

# Financial Results for the Third Quarter ended December 31, 2017

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

February 9, 2018

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: February 14, 2018 The date of payout of dividend: —  
 (Rounded down to millions of yen)

## 1. Consolidated financial results for the third quarter ended December 31, 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 third quarter ended December 31, 2017	1,306,566	18.9	18,799	15.1	17,375	15.4	11,750	20.9
ended December 31, 2016	1,098,828	(6.3)	16,327	20.8	15,051	32.6	9,718	19.6

Note: Comprehensive income For the third quarter ended December 31, 2017 15,486 million yen 22.5 %  
 For the third quarter ended December 31, 2016 12,646 million yen 120.9 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the third quarter ended December 31, 2017	289.14	—
ended December 31, 2016	237.74	—

\* 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)
December 31, 2017	893,490	196,655	20.4	4,489.34
March 31, 2017	694,232	171,637	24.5	4,193.50

Note: Shareholders' equity As of December 31, 2017 182,439 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 Third Quarter ended December 31, 2017

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>	
	March 31, 2017	December 31, 2017
<b>Assets</b>		
<b>Current assets;</b>		
Cash and deposits	28,465	53,553
Trade notes and accounts receivable	307,853	391,413
Electronically recorded monetary claims	30,742	36,218
Securities	486	238
Inventories	111,039	131,108
Others	59,519	60,963
Allowance for doubtful receivables	(334)	(458)
<b>Total current assets</b>	<b>537,773</b>	<b>673,038</b>
<b>Fixed assets;</b>		
<b>Property and equipment;</b>		
Land	29,640	32,420
Others	29,852	31,957
<b>Total property and equipment</b>	<b>59,492</b>	<b>64,378</b>
<b>Intangible assets</b>	<b>2,034</b>	<b>4,315</b>
<b>Investments and other assets;</b>		
Investment securities	72,524	105,652
Others	22,912	47,330
Allowance for doubtful receivables	(504)	(1,225)
<b>Total investments and other assets</b>	<b>94,932</b>	<b>151,757</b>
<b>Total fixed assets</b>	<b>156,458</b>	<b>220,452</b>
<b>Total assets</b>	<b>694,232</b>	<b>893,490</b>
<b>Liabilities;</b>		
<b>Current liabilities;</b>		
Trade notes and accounts payable	191,989	253,803
Short-term loans payable	107,262	150,424
Commercial paper	5,000	20,000
Current portion of bonds payable	21	10,199
Income taxes payable	6,752	2,720
Accrued bonuses	2,306	1,406
Provision for product warranties	146	116
Provision for loss on business of subsidiaries and affiliates	512	—
Others	45,068	67,604
<b>Total current liabilities</b>	<b>359,058</b>	<b>506,274</b>
<b>Long-term liabilities;</b>		
Bonds payable	40,076	40,450
Long-term loans payable	106,232	129,697
Retirement benefits liabilities	4,518	4,713
Others	12,709	15,698
<b>Total long-term liabilities</b>	<b>163,536</b>	<b>190,560</b>
<b>Total liabilities</b>	<b>522,595</b>	<b>696,834</b>
<b>Net assets;</b>		
<b>Shareholders' equity;</b>		
Common stock	45,651	45,651
Retained earnings	117,778	125,439
Treasury stock	(3,720)	(3,726)
<b>Total shareholders' equity</b>	<b>159,709</b>	<b>167,364</b>
<b>Accumulated other comprehensive income;</b>		
Net unrealized holding gains on securities	12,580	17,235
Deferred hedge profit and loss	142	(512)
Land revaluation difference	2,966	2,966
Foreign currency translation adjustments	1,062	864
Remeasurements of defined benefit plans	(6,037)	(5,479)
<b>Total accumulated other comprehensive income</b>	<b>10,713</b>	<b>15,075</b>
<b>Minority interests</b>	<b>1,214</b>	<b>14,216</b>
<b>Total net assets</b>	<b>171,637</b>	<b>196,655</b>
<b>Total liabilities and net assets</b>	<b>694,232</b>	<b>893,490</b>

## Financial Results for the Third Quarter ended December 31, 2017

## 《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)  
Millions of yen

	Third quarter ended December 31, 2016	Third quarter ended December 31, 2017
<b>Net sales</b>	1,098,828	<b>1,306,566</b>
Cost of sales	1,052,513	<b>1,253,847</b>
<b>Gross profit</b>	46,315	<b>52,719</b>
Selling, general and administrative expenses	29,987	<b>33,920</b>
<b>Operating income</b>	16,327	<b>18,799</b>
<b>Other income;</b>		
Interest income	883	<b>1,328</b>
Dividend income	689	<b>1,081</b>
Foreign exchange gain	—	<b>399</b>
Others	1,012	<b>1,431</b>
Total other income	2,586	<b>4,240</b>
<b>Other expenses;</b>		
Interest expenses	1,941	<b>2,454</b>
Loss on investment in affiliates	154	<b>1,913</b>
Foreign exchange loss	702	—
Others	1,063	<b>1,296</b>
Total other expenses	3,862	<b>5,664</b>
<b>Ordinary income</b>	15,051	<b>17,375</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	522	—
Reversal of allowance for business loss of affiliates	—	<b>512</b>
Total extraordinary income	522	<b>512</b>
<b>Extraordinary loss;</b>		
Loss on devaluation of investments securities	135	—
Loss on devaluation of investments in capital	—	<b>198</b>
Business loss of affiliates	222	—
Total extraordinary loss	358	<b>198</b>
<b>Income before income taxes</b>	15,215	<b>17,688</b>
Income taxes	5,443	<b>6,637</b>
<b>Net income</b>	9,772	<b>11,051</b>
Net income attributable to		
Net income attributable to owners of the parent	9,718	<b>11,750</b>
Net income(loss) attributable to minority interests	54	<b>(699)</b>
<b>Other Comprehensive Income</b>		
Net unrealized holding gains on securities	4,727	<b>4,648</b>
Deferred hedge profit and loss	523	<b>(654)</b>
Foreign currency translation adjustments	(2,616)	<b>15</b>
Remeasurements of defined benefit plans	583	<b>558</b>
Share of other comprehensive income of affiliates	(344)	<b>(130)</b>
Total other comprehensive Income	2,874	<b>4,435</b>
<b>Comprehensive Income</b>	12,646	<b>15,486</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,792	<b>16,111</b>
Comprehensive income attributable to minority interests	(146)	<b>(625)</b>

## Financial Results for the Third Quarter ended December 31, 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, silicon, manganese and steel alloys

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 third quarter ended December 31, 2016 and 2017, is as follows:

(Rounded down to millions of yen)

## Third quarter ended December 31, 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	557,697	92,967	55,925	70,087	189,666	77,743	1,044,088	54,739	1,098,828	—	1,098,828
Inter-segment	9,066	2,375	1,129	292	5,070	46,770	64,704	1,265	65,970	(65,970)	—
Total	566,763	95,342	57,055	70,379	194,737	124,513	1,108,793	56,005	1,164,798	(65,970)	1,098,828
Segment income(loss)	13,080	(855)	184	2,326	1,855	(779)	15,812	1,444	17,256	(2,204)	15,051

## Third quarter ended December 31, 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	663,740	145,839	70,626	79,198	168,405	122,778	1,250,588	55,978	1,306,566	—	1,306,566
Inter-segment	8,383	3,246	973	255	4,811	39,992	57,662	1,265	58,928	(58,928)	—
Total	672,123	149,086	71,599	79,454	173,217	162,770	1,308,250	57,244	1,365,494	(58,928)	1,306,566
Segment income(loss)	15,356	1,261	922	1,288	1,495	613	20,938	502	21,440	(4,065)	17,375

## 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 distributed 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 3rd Quarter of FY2017

HANWA Co., Ltd.

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

### 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.)

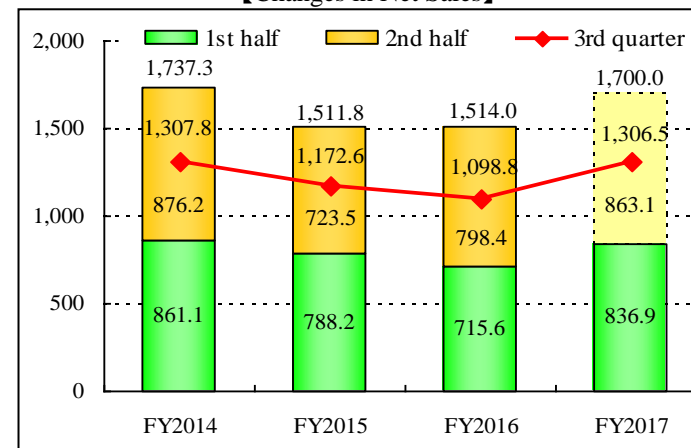
Operating Results	1Q-3Q of FY2017	1Q-3Q of FY2016	Year-on-year		Main Factors
			Change	rate	
<b>Net sales</b>	<b>1,306.5</b>	<b>1,098.8</b>	<b>207.7</b>	<b>19%</b>	(Net sales) Net sales have increased by 19% from the same period of the previous year. This was due to market recovery of steel products and metal resources from the second half of the previous fiscal year.
<b>Gross profit</b>	<b>52.7</b>	<b>46.3</b>	<b>6.4</b>	<b>14%</b>	(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.
SG&A expenses	33.9	29.9	3.9	13%	Our personnel expenses have increased 1.5 billion yen, including 0.6 billion yen from newly consolidated subsidiaries.
<b>Operating income</b>	<b>18.7</b>	<b>16.3</b>	<b>2.4</b>	<b>15%</b>	(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 income	4.2	2.5	1.6	64%	Non-operating expenses have increased by 47%, due to increase in equity in losses of affiliates and interest expenses.
Non-operating expenses	5.6	3.8	1.8	47%	(Extraordinary gain/loss) Reversal of allowance in previous year was recorded in extraordinary income, because the expected loss from restructuring of subsidiary was less.
<b>Ordinary income</b>	<b>17.3</b>	<b>15.0</b>	<b>2.3</b>	<b>15%</b>	For extraordinary losses, we recorded loss on valuation of investments of sale of subsidiary.
Extraordinary gain	0.5	0.5	(0.0)	-2%	
Extraordinary loss	0.1	0.3	(0.1)	-45%	
<b>Income before income taxes and others</b>	<b>17.6</b>	<b>15.2</b>	<b>2.4</b>	<b>16%</b>	
Income taxes	6.6	5.4	1.1	22%	
<b>Net income</b>	<b>11.0</b>	<b>9.7</b>	<b>1.2</b>	<b>13%</b>	
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%	
<b>Comprehensive income</b>	<b>15.4</b>	<b>12.6</b>	<b>2.8</b>	<b>23%</b>	

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%	
<b>Total</b>	<b>1,365.4</b>	<b>1,164.7</b>	<b>17%</b>	<b>21.4</b>	<b>17.2</b>	<b>24%</b>	
Adjustment	(58.9)	(65.9)	-11%	(4.0)	(2.2)	-84%	
<b>Consolidated</b>	<b>1,306.5</b>	<b>1,098.8</b>	<b>19%</b>	<b>17.3</b>	<b>15.0</b>	<b>15%</b>	

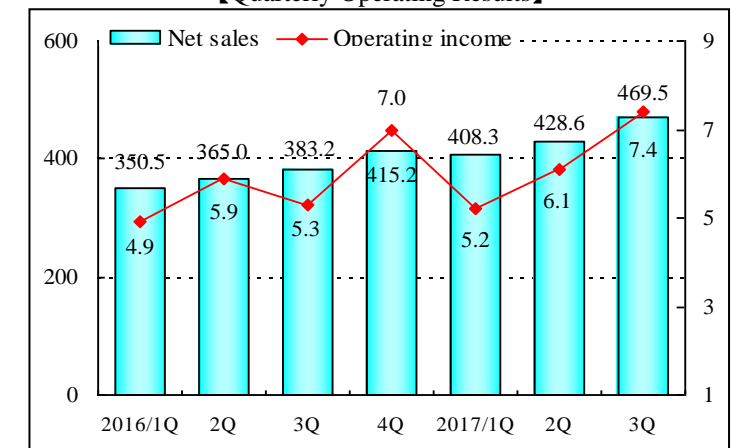
Topics	Apr.	May.	Oct.
Acquired minority shares of the lithium carbonate producer, Bacanora Minerals Ltd.			
Acquired additional stocks of the Chromite miner and Ferro-Chromium producer, Samancor Chrome Holdings.			
Acquired the producer of metal hardware products for use in architectural and civil construction.			

Financial Position	Dec. 2017	Mar. 2017	Comparison with Mar. 2017		Main Factors
			Change	rate	
<b>Total assets</b>	<b>893.4</b>	<b>694.2</b>	<b>199.2</b>	<b>29%</b>	(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%	(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%.
(Fixed assets)	220.4	156.4	63.9	41%	(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.
<b>Total liabilities</b>	<b>696.8</b>	<b>522.5</b>	<b>174.2</b>	<b>33%</b>	
(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	—	
<b>Total net assets</b>	<b>196.6</b>	<b>171.6</b>	<b>25.0</b>	<b>15%</b>	
(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	—	

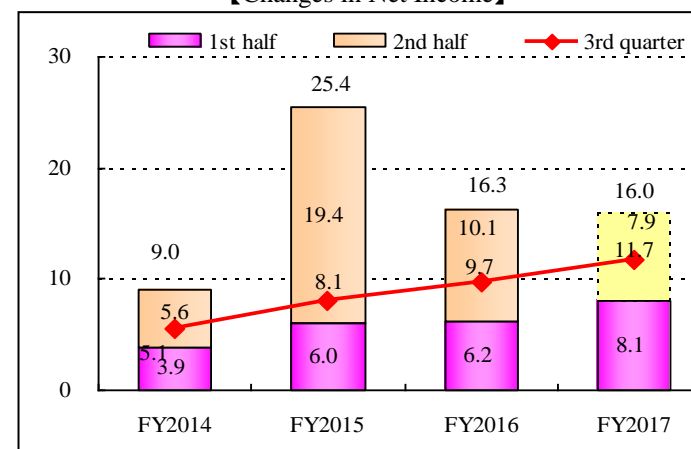
【Changes in Net Sales】



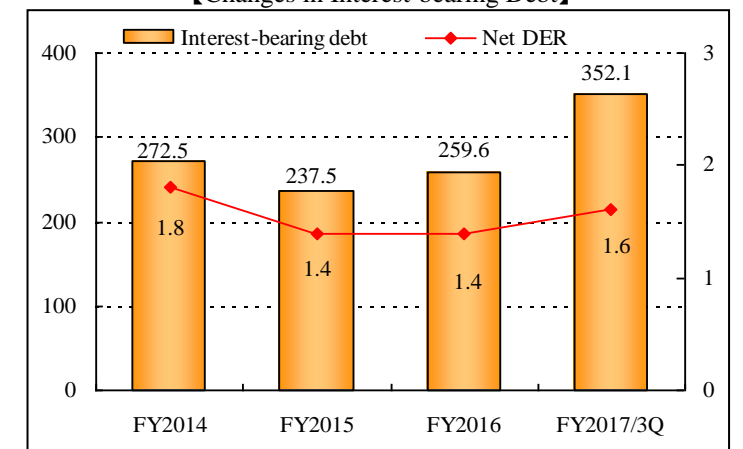
【Quarterly Operating Results】



【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%