

2016

CSR & Environmental Report

Cultivating together

 **HANWA CO., LTD.**



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 development and 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 85 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 corporate structure

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 users. 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 recycled

resources from used paper and other materials, the retrieval of reusable materials from waste products, 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 2016 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 leveraging our distinctive capabilities 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-development.

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

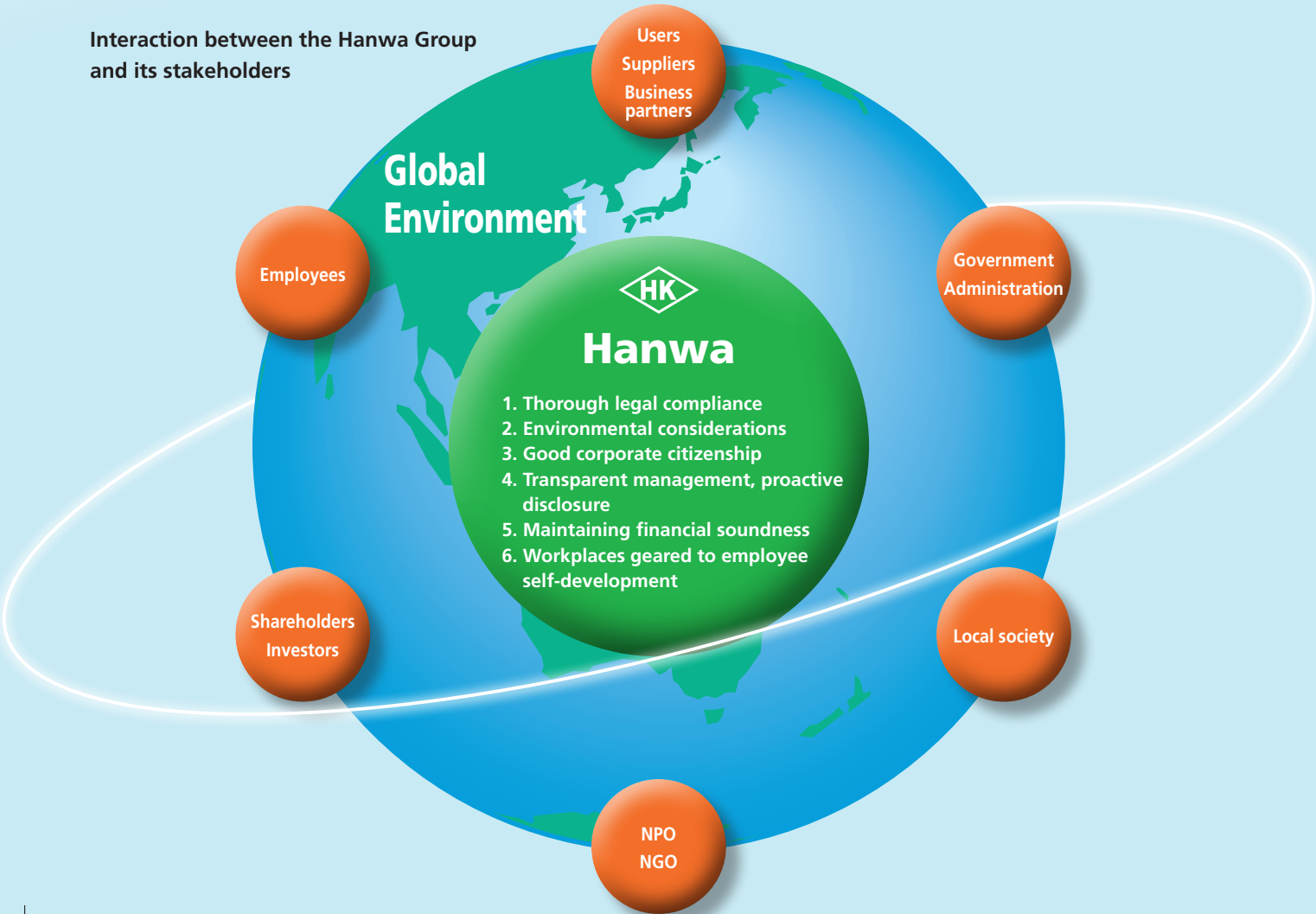


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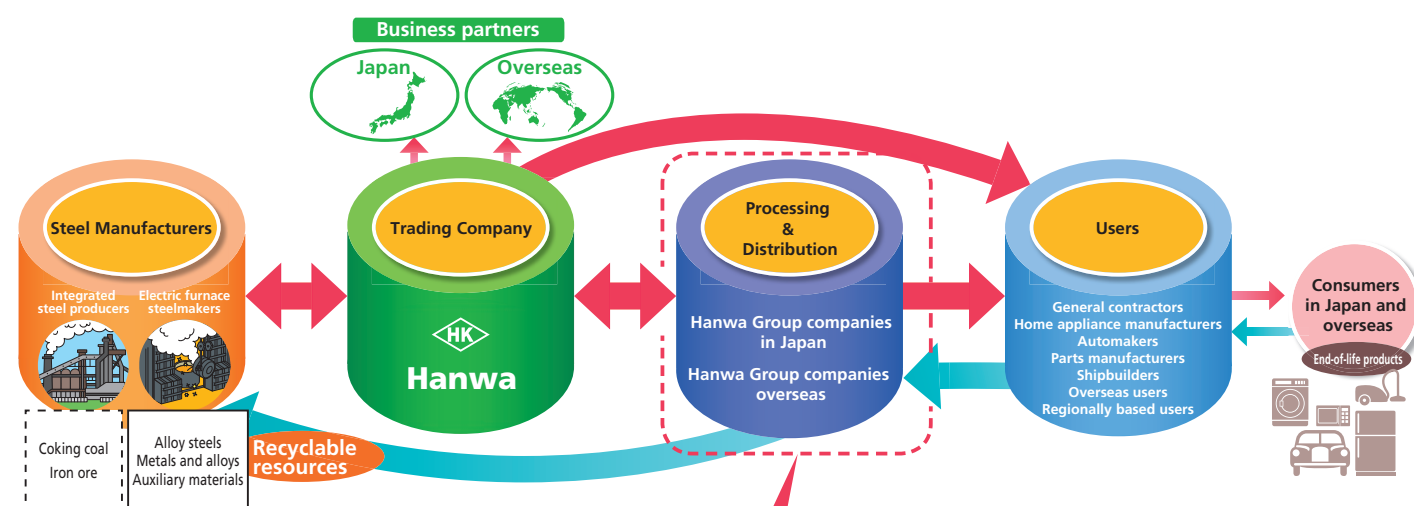
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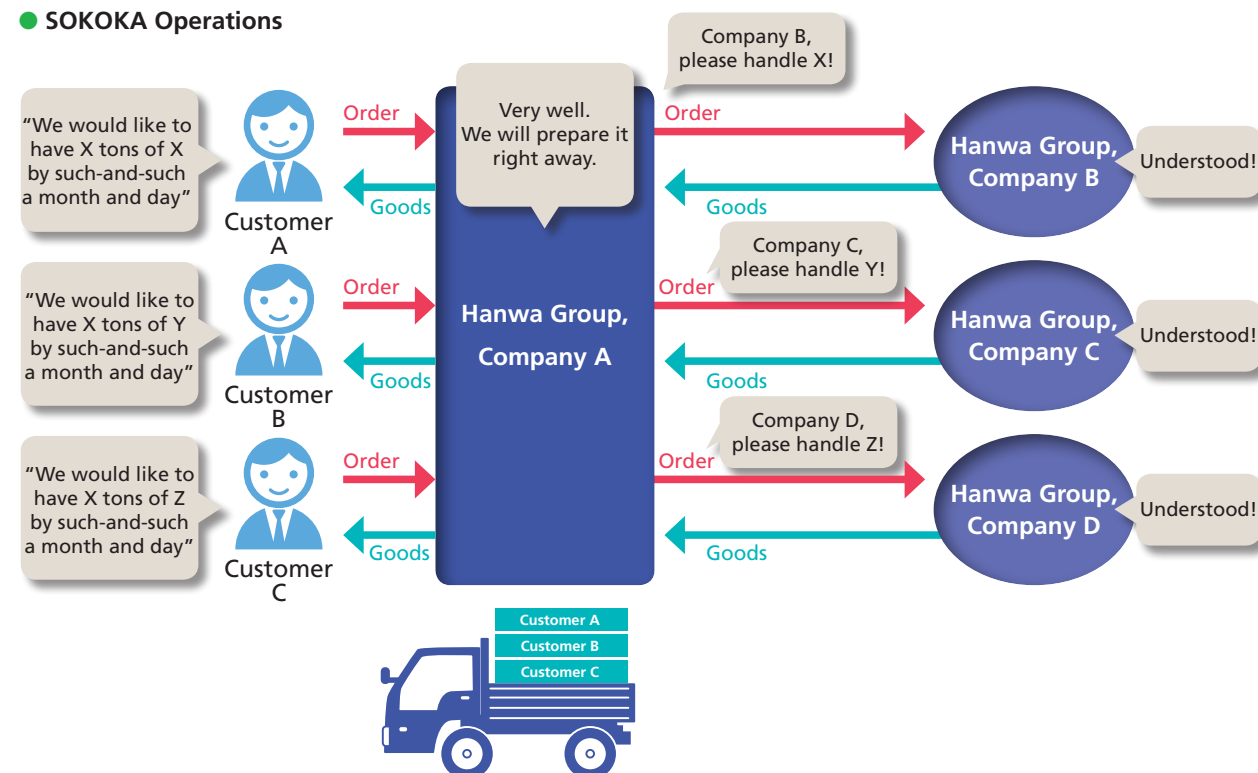
Hanwa's SOKOKA Operations— Supporting the Steel Business Value Chain

Hanwa is improving efficiency and optimizing our value chain at every stage ranging from manufacturers and suppliers to users. The SOKOKA (a Japanese abbreviation for SOkuno [immediate delivery], KOGuchi [small lot sales] and KAKo [processing]) approach to operations is the one key feature common to each of those stages. By taking advantage of the various features that distinguish the Japan-located companies in the Group—such as a company has the stocks and primary processing capabilities to make next-day deliveries of processed goods in its immediate region, or a company that functions as a delivery and distribution hub and provides sophisticated processing in small lots and ship it—Hanwa can apply SOKOKA operations to address the needs of our customers in their respective local areas.

● Hanwa Group's steel business value chain



● SOKOKA Operations



Group companies with fully developed SOKOKA capabilities, centering on Kansai region



VOICE



Steel Sheets Sales Dept.

**Hiroshi
Setoguchi**

The SOKOKA approach to operations may now be common and an integral part of the Hanwa Group today, but in my honest opinion I couldn't get a full grasp on it until I came back to Japan in April 2013 after a seven-year posting in Shanghai. I still remember how I felt when I returned for the first time in 20 years to the Osaka Domestic Steel Business Department and the overall approach made it sense to me and thought "What's this? Amazing! We can now sell goods (processed goods) to customers we couldn't do business with before! This really opens a new channel for more opportunities!"

With SOKOKA capabilities in our arsenal, we can get a lead on what businesses will bring us even closer to the end-users while we endeavor to deploy those capabilities throughout the country. The Hanwa Group's SOKOKA capabilities are attracting interest from our foreign customers, and we will forge ahead with our goal to spread the SOKOKA approach to the world. Please stay tuned on how we're moving forward with the SOKOKA approach!

Contributing to Prevention of Global Warming by Expanding the Share of Recycled Fuels

Japan is forced to rely on imports for all of its fuel needs, including limited fossil fuels. Another issue it faces is how to address strategies aimed at preventing global warming. One approach to resolving these issues that has become a subject of interest is the use of Refuse Paper and Plastic Fuel (RPF), manufactured by recycling industrial waste products. Hanwa was a forerunner in the RPF business, and we have built up a considerable track record in the business field.

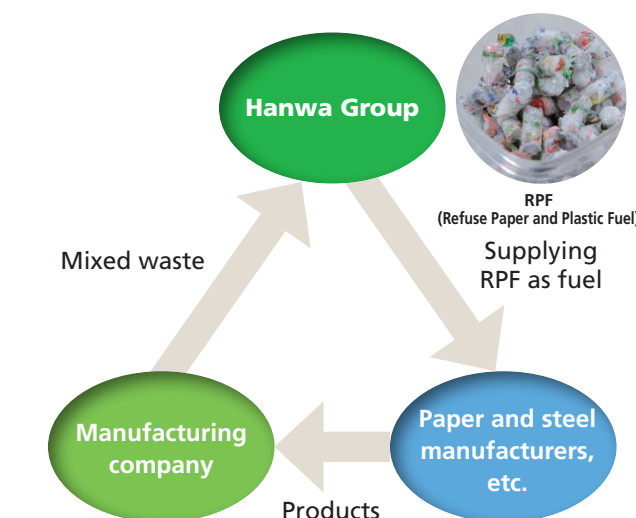
Annual transaction volume of 120,000 tons Ranks among Japan's industry leaders

As the name suggests, the chief ingredients used in RPF are the used paper and waste plastic found in industrial waste products that are otherwise difficult to reuse. RPF was first manufactured in 2002 and it has been employed as a fossil fuel alternative through manufacturers in paper and steel sectors, as a prevention initiative against global warming. Demand for RPF is forecast to exceed two million tons in 2018.

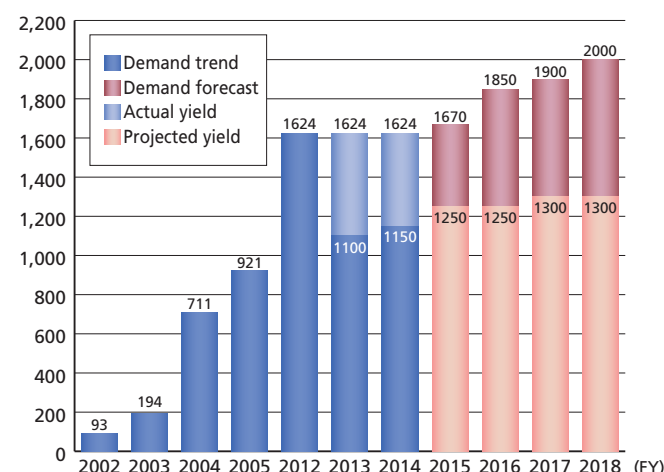
The greatest advantage of the RPF is that CO₂ emissions are reduced by approximately 33% when recovering heat from it as compared to when recovering the same amount of heat from coal. Among the other advantages to using it are its stable quality, the ease with which heat amounts are controlled, its great convenience and storage behavior, ease of processing exhaust gases, and having a price about one-third that of coal.

Hanwa began handling RPF in 2003. We have an annual transaction volume of 120,000 tons, with the majority of it being supplied to paper manufacturers. In December 2015, the Seibu Service Group—comprising Seibu Service Co., Ltd., and Alpha Forme Co., LTD.—became a part of the Hanwa Group. The Seibu Group was Japan's foremost RPF manufacturer, and adding the group made Hanwa's existing distribution and sales systems complete with manufacturing capabilities.

Our Company has a long history of handling fuel oil and coal, and based on Hanwa's various departments working together has already been making efforts to promote the use of RPF among existing customers and expand our customer base. At a time when the issue of strategies for preventing global warming has become one of worldwide interest, as an RPF industry-leader we will redouble our efforts in the future to propose RPF options to manufacturers in all industries and make contributions toward reducing fossil fuel consumption and the burden placed on the environment.



Trends in RPF demand and actual yield



RPF manufacturing flow



VOICE



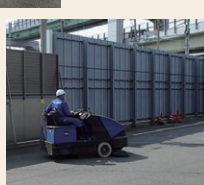
Seibu Service Co., Ltd.
President
Takeshi Hara

The Seibu Service Group began working in the RPF field in 2004 and our factories are verified, first-rate factories licensed by Kobe City. Our Group has two plants—the Kobe and Nanko plants—that together produce 4,000 tons of RPF every month. Together, they recycle approximately 50,000 tons of industrial waste products annually (with an RPF monthly recycle rate of 93%). We are proudly the first corporate group in the industry to have optical sorters installed in factories and installed sorters work to remove vinyl chloride waste during the mixed waste handling process and efficiently sort out the wastepaper and plastic that will become the raw materials for RPF. Specifically in plant operations, we have given full consideration to the local environment and as safety and security measures conduct drills in fire prevention and the use of automated external defibrillators. Looking ahead, we have been studying the adoption of new equipment in order to further enhance our processing capabilities.



Employees participating in a fire prevention exercise

The grounds are always kept clean out of consideration for the environment as well as safety concerns

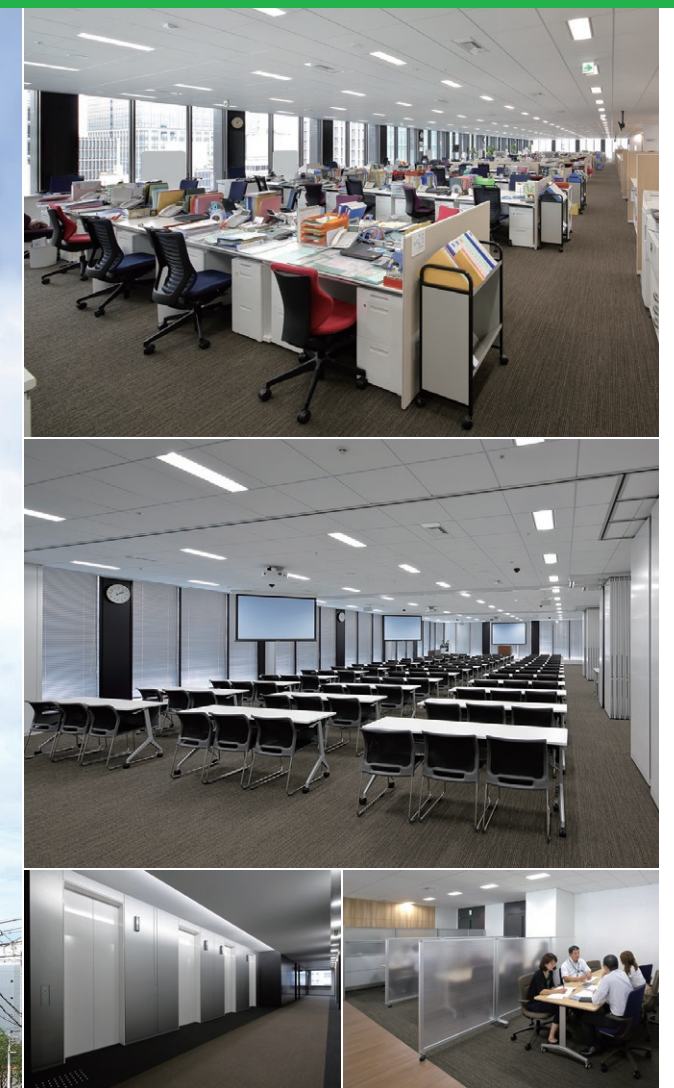


Making use of the factory roofs by installing solar power panels

Work Completed on New Disaster-Proofed, Environmentally-Friendly Osaka Head Office

Work on Hanwa's new Osaka Head Office building (HK Yodoyabashi Garden Avenue) was completed in July 2015. The new building is designed so that it gives thorough consideration to emergency situations and at the same time, it also makes maximally efficient use of wind and light effects, is thrifty about wasting electricity, and is well ventilated.

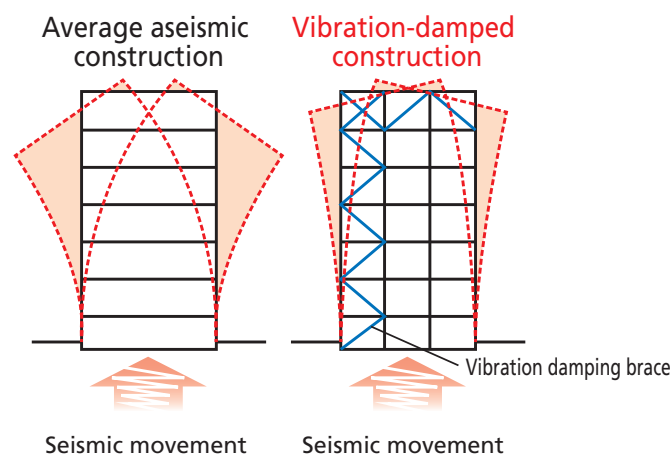
All this makes it possible for us to provide our employees with a safe and pleasant working environment. The new office building received an Honorable Mention of New Offices in Kinki Region, in the 29th Nikkei New Office Awards.



Disaster prevention performance

(1) A-grade aseismic performance

The HK Yodoyabashi Garden Avenue Building, our new Osaka Head Office building, was built atop 37 steel pipe and concrete expanding piles sunk 30 meters down to the bearing stratum. Aseismic performance was improved by using vibration damping braces in the building's core, arrayed to provide good balance at strategic points.



(2) Flood and flood-damage countermeasures

The level of the ground floor is set 50 centimeters higher than the road that runs out front. At three steps or so up from the pavement, this feature takes on the role as a waterproofing plank. The building has also been designed with the machinery, switch, and generator rooms on the roof, so that they would not be affected even if flood waters were to exceed the height of the steps.

The slope that runs off underground is likewise fitted with electric-powered waterproof panels that operate automatically when a certain volume of rain is detected.



Business continuity planning-related measures

● Electric power

The new building improved the reliability of our ability to secure power supplies in the event of a disaster-caused outage by getting our electricity from two transformer stations in separate locations. An emergency power generator installed on the roof will provide power to such equipment as sprinklers and emergency elevators.

● Air conditioning

When disaster strikes, a generator-equipped gas heat pump chiller unit will operate and run the air conditioning at about 40% of regular levels in the event that electric power has stopped but gas is still being supplied.

● Water supplies and drainage

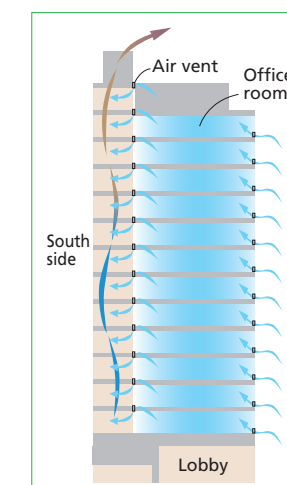
The drinking water and general service water systems together maintain a stockpile of one day's worth of water for their taps. An emergency cesspool that can discharge stored sewer water has been installed in the basement.

● Gas

Medium pressure gas pipes with superior aseismic performance have been shunted around the grounds to provide maximum support for getting around stoppages caused by breaks in the supply routes.

Designed with the environment in mind

The building's layout reduces air conditioning costs by placing elevators, toilets, kitchenettes, and similar facilities on the south side so as to cut off the sun's rays. 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. Furthermore, the building has ventilation equipment installed 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.



Lights go on when the temperature difference is suitable for ventilating with outside air

Lighting and air conditioning control systems

We employed a lighting control system that manages illumination through sensors based on each floor being divided up into 22 sections. The system automatically detects whether people are present or not and whether a room is bright or dark, and then adjusts the illumination accordingly. For the illumination, we adopted LED lighting with its superior energy conservation effects.

The office areas employ an out frame construction without a single pillar, making for quite airy spaces.



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

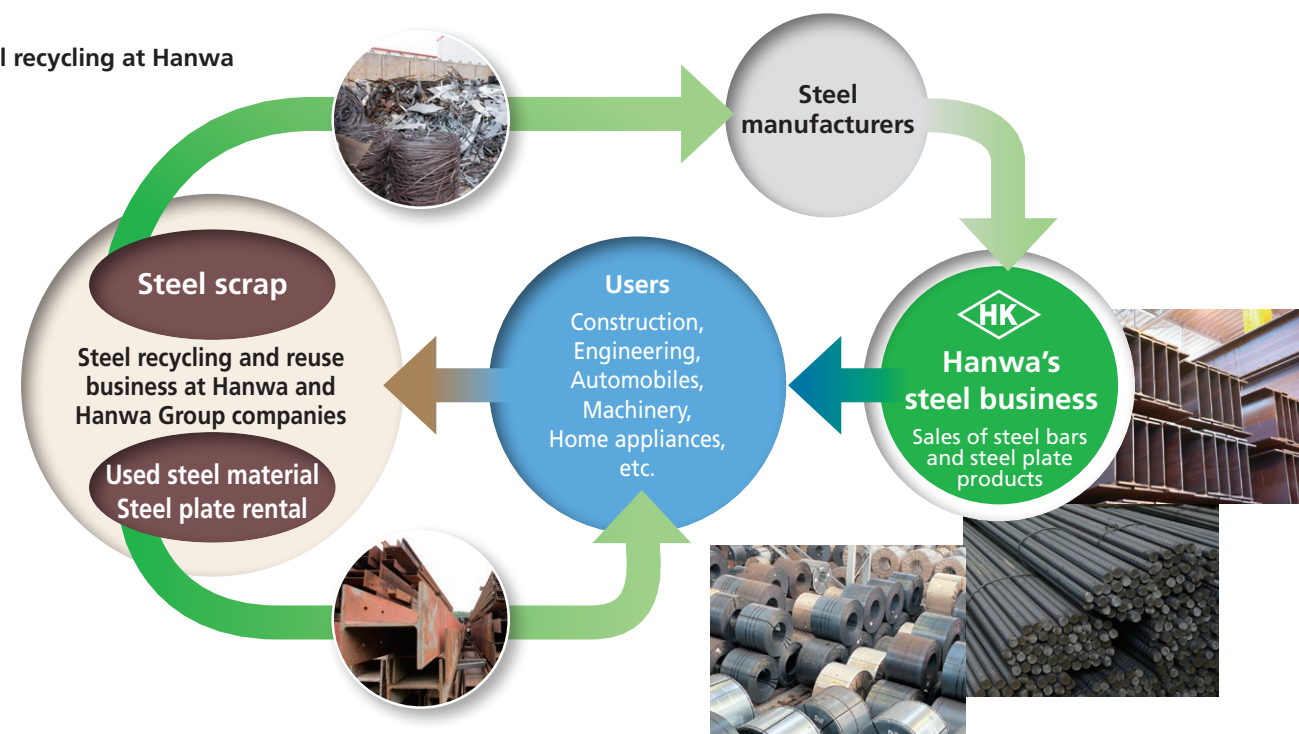
Hanwa's steel business follows two different types of flow cycles, a primary cycle in which we are engaged in the sale of steel materials to users in a wide variety of fields, including construction, engineering, automotive, machinery, home appliances, and others, and a secondary cycle in which we are 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 prepared by Hanwa Eco Steel Corporation are being utilized in a variety of situations such as through rental for use as scaffolding in road repair and construction work in affected areas hit by the Great East Japan Earthquake

Steel recycling at Hanwa



- Steel products business
- Non-ferrous metals and alloys business
- Petroleum and chemicals business
- Food products business
- Lumber & plywood business
- etc. Other environment related business

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 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,



Recovered titanium scrap

we are engaged in expanding a rare metal scrap processing business that caters to the specific needs of customers as a "global metal recycler."

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.



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 which plays a central role in our non-ferrous scrap metal recycling business in Southeast Asia, and thereby further enhances our ability to trade non-ferrous scrap metal in

that region.

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.

"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

In Japan, Hanwa draws on its capabilities as a trading company in the business of supplying raw materials to steel pallet manufacturers, while overseas we draw on such capabilities in the course of building systems for manufacturing products and in supplying domestic and overseas manufacturers with products designed to make cargo loading operations more efficient, offered in sizes and shapes matching dimensions of goods to be transported. 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.



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.

Reviving forestry and boosting regional revitalization through timber exports

Hanwa began exporting timber from forest thinning operations in 2007. It has been supplying such timber to China, Taiwan, South Korea, and other countries with burgeoning demand for lumber products. In addition to efforts that include fostering deeper ties with local governments and prefectural forest cooperatives and sourcing timber from their respective regions, we also purchased 20 hectares of private woodlands in Miyazaki Prefecture in 2014 and set up an end-to-end distribution framework that spans operations ranging from timber harvesting to export.

In the business of exporting timber from forest thinning operations, we are seeking a more diverse range of unprocessed lumber buyers in order to lift price levels and furthermore consistently maintain sales without being subject to the volatility of the domestic market. We have launched exports of some lumber products and are tapping markets in Japan and overseas drawing on Hanwa's trading company capabilities to create fresh sources of demand and maintain steady shipments. Furthermore, we will focus on generating employment opportunities and promoting stewardship of forests.



Increasing volume of exported timber from forest thinning operations is revitalizing the port

Obtaining FSC®-CoC and PEFC-CoC certifications for forestry preservation and product use

Hanwa is a CoC-certified company (FSC®C018719) that holds certifications from the Forest Stewardship Council® (FSC®) and the Programme for the Endorsement of Forest Certification Schemes (PEFC). The FSC® and PEFC CoC certifications verify that certified material such as lumber manufactured and sourced from properly-managed forest is identified or kept segregated from non-certified or non-controlled material in the process of distribution. By obtaining the certifications, Hanwa is committed to further improve lumber product production with environmental considerations.



PEFC-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 CO₂ emissions reduction through business initiatives involving biofuels.

Woody biomass fuels

Hanwa engages in business involving palm kernel shell (PKS) and forest biomass, as well as woody biomass fuels mainly derived from wooden pallets 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. Because biomass is carbon neutral, use of such fuels also helps prevent global warming.

We hold a stake in the new power company eREX Co., Ltd. and are now supplying PKS to the company as it embarks on operations that involve generating electricity using biomass fuels. Looking ahead, we will focus our efforts toward creating an end-to-end, integrated framework with regard to electric power.



PKS collection point



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 in order 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 126 partner companies (including 59 companies in Tokyo and Tohoku, 22 companies in Nagoya, and 45 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)



Construction of Japan Display Inc.'s Ishikawa Plant Work completed with zero accidents and zero workplace incidents

From approximately three months since September 2015, Hanwa carried out a project to put up insulating sandwich panels (covering 45,000 m²) outer wall of Japan Display Inc.'s Ishikawa Plant. Some 1,500 workers were on the job, which they completed with no accidents or workplace incidents.

The record of no accidents or workplace incidents was achieved with the guidance of our Steel Structure Marketing Department and Group company S.K. Engineering Co., Ltd. The joint initiative targeted promoting meticulous safety control on the factory floor, through such measures as:

- Stationing a safety watchman who made exhaustive efforts to do away with unsafe behaviors;
- Sharing information at daily morning meetings about how jobs are set up and issues of concern to raise safety awareness among all staff members;
- Keep staff members in good shape by being sure to speak with them on the factory floor and in that connection rotate personnel smoothly; and
- Avoid dangers promptly with diligent patrols on site conducted by staff from S.K. Engineering and the business proprietor.

Recycling of other materials

Used paper

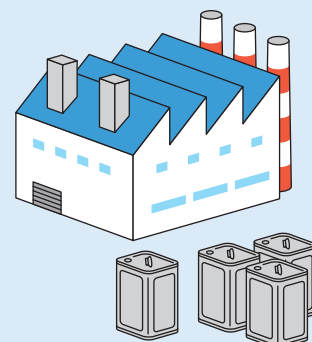
Hanwa has been selling a wide range of recyclable used paper products ranging from old newspapers, cardboard, and other standard paper types to more specialized, high-quality types such as milk cartons to domestic paper product manufacturers for thirty years. In recent years, we have also been engaged 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 of late. 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.



Food products business Ensuring food safety and security through proprietary system involving rigorous checks

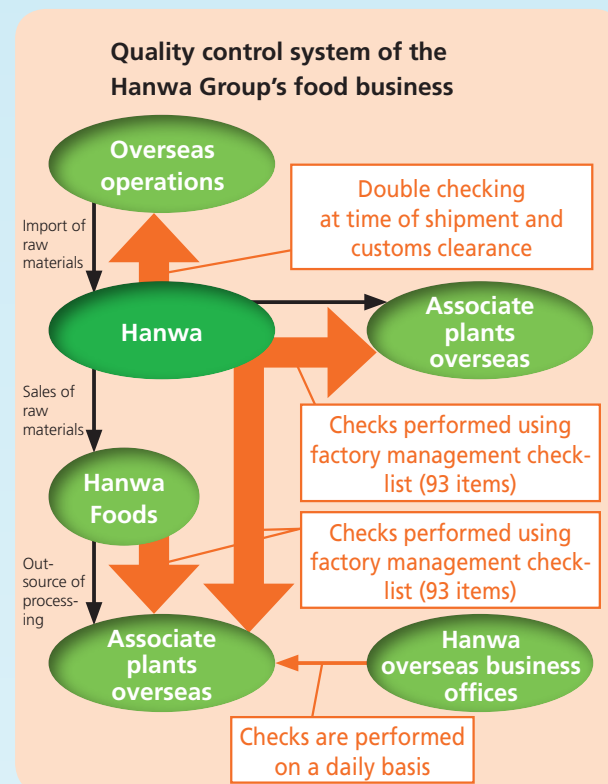
Hanwa's food department procures raw materials from around the world and has been ranked as one of the leading importers of marine products. We process food products in line with end-user needs at our associate plants in China, Vietnam, Indonesia and Thailand, which have been set up to provide top-notch 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. We also double check food raw materials purchased from overseas when such items are shipped and also when they pass through customs.

In 2014, Hanwa representatives visited roughly 30 associate plants overseas where we completed inspections involving 93-item factory management checklists, and consequently issued improvement demand books seeking exhaustive improvements when necessary. We are also implementing food defense plans and other measures to prevent food contamination, through initiatives that include installing greater numbers of surveillance cameras and implementing more rigorous employee education. Along with these initiatives, we are also making sure that food sales representatives and national staff members of overseas business offices perform checks on a daily basis.

Hanwa Group company Hanwa Foods Co., Ltd. uses raw materials that have undergone rigorous inspections, processes its foods, including its original products, using our associate plants overseas, and sells its products to buyers such as mass merchandisers, conveyor belt sushi restaurant chains and food wholesalers.

We deliver safe and secure food products to users and consumers on the basis of these stringent checking procedures.



A laboratory for microbiology testing, established in January 2014. A proprietary microbiological testing processes are performed at the laboratory by two quality control managers.

Around 200 of the approximately 800 types of products that Hanwa Foods Co., Ltd. handles are original items unique to Hanwa Foods.



The Ferris wheel at Excity

Initiatives of Hanwa Group companies in Japan

● Hanwa Logistics Osaka Co., Ltd. conducts tsunami evacuation drill

Hanwa Logistics Osaka Co., Ltd. in association with its affiliates on November 11, 2015, conducted a tsunami evacuation drill.

The exercise was conducted with everyone's sights set on how to evacuate when a tsunami arrives, based on the scenario of a Nankai Trough Earthquake as has been forecast.

The participants got some valuable experience from carrying out an actual evacuation based on the manual setting codes of practice for such an event, as they headed on foot to offices in the evacuation site designated by Sakai City.



Employees participating in a tsunami evacuation drill

● Hanwa Logistics Tokyo Co., Ltd. Funabashi Factory carries out disaster-preparedness drill

Hanwa Logistics Tokyo Co., Ltd. Funabashi Factory on December 4, 2015, carried out a disaster-preparedness drill. The exercise hypothesized that fuel oil had flowed into an oil separator tank, and participants engaged in first-response measures and sprayed water from fire-extinguishing equipment.

Based on comments received from Sakurajima Futo Kaisha, Ltd., which stores petroleum for Hanwa Logistics Tokyo, the Funabashi Factory Fuels Team made improvements to their approach.



Employees participating in a disaster-preparedness drill

Initiatives of overseas coil centers

● Holding plant manager meetings for all plant managers

As part of our risk assessment policies, Hanwa annually holds plant managers conference for all plant managers of our coil centers. Here we conduct safety patrols, hold safety meetings, and organize other activities. The 2015 plant manager meeting was held at Hanwa Steel Service (Thailand) Co., Ltd. with plant managers from 14 different Hanwa Group companies in attendance, including those of five companies from Japan, six companies from China, one company from Thailand, one company from Indonesia, and one company from the U.S. As part of efforts to employee training and creating safety control program, we implement various programs.

Holding video conferences once a month to provide opportunities for sharing and using information is one of them and we hold training sessions covering a wide range of topics including maintenance, quality control, and safety control to facilitate the exchange of information between plant managers.



Morning gathering at the coil center



Conference for all plant managers



Attendees of the 2015 conference for all plant managers

Leisure facilities business Working to achieve thorough safety control in the leisure facilities and the industrial machineries

Hanwa deals with machinery for both the leisure sector and the industrial sector through the Machinery department. 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.

Corporate Governance

Hanwa has been striving to win the support of our stakeholders to be regarded as a “valuable company” by fulfilling its social responsibility as a good corporate citizen with complying CSR basic 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 chairman and includes two outside directors. It decides on important management policies concerning the Hanwa Group, and administers and supervises the activities of all the Company’s administrative organizations operating under the Management Committee, comprising 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 an Investments Examination Committee and a Compliance Committee.

Internal Control Management Assessment / FY2015 Annual Schedule

| | | |
|---|--|--|
| Prepare & finalize assessment plan | Develop the assessment plan by April 2015; 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. Your (employees’) role in internal control |
| | Participants | (1) New managers (2) Departments concerned |
| 2. Content of evaluation | Test items | Test schedule for Hanwa and Group companies |
| (1) Control of entire company | Implementation | Aug.-Nov. 2015 |
| | Operation | End of Mar. 2016 |
| (2) Account settlement & financial statement production process control | Implementation | Oct.-Dec. 2015 |
| | Operation | End of May 2016 |
| (3) IT control | Implementation | Oct.-Dec. 2015 |
| | Operation | End of Mar. 2016 |
| (4) Operation process control | Implementation | [Sales department] Jul.-Sept. 2015 |
| | Operation | [Sales department] 1st evaluation: Oct.-Nov. 2015 2nd evaluation: Feb.-Apr. 2016 |
| | Operation review | End of Mar. 2016 |
| (5) Evaluation results | Summary | Apr.-May 2016 |
| 3. Implementation of external audit | Schedule | Jul. 2015-Jun. 2016 |
| | Point of focus | Whether or not the evaluation results are appropriate |
| | Target | (1) Hanwa (2) All domestic and overseas Group companies |

■ 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 has been set up directly under the Management Committee to have dedicated staff assess the effectiveness of the design and operation status of internal control over financial reporting. The Department also conducts additional investigation and report on issues to the Management Committee as requested. Furthermore, the Internal Audit Department liaises with each other by sharing necessary information and streamlining operations as independent organizations.

■ 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 manufacturers employ 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 Ethical 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.



■ 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

Compliance manual distributed to all officers and employees

Environmental Management

Hanwa gained ISO 14001 certification for environmental management systems in April 2000. We have sought to contribute to the environment through a wide range of activities as a trading company, whose burden on the environment is less compared to manufacturers. Believing that “setting objectives and goals to improve performance, and working towards such goals, will lead to reducing the environmental burden,” every employee at Hanwa engages in business believing that their daily efforts at work translate to participating in environmental conservation.

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.

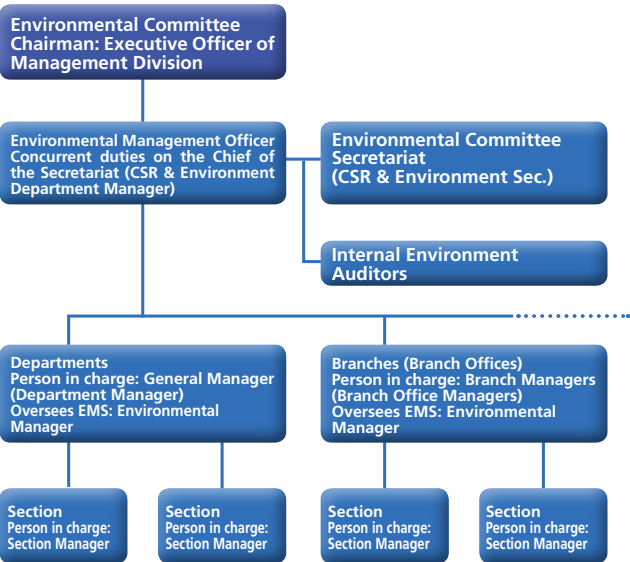
Hanwa Co., Ltd. will inform all employees of this policy and actively encourage them to recognize the importance of environmental preservation. This environmental policy will also be made available to the public.

(Revised May 31, 2016)

■ Environmental Management System (EMS)

Hanwa operates an Environmental Management System (EMS) under an integrated management system, where the system is chaired by our executive officer of management division and overseen by the Management Committee serving as the Environmental Committee. 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 was 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, and we believe that we have been successful in our efforts by contributing to the increased prosperity of our stakeholders. In addition, 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 for 30 departments was conducted from July 2, 2015 to July 8, 2015 and for 20 departments from November 16, 2015 to November 25, 2015. 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

■ External Audit

LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 10 departments including an extended examination from August 3, 2015 through August 5, 2015. In addition, audit was conducted from January 26, 2016 through January 28, 2016 for 11 departments. The audits focused on whether the EMS was effectively implemented at the respective sections.

■ Management Review

A management review on activities in FY2015 was conducted during the Environmental Committee meeting on May 31, 2016.

■ Promotional Activities

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

In 2015, the sessions were conducted on March 18 for new managers, on April 2 and April 3 for new employees, and on May 13 and May 15 for new environmental managers. At each session, an outline of the ISO 14001 standard was given, and the environmental management manual was explained with focus on legal compliance, crisis management, effective use of resources and business improvement.



The environment education seminar for new employees

● The number of organizations that have acquired ISO 14001 certification

Domestic offices 17
Domestic Group companies..... 3
Overseas Group companies..... 14

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



ISO 14001 certification (17 domestic offices, 3 domestic Group companies)

2015 Environmental Activities Summary

2015 Environmental Activities

| Guidelines for Corporate Action | Goals & Objectives | Major Activities in FY2015 |
|--|--|--|
| Continuous improvements in the EMS | Continuous improvements in the EMS | Implementation of both internal and external audits |
| 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 | Implementation of Action Plan for saving electricity in the summer time |
| | 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 Expansion 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 FSC®-CoC (FSC®C018719), PEFC-CoC, and MSC-CoC certifications, and expanded handling of related merchandise |
| Promotion of environmental awareness | Promotion of the environmental education campaign toward employees | Environmental training for new employees, newly appointed managers, and newly appointed environmental managers Distribution of environment-related information to employees via e-mail newsletters |

■ Installation of expansion solar panels

Hanwa has equipped the extensive rooftop of the Hanwa Logistics Osaka Co., Ltd. (Sakai City, Osaka, Japan) 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 recently installed on the South Building (front section of photo)



Solar power monitor provides instant visual feedback on system performance

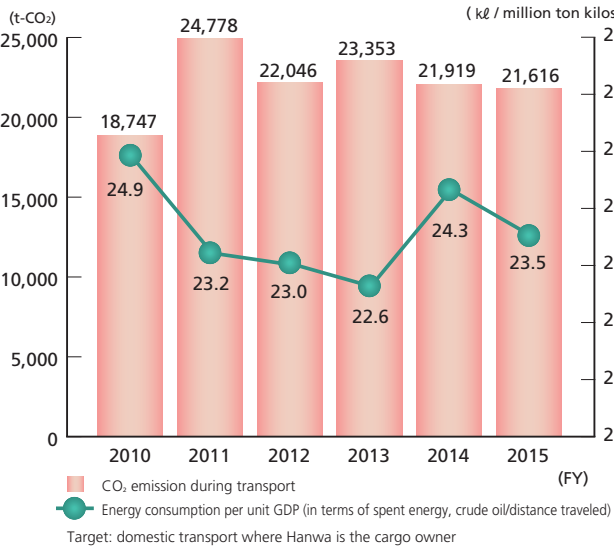
■ Global Warming Prevention Measures (CO₂ reduction)

● Endeavors as Consignor

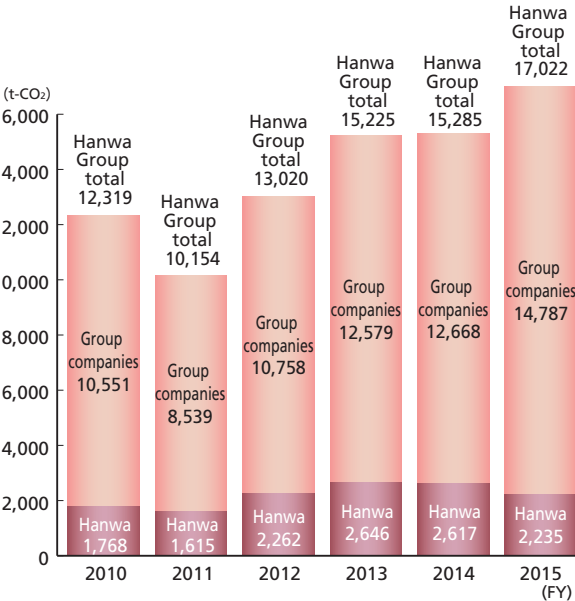
As a company involved in the distribution of goods, Hanwa has been working to reduce the energy volume of transportation since FY2006. Through the cooperation of our Group companies, Hanwa Logistics Tokyo Co.,

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

Implementation of the Action Plan for Saving electricity through the summertime in FY2015 (Making efforts to 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
Installing 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



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.



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.

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 FY2014, members of the sixth Annual Overseas Trainee Program went on to training in Singapore. We also provided workshops for around 550 employees to help them improve their English language skills in FY2014. There are currently 112 employees working at 43 locations overseas, and the London Branch welcomed Hanwa's first 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 after-sales 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 on March 2 and March 3, 2016, hosted the 2nd National Staff Training session. 20 national staff members in all from 16 sites in 12 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 in, an inspection tour had also been set up for Day 3 that visited Hanwa Logistics Tokyo Co., Ltd. and Nippon Steel & Sumitomo Metal Corporation's Kimitsu Works. More than half of the participants took part in this inspection tour.



● 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

Hanwa makes an effort to provide 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 Great East Japan Earthquake, disaster relief in areas affected by other disasters both within Japan and overseas, and support for the 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 to 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.

Support for areas affected by the Great East Japan Earthquake

- Participation of the IPPO IPPO NIPPON Project
- Kizuna Koshien Baseball Tournament



Hanwa supports recovery and reconstruction of the Tohoku Area through the IPPO IPPO NIPPON Project

Support for arts, sports, and cultural activities

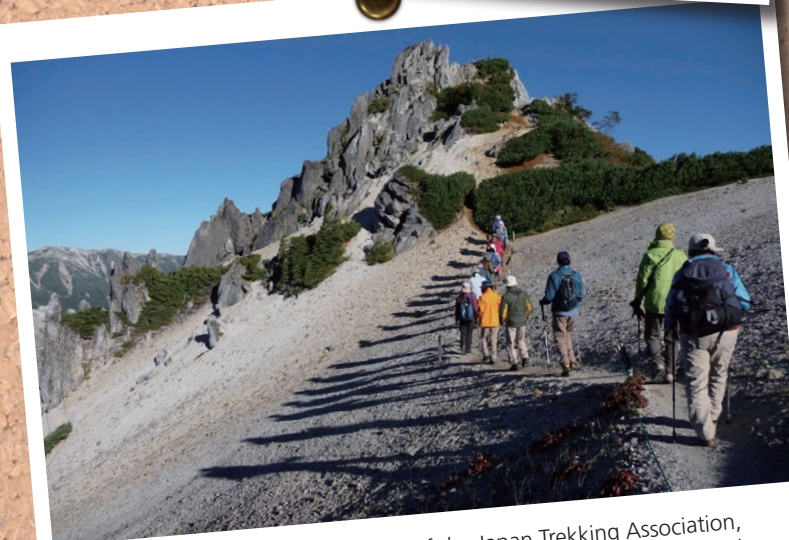
- Japan Public-Private Partnership Student Study Abroad Program
- Japanese Foundation For Cancer Research Project (upgrading cancer treatment facilities and improving cancer diagnostic services)
- Meieki Takigi Noh -outdoor firelight Noh (Executive Committee of Meieki Takigi Noh)
- Japan Symphony Foundation
- New Japan Philharmonic
- Japan Philharmonic Orchestra
- Sports Promotion Fund
- Japan Trekking Association
- Grant for technological development of equipment for aquatic environment using carbon fibers (Gunma National College of Technology)
- Aichi Triennale (International Art Festival)
- Hosting and sponsoring of wheelchair basketball matches
- Sponsoring the 15th National Cutter Championships for marine high schools
- Sponsoring Hakuba International Music Festival
- 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)



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



Lecture program geared toward adults in the workforce, students and others



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 Monzennakacho, 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)



The Tokyo Head Office has sponsored and participated in the Tsukiji Shishi Matsuri Festival



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.



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

Hanwa Scholarship Foundation

Cultivating capable persons for our society

The Hanwa Scholarship Foundation was established in April 1957 as a part of activities to commemorate the 10th anniversary of Hanwa's establishment. When the scholarship program began, Japan's economy was starting to improve but economic restraints still prevented many talented and ambitious students from attending schools.

Jiro Kita, founder of Hanwa and the first chairman of the Hanwa Scholarship, also experienced difficulties in receiving higher education, and established the foundation in hope of "cultivating capable persons for our society" by offering scholarships and alleviating the economic burden of the students. The foundation started with a contribution of ¥10 million when Hanwa's own capital was ¥100 million. Jiro Kita continued his support in developing the Hanwa Scholarship which has to this day offered scholarships to over 1,000 students.

Although our nation has become much more prosperous, we now face widening disparities, deteriorating social morals, falling education standards and people's diminishing self-awareness that they are members of society, thereby prompting active debate on reviving education. Our hope is to see young people who will eventually lead the next generation gain firm insights into politics, economies and cultures

within the global community of the 21st century, thereby facilitating their growth toward becoming talented individuals who rank among other capable youth from around the world.

Designated as a Public Interest Incorporated Foundation on April 1, 2011, the Hanwa Scholarship Foundation cherishes the spirit of our founder while conforming to the spirit of the new public interest corporations system. In that capacity, we will continue to pursue this undertaking, drawing on our distinctive characteristics as a private scholarship foundation.

As one initiative in that regard, from FY2015 we launched a study abroad scholarship program where each recipient receives a set benefit amount of one million yen. Whereas numbers of Japanese nationals taking part in overseas study have been decreasing even as the world becomes increasingly globalized, we aim to continue providing support that facilitates the growth of talented individuals with future potential to play important roles overseas. To that end, we hope this scholarship program makes it possible for as many motivated and capable students as possible to take part in foreign study opportunities that help them expand their horizons, develop their knowledge, and build networks of contacts.



Jiro Kita
Founder,
Hanwa Co., Ltd.

Message from a Hanwa Scholarship recipient

Second-year student, Graduate School of Engineering, Kyoto University

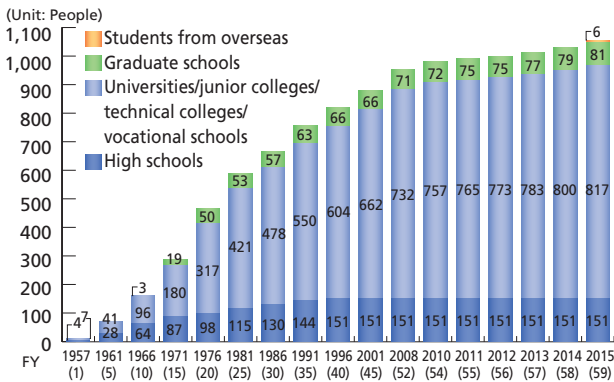
Mr. Yusuke Miyata

I am a Kyoto University engineering graduate student currently studying the connection between water resources and society at Stockholm University. To get a broader take in learning about my field of research, I had decided that I would study abroad when I reached the second year of my graduate program. However, I was concerned about the enormous expenses required to prepare for making the trip. Moreover, I was also worried about where I would get the money from to cover the cost of living for studying in a region like northern Europe where prices are high. Right as I was worrying about these things, I was selected to receive the Hanwa Scholarship, and it made it possible for me to smoothly move forward on my preparations for the trip and with studying. I am also tremendously grateful, now in Stockholm, as I am able to concentrate on my studies and lead an extremely satisfying life as a student studying abroad. It is my sincerest hope that the Foundation's thoughtful social action programs will continue to enable many students to flourish in a variety of fields and settings.

50 years of experience and an expanding network

The Hanwa Scholarship Foundation's net assets in FY2015 totaled 587.4 million yen, and the number of recipients totaled 1,055. Of those recipients, 81 were graduate students, 817 were university students and the like, 151 were high school students, and 6 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 FY2015

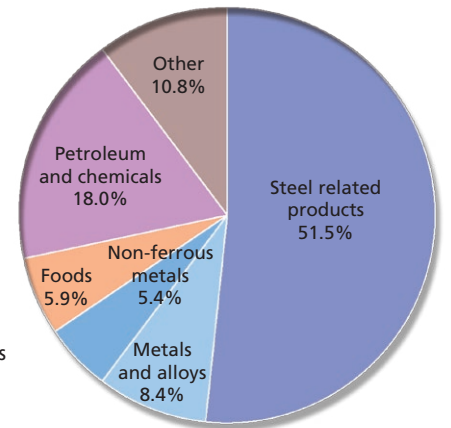


Company Profile (As of April 1, 2016)

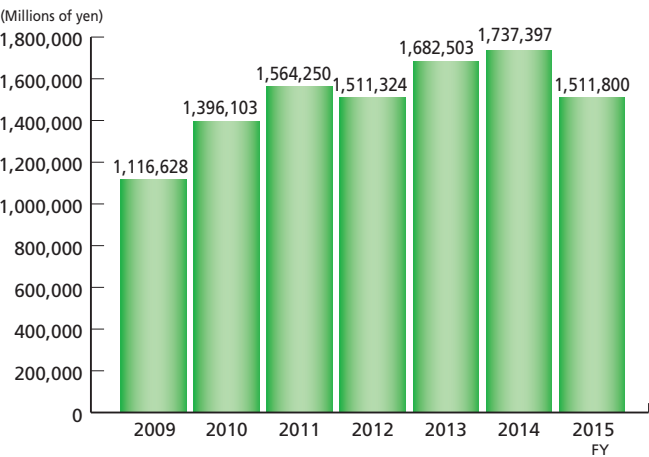
| | |
|-------------------------------------|--|
| Corporate Name: | Hanwa Co., Ltd. |
| Chairman: | Shuji Kita |
| President: | Hironari Furukawa |
| Date Established: | April 1, 1947 |
| Paid-in Capital: | ¥45,651 million |
| Number of Employees (Consolidated): | 2,977 (as of March 31, 2016) |
| Line 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, Kanto 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 |

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|--------------------------------|--|
| 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 Co., (Hong Kong) 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 |

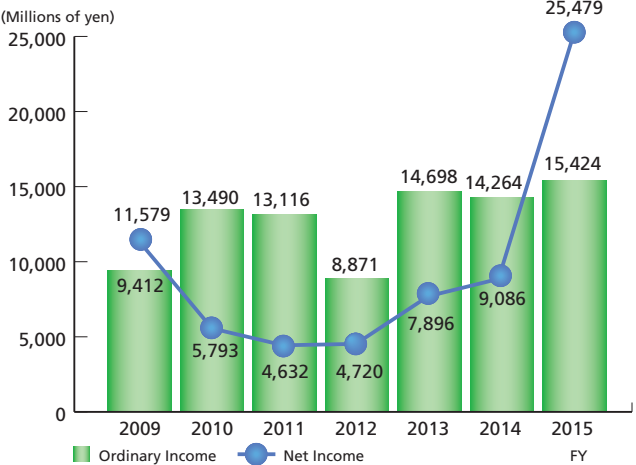
Composition of Net Sales by Segment (April 1, 2015 to March 31, 2016)



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, 2015–March 31, 2016 (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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