

# Financial Results for the Second Quarter ended September 30, 2015

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

November 13, 2015

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 13, 2015 The date of payout of dividend: December 8, 2015  
 (Rounded down to millions of yen)

## 1. Consolidated financial results for the second quarter ended September 30, 2015

### (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, 2015 | 788,216           | (8.5) | 8,170             | (9.4) | 6,953             | 1.3 | 6,053   | 52.0 |
| ended September 30, 2014                        | 861,116           | 8.9   | 9,019             | 28.4  | 6,861             | 1.6 | 3,981   | 5.0  |

Note: Comprehensive income For the second quarter ended September 30, 2015 1,393 million yen (81.1) %  
 For the second quarter ended September 30, 2014 7,388 million yen (42.2) %

|   | Net income per share | Net income per share(diluted) |
|---|----------------------|-------------------------------|
|   | (yen)                | (yen)                         |
| For the second quarter ended September 30, 2015 | 29.22                | —                             |
| ended September 30, 2014                        | 19.21                | —                             |

### (2) Consolidated financial position

|                    | Total assets      | Net assets        | Shareholders' equity ratio | Shareholders' equity per share |
|--------------------|-------------------|-------------------|----------------------------|--------------------------------|
|                    | (Millions of yen) | (Millions of yen) | (%)                        | (yen)                          |
| September 30, 2015 | 632,783           | 142,649           | 22.3                       | 681.84                         |
| March 31, 2015     | 651,456           | 142,749           | 21.7                       | 682.46                         |

Note: Shareholders' equity As of September 30, 2015 141,284 million yen  
 As of March 31, 2015 141,415 million yen

## 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, 2015              | —                        | 7.50           | —             | 7.50     | 15.00  |
| Year ending March 31, 2016 (estimated) | —                        | 8.00           | —             | 8.00     | 16.00  |

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2016 (% 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 | 1,650,000         | (5.0) | 20,000            | 4.7 | 180,000           | 26.2 | 12,000  | 32.1                 |
|        |                   |       |                   |     |                   |      |   | 57.91                |

\* 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, 2015

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

|   | <i>Millions of yen</i> |                    |                    |
|---|------------------------|--------------------|--------------------|
|   | March 31, 2015         | September 30, 2015 | Increase(Decrease) |
| <b>Assets</b>   |                        |                    |                    |
| <b>Current assets;</b>                                |                        |                    |                    |
| Cash and deposits                                     | 24,542                 | 25,055             | 513                |
| Trade notes and accounts receivable                   | 321,642                | 296,503            | (25,139)           |
| Securities  | 2,610                  | 2,572              | (38)               |
| Inventories   | 133,055                | 119,361            | (13,694)           |
| Others  | 29,442                 | 41,408             | 11,966             |
| Allowance for doubtful receivables                    | (915)                  | (328)              | 587                |
| <b>Total current assets</b>                           | <b>510,377</b>         | <b>484,573</b>     | <b>(25,804)</b>    |
| <b>Fixed assets;</b>                                  |                        |                    |                    |
| <b>Property and equipment;</b>                        |                        |                    |                    |
| Land  | 31,676                 | 35,391             | 3,715              |
| Others  | 29,270                 | 33,634             | 4,364              |
| <b>Total property and equipment</b>                   | <b>60,946</b>          | <b>69,026</b>      | <b>8,080</b>       |
| <b>Intangible assets</b>                              | <b>2,019</b>           | <b>2,142</b>       | <b>123</b>         |
| <b>Investments and other assets;</b>                  |                        |                    |                    |
| Investment securities                                 | 58,293                 | 51,748             | (6,545)            |
| Others  | 20,114                 | 25,754             | 5,640              |
| Allowance for doubtful receivables                    | (295)                  | (461)              | (166)              |
| <b>Total investments and other assets</b>             | <b>78,112</b>          | <b>77,041</b>      | <b>(1,071)</b>     |
| <b>Total fixed assets</b>                             | <b>141,078</b>         | <b>148,209</b>     | <b>7,131</b>       |
| <b>Total assets</b>                                   | <b>651,456</b>         | <b>632,783</b>     | <b>(18,673)</b>    |
| <b>Liabilities;</b>                                   |                        |                    |                    |
| <b>Current liabilities;</b>                           |                        |                    |                    |
| Trade notes and accounts payable                      | 180,155                | 164,629            | (15,526)           |
| Short-term loans payable                              | 82,155                 | 73,978             | (8,177)            |
| Commercial paper                                      | 27,000                 | 17,000             | (10,000)           |
| Current portion of bonds payable                      | 10,000                 | 57                 | (9,943)            |
| Income taxes payable                                  | 1,231                  | 5,493              | 4,262              |
| Accrued bonuses                                       | 2,051                  | 2,214              | 163                |
| Reserved for operating losses for affiliate companies | —                      | 512                | 512                |
| Others  | 39,602                 | 49,257             | 9,655              |
| <b>Total current liabilities</b>                      | <b>342,196</b>         | <b>308,199</b>     | <b>(33,997)</b>    |
| <b>Long-term liabilities;</b>                         |                        |                    |                    |
| Bonds payable   | 30,000                 | 40,108             | 10,108             |
| Long-term loans payable                               | 122,352                | 129,264            | 6,912              |
| Retirement benefits liabilities                       | 412                    | 495                | 83                 |
| Others  | 13,745                 | 12,066             | (1,679)            |
| <b>Total long-term liabilities</b>                    | <b>166,510</b>         | <b>181,934</b>     | <b>15,424</b>      |
| <b>Total liabilities</b>                              | <b>508,706</b>         | <b>490,133</b>     | <b>(18,573)</b>    |
| <b>Net assets;</b>                                    |                        |                    |                    |
| <b>Shareholders' equity;</b>                          |                        |                    |                    |
| Common stock  | 45,651                 | 45,651             | —                  |
| Capital surplus                                       | 4                      | 4                  | —                  |
| Retained earnings                                     | 82,110                 | 87,074             | 4,964              |
| Treasury stock  | (1,445)                | (1,448)            | (3)                |
| <b>Total shareholders' equity</b>                     | <b>126,320</b>         | <b>131,281</b>     | <b>4,961</b>       |
| <b>Accumulated other comprehensive income</b>         |                        |                    |                    |
| Net unrealized holding gains on securities            | 11,621                 | 7,584              | (4,037)            |
| Deferred hedge profit and loss                        | 1,526                  | 12                 | (1,514)            |
| Land revaluation difference                           | 3,250                  | 2,868              | (382)              |
| Foreign currency translation adjustments              | 2,356                  | 2,870              | 514                |
| Remeasurements of defined benefit plans               | (3,660)                | (3,333)            | 327                |
| <b>Total accumulated other comprehensive income</b>   | <b>15,094</b>          | <b>10,002</b>      | <b>(5,092)</b>     |
| <b>Minority interests</b>                             | <b>1,334</b>           | <b>1,365</b>       | <b>31</b>          |
| <b>Total net assets</b>                               | <b>142,749</b>         | <b>142,649</b>     | <b>(100)</b>       |
| <b>Total liabilities and net assets</b>               | <b>651,456</b>         | <b>632,783</b>     | <b>(18,673)</b>    |

## Financial Results for the Second Quarter ended September 30, 2015

## 《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

|   | <i>Millions of yen</i>                           |  |                    |
|---|--|--|--------------------|
|   | Second quarter<br>ended<br>September 30,<br>2014 | Second quarter<br>ended<br>September 30,<br>2015 | Increase(Decrease) |
| <b>Net sales</b>  | 861,116  | <b>788,216</b>                                   | (72,900)           |
| Cost of sales   | 833,746  | <b>760,785</b>                                   | (72,961)           |
| <b>Gross profit</b>                                       | <b>27,369</b>                                    | <b>27,431</b>                                    | 62                 |
| Selling, general and administrative expenses              | 18,350   | <b>19,260</b>                                    | 910                |
| <b>Operating income</b>                                   | <b>9,019</b>                                     | <b>8,170</b>                                     | (849)              |
| <b>Other income;</b>                                      |  |  |                    |
| Interest income   | 436  | <b>407</b>                                       | (29)               |
| Dividend income   | 365  | <b>633</b>                                       | 268                |
| Revenue from investment in affiliates                     | 54   | —  | (54)               |
| Reversal of allowance for doubtful account                | —  | <b>624</b>                                       | 624                |
| Others  | 444  | <b>671</b>                                       | 227                |
| <b>Total other income</b>                                 | <b>1,301</b>                                     | <b>2,337</b>                                     | 1,036              |
| <b>Other expenses;</b>                                    |  |  |                    |
| Interest expenses   | 1,419  | <b>1,336</b>                                     | (83)               |
| Loss on investment in affiliates                          | —  | <b>1,328</b>                                     | 1,328              |
| Foreign exchange loss                                     | 1,270  | <b>157</b>                                       | (1,113)            |
| Others  | 770  | <b>732</b>                                       | (38)               |
| <b>Total other expenses</b>                               | <b>3,460</b>                                     | <b>3,555</b>                                     | 95                 |
| <b>Ordinary income</b>                                    | <b>6,861</b>                                     | <b>6,953</b>                                     | 92                 |
| <b>Extraordinary income</b>                               |  |  |                    |
| Gain on sale of property and equipment                    | —  | <b>524</b>                                       | 524                |
| Gain on sales of investment securities                    | —  | <b>481</b>                                       | 481                |
| Amortization of consolidation negative goodwill           | —  | <b>1,101</b>                                     | 1,101              |
| <b>Total extraordinary income</b>                         | —  | <b>2,108</b>                                     | 2,108              |
| <b>Extraordinary loss;</b>                                |  |  |                    |
| Loss on devaluation of investments securities             | —  | <b>200</b>                                       | 200                |
| <b>Total extraordinary loss</b>                           | —  | <b>200</b>                                       | 200                |
| <b>Income before income taxes</b>                         | <b>6,861</b>                                     | <b>8,861</b>                                     | 2,000              |
| Income taxes  | 2,852  | <b>2,805</b>                                     | (47)               |
| <b>Net income</b>   | <b>4,009</b>                                     | <b>6,055</b>                                     | 2,046              |
| Net income attributable to                                |  |  |                    |
| Net income attributable to owners of the parent           | 3,981  | <b>6,053</b>                                     | 2,072              |
| Net income(loss) attributable to minority interests       | 27   | <b>1</b>   | (26)               |
| <b>Other Comprehensive Income</b>                         |  |  |                    |
| Net unrealized holding gains on securities                | 2,012  | <b>(4,037)</b>                                   | (6,049)            |
| Deferred hedge profit and loss                            | 1,516  | <b>(1,514)</b>                                   | (3,030)            |
| Foreign currency translation adjustments                  | (560)  | <b>306</b>                                       | 866                |
| Remeasurements of defined benefit plans                   | 410  | <b>326</b>                                       | (84)               |
| Share of other comprehensive income of affiliates         | —  | <b>255</b>                                       | 255                |
| <b>Total other comprehensive Income</b>                   | <b>3,379</b>                                     | <b>(4,662)</b>                                   | (8,041)            |
| <b>Comprehensive Income</b>                               | <b>7,388</b>                                     | <b>1,393</b>                                     | (5,995)            |
| Comprehensive income attributable to                      |  |  |                    |
| Comprehensive income attributable to owners of the parent | 7,424  | <b>1,342</b>                                     | (6,082)            |
| Comprehensive income attributable to minority interests   | (35)   | <b>50</b>  | 85                 |

## Financial Results for the Second Quarter ended September 30, 2015

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

|   | <i>Millions of yen</i>                           |  |                        |
|---|--|--|------------------------|
|   | Second<br>quarter ended<br>September<br>30, 2014 | Second<br>quarter ended<br>September<br>30, 2015 | Increase<br>(Decrease) |
| <b>Cash flows from operating activities:</b>                          |  |  |                        |
| Income before income taxes  | 6,861  | 8,861  | 2,000                  |
| Depreciation and amortization   | 1,978  | 2,141  | 163                    |
| Amortization of goodwill  | 93   | 115  | 22                     |
| Increase(decrease) in allowance for doubtful receivables              | 207  | (626)  | (833)                  |
| Increase(decrease) in retirement benefits                             | (2,663)  | 354  | 354                    |
| Interest and dividend income  | (802)  | (1,041)  | (239)                  |
| Interest expense  | 1,419  | 1,336  | (83)                   |
| Foreign exchange loss(gain)   | (887)  | 185  | 1,072                  |
| Equity in earnings of affiliated companies (gain)                     | (54)   | 1,328  | 1,382                  |
| Gain on sale of property and equipment                                | —  | (524)  | (524)                  |
| Amortization of consolidation negative goodwill                       | —  | (1,101)  | (1,101)                |
| Loss on devaluation of investments securities                         | —  | 200  | 200                    |
| (Increase)decrease in trade receivables                               | (12,058)   | 30,713   | 42,771                 |
| (Increase)decrease in inventories                                     | (21,646)   | 19,807   | 41,453                 |
| Increase(decrease) in trade notes and accounts payable                | 2,441  | (24,427)   | (26,868)               |
| (Increase)decrease in deposits received                               | 10,538   | 13,065   | 2,527                  |
| Increase(decrease) in advanced payment                                | (9,620)  | (12,395)   | (2,775)                |
| Other, net  | 3,378  | (5,469)  | (8,847)                |
| <b>Sub total</b>  | <b>(20,813)</b>                                  | <b>32,040</b>                                    | <b>52,853</b>          |
| Interest and dividends received                                       | 693  | 909  | 216                    |
| Interest paid   | (1,345)  | (1,270)  | 75                     |
| Income taxes paid   | (3,214)  | (2,365)  | 849                    |
| <b>Net cash provided by (used in) operating activities</b>            | <b>(24,679)</b>                                  | <b>29,313</b>                                    | <b>53,992</b>          |
| <b>Cash flows from investing activities:</b>                          |  |  |                        |
| Payment for time deposits   | (6)  | (139)  | (133)                  |
| Proceeds from refund of time deposits                                 | 6  | 187  | 181                    |
| Proceeds from redemption of securities                                | 2,000  | —  | (2,000)                |
| Payment for purchase of property and equipment                        | (1,510)  | (4,335)  | (2,825)                |
| Proceeds from sale of property and equipment                          | 49   | 1,990  | 1,941                  |
| Payment for purchase of investment securities                         | (6,307)  | (2,725)  | 3,582                  |
| Proceeds from sale and redemption of investment securities            | 3,070  | 633  | (2,437)                |
| Net increase(decrease) from purchase of consolidated subsidiaries     | —  | (2,165)  | (2,165)                |
| (Increase)decrease in short – term loans receivable, net              | (52)   | (104)  | (52)                   |
| Increase in long – term loans receivable                              | (0)  | (6,635)  | (6,635)                |
| Collection of long-term loans receivable                              | 12   | 13   | 1                      |
| Other, net  | 702  | 884  | 182                    |
| <b>Net cash used in investing activities</b>                          | <b>(2,036)</b>                                   | <b>(12,395)</b>                                  | <b>(10,359)</b>        |
| <b>Cash flows from financing activities:</b>                          |  |  |                        |
| Increase(decrease) in short-term loans, net                           | 28,104   | (4,516)  | (32,620)               |
| Increase(decrease) in commercial paper, net                           | 15,000   | (10,000)   | (25,000)               |
| Proceeds from long-term debt  | 5,200  | 6,220  | 6,220                  |
| Repayments of long-term debt  | (15,123)   | (7,624)  | 7,499                  |
| Proceeds from issuance of bonds                                       | 9,950  | 9,950  | —                      |
| Payment for redemption of bonds                                       | (10,000)   | (10,028)   | (28)                   |
| Payment for cash dividends  | (1,243)  | (1,552)  | (309)                  |
| Cash dividends paid to minority interest in consolidated subsidiaries | (46)   | (34)   | 12                     |
| Other, net  | 105  | (167)  | (272)                  |
| <b>Net cash provided by (used in) financing activities</b>            | <b>31,946</b>                                    | <b>(17,754)</b>                                  | <b>(49,700)</b>        |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>   | <b>(124)</b>                                     | <b>71</b>  | <b>195</b>             |
| <b>Net increase(decrease) in cash and cash equivalents</b>            | <b>5,106</b>                                     | <b>(765)</b>                                     | <b>(5,871)</b>         |
| <b>Cash and cash equivalents at beginning of year</b>                 | <b>15,919</b>                                    | <b>24,515</b>                                    | <b>8,596</b>           |
| <b>Cash and cash equivalents from newly consolidated subsidiaries</b> | <b>533</b>                                       | <b>884</b>                                       | <b>351</b>             |
| <b>Cash and cash equivalents at end of period</b>                     | <b>21,559</b>                                    | <b>24,634</b>                                    | <b>3,075</b>           |

## Financial Results for the Second Quarter ended September 30, 2015

## 《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

Other business: Lumber, machinery, and others

Segment information by business category for the second quarter ended September 30, 2014 and 2015, is as follows:  
(Rounded down to millions of yen)

## Second quarter ended September 30, 2014

Millions of yen

|                      | Reportable segment |                 |                    |        |                       |           | Other   | Total   | Adjustment | Consolidated |
|----------------------|--------------------|-----------------|--------------------|--------|-----------------------|-----------|---------|---------|------------|--------------|
|                      | Steel              | Metals & alloys | Non-ferrous metals | Foods  | Petroleum & chemicals | Sub-total |         |         |            |              |
| Net sales            |                    |                 |                    |        |                       |           |         |         |            |              |
| Customers            | 413,380            | 62,050          | 40,852             | 43,340 | 227,740               | 787,363   | 73,752  | 861,116 | —          | 861,116      |
| Inter-segment        | 10,298             | 3,397           | 732                | 580    | 3,452                 | 18,461    | 42,177  | 60,639  | (60,639)   | —            |
| Total                | 423,679            | 65,447          | 41,584             | 43,920 | 231,193               | 805,825   | 115,930 | 921,755 | (60,639)   | 861,116      |
| Segment income(loss) | 6,810              | (27)            | 175                | 593    | 1,204                 | 8,757     | 355     | 9,112   | (2,251)    | 6,861        |

## Second quarter ended September 30, 2015

Millions of yen

|                      | Reportable segment |                 |                    |        |                       |           | Other   | Total   | Adjustment | Consolidated |
|----------------------|--------------------|-----------------|--------------------|--------|-----------------------|-----------|---------|---------|------------|--------------|
|                      | Steel              | Metals & alloys | Non-ferrous metals | Foods  | Petroleum & chemicals | Sub-total |         |         |            |              |
| Net sales            |                    |                 |                    |        |                       |           |         |         |            |              |
| Customers            | 396,571            | 72,273          | 44,726             | 47,027 | 147,202               | 707,801   | 80,415  | 788,216 | —          | 788,216      |
| Inter-segment        | 9,747              | 1,693           | 537                | 677    | 2,839                 | 15,495    | 48,815  | 64,310  | (64,310)   | —            |
| Total                | 406,318            | 73,966          | 45,264             | 47,705 | 150,042               | 723,296   | 129,230 | 852,527 | (64,310)   | 788,216      |
| Segment income(loss) | 6,348              | 1,303           | 515                | (164)  | 1,006                 | 9,009     | 518     | 9,528   | (2,575)    | 6,953        |

## Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section, machinery section and overseas sales subsidiaries.
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.