

HANWA Medium-term Business Plan

for FY2010 - through FY2012
(April 1, 2010 through March 31, 2013)

May 19, 2010

HANWA CO., LTD.

Review of the Fifth Medium-term Business Plan

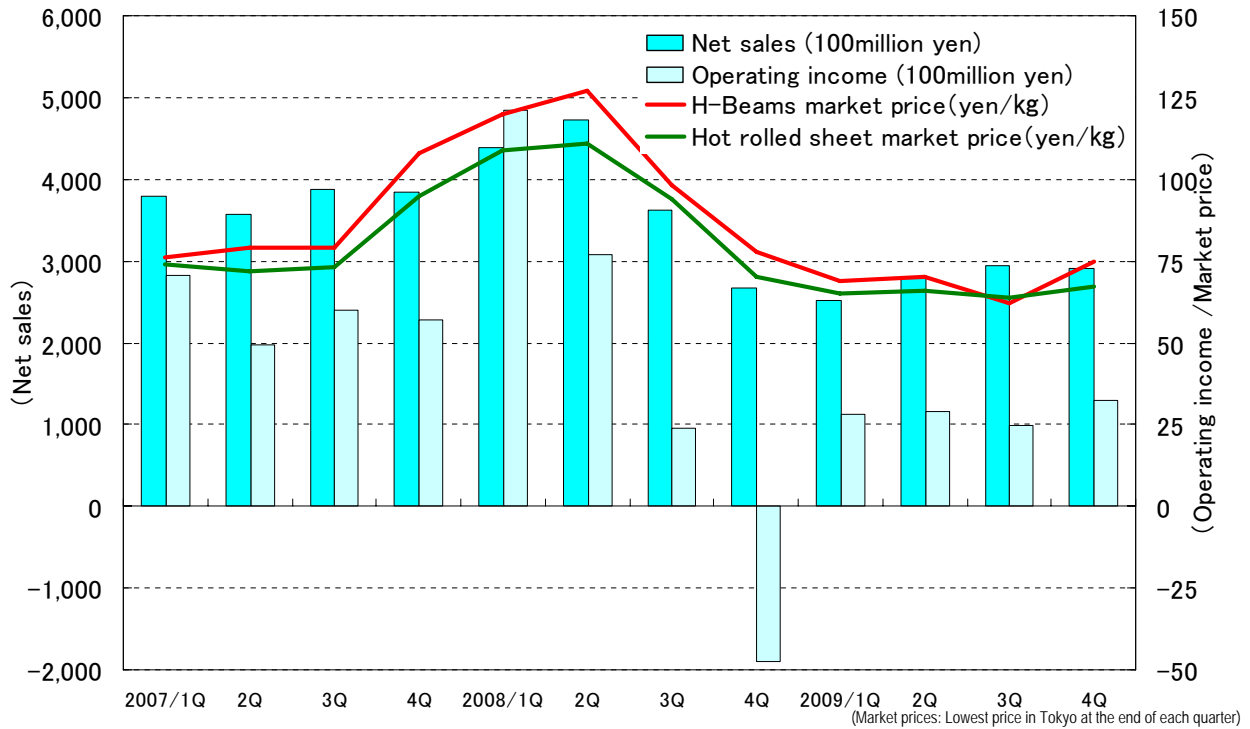
In the Fifth Medium-term Business Plan period (FY2007 - 2009), business environment changed greatly after Lehman Shock. The precondition of our fifth plan was also affected greatly.

《Major initiatives》

1. Reach a larger customer base by expanding our networks in Japan and overseas.
2. Upgrade processing functions in Japan to offer highly advanced capabilities.
3. Open more overseas coil centers to add more value to the distribution of steel products.
4. Expand metal resources activities by acquiring rights to more supplies on a global scale.
5. Increase sales of gasoline, kerosene and bunker fuel by strengthening skills in offering innovative proposals to customers.

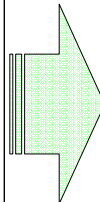
	Targets	FY2009(actual)	Achievement
Net sales (billion yen)	1,600.0	1,116.6	69.8%
Operating income (billion yen)	25.0	11.4	45.6%
Ordinary income (billion yen)	23.0	9.4	40.9%
ROA (%)	2.4	2.5	+0.1p
ROE (%)	11.0	11.6	+0.6p
BPS (yen)	600	512	85.3%
Net debt-equity ratio (%)	1.5	1.4	106.7%

Dramatic changes starting in the third quarter of FY08 made it difficult to earn a profit. Earnings fell as demand and market prices of steel products plummeted.



Changing operating environment

1. Rapid growth in emerging countries
2. Upstream and downstream industry reorganizations and inability of weak players to survive
3. The move of customers to other countries
4. Tighter environmental restrictions
5. Intense competition for resources



Actions demanded

1. Provide functions that are best suited to the rapidly growing markets of emerging countries.
2. Reinforce Hanwa's market presence by distributing goods in industry reorganizations
3. Establish a global business network that allows conducting procurement and sales activities in the best locations.
4. Enter in the field of new energy and increase sales of current products in associated markets.
5. Build a broad functional procurement network and execute speedy market strategies.

Medium-term Business Plan Objective

“Adapt to rapid changes in the operating environment and build a highly innovative and powerful base of operations and profit structure.”

Central Themes

Become even more competitive in Japan

Environment and recycling

Overseas development

Key Initiatives

Reinforce and differentiate capabilities

Enhance capabilities to do business on a global scale

Adopt the perspective of users

Effectively utilize a diverse range of human resources

Overview of strategies for Growth

1. Strengthen capabilities in our core business as a trading company with strong ties to end users

2. Grow rapidly in overseas markets by enlarging the business network and workforce

3. Reinforce and expand the scope of recycling operations

4. Increase business activities involving the environment and energy

5. Make business investments and build partnerships aggressively

6. Establish a team of professionals with outstanding skills

Strengthen capabilities in our core business as a trading company with strong ties to end users

We will adopt the perspective of users to upgrade and differentiate the capabilities that we can offer, in order to reinforce and enhance existing activities while growing through horizontal expansion. We also focus on business development with small and midsize healthy users.

■ Steel Business

- Work harder at approaching end users.
- Expand and reinforce regional sales bases to improve the ability to target real demand
- Pursue opportunities in the markets for renovations and making structures earthquake-resistant.
- Strengthen project sales activities for redevelopment projects
- Offer flexible services to overseas development by Japanese companies
- Aggressively target internal demand and infrastructure projects

■ Metals & Alloys Business

- Increase steps to develop a global procurement network
- Increase sales of silicon metal and titanium

■ Non-ferrous Metals Business

- Open more domestic and overseas locations to collect materials for recycling, upgrade inventory functions
- Increase overseas sales of recycled materials covered by the Basel Convention

■ Foods Products Business

- Expand activities for processed seafood products.
- Increase sales of seafood products overseas

■ Petroleum & Chemicals Business

- Reinforce overseas trading capabilities for petroleum products.
- Increase sales of household goods

■ Other Businesses

- Increase sales of lumber products to suppliers of housing.
- Increase sales of mechanical equipment by gathering capital investment information

Grow rapidly in overseas markets by enlarging the business network and workforce

To benefit from projected growth in demand in markets outside Japan, Hanwa plans to add business and processing sites while significantly increasing its overseas workforce. We will use this infrastructure to enter new markets by executing strategies that match the characteristics of each region.

■ China▪South Korea▪ASEAN

- Offer the Japanese style function, which includes the steel service business
 - Strengthen function by establishing processing sites
 - Increase activities to local markets by utilizing impetus of existing operating base
- ⇒ Pursue increasing trading volume and value-added**

■ Emerging countries

- Construct and reinforce business bases
- Establish business partners by putting manpower aggressively

⇒ Construct business structure and development trade right

■ North America ▪ Europe

- Development market with high-value added commercial products
- Create demand through strengthening market research

⇒ Identify and serve niche demand categories

Reinforce and expand the scope of recycling operations

Expand recycling operations to provide a comprehensive line of services in line with the global trend in recycling to handle many types of materials. Use these capabilities to build a stronger base of operations and grow faster worldwide.

■ **Assemble a comprehensive procurement network for domestic materials for recycling**

Establish a foundation for a comprehensive recycling business by building a procurement network that can handle iron, non-ferrous metals, precious metals, lumber, paper, resin and many other materials for recycling.

■ **Establish a more powerful recycling network centered on Asia, with Japan**

Form alliances with sorting and processing companies in Japan and overseas to assemble a framework for supplying added-value products and to establish export bases. Use this framework to build a recycling network centered in Asia that can create relationships with end users in Japan and other countries.

Increase business activities involving the environment and energy

Environmentally responsible businesses are expected to grow considerably in the coming years. The outlook for growth is also good in the energy infrastructure field in Japan and overseas. Hanwa is committed to growing in all these fields in order to play a part in protecting the environment.

■ **Environmental and energy field on which it concentrates chiefly**

Solar power, biomass energy and other new energy sources.

Soil remediation and improving water quality and the environmental infrastructure field.

■ **Form cross-section teams that function like task forces**

Form project teams with members from many departments for the environmental business and new-energy business. Use these teams to study marketing, the feasibility of commercialization and other subjects in order to create on business opportunities.

■ **Integrate with existing business field**

Link the environmental and new-energy business fields with current market sectors where Hanwa has a strong presence, such as demand for construction services created by the need to build environmental infrastructure facilities, with the goal of benefiting from new sources of demand.

Make business investments and build partnerships aggressively

To achieve sustained long-term growth, Hanwa will further enhance its capabilities and adopt a growth-oriented stance in business operations. We will place particular emphasis on business investments and forging solid relationships with business partners.

■ **Establish network with business partners**

Make investments and alliances to form relationships with outstanding business partners with technologies and functions that can complement the capabilities of Hanwa. With these relationships, build collaborative business partnerships that can strengthen the lineup of functions we can perform for customers.

■ **Aspect to partnership**

High processing technologies

High ability of quality management

Ability to handle small transactions

■ **Make business investments that enlarge and strengthen current activities.**

Aim for even more growth by making investments, including mergers and acquisitions, for achieving horizontal expansion in established business fields and targeting new business opportunities.

Establish a team of professionals with outstanding skills

To achieve the goals of growth strategies, Hanwa will train and enlarge the team of professionals that will execute these strategies. We will concentrate on creating a more powerful workforce that can allow the Hanwa Group to consistently increase its value.

■ **Pursue business professionalization**

Give employees the professional skills required to meet the increasingly advanced demands of customers and succeed in highly complex business domains. We also want people with the flexibility to adapt quickly to change.

■ **Develop the management human skills**

Establish training and education programs that can upgrade the management skills of employees. We need people who can adapt as M&A and other actions enlarge the scope of business activities and who understand the importance of managing operations for the Hanwa Group as a whole.

■ **Develop the global human resources**

We are enhancing the ability of employees to response to global issues as we rapidly expand overseas and taking many actions to create an environment in which local staff can upgrade their skills.

■ **Promote diversity**

We promote diversity and build a powerful organization that can utilize a broad range of individuals.

Upgrade corporate governance

Continue to take the actions needed to upgrade corporate governance in order to fulfill obligations to shareholders, customers, employees and all other stakeholders.

■ **Corporate social responsibility**

At the Hanwa Group, citizenship is an integral element of business activities; all business decisions reflect a commitment to social responsibility and protecting the environment.

■ **Internal controls**

- Further upgrade and expand measures involving internal controls for management decisions and business operations in order to strengthen governance.
- Review and reinforce the internal control system for financial reporting based on International Financial Reporting Standards (IFRS).

■ **Strengthen the compliance structure**

Encourage compliance, which is fundamental for constructing and strengthening corporate governance.

Maintain and enhance risk management capabilities

Reinforce flexibility and resilience regarding risk in advance by anticipating the types of risks that will emerge along with future business activities and shifts in market conditions.

■ **Upgrade the business continuity management (BCM) system**

Constantly upgrade the business continuity management (BCM) system and strengthen skills needed to act when a problem occurs.

■ **Upgrade the ability of credit exposure management**

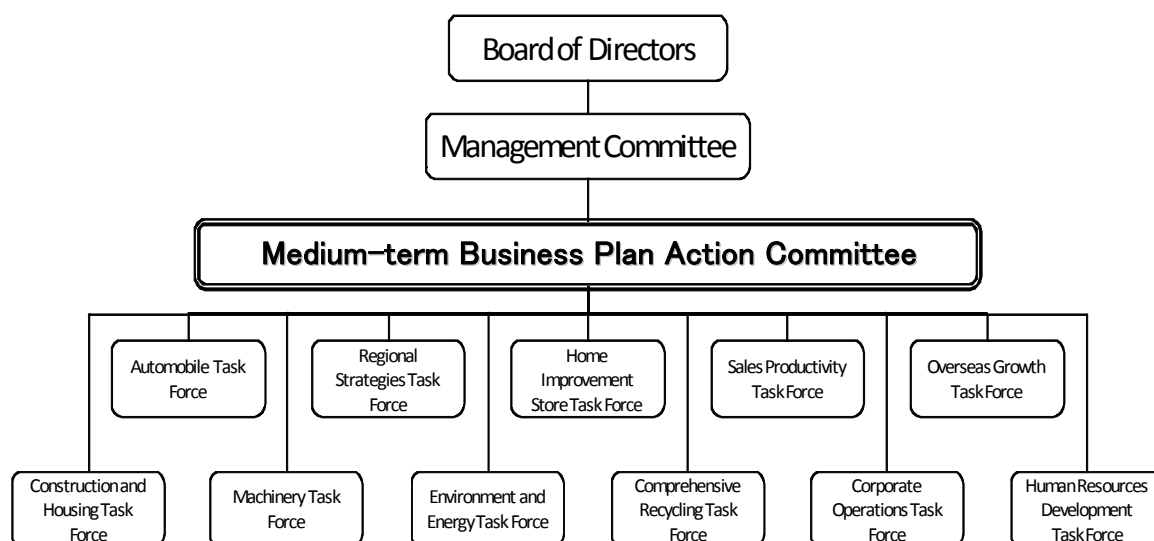
Improve the ability to evaluate the financial soundness of business partners and manage credit extensions and upgrade other functions as the diversity of the business portfolio increases.
Enhance the ability of employees who deal directly with customers to evaluate the financial condition of customers.

■ **Maintain the liquidity by diversifying funding sources**

Build a stable and sound financial position by diversifying funding sources with the goal of maintaining the liquidity needed to supply the funds that are required for growth and M&A.

Create an organization to execute the medium-term business plan

Hanwa has established the following organization to oversee the strategic initiatives needed to achieve the medium-term business plan’s goals. The organization will execute and check the plan and provide senior management with progress reports and advice concerning ongoing initiatives.



A commitment to sustainable growth in corporate value

Hanwa is taking measures to create a more powerful corporate framework in order to vigorously execute the business strategies of the medium-term business plan. There are two goals: increasing the comprehensive value of the Hanwa Group and achieving sustained growth. In addition, we will use these goals to support more progress in customer satisfaction and corporate social responsibility.

Policy for distributing earnings to shareholders

■ Policy for dividends

Our fundamental policy is to pay a dividend every year while increasing and effectively utilizing retained earnings to increase shareholder value and corporate value.

■ Policy for repurchasing stock

We have a flexible stance regarding the repurchase of stock. We will use repurchases to return earnings to shareholders while taking into account stock market movements, our funding requirements, results of operations and all other pertinent factors.

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.