

INTERIM RESULTS

for the Year Ending March 2015

November 17, 2014

HANWA CO., LTD.

- *As for the interim result for this fiscal year, net sales has reached to 861.1 billion yen, increased by 8.9%, due to increase in steel and metals/alloys businesses.*
- *On profit side, operating income have increased by 28.4%, thanks to increase profit in steel and other businesses. Net income, however, went to low level thus reaching 3.9 billion yen, increased by 5.0%, due to exchange loss.*
- *Annual earnings forecast :*

<i>Net sales</i>	<i>1,750 .0billion yen</i>
<i>Operating income</i>	<i>19.8 billion yen</i>
<i>Ordinary income</i>	<i>17.5 billion yen</i>
<i>Net income</i>	<i>10.6 billion yen</i>
- *We pay 7.5yen as interim dividend and plan to pay additional 7.5 yen as the end of this fiscal year dividend.*

Operating Results (consolidated)

(Millions of yen)

	2014/9	2013/9	Rate of changes
Net sales	861,116	790,724	+8.9%
Gross profit	27,369	24,345	+12.4%
SG&A expenses	18,350	17,321	+5.9%
Operating income	9,019	7,023	+28.4%
Non-operating income	1,301	1,651	-21.2%
Non-operating expenses	3,460	1,923	+79.9%
Ordinary income	6,861	6,751	+1.6%
Extraordinary gain/loss	-	(283)	-100.0%
Income before income taxes and others	6,861	6,467	+6.1%
Income taxes	2,852	2,658	+7.3%
Minority interests/loss	27	17	+58.8%
Net income	3,981	3,792	+5.0%
Comprehensive income	7,388	12,771	-42.2%

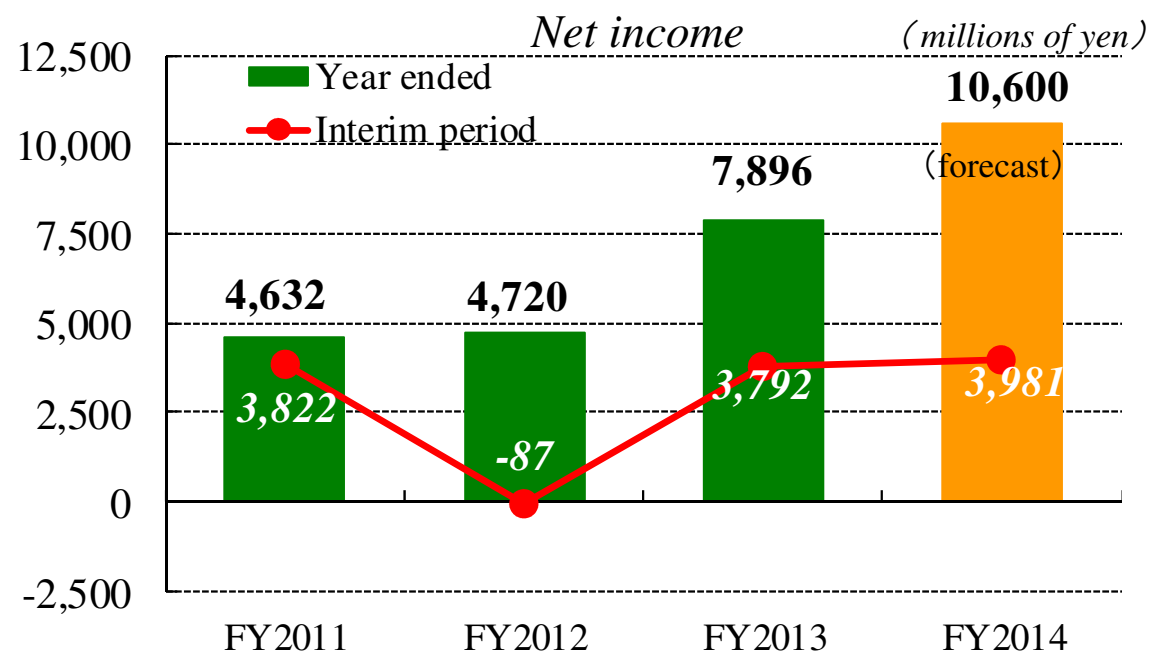
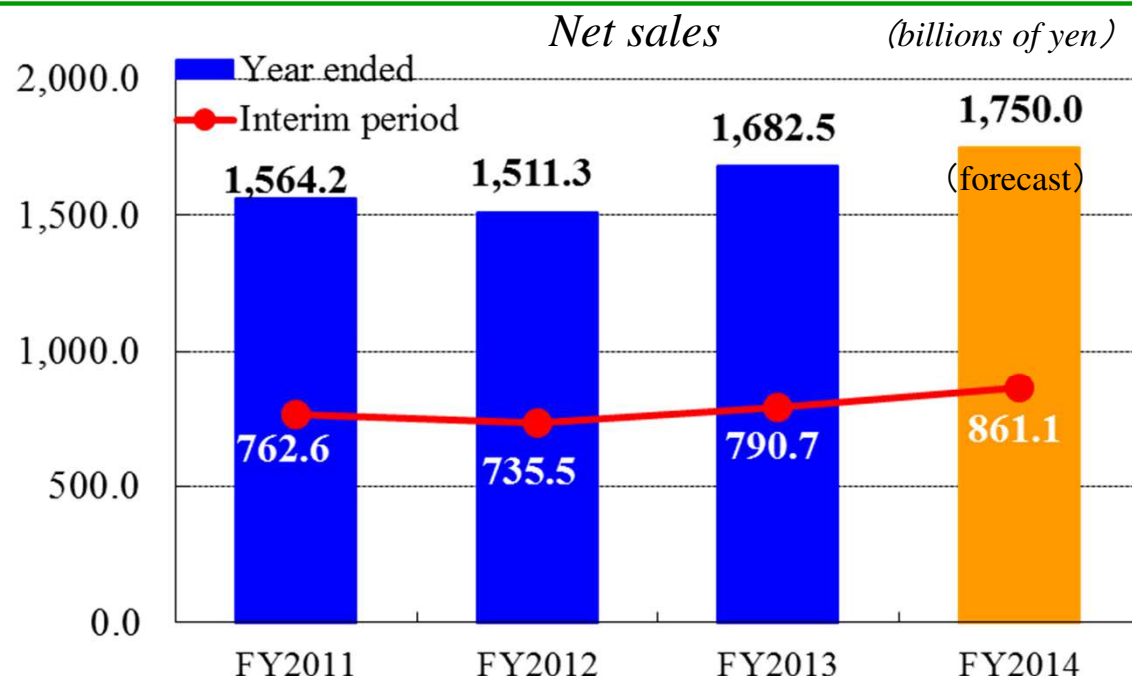
- Net sales has increased by 8.9% for the same period of previous year, due to revenue growth in steel and metals/alloys businesses.
- SG & A expenses increased by 5.9% for the same period of previous year, including 3.5% of newly consolidated subsidiaries. Our employment cost increased by 0.7 billion yen. provision of allowance for bad debt decreased by 0.1 billion yen.
- 54 million yen were posted as equity in earnings of affiliates. Foreign exchange losses, 1.2 billion yen were posted due to weaker yen at the end of second quarter.
- EPS was 19.21 yen (+0.91 yen)

Changes in Business results (consolidated)

The economy was steady in the US but stagnant in Europe. Expansion is slowing in China due to a stable growth policy. The economies in emerging countries are stagnant due to the financial environment and geopolitical risks as well.

In Japan, the benefits of Abenomics and Bank of Japan easing were offset by various reasons like weak domestic demand caused by falling consumer spending following the consumption tax increase, flat construction demand due to a labor shortage.

Net Sales were higher than one year earlier in the first half and earnings increased because of relatively strong market. But foreign exchange losses caused net income to decline.



Financial Position (consolidated)

(Millions of yen)

	2014/9	2014/6	Rate of change
Total assets	649,342	593,351	+9.4%
Current assets	520,763	468,325	+11.2%
Fixed assets	128,579	125,025	+2.8%
Total liabilities	517,098	467,989	+10.5%
Interest-bearing debt	278,865	245,906	+13.4%
Net assets	132,243	125,361	+5.5%
Equity capital	125,805	120,733	+4.2%
Accumulated other comprehensive income	5,318	1,875	+183.6%
Minority interests	1,120	2,752	-59.3%

- Total assets increased by 9.4% from the end of the previous year, due to increase in trade receivable and inventories.
- Interest-bearing debt increased by 13.4%, due to the increase in short term loans and commercial paper. Net debt-equity ratio increased by 196%.
- Total net assets increased by 5.5% from 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%.(-0.4 pts.)
- BPS was 632.78 yen. (+41.10 yen)

Cash Flows Situation (consolidated)

(Millions of yen)

	2014/9	2013/9	change
<i>Cash flows from Operating activities</i>	(24,679)	3,423	-28,102
<i>Cash flows from Investing activities</i>	(2,036)	(3,739)	+1,703
<i>Cash flows from Financing activities</i>	31,946	2,261	+29,685
<i>Cash and cash equivalents at end of the period</i>	21,559	27,097	-5,538

Net cash used in operation was 24.6 billion yen due to increase of working capital requirement with the increased sales volume.

Net cash used in investment was 2.0 billion yen due to payment for purchase of investment securities.

Net cash provided by financing was 31.9 billion yen due to increase in short term loans and commercial paper.

Segment Information (consolidated)

Net sales

	2014/9	2013/9	Rate of change
Steel	423,679	379,153	+11.7%
Metal & alloys	65,447	46,969	+39.3%
Non-ferrous metals	41,584	37,330	+11.4%
Foods	43,920	39,361	+11.6%
Petroleum & chemicals	231,193	230,911	+0.1%
Total for reportable segments	805,825	733,726	+9.8%
Other	115,930	98,826	+17.3%
Total	921,755	832,552	+10.7%
Adjustment	(60,639)	(41,827)	-45.0%
Consolidated	861,116	790,724	+8.9%

Segment income

(Millions of yen)

	2014/9	2013/9	Rate of change
Steel	6,810	6,061	+12.4%
Metal & alloys	(27)	1,140	-%
Non-ferrous metals	175	682	-74.3%
Foods	593	793	-25.2%
Petroleum & chemicals	1,204	811	+48.5%
Total for reportable segments	8,757	9,490	-7.7%
Other	355	(188)	-%
Total	9,112	9,301	-2.0%
Adjustment	(2,251)	(2,549)	+11.7%
Consolidated	6,861	6,751	+1.6%

(Millions of yen)

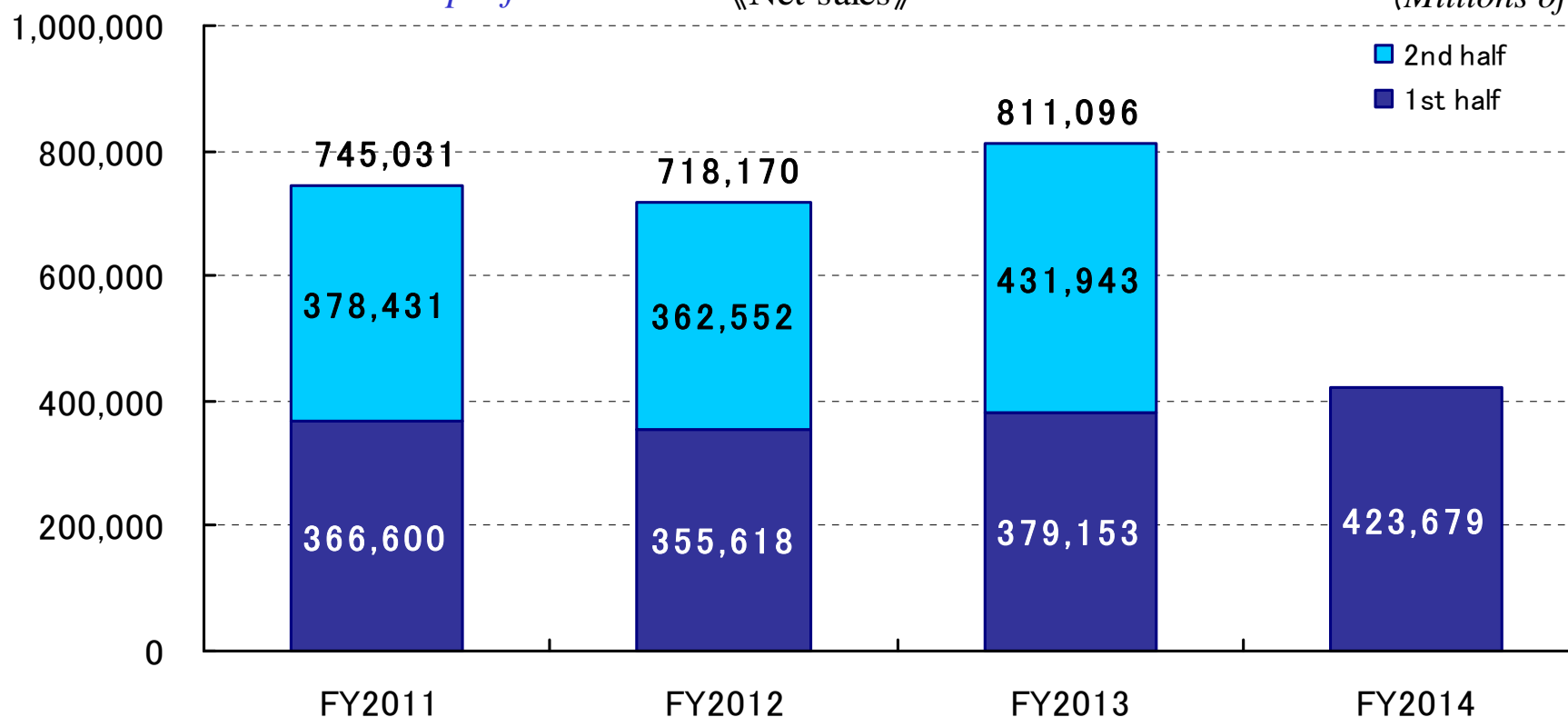
	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
2014/9	423,679	6,810	1.6%
2013/9	379,153	6,061	1.6%

Sales to manufacturers were steady but despite a large number of building and civil engineering projects, demand in the construction sector was flat mainly because of delays in construction work caused by the shortage of workers.

Despite downward pressure on prices due to low volume of shipments, prices did not fall significantly, thus this business remained profitable.

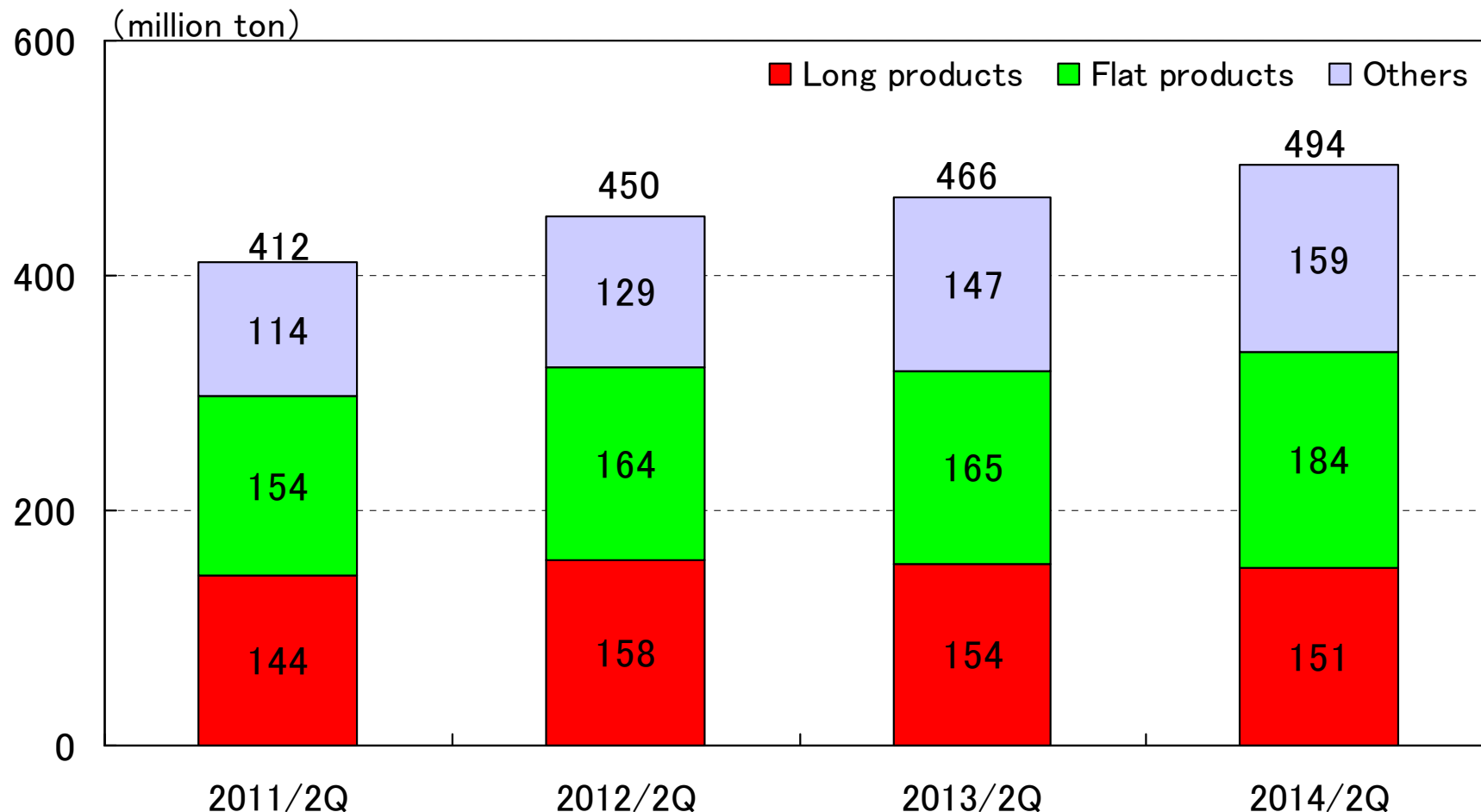
《Net sales》

(Millions of yen)



*Prices of long products stopped climbing because of slow demand for construction.
Shipments of flat products were strong for domestic as well as for exports.*

Higher volumes of slab and wire rod contributed to the increase in special steels and others.

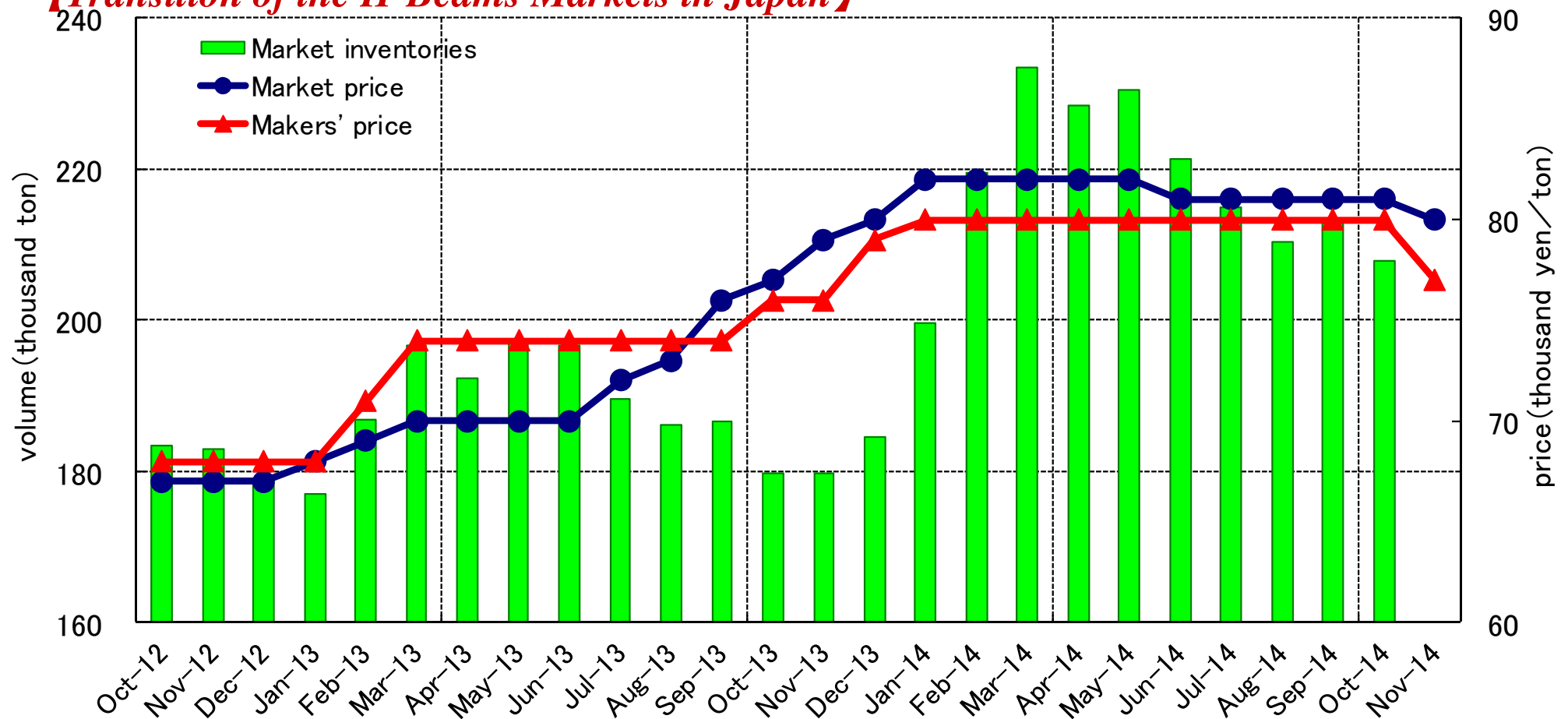


Market Trend of Long Products

Demand reached to a peak due to the lack of growth in construction projects caused by the labor shortage and no valid bids. Although raw material prices were weaker, steelmakers were not lowering prices with various reasons like certainty of future demand and rising cost of electricity. Market prices, however, fell only slightly as a result.

In the second half, it would be a crucial moment if prices may stop falling in the wake of Tokyo Steel's price cut or continue to decline as demand fails to meet expectations.

[Transition of the H-Beams Markets in Japan]

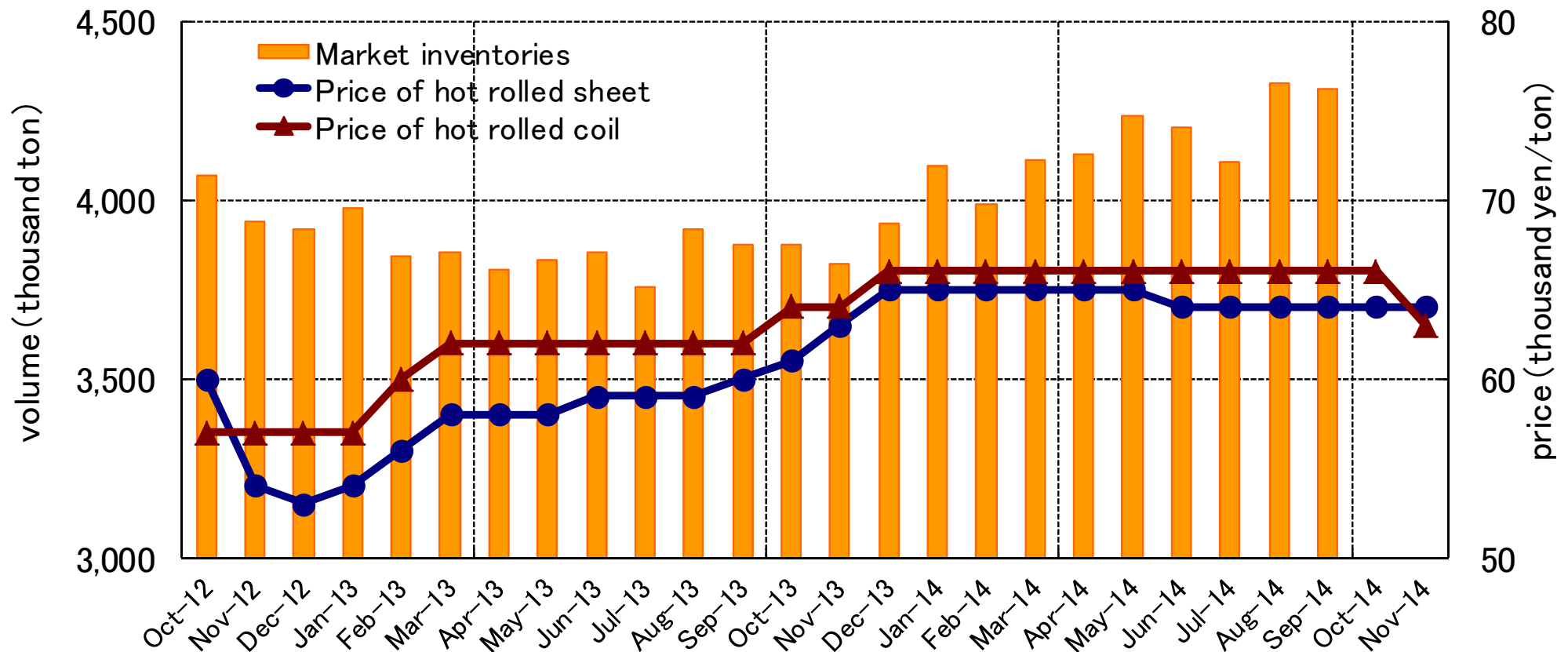


(Data source : Inventories _ Tokiwa-kai / Price _ Japan metal daily)

Despite high factory utilization rates, it was still not enough to stimulate spot market demand. As a result, open market prices remained weak.

Effects of the drop in consumption after the consumption tax increase are slowly appearing in the demand in the contractual sales, market inventories are increasing, and the November contract price cut by Tokyo Steel may affect demand.

[Transition of Steel Sheets Markets in Japan]

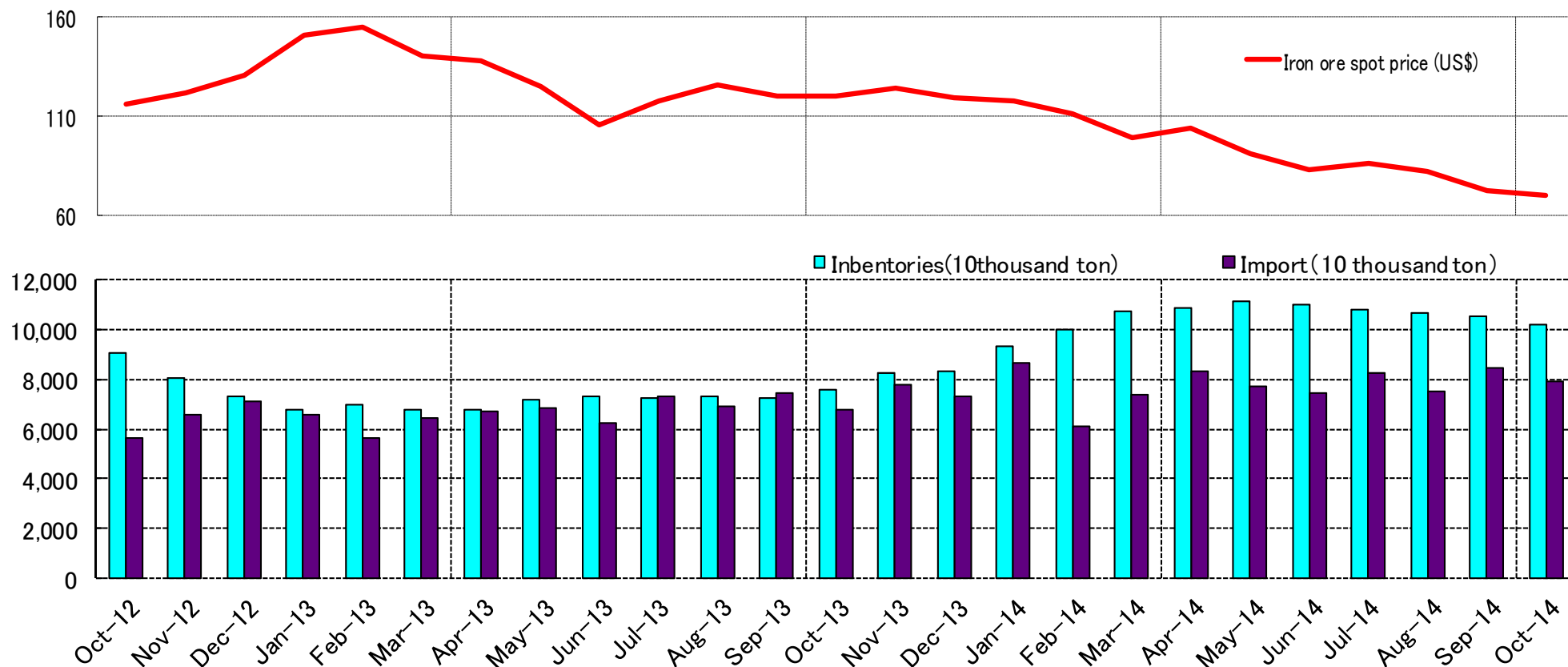


(Data source : Inventories _ The Japan Iron and Steel Federation / Price _Japan metal daily)

The price of iron ore imported to China continued to decline from previous fiscal year. The decline has gained momentum as large iron ore producers that have more output capacity continue to offer low prices.

Although inventories at ports were decreasing, there was still no progress with reducing inventories from 100 million tons.

【Iron Ore Market in China】

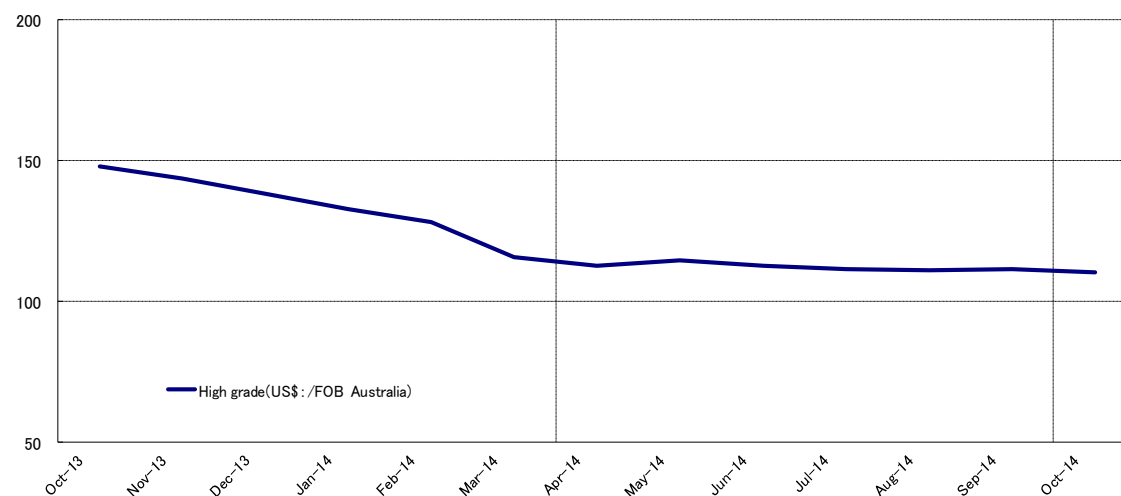


(data source : Interfax, China Customs)

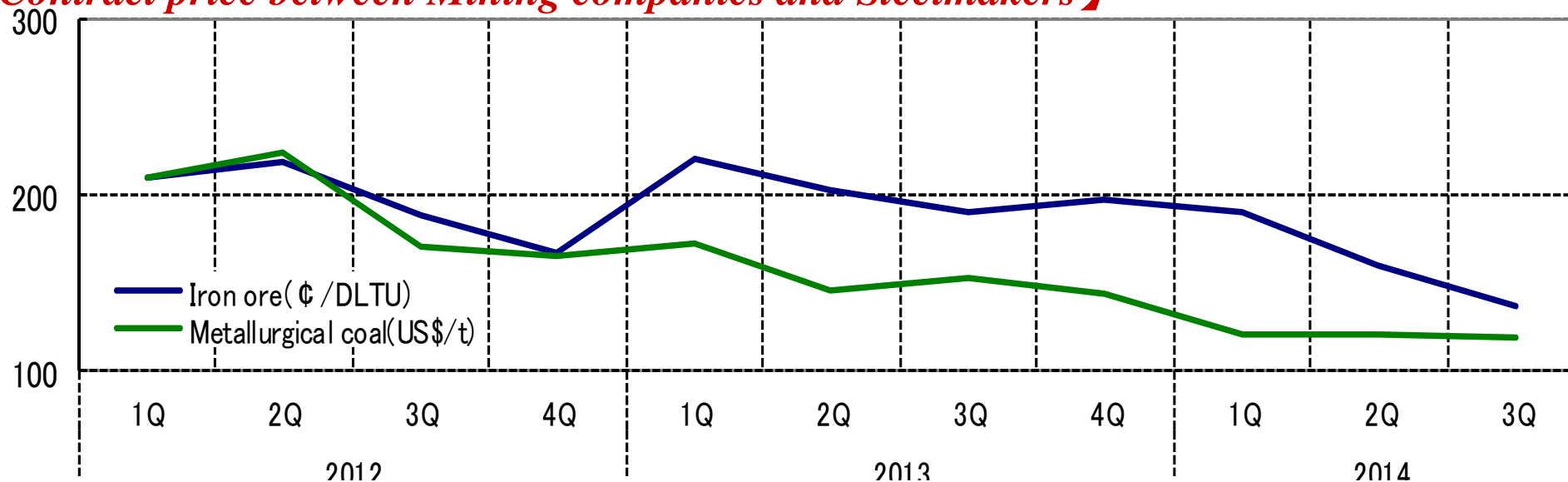
Coking coal demand was flat too, but the price has been bearish because the surplus of coking coal was not as severe as for iron ore.

Contract prices with mining companies have been kept falling along with the price of iron ore. But the price of coking coal has become steady following the first quarter decline.

【Metallurgical coal price】



【Contract price between Mining companies and Steelmakers】

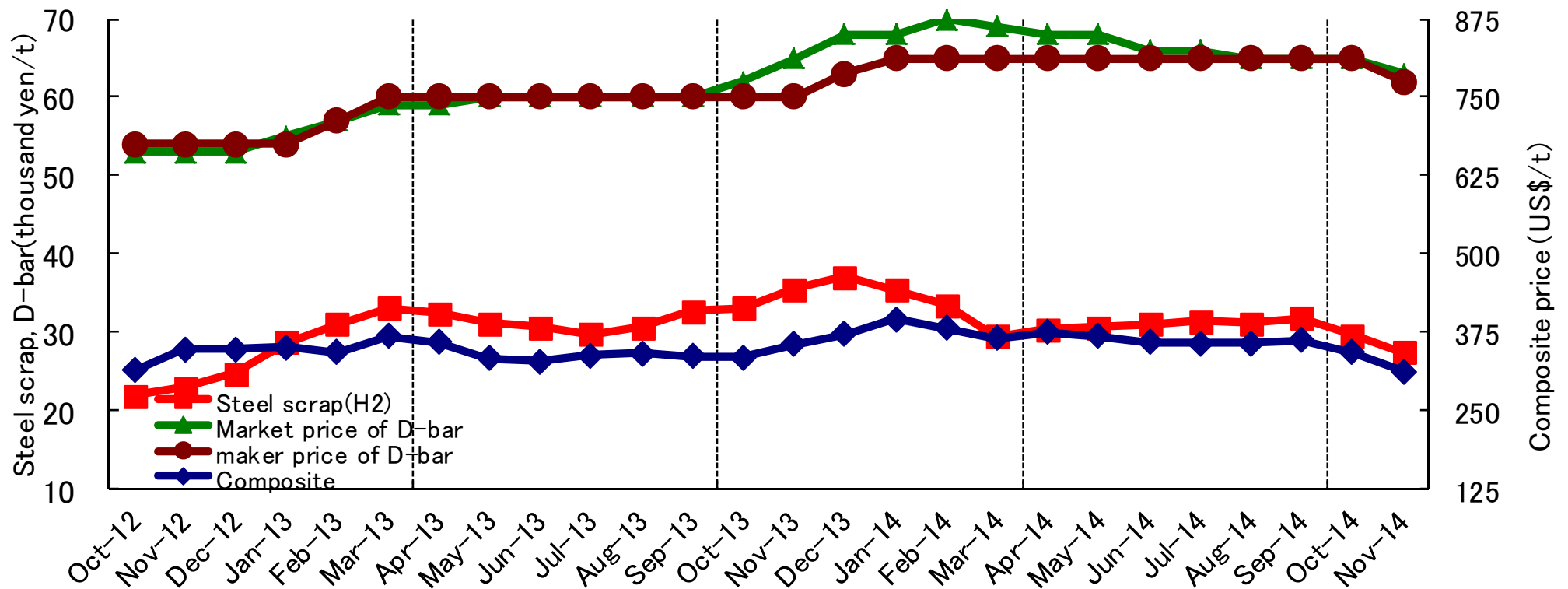


(Data source : some news report)

The market price of steel scrap was unchanged, the result of the small volume of scrap in Japan and high operating rates at US EAF steelmakers. But the price was declining in Turkey and other regions because of growth of cheap billets imports from China.

Although the rebar market was stagnant, manufacturers took a strong stance based on expectations on higher construction demand in the future. The price of rebar remained weak but there was no sharp downturn.

【Steel scrap and D-bar Market Price】

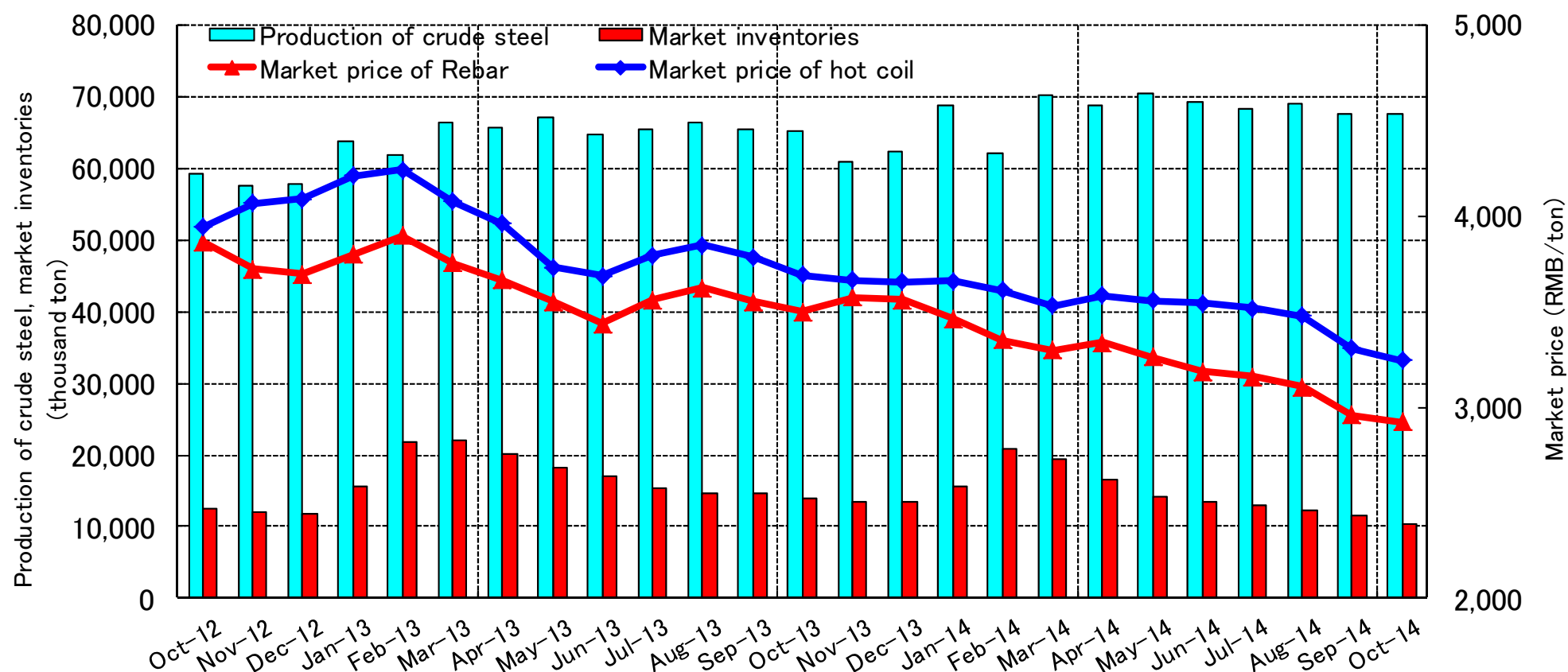


(Data source: The Japan ferrous raw materials association, Japan metal daily)

There has been no progress with reducing steel output as crude steel production remained high despite lackluster demand. Market inventories are decreasing and exports are growing..

Market prices continue to move down because of soft demand..

【Transition of steel market in China 】

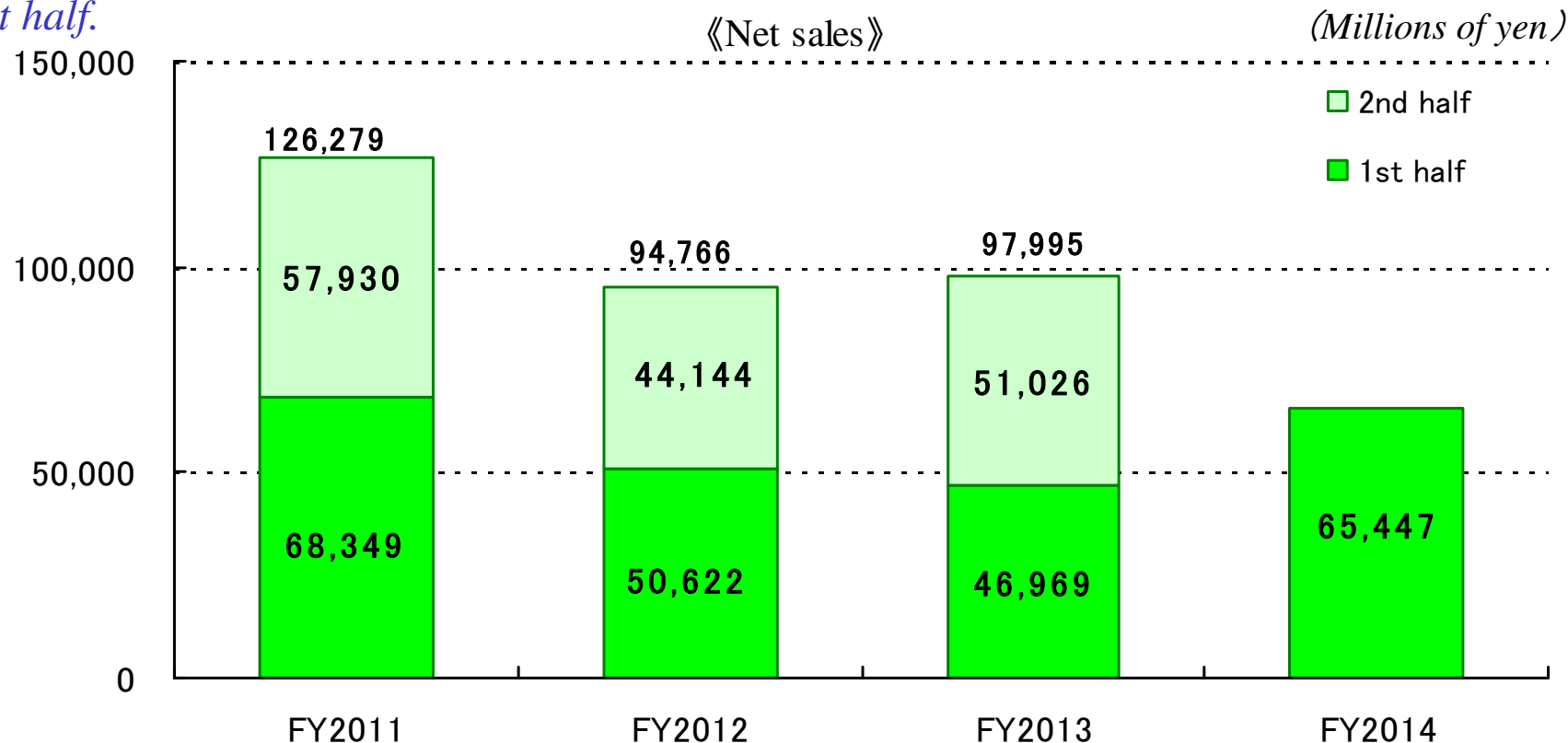


(Data source : The Japan Iron and Steel Federation)

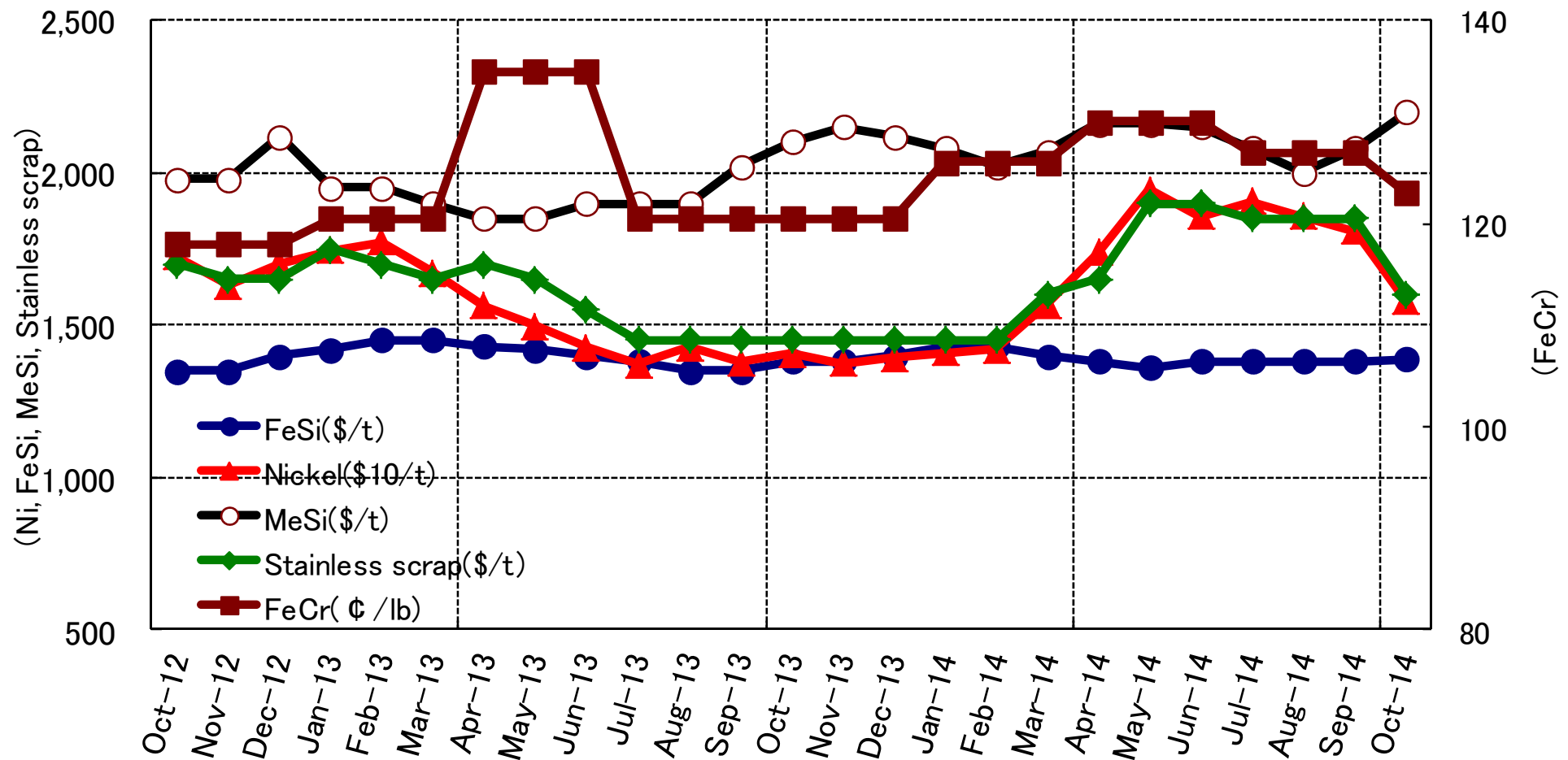
(Millions of yen)

	Net sales	Segment income	Profit ratio
2014/9	65,447	(27)	-0.0%
2013/9	46,969	1,140	2.4%

Operating rates at stainless steel makers have improved and demand increased, including for other types of stainless steel materials. Although proceeds were higher along with higher prices, operating profit from this segment were lower because of a large foreign exchange loss caused by valuation losses on foreign currency debt resulting from the yen's rapid decline near the end of the first half.



Indonesia's embargo on nickel ore has sparked a surge in the price of nickel. The resulting shift to stainless steel scrap has pushed up the price of this scrap, too. The price of nickel has started to fall, due partly to changes in the financial environment, but prices of other materials are generally solid.



Non-ferrous Metals Business Segment

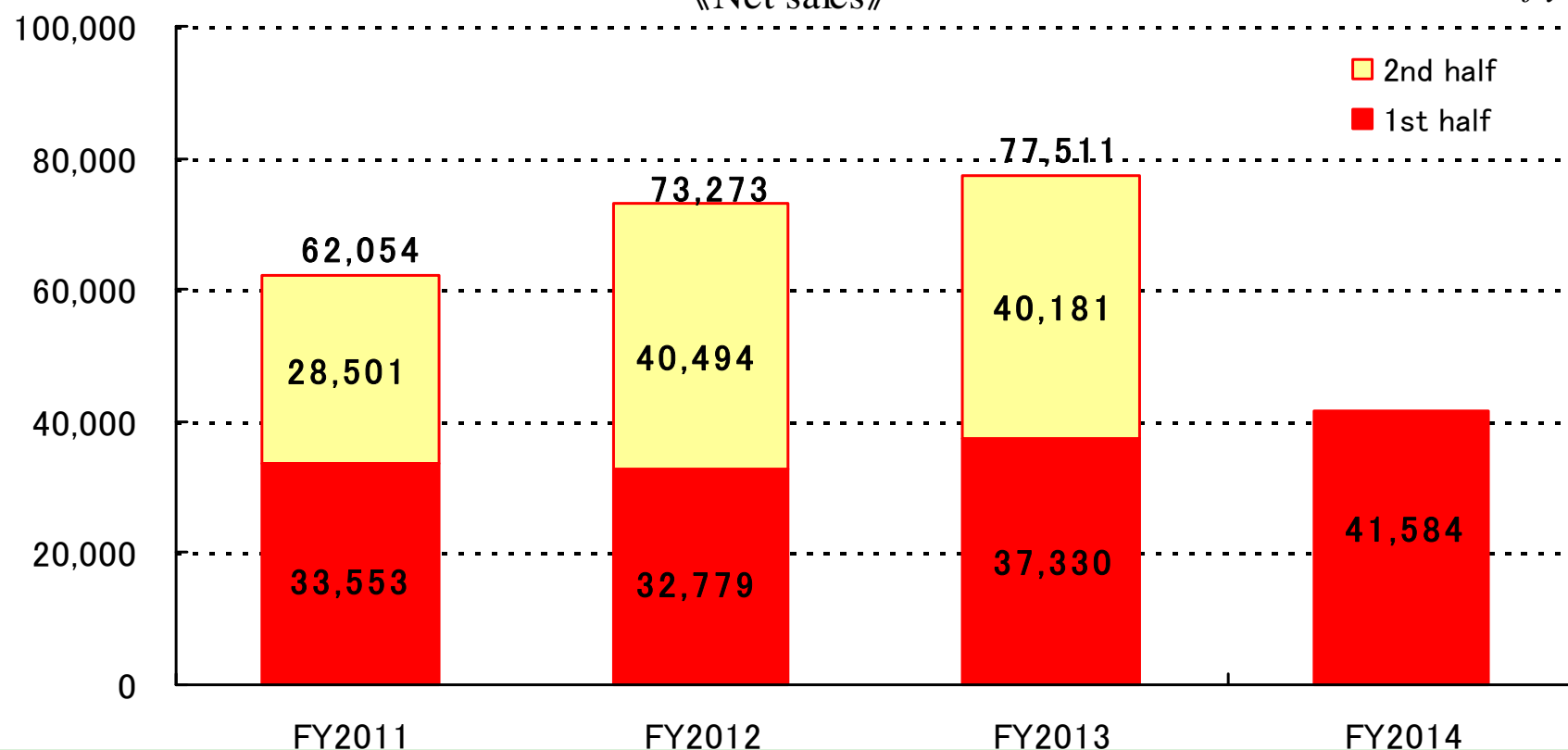
(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
2014/9	41,584	175	0.4%
2013/9	37,330	682	1.8%

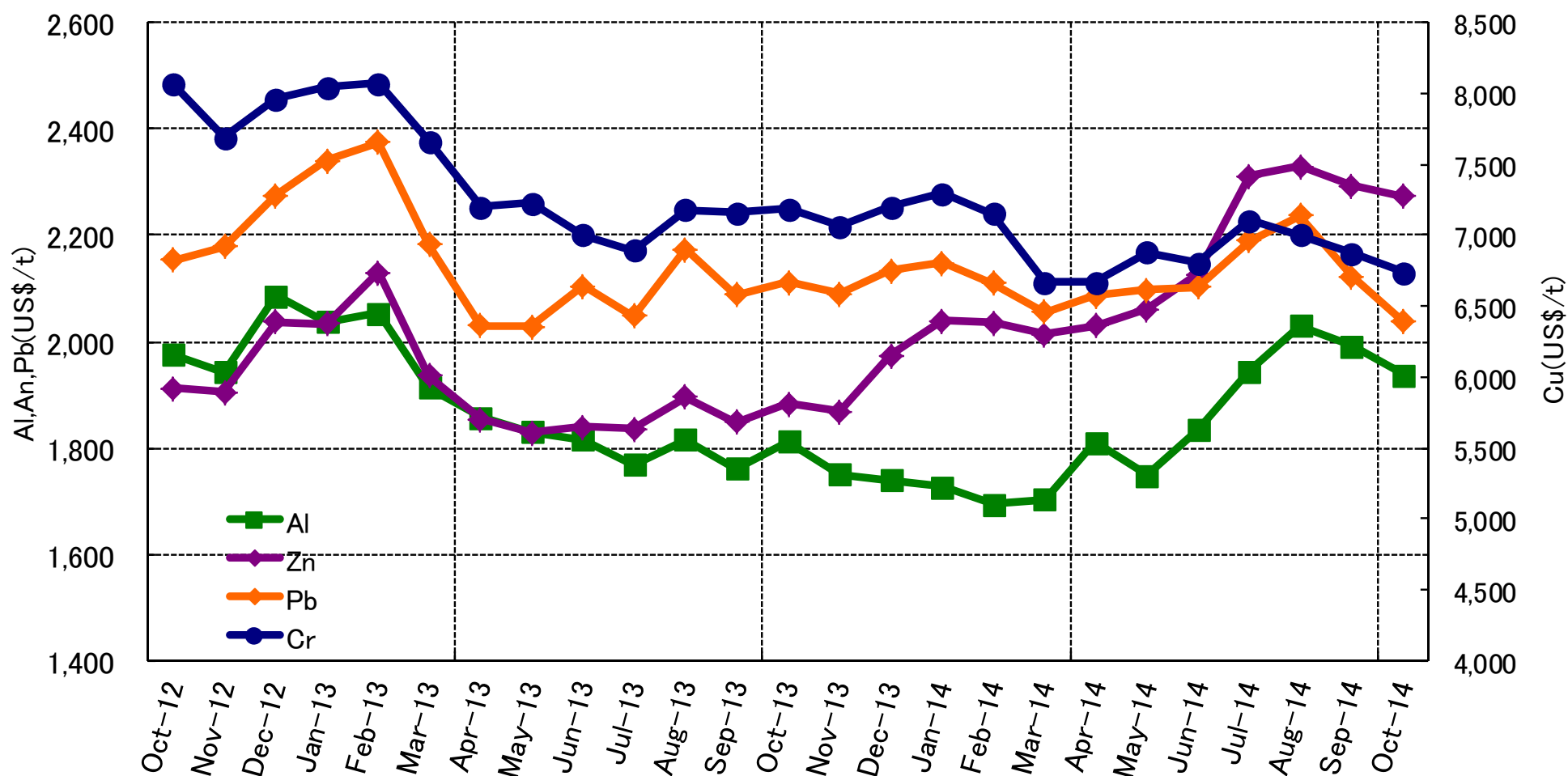
LME prices were on upward trend, although there was swinging movement along with the change of financial environment. Demand was strong for aluminum and precious metals, too. However, profitability remained difficult in this sector because of higher cost as the consistently low levels of production were creating fierce competition for procuring these metals.

《Net sales》

(Millions of yen)



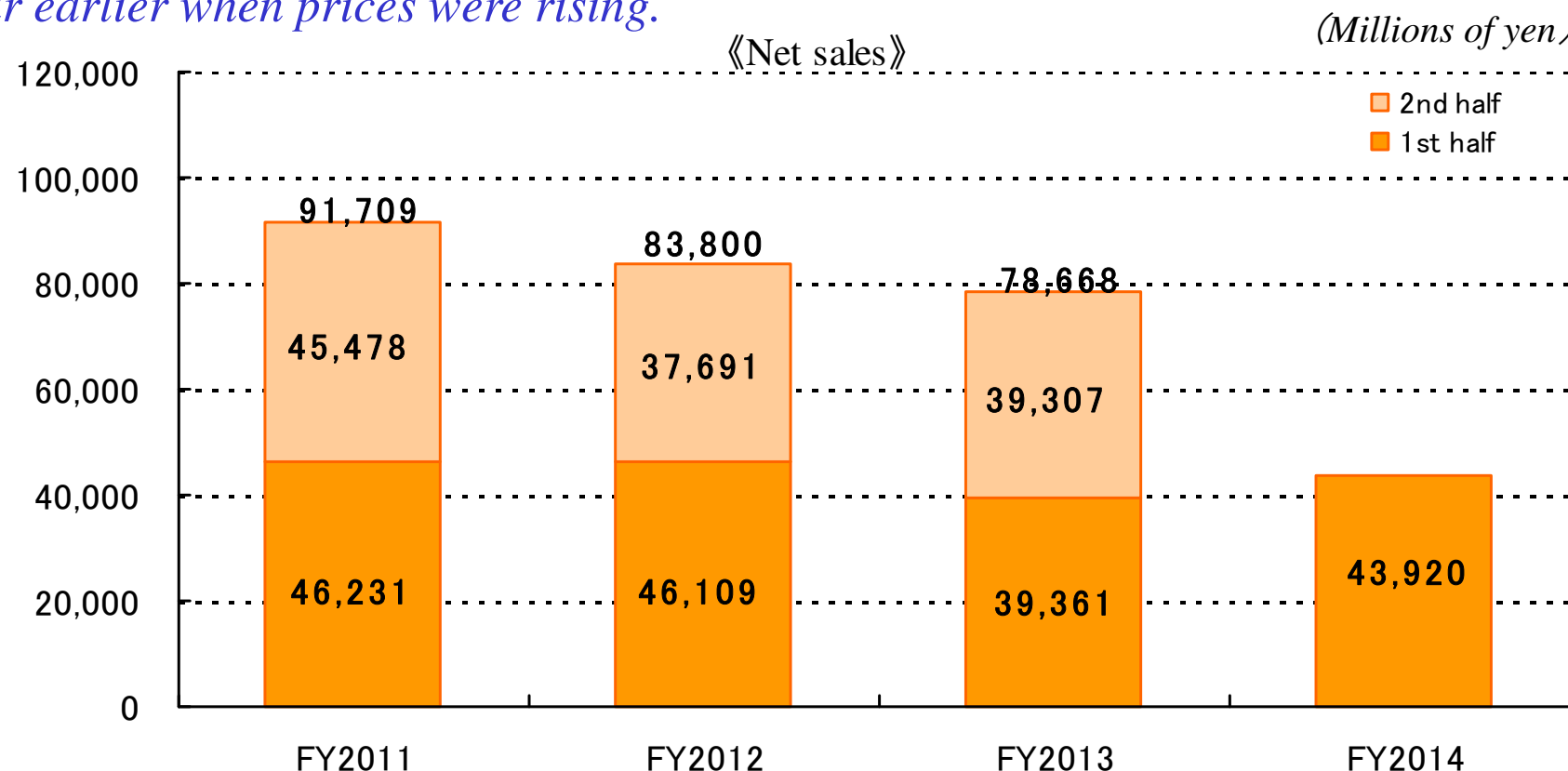
Although LME prices were moving up and down along with individual economic news, the aluminum market was consistently firm due to strong actual demand. However, the price of copper was weak overall mainly because of sluggish demand in China, the copper collateral scandal in Qingdao, and growth in the supply.



(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
2014/9	43,920	593	1.4%
2013/9	39,361	793	2.0%

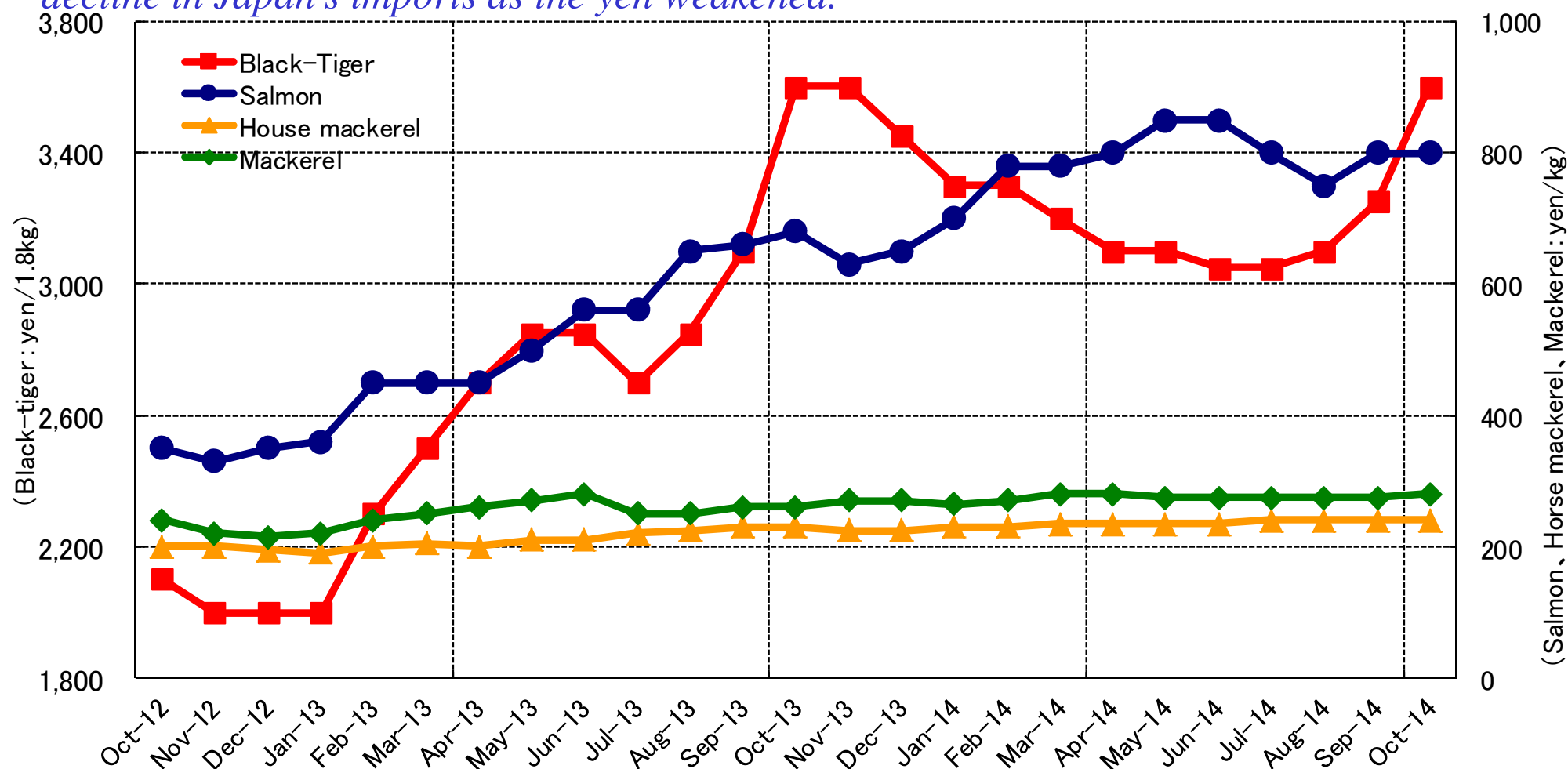
Demand in Japan remained at low level because of higher prices of shrimp, salmon and other products. However, sales increased as prices overall were higher than one year earlier. But profit margins narrowed as prices peaked in the first half compared with one year earlier when prices were rising.



Market Trend of Frozen Marine Products

The price of farmed salmon fell as high prices brought down demand but the price started recovering after Russia began buying Chilean Coho salmon.

The price of shrimp decreased as buyers tired of high prices but then started increasing again because of bad harvest in Southeast Asia, growth in purchases by China and a decline in Japan's imports as the yen weakened.



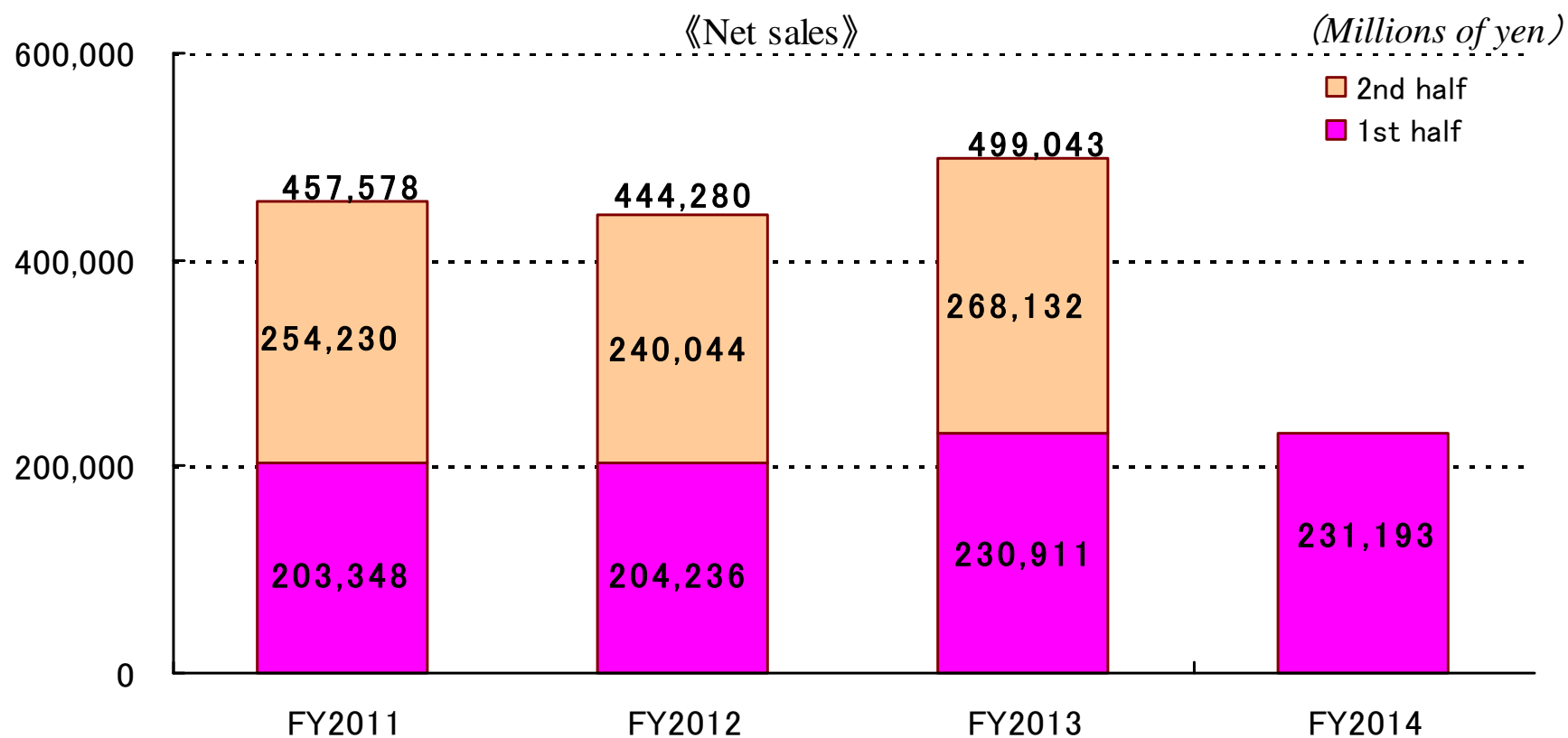
Petroleum & Chemicals Business Segment



(Millions of yen)

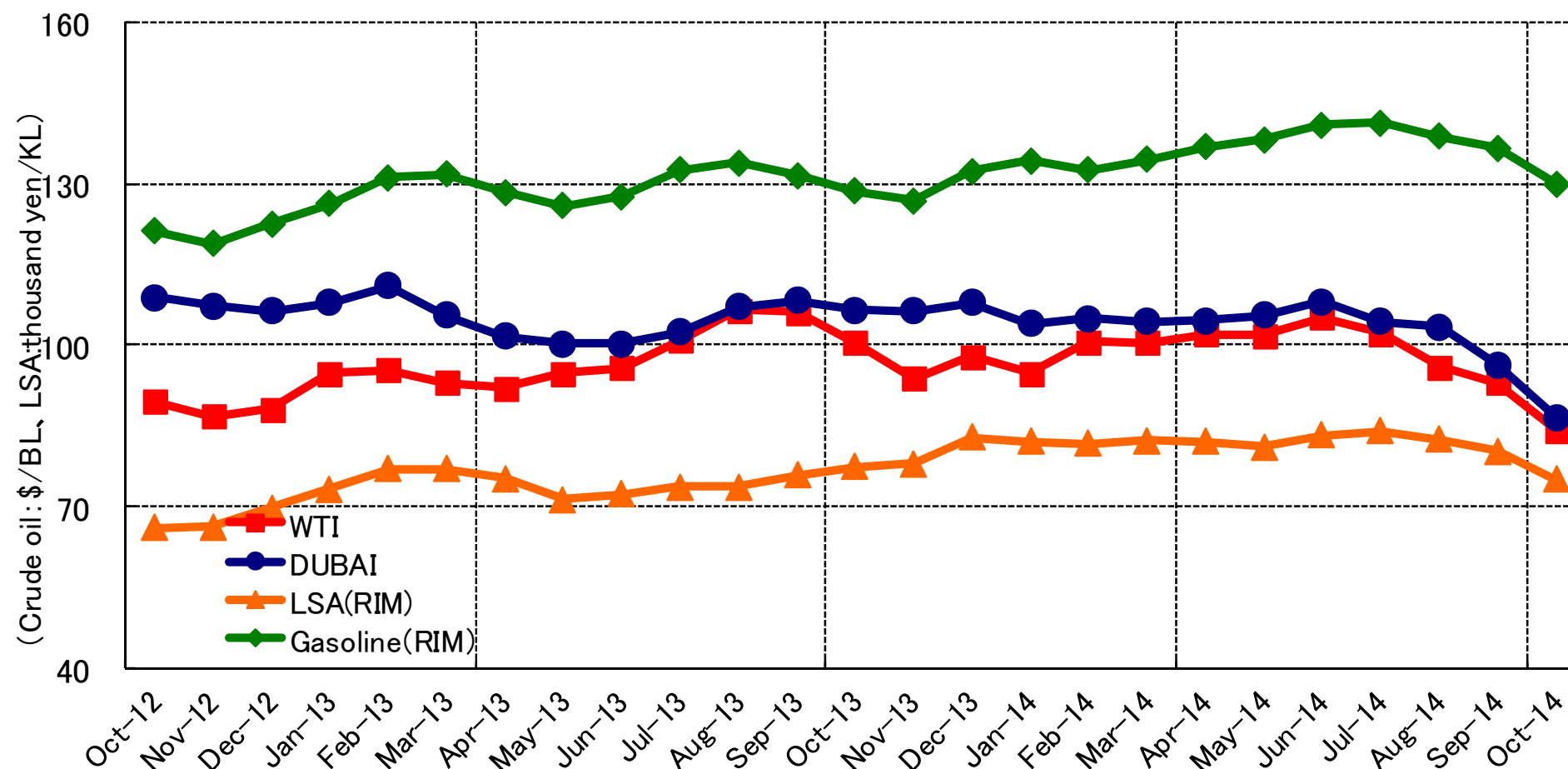
	Net sales	Segment income	Profit ratio
2014/9	231,193	1,204	0.5%
2013/9	230,911	811	0.4%

Earning profit was difficult because of intense competition among sellers as demand for industrial fuel remained sluggish. Higher gasoline sales offset weakness in other categories of this business.



The price of crude oil was firm because of incidents in the Middle East and Ukraine but the price has started falling due to declining concerns about supply and the lack of global economy growth.

Prices of refined products were declining too along with the falling price of crude oil, unseasonable weather and weaker demand for fuel usage for electricity generation.

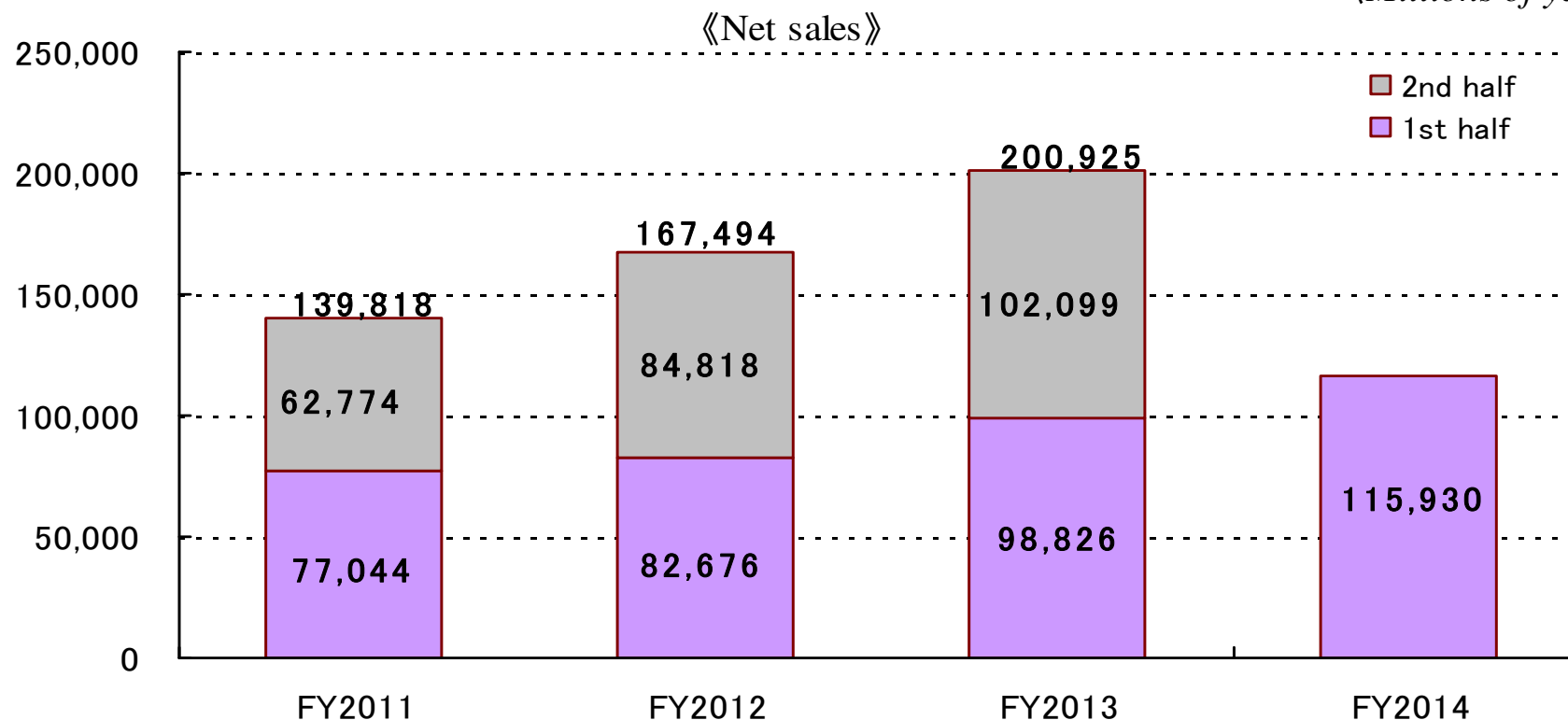


(Millions of yen)

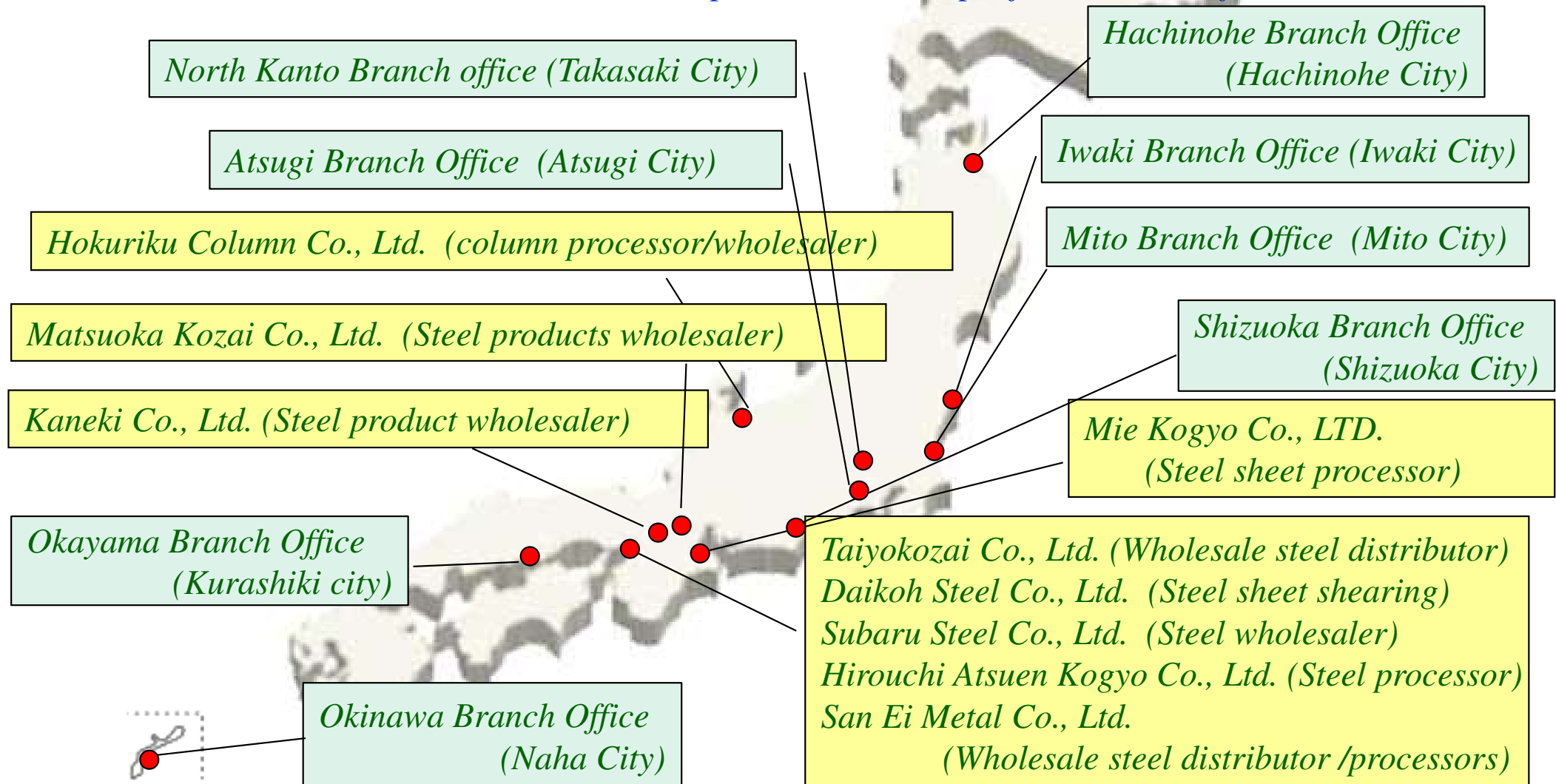
	Net sales	Segment income	Profit ratio
2014/9	115,930	355	0.3%
2013/9	98,826	(188)	-0.2%

Sales were higher partly because of an increase in the bunker fuel sales volume at Hanwa Singapore. The completion of installations of leisure facilities in the machinery category contributed to growth in earnings.

(Millions of yen)



The goal is capturing regional and small-lot demand with “SOKOKA” strategy; SOkuno (JIT deliveries), KOguchi (small lot orders) and KAko (processing). To accomplish this, Hanwa is establishing more sales bases operated with regional agents and purchasing small and midsize steel wholesalers and processors that perform various functions.



Progress of “Create another Hanwa in Southeast Asia” Strategy HANWA

To include growing future demand in the ASEAN region into our business model, Hanwa plans to establish more alliances with prominent companies in this region and expand jointly with Japanese companies into this region.

【The major alliance partners】

Malaysia

*Nippon Egalv Steel
(Coated steel sheet manufacture)
TATT GIAP group
(Steel sheet processor and wholesaler)
Eversendai Corp.
(design, fabricator and constructor)
OM Holdings
(Manganese and silicon metal producer)
TATT GIAP Steel Centre
(Steel sheet processor)*

Singapore

*HG Metal Manufacturing
(Steel product wholesaler)*

*PCM Processing (Thailand)
(Colored steel sheet manufacture)
Furukawa Unic (Thailand)
(Parts for crane manufacture)*

Thailand

Vietnam

*SMC Trading Investment
(Steel product wholesaler)
Nippon Steel & Sumikin Pipe Vietnam
(Steel pipe manufacture and seller)
SMC Toami Limited
(Steel wire mesh manufacture and seller)*

Indonesia

*PT. Araya Steel Tube Indonesia (Steel pipe manufacture)
PT. Hanwa Royal Metal (Nonferrous metal recycler)
PT. Kapurindo Sentana Baja (Leasing company for scaffold)
PT. Indonesia Guang Ching Nickel & Stainless
(Nickel pig iron manufacture)*

In the first half ordinary income and net income made slow progress because of the foreign exchange loss. But there is no change in the fiscal year forecast since this was a one-time entry caused by the revision of the market exchange rate at the end of the first half.

Thanks to the increase in core earnings, the dividend has been increased to interim and year-end payments of 7.50 yen each.

(Millions of yen)

	<i>Interim</i>	<i>FY2014</i>	<i>FY2013</i>
<i>Net sales</i>	<i>861,116</i>	<i>1,750,000</i>	<i>1,682,503</i>
<i>Operating income</i>	<i>9,019</i>	<i>19,800</i>	<i>16,252</i>
<i>Ordinary income</i>	<i>6,861</i>	<i>17,500</i>	<i>14,698</i>
<i>Net income</i>	<i>3,981</i>	<i>10,600</i>	<i>7,896</i>
	<i>Year</i>	<i>Interim</i>	<i>Year-end</i>
<i>Cash dividends (yen)</i>	<i>15.00</i>	<i>7.50</i>	<i>7.50</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.