

Highlights of Consolidated Financial Results for the 2nd Quarter of FY2014

HANWA Co., Ltd.

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

Outline of Financial Results for the 2nd Quarter of FY2014

- As for the interim result for this fiscal year, compared with the same period of the previous year, net sales has increased by 9%, hence reached to 861.1 billion yen, thanks to the increased business in steel and metals/alloys segments. Net profit, however, went to low level thus reaching 3.9 billion yen due to exchange loss.
- Our annual dividend payout for this fiscal year has been predetermined at 15 yen, so that 7.5 yen as interim dividends will be paid.

Operating Results	1Q-2Q of FY2014	1Q-2Q of FY2013	Year-on-year		Main Factors
			Change	rate	
Net sales	861.1	790.7	70.4	9%	(Net sales) Net sales has increased by 9% for the same period of previous year, with a steady demand and a high sales price of steel and metals/alloys business.
Gross profit	27.3	24.3	3.0	12%	(SG&A expenses) SG & A expenses increased by 6% compared with the same period of previous year and reached to 1.0 billion yen. 0.6 out of 1.0 billion yen was accounted for newly consolidated subsidiaries.
SG&A expenses	18.3	17.3	1.0	6%	Our employment cost increased by 0.7 billion yen, including 0.4 billion yen for newly consolidated subsidiaries.
Operating income	9.0	7.0	2.0	28%	Provision for allowance, 0.2 billion yen was almost allocated to the defaulting debt occurred in US. It was decreased by 0.1 billion yen compared with the same period of previous year.
Non-operating income	1.3	1.6	(0.3)	-21%	(Non-operating income/expenses) Non-operating income has decreased by 21% from the same period last year, mainly due to the decrease of foreign exchange profit. On the other hand, non-operating expenses increased by 80%. Weaker yen at the end of second quarter depreciated our fair value of debt in foreign currency.
Non-operating expenses	3.4	1.9	1.5	80%	
Ordinary income	6.8	6.7	0.1	2%	(Extraordinary gain/loss) Extraordinary gain or loss was not occurred.
Extraordinary gain	—	—	—	—	
Extraordinary loss	—	0.2	(0.2)	-100%	
Income before income taxes and others	6.8	6.4	0.4	6%	
Income taxes	2.8	2.6	0.2	7%	
Minority interests(loss)	0.0	0.0	0.0	59%	
Net income	3.9	3.7	0.2	5%	
EPS (yen)	19.21	18.30	0.91	5%	
Comprehensive income	7.3	12.7	(5.4)	-42%	

Segment Information	Net sales			Segment income			Main Factors
	1Q-2Q of FY2014	1Q-2Q of FY2013	rate	1Q-2Q of FY2014	1Q-2Q of FY2013	rate	
Steel	423.6	379.1	12%	6.8	6.0	12%	(Steel business) Despite a steady demand for manufacturing, construction-related demand was sluggish mainly due to a labor shortage. Even with weaker market trend in second quarter, steel prices kept higher level since the same period of the last year.
Metals & alloys	65.4	46.9	39%	(0.0)	1.1	-	(Metals & alloys business) Nickel market price rose, due to the nickel ore embargo from Indonesia. Demand was steady, but foreign exchange losses from depreciation of the yen pushed the profit down.
Non-ferrous metals	41.5	37.3	11%	0.1	0.6	-74%	(Non-ferrous metals business) Demand for aluminum was solid, but copper price and demand remained flat. Increased purchase cost of scrap diminished the profit.
Foods	43.9	39.3	12%	0.5	0.7	-25%	(Foods business) Domestic demand has been sluggish. Seafoods, like salmon and shrimp, market remains at high level since last period, so that market peaked out and profit margin has shrunk.
Petroleum & chemicals	231.1	230.9	0%	1.2	0.8	49%	(Petroleum & chemicals business) Market has fluctuated under the unstable geopolitical influence. Stagnant demand for industrial fuel made it difficult to secure the profit. Sales of gasoline covered the total performance.
Total for reportable segments	805.8	733.7	10%	8.7	9.4	-8%	
Other	115.9	98.8	17%	0.3	(0.1)	-	
Total	921.7	832.5	11%	9.1	9.3	-2%	
Adjustment	(60.6)	(41.8)	-45%	(2.2)	(2.5)	12%	
Consolidated	861.1	790.7	9%	6.8	6.7	2%	

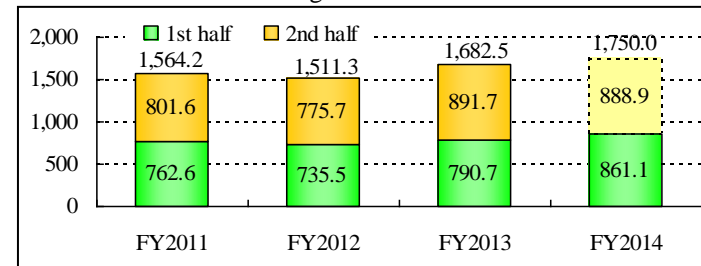
Topics

- May. Decided to join the NPI manufacturing project in Indonesia.
- Jul. Acquired the steel distributor, Matsuoaka Kozai Co., Ltd., by our subsidiary.
- Jul. Acquired the wholesaler and processor of marine products, Maruhon Honma Suisan Co., Ltd.
- Aug. Acquired minority shares of the non-ferrous metals scrap distributor, Nikko Metals Co., Ltd.

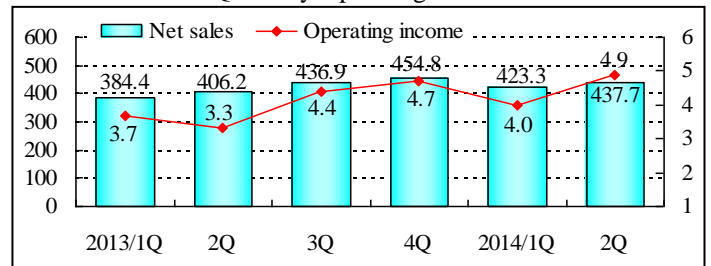
Financial Position	Sep. 2014	Mar. 2014	Comparison with Mar. 2014		Main Factors
			Change	rate	
Total assets	649.3	593.3	56.0	9%	(Total Assets) Total assets increased by 9% from the end of the previous year. Increase of trade receivables and inventories correlated with increase of sales.
(Current assets)	520.7	468.3	52.4	11%	
(Fixed assets)	128.5	125.0	3.5	3%	Inventories 139.3 billion yen (+22% from the end of the previous period)
Total liabilities	517.0	467.9	49.1	10%	(Liabilities) Total liabilities increased by 10% from the end of the previous year, due to the increase in short term loans and commercial paper. As interest-bearing debt increased by 13%, net debt-equity ratio was turned into 196%.
(Interest-bearing debt)	278.8	245.9	32.9	13%	
(Net interest-bearing debt)	257.2	229.8	27.4	12%	
Net DER	196.2%	187.6%	8.6pt	—	(Net assets) Total net assets increased by 6% from the end of the previous year, due to the increased carryover of retained earnings and net unrealized holding gains on securities. Shareholders' equity ratio was 20.2%, which is a 0.4 percentage points lower than the end of the previous year.
Total net assets	132.2	125.3	6.9	6%	
(Equity capital)	125.8	120.7	5.1	4%	
(Valuation & translation adjustments)	5.3	1.8	3.5	184%	
(Minority interests)	1.1	2.7	(1.6)	-59%	
BPS (yen)	632.78	591.68	41.10	7%	
Shareholders' equity	131.1	122.6	8.5	7%	
Shareholders' equity ratio	20.2%	20.6%	-0.4pt	—	

Cash Flow	1Q-2Q of FY2014	1Q-2Q of FY2013	Year-on-year		Main Factors
			Change	rate	
Cash flows from operating activities	(24.6)	3.4	(28.0)	—	(Operating cash flows) (24.6) billion yen Due to increase of capital requirement.
Cash flows from investing activities	(2.0)	(3.7)	1.7	-46%	(Investment cash flows) (2.0) billion yen Due to purchase of investment securities.
Cash flows from financing activities	31.9	2.2	29.7	—	(Financial cash flows) 31.9 billion yen Due to increase of short term loans and commercial paper.
Cash and cash equivalents at end of period	21.5	27.0	(5.5)	-20%	

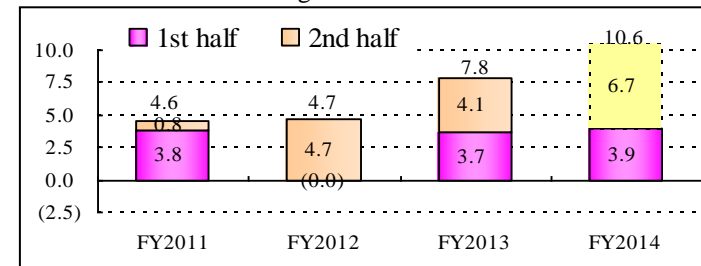
【Changes in Net Sales】



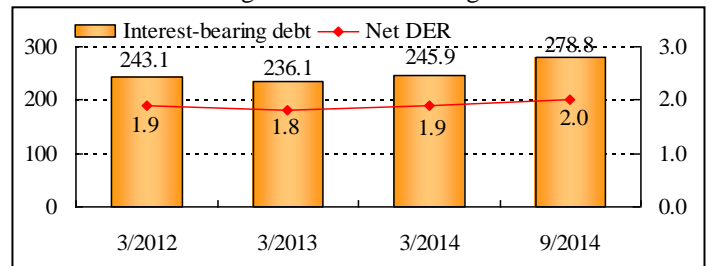
【Quarterly Operating Results】



【Changes in Net Income】



【Changes in Interest-bearing Debt】



Forecast (Annual)	FY2014	FY2013		Cash Dividends	FY2013	FY2014	FY2014 (estimated)
			change				
Net sales	1,750.0	1,682.5	4%	Interim (yen)	6.00	7.50	—
Operating income	19.8	16.2	22%	Year-end (yen)	6.00	—	7.50
Ordinary income	17.5	14.6	19%	Annual (yen)	12.00	—	15.00
Net income	10.6	7.8	34%	Dividend payout ratio	32%	—	29%