

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2012

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2012

As for the interim figures for this fiscal year, net sales has reached to 735.5 billion yen, decreased by 4%, due to decline in steel and metal prices. On profit side, the interim net loss was 87 million yen, mainly due to impairment losses on investment securities. We pay 4 yen as interim dividend and plan to pay additional 6 yen as the end of this fiscal year dividend.

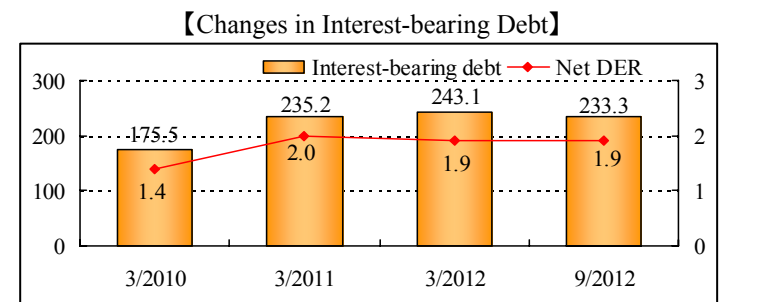
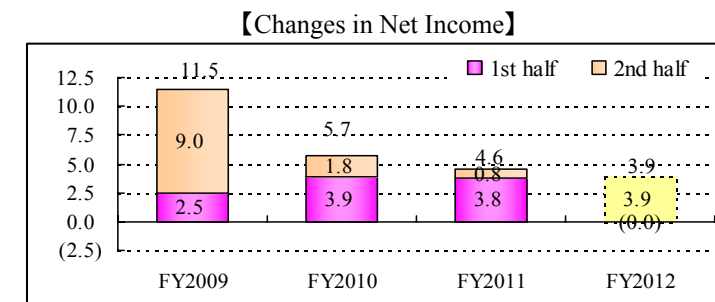
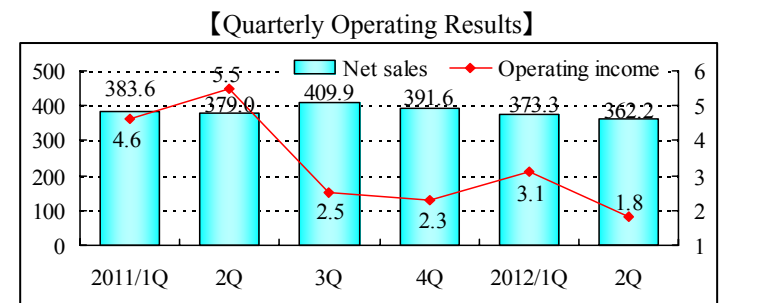
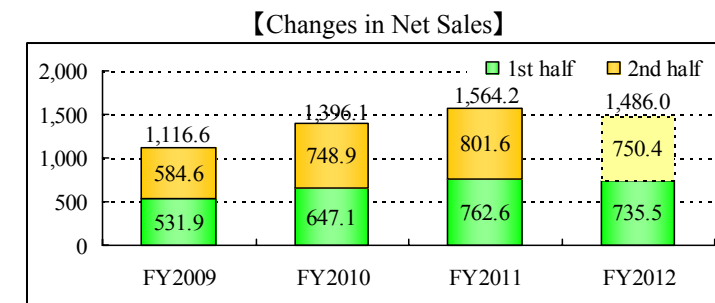
Operating Results	1Q-2Q of FY2012	1Q-2Q of FY2011	Year-on-year Change	rate	Main Factors
Net sales	735.5	762.6	(27.1)	-4%	(Net sales) Net sales amount has decreased by 4% for the same period of previous year. Steel, metals/alloys and non-ferrous metals businesses extended sales, however, sales prices dropped.
Gross profit	20.6	25.8	(5.2)	-20%	
SG&A expenses	15.6	15.7	(0.1)	-1%	
Operating income	5.0	10.1	(5.1)	-50%	(SG&A expenses) SG & A expenses slightly decreased for the same period of previous year. Our employment cost decreased by 0.2 billion yen. Large bad debts did not occur.
Non-operating income	1.2	2.1	(0.9)	-39%	
Non-operating expenses	2.1	2.1	0.0	-1%	
Ordinary income	4.2	10.1	(5.9)	-58%	(Non-operating income/expenses) Non-operating income has decreased by 39% from the same period last year, mainly due to decrease of foreign exchange gains. On the other hand, non-operating expenses stayed about same.
Extraordinary gain	—	—	—	—	
Extraordinary loss	4.3	3.3	1.0	32%	
Income before income taxes and others	(0.1)	6.8	(6.9)	—	(Extraordinary gain/loss) Due to declining stock markets, 4.1 billion yen were posted as impairment losses on investment securities. In addition, loss of 0.2 billion yen on impairment of long-lived assets was posted, associated with move of Osaka head office.
Income taxes	(0.0)	2.8	(2.8)	—	
Minority interests(loss)	(0.0)	0.1	(0.1)	—	
Net income	(0.0)	3.8	(3.8)	—	
EPS (yen)	(0.42)	18.44	(18.86)	—	
Comprehensive income	(1.8)	3.5	(5.3)	—	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2012	1Q-2Q of FY2011	rate	1Q-2Q of FY2012	1Q-2Q of FY2011	rate	
Steel	355.6	366.6	-3%	3.9	4.3	-10%	(Steel business) Although demands from manufacturing industry and construction sector remained steady, the prices of steel products continued downward trend. Therefore, our revenue decreased.
Metals & alloys	50.6	68.3	-26%	1.2	2.3	-46%	
Non-ferrous metals	32.7	33.5	-2%	0.3	1.5	-76%	
Foods	46.1	46.2	-0%	0.4	0.9	-58%	(Metals & alloys business) Market of nikkel and ferroalloys in general has been soft, due to decrease in stainless steel demand. In addition, rising cost of scrap purchase put pressure on profit.
Petroleum & chemicals	204.2	203.3	0%	0.3	1.3	-76%	
Total for reportable segments	689.3	718.0	-4%	6.3	10.5	-40%	(Non-ferrous metals business) Although demand for metals was healthy, the prices remained downward trend. Our revenue was down due to rising purchase costs and decrease in valuation gain from the current prices of the derivatives.
Other	82.6	77.0	7%	0.6	1.4	-53%	(Foods business) Domestic demand remained low. Market price and demand have been in a slump, due to continued drop in farmed salmon prices. The downturn in shrimp prices put downward pressure on our performance.
Total	772.0	795.1	-3%	6.9	11.9	-42%	(Petroleum & chemicals business) Sales amount expanded by cooperation with our subsidiary. However, profit was down, due to rising purchase costs and end of special demand related post-quake recovery.
Adjustment	(36.4)	(32.4)	-12%	(2.7)	(1.8)	-50%	
Consolidated	735.5	762.6	-4%	4.2	10.1	-58%	

Topics	<ul style="list-style-type: none"> Jun. We signed a comprehensive tie-up agreement with Bohai Steel Group. Aug. We acquired Kaneki Co., Ltd. and invested in Hirouchi Atsuen Kogyo Co., Ltd. Oct. We acquired the minority shares of Seiki Metal Inc Co., Ltd. In Sep. 2014, we will acquire 97% ownership of the company.
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Financial Position	Sep. 2012	Mar. 2012	Comparison with Mar. 2012 Change	rate	Main Factors
Total assets	538.2	582.4	(44.2)	-8%	(Total Assets) Total assets decreased by 8% from end of the previous year, due to decrease in trade receivables and inventories as a sales decrease. Inventories 91.4 billion yen (-18%)
(Current assets)	428.7	467.9	(39.2)	-8%	
(Fixed assets)	109.4	114.4	(5.0)	-4%	
Total liabilities	425.1	466.4	(41.3)	-9%	(Liabilities) Total liabilities decreased by 9% from end of the previous year, due to decrease in trade payables and short term loans with decrease in sales. Interest-bearing debt decreased by 4%. Net debt-equity ratio remained steady at 193%.
(Interest-bearing debt)	233.3	243.1	(9.8)	-4%	
(Net interest-bearing debt)	213.9	219.5	(5.6)	-3%	
Net DER	193.1%	193.3%	-0.2pt	—	(Net assets) Total net assets decreased by 3% from end of the previous year, due to decrease in retained earnings and net unrealized holding gains on securities. Shareholders' equity ratio was 20.6%.
Total net assets	113.0	115.9	(2.9)	-3%	
(Equity capital)	113.1	114.2	(1.1)	-1%	
(Valuation & translation adjustments)	(2.3)	(0.5)	(1.8)	301%	
(Minority interests)	2.2	2.3	(0.1)	-2%	
BPS (yen)	534.55	548.22	(13.67)	-2%	
Shareholders' equity	110.7	113.6	(2.9)	-3%	
Shareholders' equity ratio	20.6%	19.5%	1.1pt	—	

Cash Flow	1Q-2Q of FY2012	1Q-2Q of FY2011	Year-on-year Change	rate	Main Factors
Cash flows from operating activities	13.8	3.7	10.1	270.0%	(Operating cash flows) 13.8 billion yen It was due to decrease in trade receivables and inventories.
Cash flows from investing activities	(2.5)	(6.1)	3.6	-59%	
Cash flows from financing activities	(15.5)	(0.1)	(15.4)	—	
Cash and cash equivalents at end of period	19.3	18.9	0.4	2%	(Investment cash flows) (2.5) billion yen It was due to purchase of fixed assets and investment securities.
					(Financial cash flows) (15.5) billion yen It was due to decrease in short term loans.



Forecast (Annual)	FY2012	FY2011	change	Cash Dividends	FY2011	FY2012	FY2012 (estimated)
Net sales	1,486.0	1,564.2	-5%	Interim (yen)	6.00	4.00	—
Operating income	12.3	14.9	-18%	Year-end (yen)	6.00	—	6.00
Ordinary income	10.6	13.1	-19%	Annual (yen)	12.00	—	10.00
Net income	3.9	4.6	-16%	Dividend payout ratio	54%	—	53%