

# Highlights of Consolidated Financial Results for the 2nd Quarter of FY2010

HANWA Co., Ltd.

## Outline of Financial Results for the 2nd Quarter of FY2010

As for the interim figures for this year, net sales amounted 647.1 billion yen, increased by 22% due to economic recovery. On profit side, the interim net income was 3.9 billion yen, increased by 54% for the same period of the previous year, inspite of recent economic adjustment.

About the dividend, we plan to pay an interim dividend of 6 yen and a year-end dividend of 6 yen.

(Unit: 100 million yen, rounded down to 100 millions of yen)

Operating Results	1Q-2Q of FY2010	1Q-2Q of FY2009	Year-on-year		Main Factors
			Change	rate	
<b>Net sales</b>	<b>6,471</b>	<b>5,319</b>	<b>1,152</b>	<b>22%</b>	(Net sales) Transaction volume increased, because the operational status of users had improved due to economic recovery. Net sales increased by 22% for the same period of the previous year.
<b>Gross profit</b>	<b>215</b>	<b>203</b>	<b>12</b>	<b>6%</b>	
SG&A expenses	147	146	1	1%	(SG&A expenses) Employment costs stayed about the same, and large bad debts didn't occur. Therefore total amount of SG&A generally continued to be flat.
<b>Operating income</b>	<b>67</b>	<b>57</b>	<b>10</b>	<b>18%</b>	
Non-operating income	26	18	8	44%	(Non-operating income/expenses) Non-operating income rose on 41% for the same period last year, due to mainly exchange gain. Non-operating expenses was down 17% from the same period last year because of decline in interest rates.
Non-operating expenses	20	24	(4)	-17%	
<b>Ordinary income</b>	<b>73</b>	<b>51</b>	<b>22</b>	<b>43%</b>	(Extraordinary gain/loss) Impairment losses on long-lived assets in destribution center were posted of 400 million yen.
Extraordinary gain	—	—	—	—	
Extraordinary loss	5	—	5	—	
<b>Income before income taxes and others</b>	<b>67</b>	<b>51</b>	<b>16</b>	<b>31%</b>	
Income taxes	28	26	2	8%	
Minority interests(loss)	0	△1	1	—	
<b>Net income</b>	<b>39</b>	<b>25</b>	<b>14</b>	<b>54%</b>	
EPS (yen)	18.96	12.19	6.77	56%	

Segment Information		1Q-2Q of FY2010		Main Factors	(cf.) 1Q-2Q of FY2009		
		Net sales	Segment income			Net sales	Operating income
	Steel	3,368	45	(Steel business)	Steel	3,037	45
	Metals & alloys	599	17	Although manufacturers' demand was healthy, earnings hit the wall due to delay in price revision in long contract and decline in market prices.	Metals & alloys	419	11
	Non-ferrous metals	272	7	(Metals & alloys business)	Non-ferrous metals	198	4
	Foods	408	10	In 2nd quarter, stainless steel production was reduced. Thus demand of raw materials was down.	Foods	361	6
	Petroleum & chemicals	1,494	7	(Non-ferrous metals business)	Petroleum & chemicals	1,078	5
	Total for reportable segments	6,143	87	Although demand remained at a high level, earning from recycling business decreased due to revaluation loss of delivative and rising scrap prices.	Other business	223	11
	Other	607	4	(Foods business)	Total	5,319	85
	Total	6,751	92	Decline of fish catches and small inventories achieved balance in supply and demand. Thus market prices remained steadily.	Corporate	—	(28)
	Adjustment	(279)	(18)	(Petroleum & chemicals business)			
	Consolidated	6,471	73	Oil manufacturers' reorganization and change of price system caused a downturn in profitability	Consolidated	5,319	57

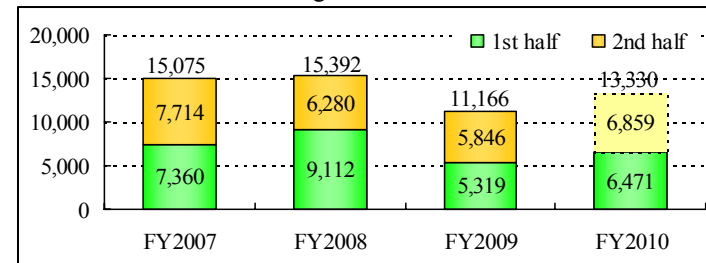
\* From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .

Topics	<ul style="list-style-type: none"> <li>Apr. We made Showa Metal Co., Ltd. our subsidiary.</li> <li>Aug. We made Daikoh Steel Co., Ltd. our subsidiary.</li> <li>Oct. We made Toyo-Energy Co.,Ltd. our subsidiary.</li> </ul>
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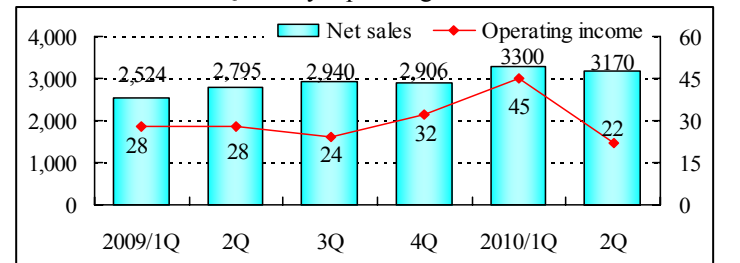
Financial Position	Sep. 2010	Mar. 2010	Comparison with Mar. 2010		Main Factors
			Change	rate	
<b>Total assets</b>	<b>4,712</b>	<b>4,434</b>	<b>278</b>	<b>6%</b>	(Total Assets) Total assets increased by 6% from end of the previous year, due to increase in trade receivables and inventories with increase in sales. Inventories 87.6 billion yen (+21%)
(Current assets)	3,661	3,331	330	10%	
(Fixed assets)	1,051	1,102	(51)	-5%	(Liabilities) Interest-bearing debt increased due to the increasing working capital with the recovery of sales. Together with declining cash and deposits, net debt-equity ratio rose to 180%.
<b>Total liabilities</b>	<b>3,648</b>	<b>3,365</b>	<b>283</b>	<b>8%</b>	
(Interest-bearing debt)	2,019	1,755	264	15%	(Net assets) Although retained earnings increased, net unrealized holding gains on securities decreased. Total net assets decreased by 0.4% from end of the previous year. Shareholders' equity ratio was 22.4%.
(Net interest-bearing debt)	1,898	1,509	389	26%	
Net DER	180%	142%	38pt	—	
<b>Total net assets</b>	<b>1,064</b>	<b>1,068</b>	<b>(4)</b>	<b>-0%</b>	
(Equity capital)	1,112	1,085	27	2%	
(Valuation & translation adjustments)	(54)	(23)	(31)	131%	
(Minority interests)	6	6	0	0%	
BPS (yen)	510.10	512.16	(2.06)	-0%	
Shareholders' equity	1,057	1,061	(4)	-0%	
Shareholders' equity ratio	22.4%	24.0%	-1.6pt	—	

Cash Flow	1Q-2Q of FY2010	1Q-2Q of FY2009	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(305)	433	(738)	—	(Operating cash flows) (30.5) billion yen It was due to increase in trade receivables and inventories.
Cash flows from investing activities	(65)	(81)	16	-20%	
Cash flows from financing activities	249	(357)	606	—	(Investment cash flows) (6.5) billion yen It was due to payment for purchase of investment securities.
Cash and cash equivalents at end of period	118	346	(228)	-66%	(Financial cash flows) 24.9 billion yen It was due to increase in short term loans and CP.

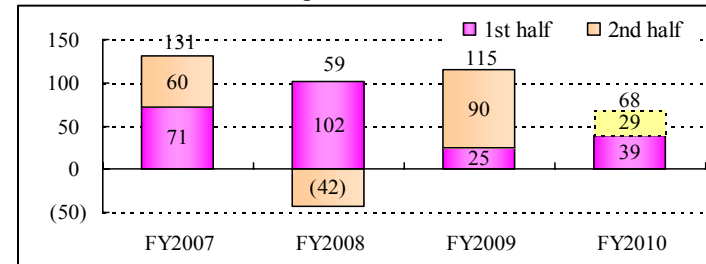
【Changes in Net Sales】



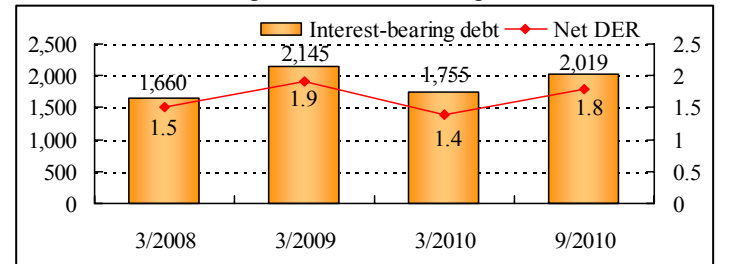
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2010	FY2009		Cash Dividends	FY2009	FY2010	FY2010 (estimated)
			change				
Net sales	13,330	11,166	19%	Interim (yen)	6.00	6.00	—
Operating income	130	114	14%	Year-end (yen)	6.00	—	6.00
Ordinary income	120	94	28%	Annual (yen)	12.00	—	12.00
Net income	68	115	-41%	Dividend payout ratio	22%	—	37%