

Financial Results for the Third Quarter ended December 31, 2016

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

February 10, 2017

Company name: **HANWA Co.,Ltd.**

Listed stock exchange: Tokyo

Stock exchange code: 8078

(URL <http://www.hanwa.co.jp>)

Representative: Hironari Furukawa President

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The date of issue of audited financial statements: February 14, 2017 The date of payout of dividend: —

(Rounded down to millions of yen)

1. Consolidated financial results for the third quarter ended December 31, 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 third quarter ended December 31, 2016	1,098,828	(6.3)	16,327	20.8	15,051	32.6	9,718	19.6
ended December 31, 2015	1,172,644	(10.3)	13,521	(1.1)	11,348	18.7	8,127	43.7

Note: Comprehensive income For the third quarter ended December 31, 2016 12,646 million yen 120.9 %
For the third quarter ended December 31, 2015 5,724 million yen (51.9) %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the third quarter ended December 31, 2016	47.55	—
ended December 31, 2015	39.22	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
December 31, 2016	682,901	163,293	23.8	798.22
March 31, 2016	599,694	156,139	25.8	747.40

Note: Shareholders' equity As of December 31, 2016 162,199 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)	(%)
Annual	1,500,000	(0.8)	21,000	15.5	19,000	23.2	13,000	(49.0)
								(yen)
								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 Third Quarter ended December 31, 2016

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2016	December 31 2016	Increase(Decrease)
Assets			
Current assets;			
Cash and deposits	27,115	34,299	7,183
Trade notes and accounts receivable	260,151	310,552	50,400
Electronically recorded monetary claims	16,141	28,777	12,636
Securities	—	2	2
Inventories	106,050	99,063	(6,987)
Others	42,081	53,880	11,798
Allowance for doubtful receivables	(287)	(321)	(34)
Total current assets	451,253	526,254	75,000
Fixed assets;			
Property and equipment;			
Land	30,144	30,113	(31)
Others	31,418	29,042	(2,376)
Total property and equipment	61,563	59,155	(2,407)
Intangible assets	1,955	1,950	(5)
Investments and other assets;			
Investment securities	58,671	69,528	10,857
Others	26,735	26,507	(228)
Allowance for doubtful receivables	(485)	(494)	(9)
Total investments and other assets	84,921	95,541	10,620
Total fixed assets	148,440	156,647	8,207
Total assets	599,694	682,901	83,207
Liabilities;			
Current liabilities;			
Trade notes and accounts payable	149,857	199,876	50,018
Short-term loans payable	66,734	85,502	18,767
Current portion of bonds payable	10,039	21	(10,018)
Income taxes payable	326	4,954	4,627
Accrued bonuses	2,192	1,315	(877)
Provision for loss on business of subsidiaries and affiliates	512	512	—
Others	39,742	59,491	19,748
Total current liabilities	269,405	351,673	82,267
Long-term liabilities;			
Bonds payable	30,097	40,087	9,989
Long-term loans payable	129,420	111,466	(17,953)
Retirement benefits liabilities	4,075	3,946	(129)
Others	10,555	12,435	1,879
Total long-term liabilities	174,149	167,935	(6,214)
Total liabilities	443,555	519,608	76,053
Net assets;			
Shareholders' equity;			
Common stock	45,651	45,651	—
Capital surplus	4	—	(4)
Retained earnings	104,600	111,132	6,531
Treasury stock	(1,449)	(3,718)	(2,268)
Total shareholders' equity	148,807	153,065	4,258
Accumulated other comprehensive income;			
Net unrealized holding gains on securities	8,024	12,752	4,727
Deferred hedge profit and loss	(376)	147	523
Land revaluation difference	2,966	2,966	—
Foreign currency translation adjustments	1,842	(917)	(2,760)
Remeasurements of defined benefit plans	(6,397)	(5,813)	583
Total accumulated other comprehensive income	6,059	9,134	3,074
Minority interests	1,272	1,093	(179)
Total net assets	156,139	163,293	7,154
Total liabilities and net assets	599,694	682,901	83,207

Financial Results for the Third Quarter ended December 31, 2016

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Third quarter ended December 31, 2015	Third quarter ended December 31, 2016	Increase(Decrease)
Net sales	1,172,644	1,098,828	(73,816)
Cost of sales	1,130,306	1,052,513	(77,793)
Gross profit	42,338	46,315	3,977
Selling, general and administrative expenses	28,816	29,987	1,171
Operating income	13,521	16,327	2,805
Other income;			
Interest income	725	883	158
Dividend income	1,008	689	(319)
Others	1,486	1,012	(473)
Total other income	3,219	2,586	(633)
Other expenses;			
Interest expenses	2,049	1,941	(107)
Loss on investment in affiliates	1,260	154	(1,106)
Foreign exchange loss	1,036	702	(333)
Others	1,046	1,063	17
Total other expenses	5,393	3,862	(1,530)
Ordinary income	11,348	15,051	3,703
Extraordinary income			
Gain on sale of property and equipment	532	—	(532)
Amortization of consolidation negative goodwill	1,101	—	(1,101)
Gain on sales of investment securities	500	522	22
Total extraordinary income	2,133	522	(1,611)
Extraordinary loss;			
Loss on devaluation of investments securities	1,042	135	(906)
Business loss of affiliates	—	222	222
Total extraordinary loss	1,042	358	(683)
Income before income taxes	12,439	15,215	2,775
Income taxes	4,329	5,443	1,114
Net income	8,110	9,772	1,661
Net income attributable to			
Net income attributable to owners of the parent	8,127	9,718	1,590
Net income(loss) attributable to minority interests	(17)	54	71
Other Comprehensive Income			
Net unrealized holding gains on securities	(898)	4,727	5,625
Deferred hedge profit and loss	(1,685)	523	2,209
Foreign currency translation adjustments	(374)	(2,616)	(2,241)
Remeasurements of defined benefit plans	492	583	90
Share of other comprehensive income of affiliates	80	(344)	(424)
Total other comprehensive Income	(2,385)	2,874	5,259
Comprehensive Income	5,724	12,646	6,921
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	5,729	12,792	7,062
Comprehensive income attributable to minority interests	(5)	(146)	(141)

Financial Results for the Third Quarter ended December 31, 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, 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

Overseas sales subsidiaries : Wholesale trade, general merchandise

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, 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	601,016	97,765	63,942	71,766	215,511	78,458	1,128,461	44,183	1,172,644	—	1,172,644
Inter-segment	15,408	2,347	858	902	3,969	65,584	89,072	1,175	90,248	(90,248)	—
Total	616,425	100,113	64,800	72,669	219,481	144,043	1,217,534	45,358	1,262,892	(90,248)	1,172,644
Segment income(loss)	10,619	1,513	743	182	1,511	(123)	14,447	702	15,150	(3,801)	11,348

Third quarter ended December 31, 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	557,697	92,967	55,925	70,087	189,666	77,743	1,044,088	54,739	1,098,828	—	1,098,828
Inter-segment	9,066	2,375	1,129	292	5,070	46,770	64,704	1,265	65,970	(65,970)	—
Total	566,763	95,342	57,055	70,379	194,737	124,513	1,108,793	56,005	1,164,798	(65,970)	1,098,828
Segment income(loss)	13,080	(855)	184	2,326	1,855	(779)	15,812	1,444	17,256	(2,204)	15,051

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.