

# Financial Results for the Fiscal Year ended March 31, 2014

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

May 12, 2014

Company name: **HANWA Co.,Ltd.**

Listed stock exchange: Tokyo  
Stock exchange code: 8078

(URL <http://www.hanwa.co.jp>)

Representative: Hironari Furukawa President  
Enquiries: Atsuhiro Moriguchi Director, Senior Managing Executive Officer  
TEL 81 - 3 - 3544 - 2197

The date of Shareholders' Meeting: June 27, 2014 The date of payout of dividend: June 30, 2014  
The date of issue of audited financial statements: June 30, 2014

(Rounded down to millions of yen)

## 1. Consolidated financial results for the fiscal year ended March 31, 2014

### (1) Consolidated operating results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2014	1,682,503	11.3	16,252	30.1	14,698	65.7	7,896	67.3
Year ended March 31, 2013	1,511,324	(3.4)	12,491	(16.6)	8,871	(32.4)	4,720	1.9

Note: Comprehensive income Year ended March 31, 2014 14,647 million yen 121.9%  
Year ended March 31, 2013 6,600 million yen 6.2%

	Net income per share	Net income per share(diluted)	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2014	38.11	—	6.6	2.6	1.0
Year ended March 31, 2013	22.78	—	4.1	1.6	0.8

Note: Equity in earnings of unconsolidated subsidiaries and affiliates Year ended March 31, 2014 — million yen  
Year ended March 31, 2013 — million yen

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
March 31, 2014	593,351	125,361	20.6	591.68
March 31, 2013	552,908	120,674	21.4	570.50

Note: Shareholders' equity As of March 31, 2014 122,609 million yen  
As of March 31, 2013 118,232 million yen

### (3) Consolidated cash flows situation

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March 31, 2014	343	(5,244)	(4,927)	15,919
Year ended March 31, 2013	19,380	(5,106)	(16,363)	23,198

## 2. Cash dividends

(effective date)	Cash dividends per share					Total amount of dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend on shareholders' equity (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	(yen)	(yen)	(yen)	(yen)	(yen)			
Year ended March 31, 2013	—	4.00	—	8.00	12.00	2,486	52.7	2.1
Year ended March 31, 2014	—	6.00	—	6.00	12.00	2,486	31.5	2.1
Year ending March 31, 2015 (estimated)	—	6.00	—	6.00	12.00		23.5	

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2015 (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Annual	1,750,000	4.0	19,800	21.8	17,500	19.1	10,600	34.2	51.15

\* 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 Fiscal Year ended March 31, 2014

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2013	March 31, 2014	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	23,285	16,007	(7,278)
Trade notes and accounts receivable	293,752	317,846	24,094
Securities	—	2,000	2,000
Inventories	96,609	114,694	18,085
Deferred tax asset	2,164	2,048	(116)
Others	20,340	16,655	(3,685)
Allowance for doubtful receivables	(852)	(925)	(73)
<b>Total current assets</b>	<b>435,301</b>	<b>468,325</b>	<b>33,024</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Buildings and structures	17,771	19,165	1,394
Land	29,582	32,601	3,019
Others	7,713	9,808	2,095
<b>Total property and equipment</b>	<b>55,067</b>	<b>61,574</b>	<b>6,507</b>
<b>Intangible assets</b>	<b>736</b>	<b>1,858</b>	<b>1,122</b>
<b>Investments and other assets;</b>			
Investment securities	39,317	46,570	7,253
Long-term loans receivable	129	102	(27)
Deferred tax asset	300	216	(84)
Others	25,135	16,009	(9,126)
Allowance for doubtful receivables	(3,080)	(1,306)	1,774
<b>Total investments and other assets</b>	<b>61,802</b>	<b>61,592</b>	<b>(210)</b>
<b>Total fixed assets</b>	<b>117,607</b>	<b>125,025</b>	<b>7,418</b>
<b>Total assets</b>	<b>552,908</b>	<b>593,351</b>	<b>40,443</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	164,301	180,363	16,062
Short-term loans payable	113,500	95,605	(17,895)
Commercial paper	11,000	5,000	(6,000)
Current portion of bonds payable	10,050	10,000	(50)
Income taxes payable	2,971	3,541	570
Accrued bonuses	1,891	2,212	321
Others	18,247	22,639	4,392
<b>Total current liabilities</b>	<b>321,962</b>	<b>319,361</b>	<b>(2,601)</b>
<b>Long-term liabilities;</b>			
Bonds payable	20,000	30,000	10,000
Long-term loans payable	80,625	104,280	23,655
Deferred tax liabilities	2,178	2,272	94
Deferred tax liabilities by land revaluation	2,384	2,285	(99)
Allowance for retirement benefits	220	—	(220)
Retirement benefits liabilities	—	4,482	4,482
Others	4,862	5,306	444
<b>Total long-term liabilities</b>	<b>110,270</b>	<b>148,628</b>	<b>38,358</b>
<b>Total liabilities</b>	<b>432,233</b>	<b>467,989</b>	<b>35,756</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	72,867	76,520	3,653
Treasury stock	(1,434)	(1,442)	(8)
<b>Total shareholders' equity</b>	<b>117,088</b>	<b>120,733</b>	<b>3,645</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains on securities	2,667	7,484	4,817
Deferred hedge profit and loss	120	(360)	(480)
Land revaluation difference	116	32	(84)
Foreign currency translation adjustments	(1,761)	304	2,065
Remeasurements of defined benefit plans	—	(5,584)	(5,584)
<b>Total accumulated other comprehensive income</b>	<b>1,143</b>	<b>1,875</b>	<b>732</b>
<b>Minority interests</b>	<b>2,442</b>	<b>2,752</b>	<b>310</b>
<b>Total net assets</b>	<b>120,674</b>	<b>125,361</b>	<b>4,687</b>
<b>Total liabilities and net assets</b>	<b>552,908</b>	<b>593,351</b>	<b>40,443</b>

## Financial Results for the Fiscal Year ended March 31, 2014

## 《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Year ended March 31, 2013	Year ended March 31, 2014	Increase (Decrease)
<b>Net sales</b>	1,511,324	1,682,503	171,179
Cost of sales	1,466,562	1,631,138	164,576
<b>Gross profit</b>	44,762	51,365	6,603
Selling, general and administrative expenses	32,271	35,112	2,841
<b>Operating income</b>	12,491	16,252	3,761
<b>Other income;</b>			
Interest income	777	847	70
Dividend income	564	561	(3)
Foreign exchange gain	—	449	449
Others	774	908	134
Total other income	2,116	2,766	650
<b>Other expenses;</b>			
Interest expenses	2,908	2,946	38
Foreign exchange loss	1,239	—	(1,239)
Others	1,587	1,374	(213)
Total other expenses	5,736	4,321	(1,415)
<b>Ordinary income</b>	8,871	14,698	5,827
<b>Extraordinary income;</b>			
Gain on sales of investment securities	—	187	187
Total extraordinary income	—	187	187
<b>Extraordinary loss;</b>			
Loss on impairment of long-lived assets	255	—	(255)
Loss on devaluation of investments securities	1,295	760	(535)
Loss on devaluation of investment in capital	127	46	(81)
Loss on disposal of property and equipment	375	89	(286)
Total extraordinary loss	2,053	896	(1,157)
<b>Income before income taxes and minority interest</b>	6,817	13,988	7,171
Income, inhabitant & business tax – current	3,683	5,252	1,569
Income tax expense—deferred	(1,649)	734	2,383
Total extraordinary loss	2,033	5,986	3,953
<b>Income before minority interest</b>	4,783	8,002	3,219
Minority interest in net income	62	105	43
<b>Net income</b>	4,720	7,896	3,176
Minority interest in net income	62	105	43
<b>Income before minority interest</b>	4,783	8,002	3,219
<b>Other Comprehensive Income</b>			
Net unrealized holding gains on securities	582	4,819	4,237
Deferred hedge profit and loss	(232)	(481)	(249)
Land revaluation difference	(33)	33	66
Foreign currency translation adjustments	1,500	2,274	774
Total other comprehensive Income	1,816	6,645	4,829
<b>Comprehensive Income</b>	6,600	14,647	8,047
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	6,444	14,331	7,887
Comprehensive income attributable to minority interests	156	315	159

## Financial Results for the Fiscal Year ended March 31, 2014

## 《Consolidated Statements of Changes in Net Assets》

(Rounded down to millions of yen)

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
<b>Balance at March 31, 2012</b>	45,651	4	69,978	(1,425)	114,209	2,084	353	149	(3,168)	—	(580)	2,326	115,956
Increase (decrease) during the term:													
Cash dividends paid			(2,072)		(2,072)								(2,072)
Effect from change in scope of consolidated subsidiaries			241		241								241
Reversal of land revaluation difference													
Net income			4,720		4,720								4,720
Purchase of treasury stocks				(10)	(10)								(10)
Deposition of treasury stocks		(0)		0	0								0
Net increase (decrease) during the term, except for items under shareholders' equity						582	(232)	(33)	1,407	—	1,723	115	1,838
<b>Total increase (decrease)</b>	—	(0)	2,889	(9)	2,879	582	(232)	(33)	1,407	—	1,723	115	4,718
<b>Balance at March 31, 2013</b>	45,651	4	72,867	(1,434)	117,088	2,667	120	116	(1,761)	—	1,143	2,442	120,674

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
<b>Balance at March 31, 2013</b>	45,651	4	72,867	(1,434)	117,088	2,667	120	116	(1,761)	—	1,143	2,442	120,674
Increase (decrease) during the term:													
Cash dividends paid			(2,901)		(2,901)								(2,901)
Effect from change in scope of consolidated subsidiaries			(1,460)		(1,460)								(1,460)
Reversal of land revaluation difference			117		117								117
Net income			7,896		7,896								7,896
Purchase of treasury stocks				(8)	(8)								(8)
Deposition of treasury stocks		0		0	0								0
Net increase (decrease) during the term, except for items under shareholders' equity						4,817	(481)	(84)	2,065	(5,584)	732	310	1,042
<b>Total increase (decrease)</b>	—	0	3,652	(7)	3,644	4,817	(481)	(84)	2,065	(5,584)	732	310	4,687
<b>Balance at March 31, 2014</b>	45,651	4	76,520	(1,442)	120,733	7,484	(360)	32	304	(5,584)	1,875	2,752	125,361

## Financial Results for the Fiscal Year ended March 31, 2014

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Year ended March 31,2013	Year ended March 31,2014	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	6,817	13,988	7,171
Depreciation and amortization	3,304	3,692	388
Loss on impairment of long-lived assets	255	—	(255)
Increase(decrease) in allowance for doubtful receivables	471	(1,791)	(2,262)
Increase(decrease) in retirement benefits	—	4,163	4,163
Interest and dividend income	(1,341)	(1,408)	(67)
Interest expense	2,908	2,946	38
Loss on sale of investments securities	—	(187)	(187)
Loss on devaluation of investments securities	1,295	760	(535)
Loss on devaluation of investment in limited liability company and partnership	127	46	(81)
Loss on disposal of property and equipment	375	89	(286)
(Increase)decrease in trade receivables	14,386	(14,574)	(28,960)
(Increase)decrease in inventories	18,093	(10,705)	(28,798)
Increase(decrease) in trade notes and accounts payable	(25,965)	7,394	33,359
Other, net	2,354	2,027	(327)
<b>Sub total</b>	<b>23,083</b>	<b>6,444</b>	<b>(16,639)</b>
Interest and dividends received	1,350	1,422	72
Interest paid	(2,916)	(3,041)	(125)
Income taxes paid	(2,137)	(4,481)	(2,344)
<b>Net cash provided by (used in) operating activities</b>	<b>19,380</b>	<b>343</b>	<b>(19,037)</b>
<b>Cash flows from investing activities:</b>			
Payment for time deposits	(396)	(90)	306
Proceeds from refund of time deposits	451	91	(360)
Payment for purchase of property and equipment	(4,028)	(1,141)	2,887
Proceeds from sale of property and equipment	923	183	(740)
Payment for purchase of investment securities	(2,831)	(4,431)	(1,600)
Proceeds from sale of investment securities	2,516	328	(2,188)
Net increase(decrease) from purchase of consolidated subsidiaries	—	(1,300)	(1,300)
(Increase)decrease in short – term loans receivable, net	(566)	554	1,120
Increase in long – term loans receivable	(8)	(6)	2
Collection of long-term loans receivable	36	38	2
Other, net	(1,204)	528	1,732
<b>Net cash used in investing activities</b>	<b>(5,106)</b>	<b>(5,244)</b>	<b>(138)</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short-term loans, net	(26,360)	5,326	31,686
Increase(decrease) in commercial paper, net	(4,000)	(6,000)	(2,000)
Proceeds from long-term debt	35,500	42,900	7,400
Repayments of long-term debt	(28,896)	(53,505)	(24,609)
Proceeds from issuance of bonds	9,955	19,904	9,949
Redemption of issuance of bonds	(35)	(10,070)	(10,035)
Payment for cash dividends	(2,075)	(2,900)	(825)
Cash dividends paid to minority interest in consolidated subsidiaries	(40)	(39)	1
Other, net	(411)	(542)	(131)
<b>Net cash provided by (used in) financing activities</b>	<b>(16,363)</b>	<b>(4,927)</b>	<b>11,436</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,428</b>	<b>1,486</b>	<b>58</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(661)</b>	<b>(8,342)</b>	<b>(7,681)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>23,411</b>	<b>23,198</b>	<b>(213)</b>
<b>Increase in cash and cash equivalents from newly consolidated subsi</b>	<b>420</b>	<b>1,063</b>	<b>643</b>
<b>Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries</b>	<b>28</b>	<b>—</b>	<b>(28)</b>
<b>Cash and cash equivalents at end of year</b>	<b>23,198</b>	<b>15,919</b>	<b>(7,279)</b>

## Financial Results for the Fiscal Year ended March 31, 2014

## 《Segment information》

## Overview of the reportable segments

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Group's main business is buying and selling of various products with a focus on steel, and the business department, which is divided according to products handled or service contents, mainly carries out business activities. For this reason, the Group consists of business segments with the business department as the basis. The 5 reportable segments are "steel business," "metal and alloy business," "non-ferrous metal business," "food business," and "petroleum and chemical business."

The main products and services that fall under these reportable segments are listed below.

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

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

Non-ferrous metals: Aluminum, copper, and zinc (recycling business)

Foods: Sea foods

Petroleum and chemicals: Petroleum products, industrial chemicals, and chemicals

## Sales, income/loss, assets, liability, and other amounts by reportable segment

(Rounded down to millions of yen)

## Year ended March 31, 2013

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	701,499	91,898	71,516	83,098	438,111	1,386,122	125,201	1,511,324	—	1,511,324
Inter-segment	16,671	2,867	1,757	702	6,169	28,168	42,292	70,461	(70,461)	—
Total	718,170	94,766	73,273	83,800	444,280	1,414,291	167,494	1,581,786	(70,461)	1,511,324
Segment income(loss)	9,598	320	686	747	1,673	13,026	1,222	14,248	(5,377)	8,871
Segment assets	289,773	48,920	19,304	30,668	68,870	457,537	52,494	510,031	42,876	552,908
Other										
Depreciation	2,238	166	36	29	89	2,560	676	3,236	68	3,304
Interest income	209	101	0	0	135	447	77	524	252	777
Interest expenses	1,768	533	156	157	405	3,022	494	3,516	(608)	2,908
Property, plant and equipment and Intangible assets increase	2,389	35	28	44	50	2,549	707	3,256	63	3,320

## Year ended March 31, 2014

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	792,155	94,129	75,946	77,346	491,288	1,530,866	151,637	1,682,503	—	1,682,503
Inter-segment	18,941	3,865	1,564	1,322	7,755	33,449	49,288	82,737	(82,737)	—
Total	811,096	97,995	77,511	78,668	499,043	1,564,315	200,925	1,765,241	(82,737)	1,682,503
Segment income(loss)	13,879	1,756	835	1,589	1,925	19,986	(262)	19,724	(5,026)	14,698
Segment assets	317,021	49,253	16,211	34,476	71,637	488,600	53,217	541,817	51,533	593,351
Other										
Depreciation	2,712	118	36	21	74	2,964	669	3,633	59	3,692
Depreciation of Goodwill	104	—	—	—	—	104	—	104	—	104
Interest income	194	116	—	1	146	458	88	547	300	847
Interest expenses	1,864	461	147	183	417	3,074	577	3,651	(705)	2,946
Property, plant and equipment and Intangible assets increase	1,667	36	24	9	14	1,753	627	2,381	10	2,391

## Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section, machinery section and overseas sales subsidiaries.
2. Adjustments are as follows:
  - (1) 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.
  - (2) Adjustments for segment assets include Group assets that have not been distributed to reportable segments. These group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
  - (3) Adjustments for depreciation include mainly depreciation and amortization expenses of group assets.
  - (4) Adjustments for interest income and interest expenses include intersegment elimination, revenue and expense that have not been distributed to reportable segments.
  - (5) Adjustments for property, plant and equipment and intangible assets increase are increases in Group assets.