

Financial Results for the Fiscal Year ended March 31, 2016

(Consolidated financial results have been prepared in accordance with accounting principles generally accepted in Japan)

May 13, 2016

Company name: **HANWA Co.,Ltd.**

Listed stock exchange: Tokyo
Stock exchange code: 8078

(URL <http://www.hanwa.co.jp>)

Representative: Hironari Furukawa President
Enquiries: Yoichi Nakagawa Director, Managing Executive Officer
TEL 81 - 3 - 3544 - 2000

The date of Shareholders' Meeting: June 29, 2016 The date of payout of dividend: June 30, 2016
The date of issue of audited financial statements: June 30, 2016

(Rounded down to millions of yen)

1. Consolidated financial results for the fiscal year ended March 31, 2016

(1) Consolidated operating results

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 31, 2016	1,511,800	(13.0)	18,178	(4.9)	15,424	8.1	25,469	180.3
Year ended March 31, 2015	1,737,397	3.3	19,107	17.6	14,264	(3.0)	9,086	15.1

Note: Comprehensive income Year ended March 31, 2016 16,778 million yen -13.7%
Year ended March 31, 2015 19,450 million yen 32.8%

	Net income per share	Net income per share(diluted)	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2016	122.92	—	17.2	2.5	1.2
Year ended March 31, 2015	43.85	—	6.9	2.3	1.1

Note: Equity in earnings of unconsolidated subsidiaries and affiliates Year ended March 31, 2016 (1,304) million yen
Year ended March 31, 2015 207 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
March 31, 2016	599,694	156,139	25.8	747.40
March 31, 2015	651,456	142,749	21.7	682.46

Note: Shareholders' equity As of March 31, 2016 154,866 million yen
As of March 31, 2015 141,415 million yen

(3) Consolidated cash flows situation

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Year ended March 31, 2016	53,098	(10,446)	(41,751)	25,804
Year ended March 31, 2015	1,790	(13,692)	19,339	24,515

2. Cash dividends

(effective date)	Cash dividends per share					Total amount of dividend (Annual)	Dividend payout ratio (Consolidated)	Dividend on shareholders' equity (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	(yen)	(yen)	(yen)	(yen)	(yen)			
Year ended March 31, 2015	—	7.50	—	7.50	15.00	3,108	34.2	2.4
Year ended March 31, 2016	—	8.00	—	10.00	18.00	3,729	14.6	2.5
Year ending March 31, 2017 (estimated)	—	9.00	—	9.00	18.00		28.7	

3. Forecast of consolidated financial results for fiscal year ending March 31, 2017 (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Annual	1,600,000	5.8	21,000	15.5	19,000	23.2	13,000	(49.0)	62.74

* The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to a number of risks and uncertainties that could cause actual results to differ materially from this information.

Financial Results for the Fiscal Year ended March 31, 2016

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2015	March 31, 2016	Increase(Decrease)
Assets			
Current assets;			
Cash and deposits	24,542	27,115	2,573
Trade notes and accounts receivable	321,642	276,293	(45,349)
Securities	2,610	—	(2,610)
Inventories	133,055	106,050	(27,005)
Deferred tax asset	1,116	2,085	969
Others	28,326	39,996	11,670
Allowance for doubtful receivables	(915)	(287)	628
Total current assets	510,377	451,253	(59,124)
Fixed assets;			
Property and equipment;			
Buildings and structures	18,230	20,319	2,089
Machinery, equipment & delivery equipment	6,240	6,585	345
Land	31,676	30,144	(1,532)
Others	4,799	4,513	(286)
Total property and equipment	60,946	61,563	617
Intangible assets	2,019	1,955	(64)
Investments and other assets;			
Investment securities	58,293	58,671	378
Long-term loans receivable	3,003	12,383	9,380
Retirement benefits assets	1,011	—	(1,011)
Deferred tax asset	106	244	138
Others	15,993	14,107	(1,886)
Allowance for doubtful receivables	(295)	(485)	(190)
Total investments and other assets	78,112	84,921	6,809
Total fixed assets	141,078	148,440	7,362
Total assets	651,456	599,694	(51,762)
Liabilities;			
Current liabilities;			
Trade notes and accounts payable	180,155	149,857	(30,298)
Short-term loans payable	82,155	66,734	(15,421)
Commercial paper	27,000	—	(27,000)
Current portion of bonds payable	10,000	10,039	39
Income taxes payable	1,231	326	(905)
Advance received	22,620	31,054	8,434
Accrued bonuses	2,051	2,192	141
Provision for loss on business of subsidiaries and affiliates	—	512	512
Others	16,982	8,688	(8,294)
Total current liabilities	342,196	269,405	(72,791)
Long-term liabilities;			
Bonds payable	30,000	30,097	97
Long-term loans payable	122,352	129,420	7,068
Deferred tax liabilities	6,218	3,359	(2,859)
Deferred tax liabilities by land revaluation	1,921	1,634	(287)
Retirement benefits liabilities	412	4,075	3,663
Others	5,604	5,561	(43)
Total long-term liabilities	166,510	174,149	7,639
Total liabilities	508,706	443,555	(65,151)
Net assets;			
Shareholders' equity;			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	82,110	104,600	22,490
Treasury stock	(1,445)	(1,449)	(4)
Total shareholders' equity	126,320	148,807	22,487
Accumulated other comprehensive income			
Net unrealized holding gains on securities	11,621	8,024	(3,597)
Deferred hedge profit and loss	1,526	(376)	(1,902)
Land revaluation difference	3,250	2,966	(284)
Foreign currency translation adjustments	2,356	1,842	(514)
Remeasurements of defined benefit plans	(3,660)	(6,397)	(2,737)
Total accumulated other comprehensive income	15,094	6,059	(9,035)
Minority interests	1,334	1,272	(62)
Total net assets	142,749	156,139	13,390
Total liabilities and net assets	651,456	599,694	(51,762)

Financial Results for the Fiscal Year ended March 31, 2016

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Year ended March 31, 2015	Year ended March 31, 2016	Increase (Decrease)
Net sales	1,737,397	1,511,800	(225,597)
Cost of sales	1,681,667	1,455,240	(226,427)
Gross profit	55,729	56,559	830
Selling, general and administrative expenses	36,622	38,381	1,759
Operating income	19,107	18,178	(929)
Other income;			
Interest income	864	1,038	174
Dividend income	531	1,041	510
Revenue from investment in affiliates	207	—	(207)
Reversal of allowance for doubtful account	—	591	591
Others	794	1,102	308
Total other income	2,398	3,773	1,375
Other expenses;			
Interest expenses	2,868	2,684	(184)
Loss on investment in affiliates	—	1,304	1,304
Foreign exchange loss	2,882	1,039	(1,843)
Guarantee commission	680	713	33
Others	810	785	(25)
Total other expenses	7,241	6,526	(715)
Ordinary income	14,264	15,424	1,160
Extraordinary income;			
Gain on sales of long-lived assets	128	13,074	12,946
Amortization of consolidation negative goodwill	—	1,101	1,101
Gain on sales of investment securities	—	742	742
Total extraordinary income	128	14,918	14,790
Extraordinary loss;			
Loss on sale of property and equipment	—	261	261
Loss on disposal of property and equipment	213	—	(213)
Loss on devaluation of investments securities	477	2,384	1,907
Loss on devaluation of investment in capital	227	888	661
Business loss of affiliates	456	—	(456)
Loss on revision of retirement benefit plan	—	64	64
Total extraordinary loss	1,374	3,599	2,225
Income before income taxes	13,018	26,743	13,725
Income, inhabitant & business tax – current	3,809	1,120	(2,689)
Income tax expense–deferred	67	144	77
Total income taxes	3,876	1,264	(2,612)
Net income	9,141	25,479	16,338
Net income attributable to			
Net income attributable to owners of the parent	9,086	25,469	16,383
Net income(loss) attributable to minority interests	55	9	(46)
Other Comprehensive Income			
Net unrealized holding gains on securities	4,137	(3,597)	(7,734)
Deferred hedge profit and loss	1,887	(1,902)	(3,789)
Land revaluation difference	184	102	(82)
Foreign currency translation adjustments	2,175	(675)	(2,850)
Remeasurements of defined benefit plans	1,924	(2,737)	(4,661)
Share of other comprehensive income of associates accounted for using equity method	—	109	109
Total other comprehensive Income	10,308	(8,700)	(19,008)
Comprehensive Income	19,450	16,778	(2,672)
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	19,271	16,821	(2,450)
Comprehensive income attributable to minority interests	178	(42)	(220)

Financial Results for the Fiscal Year ended March 31, 2016

《Consolidated Statements of Changes in Net Assets》

(Rounded down to millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at March 31, 2014	45,651	4	76,520	(1,442)	120,733	7,484	(360)	32	304	(5,584)	1,875	2,752	125,361
Cumulative effects of changes in accounting policies			1,924		1,924								1,924
Restated balance	45,651	4	78,444	(1,442)	122,657	7,484	(360)	32	304	(5,584)	1,875	2,752	127,285
Increase (decrease) during the term:													
Cash dividends paid			(2,797)		(2,797)								(2,797)
Change of scope of consolidated subsidiaries			411		411								411
Reversal of land revaluation difference			(3,033)		(3,033)								(3,033)
Net income attributable to owners of the parent			9,086		9,086								9,086
Purchase of treasury stocks				(3)	(3)								(3)
Net increase (decrease) during the term, except for items under shareholders' equity						4,137	1,887	3,218	2,052	1,924	13,219	(1,417)	11,801
Total increase (decrease)	—	—	3,666	(3)	3,662	4,137	1,887	3,218	2,052	1,924	13,219	(1,417)	15,464
Balance at March 31, 2015	45,651	4	82,110	(1,445)	126,320	11,621	1,526	3,250	2,356	(3,660)	15,094	1,334	142,749

	Shareholders' equity					Accumulated other comprehensive income						Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at March 31, 2015	45,651	4	82,110	(1,445)	126,320	11,621	1,526	3,250	2,356	(3,660)	15,094	1,334	142,749
Cumulative effects of changes in accounting policies			—		—								—
Restated balance	45,651	4	82,110	(1,445)	126,320	11,621	1,526	3,250	2,356	(3,660)	15,094	1,334	142,749
Increase (decrease) during the term:													
Cash dividends paid			(3,211)		(3,211)								(3,211)
Change of scope of consolidated subsidiaries			277		277								277
Change of scope of equity method			(432)		(432)								(432)
Reversal of land revaluation difference			386		386								386
Net income attributable to owners of the parent			25,469		25,469								25,469
Purchase of treasury stocks				(3)	(3)								(3)
Net increase (decrease) during the term, except for items under shareholders' equity						(3,596)	(1,902)	(284)	(513)	(2,737)	(9,035)	(62)	(9,097)
Total increase (decrease)	—	—	22,490	(3)	22,486	(3,596)	(1,902)	(284)	(513)	(2,737)	(9,035)	(62)	13,389
Balance at March 31, 2016	45,651	4	104,600	(1,449)	148,807	8,024	(376)	2,966	1,842	(6,397)	6,059	1,272	156,139

Financial Results for the Fiscal Year ended March 31, 2016

《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Year ended March 31,2015	Year ended March 31,2016	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	13,018	26,743	13,725
Depreciation and amortization	3,891	4,343	452
Amortization of goodwill	187	231	44
Increase(decrease) in allowance for doubtful receivables	(1,049)	(633)	416
Interest and dividend income	(1,396)	(2,079)	(683)
Interest expense	2,868	2,684	(184)
Revenue from investment in affiliated companies (gain)	(207)	1,304	1,511
Gain on sales of long-lived assets	(128)	(13,074)	(12,946)
Amortization of consolidation negative goodwill	—	(1,101)	(1,101)
Gain on sales of investment securities	—	(742)	(742)
Loss on sale of property and equipment	—	261	261
Loss on disposal of property and equipment	213	—	(213)
Loss on devaluation of investments securities	477	2,384	1,907
Loss on devaluation of investment in capital	227	888	661
Business loss of affiliates	456	—	(456)
Loss on revision of retirement benefit plan	—	64	64
(Increase)decrease in trade receivables	1,824	49,176	47,352
(Increase)decrease in inventories	(11,490)	31,640	43,130
Increase(decrease) in trade notes and accounts payable	(5,588)	(38,116)	(32,528)
Increase(decrease) in deposits received	(65)	(6,637)	(6,572)
Increase(decrease) in advance received	13,261	8,434	(4,827)
Increase(decrease) in advanced payment	(7,081)	(8,407)	(1,326)
Increase(decrease) in retirement benefits	(5,108)	4,603	9,711
Other, net	4,785	(3,655)	(8,440)
Sub total	9,094	58,312	49,218
Interest and dividends received	1,415	2,024	609
Interest paid	(2,857)	(2,702)	155
Income taxes paid	(5,861)	(4,535)	1,326
Net cash provided by (used in) operating activities	1,790	53,098	51,308
Cash flows from investing activities:			
Payment for time deposits	(30)	(1,547)	(1,517)
Proceeds from refund of time deposits	90	700	610
Proceeds from redemption of securities	2,000	—	(2,000)
Payment for purchase of property and equipment	(3,807)	(6,359)	(2,552)
Proceeds from sale of property and equipment	1,646	20,682	19,036
Payment for purchase of investment securities	(12,774)	(13,392)	(618)
Proceeds from sale of investment securities	3,068	2,106	(962)
Net increase(decrease) from purchase of consolidated subsidiaries	—	(2,165)	(2,165)
(Increase)decrease in short - term loans receivable, net	(411)	(430)	(19)
Increase in long - term loans receivable	(2,897)	(10,324)	(7,427)
Collection of long-term loans receivable	25	23	(2)
Other, net	(602)	259	861
Net cash used in investing activities	(13,692)	(10,446)	3,246
Cash flows from financing activities:			
Increase(decrease) in short-term loans, net	(7,876)	(14,065)	(6,189)
Increase(decrease) in commercial paper, net	22,000	(27,000)	(49,000)
Proceeds from long-term debt	35,065	16,075	(18,990)
Repayments of long-term debt	(26,649)	(13,103)	13,546
Proceeds from issuance of bonds	9,950	9,950	—
Redemption of issuance of bonds	(10,000)	(10,057)	(57)
Payment for cash dividends	(2,797)	(3,210)	(413)
Cash dividends paid to minority interest in consolidated subsidiaries	(46)	(34)	12
Other, net	(306)	(307)	(1)
Net cash provided by (used in) financing activities	19,339	(41,751)	(61,090)
Effect of exchange rate changes on cash and cash equivalents	623	(495)	(1,118)
Net increase(decrease) in cash and cash equivalents	8,061	405	(7,656)
Cash and cash equivalents at beginning of year	15,919	24,515	8,596
Increase in cash and cash equivalents from newly consolidated subsidiaries	533	884	351
Cash and cash equivalents at end of year	24,515	25,804	1,289

Financial Results for the Fiscal Year ended March 31, 2016

《Segment information》

Overview of the reportable segments

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Group's main business is buying and selling of various products with a focus on steel, and the business department, which is divided according to products handled or service contents, mainly carries out business activities. For this reason, the Group consists of business segments with the business department as the basis. The 5 reportable segments are "steel business," "metal and alloy business," "non-ferrous metal business," "food business," and "petroleum and chemical business."

The main products and services that fall under these reportable segments are listed below.

Steel: Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, and steelmaking raw materials

Metals and alloys: Nickel, chromium, steel alloys, and solar cell-related materials and products

Non-ferrous metals: Aluminum, copper, and zinc (recycling business)

Foods: Sea foods

Petroleum and chemicals: Petroleum products, industrial chemicals, and chemicals

Overseas sales subsidiaries: Wholesale trade, general merchandise

Sales, income/loss, assets, liability, and other amounts by reportable segment

(Rounded down to millions of yen)

Year ended March 31, 2014

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	857,396	125,767	81,978	86,922	422,449	101,276	1,675,791	61,606	1,737,397	—	1,737,397
Inter-segment	21,319	5,403	1,386	723	7,470	78,287	114,590	1,220	115,810	(115,810)	—
Total	878,715	131,171	83,365	87,645	429,919	179,564	1,790,381	62,826	1,853,208	(115,810)	1,737,397
Segment income(loss)	14,735	343	1,146	583	2,481	(59)	19,230	743	19,973	(5,709)	14,264
Segment assets	354,475	72,533	23,269	34,127	48,405	38,115	570,927	23,594	594,521	56,935	651,456
Other											
Depreciation	3,024	105	37	16	65	51	3,302	542	3,844	46	3,891
Depreciation of Goodwill	154	33	—	—	—	—	187	—	187	—	187
Interest income	198	170	—	0	137	91	597	15	612	251	864
Interest expenses	2,202	651	159	258	375	372	4,019	162	4,181	(1,313)	2,868
Revenue from investment in affiliates	207	—	—	—	—	—	207	—	207	—	207
Investment in affiliates	2,008	—	—	—	—	—	2,008	—	2,008	—	2,008
Property, plant and equipment and Intangible assets increase	3,140	78	33	39	64	115	3,472	354	3,827	106	3,933

Year ended March 31, 2015

Millions of yen

	Reportable segment							Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Overseas sales subsidiaries	Sub-total				
Net sales											
Customers	778,737	127,759	80,894	89,541	271,602	97,468	1,446,004	65,795	1,511,800	—	1,511,800
Inter-segment	19,953	3,428	1,187	1,129	4,848	80,148	110,696	1,459	112,155	(112,155)	—
Total	798,691	131,188	82,081	90,671	276,450	177,617	1,556,701	67,254	1,623,956	(112,155)	1,511,800
Segment income(loss)	14,829	2,217	848	75	1,974	(708)	19,237	1,375	20,613	(5,188)	15,424
Segment assets	332,394	64,752	17,527	33,775	38,054	24,600	511,105	32,102	543,207	56,486	599,694
Other											
Depreciation	3,247	107	280	30	68	62	3,797	456	4,253	89	4,343
Depreciation of Goodwill	154	33	44	—	—	—	231	—	231	—	231
Interest income	204	525	0	0	52	70	853	13	866	172	1,038
Interest expenses	2,213	765	212	223	283	264	3,962	125	4,087	(1,403)	2,684
Revenue from investment in affiliates	(1,031)	—	—	—	—	(273)	(1,304)	—	(1,304)	—	(1,304)
Investment in affiliates	2,894	—	—	—	—	131	3,025	—	3,025	—	3,025
Property, plant and equipment and Intangible assets increase	5,231	140	133	202	171	48	5,928	344	6,272	709	6,982

Notes:

- "Other" comprises businesses that are not included in reportable segments, such as lumber section and machinery section.
- Adjustments are as follows:
 - Adjustments for segment income include intersegment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
 - Adjustments for segment assets include Group assets that have not been distributed to reportable segments. These group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
 - Adjustments for depreciation include mainly depreciation and amortization expenses of group assets.
 - Adjustments for interest income and interest expenses include intersegment elimination, revenue and expense that have not been distributed to reportable segments.
 - Adjustments for property, plant and equipment and intangible assets increase are increases in Group assets.