

# *Hanwa Co., Ltd.*

## *Mid-term Business Plan*

*– FY2007 — FY2009 –*

*(April 1, 2007 – March 31, 2010)*

### *Corporate Philosophy*

*Coping with changes of times and the market quickly,  
we make a greater contribution to the society  
by satisfying various needs of customers as “a distribution specialist.”*

*May 16, 2007*

*Hanwa Co., Ltd.*

# I . Focus of the 5<sup>th</sup> Mid-term Business Plan



## Corporate policy

**Accomplishment  
of social responsibilities**

*We accomplish a substantial management that attaches importance to compliance and contribute to the global society and the community through the business activities.*

**Improvement of  
“Hanwa’s Value”**

*We utilize management resources offered from various stakeholders effectively, and raise our corporate value steadily*

**Pursuit of distribution by a trading  
company that makes difference**

*Under customer-oriented policy, we pursue permanent customer satisfaction by providing value-added distribution and proposal-driven marketing.*

## Focus of the Mid-term Business Plan

***We aim to be a value creator with a remarkable identity and advantage by strengthening the function and differentiation.***

***Now we have reached the 60<sup>th</sup> anniversary of foundation, we position this term as newborn year for the company. We pledge every effort to provide our customers valuable benefits swiftly and enhance ourselves to expand the business activity.***

## *II. Directions of the business strategy*



- 1. Strengthening the core business*
- 2. Proactive development to overseas markets in such as North America, EU, Middle East, India, ASEAN, and Russia*
- 3. Promotion of ecology and recycling business*
- 4. Creation of new approach and new business to expand business domains*
- 5. Vigorous management by aggressive investments on projects and establishment of partnership*

### III. Particular business strategy ①



#### 1. Strengthening the core business

##### 《Steel business》

- Enhancement of processing functions for construction, proposal-driven marketing and steel service business
- Further development in various fields through proposal-driven marketing and interdivisional cooperation
- Enhancement of business in the field of structural steel sheets by differentiated products and reciprocity
- Meeting real demand in each community completely through branch offices
- Reinforcement of meeting the demand of processing on the basis of coil centers in China and ASEAN
- Focus on exportation of steel products for high quality, special and niche specs

##### 《Non-ferrous Metals Business》

- Expansion of global network to strengthen business development in oligopolistic market of resources
- Enhancement of procuring capability and expansion of business by diversifying supply source of ferroalloys and light metals
- Expansion of ore business such as nickel and chromium

##### 《Food Products Business》

- Expanding the processing business of seafood and increasing own processing products
- Establishment of a system for selling processed seafood in China, Europe and US. Enhancement of exporting raw material of seafood to China for domestic consumption
- Keeping up customers' reliance and increasing it by securing higher level of food safety

##### 《Petroleum and Chemicals Business》

- Reinforcement of domestic sales for gasoline, kerosene and light oil. Expansion of exporting petroleum products
- Expanding importation and tripartite trade of versatile resin and exportation of domestic special resin
- Strengthening retail of convenience goods and oil-based products. Establishment of a delivery system

##### 《Other businesses》

- Increasing our share of imported lumber by improving power to purchase from supplying countries
- Strengthening marketing industrial machinery meeting investment demand from our trading partners

##### 《Integrated development to China》

- Business development in various fields, by utilizing ample business footholds and interdivisional cooperation

### *III. Particular business strategy ②*



#### *2. Proactive development to overseas markets in such as North America, EU, Middle East, India, ASEAN, and Russia*

- Strengthening of development to meet the growing demand for construction in abroad such as Middle East, by interdivisional cooperation
- Reinforcement of supporting Japanese customers raising production overseas, in the fields of providing materials and processing.
- Expanding bunker oil sales in the shipping industry, especially in Asia
- Reinforcement of lumber business in the areas with good market for construction, such as North America, China, and the Middle East

#### *3. Promotion of ecology and recycling business*

- Establishment of the channels of collecting recycling resources retired from use due to customers' reorganization of business and facilities
- Reinforcement of purchasing scrap metals overseas. Expansion of exportation to Asia and Europe
- Development of selling recycled fuels such as RPF and wood pellet at home and overseas
- Establishment of network for purchasing scrap paper, responding to expansion of exportation to Asia
- Creation to get in operation for new technology such as solar energy and fuel battery
- Expansion of the recycling system of scrap resin

### *III. Particular business strategy ③*



#### *4. Creation of new approach and new business to expand business domains*

- Aggressive approach to medium-sized and small companies
- Expansion of material sales through over all coordination for each construction and development project
- Expansion of the business on interior and exterior construction materials
- Offering to trading partners with various materials
- Development of exporting domestic seafood
- Development of business on new energy such as biomass fuel and energy-saving
- Expansion of cooperative business in new distribution style
- Development of new businesses by utilizing information network and industry-academia-government cooperation

#### *5. Vigorous management by aggressive investments on projects and establishment of partnership*

- Promoting business alliance with companies which strengthen our function and supplement each other.  
Development of M&A. Support for business succession
- Strengthening and expansion of distribution business by cooperation between Hanwa Logistics and other distribution companies
- Cooperative development of new business scheme with customers in each area
- Cooperative scheme with processors to support Japanese manufacturers in overseas
- Strengthening the field of food processing by cooperation with food processors
- Supposed total investment from FY2007 through FY2009 ... 20 billion yen  
—“strategic business investment“ besides “investment aiming of strengthening business functions”

### *1. Strengthening corporate governance system which promotes CSR management*

- A system for promoting CSR management  
We promise to all the stakeholders that we fulfill our social responsibility through business activities with complete compliance. CSR committee promotes and controls the progress of activity on compliance.
- Enhancing corporate governance systems  
To answer shareholders' trust, we aim at establishment of effective governance system.
- Construction of the internal control system and its effective use  
We secure effectiveness of the cooperate governance through operation of internal control system.

### *2. Human resources strategy which carries out the business activities*

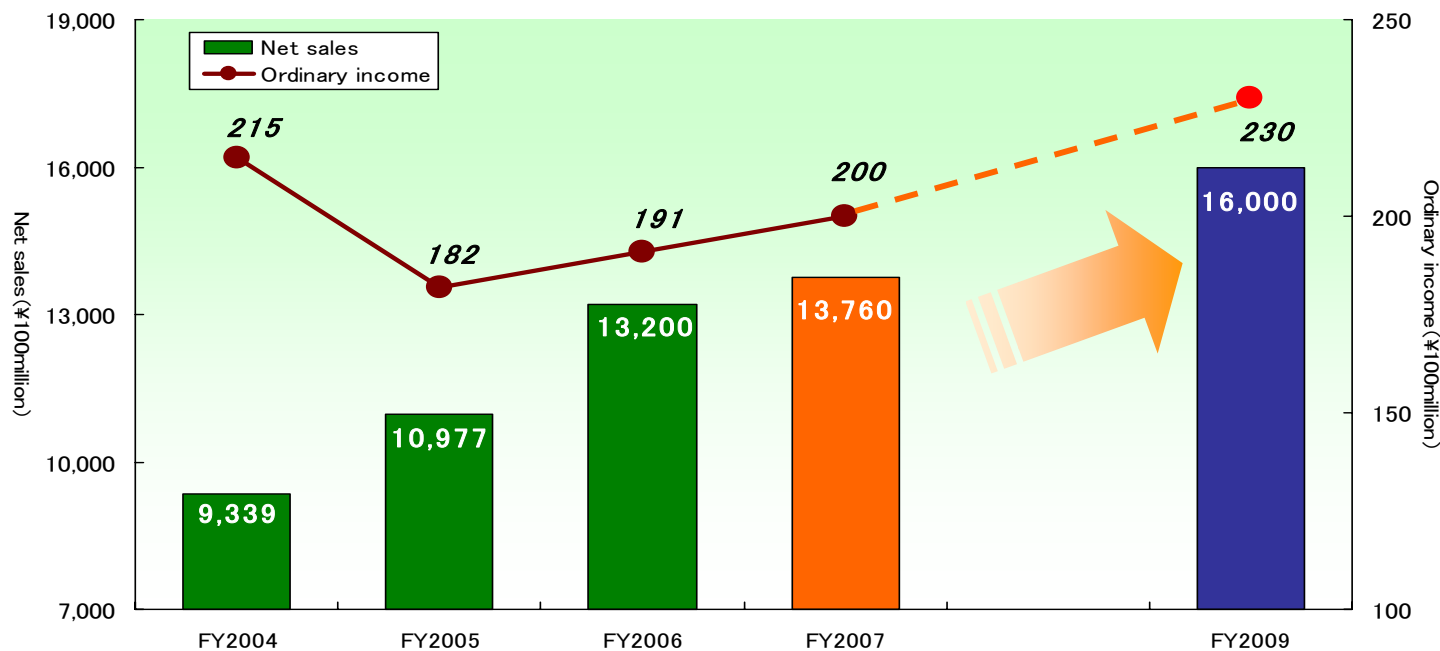
- Improving general abilities of individual employee as a think tank for customers
- Bringing up creative talents who promote a business innovation
- Improvement of systems to maintain and improve motivation of employees
- Strengthening human resources responding to the society with aging and declining birth rate
- Support for exercise of ability through providing a fine environment to work

### *3. Financial strategy which supports the business strategy*

- Appropriate preparation to raise funds to meet demand quickly and accurately
- Maintenance of financial systems responding to the internal control and risk management
- A policy to return profits to investors and a policy on outside debt
  - We examine and operate the policy on returning profits based on payout ratio, securing steady dividend and expansion of internal reserves.
  - We keep index management (net debt-to-equity ratio) to outside debt scale responding expansion of business and pursue a fair financial balance.

# V. Numerical targets of the 5<sup>th</sup> Mid-term Business Plan HANWA

	FY2006 Achievement	FY2007 Forecast	FY2009 Target
Net sales(¥100million)	13,200	13,760	16,000
Operating income(¥100million)	208	224	250
Ordinary income(¥100million)	191	200	230
ROA(%)	2.6		2.4
ROE(%)	12.4		11.0
BPS(¥)	461		600
DER(%)	170		150



## *The background of establishment*

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- I . Transition of business environment and prospects of future changes*
- II . Progress of priority growth strategies in the last Mid-term Business Plan*
- III . Fulfillment of numerical targets in the last Mid-term Business Plan*

- *Maturity of the domestic market, and a change of sales and procurement systems responding to it*
- *Switch of business structure by reorganization of the industry at home and overseas*
- *Soaring price of metal resources in oligopoly market and a changing global structure of demand*
- *A rise in crude oil price by growing demand for oil and development of energy switch*
- *Escalating price for seafood and reinforcement of fishing restriction due to global advance in demand*
- *Expansion of international trading due to enlarging FTA/EPA and expansion of market in BRICs and other rising countries*
- *Switch of the process to pursue profit in respecting corporate social responsibility (CSR)*
- *Change of demand structure due to aging, declining birth rate, and social maturity in Japan*

### 1. Strengthening of the core business, customer-focused approach and proposal-driven marketing

#### 《Steel business》

- We focused on strengthening total orders for each construction and expanding long-term contracts business, while the spot sales market of versatile steel sheet is reducing,
- We promoted steel service business such as blanking press and powder coating.

#### 《Non-ferrous metals business》

- We participated in business of resources in earnest, such as chrome products and nickel ore.
- We strengthened high value-added recycling business, and increased business of steel alloys and silicon-related products.

#### 《Food products business》

- We expanded processing business of seafood mainly in China.
- We promoted new development such as exportation of Japanese seafood and foundation of subsidiary in North America.

#### 《Petroleum and chemicals business》

- We expanded import-export of kerosene, light oil and gasoline, and sale of bunker oil mainly in Asia.
- Sales volume of recycled paper increased through seeking new users in Vietnam.

### 2. Strengthening of international business, investment in China and ASEAN markets

- We established wholly owned coil centers in Thailand and South China to start steel service business.
- We have prepared for sales footholds in areas of possibilities such as Ho Chi Minh, Wien, Mumbai and Dubai.

### 3. Strengthening and development of recycling business

- We tried to construct network for collecting scrap metals and strengthened it.
- We started new business such as deal with recycling fuel and mediation for reuse of used office automation equipments.

*4. Fostering of new business and enhancement of peripheral business*

- We are trying to find new goods such as basalt fiber and new services, and keeping on marketing research and inspection of business development.
- We promoted industry-academia-government cooperation, such as support for industries by local authorities, and a joint curriculum with a college.

*5. Enhancement of productivity of sales & marketing*

- We examined remedy to increase business efficiency and introduced mobile computers and have inspected means for sharing information.

*6. Human resources policy and flexible investment policy which support the growth strategy*

- As a solution for increasing need of staffs, we employed the experienced, foreign residents, and senior citizens, in addition to positive campus recruiting.
- We made investment in order to strengthen relationship with customers and to improve functions.

*7. Positive approach to corporate governance and corporate social responsibility*

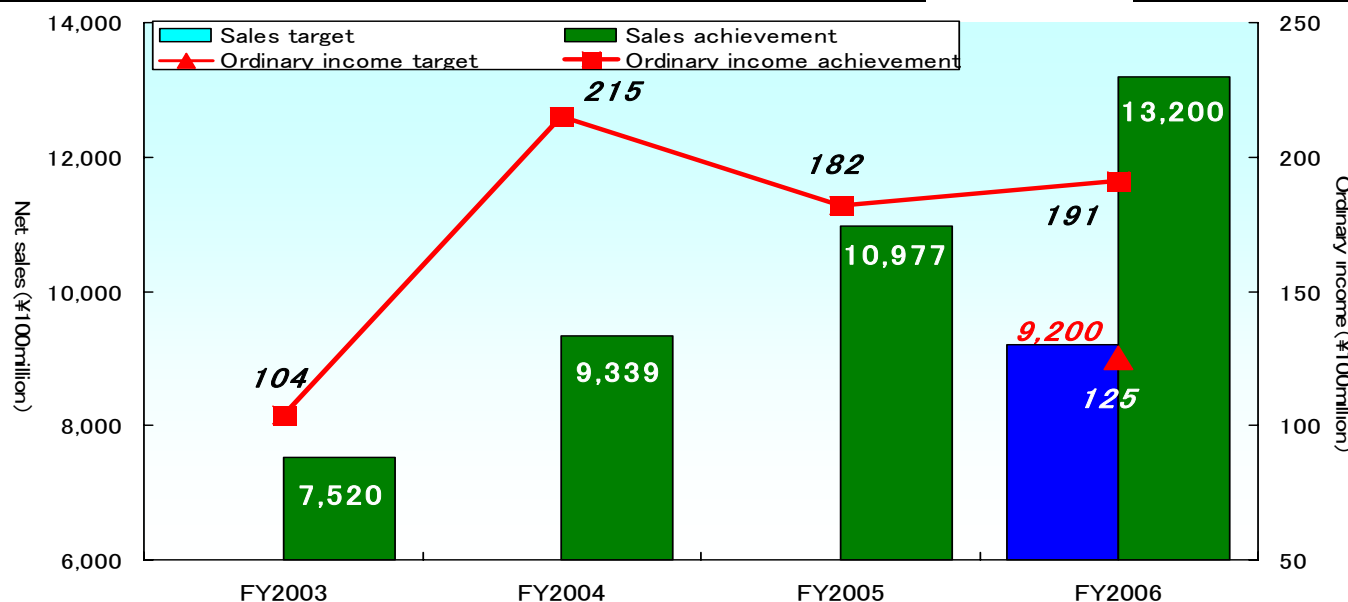
- We established a disclosure committee and an internal control committee, aiming at enforcement of the governance system.
- Under the CSR committee, we contributed to the fund for common good and relief donations, and participated community services and support them.

### III. Fulfillment of numerical targets in the last Mid-term Business Plan



In FY2004, we nearly reached the goal of FY2006 due to boost in iron and steel market. Although market weakened after that, the sales amount has exceeded 1trillion yen in FY2005 due to boost in international market of non-ferrous metals and crude oil and positive business development.

	FY2004 Achievements	FY2005 Achievements	FY2006 Achievements	FY2006 Targets
Net sales (¥100million)	9,339	10,977	13,200	9,200
Operating income (¥100million)	220	196	208	156
Ordinary income (¥100million)	215	182	191	125
ROA(%)	4.1	2.7	2.6	2.1
ROE(%)	21.0	13.2	12.4	10.0
BPS(¥)	343	406	461	370
DER(%)	170	140	170	120



This material contains statements (including figures) regarding Hanwa Co.,Ltd.(“Hanwa”)’s corporate strategies, objectives, and views of future developments that are forward-looking in nature and are not simply reiterations of historical facts. These statements are presented to inform stakeholders of the Views of Hanwa’s management but should not be relied on solely in making investment and other decisions. Readers should not place undue reliance on forward-looking statements.