

Financial Results for the Second Quarter ended September 30, 2016

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

November 11, 2016

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)
 Representative: Hironari Furukawa President
 Enquiries: Yoichi Nakagawa Director, Managing Executive Officer
 TEL 81 - 3 - 3544 - 2000

The date of issue of audited financial statements: November 14, 2016 The date of payout of dividend: December 6, 2016
 (Rounded down to millions of yen)

1. Consolidated financial results for the second quarter ended September 30, 2016

(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, 2016	715,619	(9.2)	10,937	33.9	9,919	42.7	6,207	2.5
ended September 30, 2015	788,216	(8.5)	8,170	(9.4)	6,953	1.3	6,053	52.0

Note: Comprehensive income For the second quarter ended September 30, 2016 4,137 million yen 197.0 %
 For the second quarter ended September 30, 2015 1,393 million yen (81.1) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the second quarter ended September 30, 2016	30.28	—
ended September 30, 2015	29.22	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
September 30, 2016	599,903	156,615	25.9	765.42
March 31, 2016	599,694	156,139	25.8	747.40

Note: Shareholders' equity As of September 30, 2016 155,536 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		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	1,500,000	(0.8)	21,000	15.5	19,000	23.2	13,000	(49.0)	63.42	

* 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, 2016

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2016	September 30, 2016	Increase(Decrease)
Assets			
Current assets;			
Cash and deposits	27,115	40,563	13,448
Trade notes and accounts receivable	260,151	262,168	2,016
Electronically recorded monetary claims	16,141	21,247	5,106
Inventories	106,050	94,476	(11,574)
Others	42,081	33,860	(8,220)
Allowance for doubtful receivables	(287)	(272)	14
Total current assets	451,253	452,044	790
Fixed assets;			
Property and equipment;			
Land	30,144	30,114	(29)
Others	31,418	29,424	(1,993)
Total property and equipment	61,563	59,539	(2,023)
Intangible assets	1,955	1,946	(8)
Investments and other assets;			
Investment securities	58,671	62,691	4,020
Others	26,735	24,145	(2,589)
Allowance for doubtful receivables	(485)	(464)	21
Total investments and other assets	84,921	86,373	1,451
Total fixed assets	148,440	147,859	(581)
Total assets	599,694	599,903	209
Liabilities;			
Current liabilities;			
Trade notes and accounts payable	149,857	158,137	8,280
Short-term loans payable	66,734	74,855	8,120
Current portion of bonds payable	10,039	10,021	(18)
Income taxes payable	326	3,595	3,269
Accrued bonuses	2,192	2,269	76
Provision for loss on business of subsidiaries and affiliates	512	512	—
Others	39,742	30,678	(9,064)
Total current liabilities	269,405	280,070	10,664
Long-term liabilities;			
Bonds payable	30,097	30,087	(10)
Long-term loans payable	129,420	118,254	(11,166)
Retirement benefits liabilities	4,075	3,979	(96)
Others	10,555	10,896	341
Total long-term liabilities	174,149	163,217	(10,931)
Total liabilities	443,555	443,287	(267)
Net assets;			
Shareholders' equity;			
Common stock	45,651	45,651	—
Capital surplus	4	—	(4)
Retained earnings	104,600	109,451	4,850
Treasury stock	(1,449)	(3,715)	(2,266)
Total shareholders' equity	148,807	151,387	2,579
Accumulated other comprehensive income;			
Net unrealized holding gains on securities	8,024	8,129	104
Deferred hedge profit and loss	(376)	(362)	13
Land revaluation difference	2,966	2,966	—
Foreign currency translation adjustments	1,842	(574)	(2,417)
Remeasurements of defined benefit plans	(6,397)	(6,008)	389
Total accumulated other comprehensive income	6,059	4,149	(1,910)
Minority interests	1,272	1,079	(193)
Total net assets	156,139	156,615	476
Total liabilities and net assets	599,694	599,903	209

Financial Results for the Second Quarter ended September 30, 2016

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30,	Second quarter ended September 30,	Increase(Decrease)
Net sales	788,216	715,619	(72,597)
Cost of sales	760,785	684,823	(75,961)
Gross profit	27,431	30,795	3,363
Selling, general and administrative expenses	19,260	19,857	597
Operating income	8,170	10,937	2,766
Other income;			
Interest income	407	522	114
Dividend income	633	541	(92)
Others	1,296	728	(567)
Total other income	2,337	1,792	(545)
Other expenses;			
Interest expenses	1,336	1,281	(54)
Loss on investment in affiliates	1,328	24	(1,304)
Foreign exchange loss	157	831	674
Others	732	672	(60)
Total other expenses	3,555	2,810	(745)
Ordinary income	6,953	9,919	2,966
Extraordinary income;			
Gain on sale of property and equipment	524	—	(524)
Amortization of consolidation negative goodwill	1,101	—	(1,101)
Gain on sales of investment securities	481	126	(355)
Total extraordinary income	2,108	126	(1,981)
Extraordinary loss;			
Loss on devaluation of investments securities	200	—	(200)
Loss on liquidation of business	—	209	209
Total extraordinary loss	200	209	9
Income before income taxes	8,861	9,836	974
Income taxes	2,805	3,609	803
Net income	6,055	6,226	171
Net income attributable to			
Net income attributable to owners of the parent	6,053	6,207	153
Net income(loss) attributable to minority interests	1	19	17
Other Comprehensive Income;			
Net unrealized holding gains on securities	(4,037)	104	4,142
Deferred hedge profit and loss	(1,514)	13	1,528
Foreign currency translation adjustments	306	(2,318)	(2,625)
Remeasurements of defined benefit plans	326	389	62
Share of other comprehensive income of affiliates	255	(277)	(533)
Total other comprehensive Income	(4,662)	(2,089)	2,572
Comprehensive Income	1,393	4,137	2,744
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	1,342	4,297	2,954
Comprehensive income attributable to minority interests	50	(160)	(210)

Financial Results for the Second Quarter ended September 30, 2016

《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2015	Second quarter ended September 30, 2016	Increase (Decrease)
Cash flows from operating activities;			
Income before income taxes	8,861	9,836	974
Depreciation and amortization	2,141	2,001	(139)
Amortization of goodwill	115	115	—
Increase(decrease) in allowance for doubtful receivables	(626)	(19)	606
Interest and dividend income	(1,041)	(1,063)	(22)
Interest expense	1,336	1,281	(54)
Equity in earnings of affiliated companies (gain)	1,328	24	(1,304)
Gain on sale of property and equipment	(524)	—	524
Amortization of consolidation negative goodwill	(1,101)	—	1,101
Gain on sales of investment securities of unconsolidated subsidiaries	(481)	(126)	355
Loss on devaluation of investments securities	200	—	(200)
Loss on liquidation of business	—	209	209
(Increase)decrease in trade receivables	30,713	(8,493)	(39,206)
(Increase)decrease in inventories	19,807	10,911	(8,895)
Increase(decrease) in trade notes and accounts payable	(24,427)	7,431	31,858
(Increase)decrease in deposits received	13,065	(9,732)	(22,797)
Increase(decrease) in advanced payment	(12,395)	5,031	17,427
Increase(decrease) in retirement benefits	354	472	117
Other, net	(5,284)	3,087	8,370
Sub total	32,040	20,967	(11,072)
Interest and dividends received	909	758	(150)
Interest paid	(1,270)	(1,224)	46
Income taxes paid	(2,365)	1,537	3,903
Net cash provided by (used in) operating activities	29,313	22,040	(7,272)
Cash flows from investing activities;			
Payment for time deposits	(139)	(106)	32
Proceeds from refund of time deposits	187	1,177	989
Payment for purchase of property and equipment	(4,335)	(1,191)	3,143
Proceeds from sale of property and equipment	1,990	79	(1,910)
Payment for purchase of investment securities	(2,725)	(1,718)	1,006
Proceeds from sale and redemption of investment securities	633	386	(247)
Net increase(decrease) from purchase of consolidated subsidiaries	(2,165)	—	2,165
(Increase)decrease in short – term loans receivable, net	(104)	182	286
Increase in long – term loans receivable	(6,635)	(1,545)	5,090
Collection of long-term loans receivable	13	1	(12)
Other, net	884	1,428	543
Net cash used in investing activities	(12,395)	(1,308)	11,087
Cash flows from financing activities;			
Increase(decrease) in short-term loans, net	(4,516)	(131)	4,385
Increase(decrease) in commercial paper, net	(10,000)	—	10,000
Proceeds from long-term debt	6,220	250	(5,970)
Repayments of long-term debt	(7,624)	(900)	6,724
Proceeds from issuance of bonds	9,950	—	(9,950)
Payment for redemption of bonds	(10,028)	(28)	10,000
Purchase of treasury stock	(2)	(2,266)	(2,263)
Payment for cash dividends	(1,552)	(2,070)	(518)
Cash dividends paid to minority interest in consolidated subsidiaries	(34)	(29)	5
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	—	(217)	(217)
Other, net	(165)	(109)	55
Net cash provided by (used in) financing activities	(17,754)	(5,503)	12,251
Effect of exchange rate changes on cash and cash equivalents	71	(1,417)	(1,489)
Net increase(decrease) in cash and cash equivalents	(765)	13,812	14,577
Cash and cash equivalents at beginning of year	24,515	25,804	1,289
Cash and cash equivalents from newly consolidated subsidiaries	884	791	(93)
Cash and cash equivalents at end of period	24,634	40,408	15,773

Financial Results for the Second Quarter ended September 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 second quarter ended September 30, 2015 and 2016, is as follows:

(Rounded down to millions of yen)

Second quarter ended September 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	396,571	72,273	44,726	47,027	147,202	51,918	759,719	28,496	788,216	—	788,216
Inter-segment	9,747	1,693	537	677	2,839	48,155	63,651	659	64,310	(64,310)	—
Total	406,318	73,966	45,264	47,705	150,042	100,074	823,370	29,156	852,527	(64,310)	788,216
Segment income(loss)	6,348	1,303	515	(164)	1,006	(54)	8,954	573	9,528	(2,575)	6,953

Second quarter ended September 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	364,446	60,140	36,375	44,492	121,771	49,632	676,860	38,759	715,619	—	715,619
Inter-segment	6,593	1,586	764	233	3,302	33,003	45,483	874	46,357	(46,357)	—
Total	371,040	61,727	37,140	44,726	125,074	82,635	722,343	39,633	761,976	(46,357)	715,619
Segment income(loss)	8,597	(188)	517	1,009	938	19	10,893	983	11,876	(1,957)	9,919

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 allocated 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.