

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2017

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2017

- As for the interim result for this fiscal year, net sales have increased by 17% in the same period of the previous year, hence reached to 836.9 billion yen, as the price of steel products and metal resources had higher than the same period of previous year's level. Net profit was 8.1 billion yen, increased by 31%, due to increase in operating income of matals/alloys business and foreign exchange loss in the same period of the previous year turned to foreign exchange gain.
- We pay 10 yen as interim dividend and plan to pay additional *50 yen as the end of this fiscal year dividend. (*:Display change of 10 yen forecast due to stock consolidation with 5 shares as 1 share on October 1.)

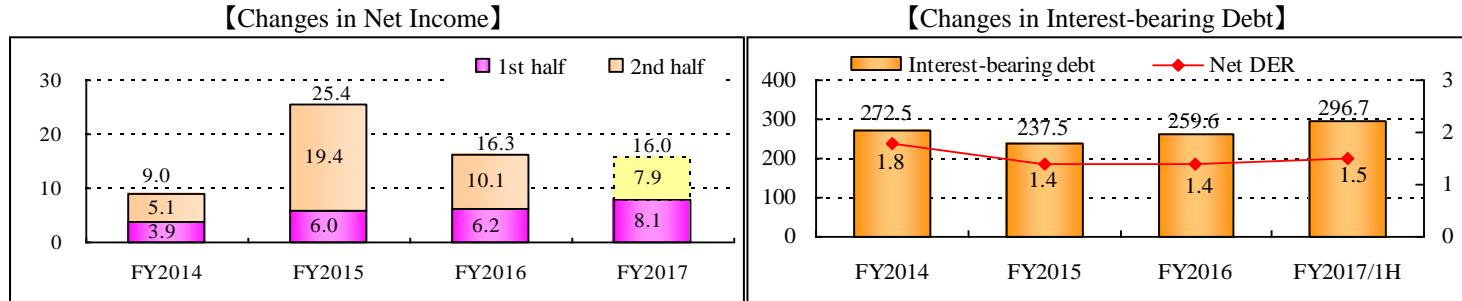
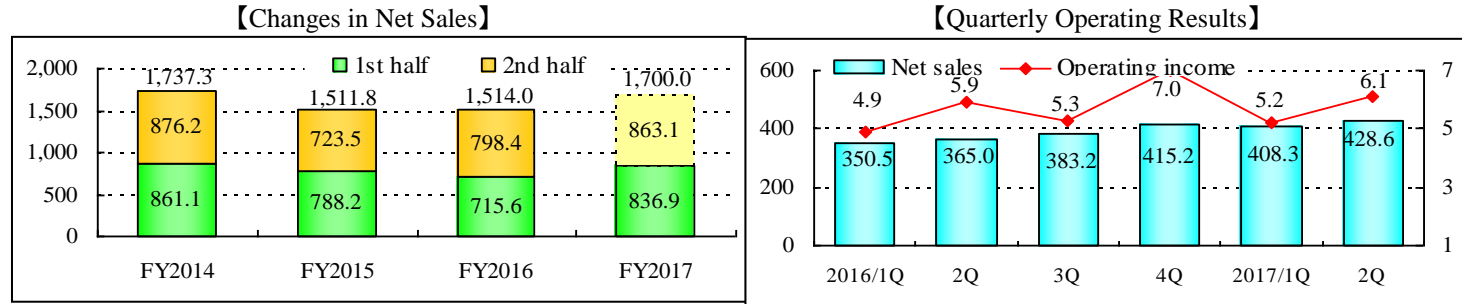
Operating Results	1Q-2Q of FY2017	1Q-2Q of FY2016	Year-on-year		Main Factors
			Change	rate	
Net sales	836.9	715.6	121.3	17%	(Net sales) Net sales have increased by 17% from the same period of the previous year. This was due to higher price level of steel products and metal resources than the same period of the previous year from recovery market prices from the second half of the previous fiscal year.
Gross profit	33.5	30.7	2.7	9%	
SG&A expenses	22.1	19.8	2.2	11%	
Operating income	11.4	10.9	0.5	5%	(SG&A expenses) SG & A expenses have increased by 11% compared with the same period of previous year and reached to 2.2 billion yen. 0.7 out of 2.2 billion yen was accounted for newly consolidated subsidiaries.
Non-operating income	3.3	1.7	1.5	86%	
Non-operating expenses	2.5	2.8	(0.2)	-10%	
Ordinary income	12.2	9.9	2.3	24%	Our personnel expenses have increased 0.8 billion yen, including 0.3 billion yen from newly consolidated subsidiaries.
Extraordinary gain	5.0	1.0	3.0	305%	
Extraordinary loss	—	2.0	(2.0)	-100%	
Income before income taxes and others	12.7	9.8	2.9	30%	(Non-operating income/expenses) Non-operating income has increased by 86% from the same period of the previous year, mainly due to increase in interest income, dividend income and foreign exchange gain.
Income taxes	4.6	3.6	1.0	29%	
Net income	8.1	6.2	1.9	31%	
Owners of the Company(loss)	8.1	6.2	1.9	31%	(Extraordinary gain/loss) Reversal of allowance in previous year was recorded in extraordinary income, because the loss on business of subsidiaries was less than expected.
Minority interests(loss)	(0.0)	0.0	(0.0)	—	
EPS (yen)	200.66	151.42	49.24	33%	
Comprehensive income	10.3	4.1	6.1	150%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2017	1Q-2Q of FY2016	rate	1Q-2Q of FY2017	1Q-2Q of FY2016	rate	
Steel	437.2	371.0	18%	10.4	8.5	21%	(Steel business) Steel demand remained steady without significant upsurge. Better market price resulted increased net sales and better margins in long term contracts pushed up the profit.
Metals & alloys	88.9	61.7	44%	1.4	Δ0.1	—	
Non-ferrous metals	45.9	37.1	24%	0.4	0.5	-8%	
Foods	50.9	44.7	14%	0.8	1.0	-15%	(Metals & alloys business) Net sales increased due to rising price level and sales expansion of stainless steel and ferro-alloy. Increase in profit on sale and recovery of Showa Metal's profit, which was a loss in the previous year, pushed up profit.
Petroleum & chemicals	106.3	125.0	-15%	0.6	0.9	-28%	
Overseas sales subsidiaries	110.8	82.6	34%	0.2	0.0	—	
Total for reportable segments	840.1	722.3	16%	14.1	10.8	30%	(Non-ferrous metals business) Due to rise in international commodity markets and increase in copper sales amount, net sales increased. However, foreign exchange losses pushed down segment profit.
Other	36.9	39.6	-7%	0.4	0.9	-58%	
Total	877.1	761.9	15%	14.5	11.8	22%	
Adjustment	(40.1)	(46.3)	13%	(2.2)	(1.9)	-16%	(Foods business) Rising price and strong sales due to reduction of overseas catch and decrease in inventories increased net sales. Segment profit was down due to shrinking profit margin due to highed purchase costs.
Consolidated	836.9	715.6	17%	12.2	9.9	24%	

Topics	<ul style="list-style-type: none">Apr. Acquired the steel distributor, Kamei Co., Ltd. and Sanyo Kouzai Co.,Ltd.APr. Acquired minority shares of the lithium carbonate producer, Bacanora Minerals Ltd.May. Acquired additional stocks of the Chromite miner and Ferro-Chromium producer, Samancor Chrome Holdings
--------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Financial Position	Sep. 2017	Mar. 2017	Comparison with Mar. 2017		Main Factors
			Change	rate	
Total assets	764.6	694.2	70.4	10%	(Total Assets) Total assets increased by 10% from the end of the previous year, due to increase in investment securities and trade receivables.
(Current assets)	558.5	537.7	20.7	4%	
(Fixed assets)	206.1	156.4	49.6	32%	
Total liabilities	571.1	522.5	48.5	9%	(Liabilities) Total liabilities increased by 9% from the end of the previous year, due to the increase in decrease in trade payables and long term loans. As interest-bearing debt increased by 14%, net debt-equity ratio was turned into 147%.
(Interest-bearing debt)	296.7	259.6	37.0	14%	
(Net interest-bearing debt)	263.0	231.2	31.8	14%	
Net DER	147.5%	135.7%	11.9pt	—	(Net assets) Total net assets increased by 13% from the end of the previous year, due to increase in minority interests of Japan South Africa Chrome Co., Ltd. and the carryover of retained earnings. Shareholders' equity ratio was 23.3%, which is a 1.2 percentage points lower than the end of the previous year.
Total net assets	193.4	171.6	21.8	13%	
(Equity capital)	165.8	159.7	6.0	4%	
(Valuation & translation adjustments)	12.5	10.7	1.7	17%	
(Minority interests)	15.1	1.2	13.9	—	
BPS (yen)	4387.83	4193.50	194.33	5%	
Shareholders' equity	178.3	170.4	7.9	5%	
Shareholders' equity ratio	23.3%	24.5%	-1.2pt	—	

Cash Flow	1Q-2Q of FY2017	1Q-2Q of FY2016	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(7.2)	22.0	(29.3)	—	(Operating cash flows) Due to increase in capital requirement as a sales increase.
Cash flows from investing activities	(33.5)	(1.3)	(32.2)	—	
Cash flows from financing activities	44.1	(5.5)	49.6	—	
Cash and cash equivalents at end of period	31.6	40.4	(8.7)	-22%	(Financial cash flows) Due to increase in long term loans.



Forecast (Annual)	FY2017	FY2016		Cash Dividends	FY2016	FY2017	FY2017 (estimated)
			change				
Net sales	1,700.0	1,514.0	12%	Interim (yen)	9.00	10.00	—
Operating income	25.5	23.4	9%	Year-end (yen)	10.00	—	50.00
Ordinary income	24.0	22.9	5%	Annual (yen)	19.00	—	—
Net income attributable to owners of parent	16.0	16.3	-2%	Dividend payout ratio	24%	—	25%