

FINANCIAL RESULTS

for the Fiscal Year ended March 31, 2016

May 23, 2016

HANWA CO., LTD.

- *As for the result for this fiscal year, net sales has reached to 1,511.8 billion yen, decreased by 13.0%, due to decrease in Petroleum/chemicals and steel businesses.*
- *On profit side, operating income have decreased by 4.9%, due to decrease profit in metals/alloys and non-ferrous metal businesses. Ordinary income, however, increased by 8.1%, due to decrease in exchange loss. Net income was 25.4 billion yen, increased by 180.3%, mainly due to extraordinary income and income tax reduction.*
- *We plan to pay 10.0 yen as the end of this fiscal year dividend.
As a result, the planned annual dividend for FY2015 will be 18.0 yen per share.*

Operating Results (consolidated)

(Millions of yen)

	FY2015	FY2014	Rate of changes
Net sales	1,511,800	1,737,397	-13.0%
Gross profit	56,559	55,729	+1.5%
SG&A expenses	38,381	36,622	+4.8%
Operating income	18,178	19,107	-4.9%
Non-operating income	3,773	2,398	+57.3%
Non-operating expenses	6,526	7,241	-9.9%
Ordinary income	15,424	14,264	+8.1%
Extraordinary gain/loss	11,319	(1,246)	- %
Income before income taxes and others	26,743	13,018	+105.4%
Income taxes	1,264	3,876	-67.4%
Net income	25,479	9,141	+178.7%
Owners of the Company	25,469	9,086	+180.3%
Minority interests	9	55	-83.6%
Comprehensive income	16,778	19,450	-13.7%

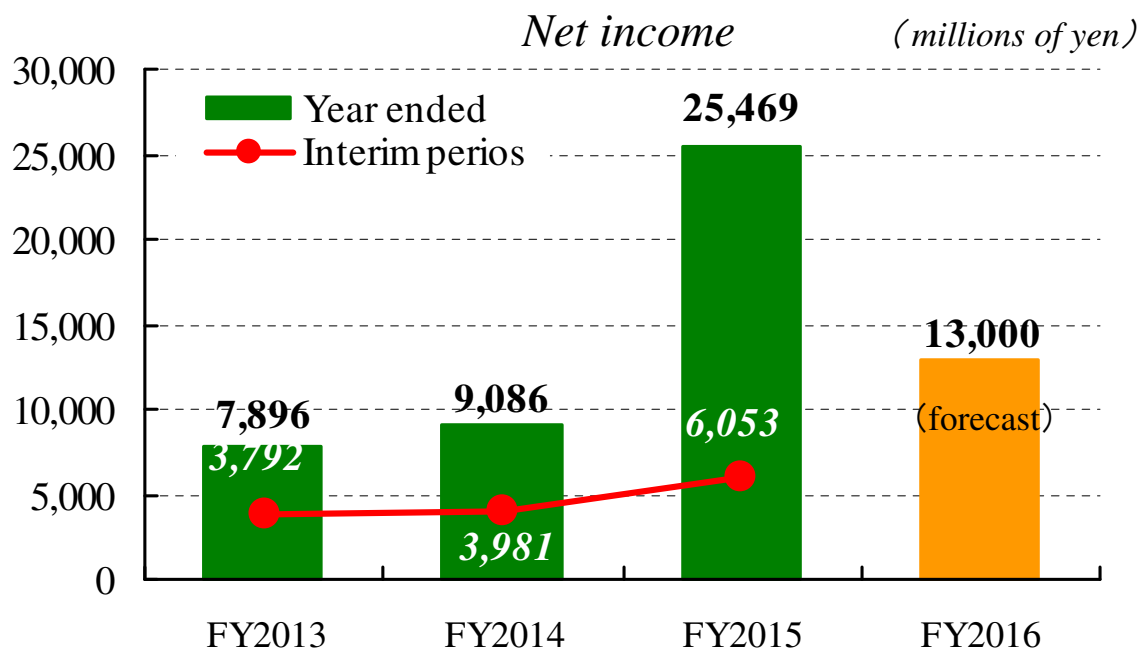
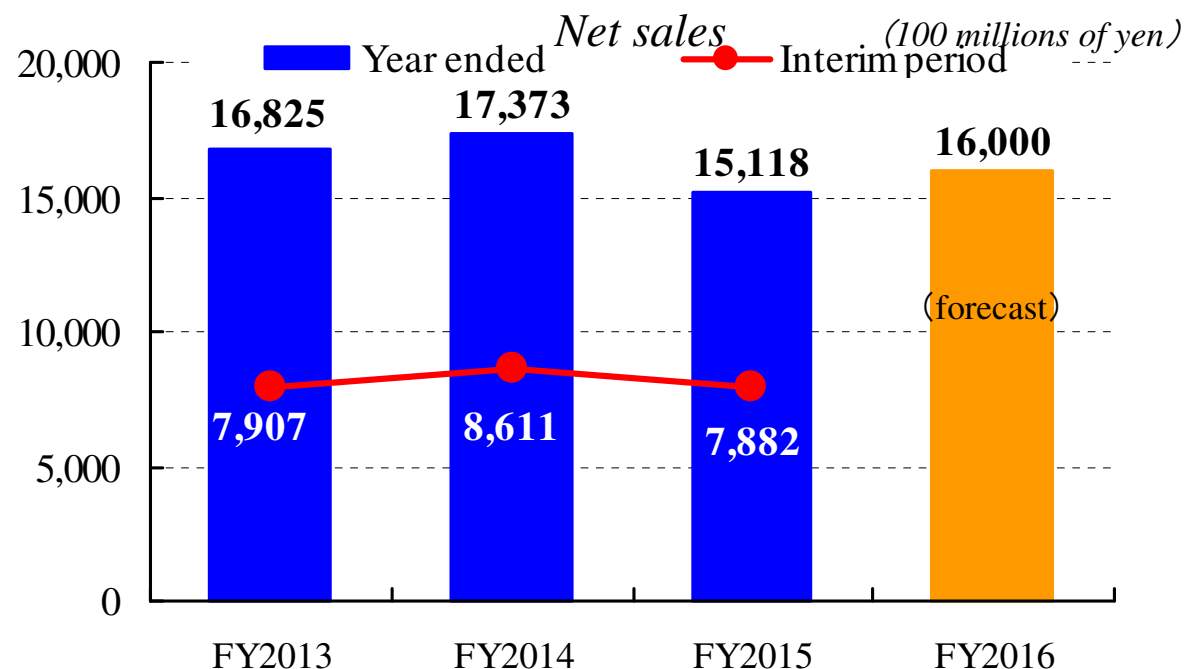
- Net sales has decreased by 13.0% from the previous year, due to a downfall of price of petroleum and steel products.
- SG & A expenses increased by 4.8% from the previous year, including 3.1% of newly consolidated subsidiaries. Our employment cost increased by 1.5billion yen.
- Reversal entry of allowances for doubtful account were recorded 0.6 billion yen. Loss on investment in affiliates was recorded 1.3 billion yen.
- Gain on sales of long-lived assets was 13.1 billion yen. Loss on devaluation of investments securities was recorded 3.3 billion yen.
- EPS was 122.92 yen (+79.07yen)

Changes in Business results (consolidated)

The U.S. economy recovered slowly but economies in other regions were lackluster: concerns about political instability in Europe, slowing economic growth in China, and the financial environment and geopolitical risk in emerging countries.

Sluggish export due to weak overseas economy and strong yen dragged Japan's domestic demand. Construction demand and capital expenditures were weak, too. Overall, the economic benefits were weakened even with economic recovery policies of Abenomics and the Bank of Japan's reflationary measures.

Earning remained relatively steady though Hanwa's sales decreased as prices of commodities fell.



Financial Position (consolidated)

(Millions of yen)

	FY2015	FY2014	Rate of change
Total assets	599,694	651,456	-7.9%
Current assets	451,253	510,377	-11.6%
Fixed assets	148,440	141,078	+5.2%
Total liabilities	443,555	508,706	-12.8%
Interest-bearing debt	237,552	272,575	-12.8%
Net assets	156,139	142,749	+9.4%
Equity capital	148,807	126,320	+17.8%
Accumulated other comprehensive income	6,059	15,094	-59.9%
Minority interests	1,272	1,334	-4.6%

- Total assets decreased by 7.9% from the end of the previous year, due to decrease of trade receivables and inventories correlated with decrease of sales.
- Interest-bearing debt decreased by 12.8%, due to the decrease in short term loans and commercial paper. Net debt-equity ratio was turned into 135.9%.
- Total net assets increased by 9.4% from end of the previous year, due to the increased carryover of retained earnings. Shareholders' equity ratio was 25.8%.(+4.1 pt.)
- BPS was 747.40yen. (+64.94 yen)

Cash Flows Situation (consolidated)

(Millions of yen)

	FY2015	FY2014	change
Cash flows from Operating activities	53,098	1,790	+51,308
Cash flows from Investing activities	(10,446)	(13,692)	+3,246
Cash flows from Financing activities	(41,751)	19,339	-61,090
Cash and cash equivalents at end of the period	25,804	24,515	+1,289

- Net cash provided by operation was 53.1 billion yen due to collection of working capital progressed with decrease in net sales
- Net cash used in investment was 10.4 billion yen due to payment for purchase of investment securities, tangible fixed assets and execution of long-term loan.
- Net cash used in financing was 41.7 billion yen due to decrease in short term loans and commercial paper.

Segment Information (consolidated)

Net sales

	<i>FY2015</i>	<i>FY2014</i>	<i>Rate of change</i>
<i>Steel</i>	<i>798,691</i>	<i>878,715</i>	<i>-9.1%</i>
<i>Metal & alloys</i>	<i>131,188</i>	<i>131,171</i>	<i>+0.0%</i>
<i>Non-ferrous metals</i>	<i>82,081</i>	<i>83,365</i>	<i>-1.5%</i>
<i>Foods</i>	<i>90,671</i>	<i>87,645</i>	<i>+3.5%</i>
<i>Petroleum & chemicals</i>	<i>276,450</i>	<i>429,919</i>	<i>-35.7%</i>
<i>Overseas sales subsidiaries</i>	<i>177,617</i>	<i>179,564</i>	<i>-1.1%</i>
<i>Total for reportable segments</i>	<i>1,556,701</i>	<i>1,790,381</i>	<i>-13.1%</i>
<i>Other</i>	<i>67,254</i>	<i>62,826</i>	<i>+7.0%</i>
<i>Total</i>	<i>1,623,956</i>	<i>1,853,208</i>	<i>-12.4%</i>
<i>Adjustment</i>	<i>(112,155)</i>	<i>(115,810)</i>	<i>+3.2%</i>
<i>Consolidated</i>	<i>1,511,800</i>	<i>1,737,397</i>	<i>-13.0%</i>

Segment income

(Millions of yen)

	<i>FY2015</i>	<i>FY2014</i>	<i>Rate of change</i>
<i>Steel</i>	<i>14,829</i>	<i>14,735</i>	<i>+0.6%</i>
<i>Metal & alloys</i>	<i>2,217</i>	<i>343</i>	<i>+546.4%</i>
<i>Non-ferrous metals</i>	<i>848</i>	<i>1,146</i>	<i>-26.0%</i>
<i>Foods</i>	<i>75</i>	<i>583</i>	<i>-87.1%</i>
<i>Petroleum & chemicals</i>	<i>1,974</i>	<i>2,481</i>	<i>-20.4%</i>
<i>Overseas sales subsidiaries</i>	<i>(708)</i>	<i>(59)</i>	<i>-</i>
<i>Total for reportable segments</i>	<i>19,237</i>	<i>19,230</i>	<i>+0.0%</i>
<i>Other</i>	<i>1,375</i>	<i>743</i>	<i>+85.1%</i>
<i>Total</i>	<i>20,613</i>	<i>19,973</i>	<i>+3.2%</i>
<i>Adjustment</i>	<i>(5,188)</i>	<i>(5,709)</i>	<i>+9.1%</i>
<i>Consolidated</i>	<i>15,424</i>	<i>14,264</i>	<i>+8.1%</i>

(Millions of yen)

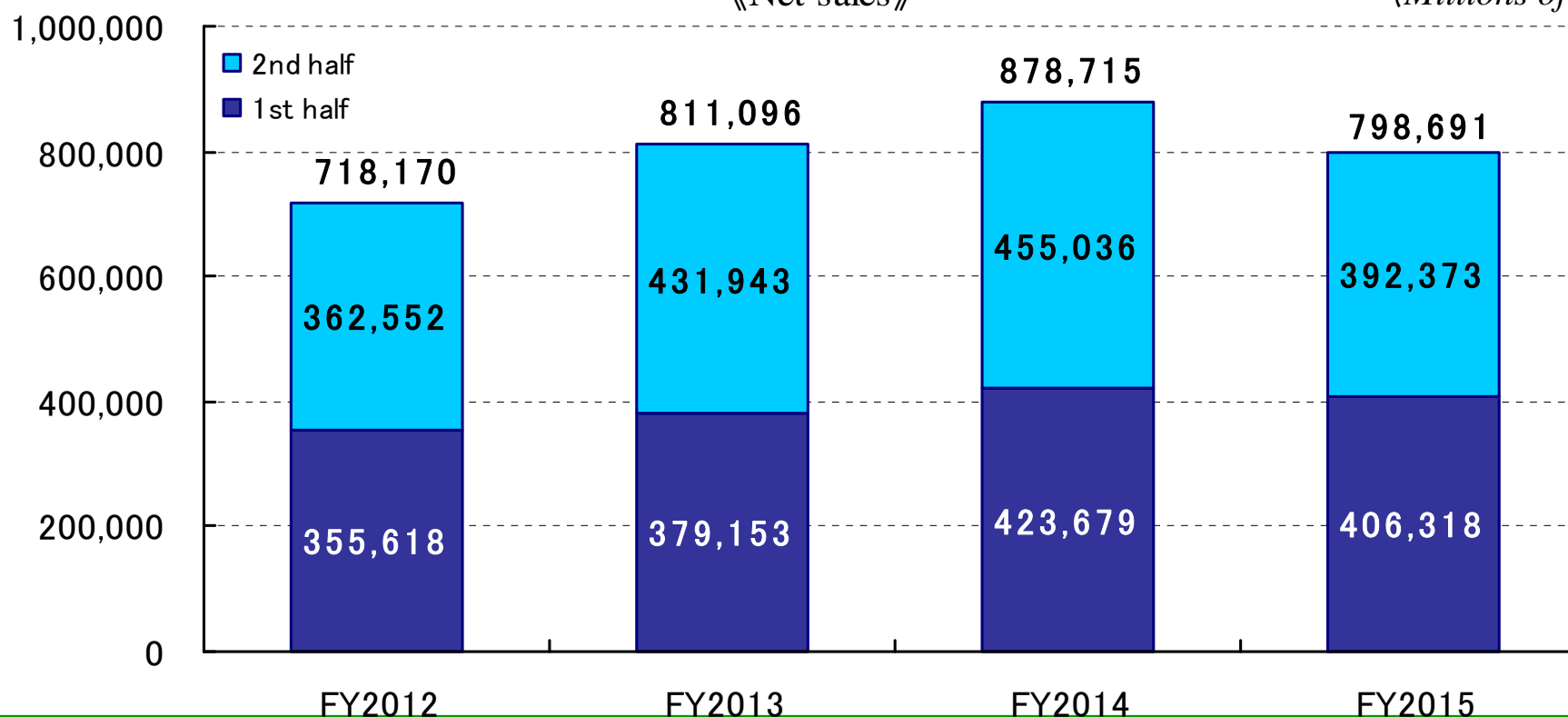
	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
FY2015	798,691	14,829	1.9%
FY2014	878,715	14,735	1.7%

Low level of factory utilization rates, delay and slow progress of construction projects made movement of steel products stagnant.

Although the profitability of construction projects was good, there was only a slight increase in earnings because of the amortization of all goodwill of equity-method affiliate CosmoSteel Holdings due to its lower stock price and foreign exchange losses at overseas coil centers.

《Net sales》

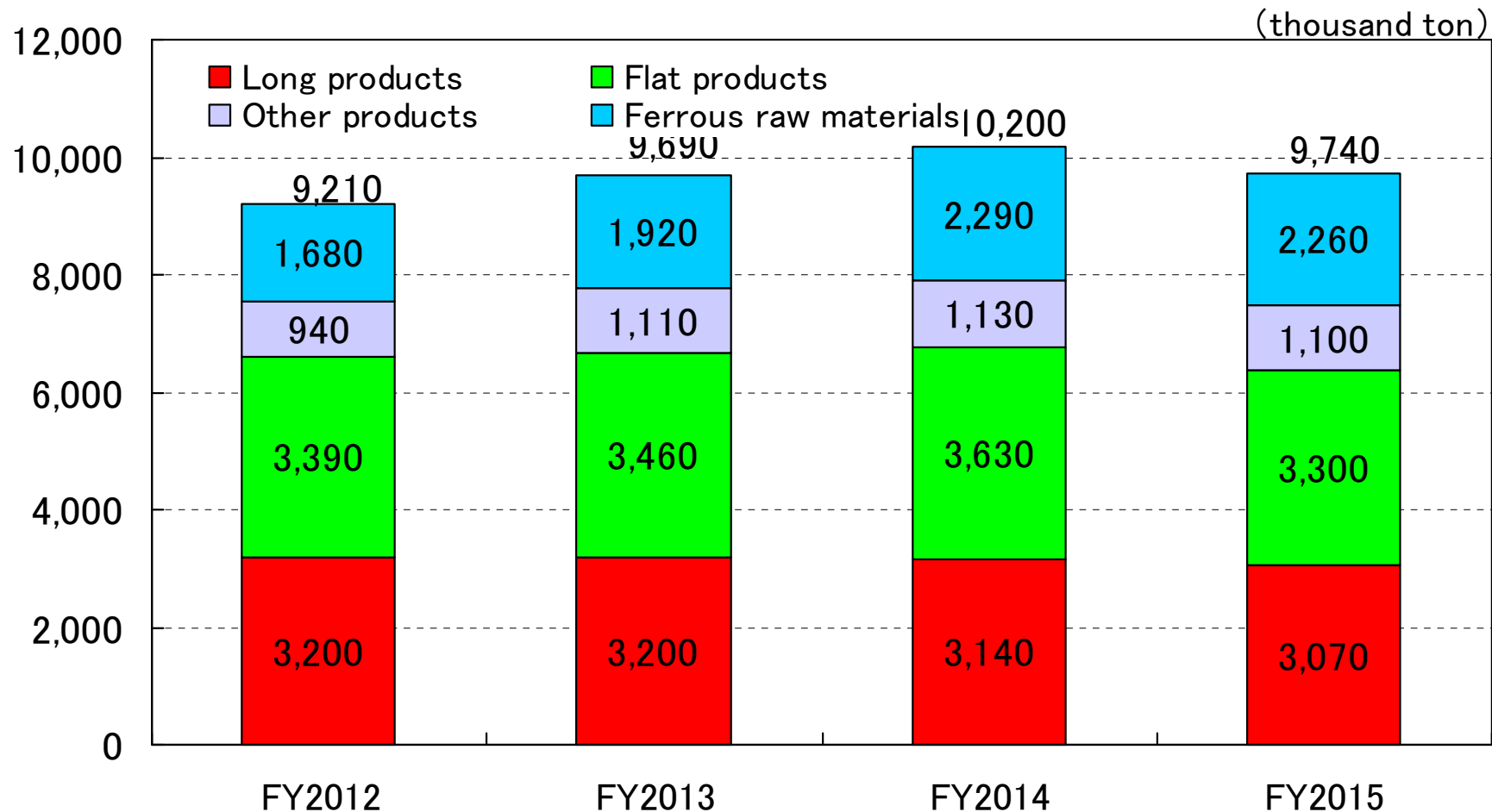
(Millions of yen)



Transaction volume in Steel Segment (unconsolidated)

Long product sales volume was almost no change even though dull demand involving construction in Japan. Flat product sales volume fell almost 10% due to low factory utilization rates, lower exports, no change in demand for construction materials such as floor plates and cut sheets.

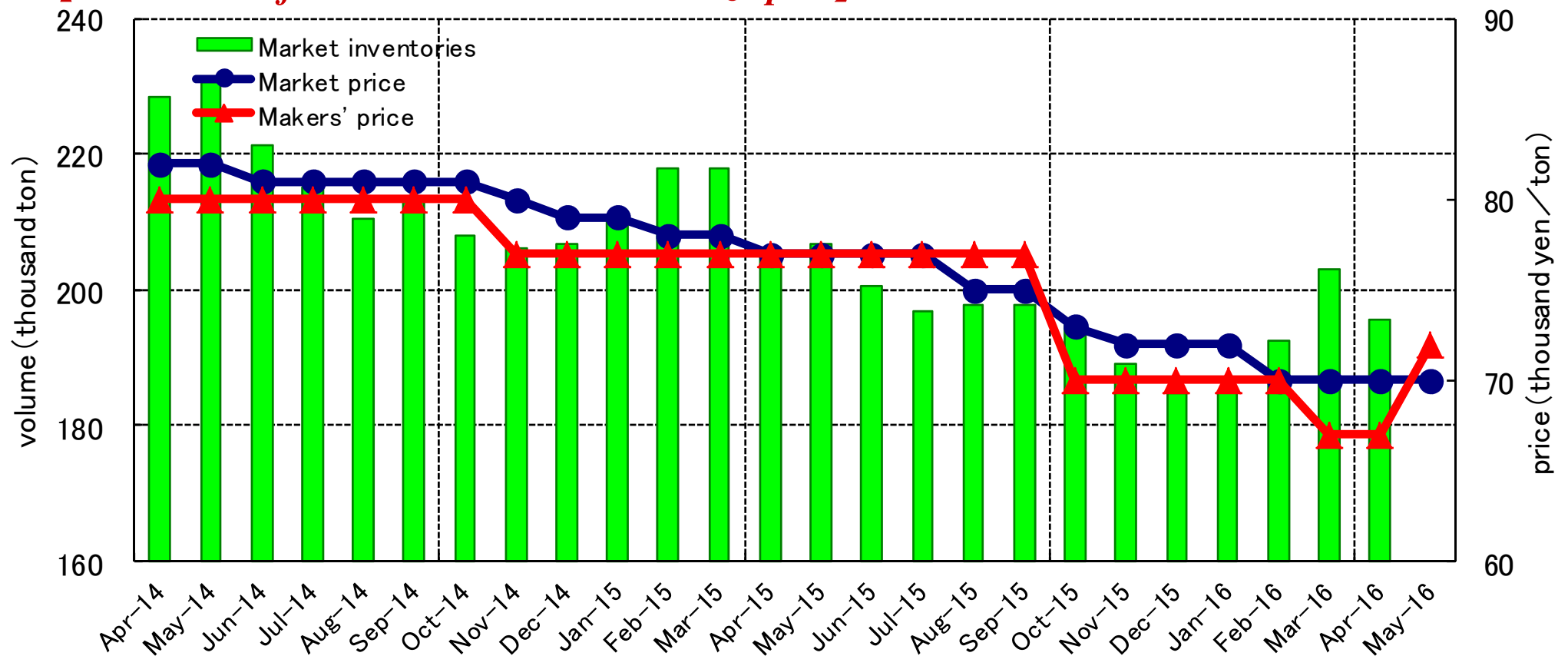
The sales volume of steel raw materials, which is chiefly steel scrap, was maintained due to volume increase in export yet decrease in deliveries in Japan.



Movement of long products was slow because of construction project delays and slow progress. Along with lower prices of steel raw materials, the result was a slow decline in steel prices.

Steel mills have started raising prices in response to the upturn in the price of steel scrap. But there are still no signs of a change in demand.

[Transition of the H-Beams Markets in Japan]



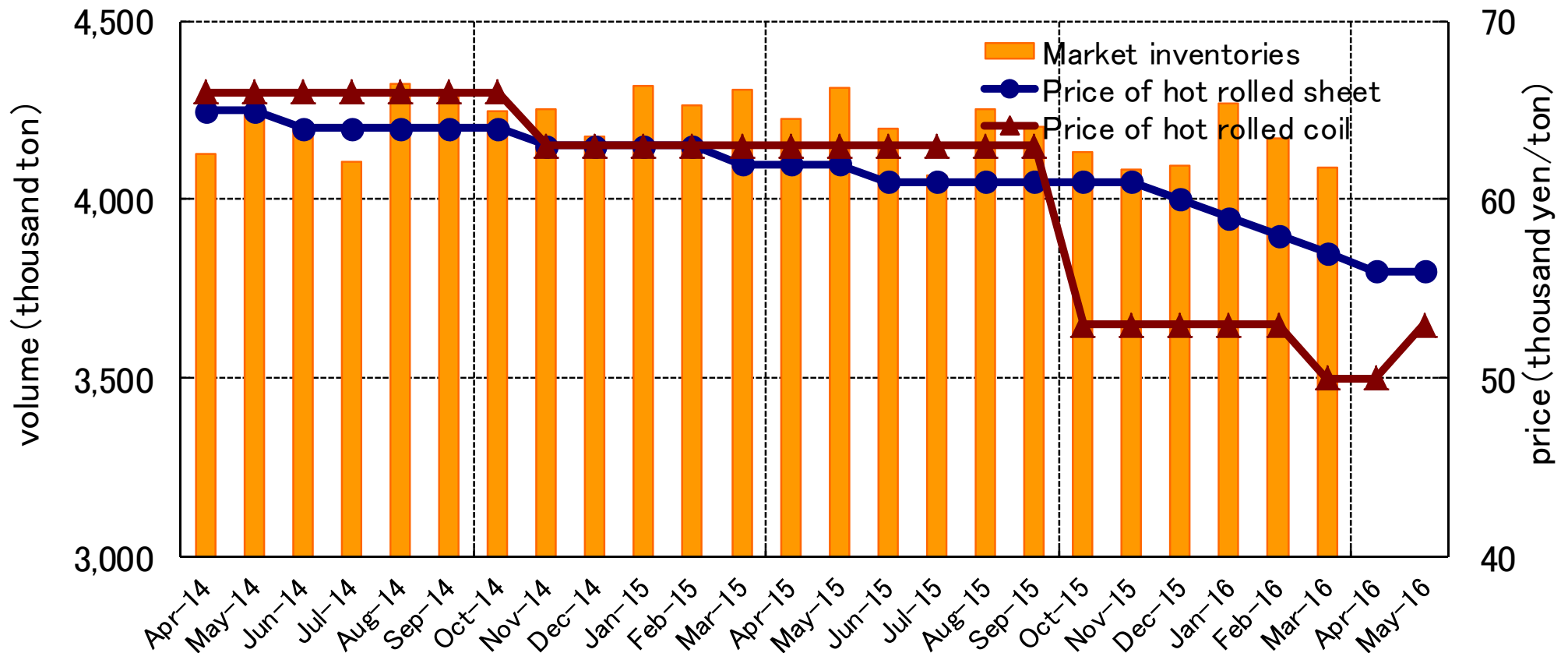
(Data source : Inventories _ Tokiwa-kai / Price _ Japan metal daily)

Market Trend of Flat Products

Demand for flat products was low because of declining demand in Japan and sluggish exports caused by the lack of overseas economic growth. The pace of price declines increased in the fiscal year's second half as market inventories remained high.

Currently, steel mills are starting to raise flat product prices in response to the rebound in prices of raw materials. But the outlook is uncertain in part because price hikes in overseas markets that triggered the rebound have apparently peaked.

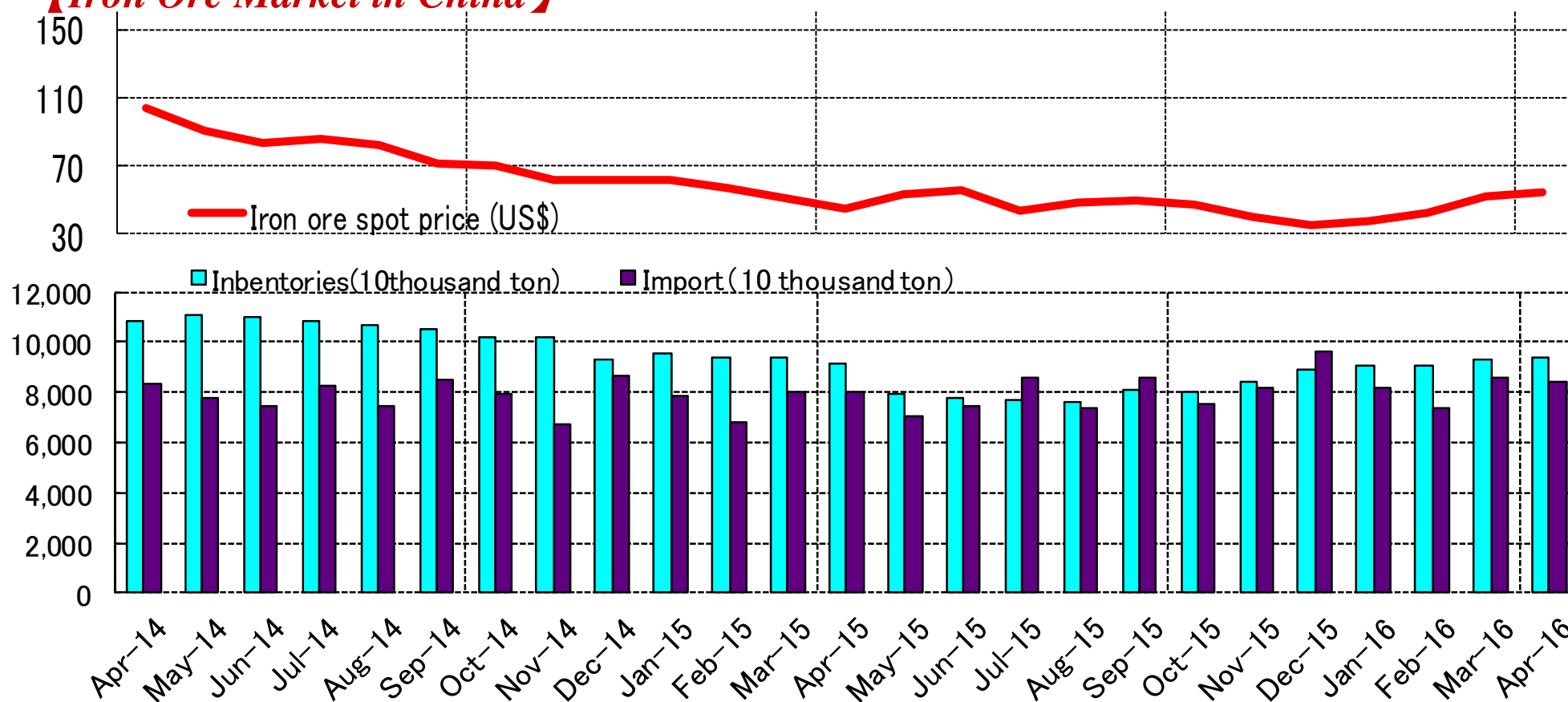
[Transition of Steel Sheets Markets in Japan]



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

Despite declining steel demand in China, major mining companies that have increased capacity continued to offer iron ore at low price. Imported iron ore price plunged as a result. The price of iron ore rebounded in March in response to China's announcement of economic stimulus measures. But the price started moving down again in May in part because of restrictions on futures in China.

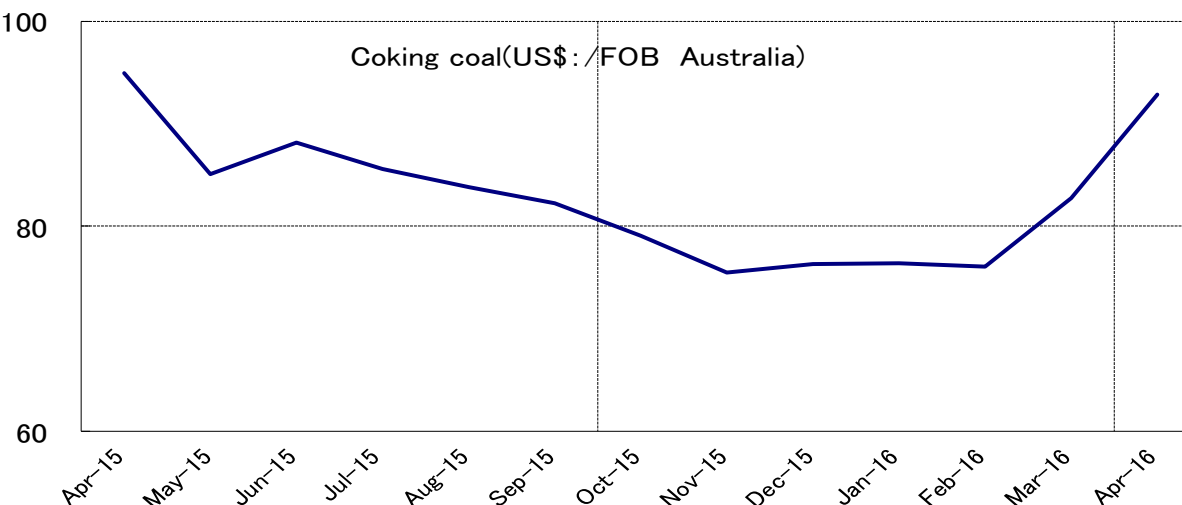
【Iron Ore Market in China】



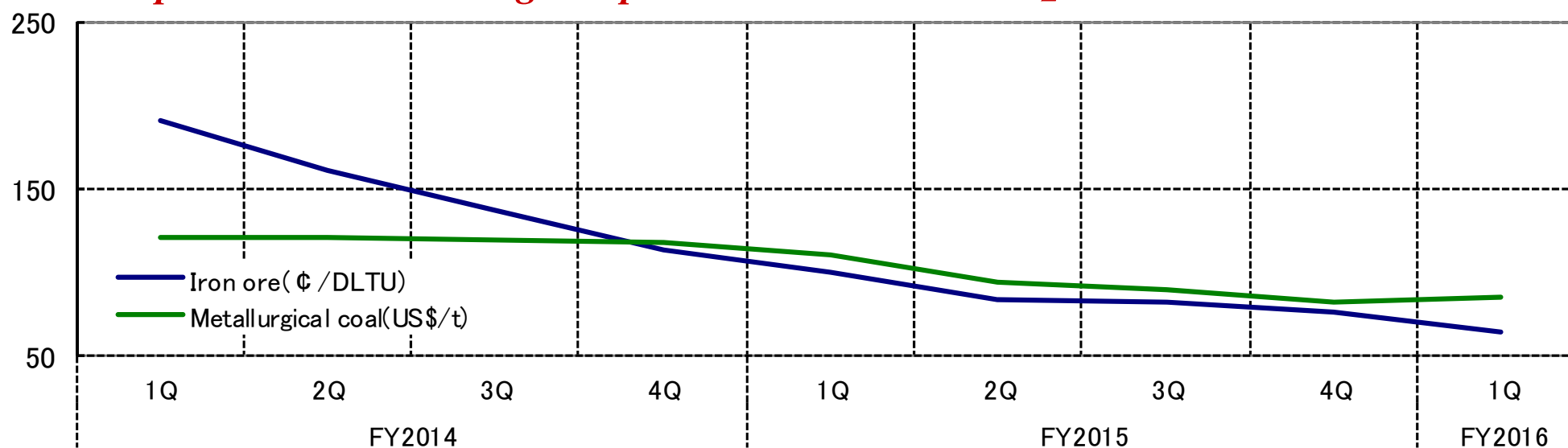
(data source : Interfax, China Customs)

Demand and price of coking coal have been weak just as with iron ore. Although expectation for higher steel demand pushed up the price, it is once again moving down. Contract prices between mining companies and Japanese steel mills decreased steadily throughout the fiscal year because of the downturn in the spot price.

【Coking coal price】



【Contract price between Mining companies and Steelmakers】



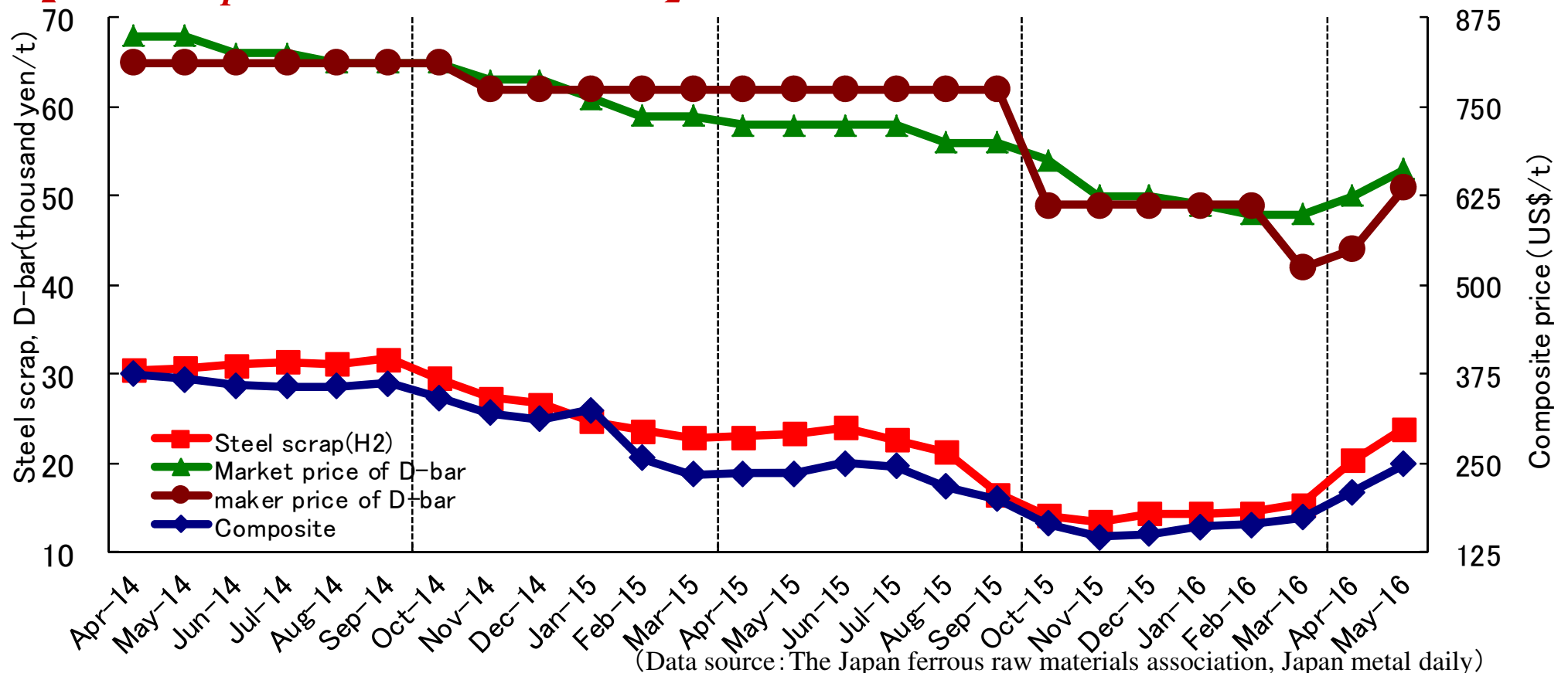
(Data source : some news report)

Markets Trend of Steel Scrap

The market price of steel scrap declined due to pressure from cheap exports of Chinese billets as the cost of raw materials fell.

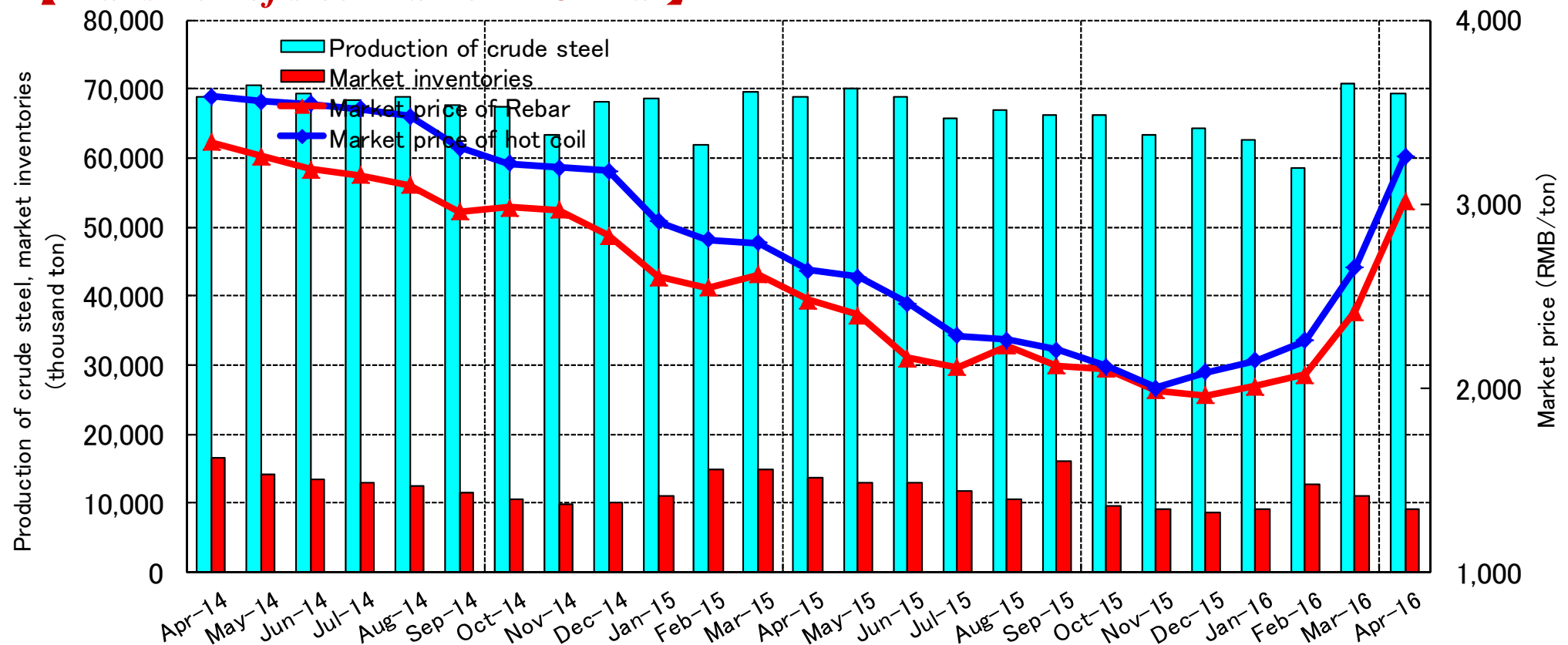
The sharp drop in the price of steel scrap and sluggish construction activity in Japan brought down the price of D-bar. The price of steel scrap is now rising rapidly. Market has shown its signs of bottom out, but as price of steel scrap has weakened again, the outlook turns out to be unclear.

【Steel scrap and D-bar Market Price】



Chinese steel products export volume increased as crude steel production remained high even though steel demand has been lackluster. Market prices in China plunged because of depressed demand but started recovering after the Chinese new year of 2016 and then rose rapidly following China's announcement of measures to stimulate demand. Currently, prices are again moving down due to futures restrictions in China and the uncertain outlook for real demand.

【Transition of steel market in China】

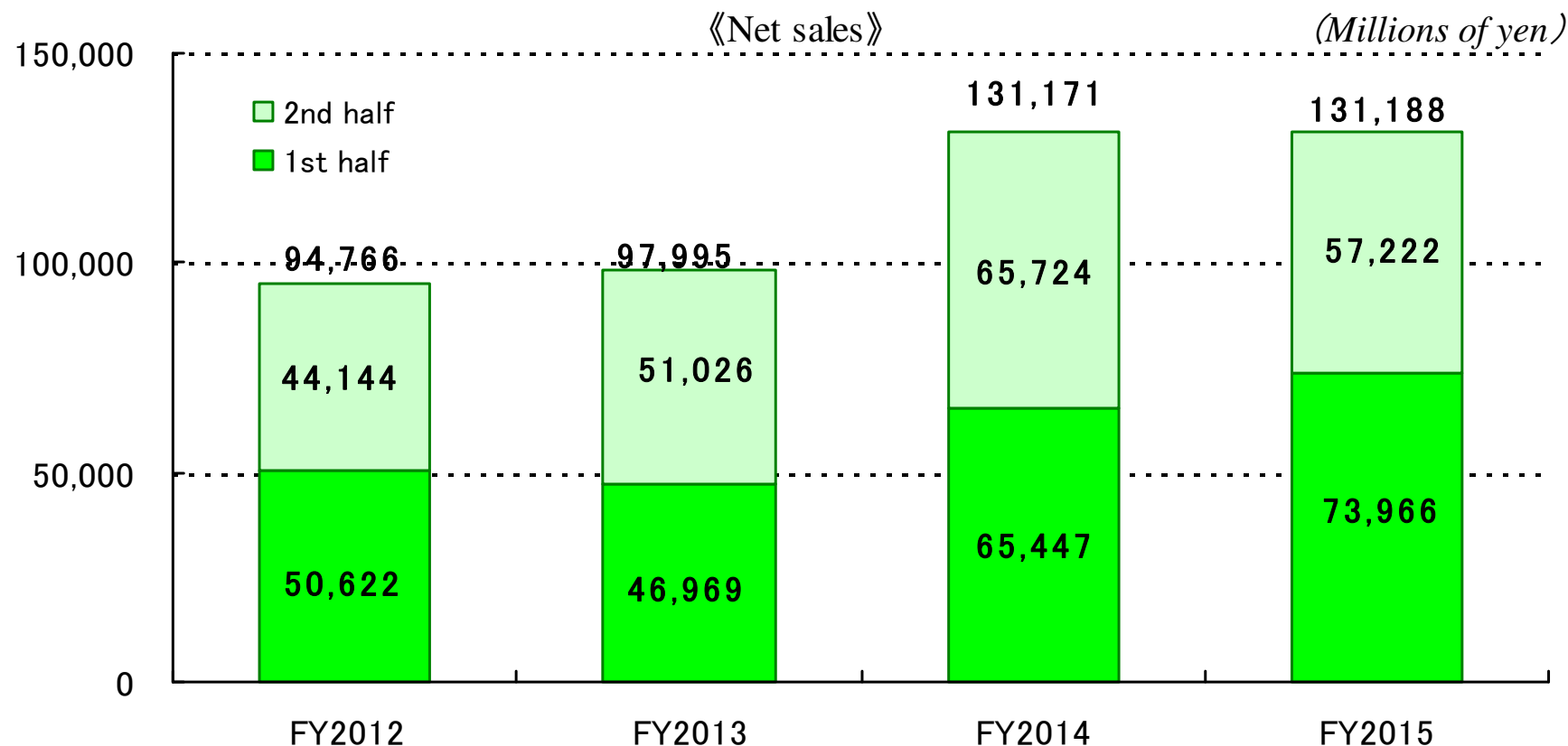


(Data source : The Japan Iron and Steel Federation)

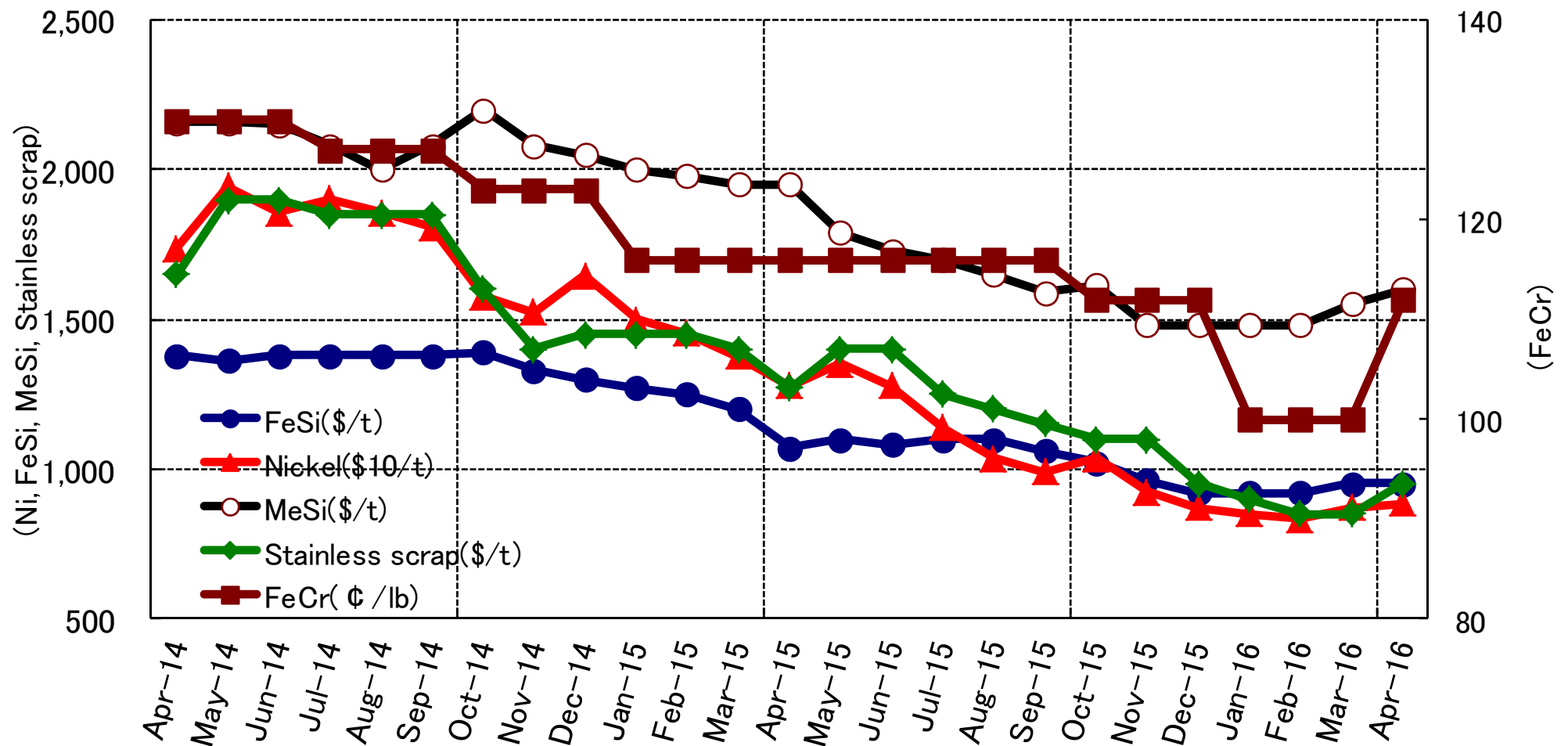
(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
FY2015	131,188	2,217	1.7%
FY2014	131,171	343	0.3%

Indonesia's embargo on nickel ore exports created higher demand for alternative metals. Sales of stainless steel base materials and ferroalloys increased but sales of stainless steel scrap and nickel scrap decreased. The result was almost no change in net sales. Earnings were higher because of no accrual of large foreign exchange loss caused by the yen's decline.



Soft demand for stainless steel and weakness in global markets for crude oil and other commodities led prices of stainless steel raw materials weaken. There have been indications of a price upturn since start of the new fiscal year.



Non-ferrous Metals Business Segment

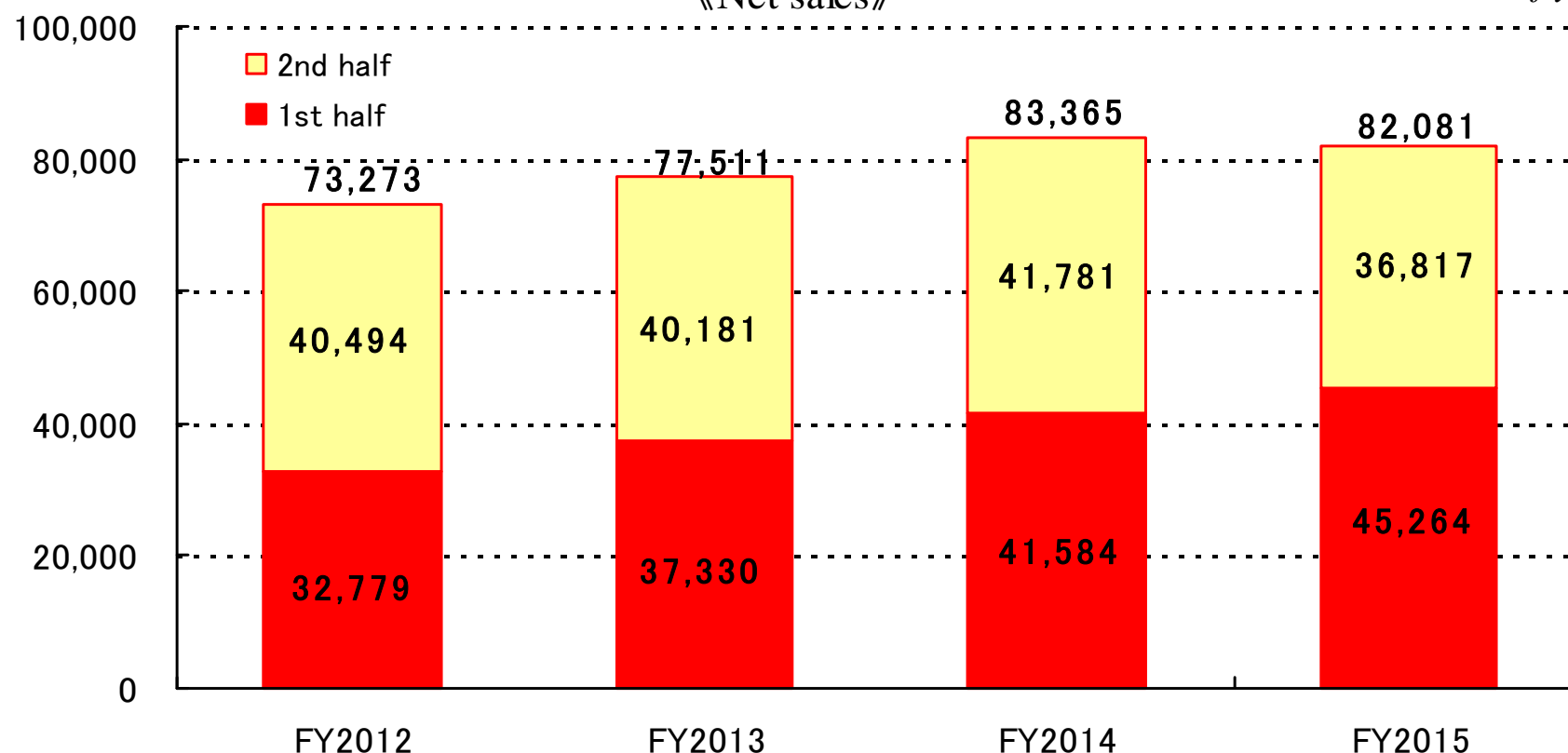
(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2015	82,081	848	1.0%
FY2014	83,365	1,146	1.4%

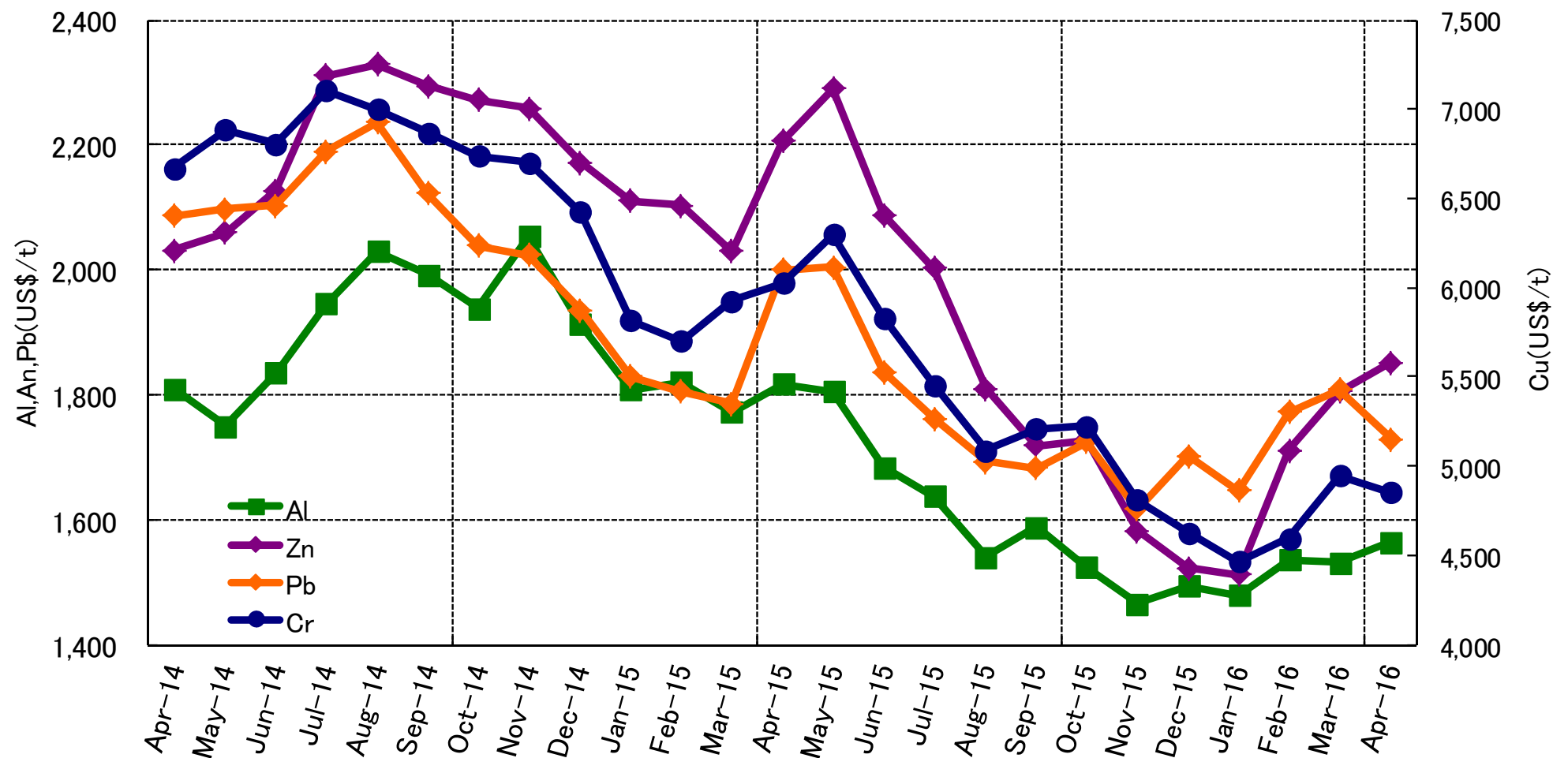
Net sales benefited from newly consolidated subsidiary Seiki Metal and a higher sales volume of copper, zinc and precious metal scrap. But a decline in non-ferrous metal prices brought down total sales. Earnings were impacted by the sharp drop in the Japan premium for aluminum and the higher cost of procuring scrap because of a drop in the volume of non-ferrous scrap produced.

《Net sales》

(Millions of yen)



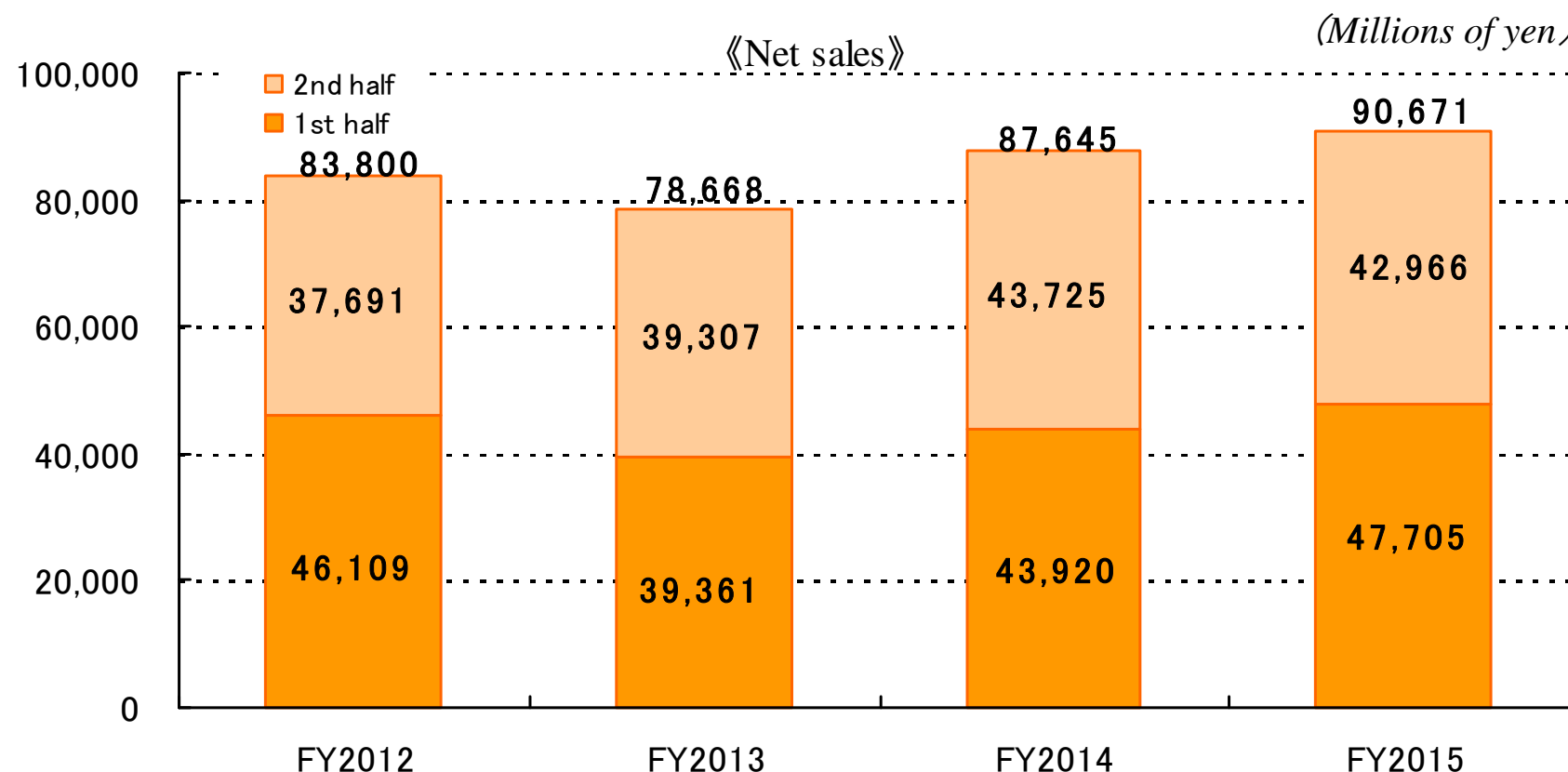
LME prices continued to decline because of concerns about slowing economic growth and an oversupply of these metals in China. Prices recovered after the Chinese new year but are now showing signs of weakness again.



(Millions of yen)

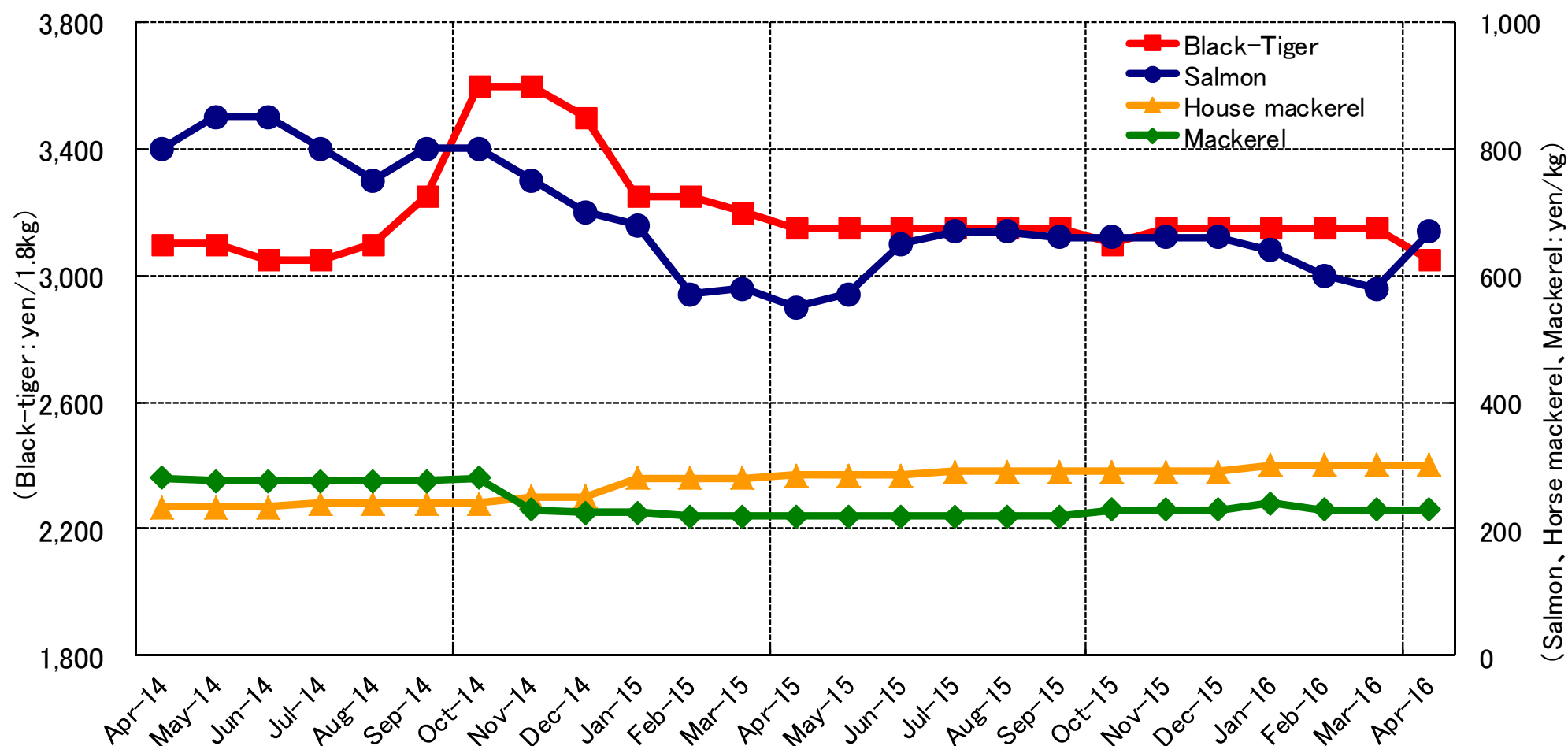
	Net sales	Segment income	Profit ratio
FY2015	90,671	75	0.1%
FY2014	87,645	583	0.7%

Demand in Japan was weak and prices in major fish species were lower than in the previous fiscal year. Newly consolidated subsidiary Seattle Shrimp Seafood contributed to sales growth but there was a loss due to the crash of the shrimp market in North America.



Market Trend of Frozen Marine Products

The yen's weakness has kept prices almost unchanged in Japan even though demand has been sluggish. Offer prices for salmon from packers were weak because of the large catch of wild salmon. But prices are rising due to the farmed salmon seaweed crisis in Chile. The price of shrimp decreased because of soft demand in Japan and the U.S.



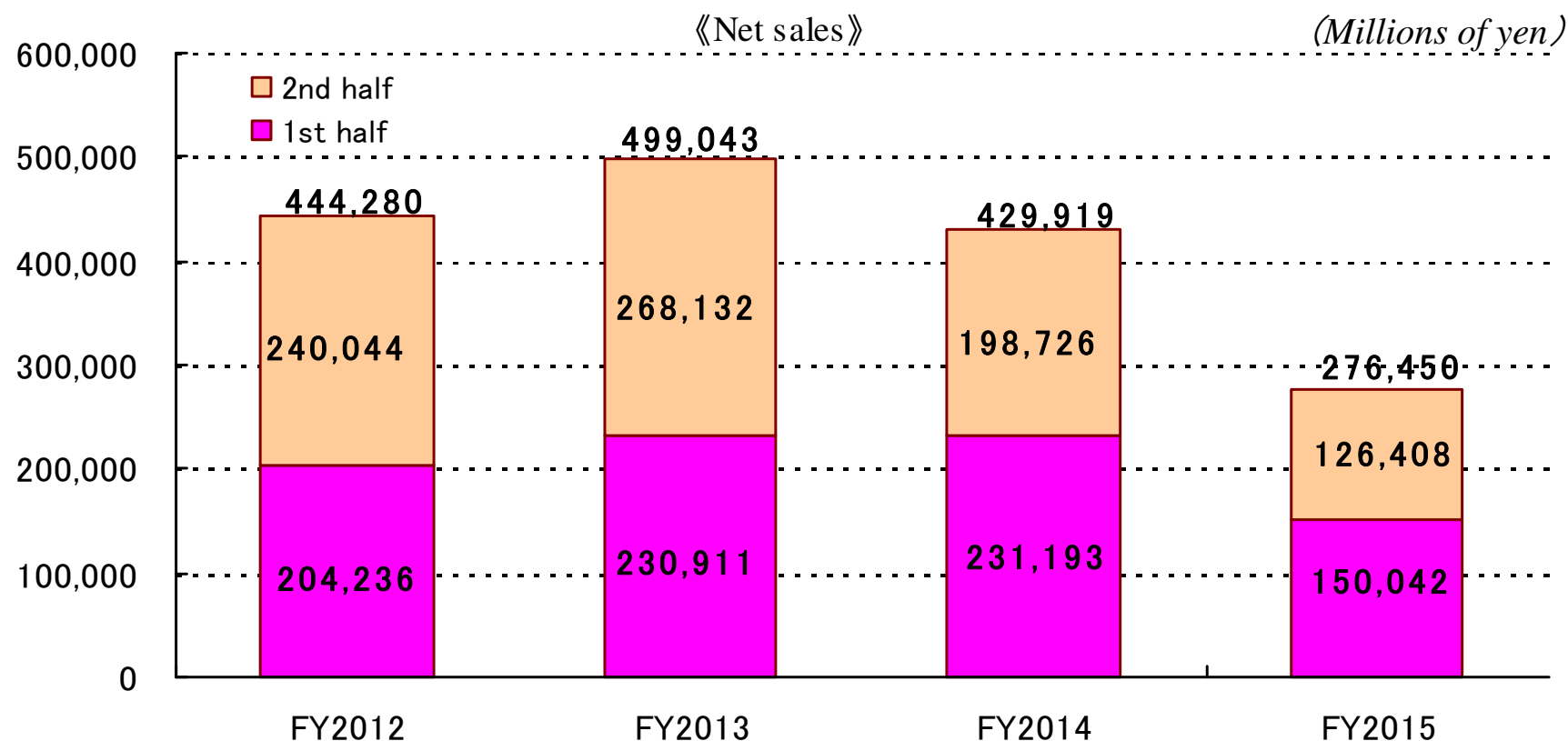
Petroleum & Chemicals Business Segment



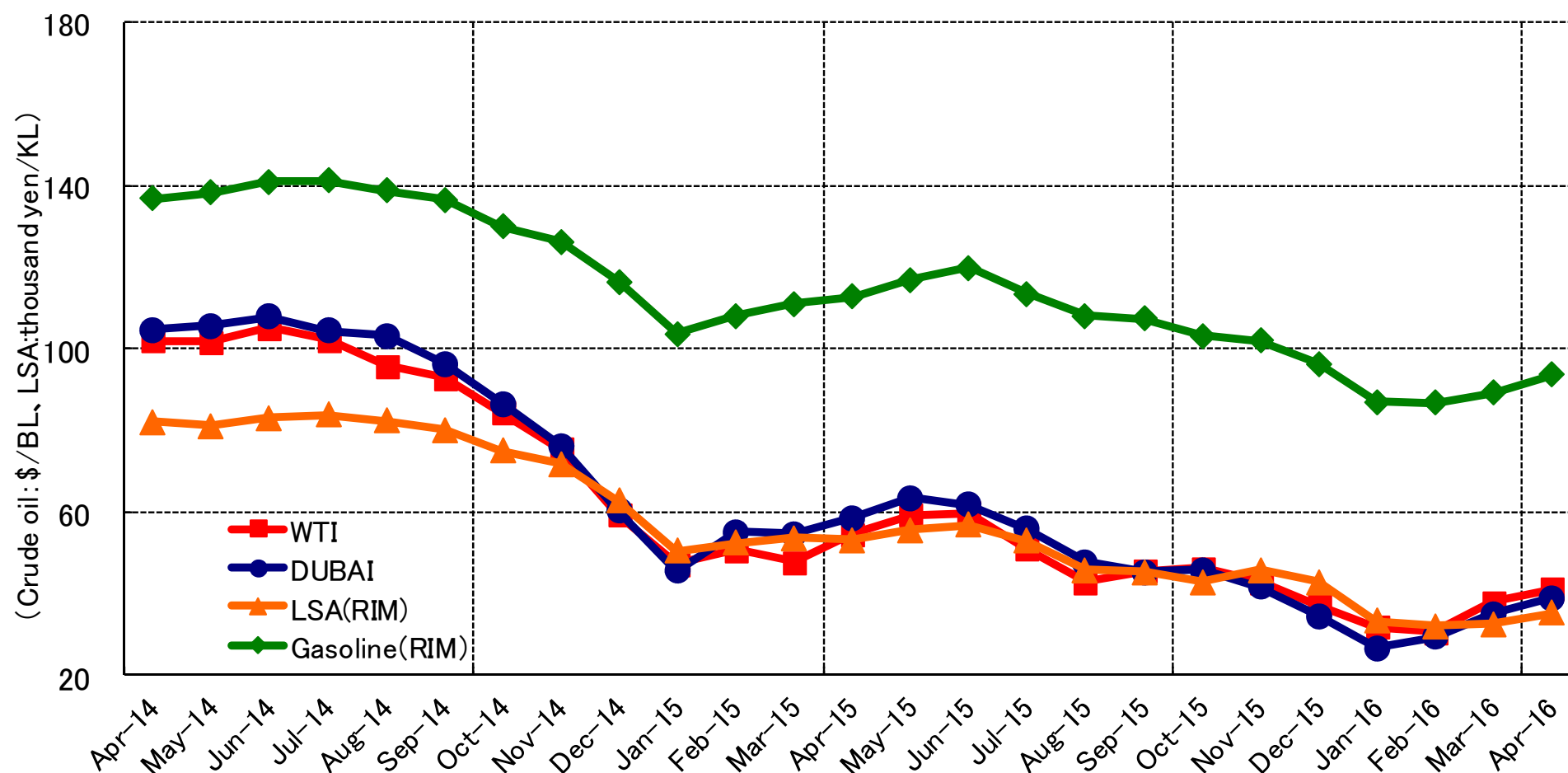
(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2015	276,450	1,974	0.7%
FY2014	429,919	2,481	0.6%

Net sales and earnings were down as prices of refined products fell along with the cost of crude oil. Lower bunker fuel demand caused by the weak shipping industry, Revenue of this segment was affected by lower industrial fuel sales in Japan caused by the stagnant economy and a decline in kerosene sales due to warm winter weather in Japan.



Although price of crude oil initially recovered somewhat from last year's big drop, the price has been falling again due to slowing economic growth in China, increasing U.S. inventories, the inability of oil-producing countries to agree on production cuts, and the desire of investors to shun commodity markets. The price has been climbing since the start of 2016 but the outlook is uncertain..

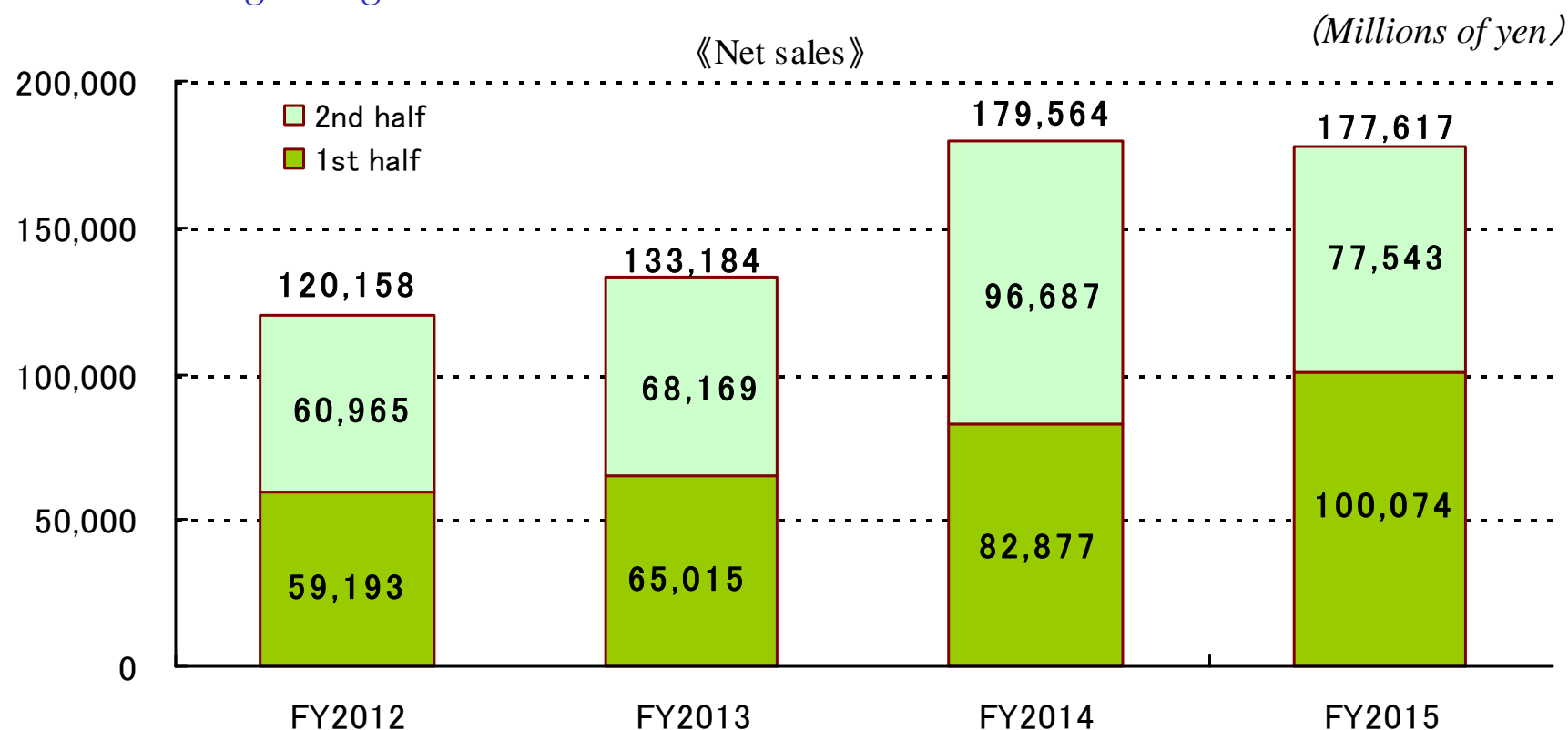


Overseas Sales Subsidiaries Segment

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
FY2015	177,617	(708)	-0.4%
FY2014	179,564	(59)	-0.0%

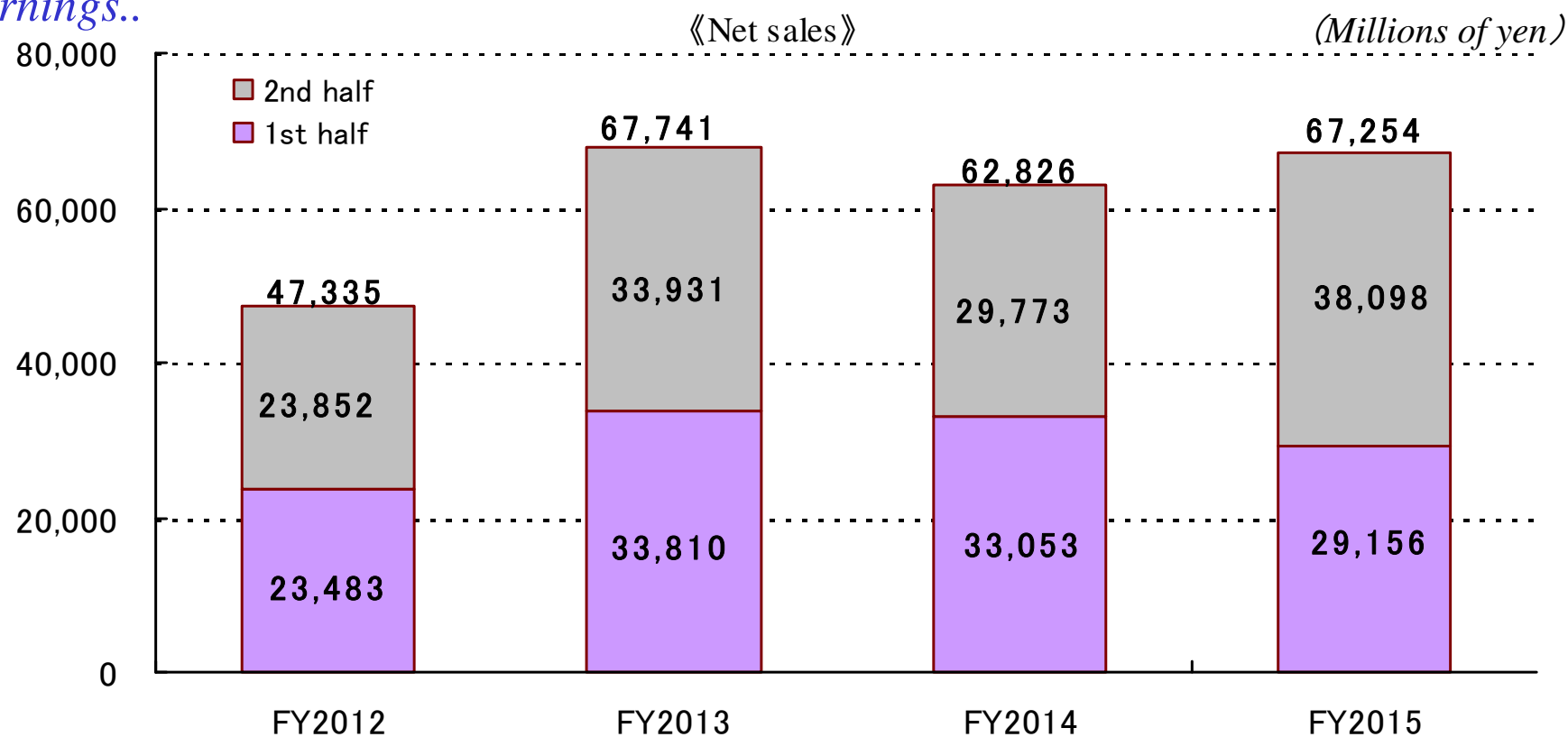
Although weaker yen increased conversions of overseas sales, the downturn in prices of bunker fuel, non-ferrous metals and other commodities brought down total sales. The segment loss is mainly due to non-ferrous metals operations in Thailand and the steel business in Hong Kong and the United States.



(Millions of yen)

	Net sales	Segment income	Profit ratio
FY2015	67,254	1,375	2.0%
FY2014	62,826	743	1.2%

Net sales were higher mainly because of installations of leisure facilities and an increase in industrial machinery sales in the machinery category. Higher lumber prices associated with a tight supply of European lumber were mainly responsible for the improvement in earnings..



【Strengthening of Domestic Business】

M&A for strengthening of function

Acquisition ownership of Fukuoka Kogyo Co., Ltd.(Apr-2015)

Acquisition ownership of Daiko Sangyo Co., Ltd.(Apr-2015)

Acquisition ownership of Daisun Co., Ltd. (Jul-2015)

Acquisition ownership of Nikko Metals Co., Ltd. (Sep-2015)

Acquisition ownership of Seibu Service Group(Dec-2015)

Promotion of business investment

Equity investment in Metal Tech Corp. (Sep-2015)

Expansion of domestic bases

Establishment of Fukuyama branch office (Apr-2015)

Establishment of Wakayama branch office (Mar-2016)

【Enhancement of Overseas Operation】

Promotion of business investment

Equity investment in Samancor Chrome Holdings Ltd. in South Africa (Nov-2015)

We forecast better net sales and earnings in FY2016, expecting benefit from higher demand in the construction and other market sectors and a small recovery in commodity prices. In addition, we do not foresee a repeat of the one-time factors that held down FY2015 earnings.

For FY2016, we plan to pay interim and year-end dividends of 9 yen, the same as for FY2015.

(Millions of yen)

	<i>FY2016 (forecast)</i>	<i>FY2015</i>
<i>Net sales</i>	<i>1,600,000</i>	<i>1,511,800</i>
<i>Operating income</i>	<i>21,000</i>	<i>18,178</i>
<i>Ordinary income</i>	<i>19,000</i>	<i>15,424</i>
<i>Net income</i>	<i>13,000</i>	<i>25,469</i>

	<i>Year</i>	<i>Interim</i>	<i>Year-end</i>
<i>Cash dividends (yen)</i>	<i>18.00</i>	<i>9.00</i>	<i>9.00</i>

Forecast of Segment Information

Net sales

	<i>FY2016</i>	<i>FY2015</i>	<i>Rate of change</i>
<i>Steel</i>	875,000	798,691	+9.6%
<i>Metal & alloys</i>	132,000	131,188	+0.6%
<i>Non-ferrous metals</i>	75,000	82,081	-8.6%
<i>Foods</i>	96,000	90,671	+5.9%
<i>Petroleum & chemicals</i>	250,000	276,450	-9.6%
<i>Overseas sales subsidiaries</i>	187,000	177,617	+5.3%
<i>Total for reportable segments</i>	1,615,000	1,556,701	+3.7%
<i>Other</i>	82,000	67,254	+21.9%
<i>Total</i>	1,697,000	1,623,956	+4.5%
<i>Adjustment</i>	(97,000)	(112,155)	-13.5%
<i>Consolidated</i>	1,600,000	1,511,800	+5.8%

Segment income

(Millions of yen)

	<i>FY2016</i>	<i>FY2015</i>	<i>Rate of change</i>
<i>Steel</i>	16,400	14,829	+10.6%
<i>Metal & alloys</i>	2,200	2,217	-0.8%
<i>Non-ferrous metals</i>	1,100	848	+29.7%
<i>Foods</i>	1,000	75	-
<i>Petroleum & chemicals</i>	2,600	1,974	+31.7%
<i>Overseas sales subsidiaries</i>	300	(708)	-
<i>Total for reportable segments</i>	23,600	19,237	+22.7%
<i>Other</i>	1,400	1,375	+1.8%
<i>Total</i>	25,000	20,613	+21.3%
<i>Adjustment</i>	(6,000)	(5,188)	+15.7%
<i>Consolidated</i>	19,000	15,424	+23.2%

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.