

# Financial Results for the Second Quarter ended September 30, 2010

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

November 8, 2010

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

Listed stock exchange: Tokyo, Osaka

Stock exchange code: 8078

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

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The date of issue of audited financial statements: November 12, 2010 The date of payout of dividend: December 3, 2010

## 1. Consolidated financial results for the second quarter ended September 30, 2010

(Rounded down to millions of yen)

### (1) Consolidated operating results

(% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the second quarter ended September 30, 2010	647,172	21.7	6,748	18.2	7,360	43.2	3,931	54.2
ended September 30, 2009	531,946	(41.6)	5,708	(71.2)	5,139	(73.4)	2,550	(75.0)

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the second quarter ended September 30, 2010	18.96	—
ended September 30, 2009	12.19	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
September 30, 2010	471,290	106,433	22.4	510.10
March 31, 2010	443,444	106,855	24.0	512.16

Note: Shareholders' equity

As of September 30, 2010

105,736 million yen

As of March 31, 2010

106,168 million yen

## 2. Cash dividends

(effective date)	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2010	—	6.00	—	6.00	12.00
Year ending March 31, 2011 (estimated)	—	6.00	—	6.00	12.00

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2011

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Annual	1,333,000	19.4	13,000	13.8	12,000	27.5	6,800	(41.3)	32.80

\* 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 Second Quarter ended September 30, 2010

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2010	September 30, 2010	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	24,669	12,025	(12,644)
Trade notes and accounts receivable	214,416	241,155	26,739
Inventories	72,352	87,640	15,288
Others	22,620	26,318	3,698
Allowance for doubtful receivables	(892)	(1,003)	(111)
<b>Total current assets</b>	<b>333,166</b>	<b>366,136</b>	<b>32,970</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Land	28,293	28,703	410
Others	18,005	17,483	(522)
<b>Total property and equipment</b>	<b>46,299</b>	<b>46,187</b>	<b>(112)</b>
<b>Intangible assets</b>	<b>753</b>	<b>680</b>	<b>(73)</b>
<b>Investments and other assets;</b>			
Investment securities	40,401	37,358	(3,043)
Others	25,798	23,575	(2,223)
Allowance for doubtful receivables	(2,974)	(2,646)	328
<b>Total investments and other assets</b>	<b>63,225</b>	<b>58,287</b>	<b>(4,938)</b>
<b>Total fixed assets</b>	<b>110,278</b>	<b>105,154</b>	<b>(5,124)</b>
<b>Total assets</b>	<b>443,444</b>	<b>471,290</b>	<b>27,846</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	134,800	138,142	3,342
Short-term loans payable	49,725	55,782	6,057
Commercial paper	1,000	15,000	14,000
Current portion of bonds payable	10,000	—	(10,000)
Income taxes payable	233	399	166
Accrued bonuses	1,855	1,843	(12)
Others	17,475	15,159	(2,316)
<b>Total current liabilities</b>	<b>215,089</b>	<b>226,327</b>	<b>11,238</b>
<b>Long-term liabilities;</b>			
Bonds payable	—	10,000	10,000
Long-term loans payable	114,355	120,275	5,920
Employees' retirement benefits	18	20	2
Others	7,125	8,234	1,109
<b>Total long-term liabilities</b>	<b>121,499</b>	<b>138,529</b>	<b>17,030</b>
<b>Total liabilities</b>	<b>336,589</b>	<b>364,857</b>	<b>28,268</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	64,301	66,989	2,688
Treasury stock	(1,415)	(1,418)	(3)
<b>Total shareholders' equity</b>	<b>108,542</b>	<b>111,226</b>	<b>2,684</b>
<b>Valuation and translation adjustments;</b>			
Net unrealized holding gains on securities	889	(2,689)	(3,578)
Deferred hedge profit and loss	(771)	49	820
Land revaluation difference	(183)	(183)	—
Foreign currency translation adjustments	(2,308)	(2,667)	(359)
<b>Total valuation and translation adjustments</b>	<b>(2,373)</b>	<b>(5,489)</b>	<b>(3,116)</b>
<b>Minority interests</b>	<b>686</b>	<b>696</b>	<b>10</b>
<b>Total net assets</b>	<b>106,855</b>	<b>106,433</b>	<b>(422)</b>
<b>Total liabilities and net assets</b>	<b>443,444</b>	<b>471,290</b>	<b>27,846</b>

## Financial Results for the Second Quarter ended September 30, 2010

## 《Consolidated Statements of Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2009	Second quarter ended September 30, 2010	Increase(Decrease)
<b>Net sales</b>	531,946	<b>647,172</b>	115,226
Cost of sales	511,558	<b>625,652</b>	114,094
<b>Gross profit</b>	20,387	<b>21,519</b>	1,132
Selling, general and administrative expenses	14,679	<b>14,771</b>	92
<b>Operating income</b>	5,708	<b>6,748</b>	1,040
<b>Non-operating income;</b>			
Interest income	256	<b>324</b>	68
Dividend income	338	<b>214</b>	(124)
Foreign exchange gain	982	<b>1,170</b>	188
Others	308	<b>940</b>	632
Total non-operating income	1,885	<b>2,650</b>	765
<b>Non-operating expenses;</b>			
Interest expenses	1,705	<b>1,387</b>	(318)
Others	749	<b>650</b>	(99)
Total non-operating expenses	2,455	<b>2,038</b>	(417)
<b>Ordinary income</b>	5,139	<b>7,360</b>	2,221
<b>Extraordinary loss;</b>			
Loss on impairment of long-lived assets	—	<b>429</b>	429
Loss on devaluation of investments securities	—	134	134
Total extraordinary loss	—	<b>564</b>	564
<b>Income before income taxes and minority interest</b>	5,139	<b>6,796</b>	1,657
Income taxes	2,698	<b>2,827</b>	129
<b>Income before minority interest</b>	—	<b>3,969</b>	—
Minority interest in net income	△ 109	<b>38</b>	147
<b>Net income</b>	2,550	<b>3,931</b>	1,381

## Financial Results for the Second Quarter ended September 30, 2010

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2009	Second quarter ended September 30, 2010	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	5,139	6,796	1,657
Depreciation and amortization	1,251	1,310	59
Loss on impairment of long-lived assets	—	429	429
Increase(decrease) in allowance for doubtful receivables	550	(216)	(766)
Interest and dividend income	(595)	(539)	56
Interest expense	1,705	1,387	(318)
Loss on devaluation of investments securities	—	134	134
(Increase)decrease in trade receivables	28,767	(27,334)	(56,101)
(Increase)decrease in inventories	19,142	(15,649)	(34,791)
Increase(decrease) in trade notes and accounts payable	(9,775)	3,913	13,688
Other, net	(1,945)	(1,980)	(35)
<b>Sub total</b>	<b>44,240</b>	<b>(31,747)</b>	<b>(75,987)</b>
Interest and dividends received	593	535	(58)
Interest paid	(1,779)	(1,391)	388
Income taxes paid	292	2,070	1,778
<b>Net cash provided by (used in) operating activities</b>	<b>43,346</b>	<b>(30,532)</b>	<b>(73,878)</b>
<b>Cash flows from investing activities:</b>			
Payment for time deposits	(162)	(145)	17
Proceeds from refund of time deposits	143	145	2
Payment for purchase of property and equipment	(1,067)	(1,593)	(526)
Proceeds from sale of property and equipment	29	25	(4)
Payment for purchase of investment securities	(6,061)	(2,935)	3,126
Proceeds from sale and redemption of investment securities	181	142	(39)
(Increase)decrease in short – term loans receivable, net	(702)	(1,038)	(336)
Increase in long – term loans receivable	(3)	—	3
Collection of long-term loans receivable	28	45	17
Other, net	(495)	(1,207)	(712)
<b>Net cash used in investing activities</b>	<b>(8,111)</b>	<b>(6,560)</b>	<b>1,551</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short-term loans, net	(35,975)	26,702	62,677
Increase(decrease) in commercial paper, net	1,000	14,000	13,000
Proceeds from long-term debt	573	5,920	5,347
Repayments of long-term debt	—	(20,248)	(20,248)
Proceeds from issuance of bonds	—	9,954	9,954
Redemption of issuance of bonds	—	(10,000)	(10,000)
Payment for cash dividends	(1,255)	(1,243)	12
Cash dividends paid to minority interest in consolidated subsidiaries	(4)	(4)	—
Other, net	(64)	(107)	(43)
<b>Net cash provided by (used in) financing activities</b>	<b>(35,727)</b>	<b>24,973</b>	<b>60,700</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(89)</b>	<b>(516)</b>	<b>(427)</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(582)</b>	<b>(12,636)</b>	<b>(12,054)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>35,046</b>	<b>24,514</b>	<b>(10,532)</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries</b>	<b>142</b>	<b>—</b>	<b>(142)</b>
<b>Cash and cash equivalents at end of period</b>	<b>34,606</b>	<b>11,878</b>	<b>(22,728)</b>

## Financial Results for the Second Quarter ended September 30, 2010

## 《Segment information》

## Business segment information

The Companies' operations are classified into five business segments as follows:

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

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

Non-ferrous metals: Copper, aluminium, lead, zinc, tin, antimony and other metals

Foods: Frozen seafoods and meat products

Petroleum and chemicals : Petroleum products, chemical products, and cement

Segment information by business category for the second quarter ended September 30, 2009 and 2010, is as follows:  
(Rounded down to millions of yen)

## Second quarter ended September 30, 2009

Millions of yen

	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business	Total	Corporate	Consolidated
Net sales									
Customers	303,772	41,973	19,808	36,172	107,844	22,374	531,946	—	531,946
Inter-segment	—	—	—	—	—	—	—	(—)	—
Total	303,772	41,973	19,808	36,172	107,844	22,374	531,946	—	531,946
Operating income(loss)	4,525	1,136	483	672	563	1,156	8,538	(2,829)	5,708

## Second quarter ended September 30, 2010

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	326,848	58,910	26,595	40,544	149,154	602,053	45,118	647,172	—	647,172
Inter-segment	10,011	1,069	660	341	247	12,330	15,629	27,960	(27,960)	—
Total	336,859	59,980	27,256	40,885	149,401	614,383	60,748	675,132	(27,960)	647,172
Segment income(loss)	4,567	1,784	705	1,018	712	8,789	434	9,223	(1,862)	7,360

\* From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) . Thus segment information in FY2009 and FY2010 was not connected.