

Highlights of Consolidated Financial Results for the FY2014

HANWA Co., Ltd.

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

Outline of Financial Results for the FY2014

As for this fiscal year, net sales has reached to 1,737.3 billion yen, increased by 3% compared with last fiscal year, thanks to the increased sales of our steel and metals/alloys businesses. Net income was 9.0 billion yen, increased by 15%, mainly due to income tax reduction derived from the lower taxable income by the sale of real estate with impairment loss incurred in previous years.

We paid 7.5 yen as interim dividend and also we will pay additional 7.5 yen as the end of this fiscal year dividend. Our annual dividend payout for this fiscal year is 15 yen

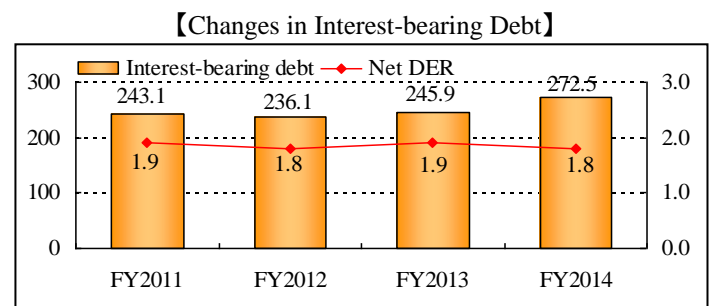
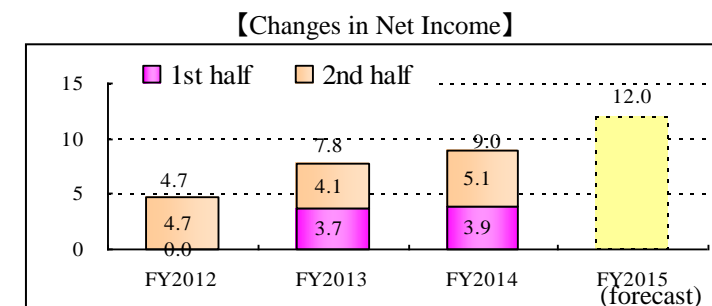
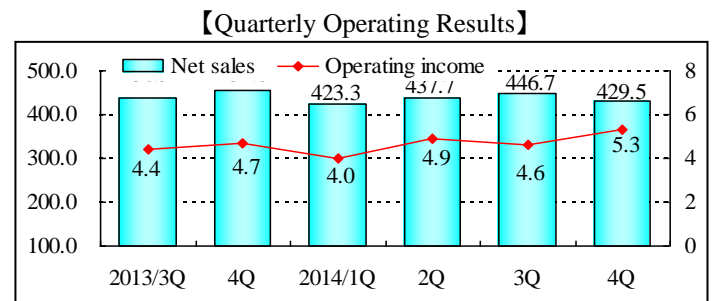
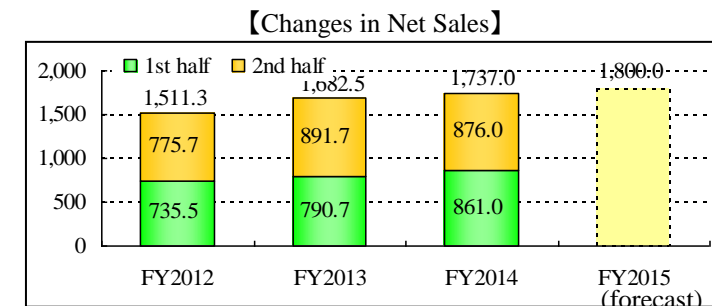
Operating Results	FY2014	FY2013	Year-on-year		Main Factors
			Change	rate	
Net sales	1,737.3	1,682.5	54.8	3%	(Net sales) Net sales has increased by 3% for the previous year, with a steady demand and a high sales price of steel and metals/alloys business.
Gross profit	55.7	51.3	4.4	9%	
SG&A expenses	36.6	35.1	1.5	4%	(SG&A expenses) SG & A expenses increased by 4% compared with the previous year and reached to 1.5 billion yen. 0.8 out of 1.5 billion yen was accounted for newly consolidated subsidiaries.
Operating income	19.1	16.2	2.9	18%	Our employment cost increased by 0.9 billion yen, including 0.6 billion yen for newly consolidated subsidiaries.
Non-operating income	2.3	2.7	(0.4)	-13%	Provision for allowance, 0.3 billion yen was almost allocated to the defaulting debt occurred in US. It was decreased by 0.2 billion yen compared with the previous year.
Non-operating expenses	7.2	4.3	2.9	68%	
Ordinary income	14.2	14.6	(0.4)	-3%	
Extraordinary gain	0.1	1	(0.0)	-32%	
Extraordinary loss	1.3	0.8	0.5	53%	
Income before income taxes and others	13.0	13.9	(0.9)	-7%	(Non-operating income/expenses) Non-operating income has decreased by 13% from the last year, mainly due to the decrease of foreign exchange profit. On the other hand, non-operating expenses increased by 68%. Weaker yen from the end of second quarter depreciated our fair value of debt in foreign currency.
Income taxes	3.8	5.9	(2.1)	-35%	
Minority interests(loss)	0.0	0.1	(0.1)	-48%	
Net income	9.0	7.8	1.2	15%	(Extraordinary gain/loss) Net extraordinary loss was 1.2 billion yen mainly because of liquidation of the overseas subsidiary and impairment losses on investment securities and investments.
EPS (yen)	43.85	38.11	5.74	15%	
Comprehensive income	19.4	14.6	4.8	33%	

Segment Information	Net sales			Segment income			Main Factors
	FY2014	FY2013	rate	FY2014	FY2013	rate	
Steel	878.7	811.0	8%	14.7	13.8	6%	(Steel business) Despite a steady demand for manufacturing, construction-related demand was sluggish mainly due to a labor shortage. Price trend of the products was downwards due to weak market of raw materials, but price sustained with minor decrease.
Metals & alloys	131.1	97.9	34%	0.3	1.7	-81%	(Metals & alloys business) Eventhough nickel market price rose, due to the nickel ore embargo from Indonesia and weak yen, foreign exchange losses from depreciation of the yen pushed the profit down.
Non-ferrous metals	83.3	77.5	8%	1.1	0.8	37%	(Non-ferrous metals business) Copper market remained flat, but weaker yen pushed aluminum upward sales price upward. Increase of precious metal scrap trading contributed to the revenue of this segment.
Foods	87.6	78.6	11%	0.5	1.5	-63%	(Foods business) Domestic demand has been sluggish. Seafoods, like salmon and shrimp, market remains at high level since last period, so that market peaked out and profit margin has shrunk.
Petroleum & chemicals	429.9	499.0	-14%	2.4	1.9	29%	(Petroleum & chemicals business) Followed by the sharp decline of the crude oil market from mid-year, price of the petroleum products fell as well. Stagnant demand for industrial fuel made it difficult to secure the profit, but sales of gasoline covered the total performance.
Total for reportable segments	1,610.8	1,564.3	3%	19.2	19.9	-4%	
Other	242.3	200.9	21%	0.6	(0.2)	—	
Total	1,853.2	1,765.2	5%	19.9	19.7	1%	
Adjustment	(115.8)	(82.7)	-40%	(5.7)	(5.0)	-14%	
Consolidated	1,737.3	1,682.5	3%	14.2	14.6	-3%	

Topics	Oct.	Acquired Seiki Metal Inc Co., Ltd., producer of deoxidizing aluminum for steel making and processor of aluminum scrap
	Oct.	Opened Iwaki branch office in Fukushima Prefecture.
	Mar.	Acquired the shares of Cosmosteel Holdings Ltd., wholesale steel distributor.

Financial Position	Mar. 2015	Mar. 2014	Comparison with Mar. 2014		Main Factors
			Change	rate	
Total assets	651.4	593.3	58.1	10%	(Total Assets) Total assets increased by 10% from the end of the previous year. Increase of trade receivables and inventories correlated with increase of sales.
(Current assets)	510.3	468.3	42.0	9%	
(Fixed assets)	141.0	125.0	16.0	13%	Inventories 133.0 billion yen (+16% from the end of the previous period)
Total liabilities	508.7	467.9	40.8	9%	(Liabilities) Total liabilities increased by 9% from the end of the previous year, due to the increase in commercial paper and long term loans. As interest-bearing debt increased by 11%, net debt-equity ratio was turned into 188%.
(Interest-bearing debt)	272.5	245.9	26.6	11%	
(Net interest-bearing debt)	248.0	229.8	18.2	8%	
Net DER	175.4%	187.5%	-12.1pt	—	
Total net assets	142.7	125.3	17.4	14%	(Net assets) Total net assets increased by 14% from the end of the previous year, due to the increased carryover of retained earnings and land revaluation difference. Shareholders' equity ratio was 21.7%, which is a 1.1 percentage points upper than the end of the previous year.
(Equity capital)	126.3	120.7	5.6	5%	
(Accumulated other comprehensive income)	15.0	1.8	13.2	705%	
(Minority interests)	1.3	2.7	(1.4)	-52%	
BPS (yen)	682.46	591.68	90.78	15%	
Shareholders' equity	141.4	122.6	18.8	15%	
Shareholders' equity ratio	21.7%	20.6%	1.1pt	—	

Cash Flow	FY2014	FY2013	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	1.7	0.3	1.4	422%	(Operating cash flows) 1.7 billion yen Due to slowdown of capital requirement and income from advances received.
Cash flows from investing activities	(13.6)	(5.2)	(8.4)	161%	(Investment cash flows) (13.6) billion yen Due to purchase of investment securities and tangible fixed assets.
Cash flows from financing activities	19.3	(4.9)	24.2	—	(Financial cash flows) 19.3 billion yen Due to increase of commercial paper and long term loans.
Cash and cash equivalents at end of period	24.5	15.9	8.6	54%	



Forecast (Annual)	FY2015	FY2014		Cash Dividends	FY2013	FY2014	FY2015 (estimated)
			change				
Net sales	1,800.0	1,737.3	4%	Interim (yen)	6.00	7.50	8.00
Operating income	22.3	19.1	17%	Year-end (yen)	6.00	7.50	8.00
Ordinary income	20.0	14.2	40%	Annual (yen)	12.00	15.00	16.00
Net income	12.0	9.0	32%	Dividend payout ratio	32%	34%	28%