

Financial Results for the Third Quarter ended December 31, 2015

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

February 10, 2016

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 12, 2016 The date of payout of dividend: —
 (Rounded down to millions of yen)

1. Consolidated financial results for the third quarter ended December 31, 2015

(1) Consolidated operating results (% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the third quarter ended December 31, 2015	1,172,644	(10.3)	13,521	(1.1)	11,348	18.7	8,127	43.7
ended December 31, 2014	1,307,884	6.5	13,666	19.1	9,562	(11.4)	5,655	(4.5)

Note: Comprehensive income For the third quarter ended December 31, 2015 5,724 million yen (51.9) %
 For the third quarter ended December 31, 2014 11,904 million yen (19.0) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the third quarter ended December 31, 2015	39.22	—
ended December 31, 2014	27.29	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
December 31, 2015	639,946	145,322	22.5	695.01
March 31, 2015	651,456	142,749	21.7	682.46

Note: Shareholders' equity As of December 31, 2015 144,012 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		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	18,000	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 Third Quarter ended December 31, 2015

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2015	December 31, 2015	Increase(Decrease)
Assets			
Current assets;			
Cash and deposits	24,542	26,118	1,576
Trade notes and accounts receivable	321,642	305,523	(16,119)
Securities	2,610	2,586	(24)
Inventories	133,055	108,659	(24,396)
Others	29,442	35,539	6,097
Allowance for doubtful receivables	(915)	(340)	575
Total current assets	510,377	478,087	(32,290)
Fixed assets;			
Property and equipment;			
Land	31,676	35,366	3,690
Others	29,270	32,753	3,483
Total property and equipment	60,946	68,120	7,174
Intangible assets	2,019	2,010	(9)
Investments and other assets;			
Investment securities	58,293	63,161	4,868
Others	20,114	29,073	8,959
Allowance for doubtful receivables	(295)	(506)	(211)
Total investments and other assets	78,112	91,728	13,616
Total fixed assets	141,078	161,858	20,780
Total assets	651,456	639,946	(11,510)
Liabilities;			
Current liabilities;			
Trade notes and accounts payable	180,155	170,918	(9,237)
Short-term loans payable	82,155	88,154	5,999
Commercial paper	27,000	5,000	(22,000)
Current portion of bonds payable	10,000	10,039	39
Income taxes payable	1,231	538	(693)
Accrued bonuses	2,051	1,225	(826)
Reserved for operating losses for affiliate companies	—	512	512
Others	39,602	43,083	3,481
Total current liabilities	342,196	319,471	(22,725)
Long-term liabilities;			
Bonds payable	30,000	30,108	108
Long-term loans payable	122,352	130,894	8,542
Retirement benefits liabilities	412	503	91
Others	13,745	13,647	(98)
Total long-term liabilities	166,510	175,152	8,642
Total liabilities	508,706	494,623	(14,083)
Net assets;			
Shareholders' equity;			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	82,110	87,490	5,380
Treasury stock	(1,445)	(1,448)	(3)
Total shareholders' equity	126,320	131,696	5,376
Accumulated other comprehensive income			
Net unrealized holding gains on securities	11,621	10,723	(898)
Deferred hedge profit and loss	1,526	(159)	(1,685)
Land revaluation difference	3,250	2,868	(382)
Foreign currency translation adjustments	2,356	2,049	(307)
Remeasurements of defined benefit plans	(3,660)	(3,167)	493
Total accumulated other comprehensive income	15,094	12,315	(2,779)
Minority interests	1,334	1,309	(25)
Total net assets	142,749	145,322	2,573
Total liabilities and net assets	651,456	639,946	(11,510)

Financial Results for the Third Quarter ended December 31, 2015

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Third quarter ended December 31, 2014	Third quarter ended December 31, 2015	Increase(Decrease)
Net sales	1,307,884	1,172,644	(135,240)
Cost of sales	1,266,479	1,130,306	(136,173)
Gross profit	41,405	42,338	933
Selling, general and administrative expenses	27,738	28,816	1,078
Operating income	13,666	13,521	(145)
Other income;			
Interest income	638	725	87
Dividend income	506	1,008	502
Equity in earnings of affiliates	133	—	(133)
Others	656	1,486	830
Total other income	1,935	3,219	1,284
Other expenses;			
Interest expenses	2,194	2,049	(145)
Loss on investment in affiliates	—	1,260	1,260
Foreign exchange loss	2,748	1,036	(1,712)
Others	1,097	1,046	(51)
Total other expenses	6,040	5,393	(647)
Ordinary income	9,562	11,348	1,786
Extraordinary income			
Gain on sale of property and equipment	—	532	532
Gain on sales of investment securities	—	500	500
Amortization of consolidation negative goodwill	—	1,101	1,101
Total extraordinary income	—	2,133	2,133
Extraordinary loss;			
Loss on devaluation of investments securities	124	1,042	918
Business loss of affiliates	495	—	(495)
Total extraordinary loss	620	1,042	422
Income before income taxes	8,941	12,439	3,498
Income taxes	3,239	4,329	1,090
Net income	5,702	8,110	2,408
Net income attributable to			
Net income attributable to owners of the parent	5,655	8,127	2,472
Net income(loss) attributable to minority interests	46	(17)	(63)
Other Comprehensive Income			
Net unrealized holding gains on securities	3,114	(898)	(4,012)
Deferred hedge profit and loss	1,641	(1,685)	(3,326)
Foreign currency translation adjustments	829	(374)	(1,203)
Remeasurements of defined benefit plans	616	492	(124)
Share of other comprehensive income of affiliates	—	80	80
Total other comprehensive Income	6,202	(2,385)	(8,587)
Comprehensive Income	11,904	5,724	(6,180)
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	11,834	5,729	(6,105)
Comprehensive income attributable to minority interests	69	(5)	(74)

Financial Results for the Third Quarter ended December 31, 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, 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

Segment information by business category for the third quarter ended December 31, 2014 and 2015, is as follows:

(Rounded down to millions of yen)

Third quarter ended December 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	637,118	90,389	62,817	69,920	331,587	1,191,833	116,050	1,307,884	—	1,307,884
Inter-segment	15,521	4,537	1,068	644	5,802	27,575	62,755	90,330	(90,330)	—
Total	652,640	94,926	63,886	70,565	337,389	1,219,408	178,806	1,398,215	(90,330)	1,307,884
Segment income(loss)	10,633	(1,171)	676	1,091	1,099	12,329	724	13,053	(3,491)	9,562

Third quarter ended December 31, 2015

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	601,016	97,765	63,942	71,766	215,511	1,050,002	122,642	1,172,644	—	1,172,644
Inter-segment	15,408	2,347	858	902	3,969	23,487	66,760	90,248	(90,248)	—
Total	616,425	100,113	64,800	72,669	219,481	1,073,490	189,402	1,262,892	(90,248)	1,172,644
Segment income(loss)	10,619	1,513	743	182	1,511	14,570	579	15,150	(3,801)	11,348

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.