

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2013

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2013

As for the interim result for this fiscal year, net sales has reached to 790.7 billion yen, increased by 8%, due to increase in petroleum/chemicals and steel businesses, as well as increased number of newly joined consolidated subsidiaries. On profit side, the interim net income was 3.7 billion yen, mainly due to becoming profitable from upturn in market prices and decrease in extraordinary loss.

We pay 6 yen as interim dividend and plan to pay additional 6 yen as the end of this fiscal year dividend.

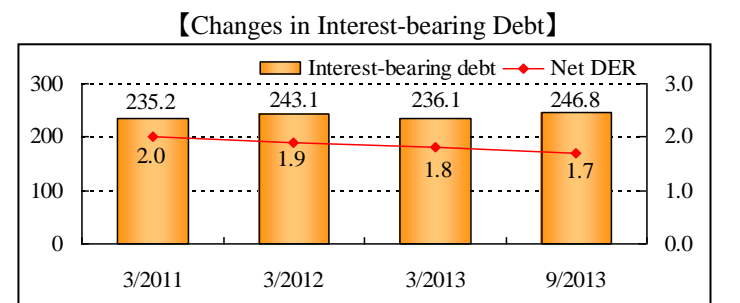
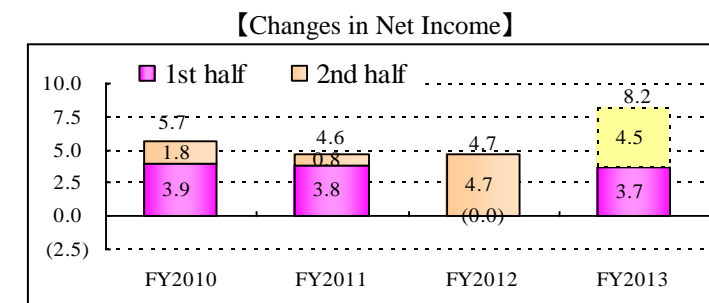
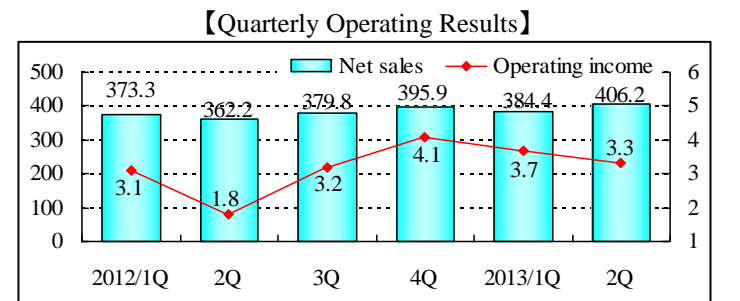
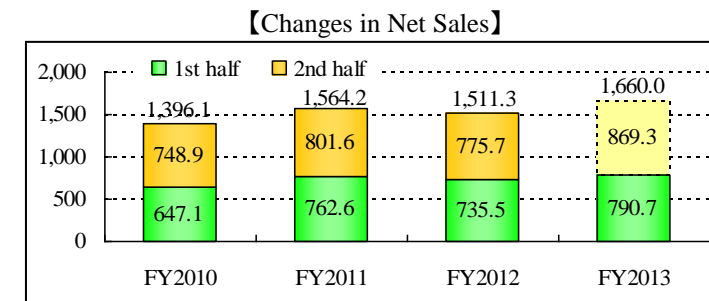
Operating Results	1Q-2Q of FY2013	1Q-2Q of FY2012	Year-on-year		Main Factors
			Change	rate	
Net sales	790.7	735.5	55.2	8%	(Net sales) Net sales has increased by 8% for the same period of previous year, due to recovery of market prices and increase of transaction volume in petroleum/chemicals and steel businesses. In addition, number of consolidated subsidiaries has increased. (SG&A expenses) SG & A expenses increased by 11%, 1.7 billion yen for the same period of previous year, including 0.4 billion yen of newly consolidated subsidiaries. Our employment cost increased by 0.8 billion yen, including 0.2 billion yen of newly consolidated subsidiaries. Even without large amount of bad debts, 0.3 billion yen of provision of allowance for bad debt was posted for overseas delinquent receivables. (Non-operating income/expenses) Non-operating income has increased by 27% from the same period last year, mainly due to increase of foreign exchange gains. On the other hand, non-operating expenses decreased by 9%, due to decrease in commission paid and Osaka head office relocation expenses. (Extraordinary gain/loss) 0.2 billion yen were posted as impairment losses on investment securities in overseas subsidiaries and affiliates.
Gross profit	24.3	20.6	3.7	18%	
SG&A expenses	17.3	15.6	1.7	11%	
Operating income	7.0	5.0	2.0	40%	
Non-operating income	1.6	1.2	0.4	27%	
Non-operating expenses	1.9	2.1	(0.2)	-9%	
Ordinary income	6.7	4.2	2.5	61%	
Extraordinary gain	—	—	—	—	
Extraordinary loss	0.2	4.3	(4.1)	-94%	
Income before income taxes and others	6.4	(0.1)	6.6	—	
Income taxes	2.6	(0.0)	2.6	—	
Minority interests(loss)	0.0	(0.0)	0.0	—	
Net income	3.7	(0.0)	3.8	—	
EPS (yen)	18.30	(0.42)	18.72	—	
Comprehensive income	12.7	(1.8)	14.6	—	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2013	1Q-2Q of FY2012	rate	1Q-2Q of FY2013	1Q-2Q of FY2012	rate	
Steel	379.1	355.6	7%	6.0	3.9	54%	(Steel business) Demands from manufacturing industry remained steady. In addition, construction sector became active. The prices of steel products recovered. Therefore, our shop sales became profitable.
Metals & alloys	46.9	50.6	-7%	1.1	1.2	-9%	
Non-ferrous metals	37.3	32.7	14%	0.6	0.3	75%	(Metals & alloys business) Market price and demand have been soft, due to decrease in stainless steel demand. Sluggish sales and decrease in foreign exchange gain pushed profit down.
Foods	39.3	46.1	-15%	0.7	0.4	98%	
Petroleum & chemicals	230.9	204.2	13%	0.8	0.3	154%	(Non-ferrous metals business) Although the prices remained downward trend, prices in yen were elevated because of weak yen. Our revenue increased due to increase in trade of noble metal scrap and profit improvement in aluminium scrap.
Total for reportable segments	733.7	689.3	6%	9.4	6.3	51%	
Other	98.8	82.6	20%	(0.1)	0.6	-128%	(Foods business) Domestic demand remained low. Due to weak yen, market prices of farmed salmon and shrimp were put upward. Therefore, our performance was improved.
Total	832.5	772.0	8%	9.3	6.9	33%	
Adjustment	(41.8)	(36.4)	-15%	(2.5)	(2.7)	8%	(Petroleum & chemicals business) International market of crude oil was gradually raised, and petroleum products price has risen. Expand sales of bunker fuel contributed to an increase in revenue.
Consolidated	790.7	735.5	8%	6.7	4.2	61%	

- Topics**
- Jun. Issued 10.0 billion yen in five-year bonds.
 - Oct. Acquired San Ei Metal Co., Ltd., which is wholesale steel distributor.

Financial Position	Sep. 2013	Mar. 2013	Comparison with Mar. 2013		Main Factors
			Change	rate	
Total assets	576.4	552.9	23.5	4%	(Total Assets) Total assets increased by 4% from end of the previous year, due to the rise in listed investment securities price and increase in inventories which newly consolidated subsidiaries held. Inventories 105.5 billion yen (+9%)
(Current assets)	444.0	435.3	8.7	2%	
(Fixed assets)	132.3	117.6	14.7	13%	
Total liabilities	446.1	432.2	13.9	3%	(Liabilities) Total liabilities increased by 3% from end of the previous year, due to increase in short term loans. Interest-bearing debt increased by 5%. Net debt-equity ratio decreased by 172%.
(Interest-bearing debt)	246.8	236.1	10.7	5%	
(Net interest-bearing debt)	219.6	212.8	6.8	3%	
Net DER	171.9%	180.1%	-8.2pt	—	(Net assets) Total net assets increased by 8% from end of the previous year, due to increase in net unrealized holding gains on securities and foreign currency translation adjustments. Shareholders' equity ratio was 22.1%.
Total net assets	130.3	120.6	9.7	8%	
(Equity capital)	117.7	117.0	0.7	1%	
(Valuation & translation adjustments)	9.9	1.1	8.8	773%	
(Minority interests)	2.5	2.4	0.1	4%	
BPS (yen)	616.51	570.50	46.01	8%	
Shareholders' equity	127.7	118.2	9.5	8%	
Shareholders' equity ratio	22.1%	21.4%	0.7pt	—	

Cash Flow	1Q-2Q of FY2013	1Q-2Q of FY2012	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	3.4	13.8	(10.4)	-75%	(Operating cash flows) 3.4 billion yen It was due to increase in operating revenue. (Investment cash flows) (3.7) billion yen It was due to purchase of investment securities. (Financial cash flows) 2.2 billion yen It was due to increase in short term loans.
Cash flows from investing activities	(3.7)	(2.5)	(1.2)	46%	
Cash flows from financing activities	2.2	(15.5)	17.7	—	
Cash and cash equivalents at end of period	27.0	19.3	7.7	40%	



Forecast (Annual)	FY2013	FY2012		Cash Dividends	FY2012	FY2013	FY2013 (estimated)
			change				
Net sales	1,660.0	1,511.3	10%	Interim (yen)	4.00	6.00	—
Operating income	15.8	12.4	27%	Year-end (yen)	8.00	—	6.00
Ordinary income	14.0	8.8	58%	Annual (yen)	12.00	—	12.00
Net income	8.2	4.7	74%	Dividend payout ratio	53%	—	30%