PEACE

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JAPAN

SUM

ANNUAL REPORT 2003

HANWA CO., LTD.

For the year ended March 31, 2003

阪和興業株式会社

Corporate Profile

Since its establishment in 1947, Hanwa has contributed to the development of the Japanese economy as a trading company handling industrial materials, such as steel — the company's leading product — and non-ferrous metals, food products, lumber, machinery, petroleum, chemical products, and cement. Our steel division in particular is equipped with quay and warehouse transportation facilities as well as complete processing sites that enable us to both handle large quantities purchased from major steel manufacturers and to cater to the special needs of our customers. This is why we have long been known in Japan as a "steel trading company."

Recently, with the changes and diversification of the domestic market, we have demonstrated new capabilities as a trading company by handling seafood products, rides for amusement parks, and non-ferrous metal recycling. We have created numerous businesses in these fields that command the top market share. The basic strategies underlying such success are internationalization, business diversification, and value enhancement.

Hanwa's ideal function as a trading company is to be more than just a distributor. Based on our insight of the international market and information-gathering capabilities, we aim to develop new products, as well as coordinate ventures among businesses. As a trading company with such operating skills at our disposal, we will continue to develop new unique businesses.

About the Cover

The Chinese character for the syllable *wa* of Hanwa's name has four meanings in Japanese: Japan, harmony, sum (as in addition) and peace.

These key words capture the essence of Hanwa's ideals: to trade products that meet the needs of customers through a business relationship with the countries of the world, incorporating new ideas into the products to bring peace and harmony to people's lives.

Contents

HANWA CO., LTD., AND CONSOLIDATED SUBSIDIARIES

Financial Highlights

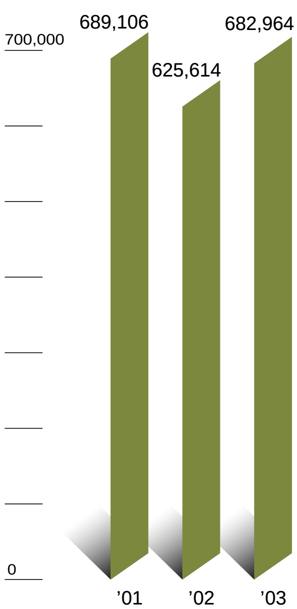
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
For the year:				
Net sales	**¥ 682,964**	¥ 625,614	**$ 5,681,897**	$ 5,204,775
Operating income	**10,257**	6,517	**85,333**	54,218
Net income	**5,907**	3,587	**49,143**	29,842
At year-end:				
Total assets	**¥ 281,557**	¥ 284,515	**$ 2,342,404**	$ 2,367,013
Total stockholders' equity	**52,748**	49,188	**438,835**	409,218

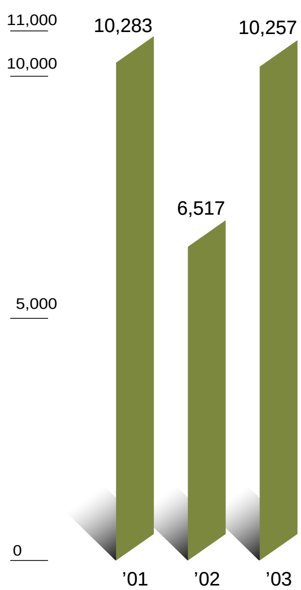
	Yen		U.S. dollars	
	2003	2002	**2003**	2002
Per share data:				
Net income	**¥ 27.91**	16.95	**$ 0.232**	$ 0.141
Cash dividends	**5.00**	5.00	**0.042**	0.042

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥120.20=$1.00.

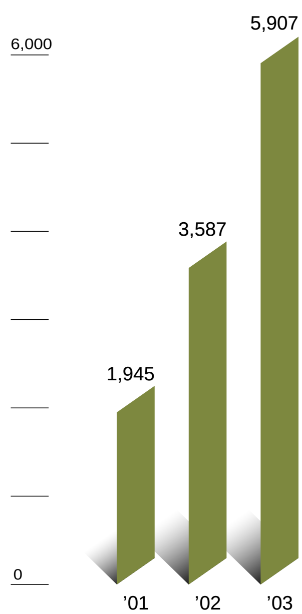
Net sales
(Millions of yen)



Operating income
(Millions of yen)



Net income
(Millions of yen)



Letter to Stakeholders

Dear Stakeholders,

We take pleasure in reporting that Hanwa Co., Ltd. and its consolidated subsidiaries achieved solid growth in both sales and income for fiscal year ended March 31, 2003. Net sales increased 9.2% from the level of the previous fiscal year, to ¥683.0 billion. Operating income advanced 57.4%, to ¥10.3 billion, and net income after tax rose 64.7%, to ¥5.9 billion. The return on equity (ROE) improved by 2 percentage points to 11.6%, and the debt-equity ratio (D/E ratio) decreased 30 points to 240%.

Management Policy

Our corporate policy aim is to be regarded by all stakeholders as a "Valued Enterprise", and to contribute to both our local community and international society.

We dedicate ourselves to putting the customer first in all our business dealings, and to having the responsiveness to meet the changing needs of the market. We aim to do this through a proposal-based marketing style that emphasizes the value of our role as traders, enhancing value-added as products pass through the distribution chain, and expanding business opportunity to create a compelling win-win relationship with our customers.

Dividend Policy

Returning profits to our shareholders is one of our highest management priorities. Our basic policy is to distribute dividends on the basis of ROE and payout ratio, while maintaining the funds needed to strengthen the business going forward and to ensure ongoing financial soundness.

Management Targets

To strengthen the Company's focus on enterprise value and the quality of the balance sheet, we have included the debt-equity ratio (D/E ratio), an indicator of financial stability, as a management benchmark in addition to return on assets (ROA) and return on equity (ROE).

The results for fiscal year 2002 and 2003 and our target ratios for fiscal year 2004 are as follows.

	FY2002 (Result)	FY2003 (Result)	FY2004 (Target)
ROA	1.3%	2.1%	2.2%
ROE	9.6%	11.6%	10.9%
D/E ratio	270%	240%	180%

Medium- and Long-term Strategy, and Management Issues

In January 2001, we worked out a medium-term business plan that covers the three-year period from fiscal year 2002 through 2004. It sets a number of management goals and describes the initiatives that will be taken to achieve them.

One key objective is the resumption of dividend payments. This was achieved in FY2002, with a dividend of ¥5 per share. Our proposition going forward will be to maintain dividend stability.

Strengthening the Logistics and Processing Business

We are working to enhance service levels for our customers through an organic linking of our e-commerce and logistics technologies. Our e-commerce site "hanwa-steel.com" is a unique electronic trading system for iron and steel products that makes every user feel as if salespeople are present immediately behind the computer display. The number of transactions through the site is increasing steadily, and we have received a very favorable response from our customers.

We have also launched "hanwa-lumber.com", a similar e-commerce site to serve our lumber business. We continue to enhance the contents of both sites and work to further improve the convenience for our customers.

In our logistics operations, we have introduced an automated delivery system to rationalize our operations and raise levels of customer service. We continue to refine our distribution systems model to make the optimum use of logistics technologies.

In the metal processing sector, we both add value to construction material products and are developing supply chain management of iron and steel products. We established a 100% owned subsidiary, Hanwa Steel Services Ltd. in Shiga Prefecture in April 2002. The plant was completed in April 2003 and its full-range steel-sheet-processing capacity covers the demand in this area.

Boost Competitiveness in China and Southeast Asia
We will continue to focus resources actively on establishing a solid business base in the promising Chinese market. One aspect of this strategy was an additional investment in Chang-Fu Stainless Steel Center (Suzhou) Co., Ltd. in October 2002, which raised our stake from 36.1% to 58.1%.

Development of New Businesses
The Company is developing its interests in the recycling market on the strength of its ISO14001 certification. We are also expanding our presence in environmental fields through our active participation in the research group examining environmental issues in the dismantlement of heavy metal-tainted furnaces.

Personnel Systems to Support Enhanced Competitiveness
To boost our human resource development, we introduced a new personnel system in April 2002 that stresses transparent and fair personnel evaluation based on individual achievement. We are also working to strengthen the Company's organizational structure in a way that enables it to meet the demands of a challenging economic environment. Among our initiatives are a clear commitment to promote regardless of seniority and to reward people who make effective use of specialist skills, and the establishment of standards for action that define how we expect all our employees to act.

Corporate Governance

Although we are a profit-oriented enterprise, we are expected to behave as a good citizen. Among other things, compliance with laws and regulations is the minimum requirement the "Valued Enterprise" is expected to fulfill.

To assist in this endeavor, we established an ethics committee in September 2002, to strengthen compliance. We followed this in March 2003 with the implementation of ethical guidelines and standards for corporate ethical behavior to insure that we operate ethically in our daily business. We have also appointed independent corporate lawyers for a consultation service.

We shall continue to bolster our approach to corporate governance through strengthened senior management structures.

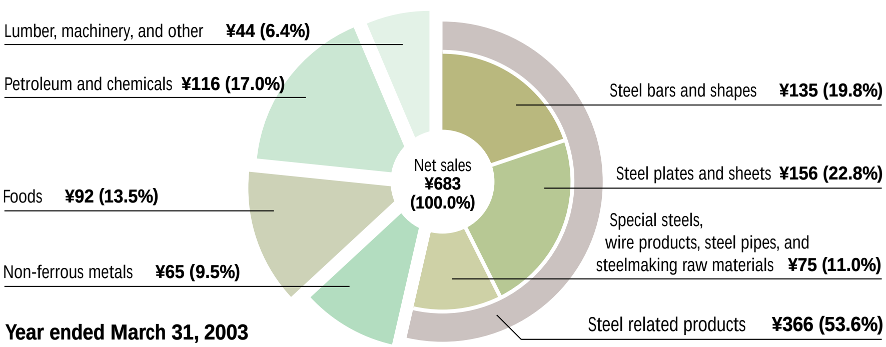
August 2003

Shuji Kita
President
Hanwa Co., Ltd.

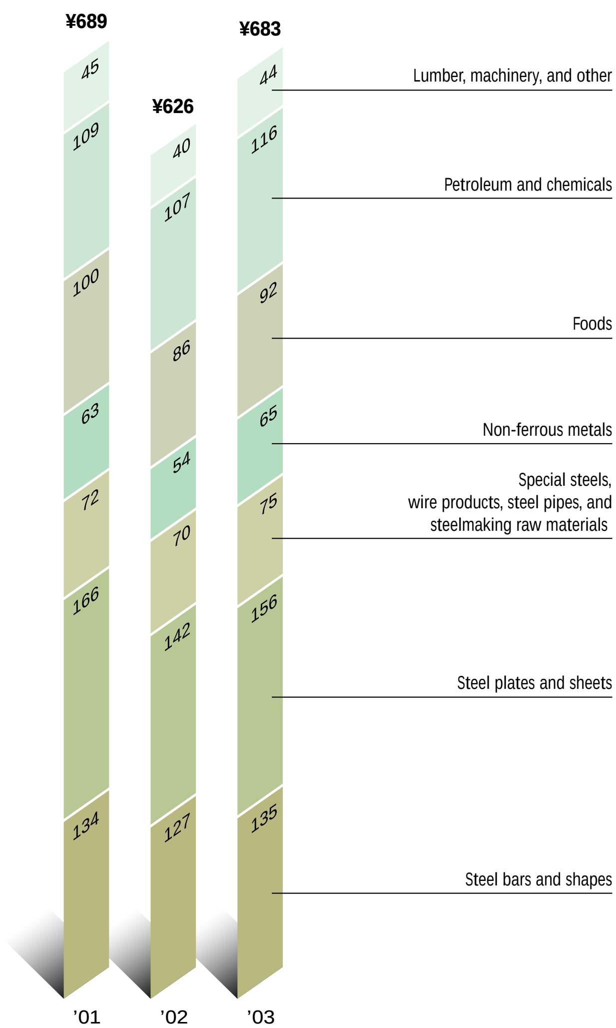
北　修爾
取締役社長
阪和興業株式会社

Review of Operations

Net sales by Product (Billions of yen)



Year ended March 31, 2003



Steel (Domestic)

Review of fiscal year 2003

There existed a lot of uncertainties in the world economy, such as the War in Iraq, a slump in IT related industries, some countries’ protectionism measures to put Safe-Guard into motion against surging steel imports, etc. On the other hand, US’s active consumer spending in housing and automobile sectors and China’s strong growth in manufacturing capability bolstered the world economy from decline.

The overseas factors naturally affected the Japanese domestic industries; the automobile production has increased, shipbuilding industries have received more orders, and indirect export of construction machinery and factory automation machinery was considered to have increased.

On the other hand, demand from public construction and civil engineering sharply plummeted due to the slash of government and municipal budget. Demand of private houses was poor due to the decline of personal income. The factory construction fell sharply because of the lack of equipment investment as a result of the accelerated transplant of their production facilities to China and other overseas countries.

In the steel market, by the effort of production curtailment by the 2 major steel mill’s group, market prices increased by 20 to 30% higher than the previous year.

As to the less integrated products of Electric Furnace Mills such as steel bars, shapes and beams, market prices also gradually improved. The shortage and high cost of their raw materials gradually pushed the prices of their products in the market. The shortage was caused by the export of 6 million tons steel scrap and 3.36 million tons semi products to the neighbor countries.

Under the circumstances, our Steel Division, accomplished an achievement of increased sales amount, while the volume in terms of tonnage decreased slightly.

Steel (Overseas)

Review of fiscal year 2003

In the first half of the fiscal year, US put the Safe-Guard in motion against imported steel products and in the second half, China took the similar protectionism action against surging steel import. Reviewing the overall steel export business, however, we enjoyed a favorable turn of market prices and achieved a good result in the end. Our export to China and other South-East Asian countries surpassed by far the previous years' both in volume and value. The dollar-yen exchange was comparatively stable; yen was evaluated only 2.4% than the average rate of the previous year. We obtained more ownership in the Chang-Fu Stainless Steel Center(Suzhou) Co., Ltd. in China and took larger stake in its management with a view to improving its marketing function and customer relationship in the promising market.

Outlook for fiscal year 2004

SARS overshadowed the economy of Asian countries, whose outlook for their economic growth was forced to be revised to downward. We still find no reason that demand in China will fall immediately. However, we will remain prudent in speculating its future market because the sporadic inventory curtailment started to be reported among the stockists, and no one knows the outcome of the provisional Safe Guard now put in motion against some imported steel products.

We will put more personnel and monetary resources to Thailand and China. We will set up new fabrication and distribution centers in these regions when needed.

Outlook for fiscal year 2004

We foresee the US economy may slow down in the coming fiscal year, and the demand of ordinary steel products in China may ease gradually. The Japanese steel mills will try to sustain the market prices by the timely curtailment of their production. Although there exist various uncertain factors like SARS etc., it is expected that the overall demand of steel products from China will remain strong.

In the domestic market, we expect flat market for construction machinery and shipbuilding, while we foresee slight retraction in automobile industries and a gradual contraction in civil engineering and housing.

A reform and restructure will continue in the steel manufacturing and distribution industries. We will continue to impress our presence in the trade as the leaders. We will strive to direct ourselves to the downstream consumer market, not limited to the whole sale market. Internally, we will strengthen the co-ordination between the divisions of domestic sales, the more frequent exchange of information between domestic and overseas divisions. Externally, we will give our suggestions and advise to our customers for the development of more value added products. We will enlarge the reciprocity of benefits with our suppliers and customers. We will further rationalize our logistics and office administration with the most advanced IT related equipment to provide our customers the best services.

Non-ferrous Metals

Review of fiscal year 2003
The majority of raw materials for smelting non-ferrous metal is its scrap and wastes emitted from the manufacturing factories of various industries. The more the domestic industries' transplant of their production facilities to the overseas countries prevail, the less the output of raw materials from the domestic factories become. To cover up the decline of business, our Non-ferrous Metals Division has cultivated new supply sources, developed new lines of business and created more value added products out of our operation of recycling aluminum-can.

We also made a great sale of Stainless steel scrap, nickel metal and its scrap, and ferroalloys etc., thanks to the increased demand from the integrated mills and special steel mills. The importing of ferroalloys from South Africa, which started in the latter half of the year, expanded steadily to have grown into one of our main businesses. We also started the export of raw materials for solar power generation equipment to the EU market from USA.

Outlook for fiscal year 2004
We do not expect the sudden and favorable turn in the international commodity market in the very near future. The supply of scrap for recycling will continue to decrease. Under the circumstances, we will create business of more value added products from our aluminum-can recycling operation. We expand import/export with ASEAN countries, and coordinate international trading between the overseas countries.

We supply more raw materials to integrated mills and special steel mills who will keep on producing at high level in the coming year, too. We will increase the export of nickel metal to China. We will integrate our lines of business in overseas market of the solar power generation equipment, from polycrystalline silicon, its wafer, to the solar module. We will develop market for imported ferroalloy from South Africa.

Food Products

Review of fiscal year 2003
Market prices of Sea food, in general, bottomed out at the beginning of the fiscal year and ticked the steady notch toward late autumn. However, the market suddenly collapsed due to the unprecedented severe slump of the year-end sales, especially of shrimp and salmon.

Fortunately, we had already diversified our business into the more value-added products which we processed in China and finished ready for sale in Japan. Thanks to the higher profit margin secured in the first half of the year, the Division achieved a remarkable performance in turnover and profit. Horse mackerel, shrimp and processed fish were the products that contributed the upswing of both volume and value over the previous year.

Outlook for fiscal year 2004
Amid the ongoing deflationary Japanese economy, we do not expect the consumer spending will pick up immediately. However, there are some brighter signs in the sea food market. We will increase the import from China of processed or finished sea food such as shrimp, horse-mackerel, octopus, squids. We will integrate our business targets not only to the processor or wholesale market but to the market closer to the consumer.

Petroleum and Chemicals

Review of fiscal year 2003

The War in Iraq pushed up the crude oil price and so the cost of refinery's whole sale prices of the petroleum products. We, likewise the other distributors, had difficulties to pass over the increased cost to the final consumers in full. However, by the effort to capture new customers, to develop new import sources, and to make use of hedging function in the commodity futures market, we could achieve an excellent result in the sales and especially in the profit over the previous year. The Chemicals Dept. increased export of lubricant oil and APP(Atactic Polypropylene) and import of synthetic resin with the Asian countries. Our Paper Dept. exported more scrap paper to the Asian countries and that covered up the decrease of export business of interleaf used for steel sheet packing.

Outlook for fiscal year 2004

We expect the crude oil price will stabilize in the coming year. We will focus on our main customers again for multiplying the deal. We also develop new market. We will integrate our business to include bunker fuel oil to the ships, import/export of petroleum products, hedging deal with commodity futures market, etc.

Our Chemicals Dept. will increase the import of general merchandise for the discount shops paralleling with the export of the lubricant oil and APP and the import of synthetic resin with Asian countries.

Lumber

Review of fiscal year 2003

We started holding a inventory of imported 2x4 lumber for private house builders. We were successful in penetrating the new market and expanding the US and Canadian lumber business, whereas many other trading firms cut back the business. We also increased the supply of raw materials to the laminated board manufacturers. Eventually, we found ourselves to have grown into one of the leading importers of lumber in Japan. We have finished the framework for introducing our electronic commerce trading system, "hanwa-lumber.com". As a result of our prudent credit risk control, we had no single bad account occurred in this fiscal year. We have achieved a very satisfactory result in sales and profit, both surpassed the previous year's.

Outlook for fiscal year 2004

The target entailed on the Lumber Dept. in the coming fiscal year is to increase the import of custom made "pre-cut" lumber from the overseas saw mills. We will export raw materials to Chinese board manufacturers and buy their finished products into Japan. We expedite the earlier installment of the internet commerce system, "hanwa-lumber.com" and expect its great contribution to our business. However, we continue to be selective in providing credit to our customers.

Machinery

Review of fiscal year 2003

In the leisure sector, Tokyo Disney Land and Disney Sea successfully attracted people. But other smaller or medium-sized theme parks have suffered a decline in visitors and some have been forced to close down their facilities. Every one of these theme parks has decreased active investment for the new amusement rides etc., just as they did in the previous year. We sold and installed Flume Ride, Musical Fountain and Horror House to the renovated Tokyo Dome which re-opened in the name of La Qua in May, 2003.

In the industrial sector, Under the sagging Japanese economy, equipment investment is still lagging with no sign of a reversal in sight. We decided to step into recycling business of discarded cars in autumn, 2002. It is reported that in December, 2004, new laws will rule out mandatory recycling of disused vehecles. We signed the contract with Z-Mag Co. for the joint development of market in Japan of their Automobile Shredder Residue (ASR) equipment which enables to recover more than 95% of shredder dust for recycling or re-use.

Outlook for fiscal year 2004

In the leisure sector, we will supply and install two attractions, Family Coaster and Kids Factory to the theme park Laguna Gamagori as a part of their second expansion which is scheduled to open in spring, 2004.

In the industrial sector, we will continue our efforts to excavate markets for environment related machinery and equipment including ASR. We will also increase sales of steel fabrication machinery.

Our Ethical Principles

In accordance with the policy of the company incorporated into Corporate Creed and the "Charter of Corporate Behavior" established by Nippon Keidanren, Hanwa Co., Ltd. draws up, under the Corporate Policy, the Corporate Ethical Standards and the Ethical Standards of Behavior as guidelines for employee behaviors in order to promote legal, fair and sensible corporate conducts.

Corporate Creed

Confidence

Each director, officer and employee should recognize that confidence is the foundation of company existence, observe correct business practices and build up confidence of our stakeholders and society through everyday business.

Honesty

Always be aware that honesty is the basis of earning confidence, and try to act with fair and high openness, and complete its own assignments with honesty and responsibility.

Originality

Originality is the basis of progress and improvements. Under the current diversified circumstance, constantly absorb new information, improve efficiency, and fulfill its responsibility with courage, not being obsessed with traditional ideas.

Cooperation

Always respect other person's position with a heart of cooperation in local communities and international societies. Try to keep in harmony with society through decent business conducts and make an open and vigorous work place.

Contribution

Widely contribute to society through business under sound company activities, and try to promote environmental conservation as a part of its social responsibility.

Corporate Policy

- Earn confidence with honesty and efforts.
- Be a specialist in the field with its vigor and guts.
- Improve efficiency with its originality and cooperation
- Promote corporate business and build happy homes
- Recognize its responsibility and contribute to society

Corporate Ethical Standards

Hanwa Co., Ltd. hereby draws up the following ethical standards as basic concept for constantly recognizing its required social role and responsibility and establishing high corporate ethical framework under its policy of the company. Its all directors, officers and employees shall comply with and perform these standards in its daily business activities.

1. Compliance with regulations and social rules

Hanwa Co., Ltd. complies with laws, regulations, international rules and other social rules, and promotes corporate activities in accordance with social common sense.

2. Fair corporate activities

Hanwa Co., Ltd. does business activities realizing that a fair and free competition is the basic rule of the market economy, and maintains sound and highly transparent relationship with the government and public administration.

3. Contribution to the industry society

Hanwa Co., Ltd. develops its business activities based on both short and long term perspectives, and contributes to the development of the industry society by active cultivation and creation of business chances.

4. Active information disclosure

Hanwa Co., Ltd. fully recognizes high interests of society in corporate activities, widely communicates with not only its shareholders but also society, and maintains its corporate transparency with fair and active information disclosures.

5. Consideration for environment

Hanwa Co., Ltd. constantly acknowledges that consideration for environment is a part of its social responsibilities and deals with environmental issues from the worldwide point of view voluntarily and actively.

6. Global harmonization

Hanwa Co., Ltd. as an international entity respects local cultures and customs abroad, and promotes its managements to contribute to developments of local areas.

7. Establishment of free and vigorous work environment

Hanwa Co., Ltd. respects its employees' individual characters and personalities, ensures prosperous work environments, recognizes team works as the foundation of corporate activities, and achieves free, vigorous and creative corporate culture.

8. Promotion of active social actions as "a good corporate entity".

Hanwa Co., Ltd. integrates corporate and public benefits, widely returns its achievements gained through corporate activities and makes social contributions voluntarily and actively in every aspect.

9. Thorough familiarization of ethical standards and development of in-house framework

Hanwa Co., Ltd. thoroughly familiarizes the persons concerned with these standards to effectively implement the rule by its managements' active involvement and develop its in-house framework for more efficient and effective operations.

10. Prevention of recurrence of misconducts and appropriate information disclosure

Hanwa Co., Ltd. always checks its effectiveness in implementation of these standards. In the event any misconduct against these standards happens, Hanwa Co., Ltd. discloses relevant information, explains the circumstance promptly and properly to society and prevent recurrence of such misconducts by investigating cause of such misconducts.

Corporate Ethical Standards of Behavior

Under the spirits of the Corporate Ethical Standards, Hanwa Co., Ltd. hereby draws up the following ethical standards of behavior as concrete guidelines to ensure high corporate ethics through everyday business. Its all directors, officers and employees shall comply with these standards in their activities.

1. Comply with laws, regulations, international rules, social customs and in-house rules in accordance with the policy of the management, and maintain high ethics.
2. Give consideration to human rights and exclude unjust discriminations, abuses, harassments, etc..
3. Promote contribution to society and support volunteer activities.
4. Strengthen and maintain communication with local communities, and cooperate with social developments.
5. Observe environmental related laws and regulations and operate its business considering global environment.
6. Do not conduct unjust dealings such as insider deals of shares.
7. Confront resolutely antisocial forces and refrain from any profit-offering, etc.
8. Stay away from conducts contradicting company's profit and maintain sound relationship with its customers.
9. Comply with laws and regulations and stay within the extent socially permitted in giving clients presents and entertainments.
10. Make appropriate, fair and proper accounting books and records, and follow accounting related laws and regulations.
11. Conduct an in-house audit appropriately and always check contents of contracts and actual conditions of dealings with clients.
12. Draw up external documents such as contracts and in-house memorandums properly and keep such documents in accordance with company regulations.
13. Manage information carefully and maintain sound information network.
14. Give due consideration to issues of safety and hygiene in managing business activities and labor services.
15. Emphasize in-house education and develop expertise and creativity.
16. Maintain vigorous work environment with fair personnel evaluation.
17. Encourage employees to report, notify and consult, and promote open and highly transparent business activities.

Topics

1. "Friend of India" Award

In February, 2003, our Foods Division was awarded the "Friend of India" award at the presentation ceremony of the International Seafood Show held in Goa, India. The award is sponsored by the Ministry of Agriculture of India, and is presented every other year to the most valuable buyers of Indian seafood in the regions of USA, Europe and Asia. This is the second consecutive honor Hanwa Co., Ltd received this prestigious award. Our long-term involvement in the Indian shrimp farming industry must have been recognized and appreciated.

2. Hanwa Steel Services Ltd.

A 100% owned new subsidiary, Hanwa Steel Services Ltd, has had two slitter lines and one leveler-cutter line installed at its Shiga plant, which has been in operation since April, 2003. The company is capable of fabricating 10,000 tons steel sheet per month with its "on-demand" and "on-time" services now available to the users in the Shiga-Mie region.

3. Solar Energy Business

In April, 2000, our Non-Ferrous Metals Dept. went into the solar power generation industry as a supplier of imported raw materials, polycrystalline silicon and its off-grade. The business has now grown into an international business that includes the export of semi and finished products, such as silicon wafer, solar cell and solar module, to the USA and EU markets. We expect further expansion of our business into the promising Chinese market.

4. Housing Materials Business

In November, 1999, the Housing Team was formed for the purpose of marketing housing materials for private house builders. The Team has since developed its business into steel-structured private houses, steel pre-fabricated basements, pre-fabricated shop units, etc. The team's business is not limited to the sale of building materials to house builders alone. They also offer private customers their suggestions on such matters as planning, supervising, installing and building. The market for steel structured houses have a promising future because more and more people are now interested in them for their recycling and quake-resistant structure.

Management Discussion and Analysis

Economic overview

During the period under review, the world economy was mixed, with signs of recovery in the US during the first half of the year offset by a rapid slowing in Europe, Asia, and other regions in the second half, as the situation in Iraq become increasingly tense. Deflation took further hold in the Japanese economy, due to declining domestic demand and capital spending, and the weakness of personal consumption. Against a background of ongoing financial instability, the initiatives launched by the government and Bank of Japan were unable to reverse these trends.

Earnings

Under these adverse circumstances, Hanwa Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") strengthened alliances with our customers and aggressively offered value added services to meet their needs and potentialities, while being careful to minimize credit risk. As a result, net sales increased 9.2% from the previous year, to ¥683.0 billion.

Operating income advanced 57.4%, to ¥10.3 billion. This was due both to the firmer market prices of some steel and food items, and to the Companies' efforts to focus on maintaining margins. Net income rose 64.7%, to ¥5.9 billion, including losses on sale of Brazilian government bonds to improve the balance sheet.

Sales by Business Segment

Steel: Despite an absence of substantial demand growth from domestic industry (with the exception of the automobile sector), production cuts and inventory adjustments by the steel mills boosted market pricing steadily through out the year. This, and strong exports to China and southeast Asia, lifted divisional sales 8.0%, to ¥365.6 billion.

Non-Ferrous Metals: Sales increased 19.9%, to ¥65.0 billion. The growth resulted primarily from a recovery in market nickel pricing caused by expanded demand from stainless steel producers.

Foods: Year-end demand was poor, but increased imports of processed fish products from China, where the market is shifting to higher value-added products, and a general rise in market pricing during the first half of the year, lifted sales 7.3%, to ¥92.4 billion.

Petroleum and Chemicals: The Iraq War resulted in unstable market conditions. However, the Company successfully balanced demand and supply in domestic market. Sales increased 8.8%, to ¥115.9 billion.

Other businesses: Sales in other businesses increased 10.0%, to ¥44.1 billion. The principal driver was expanded imports of European lumber and plywood.

Cash Flows

Net cash provided by operating activities amounted to ¥3.3 billion during the fiscal year as a result of successful marketing. Net cash provided by investing activities totaled ¥0.8 billion, including the proceeds from redemption and sale of marketable and investment securities. Net cash used in financing activities amounted ¥10.1 billion, used to pay down bank loans. As a result, cash and cash equivalents decreased ¥7.4 billion year-on-year to ¥27.8 billion at the end of the fiscal year.

Outlook

We see little cause for optimism in the economic environment for a trading company such as Hanwa Co., Ltd. during the coming year. The world situation remains uncertain, with the US economy, the situation in the Middle East, and the SARS outbreak all causes for ongoing concern, while the Japanese economy continues to show no sign of recovering.

The steel industry cannot continue to depend on domestic public works spending and private sector capital investment, and the Companies will look to its logistics and processing operations to support earnings. It will focus on the environmentally friendly recycling business in its non-ferrous metals division, and plans to develop its interests in the solar energy business. In the foods business, it will pay detailed attention to the products and materials handled, with a close watch on market pricing, and will strengthen its focus on high-margin processed foods. In the petroleum and chemicals division, it will work to expand trading of petroleum products in East Asia, and will focus on increasing its interests in lifestyle-related products, for which demand is expected to increase. In the other business segment, the Companies will work to enhance earnings by boosting sales of existing products and by developing new customers.

Five-Year Summary

For the years ended March 31

	Millions of yen except number of employees					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	**2003**
For the year:						
Net sales	**¥ 682,964**	¥ 625,614	¥ 689,106	¥ 629,717	¥ 598,568	**$ 5,681,897**
Operating income	**10,257**	6,517	10,283	8,727	5,325	**85,333**
Net income (loss)	**5,907**	3,587	1,945	595	(435)	**49,143**
Net cash provided by (used in) operating activities	**3,269**	19,327	2,731	(9,715)	7,974	**27,196**
Net cash provided by investing activities	**836**	1,352	41,635	22,789	21,006	**6,955**
Net cash used in financing activities	**(10,115)**	(14,630)	(52,208)	(20,382)	(17,129)	**(84,151)**
At year-end:						
Cash and cash equivalents	**27,808**	35,183	27,701	34,435	42,898	**231,348**
Total assets	**281,557**	284,515	288,175	332,172	360,544	**2,342,404**
Total stockholders' equity	**52,748**	49,188	25,448	27,036	41,419	**438,835**
Number of employees	**1,239**	1,136	1,177	1,202	N/A	

	Yen					U.S. dollars
	2003	2002	2001	2000	1999	**2003**
Per share data:						
Net income (loss)	**¥ 27.91**	¥ 16.95	¥ 9.19	¥ 2.48	¥ (1.49)	**$ 0.232**
Cash dividends	**5.00**	5.00	—	—	—	**0.042**
Stockholders' equity	**249.30**	232.40	120.23	127.73	142.01	**2.074**

	%				
	2003	2002	2001	2000	1999
Key financial ratios:					
Return on assets	**2.1**	1.3	0.6	0.2	(0.1)
Return on equity	**11.6**	9.6	7.4	1.7	(1.0)
Debt/equity ratio	**240**	270	580	740	490

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥120.20=$1.00.

Financial Section

Contents

Consolidated Balance Sheets

As at March 31, 2003 and 2002

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2003	2002	**2003**	2002
Current assets:				
Cash and cash equivalents	**¥ 27,808**	¥ 35,183	**$ 231,348**	$ 292,704
Marketable securities (Note 3)	**102**	3,304	**849**	27,487
Receivables:				
Trade notes and accounts:				
Unconsolidated subsidiaries and affiliates	**3,181**	2,499	**26,464**	20,790
Other	**130,933**	127,144	**1,089,293**	1,057,770
Loans:				
Unconsolidated subsidiaries and affiliates	**3,533**	2,233	**29,392**	18,577
Other	**2**	2	**16**	16
Allowance for doubtful receivables	**(861)**	(581)	**(7,163)**	(4,833)
Inventories	**34,983**	27,605	**291,040**	229,659
Deferred income taxes (Note 8)	**1,060**	1,952	**8,819**	16,240
Other current assets (Note 5)	**14,287**	16,451	**118,860**	136,864
Total current assets	**215,028**	215,792	**1,788,918**	1,795,274
Investments and non-current receivables:				
Investment securities (Notes 3 and 5):				
Unconsolidated subsidiaries and affiliates	**1,421**	1,437	**11,822**	11,955
Other	**8,588**	9,572	**71,448**	79,634
Loans receivable:				
Unconsolidated subsidiaries and affiliates	**415**	723	**3,452**	6,015
Other	**940**	1,155	**7,820**	9,609
Other investments and non-current receivables	**11,277**	15,123	**93,819**	125,815
Allowance for doubtful receivables	**(2,092)**	(4,972)	**(17,404)**	(41,364)
Total investments and non-current receivables	**20,549**	23,038	**170,957**	191,664
Property and equipment (Note 5)**:**				
Land (Note 9)	**29,195**	28,421	**242,887**	236,448
Buildings and structures	**19,972**	18,901	**166,156**	157,246
Other	**5,789**	6,084	**48,161**	50,616
Accumulated depreciation	**(9,670)**	(8,323)	**(80,449)**	(69,243)
Total property and equipment	**45,286**	45,083	**376,755**	375,067
Other assets:				
Deferred income taxes — noncurrent (Note 8)	**75**	115	**624**	957
Intangibles and other assets (Note 5)	**619**	487	**5,150**	4,051
Total other assets	**694**	602	**5,774**	5,008
Total	**¥ 281,557**	¥ 284,515	**$ 2,342,404**	$ 2,367,013

See accompanying Notes to Consolidated Financial Statements.

Liabilities, Minority Interest and Stockholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2003	2002	**2003**	2002
Current liabilities:				
Bank loans (Note 6)	**¥ 74,615**	¥ 96,119	**$ 620,757**	$ 799,659
Long-term debt due within one year (Note 6)	**28,979**	1,336	**241,090**	11,115
Trade notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**1,378**	382	**11,464**	3,178
Other	**81,047**	84,891	**674,268**	706,248
Accrued bonuses to employees	**1,438**	1,329	**11,964**	11,056
Income taxes payable	**588**	382	**4,892**	3,178
Other current liabilities	**13,041**	10,141	**108,494**	84,368
Total current liabilities	**201,086**	194,580	**1,672,929**	1,618,802
Non-current liabilities:				
Long-term debt due after one year (Note 6)	**21,000**	34,979	**174,709**	291,007
Employees' severance and retirement benefits (Note 7)	**1,791**	1,222	**14,900**	10,166
Directors' retirement benefits	**367**	280	**3,053**	2,329
Reserve for loss on sale-repurchase agreement of land	**2,512**	2,037	**20,899**	16,947
Other non-current liabilities	**1,551**	2,229	**12,903**	18,544
Total non-current liabilities	**27,221**	40,747	**226,464**	338,993
Contingent liabilities (Note 13)				
Minority interest	**502**	—	**4,176**	—
Stockholders' equity (Note 9):				
Common stock,				
Authorized: 570,000,000 shares				
Issued: 211,663,200 shares	**45,651**	45,651	**379,792**	379,792
Retained earnings	**9,991**	5,141	**83,119**	42,770
Land revaluation difference	**(419)**	(418)	**(3,486)**	(3,478)
Net unrealized holding losses on securities	**(385)**	(808)	**(3,203)**	(6,722)
Foreign currency translation adjustments	**(2,079)**	(377)	**(17,296)**	(3,136)
Treasury stock, at cost: 73,712 shares (7,832 in 2002)	**(11)**	(1)	**(91)**	(8)
Total stockholders' equity	**52,748**	49,188	**438,835**	409,218
Total	**¥ 281,557**	¥ 284,515	**$ 2,342,404**	$ 2,367,013

Consolidated Statements of Income

For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2003	2002	**2003**	2002
Net sales	**¥ 682,964**	¥ 625,614	**$ 5,681,897**	$ 5,204,775
Cost of sales	**651,641**	597,750	**5,421,306**	4,972,962
Gross profit	**31,323**	27,864	**260,591**	231,813
Selling, general and administrative expenses	**21,066**	21,347	**175,258**	177,595
Operating income	**10,257**	6,517	**85,333**	54,218
Other income (expenses):				
Interest and dividend income	**920**	1,700	**7,654**	14,143
Interest expense	**(2,223)**	(2,733)	**(18,494)**	(22,737)
Gain on sale of property and equipment	**249**	—	**2,071**	—
Loss on write-down of investment securities	**(339)**	(498)	**(2,820)**	(4,143)
Loss on sale of investment securities	**(941)**	—	**(7,829)**	—
Loss on write-down of golf club memberships	**—**	(157)	**—**	(1,306)
Provision for loss on sale-repurchase agreement of land	**(475)**	(2,037)	**(3,952)**	(16,947)
Other, net	**(473)**	(848)	**(3,935)**	(7,055)
Income before income taxes	**6,975**	1,944	**58,028**	16,173
Income taxes (Note 8)**:**				
Current	**166**	388	**1,381**	3,228
Deferred	**902**	(2,031)	**7,504**	(16,897)
	1,068	(1,643)	**8,885**	(13,669)
Net income	**¥ 5,907**	¥ 3,587	**$ 49,143**	$ 29,842

	Yen		U.S. dollars (Note 1)	
	2003	2002	**2003**	2002
Net income per share	**¥ 27.91**	¥ 16.95	**$ 0.232**	$ 0.141
Cash dividends per share	**5.00**	5.00	**0.042**	0.042

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

For the years ended March 31, 2003 and 2002

	Thousands	Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized holding losses on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	211,663	¥ 82,646	¥ 19,227	¥ (72,892)	¥ —	¥ —	¥ (3,533)	¥ —
Common stock reduction (Note 9)	—	(36,995)	—	36,995	—	—	—	—
Disposition of deficit (Note 9)	—	—	(19,227)	19,227	—	—	—	—
Land revaluation difference (Note 9)	—	—	—	—	(418)	—	—	—
Effect arising from merger of consolidated subsidiary	—	—	—	18,224	—	—	—	—
Net income	—	—	—	3,587	—	—	—	—
Net unrealized holding losses on securities	—	—	—	—	—	(808)	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	3,156	—
Treasury stock	—	—	—	—	—	—	—	(1)
Balance at March 31, 2002	**211,663**	**45,651**	**—**	**5,141**	**(418)**	**(808)**	**(377)**	**(1)**
Net income	**—**	**—**	**—**	**5,907**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(1,058)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**—**	**1**	**(1)**	**—**	**—**	**—**
Decrease in unrealized holding losses on securities	**—**	**—**	**—**	**—**	**—**	**423**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**(1,702)**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10)**
Balance at March 31, 2003	**211,663**	**¥ 45,651**	**¥ —**	**¥ 9,991**	**¥ (419)**	**¥ (385)**	**¥ (2,079)**	**¥ (11)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized holding losses on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$ 687,571	$ 159,958	$ (606,423)	$ —	$ —	$ (29,392)	$ —
Common stock reduction (Note 9)	(307,779)	—	307,779	—	—	—	—
Disposition of deficit (Note 9)	—	(159,958)	159,958	—	—	—	—
Land revaluation difference (Note 9)	—	—	—	(3,478)	—	—	—
Effect arising from merger of consolidated subsidiary	—	—	151,614	—	—	—	—
Net income	—	—	29,842	—	—	—	—
Net unrealized holding losses on securities	—	—	—	—	(6,722)	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	26,256	—
Treasury stock	—	—	—	—	—	—	(8)
Balance at March 31, 2002	**379,792**	**—**	**42,770**	**(3,478)**	**(6,722)**	**(3,136)**	**(8)**
Net income	**—**	**—**	**49,143**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**(8,802)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**8**	**(8)**	**—**	**—**	**—**
Decrease in unrealized holding losses on securities	**—**	**—**	**—**	**—**	**3,519**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**(14,160)**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(83)**
Balance at March 31, 2003	**$ 379,792**	**$ —**	**$ 83,119**	**$ (3,486)**	**$ (3,203)**	**$ (17,296)**	**$ (91)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2003	2002	**2003**	2002
Cash flows from operating activities:				
Income before income taxes	**¥ 6,975**	¥ 1,944	**$ 58,028**	$ 16,173
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Depreciation	**1,707**	1,877	**14,201**	15,616
Increase (decrease) in allowance for doubtful receivables	**(649)**	1,212	**(5,399)**	10,083
Interest and dividend income	**(920)**	(1,700)	**(7,654)**	(14,143)
Interest expense	**2,223**	2,733	**18,494**	22,737
Gain on sale of property and equipment	**(249)**	—	**(2,071)**	—
Loss on write-down of investment securities	**339**	498	**2,820**	4,143
Loss on sale of investment securities	**941**	—	**7,829**	—
Loss on write-down of golf club memberships	**—**	157	**—**	1,306
Provision for loss on sale-repurchase agreement of land	**475**	2,037	**3,952**	16,947
Decrease (increase) in trade receivables	**(4,233)**	19,247	**(35,216)**	160,125
Decrease (increase) in inventories	**(6,588)**	6,327	**(54,809)**	52,637
Decrease in trade notes and accounts payable	**(3,422)**	(16,368)	**(28,469)**	(136,173)
Increase in deposits received	**3,902**	(6)	**32,462**	(50)
Other, net	**4,135**	2,600	**34,401**	21,631
Sub total	**4,636**	20,558	**38,569**	171,032
Cash flows during the year for:				
Interest and dividends received	**972**	1,811	**8,086**	15,066
Interest paid	**(2,172)**	(2,730)	**(18,070)**	(22,712)
Income taxes paid	**(167)**	(312)	**(1,389)**	(2,596)
Net cash provided by operating activities	**3,269**	19,327	**27,196**	160,790
Cash flows from investing activities:				
Additions to securities	**—**	(3,103)	**—**	(25,815)
Proceeds from redemption and sale of securities	**2,941**	7,363	**24,468**	61,256
Additions to property and equipment	**(603)**	(548)	**(5,017)**	(4,559)
Proceeds from sale of property and equipment	**1,403**	15	**11,672**	125
Additions to investment securities	**(3,230)**	(243)	**(26,872)**	(2,022)
Proceeds from redemption and sale of investment securities	**2,671**	437	**22,221**	3,636
Additions to loans receivable	**(2,444)**	(2,144)	**(20,333)**	(17,837)
Repayment of loans receivable	**479**	1,782	**3,985**	14,825
Proceeds in the acquisition of the shares of newly consolidated subsidiary (Note 10)	**452**	—	**3,761**	—
Other, net	**(833)**	(2,207)	**(6,930)**	(18,361)
Net cash provided by investing activities	**836**	1,352	**6,955**	11,248
Cash flows from financing activities:				
Decrease in bank loans, net	**(22,710)**	(11,861)	**(188,935)**	(98,677)
Proceeds from long-term debt	**15,000**	3,000	**124,792**	24,958
Repayments of long-term debt	**(1,337)**	(5,769)	**(11,123)**	(47,995)
Payment of cash dividends	**(1,058)**	—	**(8,802)**	—
Other, net	**(10)**	—	**(83)**	—
Net cash used in financing activities	**(10,115)**	(14,630)	**(84,151)**	(121,714)
Effect of exchange rate changes on cash and cash equivalents	**(1,365)**	1,433	**(11,356)**	11,922
Net increase (decrease) in cash and cash equivalents	**(7,375)**	7,482	**(61,356)**	62,246
Cash and cash equivalents at beginning of year	**35,183**	27,701	**292,704**	230,458
Cash and cash equivalents at end of year	**¥ 27,808**	¥ 35,183	**$ 231,348**	$ 292,704

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

Hanwa Co.,Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japan yen, and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its ten (eight in 2002) significant subsidiaries (together "the Companies"). The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods ended three months or less prior to March 31, and significant transactions after their year-ends are appropriately adjusted in consolidation.

Intercompany transactions and accounts have been eliminated. The Company doesn't apply the equity method, because non-consolidated subsidiaries and affiliated companies are immaterial.

Cash and cash equivalents — In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful receivables — The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

The allowance for doubtful receivables of overseas consolidated subsidiaries is determined by estimates of management.

Securities — The Companies classify securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Companies do not hold held-to-maturity debt securities. Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains on sale of such securities are computed using moving-average cost.

At March 31, 2002, as a result of adoping the new Japanese accounting standard for available-for-sale securities, net unrealized holding losses on securities of ¥808 million ($6,722 thousand) were recorded in stockholders' equity.

Inventories — Inventories are principally stated at the lower of cost or market value. Cost is determined by the moving average cost method or the specific identification cost method.

Property and equipment — Property and equipment are carried at cost. Depreciation is principally provided on the declining balance method over estimated useful lives. Major renewals and improvements are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

Software costs — The Companies include software in intangible and other assets, and depreciate it using the straight-line method over the estimated useful life of five years.

Bonuses — The Company and its domestic consolidated subsidiaries follow the Japanese practice of paying bonuses to employees in June and December. As at the balance sheet date, the bonus liabilities are estimated and accounted for on an accrual basis.

Bonuses to directors and statutory auditors, which are subject to approval at the stockholders' meeting, are accounted for as an appropriation of retained earnings.

Income taxes — The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its wholly owned domestic subsidiaries have applied the consolidated tax reporting system from this fiscal year.

Retirement benefits — Substantially all employees of the Company and its consolidated domestic subsidiaries are covered by qualified funded pension plans. The amount of the retirement benefit is, in general, based on length of service, base salary at the time of retirement, and cause of retirement. Annual contributions, which consist of normal cost and amortization of prior service cost are charged to income when paid.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

Directors and statutory auditors are not covered by these plans. However, the liability for retirement benefits represents management's estimate of the amounts payable to them at the balance sheet date if they retired at that date. Amounts payable to directors and statutory auditors upon retirement are subject to the approval of stockholders.

Reserve for loss on sale-repurchase agreement of land — Reserve for loss on sale-repurchase of land reflects an estimate of possible losses based on an exercise of a sale-repurchase agreement under which the Company sold land to the Organization for Promoting Urban Development.

Translation of foreign currencies — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for stockholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

The Companies report foreign currency translation adjustments in the stockholders' equity.

Finance leases — Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

Derivatives and hedge accounting — The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap agreements are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap agreement is added to or deducted from the interest on the assets or liabilities for which the swap agreement was executed.

The following summarizes hedging derivative financial instruments used by the Company and items hedged:

Hedging instruments:
- Interest rate swap agreements
- Commodity futures contracts
- Foreign exchange forward contracts

Hedged items:
- Interest expense on borrowings
- Inventories and commitments
- Equity investment in subsidiary

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Reclassifications — Certain reclassifications have been made to prior-year amounts to conform to the current-year presentation.

Amounts per share — Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period. The Commercial Code of Japan requires that the declaration of dividends be approved at the general meeting of stockholders held after the end of the fiscal year. Therefore, cash dividends per share shown in the consolidated statements of income reflect the dividends approved after the end of the fiscal year.

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The adoption of the new accounting standard had no impact on the financial statements.

3. Securities

(A) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2003 and 2002:

March 31, 2003

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	**¥ 2,212**	**¥ 2,542**	**¥ 330**	**$ 18,403**	**$ 21,148**	**$ 2,745**
Bonds						
Government bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**100**	**102**	**2**	**832**	**849**	**17**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥ 2,312**	**¥ 2,644**	**¥ 332**	**$ 19,235**	**$ 21,997**	**$ 2,762**
Other securities:						
Equity securities	**¥ 2,734**	**¥ 2,022**	**¥ (712)**	**$ 22,745**	**$ 16,822**	**$ (5,923)**

March 31, 2002

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥ 1,373	¥ 1,847	¥ 474	$ 11,423	$ 15,366	$ 3,943
Bonds						
Government bonds	2,969	3,397	428	24,700	28,261	3,561
Corporate bonds	1,555	1,809	254	12,937	15,050	2,113
Other	254	254	—	2,113	2,113	—
Total	¥ 6,151	¥ 7,307	¥ 1,156	$ 51,173	$ 60,790	$ 9,617
Other securities:						
Equity securities	¥ 3,926	¥ 3,185	¥ (741)	$ 32,662	$ 26,497	$ (6,165)

(B) The following tables summarize book values of securities whose fair values are not determinable as of March 31, 2003 and 2002:

(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
	Book value	Book value	Book value	Book value
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 1,421**	¥ 1,437	**$ 11,822**	$ 11,955

(b) Available-for-sale securities

Unlisted stocks (excluding over-the counter securities)	**¥ 2,024**	¥ 1,040	**$ 16,839**	$ 8,652
Other	**2,000**	1,344	**16,639**	11,182
Total	**¥ 4,024**	¥ 2,384	**$ 33,478**	$ 19,834

(C) Available-for-sale securities with maturities as of March 31, 2003 and 2002 will mature as follows:

March 31, 2003

	Millions of yen			Thousands of U.S. dollars		
	Within one year	Over one year but within five years	Over five years but within ten years	Within one year	Over one year but within five years	Over five years but within ten years
Government bonds	¥ —	¥ —	¥ —	$ —	$ —	$ —
Corporate bonds	102	—	—	849	—	—
Other	—	—	—	—	—	—
Total	**¥ 102**	**¥ —**	**¥ —**	**$ 849**	**$ —**	**$ —**

Year ended March 31, 2002

Government bonds	¥ 453	¥ 1,812	¥ 1,132	$ 3,769	$ 15,075	$ 9,418
Corporate bonds	1,707	102	—	14,201	849	—
Other	254	1,343	—	2,113	11,173	—
Total	¥ 2,414	¥ 3,257	¥ 1,132	$ 20,083	$ 27,097	$ 9,418

(D) Total sales of available-for-sale securities in the years ended March 31, 2003 and 2002 amounted to ¥2,269 million ($18,877 thousand) and ¥51 million ($424 thousand) and the net losses amounted to ¥942 million ($7,837 thousand) and ¥11 million ($92 thousand).

4. Derivatives

The Company enters into foreign exchange forward contracts and currency option agreements, in its normal business, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company enters into foreign exchange forward contracts, currency swap agreements and interest rate swap agreements as hedges against bonds and loans denominated in foreign currencies. And the Company enters into commodity futures contracts as a means of hedging risks associated with certain inventories and commitments.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Since the purpose of using derivatives is to reduce market risks associated with assets, liabilities and interest rates, market risks of the derivatives are effectively offset. And, as the counterparties to those derivatives are limited to major financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivatives entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount. Each derivative transaction is periodically reported to the management, where evaluation and analysis of derivatives are made.

The contracts or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risks.

The following tables summarize market value information as of March 31, 2003 and 2002, of derivatives for which hedge accounting has not been applied:

March 31, 2003

Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gains (losses)	Contract or notional amount	Fair value	Net recognized gains (losses)
Foreign exchange forward contracts:						
Selling						
U.S. dollars	¥ 3,545	¥ 3,524	¥ 21	$ 29,492	$ 29,318	$ 174
Other currencies	34	35	(1)	283	291	(8)
Buying						
U.S. dollars	24,509	25,103	594	203,902	208,844	4,942
Other currencies	1,725	1,759	34	14,351	14,634	283
Currency swap agreements:						
Japanese yen received for U.S. dollars	12,602	526	526	104,842	4,376	4,376
Currency option agreements:						
Selling						
Euro	181			1,506		
Put	<5>	5	—	<42>	42	—
Buying						
Euro	91			757		
Call	<3>	16	13	<25>	133	108
Total			¥ 1,187			$ 9,875

Notes: The figures in < > represent option premiums for currency option agreements.

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gains	Contract or notional amount	Fair value	Net recognized gains
Futures:						
Petroleum						
Selling	¥ 1,262	¥ 1,218	¥ 44	$ 10,499	$ 10,133	$ 366
Buying	790	818	28	6,572	6,805	233
Frozen seafoods						
Selling	16	15	1	133	125	8
Buying	9	9	—	75	75	—
Total			¥ 73			$ 607

March 31, 2002

Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gains (losses)	Contract or notional amount	Fair value	Net recognized gains (losses)
Foreign exchange forward contracts:						
Selling						
U.S. dollars	¥ 880	¥ 890	¥ (10)	$ 7,321	$ 7,404	$ (83)
Other currencies	42	42	—	349	349	—
Buying						
U.S. dollars	24,372	26,390	2,018	202,762	219,550	16,788
Other currencies	1,326	1,341	15	11,031	11,156	125
Currency swap agreements:						
Japanese yen received for U.S. dollars	16,888	(1,954)	(1,954)	140,499	(16,256)	(16,256)
Total			¥ 69			$ 574

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gains (losses)	Contract or notional amount	Fair value	Net recognized gains (losses)
Futures:						
Petroleum						
Selling	¥ 785	¥ 817	¥ (32)	$ 6,531	$ 6,797	$ (266)
Buying	1,224	1,346	122	10,183	11,198	1,015
Total			¥ 90			$ 749

5. Pledged assets

At March 31, 2003 and 2002, assets pledged as collateral for short-term bank loans of ¥25,100 million ($208,819 thousand) and long-term bank loans of ¥25,000 million ($207,987 thousand), respectively, and guarantees were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Other current assets	**¥ 10**	¥ 10	**$ 83**	$ 83
Investment securities	**1,503**	1,702	**12,504**	14,160
Property and equipment, net of accumulated depreciation	**25,024**	25,238	**208,187**	209,967
Intangibles	**78**	—	**649**	—
Total	**¥ 26,615**	¥ 26,950	**$ 221,423**	$ 224,210

6. Bank loans and long-term debt

Bank loans at March 31, 2003 and 2002, were represented principally by short-term notes bearing interest at rates from 0.59% to 4.54% and from 0.63% to 1.63%, respectively.

Long-term debt at March 31, 2003 and 2002, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Loans from banks, at March 31, 2003 and 2002, bearing interest at rates from 0.76% to 1.76% and from 0.76% to 1.76%, respectively, maturing serially through 2007	**¥ 49,979**	¥ 36,315	**$ 415,799**	$ 302,122
	49,979	36,315	**415,799**	302,122
Less amounts due within one year	**28,979**	1,336	**241,090**	11,115
	¥ 21,000	¥ 34,979	**$ 174,709**	$ 291,007

The annual maturities of long-term debt outstanding at March 31, 2003, were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 28,979	$ 241,090
2005	1,000	8,320
2006	17,000	141,431
2007	3,000	24,958
Total	¥ 49,979	$ 415,799

7. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2003 and 2002, consists of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Projected benefit obligation	**¥ 19,649**	¥ 18,534	**$ 163,469**	$ 154,193
Less fair value of pension assets	**(11,082)**	(12,470)	**(92,196)**	(103,744)
Unrecognized actuarial differences	**(7,946)**	(6,056)	**(66,106)**	(50,383)
Unrecognized prior service cost	**780**	840	**6,489**	6,988
Prepaid pension cost	**390**	374	**3,244**	3,112
Liability for severance and retirement benefits	**¥ 1,791**	¥ 1,222	**$ 14,900**	$ 10,166

Included in the consolidated statements of income for the years ended March 31, 2003 and 2002, are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Service costs -benefits earned during the year	**¥ 808**	¥ 738	**$ 6,722**	$ 6,140
Interest cost on projected benefit obligation	**461**	504	**3,835**	4,193
Expected return on plan assets	**(435)**	(457)	**(3,619)**	(3,802)
Amortization of actuarial difference	**450**	242	**3,744**	2,013
Amortization of prior service cost	**(60)**	—	**(499)**	—
Additional retirement benefits	**132**	263	**1,098**	2,188
Severance and retirement benefit expenses	**¥ 1,356**	¥ 1,290	**$ 11,281**	$ 10,732

Prior service cost and actuarial differences are amortized or recognized over stated years that do not exceed the average remaining service period of active employees expected to receive benefits under the plan.

Assumptions used for the years ended March 31, 2003 and 2002, are as follows:

	2003	2002
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**3.5%**	3.5%
Amortization period of prior service costs	**14 years**	14 years
Amortization period of actuarial differences	**14 years**	14 years

8. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate aggregate statutory income tax rates in Japan of approximately 42.1% for the years ended March 31, 2003 and 2002.

The aggregate statutory income tax rate will be reduced for the years commencing on April 1, 2004 or later due to the revised local tax law. At March 31, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of 40.05% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004 or later. As a result, deferred taxes assets decreased by ¥2 million ($16 thousand) and provision for deferred income taxes increased by ¥2 million ($16 thousand) compared with what would have been reported using the currently applicable aggregate statutory income tax rate of 42.1%.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Company's effective tax rates for financial statement purposes for the years ended March 31, 2003 and 2002:

	2003	2002
Statutory tax rate	**42.1%**	42.1%
Tax effect of permanent differences	**2.9**	12.0
Valuation allowance recognized for deferred tax assets	**(29.1)**	(164.0)
Effect of taxation of dividends	**—**	25.8
Tax effect of unrealized intercompany profit	**(0.2)**	(0.6)
Difference of tax rates for consolidated subsidiaries	**(0.5)**	(2.7)
Other	**0.1**	2.9
Effective tax rate	**15.3%**	(84.5)%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Deferred tax assets:				
Net operating loss carryforwards	**¥ 4,721**	¥ 44,407	**$ 39,276**	$ 369,443
Temporary differences pertaining to a consolidated subsidiary	**23,834**	24,315	**198,286**	202,288
Loss on loans receivable	**1,736**	4,227	**14,443**	35,166
Temporary differences pertaining to investments in consolidated companies	**777**	1,185	**6,464**	9,859
Reserve for loss on sale-repurchase agreement of land	**1,017**	—	**8,461**	—
Other	**3,503**	4,069	**29,143**	33,852
Total deferred tax assets	**35,588**	78,203	**296,073**	650,608
Valuation allowance	**(34,220)**	(75,972)	**(284,692)**	(632,047)
Net deferred tax assets	**1,368**	2,231	**11,381**	18,561
Deferred tax liabilities	**233**	165	**1,938**	1,373
Net deferred tax assets	**¥ 1,135**	¥ 2,066	**$ 9,443**	$ 17,188

9. Stockholders' equity

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of stockholders' meeting. Legal earning reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code.

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income of the adoption of the new accounting standard was not material.

Common stock — The Company reduced its capital by ¥36,995 million ($307,779 thousand) to cover the undisposed deficit.

The capital reduction was approved at the ordinary general meeting of stockholders of the Company held on June 28, 2001.

Capital surplus — The Company used its capital surplus of ¥19,227 million ($159,958 thousand) to reduce the undisdosed deficit.

The use of capital surplus was approved at the ordinary general meeting of stockholders of the Company held on June 28, 2001.

Land revaluation difference — Pursuant to the Law Concerning Land Revaluation, the Company revaluated land used for business activities at March 31, 2002.

Unrealized loss on land revaluation is recorded as Land revaluation difference in stockholders' equity of the accompanying consolidated balance sheets.

The revaluation of the land was determined based on a declared land value in accordance with Article 2, Paragraph 1, of the Enforcement Ordinance Concerning Land Revaluation, and the appraisal value made by certified real estate appraisers in accordance with Article 2, Paragraph 5 of the same Ordinance with certain necessary adjustments.

The book value of land revalued on March 31, 2002 was as follows:

	Millions of yen	Thousands of U.S. dollars
Book value before revaluation	¥ 27,993	$ 232,887
Carrying amount after revaluation	27,575	229,409

As of March 31, 2003, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,958 million ($24,609 thousand).

10. Acquisition of consolidated subsidiary

Chang-Fu Stainless Center (Suzhou) Co., Ltd. has been included in consolidation effective from the current fiscal year as a result of additional acquisition of its shares.

The assets and liabilities at the acquisition and the acquisition proceeds were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 2,440	$ 20,299
Fixed assets	940	7,820
Consolidation difference	26	216
Current liabilities	(2,183)	(18,161)
Minority interest	(502)	(4,176)
Foreign currency translation adjustments	(74)	(616)
Acquisition cost	647	5,382
Interest prior to acquisition	(433)	(3,602)
Additional acquisition cost	214	1,780
Cash and cash equivalents of the consolidated subsidiary	(666)	(5,541)
Net acquisition proceeds	¥ (452)	$ (3,761)

11. Leases

Finance leases

As lessee

Total lease payments, including financing charges, under finance leases that do not transfer ownership of the leased property to the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002, were ¥403 million ($3,353 thousand) and ¥455 million ($3,785 thousand), respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of and for the year ended March 31, 2003 and 2002, were as follows:

As of March 31, 2003

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Other property and equipment	**¥ 1,408**	**¥ 759**	**¥ 649**	**$ 11,714**	**$ 6,315**	**$ 5,399**
Other investments	**122**	**79**	**43**	**1,015**	**657**	**358**
Total	**¥ 1,530**	**¥ 838**	**¥ 692**	**$ 12,729**	**$ 6,972**	**$ 5,757**

As of March 31, 2002

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Other property and equipment	¥ 2,217	¥ 986	¥ 1,231	$ 18,444	$ 8,203	$ 10,241
Other investments	95	55	40	790	457	333
Total	¥ 2,312	¥ 1,041	¥ 1,271	$ 19,234	$ 8,660	$ 10,574

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥368 million ($3,062 thousand) and ¥413 million ($3,436 thousand) for the years ended of March 31, 2003 and 2002, respectively.

Obligations, excluding financing charges, under such non-capitalized finance leases as of March 31, 2003 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Due within one year	**¥ 292**	¥ 406	**$ 2,429**	$ 3,378
Due after one year	**419**	912	**3,486**	7,587
Total	**¥ 711**	¥ 1,318	**$ 5,915**	$ 10,965

As lessor

Lease payments, excluding financing charges, to be received under finance leases as of March 31, 2003 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Due within one year	**¥ —**	¥ 3	**$ —**	$ 25
Due after one year	**—**	7	**—**	58
Total	**¥ —**	¥ 10	**$ —**	$ 83

Operating leases

As Lessee

Obligations under operating leases as of March 31, 2003 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
Due within one year	**¥ 47**	¥ 40	**$ 391**	$ 333
Due after one year	**141**	104	**1,173**	865
Total	**¥ 188**	¥ 144	**$ 1,564**	$ 1,198

12. Segment information

Industry segment information

The Companies' operations are classified into five industry 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, and other alloys

Foods: Frozen seafoods and meat products

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

Other business: Machinery, lumber, and other.

Segment information by business category for the years ended March 31, 2003 and 2002, is as follows:

Year ended March 31, 2003

	Millions of yen							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	**¥ 365,588**	**¥ 65,038**	**¥ 92,423**	**¥ 115,850**	**¥ 44,065**	**¥ 682,964**	**¥ —**	**¥ 682,964**
Costs and expenses	**358,297**	**63,809**	**89,938**	**114,639**	**41,787**	**668,470**	**4,237**	**672,707**
Operating income	**¥ 7,291**	**¥ 1,229**	**¥ 2,485**	**¥ 1,211**	**¥ 2,278**	**¥ 14,494**	**¥ (4,237)**	**¥ 10,257**
Assets	**¥ 149,734**	**¥ 18,308**	**¥ 26,473**	**¥ 18,938**	**¥ 12,030**	**¥ 225,483**	**¥ 56,074**	**¥ 281,557**
Depreciation	**1,253**	**92**	**55**	**22**	**210**	**1,632**	**75**	**1,707**
Capital expenditure	**431**	**23**	**51**	**20**	**246**	**771**	**76**	**847**

Year ended March 31, 2003

	Thousands of U.S. dollars							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	**$ 3,041,498**	**$ 541,082**	**$ 768,910**	**$ 963,810**	**$ 366,597**	**$ 5,681,897**	**$ —**	**$ 5,681,897**
Costs and expenses	**2,980,840**	**530,857**	**748,236**	**953,735**	**347,646**	**5,561,314**	**35,250**	**5,596,564**
Operating income	**$ 60,658**	**$ 10,225**	**$ 20,674**	**$ 10,075**	**$ 18,951**	**$ 120,583**	**$ (35,250)**	**$ 85,333**
Assets	**$ 1,245,707**	**$ 152,313**	**$ 220,241**	**$ 157,554**	**$ 100,083**	**$ 1,875,898**	**$ 466,506**	**$ 2,342,404**
Depreciation	**10,424**	**765**	**458**	**183**	**1,747**	**13,577**	**624**	**14,201**
Capital expenditure	**3,586**	**191**	**424**	**167**	**2,047**	**6,415**	**632**	**7,047**

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

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

Year ended March 31, 2002

	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
	Millions of yen							
Net sales	¥ 338,591	¥ 54,247	¥ 86,171	¥ 106,528	¥ 40,077	¥ 625,614	¥ —	¥ 625,614
Costs and expenses	333,363	52,985	84,694	106,065	38,093	615,200	3,897	619,097
Operating income	¥ 5,228	¥ 1,262	¥ 1,477	¥ 463	¥ 1,984	¥ 10,414	¥ (3,897)	¥ 6,517
Assets	¥ 141,775	¥ 16,339	¥ 28,283	¥ 16,537	¥ 11,314	¥ 214,248	¥ 70,267	¥ 284,515
Depreciation	1,281	88	52	22	355	1,798	79	1,877
Capital expenditure	468	26	25	13	144	676	34	710

Year ended March 31, 2002

	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
	Thousands of U.S. dollars							
Net sales	$ 2,816,897	$ 451,306	$ 716,897	$ 886,256	$ 333,419	$ 5,204,775	$ —	$ 5,204,775
Costs and expenses	2,773,403	440,807	704,609	882,404	316,913	5,118,136	32,421	5,150,557
Operating income	$ 43,494	$ 10,499	$ 12,288	$ 3,852	$ 16,506	$ 86,639	$ (32,421)	$ 54,218
Assets	$ 1,179,492	$ 135,932	$ 235,300	$ 137,579	$ 94,126	$ 1,782,429	$ 584,584	$ 2,367,013
Depreciation	10,657	732	433	183	2,954	14,959	657	15,616
Capital expenditure	3,894	216	208	108	1,198	5,624	283	5,907

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

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

As explained in Note 2, as of March 31, 2002, the Company and its consolidated subsidiaries adopted the new accounting standard for financial instruments with respect to available-for-sale securities.

As a result of adopting the new accounting standard, corporate assets decreased by ¥808 million ($6,722 thousand).

Regional segment information

The Companies operate mainly within Japan, so regional segment information is not disclosed.

Overseas net sales
Overseas net sales include exports and offshore sales by the Company and its consolidated subsidiaries, excluding sales by foreign subsidiaries to Japan.

Overseas net sales of the Companies for the years ended March 31, 2003 and 2002, were as follows:

Year ended March 31, 2003

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	**¥ 94,218**	**¥ 10,717**	**¥ 104,935**	**$ 783,843**	**$ 89,160**	**$ 873,003**
Percentage of consolidated net sales	**13.8%**	**1.6%**	**15.4%**			

"Asia" consists principally of sales to China, South Korea, Thailand and Singapore.
"Other areas" consist principally of sales to the U.S.A. and Norway.

Year ended March 31, 2002

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	¥ 71,093	¥ 10,411	¥ 81,504	$ 591,456	$ 86,614	$ 678,070
Percentage of consolidated net sales	11.3%	1.7%	13.0%			

"Asia" consists principally of sales to China, South Korea, Thailand and Singapore.
"Other areas" consist principally of sales to U.S.A. and Saudi Arabia.

13. Contingent liabilities

At March 31, 2003 and 2002, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2003	2002	**2003**	2002
As endorsers of export letters of credit and notes discounted	**¥ 5,766**	¥ 4,982	**$ 47,970**	$ 41,448
As guarantors of indebtedness	**1,675**	1,679	**13,935**	13,968

14. Related party transaction

The Company purchased a building and land amounting to ¥251 million ($2,088 thousand) from a relative of a director of the Company on an arms length basis in the normal course of business in the year ended March 31, 2003.

15. Subsequent events

At the ordinary general meeting of stockholders of the Company held on June 27, 2003, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5 per share)	¥ 1,058	$ 8,802
Transfer to legal reserve	106	882

Independent Auditors' Report

To the Stockholders and the Board of Directors of
Hanwa Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Hanwa Co., Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hanwa Co., Ltd. and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Asahi & Co.

Osaka, Japan
June 27, 2003

Corporate Data

Company Name:	Hanwa Co., Ltd. 阪和興業株式会社
Address:	Osaka Head Office Hanwa Bldg., 4-3-9 Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan Tel: 06-6206-3000 Fax: 06-6206-3365 Tokyo Head Office 1-13-10 Tsukiji, Chuo-ku, Tokyo 104-8429, Japan Tel: 03-3544-2171 Fax: 03-3544-2351 Nagoya Branch Office Chunichi Bldg., 4-1-1 Sakae, Naka-ku, Nagoya 460-8441, Japan Tel: 052-262-2371 Fax: 052-262-8819
Employee:	848.
Independent Auditor:	Asahi & Co.

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
Tohoku	Sendai Daiichi Seimei Tower Bldg., 4-6-1 Ichiban-cho, Aoba-ku, Sendai 980-0811, Japan	022-227-7981	022-227-7969
Kyushu	Takeyama Hakata Bldg., 1-13-6, Hakataeki Higashi, Hakata-ku, Fukuoka 812-0013, Japan	092-471-7121	092-471-7060

Overseas Offices

OFFICE	ADDRESS	TELEPHONE	FAX
North and South America			
New York	Parker Plaza, 6th Floor, 400 Kelby Street, Fort Lee, New Jersey 07024, U.S.A.	1-201-363-4500	1-201-346-9890
Seattle	900 4th Avenue, Suite 1640, Seattle, Washington 98164, U.S.A.	1-206-622-2102	1-206-622-6464
Houston	Suite 515, 9800 Richmond Avenue, Houston, Texas 77042, U.S.A.	1-713-978-7904	1-713-978-7790
Los Angeles	18300 Vonkarman Avenue, Suite 405, Irvine, California 92612, U.S.A.	1-949-955-2780/2781	1-949-955-2785
Vancouver	Suite 502, 1001 West Broadway Vancouver, British Columbia, V6H 4B1, Canada	1-604-876-1175	1-604-876-1085
Bogota	Carrera 9A No. 99-02, Oficina 804, Edificio CITIBANK Bogota, D.E. Colombia	57-1-618-2059	57-1-618-2059
Asia			
Seoul	Room 2501-1, Korea World Trade Center Bldg., 159-1, Samsung-Dong, Kangnam-ku, Seoul, 135-729, R.O.Korea	82-2-551-5387	82-2-551-5575
Beijing	Room 801, Beijing Fortune Building, 5 Dong San Huan Bei-lu, Chaoyang District, Beijing 100004, P.R.China	86-10-6590-8331~33	86-10-6590-8340
Qingdao	Crowne Plaza Qingdao, Room No.601, Hongkong Middle Road 76, Qingdao City, Shangdon Province 266071, P.R.China	86-532-577-9990	86-532-577-9630
Dalian	Senmao Bldg., 13F, 147 Zhongshan Street, Dalian, Liaoning Province 116011, P.R.China	86-411-368-6954	86-411-368-6934
Shanghai	Room 905/906, Aetna Tower,No.107 Zhunyi Road, Shanghai 200335, P.R.China	86-21-6237-5260/5265~7	86-21-6237-5268/5269
Chongqing	Room 2203, Metropolitan Tower, 68 Zhon Rong Lu, Central District, Chongqing 400010 P.R.China	86-23-6381-1101	86-23-6381-7385
Fuzhou	Room 2501, Lippo Tianma Plaza, No.1 Wu Yi Road, Fuzhou City, Fujian Province, P.R. China	86-591-3354165	86-591-3345202
Guangzhou	Unit 3006-3007,30th Floor, Dong Shan Plaza, 69 Xian Lie Zhong Road, Guangzhou City, Guangdong Province 510095, P.R. China	86-20-8384-3885	86-20-8384-8875
Dongguan	Longxi Industrial Zone, Zhouxi Management Area, Huangcun District, Dongguan, Guangdong Province 511715 P.R.China	86-769-240-6418	86-769-240-6448
Zhongshan	Unit 1909-1910, 19th Floor, Bank Of China Tower, 18 Zhongshan 3rd Road, Zhongshan, Guangdong Province P.R.China	86-760-332-0706	86-760-332-0696
Hong Kong	Unit 3201-3 32nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong	852-25450110	852-25422544
Taipei	Room 303 3rd Floor. No. 79, Chung Shan North Road Sec.2, Taipei, Taiwan, R.O.C.	886-2-2560-2214~17	886-2-2571-0693
Kaohsiung	Room B, 17th Floor, No.7 Su-Wei 4th Road, Kaohsiung, Taiwan, R.O.C.	886-7-338-5508~10	886-7-338-5433
Bangkok	17th Floor, Vorawat Bldg., 849 Silom Road, Bangrak, Bangkok, 10500 Thailand	66-2-635-1230	66-2-635-1220/1221
Kuala Lumpur	Suite 8-12B-3, Level 14 (12B), Menara Olympia 8, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	60-3-2078-2311	60-3-2078-2380
Singapore	20 Cecil Street, #11-02 SINGAPORE EXCHANGE, Singapore, 049705	65-536-7822	65-536-7855
Tawau	P.O. Box 1231 91037 Tawau, Sabah, Malaysia	60-89-750016~7	60-89-750019
Jakarta	Menara Cakrawala 5th Floor Jalan M.H. Thamrin 9, Jakarta, 10340 Indonesia	62-21-3902293	62-21-3902294
Mumbai	c/o MR. A.J. Dave, B-12 Chaitrangan Kanchan Galli, Off Law College RD., Pune-411004, Maharashtra, India	91-22-5431106	
Europe, Africa and Middle East			
London	5th Floor, Finland House, 56 Haymarket, London, SW1Y 4RN. U.K.	44-20-7839-4448	44-20-7839-3994
Las Palmas	C/Luis Morote, NO.6-3F , Edf. Catalunia 35007-Las Palmas De Gran Canaria, Spain	34-928-270894	34-928-275735
Tehran	6th Floor, Building, No.10 8th Street, Mirzaye-Shirazi Avenue, Tehran 15967, Iran	98-21-890-3537	98-21-890-4723
Kuwait	c/o Al-Sabih Engineering & Trading Co. P.O. Box No. 1366, Safat 13014, Kuwait Room 24, 6th Floor, Danat Trading Center, Abdullah Al-Ahmad Street, Sharq, Kuwait	965-243-7259	965-243-7263
Riyadh	P.O. Box 68974, Riyadh 11537, Saudi Arabia	966-1-478-3022	966-1-479-2459
Jeddah	c/o Office No. 219, Kaki Center P.O. Box 1224, Jeddah 21431, Saudi Arabia	966-2-661-0796	966-2-661-0796

Board of Directors

President	
Shuji Kita	北　修爾
Senior Managing Directors	
Mitsuyuki Nakabayashi	中林　満之
Takashi Kyui	休井　匡
Managing Directors	
Takayuki Kamoto	嘉本　隆行
Shosaburo Bando	坂東祥三郎
Noriyuki Hanafusa	花房　伯行
Tatsuyuki Yamasaki	山崎　達之
Hironari Furukawa	古川　弘成
Shinsuke Kitamura	北村　信輔
Directors	
Kazuo Yokota	横田　和夫
Masaomi Amao	天尾　正臣
Hiroshi Omoto	大本　博
Satoru Hara	原　惺
Tetsuro Akimoto	秋元　哲郎
Yoshifumi Nishi	西　吉史
Takuji Kita	北　卓治
Corporate Auditors	
Kunio Matsuda	松田　邦雄
Kazushi Higashida	東田　和四
Hironari Masago	真砂　博成
Toshiaki Taguchi	田口　敏明

Investor Information
(As of March 31, 2003)

Date of Establishment
April 1947

Stated Capital
¥45,651 million ($379,792 thousand)

Number of Shares of Common Stock Issued
211,663,200 shares

Number of Stockholders
24,197

Stock Exchange Listings
The First Section of the Tokyo Stock Exchange
The First Section of the Osaka Stock Exchange

Transfer Agent
The Sumitomo Trust and Banking Co., Ltd.

HANWA CO., LTD.
http://www.hanwa.co.jp

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