

# Financial Results for the First Quarter ended June 30, 2018

(Japan GAAP)

August 9, 2018

Company name: **HANWA Co.,Ltd.**

Listed stock exchange: Tokyo

Stock exchange code: 8078

(URL <http://www.hanwa.co.jp>)

Representative: Hironari Furukawa President

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Scheduled date of issue of audited financial statement: August 14, 2018

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the First Quarter ended June 30, 2018 (April 1, 2018 to June 30, 2018)

### (1) Consolidated operating results (Percentage indicate a change from the corresponding period of the 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 1st Quarter ended June 30, 2018	497,464	21.8	6,165	16.7	5,474	(17.3)	3,569	(19.5)
ended June 30, 2017	408,378	16.5	5,284	6.7	6,619	38.2	4,433	58.0

Note: Comprehensive income For the 1st Quarter ended June 30, 2018 2,202 million yen (41.8) %  
For the 1st Quarter ended June 30, 2017 3,786 million yen - %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 1st Quarter ended June 30, 2018	87.84	—
ended June 30, 2017	109.10	—

\* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, net income per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of June 30, 2018	917,847	204,272	20.5	4,627.32
As of March 31, 2018	860,344	203,700	21.8	4,621.96

Note: Shareholders' equity As of June 30, 2018 188,035 million yen  
As of March 31, 2017 187,828 million yen

\* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, shareholders' equity per share has been calculated as if the said share consolidation was conducted at the beginning of the previous fiscal year.

## 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, 2018	—	10.00	—	75.00	—
Year ending March 31, 2019	—	—	—	—	—
Year ending March 31, 2019 (estimated)	—	75.00	—	75.00	150.00

\* Effective October 1, 2017, HANWA consolidated its common shares at the ratio of 5 shares to 1 share. Accordingly, the amount for the total annual dividends per share for the year ended March 31, 2018 is omitted and shown as a dash.

If the share consolidation was taken into consideration, the second quarter dividend and annual dividend for the fiscal year ended March 31, 2018 would be 50.00 yen and 125.00 yen, respectively.

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Percentage indicate a change from the 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)
Full year	2,000,000	11.7	31,000	18.2	30,000	17.6	19,500	12.4	479.84

\* 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, 2018

## 《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2018	June 30, 2018
<b>Assets</b>		
<b>Current assets;</b>		
Cash and deposits	36,198	41,972
Trade notes and accounts receivable	400,317	398,520
Electronically recorded monetary claims	25,416	27,912
Securities	683	468
Inventories	134,877	149,967
Others	47,128	69,540
Allowance for doubtful receivables	(481)	(503)
<b>Total current assets</b>	<b>644,140</b>	<b>687,878</b>
<b>Fixed assets;</b>		
<b>Property and equipment;</b>		
Land	32,402	33,651
Others	32,066	34,161
<b>Total property and equipment</b>	<b>64,469</b>	<b>67,813</b>
<b>Intangible assets</b>	<b>3,426</b>	<b>4,523</b>
<b>Investments and other assets;</b>		
Investment securities	109,781	110,127
Others	39,429	48,410
Allowance for doubtful receivables	(902)	(906)
<b>Total investments and other assets</b>	<b>148,308</b>	<b>157,631</b>
<b>Total fixed assets</b>	<b>216,204</b>	<b>229,968</b>
<b>Total assets</b>	<b>860,344</b>	<b>917,847</b>
<b>Liabilities;</b>		
<b>Current liabilities;</b>		
Trade notes and accounts payable	266,595	263,462
Short-term loans payable	116,245	149,511
Commercial paper	10,000	20,000
Income taxes payable	5,050	2,326
Accrued bonuses	2,474	1,502
Provision for product warranties	391	390
Others	50,972	60,873
<b>Total current liabilities</b>	<b>451,730</b>	<b>498,067</b>
<b>Long-term liabilities;</b>		
Bonds payable	40,055	50,055
Long-term loans payable	147,601	147,489
Retirement benefits liabilities	4,943	5,028
Others	12,312	12,933
<b>Total long-term liabilities</b>	<b>204,913</b>	<b>215,507</b>
<b>Total liabilities</b>	<b>656,643</b>	<b>713,574</b>
<b>Net assets;</b>		
<b>Shareholders' equity;</b>		
Common stock	45,651	45,651
Retained earnings	131,045	132,129
Treasury stock	(3,726)	(3,735)
<b>Total shareholders' equity</b>	<b>172,969</b>	<b>174,046</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized holding gains on securities	14,342	14,548
Deferred hedge profit and loss	(169)	(155)
Land revaluation difference	2,963	2,963
Foreign currency translation adjustments	3,110	1,847
Remeasurements of defined benefit plans	(5,388)	(5,214)
<b>Total accumulated other comprehensive income</b>	<b>14,858</b>	<b>13,989</b>
<b>Minority interests</b>	<b>15,872</b>	<b>16,236</b>
<b>Total net assets</b>	<b>203,700</b>	<b>204,272</b>
<b>Total liabilities and net assets</b>	<b>860,344</b>	<b>917,847</b>

## Financial Results for the First Quarter ended June 30, 2018

## 《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	1st Quarter ended June 30, 2017	1st Quarter ended June 30, 2018
<b>Net sales</b>	408,378	497,464
Cost of sales	391,771	479,028
<b>Gross profit</b>	16,607	18,436
Selling, general and administrative expenses	11,323	12,270
<b>Operating income</b>	5,284	6,165
<b>Other income;</b>		
Interest income	405	482
Dividend income	769	787
Revenue from investment in affiliates	236	—
Foreign exchange gain	460	—
Others	680	345
Total other income	2,552	1,615
<b>Other expenses;</b>		
Interest expenses	865	1,018
Loss on investment in affiliates	—	357
Foreign exchange loss	—	539
Guarantee commission	165	139
Others	186	251
Total other expenses	1,217	2,306
<b>Ordinary income</b>	6,619	5,474
<b>Extraordinary income</b>		
Reversal of allowance for business loss of affiliates	201	—
Total extraordinary income	201	—
<b>Extraordinary loss;</b>		
Loss on devaluation of investments securities	—	137
Total extraordinary loss	—	137
<b>Income before income taxes and minority interest</b>	6,820	5,337
Income taxes	2,361	1,997
<b>Net income</b>	4,459	3,340
Net income attributable to		
Net income attributable to owners of the Company	4,433	3,569
Net income(loss) attributable to minority interests	26	(229)
<b>Other Comprehensive Income</b>		
Net unrealized holding gains on securities	(267)	202
Deferred hedge profit and loss	(152)	14
Foreign currency translation adjustments	(426)	(830)
Remeasurements of defined benefit plans	186	180
Share of other comprehensive income of affiliates	(11)	(704)
Total other comprehensive Income	(672)	(1,137)
<b>Comprehensive Income</b>	3,786	2,202
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,791	2,694
Comprehensive income attributable to minority interests	(4)	(491)

## Financial Results for the First Quarter ended June 30, 2018

## 《Segment information》

Segment information by business category for the 1st Quarter ended June 30, 2017 and 2018, is as follows:

(Amounts less than one million yen are rounded down)

## 1st 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

## 1st Quarter ended June 30, 2018

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	241,167	70,495	25,818	27,187	56,963	57,125	478,758	18,706	497,464	—	497,464
Inter-segment	2,286	2,391	294	294	2,544	12,920	20,732	493	21,226	(21,226)	—
Total	243,454	72,886	26,113	27,482	59,508	70,046	499,491	19,199	518,690	(21,226)	497,464
Segment income(loss)	4,418	(157)	221	580	471	411	5,945	71	6,017	(542)	5,474

## 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 inter-segment 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.

# 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.

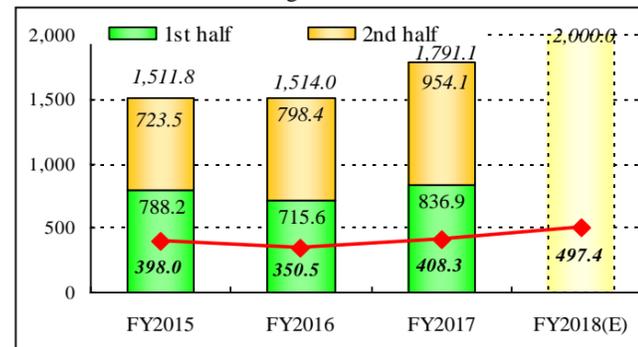
We plan to pay 150 yen as the annual (75 yen as the interim and 75 yen as the year-end) dividend.

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

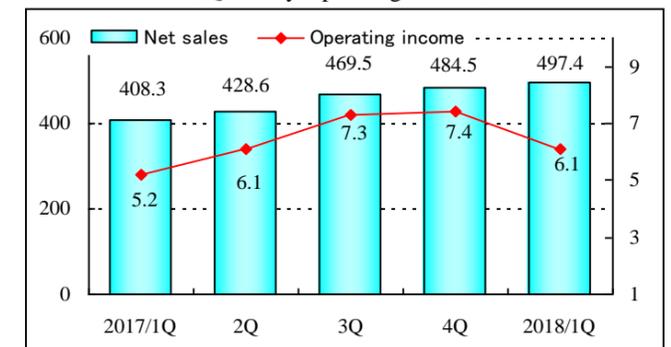
Operating Results	1Q of FY2018	1Q of FY2017	Year-on-year		Main Factors
			Change	rate	
<b>Net sales</b>	<b>497.4</b>	<b>408.3</b>	<b>89.0</b>	<b>22%</b>	(Net sales) Net sales have increased by 22% from the same period of the previous year. This was due to market of steel products being higher than the 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.
<b>Gross profit</b>	<b>18.4</b>	<b>16.6</b>	<b>1.8</b>	<b>11%</b>	
SG&A expenses	12.2	11.3	0.9	8%	
<b>Operating income</b>	<b>6.1</b>	<b>5.2</b>	<b>0.8</b>	<b>17%</b>	
Non-operating income	1.6	2.5	(0.9)	-37%	
Non-operating expenses	2.3	1.2	1.0	89%	
<b>Ordinary income</b>	<b>5.4</b>	<b>6.6</b>	<b>(1.1)</b>	<b>-17%</b>	
Extraordinary gain	—	0.2	(0.2)	-100%	
Extraordinary loss	0.1	—	0.1	—	
<b>Income before income taxes and others</b>	<b>5.3</b>	<b>6.8</b>	<b>(1.4)</b>	<b>-22%</b>	
Income taxes	1.9	2.3	(0.3)	-15%	
<b>Net income</b>	<b>3.3</b>	<b>4.4</b>	<b>(1.1)</b>	<b>-25%</b>	
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%	
<b>Comprehensive income</b>	<b>2.2</b>	<b>3.7</b>	<b>(1.5)</b>	<b>-42%</b>	

Financial Position	Jun. 2018	Mar. 2018	Comparison with Mar. 2018		Main Factors
			Change	rate	
<b>Total assets</b>	<b>917.8</b>	<b>860.3</b>	<b>57.5</b>	<b>7%</b>	(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%	
<b>Total liabilities</b>	<b>713.5</b>	<b>656.6</b>	<b>56.9</b>	<b>9%</b>	
(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%	
<b>Total net assets</b>	<b>204.2</b>	<b>203.7</b>	<b>0.5</b>	<b>0%</b>	
(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	—	

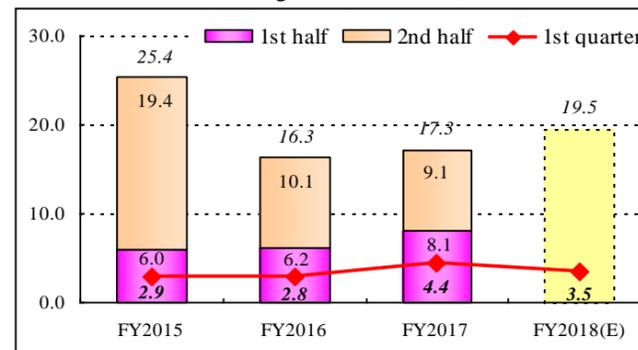
【Changes in Net Sales】



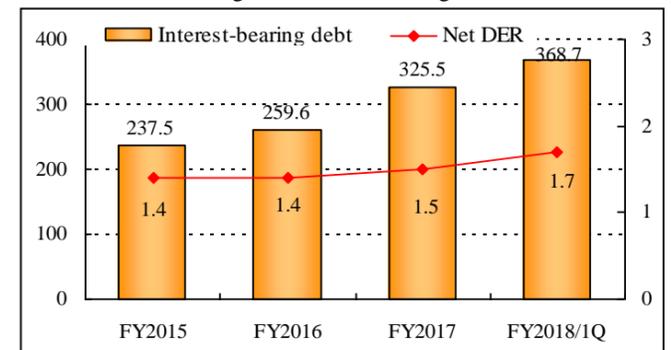
【Quarterly Operating Results】



【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%	
<b>Total</b>	<b>518.6</b>	<b>425.0</b>	<b>22%</b>	<b>6.0</b>	<b>7.6</b>	<b>-21%</b>	
Adjustment	(21.2)	(16.6)	-28%	(0.5)	(1.0)	47%	
<b>Consolidated</b>	<b>497.4</b>	<b>408.3</b>	<b>22%</b>	<b>5.4</b>	<b>6.6</b>	<b>-17%</b>	

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.