HANWA CO., LTD.
阪和興業株式会社

Annual Report 2012

For the year ended March 31, 2012

HANWA CO., LTD.

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.

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 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.

Corporate Philosophy

Coping with changes times and the market quickly,
we make a great contribution to society
by satisfying various needs of customers as a
"distribution specialist."

Success in today's markets demands speed and the ability to meet a broad range of needs. Change is occurring on an unprecedented scale. Only companies that can adapt quickly will survive. Hanwa has experience and accomplishments in the field of "distribution" that span six decades.

We know how to build powerful businesses and move quickly in the pursuit of value creation and customer satisfaction.

Dedicated to corporate citizenship, we want our business operations to help make communities and the world a better place to live. This is why we prioritize compliance and other activities that enable us to fulfill our obligation to society.

Through such activities, Hanwa keeps nurturing a corporate culture that will enhance the value and reliability of our company. We aim to make greater contributions by fulfilling our social responsibilities.

To Our Shareholders

Shuji Kita, Chairman (right)
Hironari Furukawa, President (left)

Hanwa supplies a broad range 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, receiving outstanding products and services in return.

The current economic environment surrounding the Group remains very disordered. In these circumstances, we introduced an executive officer system to reinforce the business execution function starting in April 2012.

The new function places heavy emphasis on implementation of acceleration and improvement of the decision-making process in business execution, and consequently we will leverage our original strength to develop and provide increasingly fine-tuned services from the customer’s point of view. Moreover, with the effective achievement of an expansion of domestic trade and the development of global business, we will strive to become a company selected continuously as a “user-friendly trading company” by our customers.

In addition, 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 further 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
Chairman

Hironari Furukawa
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 2011, the fiscal year ended March 31, 2012.

Q1 Please share your opinion about the economic environment of the fiscal year ended March 31, 2012.

A With regard to the world economy in the fiscal year under review, the developed economies continued to struggle as seen in the European financial turmoil and a slow recovery in the U.S. economy. Overall, we observed a sense of stagnation globally. China adjusted economically by implementing a policy of monetary tightening, while consumer spending slowed in some emerging countries where growth had previously been relatively steady.

As for the domestic economy, consumer spending was mostly flat, but capital investment stalled due to the difficult environment reflecting the continuing appreciation of the yen, electricity regulation in the summer and the aftermath of flooding in Thailand, despite the recovery in the manufacturing industry following the Great East Japan Earthquake. Business confidence improved somewhat as the yen depreciated somewhat in the foreign exchange market at the end of the fiscal year, but uncertainty over a decline in the economy continued to prevail, which was aggravated by delays in post-earthquake reconstruction projects.

"In the fiscal year under review, the Company recorded the highest sales volume since its foundation despite the harsh economic climate following the Great East Japan Earthquake."

Q2 Please summarize operating results of the fiscal year ended March 31, 2012.

A Our consolidated net sales for the fiscal year under review were ¥1,564,250 million (up 12.0% compared with the previous year) thanks to robust sales in the steel business and petroleum and chemical business. In terms of profit, although we recorded losses on valuation of inventory assets such as marine products and steel products, operating income was ¥14,976 million (up 8.1%) thanks to contributions from the petroleum and chemical business and other businesses. Net income was ¥4,632 million (down 20.0% decrease) partly because we recorded an extraordinary loss on valuation of investment securities due to a decline in the stock market.

Q3 What is your outlook for the fiscal year ending March 31, 2013?

A In the world economy, the outlook for the European debt crisis remains uncertain and the financial markets as well as foreign exchange rates remain volatile. Against this backdrop, we see factors that could cause the economies of emerging countries to decline. The Japanese economy is emerging from its sluggish phase that followed the earthquake. However, the future direction is unclear because of concern over a slowdown in the export industry generated by unfavorable exchange rates and concern about the power supply, in addition to a failure to fully meet post-earthquake reconstruction demand.

Despite such business conditions, the Group will implement appropriate sales/inventory measures reflecting the needs of its business partners while aiming to maintain and improve its business performance by actively seeking new business partners.

Based on these factors, we expect that the consolidated operating results for the next fiscal year will be as follows: net sales of ¥1,600 billion (up 2.3% compared with the previous year), operating income of ¥18.0 billion (up 20.2%), and net income for the year of ¥8.7 billion (up 87.8%).

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

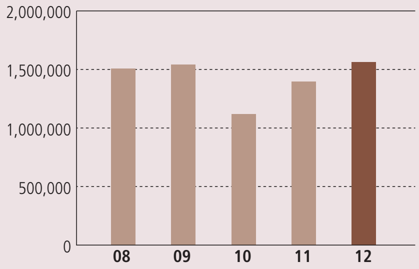
Consolidated Financial Highlights

For the years ended March 31, 2012 and 2011.

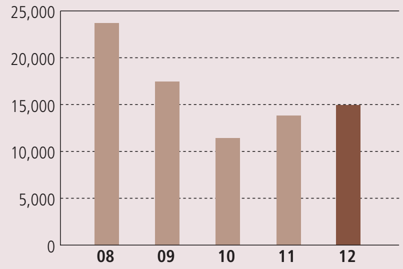
	Millions of yen		Thousands of U.S. dollars (Note)
	2012	2011	**2012**
For the year:			
Net sales	**¥ 1,564,251**	¥ 1,396,103	**$19,032,133**
Operating income	**14,977**	13,854	**182,224**
Net income	**4,633**	5,794	**56,369**
Comprehensive income	**6,214**	6,104	**75,605**
At year-end:			
Total assets	**¥ 582,405**	¥ 532,798	**$ 7,086,081**
Total net assets	**115,957**	110,459	**1,410,841**
	Yen		U.S. dollars (Note)
Per share data:			
Net income	**¥ 22.35**	¥ 27.95	**$ 0.272**
Cash dividends	**12.00**	12.00	**0.146**

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥82.19 = $1.00.

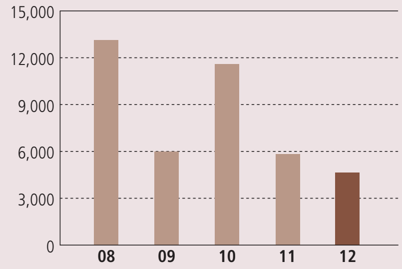
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



BASIC STRATEGIES OF THE GROUP

"Socially aware business management"

While taking a stance as a user-friendly trading company closely connected to the user side, we will also deepen cooperation internally and externally to achieve business management with a greater sense of unity with customers.

Improving functions by focusing on "prompt delivery/small-lot orders/processing (P/S/P)"

We strive to improve functions provided to users by enhancing our ability to deal with shorter delivery lines and small order quantities as well as by offering a wider variety of processing lines. We believe that seemingly inefficient areas provide room for growth in earnings.

"Two-priority strategy"

We will not only reinforce operations in overseas markets where an increase in demand is expected but also seek growth in untapped areas in Japan, striving to achieve a more solid revenue base.

"Another Hanwa in Asia"

In the steel business, we will make efforts to build an overseas business network that allows us to offer functions similar to those in Japan, such as strengthening ties with local rolling companies, pipe manufacturers, wholesalers and raw material manufacturers.

Q4 Please share your vision for business management in the future.

A We will work to further establish ourselves as a user-friendly trading company by steadily implementing our basic strategies as follows.

- We aim to enhance the sense of unity with customers through **"socially aware business management"** and by contributing to society.
- We will strengthen our focus on **"prompt delivery/small-lot orders/processing (P/S/P)"** to improve our functions.
- Through our **"two-priority"** strategy we will reinforce sales operations not only overseas but also in untapped areas in Japan.
- With a business motto of **"Another Hanwa in Asia"** we will strengthen our business network in the ASEAN region while striving to develop professional and global organizations and personnel.

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

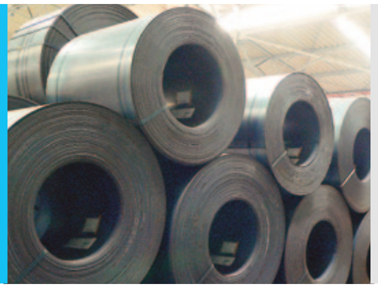
A Based on the business management vision described above, the Group will continue the promotion of active business operations to increase the Company's corporate value while aiming to achieve sustainable growth.

We sincerely ask shareholders and investors for continued support and understanding in the future.

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.

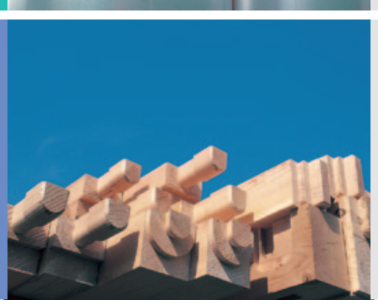
FOOD PRODUCTS

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.

Steel (Domestic)

Fiscal 2011 Results

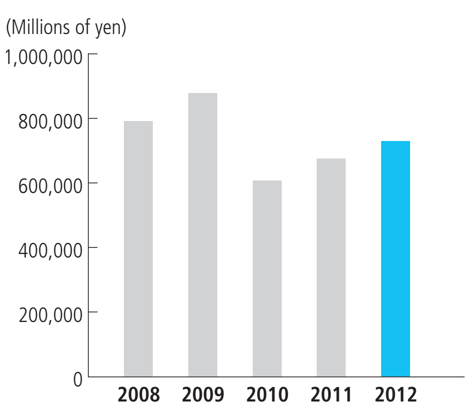
In fiscal 2011, the steel industry faced a number of challenges caused by natural calamities and the strong yen, such as (1) low domestic demand after the Great East Japan Earthquake; (2) power shortages due to nuclear power plant shutdowns; (3) decreased export competitiveness due to the strong yen, an influx of imported steel products and a rapid increase in offshore procurement; and (4) a sluggish manufacturing industry due to flooding in Thailand.

The low domestic demand following the earthquake led to a fall in steel product prices after the peak in April, and domestic inventory increased because of the rise in imported steel products and a slowdown in exports. The inventory level continued to remain high partly because of the export slump caused by the flooding in Thailand, further worsening the downturn in the market.

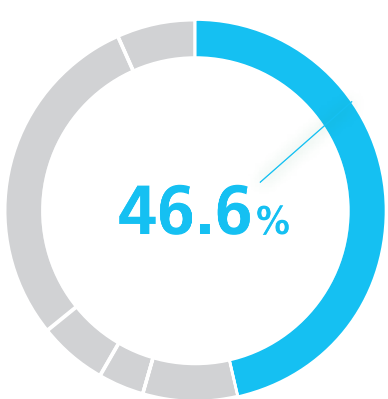
Demand in the manufacturing industry rose in comparison with its level following the collapse of Lehman Brothers, despite damage to production facilities caused by the earthquake and a slump in exports caused by the strong yen and flooding in Thailand. The demand for home appliances, however, was low as a reaction to the previous year's consumption incentives. On the other hand, construction demand was mostly steady, especially in the area of housing. We observed new sources of demand, such as recovery and reconstruction demand (including temporary housing) and environmental and energy demand.

While struggling with the downturn in the market, each of the Company's departments grasped the new challenges and worked hard during the year to achieve our goals: improving relationships with existing customers, identifying new customers, accelerating the sales to construction projects, expanding local bases in Japan, investing capital in functional business partners, attracting reconstruction demand, and developing the environmental/energy business.

Net sales



Net sales composition



Looking Ahead and Key Strategies

We expect the construction industry to do well on the whole since both reconstruction demand and demand for construction projects concentrated in the Tokyo metropolitan area are anticipated. In the manufacturing industry, there will be difficulties in the export business and a rapid increase in the relocation of operations overseas since the yen should remain strong, but we expect the domestic-demand related business to be conducted smoothly overall.

As the market is expected to hit bottom in the first half, steel manufacturers will make price reconstruction a top priority. The key issues will be sovereign risks in the European Union (EU) and the direction of demand in China. In the second half, we expect to see a recovery in the market, given the serious demand for reconstruction as well as for environmental solutions and energy generation with a focus on solar power.

The merger between Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. in fiscal 2012 will accelerate the process of making industry consolidation a reality. While the strong yen will continue for a prolonged period, we expect to see new business opportunities, such as reconstruction demand and environmental/ energy demand. In these circumstances, we will focus on the following themes: (1) increasing the number of domestic business bases to incorporate local niche demand; (2) exploring trading with superior medium-sized companies and small businesses; (3) improving the sales to construction projects such as those in redevelopment; (4) strengthening the development of environment- and energy-related businesses; and (5) incorporating reconstruction demand.

Note: Effective from the year ended March 31, 2011, in line with the application of the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised March 27, 2009), the Company changed its classification of consolidated business segments from one based on product similarities to one based on a "management approach." Segment data for prior years have not been adjusted retroactively to match the new classification.

Steel (Overseas)

Fiscal 2011 Results

In the ASEAN region, overseas steel demand was relatively steady. In China, however, the level of operation in the manufacturing industry declined due to the European debt crisis, and a constraint in the once-robust construction demand was noticeable due to the tight-money policy. As a result, demand for steel products stagnated, leading to an increase in inventory. After declining, the market price was flat in the second half of the fiscal year.

The export volume of steel products on a calendar-year basis in 2011 was 41.24 million tons, with a decrease in ordinary steel of approximately 6% compared with the previous year. Although overseas production of Japanese manufacturers was temporarily stagnant due to post-earthquake difficulties in parts procurement and the flooding in Thailand, it quickly recovered and remained strong. In the meantime, business negotiations for targeted exports from Japan encountered difficulty because of the slowdown in the market caused by oversupply in China as well as the strong yen. The Company's export volume decreased only 2% compared with the previous year, however, as a result of our efforts to expand our sales territories to non-Asian regions, such as the Middle East and Africa.

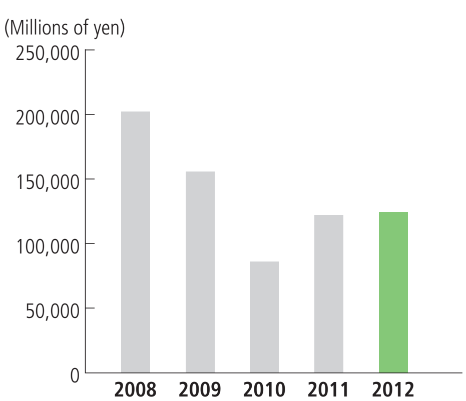
Looking Ahead and Key Strategies

We expect the overseas market to be weak and flat in the first half and steady in the second half of fiscal 2012. We expect that the impact of the European financial crisis will be inevitable in the first half, leading to a slowdown in exports from various countries to the European region. We also expect the automobile-based key industries in the main producer areas, such as Europe and the United States, China, South Korea and Thailand (excluding India), to perform somewhat poorly. Therefore, we surmise that the steel-related supply and demand will also be similarly low. We expect that exports from China and demand in Southeast Asia will rebound in the second half onward.

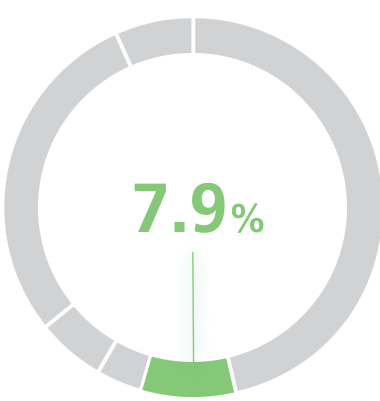
As with market conditions, demand is expected to be sluggish. China, which holds the largest distribution industry and mill inventories as a single nation, is also experiencing an ever-worsening supply-demand trend. In a situation where monetary adjustments, such as fiscal stimulus and reduction in interest rates, are essential, the impact of the prolonged European financial crisis will not be slight, and we cannot expect a significant increase in demand within the calendar year.

In these circumstances, as a basic strategy in our overseas operations, we need to emphasize exports from high-tech mills, particularly those in China, while maintaining a certain level of exports from Japan. With strong competitive power and high quality as our weapons, we aim to promote offshore trade to generate earnings overseas. At the same time, we will carefully monitor target regions such as Southeast Asia (especially Thailand and Indonesia) as well as some Indochinese countries such as Myanmar, whose economic sanctions are being eased. Our strategy for the first half is to secure markets by emphasizing the acquisition of sales territories, as we did in the previous year. In the second half, we will focus strongly on improving profitability within these markets.

Metals and Alloys



Net sales composition



Fiscal 2011 Results

With respect to the recycling business, against the backdrop of decreased domestic stainless steel demand, expansion of mills in China and South Korea, and the merger between Nisshin Steel Co., Ltd. and Nippon Metal Industry Co., Ltd., we established Hanwa Metals Co., Ltd. as a base for collecting shipments to secure a certain share in the raw material market.

In the nickel business, a consistent fall in the price of nickel was observed from the beginning of the fiscal year till the end of 2011, followed by a rally in the start of 2012. However, the price fell again in February. We increased sales by capturing growing demand for nickel particularly in China and focused on sales of new merchandise such as chemical compounds, but the business of nickel ore from Southeast Asia entered a transition period as the exporting countries changed the course of their resource protection policies.

In the ferroalloy business, we promoted flexible sales strategies combining products from Kazakhstan, India, South Africa and South Korea by decentralizing sources for purchasing manganese. In March 2012, we made a capital investment in OM Holdings Ltd., which carried out the construction of a ferroalloy plant in Malaysia, making this a foundation for future global strategies from the viewpoint of competitive production. In the chromium business, we secured sales volume in the Japanese market by drawing on inventory bases in China for products of Samancor, South Africa.

In the solar battery/silicon business, earnings lagged from transactions concerning wafer exports. As for the metal grinding business of Dalian Solar Valley Silicon Industry Co., Ltd., sample shipments began, and contract-based-processing business operations were stabilized.

Looking Ahead and Key Strategies

In the recycling business, while building a supply network to each fusion base, which is ideal in terms of quantity, price and quality, we will consider the supply of surplus scrap metal overseas in an effort to build up our bases.

In the nickel business, against the backdrop of an imbalance between stainless demand and ferronickel production potential in Asia, we expect that the nickel price will not significantly exceed $20,000 per metric ton. While accelerating the sales of new products such as chemicals in emerging countries, we will consider a plan to add value, including investment in ores and manufacturing.

In the ferroalloy business, we will carry out sales activities in line with the purchasing policy of Nippon Steel Corporation and Sumitomo Metal Industries, which are scheduled to merge in October 2012. With a view to the start of operations of OM Holdings Ltd. in two years, we will reinforce relationships with producers in each region and implement balance-focused buying policies and sales strategies aimed at the global market. We will also focus on third-country trade of chrome/manganese ores.

In the solar battery/silicon business, the business environment for wafer export is tough, but there is no doubt that the solar battery industry will expand. Therefore, we will focus on the downstream market. Taking orders from users in South Korea and Japan, Dalian Solar Valley Silicon Industry Co., Ltd. will start full-fledged sales based on processing commissioned by its merger partner. Moreover, we will put effort into organosilicon sales to domestic and overseas markets.

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Non-Ferrous Metals

Fiscal 2011 Results

After April 2011, the non-ferrous metals market (which had been supported by robust demand in emerging countries, particularly China) continued to fall until the end of the year. This reflected the influence of a plateau in demand due to the money-tightening policy in China as well as a decline in exports due to global slowdown in demand. Because of news concerning the settlement of problems in Europe as well as technical factors, the market rebounded temporarily at the year-end. However, the market returned to a downward phase over the fiscal year-end, reflecting the deterioration of fundamentals. However, only the LME price of copper remained high at the fiscal year-end due to the technical squeeze (decrease in distribution amount).

In the Japanese market, we faced a very difficult situation throughout the first half because of the impact of the earthquake at the previous fiscal year-end, characterized by power shortages, sluggish production at domestic plants, a delay in reconstruction demand, and outward flow of capital investment in the manufacturing business.

In the second half, the impact of the flooding in Thailand led to a dramatic decrease in production at the plants that had relocated to Southeast Asia, causing major damage to the export of raw materials and parts from Japan.

The European financial turmoil continued to affect the market throughout the year, causing a decrease in global final demand. Indirectly, this put a major brake on exports from China and Southeast Asia to developed markets, which affected the exports of high-quality parts and materials from Japan.

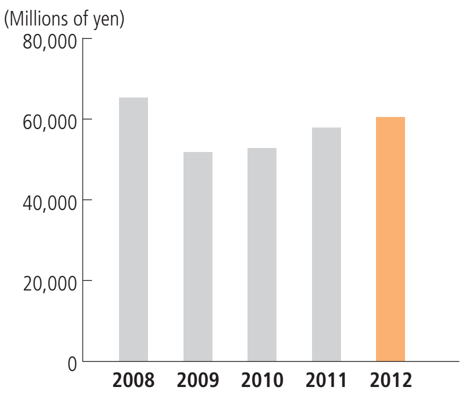
However, even in these circumstances, business expansion at each of the Company's bases in Southeast Asia was smooth despite the impact of the flooding in Thailand, thanks to growing regional demand for housing, automobile and home electric appliances.

Looking Ahead and Key Strategies

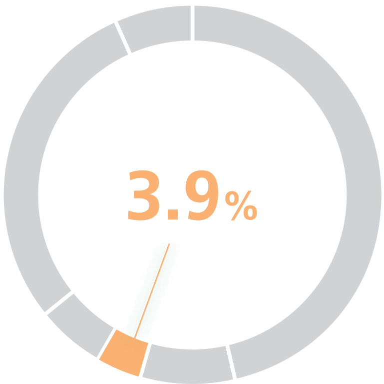
We expect to see an end to the continued high price of copper led by the copper squeeze in two to three months, followed by softening of the market, as with aluminum, lead, zinc and tin, reflecting real demand. In a market reflecting real demand, we expect to see a tug of war between negative factors, such as sluggish demand in developed countries due to financial instability in Europe and slower growth in China, and positive factors, such as regional growth in Southeast Asian countries, India and elsewhere. Nevertheless, we believe that the market will move toward recovery by the latter half of the fiscal year.

While we cannot expect a significant growth in domestic demand for materials and raw materials in the future, we will focus on quantitative expansion in Southeast Asia, India, East Europe, Central and South America, and China. With regard to trade among developed countries, we will develop merchandise that is technologically and environmentally superior, and implement measures to add value to recycled materials including investment.

Net sales



Net sales composition



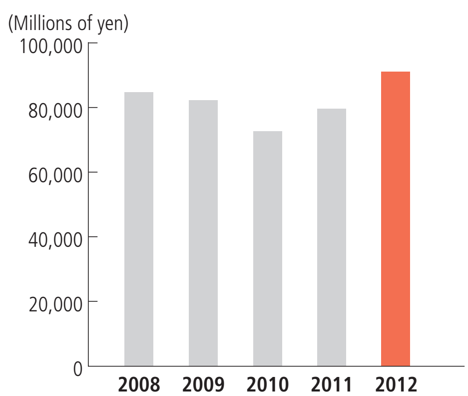
Food Products

Fiscal 2011 Results

Although demand for each product was influenced by price fluctuations, demand recovered for products whose prices had fallen. Crab prices rose 20%, but because of the cold winter there was no drop in demand, which contributed to profits. The oversupply of salmon caused its price to drop sharply, and demand started to rise accordingly. As a result, importers suffered heavy losses. Commercial demand for prawns and shrimps declined due to low chicken prices. The increased supply of herring roe led to low prices, resulting in a steady increase in demand, and the supply and demand balance stabilized. The prices of octopus and eels increased in response to a dramatic decrease in supply. Demand for common fish, such as mackerel, horse mackerel and Matsubara's red rockfish, declined under the influence of the drop in the price of salmon.

Following the Great East Japan Earthquake, we achieved earnings growth in the food business as prices increased due to tight supply. However, the market started to weaken after the second quarter reflecting the impact of financial problems in the EU and the overproduction of farmed fish, which made it difficult to record profits. Furthermore, in addition to a significant downturn in exports because of concerns about radiation, domestic consumption dropped as well, causing an overstock. Seattle Shrimp & Seafood Company, Inc., a seafood sales subsidiary in the United States, achieved growth in sales but suffered lower profits because of market weakness due to an oversupply at the global level.

Net sales



Looking Ahead and Key Strategies

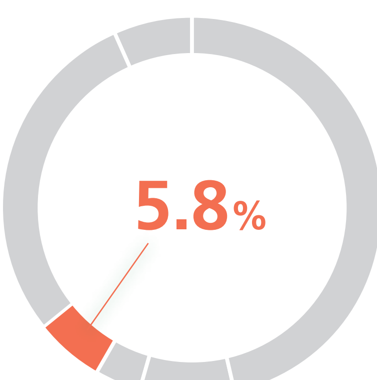
There is a global tendency toward increased supply of farmed salmon and prawns, and domestic demand is expected to rise after price adjustments. However, a quick recovery in the market is unlikely to occur.

Crab consumption is steady, and the price is below that of the previous year, indicating that consumption will continue to be stable. Price adjustments for frozen common fish such as mackerel have already begun, and production has returned to the Sanriku region, which will lead to increased product supply. We expect a recovery in demand. Demand for herring roe is likely to be stable owing to price adjustments. As for octopus and eel, demand will continue to be limited due to the decreased supply.

We expect that the impression of oversupply will remain at the global level and the market will see continued weakness until EU-related concerns stabilize and a solid adjustment occurs in the supply and demand of farmed salmon. Therefore, the market is unlikely to rise. For the time being, we will make sales a priority, aiming for a quick turnover of inventory. With respect to the processing of overseas products, we will prioritize the selection of high-value-added products to minimize market risks, to achieve profit stability.

Although we aim to expand overseas sales in the long term, we will select businesses that will ensure profits for the foreseeable future while assessing domestic issues concerning radiation and risks associated with each country.

Net sales composition



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Petroleum and Chemicals

Fiscal 2011 Results

While we saw a mixture of geopolitical risks, such as the European financial crisis and decreased supply of crude oil from Iran, the crude oil market price seesawed between $100 and $120 per barrel.

Domestic demand increased suddenly for crude oil and heavy oil intended for use at oil-fired power plants because of the nuclear power plant shutdowns following the Great East Japan Earthquake. In these circumstances, a series of problems occurred at oil refineries, which led to a continuous situation in which the domestic market was supported by wholesalers purchasing products from the open market. As a result, domestic market conditions were relatively robust.

In the domestic fuel supply and demand division, we received urgent orders for heavy oil due to nuclear power plant shutdowns, resulting in increased sales volume. Moreover, import contracts were signed thanks to the widening price difference in petroleum products between Japan and overseas, which contributed to earnings.

In the shipping industry, market conditions deteriorated rapidly because a large number of vessels ordered before the collapse of Lehman Brothers started operations, causing an excess of vessels. Based on long-term sales contracts, we maintained a sales volume similar to the previous year's level, recording robust earnings.

With respect to the chemicals business, partly because some resin manufacturers in Japan shut off production, imported synthetic resin penetrated the market, which led to an increase in quantity handled we handled. Subsequently, however, both domestic and overseas demand declined, particularly in China, causing our sales volume and profits to plateau against the backdrop of price competition.

In the paper business, earnings from exports decreased due to the appreciation of the yen as well as the flooding in Thailand.

Looking Ahead and Key Strategies

Despite ongoing demand for heavy oil for use in domestic electric power due to nuclear power plant shutdowns, domestic demand for petroleum products will decrease gradually in the medium to long term.

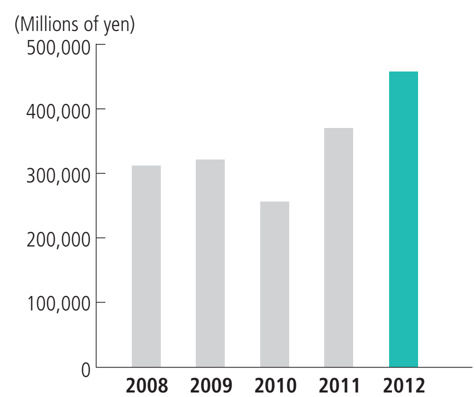
In the fuel business, in the short term we will focus on heavy oil sales targeting electric power companies while reinforcing measures for the new energy business (biomass fuel, etc.). The system of cooperation with Toyo Energy Co., Ltd. is in progress, and we will build a high-profit structure for the Group. We will also expand territories for the trade of petroleum products and supply of bunker fuel oil on a global basis.

In regard to synthetic resin in the chemicals business, we expect to see consolidation and elimination of domestic ethylene plants as well as the restructuring of domestic resin manufacturers before the enforcement of the Law for Sophisticated Methods of Energy Supply Structures. Given this factor, we will actively promote sales expansion of imported products.

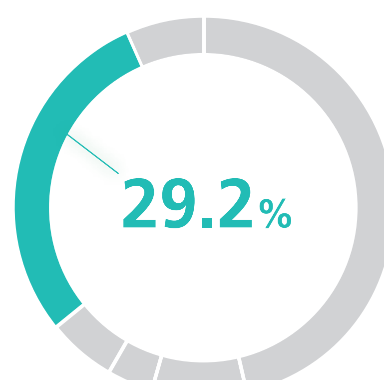
In the paper business, we will accelerate sales on a global basis, aiming to increase both sales and profits. In the daily sundries business, we will rebuild the revenue base by seeking new customers in Japan and suppliers overseas.

In the area of lubricants, we will strengthen our overseas operations through new business development based on the current policies.

Net sales



Net sales composition



Other Business (Lumber and Machinery)

Fiscal 2011 Results

Lumber

Housing starts in fiscal 2011 totaled 830,000, up 2.6% from the previous year. Post-earthquake turbulence had subsided by May and the movement of goods was steady until early autumn, thanks to the eco-point system as well as the last-minute tax breaks for housing loans, which led to an increase in the quantity we handled. As for overseas sales, sales in China struggled in the second half, but the annual quantity that we handled rose 17% compared with the previous year. Net sales stagnated due to the yen's sharp appreciation. As we recorded losses on valuation of inventory as of the fiscal year-end and the yen's appreciation continued, earnings were affected by a loss in foreign exchange valuation.

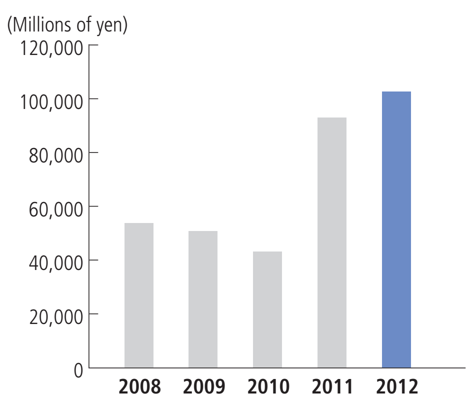
In addition to the sales of main raw materials and pre-cut houses, our domestic sales grew steadily in the area of trading with major builders and house manufacturers. Overseas sales struggled as sales to consumers in China, which were steady in the first half, declined in the second half. We are aiming for a recovery in demand in China as well as an expansion of trading with the Middle East, Southeast Asia and India.

Machinery

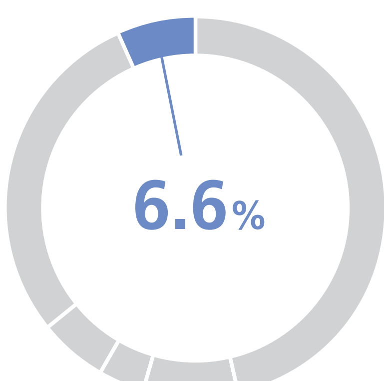
In the leisure facilities business, the construction was completed on a linear rollercoaster made by Gerstlauer of Germany for the Fujikyu Highland amusement park, and this contributed to our earnings. However, no other noteworthy projects took place. For the Sega Tokyo Joypolis amusement park, we signed a contract to construct a rollercoaster made by Gerstlauer.

In the industrial machinery business, the number of constructed hoist cranes rose thanks to close cooperation between different departments, and the number of constructed crab cranes also increased. We will continue to strengthen the crane business in an effort to launch a new business. In regard to electrical steel sheet cutting machines, we exported them to Wujiang, China and installed them there, and we are actively promoting business expansion in the transformer industry in Thailand. We also promoted the sales of aluminum melting furnaces in Indonesia, Thailand and China. The number of cans manufactured for the JFE Engineering Corporation plants also increased.

Net sales



Net sales composition



Looking Ahead and Key Strategies

Lumber

In Japan, post-earthquake reconstruction demand and a last-minute surge in demand before revision of the consumption tax are anticipated. As the interest rates on loans remain low, we expect demand to continue at the same level as last year. In the current fiscal year, we will establish a sales base in Nagoya to increase the quantity of merchandise we handle for end users. In overseas markets, despite the continuing impact of the sluggish Chinese market, we will expand trading with the Middle East, Southeast Asia, India and North America.

Machinery

In the leisure facilities business, we received orders for rollercoaster carriages manufactured by S&S of the United States for Fuji Kyuko Co., Ltd. and a rollercoaster manufactured by Gerstlauer of Germany as well as HPCs for the Sega Tokyo Joypolis amusement park. We will set up these facilities and complete their construction. As a joint venture with group company Halos Co., Ltd., we will develop game machines and focus on external sales. In overseas markets, in collaboration with Sega Corporation we will look for business opportunities in the Middle East, India and China.

In the industrial machinery business, we aim to break away from the conventional single-item equipment broker business by focusing on steel processing lines, steel fabrication and export projects.

Note: Effective from the year ended March 31, 2011, in line with the application of the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised March 27, 2009), the Company changed its classification of consolidated business segments from one based on product similarities to one based on a "management approach." Segment data for prior years have not been adjusted retroactively to match the new classification.

Topics

Acquisition of 100% Ownership of Mie Kogyo Co,. Ltd.

Mie Kogyo is a steel processor company located in Tsu City, Mie Prefecture. The company specializes in processing steel materials, particularly fusing of steel plates. Going forward, Hanwa will strengthen the company's capacity to supply merchandise to small customers.

Head office of Mie Kogyo Co,. Ltd.

Subaru Steel Co., Ltd. Becomes a Subsidiary

In January 2012, Hanwa acquired a 97% stake in Subaru Steel Co., Ltd., a steel material dealer in Osaka, making it a subsidiary. Operating a strong, original network for steel material processing and distribution, Subaru Steel deals with as many as 200 companies in terms of processing. It carefully meets its business partners' needs, ranging from precise cutting and various types of processing, such as pressing, to painting and plating. Drawing on Subaru Steel's expertise, Hanwa will strengthen its ability to deal with small customers and multiple product types, as it forms new sales strategies in western Japan.

Head office of Subaru Steel Co., Ltd.

Promotion of Active Business Investment in the ASEAN Region

Hanwa is promoting active business investment in a number of regions in an effort to uncover new markets in emerging countries, including the ASEAN countries. We invested in an engineering company in Malaysia in December 2011 and a manganese ore mining company in Singapore in January 2012. In February, we established a local affiliate in Beijing aimed at business expansion in northern China. We also established local affiliates in Dalian (China) in October 2011 and in Qingdao (China) and Ho Chi Minh City (Vietnam) in December.

Eversendai Corporation Bhd in Malaysia (top)
HG Metal Manufacturing Limited in Singapore (bottom)

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, under which we are focusing efforts to improve our corporate governance system to achieve efficient and sound business management. Our Board of Directors, which comprises 19 directors, including two outside directors, 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. Moreover, the corporate auditors attend the Board of Directors, the Management Committee and other important meetings, monitor and verify the execution of the management.

In addition, aiming both to build a system to execute the business operations carefully and to promote sped up and streamlined decision-making, we have introduced an executive officer system since April 2012. We have also adopted a system to perform preliminary review of management issues in various committees such as the Officers 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

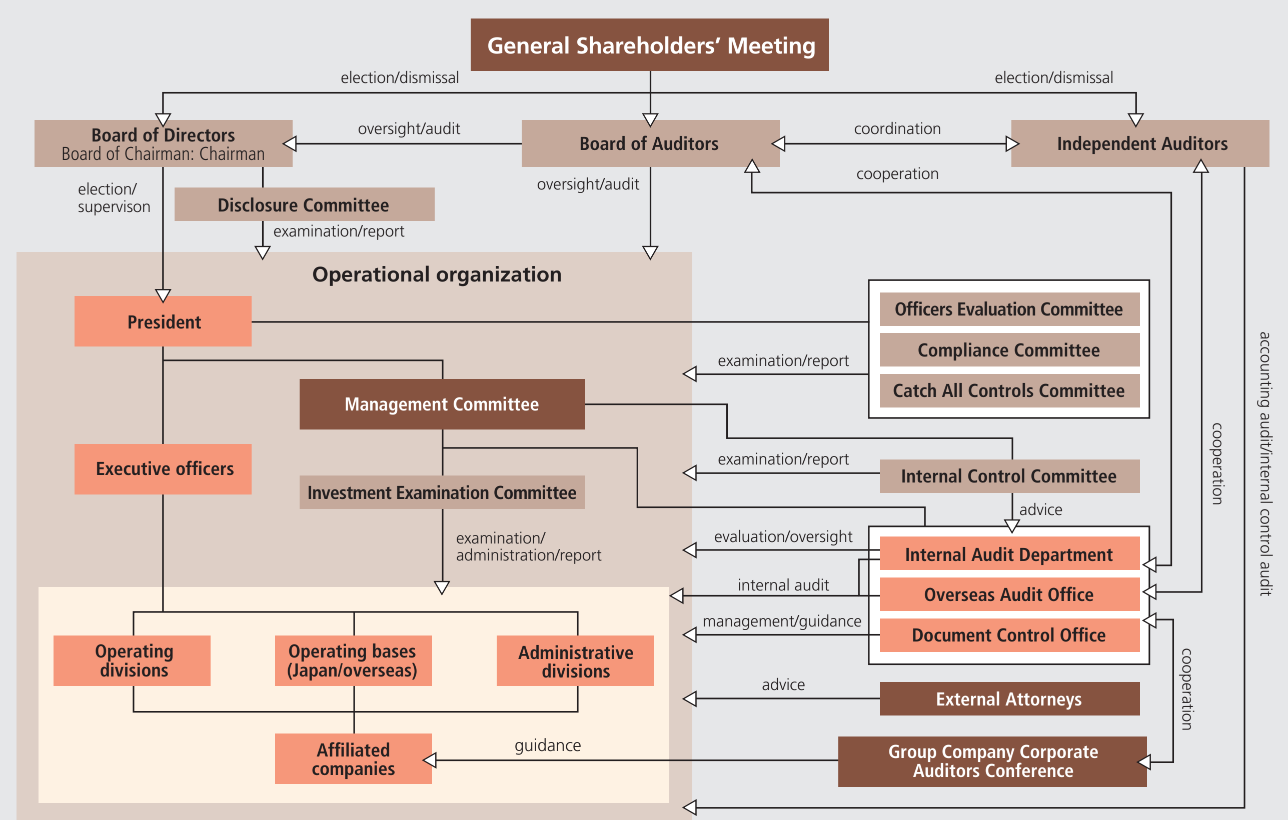
We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

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.

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



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

- Information related to duties performed by the directors is properly stored in written document or electronically, and these records are stored and managed in accordance with laws, regulations and Hanwa's regulations for document management.

● Regulations and systems related to management of risk of loss

- Directors, executive officers, corporate officers 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, Administrative Affairs Office and other units concerning compliance, environmental management, emergency responses, information security, trade 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 president.
- 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 Officers 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, executive officers and employees must quickly and accurately respond to requests for reports by the corporate auditors.
- The Internal Audit Department and Overseas Audit Office 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

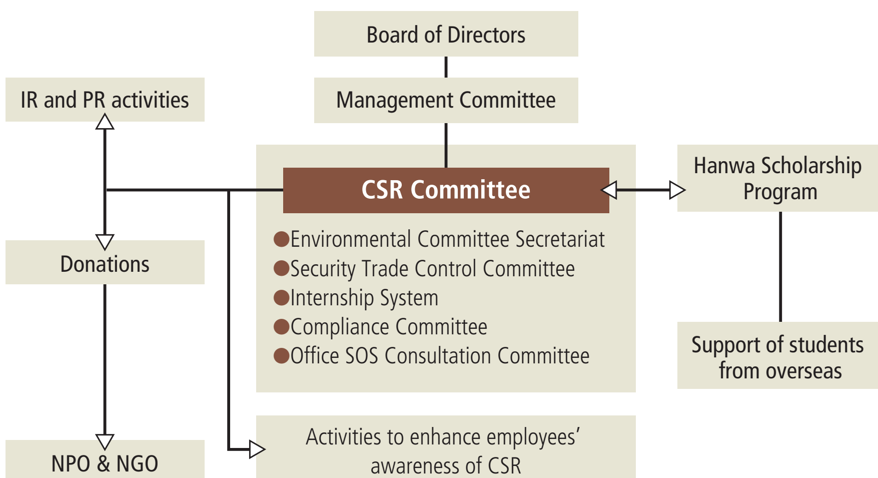
- In accordance with the Fundamental Policy concerning Internal Controls for Financial Reports, the Hanwa Group operates the internal controls reporting system in an efficient and effective manner. The Internal Control Office supervised directly by the Management Committee checks and evaluates the establishment 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 Basic Policy on Corporate Social Responsibility (CSR)

The business environment is undergoing a dramatic transformation, with advances in the globalization of economic activities, and growing awareness of global environmental issues and human rights. Amidst this transformation, Hanwa continues to question itself as to how it should operate and grow along with society through close communication with our stakeholders. For this reason, Hanwa considers corporate social responsibility (CSR) an integral part of management, and has continued efforts to improve the value of the Company through means such as legal compliance, environmental considerations, transparent management, good corporate citizenship and improvement of working environment.

To promote CSR management, Hanwa set up the CSR Committee in April 2004 and is actively involved in promoting legal and moral compliance, establishing a transparent management system and engaging in activities that aim to fulfill a corporation's social responsibility. It has set up several CSR units, including the Compliance Committee, Environmental Committee and The Hanwa Scholarship Foundation, under the CSR Committee headed by President Hironari Furukawa to allow for a flexible operation of each units activities.

Positioning of the CSR Committee



Hanwa's basic policy on CSR

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

Compliance

Hanwa has a Compliance Committee that promotes compliance to the Company's Ethical Principles and Corporate Ethical Standards. The committee has drawn up the Hanwa Ethical Standards for Employee Behavior, and has distributed the booklet to all officers and employees as part of CSR efforts.

Fully understanding the significance of compliance, Hanwa strives to practice CSR as a corporation by being both socially responsible and law-abiding.

The Company promotes an "openness" and "visibility" that will prevent misconduct from occurring.

Compliance manual distributed to all officers and employees

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

Measures for Crisis Management

Corporate Risk Management

The Company has simulated major potential risks that may threaten the safety of our employees and their families, as well as the Company's assets or the ability to continue business operations. We have established the necessary measures to minimize the damage in case such risks arise, including means to continue and restart the core business while making sure the safety of the employees and their families remains a priority.

The Risk Management Manual

The disaster prevention manual for domestic use drawn up in September 2007 has been revised as "The Risk Management Manual" in May 2011. The revised manual targets the entire Hanwa group, including affiliate companies and overseas branches, and expanding risk management to include expatriate employees and national staff, as the Company continues to expand globally.

Reviewing Earthquake-Related Measures

The Great East Japan Earthquake on March 11, 2011 inflicted severe damage particularly in the northeastern region. Hanwa set up an emergency task force immediately after the earthquake and managed to swiftly confirm the safety of the officers and employees as well as their families using the emergency disaster communication system "Mobile i-Call"*. At the same time the Company used the emergency communication line to confirm that proper confirmation measures were taken in each section. We also reviewed the earthquake provisions and implemented measures such as carrying out planned disaster drills, preparing and increasing the emergency stockpile, purchasing satellite telephones and taking measures to prevent computers and other machinery from falling.

Formulation of the Pandemic Influenza Prevention Manual

In order to prepare for the spread of Pandemic Influenza viruses in Japan and other countries, the Company is working on establishing a Business Continuity Plan (BCP) to secure the officers' and employees' safety, and to minimize any expected damage.

Diverse Work Style and Promote Diversity

The Diversity Promotion Office is responsible for taking measures related to diversity. We define diversity as an environment in which individual employees acknowledge various backgrounds and points of view, and in which a variety of work styles can be pursued. We consider diversity as a business challenge in which all employees should play their part. We have introduced a mentor scheme especially for female employees in general positions with a chance of promotion and for new non-Japanese employees. An employee in a different section with a longer work experience at the Company is assigned as a mentor to provide intellectual and psychological support, to create a better working environment.

Helping Employees Balance Work and Family

As part of our efforts to help employees balance family and work more easily, we have introduced a child care system and shorter working hours for employees with small children, both of which are more generous than those required under Japanese law. In September 2010, a male employee took child care leave for the first time in Hanwa's history. We also actively assist those who return to work after child care leave.

Employment of the Handicapped

In staffing handicapped employees, we take care that they are assigned to a section where they can perform to the best of their abilities. As of March 2012, handicapped employees accounted for 1.9% of the employee total.

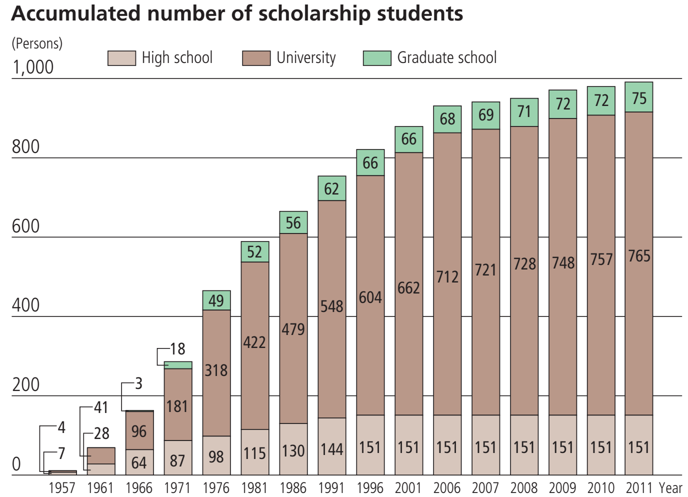
Social Contribution

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 54th 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 2011, the program had distributed a total of ¥648 million in scholarships, and the accumulated number of scholarship students had grown to more than 990.

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
	2012	2011	2010	2009	2008	**2012**
For the year:						
Net sales	**¥ 1,564,251**	¥ 1,396,103	¥ 1,116,629	¥ 1,539,282	¥ 1,507,509	**$19,032,133**
Operating income	**14,977**	13,854	11,420	17,451	23,705	**182,224**
Net income	**4,633**	5,794	11,579	5,997	13,118	**56,369**
Comprehensive income	**6,214**	6,104	14,537	—	—	**75,605**
Net cash provided by (used in) operating activities	**11,970**	(46,949)	46,250	(5,742)	21,430	**145,638**
Net cash used in investing activities	**(12,009)**	(7,611)	(12,992)	(19,536)	(8,443)	**(146,113)**
Net cash provided by (used in) financing activities	**1,596**	51,272	(43,669)	46,592	(9,144)	**19,418**
At year-end:						
Cash and cash equivalents	**¥ 23,411**	¥ 20,586	¥ 24,515	¥ 35,046	¥ 14,179	**$ 284,840**
Total assets	**582,405**	532,798	443,445	479,379	482,014	**7,086,081**
Total net assets	**115,957**	110,459	106,855	94,913	100,926	**1,410,841**
Number of employees (persons)	**2,201**	2,060	1,952	1,818	1,715	

	Yen					U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Per share data:						
Net income	**¥ 22.35**	¥ 27.95	¥ 55.46	¥ 28.47	¥ 62.07	**$ 0.272**
Cash dividends	**12.00**	12.00	12.00	12.00	12.00	**0.146**
Net assets	**548.22**	529.65	512.16	450.05	473.70	**6.670**

	%				
	2012	2011	2010	2009	2008
Key financial ratios:					
Return on assets (ROA)	**0.8**	1.2	2.5	1.2	2.7
Return on equity (ROE)	**4.1**	5.4	11.6	6.2	13.3
Net debt/equity ratio	**190**	200	140	190	150

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥82.19=$1.00.
2. Net debt/equity ratio = Net interest-bearing debt/equity.
Net interest-bearing debt = Interest-bearing debt – cash.
3. Effective from the year ended March 31, 2011, the Companies adopted "Accounting Standard for Presentation of Comprehensive income" (ASBJ Statement No. 25 issued on June 30, 2010). As a result of the adoption of these standards, the Company has represented comprehensive income for the years ended March 31, 2012, 2011 and 2010.

Management's Discussion and Analysis

Operating Results

Operating Results for the Fiscal Year Ended March 2012

During the consolidated fiscal year under review, the world economy was generally underscored by the lingering doldrums in the developed-world economy posed by financial turmoil amid concerns over certain European countries' sovereign risk and a slowdown in the U.S. economic recovery. Simultaneously, it was overshadowed by the sense of stagnation with China's economic adjustment induced by its tighter monetary policy and a certain slowdown in consumption of emerging countries with relatively steady. Japan's economy kept consumer spending largely on the same level. While having recovered from the aftermath of the Great East Japan Earthquake, the manufacturing industry was challenged by many other difficulties such as the ongoing yen appreciation, the restriction on power supplies in summer, and the flood damage in Thailand, which resulted in weak capital spending. Despite the weakening yen closer to the end of the consolidated fiscal year that contributed to some improvement in business sentiment, downward risks to the Japanese economy persisted due to the added impact from delays in earthquake reconstruction projects.

In these circumstances, the Group posted consolidated net sales of ¥1,564,251 million for the consolidated fiscal year ended March 31, 2012, representing a year-on-year increase of 12.0%. Operating income grew 8.1%, to ¥14,977 million, reflecting a rise in earnings derived from sales of the petroleum and chemical business and other businesses despite a loss of valuation in inventories of seafood products and steel products. Net income declined to ¥4,633 million, representing a 20.0% drop from the previous consolidated fiscal year, due mainly to valuation losses on investment securities caused by the decline in the stock market.

Net Sales

Net sales rose 12.0% year on year, to ¥1,564,251 million, due mainly to strong results in the steel business and the petroleum and chemical business. Domestic sales were up 12.5%, to ¥1,186,236 million, while overseas sales were up 10.5%, to ¥378,015 million.

For a discussion of sales by segment, see "Review of Operations" and "Segment Information".

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

Cost of sales increased 12.2%, to ¥1,517,904 million. The increases were due mainly to higher quantities procured in line with the increase in quantities sold and a loss on valuation of inventories.

SG&A expenses increased 5.0%, to ¥31,370 million, due mainly to a rise in personnel expenses resulting from an increase in personnel and increase in consolidated subsidiaries.

Operating Income

Operating income for the consolidated fiscal year under review rose 8.1%, to ¥14,977 million due to better control of SG&A expenses while gross profit rose 6.0% from the previous year to ¥46,347 million, reflecting the contribution of the petroleum and chemical business and other businesses. The ratio of operating income to net sales was 1.0%, the same level as the previous consolidated fiscal year.

Other Income (Expenses)

Other expenses net of other income increased 69.7% year on year, to ¥6,532 million. Other income decreased 30.2%, to ¥1,902 million. Other expenses totaled ¥8,434 million, representing an increase of 28.3% from the previous consolidated fiscal year.

They reflected decreases in foreign exchange gain and rental profit, increases in interest expense and loss on disposal of leased assets, a loss on sales of investment securities, and a loss on valuation of investment securities due to fall of stock market.

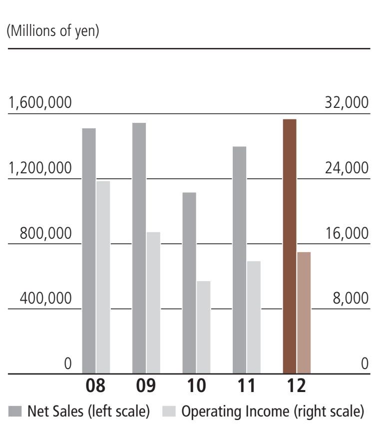
Income Taxes

Income taxes paid amounted to ¥3,710 million, reflecting a decrease in income before income taxes and minority interests, in contrast to ¥4,154 million in income taxes in the previous consolidated fiscal year.

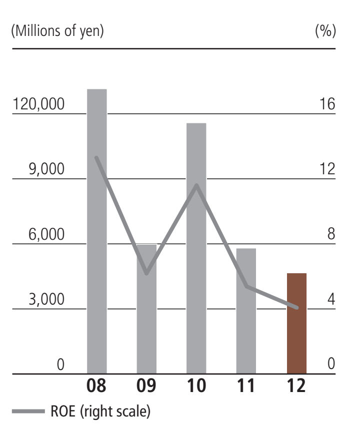
Net Income

Net income decreased 20.0% from the previous consolidated fiscal year, to ¥4,633 million. Accordingly, net income per share decreased to ¥22.35, from ¥27.95.

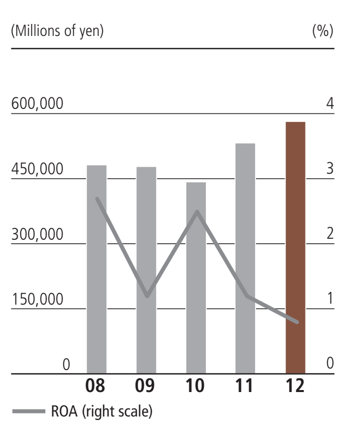
Net Sales and Operating Income



Net Income and ROE



Total Assets and ROA



Sources of Capital and Cash Liquidity

Financial Condition

Total assets increased 9.3%, to ¥582,405 million, from the previous consolidated fiscal year, reflecting higher trade receivables accompanying higher sales.

Liabilities expanded 10.4%, to ¥466,448 million, as a result of an increase in trade payables attributable to sales growth and an issuance of bonds, and interest-bearing liabilities grew 3.4%, to ¥243,142 million. The net debt/equity ratio (net interest-bearing debt as a percentage of equity) stood at 190% as of March 31, 2012.

Net assets increased 5.0%, to ¥115,957 million. The increase was attributable mainly to an increase in "retained earnings," an increase in "unrealized gains on securities, net of taxes," and an increase in "minority interests". Owing to the proportionately greater rise in liabilities, the equity ratio at March 31, 2012 fell to 19.5%, from 20.7% a year ago.

Cash Flows

Net cash provided by operating activities amounted to ¥11,970 million during the consolidated fiscal year under review, in contrast to net cash used of ¥46,949 million recorded in the previous consolidated fiscal year. This was mainly due to the inflow from operating revenue, which offset a slowdown in sales growth.

Net cash used in investing activities totaled ¥12,009 million, compared to net cash used of ¥7,611 million in the previous consolidated fiscal year. This was primarily attributable to increases of cash disbursements related to the acquisition of tangible fixed assets and investment securities (¥15,483 million), compared to the previous year's debit of ¥6,283 million.

Net cash provided by financing activities amounted to ¥1,596 million, compared to net cash provided of ¥51,272 million in the previous consolidated fiscal year. This was largely attributable to an increase in repayment of short-term loans payable and commercial paper in response to a decrease in demand for working capital.

Financial Policy

The Group depends primarily 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 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 2012 stood at ¥80,229 million, mostly denominated in Japanese yen. The Group's outstanding long-term debt was ¥147,006 million, including the current portion of long-term debt of ¥10,218 million.

The Group issues bonds primarily to fund working capital. As of March 31, 2012, bonds outstanding consisted of straight bonds amounting to ¥20,085 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, 2012, the unused aggregate principal amount of the shelf registration for straight bonds for subscription in Japan amounted to ¥20,000 million.

Advocating overall corporate value improvement and sustainable growth, the Group attempts to conduct efficient management to secure funds needed for business growth and maintain a healthy financial balance.

Business and Other Risks

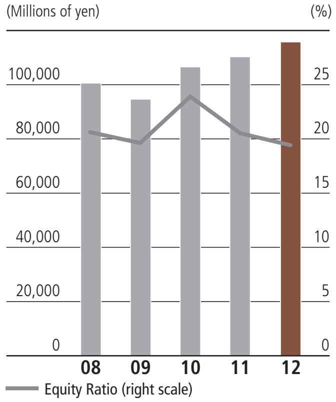
Changes in the Macroeconomic Environment

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

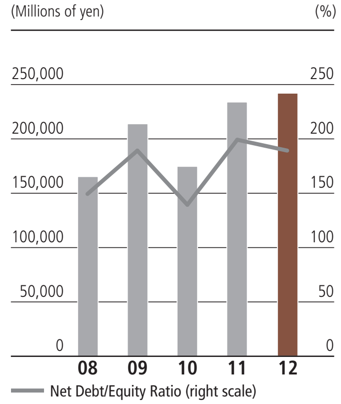
Commodity Price Fluctuations

The Group holds inventories for distribution that 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.

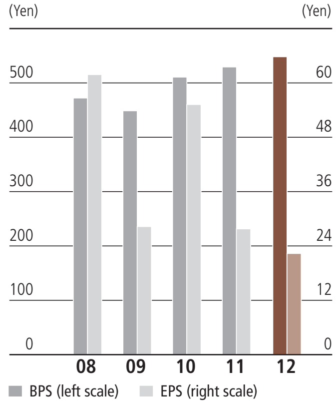
Total Net Assets and Equity Ratio



Interest-Bearing Debt and Net Debt/Equity Ratio



BPS and EPS



Foreign Exchange Fluctuations

The Group is engaged in worldwide procurement and sales of goods. Foreign currency-denominated profits or loss, 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 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 rate 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 at home and abroad mostly of which are issued by its business counterparties that are subject to price fluctuations. Price fluctuations of the securities it holds could impact the business performance and financial position of the Group.

Counterparty 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.

Liquidity Risk Associated with Funding Activities

The Group funds its operating, investing and financing activities by borrowing funds from financial institutions and issuing bonds and other instruments in capital markets. For funding, the Group strives to secure cash on hand based on estimated funding requirements. However, factors such as disruptions in financial markets, regulatory changes affecting the financial industry in Japan or elsewhere, the downgrading of the Group's credit ratings or changes in financial institutions' lending policies could significantly affect the Group's funding environment. These changes could restrict the Group's funding activities and result in higher funding costs, thus impacting the business performance and financial condition of the Group.

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 changes in foreign trade regulations, especially in terms of laws and customs duties.
(2) Political and/or economic changes 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) Changes in taxation unfavorable to corporate activity.
(6) Acts 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 and sales restrictions on grounds of national security and otherwise, customs duties and other foreign trade regulations. In addition, laws and regulations relevant to the Group's business activity, including those concerning trade, antimonopoly, patent, taxation, foreign exchange control, food safety, environment and recycling, must be fully observed. Such regulations may not only limit the Group's business activities but also entail a higher cost of doing business, as more funds may be needed to be disbursed to ensure compliance. Therefore, the business performance and financial condition of the Group may be impacted by such regulations.

Risks Associated with Natural Disasters

To prepare for natural disasters such as an earthquake or the outbreak of pandemic diseases such as influenza, the Group has formulated crisis management manuals and business continuity plans and set in place a system for confirming individual safety. It also administers anti-seismic measures and conducts disaster drills. However, due to the dispersion of the business locations and areas where employees conduct their business, the Group may not be able to avert all the negative consequences of a natural disaster. If damages beyond the Group's projected level are inflicted, the business performance and financial condition of the Group could be impacted.

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 a period of years on a periodic basis, thus affecting costs and obligations to be recognized or posted over such years. Deteriorating discount rates and poorer returns on plan assets resulting from such changes could adversely affect the Group's business performance and financial position.

Consolidated Balance Sheets

As at March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2012**	2011	**2012**
Current assets:			
Cash and cash equivalents (Note 3)	¥ 23,411	¥ 20,586	$ 284,840
Receivables:			
Trade notes and accounts (Note 3):			
Unconsolidated subsidiaries and affiliates	11,612	7,397	141,282
Other	289,423	266,952	3,521,389
Loans:			
Unconsolidated subsidiaries and affiliates	4,694	3,555	57,112
Other	205	707	2,494
Allowance for doubtful receivables	(934)	(1,072)	(11,364)
Inventories (Note 6)	110,909	101,351	1,349,422
Deferred tax assets—current (Note 10)	1,197	3,155	14,564
Other current assets (Note 7)	27,465	20,573	334,165
Total current assets	467,982	423,204	5,693,904
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	31,085	35,512	378,209
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	5,680	6,022	69,108
Loans receivable (Note 3)	150	188	1,825
Other investments and noncurrent receivables	22,603	22,731	275,010
Allowance for doubtful receivables	(2,347)	(2,677)	(28,556)
Total investments and noncurrent receivables	57,171	61,776	695,596
Property and equipment (Note 7)**:**			
Land (Note 11)	30,484	29,249	370,897
Buildings and structures	31,786	23,184	386,738
Other	16,700	14,967	203,188
Accumulated depreciation	(22,583)	(20,358)	(274,766)
Total property and equipment	56,387	47,042	686,057
Other assets:			
Deferred tax assets—noncurrent (Note 10)	235	91	2,859
Intangibles and other assets (Note 7)	630	685	7,665
Total other assets	865	776	10,524
Total	¥ 582,405	¥ 532,798	$ 7,086,081

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Short-term loans payable (Notes 3 and 8)	**¥ 80,229**	¥ 79,609	**$ 976,141**
Commercial paper (Notes 3 and 8)	**15,000**	18,000	**182,504**
Long-term debt due within one year (Notes 3 and 8)	**10,218**	11,583	**124,322**
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	**4,629**	3,537	**56,320**
Other	**182,182**	153,010	**2,216,596**
Accrued bonuses to employees	**1,916**	1,767	**23,312**
Income taxes payable	**1,666**	442	**20,270**
Other current liabilities	**23,896**	20,125	**290,741**
Total current liabilities	**319,736**	288,073	**3,890,206**
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3 and 8)	**136,788**	125,075	**1,664,290**
Employees' severance and retirement benefits (Note 9)	**192**	134	**2,336**
Deferred tax liabilities—noncurrent (Note 10)	**4,986**	4,488	**60,664**
Other noncurrent liabilities	**4,746**	4,569	**57,744**
Total noncurrent liabilities	**146,712**	134,266	**1,785,034**
Contingent liabilities (Note 12)			
Net assets (Note 11)			
Shareholders' equity:			
Common stock			
Authorized: 570,000,000 shares			
Issued: 211,663,200 shares	**45,651**	45,651	**555,433**
Capital surplus	**5**	5	**61**
Retained earnings	**69,979**	67,608	**851,429**
Treasury stock, at cost: 4,394,847 shares in 2012 and 4,391,507 shares in 2011	**(1,425)**	(1,424)	**(17,338)**
Total shareholders' equity	**114,210**	111,840	**1,389,585**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	**2,085**	952	**25,368**
Unrealized gains on hedging derivatives, net of taxes	**353**	107	**4,295**
Land revaluation difference, net of taxes	**150**	(183)	**1,825**
Foreign currency translation adjustments	**(3,168)**	(2,935)	**(38,545)**
Total accumulated other comprehensive income	**(580)**	(2,059)	**(7,057)**
Minority interests	**2,327**	678	**28,313**
Total net assets	**115,957**	110,459	**1,410,841**
Total	**¥ 582,405**	¥ 532,798	**$ 7,086,081**

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales	¥ 1,564,251	¥ 1,396,103	$19,032,133
Cost of sales	1,517,904	1,352,359	18,468,232
Gross profit	46,347	43,744	563,901
Selling, general and administrative expenses	31,370	29,890	381,677
Operating income	14,977	13,854	182,224
Other income (expenses):			
Interest and dividend income	1,177	1,197	14,321
Interest expense	(3,044)	(2,821)	(37,036)
Foreign exchange gain	725	1,526	8,821
Loss on valuation of investment securities	(3,599)	(2,791)	(43,789)
Loss on sales of investment securities	(1,072)	—	(13,043)
Loss on impairment of long-lived assets	—	(430)	—
Loss on disaster	—	(264)	—
Other, net	(719)	(266)	(8,748)
Income before income taxes and minority interests	8,445	10,005	102,750
Income taxes (Note 10)**:**			
Current	1,893	407	23,032
Deferred	1,817	3,747	22,108
	3,710	4,154	45,140
Income before minority interests	4,735	5,851	57,610
Minority interests in income of consolidated subsidiaries	(102)	(57)	(1,241)
Net income	4,633	5,794	56,369
Minority interests in income of consolidated subsidiaries	(102)	(57)	(1,241)
Income before minority interests	4,735	5,851	57,610
Other comprehensive income (Note 13)**:**			
Valuation difference on available-for-sale securities	1,132	63	13,773
Deferred gains or losses on hedges	246	879	2,993
Land revaluation difference, net of taxes	333	—	4,052
Foreign currency translation adjustments	(232)	(689)	(2,823)
Total other comprehensive income	1,479	253	17,995
Comprehensive income	6,214	6,104	75,605
Comprehensive income attributable to:			
Owners of the parent	6,111	6,109	74,352
Minority interests	103	(5)	1,253

	Yen		U.S. dollars (Note 1)
	2012	2011	2012
Net income per share	¥ 22.35	¥ 27.95	$ 0.272
Cash dividends per share	12.00	12.00	0.146

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2011

	Numbers of shares in thousands/ Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
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	**$ 555,433**
Balance at end of year	**¥ 45,651**	¥ 45,651	**$ 555,433**
Capital surplus			
Balance at beginning of year	**¥ 5**	¥ 5	**$ 61**
Balance at end of year	**¥ 5**	¥ 5	**$ 61**
Retained earnings			
Balance at beginning of year	**¥ 67,608**	¥ 64,302	**$ 822,582**
Cash dividends paid	**(2,487)**	(2,488)	**(30,259)**
Increase resulting from increase in consolidated subsidiaries	**225**	—	**2,737**
Net income	**4,633**	5,794	**56,369**
Balance at end of year	**¥ 69,979**	¥ 67,608	**$ 851,429**
Treasury stock, at cost			
Balance at beginning of year	**¥ (1,424)**	¥ (1,415)	**$ (17,326)**
Purchases of treasury stock	**(2)**	(9)	**(24)**
Disposal of treasury stock	**1**	—	**12**
Balance at end of year	**¥ (1,425)**	¥ (1,424)	**$ (17,338)**
Total shareholders' equity at end of year	**¥ 114,210**	¥ 111,840	**$ 1,389,585**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes			
Balance at beginning of year	**¥ 952**	¥ 889	**$ 11,583**
Net changes of items other than shareholders' equity	**1,133**	63	**13,785**
Balance at end of year	**¥ 2,085**	¥ 952	**$ 25,368**
Unrealized gains on hedging derivatives, net of taxes			
Balance at beginning of year	**¥ 107**	¥ (772)	**$ 1,302**
Net changes of items other than shareholders' equity	**246**	879	**2,993**
Balance at end of year	**¥ 353**	¥ 107	**$ 4,295**
Land revaluation difference, net of taxes			
Balance at beginning of year	**¥ (183)**	¥ (183)	**$ (2,227)**
Net changes of items other than shareholders' equity	**333**	—	**4,052**
Balance at end of year	**¥ 150**	¥ (183)	**$ 1,825**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (2,935)**	¥ (2,308)	**$ (35,710)**
Net changes of items other than shareholders' equity	**(233)**	(627)	**(2,835)**
Balance at end of year	**¥ (3,168)**	¥ (2,935)	**$ (38,545)**
Total accumulated other comprehensive income at end of year	**¥ (580)**	¥ (2,059)	**$ (7,057)**
Minority interests			
Balance at beginning of year	**¥ 678**	¥ 686	**$ 8,249**
Net changes of items other than shareholders' equity	**1,649**	(8)	**20,064**
Balance at end of year	**¥ 2,327**	¥ 678	**$ 28,313**
Total net assets at end of year	**¥ 115,957**	¥ 110,459	**$ 1,410,841**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 8,445**	¥ 10,005	**$ 102,750**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities			
Depreciation	**2,718**	2,705	**33,070**
Loss on impairment of long-lived assets	**—**	430	**—**
Decrease in allowance for doubtful receivables	**(467)**	(133)	**(5,682)**
Interest and dividend income	**(1,177)**	(1,197)	**(14,321)**
Interest expense	**3,044**	2,821	**37,036**
Gain on sales of investment securities	**—**	(22)	**—**
Loss on sales of investment securities	**1,072**	—	**13,043**
Loss on disaster	**—**	264	**—**
Loss on valuation of investment securities	**3,599**	2,791	**43,789**
Increase in trade receivables	**(24,719)**	(55,819)	**(300,754)**
Increase in inventories	**(7,522)**	(29,302)	**(91,520)**
Increase in trade notes and accounts payable	**30,290**	19,264	**368,536**
Other, net	**(817)**	929	**(9,940)**
Subtotal	**14,466**	(47,264)	**176,007**
Cash flows during the year for:			
Interest and dividends received	**1,155**	1,199	**14,053**
Interest paid	**(2,997)**	(2,837)	**(36,465)**
Income taxes paid	**(654)**	1,953	**(7,957)**
Net cash provided by (used in) operating activities	**11,970**	(46,949)	**145,638**
Cash flows from investing activities:			
Decrease in time deposits, net	**141**	26	**1,716**
Additions to property and equipment	**(9,064)**	(3,227)	**(110,281)**
Proceeds from sale of property and equipment	**151**	26	**1,837**
Additions to investment securities	**(6,419)**	(3,056)	**(78,100)**
Proceeds from sale and redemption of investment securities	**4,347**	155	**52,890**
Increases from purchase of consolidated subsidiaries resulting in change in scope of consolidation	**—**	1,284	**—**
Increase in short-term loans receivable, net	**(631)**	(1,526)	**(7,677)**
Additions to long-term loans receivable	**(5)**	(7)	**(61)**
Proceeds from long-term loans receivable	**57**	91	**693**
Other, net	**(586)**	(1,377)	**(7,130)**
Net cash used in investing activities	**(12,009)**	(7,611)	**(146,113)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable, net	**(2,515)**	50,832	**(30,600)**
Increase (decrease) in commercial paper, net	**(3,000)**	17,000	**(36,501)**
Proceeds from long-term debt, issuance of bonds	**21,705**	20,775	**264,083**
Repayments of long-term debt, redemption of bonds	**(11,711)**	(34,558)	**(142,487)**
Payment of cash dividends	**(2,490)**	(2,490)	**(30,296)**
Cash dividends paid to minority interests in consolidated subsidiaries	**(48)**	(4)	**(584)**
Other, net	**(345)**	(283)	**(4,197)**
Net cash provided by financing activities	**1,596**	51,272	**19,418**
Effect of exchange rate changes on cash and cash equivalents	**(173)**	(641)	**(2,105)**
Net increase (decrease) in cash and cash equivalents	**1,384**	(3,929)	**16,838**
Cash and cash equivalents at beginning of year	**20,586**	24,515	**250,469**
Effect of change in scope of consolidation	**1,441**	—	**17,533**
Cash and cash equivalents at end of year	**¥ 23,411**	¥ 20,586	**$ 284,840**

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 Financial Instruments and Exchange Act of Japan 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 Act of Japan. 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, 2012, which was ¥82.19 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 16 (15 in 2011) 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. Investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method, as the application of the equity method would not have a material effect on net income and retained earnings, or on the consolidated financial statement as a whole.

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 accumulated other comprehensive income. Realized gains on the sales of such securities are computed using moving average cost. Other available-for-sale securities are stated at moving average cost.

Inventories—Inventories are stated at the lower of cost (based, principally, on a moving-average basis or a specific-identification basis) or net realizable value.

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 straight-line 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, especially 5 years for computer software for internal use.

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.

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" at March 31, 2012 and 2011.

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 accumulated other comprehensive income.

Finance leases—Finance leases that do not transfer ownership of the leased property to the lessee at the end of the lease period are depreciated using the straight-line method over the period of the lease with a residual value assumed to be zero. 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.

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 forwards 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 and comprehensive income are dividends applicable to the respective years including dividends to be paid after the end of the consolidated fiscal year.

(Additional Information)

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the consolidated fiscal year beginning on April 1, 2011.

3. Financial instruments

At March 31, 2012 and 2011, information on financial instruments was as follows.

(A) Qualitative information on financial instruments

Policy for financial instruments

The Group's main business is the sales of various products, ranging from mainly steel, metals and alloys, non-ferrous metals to food products, petroleum and chemicals, lumber, and machinery. The Group also engages in other business activities such as steel material processing, non-ferrous metal processing and amusement park management and operations. While the Group depends primarily on bank borrowings to procure funds necessary for these operational transactions as well as investing and financing activities, the Group seeks to diversify its financing instruments to ensure stable and flexible liquidity, funding these activities by issuing bonds and commercial paper in the capital markets in some cases. Temporary surplus funds are managed in low-risk financial assets.

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

Components of financial instruments and risks

Trade notes and accounts receivable are exposed to credit risk of customers. Some of them are denominated in foreign currencies and exposed to the foreign exchange rate fluctuation risk as well.

Investment securities mainly consist of listed stocks and are exposed to price fluctuation risk. Some of them are denominated in foreign currencies, which accompany foreign exchange rate fluctuation risk.

Long-term loans receivable are mainly for the employees of the Company.

Foreign currency denominated notes and accounts payable are exposed to foreign exchange rate fluctuation risk.

Short-term loans payable, commercial paper, bonds payable and long-term loans payable are used for raising working capital and investment funds, although they have liquidity risk related to changes in financial market environments.

Foreign exchange future contracts and currency swap agreements are used to hedge foreign exchange rate fluctuation risk associated with certain assets and liabilities denominated in foreign currencies. Interest rate swap agreements are made use of for hedging fluctuations in future interest rates. Commodity forward contracts, commodity swap agreements and commodity option agreements aim to hedge market risks associated with certain inventories and commitments.

Refer to No. 2, "Significant accounting policies — Derivatives and hedge accounting" for an explanation of the Companies' hedging instruments, hedged items, and evaluation of hedge effectiveness.

Risk management system for financial instruments

With regard to credit risk to which trade notes and accounts receivable are exposed, the Company sets a credit limit amount for each business partner and manages the outstanding balance in accordance with the "Credit administrative provisions" while monitoring the credit status on a regular basis. Furthermore, the Company is committed to reducing foreign exchange rate fluctuation risk to which trade notes and accounts receivable and trade notes and accounts payable are exposed by means of derivatives trading.

Because price fluctuation risks associated with investment securities mainly affect listed stocks of the Company's business partners, the Company reports the regularly assessed market values to the Board of Directors. In regard to foreign exchange rate fluctuation risk, the Company is committed to reducing it by means of derivatives trading.

In regard to business investments, in compliance with the "Rules for the Review and Approval of New Businesses, Loans and Investments," the Company decides whether or not to invest after following the prescribed procedures. The Company continuously monitors the financial status and trading conditions of the issuing company and reviews its policies for the holding of stocks.

To deal with liquidity risk associated with procuring funds for short-term loans payable, commercial paper, and long-term debt, the Company creates a fund procurement plan based on the outlook of the Group's financial requirements. Taking financial market trends into consideration as well, the Company works to diversify the funds procurement to ensure liquidity. In addition, with regard to interest rate risk and foreign exchange rate fluctuation risk, the Company seeks to reduce such risks through derivatives trading and other means.

The Company practices and manages trading of derivatives related to currencies and products in compliance with the "Business Department Operating Rules," and each department receives the approval of a supervising director to engage in such trading. In addition, the trading authority and trading limit are clearly stated in the "Regulations for Administrative Authority" and the bylaws.

With respect to derivatives trading related to interest rates associated with loans, the Company receives approval from a director in charge of supervising financial affairs before engaging in such trading.

In order to reduce credit risk to which derivatives trading partners are exposed, the Company trades only with highly rated financial institutions.

In regard to the contract balance of derivatives trading, trading departments report it to the supervising director of each department and to the Internal Audit Department. At the same time, the Accounting Department directly checks the balance with the contractor. As may be necessary, internal auditing is implemented by the Internal Audit Department.

Supplementary explanation for items concerning fair values of financial instruments

The fair value of financial instruments is based on the market price, but in cases in which market prices are not available, the fair value is reasonably estimated. As variable factors are incorporated into the estimation of values, values may vary depending on the assumptions used.

The contract amount related to derivative transactions in Note 5, "Derivatives" does not express the market risk related to the derivative transactions themselves.

(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, 2012 and 2011 were as follows:

March 31, 2012

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and cash equivalents	**¥ 23,411**	**¥ 23,411**	**¥ —**	**$ 284,840**	**$ 284,840**	**$ —**
(2) Trade notes and accounts receivable	**301,035**			**3,662,671**		
Allowance for doubtful receivables	**(835)**			**(10,159)**		
Net	**300,200**	**300,200**	**—**	**3,652,512**	**3,652,512**	**—**
(3) Investment securities						
a) Held-to-maturity debt securities	**5,008**	**5,063**	**55**	**60,932**	**61,602**	**670**
b) Available-for-sale securities	**19,702**	**19,702**	**—**	**239,713**	**239,713**	**—**
(4) Long-term loans receivable	**150**			**1,825**		
Allowance for doubtful receivables	**—**			**—**		
Net	**150**	**150**	**—**	**1,825**	**1,825**	**—**
Total assets	**¥ 348,471**	**¥ 348,526**	**¥ 55**	**$4,239,822**	**$4,240,492**	**$ 670**
(1) Short-term loans payable	**¥ 80,229**	**¥ 80,229**	**¥ —**	**$ 976,141**	**$ 976,141**	**$ —**
(2) Commercial paper	**15,000**	**15,000**	**—**	**182,504**	**182,504**	**—**
(3) Long-term debt due within one year	**10,218**	**10,218**	**—**	**124,322**	**124,322**	**—**
(4) Trade notes and accounts payable	**186,811**	**186,811**	**—**	**2,272,916**	**2,272,916**	**—**
(5) Long-term debt due after one year	**136,788**	**136,818**	**(30)**	**1,664,290**	**1,664,655**	**(365)**
Total liabilities	**¥ 429,046**	**¥ 429,076**	**¥ (30)**	**$5,220,173**	**$5,220,538**	**$ (365)**
Derivatives						
To which hedge accounting is not applied	**¥ (792)**	**¥ (792)**	**¥ —**	**$ (9,636)**	**$ (9,636)**	**$ —**
To which hedge accounting is applied	**591**	**518**	**(73)**	**7,190**	**6,302**	**(888)**
Total derivatives	**¥ (201)**	**¥ (274)**	**¥ (73)**	**$ (2,446)**	**$ (3,334)**	**$ (888)**

March 31, 2011

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 20,586	¥ 20,586	¥ —
(2) Trade notes and accounts receivable	274,349		
Allowance for doubtful receivables	(1,030)		
Net	273,319	273,319	—
(3) Investment securities			
a) Held-to-maturity debt securities	5,009	5,085	76
b) Available-for-sale securities	27,017	27,017	—
(4) Long-term loans receivable	188		
Allowance for doubtful receivables	(1)		
Net	187	187	—
Total assets	¥ 326,118	¥ 326,194	¥ 76
(1) Short-term loans payable	¥ 79,609	¥ 79,609	¥ —
(2) Commercial paper	18,000	18,000	—
(3) Long-term debt due within one year	11,583	11,583	—
(4) Trade notes and accounts payable	156,547	156,547	—
(5) Long-term debt due after one year	125,075	125,105	(30)
Total liabilities	¥ 390,814	¥ 390,844	¥ (30)
Derivatives			
To which hedge accounting is not applied	¥ 560	¥ 560	¥ —
To which hedge accounting is applied	253	88	(165)
Total derivatives	¥ 813	¥ 648	¥ (165)

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

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 with floating interest rates approximates fair value. The fair value of long-term loans payable with fixed interest rates is estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. The fair value of straight bonds is based on the quoted price provided mainly 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 for which there were limitation in determining the fair value as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
	Book value	Book value	Book value
(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 5,680**	¥ 6,022	**$ 69,108**
(b) Available-for-sale securities			
Unlisted stocks	**¥ 3,138**	¥ 2,121	**$ 38,180**
Unlisted foreign stocks	**1,394**	1,270	**16,961**
Unlisted foreign convertible bond	**1,763**	—	**21,450**
Investment in limited partnerships	**80**	95	**973**
Total	**¥ 6,375**	¥ 3,486	**$ 77,564**

The maturities of receivables and securities with maturities outstanding at March 31, 2012 were as follows:

Year ending March 31	Millions of yen			
	2013	From 2014 to 2017	From 2018 to 2022	Thereafter
Cash and cash equivalents	¥ 23,411	¥ —	¥ —	¥ —
Trade notes and accounts receivable	301,035	—	—	—
Held-to-maturity debt securities	—	2,000	3,008	—
Available-for-sale securities with maturity dates	—	1,763	—	—
Long-term loans receivable	33	89	37	24
Total	¥ 324,479	¥ 3,852	¥ 3,045	¥ 24

	Thousands of U.S. dollars			
	2013	From 2014 to 2017	From 2018 to 2022	Thereafter
Cash and cash equivalents	$ 284,840	$ —	$ —	$ —
Trade notes and accounts receivable	3,662,671	—	—	—
Held-to-maturity debt securities	—	24,334	36,598	—
Available-for-sale securities with maturity dates	—	21,450	—	—
Long-term loans receivable	402	1,083	450	292
Total	$3,947,913	$ 46,867	$ 37,048	$ 292

4. Securities

(A) The following table summarizes book values and fair values of held-to-maturity debt securities as of March 31, 2012 and 2011:

March 31, 2012

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Corporate bonds	**¥ 5,008**	**¥ 5,063**	**¥ 55**	**$ 60,932**	**$ 61,602**	**$ 670**

March 31, 2011

	Millions of yen		
	Book value	Fair value	Difference
Corporate bonds	¥ 5,009	¥ 5,085	¥ 76

(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, 2012 and 2011:

March 31, 2012

	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	**¥ 6,218**	**¥ 12,457**	**¥ 6,239**	**$ 75,654**	**$ 151,564**	**$ 75,910**
Securities with book values not exceeding acquisition costs:						
Equity securities	**¥ 10,076**	**¥ 7,245**	**¥ (2,831)**	**$ 122,594**	**$ 88,149**	**$ (34,445)**

March 31, 2011

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 6,080	¥ 12,076	¥ 5,996
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 19,412	¥ 14,941	¥ (4,471)

(C) Total sales of available-for-sale securities in the year ended March 31, 2012 amounted to ¥6,864 million ($83,514 thousand), and resulted in a net loss of ¥1,072 million ($13,043 thousand). The loss resulting from the valuation of the listed securities in the year ended March 31, 2012 was ¥3,187 million ($38,776 thousand).

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2012 and 2011 for the derivatives to which hedge accounting has not been applied:

March 31, 2012
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	**¥ 28,190**	**¥ (801)**	**¥ (801)**	**$ 342,986**	**$ (9,746)**	**$ (9,746)**
Other currencies	**3,760**	**(21)**	**(21)**	**45,748**	**(256)**	**(256)**
Buying						
U.S. dollars	**9,637**	**119**	**119**	**117,253**	**1,448**	**1,448**
Other currencies	**3,625**	**9**	**9**	**44,105**	**110**	**110**
Currency swap agreements:						
Japanese yen received for U.S. dollars	**8,928**	**(127)**	**(127)**	**108,626**	**(1,545)**	**(1,545)**
Total			**¥ (821)**			**$ (9,989)**

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
Forwards:						
Petroleum						
Selling	**¥ 2,168**	**¥ 53**	**¥ 53**	**$ 26,378**	**$ 645**	**$ 645**
Buying	**1,618**	**66**	**66**	**19,686**	**803**	**803**
Non-ferrous metals						
Selling	**8,932**	**(147)**	**(147)**	**108,675**	**(1,789)**	**(1,789)**
Buying	**4,526**	**48**	**48**	**55,068**	**584**	**584**
Commodity swap agreements:						
Petroleum						
Selling	**1,299**	**17**	**17**	**15,805**	**207**	**207**
Buying	**2,021**	**(8)**	**(8)**	**24,589**	**(97)**	**(97)**
Total			**¥ 29**			**$ 353**

March 31, 2011
Currency related

	Millions of yen		
	Contract or notional amount	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:			
Selling			
U.S. dollars	¥ 33,669	¥ (250)	¥ (250)
Other currencies	10,614	20	20
Buying			
U.S. dollars	9,281	77	77
Other currencies	2,399	57	57
Currency swap agreements:			
Japanese yen received for U.S. dollars	10,146	1,014	1,014
Total			¥ 918

Commodity related

	Millions of yen		
	Contract or notional amount	Fair value	Net recognized gain or loss
Forwards:			
Petroleum			
Selling	¥ 8,288	¥ (237)	¥ (237)
Buying	8,115	261	261
Non-ferrous metals			
Selling	19,467	(719)	(719)
Buying	6,965	240	240
Commodity swap agreements:			
Petroleum			
Selling	1,206	(89)	(89)
Buying	2,756	186	186
Total			¥ (358)

(B) The following tables summarize fair value information as of March 31, 2012 and 2011 for the derivatives to which hedge accounting has been applied:

March 31, 2012
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						
Floating rate received for fixed rate	**¥ 5,000**	**¥ 5,000**	**¥ (73)**	**$ 60,835**	**$ 60,835**	**$ (888)**

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
Forwards for inventories and commitments						
Non-ferrous metals						
Selling	**¥ 22,894**	**¥ —**	**¥ 1,388**	**$ 278,550**	**$ —**	**$ 16,887**
Buying	**14,594**	**—**	**(797)**	**177,564**	**—**	**(9,697)**

March 31, 2011
Interest rate related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Interest rate swap for long-term loans			
Floating rate received for fixed rate	¥ 11,200	¥ 5,000	¥ (165)

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments			
Non-ferrous metals			
Selling	¥ 22,522	¥ —	¥ 582
Buying	14,085	—	(329)

6. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Merchandise and finished products	**¥ 105,803**	¥ 95,790	**$1,287,298**
Work-in-process	**169**	620	**2,056**
Raw materials and supplies	**4,937**	4,941	**60,068**
Total	**¥ 110,909**	¥ 101,351	**$1,349,422**

The write-down of inventories to lower of cost or net realizable value amounted to ¥1,050 million ($12,775 thousand) and ¥709 million at March 31, 2012 and 2011, respectively.

7. Pledged assets

At March 31, 2012 and 2011, assets were pledged as collateral for short-term loans payable in the amount of ¥1,721 million ($20,939 thousand) and ¥1,578 million, respectively, and as guaranty as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Other current assets	**¥ 13**	¥ 13	**$ 158**
Investment securities	**1,215**	1,493	**14,783**
Buildings and structures, net of accumulated depreciation	**918**	686	**11,169**
Land	**635**	—	**7,726**
Intangibles	**109**	112	**1,326**
Total	**¥ 2,890**	¥ 2,304	**$ 35,162**

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

The weighted average interest rate applicable to short-term loans outstanding at March 31, 2012 and 2011 was 1.15% and 1.21%, respectively. There was an outstanding balance of ¥80,229 million ($976,141 thousand) and ¥79,609 million in March 31, 2012 and 2011, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥15,000 million ($182,504 thousand) and ¥18,000 million at March 31, 2012 and 2011, respectively.

Bonds at March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Issued in 2008, unsecured straight bonds, due 2011 (*1)	**¥ —**	¥ 200	**$ —**
Issued in 2009, unsecured straight bonds, due 2011 (*2)	**—**	50	**—**
Issued in 2009, 1.03% unsecured straight bonds, due 2012	**20**	—	**243**
Issued in 2009, 0.91% unsecured straight bonds, due 2012	**15**	—	**183**
Issued in 2009, 1.34% unsecured straight bonds, due 2014	**50**	—	**609**
Issued in 2010, 0.79% unsecured straight bonds, due 2013	**10,000**	10,000	**121,669**
Issued in 2011, 0.56% unsecured straight bonds, due 2014	**10,000**	—	**121,669**
	¥ 20,085	¥ 10,250	**$ 244,373**

(*1) Issued by Toyo-Energy Co., Ltd., at interest rates of TIBOR 6 months plus 0.3% (04/01/2009 - 09/30/2011).

(*2) Issued by Toyo-Energy Co., Ltd., at interest rates of 0.71% (10/01/2009 - 03/31/2010) and TIBOR 6 months (04/01/2010 - 09/30/2011).

Long-term loans payable at March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loans from banks with weighted average interest rates of 0.99% and 1.00% at March 31, 2012 and 2011, respectively, maturing serially through 2018	**¥ 126,921**	¥ 126,408	**$1,544,239**
Less amounts due within one year	**10,183**	11,333	**123,896**
	¥ 116,738	¥ 115,075	**$1,420,343**

The annual maturities of long-term debt outstanding at March 31, 2012 was as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 10,183	$ 123,896
2014	71,575	870,848
2015	20,663	251,405
2016	15,628	190,145
2017	8,858	107,775
Thereafter	14	170
Total	¥ 126,921	$1,544,239

9. 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, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 27,663	¥ 23,843	$ 336,574
Less fair value of pension assets	(21,208)	(21,547)	(258,036)
Unrecognized actuarial differences	(11,875)	(7,949)	(144,483)
Unrecognized prior service costs	(545)	(626)	(6,631)
Prepaid pension costs	6,157	6,413	74,912
Liability for severance and retirement benefits	¥ 192	¥ 134	$ 2,336

Included in the consolidated statements of income and comprehensive income for the years ended March 31, 2012 and 2011, severance and retirement benefits expenses comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs - benefits earned during the year	¥ 1,009	¥ 963	$ 12,276
Interest costs on projected benefit obligation	323	455	3,930
Expected return on plan assets	(641)	(630)	(7,799)
Amortization of actuarial differences	925	843	11,254
Amortization of prior service costs	81	81	986
Additional retirement benefits	1	4	12
Severance and retirement benefit expenses	¥ 1,698	¥ 1,716	$ 20,659

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, 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.4%	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

10. Income taxes

The Company is subject to a number of taxes based on income, which indicates an aggregate statutory income tax rate in Japan of approximately 40.7% for the years ended March 31, 2012 and 2011.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2012.

	2012
Statutory tax rate	**40.7 %**
Tax effect of permanent differences	**2.8 %**
Valuation allowance recognized for deferred tax assets	**0.3 %**
Difference in tax rates for consolidated subsidiaries	**(1.0)%**
Other	**1.1 %**
Effective tax rate	**43.9 %**

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2011 has not been disclosed because such difference was less than 5%.

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	**¥ 13,190**	¥ 14,642	**$ 160,482**
Loss on impairment of long-lived assets	**2,277**	2,699	**27,704**
Net operating loss carryforwards	**—**	1,775	**—**
Loss on sale-repurchase agreements of land	**1,506**	1,719	**18,323**
Land revaluation difference, net of taxes unrealized loss	**1,460**	1,667	**17,764**
Accrued bonuses to employees	**729**	718	**8,870**
Other	**4,303**	5,846	**52,354**
Total deferred tax assets	**23,465**	29,066	**285,497**
Valuation allowance	**(20,456)**	(23,009)	**(248,887)**
Net deferred tax assets	**3,009**	6,057	**36,610**
Deferred tax liabilities:			
Land revaluation difference, net of taxes unrealized gain	**2,351**	2,684	**28,604**
Prepaid pension costs	**2,306**	2,610	**28,057**
Other	**1,906**	2,005	**23,190**
Total deferred tax liabilities	**6,563**	7,299	**79,851**
Net deferred tax liabilities	**¥ (3,554)**	¥ (1,242)	**$ (43,241)**

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2012 and 2011, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Current assets: Deferred tax assets	**¥ 1,197**	¥ 3,155	**$ 14,564**
Other assets: Deferred tax assets	**235**	91	**2,859**
Current liabilities: Deferred tax liabilities	**—**	—	**—**
Noncurrent liabilities: Deferred tax liabilities	**4,986**	4,488	**60,664**

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates on December 2, 2011 amendments to the Japanese tax regulations were enacted into law. Based on amendments, the statutory income tax utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6% respectively, as of March 31, 2012.

These changes in statutory income tax rates had no material impact on consolidated financial statements for the year ended March 31, 2012.

11. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income 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 and legal capital surplus are included in retained earnings and additional paid-in capital, respectively, 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 28, 2012, the shareholders approved cash dividends of ¥6 per share ($0.07) amounting to ¥1,244 million ($15,136 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2012. 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 accumulated other comprehensive income 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, 2012, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,691 million ($20,574 thousand).

12. Contingent liabilities

At March 31, 2012 and 2011, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
As endorsers of export letters of credit and notes discounted	**¥ 6,058**	¥ 12,282	**$ 73,707**
As guarantors of indebtedness	**4,065**	3,197	**49,459**

13. Other comprehensive income

Year ended March 31, 2012

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Valuation difference on available-for-sale securities:		
Increase (decrease) during the year	¥ (2,448)	$ (29,785)
Reclassification adjustments	4,259	51,819
Sub-total, before tax	1,811	22,034
Tax (expense) or benefit	679	8,261
Sub-total, net of tax	1,132	13,773
Deferred gains or losses on hedges:		
Increase (decrease) during the year	913	11,108
Reclassification adjustments	(524)	(6,375)
Sub-total, before tax	389	4,733
Tax (expense) or benefit	143	1,740
Sub-total, net of tax	246	2,993
Land revaluation difference, net of taxes:		
Increase (decrease) during the year	—	—
Reclassification adjustments	—	—
Sub-total, before tax	—	—
Tax (expense) or benefit	(333)	(4,052)
Sub-total, net of tax	333	4,052
Foreign currency translation adjustments:		
Increase (decrease) during the year	(232)	(2,823)
Reclassification adjustments	—	—
Sub-total, before tax	(232)	(2,823)
Tax (expense) or benefit	—	—
Sub-total, net of tax	(232)	(2,823)
Total other comprehensive income	¥ 1,479	$ 17,995

14. Investment and rental properties

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 was ¥324 million ($3,942 thousand) and ¥308 million for the years ended March 31, 2012 and 2011, respectively, and were included in gross profit.

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

Year ended March 31, 2012

Millions of yen				Thousands of U.S. dollars			
Book value				Book value			
Balance at beginning of year	Net decrease	Balance at end of year	Fair value	Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 8,664	**¥ 342**	**¥ 8,322**	**¥ 7,743**	**$ 105,414**	**$ 4,161**	**$ 101,253**	**$ 94,209**

Year ended March 31, 2011

Millions of yen			
Book value			
Balance at beginning of year	Net increase	Balance at end of year	Fair value
¥ 8,384	¥ 280	¥ 8,664	¥ 8,498

Book value is net of accumulated depreciation.
Fair values of these properties are measured mainly by the Company, based on "Standard for real-estate appraisal."

15. Segment information

(A) Overview of the Reportable Segments

The Group's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors, which makes decisions regarding the allocation of management resources and assesses the business performances of such segments.

The Group's main business is buying and selling of various products with a focus on steel, and the business department, which is divided according to products handled or service contents, mainly carries out business activities. For this reason, the Group consists of business segments with the business department as the basis. The 5 reportable segments are "steel business," "metal and alloy business," "non-ferrous metal business," "food business," and "petroleum and chemical business."

The main products and services that fall under these reportable segments are listed below.

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

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

Non-ferrous metals: Aluminum, copper, and zinc (recycling business)

Foods: Sea foods

Petroleum and chemicals: Petroleum products, industrial chemicals, and chemicals

The reportable segment income figures are based on operating income coupled with interest and dividend income, interest expense, and foreign currency translation adjustments. Intersegment transactions are presented based on the current market prices at the time of this report.

Information about sales, profits, assets and others by reportable segment, for the year ended March 31, 2012 was as follows:

Year ended March 31, 2012

	Millions of yen									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 728,845	¥ 124,135	¥ 60,475	¥ 91,051	¥ 456,877	¥ 1,461,383	¥ 102,868	¥ 1,564,251	¥ —	¥ 1,564,251
Intersegment	16,186	2,145	1,579	659	702	21,271	36,950	58,221	(58,221)	—
Total	¥ 745,031	¥ 126,280	¥ 62,054	¥ 91,710	¥ 457,579	¥ 1,482,654	¥ 139,818	¥ 1,622,472	¥ (58,221)	¥ 1,564,251
Segment income	¥ 9,350	¥ 1,286	¥ 852	¥ 1,181	¥ 2,672	¥ 15,341	¥ 1,689	¥ 17,030	¥ (3,914)	¥ 13,116
Assets	¥ 309,806	¥ 57,253	¥ 18,286	¥ 41,980	¥ 72,602	¥ 499,927	¥ 47,719	¥ 547,646	¥ 34,759	¥ 582,405
Depreciation	1,726	129	38	30	96	2,019	627	2,646	72	2,718
Interest income	221	82	1	1	121	426	72	498	290	788
Interest expense	1,689	702	176	119	466	3,152	481	3,633	(589)	3,044
Increase in property and equipment	10,018	338	27	18	118	10,519	589	11,108	72	11,180

Year ended March 31, 2012

	Thousands of U.S. dollars									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	$ 8,867,806	$ 1,510,342	$ 735,795	$ 1,107,811	$ 5,558,791	$17,780,545	$ 1,251,588	$19,032,133	$ —	$19,032,133
Intersegment	196,934	26,098	19,212	8,018	8,541	258,803	449,568	708,371	(708,371)	—
Total	$ 9,064,740	$ 1,536,440	$ 755,007	$ 1,115,829	$ 5,567,332	$18,039,348	$ 1,701,156	$19,740,504	$ (708,371)	$19,032,133
Segment income	$ 113,761	$ 15,647	$ 10,366	$ 14,369	$ 32,510	$ 186,653	$ 20,550	$ 207,203	$ (47,622)	$ 159,581
Assets	$ 3,769,388	$ 696,593	$ 222,485	$ 510,768	$ 883,343	$ 6,082,577	$ 580,594	$ 6,663,171	$ 422,910	$ 7,086,081
Depreciation	21,000	1,570	462	365	1,168	24,565	7,629	32,194	876	33,070
Interest income	2,689	998	12	12	1,472	5,183	876	6,059	3,529	9,588
Interest expense	20,550	8,541	2,141	1,448	5,670	38,350	5,852	44,202	(7,166)	37,036
Increase in property and equipment	121,888	4,112	329	219	1,436	127,984	7,166	135,150	876	136,026

1. "Other business" represents businesses such as lumber section, machinery section and overseas sales subsidiaries, which are not included in the above reportable segment.
2. Adjustments are as follows:
   (1) Adjustments of negative ¥3,914 million (negative $47,622 thousand) for segment income include intersegment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥34,759 million ($422,910 thousand) include Group assets that have not been distributed to reportable segments. These group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
   (3) Adjustments for depreciation and amortization amounting to ¥72 million ($876 thousand) include mainly depreciation and amortization expenses of group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥290 million ($3,529 thousand) and negative ¥589 million (negative $7,166 thousand) include intersegment elimination, revenue and expense that have not been distributed to reportable segments.
   (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥72 million ($876 thousand) are increases in Group assets.

Information about sales, profits, assets and others by reportable segment, for the year ended March 31, 2011 was as follows:

Year ended March 31, 2011

	Millions of yen									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 674,300	¥ 121,785	¥ 57,942	¥ 79,585	¥ 369,423	¥ 1,303,035	¥ 93,068	¥ 1,396,103	¥ —	¥ 1,396,103
Intersegment	18,748	2,252	2,085	482	613	24,180	31,333	55,513	(55,513)	—
Total	¥ 693,048	¥ 124,037	¥ 60,027	¥ 80,067	¥ 370,036	¥ 1,327,215	¥ 124,401	¥ 1,451,616	¥ (55,513)	¥ 1,396,103
Segment income	¥ 9,423	¥ 2,265	¥ 715	¥ 1,778	¥ 2,198	¥ 16,379	¥ 763	¥ 17,142	¥ (3,651)	¥ 13,491
Assets	¥ 261,693	¥ 62,325	¥ 20,869	¥ 31,287	¥ 69,845	¥ 446,019	¥ 41,060	¥ 487,079	¥ 45,719	¥ 532,798
Depreciation	1,632	46	30	27	60	1,795	853	2,648	57	2,705
Interest income	216	2	1	—	108	327	48	375	298	673
Interest expense	1,413	593	161	77	315	2,559	395	2,954	(133)	2,821
Increase in property and equipment	2,481	225	63	18	205	2,992	760	3,752	94	3,846

1. "Other business" represents businesses such as lumber section, machinery section and overseas sales subsidiaries, which are not included in the above reportable segment.
2. Adjustments are as follows:
   (1) Adjustments of negative ¥3,651 million for segment income include intersegment elimination and Group costs that have not been distributed to reportable segments. These group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥45,719 million include Group assets that have not been distributed to reportable segments. These group assets consist mainly of cash and cash equivalents, investment securities and assets of administrative departments.
   (3) Adjustments for depreciation and amortization amounting to ¥57 million include mainly depreciation and amortization expenses of group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥298 million and negative ¥133 million include intersegment elimination, revenue and expense that have not been distributed to reportable segments.
   (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥94 million are increases in Group assets.

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2012 and 2011 were as follows:

Year ended March 31, 2012

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**¥ 741,143**	**¥ 131,220**	**¥ 80,019**	**¥ 98,009**	**¥ 456,068**	**¥ 57,792**	**¥ 1,564,251**

Year ended March 31, 2012

	Thousands of U.S. dollars						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**$ 9,017,435**	**$ 1,596,545**	**$ 973,586**	**$ 1,192,469**	**$ 5,548,947**	**$ 703,151**	**$19,032,133**

Year ended March 31, 2011

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	¥ 684,077	¥ 128,362	¥ 79,664	¥ 85,928	¥ 367,369	¥ 50,703	¥ 1,396,103

Geographic information

Net sales in different countries for the years ended March 31, 2012 and 2011 were as follows:

Year ended March 31, 2012

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	**¥ 1,186,236**	**¥ 329,147**	**¥ 48,868**	**¥ 1,564,251**

Year ended March 31, 2012

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Net sales to external customers	**$14,432,851**	**$ 4,004,709**	**$ 594,573**	**$19,032,133**

Year ended March 31, 2011

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,054,082	¥ 306,084	¥ 35,937	¥ 1,396,103

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Hanwa Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hanwa Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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.

June 28, 2012
Osaka, Japan

KPMG AZSA LLC

Global Network

Domestic Offices

OFFICE	ADDRESS	TELEPHONE	FAX
OSAKA	3-6-1, Kita Kyuhoji-machi, Chuo-ku, Osaka city, Osaka 541-8585, Japan	81-6-7525-5000	81-6-7525-5365
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	NREG 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
HACHINOHE	Kyoei Hachinohe Bancho Bldg., 9-5, Bancho, Hachinohe, Aomori 031-0031, Japan	81-178-73-1170	81-178-22-2211
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
MITO	Mito Minami-machi, Dai-ichi Seimei Bldg., Minami-machi, Mito, Ibaraki 310-0021, Japan	81-29-300-0351	81-29-226-8230
ATSUGI	Nihonseimei Hon-Atsugi Bldg., 1-2-1, Asahi-cho, Atsugi, Kanagawa 243-0014, Japan	81-46-226-9005	81-46-227-0121
OKINAWA	Mitsui Life Insurance Naha Bldg., 2-4-16, Kume, Naha, Okinawa 900-0033, Japan	81-98-860-9115	81-98-861-5516
SHIZUOKA	Mizunomori Bldg 9F, 14-1, Minami-machi, Suruga-ku, Shizuoka city, Shizuoka, 422-8067, Japan	81-54-654-7080	81-54-654-7082
OKAYAMA	2F Sumitomo life Insurance bldg, 2-4-6, Showa, Kurashiki, Okayama, 710-0057, Japan	81-86-435-7122	81-86-422-5622

Overseas Offices

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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
SAN DIEGO	8753 Kerns Street, San Diego, CA 92154, U.S.A.	1-619-671-9247	1-619-671-9210
VANCOUVER	Suite 303, 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 1703, 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
TIANJIN	# 1108 Block A, Kuangshi Int'l Bldg, Xiangluo Bay Business Center, New Area, Tianjin 300347, P.R. China	86-22-6566-8618	86-22-6566-8619
SHANGHAI	16F SMEG Plaza,1386 Hong Qial Road, Chang Ning District, Shanghai 200336, P.R. China	86-21-6237-5260	86-21-6237-5268
CHONGQING	Room 1711, 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
TAI CANG	No. 7 Guangzhou East Road, Economic Development Area, Tai Cang City, Jiangsu, P.R. China	86-512-5359-0800	86-512-5358-8942
JIANGXI	Unit 602, 4 Building of Caifugang No. 28, South Zhangjiang Road, Zhangjiang New District, Ganzhou City, Jiangxi, P.R. China	86-797-555-8892	86-797-555-8890
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	D Block, Chashan Industrial Park, Chashan Town, Dongguan City, Guangdong 523380, P.R. China	86-769-8182-1800	86-769-8182-1801
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 A, 9th Floor, No. 132, Minsheng East Road Sec. 3, Taipei 10596, Taiwan	886-2-2545-7151	886-2-2545-7112
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
CHONBURI	700/625 Moo 4, Amata Nakorn, I.E. Tambol, Baankao, Amphur Panthong, Chonburi 20160, Thailand	66-38-21-0200	66-38-21-0085
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
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HO CHI MINH	Unit 4, 19th Floor, A&B Tower, 76 Le Lai Street, District 1, Ho Chi Minh City, S.R. Vietnam	84-8-3822-5715	84-8-3822-5725
HANOI	14th Floor, Vit Tower, 519 Kim Ma Street, Ba Dinh, Hanoi, S.R. Vietnam	84-4-2220-9155	84-4-2220-9159
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 400 059, 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
CHENNAI	5H-1/5K-1, 5th Floor, Century Plaza, 560-562, Anna Salai, Teynampet, Chennai 600 018, India	91-44-4201-8125	91-44-4201-6542
ISTANBUL	Bilim Sokak Sun Plaza Kat: 15 34398, Maslak-Istanbul-Turkey	90-212-367-9286	90-212-367-9288
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	Wipplingerstrasse 34 Top 174, 1010 Wien, Austria	43-1-532-01-65	43-1-532-01-65-20
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, East Wing Bldg., No. 6E, B-Block, 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, 2012)

Corporate Data

Company Name	Hanwa Co., Ltd.
Established	April 1947
Capital	¥45,651 million
Number of Employees	Consolidated: 2,201 Non-consolidated: 1,170
Address	
Osaka Head Office	3-6-1 Kita Kyuhoji-machi, Chuo-ku, Osaka 541-8585, Japan Tel: +81-6-7525-5000 Fax: +81-6-7525-5365
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: 52 (22 in Japan, 30 overseas) Affiliated companies: 10 (1 in Japan, 9 overseas)

Stock Information

Fiscal Year-End	March 31
Annual Meeting of Shareholders	June
Independent Auditors	KPMG AZSA LLC
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	13,222

Board of Directors, Executive Officers and Corporate Auditors (As of June 28, 2012)

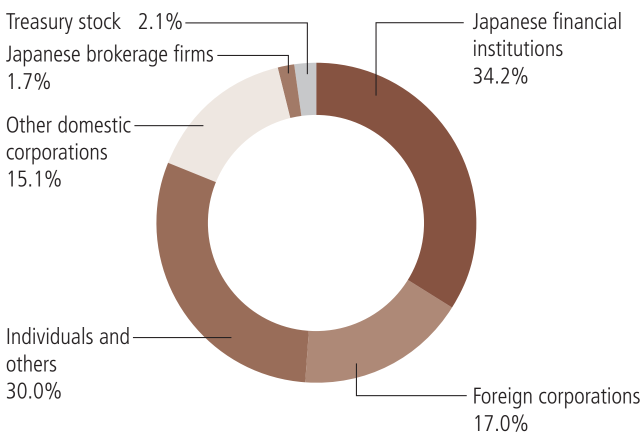
Chairman	Shuji Kita
President	Hironari Furukawa
Director, Executive Vice President	Tetsuro Akimoto
Directors, Senior Managing Executive Officers	Hideo Kawanishi Yoshifumi Nishi Hiroshi Serizawa Hiroshi Ebihara
Directors, Managing Executive Officers	Akihiko Ogasawara Atsuhiro Moriguchi Tadahiko Kaida Youichi Ejima Naoyuki Togawa Yasumichi Kato
Directors, Executive Officers	Masataka Toyoda Yoshiaki Matsuoka Hiroaki Tsujinaka Takatoshi Kuchiishi
Outside Directors	Osamu Seki Shiro Yabushita
Executive Officers	Kozo Yamabe Kazuhiko Okada Chiro Ideriha Yasuharu Kurata Hidemi Nagashima
Standing Auditors	Toshiaki Shirakawa Teruo Asai
Outside Auditors	Toshiaki Taguchi Yasuo Naide Hiroshige Wagatsuma

Principal Shareholders

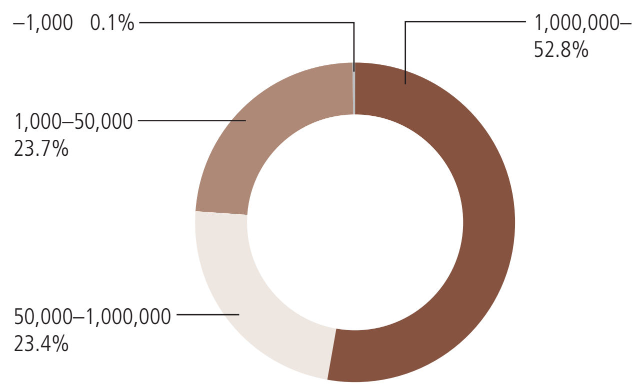
Name of Shareholder	Number of Shares (thousands)	Percentage of Total Issued Share (%)
Japan Trustee Services Bank, Ltd (Trust Account)	**18,098**	**8.7**
The Master Trust Bank of Japan, Ltd (Trust Account)	**11,190**	**5.4**
Sumitomo Mitsui Banking Corporation	**7,630**	**3.7**
Hanwa Clients' Stock Investment Association	**5,717**	**2.8**
Japan Trustee Services Bank, Ltd (Trust Account 9)	**5,613**	**2.7**
Hanwa Employees' Stock Investment Association	**4,720**	**2.3**
Trust & Custody Services Bank, Ltd (Investment Trust Account)	**4,088**	**2.0**
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFO...	**3,500**	**1.7**
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMUNIBUS US PENSION....	**3,056**	**1.5**
The Dai-ichi Mutual Life Insurance Company	**2,614**	**1.3**

Note: The Company holds 4,394,847 shares of treasury stock, which is excluded from the major shareholders listed above.

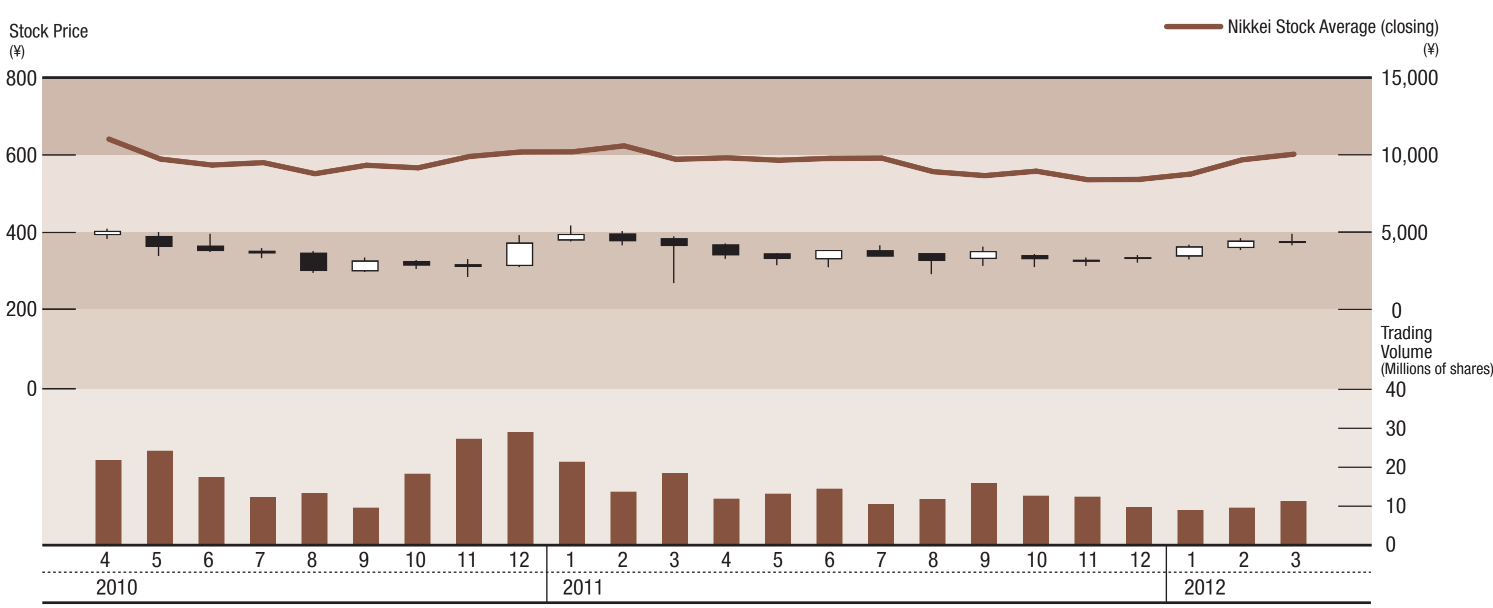
Breakdown by Type of Shareholder



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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