

# ***FINANCIAL RESULTS***

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*for the Fiscal Year ended March 31, 2012*

*May 17, 2012*

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

- *Net sales*

*Net sales amounted 1,564.2 billion yen, increased by 12%, thanks to steady business result from steel and petroleum/chemical segments.*

- *Net income*

*Although operating income have increased, thanks to increase profit in petroleum/chemical and machinery businesses, our net income was 4.6 billion yen, decreased by 20.0% for the due to extraordinary losses and decrease in foreign exchange profit.*

- *Dividends*

*We plan the year-end dividend payment of 6 yen. As a result, the planned annual dividend for FY2011 will be 12 yen per share.*

# Operating Results ( consolidated )

(Millions of yen)

	<b>FY2011</b>	<b>FY2010</b>	<b>Rate of changes</b>
<b>Net sales</b>	1,564,250	1,396,103	+12.0%
<b>Gross profit</b>	46,346	43,744	+5.9%
<b>SG&amp;A expenses</b>	31,369	29,890	+4.9%
<b>Operating income</b>	14,976	13,853	+8.1%
<b>Non-operating income/expenses</b>	(1,860)	(363)	+412.4%
<b>Ordinary income</b>	13,116	13,490	-2.8%
<b>Extraordinary gain/loss</b>	(4,670)	(3,485)	+34.0%
<b>Income before income taxes and others</b>	8,445	10,005	-15.6%
<b>Income taxes</b>	3,710	4,154	-10.7%
<b>Minority interests/loss</b>	102	56	+82.1%
<b>Net income</b>	4,632	5,793	-20.0%
<b>Comprehensive income</b>	6,214	6,104	+1.8%

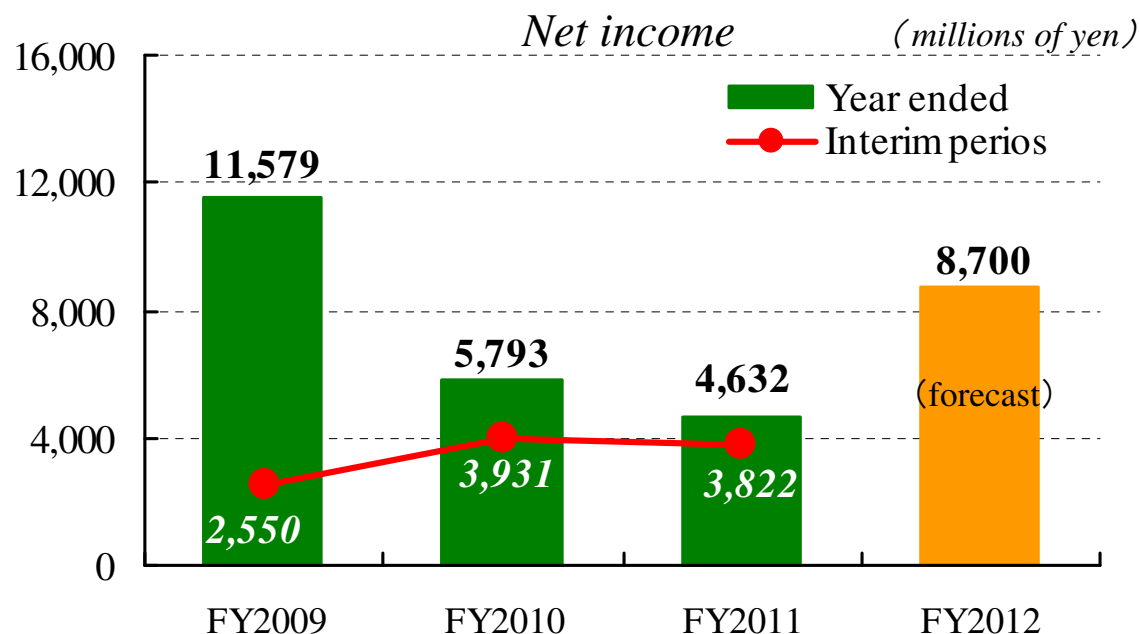
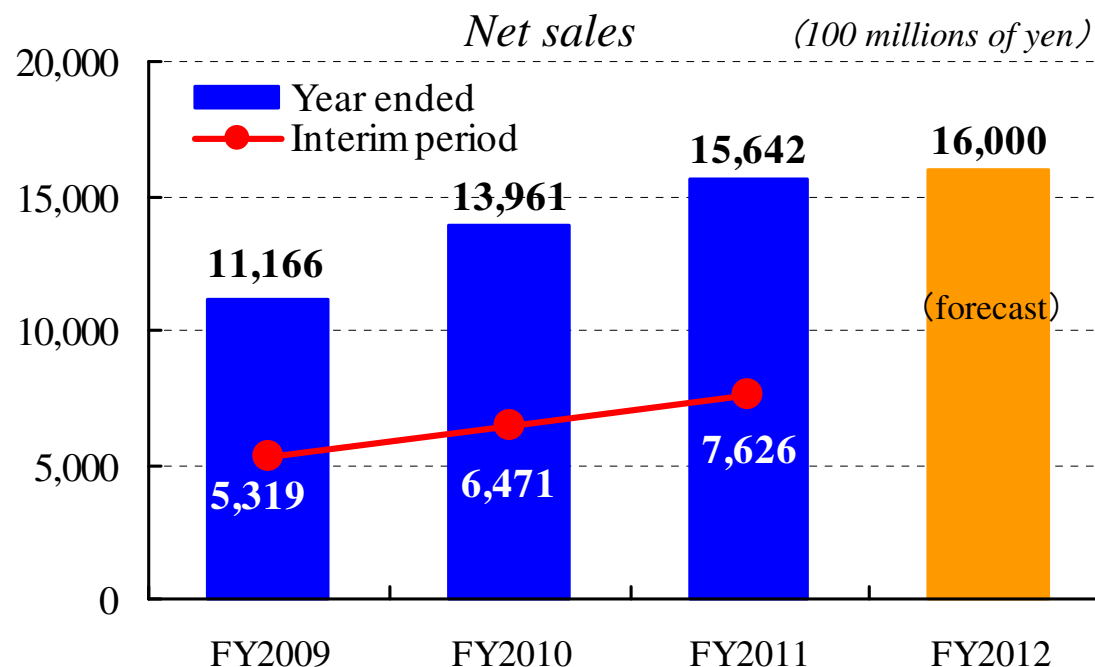
- Increased sales amount by 12.0%: Our business in steel and petroleum/chemical segments showed steady progress after economic stagnation caused by the Great East Japan Earthquake. In addition, newly consolidated subsidiaries contributed to the increase of sales as well.
- Operating income increased by 8.1%, thanks to increase profit in petroleum/chemical and machinery businesses.
- Net income decreased by 20% from the previous year, due to decrease in exchange gain and posted impairment losses on investment securities.
- EPS was 22.35yen (-5.60 yen).

# Changes in Business results (consolidated)

*Despite expectations for sluggish demand because of catastrophes like the Great East Japan Earthquake and flooding in Thailand, there was no significant downturn in the Japanese economy due to the quick recovery mainly in the manufacturing sector.*

*Hanwa's net sales continued to increase. However, net income was down because of one-time factors that included decreased foreign exchange gain and loss on valuation of investment securities.*

*The economic outlook is still uncertain because of the debt crisis in Europe and slowing economic growth in China.*



# Financial Position ( consolidated )

(Millions of yen)

	<b>FY2011</b>	<b>FY2010</b>	<b>Rate of change</b>
<b>Total assets</b>	582,404	532,797	+9.3%
<b>Current assets</b>	467,982	423,204	+10.6%
<b>Fixed assets</b>	114,422	109,593	+4.4%
<b>Total liabilities</b>	466,448	422,338	+10.4%
<b>Net interest-bearing debt</b>	219,594	214,497	+2.4%
<b>Net assets</b>	115,956	110,458	+5.0%
<b>Equity capital</b>	114,209	111,840	+2.1%
<b>Accumulated other comprehensive income</b>	(580)	(2,058)	-71.8%
<b>Minority interests</b>	2,326	677	+243.6%

- Total assets increased by 9.3% from end of the previous fiscal year, due to increase in trade receivables and inventories.
- Interest-bearing debt slightly increased, however, net debt-equity ratio decreased to 190%.
- Total net assets increased by 5.0% from end of the previous fiscal year, due to increase in retained earnings, net unrealized holding gains on securities and minority interests. Shareholders' equity ratio was 19.5%.
- BPS was 548.22 yen

## Cash Flows Situation ( consolidated )

(Millions of yen)

	<b>FY2011</b>	<b>FY2010</b>	<b>change</b>
<b>Cash flows from Operating activities</b>	<b>11,970</b>	<b>(46,948)</b>	<b>+58,918</b>
<b>Cash flows from Investing activities</b>	<b>(12,009)</b>	<b>(7,610)</b>	<b>-4,399</b>
<b>Cash flows from Financing activities</b>	<b>1,596</b>	<b>51,271</b>	<b>-49,675</b>
<b>Cash and cash equivalents at end of the period</b>	<b>23,411</b>	<b>20,586</b>	<b>+2,825</b>

*Net cash provided in operation was 11.9 billion yen due to slowed down in needs of working capital.*

*Net cash used in investment was 12.0 billion yen due to payment for purchase of fixed assets and investment securities.*

*Net cash provided by financing was 1.5 billion yen due to issuance of company bonds.*

# Segment Information ( consolidated )

## Net sales

	<i><b>FY2011</b></i>	<i><b>FY2010</b></i>	<i><b>Rate of change</b></i>
<i><b>Steel</b></i>	<b>745,031</b>	<b>693,048</b>	<b>+7.5%</b>
<i><b>Metal &amp; alloys</b></i>	<b>126,279</b>	<b>124,036</b>	<b>+1.8%</b>
<i><b>Non-ferrous metals</b></i>	<b>62,054</b>	<b>60,026</b>	<b>+3.4%</b>
<i><b>Foods</b></i>	<b>91,709</b>	<b>80,067</b>	<b>+14.5%</b>
<i><b>Petroleum &amp; chemicals</b></i>	<b>457,578</b>	<b>370,036</b>	<b>+23.7%</b>
<i><b>Total for reportable segments</b></i>	<b>1,482,653</b>	<b>1,327,214</b>	<b>+11.7%</b>
<i><b>Other</b></i>	<b>139,818</b>	<b>124,400</b>	<b>+12.4%</b>
<i><b>Total</b></i>	<b>1,622,472</b>	<b>1,451,615</b>	<b>+11.8%</b>
<i><b>Adjustment</b></i>	<b>(58,221)</b>	<b>(55,512)</b>	<b>-4.9%</b>
<i><b>Consolidated</b></i>	<b>1,564,250</b>	<b>1,396,103</b>	<b>+12.0%</b>

## Segment income

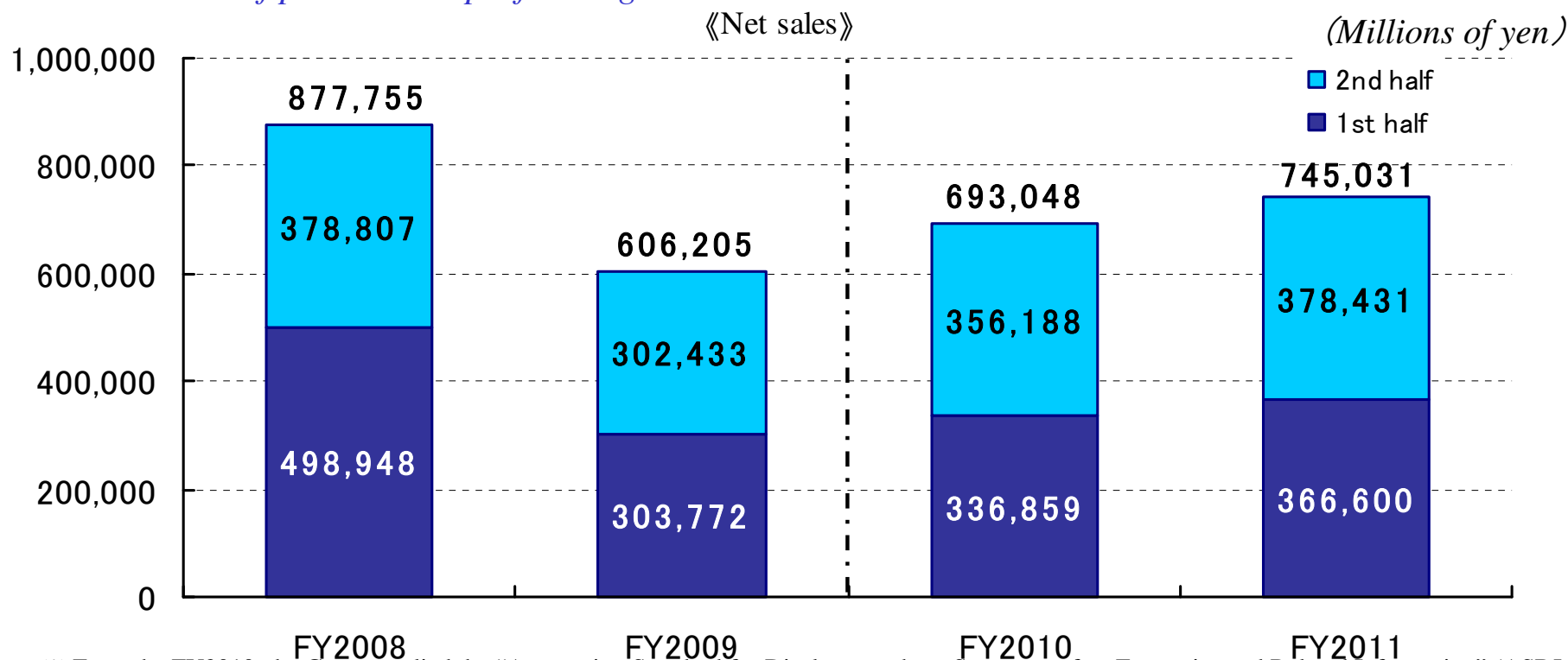
(Millions of yen)

	<i><b>FY2011</b></i>	<i><b>FY2010</b></i>	<i><b>Rate of change</b></i>
<i><b>Steel</b></i>	<b>9,349</b>	<b>9,422</b>	<b>-0.8%</b>
<i><b>Metal &amp; alloys</b></i>	<b>1,286</b>	<b>2,265</b>	<b>-43.2%</b>
<i><b>Non-ferrous metals</b></i>	<b>851</b>	<b>715</b>	<b>+19.0%</b>
<i><b>Foods</b></i>	<b>1,180</b>	<b>1,777</b>	<b>-33.6%</b>
<i><b>Petroleum &amp; chemicals</b></i>	<b>2,671</b>	<b>2,197</b>	<b>+21.6%</b>
<i><b>Total for reportable segments</b></i>	<b>15,340</b>	<b>16,378</b>	<b>-6.3%</b>
<i><b>Other</b></i>	<b>1,689</b>	<b>763</b>	<b>+121.4%</b>
<i><b>Total</b></i>	<b>17,030</b>	<b>17,142</b>	<b>-0.7%</b>
<i><b>Adjustment</b></i>	<b>(3,913)</b>	<b>(3,651)</b>	<b>-7.2%</b>
<i><b>Consolidated</b></i>	<b>13,116</b>	<b>13,490</b>	<b>-2.8%</b>

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2011</b>	<b>745,031</b>	<b>9,349</b>	<b>1.3%</b>
<b>FY2010</b>	<b>693,048</b>	<b>9,422</b>	<b>1.4%</b>

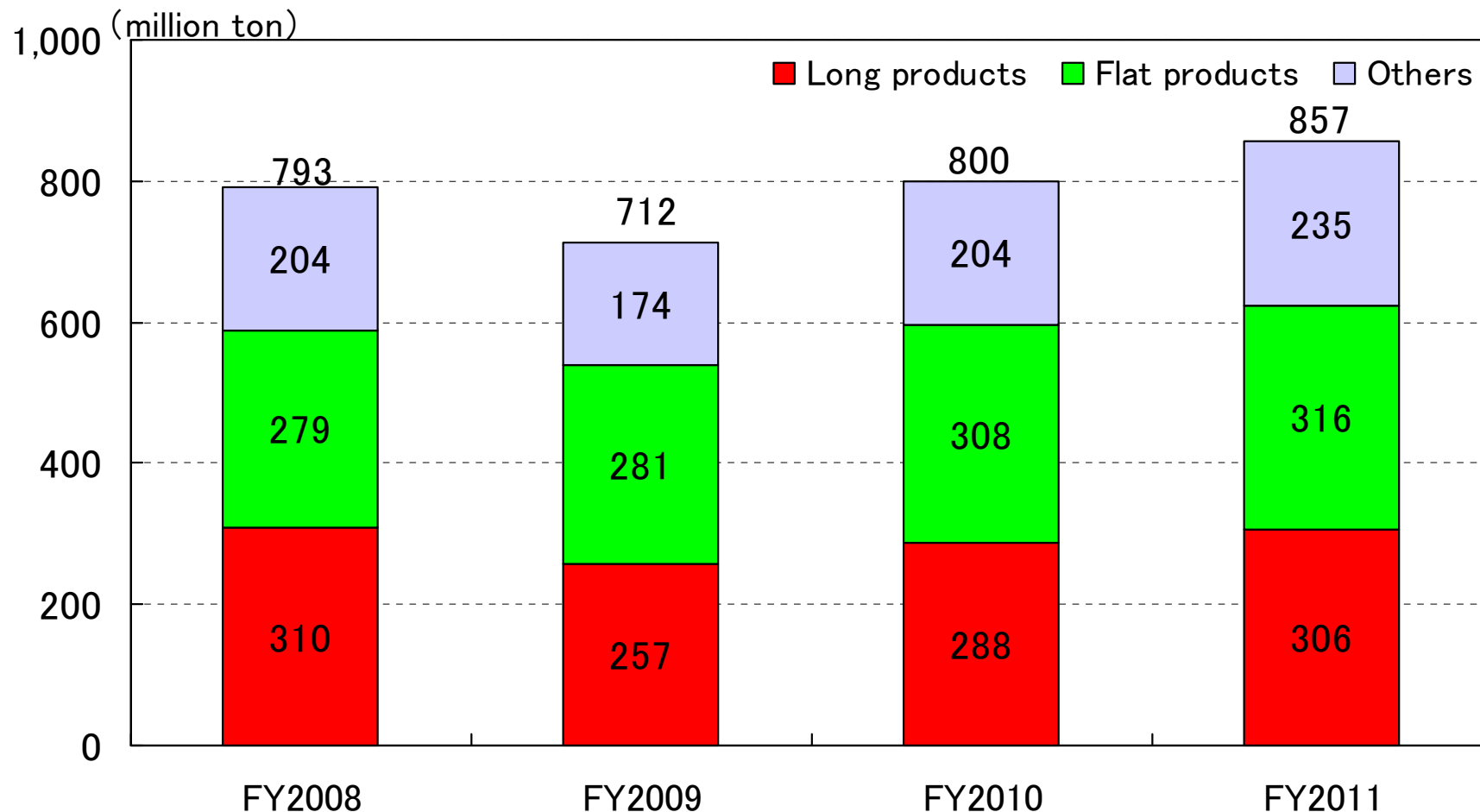
*Demand has rebounded, mainly in the manufacturing sector, from the devastation of the earthquake in Japan and flooding in Thailand. Furthermore, construction demand for buildings and civil engineering has increased in association with recovery activities from earthquake. As a result, there was no decline in the transaction volume. Selling prices were weak because of lackluster overseas markets and soft demand among end users. The result was a continuation of pressure on profit margins.*



※ 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) .



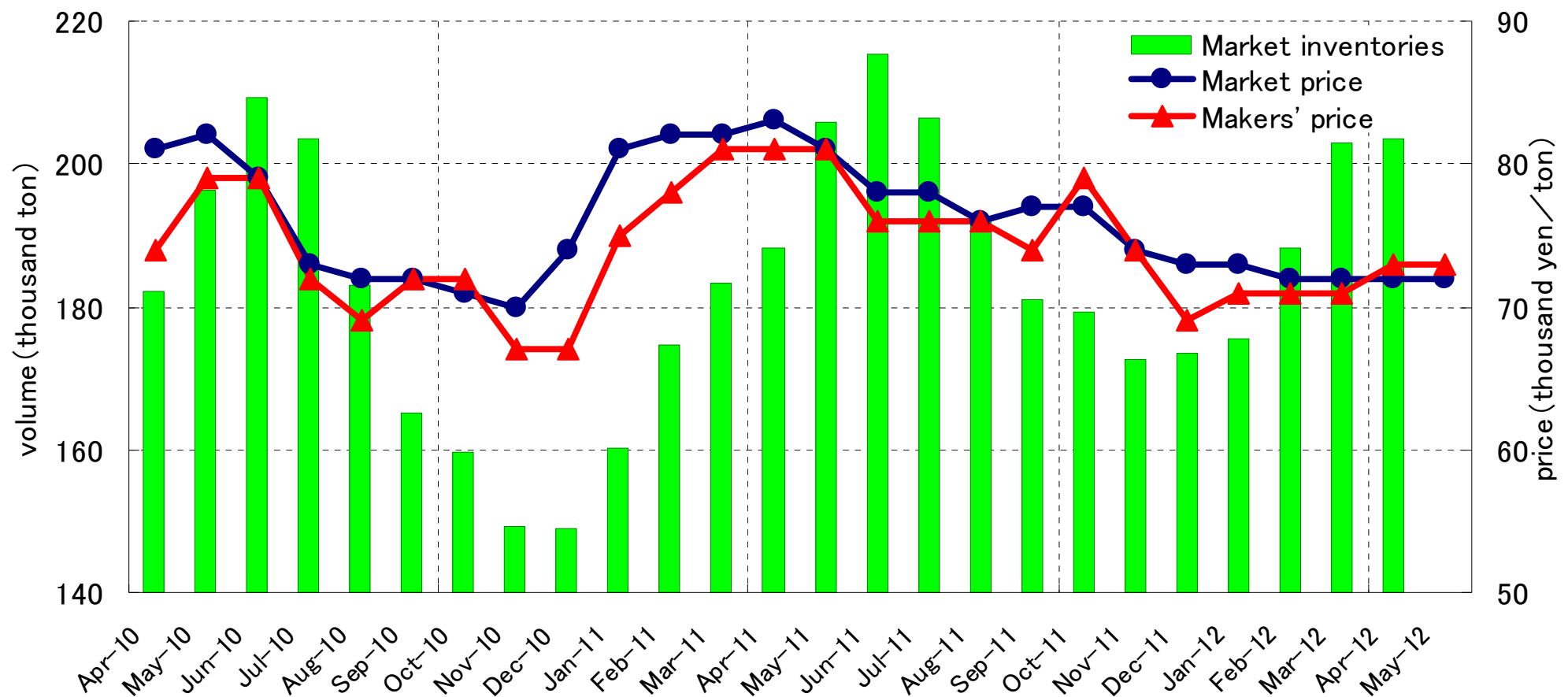
*There were concerns about a downturn in transaction volume caused by the economic impact of the earthquake in Japan and by flooding in Thailand. But there was a 7% increase in volume over the previous year as manufacturing activity quickly rebounded and sales of steel bars and shapes for construction and civil engineering increased.*



*Lackluster demand caused by the effects of the earthquake caused an increase in inventories along with a decrease in prices.*

*There were several signs of a rebound as the price of steel scrap increased. However, a rebound could not be sustained because of weak volume in the spot market.*

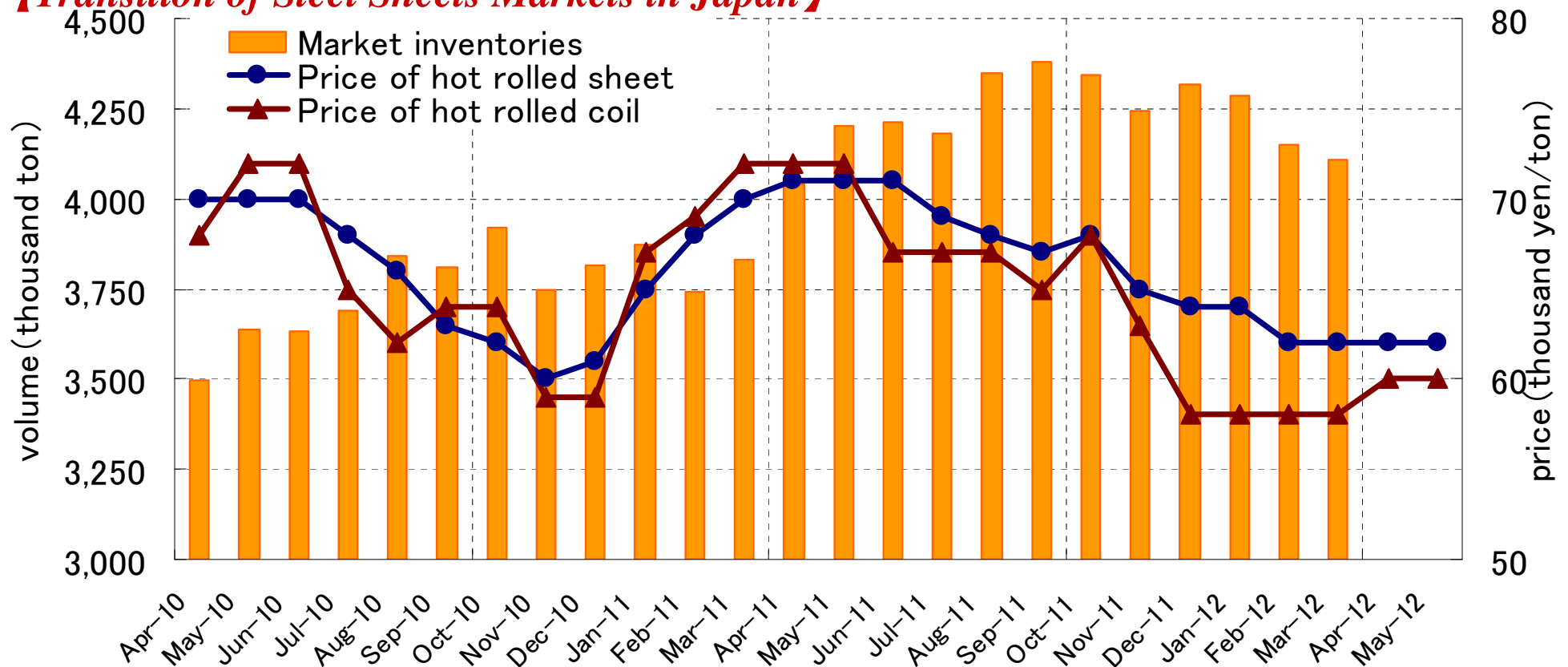
## ***[Transition of the H-Beams Markets in Japan]***



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

*Inventories increased as capacity utilization rates fell at manufacturers because of the earthquake. Inventories remained high even after the recovery in factory operations due to the slow pace of reductions. Open market prices were also soft because of slumping demand and weakening overseas markets.*

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

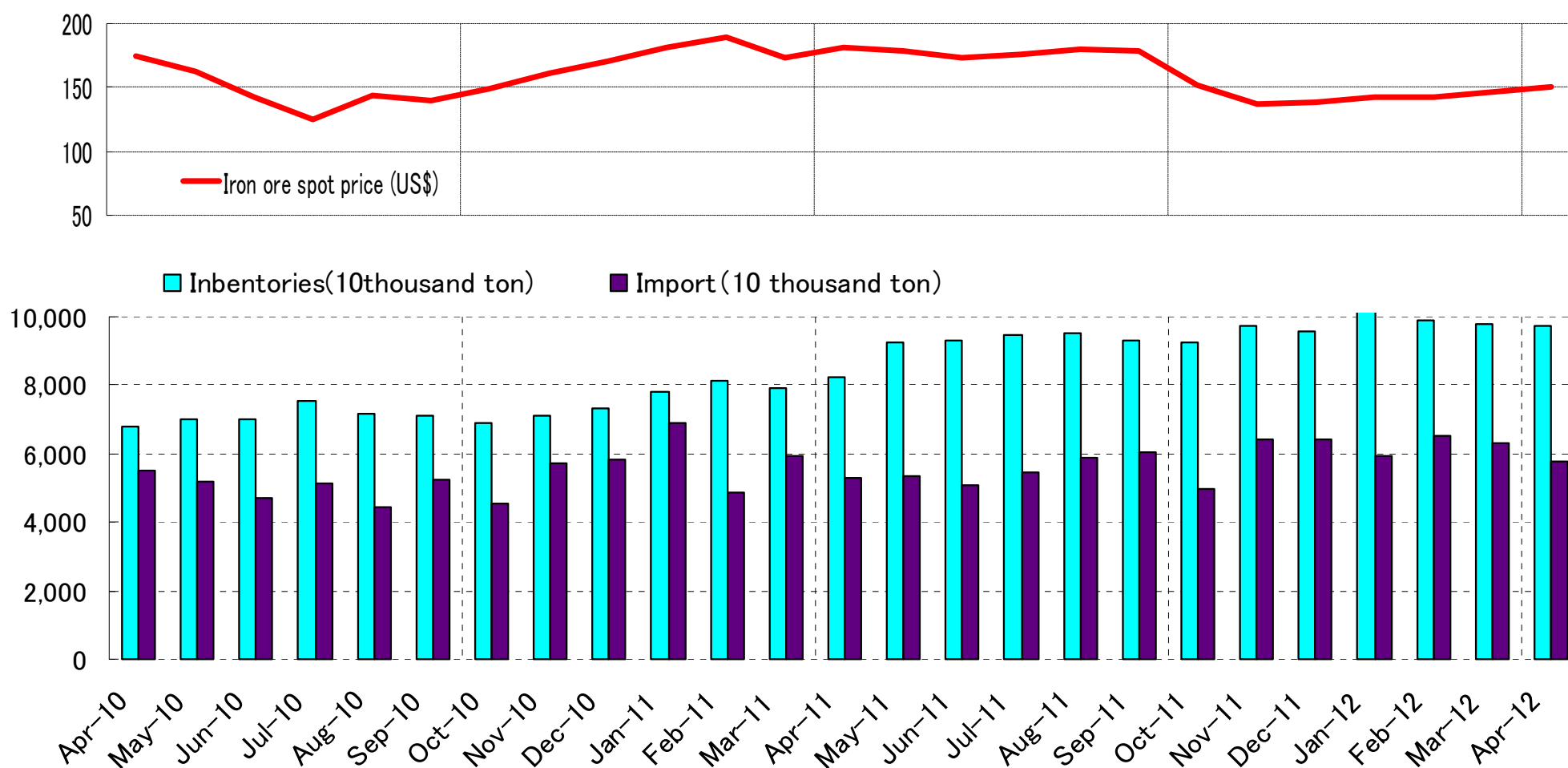


(Data source : Inventories \_ The Japan Iron and Steel Federation / Price \_Japan metal daily)

# Market Trend of Steel Raw Materials

*The price of iron ore imported by China was high at first. But the price fell sharply starting in September mainly because of monetary tightening and a weakening prices of steel products in China. Although the price is currently recovering, the rebound is weak because of uncertainty about the outlook for steel demand.*

## ***【Iron Ore Market in China】***

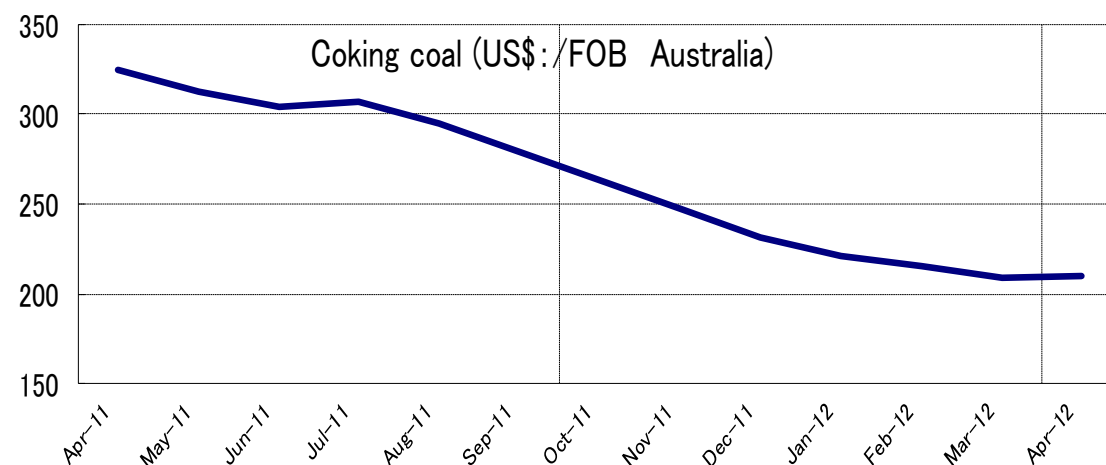


(data source : Interfax、China Customs )

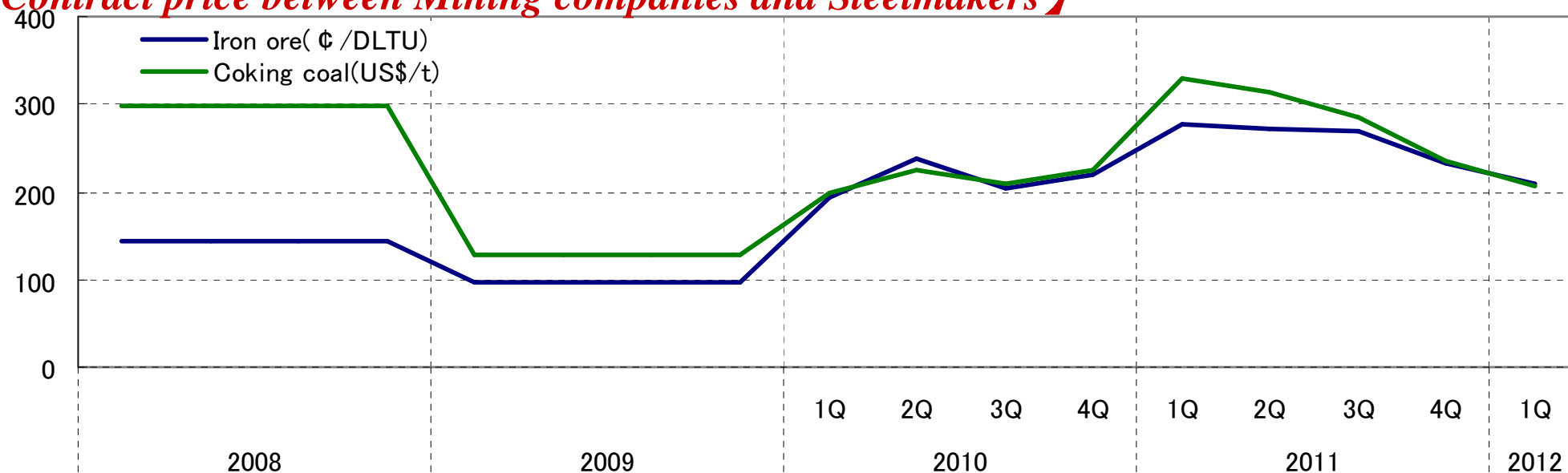
*The price of coking coal surged following floods in Australia in the spring of 2011 but subsequently declined because of weak demand and financial restrictions.*

*Contractual prices with mining companies are decreasing slowly in the current fiscal year. However, mining company prices are expected to increase slightly in this fiscal year's second quarter along with the current upturn in the market price for coking coal.*

### ***【Coking coal price】***



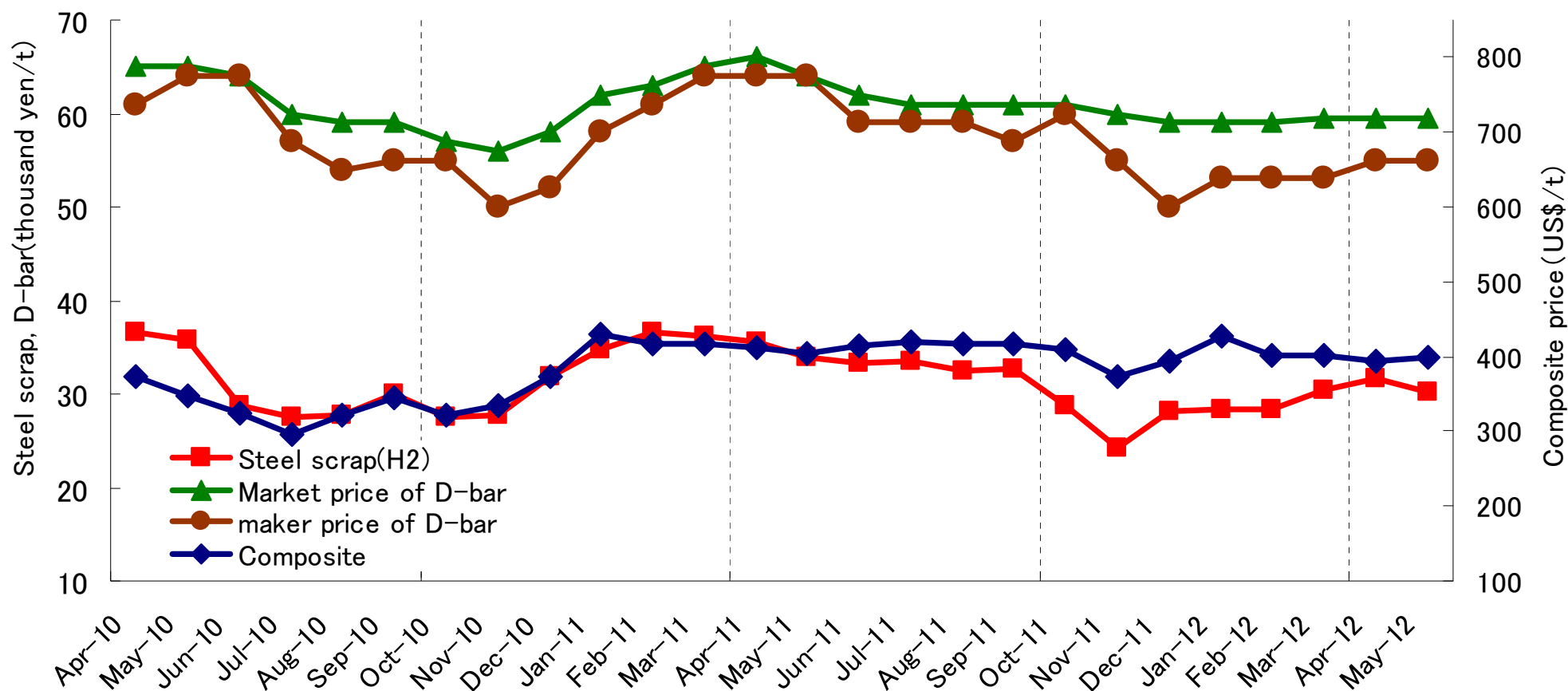
### ***【Contract price between Mining companies and Steelmakers】***



(Data source : some news report)

*Although there was not a large derived volume of steel scrap, prices were held down by the low level of demand among traders in Japan and overseas. Prices fell even more late in 2011 along with a further downturn in demand but then increased slowly owing to expectations for a recovery in prices of steel products.*

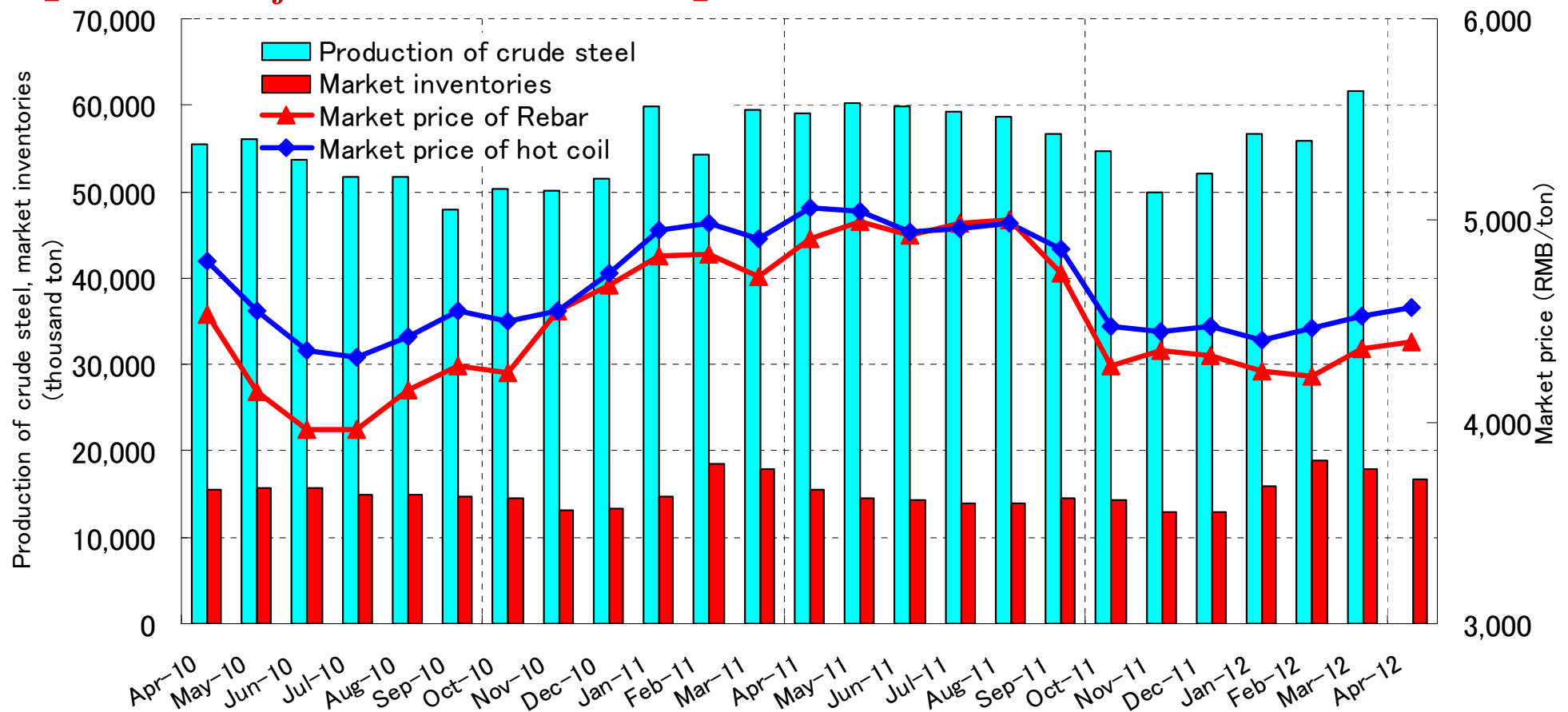
## 【Steel scrap and D-bar Market Price】



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

*Following tighter financial regulations to control inflation, the price of steel products was weak due to a decline in housing demand and other factors. But crude steel output remains high and there are concerns that this steel will be sold on the export market.*

## 【Transition of steel market in China】

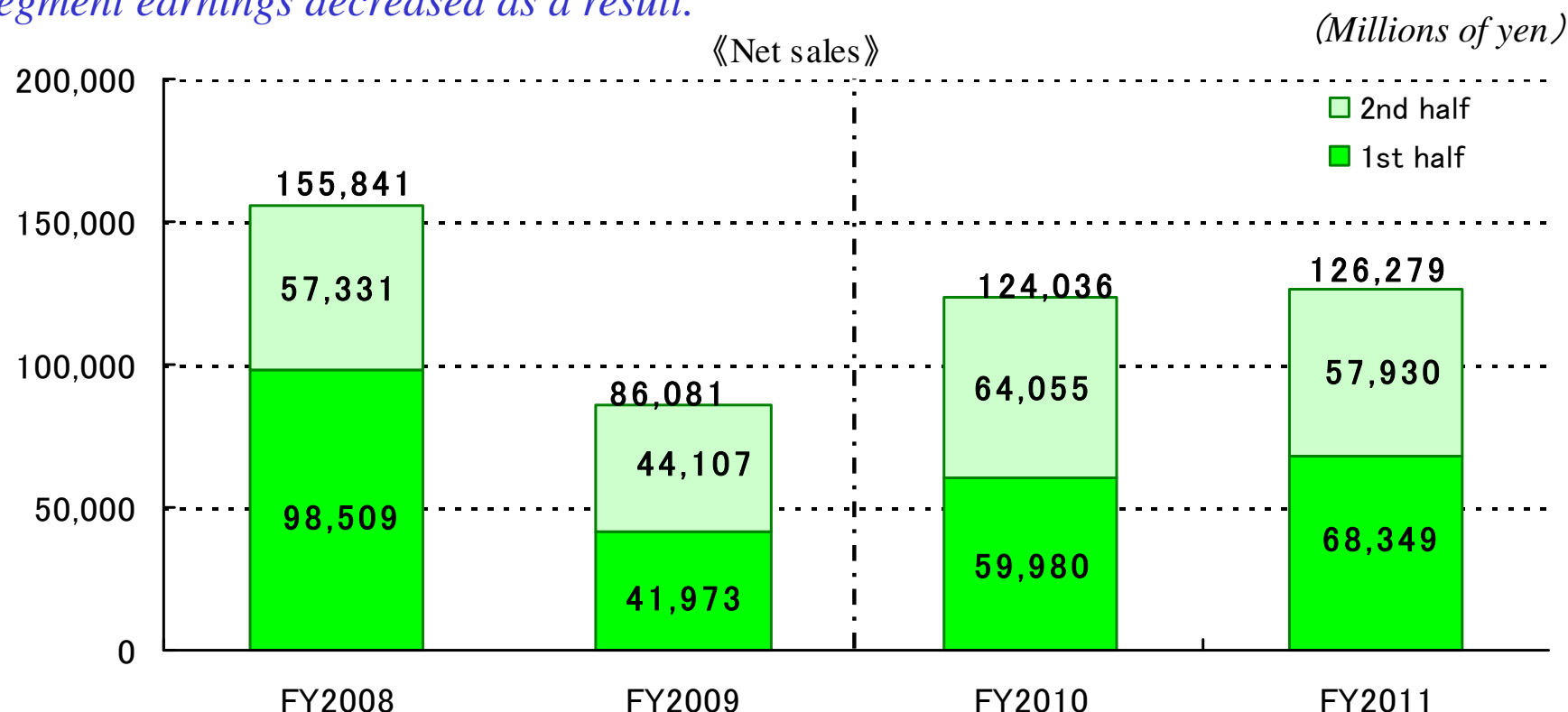


(Data source : The Japan Iron and Steel Federation)

(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2011</b>	<b>126,279</b>	<b>1,286</b>	<b>1.0%</b>
<b>FY2010</b>	<b>124,036</b>	<b>2,265</b>	<b>1.8%</b>

*Demand for raw materials was sluggish because of the prolonged production decline at stainless steel makers and EAF steelmakers as well as the lower operating rate at BF mills caused by the worsening export environment. Prices are also weak as the outlook is unclear. Segment earnings decreased as a result.*

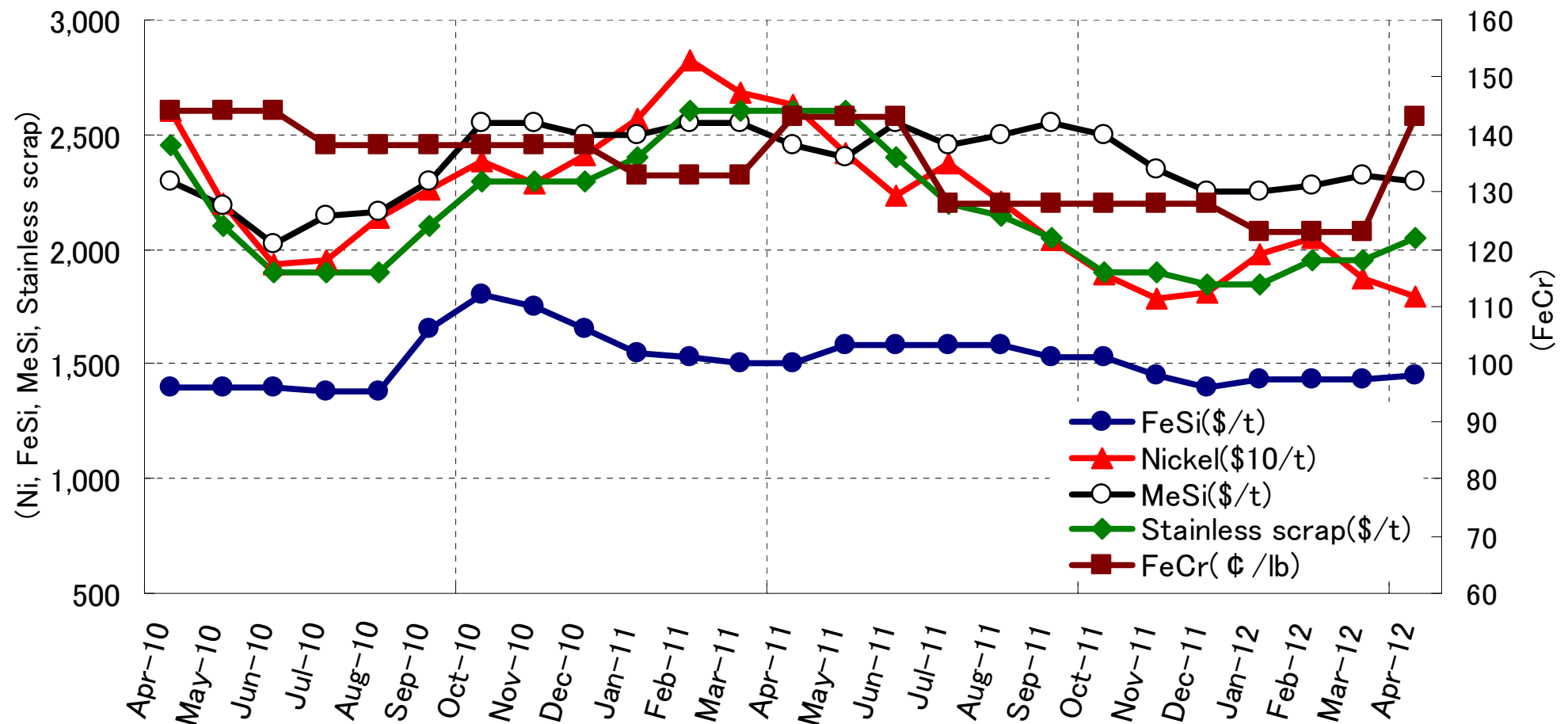


※ From the FY2010, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) .



*Prices of nickel, stainless steel scrap and other stainless steel raw materials fell sharply because of lower production caused by weak demand for stainless steel products and because of a change in the financial environment.*

*Prices of ferroalloys were soft but nevertheless relatively stable.*



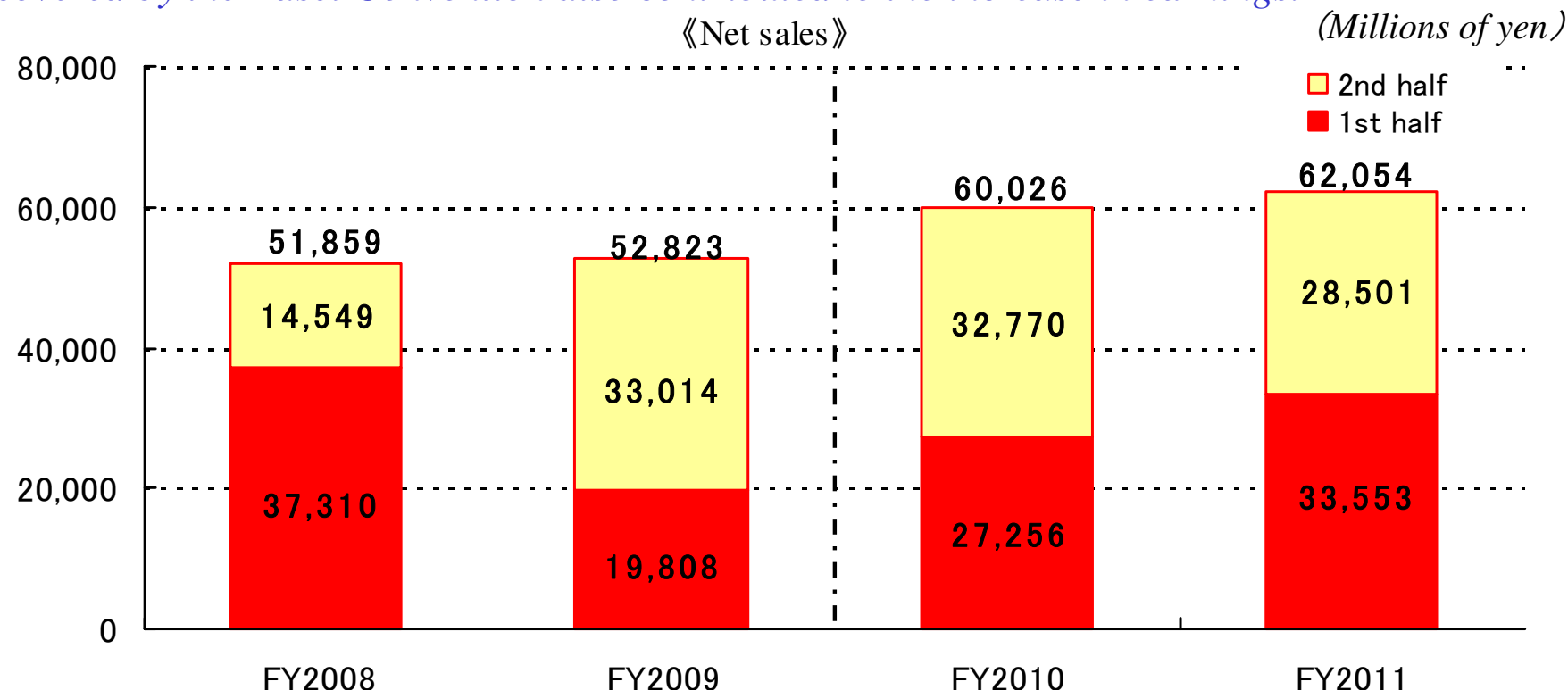
# Non-ferrous Metals Business Segment



(Millions of yen)

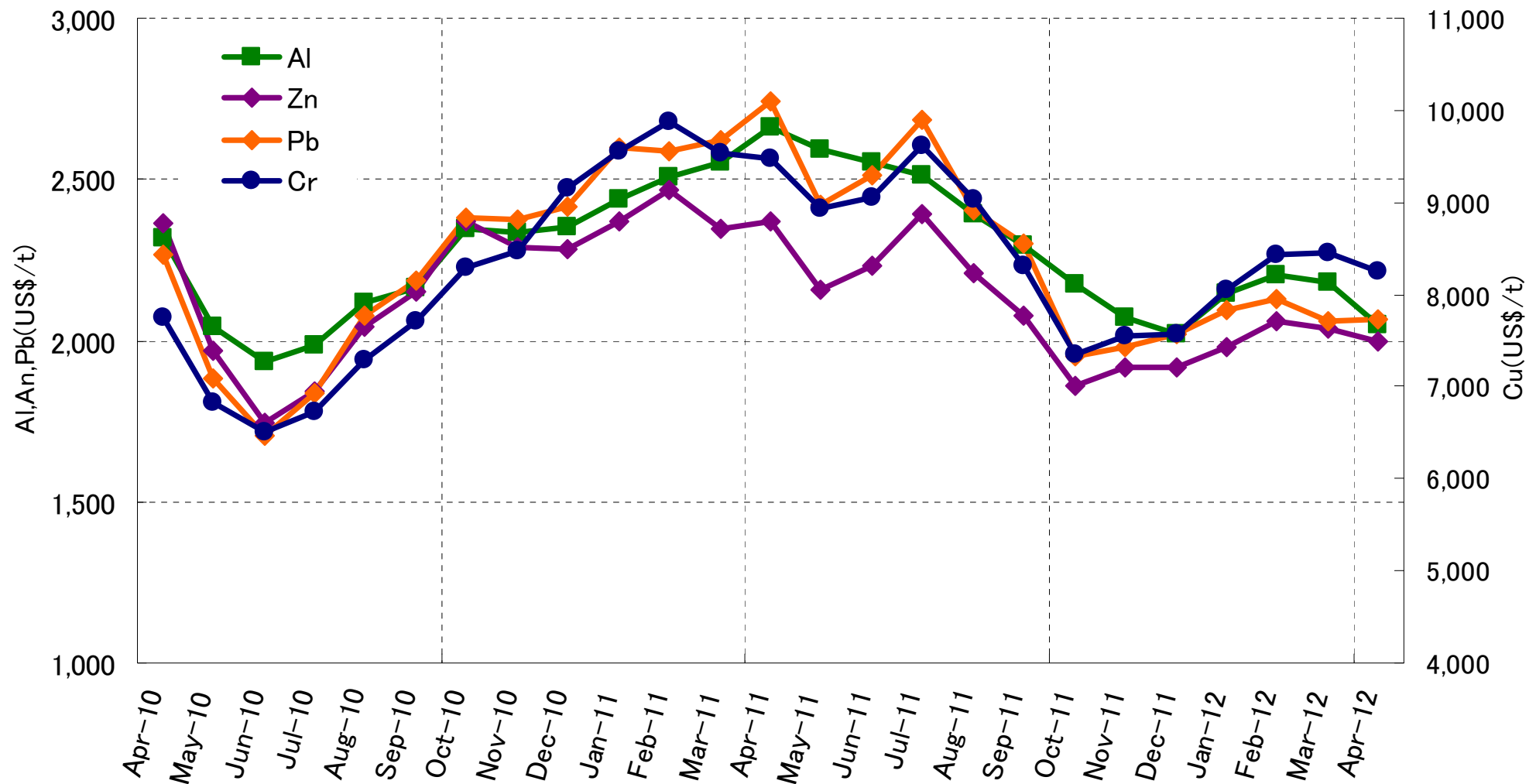
	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2011</b>	<b>62,054</b>	<b>851</b>	<b>1.4%</b>
<b>FY2010</b>	<b>60,026</b>	<b>715</b>	<b>1.2%</b>

*The earthquake and flooding in Thailand impacted demand for non-ferrous metals in Japan. However, the transaction volume was high because of a rapid recovery in demand, particularly in the automobile industry. Growth in sales of precious metal scrap as well as commodities covered by the Basel Convention also contributed to the increase in earnings.*



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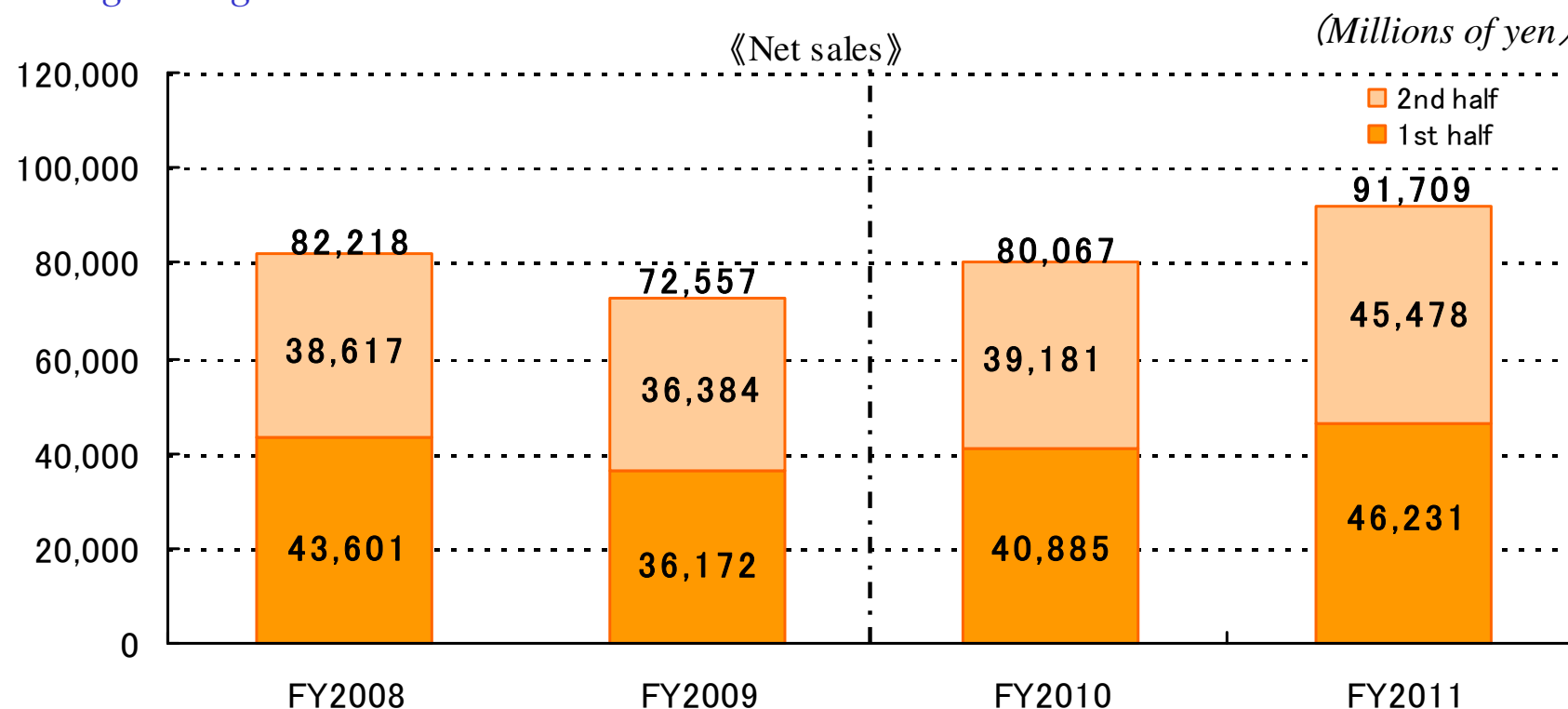
*Growing financial instability in Europe brought down LME prices. Although prices have recovered as concerns about instability eased, prices are once again decreasing because the outlook is once again uncertain.*



(Millions of yen)

	<i>Net sales</i>	<i>Segment income</i>	<i>Profit ratio</i>
<b>FY2011</b>	<b>91,709</b>	<b>1,180</b>	<b>1.3%</b>
<b>FY2010</b>	<b>80,067</b>	<b>1,777</b>	<b>2.2%</b>

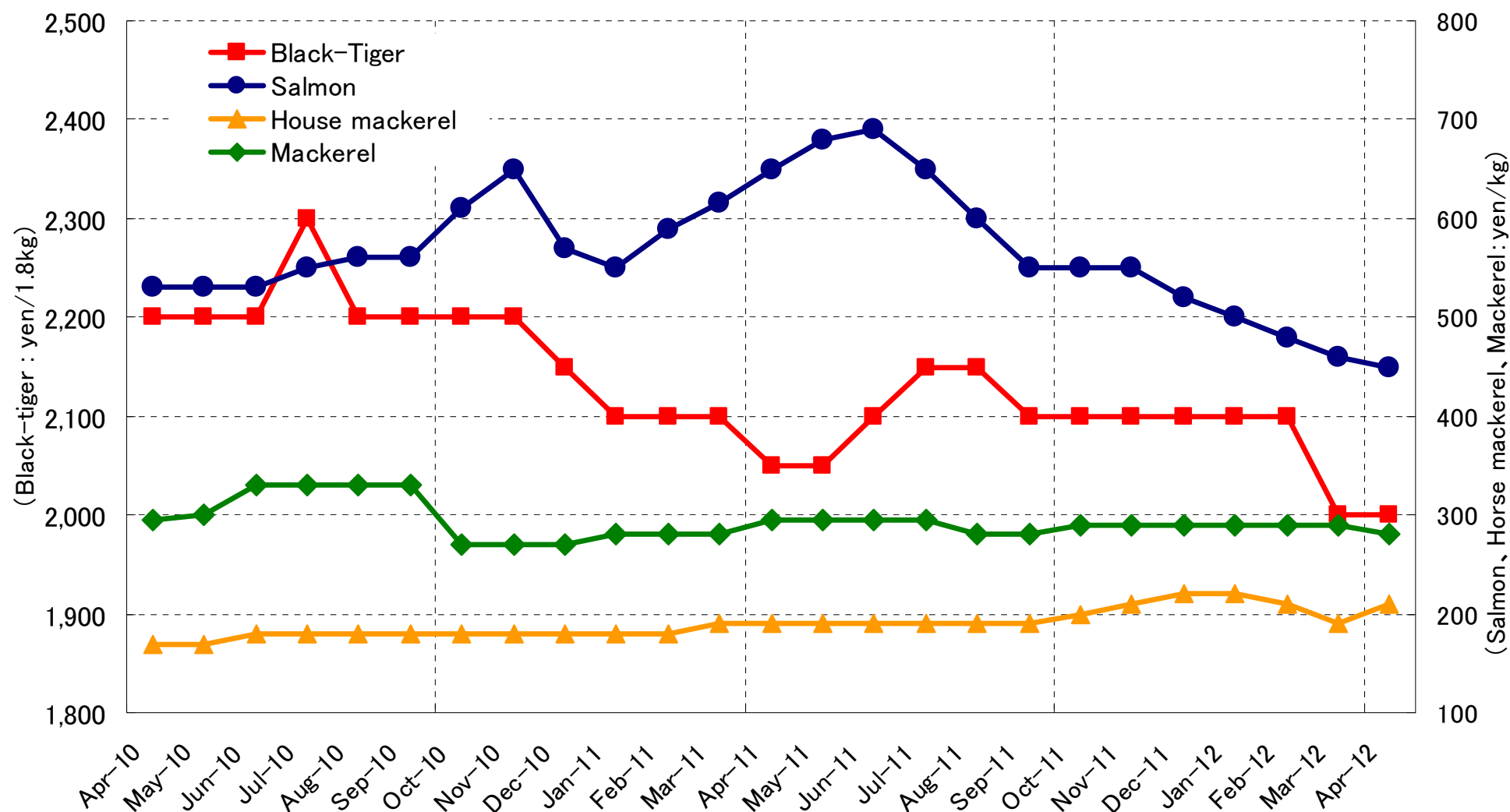
Prices in Japan remained high mainly because of strong overseas markets, low inventories and the decline in fishery production in areas affected by the earthquake. But a correction from high prices is starting in some categories. Although demand in Japan is flat, the transaction volume is remaining strong.



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# Market Trend of Frozen Marine Products

*The price of farmed salmon increased rapidly but then plunged because of an over-supply. The price of shrimp is weak as well because of lackluster demand in the United States. A market adjustment from high prices has started in some categories. In other categories, market prices have been generally favorable. 17*



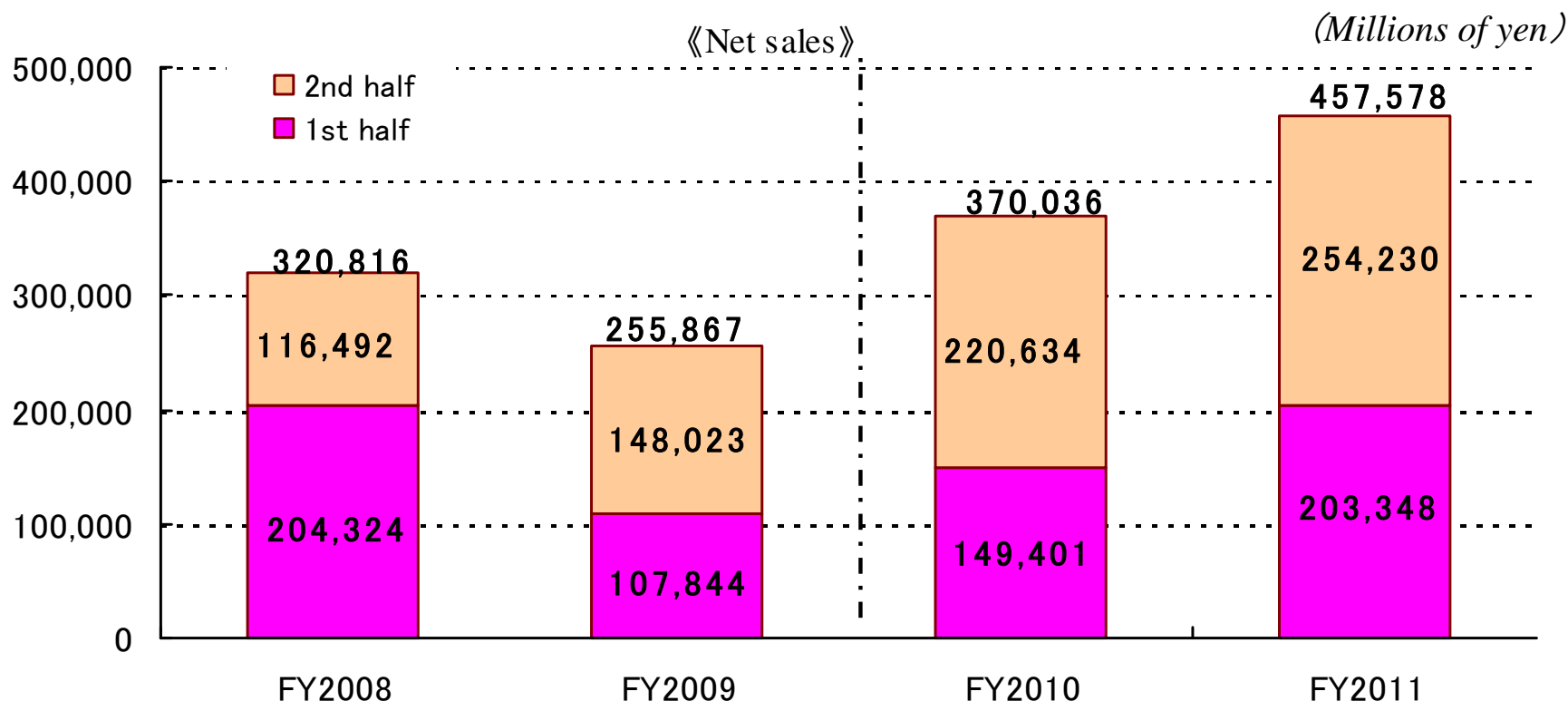
# Petroleum & Chemicals Business Segment



(Millions of yen)

	Net sales	Segment income	Profit ratio
<b>FY2011</b>	<b>457,578</b>	<b>2,671</b>	<b>0.6%</b>
<b>FY2010</b>	<b>370,036</b>	<b>2,197</b>	<b>0.6%</b>

Although demand for petroleum products was sluggish overall because of the economic impact of the earthquake, our transaction volume was solid, mainly for industrial fuels. Demand for fuel for thermal power plants and internal power generation increased in response to the electricity shortage caused by the nuclear power problem.

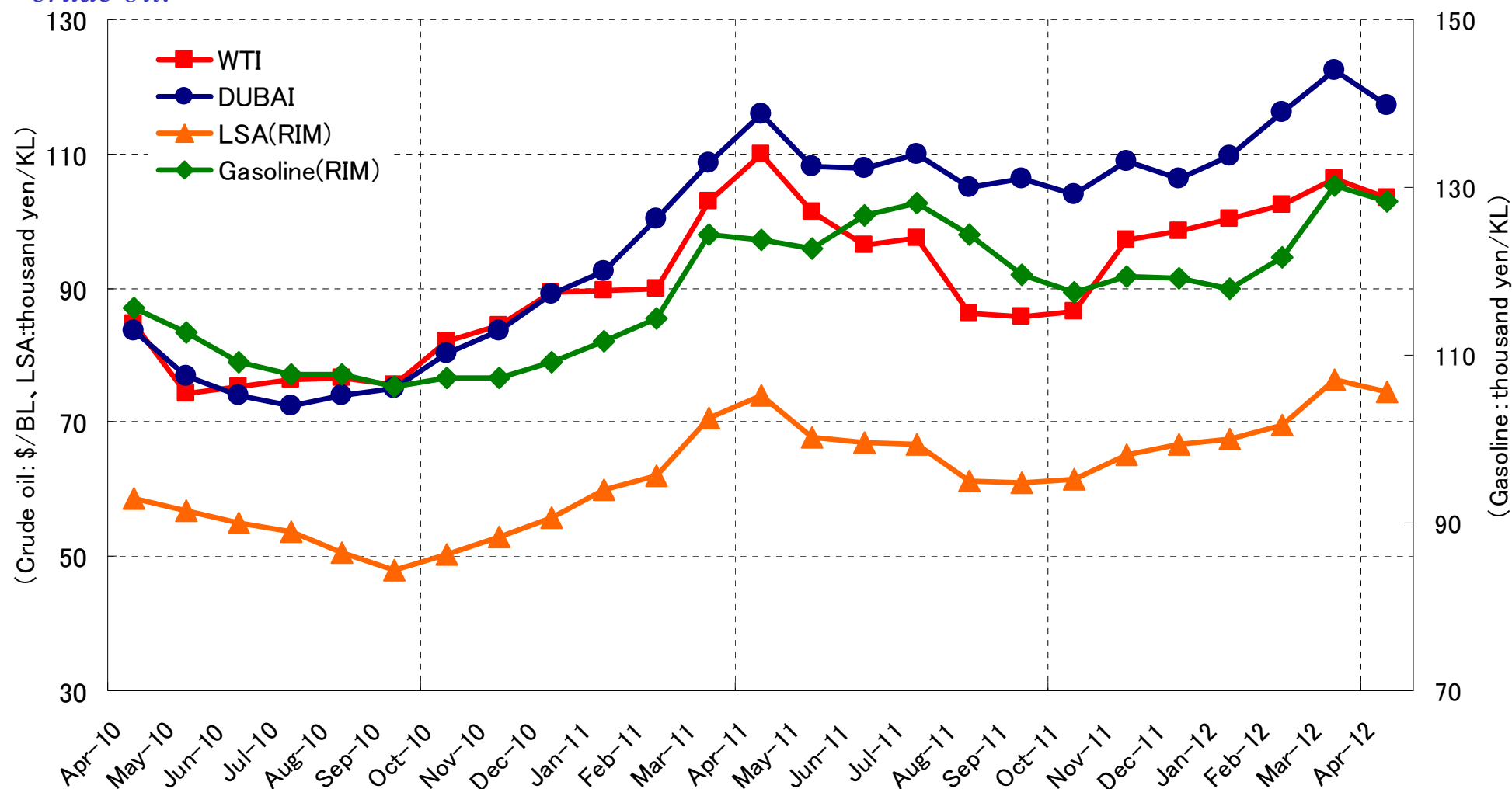


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# Market Trend of Crude Oil & Petroleum Products

*The price of crude oil has been volatile with changes in the financial environment and the U.S. economy but then slowly increased because of events in the Middle East.*

*Prices of petroleum products rose rapidly after the earthquake and then settled down due to higher production and emergency imports. But prices will continue to move in tandem with the cost of crude oil.*



### ***“Resonance with our business partners”***

*Our goal is to manage operations for even greater solidarity with customers by being a “user-oriented trading company” that has deep ties with users while reinforcing alliances around us and beyond.*

### ***“Quick deliveries - Small volume - Processing”***

*We will upgrade the functions that we offer users. Actions will include upgrading our ability to meet needs for quick deliveries and orders for small quantities as well as enlarging our lineup of processing services. We believe that opportunities to increase earnings exist even in business sectors that at first appear to be inefficient.*

### ***“Go after two rabbits”***

*Build a sound base for earnings by targeting overseas markets with where demand is growing and undeveloped market sectors in Japan.*

*Establish relationships with quality small, midsize and middle-market companies. Also step up measures to serve large corporations that are seeking new procurement channels.*

### ***“Create another Hanwa in Asia”***

*Build a business network overseas that is capable of providing the same functions as in Japan. To accomplish this, for steel business, build stronger relationships with overseas rerollers, pipe makers, stockists and steelmaking raw material suppliers and take other actions.*



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

### *Expansion of domestic bases*

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

*Establishment of Shizuoka branch (Oct-2011)*

*Establishment of Okayama branch (Apr-2012)*

*Opening of Hanwa Logistics Sakai and Hanwa Logistics Kyushu (Apr-2012)*

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

*Acquisition ownership of Mie kogyo (Jul-2011)*

*Acquisition ownership of Subaru Steel (Jan-2011)*

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

### *Expansion of overseas bases*

*Establishment of Istanbul Liaison Office in Turkey (Nov-2011)*

### *Promotion of business investment*

*Equity investment in Eversendai Corporation in Malaysia (Dec-2011)*

*Equity investment in HG Metal Manufacturing in Singapore (Jan-2012)*

*Acquisition a controlling interest of Seattle Shrimp & Seafood (Feb-2012)*

*Equity and Debt Investment in OM Holdings in Singapore (Mar-2012)*

### *Strengthening of processing function*

*Setting up Steel Service Centers in Wuhan and Jiangxi in China (Dec-2011)*

*The economic outlook is still uncertain in both Europe and China. In Japan, there are strong concerns like the shortage and high cost of electricity, the yen's strength against the U.S. dollar and the slow emergence of earthquake reconstruction demand may cause a downturn in demand. As a result, there is currently no reason to adopt an optimistic outlook. 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)*

	<b><i>FY2012</i></b>	<b><i>FY2011</i></b>
<b><i>Net sales</i></b>	<b><i>1,600,000</i></b>	<b><i>1,564,250</i></b>
<b><i>Operating income</i></b>	<b><i>18,000</i></b>	<b><i>14,976</i></b>
<b><i>Ordinary income</i></b>	<b><i>15,000</i></b>	<b><i>13,116</i></b>
<b><i>Net income</i></b>	<b><i>8,700</i></b>	<b><i>4,632</i></b>

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

*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.*