

# Financial Results for the Third Quarter ended December 31, 2008

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

February 6, 2009

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 Stock exchange code: 8078 (URL <http://www.hanwa.co.jp>)  
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## 1. Consolidated financial results for the third quarter ended December 31, 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 third quarter ended December 31, 2008	1,272,659	13.3	22,211	23.5	22,805	33.8	4,116	(60.9)
ended December 31, 2007	1,123,253	15.1	17,987	7.3	17,050	7.3	10,527	10.8

	Net income per share	Net income per share (diluted)
	(yen)	(yen)
For the third quarter ended December 31, 2008	19.50	—
ended December 31, 2007	49.81	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(yen)
December 31, 2008	569,742	97,125	16.9	459.96
March 31, 2008	482,014	100,926	20.7	473.70

Note: Shareholders' equity As of December 31, 2008 96,272 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	—	6.00	—	—	—
Year ending March 31, 2009 (estimated)	—	—	—	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)
Annual	1,550,000	2.8	20,500	(13.5)	20,100	(5.5)	2,500	(80.9)	11.94

\* 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 Third Quarter ended December 31, 2008

## 《Consolidated Balance Sheets》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	March 31, 2008	December 31, 2008	Increase(Decrease)
<b>Assets</b>			
<b>Current assets;</b>			
Cash and deposits	14,191	40,091	25,900
Trade notes and accounts receivable	263,192	290,356	27,164
Inventories	92,982	111,435	18,453
Others	21,297	37,403	16,106
Allowance for doubtful receivables	(891)	(996)	(105)
<b>Total current assets</b>	<b>390,772</b>	<b>478,290</b>	<b>87,518</b>
<b>Fixed assets;</b>			
<b>Property and equipment;</b>			
Land	24,453	27,966	3,513
Others	18,288	18,608	320
<b>Total property and equipment</b>	<b>42,741</b>	<b>46,574</b>	<b>3,833</b>
<b>Intangible assets</b>	<b>808</b>	<b>747</b>	<b>(61)</b>
<b>Investments and other assets;</b>			
Investment securities	31,443	26,513	(4,930)
Others	17,005	18,987	1,982
Allowance for doubtful receivables	(756)	(1,370)	(614)
<b>Total investments and other assets</b>	<b>47,692</b>	<b>44,130</b>	<b>(3,562)</b>
<b>Total fixed assets</b>	<b>91,242</b>	<b>91,452</b>	<b>210</b>
<b>Total assets</b>	<b>482,014</b>	<b>569,742</b>	<b>87,728</b>
<b>Liabilities;</b>			
<b>Current liabilities;</b>			
Trade notes and accounts payable	168,287	191,978	23,691
Short-term loans payable	49,738	112,336	62,598
Commercial paper	17,000	—	(17,000)
Current portion of bonds payable	10,000	—	(10,000)
Income taxes payable	4,813	3,486	(1,327)
Accrued bonuses	1,763	1,351	(412)
Others	29,416	31,977	2,561
<b>Total current liabilities</b>	<b>281,019</b>	<b>341,130</b>	<b>60,111</b>
<b>Long-term liabilities;</b>			
Bonds payable	10,000	10,000	—
Long-term loans payable	79,325	113,370	34,045
Employees' retirement benefits	8	27	19
Others	10,735	8,089	(2,646)
<b>Total long-term liabilities</b>	<b>100,068</b>	<b>131,486</b>	<b>31,418</b>
<b>Total liabilities</b>	<b>381,088</b>	<b>472,616</b>	<b>91,528</b>
<b>Net assets;</b>			
<b>Shareholders' equity;</b>			
Common stock	45,651	45,651	—
Capital surplus	4	4	—
Retained earnings	51,028	52,769	1,741
Treasury stock	(130)	(755)	(625)
<b>Total shareholders' equity</b>	<b>96,554</b>	<b>97,670</b>	<b>1,116</b>
<b>Valuation and translation adjustments;</b>			
Net unrealized holding gains on securities	5,397	618	(4,779)
Deferred hedge profit and loss	143	(311)	(454)
Land revaluation difference	(16)	(180)	(164)
Foreign currency translation adjustments	(1,966)	(1,524)	442
<b>Total valuation and translation adjustments</b>	<b>3,557</b>	<b>(1,397)</b>	<b>(4,954)</b>
<b>Minority interests</b>	<b>814</b>	<b>853</b>	<b>39</b>
<b>Total net assets</b>	<b>100,926</b>	<b>97,125</b>	<b>(3,801)</b>
<b>Total liabilities and net assets</b>	<b>482,014</b>	<b>569,742</b>	<b>87,728</b>

## Financial Results for the Third Quarter ended December 31, 2008

## 《Consolidated Statements of Income》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Third quarter ended December 31, 2007	Third quarter ended December 31, 2008	Increase(Decrease)
<b>Net sales</b>	1,123,253	1,272,659	149,406
Cost of sales	1,084,716	1,228,241	143,525
<b>Gross profit</b>	38,536	44,417	5,881
Selling, general and administrative expenses	20,549	22,205	1,656
<b>Operating income</b>	17,987	22,211	4,224
<b>Other income;</b>			
Interest income	911	807	(104)
Dividend income	727	740	13
Foreign exchange gain	1,138	3,723	2,585
Others	428	397	(31)
<b>Total other income</b>	3,205	5,668	2,463
<b>Other expenses;</b>			
Interest expenses	3,289	3,325	36
Others	853	1,749	896
<b>Total other expenses</b>	4,143	5,074	931
<b>Ordinary income</b>	17,050	22,805	5,755
<b>Extraordinary income</b>			
Gain on sales of investment securities	316	—	(316)
<b>Total extraordinary income</b>	316	—	(316)
<b>Extraordinary loss;</b>			
Loss on sale of property and equipment	—	212	212
Loss on devaluation of investments securities	—	9,733	9,733
Foreign exchange loss on common stock reduction of consolidated subsidiary	—	908	908
<b>Total other expenses</b>	—	10,854	10,854
<b>Income before income taxes and minority interest</b>	17,367	11,951	(5,416)
Income taxes	6,795	7,763	968
Minority interest in net income	43	71	28
<b>Net income</b>	10,527	4,116	(6,411)

## Financial Results for the Third Quarter ended December 31, 2008

## 《Consolidated Statements of Cash Flows》

(Rounded down to millions of yen)

	<i>Millions of yen</i>		
	Third quarter ended December 31, 2007	Third quarter ended December 31, 2008	Increase (Decrease)
<b>Cash flows from operating activities:</b>			
Income before income taxes	17,367	11,951	(5,416)
Depreciation and amortization	1,515	1,737	222
Increase(decrease) in allowance for doubtful receivables	40	720	680
Interest and dividend income	(1,638)	(1,548)	90
Interest expense	3,289	3,325	36
Gain on sales of investment securities of unconsolidated subsidiaries	(316)	—	316
Loss on sale of property and equipment	—	212	212
Loss on devaluation of investments securities	—	9,733	9,733
Foreign exchange loss on common stock reduction of consolidated subsidiary	—	908	908
(Increase)decrease in trade receivables	(25,216)	(28,322)	(3,106)
(Increase)decrease in inventories	(456)	(18,968)	(18,512)
Increase(decrease) in trade notes and accounts payable	17,047	24,765	7,718
Increase(decrease) in deposits received	650	(8,584)	(9,234)
Other, net	(2,349)	(4,804)	(2,455)
<b>Sub total</b>	<b>9,932</b>	<b>(8,872)</b>	<b>(18,804)</b>
Interest and dividends received	1,550	1,488	(62)
Interest paid	(2,913)	(2,890)	23
Income taxes paid	(7,811)	(9,080)	(1,269)
<b>Net cash provided by (used in) operating activities</b>	<b>758</b>	<b>(19,355)</b>	<b>(20,113)</b>
<b>Cash flows from investing activities:</b>			
Payment for time deposits	—	(344)	(344)
Proceeds from refund of time deposits	4	212	208
Payment for purchase of property and equipment	(2,549)	(6,005)	(3,456)
Proceeds from sale of property and equipment	32	511	479
Payment for purchase of investment securities	(2,665)	(14,706)	(12,041)
Proceeds from sale and redemption of investment securities	562	2,076	1,514
(Increase)decrease in short – term loans receivable, net	(812)	40	852
Increase in long – term loans receivable	(9)	(10)	(1)
Collection of long–term loans receivable	196	71	(125)
Other, net	(210)	(94)	116
<b>Net cash used in investing activities</b>	<b>(5,450)</b>	<b>(18,248)</b>	<b>(12,798)</b>
<b>Cash flows from financing activities:</b>			
Increase(decrease) in short–term loans, net	2,832	62,766	59,934
Increase(decrease) in commercial paper, net	(5,500)	(17,000)	(11,500)
Proceeds from long–term debt	—	48,455	48,455
Repayments of long–term debt	(37)	(13,580)	(13,543)
Proceeds from issuance of bonds	9,950	—	(9,950)
Redemption of issuance of bonds	—	(10,000)	(10,000)
Payment for cash dividends	(2,729)	(2,526)	203
Cash dividends paid to minority interest in consolidated subsidiaries	(17)	(4)	13
Other, net	(18)	(640)	(622)
<b>Net cash provided by (used in) financing activities</b>	<b>4,479</b>	<b>67,469</b>	<b>62,990</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(6)</b>	<b>(97)</b>	<b>(91)</b>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>(219)</b>	<b>29,767</b>	<b>29,986</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 period</b>	<b>10,009</b>	<b>43,946</b>	<b>33,937</b>

## Financial Results for the Third Quarter ended December 31, 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 third quarter ended December 31, 2007 and 2008, is as follows:  
(Rounded down to millions of yen)

Third quarter ended December 31, 2007	<i>Millions of yen</i>						Total	Corporate	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business			
Net sales	570,091	159,172	50,319	68,448	231,795	43,426	1,123,253	—	1,123,253
Operating income	11,621	4,815	2,048	752	1,911	922	22,071	(4,084)	17,987

Third quarter ended December 31, 2008	<i>Millions of yen</i>						Total	Corporate	Consolidated
	Steel	Metals & alloys	Non-ferrous metals	Foods	Petroleum & chemicals	Other business			
Net sales	711,143	137,125	46,963	66,829	270,464	40,132	1,272,659	—	1,272,659
Operating income	15,597	1,456	1,186	1,719	3,940	2,658	26,558	(4,346)	22,211