PEACE

HARMONY

JAPAN

SUM

ANNUAL REPORT 2005

HANWA CO., LTD.

For the year ended March 31, 2005

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

Financial Highlights

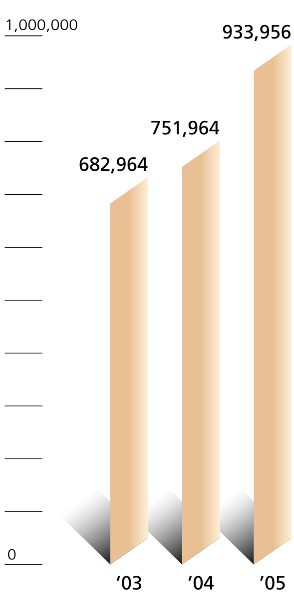
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
For the year:				
Net sales	**¥ 933,956**	¥ 751,964	**$ 8,696,862**	$ 7,002,179
Operating income	**22,091**	12,666	**205,708**	117,944
Net income	**13,704**	5,662	**127,610**	52,724
At year-end:				
Total assets	**¥ 376,521**	¥ 293,528	**$ 3,506,109**	$ 2,733,290
Total stockholders' equity	**72,875**	57,757	**678,601**	537,825

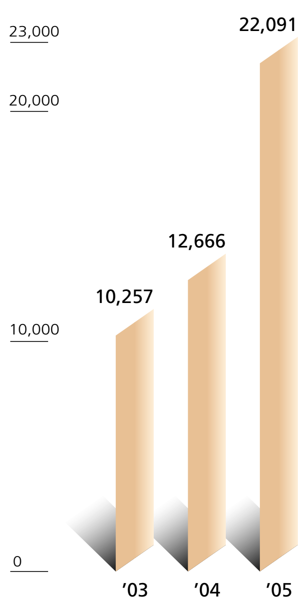
	Yen		U.S. dollars	
	2005	2004	**2005**	2004
Per share data:				
Net income	**¥ 64.03**	26.43	**$ 0.596**	$ 0.246
Cash dividends	**9.00**	6.00	**0.084**	0.056

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥107.39=$1.00.

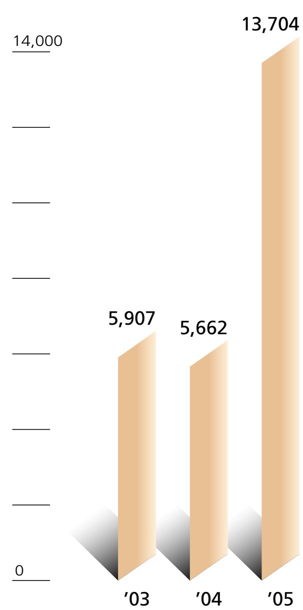
Net sales
(Millions of yen)



Operating income
(Millions of yen)



Net income
(Millions of yen)



Letter to Stakeholders

Dear Stakeholders,

We are pleased to report that Hanwa Co., Ltd. and its consolidated subsidiaries posted excellent growth in sales and profits in the year ended March 2005. Consolidated net sales increased 24.2% year-on-year to ¥934.0 billion, while operating income soared 74.4% to ¥22.1 billion, a record high. Net income was boosted by extraordinary gains on the return of the substitutional portion of employee pension funds to the Japanese government. Even allowing for extraordinary losses for impairment of fixed assets, net income soared 142.1% to ¥13.7 billion. We also recorded significant improvements in two key performance indicators. Return on equity (ROE) was 21.0%, a rise of 10.8 points over the previous year, and the net debt-equity ratio improved by 10 points to 170%.

Management Policy

Becoming an enterprise that is regarded and supported by all of its stakeholders as being a "Valued Enterprise" that makes contributions to both the international society and to the local community is a key policy objective of the Company.

Based on this philosophy, we have pursued the principle of placing customers above all else and being responsive in meeting the changing needs of the market. To achieve this, we have oriented the Company to be a "trading company with a presence" that emphasizes a proposal style sales approach that enhances value added as products passes through the distribution chain expanding business opportunities in order to enhance "win - win" relationship with our customers.

Dividend Policy

Returning profits to stockholders is one of our highest management priorities. Our basic policy is to distribute dividends in line with performance on the basis of ROE and payout ratio, while retaining internally 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 Net D/E ratio, which is widely used as a measure of financial stability to the return on assets (ROA), and ROE as target management benchmarks. For fiscal year ending March 31, 2007 based on the New Mid-term Business Plan, which has been implemented since 2004, are as follows:

Targeted Management Index	FY2006 (ending March 31, 2007)
ROA	2.1%
ROE	10.0%
Net D/E Ratio	120%

Medium- and Long-term Strategy, and Management Issues

In May 2004, we established a Mid-term Business Plan that covers a 3-year period from FY2004 through FY2006. It sets a number of management goals and describes the initiatives that will be taken to achieve them.

(A) Strengthening of the core business and customer-oriented, proposal-driven marketing

Steel business

- Strengthening of the engineering and processing functions in the construction and housing fields, promotion of proposal-driven marketing
- Strengthening of sales channels in the field of automotive, household appliances, industrial and construction equipment, development of new merchandise
- Strengthening of the coil center's function and alliances with leading processors
- Investment, acquisitions and partnerships to expand the trade right
- Strengthening of functions of distribution centers and alliances with other companies for physical distribution

Nonferrous metal business

- Exploitation of new sources of resources, entry to ore resources business
- Focus on ferroalloys, light metals and raw materials for solar batteries
- Expansion of exporting raw materials to China

Food products business

- Strengthening of the processed food business overseas and establishment and fostering of product sales operations
- Strengthening of handling Japanese domestically caught seafood

Petroleum and chemicals business

- Development of business for practical application of new energy, such as cogeneration business and fuel cell business
- Strengthening of trading of petroleum products trade in Asia
- Promotion of the waste paper recycling business and international expansion of resin raw materials
- Expansion of general merchandise and reinforcement of the logistics function

(B) Strengthening of the international business, investment of resources in China and ASEAN markets

- Development of business with automotive industries in China and ASEAN countries centering on the International Automotive Team
- Setting up of coil centers in Thailand and South China and expansion of the network of processing functions
- Strengthening of operations in Vietnam, India, Russia and Eastern Europe
- Strengthening of international procurement functions and establishment of control systems such as securing quality
- Establishment of risk management systems for sales in domestic Chinese market
- Seizing of business opportunities in light of the accelerating trend toward FTA and identification of promising merchandise

(C) Strengthening of the recycling business and new development

- Collection of resources from the viewpoint of "urban mining" and sales to the optimum consumption area
- Expansion of items handled in terms of variety and quantity and establishment of an efficient purchase network
- Strengthening of handling of merchandise covered by the Basel Convention and recycling of industrial waste

(D) Fostering of new businesses and expansion of peripheral businesses

- Fostering of a business incubation team (BIT) and cultivation of new fields through industry-academia-government cooperation
- Downstream approach capitalizing on the credit function of hanwa-steel.com and expansion of merchandise
- Expansion of sales of timber products through enhancement of hanwa-lumber.com

(E) Improvement of productivity of sales & marketing

- Seeking for rational business processing led by the Operation IT Promotion Committee and implementation
- Enrichment of IT platform for greater flexibility
- Information sharing through cooperation crossing over departments and establishment of an information network for higher profitability
- Promotion of empowerment with the aim of vitalizing marketing and improving profitability

(F) Human resources (HR) policy and flexible investment policy to underpin the growth strategy

Human resources policy

- Fostering of human resources and recruitment for sustainable growth
  1) Enrichment of the training system and program (training for specific objectives and fostering executives, training of selected human resources and local employees of overseas subsidiaries)
  2) Diversification of recruitment
- Promotion of performance-based remuneration and establishment of a rational evaluation system

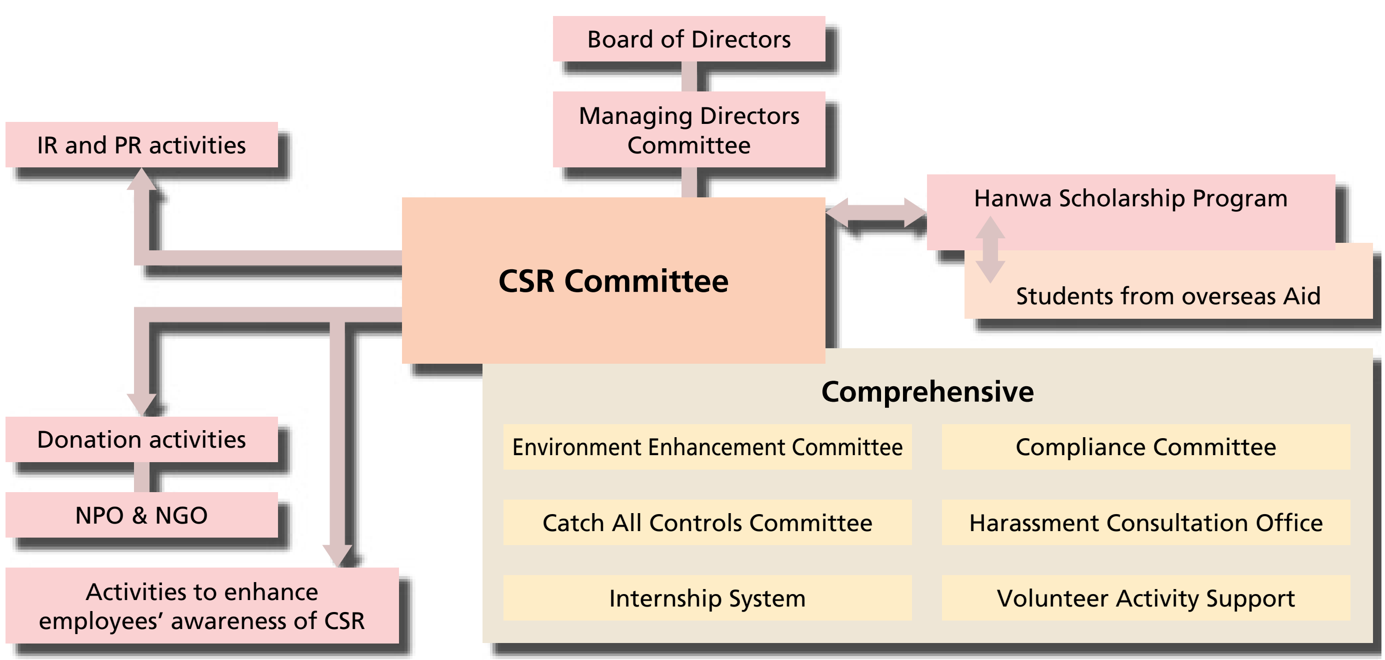
Investment policy

- Setting ¥10 billion of appropriation budget for priority investment
- Pursuit of a system enabling swift judgment of risks and speedy investment

Corporate Social Responsibility (CSR)

We created a CSR Committee in March 2004 to oversee related activities. We regard activities that fulfill our responsibilities to society as an integral part of efforts to raise the value of the corporate brand.

Outline of the CSR Committee



Corporate Governance

Basic corporate governance policy

We aim to fulfill its social responsibilities as a good corporate citizen so that it can earn and retain the respect of stakeholders and be recognized as a valuable enterprise. We work to establish a high degree of transparency in management systems to ensure full legal and regulatory compliance and respect for social norms.

Corporate governance structures

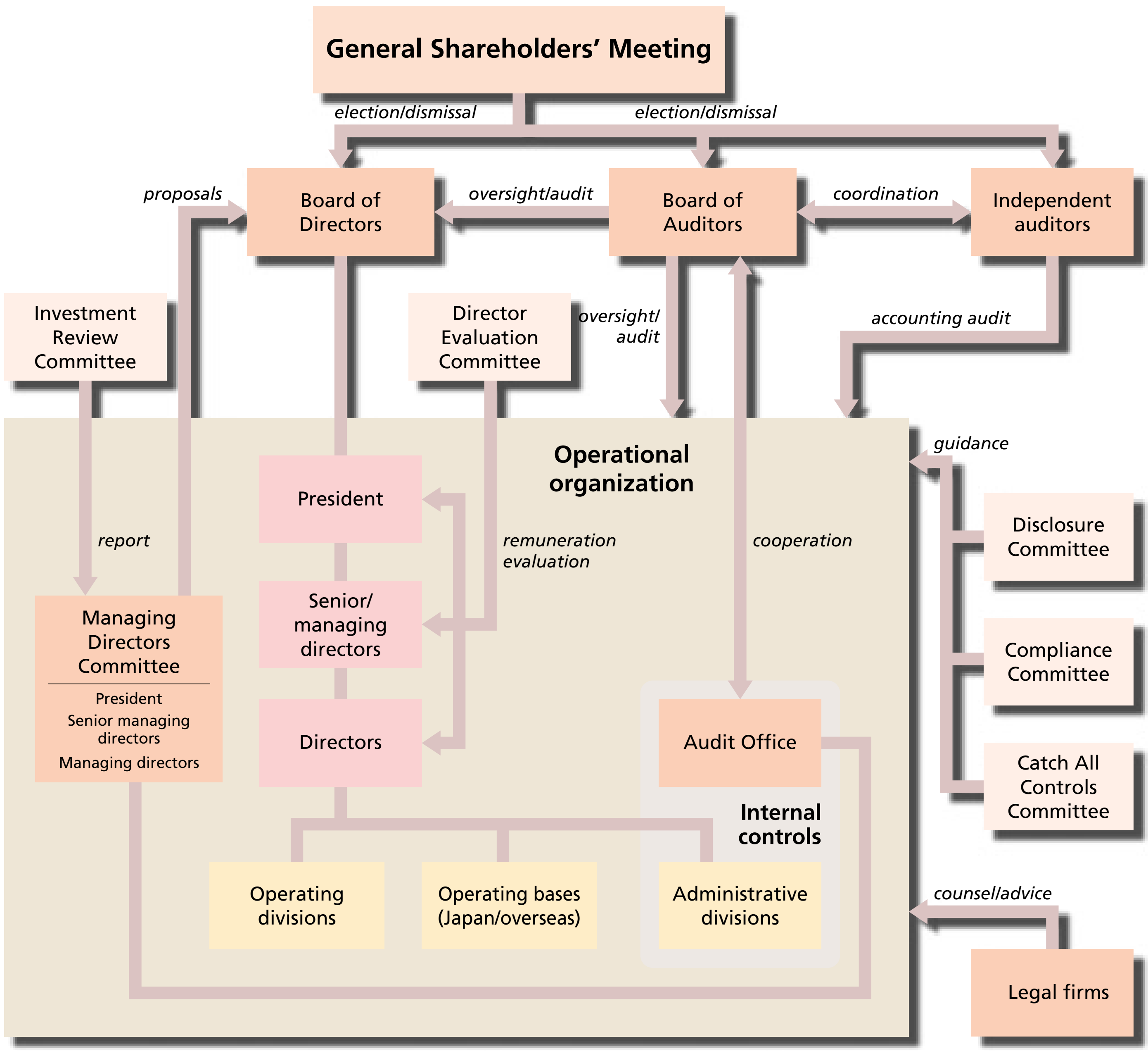
We have adopted the system of corporate auditors as stipulated in the Commercial Code of Japan. The Board of Auditors is responsible for overseeing and auditing the performance of the Board of Directors, whose members are elected by the General Shareholders' Meeting, as well as the Managing Directors Committee, which is the main body responsible for execution of policy by subordinate company structures. The Board of Auditors reports to the General Meeting of Shareholders.

The Board of Directors meets as a rule once a month to oversee important business plans and proposals concerning the Hanwa Group, and to deliberate and decide all key business policies.

The Managing Directors Committee, which is composed of the president, senior managing directors and managing directors, reports to the Board of Directors on all matters related to significant business decisions affecting the Hanwa Group. As the senior policy execution body in the company, this committee is charged with carrying out policies in line with the business strategy determined by the Board of Directors. The Managing Directors Committee meets as a rule twice a month.

Chaired by the president, the Director Evaluation Committee is charged with assessing commitments made by directors and making overall performance evaluations on a mutual basis. Director remuneration and assignments reflect the level of evaluation, in line with meritocratic principles.

The following diagram illustrates the corporate governance structures and internal control systems for the Hanwa Group.



Internal control systems
The Audit Office, which reports to the Managing Directors Committee, is responsible for internal audits and management controls. Accounting, legal and other control functions also play a role in internal control systems.

Risk management
Bodies such as the Compliance Committee and the Catch All Controls Committee provide a consultative role to general management and executive structures on risk management and related issues. This is supplemented by advice from external legal counsel on specific matters. The Legal and Credit Dept. oversees credit, legal and regulatory risks.

Internal and independent auditing systems
The Audit Office conducts internal audits of Hanwa operating bases in Japan and domestic Hanwa Group subsidiaries. Internal audits primarily assess financial accounting matters and monitor compliance issues. Internal audit reports are compiled on a monthly basis and submitted to the president. The Audit Office also reports as required to the Managing Directors Committee. Corporate auditors cooperate extensively with the Audit Office, helping its staff to produce internal audit reports as stipulated by the Board of Auditors. Monitoring of accounting and compliance issues for overseas operations is conducted mainly by the Overseas Administrative Dept., which issues reports to all directors on a monthly basis and reports to the Board of Directors on the status of overseas operations every six months. This office also compiles reports as requested by the Board of Auditors.

Audits by the Board of Auditors serve a preventative function and aim to stop any illegal acts or breaches of legal compliance, internal control and risk management systems. These audits are dialog-based and provide an auditing and oversight function for policy execution by senior management. Corporate auditors also attend meetings of the Board of Directors, the Managing Directors Committee and other important business meetings. Aided by the insight of the independent auditors, corporate auditors maintain an independent stance from top management to ensure operational audits are accurate and objective. Corporate auditors exchange opinions as appropriate with the president and executives in charge of each operating division and also provide their opinions as auditors at meetings of the Board of Directors.

Hanwa retains the contractual services of KPMG Azsa & Co. as independent auditors for conducting third-party audits of its operations as required by the Commercial Code of Japan and the Securities and Exchange Law.

Corporate governance reforms in fiscal 2004
Major disclosure failures within corporate Japan in the past year prompted the Tokyo Stock Exchange to issue a request that all listed companies revise their internal regulations to help regain investor confidence. We formulated an internal disclosure policy in February 2005 in response to this request to strengthen internal controls governing the timely disclosure of corporate information. We also established the Disclosure Committee. This committee has since submitted written oaths signed by the president to the Tokyo Stock Exchange and the Osaka Securities Exchange that commit Hanwa to the timely disclosure of corporate information and certify the status of the company's internal control systems.

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

August 2005

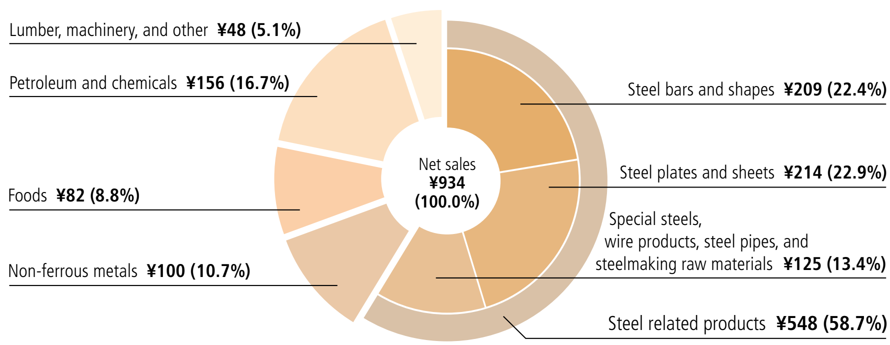
Shuji Kita
President
Hanwa Co., Ltd.

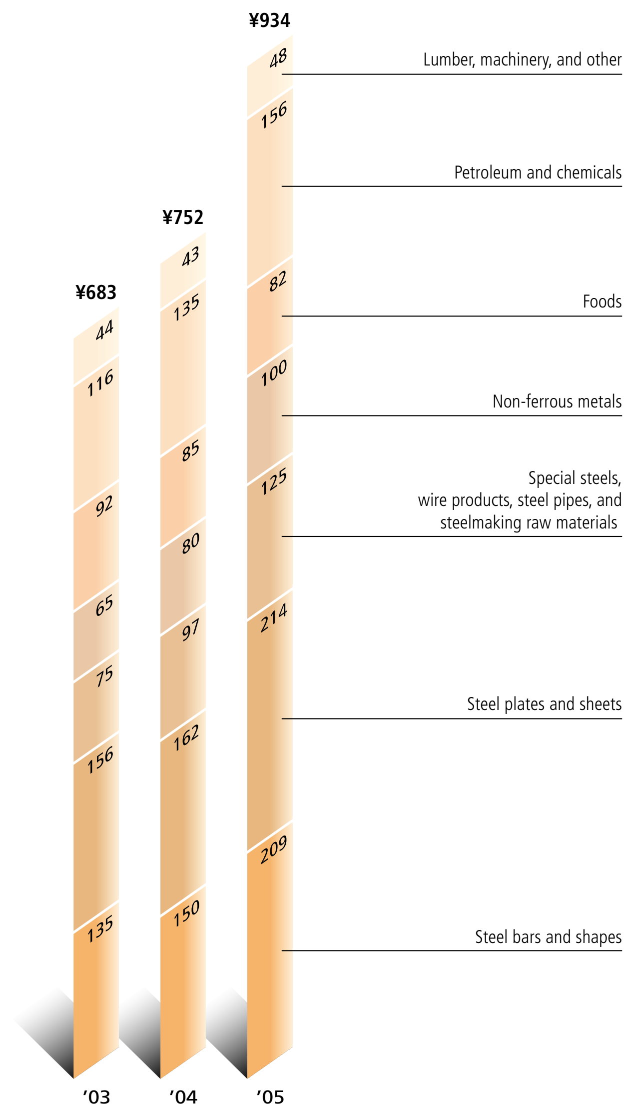
北　修爾
取締役社長
阪和興業株式会社

Review of Operations

For the years ended March 31, 2005

Net sales by Product (Billions of yen)





Steel (Domestic)

Review

Production levels across manufacturing industry posted sustained growth, led by the automotive, shipbuilding and construction machinery sectors. Private-sector construction demand for steel rose significantly, reflecting a surge in capital investment by manufacturers together with the development of shopping malls and retail stores. The rise in demand resulted in a tight supply situation throughout the year, particularly for steel sheets such as hot-rolled sheets, cold-rolled sheets and galvanized sheets, causing prices to increase sharply.

In such market condition, Hanwa's domestic steel operations recorded significantly higher sales and profits with developing rational inventory controls bringing the international steel market into view, developing relationships with users by securing supplies in the tight market and building up its downstream processing and service operations.

Outlook

Although demand from Japanese manufacturing industries is projected to remain strong, Hanwa anticipates further weakness in the civil engineering sector amid a prolonged downturn in public-sector investment. Demand trends in the construction industry also appear uncertain from the second half onward. On the supply side, there are signs of major change. Hanwa plans to adopt a cautious stance in its purchasing, marketing and inventory management, while keeping a close watch on global economic and other external factors and movements in international steel prices.

Meanwhile, Hanwa also aims to make further progress in building and reinforcing its core support role within the Japanese steel industry through the development of e-commerce capabilities as well as enhanced storage, distribution and processing capacities for steel products.

Steel (Overseas)

Review

Supply and demand in the global industry steel both recorded brisk growth in the year ended March 31, 2005, mainly due to continued strong economic expansion in China. Crude steel production maintained a heady growth pace, despite restraint policy announced by the Chinese government in April 2004 in an attempt to cool the economy. In September 2004, China became a net exporter of steel, marking a major shift in the global market.

Soaring steel prices seemed to soften in the early part of 2004, but then staged a recovery. In overall terms, price levels remained extremely firm in the year to March 2005. Prices rose sharply in the latter half of the year, prompting fresh market concerns.

Supply was generally tight in the market for Japanese steel exports due to the strength of demand across all domestic sectors and from Japanese firms based overseas. Prices for steel sheets, a major component of exports, rose by around US$100/ton compared with levels at the end of March 2004.

In volume terms, Hanwa posted slightly lower steel exports from Japanese blast furnace mills to users based overseas. Sales value increased, however, due to the effect of higher prices.

Outlook

Evidence of an ongoing inventory curtailment in Europe and U.S. markets emerged at the start of 2005. There were also signs of an impending glut across certain product variety in Asian markets toward the end of March 2005. Warning signals are flashing as Chinese steelmakers continue to bring new capacity on stream, particularly for steel sheets. On the other hand, demand remains firm overall across all Asian markets. Variations in trade inventory levels promise to be a key market indicator going forward.

Hanwa established new operating bases in Wuhan, China in September 2004 and in Ho Chi Minh City, Vietnam in April 2005. Hanwa is also considering expansion into India.

Non-Ferrous Metals & Metal Alloys

Review

Having risen sharply in 2003, non-ferrous metal prices on the London Metal Exchange also maintained a steady upward pace in 2004. Robust demand for materials from China and high global stainless steel production levels helped push up prices for copper, aluminum, nickel, chrome and other raw materials for stainless steel production. Supply seems remain tight in the spot market for these materials through most of the first half of 2005. This is because of the difficulties involved in raising production quickly although various development projects are underway that promise to bring new mining and smelting capacity on stream in due course. In the ferroalloy market, however, prices entered a correction in late 2004, having earlier overshot.

Hanwa recorded steady growth on a volume basis in its recycled aluminum and copper operations. The operational focus also expanded to include higher-value-added metals. Volumes of stainless steel scrap and other special metal scrap also posted steady growth as a result of buoyant stainless steel production levels. In ferroalloys, Hanwa continued to strengthen its trading network for supplying blast furnace and special metal mills. Hanwa has agreed to participate to acquire the chrome business of Samancor Ltd. in South Africa by Kermas Ltd.(UK) in the latter half of the year. By this participation the agreement granted Hanwa various sales rights in Japan and China. In solar cell-related products, Hanwa posted higher trading volumes in intermediate items such as wafers, which have now become a stable earnings generator.

High market price levels combined with effective measures to build up the sales network and assess market conditions to produce a year-on-year gain in segment sales of 25% to ¥99,507 million.

Outlook

Raw material supply conditions are expected to improve in the latter half of 2005 as various development projects around the world come to fruition. An influx of hedge fund investment and the imbalances in supply and demand has been a factor in pushing up commodity prices. But there are twin threats of a U.S. economic downturn plus a cooling off of demand from China. A sudden drop in prices from recent highs could not be ruled out if hedge funds and other investors were to make major alterations to trading positions by the said threats.

Using information gathered in Japan together with intelligence from overseas operations, Hanwa plans to expand the volume of its international metals trading, focusing primarily on Russia, Kazakhstan and South Africa as well as in China and ASEAN.

In Japan, Hanwa aims to construct an efficient collection system to supply recycling operations in aluminum, copper and special metals. This will allow Hanwa to differentiate its business and add higher value, while at the same time making its operations less sensitive to market price fluctuations.

In stainless steel scrap and nickel scrap, Hanwa plans to expand sales to China and rebuild a scrap metal distribution network to supply Asian markets.

In ferroalloys, as part of ongoing efforts to boost sales to blast furnace, electric furnace and special metal mills, Hanwa plans to focus on selling chrome and chrome ore sourced from Samancor to users in China and Japan.

In the metal silicon sector, Hanwa is working to expand sales of silicone and poly-silicon while also maintaining sales for aluminum smelting industries. In the solar cell materials sector, Hanwa plans in particular to increase imports and exports of wafers.

Overall, Hanwa has aggressive expansion plans for its non-ferrous metal and ferroalloy operations, both in Japan and overseas. Besides cultivating new businesses, Hanwa also aims to expand into peripheral businesses.

Food Products

Review

Trading volumes of common fish catches such as mackerel, horse mackerel and salmon rose. Buoyant prices for these fish also ensured a solid earnings contribution.

Trading volumes and profits both declined, however, with higher-priced items such as crab and herring roe, which suffered a fall in demand due to a downturn in consumption. Food safety issues such as the use of antibiotics in marine products and the threat of bird flu had a negative impact on demand for eel and chicken, while restrictions on fishing grounds imposed regional limitations on trade in octopus and capelin. But trading volumes in shrimp did rebound, and the processed Chinese marine produce business also generated solid growth and healthy profits.

Outlook

Consumption of mackerel, horse mackerel, salmon and other common fish catches is rising in the EU, Russia and China. The increased purchasing power of buyers in these markets is spurring fiercer competition to secure fish supplies, and Hanwa expects purchase prices to remain high in this segment. This will tend to depress earnings from these products. In addition, Hanwa expects the supply glut in shrimp to weigh on prices and demand for crab to remain weak due to depressed consumption levels. Hanwa plans to continue expanding trade in processed foods to help stabilize profits in this difficult business environment. Another key focus in this sector is to boost sales of processed products to restaurants and retailers.

Petroleum and Chemicals

Review

Prices for petroleum products surged in Japan in response to the sudden, steep increase in crude oil prices associated with strong Chinese demand. Hanwa posted significantly higher revenues from sales to users as a result. Both volumes and value of the trading rose as Hanwa took advantage of pricing trends. Sales of bunker oil also expanded due to strong demand in China, Korea and other Asian markets.

Imports of chemicals and resins stalled as prices of plastics in markets outside Japan soared. Sales of paper products increased compared with the previous year in most categories, notably exports of protective interleaving paper for stainless steel surfaces and volumes of used paper.

Outlook

Crude oil prices show no signs of easing. We plan to continue trying to pass on higher prices to customers, while also seeking to expand business with existing clients and develop new trading relationships. In the face of high prices, Hanwa plans to encourage price-sensitive users to switch to alternative energy sources such as biofuels. Futures trading and imports also offer opportunities for diversification within the sector.

In chemicals, we are concentrating on two main categories: "Recycle & Retail" and Resin raw materials. Sales expansion efforts are focusing on recycled plastics, synthetic resins and related products (including triangle trade), bags and other sundry items for general merchandising retailers, and lubricating oil.

Lumber

Review

Volumes of timber products imported from Russia, China and Chile rose sharply. At the same time, trading volumes of raw materials for laminated board imported from Scandinavia also increased. Additional gains came from increased direct trade with leading Japanese pre-cut beam plants.

On the down side, the effects of the clampdown by the authorities on illegal logging in Indonesia generated persistent instability in supplies of imported plywood throughout the year.

Outlook

Hanwa plans to continue focusing on expanding sales of timber products in Japan imported from Romania, China and Russia. The sale of Russian logs to China and Japan represents another opportunity for expanded trade.

Hanwa aims to increase trade with major Japanese pre-cut beam plants, particularly in medium-dimension glue-laminated beam. Another focus is to expand trading volumes for raw materials such as laminar and "genban"-or blank. In the plywood market, Hanwa plans to focus on securing imports of hardwood plywood from Malaysia, while also concentrating on marketing imported structural beams in combination with domestically manufactured softwood panel.

Machinery

Review

Leisure facilities: Hanwa began supplying some novel products in this sector during the year, including Japan's largest Christmas tree fixture for a theme park in the Kansai area and an indoor musical fountain for a theme park in Hokkaido. Indoor family entertainment facilities were delivered to another seven locations around Japan.

Industrial machinery: Hanwa delivered steel fabrication equipment to steelmakers located in Shanghai, China and in southwest Japan. Other completed transactions included environmental machinery for a waste treatment facility in Kyushu, Japan.

Outlook

Leisure facilities: Competition tends to ease in the leisure machinery industry with the withdrawal of some firms from the sector. With no sign yet of demand for large outdoor entertainment attractions leveling out, Hanwa plans to focus on the development and sale of machinery for indoor family entertainment facilities. The Chinese market also offers potential business development opportunities.

Industrial machinery: Although the company expects the financial restraints imposed by the Chinese government to have negative repercussions on other Asian economies, Hanwa plans to continue focusing on increasing exports of steel fabrication machinery and equipment for processing steel sheet and other auto fabrication components such as tailored blanks. In the Japanese market, Hanwa plans to focus on selling steel processing machinery, particularly environmental recycling equipment.

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. Establishment of Overseas Bases

In September 2004, Hanwa established its 11th operating base in China in the city of Wuhan, the provincial capital of Hubei. Wuhan is a major center for the steel and auto industries in China. The region has well-developed infrastructure and three nationally designated economic development zones, in line with the Chinese central government's plan to develop the west of the country. Many leading companies are expected to establish operations in this area as a result. Several Japanese automakers have already invested in local operations in and around Wuhan.

In April 2005, Hanwa established a new representative office in Wien, Austria. Hanwa has imported increasing quantities of European lumber in recent years. The Wien office will direct Hanwa's growing business in timber products sourced from Europe.

In April 2005, Hanwa also established a representative office in Ho Chi Minh City, Vietnam. Japanese manufacturers are investing heavily in Vietnam, attracted by competitively low costs and a skilled local workforce. Investment levels are likely to rise as the domestic market grows and as the country's infrastructure develops. Hanwa is already a major importer of marine produce from Vietnam. Plans also call for expansion of Hanwa's local operations to encompass steel, non-ferrous metals and lumber.

2. Hanwa Celebrates Ten Years in Canada

Hanwa's operations in Canada celebrated the tenth anniversary of their establishment in September 2004. The celebrations were marked with a ceremony attended by Japanese consular officials. Canadian suppliers are major trading partners of Hanwa in lumber and marine products. Hanwa first established an office in Vancouver in 1994 as part of Hanwa American Corporation. Hanwa Canada Corporation was later formed in 2000.

3. Hanwa Web Site Renewed and Upgraded

Internet usage has spread rapidly since the end of the 1990s. Web sites are an effective means of disclosing corporate information and facilitating communication. Hanwa's web site, which originally went online in May 1996, underwent a full-scale renewal in November 2004. The quality of the site was upgraded in six major respects:

1) Improved corporate image for Hanwa
2) Better site navigation
3) Increased range of investor-oriented information
4) Redesigned recruitment site
5) Revised site design to boost hit rates
6) Addition of inquiry function to facilitate two-way communication

4. Participating Chrome Business in South Africa

Kermas Ltd (UK) group has acquired chrome business of Samancor Ltd, the largest chrome products producer based in South Africa.

Hanwa entered an agreement to invest U.S.$36 million (approx. ¥4 billion) in the business. With the official approval of the acquisition by the government of the republic of South Africa on May 25, the contractual proceedings were completed between the parties on June 1, 2005.

With this deal, Hanwa has obtained distribution rights for the chrome products, used as raw material of stainless steels, for Japan except the sales channel through existing distributorship given to particular joint venture with Samancor. As for the chrome ore, Hanwa is appointed as the sole distributor for both Japan and China. Hanwa will focus on expansion of the chrome ore business in China where the demand is expected to grow in the future.

Management Discussion and Analysis

Economic overview

The global economy was buoyed during the fiscal year ended March 2005 by increased demand for energy, reflecting a sustained and robust recovery. Higher energy demand and political instability in Iraq were major factors prompting the surge in crude oil prices. China's government responded to break-neck growth with credit-restriction and other policy measures aimed at cooling its economy, which sparked fears of a possible collapse in steel prices within the Chinese market. Market concerns also reflected pervasive global instability. The Japanese economy grew strongly in the first half of the year, supported by robust private-sector capital investment and signs of a pick-up in consumer spending. Growth stalled in the second half, however, amid a correction in production levels in the electronics and other IT-related industries and a significant deceleration in the export sector under the impact of curtailed fixed-asset investment levels in China.

Earnings

We responded to highly changeable business conditions in Japan and overseas markets with a trained operational development focus. Supported by high market prices, net sales rose 24.2% year-on-year in the fiscal year ended March 2005 to ¥934.0 billion. On a consolidated basis, operating income soared 74.4% to ¥22.1 billion as a result of the boost to profit margins provided by high prices for steel products and non-ferrous metals. We recorded gain on transfer of substitutional portion of employees' pension fund as well as loss on impairment of long-lived assets and income taxes, eliminated the accumulated operating losses for tax purposes, net income rose 142.1% to ¥13.7 billion.

Sales by Business Segment

Steel: Private-sector capital investment levels in large-scale retail developments, factories, warehouses and other facilities were robust, boosting demand for steel. Measures adopted by steelmakers also helped to support general price levels. Sales of steel bars posted solid growth. Although tight supply conditions for steel sheet and plate resulted in some procurement challenges, the segment recorded excellent results due to a combination of high market prices, strong demand within the automotive, shipbuilding and construction machinery sectors and steady growth in exports to China and Southeast Asia. Sales increased 33.9% year-on-year to ¥548.1 billion.

Non-Ferrous Metals: With China continuing to generate huge demand for materials, international prices for nickel, aluminum and other metals fluctuated significantly during the year, reflecting the activities of global hedge funds and other speculative investors. High summer temperatures in Japan in 2004 increased demand for aluminum cans, boosting volumes of aluminum scrap handled by Hanwa. Combined with the expansion of Hanwa's ferroalloy trading network and accurate assessment of market pricing trends, these effects led to a 25.0% rise in segment sales compared with the previous year to ¥99.5 billion.

Foods: Depressed domestic demand for farmed shrimp, a major product for Hanwa, offset higher volumes of common fish catches such as salmon and mackerel. Segment sales declined 2.8% on a year-on-year basis to ¥82.2 billion.

Petroleum and Chemicals: International crude oil prices rose sharply during the year, reflecting higher demand for energy caused by a resurgent global economy and supply-related uncertainties due to the instability in Iraq and other factors. Oil supply fell in Japan during the year as domestic refiners took some capacity off stream for repairs. Partly reflecting Hanwa's aggressive business development policies, segment sales increased 15.2% year-on-year to ¥155.7 billion.

Other: Higher trading volumes helped to offset lower market prices in Hanwa's lumber operations. Segment sales rose 11.9% year-on-year to ¥48.4 billion.

Cash Flows

Net cash used in operating activities amounted to ¥13.3 billion, an increase in cash outflow of ¥6.5 billion compared with the previous year. This was mainly attributable to a year-on-year increase of ¥39.9 billion in trade receivables associated with higher sales and vigorous marketing activities.

Net cash used in investing activities amounted to ¥0.7 billion, a decrease in cash outflow of ¥0.3 billion compared with the previous year. Key factors included net investment of ¥2.3 billion in property and equipment and in investment securities of trading partners, and a net decrease in time deposits of ¥1.6 billion.

Net cash provided by financing activities totaled ¥23.5 billion, compared with a net cash outflow of ¥10.9 billion in the previous year. This change was mainly due to a subtle shift in Hanwa's financing approach. In line with the goal of aggressive business management adopted in the mid-term business plan, Hanwa focused on managing the net debt-equity ratio rather than explicit debt reduction. Adopting a dynamic approach to operating capital demands, Hanwa moved to secure long-term borrowings at minimal risk while interest rates were at favorably low levels.

Outlook

The primary determinants of global economic trends are likely to remain the U.S. economy, the Middle East situation and China's voracious demand for materials, which has driven commodity prices higher. Currency movements are also an important factor for the export-reliant Japanese economy. The business environment for Japanese trading companies such as Hanwa is likely to remain testing, characterized by rapid change and high uncertainty.

We plan to pursue an aggressive strategy of business expansion in its core operations of steel, non-ferrous metals, foods, petroleum and chemicals. The company also seeks to expand earnings through profitable opportunities in other sectors. Plans call for investment of resources into the development of new businesses in established and peripheral areas to create enterprises that will support the company's future operating base.

Five-Year Summary

For the years ended March 31

	Millions of yen except number of employees					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	**2005**
For the year:						
Net sales	**¥ 933,956**	¥ 751,964	¥ 682,964	¥ 625,614	¥ 689,106	**$ 8,696,862**
Operating income	**22,091**	12,666	10,257	6,517	10,283	**205,708**
Net income	**13,704**	5,662	5,907	3,587	1,945	**127,610**
Net cash provided by (used in) operating activities	**(13,341)**	(6,850)	3,269	19,327	2,731	**(124,229)**
Net cash provided by (used in) investing activities	**(731)**	(1,004)	836	1,352	41,635	**(6,807)**
Net cash provided by (used in) financing activities	**23,523**	(10,873)	(10,115)	(14,630)	(52,208)	**219,043**
At year-end:						
Cash and cash equivalents	**17,658**	8,390	27,808	35,183	27,701	**164,429**
Total assets	**376,521**	293,528	281,557	284,515	288,175	**3,506,109**
Total stockholders' equity	**72,875**	57,757	52,748	49,188	25,448	**678,601**
Number of employees	**1,424**	1,285	1,239	1,136	1,177	

	Yen					U.S. dollars
	2005	2004	2003	2002	2001	**2005**
Per share data:						
Net income	**¥ 64.03**	¥ 26.43	¥ 27.91	¥ 16.95	¥ 9.19	**$ 0.596**
Cash dividends	**9.00**	6.00	5.00	5.00	—	**0.084**
Stockholders' equity	**343.82**	272.67	249.30	232.40	120.23	**3.202**

	%				
	2005	2004	2003	2002	2001
Key financial ratios:					
Return on assets	**4.1**	2.0	2.1	1.3	0.6
Return on equity	**21.0**	10.2	11.6	9.6	7.4
Net debt/equity ratio	**170**	180	180	200	470

Note: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥107.39=$1.00.
2. Net debt/equity ratio=Net interest-bearing debt / equity.
Net interest-bearing debt=Interest-bearing debt – cash.

Financial Section

Contents

Consolidated Balance Sheets

As at March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Assets	**2005**	2004	**2005**	2004
Current assets:				
Cash and cash equivalents	**¥ 17,658**	¥ 8,390	**$ 164,429**	$ 78,126
Receivables:				
Trade notes and accounts:				
Unconsolidated subsidiaries and affiliates	**3,864**	4,001	**35,981**	37,257
Other	**200,221**	145,863	**1,864,429**	1,358,255
Loans:				
Unconsolidated subsidiaries and affiliates	**3,019**	2,214	**28,112**	20,617
Other	**7**	8	**65**	74
Allowance for doubtful receivables	**(721)**	(835)	**(6,714)**	(7,775)
Inventories	**63,527**	50,562	**591,554**	470,826
Deferred tax assets-current (Note 8)	**1,855**	2,370	**17,273**	22,069
Other current assets (Note 5)	**21,883**	17,162	**203,772**	159,810
Total current assets	**311,313**	229,735	**2,898,901**	2,139,259
Investments and non-current receivables:				
Investment securities (Notes 3 and 5):				
Unconsolidated subsidiaries and affiliates	**1,239**	1,240	**11,537**	11,547
Other	**16,250**	12,377	**151,318**	115,253
Loans receivable:				
Unconsolidated subsidiaries and affiliates	**195**	325	**1,816**	3,026
Other	**545**	806	**5,075**	7,505
Other investments and non-current receivables	**10,316**	10,780	**96,061**	100,382
Allowance for doubtful receivables	**(1,430)**	(2,041)	**(13,316)**	(19,005)
Total investments and non-current receivables	**27,115**	23,487	**252,491**	218,708
Property and equipment (Note 5)**:**				
Land (Note 9)	**22,687**	24,352	**211,258**	226,763
Buildings and structures	**20,080**	19,936	**186,982**	185,641
Other	**7,536**	6,527	**70,174**	60,778
Accumulated depreciation	**(12,925)**	(11,184)	**(120,356)**	(104,144)
Total property and equipment	**37,378**	39,631	**348,058**	369,038
Other assets:				
Deferred tax assets — noncurrent (Note 8)	**20**	10	**187**	93
Intangibles and other assets (Note 5)	**695**	665	**6,472**	6,192
Total other assets	**715**	675	**6,659**	6,285
Total	**¥ 376,521**	¥ 293,528	**$ 3,506,109**	$ 2,733,290

See accompanying Notes to Consolidated Financial Statements.

Liabilities, Minority Interest and Stockholders' Equity	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:				
Short-term loans (Note 6)	**¥ 50,702**	¥ 64,847	**$ 472,130**	$ 603,846
Long-term debt due within one year (Note 6)	**17,050**	1,050	**158,767**	9,777
Trade notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**769**	1,759	**7,161**	16,380
Other	**117,225**	92,591	**1,091,582**	862,194
Accrued bonuses to employees	**1,653**	1,555	**15,392**	14,480
Income taxes payable	**5,873**	81	**54,689**	754
Other current liabilities	**27,138**	13,968	**252,705**	130,068
Total current liabilities	**220,410**	175,851	**2,052,426**	1,637,499
Non-current liabilities:				
Long-term debt due after one year (Note 6)	**71,880**	48,675	**669,336**	453,254
Employees' severance and retirement benefits (Note 7)	**88**	2,468	**819**	22,982
Directors' retirement benefits	**494**	466	**4,600**	4,340
Reserve for loss on sale-repurchase agreement of land	**4,012**	2,819	**37,359**	26,250
Deferred tax liabilities — noncurrent (Note 8)	**3,343**	2,653	**31,130**	24,704
Other non-current liabilities	**2,721**	2,303	**25,338**	21,445
Total non-current liabilities	**82,538**	59,384	**768,582**	552,975
Contingent liabilities (Note 12)				
Minority interest	**698**	536	**6,500**	4,991
Stockholders' equity (Note 9)**:**				
Common stock,				
Authorized: 570,000,000 shares				
Issued: 211,663,200 shares	**45,651**	45,651	**425,096**	425,096
Capital surplus	**1**	—	**9**	—
Retained earnings	**23,912**	11,451	**222,665**	106,630
Land revaluation difference	**1,653**	1,616	**15,392**	15,048
Net unrealized holding gains on securities	**3,871**	2,282	**36,046**	21,250
Foreign currency translation adjustments	**(2,164)**	(3,225)	**(20,151)**	(30,031)
Treasury stock, at cost: 170,060 shares (99,130 in 2004)	**(49)**	(18)	**(456)**	(168)
Total stockholders' equity	**72,875**	57,757	**678,601**	537,825
Total	**¥ 376,521**	¥ 293,528	**$ 3,506,109**	$ 2,733,290

Consolidated Statements of Income

For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2005	2004	**2005**	2004
Net sales	**¥ 933,956**	¥ 751,964	**$ 8,696,862**	$ 7,002,179
Cost of sales	**888,767**	718,314	**8,276,069**	6,688,835
Gross profit	**45,189**	33,650	**420,793**	313,344
Selling, general and administrative expenses	**23,098**	20,984	**215,085**	195,400
Operating income	**22,091**	12,666	**205,708**	117,944
Other income (expenses):				
Interest and dividend income	**1,825**	781	**16,994**	7,273
Interest expense	**(2,174)**	(2,026)	**(20,244)**	(18,866)
Foreign exchange gain	**331**	113	**3,082**	1,052
Gain on transfer of substitutional portion of employees' pension fund (Note 2 and 7)	**1,912**	—	**17,804**	—
Gain on sale of investment securities of unconsolidated subsidiaries	**360**	—	**3,352**	—
Loss on impairment of long-lived assets (Note 14)	**(1,175)**	(4,590)	**(10,941)**	(42,741)
Provision for loss on sale-repurchase agreement of land	**(1,193)**	(307)	**(11,109)**	(2,859)
Foreign exchange loss on common stock reduction of consolidated subsidiary	**(1,558)**	—	**(14,508)**	—
Loss on loans receivable	**—**	(71)	**—**	(661)
Provision for doubtful receivables	**—**	(403)	**—**	(3,753)
Loss on write-down of investment securities	**—**	(234)	**—**	(2,179)
Loss on sale of property and equipment	**—**	(411)	**—**	(3,827)
Other, net	**(551)**	(1,094)	**(5,130)**	(10,187)
Income before income taxes and minority interest	**19,868**	4,424	**185,008**	41,196
Income taxes (Note 8)**:**				
Current	**5,877**	(65)	**54,726**	(605)
Deferred	**104**	(1,263)	**968**	(11,761)
	5,981	(1,328)	**55,694**	(12,366)
Minority interest in income of consolidated subsidiaries	**(183)**	(90)	**(1,704)**	(838)
Net income	**¥ 13,704**	¥ 5,662	**$ 127,610**	$ 52,724

	Yen		U.S. dollars (Note 1)	
	2005	2004	**2005**	2004
Net income per share	**¥ 64.03**	¥ 26.43	**$ 0.596**	$ 0.246
Cash dividends per share	**9.00**	6.00	**0.084**	0.056

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

For the years ended March 31, 2005 and 2004

	Thousands	Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	211,663	¥ 45,651	¥ —	¥ 9,991	¥ (419)	¥ (385)	¥ (2,079)	¥ (11)
Net income	—	—	—	5,662	—	—	—	—
Cash dividends	—	—	—	(1,058)	—	—	—	—
Transfer of land revaluation difference	—	—	—	(3,144)	2,035	—	—	—
Unrealized holding gains on securities	—	—	—	—	—	2,667	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	(1,146)	—
Treasury stock	—	—	—	—	—	—	—	(7)
Balance at March 31, 2004	**211,663**	**45,651**	**—**	**11,451**	**1,616**	**2,282**	**(3,225)**	**(18)**
Surplus from sale of treasury stock	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**13,704**	**—**	**—**	**—**	**—**
Increase arising from inclusion in consolidation	**—**	**—**	**—**	**133**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(1,269)**	**—**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**—**	**(70)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**—**	**(37)**	**37**	**—**	**—**	**—**
Unrealized holding gains on securities	**—**	**—**	**—**	**—**	**—**	**1,589**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**1,061**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(31)**
Balance at March 31, 2005	**211,663**	**¥ 45,651**	**¥ 1**	**¥ 23,912**	**¥ 1,653**	**¥ 3,871**	**¥ (2,164)**	**¥ (49)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	$ 425,096	$ —	$ 93,035	$ (3,902)	$ (3,585)	$ (19,359)	$ (103)
Net income	—	—	52,724	—	—	—	—
Cash dividends	—	—	(9,852)	—	—	—	—
Transfer of land revaluation difference	—	—	(29,277)	18,950	—	—	—
Unrealized holding gains on securities	—	—	—	—	24,835	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(10,672)	—
Treasury stock	—	—	—	—	—	—	(65)
Balance at March 31, 2004	**425,096**	**—**	**106,630**	**15,048**	**21,250**	**(30,031)**	**(168)**
Surplus from sale of treasury stock	**—**	**9**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**127,610**	**—**	**—**	**—**	**—**
Increase arising from inclusion in consolidation	**—**	**—**	**1,238**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**(11,817)**	**—**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**(652)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**(344)**	**344**	**—**	**—**	**—**
Unrealized holding gains on securities	**—**	**—**	**—**	**—**	**14,796**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**9,880**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(288)**
Balance at March 31, 2005	**$ 425,096**	**$ 9**	**$ 222,665**	**$ 15,392**	**$ 36,046**	**$ (20,151)**	**$ (456)**

See accompanying Notes to Consolidated Financial Statements.

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2005	2004	**2005**	2004
Cash flows from operating activities:				
Income before income taxes	**¥ 19,868**	¥ 4,424	**$ 185,008**	$ 41,196
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities				
Depreciation	**2,023**	2,008	**18,838**	18,698
Loss on impairment of long-lived assets	**1,175**	4,590	**10,941**	42,741
Decrease in allowance for doubtful receivables	**(729)**	(72)	**(6,788)**	(670)
Interest and dividend income	**(1,825)**	(781)	**(16,994)**	(7,273)
Interest expense	**2,174**	2,026	**20,244**	18,866
Gain on transfer of substitutional portion of employees' pension fund	**(1,912)**	—	**(17,804)**	—
Gain on sale of investment securities of unconsolidated subsidiaries	**(360)**	—	**(3,352)**	—
Loss on write-down of investment securities	**—**	234	**—**	2,179
Provision for loss on sale-repurchase agreement of land	**1,193**	307	**11,109**	2,859
Loss on sale of property and equipment	**—**	411	**—**	3,827
Foreign exchange loss on common stock reduction of consolidated subsidiary	**1,558**	—	**14,508**	—
Increase in trade receivables	**(55,919)**	(16,054)	**(520,710)**	(149,493)
Increase in inventories	**(13,005)**	(15,795)	**(121,101)**	(147,081)
Increase in trade notes and accounts payable	**25,118**	12,156	**233,895**	113,195
Increase in deposits received	**5,599**	415	**52,137**	3,864
Other, net	**2,154**	797	**20,058**	7,422
Sub total	**(12,888)**	(5,334)	**(120,011)**	(49,670)
Cash flows during the year for:				
Interest and dividends received	**1,802**	798	**16,780**	7,431
Interest paid	**(2,112)**	(2,017)	**(19,666)**	(18,782)
Income taxes paid	**(143)**	(297)	**(1,332)**	(2,766)
Net cash used in operating activities	**(13,341)**	(6,850)	**(124,229)**	(63,787)
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	**1,618**	(1,711)	**15,066**	(15,933)
Proceeds from redemption and sale of securities	**—**	108	**—**	1,006
Additions to property and equipment	**(1,438)**	(1,265)	**(13,390)**	(11,779)
Proceeds from sale of property and equipment	**509**	157	**4,740**	1,462
Additions to investment securities	**(1,522)**	(418)	**(14,173)**	(3,892)
Proceeds from redemption and sale of investment securities	**552**	813	**5,140**	7,570
Additions to loans receivable	**(1,195)**	(178)	**(11,128)**	(1,658)
Repayment of loans receivable	**935**	967	**8,707**	9,005
Other, net	**(190)**	523	**(1,769)**	4,870
Net cash used in investing activities	**(731)**	(1,004)	**(6,807)**	(9,349)
Cash flows from financing activities:				
Decrease in short-term loans, net	**(14,397)**	(9,579)	**(134,063)**	(89,198)
Proceeds from long-term debt	**40,255**	28,750	**374,849**	267,716
Repayments of long-term debt	**(1,050)**	(29,003)	**(9,777)**	(270,072)
Payment of cash dividends	**(1,262)**	(1,034)	**(11,752)**	(9,629)
Other, net	**(23)**	(7)	**(214)**	(65)
Net cash provided by (used in) financing activities	**23,523**	(10,873)	**219,043**	(101,248)
Effect of exchange rate changes on cash and cash equivalents	**(378)**	(691)	**(3,520)**	(6,434)
Net increase (decrease) in cash and cash equivalents	**9,073**	(19,418)	**84,487**	(180,818)
Cash and cash equivalents at beginning of year	**8,390**	27,808	**78,126**	258,944
Increase arising from inclusion in consolidation	**195**	—	**1,816**	—
Cash and cash equivalents at end of year	**¥ 17,658**	¥ 8,390	**$ 164,429**	$ 78,126

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Hanwa Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. 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, 2005, which was ¥107.39 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 eleven (ten in 2004) 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 trading securities and held-to-maturity debt securities. 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. Other available-for-sale securities are stated at moving average cost.

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. Recognized loss on impairment of long-lived assets have been deducted from acquisition costs. 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, 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 loss carry forwards and 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 file consolidated tax returns.

With the promulgation of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income", "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are ¥277 million ($2,579 thousand) and, are included in "Selling general and administrative expenses" commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income

Statement" (Accounting Standards Board, Practical Solution Report No.12 issued on February 13, 2004).

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.

As the pension assets exceed the deduction of unrecognized actuarial differences and unrecognized prior service cost from projected benefit obligation in the Company, such excess amount is included in "other investments and non-current receivables" in the year ended March 31, 2005.

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.

Employees of Japanese companies are compulsorily included in the Welfare Pension Insurance Scheme operated by the government. Employers are legally required to deduct employees' welfare pension insurance contributions from their payroll and to pay them to the government together with employers' own contributions. For companies that have established their own Employees' Pension Fund, which meets certain legal requirements, it is possible to transfer a part of their welfare pension insurance contributions (referred to as the "substitutional portion" of the government's Welfare Pension Insurance Scheme) to their own Employees' Pension Fund under the government's permission and supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on September 25, 2003 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. On January 1, 2005, the Company obtained approval from the Minister of Health, Labor and Welfare with respect to application of the transfer to the Japanese government of the substitutional portion of benefit obligation for employee services provided in prior years and related pension plan assets. Pension assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government's scheme. The effects of the transfer are disclosed in the Note 7. Employees' severance and retirement benefits.

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 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

Hedged items:
- Interest expense on borrowings
- Inventories and commitments

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. Diluted net income per share is not disclosed because potentially dilutive securities are not issued. 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.

Change in accounting policy — Commencing in the year ended March 31, 2004, the Company and its subsidiaries adopted early the new Japanese accounting standard for impairment of long-lived assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Long-Lived Assets" issued by the Business Accounting Deliberation Council of Japan on August 9, 2002) and the Implementation Guidance for Accounting Standard for Impairment of Long-Lived Assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result, net income before income taxes and minority interest for the year ended March 31, 2004 decreased by ¥4,590 million ($42,741 thousand) compared with what would have been reported if the new accounting standard had not been adopted early.

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, 2005 and 2004:

March 31, 2005

	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	**¥ 5,004**	**¥ 11,560**	**¥ 6,556**	**$ 46,597**	**$ 107,645**	**$ 61,048**
Other securities:						
Equity securities	**¥ 395**	**¥ 367**	**¥ (28)**	**$ 3,678**	**$ 3,418**	**$ (260)**

March 31, 2004

	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	¥ 3,917	¥ 7,804	¥ 3,887	$ 36,475	$ 72,670	$ 36,195
Other securities:						
Equity securities	¥ 332	¥ 293	¥ (39)	$ 3,091	$ 2,728	$ (363)

(B) The following tables summarize book values of securities whose fair values are not determinable as of March 31, 2005 and 2004:

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

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
	Book value	Book value	Book value	Book value
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 1,239**	¥ 1,240	**$ 11,537**	$ 11,547

(b) Available-for-sale securities

Unlisted stocks (excluding over-the-counter securities)	**¥ 2,323**	¥ 2,280	**$ 21,631**	$ 21,231
Other	**2,000**	2,000	**18,624**	18,624
Total	**¥ 4,323**	¥ 4,280	**$ 40,255**	$ 39,855

(C) Total sales of available-for-sale securities in the years ended March 31, 2005 and 2004 amounted to ¥121 million ($1,127 thousand) and ¥832 million ($7,747 thousand), which resulted in net losses of ¥13 million ($121 thousand) and net gains of ¥25 million ($233 thousand), respectively.

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. The Company also enters into commodity futures contracts and commodity swaps 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. As the counterparties to 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 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, 2005 and 2004, of derivatives for which hedge accounting has not been applied:

March 31, 2005

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	¥ 7,306	¥ 7,482	¥ (176)	$ 68,032	$ 69,671	$ (1,639)
Other currencies	653	664	(11)	6,081	6,183	(102)
Buying						
U.S. dollars	10,642	10,893	251	99,097	101,434	2,337
Other currencies	1,235	1,256	21	11,500	11,696	196
Currency swap agreements:						
Japanese yen received for U.S. dollars	13,389	427	427	124,676	3,976	3,976
Currency option agreements:						
Selling						
Put						
U.S. dollars	—			—		
	<—>	—	—	<—>	—	—
Euro	—			—		
	<—>	—	—	<—>	—	—
Buying						
Call						
U.S. dollars	—			—		
	<—>	—	—	<—>	—	—
Euro	—			—		
	<—>	—	—	<—>	—	—
Total			¥ 512			$ 4,768

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 (losses)	Contract or notional amount	Fair value	Net recognized gains (losses)
Futures:						
Petroleum						
Selling	**¥ 6,141**	**¥ 6,231**	**¥ (90)**	**$ 57,184**	**$ 58,022**	**$ (838)**
Buying	**5,082**	**5,796**	**714**	**47,323**	**53,972**	**6,649**
Frozen seafoods						
Selling	**13**	**12**	**1**	**121**	**112**	**9**
Buying	**7**	**7**	**—**	**65**	**65**	**—**
Non-ferrous metals						
Selling	**5,938**	**6,199**	**(261)**	**55,294**	**57,724**	**(2,430)**
Buying	**3,464**	**3,602**	**138**	**32,256**	**33,541**	**1,285**
Commodity swaps						
Petroleum						
Selling	**668**	**(63)**	**(63)**	**6,220**	**(587)**	**(587)**
Buying	**3,032**	**216**	**216**	**28,234**	**2,011**	**2,011**
Total			**¥ 655**			**$ 6,099**

March 31, 2004

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	¥ 2,206	¥ 2,191	¥ 15	$ 20,542	$ 20,402	$ 140
Other currencies	10	9	1	93	84	9
Buying						
U.S. dollars	24,094	23,485	(609)	224,360	218,689	(5,671)
Other currencies	1,566	1,532	(34)	14,582	14,265	(317)
Currency swap agreements:						
Japanese yen received for U.S. dollars	11,490	999	999	106,993	9,303	9,303
Currency option agreements:						
Selling						
Put						
U.S. dollars	608			5,662		
	<12>	50	(38)	<112>	466	(354)
Euro	1,518			14,135		
	<33>	46	(13)	<307>	428	(121)
Buying						
Call						
U.S. dollars	203			1,890		
	<5>	1	(4)	<46>	9	(37)
Euro	506			4,712		
	<16>	9	(7)	<149>	84	(65)
Total			¥ 310			$ 2,887

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	¥ 1,695	¥ 1,699	¥ (4)	$ 15,784	$ 15,821	$ (37)
Buying	6,737	6,867	130	62,734	63,944	1,210
Frozen seafoods						
Selling	—	—	—	—	—	—
Buying	6	6	—	56	56	—
Non-ferrous metals						
Selling	14,369	14,318	51	133,802	133,327	475
Buying	13,321	13,732	411	124,043	127,870	3,827
Total			¥ 588			$ 5,475

5. Pledged assets

At March 31, 2005 and 2004, assets pledged as collateral for short-term loans of ¥292 million ($2,719 thousand) and ¥396 million ($3,687 thousand), respectively, and guarantees were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Other current assets	**¥ 10**	¥ 10	**$ 93**	$ 93
Investment securities	**2,729**	3,817	**25,412**	35,543
Property and equipment, net of accumulated depreciation	**436**	342	**4,060**	3,185
Intangibles	**57**	69	**531**	643
Total	**¥ 3,232**	¥ 4,238	**$ 30,096**	$ 39,464

6. Short-term loans and long-term debt

Weighted average interest rates applicable to short-term loans outstanding at March 31, 2005 and 2004 were 1.36% and 1.13%, respectively.

Long-term debt at March 31, 2005 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Loans from banks, with weighted average interest rates of 0.90% and 0.94% at March 31, 2005 and 2004, respectively, maturing serially through 2010	**¥ 88,930**	¥ 49,725	**$ 828,103**	$ 463,031
Less amounts due within one year	**17,050**	1,050	**158,767**	9,777
	¥ 71,880	¥ 48,675	**$ 669,336**	$ 453,254

The annual maturities of long-term debt outstanding at March 31, 2005, were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 17,050	$ 158,767
2007	26,450	246,299
2008	50	466
2009	22,625	210,680
2010	22,755	211,891
Total	¥ 88,930	$ 828,103

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, 2005 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Projected benefit obligation	**¥ 20,622**	¥ 23,059	**$ 192,029**	$ 214,722
Less fair value of pension assets	**(14,556)**	(13,031)	**(135,543)**	(121,343)
Unrecognized actuarial differences	**(5,388)**	(8,696)	**(50,172)**	(80,976)
Unrecognized prior service cost	**(1,111)**	720	**(10,346)**	6,705
Prepaid pension cost	**521**	416	**4,851**	3,874
Liability for severance and retirement benefits	**¥ 88**	¥ 2,468	**$ 819**	$ 22,982

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004, are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Service costs -benefits earned during the year	**¥ 469**	¥ 591	**$ 4,367**	$ 5,503
Interest cost on projected benefit obligation	**445**	488	**4,144**	4,544
Expected return on plan assets	**(396)**	(330)	**(3,688)**	(3,073)
Amortization of actuarial difference	**648**	617	**6,034**	5,746
Amortization of prior service cost	**(25)**	(60)	**(233)**	(559)
Additional retirement benefits	**28**	40	**261**	373
Severance and retirement benefit expenses	**1,169**	1,346	**10,885**	12,534
Gain on transfer of substitutional portion of employees' pension fund	**(1,912)**	—	**(17,804)**	—
Total	**¥ (743)**	¥ 1,346	**$ (6,919)**	$ 12,534

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, 2005 and 2004, are as follows:

	2005	2004
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.0%**	3.0%
Amortization period of prior service costs	**14 years**	14 years
Amortization period of actuarial differences	**14 years**	14 years

As explained in Note 2, on January 1, 2005, the Company obtained approval from the Minister of Health, Labor and Welfare with respect to application of the transfer to the Japanese government of the substitutional portion of benefit obligation for employee services provided in prior years and related pension plan assets.

As a result, the Company recognized a gain of ¥1,912 million ($17,804 thousand) for the year ended March 31, 2005.

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 40.7% and 42.1% for the years ended March 31, 2005 and 2004, respectively.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2005 and 2004:

	2005	2004
Statutory tax rate	**40.7%**	42.1%
Tax effect of permanent differences	**(0.4)**	4.7
Valuation allowance recognized for deferred tax assets	**(9.7)**	(76.9)
Tax effect of unrealized intercompany profit	**—**	2.8
Difference of tax rates for consolidated subsidiaries	**(0.4)**	(2.1)
Other	**(0.1)**	(0.6)
Effective tax rate	**30.1%**	(30.0)%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Deferred tax assets:				
Net operating loss carryforwards	**¥ —**	¥ 2,014	**$ —**	$ 18,754
Temporary differences pertaining to a consolidated subsidiary	**23,961**	23,986	**223,121**	223,354
Loss on impairment of long-lived assets	**2,258**	1,867	**21,026**	17,385
Temporary differences pertaining to investments in consolidated companies	**—**	781	**—**	7,273
Reserve for loss on sale-repurchase agreement of land	**1,632**	1,147	**15,197**	10,681
Accrued bonuses to employees	**672**	631	**6,258**	5,876
Other	**4,106**	3,642	**38,234**	33,913
Total deferred tax assets	**32,629**	34,068	**303,836**	317,236
Valuation allowance	**(29,678)**	(31,471)	**(276,357)**	(293,053)
Net deferred tax assets	**2,951**	2,597	**27,479**	24,183
Deferred tax liabilities:				
Net unrealized holding gains on securities	**2,656**	1,566	**24,732**	14,582
Land revaluation difference	**1,134**	1,109	**10,560**	10,327
Other	**629**	195	**5,857**	1,816
Total deferred tax liabilities	**4,419**	2,870	**41,149**	26,725
Net deferred tax assets (liabilities)	**¥ (1,468)**	¥ (273)	**$ (13,670)**	$ (2,542)

Deferred tax assets and deferred tax liabilities are included in the consolidated balance sheets at March 31, 2005 and 2004, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Current assets: Deferred tax assets	**¥ 1,855**	¥ 2,370	**$ 17,273**	$ 22,069
Non-current assets: Deferred tax assets	**20**	10	**187**	93
Current liabilities: Deferred tax liabilities	**—**	—	**—**	—
Non- current liabilities: Deferred tax liabilities	**3,343**	2,653	**31,130**	24,704

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.

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 earnings 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.

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

Unrealized gain (loss) on land revaluation is recorded as land revaluation difference in a separate component of stockholders' equity of the accompanying consolidated balance sheets until realized. The amounts are shown net of applicable income tax.

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.

As of March 31, 2005, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,944 million ($18,102 thousand).

10. 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, 2005 and 2004, were ¥348 million ($3,241 thousand) and ¥338 million ($3,147 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 years ended March 31, 2005 and 2004, were as follows:

As of March 31, 2005

	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	**¥ 1,309**	**¥ 602**	**¥ 707**	**$ 12,189**	**$ 5,606**	**$ 6,583**
Other investments	**151**	**52**	**99**	**1,406**	**484**	**922**
Total	**¥ 1,460**	**¥ 654**	**¥ 806**	**$ 13,595**	**$ 6,090**	**$ 7,505**

As of March 31, 2004

	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	¥ 1,227	¥ 709	¥ 518	$ 11,426	$ 6,602	$ 4,824
Other investments	129	28	101	1,201	261	940
Total	¥ 1,356	¥ 737	¥ 619	$ 12,627	$ 6,863	$ 5,764

Depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property are not reflected in the accompanying consolidated statements of income. Depreciation expense, computed by the straight-line method, was ¥323 million ($3,008 thousand) and ¥276 million ($2,570 thousand) for the years ended March 31, 2005 and 2004, respectively. Interest expense, computed by the interest method, was ¥21 million ($196 thousand) and ¥19 million ($177 thousand) for the years ended March 31, 2005 and 2004, respectively.

Obligations, excluding financing charges, under such non-capitalized finance leases as of March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Due within one year	**¥ 300**	¥ 261	**$ 2,794**	$ 2,431
Due after one year	**521**	405	**4,851**	3,771
Total	**¥ 821**	¥ 666	**$ 7,645**	$ 6,202

Operating leases

As Lessee

Obligations under operating leases as of March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
Due within one year	**¥ 40**	¥ 45	**$ 372**	$ 419
Due after one year	**51**	92	**475**	857
Total	**¥ 91**	¥ 137	**$ 847**	$ 1,276

11. 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, 2005 and 2004, is as follows:

Year ended March 31, 2005

	Millions of yen							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	¥ 548,150	¥ 99,507	¥ 82,187	¥ 155,727	¥ 48,385	¥ 933,956	¥ —	¥ 933,956
Costs and expenses	529,267	96,524	80,755	153,518	46,910	906,974	4,891	911,865
Operating income	¥ 18,883	¥ 2,983	¥ 1,432	¥ 2,209	¥ 1,475	¥ 26,982	¥ (4,891)	¥ 22,091
Assets	¥ 226,289	¥ 27,950	¥ 30,998	¥ 26,797	¥ 12,075	¥ 324,109	¥ 52,412	¥ 376,521
Depreciation	1,323	90	36	20	489	1,958	65	2,023
Loss on impairment of long-lived assets	1,129	30	—	—	—	1,159	16	1,175
Capital expenditure	866	41	13	8	455	1,383	155	1,538

Year ended March 31, 2005

	Thousands of U.S. dollars							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	$ 5,104,293	$ 926,595	$ 765,313	$ 1,450,107	$ 450,554	$ 8,696,862	$ —	$ 8,696,862
Costs and expenses	4,928,457	898,818	751,979	1,429,537	436,819	8,445,610	45,544	8,491,154
Operating income	$ 175,836	$ 27,777	$ 13,334	$ 20,570	$ 13,735	$ 251,252	$ (45,544)	$ 205,708
Assets	$ 2,107,170	$ 260,266	$ 288,649	$ 249,530	$ 112,441	$ 3,018,056	$ 488,053	$ 3,506,109
Depreciation	12,320	838	335	186	4,554	18,233	605	18,838
Loss on impairment of long-lived assets	10,513	279	—	—	—	10,792	149	10,941
Capital expenditure	8,064	382	121	75	4,237	12,879	1,443	14,322

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, 2004

	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
	Millions of yen							
Net sales	¥ 409,390	¥ 79,633	¥ 84,572	¥ 135,126	¥ 43,243	¥ 751,964	¥ —	¥ 751,964
Costs and expenses	398,963	78,164	83,427	133,862	40,492	734,908	4,390	739,298
Operating income	¥ 10,427	¥ 1,469	¥ 1,145	¥ 1,264	¥ 2,751	¥ 17,056	¥ (4,390)	¥ 12,666
Assets	¥ 163,912	¥ 27,654	¥ 30,996	¥ 18,334	¥ 12,060	¥ 252,956	¥ 40,572	¥ 293,528
Depreciation	1,432	86	45	19	357	1,939	69	2,008
Loss on impairment of long-lived assets	4,547	43	—	—	—	4,590	—	4,590
Capital expenditure	981	25	33	16	754	1,809	62	1,871

Year ended March 31, 2004

	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
	Thousands of U.S. dollars							
Net sales	$ 3,812,180	$ 741,531	$ 787,522	$ 1,258,273	$ 402,673	$ 7,002,179	$ —	$ 7,002,179
Costs and expenses	3,715,085	727,852	776,860	1,246,503	377,056	6,843,356	40,879	6,884,235
Operating income	$ 97,095	$ 13,679	$ 10,662	$ 11,770	$ 25,617	$ 158,823	$ (40,879)	$ 117,944
Assets	$ 1,526,325	$ 257,510	$ 288,630	$ 170,723	$ 112,301	$ 2,355,489	$ 377,801	$ 2,733,290
Depreciation	13,335	801	419	177	3,324	18,056	642	18,698
Loss on impairment of long-lived assets	42,341	400	—	—	—	42,741	—	42,741
Capital expenditure	9,135	233	307	149	7,021	16,845	577	17,422

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.

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.

Regional segment information

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

Overseas net sales of the Companies for the years ended March 31, 2005 and 2004, were as follows:

Year ended March 31, 2005

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	**¥ 129,483**	**¥ 13,124**	**¥ 142,607**	**$ 1,205,727**	**$ 122,209**	**$ 1,327,936**
Percentage of consolidated net sales	**13.9%**	**1.4%**	**15.3%**			

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

Year ended March 31, 2004

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	¥ 112,062	¥ 8,462	¥ 120,524	$ 1,043,505	$ 78,797	$ 1,122,302
Percentage of consolidated net sales	14.9%	1.1%	16.0%			

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

12. Contingent liabilities

At March 31, 2005 and 2004, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2005	2004	**2005**	2004
As endorsers of export letters of credit and notes discounted	**¥ 3,765**	¥ 10,646	**$ 35,059**	$ 99,134
As guarantors of indebtedness	**1,493**	1,516	**13,903**	14,117

13. Related party transactions

Transactions with close relatives of a director of the Company for the years ended March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars	
Type of transaction	**2005**	2004	**2005**	2004
Real-estate				
Rents received	**¥ 6**	¥ 6	**$ 56**	$ 56

14. Impairment of long-lived assets

Due to the continuous decline in land prices in Japan, the Companies reduced the carrying amount of the long-lived assets that were impaired to the recoverable amount. To assess the recoverable amount of the long-lived assets, appraised prices are principally used as the basis for the measurement. For the purpose of recognition and measurement, the Companies grouped the long-lived assets, principally based on the location of the business entity to which the assets belong. As a result of these procedures, loss on impairment of long-lived assets of ¥1,175 million ($10,941 thousand) and ¥4,590 million ($42,741 thousand) for the years ended March 31, 2005 and 2004, respectively, were recognized, in other expenses in the consolidated statements of income.

The following tables summarize the allocation of loss on impairment of long-lived assets in the year ended March 31, 2005 and 2004, respectively.

Year ended March 31, 2005

		Millions of yen			
Location	Purpose	Land	Buildings and Structures	Other	Total
Narashino, Chiba	Logistics center	**¥ 674**	**¥ —**	**¥ —**	**¥ 674**
Suminoe, Osaka	Logistics center	**359**	**—**	**—**	**359**
Ama, Aichi	Logistics center	**119**	**—**	**—**	**119**
Kurokawa, Miyagi	Logistics center	**8**	**—**	**—**	**8**
Shima, Mie	Idle assets	**15**	**—**	**—**	**15**
Total		**¥ 1,175**	**¥ —**	**¥ —**	**¥ 1,175**

		Thousand of U.S. dollars			
Location	Purpose	Land	Buildings and Structures	Other	Total
Narashino, Chiba	Logistics center	**$ 6,276**	**$ —**	**$ —**	**$ 6,276**
Suminoe, Osaka	Logistics center	**3,343**	**—**	**—**	**3,343**
Ama, Aichi	Logistics center	**1,108**	**—**	**—**	**1,108**
Kurokawa, Miyagi	Logistics center	**74**	**—**	**—**	**74**
Shima, Mie	Idle assets	**140**	**—**	**—**	**140**
Total		**$ 10,941**	**$ —**	**$ —**	**$ 10,941**

Year ended March 31, 2004

Location	Purpose	Millions of yen Land	Buildings and Structures	Other	Total
Narashino, Chiba	Logistics center	¥ 2,456	¥ —	¥ 202	¥ 2,658
Suminoe, Osaka	Logistics center	1,429	92	—	1,521
Ama, Aichi	Logistics center	304	75	—	379
Kurokawa, Miyagi	Logistics center	32	—	—	32
Total		¥ 4,221	¥ 167	¥ 202	¥ 4,590

Location	Purpose	Thousand of U.S. dollars Land	Buildings and Structures	Other	Total
Narashino, Chiba	Logistics center	$ 22,870	$ —	$ 1,881	$ 24,751
Suminoe, Osaka	Logistics center	13,306	857	—	14,163
Ama, Aichi	Logistics center	2,831	698	—	3,529
Kurokawa, Miyagi	Logistics center	298	—	—	298
Total		$ 39,305	$ 1,555	$ 1,881	$ 42,741

15. Subsequent events

At the ordinary general meeting of stockholders of the Company held on June 29, 2005, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9 per share)	¥ 1,903	$ 17,720
Bonuses to directors	160	1,490
Transfer to legal reserve	206	1,918

Independent Auditors' Report

To the Stockholders and 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, 2005 and 2004, 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 independently 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, 2005 and 2004, 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.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. Effective March 31, 2004, Hanwa Co., Ltd. and its subsidiaries adopted the new Japanese accounting standard for impairment of long-lived assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2005 and 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 29, 2005

KPMG AZSA & Co.

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: 81-6-6206-3000 Fax: 81-6-6206-3365 **Tokyo Head Office** New Hanwa Bldg., 1-13-10 Tsukiji, Chuo-ku, Tokyo 104-8429, Japan Tel: 81-3-3544-2171 Fax: 81-3-3544-2351 **Nagoya Branch Office** NHK Nagoya Broadcasting Center Bldg., 1-13-3, Higashisakura, Higashi-ku, Nagoya 461-8614, Japan Tel: 81-52-952-8800 Fax: 81-52-952-9300
Employee:	898
Independent Auditor:	KPMG AZSA & Co.

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
Tohoku	Sendai Daiichi Seimei Tower Bldg., 4-6-1 Ichiban-cho, Aoba-ku, Sendai 980-0811, Japan	81-022-227-7981	81-022-227-7969
Kyushu	Takeyama Hakata Bldg., 1-13-6, Hakataeki Higashi, Hakata-ku, Fukuoka 812-0013, Japan	81-092-471-7121	81-092-471-7060

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	1920 Main Street, Suite 1020, Irvine, California 92614, 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.C. Colombia	57-1-618-2059	57-1-618-2056
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 512-516, 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	86-411-8368-6954	86-411-8368-6934
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	86-591-83354165	86-591-83345202
Guangzhou	Unit 3006-3007,30th Floor, Dong Shan Plaza, 69 Xian Lie Zhong Road, Guangzhou City, Guangdong Province 510095, P.R. China	86-20-8732-0451	86-20-8732-0402
Wuhan	Room 18H, Credit Cooperative Building, No. 618 Jianshe Road, Wuhan 430015, P.R.China	86-27-8549-7132	86-27-8578-7196
Dongguan	Longxi Industrial Zone, Zhouxi Management Area, Nan Cheng 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, #20-06/07 Equity Plaza, Singapore, 049705	65-6536-7822	65-6536-7855
Tawau	P.O. Box 1231 91037 Tawau, Sabah, Malaysia	60-89-750016~7	60-89-750019
Ho Chi Minh	7/C Office Service International Centre, No. 8 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam	84-8-8225715/29/36	84-8-8225725
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, 12B Chaitrangan Kanchan Galli, Off Law College RD., Pune-411004, Maharashtra, India	91-20-3090-3983	E-mail: rafinance @sify.com
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
Wien	Landstrasser Hauptstrasse 71/2 A1030 Wien, Austria	43-1-717-28-200	43-1-717-28-110
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	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
(As of July 1, 2005)

President	
Shuji Kita	北　修爾
Senior Managing Directors	
Takashi Kyui	休井　匡
Hironari Furukawa	古川　弘成
Noriyuki Hanafusa	花房　伯行
Managing Directors	
Tatsuyuki Yamasaki	山崎　達之
Shinsuke Kitamura	北村　信輔
Tetsuro Akimoto	秋元　哲郎
Directors	
Kazushi Higashida	東田　和四
Kazuo Yokota	横田　和夫
Hiroshi Omoto	大本　博
Yoshifumi Nishi	西　吉史
Takuji Kita	北　卓治
Takaharu Tada	多田　孝治
Kazuhisa Majime	馬締　和久
Hideo Kawanishi	川西　英夫
Masataka Toyoda	豊田　雅孝
Hiroshi Serizawa	芹澤　浩
Hiroaki Tsujinaka	辻仲　弘明
Hiroshi Ebihara	海老原　弘
Corporate Auditors	
Shosaburo Bando	坂東祥三郎
Hironari Masago	真砂　博成
Toshiaki Taguchi	田口　敏明
Hajime Yosano	与謝野　肇

Investor Information
(As of March 31, 2005)

Date of Establishment
April 1947

Stated Capital
¥45,651 million ($425,096 thousand)

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

Number of Stockholders
21,471

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

Printed in Japan