

Financial Results for the Fiscal Year ended March 31, 2017

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

May 12, 2017

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, Senior Managing Executive Officer
TEL 81 - 3 - 3544 - 2000

The date of Shareholders' Meeting: June 29, 2017 The date of payout of dividend: June 30, 2017

The date of issue of audited financial statements: June 30, 2017

(Rounded down to millions of yen)

1. Consolidated financial results for the fiscal year ended March 31, 2017

(1) Consolidated operating results

(% of change from 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)	(%)
Year ended March 31, 2017	1,514,037	0.1	23,426	28.9	22,907	48.5	16,363	(35.8)
Year ended March 31, 2016	1,511,800	(13.0)	18,178	(4.9)	15,424	8.1	25,469	180.3

Note: Comprehensive income Year ended March 31, 2017 20,991 million yen 25.1%
Year ended March 31, 2016 16,778 million yen -13.7%

	Net income per share	Net income per share(diluted)	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2017	80.18	—	10.1	3.5	1.5
Year ended March 31, 2016	122.92	—	17.2	2.5	1.2

Note: Equity in earnings of unconsolidated subsidiaries and affiliates Year ended March 31, 2017 (88) million yen
Year ended March 31, 2016 (1,304) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
March 31, 2017	694,232	171,637	24.5	838.70
March 31, 2016	599,694	156,139	25.8	747.40

Note: Shareholders' equity As of March 31, 2017 170,422 million yen
As of March 31, 2016 154,866 million yen

(3) Consolidated cash flows situation

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March 31, 2017	3,959	(18,427)	15,447	27,206
Year ended March 31, 2016	53,098	(10,446)	(41,751)	25,804

2. Cash dividends

(effective date)	Cash dividends per share					Total amount of dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend on shareholders' equity (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
Year ended March 31, 2016	—	8.00	—	10.00	18.00	3,729	14.6	2.5
Year ended March 31, 2017	—	9.00	—	10.00	19.00	3,860	23.7	2.4
Year ending March 31, 2018 (estimated)	—	10.00	—	10.00	20.00		25.5	

3. Forecast of consolidated financial results for fiscal year ending March 31, 2018 (% 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	1,700,000	12.3	25,500	8.9	24,000	4.8	16,000	(2.2)
								78.40

* 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 Fiscal Year ended March 31, 2017

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>	
	March 31, 2016	March 31, 2017
Assets		
Current assets;		
Cash and deposits	27,115	28,465
Trade notes and accounts receivable	260,151	307,853
Electronically recorded monetary claims	16,141	30,742
Securities	—	486
Inventories	106,050	111,039
Deferred tax asset	2,085	1,919
Others	39,996	57,599
Allowance for doubtful receivables	(287)	(334)
Total current assets	451,253	537,773
Fixed assets;		
Property and equipment;		
Buildings and structures	20,319	18,596
Land	30,144	29,640
Others	11,098	11,255
Total property and equipment	61,563	59,492
Intangible assets	1,955	2,034
Investments and other assets;		
Investment securities	58,671	72,524
Long-term loans receivable	12,383	10,842
Deferred tax asset	244	283
Others	14,107	11,787
Allowance for doubtful receivables	(485)	(504)
Total investments and other assets	84,921	94,932
Total fixed assets	148,440	156,458
Total assets	599,694	694,232
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	149,857	191,989
Short-term loans payable	66,734	107,262
Commercial paper	—	5,000
Current portion of bonds payable	10,039	21
Income taxes payable	326	6,752
Accrued bonuses	2,192	2,306
Provision for product warranties	—	146
Provision for loss on business of subsidiaries and affiliates	512	512
Others	39,742	45,068
Total current liabilities	269,405	359,058
Long-term liabilities;		
Bonds payable	30,097	40,076
Long-term loans payable	129,420	106,232
Deferred tax liabilities	3,359	5,366
Deferred tax liabilities by land revaluation	1,634	1,634
Retirement benefits liabilities	4,075	4,518
Others	5,561	5,709
Total long-term liabilities	174,149	163,536
Total liabilities	443,555	522,595
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Capital surplus	4	—
Retained earnings	104,600	117,778
Treasury stock	(1,449)	(3,720)
Total shareholders' equity	148,807	159,709
Accumulated other comprehensive income		
Net unrealized holding gains on securities	8,024	12,580
Deferred hedge profit and loss	(376)	142
Land revaluation difference	2,966	2,966
Foreign currency translation adjustments	1,842	1,062
Remeasurements of defined benefit plans	(6,397)	(6,037)
Total accumulated other comprehensive income	6,059	10,713
Minority interests	1,272	1,214
Total net assets	156,139	171,637
Total liabilities and net assets	599,694	694,232

Financial Results for the Fiscal Year ended March 31, 2017

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

Millions of yen

	Year ended March 31, 2016	Year ended March 31, 2017
Net sales	1,511,800	1,514,037
Cost of sales	1,455,240	1,449,522
Gross profit	56,559	64,514
Selling, general and administrative expenses	38,381	41,088
Operating income	18,178	23,426
Other income;		
Interest income	1,038	1,238
Dividend income	1,041	1,446
Others	1,693	1,207
Total other income	3,773	3,891
Other expenses;		
Interest expenses	2,684	2,553
Loss on investment in affiliates	1,304	88
Foreign exchange loss	1,039	284
Guarantee commission	713	734
Others	785	750
Total other expenses	6,526	4,411
Ordinary income	15,424	22,907
Extraordinary income;		
Gain on sales of long-lived assets	13,074	876
Amortization of consolidation negative goodwill	1,101	—
Gain on sales of investment securities	742	674
Total extraordinary income	14,918	1,551
Extraordinary loss;		
Loss on sale of property and equipment	261	227
Loss on devaluation of investments securities	2,384	814
Loss on devaluation of investment in capital	888	—
Business loss of affiliates	—	253
Loss on revision of retirement benefit plan	64	—
Total extraordinary loss	3,599	1,295
Income before income taxes	26,743	23,163
Income, inhabitant & business tax – current	1,120	7,354
Income tax expense—deferred	144	(625)
Total income taxes	1,264	6,728
Net income	25,479	16,434
Net income attributable to		
Net income attributable to owners of the parent	25,469	16,363
Net income(loss) attributable to minority interests	9	71
Other Comprehensive Income		
Net unrealized holding gains on securities	(3,597)	4,555
Deferred hedge profit and loss	(1,902)	518
Land revaluation difference	102	—
Foreign currency translation adjustments	(675)	(723)
Remeasurements of defined benefit plans	(2,737)	360
Share of other comprehensive income of associates accounted for using equity method	109	(154)
Total other comprehensive Income	(8,700)	4,557
Comprehensive Income	16,778	20,991
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,821	21,017
Comprehensive income attributable to minority interests	(42)	(26)

Financial Results for the Fiscal Year ended March 31, 2017

《Consolidated Statements of Changes in Net Assets》

(Rounded down to millions of yen)

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at March 31, 2015	45,651	4	82,110	(1,445)	126,320	11,621	1,526	3,250	2,356	(3,660)	15,094	1,334	142,749
Increase (decrease) during the term:													
Cash dividends paid			(3,211)		(3,211)								(3,211)
Change of scope of consolidated subsidiaries			277		277								277
Change of scope of equity method			(432)		(432)								(432)
Reversal of land revaluation difference			386		386								386
Net income attributable to owners of the parent			25,469		25,469								25,469
Purchase of treasury stocks				(3)	(3)								(3)
Capital increase from purchase of stock of consolidated subsidiaries		—	—		—								—
Capital increase from sales of stock of consolidated subsidiaries			—		—								—
Others			—		—								—
Net increase (decrease) during the term, except for items under shareholders' equity						(3,596)	(1,902)	(284)	(513)	(2,737)	(9,035)	(62)	(9,097)
Total increase (decrease)	—	—	22,490	(3)	22,486	(3,596)	(1,902)	(284)	(513)	(2,737)	(9,035)	(62)	13,389
Balance at March 31, 2016	45,651	4	104,600	(1,449)	148,807	8,024	(376)	2,966	1,842	(6,397)	6,059	1,272	156,139

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at March 31, 2016	45,651	4	104,600	(1,449)	148,807	8,024	(376)	2,966	1,842	(6,397)	6,059	1,272	156,139
Increase (decrease) during the term:													
Cash dividends paid			(3,900)		(3,900)								(3,900)
Change of scope of consolidated subsidiaries			219		219								219
Change of scope of equity method			700		700								700
Reversal of land revaluation difference			—		—								—
Net income attributable to owners of the parent			16,363		16,363								16,363
Purchase of treasury stocks				(2,270)	(2,270)								(2,270)
Capital increase from purchase of stock of consolidated subsidiaries		(4)	(200)		(205)								(205)
Capital increase from sales of stock of consolidated subsidiaries			(0)		(0)								(0)
Others			(4)		(4)								(4)
Net increase (decrease) during the term, except for items under shareholders' equity						4,555	518	—	(780)	360	4,654	(58)	4,596
Total increase (decrease)	—	(4)	13,177	(2,270)	10,902	4,555	518	—	(780)	360	4,654	(58)	15,498
Balance at March 31, 2017	45,651	—	117,778	(3,720)	159,709	12,580	142	2,966	1,062	(6,037)	10,713	1,214	171,637

Financial Results for the Fiscal Year ended March 31, 2017

《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>	
	Year ended March 31,2016	Year ended March 31,2017
Cash flows from operating activities:		
Income before income taxes	26,743	23,163
Depreciation and amortization	4,343	3,971
Amortization of goodwill	231	217
Increase(decrease) in allowance for doubtful receivables	(633)	67
Interest and dividend income	(2,079)	(2,684)
Interest expense	2,684	2,553
Revenue from investment in affiliated companies (gain)	1,304	88
Gain on sales of long-lived assets	(13,074)	(876)
Amortization of consolidation negative goodwill	(1,101)	—
Gain on sales of investment securities	(742)	(674)
Loss on sale of property and equipment	261	227
Loss on devaluation of investments securities	2,384	814
Loss on devaluation of investment in capital	888	—
Business loss of affiliates	—	253
Loss on revision of retirement benefit plan	64	—
(Increase)decrease in trade receivables	49,176	(60,931)
(Increase)decrease in inventories	31,640	(3,991)
Increase(decrease) in trade notes and accounts payable	(38,116)	39,538
Increase(decrease) in retirement benefits	4,603	959
Other, net	(10,266)	44
Sub total	58,312	2,739
Interest and dividends received	2,024	2,766
Interest paid	(2,702)	(2,562)
Income taxes paid	(4,535)	1,015
Net cash provided by (used in) operating activities	53,098	3,959
Cash flows from investing activities:		
Payment for time deposits	(1,547)	(1,245)
Proceeds from refund of time deposits	700	1,261
Payment for purchase of property and equipment	(6,359)	(3,656)
Proceeds from sale of property and equipment	20,682	1,453
Payment for purchase of investment securities	(13,392)	(2,883)
Proceeds from sale of investment securities	2,106	1,161
Net increase(decrease) from purchase of consolidated subsidiaries	(2,165)	—
(Increase)decrease in short - term loans receivable, net	(430)	(14,829)
Increase in long - term loans receivable	(10,324)	(808)
Collection of long-term loans receivable	23	28
Other, net	259	1,090
Net cash used in investing activities	(10,446)	(18,427)
Cash flows from financing activities:		
Increase(decrease) in short-term loans, net	(14,065)	12,343
Increase(decrease) in commercial paper, net	(27,000)	5,000
Proceeds from long-term debt	16,075	15,340
Repayments of long-term debt	(13,103)	(10,460)
Proceeds from issuance of bonds	9,950	9,950
Redemption of issuance of bonds	(10,057)	(10,039)
Purchase of treasury stock	(3)	(2,270)
Payment for cash dividends	(3,210)	(3,899)
Cash dividends paid to minority interest in consolidated subsidiaries	(34)	(29)
Purchase of investments in subsidiaries resulting in no change in scope of consolidation	—	(220)
Other, net	(303)	(267)
Net cash provided by (used in) financing activities	(41,751)	15,447
Effect of exchange rate changes on cash and cash equivalents	(495)	(370)
Net increase(decrease) in cash and cash equivalents	405	609
Cash and cash equivalents at beginning of year	24,515	25,804
Increase in cash and cash equivalents from newly consolidated subsidiaries	884	791
Cash and cash equivalents at end of year	25,804	27,206

Financial Results for the Fiscal Year ended March 31, 2017

《Segment information》

Overview of the reportable segments

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Group's main business is buying and selling of various products with a focus on steel, and the business department, which is divided according to products handled or service contents, mainly carries out business activities. For this reason, the Group consists of business segments with the business department as the basis. The 6 reportable segments are "steel business," "metal and alloy business", "non-ferrous metal business", "food business", "petroleum and chemical business", and "Overseas sales subsidiaries".

The main products and services that fall under these reportable segments are listed below.

Steel: Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, and steelmaking raw materials

Metals and alloys: Nickel, chromium, steel alloys, and solar cell-related materials and products

Non-ferrous metals: Aluminum, copper, and zinc (recycling business)

Foods: Sea foods

Petroleum and chemicals: Petroleum products, industrial chemicals, and chemicals

Overseas sales subsidiaries: Wholesale trade, general merchandise

Sales, income/loss, assets, liability, and other amounts by reportable segment

(Rounded down to millions of yen)

Year ended March 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	778,737	127,759	80,894	89,541	271,602	97,468	1,446,004	65,795	1,511,800	—	1,511,800
Inter-segment	19,953	3,428	1,187	1,129	4,848	80,148	110,696	1,459	112,155	(112,155)	—
Total	798,691	131,188	82,081	90,671	276,450	177,617	1,556,701	67,254	1,623,956	(112,155)	1,511,800
Segment income(loss)	14,829	2,217	848	75	1,974	(708)	19,237	1,375	20,613	(5,188)	15,424
Segment assets	332,394	64,752	17,527	33,775	38,054	24,600	511,105	32,102	543,207	56,486	599,694
Other											
Depreciation	3,247	107	280	30	68	62	3,797	456	4,253	89	4,343
Depreciation of Goodwill	154	33	44	—	—	—	231	—	231	—	231
Interest income	204	525	0	0	52	70	853	13	866	172	1,038
Interest expenses	2,213	765	212	223	283	264	3,962	125	4,087	(1,403)	2,684
Revenue from investment in affiliates	(1,031)	—	—	—	—	(273)	(1,304)	—	(1,304)	—	(1,304)
Investment in affiliates	2,894	—	—	—	—	131	3,025	—	3,025	—	3,025
Property, plant and equipment and Intangible assets increase	5,231	140	133	202	171	48	5,928	344	6,272	709	6,982

Year ended March 31, 2017

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	775,725	131,413	77,674	88,671	257,165	111,993	1,442,643	71,394	1,514,037	—	1,514,037
Inter-segment	11,167	3,210	1,532	339	7,299	62,287	85,837	1,660	87,498	(87,498)	—
Total	786,892	134,624	79,206	89,011	264,465	174,280	1,528,481	73,054	1,601,535	(87,498)	1,514,037
Segment income(loss)	18,082	1,413	1,084	2,872	2,461	196	26,111	1,526	27,638	(4,731)	22,907
Segment assets	371,789	114,436	21,772	34,074	41,128	32,305	615,506	27,394	642,900	51,332	694,232
Other											
Depreciation	2,970	121	267	41	42	50	3,494	362	3,857	114	3,971
Depreciation of Goodwill	140	33	44	—	—	—	217	—	217	—	217
Interest income	190	790	0	32	50	73	1,138	10	1,148	90	1,238
Interest expenses	2,008	1,171	180	324	276	298	4,260	167	4,427	(1,874)	2,553
Revenue from investment in affiliates	(66)	—	—	—	—	(120)	(186)	97	(88)	—	(88)
Investment in affiliates	2,671	—	—	—	—	48	2,719	778	3,498	—	3,498
Property, plant and equipment and Intangible assets increase	3,479	69	310	58	36	84	4,038	345	4,383	51	4,435

Notes:

- "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
- Adjustments are as follows:
 - 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.
 - Adjustments for segment assets include Group assets that have not been distributed to reportable segments. These group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
 - Adjustments for depreciation include mainly depreciation and amortization expenses of group assets.
 - Adjustments for interest income and interest expenses include intersegment elimination, revenue and expense that have not been distributed to reportable segments.
 - Adjustments for property, plant and equipment and intangible assets increase are increases in Group assets.