

Financial Results for the Second Quarter ended September 30, 2014

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

November 6, 2014

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 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)
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The date of issue of audited financial statements: November 14, 2014 The date of payout of dividend: December 4, 2014
 (Rounded down to millions of yen)

1. Consolidated financial results for the second quarter ended September 30, 2014

(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, 2014	861,116	8.9	9,019	28.4	6,861	1.6	3,981	5.0
ended September 30, 2013	790,724	7.5	7,023	39.6	6,751	60.5	3,792	-

Note: Comprehensive income For the second quarter ended September 30, 2014 7,388 million yen (42.2) %
 For the second quarter ended September 30, 2013 12,771 million yen - %

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the second quarter ended September 30, 2014	19.21	-
ended September 30, 2013	18.30	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
September 30, 2014	649,342	132,243	20.2	632.78
March 31, 2014	593,351	125,361	20.6	591.68

Note: Shareholders' equity As of September 30, 2014 131,123 million yen
 As of March 31, 2014 122,609 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, 2014	-	6.00	-	6.00	12.00
Year ending March 31, 2015 (estimated)	-	7.50	-	7.50	15.00

3. Forecast of consolidated financial results for fiscal year ending March 31, 2015 (% 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	1,750,000	4.0	19,800	21.8	17,500	19.1	10,600	34.2	51.15

* 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, 2014

《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2014	September 30, 2014	Increase(Decrease)
Assets			
Current assets;			
Cash and deposits	16,007	21,647	5,640
Trade notes and accounts receivable	317,846	330,899	13,053
Securities	2,000	—	(2,000)
Inventories	114,694	139,364	24,670
Others	18,703	29,791	11,088
Allowance for doubtful receivables	(925)	(939)	(14)
Total current assets	468,325	520,763	52,438
Fixed assets;			
Property and equipment;			
Land	32,601	32,596	(5)
Others	28,973	28,474	(499)
Total property and equipment	61,574	61,070	(504)
Intangible assets	1,858	1,885	27
Investments and other assets;			
Investment securities	46,570	51,097	4,527
Others	16,328	16,031	(297)
Allowance for doubtful receivables	(1,306)	(1,505)	(199)
Total investments and other assets	61,592	65,623	4,031
Total fixed assets	125,025	128,579	3,554
Total assets	593,351	649,342	55,991
Liabilities;			
Current liabilities;			
Trade notes and accounts payable	180,363	184,854	4,491
Short-term loans payable	95,605	115,020	19,415
Commercial paper	5,000	20,000	15,000
Current portion of bonds payable	10,000	10,000	—
Income taxes payable	3,541	602	(2,939)
Accrued bonuses	2,212	2,081	(131)
Others	22,639	38,104	15,465
Total current liabilities	319,361	370,662	51,301
Long-term liabilities;			
Bonds payable	30,000	30,000	—
Long-term loans payable	104,280	102,716	(1,564)
Employees' retirement benefits	4,482	1,421	(3,061)
Others	9,865	12,296	2,431
Total long-term liabilities	148,628	146,435	(2,193)
Total liabilities	467,989	517,098	49,109
Net assets;			
Shareholders' equity;			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	76,520	81,594	5,074
Treasury stock	(1,442)	(1,444)	(2)
Total shareholders' equity	120,733	125,805	5,072
Accumulated other comprehensive income			
Net unrealized holding gains on securities	7,484	9,497	2,013
Deferred hedge profit and loss	(360)	1,155	1,515
Land revaluation difference	32	32	—
Foreign currency translation adjustments	304	(192)	(496)
Remeasurements of defined benefit plans	(5,584)	(5,174)	410
Total accumulated other comprehensive income	1,875	5,318	3,443
Minority interests	2,752	1,120	(1,632)
Total net assets	125,361	132,243	6,882
Total liabilities and net assets	593,351	649,342	55,991

Financial Results for the Second Quarter ended September 30, 2014

《Consolidated Statements of Income and Comprehensive Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2013	Second quarter ended September 30, 2014	Increase(Decrease)
Net sales	790,724	861,116	70,392
Cost of sales	766,379	833,746	67,367
Gross profit	24,345	27,369	3,024
Selling, general and administrative expenses	17,321	18,350	1,029
Operating income	7,023	9,019	1,996
Other income;			
Interest income	388	436	48
Dividend income	345	365	20
Foreign exchange gain	474	—	(474)
Equity in earnings of affiliates	—	54	54
Others	443	444	1
Total other income	1,651	1,301	(350)
Other expenses;			
Interest expenses	1,446	1,419	(27)
Foreign exchange loss	—	1,270	1,270
Others	476	770	294
Total other expenses	1,923	3,460	1,537
Ordinary income	6,751	6,861	110
Extraordinary loss;			
Loss on devaluation of investments securities	283	—	(283)
Total extraordinary loss	283	—	(283)
Income before income taxes and minority interest	6,467	6,861	394
Income taxes	2,658	2,852	194
Income before minority interest	3,809	4,009	200
Minority interest in net income	17	27	10
Net income	3,792	3,981	189
Minority interest in net income	17	27	10
Income before minority interest	3,809	4,009	200
Other Comprehensive Income			
Net unrealized holding gains on securities	7,497	2,012	(5,485)
Deferred hedge profit and loss	(61)	1,516	1,577
Foreign currency translation adjustments	1,525	(560)	(2,085)
Remeasurements of defined benefit plans	—	410	410
Total other comprehensive Income	8,962	3,379	(5,583)
Comprehensive Income	12,771	7,388	(5,383)
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	12,623	7,424	(5,199)
Comprehensive income attributable to minority interests	147	(35)	(182)

Financial Results for the Second Quarter ended September 30, 2014

《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Second quarter ended September 30, 2013	Second quarter ended September 30, 2014	Increase (Decrease)
Cash flows from operating activities:			
Income before income taxes	6,467	6,861	394
Depreciation and amortization	1,779	1,978	199
Amortization of goodwill	27	93	66
Increase(decrease) in allowance for doubtful receivables	247	207	(40)
Increase(decrease) in retirement benefits	—	(2,663)	(2,663)
Interest and dividend income	(733)	(802)	(69)
Interest expense	1,446	1,419	(27)
Equity in earnings of affiliated companies (gain)	—	(54)	(54)
Loss on devaluation of investments securities	283	—	(283)
(Increase)decrease in trade receivables	7,997	(12,058)	(20,055)
(Increase)decrease in inventories	(3,691)	(21,646)	(17,955)
Increase(decrease) in trade notes and accounts payable	(6,010)	2,441	8,451
Other, net	(897)	3,410	4,307
Sub total	6,916	(20,813)	(27,729)
Interest and dividends received	614	693	79
Interest paid	(1,409)	(1,345)	64
Income taxes paid	(2,699)	(3,214)	(515)
Net cash provided by (used in) operating activities	3,423	(24,679)	(28,102)
Cash flows from investing activities:			
Payment for time deposits	(66)	(6)	60
Proceeds from refund of time deposits	66	6	(60)
Proceeds from redemption of securities	—	2,000	2,000
Payment for purchase of property and equipment	(389)	(1,510)	(1,121)
Proceeds from sale of property and equipment	91	49	(42)
Payment for purchase of investment securities	(3,072)	(6,307)	(3,235)
Proceeds from sale and redemption of investment securities	7	3,070	3,063
(Increase)decrease in short – term loans receivable, net	(799)	(52)	747
Increase in long – term loans receivable	(4)	(0)	4
Collection of long–term loans receivable	16	12	(4)
Other, net	410	702	292
Net cash used in investing activities	(3,739)	(2,036)	1,703
Cash flows from financing activities:			
Increase(decrease) in short–term loans, net	7,370	28,104	20,734
Increase(decrease) in commercial paper, net	(2,000)	15,000	17,000
Proceeds from long–term debt	—	5,200	5,200
Repayments of long–term debt	(1,097)	(15,123)	(14,026)
Proceeds from issuance of bonds	9,948	9,950	2
Payment for redemption of bonds	(10,010)	(10,000)	10
Payment for cash dividends	(1,655)	(1,243)	412
Cash dividends paid to minority interest in consolidated subsidiaries	(38)	(46)	(8)
Other, net	(257)	105	362
Net cash provided by (used in) financing activities	2,261	31,946	29,685
Effect of exchange rate changes on cash and cash equivalents	891	(124)	(1,015)
Net increase(decrease) in cash and cash equivalents	2,835	5,106	2,271
Cash and cash equivalents at beginning of year	23,198	15,919	(7,279)
Cash and cash equivalents from newly consolidated subsidiaries	1,063	533	(530)
Cash and cash equivalents at end of period	27,097	21,559	(5,538)

Financial Results for the Second Quarter ended September 30, 2014

《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

Other business: Lumber, machinery, and others

Segment information by business category for the second quarter ended September 30, 2013 and 2014, is as follows:
(Rounded down to millions of yen)

Second quarter ended September 30, 2013

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	369,135	45,116	36,515	38,946	226,666	716,381	74,343	790,724	—	790,724
Inter-segment	10,017	1,852	815	414	4,244	17,345	24,482	41,827	(41,827)	—
Total	379,153	46,969	37,330	39,361	230,911	733,726	98,826	832,552	(41,827)	790,724
Segment income(loss)	6,061	1,140	682	793	811	9,490	(188)	9,301	(2,549)	6,751

Second quarter ended September 30, 2014

Millions of yen

	Reportable segment						Other	Total	Adjustment	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Sub-total				
Net sales										
Customers	413,380	62,050	40,852	43,340	227,740	787,363	73,752	861,116	—	861,116
Inter-segment	10,298	3,397	732	580	3,452	18,461	42,177	60,639	(60,639)	—
Total	423,679	65,447	41,584	43,920	231,193	805,825	115,930	921,755	(60,639)	861,116
Segment income(loss)	6,810	(27)	175	593	1,204	8,757	355	9,112	(2,251)	6,861

Notes:

1. "Other" comprises businesses that are not included in reportable segments, such as lumber section, machinery section and overseas sales subsidiaries.
2. Adjustments for segment income include intersegment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
3. Segment income or loss is adjusted between ordinary income on the consolidated statements of income and comprehensive income.