

# Financial Results for the Interim Period ended September 30, 2007

(Consolidated financial results have been prepared in accordance with accounting principles generally accepted in Japan)

November 14, 2007

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 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)  
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The date of issue of audited financial statements: December 14, 2007 The date of payout of dividend: December 3, 2007

## 1. Consolidated financial results for the interim period ended September 30, 2007 (Rounded down to millions of yen)

### (1) Consolidated operating results (% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
For the interim period ended September 30, 2007	736,050	18.3	11,981	18.4	11,255	18.0	7,108	24.4
ended September 30, 2006	622,184	18.9	10,122	4.0	9,538	4.5	5,715	4.1
Year ended March 31, 2007	1,320,021		20,864		19,170		11,423	

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the interim period ended September 30, 2007	33.63	—
ended September 30, 2006	27.03	—
Year ended March 31, 2007	54.03	—

Note: Equity in earnings of unconsolidated subsidiaries and affiliates

The interim period ended September 30, 2007 — million yen

The interim period ended September 30, 2006 — million yen Year ended March 31, 2007 — million yen

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
As of September 30, 2007	489,459	103,082	20.9	483.80
September 30, 2006	428,645	88,382	20.4	414.42
March 31, 2007	476,178	98,254	20.5	461.21

Note: Shareholders' equity As of September 30, 2007 102,249 million yen

As of September 30, 2006 87,625 million yen As of March 31, 2007 97,485 million yen

### (3) Consolidated cash flows situation

	Cash flows from Operating activities	Cash flows from Investing activities	Cash flows from Financing activities	Cash and cash equivalents at end of the period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
For the interim period ended September 30, 2007	10,236	(4,064)	(7,700)	8,765
ended September 30, 2006	(21,106)	110	10,457	8,026
Year ended March 31, 2007	(36,192)	(5,955)	34,325	10,228

## 2. Cash dividends

(effective date)	Cash dividends per share		
	Interim	Year-end	Annual
	(yen)	(yen)	(yen)
Year ended March 31, 2007	5.00	7.00	12.00
Year ending March 31, 2008	6.00		12.00
Year ending March 31, 2008 (estimated)		6.00	

Note: Breakdown of the year-end dividend of the year ended March 31, 2007 the ordinary dividend of 5 yen the commemorative dividend of 2 yen

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2008

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Annual	1,435,000	8.7	22,400	7.4	20,000	4.3	12,200	6.8	57.72

\* The above forecasts reflect assumptions and prospects based on the information currently available. They are subject to a number of risks and uncertainties that could cause actual results to differ materially from this information.

## Financial Results for the Interim period ended September 30, 2007

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2007	September 30, 2007	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	10,245	8,778	(1,467)
Trade notes and accounts receivable	259,372	264,317	4,945
Inventories	88,220	93,860	5,640
Deferred tax asset	1,096	2,064	968
Others	24,247	24,141	(106)
Allowance for doubtful receivables	(911)	(926)	(15)
<b>Total current assets</b>	<b>382,271</b>	<b>392,235</b>	<b>9,964</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Buildings and structures	11,227	11,231	4
Land	24,453	24,453	—
Others	5,150	5,910	760
<b>Total property and equipment</b>	<b>40,831</b>	<b>41,594</b>	<b>763</b>
<b>Intangible assets</b>	<b>701</b>	<b>764</b>	<b>63</b>
<b>Investments and other assets;</b>			
Investment securities	38,167	39,642	1,475
Long-term loans receivable	327	285	(42)
Others	14,628	15,728	1,100
Allowance for doubtful receivables	(749)	(790)	(41)
<b>Total investments and other assets</b>	<b>52,373</b>	<b>54,865</b>	<b>2,492</b>
<b>Total fixed assets</b>	<b>93,906</b>	<b>97,224</b>	<b>3,318</b>
<b>Total assets</b>	<b>476,178</b>	<b>489,459</b>	<b>13,281</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	160,429	171,500	11,071
Short-term loans payable	43,141	32,358	(10,783)
Commercial paper	17,500	20,000	2,500
Income taxes payable	4,050	4,463	413
Accrued bonuses	1,693	2,051	358
Others	24,280	26,980	2,700
<b>Total current liabilities</b>	<b>251,095</b>	<b>257,354</b>	<b>6,259</b>
<b>Long-term liabilities;</b>			
Bonds payable	10,000	20,000	10,000
Long-term loans payable	101,950	94,325	(7,625)
Deferred tax liabilities	8,179	7,967	(212)
Deferred tax liabilities by land revaluation	2,798	2,798	—
Others	3,901	3,932	31
<b>Total long-term liabilities</b>	<b>126,828</b>	<b>129,023</b>	<b>2,195</b>
<b>Total liabilities</b>	<b>377,924</b>	<b>386,377</b>	<b>8,453</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	3	4	1
Retained earnings	40,660	46,287	5,626
Treasury stock	(109)	(125)	(16)
<b>Total shareholders' equity</b>	<b>86,205</b>	<b>91,817</b>	<b>5,611</b>
<b>Valuation and translation adjustments;</b>			
Net unrealized holding gains on securities	11,405	11,663	257
Deferred hedge profit and loss	838	(233)	(1,071)
Land revaluation difference	(16)	(16)	0
Foreign currency translation adjustments	(947)	(981)	(34)
<b>Total valuation and translation adjustments</b>	<b>11,280</b>	<b>10,431</b>	<b>(848)</b>
<b>Minority interests</b>	<b>768</b>	<b>833</b>	<b>64</b>
<b>Total net assets</b>	<b>98,254</b>	<b>103,082</b>	<b>4,828</b>
<b>Total liabilities and net assets</b>	<b>476,178</b>	<b>489,459</b>	<b>13,281</b>

## Financial Results for the Interim period ended September 30, 2007

## 《Consolidated Statements of Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Interim period ended September 30, 2006	Interim period ended September 30, 2007	Increase(Decrease)
<b>Net sales</b>	622,184	736,050	113,866
Cost of sales	599,206	710,358	111,152
<b>Gross profit</b>	22,977	25,692	2,715
Selling, general and administrative expenses	12,855	13,710	855
<b>Operating income</b>	10,122	11,981	1,859
<b>Other income;</b>			
Interest and dividend income	931	1,125	194
Others	401	814	413
<b>Total other income</b>	1,333	1,940	607
<b>Other expenses;</b>			
Interest expenses	1,449	2,096	647
Others	467	569	102
<b>Total other expenses</b>	1,916	2,665	749
<b>Ordinary income</b>	9,538	11,255	1,717
<b>Extraordinary income</b>			
Gain on sales of investment securities of unconsolidated subsidiaries	—	230	230
<b>Total extraordinary income</b>	—	230	230
<b>Income before income taxes and minority interest</b>	9,538	11,485	1,947
Income, inhabitant & business tax – current	3,769	4,630	861
Income tax expense–deferred	66	(282)	(348)
Minority interest in net income	(11)	29	40
<b>Net income</b>	5,715	7,108	1,393

## Financial Results for the Interim period ended September 30, 2007

## 《Consolidated Statements of Changes in Net Assets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>											
	Shareholders' equity					Valuation and translation adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2006</b>	45,651	2	31,288	(67)	76,874	10,445	—	(16)	(1,159)	9,270	808	86,954
Increase (decrease) during the term:												
Cash dividends paid			(1,057)		(1,057)							(1,057)
Bonuses to directors			(150)		(150)							(150)
Staff and workers' bonuses and welfare fund			(1)		(1)							(1)
Net income			5,715		5,715							5,715
Purchase of treasury stocks				(8)	(8)							(8)
Deposition of treasury stocks		0		0	0							0
Effect from change in scope of consolidated subsidiaries			214		214							214
Net increase (decrease) during the term, except for items under shareholders' equity						(2,887)	(398)	—	51	(3,234)	(51)	(3,286)
<b>Total increase (decrease)</b>	—	0	4,721	(7)	4,714	(2,887)	(398)	—	51	(3,234)	(51)	1,428
<b>Balance at September 30, 2006</b>	45,651	2	36,010	(74)	81,589	7,558	(398)	(16)	(1,107)	6,035	757	88,382

	<i>Millions of yen</i>											
	Shareholders' equity					Valuation and translation adjustments					Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Deferred hedge profit and loss	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
<b>Balance at March 31, 2007</b>	45,651	3	40,660	(109)	86,205	11,405	838	(16)	(947)	11,280	768	98,254
Increase (decrease) during the term:												
Cash dividends paid			(1,479)		(1,479)							(1,479)
Staff and workers' bonuses and welfare fund			(2)		(2)							(2)
Net income			7,108		7,108							7,108
Purchase of treasury stocks				(19)	(19)							(19)
Deposition of treasury stocks		1		3	5							5
Net increase (decrease) during the term, except for items under shareholders' equity						257	(1,071)	—	(34)	(848)	64	(783)
<b>Total increase (decrease)</b>	—	1	5,626	(16)	5,611	257	(1,017)	—	(34)	(848)	64	4,828
<b>Balance at September 30, 2007</b>	45,651	4	46,287	(125)	91,817	11,663	(233)	(16)	(981)	10,431	833	103,082

## Financial Results for the Interim period ended September 30, 2007

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Interim period ended September 30, 2006	Interim period ended September 30, 2007	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	9,538	11,485	1,947
Depreciation and amortization	996	999	3
Increase(decrease) in allowance for doubtful receivables	(283)	55	338
Interest and dividend income	(931)	(1,125)	(194)
Interest expense	1,449	2,096	647
Gain on sales of investment securities of unconsolidated subsidiaries	—	(230)	(230)
Increase in trade receivables	(24,347)	(4,706)	19,641
Increase in inventories	(6,831)	(5,454)	1,377
Increase in trade notes and accounts payable	11,067	10,677	(390)
Other, net	(7,868)	1,411	9,279
<b>Sub total</b>	<b>(17,210)</b>	<b>15,209</b>	<b>32,419</b>
Interest and dividends received	1,068	1,115	47
Interest paid	(1,416)	(2,036)	(620)
Income taxes paid	(3,547)	(4,052)	(505)
<b>Net cash provided by (used in) operating activities</b>	<b>(21,106)</b>	<b>10,236</b>	<b>31,342</b>
<b>Cash flows from investing activities:</b>			
Payment for purchase of property and equipment	(941)	(1,613)	(672)
Proceeds from sale of property and equipment	10	17	7
Payment for purchase of investment securities	(1,938)	(1,572)	366
Proceeds from sale of investment securities	2,778	377	(2,401)
Increase(decrease) in short – term loans receivable, net	25	(953)	(978)
Increase in long – term loans receivable	—	(5)	(5)
Collection of long–term loans receivable	61	166	105
Other, net	115	(482)	(597)
<b>Net cash used in investing activities</b>	<b>110</b>	<b>(4,064)</b>	<b>(4,174)</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short–term loans, net	14,577	(18,611)	(33,188)
Increase in commercial paper, net	—	2,500	2,500
Repayments of long–term debt	(3,025)	(25)	3,000
Proceeds from issuance of bonds	—	9,950	9,950
Payment for cash dividends	(1,061)	(1,481)	(420)
Cash dividends paid to minority interest in consolidated subsidiaries	(25)	(17)	8
Other, net	(7)	(14)	(7)
<b>Net cash provided by (used in) financing activities</b>	<b>10,457</b>	<b>(7,700)</b>	<b>(18,157)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(430)</b>	<b>64</b>	<b>494</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,967)</b>	<b>(1,463)</b>	<b>9,504</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>18,985</b>	<b>10,228</b>	<b>(8,757)</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries</b>	<b>8</b>	<b>—</b>	<b>(8)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>8,026</b>	<b>8,765</b>	<b>739</b>

## Financial Results for the Interim period ended September 30, 2007

## 《Segment information》

## Business segment information

The Companies' operations are classified into five business segments as follows:

Steel: Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, and steelmaking raw materials

Non-ferrous metals: Nickel, copper, aluminium, lead, zinc, tin, antimony, other metals, and solar cell-related materials and products

Foods: Frozen seafoods and meat products

Petroleum and chemicals : Petroleum products, chemical products, and cement

Other business: Lumber, machinery, and others

Segment information by business category for the interim period ended September 30, 2006 and 2007, is as follows:

(Rounded down to millions of yen)

Interim period ended September 30, 2006	Millions of yen							Corporate	Consolidated
	Steel	Metal and alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business	Total		
Net sales	323,293	74,905	32,798	47,079	116,852	27,254	622,184	—	622,184
Costs and expenses	316,757	72,581	31,221	47,054	115,460	26,324	609,400	2,661	612,062
Operating income	6,536	2,324	1,576	25	1,391	929	12,784	(2,661)	10,122

Interim period ended September 30, 2007	Millions of yen							Corporate	Consolidated
	Steel	Metal and alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business	Total		
Net sales	370,016	111,009	34,541	43,956	144,726	31,799	736,050	—	736,050
Costs and expenses	362,300	107,638	33,056	43,862	143,602	30,860	721,320	2,748	724,069
Operating income	7,716	3,370	1,484	93	1,124	939	14,729	(2,748)	11,981

## Notes:

Corporate costs and expenses mainly consist of expenses of administrative departments.

Corporate assets mainly consist of cash and equivalents, investment securities and assets of administrative departments.