

# ***FINANCIAL RESULTS***

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*for the Fiscal Year ended March 31, 2014*

*May 20, 2014*

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

- *Net sales*

*Compared with the last year, net sales has reached to 1,682.5 billion yen, increased by 11.3%, due to increase in steel and petroleum/chemicals businesses.*

- *Net income*

*Net income was 7.8billion yen, mainly due to becoming profitable from upturn in market prices and decrease in extraordinary loss.*

- *Dividends*

*We plan to pay 8 yen as the end of this fiscal year dividend.*

*As a result, the planned annual dividend for FY2013 will be 12 yen per share.*

# Operating Results ( consolidated )

(Millions of yen)

	<b>FY2013</b>	<b>FY2012</b>	<b>Rate of changes</b>
<b>Net sales</b>	<b>1,682,503</b>	<b>1,511,324</b>	<b>+11.3 %</b>
<b>Gross profit</b>	<b>51,365</b>	<b>44,762</b>	<b>+14.8 %</b>
<b>SG&amp;A expenses</b>	<b>35,112</b>	<b>32,271</b>	<b>+8.8 %</b>
<b>Operating income</b>	<b>16,252</b>	<b>12,491</b>	<b>+30.1 %</b>
<b>Non-operating income/expenses</b>	<b>(1,555)</b>	<b>(3,620)</b>	<b>-57.0 %</b>
<b>Ordinary income</b>	<b>14,698</b>	<b>8,871</b>	<b>+65.7 %</b>
<b>Extraordinary gain/loss</b>	<b>(709)</b>	<b>(2,053)</b>	<b>-65.4 %</b>
<b>Income before income taxes and others</b>	<b>13,988</b>	<b>6,817</b>	<b>-105.2 %</b>
<b>Income taxes</b>	<b>5,986</b>	<b>2,033</b>	<b>+194.2 %</b>
<b>Minority interests/loss</b>	<b>105</b>	<b>62</b>	<b>-69.4 %</b>
<b>Net income</b>	<b>7,896</b>	<b>4,720</b>	<b>+67.3 %</b>
<b>Comprehensive income</b>	<b>14,647</b>	<b>6,600</b>	<b>+121.9 %</b>

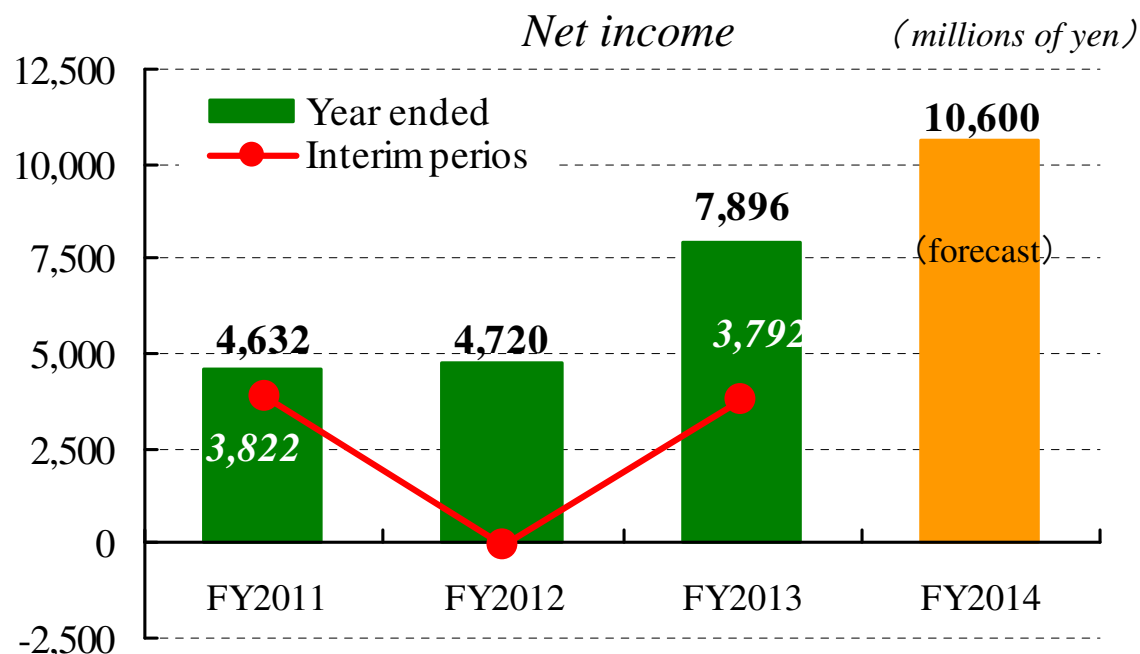
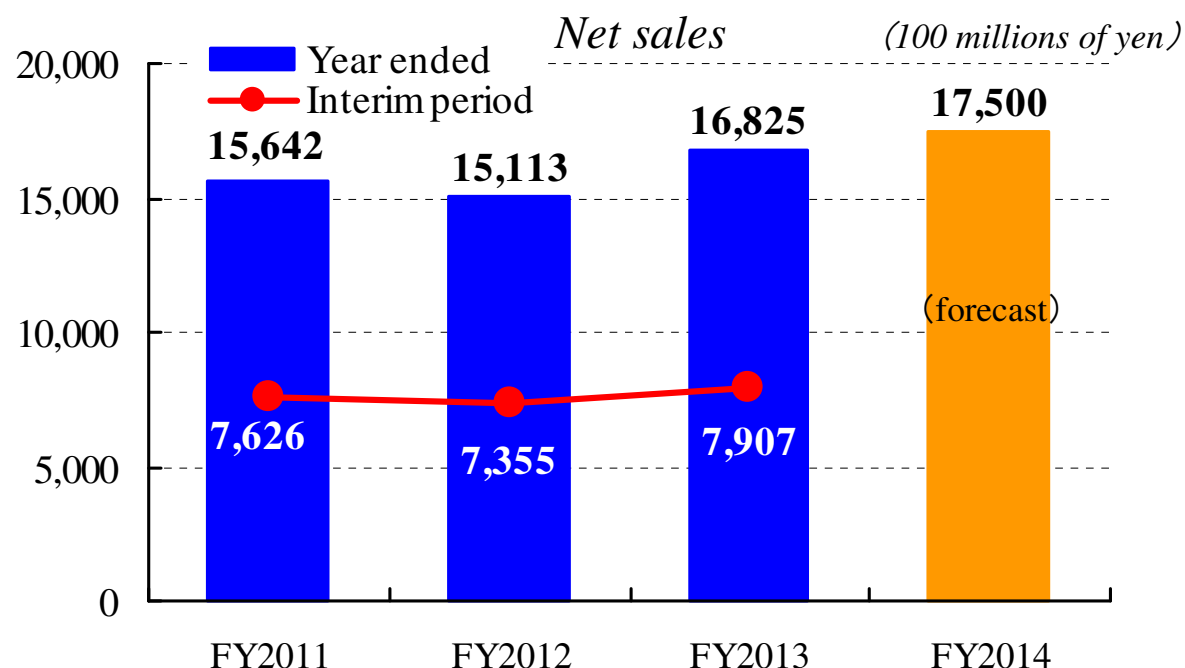
- Net sales has increased by 11.3% from the previous year, due to revenue growth in steel and petroleum/chemicals businesses.
- SG & A expenses increased by 8.8% from the previous year, including 4.3% of newly consolidated subsidiaries. Our employment cost increased by 1.8 billion yen.
- 0.8 billion yen were posted as impairment losses on investment securities in overseas subsidiaries and affiliates
- EPS was 38.11 yen (+15.33 yen)

# Changes in Business results (consolidated)

*The U.S. economy was healthy, there was no economic turmoil in Europe, but economic growth was flat in China and emerging countries.*

*In Japan, domestic demand increased because of strength in the manufacturing sector along with higher construction demand.*

*Our net sales reached record-high in our history. Although net income recovered with better profitability thanks to market recovery and decline in extraordinary losses, there is more room for improvement of operating as well as ordinary income for better profit margin.*



# Financial Position ( consolidated )

(Millions of yen)

	<b>FY2013</b>	<b>FY2012</b>	<b>Rate of change</b>
<b>Total assets</b>	<b>593,351</b>	<b>552,908</b>	<b>+7.3%</b>
<b>Current assets</b>	<b>468,325</b>	<b>435,301</b>	<b>+7.6%</b>
<b>Fixed assets</b>	<b>125,025</b>	<b>117,607</b>	<b>+6.3%</b>
<b>Total liabilities</b>	<b>467,989</b>	<b>432,233</b>	<b>+8.3%</b>
<b>Net interest-bearing debt</b>	<b>229,899</b>	<b>212,883</b>	<b>+8.0%</b>
<b>Net assets</b>	<b>125,361</b>	<b>120,674</b>	<b>+3.9%</b>
<b>Equity capital</b>	<b>120,733</b>	<b>117,088</b>	<b>+3.1%</b>
<b>Accumulated other comprehensive income</b>	<b>1,875</b>	<b>1,143</b>	<b>+64.0%</b>
<b>Minority interests</b>	<b>2,752</b>	<b>2,442</b>	<b>+12.7%</b>

- Total assets increased by 7% from the end of the previous year, due to the increase of trade receivables and inventories with the increased sales volume ,and the rise in listed investment securities price .
- Interest-bearing debt increased by 4.1%. Net debt-equity ratio increased by 188%.
- Total net assets increased by 3.9% from end of the previous year, due to increase in net unrealized holding gains on securities and foreign currency translation adjustments. Shareholders' equity ratio was 20.6%.( -0.8 pts.)
- BPS was 591.68 yen. (+21.18 yen)

## Cash Flows Situation ( consolidated )

(Millions of yen)

	<b>FY2013</b>	<b>FY2012</b>	<b>change</b>
<b>Cash flows from Operating activities</b>	<b>343</b>	<b>19,380</b>	<b>-19,037</b>
<b>Cash flows from Investing activities</b>	<b>(5,244)</b>	<b>(5,106)</b>	<b>-138</b>
<b>Cash flows from Financing activities</b>	<b>(4,927)</b>	<b>(16,363)</b>	<b>+11,436</b>
<b>Cash and cash equivalents at end of the period</b>	<b>15,919</b>	<b>23,198</b>	<b>-7,279</b>

*Net cash provided by operation was 0.3 billion yen, due to the increase of capital requirement in spite of the increase of operating revenue.*

*Net cash used in investment was 5.2 billion yen due to payment for purchase of investment securities.*

*Net cash used by financing was 4.9 billion yen due to repayment of interest-bearing debt and payment for dividends.*

# Segment Information ( consolidated )

## Net sales

	2014/3	2013/3	Rate of change
<i>Steel</i>	811,096	718,170	+12.9%
<i>Metal &amp; alloys</i>	97,995	94,766	+3.4%
<i>Non-ferrous metals</i>	77,511	73,273	+5.8%
<i>Foods</i>	78,668	83,800	-6.1%
<i>Petroleum &amp; chemicals</i>	499,043	444,280	+12.3%
<i>Total for reportable segments</i>	1,564,315	1,414,291	+10.6%
<i>Other</i>	200,925	167,494	+20.0%
<i>Total</i>	1,765,241	1,581,786	+11.6%
<i>Adjustment</i>	(82,737)	(70,461)	-17.4%
<i>Consolidated</i>	1,682,503	1,511,324	+11.3%

## Segment income

(Millions of yen)

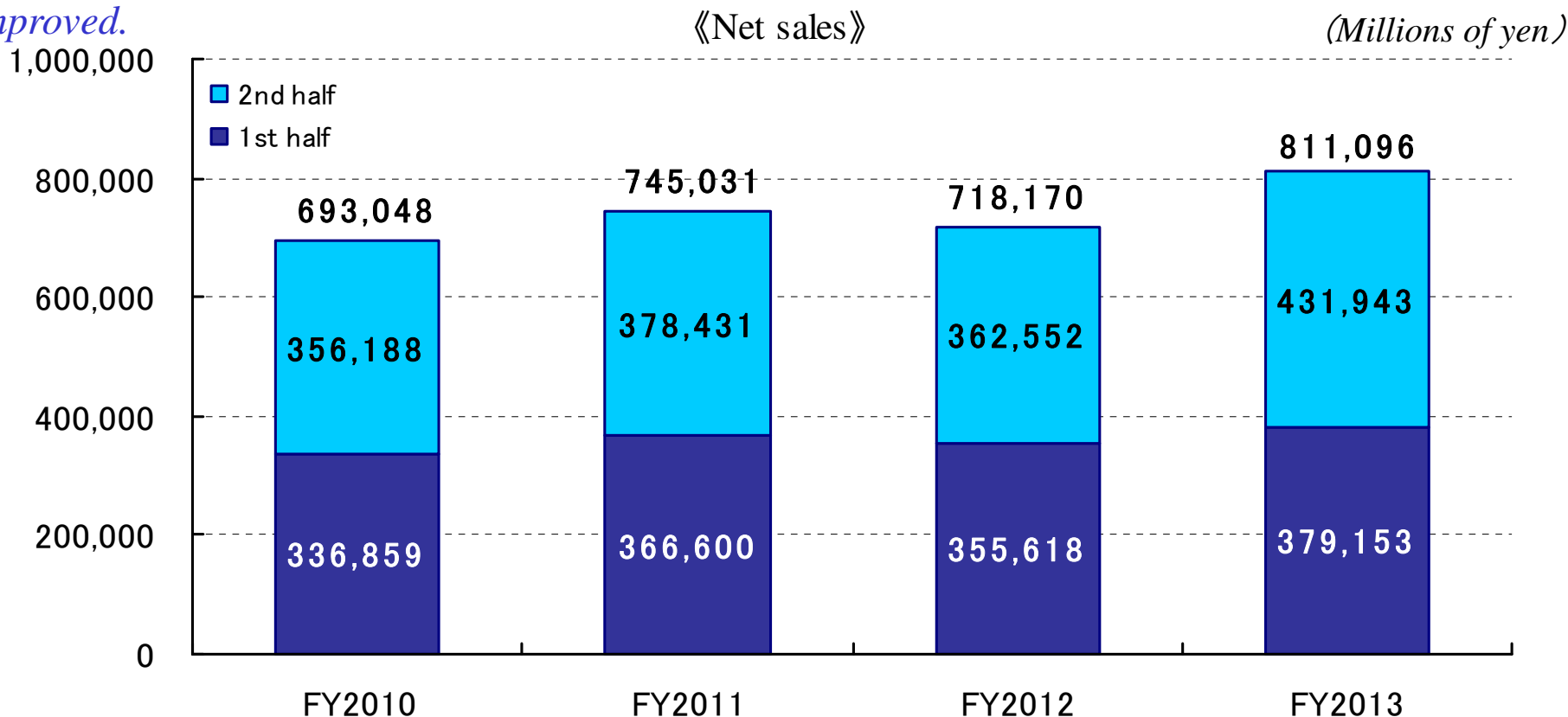
	2014/3	2013/3	Rate of change
<i>Steel</i>	13,879	9,598	+44.6%
<i>Metal &amp; alloys</i>	1,756	320	+448.8%
<i>Non-ferrous metals</i>	835	686	+21.7%
<i>Foods</i>	1,589	747	+112.7%
<i>Petroleum &amp; chemicals</i>	1,925	1,673	+15.1%
<i>Total for reportable segments</i>	19,986	13,026	+53.4%
<i>Other</i>	(262)	1,222	- %
<i>Total</i>	19,724	14,248	+38.4%
<i>Adjustment</i>	(5,026)	(5,377)	+6.5%
<i>Consolidated</i>	14,698	8,871	+65.7%

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2013</b>	<b>811,096</b>	<b>13,879</b>	<b>1.7%</b>
<b>FY2012</b>	<b>718,170</b>	<b>9,598</b>	<b>1.3%</b>

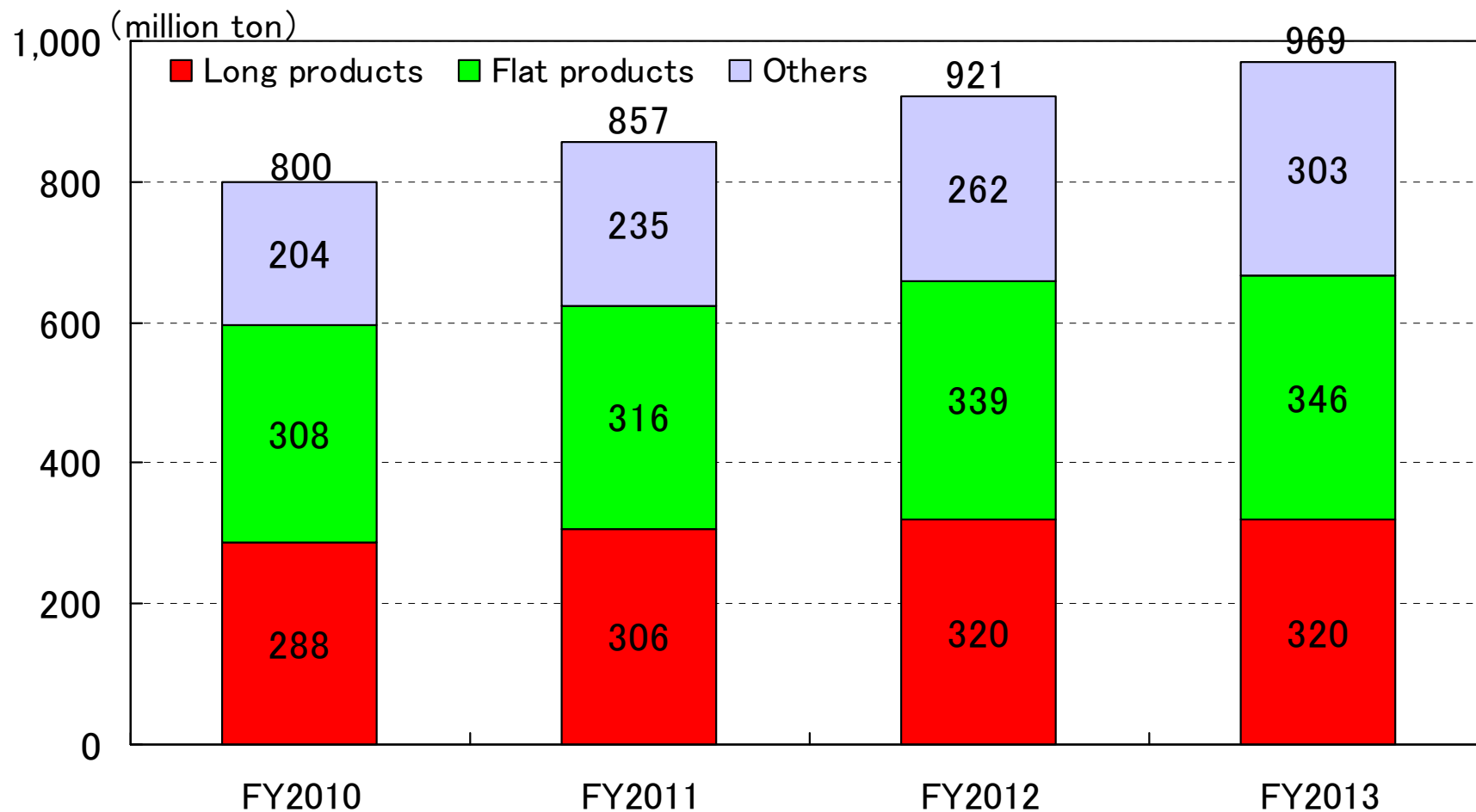
*There was strong demand for steel among manufacturers. Construction demand was higher as well because of private-sector logistics and retail projects, earthquake reconstruction activity and other infrastructure projects.*

*Steel prices started to climb again in the second quarter and profitability from inventory sales improved.*



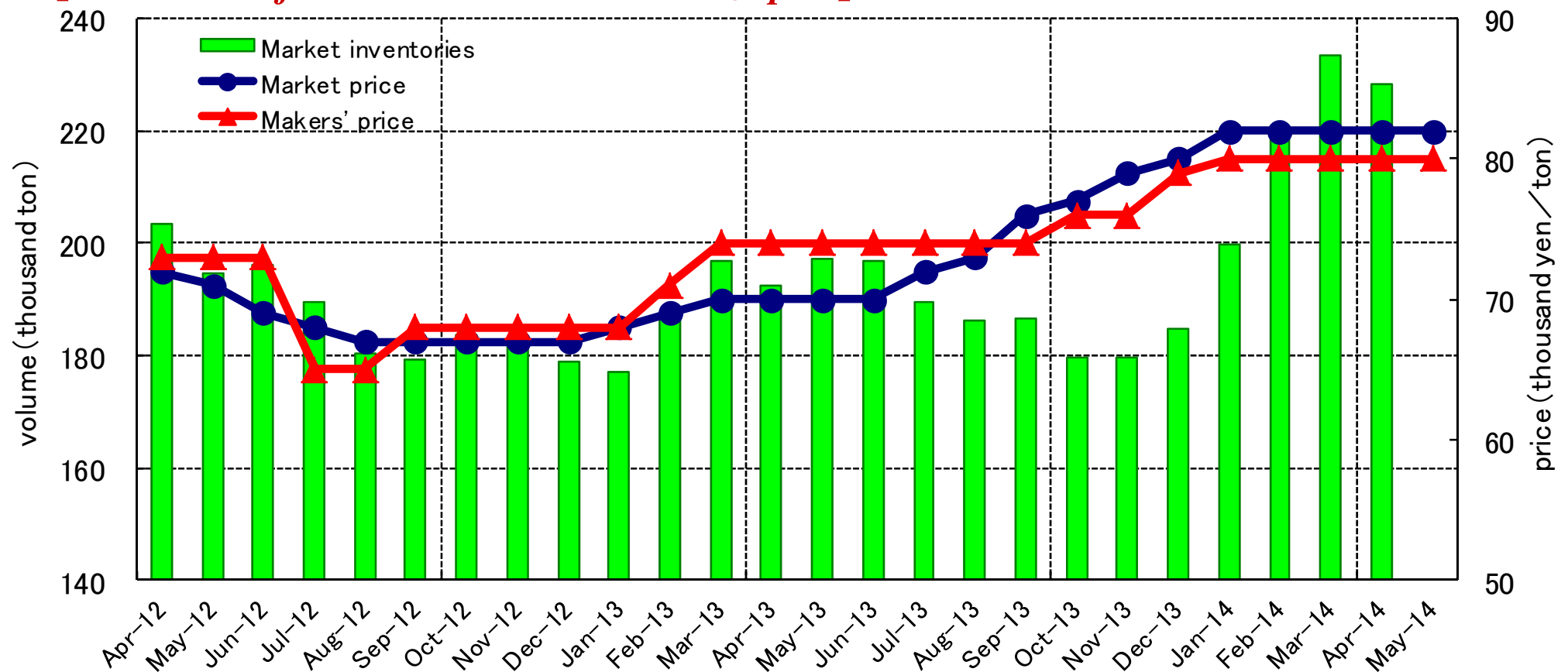


*Stagnant international market prices and policy switch to focus on home market by domestic steelmaker made export volume from Japan decreased by 28%. On the contrary, domestic sales volume increased by 11% mainly due to volume increase in steel products, both longs and flats, and especially growth of steel scrap sales, which is included in others.*



*Prices of steel products were stagnant in this first quarter as a counteraction of speculative demands followed by the market surge in previous quarter. The market in second quarter bottomed out with tighter availability from improved construction activities. At the beginning of year 2014, there was a sense of lull in the market because of increased inventory, but tone of the market leveled off with bearish mood.*

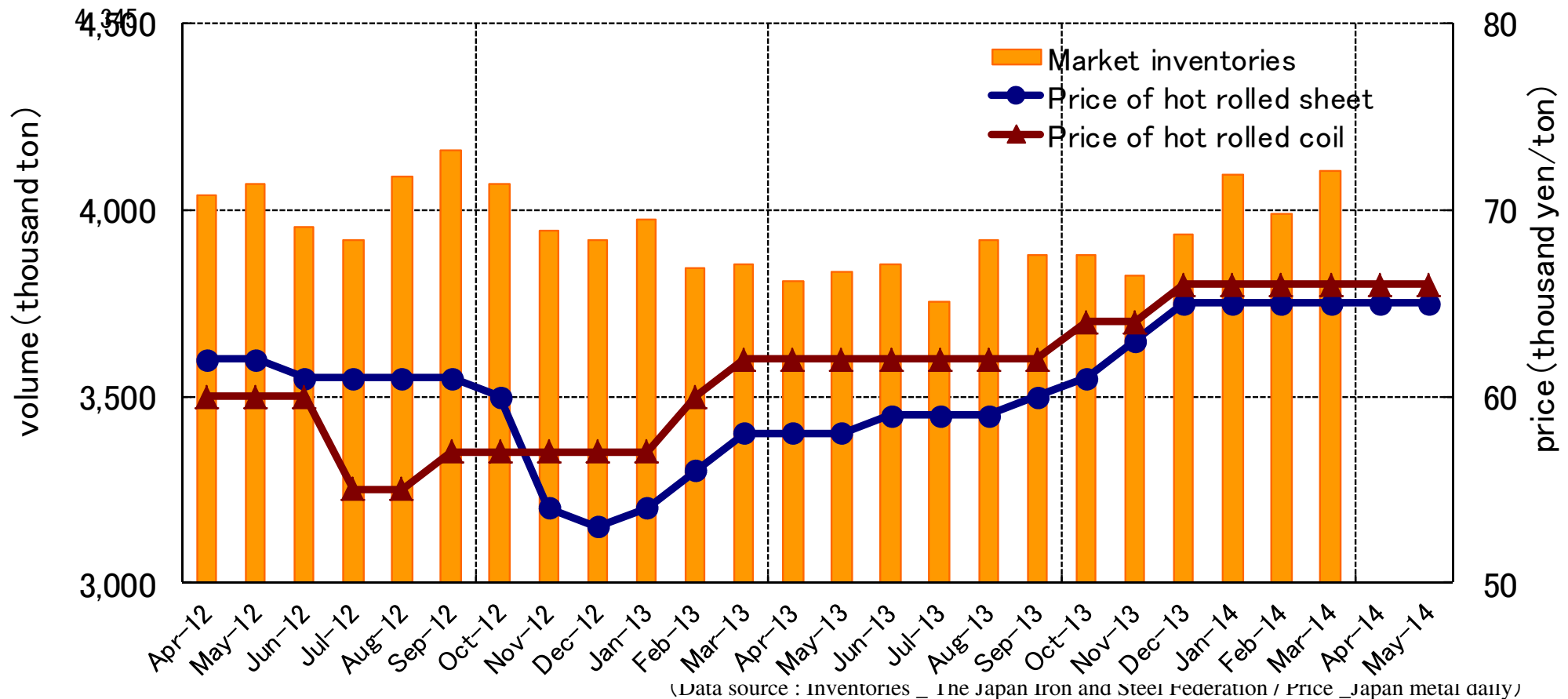
## ***[Transition of the H-Beams Markets in Japan]***



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

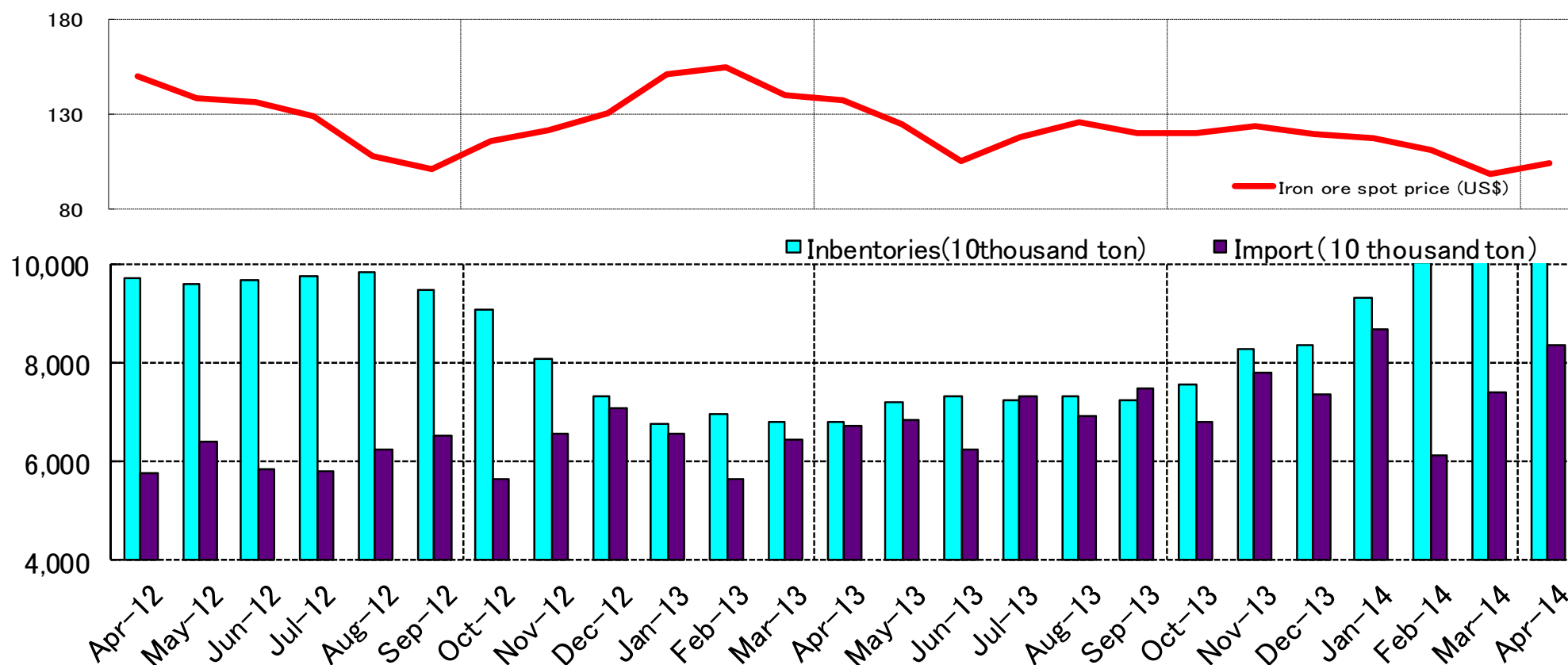
Factory utilization rate was steady, but spot market started late compared with long products. However, spot market in the second half of the year finally caught up with market improvement in revised contract price and tighter production availability. Currently, market seemed to reach the ceiling because of weaker demand and sluggish shipment.

## 【Transition of Steel Sheets Markets in Japan】



*Chinese spot price for imported iron ore went up from the summer of 2013 with expectation for a better economic upturn. Then, price plateaued for a while and weakened just before the 2014 Chinese New Year. Despite weak demand, import volume has been consistently high and inventories at ports were piled up.*

## 【Iron Ore Market in China】

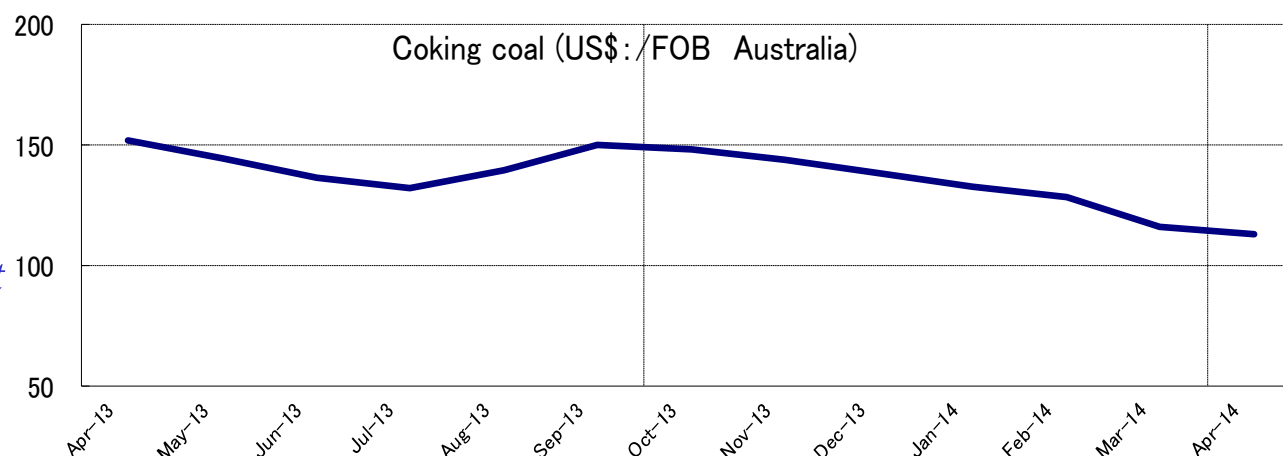


(data source : Interfax, China Customs )

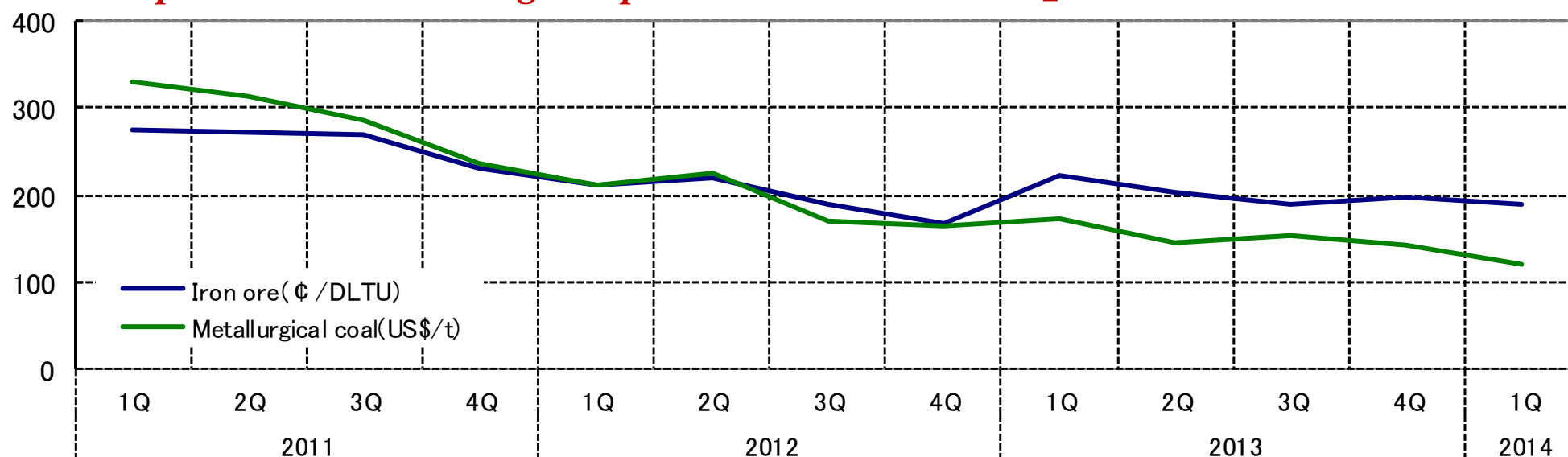
## 【Coking coal price】

*On the same token, spot price for coking coal went up as well but declined afterwards.*

*Long-term contract prices with mining companies rose in the first quarter but fell down reflecting weak spot market.*



## 【Contract price between Mining companies and Steelmakers】

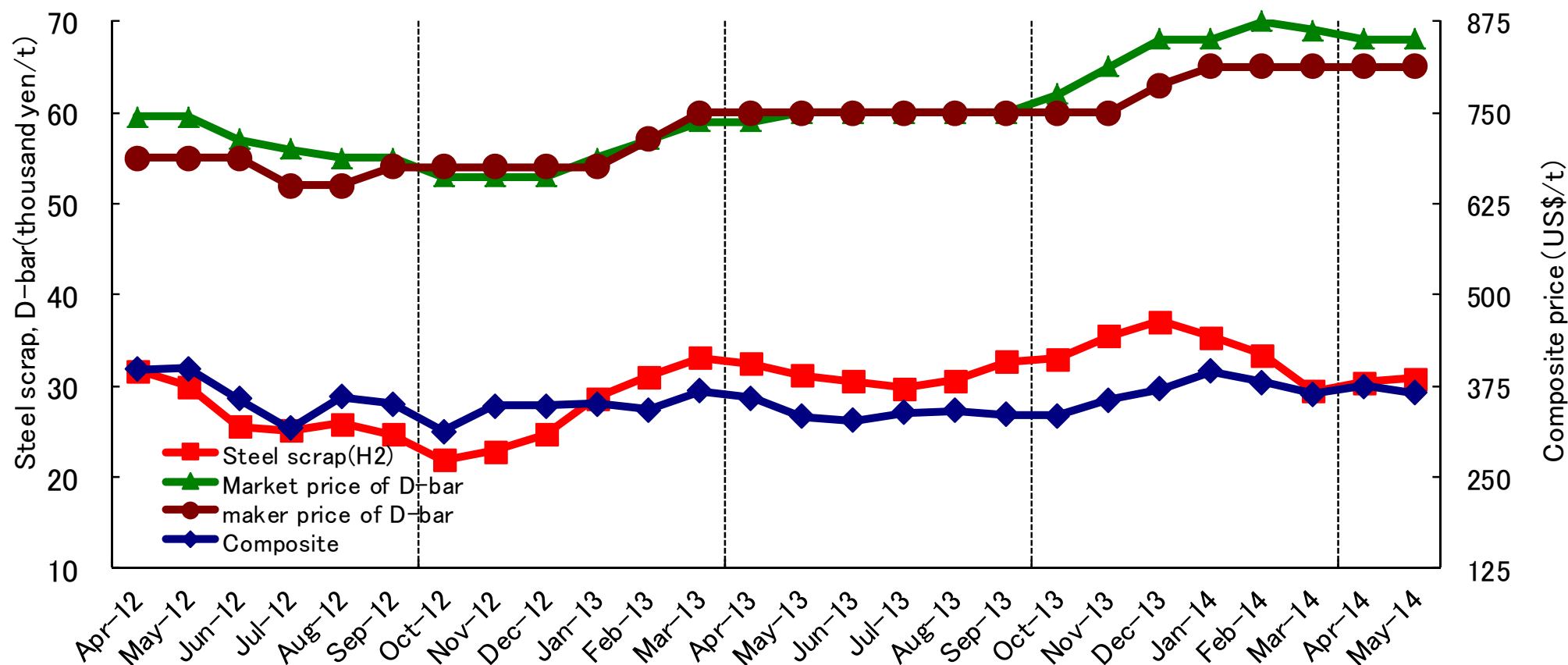


(Data source : some news report)

# Markets Trend of Steel Scrap

Market price of steel scrap went up along with better construction demands after the summer of 2013. Shortage of construction labor forces after the New Year caused the sluggish shipment of steel products. Moreover, slow cargo movement reduced reception at several EAF due to heavy snow turn the market downwards. On the other hand, rebar market stayed steady with the expectation of more construction projects.

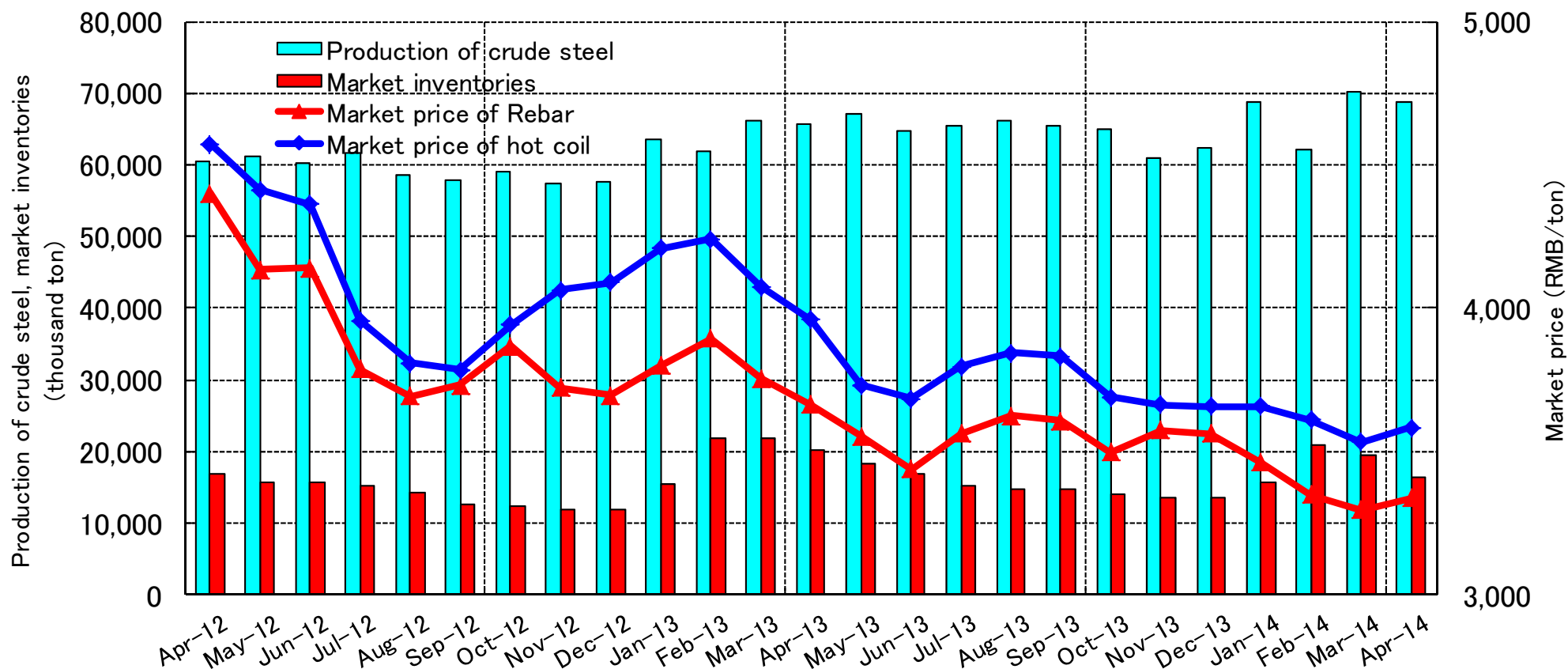
## 【Steel scrap and D-bar Market Price】



(Data source: The Japan ferrous raw materials association, Japan metal daily)

*Crude steel production remained high with little moderation despite soft market demand. With expectation for government economic stimulus package or improved demand after Chinese New Year, temporary market improvement was observed, but lack of any substantial increase in demand made steel prices lackluster.*

## 【Transition of steel market in China】



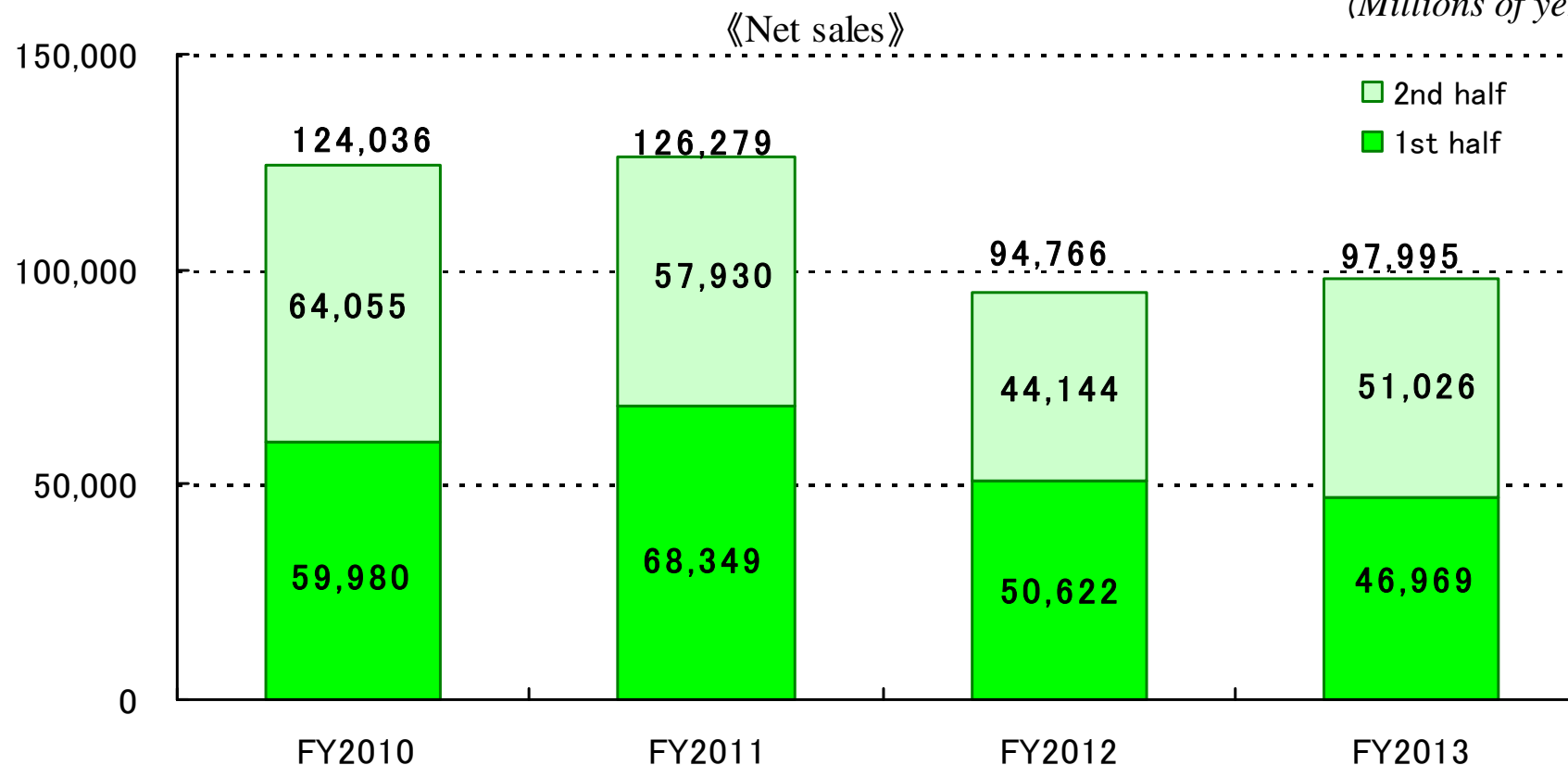
(Data source : The Japan Iron and Steel Federation)

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2013</b>	<b>97,995</b>	<b>1,756</b>	<b>1.8%</b>
<b>FY2012</b>	<b>94,766</b>	<b>320</b>	<b>0.3%</b>

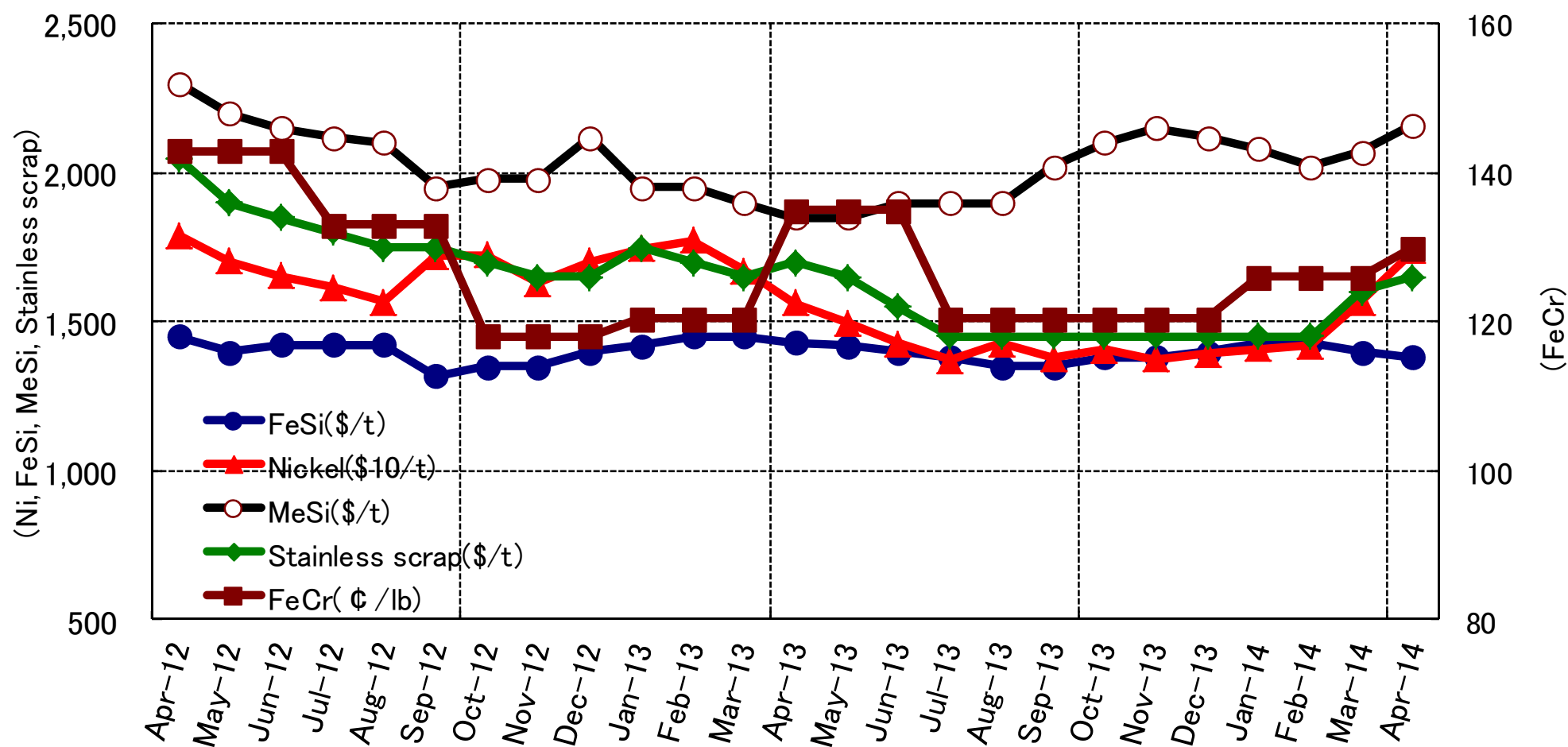
*Sales of ferrous alloys for steelmakers and nickel compounds improved despite weak demand of raw material for stainless steel. Earning increased further because of less foreign exchange losses as the rate moved within narrow range.*

(Millions of yen)





*Stainless steel production in Japan improved from the latter half of the fiscal year, but overseas demand remained weak, thus prices of raw materials for stainless steel, such as nickel and stainless steel scraps, remained weak. Currently, market price of nickel rebounded due to ore export ban imposed by Indonesian government as well as Russo-Ukraine crisis.*



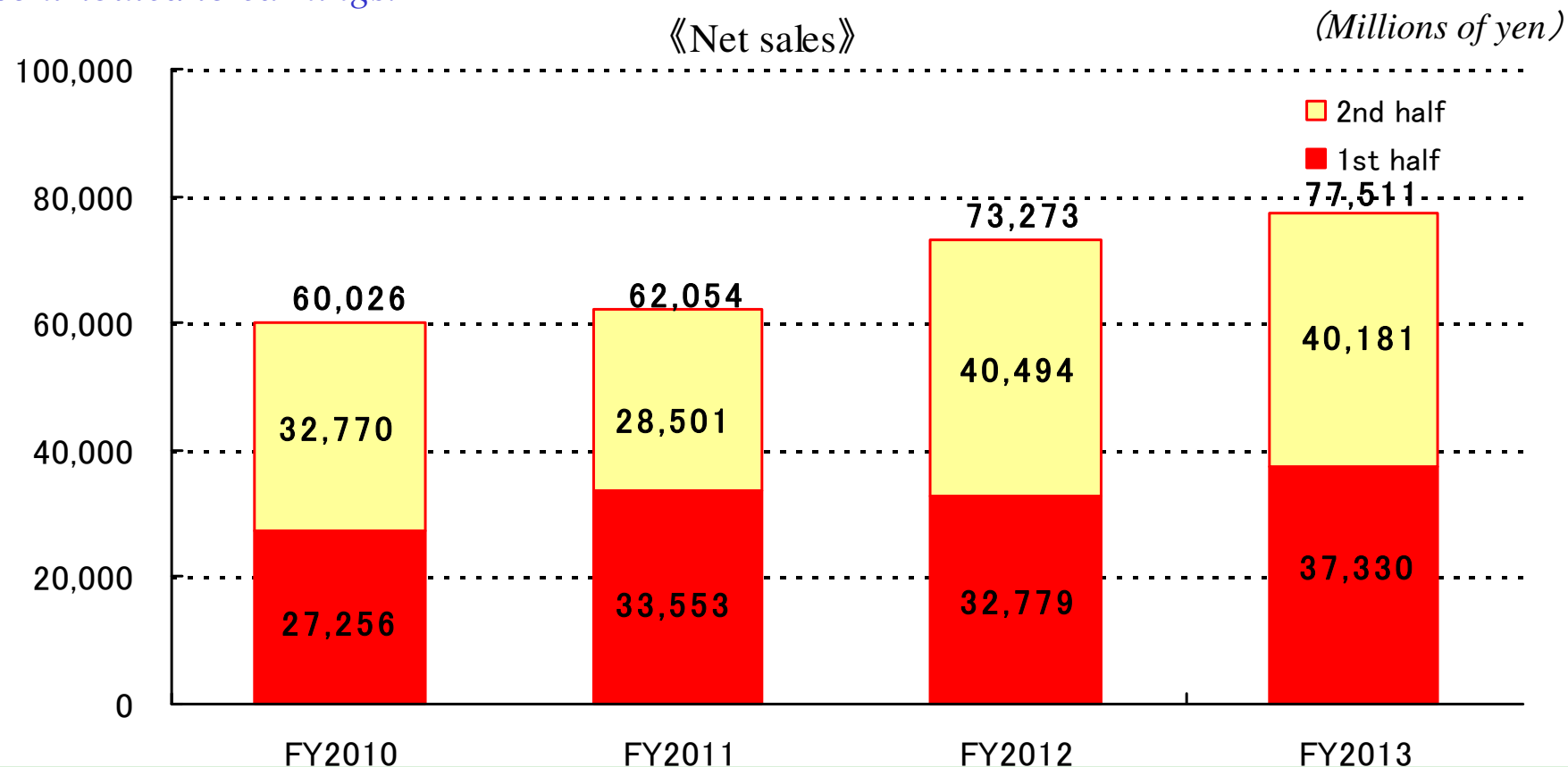
# Non-ferrous Metals Business Segment



(Millions of yen)

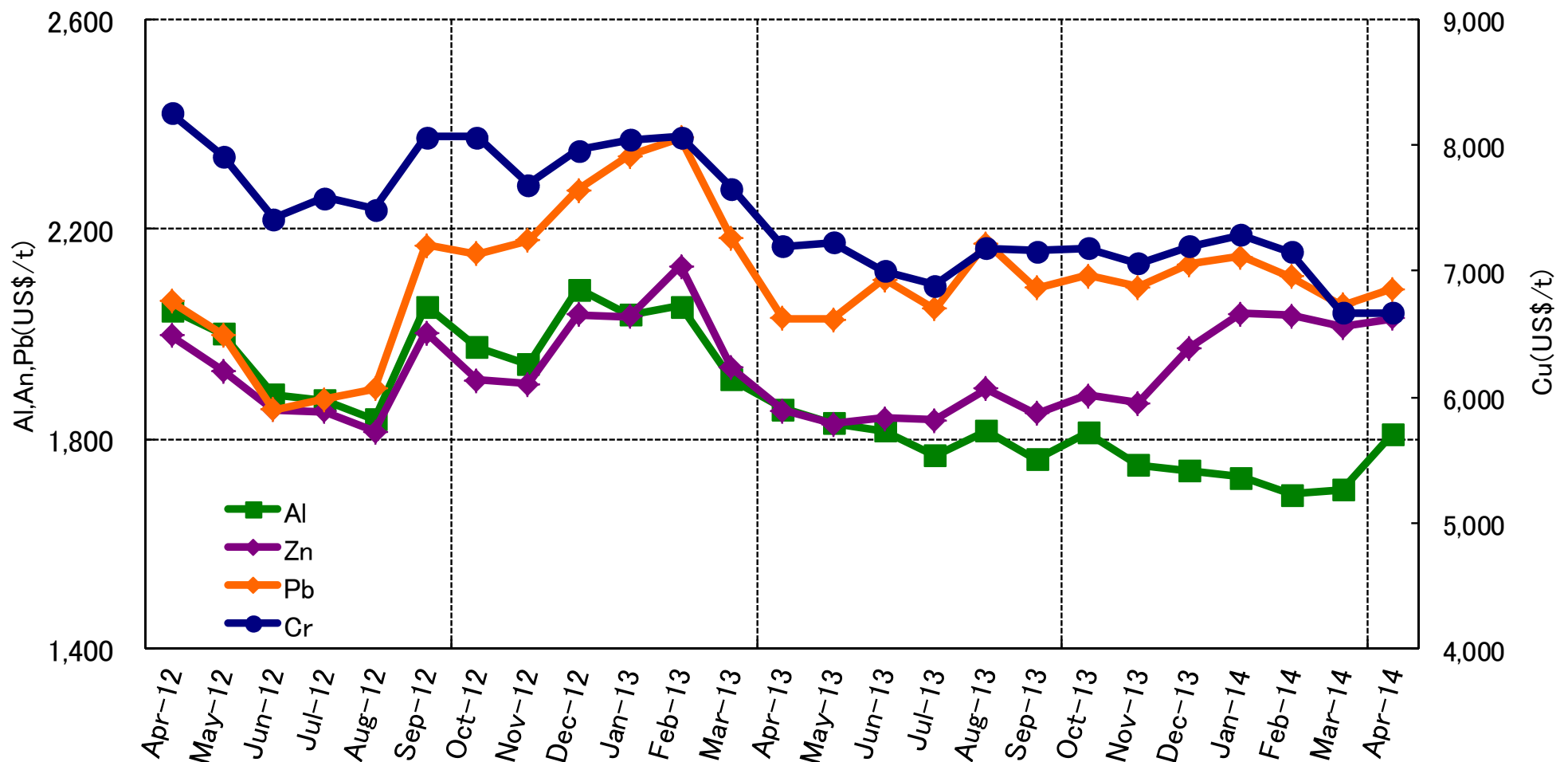
	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2013</b>	<b>77,511</b>	<b>835</b>	<b>1.1%</b>
<b>FY2012</b>	<b>73,273</b>	<b>686</b>	<b>0.9%</b>

Although LME prices were weak, the yen's decline kept yen-converted prices flat. Pressure on earnings continued as the smaller volume of scrap pushed up the cost of collecting scrap. The higher volume of precious metal scrap and the decrease of foreign exchange losses also contributed to earnings.



*LME prices were up and down in response to economic news but were generally soft.*

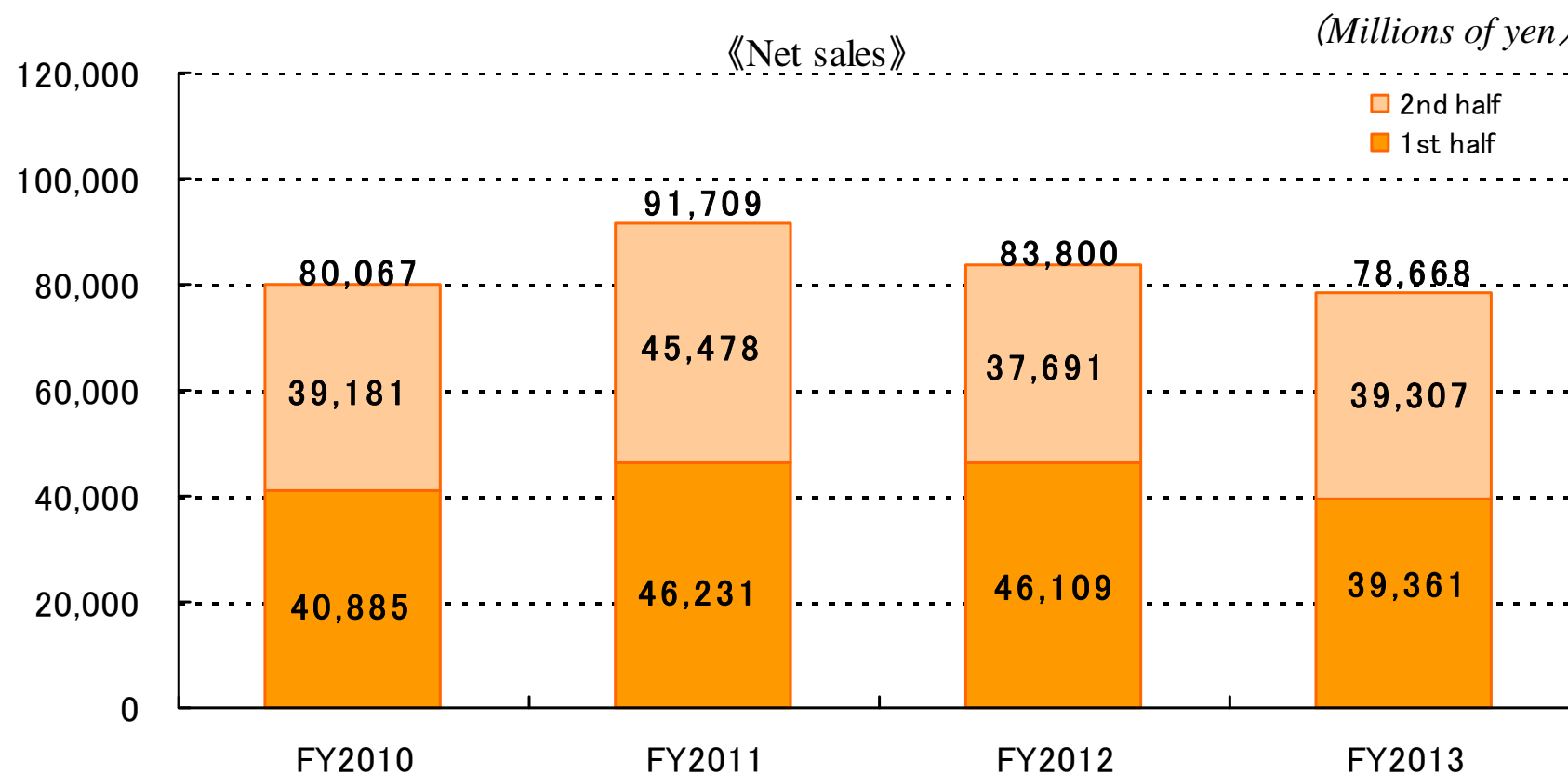
*Currently, uncertainty in supply and demand in China made the market sluggish.*



(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2013</b>	<b>78,668</b>	<b>1,589</b>	<b>2.0%</b>
<b>FY2012</b>	<b>83,800</b>	<b>747</b>	<b>0.9%</b>

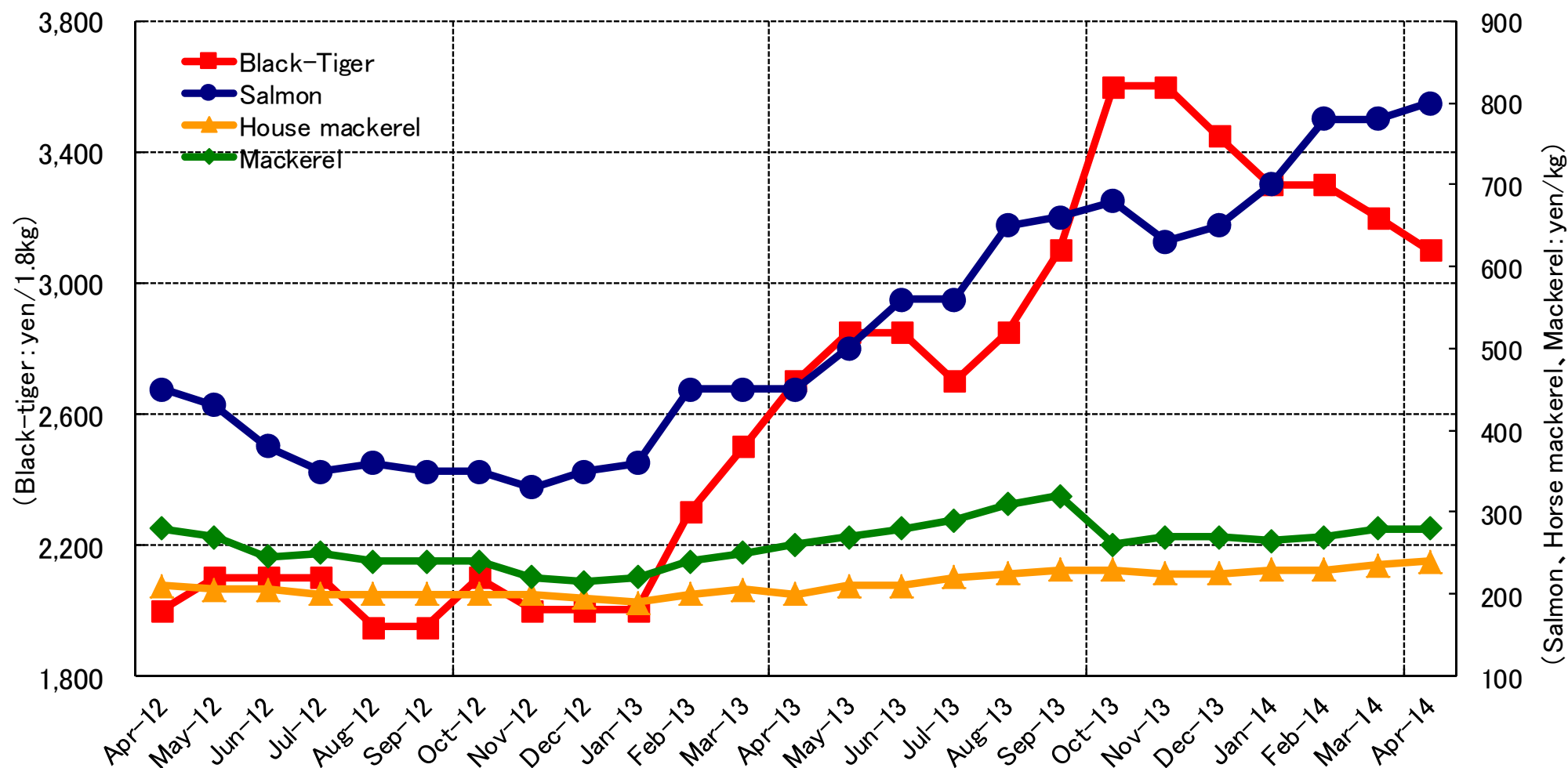
*Demand in Japan was sluggish. But the yen's decline raised the price of farmed salmon, which had been falling rapidly, and the price of shrimp, which was low. Higher prices improved profitability.*



# Market Trend of Frozen Marine Products

*Farmed salmon price turned upwards as the yen got weaker. Little availability accelerated market price, and current delay of arrival pushed soared market even further.*

*There is a sharp decrease in shrimp production caused by the outbreak of epidemic at shrimp farms in South East Asia, and market price went up sharply. However, demand fell from the fatigue against the high price, which attributed to the decline of current price.*



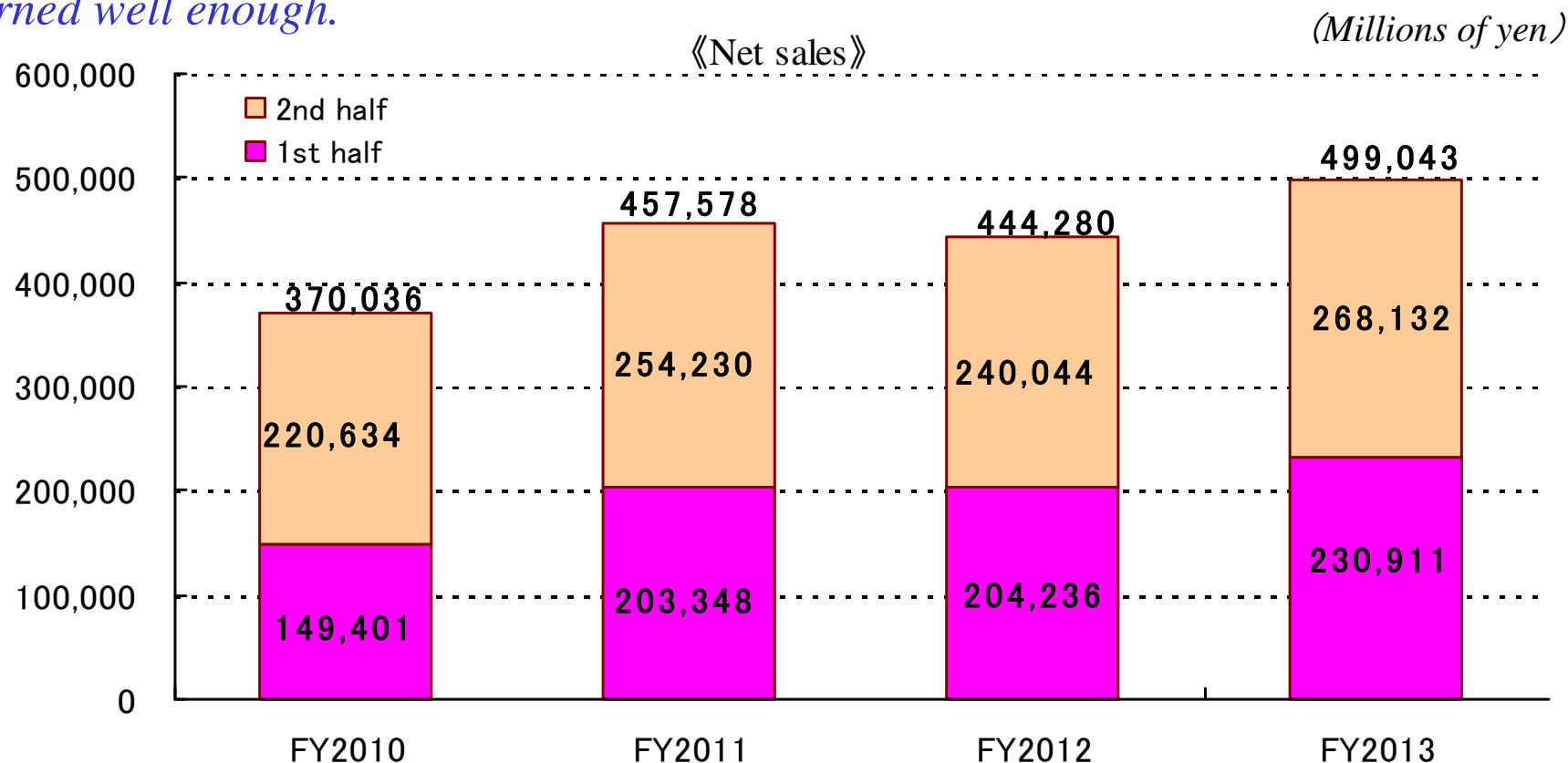
# Petroleum & Chemicals Business Segment



(Millions of yen)

	Net sales	Segment income	Profit ratio
<b>FY2013</b>	<b>499,043</b>	<b>1,925</b>	<b>0.4%</b>
<b>FY2012</b>	<b>444,280</b>	<b>1,673</b>	<b>0.4%</b>

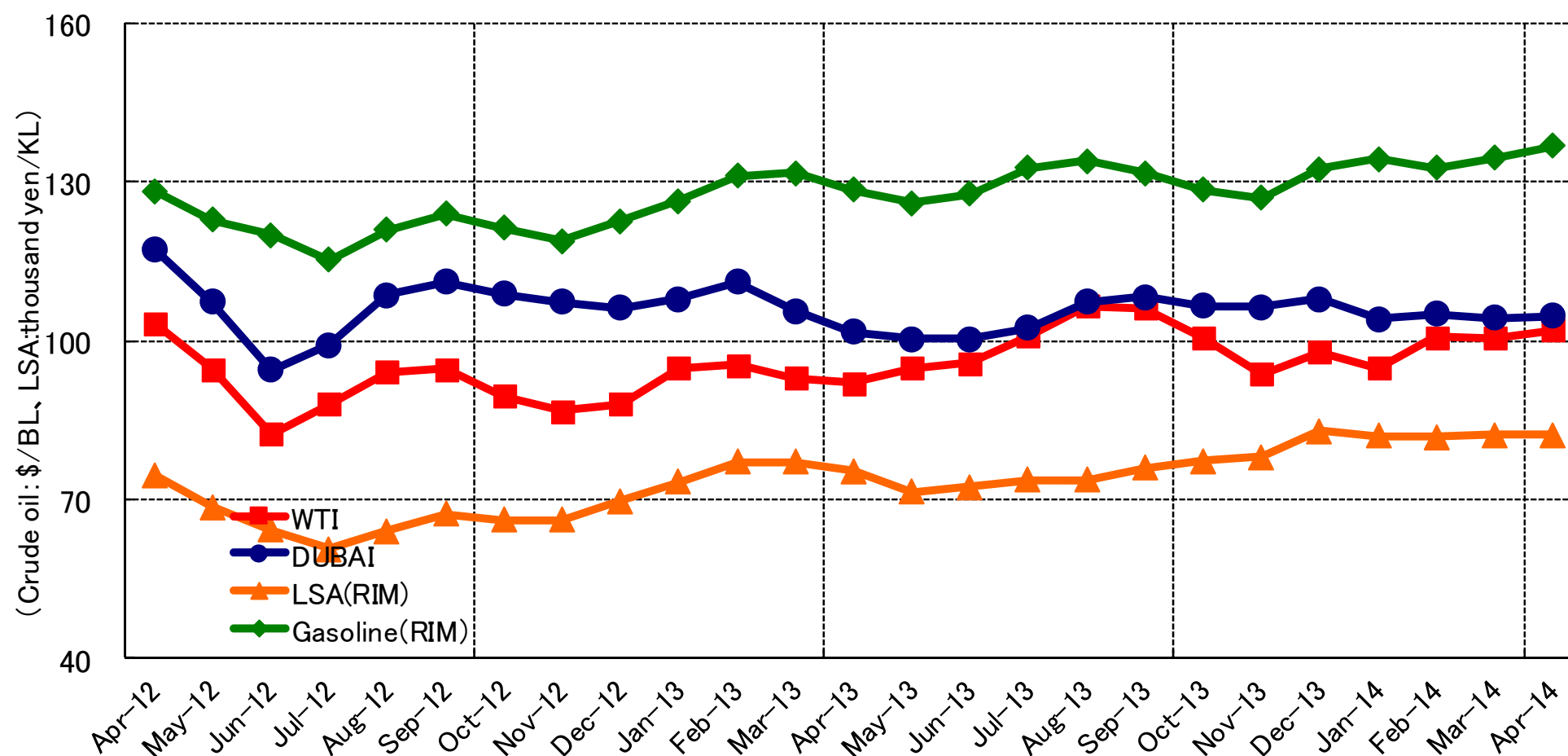
Earning profits is difficult because of intense competition among sellers to end users as demand for industrial fuel remains sluggish. Earnings from synthetic resin products were low due to weaker yen, but higher sales of bunker fuel at Russian and Korean ports earned well enough.



# Market Trend of Crude Oil & Petroleum Products

*Crude oil price moved up and down in response to many factors like events in Middle East and US debt problems alike. Currently, harsh winter in North America firmed up the market.*

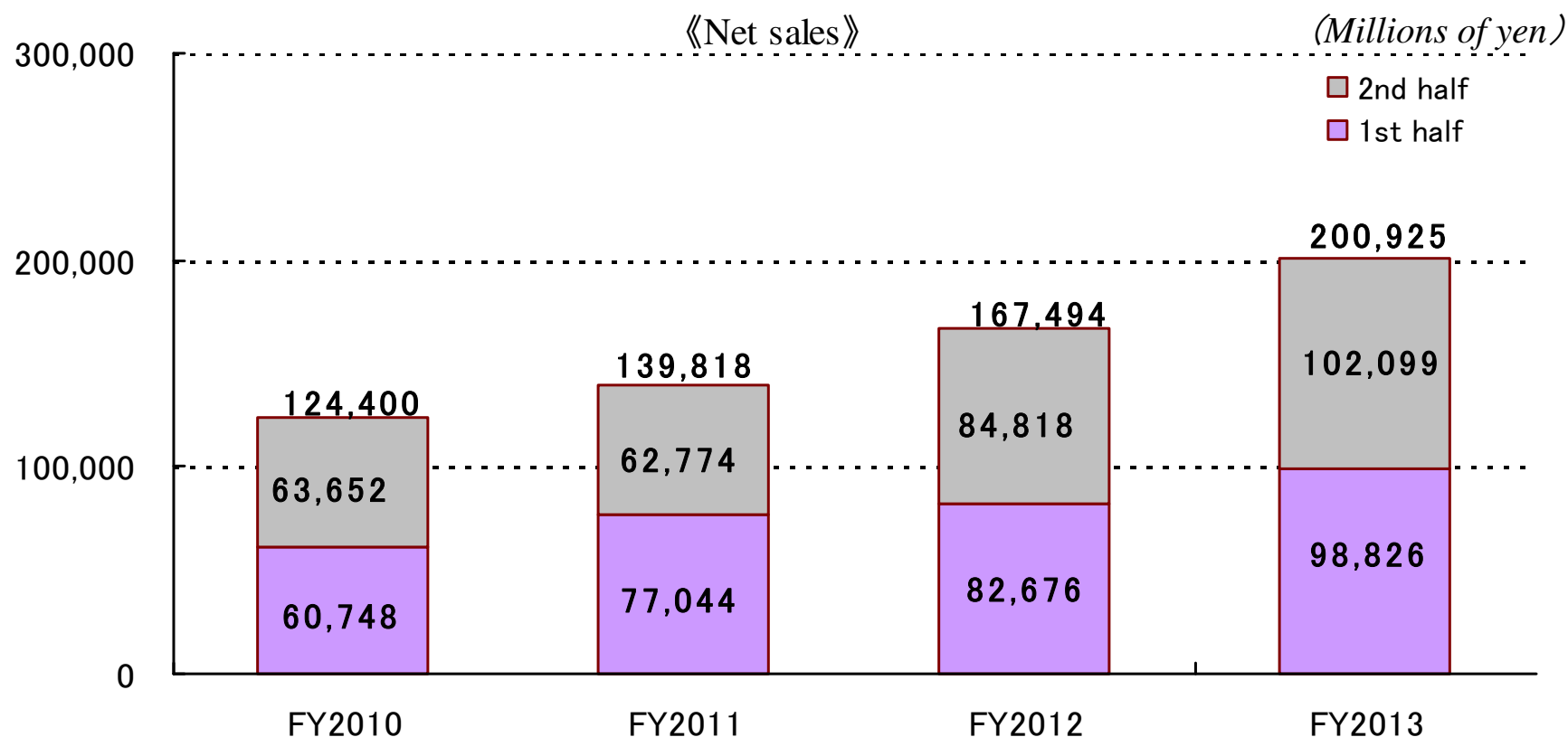
*High cost of crude oil coupled with weaker yen led to consistently high price of the products.*



(Millions of yen)

	Net sales	Segment income	Profit ratio
<b>FY2013</b>	<b>200,925</b>	<b>(262)</b>	<b>(0.1%)</b>
<b>FY2012</b>	<b>167,494</b>	<b>1,222</b>	<b>0.7%</b>

*Sales of lumber products increased along with very strong housing demand in Japan. Also, weaker yen contributed to the increase in converted overseas sales in yen. However, earnings in this segment were low due to weak performance by overseas offices, including non-ferrous metals operation at Hanwa Singapore and sharp decline in lumber market from oversupply from Europe.*





## **【Strengthening of Domestic Business】**

*M&A for strengthening of function*

*Acquisition ownership of SanEi Metal Co., Ltd.(Oct-2013)*

*Acquisition ownership of Hokuriku Column Co., Ltd.(Nov-2013)*

*Promotion of business investment*

*Equity investment in Nakayama Steel Works, Ltd (Aug-2013)*

*Equity investment in eREX Co., Ltd. (Dec-2013)*

## **【Enhancement of Overseas Operation】**

*Expansion of overseas bases*

*Established Hanwa Chile Ltda in Santiago, Chile. (Jan-2014)*

*Newly set up Chicago branch office under Hanwa American Corp. (Feb-2014)*

*Promotion of business investment*

*Equity investment in Tatt Giap Steel Centre Sdn. Bhd. in Malaysia (Apr-2013)*

*Equity investment in Yuanta United Steel Corp. in Taiwan (Oct-2013)*

*Strengthening of processing function*

*Started up Hanwa Steel Service Mexicana, S.A. DE C.V. (Oct-2013)*

*Started up a new joint venture “ PT. Hanwa Royal Metals” (Apr-2013)*

*Economic growth in China and other emerging countries is sluggish. Despite reduced expenditure at private sector due the consumption tax increase, Japanese economy, mainly in the construction sector, is expected to post solid growth with the effects of continuing government stimulus measures.*

*About the dividend, we plan the interim dividend of 6 yen and the year-end dividend of 6 yen.*

*(Millions of yen)*

	<b><i>FY2014 (forecast)</i></b>	<b><i>FY2013</i></b>
<b><i>Net sales</i></b>	<b><i>1,750,000</i></b>	<b><i>1,682,503</i></b>
<b><i>Operating income</i></b>	<b><i>19,800</i></b>	<b><i>16,252</i></b>
<b><i>Ordinary income</i></b>	<b><i>17,500</i></b>	<b><i>14,698</i></b>
<b><i>Net income</i></b>	<b><i>10,600</i></b>	<b><i>7,896</i></b>

	<b><i>Year</i></b>	<b><i>Interim</i></b>	<b><i>Year-end</i></b>
<b><i>Cash dividends (yen)</i></b>	<b><i>12.00</i></b>	<b><i>6.00</i></b>	<b><i>6.00</i></b>

*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.*