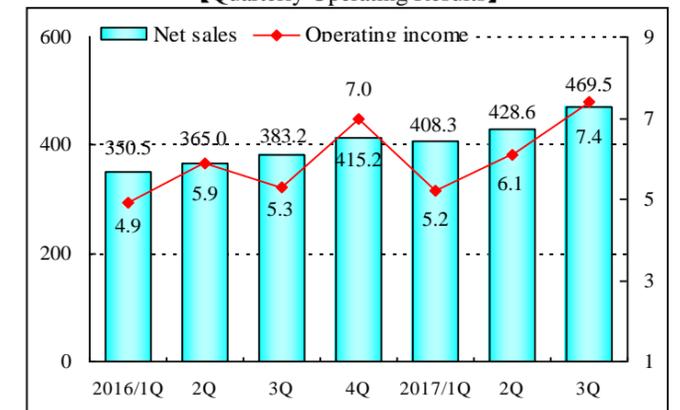
(Unit: billion yen, rounded down to 0.1 billions of yen)

Financial Position	Dec. 2017	Mar. 2017	Comparison with Mar. 2017		Main Factors
			Change	rate	
Total assets	893.4	694.2	199.2	29%	(Total Assets) Total assets increased by 29% from the end of the previous year, due to increase in trade receivables and investment securities. Inventories : 131.1 billion yen (+18% from the end of the previous year) Investment securities : 105.6 billion yen (+46% from the end of the previous year) (including 47.6 billion yen of securities of subsidiaries and affiliates (+247%))
(Current assets)	673.0	537.7	135.2	25%	
(Fixed assets)	220.4	156.4	63.9	41%	
Total liabilities	696.8	522.5	174.2	33%	(Liabilities) Total liabilities increased by 33% from the end of the previous year, due to the increase in trade payables and long and short term loans. As interest-bearing debt increased by 36%, net debt-equity ratio was turned into 164%.
(Interest-bearing debt)	352.1	259.6	92.4	36%	
(Net interest-bearing debt)	298.5	231.2	67.3	29%	
Net DER	164%	136%	28pt	—	
Total net assets	196.6	171.6	25.0	15%	(Net assets) Total net assets increased by 15% 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. Shareholders' equity ratio was 20.4%, which is a 4.1 percentage points lower than the end of the previous year.
(Equity capital)	167.3	159.7	7.6	5%	
(Valuation & translation adjustments)	15.0	10.7	4.3	41%	
(Minority interests)	14.2	1.2	13.0	—	
BPS (yen)	4,489.34	4,193.50	295.84	7%	
Shareholders' equity	182.4	170.4	12.0	7%	
Shareholders' equity ratio	20.4%	24.5%	-4.1pt	—	

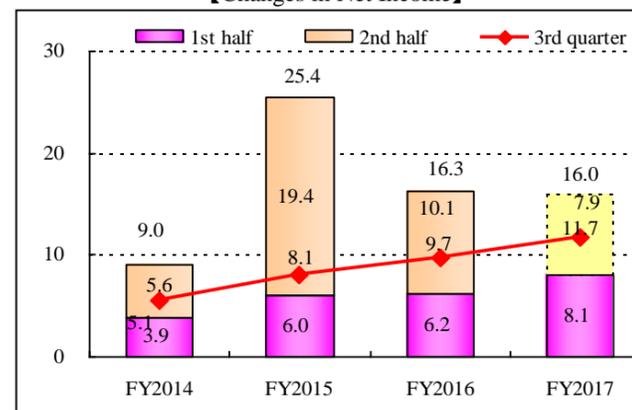
【Changes in Net Sales】



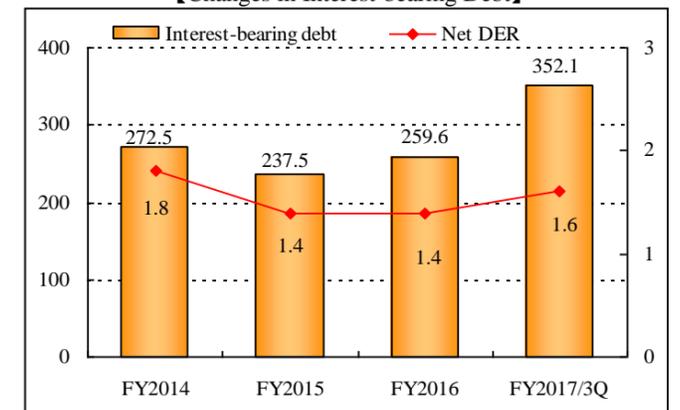
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2017	FY2016		Cash Dividends	FY2016	FY2017	FY2017 (estimated)
			change				
Net sales	1,700.0	1,514.0	12%	Interim (yen)	9.00	10.00	—
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%