

Highlights of Consolidated Financial Results for the 1st Quarter of FY2018

(Japan GAAP)

HANWA Co., Ltd.

Outline of Financial Results for the 1st Quarter of FY2018

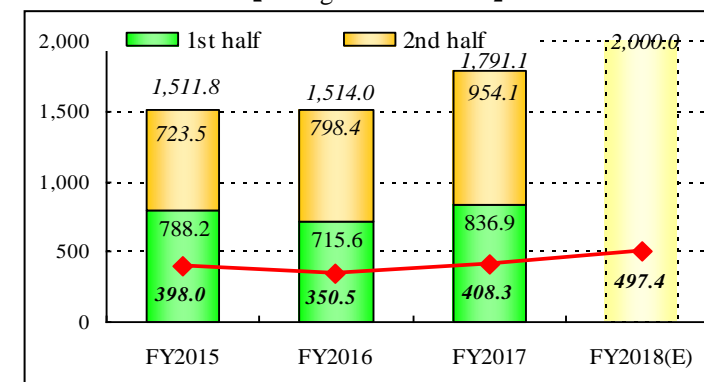
• As for the 1st quarter result for this fiscal year, net sales have increased by 22% in the same period of the previous year, hence reached to 497.4 billion yen, due to market of steel products being higher than the same period of previous year's level and sales expansion of ferro-alloy. Net profit was 3.5 billion yen, decreased by 20%, due to foreign exchange loss and loss on investment in affiliates as opposed to the gain or revenue in the same period of the previous year.
 • We plan to pay 150 yen as the annual (75 yen as the interim and 75 yen as the year-end) dividend.

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

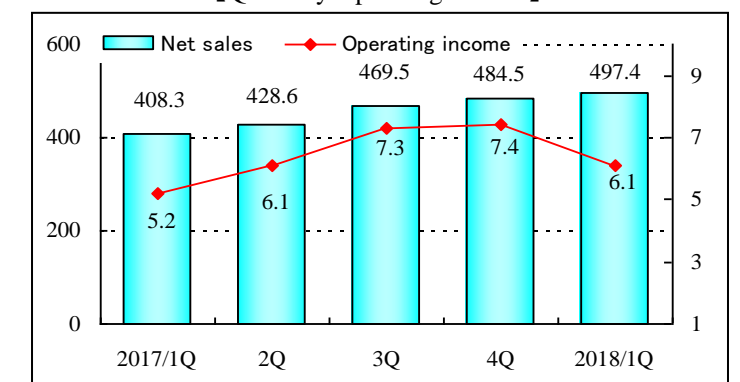
Operating Results	1Q of FY2018	1Q of FY2017	Year-on-year		Main Factors
			Change	rate	
Net sales	497.4	408.3	89.0	22%	(Net sales) Net sales have increased by 22% from the same period of the previous year. This was due to market of steel products being higher than the same period of previous year's level and increase of sales amounts of stainless steel and ferroalloy. (SG&A expenses) SG & A expenses have increased 0.9 billion yen from the same period of previous year. This was mainly due to increase of number of consolidated subsidiaries. Our personnel expenses have increased 0.7 billion yen, including 0.5 billion yen from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income has decreased 0.9 billion yen and Non-operating expenses increased 1.0 billion yen. The breakdown of the main causes is as follows. Foreign exchange gain/loss: gain of 0.4 billion yen (last year) loss of 0.5 billion yen (this year) Revenue/Loss on investment in affiliates: revenue of 0.2 billion yen (last year) loss of 0.3 billion yen (this year) (Extraordinary gain/loss) Loss on devaluation of investments securities was recorded as extraordinary losses.
Gross profit	18.4	16.6	1.8	11%	
SG&A expenses	12.2	11.3	0.9	8%	
Operating income	6.1	5.2	0.8	17%	
Non-operating income	1.6	2.5	(0.9)	-37%	
Non-operating expenses	2.3	1.2	1.0	89%	
Ordinary income	5.4	6.6	(1.1)	-17%	
Extraordinary gain	—	0.2	(0.2)	-100%	
Extraordinary loss	0.1	—	0.1	—	
Income before income taxes and others	5.3	6.8	(1.4)	-22%	
Income taxes	1.9	2.3	(0.3)	-15%	
Net income	3.3	4.4	(1.1)	-25%	
Owners of the Company(loss)	3.5	4.4	(0.8)	-20%	
Minority interests(loss)	(0.2)	0.0	(0.2)	—	
EPS (yen)	87.84	109.10	21.26	19%	
Comprehensive income	2.2	3.7	(1.5)	-42%	

Financial Position	Jun. 2018	Mar. 2018	Comparison with Mar. 2018		Main Factors
			Change	rate	
Total assets	917.8	860.3	57.5	7%	(Total Assets) Total assets increased by 7% from the end of the previous year, due to increase in Inventories and Cash and Deposits. Inventories : 149.9 billion yen (+11% from the end of the previous year) Cash and deposit : 41.9 billion yen (+16% from the end of the previous year) (Liabilities) Total liabilities increased by 9% from the end of the previous year, due to the increase in Short term loans and Commercial paper. As interest-bearing debt increased by 13%, net debt-equity ratio was turned into 170%. (Net assets) Total net assets increased only 5 billion yen from the end of the previous year, due to the carryover of retained earnings, appropriation of surplus for year-end dividend and decrease of foreign currency translation adjustments. Shareholders' equity ratio was 20.5%, which is 1.3 percentage points lower than the end of the previous year.
(Current assets)	687.8	644.1	43.7	7%	
(Fixed assets)	229.9	216.2	13.7	6%	
Total liabilities	713.5	656.6	56.9	9%	
(Interest-bearing debt)	368.7	325.5	43.1	13%	
(Net interest-bearing debt)	326.7	289.3	37.4	13%	
Net DER	174%	154%	20pt	13%	
Total net assets	204.2	203.7	0.5	0%	
(Equity capital)	174.0	172.9	1.0	1%	
(Valuation & translation adjustments)	13.9	14.8	(0.8)	-6%	
(Minority interests)	16.2	15.8	0.3	2%	
BPS (yen)	4,627.32	4,621.96	5.36	0%	
Shareholders' equity	188.0	187.8	0.2	0%	
Shareholders' equity ratio	20.5%	21.8%	-1.3pt	—	

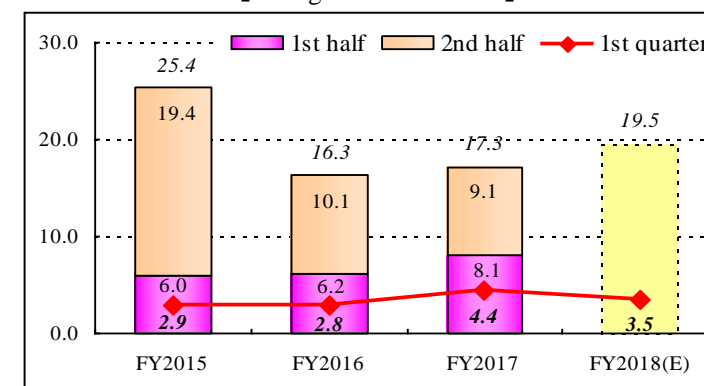
【Changes in Net Sales】



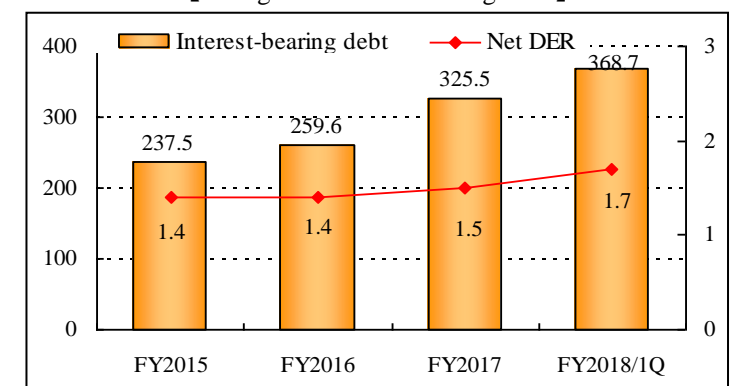
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Segment Information	Net sales			Segment income			Main Factors
	1Q of FY2018	1Q of FY2017	rate	1Q of FY2018	1Q of FY2017	rate	
Steel	243.4	209.9	16%	4.4	4.9	-10%	(Steel business) While strong steel demands increased net sales. However, segment income decreased due to the pace of rising of the market price being slowed down. (Metals & alloys business) Net sales increased due to rising price level and sales expansion of stainless steel and ferro-alloy. Segment income decreased due to impacts of foreign exchange loss and loss on investment in affiliates. (Non-ferrous metals business) Due to rise in international commodity markets and increase in copper and aluminum sales volume, revenue increased. On the other hand, Segment income decreased due to the reduction of margin under stabilization of prices and foreign exchange loss. (Foods business) Rising price of salmon and strong sales of chicken increased net sales and Segment income. (Petroleum & chemicals business) While net sales increased due to high price market of petroleum products, Segment income decreased due to increase of cost of sales. (Overseas sales subsidiaries) Revenue increased because of increased sales of bunker fuel and metal scrap in Singapore and increase of sales amount of steel in Indonesia. Improvement of the profitability in US steel business contributed to Segment income.
Metals & alloys	72.8	43.5	67%	(0.1)	1.1	—	
Non-ferrous metals	26.1	23.6	10%	0.2	0.4	-53%	
Foods	27.4	25.6	7%	0.5	0.4	17%	
Petroleum & chemicals	59.5	54.3	10%	0.4	0.5	-21%	
Overseas sales subsidiaries	70.0	51.2	37%	0.4	(0.0)	—	
Total for reportable segments	499.4	408.3	22%	5.9	7.5	-22%	
Other	19.1	16.6	15%	(0.0)	0.0	39%	
Total	518.6	425.0	22%	6.0	7.6	-21%	
Adjustment	(21.2)	(16.6)	-28%	(0.5)	(1.0)	47%	
Consolidated	497.4	408.3	22%	5.4	6.6	-17%	

Forecast (Annual)	FY2018	FY2017	change
Net sales	2,000.0	1,791.1	12%
Operating income	31.0	26.2	18%
Ordinary income	30.0	25.5	18%
Net income attributable to owners of parent	19.5	17.3	12%

Cash Dividends	FY2016	FY2017	FY2018 (estimated)
Interim (yen)	45.00	50.00	75.00
Year-end (yen)	50.00	75.00	75.00
Annual (yen)	95.00	125.00	150.00
Dividend payout ratio	24%	29.0%	31%

Topics
 May Acquired additional stocks of and made our subsidiary the coil center in Malaysia, Tatt Giap Steel Centre Sdn. Bhd.