HANWA CO., LTD.
阪和興業株式会社

Annual Report 2014

2014

Year ended March 31, 2014

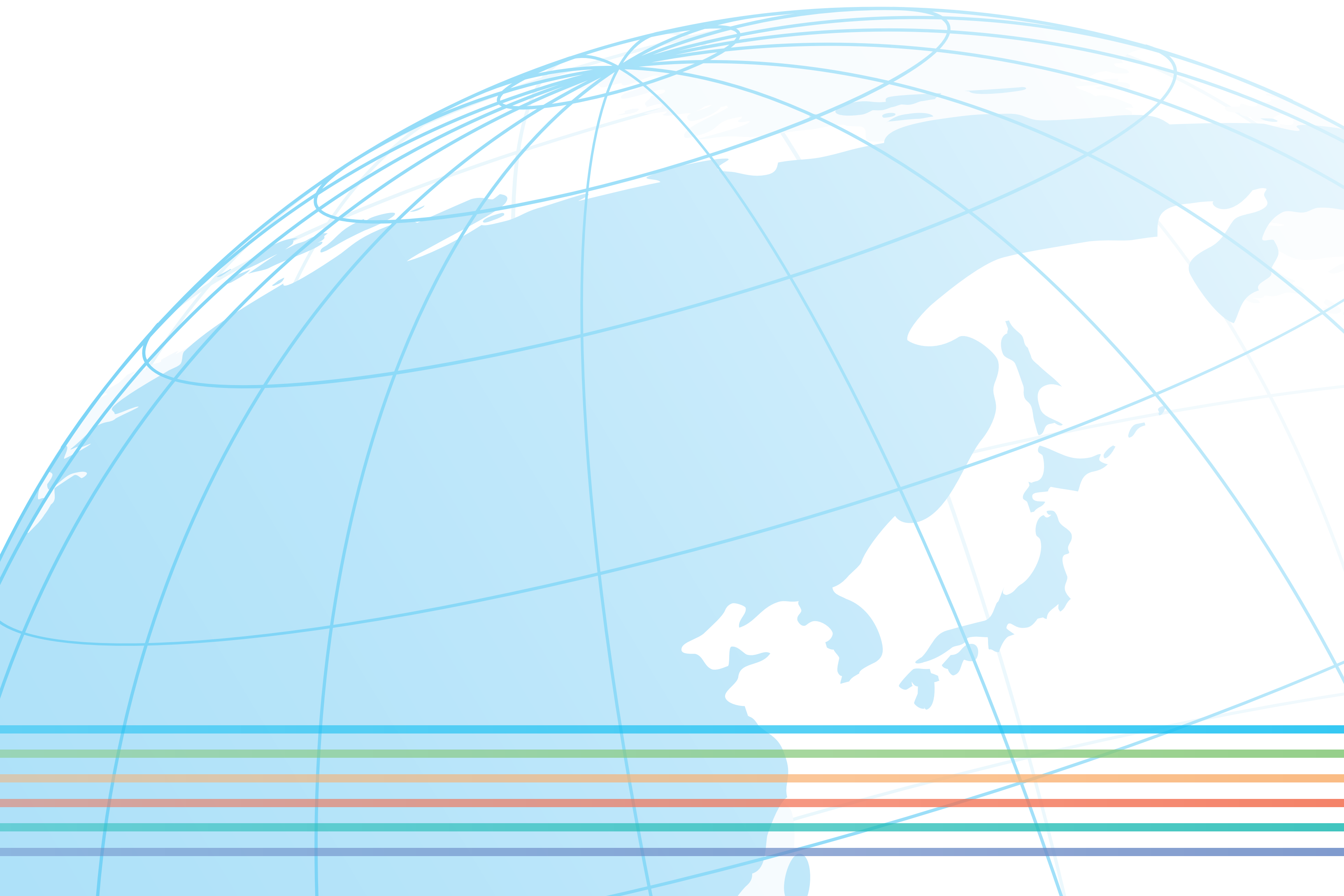
Coping with changing times and markets quickly, we make a great contribution to society by satisfying various needs of customers as a "distribution specialist"

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 65 years.

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.



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.

To Our Stakeholders

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 focused our operations on the mission of serving our customers as “distribution specialists.” Each year, we have used our specialized expertise and an extensive service network to meet customer 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, and from which they can receive outstanding products and services.

During the fiscal year ended March 31, 2014, economic conditions turned upward both in Japan and abroad, especially among developed countries. Hanwa introduced its new medium-term business plan, which has been achieving solid progress overall. We recorded significantly higher profit on much larger revenue compared with the previous fiscal year. We intend to continue to ensure that our plan is carried out steadily, while monitoring carefully any signs of change in the domestic and international markets in the long term and accurately meeting demand in all business areas. We also aim to further bolster our business foundation and management bases, as we help business partners prosper.

The sincere advice and support of all stakeholders forms the basis of all our activities. We place great value on each 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 unique to Hanwa, while serving as a trading company known for outstanding footwork.

Shuji Kita
Chairman

Hironari Furukawa
President

Contents

Business Model

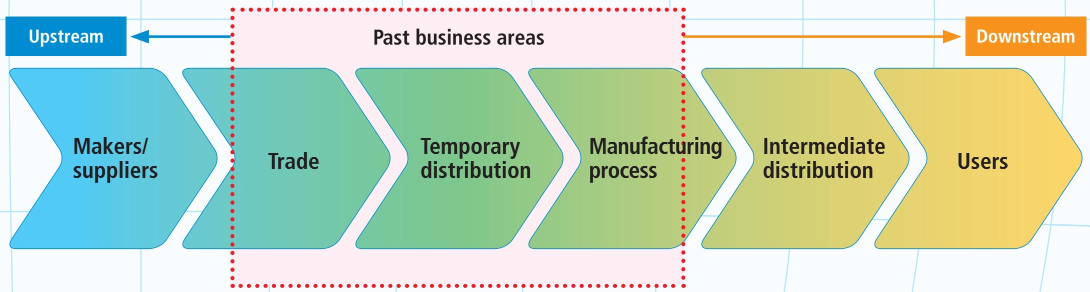
Distribution Specialist

"Customers first" is Hanwa's core business policy. Our business calls for growing with our customers.

Since its inception in 1947, Hanwa has continuously pursued growth in its corporate value. The Group has achieved steady growth in its core steel business as well as metals and alloys, non-ferrous metals, food products, petroleum and chemicals, lumber, machinery and other business.

Hanwa aims to be a different type of trading company, using a vertically aligned organization to earn profits by serving as an intermediary for business transactions and investing mainly to boost relationships that generate such profits. We are dedicated to putting our customers first and prospering together with them. This is why we use horizontal collaboration that goes far beyond conventional vertical organizational structures. Using this approach produces ideas and improvements that originate from strong partnerships between Hanwa and its customers. Only this type of trading firm can function as a "true trading company" that performs a valuable role in society.

To further solidify its relationships, Hanwa follows a business model innovation based on three strategic concepts in the activities of all segments: (1) always stay close to the viewpoint of users, (2) diversify business activities, and (3) manage activities for the Group as a whole. Targeting efficiency and optimization across the value chain, extending from manufacturers and other suppliers to users, we are diversifying the Group's business domains within the supply chain to achieve the greatest possible user satisfaction.



Three Strengths

Footwork

The footwork required to act with speed and agility

Hanwa firmly believes in positioning markets at the center of its operations. Front-line activities are a source of information and lessons that are available nowhere else. Speed and agility are vital to being in the right place at the right time to gather this knowledge. Recognizing the importance of spending time in the field, Hanwa business professionals use swift footwork to move from one location to another. This constant focus on the essence of business activities allows Hanwa to supply customers with solutions of the highest caliber.

Network

The foundation for skills in information and sales

Hanwa has a powerful network that spans the globe. In Japan, Hanwa offices and distribution centers work closely together to serve customers. Overseas, we have an extensive network of offices and subsidiaries, particularly in Asia. Skills in information and sales that originate from this network are a critical component of our business operations. With these capabilities, we can meet the expectations of every customer as "distribution specialists."

Teamwork

A cohesive organization that thrives on teamwork

Conventional general trading companies operate by making each business a largely autonomous unit. Hanwa's operations go beyond this vertical structure. Our business operations benefit from powerful teamwork among all departments and people in our organization. All available resources are used to meet our customers' needs. Teamwork has one more important benefit: the ability to build mutually beneficial ("win-win") relationships by creating the best possible partnership with each customer.

Developing Globally While Expanding and Deepening Business Fields

Hanwa has built a solid position in the market as a trading company handling a board range of products, including steel, metals and alloys, non-ferrous metals, food products, petroleum and chemicals, lumber, machinery and many other items. As a "trading company that makes a difference," we are expanding our business fields in accordance with the changing times and society to satisfy customers' diverse requirements.

Steel

Dedicated to meeting the needs of customers in a broad spectrum of industries, the Steel Division handles everything from steel plates, sheets and bars to construction materials.

Metals and Alloys

Metals and alloys Division fulfills an important social responsibility as a supplier of many metals resources such as chromium, manganese, silicon ore and ferroalloys of primary products.

Non-Ferrous Metals

One of the first companies to recycle aluminum, copper, nickel and chromium, Hanwa is at the forefront of effective resource recycling.

Food Products

Handling prawns, crab and other seafood, and enjoying the top market shares in several product categories, we bring fine food products from around the world to tables throughout Japan.

Petroleum and Chemicals

As a trader in petroleum products, chemical products and paper materials, we cultivate durable relationships with customers by providing accurate information and responding swiftly to market needs.

Other Business

This segment mainly comprises the Lumber and Plywood Division, which imports quality forest products around the world, and the Machinery Division, which handles a variety of amusement facilities and industrial machinery.

Number of Overseas Bases
44

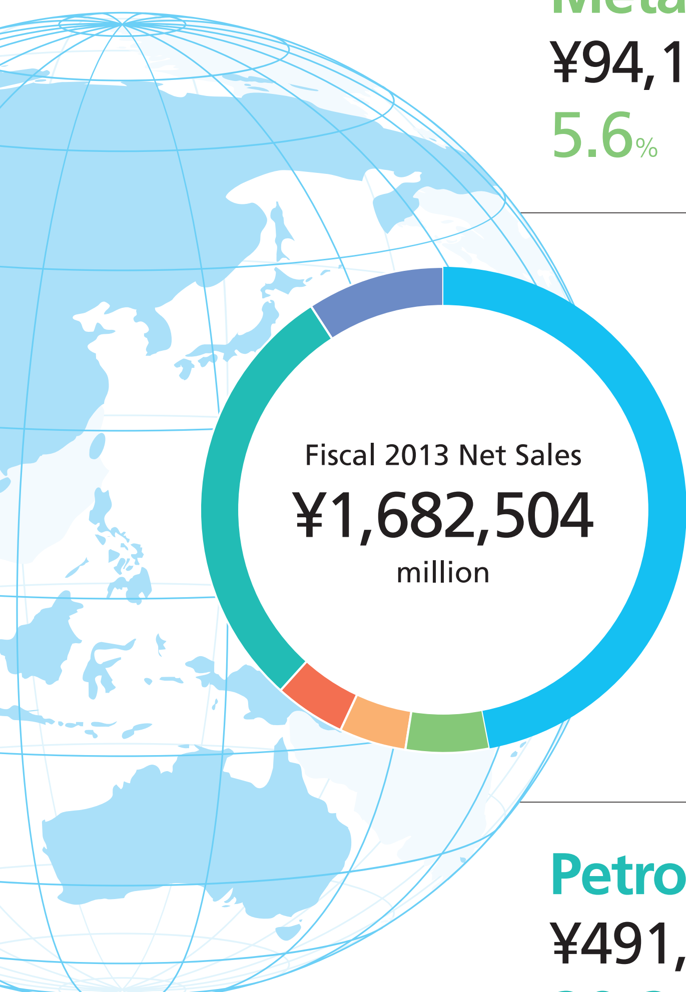
Number of Overseas Processing Plants
24

Number of Subsidiaries and Associated Companies
26

Number of Employees (consolidated)
2,610

At a Glance

Net Sales and Net Sales Composition by Segment



Steel

¥792,155 million

47.1%

Metals and Alloys

¥94,129 million

5.6%

Non-Ferrous Metals

¥75,947 million

4.5%

Food Products

¥77,347 million

4.6%

Petroleum and Chemicals

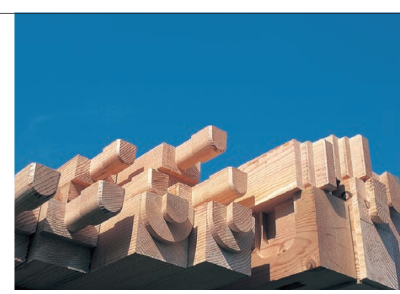
¥491,288 million

29.2%

Other business

¥151,638 million

9.0%



Principal Items

Steel Bars
Steel bars of various shapes, screw-type reinforcement steels, steel pipe piles, H-beam, flat bars, square steel, light gauge sections, cement, various construction works

Steel Sheets
Steel plates, hot-rolled steel sheets, cold-rolled steel sheets, surface-treated steel sheets, electrical steel sheets

Special steels and others
Special steels, cast steels, stainless steels, steel wires, steel pipes, ferrous raw material

Nickel, chromium, ferro-alloys, stainless steel scrap, titanium scrap, silicon, solar cell materials

Copper, aluminum, zinc, lead

Prawns and shrimp, crab, salmon, herring roe, horse mackerel, mackerel, Capelin, octopus, eel, herring, flounder, Matsubara's red rockfish, fish paste, processed goods

Petroleum products in general, marine oil, petrochemicals, synthetic resin, paper products

Lumber and Plywood
Structural lumber for housing, various plywood

Machinery
Various amusement facilities, steel-related industrial machinery, environment-related machinery

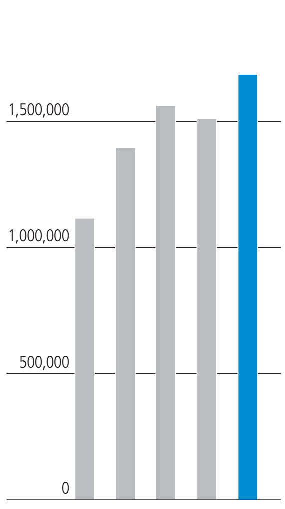
Other
Environment-related business

Consolidated Financial Highlights

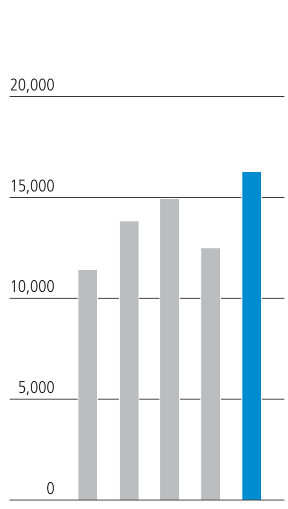
	Millions of yen, except for number of employees		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
For the year:			
Net sales	**¥1,682,504**	¥ 1,511,325	**$16,347,688**
Operating income	**16,253**	12,491	**157,919**
Net income	**7,897**	4,721	**76,729**
Comprehensive income	**14,648**	6,600	**142,324**
At year-end:			
Cash and cash equivalents	**¥ 15,920**	¥ 23,198	**$ 154,683**
Total assets	**593,352**	552,908	**5,765,177**
Total net assets	**125,362**	120,674	**1,218,053**
Number of employees	**2,610**	2,208	
	Yen		U.S. dollars (Note 1)
Per share data:			
Net income	**¥ 38.11**	¥ 22.78	**$ 0.370**
Cash dividends	**12.00**	12.00	**0.117**
Net assets	**591.68**	570.50	**5.749**
	%		
Key financial ratios:			
Return on assets (ROA)	**1.4**	0.8	
Return on equity (ROE)	**6.6**	4.1	
Net debt/equity ratio (Note 2)	**190**	180	

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥102.92=$1.00.
2. Net debt/equity ratio = Net interest-bearing debt/equity.
Net interest-bearing debt = Interest-bearing debt – cash.

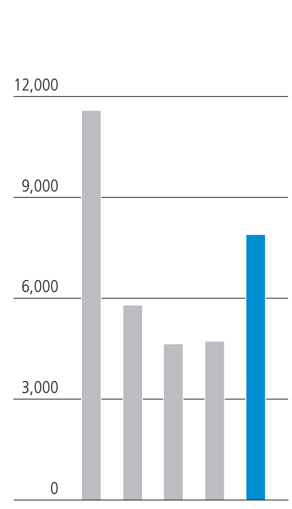
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Looking at the present and the future of the Hanwa Group

"We aim to enhance Hanwa's corporate value and achieve sustainable growth by ensuring that the Medium-term Business Plan is carried out in a steady manner."

Hironari Furukawa, *President*

Q1 Please share your opinion about the economic environment of the fiscal year ended March 31, 2014.

During the fiscal year under review, the U.S. economy saw a general improvement after the Obama administration and the Congress managed to avert the debt ceiling problem, while Europe saw the sovereign debt crisis contained within the troubled countries. On the other hand, China was unable to implement effective stimulus measures to shore up the economy due to fiscal constraints and the other emerging countries, which had enjoyed strong growth on the back of a large inflow of speculative funds, saw their economies slow due to capital flight in anticipation of the tapering of quantitative easing by the U.S. Federal Reserve. Overall, the outlook of the global economy was mixed.

In Japan, Prime Minister Shinzo Abe implemented a policy package (“Abenomics”) designed to lift the country out of decade-long deflation, and the Bank of Japan introduced aggressive monetary easing policies. After these moves helped the equity market to gain ground and the yen to depreciate against the U.S. dollar, consumer spending and capital expenditure also turned upward. Public works spending and investment in private-sector construction also began a full-fledged recovery, while last-minute buying before the consumption tax hike on April 1, 2014 also pushed up demand. The Japanese economy was brisk overall, despite some problems, including the rising costs of raw materials and energy due to yen depreciation against the dollar, the resulting worsening of Japan’s trade balance, and an acute shortage of labor in many parts of the nation due to a sharp increase in construction investment.

Q2 Please summarize operating results of the fiscal year ended March 31, 2014.

In these circumstances, the Group posted consolidated net sales of ¥1,682,504 million for the consolidated fiscal year ended March 31, 2014, representing a year-on-year increase of 11.3%, due mainly to higher net sales in the steel business and the petroleum and chemicals business. Operating income jumped 30.1%, to ¥16,253 million, reflecting an improvement in the profitability of stock items due mainly to recovery in the steel market from the second quarter of the fiscal year under review. Net income also climbed to ¥7,897 million, representing a 67.3% increase, due mainly to a drop in other expenses.

Q3 What is your outlook for the fiscal year ending March 31, 2015?

The U.S. economy is recovering, albeit at a moderate pace, and the European economy seems to be about to turn upward, as uncertainty over the sovereign debt crisis has faded. In China, although there are some lingering concerns about the consequences of measures introduced to prevent a property bubble, we expect the Chinese economy, controlled by the central government, to continue to achieve moderate growth. In contrast, other emerging economies are likely to remain weak, affected by the changes in the conditions of the global financial sector.

Although Abenomics and the Bank of Japan's aggressive monetary easing are expected to continue to have a positive impact on the Japanese economy, there is concern with regard to a sharp decline in demand, especially for consumer goods, in reaction to the last-minute buying before the consumption tax was raised on April 1. On the other hand, the construction sector is likely to report a strong performance, thanks to increasing infrastructure projects, including reconstruction efforts following the Great East Japan Earthquake, buoyant construction investment activities in the private sector, and ripple effects from Tokyo's hosting the Summer Olympic Games in 2020.

Based on the factors described above, in terms of consolidated operating results for the next fiscal year, we expect net sales of ¥1,750 billion (up 4.0% compared with the previous year), operating income of ¥19.8 billion (up 21.8%), and net income of ¥10.6 billion (up 34.2%).

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

The Hanwa Group formulated its Medium-term Business Plan for the period between April 2013 and March 2016. Under the theme of establishing thriving businesses and reinforcing the base of operations that envisage medium and long-term changes in markets in Japan and overseas, we have set targets of ¥1,800 billion in consolidated net sales and ¥15 billion in ordinary income for the fiscal year ending March 31, 2016. The basic concept for each segment is to ensure that user perspectives are accurately reflected, diversify corporate activities, and promote a type of management that brings group companies together. Within the value chain involving manufacturers, suppliers and users, we aim to maximize user satisfaction, while improving efficiency and optimizing the entire value chain.

Q5 Please add some additional comments for shareholders and investors.

The Hanwa Group intends to enhance the corporate value of the entire Group, achieve sustainable corporate growth, and further raise customer satisfaction, while contributing to society, by continuing to steadily implement its business strategies.

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

Steel (Domestic)

Fiscal 2013 Results

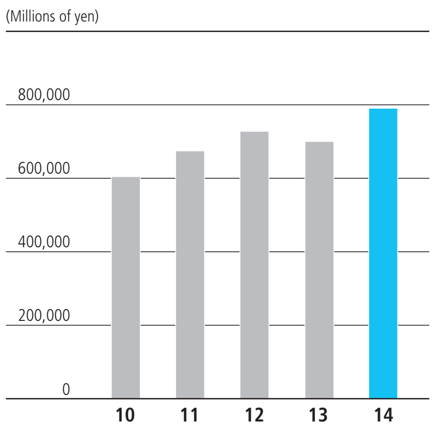
In fiscal 2013, domestic demand for steel products showed a full-fledged recovery trend due to factors such as the revitalization of capital investment, an increase in private as well as public investment in construction, and higher earnings in the manufacturing industry. On the other hand, a labor shortage and logistic scarcity caused by the rapid rise of investment in the construction sector exposed lagging steel consumption. However, economic development was favorable throughout the year.

Although the steel product market moved sluggishly in the first quarter because of the backlash from the upturn experienced in the previous quarter, it nevertheless saw healthy progress thereafter. Improved profitability in our distribution sales contributed to the higher earnings. While construction demand moved into full swing with steady progress in the manufacturing industry, the production of steel manufacturers tightened, and this in turn caused the market to experience a significant upturn.

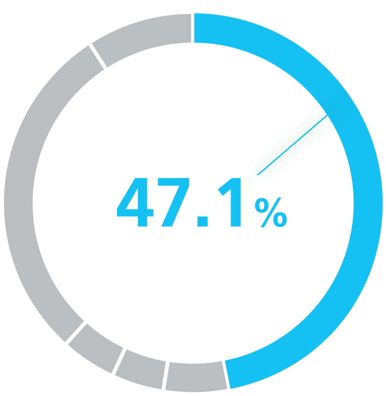
We expanded the volume of orders by reinforcing its promotion to developers in the fields of civil engineering and construction as well as strengthening internal cooperation between the undertaking department and the product sales department. Furthermore, both sales and profits from the binding contractual business increased due to rising prices. By promoting M&A and mutually beneficial alliances with our partners, and enhancing JIT/small-lot orders/processing, we succeeded in gaining a large number of new customers.

Our domestic steel business during the fiscal year, as stated above, contributed significantly to overall sales and profits throughout the year.

Net Sales



Net Sales Composition



Looking Ahead and Key Strategies

In fiscal 2014 a backlash is expected from the rush demand before the sales tax increase. However, we anticipate that the market will see solid growth from a rise in exports on the back of yen depreciation and a mild recovery in overseas economies. Another positive factor is the effect of the support provided by economic measures totaling approximately ¥5 trillion.

The demand for steel in both manufacturing and construction is expected to see solid growth in common with the last fiscal year, since the negative effect of the sales tax increase is limited. Construction projects are being revitalized, as seen especially during the second half of the current fiscal year, and this will result in a more stable steel market. Furthermore, the manufacturing industry has recovered its international competitiveness on the back of the yen depreciation and is expected to make solid progress. However, some factors for concern also exist, such as a delay in deliveries due to the labor shortage, insufficient processing capacity, logistic scarcity and political instability in Southeast Asia.

Taking such elements into account, during fiscal 2014 we will continue to promote activities to gain new customers and boost the number of construction project orders. We will also continue to firmly implement strategies such as improving performance through M&A, and establishing satellite bases to explore more demand for steel, enhancing delivery times/small lot orders/processing, promoting demand for construction projects, and sharing information/joint sales between departments.

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 2013 Results

In fiscal 2013, many factors encouraged the recovery of domestic demand and rising prices. These included the government's economic policy known as "Abenomics," demand associated with recovery efforts in the Kanto/Tohoku area following the Great East Japan Earthquake of March 2011, and the effect of the award to Tokyo of the Summer Olympic Games. In these circumstances, Japanese mills stood firm to accommodate export orders by limiting quantity and declining orders with low prices. On the other hand, the steel markets in China, Southeast Asia, Europe and the Middle East were unclear and continuously sluggish. Unlike in Japan, mills in China and South Korea in particular pushed their exports aggressively.

Amid these challenges, our steel exports dropped sharply, by approximately 28%. This phenomenon was due in part to diminishing exports to China and the widening gap in prices between Japanese and overseas mills as a result of a recovery in domestic demand. Since we do not have a large number of manufacturing subsidiaries and affiliates, we often faced difficult negotiations in the spot market.

It might be erroneously assumed that the effects of yen depreciation enable exporters to operate more aggressively. However, the reality is that exporting has grown increasingly difficult due to protectionist regulations of ASEAN countries in particular and to import exclusion policies such as anti-dumping measures.

Looking Ahead and Key Strategies

The new political administration in China has set a target of continued growth, but demand for steel products appears to be losing momentum. Demand in ASEAN countries continues to rise gradually, but domestic production is declining. In Europe, the economy still does not appear to have bottomed out. The United States has sustained a gradual recovery, but its growth rate remains low.

The international market in fiscal 2014 is thus expected to remain weak. Although raw material prices continue to be low, overseas mills will be unable to sustain lower prices and maintain profitability, which indicates that prices will remain near their current level. It appears that the uptrend in China's crude steel production/exports is continuing, and for us this is a source of serious concern.

We must put effort into selling products manufactured by mills in China and other emerging countries, while increasing exports from Japan.

Furthermore, we will continue 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.

We will strive to expand sales of Japanese materials, which are known for their high quality and credibility, by distinguishing them from general-purpose commodities.

Our target region, ASEAN countries, including Myanmar, remains strategically an important area for us. We will further explore the market in Mexico, where we opened a branch office two years ago, together with the U.S. market. Turkey, where the volume we handled decreased in fiscal 2013, will also be included as a target region. In the global market, where change occurs continuously—as seen in each country's policies to protect its own economy, customs-related issues and problems related to technical regulations—we will strive to increase volume and achieve growth in earnings by implementing measures promptly.

Metals and Alloys

Fiscal 2013 Results

Sales volume in the special metals recycling business remained sluggish, due to the effect of mergers within the domestic stainless industry. Weak global demand led to poor export volume to China, South Korea, Taiwan, and India.

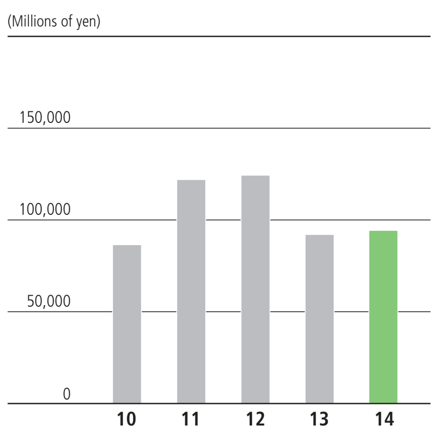
The primary special metals business dealing with nickel cathode and other chemicals, however, saw solid growth as a result of the recovery in the battery industry and special transactions secured in China. It should be noted, on the other hand, that the special metals industry itself suffered from the withdrawal of investment in the mining business, and thus its business situation remained difficult in terms of earnings.

Recovered demand for steel brought volume growth, but fierce competition among domestic distributors yielded poor earnings.

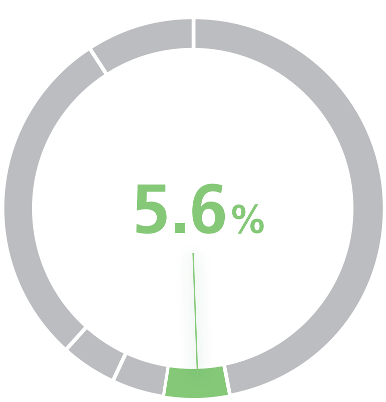
The light metals business experienced steady sales volume, but we were unable to make this segment profitable as the market environment remained very competitive.

Special metals, metal raw materials, and light metals all saw stunted growth in volume and less profitability due to the restructuring of the industry, together with amalgamations/mergers among our customers. The fiscal year was also difficult in terms of overseas sales in developing countries including China, as their economies slowed and our orders remained stagnant.

Net Sales



Net Sales Composition



Looking Ahead and Key Strategies

Regarding the special metals recycling, sales volume in the domestic market will grow moderately with fierce competition in the limited market. Accordingly, it will also be difficult to achieve profitability. Relating securement for domestic scrap, to maintain an appropriate amount we will organize our suppliers and reinforce cooperation with scrap dealers. As for exports, to sell oversupplied scrap aggressively, we will expand our overseas sales bases. We will also further promote the diversification of products by strengthening cooperation with affiliated companies.

We will continue to promote the diversification of chemicals and achieve an increase in volume in the primary material business, including nickel cathode and other chemicals. We plan to take advantage of opportunities created by factors affecting the upstream segment of the nickel business, such as an embargo in Indonesia and political developments in Ukraine and Russia, by actively seeking joint ventures and takeovers.

Fierce competition within the domestic ferroalloy market is expected to continue. Using as a foundation the start of production at a Malaysian facility in which we recently invested, we will aim to expand our sales volume by supplying competitive products to the domestic market as well as Asian and other overseas markets.

Since we do not foresee much growth in domestic demand for light metals, we will seek to increase the efficiency of the purchasing/sales system and improve our ability to fulfill contracts in terms of quality, volume and prices. In Dalian, we aim to put our silicon grinding business on track and build a sales network for it that extends beyond Japan.

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.

Non-Ferrous Metals

Fiscal 2013 Results

The price of copper fell below $8,000 in early 2013 and hovered around $7,500–$6,500 throughout the year, reflecting the economic slowdown in China as well as in other developing countries. The price then temporarily fell below $6,500 in March 2014. As a result of this severe situation, some newly developed mines turned unprofitable. The price of aluminum fell below $1,900 at the beginning of the fiscal year and continued to decline gradually until reaching the $1,700 range, where it stabilized. Conditions in the aluminum market were somewhat artificial, as the CIF premium was driven up because traders earned a better margin from selling metals forward while holding them for a long time in the LME warehousing system and controlling shipment accordingly.

We succeeded in recording sales volume on a par with that of the previous year amid unstable actual demand. However, the aluminum raw material processing business, where competition is intensifying over cargo bookings, saw a sharp drop in its earning ability. Other issues, such as a decline in the quality of copper raw materials and reduced earnings due to chronic high prices for raw materials, also contributed to poor profitability.

Although volume grew for strategic products such as precious metals, products targeted by Basel Convention and white metals, we did not succeed in overcoming the decline in aluminum and copper raw materials in terms of earnings.

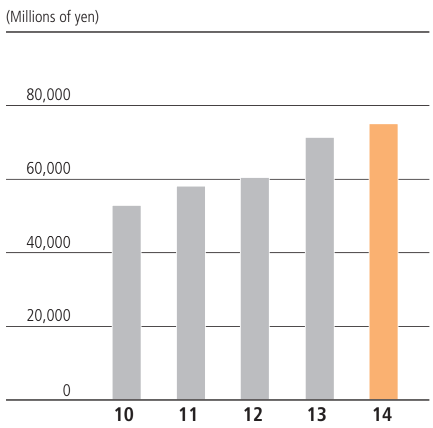
Looking Ahead and Key Strategies

While the consumption of both copper and aluminum raw material has been increasing steadily in developing countries, prices are expected to remain more or less unchanged due to global economic trends, excessive investment in the resource sector, and technical factors in trading. However, the prices of these metals are expected to fluctuate between 90 and –120 percentage points as they have fallen nearly to the average production cost level.

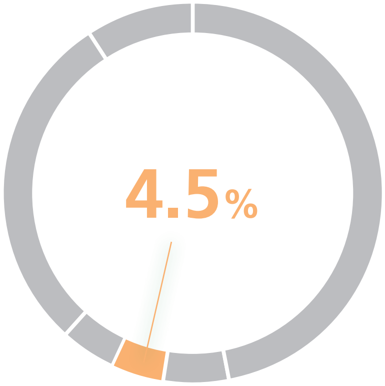
Accordingly, we will secure competitiveness in copper by varying and diversifying international sales. In terms of purchasing, we will expand the procurement region, streamline our inventory and processing bases, and stabilize quality and volume to fulfill our responsibility as a supplier, while generating satisfactory earnings.
In the aluminum business, we will accelerate investment to boost efficiency in the processing business and restore the earnings of the entire Group. Further diversification of the types of products we handle will also contribute to stabilizing the earning base. We will further diversify our sales regions as well as purchasing regions and continue to secure bases.

We will also take advantage of each opportunity to invest and participate in joint ventures, to increase the volume of strategic products such as precious metals, white raw materials, and products targeted by the Basel Convention.

Net Sales



Net Sales Composition



Food Products

Fiscal 2013 Results

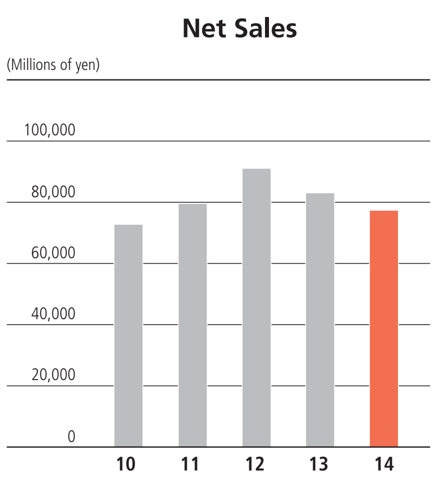
Aquaculture production rose to address the increased global demand for marine products, a supply shortage emerged due to a failure of shrimp farming in Thailand and China, a slump in salmon farming in Chile and a worldwide downturn in fishing. Reflecting these conditions, coupled with yen depreciation, the prices of raw materials continued to increase. These high prices may have also led to a decline in consumption during the fourth quarter.

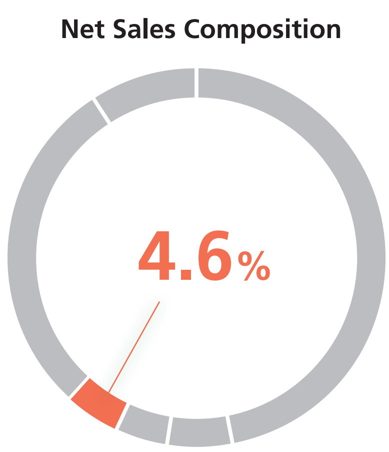
Aided by yen depreciation, exports from Japan improved, especially scallops, whose exports rose significantly in both total value and volume.

Given this background, the raw materials business of salmon and shrimp made a rapid recovery in terms of earnings until the third quarter. Marine products, however, faced a difficult earning environment as the rise in product prices did not cover the increase in raw material prices.

In the United States, Seattle Shrimp & Seafood Company, Inc. recorded record-high profit thanks to increased sales and profits caused by higher demand.

Hanwa Foods Co., Ltd., which handles processed marine products in Japan, boosted the number of customers steadily and saw strong sales despite the difficult business environment for marine products and the time required to organize operations in its first year.





Looking Ahead and Key Strategies

Prices were high in fiscal 2013 but subsequently entered a correction phase, and are expected to stabilize based on the level of demand.

The supply of salmon is projected to remain tight, and supply and demand will not attain balance anytime soon. The demand for shrimp is expected to rebound thanks to a recovery in aquaculture production and price correction. It is projected that fish such as mackerel, herring and sardines will yield a large catch, and demand is expected to increase accordingly.

The supply of crab is likely to remain stagnant or to decrease, as the outcome of the dispute over fishing quotas prompted by poaching in Russia is still uncertain.

We will continue to pay close attention to the increasing global demand for marine products. We will add a branch office in Chile as part of our North American operations, expand our business in the Americas, and strengthen our upstream resource strategies.

In addition, we will target ASEAN countries where population is expected to increase as important marine product consumer regions and strengthen our local sales together with exports and offshore trading.

Domestically, we are considering setting a base in Hokkaido, which contains vast fisheries resources, as a part of our plan to expand our domestic business. We will also strengthen the sales of Hanwa Foods Co., Ltd. to boost earnings.

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 2013 Results

Crude oil prices increased due to issues in the Middle East, such as Iran's nuclear development and concern over the civil war in Syria, and then fell slightly, stabilizing around the higher end of $100–$110, while demand remained healthy.

In the domestic oil market, prices surged due to the continually high crude oil price and yen depreciation, which eventually resulted in further contraction of demand and a pullback in purchases. The market continued its sluggish progress, as the major oil companies operated based on a sales policy emphasizing the maintenance of market share as a measure to address the effect of the Facility Enhancement Law a year before it comes into effect.

In the Petroleum Department, although sales of C heavy oil were favorable during the first half of the year, conditions were tough because of a decrease in sales volume, lower price and a sales slump reflecting the higher kerosene price for end-users in the second half of the year.

In the bunker oil business, sales grew as Japanese ship-owners' business began to recover. By setting up foreign sales networks in Russia and South Korea, we succeeded in securing stable orders and earnings in East Asia.

The performance of the chemicals business did not surpass that of the previous year, due to declining competitiveness in both imported synthetic resins and products brought on by increasing raw material prices and yen depreciation.

The paper business succeeded in expanding the sales of waste paper in the ASEAN countries and increased both its sales and profits, aided also by yen depreciation. Refuse paper and plastic fuel (RPF) also recorded an increase in earnings as a result of the effort to develop new business.

We also began import/sales of palm kernel shell (PKS) as environmentally friendly new energy and invested in a company that uses it.

Looking Ahead and Key Strategies

The price of crude oil is expected to trend downward due to the perception of a surplus created during the low-demand months. The downturn trend should also continue in Japan, and the resumption of nuclear power plant will diminish the demand for C heavy oil. A price war targeting the general public/consumers may intensify.

The goal of the Petroleum Department will be to establish an efficient sales structure while further developing cooperation with our subsidiary, Toyo Energy. We will also seek to expand the sales of PKS and locate new suppliers, as well as work further on recycled fuel (RPF and regenerated heavy oil and waste tires), coal and oil coke.

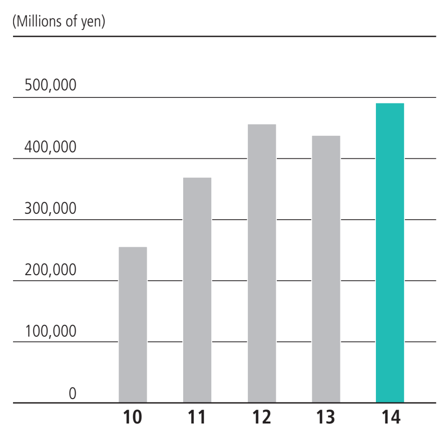
The bunker oil business will continue to boost sales in East Asia while working to cultivate new customers in Europe as well as discover new markets.

As the synthetic resin market and exchange rates are stabilizing, the chemicals business will attempt to cover increased costs while cultivating new domestic customers and selling imported products.

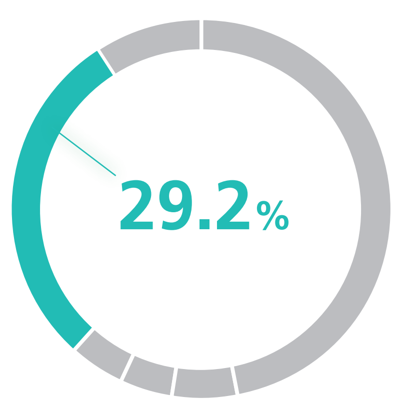
The paper business will concentrate efforts on sales in Southeast Asia as well as offshore business. In the area of lubricants, we will continue our overseas operations centered on Southeast Asia through new business development.

The new energy business will focus on cultivating new customers for PKS in Japan as well as abroad.

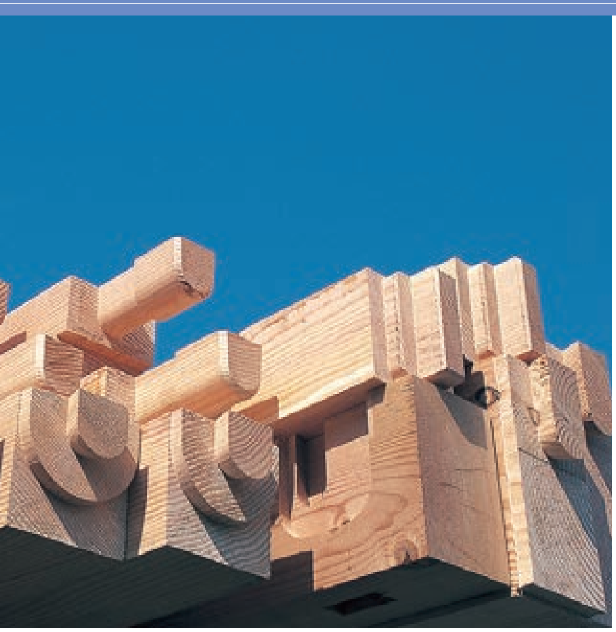
Net Sales



Net Sales Composition



Other Business (Lumber and Machinery)



Fiscal 2013 Results

Lumber

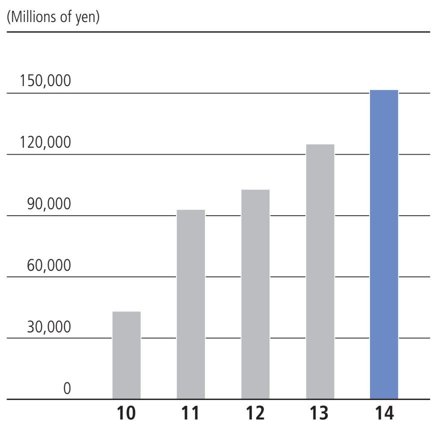
During fiscal 2013, the demand for lumber rose reflecting the rush before the consumption tax increase went into effect in April 2014. The number of housing starts from January–December 2013 was 980,000, of which 410,000 units were conventional constructions, indicating a rise in demand that we had not seen in recent years. We recorded record-high sales, aided by yen depreciation, as the sales to end-users also grew significantly. However, higher prices resulted in more product orders, which in turn created large shipments of products after the summer. Consequently, prices fell sharply thereafter and profitability suffered. It should be noted, nevertheless, that direct demand along with the domestic business grew considerably, and the raw material business targeting manufacturers and the export of Japanese cedars gradually increased. The top surface material business is undergoing a careful rebuilding process to achieve stability in business with manufacturers. More time is required, however, before we can see tangible results. We will organize more specialized user sales system while rebuilding the operation to increase sales from end-users.

Machinery

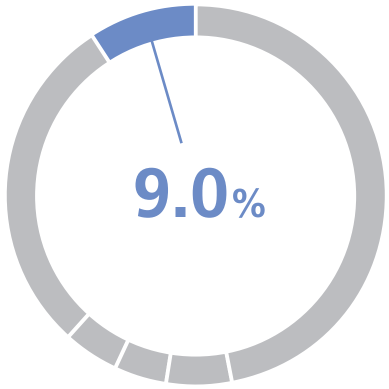
The leisure facilities business delivered a two-tier merry-go-round manufactured in Italy to Fuji-Q Highland and also completed other major repair works. For fiscal 2014 and fiscal 2015, we have already recorded several large to medium-sized orders.

The industrial machinery business completed major line equipment, such as the rebar painter and the carrier correction system for welding bridge piers. The business also completed a labor-saving automatic measuring/packing integrated line for zipper products. Orders for crane equipment rose thanks to interdepartmental cooperation. We also delivered machinery and accessories for marine product processing in the Tohoku region.

Net Sales



Net Sales Composition



Looking Ahead and Key Strategies

Lumber

Demand during Fiscal 2013 was high, but it is not expected to remain so because of the tax increase that went into effect in fiscal 2014. The number of housing starts is expected to be around 70%–80% of the previous year's total. We will maintain/expand our share by increasing business with end-users and competitive suppliers.

We hope to begin operation of the face material business in some form during the fiscal year. Potential issues for the future include exporting Japanese cedar and log sales for plywood manufacturers. Wood-chip sales for biomass power generation are expected to be solid in the run-up to 2016 as we focus on businesses where we can generate stable profits.

Machinery

As for the leisure facilities business, an increase in individual consumption is anticipated in this sector as the economy recovers. We are following our customers' investment plan in amusement parks, mainly in eastern Japan, and will also strengthen recommendation-based sales activities that make optimal use of our powers of originality. Furthermore, in addition to our strategy concentrating on the sales of imported products, we will work to develop/sell our original Japan-made small to medium-sized products made in Japan.

The industrial machinery business began joint sales activities with the domestic steel business, as part of our plan to improve the visibility of the business and boost the number of customers. We will also focus on recommendation-based sales activities developed from the customers' perspective. We will set ourselves apart from our competitors as we generate recommendation-based sales for our exclusive (customized) equipment and composite machinery that boosts efficiency and saves labor.

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

San Ei Metal Co., Ltd. Becomes a Subsidiary

We acquired 97% of the shares of San Ei Metal Co., Ltd., a steel sales company based in Osaka, and turned it into a subsidiary. Founded in 1939, the company conducts sales activities mainly in western Japan. By making it a subsidiary, we expect to gain a number of advantages, including economies of scale in procurement, lowering of costs through shared inventories, and boosting of prompt delivery/small lot orders/processing. Going forward, we intend to boost collaboration in sales and logistics to enhance customer satisfaction.

San Ei Metal Co., Ltd.

Distribution center

Hanwa Establishes a Subsidiary in Chile

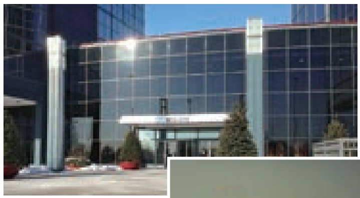
Hanwa established Hanwa Chile Ltda. in Santiago, Chile, in January 2014, and the company launched sales activities in March. This is the first local subsidiary of Hanwa's in Latin America. The company plans to engage primarily in salmon operations, while exploring the potential for businesses such as other marine products, nonferrous metals, timber and steel. The economy of Chile, its base of operations, is expected to develop further in the years ahead.

Staffs of Hanwa Chile Ltda.

Office building

U.S. Subsidiary Opens an Office in Chicago

Hanwa American Corp. set up its fifth U.S. office in Chicago in February 2014, and sales activities were launched in March. Previously, the New York office was in charge of operations in the U.S. Midwest. By establishing a base in the Midwest, the hub of the automotive and other manufacturing industries in the United States, Hanwa aims to tap markets and expand sales mainly of steel products.



Office building

Staffs of Hanwa American Corp.

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 13 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

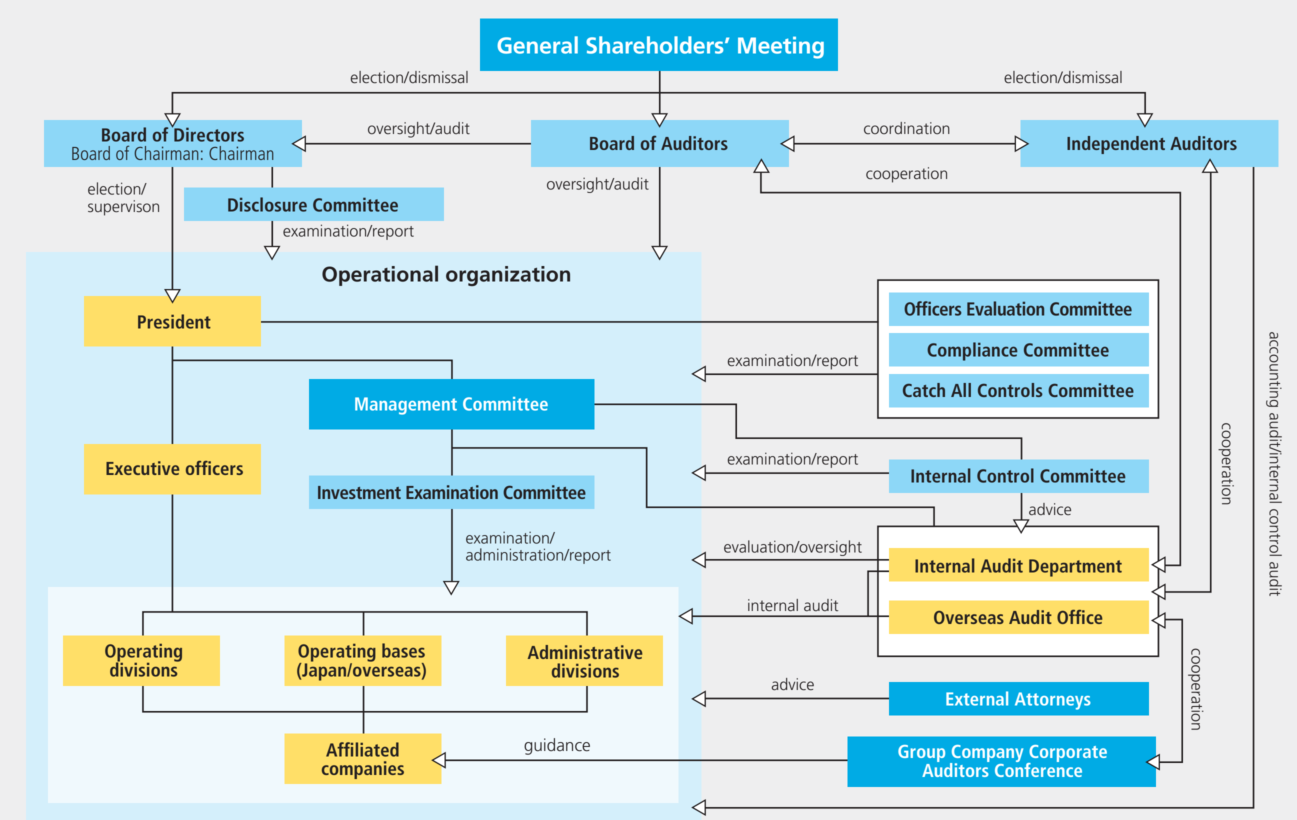
We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

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 once 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 Audit Department and Overseas Audit 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 Audit Department and Overseas Audit 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 Crisis 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.

Support Child Rearing and Nursing Working

Hanwa makes an effort to make it easier for employees who encounter important events in life, such as raising children or providing nursing care. We have placed employees who are currently working part-time on a child-care track in the Personnel department to form a business support team whose members work to support other departments by fulfilling requests for assistance with work duties. There are currently seven employees from the entire Company in this team making effective use of the short time they are at work assisting others until they are ready and able to return to their regular duties full time.

Hiring Disable Persons

Hanwa makes an effort to provide a workplace where disable persons can fully utilize their talents and is involved in employment activities in order to observe the employment rate for persons with disabilities.

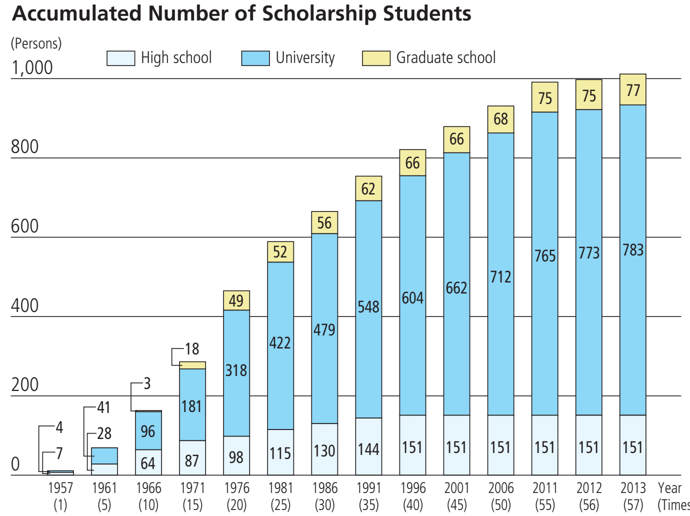
Social Contribution

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 March 31, 2014, the program had distributed a total of ¥553 million in scholarships, and the accumulated number of scholarship students had grown to 1,011.

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 (Note 1)
	2014	2013	2012	2011	2010	**2014**
For the year:						
Net sales	**¥ 1,682,504**	¥ 1,511,325	¥ 1,564,251	¥ 1,396,103	¥ 1,116,629	**$16,347,688**
Operating income	**16,253**	12,491	14,977	13,854	11,420	**157,919**
Net income	**7,897**	4,721	4,633	5,794	11,579	**76,729**
Comprehensive income	**14,648**	6,600	6,214	6,104	14,537	**142,324**
Net cash provided by (used in) operating activities	**343**	19,381	11,970	(46,949)	46,250	**3,333**
Net cash provided by (used in) investing activities	**(5,244)**	(5,107)	(12,009)	(7,611)	(12,992)	**(50,952)**
Net cash provided by (used in) financing activities	**(4,928)**	(16,364)	1,596	51,272	(43,669)	**(47,882)**
At year-end:						
Cash and cash equivalents	**¥ 15,920**	¥ 23,198	¥ 23,411	¥ 20,586	¥ 24,515	**$ 154,683**
Total assets	**593,352**	552,908	582,405	532,798	443,445	**5,765,177**
Total net assets	**125,362**	120,674	115,957	110,459	106,855	**1,218,053**
Number of employees	**2,610**	2,208	2,201	2,060	1,952	

	Yen					U.S. dollars (Note 1)
	2014	2013	2012	2011	2010	**2014**
Per share data:						
Net income	**¥ 38.11**	¥ 22.78	¥ 22.35	¥ 27.95	¥ 55.46	**$ 0.370**
Cash dividends	**12.00**	12.00	12.00	12.00	12.00	**0.117**
Net assets	**591.68**	570.50	548.22	529.65	512.16	**5.749**

	%				
	2014	2013	2012	2011	2010
Key financial ratios:					
Return on assets (ROA)	**1.4**	0.8	0.8	1.2	2.5
Return on equity (ROE)	**6.6**	4.1	4.1	5.4	11.6
Net debt/equity ratio (Note 2)	**190**	180	190	200	140

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥102.92=$1.00.
2. Net debt/equity ratio = Net interest-bearing debt/equity.
Net interest-bearing debt = Interest-bearing debt – cash.

Management's Discussion and Analysis

Operating Results

Operating Results for the Fiscal Year Ended March, 2014

During the fiscal year under review, the U.S. economy saw a general improvement after the Obama administration and the Congress managed to avert the debt ceiling problem, while Europe saw the sovereign debt crisis contained within the troubled countries. On the other hand, China was unable to implement effective stimulus measures to shore up the economy due to fiscal constraints and the other emerging countries, which had enjoyed strong growth on the back of a large inflow of speculative funds, saw their economies slow due to capital flight in anticipation of the tapering of quantitative easing by the U.S. Federal Reserve. Overall, the outlook of the global economy was mixed.

In Japan, Prime Minister Shinzo Abe implemented a policy package ("Abenomics") designed to lift the country out of decade-long deflation, and the Bank of Japan introduced aggressive monetary easing policies. After these moves helped the equity market to gain ground and the yen to depreciate against the U.S. dollar, consumer spending and capital expenditure also turned upward. Public works spending and investment in private-sector construction also began a full-fledged recovery, while last-minute buying before the consumption tax hike on April 1, 2014 also pushed up demand. The Japanese economy was brisk overall, despite some problems, including the rising costs of raw materials and energy due to yen depreciation against the dollar, the resulting worsening of Japan's trade balance, and an acute shortage of labor in many parts of the nation due to a sharp increase in construction investment.

In these circumstances, the Group posted consolidated net sales of ¥1,682,504 million for the consolidated fiscal year ended March 31, 2014, representing a year-on-year increase of 11.3%, due mainly to higher net sales in the steel business and the petroleum and chemicals business. Operating income jumped 30.1%, to ¥16,253 million, reflecting an improvement in the profitability of stock items due mainly to recovery in the steel market from the second quarter of the fiscal year under review. Net income also climbed to ¥7,897 million, representing a 67.3% increase, due mainly to a drop in other expenses.

Net Sales

Net sales increased 11.3% year on year to ¥1,682,504 million, due mainly to higher sales in the steel business and the petroleum and chemicals business. Domestic sales were up 10.4% to ¥1,250,832 million, while overseas sales were up 14.1%, to ¥431,672 million.

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

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

Cost of sales increased 11.2% to ¥1,631,139 million. The increase was due mainly to a rise in purchase prices accompanying the price increases of commodities.

SG&A expenses rose 8.8% to ¥35,112 million, due mainly to a rise in salaries and bonuses, and an increase in personnel expenses due to the inclusion of newly consolidated subsidiaries.

Operating Income

Operating income for the consolidated fiscal year under review jumped 30.1% to ¥16,253 million from ¥12,491 million a year earlier, due mainly to higher sales revenue in the steel business. The result raised the ratio of operating income to net sales by 0.2 percentage point from the previous consolidated fiscal year to 1.0%.

Other Income (Expenses)

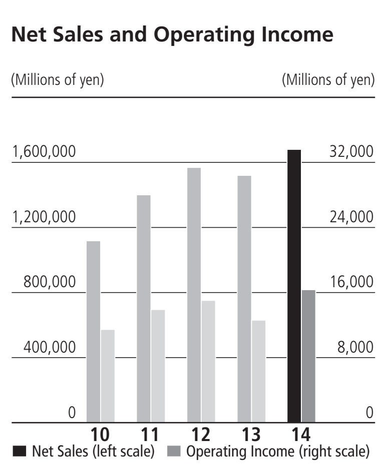
Net other expenses amounted to ¥2,264 million. Expenses reflected mainly a loss of ¥760 million on valuation of investment securities and a loss of ¥90 million on disposal of property and equipment in line with the reconstruction of the Osaka Head Office building, which were partially offset by a foreign exchange gain compared to a foreign exchange loss in the previous consolidated fiscal year, owing to correction of the rapid depreciation of the yen as well as a gain of ¥187 million on sale of investment securities due mainly to a sale of shares of a subsidiary.

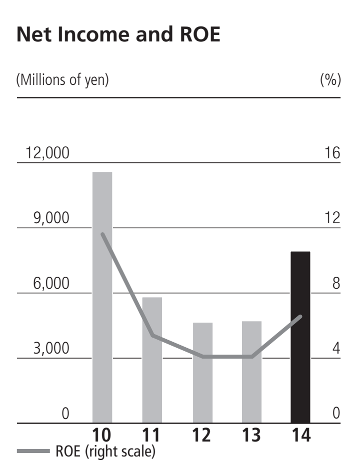
Income Taxes

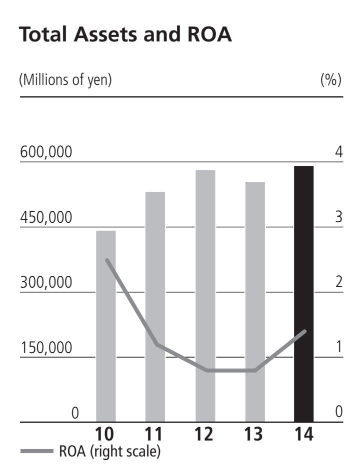
Income taxes increased 194.3% from the previous consolidated fiscal year to ¥5,987 million, reflecting an increase in income before income taxes and minority interests.

Net Income

Net income jumped 67.3% from the previous consolidated fiscal year to ¥7,897 million. Accordingly, net income per share amounted to ¥38.11, compared to ¥22.78 for the prior year.







Sources of Capital and Cash Liquidity

Financial Condition

Total assets increased 7.3% to ¥593,352 million from the previous consolidated fiscal year, reflecting higher trade receivables and inventories resulting from higher sales and a rise in the prices of exchange-traded securities held.

Liabilities increased 8.3% to ¥467,990 million as a result of higher trade payables in line with the upturn in sales and increases in borrowings and bonds payable to meet a growing need for working capital, and interest-bearing debt grew 4.1% to ¥245,906 million. The net debt/equity ratio (net interest-bearing debt as a percentage of equity) stood at 190% as of March 31, 2014.

Net assets increased 3.9% to ¥125,362 million. The expansion was attributable mainly to the accumulation of retained earnings from net income, an increase in Valuation difference on available-for-sale securities, net of taxes, and an increase in foreign currency translation adjustments. Owing to the proportionately greater rise in liabilities, the equity ratio at March 31, 2014 fell to 20.6% from 21.4% a year ago.

Cash Flows

Net cash provided by operating activities was ¥343 million, a decrease of ¥19,038 million from the previous consolidated fiscal year. This was due mainly to a greater need for working capital reflecting increases in trade receivables and inventories in the line with the recovery of sales.

Net cash used in investing activities increased ¥137 million from the previous consolidated fiscal year, to ¥5,244 million. This was primarily attributable to an increase from purchase of investment securities including shares of consolidated subsidiaries and the absence of cash inflows from sales of investment securities in the previous consolidated fiscal year, despite a decrease in additions to property and equipment.

Net cash used in financing activities amounted to ¥4,928 million, a decrease of ¥11,436 million from the previous consolidated fiscal year. This resulted primarily from a net increase in short-term loans payable reflecting a greater need for working capital compared to a net decrease in the same period of the previous fiscal consolidated year despite an increase in repayment of long-term debt.

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, 2014 stood at ¥74,004 million, mostly denominated in yen. The Group's outstanding long-term debt was ¥125,881 million, including the current portion of long-term debt of ¥21,601 million.

The Group issues bonds primarily to fund working capital. As of March 31, 2014, bonds outstanding consisted of straight bonds amounting to ¥40,000 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, 2014, the unused aggregate principal amount of the shelf registration for straight bonds for subscription in Japan amounted to ¥30,000 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.

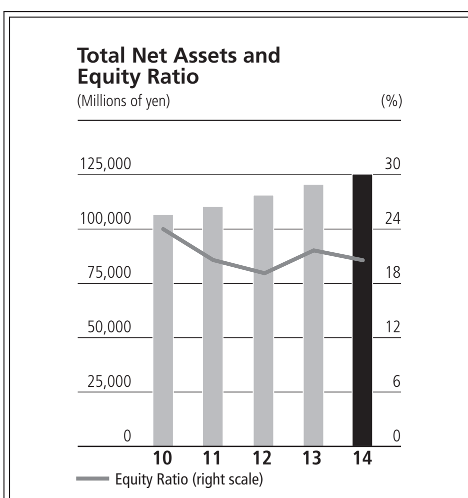
Business and Other Risks

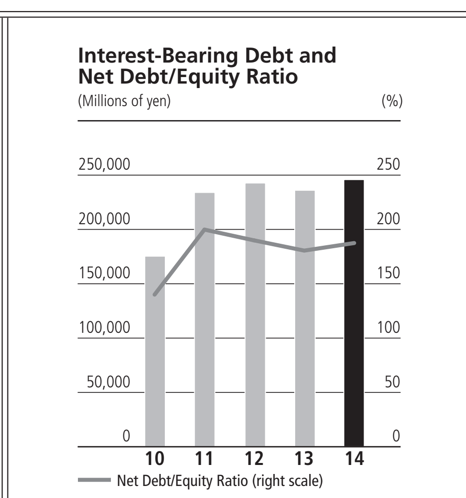
Changes in the Macroeconomic Environment

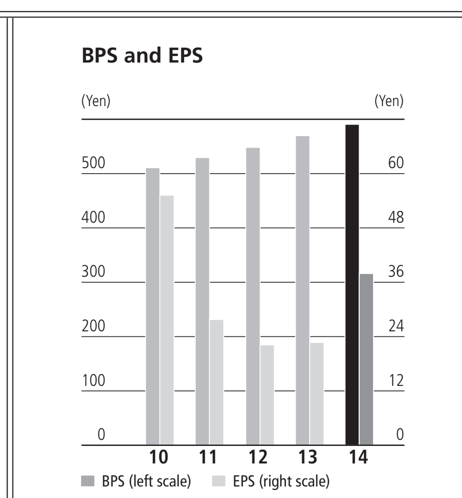
Hanwa Group's worldwide operating revenue is subject to macroeconomic conditions of the countries and regions where it sells its products. An economic slowdown in any of the primary markets, including Japan, North America, Europe and Asia (especially East Asia with China being the key market) with an 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.

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 activities, 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, 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.

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

As at March 31, 2014 and 2013

Assets	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 15,920**	¥ 23,198	**$ 154,683**
Receivables:			
Trade notes and accounts (Note 3):			
Unconsolidated subsidiaries and affiliates	**12,569**	12,664	**122,124**
Other	**305,277**	281,088	**2,966,158**
Loans:			
Unconsolidated subsidiaries and affiliates	**2,893**	5,910	**28,109**
Allowance for doubtful receivables	**(925)**	(852)	**(8,988)**
Securities (Notes 3 and 4)	**2,000**	—	**19,433**
Inventories (Note 6)	**114,694**	96,610	**1,114,400**
Deferred tax assets—current (Note 10)	**2,048**	2,165	**19,899**
Other current assets (Note 7)	**13,850**	14,518	**134,571**
Total current assets	**468,326**	435,301	**4,550,389**
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	**41,488**	32,040	**403,109**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	**5,083**	7,277	**49,388**
Loans receivable (Note 3)	**103**	129	**1,001**
Other investments and noncurrent receivables	**16,009**	25,136	**155,548**
Allowance for doubtful receivables	**(1,307)**	(3,080)	**(12,699)**
Total investments and noncurrent receivables	**61,376**	61,502	**596,347**
Property and equipment (Note 7)**:**			
Land (Note 12)	**32,601**	29,582	**316,761**
Buildings and structures	**35,475**	32,256	**344,685**
Other	**23,062**	18,312	**224,077**
Accumulated depreciation	**(29,563)**	(25,082)	**(287,243)**
Total property and equipment	**61,575**	55,068	**598,280**
Other assets:			
Deferred tax assets—noncurrent (Note 10)	**217**	300	**2,108**
Intangibles and other assets (Note 7)	**1,858**	737	**18,053**
Total other assets	**2,075**	1,037	**20,161**
Total	**¥ 593,352**	¥ 552,908	**$ 5,765,177**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Short-term loans payable (Notes 3, 7 and 8)	**¥ 74,004**	¥ 60,600	**$ 719,044**
Commercial paper (Notes 3 and 8)	**5,000**	11,000	**48,582**
Long-term debt due within one year (Notes 3, 7 and 8)	**31,601**	62,950	**307,044**
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	**1,420**	1,370	**13,797**
Other	**178,943**	162,932	**1,738,661**
Accrued bonuses to employees	**2,213**	1,892	**21,502**
Income taxes payable	**3,542**	2,972	**34,415**
Other current liabilities	**22,639**	18,247	**219,967**
Total current liabilities	**319,362**	321,963	**3,103,012**
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3, 7 and 8)	**134,280**	100,625	**1,304,703**
Employees' severance and retirement benefits (Note 9)	**—**	220	**—**
Net defined benefit liabilities (Note 9)	**4,483**	—	**43,558**
Deferred tax liabilities—noncurrent (Note 10)	**4,558**	4,564	**44,287**
Other noncurrent liabilities	**5,307**	4,862	**51,564**
Total noncurrent liabilities	**148,628**	110,271	**1,444,112**
Contingent liabilities (Note 13)			
Net assets (Note 12)			
Shareholders' equity:			
Common stock:			
Authorized: 570,000,000 shares			
Issued: 211,663,200 shares	**45,651**	45,651	**443,558**
Capital surplus	**5**	5	**49**
Retained earnings	**76,520**	72,868	**743,490**
Treasury stock, at cost: 4,440,708 shares in 2014 and 4,421,912 shares in 2013	**(1,442)**	(1,435)	**(14,011)**
Total shareholders' equity	**120,734**	117,089	**1,173,086**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	**7,485**	2,667	**72,726**
Deferred gains or losses on hedges, net of taxes	**(361)**	120	**(3,508)**
Land revaluation difference, net of taxes	**32**	117	**311**
Foreign currency translation adjustments	**304**	(1,761)	**2,954**
Remeasurements of defined benefit plans (Note 9)	**(5,585)**	—	**(54,265)**
Total accumulated other comprehensive income	**1,875**	1,143	**18,218**
Minority interests	**2,753**	2,442	**26,749**
Total net assets	**125,362**	120,674	**1,218,053**
Total	**¥ 593,352**	¥ 552,908	**$ 5,765,177**

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Net sales	**¥ 1,682,504**	¥ 1,511,325	**$ 16,347,688**
Cost of sales	**1,631,139**	1,466,563	**15,848,611**
Gross profit	**51,365**	44,762	**499,077**
Selling, general and administrative expenses	**35,112**	32,271	**341,158**
Operating income	**16,253**	12,491	**157,919**
Other income (expenses):			
Interest and dividend income	**1,409**	1,342	**13,690**
Interest expense	**(2,947)**	(2,908)	**(28,634)**
Foreign exchange gain (loss)	**450**	(1,240)	**4,372**
Gain on sale of investment securities	**187**	—	**1,817**
Loss on impairment of long-lived assets (Note 14)	**—**	(256)	**—**
Loss on valuation of investment securities	**(760)**	(1,296)	**(7,384)**
Loss on valuation of investments in capital	**(47)**	(127)	**(457)**
Loss on disposal of property and equipment (Note 15)	**(90)**	(375)	**(874)**
Other, net	**(466)**	(813)	**(4,528)**
Income before income taxes and minority interests	**13,989**	6,818	**135,921**
Income taxes (Note 10)**:**			
Current	**5,253**	3,684	**51,039**
Deferred	**734**	(1,650)	**7,132**
	5,987	2,034	**58,171**
Income before minority interests	**8,002**	4,784	**77,750**
Minority interests in income of consolidated subsidiaries	**(105)**	(63)	**(1,021)**
Net income	**¥ 7,897**	¥ 4,721	**$ 76,729**
Minority interests in income of consolidated subsidiaries	**(105)**	(63)	**(1,021)**
Income before minority interests	**8,002**	4,784	**77,750**
Other comprehensive income (Note 16)**:**			
Valuation difference on available-for-sale securities, net of taxes	**4,820**	582	**46,832**
Deferred losses on hedges, net of taxes	**(481)**	(233)	**(4,674)**
Land revaluation difference, net of taxes	**33**	(33)	**321**
Foreign currency translation adjustments	**2,274**	1,500	**22,095**
Total other comprehensive income	**6,646**	1,816	**64,574**
Comprehensive income	**¥ 14,648**	¥ 6,600	**$ 142,324**
Comprehensive income attributable to:			
Owners of the parent	**¥ 14,332**	¥ 6,444	**$ 139,254**
Minority interests	**316**	156	**3,070**

	Yen		U.S. dollars (Note 1)
	2014	2013	**2014**
Net income per share	**¥ 38.11**	¥ 22.78	**$ 0.370**
Cash dividends per share	**12.00**	12.00	**0.117**

See accompanying Notes to Consolidated Financial Statements.

HANWA CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2013

	Thousands	Millions of yen										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Minority interests	Total
Balance at April 1, 2012	211,663	¥45,651	¥ 5	¥ 69,979	¥ (1,425)	¥ 2,085	¥ 353	¥ 150	¥ (3,168)	¥ —	¥ 2,327	¥ 115,957
Cash dividends paid	—	—	—	(2,073)	—	—	—	—	—	—	—	(2,073)
Change of scope of consolidation	—	—	—	241	—	—	—	—	—	—	—	241
Net income	—	—	—	4,721	—	—	—	—	—	—	—	4,721
Purchases of treasury stock	—	—	—	—	(10)	—	—	—	—	—	—	(10)
Other changes	—	—	—	—	—	582	(233)	(33)	1,407	—	115	1,838
Balance at March 31, 2013	211,663	45,651	5	72,868	(1,435)	2,667	120	117	(1,761)	—	2,442	120,674
Balance at April 1, 2013	**211,663**	**45,651**	**5**	**72,868**	**(1,435)**	**2,667**	**120**	**117**	**(1,761)**	**—**	**2,442**	**120,674**
Cash dividends paid	**—**	**—**	**—**	**(2,901)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,901)**
Change of scope of consolidation	**—**	**—**	**—**	**(1,461)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,461)**
Net income	**—**	**—**	**—**	**7,897**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**7,897**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(7)**	**—**	**—**	**—**	**—**	**—**	**—**	**(7)**
Other changes	**—**	**—**	**—**	**117**	**—**	**4,818**	**(481)**	**(85)**	**2,065**	**(5,585)**	**311**	**1,160**
Balance at March 31, 2014	**211,663**	**¥45,651**	**¥ 5**	**¥ 76,520**	**¥ (1,442)**	**¥ 7,485**	**¥ (361)**	**¥ 32**	**¥ 304**	**¥ (5,585)**	**¥ 2,753**	**¥ 125,362**

	Thousands	Thousands of U.S. dollars (Note 1)										
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Minority interests	Total
Balance at April 1, 2013	**211,663**	**$443,558**	**$ 49**	**$708,006**	**$(13,943)**	**$25,913**	**$ 1,166**	**$1,137**	**$(17,110)**	**$ —**	**$23,727**	**$1,172,503**
Cash dividends paid	**—**	**—**	**—**	**(28,187)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(28,187)**
Change of scope of consolidation	**—**	**—**	**—**	**(14,195)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(14,195)**
Net income	**—**	**—**	**—**	**76,729**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**76,729**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(68)**	**—**	**—**	**—**	**—**	**—**	**—**	**(68)**
Other changes	**—**	**—**	**—**	**1,137**	**—**	**46,813**	**(4,674)**	**(826)**	**20,064**	**(54,265)**	**3,022**	**11,271**
Balance at March 31, 2014	**211,663**	**$443,558**	**$ 49**	**$743,490**	**$(14,011)**	**$72,726**	**$(3,508)**	**$ 311**	**$ 2,954**	**$(54,265)**	**$26,749**	**$1,218,053**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **13,989**	¥ 6,818	$ **135,921**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**3,692**	3,305	**35,873**
Loss on impairment of long-lived assets	**—**	256	**—**
Increase (decrease) in allowance for doubtful receivables	**(1,791)**	472	**(17,402)**
Increase (decrease) in net defined benefit liabilities	**4,164**	—	**40,459**
Interest and dividend income	**(1,409)**	(1,342)	**(13,690)**
Interest expense	**2,947**	2,908	**28,634**
Gain on sales of investment securities	**(187)**	—	**(1,817)**
Loss on valuation of investment securities	**760**	1,296	**7,384**
Loss on valuation of investments in capital	**46**	127	**447**
Loss on disposal of noncurrent assets	**90**	375	**874**
Decrease (increase) in trade receivables	**(14,574)**	14,387	**(141,605)**
Decrease (increase) in inventories	**(10,705)**	18,094	**(104,013)**
Increase (decrease) in trade notes and accounts payable	**7,395**	(25,966)	**71,852**
Other, net	**2,027**	2,354	**19,695**
Subtotal	**6,444**	23,084	**62,612**
Cash flows during the year for:			
Interest and dividends received	**1,423**	1,351	**13,826**
Interest paid	**(3,042)**	(2,916)	**(29,557)**
Income taxes (paid) refund	**(4,482)**	(2,138)	**(43,548)**
Net cash provided by (used in) operating activities	**343**	19,381	**3,333**
Cash flows from investing activities:			
Decrease in time deposits, net	**—**	55	**—**
Additions to property and equipment	**(1,141)**	(4,028)	**(11,086)**
Proceeds from sale of property and equipment	**184**	924	**1,788**
Additions to investment securities	**(4,432)**	(2,831)	**(43,063)**
Proceeds from sale and redemption of investment securities	**329**	2,517	**3,197**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(1,300)**	—	**(12,631)**
Net decrease (increase) in short-term loans receivable	**554**	(567)	**5,383**
Additions to long-term loans receivable	**(6)**	(8)	**(59)**
Proceeds from long-term loans receivable	**39**	36	**379**
Other, net	**529**	(1,205)	**5,140**
Net cash provided by (used in) investing activities	**(5,244)**	(5,107)	**(50,952)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**5,326**	(26,360)	**51,749**
Net increase (decrease) in commercial paper	**(6,000)**	(4,000)	**(58,299)**
Proceeds from long-term debt, issuance of bonds	**62,804**	45,456	**610,222**
Repayments of long-term debt, redemption of bonds	**(63,576)**	(28,932)	**(617,722)**
Payment of cash dividends	**(2,901)**	(2,075)	**(28,187)**
Cash dividends paid to minority interests in consolidated subsidiaries	**(39)**	(41)	**(379)**
Other, net	**(542)**	(412)	**(5,266)**
Net cash provided by (used in) financing activities	**(4,928)**	(16,364)	**(47,882)**
Effect of exchange rate changes on cash and cash equivalents	**1,487**	1,428	**14,448**
Net increase (decrease) in cash and cash equivalents	**(8,342)**	(662)	**(81,053)**
Cash and cash equivalents at beginning of year	**23,198**	23,411	**225,398**
Effect of change in scope of consolidation	**1,064**	421	**10,338**
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	**—**	28	**—**
Cash and cash equivalents at end of year	¥ **15,920**	¥ 23,198	$ **154,683**

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, 2014, which was ¥102.92 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 21 (17 in 2013) 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. Valuation difference on available-for-sale 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

1. Attribution of estimated retirement benefits

To calculate benefit liabilities, the estimated amount of retirement benefits is attributed to the consolidated fiscal year under review based on the straight-line attribution method.

2. Treatment of unrecognized actuarial differences and past service costs
Past service costs are posted in expenses based on the straight-line method for a fixed period of years (14 years) within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses after the consolidated fiscal year following their accrual based on the straight-line method for a fixed period of years (14 years) within the average remaining service years of employees.
3. Adoption of simplified method by small companies
In calculating net defined benefit liability and retirement benefit expenses, certain domestic subsidiaries adopt a simplified method that regards the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end as retirement benefit obligations.

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.

Goodwill

Goodwill is amortized by the straight-line method over 5 years.

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.

Changes in accounting policies

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25") except the article 35 of the Statement No. 26 and the article 67 of the Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liabilities.

In accordance with the article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the application, net defined benefit liabilities in the amount of ¥4,483 million ($43,558 thousand) have been recognized, and accumulated other comprehensive income has decreased by ¥5,585 million ($54,265 thousand) at 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.

3. Financial instruments

At March 31, 2014 and 2013, 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.

Securities consist mainly 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 securities affect mainly 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 the 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 related to products, the 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 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 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, 2014 and 2013 were as follows:

March 31, 2014

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and cash equivalents	**¥ 15,920**	**¥ 15,920**	**¥ —**	**$ 154,683**	**$ 154,683**	**$ —**
(2) Trade notes and accounts receivable	**317,846**			**3,088,282**		
Allowance for doubtful receivables	**(860)**			**(8,356)**		
Net	**316,986**	**316,986**	**—**	**3,079,926**	**3,079,926**	**—**
(3) Securities						
a) Held-to-maturity debt securities	**5,006**	**5,010**	**4**	**48,640**	**48,679**	**39**
b) Available-for-sale securities	**29,893**	**29,893**	**—**	**290,449**	**290,449**	**—**
(4) Long-term loans receivable	**103**			**1,001**		
Allowance for doubtful receivables	**—**			**—**		
Net	**103**	**103**	**—**	**1,001**	**1,001**	**—**
Total assets	**¥ 367,908**	**¥ 367,912**	**¥ 4**	**$3,574,699**	**$3,574,738**	**$ 39**
(1) Short-term loans payable	**¥ 74,004**	**¥ 74,004**	**¥ —**	**$ 719,044**	**$ 719,044**	**$ —**
(2) Commercial paper	**5,000**	**5,000**	**—**	**48,582**	**48,582**	**—**
(3) Long-term debt due within one year	**31,601**	**31,615**	**(14)**	**307,044**	**307,180**	**(136)**
(4) Trade notes and accounts payable	**180,363**	**180,363**	**—**	**1,752,458**	**1,752,458**	**—**
(5) Long-term debt due after one year	**134,280**	**134,443**	**(163)**	**1,304,703**	**1,306,286**	**(1,583)**
Total liabilities	**¥ 425,248**	**¥ 425,425**	**¥ (177)**	**$4,131,831**	**$4,133,550**	**$ (1,719)**
Derivatives:						
To which hedge accounting is not applied	**¥ (210)**	**¥ (210)**	**¥ —**	**$ (2,040)**	**$ (2,040)**	**$ —**
To which hedge accounting is applied	**(710)**	**(790)**	**(80)**	**(6,899)**	**(7,676)**	**(777)**
Total derivatives	**¥ (920)**	**¥ (1,000)**	**¥ (80)**	**$ (8,939)**	**$ (9,716)**	**$ (777)**

March 31, 2013

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 23,198	¥ 23,198	¥ —
(2) Trade notes and accounts receivable	293,752		
Allowance for doubtful receivables	(788)		
Net	292,964	292,964	—
(3) Securities			
a) Held-to-maturity debt securities	5,007	5,041	34
b) Available-for-sale securities	19,941	19,941	—
(4) Long-term loans receivable	129		
Allowance for doubtful receivables	—		
Net	129	129	—
Total assets	¥ 341,239	¥ 341,273	¥ 34
(1) Short-term loans payable	¥ 60,600	¥ 60,600	¥ —
(2) Commercial paper	11,000	11,000	—
(3) Long-term debt due within one year	62,950	62,971	(21)
(4) Trade notes and accounts payable	164,302	164,302	—
(5) Long-term debt due after one year	100,625	100,680	(55)
Total liabilities	¥ 399,477	¥ 399,553	¥ (76)
Derivatives:			
To which hedge accounting is not applied	¥ (2,813)	¥ (2,813)	¥ —
To which hedge accounting is applied	270	227	(43)
Total derivatives	¥ (2,543)	¥ (2,586)	¥ (43)

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.

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, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Book value	Book value	Book value
(1) Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 5,083**	¥ 7,277	**$ 49,388**
(2) Available-for-sale securities:			
Unlisted stocks	**¥ 4,213**	¥ 3,300	**$ 40,935**
Unlisted foreign stocks	**2,109**	1,711	**20,491**
Unlisted foreign convertible bonds	**2,207**	2,017	**21,444**
Investment in limited partnerships	**60**	64	**583**
Total	**¥ 8,589**	¥ 7,092	**$ 83,453**

The maturities of receivables and securities with maturities outstanding at March 31, 2014 were as follows:

Year ending March 31	Millions of yen			
	2015	From 2016 to 2019	From 2020 to 2024	Thereafter
Cash and cash equivalents	¥ 15,920	¥ —	¥ —	¥ —
Trade notes and accounts receivable	317,846	—	—	—
Held-to-maturity debt securities	2,000	—	3,006	—
Available-for-sale securities with maturity dates	—	2,207	—	—
Long-term loans receivable	25	71	21	11
Total	¥ 335,791	¥ 2,278	¥ 3,027	¥ 11

	Thousands of U.S. dollars			
	2015	From 2016 to 2019	From 2020 to 2024	Thereafter
Cash and cash equivalents	$ 154,683	$ —	$ —	$ —
Trade notes and accounts receivable	3,088,282	—	—	—
Held-to-maturity debt securities	19,433	—	29,207	—
Available-for-sale securities with maturity dates	—	21,444	—	—
Long-term loans receivable	243	690	204	107
Total	$3,262,641	$ 22,134	$ 29,411	$ 107

4. Securities

(A) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2014 and 2013:

March 31, 2014

	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	**¥ 3,006**	**¥ 3,013**	**¥ 7**	**$ 29,207**	**$ 29,275**	**$ 68**
Corporate bonds with fair values not exceeding book values:						
Corporate bonds	**¥ 2,000**	**¥ 1,998**	**¥ (2)**	**$ 19,433**	**$ 19,413**	**$ (20)**

March 31, 2013

	Millions of yen		
	Book value	Fair value	Difference
Corporate bonds with fair values exceeding book values:			
Corporate bonds	¥ 3,007	¥ 3,050	¥ 43
Corporate bonds with fair values not exceeding book values:			
Corporate bonds	¥ 2,000	¥ 1,991	¥ (9)

(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, 2014 and 2013:

March 31, 2014

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	**¥ 10,016**	**¥ 23,212**	**¥ 13,196**	**$ 97,318**	**$ 225,534**	**$ 128,216**
Securities with book values not exceeding acquisition costs:						
Equity securities	**¥ 8,500**	**¥ 6,681**	**¥ (1,819)**	**$ 82,588**	**$ 64,914**	**$ (17,674)**

March 31, 2013

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 4,907	¥ 11,636	¥ 6,729
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 10,968	¥ 8,305	¥ (2,663)

(C) The loss resulting from the valuation of the listed securities in the years ended March 31, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
The loss resulting from the valuation of the listed securities	**¥ 76**	¥ 798	**$ 738**

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2014 and 2013 for the derivatives to which hedge accounting has not been applied:

March 31, 2014
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	**¥ 28,973**	**¥ —**	**¥ (72)**	**¥ (72)**	**$ 281,510**	**$ —**	**$ (700)**	**$ (700)**
Other currencies	**366**	**—**	**(2)**	**(2)**	**3,556**	**—**	**(19)**	**(19)**
Buying:								
U.S. dollars	**12,038**	**133**	**216**	**216**	**116,965**	**1,292**	**2,099**	**2,099**
Other currencies	**3,641**	**312**	**85**	**85**	**35,377**	**3,031**	**826**	**826**
Currency swap agreements:								
Japanese yen received for U.S. dollars	**10,678**	**—**	**(654)**	**(654)**	**103,750**	**—**	**(6,355)**	**(6,355)**
Total				**¥ (427)**				**$ (4,149)**

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	**¥ 1,591**	**¥ —**	**¥ (16)**	**¥ (16)**	**$ 15,459**	**$ —**	**$ (155)**	**$ (155)**
Buying	**815**	**—**	**10**	**10**	**7,919**	**—**	**97**	**97**
Non-ferrous metals:								
Selling	**15,030**	**—**	**403**	**403**	**146,036**	**—**	**3,916**	**3,916**
Buying	**7,103**	**—**	**(174)**	**(174)**	**69,015**	**—**	**(1,691)**	**(1,691)**
Commodity swap agreements:								
Petroleum:								
Selling	**40**	**—**	**—**	**—**	**389**	**—**	**—**	**—**
Buying	**2,103**	**—**	**(6)**	**(6)**	**20,433**	**—**	**(58)**	**(58)**
Total				**¥ 217**				**$ 2,109**

March 31, 2013
Currency related

	Millions of yen			
	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)
Other currencies	415	—	(3)	(3)
Buying:				
U.S. dollars	9,503	329	131	131
Other currencies	5,069	—	(8)	(8)
Currency swap agreements:				
Japanese yen received for U.S. dollars	8,752	—	(1,610)	(1,610)
Total				¥ (2,748)

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Petroleum:				
Selling	¥ 5,294	¥ —	¥ (59)	¥ (59)
Buying	3,061	—	7	7
Non-ferrous metals:				
Selling	22,694	—	259	259
Buying	11,649	—	(276)	(276)
Commodity swap agreements:				
Petroleum:				
Selling	217	—	(2)	(2)
Buying	1,478	—	6	6
Total				¥ (65)

(B) The following tables summarize fair value information as of March 31, 2014 and 2013 for the derivatives to which hedge accounting has been applied:

March 31, 2014
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	**¥ 5,853**	**¥ 5,853**	**¥ (80)**	**$ 56,869**	**$ 56,869**	**$ (777)**

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	**¥ 20,130**	**¥ —**	**¥ (1,225)**	**$ 195,589**	**$ —**	**$ (11,902)**
Buying	**10,870**	**—**	**515**	**105,616**	**—**	**5,004**

March 31, 2013
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	¥ 5,500	¥ 500	¥ (43)

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:			
Non-ferrous metals			
Selling	¥ 20,721	¥ —	¥ 803
Buying	15,166	—	(533)

6. Inventories

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Merchandise and finished products	**¥ 106,083**	¥ 91,920	**$1,030,733**
Work-in-process	**167**	132	**1,623**
Raw materials and supplies	**8,444**	4,558	**82,044**
Total	**¥ 114,694**	¥ 96,610	**$1,114,400**

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 a net gain of ¥441 million (gain of $4,285 thousand) and a net gain of ¥242 million for the years ended March 31, 2014 and 2013, respectively.

7. Pledged assets

At March 31, 2014 and 2013, assets were pledged as collateral for loans payable in the amount of ¥1,848 million ($17,956 thousand) and ¥800 million, respectively, and for guaranty deposits were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
For loans payable:			
Buildings and structures, net of accumulated depreciation	**¥ 149**	¥ —	**$ 1,448**
Land	**1,896**	—	**18,422**
Investment securities	**53**	60	**515**
Total	**¥ 2,098**	¥ 60	**$ 20,385**
For guaranty deposits:			
Other current assets	**¥ 13**	¥ 13	**$ 126**
Investment securities	**1,690**	1,260	**16,421**
Total	**¥ 1,703**	¥ 1,273	**$ 16,547**

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

The weighted average interest rate applicable to short-term loans outstanding at March 31, 2014 and 2013 was 1.18% and 1.28%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing currency. There was an outstanding balance of ¥74,004 million ($719,044 thousand) and ¥60,600 million at March 31, 2014 and 2013, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥5,000 million ($48,582 thousand) and ¥11,000 million at March 31, 2014 and 2013, respectively.

Bonds at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Issued in 2009, 1.34% unsecured straight bonds, due 2014	**¥ —**	¥ 50	**$ —**
Issued in 2010, 0.79% unsecured straight bonds, due 2013	**—**	10,000	**—**
Issued in 2011, 0.56% unsecured straight bonds, due 2014	**10,000**	10,000	**97,163**
Issued in 2012, 0.54% unsecured straight bonds, due 2015	**10,000**	10,000	**97,163**
Issued in 2013, 0.36% unsecured straight bonds, due 2016	**10,000**	—	**97,163**
Issued in 2013, 0.74% unsecured straight bonds, due 2018	**10,000**	—	**97,163**
Total	**¥ 40,000**	¥ 30,050	**$ 388,652**

Long-term loans payable at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loans from banks with weighted average interest rates of 0.84% and 1.02% at March 31, 2014 and 2013, respectively, maturing serially through 2021	**¥ 125,881**	¥ 133,525	**$1,223,096**
Less amounts due within one year	**21,601**	52,900	**209,881**
	¥ 104,280	¥ 80,625	**$1,013,215**

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, 2014 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 21,601	$ 209,881
2016	16,754	162,787
2017	9,317	90,527
2018	35,131	341,343
2019	42,815	416,003
Thereafter	263	2,555
Total	¥ 125,881	$1,223,096

9. Employees' severance and retirement benefits

(A) Overview of retirement benefit system adopted

To provide retirement benefits for employees, the Company and its consolidated domestic subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans. These Companies may also pay extra retirement allowances to employees at retirement.

Under its defined benefit corporate pension plan, the Company provides employees with lump-sum or pension benefits after determining the amount of benefits based on their salary and years of service. In calculating pension benefits, the Company uses a life pension system with a guarantee period of 15 years in which pension conversion rates vary according to market interest rates.

In the defined benefit corporate pension plan and lump-sum retirement payment plan which certain domestic subsidiaries have, net defined benefit liability and retirement benefit expenses are calculated based on the simplified method.

(B) Defined benefit plans

(1) Movements in defined benefit obligations, except plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	**¥ 27,671**	**$ 268,859**
Service cost	**1,147**	**11,145**
Interest cost	**379**	**3,682**
Actuarial gain	**(832)**	**(8,084)**
Benefits paid	**(764)**	**(7,423)**
Balance at March 31, 2014	**¥ 27,601**	**$ 268,179**

(2) Movements in plan assets, except plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 22,214	$ 215,837
Expected return on plan assets	666	6,471
Actuarial gain	(60)	(583)
Contributions paid by the employer	1,406	13,661
Benefits paid	(764)	(7,423)
Balance at March 31, 2014	¥ 23,462	$ 227,963

(3) Movements in liability for defined benefits for plans applying the simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 220	$ 2,137
Defined benefit costs	80	777
Benefits paid	(34)	(330)
Contributions paid by the employer	(16)	(155)
Other	94	913
Balance at March 31, 2014	¥ 344	$ 3,342

(4) Reconciliation from the balances of defined benefit obligations and plan assets and the liability for retirement benefits

	Millions of yen	Thousands of U.S. dollars
Funded defined benefit obligations	¥ 27,821	$ 270,317
Plan assets	(23,640)	(229,693)
	4,181	40,624
Unfunded defined benefit obligations	302	2,934
Total net liability for defined benefits at March 31, 2014	4,483	43,558
Net defined benefit liabilities	4,483	43,558
Total net liability for defined benefits at March 31, 2014	¥ 4,483	$ 43,558

(5) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 1,147	$ 11,145
Interest cost	379	3,682
Expected return on plan assets	(666)	(6,471)
Net actuarial loss amortization	1,250	12,146
Past service costs amortization	81	787
Retirement benefit costs based on the simplified method	80	777
Other	13	126
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 2,284	$ 22,192

(6) Accumulated other comprehensive income from defined benefit plans as of March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars
Past service costs that are yet to be recognized	**¥ 384**	**$ 3,731**
Actuarial gains and losses that are yet to be recognized	**8,294**	**80,587**
Total balance at March 31, 2014	**¥ 8,678**	**$ 84,318**

(7) Plan assets comprise:

Bonds	**19.5%**
Equity securities	**8.0**
Cash and cash equivalents	**31.0**
General account assets	**19.7**
Other	**21.8**
Total	**100.0%**

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(8) The principal actuarial assumptions at March 31, 2014 were as follows:

Discount Rate	**1.4%**
Long-term expected rate of return	**3.0%**

(C) Defined contribution plans

Consolidated domestic subsidiaries are required to contribute ¥89 million($865 thousand) to the defined contribution plan (including corporate pension fund plans under the multi-employer pension system in which accounting treatment is implemented in the same way as the defined contribution plan).

(D) Multi-employer pension plans

Multi-employer pension plans under which required contributions were accounted for as retirement benefit expenses. Items relating to overall status of pension plan reserves at March 31, 2013 (as of the most recently available year-end date of the pension fund) were as follows:

	Millions of yen	Thousands of U.S. dollars
Fair value of plan assets	¥ 101,911	$ 990,196
Benefit obligation based on pension plan finance calculation	128,178	1,245,414
Balance at end of year	¥ (26,267)	$ (255,218)

The principle factors relating to the balance were the prior service costs of ¥17,203 million ($167,149 thousand) based on pension plan finance calculations. Amortization of unamortized prior service costs was conducted using the straight-line method over a period of 20 years.

Percentage of total pension plan accounted for by contributions of the Group at March 31, 2013 was 0.72%. The percentage does not match the actual amount contributed by the Group.

Year Ended March 31, 2013

The liability for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥ 28,073
Less fair value of pension assets	(22,395)
Unrecognized actuarial differences	(10,317)
Unrecognized prior service costs	(464)
Prepaid pension costs	5,323
Liability for severance and retirement benefits	¥ 220

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

	Millions of yen
	2013
Service costs -benefits earned during the year	¥ 1,215
Interest costs on projected benefit obligation	374
Expected return on plan assets	(631)
Amortization of actuarial differences	1,271
Amortization of prior service costs	81
Additional retirement benefits	2
Severance and retirement benefit expenses	¥ 2,312

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 year ended March 31, 2013 were as follows:

	2013
Discount rate	1.4%
Expected rate of return on plan assets	3.0%
Amortization period of prior service costs	14 years
Amortization period of actuarial differences	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% for the years ended March 31, 2014 and 2013.

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, 2014 and 2013.

	2014	2013
Statutory tax rate:	**38.0%**	38.0%
Tax effect of permanent differences	**(0.1)**	1.1
Valuation allowance recognized for deferred tax assets	**(0.1)**	(13.0)
Difference in tax rates for consolidated subsidiaries	**0.6**	(1.2)
Other	**4.4**	4.9
Effective tax rate	**42.8%**	29.8%

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	**¥ 13,164**	¥ 13,170	**$ 127,905**
Loss on impairment of long-lived assets	**2,243**	2,281	**21,794**
Net defined benefit liabilities	**1,592**	—	**15,468**
Loss on sale-repurchase agreements of land	**1,506**	1,506	**14,633**
Land revaluation difference, net of taxes unrealized loss	**1,460**	1,460	**14,186**
Loss on valuation of investment securities, currently not deductible	**907**	902	**8,813**
Accrued bonuses to employees	**788**	719	**7,656**
Other	**3,967**	4,517	**38,544**
Total deferred tax assets	**25,627**	24,555	**248,999**
Valuation allowance	**(20,256)**	(19,727)	**(196,813)**
Net deferred tax assets	**5,371**	4,828	**52,186**
Deferred tax liabilities:			
Land revaluation difference, net of taxes unrealized gain	**2,286**	2,385	**22,211**
Prepaid pension costs	**—**	2,000	**—**
Valuation difference on available-for-sale securities	**3,925**	1,338	**38,136**
Other	**1,453**	1,204	**14,118**
Total deferred tax liabilities	**7,664**	6,927	**74,465**
Net deferred tax liabilities	**¥ (2,293)**	¥ (2,099)	**$ (22,279)**

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2014 and 2013, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets: Deferred tax assets	**¥ 2,048**	¥ 2,165	**$ 19,899**
Other assets: Deferred tax assets	**217**	300	**2,108**
Current liabilities: Deferred tax liabilities	**—**	—	**—**
Noncurrent liabilities: Deferred tax liabilities	**4,558**	4,564	**44,287**

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2014 amendments to the Japanese tax regulations were enacted into law, which will reduce the corporation tax rate. Consequently, the effective statutory tax rate used to measure deferred tax assets and liabilities has been reduced from 38.0% to 35.6%.

The impact of this change on the financial statements has been immaterial.

11. Business Combination

Year ended March 31, 2014

(A) Outline of business combination

(1) Name and business of the company acquired
San Ei Metal Co., Ltd.
Wholesale steel distributor

(2) Major reasons for the business combination
The business combination has made it possible for the Company to enhance its position as a trading company with a strong presence in the industry by making use of the logistics and processing function possessed by San Ei Metal Co., Ltd. and strengthening the sales force.

(3) Business combination date
October 1, 2013

(4) Legal form for the business combination
Cash purchase of shares

(5) Name of the company after the business combination
San Ei Metal Co., Ltd.

(6) Voting rights acquired
97.0%

(7) Reason for decision on the acquiring company
The Company acquired San Ei Metal's shares with cash.

(B) Period of the acquired company's fiscal year included in the consolidated financial statements
From October 1, 2013 to March 31, 2014

(C) Details of the acquisition cost of the acquired company were as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition consideration (Cash)	¥ 1,601	$ 15,556
Costs directly related to the acquisition (Due diligence costs, etc.)	13	126
Acquisition cost	¥ 1,614	$ 15,682

(D) Amount of goodwill, reasons for goodwill, method and period of amortization

(1) Amount of goodwill
¥494 million ($4,780 thousand)

(2) Reason for recognition of goodwill
As an acquisition cost exceeds the net assets at fair value of the acquired company, the excess amount has been recognized as goodwill.

(3) Method and period of amortization
Amortized by the straight-line method over 5 years.

(E) Amounts of assets and liabilities acquired on the business combination date were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 4,871	$ 47,328
Fixed assets	3,984	38,710
Total assets	8,855	86,038
Current liabilities	5,260	51,108
Long-term liabilities	1,556	15,118
Total liabilities	¥ 6,816	$ 66,226

12. 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 in which 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, 2014, the shareholders approved cash dividends of ¥6 per share ($0.06) amounting to ¥1,243 million ($12,077 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2014. 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, 2014, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,922 million ($18,675 thousand).

13. Contingent liabilities

At March 31, 2014 and 2013, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
As endorsers of export letters of credit and notes discounted	**¥ 5,707**	¥ 5,469	**$ 55,451**
As guarantors of indebtedness	**4,816**	4,952	**46,794**

14. Loss on impairment of long-lived assets

Year ended March 31, 2013

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 for the year ended March 31, 2013 was recognized in other expense in the consolidated statements of income and comprehensive income.

		Millions of yen		
Location	Description	Building and Structure	Other	Total
Chuo, Osaka	Idle assets	¥ 252	¥ 4	¥ 256
Total		¥ 252	¥ 4	¥ 256

15. Loss on disposal of property and equipment

Year Ended March 31, 2014

Loss on disposal of property and equipment for year ended March 31, 2014 was ¥90 million ($874 thousand). The loss consists mainly of estimated expense for the demolition of the former Osaka Head Office.

Year Ended March 31, 2013

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

16. Other comprehensive income

Years ended March 31, 2014 and 2013

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
	2014	2013	**2014**
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	**¥ 7,253**	¥ 101	**$ 70,472**
Reclassification adjustments	**163**	799	**1,584**
Sub-total, before tax	**7,416**	900	**72,056**
Tax expense (benefit)	**2,596**	318	**25,224**
Sub-total, net of tax	**4,820**	582	**46,832**
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	**(192)**	(1,345)	**(1,866)**
Reclassification adjustments	**(559)**	966	**(5,431)**
Sub-total, before tax	**(751)**	(379)	**(7,297)**
Tax expense (benefit)	**(270)**	(146)	**(2,623)**
Sub-total, net of tax	**(481)**	(233)	**(4,674)**
Land revaluation difference, net of taxes:			
Increase (decrease) during the year	**—**	—	**—**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**—**	—	**—**
Tax expense (benefit)	**(33)**	33	**(321)**
Sub-total, net of tax	**33**	(33)	**321**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**2,274**	1,500	**22,095**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**2,274**	1,500	**22,095**
Tax expense (benefit)	**—**	—	**—**
Sub-total, net of tax	**2,274**	1,500	**22,095**
Total other comprehensive income	**¥ 6,646**	¥ 1,816	**$ 64,574**

17. 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 ¥337 million ($3,274 thousand) and ¥341 million for the years ended March 31, 2014 and 2013, 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, 2014

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
¥ 7,662	**¥ 277**	**¥ 7,385**	**¥ 6,957**	**$ 74,446**	**$ 2,691**	**$ 71,755**	**$ 67,596**

Year ended March 31, 2013

Millions of yen			
Book value			
Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 8,322	¥ 660	¥ 7,662	¥ 6,864

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."

18. 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, 2014 was as follows:

Year ended March 31, 2014

	Millions of yen									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 792,155	¥ 94,129	¥ 75,947	¥ 77,347	¥ 491,288	¥ 1,530,866	¥ 151,638	¥ 1,682,504	¥ —	¥ 1,682,504
Intersegment	18,942	3,866	1,564	1,322	7,756	33,450	49,287	82,737	(82,737)	—
Total	¥ 811,097	¥ 97,995	¥ 77,511	¥ 78,669	¥ 499,044	¥ 1,564,316	¥ 200,925	¥ 1,765,241	¥ (82,737)	¥ 1,682,504
Segment income (loss)	¥ 13,880	¥ 1,756	¥ 836	¥ 1,590	¥ 1,925	¥ 19,987	¥ (262)	¥ 19,725	¥ (5,027)	¥ 14,698
Assets	¥ 317,021	¥ 49,253	¥ 16,212	¥ 34,476	¥ 71,638	¥ 488,600	¥ 53,218	¥ 541,818	¥ 51,534	¥ 593,352
Depreciation	2,713	119	36	22	74	2,964	669	3,633	59	3,692
Amortization of goodwill	105	—	—	—	—	105	—	105	—	105
Interest income	194	117	—	1	146	458	89	547	300	847
Interest expense	1,865	461	148	183	417	3,074	578	3,652	(705)	2,947
Increase in property and equipment	1,668	36	25	10	14	1,753	628	2,381	11	2,392

Year ended March 31, 2014

	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	$ 7,696,803	$ 914,584	$ 737,923	$ 751,525	$4,773,494	$14,874,329	$ 1,473,359	$ 16,347,688	$ —	$16,347,688
Intersegment	184,046	37,563	15,196	12,845	75,360	325,010	478,886	803,896	(803,896)	—
Total	$ 7,880,849	$ 952,147	$ 753,119	$ 764,370	$4,848,854	$15,199,339	$ 1,952,245	$ 17,151,584	$ (803,896)	$16,347,688
Segment income (loss)	$ 134,862	$ 17,061	$ 8,123	$ 15,449	$ 18,704	$ 194,199	$ (2,545)	$ 191,654	$ (48,844)	$ 142,810
Assets	$ 3,080,266	$ 478,556	$ 157,521	$ 334,979	$ 696,055	$ 4,747,377	$ 517,081	$ 5,264,458	$ 500,719	$ 5,765,177
Depreciation	26,360	1,156	350	214	719	28,799	6,500	35,299	574	35,873
Amortization of goodwill	1,020	—	—	—	—	1,020	—	1,020	—	1,020
Interest income	1,885	1,137	—	10	1,418	4,450	865	5,315	2,915	8,230
Interest expense	18,121	4,479	1,438	1,778	4,052	29,868	5,616	35,484	(6,850)	28,634
Increase in property and equipment	16,207	350	243	97	136	17,033	6,101	23,134	107	23,241

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 ¥5,027 million (negative $48,844 thousand) for segment income (loss) 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 ¥51,534 million ($500,719 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 ¥59 million ($574 thousand) include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥300 million ($2,915 thousand) and negative ¥705 million (negative $6,850 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 ¥11 million ($107 thousand) are increases in Group assets.

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 (loss)	¥ 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

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 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 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 include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥252 million and negative ¥609 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 ¥64 million are increases in Group assets.

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2014 and 2013 was as follows:

Year ended March 31, 2014

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**¥ 809,615**	**¥ 100,096**	**¥ 98,838**	**¥ 89,732**	**¥ 506,814**	**¥ 77,409**	**¥ 1,682,504**

Year ended March 31, 2014

	Thousands of U.S. dollars						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**$ 7,866,450**	**$ 972,561**	**$ 960,338**	**$ 871,862**	**$ 4,924,349**	**$ 752,128**	**$16,347,688**

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

Geographic information

(1) Net sales in different countries for the years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	**¥ 1,250,832**	**¥ 361,243**	**¥ 70,429**	**¥ 1,682,504**

Year ended March 31, 2014

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Net sales to external customers	**$12,153,440**	**$ 3,509,940**	**$ 684,308**	**$16,347,688**

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

(2) Property and equipment in different countries for the year ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014

	Millions of yen			
	Japan	Asia	Other	Total
Property and equipment	**¥ 53,966**	**¥ 7,548**	**¥ 61**	**¥ 61,575**

Year ended March 31, 2014

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property and equipment	**$ 524,349**	**$ 73,338**	**$ 593**	**$ 598,280**

Year ended March 31, 2013

	Millions of yen			
	Japan	Asia	Other	Total
Property and equipment	¥ 51,457	¥ 3,587	¥ 24	¥ 55,068

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.

Outstanding balance of goodwill and amortization of goodwill in reportable segment

Outstanding balance of goodwill for the year ended March 31, 2014 was as follows:

Year ended March 31, 2014

	Millions of yen									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Balance at end of year	¥ 597	¥ —	¥ —	¥ —	¥ —	¥ 597	¥ —	¥ 597	¥ —	¥ 597

Year ended March 31, 2014

	Thousands of U.S. dollars									
	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Balance at end of year	$ 5,801	$ —	$ —	$ —	$ —	$ 5,801	$ —	$ 5,801	$ —	$ 5,801

The information of amortization of goodwill was omitted here because which has been noticed in the overview of the reportable segments.

Independent Auditor's Report

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 30, 2014
Osaka, Japan

Global Network

EUROPE

London
Amsterdam
Vienna

MIDDLE EAST

Kuwait
Riyadh
Jeddah
Dammam
Dubai
Istanbul

AFRICA

Johannesburg

ASIA

Seoul
Busan
Beijing
Qingdao
Dalian
Tianjin
Shanghai
Chongqing
Fuzhou
Wuhan
Taicang
Jiangxi
Guangzhou
Dongguan
Zhongshan
Hong Kong
Taipei
Kaohsiung
Bangkok
Chonburi
Yangon
Kuala Lumpur
Singapore
Ho Chi Minh
Hanoi
Jakarta
Mumbai
New Delhi
Chennai


AMERICAS
New York
Chicago
Houston
Seattle
Los Angeles
San Diego
Vancouver
Mexico City
Celaya
Bogota
Guam
Santiago
JAPAN
Osaka
Tokyo
Nagoya
Hokkaido
Tohoku
Hachinohe
Niigata
Chugoku
Kyushu
Kitakanto
Mito
Atsugi
Shizuoka
Okayama
Okinawa

Global Network

JAPAN

OSAKA
3-6-1, Kita Kyuhoji-machi, Chuo-ku, Osaka city, Osaka 541-8585, Japan
Tel: 81-6-7525-5000 Fax: 81-6-7525-5365

TOKYO
6-18-2 Ginza, Chuo-ku, Tokyo 104-8429, Japan
Tel: 81-3-3544-2171 Fax: 81-3-3544-2351

NAGOYA
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

HOKKAIDO
NREG Kita-sanjo Bldg., 3-1-25, Kita-sanjo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0003, Japan
Tel: 81-11-219-7375 Fax: 81-11-219-7376

TOHOKU
Sendai Dai-ichi Seimei Tower Bldg., 4-6-1 Ichiban-cho, Aoba-ku, Sendai, Miyagi 980-0811, Japan
Tel: 81-22-227-7981 Fax: 81-22-227-7969

HACHINOHE
Kyoei Hachinohe Bancho Bldg., 9-5, Bancho, Hachinohe, Aomori 031-0031, Japan
Tel: 81-178-73-1170 Fax: 81-178-22-2211

NIIGATA
Hokuetsu-daiichi Bldg., 1-2-25, Higashi Oodouri, Chuo-ku, Niigata 950-0087, Japan
Tel: 81-25-255-1777 Fax: 81-25-255-1776

CHUGOKU
Hiroshima-fukuromachi Bldg., 5-25, Fukuro-machi, Naka-ku, Hiroshima 730-0036, Japan
Tel: 81-82-543-2570 Fax: 81-82-543-2561

KYUSHU
Taihaku Center Bldg., 2-19-24 Hakata-ekimae, Hakata-ku, Fukuoka 812-0011, Japan
Tel: 81-92-471-7121 Fax: 81-92-471-7060

KITAKANTO
Takasaki East Center Bldg., 14-1 Sakae-cho, Takasaki, Gunma 370-0841, Japan
Tel: 81-27-310-6390 Fax: 81-27-321-0952

MITO
Mito Minami-machi, Dai-ichi Seimei Bldg., Minami-machi, Mito, Ibaraki 310-0021, Japan
Tel: 81-29-300-0351 Fax: 81-29-226-8230

ATSUGI
Nihonseimei Hon-Atsugi Bldg., 1-2-1, Asahi-cho, Atsugi, Kanagawa 243-0014, Japan
Tel: 81-46-226-9005 Fax: 81-46-227-0121

SHIZUOKA
Mizunomori Bldg. 9F, 14-1, Minami-machi, Suruga-ku, Shizuoka city, Shizuoka, 422-8067, Japan
Tel: 81-54-654-7080 Fax: 81-54-654-7082

OKAYAMA
2F Sumitomo life Insurance Bldg., 2-4-6, Showa, Kurashiki, Okayama, 710-0057, Japan
Tel: 81-86-435-7122 Fax: 81-86-422-5622

OKINAWA
Mitsui Life Insurance Naha Bldg., 2-4-16, Kume, Naha, Okinawa 900-0033, Japan
Tel: 81-98-860-9115 Fax: 81-98-861-5516

AMERICAS

NEW YORK
Parker Plaza, 12th Floor, 400 Kelby Street, Fort Lee, NJ 07024, U.S.A.
Tel: 1-201-363-4500 Fax: 1-201-346-9890

CHICAGO
425 North Martingale Road, Suite 1120, Schaumburg, Illinois 60173, U.S.A.
Tel: 1-847-278-7360 Fax: 1-847-285-1369

HOUSTON
2925 Briarpark Drive, Suite 100, Houston, TX 77042, U.S.A.
Tel: 1-713-978-7904 Fax: 1-713-978-7790

SEATTLE
601 Union Street, Suite 626, Seattle, WA 98101, U.S.A.
Tel: 1-206-622-2102 Fax: 1-206-622-6464

LOS ANGELES
18100 Von Karman, Suite 320, Irvine, CA 92612, U.S.A.
Tel: 1-949-955-2780 Fax: 1-949-955-2785

SAN DIEGO
8753 Kerns Street, San Diego, CA 92154, U.S.A.
Tel: 1-619-671-9247 Fax: 1-619-671-9210

VANCOUVER
Suite 502, 1001 West Broadway Vancouver, B.C., V6H 4B1, Canada
Tel: 1-604-876-1175 Fax: 1-604-876-1085

MEXICO CITY
Hamburgo No.206, Interior 101, Colonia. Juarez, C.P. 06600, Mexico D.F., Mexico
Tel: 52-55-5525-9934 Fax: 52-55-5533-2774

CELAYA
Autopista Queretaro-Irapuato, KM 35+500, AV. Celaya No.105, Parque Industrial Amistad Bajio, C.P. 38160, Apaseo El Grande, Guanajuato, Mexico
Tel: 52-413-158-6600 Fax: 52-413-158-6601

BOGOTA
Calle 97, No. 21-50, Edif: La Fontana Di Tivoli Oficina: 309 Bogota, D.C. Colombia
Tel: 57-1-473-4758 Fax: 57-1-473-4754

GUAM
428, Chalan Antonio Suite, 102, Tamuning, 96913, Guam
Tel: 1-671-647-0133 Fax: 1-671-647-0135

SANTIAGO
Apoquindo 5583, oficina 92, Las Condes, Santiago, R.O. Chile
Tel: 56-2-2247-5125 Fax: 56-2-2954-1803

ASIA

SEOUL
Room 1703, Korea World Trade Center, 511, Yeongdong-Daero, Gangnam-Gu, Seoul, 135-729, R.O. Korea
Tel: 82-2-551-5387 Fax: 82-2-551-5575

BUSAN
Room 504, Industry Bldg., 37 Gwaegam-Ro, Sasang-Gu, Busan, 617-726, R.O. Korea
Tel: 82-51-319-1006 Fax: 82-51-319-1545

BEIJING
Room 1220-1221, Beijing Fortune Bldg., 5 Dong San Huan Bei-lu, Chaoyang District, Beijing 100004, P.R. China
Tel: 86-10-6590-8333 Fax: 86-10-6590-8340

QINGDAO
Crowne Plaza Qingdao, Room No.602-603, Hongkong Middle Road 76, Qingdao City, Shandong 266071, P.R. China
Tel: 86-532-8-577-9990 Fax: 86-532-8-577-9630

DALIAN
Senmao Bldg., 20F, 147 Zhongshan Street, Dalian City, Liaoning 116011, P.R. China
Tel: 86-411-8-368-6954 Fax: 86-411-8-368-6934

TIANJIN
1108 Block A, Kuangshi Int'l Bldg., Xiangluo Bay Business Center, New Area, Tianjin 300452, P.R. China
Tel: 86-22-6566-8618 Fax: 86-22-6566-8619

SHANGHAI
16F SMEG Plaza,1386 Hong Qiao Road, Chang Ning District, Shanghai 200336, P.R. China
Tel: 86-21-6237-5260 Fax: 86-21-6237-5268

CHONGQING
Room 1711, Metropolitan Tower, 68 Zhou Rong Lu, Central District, Chongqing 400010, P.R. China
Tel: 86-23-6381-1101 Fax: 86-23-6381-7385

FUZHOU
Room 2501, Lippo Tianma Plaza, No.1 Wu Yi Road, Fuzhou City, Fujian 350003, P.R. China
Tel: 86-591-8-3354165 Fax: 86-591-8-3345202

WUHAN
Room 1009, New World Center, Tower A, No. 634, Jiefang Avenue, Wuhan 430032, P.R. China
Tel: 86-27-8549-7132 Fax: 86-27-8578-7196

TAICANG
No. 7 Guangzhou East Road, Economic Development Area, Taicang City, Jiangsu, P.R. China
Tel: 86-512-5359-0800 Fax: 86-512-5358-8942

JIANGXI
Jinlong Road Ganzhou Development Zone, Ganzhou City, Jiangxi 341000, P. R. China
Tel: 86-797-555-8892 Fax: 86-797-555-8890

GUANGZHOU
Unit 3701-3704, Profit Plaza, No. 76 Westhuangpu Road, Guangzhou City, Guangdong 510623, P.R. China
Tel: 86-20-8732-0451 Fax: 86-20-8732-0402

DONGGUAN
D Block, Chashan Industrial Park, Chashan Town, Dongguan City, Guangdong 523391, P.R. China
Tel: 86-769-8182-1000 Fax: 86-769-8182-1001

ZHONGSHAN
Unit 1909-1910, 19th Floor, Bank Of China Tower, 18 Zhongshan 3rd Road, Zhongshan City, Guangdong, P.R. China
Tel: 86-760-2332-0706 Fax: 86-760-2332-0696

HONG KONG
Suite 1504, 15/F., Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing Island East, Hong Kong
Tel: 852-2545-0110 Fax: 852-2542-2544

TAIPEI
Room A, 9th Floor, No. 132, Minsheng East Road Sec. 3, Taipei 10596, Taiwan
Tel: 886-2-2545-7151 Fax: 886-2-2545-7112

KAOHSIUNG
Room B, 17th Floor, No.7 Su-Wei 4th Road, Kaohsiung, Taiwan
Tel: 886-7-338-5508 Fax: 886-7-338-5433

BANGKOK
16th Floor, Unit 1602, Q.House Lumpini Bldg., 1 South Sathorn Road, Tungmahamek, Sathorn, Bangkok 10120, Thailand
Tel: 66-2-343-8877 Fax: 66-2-343-8878

CHONBURI
700/625 Moo 4, 700/630 Moo 5, Tambol Baankao, Amphur Panthong, Chonburi 20160, Thailand
Tel: 66-38-21-0200 Fax: 66-38-21-0085

YANGON
No. (22/24), Room (5-B), Nawaratt Condominium, Samone Street, Dagon Township, Yangon, Myanmar
Tel: 95-1377-753

KUALA LUMPUR
Suite 8-12B-3, Level 14 (12B), Menara Olympia 8, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia
Tel: 60-3-2078-2311 Fax: 60-3-2078-2380

SINGAPORE
20 Cecil Street, #20-04/05/06/07/08, Equity Plaza, Singapore, 049705
Tel: 65-6536-7822 Fax: 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
Tel: 84-8-3822-5715 Fax: 84-8-3822-5725

HANOI
14th Floor, Vit Tower, 519 Kim Ma Street, Ba Dinh, Hanoi, S.R. Vietnam
Tel: 84-4-2220-9155 Fax: 84-4-2220-9159

JAKARTA
Midplaza 1 Building, 16th Floor, Jl. Jend. Sudirman Kav, 10-11 Jakarta 10220, Indonesia
Tel: 62-21-5785-3033 Fax: 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
Tel: 91-22-2826-0884 Fax: 91-22-2826-1097

NEW DELHI
203, Bestech Chambers, B Block, Sushant Lok 1, Gurgaon, Haryana 122002, India
Tel: 91-124-456-6100 Fax: 91-124-456-6111

CHENNAI
5H-1/5K/5K-1, 5th Floor, Century Plaza, 560-562, Anna Salai, Teynampet, Chennai 600 018, India
Tel: 91-44-33539100 Fax: 91-44-33539104

EUROPE

LONDON
7th Floor, 55 Strand, London, WC2N 5LS, U.K.
Tel: 44-20-7839-4448 Fax: 44-20-7839-3994

AMSTERDAM
WTC Tower C-14F, Strawinskylaan 1447, 1077XX, Amsterdam, The Netherlands
Tel: 31-20575-2460 Fax: 31-20575-2461

VIENNA
Wipplingerstrasse 34 Top 174, 1010 Wien, Austria
Tel: 43-1-532-01-65 Fax: 43-1-532-01-65-20

MIDDLE EAST

KUWAIT
15th Floor, Al Nema Tower, Jaber Al Mubarak St., Block No.4 Plot No.2, Sharq, Kuwait
Tel: 965-2-243-7259 Fax: 965-2-243-7263

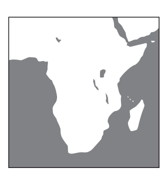
RIYADH
P.O. Box 68974, Riyadh 11537, Saudi Arabia
Tel: 966-1-473-1563 Fax: 966-1-473-5624

JEDDAH
Office No. 219, Kaki Center, P.O. Box 1224, Jeddah 21431, Saudi Arabia
Tel: 966-2-669-0648 Fax: 966-2-669-0648

DAMMAM
Office No.1, 1st Floor, Al-Hammam Center for Trading King Fahad Bin Abdul Aziz Road, Dammam, Saudi Arabia
Tel: 966-3-8420845 Fax: 966-3-8420847

DUBAI
Dubai Airport Free Zone, East Wing Bldg., No. 6E, B-Block, Room No. 544, P.O. Box 293873 Dubai, U.A.E.
Tel: 971-4-609-1893 Fax: 971-4-609-1895

ISTANBUL
Levent Loft Residence, Buyukdere CD, No. 201 A Blok K.4, D.76 34394 Sisli, Istanbul, Turkey
Tel: 90-212-325-0046 Fax: 90-212-325-0051



AFRICA

JOHANNESBURG
2nd Floor, West Tower, Nelson Mandela Square, Maude Street, Sandton, Johannesburg 2196, South Africa
Tel: 27-11-881-5966 Fax: 27-11-881-5611

Corporate Information (As of March 31, 2014)

Corporate Data

Company Name	Hanwa Co., Ltd.
Established	April 1947
Capital	¥45,651 million
Number of Employees	Consolidated: 2,610 Non-consolidated: 1,161
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

Board of Directors, Corporate Auditors and Executive Officers (As of June 27, 2014)

BOARD OF DIRECTORS

Chairman*	Shuji Kita
President*	Hironari Furukawa
Directors, Executive Vice President and Executive Officers	Hideo Kawanishi
Directors, Senior Managing Executive Officers	Hiroshi Serizawa
	Akihiko Ogasawara
	Atsuhiro Moriguchi
Outside Directors	Osamu Seki
	Ryuji Hori
Directors, Managing Executive Officers	Yasumichi Kato
	Yoshiaki Matsuoka
	Naoyuki Togawa
Directors, Executive Officers	Hiromasa Yamamoto
	Yasushi Hatanaka

CORPORATE AUDITORS

Standing Corporate Auditors (Full-time)	Teruo Asai
	Yoichi Ejima
Outside Corporate Auditors	Yasuo Naide
	Hiroshige Wagatsuma
	Katsunori Okubo

*Representative Director

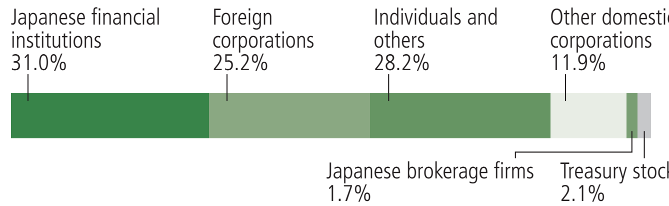
EXECUTIVE OFFICERS

Senior Managing Executive Officer	Hiroshi Ebihara
Executive Officers	Takatoshi Kuchiishi
	Kozo Yamabe
	Kazuhiko Okada
	Yasuharu Kurata
	Hidemi Nagashima
	Chiro Ideriha
	Toshimi Terada
	Isao Kimizu
	Tsuneo Tsuiki
	Yoichi Sasayama
	Yoichi Nakagawa

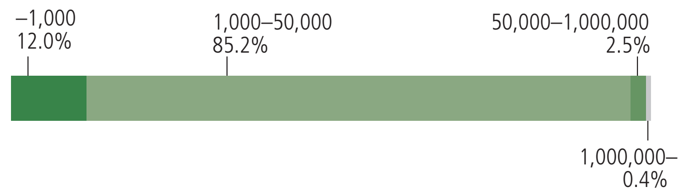
Stock Information

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
Issued and Outstanding Shares	211,663,200 shares
Number of Shareholders	11,228

Breakdown by Type of Shareholder



Breakdown by Size of Holding

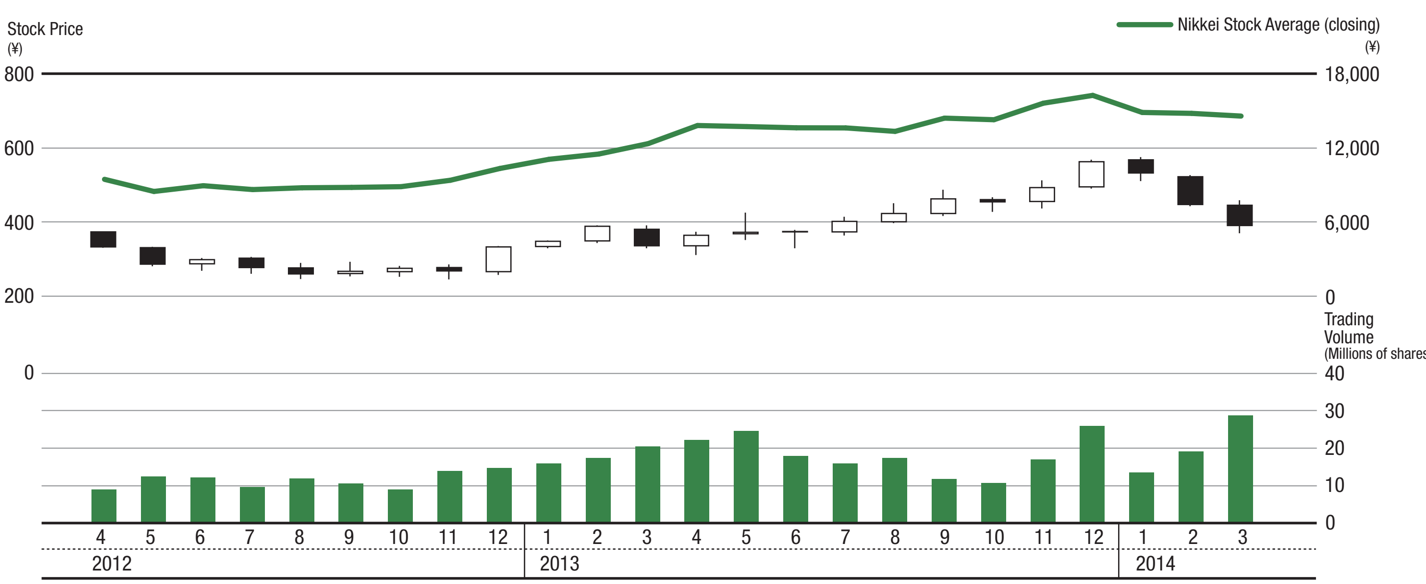


Principal Shareholders

Name of Shareholder	Number of Shares (thousands)	Percentage of Total Issued Share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	16,075	7.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,876	4.77
Sumitomo Mitsui Banking Corporation	7,630	3.68
Hanwa Clients' Stock Investment Association	7,103	3.43
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	5,287	2.55
Hanwa Employees' Stock Investment Association	4,442	2.14
THE BANK OF NEW YORK 133522	3,477	1.68
Nippon Steel & Sumitomo Metal Corporation	3,001	1.45
The Dai-ichi Mutual Life Insurance Company	2,614	1.26
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,533	1.22

Note: The Company holds 4,440,708 shares of treasury stock, which is excluded from the principal shareholders listed above.

Stock Price Range and Trading Volume (Common Stock)



HANWA CO., LTD.
http://www.hanwa.co.jp

2014.8 Printed in Japan