

Highlights of Consolidated Financial Results for the 3rd 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 3rd Quarter of FY2018

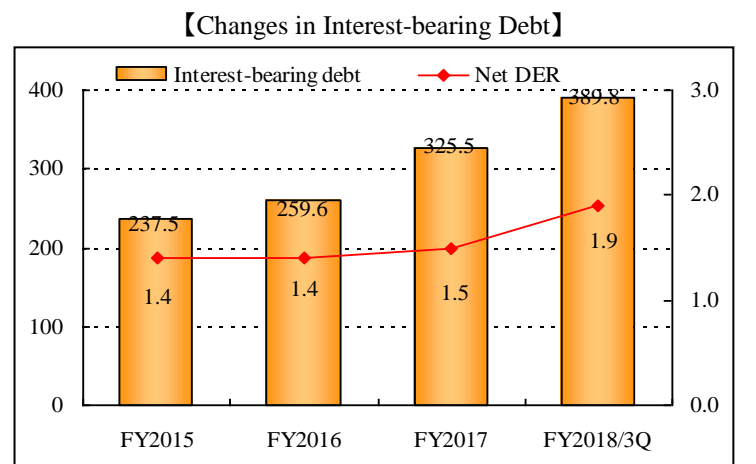
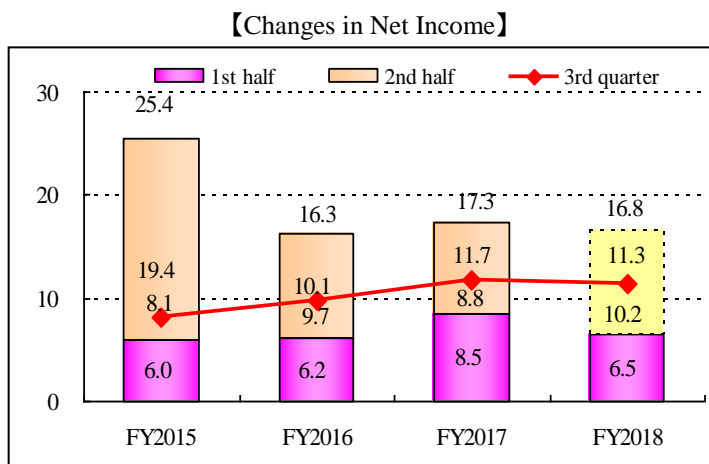
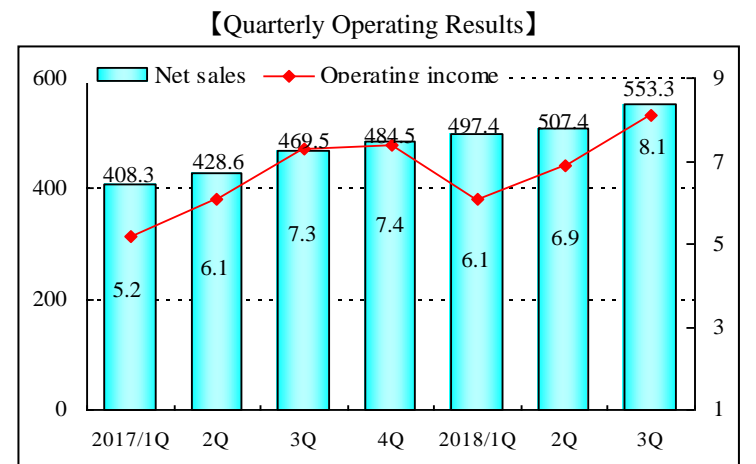
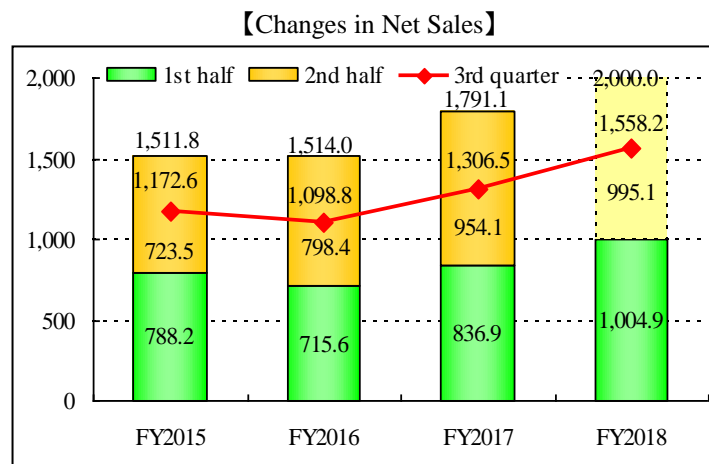
- As for the 3rd Quarter result for this fiscal year, net sales have increased by 20% in the same period of the previous year, hence reached to 1,558.2 billion yen, due to better markets of steel products and metal resources than the same period of previous year's level, as well as sales expansion of ferro-alloy and increase in net sales in overseas subsidiaries. Net profit was 11.3 billion yen, decreased by 8%, due to increase in interest expenses, foreign exchange loss as opposed to the gain in the same period of the previous year, and loss on devaluation of investments securities as extraordinary loss.
- We paid 75 yen as the interim dividend and plan to pay additional 75 yen as the year-end dividend.
- * Numbers for the 3rd Quarter of FY2017 are reflected important revisions resulted from the finalization of the provisional accounting treatment.

Operating Results	1Q-3Q of FY2018	1Q-3Q of FY2017	Year-on-year		Main Factors
			Change	rate	
Net sales	1,558.2	1,306.5	251.7	19%	(Net sales) Net sales have increased by 19% 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, increase in sales amounts of stainless steel and ferro-alloy and increase in sales in overseas subsidiaries. (SG&A expenses) SG & A expenses have increased 3.6 billion yen from the same period of the previous year. This was mainly due to increase in number of consolidated subsidiaries. Our personnel expenses have increased 2.4 billion yen, including 0.6 billion yen from newly consolidated subsidiaries. (Non-operating income/expenses) Non-operating income has increased 1.1 billion yen and Non-operating expenses increased 3.0 billion yen. The breakdown of the main causes is as follows. interest income: increase of 1.8 billion yen interest expenses: increase of 1.1 billion yen foreign exchange gain/loss: gain of 0.3 billion yen (last year) loss of 2.3 billion yen (this year) (Extraordinary gain/loss) • Loss on devaluation of investments securities 1.8 billion yen : mainly due to decline in listed stocks • Gain on sale of building 0.4 billion yen and loss on sale of property 0.1 billion yen : due to sale of company dormitory • Loss on natural disaster 0.04 billion yen
Gross profit	58.9	52.7	6.1	12%	
SG&A expenses	37.5	33.9	3.6	11%	
Operating income	21.3	18.7	2.5	14%	
Non-operating income	5.3	4.2	1.1	26%	
Non-operating expenses	7.9	4.9	3.0	62%	
Ordinary income	18.7	18.1	0.6	3%	
Extraordinary gain	0.4	0.5	(0.0)	-19%	
Extraordinary loss	2.0	0.1	1.8	947%	
Income before income taxes and others	17.0	18.4	(1.3)	-7%	
Income taxes	6.0	6.6	(0.6)	-10%	
Net income	11.0	11.8	(0.7)	-6%	
Owners of the Company(loss)	11.3	12.2	(0.9)	-8%	
Non-controlling interests(loss)	(0.2)	(0.4)	0.1	-42%	
EPS (yen)	278.86	301.40	(22.54)	-7%	
Comprehensive income	1.7	16.0	(14.3)	-89%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-3Q of FY2018	1Q-3Q of FY2017	rate	1Q-3Q of FY2018	1Q-3Q of FY2017	rate	
Steel	766.1	672.1	14%	11.9	15.3	-22%	(Steel business) While strong steel demands increased net sales, segment income decreased due to the pace of the market rise being slowed down and taking time to shift cost price onto selling price. (Metals & alloys business) Net sales and segment income increased due to rising price level of nickel and silicon and sales expansion of stainless steel and ferro-alloy. (Non-ferrous metals business) While international commodity markets have remained on a level with the same period of the previous year, due to increase in copper and aluminum sales volume, net sales and segment income increased. (Foods business) Rising price of salmon and crab and strong sales of chicken increased net sales and segment income. (Petroleum & chemicals business) Due to high market of petroleum products, net sales and segment income increased. (Overseas sales subsidiaries) Revenue increased due to rising price and sales expansion of bunker fuel and metal scrap in Singapore, and increase in net sales of steel products in Indonesia. Improvement of the profitability in US steel business contributed to segment income as well.
Metals & alloys	219.4	149.0	47%	4.4	2.0	119%	
Non-ferrous metals	74.4	71.5	4%	1.1	0.9	27%	
Foods	80.3	79.4	1%	1.5	1.2	17%	
Petroleum & chemicals	191.0	173.2	10%	1.6	1.4	9%	
Overseas sales subsidiaries	241.1	162.7	48%	0.9	0.6	48%	
Total for reportable segments	1,572.4	1,308.2	20%	21.5	21.6	-1%	
Other	60.8	57.2	6%	0.5	0.5	0%	
Total	1,633.3	1,365.4	20%	22.0	22.1	-1%	
Adjustment	(75.0)	(58.9)	—	(3.3)	(4.0)	—	
Consolidated	1,558.2	1,306.5	19%	18.7	18.1	3%	

Topics	<ul style="list-style-type: none"> May. Acquired additional stocks of and made our subsidiary the steel processing center in Malaysia, Tatt Giap Steel Centre Sdn. Bhd. Jul. Succeeded business of insulation thermal and billing from Bridgestone Diversified Products Japan Co.,Ltd.
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Financial Position	Dec. 2018	Mar. 2018	Comparison with Mar. 2018		Main Factors
			Change	rate	
Total assets	952.0	860.3	91.6	11%	(Total Assets) Total assets increased by 11% from the end of the previous year, due to increase in inventories and advance payment. inventories: 145.1 billion yen (+8% from the end of the previous year) advance payment: 95.1 billion yen (+399% from the end of the previous year) (Liabilities) Total liabilities increased by 14% from the end of the previous year, due to increase in short term loans and deposit received. As interest-bearing debt increased by 20%, net debt-equity ratio was turned into 189%. (Net assets) Total net assets decreased 2.9 billion yen from the end of the previous year, due to the carryover of retained earnings, appropriation of surplus for interim dividend and decrease in net unrealized holding gains on securities. Meanwhile shareholders' equity ratio was 19.5%, which is 2.3 percentage points lower than the end of the previous year.
(Current assets)	749.2	644.1	105.0	16%	
(Fixed assets)	202.8	216.2	(13.3)	-6%	
Total liabilities	751.3	656.6	94.6	14%	
(Interest-bearing debt)	389.8	325.5	64.3	20%	
(Net interest-bearing debt)	350.8	289.3	61.5	21%	
Net DER	189%	154%	35pt	—	
Total net assets	200.7	203.7	(2.9)	-2%	
(Equity capital)	178.7	172.9	5.7	3%	
(Valuation & translation adjustments)	7.3	14.8	(7.5)	-51%	
(Minority interests)	14.6	15.8	(1.1)	-8%	
BPS (yen)	4,578.76	4,621.96	(43.20)	-1%	
Shareholders' equity	186.0	187.8	(1.7)	-1%	
Shareholders' equity ratio	19.5%	21.8%	-2.3pt	—	



Forecast (Annual)	FY2018	FY2017	change
Net sales	2,000.0	1,791.1	12%
Operating income	31.0	26.2	18%
Ordinary income	26.0	25.5	2%
Net income attributable to owners of parent	16.8	17.3	-3%

Cash Dividends	FY2017	FY2018	FY2018 (estimated)
Interim (yen)	50.00	75.00	—
Year-end (yen)	75.00	—	75.00
Annual (yen)	125.00	—	150.00
Dividend payout ratio	29%	—	36%