

# Highlights of Consolidated Financial Results for the 2nd Quarter of FY2011

HANWA Co., Ltd.

(Unit: billion yen, rounded down to 0.1 billions of yen)

## Outline of Financial Results for the 2nd Quarter of FY2011

As for the interim figures for this fiscal year, net sales has reached to 762.6 billion yen, increased by 18%, due to steady business outcome from our steel and petroleum/chemical businesses, as well as increased number of newly joined consolidated subsidiaries. On profit side, the interim net income was 3.8 billion yen, decreased by 3% for the same period of the previous year, due to impairment losses on investment securities. We pay 6 yen as interim dividend and plan to pay additional 6 yen as the end of this fiscal year dividend.

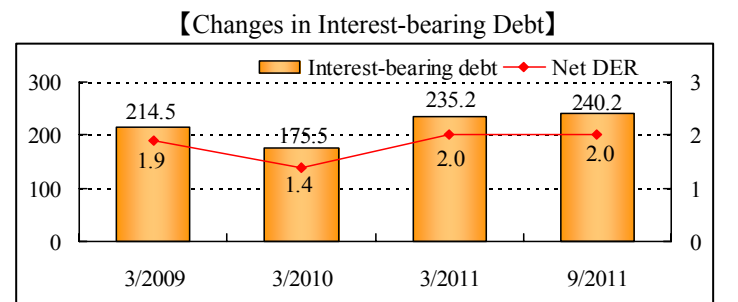
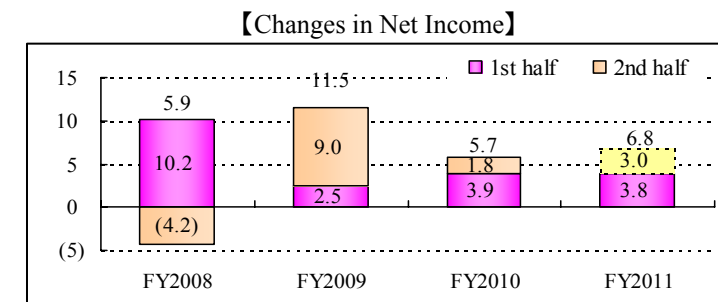
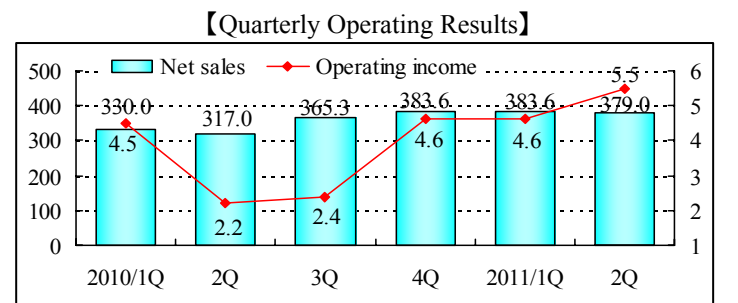
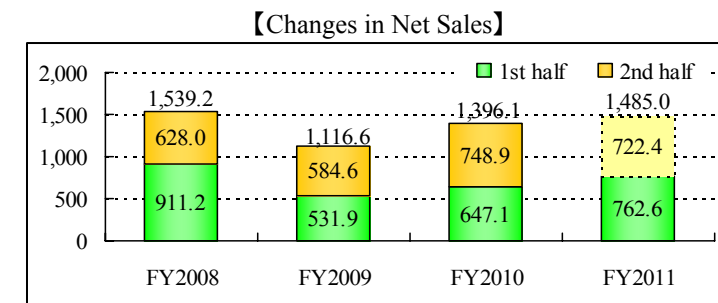
Operating Results	1Q-2Q of FY2011	1Q-2Q of FY2010	Year-on-year Change rate		Main Factors
<b>Net sales</b>	<b>762.6</b>	<b>647.1</b>	<b>115.5</b>	<b>18%</b>	(Net sales) Net sales amount has increased by 18% for the same period of previous year. Business activities recovered after economic stagnation by the Great East Japan Earthquake. With this trend, our steel and petroleum/chemical businesses showed steady progress. In addition, number of consolidated subsidiaries increased.
<b>Gross profit</b>	<b>25.8</b>	<b>21.5</b>	<b>4.3</b>	<b>20%</b>	
SG&A expenses	15.7	14.7	1.0	7%	
<b>Operating income</b>	<b>10.1</b>	<b>6.7</b>	<b>3.4</b>	<b>50%</b>	(SG&A expenses) New additions of consolidated subsidiaries and increased number of total employees pushed up our employment cost by 0.8 billion yen. Large bad debts did not occur.
Non-operating income	2.1	2.6	(0.5)	-20%	
Non-operating expenses	2.1	2.0	0.1	5%	
<b>Ordinary income</b>	<b>10.1</b>	<b>7.3</b>	<b>2.8</b>	<b>37%</b>	(Non-operating income/expenses) Non-operating income has decreased by 20% from the same period last year, mainly due to decrease of foreign exchange gains. On the other hand, increase in interest expense has an effect on non-operating expenses by 5% from the same period last year.
Extraordinary gain	—	—	—	—	
Extraordinary loss	3.3	0.5	2.8	486%	
<b>Income before income taxes and others</b>	<b>6.8</b>	<b>6.7</b>	<b>0.1</b>	<b>0%</b>	(Extraordinary gain/loss) Due to declining stock markets, 3.3 billion yen were posted as impairment losses on investment securities.
Income taxes	2.8	2.8	0.0	1%	
Minority interests(loss)	0.1	0.0	0.1	216%	
<b>Net income</b>	<b>3.8</b>	<b>3.9</b>	<b>(0.1)</b>	<b>-3%</b>	
EPS (yen)	18.44	18.96	(0.52)	-3%	
<b>Comprehensive income</b>	<b>3.5</b>	<b>0.8</b>	<b>2.7</b>	<b>329%</b>	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2011	1Q-2Q of FY2010	rate	1Q-2Q of FY2011	1Q-2Q of FY2010	rate	
Steel	366.6	336.8	9%	4.3	4.5	-4%	(Steel business) Although demand from manufacturing industry recovered and construction sector remained steady, it has been difficult to pass the jump in raw material costs on to the prices of steel products because of volatile overseas market situation.
Metals & alloys	68.3	59.9	14%	2.3	1.7	29%	
Non-ferrous metals	33.5	27.2	23%	1.5	0.7	125%	
Foods	46.2	40.8	13%	0.9	1.0	-7%	(Metals & alloys business) Market of metals and alloys in general has been soft but prices remained at a high level. Even with continued adjustment of stainless steel production, recovery of steel production by blast furnace has strengthened demand for raw material.
Petroleum & chemicals	203.3	149.4	36%	1.3	0.7	87%	
Total for reportable segments	718.0	614.3	17%	10.5	8.7	20%	
Other	77.0	60.7	27%	1.4	0.4	228%	(Non-ferrous metals business) Although metal prices remained at a high level, demand remained strong mainly due to rapid recovery of automotive production.
<b>Total</b>	<b>795.1</b>	<b>675.1</b>	<b>18%</b>	<b>11.9</b>	<b>9.2</b>	<b>30%</b>	(Foods business) Although domestic demand for foodstuff remained sluggish, market price has been sustained steady due to strong overseas market as well as decrease of domestic production in fisheries.
Adjustment	(32.4)	(27.9)	-16%	(1.8)	(1.8)	1%	(Petroleum & chemicals business) After the confusion in the wake of earthquake, demand for petroleum product was low. Meanwhile, demand for thermal power plants as an alternative to nuclear power generation kept petroleum and natural gas market strong.
<b>Consolidated</b>	<b>762.6</b>	<b>647.1</b>	<b>18%</b>	<b>10.1</b>	<b>7.3</b>	<b>37%</b>	

<b>Topics</b>	<ul style="list-style-type: none"> <li>Jul. We acquired Mie Kogyo Co., Ltd., which processes steel materials.</li> <li>Aug. We established Hanwa Metals Co., Ltd, which mainly collects stainless steel scrap in Osaka-Nanko.</li> <li>Sep. We opened Shizuoka Branch Office.</li> </ul>
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Financial Position	Sep. 2011	Mar. 2011	Comparison with Mar. 2011 Change rate		Main Factors
<b>Total assets</b>	<b>551.6</b>	<b>532.7</b>	<b>18.9</b>	<b>4%</b>	(Total Assets) Total assets increased by 4% from end of the previous year, due to increase in trade receivables and inventories as a sales increase. Inventories 109.0 billion yen (+8%)
(Current assets)	441.8	423.2	18.6	4%	
(Fixed assets)	109.8	109.5	0.3	0%	
<b>Total liabilities</b>	<b>437.1</b>	<b>422.3</b>	<b>14.8</b>	<b>4%</b>	(Liabilities) Total liabilities increased by 4% from end of the previous year, due to increase in trade payables with increase in sales and issuance of bonds. Interest-bearing debt slightly increased. Net debt-equity ratio remained steady at less than 200%.
(Interest-bearing debt)	240.2	235.2	5.0	2%	
(Net interest-bearing debt)	221.1	214.4	6.7	3%	
Net DER	197.1%	195.4%	1.7pt	—	(Net assets) Total net assets increased by 4% from end of the previous year, due to increase in retained earnings and minority interests. Shareholders' equity ratio was 20.3%.
<b>Total net assets</b>	<b>114.5</b>	<b>110.4</b>	<b>4.1</b>	<b>4%</b>	
(Equity capital)	114.6	111.8	2.8	3%	
(Valuation & translation adjustments)	(2.4)	(2.0)	(0.4)	19%	
(Minority interests)	2.3	0.6	1.7	247%	
BPS (yen)	541.27	529.65	11.62	2%	
Shareholders' equity	112.1	109.7	2.4	2%	
Shareholders' equity ratio	20.3%	20.6%	-0.3pt	—	

Cash Flow	1Q-2Q of FY2011	1Q-2Q of FY2010	Year-on-year Change rate		Main Factors
Cash flows from operating activities	3.7	(30.5)	34.2	—	(Operating cash flows) 3.7 billion yen It was due to increase in operating revenue.
Cash flows from investing activities	(6.1)	(6.5)	0.4	-6%	
Cash flows from financing activities	(0.1)	24.9	(25.0)	—	
Cash and cash equivalents at end of period	18.9	11.8	7.1	60%	(Investment cash flows) (6.1) billion yen It was due to purchase of fixed assets and investment securities.
					(Financial cash flows) (0.1) billion yen It was due to decrease in short term loans.



Forecast (Annual)	FY2011	FY2010	change	Cash Dividends	FY2010	FY2011	FY2011 (estimated)
Net sales	1,485.0	1,396.1	6%	Interim (yen)	6.00	6.00	—
Operating income	17.4	13.8	26%	Year-end (yen)	6.00	—	6.00
Ordinary income	15.0	13.4	11%	Annual (yen)	12.00	—	12.00
Net income	6.8	5.7	17%	Dividend payout ratio	43%	—	37%