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# ***INTERIM RESULTS***

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## ***for the Year Ending March 2011***

*November 15, 2010*

***HANWA CO., LTD.***

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### ***Overview of Interim Results***

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- *As for the interim figures for this year, net sales amounted 647.1 billion yen, increased by 22% due to economic recovery. On profit side, the interim net income was 3.9 billion yen, increased by 54% for the same period of the previous year, in spite of recent economic adjustment.*
- *Annual earnings forecast :*
  - Net sales            1,333 billion yen (14 billion yen higher than predicted)*
  - Operating income 13.0 billion yen ( 3 billion yen lower than predicted)*
  - Ordinary income 12.0 billion yen ( 2 billion yen lower than predicted)*
  - Net income         6.8 billion yen (1.6 billion yen lower than predicted)*
- *About the dividend, we plan to pay an interim dividend of 6 yen and a year-end dividend of 6 yen.*

## Operating Results ( consolidated )



(Millions of yen)

	2010/9	2009/9	Rate of changes
Net sales	647,172	531,946	+21.7%
Gross profit	21,519	20,387	+5.6%
SG&A expenses	14,771	14,679	+0.6%
Operating income	6,748	5,708	+18.2%
Non-operating income/expenses	612	(569)	-
Ordinary income	7,360	5,139	+43.2%
Extraordinary gain/loss	(564)	-	-
Income before income taxes and others	6,796	5,139	+32.2%
Income taxes	2,827	2,698	+4.8%
Minority interests/loss	38	(109)	-
Net income	3,931	2,550	+54.2%

• Transaction volume increased, because the operational status of users had improved. Net sales increased by 22% for the same period of the previous year.

• Profit increased with increase in revenue.  
 Operating income +18.2%  
 Ordinary income +43.2%  
 Net income +54.2%

• EPS was 18.96yen (+6.77 yen)

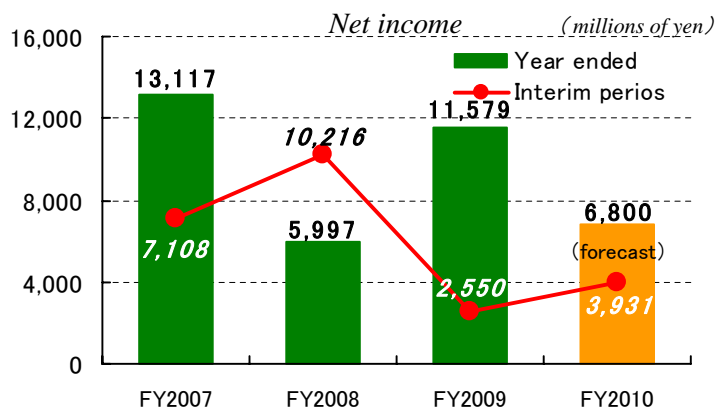
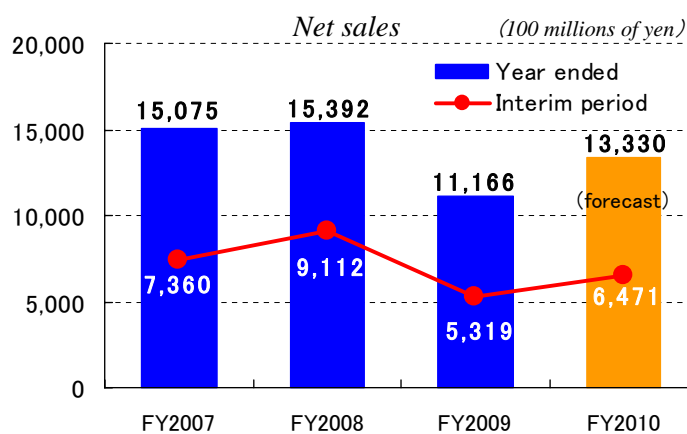
## Changes in Business results ( consolidated )



Demand which had decreased in 2<sup>nd</sup> half of FY2008 is improving from FY2009.

Net sales and net income increased compared with the same period of the previous year.

Recently, market price and trading volume are stuck in malaise due to demand adjustment.



## Financial Position ( consolidated )



(Millions of yen)

	2010/9	2010/3	Rate of change
<b>Total assets</b>	<b>471,290</b>	<b>443,444</b>	<b>+6.3%</b>
<b>Current assets</b>	<b>366,136</b>	<b>333,166</b>	<b>+9.9%</b>
<b>Fixed assets</b>	<b>105,154</b>	<b>110,278</b>	<b>-4.6%</b>
<b>Total liabilities</b>	<b>364,857</b>	<b>336,589</b>	<b>+8.4%</b>
<b>Net interest-bearing debt</b>	<b>189,898</b>	<b>150,909</b>	<b>+25.8%</b>
<b>Net assets</b>	<b>106,433</b>	<b>106,855</b>	<b>-0.4%</b>
<b>Equity capital</b>	<b>111,226</b>	<b>108,542</b>	<b>+2.5%</b>
<b>Valuation &amp; translation adjustments</b>	<b>(5,489)</b>	<b>(2,373)</b>	<b>+131.3%</b>
<b>Minority interests</b>	<b>696</b>	<b>686</b>	<b>+1.5%</b>

• Total assets increased by 6.3% from end of the previous fiscal year, due to increase in trade receivables and inventories.

• Interest-bearing debt increased due to the increasing working capital, thus net debt-equity ratio rose to 180%.

• Total net assets decreased by 0.4% from end of the previous fiscal year, due to net unrealized holding gains on securities decreased. Shareholders' equity ratio was 22.4%.

• BPS was 510.10 yen.

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## Cash Flows Situation ( consolidated )



(Millions of yen)

	2010/9	2009/9	change
<b>Cash flows from Operating activities</b>	<b>(30,532)</b>	<b>43,346</b>	<b>(73,878)</b>
<b>Cash flows from Investing activities</b>	<b>(6,560)</b>	<b>(8,111)</b>	<b>+1,551</b>
<b>Cash flows from Financing activities</b>	<b>24,973</b>	<b>(35,727)</b>	<b>+60,700</b>
<b>Cash and cash equivalents at end of the period</b>	<b>11,878</b>	<b>34,606</b>	<b>(22,728)</b>

Net cash used in operation was 30.5 billion yen due to increase in trade receivables and inventories.

Net cash used in investment was 6.5 billion yen due to payment for purchase of investment securities.

Net cash provided by financing was 24.9 billion yen due to increase in short term loans and CP.

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(Millions of yen)

	Net sales	Segment income	Profit ratio
<i>Steel</i>	336,859	4,567	1.4%
<i>Metal &amp; alloys</i>	59,980	1,784	3.0%
<i>Non-ferrous metals</i>	27,256	705	2.6%
<i>Foods</i>	40,885	1,018	2.5%
<i>Petroleum &amp; chemicals</i>	149,401	712	0.5%
<i>Total for reportable segments</i>	614,383	8,789	1.4%
<i>Other</i>	60,748	434	0.7%
<i>Total</i>	675,132	9,223	1.4%
<i>Adjustment</i>	(27,960)	(1,862)	6.7%
<i>Consolidated</i>	647,172	7,360	1.1%

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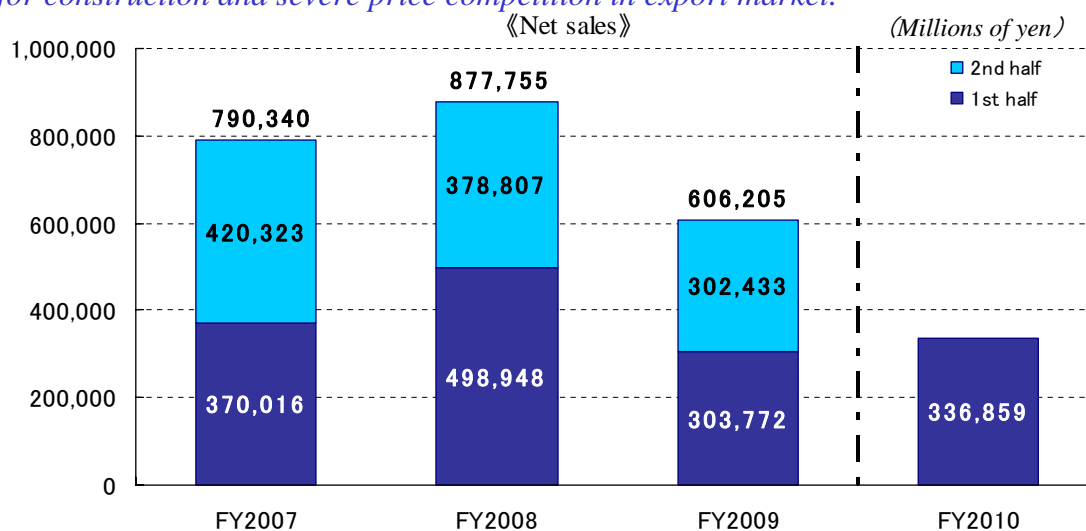
## Steel Business Segment

(Millions of yen)

Net sales	Segment income	Profit ratio
336,859	4,567	1.4%

Although recent supply-demand was on a plateau, profit level went up because of recovery in steel demand.

The future of steel demand is uncertain due to decline of market price, weakening demand for construction and severe price competition in export market.



※ From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) .

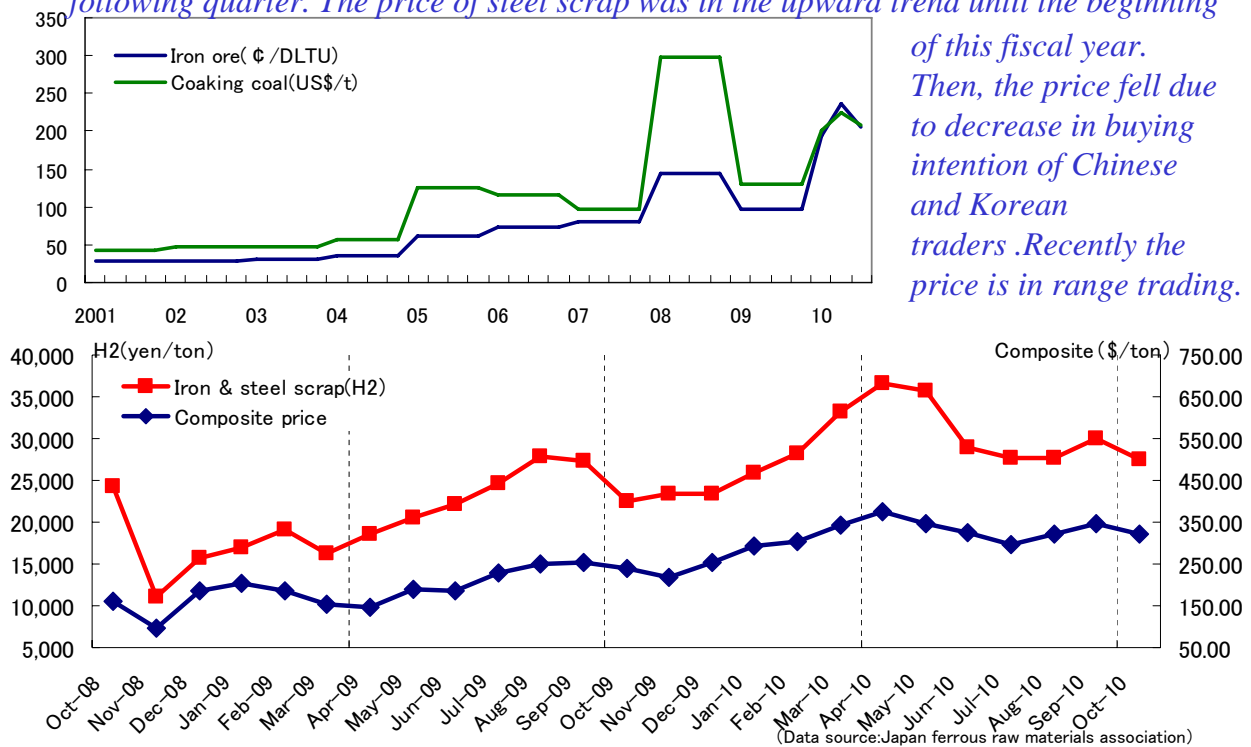
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## Transition of Steel Raw Materials Markets

From this fiscal year, the price of iron ore and coaking coal are revised by quarter. Thus spot price in China market became an important factor for steel pricing in the following quarter. The price of steel scrap was in the upward trend until the beginning of this fiscal year.

Then, the price fell due to decrease in buying intention of Chinese and Korean traders. Recently the price is in range trading.

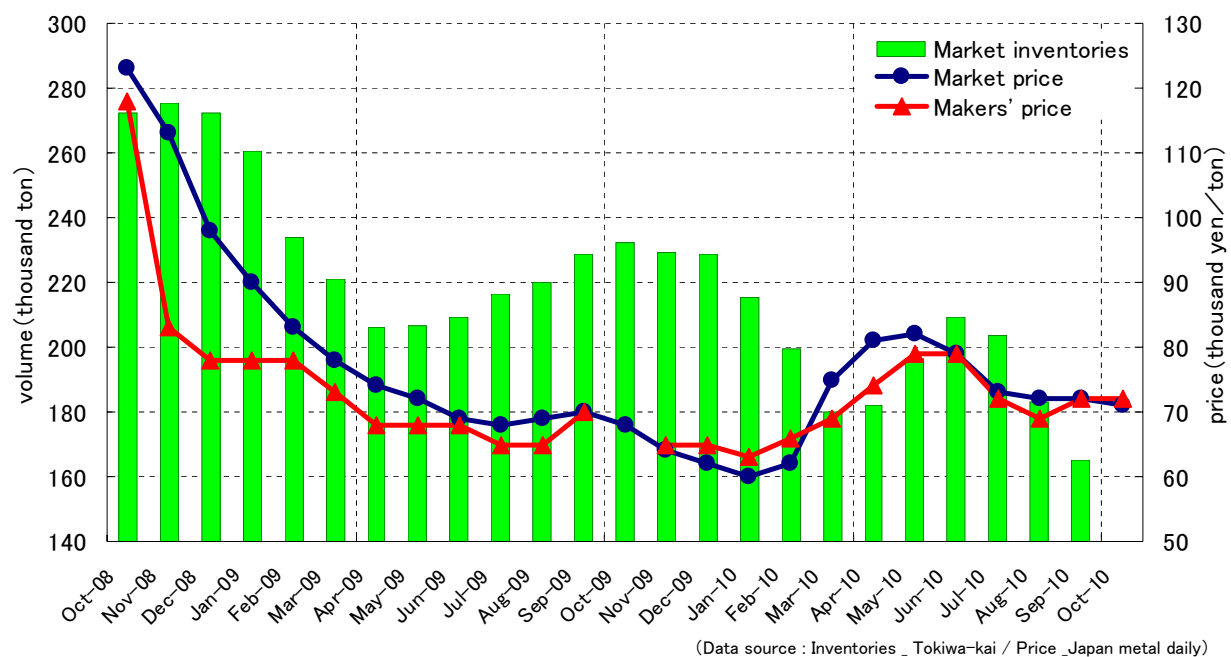


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## Transition of the H-Beams Markets in Japan

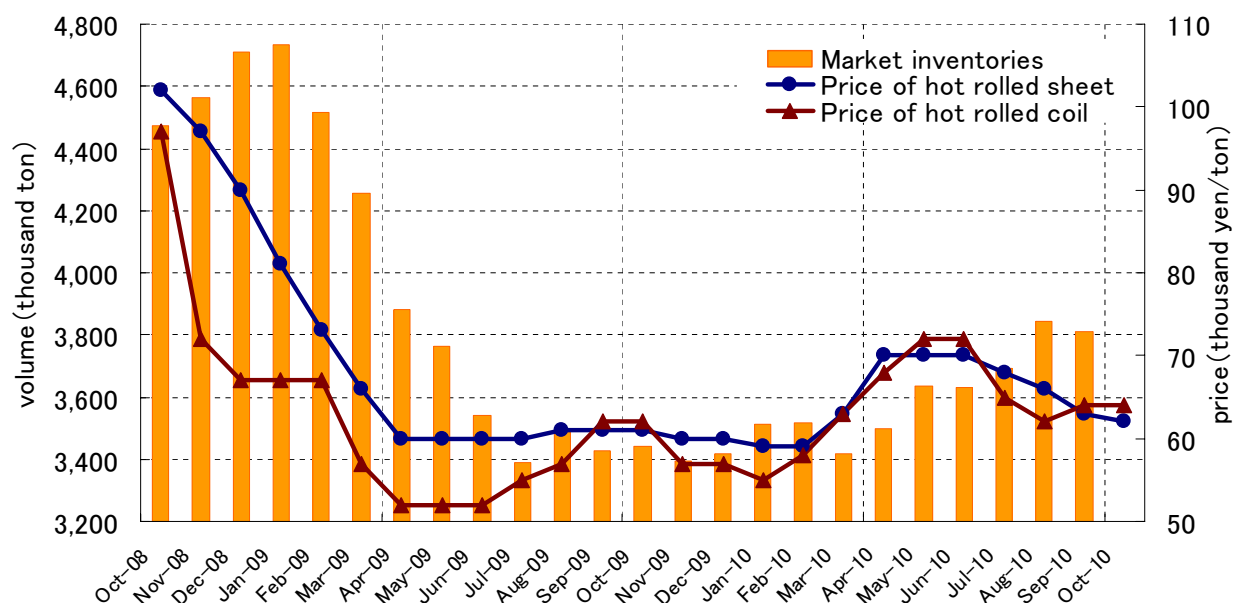
At the beginning of this year, the market price of H-beams turned upward in expectation of rising raw materials prices. However, the movement of H-beams was slow due to weakening construction demand. Then, market price turned downward with increase in market inventories.



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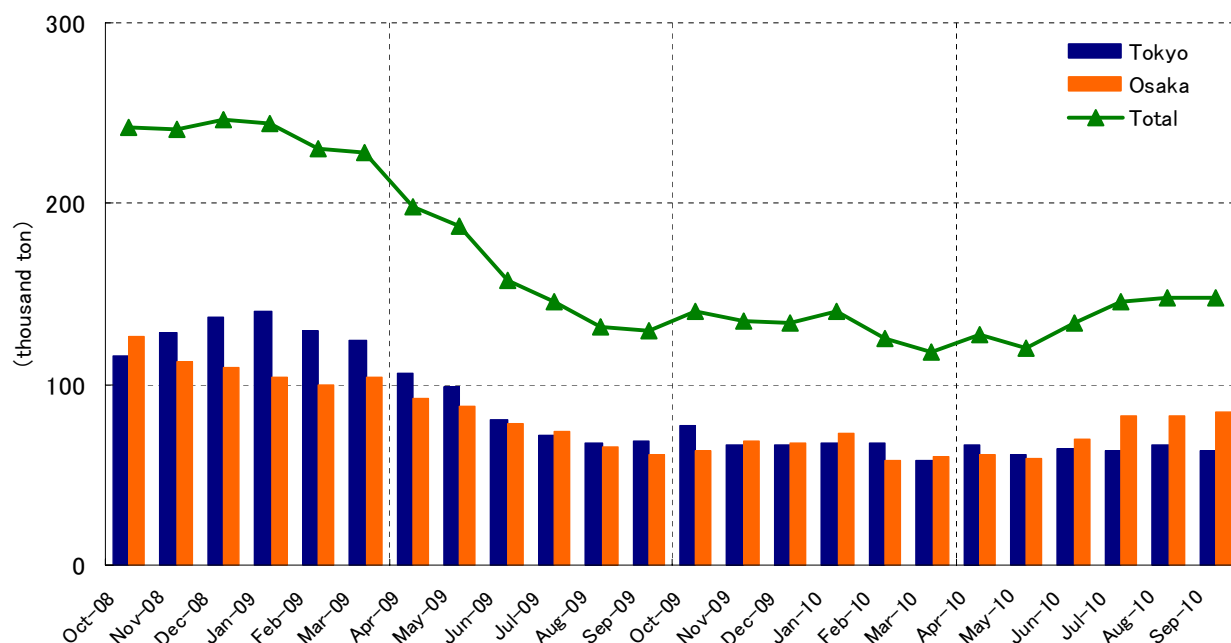
Just like H-beams, the price of steel sheets turned upward in expectation of rising raw materials prices. However, as demand in China market entered a correction phase, the price dropped back. In domestic spot market, low demand caused increase in market inventories.



(在庫:日本鉄鋼連盟、価格:鉄鋼新聞)

# Transition of Imported Steel-coils Inventory in pier warehouses in Japan

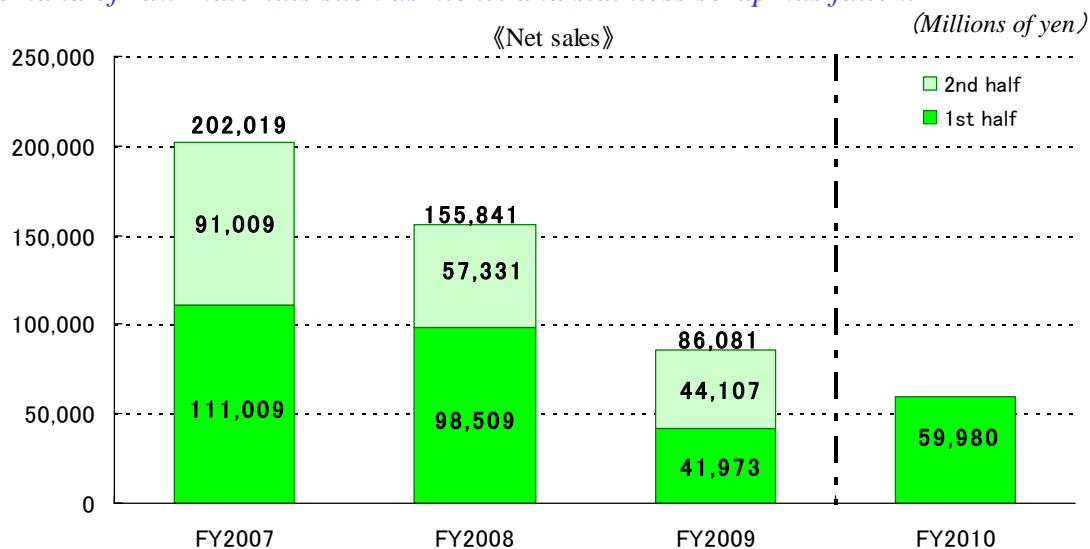
The amount of steel imports had continued the lowest levels due to flagging demand in Japan. In this fiscal year, the imports has increased gradually, so that the inventory of imported steel-coils in pier warehouses is gradually increasing.



( Study by Hanwa co., Ltd. )

(Millions of yen)		
Net sales	Segment income	Profit ratio
59,980	1,784	3.0%

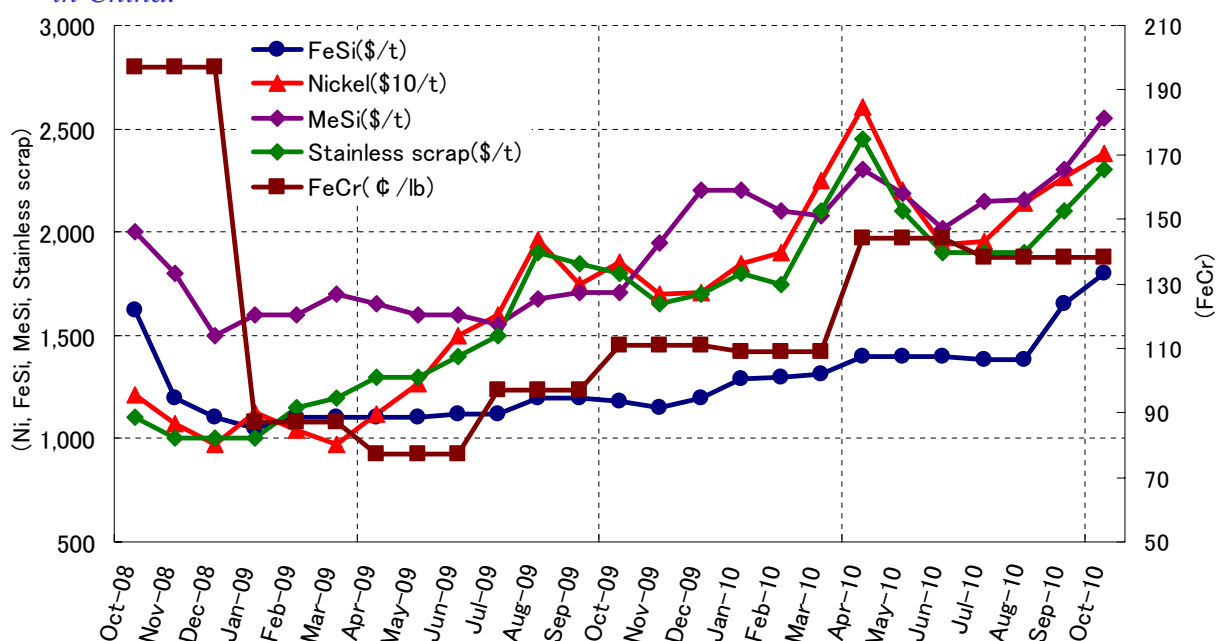
In 1<sup>st</sup> quarter, steel and stainless steel production was healthy. However, in 2<sup>nd</sup> quarter, stainless steel production was reduced due to supply-demand adjustment in China. Thus demand of raw materials such as nickel and stainless scrap has fallen.



※ From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009).

## Transition of Metals & Alloys Markets

The price of nickel and ferroalloys went up because of recovery in steel and stainless steel production. After then, the price had been in range trading due to demand adjustment. Recently the price is going up again due to flood and electricity regulation in China.

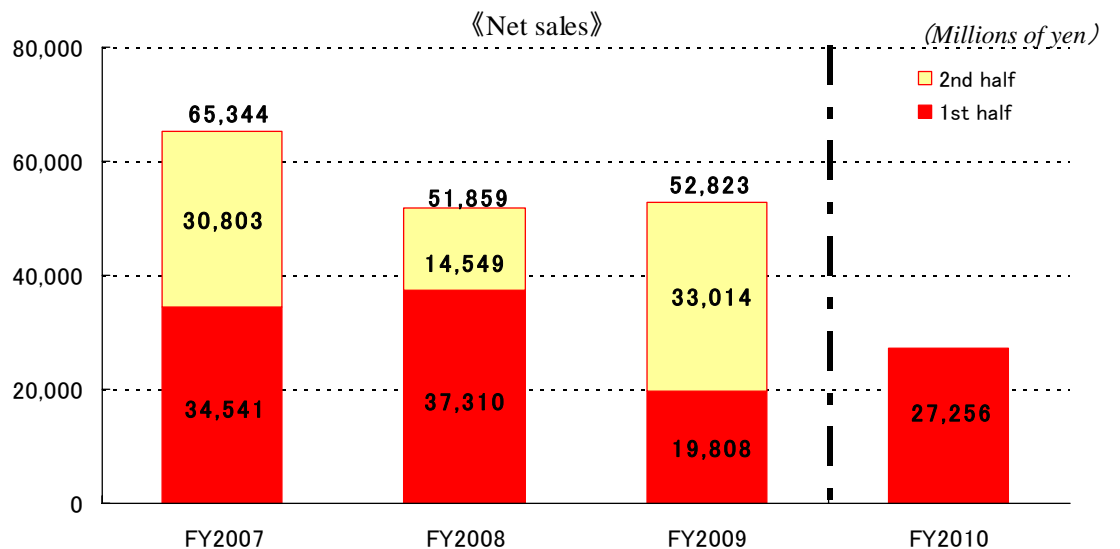




## Non-ferrous Metals Business Segment

(Millions of yen)		
Net sales	Segment income	Profit ratio
27,256	705	2.6%

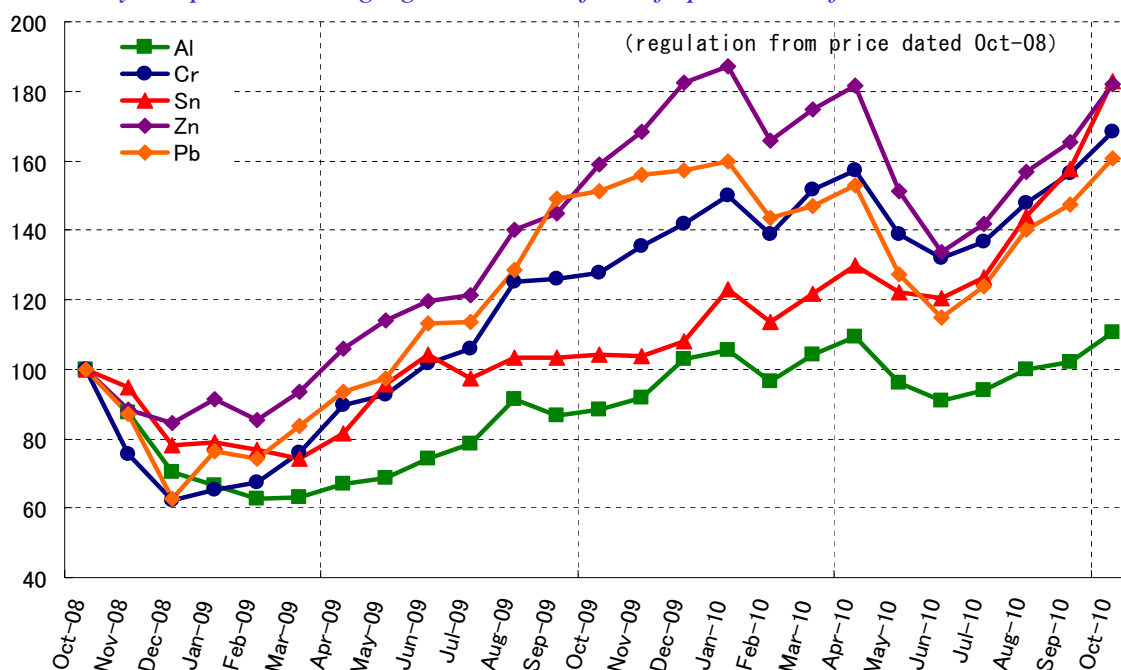
Net sales increased because demand of copper and aluminum remained at a high level. However, earning decreased due to rising purchase price of aluminum scrap.



※ From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009).

## Transition of Non-ferrous Metals Markets

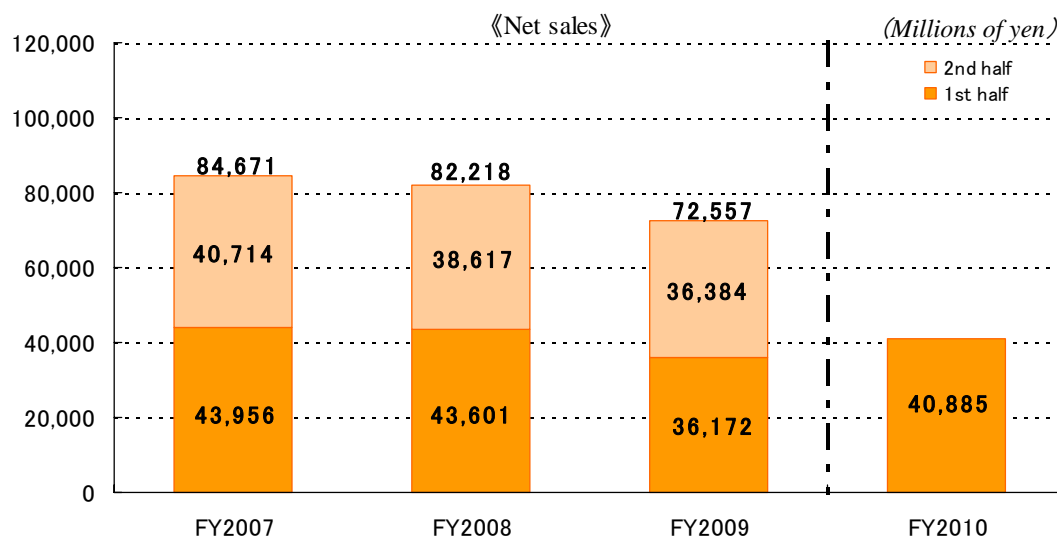
The price of non-ferrous metals in the LME market was on an upward trend due to recovery of demand in China and influx of speculative funds in expectation of a future rise. However, the price went down because of rekindled financial turmoil. Recently the price is rising again due to influx of speculative funds.





(Millions of yen)		
Net sales	Segment income	Profit ratio
40,885	1,018	2.5%

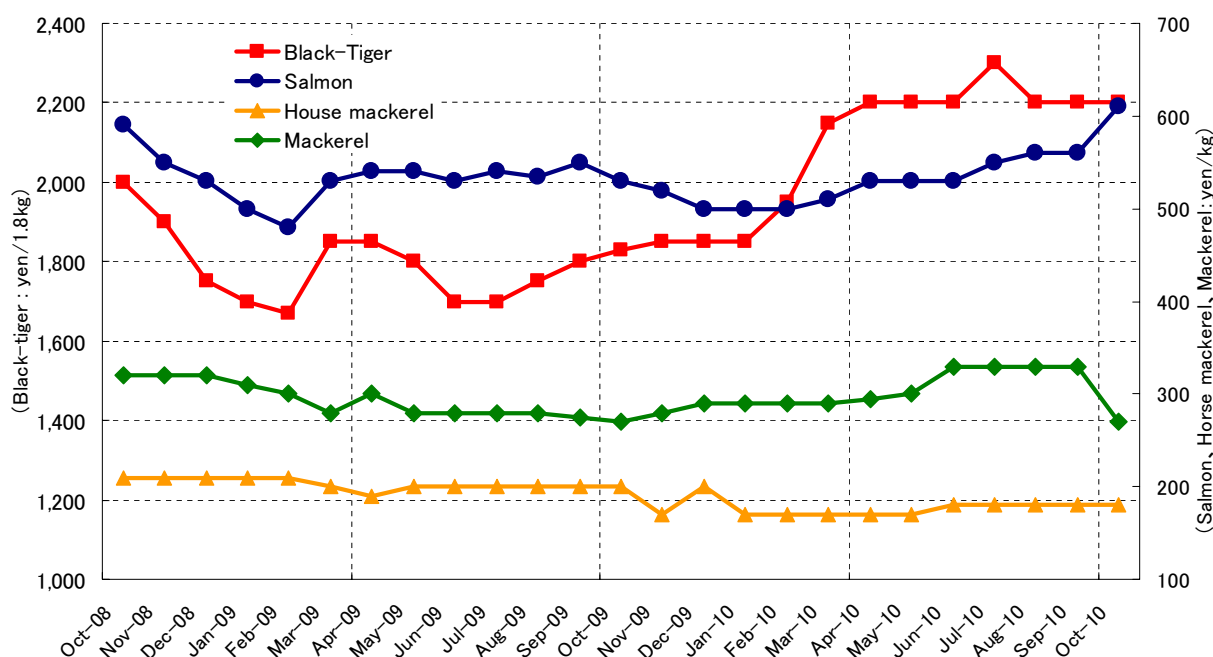
For a long time, price and sales volume of food stayed on a low level. In this interim period, poor catches of some kinds of fish and small inventories achieved balance in supply and demand. Thus our earnings remained steadily.



※ From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009).

## Transition of Frozen Marine Products Markets

Although demand of marine products was weak, the price remained firm due to poor catches of some kinds of fish overseas. Especially, shrimp price remained powerful, because shrimp farming was in a slump and demand in the U.S. was strong.



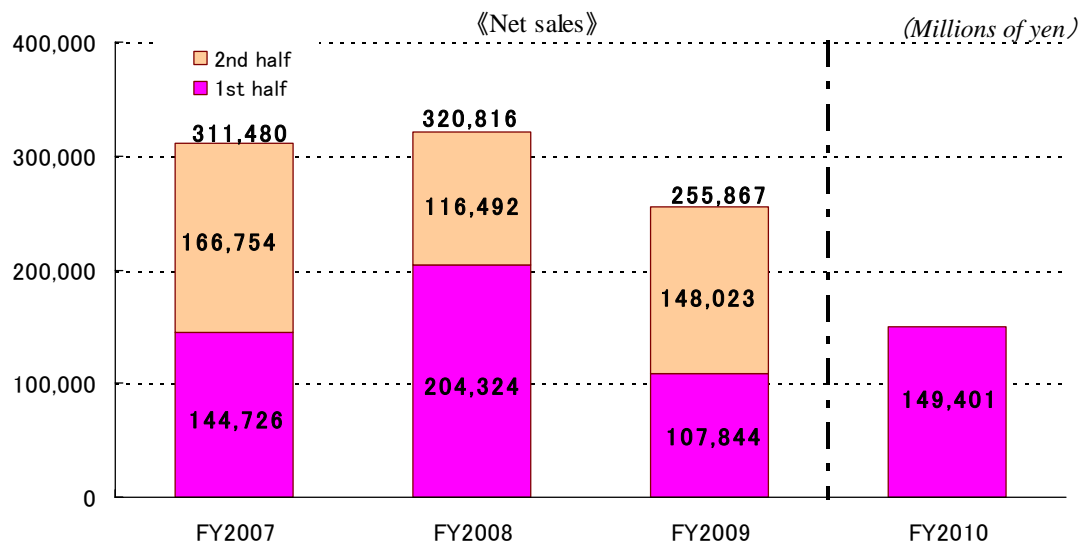
## Petroleum & Chemicals Business Segment



(Millions of yen)

Net sales	Segment income	Profit ratio
149,401	712	0.5%

*Our sales in industrial fuel and bunker oil was expanded. However, oil manufacturers' reorganization and price policy caused a downturn in profitability.*



※ From the FY2010, the Group applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009).

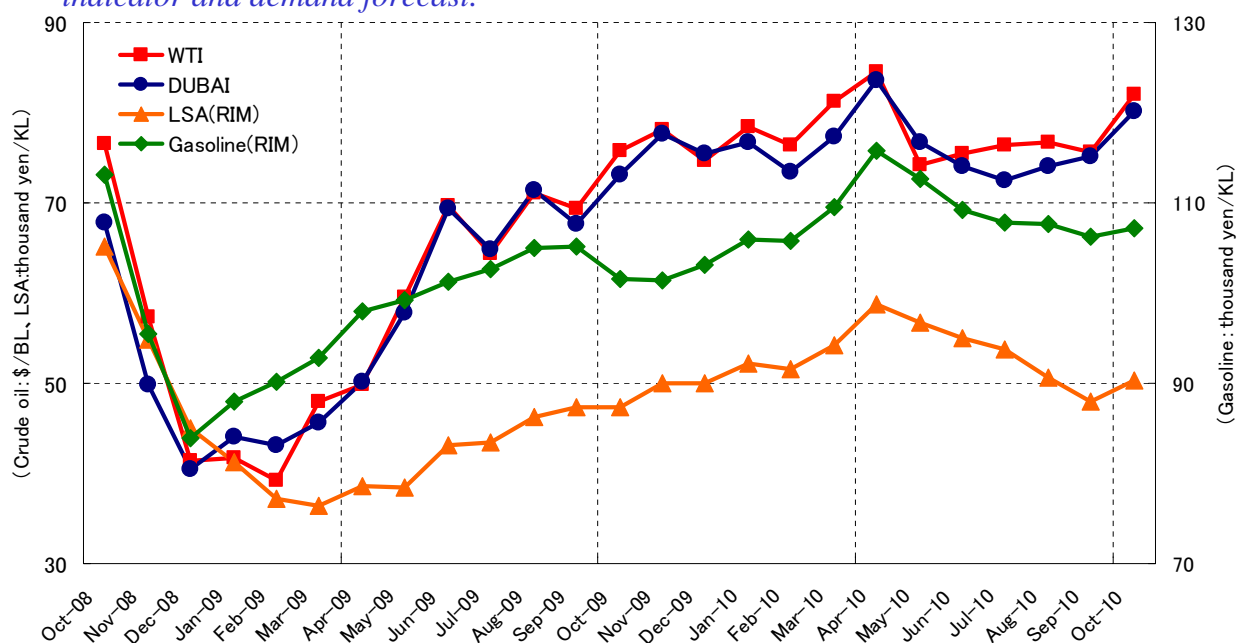
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## Transition of Crude & Refined Products Markets



*Although the crude oil price was on an upward trend, at the beginning of this interim period, the price went down as well as non-ferrous metals because of rekindled of financial turmoil. After then, price market turned turbulent in response to economic indicator and demand forecast.*



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*In 1<sup>st</sup> half, business results remained at the level of original prediction. However, we are uncertain how ending of economic-stimulus packages impact demand in 2<sup>nd</sup> half and about future overseas demand. We recalculated our business target, considering the possibility of decline in market price and demand.*

*About the dividend, we emphasize stable dividend. We plan to pay an interim dividend of 6 yen and a year-end dividend of 6 yen. So the annual dividend will be 12 yen.*

*(Millions of yen)*

	<i>Interim</i>	<i>FY2010</i>	<i>FY2009</i>
<i>Net sales</i>	<i>647,172</i>	<i>1,333,000</i>	<i>1,116,628</i>
<i>Operating income</i>	<i>6,748</i>	<i>13,000</i>	<i>11,420</i>
<i>Ordinary income</i>	<i>7,360</i>	<i>12,000</i>	<i>9,412</i>
<i>Net income</i>	<i>3,931</i>	<i>6,800</i>	<i>11,579</i>

	<i>Year</i>	<i>Interim</i>	<i>Year-end</i>
<i>Cash dividends (yen)</i>	<i>12.00</i>	<i>6.00</i>	<i>6.00</i>

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