

2017 CSR & Environmental Report

Cultivating together



TOP MESSAGE

Committed to contributing to an environmentally sustainable society through global business expansion

Promoting CSR activities as a global corporation

Hanwa places great importance on the basic management principles outlined in our corporate philosophy, which states coping with changing times and markets quickly, we make a great contribution to society by satisfying various needs of customers as a “distribution specialist.”

Since our establishment, we have grown as an independent user-oriented trading company with strong ties to users. With strong emphasis on our motto “for our users, together with our users”, we, as a global corporation, wish to drive our CSR (Corporate Social Responsibility) management while pursuing business operations that are both useful and can move us even further ahead.

As our business field expands globally under a faster and more diversified market today, we strive to realize

a sustainable society and contribute to preserve the global environment through our day-to-day operations.

For that reason, we launched the 8th Medium-Term Business Plan at the start of the 2016 fiscal year, which upholds the message of “The ‘Three S’ Commitment - Steady, Speedy, Strategic: Build a Medium to Long-Term Sustainable Profit Structure and a Stronger Foundation.” Our core aim is to secure additional profits by concentrating on (1) *steady* growth of Hanwa by earning profits in current business domains, (2) achieving *speedy* earnings growth driven by our 93 Group companies around the world as well as from strategic investments both within Japan and overseas, and (3) continuing to conduct *strategic* investments geared toward establishing future sources of earnings. We are also exerting our best efforts to bolster the foundations of our business by such measures as improving and enhancing financial discipline and the Hanwa Group’s administrative and corporate

governance systems as we create a governance structure best suited to an expansion in the scale of our business and increase in the number of Hanwa Group companies.

Furthermore, we will continue implementing the principles of Hanwa Knowledge Quality Control (HKQC) aimed at improving the quality of our operations by thoroughly evaluating the risks and controlling processes in all of our departments. Our HKQC has two aspects: one is to improve the quality of our operations that make use of the Hanwa Group’s accumulated collective wisdom, and the other is to pass the wisdom of the Group down and develop it further. By managing risk in each department appropriately and suitably by standardizing our methods for controlling the quality of operations, we are establishing a structure such that losses are being prevented in advance and we do not miss chances to earn profit. Additionally, by systematizing the tangible and intangible knowledge and tremendous wisdom that have been accumulated throughout the Group, the intellectual resources contained herein will become a shared resource for all. Encouraging thinking based on HKQC will move us ahead to hone perceptions that have been passed down within the Group, create business opportunities, enhance the ability to detect potential risks, and further refine our capacities as a user-oriented trading company.

Moreover, we are working to firmly grasp profit-earning opportunities and guarantee both autonomous growth and diversity in business activities for the Hanwa Group. This we seek to accomplish by improving efficiency and optimizing our value chain at every stage from those of manufacturer and supplier to end-user. All of this is grounded in our having made it plain that the Hanwa Group sees the Customer as the Top Priority—it is user-oriented and has “Professional and Global” as the basic concepts that underpin our organization and talented human resources.

Contributing to the evolution of a recycle-oriented society through comprehensive recycling business

As a company that has maintained a focus on steel and non-ferrous metals as its core business since it was established, we also embarked upon the recycling business from a very early stage of our business foundation.

This has involved actively expanding our presence in the global market in areas such as steel recycling business, while recent efforts have also come to involve importing non-ferrous metal scrap such as electronic substrate board waste from all over the world and setting up operational frameworks for reclaiming useful metals, such as gold, silver, and

copper, as part of our efforts to encourage the reuse of steel resources. We have also been involved in other related activities, including the utilization of Refuse Paper and Plastic Fuel (RPF) from used paper, waste plastic, and the like, and the promotion of the use of alternative energy sources to replace traditional fossil fuels by relying on biomass fuels developed from resources such as palm kernel shells (PKS).

In order to contribute to the evolution of a recycle-oriented social system and effectively use the limited resources and energy we have, we plan to continue working to promote our comprehensive recycling business while meeting the needs of both manufacturers and users.

Working to link the company’s prosperity to the benefit of society

Our company founder Jiro Kita, who believed that “a trading company is its people,” said that “a company’s prosperity and the employees’ happiness are inseparable like the two halves of the whole.” He turned this saying into our management philosophy and sought to create a comfortable working environment where the focus was on nurturing individual employees. This philosophy is still followed today as part of a long-cherished tradition to boldly take on whatever challenges we may face in the pursuit of our goals working together in cooperation between employees and the company.

We have also been contributing to the society for many years through the activities of the Hanwa Scholarship Foundation which provides support through scholarship programs for students with promising futures. Since its establishment in 1957, the foundation has been provided for over 1,000 students, all of whom have set out to contribute to society in their own diverse ways.

Moreover, in addition to making contributions as a Group to raise funds for people and areas impacted by the Kumamoto Earthquake of April 2016, our Kyushu Branch Office in Fukuoka City has been a focal point for efforts to collect local information and deliver needed goods such as drinking water and foods from our stockpiles directly to disaster-afflicted areas. We will continue to meet the needs of our customers in the stricken areas through our business activities by continuing to provide the necessary support with the Kyushu Branch Office as the core.

Going forward, we will endeavor to work even harder in the course of conducting business in Japan and all over the world with respect to showing our true ability as a trading company, while being mindful that “a company should be a member of a sustainable society in a recycle-oriented economy.” At the same time, we are committed to continue to serve as a company increasing its presence in the global market that contributes to society by working to promote CSR activities, protect the environment, and further improve the company’s value.



Hanwa's Basic Policy on Corporate Social Responsibility (CSR)

Hanwa's Corporate Social Responsibility (CSR) consists of following six basic policies and Hanwa considers its CSR as an integral part of management: (1) Thorough legal compliance, (2) Environmental considerations, (3) Good corporate citizenship, (4) Transparent management, proactive disclosure, (5) Maintaining financial soundness, and (6) Workplaces geared to employee self-realization.

In promoting CSR management, the CSR Committee—chaired by a managing executive officer from the management division—incorporates organizations including the Compliance Committee, Environmental Committee, and the Hanwa Scholarship Foundation and engages in coordinated operation.

Companies both within Japan and overseas are internationally finding it more necessary to become globalized in terms of economic activity and to create sustainable developments. We are going to continue making efforts toward development as a single corporation existing within the world society with a focus on the ISO 26000 international standard.



Interaction between the Hanwa Group and its stakeholders

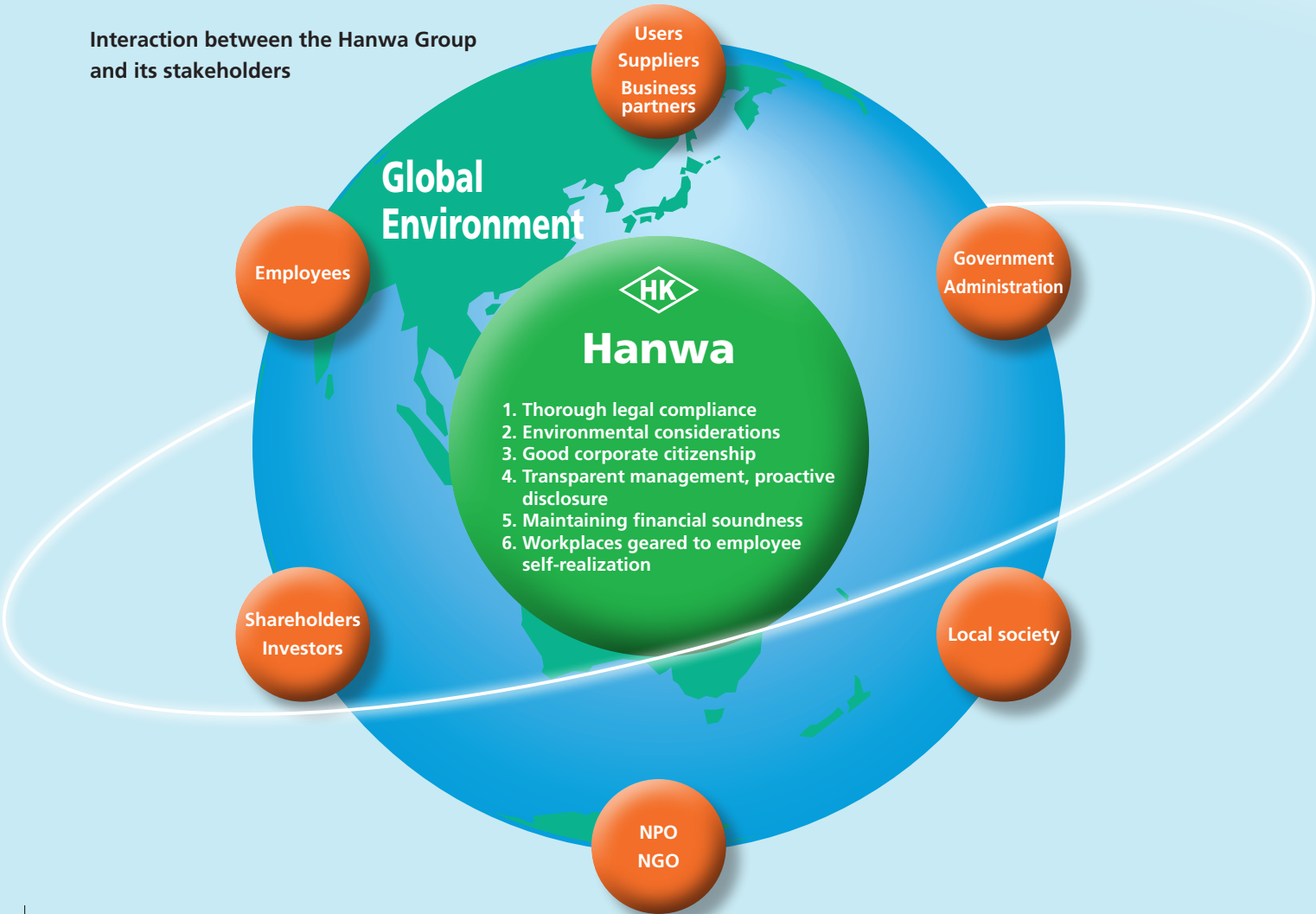


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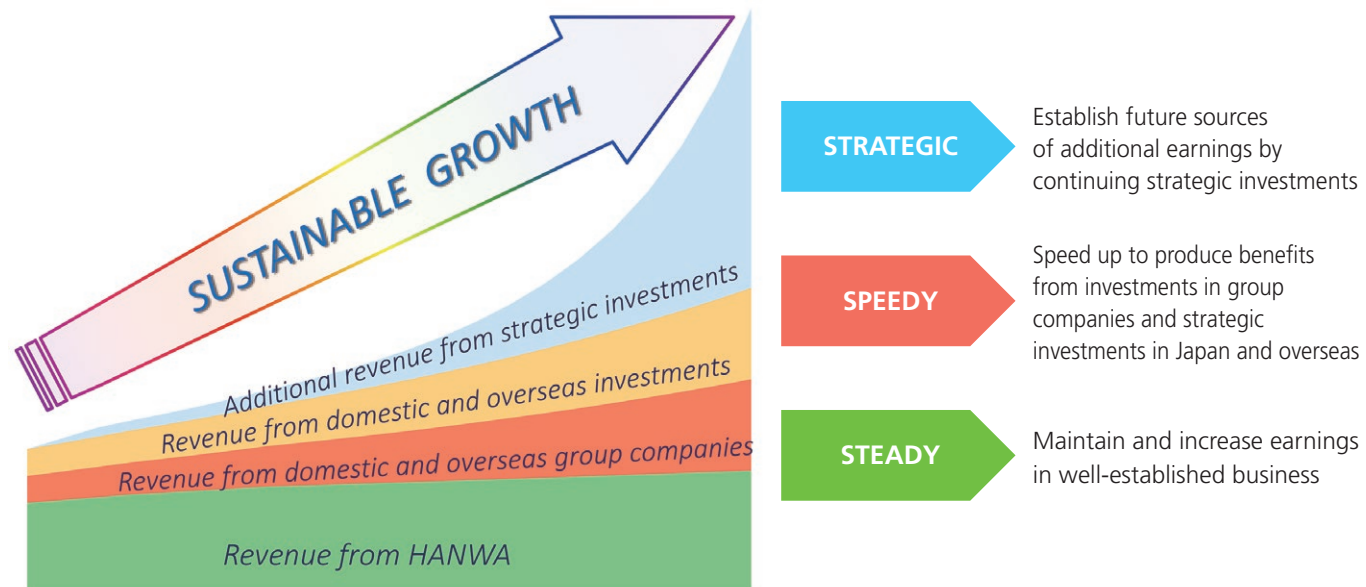
Aiming to Further Raise Corporate Value by Practicing HKQC

HKQC (Hanwa Knowledge Quality Control) initiatives started with interviews of the various sales departments in 2014 and kicked off full-scale in December 2015 with the establishment of a dedicated office within the Internal Audit Department. HKQC initiatives, designed to make business processes more efficient by raising each employee's awareness and thus reducing errors and determining best practices, will build up the trust we have from manufacturers and our users.

Long-Term Growth Strategy with the 3S Approach

The Hanwa Group established the 8th Medium-Term Business Plan covering the three years of FY2016 to FY2018 and taking as its theme "The 'Three S' Commitment - Steady, Speedy, Strategic." The aim is to step up distribution functions and bring them to

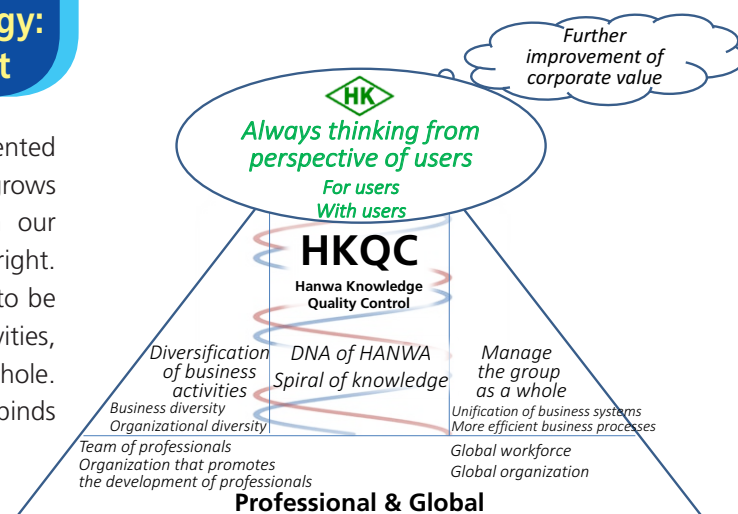
a higher level. In just the first year, ordinary income exceeded our target for the final year under the same plan. This led us to extend the plan to cover a fourth year, FY2019.



Hanwa Group Corporate Strategy: Basic Framework and Concept

The Hanwa Group's ideal is to be a "user-oriented trading company" that exists for our users and grows with them. We make this point clearer with our basic framework and concept, shown on the right. The heart of our corporate strategy is our goal to be *Professional & Global*, diversify our business activities, and strengthen management of the Group as a whole.

And it is the practice of HKQC that organically binds the Hanwa Group corporate strategy.

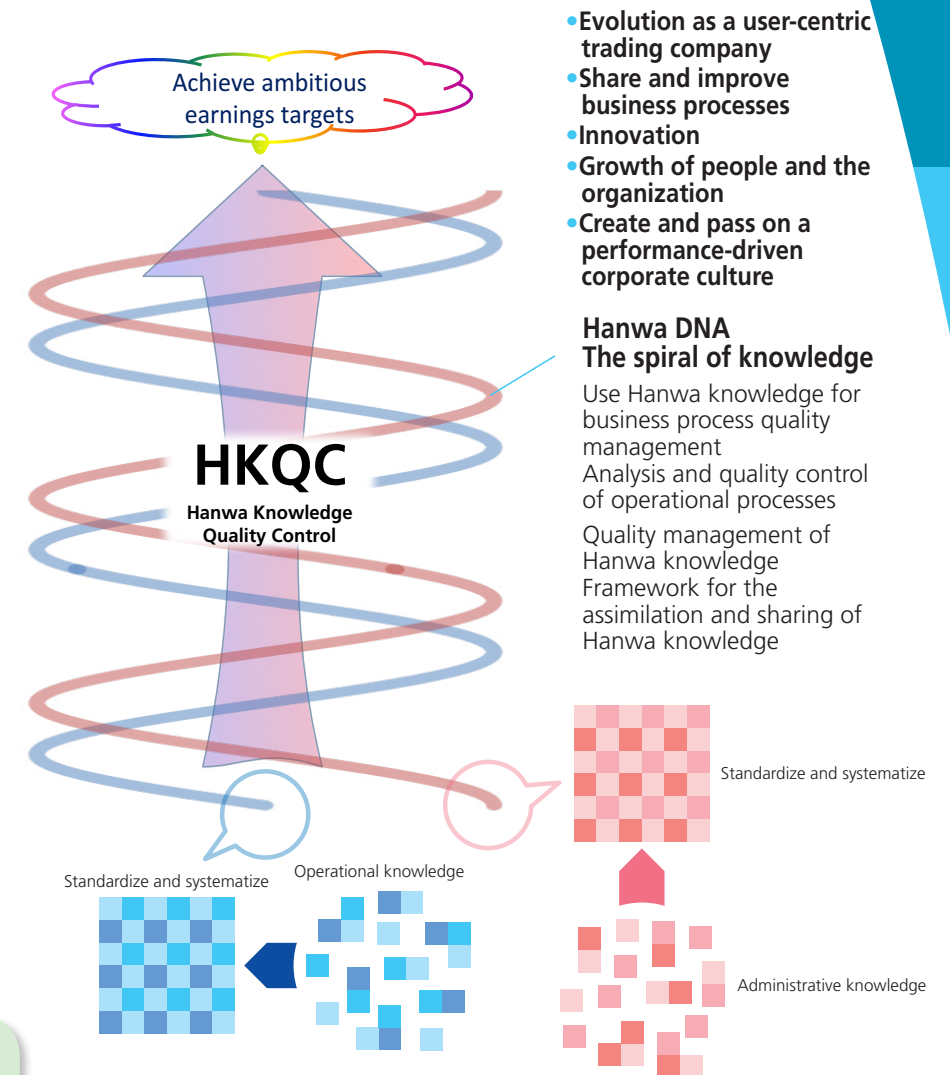


Preventing Loss and Raising Profitability through HKQC Initiatives

As part of HKQC initiatives, we conducted interviews in each department and prepared the "Integrated HKQC/RCM" (which combines HKQC with the previously existing Risk Control Matrix (RCM)) and revised our "Business Process Flow Chart." Losses occur when checks do not function. We are preventing this kind of loss and raising profitability by making risk apparent internally and sharing the information. Other aims include improving business processes and taking them to the next level. Through our HKQC initiatives, we expect to experience workforce and organizational growth, form a results-oriented corporate culture, and pass it on to the next generation.

Between October 2016 and February 2017, we held HKQC Kickoff Events to raise awareness of HKQC. All employees (including temporary workers) from each sales department and management division joined in these events, which included group discussions meant to achieve the greatest objective of HKQC: sharing operational knowledge and administrative knowledge.

Group companies are also independently looking into holding HKQC events.



The sales departments, management divisions, and Group companies in Japan and abroad use tools like HKQC sheets and Business Process Flow Charts to carry out self-checks. The Internal Audit Department periodically checks HKQC operations status.

Check system in each department

- ☒ Person in charge of office work
- ☒ Person in charge of sales
- ☒ Section Manager
- ☒ General Manager
- ☒ Chairman
- ☒ Director in charge
- ☒ Supervising director



HKQC Kickoff Events

Hanwa Group's Social Contribution Activities

Hanwa Scholarship Foundation

"Cultivating Capable Persons for Our Society"

Jiro Kita
Founder,
Hanwa Co., Ltd.



The Hanwa Scholarship Foundation was established in April 1957 to commemorate the 10th anniversary of Hanwa's founding. Hanwa founder Jiro Kita faced challenges to getting higher education and established the foundation in hope of "cultivating capable persons for our society" by offering scholarships and alleviating the economic burden of students. He started the foundation with a contribution of 10 million yen when Hanwa's own capital was just 100 million yen and Jiro Kita served as its first chairman. By the time the scholarship fund reached its 60-year milestone in April 2017, it had provided scholarships to over 1,100 students.

After years of offering student loans for study in Japan, in FY2015 the foundation launched an overseas study grant program awarding 1 million yen to each recipient. At

a time when the world is growing more international, we want to help as many motivated and capable students as possible take part in foreign study opportunities that help them expand their horizons, develop their knowledge, and prove themselves to be as competent as the best young people around the world. Although our nation has become much more prosperous, we now have a population decline driven by a low fertility rate. At the same time, we face widening economic disparity, deteriorating social morals, and falling education standards, thereby prompting active debate on reviving education. The Hanwa Scholarship Foundation will use its unique position as a private-sector scholarship and further expand its operations so that young people who will eventually lead the next generation can play an active role in our society.

Messages from Hanwa Scholarship recipients

**Teaching is my dream come true.
How I found my lifework**
English teacher at Ritsumeikan Junior and Senior High School
Ms. Sari Yamashita

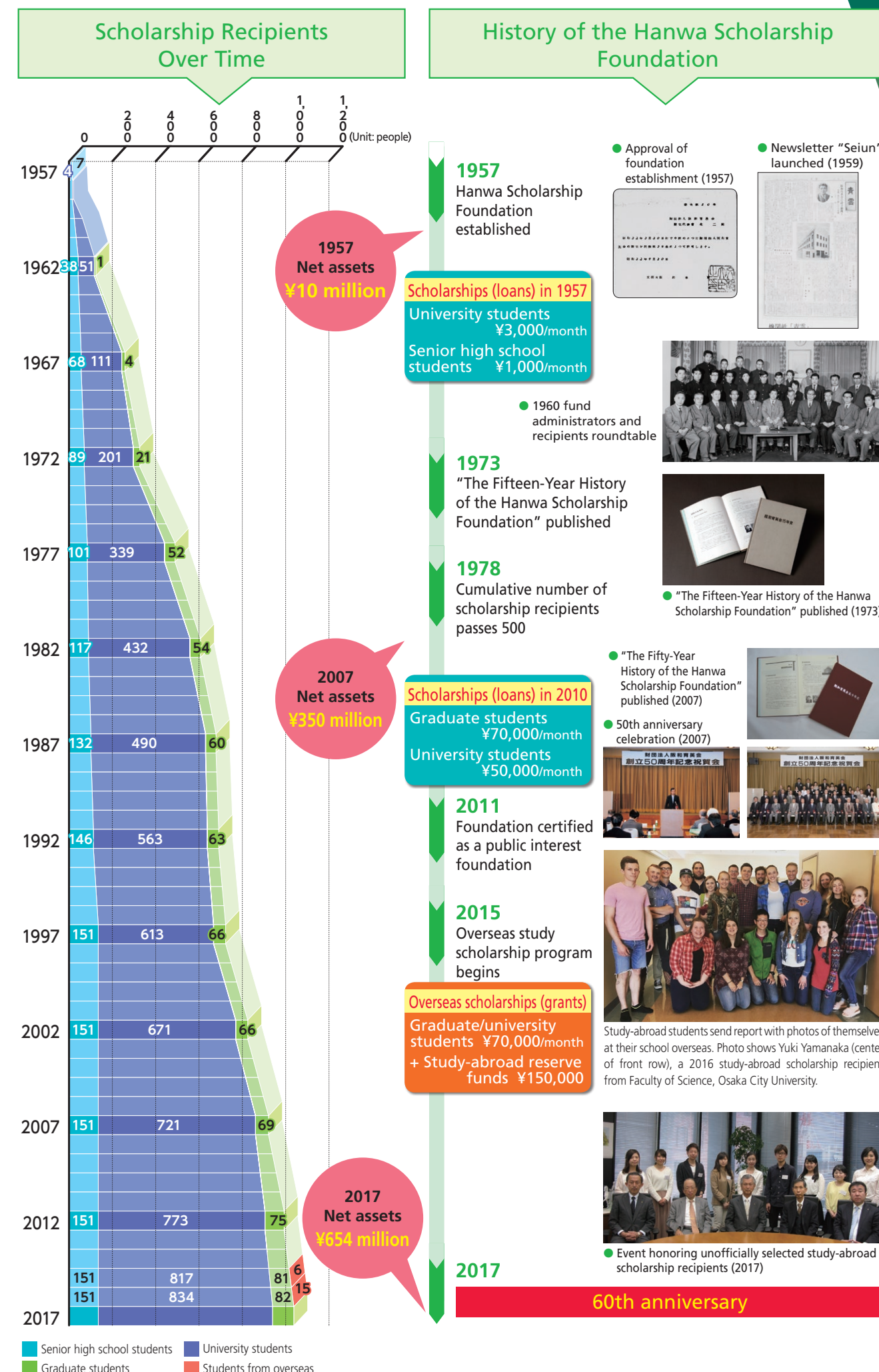


I received a scholarship from the Hanwa Scholarship Foundation, which allowed me to study for my dream of becoming a teacher. Now my dream has come true and I am working in a school. The real measure of a teacher's effort and competence is how interesting it is to learn from him or her, but making that happen can also be tough. When I've put everything into polishing my lesson and I see the students' eyes light up as they work, then I know I've accomplished something. I've also found that before we can increase students' academic capabilities, it is essentially important to tend to their "hearts." I want my students to have a heart to care for others and a heart to overcome their own weaknesses. When they have a rich heart like that, they can build all kinds of interpersonal relationships, feel supported by society, and believe they can make their dreams come true. For that reason, I am very conscientious about developing trusting relationships, taking the time to talk one-on-one with each student instead of just teaching. Every day now, I feel a great sense of joy that I am doing my lifework of teaching.

Studying abroad, experiencing the world
Osaka University School of Foreign Studies
Ms. Ayane Hirose



In my third year in the School of Foreign Studies, I was determined to do exchange studies in an English-speaking country, but the high cost nearly made me give up. Fortunately, the Hanwa Scholarship Foundation chose me to get a study-abroad scholarship in FY2016. It allowed me to spend a year studying at Nazareth College in the state of New York. Having some reserve funds prior to my study abroad also helped. Also, during my time abroad I sent academic reports to the Hanwa Scholarship Foundation office once a month. This encouraged me to set goals and confirm how much I had accomplished, so I kept my initial enthusiasm. My study overseas provided stimulation not only academically but from the opportunities to meet students from around the world. I sincerely hope that many students will get to study abroad, experience the world, and have a big life-changing experience with support from the Hanwa Scholarship Foundation.



Taking on the Challenges of the “Urban Mining”

Recycling of Steel and Non-ferrous Materials

Japan is known for being a country lacking in resources, and depends on imports for almost all of its mineral needs. In that light, initiatives to recycle useful metals such as steel and non-ferrous metals have an important role to play when it comes to making effective use of available resources. Hanwa is proactively engaged in the business of recycling steel and non-ferrous metals. We boast a rich track record in Japan and abroad for making the most of so-called “urban mining,” and through this we are contributing toward the creation of a recycle-oriented society.



Stainless steel scrap is collected at and delivered from the scrap yard at Hanwa Metals Co., Ltd.

Hanwa's
Environmental
Businesses

Recycling of steel materials

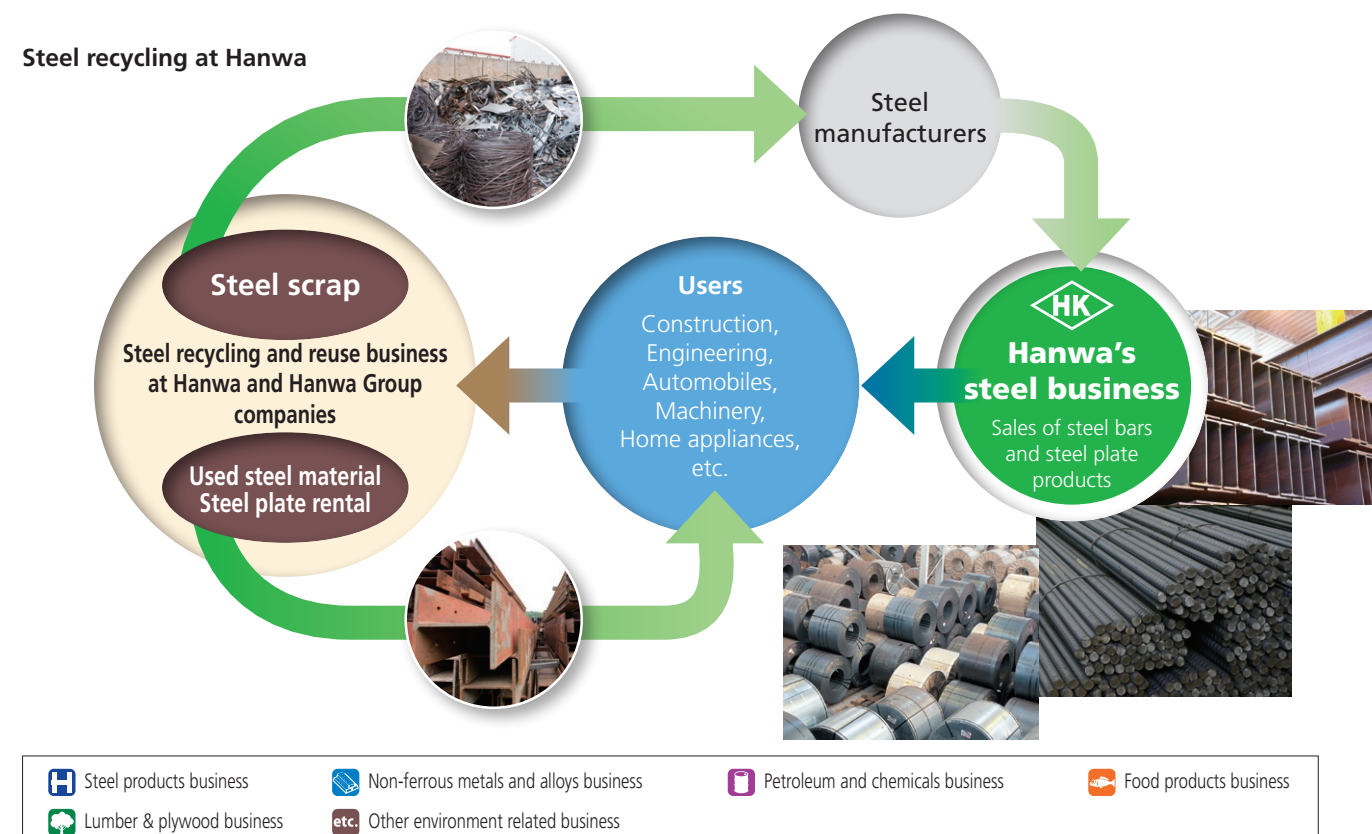
Hanwa's steel business follows two different types of flow cycles, a primary cycle in which we are engaged in the sale of steel materials to users in a wide variety of fields, including construction, engineering, automotive, machinery, home appliances, and others, and a secondary cycle in which we are involved with the reuse of steel scrap and used steel.

To ensure that both flow cycles are able to run smoothly, we work to respond quickly to customers and improve our abilities to produce the best arrangements that fit the needs of steel manufacturers in our steel scrap business activities. We take used steel scrap materials and work in conjunction with affiliate scrap suppliers to transform the scrap into high-value-added scrap material for delivery to steel manufacturers who can then use the scrap.



Steel plates from Hanwa Eco Steel Corporation is being used in a variety of project sites, including rentals for use as scaffolding in road repair and construction work in disaster areas

Steel recycling at Hanwa



Establishing reuse system of steel resources

Hanwa Eco Steel Corporation, a Hanwa Group company, reuses used steel such as H-beams and steel sheet piles under the motto, “Give steel another chance to be of use!” The number of users requesting the use of used steel due to its cost effectiveness is increasing. Hanwa Eco Steel Corporation contributes to the effective use of limited resources by responding to user demands through the Just-in-Time strategy.

With the smooth development of a total recycling and reuse system for steel scrap, Hanwa is continuing to make contributions to the effective use of steel resources.

Recycling of stainless steel materials

Our Group leverages toward stable supply of scrap metal mainly through a Group company, Hanwa Metals Co., Ltd., by collecting stainless steel scrap. Stainless steel that has reached the end of its useful life as part of a regular product is collected by Hanwa Metals as scrap metal and checked thoroughly for problems and supplied to steel manufactures as scrap metal.

Recycling of aluminum

In August 2012, Hanwa acquired shares of SEIKI Co., Ltd., a company engaged in the production of aluminum deoxidizer for steel and aluminum can recycling. This has enabled us to establish a deoxidation material business through which we supply aluminum to blast-furnace steel manufacturers for use in the deoxidation and decarburization processes in converter furnaces.

We also recover used aluminum cans, remove the impurities and other materials from the cans, and melt them down into recycled aluminum ingots that are analyzed for content and processed before being supplied to manufacturers. Our combined operations of Hanwa Logistics Nagoya Co., Ltd. and SEIKI further enable us to pursue business involving raw material sourcing, processing, and sales of aluminum products.

Recycling of non-ferrous materials

One of our Group companies, Showa Metal Co., Ltd., is engaged in a complete recycling process of titanium and nickel scrap starting from the collection and quality control of the scrap to the sorting, shipping, and delivery to stainless steel and special metal manufacturers. Working together with Showa Metal, we are engaged in expanding a rare metal scrap processing business that caters to the specific needs of customers as a “global metal recycler.”



Recovered titanium scrap



Can-to-Can aluminum recycling products. “Regenerated aluminum ingots”

Non-ferrous scrap metal business overseas

Hanwa engages in the non-ferrous scrap metal business outside Japan mainly through four overseas locations: Hanwa Thailand Co., Ltd., Hanwa Singapore (Private) Ltd., the London Branch of Hanwa Co., Ltd., and Hanwa American Corp. We operate in compliance with the Basel Convention in handling transactions involving import, export and offshore trade, provide users in Japan and elsewhere with consistent supplies of recycled materials, and also take steps to reduce environmental loads. In 2013, we established PT. Hanwa Royal Metals in Indonesia to head up our non-ferrous metals recycling business in Southeast Asia. This further strengthens non-ferrous metal scrap

distribution in Southeast Asia.

We send our highly-skilled employees to other locations with the mission of expanding our network of suppliers so that we can better ensure quality and consistent supplies of non-ferrous scrap metal. Consequently, in 2013 we launched business in Lebanon, Israel and other locations in the Middle East, and also in Honduras, Bangladesh and other nations in South America. In recent years, we have been further enhancing our ability to provide just-in-time deliveries to factories by successively setting up factories in the ASEAN member countries, as Japanese firms increasingly expand operations overseas.



Hanwa, a company that has charted a course in global business based on the Basel Convention

Hanwa is the first company to get into the business of recycling the sludge generated in the manufacturing process for semiconductors—which contain silver and copper—based on the Basel Convention. With the permission of the relevant authorities in Japan and Malaysia, Hanwa brought sludge from a certain company M in Malaysia to a refining company in Japan and thus contributed to the reuse of silver and copper.

Environmentally Friendly Products

With a constant focus on how to reduce the load on the environment, Hanwa is actively making efforts to prevent pollution through use of products that have no adverse effects on the human body or the environment, products with a longer life and higher corrosion resistance, and other ecological products.

Hanwa's
Environmental
Businesses

"Grassom" pavement greening blocks

Hanwa took the lead in greening its parking lot by collaborating with Nikken Sekkei Civil Engineering Ltd. and Ibiko Corporation to develop the "Grassom" pavement greening blocks for use at parking lots that accommodate large-sized vehicles and to continue to promote the sales of "Grassom" for greener parking lots. In October 2012, we and the two companies jointly obtained a patent for the technology, "BLOCK FOR FORMING GREENING ROAD SURFACE, AND THE GREENING ROAD SURFACE HAVING THE BLOCK LAID THEREON".



Greening of the parking lot of Hanwa Logistics Nagoya using Grassom

Steel pallets

Drawing on our capabilities as a trading company, we have set up a system wherein we supply raw materials to steel pallet manufacturers in Japan and manufacture products overseas. Products with excellent loading efficiency and fitted to the components shipped are then supplied to logistics contractors in Japan and elsewhere. Moving ahead, we will continue to upgrade our manufacturing framework encompassing our parts manufacturing centers in ASEAN countries, India and other locations so that we can better meet the demands of domestic manufacturers who engage in global procurement.



Steel pallets

Careful Consideration Toward Biodiversity

Hanwa's
Environmental
Businesses

Hanwa also exercises care toward the natural environment by recognizing the importance of the conservation of biodiversity and sustainable use of the environment.

Commended as a business of excellence for timber export initiatives

The Ministry of Agriculture, Forestry and Fisheries recently honored Hanwa with the FY2016 Food Industry Affairs Bureau Director-General's Award as a business of excellence exporting agricultural, forestry, or fisheries products. The award was newly established in 2016 to promote exports of agricultural, forestry, and fishery products by widely publicizing outstanding examples of such exports.



Hanwa began exporting timber from forest thinning in 2006 and presently sells about 150,000 m³ annually in China, Taiwan, and other markets. Timber exports help to lift timber prices by bringing in a more diverse range of buyers and help to maintain employment, thereby stimulating local economies. In addition, exports protect the land by promoting forest maintenance, which also helps the forest to absorb more carbon dioxide. We will continue to use our trading company function to develop markets in Japan and abroad and use timber exports to promote local revitalization and forest maintenance.

FSC®-CoC, SGEC-CoC certifications earned to better protect forests and enhance product use

Hanwa holds CoC certifications from the Forest Stewardship Council® (FSC®) and Sustainable Green Ecosystem Council (SGEC) forest certification systems. SGEC is Japan's own forest certification system and promotes forest conservation and sustainable forest management with the aim of revitalizing forests and forestry. Timber with the CoC certification is guaranteed to be managed such that it is kept segregated from non-certified material during processing and distribution. With these certifications, we pledge our corporate commitment to further promoting eco-friendly timber production and thereby encouraging sustainable forest management.



SGEC CoC certificate

Forest certification

Obtaining MSC-CoC certification for preservation of marine resources

The MSC fishery certification, operated by the international non-profit organization Marine Stewardship Council, certifies that fishing operations were conducted with environmental considerations, making sure that;

- 1) Marine resources are maintained at a sustainable level.
- 2) The impact on the ecosystem is kept at a minimum level.
- 3) An effective management system is in place.

Hanwa obtained MSC-CoC certification to make sure the distributed fisheries are MSC-certified.



*CoC (Chain of Custody) certification proves that the product has been properly managed throughout the manufacturing, processing and distribution processes, that uncertified products are not mixed, and that the labeling is true.

A product manufactured by a Hanwa resource supplier that is marked with the MSC label

Fisheries certification


Renewable Energy Related Business

Hanwa's concern for the global environment is backed by efforts geared toward creating new forms of energy and contributing to CO₂ emissions reduction through business initiatives involving biofuels.

Hanwa's
Environmental
Businesses

Providing a stable supply of woody biomass fuels to support electric power supply with biomass energy

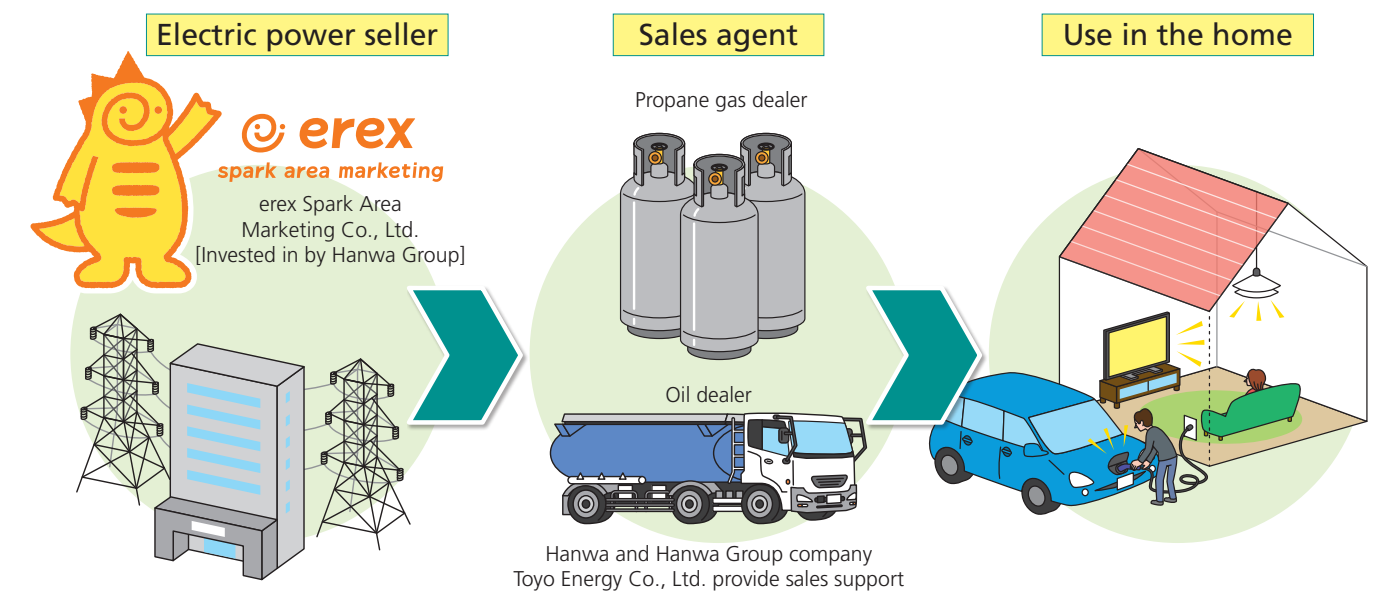
Hanwa engages in business involving palm kernel shell (PKS) and forest biomass, as well as woody biomass fuels mainly derived from wood pellets from Europe, North America and Southeast Asia. Among the

various renewable energy sources available, biomass can be supplied on a consistent basis to enable stable generation of electric power unswayed by weather conditions around the clock all year long. 



New Energy Department **Daigoro Fukuzawa**


Since 2012, a number of biomass power plants have been built utilizing the renewable energy feed-in tariff system. Moreover, since April 2016, when the electric power market became fully deregulated, consumers have been free to choose the supplier providing electricity to their homes. In the New Energy Section, we say, "From the forests of Southeast Asia to the outlets in your home." Under this motto, we have been contributing to the supply of clean electric power by importing and selling wood fuel for power generation, participating in a new power company and biomass power stations, and collaborating with propane gas and oil sales channels.



Before Japan's electric power market became fully deregulated, we established erex Spark Area Marketing Co., Ltd. as a joint venture with erex Co. Ltd., one of the longest-established new power companies, and the U.S. new power company Spark Energy LLC. Hanwa Group collaborates with wholesale dealers of oil and propane gas to sell electric power to residential customers. We have more than 30,000 customers for this service.

Recycled fuel RPF

Hanwa began handling RPF in 2003. Currently, we handle more than 120,000 tons annually. In addition to our network of partner producers around Japan, RPF producer the Seibu Service Group (consisting of Seibu Service Co., Ltd. and Alpha Forme Co., Ltd.) joined the Hanwa Group in 2015, helping to ensure a stable supply.

By promoting the recycled fuel RPF, we are helping to curb fossil fuel consumption and mitigate environmental footprint. 

RPF (Refuse Paper and Plastic Fuel)



Recycling of other materials


Used paper

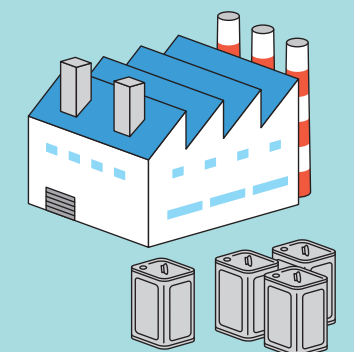
Hanwa has been selling a wide range of recyclable used paper products ranging from old newspapers, cardboard, and other standard paper types to more specialized, high-quality types such as milk cartons to domestic paper product manufacturers for thirty years. In recent years, we have also been engaged in the handling of used office supply paper (such as shredded documents) and the export of used paper to southeast Asian countries that have been seeing explosive growth. We have also begun working with environmentally friendly, recyclable packing materials made from recycled milk cartons. 



Used office supply paper

Reclaimed oil

Hanwa sells reclaimed oil that is reprocessed using used automotive engine oil and industrial lubricants to users who can make use of it. Most of our customers use it as a replacement for Class A or Class C fuel oil at factories involved with aluminum melting and steel processing. 



Efforts Toward Improving Safety and Security

We here at Hanwa have a commitment to our stakeholders to ensure safety and comfort in all aspects of our business, which branches across many different fields. We have created a thorough administrative control system designed to achieve this goal.

Steel business

Aiming to achieve zero accidents and zero workplace incidents jointly with Hanwa's partner companies through Hanwa's Safety Association

Hanwa Group works with more than 100 fabricating companies nationwide, and takes on subcontracting work from general contractors. We work hard to perfect our job contracting framework to better meet the needs of our customers and partner companies, while developing thorough safety measures. Launched in April 1999, Hanwa's Safety Association has since been set up in each of the three Hanwa locations of Tokyo/Tohoku, Nagoya and Osaka, and is composed of the Hanwa Group companies and 131 partner companies (including 61 companies in Tokyo and Tohoku, 23 companies in Nagoya, and 47 companies in Osaka).

The Safety Association holds discussions on comprehensive safety measures for preventing work related accidents, with the aim of facilitating the smooth execution of job duties.



Safety gathering (Tokyo and Tohoku)



Offering prayers for safety



Safety gathering (Nagoya)



Safety patrol

Steel pallets help ensure safe and secure logistics with thorough quality control

Hanwa supplies logistics contractors in Japan and elsewhere with steel pallets that have excellent loading efficiency and are fitted to the components shipped on them. The steel pallets we handle are manufactured mainly at associate plants in China and other overseas points. Working with our associate plants overseas, Hanwa practices strict quality control to ensure the products we supply to users are safe and sound.

We have particularly worked with the staff of our pallet manufacturers on pallet materials and coatings. Together, we verify, evaluate, and improve quality and expand these initiatives outward. Especially since 2007, we have worked with our business partners to establish quality control system flows in each process. Currently, pallets are being manufactured under exacting quality control work standards as we endeavor to maintain and continue the quality level.



Finished steel pallets



An associate plant



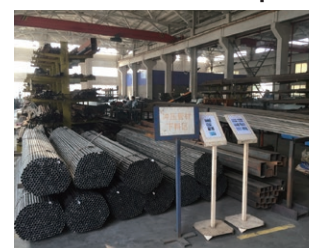
Inside an associate plant



A depiction of quality control in each process in a plant

How steel pallets are made

Materials for steel pallets



Checking welding tools



Welding robot at work



Pallets under assembly inspection



Coating process



Completed material



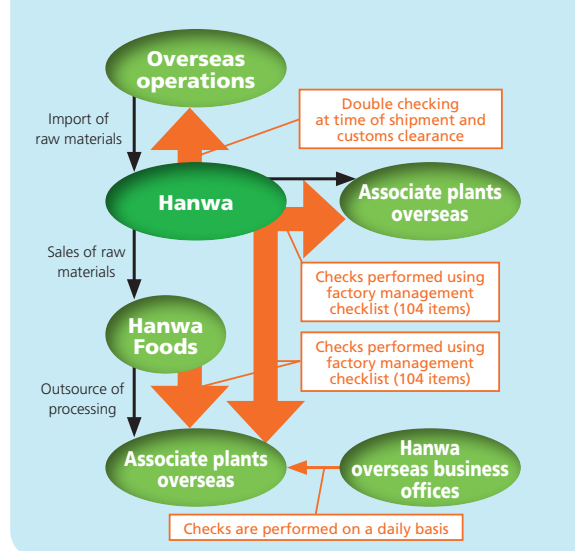
Food products business

Ensuring food safety and security through proprietary system involving rigorous checks

Our food products business processes food in line with end-user needs at our associate plants in China, Vietnam, Indonesia, and Thailand, which provide top-notch quality and controls for ensuring sanitary production. In Hanwa's Food Quality Control Office, we use established quality control and auditing procedures that were developed based on the Food Division Quality Management Standards, the Crisis Management Manual for Handling Food Product Issues, and other such guidelines.

Group company Hanwa Foods Co., Ltd. uses raw materials that have undergone rigorous inspections. Associate plants overseas, working in conjunction with the quality control division of Hanwa Foods, processes foods, including Hanwa original products. The products are sold to buyers such as mass merchandisers, conveyor belt sushi restaurant chains, and food wholesalers.

Quality control system of the Hanwa Group's food business



Machinery business

Working for thorough safety control of leisure facilities and industrial machinery

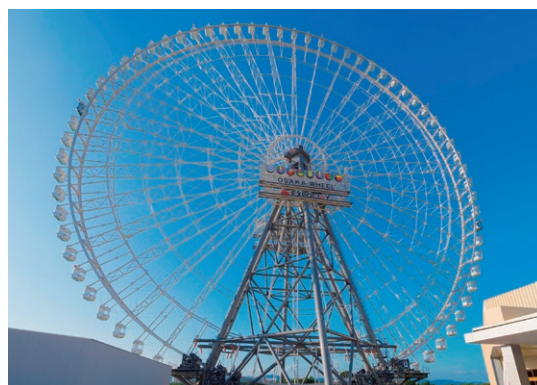
We handle leisure facilities and industrial machinery in our machinery business. In the leisure sector, we work to help increase the number of guests using the leisure facilities that we provide machines for and also to provide safe and secure machines through strengthened ties to manufacturers of such machines in Europe and North America. As for the industrial sector, we work not only to provide safe and secure machines in conjunction with manufacturers of such machines but also to produce and maintain a comprehensive support system for investments in user facilities and equipment.

On July 1, 2016, we completed work on the largest Ferris wheel in Japan, Redhorse Osaka Wheel, measuring 123 meters high. Hanwa provided the design and manufacturing services and constructed the wheel at Expocity in Expo '70 Commemorative Park (Suita City, Osaka).

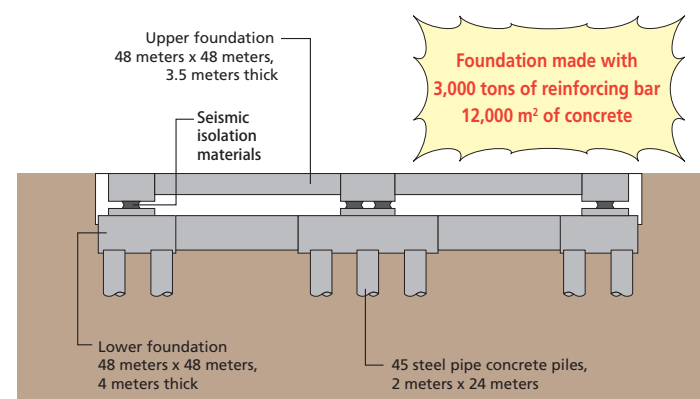
Under the current Building Standards Act, structures

(including leisure facilities) more than 60 meters tall must undergo the same tall-structure assessment as high-rise buildings and receive Minister's authorization from the Ministry of Land, Infrastructure, Transport and Tourism. The original plan called for an anti-earthquake design, but after determining that the structure of the Ferris wheel itself would not be strong enough, we opted for a seismic isolation system.

The foundation of the structure rests upon 45 cast-in-place steel pipe concrete piles measuring 2 meters in diameter and 24 meters in length. On top of that is a lower base 48 meters square and 4 meters thick. This is the platform for holding 10 base-isolation beds, and on top of those is an upper base 48 meters square and 3.5 meters thick. In the event of an earthquake, the base-isolation beds absorb the tremors and the Ferris wheel itself hardly moves at all.



The Redhorse Osaka Wheel at EXPOCITY



Initiatives of Hanwa Group companies in Japan

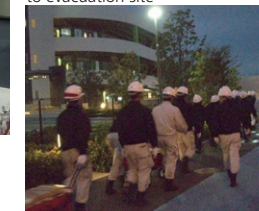
● Tsunami evacuation drill

Hanwa Logistics Osaka Co., Ltd. conducted a tsunami evacuation drill in association with its affiliates on November 10, 2016. The exercise was conducted to focus everyone's attention on how to evacuate when a tsunami occurs, based on the scenario of a Nankai Trough Earthquake, which is forecast to happen sometime. The participants carried out an actual evacuation based on standardized evacuation practices as they headed on foot to offices in the evacuation area designated by Sakai City.



Employees practicing sending out evacuation orders

Employees perform drill moving to evacuation site



Initiatives of overseas coil centers

● First event to present small group activities at plant managers conference

On November 17-18, plant managers from 16 affiliated companies in Japan and abroad attended the 14th plant managers meeting at Hanwa Steel Service Ltd.

The second day featured the 1st small group activity presentation. About 60 participants took part in the presentations, including members of six coil centers in and out of Japan.

The coil centers outside Japan had been working on small group activities to enhance workplace capabilities, with the aim of meeting the 2015 challenge of "human resources development." The presentations looked back on one year of such activities. After the presentations there were lively, multilingual question and answer sessions, followed by judging and a commendation ceremony.



Participants in the 14th Steel Services Business All Plant Managers Meeting



The first small group activity presentation event



All participating teams were commended. Here, Executive Vice President Serizawa (left) is shown with a presenter from Hanwa Steel Service (Dongguan) Co., Ltd.

● Presentation themes and commendations given at the first small group activity presentation event

Company	Presentation theme	Commendation
Chang Fu Stainless Steel Center (Suzhou) Co., Ltd.	Raising efficiency and improving safety of CS when workers return coil to warehouse	CC President's Award
Hanwa Steel Service (Dongguan) Co., Ltd.	Reducing amount of trimmings measuring 15 mm or greater, and other topics	Special Award
Hanwa Steel Service (Jiangxi) Co., Ltd.	Narrow-width coil: Improving bundling work	Executive Vice President Serizawa Award
Hanwa Steel Service (Thailand) Co., Ltd.	Increasing production efficiency: Speeding up Slitter No. 3 line	Special Award
PT. Hanwa Steel Service Indonesia	Continual training methods using "work procedures and near-accidents"	Managing Executive Officer Hatanaka Award
Hanwa Steel Service Ltd.	Eliminating pad scrap scattering	CC President's Award

*CC: Coil Center

Corporate Governance

Hanwa continues working to win the support of our stakeholders to be regarded as a “valuable company” by fulfilling our social responsibility as a good corporate citizen, one that complies with basic CSR policies such as “thorough legal compliance,” “transparent management, proactive disclosure,” and “maintaining financial soundness.”

■ Establishing Corporate Governance

Hanwa has adopted the form of a company with the Board of Corporate Auditors for the corporate management structure. The Board of Directors is helmed by the Company's President and includes two outside directors. It decides on important management policies concerning the Hanwa Group, and administers and supervises the activities of administrative organizations operating under the Management Committee, which is comprised of all executive officers with the President as chair. The Board of Corporate Auditors includes three outside corporate auditors and oversees and audits the performance of the Board of Directors and all of the Company's administrative organizations.

The Officers Evaluation Committee, which includes two outside directors, assesses all the directors based on mutual evaluations solicited from the directors and executive officers. In its Selection Committee and Compensation Committee, it makes appropriate decisions on director personnel matters and director compensation. Hanwa has been providing more effective corporate governance through our system for carrying out preliminary evaluations on management decisions provided by several committees including the Investment Examination Committee and a Compliance Committee.

Internal Control Management Assessment / FY2016 Annual Schedule

Prepare & finalize assessment plan	Develop the assessment plan by March 2016; Management Committee finalized plan in the same month	
1. Educational activities for employees	Schedule	As deemed necessary
	Content	I. Laws related to internal control II. What is internal control? III. Responding to the internal control reporting system IV. Introduction to HKQC
	Participants	(1) New managers (2) Departments concerned (3) New employees
2. Content of evaluation	Test items	Test schedule for Hanwa and Group companies
(1) Control of entire company	Implementation	Aug.-Nov. 2016
	Operation	End of Mar. 2017
(2) Account settlement & financial statement production process control	Implementation	Oct.-Dec. 2016
	Operation	End of May 2017
(3) IT control	Implementation	Oct. 2016-Jan. 2017
	Operation	End of Mar. 2017
(4) Operation process control	Implementation	[Sales department] Jul.-Sept. 2016
	Operation	[Sales department] 1st evaluation: Oct.-Nov. 2016 2nd evaluation: Feb.-May 2017
	Operation review	End of Mar. 2017
(5) Evaluation results	Summary	Apr.-May 2017
3. Implementation of external audit	Schedule	Jul. 2016-Jun. 2017
	Point of focus	Whether or not the evaluation results are appropriate
	Target	(1) Hanwa (2) All domestic and overseas consolidated subsidiaries

■ Responses to the Corporate Governance Code

The Japanese government enacted the Corporate Governance Code and enforced the Code in June 2015. The Code provides primary guiding principles conducive to establishing effective corporate governance. In addition to releasing reports on corporate governance, we have also of our own volition posted to our website a list of the Company's principles for responding to each of the 73 items in the Code. Our goal in so doing is to present to our stakeholders a picture of Hanwa's current approach and the thinking that underpins the Company and to seek our stakeholders' understanding. We will continue working to improve corporate value on a long-term and ongoing basis through proactive conversations about governance between our stakeholders and ourselves.

■ Internal Control

In May 2006, the Board of Directors drew up the Basic Policy for Developing and Managing the Internal Control System pursuant to the Companies Act, and since April 2008 Hanwa has been acting in compliance with its Internal Control Reporting Systems Pertaining to Financial Reports, pursuant to the Financial Instruments and Exchange Act. In order to provide a trustworthy financial statement as a listed company, we have been maintaining our internal control system and educating our employees to offer appropriate information disclosure. Through such efforts, the awareness of employees at Hanwa and our Group companies has improved, allowing us to establish a transparent management system.

● Assessment of the Internal Control Reporting Systems Pertaining to Financial Reports

The Internal Audit Department, directly under the Management Committee, assesses and validates the effectiveness of the design and operation status of internal control over financial reporting. The Department also reports the content of its assessment and validation to the Management Committee as necessary to encourage improvements. Furthermore, the Internal Audit Department shares Hanwa information and works to streamline operations as an independent organization.

■ Internal Audit

The Internal Audit Department conducts the internal audit of branches and Group companies situated both within Japan and overseas to verify the effectiveness of risk management. The results are reported directly to the Management Committee and the president.

■ HKQC

Hanwa Knowledge Quality Control (HKQC) is an initiative unique to Hanwa, aiming to apply the quality control activities that the manufacturing industry employs to our own trading company operations. Toward that end, in December 2015 we established a dedicated HKQC promotion division in the Internal Audit Department. The HKQC is intended to add further depth to our Group's internal governance systems for legal compliance and extend them as far as the frontlines of sales activities throughout the Hanwa Group. It is also meant to improve operational efficiency by making risks apparent in order to reduce errors through raised awareness among our employees and to select best practices. Specifically, every department uncovers whatever potential risks might exist such as jobs where it is easy to make errors. The spot where the risk was discovered is set down on an operations flow chart, and the department creates a system for doing double and triple checks. This initiative serves to increase the trust shown in Hanwa by both manufacturers and customers.

■ Compliance

Corporate Ethical Standards of the Hanwa Group

1. Compliance with Laws and Social Norms

2. Fair Business Activities

3. Contribution to Industrial Society

4. Diligent Information Disclosure

5. Consideration of Environment

6. Global Harmony

7. Ensuring a Free and Generous Workplace Environment

8. Promoting activities contributing to society as a “Good Corporate Citizen”

9. Making People Familiar with the Ethical Standards

10. Appropriate Corporate Managements

Hanwa has a Compliance Committee that promotes compliance to the Corporate Ethics Philosophy and Corporate Ethical Standards of the Hanwa Group. The committee has drawn up the Compliance manual for Employee Behavior, and has distributed the booklet to all officers and employees as part of CSR efforts. Fully understanding the significance of compliance, we

strive to practice CSR as a corporation by being both socially responsible and law-abiding. We promote an “openness” and “visualization” that will prevent misconduct from occurring.

Compliance manual distributed to all officers and employees



■ Personal Information Protection Policy

Hanwa considers appropriate management of personal information to be one of the social responsibilities of a corporation and has drawn up the Personal Information Protection Regulations and Personal Information Management Manual for all officers and employees to comply with.

■ Corporate Risk Management

Hanwa takes steps to ensure that the Company is prepared in the event of a major crisis that could threaten the safety of our executives and employees at the Company or a Group company whether in Japan or overseas as well as that of their family members, along with the Company's assets and its ability to continue business operations. Accordingly, we have established measures necessary to minimize potential damage that could result in the event of a crisis, while enabling us to continue and restart core business operations, in a manner ensuring that the safety of our executives, employees, and their respective families remains a priority.

Specifically, drawing on our experiences from the Great East Japan Earthquake of March 2011, we conducted a review of the “Hanwa Disaster Prevention Manual” in May 2011. The Crisis Management Manual contains Hanwa's basic policy on crisis management, stipulates preparedness measures envisioning various crisis situations that could arise in Japan or overseas, and also calls for the establishment of a crisis response headquarters in the event of an emergency. We also conduct annual disaster-preparedness drills which involve emergency-response training.

Furthermore, the Business Continuity Plan (BCP) Manual for Large-Scale Disasters setting forth plans for maintaining operations in the event of a large disaster has been formulated for all departments, and we conduct reviews of such plans on an annual basis. We also continue working toward other emergency preparedness aims through efforts that include installing high capacity storage batteries, implementing operations satellite phones, taking measures to prevent office equipment from tipping over, and storing disaster relief supplies.



Scene from a disaster-preparedness drill

Efforts Toward Creating Better Working Environments

"A trading company is its people—human resources are the treasures of a trading company." "A company's prosperity and the employees' happiness are inseparable like the two halves of the whole." These are words from Jiro Kita, Hanwa's founder. We see our customer as the top priority. In order for the company to prosper with our customers, we seek to cultivate persons who can make suggestions and improvements by forming partnerships with our customers and who can surpass divisional boundaries to collaborate.

■ Developing staff's potential with professional and global perspectives

With an increasing number of our overseas offices, we conduct various training courses for our employees, including the trainee system, as well as language and trade business studies, AMG (Account Management Game) training, and legal training with "professional and global" perspectives.

The "overseas trainee system" aimed at training professionals in overseas business involves the selection of employees through internal recommendation who will go through six months of overseas training. In FY2016, members of the eighth Annual Overseas Trainee Program went to training in Manila, the Philippines. We also provided workshops for around 380 employees to help them improve their English language skills in FY2016. There are currently 124 employees working at 42 locations overseas, and in Amsterdam we have a female employee from Japan who was sent over to work with national staff.



Trade business studies



AMG training

Completing the Overseas Trainee Program

Structural Steel Sheets Dept.
Masamichi Harada

I obtained a half-year assignment as an overseas trainee with Pt. Hanwa Indonesia. The work I did there focused mainly on doing aftersales services with the steel sections for ASEAN countries and Indonesia in particular, and on developing new businesses with new products and materials.

While in Indonesia, I learned firsthand what it means to be exposed to differences in language, customs, and culture. I also discovered numerous potential business opportunities there. In both cases, I saw that the barriers to overcome if you want to deal with them successfully can be high.

I am committed to continue working hard at applying what I learned in Indonesia toward creating Another Hanwa in Southeast Asia—one that can bring the schemes for steel-plate building materials used in Japan overseas while simultaneously adapting the experiences gained through overseas operations to domestic locations.



■ Promoting diversity through various working styles

The Diversity Promotion Office is also one of the key focuses at Hanwa. Various initiatives are implemented in the Company led by the Diversity Promotion Office. Hanwa considers "the realization of an environment where each employee accepts the different backgrounds and values of others, and various work styles are accepted" as a management policy which each employee must participate in. In particular, the mentor system, where elder employees act as mentors for female career employees as well as new foreign employees has been set up. The system focuses in bolstering workplace diversity at Hanwa. Mentors provide guidance and assistance to female career employees as well as to new foreign employees in order to encourage an environment in which they feel comfortable working in.



Meeting for the mentor system

Training for national staff members

The Tokyo Head Office from February 28-March 2, 2017, hosted the 3rd National Staff Training session. A total of 19 national staff members from 10 sites in seven countries participated. Participants received credit and collections training from the Legal and Credit Department based mainly on financial analysis case studies, and heard a lecture from the Internal Audit Department on internal governance and HKQC. On

Day 2, outside instructors delivered detailed explanations of Japanese culture and business practices under a theme of training the leaders of tomorrow. For those participants who were interested, an inspection tour had also been set up for Day 3 that visited Nippon Steel & Sumitomo Metal Corporation's Kimitsu Works. More than half of the participants took part in this inspection tour.



National staff who took part in the training



At the training



Everyone on a mission as a team

● Support for child rearing and nursing while working

Hanwa makes an effort to provide a sound system for employees who are raising children or providing nursing care. We placed employees who are currently working part-time on a child-care track in the Personnel Department to form a business support team whose members work to support other departments by fulfilling requests for assistance with work duties. There are currently several employees from the entire company in this team making effective use of the short time they are at work assisting others until they are ready and able to return to their regular duties full time.

● Employment of persons with disabilities

We put a great effort into providing a workplace where disabled persons can fully utilize their talents and is involved in employment activities in order to observe the employment rate for persons with disabilities.

■ An environment that trains "resilient staff," both in terms of skill and spirit

Hanwa appoints elder employees as an instructor and has them coach newcomers through OJT for six months. These elder employees not only teach the skills involved in work, but also support the newcomers mentally in an effort to nurture "resilient staff." We also offer seminars on mental health for managers to help them create a better working environment. We operate the Office SOS Consultation Office where employees can seek help on sexual harassment and power harassment problems they may face.

Activities Contributing to Society as a "Good Corporate Citizen"

Hanwa and our Group companies are conducting various activities that contribute to the local and global society as "good corporate citizens" of "a corporation that responds to the expectations of society."

Participation in activities that support areas affected by disaster, contribute to the global society, and preserve the natural environment

Hanwa and our Group companies participate in activities that assist with recovery efforts in areas affected by the Kumamoto Earthquake, disaster relief in areas affected by other disasters both within Japan and overseas, and support for global society overall through donations provided through the Japan Business Federation; the Kansai Economic Federation; the Tokyo and Osaka Chambers of Commerce and Industry; the Japan Foreign Trade Council, Inc.; the Japanese Red Cross Society; and other organizations. We are also a member of Action for a Better International Community (ABIC). We contribute to the development of a more global society by helping to provide financial assistance to developing nations, support for foreign companies wishing to do business in Japan, support for international students studying in Japan, and other forms of aid. We also provide support for arts, sports, and cultural activities within Japan in the form of donations to select causes.



Supporting cultural activities and organizations such as the New Japan Philharmonic



Meieki Takigi Noh performed at the Towers Garden special event space in JR Nagoya Station



Hanwa supports the stance of the Japan Trekking Association, which promotes a commitment to learning how to maintain one's physical and mental wellbeing through trekking while having fun



Hanwa has cooperated with a program to give junior high school students a workplace experience. Students from Tsuchiura Daini Junior High School, a public school in Tsuchiura City, Ibaraki Prefecture, visited our Tokyo Head Office. The theme of the program was "What does it mean to work?" Employees from different departments described their jobs

Support for areas affected by the Kumamoto Earthquake

- Participation in the IPPO IPPO NIPPON Project Kumamoto



Hanwa supports reconstruction of the Kumamoto area through IPPO IPPO NIPPON Project

Support for arts, sports, education, and cultural activities

- Japan Public-Private Partnership Student Study Abroad Program
- Japanese Foundation For Cancer Research Project (upgrading cancer treatment facilities and improving cancer diagnostic services)
- Meieki Takigi Noh -outdoor firelight Noh (Executive Committee of Meieki Takigi Noh)
- Japan Symphony Foundation
- New Japan Philharmonic
- Japan Philharmonic Orchestra
- Sports Promotion Fund
- Japan Trekking Association
- Kizuna Koshien Baseball Tournament
- All Japan Judo Federation
- Tokugawa Reimeikai Foundation
- Nagoya Philharmonic Orchestra
- OSAKA 2020 Dream Program
- Lecture at seminar hosted by the Japan Foreign Trade Council, Inc. (Hanwa Chairman Shuji Kita)
- Lectures at Osaka City University and Ritsumeikan University (Hanwa President Hironari Furukawa)
- Hosting workplace experiences for junior high school students



Hanwa offers lectures for working people and students



Contributions to local communities

- Sponsorship and participation in the Tsukiji Shishi Matsuri Festival (Tsukiji Lion Festival)
- Participation in the festival of the Tomioka Hachiman Shrine
- Participation in the "Clean Osaka" cleanup campaign
- Participation in Tomioka area cleanup activities (Cleanup activities in Monzenakacho, where the Hanwa Group company dormitory is located)
- Cooperation with Japanese Red Cross Society blood drive activities
- Participation in Japan Traffic Safety campaigns (Tsukiji Police Station)
- Participation in the Stop Drunk Driving Campaign (Tsukiji Police Station)
- Cooperation in the fire and destruction training drills of the Osaka Chuo Fire Station (former Osaka Head Office)



Donation of the Asahi Photo News billboard to elementary schools (Hanwa Eco Steel Corporation)



Hanwa co-sponsored the Tsukiji Lion Festival and employees took part in the festival in the Tsukiji neighborhood of Chuo-ku, where our Tokyo Head Office is located.



HALOS Corporation hosted a "Community Get-together Bowling Event" inviting people with disabilities to become more familiar with sports and recreational activities



Bazaar hosted by Action for a Better International Community (ABIC)

Social participation of Group companies

The Hanwa Group companies actively participate in various social contribution activities, including the participation in cleanup operations by Hanwa Logistic Centers, Hanwa Steel Service Ltd., and Tohan Steel Co., Ltd., as well as the donation of the Asahi Photo News billboard to elementary schools by Hanwa Eco Steel Corporation, and the hosting of the Community Get-together Bowling Event by HALOS Corporation.



46 employees from the Osaka Head Office participated in the "Clean Osaka" cleanup campaign

Environmental Management

The basic policy of the Hanwa Environmental Policy is that Hanwa strives “to realize sustainable development so that future generations will be able to inherit a rich global environment.” To that end, each employee works conscientiously, in the belief that by setting and achieving targets that improve our business results, we ultimately reduce our environmental footprint.

The Environmental Policy of Hanwa Co., Ltd.

Basic policy

Living by our motto of “Footwork, Teamwork and Network” and our ongoing efforts to improve operations under the principles of Hanwa Knowledge Quality Control (HKQC), Hanwa Co., Ltd. and Hanwa Group companies—in our position as a trading company that has made a name for ourselves through our business activities—will endeavor our utmost to attain sustainable development so that future generations will inherit a fertile global environment.

Guidelines for Corporate Action

1. Continuous improvement of the environmental management system.

Hanwa Co., Ltd. will implement and review its environmental objectives and goals based on this environmental policy, and operate and continually improve the environmental management system.

2. Compliance with relevant environmental laws and regulations.

Hanwa Co., Ltd. will comply with relevant environmental international treaties, laws and regulations of Japan and related countries, and other agreements and requirements, etc. of the trade industry which Hanwa Co., Ltd. agrees to obey.

3. Contribution to a sustainable recycling system for an economic society.

By actively engaging in the recycling business etc., Hanwa Co., Ltd., will contribute to the realization of a sustainable recycling system for an economic society.

4. The effective use of natural resources and energy.

Hanwa Co., Ltd. will give careful consideration to the preservation of the global environment, and make use of resources and energy effectively.

5. Consideration of the natural environment.

In addition to always considering the reduction of adverse environment impacts and making every effort to prevent pollution, Hanwa Co., Ltd. recognizes the critical importance of the conservation and sustainable use of biodiversity and will always take the natural environment into consideration.

6. Promotion of environmental awareness.

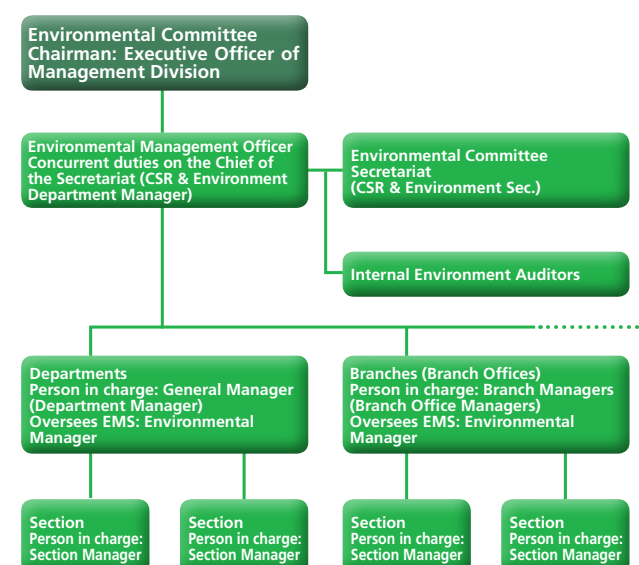
Hanwa Co., Ltd. will inform all employees of this policy and actively encourage them to recognize the importance of environmental preservation. This environmental policy will also be made available to the public.

(Revised May 31, 2016)

■ Environmental Management System (EMS)

Hanwa has put an Environmental Committee in place, along with an environmental management program chaired by our executive officer of the management division. Accordingly, we run our Environmental Management System (EMS) under this framework. An environmental management officer is appointed by the Environmental Committee and bears the responsibility for the maintenance and control of the internal EMS. The CSR & Environment Section is established to provide organizational support for the Environmental Committee’s Secretariat and the environmental management officer. Internal environment auditors are selected from among persons who have completed the internal auditor training course conducted by the inspection and registration companies, and carry out audits twice a year. Each department, branch and business location appoints environmental managers who promote EMS-related practical work and internal education.

Environmental Management System (EMS)



For the prosperity of society and sustainable growth of Hanwa Group

ISO Environmental Management Officer **Masaaki Taido**

Since its founding, Hanwa Group has worked hard under the goal of being of benefit to society through persistent business activities as a trading firm, always giving first priority to acting in a manner that gains the trust of our customer. We believe that we have been successful in our efforts by contributing to the increased prosperity of our stakeholders. Additionally, we acquired ISO 14001 certification in April 2000 as part of our CSR activities. Then, we created the CSR & Environment Section, and through the sustained educational activities conducted by that department, we are engaged in continual, ongoing efforts that contribute to reducing the load on the environment and protecting the natural world. We hope that our business endeavors will continue to contribute to the prosperity of society as well as to the sustainable growth of Hanwa Group.



■ Internal Environmental Audit

An internal environmental audit was conducted for 29 departments July 7-15, 2016 and for 23 departments November 10-18, 2016. The audit focused on reviewing whether measures to fulfill goals and objectives were clearly defined, whether appropriate reviews were being conducted, whether procedures and evaluations of risks including related legislation were appropriate, and whether measures were taken to improve on the recommendations made by the previous internal and external audits.



Internal environmental audits

■ Promotional Activities

Upon implementing the EMS, Hanwa conducts environmental education seminars every year for new managers, employees and new environmental managers.

In 2016, the sessions were conducted on March 22 for new managers, April 7 for new employees, and June 18 and 21 for new environmental managers. At each session, an outline of the ISO 14001 standard was given, and the environmental management manual was explained with a focus on legal compliance, crisis management, effective use of resources, and business improvement.

Additionally, we held briefings for environmental managers on the new ISO 14001:2015 standard as we transitioned to it in 2016.



The environment education seminar for new employees

■ External Audit

LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 16 departments including an extended examination August 25-26 and 29-31, 2016. In addition, an audit was conducted February 20-21, 2017 on seven departments. The audits focused on whether the EMS was effectively implemented at the respective sections.

■ Management Review

A management review on activities in FY2016 was conducted during the Environmental Committee meeting on March 9, 2017.

● The number of organizations that have acquired ISO 14001 certification

Domestic offices	19
Domestic Group companies.....	3
Overseas Group companies.....	17

* An Environmental Management System (EMS) is developed in each overseas office or Group company and the necessary certifications are acquired.

ISO 14001 certification
(19 domestic offices, 3 domestic Group companies)



2016 Environmental Activities Summary

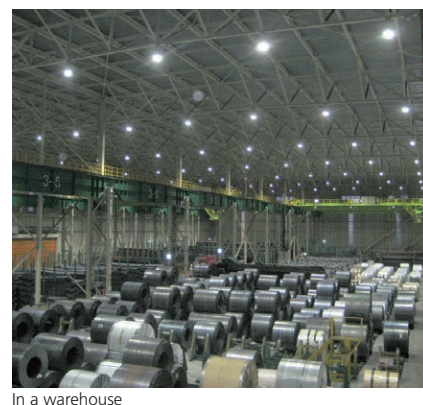
2016 Environmental Activities

Guidelines for Corporate Action	Goals & Objectives	Major Activities in FY2016
Continuous improvements in the EMS	Continuous improvements in the EMS Transition to and use of new standard	Implementation of both internal and external audits Briefings on new standard for environmental managers
Compliance with relevant environmental laws and regulations	Compliance with relevant environmental international treaties, laws and regulations of Japan and countries concerned Strict observance of industry agreements, guidelines, etc.	Compliance with the Basel Convention (and its Domestic Laws) Compliance with Act on the Rational Use of Energy Compliance with Waste Management and Public Cleansing Law Participation in the Keidanren, Japan Foreign Trade Council, Inc.'s Voluntary Action Plan on the Environment
Contribution to a sustainable recycling system for an economic society	Promotion of recycling business	Promotion of steel scrap recycling Sales of used steel Promotion of the recycling of non-ferrous metal materials Promotion of the recycling of used paper Drafting of proposals for and sales of steel slag
The effective use of natural resources and energy	Involvement in activities related to renewable energy	Promotion of the development of biomass fuels Supply of parts and materials for solar power generation and wind power generation
Consideration of the natural environment	Reductions in CO ₂ emissions produced by domestic plant and office locations	Measures to conserve energy
	Maritime pollution prevention measures	Maritime pollution prevention at the oil tank facility in Funabashi
	Promotion of sales of anti-pollutant products	Expansion of sales of high-corrosion-resistant coated steel sheets Promotion of sales of steel pallets Promotion of environment-related products including completely waterproof, thermal insulation roofs called "Sure Roof" and pavement greening blocks called "Grassom"
	Careful consideration toward biodiversity	Acquired SGEC-CoC certification, expanded handling of related products
Promotion of environmental awareness	Promotion of the environmental education campaign toward employees	Environmental training for newly appointed managers, new employees, and newly appointed environmental managers Distribution of environment-related information to employees via e-mail newsletters

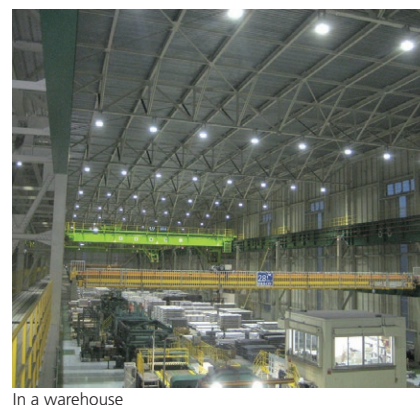
Completed work to install all LED lights

Hanwa Logistics Osaka Co., Ltd. completed work replacing all its lighting with LEDs, a project begun in November 2016. Switching to LEDs is expected to cut lighting energy consumption by 50.8%. Since FY2016,

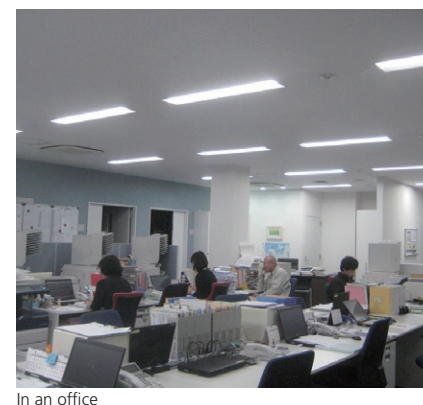
Hanwa Logistics Osaka has purchased its electric power from Nippon Steel & Sumikin Engineering Co., Ltd. The result has been a cost savings of about 5% for electric power.



In a warehouse



In a warehouse



In an office

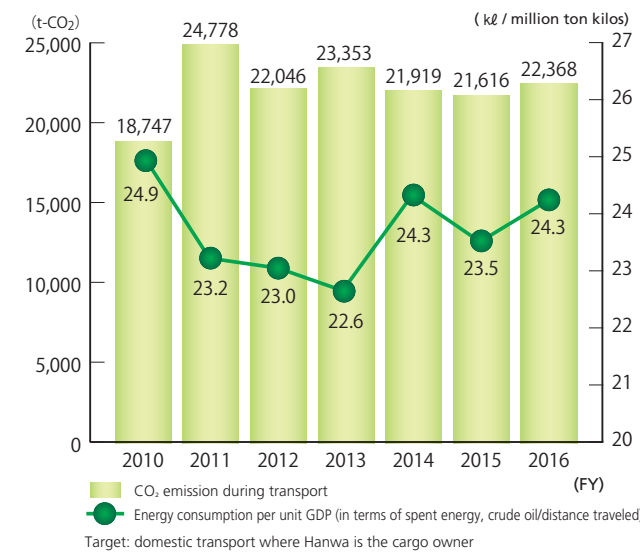
Global Warming Prevention Measures (CO₂ reduction)

Endeavors as Consignor

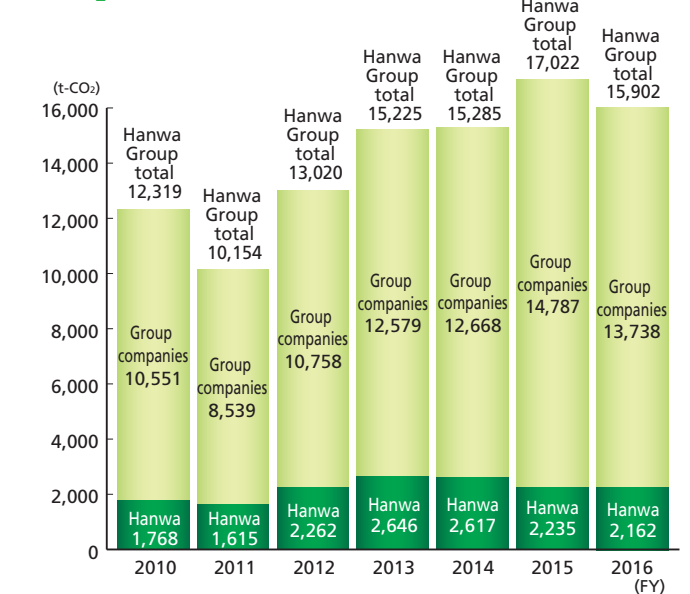
As a company involved in the distribution of goods, Hanwa has been working to reduce the energy volume of transportation since FY2006. Through the cooperation of our Group companies, Hanwa

Logistics Tokyo Co., Ltd., Hanwa Logistics Osaka Co., Ltd., and Hanwa Logistics Nagoya Co., Ltd., we work to streamline shipping operations and seek the cooperation of partner forwarding companies.

Change in CO₂ emission upon transport and energy consumption per unit GDP (gross domestic product)



CO₂ emission at domestic offices



Endeavors in the office

June, which includes World Environment Day (June 5), is called "Environment Month" at Hanwa, and environmental promotion activities and attempts to

reduce energy spending and CO₂ emission are conducted throughout the month.

Initiatives taken at the office

- Energy conservation measures (use fewer lights, turn lights off when not in use, etc.)
- Making Wednesday a Family Day and have employees leave the office early
- Wearing "cool-biz" attire (May through October)
- Promoting installation of sensor lights, installing high efficiency lights and LED lights
- Using card verifiers and consolidating the use of OA machinery
- Promoting "paperless" office systems
- Reducing the number of business trips through the use of teleconferencing systems
- Promoting the use of hybrid cars for sales personnel
- Enrolling in the "Morino Chonai-Kai," and using paper created from thinned wood for internal publications, etc.
- Promotional activities through internal web magazine



Promoting the adoption of hybrid vehicles

Installation of expansion solar panels

Hanwa has equipped the extensive rooftop at Hanwa Logistics Osaka Co., Ltd. with solar panels.

The North Building's approx. 3,700 panels and the South Building's approx. 3,800 panels deliver a combined 1.4 MW of power-generation capacity at a maximum. By generating electricity using renewable energy in the form of solar power, we work to reduce CO₂ emissions.

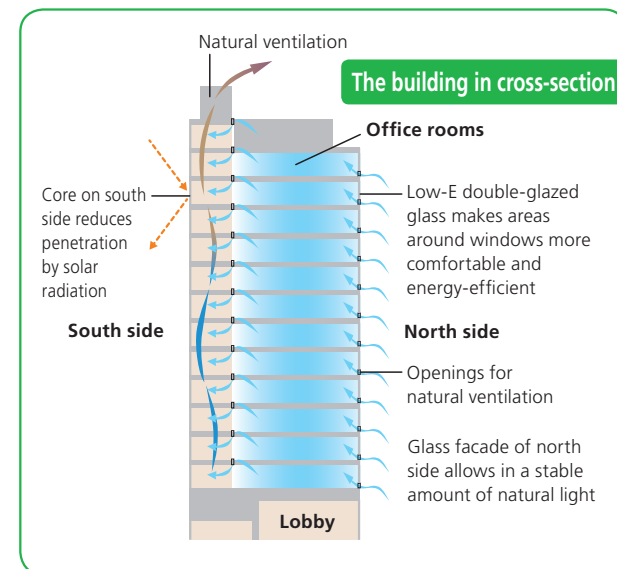


Solar panels on the South Building (front section of photo)

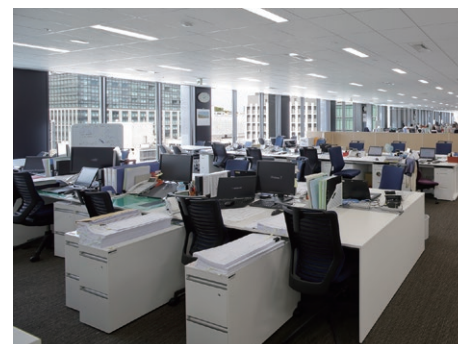
■ HK Yodoyabashi Garden Avenue Building honored as eco-friendly building

HK Yodoyabashi Garden Avenue Building, a joint project of Sekisui House, Ltd., and Hanwa, won the FY2016 Osaka Environmentally Friendly Architecture Award. The award is given to promote environmentally friendly architecture in Osaka City and Osaka Prefecture and to raise awareness about it among local citizens.

The building reduces air conditioning use by blocking solar radiation on the south side. The large panes of glass used on the north side that run floor to ceiling guarantee a stable amount of natural light. At the same time, we improved air conditioning efficiency by employing double-glazed glass with superior thermal insulation characteristics. The building has ventilation equipment on the roof that operates based on temperature differences. The equipment detects how wide open the air vents on each floor are and opens and closes them automatically. It can also opt for natural ventilation by using the difference in temperatures between the top and bottom of the stairs. The combination of features is said to make it possible to cut down on the amount of energy consumed by 20% compared to the average office building. For illumination, we adopted LED lighting for its superior energy conservation benefit.



- Total floor space 16,971 m² (steel construction with some steel-reinforced concrete, 14 floors above ground, 1 basement level)
- CASBEE rating: Class A / BEE value: 1.5
- Key assessments: CO₂ reduction 4.0, energy conservation 4.0, green / heat island measures 2.0



The outer-frame construction allows for a flexible work area, since the office space does not have a single pillar.



Supporting the creation of healthy forests by purchasing printer paper from the Morino Chonai-kai (Forest Neighborhood Association)

To help support the thinning of forests and effective use of timber from forest thinning operations, Hanwa purchases printer paper from the Morino Chonai-kai (Forest Neighborhood Association), an association that contributes to the creation of healthy forests by promoting the thinning of forests and use of materials from forest thinning, for use in printing its CSR & Environmental Report brochures, in-house magazine Nenrin (published four times a year), and other printed materials. Through continuance of these activities that commenced in 2008, we contribute to the creation of healthy forests as a support company.



Certification of participation in the Support Project

Implementation of a company vehicle management system

We implemented a vehicle telematics service for our company vehicle management system, helping to communicate the importance of safe driving to the public and propel the use of eco-drive systems. This system, which is equipped with a GPS device, can be used to track travel data for a vehicle including driving distances, current position, fuel consumption data, acceleration and deceleration data, and other information as well as set up to send out e-mails notifying system administrators if the driver is exhibiting dangerous driving by exceeding the set speed limit or engaging in sudden stops or starts, for example, in real time.

Company Profile (As of April 1, 2017)

Corporate Name: Hanwa Co., Ltd.

Chairman: Shuji Kita

President: Hironari Furukawa

Date Established: April 1, 1947

Paid-in Capital: ¥45,651 million

Number of Employees (Consolidated): 3,155 (as of March 31, 2017)

Line of Business: Domestic sales and import-export business in steel products, steelmaking raw materials, construction materials, non-ferrous metals, metals and alloys, special metals, machinery, petroleum, chemical products, food products, lumber, and cement

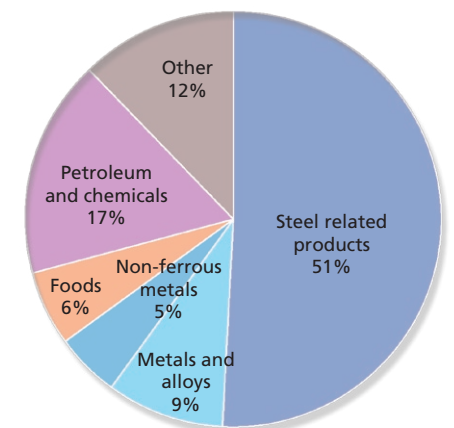
Domestic Offices: Osaka Head Office, Tokyo Head Office, Nagoya Branch Office, Hokkaido Branch Office, Tohoku Branch Office, Kitakanto Branch Office, Niigata Branch Office, Chugoku Branch Office, Kyushu Branch Office, Hachinohe Branch Office, Mito Branch Office, Atsugi Branch Office, Shizuoka Branch Office, Okayama Branch Office, Fukuyama Branch Office, Okinawa Branch Office, Iwaki Branch Office, Hokuriku Branch Office, Wakayama Branch Office

Overseas Offices: [North & South America] New York, Chicago, Houston, Seattle, Los Angeles, San Diego, Vancouver, Guam, Mexico City, Celaya City (Mexico), Bogota, Santiago [Asia] Seoul, Busan, Beijing, Tianjin, Qingdao, Dalian, Shanghai, Taicang, Chongqing, Wuhan, Jiangxi, Fuzhou, Guangzhou, Dongguan, Zhongshan, Hong Kong, Taipei, Kaohsiung, Bangkok, Chonburi, Yangon, Hanoi, Ho Chi Minh City, Kuala Lumpur, Singapore, Jakarta, Manila, Mumbai, New Delhi, Chennai [Europe, Middle East & Africa] London, Wien, Amsterdam, Kuwait, Dammam, Jeddah, Dubai, Johannesburg, Istanbul

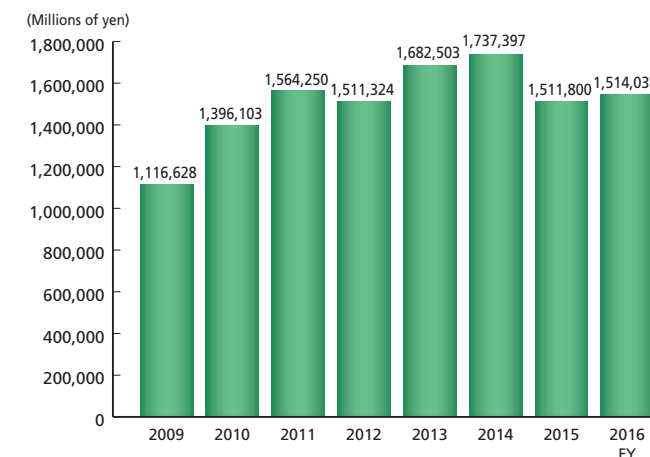
Major Domestic Group Companies Hanwa Logistics Tokyo Co., Ltd., Hanwa Logistics Osaka Co., Ltd., Hanwa Logistics Nagoya Co., Ltd., S.K. Engineering Co., Ltd., HALOS Corporation, Hanwa Steel Service Ltd., Hanwa Eco Steel Corporation, Subaru Steel Co., Ltd., San Ei Metal Co., Ltd., Showa Metal Co., Ltd., Toyo Energy Co., Ltd., Tohan Steel Co., Ltd., SEIKI Co., Ltd., Maruhon Honma Suisan Co., Ltd., Hanwa Foods Co., Ltd., and other domestic Hanwa Group companies

Major Overseas Group Companies Hanwa American Corp., Hanwa (Hong Kong) Co., Ltd., Hanwa Trading (Shanghai) Co., Ltd., Chang Fu Stainless Steel Center (Suzhou) Co., Ltd., Hanwa Thailand Co., Ltd., Hanwa Steel Service (Thailand) Co., Ltd., Hanwa Singapore (Private) Ltd., Hanwa Canada Corporation, Hanwa Steel Service (Dongguan) Co., Ltd. (HSSD), Pt. Hanwa Steel Service Indonesia, and other overseas Hanwa Group companies

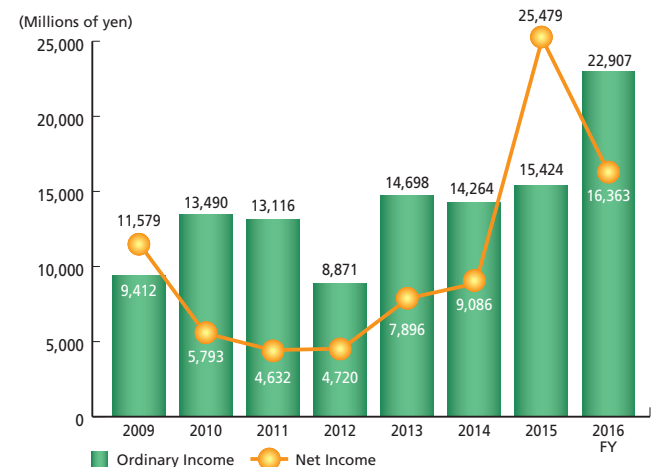
Composition of Net Sales by Segment
(April 1, 2016 to March 31, 2017)



Net Sales (Consolidated)



Ordinary Income/Net Income (Consolidated)



Editorial Policy

This report has been created for Hanwa's stakeholders to provide a clear and comprehensive overview of our views and activities towards social responsibility based on our corporate principles, as well as our goals and progress on reducing the environmental burden and information on our business and products related to the environment. We appreciate any feedback you may have.

Scope of Report: Hanwa Co., Ltd. and Group companies

Period Covered: April 1, 2016–March 31, 2017 (Some sections refer to more recent topics, background information and actual performance from the past, as well as future outlooks)

Referenced Guidelines: Environmental Reporting Guidelines 2007, published by the Ministry of the Environment

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HANWA CO., LTD.

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