

# ***INTERIM RESULTS***

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*for the Year Ending March 2012*

*November 15, 2011*

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

- *Compared with the same period of last year, our interim net sales has increased by 17.8% and reached 762.6 billion yen, thanks to steady business result from steel and petroleum/chemical segments, as well as contributions from newly consolidated subsidiaries. Although operating and ordinary income have increased, our interim net income was 3.8 billion yen, decreased by 2.8% for the due to extraordinary losses.*
- *Annual earnings forecast :*
  - Net sales                      1,485 billion yen*
  - Operating income   17.4 billion yen*
  - Ordinary income    15.0 billion yen*
  - Net income                6.8 billion yen (2.2 billion yen lower than predicted)*
- *We pay 6 yen as interim dividend and plan to pay additional 6 yen as the end of this fiscal year dividend.*

# Operating Results ( consolidated )

(Millions of yen)

	2011/9	2010/9	Rate of changes
<b>Net sales</b>	<b>762,648</b>	<b>647,172</b>	<b>+17.8%</b>
<b>Gross profit</b>	<b>25,837</b>	<b>21,519</b>	<b>+20.1%</b>
<b>SG&amp;A expenses</b>	<b>15,727</b>	<b>14,771</b>	<b>+6.5%</b>
<b>Operating income</b>	<b>10,109</b>	<b>6,748</b>	<b>+49.8%</b>
<b>Non-operating income/expenses</b>	<b>(0)</b>	<b>612</b>	<b>-100.0%</b>
<b>Ordinary income</b>	<b>10,109</b>	<b>7,360</b>	<b>+37.4%</b>
<b>Extraordinary gain/loss</b>	<b>(3,307)</b>	<b>(564)</b>	<b>+486.3%</b>
<b>Income before income taxes and others</b>	<b>6,802</b>	<b>6,796</b>	<b>+0.1%</b>
<b>Income taxes</b>	<b>2,859</b>	<b>2,827</b>	<b>+1.1%</b>
<b>Minority interests/loss</b>	<b>120</b>	<b>38</b>	<b>+215.8%</b>
<b>Net income</b>	<b>3,822</b>	<b>3,931</b>	<b>-2.8%</b>
<b>Comprehensive income</b>	<b>3,556</b>	<b>829</b>	<b>+329.0%</b>

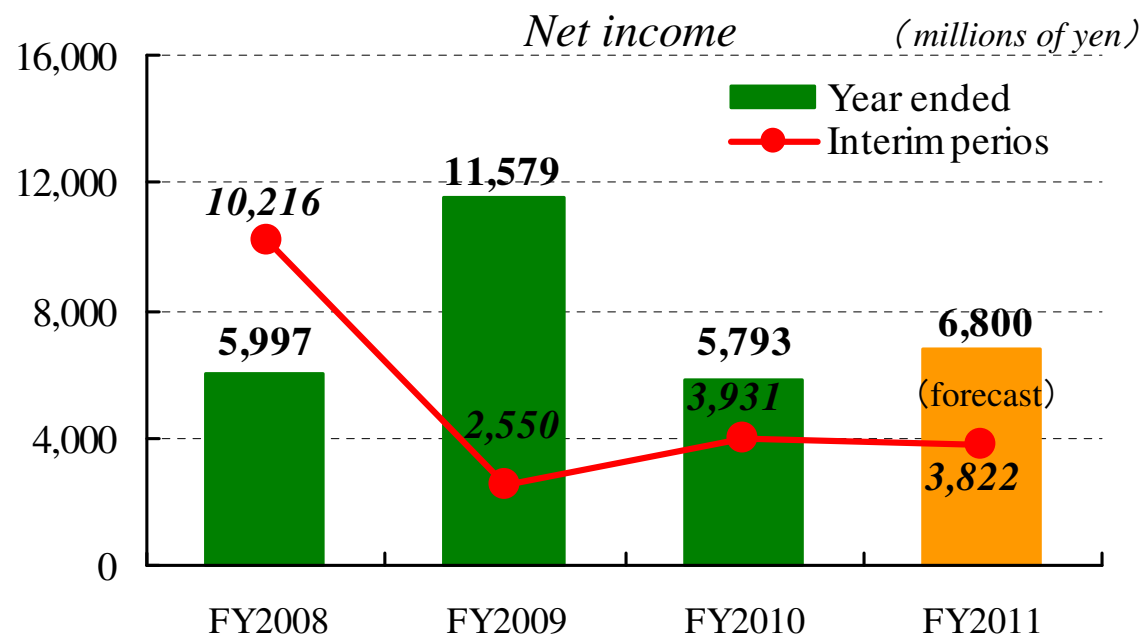
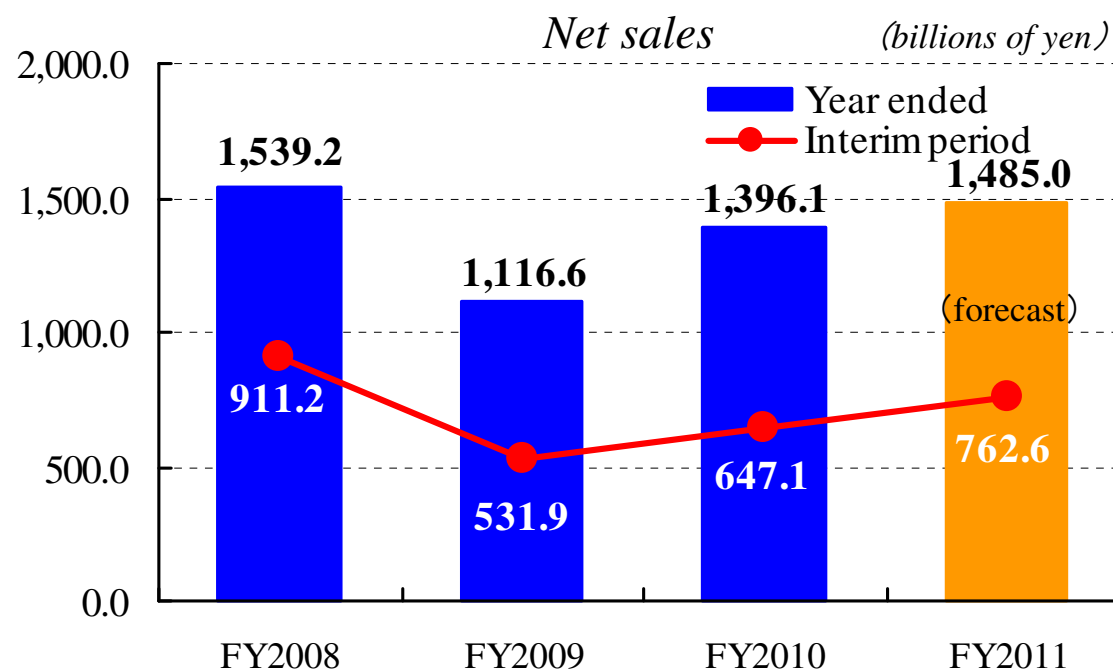
- Increased sales amount by 17.8%:  
Our business in steel and petroleum/chemical segments showed steady progress after economic stagnation caused by the Great East Japan Earthquake. In addition, newly consolidated subsidiaries contributed to the increase of sales as well.
- Operating and ordinary income increased, thanks to increase profit in alloys/metals, non-ferrous metals and machinery businesses.  
Operating income +49.8%  
Ordinary income +37.4%  
The interim net income decreased by 2.8%, due to impairment losses on investment securities.
- EPS was 18.44yen (-0.52yen)

# Changes in Business results (consolidated)

*Despite foreseen downturn of improving demand from FY2009 due to the Great East Japan Earthquake, manufacturing industry sector recovered rapidly without significant downfall.*

*Compared with the previous year, net sales increased and decrease of net income was minimal in spite of extraordinary losses.*

*Debt crisis of EU, economic adjustment in China and flood damage in Thailand make economic forecast increasingly uncertain.*



# Financial Position ( consolidated )

(Millions of yen)

	2011/9	2011/3	Rate of change
<b>Total assets</b>	<b>551,663</b>	<b>532,797</b>	<b>+3.5%</b>
<b>Current assets</b>	<b>441,832</b>	<b>423,204</b>	<b>+4.4%</b>
<b>Fixed assets</b>	<b>109,831</b>	<b>109,593</b>	<b>+0.2%</b>
<b>Total liabilities</b>	<b>437,121</b>	<b>422,338</b>	<b>+3.5%</b>
<b>Net interest-bearing debt</b>	<b>221,149</b>	<b>214,497</b>	<b>+3.1%</b>
<b>Net assets</b>	<b>114,541</b>	<b>110,458</b>	<b>+3.7%</b>
<b>Equity capital</b>	<b>114,643</b>	<b>111,840</b>	<b>+2.5%</b>
<b>Accumulated other comprehensive income</b>	<b>(2,453)</b>	<b>(2,058)</b>	<b>+19.2%</b>
<b>Minority interests</b>	<b>2,352</b>	<b>677</b>	<b>+247.4%</b>

- Total assets increased by 3.5% from end of the previous year, due to increase in trade receivables and inventories.
- Interest-bearing debt slightly increased. Net debt-equity ratio remained steady at less than 200%.
- Total net assets increased by 3.7% from end of the previous year, due to increase in retained earnings and minority interests. Shareholders' equity ratio was 20.3%.
- BPS was 541.27 yen.

## Cash Flows Situation ( consolidated )

(Millions of yen)

	2011/9	2010/9	change
<i>Cash flows from Operating activities</i>	3,736	(30,532)	+34,268
<i>Cash flows from Investing activities</i>	(6,178)	(6,560)	+382
<i>Cash flows from Financing activities</i>	(110)	24,973	(25,083)
<i>Cash and cash equivalents at end of the period</i>	18,968	11,878	+7,090

*Net cash provided by operation was 3.7 billion yen due to increase in operating revenue..*

*Net cash used in investment was 6.1 billion yen due to payment for purchase of fixed assets and investment securities.*

*Net cash used in financing was 0.1 billion yen due to decrease in short term loans.*

# Segment Information ( consolidated )

## Net sales

	2011/9	2010/9	Rate of change
<i>Steel</i>	366,600	336,859	+8.8%
<i>Metal &amp; alloys</i>	68,349	59,980	+14.0%
<i>Non-ferrous metals</i>	33,553	27,256	+23.1%
<i>Foods</i>	46,231	40,885	+13.1%
<i>Petroleum &amp; chemicals</i>	203,348	149,401	+36.1%
<i>Total for reportable segments</i>	718,082	614,383	+16.9%
<i>Other</i>	77,044	60,748	+26.8%
<i>Total</i>	795,127	675,132	+17.8%
<i>Adjustment</i>	(32,479)	(27,960)	-16.2%
<i>Consolidated</i>	762,648	647,172	+17.8%

## Segment income

(Millions of yen)

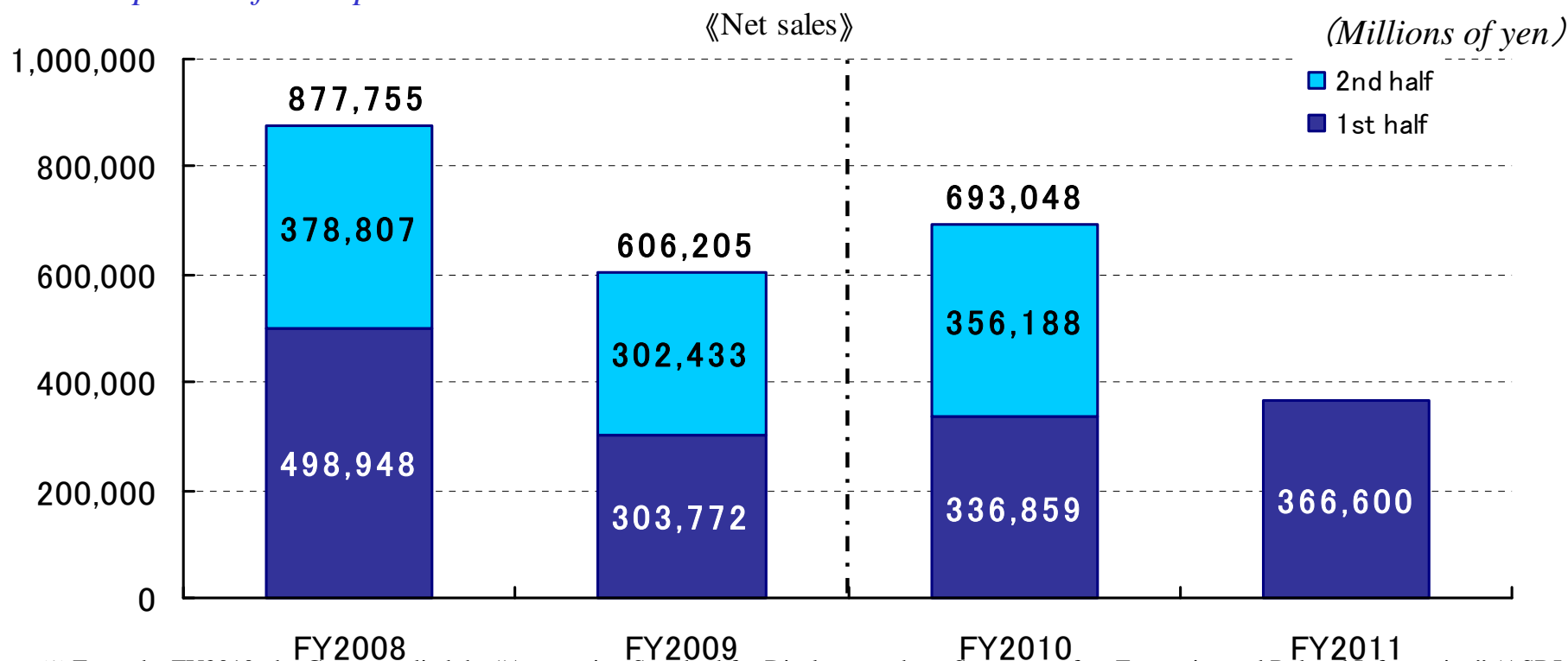
	2011/9	2010/9	Rate of change
<i>Steel</i>	4,366	4,567	-4.4%
<i>Metal &amp; alloys</i>	2,305	1,784	+29.2%
<i>Non-ferrous metals</i>	1,587	705	+125.1%
<i>Foods</i>	949	1,018	-6.8%
<i>Petroleum &amp; chemicals</i>	1,328	712	+86.5%
<i>Total for reportable segments</i>	10,537	8,789	+19.9%
<i>Other</i>	1,422	434	+227.6%
<i>Total</i>	11,960	9,223	+29.7%
<i>Adjustment</i>	(1,850)	(1,862)	+0.6%
<i>Consolidated</i>	10,109	7,360	+37.4%

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>2011/9</b>	<b>366,600</b>	<b>4,366</b>	<b>1.2%</b>
<b>2010/9</b>	<b>336,859</b>	<b>4,567</b>	<b>1.4%</b>

*After economic stagnation by the Great East Japan Earthquake, Operational level mainly in manufacturing industries has rapidly recovered. In addition, demands for construction and engineering was strong due to disaster-relief work. Thus our transaction volume was healthy without significant downfall.*

*Meanwhile, profit ratio slightly declined, because it has been difficult to pass the jump in raw material costs on to the prices of steel products.*



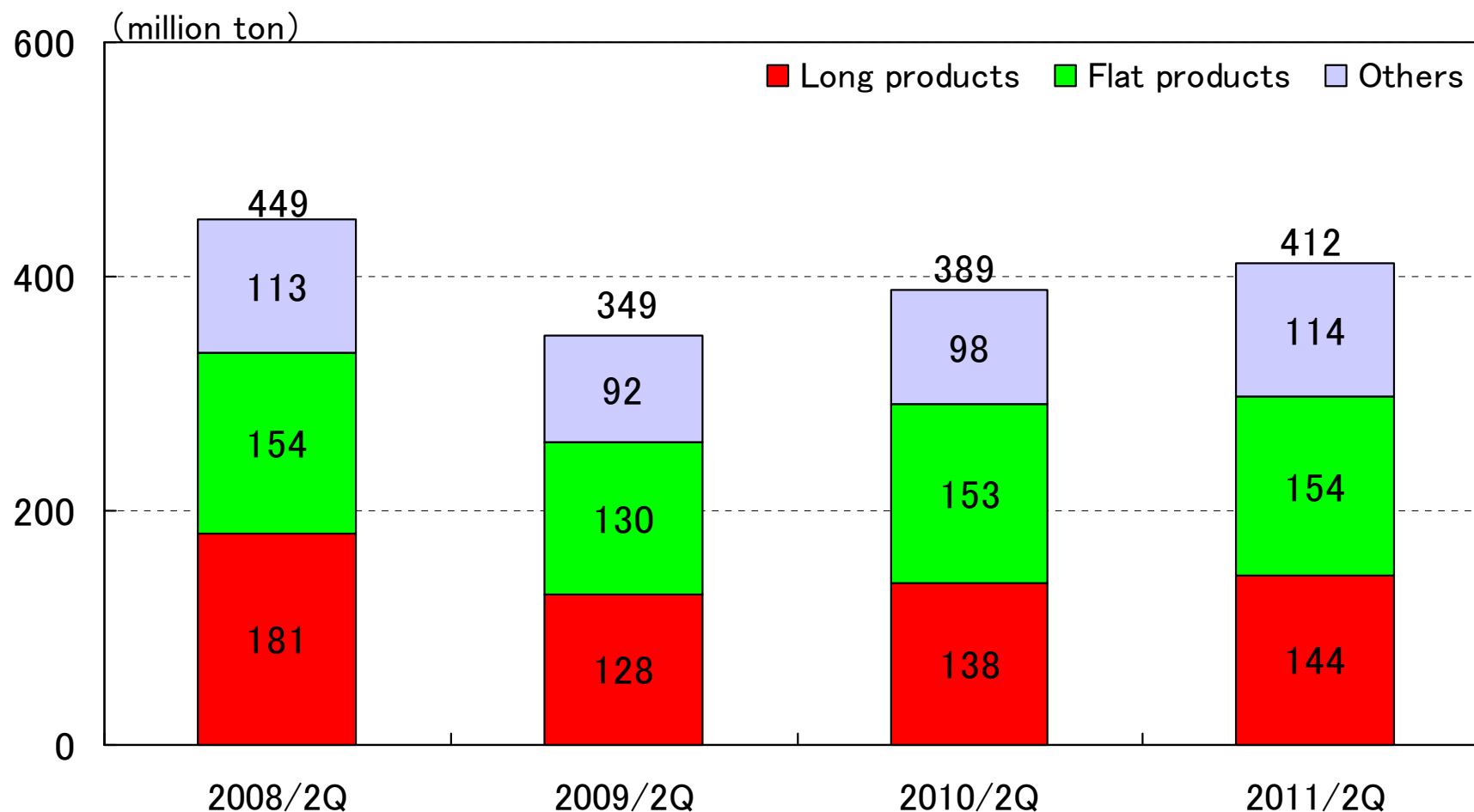
※ From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .



## Transaction volume in Steel Segment (unconsolidated)

*We were concerned the decreased volume of our transaction would be brought by the Great East Japan Earthquake, but volume increased due to rapid recovery of manufacturing sector and strong demand for long products for construction and engineering.*

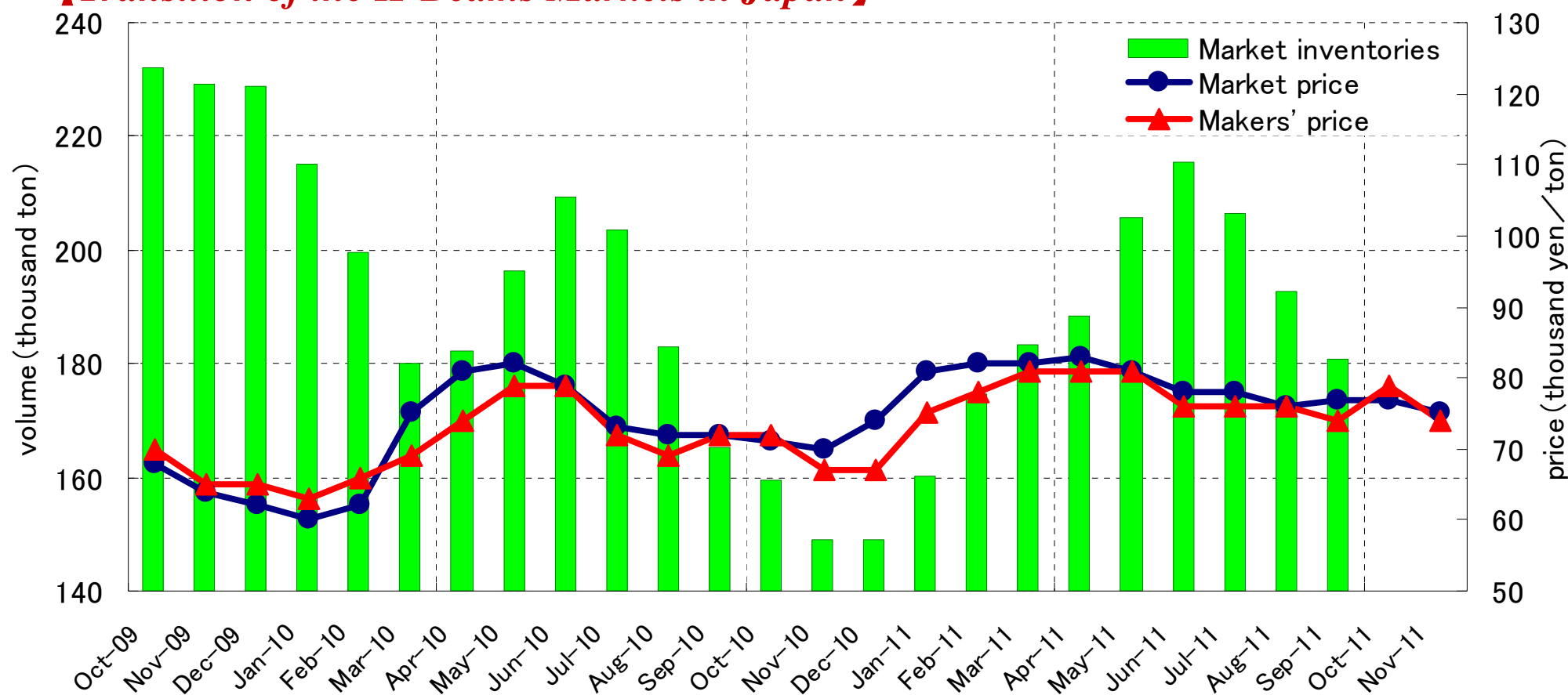
*Hereafter, we expect increasing demands from private construction and reconstruction. On the other hand, we are concerned about volume decrease of steel export from Japan due to bear market outside Japan and flood damage in Thailand.*



*At the beginning of this year, although rising prices of raw materials turned market price of H-beams upward, price peaked out as a result of increased market inventories caused by the sluggish demands after the Great East Japan Earthquake.*

*In this September, market price turned upward as steel scrap price went up, but supply-demand imbalances in scrap market softened the prices of final products.*

## ***[Transition of the H-Beams Markets in Japan]***

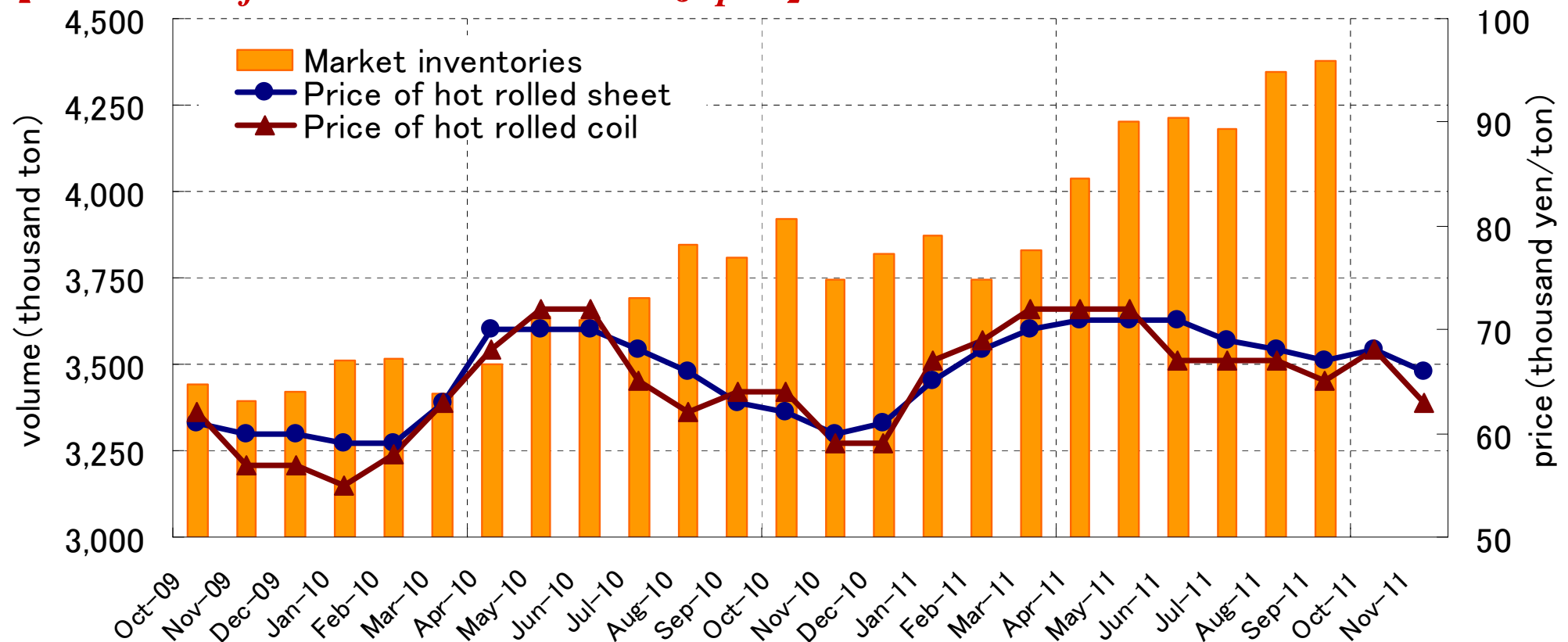


(Data source : Inventories \_ Tokiwa-kai / Price \_Japan metal daily)

*Just like H-beams, the price of steel sheets softened from upward trend before the Great East Japan Earthquake. Market inventories increased due to downturn of operating ratio in manufacturing industries. We expected rapid advancement of inventory adjustment, however, at this time inventory level remained high.*

*Steelmakers showed strong intention to raise market price However, the price remained weak due to low demand and weakening overseas market.*

## ***[Transition of Steel Sheets Markets in Japan]***

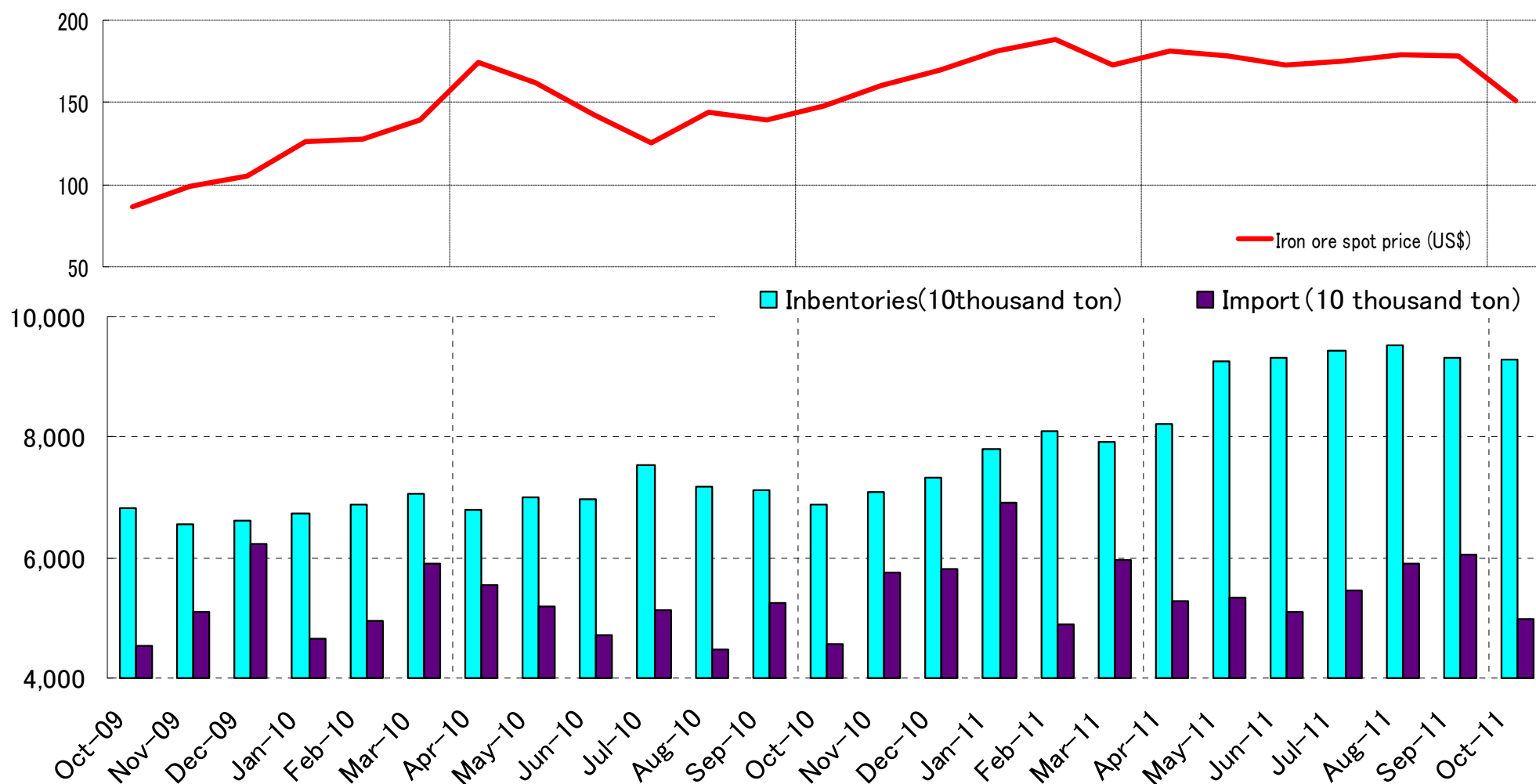


(Data source : Inventories \_ The Japan Iron and Steel Federation / Price \_Japan metal daily)

# Market Trend of Steel Raw Materials

*The price of imported iron ore in China was at high levels until this September. After then, the price dropped sharply due to financial regulations and flagging steel products price. Recently it slightly improved.*

## ***【Iron Ore Market in China】***

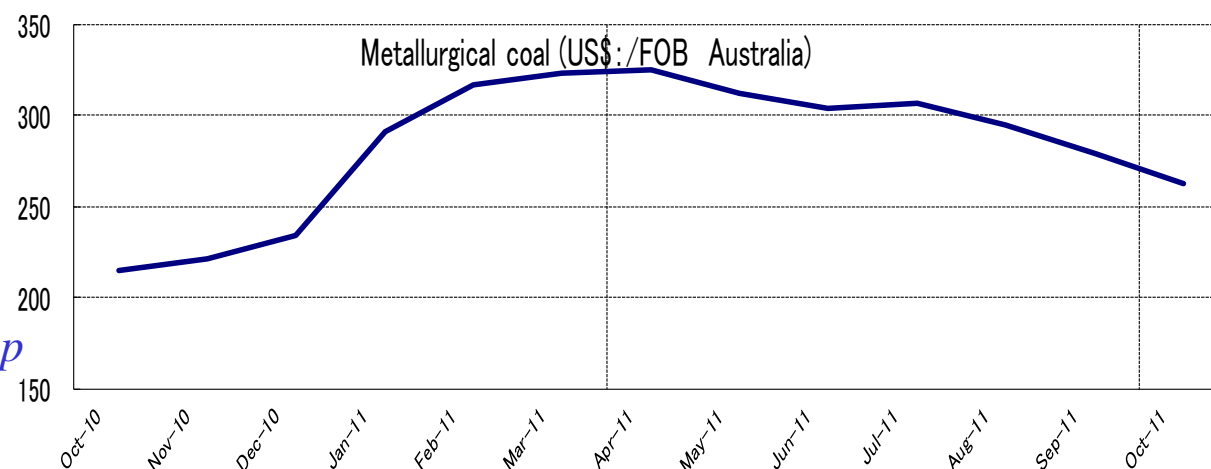


(data source : Interfax, China Customs)

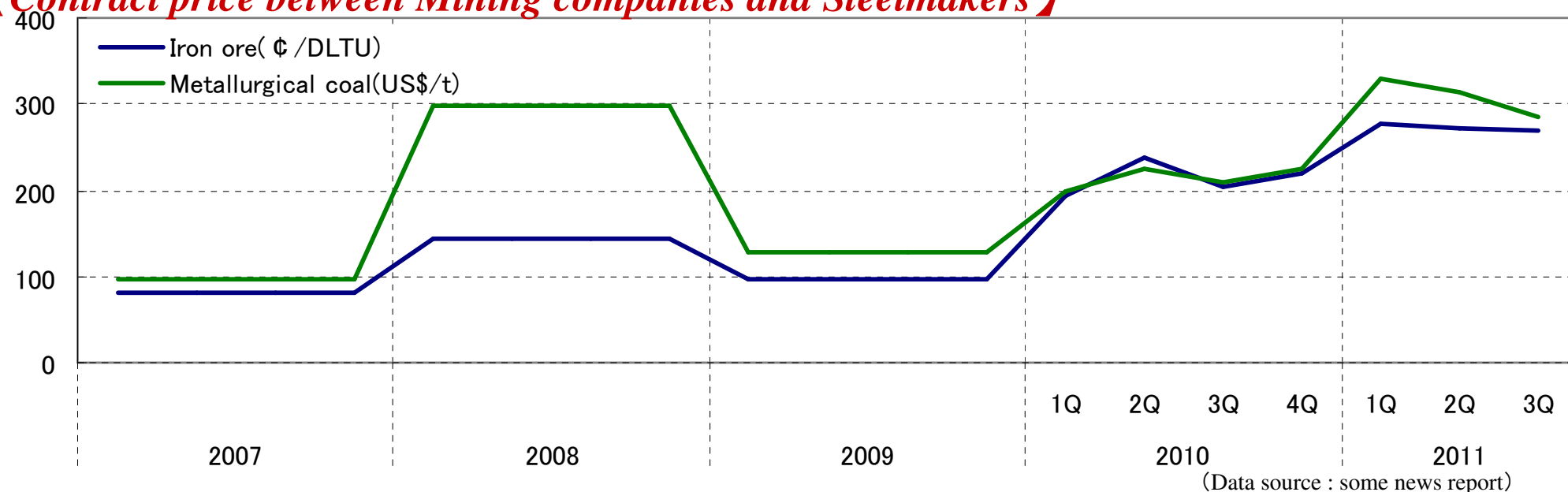
Once floods in Australia pushed up price of metallurgical coal, it has peaked out. In August, declined demand and financial regulation has accelerated downward trend further.

Prices of various crude steel raw materials from mining companies were on the gentle decline. Recent sharp drop on spot price is expected to cause 4<sup>th</sup> quarter prices big dips.

### 【Metallurgical coal price】

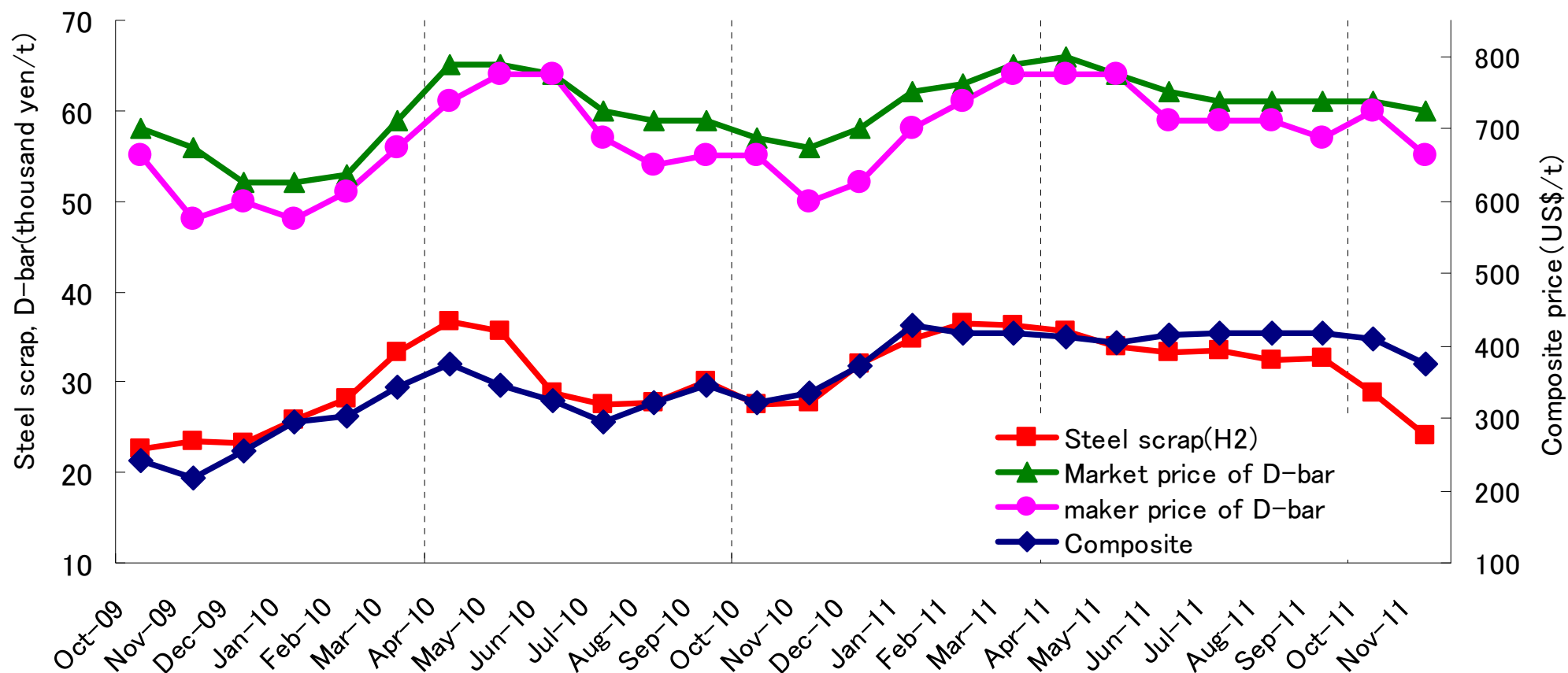


### 【Contract price between Mining companies and Steelmakers】



The price of steel scrap was in the upward trend in the beginning of this fiscal year. Then, the price fell due to decreased demand in domestic and oversea traders. In 1<sup>st</sup> half, supply and demand balanced at low-level, thus the price moved in narrow ranges. In August, some electric furnace steel makers lifted the purchase price of steel scrap, so scrap market price turned upward. However, as tension between supply and demand reduced, the price turned downward trend again.

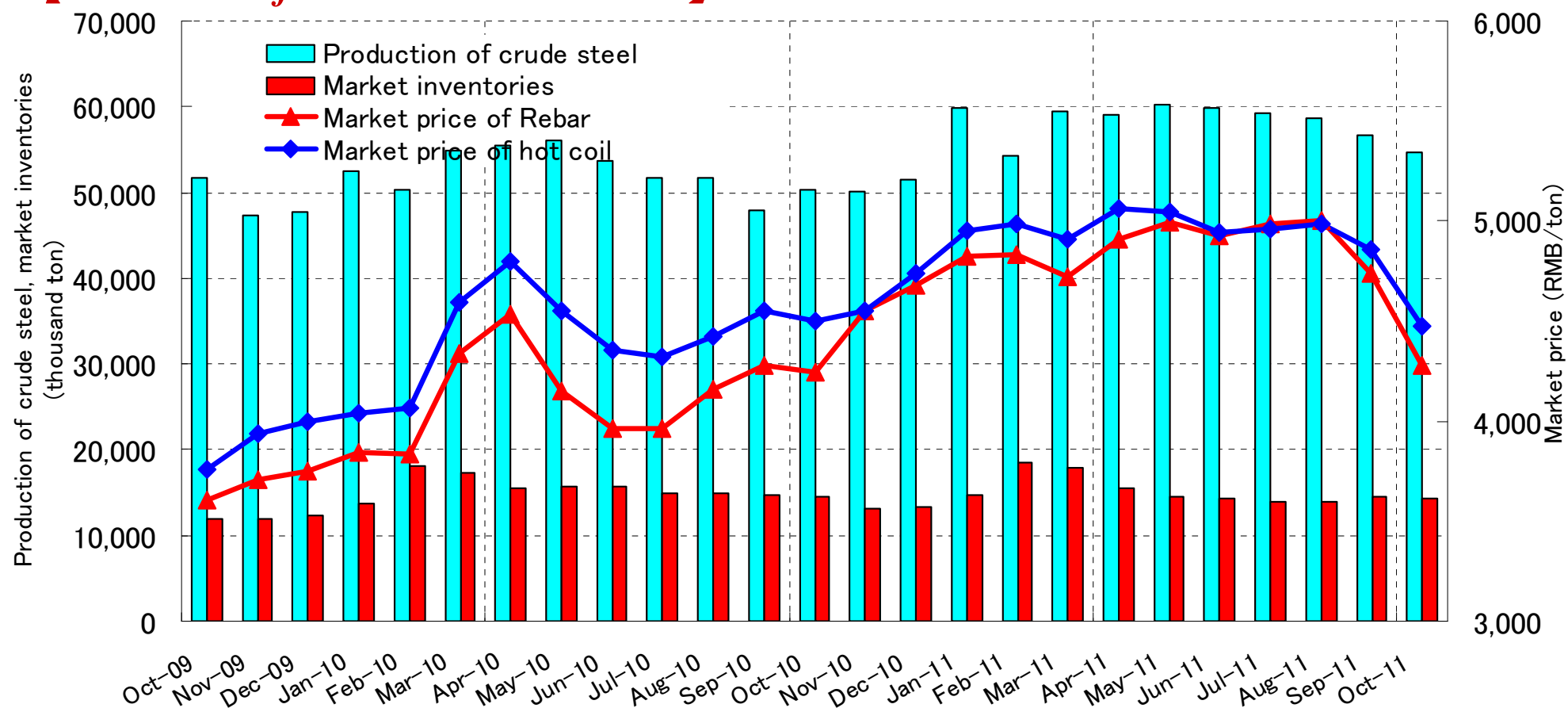
## 【Steel scrap and D-bar Market Price】



(Data source: The Japan ferrous raw materials association, Japan metal daily)

*Production level of crude steel was high and market inventories volume was in excess. Recently, steel market is weakening, due to concern about impact of EU economic stagnation on Chinese manufacturing industry and to decrease in demand of construction and engineering from financial regulations.*

## 【Transition of steel market in China】



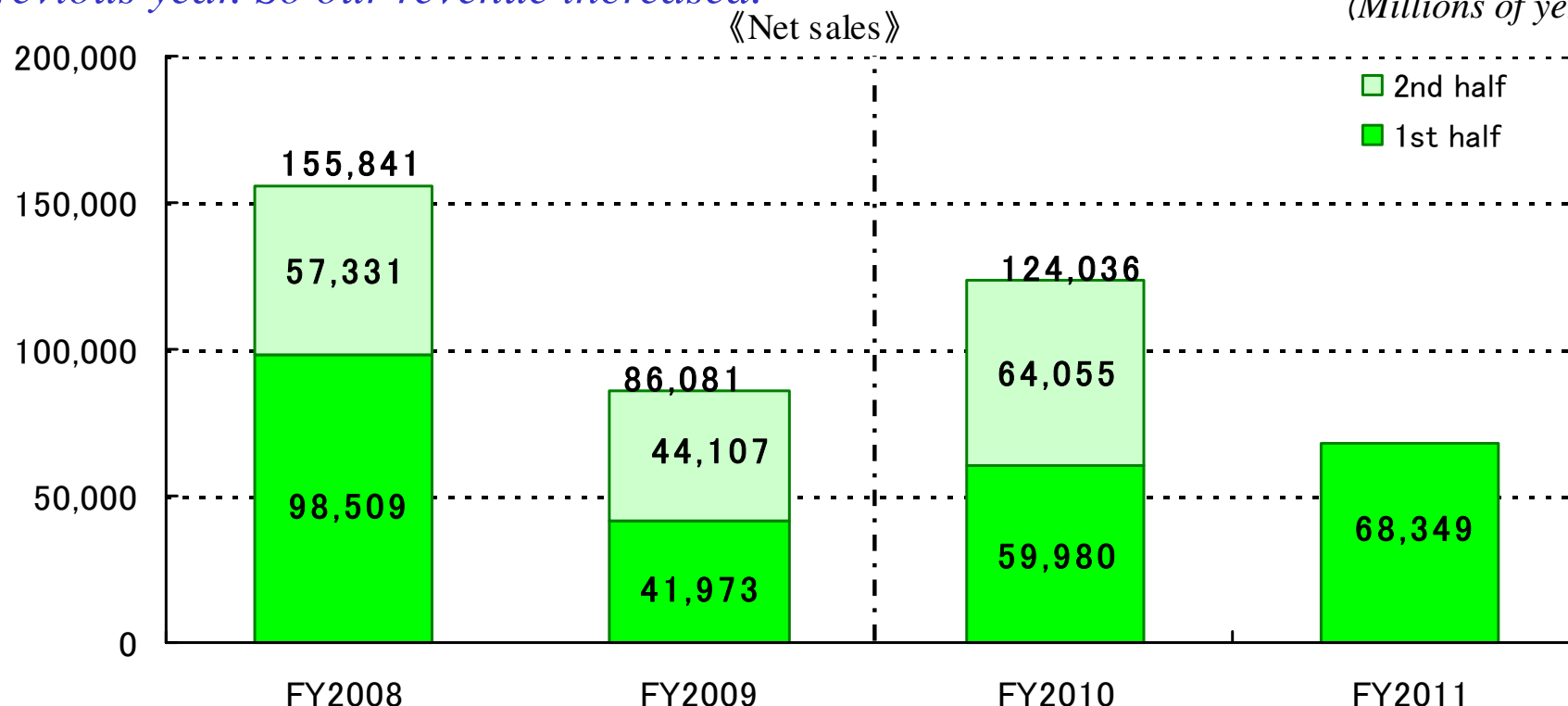
(Data source : The Japan Iron and Steel Federation)

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>2011/9</b>	<b>68,349</b>	<b>2,305</b>	<b>3.4%</b>
<b>2010/9</b>	<b>59,980</b>	<b>1,784</b>	<b>3.0%</b>

*Stainless steel production was reduced due to supply-demand adjustment. However, raw materials demand was healthy because of rapid recovery of steel production by blast furnace. Despite soft market price trend, price level was high from the same period of previous year. So our revenue increased.*

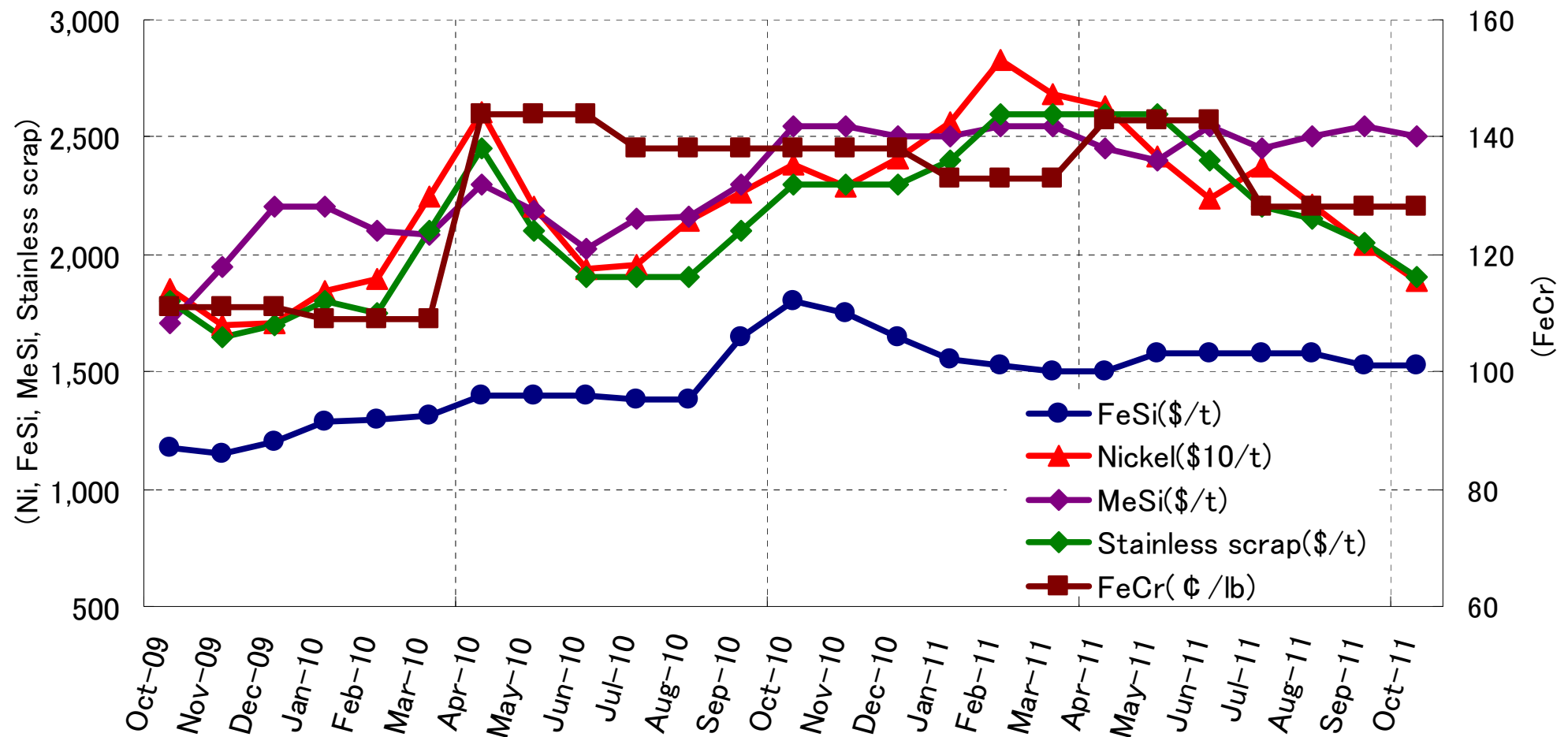
(Millions of yen)



※ 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) .



*The price of ferroalloys was weakening, but remained stable on the high price level.  
The price of stainless scrap and nickel fell sharply in response to change of the financial environment and production adjustment due to reduction of stainless steel demand.*

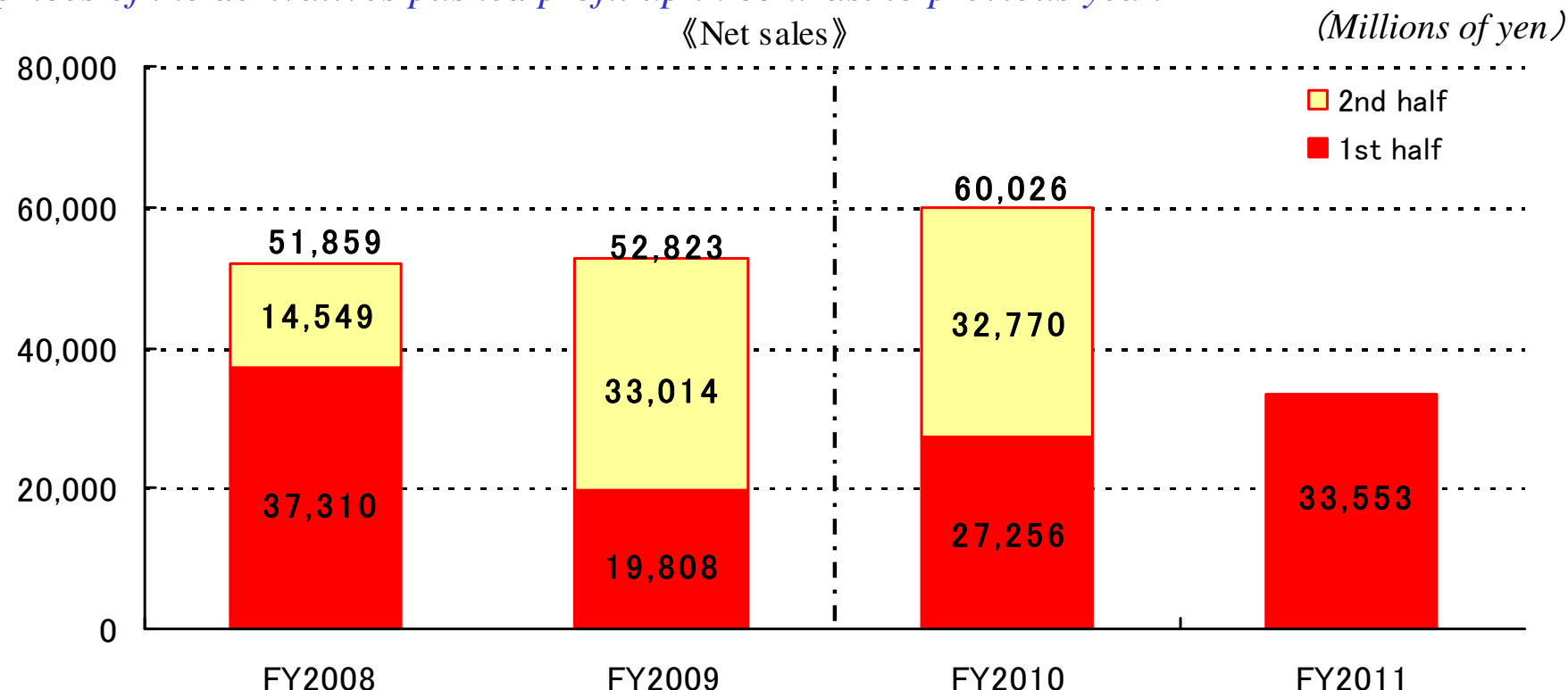


# Non-ferrous Metals Business Segment

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>2011/9</b>	<b>33,553</b>	<b>1,587</b>	<b>4.7%</b>
<b>2010/9</b>	<b>27,256</b>	<b>705</b>	<b>2.6%</b>

*After economic stagnation by the Great East Japan Earthquake, demand of non-ferrous metals for automotive production rapidly recovered. As a result, our transaction volume was kept high. It was difficult to secure profitability due to rising purchase price of scrap. However, the current prices of the derivatives pushed profit up in contrast to previous year.*

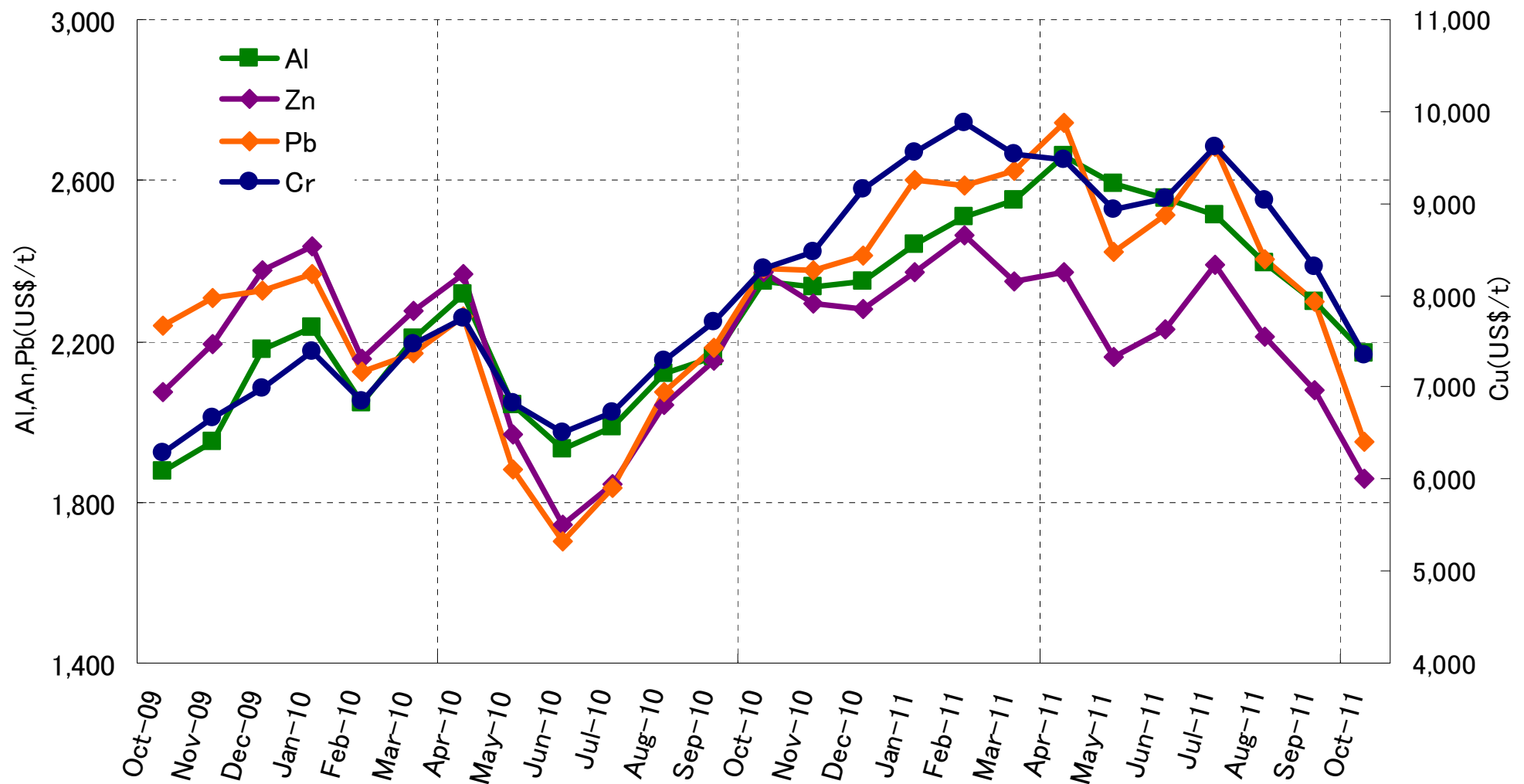


※ From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .

# Markets Trend of Non-ferrous Metals

*Movement of speculative funds affected the price of non-ferrous metals in the LME market more than real demand trend. Metals traded in small market size was more vulnerable.*

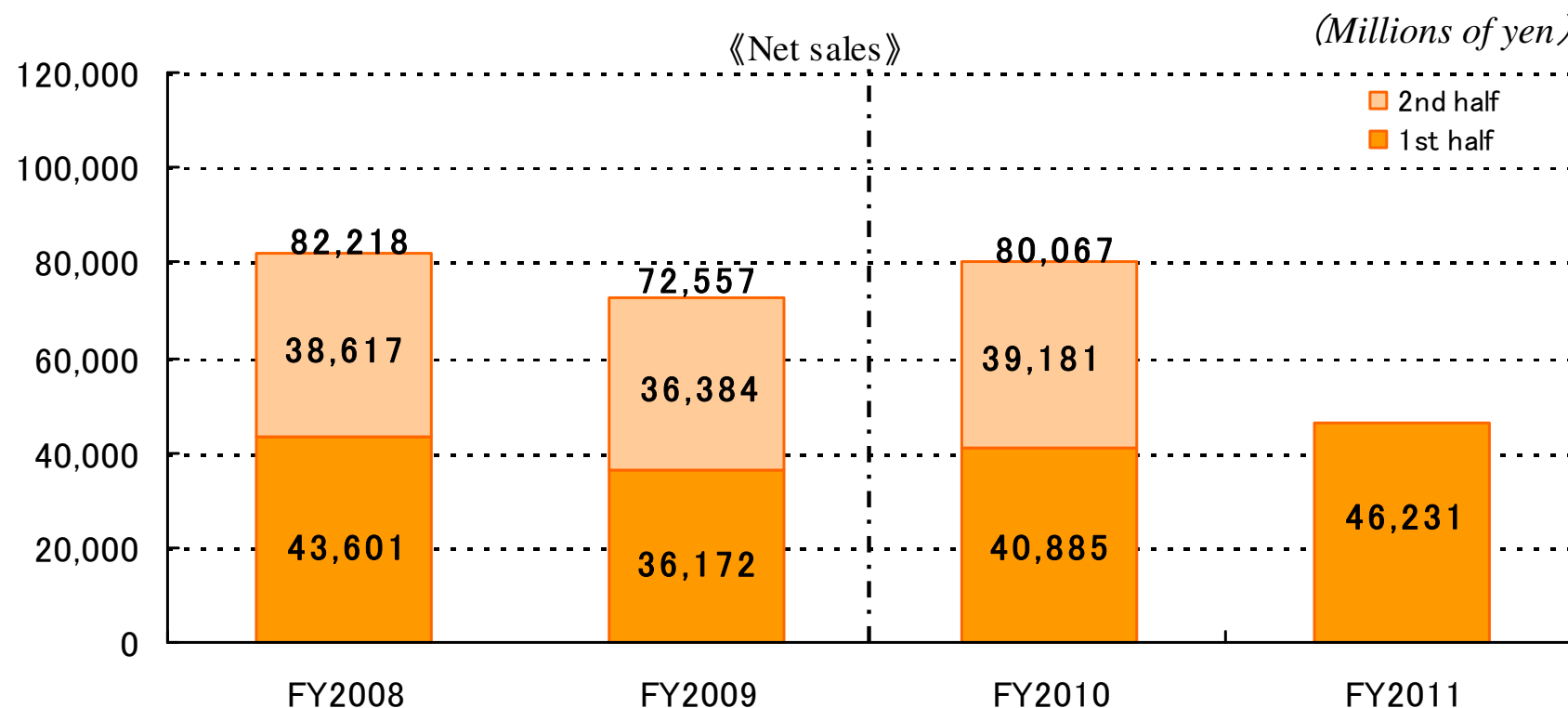
*Recently, the price went down because of financial instability in EU.*



(Millions of yen)

	Net sales	Segment income	Profit ratio
2011/9	46,231	949	2.1%
2010/9	40,885	1,018	2.5%

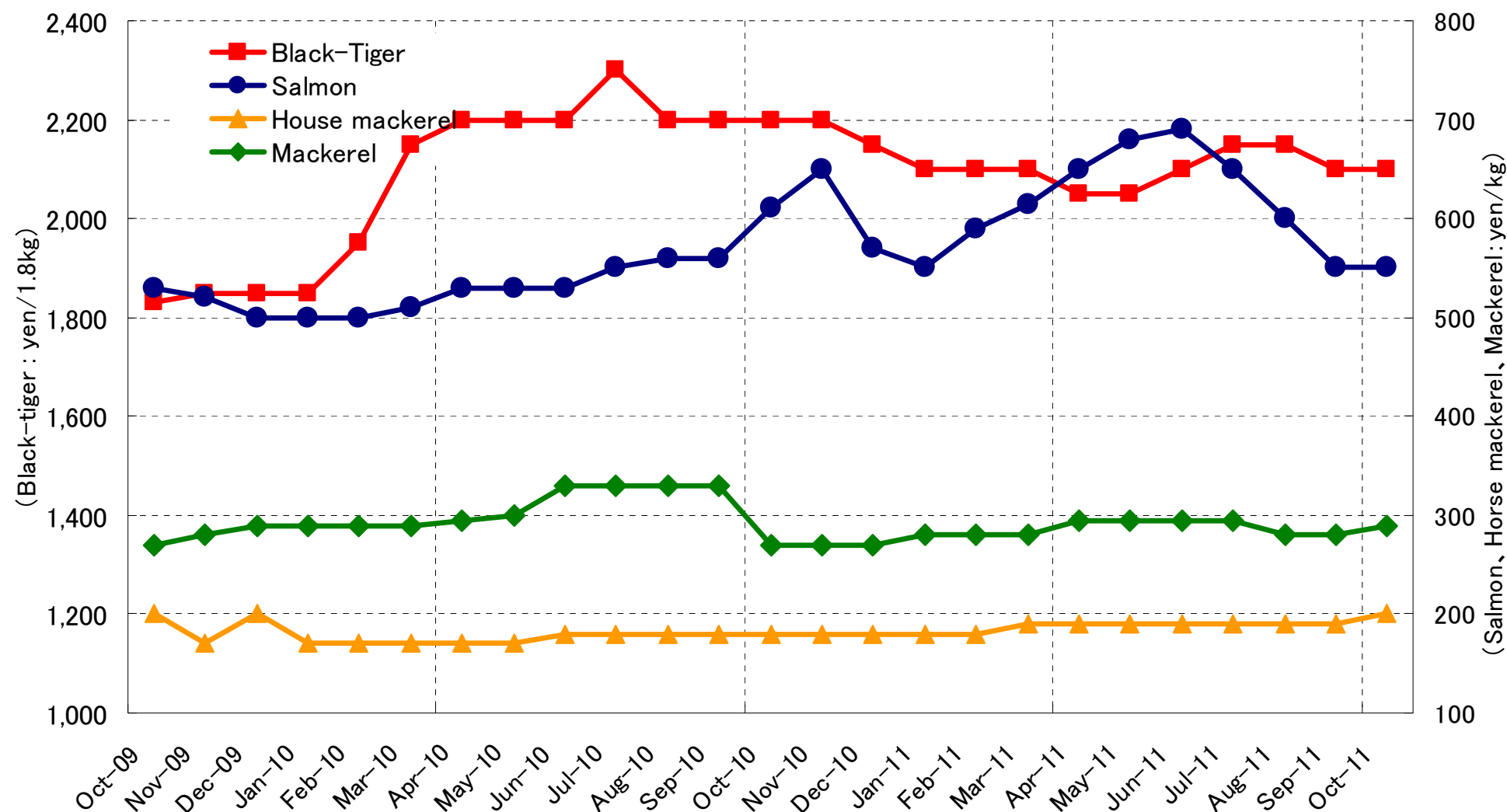
Overseas seafood market remained strong. In domestic market, price of seafood stayed on a high level due to outlook for poor catches influenced by earthquake. Thus our sales volume remained steadily in spite of saturated demand.



※ 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).

# Market Trend of Frozen Marine Products

*The price remained firm except salmon. World seafood consumption was expanding. But large expansion of fish catches cannot be expected. As a result, seafood price remained at a high level.*



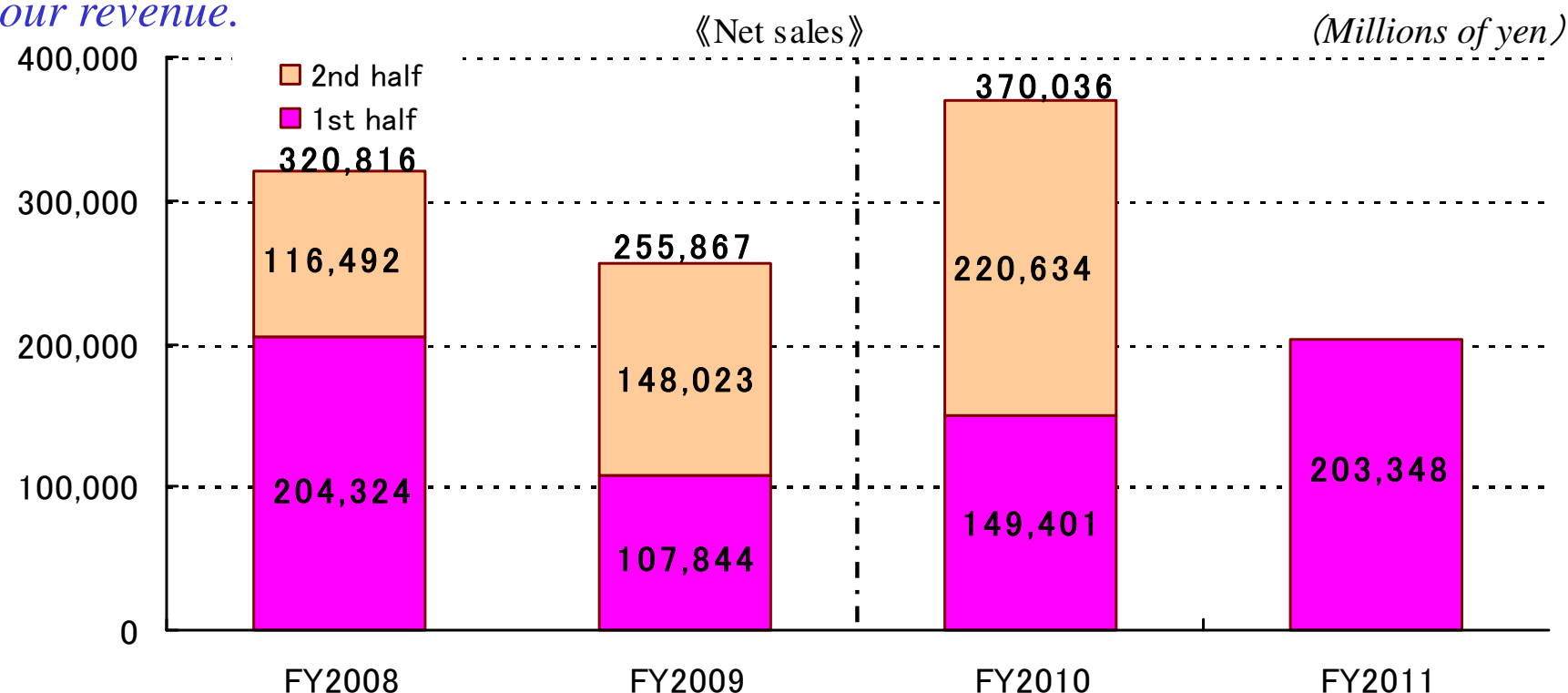
# Petroleum & Chemicals Business Segment



(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>2011/9</b>	<b>203,348</b>	<b>1,328</b>	<b>0.7%</b>
<b>2010/9</b>	<b>149,401</b>	<b>712</b>	<b>0.5%</b>

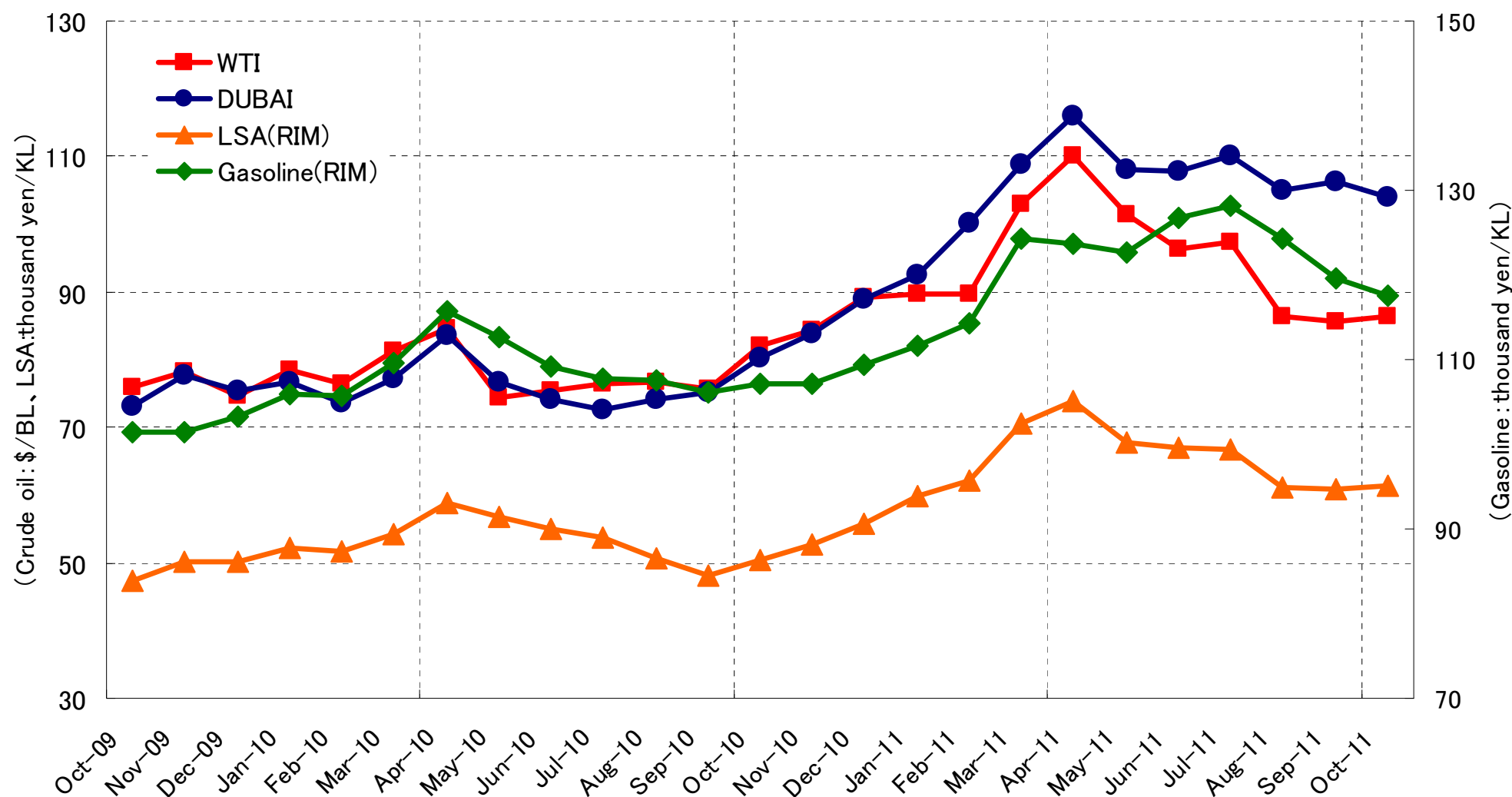
After the confusion in the wake of earthquake, demand for petroleum product was low. However, Our sales in industrial and bunker fuel were steady. Demand for thermal power plants as an alternative to nuclear power generation contributed to our revenue.



※ 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) .

# Market Trend of Crude Oil & Petroleum Products

*The crude oil price was up and down under the influence of change of financial environment and U.S. economic trend. The price of petroleum products rose after earthquake, but turned downward to pre-earthquake level due to supply recovery by increases in production and import.*



*In 1<sup>st</sup> half, operating revenue reached better than the expectation thanks to the early recovery of demand. The forecast is uncertain due to caused to decline in demand, such as uncertainty over the EU economy, financial regulation in China and flood damage in Thailand.*

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

*(Millions of yen)*

	<i>Interim</i>	<i>FY2011</i>	<i>FY2010</i>
<i>Net sales</i>	<i>762,648</i>	<i>1,485,000</i>	<i>1,396,103</i>
<i>Operating income</i>	<i>10,109</i>	<i>17,400</i>	<i>13,853</i>
<i>Ordinary income</i>	<i>10,109</i>	<i>15,000</i>	<i>13,490</i>
<i>Net income</i>	<i>3,822</i>	<i>6,800</i>	<i>5,793</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>



*This material contains statements (including figures) regarding Hanwa Co.,Ltd.(“Hanwa”)’s corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the Views of Hanwa’s management but should not be relied on solely in making investment and other decisions. Readers should not place undue reliance on forward-looking statements.*