

Financial Results for the First Quarter ended June 30, 2017

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

August 10, 2017

Company name: **HANWA Co., Ltd.** Listed stock exchange: Tokyo
 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)
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1. Consolidated financial results for the first quarter ended June 30, 2017

(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, 2017	408,378	16.5	5,284	6.7	6,619	38.2	4,433	58.0
ended June 30, 2016	350,562	(11.9)	4,951	4.0	4,791	23.0	2,805	(4.9)

Note: Comprehensive income For the first quarter ended June 30, 2017 3,786 million yen -%
 For the first quarter ended June 30, 2016 (541) million yen -%

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the first quarter ended June 30, 2017	21.82	—
ended June 30, 2016	13.57	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
June 30, 2017	752,567	186,958	22.9	847.17
March 31, 2017	694,232	171,637	24.5	838.70

Note: Shareholders' equity As of June 30, 2017 172,142 million yen
 As of March 31, 2017 170,422 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, 2017	—	9.00	—	10.00	19.00
Year ending March 31, 2018 (estimated)	—	10.00	—	50.00	—

* HANWA is scheduled to conduct a share consolidation in which every five common shares will be consolidated into one share with October 1, 2017, as the effective date. Consequently, the impact of this share consolidation is taken into consideration in the amount presented for the fiscal year-end dividend per share for the year ending March 31, 2018 (estimated), and the amount for the total annual dividends per share for the same fiscal year is omitted and shown as a dash. In the case of not taking the share consolidation into consideration, the fiscal year-end dividend per share for the year ending March 31, 2018 (estimated) would be 10.00 yen and the annual dividends per share for the same fiscal year would be 20.00 yen.

3. Forecast of consolidated financial results for fiscal year ending March 31, 2018

(% 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)
Annual	1,700,000	12.3	25,500	8.9	24,000	4.8	16,000	(2.2)	391.98

The impact of a share consolidation is taken into consideration in the amount presented for earnings per share in the forecast of consolidated financial results for the year ending March 31, 2018. In the case of not taking the share consolidation into consideration, net income per share for the year ending March 31, 2018 (Forecast) would be 78.40 yen.

* 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, 2017

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>	
	March 31, 2017	June 30, 2017
Assets		
Current assets;		
Cash and deposits	28,465	38,925
Trade notes and accounts receivable	307,853	308,449
Electronically recorded monetary claims	30,742	33,615
Securities	486	396
Inventories	111,039	110,618
Others	59,519	59,972
Allowance for doubtful receivables	(334)	(344)
Total current assets	537,773	551,633
Fixed assets;		
Property and equipment;		
Land	29,640	31,970
Others	29,852	31,381
Total property and equipment	59,492	63,352
Intangible assets	2,034	2,963
Investments and other assets;		
Investment securities	72,524	98,837
Others	22,912	36,279
Allowance for doubtful receivables	(504)	(499)
Total investments and other assets	94,932	134,617
Total fixed assets	156,458	200,933
Total assets	694,232	752,567
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	191,989	197,321
Short-term loans payable	107,262	110,677
Commercial paper	5,000	20,000
Current portion of bonds payable	21	10,021
Income taxes payable	6,752	2,500
Accrued bonuses	2,306	1,321
Provision for product warranties	146	134
Provision for loss on business of subsidiaries and affiliates	512	310
Others	45,068	57,265
Total current liabilities	359,058	399,553
Long-term liabilities;		
Bonds payable	40,076	40,176
Long-term loans payable	106,232	108,236
Retirement benefits liabilities	4,518	4,554
Others	12,709	13,088
Total long-term liabilities	163,536	166,056
Total liabilities	522,595	565,609
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	117,778	120,142
Treasury stock	(3,720)	(3,721)
Total shareholders' equity	159,709	162,071
Accumulated other comprehensive income		
Net unrealized holding gains on securities	12,580	12,312
Deferred hedge profit and loss	142	(10)
Land revaluation difference	2,966	2,966
Foreign currency translation adjustments	1,062	654
Remeasurements of defined benefit plans	(6,037)	(5,851)
Total accumulated other comprehensive income	10,713	10,071
Minority interests	1,214	14,815
Total net assets	171,637	186,958
Total liabilities and net assets	694,232	752,567

Financial Results for the First Quarter ended June 30, 2017

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

Millions of yen

	First quarter ended June 30, 2016	First quarter ended June 30, 2017
Net sales	350,562	408,378
Cost of sales	335,588	391,771
Gross profit	14,974	16,607
Selling, general and administrative expenses	10,023	11,323
Operating income	4,951	5,284
Other income;		
Interest income	268	405
Dividend income	473	769
Revenue from investment in affiliates	18	236
Foreign exchange gain	—	460
Others	374	680
Total other income	1,135	2,552
Other expenses;		
Interest expenses	652	865
Foreign exchange loss	374	—
Others	268	352
Total other expenses	1,295	1,217
Ordinary income	4,791	6,619
Extraordinary income		
Reversal of allowance for business loss of affiliates	—	201
Total extraordinary income	—	201
Income before income taxes and minority interest	4,791	6,820
Income taxes	1,966	2,361
Net income	2,824	4,459
Net income attributable to		
Net income attributable to owners of the Company	2,805	4,433
Net income(loss) attributable to minority interests	18	26
Other Comprehensive Income		
Net unrealized holding gains on securities	(2,871)	(267)
Deferred hedge profit and loss	(40)	(152)
Foreign currency translation adjustments	(579)	(426)
Remeasurements of defined benefit plans	194	186
Share of other comprehensive income of affiliates	(68)	(11)
Total other comprehensive Income	(3,365)	(672)
Comprehensive Income	(541)	3,786
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(499)	3,791
Comprehensive income attributable to minority interests	(42)	(4)

Financial Results for the First Quarter ended June 30, 2017

《Segment information》

Segment information by business category for the first quarter ended June 30, 2016 and 2017, is as follows:
(Rounded down to millions of yen)

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

First quarter ended June 30, 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	207,180	42,571	23,318	25,542	52,876	40,489	391,977	16,400	408,378	—	408,378
Inter-segment	2,730	980	358	84	1,427	10,797	16,378	270	16,649	(16,649)	—
Total	209,910	43,551	23,676	25,627	54,304	51,286	408,356	16,671	425,027	(16,649)	408,378
Segment income(loss)	4,925	1,114	466	495	596	(10)	7,588	51	7,639	(1,020)	6,619

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.