HANWA CO., LTD.
阪和興業株式会社

Annual Report 2013

2013

Year ended March 31, 2013

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.

As the world economy is showing signs of dynamic change, Hanwa Co., Ltd. considers 2013 to be its “first year of structural reform” to raise awareness in each individual employee, and establish a stronger management culture. At the core is our Medium-Term Business Plan (2013–2015), which covers the next three fiscal years and will enable us to strengthen our management base and establish a flexible business structure that can address the changes in the international and domestic markets. We aim to be a corporate group that can provide services which respond to the needs of our clients while securing a solid revenue stream in the face of any and all changes in the business environment.

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

"We aim to strengthen our business structure and our management base from a global perspective based on a solid and accurate understanding of the changes taking place in the international and domestic markets."

Hironari Furukawa, President

Q1 Please share your opinion about the economic environment of the fiscal year ended March 31, 2013.

A With regard to the world economy in the fiscal year under review, against the backdrop of a prolonged economic slowdown due to the European debt crisis, China's economic growth slowed, and in emerging nations economic growth came to a standstill. Overall, there was a strong sense of stagnation as the United States constantly trended downward.

The Japanese economy also remained sluggish in terms of consumer spending and capital investment. In the manufacturing industry, where business had been relatively steady, we saw a decline in the level of operations due to the end of consumption incentives and other factors. In the export industry, the yen began to depreciate reflecting an expectation of policies to be introduced after the change in government. However, the market as a whole continued to stagnate because of the strong yen and a decline in overseas demand, as seen in Europe and in China.

Q2 Please summarize operating results of the fiscal year ended March 31, 2013.

A Our consolidated net sales for the fiscal year under review were ¥1,511,325 million, representing a year-on-year decrease of 3.4% due mainly to lower sales prices in the steel business and the metals and alloys business. In terms of profit, operating income fell 16.6%, to ¥12,491 million, reflecting lower prices and lower profit margins on sales. Net income, in contrast, rose to ¥4,721 million, up 1.9%, due mainly to a drop in valuation losses on investment securities.

Q3 What is your outlook for the fiscal year ending March 31, 2014?

A We believe that the world economy in general is still suffering from a strong sense of uncertainty due to the European debt crisis, while the U.S. economy is beginning to show signs of recovery. However, we expect that the slow pace of this recovery—as well as the lack of actual measures to encourage the recovery in the Chinese economy, which has entered a correction phase—will cause the world economy to remain stagnant overall.

On the other hand, the domestic economy is showing signs of recovery as the stock market enjoys the positive effects of expectations for new economic policies and the easing in monetary policy. Moreover, the demand for earthquake reconstruction work is also being set in motion to support this upward trend. Optimism is difficult with regard to the future outlook, however, since there are still factors acting to dampen the competitiveness of domestic industries, such as the higher cost of electricity and the planned increase in the consumption sales tax.

In this business environment, the Group will strive to maintain and improve its business performance by increasing the number of clients. It will do this by aggressively discovering new customers while putting into practice effective sales/inventory policy that address customer needs and accurately forecasting the trends in demand in each business field.

Based on these factors, in terms of consolidated operating results for the next fiscal year, we expect net sales of ¥1,600 billion (up 5.9% compared with the previous year), operating income of ¥14.7 billion (up 17.7%), and net income for the year of ¥7.5 billion (up 58.9%).

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

A The Group published its Medium-Term Business Plan, which covers the three-year period between fiscal years 2013 and 2015.

This plan is centered on the theme: "strengthening the management base and establishing a business structure that anticipates the medium- and long-term changes in the international and domestic markets." It will therefore serve as the basis for us to establish a solidly profitable business structure that addresses the changes in the business environment with flexibility as well as to strengthen the management base, which supports our business.

Our objectives, in terms of business performance, are net sales of ¥1,800 billion and ordinary income of ¥15.0 billion for the year ended March 31, 2016 (Please see next page for more details).

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

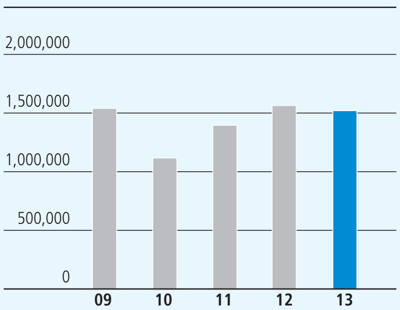
Consolidated Financial Highlights

For the years ended March 31, 2013 and 2012.

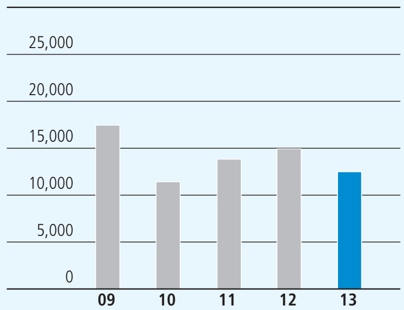
	Millions of yen		Thousands of U.S. dollars (Note)
	2013	2012	**2013**
For the year:			
Net sales	**¥ 1,511,325**	¥ 1,564,251	**$16,069,378**
Operating income	**12,491**	14,977	**132,812**
Net income	**4,721**	4,633	**50,197**
Comprehensive income	**6,600**	6,214	**70,175**
At year-end:			
Total assets	**¥ 552,908**	¥ 582,405	**$ 5,878,873**
Total net assets	**120,674**	115,957	**1,283,083**
	Yen		U.S. dollars (Note)
Per share data:			
Net income	**¥ 22.78**	¥ 22.35	**$ 0.242**
Cash dividends	**12.00**	12.00	**0.128**

Note: The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥94.05 = $1.00.

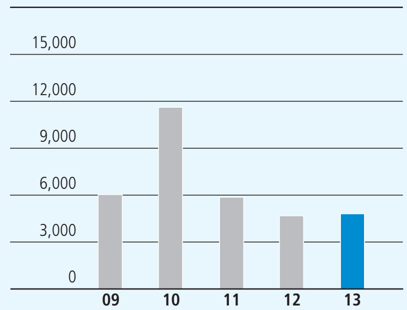
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Q5 Please add some additional comments for shareholders and investors.

A To this end, the Group will resolutely carry out the structural reform on the entire Group and continue to implement its business strategy based on the new Medium-Term Business Plan. In addition, we will improve the Group's overall value and maintain the rate of its business growth while further boosting customer satisfaction and recognizing the importance of corporate social responsibility.

We would like to conclude by asking our shareholders and investors for their continued support in the future.

THE NEW MEDIUM-TERM BUSINESS PLAN: AN OVERVIEW

In our new Medium-Term Business Plan, we chose to focus on addressing the changes in the business environment during the first three years of a period of 10 years, to work toward building a solidly profitable business as well as a strong management base that supports our business.

Theme

Establish thriving businesses and reinforce the base of operations that envisage medium and long-term changes in markets in Japan and overseas.

Target

(Million of yen)	FY2012 (result)	FY2015 (planned)
Net sales	¥1,511,325	¥1,800,000
Ordinary income	8,871	15,000
Ratio of ordinary income to net sales (%)	0.6	0.8

Three Strategic Concepts

1 Always close to the viewpoint of users
- Target problems and issues of users and create the best possible solutions.
- View users as suppliers and build mutually beneficial models with partnership.

2 Diversification of business activities
- Create business variations that can meet new needs that emerge along the value chain.
- Embrace different cultures by using M&A, global recruiting and other measures in order to preserve organizational flexibility that can realize the full potential of everyone.

3 Manage the group as a whole
- Make the entire group more profitable, create a framework for group companies with the proper balance between autonomy and control.
- Pursue earnings efficiently, streamline business domains among group companies and improve operations.

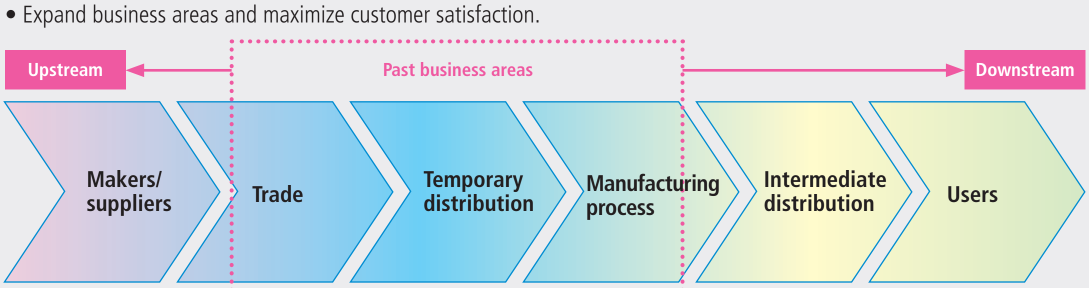
Professional & Global

Professional and Global **Human Resources**

Nurture professionals, and an **organization** with a global reach

< Resonant business management: Optimizing our value chain >

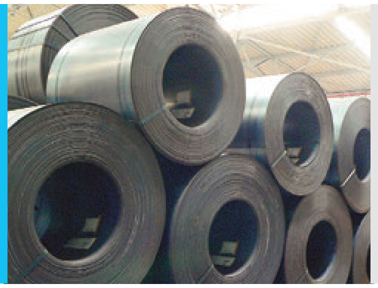
- Make optimal use of expertise and know-how within the Hanwa Group and expand both upstream and downstream.
- Expand business areas and maximize customer satisfaction.



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.

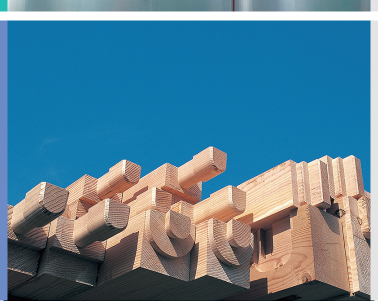
FOOD PRODUCTS

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 2012 Results

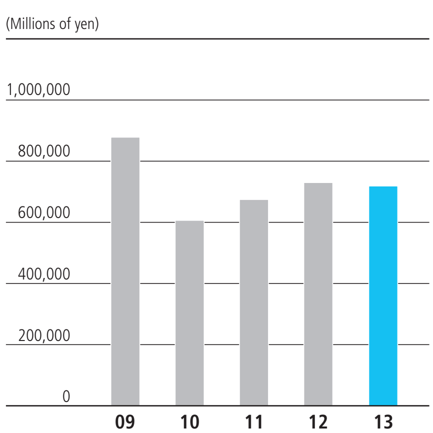
In fiscal 2012, the new Japanese administration's financial and economy policy known as "Abenomics" triggered a recovery in the overall Japanese economy at the fiscal-year end, leading to a correction of a surge in the yen as well as higher stock prices. Up until then, however, we had observed a strong sense of stagnation as seen in a prolonged European economic slump, a slowdown in the Chinese economy, the boycotting of Japanese products in China and a dramatic decrease in exports to China due to the Senkaku Islands dispute, a slowdown in exports caused by the strong yen, and a rapid increase in the relocation of manufacturing operations overseas.

Demand for steel products for the construction industry was steady, especially in the Tokyo metropolitan area. While reconstruction demand started to have positive effects in the field of civil engineering, business was still poor in the field of architecture. In the environmental and energy sector, our solar power business boomed, with robust sales of related merchandise, such as products for stands. Our business targeting the automobile and other manufacturing businesses remained strong overall, despite a concern over a slowdown in demand due to the strong yen and the end of consumption incentives.

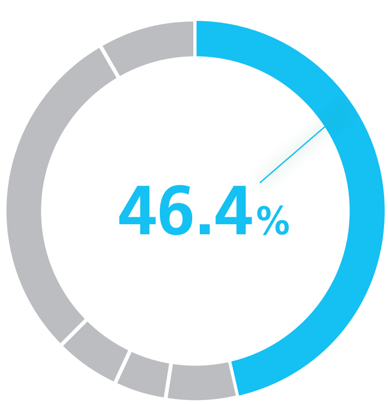
During the first half of the financial year, we saw a downturn in the steel material market, despite an attempt at market reconstruction, because of a slump in exports caused by a decrease in overseas demand, which led each manufacturer to turn to securing domestic sales volumes. In 2013, the export business recovered thanks to the correction of the yen's sharp depreciation, while prices for raw materials increased. As a result, the market bottomed out and entered an upward phase.

The domestic steel business struggled overall due to the downturn in the steel market, the slump in exports, a struggle in binding contractual business for the manufacturing industry, losses on valuation of inventory in retail sales, and other factors. Nevertheless, we managed to expand transaction volume as a result of our measures such as improving functions through enhanced beneficial relationships with business partners and M&A, improving sales to construction projects and increasing the number of local satellite offices, as well as our commitment to seeking new customers and digging deep into the market.

Net sales



Net sales composition



Looking Ahead and Key Strategies

With regard to demand for steel products in fiscal 2013, we started to see positive effects from our financial policies and business expansion strategies in the second half of the fiscal year under review. We expect construction demand to strengthen throughout the year, coupled with reconstruction demand.

Furthermore, we expect demand related to the manufacturing industry to be robust, due to the correction of the yen appreciation, it is likely that we will see an increase in exports, growth in earnings and temporary suspension of relocation of production facilities overseas.

In the steel material market, we expect to see an upward trend, given the recovery in exports and strong domestic demand brought by the correction of the strong yen. However, global market conditions are weak against the backdrop of problems of excess inventory and excess capacity having surfaced in China and the struggle to make production adjustments. We are concerned about the potential for a negative impact on the domestic market.

Given this background, in fiscal 2013 we will continue to implement measures, such as promoting community-based sales strategies, reinforcing local satellite offices, improving prompt delivery/small lot orders/processing, expanding sales targeted for construction projects, building mutually beneficial alliances with business partners, incorporating stand materials for the solar power generation business and attracting reconstruction demand, and we will identify new customers while increasing sales volume of existing customers.

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 2012 Results

In fiscal 2012, while the global economic outlook remained uncertain, Japan's export competitiveness remained low due to the strong yen. Although the climate for exports improved as the change in government brought a rapid weakening of the yen in 2013, conditions continued to be unstable due to sluggish demand overseas, including from China.

The steel market in Asia remained stagnant in fiscal 2012, but the market price recovered nearly $100 after the turn of the year, supported by the spike in raw materials from the year-end.

In these circumstances, although Japanese steel export volume on a calendar-year basis in 2012 reached 42.49 million tons, up 3.1% from the previous year, the Company's export volume increased 13.4%, indicating the success of our hard work.

Looking Ahead and Key Strategies

In fiscal 2013, the upturn seen in the overseas market early in 2013 will end, and we expect the market to be weak in the first half and rebound in the second half. Crude steel production in China has remained high from the beginning of the year, with domestic inventory at a higher level than ever. There are concerns that the inventory growth and oversupply in China have generated pressure to sell to neighboring countries, causing a negative impact on market conditions.

We clearly see slower growth in steel demand in China. Under the new regime, China has a goal to achieve sustainable growth, aiming at a GNP growth rate of 7.5%. The real economy, however, lacks momentum. Demand in ASEAN countries continues to rise gradually, but domestic production is decreasing. With regard to the European economy, there is still no sign that the bottom has been reached, while demand for steel products has also declined. Although the United States has sustained a gradual recovery, its growth rate has fallen, which indicates that the market will move into a correction phase. As described above, there are many uncertainties overall. Thus, we cannot expect a significant increase in demand for steel.

We must focus our efforts on exporting mill materials manufactured in China and other emerging countries while maintaining exports from Japan, gaining momentum from the yen's depreciation.

Furthermore, it is essential to grasp overseas customers' needs, offer a wider variety of products and promptly establish new systems that can deal with logistics and processing according to customer needs.

As target regions, we will include Myanmar, where we opened a new office during the previous fiscal year. In addition, ASEAN countries will remain important strategic regions. We will develop a new market in Mexico, where we also opened an office, while pushing further into the U.S. market. Turkey, a country with a rapidly growing economy, will remain a target region.

We will strive to achieve sales expansion while implementing a range of measures for Japanese materials known for high quality and credibility and general-purpose materials, respectively.

Metals and Alloys

Fiscal 2012 Results

In the recycling business, while both the domestic and export stainless steel markets struggled, Hanwa Metals Co., Ltd., which we established during the previous year, expanded business by diversifying the products it handled.

In the nickel business, against the backdrop of a decrease in domestic demand and sluggish growth in demand in China, a large quantity of nickel cathode was accumulated in bonded areas in China, showing no signs of improvement at the fiscal year-end.

The Company's sales volume also stagnated, and we started to see inventory that we have held for a long period of time.

In the ferroalloy business, to disperse the risk of relying on supply from China, we made a capital investment in OM Holdings Ltd., which is scheduled to produce ferroalloy in Malaysia, as a measure to increase sources of supply in the future.

In the solar battery/silicon business, as the whole industry ran a large deficit, causing one company after another to withdraw, the Company was also forced to drastically reduce its solar battery business. The semiconductor and solar buttery business suffered a slump, and Dalian Solar Valley Silicon Industry Co., Ltd. (a joint venture for silicon grinding business) also struggled.

Looking Ahead and Key Strategies

It is unlikely that the overall supply and demand environment will improve greatly. We expect that, in particular, the electric furnace steel industries which consume heavy power, including stainless steel, will be affected by the weakened yen and that it will take some time before domestic production improves.

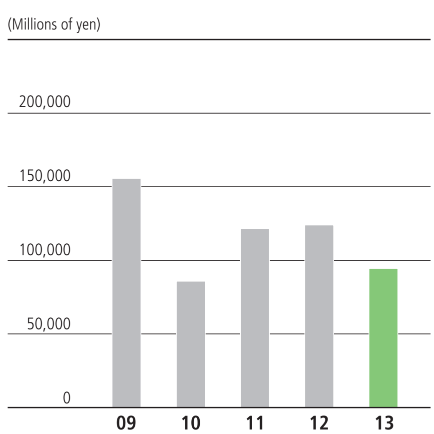
With respect to the recycling business, although the correction of the yen's appreciation is favorable to stainless steel and special steel manufacturers in Japan, we cannot expect significant growth in domestic final demand. While reinforcing a stable domestic supply, stable quality and just-in-time delivery, we will work to diversify our customer base.

In the nickel business, we will expand sales of nickel bullion, ores and chemical products, which have been promoted mainly in Japan and China, to the Southeast Asia and India, capturing growing demand. We will also actively consider alliances with supply sources if opportunities arise.

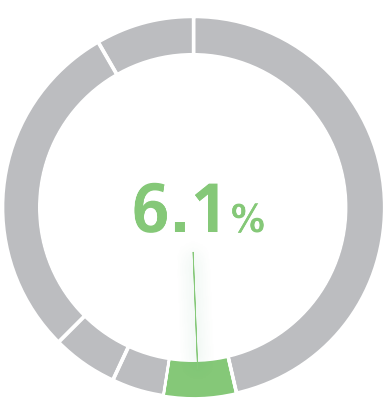
In the ferroalloy business, we will vigorously promote improving structures to ensure stable supply to major domestic users as well as decentralizing sources for purchasing. As for supply to users in Southeast Asia and India, in view of the start of production at OM Holdings Ltd., we will begin preliminary marketing, strengthening sales structures.

In the solar battery/silicon business, we will select and narrow down businesses as we cannot expect improvement in business conditions for the time being. Dalian Solar Valley Silicon Industry Co., Ltd. will also narrow down sales targets for its metal grinding business and build a structure that allows them to focus on high-value-added products.

Net sales



Net sales composition



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Non-Ferrous Metals

Fiscal 2012 Results

In the midst of uncertainly over the European economy and sluggish growth in the Chinese market, demand for non-ferrous metals was stagnant in Asia, which led to a situation where a large amount of bullion was stored in bonded warehouses in China. Although the metal market has not come out of the boxed range, it moved to a phase when the price dropped, then rallied due to technical factors, and went down again throughout the fiscal year.

In the aluminum business, while the market was dull, real demand in the automobile and housing sectors was steady. Since the generation of scrap was low in comparison with strong demand for scrap, purchase costs increased, which caused us difficulties in turning a profit as the LME price was weak. In the second half, the market broke away from the market environment where the price of secondary alloy lump was higher than that of new lump and returned to a normal state, which had a positive influence on the Company's aluminum recycling business.

Although the environment was also tough for white raw materials, such as copper, tin, lead and zinc, our measures to expand the purchase/sales market succeeded, making up for the slump in Japan through sales overseas. Furthermore, we increased the quantity of precious metal scraps and merchandise related to the Basel Convention, which contributed to earnings.

Looking Ahead and Key Strategies

Against the backdrop of global sluggish demand, it is possible that the non-ferrous metal market will show a more downward trend overall in the first half of fiscal 2013, due to an increase in bullion inventory and flow of speculative funds to other financial markets that are strong.

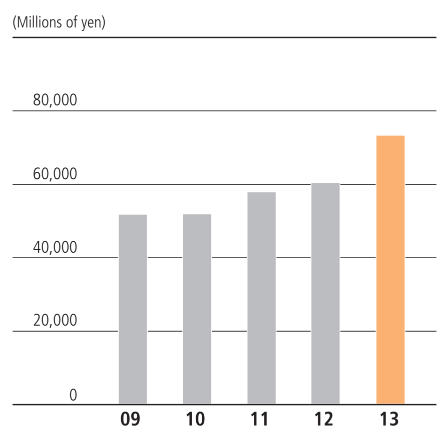
Despite a forecast for an economic recovery resulting from Abenomics, we expect to see no significant improvement in domestic demand because of the transfer of manufacturing operations overseas.

Under such circumstances, we aim to further increase our share, targeting domestic users with a primary focus on ensuring stable supply and providing high-value-added products. Furthermore, we will prepare a structure to supply aluminum materials for deoxidation to SEIKI METAL INC Co., Ltd., which we plan to make an affiliated company, to achieve a stronger revenue base.

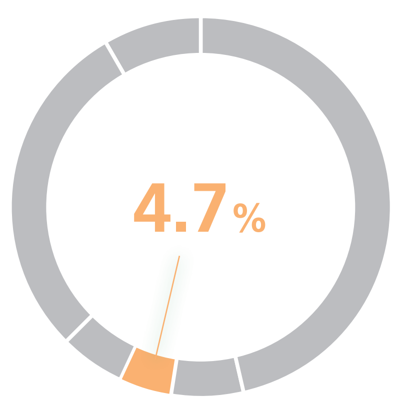
For overseas markets, we will increase the number of domestic and overseas offices as bases for purchasing, exporting and processing in an effort to actively increase supply to overseas users and Japanese manufacturers' plants outside Japan. Moreover, we will uncover new markets in Europe and the Americas by further developing the conventional recycle business model, which focuses on the ASEAN region. Concurrently, we will seek new routes for purchasing from Central and South America, Africa and other emerging countries and boost the number of routes for purchasing precious metals and related products from advanced nations in Europe and the United States.

However, while we aim to achieve growth in both quantity and sales through the expansion of bases and markets for purchasing, we expect that it will take time to expand profits in such a harsh market environment.

Net sales



Net sales composition



Food Products

Fiscal 2012 Results

The impact of a free-fall in the price of salmon spread to all fish species including tuna, causing their prices to drop. As a result, a rebound in demand was under way.

In the final quarter, a decrease in fish catches, the weakened yen, a decline in supply and a drop in inventory became apparent, causing the market to rebound and show an upward trend.

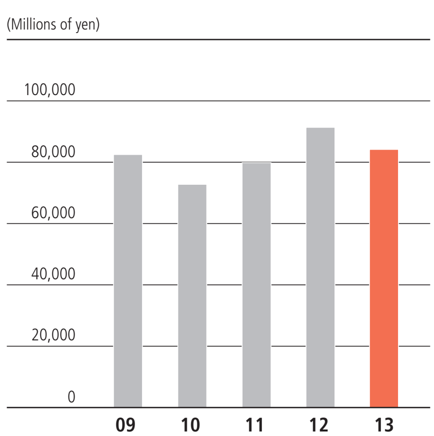
In the United States, the economy took an upturn, and both demand and market conditions were on course for a recovery.

While earnings from salmon recovered, we suffered impairment losses on raw material/product inventory for the following reasons: (1) a loss in value of product inventory because of bankruptcies of business partners, (2) a loss of trade areas due to dissolution of major business partners, (3) a decrease in sales volume due to the issue of chemicals associated with farmed prawns, and (4) a collapse in prices of general frozen fish (mackerel, Matsubara's red rockfish, flatfish) and octopus.

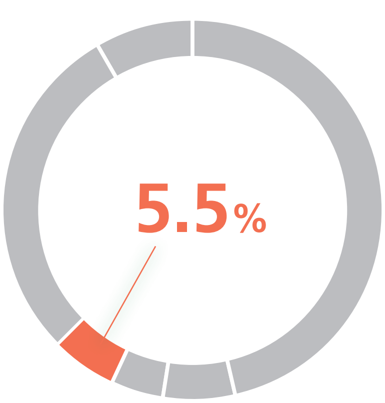
The export business was on course for a recovery, although it remained stagnant because of issues concerning radiation.

While an oversupply at the global level was being dealt with during the fourth quarter, Seattle Shrimp & Seafood Company, Inc. in the United States achieved growth in sales but suffered lower profits.

Net sales



Net sales composition



Looking Ahead and Key Strategies

While there is still a global tendency toward increased demand, we expect to see a decrease in final demand in Japan, given the falling population and weakened yen.

The market, which fell drastically in 2012, will be on a track for recovery by the year-end, based on the prediction of a weakening yen and a decrease in supply.

The price of prawns, which skyrocketed, will enter a correction phase in the summer. Demand for common fish such as salmon and mackerel, whose prices are still low, will be steady.

We expect the crab market to rally as the price rises.

Looking ahead to the global demand increase, we will secure resources (raw materials) by making capital investments in packers and sales companies in North America.

We will station staff in Chile in South America to reinforce the process of purchasing resources in South America.

We will consider making a capital investment in a domestic manufacturing firm.

We will promote cooperation with Hanwa Foods Co., Ltd., building a foundation for distribution in Japan.

With each resident office as a base, we will promote an expansion of trading within North American, South American, ASEAN and EU (including Africa) regions, inter-office business development, and exports from Japan to prepare for the world's growing 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.

Petroleum and Chemicals

Fiscal 2012 Results

A growing concern over the European debt led the crude oil market price to plummet in June under the influence of falling global stock markets and a high level of crude oil inventory. However, after July, the price rallied and remained high at $100 to $110.

In regard to domestic demand, demand for C heavy oil was robust due to nuclear power plant shutdowns. Demand for gasoline and three middle distillate fuels (kerosene, light oil, and C heavy oil) remained higher than in the previous year throughout the first half because of the impact of the earthquake. During the second half, however, we faced a difficult situation as the demand fell below the previous year's level, and the market remained weak.

In the domestic fuel supply and demand division, profit deteriorated, influenced by crude oil price fluctuations and sales competitions. While we sought to expand sales of kerosene and C heavy oil in winter to improve profitability, we ended with results below the previous year's level.

In the bunker oil sector, we faced a serious challenge due to an unprecedented recession in the marine market, but the weakened yen from the year-end contributed to profit improvement, while a rush to start the service of new ships subsided.

With respect to the chemicals business, the overseas resin market weakened due to the sluggish Chinese economy, and imported synthetic resin penetrated the domestic market because of its price advantage. However, the rapid weakening of the yen from the year-end caused a decline in price competitiveness, which led to stagnant sales volume.

In the paper business, although earnings from exports deteriorated until the year-end due to the strong yen, profitability improved thanks to the yen's weakening from early in 2013.

Looking Ahead and Key Strategies

We expect domestic demand for fuel supply to continue to be on the decrease. In terms of supply, we expect an increase compared with the previous year, partly due to refinery startup, leading to intensified sales competitions. Although demand for C heavy oil will be influenced by the status of nuclear power plant operations, we expect a decrease compared with the previous year.

In the petroleum department, we will focus on sales targeting electric power companies while promoting new business development for general industries.

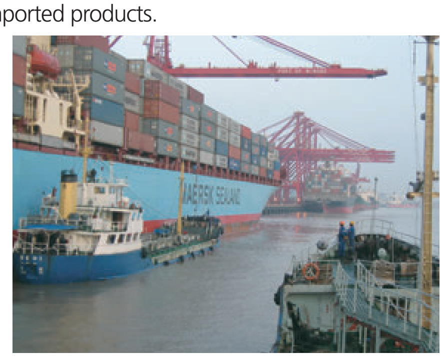
We will strive for sales expansion of new energy (biomass fuel) and alternative fuels (waste tire, and RPF), which we started from fiscal 2013. In the retail sector, we will further enhance the system of cooperation with Toyo Energy Co., Ltd. to achieve growth. Furthermore, we will also promote the expansion of territories for the trade of petroleum products and supply of bunker fuel oil.

In the chemicals business, against the background of consolidation and elimination of domestic ethylene plants as well as facility shutdowns of domestic resin manufacturers, we will actively promote sales expansion of imported products.

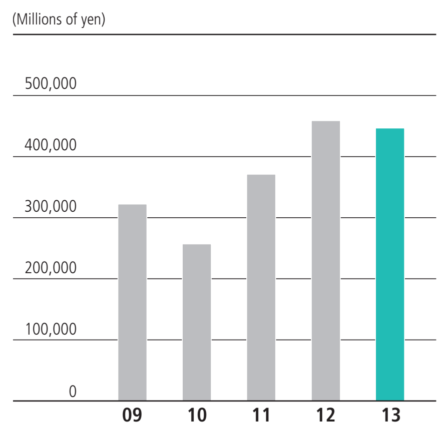
In the paper business, we will promote both the purchase and sales of existing products on a global basis. We will also reinforce the exporting of paper products.

In the daily sundries business, we will seek new customers while quickly passing on the impact to consumers of cost increases caused by the weak yen.

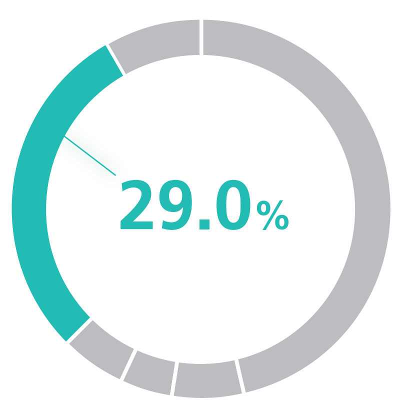
In the area of lubricants, we will continue our overseas operations through new business development.



Net sales



Net sales composition



Other Business (Lumber and Machinery)

Fiscal 2012 Results

Lumber

Housing starts in fiscal 2012 increased 6% from the previous year. With tax breaks for housing loans and low interests generating momentum, demand for lumber was robust. The annual quantity that the lumber division handled decreased 17% from the previous year due to the struggling oversea sales despite a 22% increase from the previous year in Japan. We developed a three-year medium-term plan, aiming to expand the lumber business further. We reviewed unprofitable business and focused on business designed to be transparent to end-users. We conducted a fundamental review of our face material business and are rebuilding it. Our domestic sales grew steadily in the area of trading with major builders and house manufacturers. As for log sales for China, we made a policy to engage in business only in an appropriate setting.

Machinery

In the leisure facilities business, we delivered a rollercoaster made by Gerstlauer of Germany and Half Pipe Canyon made in Japan to the Sega Tokyo Joypolis amusement park (Odaiba).

In the industrial machinery business, cooperation between different departments was thorough, particularly with the domestic steel department involved. We received a direct order for the construction, including basic construction and electric work, of a complete shearing line in response to customer requests. We delivered a complete automated warehouse system made by Daifuku Co., Ltd. to a business partner of the food division. We started full-scale trading with Amada Co., Ltd., a major metal processing machine manufacturer. We expanded the business of manufacturing cans for the JFE Engineering Corporation.

Looking Ahead and Key Strategies

Lumber

Prices will be high at the start due to the sharp weakening of the yen since the year-end of 2012. In addition to robust demand, we expect a last-minute surge in demand before revision of the consumption tax in the future. As the policy for the current fiscal year, we plan to rebuild mainly the face material business, facilitating trilateral trade to Manila and the Middle East, and exporting domestic logs. We will also develop new merchandise such as pellet fuels. Starting from 2013, when demand is expected to be steady, we hope to build a business targeting end-users and accelerate the development of suppliers. We will focus strongly on the development of stable suppliers and products associated with afforestation trees.

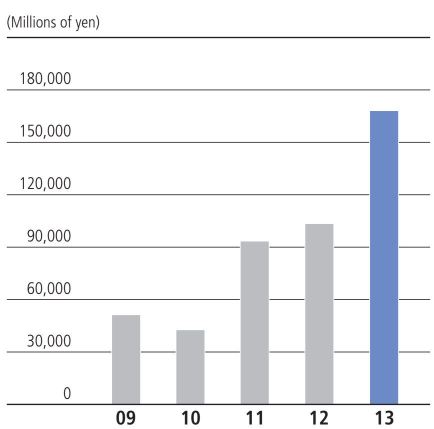
Machinery

In the leisure facilities business, we anticipate a revival of the amusement park industry led by an economic recovery in Japan. We will sell rollercoaster carriages manufactured by S&S and other products and actively implement sales activities for overseas projects with a primary focus on large projects.

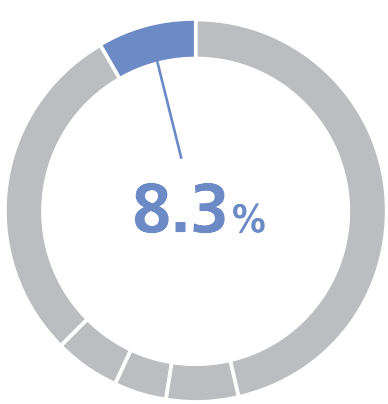
In the industrial machinery business, in response to the yen's depreciation, we will reinforce export and sales of electrical steel sheet cutting machines manufactured by Yutani Co., Ltd. and other products made by domestic manufacturers. We will promote inter-department cooperation, including offices overseas, instead of conventionally focusing on the domestic steel department.

Aiming for a shift from selling single-item machines to receiving orders for complete processing lines, we will implement machinery sales activities where we make recommendations that incorporates application of each manufacturer's existing technologies, instead of conventionally selling products to customers who make business inquiries. We will expand sales of automated warehouse systems and metal processing machines.

Net sales



Net sales composition



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

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

Based on our strategy to further cultivate the domestic market, we have strengthened the PSP (prompt delivery/small-lot orders/processing) function and continue to strive to meticulously address and respond to the needs of quality small and medium-sized businesses. As part of this effort, Hirouchi Atsuen Kogyo Co., Ltd., which handles steel processing and steel wholesale, as well as Kaneki Co., Ltd. were made our subsidiaries.

Hirouchi Atsuen Kogyo Co., Ltd.

Kaneki Co., Ltd.

Investing in Seiki Metal Inc Co., Ltd. to strengthen the non-steel business

We invested in Seiki Metal Inc Co., Ltd., which handles production of deoxidizing aluminum for steel making as well as the recycling of aluminum cans. We plan to acquire 97% of the company's shares by 2014 and assume management of the company to continue its operations. Our goal is to expand our business into the non-steel field by entering into the production of deoxidizing aluminum.

Recycled aluminum

Establishment of Hanwa Foods Co., Ltd.

The Company established a subsidiary of Hanwa Foods Co., Ltd., which will operate as a food wholesaler, especially for seafood products, focused on Japan's domestic seafood market. Hanwa Foods will seek to strengthen and expand the sales network and domestic market share of the Company's Food Products Division.

Staffs of Hanwa Foods Co., Ltd.

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 17 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

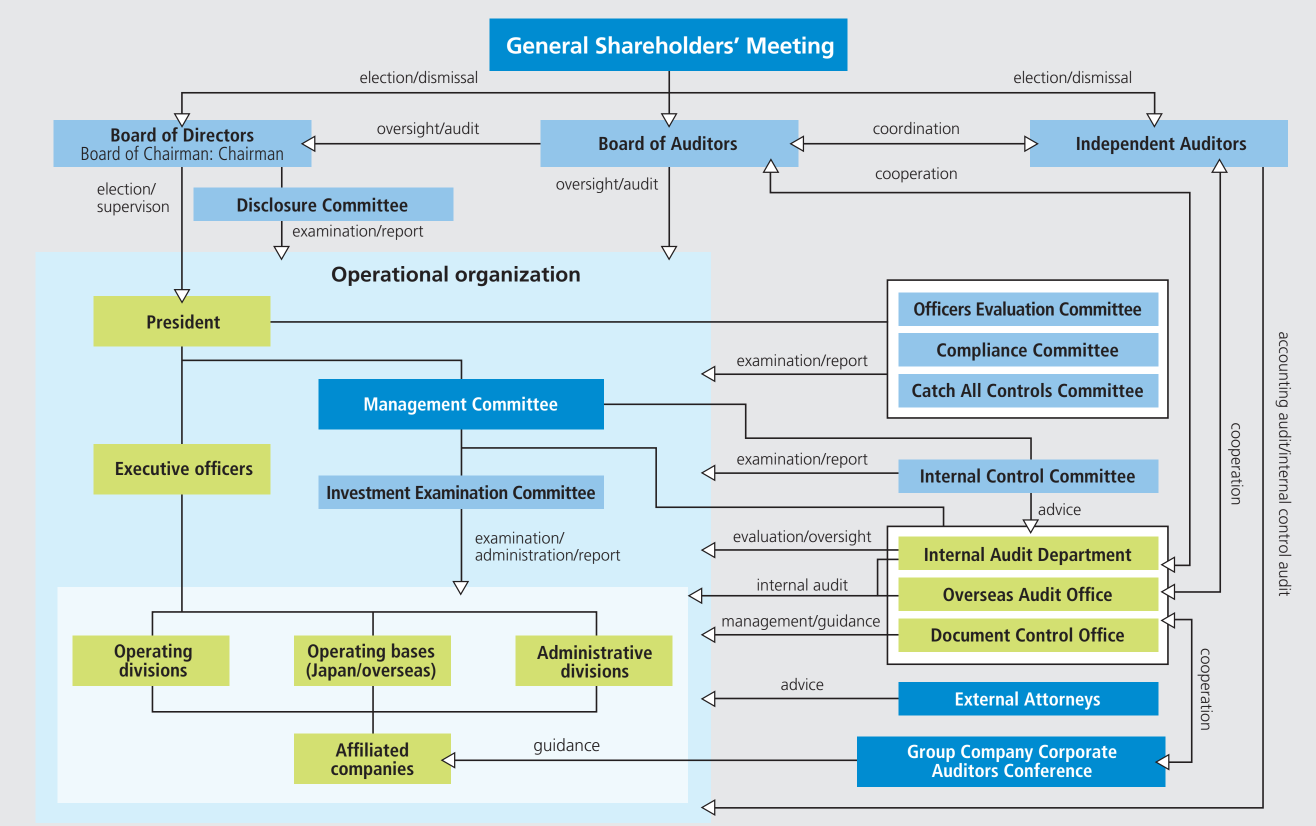
We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

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, each business department in charge is 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.

CSR Activities

Hanwa's Basic Policy on Corporate Social Responsibility (CSR)

Hanwa's corporate social responsibility (CSR) consists of six basic policies that Hanwa considers an integral part of management: (1) thorough legal compliance; (2) environmental considerations; (3) good corporate citizenship; (4) transparent management and proactive disclosure; (5) maintenance of financial soundness; and (6) workplaces geared to employee self-realization.

To promote CSR management, the CSR Committee, chaired by President Hironari Furukawa, incorporates organizations including the Compliance Committee, Environmental Committee, and the Hanwa Scholarship Foundation and engages in organized operation.

Domestic and overseas companies face increasing demand worldwide in terms of the globalization of economic activities and sustainable development. Hanwa will continue working to develop as a company within global society with a focus on the ISO 26000 international standard.

Positioning of the CSR Committee

Compliance

Hanwa has in place a Compliance Committee that promotes compliance with the Company's ethical principles and corporate ethical standards. The committee has drawn up a compliance manual for employee behavior, and has distributed the booklet to all officers and employees as part of its CSR efforts. Fully understanding the significance of compliance, Hanwa strives to practice CSR as a corporation by being both socially responsible and complying fully with all legal requirements.

The Company promotes openness and visibility to prevent any occurrence of misconduct.

Compliance manual distributed to all officers and employees

Corporate Ethical Standards

1. Compliance with laws and social norms
2. Fair business activities
3. Contribution to industrial society
4. Proactive information disclosure
5. Concern for the environment
6. Global harmony
7. Ensuring a free and open workplace environment
8. Promoting good corporate citizenship through active social contribution activities
9. Ensuring people's familiarity with ethical standards and developing the in-house compliance program
10. Preventing the recurrence of misconduct and providing appropriate information disclosure

Measures for Crisis Management

The Company has simulated major potential risks that might 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 ensuring the safety of employees and their families as a priority.

When the Great East Japan Earthquake took place in March 2011, Hanwa established an emergency response headquarters immediately and began checking on the safety of employees using the Mobile i-Call service*, sending emergency supplies to stricken areas, and conducting other activities to assist with relief efforts in accordance with the Hanwa Disaster Prevention Manual in use at the time. In May 2011, we issued the Risk Management Manual applicable for Hanwa Co., Ltd. and its affiliates. As for overseas efforts, when flooding occurred in Thailand in 2011, Hanwa remained in close contact with employees in the affected area to swiftly ensure their continued safety and provide assistance as necessary.

Using the information gained from these experiences, Hanwa will continue to conduct complete reviews of its disaster prevention practices and maintain management of emergency equipment, implementation of a satellite phone service, distribution of high-capacity storage batteries, use of measures designed to prevent office equipment from tipping over, and management of stockpiled disaster relief supplies. In addition, the Tokyo Head Office is working to increase its stockpile of disaster relief supplies in accordance with the disaster prevention policy released by the Tokyo metropolitan government.

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 2013, handicapped employees accounted for 1.87% of the employee total.

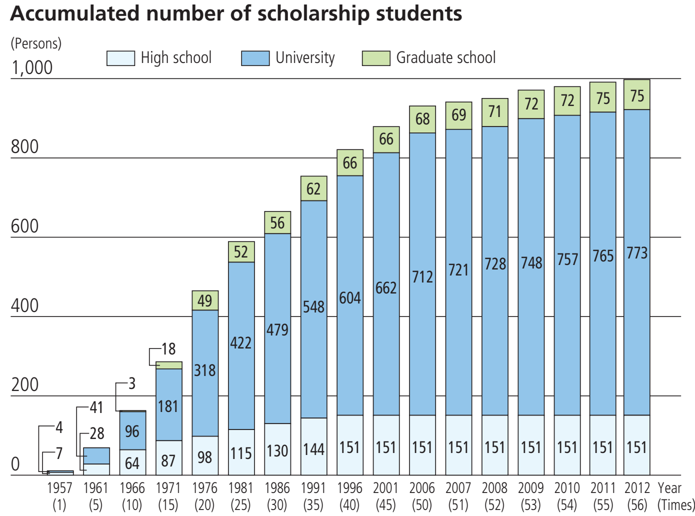
Social Contribution

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 56th 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 2012, the program had distributed a total of ¥666 million in scholarships, and the accumulated number of scholarship students had grown to 999.

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
	2013	2012	2011	2010	2009	**2013**
For the year:						
Net sales	**¥ 1,511,325**	¥ 1,564,251	¥ 1,396,103	¥ 1,116,629	¥ 1,539,282	**$16,069,378**
Operating income	**12,491**	14,977	13,854	11,420	17,451	**132,812**
Net income	**4,721**	4,633	5,794	11,579	5,997	**50,197**
Comprehensive income	**6,600**	6,214	6,104	14,537	—	**70,175**
Net cash provided by (used in) operating activities	**19,381**	11,970	(46,949)	46,250	(5,742)	**206,071**
Net cash used in investing activities	**(5,107)**	(12,009)	(7,611)	(12,992)	(19,536)	**(54,301)**
Net cash provided by (used in) financing activities	**(16,364)**	1,596	51,272	(43,669)	46,592	**(173,993)**
At year-end:						
Cash and cash equivalents	**¥ 23,198**	¥ 23,411	¥ 20,586	¥ 24,515	¥ 35,046	**$ 246,656**
Total assets	**552,908**	582,405	532,798	443,445	479,379	**5,878,873**
Total net assets	**120,674**	115,957	110,459	106,855	94,913	**1,283,083**
Number of employees (persons)	**2,208**	2,201	2,060	1,952	1,818	

	Yen					U.S. dollars
	2013	2012	2011	2010	2009	**2013**
Per share data:						
Net income	**¥ 22.78**	¥ 22.35	¥ 27.95	¥ 55.46	¥ 28.47	**$ 0.242**
Cash dividends	**12.00**	12.00	12.00	12.00	12.00	**0.128**
Net assets	**570.50**	548.22	529.65	512.16	450.05	**6.066**

	%				
	2013	2012	2011	2010	2009
Key financial ratios:					
Return on assets (ROA)	**0.8**	0.8	1.2	2.5	1.2
Return on equity (ROE)	**4.1**	4.1	5.4	11.6	6.2
Net debt/equity ratio	**180**	190	200	140	190

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥94.05=$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 presented comprehensive income for the years ended March 31, 2013, 2012, 2011 and 2010.

Management's Discussion and Analysis

Operating Results

Operating Results for the Fiscal Year Ended March 2013

With regard to the world economy in the fiscal year under review, against the backdrop of a prolonged economic slowdown due to the European debt crisis, China's economic growth slowed reflecting an increasing need for adjustment. In emerging nations, previously steady economic growth came to a standstill. Given its slow economic recovery, the U.S. economy's ability to drive the world economy was poor. Overall, there was a strong sense of stagnation as the world economy constantly trended downward. The Japanese economy also remained sluggish in terms of consumer spending and capital investment as well as in the construction sector, where post-earthquake reconstruction demand had been slow. In the manufacturing industry, where business had been relatively steady, we saw a decline in the level of operations due to the end of consumption incentives and other factors. In the export industry, the yen's appreciation was corrected due to an expectation of policies to be introduced after the change of government at the end of 2012, but the market as a whole continued to stagnate because of the strong yen and a decline in overseas demand, as seen in Europe and in China after anti-Japan demonstrations.

In these circumstances, the Group posted consolidated net sales of ¥1,511,325 million for the consolidated fiscal year ended March 31, 2013, representing a year-on-year decrease of 3.4% due mainly to lower sales prices in the steel business and the metals and alloys business. Operating income fell 16.6%, to ¥12,491 million, reflecting lower prices and lower profit margins on sales. Net income, in contrast, rose to ¥4,721 million, representing a 1.9% increase, due mainly to a drop in valuation losses on investment securities.

Net Sales

Net sales decreased 3.4% year on year, to ¥1,511,325 million, due mainly to lower sales in the steel business and the metals and alloys business. Domestic sales were down 4.5%, to ¥1,133,080 million, while overseas sales were up 0.1%, to ¥378,245 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 decreased 3.4%, to ¥1,466,563 million. The declines were due mainly to a drop in purchase prices and a decrease in loss on valuation of inventories.

SG&A expenses increased 2.9%, to ¥32,271 million, due mainly to a rise in retirement benefit costs, a provision of allowance for doubtful accounts related to the liquidation of a subsidiary in the current fiscal year, and an increase in depreciation and amortization.

Operating Income

Operating income for the consolidated fiscal year under review fell 16.6%, to ¥12,491 million due to a decrease in sales revenue and an increase in SG&A expenses. The result lowered the ratio of operating income to net sales by 0.2 percentage point from the previous consolidated fiscal year to 0.8%.

Other Income (Expenses)

Other expenses decreased 16.8% year on year, to ¥7,015 million, while other income decreased 29.5%, to ¥1,342 million. Net of other income totaled ¥6,818 million, representing a decrease of 19.3% from the previous consolidated fiscal year.

This reflected a foreign exchange loss due to the yen's depreciation, a loss on valuation of investment securities due to a drop in the stock market, and a loss on impairment of long-lived assets in line with the relocation of the Osaka Head Office.

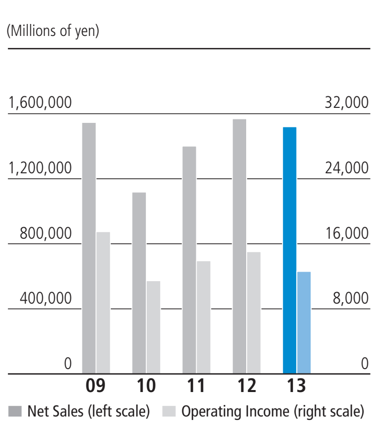
Income Taxes

Income taxes paid decreased 45.2% from the previous consolidated fiscal year, to ¥2,034 million, reflecting a decrease in income before income taxes and minority interests.

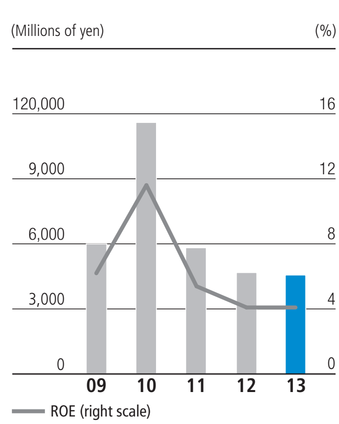
Net Income

Net income increased 1.9% from the previous consolidated fiscal year, to ¥4,721 million. Accordingly, net income per share amounted to ¥22.78, compared to ¥22.35 for the prior year.

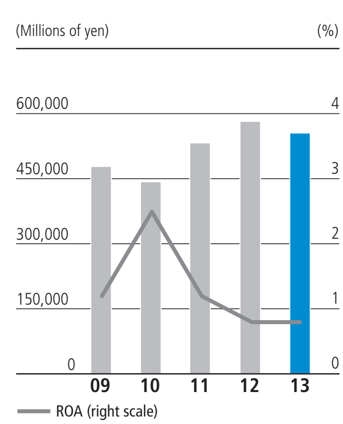
Net Sales and Operating Income



Net Income and ROE



Total Assets and ROA



Sources of Capital and Cash Liquidity

Financial Condition

Total assets decreased 5.1%, to ¥552,908 million, from the previous consolidated fiscal year, reflecting lower trade receivables and inventories resulting from lower sales.

Liabilities decreased 7.3%, to ¥432,234 million, as a result of lower trade payables in line with the downturn in sales and a decline in borrowings accompanying the shrinking need for working capital, and interest-bearing liabilities fell 2.9%, to ¥236,170 million. The net debt/equity ratio (net interest-bearing debt as a percentage of equity) stood at 180% as of March 31, 2013.

Net assets increased 4.1%, to ¥120,674 million. The expansion was attributable mainly to the accumulation of retained earnings from net income and an improvement in foreign currency translation adjustments as the result of yen depreciation. Accordingly, the equity ratio at March 31, 2013 rose to 21.4%, from 19.5% a year ago.

Cash Flows

Net cash provided by operating activities increased ¥7,411 million, to ¥19,381 million during the consolidated fiscal year under review. This was mainly due to a progress in working capital recovery caused by a decrease in trade receivables and a reduction in inventories accompanying lower operating revenue.

Net cash used in investing activities decreased ¥6,902 million, to ¥5,107 million. This was primarily attributable to a ¥8,624 million decrease in cash disbursements related to the acquisition of tangible fixed assets and investment securities (¥6,859 million) from the previous consolidated year.

Net cash used in financing activities amounted to ¥16,364 million, compared to net cash provided of ¥1,596 million in the previous consolidated fiscal year. This was largely attributable to an increase in repayment of short-term loans payable in response to a decrease in the need 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 through 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, 2013 stood at ¥60,600 million, mostly denominated in yen. The Group's outstanding long-term debt was ¥133,525 million, including the current portion of long-term debt of ¥52,900 million.

The Group issues bonds primarily to fund working capital. As of March 31, 2013, bonds outstanding consisted of straight bonds amounting to ¥30,050 million. To increase its flexibility to issue 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, 2013, the unused aggregate principal amount of the shelf registration for straight bonds for subscription in Japan amounted to ¥10,000 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

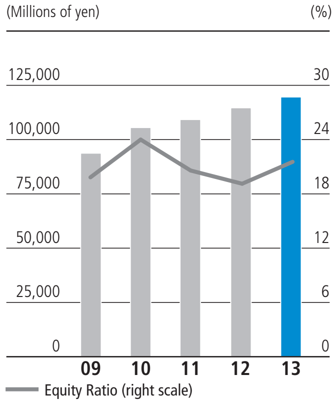
Changes in the Macroeconomic Environment

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.

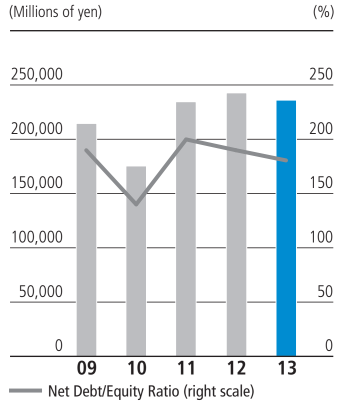
Commodity Price Fluctuations

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.

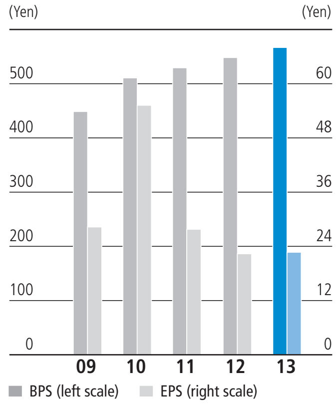
Total Net Assets and Equity Ratio



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 an 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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 23,198**	¥ 23,411	**$ 246,656**
Receivables:			
Trade notes and accounts (Note 3):			
Unconsolidated subsidiaries and affiliates	**12,664**	11,612	**134,652**
Other	**281,088**	289,423	**2,988,708**
Loans:			
Unconsolidated subsidiaries and affiliates	**5,910**	4,694	**62,839**
Other	**—**	205	**—**
Allowance for doubtful receivables	**(852)**	(934)	**(9,059)**
Inventories (Note 6)	**96,610**	110,909	**1,027,219**
Deferred tax assets—current (Note 10)	**2,165**	1,197	**23,020**
Other current assets (Note 7)	**14,518**	27,465	**154,365**
Total current assets	**435,301**	467,982	**4,628,400**
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	**32,040**	31,085	**340,670**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	**7,277**	5,680	**77,374**
Loans receivable (Note 3)	**129**	150	**1,372**
Other investments and noncurrent receivables	**25,136**	22,603	**267,262**
Allowance for doubtful receivables	**(3,080)**	(2,347)	**(32,749)**
Total investments and noncurrent receivables	**61,502**	57,171	**653,929**
Property and equipment (Note 7)**:**			
Land (Note 11)	**29,582**	30,484	**314,535**
Buildings and structures	**32,256**	31,786	**342,966**
Other	**18,312**	16,700	**194,705**
Accumulated depreciation	**(25,082)**	(22,583)	**(266,688)**
Total property and equipment	**55,068**	56,387	**585,518**
Other assets:			
Deferred tax assets—noncurrent (Note 10)	**300**	235	**3,190**
Intangibles and other assets (Note 7)	**737**	630	**7,836**
Total other assets	**1,037**	865	**11,026**
Total	**¥ 552,908**	¥ 582,405	**$ 5,878,873**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Short-term loans payable (Notes 3 and 8)	**¥ 60,600**	¥ 80,229	**$ 644,338**
Commercial paper (Notes 3 and 8)	**11,000**	15,000	**116,959**
Long-term debt due within one year (Notes 3 and 8)	**62,950**	10,218	**669,325**
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	**1,370**	4,629	**14,567**
Other	**162,932**	182,182	**1,732,398**
Accrued bonuses to employees	**1,892**	1,916	**20,117**
Income taxes payable	**2,972**	1,666	**31,600**
Other current liabilities	**18,247**	23,896	**194,014**
Total current liabilities	**321,963**	319,736	**3,423,318**
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3 and 8)	**100,625**	136,788	**1,069,910**
Employees' severance and retirement benefits (Note 9)	**220**	192	**2,339**
Deferred tax liabilities—noncurrent (Note 10)	**4,564**	4,986	**48,527**
Other noncurrent liabilities	**4,862**	4,746	**51,696**
Total noncurrent liabilities	**110,271**	146,712	**1,172,472**
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	**485,391**
Capital surplus	**5**	5	**53**
Retained earnings	**72,868**	69,979	**774,779**
Treasury stock, at cost: 4,421,912 shares in 2013 and 4,394,847 shares in 2012	**(1,435)**	(1,425)	**(15,258)**
Total shareholders' equity	**117,089**	114,210	**1,244,965**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	**2,667**	2,085	**28,357**
Unrealized gains on hedging derivatives, net of taxes	**120**	353	**1,276**
Land revaluation difference, net of taxes	**117**	150	**1,244**
Foreign currency translation adjustments	**(1,761)**	(3,168)	**(18,724)**
Total accumulated other comprehensive income	**1,143**	(580)	**12,153**
Minority interests	**2,442**	2,327	**25,965**
Total net assets	**120,674**	115,957	**1,283,083**
Total	**¥ 552,908**	¥ 582,405	**$ 5,878,873**

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales	**¥ 1,511,325**	¥ 1,564,251	**$16,069,378**
Cost of sales	**1,466,563**	1,517,904	**15,593,440**
Gross profit	**44,762**	46,347	**475,938**
Selling, general and administrative expenses	**32,271**	31,370	**343,126**
Operating income	**12,491**	14,977	**132,812**
Other income (expenses):			
Interest and dividend income	**1,342**	1,177	**14,269**
Interest expense	**(2,908)**	(3,044)	**(30,920)**
Foreign exchange gain (loss)	**(1,240)**	725	**(13,185)**
Loss on impairment of long-lived assets (Note 13)	**(256)**	—	**(2,722)**
Loss on sales of investment securities	**—**	(1,072)	**—**
Loss on valuation of investment securities	**(1,296)**	(3,599)	**(13,780)**
Loss on valuation of investments in capital	**(127)**	—	**(1,350)**
Loss on disposal of property and equipment (Note 14)	**(375)**	—	**(3,987)**
Other, net	**(813)**	(719)	**(8,644)**
Income before income taxes and minority interests	**6,818**	8,445	**72,493**
Income taxes (Note 10)**:**			
Current	**3,684**	1,893	**39,170**
Deferred	**(1,650)**	1,817	**(17,544)**
	2,034	3,710	**21,626**
Income before minority interests	**4,784**	4,735	**50,867**
Minority interests in income of consolidated subsidiaries	**(63)**	(102)	**(670)**
Net income	**4,721**	4,633	**50,197**
Minority interests in income of consolidated subsidiaries	**(63)**	(102)	**(670)**
Income before minority interests	**4,784**	4,735	**50,867**
Other comprehensive income (Note 15)**:**			
Valuation difference on available-for-sale securities, net of taxes	**582**	1,132	**6,188**
Deferred gains or losses on hedges, net of taxes	**(233)**	246	**(2,478)**
Land revaluation difference, net of taxes	**(33)**	333	**(351)**
Foreign currency translation adjustments	**1,500**	(232)	**15,949**
Total other comprehensive income	**1,816**	1,479	**19,308**
Comprehensive income	**6,600**	6,214	**70,175**
Comprehensive income attributable to:			
Owners of the parent	**6,444**	6,111	**68,517**
Minority interests	**156**	103	**1,658**

	Yen		U.S. dollars (Note 1)
	2013	2012	**2013**
Net income per share	**¥ 22.78**	¥ 22.35	**$ 0.242**
Cash dividends per share	**12.00**	12.00	**0.128**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2012

	Numbers of shares in thousands/ Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
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	**$ 485,391**
Balance at end of year	**¥ 45,651**	¥ 45,651	**$ 485,391**
Capital surplus			
Balance at beginning of year	**¥ 5**	¥ 5	**$ 53**
Balance at end of year	**¥ 5**	¥ 5	**$ 53**
Retained earnings			
Balance at beginning of year	**¥ 69,979**	¥ 67,608	**$ 744,062**
Cash dividends paid	**(2,073)**	(2,487)	**(22,042)**
Increase resulting from increase in consolidated subsidiaries	**241**	225	**2,562**
Net income	**4,721**	4,633	**50,197**
Balance at end of year	**¥ 72,868**	¥ 69,979	**$ 774,779**
Treasury stock, at cost			
Balance at beginning of year	**¥ (1,425)**	¥ (1,424)	**$ (15,152)**
Purchases of treasury stock	**(10)**	(2)	**(106)**
Disposal of treasury stock	**—**	1	**—**
Balance at end of year	**¥ (1,435)**	¥ (1,425)	**$ (15,258)**
Total shareholders' equity at end of year	**¥ 117,089**	¥ 114,210	**$ 1,244,965**
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes			
Balance at beginning of year	**¥ 2,085**	¥ 952	**$ 22,169**
Net changes of items other than shareholders' equity	**582**	1,133	**6,188**
Balance at end of year	**¥ 2,667**	¥ 2,085	**$ 28,357**
Unrealized gains on hedging derivatives, net of taxes			
Balance at beginning of year	**¥ 353**	¥ 107	**$ 3,754**
Net changes of items other than shareholders' equity	**(233)**	246	**(2,478)**
Balance at end of year	**¥ 120**	¥ 353	**$ 1,276**
Land revaluation difference, net of taxes			
Balance at beginning of year	**¥ 150**	¥ (183)	**$ 1,595**
Net changes of items other than shareholders' equity	**(33)**	333	**(351)**
Balance at end of year	**¥ 117**	¥ 150	**$ 1,244**
Foreign currency translation adjustments			
Balance at beginning of year	**¥ (3,168)**	¥ (2,935)	**$ (33,684)**
Net changes of items other than shareholders' equity	**1,407**	(233)	**14,960**
Balance at end of year	**¥ (1,761)**	¥ (3,168)	**$ (18,724)**
Total accumulated other comprehensive income at end of year	**¥ 1,143**	¥ (580)	**$ 12,153**
Minority interests			
Balance at beginning of year	**¥ 2,327**	¥ 678	**$ 24,742**
Net changes of items other than shareholders' equity	**115**	1,649	**1,223**
Balance at end of year	**¥ 2,442**	¥ 2,327	**$ 25,965**
Total net assets at end of year	**¥ 120,674**	¥ 115,957	**$ 1,283,083**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 6,818**	¥ 8,445	**$ 72,493**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities			
Depreciation	**3,305**	2,718	**35,141**
Loss on impairment of long-lived assets	**256**	—	**2,722**
Increase (decrease) in allowance for doubtful receivables	**472**	(467)	**5,019**
Interest and dividend income	**(1,342)**	(1,177)	**(14,269)**
Interest expense	**2,908**	3,044	**30,920**
Loss on sales of investment securities	**—**	1,072	**—**
Loss on valuation of investment securities	**1,296**	3,599	**13,780**
Loss on valuation of investments in capital	**127**	—	**1,350**
Loss on disposal of property and equipment	**375**	—	**3,987**
Decrease (increase) in trade receivables	**14,387**	(24,719)	**152,972**
Decrease (increase) in inventories	**18,094**	(7,522)	**192,387**
Increase (decrease) in trade notes and accounts payable	**(25,966)**	30,290	**(276,087)**
Other, net	**2,354**	(817)	**25,029**
Subtotal	**23,084**	14,466	**245,444**
Cash flows during the year for:			
Interest and dividends received	**1,351**	1,155	**14,365**
Interest paid	**(2,916)**	(2,997)	**(31,005)**
Income taxes paid	**(2,138)**	(654)	**(22,733)**
Net cash provided by operating activities	**19,381**	11,970	**206,071**
Cash flows from investing activities:			
Decrease in time deposits, net	**55**	141	**585**
Additions to property and equipment	**(4,028)**	(9,064)	**(42,828)**
Proceeds from sale of property and equipment	**924**	151	**9,824**
Additions to investment securities	**(2,831)**	(6,419)	**(30,101)**
Proceeds from sale and redemption of investment securities	**2,517**	4,347	**26,762**
Increase in short-term loans receivable, net	**(567)**	(631)	**(6,029)**
Additions to long-term loans receivable	**(8)**	(5)	**(85)**
Proceeds from long-term loans receivable	**36**	57	**383**
Other, net	**(1,205)**	(586)	**(12,812)**
Net cash used in investing activities	**(5,107)**	(12,009)	**(54,301)**
Cash flows from financing activities:			
Decrease in short-term loans payable, net	**(26,360)**	(2,515)	**(280,276)**
Decrease in commercial paper, net	**(4,000)**	(3,000)	**(42,530)**
Proceeds from long-term debt, issuance of bonds	**45,456**	21,705	**483,317**
Repayments of long-term debt, redemption of bonds	**(28,932)**	(11,711)	**(307,624)**
Payment of cash dividends	**(2,075)**	(2,490)	**(22,063)**
Cash dividends paid to minority interests in consolidated subsidiaries	**(41)**	(48)	**(436)**
Other, net	**(412)**	(345)	**(4,381)**
Net cash provided by (used in) financing activities	**(16,364)**	1,596	**(173,993)**
Effect of exchange rate changes on cash and cash equivalents	**1,428**	(173)	**15,184**
Net increase (decrease) in cash and cash equivalents	**(662)**	1,384	**(7,039)**
Cash and cash equivalents at beginning of year	**23,411**	20,586	**248,921**
Effect of change in scope of consolidation	**421**	1,441	**4,476**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**28**	—	**298**
Cash and cash equivalents at end of year	**¥ 23,198**	¥ 23,411	**$ 246,656**

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, 2013, which was ¥94.05 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 17 (16 in 2012) 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 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, 2013 and 2012.

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.

(Accounting Standards Not Yet Applied)

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits. (Please also refer to the ASBJ homepage, which has a summary in English of the accounting standard.)

1. Outline

   The accounting standard and guidance for retirement benefits were revised in view of improvements to financial reporting and international trends, with the focus mainly on (1) how to account for actuarial gains and losses and past service costs yet to be recognized as profit and loss, (2) how to determine retirement benefit obligations and service costs and (3) how to enhance disclosure.

2. Effective date

   The accounting standard and guidance are scheduled to go into effect on March 31, 2014. However, revisions to the determination of retirement benefit obligations and service costs are scheduled to go into effect on April 1, 2014.

3. Impact of the accounting standard and guidance's application

   The impact will be evaluated in the course of formulating the Company's consolidated financial statements going forward.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Following the revision of the Corporate Tax Law of Japan, the Company and its domestic consolidated subsidiaries began applying the depreciation method based on the revised Corporate Tax Law to property and equipment acquired since April 1, 2012. The impact on consolidated financial statements as a result of this change was minimal.

3. Financial instruments

At March 31, 2013 and 2012, 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 and commodity swap 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.

With regard to the contract balances of derivatives trading, trading department reports it to the supervising director of each department and to the Internal Audit Department. The Hedging Administration Office checks the balance confirmations from the contractors. And the Office reports them to the supervising director of each department and the internal Audit Department. At the same time, the Accounting Department checks the balance directly with the contractors. When 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, 2013 and 2012 were as follows:

March 31, 2013

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and cash equivalents	**¥ 23,198**	**¥ 23,198**	**¥ —**	**$ 246,656**	**$ 246,656**	**$ —**
(2) Trade notes and accounts receivable	**293,752**			**3,123,360**		
Allowance for doubtful receivables	**(788)**			**(8,379)**		
Net	**292,964**	**292,964**	**—**	**3,114,981**	**3,114,981**	**—**
(3) Investment securities						
a) Held-to-maturity debt securities	**5,007**	**5,041**	**34**	**53,237**	**53,599**	**362**
b) Available-for-sale securities	**19,941**	**19,941**	**—**	**212,026**	**212,026**	**—**
(4) Long-term loans receivable	**129**			**1,372**		
Allowance for doubtful receivables	**—**			**—**		
Net	**129**	**129**	**—**	**1,372**	**1,372**	**—**
Total assets	**¥ 341,239**	**¥ 341,273**	**¥ 34**	**$3,628,272**	**$3,628,634**	**$ 362**
(1) Short-term loans payable	**¥ 60,600**	**¥ 60,600**	**¥ —**	**$ 644,338**	**$ 644,338**	**$ —**
(2) Commercial paper	**11,000**	**11,000**	**—**	**116,959**	**116,959**	**—**
(3) Long-term debt due within one year	**62,950**	**62,971**	**(21)**	**669,325**	**669,548**	**(223)**
(4) Trade notes and accounts payable	**164,302**	**164,302**	**—**	**1,746,965**	**1,746,965**	**—**
(5) Long-term debt due after one year	**100,625**	**100,680**	**(55)**	**1,069,910**	**1,070,494**	**(585)**
Total liabilities	**¥ 399,477**	**¥ 399,553**	**¥ (76)**	**$4,247,497**	**$4,248,304**	**$ (808)**
Derivatives:						
To which hedge accounting is not applied	**¥ (2,813)**	**¥ (2,813)**	**¥ —**	**$ (29,910)**	**$ (29,910)**	**$ —**
To which hedge accounting is applied	**270**	**227**	**(43)**	**2,871**	**2,414**	**(457)**
Total derivatives	**¥ (2,543)**	**¥ (2,586)**	**¥ (43)**	**$ (27,039)**	**$ (27,496)**	**$ (457)**

March 31, 2012

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 23,411	¥ 23,411	¥ —
(2) Trade notes and accounts receivable	301,035		
Allowance for doubtful receivables	(835)		
Net	300,200	300,200	—
(3) Investment securities			
a) Held-to-maturity debt securities	5,008	5,063	55
b) Available-for-sale securities	19,702	19,702	—
(4) Long-term loans receivable	150		
Allowance for doubtful receivables	—		
Net	150	150	—
Total assets	¥ 348,471	¥ 348,526	¥ 55
(1) Short-term loans payable	¥ 80,229	¥ 80,229	¥ —
(2) Commercial paper	15,000	15,000	—
(3) Long-term debt due within one year	10,218	10,218	—
(4) Trade notes and accounts payable	186,811	186,811	—
(5) Long-term debt due after one year	136,788	136,818	(30)
Total liabilities	¥ 429,046	¥ 429,076	¥ (30)
Derivatives:			
To which hedge accounting is not applied	¥ (792)	¥ (792)	¥ —
To which hedge accounting is applied	591	518	(73)
Total derivatives	¥ (201)	¥ (274)	¥ (73)

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 whose fair values were hard to determine as of March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
	Book value	Book value	Book value
(a) Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 7,277**	¥ 5,680	**$ 77,374**
(b) Available-for-sale securities:			
Unlisted stocks	**¥ 3,300**	¥ 3,138	**$ 35,088**
Unlisted foreign stocks	**1,711**	1,394	**18,192**
Unlisted foreign convertible bond	**2,017**	1,763	**21,446**
Investment in limited partnerships	**64**	80	**681**
Total	**¥ 7,092**	¥ 6,375	**$ 75,407**

The maturities of receivables and securities with maturities outstanding at March 31, 2013 were as follows:

Year ending March 31	Millions of yen			
	2014	From 2015 to 2018	From 2019 to 2023	Thereafter
Cash and cash equivalents	¥ 23,198	¥ —	¥ —	¥ —
Trade notes and accounts receivable	293,752	—	—	—
Held-to-maturity debt securities	—	2,000	3,007	—
Available-for-sale securities with maturity dates	—	2,017	—	—
Long-term loans receivable	31	88	23	18
Total	¥ 316,981	¥ 4,105	¥ 3,030	¥ 18

	Thousands of U.S. dollars			
	2014	From 2015 to 2018	From 2019 to 2023	Thereafter
Cash and cash equivalents	$ 246,656	$ —	$ —	$ —
Trade notes and accounts receivable	3,123,360	—	—	—
Held-to-maturity debt securities	—	21,265	31,972	—
Available-for-sale securities with maturity dates	—	21,446	—	—
Long-term loans receivable	330	936	245	191
Total	$3,370,346	$ 43,647	$ 32,217	$ 191

4. Securities

(A) The following table summarizes book values and fair values of held-to-maturity debt securities as of March 31, 2013 and 2012:

March 31, 2013

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Corporate bonds with fair values exceeding book values:						
Corporate bonds	**¥ 3,007**	**¥ 3,050**	**¥ 43**	**$ 31,972**	**$ 32,429**	**$ 457**
Corporate bonds with fair values not exceeding book values:						
Corporate bonds	**¥ 2,000**	**¥ 1,991**	**¥ (9)**	**$ 21,265**	**$ 21,170**	**$ (95)**

March 31, 2012

	Millions of yen		
	Book value	Fair value	Difference
Corporate bonds	¥ 5,008	¥ 5,063	¥ 55

(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, 2013 and 2012:

March 31, 2013

	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	**¥ 4,907**	**¥ 11,636**	**¥ 6,729**	**$ 52,174**	**$ 123,722**	**$ 71,548**
Securities with book values not exceeding acquisition costs:						
Equity securities	**¥ 10,968**	**¥ 8,305**	**¥ (2,663)**	**$ 116,619**	**$ 88,304**	**$ (28,315)**

March 31, 2012

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 6,218	¥ 12,457	¥ 6,239
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 10,076	¥ 7,245	¥ (2,831)

(C) The loss resulting from the valuation of the listed securities in the year ended March 31, 2013 was ¥798 million ($8,485 thousand).

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2013 and 2012 for the derivatives to which hedge accounting has not been applied:

March 31, 2013
Currency related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:								
Selling								
U.S. dollars	**¥ 34,964**	**¥ —**	**¥ (1,258)**	**¥ (1,258)**	**$ 371,760**	**$ —**	**$ (13,376)**	**$ (13,376)**
Other currencies	**415**	**—**	**(3)**	**(3)**	**4,413**	**—**	**(32)**	**(32)**
Buying								
U.S. dollars	**9,503**	**329**	**131**	**131**	**101,042**	**3,498**	**1,393**	**1,393**
Other currencies	**5,069**	**—**	**(8)**	**(8)**	**53,897**	**—**	**(85)**	**(85)**
Currency swap agreements:								
Japanese yen received for U.S. dollars	**8,752**	**—**	**(1,610)**	**(1,610)**	**93,057**	**—**	**(17,119)**	**(17,119)**
Total				**¥ (2,748)**				**$ (29,219)**

Commodity related

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:								
Petroleum								
Selling	**¥ 5,294**	**¥ —**	**¥ (59)**	**¥ (59)**	**$ 56,289**	**$ —**	**$ (627)**	**$ (627)**
Buying	**3,061**	**—**	**7**	**7**	**32,547**	**—**	**74**	**74**
Non-ferrous metals								
Selling	**22,694**	**—**	**259**	**259**	**241,297**	**—**	**2,754**	**2,754**
Buying	**11,649**	**—**	**(276)**	**(276)**	**123,860**	**—**	**(2,935)**	**(2,935)**
Commodity swap agreements:								
Petroleum								
Selling	**217**	**—**	**(2)**	**(2)**	**2,307**	**—**	**(21)**	**(21)**
Buying	**1,478**	**—**	**6**	**6**	**15,715**	**—**	**64**	**64**
Total				**¥ (65)**				**$ (691)**

March 31, 2012
Currency related

	Millions of yen		
	Contract or notional amount	Fair value	Net recognized gain or loss
Foreign exchange forward contracts:			
Selling			
U.S. dollars	¥ 28,190	¥ (801)	¥ (801)
Other currencies	3,760	(21)	(21)
Buying			
U.S. dollars	9,637	119	119
Other currencies	3,625	9	9
Currency swap agreements:			
Japanese yen received for U.S. dollars	8,928	(127)	(127)
Total			¥ (821)

Commodity related

	Millions of yen		
	Contract or notional amount	Fair value	Net recognized gain or loss
Forwards:			
Petroleum			
Selling	¥ 2,168	¥ 53	¥ 53
Buying	1,618	66	66
Non-ferrous metals			
Selling	8,932	(147)	(147)
Buying	4,526	48	48
Commodity swap agreements:			
Petroleum			
Selling	1,299	17	17
Buying	2,021	(8)	(8)
Total			¥ 29

(B) The following tables summarize fair value information as of March 31, 2013 and 2012 for the derivatives to which hedge accounting has been applied:

March 31, 2013
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	**¥ 5,500**	**¥ 500**	**¥ (43)**	**$ 58,480**	**$ 5,316**	**$ (457)**

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	**¥ 20,721**	**¥ —**	**¥ 803**	**$ 220,319**	**$ —**	**$ 8,538**
Buying	**15,166**	**—**	**(533)**	**161,255**	**—**	**(5,667)**

March 31, 2012
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	¥ 5,000	¥ 5,000	¥ (73)

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:			
Non-ferrous metals			
Selling	¥ 22,894	¥ —	¥ 1,388
Buying	14,594	—	(797)

6. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Merchandise and finished products	**¥ 91,920**	¥ 105,803	**$ 977,352**
Work-in-process	**132**	169	**1,403**
Raw materials and supplies	**4,558**	4,937	**48,464**
Total	**¥ 96,610**	¥ 110,909	**$1,027,219**

The provisions made or reversed in the year were determined after considering the realizable value of the inventories due to the decline in profitability. Such provisions recognized in the profit and loss were net gain of ¥242 million (gain of $2,573 thousand) and a net loss of ¥1,050 million for the year ended March 31, 2013 and 2012, respectively.

7. Pledged assets

At March 31, 2013 and 2012, assets were pledged as collateral for short-term loans payable in the amount of ¥800 million ($8,506 thousand) and ¥1,721 million, respectively, and for guaranty deposits as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
For short-term loans payable:			
Buildings and structures, net of accumulated depreciation	**¥ —**	¥ 918	**$ —**
Land	**—**	635	**—**
Intangibles	**—**	109	**—**
Investment securities	**60**	65	**638**
Total	**¥ 60**	¥ 1,727	**$ 638**
For guaranty deposits:			
Other current assets	**¥ 13**	¥ 13	**$ 138**
Investment securities	**1,260**	1,150	**13,397**
Total	**¥ 1,273**	¥ 1,163	**$ 13,535**

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

The weighted average interest rates applicable to short-term loans outstanding at March 31, 2013 and 2012 were 1.28% and 1.18%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing currency. There was an outstanding balance of ¥60,600 million ($644,338 thousand) and ¥80,229 million at March 31, 2013 and 2012, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥11,000 million ($116,959 thousand) and ¥15,000 million at March 31, 2013 and 2012, respectively.

Bonds at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Issued in 2009, 1.03% unsecured straight bonds, due 2012	**¥ —**	¥ 20	**$ —**
Issued in 2009, 0.91% unsecured straight bonds, due 2012	**—**	15	**—**
Issued in 2009, 1.34% unsecured straight bonds, due 2014	**50**	50	**533**
Issued in 2010, 0.79% unsecured straight bonds, due 2013	**10,000**	10,000	**106,326**
Issued in 2011, 0.56% unsecured straight bonds, due 2014	**10,000**	10,000	**106,326**
Issued in 2012, 0.54% unsecured straight bonds, due 2015	**10,000**	—	**106,326**
Total	**¥ 30,050**	¥ 20,085	**$ 319,511**

Long-term loans payable at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans from banks with weighted average interest rates of 1.02% and 0.99% at March 31, 2013 and 2012, respectively, maturing serially through 2018	**¥ 133,525**	¥ 126,921	**$1,419,724**
Less amounts due within one year	**52,900**	10,183	**562,466**
	¥ 80,625	¥ 116,738	**$ 857,258**

The interest rates represent weighted average rates regardless of borrowing currencies, though the range of the interest rates varies by borrowing currencies.

The annual maturities of long-term debt outstanding at March 31, 2013 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 52,900	$ 562,466
2015	20,855	221,744
2016	16,120	171,399
2017	8,850	94,099
2018	34,800	370,016
Thereafter	—	—
Total	¥ 133,525	$1,419,724

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, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥ 28,073**	¥ 27,663	**$ 298,490**
Less fair value of pension assets	**(22,395)**	(21,208)	**(238,118)**
Unrecognized actuarial differences	**(10,317)**	(11,875)	**(109,697)**
Unrecognized prior service costs	**(464)**	(545)	**(4,934)**
Prepaid pension costs	**5,323**	6,157	**56,598**
Liability for severance and retirement benefits	**¥ 220**	¥ 192	**$ 2,339**

Included in the consolidated statements of income and comprehensive income for the years ended March 31, 2013 and 2012, severance and retirement benefits expenses comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs - benefits earned during the year	**¥ 1,215**	¥ 1,009	**$ 12,919**
Interest costs on projected benefit obligation	**374**	323	**3,977**
Expected return on plan assets	**(631)**	(641)	**(6,709)**
Amortization of actuarial differences	**1,271**	925	**13,514**
Amortization of prior service costs	**81**	81	**861**
Additional retirement benefits	**2**	1	**21**
Severance and retirement benefit expenses	**¥ 2,312**	¥ 1,698	**$ 24,583**

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, 2013 and 2012 were as follows:

	2013	2012
Discount rate	**1.4%**	1.4%
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 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

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, 2013 and 2012.

	2013	2012
Statutory tax rate	**38.0%**	40.7%
Tax effect of permanent differences	**1.1**	2.8
Valuation allowance recognized for deferred tax assets	**(13.0)**	0.3
Difference in tax rates for consolidated subsidiaries	**(1.2)**	(1.0)
Other	**4.9**	1.1
Effective tax rate	**29.8%**	43.9%

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	**¥ 13,170**	¥ 13,190	**$ 140,032**
Loss on impairment of long-lived assets	**2,281**	2,277	**24,253**
Loss on sale-repurchase agreements of land	**1,506**	1,506	**16,013**
Land revaluation difference, net of taxes unrealized loss	**1,460**	1,460	**15,524**
Loss on valuation of stocks of subsidiaries and affiliates	**779**	691	**8,283**
Accrued bonuses to employees	**719**	729	**7,645**
Other	**4,640**	3,612	**49,335**
Total deferred tax assets	**24,555**	23,465	**261,085**
Valuation allowance	**(19,727)**	(20,456)	**(209,750)**
Net deferred tax assets	**4,828**	3,009	**51,335**
Deferred tax liabilities:			
Land revaluation difference, net of taxes unrealized gain	**2,385**	2,351	**25,359**
Prepaid pension costs	**2,000**	2,306	**21,265**
Other	**2,542**	1,906	**27,028**
Total deferred tax liabilities	**6,927**	6,563	**73,652**
Net deferred tax liabilities	**¥ (2,099)**	¥ (3,554)	**$ (22,317)**

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2013 and 2012, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets: Deferred tax assets	**¥ 2,165**	¥ 1,197	**$ 23,020**
Other assets: Deferred tax assets	**300**	235	**3,190**
Current liabilities: Deferred tax liabilities	**—**	—	**—**
Noncurrent liabilities: Deferred tax liabilities	**4,564**	4,986	**48,527**

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 27, 2013, the shareholders approved cash dividends of ¥8 per share ($0.09) amounting to ¥1,658 million ($17,629 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2013. 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, 2013, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,912 million ($20,330 thousand).

12. Contingent liabilities

At March 31, 2013 and 2012, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
As endorsers of export letters of credit and notes discounted	**¥ 5,469**	¥ 6,058	**$ 58,150**
As guarantors of indebtedness	**4,952**	4,065	**52,653**

13. Loss on impairment of long-lived assets

Due to the relocating of the Osaka Head Office, the Companies reduced the book value of long-lived assets that were impaired to the memorandum values.

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

As a result of this procedure, a loss on impairment of long-lived assets of ¥256 million ($2,722 thousand) for the year ended March 31, 2013 was recognized in other expense in the consolidated statements of income and comprehensive income.

		Millions of yen			Thousands of U.S. dollars
Location	Description	Building and Structure	Other	Total	Total
Chuo, Osaka	Idle assets	**¥ 252**	**¥ 4**	**¥ 256**	**$ 2,722**
Total		**¥ 252**	**¥ 4**	**¥ 256**	**$ 2,722**

14. Loss on disposal of property and equipment

Year Ended March 31, 2013

Loss on disposal of property and equipment for year ended March 31, 2013 was ¥375 million ($3,987 thousand). The loss consists of estimated expense for demolition of the former Osaka Head Office.

15. Other comprehensive income

Years ended March 31, 2013 and 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
	2013	2012	**2013**
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	**¥ 101**	¥ (2,448)	**$ 1,074**
Reclassification adjustments	**799**	4,259	**8,495**
Sub-total, before tax	**900**	1,811	**9,569**
Tax expense (benefit)	**318**	679	**3,381**
Sub-total, net of tax	**582**	1,132	**6,188**
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	**(1,345)**	913	**(14,301)**
Reclassification adjustments	**966**	(524)	**10,271**
Sub-total, before tax	**(379)**	389	**(4,030)**
Tax expense (benefit)	**(146)**	143	**(1,552)**
Sub-total, net of tax	**(233)**	246	**(2,478)**
Land revaluation difference, net of taxes:			
Increase (decrease) during the year	**—**	—	**—**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**—**	—	**—**
Tax expense (benefit)	**33**	(333)	**351**
Sub-total, net of tax	**(33)**	333	**(351)**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**1,500**	(232)	**15,949**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**1,500**	(232)	**15,949**
Tax expense (benefit)	**—**	—	**—**
Sub-total, net of tax	**1,500**	(232)	**15,949**
Total other comprehensive income	**¥ 1,816**	¥ 1,479	**$ 19,308**

16. 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 ¥341 million ($3,626 thousand) and ¥324 million for the years ended March 31, 2013 and 2012, 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, 2013

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
¥ 8,322	**¥ 660**	**¥ 7,662**	**¥ 6,864**	**$ 88,485**	**$ 7,018**	**$ 81,467**	**$ 72,982**

Year ended March 31, 2012

Millions of yen			
Book value			
Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 8,664	¥ 342	¥ 8,322	¥ 7,743

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."

17. 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: Seafoods

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, 2013 was as follows:

Year ended March 31, 2013

	Millions of yen									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 701,500	¥ 91,898	¥ 71,516	¥ 83,098	¥ 438,111	¥ 1,386,123	¥ 125,202	¥ 1,511,325	¥ —	¥ 1,511,325
Intersegment	16,671	2,868	1,758	703	6,169	28,169	42,292	70,461	(70,461)	—
Total	¥ 718,171	¥ 94,766	¥ 73,274	¥ 83,801	¥ 444,280	¥ 1,414,292	¥ 167,494	¥ 1,581,786	¥ (70,461)	¥ 1,511,325
Segment income	¥ 9,599	¥ 320	¥ 686	¥ 747	¥ 1,674	¥ 13,026	¥ 1,223	¥ 14,249	¥ (5,378)	¥ 8,871
Assets	¥ 289,773	¥ 48,920	¥ 19,305	¥ 30,669	¥ 68,870	¥ 457,537	¥ 52,495	¥ 510,032	¥ 42,876	¥ 552,908
Depreciation	2,238	167	36	30	90	2,561	676	3,237	68	3,305
Interest income	209	102	1	0	135	447	78	525	252	777
Interest expense	1,769	533	156	158	406	3,022	495	3,517	(609)	2,908
Increase in property and equipment	2,389	35	29	45	51	2,549	708	3,257	64	3,321

Year ended March 31, 2013

	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	$ 7,458,799	$ 977,119	$ 760,404	$ 883,551	$4,658,277	$14,738,150	$ 1,331,228	$ 16,069,378	$ —	$16,069,378
Intersegment	177,257	30,494	18,692	7,475	65,593	299,511	449,676	749,187	(749,187)	—
Total	$ 7,636,056	$ 1,007,613	$ 779,096	$ 891,026	$4,723,870	$15,037,661	$ 1,780,904	$ 16,818,565	$ (749,187)	$16,069,378
Segment income	$ 102,063	$ 3,402	$ 7,294	$ 7,943	$ 17,799	$ 138,501	$ 13,004	$ 151,505	$ (57,183)	$ 94,322
Assets	$ 3,081,053	$ 520,149	$ 205,263	$ 326,092	$ 732,270	$ 4,864,827	$ 558,161	$ 5,422,988	$ 455,885	$ 5,878,873
Depreciation	23,796	1,776	383	318	957	27,230	7,188	34,418	723	35,141
Interest income	2,222	1,085	11	0	1,435	4,753	829	5,582	2,680	8,262
Interest expense	18,809	5,667	1,659	1,680	4,317	32,132	5,263	37,395	(6,475)	30,920
Increase in property and equipment	25,402	372	308	479	542	27,103	7,528	34,631	680	35,311

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 ¥5,378 million (negative $57,183 thousand) for segment income include intersegment elimination and Group costs that have not been allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥42,876 million ($455,885 thousand) include Group assets that have not been allocated 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 ¥68 million ($723 thousand) include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥252 million ($2,680 thousand) and negative ¥609 million (negative $6,475 thousand) include intersegment elimination, revenue and expense that have not been allocated to reportable segments.
   (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥64 million ($680 thousand) are increases in Group assets.

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

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

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2013 and 2012 were as follows:

Year ended March 31, 2013

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**¥ 707,044**	**¥ 101,525**	**¥ 105,131**	**¥ 90,023**	**¥ 451,031**	**¥ 56,571**	**¥ 1,511,325**

Year ended March 31, 2013

	Thousands of U.S. dollars						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**$ 7,517,746**	**$ 1,079,479**	**$ 1,117,820**	**$ 957,183**	**$ 4,795,651**	**$ 601,499**	**$16,069,378**

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

Geographic information

Net sales in different countries for the years ended March 31, 2013 and 2012 were as follows:

Year ended March 31, 2013

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	**¥ 1,133,080**	**¥ 326,898**	**¥ 51,347**	**¥ 1,511,325**

Year ended March 31, 2013

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Net sales to external customers	**$12,047,634**	**$ 3,475,790**	**$ 545,954**	**$16,069,378**

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

Loss on impairment of long-lived assets in reportable segment

Year ended March 31, 2013

Loss on impairment of long-lived assets that has not been allocated to reportable segments for year ended March 31, 2013 was ¥256 million ($2,722 thousand).

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, 2013 and 2012, 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.

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, 2013 and 2012, 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, 2013 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.

July 31, 2013
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
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
OKINAWA	Mitsui Life Insurance Naha Bldg., 2-4-16, Kume, Naha, Okinawa 900-0033, Japan	81-98-860-9115	81-98-861-5516

Overseas Offices

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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	2925 Briarpark Drive, Suite 100, 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 502, 1001 West Broadway Vancouver, B.C., V6H 4B1, Canada	1-604-876-1175	1-604-876-1085
MEXICO CITY	Hamburgo No.206, Interior 101, Colonia. Juarez, C.P. 06600, Mexico D.F., Mexico	52-55-5525-9934	52-55-5533-2774
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.602-603, 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 300452, 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	Jinlong Road Ganzhou Development Zone, Ganzhou City, Jiangxi 341000, 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 523339, P.R. China	86-769-8182-1000	86-769-8182-1001
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
MYANMAR	No. (22/24), Room (5-B), Nawaratt Condominium, Samone Street, Dagon Township, Yangon, Myanmar	95-1377-753	
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
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	Midplaza 1 Building, 16th Floor, Jl. Jend. Sudirman Kav, 10-11 Jakarta 10220, Indonesia	62-21-5785-3033	62-21-5785-3045
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	91-44-33539100	91-44-33539104
ISTANBUL	Levent Loft Residence, Buyukdere CD, No. 201 A Blok K.4, D.76 34394 Sisli, Istanbul, Turkey	90-212-325-0046	90-212-325-0051
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	15 th Floor, Al Nema Tower, Jaber Al Mubarak St., Block No.4 Plot No.2, 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, Johannesburg 2196, South Africa	27-11-881-5966	27-11-881-5611

Corporate Information (As of March 31, 2013)

Corporate Data

Company Name	Hanwa Co., Ltd.
Established	April 1947
Capital	¥45,651 million
Number of Employees	Consolidated: 2,208 Non-consolidated: 1,158
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

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	13,073

Board of Directors, Executive Officers and Corporate Auditors (As of June 27, 2013)

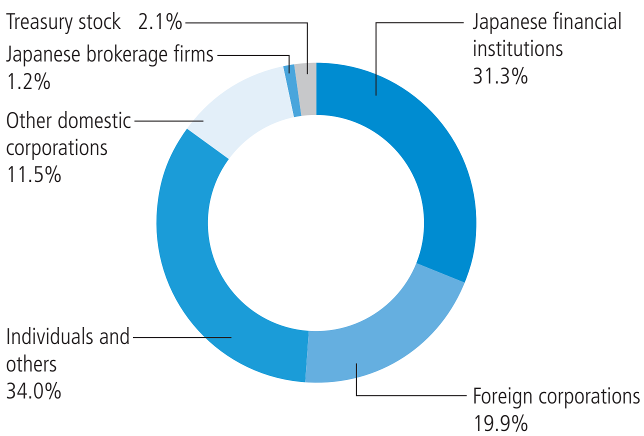
Chairman	Shuji Kita
President	Hironari Furukawa
Director, Executive Vice President	Tetsuro Akimoto
Directors, Senior Managing Executive Officers	Hideo Kawanishi Yoshifumi Nishi Hiroshi Serizawa Hiroshi Ebihara Akihiko Ogasawara
Directors, Managing Executive Officers	Atsuhiro Moriguchi Tadahiko Kaida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

Principal Shareholders

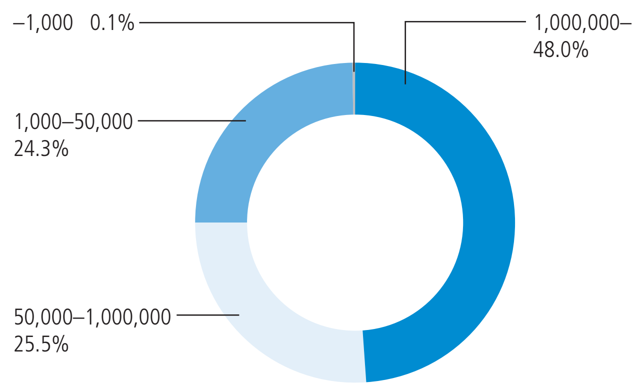
Name of Shareholder	Number of Shares (thousands)	Percentage of Total Issued Share (%)
Japan Trustee Services Bank, Ltd (Trust Account)	**14,158**	**6.8**
The Master Trust Bank of Japan, Ltd (Trust Account)	**9,138**	**4.4**
Sumitomo Mitsui Banking Corporation	**7,630**	**3.7**
Hanwa Clients' Stock Investment Association	**6,775**	**3.3**
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	**5,664**	**2.7**
Japan Trustee Services Bank, Ltd (Trust Account 9)	**5,053**	**2.4**
Hanwa Employees' Stock Investment Association	**4,985**	**2.4**
Nippon Steel & Sumitomo Metal Corporation	**3,001**	**1.4**
The Dai-ichi Mutual Life Insurance Company	**2,614**	**1.3**
Trust & Custody Services Bank, Ltd. (Pension Trust Account)	**2,600**	**1.3**

Note: The Company holds 4,421,912 shares of treasury stock, which is excluded from the major shareholders listed above.

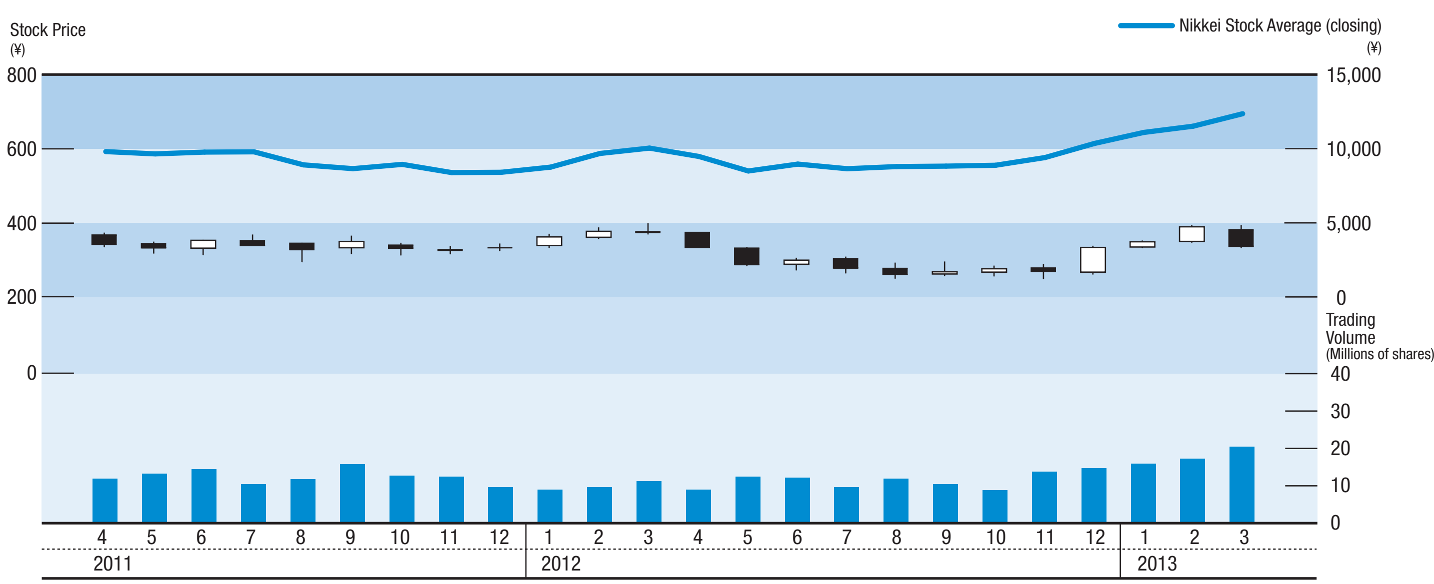
Breakdown by Type of Shareholder



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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