

INTERIM RESULTS

for the Year Ending March 2017

November 24, 2016

HANWA CO., LTD.

Operating Results (consolidated)

- Net sales decreased by 9% in the same period of the previous year, due to decline in petroleum and steel product prices .
- SG & A expenses increased by 3% compared with the same period of previous year. 3% out of 3% was accounted for newly consolidated subsidiaries. Our personnel expenses increased 0.5 billion yen.
- Ordinary income increased by 43%, mainly due to decrease in equity in losses of affiliates.
- Net income attributable to owners of the parent increased by 3%, due to decline in extraordinary gain.

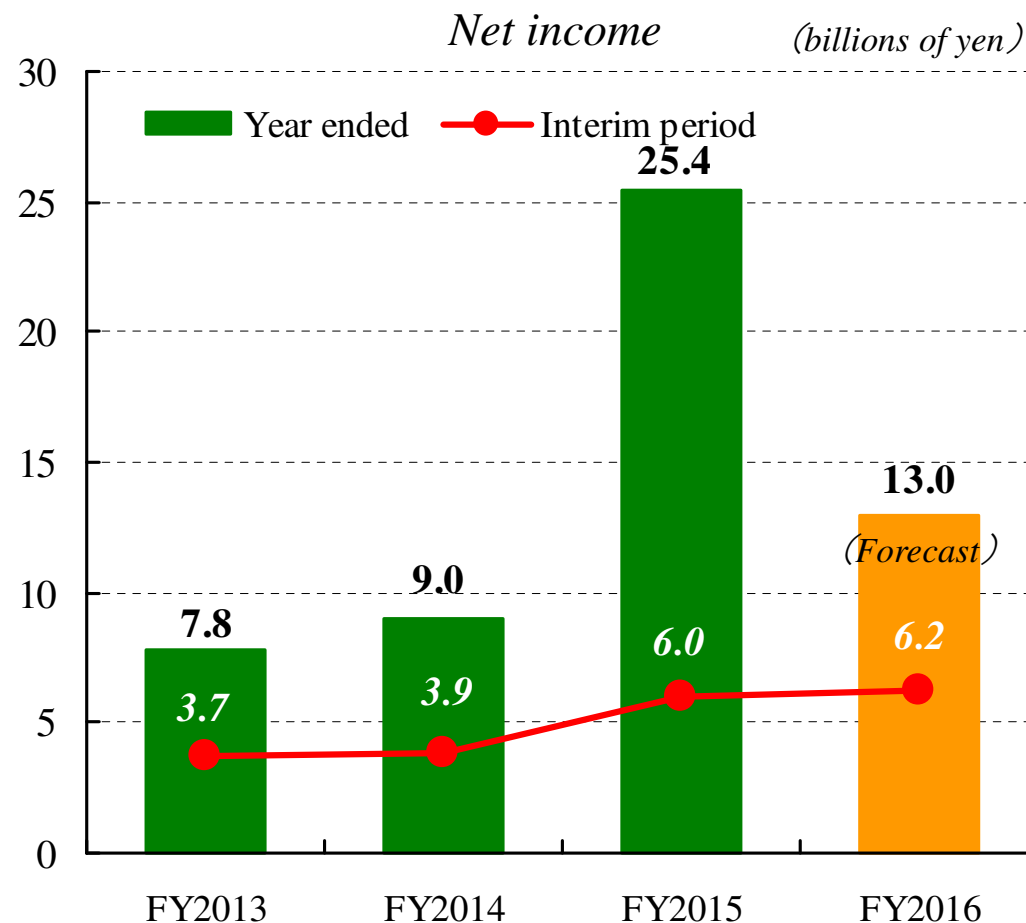
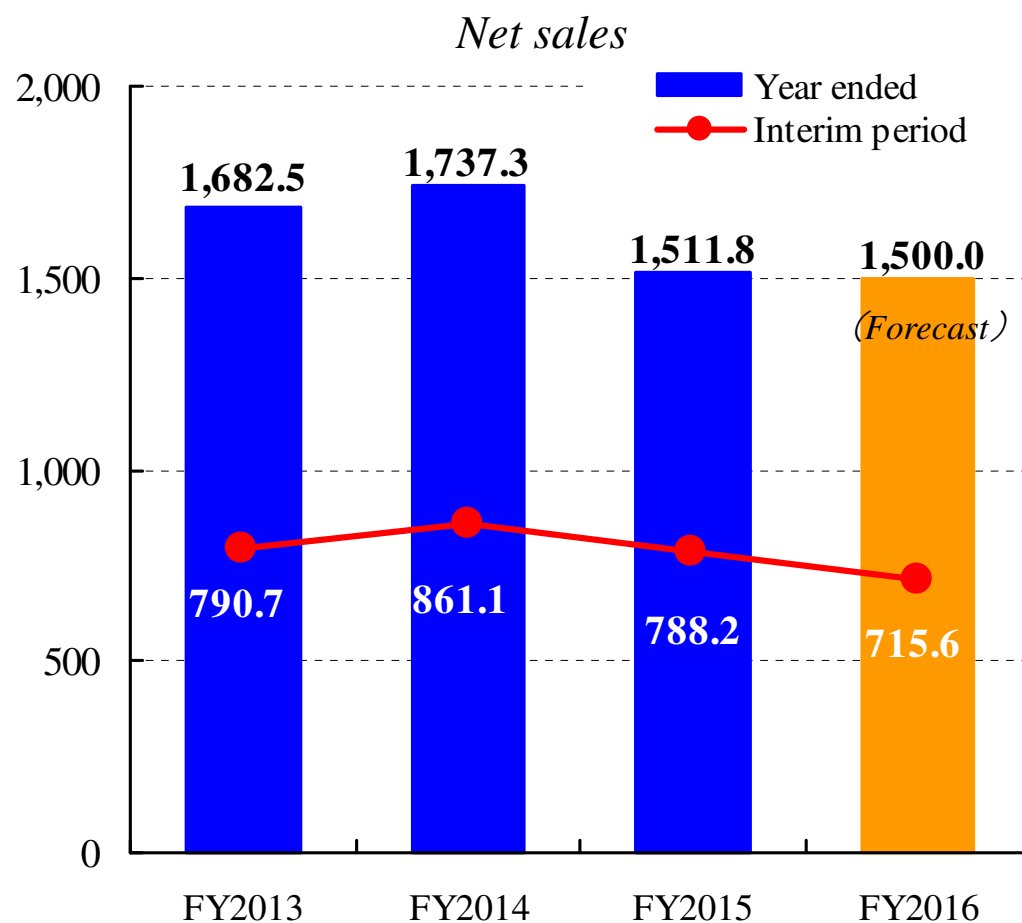
(billions of yen)

	<i>FY2015/1H</i>	<i>FY2016/1H</i>	<i>Rate of changes</i>
<i>Net sales</i>	788.2	715.6	—9%
<i>Gross profit</i>	27.4	30.7	+12 %
<i>SG&A</i>	19.2	19.8	+3 %
<i>Operating income</i>	8.1	10.9	+34 %
<i>Ordinary income</i>	6.9	9.9	+43 %
<i>Net income attributable to owners of the parent</i>	6.0	6.2	+3 %
<i>EPS</i>	29.22yen	30.28yen	+4 %
<i>Comprehensive income</i>	1.3	4.1	+197 %

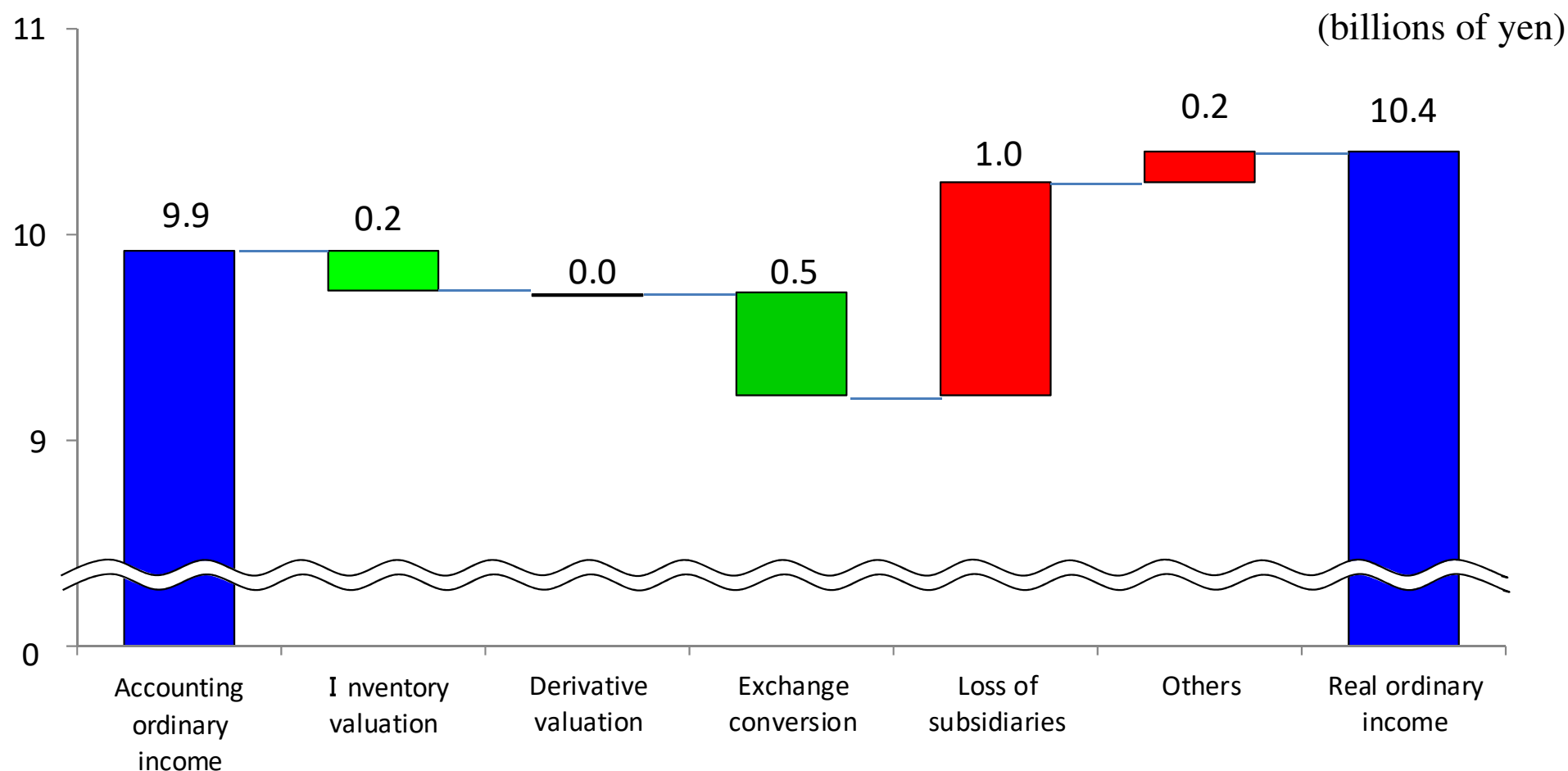
Changes in Business results (consolidated)

Sales decreased because of low prices of crude oil and other commodities but the transaction volume remained steady.

Net income remained strong after eliminating the one-time contribution to earnings from the sale of a logistics center land in last fiscal year.



¥9.9 billion ordinary income can be regarded as ¥10.4 billion before excluding valuation gains and losses for inventories, derivatives and other items, a one-time loss at subsidiaries, and other one-time gains and losses. Ordinary income on the same basis was ¥7.6 billion one year earlier.

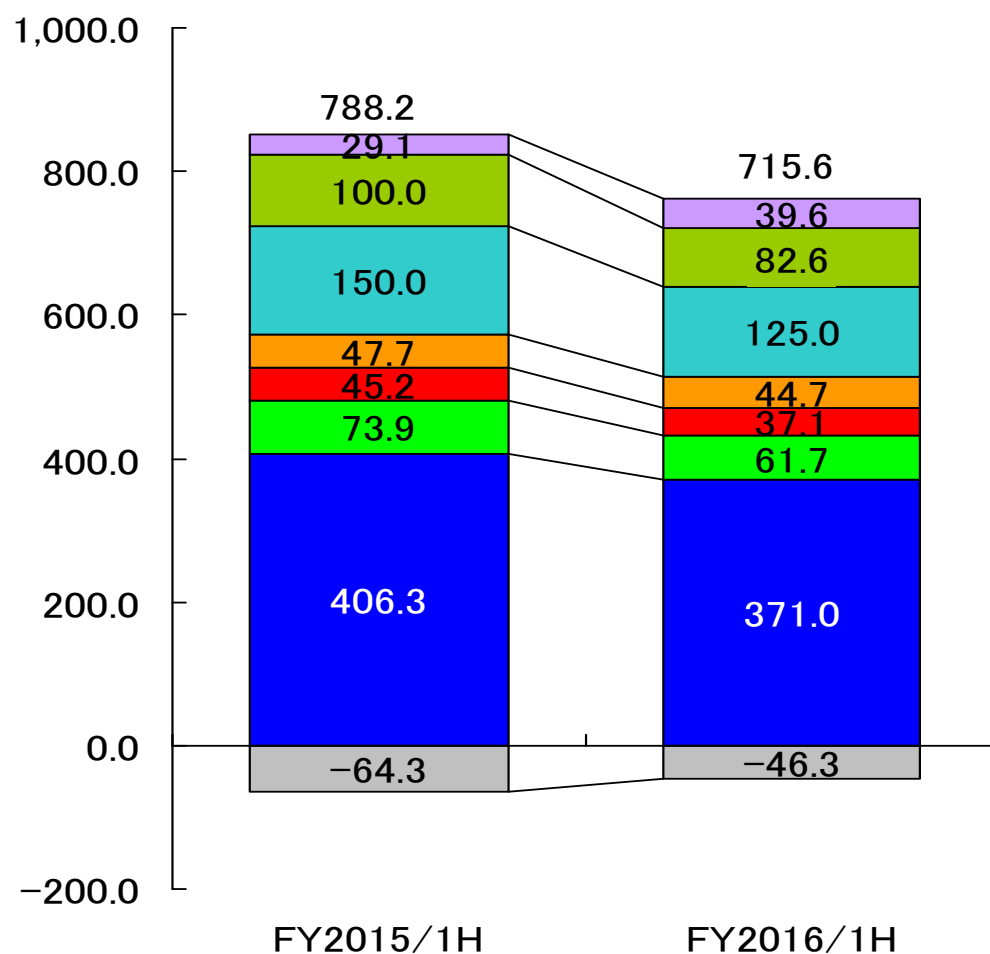


Segment Information (consolidated)

Lower commodity prices caused sales decrease in all segments.

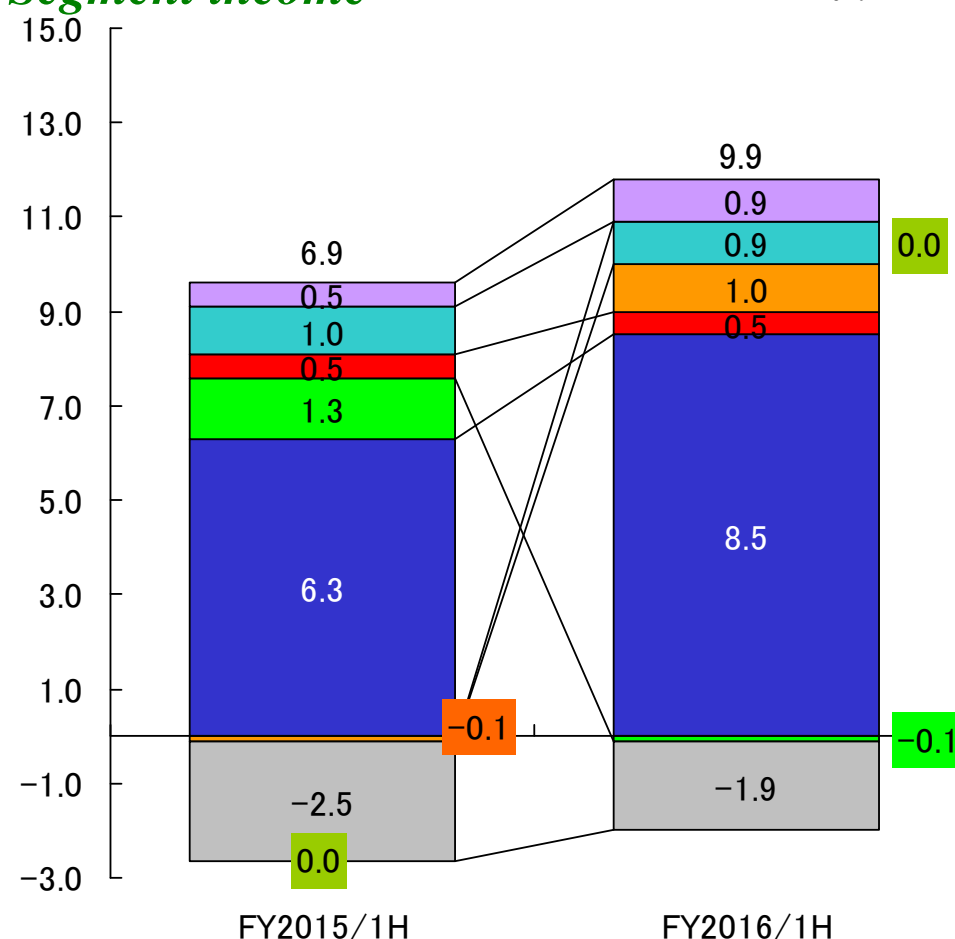
Earnings increased mainly because of higher steel earnings and an improvement in the profitability of the food product segment.

Net sales



Segment income

(billions of yen)



Steel	Metals & alloys	Non-ferrous metal	Foods
Petroleum & chemicals	Overseas sales subsidiaries	Other	Adjustment

Financial Position (consolidated)

- Total assets remained on the same level from the end of the previous year. While inventories decreased, cash and deposits increased.
- Interest-bearing debt decreased slightly from the end of the previous year, due to the decrease in long-term loans payable. Net debt-equity ratio was turned into 124.6%.
- Despite increase of accumulated earnings from quarterly net income, total net assets increased slightly from the end of the previous year, due to the increased treasury stock and the decreased foreign currency translation adjustments.

(billions of yen)

	<i>FY2015</i>	<i>FY2016/1H</i>	<i>Rate of changes</i>
<i>Total assets</i>	599.6	599.9	+0 %
<i>Total liabilities</i>	443.5	443.2	— 0%
<i>Interest-bearing debt</i>	237.5	234.4	— 1 %
<i>Net DER</i>	135.9%	124.6%	— 11.3pt
<i>Net assets</i>	156.1	156.6	+0 %
<i>Shareholders' equity</i>	154.8	155.5	+0 %
<i>Shareholders' equity ratio</i>	25.8 %	25.9 %	+0.1pt
<i>BPS</i>	747.40 yen	765.42 yen	+2 %

Cash Flows Situation (consolidated)

- Cash flows from operating activities was 22.0 billion yen, due to decrease in inventories and increase in operating revenue.
- Cash flows from investing activities was -1.3 billion yen, due to purchase of investment securities and execution of long-term loan.
- Cash flows from financing activities was -5.5 billion yen, due to payback and payment for cash dividends.

(billions of yen)

	<i>FY2015/1H</i>	<i>FY2016/1H</i>	<i>Change</i>
<i>Cash flows from operating activities</i>	29.3	22.0	−7.3
<i>Cash flows from investing activities</i>	(12.3)	(1.3)	+11.0
<i>Cash flows from financing activities</i>	(17.7)	(5.5)	+12.2
<i>Cash and cash equivalents at end of the period</i>	24.6	40.4	+15.8

· *Net sales forecast*

The fiscal year sales forecast has been reduced by ¥100 billion because first half sales were lower than planned due to declines in prices of commodities.

· *Profit forecast*

No revision to the forecast because first half earnings were largely as planned.

Net income is down because earnings in the previous fiscal year include a gain on the sale of a logistics center land.

(billions of yen)

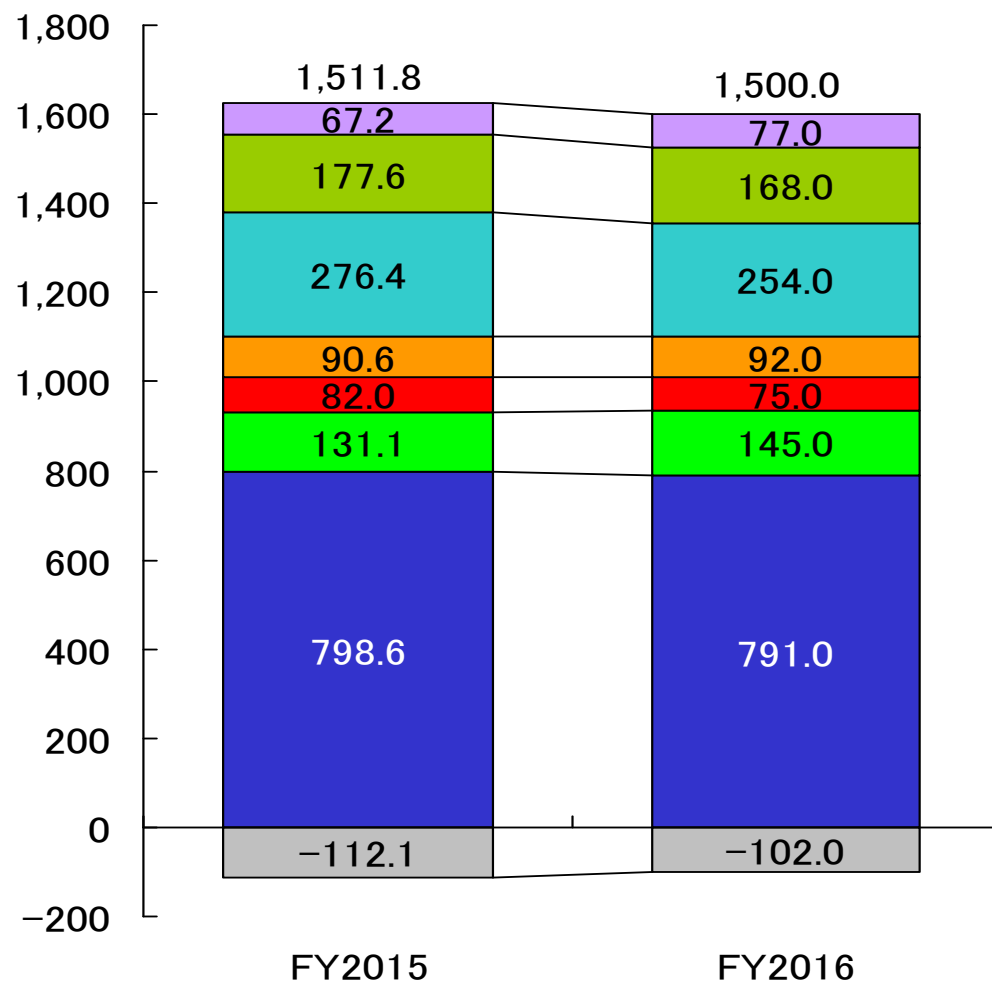
	<i>FY2015</i>	<i>FY2016 (forecast)</i>	<i>Rate of change</i>
<i>Net sales</i>	<i>1,511.8</i>	<i>1,500.0</i>	<i>—1 %</i>
<i>Operating income</i>	<i>18.1</i>	<i>21.0</i>	<i>+16 %</i>
<i>Ordinary income</i>	<i>15.4</i>	<i>19.0</i>	<i>+23 %</i>
<i>Net income attributable to owners of the parent</i>	<i>25.4</i>	<i>13.0</i>	<i>—49 %</i>

Forecast of Segment Information

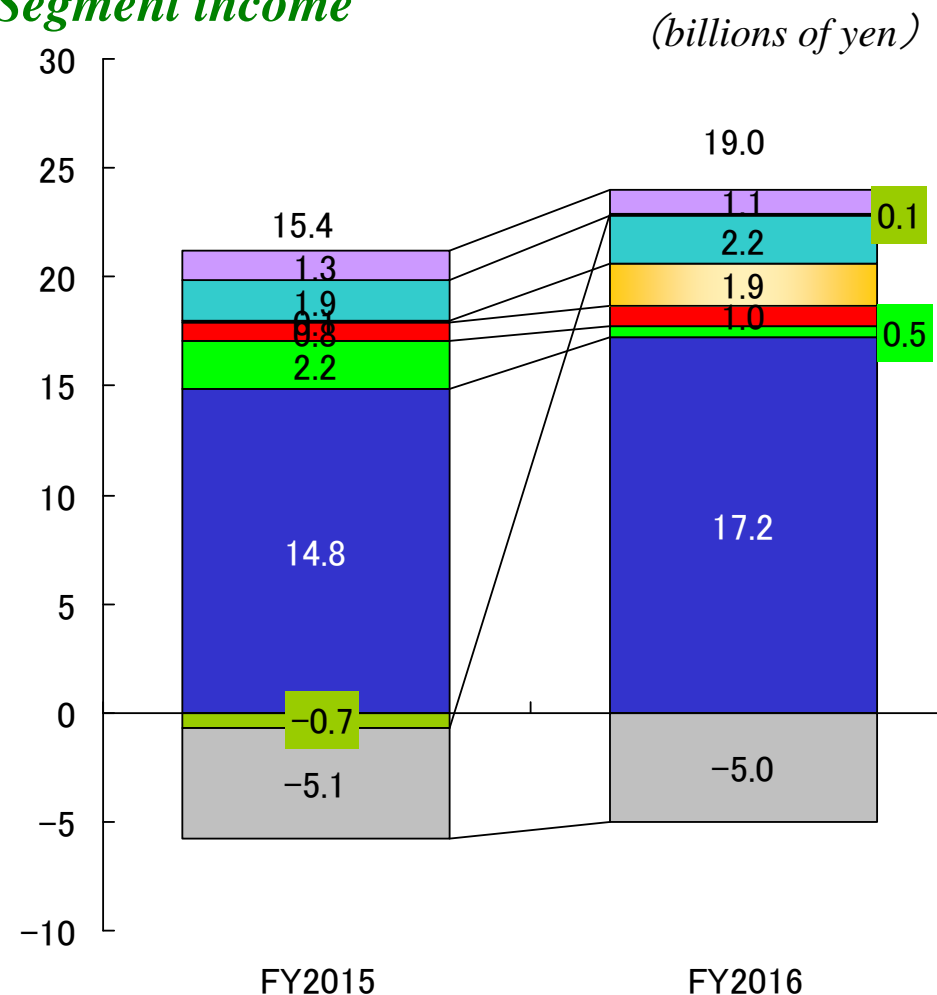
Forecast higher sales in the metals and alloys and food product segments and lower sales in all other segments.

Steel earnings were higher in the first half and are expected to remain at this level in the second half.

Net sales



Segment income



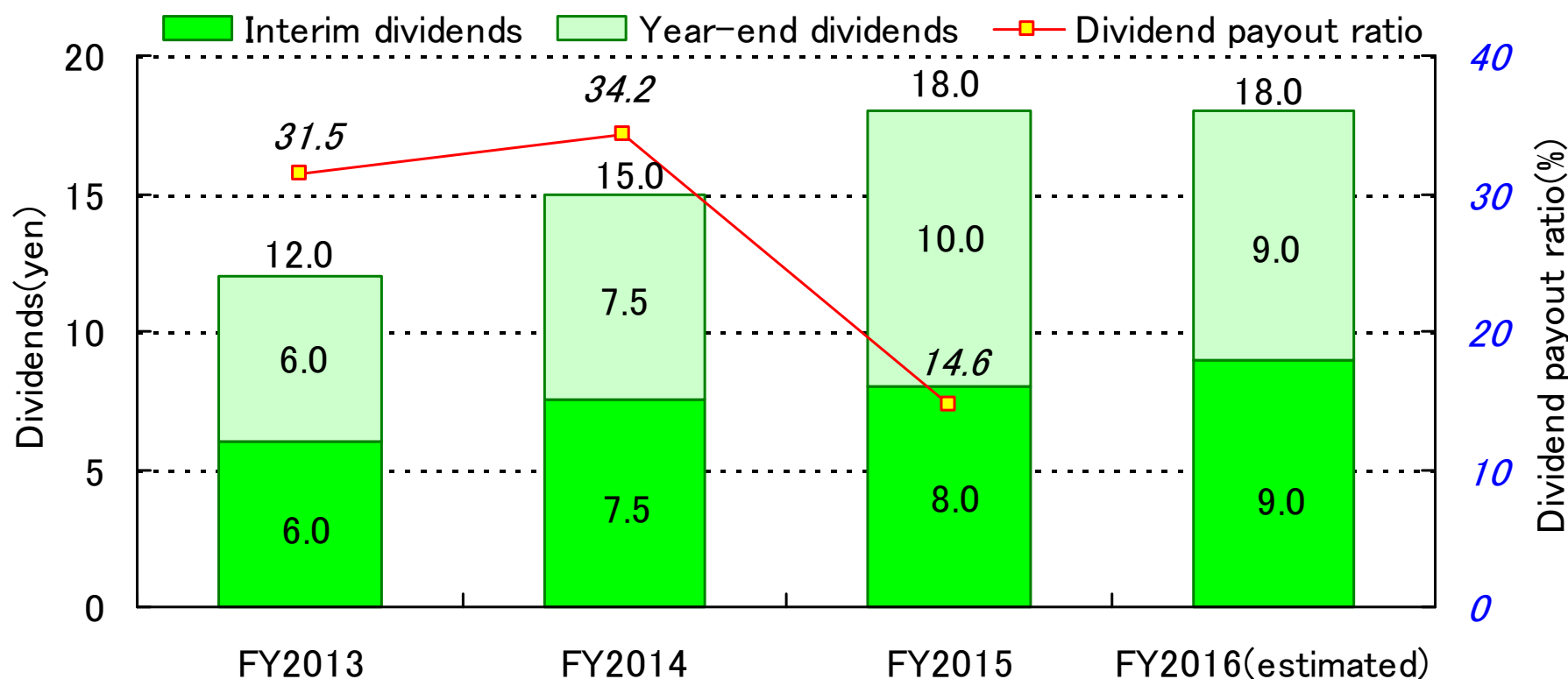
Steel	Metals & alloys	Non-ferrous metals	Foods
Petroleum & chemicals	Overseas sales subsidiaries	Other	Adjustment

【Dividend Policy】

Our policy is to pay a stable dividend to shareholders while retaining sufficient earnings to strengthen our operations and make investments in growing fields. In addition, our goal is to increase the dividend while taking into consideration our earnings, market conditions, the dividend payout ratio and other items.

【Trend in dividends】

9 yen will be paid as interim and year-end dividends is scheduled at 9 yen.



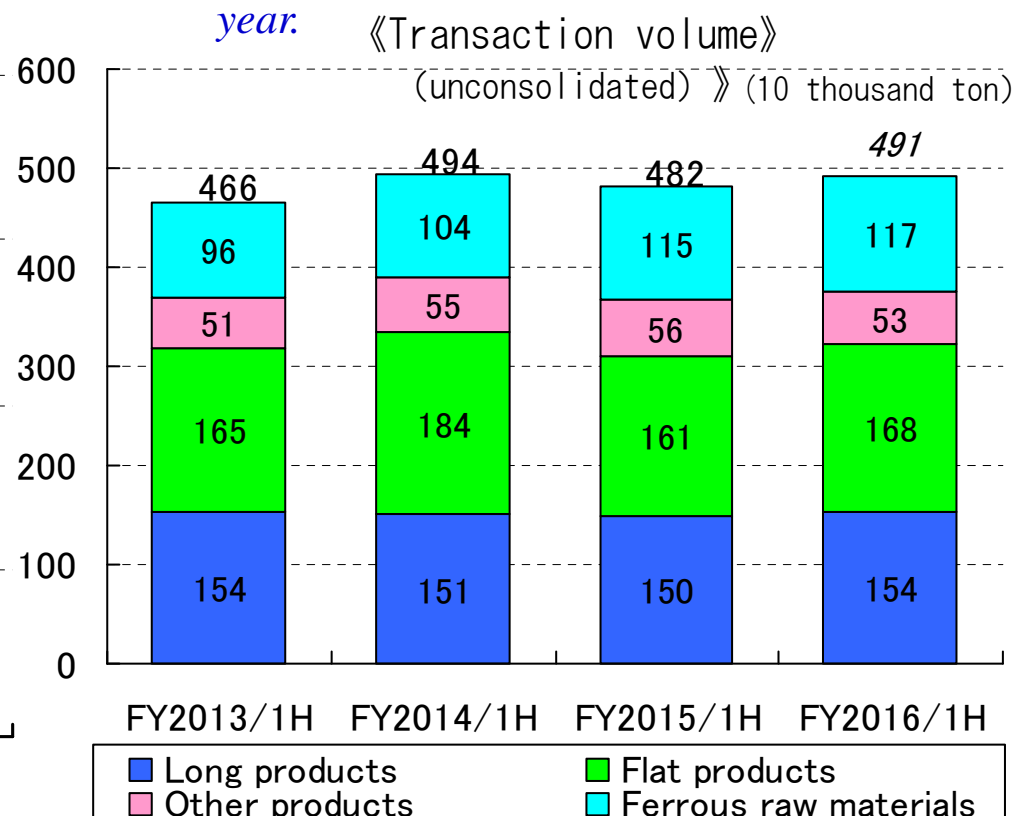
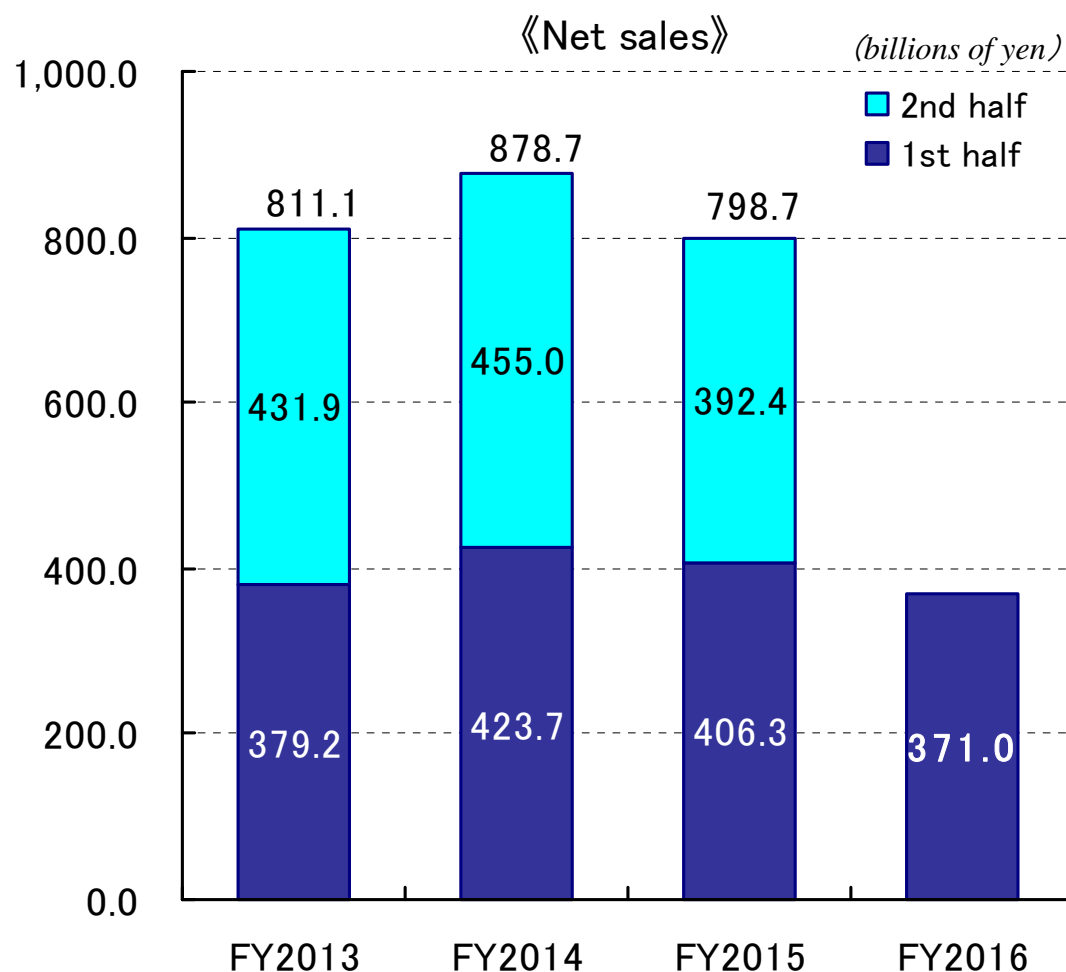
(billions of yen) • Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	406.3	371.0	−9%
Segment income	6.3	8.5	+35%

The transaction volume remained steady despite no growth in movements of steel products, but sales were down because of a decrease in prices.

• Segment income

Earnings increased because of the completion of construction projects, which have a high profit margin, and no negative impacts from substantial equity-method losses in last fiscal year.



Metals & Alloys Business Segment

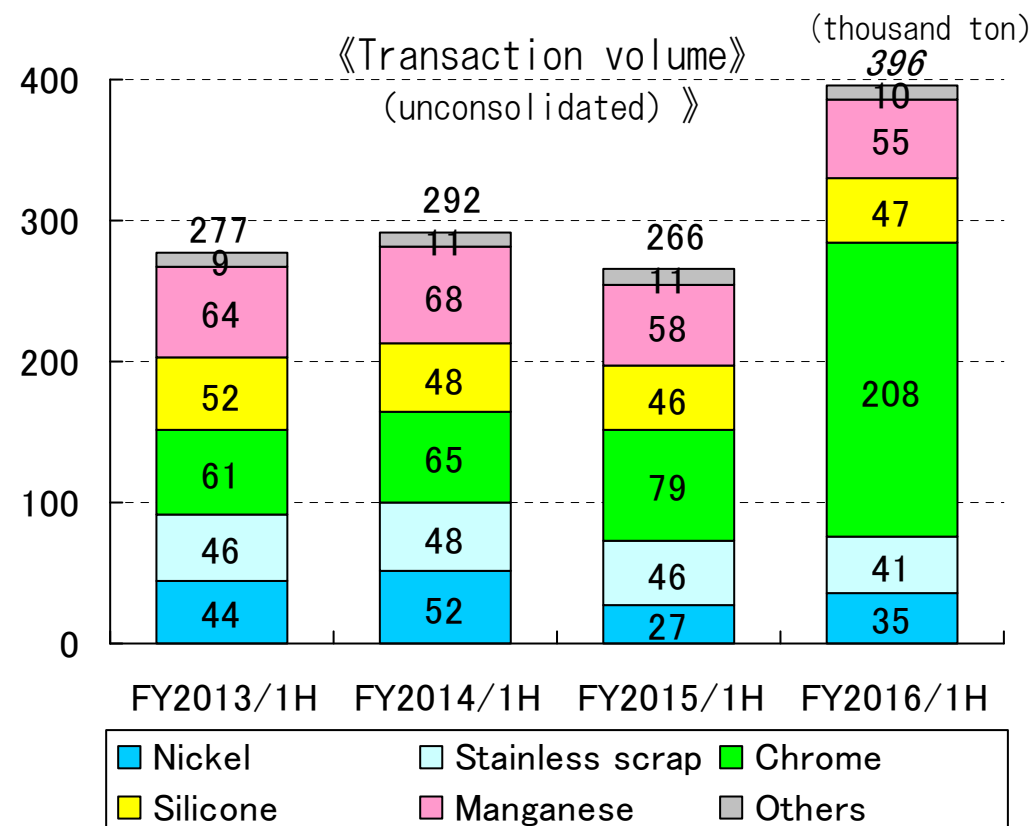
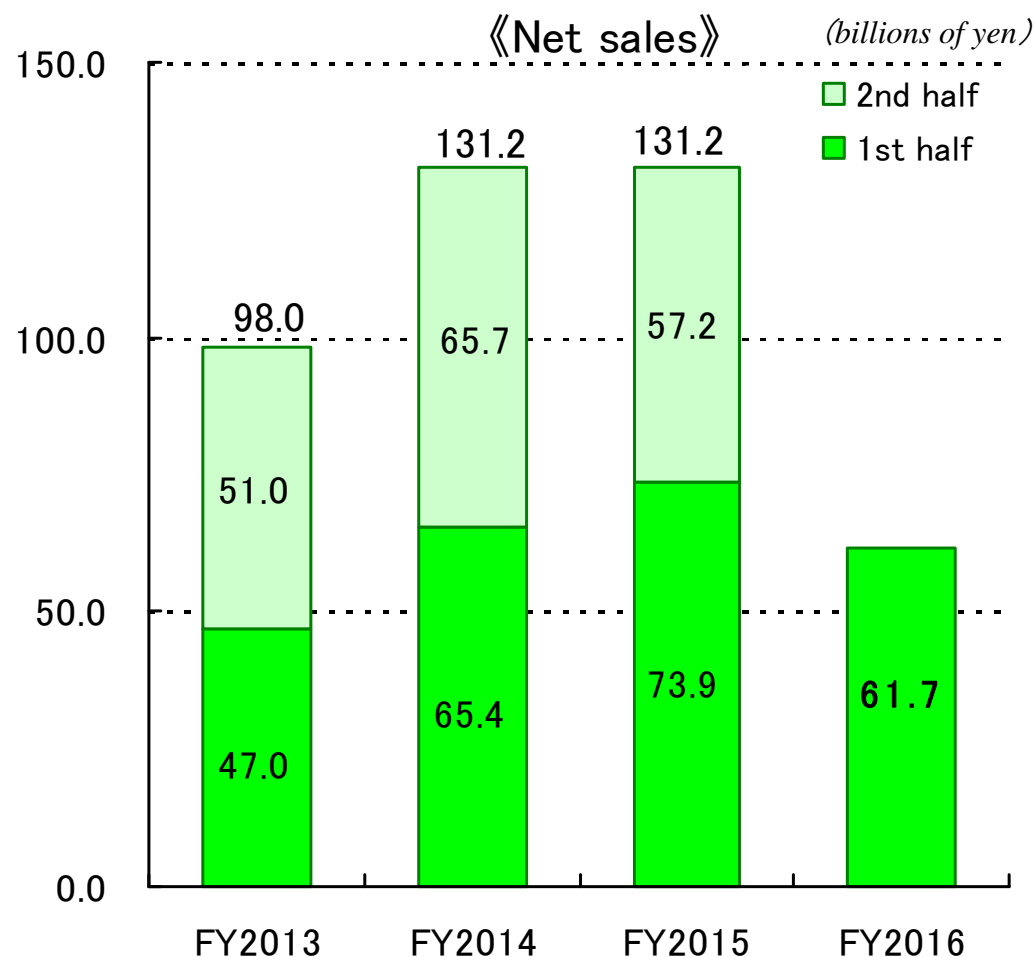
(billions of yen) • Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	73.9	61.7	−17%
Segment income	1.3	(0.1)	—%

Sales decreased because of lower prices of metals and a decline in sales of stainless steel scrap.

• Segment income

The first half loss was mainly the result of the yen's rapid appreciation, higher cost of procuring scrap and the disposal of long-term inventories at Showa Metal.



Non-ferrous Metals Business Segment

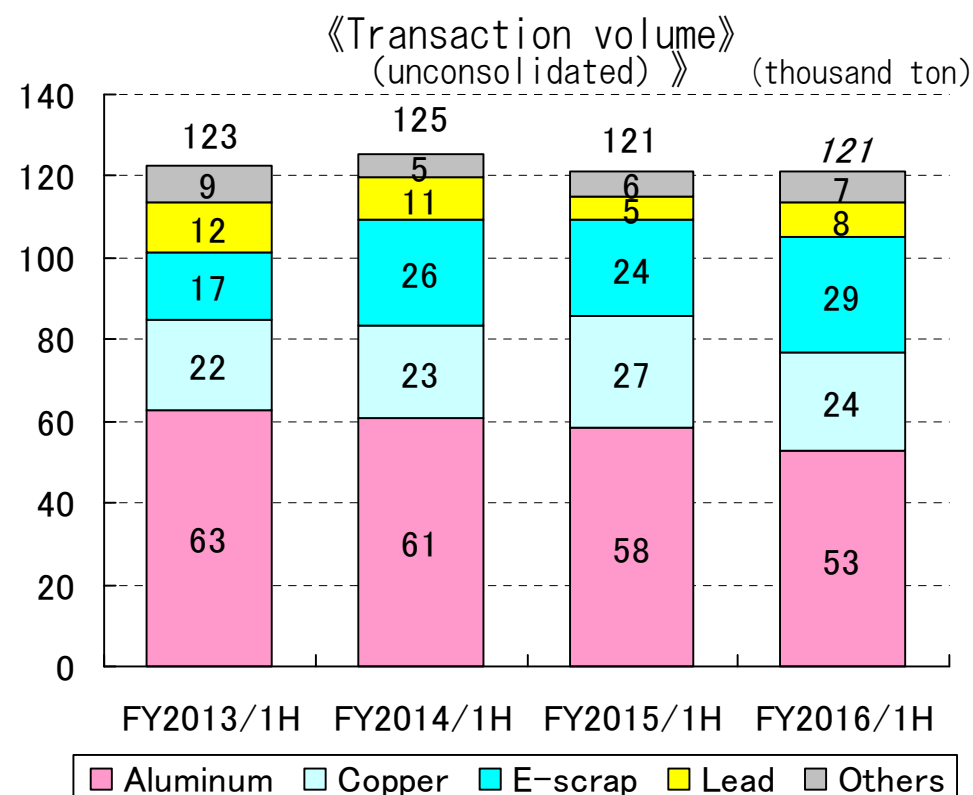
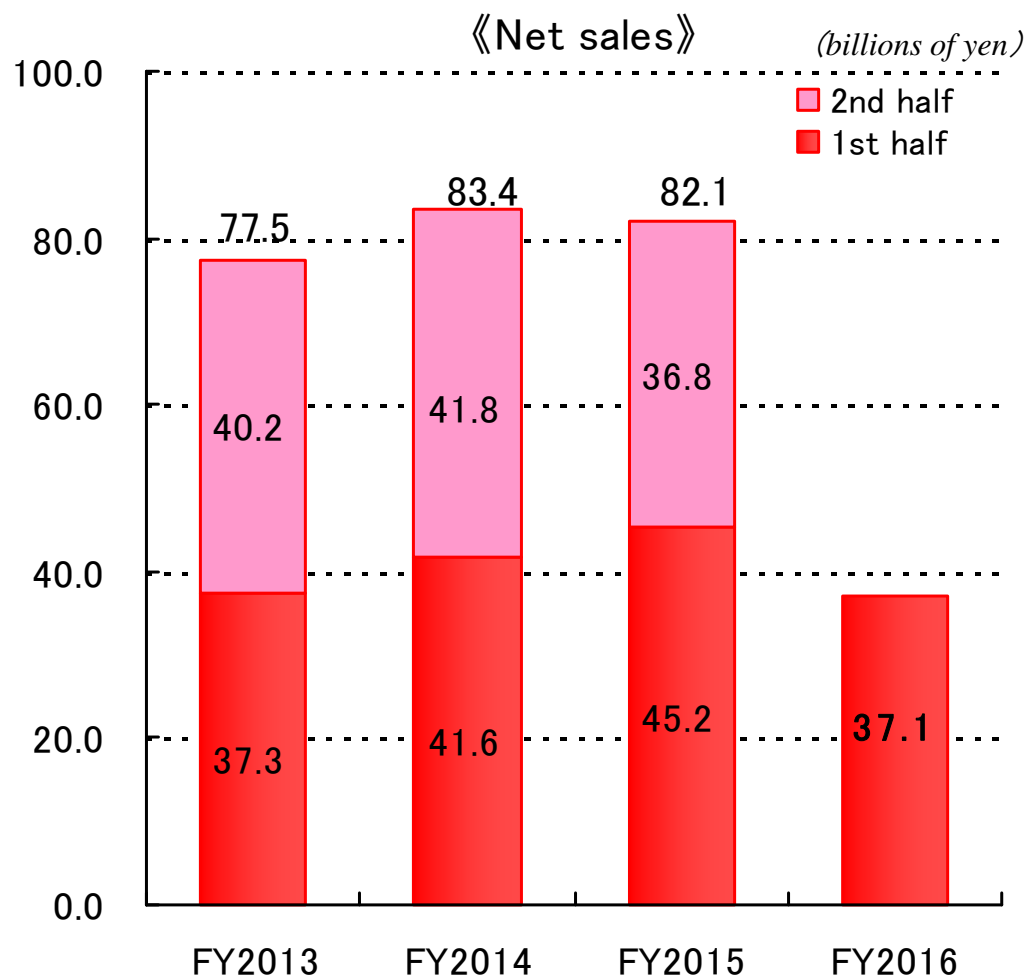
(billions of yen) · Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	45.2	37.1	−18%
Segment income	0.5	0.5	+0%

Sales were down because of the low prices of non-ferrous metals and declines in sales of aluminum and copper scrap.

· Segment income

No change in earnings as lower earnings from sales of non-ferrous scrap were offset by higher sales of e-scrap and the improved profitability of the steel deoxidation agent operations at Seiki Metal.



Foods Business Segment

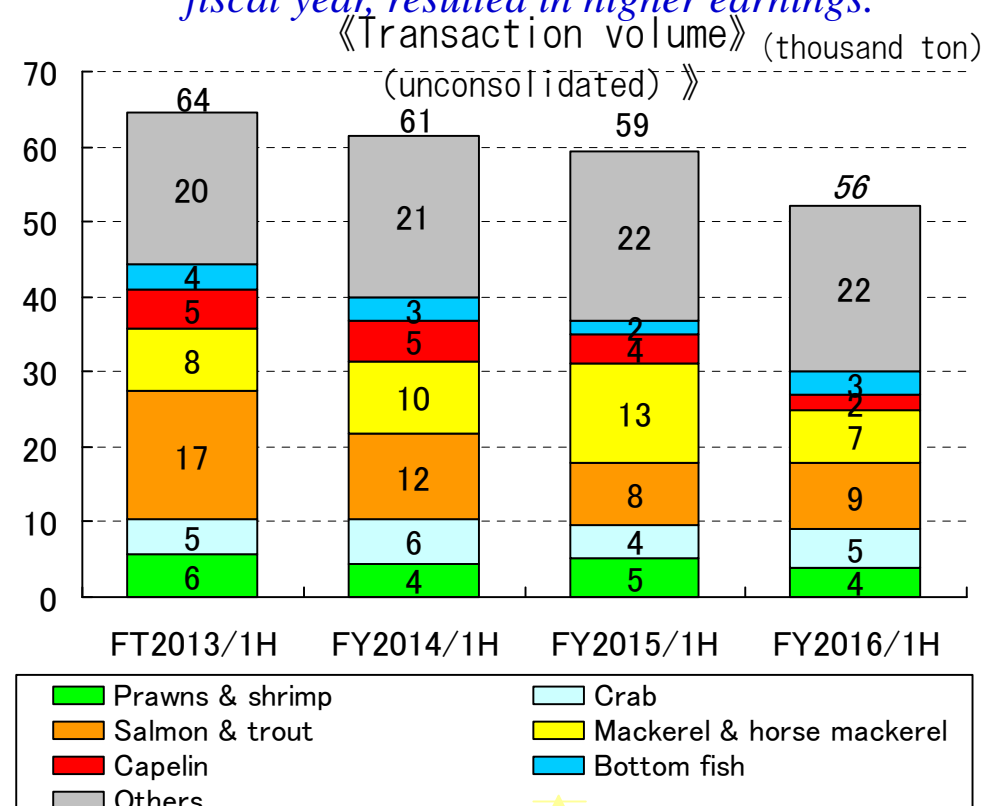
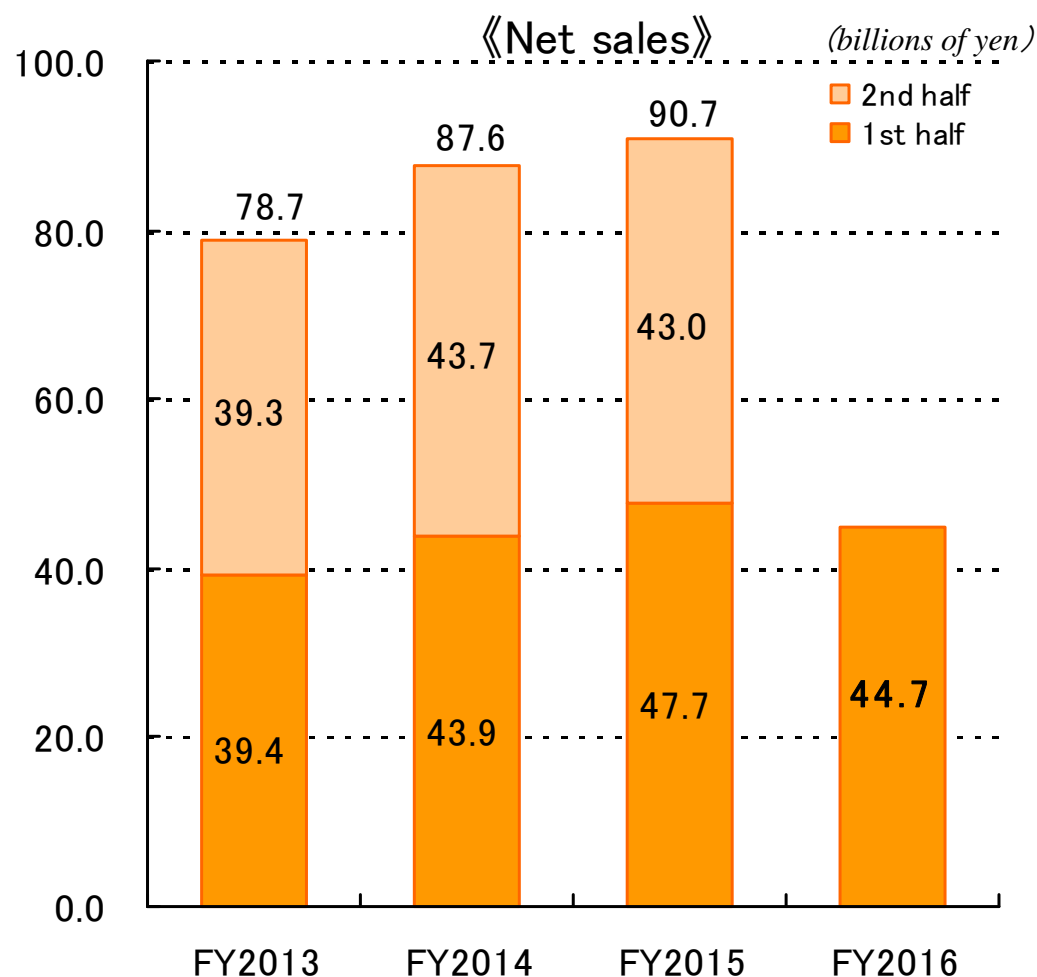
(billions of yen) • Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	47.7	44.7	−6%
Segment income	(0.1)	1.0	—%

Sales were lower as the volume of sales declined due to a continuation of sluggish sales in Japan and weak demand for shrimp in the United States.

• Segment income

An increase in profitability of products where prices increased slightly and an improvement in the performance of Seattle Shrimp and Seafood, which posted a loss in the previous fiscal year, resulted in higher earnings.



Petroleum & Chemicals Business Segment

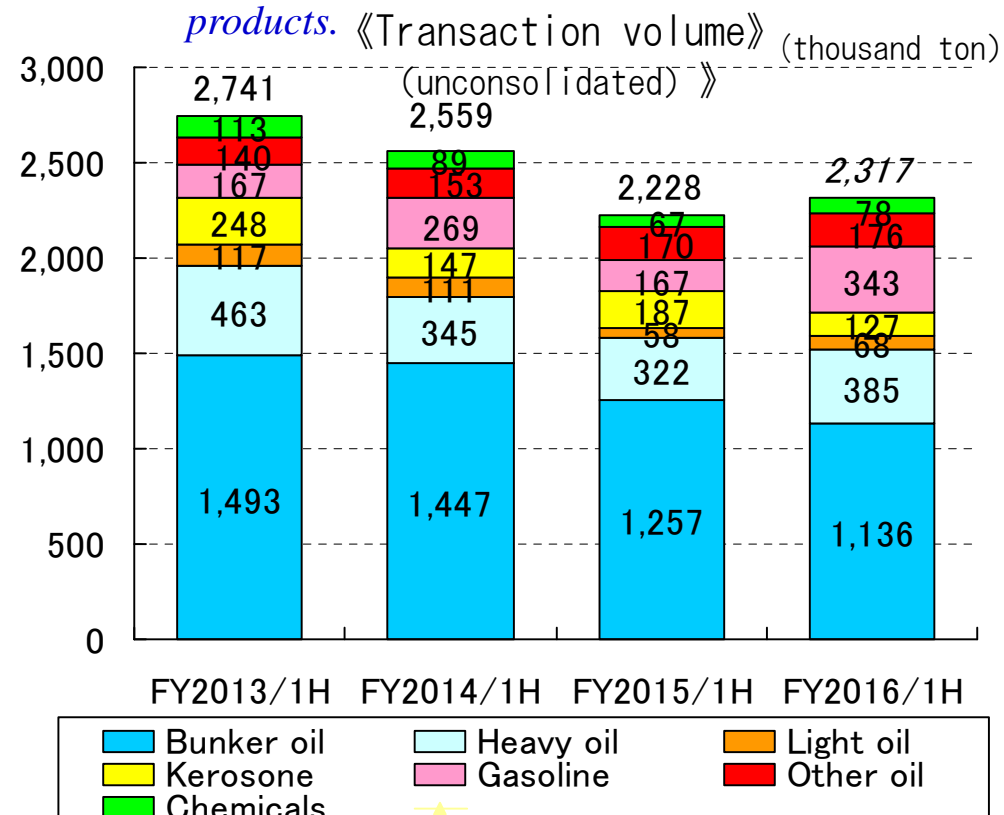
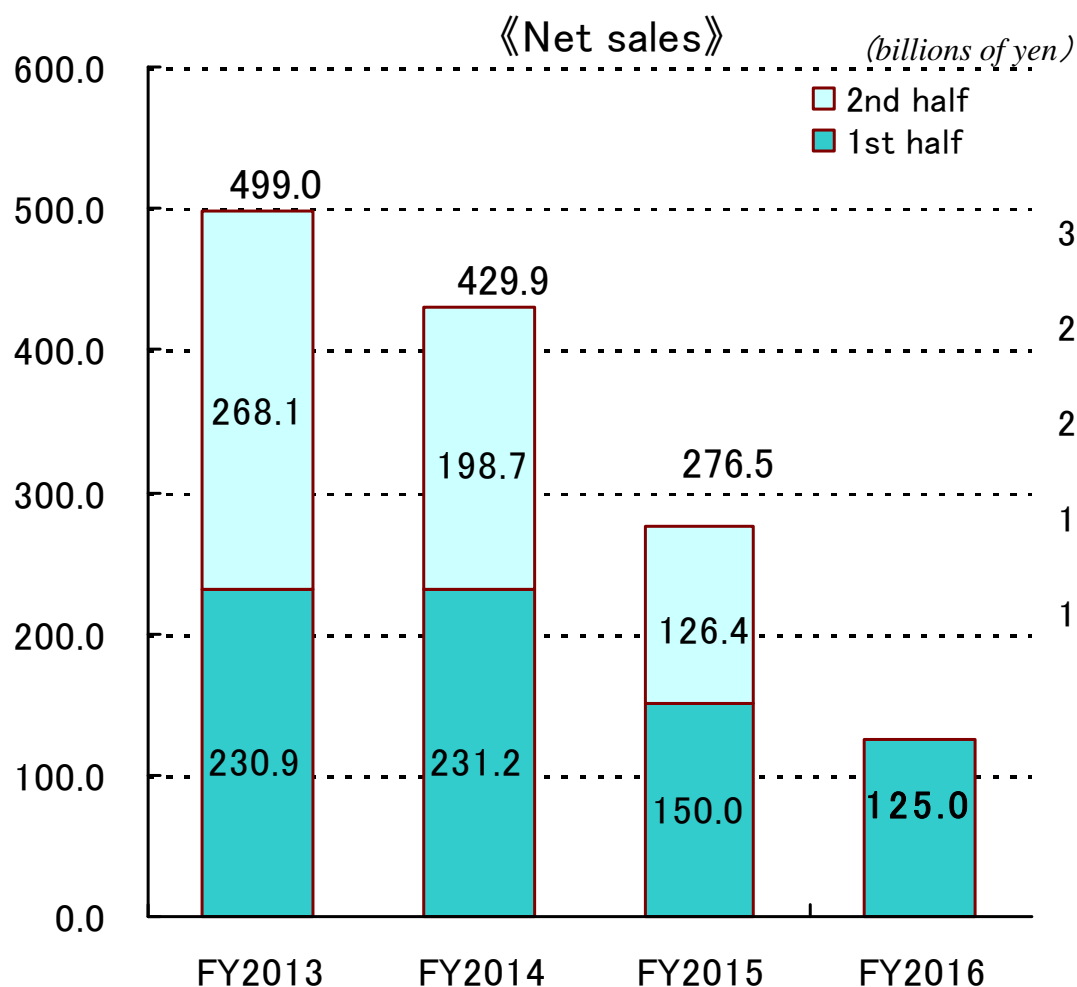
(billions of yen) Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	150.0	125.0	−17%
Segment income	1.0	0.9	−7%

Prices of petroleum products continued to decline and were lower than one year earlier. Sales were further impacted by lower demand for bunker fuel caused by the weak global shipping industry.

Segment income

Earnings from sales of petroleum products decreased. However, there was only a small decline in segment earnings because of the benefits of the lower cost of raw materials for chemicals and the yen's appreciation for imported products.



Overseas Sales Subsidiaries Segment

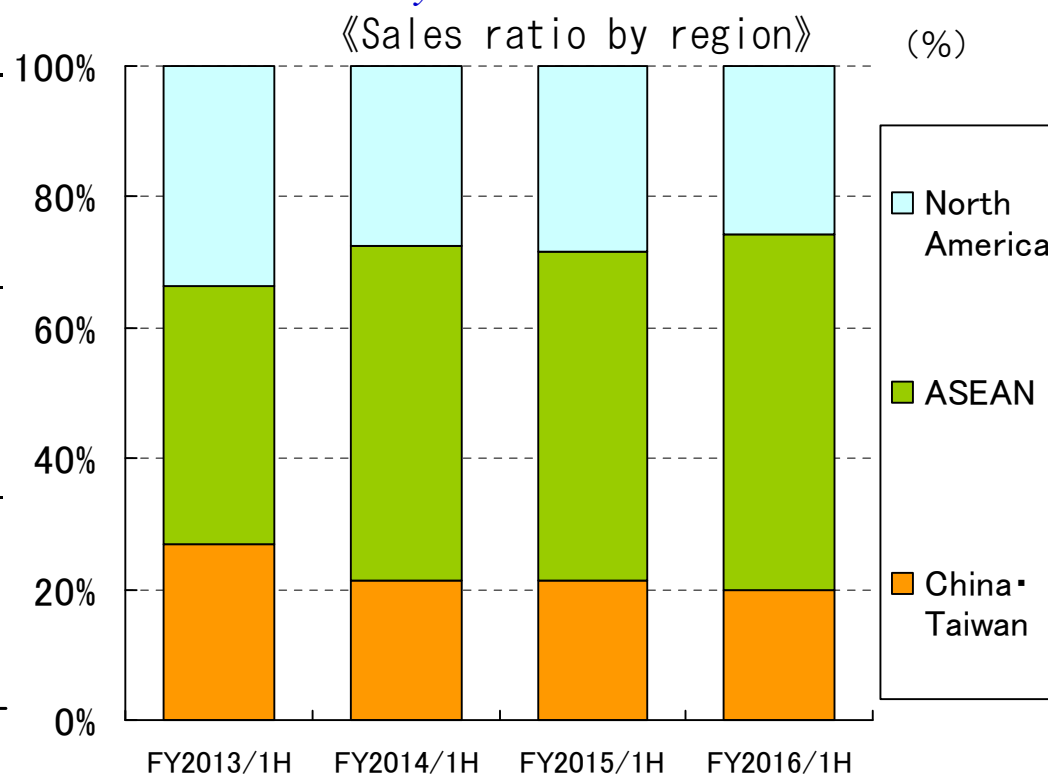
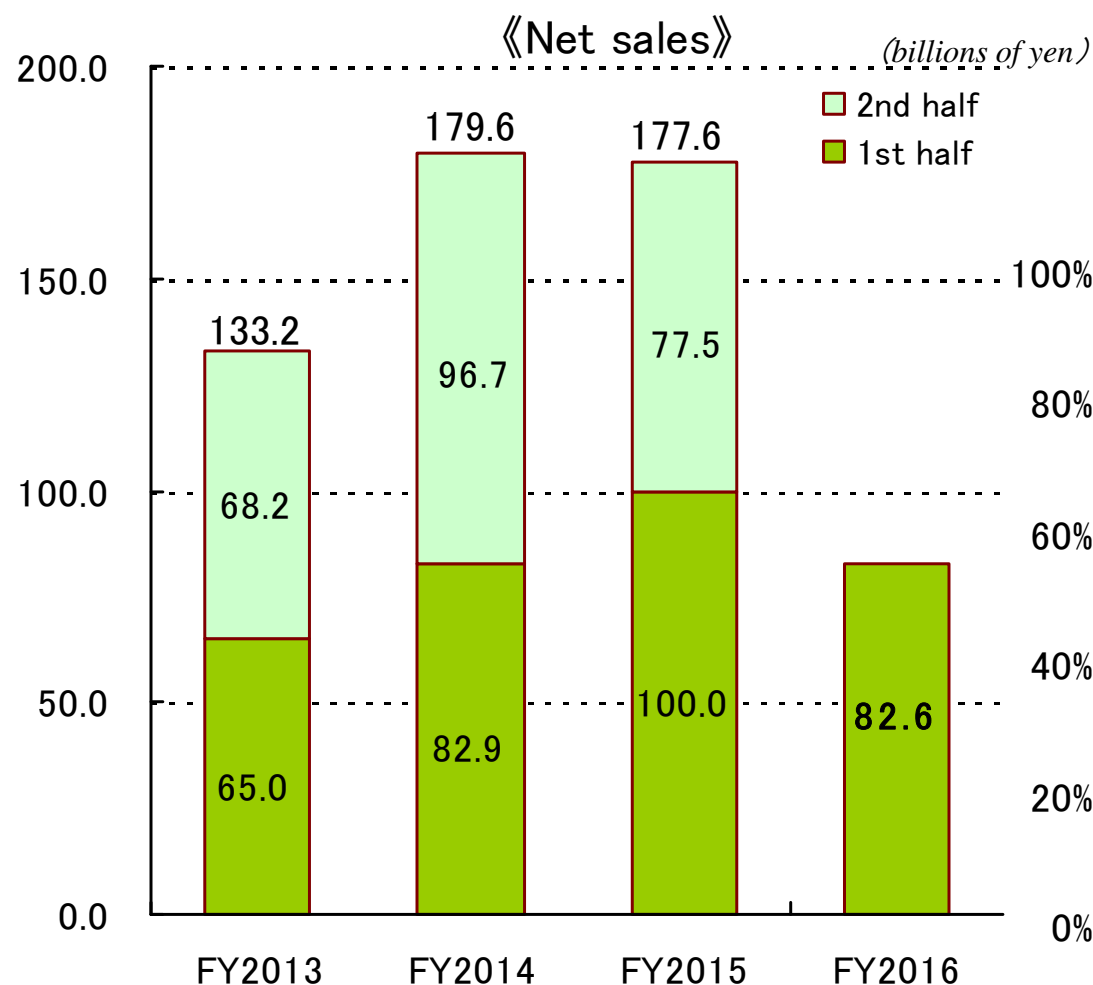
(billions of yen) Net sales

	FY2015/1H	FY2016/1H	Rate of change
Net sales	100.0	82.6	−17%
Segment income	(0.0)	0.0	—%

Lower bunker fuel sales in Singapore and the negative impact of U.S. anti-dumping measures on the steel business caused sales to decrease.

Segment income

Steel earnings were low in the United States, Hong Kong, Shanghai and other regions, but segment income increased slightly due to good result from newly consolidated subsidiary in Indonesia.



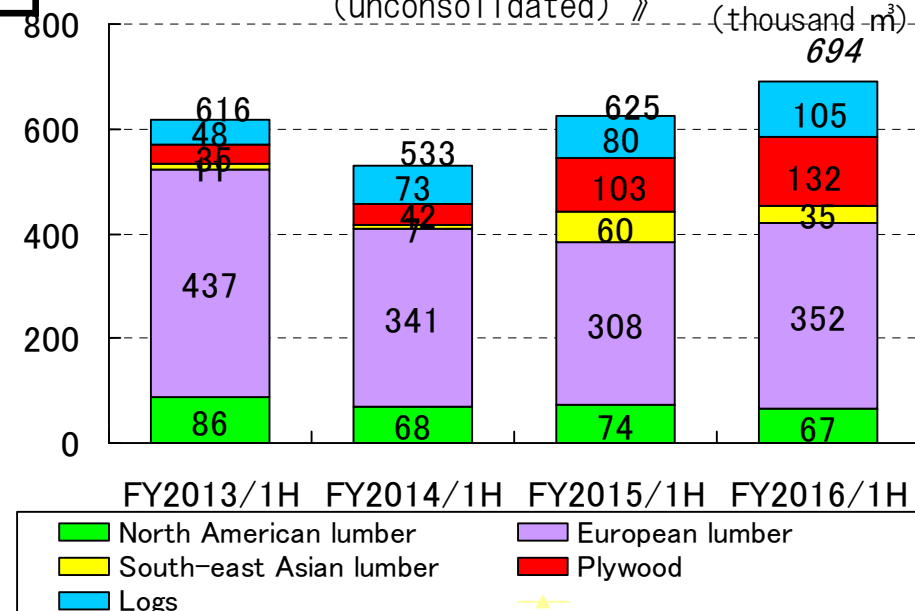
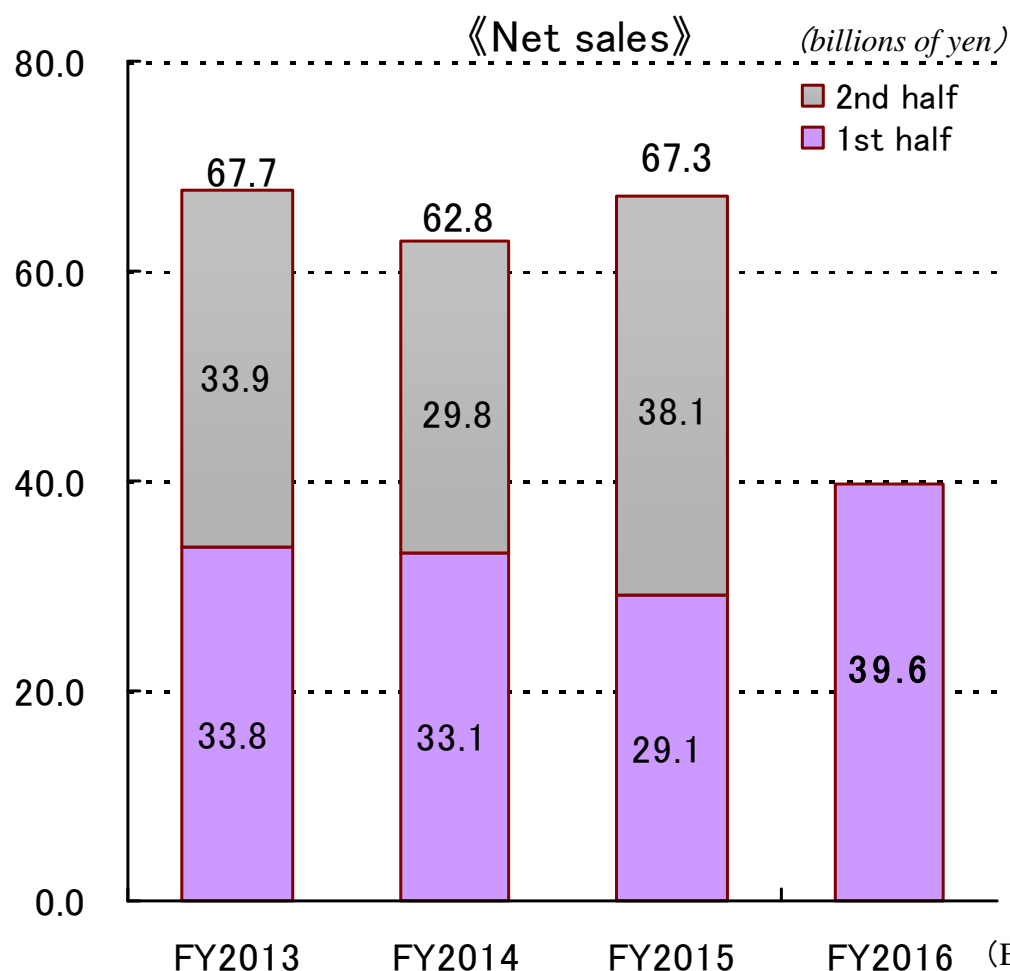
Other Segment

(billions of yen)

	FY2015/1H	FY2016/1H	Rate of change
Net sales	29.1	39.6	+36%
Segment income	0.5	0.9	+71%

Higher earnings reflected the completion of amusement rides in the machinery business and growth in sales of lumber imported from Europe.

《Transaction volume in lumber business》
(unconsolidated)》 (thousand m³)



(EXPOCITY/REDHORSE OSAKA WHEEL)



(Fuji-Q/Tentekomai)

Progress of Medium-term Business Plan

The net debt-equity ratio decreased as debt continued to decline along with the downturn in demand for working capital.

Goal is 2,000 new corporate customers over three years; thus far, about 330 new customers have been acquired (1/6 of the goal).

Profitability indicators are improving steadily.

【Key Financial Ratios】

		<i>FY2013</i>	<i>FY2014</i>	<i>FY20015</i>	<i>FY2016/1H</i>
<i>ROIC</i> (%)		4.9	4.4	4.5	2.9 (5.8)
<i>Net DER</i> (%)		187.5	175.4	135.9	124.6
<i>New customers</i> (Number)		705	665	705	338
<i>ROE</i> (%)		6.6	6.9	17.2	4.0 (8.0)
	<i>Net profit margin</i> (%)	0.5	0.5	1.7	0.9
	<i>Total assets turnover</i> (%)	293.6	279.1	241.7	119.3 (238.6)
	<i>Debt leverage ratio</i> (%)	475.6	471.5	422.2	386.5

(FY2016/1H () : Annual conversion ratios)

The “Three S” Commitment - Steady, Speedy, Strategic - build our sustainable growth.



STRATEGIC

(billions of yen)

Current investment records

Equity participation 1.7 (MM METAL, Stainless pipe Kogyo)

Equipment investments 1.3 (mainly increase in capacity)

SPEEDY

(billions of yen)

Ordinary income of domestic subsidiaries 0.9 (+ 0.4)

Ordinary income of overseas subsidiaries 0.3 (+1.0)

Equity income from affiliates 0.1 (+0.2)

(Amounts : Simple sum of each income)

STEADY

Non-consolidated ordinary income 9.5 billion yen

(3.5% from the same period of the previous year)

*(Due to decline in reversal of allowance for doubtful accounts
and increase in exchange losses)*

Earnings of group companies are improving slowly. Collective ordinary income of non-consolidated subsidiaries has become positive.

【Ordinary income trend of subsidiaries by business segments】

(millions of yen)

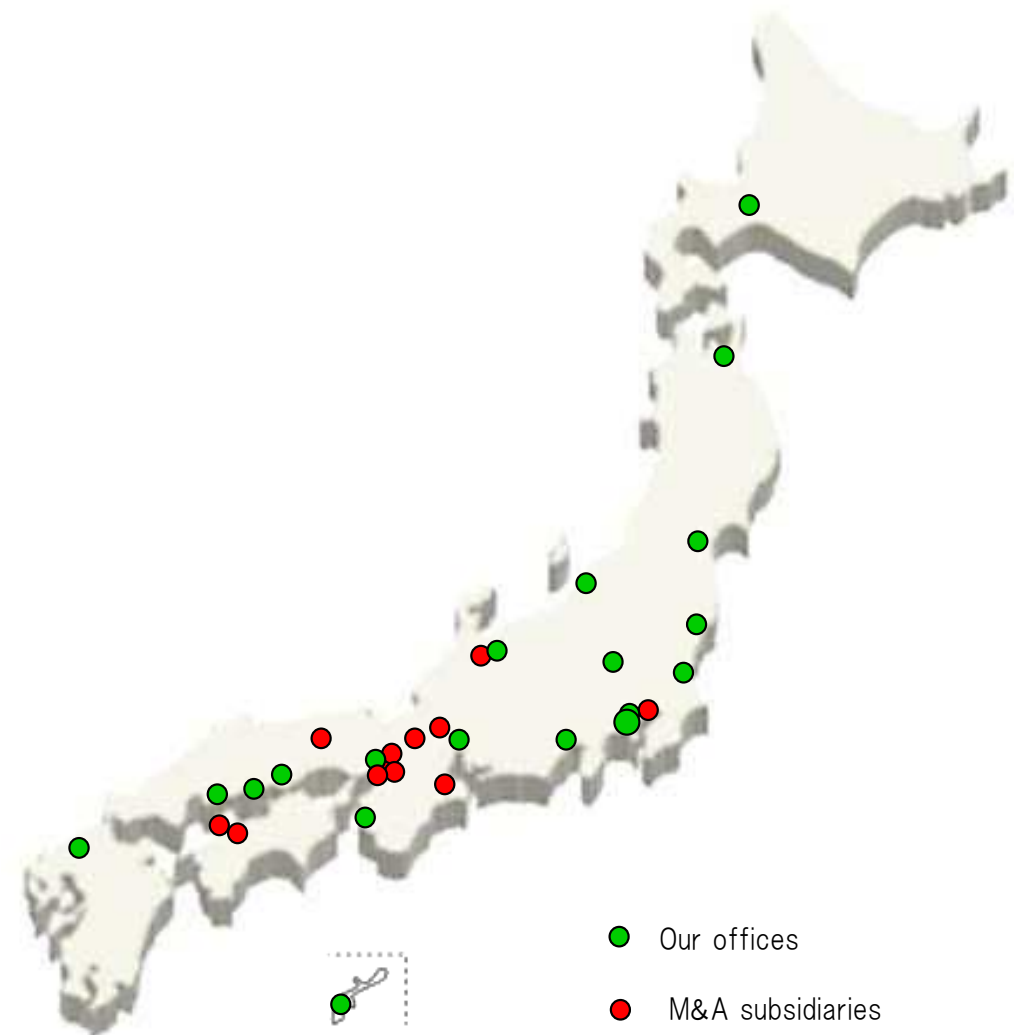
	FY2015/1H		FY2016/1H		Increase - Decrease	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
Steel	464	(149)	788	262	+324	+412
Metals & alloys	(97)	(001)	(567)	64	-469	+66
Non-ferrous metals	14	86	135	44	+120	-41
Foods	(785)	(128)	174	(32)	+960	+96
Petroleum & chemicals	62	36	154	62	+91	+26
Overseas sales subsidiaries	413	(120)	113	(145)	-300	-25
Others	11	73	101	64	+90	-8
Total	82	(204)	900	322	+817	+527

(Total : Simple sum of each income)

Hanwa continues to implement the fast delivery/small-lot/processing strategy aimed at targeting regional demand and small-volume demand. Acquisitions of small/midsize steel wholesalers and processors with key functions will continue.

“SOKOKA” subsidiaries

Taiyokozai (Wholesale steel distributor)
Daikoh Steel (Steel sheet shearing)
Mie Kogyo (Steel sheet processor)
Subaru Steel (Steel wholesaler)
Hirouchi Atsuen Kogyo (Steel processor)
Kaneki (Steel wholesaler)
San Ei Metal (Steel wholesaler)
Hokuriku Column (Column wholesaler)
Matsuoka Kozai (Steel wholesaler)
Fukuoka Kogyo (Steel wholesaler)
Daikoh Sangyo (Steel wholesaler)
Daisun (Steel wholesaler)
Matsuyama Materials (Steel wholesaler)
Hiyoshi Kozai Hambai (Steel wholesaler)



Hanwa continues to make substantial business investments during this fiscal year in order to build a base for sustained earnings growth and aim quickly to contribute to earnings.

【Current investment records】

(billions of yen)

<i>Business segment</i>	<i>Amounts</i>	<i>Major investment</i>
<i>Steel</i>	2.2	<ul style="list-style-type: none"> · Acquired Matsuyama Materials · Acquired Stainless Pipe Kogyo · Slitter Line in HSS Indonesia
<i>Metals & Alloys / Non-ferrous metals</i>	0.5	<ul style="list-style-type: none"> · Established MM METAL RECYCLING (Joint venture with Mitsubishi Materials) · Replacement of facility in Seiki Metal
<i>Others</i>	0.1	<ul style="list-style-type: none"> · Replacement of arcade game machines in Halos
<i>Corporate</i>	0.2	<ul style="list-style-type: none"> · Constructed the core system

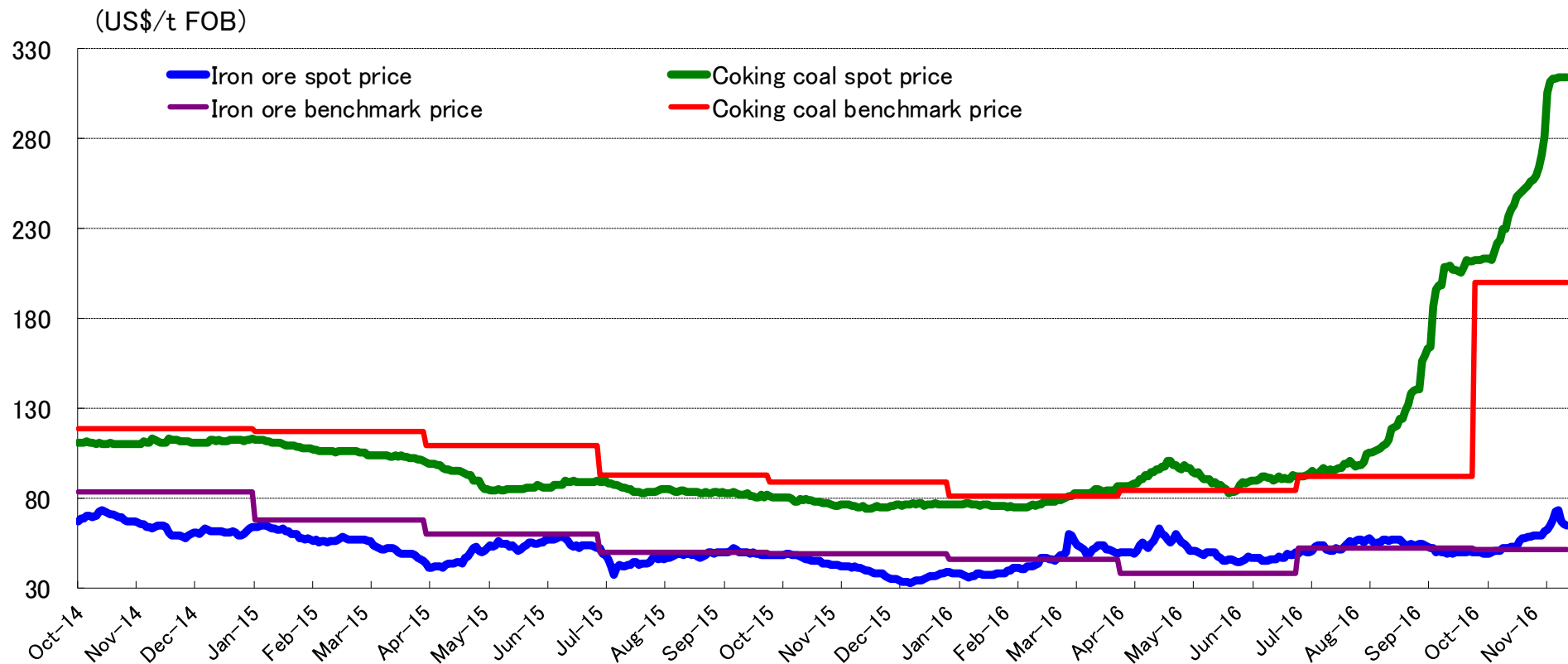
Appendix

Market Trend of Steel Raw Materials

Iron ore...The long-term decline in the price of iron ore ended following the National People's Congress in China in March. Futures trading is pushing the price up and the price is moving in tandem with prices of steel within China.

Coking coal...Initially falling behind the iron ore price upturn, the price of coking coal is now climbing rapidly due to cutting operating days at coal mines, coal transport disruptions caused by flooding in China and an accident at mines in Australia.

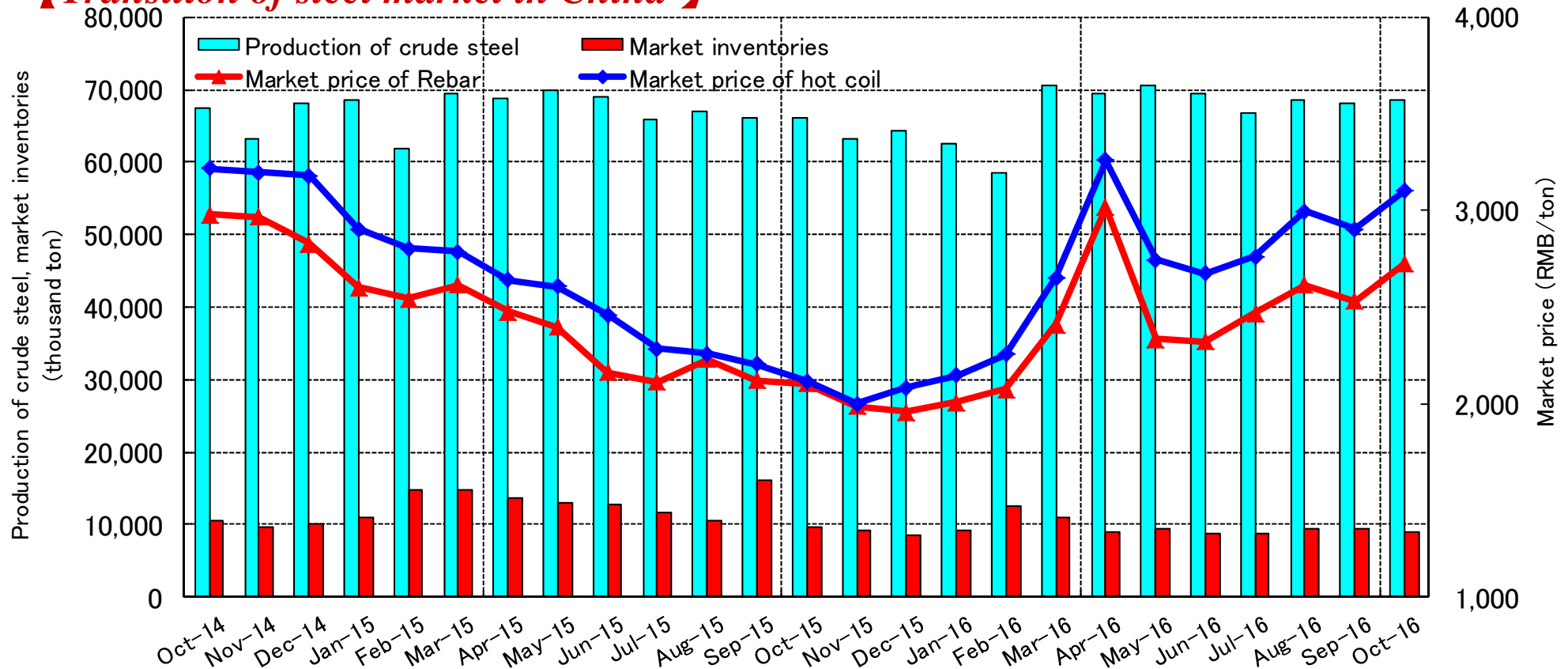
【Transition of steel raw materials price】



Market price...The price surged after China's announcement of measures to stimulate demand last March but then fell back because of restrictions on futures. Since then, futures have led prices back up in an environment of high expectations about the outlook.

Supply/Demand...Steel makers made small reductions in output until the end of the previous fiscal year, but are now raising output as a rebound in prices is improving margins.

【Transition of steel market in China】

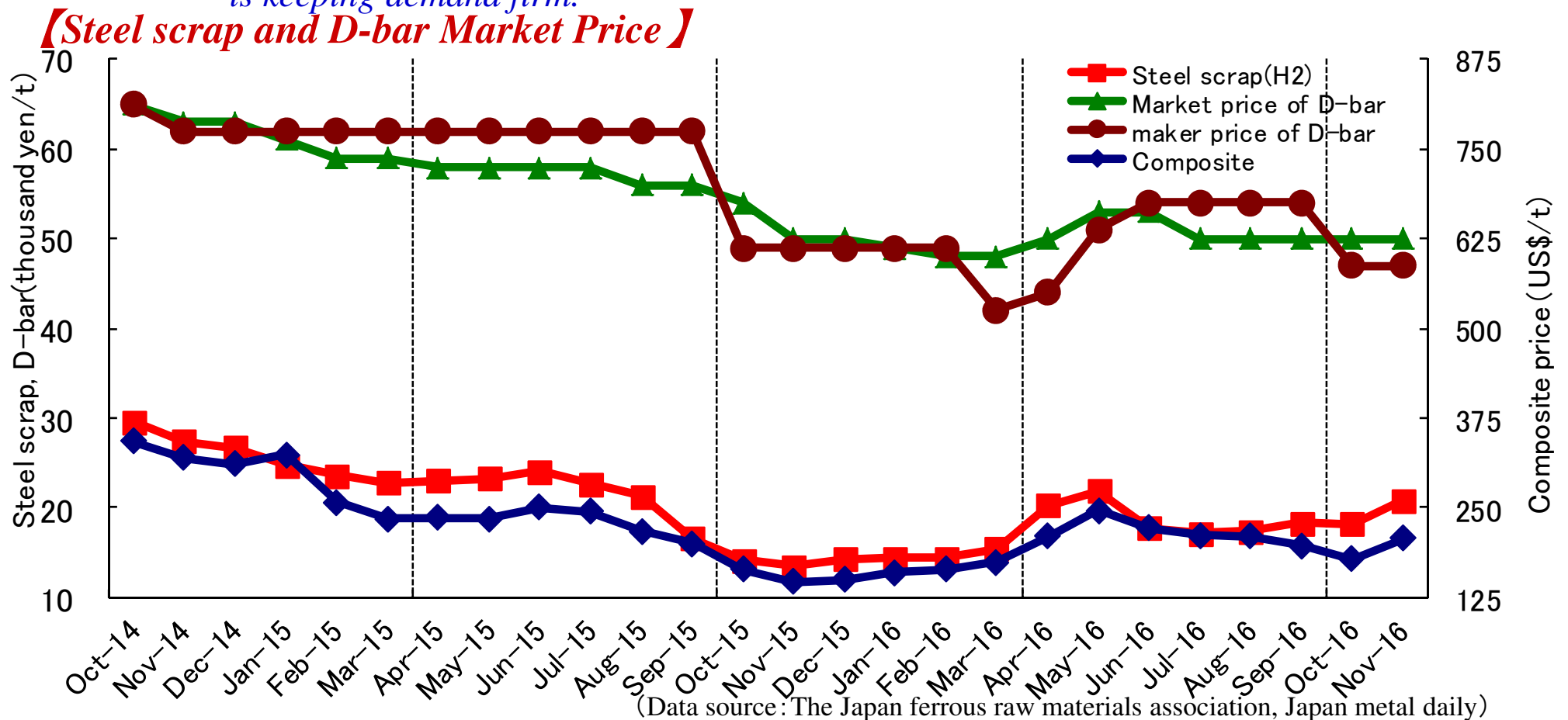


(Data source : The Japan Iron and Steel Federation)

Markets Trend of Steel Scrap

Supply/Demand...Supplies of scrap remained tight due to the small volume of supply and growth in demand for exports. Supply and demand was in balance because of soft demand for rebar. But the rising cost of steelmaking raw materials is increasing the use of steel scrap as substitute material in blast furnaces and boosting demand in China.

Market price...The price of steel scrap increased in March and April when prices of steel products rose rapidly and then retreated. But scrap prices have since been climbing slowly due to tight supplies. Currently, rising demand for scrap as a substitute for steelmaking raw materials is keeping demand firm.

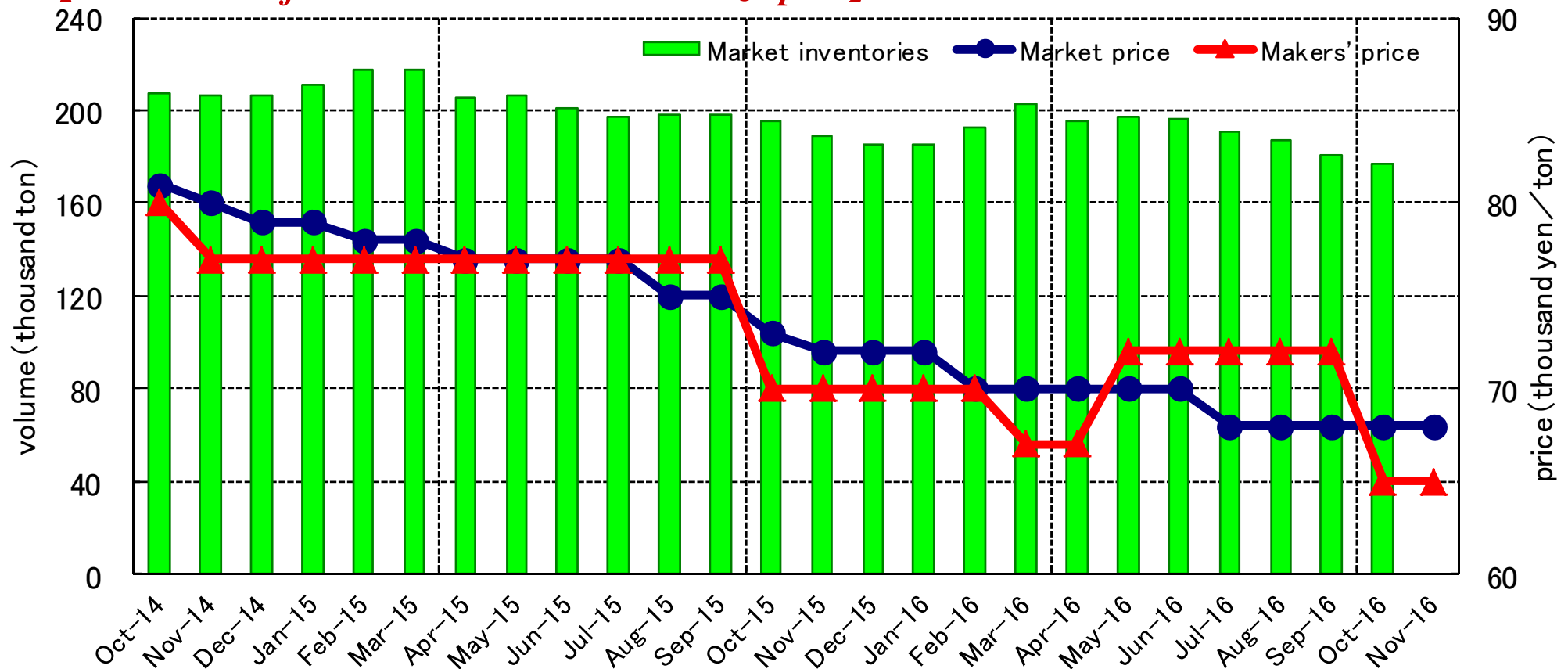


Market Trend of Long Products

Supply/Demand...There was no growth in shipments because of the slow emergence of new construction projects and slow progress at existing projects. Inventories are about 200,000 tons but are currently declining because of lower production and higher demand for steel beams.

Market price...The price has been moving down slowly because of lackluster demand. But steelmakers have started raising prices in response to inventory reductions and the higher cost of raw materials.

[Transition of the H-Beams Markets in Japan]



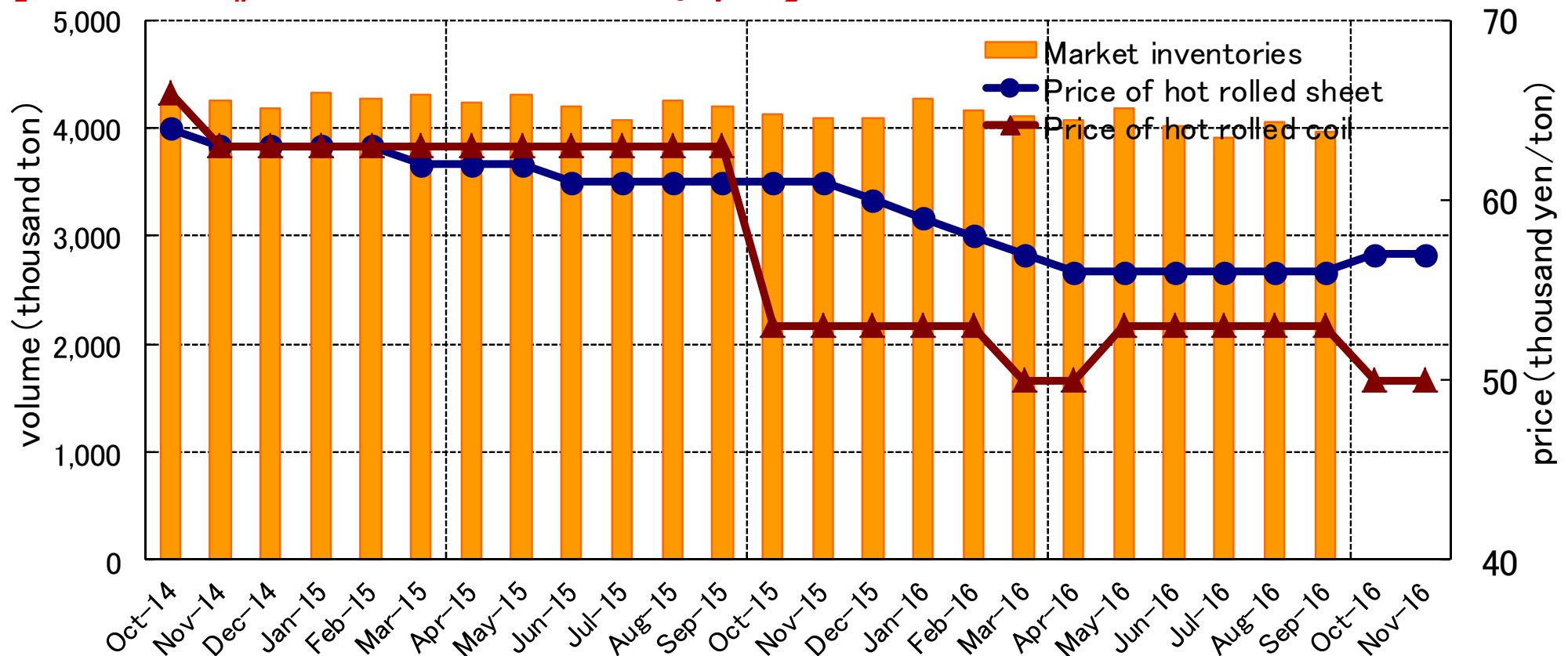
(Data source : Inventories _ Tokiwa-kai / Price _ Japan metal daily)

Market Trend of Flat Products

Supply/Demand...Weak demand for flat products caused by sluggish demand in Japan and weak exports due to weak economy overseas. Market inventories were high at about 4 million tons.

Market price...Steelmakers started raising prices early in the fiscal year in response to a rebound in prices of raw materials. More price hikes are expected as raw material prices continue to climb in the fiscal year's second half.

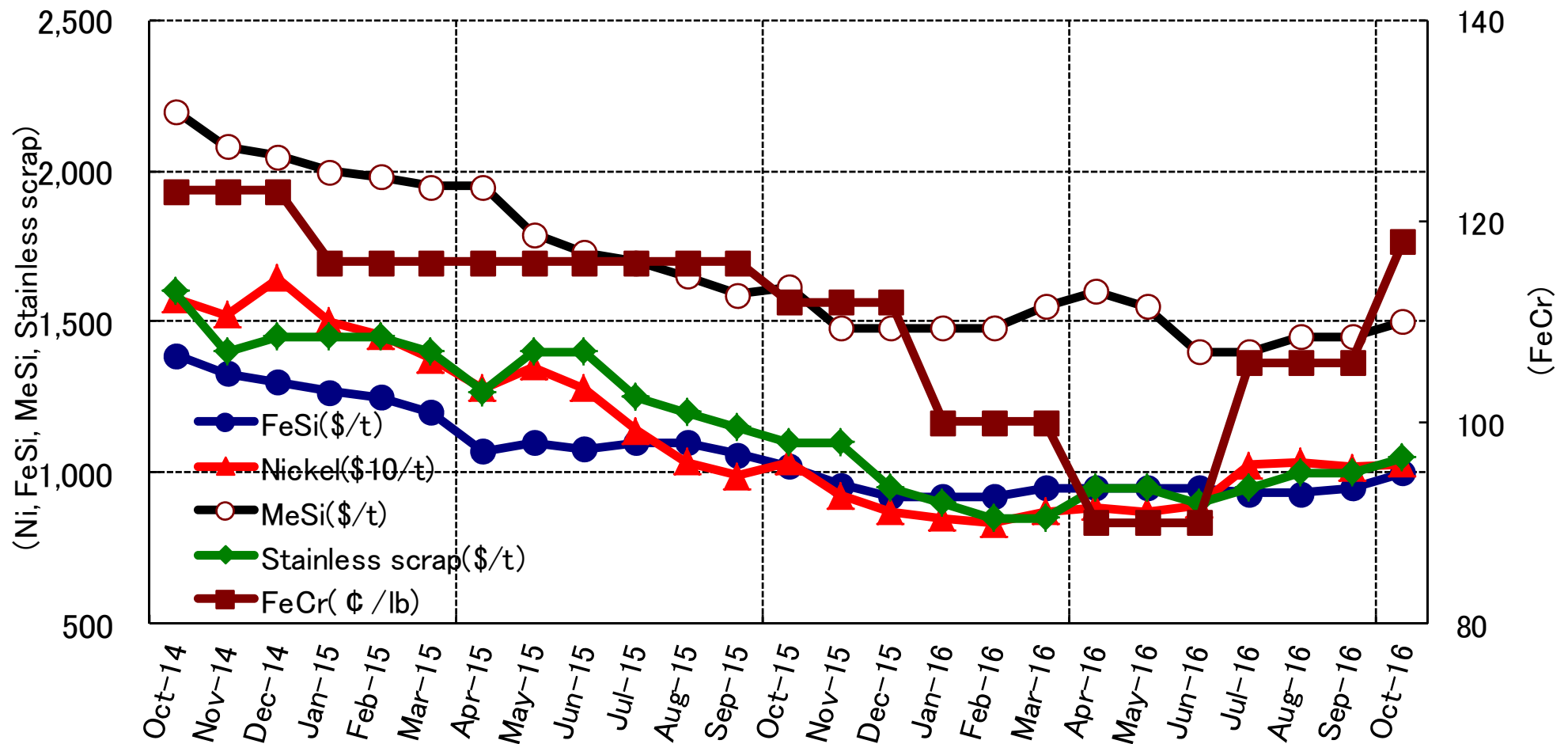
[Transition of Steel Sheets Markets in Japan]



(Data source : Inventories _ The Japan Iron and Steel Federation / Price _ Japan metal daily)

Nickel...No growth as demand declines and inventories remain high due to soft demand for stainless steel, but the price is moving up in response to mining restrictions in the Philippines.

Ferroalloys...The market remained weak following the drop in prices during the previous fiscal year. But prices are starting to recover due to the smaller number of suppliers and production reductions.

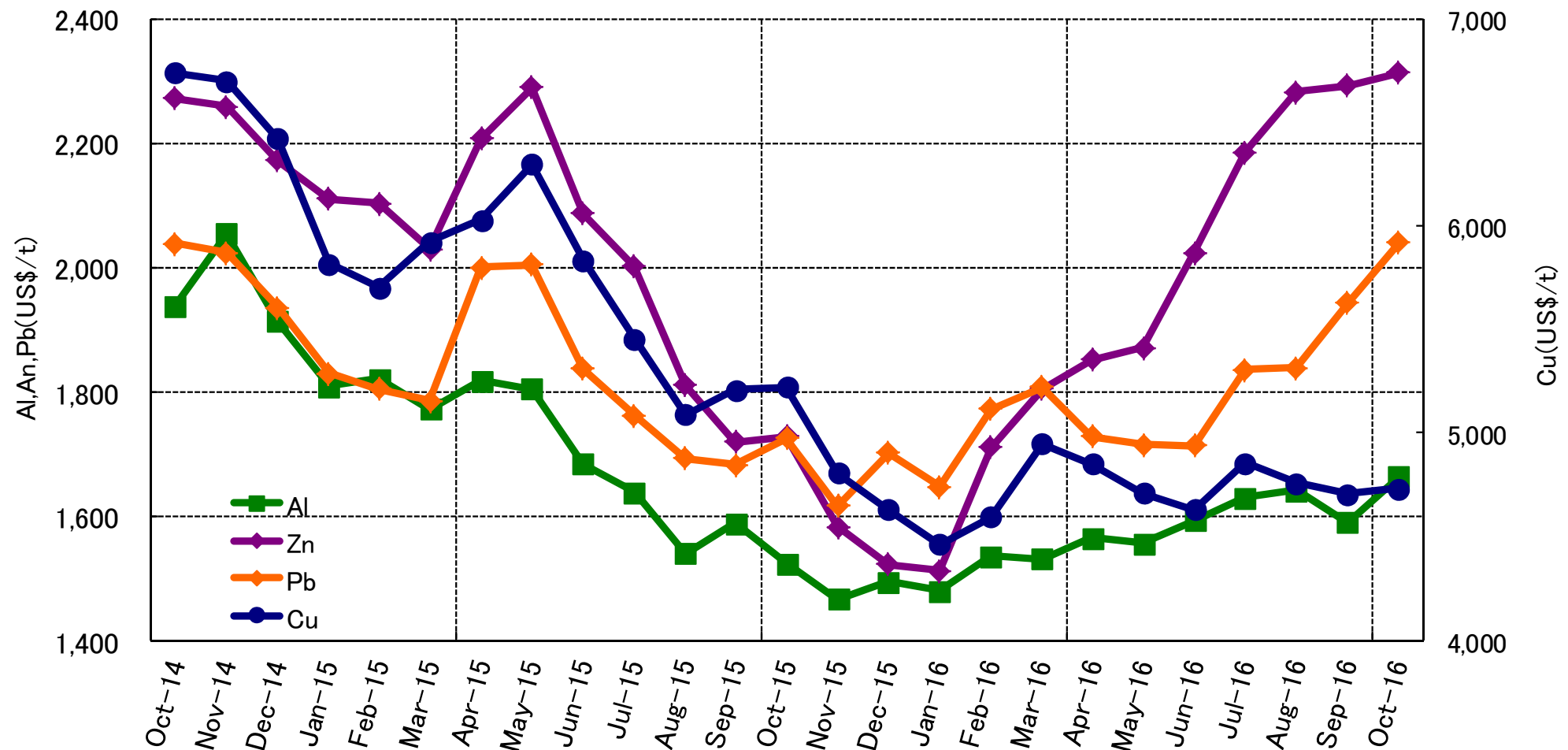


Markets Trend of Non-ferrous Metals

Aluminum...The LME price is slowly starting to recover from the previous fiscal year's downturn.

Little progress with production cuts in China, but prices have been supported by a big drop in LME inventories.

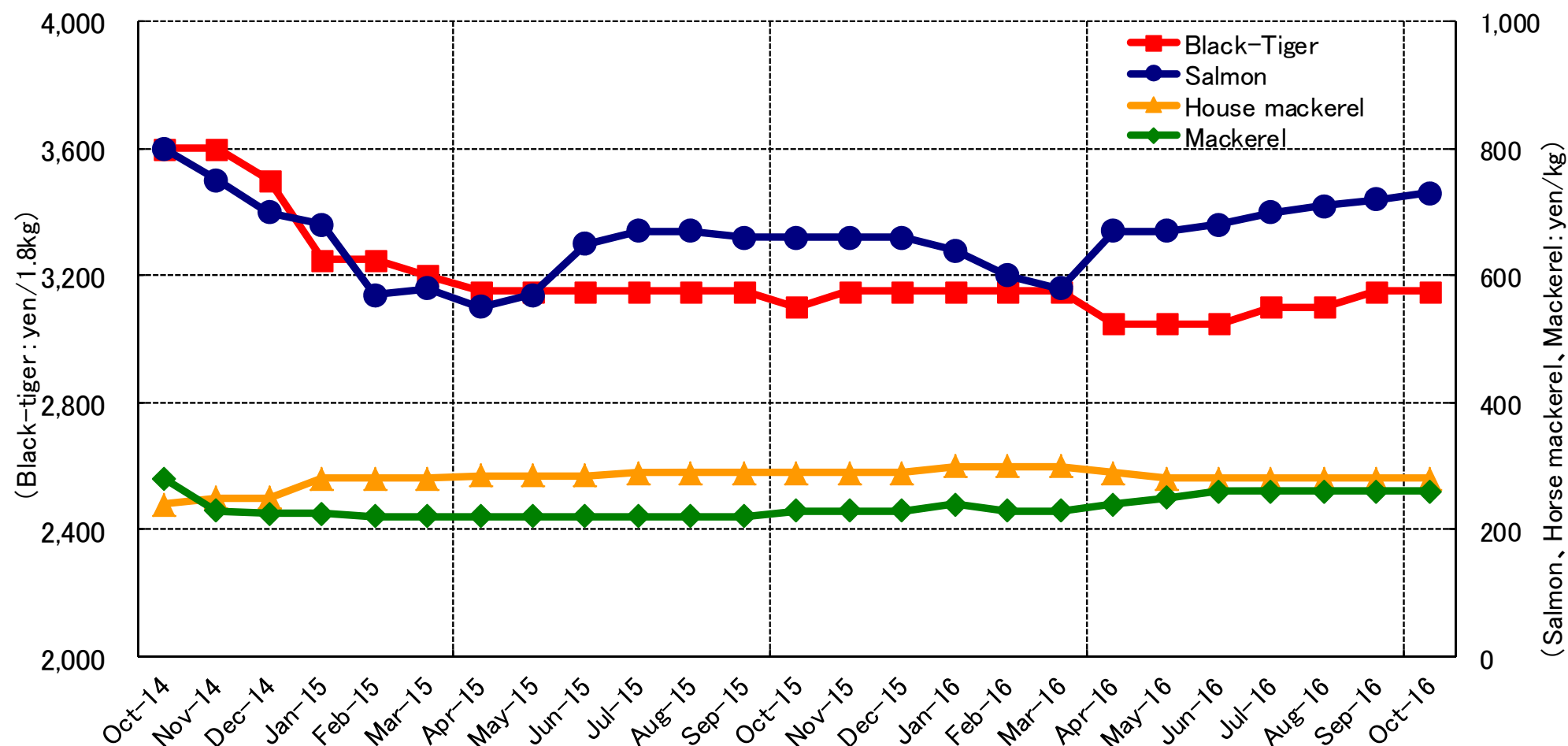
Copper...Small change in price compared with other LME metals. There is still an oversupply of copper. The price is moving in response to U.S. and Chinese economic indicators and the commodities market. A surge in LME inventories weakened the copper market but there are signs of an improvement.



Market Trend of Frozen Marine Products

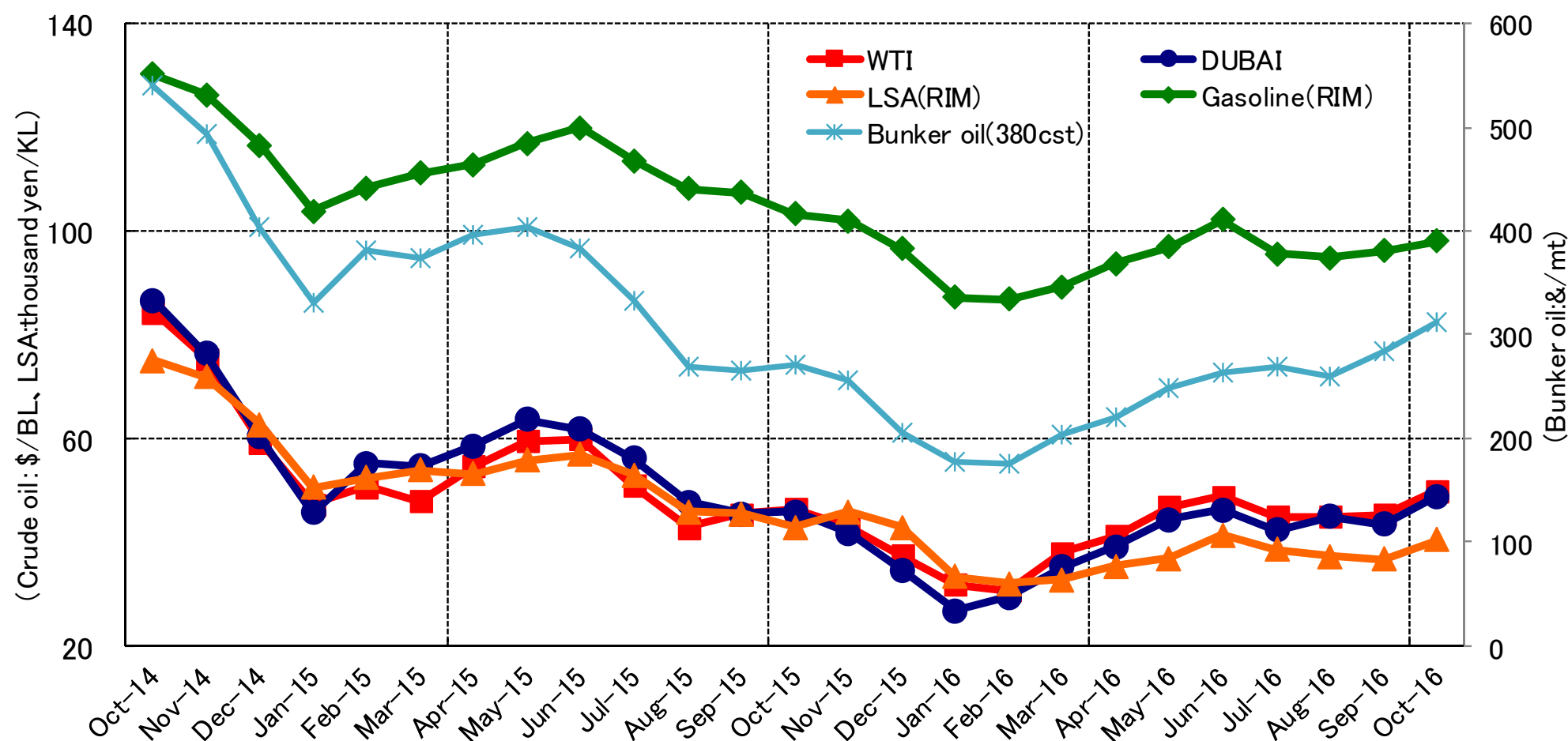
*Shrimp...Prices are high in SE Asia because of the low shrimp production in this region.
Low shrimp inventories are keeping prices firm in Japan.*

*Salmon...Prices are moving up in response to limited inventories caused primarily by the
farmed salmon seaweed crisis in Chile in March.*



Crude oil...The price of crude oil moved down throughout the previous fiscal year but has been slowly recovering since the start of this fiscal year. The price dropped briefly in response to Brexit, but resumed its recovery after the September OPEC agreement to cut production.

Petroleum products...Price movements reflect changes in the price of crude oil. Raising sales prices to pass on the higher purchase prices continues to be difficult because of soft demand.



For Users, With Users



HANWA CO., LTD.

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