HANWA CO., LTD.
阪和興業株式会社

Annual Report 2010

For the year ended March 31, 2010

HANWA CO., LTD.

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 metals and alloys, non-ferrous metals, food products, lumber, machinery, petroleum and chemicals, 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 in 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 into the international market and our 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.

Contents

Forward-Looking Statements
The plans, strategies and other statements related to the outlook of future results in this annual report reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

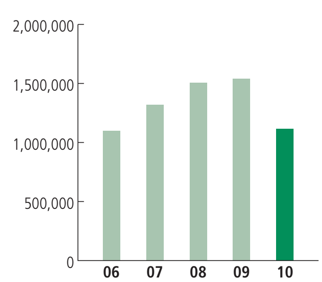
Consolidated Financial Highlights

For the years ended March 31, 2010 and 2009.

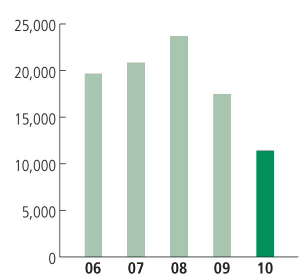
	Millions of yen		Thousands of U.S. dollars (Note)
	2010	2009	**2010**
For the year:			
Net sales	**¥ 1,116,629**	¥ 1,539,282	**$12,001,601**
Operating income	**11,420**	17,451	**122,743**
Net income	**11,579**	5,997	**124,452**
At year-end:			
Total assets	**¥ 443,445**	¥ 479,379	**$ 4,766,176**
Total net assets	**106,855**	94,913	**1,148,485**
	Yen		U.S. dollars (Note)
Per share data:			
Net income	**¥ 55.46**	¥ 28.47	**$ 0.596**
Cash dividends	**12.00**	12.00	**0.129**

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥93.04 = $1.00.

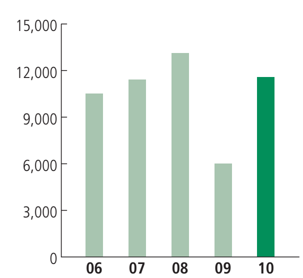
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



To Our Shareholders

Hanwa supplies a broad spectrum of products, including steel, metals and alloys, non-ferrous metals, food products, petroleum and chemicals, lumber, machinery and many other items, to an equally diverse range of customers.

Since our inception, we have based operations on the mission of serving our customers as "distribution specialists." Year after year, we have used specialized skills and an extensive service network to meet customers' needs with precisely the right solutions. This skill has earned Hanwa a reputation as a trading company in which customers know they can place their trust, in return receiving outstanding products and services.

Based on the booming global economy, in recent years, our net sales developed, due to a rise in quantities sold and an expansion in market prices. In fiscal 2009, the fiscal year ended March 31, 2010, net sales decreased owing to a reduction in demand since the second half of the previous year. Net income increased due to income taxes reduction because impairment losses and other losses that we had posted in previous years on transferred assets in fiscal 2009 were included in deductible expenses.

Companies in all industries are facing increasingly heated competition in Japan and around the world. The more rapid the pace of change, the more diverse and complex the needs of our customers have become. We are responding to these demands with value-added products and services, highly specialized ideas, and other forms of support. This allows us to function as each customer's "best partner" in creating solutions for specific issues. Adhering to this approach is why we can offer trading company logistics with a difference.

The sincere advice and support of all stakeholders forms the basis for all our activities. We place great value on every customer relationship together with the accompanying opportunities. As we pursue more growth and progress, we will retain our devotion to contributing to society by performing functions that are unique to Hanwa, while serving as "a trading company known for outstanding footwork."

Shuji Kita

Shuji Kita
President

Looking at the Present and the Future of the Hanwa Group

First of all, I would like to thank you for your continued support. It is my pleasure to provide this overview of operating results for fiscal 2009, the fiscal year ended March 31, 2010.

Q1 Please share your opinion about the economic environment of the fiscal year ended March 31, 2010.

The global economy, which plunged into a deep recession in the second half of the previous fiscal year, has already bottomed out and is now on its way to recovery. Although the pace of recovery is slow in advanced nations, we are seeing a strong recovery in China, where large-scale investments in public works and purchase incentives for consumers are driving the economic upturn and the economic recovery of the entire Asian region.

In Japan, we saw some signs of recovery in the manufacturing sector in general, such as rising production toward the normal level, but business sentiments—industry by industry—were mixed. Domestic demand in connection with capital investments and construction in particular was weak throughout the period.

Q2 Please summarize operating results of the fiscal year that ended March 31, 2010.

A The Group posted consolidated net sales of ¥1,116,629 million for the fiscal year ended March 31, 2010, representing a year-on-year decrease of 27.5%. The decline was due principally to a low level of demand and market prices seen throughout the fiscal year under review, despite the overall tone of an improving economic picture, in contrast to the previous consolidated fiscal year in which robust earnings achieved in the first half of that year, backed by higher demand and higher market prices, contributed to full-year sales. Profits also fell due to deteriorating earnings from sales caused by lower prices of petroleum and other products, in addition to the declining sales volume. Operating income decreased 34.6%, to ¥11,420 million. Net income, in contrast, rose 93.1%, to ¥11,579 million. This was primarily attributable to reduced income taxes paid and other factors, which more than offset land and property-related impairment losses claimed as an extraordinary loss. The reduction in income taxes paid was a result of a tax deduction realized in connection with certain land and properties sold during the consolidated fiscal year under review. Impairment losses for such land and properties posted in prior fiscal years were recognized for tax purposes in the consolidated fiscal year under review in which sales were made.

Q3 What is your outlook for the fiscal year ending March 31, 2011?

A The worst phase of the economic recession appears to have nearly ended for the world economy in general, but some uncertainties remain including the uncertain outlook regarding the European economy, movements in foreign exchange and interest rates, and bad debt problems. As for the real economy, the recovery in advanced nations including the United States still lacks power and is drawing its strength mainly from rising demand from China and other emerging economies.

Likewise, Japan's recovery of its manufacturing sector owes much to growing Chinese demand and economic stimulus measures in place around the world, and this recovery may lose momentum since it is vulnerable to unfavorable foreign exchange movements or a change in overseas demand. With capital investments and construction demand remaining at a low level, it is premature for us to change the tone of our outlook to an overly optimistic one.

In this operating environment, we at the Group will attempt to secure profits by implementing appropriate sales and inventory policies for each business segment based on an accurate assessment of trends in demand. We project ¥1,319,000 million in net sales (an increase of 18.1% year on year), ¥16,000 million in operating income (an increase of 40.1%), and ¥8,400 million in net income (a decrease of 27.5%).

Q4 How do you plan to cope with business challenges?

A The Group has launched a new Medium-Term Business Plan for the three-year period from April 2010 through March 2013, which essentially calls for actions needed to adapt to rapid changes in the operating environment and for building a highly original and powerful base of operations and profit structure, which is the central theme of the plan. We have defined three areas of fundamental challenges, which we will address by taking actions in line with our six growth strategies. For more detailed information, please refer to the following "New Medium-Term Business Plan: An Overview."

Q5 Please share some additional thoughts with your shareholders and investors.

A The Hanwa Group strives to enhance its comprehensive corporate value and achieve sustainable corporate growth by putting into action the business strategies mapped out in the Medium-Term Business Plan, in an effort to further boost customer satisfaction and make a greater contribution to society.

In this regard, in all our efforts, we greatly appreciate our shareholders' continued support, guidance and encouragement.

The New Medium-Term Business Plan: An Overview

The Group formulated a new Medium-term Business Plan, whose main objective is to adapt to rapid changes in the operating environment and build a highly original and powerful base of operations and profit structure. To establish a powerful business base, the Group targets business operations to both the saturated market of Japan and emerging economies abroad where robust expansion is expected to continue and delivers Hanwa's promise of consistently providing solutions in a timely manner to meet users' needs. To build a solid profit structure, new business opportunities are actively sought.

Central themes

1) Become even more competitive in Japan
2) Expand operations involving the environment and recycling
3) Continue to grow outside Japan

Key Initiatives

1) Reinforce and differentiate capabilities
2) Enhance capabilities to do business on a global scale
3) Adopt the perspective of users and target directly end users
4) Effectively utilize a diverse range of human resources

Strategies for growth

1) Strengthen capabilities in our core business as a trading company with strong ties to end users
2) Grow rapidly in overseas markets by enlarging the business network and workforce
3) Reinforce and expand the scope of recycling operations
4) Increase business activities involving the environment and energy
5) Make business investments and build partnerships aggressively
6) Establish a team of professionals with outstanding skills

AT a Glance

Section | **Overview**

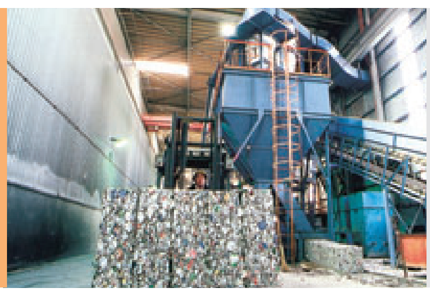
STEEL

Steel is Hanwa's major product, accounting for about half of total sales. We sells steel bars, building materials, sheets, pipes, wires, and many other steel products. With this broad lineup, we can meet the requirements of customers in almost any industry. With some of Japan's largest steel distribution centers and a network of overseas coil centers, Hanwa ranks among the leaders in terms of inventories and steel processing volume. In recent years, offshore trading has become another source of growth in the steel business.

METALS AND ALLOYS

Hanwa fulfills an important social responsibility as a supplier of many metals for which there are no resources in Japan, such as nickel, chromium, manganese, silicon and ferroalloys of primary products. We procure these metals directory from procedures in China, South Africa, Kazakhstan, India, Turkey, Germany, Russia, Brazil and other countries. Using our own global network as well as relationships with strategic partners, we are constantly seeking to increase supplies of metal resources through various measures that include investment.

NON-FERROUS METALS



Hanwa was one of the first companies in Japan to establish a non-ferrous metals and specialty metals recycling business. Operations involve mainly aluminum, copper, zinc, lead and other metals where demand is substantial in Japan. We have solid positions in there market sectors, backed by expertise in organizing business activities on a global scale, an advantage that only a trading company can offer. In our recycling business of aluminum cans, we fully utilize expertise in collection, inventory and supply activities to aluminum rolling plants.

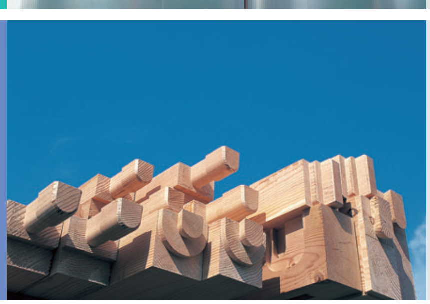
FOOD PRODUCTS

Hanwa's food business is Japan's largest importer of seafood, handling a diverse selection of products. Developing products with a higher degree of processing has been a central theme in recent years. We have tie-ups with many seafood processing plants in China, Thailand, Vietnam and other countries. All these facilities are highly competitive in terms of cost, quality and hygiene. Furthermore, Hanwa also uses its own purchasing method for processed food products. We send special staffs to plants so they can monitor quality assurance programs.

PETROLEUM AND CHEMICALS

In the petroleum business, Hanwa supplies fuel, lubricants and other products to companies in the steel, chemicals, papermaking and other industries. Overseas, we sell fuel for shipping companies and are involved in the import and export of petroleum products. In the chemicals business, Hanwa's primary export is synthetic resin raw materials. Major imports include synthetic resin raw materials and polyethylene products. In paper category, we have a recycling business and we expert recycled paper to Southeast Asian countries.

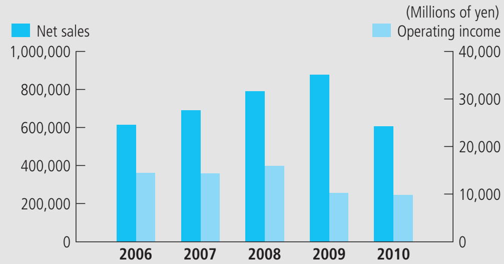
OTHER BUSINESS

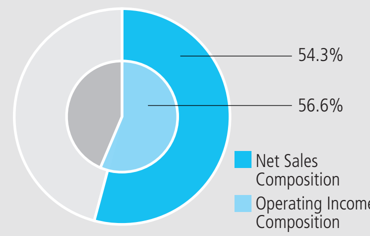


Hanwa that imports lumber, plywood and other wood products are selling to building material trading companies, building material manufactures, sales agents, wholesalers, home builders and many other companies. We are supplying to the thriving construction market in the Middle East and other regions by focusing on offshore trade. The machinery business has two components: amusement facilities, mainly amusement park rides and other facilities; and industrial machinery, mainly steel processing machinery.

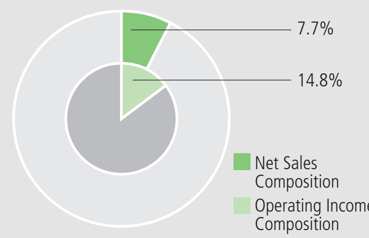
Main Items	Net Sales/Operating Income	Composition of Net Sales/Operating Income

- Steel bars
- Steel shapes
- Steel sheets
- Wire rods
- Special steel
- Steel scrap

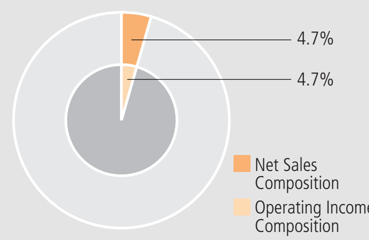




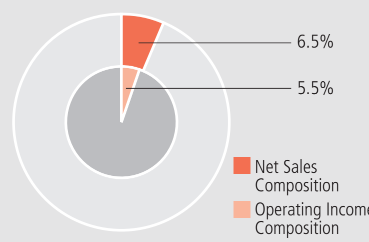
- Nickel
- Chromium
- Silicon
- Manganese
- Solar cell materials



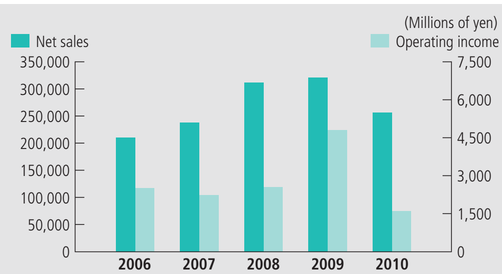
- Copper
- Aluminum
- Zinc
- Lead
- Tin

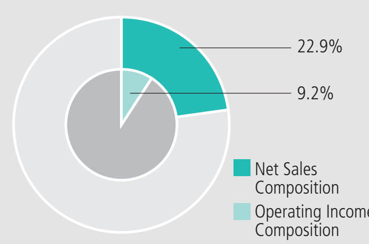


- Prawns and shrimp
- Crab
- Salmon
- Horse mackerel
- Mackerel
- Capelin

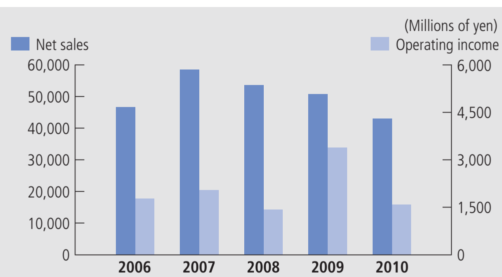


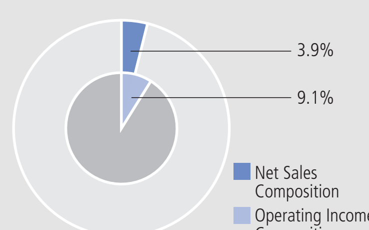
- Petroleum: gasoline, kerosene, heavy oil, LPG, bunker oil
- Chemical: PE, PP, household products, interleaving paper, used paper





- Lumber & Plywood
- Leisure facilities
- Industrial machinery





Steel (Domestic)

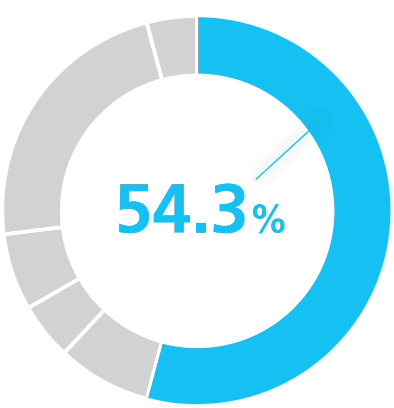
Fiscal 2009 Results

Fiscal 2009 marked a year of recovery amid drastic changes in the business environment following the global financial crisis triggered by the collapse of Lehman Brothers.

In the first half of fiscal 2009, the Company's business experienced weakness due to inventory adjustment in response to shrinking demand and the slumping market. In contrast, the steel industry recovered in the second half, buoyed by the recovery of exports to China and other emerging countries in Asia and the upturn in manufacturing industries, particularly automobiles and home electronics. Meanwhile, the Japanese construction industry remained subdued, unable to match the recovery in other parts of the world and regaining only 70% or so of the level recorded before the Lehman crisis. The industrial markets appeared to be polarized, as recovery in manufacturing industries and exports contrasted starkly with the slump in the construction industry.

In these circumstances, the domestic steel sales business posted weak results in terms of both sales and ordinary income. In response, we carried out sales efforts aimed at real estate developers and general contractors, directed marketing efforts through local branches and sales offices to tap niche demand, bolstered relationships with small and medium-sized companies, and developed new uses for products whose sales steelmakers are attempting to expand to achieve differentiation. These measures helped lay the foundation for the next fiscal year ending March 31, 2011.

Net Sales Composition



Looking Ahead and Key Strategies

The external environment remains uncertain due to the financial turmoil chiefly in Europe and excess inventories in China. Now that prices of raw materials for steel are determined every three months, blast furnace steelmakers are likely to find themselves in a new situation in which sales costs change every quarter. Exports are expected to remain strong, while automakers and home electronics companies are likely to continue to enjoy strong sales. In contrast, the construction industry is forecast to remain sluggish. Demand for construction materials has fallen sharply, particularly in rural areas, which might accelerate the shakeout among construction material companies.

The domestic steel business plans to set up specific project teams, to pursue measures in the following areas: (1) expansion of domestic sales bases to tap niche demand in provincial markets; (2) centering efforts to conduct business with small and medium-sized companies with a healthy business outlook; (3) bolstering sales initiatives for urban redevelopment and other projects; and (4) strengthening environment and energy-related businesses.

Steel (Overseas)

Fiscal 2009 Results

Demand for steel materials has slumped as a result of the slowdown in the global economy since the financial crisis that began in 2008. With signs of economic recovery nowhere in sight, the fiscal year ended March 31, 2010 began under especially adverse conditions.

However, the environment began to brighten after the Chinese market turned upward, supported by the government's economic stimulus package, including construction of infrastructure. Emerging countries mainly in Asia began to recover one after another in the middle of the fiscal year under review; this was followed by an improvement in the demand/supply situation around the world in the second half of the year, after developed countries more or less completed inventory adjustment.

Order intake of flat rolled steel plates and sheets and mild steel bars and shapes increased in the first half, as Hanwa succeeded in capturing demand for construction materials chiefly in China which was the first to recover and the other emerging countries. In the second half, demand for consumer goods, such as cars and home electronics, rebounded thanks to government subsidies and other measures, resulting in brisk order intake mainly of steel sheets.

We acquired a stake in a coil center in San Diego in the United States to capture demand for steel from home electronics and solar power generation companies. In addition, we opened a sales office in South Africa, in an effort to tap new demand. In Malaysia, we invested in an electro-galvanized steel sheet manufacturing firm to lay the foundation for stable supply of steel sheets in the future.

Looking Ahead and Key Strategies

Demand in China and other emerging countries remains strong. As the worst appears to be over also for the European countries and the United States, the global economy is recovering gradually. Against this background, demand for steel is generally robust, with steel prices on an upward trend. However, the current recovery is supported by government intervention to a considerable degree and is far from self-sustained. In addition, the Chinese government may move to tighten its monetary policy, as an economic bubble is brewing in its real estate sector. While soaring prices of iron ore and coking coal since the beginning of the year are driving steelmakers to raise product prices, manufacturers of final products are finding it difficult to pass higher costs on to consumers.

For steel sheets, we plan to make use of the existing coil centers mainly in Asia to secure demand from home electronics and car manufacturers, which are enjoying solid sales. By region, we plan to expand business in the Middle East, Turkey and North Africa with Dubai as a base and to enter Latin America via the United States. We intend to accelerate our sales activities to capture demand in emerging countries through these measures. In the energy sector, we will target demand for petroleum-related infrastructure and engage actively in new energy businesses such as wind power and solar power generation. We will also conduct necessary investments such as construction of processing plants overseas and obtaining of stakes in new businesses. As for procurement, we plan to boost our ties with steel mills overseas and expand trilateral trade, in addition to domestic trade. By doing so, we aim to diversify our supply sources and advance our trading house function overseas.

Metals and Alloys

Fiscal 2009 Results

The nickel business reported higher profitability, as we secured supply early in cooperation with major producers and succeeded in concluding large contracts for China, while conducting business steadily with small users in Japan. In the stainless steel business, early procurement through increased collaboration with major wholesalers in South Korea and Thailand helped us conclude large import contracts amid the shrinking supply of stainless steel scrap, contributing to profit.

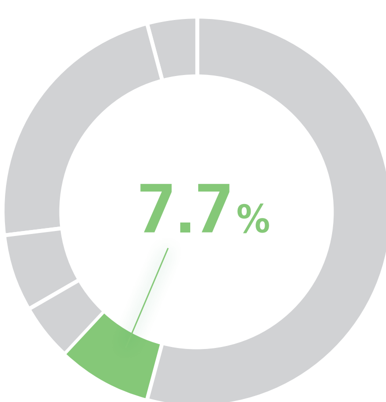
The ferroalloy market declined until April. As the balance between demand and supply turned around after July, however, it remained on an upward trend with a growing sense of a supply shortage. By the end of the fiscal year under review, a blast furnace steelmaker, one of our key partners, recovered fully, and we concluded yearly contracts. Together with electric furnace steelmakers, this provided a stable revenue base. The business with Samancor Chrome in South Africa, which was in the fifth year of our investment, saw sales volume decline sharply due to a slump in the stainless steel industry in the second half of the fiscal year under review.

The Ruukki Group (RG) business in which we invested in May 2008 enjoyed an expansion in sales to electric furnace steelmakers, thanks to the stable supply of ferroalloys from South Africa's Mogale Alloys, a company acquired in June 2009, which contributed significantly to profit.

The silicon business was faced with a difficult business environment, as users purchased only a small amount for immediate use because of large stockpiles, despite recovery in their production.

The solar cell business posted losses for the first time. This was due to a sharp decline in the volume of the mainstay wafer exports and outsourced processing amid intensifying competition, as well as lower price competitiveness reflecting the yen's appreciation.

Net Sales Composition



Looking Ahead and Key Strategies

For the stainless steel and special metal recycling business, we plan to conduct sorting and processing, in addition to the existing logistics and warehousing operations, in an effort to advance and differentiate our operations. We intend to build a trading mechanism with Showa Metal Co. Ltd., which became a Hanwa subsidiary in April, by maximizing the synergy effects between the two companies.

In the ferroalloy business, we will promote trading with manufacturers with a stable supply of ore, continue to expand sales to blast furnace steelmakers, special steelmakers and electric furnace steelmakers, and aim to expand trilateral trading with Asia as the sales destination. In the chrome business, we will center our efforts on the material produced mainly by Samancor and in India, as well as on the projects to be initiated by RG in the future to expand sales.

The solar cell business is expected to grow rapidly. As is the case with any growth industry, competition is intensifying, with more and more players entering the business. We will also direct efforts toward the downstream industries to strengthen our operations.

In the metal silicon business, we aim to start operations at the grinding mill project in Dalian in August to build stable sales channels for polysilicon chemical industries in Japan, China, South Korea and Taiwan. We aim to become a functional company with presence that can offer products of high purity to the world.

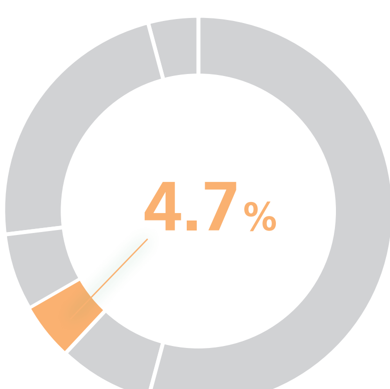
Non-Ferrous Metals

Fiscal 2009 Results

As the world economy appeared to have hit bottom and concern over financial crisis was dispelled, money continued to flow into the commodities market, pushing the non-ferrous price higher virtually uninterruptedly on the London Metal Exchange. However, as uncertainty over the economic outlook and profit-taking by funds spread from the beginning of 2010, the market entered an adjustment phase. The market fluctuated sharply, falling more than 10% in a month before staging recovery to the level recorded a month earlier.

User demand for raw materials recovered gradually quarter after quarter, reviving the market activities. However, it was very difficult to post a profit, as the amount of non-ferrous scraps available remained low in Japan. On the other hand, since the Chinese market was relatively quiet throughout the fiscal year under review, we managed to record a profit by securing supply through hedging in a flexible manner. In the domestic aluminum processing business, the material for cans performed well, while the material for window sash remained less profitable due to difficulty in collecting materials because of a smaller number of demolition works and increased competition for securing supply. We expanded tie-ups with local processing partners in the trading business of copper and aluminum in the ASEAN region, an area in which we have centered our efforts. Exports to Japan and trilateral trading within the region grew steadily, contributing to revenue. Trading of precious metal scraps, a commodity on which we are focusing, benefited from imports from the United States. We also began trading such scraps from Europe, which has the potential to double in volume in the future.

Net Sales Composition



Looking Ahead and Key Strategies

We expect funds to move in a confused manner, as concern over a credit crisis in Europe persists while a tighter monetary policy by the Chinese government will keep the market in an adjustment phase. Prices of raw materials are also forecast to remain high, as international resource majors dominate the market. As buyers stayed on the sidelines due to concern over the European economy triggered by Greece's debt crisis and possible monetary tightening to rein in overheating in China, the copper price fell by more than $1,000 in May. In view of possible fluctuations of the market, players are required to respond flexibly.

Despite the continued scarcity of materials for recycling, user demand for raw materials has risen sharply in tandem with production recovery. In Japan, we plan to expand collection bases, improve warehousing functions and boost exports, while we intend to cooperate more closely with overseas offices, establish processing plants and bolster the sales system abroad. With regard to raw materials for precious metal scrap, a commodity on which we are centering our efforts, we will strive to increase imports, sorting and processing, and marketing functions, based on tie-ups with users.

We will draw on our sales strength in the international market and make use of effective hedging strategies and ability to maintain a stable supply, to expand the recycling network mainly in Asia.

Food Products

Fiscal 2009 Results

The food products segment reported lower profit on lower sales, reflecting the worsening domestic environment.

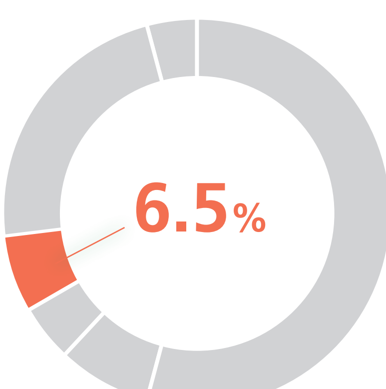
Despite higher prices of foodstuff produced overseas, domestic product prices and the Japanese market remained slumped. Demand was weak, and the food products segment was gravely affected by the economic trends throughout the year. To make matters worse, there was concern about the credit risk of several industry players and the collapse of a major company dampened already-weak sentiment in the industry. Sales of higher-priced premium fish were especially subdued. For example, consumers opted increasingly for smaller and cheaper frozen prawns, rather than larger and consequently higher-priced ones. This consumer attitude resulted in higher sales of price-oriented products, instead of quality-oriented ones. Meanwhile, demand for seafood in Southeast Asia, the United States and China is believed to have recovered to the level observed before the Lehman crisis. This prompted our food products segment to seek to expand overseas sales, as one of its basic business policies.

Looking Ahead and Key Strategies

We aim to provide stable distribution linked directly to demand and expand marketing channels in Japan. Japanese consumers pay great attention to the issue of food safety. The food quality control office will be regarded more important, due to these consumers' attention will heighten further during the current fiscal year, and plans to address the safety issue as the top priority in the food products segment. In the United States, we will center our efforts on Seattle Shrimp & Seafood Company, INC., one of our joint ventures, and plan to bolster its operations as the pillar of our food products segment overseas, by means such as increasing the work force and capital. In addition to the United States, during the current fiscal year we aim to conduct exports to China and Southeast Asian countries and tap the European market, using our Amsterdam office as a base.

For the Japanese market, we expect that time is required for prices of both products and raw ingredients to recover and that the trend of high ingredient prices and low product prices will continue during the current fiscal year. To ensure steady business, we will exercise care in the procurement of raw ingredients and cooperate closely with clients.

Net Sales Composition



Petroleum and Chemicals

Fiscal 2009 Results

The petroleum products business suffered lower profit on lower sales in fiscal 2009, while the chemicals business reported higher profit. Affected by the financial crisis that began in 2008, domestic demand for petroleum products remained sluggish. As a result, the petroleum products business fell sharply compared to the previous fiscal year, despite a temporary boost in demand for kerosene due to a cold spell.

The price of WTI crude oil, which started to inch up after hitting bottom at the beginning of 2009, hovered around $80 per barrel in the middle of the year. The price level did not reflect the supply and demand situation; instead, as a major product in the futures market, the crude oil price appreciated by absorbing excess liquidity that existed around the world.

Accordingly, sales of petroleum products slumped sharply in Japan despite the rising crude oil price. Against this background, oil distributors braced themselves against shrinking demand for petroleum products in Japan. Measures included the announced business integration of Nippon Oil Corporation and Japan Energy Corporation and a further reduction in output.

Demand for chemical products was also weak in Japan. The market was led by emerging countries, especially China, which recorded brisk demand. Major chemical companies began to explore ways to reorganize their business in an effort to diversify from petrochemical products.

Paper manufacturers were forced to slash output drastically, as demand for paper and paperboard fell sharply. Ironically, falling prices of raw materials helped boost their profitability.

Looking Ahead and Key Strategies

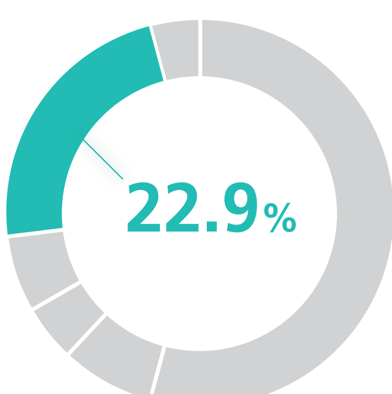
The petroleum products business plans to establish a marketing mechanism in which we can stress comprehensive proposal marketing designed to cut costs in accordance with the sales strategies of oil distributors. We also plan to make proactive proposals not only for traditional oil products but also for new energy to satisfy users' needs.

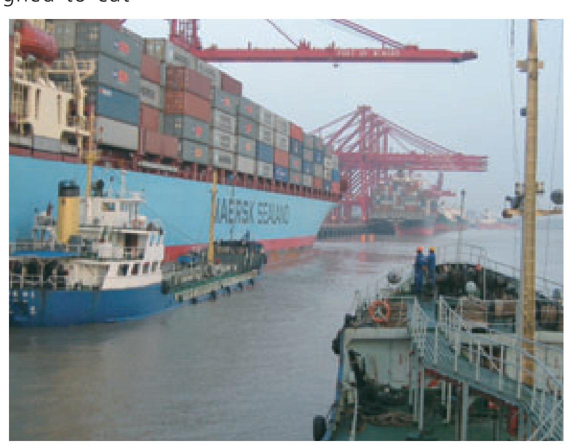
The chemicals business will promote trilateral trade of materials for resin, to capture demand in emerging countries, and develop the potential of life-style products.

The paper business plans to export used paper and carry out exports and imports of paper products between emerging nations and Japan amid the paradigm shift taking place on a global scale.

Last year, China overtook the United States as the world's largest producer of paper and paperboard. This is one of the reasons we believe that the supply and demand situation of all the products will change drastically in the current fiscal year. By taking advantage of this shift as a business opportunity, we will push ahead with sales activities to narrow the gap between supply and demand around the world.

Net Sales Composition





Other Business

Fiscal 2009 Results

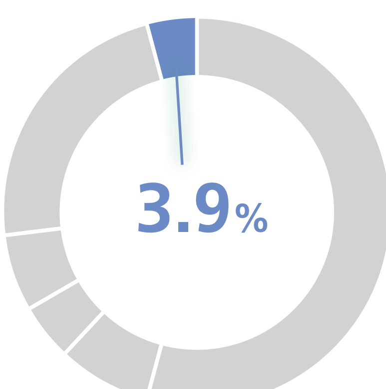
Lumber
Housing starts totaled 790,000 units in fiscal 2009, down 28% compared to the previous year. Business remained weak throughout the year, as both lumber and plywood suffered a decline in price and we were unable to secure sufficient margins amid intensifying sales competition. Although growth in sales to new customers and sales overseas pushed up trading volume by 5% year on year, sales fell because of a sharp decrease in prices.

Suppliers in various regions stepped up efforts to improve the balance between supply and demand through measures such as closures of factories and reductions in work shifts. The market began to show signs of an upturn in the January–March 2010 quarter, but prices of all products declined as a whole for the year under review.

Machinery
In the leisure facilities business, we completed the construction of U.S.-made Dark Ride and MagiQuest, a live action role-playing game, at the Tokyo Dome amusement park. For MagiQuest, we also sell items for use by game players on a continual basis. We also completed the construction of Laser Athletic, a new attraction developed in-house, at the Yomiuriland amusement park. In addition, we also commenced joint development of four game machines for Halos Co., Ltd.

In the industrial machinery business, we completed the manufacturing of a rebar processing machine for Hanwa Logistics Tokyo Co., Ltd. and the construction of a forming line of scaffolding boards for a building material leasing company and a slitter/leveler line for PT. Hanwa Steel Service Indonesia, among other activities. However, the business slumped due to a sharp drop in demand related to capital spending in the aftermath of the financial crisis triggered by the collapse of Lehman Brothers.

Net Sales Composition

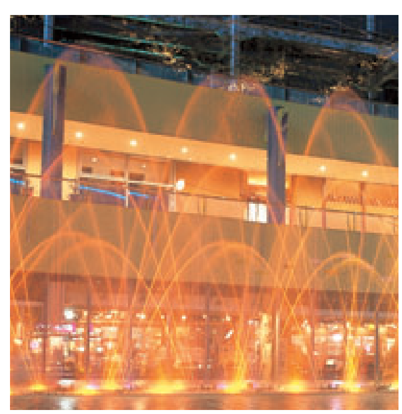


Looking Ahead and Key Strategies

Lumber
Although a sharp increase in housing starts is unlikely, demand for houses is predicted to expand compared to last year, as the number of new condominium units is falling steeply. Demand for lumber is also forecast to be larger than last year. A higher price is expected for most products in view of increasing demand in China and other emerging countries in the Middle East and North Africa. There is concern regarding a shortage of supply for some products, such as gluelam products and lamina. In Japan, we aim to expand sales to end-users by adding domestic plywood to our sales line-up and strengthening our ties with the end-users. In the international sales section, we aim to generate profit through the sale of logs to China, the sale of Japanese lumber to South Korea and Taiwan, and expanded business with the Middle East.

Machinery
In the leisure facilities business, we plan to center efforts on the development of small indoor amusement facilities and the space design business, as market needs are shifting from large rides to attractions for children and swimming pool-related facilities in Japan. Overseas, we plan to explore business opportunities in the markets in the Middle East, India and China, where the leisure industry is growing.

In the industrial machinery business, capital spending is expected to remain weak in Japan, although it has begun to pick up somewhat. We plan to step up collecting information on capital expenditure at our existing business partners and direct efforts in the area of line equipment and export projects. The move is aimed to make us less dependent on the broking business of single equipment. We intend to partner with trading companies specializing in machinery and increase staff to strengthen the business function.



TOPICS

Coil Center Established in San Diego

Hanwa opened the coil center San Diego Vista Steel Service Corporation, a wholly owned subsidiary of the Group, in August 2009 in San Diego, U.S.A. The company has 24 employees and carries one slitter processing line, one mini-leveler processing line and one shearing machine, with an annual processing capacity of 84,000 tons.

Exterior of the coil center

Coil center staff

The company plans to engage in processing and sales of steel sheets for Japanese manufacturers of home appliances in California and Mexico. The operation is slated to begin with an annual processing amount of 33,000 tons in its first year. With the establishment of this center, the number of our steel sheet processing base overseas has reached 10.

Coil Center in Indonesia Starts Operation

PT. Hanwa Steel Service Indonesia (HSSI), a coil center in the suburb of Jakarta, commenced full-scale production in October 2009 one year after its construction with an annual processing capacity of 84,000 tons and site area of about 30,000m^2 (total floor area : 7,470m^2)

Panoramic and in-house view of the new factory

The construction project for HSSI was funded entirely by Hanwa. We anticipate strong growth in Indonesia, compared to the neighboring ASEAN countries. Aiming to contribute to local development and to become an integral part of the local community, HSSI will employ the latest processing technologies, ensure safety management and efficient operations under the principle of "customers first."

Investment in a Malaysian Electro-Galvanized Steel Sheet Manufacturing Firm

In December 2009, Hanwa acquired a stake in E-Galv Steel Industry Sdn. Bhd., a Malaysian electro-galvanized steel sheet manufacturing firm, in cooperation with Nippon Steel Corporation. We expect stable growth in demand for electro-galvanized steel sheets in Malaysia, as some Japanese consumer electronics manufacturers have deployed production bases in the country in recent years.

With this investment, we intend to secure a stable supply of cold-rolled steel coils to E-Galv Steel Industry, as well as offer technical assistance to the company as needed to establish a supply system of electro-galvanized steel sheets that satisfy the quality requirements of local customers such as consumer electronics companies.

E-Galv Steel Industry changed its name to Nippon EGalv Steel Industry Sdn. Bhd. after completion of the investment.

Appearance of the exterior

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. In addition to participating in many corporate social responsibility (CSR) activities, we have established a CSR Committee and use a commitment to CSR management to make our corporate brand even more respected.

Corporate governance structures

We have adopted a corporate auditors' system. Our Board of Directors, which comprises 20 directors, including one outside director, meets as a rule once a month to deliberate and decide important business plans and proposals concerning the Hanwa Group, and to oversee business operation. There are five auditors in total, including three outside auditors. Each auditor follows auditing policies and auditing plans in carrying out stringent audits. In addition, the corporate auditors attend the Board of Directors, the Management Committee and other important meetings, monitor and verify the execution of the management.

We have also adopted a system to perform preliminary review of management issues in various committees such as the Directors Evaluation Committee, the Investment Examination Committee, and the Compliance Committee. By enhancing these management systems, our corporate governance system will be established to good purpose.

Internal control and risk management system

We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

The overview of the basic policies is as follows.

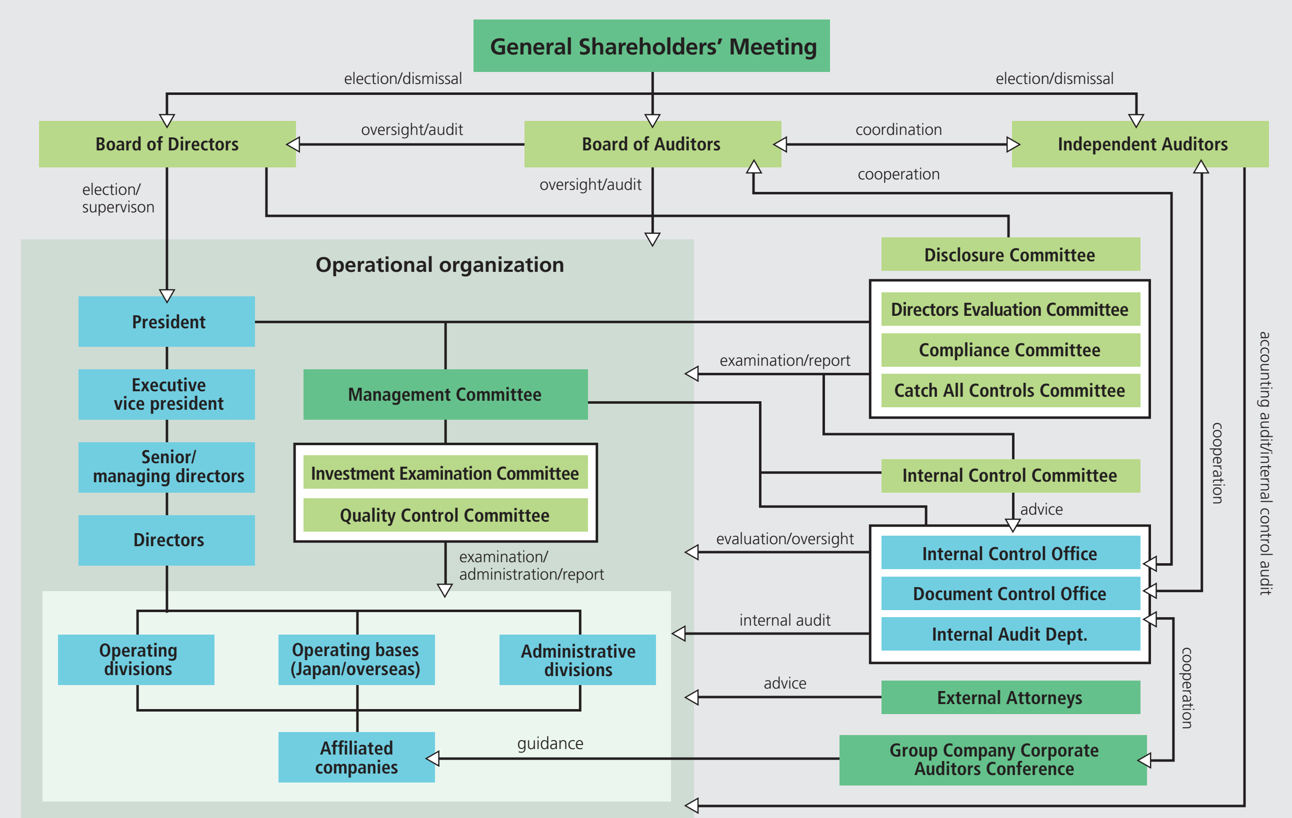
● Systems to ensure that performance of duties by the directors and employees complies with laws and regulations and the articles of incorporation

- Hanwa has established standards for corporate ethics and ethical behavior in accordance with the Company's creed. The Compliance Committee, chaired by Hanwa's president, distributes a compliance manual to all Hanwa executives and employees as well as verifies that compliance programs are being used effectively. In addition, we take determined action against anti-social influences and block all contact with such entities.
- 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.

● Systems to store and control information related to duties performed by the directors

- Information related to duties performed by the directors is

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



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.

● Regulations and systems related to management of risk of loss

- Directors and department managers work with the Legal & Credit Department to manage and reduce risks associated with business activities. In addition, there is the Investment Examination Committee, which manages investment risks by studying proposals for new business ventures and new investments.
- Each business department cooperates with the General Affairs Department, the Information Systems Department, the Legal & Credit Department and other units concerning compliance, environmental management, emergency responses, information security, export management and other matters. These risks are managed in accordance with internal rules, manuals and other guidelines. The Compliance Committee, the Catch All Controls Committee and other applicable committees assist the departments by providing advice and educational support. Advice from external attorneys and other experts is used as required.
- To verify the effectiveness of risk management, the Internal Audit Department and the Overseas Administrative Department monitor all Hanwa business sites and group companies based on a pre-determined auditing plan, and their reports are submitted mainly to the Management Committee and the Board of Directors.
- The Disclosure Committee reaches decisions concerning the importance and suitability of information to be disclosed to ensure that information is released to the public in a fair, timely and appropriate manner.

● Systems to ensure efficient execution of directors' duties

- 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.
- The Directors Evaluation Committee chaired by the 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.

● Systems to ensure proper operations in the corporate group

- Hanwa has established regulations for the oversight of affiliated companies. Based on the regulations, the Affiliated Enterprises Department and the Overseas Administrative Department are responsible for support and management activities concerning affiliated companies to ensure efficient management of operations.
- 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.
- The Group Company Corporate Auditors Conference holds meetings as necessary. The meetings provide for exchanges of information involving audits of Hanwa and affiliated companies to provide for the sharing of information.

● Systems relating to employees assigned to assist the corporate auditors, and the independence of such employees from the directors

- There are a few employees assigned to assist the corporate auditors. In addition, these employees receive no orders or instructions from the directors or anyone else concerning the directives and orders received from the corporate auditors.

● Systems for the directors and employees to report to the corporate auditors and systems otherwise pertaining to reporting to corporate auditors

- In addition to submitting reports on important items concerning compliance, the directors submit reports to the corporate auditors on the execution of business operations and important decisions.
- The directors and employees must quickly and accurately respond to requests for reports by the corporate auditors.
- The Internal Audit Department submits reports as required to the corporate auditors concerning internal audits.

● Other systems to ensure effective auditing by the corporate auditors

- The corporate auditors announce opinions at meetings of the Board of Directors as necessary. In addition, the corporate auditors collaborate with the independent auditor concerning the financial audit.
- 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.

● Systems to ensure the reliability of financial reports

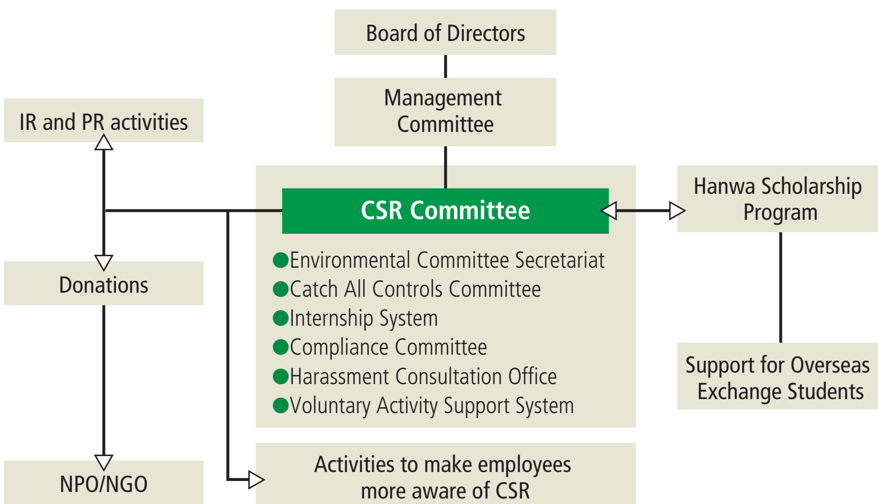
- In accordance with the Fundamental Policy concerning Internal Controls for Financial Reports, the Hanwa Group operates the internal controls reporting system in an efficient and effective manner. The Internal Control Office supervised directly by the Management Committee checks and evaluates the establishment and operation of internal controls and submits reports to the Management Committee.
- The Internal Control Committee studies issues involving internal controls and submits reports on the results of these studies to the Management Committee. In addition, the Internal Control Committee provides advice and assistance for the examinations performed by the Internal Control Office and describes its opinions in an Internal Control Report.

Hanwa's Framework for Promoting Corporate Social Responsibility (CSR)

As a trading company, Hanwa's broad spectrum of stakeholders and operations spans the globe. We place CSR at the center of our management and continually reinforce our CSR activities. We believe this stance will lead to even more growth in our enterprise value.

We already have several CSR units in place at Hanwa, notably the Compliance Committee, Environmental Committee and Hanwa Scholarship Program. The CSR Committee oversees the activities of these and other organizations associated with CSR to ensure that all activities are performed efficiently and seamlessly.

Positioning of the CSR Committee



Hanwa's basic policy on CSR

1) Thorough legal compliance
2) Consideration of the environment
3) Good corporate citizenship
4) Transparent management, proactive disclosure
5) Maintaining of financial soundness
6) Workplaces geared to employee self-realization

Ethical Principle

Hanwa has established the Compliance Committee with a view to making all the employees at the Hanwa Group, including those at affiliated companies and overseas subsidiaries, fully aware of the importance of corporate compliance and ethics. It has set up consultation counters both on-site and off-site. In addition, the Company has drawn up, under the Corporate Policy, the Corporate Ethical Standards (composed of 10 items) and the Ethical Standards of Behavior (composed of 25 items) as guidelines for employee behavior to promote legal, fair and sensible corporate conduct.

The Hanwa Ethical Standards for Employee Behavior

Corporate Policy

- Earn confidence with honesty and effort
- Act as a specialist in the field with vigor and initiative
- Boost efficiency with originality and cooperation
- Promote corporate business and build happy homes
- Recognize responsibility and contribute to society

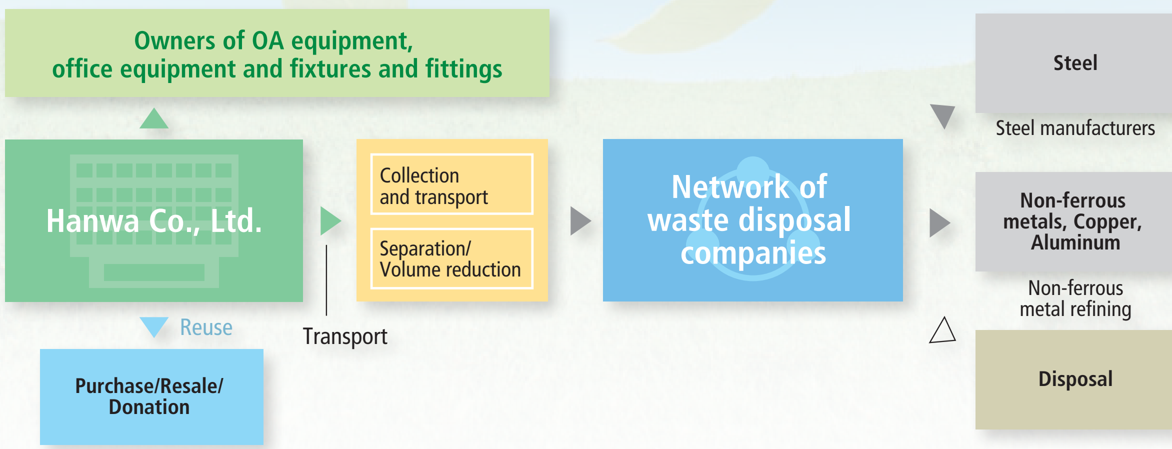
Environmental Activities

In line with the characteristics of a trading company, Hanwa places a special emphasis on engaging in environmentally friendly business activities. The Ecology Business Development Department has established an environmental business capable of providing highly effective system solutions far into the future.

The Ecology Business Development Department engages in resale and recycling of used office automation equipment and other office equipment as well as resale and recycling of fixtures and fittings that are retired from use due to relocation, closure or refurbishment of shopping centers, hotels or offices. We have established the Heart Reuse and Recycling System, Hanwa's nationwide network designed to reduce environmental impacts. We are contributing to achieving a recycling-based society through reduction, reuse and recycling of waste.

For waste plastics, the Ecology and Recycling Business Department is putting in place an efficient recycling system with minimal environmental impacts.

Heart Reuse and Recycling System



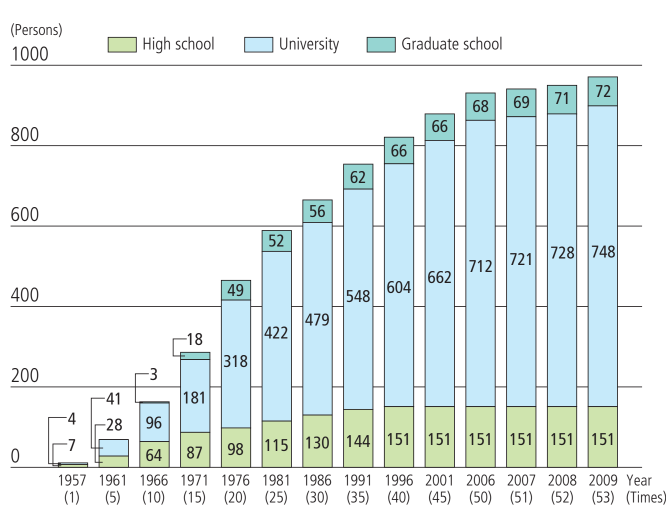
Social Contribution

Hanwa Scholarship Program

The Hanwa Scholarship Foundation was established in 1957 as part of activities to commemorate the 10th anniversary of Hanwa's establishment, and marked its 53rd anniversary. Jiro Kita, the first president of Hanwa, decided to establish the foundation based on the philosophy of "contributing to society based on an awareness of a company's social responsibilities." The foundation began with a contribution of ¥10 million, at a time when Hanwa's own capital was ¥100 million. As of 2009, the program had distributed a total of ¥544 million in scholarships, and the accumulated number of scholarship students had grown to more than 970.

The Hanwa Scholarship Program looks forward to using political, economic and cultural insight to assist a growing number of outstanding students around the world to realize their goals as globalization continues to advance in the 21st century.

Accumulated Number of Scholarship Students



Five-Year Summary

For the years ended March 31

	Millions of yen, except for number of employees					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	**2010**
For the year:						
Net sales	**¥ 1,116,629**	¥ 1,539,282	¥ 1,507,509	¥ 1,320,022	¥ 1,097,707	**$12,001,601**
Operating income	**11,420**	17,451	23,705	20,865	19,690	**122,743**
Net income	**11,579**	5,997	13,118	11,423	10,504	**124,452**
Net cash provided by (used in) operating activities	**46,250**	(5,742)	21,430	(36,192)	22,299	**497,098**
Net cash used in investing activities	**(12,992)**	(19,536)	(8,443)	(5,956)	(14,079)	**(139,639)**
Net cash provided by (used in) financing activities	**(43,669)**	46,592	(9,144)	34,325	(7,497)	**(469,357)**
At year-end:						
Cash and cash equivalents	**¥ 24,515**	¥ 35,046	¥ 14,179	¥ 10,229	¥ 18,986	**$ 263,489**
Total assets	**443,445**	479,379	482,014	476,179	413,020	**4,766,176**
Total net assets	**106,855**	94,913	100,926	98,254	86,954	**1,148,485**
Number of employees (persons)	**1,952**	1,818	1,715	1,637	1,519	

	Yen					U.S. dollars
	2010	2009	2008	2007	2006	**2010**
Per share data:						
Net income	**¥ 55.46**	¥ 28.47	¥ 62.07	¥ 54.03	¥ 48.96	**$ 0.596**
Cash dividends	**12.00**	12.00	12.00	12.00	10.00	**0.129**
Net assets	**512.16**	450.05	473.70	461.21	406.68	**5.505**

	%				
	2010	2009	2008	2007	2006
Key financial ratios:					
Return on assets (ROA)	**2.5**	1.2	2.7	2.6	2.7
Return on equity (ROE)	**11.6**	6.2	13.3	12.4	13.2
Net debt/equity ratio	**140**	190	150	170	140

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥93.04 = $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 commemorative dividend in celebration of the 60th anniversary of the Company's establishment.

Management's Discussion and Analysis

Operating Results

Operating Results for the Fiscal Year Ended March 2010

During the consolidated fiscal year under review, the global economy, buoyed by monetary easing and economic stimulus packages of governments around the world, made a turnaround from the sharp decline it experienced in the second half of the previous fiscal year, and it is now on its way to recovery. Although the pace of recovery is slow in advanced economies, China led the economic recovery of the entire Asian region with its large-scale public investments and demand-boosting purchase incentives given to consumers. In Japan, a recovery seen in overseas demand prompted the manufacturing sector in general to begin its rebound and its production capacity was rising, albeit to varying degrees reflecting mixed industry-by-industry business sentiments. Domestic demand related to capital investments and construction in particular remained lackluster.

In this operating environment, the Group posted consolidated net sales of ¥1,116,629 million for the consolidated fiscal year ended March 31, 2010, representing a year-on-year decrease of 27.5%. The decline was due principally to a low level of demand and market prices seen throughout the fiscal year under review, despite the overall improving economic picture, in contrast to the previous consolidated fiscal year in which robust earnings achieved in the first half of that year backed by higher demand and higher market prices contributed to full-year sales. Operating income also fell 34.6%, to ¥11,420 million, reflecting a decrease in revenues caused by lower prices of petroleum and other products in addition to the declining sales volume. Net income, in contrast, rose 93.1% to ¥11,579 million. This was attributable primarily to reduced income taxes paid and other factors, which more than offset land and property-related impairment losses claimed as extraordinary loss. The reduction in income taxes paid was a result of a tax deduction realized in connection with certain land and properties sold during the consolidated fiscal year under review. Impairment losses for such land and properties posted in prior fiscal years and other factors were recognized for tax purposes in the consolidated fiscal year under review in which sales were made.

Net Sales

Net sales decreased 27.5% year on year, to ¥1,116,629 million, composed of ¥834,408 million in net sales in Japan (down 30.4%) and ¥282,221 million in overseas net sales (down 17.0%).

For discussion of sales by segment, please go to "Review of Operations" (pages 6 through 12) and "Segment Information" (pages 38 and 39).

Cost of Sales, and Selling, General and Administrative (SG&A) Expenses

Cost of sales decreased 27.9% to ¥1,076,039 million. The decrease was due to lower prices of procured goods combined with lower quantities procured in line with lower quantities sold.

SG&A expenses decreased 3.6% to ¥29,170 million in the absence of significant bad debts, which resulted in a reduction in provision for credit losses.

Operating Income

Operating income was down 34.6% from the previous consolidated fiscal year's total of ¥17,451 million to ¥11,420 million. This was largely attributable to rising SG&A expenses relative to net sales, in addition to lower sales revenues. The result lowered the ratio of operating income to net sales by 0.1 percentage point from the previous consolidated fiscal year to 1.0%.

For discussion of operating income by segment, please go to "Review of Operations" (pages 6 through 12) and "Segment Information" (pages 38 and 39).

Other Income (Expenses)

Other expenses net of other income decreased 13.0% year on year to ¥5,278 million.

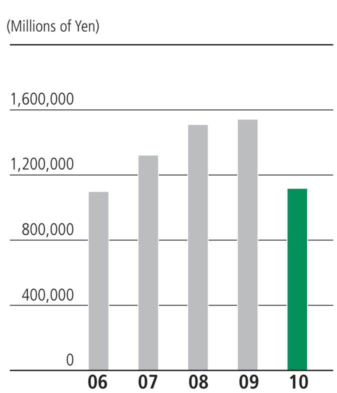
Other income decreased 34.6% to ¥2,446 million, reflecting lower interest and dividend income.

Other expenses declined 21.2% to ¥7,724 million, mainly because of lower interest expense and lower charges paid. The Company posted an extraordinary loss in the form of loss on impairment of long-lived assets in connection with land and others sold during the consolidated fiscal year under review amounting to ¥3,271 million. The loss reflected impairment losses in connection with the devaluation of book values of the land and properties sold to net sales values at the time of signing sales agreements, in addition to impairment losses for rental properties whose market value declined.

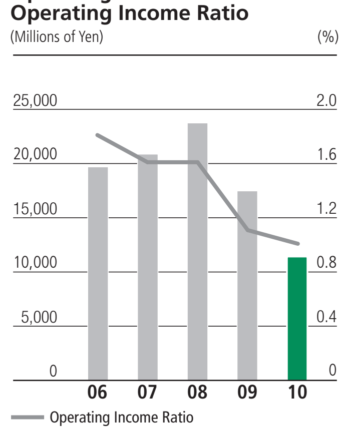
Income Taxes

Although income before income taxes and minority interests for the consolidated fiscal year under review was ¥6,142 million, the Company obtained a tax deduction for the land and properties sold during the consolidated fiscal year under review. The impairment losses for these properties claimed in prior years and other factors were recognized for tax purposes in the consolidated fiscal year

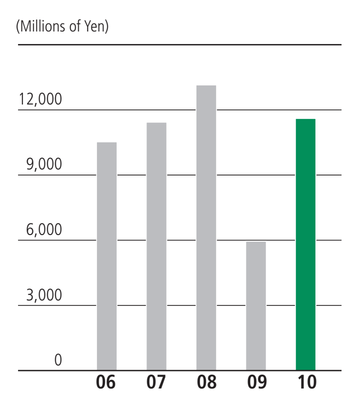
Net Sales



Operating Income/ Operating Income Ratio



Net Income



under review. As a result, the Company recognized reversal of income taxes, net of income taxes paid of ¥5,404 million, in contrast to income taxes paid of ¥5,355 million in the previous consolidated fiscal year.

Net Income

Net income rose 93.1% from the previous consolidated fiscal year, to ¥11,579 million. Accordingly, net income per share rose to ¥55.46 from ¥28.47.

Sources of Capital and Cash Liquidity

Financial Condition

Total assets decreased 7.5%, to ¥443,445 million from the previous consolidated fiscal year, reflecting lower trade receivables brought by lower sales in addition to inventory reductions.

Liabilities decreased 12.5%, to ¥336,590 million as a result of shrinking needs for working capital, which was translated into a decrease in borrowings. Interest-bearing liabilities fell 18.2% to ¥175,578 million. The net debt-equity ratio stood at 140% as of March 31, 2010.

Net assets increased 12.6%, to ¥106,855 million. The increase was attributable mainly to higher retained earnings and improvements in unrealized gains on securities. As a result, the equity ratio at March 31, 2010 rose to 24.0% from 19.7% a year ago.

Cash Flows

Net cash provided by operating activities totaled ¥46,250 million during the consolidated fiscal year under review, in contrast to net cash used of ¥5,742 million recorded in the previous consolidated fiscal year. Major factors that contributed to net cash inflow included a significant reduction in inventories accompanying lower sales and an increase in trade payables (¥4,394 million), in sharp contrast to a significant decrease in trade payables in the previous fiscal year due to curtailed procurement activities, with the year-on-year net increase amounting to ¥40,859 million.

Net cash used in investing activities totaled ¥12,992 million, compared to net cash used of ¥19,536 million the previous consolidated fiscal year, for a net decrease of ¥6,544 million. This was primarily attributable to smaller cash disbursements in connection with the acquisition of investing securities (¥6,720 million), compared with the previous consolidated fiscal year in which ¥15,556 million was disbursed for investing activities including the acquisition of the equity stake in Ruukki Group PLC, representing a year-on-year net reduction of ¥8,836 million in cash disbursed for investment securities.

Net cash used in financing activities totaled ¥43,669 million, in contrast to net cash provided of ¥46,592 million during the previous consolidated fiscal year. The net cash outflow reflected the improving funding climate during the consolidated fiscal year under review in the wake of the credit squeeze triggered by the financial crises in the previous consolidated fiscal year, in addition to the Company's partial repayment of bank borrowings for working capital in line with the Group's declining funding needs.

Financial Policy

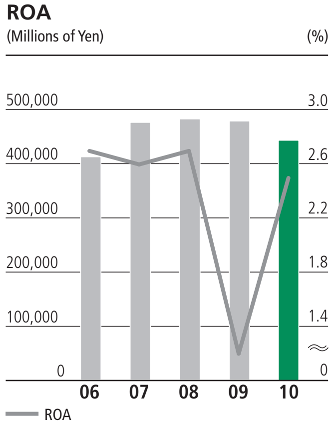
The Group primarily depends on bank borrowings to meet its working capital requirements and to fund its investing and financing activities. Yet, as part of its efforts to diversify funding sources to ensure stable liquidity and agility in liquidity management, it may fund its activities by issuing bonds and commercial paper in the capital markets from time to time.

The Group meets its working capital requirements principally by floating-rate long-term borrowings from banks to secure stable funds, while short-term bank borrowings with maturities of one year or less are used for day-to-day funding. Overseas subsidiaries borrow from their respective local banks. Capital investments and other long-term funding needs in Japan and abroad are, in principle, met by long-term borrowings from Japanese sources. Short-term borrowings as at March 31 2010 stood at ¥25,623 million, which were mostly denominated in Japanese yen. The Group's outstanding long-term borrowings were ¥138,458 million, including the current portion of long-term borrowings of ¥24,103 million.

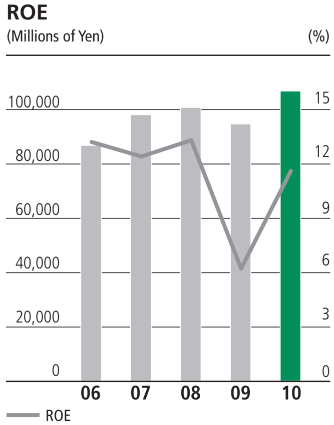
The Group issues bonds primarily to fund working capital and to repay debts. As of March 31, 2010, bonds outstanding consisted of straight bonds (issued in August 2007, due 2010) amounting to ¥10,000 million. To increase its flexibility in issuing bonds in a timely manner to take advantage of or to meet changing market environments and internal financial requirements, the Company has filed for shelf registration. As of March 31, 2010, the unused aggregate principal amount of the shelf registration for straight bonds for subscription in Japan amounted to ¥30,000 million.

Adhering to a growth strategy advocating aggressive business operations, the Group attempts to conduct efficient funding to secure funds needed for business growth, while keeping an eye on the size of its external debt by monitoring the net debt/equity ratio, a key management indicator, to maintain a healthy financial balance.

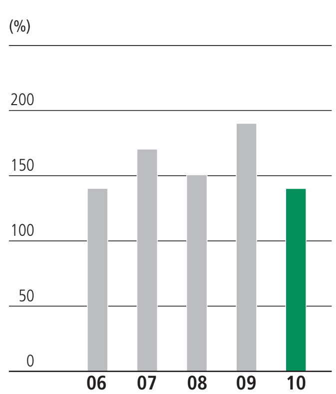
Total Assets/ ROA



Total Net Assets/ ROE



Net Debt/Equity Ratio



Business and Other Risks

Changes in the Macroeconomic Environment

The Hanwa Group's worldwide operating revenue is subject to macroeconomic conditions of the countries or regions where it sells its products. An economic slowdown in any of the primary markets of the Group including Japan, North America, Europe and Asia (especially East Asia with China being the key market) with a subsequent decrease in demand could exert an adverse impact on the Group's business performance and financial condition.

Commodity Price Fluctuations

The Group holds inventories for distribution, which include steel products, metals and alloys, non-ferrous metals, foods and petroleum/chemical products. These are commodities whose prices are highly susceptible to fluctuations in supply and demand and movements in foreign exchange. The Group's business performance and financial position could be adversely affected, in the event of the Group's inability to respond adequately to price fluctuations of such commodities.

Foreign Exchange Fluctuations

The Group is engaged in worldwide procurement and sales of goods. Foreign currency-denominated profits, costs, assets, liabilities and other accounting records associated with areas outside Japan are translated into Japanese yen amounts in the preparation of financial statements. While the amounts reported in original currencies remain unchanged, the post-translation amounts are subject to the conversion rate applied to them. Generally speaking, a stronger yen relative to other currencies (especially against the U.S. dollars, which account for a substantial portion of the Group's sales) adversely affects the Group's export transactions, while it favorably affects the Group's import transactions.

Interest Rate Fluctuations

The Group funds its operating, investing and financing activities by borrowing from financial institutions and by tapping into the bond and other capital markets. To hedge against interest rate fluctuations, the Group may execute interest swaps to cover certain funds subject to floating interest rates. However, the Group's business performance and financial position may be adversely affected, if interest rates change in a direction unfavorable to the Group.

Stock Price Fluctuations

The Group holds marketable securities mostly of its business counterparties that are subject to price fluctuations. Price fluctuations of the securities it holds, including the shares of Ruukki Group PLC of Finland, which it acquired in May 2008, and the listed Japanese shares it holds could impact the business performance and financial position of the Group.

Credit Risk

The majority of trade receivables held by the Group are based on prior granting of credit limits to its business counterparties. While the Group has put in place stringent and skillful credit management, there is no guarantee that all such receivables can be fully recovered. In the event of unanticipated bankruptcy or commencement of the civil rehabilitation proceedings filed on behalf of or against a business counterparty, the business performance and financial condition of the Group could be adversely affected.

Business Investment Risk

The Group makes business investments to strengthen existing businesses and to expand the scope of its business. Such investments are carried out upon completion of prescribed approval procedures specific to investment characteristics and monetary amounts to be invested, including scrutiny by the investment committee. However, if the value of any company in which the Group has invested deteriorates or profits generated are less than initially anticipated, the Group's business performance and financial condition could be adversely affected.

The Group has made investments in the area of resources with a view to securing participation in and commercial rights to ferrochrome and chromium mining projects. The Group will keep track of the progress made in turning plans into full-fledged business projects, as well as income-generating environments surrounding these businesses.

Risks Associated with Global Activities and Entry to Overseas Markets

The Group has stepped up efforts recently to enter Chinese and other Asian markets as well as markets in the United States and Europe. The Group may face a number of risks inherent in overseas business activities, as the following:

(1) Unanticipated change in export/import regulations especially in terms of laws and customs duties.
(2) Political and/or economic change and fluctuations in international currencies unfavorable to the Group.
(3) Difficulty in recruiting and retaining human resources.
(4) The possibility of immature infrastructure exerting negative impacts on the Group's activity or resulting in deteriorating customer satisfaction with respect to the Group's products and services.
(5) Change in taxation unfavorable to corporate activity.
(6) An act of terrorism, war and social turmoil caused by other factors.

Legal and Regulatory Risks

The Group is subject to a variety of governmental regulations imposed by the nations where it operates, including business and investment approvals/licenses, export/import or sales restrictions on grounds of national security and otherwise, customs duties and other export/import regulations. In addition, laws and regulations relevant to the Group's business activity, such as those concerning trade, anti-monopoly, patent, taxation, foreign exchange control, food safety, environment and recycling, must be fully observed. These regulations may not only limit the Group's business activities but also entail a higher cost of doing business, as more funds need to be disbursed to ensure compliance. Therefore, the business performance and financial condition of the Group may be impacted by such regulations.

Retirement Benefit Obligations

Retirement benefit costs and obligations are calculated based on actuarial assumptions on discount rates and expected returns on plan assets, among others. If actual results differ from such assumptions or if such assumptions are revised, the effect of such difference or revision will be subsequently accrued and recognized over years on a periodic basis, thus affecting costs and obligations to be recognized or posted over such years. Therefore, deteriorating discount rates and poorer returns on plan assets could adversely affect the Group's business performance and financial position.

Consolidated Balance Sheets

As at March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2010**	2009	**2010**
Current Assets:			
Cash and cash equivalents	¥ 24,515	¥ 35,046	$ 263,489
Receivables:			
Trade notes and accounts:			
Unconsolidated subsidiaries and affiliates	5,266	7,427	56,599
Other	209,150	225,856	2,247,958
Loans:			
Unconsolidated subsidiaries and affiliates	2,086	796	22,420
Other	240	7	2,580
Allowance for doubtful receivables	(892)	(781)	(9,587)
Inventories	72,352	90,766	777,644
Deferred tax assets—current (Note 9)	3,357	1,561	36,082
Other current assets (Note 6)	17,092	24,875	183,705
Total current assets	333,166	385,553	3,580,890
Investments and noncurrent receivables:			
Investment securities (Notes 4 and 6):			
Unconsolidated subsidiaries and affiliates	3,240	3,413	34,824
Other	37,162	24,610	399,420
Loans receivable:			
Other	257	220	2,762
Other investments and noncurrent receivables	22,889	20,747	246,012
Allowance for doubtful receivables	(2,975)	(3,187)	(31,975)
Total investments and noncurrent receivables	60,573	45,803	651,043
Property and equipment (Note 6)**:**			
Land (Note 10)	28,294	27,966	304,106
Buildings and structures	23,459	23,657	252,139
Other	14,348	13,692	154,213
Accumulated depreciation	(19,801)	(18,908)	(212,822)
Total property and equipment	46,300	46,407	497,636
Other assets:			
Deferred tax assets—noncurrent (Note 9)	2,653	883	28,514
Intangibles and other assets (Note 6)	753	733	8,093
Total other assets	3,406	1,616	36,607
Total	¥ 443,445	¥ 479,379	$ 4,766,176

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term loans payable (Note 7)	**¥ 25,623**	¥ 65,688	**$ 275,398**
Commercial paper (Note 7)	**1,000**	—	**10,748**
Long-term debt due within one year (Note 7)	**34,103**	23,675	**366,541**
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	**1,388**	802	**14,918**
Other	**133,412**	129,918	**1,433,921**
Accrued bonuses to employees	**1,856**	1,789	**19,948**
Income taxes payable	**233**	189	**2,504**
Other current liabilities	**17,475**	30,427	**187,823**
Total current liabilities	**215,090**	252,488	**2,311,801**
Noncurrent liabilities:			
Long-term debt due after one year (Note 7)	**114,355**	125,150	**1,229,095**
Employees' severance and retirement benefits (Note 8)	**19**	26	**204**
Deferred tax liabilities—noncurrent (Note 9)	**2,684**	2,686	**28,848**
Other noncurrent liabilities	**4,442**	4,116	**47,743**
Total noncurrent liabilities	**121,500**	131,978	**1,305,890**
Contingent liabilities (Note 13)			
Net assets (Note 10)			
Shareholders' equity:			
Common stock,			
Authorized: 570,000,000 shares			
Issued: 211,663,200 shares	**45,651**	45,651	**490,660**
Capital surplus	**5**	5	**54**
Retained earnings	**64,302**	54,651	**691,122**
Treasury stock, at cost: 4,367,348 shares (2,358,475 in 2009)	**(1,415)**	(756)	**(15,209)**
Total shareholders' equity	**108,543**	99,551	**1,166,627**
Valuation and translation adjustments:			
Unrealized gains on securities, net of taxes	**889**	(3,213)	**9,555**
Unrealized gains on hedging derivatives, net of taxes	**(772)**	(249)	**(8,297)**
Land revaluation difference, net of taxes	**(183)**	(180)	**(1,967)**
Foreign currency translation adjustments	**(2,308)**	(1,711)	**(24,807)**
Total valuation and translation adjustments	**(2,374)**	(5,353)	**(25,516)**
Minority interests	**686**	715	**7,374**
Total net assets	**106,855**	94,913	**1,148,485**
Total	**¥ 443,445**	¥ 479,379	**$ 4,766,176**

Consolidated Statements of Income

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Net sales	**¥ 1,116,629**	¥ 1,539,282	**$12,001,601**
Cost of sales	**1,076,039**	1,491,570	**11,565,337**
Gross profit	**40,590**	47,712	**436,264**
Selling, general and administrative expenses	**29,170**	30,261	**313,521**
Operating income	**11,420**	17,451	**122,743**
Other income (expenses):			
Interest and dividend income	**995**	1,990	**10,694**
Interest expense	**(3,215)**	(4,337)	**(34,555)**
Foreign exchange gain	**1,451**	1,748	**15,596**
Loss on valuation of investment securities	**—**	(2,506)	**—**
Foreign exchange loss resulting from reduction of common stock of consolidated subsidiary	**—**	(908)	**—**
Loss on impairment of long-lived assets (Note 14)	**(3,271)**	—	**(35,157)**
Loss on sales of noncurrent assets	**—**	(212)	**—**
Other, net	**(1,238)**	(1,845)	**(13,306)**
Income before income taxes and minority interests	**6,142**	11,381	**66,015**
Income taxes (Note 9)**:**			
Current	**390**	3,998	**4,192**
Deferred	**(5,794)**	1,357	**(62,274)**
	(5,404)	5,355	**(58,082)**
Minority interests in income of consolidated subsidiaries	**33**	(29)	**355**
Net income	**¥ 11,579**	¥ 5,997	**$ 124,452**

	Yen		U.S. dollars (Note 1)
	2010	2009	**2010**
Net income per share	**¥ 55.46**	¥ 28.47	**$ 0.596**
Cash dividends per share	**12.00**	12.00	**0.129**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2009

	Numbers of shares in thousands/ Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Number of shares of common stock			
Balance at beginning of year	**211,663**	211,663	
Balance at end of year	**211,663**	211,663	
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 45,651**	¥ 45,651	**$ 490,660**
Balance at end of year	**¥ 45,651**	¥ 45,651	**$ 490,660**
Capital surplus			
Balance at beginning of year	**¥ 5**	¥ 5	**$ 54**
Balance at end of year	**¥ 5**	¥ 5	**$ 54**
Retained earnings			
Balance at beginning of year	**¥ 54,651**	¥ 51,028	**$ 587,393**
Cash dividends paid	**(2,512)**	(2,536)	**(26,999)**
Increase resulting from increase in consolidated subsidiaries	**582**	—	**6,255**
Other changes	**2**	162	**21**
Net income	**11,579**	5,997	**124,452**
Balance at end of year	**¥ 64,302**	¥ 54,651	**$ 691,122**
Treasury stock, at cost			
Balance at beginning of year	**¥ (756)**	¥ (130)	**$ (8,126)**
Purchases of treasury stock	**(660)**	(632)	**(7,094)**
Retirement of treasury stock	**1**	6	**11**
Balance at end of year	**¥ (1,415)**	¥ (756)	**$ (15,209)**
Total shareholders' equity at end of year	**¥ 108,543**	¥ 99,551	**$ 1,166,627**
Valuation and translation adjustment:			
Unrealized gains on securities, net of taxes			
Balance at beginning of year	**¥ (3,213)**	¥ 5,397	**$ (34,534)**
Changes in unrealized holding gains on securities	**4,102**	(8,610)	**44,089**
Balance at end of year	**¥ 889**	¥ (3,213)	**$ 9,555**
Unrealized gains on hedging derivatives, net of taxes			
Balance at beginning of year	**¥ (249)**	¥ 144	**$ (2,676)**
Changes in unrealized gains on hedging derivatives	**(523)**	(393)	**(5,621)**
Balance at end of year	**¥ (772)**	¥ (249)	**$ (8,297)**
Land revaluation difference, net of taxes			
Balance at beginning of year	**¥ (180)**	¥ (17)	**$ (1,935)**
Land revaluation difference, net of taxes	**(3)**	(163)	**(32)**
Balance at end of year	**¥ (183)**	¥ (180)	**$ (1,967)**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (1,711)**	¥ (1,967)	**$ (18,390)**
Adjustments from translation of foreign currency financial statements	**(597)**	256	**(6,417)**
Balance at end of year	**¥ (2,308)**	¥ (1,711)	**$ (24,807)**
Total valuation and translation adjustment at end of year	**¥ (2,374)**	¥ (5,353)	**$ (25,516)**
Minority interests			
Balance at beginning of year	**¥ 715**	¥ 815	**$ 7,685**
Increase in minority interest	**(29)**	(100)	**(311)**
Balance at end of year	**¥ 686**	¥ 715	**$ 7,374**
Total net assets at end of year	**¥ 106,855**	¥ 94,913	**$ 1,148,485**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Cash flows from operating activities:			
Income before income taxes	¥ **6,142**	¥ 11,381	$ **66,015**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities			
Depreciation	**2,560**	2,358	**27,515**
Loss on impairment of long-lived assets	**3,271**	—	**35,157**
Increase (decrease) in allowance for doubtful receivables	**(89)**	2,322	**(957)**
Interest and dividend income	**(995)**	(1,990)	**(10,694)**
Interest expense	**3,215**	4,337	**34,555**
Loss on valuation of investment securities	**—**	2,506	**—**
Foreign exchange loss resulting from reduction of common stock of consolidated subsidiary	**—**	908	**—**
Loss on sales of noncurrent assets	**—**	212	**—**
Decrease in trade receivables	**13,942**	28,537	**149,850**
Decrease in inventories	**23,010**	1,164	**247,313**
Increase (decrease) in trade notes and accounts payable	**4,394**	(36,465)	**47,227**
Other, net	**(5,201)**	(9,630)	**(55,901)**
Subtotal	**50,249**	5,640	**540,080**
Cash flows during the year for:			
Interest and dividends received	**995**	1,959	**10,694**
Interest paid	**(3,346)**	(4,176)	**(35,963)**
Income taxes paid	**(1,648)**	(9,165)	**(17,713)**
Net cash provided by (used in) operating activities	**46,250**	(5,742)	**497,098**
Cash flows from investing activities:			
Additions to property and equipment	**(7,735)**	(6,513)	**(83,136)**
Proceeds from sale of property and equipment	**3,596**	509	**38,650**
Additions to investment securities	**(6,720)**	(15,556)	**(72,227)**
Proceeds from sale and redemption of investment securities	**186**	2,131	**1,999**
Decrease (increase) in short-term loans receivable, net	**(1,297)**	118	**(13,940)**
Additions to long-term loans receivable	**(13)**	(31)	**(140)**
Proceeds from long-term loans receivable	**61**	80	**655**
Other, net	**(1,070)**	(274)	**(11,500)**
Net cash used in investing activities	**(12,992)**	(19,536)	**(139,639)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable, net	**(40,991)**	39,934	**(440,574)**
Increase (decrease) in commercial paper, net	**1,000**	(17,000)	**10,748**
Proceeds from long-term debt	**16,063**	60,675	**172,646**
Repayments of long-term debt	**(16,420)**	(33,800)	**(176,483)**
Payment of cash dividends	**(2,512)**	(2,541)	**(26,999)**
Cash dividends paid to minority interests in consolidated subsidiaries	**(4)**	(5)	**(43)**
Other, net	**(805)**	(671)	**(8,652)**
Net cash provided by (used in) financing activities	**(43,669)**	46,592	**(469,357)**
Effect of exchange rate changes on cash and cash equivalents	**(263)**	(447)	**(2,827)**
Net increase (decrease) in cash and cash equivalents	**(10,674)**	20,867	**(114,725)**
Cash and cash equivalents at beginning of year	**35,046**	14,179	**376,677**
Increase arising from inclusion in consolidation	**143**	—	**1,537**
Cash and cash equivalents at end of year	¥ **24,515**	¥ 35,046	$ **263,489**

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 of 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, 2010, which was ¥93.04 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 14 (12 in 2009) 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 does not 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. Held-to-maturity debt securities are stated at amortized cost. 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 values are stated at fair 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 April1, 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 at the lower of moving average cost or net realizable value at March 31, 2010 and 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.

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 domestic consolidated 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, 2010 and 2009.

As discussed in Note 2, "Changes in accounting policies," the Company and its domestic consolidated subsidiaries adopted "Partial Amendments to Accounting Standard For Retirement Benefits (Part 3)." (ASBJ Statement No.19 issued on July 31, 2008) from the year ended March 31, 2010.

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

Balance sheets of overseas consolidated subsidiaries are translated into Japanese yen at year-end rates, except for shareholders' equity accounts, which are translated at historical rates. Income statements of overseas consolidated 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 continue to be 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. Cash dividends per share in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid 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.

Partial amendments to accounting standard for retirement benefits

Effective from the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)"(ASBJ Statement No.19 issued on July 31, 2008). The change had no impact on net income and projected benefit obligation.

Accounting policies in revenues and cost of construction

Effective from the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 issued on December 27, 2007). The change had no impact on net income.

(Additional Information)

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. Financial instruments

(Additional Information)

Effective from the year ended March 31, 2010, the Companies adopted the revised accounting standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

(A) Qualitative information on financial instruments

The Companies raise cash for their operational transactions, investment and loans by means of bank loans and issues of bonds and commercial paper. Temporary surplus funds are managed in low-risk financial products.

Trade notes and accounts receivable are exposed to credit risk and are in accordance with internal policies that regulate the authorization and credit limit amount.

Investment securities mainly consist of listed stocks, and their fair values are periodically reported to management.

The Companies enter into foreign exchange forward contracts and currency swap agreements 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 Companies also enter into commodity futures contracts and commodity swap agreements to hedge risks associated with certain inventories and commitments. It is the Companies' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

(B) Fair values of financial instruments

Book values and fair values of the financial instruments (excluding those whose fair values were hard to determine) on the consolidated balance sheets at March 31, 2010 were as follows:

March 31, 2010

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents	¥ 24,515	¥ 24,515	¥ —	$ 263,489	$ 263,489	$ —
Trade notes and accounts receivable	214,416			2,304,557		
Allowance for doubtful receivables	(802)			(8,620)		
Net	213,614	213,614	—	2,295,937	2,295,937	—
Investment securities						
Held-to-maturity debt securities	5,010	5,033	23	53,848	54,095	247
Available-for-sale securities	28,422	28,422	—	305,482	305,482	—
Long-term loans receivable	257			2,762		
Allowance for doubtful receivables	(1)			(11)		
Net	256	256	—	2,751	2,751	—
Total assets	¥ 271,817	¥ 271,840	¥ 23	$2,921,507	$2,921,754	$ 247
Short-term loans payable	¥ 25,623	¥ 25,623	¥ —	$ 275,398	$ 275,398	$ —
Commercial paper	1,000	1,000	—	10,748	10,748	—
Long-term debt due within one year	34,103	34,131	(28)	366,541	366,842	(301)
Trade notes and accounts payable	134,800	134,800	—	1,448,839	1,448,839	—
Long-term debt due after one year	114,355	114,355	—	1,229,095	1,229,095	—
Total liabilities	¥ 309,881	¥ 309,909	¥ (28)	$3,330,621	$3,330,422	$ (301)
Derivatives						
To which hedge accounting is not applied	¥ 187	¥ 187	¥ —	$ 2,010	$ 2,010	$ —
To which hedge accounting is applied	(1,579)	(1,801)	(222)	(16,971)	(19,357)	(2,386)
Total derivatives	¥ (1,392)	¥ (1,614)	¥ (222)	$ (14,961)	$ (17,347)	$ (2,386)

Allowance for doubtful receivables recognized in trade notes and accounts receivable and long-term loans receivable was offset.
Derivative assets and liabilities were on a net basis.

Basis of determining the fair value of financial instruments is as follows:

Cash and cash equivalents, Trade notes and accounts receivable

The book values of cash and cash equivalents and trade notes and accounts receivable approximate fair value due to their short maturities.

Investment securities

The fair value of securities is based on the quoted market price on the stock exchange. The fair value of bonds is based on the quoted price provided by financial institutions.

Long-term loans receivable

The book value of long-term loans receivable approximates fair value due to their floating interest rate.

Short-term loans payable, Commercial paper, and Trade notes and accounts payable

The book values of short-term loans payable, commercial paper and trade notes and accounts payable approximate fair value due to their short maturities.

Long-term debt

The book value of long-term loans payable approximates fair value due to their floating interest rate. The fair value of corporate bonds is based on the quoted price provided by Japan Securities Dealers Association.

Derivatives

The fair value of derivatives is based on the quoted price provided mainly by financial institutions and exchange members.

The following tables summarize book values of financial instruments whose fair values were hard to determine as of March 31, 2010:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
	Book value	Book value
(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies	¥ 3,240	$ 34,824
(b) Available-for-sale securities		
Unlisted stocks	¥ 2,217	$ 23,828
Unlisted foreign stocks	1,399	15,037
Investment in limited partnerships	114	1,225
Total	¥ 3,730	$ 40,090

The maturities of receivables and securities with maturities outstanding at March 31, 2010 were as follows:

Years ending March 31

	Millions of yen			
	2011	From 2012 to 2015	From 2016 to 2020	Thereafter
Cash and cash equivalents	¥ 24,515	¥ —	¥ —	¥ —
Trade notes and accounts receivable	214,416	—	—	—
Held-to-maturity debt securities	—	2,000	3,010	—
Long-term loans receivable	63	143	35	79
Total	¥ 238,994	¥ 2,143	¥ 3,045	¥ 79

	Thousands of U.S. dollars			
	2011	From 2012 to 2015	From 2016 to 2020	Thereafter
Cash and cash equivalents	$ 263,489	$ —	$ —	$ —
Trade notes and accounts receivable	2,304,557	—	—	—
Held-to-maturity debt securities	—	21,496	32,352	—
Long-term loans receivable	677	1,537	376	849
Total	$2,568,723	$ 23,033	$ 32,728	$ 849

4. Securities

(A) The following table summarizes book values and fair values of held-to-maturity debt securities as of March 31, 2010:

March 31, 2010

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Corporate bonds	¥ 5,010	¥ 5,033	¥ 23	$ 53,848	$ 54,095	$ 247

(B) The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available market values as of March 31, 2010 and 2009:

March 31, 2010

	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	¥ 5,337	¥ 12,476	¥ 7,139	$ 57,363	$ 134,093	$ 76,730
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 21,914	¥ 15,946	¥ (5,968)	$ 235,533	$ 171,389	$ (64,144)

March 31, 2009

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 3,436	¥ 7,806	¥ 4,370
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 23,585	¥ 13,709	¥ (9,876)

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

	Millions of yen
	2009
	Book value
(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies	¥ 3,413
(b) Available-for-sale securities	
Unlisted stocks	¥ 1,775
Unlisted foreign stocks	1,179
Investment in limited partnerships	141
Total	¥ 3,095

(D) Total sales of available-for-sale securities in the year ended March 31, 2009 amounted to ¥128 million, and resulted in a net gain of ¥103 million.

The loss resulting from the valuation of the listed securities in the year ended March 31, 2009 was ¥2,506 million.

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2010 and 2009, for the derivatives to which hedge accounting has not been applied:

March 31, 2010
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	**¥ 20,268**	**¥ 20,674**	**¥ (406)**	**$ 217,842**	**$ 222,206**	**$ (4,364)**
Other currencies	**10,772**	**10,094**	**678**	**115,778**	**108,491**	**7,287**
Buying						
U.S. dollars	**7,634**	**7,749**	**115**	**82,051**	**83,287**	**1,236**
Other currencies	**4,167**	**4,132**	**(35)**	**44,787**	**44,411**	**(376)**
Currency swap agreements:						
Japanese yen received for U.S. dollars	**10,744**	**499**	**499**	**115,477**	**5,363**	**5,363**
Total			**¥ 851**			**$ 9,146**

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	**¥ 10,175**	**¥ 10,502**	**¥ (327)**	**$ 109,361**	**$ 112,876**	**$ (3,515)**
Buying	**9,517**	**9,962**	**445**	**102,289**	**107,072**	**4,783**
Non-ferrous metals						
Selling	**14,535**	**15,853**	**(1,318)**	**156,223**	**170,389**	**(14,166)**
Buying	**7,538**	**8,137**	**599**	**81,019**	**87,457**	**6,438**
Commodity swap agreements:						
Petroleum						
Selling	**4,495**	**(222)**	**(222)**	**48,313**	**(2,386)**	**(2,386)**
Buying	**5,904**	**159**	**159**	**63,457**	**1,709**	**1,709**
Total			**¥ (664)**			**$ (7,137)**

March 31, 2009
Currency related

	Millions of yen		
	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)
Other currencies	12,033	11,426	607
Buying			
U.S. dollars	4,022	4,099	77
Other currencies	2,370	2,333	(37)
Currency swap agreements:			
Japanese yen received for U.S. dollars	10,547	636	636
Total			¥ 277

Commodity related

	Millions of yen		
	Contract or notional amount	Fair value	Net recognized gain or loss
Futures:			
Petroleum			
Selling	¥ 3,839	¥ 4,259	¥ (420)
Buying	3,403	3,279	(124)
Non-ferrous metals			
Selling	4,019	4,010	9
Buying	1,793	1,938	145
Commodity swap agreements:			
Petroleum			
Selling	5,950	548	548
Buying	5,318	148	148
Total			¥ 306

(B) The following tables summarize fair value information as of March 31, 2010, for the derivatives to which hedge accounting has been applied:

March 31, 2010
Interest rate related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Interest rate swap for long-term loans						
Float rate received for fixed rate	**¥ 10,900**	**¥ 10,900**	**¥ (222)**	**$ 117,154**	**$ 117,154**	**$ (2,386)**

Commodity related

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after one year	Fair value	Contract or notional amount	Due after one year	Fair value
Futures for inventories and commitments						
Non-ferrous metals						
Selling	**¥ 14,618**	**¥ —**	**¥ 17,797**	**$ 157,115**	**$ —**	**$ 191,283**
Buying	**8,254**	**—**	**9,854**	**88,715**	**—**	**105,911**

6. Pledged assets

At March 31, 2010 and 2009, assets pledged as collateral for short-term loans payable in the amount of ¥1 million ($11 thousand) and ¥358 million, respectively, and guarantees were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Other current assets	**¥ 13**	¥ 13	**$ 140**
Investment securities	**1,531**	1,083	**16,455**
Property and equipment, net of accumulated depreciation	**789**	817	**8,480**
Intangibles	**125**	126	**1,344**
Total	**¥ 2,458**	¥ 2,039	**$ 26,419**

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

The weighted average interest rate applicable to short-term loans outstanding at March 31, 2010 and 2009 was 1.61% and 1.65%, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥1,000 million ($10,748 thousand) and nil at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Issued in 2007, 1.53% unsecured straight bonds, due 2010	**¥ 10,000**	¥ 10,000	**$ 107,481**
Loans from banks with weighted average interest rates of 1.18% and 1.47% at March 31, 2010 and 2009, respectively, maturing serially through 2016	**¥ 138,458**	¥ 138,825	**$1,488,155**
Less amounts due within one year	**34,103**	23,675	**366,541**
	¥ 114,355	¥ 125,150	**$1,229,095**

The annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 34,103	$ 366,541
2012	11,200	120,378
2013	10,000	107,481
2014	70,400	756,664
2015	17,755	190,832
Thereafter	5,000	53,740
Total	¥ 148,458	$1,595,636

8. 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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 22,910**	¥ 21,817	**$ 246,238**
Less fair value of pension assets	**(21,153)**	(16,516)	**(227,354)**
Unrecognized actuarial differences	**(7,636)**	(10,070)	**(82,072)**
Unrecognized prior service costs	**(706)**	(787)	**(7,588)**
Prepaid pension costs	**6,604**	5,582	**70,980**
Liability for severance and retirement benefits	**¥ 19**	¥ 26	**$ 204**

Included in the consolidated statements of income for the years ended March 31, 2010 and 2009, severance and retirement benefits expenses comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs - benefits earned during the year	**¥ 873**	¥ 765	**$ 9,383**
Interest costs on projected benefit obligation	**433**	391	**4,654**
Expected return on plan assets	**(490)**	(515)	**(5,267)**
Amortization of actuarial differences	**949**	595	**10,200**
Amortization of prior service costs	**81**	81	**871**
Additional retirement benefits	**19**	19	**204**
Severance and retirement benefit expenses	**¥ 1,865**	¥ 1,336	**$ 20,045**

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, 2010 and 2009, were as follows:

	2010	2009
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

9. 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, 2010 and 2009.

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 years ended March 31, 2010 and 2009:

	2010	2009
Statutory tax rate	**40.7%**	40.7%
Tax effect of permanent differences	**4.0**	2.2
Valuation allowance recognized for deferred tax assets	**(140.6)**	2.6
Tax effect of unrealized intercompany profit	**2.9**	—
Estimated income taxes pertaining to retained earnings of an overseas consolidated subsidiary	**2.8**	—
Difference in tax rates for consolidated subsidiaries	**(0.2)**	(0.4)
Other	**2.4**	2.0
Effective tax rate	**(88.0)%**	47.1%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Temporary differences pertaining to consolidated subsidiaries	**¥ 14,651**	¥ 23,833	**$ 157,470**
Net operating loss carryforwards	**6,979**	—	**75,011**
Unrealized loss on securities, net of taxes	**—**	2,422	**—**
Loss on impairment of long-lived assets	**2,543**	2,396	**27,332**
Loss on sale-repurchase agreement of land	**1,719**	1,719	**18,476**
Land revaluation difference, net of taxes	**1,667**	1,667	**17,917**
Accrued bonuses to employees	**755**	728	**8,115**
Other	**5,380**	4,460	**57,825**
Total deferred tax assets	**33,694**	37,225	**362,146**
Valuation allowance	**(22,868)**	(31,332)	**(245,787)**
Net deferred tax assets	**10,826**	5,893	**116,359**
Deferred tax liabilities:			
Prepaid pension costs	**2,687**	2,271	**28,880**
Land revaluation difference, net of taxes	**2,684**	2,686	**28,848**
Other	**2,129**	1,178	**22,883**
Total deferred tax liabilities	**7,500**	6,135	**80,611**
Net deferred tax assets (liabilities)	**¥ 3,326**	¥ (242)	**$ 35,748**

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2010 and 2009, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current assets: Deferred tax assets	**¥ 3,357**	¥ 1,561	**$ 36,082**
Other assets: Deferred tax assets	**2,653**	883	**28,514**
Current liabilities: Deferred tax liabilities	**—**	—	**—**
Noncurrent liabilities: Deferred tax liabilities	**2,684**	2,686	**28,848**

10. Net assets

Net assets comprise three subsections, which are shareholders' 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 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 29, 2010, the shareholders approved cash dividends amounting to ¥1,244 million ($13,371 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2010. 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, 2010, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥260 million ($2,794 thousand).

11. Leases

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 over the period of the finance leases, assuming no residual value.

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

As of March 31, 2010

	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	**¥ 995**	**¥ 665**	**¥ 330**	**$ 10,694**	**$ 7,147**	**$ 3,547**
Other assets	**13**	**9**	**4**	**140**	**97**	**43**
Total	**¥ 1,008**	**¥ 674**	**¥ 334**	**$ 10,834**	**$ 7,244**	**$ 3,590**

As of March 31, 2009

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Other property and equipment	¥ 1,387	¥ 738	¥ 649
Other assets	46	36	10
Total	¥ 1,433	¥ 774	¥ 659

Total lease payments, including financing charges, under finance leases that do not transfer ownership of the leased property to the Companies for the years ended March 31, 2010 and 2009 were ¥297 million ($3,192 thousand) and ¥422 million, 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 ¥275 million ($2,956 thousand) and ¥391 million for the years ended March 31, 2010 and 2009, respectively. Interest expense, computed by the interest method, was ¥15 million ($161 thousand) and ¥26 million for the years ended March 31, 2010 and 2009, respectively.

Obligations, excluding financing charges, under such non-capitalized finance leases as of March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 195**	¥ 306	**$ 2,096**
Due after one year	**160**	380	**1,720**
Total	**¥ 355**	¥ 686	**$ 3,816**

Operating leases

As Lessee

Obligations under operating leases as of March 31, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 32**	¥ 35	**$ 344**
Due after one year	**80**	96	**860**
Total	**¥ 112**	¥ 131	**$ 1,204**

12. Segment information

Industry segment information

The Companies' operations were classified into six industry segments for the year ended March 31, 2010 and 2009 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: Aluminum, copper, and zinc
Foods: 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, 2010 and 2009 was as follows:

Year ended March 31, 2010

	Millions of yen								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	¥ 606,206	¥ 86,081	¥ 52,824	¥ 72,557	¥ 255,868	¥ 43,093	¥ 1,116,629	¥ —	¥ 1,116,629
Costs and expenses	596,437	83,526	52,007	71,609	254,278	41,516	1,099,373	5,836	1,105,209
Operating income	¥ 9,769	¥ 2,555	¥ 817	¥ 948	¥ 1,590	¥ 1,577	¥ 17,256	¥ (5,836)	¥ 11,420
Assets	¥ 223,894	¥ 34,815	¥ 15,164	¥ 29,094	¥ 32,855	¥ 16,128	¥ 351,950	¥ 91,495	¥ 443,445
Depreciation	1,873	30	95	28	36	413	2,475	85	2,560
Loss on impairment of long-lived assets	2,438	—	28	141	113	140	2,860	411	3,271
Capital expenditure	7,301	67	50	42	126	571	8,157	88	8,245

Year ended March 31, 2010

	Thousands of U.S. dollars								
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other business	Total	Corporate	Consolidated
Net sales	$ 6,515,542	$ 925,204	$ 567,756	$ 779,847	$ 2,750,086	$ 463,166	$12,001,601	$ —	$12,001,601
Costs and expenses	6,410,544	897,742	558,975	769,658	2,732,997	446,216	11,816,132	62,726	11,878,858
Operating income	$ 104,998	$ 27,462	$ 8,781	$ 10,189	$ 17,089	$ 16,950	$ 185,469	$ (62,726)	$ 122,743
Assets	$ 2,406,427	$ 374,194	$ 162,984	$ 312,704	$ 353,128	$ 173,345	$ 3,782,782	$ 983,394	$ 4,766,176
Depreciation	20,131	322	1,021	301	387	4,439	26,601	914	27,515
Loss on impairment of long-lived assets	26,204	—	301	1,515	1,215	1,505	30,740	4,417	35,157
Capital expenditure	78,472	720	537	452	1,354	6,137	87,672	946	88,618

Corporate costs and expenses consisted mainly of expenses of administrative departments. Corporate assets consisted mainly of cash and equivalents, investment securities and assets of administrative departments.

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

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

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

Overseas net sales

Overseas net sales included exports and offshore sales by the Companies, excluding sales by foreign subsidiaries to Japan.

Regional segment information

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

Overseas net sales of the Companies for the years ended March 31, 2010 and 2009 were as follows:

Year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars		
	Asia	Other areas	Total	Asia	Other areas	Total
Overseas net sales	**¥ 253,827**	**¥ 28,394**	**¥ 282,221**	**$2,728,149**	**$ 305,181**	**$3,033,330**
Percentage of consolidated net sales	**22.7%**	**2.6%**	**25.3%**			

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

Year ended March 31, 2009

	Millions of yen		
	Asia	Other areas	Total
Overseas net sales	¥ 288,224	¥ 51,816	¥ 340,040
Percentage of consolidated net sales	18.7%	3.4%	22.1%

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

13. Contingent liabilities

At March 31, 2010 and 2009, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
As endorsers of export letters of credit and notes discounted	**¥ 5,807**	¥ 4,227	**$ 62,414**
As guarantors of indebtedness	**2,509**	4,894	**26,967**

14. Impairment of long-lived assets

(A) Real estate for rent in Osaka

Due to a decline in profitability in real estate for rent in Osaka, the Company reduced the book value of the long-lived assets that were impaired to the recoverable amount.

To assess the recoverable amount of the long-lived assets, the appraised value was used as the basis for the measurement.

(B) Logistics center in Osaka

Due to a contract for sale of the assets of logistics center in Osaka, the Company reduced the book value of the long-lived assets that were impaired to the recoverable amount.

To assess the recoverable amount of the long-lived assets, the sales value in the contract was used as the basis for the measurement.

(C) Employee dormitory in Aichi

Due to a decision to dispose of the assets in an employee dormitory in Aichi Prefecture, the Company reduced the book value of the long-lived assets that were impaired to the recoverable amount.

To assess the recoverable amount of the long-lived assets, the appraised value was used as the basis for the measurement.

For the purpose of recognition and measurement, the Companies grouped the long-lived assets, based principally on the location of the business entity to which the assets belonged.

As a result of these procedures, a loss on impairment of long-lived assets of ¥3,271 million ($35,157 thousand) for the year ended March 31, 2010 was recognized in other expenses in the consolidated statements of income.

The following tables summarize the losses on impairment of long-lived assets in the year ended March 31, 2010.

Year ended March 31, 2010

		Millions of yen		
Location	Purpose	Land	Buildings and structures	Total
Chuo, Osaka	Real estate for rent	**¥ 2,125**	**¥ —**	**¥ 2,125**
Suminoe, Osaka	Logistics center	**730**	**201**	**931**
Kasugai, Aichi	Employee dormitory	**161**	**54**	**215**
Total		**¥ 3,016**	**¥ 255**	**¥ 3,271**

		Thousands of U.S. dollars		
Location	Purpose	Land	Buildings and structures	Total
Chuo, Osaka	Real estate for rent	**$ 22,840**	**$ —**	**$ 22,840**
Suminoe, Osaka	Logistics center	**7,846**	**2,160**	**10,006**
Kasugai, Aichi	Employee dormitory	**1,731**	**580**	**2,311**
Total		**$ 32,417**	**$ 2,740**	**$ 35,157**

15. Investment and rental properties

(Additional Information)

Effective from the year ended March 31, 2010, the Companies adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 issued on November 28, 2008).

Information about fair value of investment and rental properties is disclosed as follows:

The Company owns office buildings, logistics centers and other properties for rent in Tokyo and other cities.

Rental profit from these properties were ¥116 million ($1,247 thousand) included in gross profit. Impairment loss from these properties were ¥2,124 million ($22,829 thousand) in other expenses.

Book value, annual net increase amount and fair value, of investment and rental properties, were as follows:

Year ended March 31, 2010

Millions of yen				Thousands of U.S. dollars			
Book value				Book value			
Balance at beginning of year	Net increase	Balance at end of year	Fair value	Balance at beginning of year	Net increase	Balance at end of year	Fair value
¥ 4,542	**¥ 3,842**	**¥ 8,384**	**¥ 9,244**	**$ 48,818**	**$ 41,294**	**$ 90,112**	**$ 99,355**

Book value is net of accumulated depreciation.

In the net increase during the fiscal year ended march 31, 2010, a main factor of increase was the increase of ¥6,073 million ($65,273 thousand) resulting from the change in holding purpose for certain property from operating purpose to rental purpose, and main factor of decrease was the decrease of ¥2,124 million ($22,829 thousand) resulting from impairment loss.

Fair values of these properties are measured mainly by the Company, based on "Standard for real-estate appraisal."

16. Subsequent events

At the ordinary general meeting of shareholders of the Company held on June 29, 2010, the following appropriation of retained earnings was approved:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥6 per share)	**¥ 1,244**	**$ 13,371**

KPMG

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, 2010 and 2009, 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, 2010 and 2009, 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 year ended March 31, 2010 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 29, 2010

Global Network

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
OSAKA	Hanwa Bldg., 4-3-9 Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan	81-6-6206-3000	81-6-6206-3365
TOKYO	6-18-2 Ginza, Chuo-ku, Tokyo 104-8429, Japan	81-3-3544-2171	81-3-3544-2351
NAGOYA	NHK Nagoya Broadcasting Center Bldg., 1-13-3, Higashisakura, Higashi-ku, Nagoya, Aichi 461-8614, Japan	81-52-952-8800	81-52-952-9300
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
KITAKANTO	Takasaki East Center Bldg., 14-1 Sakae-cho, Takasaki, Gunma 370-0841, Japan	81-27-310-6390	81-27-321-0952
OKINAWA	Mitsui Life Insurance Naha Bldg., 2-4-16, Kume, Naha, Okinawa 900-0033, Japan	81-98-860-9115	81-98-861-5516

Overseas Offices

OFFICE	ADDRESS	TELEPHONE	FAX
AMERICAS			
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
GUAM	428, Chalan Antonio Suite, 102, Tamuning, 96913, Guam	1-671-647-0133	1-671-647-0135
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
BUSAN	Room 504, Industry Bldg., 578, Gwaebeop-Dong, Sasang-gu, Busan, 617-726, R.O.Korea	82-51-319-1006	82-51-319-1545
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 Bldg., 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	86-760-2332-0706	86-760-2332-0696
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	16th Floor, Unit 1602, 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, #20-05/06/07 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	62-21-3983-3211	62-21-3983-3212
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
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
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
DUBAI	Dubai Airport Free zone, No. 6EB, Room No. 544 P.O. Box 293873 Dubai, U.A.E.	971-4-609-1893	971-4-609-1895
JOHANNESBURG	2nd Floor West Tower, Nelson Mandela Square, Maude Street, Sandton, 2196, South Africa	27-11-881-5966	27-11-881-5611

Corporate Information (As of March 31, 2010)

Corporate Data

Company Name	Hanwa Co., Ltd.
Established	April 1947
Capital	¥45,651 million
Number of Employees	Consolidated: 1,952 Non-consolidated: 1,147
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	6-18-2 Ginza, 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
Number of Subsidiaries	Subsidiaries: 38 (13 in Japan, 25 overseas) Affiliated companies: 11 (1 in Japan, 10 overseas)

Stock Information

Fiscal Year-End	March 31
Annual Meeting of Shareholders	June
Independent Auditors	KPMG AZSA & Co.
Domestic Stock Exchange Listings	The First Section of the Tokyo Stock Exchange The First Section of the Osaka Securities Exchange
Date of Record for Dividend Payout	Interim dividend: September 30 Year-end dividend: March 31
Authorized Shares	570,000,000 shares
Shares Issued and Outstanding	211,663,200 shares
Number of Shareholders	14,351

Board of Directors (As of June 29, 2010)

President

Shuji Kita

Executive Vice President

Hironari Furukawa

Senior Managing Director

Tetsuro Akimoto

Managing Directors

Yoshifumi Nishi
Takuji Kita
Hideo Kawanishi
Hiroshi Serizawa
Hiroshi Ebihara

Outside Director

Osamu Seki

Directors

Kazuhisa Majime
Masataka Toyoda
Hiroaki Tsujinaka
Akihiko Ogasawara
Yoshiaki Matsuoka
Atsuhiro Moriguchi
Tadahiko Kaida
Youichi Ejima
Naoyuki Togawa
Yasumichi Kato
Takatoshi Kuchiishi

Corporate Auditors (As of June 29, 2010)

Standing Auditors

Toshiaki Shirakawa
Teruo Asai

Outside Auditors

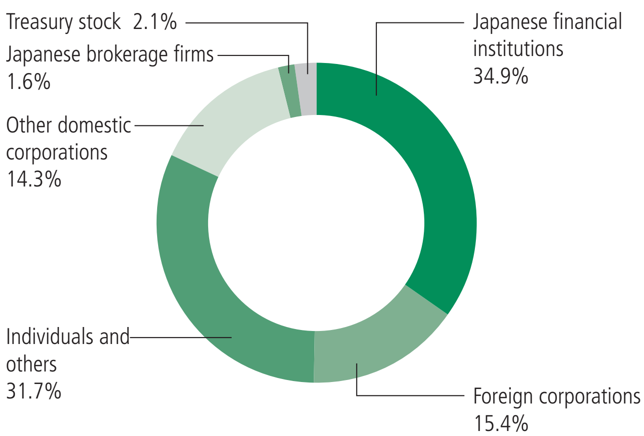
Toshiaki Taguchi
Hajime Yosano
Masanori Kobayashi

Principal Shareholders

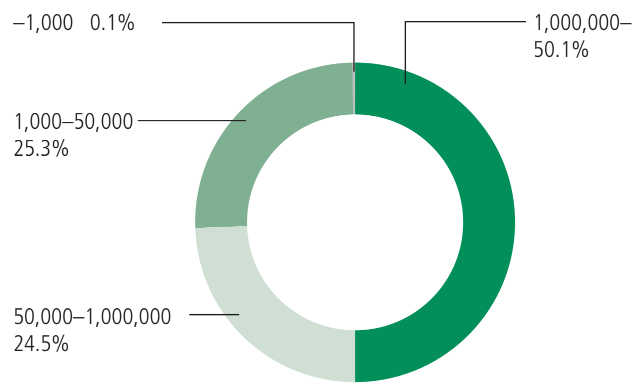
Name of Shareholder	Number of Shares (thousands)	Percentage of Total Issued Share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	**23,724**	**11.4**
The Master Trust Bank of Japan, Ltd. (Trust Account)	**13,654**	**6.6**
Sumitomo Mitsui Banking Corporation	**7,630**	**3.7**
Hanwa Employees' Stock Investment Association	**4,087**	**2.0**
Hanwa Clients' Stock Investment Association	**3,884**	**1.9**
The Dai-ichi Mutual Life Insurance Company	**2,614**	**1.3**
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	**2,406**	**1.2**
Nippon Metal Industry Co., Ltd.	**2,390**	**1.2**
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	**2,041**	**1.0**
Sumitomo Metal Industries, Ltd.	**2,001**	**1.0**

Note: The Company holds 4,367,348 shares of treasury stock, which is excluded from the major shareholders listed above.

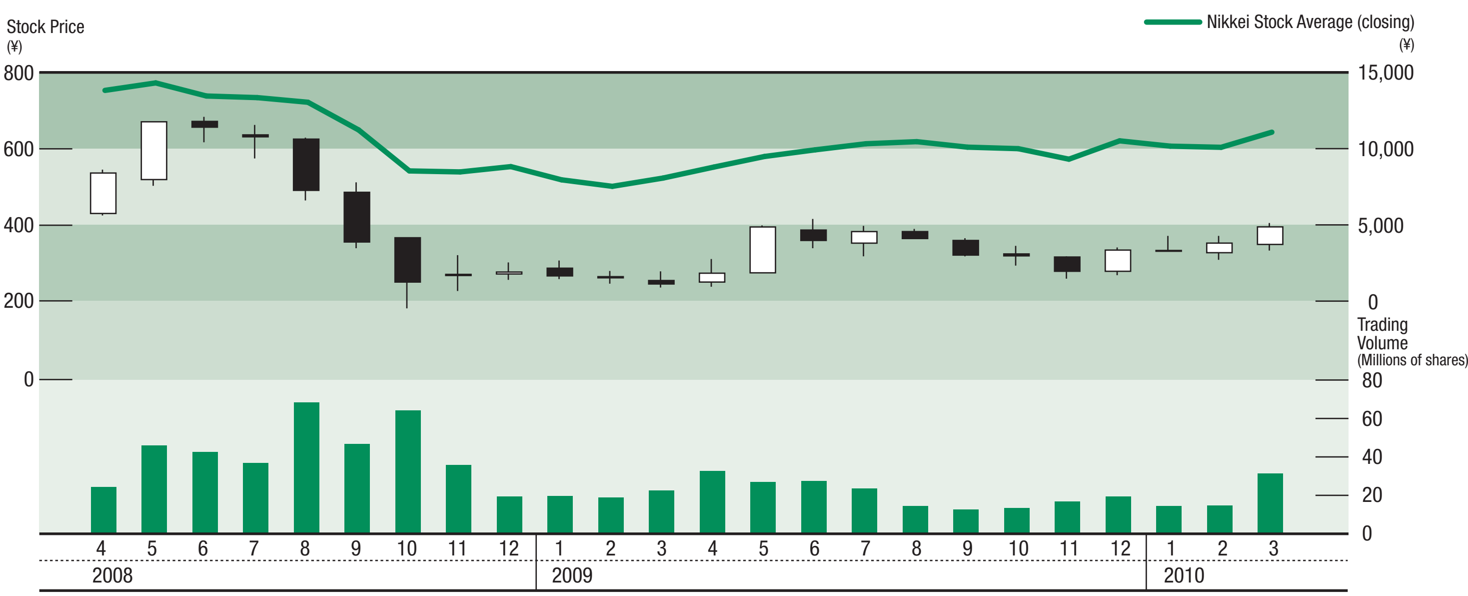
Breakdown by Type of Shareholder



Breakdown by Size of Holding



Stock Price Range and Trading Volume (Common Stock)



HANWA CO., LTD.

http://www.hanwa.co.jp

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