

# Financial Results for the First Quarter ended June 30, 2008

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

August 6, 2008

Company name: **HANWA Co.,Ltd.** Listed stock exchange: Tokyo, Osaka  
 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)  
 Representative: Shuji Kita President  
 Enquiries: Tetsuro Akimoto Senior Managing Director of Accounting Dept.  
 TEL 81 - 3 - 3544 - 2190

The date of issue of audited financial statements: August 14, 2008

## 1. Consolidated financial results for the first quarter ended June 30, 2008

(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 first quarter ended June 30, 2008	438,664	15.7	12,117	71.5	11,227	66.2	6,429	43.4
ended June 30, 2007	379,274	27.7	7,065	38.9	6,757	25.4	4,484	41.7

	Net income per share	Net income per share(diluted)
	(yen)	(yen)
For the first quarter ended June 30, 2008	30.42	—
ended June 30, 2007	21.22	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
June 30, 2008	551,536	107,173	19.3	503.74
March 31, 2008	482,014	100,926	20.7	473.70

Note: Shareholders' equity As of June 30, 2008 106,453 million yen  
 As of March 31, 2008 100,111 million yen

## 2. Cash dividends

(effective date)	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Year ended March 31, 2008	—	6.00	—	6.00	12.00
Year ending March 31, 2009 (estimated)	—	6.00	—	6.00	12.00

## 3. Forecast of consolidated financial results for fiscal year ending March 31, 2009

(% 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)
Interim	875,000	18.9	20,100	67.8	18,100	60.8	10,200	43.5	48.26
Annual	1,808,000	19.9	33,900	43.0	30,000	41.1	17,400	32.7	82.33

\* 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 First Quarter ended June 30, 2008

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2008	June 30, 2008	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	14,191	14,473	282
Trade notes and accounts receivable	263,192	311,030	47,838
Inventories	92,982	100,687	7,705
Others	21,297	21,832	535
Allowance for doubtful receivables	(891)	(995)	(104)
<b>Total current assets</b>	<b>390,772</b>	<b>447,028</b>	<b>56,256</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Land	24,453	24,453	—
Others	18,288	18,051	(237)
<b>Total property and equipment</b>	<b>42,741</b>	<b>42,505</b>	<b>(236)</b>
<b>Intangible assets</b>	<b>808</b>	<b>797</b>	<b>(11)</b>
<b>Investments and other assets;</b>			
Investment securities	31,443	44,662	13,219
Others	17,005	17,260	255
Allowance for doubtful receivables	(756)	(717)	39
<b>Total investments and other assets</b>	<b>47,692</b>	<b>61,205</b>	<b>13,513</b>
<b>Total fixed assets</b>	<b>91,242</b>	<b>104,508</b>	<b>13,266</b>
<b>Total assets</b>	<b>482,014</b>	<b>551,536</b>	<b>69,522</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	168,287	190,185	21,898
Short-term loans payable	49,738	73,445	23,707
Commercial paper	17,000	30,000	13,000
Current portion of bonds payable	10,000	10,000	—
Income taxes payable	4,813	4,845	32
Accrued bonuses	1,763	1,184	(579)
Others	29,416	33,547	4,131
<b>Total current liabilities</b>	<b>281,019</b>	<b>343,210</b>	<b>62,191</b>
<b>Long-term liabilities;</b>			
Bonds payable	10,000	10,000	—
Long-term loans payable	79,325	79,325	—
Employees' retirement benefits	8	23	15
Others	10,735	11,804	1,069
<b>Total long-term liabilities</b>	<b>100,068</b>	<b>101,152</b>	<b>1,084</b>
<b>Total liabilities</b>	<b>381,088</b>	<b>444,363</b>	<b>63,275</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	5	1
Retained earnings	51,028	56,189	5,161
Treasury stock	(130)	(137)	(7)
<b>Total shareholders' equity</b>	<b>96,554</b>	<b>101,708</b>	<b>5,154</b>
<b>Valuation and translation adjustments;</b>			
Net unrealized holding gains on securities	5,397	6,793	1,396
Deferred hedge profit and loss	143	99	(44)
Land revaluation difference	(16)	(16)	—
Foreign currency translation adjustments	(1,966)	(2,131)	(165)
<b>Total valuation and translation adjustments</b>	<b>3,557</b>	<b>4,745</b>	<b>1,188</b>
<b>Minority interests</b>	<b>814</b>	<b>719</b>	<b>(95)</b>
<b>Total net assets</b>	<b>100,926</b>	<b>107,173</b>	<b>6,247</b>
<b>Total liabilities and net assets</b>	<b>482,014</b>	<b>551,536</b>	<b>69,522</b>

## Financial Results for the First Quarter ended June 30, 2008

## 《Consolidated Statements of Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	First quarter ended June 30, 2007	First quarter ended June 30, 2008	Increase(Decrease)
<b>Net sales</b>	379,274	<b>438,664</b>	59,390
Cost of sales	365,587	<b>419,101</b>	53,514
<b>Gross profit</b>	13,687	<b>19,562</b>	5,875
Selling, general and administrative expenses	6,622	<b>7,445</b>	823
<b>Operating income</b>	7,065	<b>12,117</b>	5,052
<b>Other income;</b>			
Interest income	295	<b>274</b>	(21)
Dividend income	496	<b>475</b>	(21)
Others	356	<b>142</b>	(214)
Total other income	1,148	<b>892</b>	(256)
<b>Other expenses;</b>			
Interest expenses	1,265	<b>1,174</b>	(91)
Others	190	<b>608</b>	418
Total other expenses	1,456	<b>1,783</b>	327
<b>Ordinary income</b>	6,757	<b>11,227</b>	4,470
<b>Extraordinary income</b>			
Gain on sales of investment securities of unconsolidated subsidiaries	230	—	(230)
Total extraordinary income	230	—	(230)
<b>Income before income taxes and minority interest</b>	6,987	<b>11,227</b>	4,240
Income taxes	2,482	<b>4,823</b>	2,341
Minority interest in net income	20	<b>△ 25</b>	(45)
<b>Net income</b>	4,484	<b>6,429</b>	1,945

## Financial Results for the First Quarter ended June 30, 2008

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	First quarter ended June 30, 2007	First quarter ended June 30, 2008	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	6,987	11,227	4,240
Depreciation and amortization	486	527	41
Decrease in allowance for doubtful receivables	17	66	49
Interest and dividend income	(792)	(749)	43
Interest expense	1,265	1,174	(91)
Gain on sales of investment securities of unconsolidated subsidiaries	(230)	—	230
Increase in trade receivables	(32,809)	(48,690)	(15,881)
Increase(decrease) in inventories	(3,299)	(8,044)	(4,745)
Increase(decrease) in trade notes and accounts payable	5,670	22,669	16,999
Other, net	(2,898)	1,644	4,542
<b>Sub total</b>	<b>(25,601)</b>	<b>(20,176)</b>	<b>5,425</b>
Interest and dividends received	728	707	(21)
Interest paid	(953)	(882)	71
Income taxes paid	(3,898)	(4,883)	(985)
<b>Net cash provided by (used in) operating activities</b>	<b>(29,725)</b>	<b>(25,235)</b>	<b>4,490</b>
<b>Cash flows from investing activities:</b>			
Payment for time deposits	—	(212)	(212)
Payment for purchase of property and equipment	(621)	(914)	(293)
Proceeds from sale of property and equipment	5	308	303
Payment for purchase of investment securities	(220)	(12,767)	(12,547)
Proceeds from sale of investment securities	369	2,060	1,691
Decrease in short – term loans receivable, net	(124)	96	220
Increase in long – term loans receivable	—	(10)	(10)
Collection of long-term loans receivable	154	28	(126)
Other, net	99	221	122
<b>Net cash used in investing activities</b>	<b>(336)</b>	<b>(11,189)</b>	<b>(10,853)</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short-term loans, net	18,449	27,430	8,981
Increase in commercial paper, net	22,500	13,000	(9,500)
Repayments of long-term debt	(12)	(3,012)	(3,000)
Payment for cash dividends	(1,069)	(959)	110
Cash dividends paid to minority interest in consolidated subsidiaries	(17)	—	17
Other, net	(3)	(9)	(6)
<b>Net cash provided by (used in) financing activities</b>	<b>39,846</b>	<b>36,448</b>	<b>(3,398)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>503</b>	<b>46</b>	<b>(457)</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>10,288</b>	<b>69</b>	<b>(10,219)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>10,228</b>	<b>14,178</b>	<b>3,950</b>
<b>Cash and cash equivalents at end of year</b>	<b>20,517</b>	<b>14,248</b>	<b>(6,269)</b>

## Financial Results for the First Quarter ended June 30, 2008

## 《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

Metals and alloys: Nickel, chromium, stainless scrap and solar cell-related materials and products

Non-ferrous metals: Copper, aluminium, lead, zinc, tin, antimony and other metals

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 first quarter ended June 30, 2007 and 2008, is as follows:  
(Rounded down to millions of yen)

First quarter ended June 30, 2007	<i>Millions of yen</i>								Corporate Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business	Total		
Net sales	187,229	63,219	18,410	24,262	69,505	16,646	379,274	—	379,274
Operating income	4,407	1,740	1,009	248	525	453	8,385	(1,320)	7,065

First quarter ended June 30, 2008	<i>Millions of yen</i>								Corporate Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business	Total		
Net sales	237,808	53,759	18,923	22,825	91,716	13,631	438,664	—	438,664
Operating income	8,103	2,580	476	724	873	785	13,545	(1,427)	12,117