

# Financial Results for the First Quarter ended June 30, 2016

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

August 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: August 12, 2016

## 1. Consolidated financial results for the first quarter ended June 30, 2016

(Rounded down to millions of yen)

### (1) Consolidated operating results

(% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the first quarter ended June 30, 2016	350,562	(11.9)	4,951	4.0	4,791	23.0	2,805	(4.9)
ended June 30, 2015	398,045	(6.0)	4,759	17.9	3,894	3.0	2,948	45.4

Note: Comprehensive income For the first quarter ended June 30, 2016 (541) million yen -%  
 For the first quarter ended June 30, 2015 3,589 million yen 17.9%

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the first quarter ended June 30, 2016	13.57	—
ended June 30, 2015	14.23	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
June 30, 2016	600,751	152,155	25.1	742.86
March 31, 2016	599,694	156,139	25.8	747.40

Note: Shareholders' equity As of June 30, 2016 150,954 million yen  
 As of March 31, 2016 154,866 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, 2016	—	8.00	—	10.00	18.00
Year ending March 31, 2017 (estimated)	—	9.00	—	9.00	18.00

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2017

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the Company		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	(yen)
Annual	1,600,000	5.8	21,000	15.5	19,000	23.2	13,000	(49.0)	62.74	

\* 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 First Quarter ended June 30, 2016

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2016	June 30, 2016	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	27,115	36,463	9,348
Trade notes and accounts receivable	260,151	261,372	1,221
Electronically recorded monetary claims	16,141	19,591	3,450
Inventories	106,050	98,623	(7,427)
Others	42,081	43,683	1,602
Allowance for doubtful receivables	(287)	(265)	22
<b>Total current assets</b>	<b>451,253</b>	<b>459,469</b>	<b>8,216</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Land	30,144	30,133	(11)
Others	31,418	30,523	(895)
<b>Total property and equipment</b>	<b>61,563</b>	<b>60,656</b>	<b>(907)</b>
<b>Intangible assets</b>	1,955	2,043	88
<b>Investments and other assets;</b>			
Investment securities	58,671	56,052	(2,619)
Others	26,735	23,008	(3,727)
Allowance for doubtful receivables	(485)	(478)	7
<b>Total investments and other assets</b>	<b>84,921</b>	<b>78,582</b>	<b>(6,339)</b>
<b>Total fixed assets</b>	<b>148,440</b>	<b>141,282</b>	<b>(7,158)</b>
<b>Total assets</b>	<b>599,694</b>	<b>600,751</b>	<b>1,057</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	149,857	150,901	1,044
Short-term loans payable	66,734	72,749	6,015
Current portion of bonds payable	10,039	10,021	(18)
Income taxes payable	326	453	127
Accrued bonuses	2,192	1,229	(963)
Provision for loss on business of subsidiaries and affiliates	512	512	—
Others	39,742	40,086	344
<b>Total current liabilities</b>	<b>269,405</b>	<b>275,953</b>	<b>6,548</b>
<b>Long-term liabilities;</b>			
Bonds payable	30,097	30,097	—
Long-term loans payable	129,420	128,948	(472)
Retirement benefits liabilities	4,075	4,047	(28)
Others	10,555	9,548	(1,007)
<b>Total long-term liabilities</b>	<b>174,149</b>	<b>172,642</b>	<b>(1,507)</b>
<b>Total liabilities</b>	<b>443,555</b>	<b>448,596</b>	<b>5,041</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	104,600	106,258	1,658
Treasury stock	(1,449)	(3,714)	(2,265)
<b>Total shareholders' equity</b>	<b>148,807</b>	<b>148,200</b>	<b>(607)</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains on securities	8,024	5,153	(2,871)
Deferred hedge profit and loss	(376)	(417)	(41)
Land revaluation difference	2,966	2,966	—
Foreign currency translation adjustments	1,842	1,256	(586)
Remeasurements of defined benefit plans	(6,397)	(6,203)	194
<b>Total accumulated other comprehensive income</b>	<b>6,059</b>	<b>2,754</b>	<b>(3,305)</b>
<b>Minority interests</b>	1,272	1,200	(72)
<b>Total net assets</b>	<b>156,139</b>	<b>152,155</b>	<b>(3,984)</b>
<b>Total liabilities and net assets</b>	<b>599,694</b>	<b>600,751</b>	<b>1,057</b>

## Financial Results for the First Quarter ended June 30, 2016

## 《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	First quarter ended June 30, 2015	First quarter ended June 30, 2016	Increase(Decrease)
<b>Net sales</b>	398,045	<b>350,562</b>	(47,483)
Cost of sales	383,811	<b>335,588</b>	(48,223)
<b>Gross profit</b>	14,233	<b>14,974</b>	741
Selling, general and administrative expenses	9,474	<b>10,023</b>	549
<b>Operating income</b>	4,759	<b>4,951</b>	192
<b>Other income;</b>			
Interest income	205	<b>268</b>	63
Dividend income	419	<b>473</b>	54
Revenue from investment in affiliates	—	<b>18</b>	18
Others	880	<b>374</b>	(506)
Total other income	1,505	<b>1,135</b>	(370)
<b>Other expenses;</b>			
Interest expenses	696	<b>652</b>	(44)
Loss on investment in affiliates	1,245	—	(1,245)
Foreign exchange loss	124	<b>374</b>	250
Others	303	<b>268</b>	(35)
Total other expenses	2,370	<b>1,295</b>	(1,075)
<b>Ordinary income</b>	3,894	<b>4,791</b>	897
<b>Extraordinary income</b>			
Gain on sale of property and equipment	350	—	(350)
Total extraordinary income	350	—	(350)
<b>Extraordinary loss;</b>			
Loss on devaluation of investments securities	150	—	(150)
Total extraordinary loss	150	—	(150)
<b>Income before income taxes and minority interest</b>	4,094	<b>4,791</b>	697
Income taxes	1,155	<b>1,966</b>	811
<b>Net income</b>	2,939	<b>2,824</b>	(115)
Net income attributable to			
Net income attributable to owners of the Company	2,948	<b>2,805</b>	(143)
Net income(loss) attributable to minority interests	(9)	<b>18</b>	27
<b>Other Comprehensive Income</b>			
Net unrealized holding gains on securities	983	<b>(2,871)</b>	(3,854)
Deferred hedge profit and loss	(896)	<b>(40)</b>	856
Foreign currency translation adjustments	263	<b>(579)</b>	(842)
Remeasurements of defined benefit plans	164	<b>194</b>	30
Share of other comprehensive income of affiliates	135	<b>(68)</b>	(203)
Total other comprehensive Income	650	<b>(3,365)</b>	(4,015)
<b>Comprehensive Income</b>	3,589	<b>(541)</b>	(4,130)
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	3,566	<b>(499)</b>	(4,065)
Comprehensive income attributable to minority interests	22	<b>(42)</b>	(64)

## Financial Results for the First Quarter ended June 30, 2016

## 《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

Overseas sales subsidiaries : Wholesale trade, general merchandise

Segment information by business category for the first quarter ended June 30, 2015 and 2016, is as follows:  
(Rounded down to millions of yen)

## First quarter ended June 30, 2015

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	195,142	36,756	23,681	24,825	78,433	25,388	384,227	13,817	398,045	—	398,045
Inter-segment	5,024	1,006	268	104	1,484	24,365	32,254	347	32,602	(32,602)	—
Total	200,166	37,763	23,950	24,930	79,917	49,753	416,482	14,165	430,647	(32,602)	398,045
Segment income(loss)	2,859	684	395	70	382	23	4,416	480	4,897	(1,002)	3,894

## First quarter ended June 30, 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	175,599	30,242	18,434	21,849	57,312	25,645	329,083	21,478	350,562	—	350,562
Inter-segment	4,171	816	364	112	1,644	16,385	23,496	541	24,038	(24,038)	—
Total	179,771	31,059	18,798	21,962	58,956	42,031	352,579	22,020	374,600	(24,038)	350,562
Segment income(loss)	4,300	158	422	439	379	163	5,864	432	6,296	(1,505)	4,791

## 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.