



# 2018 CSR & Environmental Report



阪和興業株式会社  
HANWA CO., LTD.



# Aiming for sustainable growth with the “Three S” commitment

## Leveraging long-term ESG initiatives to raise corporate value

The history of Hanwa spans more than 70 years. During this long history, we have seen the economic environment in Japan and abroad go through big changes. Even as we have responded to these changes, we have remained a user-centric trading company. Our corporate philosophy calls on us to be a “distribution specialist” that serves our users and works hand-in-hand with them. Our aim has always been to meet our users’ varying needs and make a contribution to society at large.

In recent years, the market demands that enterprises do business in a way suited to users’ various regional characteristics and needs. It requires going beyond the conventional globalism that applies a single standard dictated by the more developed nations. This means that the old model of growth, which puts the more developed nations in the forefront, is not as valid as it once was worldwide. We also see the rapid advancement of innovation caused by technologies like artificial intelligence (AI) and robotic process automation (RPA). Technological advances bring with them big changes in the speed of business productivity and development. They could also potentially cause fundamental changes in the structure of society.

In this manner, Hanwa’s business environment is facing big changes. In a time of such intense change, both the Hanwa Group and its users are having management issues that are diverse and complex. More and more, we find that we have to deal with change in our management of the Hanwa Group.

In light of these facts, we launched the 8th Medium-Term Business Plan (the Plan) to start with the 2016 fiscal year. It takes as its message “The ‘Three S’ Commitment - Steady, Speedy, Strategic: Build a Medium to Long-Term Sustainable Profit Structure and a Stronger Foundation.” The plan aims for sustainable growth by concentrating on (1) the steady growth of Hanwa by earning profits in current business domains, (2) achieving speedy earnings growth at Group companies around the world, and (3) continuing to conduct strategic investments geared toward

establishing future sources of earnings. By the time the Plan matures at the end of the 2019 fiscal year, we aim to achieve consolidated net sales of 2.1 trillion yen and ordinary income of 35 billion yen.

The key to any effort for sustainable growth is a range of business initiatives that give deep consideration to environment (E), social (S), and governance (G) matter. We furthermore believe that long-term ESG efforts that raise corporate value are critical to meeting the expectations of our diverse stakeholders.

On the environmental side, the Hanwa Group, which does a global business in steel, non-ferrous metals, and other materials, handles steel and non-ferrous metal scrap around the world. In recent years, moreover, we have established projects to import electronic circuit board scrap from various countries to Japan and reuse precious metals. We have also been working to reuse recycled resources from used paper and plastic scrap as fuel (RPF), promoting 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), and pursuing projects to generate energy from woody biomass. Through these efforts, we are helping to prevent global warming. 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 actively promoting our environmental business while meeting the needs of both manufacturers and users.

On the social side, we are working to develop our human resources and create better workplaces, so that the Hanwa Group will continue to be an attractive place for employees to work. Our motto is that “a company’s prosperity and the employees’ happiness are inseparable like the two halves of the whole.” Our efforts are based on the belief that, in all the activities of a trading company, the growth of our personnel supports the development of the company. We are stepping up diversity initiatives to build an environment where every employee recognizes the different life circumstances and values of every other one and where people with varied work styles can work together. “Professional and Global” is our basic concept in respect to Hanwa Group personnel and organizations. We aim for a workforce where Hanwa

Group employees around the world recognize each other as distribution specialists and apply themselves diligently to meeting our targets. In addition, the Hanwa Scholarship Foundation, established over 60 years ago to commemorate the 10th anniversary of Hanwa’s founding, has supported promising students during this long period. So far, the foundation has provided for over 1,000 scholarship students, who have set out to contribute to society in their own diverse ways. In these ways, we are promoting employee training through social initiatives reaching beyond the Hanwa Group framework.

On the corporate governance side, strengthening and enhancing an assertive corporate governance system is vital to building our earnings power. One initiative we have taken is increasing the number of outside directors to three in 2018 fiscal year. We take advantage of the professional vantage point of our outside directors to ensure that the management supervision function is fully working. Also, under our officer evaluation system introduced in 2003, all officers’ management performance and the company’s track record are assessed based on mutual evaluations solicited from all executive directors and executive officers and by the Officers Evaluation Committee. Based on the officer evaluations, the Selection Committee nominates candidates to positions to ensure that work is conducted appropriately, while a Compensation Committee decides on matters of remuneration. Hanwa is also answerable to the Japanese government’s Corporate Governance Code. We select which of the principles of the code to implement in line with our management policies and actual conditions. Moreover, we provide explanations of Hanwa policies for addressing each of the 73 items in the Code, regardless of whether it is one we are implementing. Hanwa discloses appropriate information to our stakeholders, such as quantitative financial information (including progress on the Plan), legally required disclosures, and non-financial information about corporate governance, the environment, CSR, and the like. We are stepping up efforts to increase people’s understanding of the Hanwa Group. And we work continually to strengthen and enhance corporate governance to guarantee a sound business foundation.

## Continuation of HKQC to improve user-centric trading company functions

In addition to the above, we continue to promote Hanwa Knowledge Quality Control (HKQC). This initiative, unique to the Hanwa Group, aims to improve the quality of our operations by thoroughly



**Hironari Furukawa**  
President, Hanwa Co., Ltd.

evaluating the risks and controlling processes in all of our departments and Group companies. 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 precisely through standardized methods of operations control, we are establishing a structure such that losses are prevented 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 Hanwa Group, they become a shared resource for the whole Group. To use this shared resource effectively, we use advanced information communication technology (ICT), a prime example of which is RPA. We are also finding business opportunities by promoting HKQC effectively. We are strengthening our ability to detect latent risks and practicing thorough compliance, which further enhances our function as a user-centric trading company.

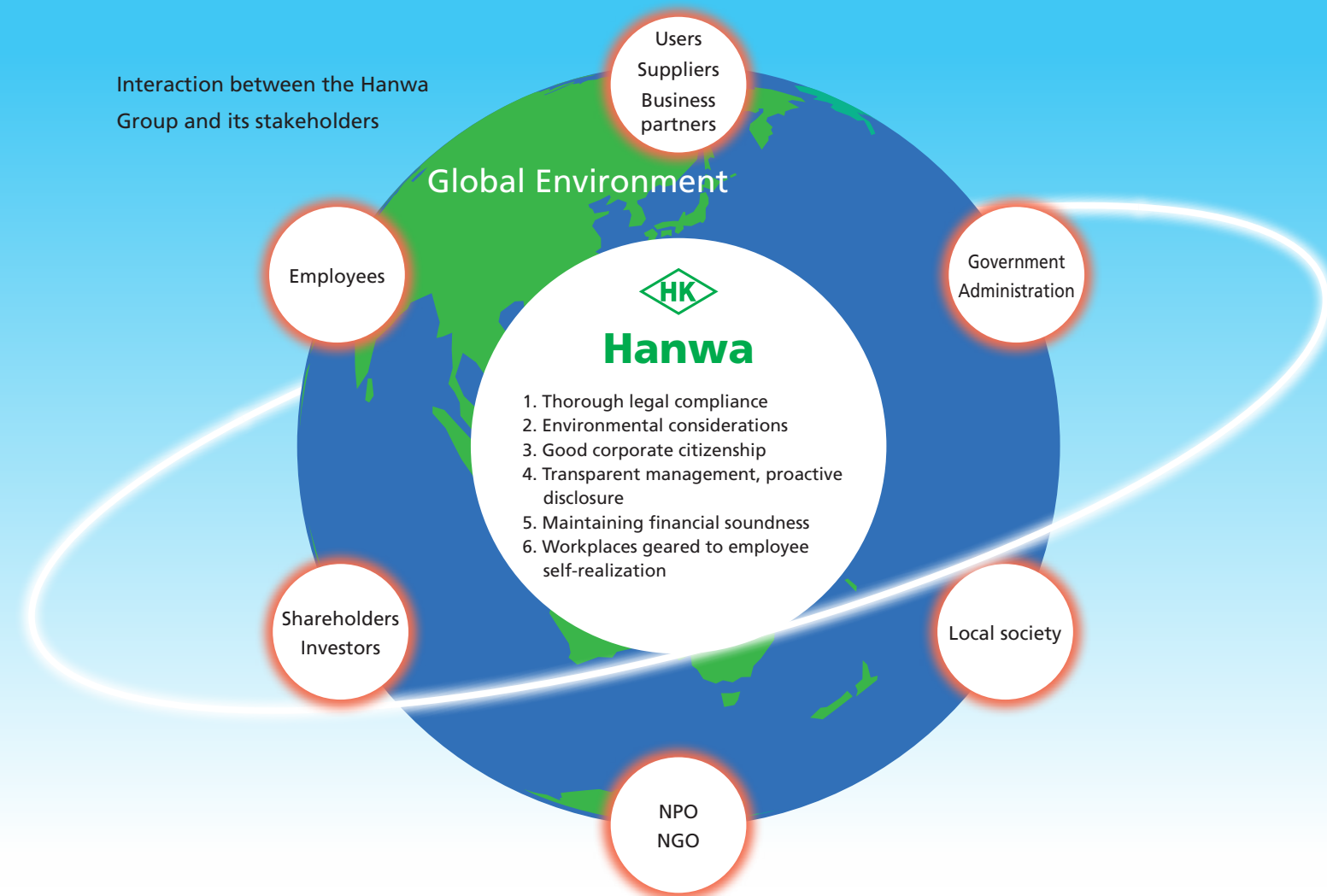
Contributing to society and making a business profit are not contradictory goals. I believe that we can contribute to society by simply and honestly conducting our business as a global trading company. I am committed to achieving truly sustainable growth and doing everything in my power to manage the Hanwa Group. I ask for the continued advice and support of our shareholders, investors, and all other stakeholders.

# 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.



The 70-year history and major CSR activities of Hanwa Society Environment Governance

## 1946-1961

### Period of founding

Hanwa's procurement expertise helps the postwar recovery. Hanwa solidifies its foundation as "Hanwa the steel company." Established Hanwa Scholarship Foundation to celebrate 10<sup>th</sup> anniversary.

- Established employee mutual aid society (1948)
- Osaka Head Office purchased first employee dormitory, in Sakai (1948)
- Completed Ishibashi dorm and company housing (1952)
- Started ship scrapping business (1955)
- Established Hanwa Scholarship Foundation (1957)
- First issue of in-house magazine Nenrin (1960)

## 1962-1981

### Period of diversification

Business diversifies to include petroleum, lumber, non-ferrous metal, food products, leisure facilities, etc. Opened overseas offices (Hong Kong, New York, Seattle, etc.)

- Implemented auditing system (1962)
- Established employee training system (1966)
- Implemented pre-entry training / new-employee instructor system (1968)
- Implemented two-day weekends (once a month) (1972)
- Established system to give leave to long-time employees in recognition of service (1973)
- Established Hanwa Health Insurance Society (1976)

## 1982-2001

### Period of business scope expansion and structural reform

Hanwa enjoys strong development, boosted by growing economy in Japan and economic development in Asia. This is followed by a shift from money management to a focus on our core business.

- Implemented new personnel system (later mandatory retirement age, qualified pension plan, new-duties system, etc.) (1989)
- Started "refresh leave" program for persons winning commendation for long service (1994)
- Launched investment and lending examination committee (1996)
- Established rules on maternity protection, childcare leave, and nursing care leave (1997)
- Launched Safety and Health Committee (1997)
- Launched Safety Association (1998)
- Obtained ISO 14001 certification (2000)

## 2002-2006

### Period of restored growth

Established Medium-Term Business Plan with participation by all staff. Adopted an "assertive management" approach. Opened a number of bases in Japan and abroad.

- Established Corporate Ethics Code of Conduct (2003)
- Held results briefing sessions in Tokyo and Osaka, began IR initiatives in earnest (2003)
- Took first order in Japan to detoxify materials contaminated with dioxin onsite (dismantling Atsubetsu waste incineration plant in Sapporo) (2004)
- Hanwa Steel Service obtained ISO 14001 certification (2004)
- Launched CSR Committee (2004)
- Obtained FSC-CoC forest certification (2005)
- Established Internal Control Committee (2006)

## 2007-2017

### Period of great strides

M&A strategy and accelerating global development. Through "M&A+A (alliances)," brought companies with ability to deliver quickly, provide small lots, and do processing into the Group and cultivated the markets. Adopted the message "The 'Three S' Commitment - Steady, Speedy, Strategic: Build a Medium to Long-Term Sustainable Profit Structure and a Stronger Foundation," currently strengthening our business foundation.

- Opened new Food Quality Control Office (2008)
- Diversity Promotion Office established in the Personnel Department (2009)
- Obtained PEFC forest certification (2009)
- Opened new Global Environment Office (2009)
- Obtained MSC-CoC certification for preservation of marine resources (2010)
- Published Hanwa's first CSR & Environmental Report (2010)
- Hanwa Scholarship Foundation launches as a public interest incorporated foundation (2011)
- New organization launched under President Hironari Furukawa (2011)
- Opened new Overseas Audit Office (2011)
- Implemented executive officer system (2012)
- Merged Audit Office with Internal Control Promotion Office to establish new Internal Audit Department (2012)
- Established new CSR & Environment Section (2013)
- Acclaimed for donating to Japan Public-Private Partnership Student Study Abroad Program, received Medal with Dark Blue Ribbon (2015)
- Publicly disclosed policy for responding to the Corporate Governance Code (2015)
- Established Lumber Procurement Policy (2017)
- Opened new Chemical Product Quality Control Office (2017)



## Part 1 Start of Health Management Program

Hanwa established the Hanwa Health Management Declaration on April 1, 2018.

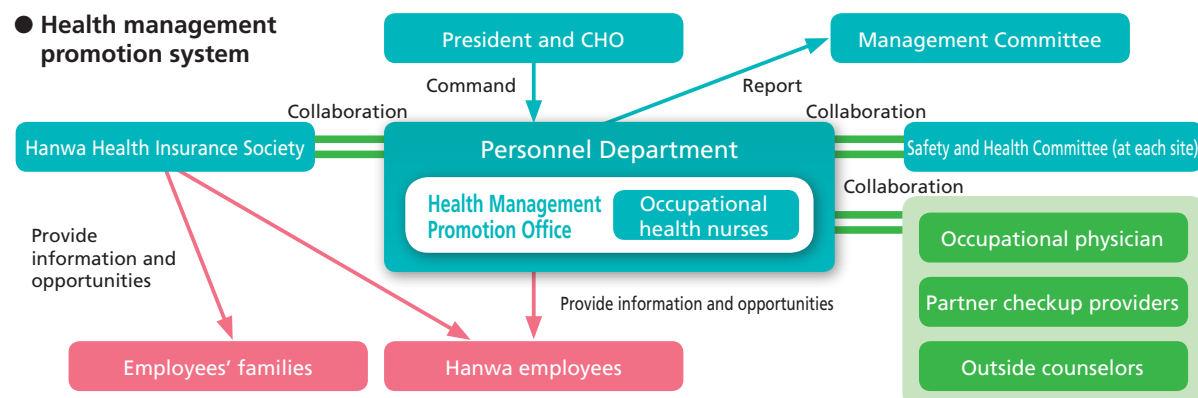
Hanwa founder Jiro Kita believed that "a trading company is its people." He said that "a company's prosperity and the employees' happiness are inseparable like the two halves of the whole." He turned this saying into our management philosophy and sought to create a comfortable working environment where the focus was on nurturing individual employees.

True to this philosophy, Hanwa looks at employee health management from a business management point of view. The Company, its employees, and the Hanwa Health Insurance Society work together to promote the health of employees and their families. By providing a workplace where employees can stay healthy and active in mind and body, we enable them to be "distribution specialists" and we contribute to society.

We consider the physical and mental health of each employee to be critical if we are to provide value and service to our customers around the world and achieve sustained development as a user-centric trading company. To promote health management, **Hanwa's President is also appointed Chief Health Officer (CHO).** Meanwhile, the **Personnel Department** is

**home to the Health Management Promotion Office.** Hanwa is committed to treating the management of the health of our employees and their families as a key company management issue. As such, we will work with the Hanwa Health Insurance Society to prevent illness and maintain and promote health.

### ● Health management promotion system



## Part 2 Mental Health Initiatives

In January to February 2018, we followed up results of earlier stress checks with stress check feedback and training sessions for department managers. The five sessions took place at our Tokyo and Osaka Head Offices and Nagoya Branch Office. Results were shared and improvement plans were drafted. Many of the department managers who participated commented that the process enabled them to quantify and visualize the stress levels in their departments, which in turn helped them to take follow-up actions. Others appreciated getting guidance from outside

instructors, which helped them create concrete action plans. Hanwa will continue to make planned and systematic workplace environment improvements to achieve the goal of the stress checks: the prevention of mental health problems.

At a stress check feedback and training session



## Part 3 Promoting Diversity

### ● Women's Workplace Participation Action Plan established

Hanwa updated its Women's Workplace Participation Action Plan (for April 1, 2018–March 31, 2020) based on the Act on Promotion of Women's Participation and Advancement in the Workplace. We are working to increase the number of female managers and career employees now so that there will be female officers from within Hanwa in future. First, we aim to meet the following targets and earn Eruboshi ("L Star") Certification.



### Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace (for April 1, 2018–March 31, 2020)

- Target 1** Increase percentage of female career employees hired during hiring of new graduates to at least 20% by 2020 (2018 result 10%; 2019 entry target 15%; 2020 entry target 20%)
- Target 2** Increase number of female managers
- Target 3** Prepare work environments for female employees and employees with disabilities and make it possible for them to work for long term

**67** (Female career employees)  
**1,060** (All career employees)

**661** (Female employees)  
**1,817** (All employees)

\*As of June 30, 2018

### ● Promoting hiring of persons with disabilities

Business proprietors with 50 or more employees are required to hire persons with disabilities at or above a rate set by law. We met the legally required rate of 2.0% in FY2017, but that rate went up to 2.2% starting April 1, 2018 and will rise by another 0.1% by April 2021.

Hanwa currently employs 30 persons with disabilities, but we are continuing our efforts to prepare work environments and recruit to increase such employment.

### Getting ready! Preparing environments to begin work at home

Hanwa is conducting work-at-home trials and preparing to implement the practice. In May 2018, we hired two remotely located persons with disabilities as we introduced a work-at-home practice. We plan to prepare the environment so people can work at home as we endeavor to increase hiring of persons with disabilities.



Employees use the "Sococo" communication tool to link those in the office with those working at home



## ● Held the second small group activities presentation event

Hanwa has been holding small group activities at coil centers in Japan and abroad to develop their human resources. We held the second small group activities presentation event on September 15, 2017 at the Tokyo Head Office. Seven companies participated, including offices in Japan and other countries.

The number of teams at offices rose in anticipation of the second year of Group-wide small group activities. Employees who experienced the first year served as leaders and support personnel, gaining more self-awareness and working to make further improvements. Small group activities enhance participants' ability to solve problems as they learn to express their opinions, clarify their roles, and be more proactive. Staff members at our offices outside Japan are young, with the average age in their 30s, and many of them are good at taking part in discussion. There were lively question and answer sessions after each presentation, and many participants said the experience was very stimulating.

Hanwa Steel Service Ltd., which won an excellence award at the second presentations event, has been doing similar activities independently since 2010. In addition, one of our overseas coil centers, Hanwa Steel Service (Thailand) Co., Ltd., introduced small group activities in 2014 under the guidance of a consultant as part of employee training. Presentation events encourage every offices to adopt the activities presented and help boost workplace capabilities.

Hanwa's Executive Vice President and Managing



Participants listening to presentations with great interest



At a presentation

Executive Officer in charge, as well as the President of each office, serve as judges at the presentation event, and since 2017 they have been joined by plant managers as well. Participation of the plant managers who most know the team enables a concrete review of how the problem was raised, the appropriateness of the group's progress, the improvement effect, how firmly the improvement later became established, and the contribution it made to Hanwa.

Hanwa will continue small group activities as a way of ensuring thorough safety measures and enhancing quality and productivity. Developing our human resources will remain fundamental to these activities.



Participants at second small group activities presentation event

## Presentation themes at second small group activities presentation event

Company	Presentation theme
Chang Fu Stainless Steel Center (Suzhou) Co., Ltd.	Reducing lumber costs, part 2
Hanwa Steel Service (Dongguan) Co., Ltd.	Increasing shipment loading efficiency
Hanwa Steel Service (Jiangxi) Co., Ltd.	Improving crane hook stopper release work
Hanwa Steel Service (Thailand) Co., Ltd.	Improving scrap disposal work on shearing line AIZAWA machine No. 1
Hanwa Steel Service Ltd.	Making blade assembly work more efficient, improving 15-mm blade storage place
Pt. Hanwa Steel Service Indonesia	Numbering system management: improving time efficiency when looking for coil
Hirouchi Atsuen Kogyo Co., Ltd.	3S initiatives and awareness raising



Q&A after a presentation

## VOICES

### Here are impressions from some of the participants in the second small group activities presentation event.

● The other companies' presentations were so full of feeling and power. Ours felt like we were lacking something in comparison. But I hope to use the experience of this event and get more practice so we can make a better presentation and even aim to win.

Yao Jianfeng, Chang Fu Stainless Steel Center (Suzhou) Co., Ltd.

● Listening to the other companies' presentations, I thought, "We really need to practice more in advance." In China we have a saying that "It takes more than one cold day to freeze a river three feet deep." Achieving your goals, no matter what you are doing, takes repeated practice. I really felt that practice is the best teacher.

Tian Xiaoping, Hanwa Steel Service (Dongguan) Co., Ltd.

● Being able to learn from other companies was really stimulating. Presenting in front of so many people in the big hall gave the members a good sense of tension. While presenting, we felt responsible to try to convey well what we had to say.

Yoshihiro Fukai, Hanwa Steel Service Ltd.

● I think the presentation went well, because we prepared and practiced. The other companies' presentations gave us knowledge we can apply at our own company, so I feel inspired to stay ambitious and keep trying.

Woranunramita Rawisada, Hanwa Steel Service (Thailand) Co., Ltd.

● We took our time preparing, so we were able to present with confidence, even if we were a bit nervous. I enjoyed presenting in front of Hanwa officers. It's an experience I can feel proud of.

Sopari, Pt. Hanwa Steel Service Indonesia

Overseas offices sent many female participants



## Spotlight

### Hanwa Steel Service Ltd., winner of excellence award at the second small group activities presentation event

When we take on difficult problems, we can feel our team grow!



TEAM Triangle, which worked to make blade assembly work more efficient

Hanwa Steel Service Ltd. (HSS) has been doing small group activities independently since 2010. A basic characteristic of small group activities is that they are bottom-up. We feel it's important that members of the workplace use their own awareness to address problems. The role of managers, like the President and plant manager, is to watch attentively, so they can give accurate advice when the team needs it.

At HSS, "Safety, Quality, and Efficiency" is our management policy, and we plan to continue small group activities to improve each of these.

\*Read more about HSS's small group activities on page 17.



Motonari Amano  
President  
Hanwa Steel Service Ltd.



# 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.



### 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 are being used in a variety of sites, including rentals for use as scaffolding in road repair in disaster areas

### 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 reuse system for steel, 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 Hanwa 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

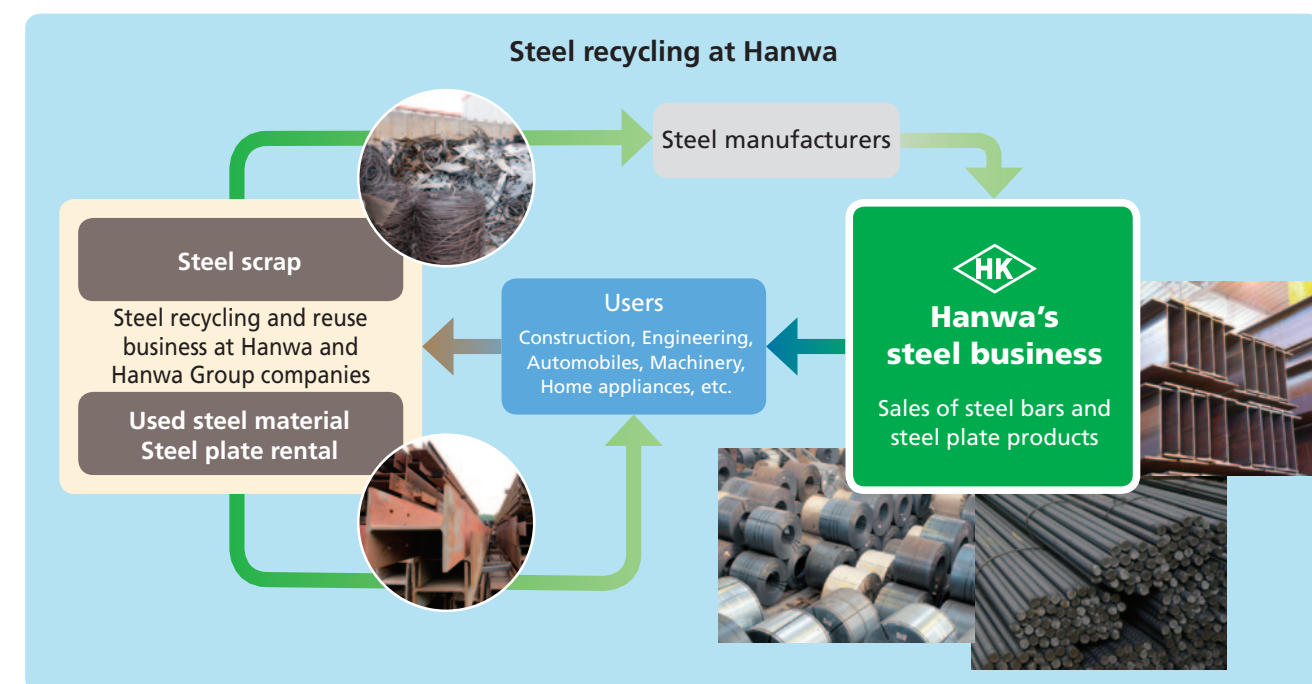
One of the Hanwa Group companies, Showa Metal Co., Ltd., is engaged in a complete recycling process of titanium and nickel scrap starting from the collection and quality control of the scrap to the sorting, shipping, and delivery to stainless steel and special metal manufacturers. Working together with 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 five overseas locations: Hanwa Thailand Co., Ltd., Hanwa Singapore (Private) Ltd., Pt. Hanwa Indonesia, 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 2016, Hanwa and Mitsubishi Materials Corporation established a joint venture in the Netherlands that began operating in 2018. This has further strengthened

our business handling precious metal scrap contained especially in circuit board scrap.

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. In 2018, we began trade with Russia, the three Baltic nations, and several African nations including Nigeria, Botswana, and Morocco. 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.



### TOPICS

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

Japan's Basel Convention Act was about 25 years old when it was amended in June 2017. The amended act came into force in October 2018. 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.



### "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". etc.

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 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 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 m<sup>3</sup> 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.



### Obtaining forest certifications for forestry preservation and product use

Hanwa holds CoC certifications from the Forest Stewardship Council® (FSC®), Programme for the Endorsement of Forest Certification Schemes (PEFC) and Sustainable Green Ecosystem Council (SGEC) forest certification systems (FSC®C018719). 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 certification  
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 CO<sub>2</sub> emissions reduction through business initiatives involving biofuels.

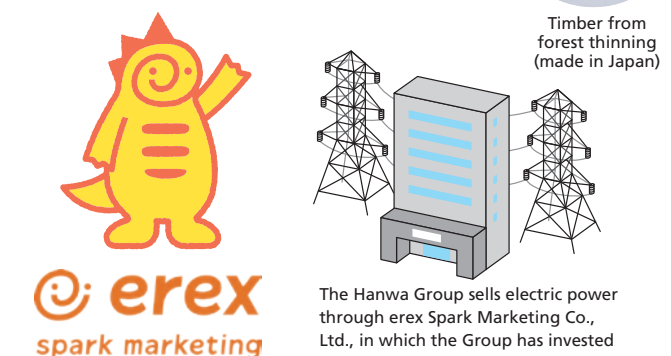
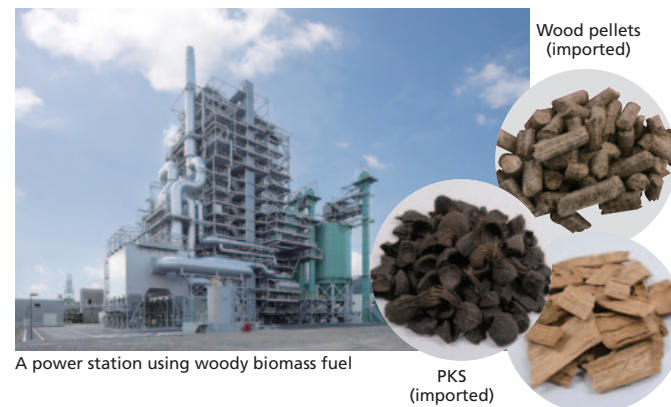


## Providing a stable supply of woody biomass fuels to support electric power supply with biomass energy

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.

Hanwa is the No. 1 importer in Japan of PKS from which palm oil has been extracted. We import wood pellets formed out of sawdust from Southeast Asia and provide a stable supply of them to power generating businesses in Japan under long-term contracts of 10 years or more.

Before Japan's electric power market became fully deregulated, we established erex Spark Marketing Co., Ltd. as a joint venture with erex Co. Ltd., one of the long-established new power companies, and the U.S. new power company Spark Energy LLC. Hanwa Group collaborates with wholesale dealers of petroleum and propane gas to sell electric power to residential customers. We have more than 110,000 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.



Kobe Plant (Seibu Service Co., Ltd.) 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 160 partner companies (including 73 companies in Tokyo and Tohoku, 39 companies in Nagoya, and 48 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)



Safety patrol

## Steel business

### 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



A depiction of quality control in each process in a plant

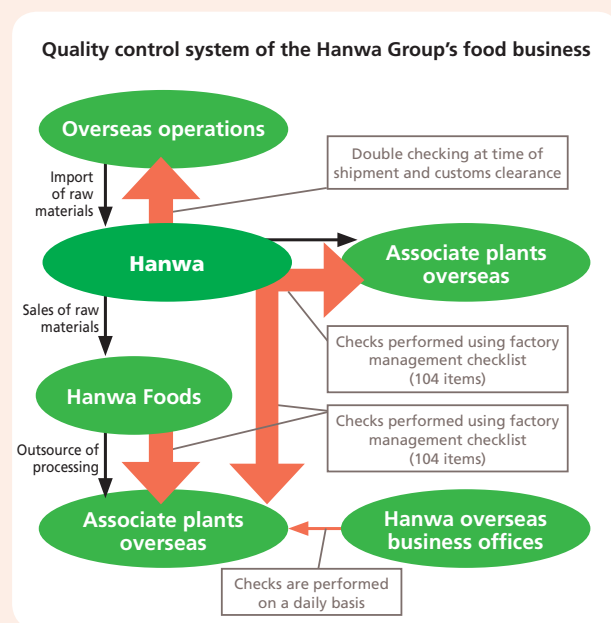


## Food products business

### 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 Section, 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.



## 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.

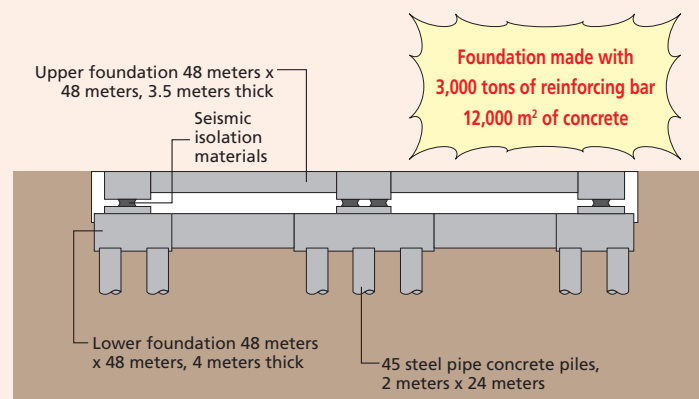
On July 1, 2016, we completed work on the largest Ferris wheel in Japan, Redhorse Osaka Wheel, measuring 123 meters high. Hanwa provided the design and manufacturing services and constructed the wheel at Expocity in Expo '70 Commemorative Park (Suita City, Osaka).



The Redhorse Osaka Wheel at EXPOCITY

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.



## Initiatives of Hanwa Group companies (coil centers) in Japan

Here, we interview the team leader and plant manager about their initiatives at Hanwa Steel Service Ltd., which won the excellence award at the second small group activities presentation event.

Takeshi Shirakawa, Plant Manager (right)  
Toshihiro Ito, Team Leader (left)



Hanwa Steel Service Ltd. (HSS) has been doing small group activities independently since 2010. By 2014 our activities had stalled, so we asked an outside consultant to work with us to energize them. We specifically unified our theme to "small group activities based on 5S." ("5S" is a manufacturing term for the practice of organizing the workplace.) We found a way to visualize and share the issues and progress with kaizen cards posted on the Kaizen Board. This increased our focus and raised the awareness that all members are participating.

The team that won the excellence award at the second small group activities presentation event was quite young, with an average age of 27 at the time. Five of the eight members had been with the company less than three years. So we started by trying to understand the small group activities. The improvement theme the team chose was "making blade work more efficient." Changing the place where we store the blades used in slitters was a constant problem. But we were not sure we could improve on the situation,

so we put it off till later. Team Leader Ito says that for this small group activity, "I decided the team was getting stronger and now they'd be able to make an improvement." He says he decided it would be good for the team's growth. Aside from our planned meeting times, we met during morning and end-of-day assemblies. We created opportunities to make it easy to express an opinion. For example, we divided roles and assigned homework to generate ideas. This raised the awareness of participation. Day by day, we tested the ideas that came out. During this trial and error process, a young member made an unexpected comment that led to a breakthrough.

For Plant Manager Shirakawa, it was a moment of realization that "There are new problems every day in the workplace. Small group activities are an extremely useful way to learn how to spot problems and dare yourself to think about how to solve them."

HSS's three-part management policy is "Safety, Quality, and Efficiency," and it is working to improve all three by continuing its small group activities.



Presentation materials were designed to clearly convey the message



Kaizen cards posted on the Kaizen Board



Slitter



At the center



Workers use the improved blade storage place



#### Hanwa Steel Service Ltd.

- Established: April 2002
- Employees: 83 (as of April 2018)
- Address: Minakuchi-Second-Techno-park, 32-2 Hinokigaoka, Minakuchi-cho, Kouka, Shiga 528-0068

HSS obtained ISO 9001 certification on February 27, 2004 and ISO 14001 certification in November of that year. It provides fine processing and shipping services for users working with thin panels, including automotive, housing and building material, and consumer electronics applications, in the Osaka/Shiga/Mie area. Facilities include two wide slitters, a mini leveler, a 600-ton blanking press, an 800-ton blanking press, and more. Monthly processing capacity is about 15,000 tons.



# 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 the 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.

## 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 Control Management Assessment / FY2017 Annual Schedule

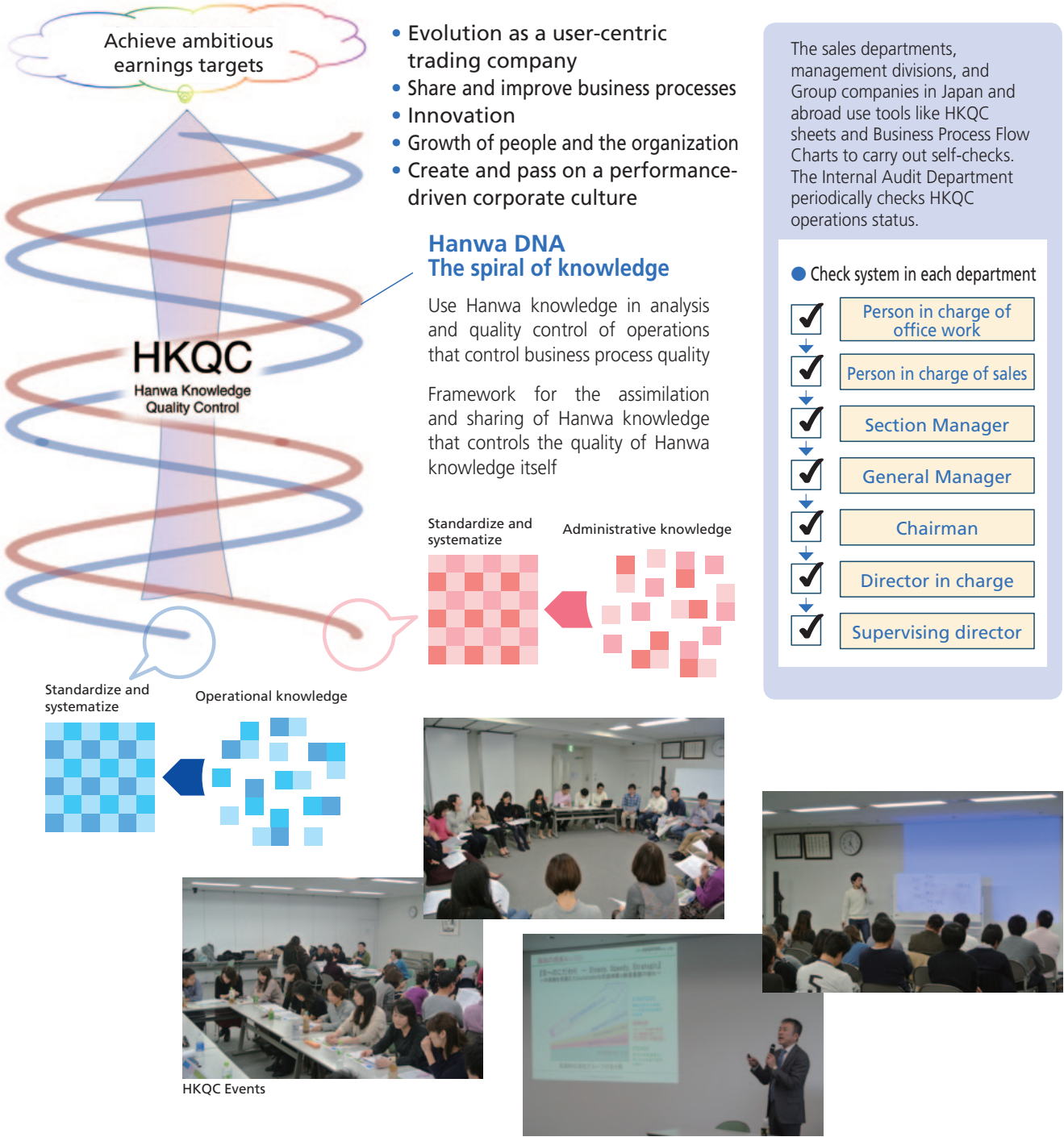
Prepare & finalize assessment plan	Develop the assessment plan by March 2017; Management Committee finalized plan in the same month	
1. Educational activities for employees	Schedule	As deemed necessary
	Content	I. Laws related to internal control II. What is internal control? III. Responding to the internal 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. 2017
	Operation	End of Mar. 2018
(2) Account settlement & financial statement production process control	Implementation	Oct.-Dec. 2017
	Operation	End of May 2018
(3) IT control	Implementation	Jul. 2017-Feb. 2018
	Operation	End of Mar. 2018
(4) Operation process control	Implementation	[Sales department] Jul.-Sept. 2017
	Operation	[Sales department] 1st evaluation: Oct.-Nov. 2017 2nd evaluation: Feb.-May 2018
	Operation review	End of Mar. 2018
(5) Evaluation results	Summary	Apr.-May 2018
3. Implementation of external audit	Schedule	Jul. 2017-Jun. 2018
	Point of focus	Whether or not the evaluation results are appropriate
	Target	(1) Hanwa (2) Domestic and overseas consolidated subsidiaries and equity-method affiliates

## Preventing Loss and Raising Profitability through HKQC Initiatives

HKQC (Hanwa Knowledge Quality Control) is a program unique to the Hanwa Group. It aims to improve the quality of our operations by using the Group's accumulated collective wisdom for more thorough risk evaluation and process control, and to pass the wisdom of the Group down and develop it further. As part of HKQC initiatives, we conducted interviews in each department and prepared the “Integrated HKQC/RCM Version,” which combines our Business Process Flow Chart with the previously existing Risk Control Matrix (RCM). Losses occur when checks do not function. We are preventing this kind of loss and raising profitability by making business process flows more visible and sharing that information.

Each year since FY2016, the Hanwa Group has held

HKQC Events in which all employees, including temporary workers, participate. The purpose of these events is to raise awareness of HKQC and share sales and administrative knowledge. Knowledge of all types is shared at HKQC Events to improve work processes. For example, participants confirm business process flows, and individual departments share case studies of close calls they have experienced and suggest ways to make business processes more efficient. HKQC Events have become firmly established throughout the Hanwa Group as an opportunity to form and transmit a results-oriented corporate culture. Individual Group companies, for example, independently hold their own HKQC Events as a way to pass down this Group culture, including the HKQC spirit.





## 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.

## 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". The Crisis Management Manual (revised on April 21, 2016) 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



An employee practicing using an AED

## Activities Contributing to Society as a "Good Corporate Citizen"

## Helping Maintain the World Heritage Kumano Kodo Pilgrimage Routes

Hanwa employees answered internal recruiting call to join World Heritage Site "trail repair walks" held by Wakayama Prefecture for two days on January 20-21, 2018.



Soil was provided by a local construction company



Volunteers carry sandbags to parts of the trail to be filled in



A tool called a rammer is used to pack in soil



After a few repetitions, workers get used to the work



Hanwa employee participants

The World Heritage "Sacred Sites and Pilgrimage Routes in the Kii Mountain Range," which includes Kumano Kodo, experiences 3,000 mm of rain annually. The routes have to be checked for soil loss and other deterioration, and must be repaired continually. In Wakayama Prefecture, where Kumano Kodo is located, businesses and groups hold "trail repair walks" in which people can volunteer. These are an ongoing maintenance effort. Some connections that the Kita family, the founder of Hanwa, has with Wakayama Prefecture led us to participate in the effort and to recruit participants internally.

Trail repair consists mainly of tasks like filling in soil, cleaning out the trenches that cross and run beside the trail, and picking up loose stones. Employee participants subdivided a ton of soil into sandbags, which they then carried to the repair sites and packed into the ground. They repeated the process five to seven times. Participating employees had enriching two days, because the trail repair walk event included trekking the Kumano Kodo, including the repaired portions, and experiencing part of this World Heritage Site.

Hanwa looks forward to actively participating in efforts like this as a way to communicate with our stakeholders.



Trekking on the second day. Participants listening closely to the guide's detailed explanation

### About the World Heritage "Sacred Sites and Pilgrimage Routes in the Kii Mountain Range"

The Sacred Sites and Pilgrimage Routes in the Kii Mountain Range were entered to UNESCO's World Heritage list in 2004. Spanning three prefectures (Mie, Nara, and Wakayama), the area includes three sacred sites (Kumano Sanzan, Koyasan and Yoshino & Omine) and three pilgrimage routes (Kumano Sankeimichi, Koyasan Choishimichi, and Omine Okugake-michi) leading to them. The Kumano area has long been considered sacred. Pilgrimages to the three main Kumano shrines, thought to have started in the Heian Period (794-1185), continue today, attracting visitors from Japan and overseas.





# 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 offers lectures for working people and students



## 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)
- Helping to operate Science Magic Workshops



Akira Kojima, emeritus professor at National Institute of Technology, Gunma College and principal of the Maebashi Sogo Gakuen Institute of Technology and Business, teaches children the wonders of chemistry while developing future scientists. Here, he leads a Science Magic Workshop, which Hanwa has also helped to operate



## Hanwa Group's Social Contribution Activities

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.



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



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



## Contributions to local communities

- Sponsorship and participation in the 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 Monzennakacho, where the Hanwa Group company dormitory is located)
- 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)



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



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



# 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



Trade business studies

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.



AMG training

## Promoting diversity through various working styles

### ● Establishment of mentor system

Hanwa has a mentor system that focuses particularly on female career employees and new foreign employees. Elder employees from a department other than that where the mentee works provide mental support and help build an environment where mentees feel comfortable working.

### ● Establishment of business process support team

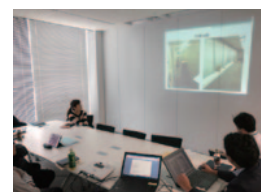
Employees currently working part-time as they raise their children are assigned to the Personnel Department. Several members form a business support team that assists other departments who need help performing work duties. This is an effective way to use their shorter hours until they are ready to return to their original jobs.



Meeting for the mentor system

## Safety and Health Committee initiatives

The Safety and Health Committee meets monthly to ensure that employees are working in good mental and physical health in a safe and healthy work environment. Following theme-specific yearly schedules, the committee works continually to improve the workplace.



The Safety and Health Committee in session

### ● Major themes of the Safety and Health Committee

- Periodic themes** Measures against overwork (every month), promoting 5S initiatives (every other month)
- Seasonal themes**
  - Reducing accidents with sales fleet: issues and countermeasures
  - Considering mental health problems
  - Improving the work environment
  - Increasing percentage of employees getting health checkups
  - Harassment problems: study of issues and solutions

## Training for national staff members

The Tokyo Head Office hosted a three-day National Staff Training session from February 28 to March 2, 2018. The first event of this type took place in Tianjin, China in March 2015. Now in its fourth year, it has happened at the Tokyo Head Office every year since then. This year, 25 national staff members from 15 sites in nine countries participated.

On Day 1, participants received credit and collections training from the Legal and Credit Department based mainly on financial analysis case studies. They also got trained in HKQC from the Internal Audit Department and listened to a lecture by an outside instructor on Japanese culture and business practices. On Day 2, they attended the morning meeting at Tokyo Head

Office, followed by training from outside instructors on developing next-generation leaders. At this training, they practiced SWOT analysis, formed teams to solve problems in a game format, and had discussions in English, Chinese, and Japanese on the topic of time management. On Day 3, they visited the Kimitsu Works steel mill of Nippon Steel & Sumitomo Metal.

At this year’s training, as in past years, there were opportunities from Day 1 for participating staff to network with each other, and by the end of Day 2, they had cemented bonds with each other as “Team Hanwa.” Hanwa will continue enhancing its training for national staff to give them the opportunity to increase their engagement.



National staff who took part in the training



At the training



A social gathering for the trainees

## Completing the Overseas Trainee Program

### Personnel Department Takayuki Kinashi



I spent a half-year at Hanwa Singapore (Private) Ltd. as an overseas trainee. During this time, I learned the current systems and operating procedures in ASEAN countries, especially Singapore, and the process of implementing a new performance review system. And it was not just the part about business processes that made it a valuable experience. I visited different ASEAN countries and sensed how they all have such different languages and customs.

Besides these, another thing I gained during this period was making the acquaintance of locally hired management personnel, who serve as the heart of the Management

Division. By supporting business in ASEAN, where there are already trading company-aligned businesses with more than 100 employees, the Management Division is likely to have more opportunities for communication with overseas affiliates. Under these circumstances, I plan to use my experience as an overseas trainee to help the Hanwa Group expand its business scope and strengthen the functions of the Management Division.



# 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

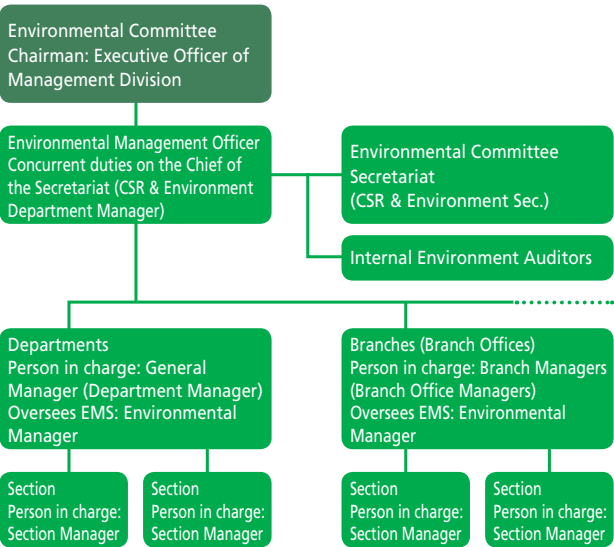
- 1. Continuous improvement of the environmental management system.**  
Hanwa Co., Ltd. will implement and review its environmental objectives and goals based on this environmental policy, and operate and continually improve the environmental management system.
- 2. Compliance with relevant environmental 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 Environment Audit

An internal environmental audit was conducted for 27 departments June 29-July 15, 2017 and for 25 departments November 14-30, 2017. 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 2017, the sessions were conducted on March 23 for new managers, April 7 for new employees, and June 8 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.



The environment education seminar for new employees

## External Audit

LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 11 departments including an extended examination August 7-9, 2017. In addition, a renewal audit was conducted from January 29 to February 1, 2018 on 47 departments. The audits focused on whether the EMS was effectively implemented at the respective sections.

## Management Review

A management review on activities in FY2017 was conducted during the Environmental Committee meeting on June 15, 2018.

## The number of organizations that have acquired ISO 14001 certification

Domestic offices ..... 18  
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  
(18 domestic offices, 3 domestic Group companies)





# 2017 Environmental Activities Summary

## 2017 Environmental Activities

Guidelines for Corporate Action	Goals & Objectives	Major Activities in FY2017
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 <sub>2</sub> 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

## Hanwa Logistics companies finish changing lighting to LEDs

The Hanwa Logistics companies finished converting their lighting to LEDs in March 2018. LED lamps are intended to reduce the consumption of energy used for lighting. Hanwa Logistics Osaka Co., Ltd., which previously finished

the conversion to LEDs, has realized a 50.8% reduction in lighting energy consumption. It also uses new power from Nippon Steel & Sumikin Engineering Co., Ltd., resulting in a cost savings of 5% for electric power.



In a warehouse



In a warehouse



In an office

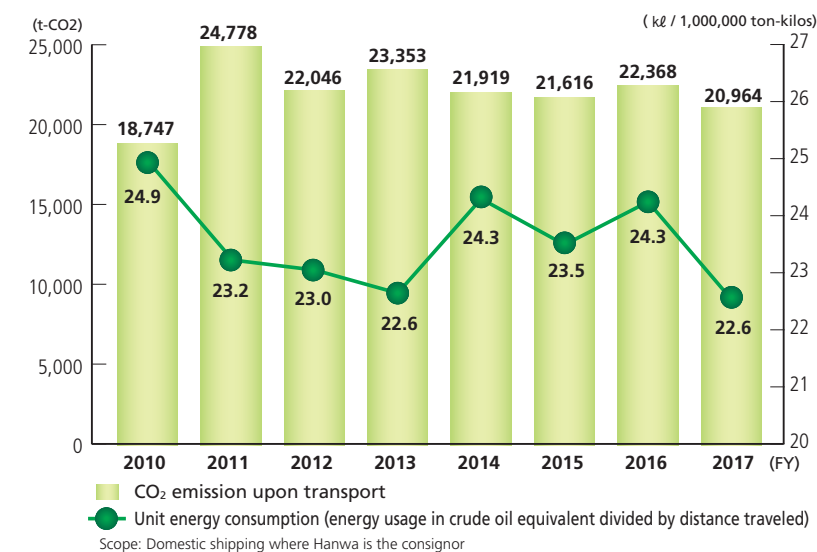
## Global Warming Prevention Measures (CO<sub>2</sub> reduction)

### 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 CO<sub>2</sub> emission upon transport and energy consumption per unit GDP (gross domestic product)



### 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 CO<sub>2</sub> emission are conducted throughout the month.

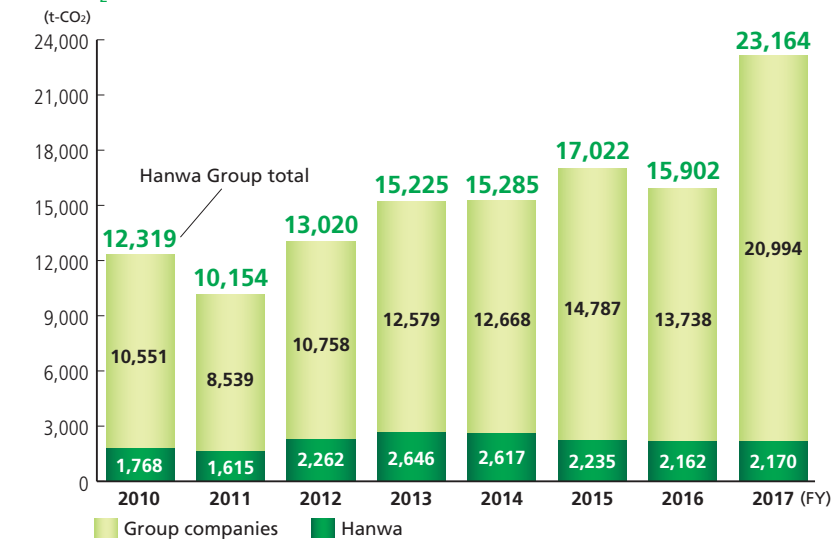


Promoting the adoption of hybrid vehicles

### Initiatives taken at the office

- Energy conservation measures (use fewer lights, turn lights off when not in use, etc.)
- Wearing "cool-biz" attire (May through September)
- 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

### CO<sub>2</sub> emission at domestic offices



## Installation of 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 CO<sub>2</sub> emissions.



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



# 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. Jiro Kita, founder of Hanwa and the first chairman of the Hanwa Scholarship, experienced difficulties in receiving education. As such, he established the foundation in hope of "cultivating capable persons for our society" by offering scholarships and giving economic support to students. The foundation started with a contribution of ¥10 million when Hanwa's own capital was just ¥100 million. The Hanwa Scholarship, which reached its 60-year milestone in April 2017, has so far 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

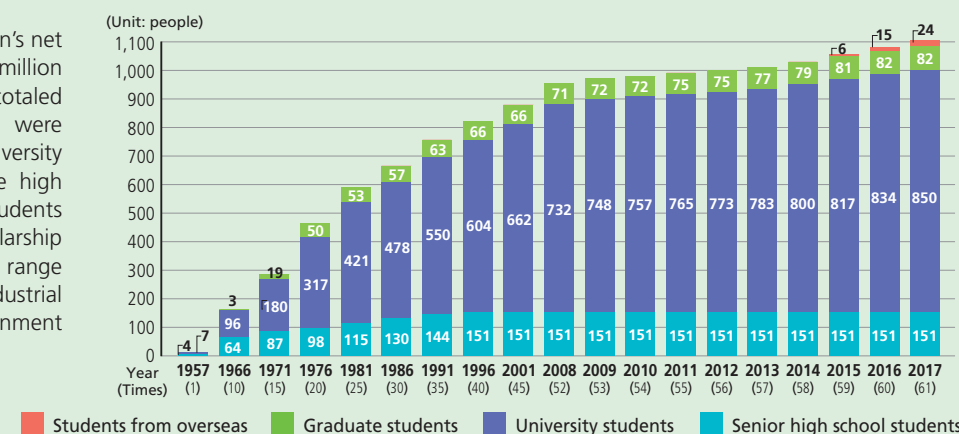
international, we want to help as many motivated and capable students as possible take part in foreign study opportunities that help them expand their horizons, develop their knowledge, and prove themselves to be as competent as the best young people around the world.

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.

### 60 years of experience and an expanding network

The Hanwa Scholarship Foundation's net assets in FY2017 totaled 678.36 million yen, and the number of recipients totaled 1,107. Of those recipients, 82 were graduate students, 850 were university students and the like, 151 were high school students, and 24 were students from overseas. Many past scholarship recipients remain active in a wide range of fields, including not only the industrial world but also academia, government service, and the legal profession.

Accumulated Number of Scholarship Students as of FY2017



### Message from a Hanwa Scholarship recipient

#### Free to pursue my interests

I'm an exchange student for one year at Weber State University in the U.S. At university, I'm studying my major, economics, as well as marketing and other subjects. I'm really free to pursue my interests here. The textbooks, however, are expensive, and that's apart from the course fees. Without the support of the Hanwa Scholarship, there are many courses I probably would not have taken. I've also used holidays to

visit 12 American cities. The cultures and people are so different in each region, and it has been a once-in-a-lifetime experience to get to know them. I'm extremely grateful to the Foundation for their support, because that is what helped me to be so proactive about these opportunities. I hope the warm backing of the Foundation will help many more students to thrive.



Osaka City University Faculty of Economics  
Toshiki Yoshida

## Company Profile

**Corporate Name:** Hanwa Co., Ltd.

**President:** Hironari Furukawa

**Date Established:** April 1, 1947

**Paid-in Capital:** ¥45,651 million

**Number of Employees (Consolidated):** 3,576 (as of March 31, 2018)

**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

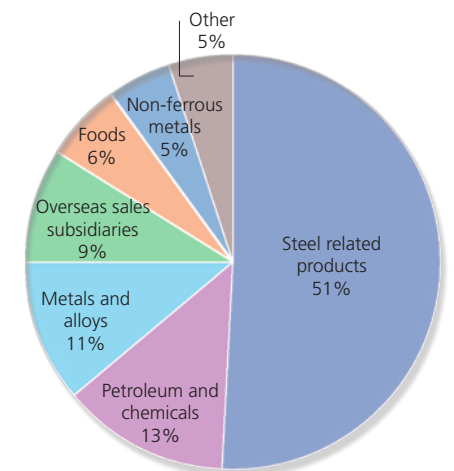
**Domestic Offices:** Osaka Head Office, Tokyo Head Office, Nagoya Branch Office, Kyushu Branch Office, Hokkaido Branch Office, Tohoku Branch Office, Kitakanto Branch Office, Niigata Branch Office, Chugoku Branch office, Hachinohe Branch Office, Mito Branch Office, Atsugi Branch Office, Shizuoka Branch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

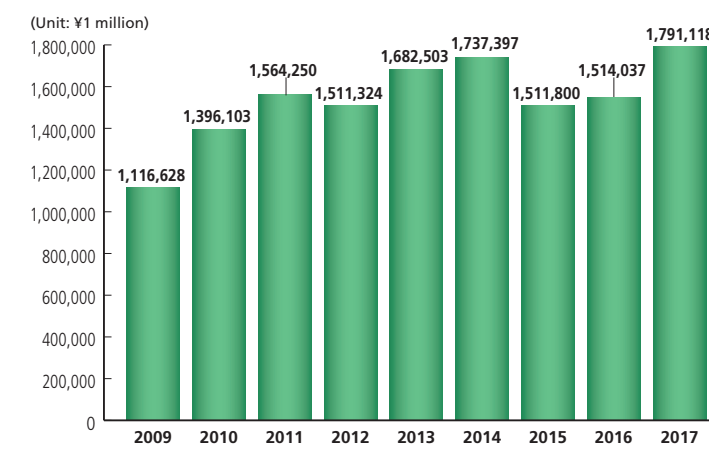
**Major Domestic Group Companies** Hanwa Logistics Tokyo Co., Ltd., Hanwa Logistics Osaka Co., Ltd., Hanwa Logistics Nagoya Co., Ltd., S.K. Engineering Co., Ltd., HALOS Corporation, Hanwa Steel Service Ltd., Hanwa Eco Steel Corporation, Subaru Steel Co., Ltd., San Ei Metal Co., Ltd., Showa Metal Co., 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

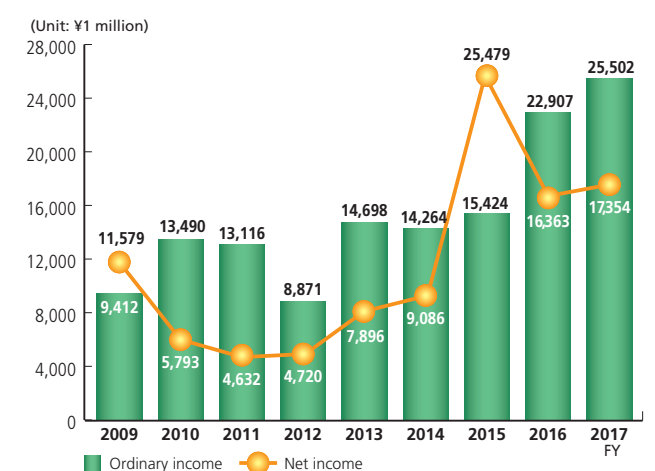
Composition of Net Sales by Segment  
(April 1, 2017 to March 31, 2018)



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, 2017–March 31, 2018 (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

2,000





<http://www.hanwa.co.jp/>

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