

# Highlights of Consolidated Financial Results for the FY2016

HANWA Co., Ltd.

(Unit: billion yen, rounded down to 0.1 billions of yen)

## Outline of Financial Results for the FY2016

As for this fiscal year, net sales has increased slightly to 1,514.0 billion yen due to sales increases of metals & alloys and lumber sections, while prices of petroleum and steel products were in the lower level than the last fiscal year. Net income was 16.3 billion yen, decreased by 36%, due to decrease of extraordinary income and no inclusion of loss from the previous year in tax deductible expenses.

We paid 9.0 yen as interim dividend and will pay additional 10.0 yen as the end of this fiscal year dividend. Our annual dividend payout for this fiscal year will be 19.0 yen

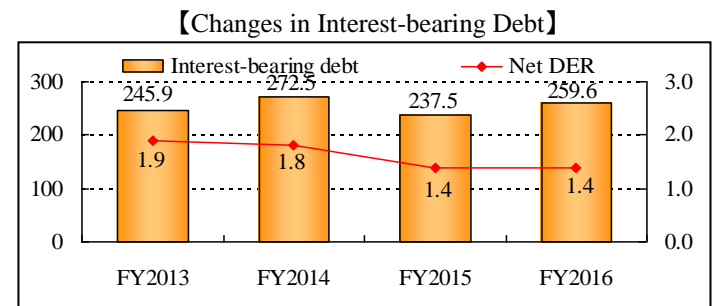
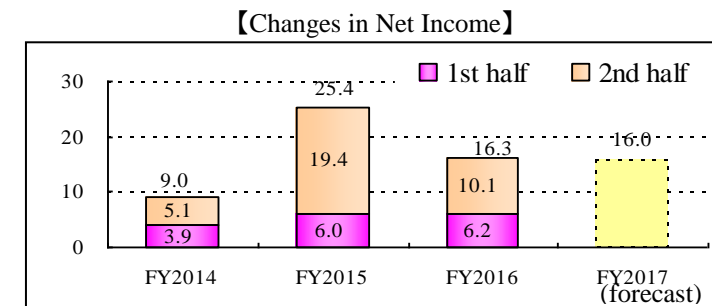
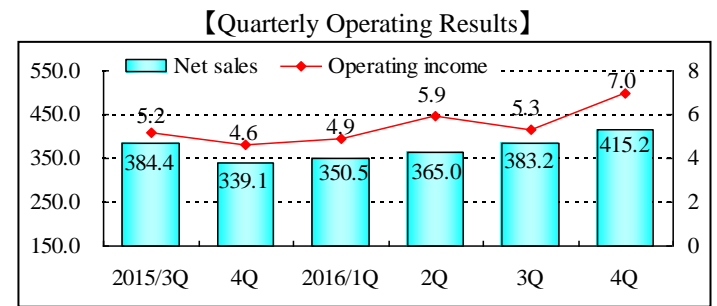
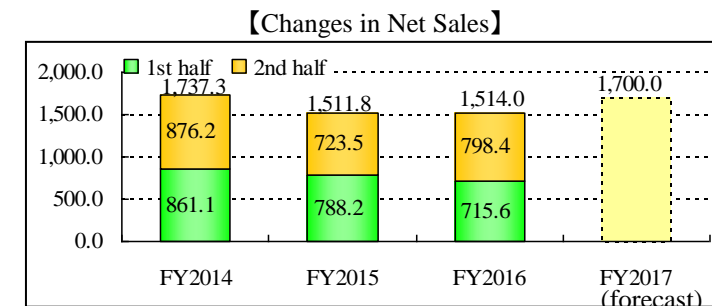
Operating Results	FY2016	FY2015	Year-on-year		Main Factors
			Change	rate	
<b>Net sales</b>	<b>1,514.0</b>	<b>1,511.8</b>	<b>2.2</b>	<b>0%</b>	(Net sales) Net sales has increased slightly, due to sales increase of metals & alloys and lumber sections, while prices of petroleum and steel products were in the lower level.
<b>Gross profit</b>	<b>64.5</b>	<b>56.5</b>	<b>7.9</b>	<b>14%</b>	
SG&A expenses	41.0	38.3	2.7	7%	
<b>Operating income</b>	<b>23.4</b>	<b>18.1</b>	<b>5.2</b>	<b>29%</b>	(SG&A expenses) SG & A expenses have increased by 7%, 2.7 billion yen, compared with the previous year. 0.9 out of 2.7 billion yen was accounted for newly consolidated subsidiaries.
Non-operating income	3.8	3.7	0.1	3%	
Non-operating expenses	4.4	6.5	-2.1	-32%	Our employment costs have increased by 1.0 billion yen, including 0.5 billion yen for newly consolidated subsidiaries.
<b>Ordinary income</b>	<b>22.9</b>	<b>15.4</b>	<b>7.4</b>	<b>49%</b>	(Non-operating income/expenses) Non-operating income has increased by 3% from the previous year, due to increase in dividend income, while not boosted by reversal allowance for doubtful accounts. Non-operating expenses have decreased by 32%, due to absence of loss on investments in affiliates and the reduced exchange losses.
Extraordinary gain	1.5	14.9	(13.3)	-90%	
Extraordinary loss	1.2	3.5	-2.3	-64%	
<b>Income before income taxes and others</b>	<b>23.1</b>	<b>26.7</b>	<b>(3.5)</b>	<b>-13%</b>	(Extraordinary gain/loss) Gain on disposal of fixed assets and sales of investment securities were included in extraordinary income. On the other hand, loss on devaluation of investments securities and investment in capital and loss on liquidation of unprofitable businesses were recorded.
Income taxes	6.7	1.2	5.4	432%	
<b>Net income</b>	<b>16.4</b>	<b>25.4</b>	<b>(9.0)</b>	<b>-36%</b>	
Owners of the Company(loss)	16.3	25.4	(9.1)	-36%	
Minority interests(loss)	0.0	0.0	0.0	636%	
EPS (yen)	80.18	122.92	(42.74)	-35%	
<b>Comprehensive income</b>	<b>20.9</b>	<b>16.7</b>	<b>4.2</b>	<b>25%</b>	

Segment Information	Net sales			Segment income			Main Factors
	FY2016	FY2015	rate	FY2016	FY2015	rate	
Steel	786.8	798.6	-2%	18.0	14.8	22%	(Steel business) Market was steady but lackluster and sales decreased due to slow price improvement. Income increased due to profits from construction works and absence of loss on investments in affiliates.
Metals & alloys	134.6	131.1	3%	1.4	2.2	-36%	(Metals & alloys business) While market was sluggish, revenue increased due to ferro-chrome sales expansion. Segment income decreased due to loss on foreign exchange rates and disposal of inventories in Showa Metal.
Non-ferrous metals	79.2	82.0	-4%	1.0	0.8	28%	(Non-ferrous metals business) Although revenue decreased by low commodity prices in yen, segment income increased due to improvement of scrap businesses in the last half of the year when prices rose.
Foods	89.0	90.6	-2%	2.8	0.0	—	(Foods business) Net sales decreased due to weak demands in worldwide markets.
Petroleum & chemicals	264.4	276.4	-4%	2.4	1.9	25%	Segment income increased by margin improvement from better market conditions and positive turn-around results of Seattle Shrimp & Seafood Co., Inc.
Overseas sales subsidiaries	174.2	177.6	-2%	0.1	(0.7)	—	(Petroleum & chemicals business) In addition to overall weak prices, low demands of bunker fuel made revenue decreased. Segment income increased due to profits from kerosene sales and profitability of imported plastic products.
Total for reportable segments	1,528.4	1,556.7	-2%	26.1	19.2	36%	(Overseas sales subsidiaries) Steel sales stagnation in US and overseas sales converted to yen lowered net sales. Non-ferrous in Singapore and newly-consolidated PT Hanwa Indonesia contributed to better segment income.
Other	73.0	67.2	9%	1.5	1.3	11%	
<b>Total</b>	<b>1,601.5</b>	<b>1,623.9</b>	<b>-1%</b>	<b>27.6</b>	<b>20.6</b>	<b>34%</b>	
Adjustment	(87.4)	(112.1)	22%	(4.7)	(5.1)	9%	
<b>Consolidated</b>	<b>1,514.0</b>	<b>1,511.8</b>	<b>0%</b>	<b>22.9</b>	<b>15.4</b>	<b>49%</b>	

Topics	<ul style="list-style-type: none"> <li>May. Released new medium-term business plan</li> <li>Sep. Acquired a stainless-pipe processor, Stainless Pipe Kogyo Co., Ltd..</li> <li>Mar. Subscribed capital increase of a coil center, Ohmi Sangyo Co., Ltd., with JFE Shoji Trade Corp.</li> </ul>
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Financial Position	Mar. 2017	Mar. 2016	Comparison with Mar. 2016		Main Factors
			Change	rate	
<b>Total assets</b>	<b>694.2</b>	<b>599.6</b>	<b>94.5</b>	<b>16%</b>	(Total Assets) Total assets increased by 16% from the end of the previous year, due to increase in trade receivables as a sales increase.
(Current assets)	537.7	451.2	86.5	19%	
(Fixed assets)	156.4	148.4	8.0	5%	Inventories 111.0 billion yen (+5% from the end of the previous period)
<b>Total liabilities</b>	<b>522.5</b>	<b>443.5</b>	<b>79.0</b>	<b>18%</b>	(Liabilities) Total liabilities increased by 18% from the end of the previous year, due to increase in trade payables and debts.
(Interest-bearing debt)	259.6	237.5	22.1	9%	While interest-bearing debts increased by 9%, net debt-equity ratio was almost 136%, staying the same.
(Net interest-bearing debt)	231.2	210.4	20.7	10%	
Net DER	135.7%	135.9%	-0.2pt	—	(Net assets) By increase of net income attributable to owners of the parent and net unrealized holding gains on securities, total net assets increased by 10% from the end of the previous year. Due to increase of debts, shareholders' equity ratio was 24.5, which is a 1.3 percentage point lower than the end of the previous year.
<b>Total net assets</b>	<b>171.6</b>	<b>156.1</b>	<b>15.4</b>	<b>10%</b>	
(Equity capital)	159.7	148.8	10.9	7%	
(Accumulated other comprehensive income)	10.7	6.0	4.6	77%	
(Minority interests)	1.2	1.2	(0.0)	-5%	
BPS (yen)	838.70	747.40	91.30	12%	
Shareholders' equity	170.4	154.8	15.5	10%	
Shareholders' equity ratio	24.5%	25.8%	-1.3pt	—	

Cash Flow	FY2016	FY2015	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	3.9	53.0	(49.1)	-93%	(Operating cash flows) 3.9 billion yen Due to increase in business earnings.
Cash flows from investing activities	(18.4)	(10.4)	(7.9)	76%	(Investment cash flows) (18.4) billion yen Due to execution of short-term loan.
Cash flows from financing activities	15.4	(41.7)	57.1	—	(Financial cash flows) 15.4 billion yen Due to increase of short-term debts and commercial paper.
Cash and cash equivalents at end of period	27.2	25.8	1.4	5%	



Forecast (Annual)	FY2017	FY2016		Cash Dividends	FY2015	FY2016	FY2017 (estimated)
			change				
Net sales	1,700.0	1,514.0	12%	Interim (yen)	8.00	9.00	10.00
Operating income	25.5	23.4	9%	Year-end (yen)	10.00	10.00	10.00
Ordinary income	24.0	22.9	5%	Annual (yen)	18.00	19.00	20.00
Net income	16.0	16.3	-2%	Dividend payout ratio	15%	24%	26%