

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.

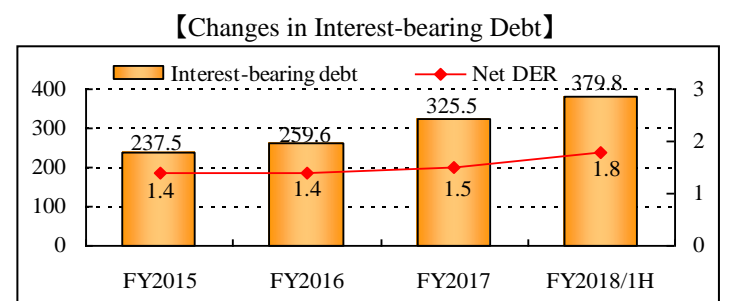
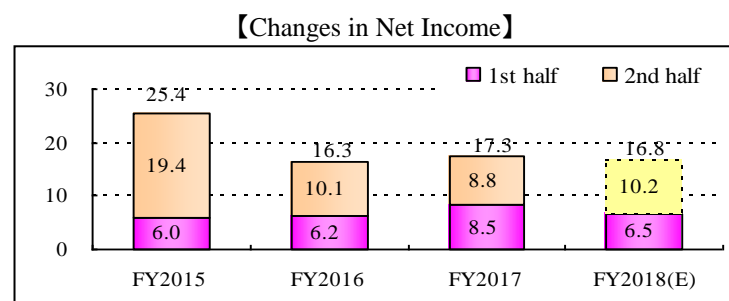
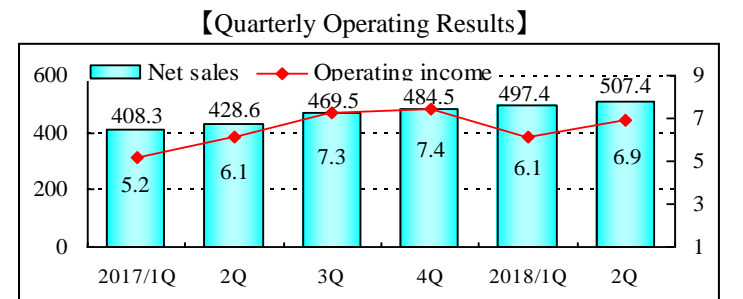
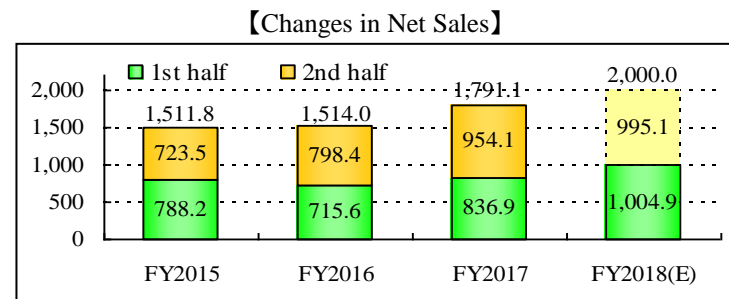
Operating Results	1Q-2Q of FY2018	1Q-2Q of FY2017	Year-on-year		Main Factors
			Change	rate	
Net sales	1,004.9	836.9	167.9	20%	(Net sales) Net sales have increased by 20% from the same period of the previous year. This was due to market of steel products being higher than the same period of previous 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%	(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.
Operating income	13.1	11.4	1.6	15%	Our personnel expenses have increased 1.7 billion yen, including 0.4 billion yen from newly consolidated subsidiaries.
Non-operating income	3.1	4.1	(0.9)	-23%	(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)
Non-operating expenses	5.5	2.5	2.9	118%	Profit/loss on investment in affiliates: Profit of 0.9 billion yen (last year) loss of 0.1 billion yen (this year)
Ordinary income	10.8	13.1	(2.2)	-17%	(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
Extraordinary gain	0.4	0.5	(0.1)	-20%	
Extraordinary loss	1.3	—	1.3	—	
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	<ul style="list-style-type: none"> 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)
(Current assets)	741.5	644.1	97.4	15%	Advanced payment: 90.7 billion yen (+376% from the end of the
(Fixed assets)	213.2	216.2	(2.9)	-1%	(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%.
Total liabilities	747.6	656.6	91.0	14%	(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.
(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%	
(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	△78%	(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%	



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%