

FINANCIAL RESULTS

for the Fiscal Year ended March 31, 2015

May 20, 2015

HANWA CO., LTD.

- *As for the result for this fiscal year, net sales has reached to 1,737.3 billion yen, increased by 3.3%, due to increase in steel and metals/alloys businesses.*
- *On profit side, operating income have increased by 17.6%, thanks to increase profit in metals/alloys and other businesses. Ordinary income, however, went to low level, decreased by 3.0%, due to exchange loss. Net income was 9.0 billion yen, increased by 15.1%, mainly due to income tax reduction.*
- *We plan to pay 7.50 yen as the end of this fiscal year dividend.
As a result, the planned annual dividend for FY2014 will be 15yen per share.*

Operating Results (consolidated)

(Millions of yen)

	FY2014	FY2013	Rate of changes
Net sales	1,737,397	1,682,503	+3.3%
Gross profit	55,729	51,365	+8.5%
SG&A expenses	36,622	35,112	+4.3%
Operating income	19,107	16,252	+17.6%
Non-operating income	2,398	2,766	-13.3%
Non-operating expenses	7,241	4,321	+67.6%
Ordinary income	14,264	14,698	-3.0%
Extraordinary gain/loss	(1,246)	(709)	-75.7%
Income before income taxes and others	13,018	13,988	-6.9%
Income taxes	3,876	5,986	-35.2%
Minority interests/loss	55	105	-47.6%
Net income	9,086	7,896	+15.1%
Comprehensive income	19,450	14,647	+32.8%

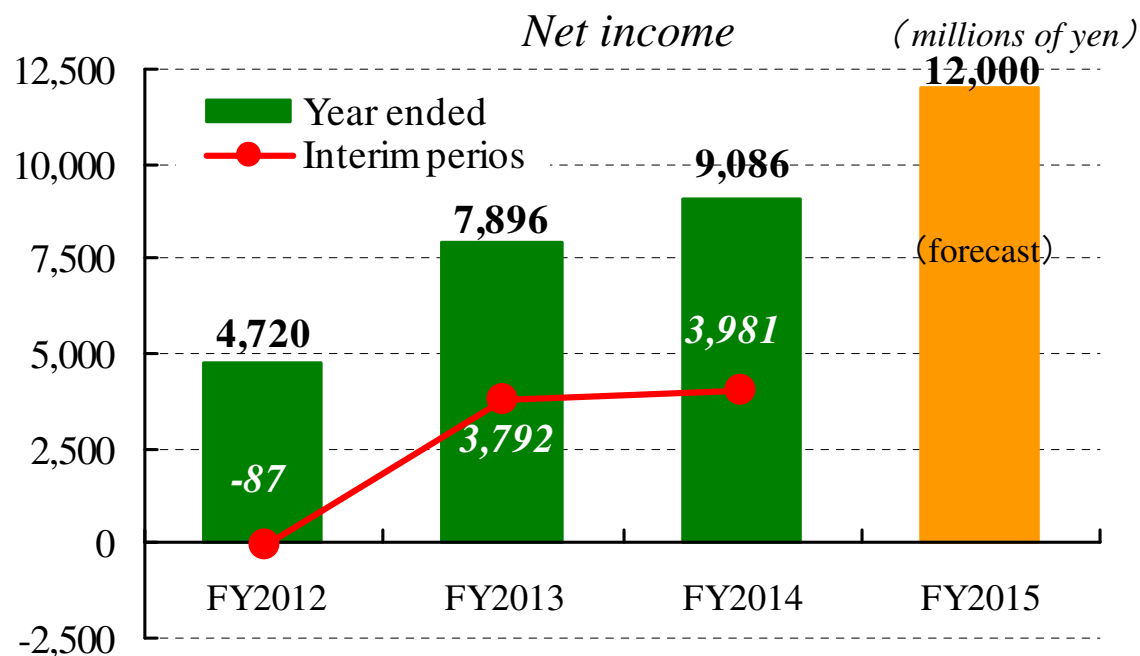
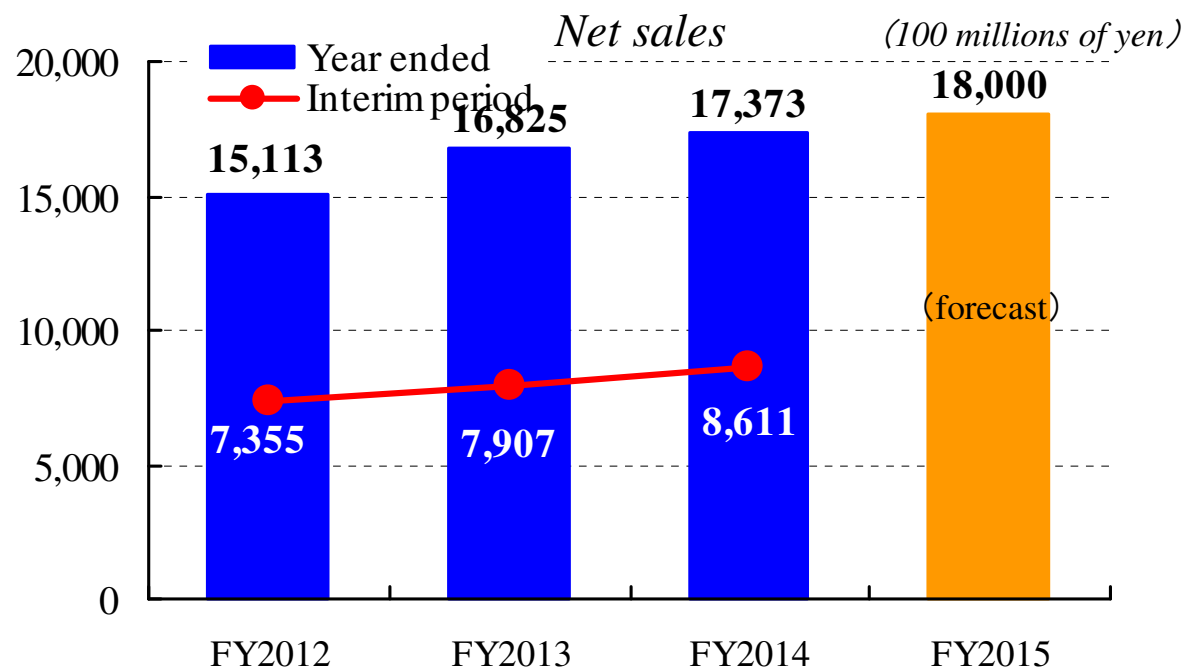
- Net sales has increased by 3.3% from the previous year, due to revenue growth in steel and metals/alloys businesses.
- SG & A expenses increased by 4.3% from the previous year, including 2.2% of newly consolidated subsidiaries. Our employment cost increased by 0.9 billion yen.
- Extraordinary loss was 1.3 billion yen mainly because of liquidation of the overseas subsidiary and impairment losses on investment securities and investments.
- EPS was 43.85 yen (+5.74yen)

Changes in Business results (consolidated)

The U.S. economy was healthy but the European economy was sluggish and economic growth slowed in China due to its stable growth policy. In emerging countries, economies were flat because of the financial environment and geopolitical risk.

In Japan, soft construction demand caused by the labor shortage and falling consumer spending after the consumption tax increase weakened effects of Abenomics and Bank of Japan monetary easing.

Hanwa's net sales increased only slightly because of low prices of crude oil and other commodities. A foreign exchange loss held down earnings, but net income was higher because of a decrease in taxes.



Financial Position (consolidated)

(Millions of yen)

	FY2014	FY2013	Rate of change
Total assets	651,456	593,351	+9.8%
Current assets	510,377	468,325	+9.0%
Fixed assets	141,078	125,025	+12.8%
Total liabilities	508,706	467,989	+8.7%
Net interest-bearing debt	248,032	229,899	+7.9%
Net assets	142,749	125,361	+13.9%
Equity capital	126,320	120,733	+4.6%
Accumulated other comprehensive income	15,094	1,875	+705.0%
Minority interests	1,334	2,752	-51.5%

- Total assets increased by 9.8% from the end of the previous year, due to the increase of inventories and trade receivables with the increased net sales.
- Interest-bearing debt increased by 10.8%, due to the increase in long term loans and commercial paper. Net debt-equity ratio decreased by 175%.
- Total net assets increased by 13.9% from end of the previous year, due to the increased carryover of retained earnings and increase in land revaluation difference. Shareholders' equity ratio was 21.7%.(+1.1 pts.)
- BPS was 682.46 yen. (+90.78 yen)

Cash Flows Situation (consolidated)

(Millions of yen)

	FY2014	FY2013	change
Cash flows from Operating activities	1,790	343	+1,447
Cash flows from Investing activities	(13,692)	(5,244)	-8,448
Cash flows from Financing activities	19,339	(4,927)	+24,266
Cash and cash equivalents at end of the period	24,515	15,919	+8,596

Net cash provided by operation was 1.7 billion yen, due to slowdown of capital requirement and income from advances received.

Net cash used in investment was 13.6 billion yen due to payment for purchase of investment securities and tangible fixed assets.

Net cash provided by financing was 19.3 billion yen due to increase in long term loans and commercial paper.

Segment Information (consolidated)

Net sales

	<i>FY2014</i>	<i>FY2013</i>	<i>Rate of change</i>
<i>Steel</i>	878,715	811,096	+8.3%
<i>Metal & alloys</i>	131,171	97,995	+33.9%
<i>Non-ferrous metals</i>	83,365	77,511	+7.6%
<i>Foods</i>	87,645	78,668	+11.4%
<i>Petroleum & chemicals</i>	429,919	499,043	-13.9%
<i>Total for reportable segments</i>	1,610,817	1,564,315	+3.0%
<i>Other</i>	242,390	200,925	+20.6%
<i>Total</i>	1,853,208	1,765,241	+5.0%
<i>Adjustment</i>	(115,810)	(82,737)	-40.0%
<i>Consolidated</i>	1,737,397	1,682,503	+3.3%

Segment income

(Millions of yen)

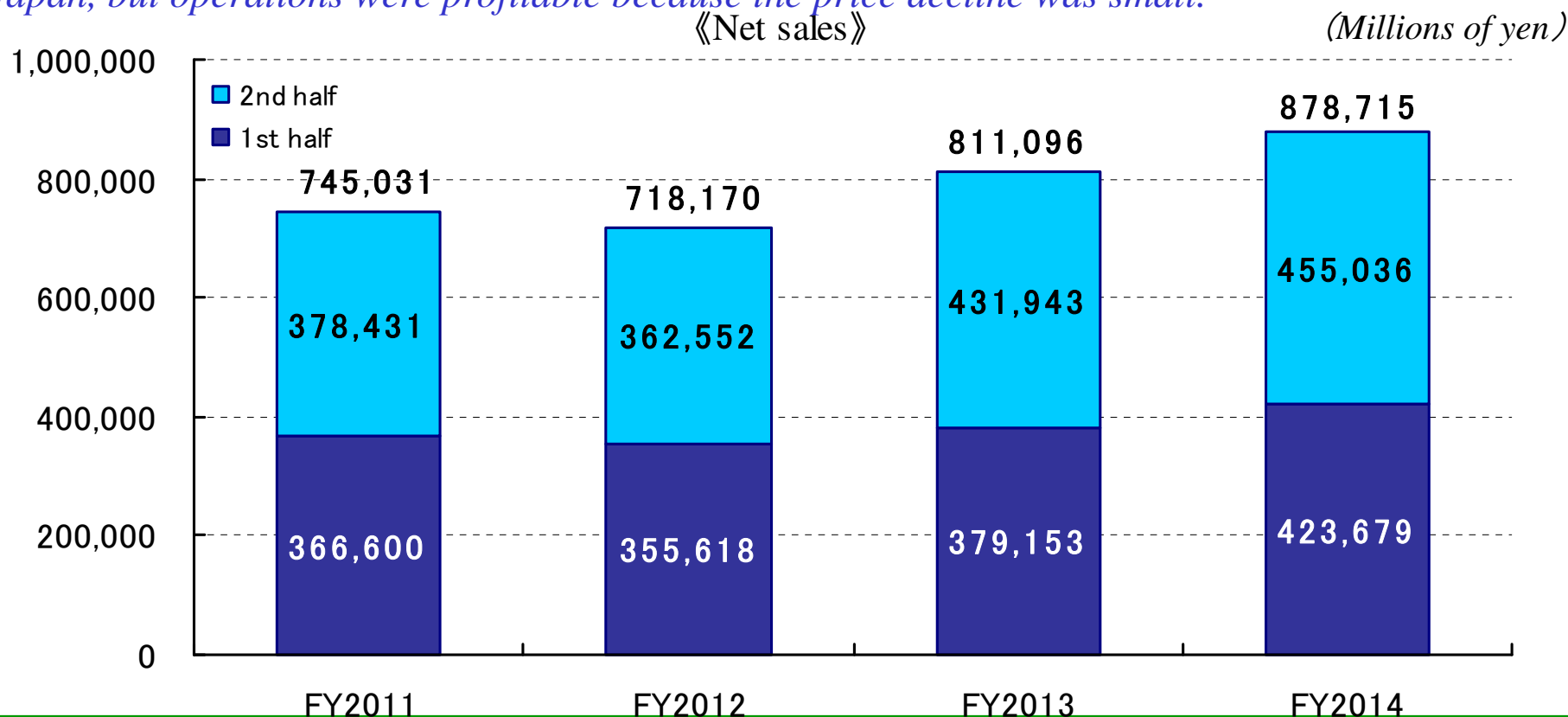
	<i>FY2014</i>	<i>FY2013</i>	<i>Rate of change</i>
<i>Steel</i>	14,735	13,879	+6.2%
<i>Metal & alloys</i>	343	1,756	-80.5%
<i>Non-ferrous metals</i>	1,146	835	+37.2%
<i>Foods</i>	583	1,589	-63.3%
<i>Petroleum & chemicals</i>	2,481	1,925	+28.9%
<i>Total for reportable segments</i>	19,290	19,986	-3.5%
<i>Other</i>	683	(262)	— %
<i>Total</i>	19,973	19,724	+1.3%
<i>Adjustment</i>	(5,709)	(5,026)	-13.6%
<i>Consolidated</i>	14,264	14,698	-3.0%

(Millions of yen)

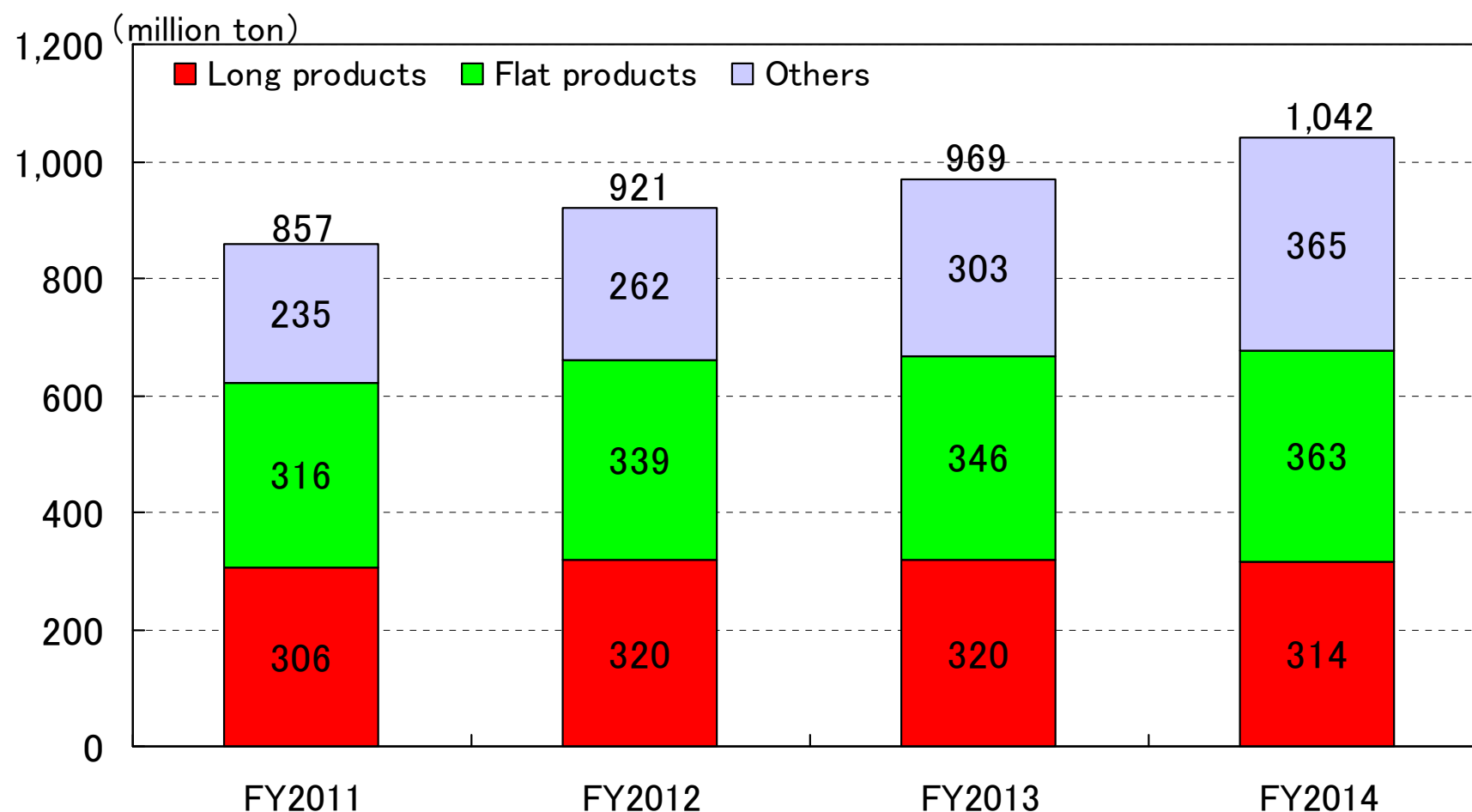
	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
FY2014	878,715	14,735	1.7%
FY2013	811,096	13,879	1.7%

Despite the large number of building and civil engineering projects, construction demand for steel was soft mainly because of Japan's persistent shortage of construction workers. Manufacturing demand for steel was generally strong.

Low steel prices and slow movement outside Japan continued to exert downward pressure on steel prices in Japan, but operations were profitable because the price decline was small.

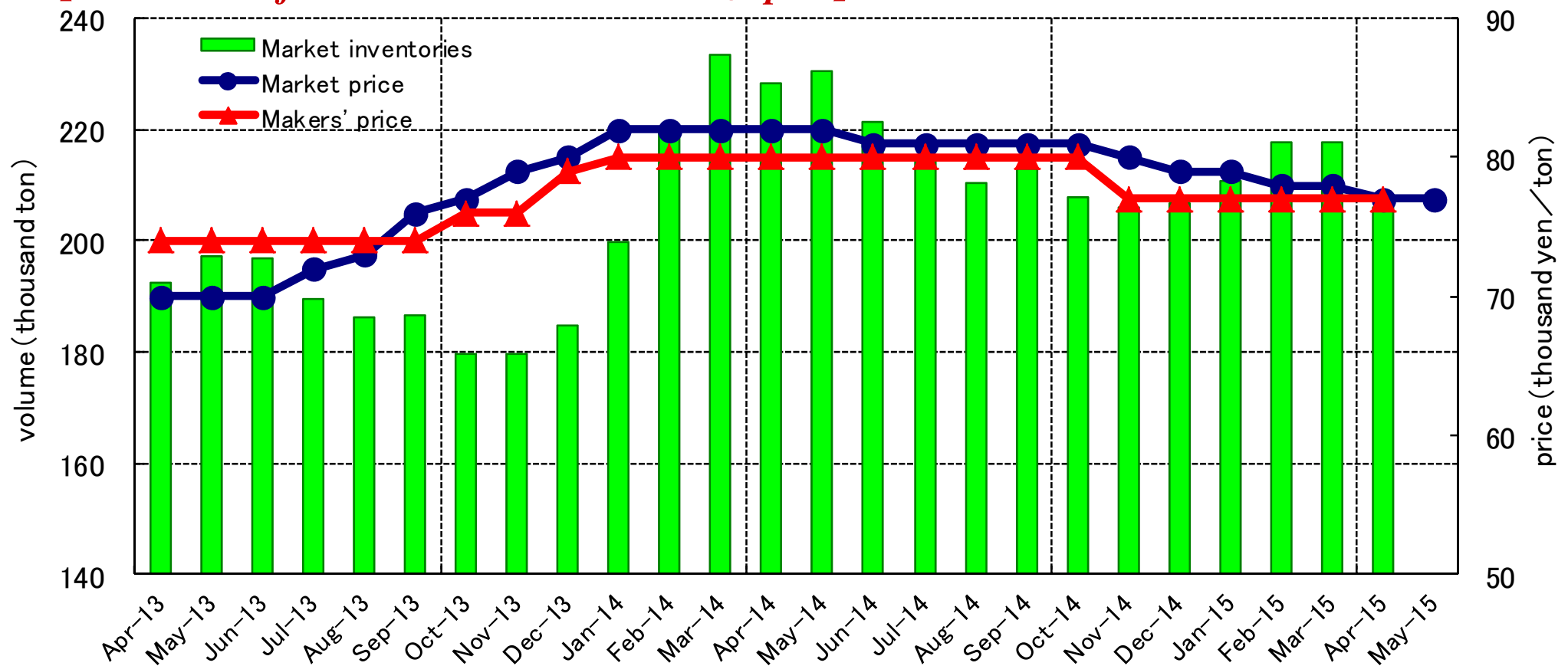


Long product sales volume was held down by weak sales in the domestic construction sector. Flat product sales volume continued climbing because of solid demand in Japan and a recovery in overseas demand. Growth in scrap sales volume and offshore iron ore transactions contributed to the other steel increase.



Steel demand for construction has reached a ceiling mainly because of delays in projects caused by the labor shortage. Slow movement of steel products and price decline of raw materials caused weak steel price, but the decision of steelmakers to hold prices steady prevented a further decline in prices.

[Transition of the H-Beams Markets in Japan]

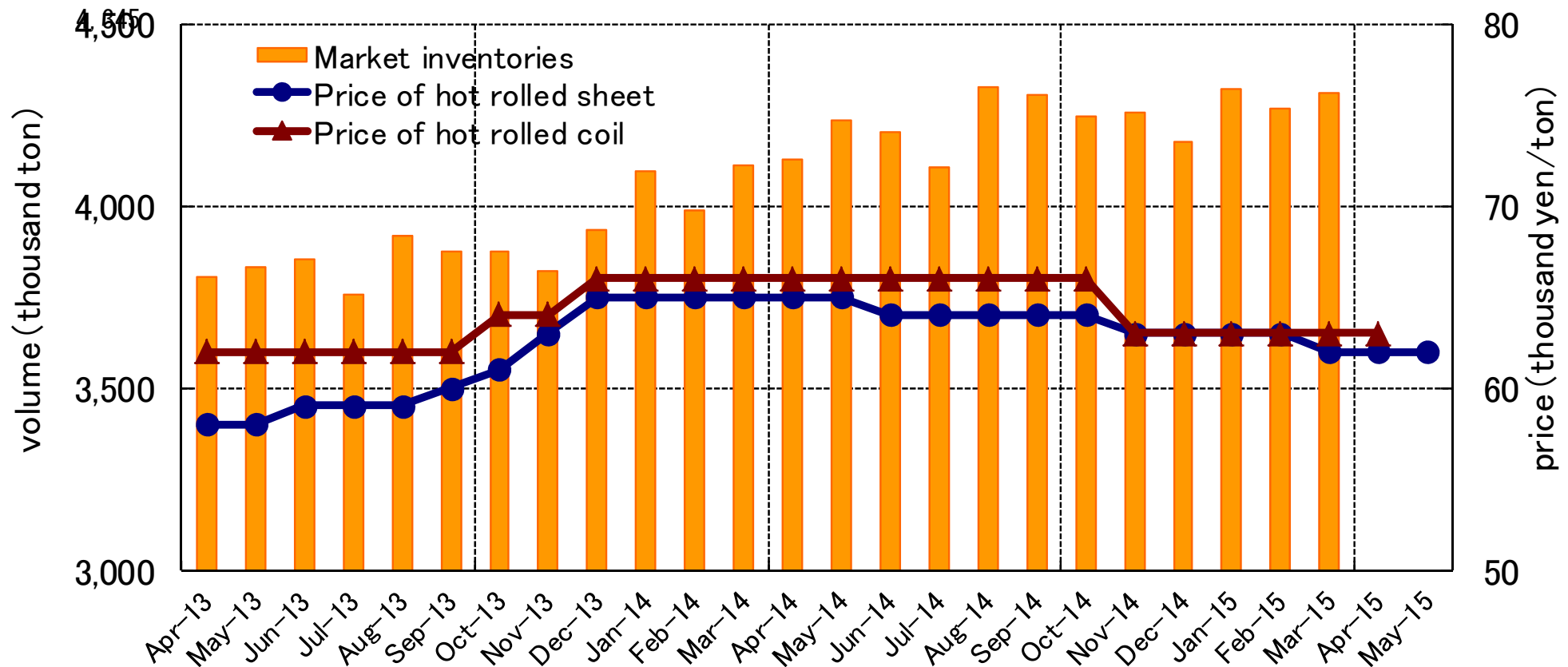


(Data source : Inventories _ Tokiwa-kai / Price _Japan metal daily)

Factory utilization rates were generally good, but the market price was soft as there was no positive effect on distribution market demand.

For contractual sales, demand leveled off and inventories increased because of a drop in spending after the consumption tax increase and weak demand in the export market.

[Transition of Steel Sheets Markets in Japan]

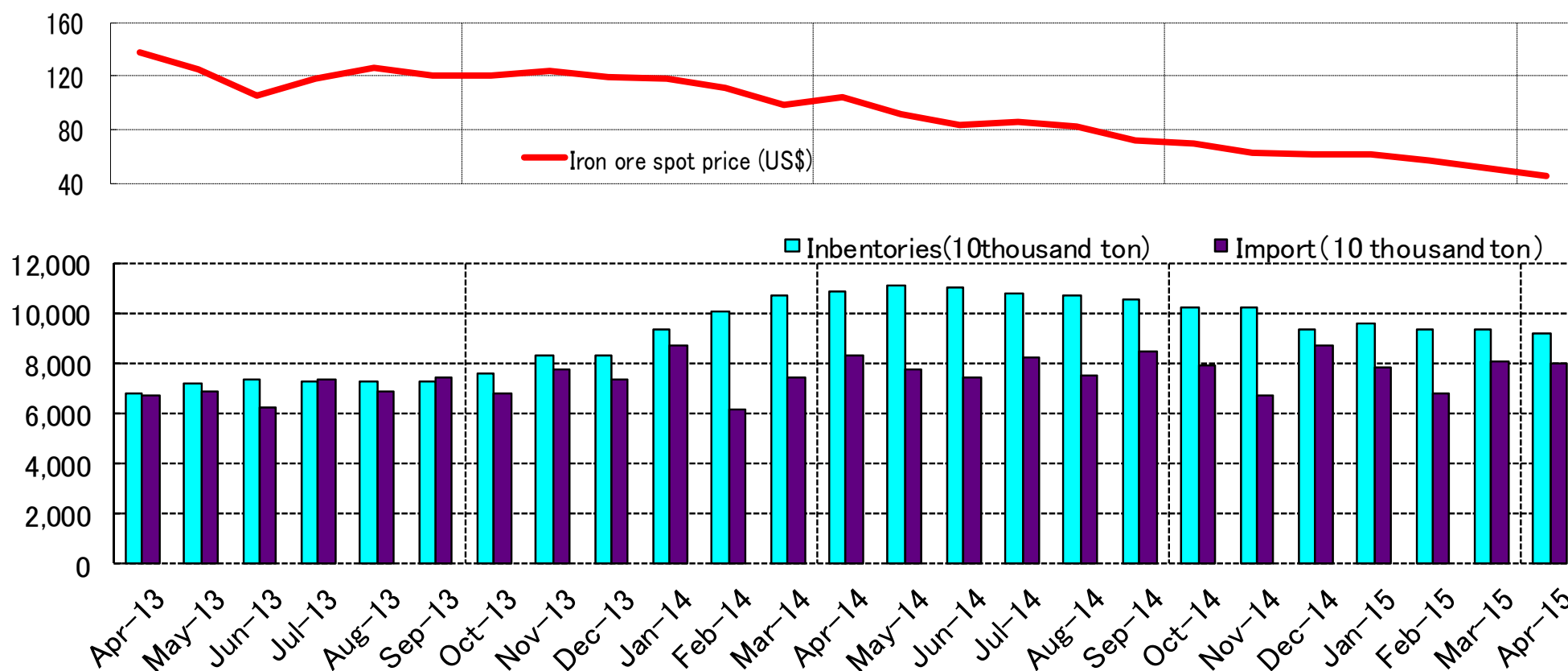


(Data source : Inventories _ The Japan Iron and Steel Federation / Price _Japan metal daily)

Under the declining demand in China, the price of imported iron ore gained momentum as mining companies that raised production capacity continued to offer low prices.

Inventories at ports finally fell below 100 million tons but remain high.

【Iron Ore Market in China】

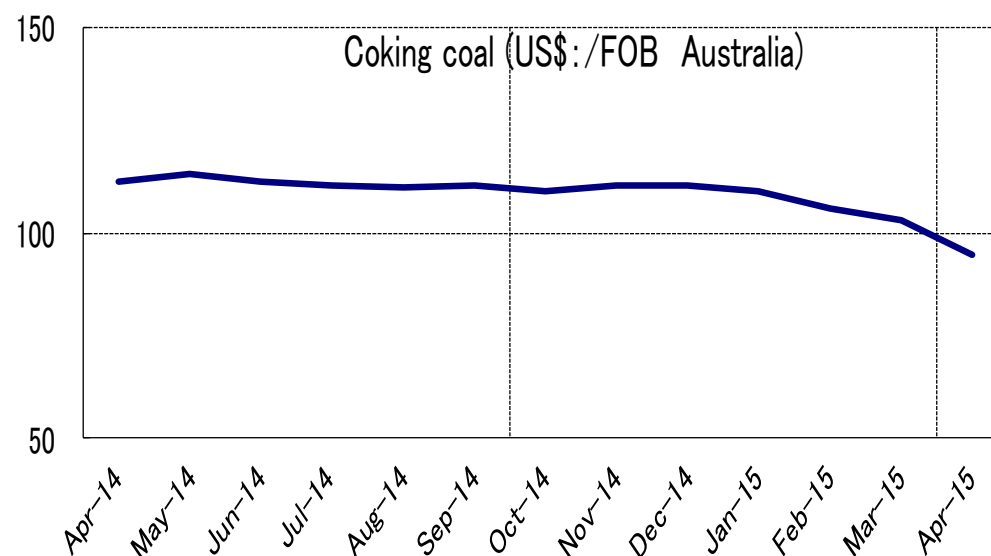


(data source : Interfax、China Customs)

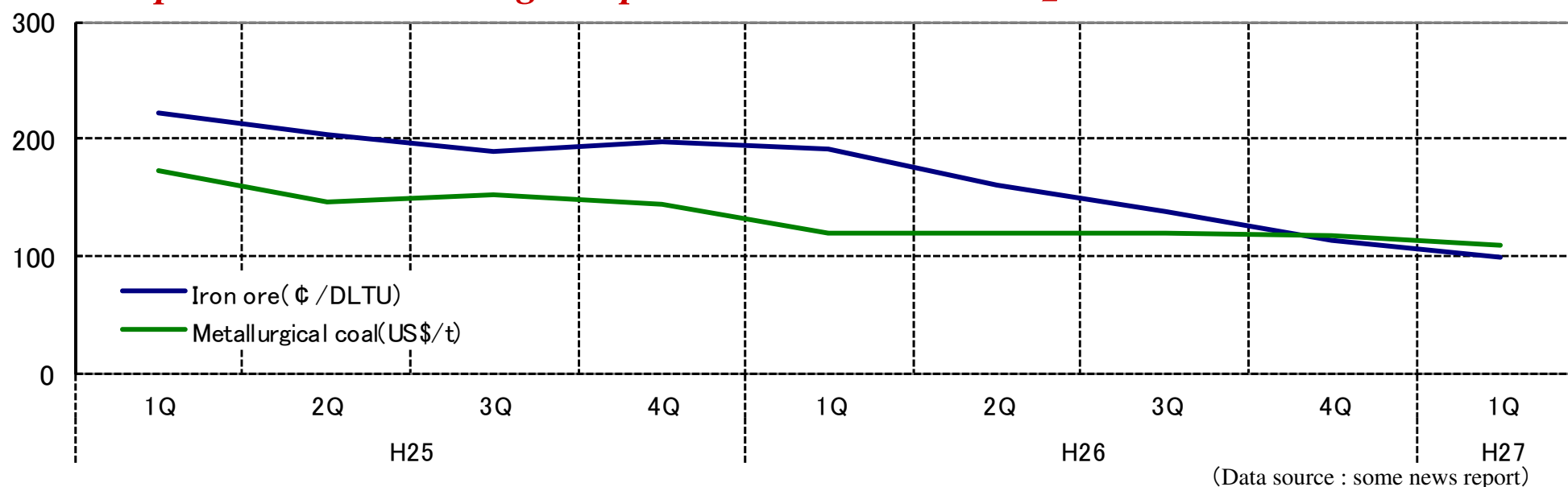
Despite low demand, coking coal price was flat in 2014 but has been falling quickly since the start of 2015.

Contract prices with mining companies declined quarter by quarter because of the downturn in the spot price.

【Coking coal price】



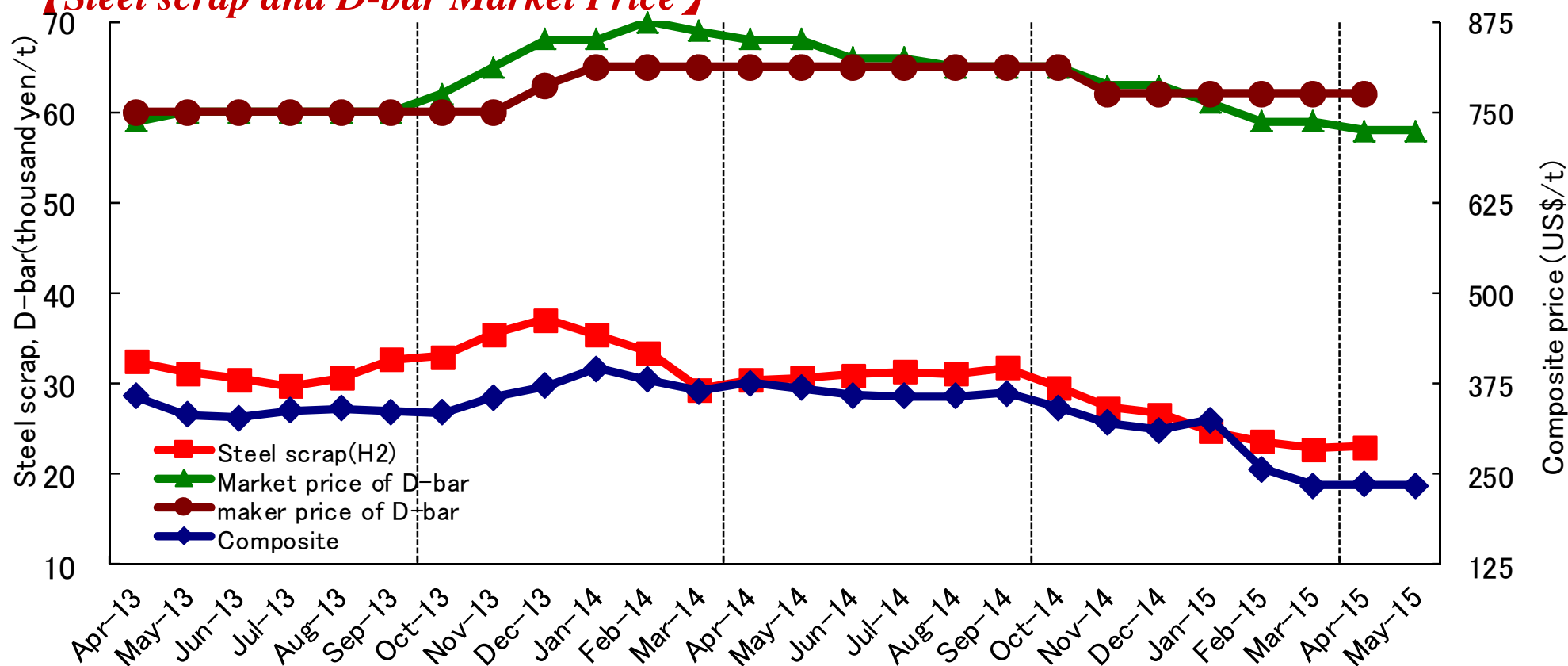
【Contract price between Mining companies and Steelmakers】



The market price of steel scrap was weak because of further price decline of major raw materials. Markets were relatively strong in Japan and the U.S. On the other hand, prices declined in Turkey, Southeast Asia and other regions because of growing imports of cheap billets from China.

Although the rebar market was weak due to the lack of growth in construction projects, prices did not fall significantly because manufacturers adopted a bullish position based on expectations on higher construction demand in the future.

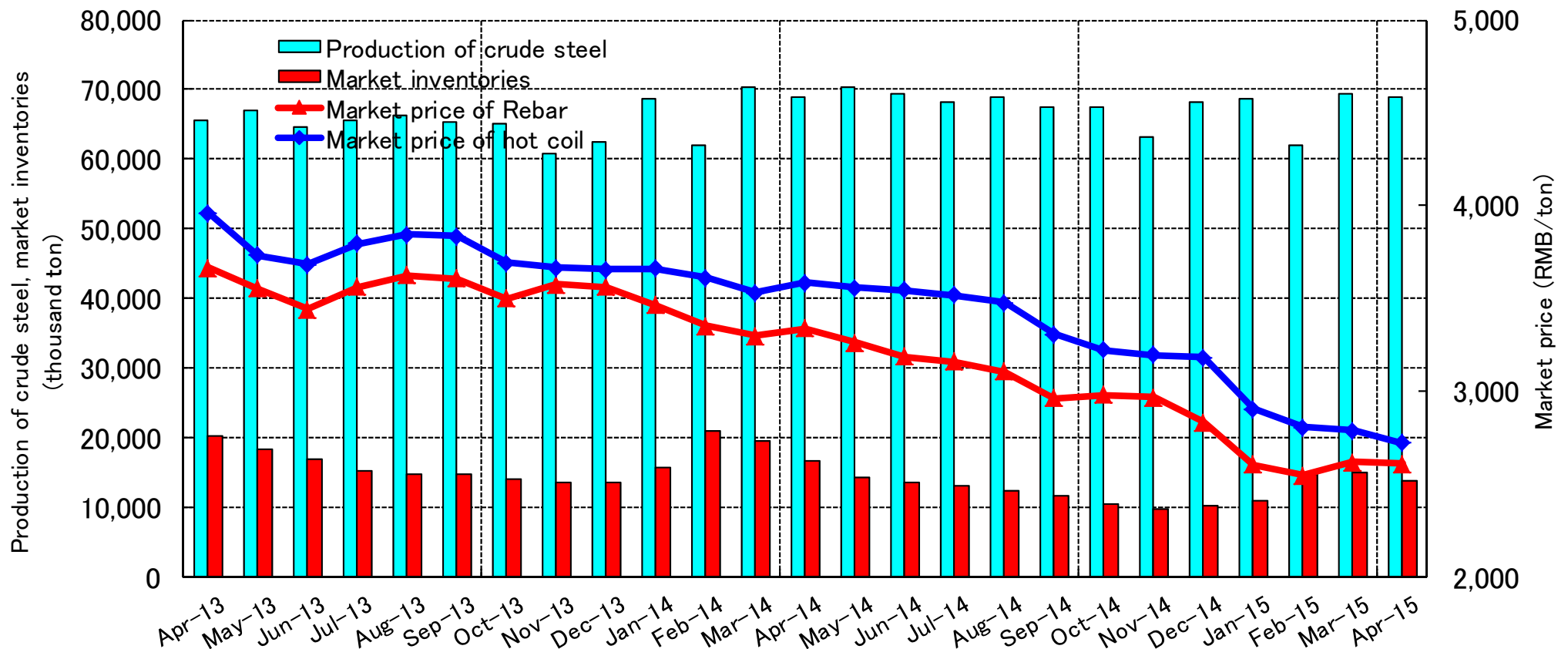
【Steel scrap and D-bar Market Price】



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

Prices declined steadily because of lackluster demand. However, exports continued to grow despite weak demand as crude steel production remained high due to the lack of progress with reducing steel output.

【Transition of steel market in China】

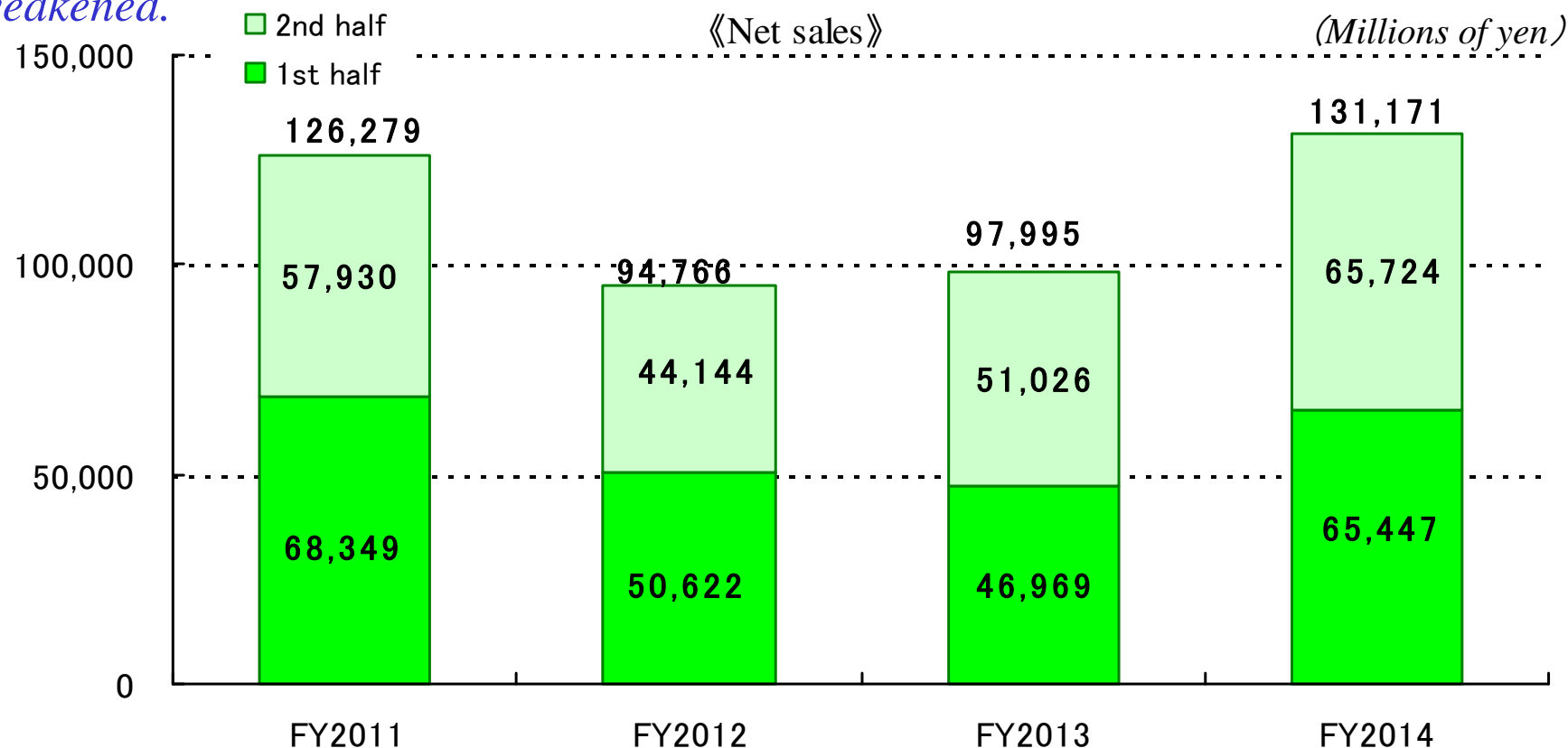


(Data source : The Japan Iron and Steel Federation)

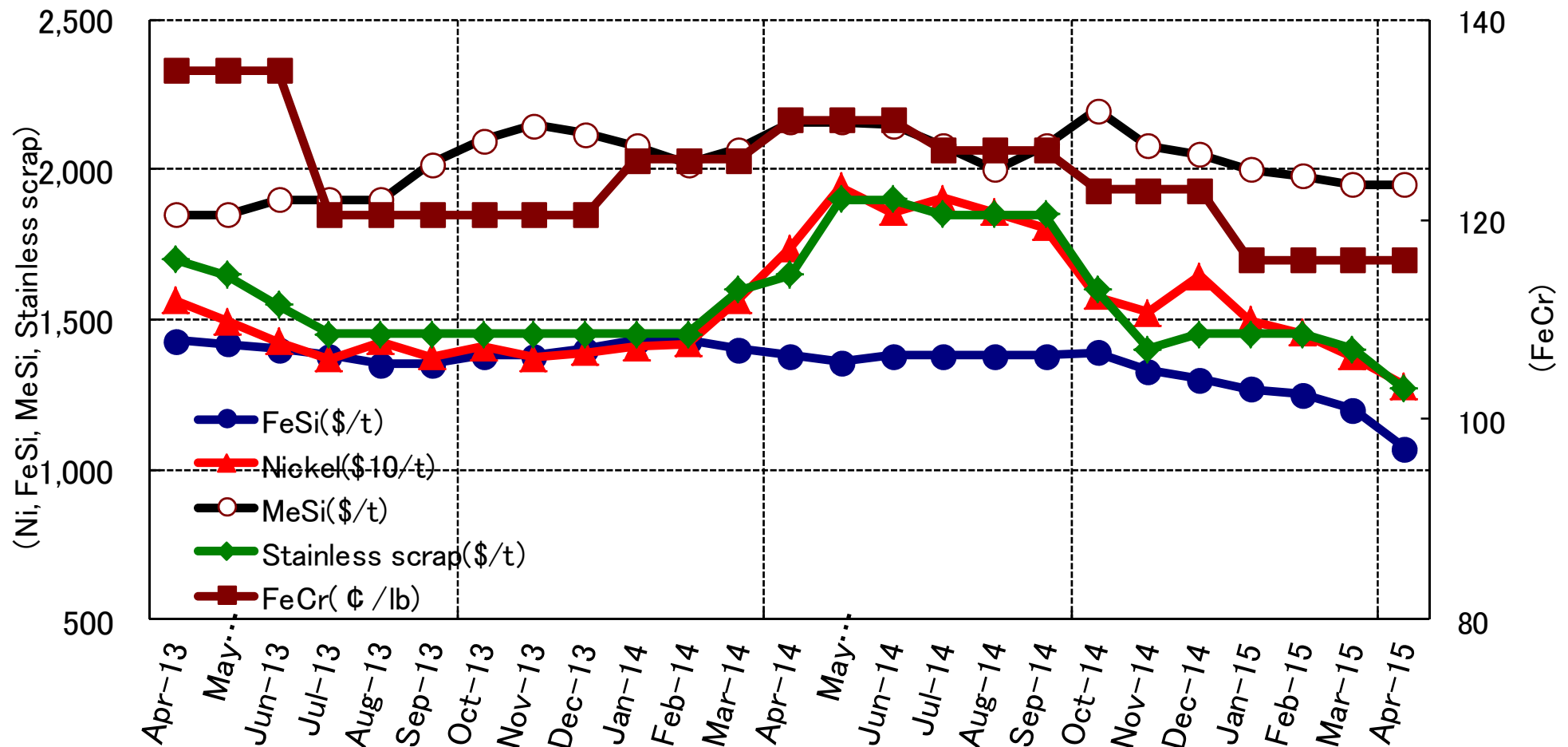
(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2014	131,171	343	0.3%
FY2013	97,995	1,756	1.8%

Selling prices increased as global market prices rose during the fiscal year's first half and the yen weakening rapidly late in the first half. Earnings were down due to a large foreign exchange loss associated with overseas foreign currency debt as the yen rapidly weakened.



Indonesia's embargo on nickel ore sparked a surge in the price of nickel that raised the price of stainless steel scrap, too. Subsequently, prices began to soften, including for ferroalloy, because of growing inventories, changes in the financial environment and the lower cost of crude oil



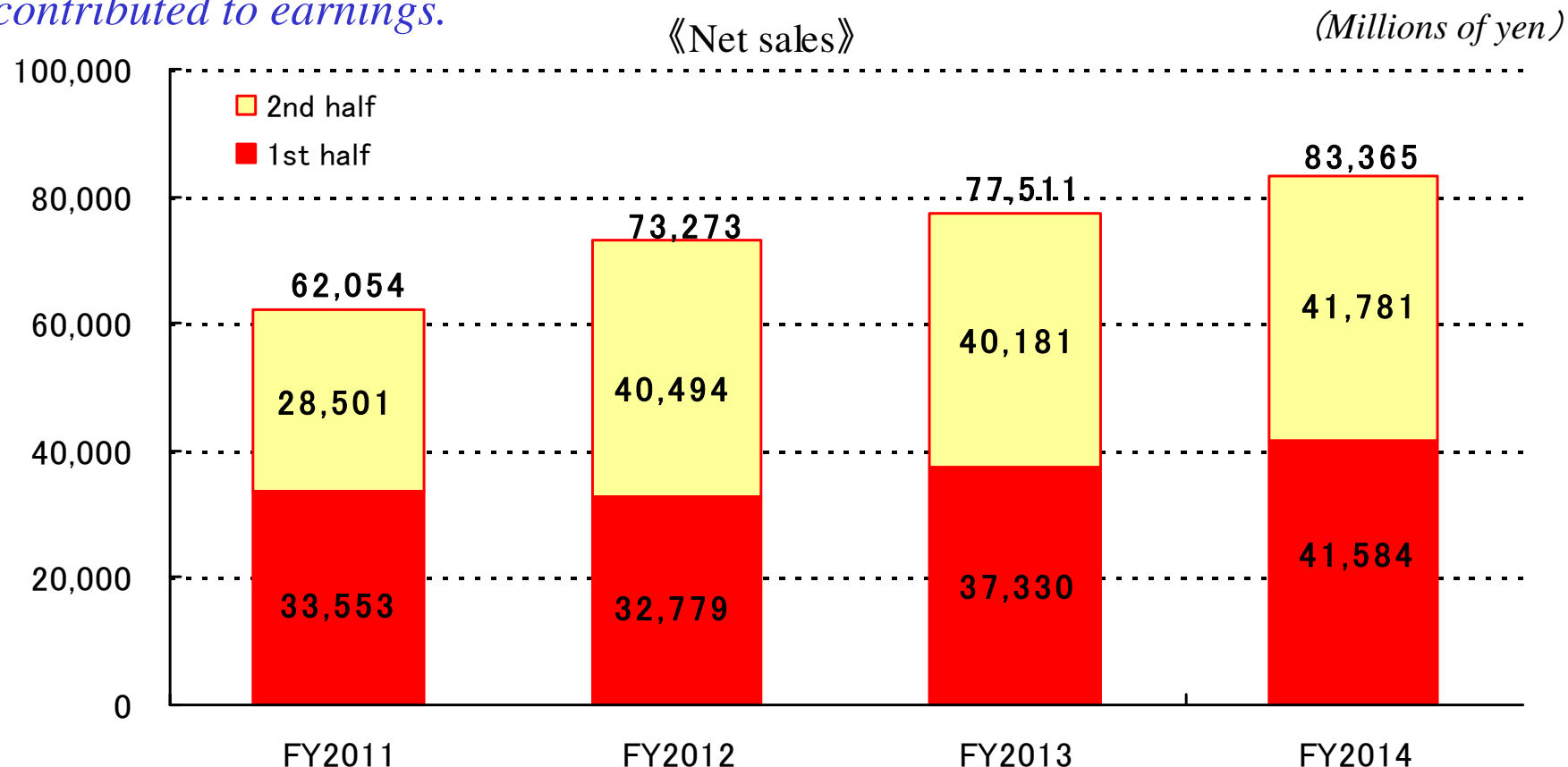
Non-ferrous Metals Business Segment



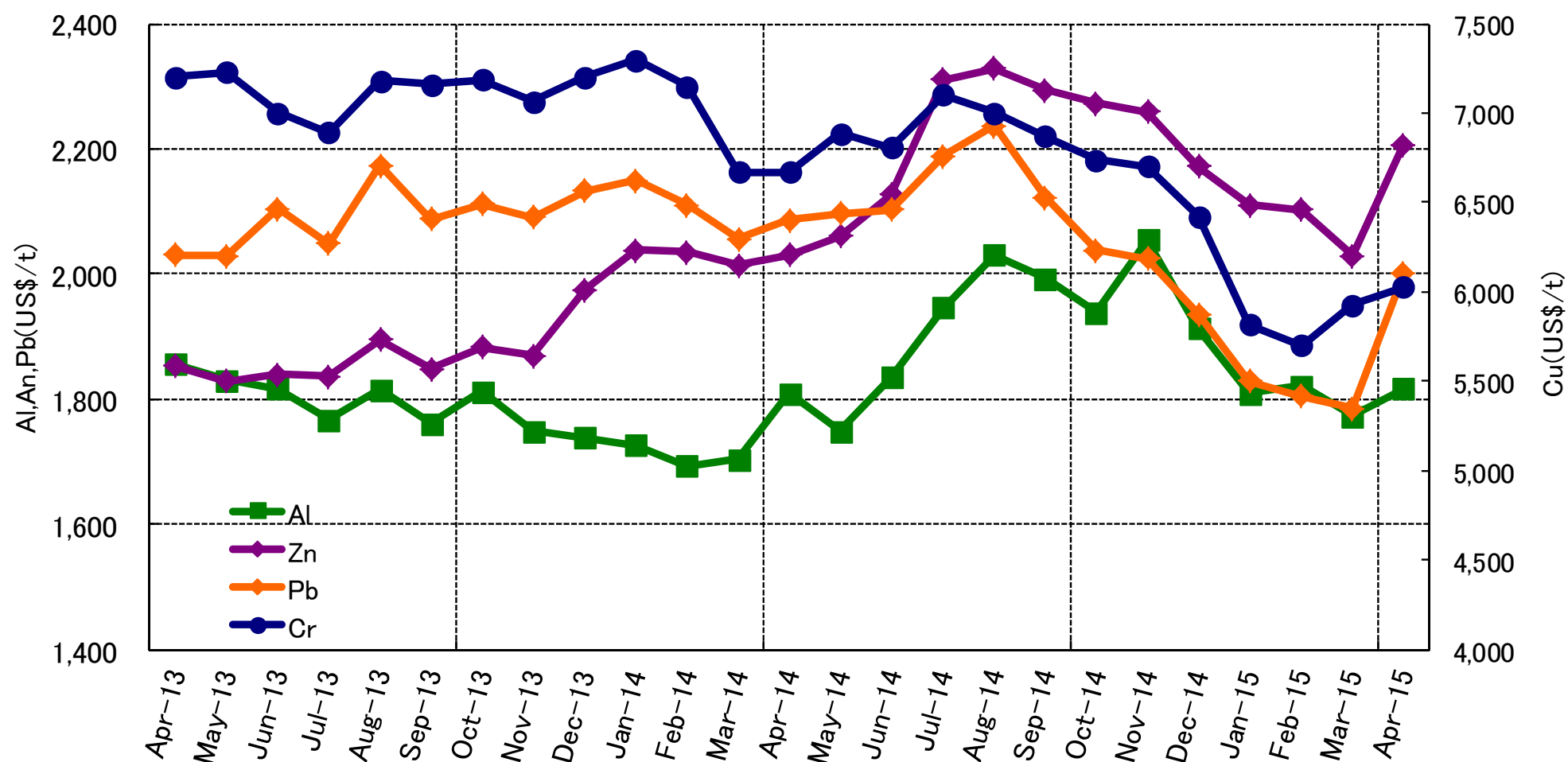
(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2014	83,365	1,146	1.4%
FY2013	77,511	835	1.1%

LME prices were relatively high despite the effects of changes in the financial environment and the drop in the price of crude oil. The weaker yen also pushed up prices. A higher Japan premium for aluminum and growth in precious metal sales also contributed to earnings.



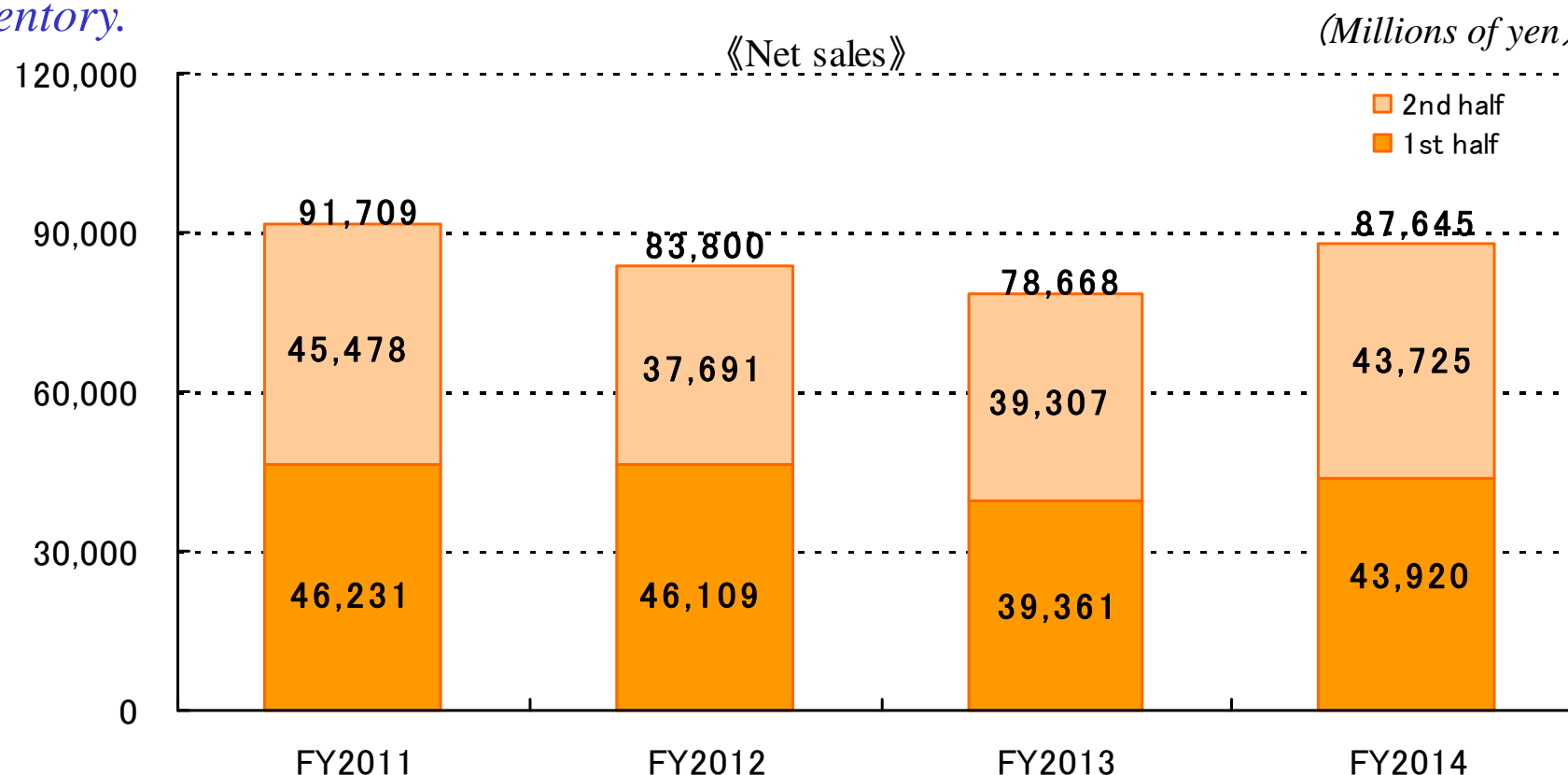
Although LME prices were generally higher in the first half, the subsequent sharp drop in the price of crude oil brought LME prices down. Prices have currently stopped falling due to relatively firm actual demand.



(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
FY2014	87,645	583	0.7%
FY2013	78,668	1,589	2.0%

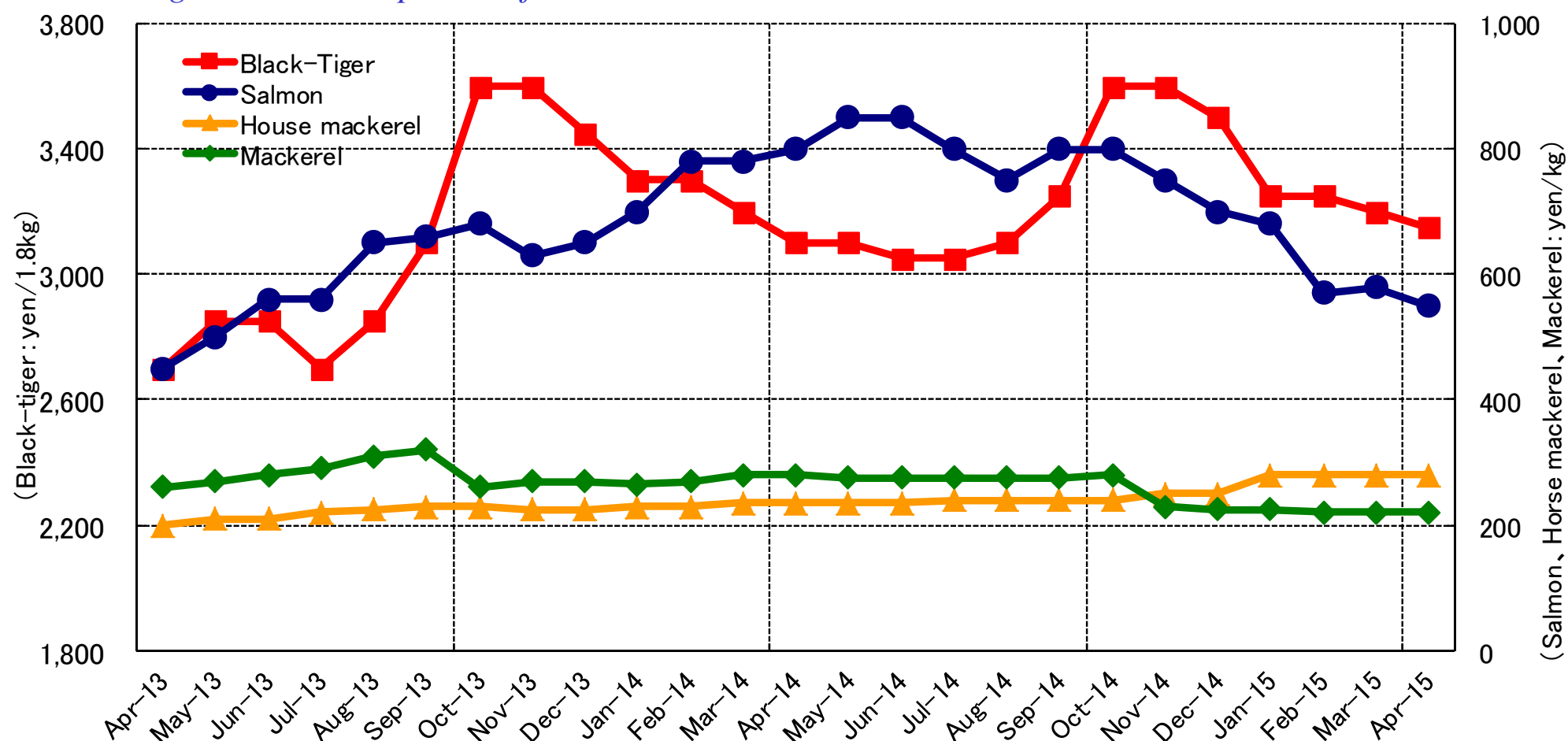
Demand in Japan was low but sales increased as prices were mostly higher than in the previous fiscal year. Earnings were down as falling prices of shrimp, salmon and other products in the second half narrowed profit margins and resulted valuation losses from inventory.



Market Trend of Frozen Marine Products

The price of farmed salmon was in a downward trend because of falling demand. The price in yen rebounded briefly as the yen weakened while the dollar-denominated price in US dollar remained high, but high prices reduced demand and the price once again started falling with some sellers dumping inventories.

The price of shrimp was also in a downward trend as buyers tired of high prices. Although the price started climbing again because of a bad harvest and the weaker yen, the price of shrimp is currently weak during this seasonal period of low demand.

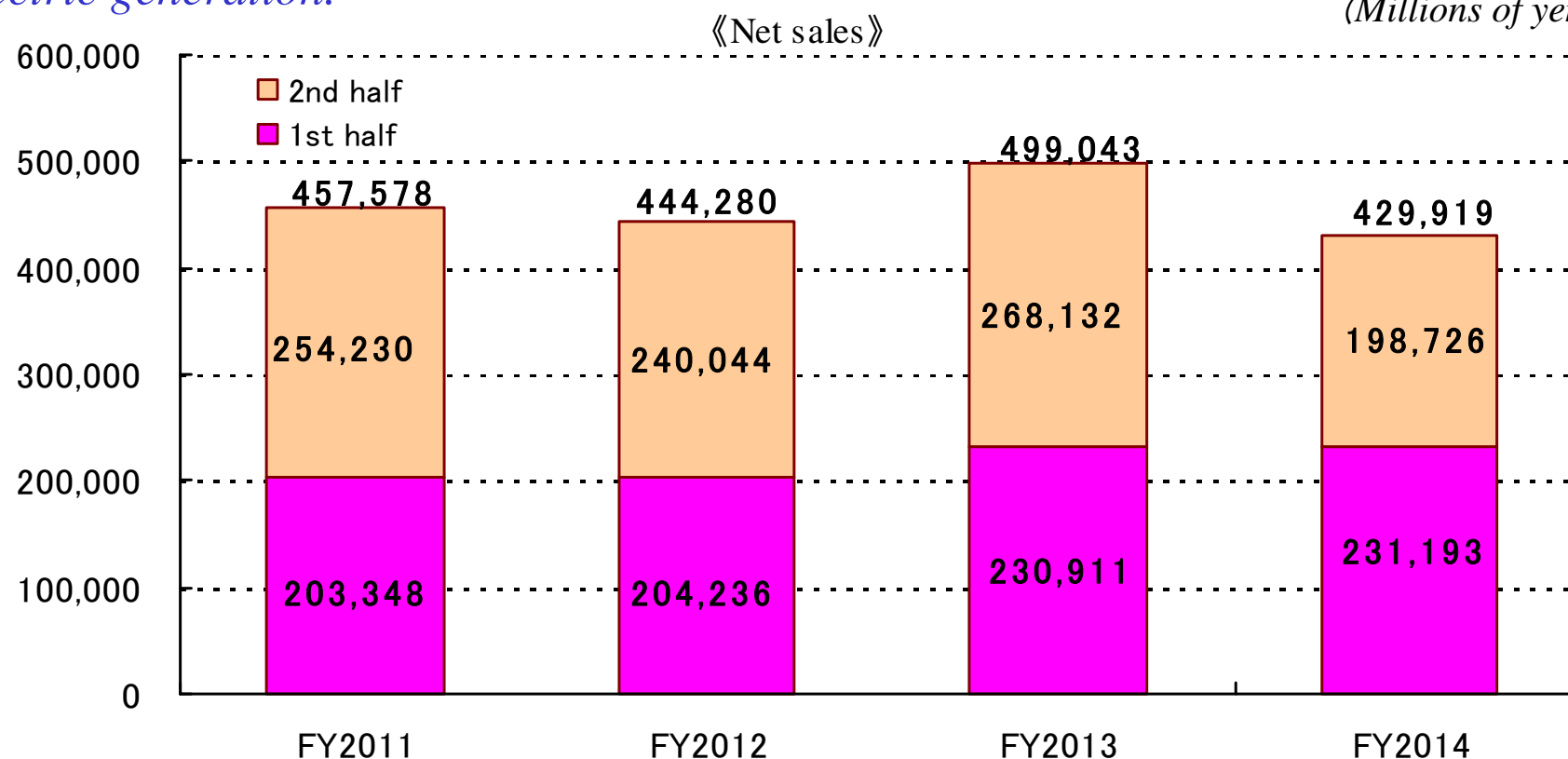


(Millions of yen)

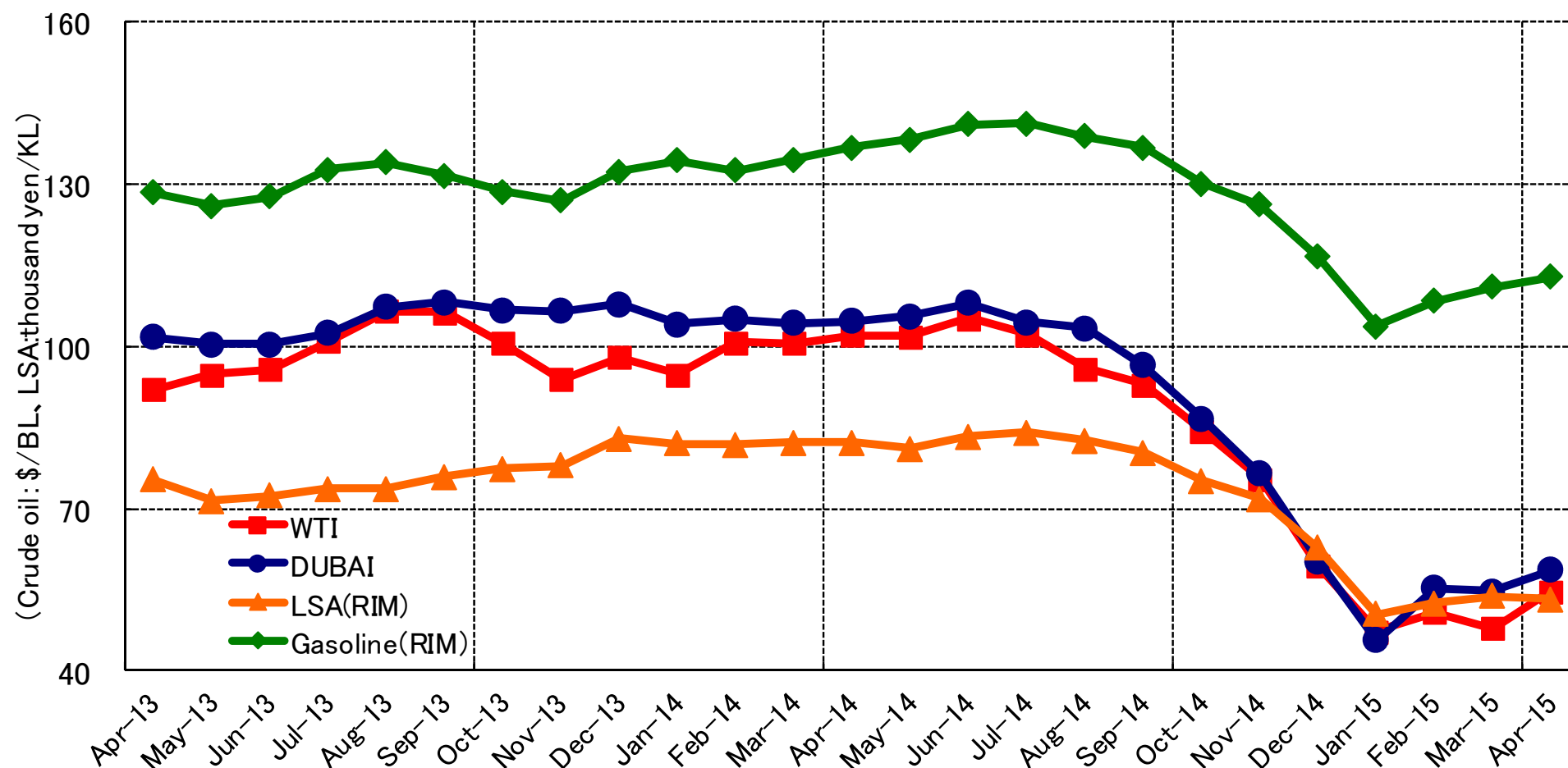
	Net sales	Segment income	Profit ratio
FY2014	429,919	2,481	0.6%
FY2013	499,043	1,925	0.4%

Sluggish demand for industrial fuel and falling prices of refined products caused by the lower cost of crude oil brought down sales. Although earning a profit was difficult in this environment, there was a profit from growing sales of gasoline and heavy fuel oil to electric generation.

(Millions of yen)



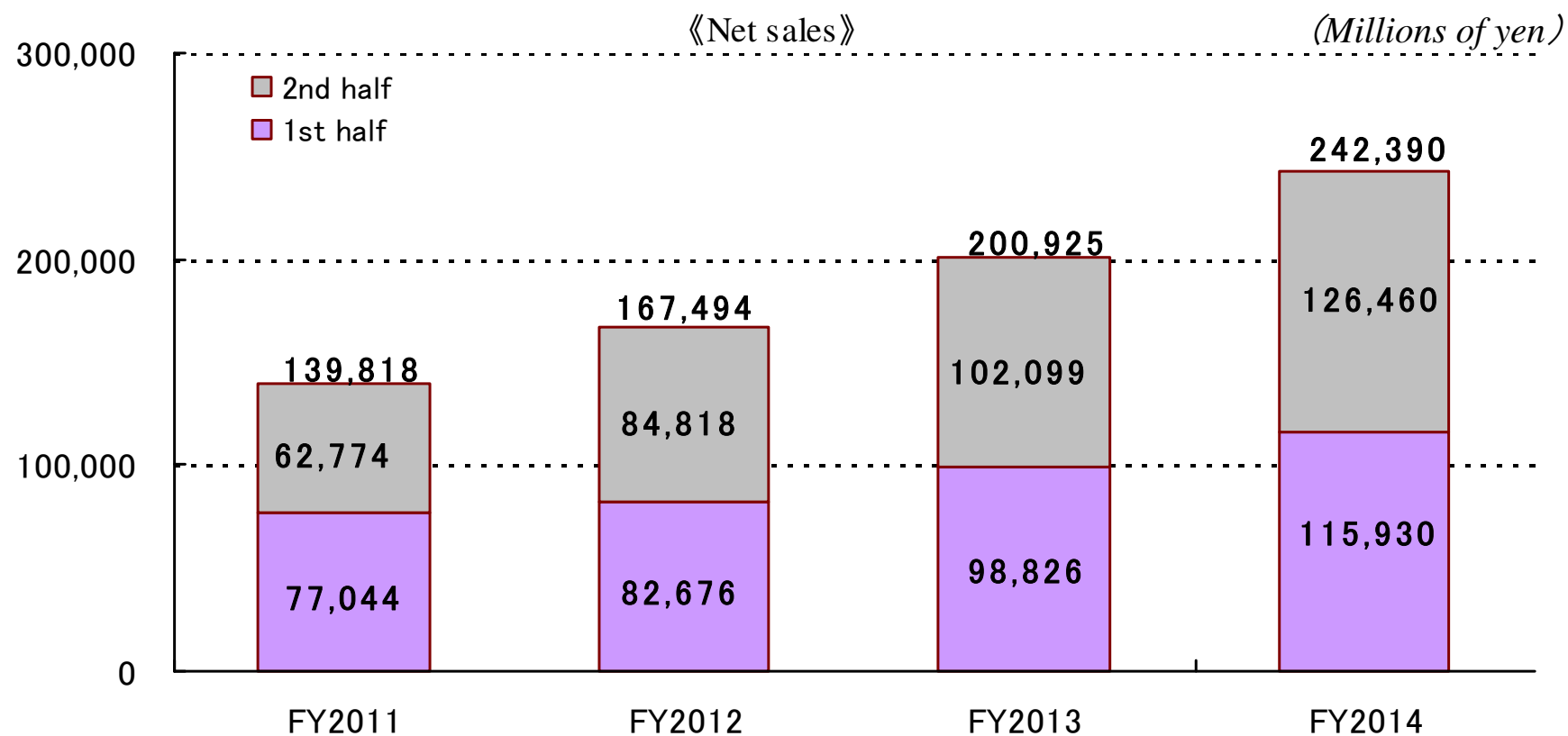
Initially, turmoil in the Middle East and Ukraine and other events kept the price of crude oil high. Then the price plunged as the global economy stopped growing and oil-producing countries raised output at a time that concerns about the supply of crude oil were faded. Although the crude oil price has recovered somewhat, it is still low. Prices of refined products have plummeted along with the cost of crude oil.



(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2014	242,390	683	0.3%
FY2013	200,925	(262)	(0.1%)

Sales were higher because of an increase in bunker fuel sales volume at Hanwa Singapore. The completion of installations of leisure facilities in the machinery category contributed to the growth in earnings.



【Strengthening of Domestic Business】

M&A for strengthening of function

Acquisition ownership of Matsuoka Kozai Co., Ltd.(Jul-2014)

Acquisition ownership of Maruhon Honma Suisan Co., Ltd.(Jul-2014)

Acquisition minority shares of Nikko Metals Co., Ltd. (Aug-2014)

Acquisition ownership of Seiki Metal Inc Co., Ltd.(Oct-2014)

Promotion of business investment

Equity investment in Tokyo Kohtetsu Co., Ltd. (Jul-2014)

Expansion of domestic bases

Establishment of Iwaki branch office (Oct-2014)

【Enhancement of Overseas Operation】

Promotion of business investment

Join the NPI manufacturing project in Indonesia. (May-2014)

Equity investment in Cosmosteel Holdings Ltd. in Singapore (Mar-2015)

Join the wire-mesh manufacturing project in Vietnam (Jan-2015)

In the past fiscal year, our performance was influenced by low commodity prices as the price of crude oil plunged, foreign exchange losses caused by the weaker yen and other events. In FY2015, we forecast higher earnings due to the exclusion of these one-time factors and the outlook for growth in steel and machinery earnings.

For FY2015, we plan to increase the dividend to interim and year-end payments of 8 yen per share because of the improvement in core earnings.

(Millions of yen)

	<i>FY2015 (forecast)</i>	<i>FY2014</i>
<i>Net sales</i>	<i>1,800,000</i>	<i>1,737,397</i>
<i>Operating income</i>	<i>22,300</i>	<i>19,107</i>
<i>Ordinary income</i>	<i>20,000</i>	<i>14,264</i>
<i>Net income</i>	<i>12,000</i>	<i>9,086</i>

	<i>Year</i>	<i>Interim</i>	<i>Year-end</i>
<i>Cash dividends (yen)</i>	<i>16.00</i>	<i>8.00</i>	<i>8.00</i>

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