ANNUAL REPORT 2009

For the year ended March 31, 2009

HANWA CO., LTD.

阪和興業株式会社

Corporate Profile

Since its establishment in 1947, Hanwa has contributed to the development of the Japanese economy as a trading company handling industrial materials, such as steel — the company's leading product — and non-ferrous metals, food products, lumber, machinery, petroleum, chemical products, and cement. Our steel division in particular is equipped with quay and warehouse transportation facilities as well as complete processing sites that enable us to both handle large quantities purchased from major steel manufacturers and to cater to the special needs of our customers. This is why we have long been known in Japan as a "steel trading company."

Recently, with the changes and diversification of the domestic market, we have demonstrated new capabilities as a trading company by handling seafood products, rides for amusement parks, and non-ferrous metal recycling. We have created numerous businesses in these fields that command the top market share. The basic strategies underlying such success are internationalization, business diversification, and value enhancement.

Hanwa's ideal function as a trading company is to be more than just a distributor. Based on our insight of the international market and information-gathering capabilities, we aim to develop new products, as well as coordinate ventures among businesses. As a trading company with such operating skills at our disposal, we will continue to develop new unique businesses.

About the Cover

The Chinese character for the syllable *wa* of Hanwa's name has four meanings in Japanese: Japan, harmony, sum (as in addition) and peace.

These key words capture the essence of Hanwa's ideals: to trade products that meet the needs of customers through a business relationship with the countries of the world, incorporating new ideas into the products to bring peace and harmony to people's lives.

Contents

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Financial Highlights

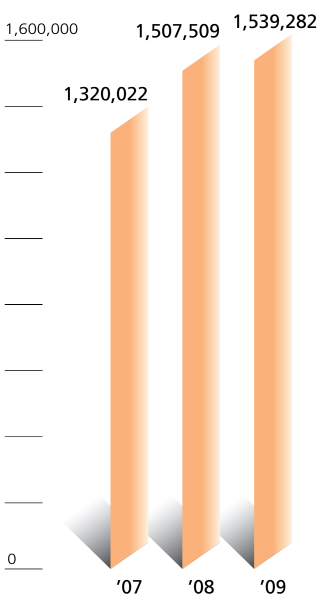
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
For the year:				
Net sales	**¥ 1,539,282**	¥ 1,507,509	**$ 15,670,182**	$ 15,346,727
Operating income	**17,451**	23,705	**177,654**	241,321
Net income	**5,997**	13,118	**61,051**	133,544
At year-end:				
Total assets	**¥ 479,379**	¥ 482,014	**$ 4,880,169**	$ 4,906,994
Total net assets	**94,913**	100,926	**966,232**	1,027,446

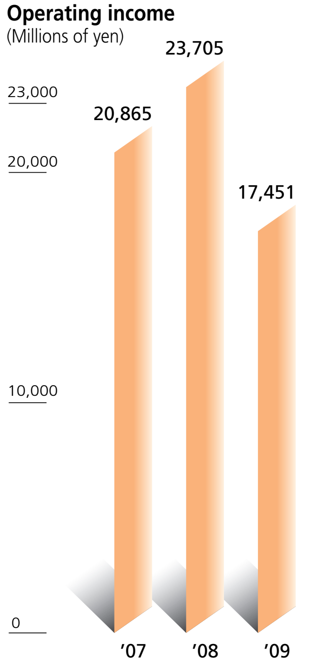
	Yen		U.S. dollars	
	2009	2008	**2009**	2008
Per share data:				
Net income	**¥ 28.47**	¥ 62.07	**$ 0.290**	$ 0.632
Cash dividends	**12.00**	12.00	**0.122**	0.122

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥98.23 = $1.00.

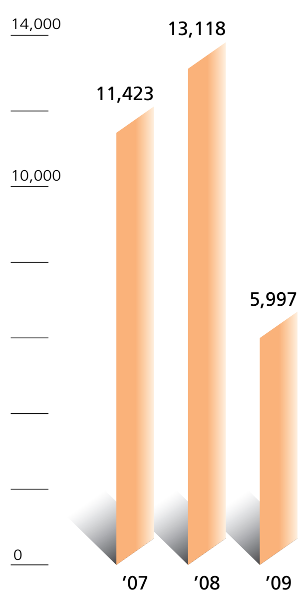
Net sales
(Millions of yen)



Operating income
(Millions of yen)



Net income
(Millions of yen)



Letter to Stakeholders

Dear Stakeholders,

I am pleased to report that Hanwa Co., Ltd. and its consolidated subsidiaries achieved strong sales and earnings in fiscal 2008, the fiscal year that ended in March 2009. Consolidated net sales increased 2.1% to ¥1,539.2 billion, a record high. On profit side, by decrease sales revenue, revaluation losses on inventories, operating income decreased 26.4% to ¥17.4 billion and net income decreased 54.3% to ¥6.0 billion. As a result, the return on equity was 6.2%, a down of 7.1 points over the previous year. The net debt-to-equity ratio increased 20 points to 190%, because interest-bearing debt increased.

Management Policy

HANWA's corporate Philosophy is "Coping with changes of times and the market quickly, we make a greater contribution to the society by satisfying various needs of customers as 'a distribution specialist.'"

Based on this philosophy, our priority is to put customers first as we distribute products that have more added value and build a business model that provides customers with ideas that match their needs. Our overall goal is to provide trading company-style distribution services that make a difference for our customers. Furthermore, we want to increase our corporate value in a manner that gains the support and appreciation from all stakeholders. Compliance is another priority. We are committed to being a responsible corporate citizen, functioning as an organization that uses business activities to make social contributions on both a local and global scale.

Dividend Policy

Returning earnings to shareholders is an extremely important element of our management goals. Our basic policy is to pay a dividend that reflects operating results in each fiscal year, based on the return on equity and dividend payout ratio. Dividends also reflect the need to retain sufficient earnings to fund future business activities and our base of operations.

Retained earnings are used to bolster our base of operations and make substantial investments in growing businesses and new businesses. In all cases, our goal is to raise Hanwa's corporate value.

Management Targets

Hanwa places importance on performance indicators that contribute to improving corporate value and financial soundness. Accordingly, targets have been established for the return on assets, return on equity and net debt-to-equity ratio. For fiscal year ending March 31, 2010 based on the New Mid-term Business Plan are as follows:

Targeted Management Index	FY2009 (ending March 31, 2010)
ROA	2.4%
ROE	11.0%
D/E Ratio (Net basis)	150.0%

Medium- and Long-term Strategy, and Management Issues

In May 2007, we established a Mid-term Business Plan that covers 3-year period from FY2007 through FY2009. The focus of this plan is "We aim to be a value creator with a remarkable identity and advantage by strengthening the function and differentiation." It sets a number of management goals and describes the initiatives that will be taken to achieve them.

(A) Strengthening the core business

Steel business

- Enhancement of processing functions for construction, proposal-driven marketing and steel service business
- Further development in various fields through proposal-driven marketing and interdivisional cooperation
- Enhancement of business in the field of structural steel sheets by differentiated products and reciprocity

- Meeting real demand in each community completely through branch offices
- Reinforcement of meeting the demand of processing on the basis of coil centers in China and ASEAN
- Focus on exportation of steel products for high quality, special and niche specs

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

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

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

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

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

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

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

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

(E) Vigorous management by aggressive investments on projects and establishment of partnership
- Promoting business alliance with companies, which strengthen our function and supplement each other. Development of M&A. Support for business succession
- Strengthening and expansion of distribution business by cooperation between Hanwa Logistics and other distribution companies
- Cooperative development of new business scheme with customers in each area

• Cooperative scheme with processors to support Japanese manufacturers in overseas
• Strengthening the field of food processing by cooperation with food processors
• Supposed total investment from FY2007 through FY2009 ... 20 billion yen — "strategic business investment" besides "investment aiming of strengthening business functions"

With regard to corporate systems, we will make compliance activities a central element of our business operations. This will enable us to conduct CSR management in order to fulfill our social responsibilities as a company. We are also committed to meeting the expectations of shareholders. For this purpose, we will further reinforce our corporate governance systems and maintain a framework of internal controls designed to ensure the effectiveness of these systems.

Corporate Governance

Basic corporate governance policy

We aim to fulfill our social responsibilities as a good corporate citizen so that we can gain and retain the respect from stakeholders and be recognized as a valuable enterprise. We work to establish a high degree of transparency in management systems to ensure full legal and regulatory compliance and respect for social norms.

Corporate governance structures

We have adopted the system of corporate auditors as stipulated in the Corporate Law of Japan. Auditors are elected at the General Shareholders' Meeting, and are responsible for overseeing and auditing the performance of the Board of Directors, as well as the Management Committee, which is the main body responsible for execution of policy by subordinate company structures. The Board of Auditors reports to the General Shareholders' Meeting.

The Board of Directors, which is composed of directors whose are elected at the General Shareholders' Meeting, meets as a rule once a month to oversee important business plans and proposals concerning the Hanwa Group, and to deliberate and decide all key business policies.

The Management Committee, which is composed of the president, executive vice president, senior managing directors, managing directors and a few directors, reports to the Board of Directors on all matters related to significant business decisions affecting the Hanwa Group. As the senior policy execution body in the company, this committee is charged with carrying out policies in line with the business strategy determined by the Board of Directors. The Management Committee meets as a rule twice a month.

Chaired by the president, the Directors Evaluation Committee meets two times a year, which is charged with assessing commitments made by directors and making overall performance evaluations on a mutual basis. Director remuneration and assignments reflect the level of evaluation, in line with meritocratic principles. In addition, we defined each director's responsibilities for business results and introduced the profit-related remuneration system.

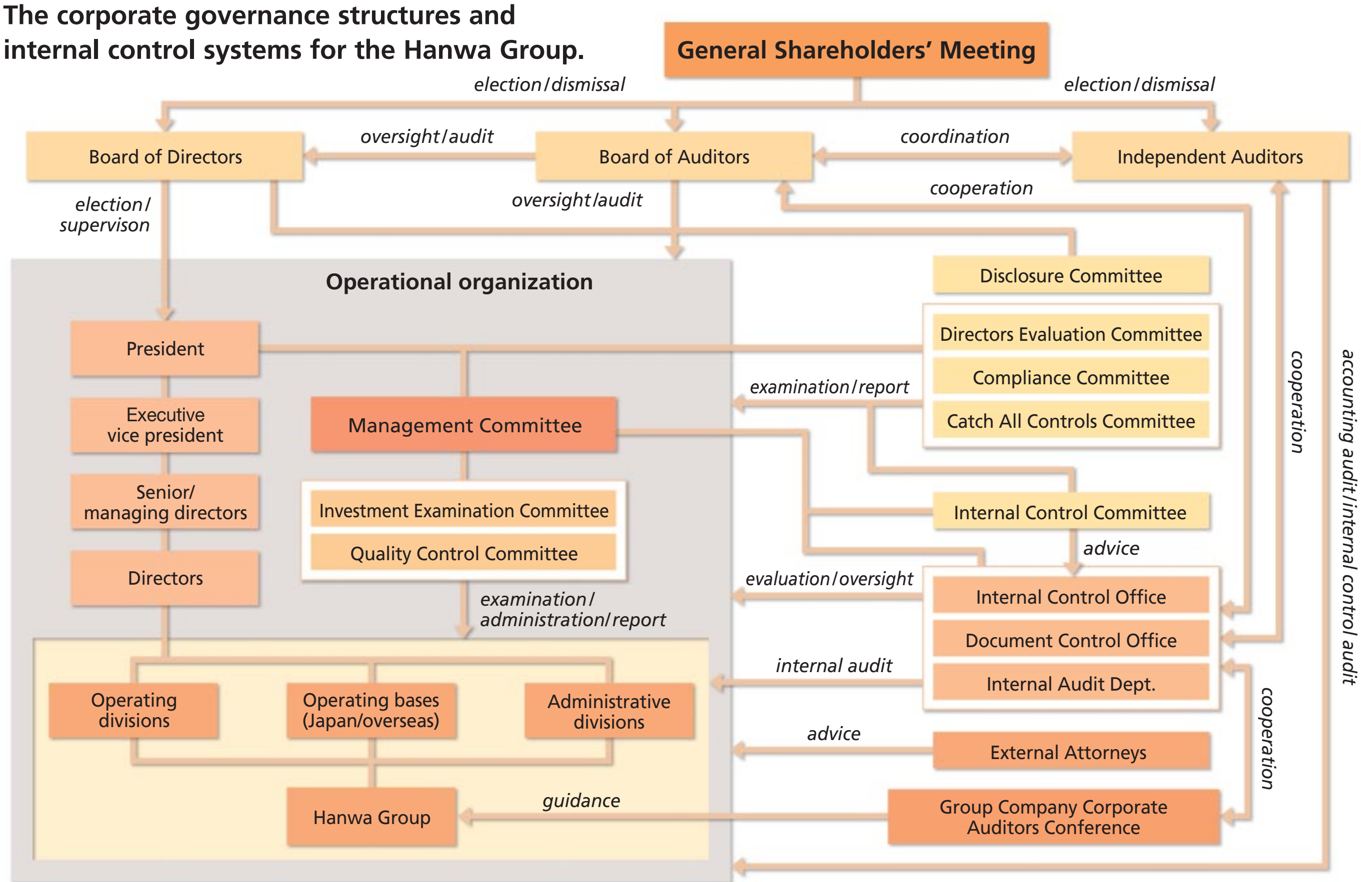
Internal control and risk management system

The Board of Director defined for the establishments of the system for ensuring the Directors' execution of operations comply with Laws, Regulations and Articles of Incorporation.

1. Systems to ensure that performance of duties by its directors and employees complies with laws and regulations and its articles of incorporation
   a) Hanwa has established standards for corporate ethics and ethical behavior in accordance with the company creed, guidelines and other elements of the Hanwa's corporate philosophy.
   b) Hanwa has established a Compliance Committee chaired by Hanwa's president to prepare a compliance manual for distribution to all Hanwa executives and employees. In addition, the committee will verify that compliance programs are being used effectively.
   c) Hanwa has established a consultation service (using the Compliance Committee and external attorneys) where all Hanwa Group executives and employees can obtain advice concerning compliance matters, providing a means of directly reporting compliance problems.
   d) Hanwa cooperates with the police and other authorities to retain a firm stance against forming any relationships with anti-social elements that threaten social order and public safety.

2. Systems to store and control information related to duties performed by the directors
   a) Information related to duties performed by the directors is properly stored in written document or electronically, and these records are stored and managed in accordance with laws, regulations and Hanwa's regulations for document management.
   b) The individual in charge of document management exercises care to prevent the loss, destruction or other harm to the written or electronic records. These materials are stored using security measures physically and logically (including passwords and other restrictions to access) as necessary.

The corporate governance structures and internal control systems for the Hanwa Group.



3. Regulations and systems related to management of risk of loss
   a) Directors and department managers work with the Legal & Credit Department to manage and reduce risks associated with business activities. This involves making all business units aware of regulations for credit management and business operations, and ensuring compliance with these regulations. In addition, there is an Investment Examination Committee that manages investment risks by studying proposals for new business ventures and new investments.
   b) Each business department will cooperate with the General Affairs Department, Information Systems Department, Legal & Credit Department and other units concerning compliance, environmental management, emergency responses, information security, export management and other matters. These risks will be managed in accordance with internal rules, manuals and other guidelines. The Compliance Committee, Catch All Controls Committee and other applicable committees will assist the departments by providing advice and educational support. Advice from external attorneys and other experts will be used as required.
   c) The Personnel Department works with related departments to conduct the training and other educational activities needed to make employees more aware of the importance of risk management.
   d) To verify the effectiveness of risk management, the Internal Audit Department monitors all Hanwa business sites and group companies in Japan based on a pre-determined auditing plan. Internal audit reports are submitted directly to the Management Committee and the company president. The Overseas Administrative Department and the Internal Audit Department monitor overseas group companies and other overseas business sites. All Hanwa directors receive a written audit report every month. In addition, the Board of Directors receive reports on the status of overseas operations twice a year.
   e) For the disclosure of corporate information, Hanwa has established disclosure regulations and uses a Disclosure Committee to reach decisions concerning the importance and suitability of information to be disclosed in order to ensure that information is released to the public in a fair, timely and appropriate manner.

4. Systems to ensure efficient execution of directors' duties
   a) As a rule, the directors meet once each month to reach decisions concerning important group management matters and to supervise the execution of business operations. As a rule, the Management Committee meets twice each month. The members of this committee discuss important matters concerning management and reach decisions. They also submit issues to the Board of Directors that concern important matters involving the group's management.
   b) The Board of Directors established mid-term business plans and annual management plans for the purpose of achieving mid-term and long-term strategic objectives. The directors also monitor the execution of these plans. The president, executive vice president, senior managing directors, managing directors and full-time corporate auditors receive periodic presentations from directors and other managers in charge of business units. This allows the directors to evaluate the status of operations, check progress toward achieving goals and check other items (including revisions to plans and revisions to methods for achieving goals). The goal is to make business operations even more efficient.
   c) The Directors Evaluation Committee chaired by the company president meets twice each year to perform a comprehensive evaluation of the directors' performance. This includes an assessment of the commitments and performance of each director and a mutual evaluation process for all directors. The results are used to determine directors' compensation and for the selection of directors.

5. Systems to ensure proper operations in the corporate group
   a) Hanwa has established regulations for the oversight of affiliated companies and is dedicated to promoting business activities in a comprehensive manner through the efficient management of operations based on mutual collaboration between Hanwa and its affiliated companies.
   b) The Affiliated Enterprises Department monitors business operations at affiliated companies in Japan, providing support for the proper execution of business operations. The department also conducts oversight of these operations. The Overseas Administrative Department is responsible for similar support and management activities concerning overseas affiliated companies and other operations outside Japan.
   c) Compliance, risk management and other systems apply to operations across the entire Hanwa Group. Committees and other supervisory units provide guidance and education concerning the use of these systems.
   d) The Group Company Corporate Auditors Conference holds meetings as necessary. This conference is made up of Hanwa's full-time corporate auditors, the corporate auditors of affiliated companies, the Internal Audit Department and other departments. The meetings provide for exchanges of information involving audits of Hanwa and affiliated companies to provide for the sharing of information.

6. Systems relating to employees assigned to assist the corporate auditors, and the independence of such employees from the directors
   a) There are a few employees assigned to assist the corporate auditors. The employees conduct studies, submit reports and perform other duties as requested by the corporate auditors, always working closely with the auditors. In addition, this employees receive no orders or instructions from the directors or anyone else concerning the directives and orders received from the corporate auditors.

7. Systems for the directors and employees to report to the corporate auditors and systems otherwise pertaining to reporting to corporate auditors
   a) In addition to submitting reports on legally mandated items, the directors submit reports to the corporate auditors on important items concerning compliance. This includes items such as major violations of laws, regulations and the articles of incorporation and reports received by the compliance reporting and consulting service. In addition, the directors submit reports to the corporate auditors at meetings of the Board of Directors, the Management Committee and other important meetings with regard to the execution of business operations and important decisions.
   b) The directors and employees must quickly and accurately respond to requests for reports by the corporate auditors.
   c) The Internal Audit Department will submit reports as required to the corporate auditors concerning internal audits performed under the pre-determined auditing plan. If necessary, this office will conduct studies and prepare reports as requested by the corporate auditors.

8. Other systems to ensure effective auditing by the corporate auditors
   a) The corporate auditors exchange opinions with the representative directors and the directors in charge of business units as required. If necessary, these opinions are announced at meetings of the Board of Directors. In addition, the corporate auditors receive explanations of the financial audit from the independent auditor and exchange information and collaborate in other ways with this auditor.
   b) Hanwa has a system that allows the corporate auditors to attend meetings of the Board of Directors and other important meetings, inspect important documents, perform studies of important departments and subsidiaries, and perform other tasks.

9. Systems to ensure the reliability of financial reports
   a) The Hanwa Group evaluates internal controls concerning financial reports and submits reports on these internal controls in accordance with the Fundamental Policy concerning Internal Controls for Financial Reports. The aim is to operate an internal controls reporting system in an efficient and effective manner.
   b) The Management Committee is responsible for the establishment and operation of internal controls for the entire group. The Internal Control Office is supervised directly by the Management Committee. This department checks and evaluates the establishment and operation of internal controls and submits reports to the Management Committee. The committee uses this information to make improvements as required.
   c) The Internal Control Committee studies issues involving internal controls that are assigned to the committee by the Management Committee and submits reports on the results of these studies to this committee. In addition, the Internal Control Committee provides advice and assistance for the examinations performed by the Internal Control Office for the purpose of evaluating the effectiveness of internal controls at the Hanwa Group. This committee describes its opinions in an Internal Controls Report.

Internal audits, corporate auditor audits and financial audits

Regarding internal audits, Internal Audit Department monitors all business sites and group companies in Japan primarily with respect to accounting and compliance. An internal audit report is submitted directly to the president every month and reports are submitted as required to the Management Committee. Internal Audit Department also functions as the staff for the corporate auditors. The staff members submit reports as requested by the Board of Auditors and remain in constant contact with the corporate auditors. The Overseas Administrative Department monitors overseas subsidiaries and other overseas business sites primarily with respect to accounting and compliance. A report is submitted to all directors every month and a report on the status of overseas bases is submitted to the Board of Directors twice each year. Other reports are given as required in response to requests by the Board of Auditors.

Audits by the corporate auditors place priority on audits designed to prevent the occurrence of misconduct. The auditors perform dialog-style audits to determine the status of legal compliance, internal control, risk management and other items. Additionally, the auditors attend meetings of the Board of Directors, the Management Committee and other important conferences to supervise and audit the performance of senior management. Hanwa's corporate auditors include individuals from outside the group who have rich knowledge concerning corporate activities. These auditors perform the required business audits while maintaining their autonomy from senior management. Furthermore, the auditors exchange opinions with the president and directors in charge of business units to clearly state corporate auditor opinions concerning the Board of Directors.

Concerning the independent accountant, Hanwa has an auditing contract with KPMG AZSA & Co. to perform audits required by the Corporate Law and the Financial Instruments and Exchange Law.

Hanwa's senior management will continue to take the lead in reinforcing the management and administration framework and taking other steps to further strengthen corporate governance.

August 2009

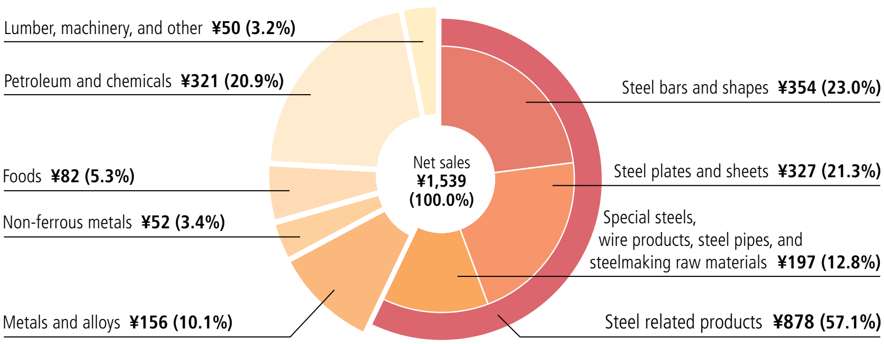
Shuji Kita
President
Hanwa Co., Ltd.

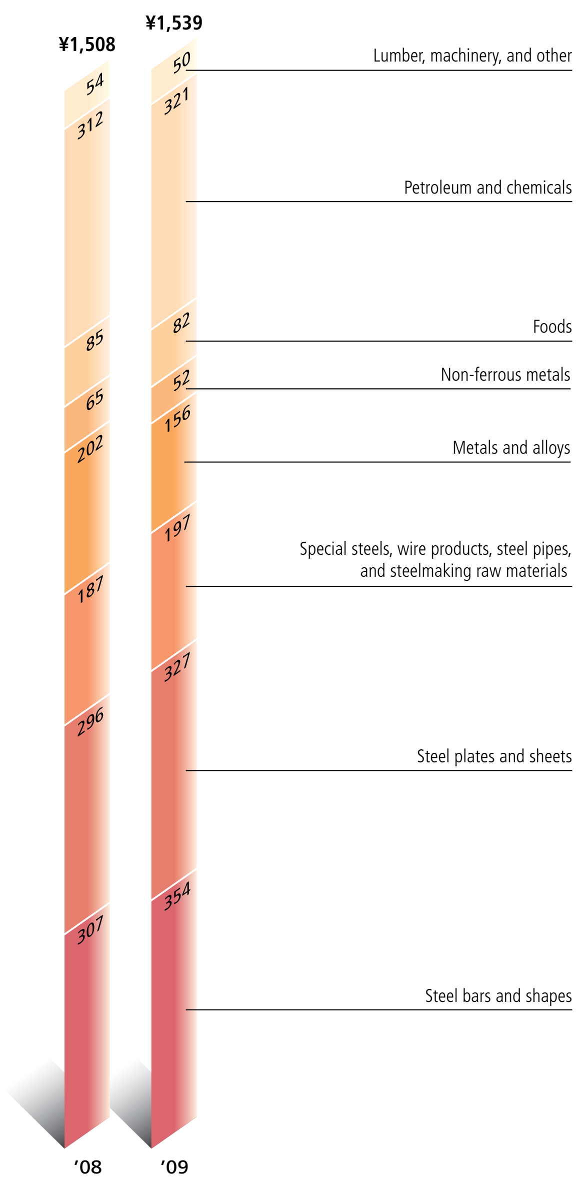
北　修爾
取締役社長
阪和興業株式会社

Review of Operations

For the year ended March 31, 2009

Net sales by Product (Billions of yen)





Steel (Domestic)

Review

Performance of domestic steel business was quite different in the first and second halves of the fiscal year. During the first half, market conditions were relatively good in the construction and civil engineering sector as projects delayed in the prior fiscal year were started. In addition, output at Japanese manufacturers reached an all-time high due to strong exports to emerging economies. Steel market price rose by ¥30,000 to ¥35,000 per ton because of the higher cost of raw materials, which were in short supply in some cases. Hanwa was able to increase prices to reflect the higher cost of purchasing steel and posted strong earnings from sales of products in inventories as well. Market conditions began to change in July. First was a downturn in automobile exports from Japan to Europe and North America as inventories of finished vehicles increased. Next, the failure of Lehman Brothers sparked an abrupt economic downturn. Consumer spending cooled and manufacturers cut output while postponing or canceling capital expenditures. Plummeting demand for steel scrap caused the price to collapse from ¥75,000 per ton to less than ¥10,000. Inventories rose to unprecedented levels at both steelmakers and steel users. As a result, steel market price plunged and Hanwa's sales volume declined and inventory valuation loss of about ¥11.9 billion was posted.

Outlook

By the spring of 2009, demand and prices had stopped falling and companies in some industries had completed their inventory reductions. Most steel users will probably achieve suitable inventory levels by the end of June 2009. Despite these positive trends, prospects for a market rebound are poor due to the extremely uncertain outlook for demand. In the construction and civil engineering sector, public-works investments and redevelopment projects are the only possible sources of growth because of the consistently low level of private-sector capital expenditures. Furthermore, consumer spending is falling along with personal income. This makes a significant recovery in manufacturing unlikely for some time. Japanese economy is expected to recover during the current fiscal year's first half, but the pace will be very slow. Pressure on sales and earnings will therefore continue. In the second half of this fiscal year, Japanese economy will probably benefit from the government's economic stimulus initiatives, economic recoveries in China, India and other emerging countries, and earthquake reconstruction demand in China. However, a recovery in Japanese consumer spending is not expected in the near future. Japanese companies in all industries are certain to move even faster to focus resources only on strategic activities. As this process unfolds, some companies will probably have to shut down. In this environment, Hanwa's domestic steel business is deepening relationships with current customers while continuing to pursue a regional strategy aimed at targeting demand in niche sectors of the steel market.

Steel (Overseas)

Review

Steel prices were extremely volatile during the fiscal year. Prices increased rapidly in the first half but then plummeted in the second half as the financial crisis dramatically altered market conditions.

Crude steel production in China in calendar 2008 was 500 million tons, about the same as in 2007, and China's steel exports were down only about 5% to 59.27 million tons. But record-high monthly exports of steel in July and August demonstrated that China continues to be a major global player in the steel market. Steel exports from Japan were 33.81 million tons during the fiscal year. This was down about 11% from the previous fiscal year, the first decline in three years, because of the downturn in demand in the fiscal year's second half.

Demand for steel products was strong in the first half because of very strong demand for steel construction materials. Emerging economies in Asia, the Middle East, Eastern Europe and Africa accounted for much of this demand. However, the financial crisis triggered a steep drop in orders as demand for steel fell worldwide. For entire fiscal year, there was a 6% increase in the volume of steel handled by Hanwa's overseas steel operations and a 13% increase in sales amount.

To enlarge the overseas network in anticipation of an economic recovery, Hanwa opened an office in Hanoi, started operating a coil center in Indonesia and began inventory sales in Dubai.

Outlook

Although the outlook for the steel industry is uncertain, there are some positive signs like emerging benefits of China's economic stimulus program. A recovery in the steel market will depend most of all on demand in China, India and other emerging economies. But China's enormous annual crude steel output capacity of 660 million tons is a source of concern about the outlook for the global steel market.

Steel exports from Japan will probably decline because of the worldwide recession. As a result, the operating environment will remain difficult for Hanwa's sales to companies in export industries such as automobiles and home appliances, the primary buyers of steel sheets. To offset this decline, Hanwa plans to increase sales associated with domestic demand in China and other emerging economies. Another goal is using coil centers to establish relationships with new customers. For construction materials, the central goal is increasing the volume of products handled along with growth in demand, mainly in Asia. In the Middle East, Hanwa is expanding its presence by using the Dubai office to conduct sales activities throughout the region. Hanwa is also working hard on capturing orders in the energy sector.

One more objective for overseas steel business is further increasing the breadth of sales activities. While monitoring the output of steel mills around the world, Hanwa aims to expand both exports from Japan and offshore trading that uses its overseas bases.

Metals and Alloys

Review
After reaching a peak of $30,000 per ton in April 2008, the price of nickel plunged to less than $9,000 in October and remained weak at about $10,000 for the remainder of the fiscal year. Sales of metals used to produce stainless steel were strong during the fiscal year's first half. Stainless steel makers operated at full capacity as the market for this steel remained healthy. Following the Lehman Shock, however, production volumes of stainless and special steel dropped by 20% to 50% from their peaks. Hanwa offset the impact of falling prices somewhat by using the hedging function of the LME. In addition, in response to falling demand, Hanwa reduced its reliance on Japanese steel mills by increasing sales to steel mills in Korea and China. Due to these actions, stainless steel and nickel operations recorded sales and earnings that exceeded initial forecasts for the fiscal year.

Prices of ferroalloys climbed to record highs in the first half of the fiscal year as supplies became tight due mainly to a shortage of electricity in South Africa and disruptions on the flow of goods following the Sichuan earthquake in China. Hanwa earned profits by moving up the purchase of materials before prices climbed. However, a sharp drop in prices of metals in the fiscal year's second half severely impacted performance of the ferroalloys business. The Samancor ferrochrome business in South Africa, now in its fourth year, is a consistent source of earnings. To further expand this business, Hanwa made a large investment in Finland-based Ruukki Group PLC in May 2008

In the silicon business, prices dropped rapidly in the fiscal year's second half, but the business achieved its performance targets because of growth in sales of high-purity silicon metal for solar cells and chemicals.

The solar cell business performed well throughout the fiscal year because of long-term contracts with overseas customers as market conditions remained strong.

Outlook
In the stainless steel and special metals recycling business, Hanwa is focusing on the goals of upgrading functions and differentiation. This involves going beyond the existing logistics and inventory operations to perform sorting and processing as well. In response to anticipated shortages of metal resources, Hanwa plans to move quickly to expand operations. Plans include investing in nickel mining operations and targeting opportunities created by the realignment of the mining industry.

In the ferroalloys business, primary goals are conducting transactions with producers that have their own supplies of ore; increasing sales to blast furnace and electric arc furnace steel makers and manufacturers of special steel; and increasing offshore transactions for the supply of materials to customers in Asia. In the chromium business, Hanwa is concentrating on selling products mainly produced by Samancor and products from India. In addition, Hanwa is promoting the upcoming projects of the Ruukki Group.

Benefiting from the recently announced Global New Green Deal Policy, the solar cell industry is expected to return to high growth rates. However, it will not be before this spring that it will pull out of the current slump in sales. In response, Hanwa will focus also on the downstream processes in order to strengthen its presence in this promising sector.

In the silicon metal business, Hanwa plans to further increase its stature in the global market for high-purity products by using its position as a prominent supplier with capabilities that include silicon ore processing.

Hanwa recently opened an office in South Africa and plans to continue enlarging its overseas network for metals and alloys. This growth will make it possible to increase overseas transactions from a global perspective.

Non-Ferrous Metals

Review
Non-ferrous metals business performed well in the fiscal year's first half as strong demand in all market sectors steadily pushed up prices. After reaching the highest levels in several years, prices of metals started falling in June and July. The downturn was sparked by LME sales of copper and aluminum by funds to lock in profits. In the second half, the financial crisis caused an unprecedented drop in commodity prices. Real demand for non-ferrous metals decreased as manufacturers using these materials cut production by about 30%. As a result, it became impossible to sell metals for recycling. In the forth quarter of FY2008, non-ferrous metals demand in Japan has weakened even more. But prices of these metals recovered somewhat due to demand created by shortages caused by China's policy of stockpiling various metals. Overall, Hanwa's non-ferrous metal sales in the second half were about 60% less than in the first half. Despite this steep decline, non-ferrous metals business remained profitable for the fiscal year because of the effective use of hedges and exports to China and other countries.

Outlook
There are signs that the global recession is easing, including an upturn in some production activity, chiefly for exports to China. However, much more time will be required for a complete recovery. Demand for metals for recycling has returned to only about half of the pre-recession level. Furthermore, LME prices have rebounded only 20% to 30% from the recent lows. Concerns persist about the sustainability of demand in China and the possibility of recurrence of financial instability. As a result, the outlook for non-ferrous metals is still uncertain. Prices of these metals will most likely hold steady at the current low levels for some time.

But the outlook for metal scrap for recycling is positive. One reason is that recycled metals contribute directly to lowering expenses. In addition, the current volume of scrap is extremely low. Consequently, a very strong upswing in demand for recycled metals will probably occur in the near future.

Hanwa's non-ferrous metals business plans to overcome current challenges by using sales capabilities in global markets and reliable procurement channels to enlarge the recycling network, particularly in Asia.

Food Products

Review
The global financial crisis that began in September 2008 has severely impacted the marine products industry. Sea food demand in the United States and Europe had been strong, but the crisis triggered a quick downturn. Global sea food prices plunged as a result. The price of frozen shrimp, a widely traded international commodity, declined steadily following the crisis, eventually reaching a low that was far less than the previous record-low in Japan.

Sales of food products decreased 2.9% to ¥82.2 billion. In the fiscal year's first half, earnings were steady due in large part to a strong market for frozen fish, chiefly salmon. But the price of frozen shrimp has dropped steadily for 18 months, setting a new all-time low price following Japan's deregulation of shrimp imports. Frozen fish did not contribute to earnings either. The main reason was weak sales of overseas processed food products using frozen fish, due in part to the lingering effects in Japan of an incident involving intentionally contaminated food from China.

Outlook
The operating environment will remain challenging in the current fiscal year. Preserving an appropriate profit margin will be difficult because of customers' demands for lower prices. Hanwa's priority is to adapt to rapid changes in market conditions by focusing on food safety, overseas strategic goals and collaboration with customers. From a long-term perspective, Hanwa plans to develop the new Amsterdam office into a strategic base for selling sea food in Europe. In April 2009, Hanwa participated in the European Seafood Exposition in Belgium. This raised awareness of Hanwa's ability to work with customers to supply food products, chiefly processed items made in Japan and China.

In Vietnam, which is the largest source of products for Hanwa's food products business, a staff member of this business from Japan was assigned to the Ho Chi Minh Office starting in April 2009. This will deepen relationships with suppliers, especially companies that manufacture frozen shrimp products. Hanwa hopes to continue increasing its presence in Vietnam's food industry.

Consumer demands regarding food safety continue to increase in Japan. To upgrade the capabilities of the Food Quality Control Office, which was established in 2008, Hanwa is increasing the full-time staff of this department. Hanwa will deal with global trend concerning food safety as well as environmental protection.

Petroleum and Chemicals

Review
The past fiscal year was a period of unprecedented volatility in the crude oil market. In the year's first half, inflation accelerated as excessive liquidity pushed up prices of commodity. At one point, the price of WTI crude oil reached $147 / barrel. The price was obviously far too high in relation to actual demand. Hanwa increased petroleum sales and earnings in the first half as the price of crude oil rose to record highs. In the second half, however, the price of crude oil declined by about $100. Consumption of petroleum products plunged because of a sharp decline in demand and prices. Despite these challenges, Hanwa maintained its sales volumes by shifting emphasis to gasoline, kerosene and other light oil products. In the market for bunker fuel, price-based competition intensified as a big decline in cargo ship voyages cut demand for this fuel. Hanwa was able to offset lower demand through sales activities that include consulting and the addition of new customers. Overall, petroleum earnings increased as the lower cost of heavy oil brought down expenses in this business.

The chemical business faced challenges in the fiscal year's first half as the yen weakened and the price of naphtha increased rapidly. Profitability recovered in the second half due as the yen started appreciating and the cost of naphtha fell. During the fiscal year, Hanwa succeeded in forming relationships with a number of new customers with much potential for growth. In the paper products sector, earnings declined as the yen's strength in the second half hurt profit margins and Asian paper manufacturers reduced output and suspended operations.

Outlook
Although the economic outlook has been consistently negative, some encouraging signs began to appear in May 2009. But even if the financial system stabilizes, more time will be needed to achieve an improvement in supply-demand dynamics.

A large decline is foreseen in demand for petroleum products compared with the past fiscal year. The primary causes are declining consumer spending due to the global recession, cuts in production volumes, and lower cargo volumes in both marine and land transportation. Furthermore, a long-term downturn in demand for petroleum products is likely as fewer young people buy automobiles and the world shifts to new energy sources like solar power.

Japan's markets for petroleum products and chemicals are in a long-term decline. The current recession is only accelerating the pace of this contraction. Oil exploration activity will drop if the price of crude oil remains low. Companies will probably stop deep sea drilling, oil sand development and other projects in high-cost oil fields. On the other hand, refining and transport capacity in industrialized nations may limit the supply of oil unless investments are made to upgrade aging facilities. However, there is much potential for higher demand for petroleum products in emerging economies. Once the global economy recovers, internal demand linked to emerging economies may once again fuel strong growth in consumption of petroleum products.

Hanwa is determined to increase sales of petroleum products and chemicals by upgrading skills in combining sales and consulting and by identifying the needs of current customers. Additionally, Hanwa aims to strengthen capabilities and expand outside Japan in order to create new sources of demand. The objective in 2009 is to use aggressive sales activities to create new markets and build a foundation for growth in the coming years.

Lumber

Review

In the first half of FY2008, prices of U.S. lumber fell steadily because of declining U.S. housing starts due to the subprime loan problem. An increasing number of American lumber suppliers became unprofitable, resulting in weak sales of imported lumber and logs in Japan. Demand for lumber weakened even more in the fiscal year's second half as the number of housing starts fell after the Lehman shock. This further depressed sales of imported lumber products in Japan. The global recession exerted more pressure on lumber prices and the yen's strength also had a negative impact on demand for North American and European lumber. In addition, lumber from China became less competitive and Russia harvested fewer trees due to a new export tariff on logs and other issues. The result was a decline in the volume of lumber produced in these two countries.

In the fiscal year that ended in March 2008, Hanwa started working on raising sales of lumber products in the Middle East, India and China. Growth resulting from these activities allowed Hanwa to achieve an increase in the volume of lumber handled for the fiscal year as a whole. Furthermore, profitability improved as the yen appreciated.

Outlook

In anticipation of the benefits of Japan's economic stimulus measures, Hanwa has purchased lumber and established a sales system to target demand expected to emerge in the summer of 2009. Hanwa is making progress in developing products for markets other than homebuilding. Hanwa also plans to make exports of Japanese cedar lumber to China and Korea a consistently profitable business.

Orders to major Japanese producers of pre-cut beams are down and there are no prospects for a significant recovery in the near future. However, a moderate upturn in this business is expected because of the decline in inventories of completed houses for sale.

Although sales of lumber products in the United States are consistently weak with no end in sight, Hanwa is restructuring its sales organization to prepare for the eventual rebound in demand for lumber.

Sales in China are expected to increase because of the large number of business opportunities in this country. In the Middle East and India, more time will be needed to achieve a balance between supply and demand for lumber. Hanwa plans to increase sales in these two markets in the first half of 2009 and continue to meet demand for lumber in other emerging economies.

Machinery

Review

Leisure facilities: In Japan, Hanwa completed installation of its first large ride in 12 years: German-made water ride that was sold to Fuji-Q High Land. In addition, a children's attraction that was made in Hong Kong was sold to a customer in Okinawa. Hanwa received an order from Tokyo Dome City for a MagiQuest live action role-playing game facility. The order includes interior design and the sale of items used by individuals who play this game. For SEGA Republic, an indoor theme park that will open in 2009 at the Dubai Mall in Dubai, UAE, Hanwa installed three rides imported from Germany: a family roller coaster, family tower ride and half pipe.

Industrial machinery: In the metal processing machine sector, Hanwa delivered a broad range of levelers and slitters for coil centers operated by Hanwa Group Companies. Sales also included slitters, hot forging presses, beveling machines, band saws and other equipment for metal processors. In other product sectors, 13 hoist cranes were installed and contracts were received for a complete roll forming line. In the environment facility, Hanwa concentrated on deodorizer, water treatment equipment and other types of machinery.

Orders were weak for the fiscal year as a whole because orders associated with capital expenditures plunged in the second half. Hanwa is responding by forming cooperative sales relationships with specialist machinery trading companies and increasing its machinery staff. This provides a sound base for expanding the product lineup and capturing export orders.

Outlook

Leisure facilities: Declining popularity of amusement facilities in Japan is prompting an increasing number of companies to withdraw from this market. On the positive side, there is less competition. However, demand for large outdoor attractions has been weak for many years. Capturing orders in this environment will require the development of indoor attractions that target families. Hanwa plans to develop and sell new games through collaboration with innovative attraction developers in Europe and the United States. Role-playing games and virtual reality attractions are the highest priorities. Sales activities will not be limited to conventional amusement parks. Through collaboration with group member Halos Corporation, Hanwa also plans to increase sales of amusement facilities for creating highly distinctive shopping centers, a market sector where competition is intense.

Industrial machinery: Capital expenditures in Japan are expected to remain sluggish in the current fiscal year. Hanwa will deepen cooperation among its business units in order to conduct sales activities targeting the capital investments of current Hanwa customers. The goal is to sell more cranes, steel processing machines and other types of industrial machinery. Hanwa plans to enforce our function through alliance with cooperative companies and increase of export and import transaction. Another goal is doing more than merely selling machinery. Hanwa plans to provide engineering services as well in order to increase sales of entire production lines, such as roll forming lines and forming lines for steel furniture.

Our Ethical Principles

In accordance with the policy of the company incorporated into Corporate Creed and the "Charter of Corporate Behavior" established by Nippon Keidanren, Hanwa Co., Ltd. draws up, under the Corporate Policy, the Corporate Ethical Standards and the Ethical Standards of Behavior as guidelines for employee behaviors in order to promote legal, fair and sensible corporate conducts.

Corporate Creed

Confidence

Each director, officer and employee should recognize that confidence is the foundation of company existence, observe correct business practices and build up confidence of our stakeholders and society through everyday business.

Honesty

Always be aware that honesty is the basis of earning confidence, and try to act with fair and high openness, and complete its own assignments with honesty and responsibility.

Originality

Originality is the basis of progress and improvements. Under the current diversified circumstance, constantly absorb new information, improve efficiency, and fulfill its responsibility with courage, not being obsessed with traditional ideas.

Cooperation

Always respect other person's position with a heart of cooperation in local communities and international societies. Try to keep in harmony with society through decent business conducts and make an open and vigorous work place.

Contribution

Widely contribute to society through business under sound company activities, and try to promote environmental conservation as a part of its social responsibility.

Corporate Policy

- Earn confidence with honesty and efforts.
- Be a specialist in the field with its vigor and guts.
- Improve efficiency with its originality and cooperation
- Promote corporate business and build happy homes
- Recognize its responsibility and contribute to society

Corporate Ethical Standards

Hanwa Co., Ltd. hereby draws up the following ethical standards as basic concept for constantly recognizing its required social role and responsibility and establishing high corporate ethical framework under its policy of the company. Its all directors, officers and employees shall comply with and perform these standards in its daily business activities.

1. Compliance with regulations and social rules

Hanwa Co., Ltd. complies with laws, regulations, international rules and other social rules, and promotes corporate activities in accordance with social common sense.

2. Fair corporate activities

Hanwa Co., Ltd. does business activities realizing that a fair and free competition is the basic rule of the market economy, and maintains sound and highly transparent relationship with the government and public administration.

3. Contribution to the industry society

Hanwa Co., Ltd. develops its business activities based on both short and long term perspectives while balancing three aspects of society, economy and environment, and makes efforts to realize the sustainable society through its business activities.

4. Active information disclosure

Hanwa Co., Ltd. fully recognizes high interests of society in corporate activities, widely communicates with not only its shareholders but also society, and maintains its corporate transparency with fair and active information disclosures.

5. Consideration for environment

Hanwa Co., Ltd. constantly acknowledges that consideration for environment is a part of its social responsibilities and deals with environmental issues from the worldwide point of view voluntarily and actively.

6. Global harmonization

Hanwa Co., Ltd. as an international entity respects local cultures and customs abroad, and promotes its managements to contribute to developments of local areas.

7. Establishment of free and vigorous work environment

Hanwa Co., Ltd. respects its employees' individual characters and personalities, ensures prosperous work environments by giving its employees positive assistance for building up of career and development of ability, recognizes team works as the foundation of corporate activities, and achieves free, vigorous and creative corporate culture.

8. Promotion of active social actions as "a good corporate entity".

Hanwa Co., Ltd. integrates corporate and public benefits, widely returns its achievements gained through corporate activities and makes social contributions voluntarily and actively in every aspect.

9. Thorough familiarization of ethical standards and development of in-house framework

Hanwa Co., Ltd. thoroughly familiarizes the persons concerned with these standards to effectively implement the rule by its managements' active involvement and develop its in-house framework for more efficient and effective operations.

10. Prevention of recurrence of misconducts and appropriate information disclosure

Hanwa Co., Ltd. always checks its effectiveness in implementation of these standards. In the event any misconduct against these standards happens, Hanwa Co., Ltd. discloses relevant information, explains the circumstance promptly and properly to society and prevent recurrence of such misconducts by investigating cause of such misconducts.

Corporate ethical standards of behavior

Under the spirits of the Corporate Ethical Standards, Hanwa Co., Ltd. hereby draws up the following ethical standards of behavior as concrete guidelines to ensure high corporate ethics through everyday business. Its all directors, officers and employees shall comply with these standards in their activities.

1. Observe Antitrust Law and other laws and regulations, and operate its business fairly and appropriately.
2. Observe Unfair Competition Prevention Law and maintain sound market environment based on free competition.
3. Fully understand and appropriately manage the qualification and permission necessary for performing its business.
4. Observe treaties, laws and regulations of various countries in relation to import and export business, and appropriately operate its import and export transaction.
5. Respect Intellectual Property Rights and keep intellectual property under strict control and do not infringe third party's ones.
6. Observe laws and regulations with respect to the environment and operate its business considering global environment.
7. Do not conduct unjust dealings of shares and other securities such as insider trading.
8. Observe the Regulation of Money for Political Activities Act. and do not make illegal political donation.
9. Manage information carefully and maintain sound information network.
10. Give consideration to human rights and exclude unjust discriminations, abuses, harassments, etc.
11. Observe traffic law and other laws, regulations and rules of social common ideas with which we shall comply as social citizens.
12. Comply with laws, regulations, international rules, social customs and in-house rules in accordance with the management policy, and maintain high ethics.
13. Cooperate with social developments and positively promote contribution to society.
14. Maintain sound and transparent management by positively disclosing information.
15. Cope resolutely with antisocial forces and refrain from any profit-offering, etc.
16. Emphasize in-house education and develop expertise and creativity.
17. Maintain vigorous work environment with fair personnel evaluation.
18. Encourage employees to report, contact and consult, and promote open and highly transparent business activities.
19. Do not make transactions contradicting company's profit, maintain sound relationship with its customers, and draw a line between public and private affairs.
20. With respect to entertainment and gift offered by the Company, comply with laws and regulations concerned and stay within the extent socially permitted.
21. Follow accounting related regulations and make fair, appropriate and proper accounting books and records.
22. Follow credit management regulations and put proper credit control in practice.
23. Always check and understand contents of contracts and actual conditions of dealings with clients.
24. Draft both external documents such as contracts and in-house memorandums properly and keep such documents in accordance with company regulations.
25. Give due consideration for issues of safety and hygiene in managing business activities and labor services.

Topics

Hanwa Europe B.V. Starts Operations in Amsterdam

Hanwa established Hanwa Europe B.V. in June 2008. Based in Amsterdam, the new subsidiary handles mainly marine products. The company purchases mackerel, smelt and redfish caught in the North Atlantic Ocean and North Sea for export to Japan and China. Hanwa's London Branch handled sea food prior to the establishment of this company. The decision was made to create a separate company because of the excellent growth prospects for this business. Having an operating base in Amsterdam is also extremely useful for participating in the European Seafood Exposition, which takes place every year in Brussels, Belgium. In the future, this subsidiary may also import sea food from Japan and other Asian countries for sale in Europe.

In July 2009, a Vienna Branch joined the new subsidiary's network and start exporting lumber products from Eastern and Northern Europe to Japan and the Middle East. As one of our principal bases in Europe region, the Vienna Branch will contribute to business expansion by broadening the line-up of steel and other products.

Opened Hanwa India Private Ltd.

In April 2008, Hanwa established Hanwa India Private Ltd. in Mumbai and opened a New Delhi office in Gurgaon, Haryana as a second base of operations in this country. Both locations are engaged mainly in activities involving automobiles, shipbuilding, gas and petroleum, and energy. The New Delhi office will be particularly valuable for business operations involving the automobile industry. Many of India's automakers have operations in Gurgaon. Although the India's population exceeds one billion, the economy is still centered on the service sector, chiefly IT services. Due to the structure of business activities in India, Hanwa plans to increase sales of its current products while adopting a flexible approach to growth in this country.

Management's Discussion and Analysis

Economic overview

During the fiscal year that ended on March 31, 2009, the global economy was healthy during the first half but there was an unprecedented downturn in the real economy in the second half. The recession was caused by the increasing severity of the financial crisis and credit crunch, which both originated with the subprime loan problem, following the September 2008 failure of Lehman Brothers. Global economic problems affected the economies of China, Middle East and other countries with emerging economies, which had been the primary source of growth for the global economy. Export-dependent industries in these countries were impacted as demand for their products plunged in North America and Europe. Furthermore, infrastructure investments in these countries fell due to the inability to procure funds because of credit concerns. As a result, economic growth in emerging economies came to a standstill. At the same time, demand for crude oil, metals and other resources plummeted as speculators stopped buying and the real economy weakened. The result was a turning point in resource inflation as prices that had been climbing steadily instead fell sharply.

In Japan, these events triggered a severe economic downturn. Construction demand fell, particularly for condominiums, and consumer spending weakened. The performance of the manufacturing sector, which had underpinned economic growth, deteriorated rapidly as demand for Japanese products in North America and Europe fell sharply, the growth of emerging economies slowed and the yen strengthened.

Earnings

Consolidated net sales increased 2.1% to ¥1,539.3 billion. High prices for steel products during the fiscal year's first half because of strength in the global steel market offset the negative impact of the economic downturn that started in the second half. However, the rapid decline in the global economy caused earnings to fall as the volume of products handled decreased and prices of products fell. In addition, the cost of sales includes an inventory valuation loss of ¥11.9 billion. Operating income decreased 26.4% to ¥17.5 billion and net income was down 54.3% to ¥6.0 billion.

Sales by business segment

Steel: Sales increased in the fiscal year's first half as steel prices climbed rapidly due to the higher cost of steel raw materials and growing demand for steel in China and other emerging economies. Although there was a steep decline in steel demand in the second half, the high prices for all steel products throughout the fiscal year resulted in an 11.1% increase in sales to ¥877.8 billion.

Metals and Alloys: Poor stainless steel market conditions that began in the previous fiscal year continued in FY2008. Demand for stainless steel raw materials fell even more because of a further decline in stainless steel production in the second half of the fiscal year. The result was even more pressure on prices and sales of nickel, chromium and stainless steel scrap. Overall, sales fell 22.9% to ¥155.8 billion.

Non-Ferrous Metals: Prices of copper, zinc and other metals were low. Demand for aluminum products used in automobiles and construction materials plummeted in the fiscal year's second half. As a result, sales of aluminum scrap decreased. These factors combined to reduce sales by 20.6% to ¥51.9 billion.

Foods: Demand for shrimp, eel and other sea food was sluggish in Japan and overseas demand was weak as well. Due to these unfavorable market conditions, sales decreased 2.9% to ¥82.2 billion.

Petroleum and Chemicals: After climbing to a record high, the price of crude oil retreated quickly in the second half of the fiscal year. However, higher sales of bunker fuel sold overseas resulted in a 3.0% increase in sales to ¥320.8 billion.

Other businesses: Sales decreased 5.3% to ¥50.8 billion mainly because of lower prices for lumber products caused by the consistently low level of housing starts in Japan.

Cash Flows

Net cash used in operating activities was ¥5.7 billion compared with a positive cash flow of ¥21.4 billion in the previous fiscal year. One reason was the decrease in income before income taxes. In addition, there was a decrease in trade notes and accounts payable of ¥36.5 billion, a net decrease of ¥44.9 billion compared with the increase in the previous fiscal year, because of a decline in purchases of merchandise associated with lower sales in the fiscal year's second half and inventory reductions.

Cash used in investing activities increased ¥11.1 billion to ¥19.5 billion. This increase was attributable mainly to increases in additions to investment securities, including an investment in Ruukki Group PLC, and in additions to property and equipment.

Cash provided by financing activities was ¥46.6 billion compared with a negative cash flow of ¥9.1 billion in the previous fiscal year. Hanwa temporarily increased the volume of bank loans because of the uncertain outlook for the fund procurement environment due to the global financial crisis.

Outlook

There is still no end in sight to the global financial crisis that originated with the subprime loan problem. The deep economic recessions in the United States and other industrialized nations has caused emerging economies to weaken as well. Countries worldwide are enacting various economic and financial programs in response to the severe downturn in the real economy. Although these actions are likely to produce benefits, the outlook for the global economy is still uncertain.

The Japanese economy will probably continue to be held back by a number of factors. Most significant is the rapid decline in the manufacturing sector, which has been a key contributor to economic growth for many years. Furthermore, a quick recovery in external demand is unlikely because of the magnitude of the global economic recession. Consistently sluggish domestic demand also makes the economic outlook challenging in Japan.

All business units of the Hanwa Group are feeling the effects of the current weakness in real demand and market prices. In response, all group companies are concentrating on remaining profitable by accurately monitoring changes in demand, maintaining proper inventories and conducting sales activities that match market conditions.

The Hanwa Group will continue to position steel, metals & alloys, non-ferrous metals, foods, and petroleum & chemicals as its core businesses. Based on this stance, the group aims to expand its business operations by executing a strategy based on the adoption of an offensive stance. The development of new businesses and extension of operations to peripheral fields are two other goals. The aim is to start businesses that can be central elements of Hanwa’s operations in the future.

Five-Year Summary

For the years ended March 31

	Millions of yen, except for number of employees					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	**2009**
For the year:						
Net sales	**¥ 1,539,282**	¥ 1,507,509	¥ 1,320,022	¥ 1,097,707	¥ 933,956	**$15,670,182**
Operating income	**17,451**	23,705	20,865	19,690	22,091	**177,654**
Net income	**5,997**	13,118	11,423	10,504	13,704	**61,051**
Net cash provided by (used in) operating activities	**(5,742)**	21,430	(36,192)	22,299	(13,341)	**(58,454)**
Net cash used in investing activities	**(19,536)**	(8,443)	(5,956)	(14,079)	(731)	**(198,880)**
Net cash provided by (used in) financing activities	**46,592**	(9,144)	34,325	(7,497)	23,523	**474,315**
At year-end:						
Cash and cash equivalents	**¥ 35,046**	¥ 14,179	¥ 10,229	¥ 18,986	¥ 17,658	**$ 356,775**
Total assets	**479,379**	482,014	476,179	413,020	376,521	**4,880,169**
Total net assets	**94,913**	100,926	98,254	86,954	73,574	**966,232**
Number of employees	**1,818**	1,715	1,637	1,519	1,424	

	Yen					U.S. dollars
	2009	2008	2007	2006	2005	**2009**
Per share data:						
Net income	**¥ 28.47**	¥ 62.07	¥ 54.03	¥ 48.96	¥ 64.03	**$ 0.290**
Cash dividends	**12.00**	12.00	12.00	10.00	9.00	**0.122**
Net assets	**450.05**	473.70	461.21	406.68	343.82	**4.582**

	%				
	2009	2008	2007	2006	2005
Key financial ratios:					
Return on assets	**1.2**	2.7	2.6	2.7	4.1
Return on equity	**6.2**	13.3	12.4	13.2	21.0
Net debt/equity ratio	**190**	150	170	140	170

Note: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥98.23 = $1.00.
2. Net debt/equity ratio = Net interest-bearing debt / equity.
Net interest-bearing debt = Interest-bearing debt – cash.
3. The cash dividends per share for the year ended March 31, 2007 included a ¥2 ($0.020) commemorative dividend in celebration of the 60th anniversary of the Company's establishment.

Financial Section

Contents

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

As at March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
Assets	**2009**	2008	**2009**	2008
Current assets:				
Cash and cash equivalents	**¥ 35,046**	¥ 14,179	**$ 356,775**	$ 144,345
Receivables:				
Trade notes and accounts:				
Unconsolidated subsidiaries and affiliates	**7,427**	6,886	**75,608**	70,101
Other	**225,856**	256,307	**2,299,257**	2,609,254
Loans:				
Unconsolidated subsidiaries and affiliates	**796**	695	**8,104**	7,075
Other	**7**	177	**71**	1,802
Allowance for doubtful receivables	**(781)**	(892)	**(7,951)**	(9,081)
Inventories	**90,766**	92,982	**924,015**	946,574
Deferred tax assets - current (Note 8)	**1,561**	1,823	**15,892**	18,559
Other current assets (Note 5)	**24,875**	18,615	**253,232**	189,504
Total current assets	**385,553**	390,772	**3,925,003**	3,978,133
Investments and noncurrent receivables:				
Investment securities (Notes 3 and 5):				
Unconsolidated subsidiaries and affiliates	**3,413**	2,343	**34,745**	23,852
Other	**24,610**	29,100	**250,534**	296,244
Loans receivable:				
Other	**220**	262	**2,240**	2,667
Other investments and noncurrent receivables	**20,747**	16,674	**211,208**	169,744
Allowance for doubtful receivables	**(3,187)**	(756)	**(32,444)**	(7,696)
Total investments and noncurrent receivables	**45,803**	47,623	**466,283**	484,811
Property and equipment (Note 5)**:**				
Land (Note 9)	**27,966**	24,453	**284,699**	248,936
Buildings and structures	**23,657**	22,479	**240,833**	228,841
Other	**13,692**	13,437	**139,387**	136,791
Accumulated depreciation	**(18,908)**	(17,628)	**(192,487)**	(179,456)
Total property and equipment	**46,407**	42,741	**472,432**	435,112
Other assets:				
Deferred tax assets – noncurrent (Note 8)	**883**	69	**8,989**	702
Intangibles and other assets (Note 5)	**733**	809	**7,462**	8,236
Total other assets	**1,616**	878	**16,451**	8,938
Total	**¥ 479,379**	¥ 482,014	**$ 4,880,169**	$ 4,906,994

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009	Thousands of U.S. dollars (Note 1) 2008
Current liabilities:				
Short-term loans payable (Note 6)	**¥ 65,688**	¥ 27,114	**$ 668,716**	$ 276,026
Commercial paper (Note 6)	**—**	17,000	**—**	173,063
Long-term debt due within one year (Note 6)	**23,675**	32,625	**241,016**	332,129
Trade notes and accounts payable:				
Unconsolidated subsidiaries and affiliates	**802**	660	**8,165**	6,719
Other	**129,918**	167,628	**1,322,590**	1,706,485
Accrued bonuses to employees	**1,789**	1,763	**18,212**	17,948
Income taxes payable	**189**	4,813	**1,924**	48,997
Other current liabilities	**30,427**	29,416	**309,753**	299,460
Total current liabilities	**252,488**	281,019	**2,570,376**	2,860,827
Noncurrent liabilities:				
Long-term debt due after one year (Note 6)	**125,150**	89,325	**1,274,051**	909,345
Employees' severance and retirement benefits (Note 7)	**26**	9	**264**	92
Deferred tax liabilities – noncurrent (Note 8)	**2,686**	6,801	**27,344**	69,235
Other noncurrent liabilities	**4,116**	3,934	**41,902**	40,049
Total noncurrent liabilities	**131,978**	100,069	**1,343,561**	1,018,721
Contingent liabilities (Note 12)				
Net assets (Note 9)				
Shareholders' equity:				
Common stock,				
Authorized: 570,000,000 shares				
Issued: 211,663,200 shares	**45,651**	45,651	**464,736**	464,736
Capital surplus	**5**	5	**51**	51
Retained earnings	**54,651**	51,028	**556,357**	519,475
Treasury stock, at cost: 2,358,475 shares (324,332 in 2008)	**(756)**	(130)	**(7,696)**	(1,324)
Total shareholders' equity	**99,551**	96,554	**1,013,448**	982,938
Valuation and translation adjustments:				
Unrealized gains on securities, net of taxes	**(3,213)**	5,397	**(32,709)**	54,942
Unrealized gains on hedging derivatives, net of taxes	**(249)**	144	**(2,535)**	1,466
Land revaluation difference, net of taxes	**(180)**	(17)	**(1,833)**	(173)
Foreign currency translation adjustments	**(1,711)**	(1,967)	**(17,418)**	(20,024)
Total valuation and translation adjustments	**(5,353)**	3,557	**(54,495)**	36,211
Minority interests	**715**	815	**7,279**	8,297
Total net assets	**94,913**	100,926	**966,232**	1,027,446
Total	**¥ 479,379**	¥ 482,014	**$ 4,880,169**	$ 4,906,994

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	**2009**	2008
Net sales	**¥ 1,539,282**	¥ 1,507,509	**$ 15,670,182**	$ 15,346,727
Cost of sales	**1,491,570**	1,456,627	**15,184,465**	14,828,739
Gross profit	**47,712**	50,882	**485,717**	517,988
Selling, general and administrative expenses	**30,261**	27,177	**308,063**	276,667
Operating income	**17,451**	23,705	**177,654**	241,321
Other income (expenses):				
Interest and dividend income	**1,990**	1,920	**20,259**	19,546
Interest expense	**(4,337)**	(4,164)	**(44,151)**	(42,390)
Foreign exchange gain	**1,748**	507	**17,795**	5,161
Gain on sale of investment securities	**—**	528	**—**	5,375
Loss on valuation of investment securities	**(2,506)**	—	**(25,512)**	—
Foreign exchange loss resulting from reduction of common stock of consolidated subsidiary	**(908)**	—	**(9,244)**	—
Loss on sales of noncurrent assets	**(212)**	—	**(2,158)**	—
Other, net	**(1,845)**	(701)	**(18,782)**	(7,136)
Income before income taxes and minority interests	**11,381**	21,795	**115,861**	221,877
Income taxes (Note 8)**:**				
Current	**3,998**	8,633	**40,700**	87,885
Deferred	**1,357**	5	**13,815**	51
	5,355	8,638	**54,515**	87,936
Minority interests in income of consolidated subsidiaries	**(29)**	(39)	**(295)**	(397)
Net income	**¥ 5,997**	¥ 13,118	**$ 61,051**	$ 133,544

	Yen		U.S. dollars (Note 1)	
	2009	2008	**2009**	2008
Net income per share	**¥ 28.47**	¥ 62.07	**$ 0.290**	$ 0.632
Cash dividends per share	**12.00**	12.00	**0.122**	0.122

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2008

	Thousands	Millions of yen			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2007	211,663	¥ 45,651	¥ 3	¥ 40,661	¥ (109)
Net income	—	—	—	13,118	—
Cash dividends paid	—	—	—	(2,748)	—
Purchases of treasury stock	—	—	—	—	(26)
Retirement of treasury stock	—	—	2	—	5
Other changes	—	—	—	(3)	—
Balance at March 31, 2008	**211,663**	**45,651**	**5**	**51,028**	**(130)**
Net income	**—**	**—**	**—**	**5,997**	**—**
Cash dividends paid	**—**	**—**	**—**	**(2,536)**	**—**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(632)**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**6**
Other changes	**—**	**—**	**—**	**162**	**—**
Balance at March 31, 2009	**211,663**	**¥ 45,651**	**¥ 5**	**¥ 54,651**	**¥ (756)**

	Millions of yen					
	Unrealized gains on securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2007	¥ 11,406	¥ 838	¥ (17)	¥ (947)	¥ 768	¥ 98,254
Net income	—	—	—	—	—	13,118
Cash dividends paid	—	—	—	—	—	(2,748)
Purchases of treasury stock	—	—	—	—	—	(26)
Retirement of treasury stock	—	—	—	—	—	7
Other changes	(6,009)	(694)	—	(1,020)	47	(7,679)
Balance at March 31, 2008	**5,397**	**144**	**(17)**	**(1,967)**	**815**	**100,926**
Net income	**—**	**—**	**—**	**—**	**—**	**5,997**
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**(2,536)**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**(632)**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**6**
Other changes	**(8,610)**	**(393)**	**(163)**	**256**	**(100)**	**(8,848)**
Balance at March 31, 2009	**¥ (3,213)**	**¥ (249)**	**¥ (180)**	**¥ (1,711)**	**¥ 715**	**¥ 94,913**

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. dollars (Note1)			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2007	$ 464,736	$ 31	$ 413,937	$ (1,110)
Net income	—	—	133,544	—
Cash dividends paid	—	—	(27,975)	—
Purchases of treasury stock	—	—	—	(265)
Retirement of treasury stock	—	20	—	51
Other changes	—	—	(31)	—
Balance at March 31, 2008	**464,736**	**51**	**519,475**	**(1,324)**
Net income	**—**	**—**	**61,051**	**—**
Cash dividends paid	**—**	**—**	**(25,817)**	**—**
Purchases of treasury stock	**—**	**—**	**—**	**(6,433)**
Retirement of treasury stock	**—**	**—**	**—**	**61**
Other changes	**—**	**—**	**1,648**	**—**
Balance at March 31, 2009	**$ 464,736**	**$ 51**	**$ 556,357**	**$ (7,696)**

	Thousands of U.S. dollars (Note1)					
	Unrealized gains on securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2007	$ 116,115	$ 8,531	$ (173)	$ (9,641)	$ 7,818	$ 1,000,244
Net income	—	—	—	—	—	133,544
Cash dividends paid	—	—	—	—	—	(27,975)
Purchases of treasury stock	—	—	—	—	—	(265)
Retirement of treasury stock	—	—	—	—	—	71
Other changes	(61,173)	(7,065)	—	(10,383)	479	(78,173)
Balance at March 31, 2008	**54,942**	**1,466**	**(173)**	**(20,024)**	**8,297**	**1,027,446**
Net income	**—**	**—**	**—**	**—**	**—**	**61,051**
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**(25,817)**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**—**	**(6,433)**
Retirement of treasury stock	**—**	**—**	**—**	**—**	**—**	**61**
Other changes	**(87,651)**	**(4,001)**	**(1,660)**	**2,606**	**(1,018)**	**(90,076)**
Balance at March 31, 2009	**$ (32,709)**	**$ (2,535)**	**$ (1,833)**	**$ (17,418)**	**$ 7,279**	**$ 966,232**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2009	2008	**2009**	2008
Cash flows from operating activities:				
Income before income taxes	**¥ 11,381**	¥ 21,795	**$ 115,861**	$ 221,877
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities				
Depreciation	**2,358**	2,055	**24,005**	20,920
Increase (decrease) in allowance for doubtful receivables	**2,322**	(10)	**23,639**	(102)
Interest and dividend income	**(1,990)**	(1,920)	**(20,259)**	(19,546)
Interest expense	**4,337**	4,164	**44,151**	42,390
Gain on sales of investment securities	**—**	(528)	**—**	(5,375)
Loss on valuation of investment securities	**2,506**	—	**25,512**	—
Foreign exchange loss resulting from reduction of common stock of consolidated subsidiary	**908**	—	**9,244**	—
Loss on sales of noncurrent assets	**212**	—	**2,158**	—
Decrease (increase) in trade receivables	**28,537**	(4,642)	**290,512**	(47,256)
Decrease (increase) in inventories	**1,164**	(5,030)	**11,850**	(51,206)
Increase (decrease) in trade notes and accounts payable	**(36,465)**	8,392	**(371,221)**	85,432
Increase (decrease) in deposits received	**(8,361)**	9,417	**(85,117)**	95,867
Other, net	**(1,269)**	(2,203)	**(12,919)**	(22,427)
Subtotal	**5,640**	31,490	**57,416**	320,574
Cash flows during the year for:				
Interest and dividends received	**1,959**	1,915	**19,943**	19,495
Interest paid	**(4,176)**	(4,106)	**(42,512)**	(41,800)
Income taxes paid	**(9,165)**	(7,869)	**(93,301)**	(80,108)
Net cash provided by (used in) operating activities	**(5,742)**	21,430	**(58,454)**	218,161
Cash flows from investing activities:				
Decrease (increase) in time deposits, net	**(141)**	4	**(1,434)**	41
Additions to property and equipment	**(6,513)**	(3,992)	**(66,304)**	(40,639)
Proceeds from sale of property and equipment	**509**	34	**5,182**	346
Additions to investment securities	**(15,556)**	(5,118)	**(158,363)**	(52,102)
Proceeds from sales and redemption of investment securities	**2,131**	1,812	**21,694**	18,447
Decrease (increase) in short-term loans receivable, net	**118**	(247)	**1,201**	(2,515)
Additions to long-term loans receivable	**(31)**	(15)	**(316)**	(153)
Proceeds from long-term loans receivable	**80**	205	**814**	2,087
Other, net	**(133)**	(1,126)	**(1,354)**	(11,463)
Net cash used in investing activities	**(19,536)**	(8,443)	**(198,880)**	(85,951)
Cash flows from financing activities:				
Increase (decrease) in short-term loans payable, net	**39,934**	(15,761)	**406,535**	(160,450)
Decrease in commercial paper, net	**(17,000)**	(500)	**(173,063)**	(5,090)
Proceeds from long-term debt	**60,675**	9,950	**617,683**	101,293
Repayments of long-term debt	**(33,800)**	(50)	**(344,090)**	(509)
Payment of cash dividends	**(2,541)**	(2,747)	**(25,868)**	(27,965)
Cash dividends paid to minority interests in consolidated subsidiaries	**(5)**	(17)	**(51)**	(173)
Other, net	**(671)**	(19)	**(6,831)**	(193)
Net cash provided by (used in) financing activities	**46,592**	(9,144)	**474,315**	(93,087)
Effect of exchange rate changes on cash and cash equivalents	**(447)**	107	**(4,551)**	1,089
Net increase in cash and cash equivalents	**20,867**	3,950	**212,430**	40,212
Cash and cash equivalents at beginning of year	**14,179**	10,229	**144,345**	104,133
Cash and cash equivalents at end of year	**¥ 35,046**	¥ 14,179	**$ 356,775**	$ 144,345

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Hanwa Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with Japanese GAAP. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its twelve significant subsidiaries (together "the Companies"). The accounts of certain consolidated subsidiaries have been included on the basis of fiscal periods that ended three months or less prior to March 31, and significant transactions after these year-ends were appropriately adjusted in consolidation.

Intercompany transactions and accounts have been eliminated. The Company doesn't apply the equity method because nonconsolidated subsidiaries and affiliated companies are immaterial.

Cash and cash equivalents — In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful receivables — The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Securities — The Companies classify securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Companies do not hold trading securities and held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains on the sale of such securities are computed using moving average cost. Other available-for-sale securities are stated at moving average cost.

Inventories — Prior to April 1, 2008, inventories of the Companies were stated at the lower of cost (on the moving average cost method or the specific identification cost method) or market. As discussed in Note 2, "Changes in accounting policies," the Companies adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of moving average cost or net realizable value at March 31, 2009.

Property and equipment (except under lease) — Property and equipment are carried at cost. Recognized loss on impairment of long-lived assets has been deducted from acquisition costs. Depreciation is principally provided on the declining balance method over the estimated useful life of the asset. Major renewals and improvements are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

Software costs — The Companies include software in intangibles and other assets and depreciate it using the straight-line method over the estimated useful life of five years.

Bond issue costs — Bond issue costs are charged to income as incurred.

Bonuses — The Companies follow the Japanese practice of paying bonuses to employees in June and December. At the balance sheet date, bonus liabilities are estimated and accounted for on an accrual basis.

Income taxes — Income taxes comprise corporate tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize the tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its wholly owned domestic subsidiaries file consolidated tax returns.

Retirement benefits — Substantially all employees of the Company and its consolidated domestic subsidiaries are covered by qualified funded pension plans. The amount of the retirement benefit is, in general, based on length of service, base salary at the time of retirement, and cause of retirement. Annual contributions, which consist of normal cost and the amortization of prior service cost, are charged to income.

Liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

Because pension assets exceeded the deduction for unrecognized actuarial differences and unrecognized prior service cost from projected benefit obligation in the Company, the excess amount was included in "other investments and noncurrent receivables" in the years ended March 31, 2009 and 2008.

Translation of foreign currencies — Receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at year-end rates, except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates, except for transactions with the Company, which are translated at rates used by the Company.

The Companies report foreign currency translation adjustments in net assets.

Finance leases — Prior to April 1, 2008, finance leases that do not transfer ownership of the leased property to the lessee were permitted to be accounted for as operating lease transactions. "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued on June 17, 1993 and revised on March 30, 2007) and "the Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994, and revised on March 30, 2007) were adopted from the fiscal year beginning on April 1, 2008. Finance leases that do not transfer ownership of the leased property to the lessee at the end of the lease period are computed using the straight-line method over the period of the lease. Finance lease transactions in which the ownership of the leased assets was not transferred to lessee and contracted before April 1, 2008 are accounted for as operating lease transactions and "as if capitalized" information is disclosed in the notes to the Company's consolidated financial statements.

Derivatives and hedge accounting — The Company states derivative financial instruments at fair value and recognizes changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers the recognition of gain or loss resulting from the changes in the fair value of the derivative financial instruments until the related gain or loss on the hedged item is recognized.

Also, if interest rate swap agreements are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap agreements is added to or deducted from the interest on the assets or liabilities for which the swap agreement was executed.

The following summarizes hedging derivative financial instruments used by the Company and items hedged:

Hedging instruments:
- Interest rate swap agreements
- Commodity futures contracts

Hedged items:
- Interest expense on borrowings
- Inventories and commitments

The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows or changes in the fair value of the hedged items and the corresponding changes in the hedging derivative instruments.

Reclassifications — Certain prior year amounts have been reclassified to conform to the current year presentation.

Amounts per share — Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period. Diluted net income per share is not disclosed because potentially dilutive securities are not issued. The Japanese Corporate Law requires that a declaration of dividends be approved at the general meeting of shareholders held after the end of the fiscal year. Therefore, cash dividends per share shown in the consolidated statements of income reflect the dividends approved after the end of the fiscal year.

Changes in accounting policies —

Accounting standard for measurement of inventories

Effective from the year ended March 31, 2009, the Companies have adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006). Prior to April 1, 2008, inventories of the Companies were stated at the lower of market or cost determined by the moving average cost method or the specific identification cost method. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate. The impact of this change on profit or loss has been insignificant.

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective from the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Solution No. 18 issued on May 17, 2006). The impact of this change on profit or loss has been insignificant.

Change in depreciation method

Starting from the prior period, pursuant to an amendment to the Corporate Tax Law, the Company and its domestic consolidated subsidiaries have depreciated tangible assets acquired on and after April 1, 2007 in accordance with the method stipulated in the amended Corporation Tax Law. The impact of this change on profit or loss was insignificant.

(Additional Information)

Pursuant to an amendment to the Corporate Tax Law, after having fully depreciated tangible assets acquired on and before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporate Tax Law, the Company and its domestic subsidiaries depreciate the difference between 5% of the acquisition cost and the memorandum price, using the straight-line method over 5 years and expensed it as "Depreciation and amortization." The straight-line depreciation starts from the next year following the year, when the book value of the asset reaches 5% of the acquisition cost. The impact of this change on profit or loss has been insignificant.

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries reviewed and revised the useful life of certain tangible assets, mainly machinery and equipment, taking advantage of the change in the Corporate Tax Law (Ministerial Ordinance to Partially Amend the Ministerial Ordinance with Regard to Useful Life of Depreciated Assets: April 30, 2008, Ordinance of the Ministry of Finance, No. 32).

The impact of this change on profit or loss has been insignificant.

3. Securities

(A) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair market values as of March 31, 2009 and 2008:

March 31, 2009

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	**¥ 3,436**	**¥ 7,806**	**¥ 4,370**	**$ 34,979**	**$ 79,467**	**$ 44,488**
Securities with book values not exceeding acquisition costs:						
Equity securities	**¥ 23,585**	**¥ 13,709**	**¥ (9,876)**	**$ 240,100**	**$ 139,560**	**$ (100,540)**

March 31, 2008

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥ 10,068	¥ 19,444	¥ 9,376	$ 102,494	$ 197,944	$ 95,450
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 5,088	¥ 4,534	¥ (554)	$ 51,797	$ 46,157	$ (5,640)

(B) The following tables summarize book values of securities whose fair values were not determinable as of March 31, 2009 and 2008:

(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
	Book value	Book value	Book value	Book value
Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 3,413**	¥ 2,343	**$ 34,745**	$ 23,852

(b) Available-for-sale securities

Unlisted stocks	**¥ 1,775**	¥ 1,742	**$ 18,070**	$ 17,734
Unlisted foreign stocks	**1,179**	1,202	**12,002**	12,237
Preferred fund certificates	**—**	2,000	**—**	20,360
Investment in limited partnerships	**141**	178	**1,436**	1,812
Total	**¥ 3,095**	¥ 5,122	**$ 31,508**	$ 52,143

(C) Total sales of available-for-sale securities in the years ended March 31, 2009 and 2008 amounted to ¥128 million ($1,303 thousand) and ¥1,338 million ($13,621 thousand), respectively, and resulted in net gains of ¥103 million ($1,049 thousand) and ¥212 million ($2,158 thousand), respectively.

The loss resulting from the valutation of the listed securities in the years ended March 31, 2009 and 2008 was ¥2,506 million ($25,512) and nil, respectively.

4. Derivatives

The Company enters into foreign exchange forward contracts, currency swap agreements and currency option agreements in its normal business to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company enters into interest rate swap agreements to hedge against fluctuations in future interest rates. The Company also enters into commodity futures contracts and commodity swaps as a means of hedging risks associated with certain inventories and commitments.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Since the purpose of using derivatives is to reduce market risks associated with assets, liabilities and interest rates, the market risks of the derivatives are effectively offset. As the counterparties to derivatives are limited to major financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivatives entered into by the Company have been in accordance with internal policies which regulate the authorization and credit limit amount. Each derivative transaction is periodically reported to management, where an evaluation and analysis of the derivatives are made.

The contract or notional amounts of the derivatives, which are shown in the following table, do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risks.

The following tables summarize market value information as of March 31, 2009 and 2008, for the derivatives to which hedge accounting has not been applied:

March 31, 2009

Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gain or loss	Contract or notional amount	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:						
Selling						
U.S. dollars	**¥ 25,144**	**¥ 26,150**	**¥ (1,006)**	**$ 255,971**	**$ 266,212**	**$ (10,241)**
Other currencies	**12,033**	**11,426**	**607**	**122,498**	**116,319**	**6,179**
Buying						
U.S. dollars	**4,022**	**4,099**	**77**	**40,945**	**41,729**	**784**
Other currencies	**2,370**	**2,333**	**(37)**	**24,127**	**23,750**	**(377)**
Currency swap agreements:						
Japanese yen received for U.S. dollars	**10,547**	**636**	**636**	**107,370**	**6,475**	**6,475**
Total			**¥ 277**			**$ 2,820**

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gain or loss	Contract or notional amount	Fair value	Net recognized gain or loss
Futures:						
Petroleum						
Selling	**¥ 3,839**	**¥ 4,259**	**¥ (420)**	**$ 39,082**	**$ 43,358**	**$ (4,276)**
Buying	**3,403**	**3,279**	**(124)**	**34,643**	**33,381**	**(1,262)**
Non-ferrous metals						
Selling	**4,019**	**4,010**	**9**	**40,914**	**40,823**	**91**
Buying	**1,793**	**1,938**	**145**	**18,253**	**19,729**	**1,476**
Commodity swaps						
Petroleum						
Selling	**5,950**	**548**	**548**	**60,572**	**5,579**	**5,579**
Buying	**5,318**	**148**	**148**	**54,138**	**1,507**	**1,507**
Total			**¥ 306**			**$ 3,115**

March 31, 2008

Currency related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gain or loss	Contract or notional amount	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:						
Selling						
U.S. dollars	¥ 12,670	¥ 12,663	¥ 7	$ 128,983	$ 128,912	$ 71
Other currencies	1,348	1,295	53	13,723	13,183	540
Buying						
U.S. dollars	19,132	18,792	(340)	194,767	191,306	(3,461)
Other currencies	1,444	1,384	(60)	14,700	14,089	(611)
Currency swap agreements:						
Japanese yen received for U.S. dollars	15,464	2,260	2,260	157,426	23,007	23,007
Total			¥ 1,920			$ 19,546

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Fair value	Net recognized gain or loss	Contract or notional amount	Fair value	Net recognized gain or loss
Futures:						
Petroleum						
Selling	¥ 6,259	¥ 6,276	¥ (17)	$ 63,718	$ 63,891	$ (173)
Buying	4,206	4,298	92	42,818	43,754	936
Non-ferrous metals						
Selling	14,647	14,744	(97)	149,109	150,097	(988)
Buying	10,647	10,470	(177)	108,388	106,587	(1,801)
Commodity swaps						
Petroleum						
Selling	2,563	(216)	(216)	26,092	(2,199)	(2,199)
Buying	5,802	167	167	59,065	1,700	1,700
Total			¥ (248)			$ (2,525)

5. Pledged assets

At March 31, 2009 and 2008, assets pledged as collateral for short-term loans payable in the amount of ¥358 million ($3,645 thousand) and nil, respectively, and guarantees were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Other current assets	**¥ 13**	¥ 13	**$ 132**	$ 132
Investment securities	**1,083**	1,963	**11,025**	19,984
Property and equipment, net of accumulated depreciation	**817**	—	**8,317**	—
Intangibles	**126**	—	**1,283**	—
Total	**¥ 2,039**	¥ 1,976	**$ 20,757**	$ 20,116

6. Short-term loans payable, commercial paper and long-term debt

The weighted average interest rate applicable to short-term loans outstanding at March 31, 2009 and 2008 was 1.65% and 2.86%, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of nil and ¥17,000 million ($173,063 thousand) at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Issued in 2005, 0.96% unsecured straight bonds, due 2008	**¥ —**	¥ 10,000	**$ —**	$ 101,802
Issued in 2007, 1.53% unsecured straight bonds, due 2010	**10,000**	10,000	**101,802**	101,802
Loans from banks with weighted average interest rates of 1.47% and 1.67% at March 31, 2009 and 2008, respectively, maturing serially through 2015	**138,825**	101,950	**1,413,265**	1,037,870
Less amounts due within one year	**23,675**	32,625	**241,016**	332,129
	¥ 125,150	¥ 89,325	**$ 1,274,051**	$ 909,345

The annual maturities of long-term debt outstanding at March 31, 2009 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 23,675	$ 241,016
2011	33,550	341,545
2012	11,200	114,018
2013	—	—
2014	70,400	716,685
Thereafter	10,000	101,802
Total	¥ 148,825	$ 1,515,066

7. Employees' severance and retirement benefits

The liability for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Projected benefit obligation	**¥ 21,817**	¥ 19,723	**$ 222,101**	$ 200,784
Less fair value of pension assets	**(16,516)**	(17,333)	**(168,136)**	(176,453)
Unrecognized actuarial differences	**(10,070)**	(5,721)	**(102,515)**	(58,241)
Unrecognized prior service costs	**(787)**	(868)	**(8,012)**	(8,836)
Prepaid pension costs	**5,582**	4,208	**56,826**	42,838
Liability for severance and retirement benefits	**¥ 26**	¥ 9	**$ 264**	$ 92

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008, severance and retirement benefits expenses comprised the following:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Service costs - benefits earned during the year	**¥ 765**	¥ 660	**$ 7,788**	$ 6,719
Interest costs on projected benefit obligation	**391**	379	**3,981**	3,858
Expected return on plan assets	**(515)**	(504)	**(5,243)**	(5,131)
Amortization of actuarial differences	**595**	441	**6,057**	4,490
Amortization of prior service costs	**81**	81	**825**	825
Additional retirement benefits	**19**	28	**193**	285
Severance and retirement benefit expenses	**¥ 1,336**	¥ 1,085	**$ 13,601**	$ 11,046

Prior service costs and actuarial differences are amortized or recognized over a stated number of years that does not exceed the average remaining service period of active employees expected to receive benefits under the plan.

Assumptions used for the years ended March 31, 2009 and 2008, were as follows:

	2009	2008
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.0%**	3.0%
Amortization period of prior service costs	**14 years**	14 years
Amortization period of actuarial differences	**14 years**	14 years

8. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate an aggregate statutory income tax rate in Japan of approximately 40.7% for the years ended March 31, 2009 and 2008.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2009:

	2009
Statutory tax rate	**40.7%**
Tax effect of permanent differences	**2.8**
Valuation allowance recognized for deferred tax assets	**2.6**
Difference in tax rates for consolidated subsidiaries	**(0.4)**
Other	**1.4**
Effective tax rate	**47.1%**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2008 has not been disclosed because such difference was less than 5%.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Deferred tax assets:				
Temporary differences pertaining to a consolidated subsidiary	**¥ 23,833**	¥ 23,864	**$ 242,625**	$ 242,940
Unrealized loss on securities, net of taxes	**2,422**	—	**24,656**	—
Loss on impairment of long-lived assets	**2,396**	2,390	**24,392**	24,330
Loss on sale-repurchase agreement of land	**1,719**	1,719	**17,500**	17,500
Land revaluation difference, net of taxes	**1,667**	1,667	**16,970**	16,970
Accrued bonuses to employees	**728**	715	**7,411**	7,279
Other	**4,460**	3,739	**45,404**	38,064
Total deferred tax assets	**37,225**	34,094	**378,958**	347,083
Valuation allowance	**(31,332)**	(30,890)	**(318,966)**	(314,466)
Net deferred tax assets	**5,893**	3,204	**59,992**	32,617
Deferred tax liabilities:				
Unrealized gains on securities, net of taxes	**—**	3,332	**—**	33,920
Land revaluation difference, net of taxes	**2,686**	2,799	**27,344**	28,494
Prepaid pension costs	**2,271**	1,712	**23,119**	17,428
Other	**1,178**	270	**11,992**	2,749
Total deferred tax liabilities	**6,135**	8,113	**62,455**	82,591
Net deferred tax liabilities	**¥ (242)**	¥ (4,909)	**$ (2,463)**	$ (49,974)

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2009 and 2008, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Current assets: Deferred tax assets	**¥ 1,561**	¥ 1,823	**$ 15,892**	$ 18,559
Other assets: Deferred tax assets	**883**	69	**8,989**	702
Current liabilities: Deferred tax liabilities	**—**	—	**—**	—
Noncurrent liabilities: Deferred tax liabilities	**2,686**	6,801	**27,344**	69,235

9. Net assets

Net assets comprises three subsections, which are owners' equity, accumulated gains (losses) from valuation and translation adjustments and minority interests.

Under the Japanese Corporate Law ("the Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital are able to eliminate or reduce a deficit or be capitalized by a resolution of the shareholders' meeting.

Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 26, 2009, the shareholders approved cash dividends amounting to ¥1,256 million ($12,786 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

Land revaluation difference — Pursuant to the Law Concerning Land Revaluation, the Company revaluated land used for business activities at March 31, 2002.

Unrealized gain (loss) on land revaluation is recorded as land revaluation difference in a separate component of net assets in the consolidated balance sheets until realized. The amounts are shown net of applicable income tax.

The revaluation of land was determined based on a declared land value, with certain necessary adjustments, in accordance with Article 2, Paragraph 1 of the Enforcement Ordinance Concerning Land Revaluation.

As of March 31, 2009, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥17 million ($173 thousand).

10. Leases

"Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and "the Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16) were adopted from the fiscal year beginning on April 1, 2008.

Finance leases
As lessee

Finance leases that do not transfer ownership of the leased property to the lessee at the end of lease periods

[1] Details of lease assets are as follows:
Tangible assets, mainly amusement facilities and computer system.

[2] Depreciation method for lease assets
The straight-line method is over the period of the finance leases, assuming no residual value.

Lease transactions entered into before April 1, 2008 are continue to be accounted for as operating lease transactions with "as if capitalized" information as follows:

As of March 31, 2009

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Other property and equipment	**¥ 1,387**	**¥ 738**	**¥ 649**	**$ 14,120**	**$ 7,513**	**$ 6,607**
Other assets	**46**	**36**	**10**	**468**	**366**	**102**
Total	**¥ 1,433**	**¥ 774**	**¥ 659**	**$ 14,588**	**$ 7,879**	**$ 6,709**

As of March 31, 2008

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Other property and equipment	¥ 1,929	¥ 903	¥ 1,026	$ 19,638	$ 9,193	$ 10,445
Other assets	95	64	31	967	652	315
Total	¥ 2,024	¥ 967	¥ 1,057	$ 20,605	$ 9,845	$ 10,760

Total lease payments, including financing charges, under finance leases that do not transfer ownership of the leased property to the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 were ¥422 million ($4,296 thousand) and ¥572 million ($5,823 thousand), respectively.

Depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property are not reflected in the accompanying consolidated statements of income. Depreciation expense, computed by the straight-line method, was ¥391 million ($3,980 thousand) and ¥516 million ($5,253 thousand) for the years ended March 31, 2009 and 2008, respectively. Interest expense, computed by the interest method, was ¥26 million ($265 thousand) and ¥35 million ($356 thousand) for the years ended March 31, 2009 and 2008, respectively.

Obligations, excluding financing charges, under such non-capitalized finance leases as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Due within one year	**¥ 306**	¥ 420	**$ 3,115**	$ 4,275
Due after one year	**380**	659	**3,869**	6,709
Total	**¥ 686**	¥ 1,079	**$ 6,984**	$ 10,984

Operating leases
As Lessee

Obligations under operating leases as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
Due within one year	**¥ 35**	¥ 35	**$ 356**	$ 356
Due after one year	**96**	136	**978**	1,385
Total	**¥ 131**	¥ 171	**$ 1,334**	$ 1,741

11. Segment information

Industry segment information

The Companies' operations are classified into six industry segments for the year ended March 31, 2009 and 2008 as follows:

Steel: Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, and steelmaking raw materials

Metals and Alloys: Nickel, chromium, steel alloys, and solar cell-related materials and products

Non-ferrous metals: Aluminium, copper, zinc

Foods: Frozen seafoods and meat products

Petroleum and chemicals: Petroleum products, chemical products, and cement

Other business: Lumber, machinery, and other

Segment information by business category for the years ended March 31, 2009 and 2008, was as follows:

Year ended March 31, 2009

	Millions of yen								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	¥ 877,756	¥ 155,841	¥ 51,860	¥ 82,219	¥ 320,817	¥ 50,789	¥ 1,539,282	¥ —	¥ 1,539,282
Costs and expenses	867,522	153,749	50,791	80,573	316,015	47,407	1,516,057	5,774	1,521,831
Operating income	¥ 10,234	¥ 2,092	¥ 1,069	¥ 1,646	¥ 4,802	¥ 3,382	¥ 23,225	¥ (5,774)	¥ 17,451
Assets	¥ 289,945	¥ 34,628	¥ 6,094	¥ 28,047	¥ 23,600	¥ 15,277	¥ 397,591	¥ 81,788	¥ 479,379
Depreciation	1,649	30	72	26	36	456	2,269	89	2,358
Capital expenditure	4,740	111	354	304	243	752	6,504	776	7,280

Year ended March 31, 2009

	Thousands of U.S. dollars								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	$ 8,935,722	$ 1,586,491	$ 527,945	$ 837,005	$ 3,265,978	$ 517,041	$15,670,182	$ —	$15,670,182
Costs and expenses	8,831,538	1,565,194	517,062	820,248	3,217,093	482,612	15,433,747	58,781	15,492,528
Operating income	$ 104,184	$ 21,297	$ 10,883	$ 16,757	$ 48,885	$ 34,429	$ 236,435	$ (58,781)	$ 177,654
Assets	$ 2,951,695	$ 352,520	$ 62,038	$ 285,524	$ 240,252	$ 155,523	$ 4,047,552	$ 832,617	$ 4,880,169
Depreciation	16,787	305	733	265	367	4,642	23,099	906	24,005
Capital expenditure	48,254	1,130	3,604	3,095	2,474	7,655	66,212	7,900	74,112

Corporate costs and expenses consist mainly of expenses of administrative departments.

Corporate assets consist mainly of cash and equivalents, investment securities and assets of administrative departments.

Year ended March 31, 2008

	Millions of yen								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	¥ 790,341	¥ 202,019	¥ 65,345	¥ 84,671	¥ 311,481	¥ 53,652	¥ 1,507,509	¥ —	¥ 1,507,509
Costs and expenses	774,466	195,399	63,330	83,894	308,935	52,228	1,478,252	5,552	1,483,804
Operating income	¥ 15,875	¥ 6,620	¥ 2,015	¥ 777	¥ 2,546	¥ 1,424	¥ 29,257	¥ (5,552)	¥ 23,705
Assets	¥ 274,802	¥ 47,867	¥ 14,762	¥ 31,166	¥ 35,381	¥ 12,759	¥ 416,737	¥ 65,277	¥ 482,014
Depreciation	1,408	24	51	28	31	432	1,974	81	2,055
Capital expenditure	3,795	48	44	31	36	375	4,329	68	4,397

Year ended March 31, 2008

	Thousands of U.S. dollars								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	$ 8,045,821	$ 2,056,592	$ 665,224	$ 861,967	$ 3,170,935	$ 546,188	$15,346,727	$ —	$15,346,727
Costs and expenses	7,884,211	1,989,199	644,711	854,057	3,145,016	531,691	15,048,885	56,521	15,105,406
Operating income	$ 161,610	$ 67,393	$ 20,513	$ 7,910	$ 25,919	$ 14,497	$ 297,842	$ (56,521)	$ 241,321
Assets	$ 2,797,537	$ 487,295	$ 150,280	$ 317,276	$ 360,185	$ 129,889	$ 4,242,462	$ 664,532	$ 4,906,994
Depreciation	14,334	244	519	285	315	4,398	20,095	825	20,920
Capital expenditure	38,634	489	448	316	366	3,817	44,070	692	44,762

Corporate costs and expenses consist mainly of expenses of administrative departments.

Corporate assets consist mainly of cash and equivalents, investment securities and other assets of administrative departments.

Overseas net sales

Overseas net sales include exports and offshore sales by the Company and its consolidated subsidiaries, excluding sales by foreign subsidiaries to Japan.

Regional segment information

The Companies operate mainly within Japan, so regional segment information is not disclosed.

Overseas net sales of the Companies for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	**¥ 288,224**	**¥ 51,816**	**¥ 340,040**	**$ 2,934,175**	**$ 527,497**	**$ 3,461,672**
Percentage of consolidated net sales	**18.7%**	**3.4%**	**22.1%**			

"Asia" sales consist principally of sales to China, South Korea, Singapore and Thailand.
"Other areas" sales consist principally of sales to the U.S.A. and Germany.

Year ended March 31, 2008

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	¥ 280,217	¥ 44,088	¥ 324,305	$ 2,852,662	$ 448,824	$ 3,301,486
Percentage of consolidated net sales	18.6%	2.9%	21.5%			

"Asia" sales consist principally of sales to China, South Korea, Singapore and Thailand.
"Other areas" sales consist principally of sales to Germany and the U.S.A..

12. Contingent liabilities

At March 31, 2009 and 2008, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009	2008	**2009**	2008
As endorsers of export letters of credit and notes discounted	**¥ 4,227**	¥ 4,594	**$ 43,032**	$ 46,768
As guarantors of indebtedness	**4,894**	2,691	**49,822**	27,395

13. Subsequent events

At the ordinary general meeting of shareholders of the Company held on June 26, 2009, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥6 per share)	¥ 1,256	$ 12,786

Independent Auditors' Report

To the Board of Directors of
Hanwa Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Hanwa Co., Ltd. (the Company) and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hanwa Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2009 and 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan
June 26, 2009

Corporate Data

Company Name:	Hanwa Co., Ltd. 阪和興業株式会社
Address:	**Osaka Head Office** Hanwa Bldg., 4-3-9 Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan Tel: 81-6-6206-3000 Fax: 81-6-6206-3365 **Tokyo Head Office** New Hanwa Bldg., 1-13-10 Tsukiji, Chuo-ku, Tokyo 104-8429, Japan Tel: 81-3-3544-2171 Fax: 81-3-3544-2351 **Nagoya Branch Office** NHK Nagoya Broadcasting Center Bldg., 1-13-3, Higashisakura, Higashi-ku, Nagoya, Aichi 461-8614, Japan Tel: 81-52-952-8800 Fax: 81-52-952-9300
Employee:	1,088 (consolidated: 1,818)
Independent Auditor:	KPMG AZSA & Co.

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
Hokkaido	Kita-sanjo Bldg., 3-1-25, Kita-sanjo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0003, Japan	81-11-219-7375	81-11-219-7376
Tohoku	Sendai Dai-ichi Seimei Tower Bldg., 4-6-1 Ichiban-cho, Aoba-ku, Sendai, Miyagi 980-0811, Japan	81-22-227-7981	81-22-227-7969
Niigata	Hokuetsu-daiichi Bldg., 1-2-25, Higashi Oodouri, Chuo-ku, Niigata 950-0087, Japan	81-25-255-1777	81-25-255-1776
Chugoku	Hiroshima-fukuromachi Bldg., 5-25, Fukuro-machi, Naka-ku, Hiroshima 730-0036, Japan	81-82-543-2570	81-82-543-2561
Kyushu	Taihaku Center Bldg., 2-19-24 Hakata-ekimae, Hakata-ku, Fukuoka 812-0011, Japan	81-92-471-7121	81-92-471-7060

Overseas Offices

OFFICE	ADDRESS	TELEPHONE	FAX
North and Latin America			
New York	Parker Plaza, 12th Floor, 400 Kelby Street, Fort Lee, NJ 07024, U.S.A.	1-201-363-4500	1-201-346-9890
Seattle	601 Union Street, Suite 626, Seattle, WA 98101, U.S.A.	1-206-622-2102	1-206-622-6464
Houston	Suite 515, 9800 Richmond Avenue, Houston, TX 77042, U.S.A.	1-713-978-7904	1-713-978-7790
Los Angeles	18100 Von Karman, Suite 320, Irvine, CA 92612, U.S.A.	1-949-955-2780	1-949-955-2785
Vancouver	Suite 502, 1001 West Broadway Vancouver, B.C. V6H 4B1, Canada	1-604-876-1175	1-604-876-1085
Bogota	Calle 97, No. 21-50 Edif: La Fontana Di Tivoli Oficina: 309 Bogota, D.C. Colombia	57-1-473-4758	57-1-473-4754
Asia			
Seoul	Room 1705, Korea World Trade Center, 159-1, Samsung-Dong, Kangnam-ku, Seoul, 135-729, R.O.Korea	82-2-551-5387	82-2-551-5575
Beijing	Room 1201, Beijing Fortune Bldg., 5 Dong San Huan Bei-lu, Chaoyang District, Beijing 100004, P.R.China	86-10-6590-8333	86-10-6590-8340
Qingdao	Crowne Plaza Qingdao, Room No.601, Hongkong Middle Road 76, Qingdao City, Shandong 266071, P.R.China	86-532-8-577-9990	86-532-8-577-9630
Dalian	Senmao Bldg., 20F, 147 Zhongshan Street, Dalian City, Liaoning 116011, P.R.China	86-411-8-368-6954	86-411-8-368-6934
Shanghai	Room 902/904-907, Aetna Tower, No.107 Zhunyi Road, Shanghai 200051, P.R.China	86-21-6237-5260	86-21-6237-5268
Chongqing	Room 2203, Metropolitan Tower, 68 Zhou Rong Lu, Central District, Chongqing 400010, P.R.China	86-23-6381-1101	86-23-6381-7385
Fuzhou	Room 2501, Lippo Tianma Plaza, No.1 Wu Yi Road, Fuzhou City, Fujian 350003, P.R. China	86-591-8-3354165	86-591-8-3345202
Wuhan	Room 1009, New World Center, Tower A, No. 634, Jiefang Avenue, Wuhan 430032, P.R.China	86-27-8549-7132	86-27-8578-7196
Guangzhou	Unit 3701-3704, Profit Plaza, No. 76 Westhuangpu Road, Guangzhou City, Guangdong 510623, P.R.China	86-20-8732-0451	86-20-8732-0402
Dongguan	Suites1504-1505, 15F, Huicheng Build., 102 Hong Fu Road, Nan Cheng District, Dongguan City, Guangdong 523000, P.R.China	86-769-2240-6418	86-769-2240-6448
Zhongshan	Unit 1909-1910, 19th Floor, Bank Of China Tower, 18 Zhongshan 3rd Road, Zhongshan City, Guangdong, P.R.China	86-760-2-332-0706	86-760-2-332-0696
Hong Kong	Suites 2301-02 & 16, 23F, Cityplaza One 1111 King's Road, Tai Koo Shing Island East, Hong Kong	852-2545-0110	852-2542-2544
Taipei	Room 303, 3rd Floor, No. 79, Chung Shan North Road Sec.2, Taipei, Taiwan	886-2-2560-2214	886-2-2571-0693
Kaohsiung	Room B, 17th Floor, No.7 Su-Wei 4th Road, Kaohsiung, Taiwan	886-7-338-5508	886-7-338-5433
Bangkok	12th Floor, Unit 1204, Q.House Lumpini Bldg., 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand	66-2-343-8877	66-2-343-8878
Kuala Lumpur	Suite 8-12B-3, Level 14 (12B), Menara Olympia 8, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	60-3-2078-2311	60-3-2078-2380
Singapore	20 Cecil Street, #20-06/07 Equity Plaza, Singapore, 049705	65-6536-7822	65-6536-7855
Tawau	P.O. Box 1231 91037 Tawau, Sabah, Malaysia	60-89-750016	60-89-750019
Ho Chi Minh	7/C Office Service International Centre, No. 8 Nguyen Hue Street, District 1, Ho Chi Minh City, S.R. Vietnam	84-8-3822-5715	84-8-3822-5725
Hanoi	Thanglong Bldg., 501A, 105 Lang Ha, Dong Da, Hanoi, S.R. Vietnam	84-4-3562-5414	84-4-3562-5412
Jakarta	Menara Cakrawala 5th Floor, Jalan M.H. Thamrin No. 9, Jakarta 10340, Indonesia	62-21-39833211	62-21-39833212
Mumbai	Unit No.208, 2nd Floor, B-Wing, Dynasty Business Park, 58, Andheri Kurla Road, Andheri (E), Mumbai 400 069, India	91-22-2826-0884	91-22-2826-1097
New Delhi	203, Bestech Chambers, B Block, Sushant Lok 1, Gurgaon, Haryana 122002, India	91-124-456-6100	91-124-456-6111
Europe, Middle East and Africa			
London	2nd Floor, Finland House, 56 Haymarket, London, SW1Y 4RN U.K.	44-20-7839-4448	44-20-7839-3994
Kuwait	C/O Al-Sabih Engineering & Trading Co., P.O. Box No. 1114 Dasman, 15462 Dasman, Kuwait Room 24, 6th Floor, Danat Trading Center, Abdulla Al-Ahmad Street, Sharq, Kuwait	965-2-243-7259	965-2-243-7263
Riyadh	P.O. Box 68974, Riyadh 11537, Saudi Arabia	966-1-473-1563	966-1-473-5624
Jeddah	Office No. 219, Kaki Center, P.O. Box 1224, Jeddah 21431, Saudi Arabia	966-2-669-0648	966-2-669-0648
Dammam	Office No.1, 1st Floor, Al-Hammam Center for Trading King Fahad Bin Abdul Aziz Road, Dammam, Saudi Arabia	966-3-8411745	966-3-8467937
Johannesburg	2nd Floor West Tower, Nelson Mandela Square, Maude Street, Sandton, 2196, South Africa	27-11-881-5966	27-11-881-5611
Amsterdam	WTC Tower A-11F, Strawinskylaan 1111, 1077XX, Amsterdam, The Netherlands	31-20575-2460	31-20575-2461
Vienna	Landstrasser Hauptstrasse 71/2 A1030, Wien, Austria	43-1-717-28-200	43-1-717-28-110
Dubai	Dubai Airport Free zone, No. 6EA, Room No. 506 P.O.Box 293873 Dubai, U.A.E.	971-4-609-1893	971-4-609-1895

Board of Directors
(As of June 26, 2009)

President
Shuji Kita 北　修爾

Executive Vice President
Hironari Furukawa 古川　弘成

Senior Managing Director
Tetsuro Akimoto 秋元　哲郎

Managing Directors
Yoshifumi Nishi 西　吉史
Takuji Kita 北　卓治
Hideo Kawanishi 川西　英夫

Directors
Osamu Seki 関　收
Kazuhisa Majime 馬締　和久
Masataka Toyoda 豊田　雅孝
Hiroshi Serizawa 芹澤　浩
Hiroaki Tsujinaka 辻仲　弘明
Hiroshi Ebihara 海老原　弘
Yukio Saito 齋藤　幸雄
Akihiko Ogasawara 小笠原朗彦
Yoshiaki Matsuoka 松岡　良明
Teruo Asai 浅井　照夫
Atsuhiro Moriguchi 森口　淳宏
Tadahiko Kaida 貝田　忠彦
Youichi Ejima 江島　洋一
Naoyuki Togawa 十川　直之

Corporate Auditors
Noriyuki Hanafusa 花房　伯行
Toshiaki Shirakawa 白川　敏昭
Toshiaki Taguchi 田口　敏明
Hajime Yosano 与謝野　肇
Masanori Kobayashi 小林　正典

Investor Information
(As of March 31, 2009)

Date of Establishment
April 1947

Stated Capital
¥45,651 million ($464,736 thousand)

Number of Shares of Common Stock Issued
211,663,200 shares

Number of Stockholders
15,110

Stock Exchange Listings
The First Section of the Tokyo Stock Exchange
The First Section of the Osaka Securities Exchange

Transfer Agent
The Sumitomo Trust and Banking Co., Ltd.

HANWA CO., LTD.

http://www.hanwa.co.jp

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