

Highlights of Consolidated Financial Results for the FY2017

HANWA Co., Ltd.

Outline of Financial Results for the FY2017

- As for this fiscal year, net sales have increased by 18% from the previous year, hence reached to 1,791.1 billion yen, as market of steel products and metal resources being higher than the last fiscal year. Net profit attributable to owners of the parent was 17.3 billion yen, increased by 6%, due to increase in operating income of metals/alloys business and foreign exchange gain as opposed to the loss from the previous year.
- Having considered that our profitability had exceeded our initial forecasts and FY2017 was 70th anniversary of our foundation, we decided to pay 75.0 yen per share as year-end dividend consist of 65.0 yen as common dividend and 10.0 yen as commemorative dividend.

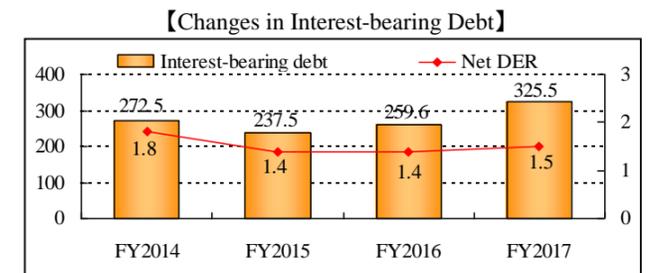
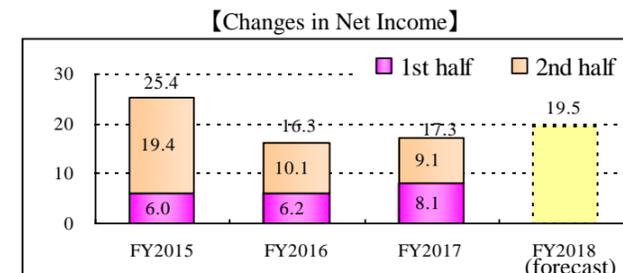
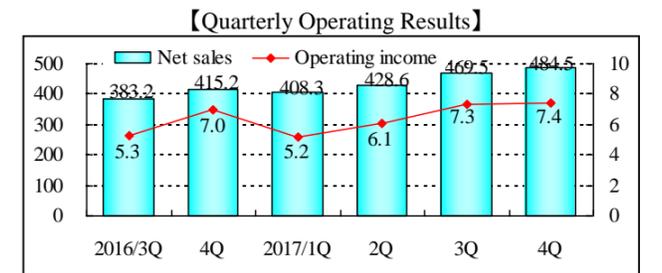
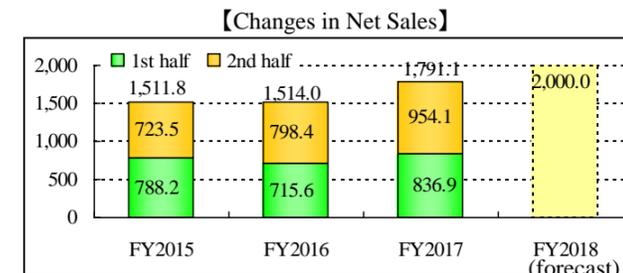
(Unit: billion yen, rounded down to 0.1 billions of yen)

Operating Results	FY2017	FY2016	Year-on-year		Main Factors
			Change	rate	
Net sales	1,791.1	1,514.0	277.0	18%	(Net sales) Net sales have increased by 18% from the previous year. This was due to market recovery of steel products and metal resources from the second half of the previous fiscal year.
Gross profit	72.1	64.5	7.6	12%	(SG&A expenses) SG & A expenses have increased 4.8 billion yen from the previous year. 2.6 out of 4.8 billion yen was accounted for newly consolidated subsidiaries.
SG&A expenses	45.9	41.0	4.8	12%	
Operating income	26.2	23.4	2.7	12%	Our personnel expenses have increased 2.4 billion yen, including 1.0 billion yen from newly consolidated subsidiaries.
Non-operating income	4.5	3.8	0.6	16%	(Non-operating income/expenses) Non-operating income has increased by 16% from the previous year, mainly due to increase in interest income and foreign exchange gain.
Non-operating expenses	5.2	4.4	0.8	19%	Non-operating expenses have increased by 19%, due to increase in interest expenses and commission fee.
Ordinary income	25.5	22.9	2.5	11%	(Extraordinary gain/loss) Reversal of allowance in previous year was recorded in extraordinary income, because the expected loss from restructuring of subsidiary was less. Gain on sales of investment securities was recorded.
Extraordinary gain	0.6	1.5	(0.8)	-56%	
Extraordinary loss	0.7	1.2	(0.5)	-43%	
Income before income taxes and others	25.4	23.1	2.2	10%	For extraordinary losses, we recorded provision for product warranties of subsidiary and loss on valuation of investments of sale of other subsidiary.
Income taxes	8.3	6.7	1.5	24%	
Net income	17.1	16.4	0.6	4%	
Owners of the Company(loss)	17.3	16.3	0.9	6%	
Minority interests(loss)	(0.2)	0.0	(0.3)	-429%	
EPS (yen)	427.04	400.89	26.15	7%	
Comprehensive income	22.5	20.9	1.5	7%	

Financial Position	Mar. 2018	Mar. 2017	Comparison with Mar. 2017		Main Factors
			Change	rate	
Total assets	861.9	694.2	167.7	24%	(Total Assets) Total assets increased by 24% from the end of the previous year, due to increase in trade receivables and investment securities.
(Current assets)	646.0	537.7	108.2	20%	Inventories : 134.8 billion yen (+22% from the end of the previous year)
(Fixed assets)	215.9	156.4	59.4	38%	Investment securities : 109.7 billion yen (+51% from the end of the previous year)
Total liabilities	658.2	522.5	135.6	26%	(Liabilities) Total liabilities increased by 26% from the end of the previous year, due to the increase in trade payables and long and short term loans. As interest-bearing debt increased by 25%, net debt-equity ratio was turned into 154%.
(Interest-bearing debt)	325.5	259.6	65.8	25%	
(Net interest-bearing debt)	289.3	231.2	58.1	25%	
Net DER	154.1%	135.7%	18.4pt	—	
Total net assets	203.7	171.6	32.0	19%	(Net assets) Total net assets increased by 19% 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 21.8%, which is a 2.7 percentage points lower than the end of the previous year.
(Equity capital)	172.9	159.7	13.2	8%	
(Accumulated other comprehensive income)	14.8	10.7	4.1	39%	
(Minority interests)	15.8	1.2	14.6	—	
BPS (yen)	4,621.96	4,193.50	428.46	10%	
Shareholders' equity	187.8	170.4	17.4	10%	
Shareholders' equity ratio	21.8%	24.5%	-2.7pt	—	

Cash Flow	FY2017	FY2016	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(19.7)	3.9	(23.7)	—	(Operating cash flows) Due to increase in trade receivables and inventories.
Cash flows from investing activities	(39.9)	(18.4)	(21.5)	-117%	(Investment cash flows) Due to purchase of investment securities and execution of long-term loan.
Cash flows from financing activities	66.4	15.4	50.9	330%	(Financial cash flows) Due to increase of long and short-term debts and bonds payable
Cash and cash equivalents at end of period	34.8	27.2	7.6	28%	

Segment Information	Net sales			Segment income			Main Factors
	FY2017	FY2016	rate	FY2017	FY2016	rate	
Steel	931.9	786.8	18%	20.3	18.0	12%	(Steel business) Recovery trend of steel demand has been kept. Better market price resulted increased net sales due to high raw material prices and tightening supply/demand. Better margins in period of rising prices pushed up the profit.
Metals & alloys	203.2	134.6	51%	4.9	1.4	251%	(Metals & alloys business) Net sales increased due to better market and sales expansion of ferro-alloy and stainless steel. In addition to the profit from sales, recovery of Showa Metal's profit, which was a loss in the previous year, pushed up profit.
Non-ferrous metals	99.0	79.2	25%	2.0	1.0	88%	(Non-ferrous metals business) Due to upturn in international commodity markets and increase in copper sales amount, revenue increased. In addition, foreign exchange loss in the previous year turned to foreign exchange gain.
Foods	99.4	89.0	12%	1.0	2.8	-63%	(Foods business) Rising price and strong sales due to reduction of overseas catch and low inventories pushed up net sales. Segment profit margin was shrunken by higher purchase costs.
Petroleum & chemicals	240.6	264.4	-9%	2.1	2.4	-12%	(Petroleum & chemicals business) Despite slow gain on petroleum products price, net sales decreased due to reduction of spot transactions. Segment income decreased, due to delay in pass-through of purchase cost increase and margin reduction of imported plastic products.
Overseas sales subsidiaries	221.6	174.2	27%	0.9	0.1	383%	(Overseas sales subsidiaries) Revenue increased because of increased sales of bunker fuel in Singapore, metal scrap in Thailand and Singapore, and steel products in Indonesia and US.
Total for reportable segments	1,796.0	1,528.4	18%	31.4	26.1	21%	
Other	76.5	73.0	5%	0.6	1.5	-55%	
Total	1,872.6	1,601.5	17%	32.1	27.6	17%	
Adjustment	(81.5)	(87.4)	7%	(6.6)	(4.7)	-41%	
Consolidated	1,791.1	1,514.0	18%	25.5	22.9	11%	



Forecast (Annual)	FY2018	FY2017	change
	Net sales	2,000.0	
Operating income	31.0	26.2	18%
Ordinary income	30.0	25.5	18%
Net income	19.5	17.3	12%

Cash Dividends	FY2016	FY2017	FY2018 (estimated)
	Interim (yen)	45.00	50.00
Year-end (yen)	50.00	75.00	75.00
Annual (yen)	95.00	125.00	150.00
Dividend payout ratio	24%	29%	31%

- Topics**
- Oct. Acquired Japanlife Co.,Ltd., the manufacturer of metal hardware products for construction.
 - Nov. Launched the new steel processing center with Daming International holdings in China.
 - Mar. Joined Waterberg project, which the platinum group project is jointly owned by JOGMEC in South Africa.

(Prior dividend reflected the five-to-one reverse stock split.)