

Financial Results for the Second Quarter ended September 30, 2018

(Japan GAAP)

November 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

Enquiries: Yoichi Nakagawa Director, Senior Managing Executive Officer Phone +81-3-3544-2000

Scheduled date of issue of audited financial statements: November 14, 2018

Scheduled date of payout of dividend: December 3, 2018

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Second Quarter ended September 30, 2018 (April 1, 2018 to September 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 2nd Quarter ended September 30, 2018	1,004,927	20.1	13,147	14.7	10,839	(17.3)	6,564	(23.2)
ended September 30, 2017	836,979	17.0	11,461	4.8	13,106	32.1	8,550	37.7

Note: Comprehensive income For the 2nd Quarter ended September 30, 2018 5,100 million yen (53.5) %
For the 2nd Quarter ended September 30, 2017 10,970 million yen 165.1 %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the 2nd Quarter ended September 30, 2018	161.53	—
ended September 30, 2017	210.40	—

* 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.

* In the fiscal year ended March 31, 2018, HANWA finalized the provisional accounting treatment for the allocation of acquisition cost of additional investment securities. Numbers for the 2nd Quarter ended September 30, 2017 are reflected the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of September 30, 2018	954,809	207,165	20.2	4,737.13
As of March 31, 2018	860,344	203,700	21.8	4,621.96

Note: Shareholders' equity As of September 30, 2018 192,496 million yen
As of March 31, 2018 187,828 million yen

* From the beginning of the 1st Quarter of the fiscal year ending March 31, 2019, HANWA adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) and its relevant Guidance. The results for the fiscal year ended March 31, 2018 are those after retrospective application.

2. Cash dividends

(effective date)	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2018	—	10.00	—	75.00	—
Year ending March 31, 2019	—	75.00	—	—	—
Year ending March 31, 2019 (estimated)	—	—	—	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.

In case the share consolidation was taken into consideration, the 2nd 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		Net income per share	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)	(yen)
Full year	2,000,000	11.7	31,000	18.2	26,000	2.0	16,800	(3.2)	413.43	—

* The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to a various risks and uncertainties that could cause actual results to differ materially from this information.

Financial Results for the Second Quarter ended September 30, 2018

《Consolidated Balance Sheets》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	March 31, 2018	September 30, 2018
Assets		
Current assets;		
Cash and deposits	36,198	38,887
Trade notes and accounts receivable	400,317	399,607
Electronically recorded monetary claims	25,416	27,687
Securities	683	487
Inventories	134,877	150,529
Others	47,128	124,898
Allowance for doubtful receivables	(481)	(504)
Total current assets	644,140	741,593
Fixed assets;		
Property and equipment;		
Land	32,402	33,424
Others	32,066	33,894
Total property and equipment	64,469	67,318
Intangible assets	3,426	4,193
Investments and other assets;		
Investment securities	109,781	109,478
Others	39,429	33,317
Allowance for doubtful receivables	(902)	(1,091)
Total investments and other assets	148,308	141,704
Total fixed assets	216,204	213,215
Total assets	860,344	954,809
Liabilities;		
Current liabilities;		
Trade notes and accounts payable	266,595	270,058
Short-term loans payable	116,245	156,298
Commercial paper	10,000	20,000
Current portion of bonds payable	10,121	10,121
Income taxes payable	5,050	3,614
Accrued bonuses	2,474	2,606
Provision for product warranties	391	376
Others	40,851	73,365
Total current liabilities	451,730	536,441
Long-term liabilities;		
Bonds payable	40,055	50,045
Long-term loans payable	147,601	141,896
Retirement benefits liabilities	4,943	4,804
Others	12,312	14,456
Total long-term liabilities	204,913	211,202
Total liabilities	656,643	747,643
Net assets;		
Shareholders' equity;		
Common stock	45,651	45,651
Retained earnings	131,045	135,152
Treasury stock	(3,726)	(3,736)
Total shareholders' equity	172,969	177,068
Accumulated other comprehensive income		
Net unrealized holding gains on securities	14,342	17,202
Deferred hedge profit and loss	(169)	718
Land revaluation difference	2,963	2,963
Foreign currency translation adjustments	3,110	(404)
Remeasurements of defined benefit plans	(5,388)	(5,051)
Total accumulated other comprehensive income	14,858	15,428
Minority interests	15,872	14,668
Total net assets	203,700	207,165
Total liabilities and net assets	860,344	954,809

Financial Results for the Second Quarter ended September 30, 2018

《Consolidated Statements of Income and Comprehensive Income》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	2nd Quarter ended September 30, 2017	2nd Quarter ended September 30, 2018
Net sales	836,979	1,004,927
Cost of sales	803,393	966,984
Gross profit	33,585	37,942
Selling, general and administrative expenses	22,124	24,795
Operating income	11,461	13,147
Other income;		
Interest income	848	1,635
Dividend income	846	863
Revenue from investment in affiliates	985	—
Foreign exchange gain	457	—
Others	1,029	694
Total other income	4,167	3,193
Other expenses;		
Interest expenses	1,563	2,067
Loss on investment in affiliates	—	172
Foreign exchange loss	—	2,418
Guarantee commission	324	278
Others	634	563
Total other expenses	2,522	5,501
Ordinary income	13,106	10,839
Extraordinary income		
Gain on sale of property and equipment	—	410
Reversal of allowance for business loss of affiliates	512	—
Total extraordinary income	512	410
Extraordinary loss;		
Loss on impairment of long-lived assets		
Loss on sale of property and equipment		182
Loss on natural disaster		166
Loss on devaluation of investments securities	—	1,011
Total extraordinary loss	—	1,360
Income before income taxes and minority interest	13,618	9,890
Income taxes	4,870	3,553
Net income	8,748	6,336
Net income attributable to		
Net income attributable to owners of the Company	8,550	6,564
Net income(loss) attributable to non-controlling interests	197	(227)
Other Comprehensive Income		
Net unrealized holding gains on securities	1,801	2,855
Deferred hedge profit and loss	(255)	887
Foreign currency translation adjustments	(407)	(671)
Remeasurements of defined benefit plans	372	360
Share of other comprehensive income of affiliates	712	(4,668)
Total other comprehensive Income	2,222	(1,236)
Comprehensive Income	10,970	5,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,368	7,127
Comprehensive income(loss) attributable to non-controlling interest	602	(2,027)

Financial Results for the Second Quarter ended September 30, 2018

《Consolidated Statements of Cash Flows》

(Amounts less than one million yen are rounded down)

	<i>Millions of yen</i>	
	2nd Quarter ended September 30, 2017	2nd Quarter ended September 30, 2018
Cash flows from operating activities;		
Income before income taxes	13,618	9,890
Depreciation and amortization	1,996	2,324
Amortization of goodwill	199	425
Increase(decrease) in allowance for doubtful receivables	(9)	186
Interest and dividend income	(1,694)	(2,498)
Interest expense	1,563	2,067
Equity in earnings of affiliated companies (gain)	(985)	172
Gain on sale of property and equipment	—	(410)
Reversal of allowance for business loss of affiliates	(512)	—
Loss on sale of property and equipment	—	182
Loss on devaluation of investments securities	—	1,011
Loss on disaster	—	166
(Increase)decrease in trade receivables	(16,103)	1,872
(Increase)decrease in inventories	(12,030)	(14,375)
Increase(decrease) in trade notes and accounts payable	10,501	1,341
(Increase)decrease in deposits received	5,442	23,479
Increase(decrease) in advanced payment	(4,889)	(71,133)
Increase(decrease) in retirement benefits	483	494
Other, net	2,080	10,677
Sub total	(339)	(34,123)
Interest and dividends received	1,153	1,713
Interest paid	(1,531)	(2,030)
Income taxes paid	(6,556)	(4,854)
Net cash provided by (used in) operating activities	(7,274)	(39,293)
Cash flows from investing activities;		
Payment for time deposits	(1,822)	(1,114)
Proceeds from refund of time deposits	1,223	1,260
Payment for purchase of property and equipment	(2,105)	(3,418)
Proceeds from sale of property and equipment	113	1,018
Payment for purchase of investment securities	(30,475)	(2,263)
Proceeds from sale and redemption of investment securities	429	255
Net increase(decrease) from purchase of consolidated subsidiaries	289	—
(Increase)decrease in short – term loans receivable, net	12,912	(2,585)
Increase in long – term loans receivable	(14,111)	(363)
Collection of long–term loans receivable	62	853
Other, net	(55)	(984)
Net cash used in investing activities	(33,538)	(7,342)
Cash flows from financing activities;		
Increase(decrease) in short–term loans, net	8,733	32,153
Increase(decrease) in commercial paper, net	(5,000)	10,000
Proceeds from long–term debt	30,550	295
Repayments of long–term debt	(11,554)	(833)
Proceeds from issuance of bonds	9,950	19,892
Payment for redemption of bonds	(10)	(10,010)
Proceeds from stock issuance to minority shareholders	13,580	—
Payment for cash dividends	(2,031)	(2,892)
Cash dividends paid to minority interest in consolidated subsidiaries	(28)	(48)
Other, net	(42)	(98)
Net cash provided by (used in) financing activities	44,147	48,457
Effect of exchange rate changes on cash and cash equivalents	9	418
Net increase(decrease) in cash and cash equivalents	3,344	2,239
Cash and cash equivalents at beginning of year	27,206	34,855
Cash and cash equivalents from newly consolidated subsidiaries	1,144	576
Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries	—	25
Cash and cash equivalents at end of period	31,694	37,696

Financial Results for the Second Quarter ended September 30, 2018

《Segment information》

Segment information by business category for the 2nd Quarter ended September 30, 2017 and 2018, is as follows:

(Amounts less than one million yen are rounded down)

2nd Quarter ended September 30, 2017

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consoli- dated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub- total				
Net sales											
Customers	431,847	86,976	45,265	50,688	103,643	82,541	800,962	36,016	836,979	—	836,979
Inter-segment	5,390	1,929	681	232	2,668	28,317	39,220	954	40,174	(40,174)	—
Total	437,237	88,905	45,946	50,920	106,312	110,859	840,183	36,970	877,153	(40,174)	836,979
Segment income(loss)	10,419	2,317	475	854	673	217	14,958	411	15,370	(2,263)	13,106

2nd Quarter ended September 30, 2018

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consoli- dated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub- total				
Net sales											
Customers	487,763	140,328	49,273	51,969	120,574	116,868	966,779	38,148	1,004,927	—	1,004,927
Inter-segment	5,180	4,412	659	746	6,050	33,775	50,826	1,158	51,985	(51,985)	—
Total	492,943	144,741	49,933	52,716	126,625	150,644	1,017,605	39,307	1,056,912	(51,985)	1,004,927
Segment income(loss)	7,766	678	449	1,020	850	673	11,439	451	11,890	(1,050)	10,839

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.
4. Segment income for the 2nd Quarter ended September 30, 2017 are reflected important revisions resulted from the finalization of the provisional accounting treatment.

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2018 (Japan GAAP)

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2018

- As for the interim result for this fiscal year, net sales have increased by 20% in the same period of the previous year, hence reached to 1,004.9 billion yen, due to market of steel products and metal resources being higher than the same period of previous year's level and sales expansion of ferro-alloy. Net profit was 6.5 billion yen, decreased by 23%, 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, and loss on devaluation of investments securities as extraordinary loss.
- We plan to pay 150 yen as the annual (75 yen as the interim and 75 yen as the year-end) dividend.
- * Numbers for the 2nd Quarter of FY2017 are reflected important revisions resulted from the finalization of the provisional accounting treatment.

Operating Results	1Q-2Q of FY2018	1Q-2Q of FY2017	Year-on-year		Main Factors
			Change	rate	
Net sales	1,004.9	836.9	167.9	20%	(Net sales) Net sales have increased by 20% 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.
Gross profit	37.9	33.5	4.3	13%	
SG&A expenses	24.7	22.1	2.6	12%	
Operating income	13.1	11.4	1.6	15%	(SG&A expenses) SG & A expenses have increased 2.6 billion yen from the same period of previous year. This was mainly due to increase of number of consolidated subsidiaries.
Non-operating income	3.1	4.1	(0.9)	-23%	Our personnel expenses have increased 1.7 billion yen, including 0.4 billion yen from newly consolidated subsidiaries.
Non-operating expenses	5.5	2.5	2.9	118%	
Ordinary income	10.8	13.1	(2.2)	-17%	(Non-operating income/expenses) Non-operating income has decreased 0.9 billion yen and Non-operating expenses increased 2.9 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 2.4 billion yen (this year) Profit/loss on investment in affiliates: Profit of 0.9 billion yen (last year) loss of 0.1 billion yen (this year)
Extraordinary gain	0.4	0.5	(0.1)	-20%	
Extraordinary loss	1.3	—	1.3	—	(Extraordinary gain/loss) • Loss on devaluation of investments securities 10 billion yen : mainly due to decline in listed stocks in foreign countries • Gain on sale of building 4 billion yen and loss on sale of property 1 billion yen : due to sale of company dormitory • Loss on natural disaster 1 billion yen
Income before income taxes and others	9.8	13.6	(3.7)	-27%	
Income taxes	3.5	4.8	(1.3)	-27%	
Net income	6.3	8.7	(2.4)	-28%	
Owners of the Company(loss)	6.5	8.5	(1.9)	-23%	
Non-controlling interests(loss)	(0.2)	0.1	(0.4)	—	
EPS (yen)	161.53	210.40	(48.87)	-23%	
Comprehensive income	5.1	10.9	(5.8)	-54%	

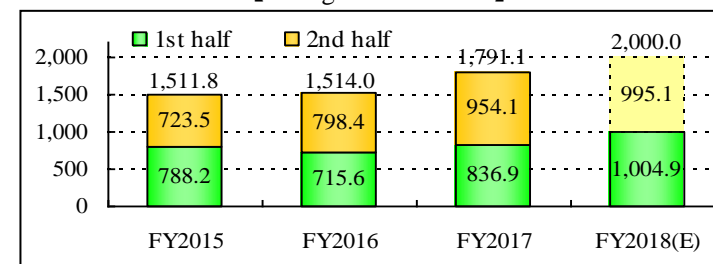
Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2018	1Q-2Q of FY2017	rate	1Q-2Q of FY2018	1Q-2Q of FY2017	rate	
Steel	492.9	437.2	13%	7.7	10.4	-26%	(Steel business) While strong steel demands increased net sales, segment income decreased due to the pace of the market rise being slowed down.
Metals & alloys	144.7	88.9	63%	0.6	2.3	-71%	(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	49.9	45.9	9%	0.4	0.4	-6%	(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	52.7	50.9	4%	1.0	0.8	20%	(Foods business) Rising price of salmon and strong sales of chicken increased net sales and Segment income.
Petroleum & chemicals	126.6	106.3	19%	0.8	0.6	26%	(Petroleum & chemicals business) Due to high market of petroleum products, net sales and Segment income increased.
Overseas sales subsidiaries	150.6	110.8	36%	0.6	0.2	210%	(Overseas sales subsidiaries) Revenue increased due to rising level of bunker fuel price and increased sales of metal scrap in Singapore and steel in Indonesia.
Total for reportable segments	1,017.6	840.1	21%	11.4	14.9	-24%	Improvement of the profitability in US steel business contributed to Segment income.
Other	39.3	36.9	6%	0.4	0.4	10%	
Total	1,056.9	877.1	21%	11.8	15.3	-23%	
Adjustment	(51.9)	(40.1)	-29%	(1.0)	(2.2)	54%	
Consolidated	1,004.9	836.9	20%	10.8	13.1	-17%	

- Topics**
- May. Acquired additional stocks of and made our subsidiary the coil center in Malaysia, Tatt Giap Steel Centre Sdn. Bhd.
 - Jul. Succeed to business of insulation construction from Bridgestone Diversified Products Japan Co., Ltd.

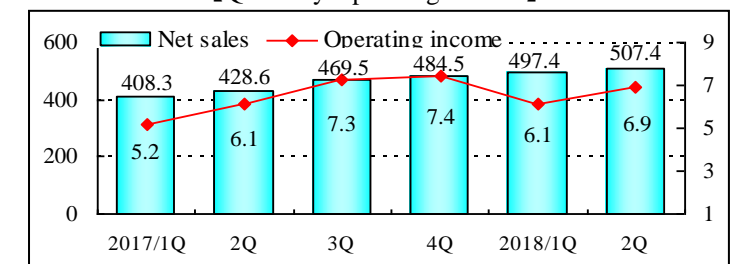
Financial Position	Sep. 2018	Mar. 2018	Comparison with Mar. 2018		Main Factors
			Change	rate	
Total assets	954.8	860.3	94.4	11%	(Total Assets) Total assets increased by 11% from the end of the previous year, due to increase in Inventories and Advanced payment. Inventories: 150.5 billion yen (+12% from the end of the previous year) Advanced payment: 90.7 billion yen (+376% from the end of the
(Current assets)	741.5	644.1	97.4	15%	
(Fixed assets)	213.2	216.2	(2.9)	-1%	
Total liabilities	747.6	656.6	91.0	14%	(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)	379.8	325.5	54.2	17%	
(Net interest-bearing debt)	340.9	289.3	51.6	18%	
Net DER	180%	154%	26pt	—	
Total net assets	207.1	203.7	3.4	2%	(Net assets) Total net assets increased 3.4 billion yen from the end of the previous year, due to the carryover of retained earnings. Meanwhile shareholders' equity ratio was 20.2%, which is 1.6 percentage points lower than the end of the previous year.
(Equity capital)	177.0	172.9	4.0	2%	
(Valuation & translation adjustments)	15.4	14.8	0.5	4%	
(Minority interests)	14.6	15.8	(1.2)	-8%	
BPS (yen)	4,737.13	4,621.96	115.17	2%	
Shareholders' equity	192.4	187.8	4.6	2%	
Shareholders' equity ratio	20.2%	21.8%	-1.6pt	—	

Cash Flow	1Q-2Q of FY2018	1Q-2Q of FY2017	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(39.2)	(7.2)	(31.9)	440%	(Operating cash flows) Due to increase in Inventories and Advanced payments.
Cash flows from investing activities	(7.3)	(33.5)	26.1	Δ78%	(Investment cash flows) Due to decrease in payment for purchase of investment securities and long-term loans receivable.
Cash flows from financing activities	48.4	44.1	4.3	10%	(Financial cash flows) Due to increase in short-term loans and commercial paper.
Cash and cash equivalents at end of period	37.6	31.6	6.0	19%	

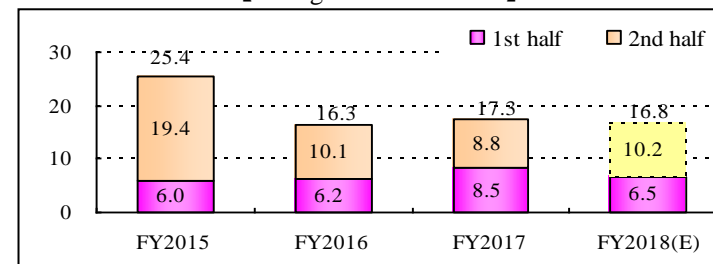
【Changes in Net Sales】



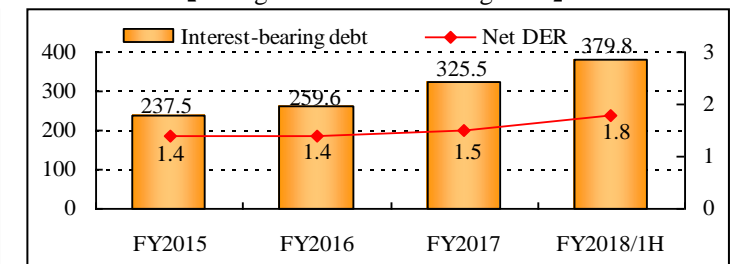
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2018	FY2017		Cash Dividends	FY2017	FY2018	FY2018 (estimated)
			change				
Net sales	2,000.0	1,791.1	12%	Interim (yen)	50.00	75.00	—
Operating income	31.0	26.2	18%	Year-end (yen)	75.00	—	75.00
Ordinary income	26.0	25.5	2%	Annual (yen)	125.00	—	—
Net income attributable to owners of parent	16.8	17.3	-4%	Dividend payout ratio	29%	—	36%