

# Financial Results for the Second Quarter ended September 30, 2011

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

November 9, 2011

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 14, 2011 The date of payout of dividend: December 5, 2011

(Rounded down to millions of yen)

## 1. Consolidated financial results for the second quarter ended September 30, 2011

### (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, 2011	762,648	17.8	10,109	49.8	10,109	37.4	3,822	(2.8)
ended September 30, 2010	647,172	21.7	6,748	18.2	7,360	43.2	3,931	54.2

Note: Comprehensive income For the second quarter ended September 30, 2011 3,556 million yen 329.0 %  
For the second quarter ended September 30, 2010 829 million yen - %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the second quarter ended September 30, 2011	18.44	—
ended September 30, 2010	18.96	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
September 30, 2011	551,663	114,541	20.3	541.27
March 31, 2011	532,797	110,458	20.6	529.65

Note: Shareholders' equity As of September 30, 2011 112,189 million yen  
As of March 31, 2011 109,781 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, 2011	—	6.00	—	6.00	12.00
Year ending March 31, 2012 (estimated)	—	6.00	—	6.00	12.00

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2012

(% 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	1,485,000	6.4	17,400	25.6	15,000	11.2	6,800	17.4	32.81

\* 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, 2011

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2011	September 30, 2011	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	20,707	19,123	(1,584)
Trade notes and accounts receivable	274,348	281,344	6,996
Inventories	101,350	109,010	7,660
Others	27,868	33,439	5,571
Allowance for doubtful receivables	(1,071)	(1,085)	(14)
<b>Total current assets</b>	<b>423,204</b>	<b>441,832</b>	<b>18,628</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Land	29,248	30,496	1,248
Others	17,792	20,819	3,027
<b>Total property and equipment</b>	<b>47,041</b>	<b>51,316</b>	<b>4,275</b>
<b>Intangible assets</b>	<b>684</b>	<b>653</b>	<b>(31)</b>
<b>Investments and other assets;</b>			
Investment securities	41,533	37,931	(3,602)
Others	23,010	22,302	(708)
Allowance for doubtful receivables	(2,677)	(2,373)	304
<b>Total investments and other assets</b>	<b>61,867</b>	<b>57,860</b>	<b>(4,007)</b>
<b>Total fixed assets</b>	<b>109,593</b>	<b>109,831</b>	<b>238</b>
<b>Total assets</b>	<b>532,797</b>	<b>551,663</b>	<b>18,866</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	156,546	161,278	4,732
Short-term loans payable	90,942	83,597	(7,345)
Commercial paper	18,000	18,000	—
Current portion of bonds payable	250	68	(182)
Income taxes payable	442	1,246	804
Accrued bonuses	1,766	1,956	190
Others	20,125	23,755	3,630
<b>Total current liabilities</b>	<b>288,073</b>	<b>289,902</b>	<b>1,829</b>
<b>Long-term liabilities;</b>			
Bonds payable	10,000	20,050	10,050
Long-term loans payable	115,075	117,573	2,498
Employees' retirement benefits	133	169	36
Others	9,056	9,426	370
<b>Total long-term liabilities</b>	<b>134,265</b>	<b>147,218</b>	<b>12,953</b>
<b>Total liabilities</b>	<b>422,338</b>	<b>437,121</b>	<b>14,783</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	67,608	70,411	2,803
Treasury stock	(1,423)	(1,424)	(1)
<b>Total shareholders' equity</b>	<b>111,840</b>	<b>114,643</b>	<b>2,803</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains on securities	952	279	(673)
Deferred hedge profit and loss	106	737	631
Land revaluation difference	(183)	(183)	—
Foreign currency translation adjustments	(2,935)	(3,288)	(353)
<b>Total accumulated other comprehensive income</b>	<b>(2,058)</b>	<b>(2,453)</b>	<b>(395)</b>
<b>Minority interests</b>	<b>677</b>	<b>2,352</b>	<b>1,675</b>
<b>Total net assets</b>	<b>110,458</b>	<b>114,541</b>	<b>4,083</b>
<b>Total liabilities and net assets</b>	<b>532,797</b>	<b>551,663</b>	<b>18,866</b>

## Financial Results for the Second Quarter ended September 30, 2011

## 《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2010	Second quarter ended September 30, 2011	Increase(Decrease)
<b>Net sales</b>	647,172	<b>762,648</b>	115,476
Cost of sales	625,652	<b>736,811</b>	111,159
<b>Gross profit</b>	21,519	<b>25,837</b>	4,318
Selling, general and administrative expenses	14,771	<b>15,727</b>	956
<b>Operating income</b>	6,748	<b>10,109</b>	3,361
<b>Other income;</b>			
Interest income	324	<b>401</b>	77
Dividend income	214	<b>263</b>	49
Foreign exchange gain	1,170	<b>850</b>	(320)
Others	940	<b>619</b>	(321)
Total other income	2,650	<b>2,134</b>	(516)
<b>Other expenses;</b>			
Interest expenses	1,387	<b>1,468</b>	81
Others	650	<b>666</b>	16
Total other expenses	2,038	<b>2,134</b>	96
<b>Ordinary income</b>	7,360	<b>10,109</b>	2,749
<b>Extraordinary loss;</b>			
Loss on impairment of long-lived assets	429	—	(429)
Loss on devaluation of investments securities	134	3,307	3,173
Total extraordinary loss	564	3,307	2,743
<b>Income before income taxes and minority interest</b>	6,796	<b>6,802</b>	6
Income taxes	2,827	<b>2,859</b>	32
<b>Income before minority interest</b>	3,969	<b>3,942</b>	(27)
Minority interest in net income	38	<b>120</b>	82
<b>Net income</b>	3,931	<b>3,822</b>	(109)
Minority interest in net income	38	<b>120</b>	82
<b>Income before minority interest</b>	3,969	<b>3,942</b>	(27)
<b>Other Comprehensive Income</b>			
Net unrealized holding gains on securities	(3,578)	<b>(672)</b>	2,906
Deferred hedge profit and loss	821	<b>630</b>	(191)
Foreign currency translation adjustments	(382)	<b>(344)</b>	38
Total other comprehensive Income	(3,139)	<b>(386)</b>	2,753
<b>Comprehensive Income</b>	829	<b>3,556</b>	2,727
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	814	<b>3,427</b>	2,613
Comprehensive income attributable to minority interests	14	<b>129</b>	115

## Financial Results for the Second Quarter ended September 30, 2011

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2010	Second quarter ended September 30, 2011	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	6,796	6,802	6
Depreciation and amortization	1,310	1,313	3
Loss on impairment of long-lived assets	429	—	(429)
Increase(decrease) in allowance for doubtful receivables	(216)	(289)	(73)
Interest and dividend income	(539)	(664)	(125)
Interest expense	1,387	1,468	81
Loss on devaluation of investments securities	134	3,307	3,173
(Increase)decrease in trade receivables	(27,334)	(5,264)	22,070
(Increase)decrease in inventories	(15,649)	(5,396)	10,253
Increase(decrease) in trade notes and accounts payable	3,913	4,599	686
Other, net	(1,980)	(1,170)	810
<b>Sub total</b>	<b>(31,747)</b>	<b>4,705</b>	<b>36,452</b>
Interest and dividends received	535	655	120
Interest paid	(1,391)	(1,421)	(30)
Income taxes paid	2,070	(202)	(2,272)
<b>Net cash provided by (used in) operating activities</b>	<b>(30,532)</b>	<b>3,736</b>	<b>34,268</b>
<b>Cash flows from investing activities:</b>			
Payment for time deposits	(145)	(86)	59
Proceeds from refund of time deposits	145	204	59
Payment for purchase of property and equipment	(1,593)	(3,873)	(2,280)
Proceeds from sale of property and equipment	25	141	116
Payment for purchase of investment securities	(2,935)	(2,175)	760
Proceeds from sale and redemption of investment securities	142	20	(122)
(Increase)decrease in short – term loans receivable, net	(1,038)	(433)	605
Increase in long – term loans receivable	—	(0)	(0)
Collection of long-term loans receivable	45	—	(45)
Other, net	(1,207)	24	1,231
<b>Net cash used in investing activities</b>	<b>(6,560)</b>	<b>(6,178)</b>	<b>382</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short-term loans, net	26,702	(10,701)	(37,403)
Increase(decrease) in commercial paper, net	14,000	—	(14,000)
Proceeds from long-term debt	5,920	2,500	(3,420)
Repayments of long-term debt	(20,248)	(97)	20,151
Proceeds from issuance of bonds	9,954	9,955	1
Payment for redemption of bonds	(10,000)	(283)	9,717
Payment for cash dividends	(1,243)	(1,244)	(1)
Cash dividends paid to minority interest in consolidated subsidiaries	(4)	(47)	(43)
Other, net	(107)	(190)	(83)
<b>Net cash provided by (used in) financing activities</b>	<b>24,973</b>	<b>(110)</b>	<b>(25,083)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(516)</b>	<b>(506)</b>	<b>10</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(12,636)</b>	<b>(3,058)</b>	<b>9,578</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>24,514</b>	<b>20,586</b>	<b>(3,928)</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries</b>	<b>—</b>	<b>1,440</b>	<b>1,440</b>
<b>Cash and cash equivalents at end of period</b>	<b>11,878</b>	<b>18,968</b>	<b>7,090</b>

## Financial Results for the Second Quarter ended September 30, 2011

## 《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, 2010 and 2011, is as follows:  
(Rounded down to millions of yen)

## 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

## Second quarter ended September 30, 2011

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	356,387	67,736	32,419	45,848	203,170	705,563	57,085	762,648	—	762,648
Inter-segment	10,212	612	1,134	382	177	12,519	19,959	32,479	(32,479)	—
Total	366,600	68,349	33,553	46,231	203,348	718,082	77,044	795,127	(32,479)	762,648
Segment income(loss)	4,366	2,305	1,587	949	1,328	10,537	1,422	11,960	(1,850)	10,109