PEACE

HARMONY

JAPAN

SUM

ANNUAL REPORT 2006

HANWA CO., LTD.

For the year ended March 31, 2006

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

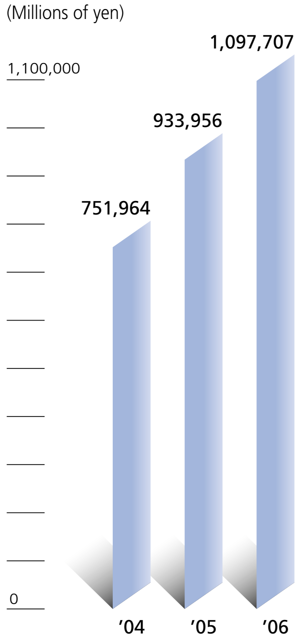
For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
For the year:				
Net sales	**¥ 1,097,707**	¥ 933,956	**$ 9,344,573**	$ 7,950,592
Operating income	**19,690**	22,091	**167,617**	188,057
Net income	**10,504**	13,704	**89,419**	116,660
At year-end:				
Total assets	**¥ 413,020**	¥ 376,521	**$ 3,515,962**	$ 3,205,252
Total stockholders' equity	**86,145**	72,875	**733,336**	620,371

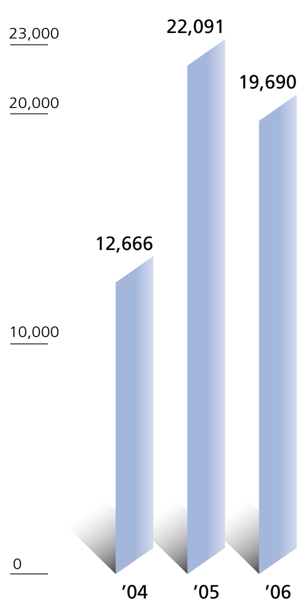
	Yen		U.S. dollars	
	2006	2005	**2006**	2005
Per share data:				
Net income	**¥ 48.96**	¥ 64.03	**$ 0.417**	$ 0.545
Cash dividends	**10.00**	9.00	**0.085**	0.077

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥117.47=$1.00.

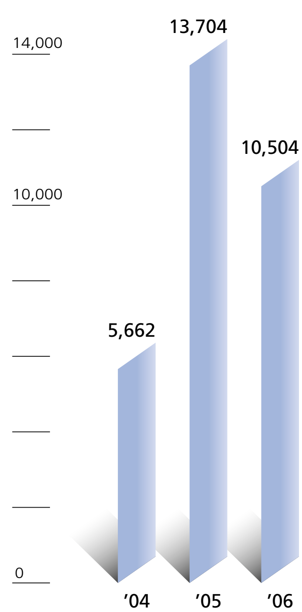
Net sales
(Millions of yen)



Operating income
(Millions of yen)



Net income
(Millions of yen)



Letter to Stakeholders

Dear Stakeholders,

I am pleased to report that Hanwa Co., Ltd. and its consolidated subsidiaries achieved strong sales and earnings in fiscal 2005, the fiscal year that ended in March 2006. Consolidated net sales increased 17.5% to ¥1,097.7 billion, a record high. Earnings were affected by weakness in market conditions for certain types of general-purpose steel sheets due to growth in inventories in the market. Operating income decreased 10.9% to ¥19.7 billion and net income was down 23.4% to ¥10.5 billion. As a result, the return on equity declined 7.8 points to 13.2%. However, we did achieve a 30 point improvement in the net debt-to-equity ratio 140%.

Management Policy

Hanwa's corporate philosophy is based on the desire to earn the admiration and support of all the stakeholders as a "company with value." We are dedicated to making contributions to society on both the global and regional levels.

In accordance with this philosophy, we always put the customer first. To reinforce our win-win relationships with customers and business partners, we aim to become a "trading company with a presence." We will accomplish this goal by emphasizing the distribution of merchandise with more added value and a marketing style that uses proposals to increase business opportunities. "Speedy management" will be an integral element of all our activities, enabling us to adapt swiftly to changes in society and our markets.

Fulfilling our responsibilities as a corporate citizen is a high priority of ours. Our CSR programs are overseen by the CSR Committee with the goal of reinforcing the Hanwa corporate brand.

Dividend Policy

Returning earnings to shareholders is an extremely important element of our management goals. Our basic policy is to pay a dividend that reflects operating results in each fiscal year, based on the return on equity and dividend payout ratio. Dividends also reflect the need to retain sufficient earnings to fund future business activities and our base of operations.

Retained earnings are used to bolster our base of operations and make substantial investments in growing businesses and new businesses. In all cases, our goal is to raise Hanwa's corporate value.

Management Targets

Hanwa places importance on performance indicators that contribute to improving corporate value and financial soundness. Accordingly, targets have been established for the return on assets, return on equity and net debt-to-equity ratio.

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

Medium- and Long-term Strategy, and Management Issues

In May 2004, we established a Mid-term Business Plan that covers 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

Non-ferrous 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 new businesses by a business incubation team (BIT)
- 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 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

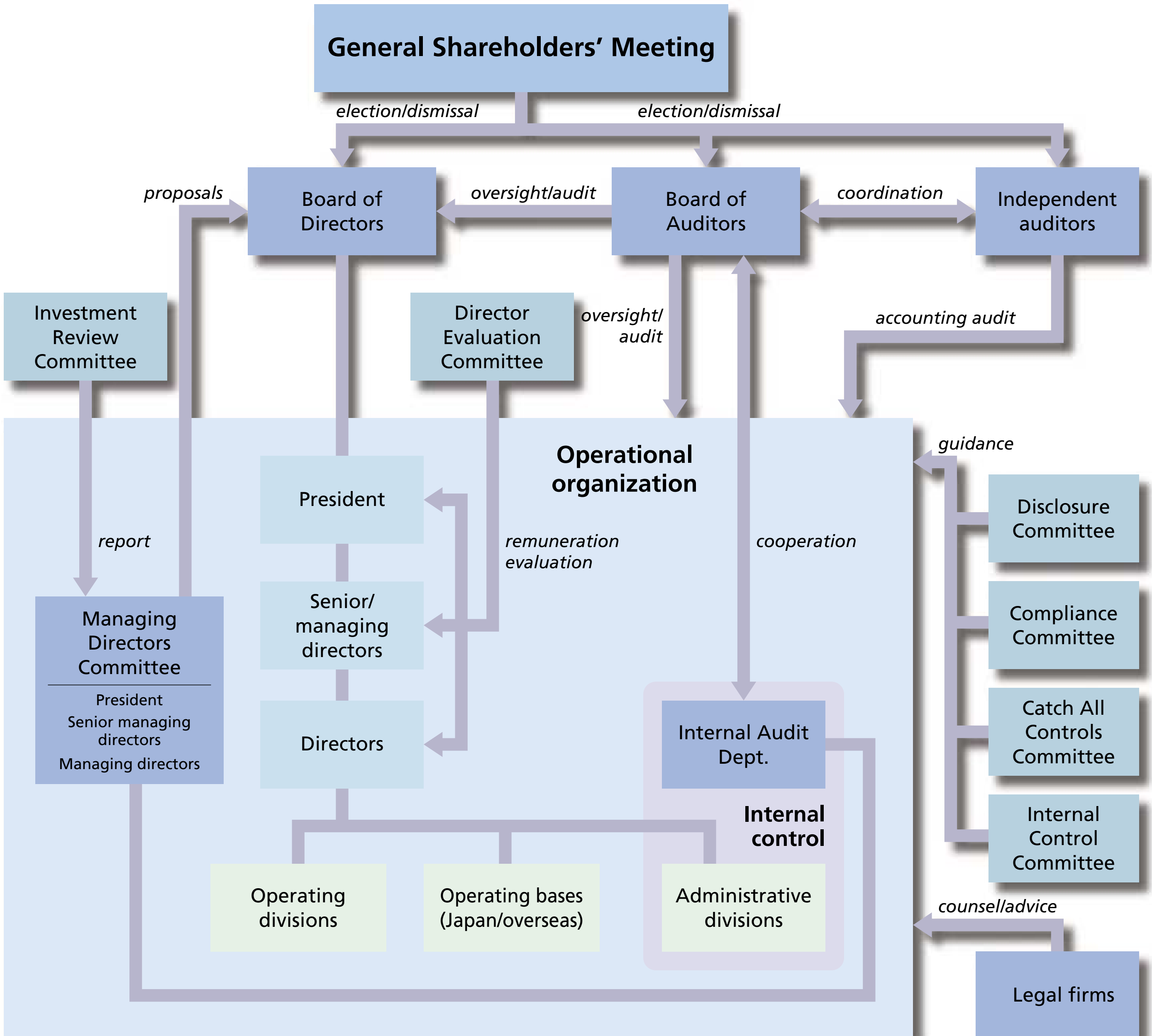
We have adopted the system of corporate auditors as stipulated in the Commercial Code of Japan. The Board of Auditors is responsible for overseeing and auditing the performance of the Board of Directors, whose members are elected by the General Shareholder's Meeting, as well as the Managing Directors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

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 meets three times a year, which 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 system

Hanwa's internal control system includes an Internal Audit Department that is overseen directly by the Managing Directors Committee. Furthermore, the Accounting Department, Legal and Credit Department and other administrative divisions also function as an element of internal control for accounting and legal matters.

Hanwa has established disclosure regulations and a Disclosure Committee to strengthen internal control with regard to the timely disclosure of corporate information. This committee determines rules and basic policies for Hanwa Group legal disclosures and timely information disclosures. The committee also makes decisions and judgments concerning the importance and suitability of information that is disclosed.

Risk management system

In Hanwa's risk management system, the Compliance Committee, Catch All Controls Committee, Internal Control Committee and other units serve as advisory bodies to management units and business execution units with regard to all matters concerning management and business execution. External attorneys are available for consultations to provide an external advisory unit. Regarding internal control, the Legal and Credit Department is responsible for supervising credit risk and risks involving legal restrictions.

Regarding the compliance framework, Hanwa has established "Corporate Ethical Standards" and "Corporate Ethical Standards of Behavior". All employees receive a "Compliance Manual" that serves as the standard for their behavior. Additionally, the Compliance Committee oversees internal activities to make everyone aware of compliance matters.

Internal audits, corporate auditor audits and financial audits

Regarding internal audits, Internal Audit Department monitors all business sites and group companies in Japan primarily with respect to accounting and compliance. An internal audit report is submitted directly to the president every month and reports are submitted as required to the Managing Directors Committee. Internal Audit Department also functions as the staff for the corporate auditors. The staff members submit reports as requested by the Board of Auditors and remain in constant contact with the corporate auditors. The Overseas Administrative Department monitors overseas subsidiaries and other overseas business sites primarily with respect to accounting and compliance. A report is submitted to all directors every month and a report on the status of overseas bases is submitted to the Board of Directors twice each year. Other reports are given as required in response to requests by the Board of Auditors.

Audits by the corporate auditors place priority on audits designed to prevent the occurrence of misconduct. The auditors perform dialog-style audits to determine the status of legal compliance, internal control, risk management and other items. Additionally, the auditors attend meetings of the Board of Directors, Managing Directors Committee and other important conferences to supervise and audit the performance of senior management. Hanwa's corporate auditors include individuals from outside the group who have rich knowledge concerning corporate activities. These auditors perform the required business audits while maintaining their autonomy from senior management. Furthermore, the auditors exchange opinions with the president and directors in charge of business units to clearly state corporate auditor opinions concerning the Board of Directors.

Concerning the independent accountant, Hanwa has an auditing contract with KPMG AZSA & Co. to perform audits required by the Commercial Code of Japan and the Securities and Exchange Law.

Actions during past year to improve corporate governance

Internal Control Committee

Hanwa believes that it is important to establish and operate an internal control system in order to ensure that business activities are performed properly and efficiently. This system is essential to the effective functioning of corporate governance, the reduction of risks associated with the achievement of business objectives, and the sustained growth and development of the Hanwa Group. Therefore, we have established a fundamental policy for internal control and formed an Internal Control Committee. The committee is responsible for establishing and maintaining internal control system and verifying the effectiveness of this system.

Hanwa's senior management will continue to take the lead in reinforcing the management and administration framework and taking other steps to further strengthen corporate governance.

August 2006

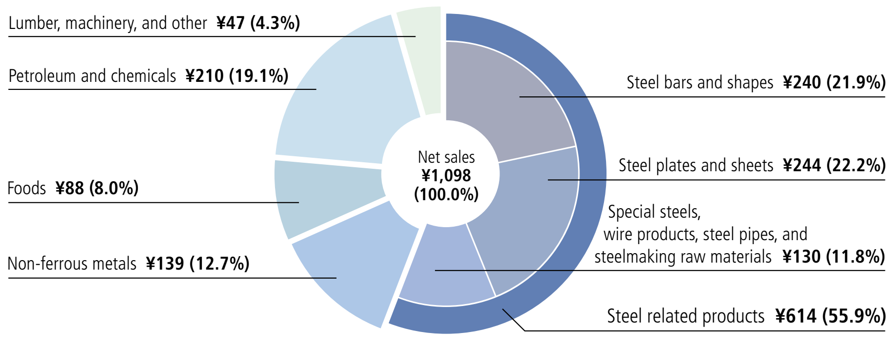
Shuji Kita
President
Hanwa Co., Ltd.

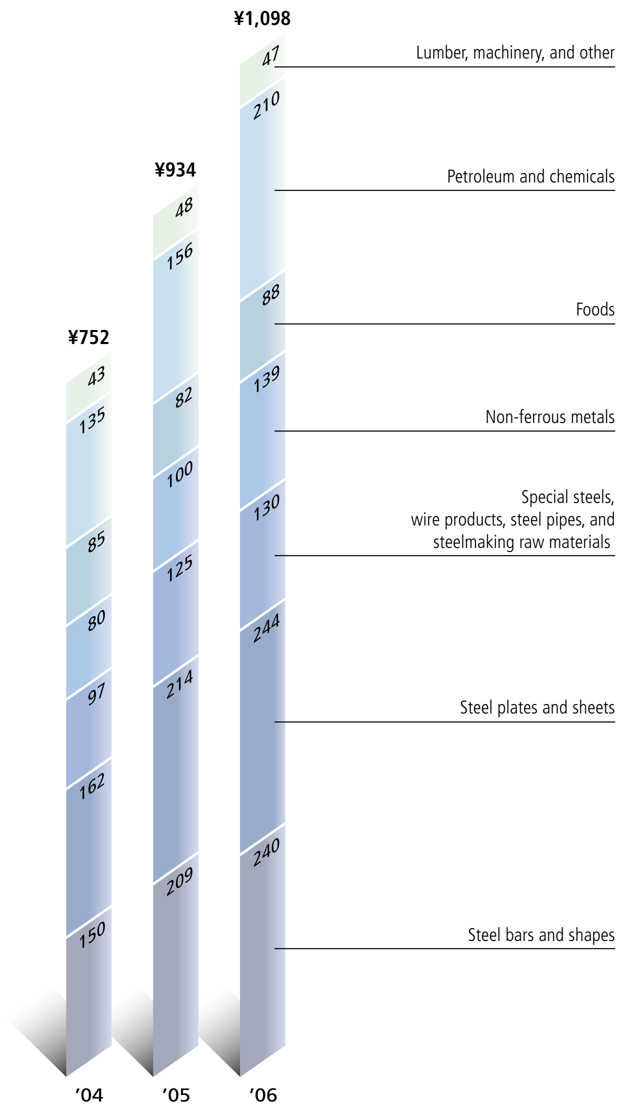
北　修爾
取締役社長
阪和興業株式会社

Review of Operations

For the year ended March 31, 2006

Net sales by Product (Billions of yen)





Steel (Domestic)

Review

Demand for steel in Japan remained solid in fiscal 2005 due to continued strength in the manufacturing sector, particularly the automotive, shipbuilding and construction machinery industries. With regard to construction activity, weakness in the civil engineering and bridge category was offset by strength in the architectural construction category. There were many projects for a high level of capital spending by manufacturers, large retail facilities and for condominiums. As a result, market conditions were generally favorable, although a scandal concerning fraudulent earthquake-resistant construction in the second half of the fiscal year delayed some projects. In contrast to the tight supplies of fiscal 2004, the past fiscal year saw a global increase in inventories as excessive steel production in China rapidly raised the supply of steel. The result was a drop in prices of steel sheets.

Due to these conditions, Hanwa's domestic steel operations achieved growth in sales, a reflection of strong demand and the acquisition of new customers, but earnings declined along with steel prices.

Outlook

The pace of change is rapid in the steel industry and the magnitude of changes is growing. Growth in steel output in China shows no signs of slowing, a trend that is having a significant impact on supply-and-demand dynamics. In Japan, demand for steel from manufacturers and the construction industry is expected to remain strong. However, there is a possibility of a significant change with regard to the supply of steel due to the large impact of steel production in China. Due to this outlook, Hanwa is adopting a cautious stance regarding the procurement of steel inventories while closely monitoring market trends. Regarding sales activities, Hanwa will continue to upgrade its storage, distribution, processing and e-commerce capabilities and work on steadily expanding sales to more market categories.

Steel (Overseas)

Review

Fiscal 2005 was characterized by an excess supply of general-purpose steel worldwide. Prices for general-purpose steel continued to fall through first to third quarters of the fiscal year. Japanese steelmakers were forced to reduce output as their export volumes declined. However, steel sales were strong to the overseas factories of Japanese companies. One notable trend of fiscal 2005 was the shift of automotive production to China. Japanese steel makers were active in China. A mill jointly owned by Nippon Steel and Bao Steel Group that produces cold-rolled steel sheets and galvanized steel sheets started operations in 2005. Additionally, a jointly owned mill of JFE Steel and Guangzhou Steel and Iron Enterprises Group started producing steel early in 2006. The steel market began showing signs of a recovery in December 2005. In fact, prices for exported steel began to rise, starting with contracts for the second quarter of 2006.

Hanwa's overseas steel operations recorded higher sales, but there was a large decline in sales in China that was mainly attributable to a reduction in steel production. South Korea and the Middle East accounted for most of the sales growth.

Outlook

There are two main goals for fiscal 2006. First is preserving Hanwa's strong presence in China, where the company has a comparatively high market share. Second is increasing sales in India, the Middle East and other markets and generating sales through overseas bases. Another theme for overseas steel operations is raising sales in the automotive and energy industries. Overseas steel operations will also work on conducting its own sales activities that target building materials, based on closer ties with domestic sales divisions, and on increasing the volume of offshore transactions.

To accomplish these goals, Hanwa has been enlarging its network. Office S have been opened in Ho Chi Minh, Vietnam and in Wien, Austria in April 2005. Another office was opened in Mumbai, India in September 2005 and an office was officially opened in Dubai, in April 2006. To increase the steel processing network, Hanwa Steel Service (Thailand) began operations in July 2005. Furthermore, Hanwa Steel Service (Dongguan) began operations in China in July 2006.

Non-Ferrous Metals & Metal Alloys

Review

Prices of aluminum, copper, zinc and other non-ferrous metals remained high during the first half of fiscal 2005, but began to climb again in the second half. Demand fueled by continuing economic growth, mainly in China, was the primary reason. Metals attracted massive amounts of speculative fund investments due to perceived shortages of energy and natural resources. Copper and zinc supplies became tighter still, causing prices of other metals to rise, too. Overall, prices rose by about 140% during the second half of the fiscal year. Price increases were even greater in Japan because of the steady decline in the yen's value during the fiscal year.

A global downturn in stainless steel production that began in the summer of 2005 caused demand for nickel, chrome and other stainless steel materials to remain weak until the end of the year. However, prices of these materials climbed rapidly following the Chinese new year along with the prices of copper and aluminum.

Sales of non-ferrous metals and metal alloys were up substantially. This was attributable to measures to increase sales, accurate decisions concerning market trends and higher prices of metals. In recycled aluminum operations, sales rose along with activities involving value-added products. In copper and brass scrap, earnings climbed significantly due to growth in import, export and offshore transactions amid a global shortage of these materials. Earnings were also backed by favorable market trends. Due to the sharp increase in the price of molybdenum, there was a large increase in imports of SUS316 stainless steel scrap. Volumes of special metal scrap also increased as U.S. and European imports and exports climbed. Sales of nickel increased as growth in sales to China and South Korea outweighed a decline in demand in Japan. In ferroalloys, Hanwa continued to strengthen its sales operations targeting blast furnaces and special metal mills. In June 2005, Hanwa acquired exclusive rights to sell the ferrochrome of Samancor Ltd. in Japan. Ferroalloy sales thus increased due to the contribution of this business beginning in the fiscal year's second half. In the rapidly growing market for solar cell-related products, Hanwa posted a large increase in the volume of outsourced silicon wafer processing.

Outlook

Demand for raw materials is growing worldwide and shortages of non-ferrous metals are persisting. Although there are many ongoing projects involving mine developments, smelter expansions and other activities, these investments are unlikely to raise output in the short-term. Inflows of capital from investment funds will probably keep market prices volatile at the current high level. Furthermore, market prices may plummet if funds change their positions.

The non-ferrous metals and metal alloys business will work even more closely with Hanwa's overseas offices to increase the volume of international metals trading. Hanwa is aiming for growth not only in China and the ASEAN region, but also in Russia, Kazakhstan, South Africa, Brazil and India. In the recycled aluminum, copper, stainless steel and special metals business, one priority is building an efficient system for collecting materials. Another goal is investing in processing facilities and forming alliances with customers in order to offer distinctive products that are not vulnerable to market fluctuations as well as to further raise the volume of value-added products. In addition, Hanwa will rebuild its distribution system in Asia, including India, and expand overseas operations. Regarding nickel, the goals are to build even closer ties with producers and reinforce risk management to cope with market volatility. In ferroalloys, Hanwa is constantly working on raising sales to manufacturers of blast furnaces, special metal mills and electric arc furnaces. Additionally, activities will be focused on sales in Japan and China of ferrochrome and chromium ore supplied by Samancor Ltd. In the metal silicon sector, plans call for raising sales to aluminum and chemical companies while developing the market for sales of metal silicon to solar cell manufacturers. Regarding products for solar cells, Hanwa plans to increase exports and imports associated with outsourced processing services.

Food Products

Review

There was a big increase in trading volumes of red fish, halibut, sole and flounder. Along with a substantial rise in prices of all types of fish, the result was higher sales in fiscal 2005, bringing to an end a period of declining sales. However, market conditions remained weak because prices of higher-priced products, chiefly crabs and shrimp, remained at a law level. On the other hand, earnings benefited from steady growth in trading volumes of processed food products, mainly products using shrimp and common fish catches. One highlight was growth in sales of processed products, particularly processed shrimp products.

Outlook

Growing demand for marine products in Europe, due in part to fears concerning BSE and bird flu, along with the strength of the euro are likely to make Japan less competitive. As in the past year, companies will probably have difficulty incorporating the higher cost of marine products in sales prices. Based on this outlook, Hanwa expects to face difficult market conditions in fiscal 2006. In response, Hanwa will concentrate on preserving or increasing market share for each fish category, further raising its stature in food products industry, and increasing sales of processed food products and of raw materials to third countries. Through these activities, Hanwa intends to achieve another increase in sales and generate solid earnings.

Petroleum and Chemicals

Review

Prices for petroleum products continued to climb in the United States due to the chronic shortage of domestic crude oil production and hurricane damage. Prices were high in Japan as well. Hanwa experienced difficulties selling products to end users as a shift to less inexpensive energy sources and other trends brought down demand. However, sales were much higher because of the increase in unit prices. Furthermore, there was a severe shortage of kerosene in Japan because of record-setting snowfalls and low temperatures. Hanwa's kerosene trading volume increased as a result. Sales of bunker oil remained strong in Asia.

There was growth in imports and offshore trading of resins. Additionally, lubricating oil sales increased due to higher sales of PAO and base oils. In paper products, there was a decrease in protective interleaving paper for steel sheets surfaces. Hanwa began exporting used paper to Vietnam during the fiscal year.

Outlook

Demand for petroleum products in Japan is expected to continue lowering as the price of crude oil remains high. In response, Hanwa will concentrate on increasing sales to current customers and establishing relationships with new ones. In Asia, where demand for crude oil continues to climb, the goals are to increase sales of bunker oil and expand the export business. Plans also include supplying alternative fuels that have a lower environmental impact and offering ideas for energy saving systems.

In chemicals, Hanwa is focusing on raising import and offshore trading volumes of resins and selling more household products to large retailers. Other goals are increasing sales of lubricating oil, such as base oil, additives and lubrication products. In paper products, Hanwa will continue to work on raising exports of used paper to Vietnam.

Lumber

Review

There was steady growth in the volume of forest products imported from Scandinavia, Russia, China and Chile. However, imports from the United States and Canada declined as coastal lumber plants in Canada became less competitive. Direct trading with large Japanese makers of pre-cut beams climbed and the trading volume with do-it-yourself home centers grew. Exports to the United States increased and there was also growth in exports to the Middle East and other regions.

Outlook

Hanwa is working on increasing sales in Japan of timber products from Romania and Russia. Other goals are raising sales of raw materials and logs and building a platform for higher sales in the United States. Regarding plywood, the goals are to continue raising sales of products from Malaysia and raise the trading volume of special grades of plywood. Hanwa also plans to begin handling Japanese forest products. The market for imported plywood has rebounded from the previous year's bottom. Demand is strong in markets other than Japan. Furthermore, a steep drop in the supply of plywood is foreseen due to changes in the global climate and a clampdown on illegal logging. These trends are expected to trigger a steep increase in plywood prices.

Machinery

Review

Leisure facilities: One highlight of the fiscal year was the import to Japan and installation of a merry-go-round from a U.S. manufacturer that Hanwa worked with for the first time. In the Shanghai area of China, Hanwa supplied a tea-cup ride from Italy and three types of attractions that were made in China. In addition, indoor family entertainment facilities were supplied to 11 locations throughout Japan.

Industrial machinery: Hanwa supplied steel fabrication equipment to coil centers in Shanghai, Thailand and Japan. A steelmaker in the Nagoya area of Japan purchased environmental equipment from Hanwa. Sales also include the export of marine engines to Iran and the import of steel processing equipment from Italy.

Outlook

Leisure facilities: This market is becoming less competitive in Japan as companies exit this business. However, the prolonged slump in demand for large outdoor entertainment attractions shows no sign of ending. Hanwa will concentrate on the development and sale of amusement equipment for families and the business of creating indoor amusement facilities. In addition, Hanwa is seeking opportunities in China and other overseas markets.

Industrial machinery: Hanwa is targeting opportunities to increase sales of steel fabrication equipment created by the high volume of capital expenditures in the steel, automobile and home appliance industries, where earnings are strong. Plans also call for increasing exports of marine engines and other products to the Middle East, which is benefiting from the high price of crude oil.

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 while balancing three aspects of society, economy and environment, and makes efforts to realize the sustainable society through its business activities.

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 by giving its employees positive assistance for building up of career and development of ability, 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. Observe Antitrust Law and other laws and regulations, and operate its business fairly and appropriately.
2. Observe Unfair Competition Prevention Law and maintain sound market environment based on free competition.
3. Fully understand and appropriately manage the qualification and permission necessary for performing its business.
4. Observe treaties, laws and regulations of various countries in relation to import and export business, and appropriately operate its import and export transaction.
5. Respect Intellectual Property Rights and keep intellectual property under strict control and do not infringe third party's ones.
6. Observe laws and regulations with respect to the environment and operate its business considering global environment.
7. Do not conduct unjust dealings of shares and other securities such as insider trading.
8. Observe the Regulation of Money for Political Activities Act. and do not make illegal political donation.
9. Manage information carefully and maintain sound information network.
10. Give consideration to human rights and exclude unjust discriminations, abuses, harassments, etc.
11. Observe traffic law and other laws, regulations and rules of social common ideas with which we shall comply as social citizens.
12. Comply with laws, regulations, international rules, social customs and in-house rules in accordance with the management policy, and maintain high ethics.
13. Cooperate with social developments and positively promote contribution to society.
14. Maintain sound and transparent management by positively disclosing information.
15. Cope resolutely with antisocial forces and refrain from any profit-offering, etc.
16. Emphasize in-house education and develop expertise and creativity.
17. Maintain vigorous work environment with fair personnel evaluation.
18. Encourage employees to report, contact and consult, and promote open and highly transparent business activities.
19. Do not make transactions contradicting company's profit, maintain sound relationship with its customers, and draw a line between public and private affairs.
20. With respect to entertainment and gift offered by the Company, comply with laws and regulations concerned and stay within the extent socially permitted.
21. Follow accounting related regulations and make fair, appropriate and proper accounting books and records.
22. Follow credit management regulations and put proper credit control in practice.
23. Always check and understand contents of contracts and actual conditions of dealings with clients.
24. Draft both external documents such as contracts and in-house memorandums properly and keep such documents in accordance with company regulations.
25. Give due consideration for issues of safety and hygiene in managing business activities and labor services.

Topics

1. Establishment of Hokkaido Branch

In April 2006, Hanwa opened Hokkaido Branch in Sapporo after months of preparation.

The business activities in Hokkaido area has been carried out by Distributor Sales Departments in Tokyo and Osaka Head Offices. By establishing this Hokkaido Branch Hanwa will provide unified service to all the customers located in this area, making closer ties with its customers and providing rational proposals.

2. Establishment of Hanwa Steel Service (Dongguan) Co.,Ltd.

In September 2005, Hanwa established a new coil center in Chashan Industrial Park, Dongguan City, Guangdong, China.

This coil center has 14,000 square meters of plant on 66,000 square meters site. The plant is furnished with slitter, mini levelers, square-shear to process steel sheets.

3. Conclusion of a Cooperation Agreement with Mie Prefecture

On March 24th, 2006, Hanwa entered a support cooperation agreement with Mie Prefecture, for supporting medium and small companies in the Prefecture jointly.

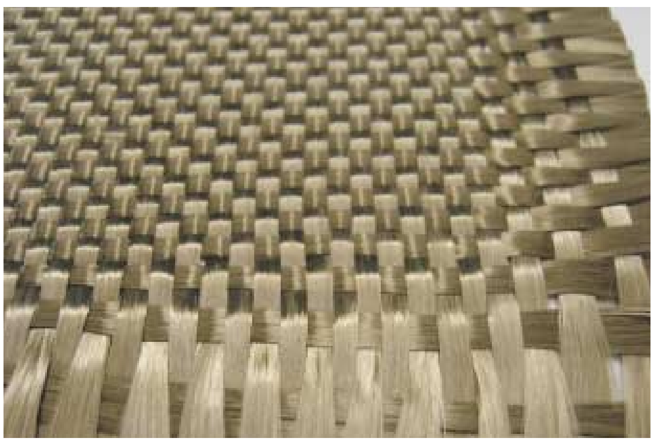
According to this agreement, Hanwa will support medium and small companies with promising technique and eagerness. Business incubation team(BIT), which has founded in accordance with the Mid-term Business Plan established in 2004, holds business matching gathering to provide those companies an opportunity to create new business and cultivate a market.

4. Introduction of New Merchandise

Basalt Continuous Filament Fiber
Hanwa started importing basalt fiber produced abroad and supplying samples of products to automotive industry, construction industry and textile industry.

Basalt fiber is made from 100% natural basalt rock, smelted in a furnace and spinned to fiber yarn. It is superior to glass fiber in thermal protection, tensile strength, and chemical resistance. What's more basalt fiber attracted attention as an environment-friendly than that of glass. Basalt does not damage incinerators when it is burned, while glass fiber liquefy and stick inside incinerators.

Hanwa will treat various products of basalt fiber including roving, fabrics and chopped strands to meet diverse needs of users.



New Medium for Floor Space Advertising
Hanwa started in earnest selling new floor space advertising "POP STEP" as the sole agency. Hanwa researched and developed "POP STEP" jointly with Lonseal Corp. and Ojitac Co.,Ltd.. This product is less slippery, high durability, easy to stick and peel, and it is superior to existent media for floor space advertising in all aspects of physical performance, installation, ecology and cost performance.

Hanwa will actively expand this business, expecting to gain a 30% of Japanese market share in three years.

Management Discussion and Analysis

Economic overview

The global economy remained healthy during the fiscal year ended March 2006 as inflation was generally under control in most countries. Instability in the Middle East and other factors were sources of concern. Hurricane damage in the United States and the steep rise in the price of crude oil backed by inflows of capital from investment funds were other negative developments. In Japan, corporate earnings continued to improve and private-sector capital expenditures and consumer spending remained strong. The result was a solid economic recovery fueled mainly by domestic demand.

Earnings

Hanwa's performance in the environment reflected aggressive measures to expand business operations along with the benefits of high prices of steel and other materials at the start of the fiscal year. Consolidated net sales increased 17.5% to ¥1,097.7 billion. Sales growth and much high prices generated increases in the non-ferrous metals and petroleum and chemicals businesses. In the other hand steel earnings were lower because prices weakened due to growth in inventories of general-purpose steel sheets as the supply of these sheets was no longer tight. Consolidated operating income, thus, decreased 10.9% to ¥19.7 billion and net income decreased 23.4% to ¥10.5 billion.

Sales by Business Segment

Steel: There was an increase in exports to companies in the automotive and home appliance industries in China and Southeast Asia. In Japan, the fiscal year began with high steel prices because of the improvement in the steel market in prior fiscal year. Prices began to decline in the summer of 2005 as there was ample steel to meet demand. However, Hanwa conducted aggressive sales activities that mainly targeted the automotive, industrial and construction machinery, and architectural construction (a major use of steel bars) industries, all sectors where earnings are strong. The result was a 12.0% increase in sales to ¥614.0 billion.

Non-Ferrous Metals: Prices of non-ferrous metals on international markets rose to record highs due to speculative investments by funds and other sources. The performance of this business reflected contributions by sales from two key sources: ferrochrome produced by Samancor Ltd. of South Africa and silicon wafers used to make solar cells. The result was a 39.8% increase in sales to ¥139.1 billion.

Foods: Although there was weakness in the market for marine products, including cultured prawn, a major product for Hanwa, the company was successful at raising sales of processed food products in China and common fish catches. The result was a 6.6% increase in sales to ¥87.6 billion.

Petroleum and Chemicals: The price of crude oil rose significantly during the fiscal year. One reason was strong demand in China and other BRICs nations. U.S. hurricane damage and the inflow of investment fund capital also kept prices high. In this environment, Hanwa's sales increased 35.0% to ¥210.3 billion mainly because of a higher trading volume of bunker oil and an increase in the price of kerosene due to a cold winter in Japan.

Other businesses: As for other businesses including lumber business, sales decreased 3.5% to ¥46.7 billion because of the sluggish plywood market in Japan.

Cash Flows

Net cash provided by operating activities was ¥22.3 billion compared with a negative cash flow of ¥13.3 billion one year earlier. The main reason was an increase in trade receivables of only ¥3.2 billion, ¥52.7 billion less than the increase in the prior fiscal year, because of the relatively stable receivable collection cycle made possible while the growth in sales.

Net cash used in investing activities increased ¥13.3 billion to ¥14.1 billion. One reason was a net investment of ¥7.9 billion in property and equipment, including the repurchase of land that Hanwa sold to the Organization for Promoting Urban Development. In addition, purchases of investment securities, including the investment in Samancor Ltd. of South Africa, totaled ¥5.3 billion.

Net cash used in financing activities was ¥7.5 billion compared with that of previous year's net cash provided ¥23.5 billion. This change was attributable to a decrease in the use of bank loans to fund business operations due to the improvement in operating cash flows.

Outlook

The direction of the global economy will depend mainly on the U.S. economy and events in the Middle East and on trends in markets for basic materials, where the Chinese economy continues to be the primary source of growth in demand. In Japan, which is staging a solid economic recovery, changes in interest rates and foreign exchange rates due to changes in monetary policy are a major point of interest. These and other events will continue to alter the operating environment for trading companies at a fast pace, creating an uncertain outlook.

The Hanwa Group will continue to position steel, non-ferrous metals, foods, and petroleum and chemicals as its core businesses. Based on this stance, the group aims to expand its business operations by executing a strategy based on the adoption of an offensive stance. The development of new businesses and extension of operations to peripheral fields are two other goals. The aim is to start businesses that can be central elements of Hanwa's operations in the future. Through these activities, Hanwa plans to take the final steps needed to reach the goals of the current Mid-term Business Plan, which ends in March 2007.

Five-Year Summary

For the years ended March 31

	Millions of yen except number of employees					Thousands of U.S. dollars
	2006	2005	2004	2003	2002	**2006**
For the year:						
Net sales	**¥ 1,097,707**	¥ 933,956	¥ 751,964	¥ 682,964	¥ 625,614	**$ 9,344,573**
Operating income	**19,690**	22,091	12,666	10,257	6,517	**167,617**
Net income	**10,504**	13,704	5,662	5,907	3,587	**89,419**
Net cash provided by (used in) operating activities	**22,299**	(13,341)	(6,850)	3,269	19,327	**189,827**
Net cash provided by (used in) investing activities	**(14,079)**	(731)	(1,004)	836	1,352	**(119,852)**
Net cash provided by (used in) financing activities	**(7,497)**	23,523	(10,873)	(10,115)	(14,630)	**(63,820)**
At year-end:						
Cash and cash equivalents	**¥ 18,986**	¥ 17,658	¥ 8,390	¥ 27,808	¥ 35,183	**$ 161,624**
Total assets	**413,020**	376,521	293,528	281,557	284,515	**3,515,962**
Total stockholders' equity	**86,145**	72,875	57,757	52,748	49,188	**733,336**
Number of employees	**1,519**	1,424	1,285	1,239	1,136	

	Yen					U.S. dollars
	2006	2005	2004	2003	2002	**2006**
Per share data:						
Net income	**¥ 48.96**	¥ 64.03	¥ 26.43	¥ 27.91	¥ 16.95	**$ 0.417**
Cash dividends	**10.00**	9.00	6.00	5.00	5.00	**0.085**
Stockholders' equity	**406.68**	343.82	272.67	249.30	232.40	**3.462**

	%				
	2006	2005	2004	2003	2002
Key financial ratios:					
Return on assets	**2.7**	4.1	2.0	2.1	1.3
Return on equity	**13.2**	21.0	10.2	11.6	9.6
Net debt/equity ratio	**140**	170	180	180	200

Note: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥117.47=$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, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Assets	**2006**	2005	**2006**	2005
Current assets:				
Cash and cash equivalents	**¥ 18,986**	¥ 17,658	**$ 161,624**	$ 150,319
Receivables:				
Trade notes and accounts:				
Unconsolidated subsidiaries and affiliates	**4,941**	3,864	**42,062**	32,894
Other	**203,285**	200,221	**1,730,527**	1,704,444
Loans:				
Unconsolidated subsidiaries and affiliates	**2,555**	3,019	**21,750**	25,700
Other	**7**	7	**60**	60
Allowance for doubtful receivables	**(737)**	(721)	**(6,274)**	(6,138)
Inventories	**76,054**	63,527	**647,433**	540,793
Deferred tax assets-current (Note 8)	**1,355**	1,855	**11,535**	15,791
Other current assets (Note 5)	**20,900**	21,883	**177,918**	186,286
Total current assets	**327,346**	311,313	**2,786,635**	2,650,149
Investments and non-current receivables:				
Investment securities (Notes 3 and 5):				
Unconsolidated subsidiaries and affiliates	**1,279**	1,239	**10,888**	10,547
Other	**32,527**	16,250	**276,896**	138,333
Loans receivable:				
Unconsolidated subsidiaries and affiliates	**30**	195	**255**	1,660
Other	**408**	545	**3,473**	4,640
Other investments and non-current receivables	**12,657**	10,316	**107,747**	87,818
Allowance for doubtful receivables	**(1,118)**	(1,430)	**(9,517)**	(12,173)
Total investments and non-current receivables	**45,783**	27,115	**389,742**	230,825
Property and equipment (Note 5)**:**				
Land (Note 9)	**24,451**	22,687	**208,147**	193,130
Buildings and structures	**20,689**	20,080	**176,122**	170,937
Other	**8,624**	7,536	**73,414**	64,153
Accumulated depreciation	**(14,564)**	(12,925)	**(123,981)**	(110,028)
Total property and equipment	**39,200**	37,378	**333,702**	318,192
Other assets:				
Deferred tax assets – noncurrent (Note 8)	**42**	20	**358**	170
Intangibles and other assets (Note 5)	**649**	695	**5,525**	5,916
Total other assets	**691**	715	**5,883**	6,086
Total	**¥ 413,020**	¥ 376,521	**$ 3,515,962**	$ 3,205,252

See accompanying Notes to Consolidated Financial Statements.

Liabilities, Minority Interest and Stockholders' Equity	Millions of yen 2006	2005	Thousands of U.S. dollars (Note 1) 2006	2005
Current liabilities:				
Short-term loans (Note 6)	**¥ 24,595**	¥ 50,702	**$ 209,373**	$ 431,617
Long-term debt due within one year (Note 6)	**26,450**	17,050	**225,164**	145,143
Trade notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**788**	769	**6,708**	6,546
Other	**139,290**	117,225	**1,185,750**	997,914
Accrued bonuses to employees	**1,666**	1,653	**14,182**	14,072
Income taxes payable	**3,709**	5,873	**31,574**	49,996
Other current liabilities	**30,826**	27,138	**262,416**	231,021
Total current liabilities	**227,324**	220,410	**1,935,167**	1,876,309
Non-current liabilities:				
Long-term debt due after one year (Note 6)	**84,900**	71,880	**722,738**	611,901
Employees' severance and retirement benefits (Note 7)	**103**	88	**877**	749
Directors' retirement benefits	**—**	494	**—**	4,205
Reserve for loss on sale-repurchase agreement of land	**—**	4,012	**—**	34,154
Deferred tax liabilities – noncurrent (Note 8)	**9,778**	3,343	**83,238**	28,458
Other non-current liabilities	**3,961**	2,721	**33,719**	23,163
Total non-current liabilities	**98,742**	82,538	**840,572**	702,630
Contingent liabilities (Note 12)				
Minority interest	**809**	698	**6,887**	5,942
Stockholders' equity (Note 9)**:**				
Common stock,				
Authorized: 570,000,000 shares				
Issued: 211,663,200 shares	**45,651**	45,651	**388,618**	388,618
Capital surplus	**3**	1	**25**	9
Retained earnings	**31,288**	23,912	**266,349**	203,558
Land revaluation difference	**(17)**	1,653	**(145)**	14,072
Net unrealized holding gains on securities	**10,446**	3,871	**88,925**	32,953
Foreign currency translation adjustments	**(1,159)**	(2,164)	**(9,866)**	(18,422)
Treasury stock, at cost: 206,306 shares (170,060 in 2005)	**(67)**	(49)	**(570)**	(417)
Total stockholders' equity	**86,145**	72,875	**733,336**	620,371
Total	**¥ 413,020**	¥ 376,521	**$ 3,515,962**	$ 3,205,252

Consolidated Statements of Income

For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2006	2005	**2006**	2005
Net sales	**¥ 1,097,707**	¥ 933,956	**$ 9,344,573**	$ 7,950,592
Cost of sales	**1,053,920**	888,767	**8,971,823**	7,565,906
Gross profit	**43,787**	45,189	**372,750**	384,686
Selling, general and administrative expenses	**24,097**	23,098	**205,133**	196,629
Operating income	**19,690**	22,091	**167,617**	188,057
Other income (expenses):				
Interest and dividend income	**1,826**	1,825	**15,544**	15,536
Interest expense	**(2,542)**	(2,174)	**(21,639)**	(18,507)
Foreign exchange gain	**23**	331	**196**	2,818
Gain on transfer of substitutional portion of employees' pension fund (Note 2)	**—**	1,912	**—**	16,277
Gain on sale of investment securities of unconsolidated subsidiaries	**—**	360	**—**	3,065
Loss on impairment of long-lived assets (Note 14)	**(451)**	(1,175)	**(3,839)**	(10,003)
Provision for loss on sale-repurchase agreement of land	**—**	(1,193)	**—**	(10,156)
Foreign exchange loss on common stock reduction of consolidated subsidiary	**—**	(1,558)	**—**	(13,263)
Other, net	**(725)**	(551)	**(6,172)**	(4,691)
Income before income taxes and minority interest	**17,821**	19,868	**151,707**	169,133
Income taxes (Note 8)**:**				
Current	**6,530**	5,877	**55,589**	50,030
Deferred	**736**	104	**6,265**	885
	7,266	5,981	**61,854**	50,915
Minority interest in income of consolidated subsidiaries	**(51)**	(183)	**(434)**	(1,558)
Net income	**¥ 10,504**	¥ 13,704	**$ 89,419**	$ 116,660

	Yen		U.S. dollars (Note 1)	
	2006	2005	**2006**	2005
Net income per share	**¥ 48.96**	¥ 64.03	**$ 0.417**	$ 0.545
Cash dividends per share	**10.00**	9.00	**0.085**	0.077

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

For the years ended March 31, 2006 and 2005

	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, 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)**
Surplus from sale of treasury stock	**—**	**—**	**2**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**10,504**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(2,961)**	**—**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**—**	**(160)**	**—**	**—**	**—**	**—**
Staff and workers' bonuses and welfare fund	**—**	**—**	**—**	**(10)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**—**	**3**	**(1,670)**	**—**	**—**	**—**
Unrealized holding gains on securities	**—**	**—**	**—**	**—**	**—**	**6,575**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**—**	**1,005**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(18)**
Balance at March 31, 2006	**211,663**	**¥ 45,651**	**¥ 3**	**¥ 31,288**	**¥ (17)**	**¥ 10,446**	**¥ (1,159)**	**¥ (67)**

	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, 2004	$ 388,618	$ —	$ 97,480	$ 13,757	$ 19,426	$ (27,454)	$ (153)
Surplus from sale of treasury stock	—	9	—	—	—	—	—
Net income	—	—	116,660	—	—	—	—
Increase arising from inclusion in consolidation	—	—	1,132	—	—	—	—
Cash dividends	—	—	(10,803)	—	—	—	—
Bonuses to directors	—	—	(596)	—	—	—	—
Transfer of land revaluation difference (Note 9)	—	—	(315)	315	—	—	—
Unrealized holding gains on securities	—	—	—	—	13,527	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	9,032	—
Treasury stock	—	—	—	—	—	—	(264)
Balance at March 31, 2005	**388,618**	**9**	**203,558**	**14,072**	**32,953**	**(18,422)**	**(417)**
Surplus from sale of treasury stock	**—**	**16**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**89,419**	**—**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**(25,206)**	**—**	**—**	**—**	**—**
Bonuses to directors	**—**	**—**	**(1,362)**	**—**	**—**	**—**	**—**
Staff and workers' bonuses and welfare fund	**—**	**—**	**(85)**	**—**	**—**	**—**	**—**
Transfer of land revaluation difference (Note 9)	**—**	**—**	**25**	**(14,217)**	**—**	**—**	**—**
Unrealized holding gains on securities	**—**	**—**	**—**	**—**	**55,972**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**8,556**	**—**
Treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(153)**
Balance at March 31, 2006	**$ 388,618**	**$ 25**	**$ 266,349**	**$ (145)**	**$ 88,925**	**$ (9,866)**	**$ (570)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2006	2005	**2006**	2005
Cash flows from operating activities:				
Income before income taxes	**¥ 17,821**	¥ 19,868	**$ 151,707**	$ 169,133
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities				
Depreciation	**1,969**	2,023	**16,762**	17,221
Loss on impairment of long-lived assets	**451**	1,175	**3,839**	10,003
Decrease in allowance for doubtful receivables	**(298)**	(729)	**(2,537)**	(6,206)
Interest and dividend income	**(1,826)**	(1,825)	**(15,544)**	(15,536)
Interest expense	**2,542**	2,174	**21,639**	18,507
Gain on transfer of substitutional portion of employees' pension fund	**—**	(1,912)	**—**	(16,277)
Gain on sale of investment securities of unconsolidated subsidiaries	**—**	(360)	**—**	(3,065)
Provision for loss on sale-repurchase agreement of land	**—**	1,193	**—**	10,156
Foreign exchange loss on common stock reduction of consolidated subsidiary	**—**	1,558	**—**	13,263
Increase in trade receivables	**(3,185)**	(55,919)	**(27,113)**	(476,028)
Increase in inventories	**(11,779)**	(13,005)	**(100,272)**	(110,709)
Increase in trade notes and accounts payable	**21,239**	25,118	**180,804**	213,825
Increase in deposits received	**552**	5,599	**4,699**	47,663
Other, net	**4,402**	2,154	**37,473**	18,337
Sub total	**31,888**	(12,888)	**271,457**	(109,713)
Cash flows during the year for:				
Interest and dividends received	**1,661**	1,802	**14,140**	15,340
Interest paid	**(2,477)**	(2,112)	**(21,087)**	(17,979)
Income taxes paid	**(8,773)**	(143)	**(74,683)**	(1,217)
Net cash provided by (used in) operating activities	**22,299**	(13,341)	**189,827**	(113,569)
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	**(310)**	1,618	**(2,639)**	13,774
Additions to property and equipment	**(7,900)**	(1,438)	**(67,251)**	(12,241)
Proceeds from sale of property and equipment	**40**	509	**340**	4,333
Additions to investment securities	**(5,278)**	(1,522)	**(44,931)**	(12,957)
Proceeds from sale of investment securities	**89**	552	**758**	4,699
Additions to loans receivable	**(724)**	(1,195)	**(6,163)**	(10,173)
Repayment of loans receivable	**1,555**	935	**13,237**	7,959
Other, net	**(1,551)**	(190)	**(13,203)**	(1,617)
Net cash used in investing activities	**(14,079)**	(731)	**(119,852)**	(6,223)
Cash flows from financing activities:				
Decrease in short-term loans, net	**(26,846)**	(14,397)	**(228,535)**	(122,559)
Proceeds from long-term debt	**39,420**	40,255	**335,575**	342,683
Repayments of long-term debt	**(17,050)**	(1,050)	**(145,143)**	(8,938)
Payment of cash dividends	**(2,955)**	(1,262)	**(25,155)**	(10,743)
Cash dividends paid to minority interest in consolidated subsidiaries	**(50)**	—	**(426)**	—
Other, net	**(16)**	(23)	**(136)**	(196)
Net cash provided by (used in) financing activities	**(7,497)**	23,523	**(63,820)**	200,247
Effect of exchange rate changes on cash and cash equivalents	**605**	(378)	**5,150**	(3,218)
Net increase in cash and cash equivalents	**1,328**	9,073	**11,305**	77,237
Cash and cash equivalents at beginning of year	**17,658**	8,390	**150,319**	71,422
Increase arising from inclusion in consolidation	**—**	195	**—**	1,660
Cash and cash equivalents at end of year	**¥ 18,986**	¥ 17,658	**$ 161,624**	$ 150,319

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, 2006, which was ¥117.47 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 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.

Bond issue costs — Bond issue costs are charged to income as incurred.

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 ($2,358 thousand) and, are included in "Selling, general and administrative expenses" commencing for the year ended March 31, 2005, 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 years ended March 31, 2006 and 2005.

Through the year ended March 31, 2005, the liability for retirement benefits of directors and statutory auditors represented management's estimate of the amounts payable to them at the balance sheet date if they retired at that date.

In this fiscal year, the retirement benefits plan for directors and statutory auditors was abolished. The amounts of benefits accrued at the date of abolishment were approved at the ordinary general meeting of stockholders, on June 29, 2005. Then, the estimated amounts payable to them were eliminated, and the outstanding payments are recorded as "Other non-current liabilities".

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 were 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.

In accordance with the exercise of the agreement from the Organization for Promoting Urban Development, on September 20, 2005, the entire amount of "Reserve for loss on sale-repurchase agreement of land" was reversed.

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.

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, 2006 and 2005:

March 31, 2006

	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	**¥ 6,032**	**¥ 23,324**	**¥ 17,292**	**$ 51,349**	**$ 198,553**	**$ 147,204**
Other securities:						
Equity securities	**¥ 46**	**¥ 36**	**¥ (10)**	**$ 391**	**$ 306**	**$ (85)**

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	$ 42,598	$ 98,408	$ 55,810
Other securities:						
Equity securities	¥ 395	¥ 367	¥ (28)	$ 3,362	$ 3,124	$ (238)

(B) The following tables summarize book values of securities whose fair values are not determinable as of March 31, 2006 and 2005:

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

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
	Book value	Book value	Book value	Book value
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 1,279**	¥ 1,239	**$ 10,888**	$ 10,547

(b) Available-for-sale securities

Unlisted stocks	**¥ 2,739**	¥ 2,323	**$ 23,316**	$ 19,775
Unlisted foreign stocks	**4,229**	—	**36,001**	—
Preferred fund certificate	**2,000**	2,000	**17,026**	17,026
Investment in limited partnership	**199**	—	**1,694**	—
Total	**¥ 9,167**	¥ 4,323	**$ 78,037**	$ 36,801

(C) Total sales of available-for-sale securities in the years ended March 31, 2006 and 2005 amounted to ¥89 million ($758 thousand) and ¥121 million ($1,030 thousand), which resulted in net gains of ¥36 million ($306 thousand) and net losses of ¥13 million ($111 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, 2006 and 2005, of derivatives for which hedge accounting has not been applied:

March 31, 2006

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	**¥ 8,984**	**¥ 9,105**	**¥ (121)**	**$ 76,479**	**$ 77,509**	**$ (1,030)**
Other currencies	**284**	**285**	**(1)**	**2,418**	**2,426**	**(8)**
Buying						
U.S. dollars	**10,283**	**10,506**	**223**	**87,537**	**89,435**	**1,898**
Other currencies	**543**	**555**	**12**	**4,623**	**4,725**	**102**
Currency swap agreements:						
Japanese yen received for U.S. dollars	**14,164**	**(1,303)**	**(1,303)**	**120,575**	**(11,092)**	**(11,092)**
Total			**¥ (1,190)**			**$ (10,130)**

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	**¥ 10,766**	**¥ 10,730**	**¥ 36**	**$ 91,649**	**$ 91,343**	**$ 306**
Buying	**1,618**	**1,684**	**66**	**13,774**	**14,336**	**562**
Frozen seafoods						
Selling	**23**	**24**	**(1)**	**196**	**205**	**(9)**
Buying	**—**	**—**	**—**	**—**	**—**	**—**
Non-ferrous metals						
Selling	**5,579**	**5,575**	**4**	**47,493**	**47,459**	**34**
Buying	**1,779**	**1,757**	**(22)**	**15,144**	**14,957**	**(187)**
Commodity swaps						
Petroleum						
Selling	**2,558**	**(71)**	**(71)**	**21,776**	**(604)**	**(604)**
Buying	**13,857**	**89**	**89**	**117,962**	**758**	**758**
Total			**¥ 101**			**$ 860**

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)	$ 62,195	$ 63,693	$ (1,498)
Other currencies	653	664	(11)	5,559	5,653	(94)
Buying						
U.S. dollars	10,642	10,893	251	90,593	92,730	2,137
Other currencies	1,235	1,256	21	10,513	10,692	179
Currency swap agreements:						
Japanese yen received for U.S. dollars	13,389	427	427	113,978	3,635	3,635
Total			¥ 512			$ 4,359

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)	$ 52,277	$ 53,043	$ (766)
Buying	5,082	5,796	714	43,262	49,340	6,078
Frozen seafoods						
Selling	13	12	1	110	102	8
Buying	7	7	—	60	60	—
Non-ferrous metals						
Selling	5,938	6,199	(261)	50,549	52,771	(2,222)
Buying	3,464	3,602	138	29,488	30,663	1,175
Commodity swaps						
Petroleum						
Selling	668	(63)	(63)	5,687	(536)	(536)
Buying	3,032	216	216	25,811	1,839	1,839
Total			¥ 655			$ 5,576

5. Pledged assets

At March 31, 2006 and 2005, assets pledged as collateral for short-term loans of ¥378 million ($3,218 thousand) and ¥292 million ($2,486 thousand), respectively, and guarantees were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Other current assets	**¥ 10**	¥ 10	**$ 85**	$ 85
Investment securities	**4,548**	2,729	**38,716**	23,231
Property and equipment, net of accumulated depreciation	**491**	436	**4,180**	3,712
Intangibles	**64**	57	**545**	485
Total	**¥ 5,113**	¥ 3,232	**$ 43,526**	$ 27,513

6. Short-term loans and long-term debt

Weighted average interest rates applicable to short-term loans outstanding at March 31, 2006 and 2005 were 2.40% and 1.36%, respectively.

Long-term debt at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Issued in 2005, 0.96% unsecured straight bonds, due 2008	**¥ 10,000**	¥ —	**$ 85,128**	$ —
Loans from banks, with weighted average interest rates of 0.93% and 0.90% at March 31, 2006 and 2005, respectively, maturing serially through 2012	**101,350**	88,930	**862,774**	757,044
Less amounts due within one year	**26,450**	17,050	**225,164**	145,143
	¥ 84,900	¥ 71,880	**$ 722,738**	$ 611,901

The annual maturities of long-term debt outstanding at March 31, 2006, were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 26,450	$ 225,164
2008	50	426
2009	32,625	277,730
2010	23,675	201,541
2011	23,550	200,477
Thereafter	5,000	42,564
Total	¥ 111,350	$ 947,902

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, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Projected benefit obligation	**¥ 18,532**	¥ 20,622	**$ 157,759**	$ 175,551
Less fair value of pension assets	**(14,739)**	(14,556)	**(125,470)**	(123,912)
Unrecognized actuarial differences	**(4,192)**	(5,388)	**(35,686)**	(45,867)
Unrecognized prior service costs	**(1,030)**	(1,111)	**(8,768)**	(9,458)
Prepaid pension costs	**1,532**	521	**13,042**	4,435
Liability for severance and retirement benefits	**¥ 103**	¥ 88	**$ 877**	$ 749

Included in the consolidated statements of income for the years ended March 31, 2006 and 2005, are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Service costs -benefits earned during the year	**¥ 523**	¥ 469	**$ 4,452**	$ 3,993
Interest costs on projected benefit obligation	**319**	445	**2,716**	3,788
Expected return on plan assets	**(299)**	(396)	**(2,545)**	(3,371)
Amortization of actuarial differences	**475**	648	**4,043**	5,516
Amortization of prior service costs	**81**	(25)	**690**	(213)
Additional retirement benefits	**37**	28	**315**	239
Severance and retirement benefit expenses	**1,136**	1,169	**9,671**	9,952
Gain on transfer of substitutional portion of employees' pension fund	**(39)**	(1,912)	**(332)**	(16,277)
Total	**¥ 1,097**	¥ (743)	**$ 9,339**	$ (6,325)

Prior service costs 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, 2006 and 2005, are as follows:

	2006	2005
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 to 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 ($16,277 thousand) for the year ended March 31, 2005.

On May 25, 2005, pension assets for the substitutional portion maintained by the Employee' Pension Fund were transferred back to the government's scheme.

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% for the years ended March 31, 2006 and 2005.

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 year ended March 31, 2005:

	2006	2005
Statutory tax rate	**—%**	40.7%
Tax effect of permanent differences	**—**	(0.4)
Valuation allowance recognized for deferred tax assets	**—**	(9.7)
Tax effect of unrealized intercompany profit	**—**	—
Difference of tax rates for consolidated subsidiaries	**—**	(0.4)
Other	**—**	(0.1)
Effective tax rate	**—%**	30.1%

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2006 has not been disclosed because such difference was less than 5%.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Deferred tax assets:				
Temporary differences pertaining to a consolidated subsidiary	**¥ 23,944**	¥ 23,961	**$ 203,831**	$ 203,975
Loss on impairment of long-lived assets	**2,404**	2,258	**20,465**	19,222
Reserve for loss on sale-repurchase agreement of land	**—**	1,632	**—**	13,893
Loss on sale-repurchase agreement of land	**1,719**	—	**14,633**	—
Land revaluation difference	**1,667**	—	**14,191**	—
Accrued bonuses to employees	**675**	672	**5,746**	5,721
Other	**3,721**	4,106	**31,676**	34,953
Total deferred tax assets	**34,130**	32,629	**290,542**	277,764
Valuation allowance	**(31,425)**	(29,678)	**(267,515)**	(252,643)
Net deferred tax assets	**2,705**	2,951	**23,027**	25,121
Deferred tax liabilities:				
Net unrealized holding gains on securities	**7,166**	2,656	**61,003**	22,610
Land revaluation difference	**2,799**	1,134	**23,827**	9,654
Other	**1,121**	629	**9,542**	5,354
Total deferred tax liabilities	**11,086**	4,419	**94,372**	37,618
Net deferred tax liabilities	**¥ (8,381)**	¥ (1,468)	**$ (71,345)**	$ (12,497)

Deferred tax assets and deferred tax liabilities are included in the consolidated balance sheets at March 31, 2006 and 2005, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Current assets: Deferred tax assets	**¥ 1,355**	¥ 1,855	**$ 11,535**	$ 15,791
Non-current assets: Deferred tax assets	**42**	20	**358**	170
Current liabilities: Deferred tax liabilities	**—**	—	**—**	—
Non- current liabilities: Deferred tax liabilities	**9,778**	3,343	**83,238**	28,458

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 with certain necessary adjustments.

As of March 31, 2006, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥2,123 million ($18,073 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, 2006 and 2005, were ¥437 million ($3,720 thousand) and ¥348 million ($2,962 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, 2006 and 2005, were as follows:

As of March 31, 2006

	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	**¥ 1,862**	**¥ 802**	**¥ 1,060**	**$ 15,851**	**$ 6,827**	**$ 9,024**
Other assets	**150**	**79**	**71**	**1,277**	**673**	**604**
Total	**¥ 2,012**	**¥ 881**	**¥ 1,131**	**$ 17,128**	**$ 7,500**	**$ 9,628**

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	$ 11,144	$ 5,125	$ 6,019
Other assets	151	52	99	1,285	443	842
Total	¥ 1,460	¥ 654	¥ 806	$ 12,429	$ 5,568	$ 6,861

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 ¥409 million ($3,482 thousand) and ¥323 million ($2,750 thousand) for the years ended March 31, 2006 and 2005, respectively. Interest expense, computed by the interest method, was ¥30 million ($255 thousand) and ¥21 million ($179 thousand) for the years ended March 31, 2006 and 2005, respectively.

Obligations, excluding financing charges, under such non-capitalized finance leases as of March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Due within one year	**¥ 444**	¥ 300	**$ 3,780**	$ 2,554
Due after one year	**709**	521	**6,035**	4,435
Total	**¥ 1,153**	¥ 821	**$ 9,815**	$ 6,989

Operating leases

As Lessee

Obligations under operating leases as of March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
Due within one year	**¥ 50**	¥ 40	**$ 425**	$ 341
Due after one year	**25**	51	**213**	434
Total	**¥ 75**	¥ 91	**$ 638**	$ 775

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, other metals, and solar cell-related materials and products

Foods: Frozen seafoods and meat products

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

Other business: Lumber, machinery, and other

Segment information by business category for the years ended March 31, 2006 and 2005, is as follows:

Year ended March 31, 2006

	Millions of yen							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	¥ 614,046	¥ 139,109	¥ 87,624	¥ 210,255	¥ 46,673	¥ 1,097,707	¥ —	¥ 1,097,707
Costs and expenses	599,575	133,750	86,875	207,746	44,906	1,072,852	5,165	1,078,017
Operating income	¥ 14,471	¥ 5,359	¥ 749	¥ 2,509	¥ 1,767	¥ 24,855	¥ (5,165)	¥ 19,690
Assets	¥ 217,013	¥ 39,471	¥ 37,441	¥ 36,042	¥ 13,092	¥ 343,059	¥ 69,961	¥ 413,020
Depreciation	1,334	75	33	19	421	1,882	87	1,969
Loss on impairment of long-lived assets	434	10	—	—	—	444	7	451
Capital expenditure	3,131	58	32	231	587	4,039	68	4,107

Year ended March 31, 2006

	Thousands of U.S. dollars							
	Steel	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	$ 5,227,258	$ 1,184,209	$ 745,927	$ 1,789,861	$ 397,318	$ 9,344,573	$ —	$ 9,344,573
Costs and expenses	5,104,069	1,138,589	739,550	1,768,503	382,276	9,132,987	43,969	9,176,956
Operating income	$ 123,189	$ 45,620	$ 6,377	$ 21,358	$ 15,042	$ 211,586	$ (43,969)	$ 167,617
Assets	$ 1,847,391	$ 336,009	$ 318,728	$ 306,819	$ 111,450	$ 2,920,397	$ 595,565	$ 3,515,962
Depreciation	11,356	638	281	162	3,584	16,021	741	16,762
Loss on impairment of long-lived assets	3,695	85	—	—	—	3,780	59	3,839
Capital expenditure	26,654	494	272	1,966	4,997	34,383	579	34,962

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, 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	$ 4,666,298	$ 847,085	$ 699,642	$ 1,325,675	$ 411,892	$ 7,950,592	$ —	$ 7,950,592
Costs and expenses	4,505,550	821,691	687,452	1,306,870	399,336	7,720,899	41,636	7,762,535
Operating income	$ 160,748	$ 25,394	$ 12,190	$ 18,805	$ 12,556	$ 229,693	$ (41,636)	$ 188,057
Assets	$ 1,926,356	$ 237,933	$ 263,880	$ 228,118	$ 102,792	$ 2,759,079	$ 446,173	$ 3,205,252
Depreciation	11,263	766	306	170	4,163	16,668	553	17,221
Loss on impairment of long-lived assets	9,611	256	—	—	—	9,867	136	10,003
Capital expenditure	7,372	349	111	68	3,873	11,773	1,319	13,092

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, 2006 and 2005, were as follows:

Year ended March 31, 2006

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	**¥ 164,594**	**¥ 22,760**	**¥ 187,354**	**$ 1,401,158**	**$ 193,751**	**$ 1,594,909**
Percentage of consolidated net sales	**15.0%**	**2.1%**	**17.1%**			

"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, 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	$ 1,102,265	$ 111,722	$ 1,213,987
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.

12. Contingent liabilities

At March 31, 2006 and 2005, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2006	2005	**2006**	2005
As endorsers of export letters of credit and notes discounted	**¥ 5,903**	¥ 3,765	**$ 50,251**	$ 32,051
As guarantors of indebtedness	**1,455**	1,493	**12,386**	12,710

13. Related party transactions

Transactions with a close relative of directors of the Company for the years ended March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars	
Type of transaction	**2006**	2005	**2006**	2005
Real-estate				
Rents received	**¥ 6**	¥ 6	**$ 51**	$ 51

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 ¥451 million ($3,839 thousand) and ¥1,175 million ($10,003 thousand) for the years ended March 31, 2006 and 2005, respectively, were recognized, in other expenses in the consolidated statements of income.

The following tables summarize the losses on impairment of long-lived assets in the years ended March 31, 2006 and 2005, respectively.

Year ended March 31, 2006

		Millions of yen	
Location	Purpose	Land	Total
Narashino, Chiba	Logistics center	**¥ 258**	**¥ 258**
Suminoe, Osaka	Logistics center	**155**	**155**
Ama, Aichi	Logistics center	**31**	**31**
Shima, Mie	Idle assets	**7**	**7**
Total		**¥ 451**	**¥ 451**

		Thousand of U.S. dollars	
Location	Purpose	Land	Total
Narashino, Chiba	Logistics center	**$ 2,196**	**$ 2,196**
Suminoe, Osaka	Logistics center	**1,319**	**1,319**
Ama, Aichi	Logistics center	**264**	**264**
Shima, Mie	Idle assets	**60**	**60**
Total		**$ 3,839**	**$ 3,839**

Year ended March 31, 2005

Location	Purpose	Millions of yen Land		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

Location	Purpose	Thousand of U.S. dollars Land		Total	
Narashino, Chiba	Logistics center	$	5,738	$	5,738
Suminoe, Osaka	Logistics center		3,056		3,056
Ama, Aichi	Logistics center		1,013		1,013
Kurokawa, Miyagi	Logistics center		68		68
Shima, Mie	Idle assets		128		128
Total		$	10,003	$	10,003

15. Subsequent events

At the ordinary general meeting of stockholders of the Company held on June 29, 2006, the following appropriation of retained earnings was approved:

	Millions of yen		Thousands of U.S. dollars	
Cash dividends (¥5 per share)	¥	1,057	$	8,998
Bonuses to directors		150		1,277
Transfer to legal reserve		121		1,030

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 consolidated subsidiaries as of March 31, 2006 and 2005, 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, 2006 and 2005, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2006 and 2005 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, 2006

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: 922 (consolidated: 1,519)

Independent Auditor: KPMG AZSA & Co.

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
Hokkaido	Kita-sanjo Bldg., 3-1-25, Kita-sanjo Nishi, Chuo-ku, Sapporo 060-0003, Japan	81-011-219-7375	81-011-219-7376
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 1705, 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	86-10-6590-8333	86-10-6590-8340
Qingdao	Crowne Plaza Qingdao, Room No.601, Hongkong Middle Road 76, Qingdao City, Shangdon Province 266071, P.R.China	86-532-8-577-9990	86-532-8-577-9630
Dalian	Senmao Bldg., 20F, 147 Zhongshan Street, Dalian, Liaoning Province 116011, P.R.China	86-411-8368-6954	86-411-8368-6934
Shanghai	Room 902/904-907, Aetna Tower,No.107 Zhunyi Road, Shanghai 200051, 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 350003, P.R. China	86-591-83354165	86-591-83345202
Guangzhou	Unit 2005-2007, 20th 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	86-769-2240-6418	86-769-2240-6448
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	60-3-2070-4634	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	62-21-3983-3211	62-21-3983-3212
Mumbai	803, Embassy center, Nariman point, Mumbai 400-021, India	91-22-2283-1222	91-22-2282-2060
Europe, Africa and Middle East			
London	2nd 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	98-21-8890-3537	98-21-8889-9853
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
Dubai	Dubai Airport Free zone, 3rd East Wing, 4th Fl., Room#444 P.O.Box 54620, Dubai, U.A.E.	971-4-214-9527	971-4-214-9726

Board of Directors
(As of July 1, 2006)

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	
Tetsuro Akimoto	秋元　哲郎
Yoshifumi Nishi	西　吉史
Directors	
Kazushi Higashida	東田　和四
Kazuo Yokota	横田　和夫
Hiroshi Omoto	大本　博
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
Yukio Saito	齋藤　幸雄
Akihiko Ogasawara	小笠原朗彦
Yoshiaki Matsuoka	松岡　良明
Tadahiko Kaida	貝田　忠彦
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, 2006)

Date of Establishment
April 1947

Stated Capital
¥45,651 million ($388,618 thousand)

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

Number of Stockholders
19,946

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