

Medium-term Business Plan





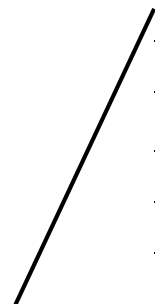
Fiscal 2016 to Fiscal 2018


May 13, 2016



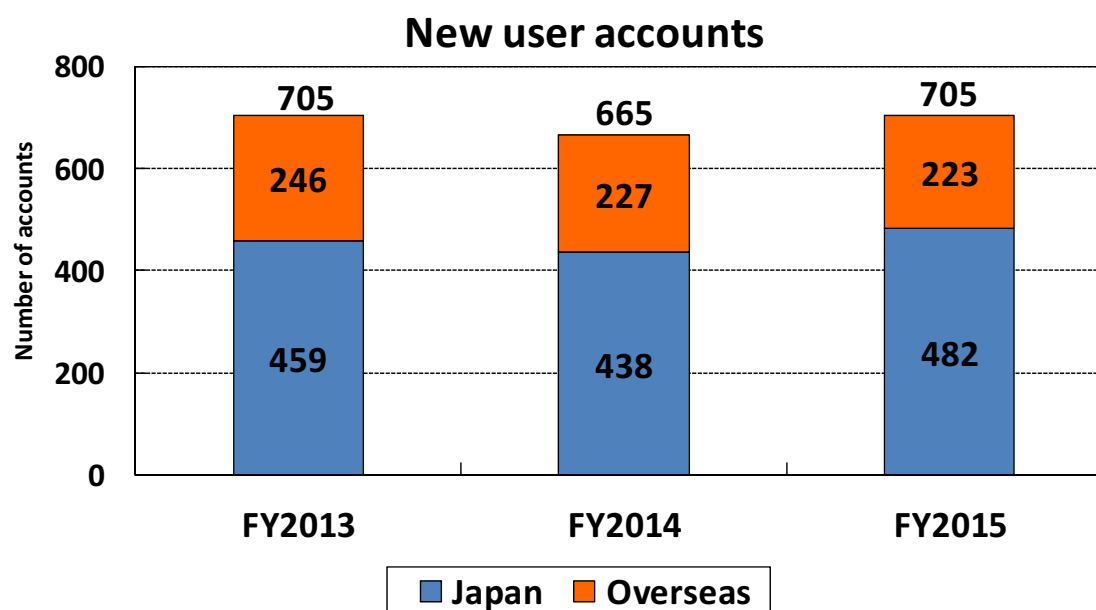
Hanwa Co., Ltd.

7th Medium-term Business Plan (1) Financial Results **HANWA**CO., LTD. With Users

	End of the 6 th Plan FY2012	Target of 7 th Plan	7 th Medium-term Business Plan		
			FY2013	FY2014	FY2015
Net sales (¥bn)	15,113	18,000	16,825	17,373	15,118
Gross profit (¥bn)	447	540	513	557	565
Operating income (¥bn)	124	180	162	191	181 
Ordinary income (¥bn)	88	150	146	142	154 
Gross profit ratio (%)	3.0	3.0	3.1	3.2	3.7
Operating income ratio (%)	0.8	1.0	1.0	1.1	1.2 
Ordinary income ratio (%)	0.6	0.8	0.9	0.8	1.0 
ROA (%)	0.8		1.4	1.5	4.1
ROE (%)	4.1		6.6	6.9	17.2
ROIC (%) (based on EBIT)	3.3		4.9	4.4	4.5
EPS (¥)	22.8		38.1	43.9	122.9
Net DER (times)	1.80		1.88	1.75	1.36
Transaction volume of steel products (million tons)	9.23		9.69	10.42	9.74

( :Achieved)

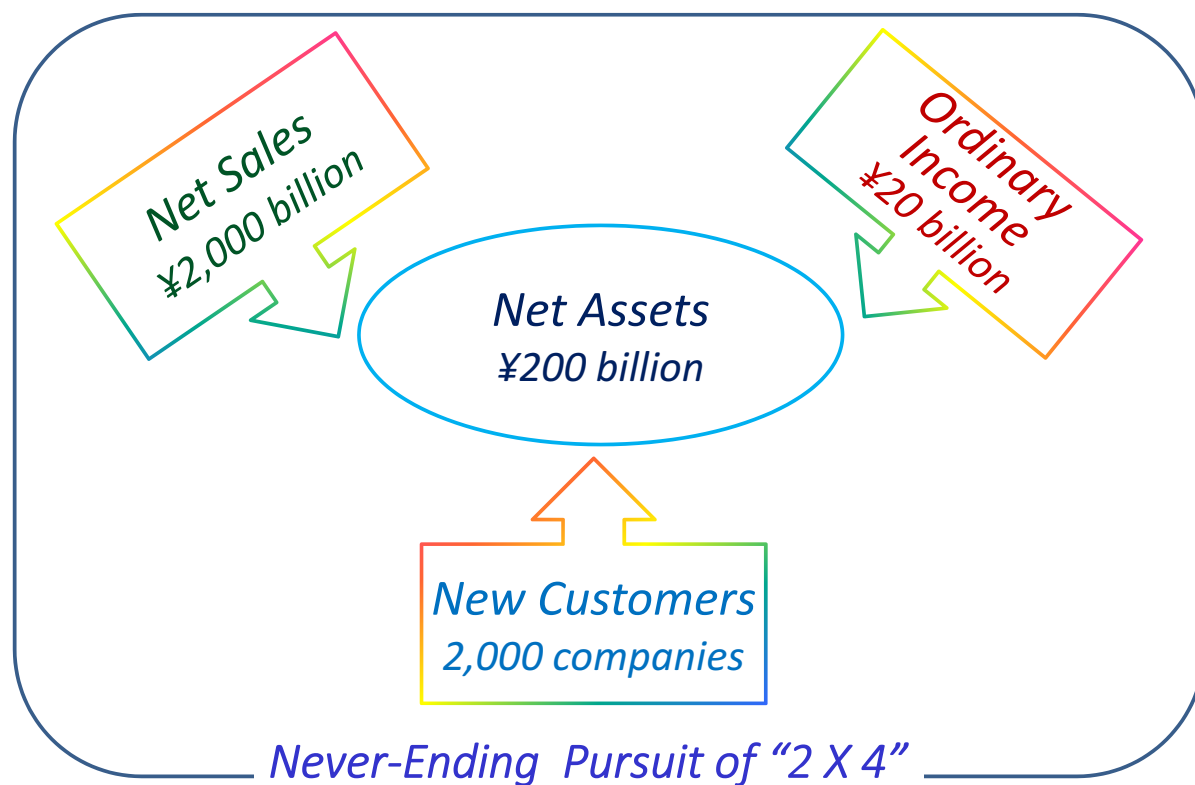
Acquired 2,075 new users in 3 years



Total investments ¥46.8bn – Asset sales ¥24.8bn = Net investments ¥22.0bn

Segment	Japan	China	ASEAN	Other area
Steel	<p><Acquisitions></p> <ul style="list-style-type: none"> San Ei Metal Hokuriku Column Matsuoka Kozai Fukuoka Kogyo Daiko Sangyo Daisun <p><Capital investment></p> <ul style="list-style-type: none"> Nakayama Steel Works Tokyo Kohtetsu Metal Tech 	<p><Investment></p> <ul style="list-style-type: none"> Yuanta(Taiwan) <p><Capacity investment></p> <ul style="list-style-type: none"> Chang Fu Stainless Steel 	<p><Equity method></p> <ul style="list-style-type: none"> CosmoSteel (Singapore) <p><Capital investment></p> <ul style="list-style-type: none"> Nippon Egalv (Malaysia) Tatt Giap SC (Malaysia) SMC Toami(Viet nam) 	<p><Steel service center></p> <ul style="list-style-type: none"> HSS Mexicana
Metals & Alloys Non-ferrous Metal	<ul style="list-style-type: none"> Nikko Kinzoku Seiki 		<p><Investment & Loan></p> <ul style="list-style-type: none"> NPI/Stainless project of Tsingshan Holding Group (Indonesia) 	<p><Additional investment></p> <ul style="list-style-type: none"> Samancor Chrome (South Africa)
Foods	<ul style="list-style-type: none"> Maruhon Honma Suisan 			
Petroleum & Chemicals	<ul style="list-style-type: none"> Seibu Service Alpha Forme 			

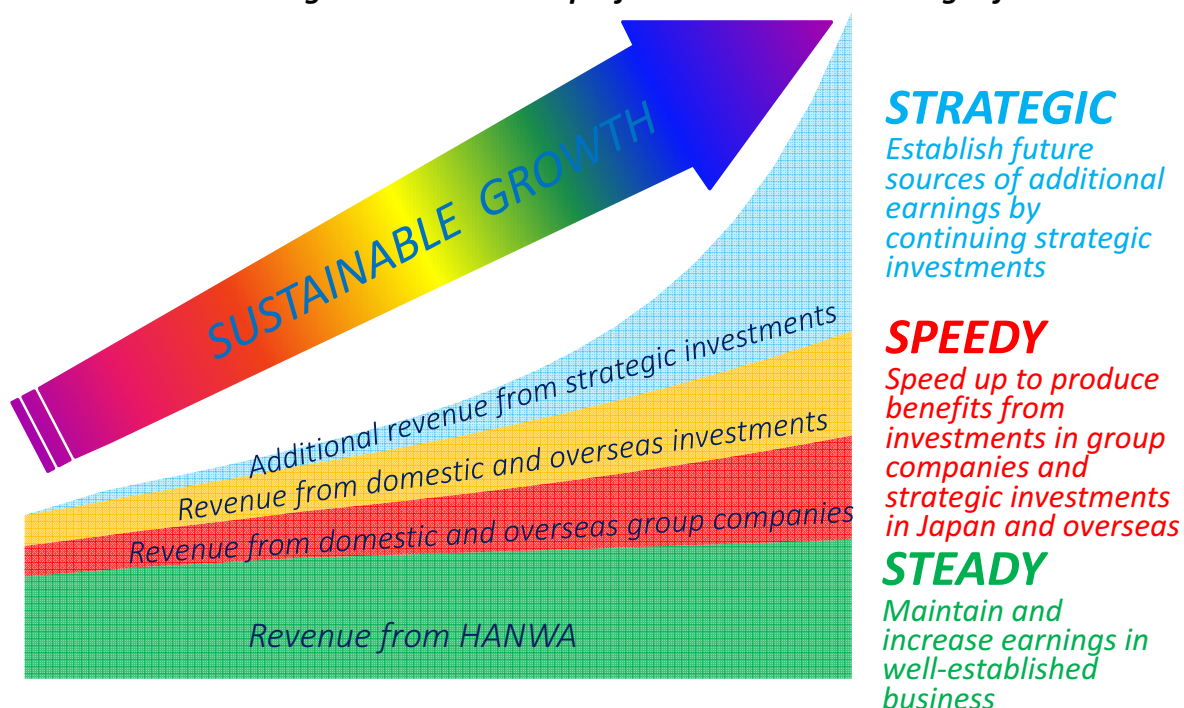
2 X4 : Target in Three to Five Years



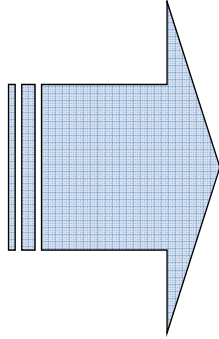
Medium-term Business Plan Theme

The "Three S" Commitment – Steady, Speedy, Strategic

Build a medium to long-term sustainable profit structure and a stronger foundation



Quantitative Objectives: Three Targets from 2 X 4

	FY2015		FY2018
Net Sales (Million Yen)	1,511,800		2,000,000
Ordinary Profit OP Margin (%)	15,424 1.0%		20,000 1.0%
New Customers (Aggregate in 3 years)	2,075		2,000

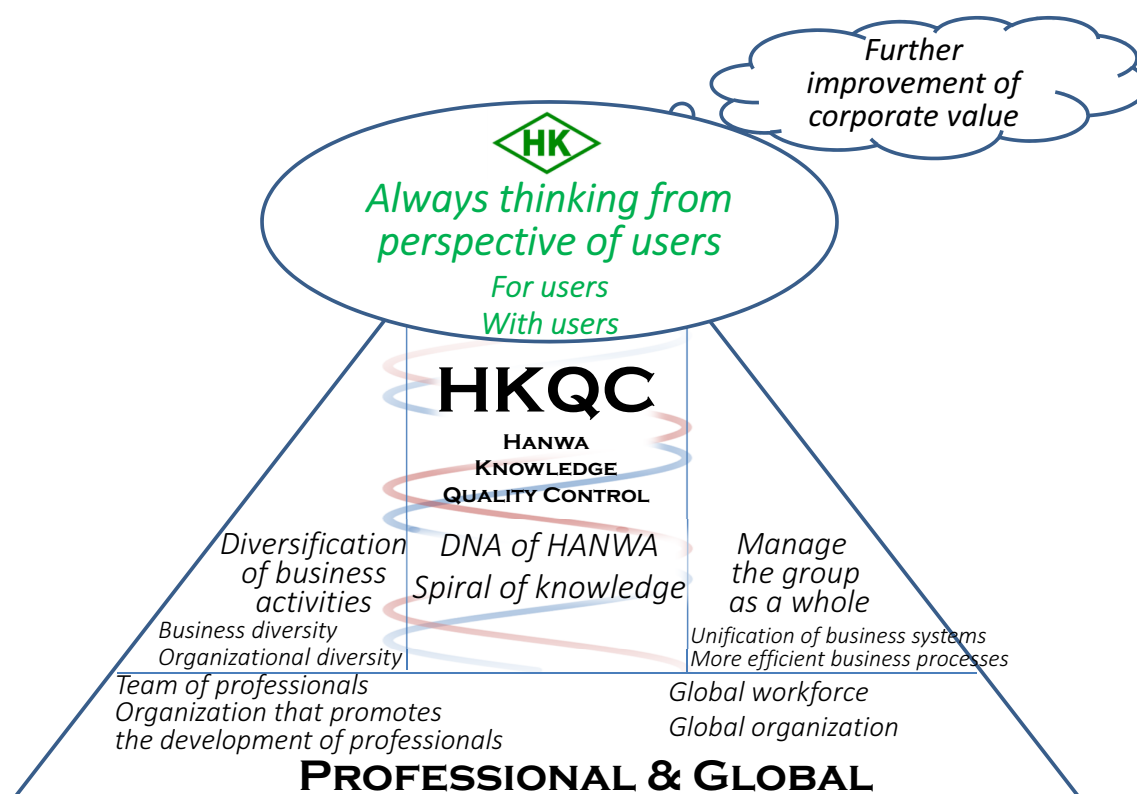
Financial Strength

- Strategic Investments for Future Growth: 30 Billion Yen in Three Years
 - Execute diversified mergers and acquisitions and flexible alliance investments in high-quality small and midsize companies.
 - Create opportunities for strategic investments in the food products, petroleum and chemicals, lumber and other business sectors.
 - Make strategic investments in natural resource sectors with distinctive characteristics.
 - Make carefully targeted strategic investments in the growing markets of Southeast Asia and the large markets of North America.
- Net Assets: 200 Billion Yen in Five Years
 - Build up net assets preparing for risk exposure from assertive business investments
 - Establish a more stable financial position over the next five years.
- Net DER: Less than 150% in Three Years
 - Accumulate funds required for sustainable growth along with financial soundness.
- Dividend Policy
 - Aim to increase dividend that reflects earnings and other factors

The Shifting Business Climate over the Next 3 Years

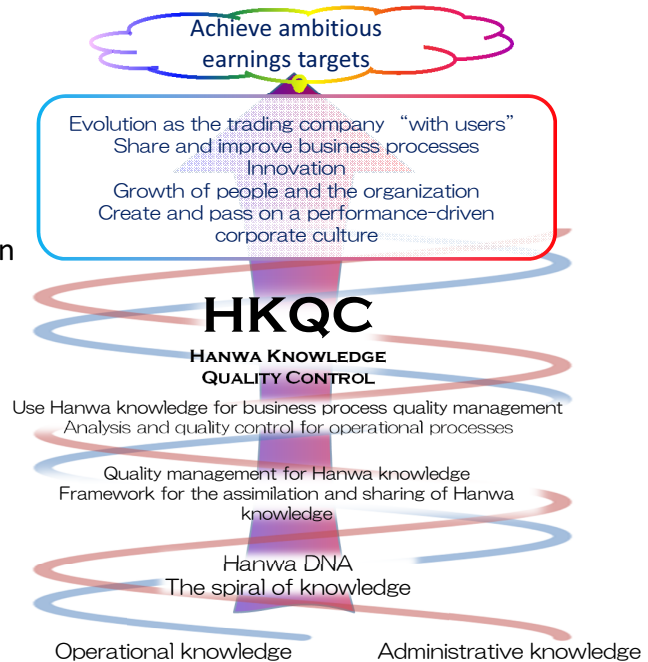
- Long-term stagnation of the global economy
 - Slower growth of China's mature economy
 - Effects of the financial crisis and refugee problems in Europe
 - Uncertain U.S. fundamentals
- Peaked Japan's economic stimulation
 - No big expectations for the recovery in corporate earnings
 - No signs of a virtuous job growth-wage growth cycle
- Change in the population
 - Japan's declining population and aging at an unprecedented pace
 - Lower demand from declining population
- Radical shifts in distribution and sales
 - Fewer profit opportunities for manufacturers and users due to Japan's mature economy
 - Decline in the relevance of distribution activities that serve no purpose
- Stronger rules for corporate governance
 - Tighter external regulations on internal controls and other governance systems
 - Introduction of Corporate Governance Code to Japan

Group Strategy: Basic Structure and Concept

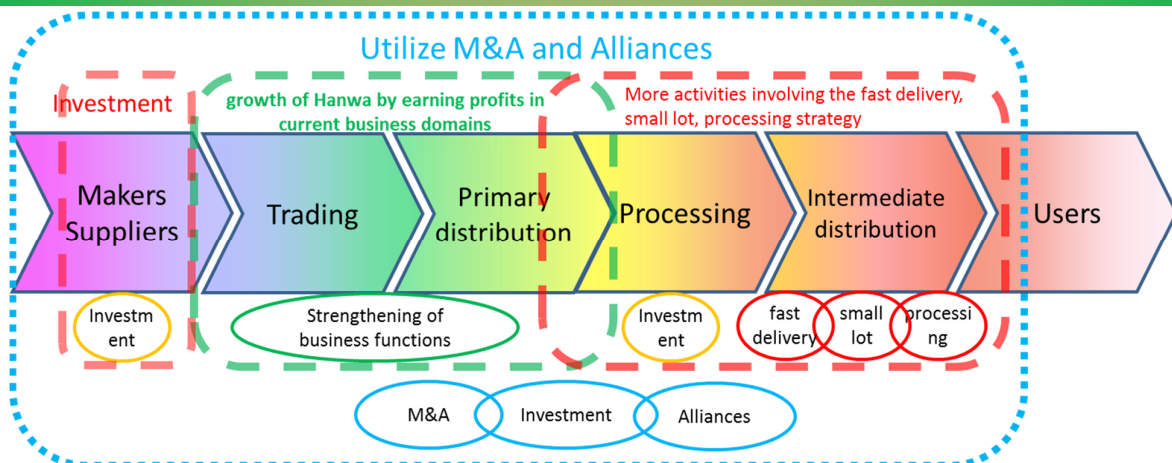


Use Hanwa Knowledge Quality Control (HKQC)

- Hanwa Knowledge
 - Operational knowledge for earning profits
 - Administrative knowledge for protecting earnings
- The spiral of knowledge/Hanwa's DNA
 - Accurately pass on Hanwa's knowledge to others
 - Self-restoration function for damaged or inadequate information
 - Sudden changes to information for adapting to the business climate
- Use Hanwa knowledge for quality management
 - Perform risk analysis and process management
 - Minimize problems and eliminate losses
- Quality management of Hanwa knowledge
 - Framework for assimilating and using knowledge
 - Framework for sharing knowledge

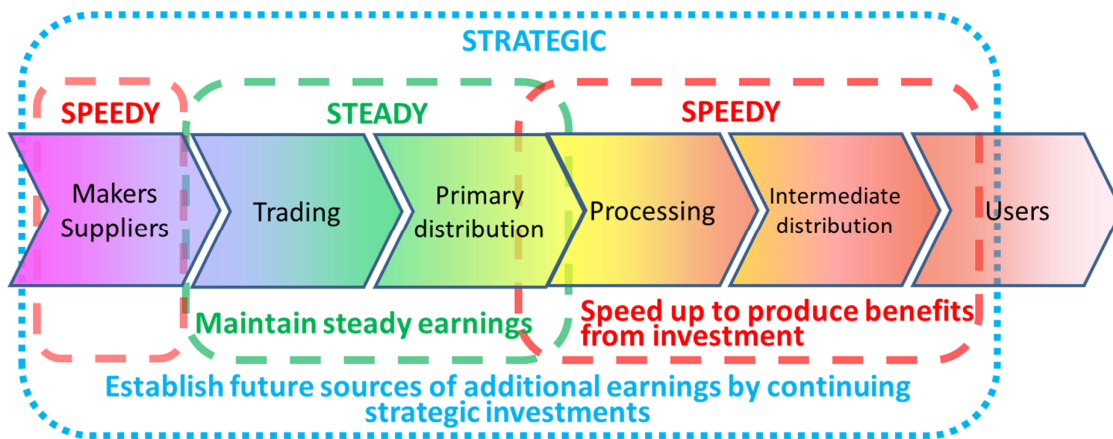


Basic Stance for Business Strategies



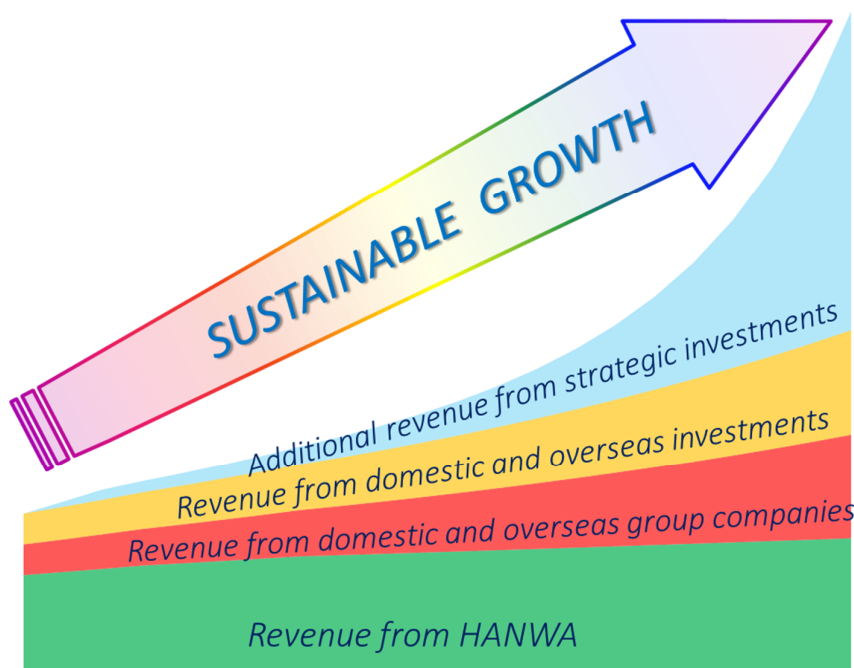
- Self-sustained growth – Further upgrade functions
 - Reinforce current operations: Fast delivery/Small lot/Processing Strategy, more rigorous supply chain management
 - Establish two overseas growth drivers: Create another Hanwa in Southeast Asia and make North America operations more powerful
- Aim for business diversity – Increase the diversity of functions
 - Make dispersed investments: Make many diversified investments rather than a few large acquisitions
 - Form many alliances: Enlarge the Hanwa Group in many fields by using a broad range of methods
- Efficient investments with profitability – Maximize returns
 - Reap profits along with synergies and complementarities from every investment: Make the entire group more profitable
 - Sustainable investments: About ¥30 billion over 3 years

Growth Strategy: Three Ss



- **Steady:** Maintain and increase earnings in well-established business
 - Use HKQC (quality assurance using the Hanwa Group's collective knowledge) to eliminate the risk of losses in all business processes.
 - Increase cash flow generation by improving the efficiency of purchases, inventories, sales and the receipt of payments
- **Speedy:** Speed up to produce benefits from investments
 - Make companies (36 in Japan and 33 overseas) more profitable
 - Moving up to secure returns from current business investments that are performing well or have excellent prospects
- **Strategic:** Continuing strategic investments
 - Execute diversified mergers and acquisitions and flexible alliance investments in high-quality small and midsize companies.
 - Create opportunities for strategic investments in the food products, petroleum and chemicals, lumber and other business sectors.
 - Make strategic investments in natural resource sectors with distinctive characteristics.
 - Make carefully targeted strategic investments in Southeast Asia and North America.

Sustainable Growth



STRATEGIC

Establish future sources of additional earnings by continuing strategic investments

SPEEDY

Speed up to produce benefits from investments in group companies and strategic investments in Japan and overseas

STEADY

Maintain and increase earnings in well-established business

Key Themes for Business Units

- **Steel Division**
 - More activities involving the fast delivery, small lot, processing strategy
 - Utilize M&A and Alliances to add partners with complementary functions.
 - Restructure the inventory function of distribution centers.
 - Upgrade and expand supply chain management.
 - Improve ability to meet customers' needs by upgrading coil center capabilities.
 - Increase ability to offer the best possible proposals for meeting user needs.
- **Non-ferrous Metal Division**
 - Earn returns from investments.
 - Seek new suppliers in all regions of the world.
 - Handle a broader lineup of products.
 - Enlarge sales channels for serving overseas users.
- **Food Products Division**
 - Reinforce the fast delivery, small lot, processing strategy for this Division.
 - Increase sales activities in overseas markets for food products.
 - Create business opportunities by utilizing the advantage of having a fully integrated upstream-to-downstream food business model.
- **Petroleum and Chemicals Division**
 - Redefine business domain from mere petroleum trader to a comprehensive energy trader.
 - Build a framework for generating earnings by utilizing inventory facilities and functions.
 - Establish supplier relationships and build infrastructures in a manner that reflects user needs.
 - Aim for growth of the recycled fuel and new energy businesses.

Strategic Goals for Overseas Operations

- **“Create another Hanwa in Southeast Asia”**
 - The ASEAN region is a key strategic area for Hanwa
 - Strong steel demand backed by energy and housing demand as urban populations increase
 - Expand supply chains within the ASEAN region
- **China's economy transitions from a growth to a more mature phase**
 - Demand in China: Shifting from the world's factory to a large domestic market
 - Use Hanwa's China network (13 subsidiaries, 7 coil centers, 4 joint ventures) to be a Japanese trading company able to provide extensive services and meet the demand in China's domestic markets
 - Marketing of Chinese products that goes beyond re-exports
- **Sustained growth continues in North America**
 - Aim for growth in North America, where Hanwa has many opportunities to target new market sectors
 - High expectations for long-term growth of the U.S. economy
 - Growth of manufacturing in Mexico for the U.S. market and active transplant development from Japan

- More financial discipline and the best capital structure
 - Reinforce the entire investment cycle system.
 - Reexamine the asset portfolio and improve the quality of new investments
 - Improve financial soundness by raising net assets to ¥200 billion.
- A stronger group oversight framework
 - More efficient corporate functions at group companies in Japan and other countries
 - Improve risk management capabilities, particularly for credit management.
 - Upgrade and expand training programs at group companies.

- More effective corporate governance
 - Comply with Japan's Corporate Governance Code and other guidelines
 - Improve the effectiveness of compliance activities and internal controls.
 - Make corporate governance systems more effective.
- Upgrade information systems and make substantial ICT investments
 - Increase ICT investments for activities needed to supply value from the standpoint of users.
 - Apply HKQC for extensive business flow improvements and incorporate these improvements in information systems.

- Make the business climate the basis for training and using people
 - Develop a workforce of professionals and global businesspersons who can succeed in Japan and around the world.
 - Provide people with the opportunities to fully realize their potential.
 - Improve management skills needed for management of the entire Hanwa Group.
- Use diversity as a management strategy for making the Hanwa Group stronger
 - Step up measures for using the capabilities of workforce diversity in terms gender, age, nationality and other characteristics to create value.
 - Provide women assignments where they can fully realize their potential, based on their respective capabilities and career paths, and place women in management positions. In particular, provide women employees with comprehensive training opportunities, such as studying abroad, training programs and job rotations, to give them the skills needed to become managers and senior executives.

For Users, With Users



HANWA CO., LTD.

The Company positions the medium-term business plan as a milestone for putting employees' aims in operating activities and aims to clearly show the direction and goal toward which the Company should strive and the strategies and tactics therefor.

The goals and other information about the future concerning the current medium-term business plan in this document are the judgments of Hanwa based on information that is currently available. As a result, there are risk factors and uncertainties associated with these goals and other information. Actual performance may differ significantly from the outlook in this document due to changes in the economy or markets or for other reasons.

The Company discloses the medium-term business plan to shareholders with its intent that the plan would be beneficial to the analysis of the Company's future and growth potential when the shareholders make investment decisions. The Company does not necessarily believe, however, that the details of the medium-term business plan represent commitments by the Company to the shareholders.