

# ***FINANCIAL RESULTS***

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*for the Fiscal Year ended March 31, 2011*

*May 19, 2011*

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

- *Net sales*

*Net sales amounted 1,396.1 billion yen, increased by 25% due to economic recovery.*

- *Net income*

*Operating and ordinary income increased with increase in revenue. Net income was 5.7 billion yen, decreased by 50% for the previous year, due to extraordinary losses and reduction of income taxes by posted deferred tax asset from transfer of fixed assets in FY2009.*

- *Dividends*

*We plan the year-end dividend payment of 6 yen. As a result, the planned annual dividend for FY2010 will be 12 yen per share.*

# Operating Results ( consolidated )

(Millions of yen)

	<b>FY2010</b>	<b>FY2009</b>	<b>Rate of changes</b>
<b>Net sales</b>	<b>1,396,103</b>	<b>1,116,628</b>	<b>+25.0%</b>
<b>Gross profit</b>	<b>43,744</b>	<b>40,589</b>	<b>+7.8%</b>
<b>SG&amp;A expenses</b>	<b>29,890</b>	<b>29,169</b>	<b>+2.5%</b>
<b>Operating income</b>	<b>13,853</b>	<b>11,420</b>	<b>+21.3%</b>
<b>Non-operating income/expenses</b>	<b>(363)</b>	<b>(2,007)</b>	<b>-81.9%</b>
<b>Ordinary income</b>	<b>13,490</b>	<b>9,412</b>	<b>+43.3%</b>
<b>Extraordinary gain/loss</b>	<b>(3,485)</b>	<b>(3,270)</b>	<b>+6.6%</b>
<b>Income before income taxes and others</b>	<b>10,005</b>	<b>6,142</b>	<b>+62.9%</b>
<b>Income taxes</b>	<b>4,154</b>	<b>(5,404)</b>	<b>-</b>
<b>Minority interests/loss</b>	<b>56</b>	<b>(32)</b>	<b>-</b>
<b>Net income</b>	<b>5,793</b>	<b>11,579</b>	<b>-50.0%</b>
<b>Comprehensive income</b>	<b>6,104</b>	<b>14,537</b>	<b>-58.0%</b>

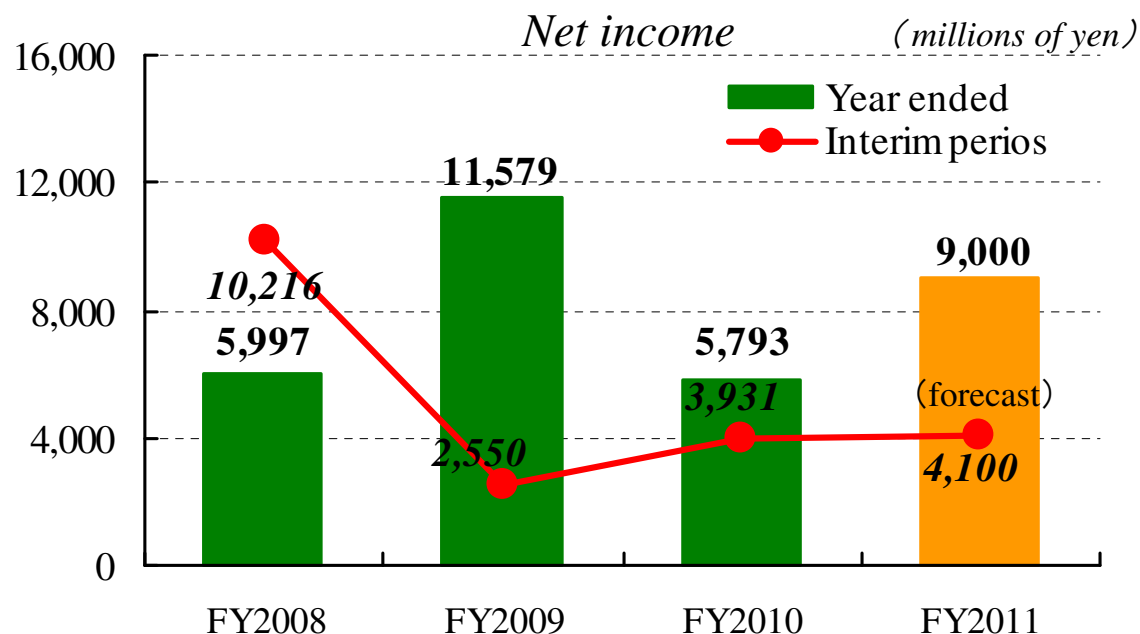
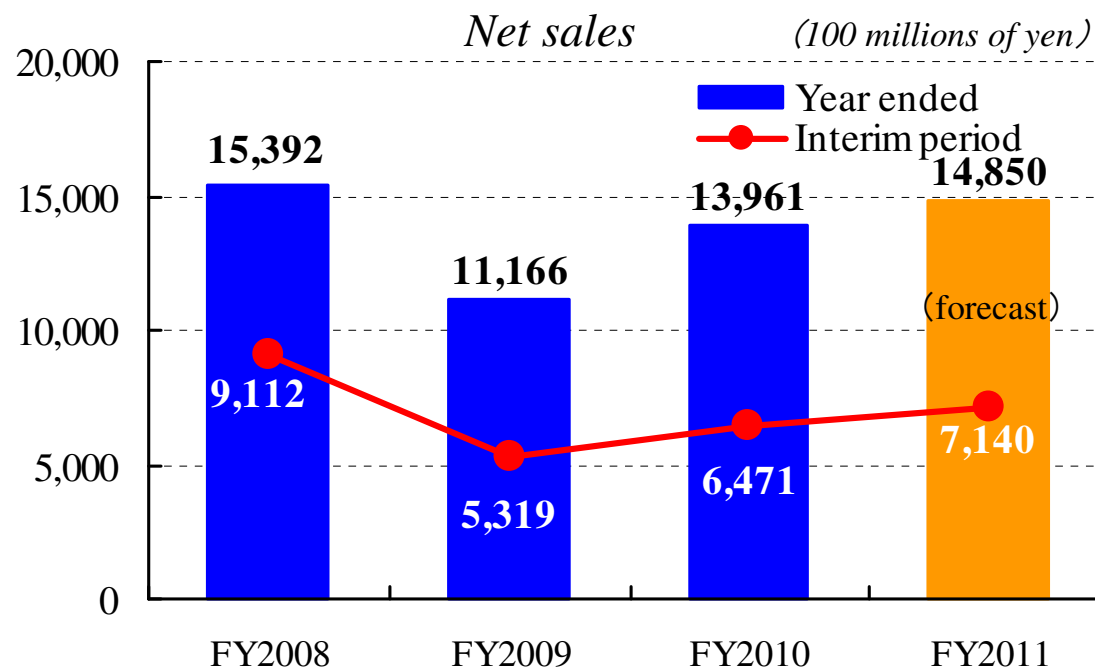
- Transaction volume increased, because the operational status of users had improved. Net sales increased by 25% for the the previous year.
- Profit increased with increase in revenue.  
Operating income +21.3%  
Ordinary income +43.3%
- Net income decreased by 50% for the previous year, due to extraordinary losses and reduction of income taxes in FY2009.
- EPS was 27.95yen (-27.51 yen).

# Changes in Business results (consolidated)

*Demand is improving from FY2009. Net sales increased compared with the previous year.*

*Although net income decreased due to temporal factor of increased profit in FY2009, operating revenue was healthy.*

*The future is uncertain due to the Great East Japan Earthquake. We estimate supply and demand is sluggish in 1<sup>st</sup> half. Full scale recovery from quake damage and demand for reconstruction after disaster is expected after the 2<sup>nd</sup> half in FY2011.*



# Financial Position ( consolidated )

(Millions of yen)

	2011/3	2010/3	Rate of change
<b>Total assets</b>	<b>532,797</b>	<b>443,444</b>	<b>+20.1%</b>
<b>Current assets</b>	<b>423,204</b>	<b>333,166</b>	<b>+27.0%</b>
<b>Fixed assets</b>	<b>109,593</b>	<b>110,278</b>	<b>-0.6%</b>
<b>Total liabilities</b>	<b>422,338</b>	<b>336,589</b>	<b>+25.5%</b>
<b>Net interest-bearing debt</b>	<b>214,497</b>	<b>150,909</b>	<b>+42.1%</b>
<b>Net assets</b>	<b>110,458</b>	<b>106,855</b>	<b>+3.4%</b>
<b>Equity capital</b>	<b>111,840</b>	<b>108,542</b>	<b>+3.0%</b>
<b>Accumulated other comprehensive income</b>	<b>(2,058)</b>	<b>(2,373)</b>	<b>-13.3%</b>
<b>Minority interests</b>	<b>677</b>	<b>686</b>	<b>-1.3%</b>

- Total assets increased by 20.1% 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 200%.
- Total net assets increased by 3.4% from end of the previous fiscal year, due to retained earnings increased. Shareholders' equity ratio was 20.6% (-3.4percentage points).
- BPS was 529.65 yen (+17.49 yen).

## Cash Flows Situation ( consolidated )

(Millions of yen)

	<b>FY2010</b>	<b>FY2009</b>	<b>change</b>
<b>Cash flows from Operating activities</b>	<b>(46,948)</b>	<b>46,250</b>	<b>-93,198</b>
<b>Cash flows from Investing activities</b>	<b>(7,610)</b>	<b>(12,991)</b>	<b>+5,381</b>
<b>Cash flows from Financing activities</b>	<b>51,271</b>	<b>(43,669)</b>	<b>+94,940</b>
<b>Cash and cash equivalents at end of the period</b>	<b>20,586</b>	<b>24,514</b>	<b>-3,928</b>

*Net cash used in operation was 46.9 billion yen due to increase in trade receivables and inventories.*

*Net cash used in investment was 7.6 billion yen due to payment for purchase of fixed assets and investment securities.*

*Net cash provided by financing was 51.2 billion yen due to increase in short term loans and CP.*

## Segment Information ( consolidated )

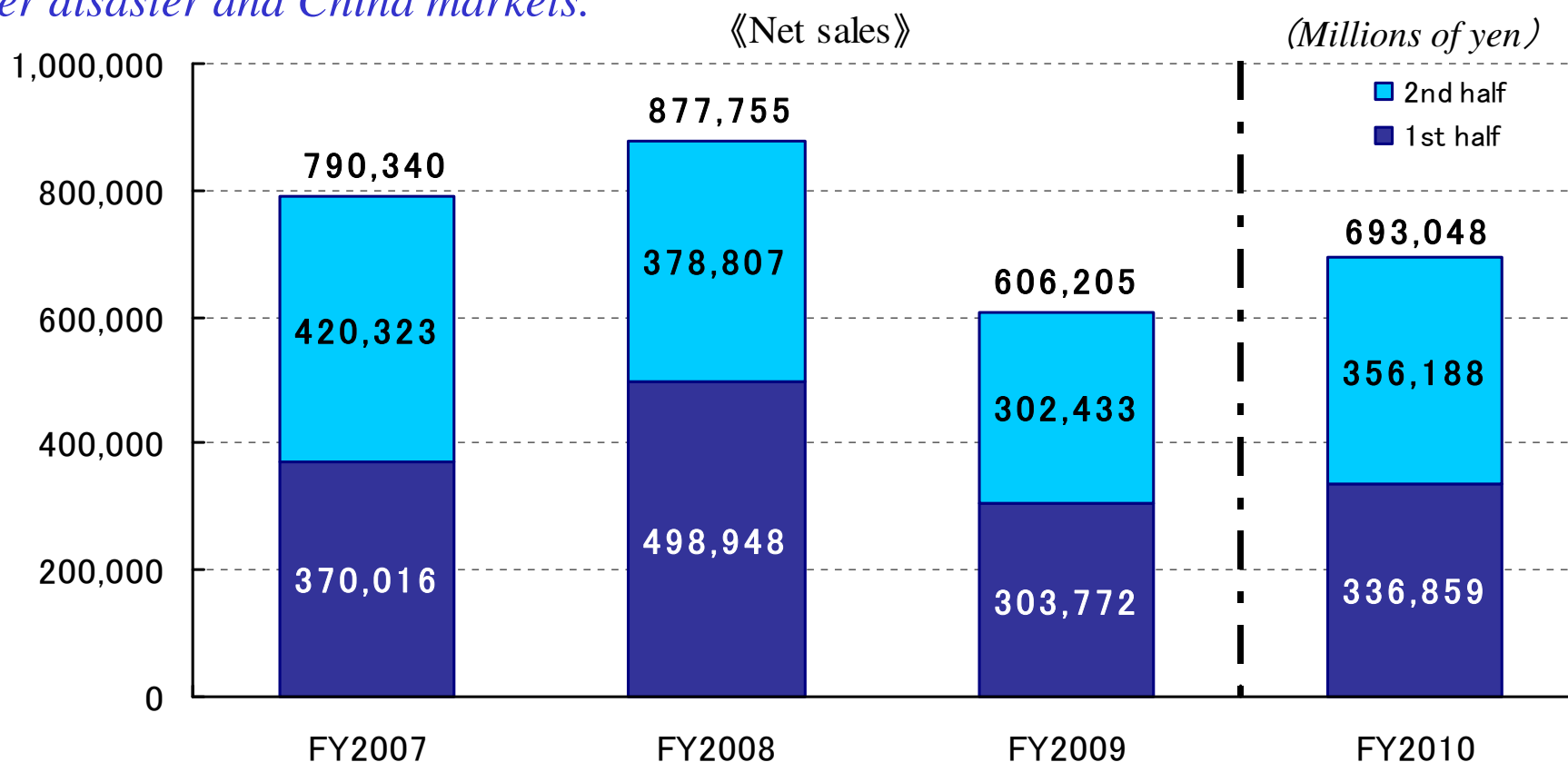
(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<i>Steel</i>	<i>693,048</i>	<i>9,422</i>	<i>1.4%</i>
<i>Metal &amp; alloys</i>	<i>124,036</i>	<i>2,265</i>	<i>1.8%</i>
<i>Non-ferrous metals</i>	<i>60,026</i>	<i>715</i>	<i>1.2%</i>
<i>Foods</i>	<i>80,067</i>	<i>1,777</i>	<i>2.2%</i>
<i>Petroleum &amp; chemicals</i>	<i>370,036</i>	<i>2,197</i>	<i>0.6%</i>
<i>Total for reportable segments</i>	<i>1,327,214</i>	<i>16,378</i>	<i>1.2%</i>
<i>Other</i>	<i>124,400</i>	<i>763</i>	<i>0.6%</i>
<i>Total</i>	<i>1,451,615</i>	<i>17,142</i>	<i>1.2%</i>
<i>Adjustment</i>	<i>(55,512)</i>	<i>(3,651)</i>	<i>-</i>
<i>Consolidated</i>	<i>1,396,103</i>	<i>13,490</i>	<i>1.0%</i>

(Millions of yen)

<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>693,048</b>	<b>9,422</b>	<b>1.4%</b>

*Since manufacturers' demand was healthy, steel demand increased. However, market price was vulnerable. So it was not easy in spot trade to make a profit. The future of steel demand is uncertain, relating to recovery from quake damage, demand related to reconstruction after disaster and China markets.*

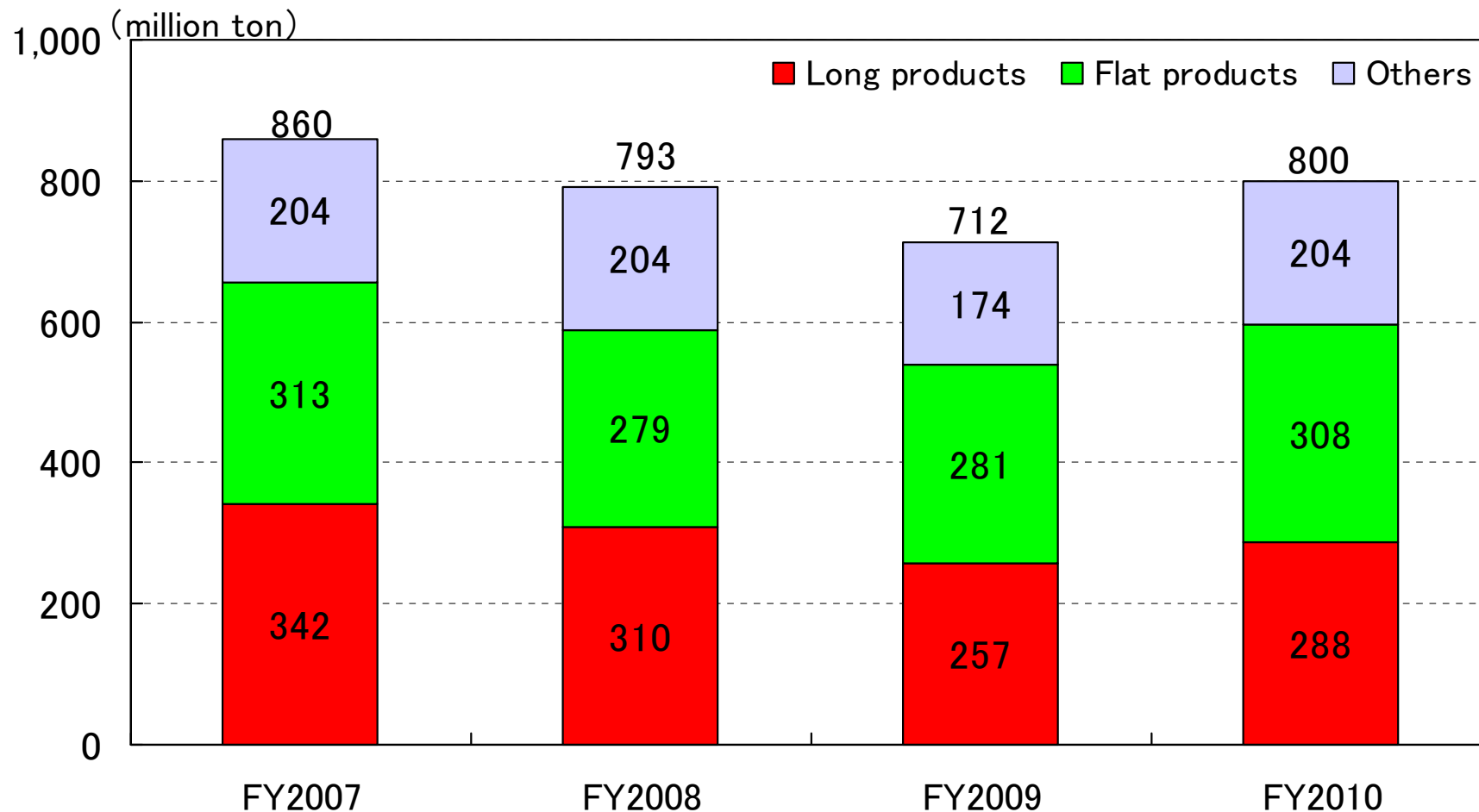


※ From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .



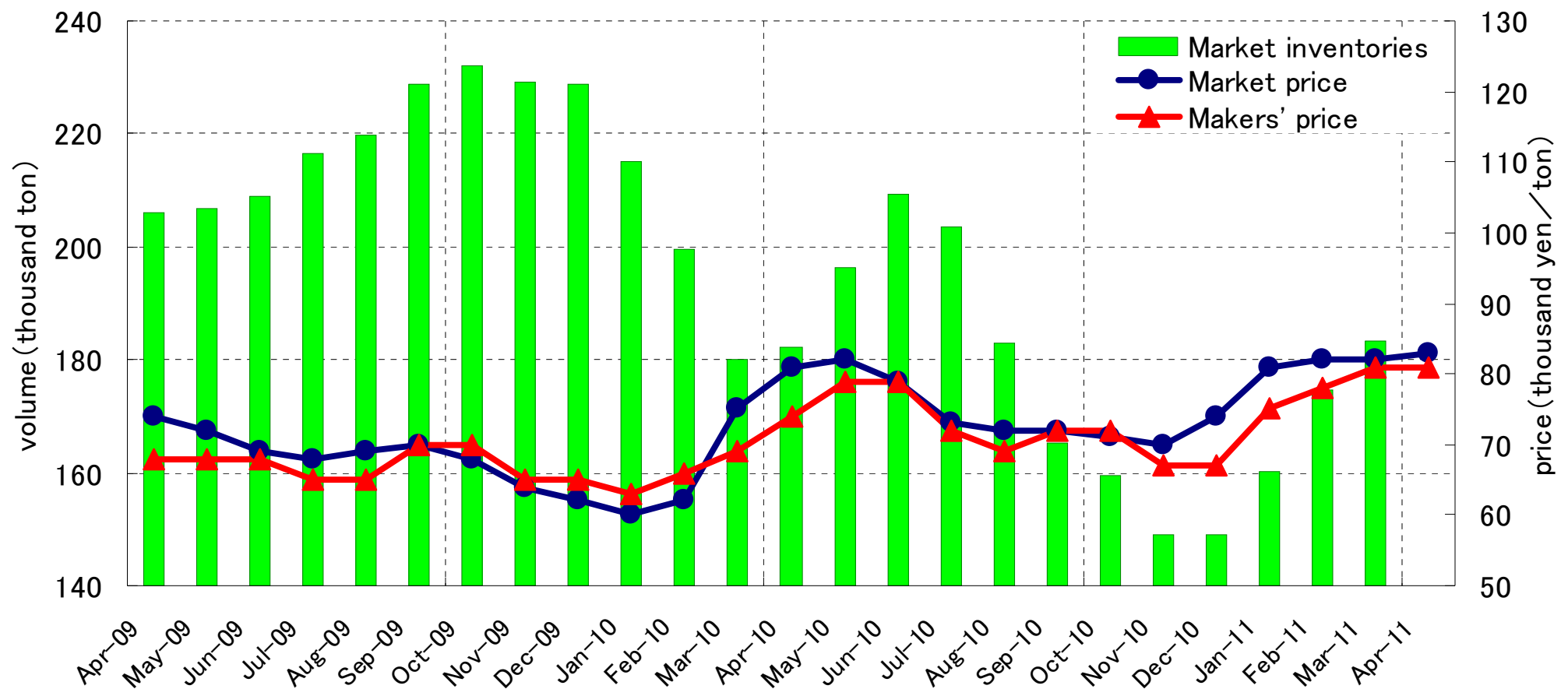
*Manufacturers' operation was healthy due to economic recovery. Therefore, our transaction volume of flat products increased.*

*Long products transaction volume was gradually increasing in spite of weak construction demand.*



*Construction demand was weak. At the beginning of last year, the market price of H-beams turned upward in expectation of rising raw materials prices. However, the price turned downward with increase in market inventories. In 2011, market price turned upward. But recently the price is peaking.*

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

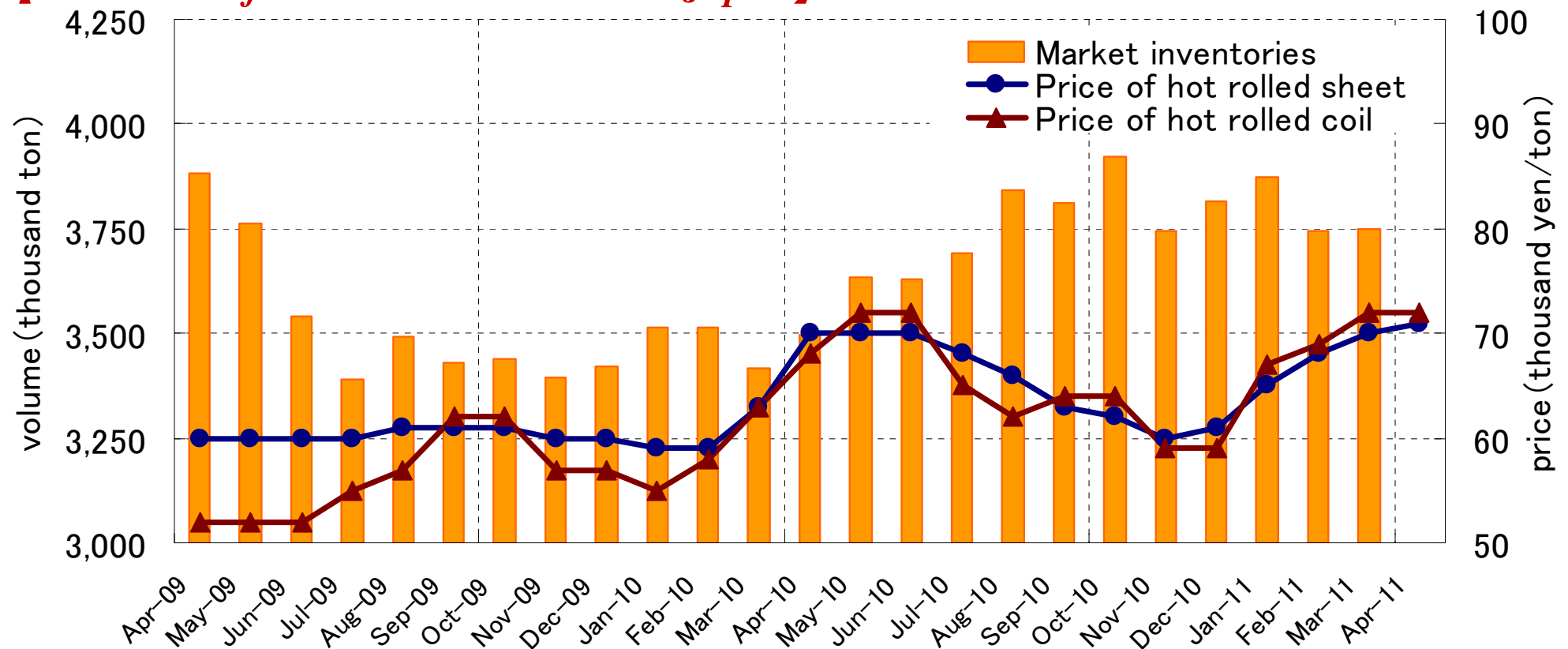


(Data source : Inventories \_ Tokiwa-kai / Price \_Japan metal daily)

*Manufacturers' operation was strong due to mainly healthy overseas demand. From this fiscal year, the long contract price were revised by half or quarter in conjunction with pricing of steel raw materials.*

*The spot price of steel sheets turned upward at the beginning in 2010. However, as demand in China market entered a correction phase, the price dropped back. In 2011, market price turned upward again. But recently the price is going sideways.*

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



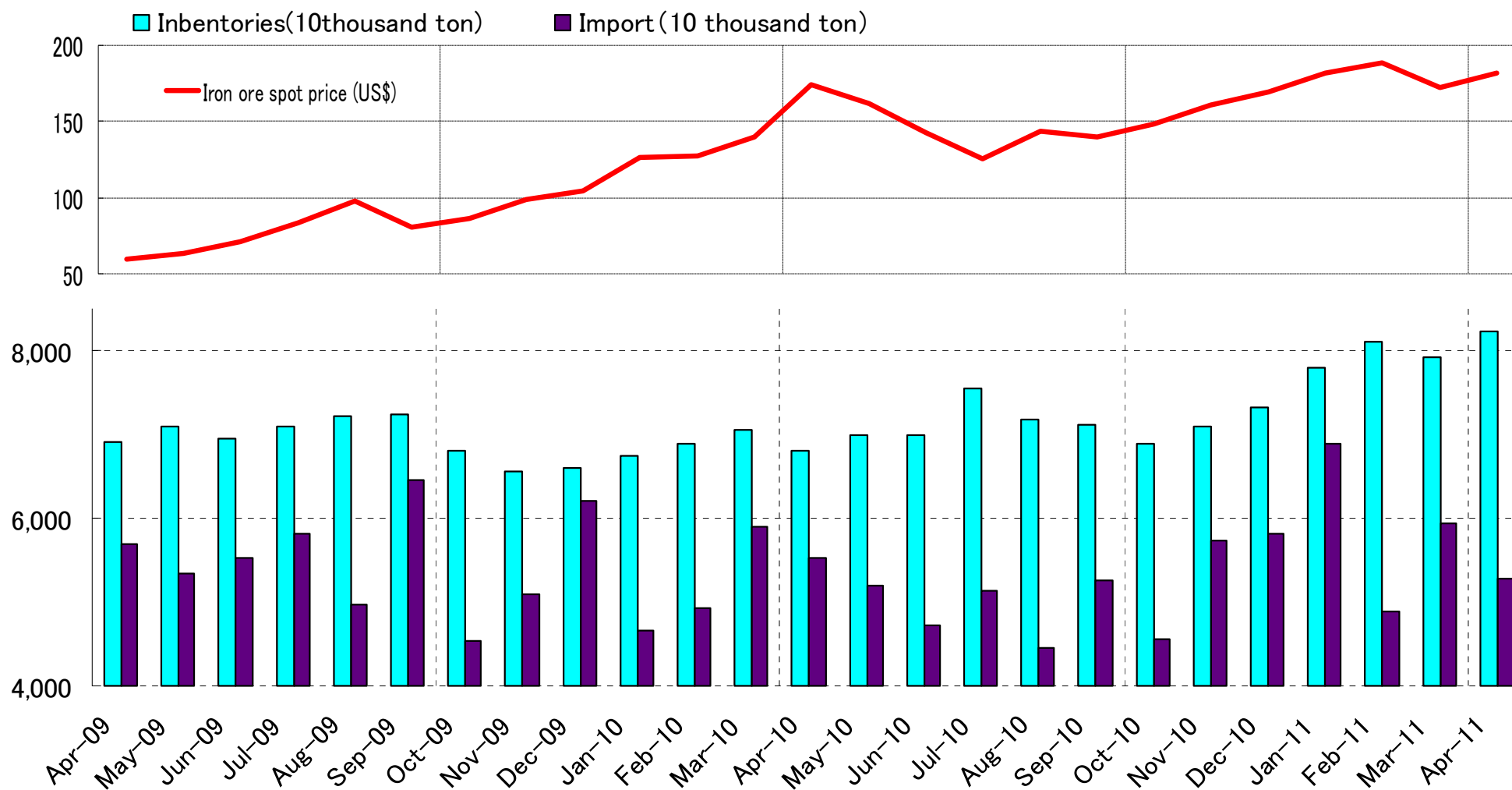
(Data source : Inventories \_ The Japan Iron and Steel Federation / Price \_ Japan metal daily)

# Market Trend of Steel Raw Materials

*The price of iron ore was vulnerable in response to demand situation, market inventories volume and future of demand in China market.*

*Recently, the price is peaking due to excessive inventories and flagging steel products price.*

## ***[Iron Ore Market in China]***

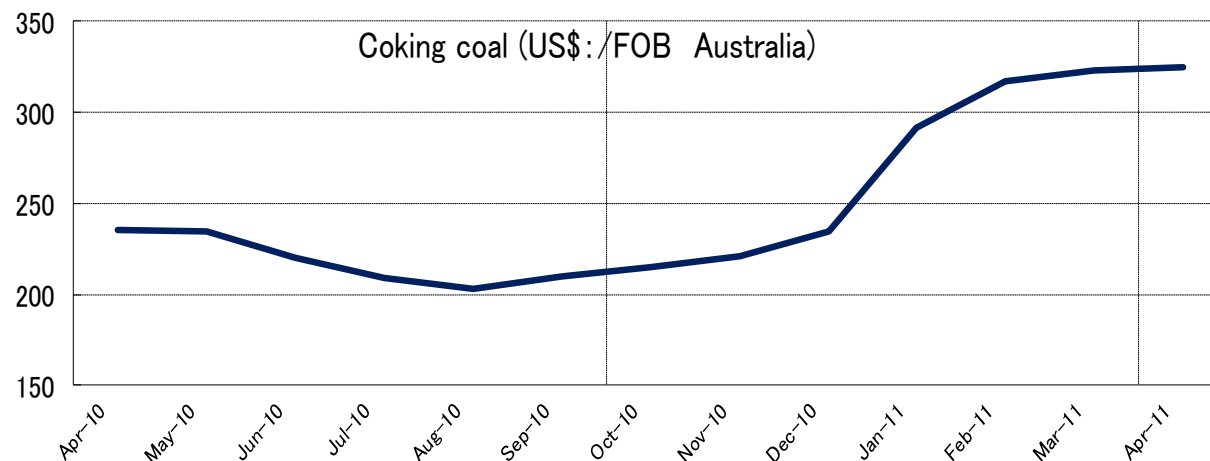


(data source : Interfax, China Customs )

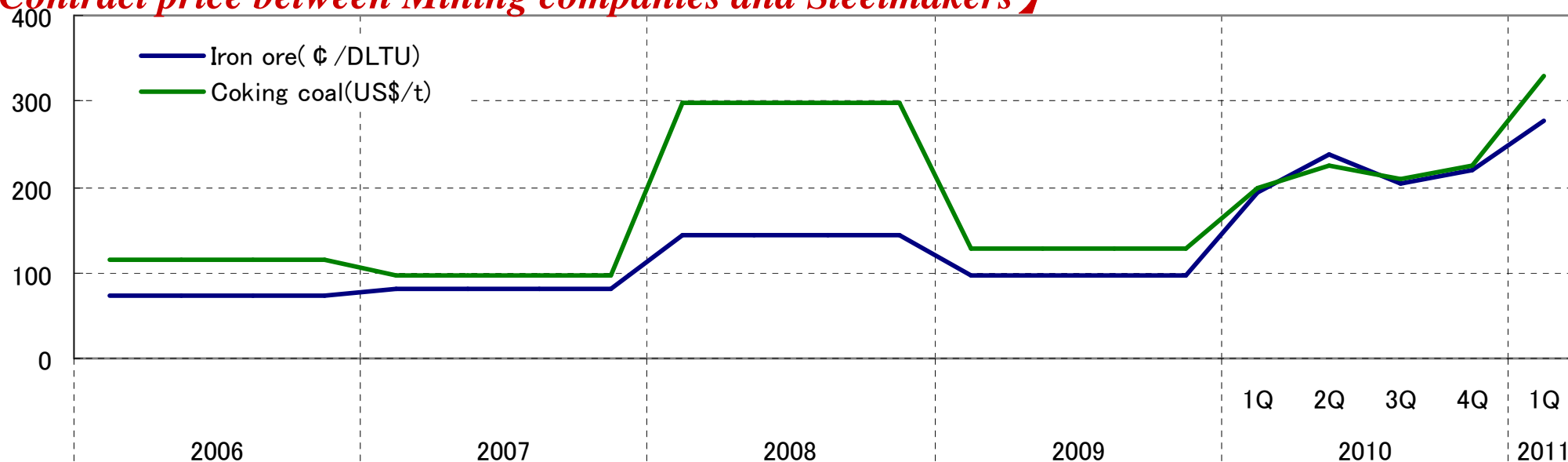
*From this fiscal year, the price of steel raw materials between mining companies and steelmakers are revised on the basis of spot price in China. Thus spot price became an important factor for steel pricing in the following quarter.*

*Price of coking coal is hover from tight supply due to floods in Australia.*

### **【Coking coal price】**



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

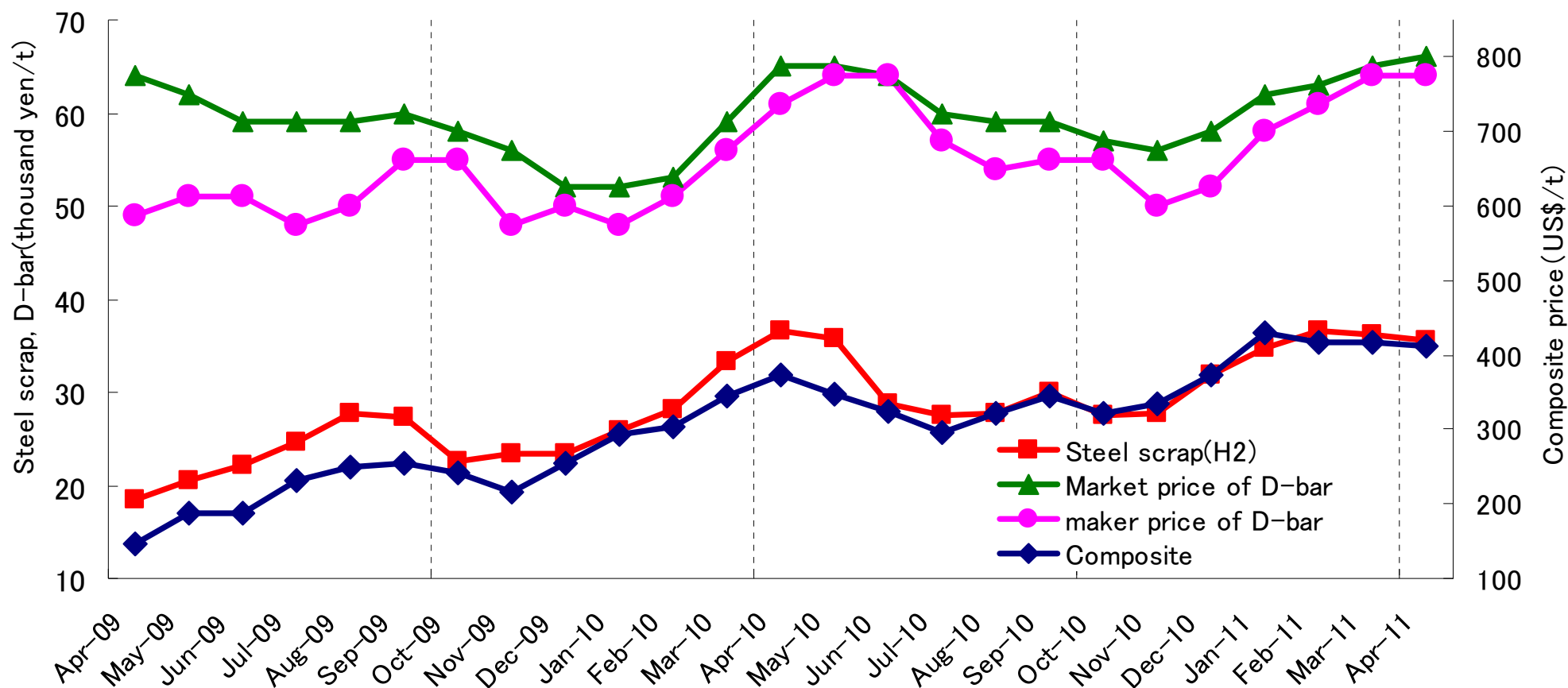


(Data source : some news report)

*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 oversea traders. In 2<sup>nd</sup> half the price turned upward due to tight supply.*

*Electric furnace steel makers and trading companies suffered pricing steel products.*

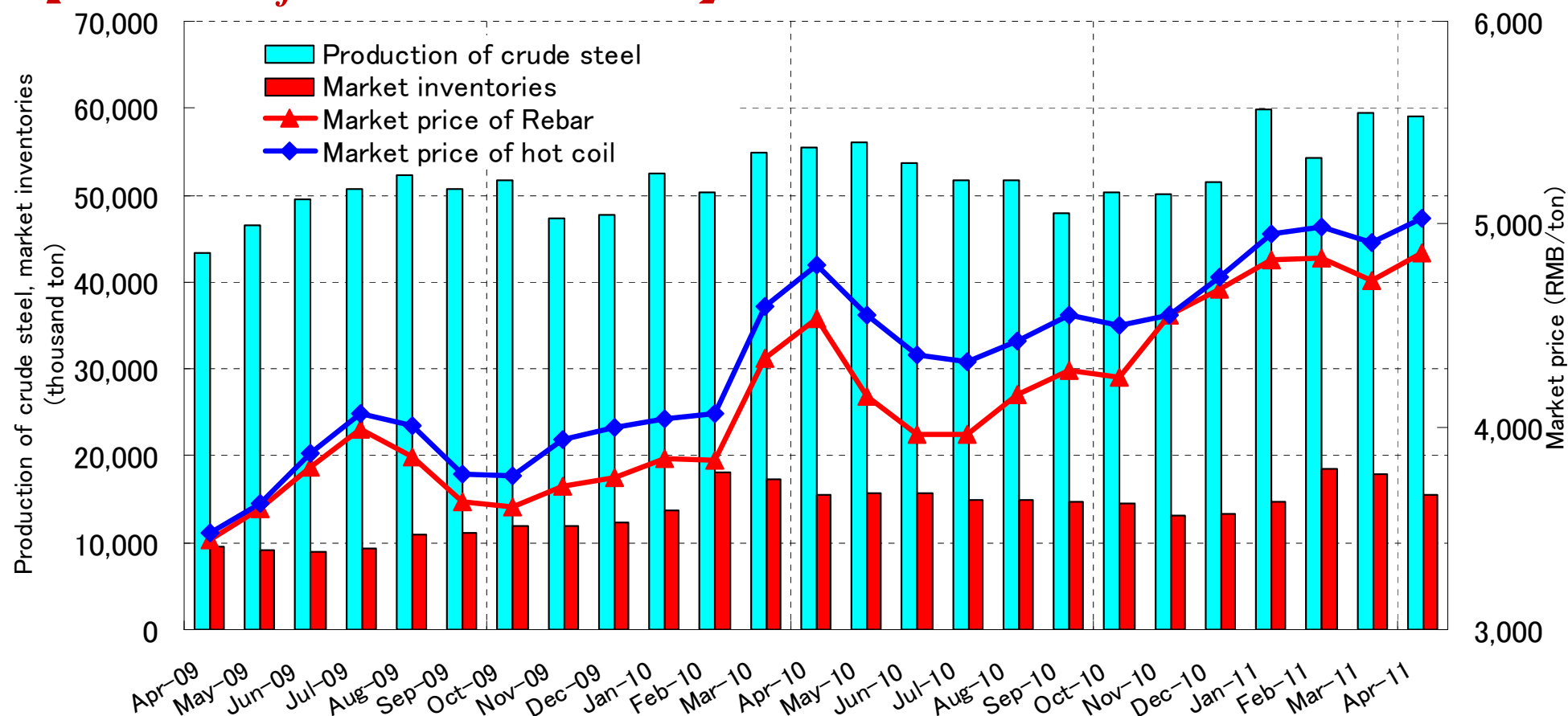
## 【Steel scrap and D-bar Market Price】



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

*Production level of crude steel was high. From 2<sup>nd</sup> half in FY2010, market inventories volume and market price turned upwards. After Chinese New Year, price peaked due to excessive inventories volume. Recently, although inventory adjustment advanced, future price is uncertain.*

## 【Transition of steel market in China】

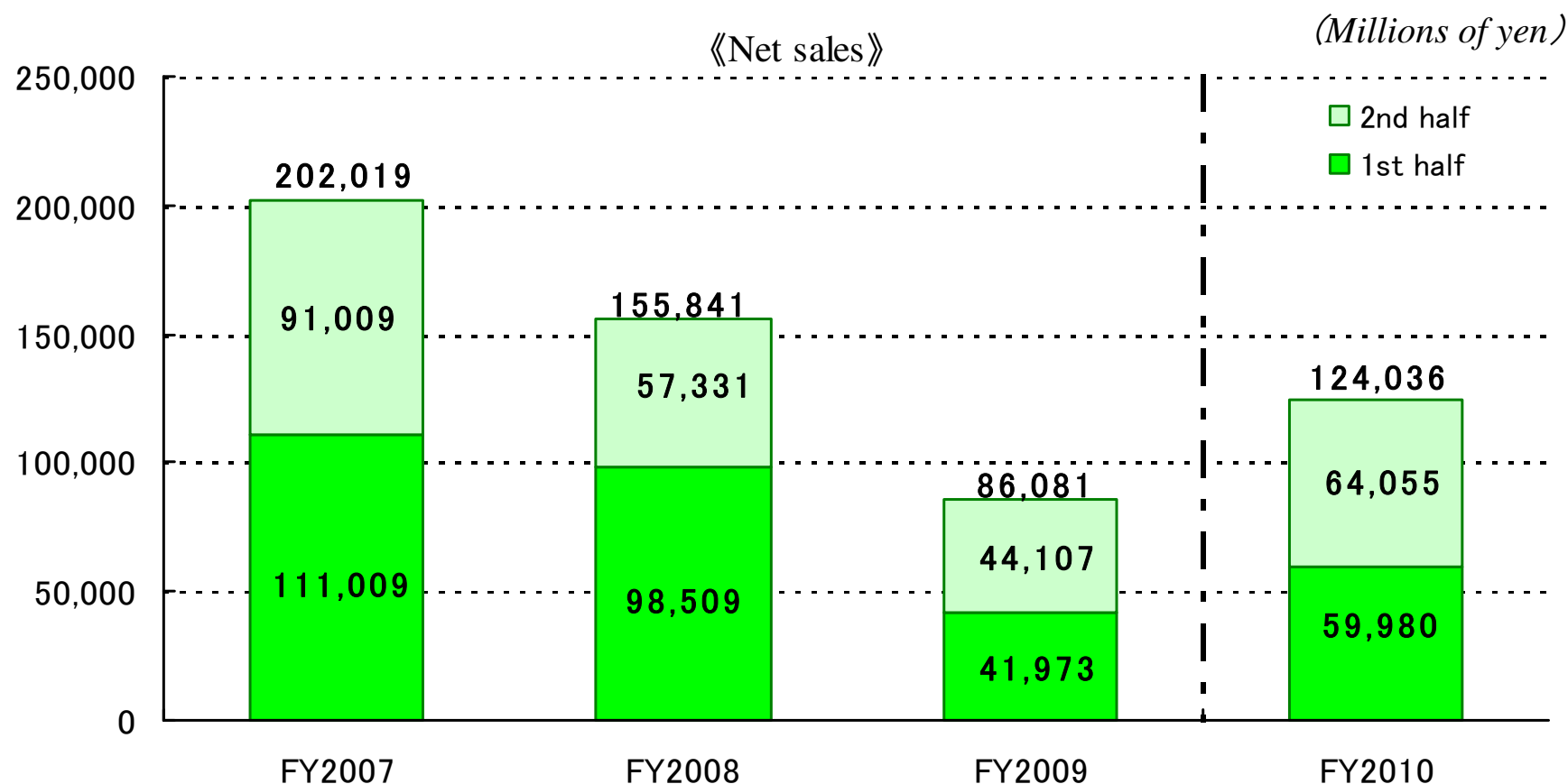


(Data source : The Japan Iron and Steel Federation)

(Millions of yen)

<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>124,036</b>	<b>2,265</b>	<b>1.8%</b>

*Although stainless steel production was reduced at one time, demand of raw materials was strong due to recovery of steel production..*

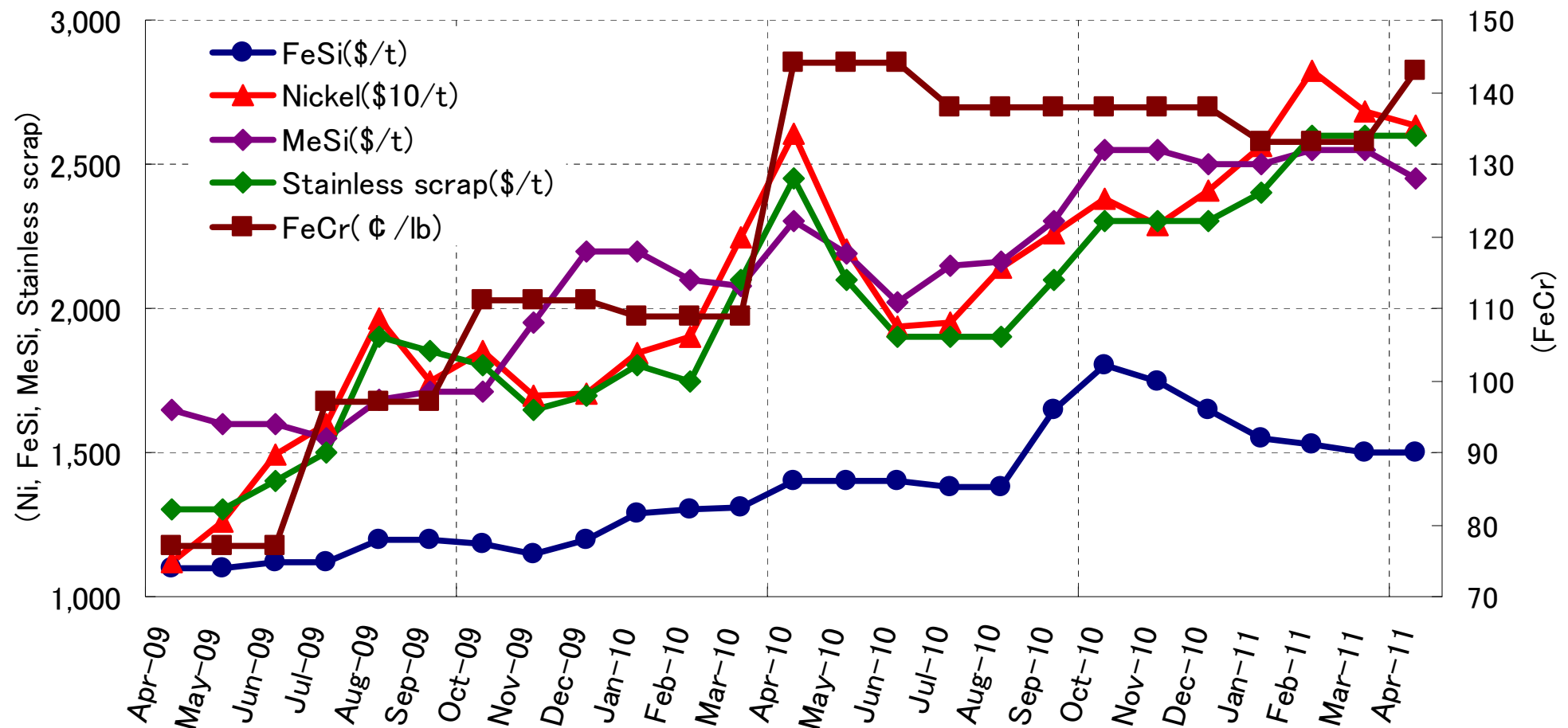


※ From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .



*The price of nickel and ferroalloys turned turbulent in response to steel and stainless steel production situation, supply and demand in China market and influx of speculative money.*

*Stainless scrap was tight due to reduction of supply.*

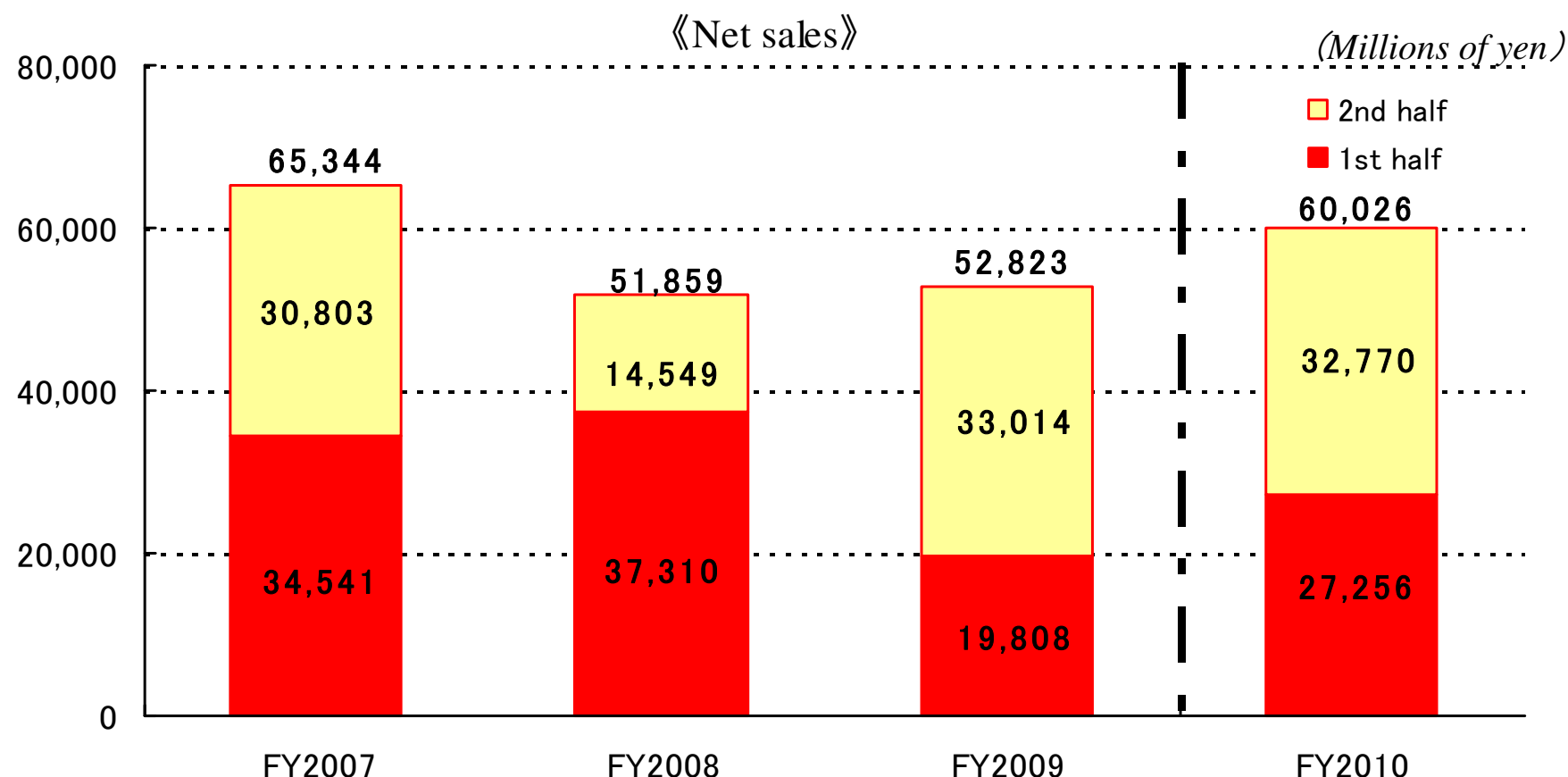


# Non-ferrous Metals Business Segment

*(Millions of yen)*

<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>60,026</b>	<b>715</b>	<b>1.2%</b>

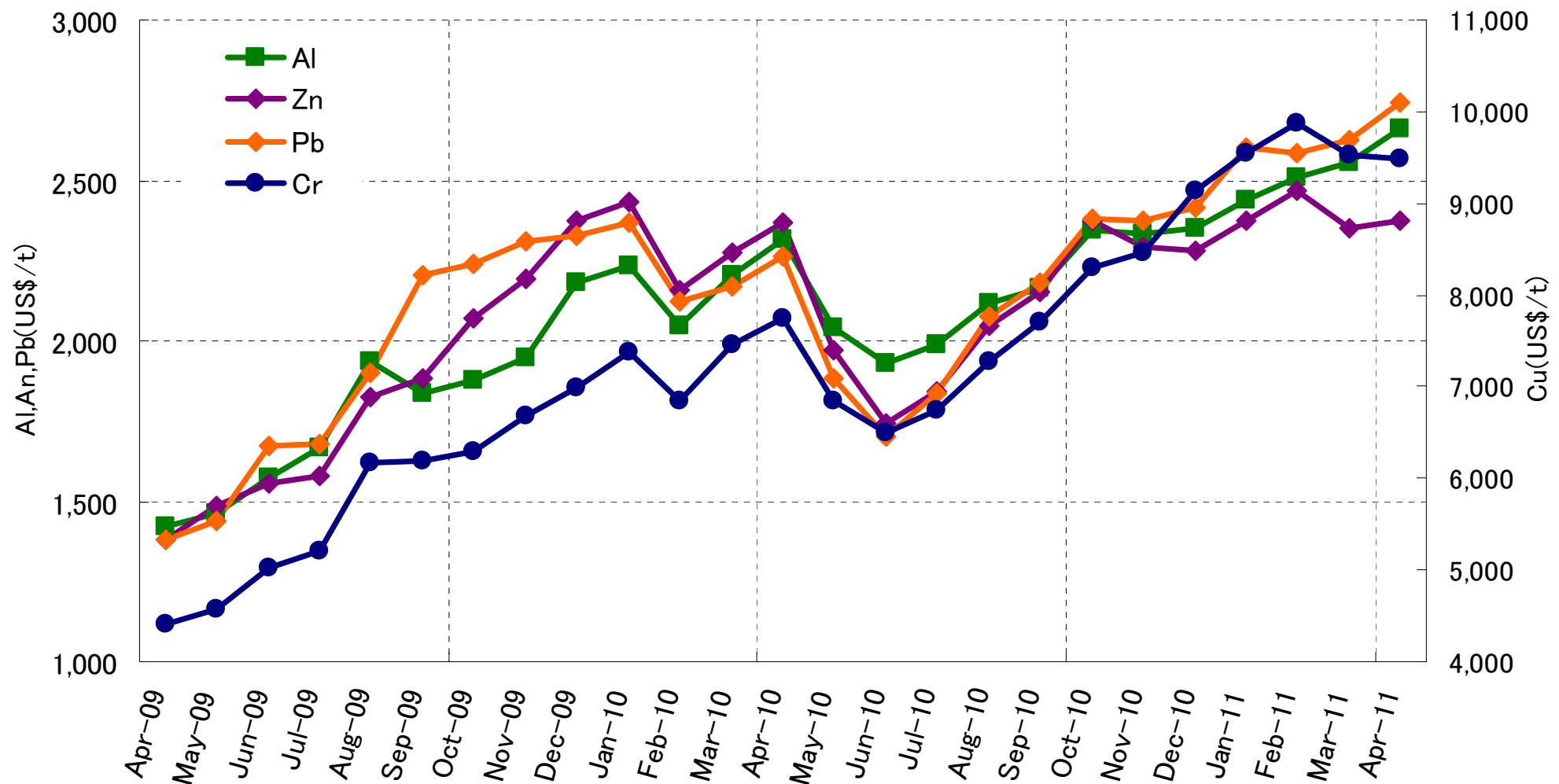
*Although earning from recycling business decreased due to rising scrap prices, demand of copper and aluminum remained strongly.*



※ 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

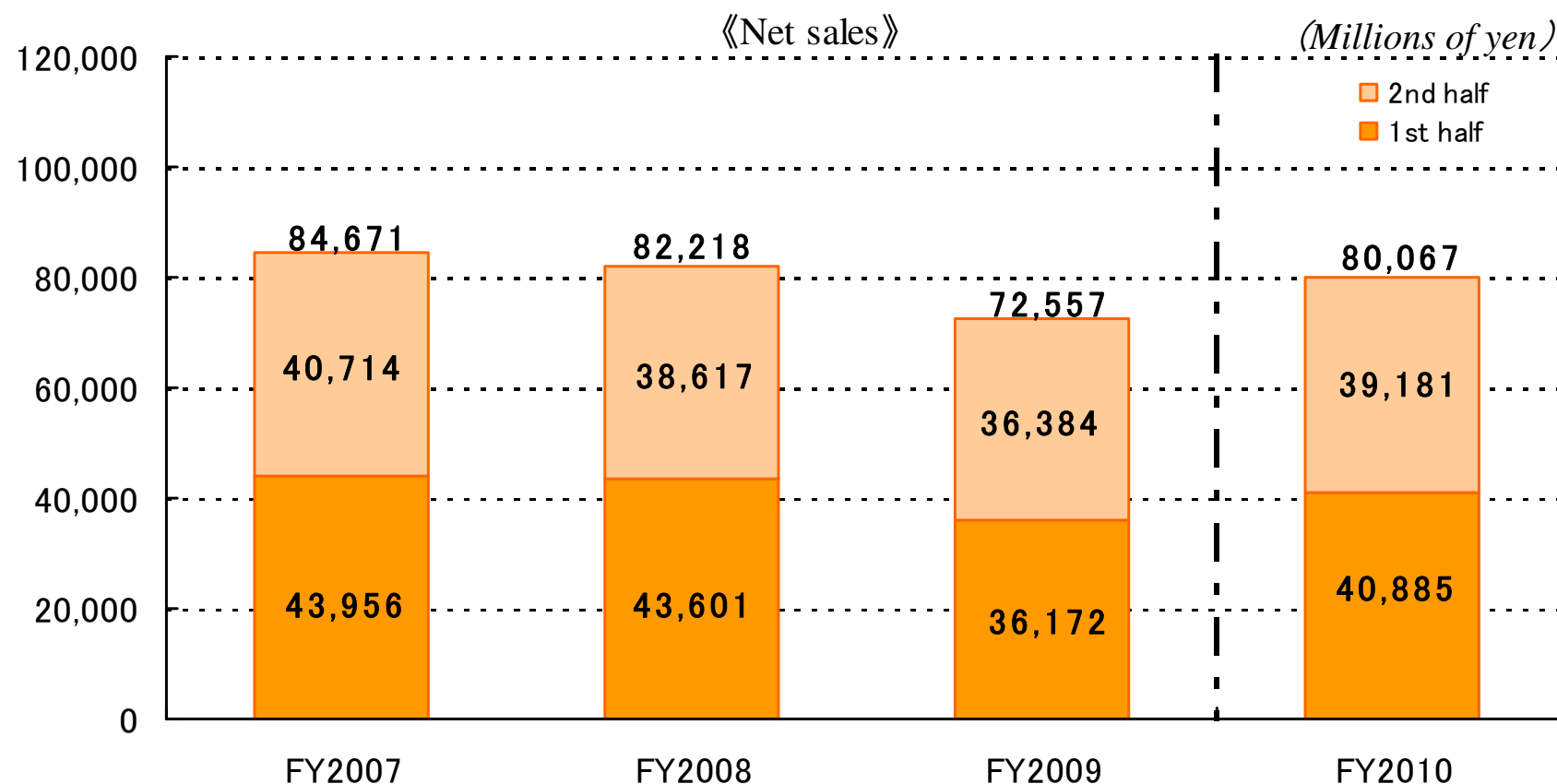
*The price of non-ferrous metals in the LME market was on an upward trend due to recovery of demand in China and influx of speculative funds in expectation of a future rise. However, the price went down because of rekindled financial turmoil. After then, the price is rising again due to influx of speculative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



(Millions of yen)

<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>80,067</b>	<b>1,777</b>	<b>2.2%</b>

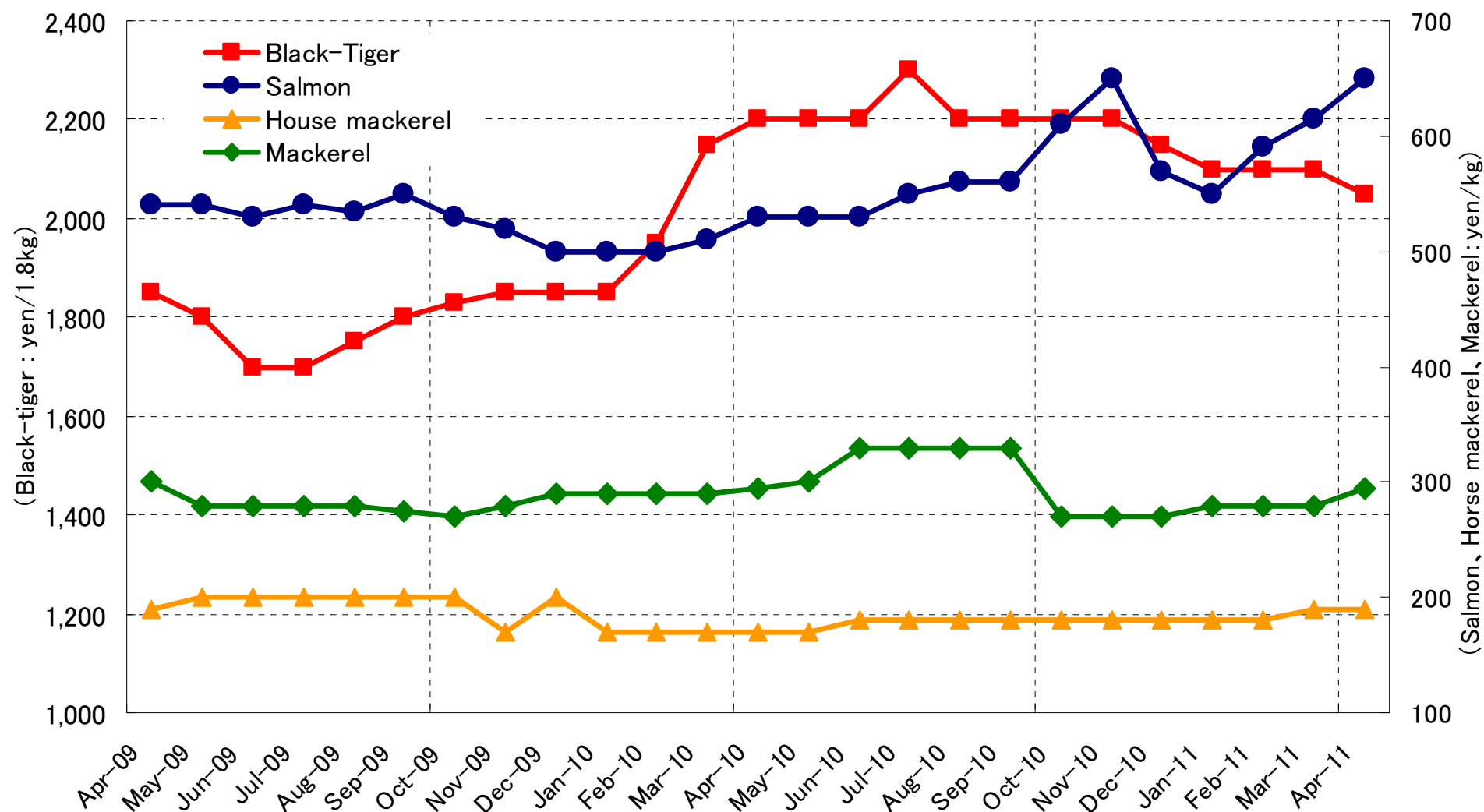
*For a long time, price and sales volume of food stayed on a low level. In FY2010, poor catches of some kinds of fish and small inventories achieved balance in supply and demand. Thus we achieved solid results.*



※ 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

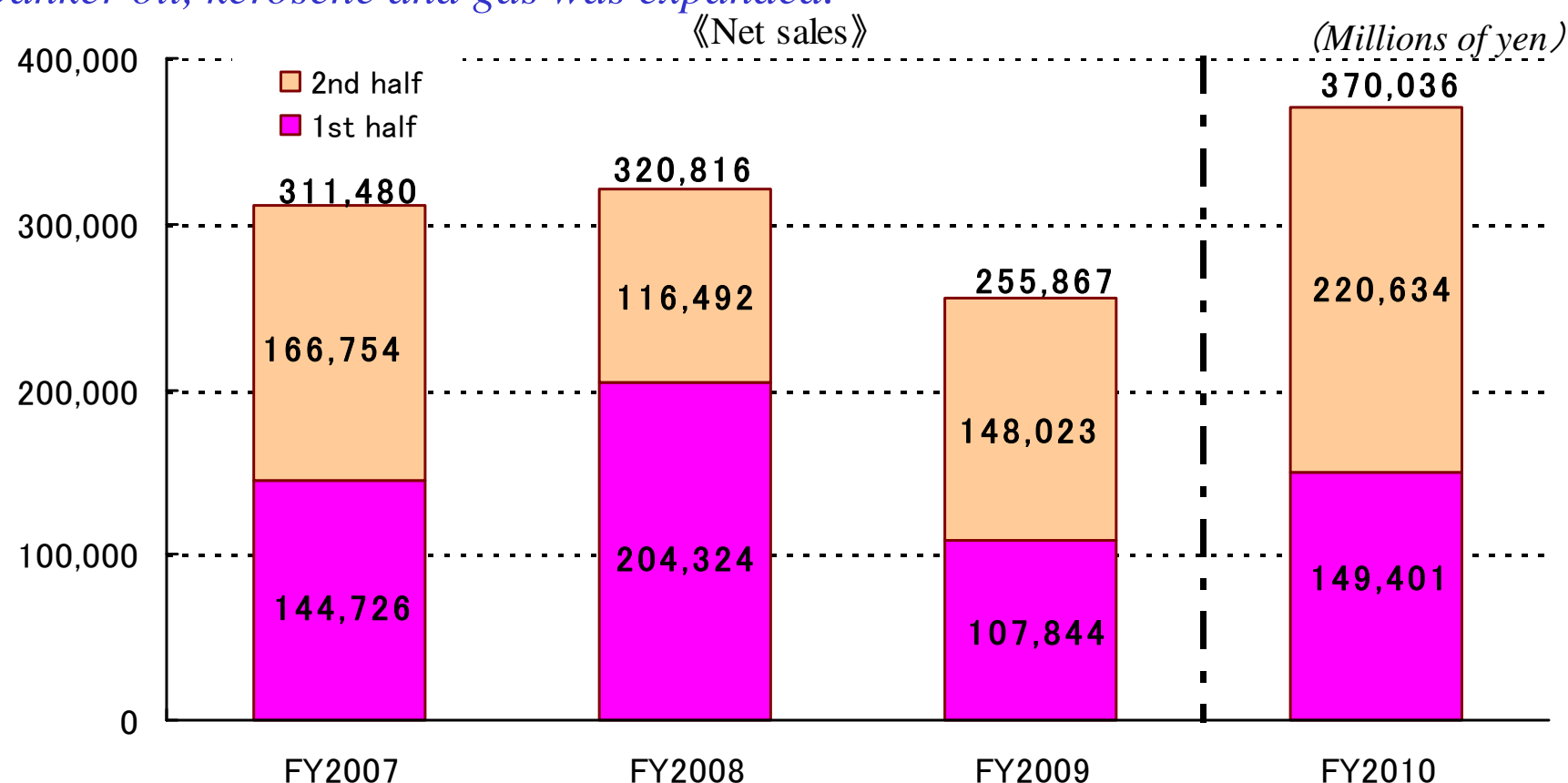
*Although demand of marine products was weak, the price remained firm due to poor catches of some kinds of fish overseas. Especially, shrimp price remained powerful, because shrimp farming was in a slump and demand in the U.S. was strong.*



(Millions of yen)

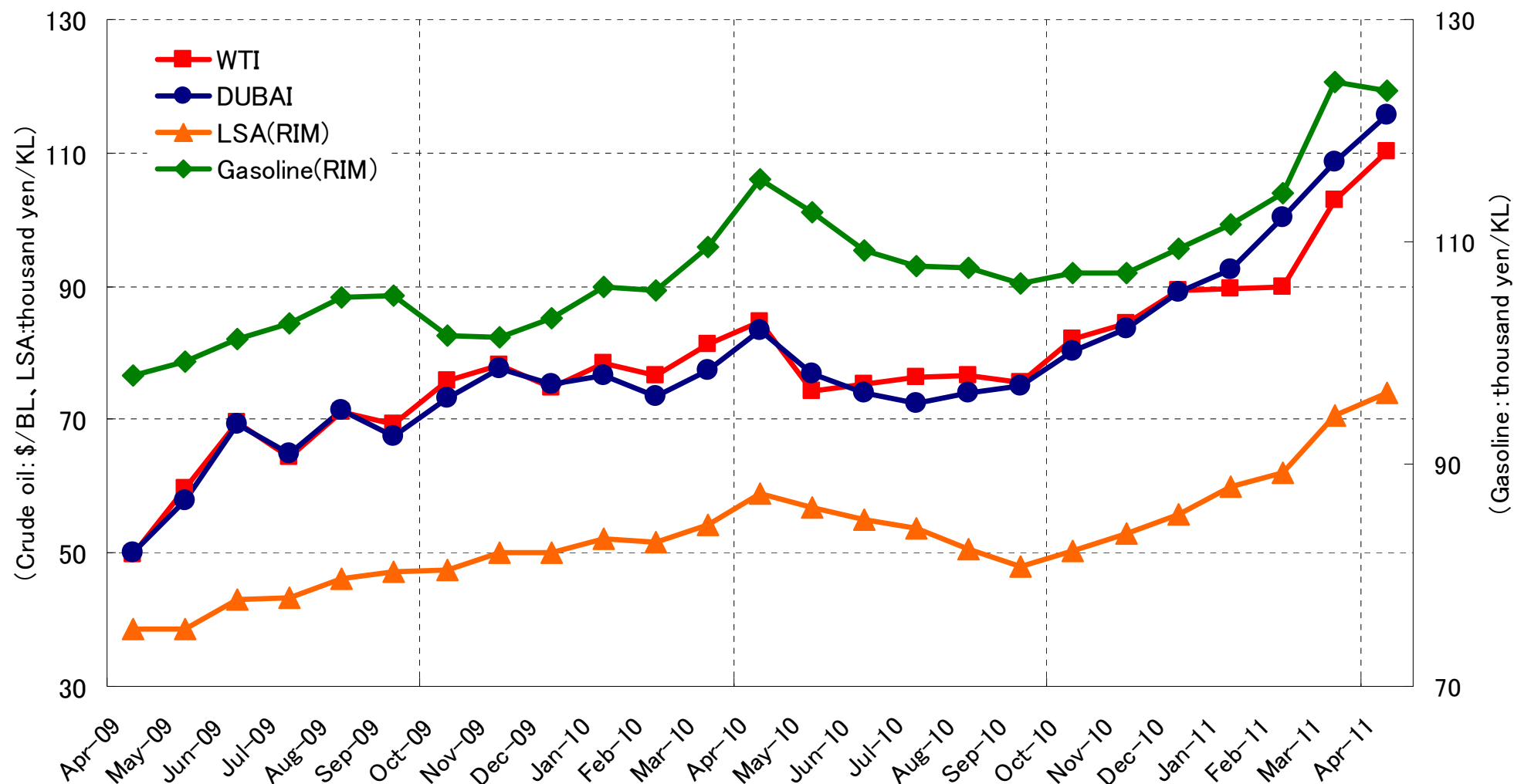
Net sales	Segment income	Profit ratio
370,036	2,197	0.6%

Crude oil price varied enormously, it was difficult to pass higher cost. Oil manufacturers' price policy caused a downturn in profitability. However, our sales in bunker oil, kerosene and gas was expanded.



※ 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) .

*Although the crude oil price was on an upward trend, at the beginning of FY2010, the price went down because of rekindled of financial turmoil. After then, price market turned turbulent in response to the Middle-east situation and economic indicator.*



# *“Resonance”*

*We always see from the perspective of customers as “customer-oriented trading company”. Hereafter, with this stance, we will develop the interdepartmental cooperation and enhance the partnership with customers with a sense of togetherness. We call this policy “Resonance”.*

*In addition, from standpoint of response to customer needs, we will expand any business fields outside of steel business. Finally, we aim for functional medium-sized general trading company.*



## **【Strengthening of Domestic Business】**

### *Expansion of domestic bases*

*Establishment of Okinawa branch (Apr-2010)*

*Establishment of Atsugi branch, Mito branch and Hachinohe office  
(Apr-2011)*

### *M&A for strengthening of function*

*Acquisition a controlling interest of Showa Metal (Apr-2010)*

*Acquisition ownership of Taiyo Kozai (Apr-2010)*

*Acquisition ownership of Daikoh Steel (Aug-2010)*

*Acquisition business of Naniwa Metals (Sep-2010)*

*Acquisition ownership of Toyo Energy (Oct-2010)*

## **【Enhancement of Overseas Operation】**

### *Expansion of overseas bases*

*Establishment of Chennai Office in India (Feb-2011)*

### *Promotion of business investment*

*Investment in a new plant of Steel Pipe Piles in Vietnam (Jul-2010)*

*Beginning of operation of metal silicon plant in Dalian, China (Mar-2011)*

*Additional investment in Nippon EGalv in Malaysia (Jun-2011)*

### *Strengthening of processing function*

*Investment in plant and equipment in HSS Thailand (Dec-2010 ~)*

*The future is uncertain due to depressed production activities from the Great East Japan Earthquake, decreasing demand from end of incentive package for consumption and uncertain overseas demand. We estimate domestic demand is sluggish in 1<sup>st</sup> half and move gradually towards recovery in 2<sup>nd</sup> half in FY2011*

*About the dividend, we emphasize stable dividend. We plan the interim dividend of 6 yen and the year-end dividend of 6 yen.*

*(Millions of yen)*

	<i>Interim</i>	<i>FY2011</i>	<i>FY2010</i>
<i>Net sales</i>	<i>714,000</i>	<i>1,485,000</i>	<i>1,396,103</i>
<i>Operating income</i>	<i>7,700</i>	<i>17,400</i>	<i>13,853</i>
<i>Ordinary income</i>	<i>6,800</i>	<i>15,000</i>	<i>13,490</i>
<i>Net income</i>	<i>4,100</i>	<i>9,000</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.*