

FINANCIAL RESULTS

for the Fiscal Year ended March 31, 2018

May 21, 2018

HANWA CO., LTD.

Operating Results (consolidated)

- Net sales increased by 18% from the previous fiscal year due to higher prices for steel products and metal resources.
- SG&A expenses increased by 12% from the previous fiscal year due to increase of approximately ¥2.4 billion in personnel expenses (of which ¥1.0 billion was due to the impact of newly consolidated subsidiaries).
- Ordinary income rose 11% due to increase in profits in the metals & alloys segment and foreign exchange gain as opposed to the loss from the previous fiscal year.
- Net income attributable to owners of parent increased by 6% despite a decline in extraordinary gain and increase in income taxes.

(billions of yen)

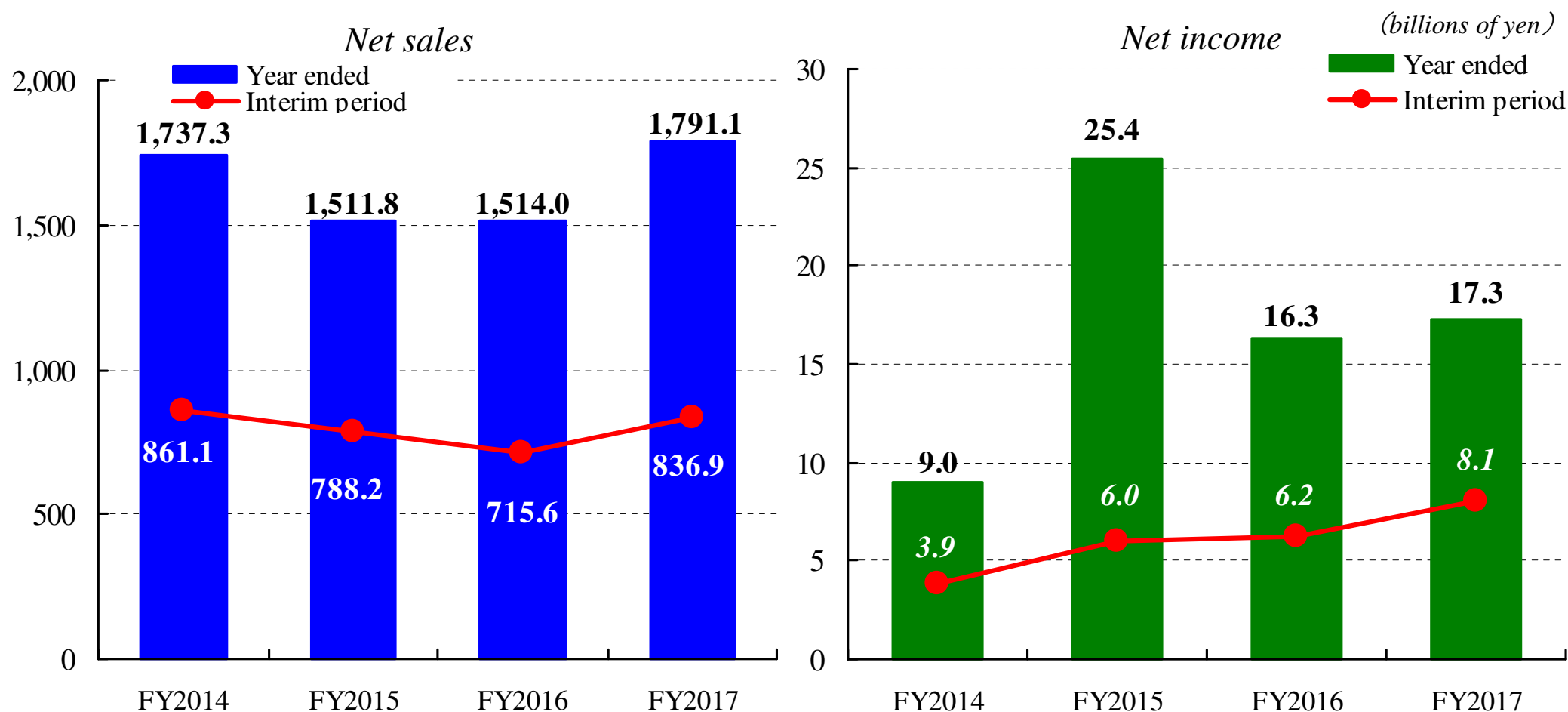
	FY2016	FY2017	Rate of changes
Net sales	1,514.0	1,791.1	+18%
Gross profit	64.5	72.1	+12 %
SG&A	41.0	45.9	+12 %
Operating income	23.4	26.2	+12 %
Ordinary income	22.9	25.5	+11 %
Net income attributable to owners of the parent	16.3	17.3	+6 %
EPS	400.89yen	427.04yen	+7%
Comprehensive income	20.9	22.5	+7 %

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

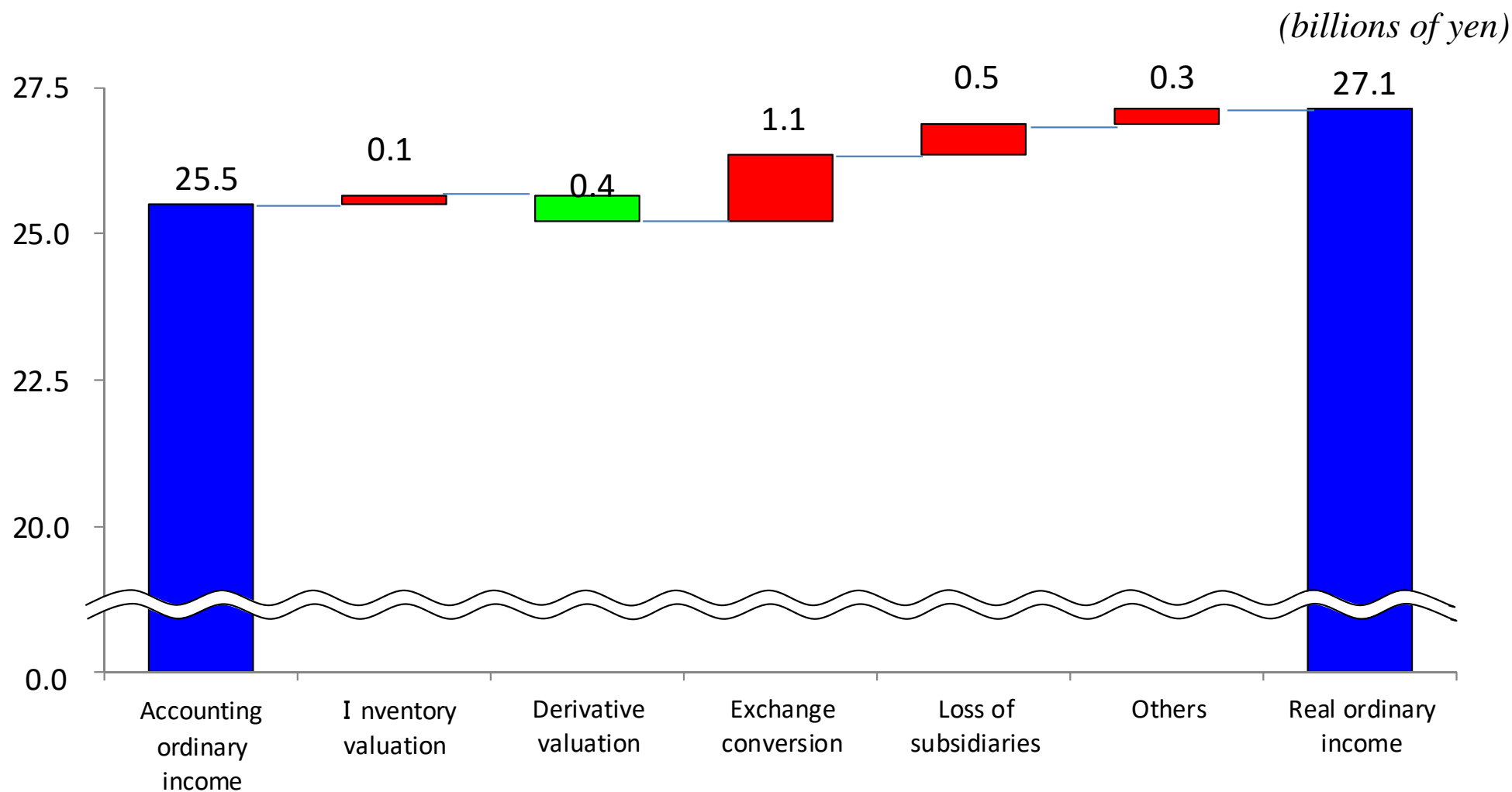
Changes in Business Results (consolidated)

Net sales increased as steel and resource markets recovered..

Net income attributable to the owners of parent company has been steadily increasing, except for the impact of a decrease in taxes due to the sale of real estate in FY2015.



Reported ordinary income was 25.5 billion yen, but can be translated into was about 27.1 billion yen (compared with 23.2 billion yen one year ago) after excluding one-time factors such as period-end valuation gains and losses for inventories, derivatives and other items, one-time loses at subsidiaries, and other items.

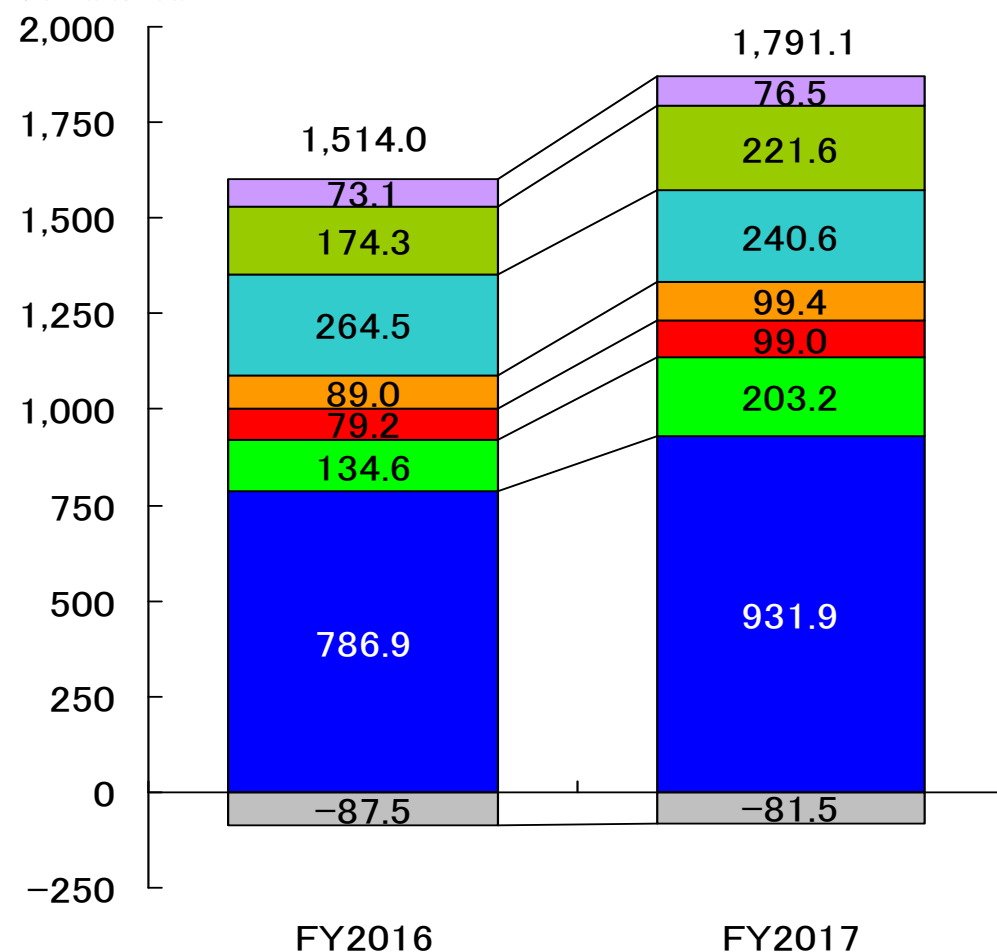


Segment Information (consolidated)

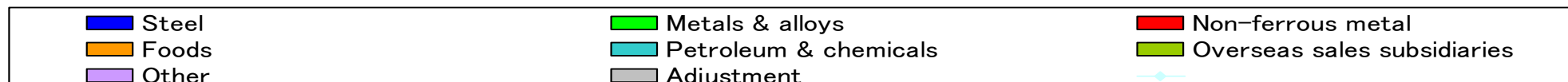
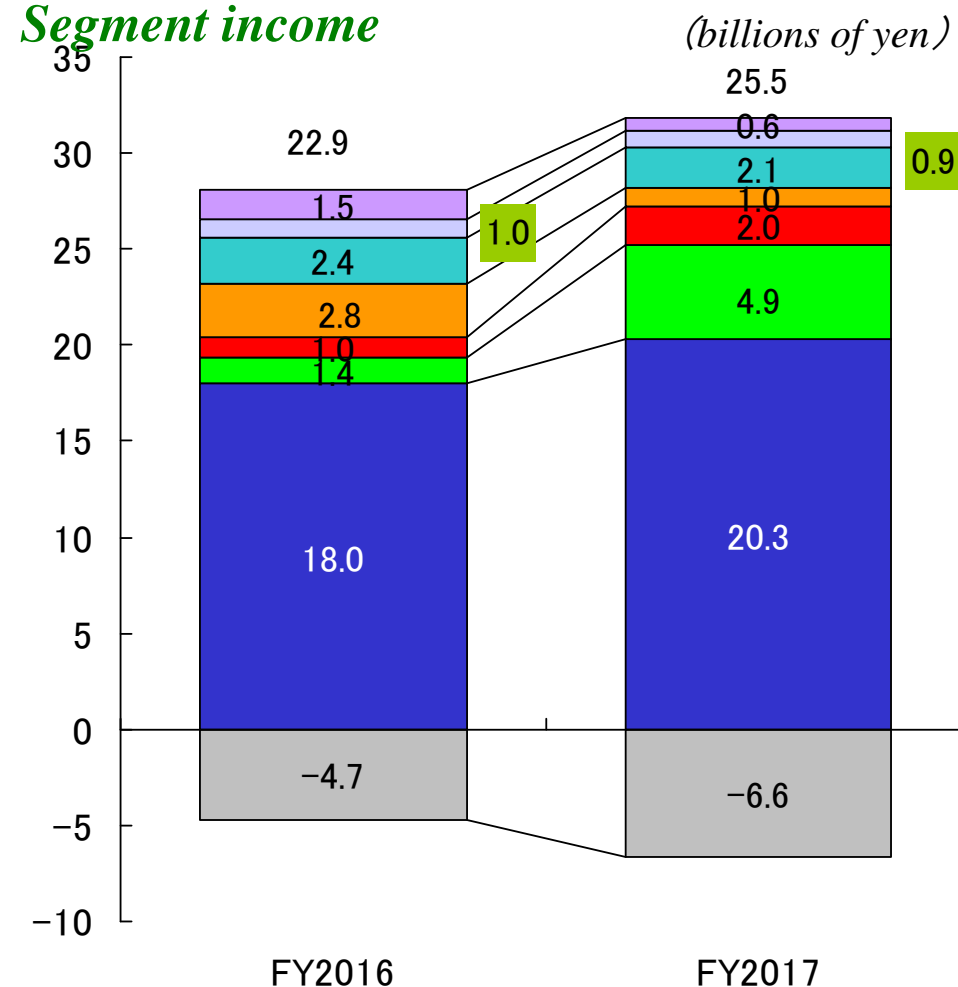
Sales in all reportable segments increased, except for the petroleum & chemicals business, which saw a decline in the transaction volume.

From a profit perspective, metals & alloys and steel segments increased, while food segment, which performed well in the previous fiscal year, saw a decline in profits.

Net sales



Segment income



Financial Position (consolidated)

- Total assets increased by 24% from the end of the previous fiscal year, due to increase in trade receivables and investment securities.
- Interest-bearing debt increased by 25% from the end of the previous fiscal year, reflecting an increase in borrowings to meet increased demand for working capital and fund the acquisition of securities. Net DER slightly increased to 1.5 times.
- Net assets rose 19% from the end of the previous fiscal year due to an increase in non-controlling interests in Japan South Africa Chrome and a rise in net income attributable to owners of parent..

(billions of yen)

	<i>FY2016</i>	<i>FY2017</i>	<i>Rate of changes</i>
<i>Total assets</i>	694.2	861.9	+24 %
<i>Total liabilities</i>	522.5	658.2	+26%
<i>Interest-bearing debt</i>	259.6	325.5	+25 %
<i>Net DER</i>	135.7%	154.1%	+18.4pt
<i>Net assets</i>	171.6	203.7	+19 %
<i>Shareholders' equity</i>	170.4	187.8	+10 %
<i>Shareholders' equity ratio</i>	24.5 %	21.8 %	−2.7pt
<i>BPS</i>	4,193.50 yen	4,621.96 yen	+10 %

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

Cash Flows Situation (consolidated)

- Cash flows from operating activities used 19.7 billion yen mainly due to an increase in demand for working capital in line with the increase in net sales.
- Cash flows from investing activities amounted to ¥39.9 billion, mainly due to the purchase of investment securities and the execution of long-term loans.
- Cash flows from financing activities was ¥66.4 billion due to an increase in long-term and short-term loans in response to an increase in demand for funds.

(billions of yen)

	<i>FY2016</i>	<i>FY2017</i>	<i>Change</i>
<i>Cash flows from operating activities</i>	3.9	(19.7)	−23.7
<i>Cash flows from investing activities</i>	(18.4)	(39.9)	− 21.5
<i>Cash flows from financing activities</i>	15.4	66.4	+50.9
<i>Cash and cash equivalents at end of the period</i>	27.2	34.8	+7.6

· *Net sales forecast*

Demand in each business is expected to remain strong, with a 12% increase expected.

· *Profit forecast*

Both the parent company and subsidiaries are expected to steadily increase profits, and SAMANCOR's equity method investment income, which failed to contribute to earnings in the previous fiscal year, is also expected to increase.

(billions of yen)

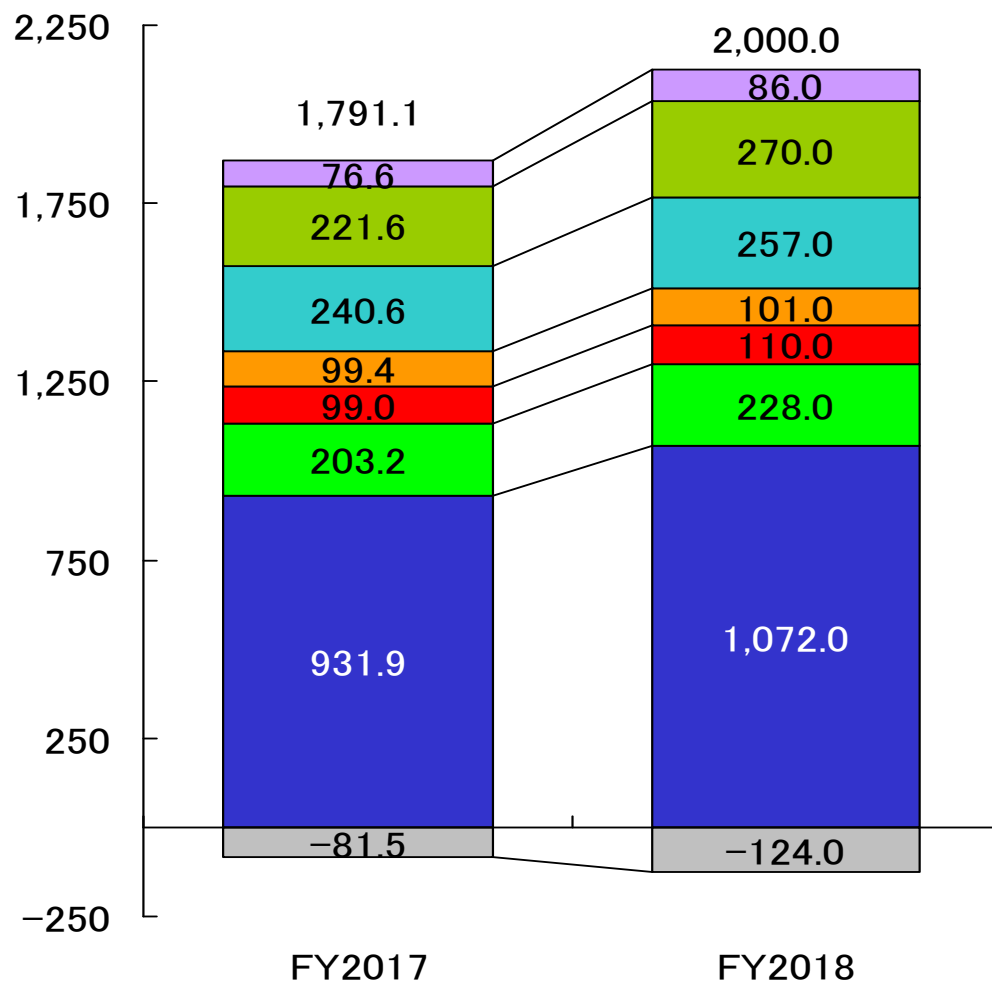
	<i>FY2017</i>	<i>FY2018 (forecast)</i>	<i>Rate of change</i>
<i>Net sales</i>	1,791.1	2,000.0	+12 %
<i>Operating income</i>	26.2	31.0	+18 %
<i>Ordinary income</i>	25.5	30.0	+18 %
<i>Net income attributable to owners of the parent</i>	17.3	19.5	+12 %

Forecast of Segment Information

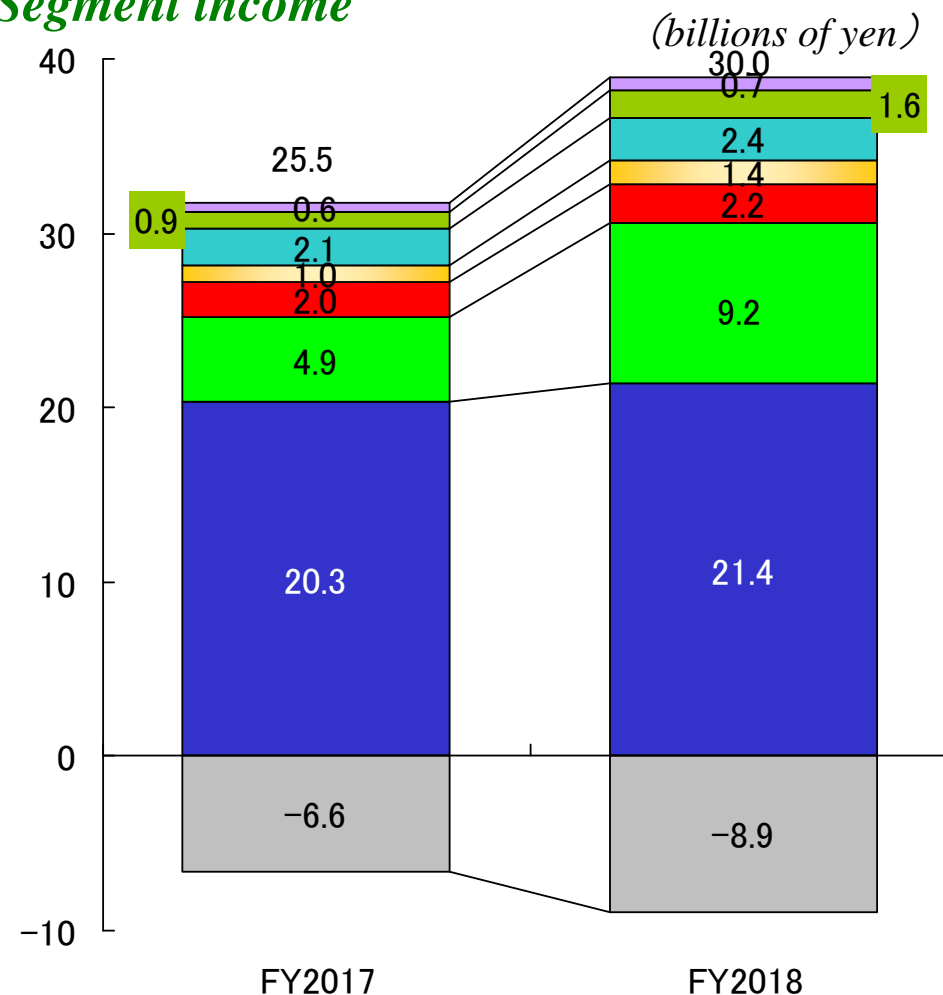
Net sales are expected to increase steadily in each segment.

Segment profit increased significantly in metals & alloys segment, where equity in earnings of affiliates is expected to increase.

Net sales



Segment income



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

【Dividend Policy】

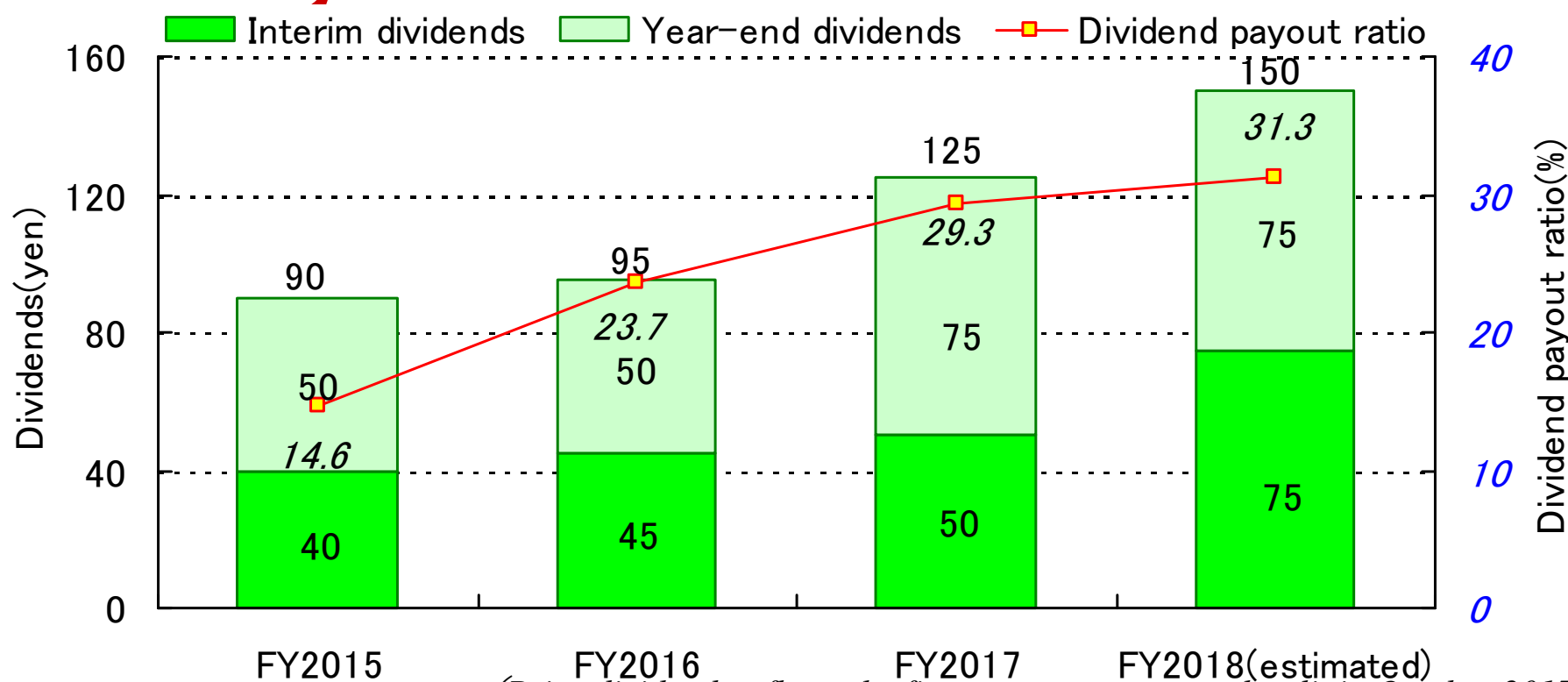
Our policy is to pay a stable dividend to shareholders. In addition, our aim is to increase the dividend based on growth in basic earnings resulting from actions to improve profitability and to reflect the level of returns from strategic investments.

(Estimated Dividend)

FY2017 Year end dividend 75.0 yen (ordinary 65.0 yen, commemorative 10.0 yen)

FY2018 Interim dividend 75.0 yen, Year end dividend 75.0 yen

【Trend in dividends】



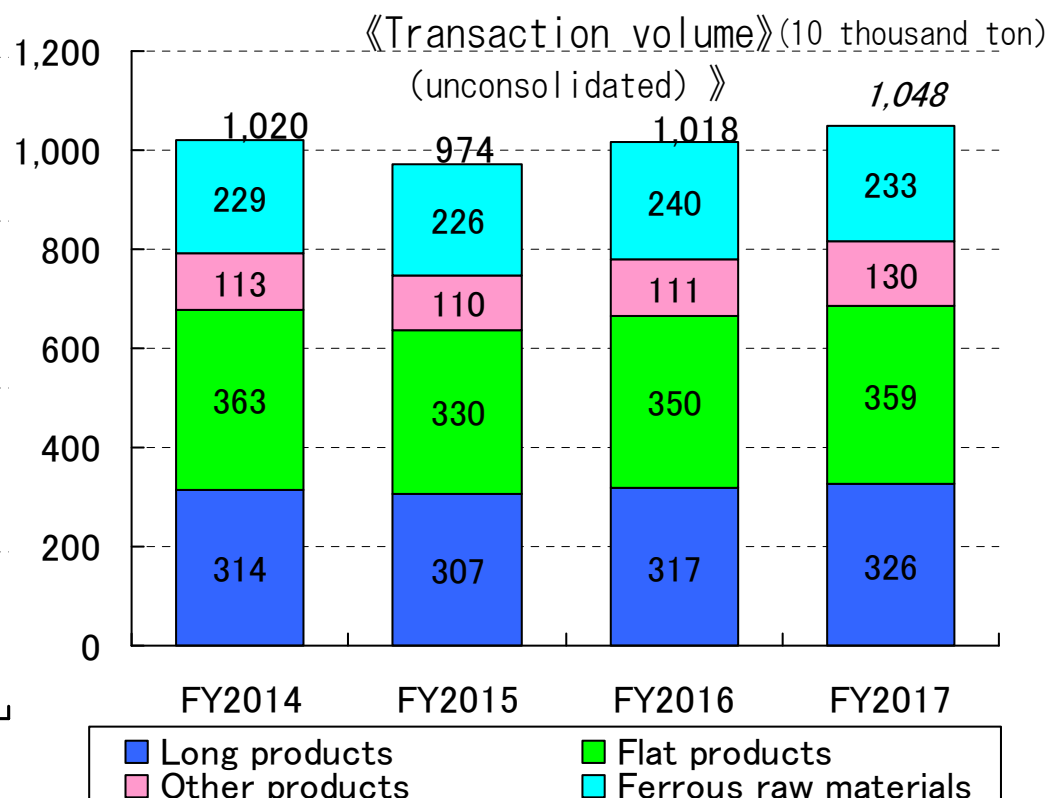
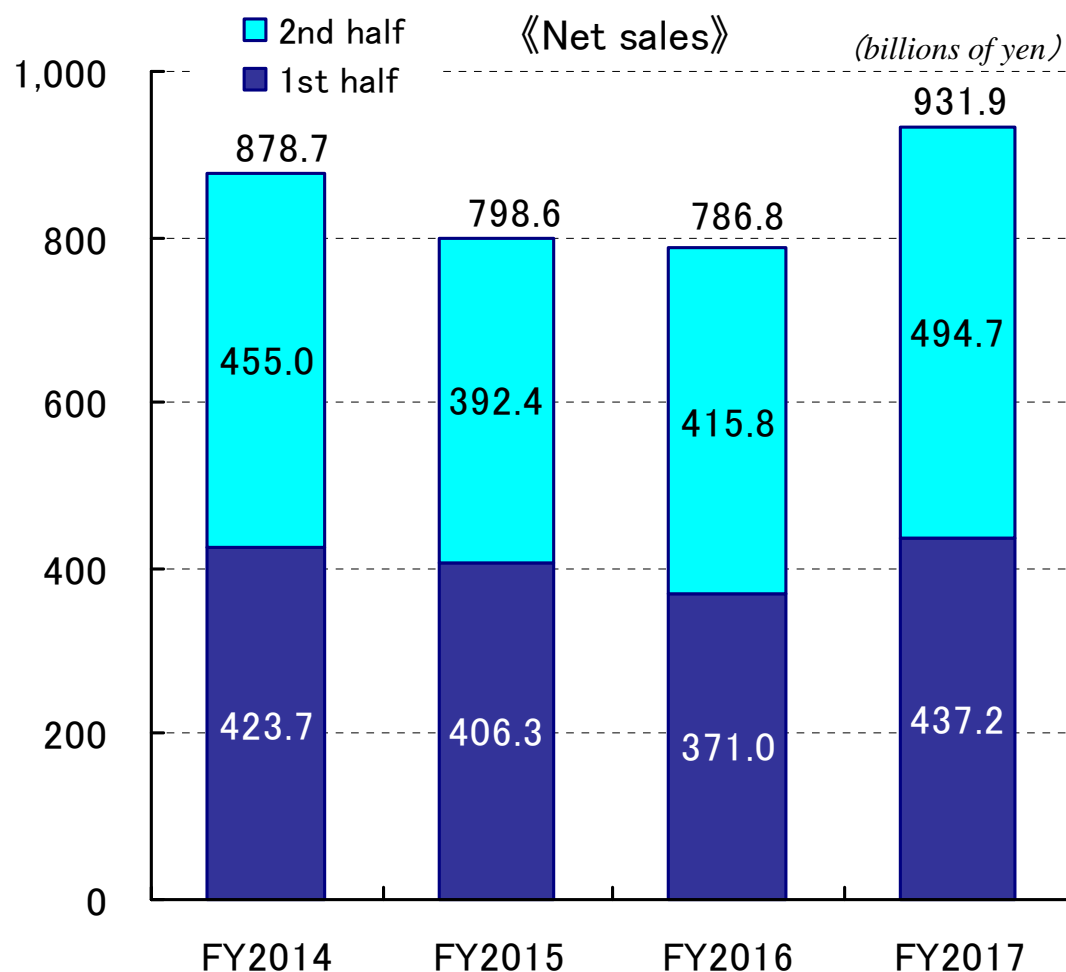
(billions of yen) • Net sales

	FY2016	FY2017	Rate of change
Net sales	786.8	931.9	+18%
Segment income	18.0	20.3	+12%

Steel demand was steady. Sales increased thanks to higher the transaction volume as well as steel prices.

• Segment income

Strong profit margins in long term contracts and shop sales field during the upward phase of steel prices, especially in the first half of the fiscal year.



Metals & Alloys Business Segment

(billions of yen) • Net sales

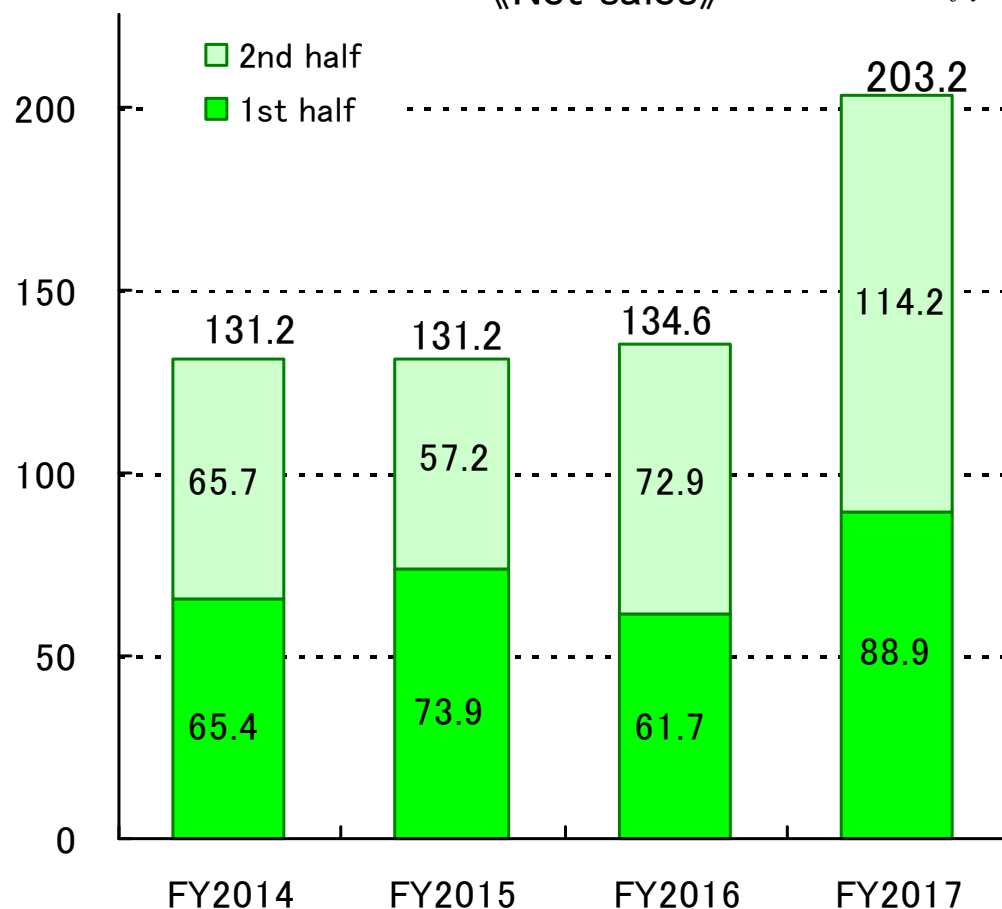
	FY2016	FY2017	Rate of change
Net sales	134.6	203.2	+51%
Segment income	1.4	4.9	+251%

Sales increased due to higher prices of ferroalloys and increased sales of chromium- and manganese-ferroalloys and hot rolled coils of stainless steel.

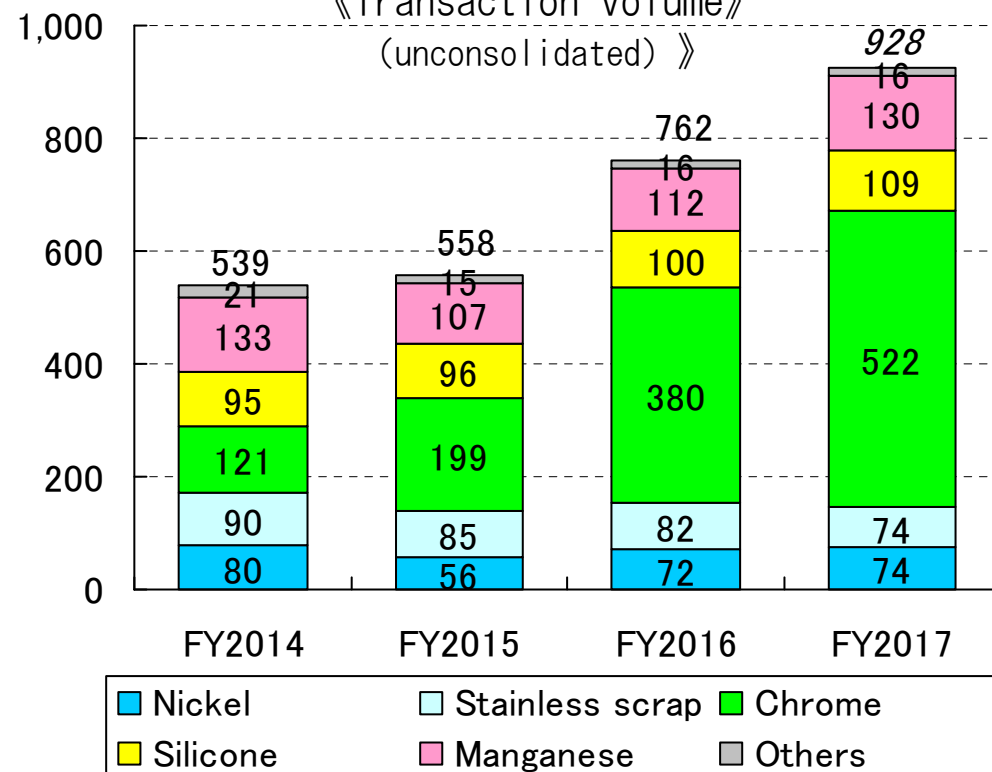
• Segment income

Earnings increased due to higher profits from sales of ferroalloys and an improvement in earnings at Showa Metal, which had a loss in the previous fiscal year.

《Net sales》 (billions of yen)



《Transaction volume》 (thousand ton)
(unconsolidated)》



Non-ferrous Metals Business Segment

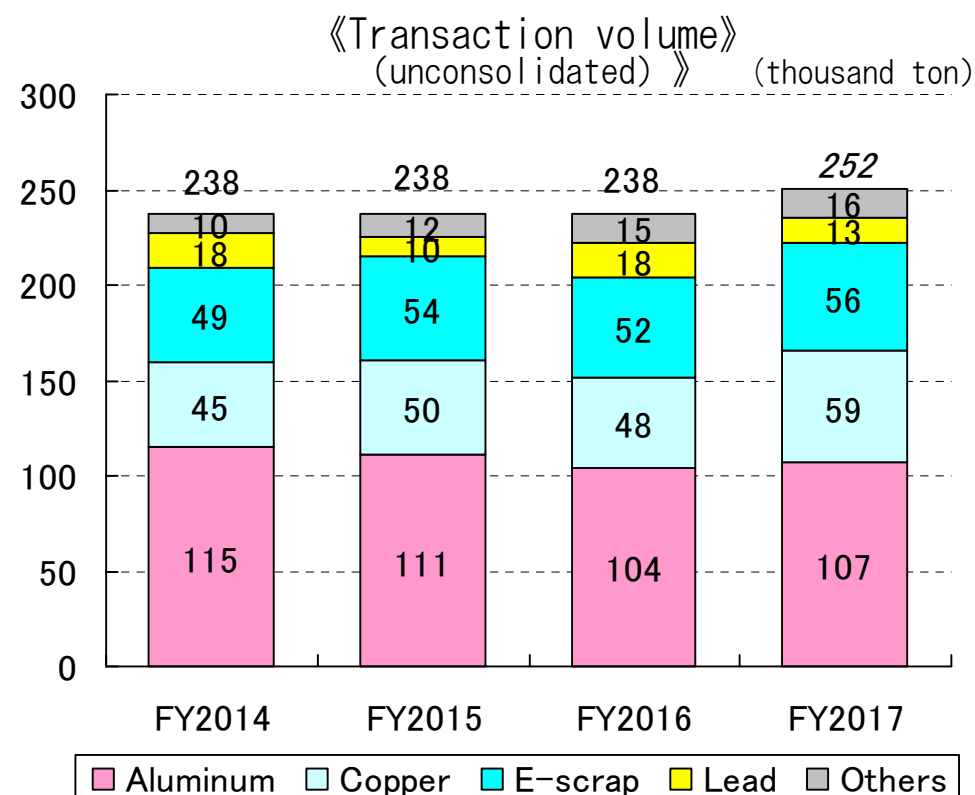
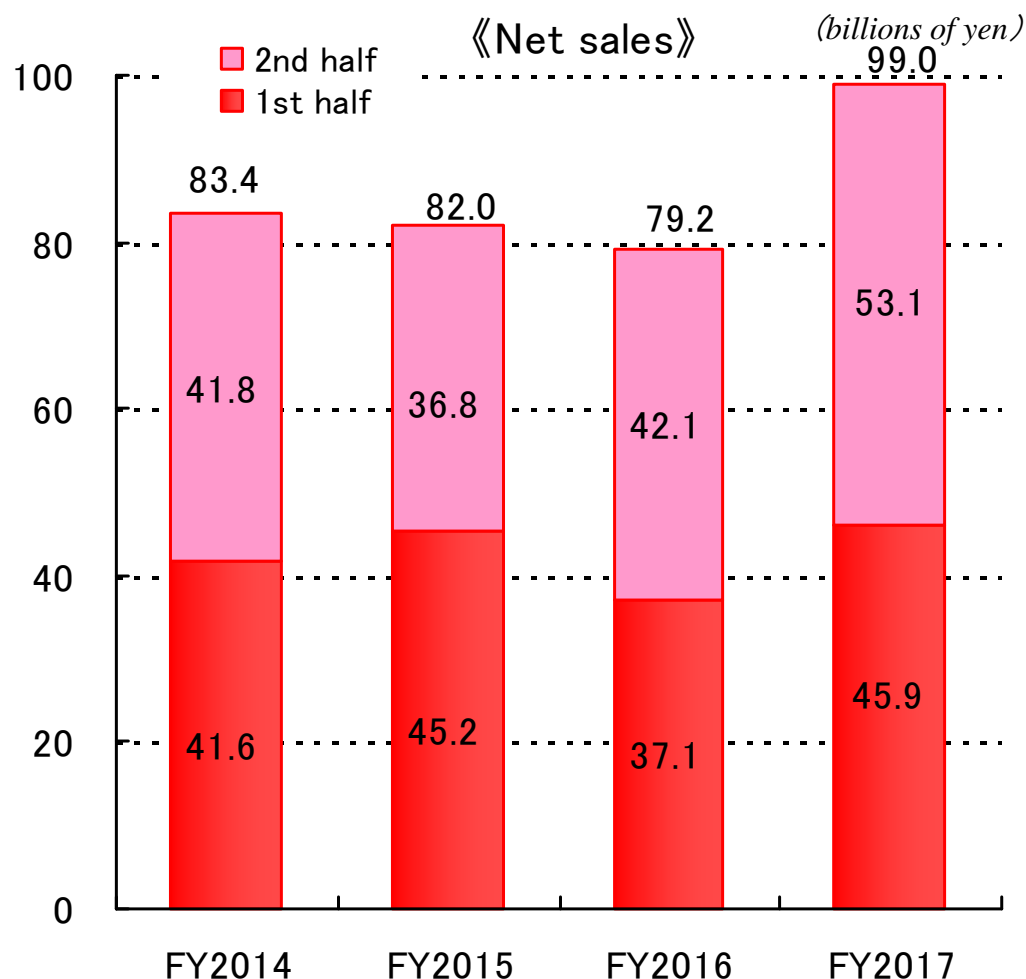
(billions of yen) • Net sales

	FY2016	FY2017	Rate of change
Net sales	79.2	99.0	+25%
Segment income	1.0	2.0	+88%

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

• Segment income

Earnings increased due to an increase in operating income from higher commodity prices and a net foreign exchange loss in the previous fiscal year turned to foreign exchange gain.



Foods Business Segment

(billions of yen)

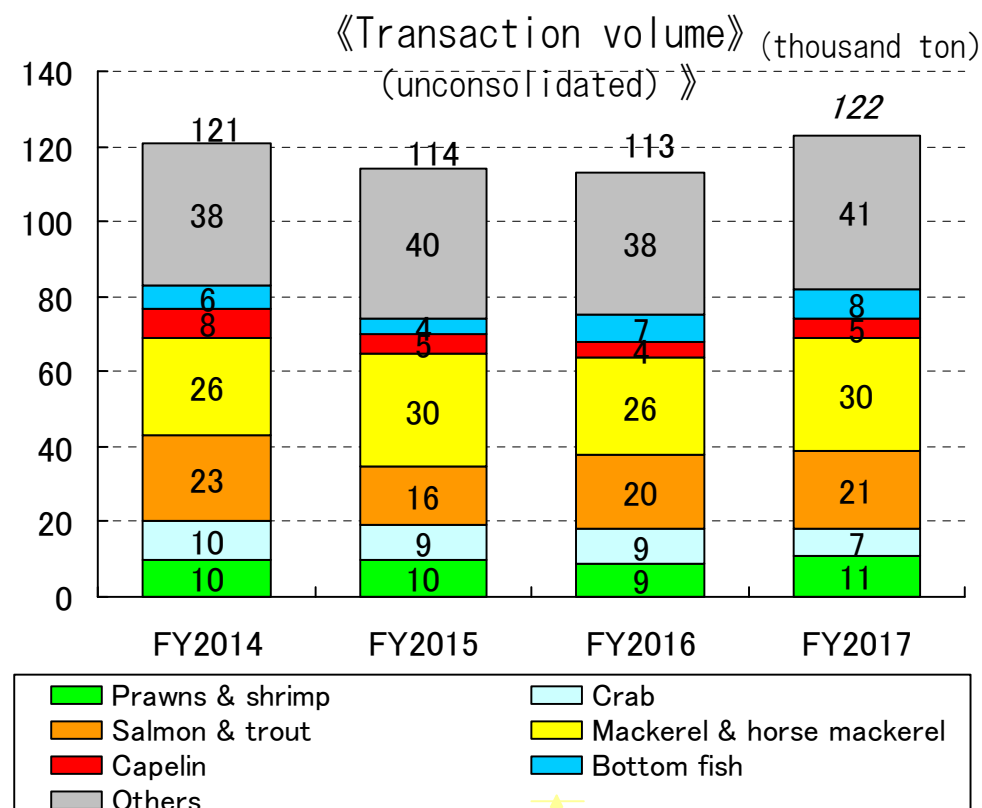
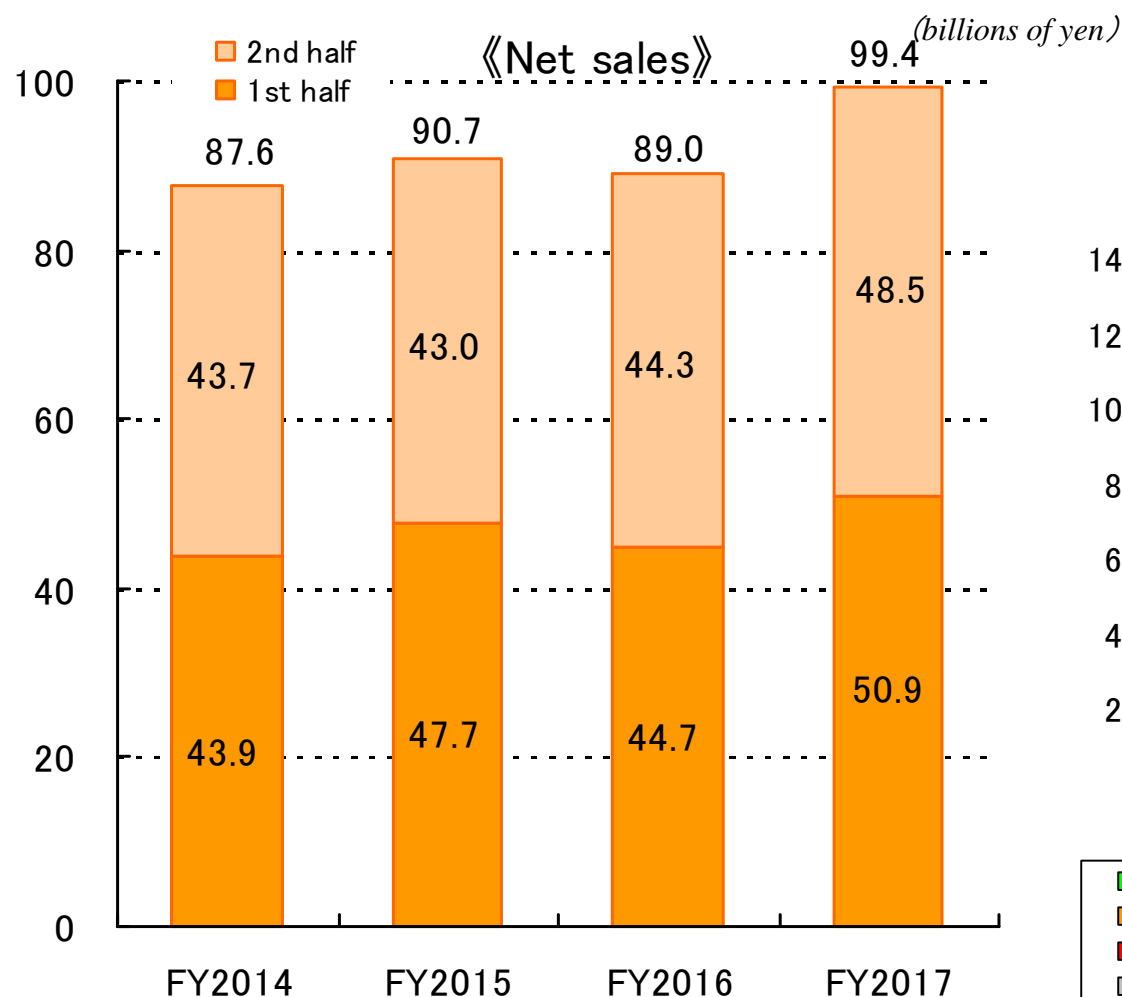
	FY2016	FY2017	Rate of change
Net sales	89.0	99.4	+12%
Segment income	2.8	1.0	-63%

Net sales

Sales increased due to steady volumes handled as prices of shrimp, salmon, and other mainstay products remain high due to decreases in landing volumes, fishing quotas, and low inventory levels overseas.

Segment income

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



Petroleum & Chemicals Business Segment

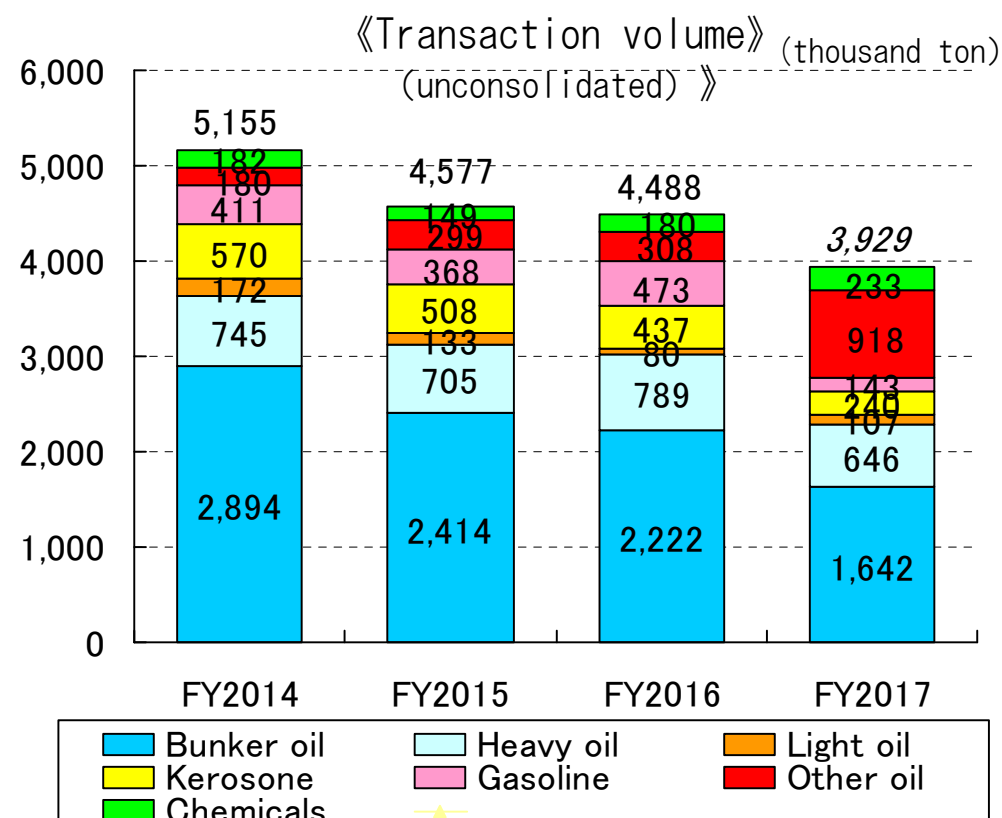
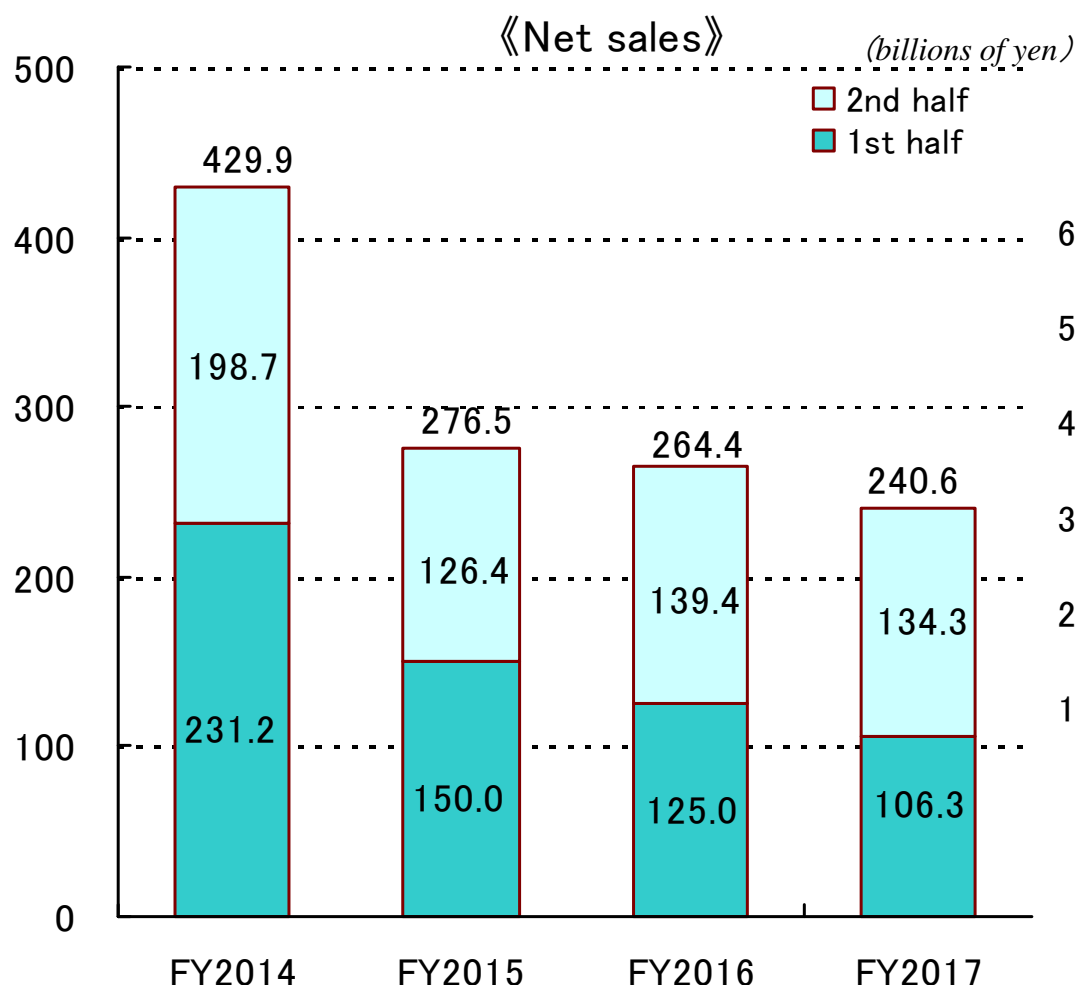
(billions of yen) Net sales

	FY2016	FY2017	Rate of change
Net sales	264.4	240.6	−9%
Segment income	2.4	2.1	−12%

The price of petroleum products was higher than in the previous fiscal year due to the rise in crude oil prices, but sales decreased due to the significant decrease in spot transactions.

Segment income

Profits decreased due to a decline in transaction volume and a leveling-off of profit from imports of sundries, which were profitable in the previous fiscal year.



Overseas Sales Subsidiaries Segment

(billions of yen)

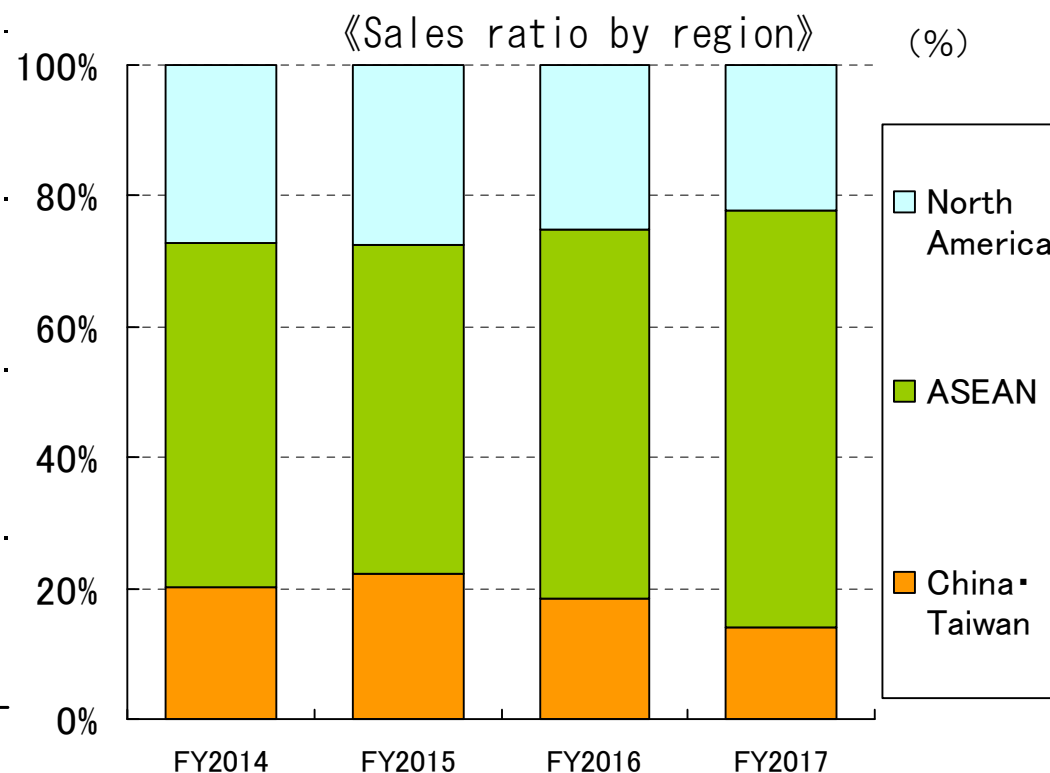
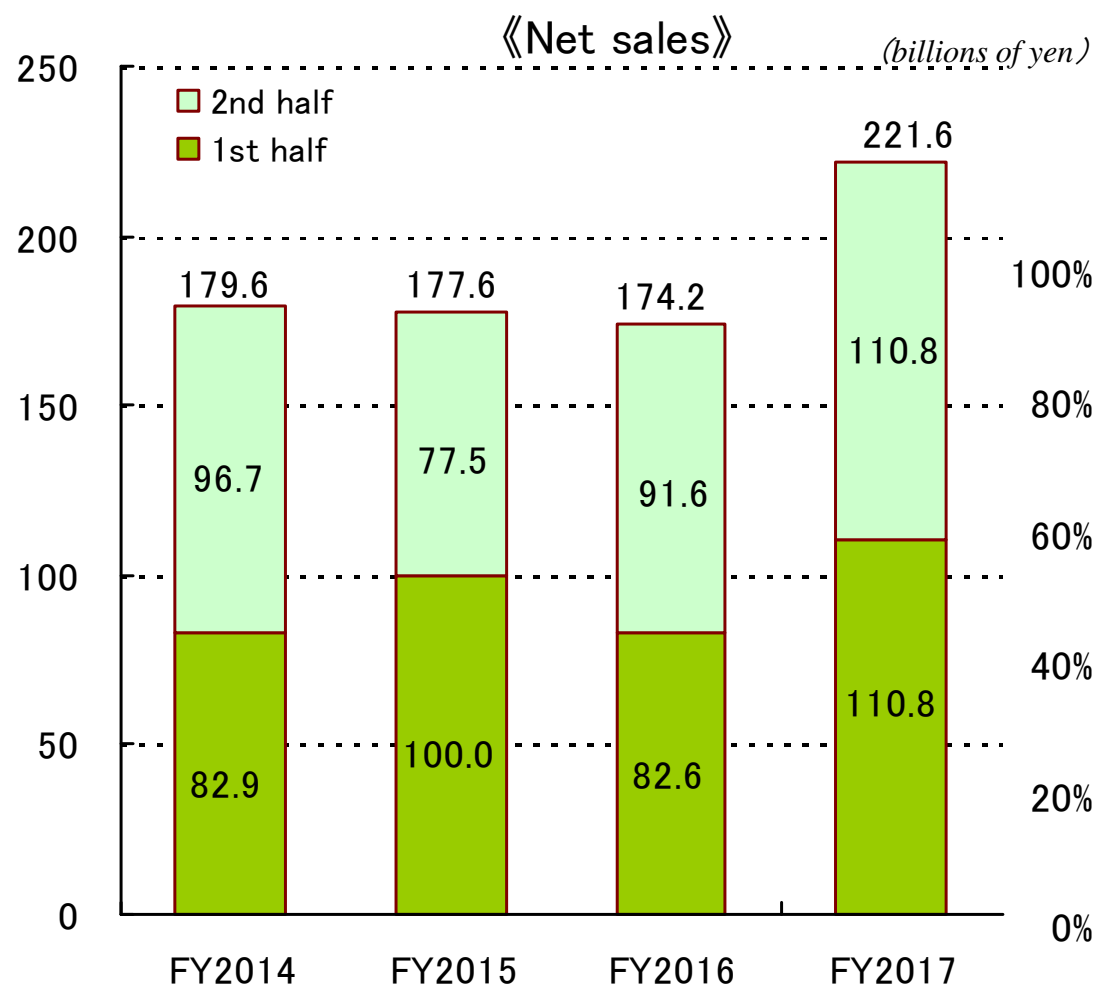
	FY2016	FY2017	Rate of change
Net sales	174.2	221.6	+27%
Segment income	0.1	0.9	+383%

Net sales

Sales increased due to increased sales of bunker fuel in Singapore, which transferred commercial rights, metal scrap in Thailand and Singapore, and steel materials in Indonesia and North America.

Segment income

Earnings increased mainly in Singapore and Indonesia due to increase in profits due to an increase in sales.



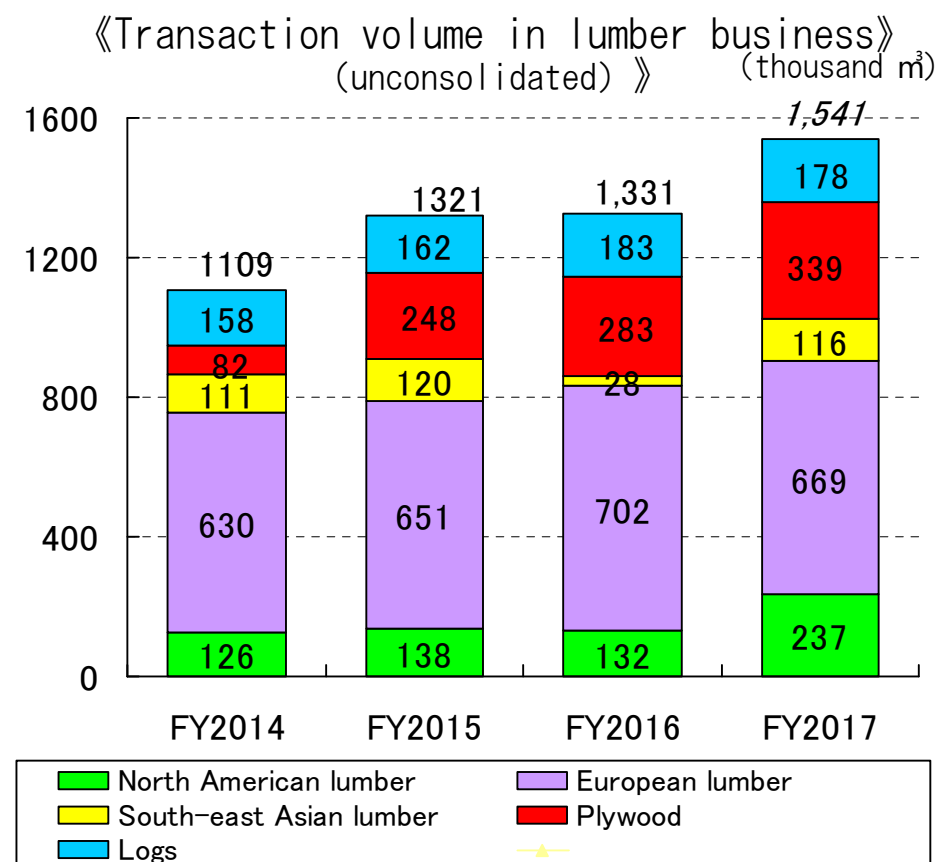
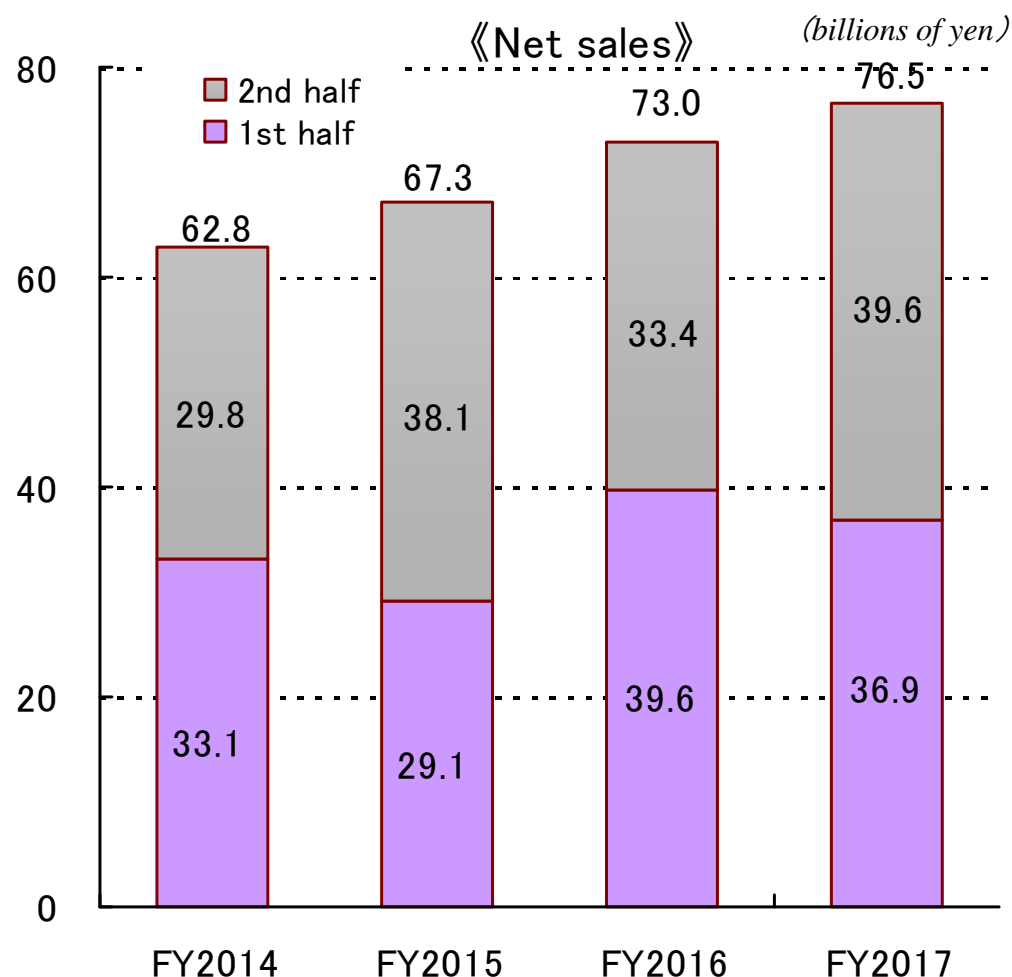
Other Segment

(billions of yen)

	FY2016	FY2017	Rate of change
Net sales	73.0	76.5	+5%
Segment income	1.5	0.6	-55%

In the lumber business, sales to homebuilders and other customers increased, but profit margins narrowed due to higher costs.

In the machinery business, which contributed to earnings in the previous fiscal year, there was no revenue from the construction of leisure equipment in the fiscal year under review, resulting in a decline in profits.



Progress of Medium-term Business Plan

Although ordinary income increased, ROIC decreased slightly due to an increase in invested capital.

Interest-bearing debt increased due to increased demand for working capital and investment funds, and net DER increased slightly.

In the last two fiscal years, 48% of the target of 2,700 new customers was achieved over the four-year period.

【Key Financial Ratios】


		<i>FY2014</i>	<i>FY20015</i>	<i>FY2016</i>	<i>FY2017</i>
<i>ROIC</i> (%)		4.4	4.5	6.2	6.1
<i>Net DER</i> (%)		175.4	135.9	135.7	154.1
<i>New customers</i> (Number)		665	705	697	601
<i>ROE</i> (%)		6.9	17.2	10.1	9.7
	<i>Net profit margin</i> (%)	0.5	1.7	1.1	1.0
	<i>Total assets turnover</i> (%)	279.1	241.7	234.0	230.2
	<i>Debt leverage ratio</i> (%)	471.5	422.2	397.8	434.4

Progress of Medium-term Business Plan

STEADY & SPEEDY exceeded full-year forecasts.

STRATEGIC fell short of the target due to a decline in equity in earnings from SAMANCOR due to lower chrome prices and amortization in the first year of application of the equity method.

(billions of yen)

	FY2017	Forecast	Actual	Achievement
	STRATEGIC <i>Equity in earnings of affiliates from resource investees and dividends from strategic investments</i>	1.5	(0.6)	—%
	SPEEDY <i>Ordinary income from consolidated subsidiaries & dividends from non-consolidated subsidiaries</i>	4.5	5.8	131%
	STEADY <i>Ordinary income from HANWA after deducting dividend income from subsidiaries</i>	18.0	20.1	112%
	Total	24.0	25.5	106%

Profits of Group Companies

Earnings increased due to strong performance at subsidiaries in the steel business both in Japan and overseas, mainly due to higher steel prices.

In metals & alloys segment, earnings at Showa Metal which posted a loss in the previous fiscal year, improved. Profits at subsidiaries increased by ¥2.9 billion.

[Ordinary income trend of subsidiaries by business segments]

(billions of yen)

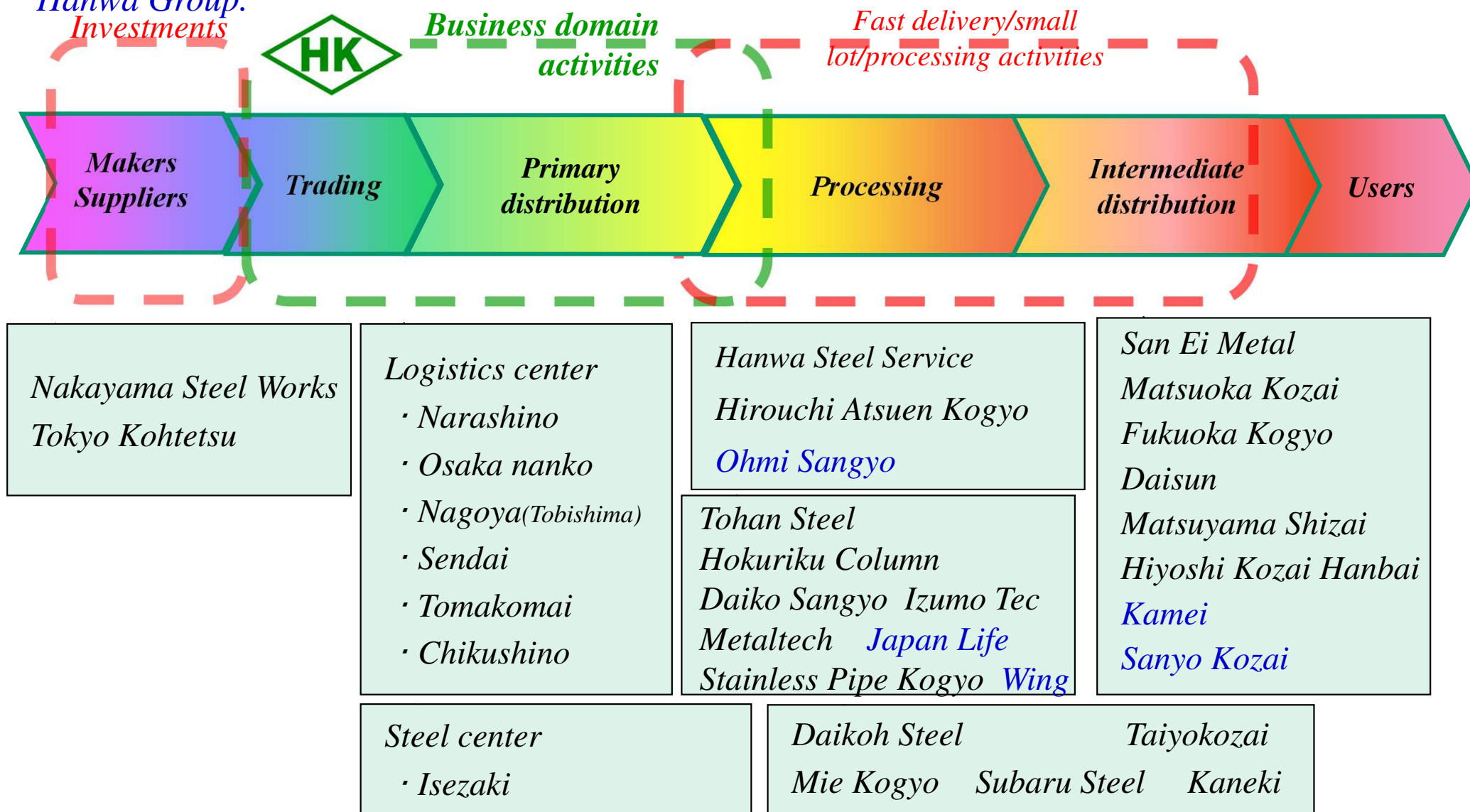
	FY2016		FY2017		Increase - Decrease	
	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated
<i>Steel</i>	2.61	0.40	4.21	0.69	+1.60	+0.29
<i>Metals & alloys</i>	(0.51)	0.00	0.22	0.03	+0.73	+0.03
<i>Non-ferrous metals</i>	0.25	0.11	0.26	0.26	+0.01	+0.15
<i>Foods</i>	0.37	0.00	(0.18)	0.01	-0.55	+0.01
<i>Petroleum & chemicals</i>	0.40	0.05	0.27	0.05	-0.13	+0.00
<i>Overseas sales subsidiaries</i>	0.22	(0.12)	0.68	0.08	+0.46	+0.20
<i>Others</i>	0.21	0.14	0.32	0.19	+0.11	+0.05
<i>Total</i>	3.57	0.60	5.80	1.34	+2.23	+0.74

(Total : Simple sum of each income)

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

Promoting a strategy of "SOKOKA (fast delivery, small lot, processing)" through the grouping of functional small and medium steel wholesalers and processors.

In the current fiscal year, Kamei, Sanyo Kozai, Wing, Omi Sangyo, and Japanlife were 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		JFE Meranti Myanmar
Vietnam	SMC Trading Ton Dong A Corp.	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)

Outline of strategic investment

Although the market is small, it is essential for industry, and it is targeted at metal resources that are not produced in China, which is the largest demand area.

AFARAK

*FeCr, SiMn
(Sales amount
100 kt / FY2017)*



OM Holdings

*FeSi, SiMn, MeMn
(Sales amount
380 kt / FY2017)*



Bacanora Lithium

*lithium carbonate
(2019 Production
commencement kt / year)*



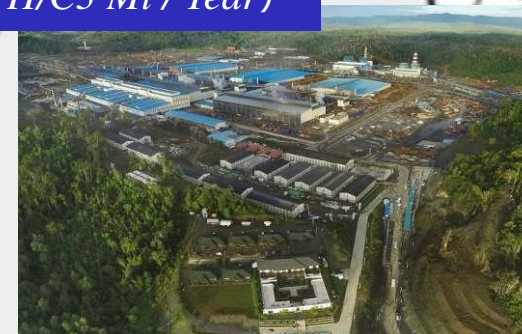
SAMANCOR

*Cr Ore, FeCr
(FeCr Production
1,550kt / Year)*



Tsingshan Holding

*NPI & Stainless hot coil
(NPI 2 Mt / Year,
H/C3 Mt / Year)*



WATERBERG JV

Platinum group metals

Hanwa is continuing to make business investments in this fiscal year to build a base for more earnings in the future.

Investments totaled about 29.1 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>	12.3	<ul style="list-style-type: none"> · established Kita-Kanto Steel Center · Acquired Japanlife · Acquired Ri Hong Stainless (Shanghai) · Acquired additional stocks of SMC Trading · Acquired Kamei and Sanyo Kouzai · Acquired shares of Ohmi Sangyo · Acquired additional stocks of SMC Trading
<i>Metals & Alloys / Non-ferrous metals</i>	15.6	<ul style="list-style-type: none"> · Acquired additional stocks of Samancor Chrome · Acquired minority shares of Bacanora Minerals
<i>Overseas Sales Subsidiaries</i>	0.6	<ul style="list-style-type: none"> · Recapitalization to subsidiaries

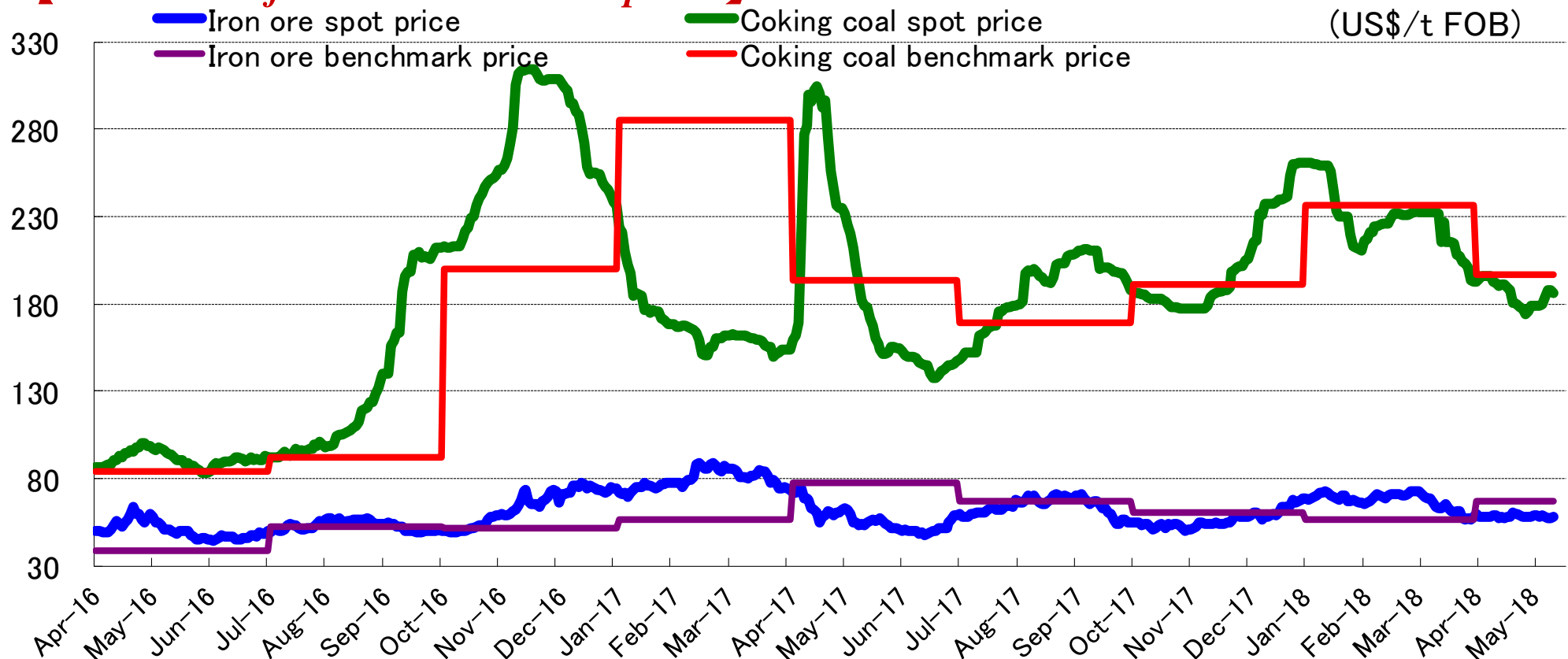
Appendix

Market Trend of Steel Raw Materials

Iron ore...There is a strong tendency to be linked to the market conditions for steel products in China. Currently, the price movements are small, as we explore the direction of demand for steel products.

Coking coal...The price soared due to the cyclone damage in Australia at the beginning of the period. After the rebound, it rose due to the problem of demurrage at Australian ports, but subsequently declined weakly.

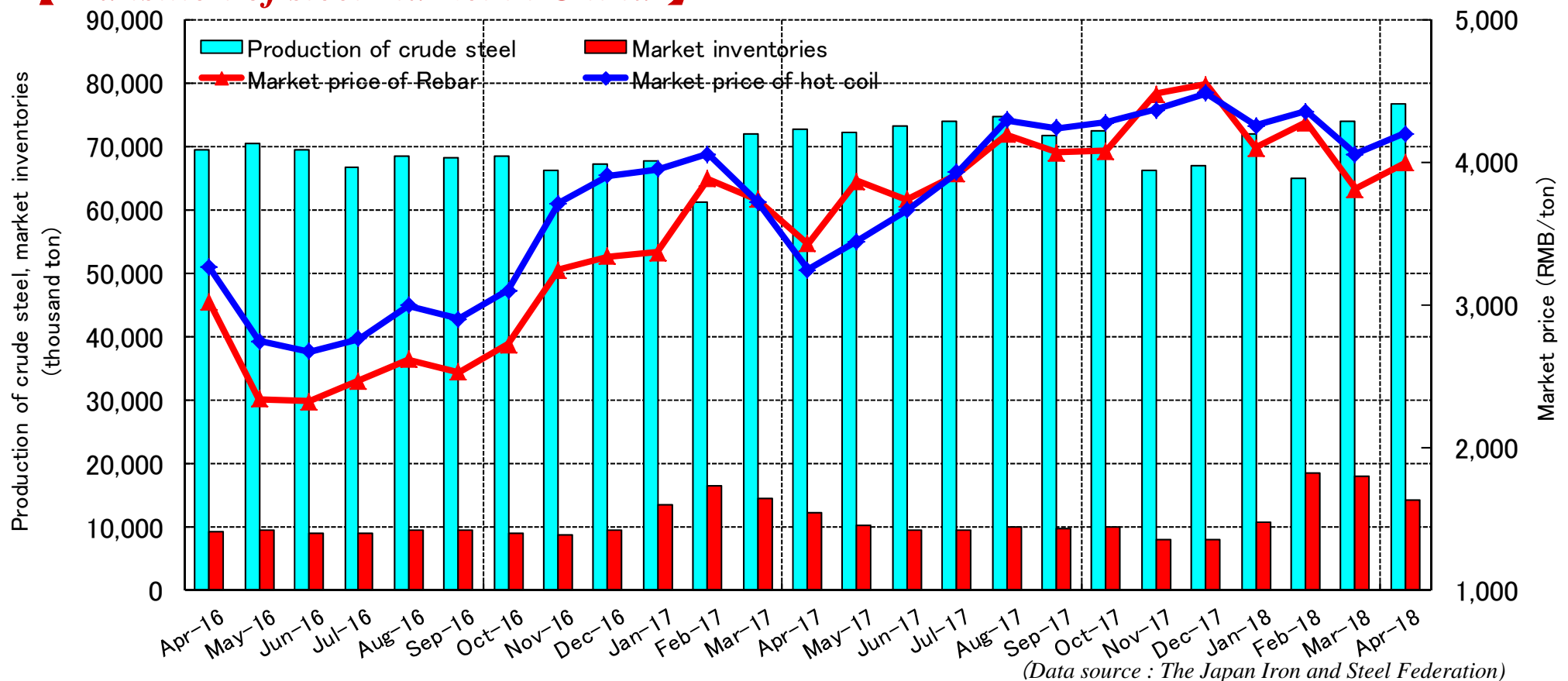
【Transition of steel raw materials price】



Supply/Demand...The suspension of production of induction furnace steel increases the demand for legitimate steel products. Although mill production is inclined toward increased production, domestic demand and supply are balanced due to the impact of regulatory restrictions on operations.

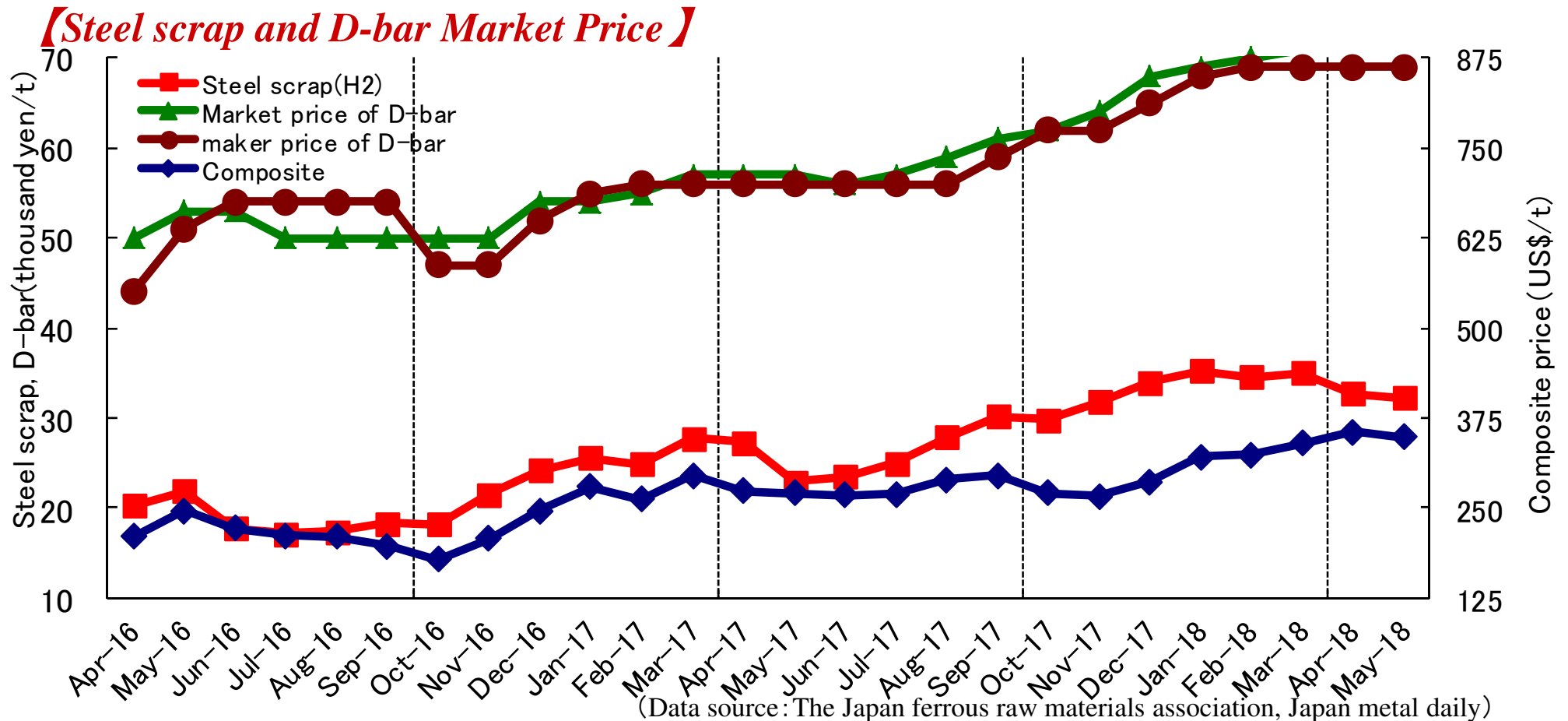
Market price...Abolition of induction furnace mills reduced inventories and increases in prices including steel sheets. Although it is entering a period of low demand in winter, it is growing steadily due to production restrictions.

【Transition of steel market in China】



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...Domestic electric arc furnaces also responded to the rising international market for scraps by raising purchase prices.

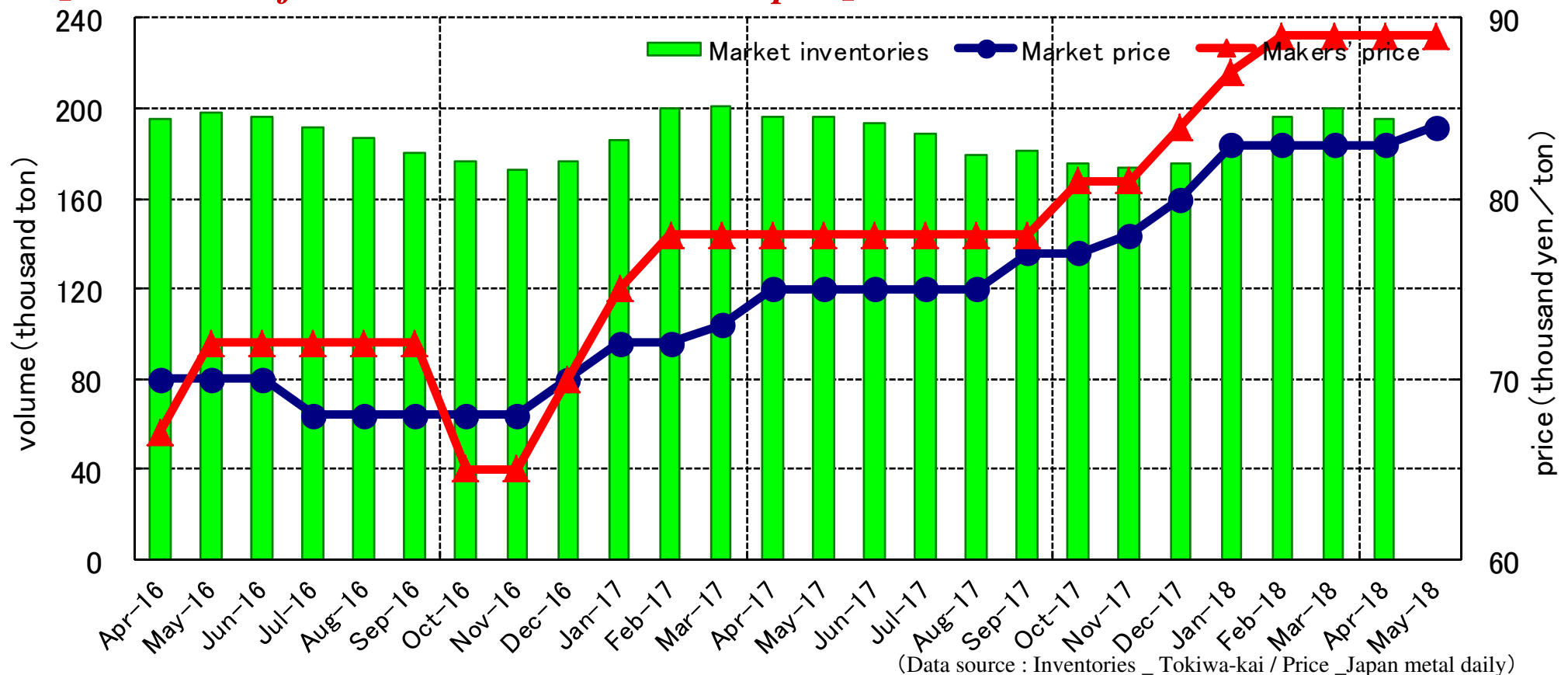


Market Trend of Long Products

Supply/Demand...Demand for large-scale buildings and civil engineering was firm, and overall demand was up from early autumn, and there was a slight stagnation..

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.

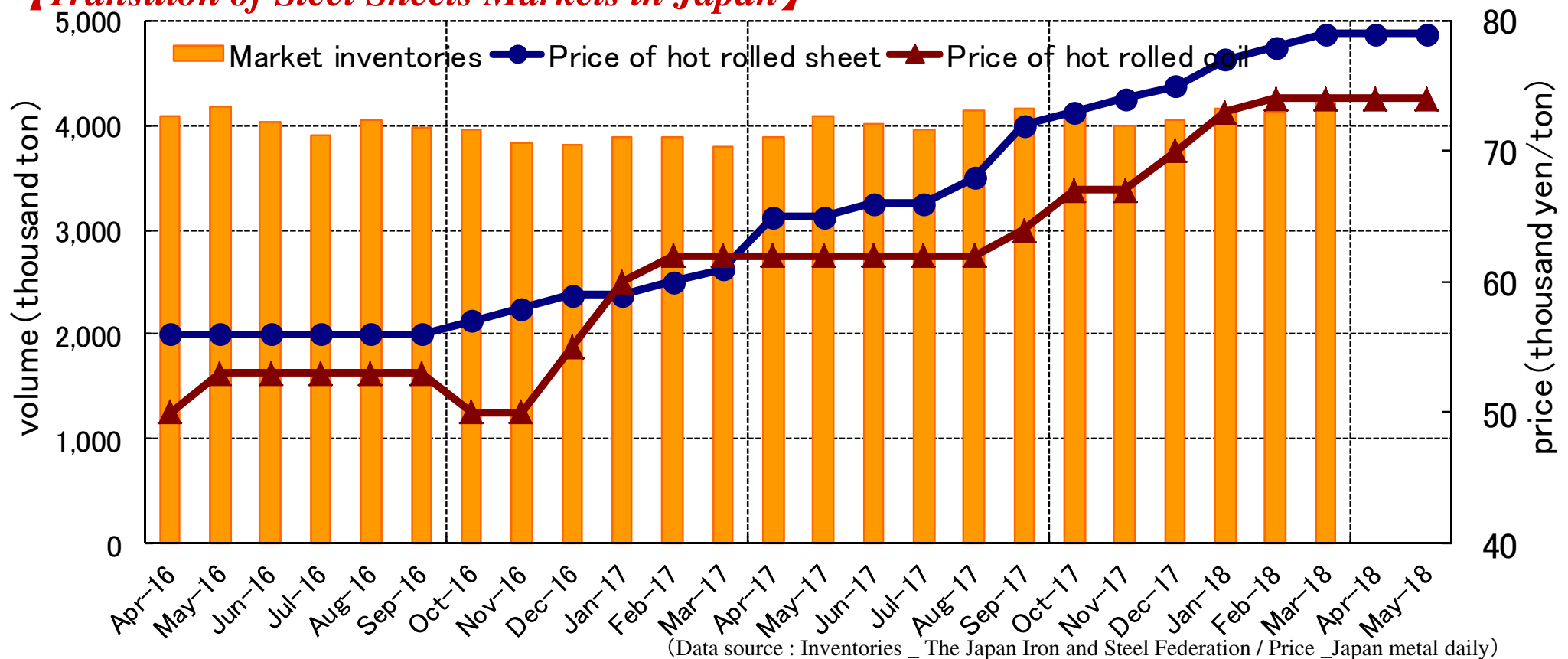
[Transition of the H-Beams Markets in Japan]



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.

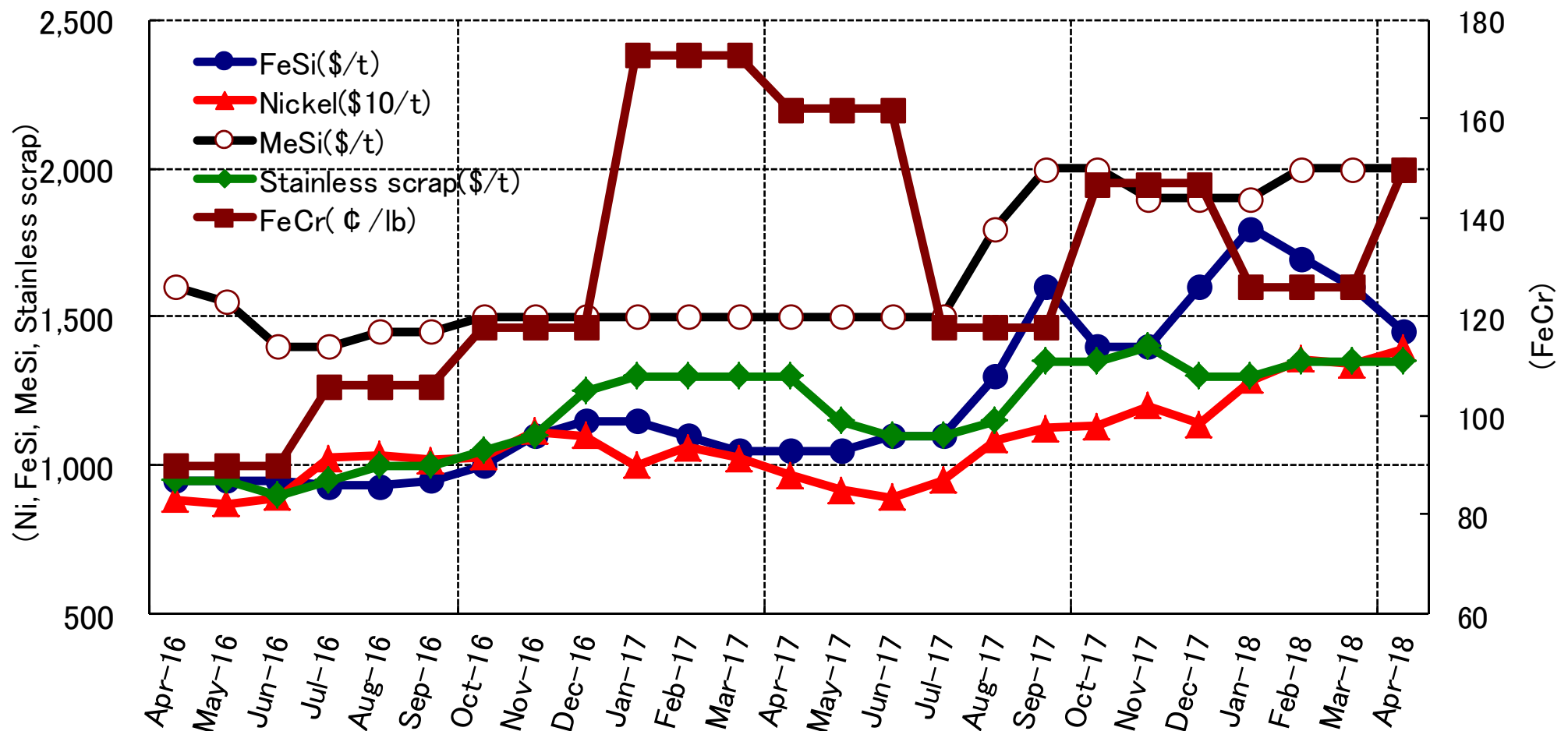
Market price...The price increase of steel mills led to an increase in the market. The tightness is increasing due to steel mills' reduction in undertaking, but the pace is slowing at the moment.

[Transition of Steel Sheets Markets in Japan]



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.

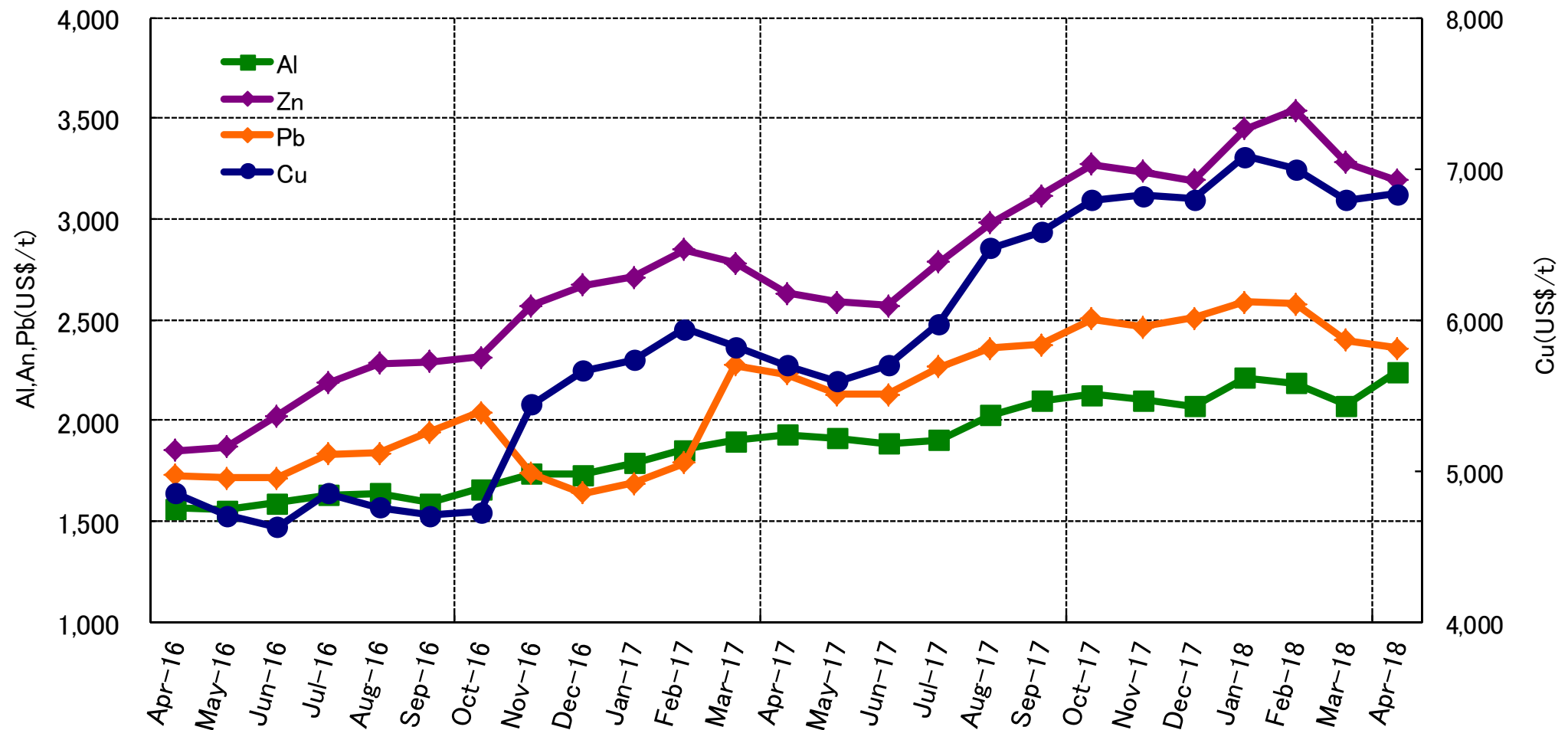
Ferroalloys...Rising steel products output in China is increasing the supply of ferroalloys but the supply is still tight, with environmental restrictions and earthquakes in steel producing regions the main causes. Prices are strong as a result.



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.

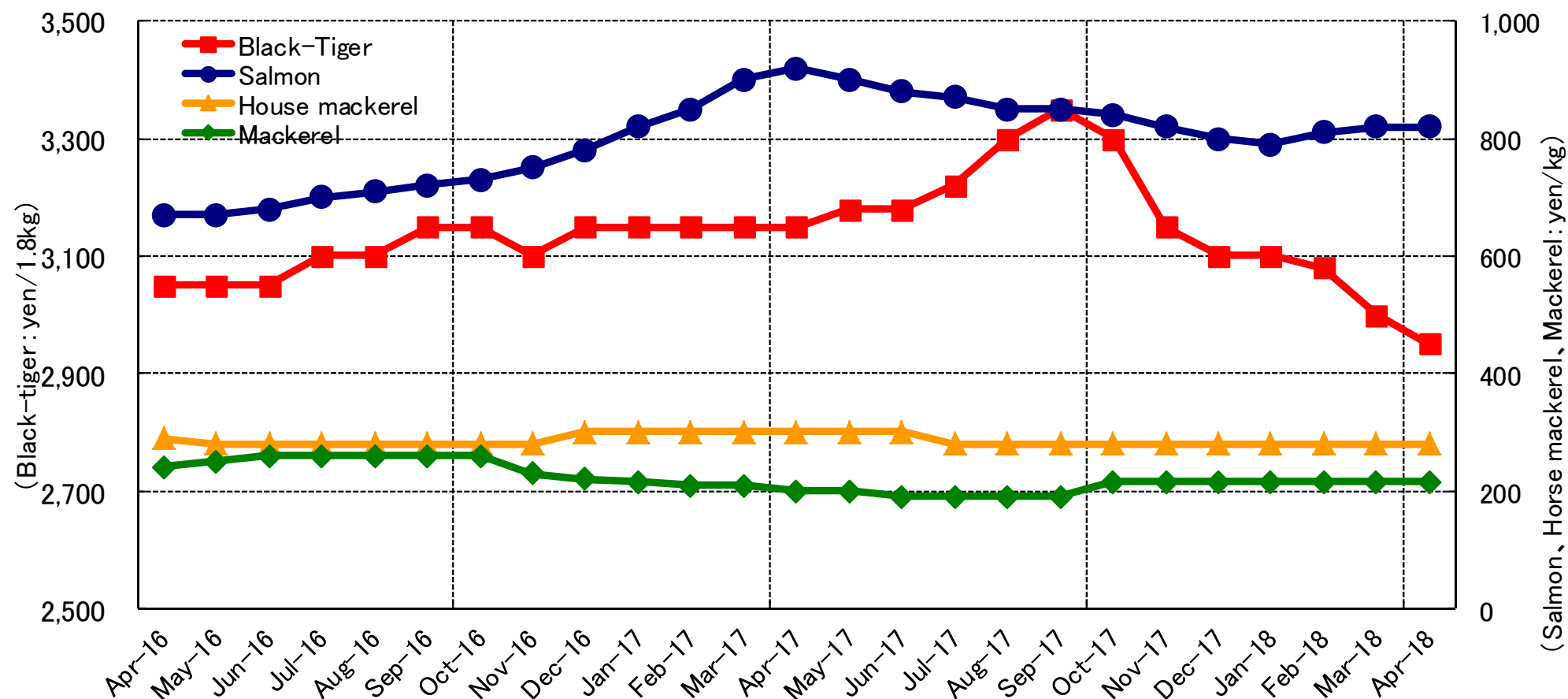
Copper...The price decreased early in the fiscal year as LME inventories rose. But the price has been climbing since then in response to China's restrictions on copper scrap imports, the outlook for strong demand in China, North Korea tension and other reasons.



Market Trend of Frozen Marine Products

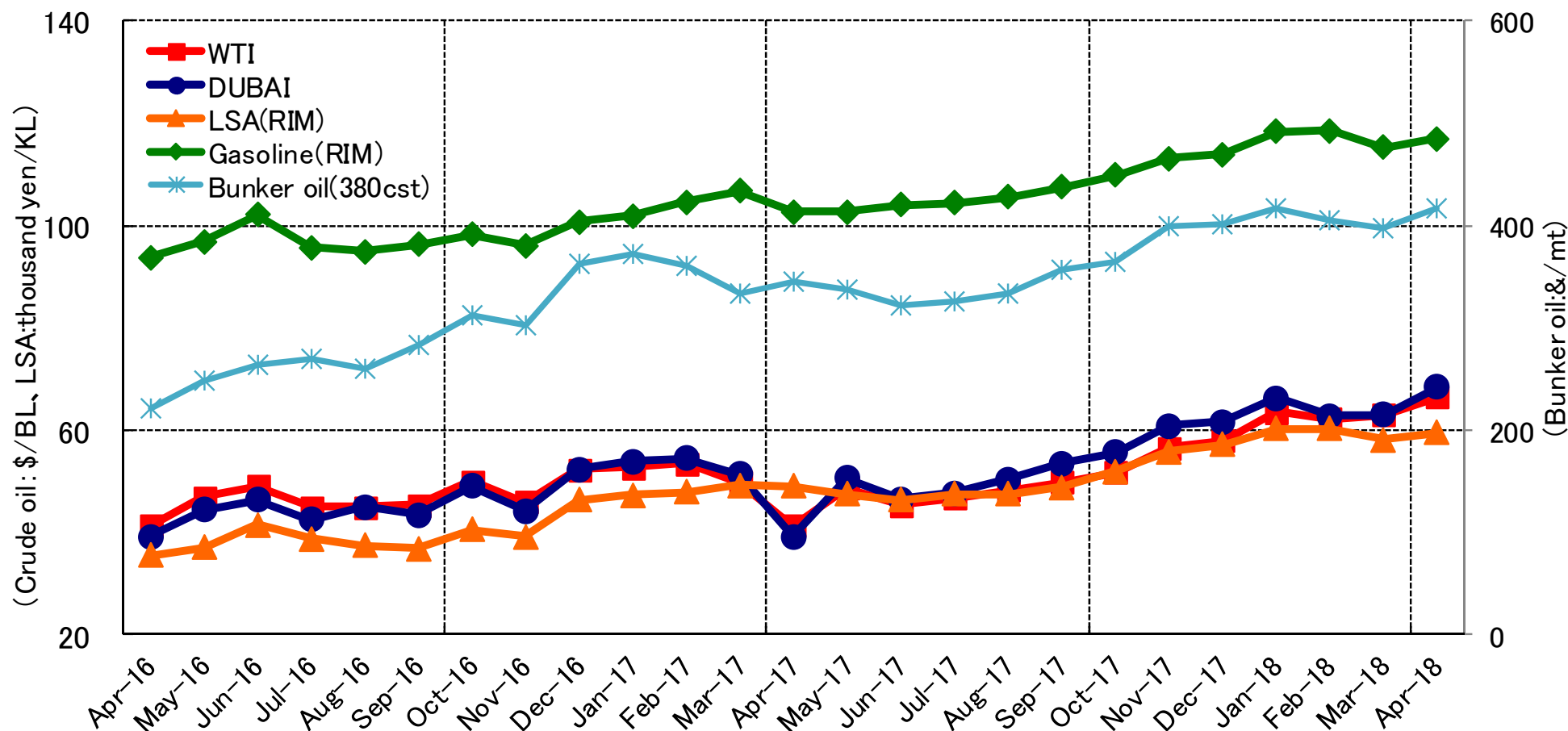
Shrimp...Sluggish landing in Southeast Asia, and high local market prices, however, declined due to low willingness to buy shrimp in North America and Japan. Currently weak.

Salmon...Despite the arrival of new season's Chilean silver salmon, salmon such as red salmon from Russia have been sluggish, and prices have bottomed out at a modest pace.



Crude oil...The price is climbing gradually partly in response to OPEC's production cut and hurricanes in the United States. Currently, prices have been pushed up due to factors such as the situation in the Middle East.

Petroleum products...Price policies for wholesale sales are also on an uptrend as prices for crude oil remain firm. Higher demand in winter and problems at refineries also contributed to the increase.



For Users, With Users



HANWA CO., LTD.

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