

# ***INTERIM RESULTS***

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*for the Year Ending March 2018*

*November 21, 2017*

***HANWA CO., LTD.***

# Operating Results ( consolidated )

- Net sales increased by 17% in the same period of the previous year, due to rise in steel products and metal resources prices .
- SG & A expenses increased by 11% compared with the same period of previous year. 3% out of 11% was accounted for newly consolidated subsidiaries. Our personnel expenses increased 0.8 billion yen.
- Ordinary income increased by 24%, mainly due to increase in foreign exchange gain, interest income and dividend income.
- Net income attributable to owners of the parent increased by 31%, due to recorded in extraordinary gain.

(billions of yen)

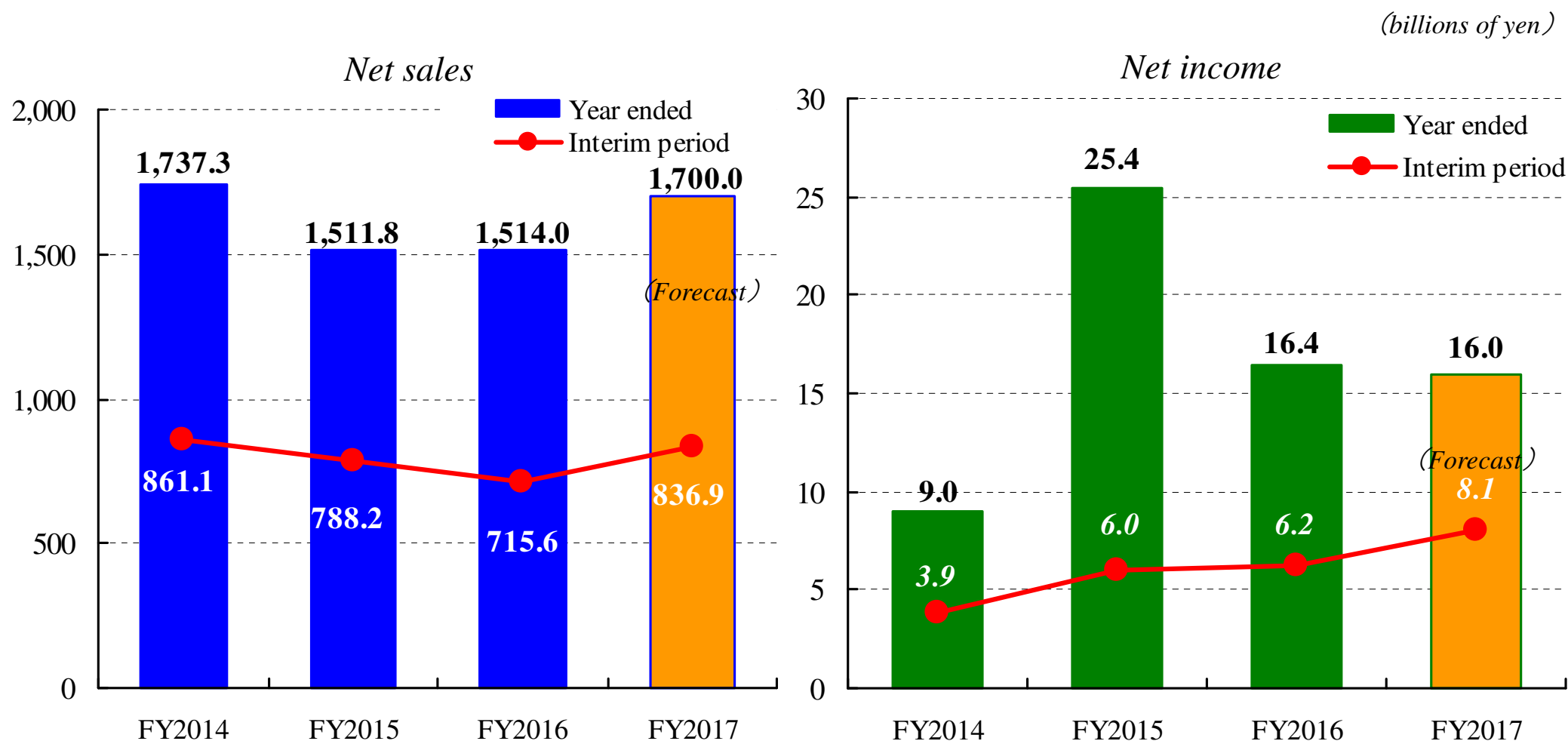
	<i>FY2016/1H</i>	<i>FY2017/1H</i>	<i>Rate of changes</i>
<i>Net sales</i>	715.6	836.9	+17%
<i>Gross profit</i>	30.7	33.5	+9 %
<i>SG&amp;A</i>	19.8	22.1	+11 %
<i>Operating income</i>	10.9	11.4	+5 %
<i>Ordinary income</i>	9.9	12.2	+24 %
<i>Net income attributable to owners of the parent</i>	6.2	8.1	+31 %
<i>EPS</i>	151.42 yen	200.66 yen	+33 %
<i>Comprehensive income</i>	4.1	10.3	+150 %

(EPS has been adjusted for the five-to-one reverse stock split in October. )

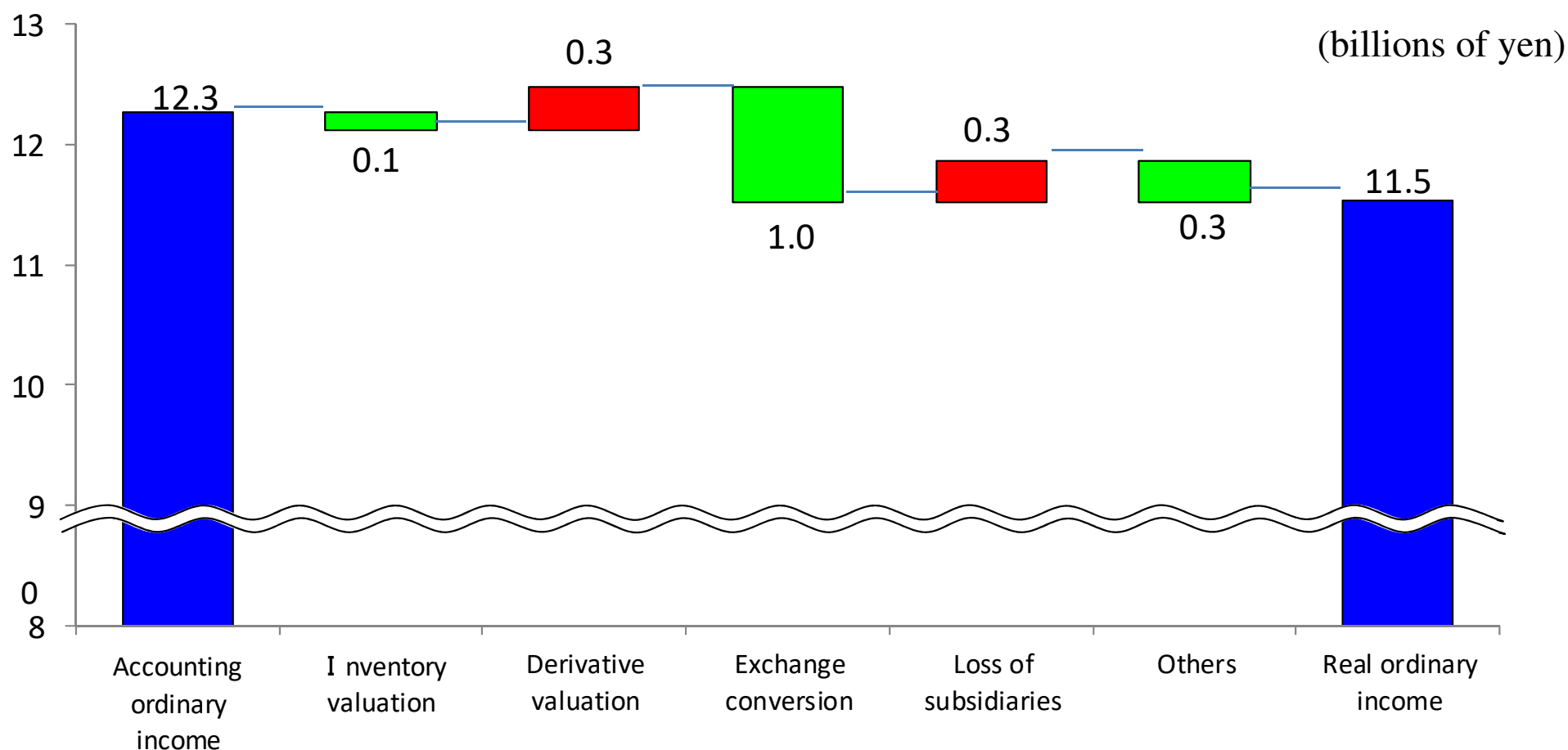
# Changes in Business results (consolidated)

*Net sales increased because of a recovery in prices of natural resources.*

*Profit attributable to owners of parent remained strong, excluding the impact of lower taxes from real estate sales in the past two fiscal years.*



*Reported ordinary income was 12.3 billion yen, but can be translated into about 11.5 billion yen (compared with 10.4 billion yen one year ago) after excluding one-time factors such as period-end valuation gains and losses for inventories, derivatives and other items, changes in valuations of foreign-currency receivables and payables, one-time losses at subsidiaries, and other items.*

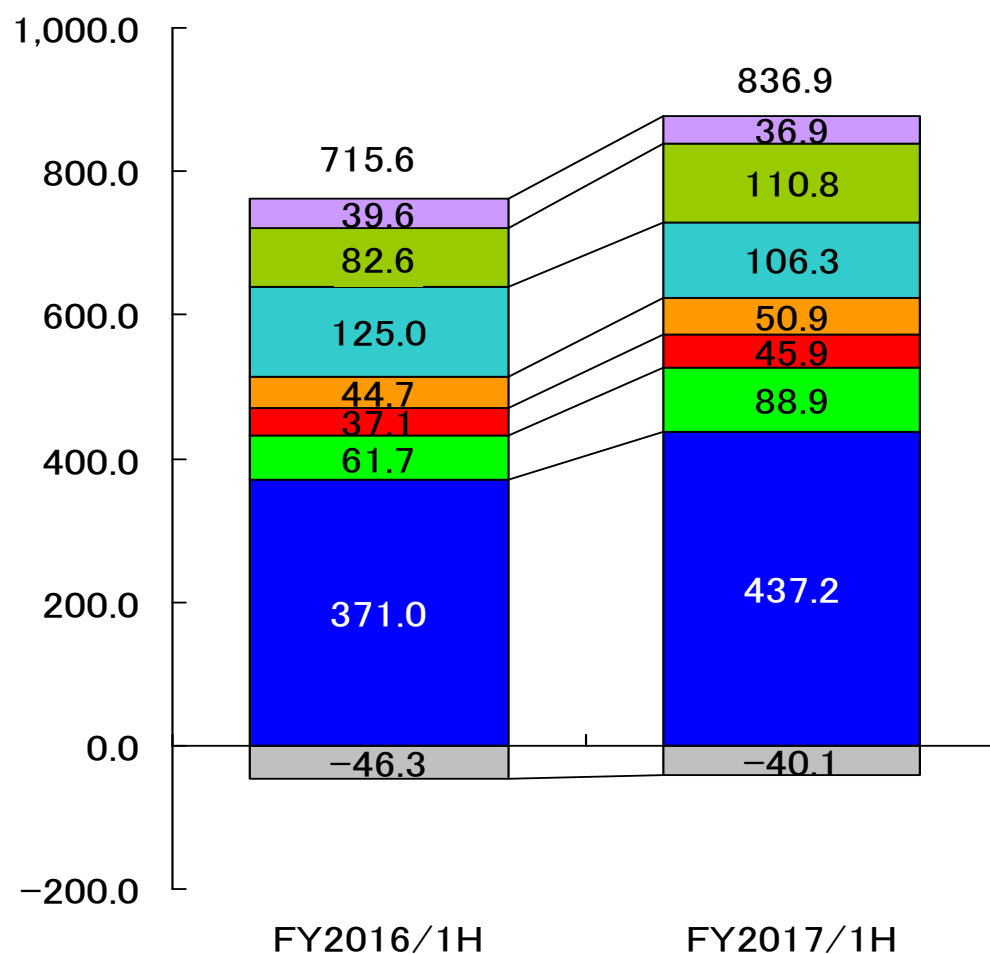


# Segment Information ( consolidated )

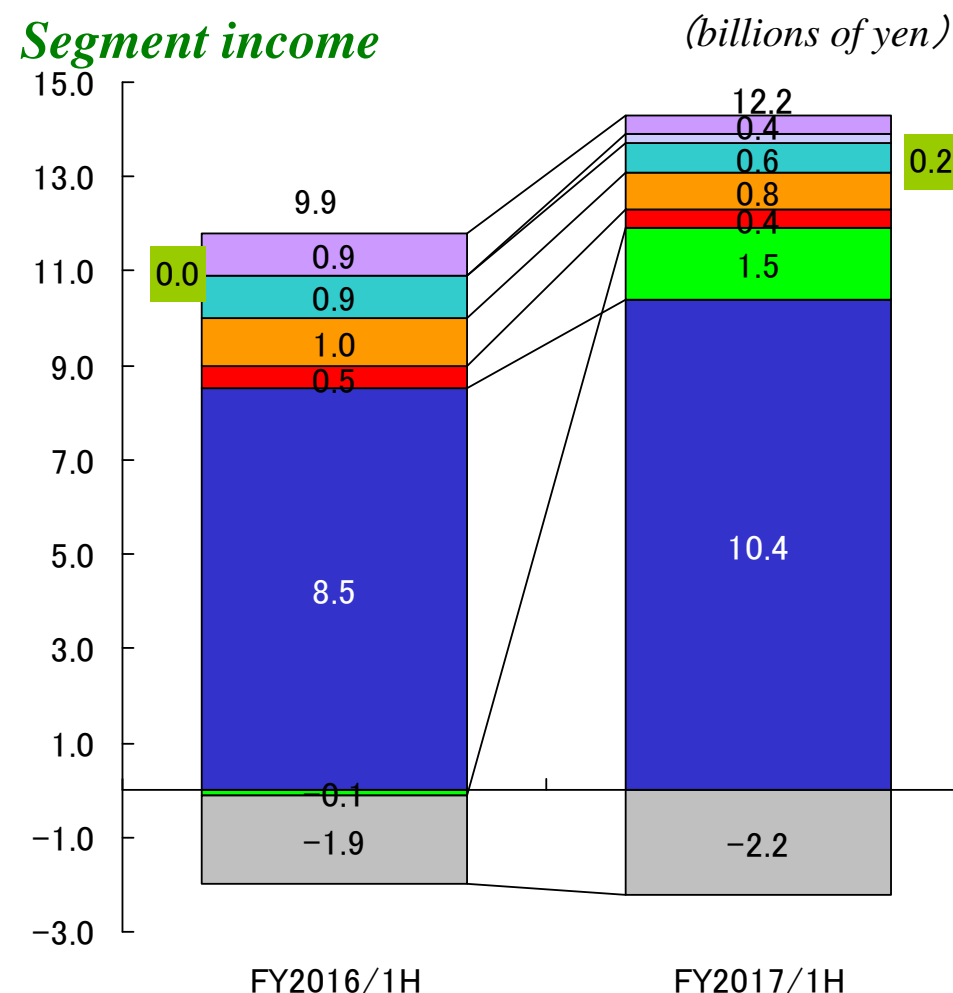
*Sales increased in all segments except the petroleum & chemicals segment which saw a decline in the transaction volume.*

*The steel segment and metals & alloys segment contributed to earnings growth.*

## Net sales



## Segment income



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

## *Financial Position ( consolidated )*

- Total assets increased by 10% from the end of the previous year, due to increase in investment securities and trade receivables.
- Interest bearing debt was 14% higher compared with the end of the previous fiscal year because of increased loans payable in order to cater greater needs for working capital and funds to purchase securities. The net debt-equity ratio increased to 147.5%.
- Total net assets increased by 13% from the end of the previous year, due to increase in minority interests of Japan South Africa Chrome Co., Ltd. and the carryover of retained earnings.

(billions of yen)

	<i>FY2016</i>	<i>FY2016/1H</i>	<i>Rate of changes</i>
<i>Total assets</i>	694.2	764.6	+10 %
<i>Total liabilities</i>	522.5	571.1	+9%
<i>Interest-bearing debt</i>	259.6	296.7	+ 14 %
<i>Net DER</i>	135.7%	147.5%	+11.8pt
<i>Net assets</i>	171.6	193.4	+13 %
<i>Shareholders' equity</i>	170.4	178.3	+5 %
<i>Shareholders' equity ratio</i>	24.5 %	23.3%	−1.2pt
<i>BPS</i>	4,193.50 yen	4,387.83 yen	+5 %

(BPS has been adjusted for the five-to-one reverse stock split in October. )

- Cash flows from operating activities was -7.2 billion yen, due to increase in capital requirement as a sales increase.
- Cash flows from investing activities was -33.5 billion yen, due to purchase of investment securities and execution of long-term loan.
- Cash flows from financing activities was 44.1 billion yen, due to increase in long term loans.

(billions of yen)

	<i>FY2016/1H</i>	<i>FY2017/1H</i>	<i>Change</i>
<i>Cash flows from operating activities</i>	22.0	(7.2)	−29.3
<i>Cash flows from investing activities</i>	(1.3)	(33.5)	−32.2
<i>Cash flows from financing activities</i>	(5.5)	44.1	+49.6
<i>Cash and cash equivalents at end of the period</i>	40.4	31.6	−8.7

· *Net sales forecast*

*There are no changes to the fiscal year forecast because first half sales were 49% of the forecast.*

· *Profit forecast*

*Progress of the first half operating income looks slower in relation to the fiscal year forecast, but foreign exchange movements were the main cause. Earnings at other levels were generally in line with the forecast, so there are no forecast revisions.*

*(billions of yen)*

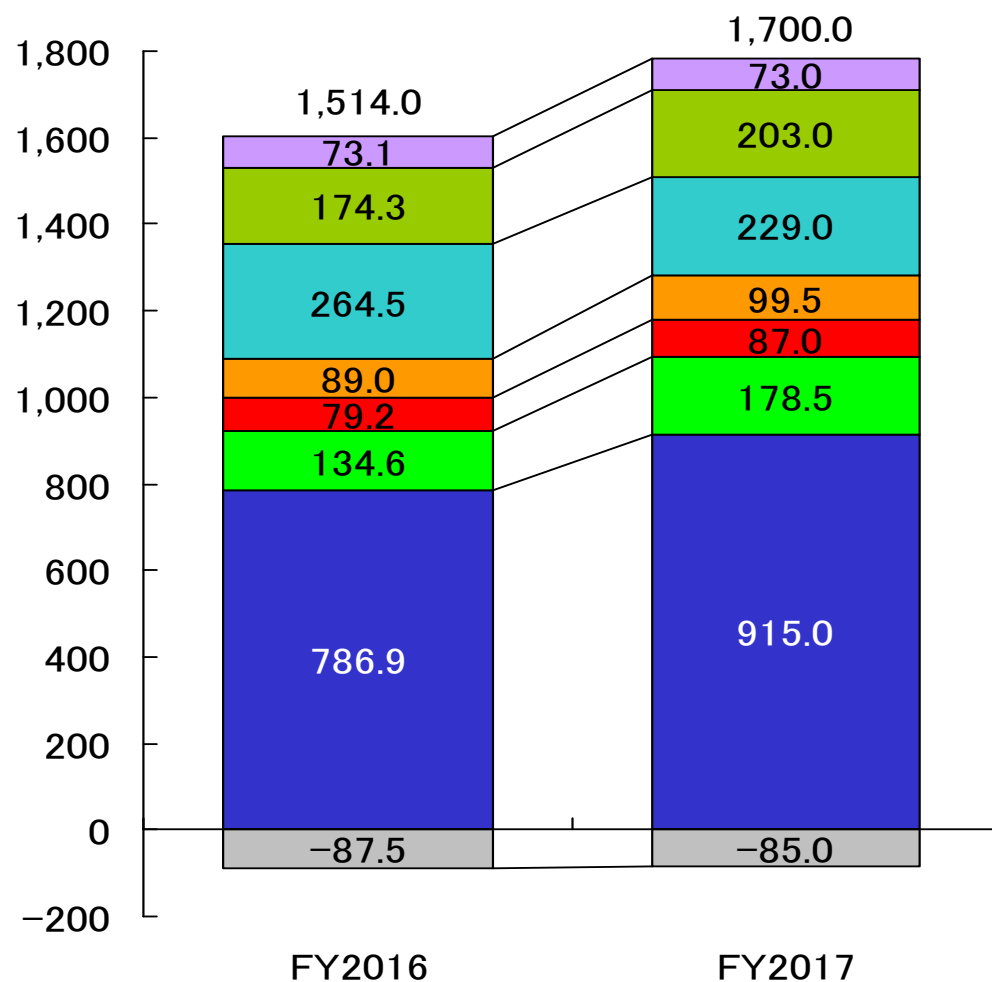
	<i><b>FY2016</b></i>	<i><b>FY2017 (forecast)</b></i>	<i><b>Rate of change</b></i>
<i>Net sales</i>	1,514.0	1,700.0	+12 %
<i>Operating income</i>	23.4	25.5	+9 %
<i>Ordinary income</i>	22.9	24.0	+5 %
<i>Net income attributable to owners of the parent</i>	16.3	16.0	−2 %



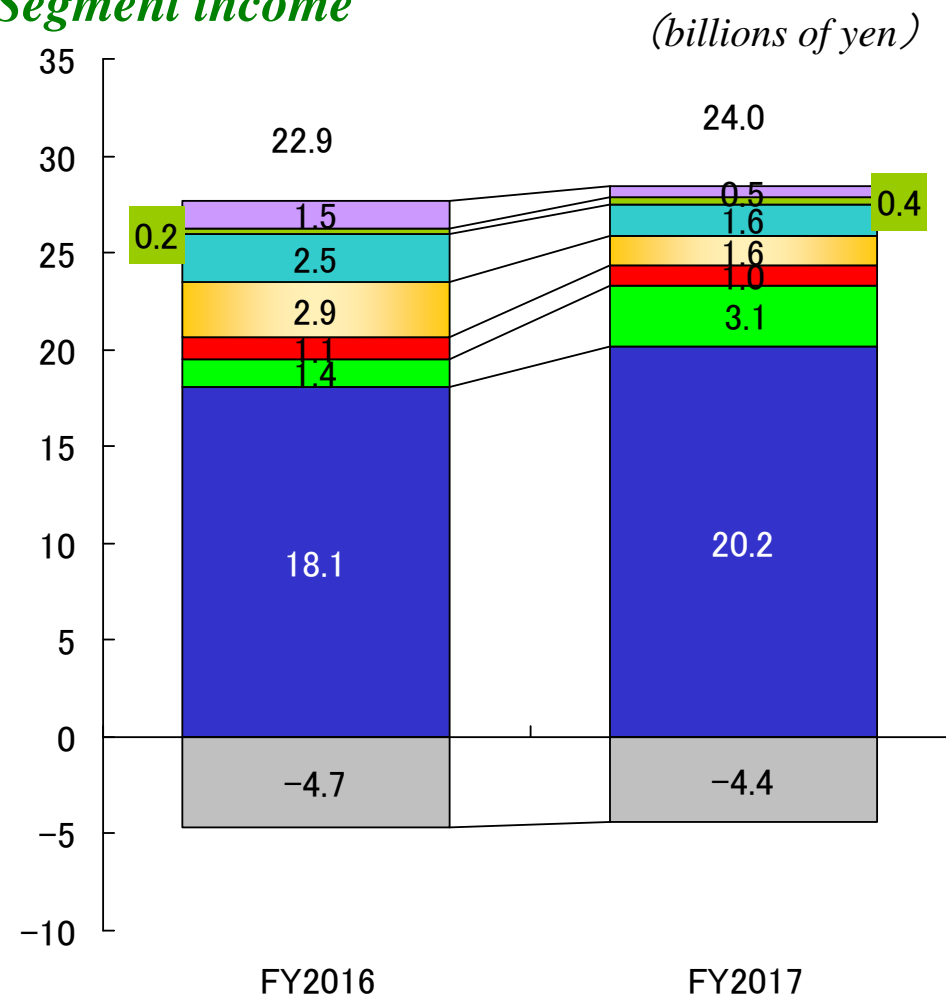
# Forecast of Segment Information

*No changes in the forecasts for total sales and earnings based on the outlook for declines in petroleum & chemicals segment and food products segment earnings and increase in steel segment and metals & alloys segment earnings.*

## Net sales



## Segment income



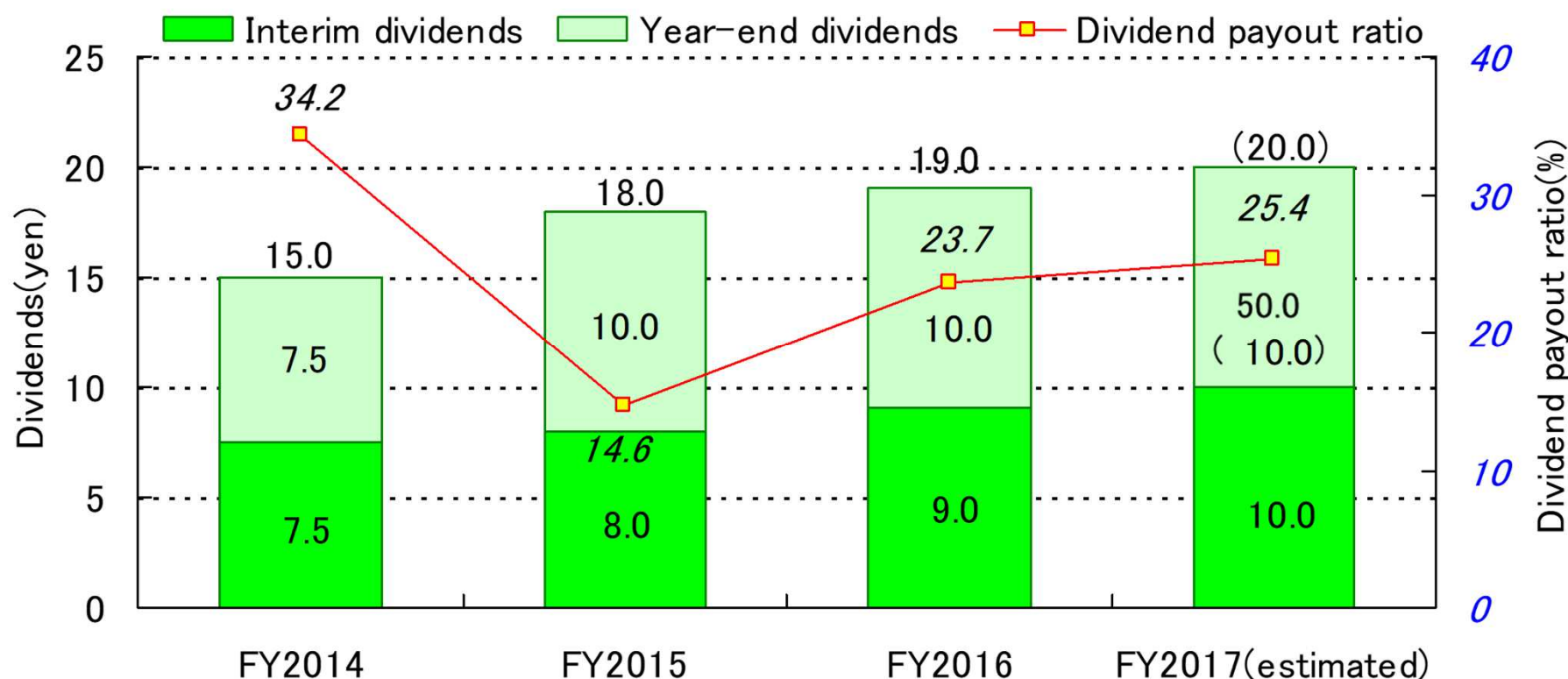
Steel	Metals & alloys	Non-ferrous metals	Foods
Petroleum & chemicals	Overseas sales subsidiaries	Other	Adjustment

## 【Dividend Policy】

*Our policy is to pay a stable dividend to shareholders. In addition, our aim is to increase the dividend based on growth in basic earnings resulting from actions to improve profitability and to reflect the level of returns from strategic investments.*

*10 yen will be paid as interim dividends and year-end dividends is scheduled at 50 yen. (The year-end dividend forecast reflects the five-to-one reverse stock split.)*

## 【Trend in dividends】



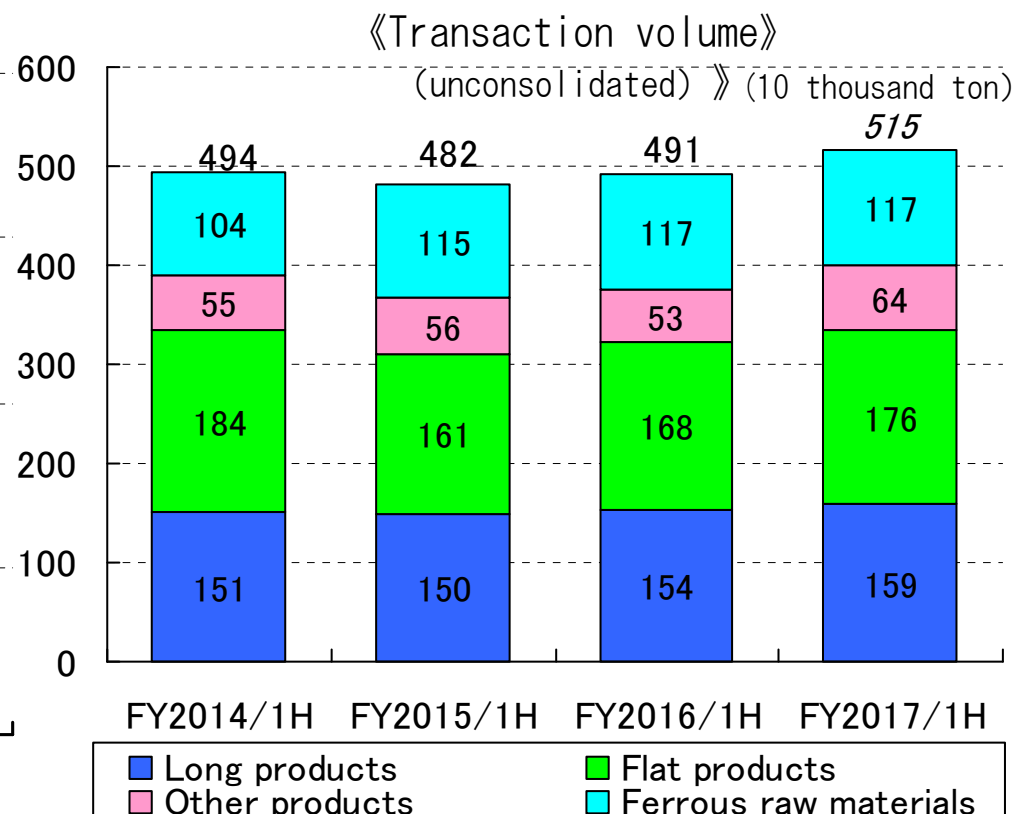
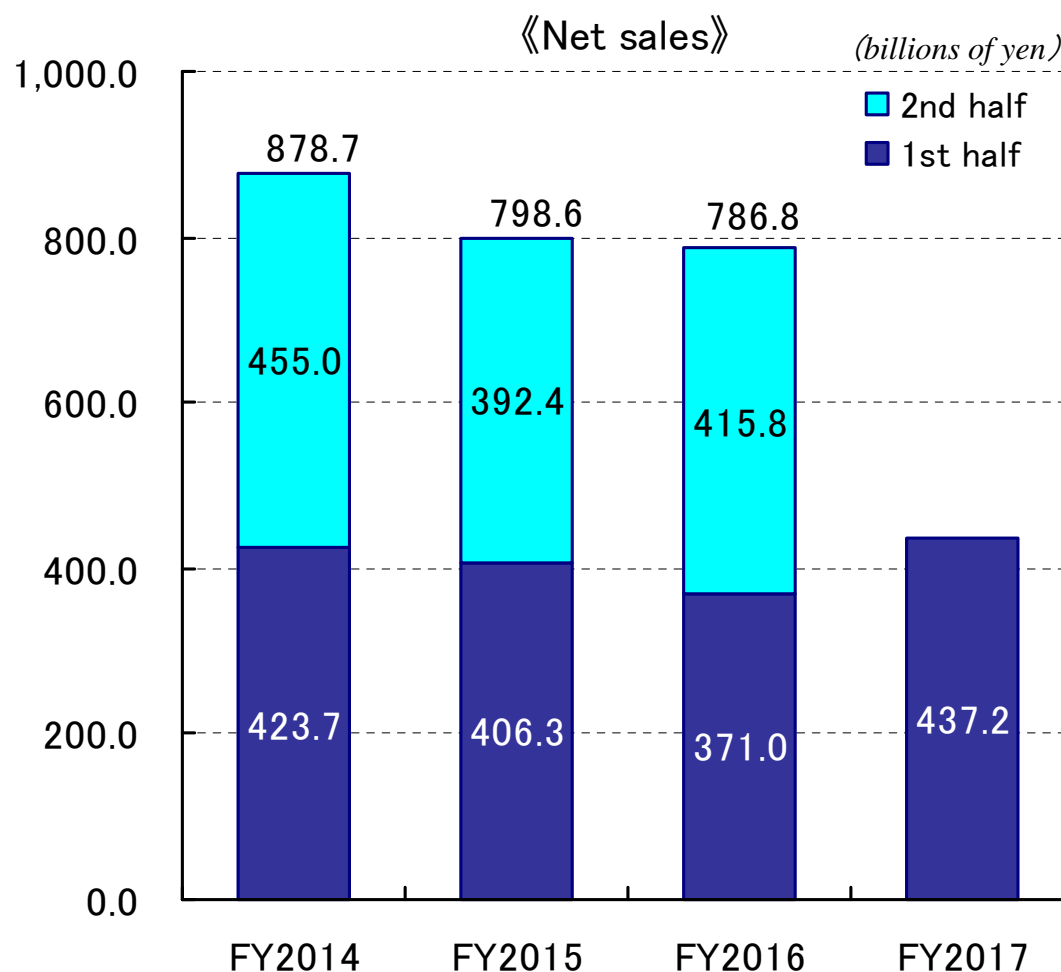
(billions of yen) • Net sales

	FY2016/1H	FY2017/1H	Rate of change
Net sales	371.0	437.2	+18%
Segment income	8.5	10.4	+21%

Without significant upsurge of demand, sales increased thanks to higher the transaction volume as well as steel prices.

• Segment income

Higher prices of long-term contracts mainly for flat products and better profit results at subsidiaries pushed up the earnings despite the negative impact on profit margins of the higher procurement cost of long products.



# Metals & Alloys Business Segment

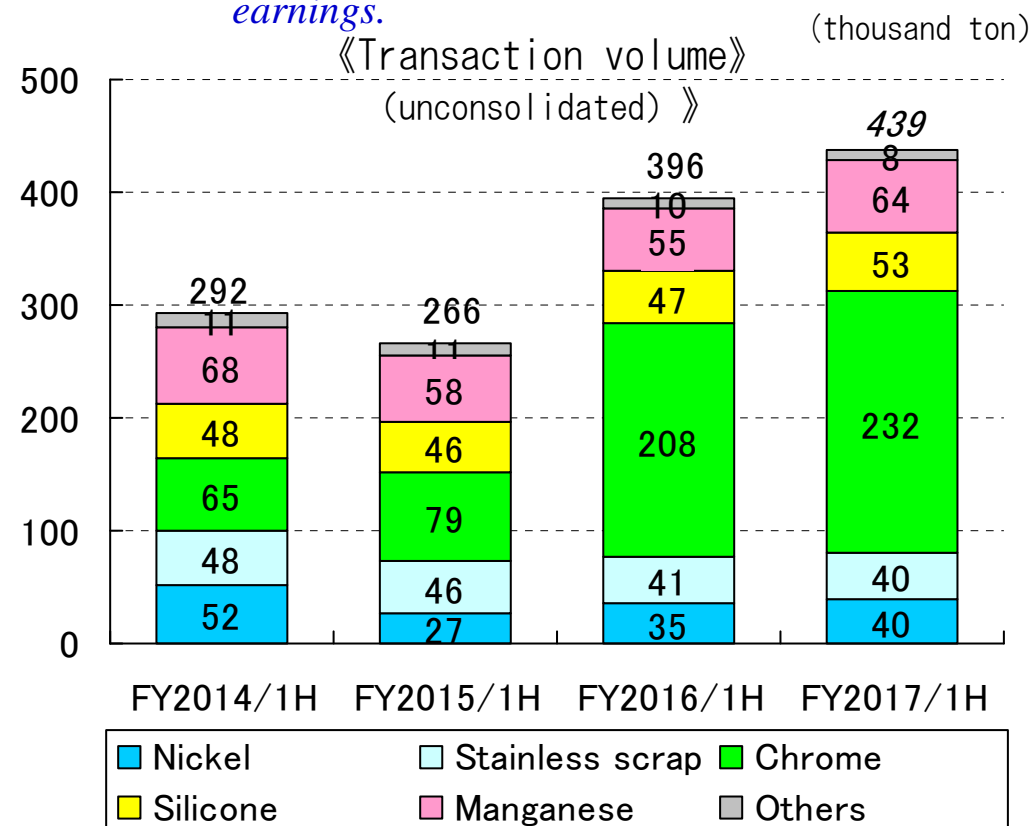
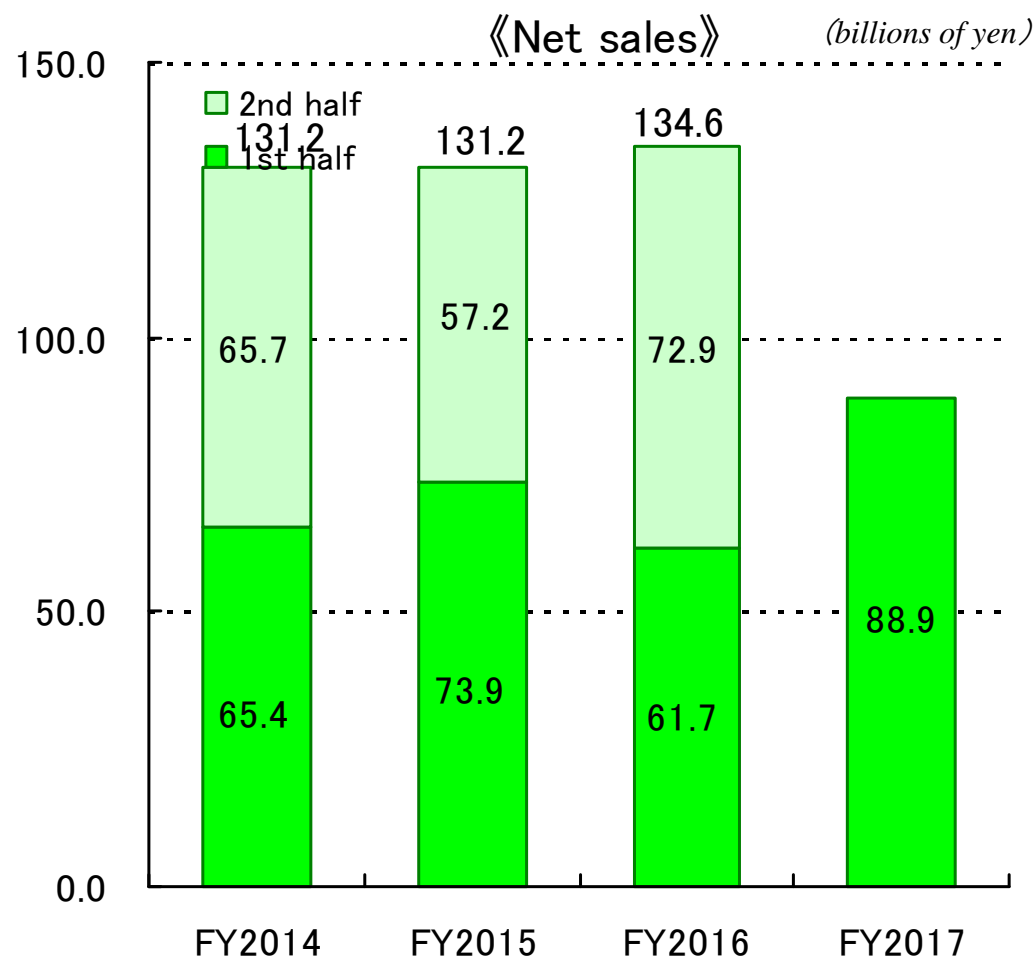
(billions of yen) · Net sales

	FY2016/1H	FY2017/1H	Rate of change
Net sales	61.7	88.9	+44%
Segment income	(0.1)	1.4	—%

Sales increased due to climbing markets of ferroalloys and nickel as well as sales expansion of chrome and manganese ferroalloys and hot-rolled coils of stainless steel.

· Segment income

Higher earnings due to growth in sales volume and prices of ferroalloys and an improvement in profitability of Showa Metal, which had a loss one year earlier, resulted in an increase in earnings.



# Non-ferrous Metals Business Segment

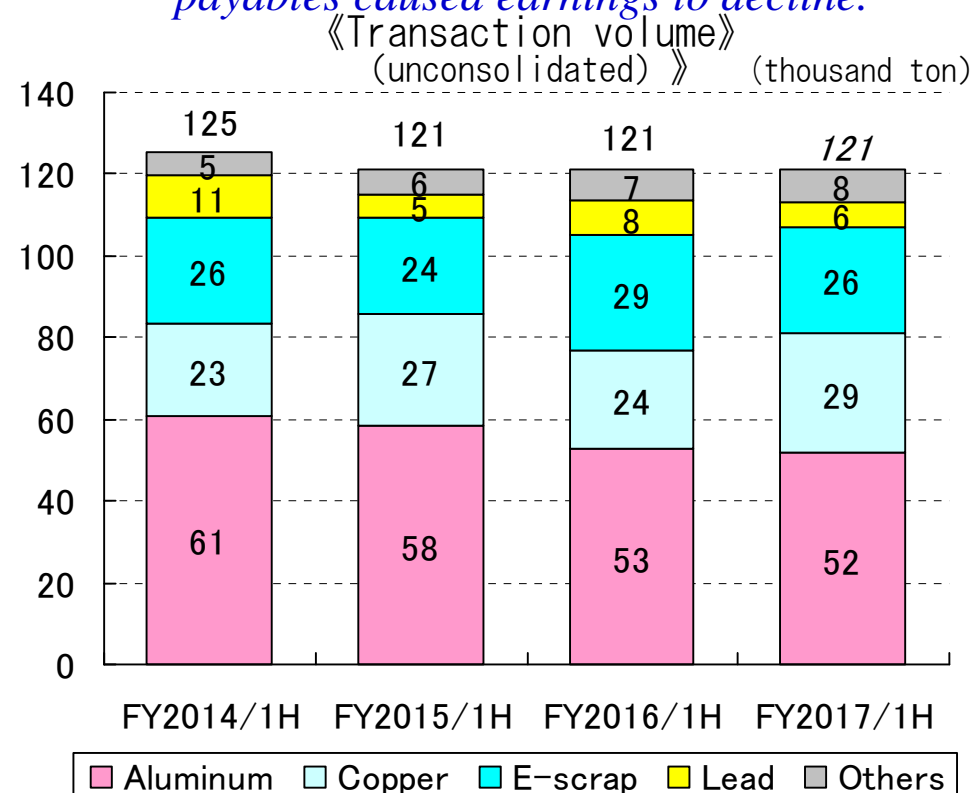
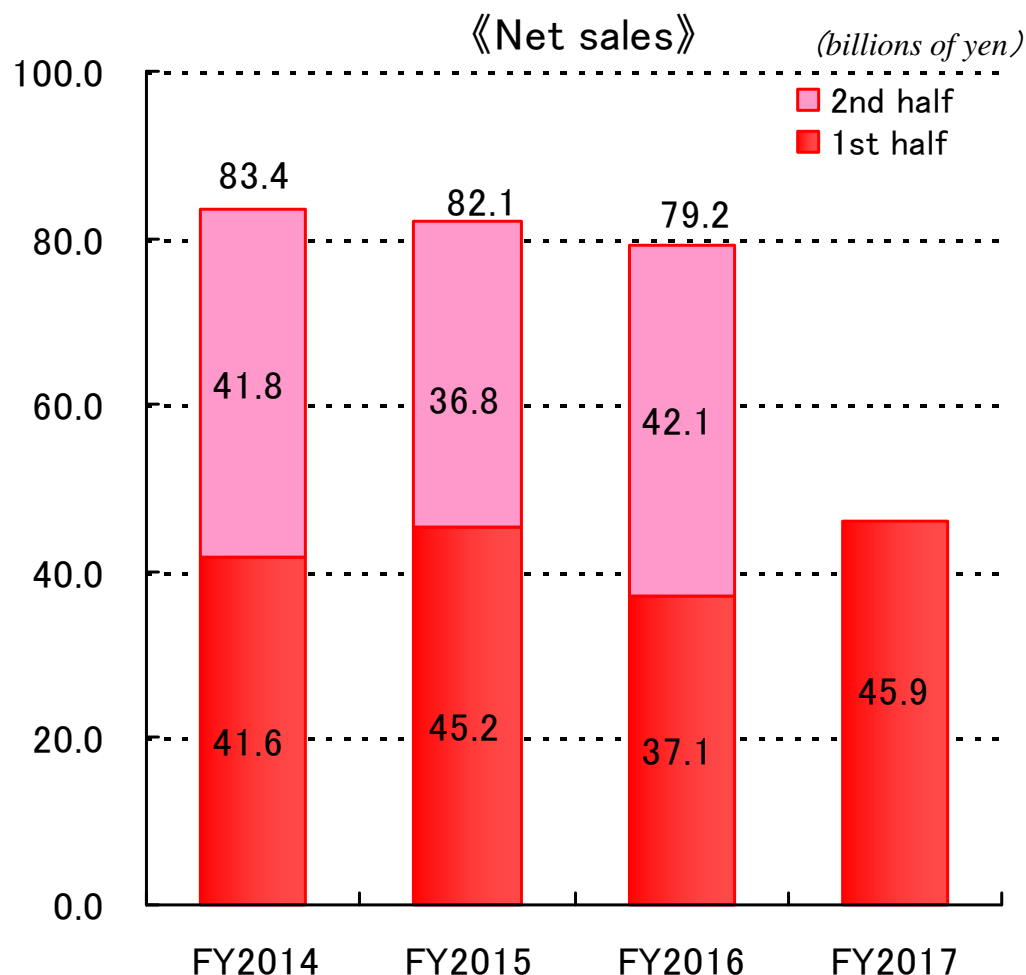
(billions of yen) · Net sales

	FY2016/1H	FY2017/1H	Rate of change
Net sales	37.1	45.9	+24%
Segment income	0.5	0.4	−8%

Sales increased mainly because of higher prices of aluminum, copper and other metal scrap and growth in sales of copper scrap.

· Segment income

Although higher commodity prices raised business revenue, period-end losses due to changes in valuations of foreign-currency payables caused earnings to decline.



# Foods Business Segment

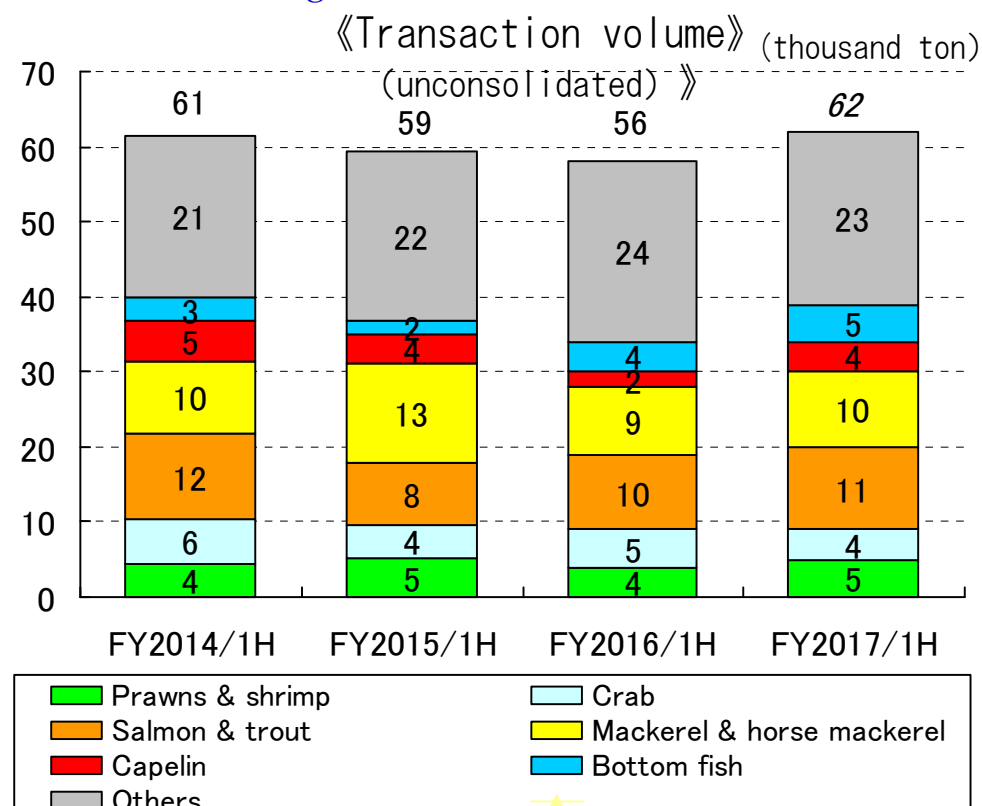
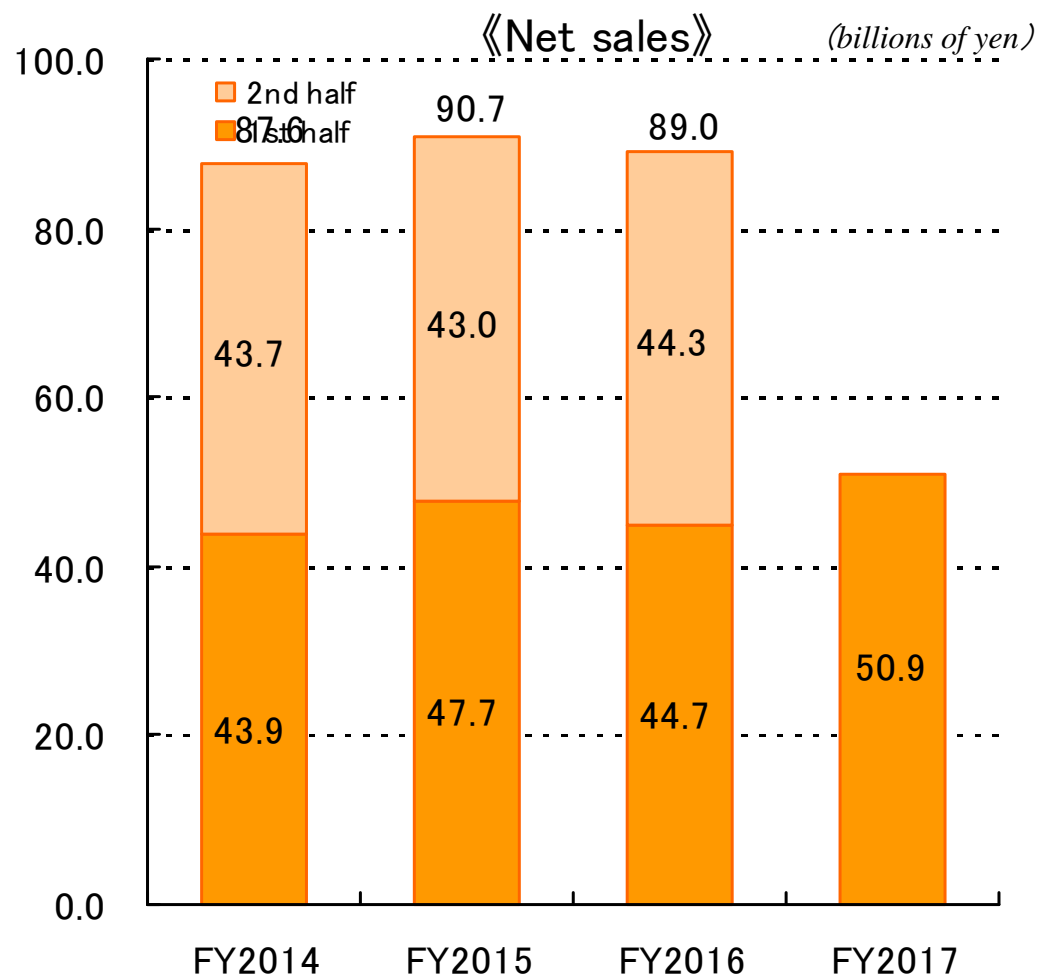
(billions of yen) · Net sales

	FY2016/1H	FY2017/1H	Rate of change
Net sales	44.7	50.9	+14%
Segment income	1.0	0.8	-15%

Prices of shrimp, crabs, salmon and other major products remained high because overseas catches and inventories were low. Transaction volume was high as well. The result was growth in sales.

· Segment income

The higher procurement cost by higher prices at the sources of supply, caused earnings to decline.



# Petroleum & Chemicals Business Segment

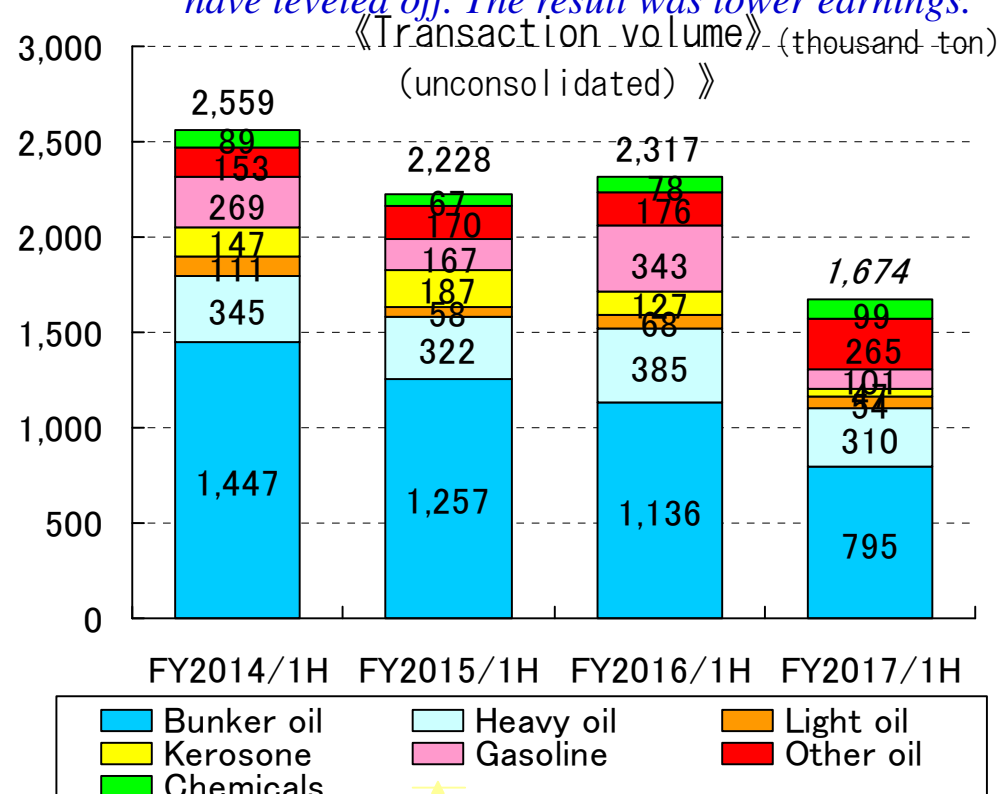
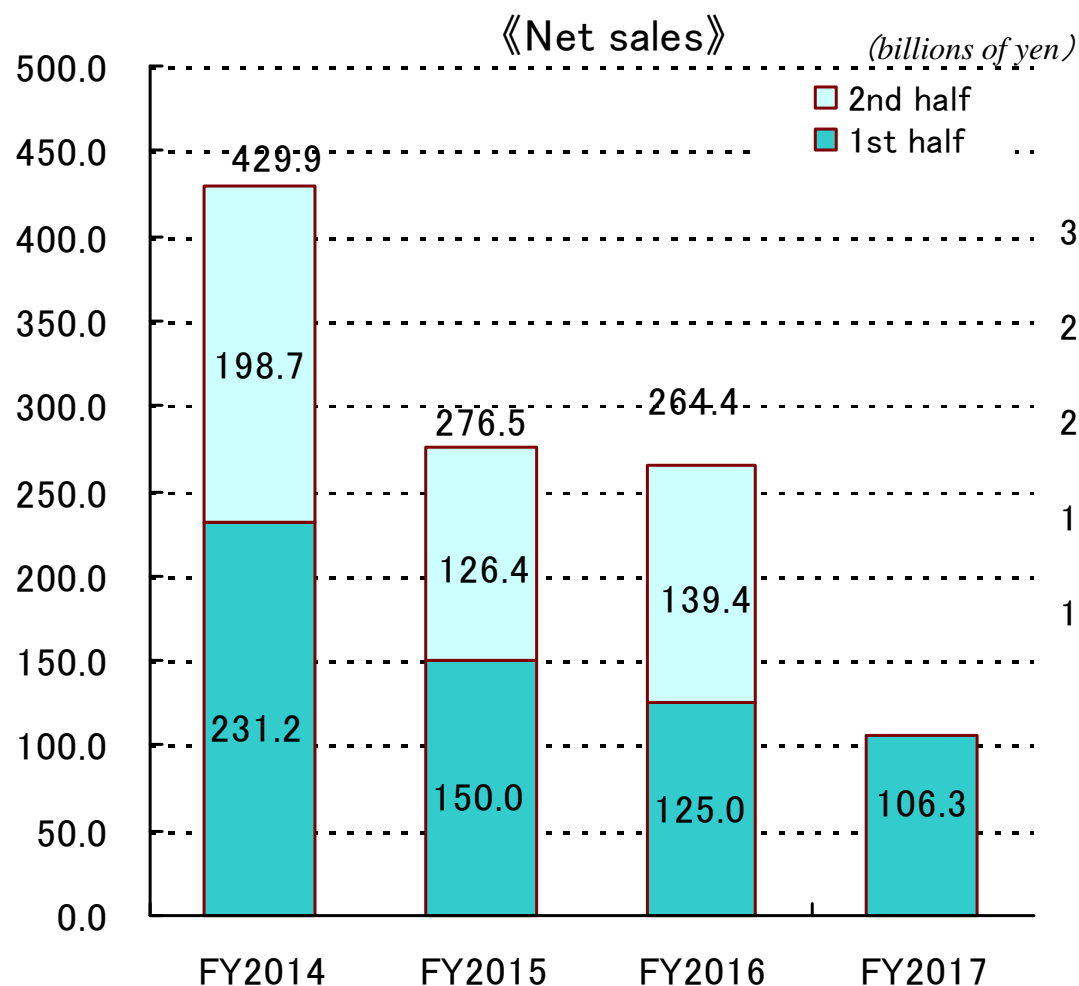
(billions of yen) Net sales

	FY2016/1H	FY2017/1H	Rate of change
Net sales	125.0	106.3	−15%
Segment income	0.9	0.6	−28%

Although petroleum product prices rose slowly, sales were down because of downturns in spot sales and transactions for balancing supply and demand.

## Segment income

Pricing policies of oil companies caused the cost of purchasing petroleum products to climb and profit margins narrowed due to the delay in raising prices for end users. Strong earnings in FY2016 from sales of imported general products have leveled off. The result was lower earnings.





# Overseas Sales Subsidiaries Segment

(billions of yen)

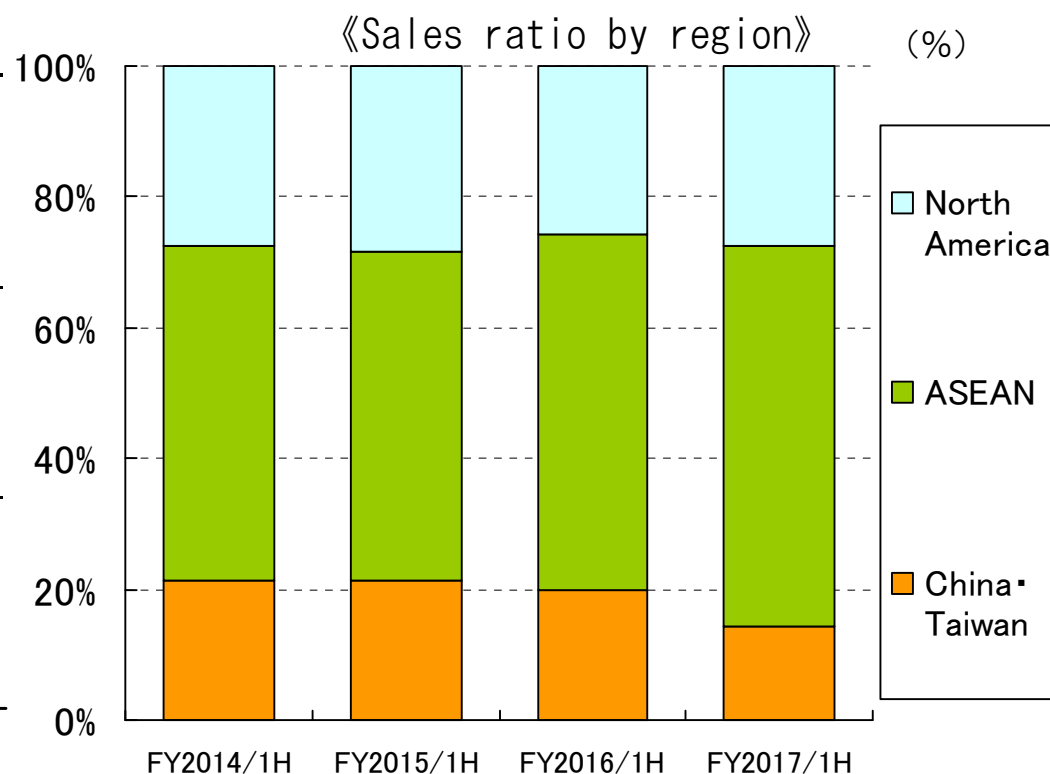
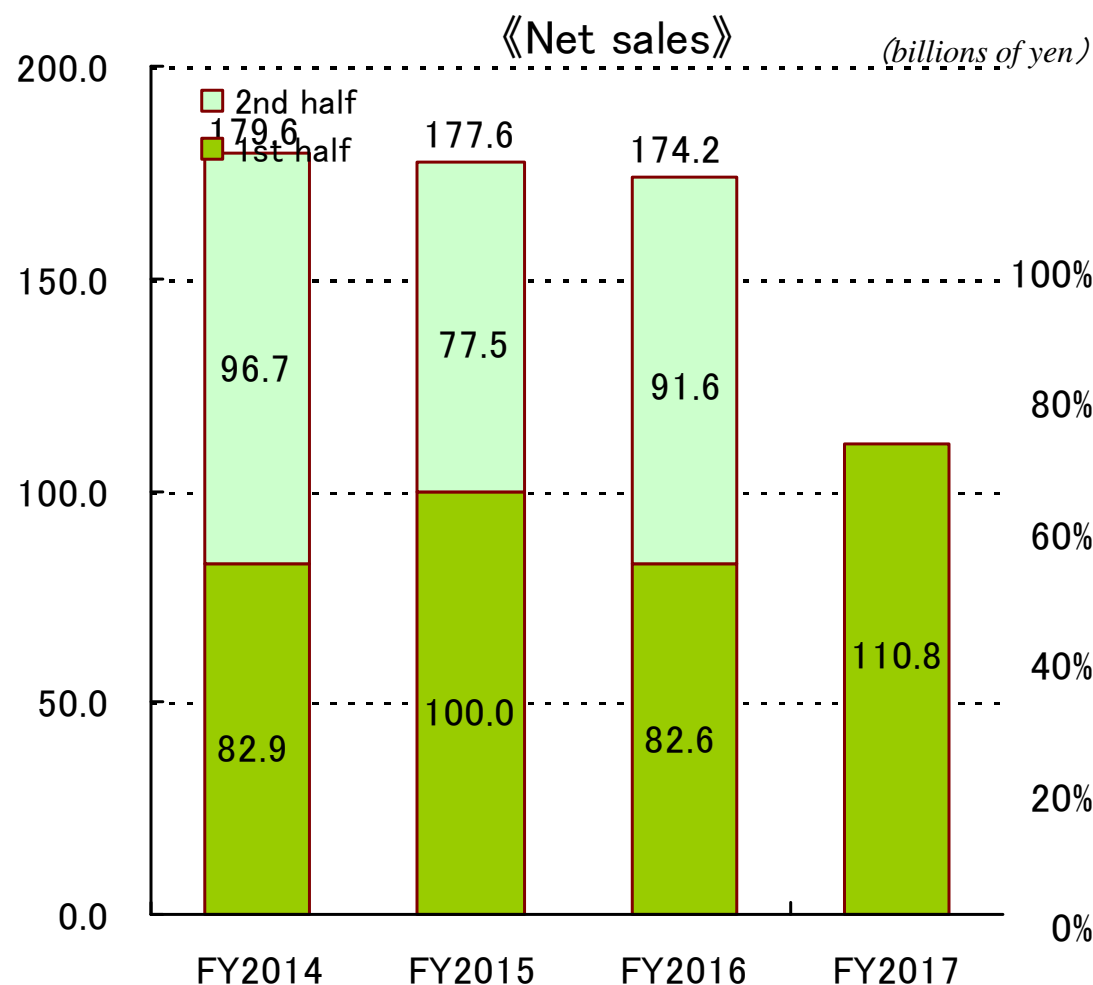
	FY2016/1H	FY2017/1H	Rate of change
Net sales	82.6	110.8	+34%
Segment income	0.0	0.2	—%

## · Net sales

Higher sales were attributable to growth in sales of bunker fuel in Singapore and metal scrap in Thailand, Singapore and North America.

## · Segment income

Higher earnings due to sales growth and an improvement in equity-method earnings from a North China sales subsidiaries caused better earnings.

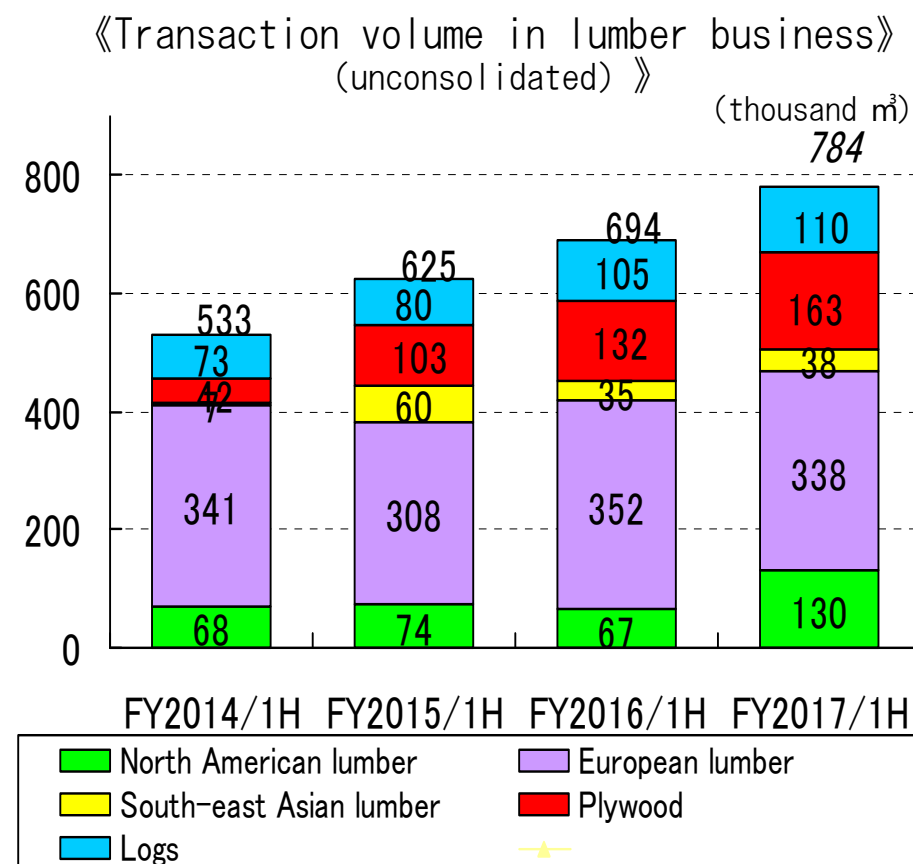
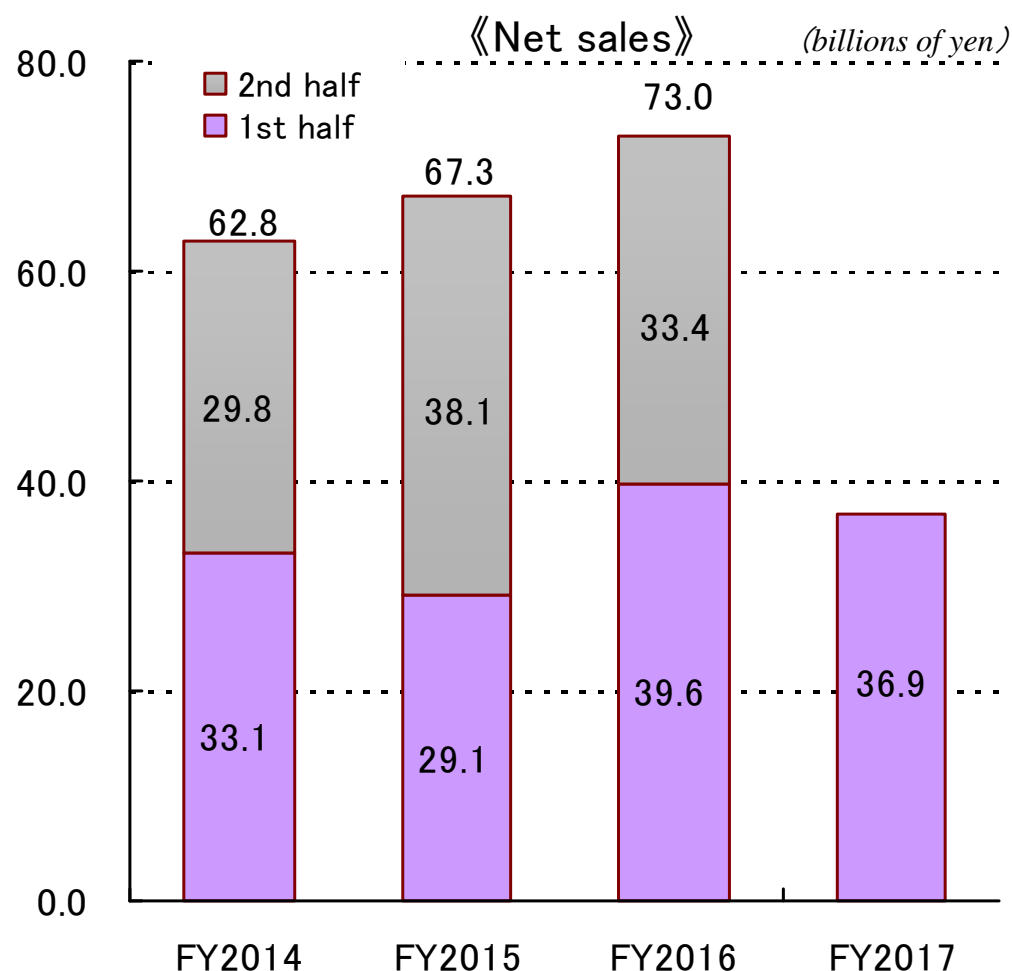




(billions of yen)

	FY2016/1H	FY2017/1H	Rate of change
Net sales	39.6	36.9	—7%
Segment income	0.9	0.4	—58%

*Sales and earnings decreased. Sales of lumber to homebuilders and other users were strong, but segment performance one year earlier was better because of the completion of amusement ride projects in the machinery business.*



# Progress of Medium-term Business Plan

The profitability of business operations is strong. There was a small increase in the debt-equity ratio as loans payable increased to meet the rising demand for working capital and funds for investments.

The number of new customers in the first half was about one-sixth of the target for all three years of the medium-term plan..

## 【Key Financial Ratios】

		<i>FY2014</i>	<i>FY2015</i>	<i>FY2016</i>	<i>FY2017/1H</i>
<i>ROIC</i> (%)		4.4	4.5	6.2	3.1 (6.2)
<i>Net DER</i> (%)		175.4	135.9	135.7	147.5
<i>New customers</i> (Number)		665	705	697	338
<i>ROE</i> (%)		6.9	17.2	10.1	4.7 (9.4)
	<i>Net profit margin</i> (%)	0.5	1.7	1.1	1.0
	<i>Total assets turnover</i> (%)	279.1	241.7	234.0	114.7 (229.4)
	<i>Debt leverage ratio</i> (%)	471.5	422.2	397.8	418.3

(FY2017/1H ( ) : Annual conversion ratios)

# Progress of Medium-term Business Plan

*Steady – First half performance was about 50% of the fiscal year forecast.*

*Speedy – Most consolidated subsidiaries and equity-method companies are performing well.*

*Strategic – Samancor Chrome has only a minor effect on earnings as equity-method income and depreciation/amortization have become about the same.*

	FY2017	1H Actual	Annual forecast	Progress rate
<div>Additional revenue from strategic investments</div> <div>Revenue from domestic and overseas group companies</div> <div>Revenue from HANWA</div>	<b>STRATEGIC</b> <i>Equity in earnings of affiliates from resource investees and dividends from strategic investments</i>	(0.0)	1.5	—%
	<b>SPEEDY</b> <i>Ordinary income from consolidated subsidiaries &amp; dividends from non-consolidated subsidiaries</i>	3.1	4.5	71%
	<b>STEADY</b> <i>Ordinary income from HANWA after deducting dividend income from subsidiaries</i>	9.2	18.0	51%
	<b>Total</b>	<b>12.2</b>	<b>24.0</b>	<b>51%</b>

*First half earnings increased mainly because of the strong performances of many steel segment subsidiaries in Japan and overseas. In the metals & alloys segment, Showa Metal reported a profit following the prior fiscal year's loss. Earnings at all subsidiaries increased 2.6 billion yen in the first half.*

## **【Ordinary income trend of subsidiaries by business segments】**

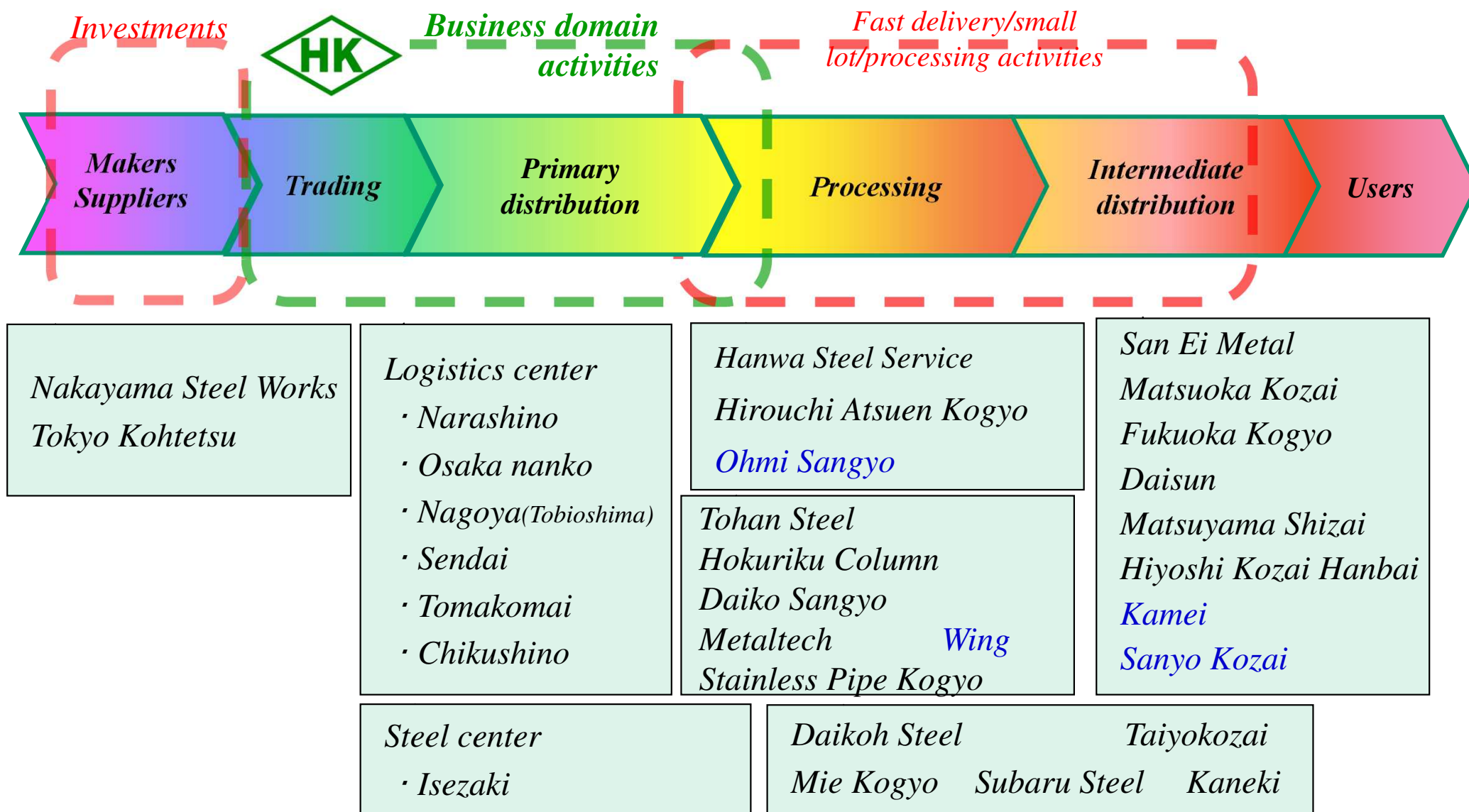
(millions of yen)

	FY2016/1H		FY2017/1H		Increase - Decrease	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
Steel	788	260	2,141	597	+1,353	+336
Metals & alloys	(545)	21	108	13	+654	(7)
Non-ferrous metals	157	44	173	110	+16	+65
Foods	174	(25)	87	(95)	(87)	(70)
Petroleum & chemicals	185	31	81	44	(104)	+13
Overseas sales subsidiaries	113	(152)	202	37	+89	+189
Others	101	64	234	85	+133	+20
<b>Total</b>	<b>975</b>	<b>245</b>	<b>3,031</b>	<b>792</b>	<b>+2,055</b>	<b>+547</b>

*(Earnings are the sum of earnings at all companies. Consolidated and equity-method classifications for the prior fiscal year are adjusted for consistency with this fiscal year.)*

# Progress with Japan Value Chain Extension Strategy HANWA CO., LTD. *With Users*

Hanwa is adding small/midsize steel wholesale/processing companies to the group to implement the SOKOKA (fast delivery, small lot, processing) strategy, which encompasses the entire value chain. In this fiscal year, Kamei, Sanyo Kozai, Wing and Ohmi Sangyo have joined the Hanwa Group.



# “Create another Hanwa in Southeast Asia” Strategy

*Hanwa forms alliances with prominent local distribution companies and joint activities with Japanese companies to establish Hanwa’s business model in the ASEAN region.*

## 【The major alliance partners】

Country	Distributor	Processor	Manufacturer
Thailand		HSS Thailand PCM Processing	Furukawa Unic Siam Hanwa
Indonesia	Kapurindo Sentana Baja	HSS Indonesia	Araya Steel Tube Indonesia
Singapore	CosmoSteel Holdings HG Metal Manufacturing		
Vietnam	SMC Trading	NSSB Saigon Coil Center	Nippon Steel & Sumikin Pipe Vietnam SMC Toami Sendo Steel Pipe
Malaysia	TATT GIAP Group	Eversendai Corp. TATT GIAP Steel Centre	Nippon Egalv Steel Bahru Stainless
Philippine			Sohbi Kohgei (Phlis)



*Hanwa makes natural resource investments in niche yet vital for various industries.*



**AFARAK** (Finland, South Africa, Turkey, Germany)  
FeCr & SiMn manufacturer (2017/1-3Q Sales Amount 80 thousand ton)

**OM Holdings** (Malaysia)  
FeSi & SiMn manufacturer (2017/1-3Q Sales amount 230 thousand ton)

**Bacanora Minerals** (Mexico)  
lithium carbonate producer (2019 Production commencement 35 thousand ton/year)

**Tsingshan Holding** (Indonesia)  
NPI & Stainless steel hot coil manufacturer (NPI 1.5 million ton/year; H/C 3 million ton/year)

**SAMANCOR** (South Africa)  
Cr Ore & FeCr manufacturer (FeCr Production 1550 thousand ton/year)

*Hanwa is continuing to make business investments in this fiscal year to build a base for more earnings in the future. First half investments totaled about 20.5 billion yen, including an additional investment in Samancor Chrome and construction of the Kita-Kanto Steel Center.*

## 【Current investment records】

(billions of yen)

<i>Business segment</i>	<i>Amounts</i>	<i>Major investment</i>
<i>Steel</i>	4.7	<ul style="list-style-type: none"> <li>· established Kita-Kanto Steel Center</li> <li>· Acquired shares of Ohmi Sangyo</li> <li>· Acquired additional stocks of SMC Trading</li> </ul>
<i>Metals &amp; Alloys / Non-ferrous metals</i>	15.0	<ul style="list-style-type: none"> <li>· Acquired additional stocks of Samancor Chrome</li> <li>· Acquired minority shares of Bacanora Minerals</li> </ul>
<i>Overseas Sales Subsidiaries</i>	0.3	<ul style="list-style-type: none"> <li>· Recapitalization to subsidiaries</li> </ul>
<i>Corporate</i>	0.2	<ul style="list-style-type: none"> <li>· Constructed the core system</li> </ul>



# *Appendix*

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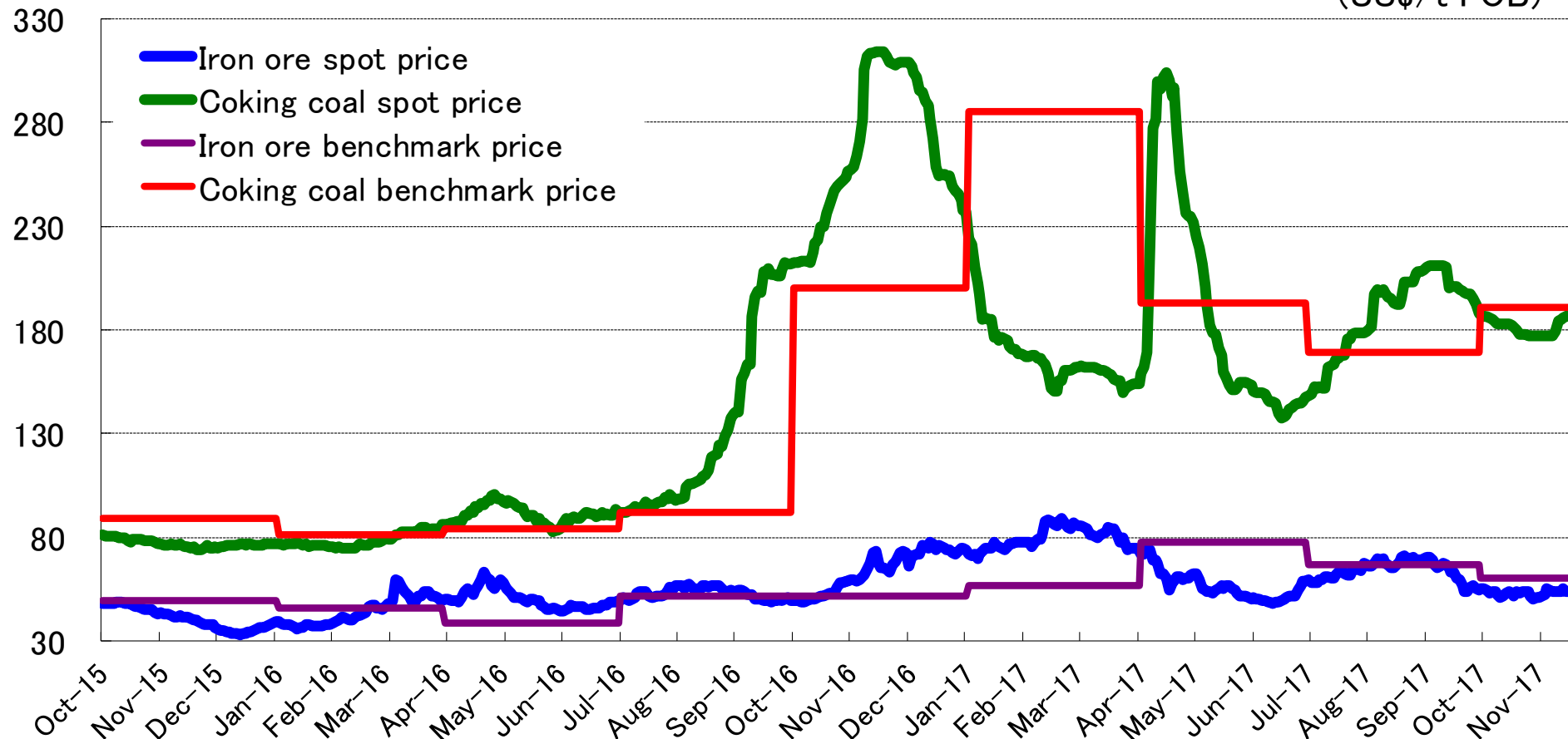
# Market Trend of Steel Raw Materials

*Iron ore...Spot and futures prices of steel products in China has been strong along with firm iron ore prices Currently, the iron ore price is weakening due to the outlook for reduction of iron ore use because of restrictions on steel mills.*

*Coking coal...The price increased during the summer of 2017 in response to cyclone damage in Australia and then retreated. The price is now recovering due to solid demand in China and India. Overall, the price is currently firm following the drop linked to restrictions on steel mill operations in China.*

## 【Transition of steel raw materials price 】

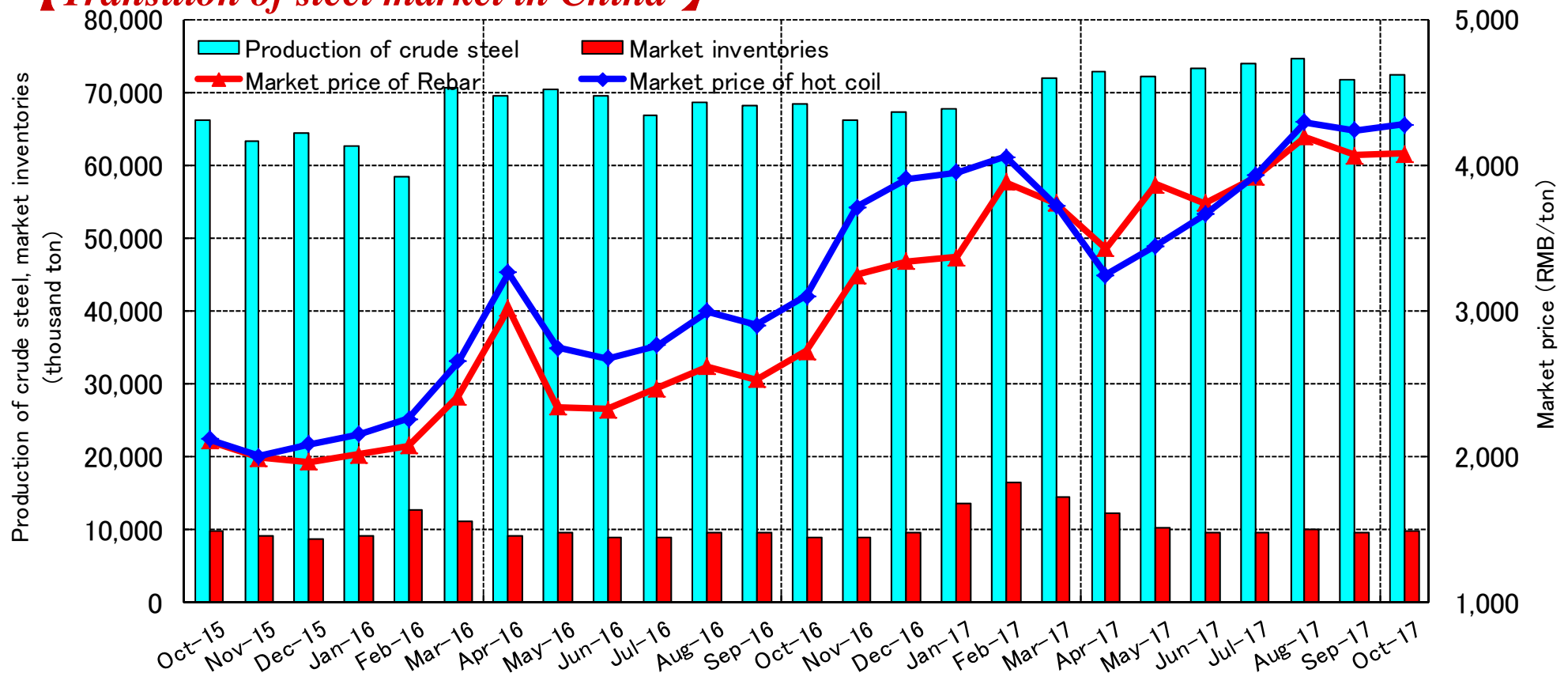
(US\$/t FOB)



*Supply/Demand...The end of production of induction furnace steel, called ditiaogang has increased demand for legitimate products. Although steel mills are raising output, exports decreased because of firm demand for steel in China.*

*Market price...Stopping induction furnace mills operations has reduced inventories and raised prices. A emphasis on long products production is pushing prices of flat products. Outlook is for no change during the winter, when demand is lower, in part due to restrictions on steel production.*

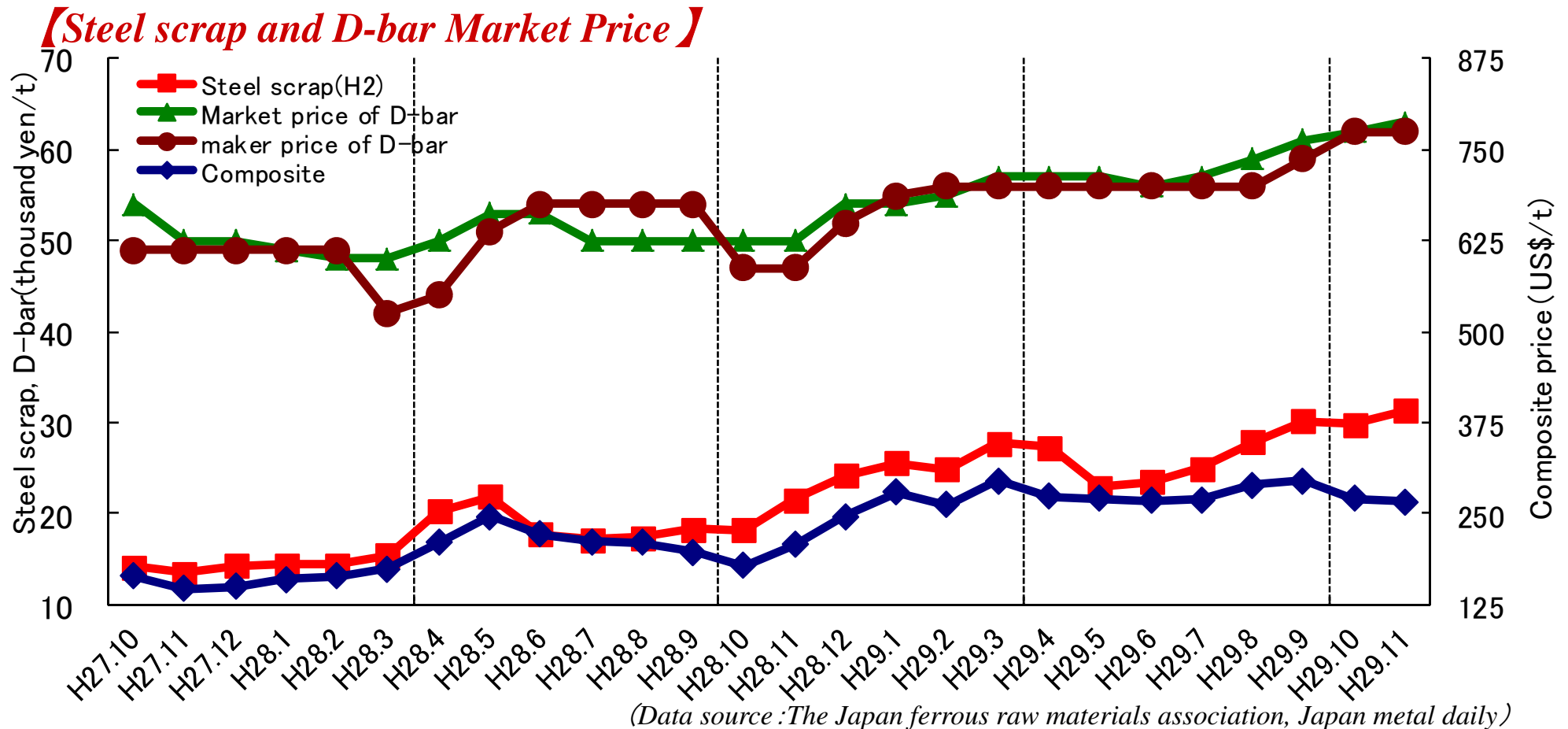
## 【Transition of steel market in China】



(Data source : The Japan Iron and Steel Federation)

*Supply/Demand...Steel output has increased followed by the end of the induction furnace production. China is no longer exporting billets, resulting in tight supplies of steel scrap in Asia.*

*Market price...With supplies of scrap limited outside Japan, EAF steel mills in Japan are paying higher prices to buy scrap. Prices are climbing slowly as a result.*

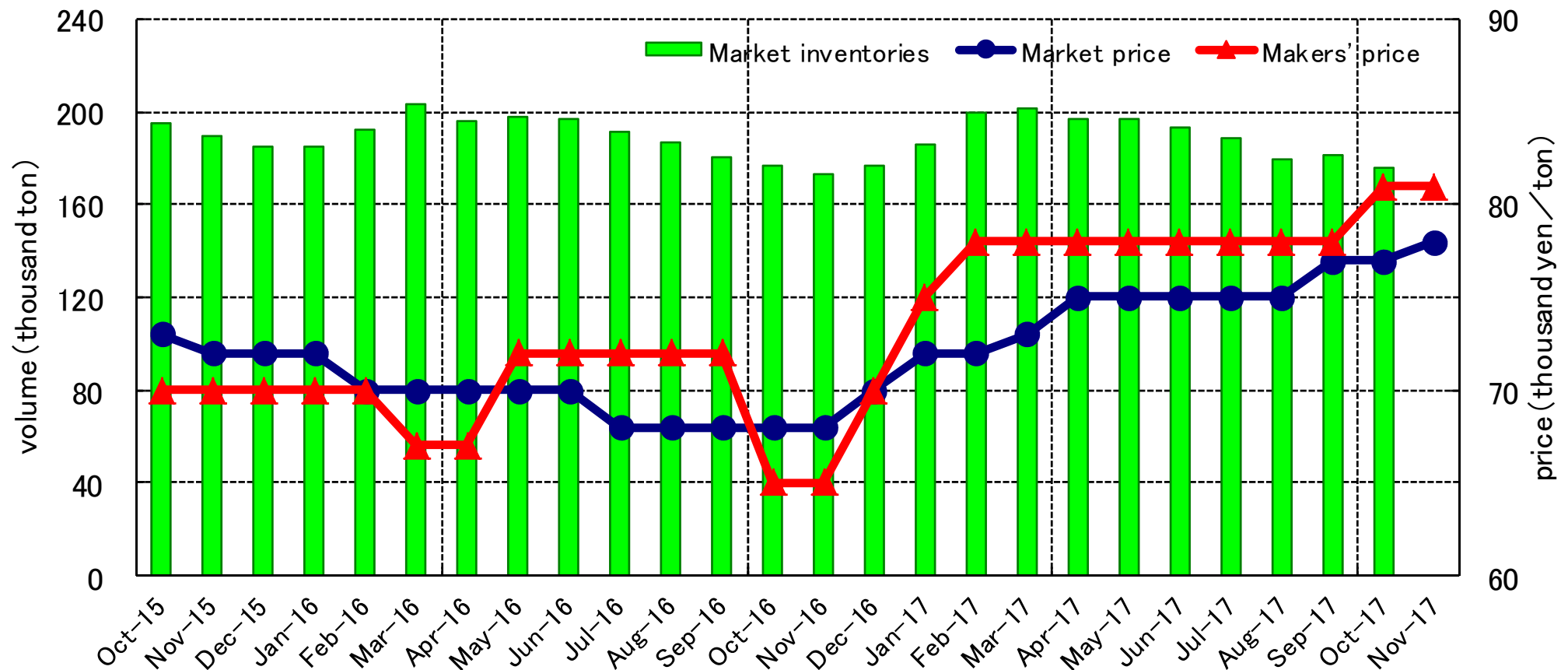


# Market Trend of Long Products

*Supply/Demand...Demand is strong in the building construction and civil engineering sectors and inventories are declining gradually. In the fiscal year's second half, demand is climbing slowly and orders to steel mills are increasing.*

*Market price...Spot prices too are slowly moving up because steel mills have been raising prices since the second half of FY2016 to restore previous levels and demand is growing slowly.*

## *[Transition of the H-Beams Markets in Japan]*



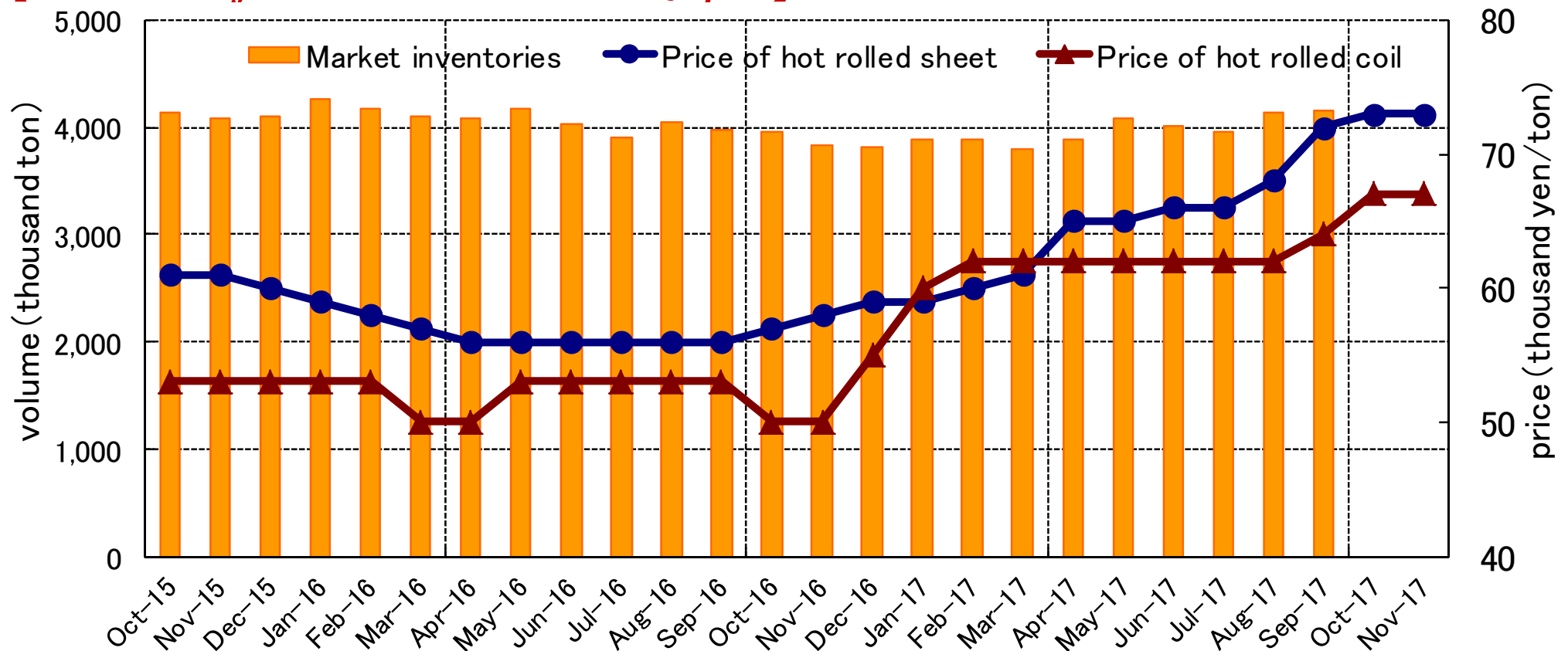
(Data source : Inventories \_ Tokiwa-kai / Price \_ Japan metal daily)

# Market Trend of Flat Products

*Supply/Demand...Flat product demand is firm along with a generally high level of output in the manufacturing sector. Supplies are becoming tight because furnace renovations and problems at steel mills make big production increases impossible.*

*Market price...Prices are moving up due to the outlook for price hikes by steel mills. Prices are continuing to climb as supplies tighten, in part due to steel mills' reduction of undertaking volume.*

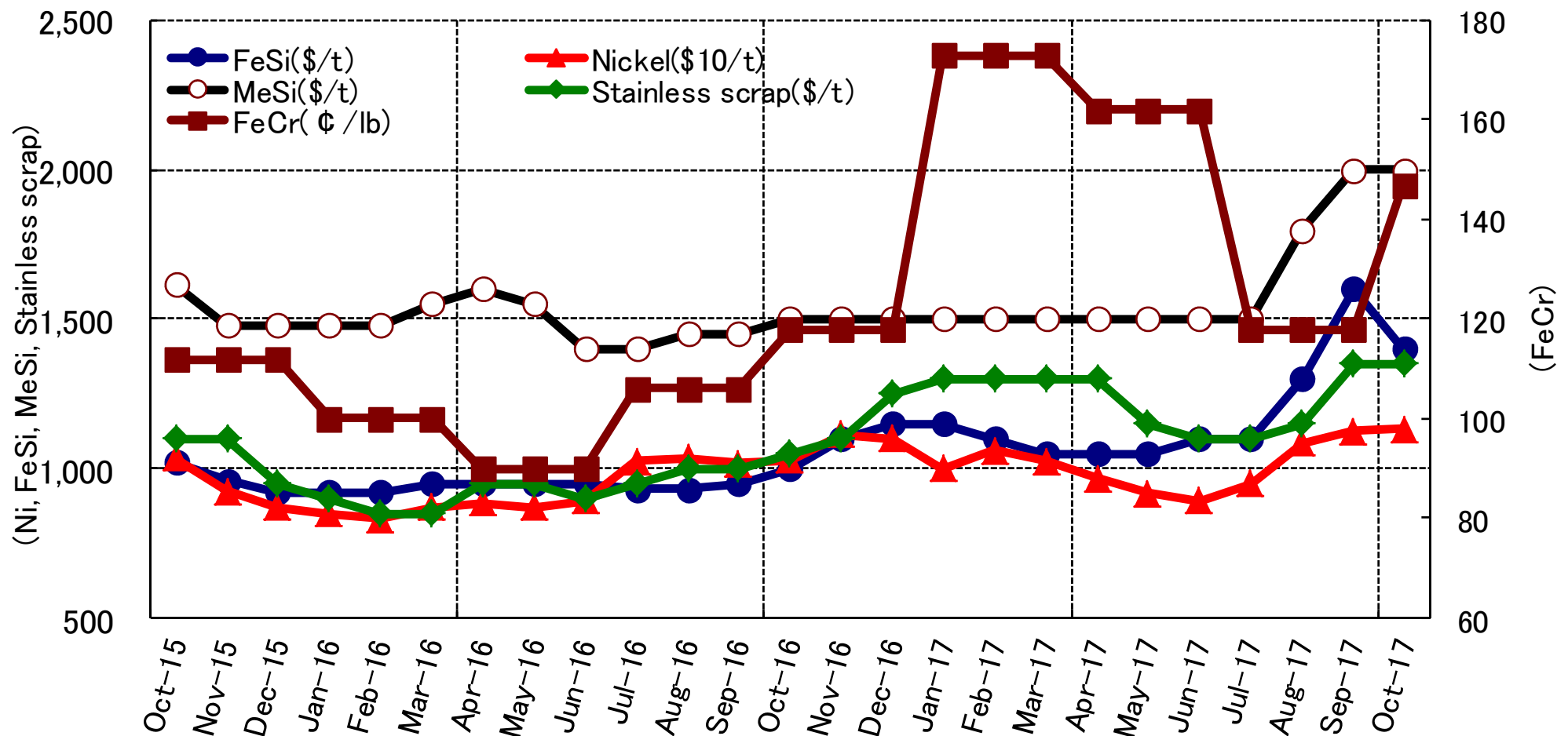
## ***[Transition of Steel Sheets Markets in Japan]***



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

*Nickel...The price dropped briefly because of the resumption of nickel ore exports and flat demand in China. The price subsequently started recovering due to expectations for a recovery in demand in China and concerns about supply shortages.*

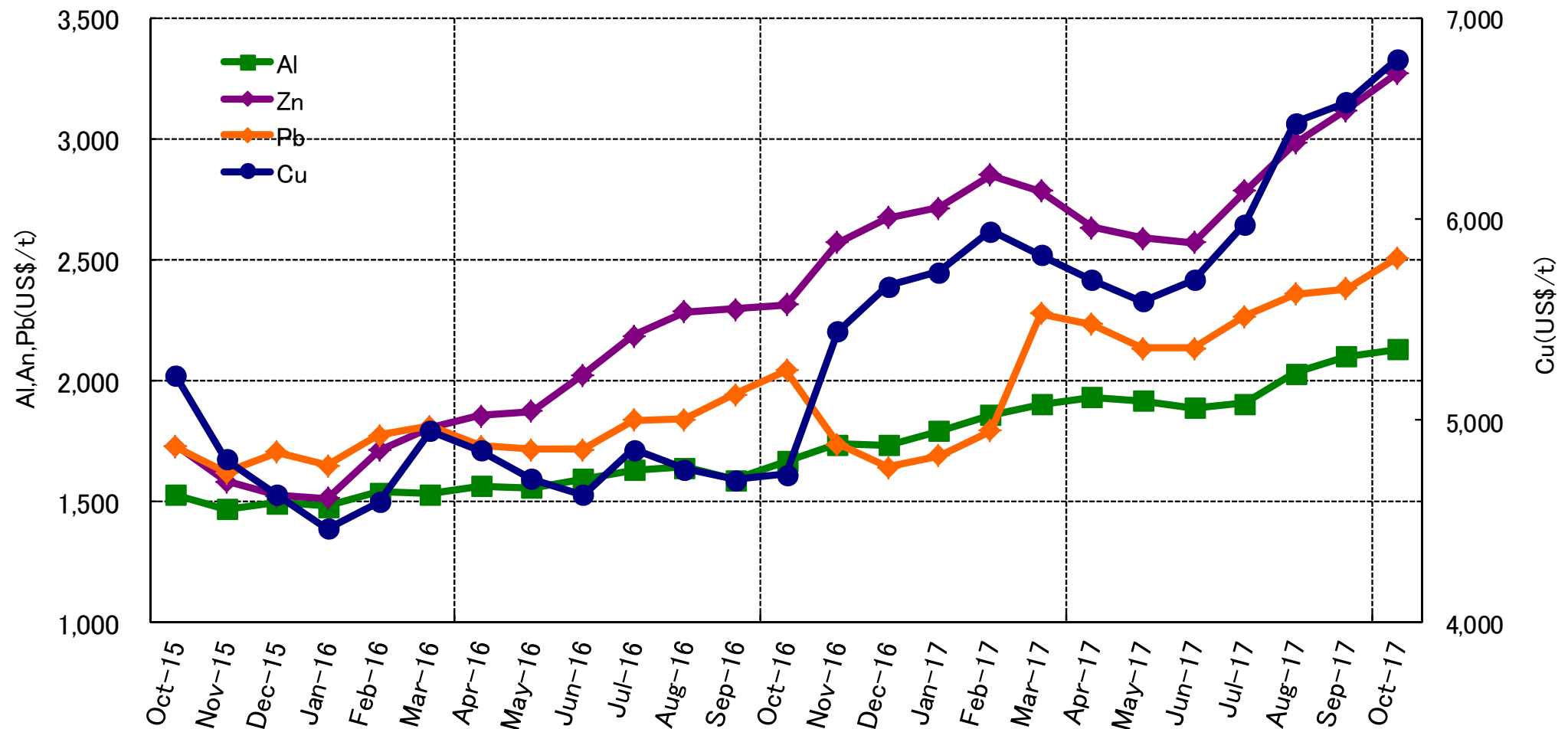
*Ferroalloys...Rising output in China is increasing the supply of ferroalloys but the supply is still tight, with environmental restrictions and earthquakes in ferroalloys producing regions the main causes. Prices are strong as a result.*



# Markets Trend of Non-ferrous Metals

*Aluminum...The LME price is climbing slowly and is currently gaining upward momentum. The primary reasons are plans by Chinese producers to close some plants and concerted efforts by Chinese provincial governments to cut aluminum refining capacity.*

*Copper...The price decreased early in the fiscal year as LME inventories rose. But the price has been climbing since then in response to China's restrictions on copper scrap imports, the outlook for strong demand in China, North Korea tension and other reasons.*

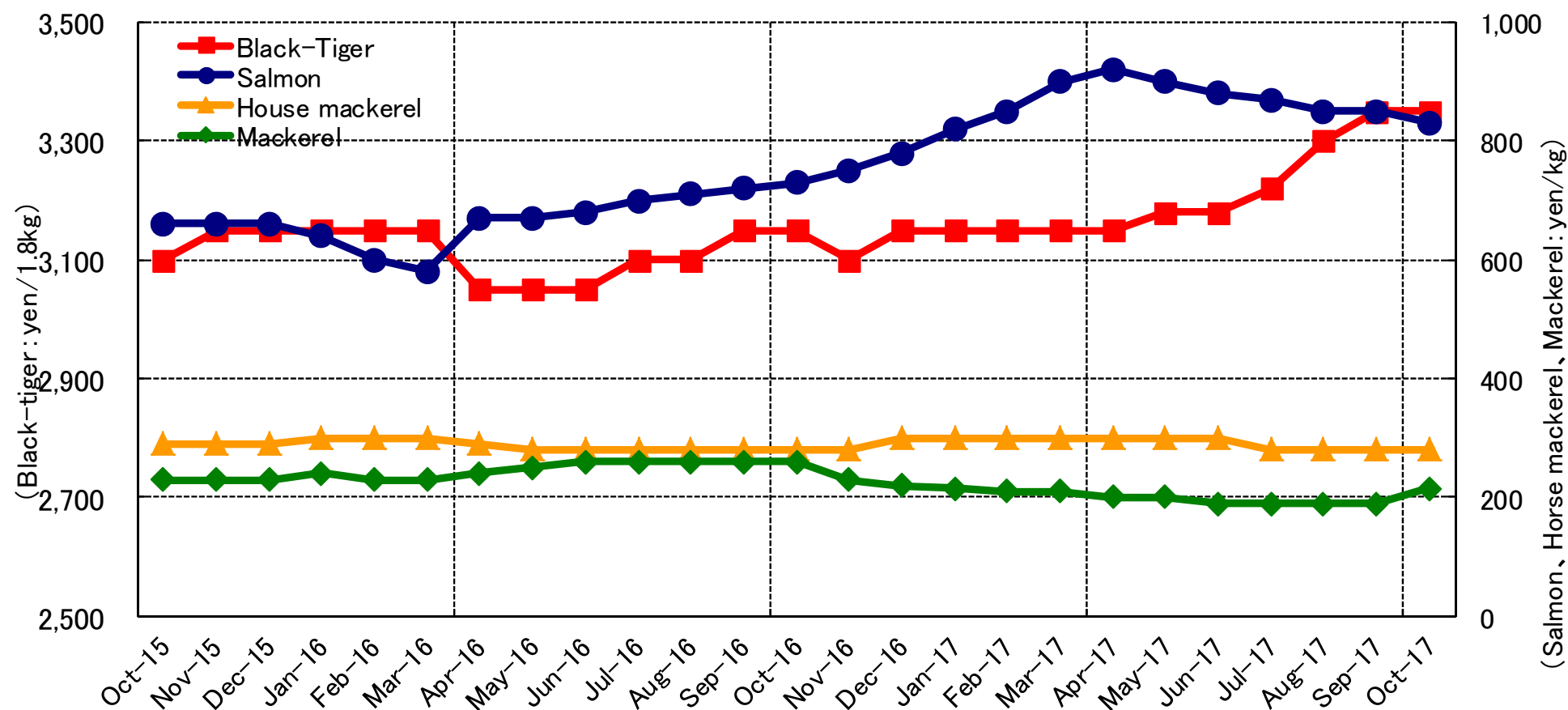




# Market Trend of Frozen Marine Products

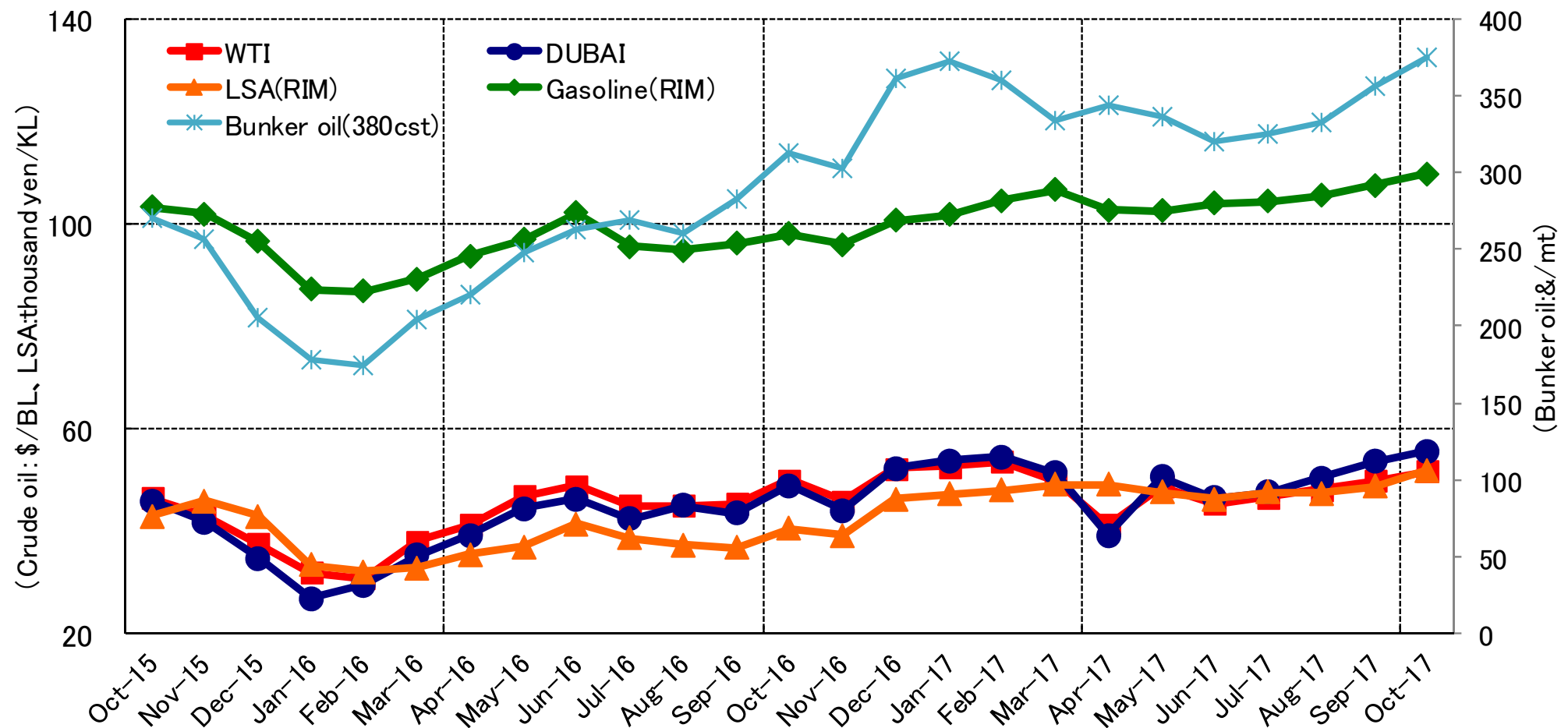
*Shrimp...Prices are rising in SE Asia because of the low volume of catch in this region.  
In Japan, prices are moving up due to low inventories.*

*Salmon...The decline in salmon prices is slower despite the start of this season's silver salmon imports from Chile because of the small volume of Russian red salmon catch.*



*Crude oil...The price is climbing gradually partly in response to OPEC's production cut and hurricanes in the United States.*

*Petroleum products...Oil companies want to raise prices to reflect the higher level of crude oil prices but demand is lackluster. Prices are likely to remain generally flat as a result.*



*For Users, With Users*



*HANWA CO., LTD.*

*This material contains statements (including figures) regarding Hanwa Co., Ltd. (“Hanwa”)’s corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the Views of Hanwa’s management but should not be relied on solely in making investment and other decisions. Readers should not place undue reliance on forward-looking statements.*