HANWA CO., LTD.
阪和興業株式会社

Annual Report 2015

2015

Year ended March 31, 2015

Contents

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

Coping with changing times and markets quickly, Hanwa makes 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 68 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.

To Our Stakeholders

Shuji Kita
Chairman

Hironari Furukawa
President

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, 2015, global economic conditions in general were mixed. There were signs of modest improvement in the United States and Japan, while China was in a transition phase to stable growth and weakness persisted in Europe. Hanwa completed the second year of its Medium-term Business Plan, which covers the period from April 2013 to March 2016, and posted higher sales and profits for third consecutive year. We intend to continue to ensure that our final year of this plan progresses 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.

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.

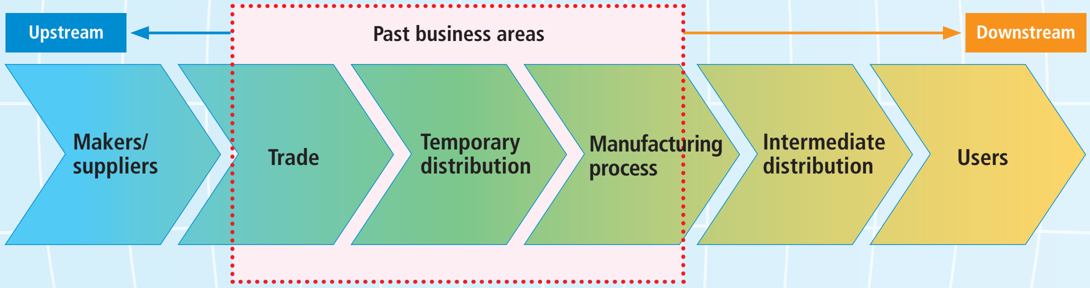
DISTRIBUTION SPECIALIST

"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
48

Number of Overseas Processing Plants
26

Number of Subsidiaries and Associated Companies
30

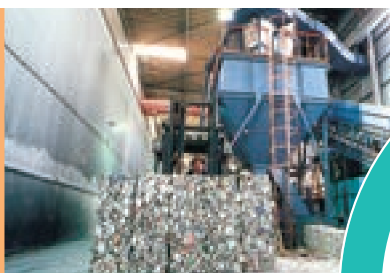
Number of Employees (consolidated)
2,772

At a Glance

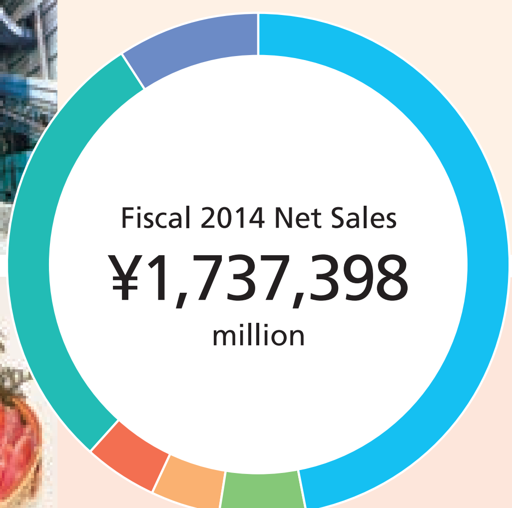
Net Sales / Year-on-Year Change

Steel
¥857,396 million
+8.2%

Metals and Alloys
¥125,768 million
+33.6%

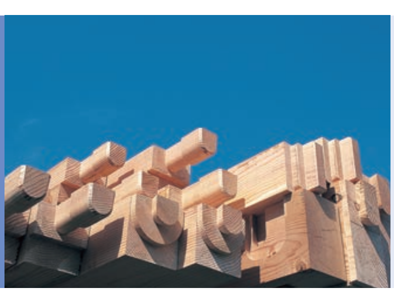


Non-Ferrous Metals
¥81,978 million
+7.9%



Food Products
¥86,923 million
+12.4%

Petroleum and Chemicals
¥422,450 million
–14.0%



Other Business
¥162,883 million
+7.4%

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

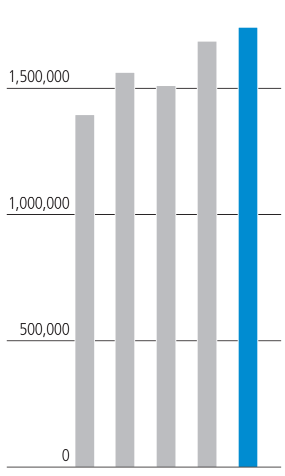
Other
Environment-related business

Consolidated Financial Highlights

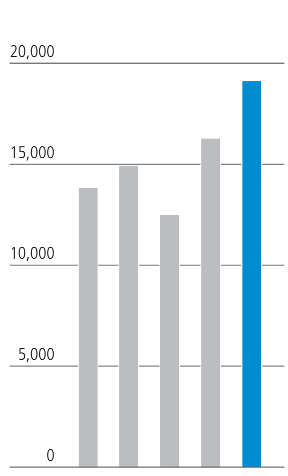
	Millions of yen, except for number of employees		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
For the year:			
Net sales	**¥1,737,398**	¥1,682,504	**$14,457,835**
Operating income	**19,107**	16,253	**159,000**
Net income	**9,086**	7,897	**75,610**
Comprehensive income	**19,450**	14,648	**161,854**
At year-end:			
Cash and cash equivalents	**¥ 24,515**	¥ 15,920	**$ 204,003**
Total assets	**651,457**	593,352	**5,421,128**
Total net assets	**142,750**	125,362	**1,187,900**
Number of employees	**2,772**	2,610	
	Yen		U.S. dollars (Note 1)
Per share data:			
Net income	**¥ 43.85**	¥ 38.11	**$ 0.365**
Cash dividends	**15.00**	12.00	**0.125**
Net assets	**682.46**	591.68	**5.679**
	%		
Key financial ratios:			
Return on assets (ROA)	**1.5**	1.4	
Return on equity (ROE)	**6.9**	6.6	
Net debt/equity ratio (Note 2)	**180**	190	

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥120.17=$1.00.
2. Net debt/equity ratio = Net interest-bearing debt/equity.
Net interest-bearing debt = Interest-bearing debt – cash.

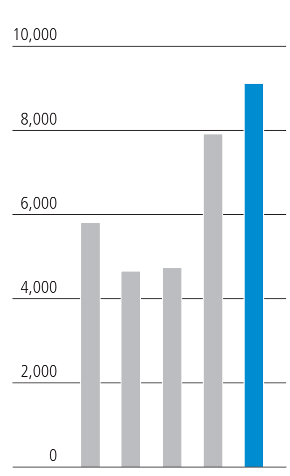
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income
(Millions of yen)



Looking at the present and the future of the Hanwa Group

“The steady implementation of strategies propels us toward sustainable growth.”

Hironari Furukawa, *President*

Q1 Please share your opinion about the economic environment of the fiscal year ended March 31, 2015.

A During the fiscal year under review, the conditions in the world economy in general were mixed. The U.S. economy improved gradually, amid predictions about the timing of a reduction in monetary easing, while the European economy remained sluggish due to concerns about sovereign risk. With China in a transition phase to stable growth under its new economic policy, the pace of economic growth slowed as a result of greater restrictions on real estate trading and financial speculation. Other emerging countries also experienced economic fluctuations due to significant changes in their financial environments, together with a number of political and geopolitical issues.

The Japanese economy continued to show signs of modest improvement, through government measures taken in line with “Abenomics” and monetary easing by the Bank of Japan, but remained rather subdued on the whole. This reflected sluggish construction investment at the execution phase due to a labor shortage and rises in labor costs, coupled with a reactional fall in demand following a rise in the consumption tax rate and a subsequent prolonged slump in consumption.

Q2 Please summarize operating results of the fiscal year ended March 31, 2015.

A

The Group posted consolidated net sales of ¥1,737,398 million for the consolidated fiscal year ended March 31, 2015, representing a year-on-year increase of 3.3%, due mainly to higher net sales in the steel business and the metals and alloys business. Operating income rose 17.6%, to ¥19,107 million, mainly reflecting growth in the metals and alloys business and other business. Net income also climbed to ¥9,086 million, representing a 15.1% increase, due mainly to a drop in income taxes reflecting a fall in taxable income in line with the sale of real estate recorded as a valuation loss in previous fiscal years.

Q3 What is your outlook for the fiscal year ending March 31, 2016?

A

Although the U.S. economy is showing signs of slow recovery, its European counterpart still faces an uncertain future. China's economic expansion is slowing, causing some to speculate that a counter-reaction in the market will lead to a bursting of the real estate/financial bubble. As a result, the condition of uncertainty in the world economy is expected to remain unchanged.

The Japanese economy has been experiencing a long-term slump in consumer spending, lasting longer than expected, due in part to the negative influence of a weaker yen. Furthermore, the construction industry is unlikely to see a significant increase in demand for the time being, due to a labor shortage.

In this operating environment, the Group aims to focus its efforts on maintaining and improving its business performance by gaining an accurate and thorough understanding of the demand trends in each business category. It will implement sales/inventory policies that address precisely the needs of its clients and actively pursue the development of a new client base.

Based on the factors described above, in terms of consolidated operating results for the next fiscal year, we expect net sales of ¥1,800,000 million (up 3.6% compared with the previous year), operating income of ¥22,300 million (up16.7%), and net income attributable to owners of the parent of ¥12,000 million (up 32.1%).

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

A The Hanwa Group formulated its Medium-term Business Plan for the period between April 2013 and March 2016. In line with our theme of establishing thriving businesses and reinforcing our base of operations to respond to medium and long-term changes in markets in Japan and overseas, we have set targets of ¥1,800,000 million in consolidated net sales and ¥15,000 million in ordinary income for the fiscal year ending March 31, 2016. Thus far, we have been achieving solid progress overall.

Our three strategic concepts are to ensure that user perspectives are accurately reflected, diversify corporate activities, and pursue "resonant business management" to realize overall optimization within the value chain involving manufacturers, suppliers and users.

Q5 Please add some additional comments for shareholders and investors.

A The Hanwa Group intends to enhance the corporate value of the entire Group, achieve sustainable corporate growth, and further raise customer satisfaction, while focusing on 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.

Topics

Capital Participation in an Indonesian Nickel Pig Iron Manufacturer

Hanwa acquired capital in nickel pig iron project in Sulawesi Island, Indonesia, led by a major Chinese stainless manufacturer, Tsingshan Holding Group. We will participate in the establishment of a new company starting from the second phase of the project. The new company is scheduled to begin operation in January–March 2016 with annual production of 60,000 tons.

Ceremony held on site

Investment in Singapore-Based COSMOSTEEL

Hanwa invested in Cosmosteel Holdings Limited, which is based in Singapore and distributes a range of steel products in Southeast Asia region.

The company was established in 1984 and listed on the Singapore Stock Exchange in 2007. We subscribed Cosmosteel's third party allotment and purchased all the shares of the founder, which amounted to a 28.45% stake in Cosmosteel, to build a strategic partnership. With this capital participation, we will expand the steel business, aiming to gain a steppingstone to build "Another Hanwa in Asia."

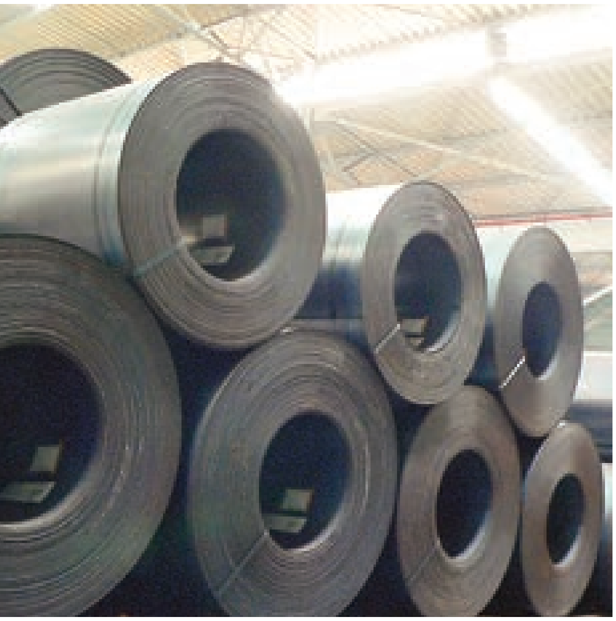
Maruhon Honma Suisan Co., Ltd. Becomes a Subsidiary

Hanwa acquired a 97% stake in Maruhon Honma Suisan Co., Ltd., a wholesale and processing company for marine products in Sapporo, Hokkaido, and transformed it into a subsidiary. The company was established in 1968 and has been developing a marine products wholesale and processing business. As a leading manufacturer of seasoning herring roe, the company posted net sales of ¥1,400 million for the fiscal year ended January 31, 2014, and will continue operations with the same company name, employees and head office as before.

Maruhon Honma Suisan Co., Ltd.

Processing line

Steel (Domestic)



Fiscal 2014 Results

In fiscal 2014, domestic demand for steel products from the manufacturing industry was healthy in general, but sluggish demand was slow to recover, reflecting a backlash from the rush demand ahead of the consumption tax hike in April 2014. Demand from personal consumption including automobiles was stagnant. Although we expected an increase in public as well as private investment in construction, demand from the construction industry did not expand as much as we had hoped, as a labor shortage slowed the progress of construction projects and some projects were postponed because of higher construction costs. In this environment, inventory adjustment was subdued amid the sluggish market for steel products and steel product price was trending downward in the second half of fiscal 2014. At the same time, steelmakers maintained their prices, which weighed on the earnings from sales to distributors, including Hanwa.

While the operating environment was far from favorable, we continued to promote M&A and mutually beneficial alliances with our partners to enhance JIT/small-lot orders/processing. We also bolstered our response to the needs of regional and smaller customers, and centered sales efforts on a number of new customers and construction projects. As a result, the sales volume of our domestic steel business, especially that of steel plates and iron scrap, increased compared to the previous fiscal year.

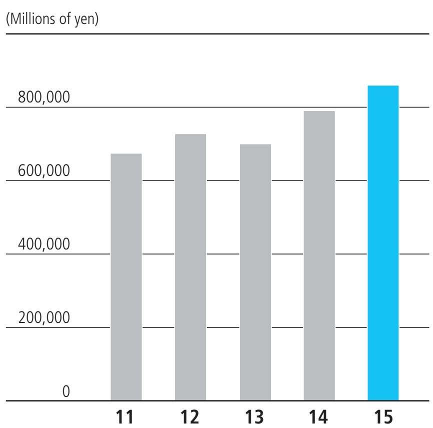
Looking Ahead and Key Strategies

We expect overall domestic demand for steel to remain more or less at the previous fiscal year's level, as public investment is carried out as scheduled. Housing investment, which fell sharply as a result of the consumption tax hike, is forecast to bottom out, and non-housing construction and capital expenditure are likely to record solid growth.

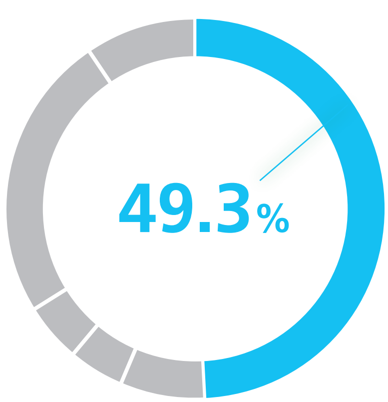
In this environment, the steel products market is expected to remain on a downward trend due to inventory adjustment combined with slack demand during the first half of the year. The second half will see the end of the inventory adjustment, a recovery in construction demand, and a market upturn, leading to an upward phase.

During fiscal 2015, we will continue to promote activities to gain new customers and boost the number of construction project orders. We will also maintain our efforts to firmly implement strategies such as improving performance through M&A and forming alliances with partner companies to expand mutually beneficial transactions. In addition, we will establish satellite bases to explore increased demand for steel, enhance JIT/small-lot orders/processing, and share information/joint sales between departments.

Net Sales



Net Sales Composition



Steel (Overseas)

Fiscal 2014 Results

In fiscal 2014, yen depreciation did not translate into larger exports, and steel exports totaled 42.28 million tons, down 5% year on year. In China, growth of demand for steel slowed due to weaker growth of infrastructure and housing construction. While demand in the ASEAN region remained firm in general, despite variations among member countries, mills in China boosted their exports to ASEAN countries to make up for sluggish domestic demand, causing market prices overseas to drop. The intention to buy faltered in anticipation of lower prices, and anti-dumping measures were implemented against steel from China, resulting in unstable demand.

To respond to these challenges, we capitalized on the recovery in competitiveness of Japanese steel products supported by yen depreciation and higher sales of steel sheets and steel plates, mainly to the Middle East. We also benefitted from larger sales volume, as sales of stainless steel to Asian countries such as China grew. However, price pressure from Chinese products continued to weigh on the international market throughout the year, with growth in export sales below that of export volume.

Looking Ahead and Key Strategies

Because of sufficient supply capacity worldwide, steel production is expected to remain at a high level in fiscal 2015. At the same time, mills in China are likely to continue to promote exports, a potential factor behind market volatility. Following a sharp drop in crude oil prices since the second half of 2014, we expect some energy-related projects to be canceled or postponed, suppressing demand for steel. Additionally, the intention to buy is faltering across all business areas, as the market has continued to weaken. As a result, demand is unlikely to recover strongly in the first half of fiscal 2015.

We intend to bolster sales of steel products manufactured in Japan, which compete little against Chinese products. We will strive to expand sales of Japanese materials, which are known for their high quality and credibility, and focus on products that require quality certification. We will advance proposals for steel products in terms of their functions as well as packages of multiple products to users, taking advantage of our own processing facilities and inventories as well as those of our business partners.

As for general-purpose commodities, we will deal in Chinese and South Korean products that enjoy price competitiveness, rather than focusing on products made in Japan, and strive to expand sales to overseas users through our network and business functions.

Metals and Alloys

Fiscal 2014 Results

The primary special metal business dealing mainly with nickel cathode and other chemicals saw solid growth in terms of sales volume to the battery industry, and expanded its product lineup.

In contrast, the special metals recycling business, consisting mainly of stainless scrap, was weak in terms of both sales volume and earnings due to the shrinking domestic sales market. Business to our affiliate companies expanded, as we aimed to transform it into a business focused on processing with higher profitability.

The ferroalloy business was brisk in terms of sales volume, earnings and margins in the first half of fiscal 2014, thanks partly to the strength of the steelmaking industry in general. Following the stagnation of the steelmaking industry in China and other parts of the world in the second half, the business saw a sharp drop in earnings, as retained sales volume failed to offset appraisal losses of inventories due to price declines and lower commissions resulting from fierce competition.

The light metals business, such as silicone and magnesium, faced difficulties, hindered by excessive competition in the general-purpose product market and losses resulting from our withdrawal from some premium markets for photovoltaic cells.

We saw growth in sales volume of the metal raw materials business overall, thanks to the introduction of new product types. However, it was a very difficult year, as we incurred losses from trade payables due to yen depreciation.

Looking Ahead and Key Strategies

Regarding the primary special metals, we expect a further rise in sales volume and earnings, as new products are starting to perform as planned, offsetting higher investment costs.

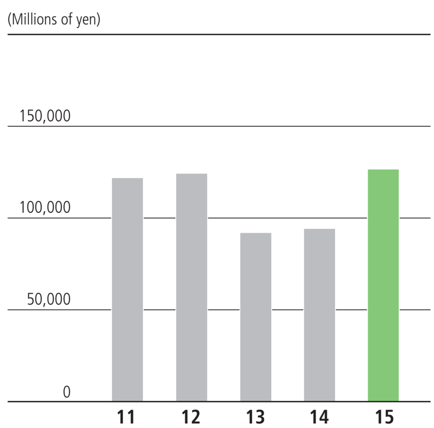
In the special metals recycling business, we will continue to diversify our customer base both in Japan and overseas and strengthen cooperation with affiliated companies, a strategy that is likely to help revive profitability.

In the ferroalloy segment, we expect to start obtaining a return from existing investments. We plan to carry out new upstream investments, while achieving profits from an expansion of sales regions and increased sales volume.

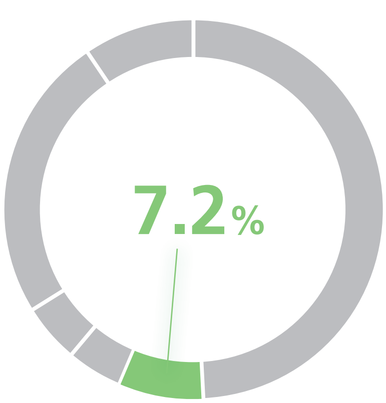
In the light metals business, we intend to cut costs as much as possible, while focusing efforts on retaining sales volume and our profit margin, as we try to turn the business around.

Both the special metals and ferroalloy segments entail higher costs in the short term with regard to upstream investments. However, following the sharp drop in inflated prices of natural resources, costs related to holding interests in natural resources have declined to reasonable levels, and we see opportunities to acquire new interests. Accordingly, we will seek to establish new sources of future earnings by undertaking investments carefully and proactively.

Net Sales



Net Sales Composition



Non-Ferrous Metals

Fiscal 2014 Results

After a solid performance in the first half, the copper and aluminum markets were affected by a slowdown in the Chinese economy and the outflow of speculative money amid lower prices in crude oil and commodities in general in the second half of fiscal 2014. The price of copper tumbled from a peak of more than $7,000 to the $5,000 range toward the fiscal year-end, while that of aluminum slid from $2,100 to the $1,700 range. White metals such as lead, zinc and tin followed a similar course, posting record lows at the fiscal year-end.

Meanwhile, the price of the CIF premium remained on an upward trend from the beginning until the end of the fiscal year, as traders earned a better margin from holding metals in the LME warehousing system and playing the multiple roles of warehouse, financial institution and metal broker.

Despite the slowdown in the Chinese and other markets, we managed to achieve our sales targets set at the beginning of the fiscal year by securing volume. Our efforts were aided by the trading of precious metal scrap worldwide and a gradual increase in the handling of products targeted by the Basel Convention.

We succeeded in posting higher profit than expected, supported by the continued rise in the price of the CIF premium, which cannot be hedged.

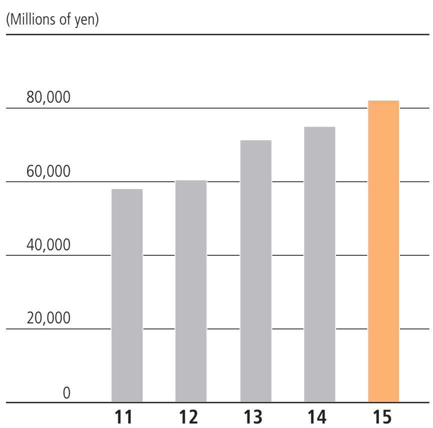
Looking Ahead and Key Strategies

We do not expect prices of a range of metals to fall much further from their current levels, as they are virtually approaching their bottom. On the other hand, a steep rise in the market is also unlikely, considering the limited growth in the real demand for metals, given growing signs of an economic slowdown in China and Europe. The price of the CIF premium, which is now at a record level after a long period of increase, is expected to start declining sharply, as lower contango fails to cover warehousing and interest rate costs, forcing traders to start releasing ingots from the LME warehousing system. This drop in the price is difficult to hedge against at LME, and we expect the movement of the premium, which helped push up profit for aluminum raw material in the previous fiscal year, to become a major factor behind a decline in profit. In cooperation with affiliated companies, we will seek to carry out increased processing of products we handle in a bid to establish an earnings structure that is less vulnerable to fluctuations in the market.

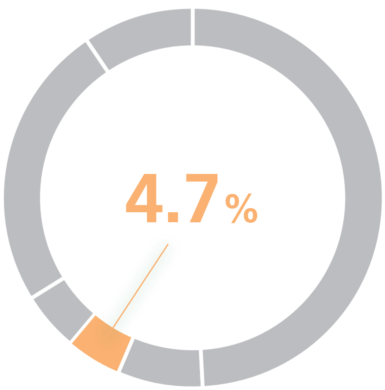
In the copper and precious metal raw materials business, we aim to expand procurement and sales regions and boost the number of procurement and processing bases to increase volume.

As for white metal raw materials and products targeted by the Basel Convention, we will also expand the types of products we handle, and raise the number of procurement regions and the number of sales regions, to achieve sales volume and earnings that are higher than the previous fiscal year.

Net Sales

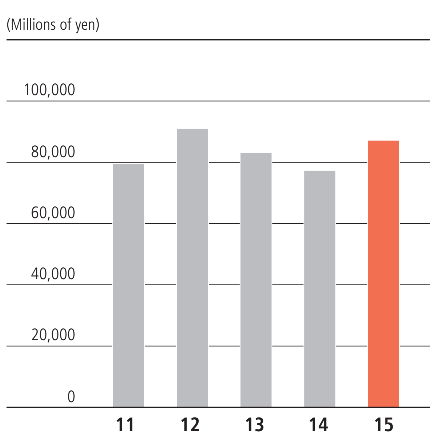


Net Sales Composition

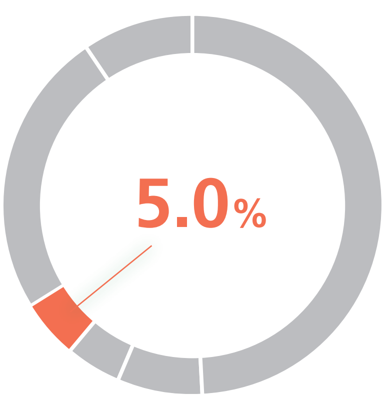


Food Products

Net Sales



Net Sales Composition



Fiscal 2014 Results

The prices of raw materials for marine products, which rose on a global scale during fiscal 2013, remained high during the first half of the fiscal year, despite disrupting factors such as the ban on imports of food items by Russia. Price increases gradually spread across the sector, with both raw materials and final products contributing to earnings.

On the other hand, higher prices started to suppress demand on a global scale, and the domestic prices of our mainstay shrimp and salmon fell sharply in the second half of fiscal 2014 due to an imbalance in supply and demand. Amid the worsening domestic business environment, two of our customers discontinued their operations and we were forced to sell the outstanding orders elsewhere, causing market prices and our profit to drop further. Prices at overseas production bases ended fiscal 2014 at the lowest price range in 10 years, after a series of price adjustments in U.S. dollar terms.

Food safety was highlighted during fiscal 2014, as foreign objects were found in food products offered by McDonalds and other food manufacturers. We focused our efforts to review and boost our food safety regime on unpacking and examining all the shipments produced by the same overseas food manufacturer after foreign objects were found in smelts imported by another Japanese food trading company.

Looking Ahead and Key Strategies

We believe that some time is required before supply and demand for shrimp and salmon, our mainstay products, are adjusted globally. We plan to share and analyze information with Seattle Shrimp & Seafood Company, a sales company conducting business in our largest customer base of North America, and with our overseas offices, in an effort to enhance the accuracy of predicted demand for purchasing and sales purposes.

Lower prices in U.S. dollar terms stimulate consumption and boost demand overseas, and offer the possibility of turning around prices at production bases. For fiscal 2015, we expect overseas markets to have a larger impact on prices, in contrast to the Japanese market, which is weighed down by yen depreciation.

We will continue to sell raw materials and processed foods, and approach end-users in Japan. We plan to further establish our sales network, covering producers all the way to end-users, through Hanwa Foods Co., Ltd. and Marumoto Honma Suisan Co., Ltd., a herring roe processor that we acquired in July 2014.

To meet rising demand worldwide for marine products, we intend to expand sales efforts at Seattle Shrimp & Seafood Company, Inc. in North America and to promote sales of imported food items by our branch offices in China and Southeast Asia, in a bid to accelerate the establishment of our global sales network. Reflecting yen depreciation, we will focus efforts on exports of marine products from Japan, aiming at globalization and a comprehensive business structure.

As for the livestock (chicken meat) that we focus on, we aim to establish a commercially viable business by diversifying production locations and carrying out more extensive processing in Thailand.

Petroleum and Chemicals

Fiscal 2014 Results

Crude oil prices fell sharply after July, reflecting an increased supply from shale oil producers, concerns for lower demand due to stagnation of the world economy, and OPEC's decision not to cut its production to shore up prices. At the beginning of 2015, the WTI crude oil price slid below $45/BBD.

In the domestic oil market, the price was relatively firm during the first half of fiscal 2014, due partly to wholesale companies' policy to maintain their prices. However, the prices of oil products plunged in the second half, hit by the sharp decline in crude oil prices and a supply glut caused by slumping sales. Crack spreads also decreased.

In the Petroleum Department, sales were favorable for imports during the regular maintenance of wholesalers' refineries and sales of C heavy oil to utility companies and large direct users, and this contributed to earnings. Transfer of commercial rights to our subsidiary Toyo Energy Corporation went smoothly as well, helping to boost our collaborative system.

In the bunker oil business, we succeeded in boosting sales mainly in Asia, by capturing changing demand following the tightening of environmental regulations.

The chemicals business saw its profitability deteriorate, as prices of raw materials for synthetic resins plummeted in the autumn. Earnings also fell in the imported products segment, due to a failure to pass on higher costs from yen depreciation.

The paper business was sluggish, due to quality problems related to metal-joined paper at some of our clients. Exports of old and wastepaper grew on the back of yen depreciation, contributing to earnings.

We saw brisk procurement and sales of palm kernel shell (PKS), a new type of energy, and achieved our target volume as planned.

Looking Ahead and Key Strategies

The potential for upward movement in the crude oil price is limited, as high levels of crude inventories in the United States and the current abundant supply from OPEC fully counterbalance concerns over developments in the Middle East.

Domestic demand is expected to remain weak. Since demand for C heavy oil is likely to decline after the resumption of operations at nuclear power plants, we believe that price competition will intensify.

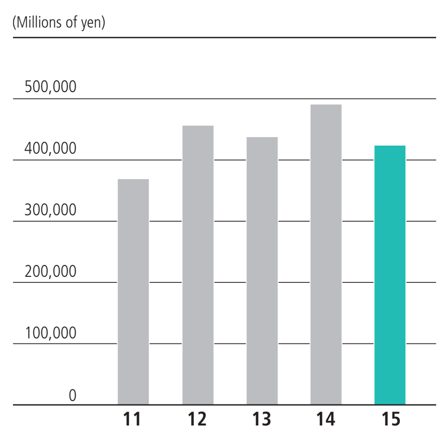
The Petroleum Department will seek to establish an efficient sales structure, while further developing cooperation with our subsidiary Toyo Energy Corporation. We also plan to start full-fledged sales of PKS, as biomass boilers start operations in Japan, and work further on recycled fuel (RPF) from regenerated heavy oil and waste tires, as well as on coal and oil coke. We will also direct efforts to setting up a system to sell electricity amid expanding liberalization in the industry.

The bunker oil business will draw the attention of ship-owners in the European Union and the United States to our advantage of supply in Asia, in an effort to increase volume.

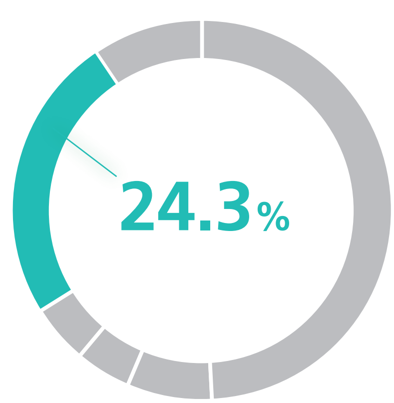
The chemicals business will seek to expand raw materials and products, while closely monitoring the synthetic resin market and foreign exchange movements.

The paper business will center efforts on expanding our supplier base both in Japan and the United States, to boost sales of old and waste paper in ASEAN.

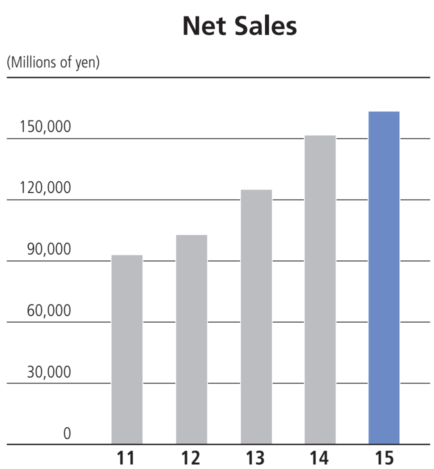
Net Sales

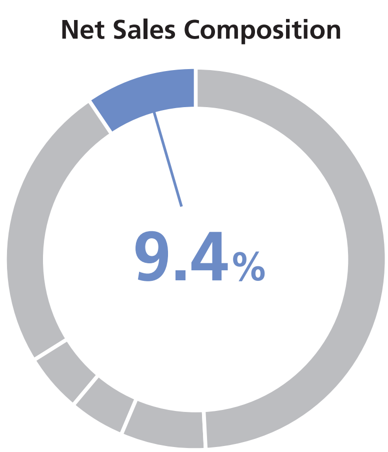


Net Sales Composition



Other Business (Lumber and Machinery)





Fiscal 2014 Results

Lumber

Housing starts totaled 890,000 units in fiscal 2014, down 9% year on year. Of this total, 360,000 units were conventional constructions (down 12%). The declines reflected a backlash from the surge in rush demand before the consumption tax increase went into effect in April 2014. Despite falling demand and a year-on-year drop of about 8% in product prices, we benefited from a steady business with end-users and higher exports of domestic lumber on the back of yen depreciation.

Our profitability fell, as demand dropped in the first half of the fiscal year and prices declined as a result of rising inventories at ports. Although the balance between supply and demand improved in the second half, we reported low earnings.

The lumber business dealing with housing makers grew by expanding transactions including those for steel parts. The Japanese lumber business saw higher sales of logs and product exports, as well as Japanese plywood.

As for imported wood products, our mainstay European lumber continued to enjoy the largest share despite a small margin, while Russian lumber gradually emerged as a stable business.

The surface material business is taking a long time for to reach the stage of commercialization, but we are continuing with product development.

Machinery

In the leisure facilities business, we delivered medium-sized amusement rides to Fuji-Q Highland and Lake Sagami Pleasure Forest and delivered rollercoaster cars. We also secured large orders scheduled for delivery in fiscal 2015 and 2016.

In the industrial machinery business, we launched sales activities of facilities for blast and electric furnaces and delivered large cranes to an electric furnace manufacturer. Our efforts were centered on sales of large labor-saving and automated line equipment, such as the equipment to manufacture temporary scaffolding. We actively carried out similar sales activities in eastern Japan.

As part of our first sales efforts overseas, we started recommendation-based sales of automation and labor-saving equipment in China, where labor costs have risen significantly.

Looking Ahead and Key Strategies

Lumber

While housing starts in fiscal 2015 are expected to continue to decline, we project housing starts of 850,000 to 870,000 units in total, rather than a sharp decline. We believe that “survival of the fittest” will continue to prevail across the industry. Accordingly, we will seek to establish a stable earnings structure by strengthening our relationship with end-users. Specifically, we will focus on (1) lumber and steel products for housing and non-housing use, (2) exports of logs and wood products and domestic sales of plywood and the establishment of the domestic lumber business, including wood-chip sales for biomass power generation, and (3) rapid commercialization of the surface material business through product development.

Machinery

In the leisure facilities business, we will increase sales personnel for amusement parks and begin approaching amusement parks in a number of regions. We also plan to conduct sales activities targeted at commercial facilities, in addition to conventional amusement parks.

The industrial machinery business will continue joint sales activities with the domestic steel business, as part of our plan to boost the visibility of the business and expand the number of customers. We will also focus on nurturing personnel capable of recommendation-based sales activities developed from customers’ perspectives (automation and labor-saving). As in the domestic market, the industry machinery business will also conduct joint sales activities overseas with sales personnel in foreign branch offices, to improve the visibility of the business among foreign customers.

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 the CSR Committee and use a commitment to CSR management to make our corporate brand even more respected.

Corporate Governance Structure

The structure and the numbers associated with it are as of the date of submission of this report.

Basic overview of the corporate governance structure

We have adopted a corporate auditors' system, which includes the Board of Auditors that comprises five corporate auditors (of whom three are outside corporate auditors) selected at the General Shareholders' Meeting. The system is used to audit and perform oversight on the Board of Directors, and to monitor the performance of duties by the Company's administrative organizations operating under the Management Committee. We then report our findings at the General Shareholders' Meeting after completing our own reviewing process.

The Board of Directors, which comprises 15 directors, including two outside directors, meets once a month as a rule to deliberate and decide on important business plans and proposals concerning the Hanwa Group, and to oversee business operations.

In April 2012, we introduced an executive officer system to establish a system that enables more detail-oriented business operations and to promote more efficient and quicker decision-making.

As a rule, the Management Committee meets twice a month. The members of this committee, all of whom are executive officers, discuss issues of significance concerning management and reach decisions. They also submit issues to the Board of Directors that involve the Group's management and promote the efficient performance of duties in accordance with the management policy determined by the Board of Directors.

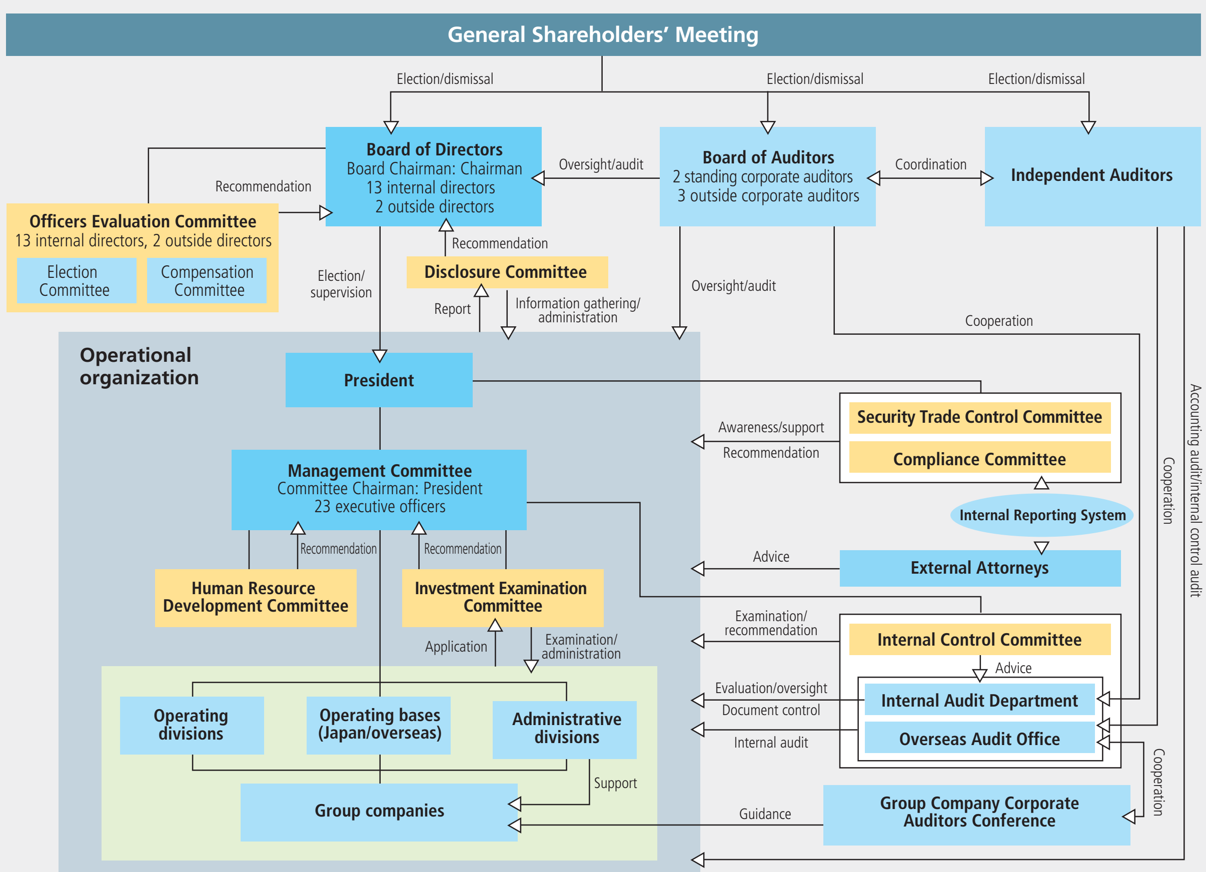
The Officers Evaluation Committee, chaired by the president, conducts an evaluation of the directors' performance. The Compensation Committee, which determines each director's compensation, and the Selection Committee, which governs the selection of directors, both operate under the Evaluation Committee.

The Officers Evaluation Committee meets once a year to perform a comprehensive evaluation of the directors' performance. This includes an assessment of the level of commitment and motivation of each director and a mutual evaluation process for all the directors.

The results of the evaluation provided by the Officers Evaluation Committee are used by the Compensation Committee, which includes outside directors, to determine each director's compensation. The fixed monthly compensation is then submitted as a regular salary plan to the Board of Directors. In terms of the directors' bonuses, we use a system that awards a bonus directly linked to profits and clearly reflects each individual director's achievement level. The Board of Directors approves this profit-based calculation model after the Officers Evaluation Committee reviews it. The corporate auditors have also approved this system.

To select directors, the Selection Committee, which includes outside directors, reviews the coming year's members based on their

The Corporate Governance Structures and Internal Control Systems for the Hanwa Group



evaluation and their performance. A draft is then submitted to the Board of Directors. A proposed list of candidates is then forwarded to the Regular General Shareholders' Meeting.

Explanation of why this system was adopted

We have expanded our business over the years across a wide range of business fields, while making optimal use of the high level of expertise we can offer as a distribution specialist. We are fully aware of the responsibility entrusted to us by our shareholders. Our daily business decisions are therefore carefully made with the leadership of our directors, who understand thoroughly the Company's operations. In addition, business matters of significance are put through the Board of Directors for discussion. We believe that the model we have adopted, in which a separate Board of Auditors (including outside corporate auditors) is set up to perform an audit and inspection, is the most appropriate for our company. In 1994, as part of our efforts to remain accountable and improve the transparency of our business decisions for our stakeholders, including our shareholders, we began hiring outside directors. They provide us with a more objective point of view and act as a checking mechanism.

We also believe that we enable our corporate auditors to perform their duties effectively by allowing them to attend important meetings, including managers' meetings, and to request advance information before important plans are finalized. Moreover, we have adopted a system in which preliminary reviews of management issues are performed in various committees such as the Officers Evaluation Committee, the Investment Examination Committee, and the Compliance Committee. Enhancement of these management systems makes our corporate governance system highly effective.

Internal Audit and Auditing by Corporate Auditors

An internal audit is performed by the audit division in the Internal Audit Department on the Company's domestic bases as well as other national group companies. The audit is centered mainly on monitoring their accounting and compliance practices. The monthly internal audit report is then directly submitted to the president, while the Management Committee is also kept informed when appropriate. The Management Committee may also choose to report to the Board of Directors on issues that are deemed relevant and important. The audit division, which collaborates continually with the corporate auditors, may also act as support staff for the auditors and prepare reports as requested by the Board of Auditors. Overseas bases including overseas companies are inspected by the Overseas Audit Office and monitored mainly for their accounting practices, compliance, and internal systems. The office submits reports to the director responsible, who then reports on the overseas bases to the Board of Directors. Furthermore, the Office prepares reports when requested by the Board of Auditors.

The audit performed by corporate auditors focuses on proactive auditing to prevent incidents. The process is mainly based on conversations regarding compliance, internal systems, and risk management. Auditors also attend meetings of the Board of Directors, the Management Committee, and others to monitor and audit the execution of duties by the management. With the participation of the outside corporate auditors, who have ample knowledge and experience in corporate activities, the Board of Auditors maintains its independence from the top management to perform auditing duties appropriately. It also exchanges views and opinions with the president as well as managing officers and presents the findings provided by the corporate auditors to the Board of Directors.

Corporate auditors, the Audit Division, and the Overseas Audit Office file audit reports to independent auditors periodically while continually exchanging information to keep abreast of progress. Our goal is to improve the monitoring function by increasing the level of collaboration.

The Audit Division also collaborates with the Internal Control Division, which is tasked with organizing and evaluating our internal control systems to efficiently share information and optimize the execution of duties.

Overview of Potential Conflict of Interests Due to Personal/Financial Relationships or Business Dealings between Outside Directors/Corporate Auditors and Companies Hiring Them

The Company has two outside directors and three outside corporate auditors, none of whom at the time of the submission of this report has any vested interest in the Company. This, we believe, ensures that no conflict of interest arises with the general stockholders.

Outside directors and outside corporate auditors are expected to act as representatives for stakeholders, including stockholders. They are expected to evaluate and consider business decisions as well as the appropriateness of the execution of duties from an objective point of view. Therefore, only candidates with competence and experience suitable for this demanding position are selected. We also make use of articles in the Enforcement Rules for Securities Listing Regulations and the Guideline for the Listing Management, both established by the Tokyo Stock Exchange, as a reference for determining the level of independence necessary for outside executives.

Organization of Internal Control and the Risk Management System

At our Board of Directors' meeting on May 10, 2006, we resolved on basic policies regarding the development of internal control systems, to ensure that the execution of duties by the directors complies with laws and regulations and that the duties are performed properly by other employees. Note that the basic policies below are as of the date of submission of our financial report.

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

a) Establish standards for corporate ethics and ethical behavior in accordance with the Company's creed.

b) Create the Compliance Committee chaired by the president, which distributes a compliance manual to all Hanwa executives and employees and verifies that compliance programs are being used effectively.

c) Establish a consultation service (using the Compliance Committee and external attorneys) where all Hanwa Group executives and employees can obtain advice on compliance matters, providing a means of directly reporting compliance problems.

d) Collaborate with authorities such as the police to take determined action against anti-social influences and block all contact with such entities.

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

a) Information related to the duties performed by the directors is stored properly in written documents or electronically (henceforth referred to as "documents"), and these records are stored and managed in accordance with laws, regulations and Hanwa's regulations for document management.

b) Personnel responsible for managing documents act proactively against loss or damage to stored documents and have installed a locking mechanism (including restricted access by passwords and other codes) and manage the documents accordingly.

Regulations and systems related to management of the risk of loss

a) Directors, executive officers, corporate officers and department managers work with the Legal & Credit Department to educate employees thoroughly on regulations regarding credit management and business activities, so as to manage and reduce risks. They have also established the Investment Examination Committee, which manages investment risks by studying proposals for new business ventures and new investments.

b) Each business department cooperates with the General Affairs Department, the Information Systems Department, the Legal & Credit Department, the Administrative Affairs Office, and other units on compliance, environmental management, emergency responses, information security, trade management, and other matters in accordance with internal rules, manuals, and other guidelines. The Compliance Committee, the Security Trade Control Committee, and other applicable committees (henceforth referred to as "committees") assist the departments by providing advice and educational support. Advice from external attorneys and other experts is used as required.

c) The Human Resources Department works in collaboration with other relevant departments to implement educational and informative programs to grasp thoroughly and accurately how to manage risks.

d) To verify the effectiveness of risk management, the Internal Audit Department monitors all domestic Hanwa business bases and group companies based on a predetermined auditing plan. Their reports are then submitted to the Management Committee as well as the president when appropriate. Overseas bases including overseas companies are inspected by the Overseas Audit Office and monitored when appropriate. The director responsible then submits a report to the Board of Directors twice a year to keep others informed of the status of our overseas bases.

e) The Disclosure Committee reaches decisions on 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

a) As a rule, the directors meet once a month to reach decisions on group management matters of significance and to supervise the execution of business operations. As a rule, the Management Committee meets twice a month. Its members discuss matters of significance concerning management and reach decisions. They also submit issues to the Board of Directors that concern matters involving the Group's management.

b) We will establish a medium-term business plan as well as a business plan for the fiscal year, to realize our medium- and long-term business strategies. The president also communicates periodically with departments to inquire about assessment of duties performed and check the progress of work (including a review of the plan and modification of methods to achieve the plan target), which improves the efficiency of operation.

c) The Officers Evaluation Committee, chaired by the president, meets once a year to perform a comprehensive evaluation of the directors' performance. This includes an assessment of the level of commitment and a mutual evaluation process for all directors. The results are used to determine the directors' compensation and also in the selection of directors.

Systems to ensure proper operations in the corporate group

a) Regulations for the oversight of affiliated companies are established. Through collaboration with these companies, we ensure efficient management of operations and plan for comprehensive business development.

b) The department or personnel responsible must understand thoroughly the status of our domestic and overseas affiliated companies in order to manage duties in a comprehensive manner. Other relevant departments may provide support to ensure that duties are performed properly.

c) Compliance, risk management and other systems apply to operations across the entire Hanwa Group. Committees and other supervisory units provide guidance and education on the use of these systems.

d) The Group Company Corporate Auditors Conference, comprised of full-time corporate auditors, auditors of affiliated companies, and the Internal Audit Department, holds meetings as needed. These meetings provide an opportunity to exchange information related to audits of Hanwa and affiliated companies.

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

A certain number of employees are assigned to assist the corporate auditors. These employees receive requests from the corporate auditors to investigate, report, and maintain a collaborative relationship with 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

a) In addition to submitting reports on issues of significance concerning compliance, the directors submit reports to the corporate auditors on matters related to laws and regulations, infractions and reports made to the compliance consultation service. They also report to the corporate auditors regarding important decisions and the status of business operations at important meetings such as the Board of Directors' meeting and the Management Committee meeting.

b) The directors, executive officers, and employees must respond quickly and accurately to requests for reports by the corporate auditors.

c) The Internal Audit Department and Overseas Audit Office submit reports based on the schedule predetermined by the Audit Plan to the corporate auditors concerning internal audits. They also investigate and report on issues as requested by the corporate auditors.

Systems to ensure effective auditing by the corporate auditors

a) The corporate auditors exchange opinions with the representative directors as well as directors of relevant departments and announce their findings and views at meetings of the Board of Directors as needed. In addition, the corporate auditors collaborate and exchange their views with the independent auditors on the financial audit.

b) A system is established that allows the corporate auditors to attend meetings of the Board of Directors and other important meetings, inspect important documents, and investigate major departments and subsidiaries.

Systems to ensure the reliability of financial reports

a) In accordance with the Fundamental Policy concerning Internal Controls for Financial Reports, the internal controls reporting system is operated in an efficient and effective manner.

b) The Management Committee oversees the establishment and operation of the internal systems of the Group. The Internal Audit Department and Overseas Audit Office are supervised directly by the Management Committee. They check and evaluate the establishment and operation of internal controls and submit reports to the Management Committee. The Management Committee makes appropriate corrections and modifications as needed based on these reports.

c) 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 examinations on the effectiveness of the internal control systems performed by the Internal Audit Department and Overseas Audit Office, and offers its views in an Internal Control Report.

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.

Companies both within Japan and overseas are internationally finding it more necessary to become globalized in terms of economic activity and to create sustainable developments. Hanwa is going to continue making efforts toward development as a single corporation existing within the world society with a focus on the ISO26000 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. Dilligent information disclosure
5. Concern for the environment
6. Global harmony
7. Ensuring a free and generous workplace environment
8. Promoting good corporate citizenship through active social contribution activities
9. Making people familiar with ethical standards and developing the in-house compliance program
10. Preventing the recurrence of misconduct and providing appropriate information disclosure

Corporate Risk 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.

Promoting Diversity by Realizing Various Working Styles

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 several 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.

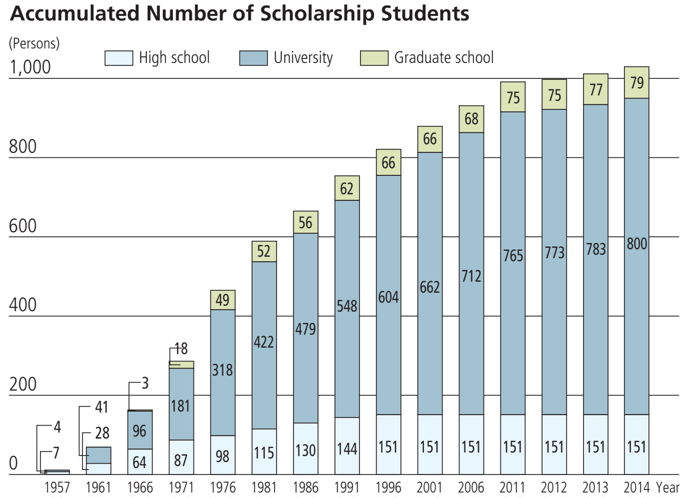
Social Contribution

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 58th 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, 2015, the program had distributed a total of ¥581 million in scholarships, and the accumulated number of scholarship students had grown to 1,030.

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)
	2015	2014	2013	2012	2011	**2015**
For the year:						
Net sales	**¥ 1,737,398**	¥ 1,682,504	¥ 1,511,325	¥ 1,564,251	¥ 1,396,103	**$14,457,835**
Operating income	**19,107**	16,253	12,491	14,977	13,854	**159,000**
Net income	**9,086**	7,897	4,721	4,633	5,794	**75,610**
Comprehensive income	**19,450**	14,648	6,600	6,214	6,104	**161,854**
Net cash provided by (used in) operating activities	**1,791**	343	19,381	11,970	(46,949)	**14,905**
Net cash provided by (used in) investing activities	**(13,693)**	(5,244)	(5,107)	(12,009)	(7,611)	**(113,947)**
Net cash provided by (used in) financing activities	**19,339**	(4,928)	(16,364)	1,596	51,272	**160,929**
At year-end:						
Cash and cash equivalents	**¥ 24,515**	¥ 15,920	¥ 23,198	¥ 23,411	¥ 20,586	**$ 204,003**
Total assets	**651,457**	593,352	552,908	582,405	532,798	**5,421,128**
Total net assets	**142,750**	125,362	120,674	115,957	110,459	**1,187,900**
Number of employees	**2,772**	2,610	2,208	2,201	2,060	

	Yen					U.S. dollars (Note 1)
	2015	2014	2013	2012	2011	**2015**
Per share data:						
Net income	**¥ 43.85**	¥ 38.11	¥ 22.78	¥ 22.35	¥ 27.95	**$ 0.365**
Cash dividends	**15.00**	12.00	12.00	12.00	12.00	**0.125**
Net assets	**682.46**	591.68	570.50	548.22	529.65	**5.679**

	%				
	2015	2014	2013	2012	2011
Key financial ratios:					
Return on assets (ROA)	**1.5**	1.4	0.8	0.8	1.2
Return on equity (ROE)	**6.9**	6.6	4.1	4.1	5.4
Net debt/equity ratio (Note 2)	**180**	190	180	190	200

Notes: 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥120.17=$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, 2015

During the fiscal year under review, the conditions in the world economy in general were mixed. The U.S. economy improved gradually, amid predictions about the timing of a reduction in monetary easing, while the European economy remained sluggish due to concerns about sovereign risk.

With China in a transition phase to a stable growth under its new economic policy, the pace of economic growth slowed as a result of greater restrictions on real estate trading and financial speculation. Other emerging countries also experienced economic fluctuations due to significant changes in their financial environments, together with a number of political and geopolitical issues.

The Japanese economy continued to show signs of modest improvement, through government measures taken in line with "Abenomics" and monetary easing by the Bank of Japan, but remained rather subdued on the whole. This reflected sluggish construction investment at the execution phase due to a labor shortage and rises in labor costs, coupled with a reactional fall in demand following a rise in the consumption tax rate and a subsequent prolonged slump in consumption.

In these circumstances, the Group posted consolidated net sales of ¥1,737,398 million for the consolidated fiscal year ended March 31, 2015, representing a year-on-year increase of 3.3%, due mainly to higher net sales in the steel business and the metals and alloys business. Operating income rose 17.6%, to ¥19,107 million, mainly reflecting growth in the metals and alloys business and the other business. Net income also climbed to ¥9,086 million, representing a 15.1% increase, due mainly to a drop in income taxes reflecting a fall in taxable income in line with the sale of real estate recorded as a valuation loss in previous fiscal years.

Net Sales

Net sales increased 3.3% year on year to ¥1,737,398 million, due mainly to higher net sales in the steel business and the metals and alloys business. Domestic sales were up 2.7% to ¥1,284,291 million, while overseas sales were up 5.0%, to ¥453,107 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 expanded 3.1% to ¥1,681,668 million. This was due mainly to a rise in prices of imported products accompanying the depreciation of the yen and an increase in the purchase volume of steel products.

SG&A expenses rose 4.3% to ¥36,623 million, primarily reflecting 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 rose 17.6% to ¥19,107 million, from ¥16,253 million a year earlier, due mainly to higher sales revenue in the metals and alloys business and the other business. The result raised the ratio of operating income to net sales by 0.1 percentage point from the previous consolidated fiscal year, to 1.1%.

Other Income (Expenses)

Net other expenses amounted to ¥6,089 million. Expenses reflected primarily a foreign exchange loss on trade notes and accounts payable in foreign currencies, reflecting a rapidly weakening yen, loss from sale of investment in an affiliate, and a loss on disposal of property and equipment resulting from the relocation of the Tokyo head office. These factors were partly offset by a gain on sales of property and equipment accompanying the sale of real estate for rent and a gain from inclusion of Tokyo Kohtetsu Co., Ltd. in the scope of equity method application due to an additional acquisition of shares that increased voting rights to 26.4%.

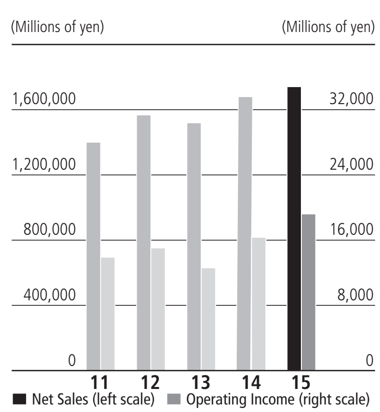
Income Taxes

Income taxes decreased 35.2% from the previous consolidated fiscal year to ¥3,876 million, reflecting a drop in taxable income due to the sale of real estate for rent that was recognized as a revaluation loss by applying the Land Revaluation Law in the previous fiscal years.

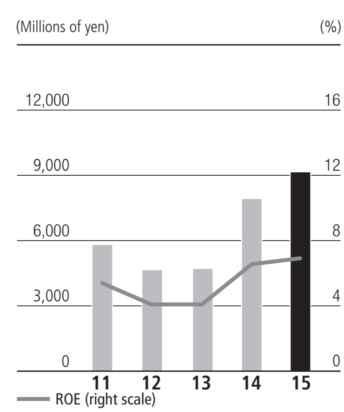
Net Income

Net income advanced 15.1% from the previous consolidated fiscal year to ¥9,086 million. Accordingly, net income per share rose to ¥43.85, from ¥38.11 in the prior year.

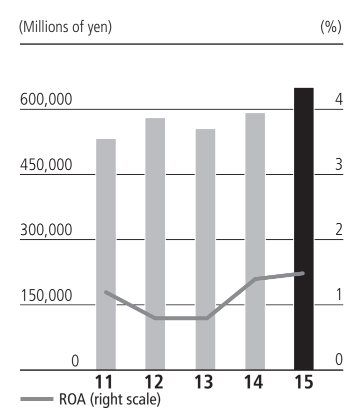
Net Sales and Operating Income



Net Income and ROE



Total Assets and ROA



Sources of Capital and Cash Liquidity

Financial Condition

Total assets increased 9.8% to ¥651,457 million from the previous consolidated fiscal year, reflecting higher inventories and trade receivables resulting from higher sales.

Liabilities expanded 8.7% to ¥508,707 million as a result of increases in commercial paper and long-term debt due after one year, and interest-bearing debt grew 10.8% to ¥272,576 million. The net debt/equity ratio (net interest-bearing debt as a percentage of equity) stood at 180% as of March 31, 2015.

Net assets grew 13.9% to ¥142,750 million. The expansion was attributable mainly to the accumulation of retained earnings from net income and an increase in land revaluation difference. Accordingly, the equity ratio at March 31, 2015 rose to 21.7% from 20.6% a year ago.

Cash Flows

Net cash provided by operating activities totaled ¥1,791 million, up ¥1,448 million from the previous consolidated fiscal year. This was due primarily to the curbing of expansion in working capital requirements, which mainly reflected a fall in prices of petroleum products, and the recording of advances received that were related mainly to contracted works.

Net cash used in investing activities increased by ¥8,449 million from the previous consolidated fiscal year, to ¥13,693 million. This was primarily attributable to an increase from the purchase of investment securities, which resulted mostly from corporate acquisitions to strengthen the Company's distribution function and investments to form alliances, and the recording of loans to an investee.

Net cash provided by financing activities amounted to ¥19,339 million, in contrast to net cash used of ¥4,928 million in the previous consolidated fiscal year. This resulted primarily from an increase in commercial paper and a decrease in repayments of long-term debt compared to the previous consolidated fiscal year.

Financial Policy

The Group depends primarily on bank borrowings to meet its working capital requirements and to fund its investing and financing activities. As part of its efforts to diversify funding sources to ensure stable liquidity and agility in liquidity management, however, 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, 2015 stood at ¥70,211 million, mostly denominated in yen. The Group's outstanding long-term loan was ¥134,297 million, including the current portion of long-term loan of ¥11,944 million.

The Group issues bonds primarily to fund working capital. As of March 31, 2015, 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, 2015, the unused aggregate principal amount of the shelf registration for straight bonds for subscription in Japan amounted to ¥20,000 million.

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

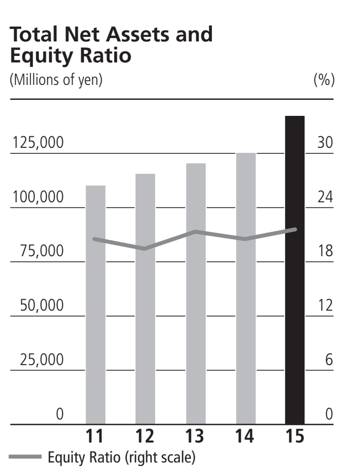
Business and Other Risks

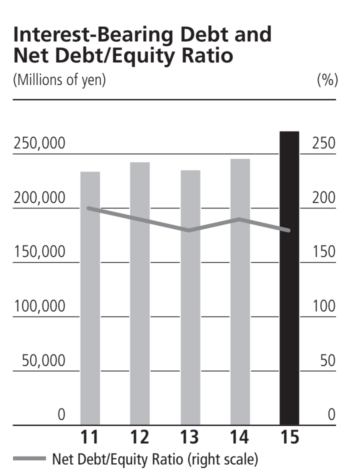
Changes in the Macroeconomic Environment

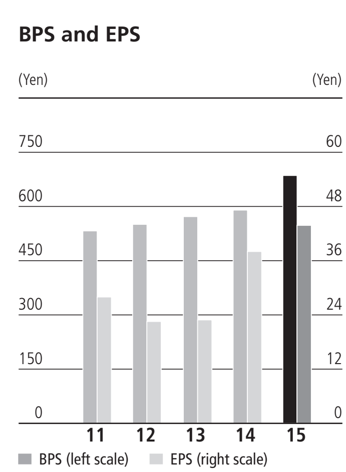
Hanwa Group's worldwide operating revenue is subject to macroeconomic conditions of the countries and regions where it sells its products. An economic slowdown in any of the primary markets, including Japan, North America, Europe and Asia (especially East Asia with China being the key market) with an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

Commodity Price Fluctuations

The Group holds inventories for distribution that include steel products, metals and alloys, non-ferrous metals, foods and petroleum/chemical







products. These are commodities whose prices are highly susceptible to fluctuations in supply and demand and movements in foreign exchange. The Group's business performance and financial position could be adversely affected in the event of the Group's inability to respond adequately to price fluctuations of such commodities.

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, such 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 long-term 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.

Consolidated Balance Sheets

As at March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2015**	2014	**2015**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 24,515**	¥ 15,920	**$ 204,003**
Receivables:			
Trade notes and accounts (Note 3):			
Unconsolidated subsidiaries and affiliates	**15,114**	12,569	**125,772**
Other	**306,528**	305,277	**2,550,786**
Loans:			
Unconsolidated subsidiaries and affiliates	**2,225**	2,893	**18,515**
Other	**99**	—	**824**
Allowance for doubtful receivables	**(915)**	(925)	**(7,614)**
Securities (Notes 3 and 4)	**2,610**	2,000	**21,719**
Inventories (Note 6)	**133,056**	114,694	**1,107,231**
Deferred tax assets—current (Note 10)	**1,116**	2,048	**9,287**
Other current assets (Note 7)	**26,030**	13,850	**216,610**
Total current assets	**510,378**	468,326	**4,247,133**
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	**43,782**	41,488	**364,334**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 3)	**14,512**	5,083	**120,762**
Loans receivable (Note 3)	**3,003**	103	**24,990**
Other investments and noncurrent receivables	**15,993**	16,009	**133,086**
Allowance for doubtful receivables	**(295)**	(1,307)	**(2,455)**
Total investments and noncurrent receivables	**76,995**	61,376	**640,717**
Property and equipment (Note 7)**:**			
Land (Note 11)	**31,676**	32,601	**263,593**
Buildings and structures	**34,587**	35,475	**287,817**
Other	**26,320**	23,062	**219,023**
Accumulated depreciation	**(31,636)**	(29,563)	**(263,260)**
Total property and equipment	**60,947**	61,575	**507,173**
Other assets:			
Deferred tax assets—noncurrent (Note 10)	**107**	217	**890**
Net defined benefit asset	**1,011**	—	**8,413**
Intangibles and other assets (Note 7)	**2,019**	1,858	**16,802**
Total other assets	**3,137**	2,075	**26,105**
Total	**¥ 651,457**	¥ 593,352	**$ 5,421,128**

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Net Assets	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term loans payable (Notes 3, 7 and 8)	¥ 70,211	¥ 74,004	$ 584,264
Commercial paper (Notes 3 and 8)	27,000	5,000	224,682
Long-term debt due within one year (Notes 3, 7 and 8)	21,944	31,601	182,608
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	3,816	1,420	31,755
Other	176,339	178,943	1,467,413
Accrued bonuses to employees	2,051	2,213	17,067
Income taxes payable	1,232	3,542	10,252
Other current liabilities	39,604	22,639	329,567
Total current liabilities	342,197	319,362	2,847,608
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3, 7 and 8)	152,353	134,280	1,267,812
Net defined benefit liabilities (Note 9)	412	4,483	3,428
Deferred tax liabilities—noncurrent (Note 10)	8,140	4,558	67,737
Other noncurrent liabilities	5,605	5,307	46,643
Total noncurrent liabilities	166,510	148,628	1,385,620
Contingent liabilities (Note 12)			
Net assets (Note 11)			
Shareholders' equity:			
Common stock:			
Authorized: 570,000,000 shares			
Issued: 211,663,200 shares	45,651	45,651	379,887
Capital surplus	5	5	42
Retained earnings	82,111	76,520	683,289
Treasury stock, at cost: 4,449,160 shares in 2015 and 4,440,708 shares in 2014	(1,446)	(1,442)	(12,033)
Total shareholders' equity	126,321	120,734	1,051,185
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	11,623	7,485	96,721
Deferred gains or losses on hedges, net of taxes	1,526	(361)	12,699
Land revaluation difference, net of taxes	3,250	32	27,045
Foreign currency translation adjustments	2,356	304	19,606
Remeasurements of defined benefit plans (Note 9)	(3,660)	(5,585)	(30,457)
Total accumulated other comprehensive income	15,095	1,875	125,614
Minority interests	1,334	2,753	11,101
Total net assets	142,750	125,362	1,187,900
Total	¥ 651,457	¥ 593,352	$ 5,421,128

Consolidated Statements of Income and Comprehensive Income

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales	**¥ 1,737,398**	¥ 1,682,504	**$ 14,457,835**
Cost of sales	**1,681,668**	1,631,139	**13,994,075**
Gross profit	**55,730**	51,365	**463,760**
Selling, general and administrative expenses	**36,623**	35,112	**304,760**
Operating income	**19,107**	16,253	**159,000**
Other income (expenses):			
Interest and dividend income	**1,396**	1,409	**11,617**
Interest expense	**(2,868)**	(2,947)	**(23,866)**
Foreign exchange gain (loss)	**(2,882)**	450	**(23,983)**
Gain on sales of property and equipment	**128**	—	**1,065**
Gain on sales of investment securities	**—**	187	**—**
Share of profit of entities accounted for using equity method	**207**	—	**1,723**
Loss on valuation of investment securities	**(477)**	(760)	**(3,969)**
Loss on valuation of investments in capital	**(227)**	(47)	**(1,889)**
Loss on disposal of property and equipment (Note 14)	**(213)**	(90)	**(1,772)**
Loss on business of subsidiaries and associates (Note 13)	**(456)**	—	**(3,795)**
Other, net	**(697)**	(466)	**(5,801)**
Income before income taxes and minority interests	**13,018**	13,989	**108,330**
Income taxes (Note 10)**:**			
Current	**3,809**	5,253	**31,696**
Deferred	**67**	734	**558**
	3,876	5,987	**32,254**
Income before minority interests	**9,142**	8,002	**76,076**
Minority interests in income of consolidated subsidiaries	**(56)**	(105)	**(466)**
Net income	**¥ 9,086**	¥ 7,897	**$ 75,610**
Minority interests in income of consolidated subsidiaries	**(56)**	(105)	**(466)**
Income before minority interests	**9,142**	8,002	**76,076**
Other comprehensive income (Note 15)**:**			
Valuation difference on available-for-sale securities, net of taxes	**4,137**	4,820	**34,426**
Deferred gains or losses on hedges, net of taxes	**1,887**	(481)	**15,703**
Land revaluation difference, net of taxes	**184**	33	**1,531**
Foreign currency translation adjustment	**2,175**	2,274	**18,099**
Remeasurements of defined benefit plans, net of taxes	**1,925**	—	**16,019**
Total other comprehensive income	**10,308**	6,646	**85,778**
Comprehensive income	**¥ 19,450**	¥ 14,648	**$ 161,854**
Comprehensive income attributable to:			
Owners of the parent	**¥ 19,271**	¥ 14,332	**$ 160,364**
Minority interests	**179**	316	**1,490**

	Yen		U.S. dollars (Note 1)
	2015	2014	**2015**
Net income per share	**¥ 43.85**	¥ 38.11	**$ 0.365**
Cash dividends per share	**15.00**	12.00	**0.125**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2014

	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, 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 April 1, 2014	211,663	45,651	5	76,520	(1,442)	7,485	(361)	32	304	(5,585)	2,753	125,362
Cumulative effects of changes in accounting policies	—	—	—	**1,924**	—	—	—	—	—	—	—	**1,924**
Balance at March 31, 2014 after accounting policies changed	**211,663**	**45,651**	**5**	**78,444**	**(1,442)**	**7,485**	**(361)**	**32**	**304**	**(5,585)**	**2,753**	**127,286**
Cash dividends paid	**—**	**—**	**—**	**(2,797)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,797)**
Change of scope of consolidation	**—**	**—**	**—**	**412**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**412**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**(3,034)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,034)**
Net income	**—**	**—**	**—**	**9,086**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,086**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(4)**	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**
Other changes	**—**	**—**	**—**	**—**	**—**	**4,138**	**1,887**	**3,218**	**2,052**	**1,925**	**(1,419)**	**11,801**
Balance at March 31, 2015	**211,663**	**¥45,651**	**¥ 5**	**¥ 82,111**	**¥ (1,446)**	**¥11,623**	**¥ 1,526**	**¥3,250**	**¥ 2,356**	**¥ (3,660)**	**¥ 1,334**	**¥ 142,750**

	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, 2014	211,663	$379,887	$ 42	$636,765	$(12,000)	$62,287	$ (3,004)	$ 266	$ 2,530	$(46,476)	$ 22,909	$1,043,206
Cumulative effects of changes in accounting policies	—	—	—	**16,011**	—	—	—	—	—	—	—	**16,011**
Balance at March 31, 2014 after accounting policies changed	**211,663**	**379,887**	**42**	**652,776**	**(12,000)**	**62,287**	**(3,004)**	**266**	**2,530**	**(46,476)**	**22,909**	**1,059,217**
Cash dividends paid	**—**	**—**	**—**	**(23,275)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(23,275)**
Change of scope of consolidation	**—**	**—**	**—**	**3,428**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,428**
Reversal of revaluation reserve for land	**—**	**—**	**—**	**(25,250)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(25,250)**
Net income	**—**	**—**	**—**	**75,610**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**75,610**
Purchases of treasury stock	**—**	**—**	**—**	**—**	**(33)**	**—**	**—**	**—**	**—**	**—**	**—**	**(33)**
Other changes	**—**	**—**	**—**	**—**	**—**	**34,434**	**15,703**	**26,779**	**17,076**	**16,019**	**(11,808)**	**98,203**
Balance at March 31, 2015	**211,663**	**$379,887**	**$ 42**	**$683,289**	**$(12,033)**	**$96,721**	**$12,699**	**$27,045**	**$19,606**	**$(30,457)**	**$ 11,101**	**$1,187,900**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **13,018**	¥ 13,989	$ **108,330**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**3,891**	3,692	**32,379**
Amortization of goodwill	**187**	105	**1,556**
Increase (decrease) in allowance for doubtful receivables	**(1,050)**	(1,791)	**(8,738)**
Increase (decrease) in net defined benefit liabilities	**(5,109)**	4,164	**(42,515)**
Interest and dividend income	**(1,396)**	(1,409)	**(11,617)**
Interest expense	**2,868**	2,947	**23,866**
Share of (profit) loss of entities accounted for using equity method	**(207)**	—	**(1,723)**
Gain on sales of property and equipment	**(128)**	—	**(1,065)**
Gain on sales of investment securities	**—**	(187)	**—**
Loss on valuation of investment securities	**477**	760	**3,969**
Loss on valuation of investments in capital	**227**	46	**1,889**
Loss on business of subsidiaries and associates	**456**	—	**3,795**
Loss on disposal of property and equipment	**213**	90	**1,772**
Decrease (increase) in trade receivables	**1,824**	(14,574)	**15,178**
Decrease (increase) in inventories	**(11,490)**	(10,705)	**(95,615)**
Increase (decrease) in trade notes and accounts payable	**(5,589)**	7,395	**(46,509)**
Increase (decrease) in advances received	**13,261**	(787)	**110,352**
Other, net	**(2,359)**	2,709	**(19,628)**
Subtotal	**9,094**	6,444	**75,676**
Cash flows during the year for:			
Interest and dividends received	**1,416**	1,423	**11,783**
Interest paid	**(2,858)**	(3,042)	**(23,783)**
Income taxes (paid) refund	**(5,861)**	(4,482)	**(48,771)**
Net cash provided by (used in) operating activities	**1,791**	343	**14,905**
Cash flows from investing activities:			
Decrease in time deposits, net	**60**	0	**499**
Proceeds from redemption of securities	**2,000**	—	**16,643**
Additions to property and equipment	**(3,807)**	(1,141)	**(31,680)**
Proceeds from sale of property and equipment	**1,646**	184	**13,697**
Additions to investment securities	**(12,774)**	(4,432)	**(106,299)**
Proceeds from sale and redemption of investment securities	**3,069**	329	**25,539**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**—**	(1,300)	**—**
Net decrease (increase) in short-term loans receivable	**(412)**	554	**(3,428)**
Additions to long-term loans receivable	**(2,897)**	(6)	**(24,108)**
Proceeds from long-term loans receivable	**25**	39	**208**
Other, net	**(603)**	529	**(5,018)**
Net cash provided by (used in) investing activities	**(13,693)**	(5,244)	**(113,947)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(7,876)**	5,326	**(65,540)**
Net increase (decrease) in commercial paper	**22,000**	(6,000)	**183,073**
Proceeds from long-term debt, issuance of bonds	**45,015**	62,804	**374,594**
Repayments of long-term debt, redemption of bonds	**(36,649)**	(63,576)	**(304,975)**
Payment of cash dividends	**(2,797)**	(2,901)	**(23,275)**
Cash dividends paid to minority interests in consolidated subsidiaries	**(47)**	(39)	**(391)**
Other, net	**(307)**	(542)	**(2,557)**
Net cash provided by (used in) financing activities	**19,339**	(4,928)	**160,929**
Effect of exchange rate changes on cash and cash equivalents	**624**	1,487	**5,193**
Net increase (decrease) in cash and cash equivalents	**8,061**	(8,342)	**67,080**
Cash and cash equivalents at beginning of year	**15,920**	23,198	**132,479**
Effect of change in scope of consolidation	**534**	1,064	**4,444**
Cash and cash equivalents at end of year	¥ **24,515**	¥ 15,920	$ **204,003**

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, 2015, which was ¥120.17 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 24 (21 in 2014) 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.

Equity method

As of March 31, 2015, the Company had 37 unconsolidated subsidiaries and 14 affiliates. The equity method has been applied to the investments in 1 of the affiliates. Investments in the remaining 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 the 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 benefit formula.
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.

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

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" [ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")] and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" [ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")] from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, net defined benefit liabilities decreased by ¥2,989 million ($24,873 thousand) and retained earnings increased by ¥1,924 million ($16,011 thousand) at the beginning of the current fiscal year.

The effects of this change on operating income, income before income taxes and minority interests, and per share information are negligible.

Accounting Standards Not Yet Applied

- "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, September 13, 2013)

1. Summary
   The above standards and guidance have been revised primarily to account for:
   (1) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
   (2) Treatment of acquisition related costs
   (3) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
   (4) Provisional application of accounting treatments
2. Effective date
   Effective from the beginning of the fiscal year ending March 31, 2016. Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.
3. Effects of the application of the standards
   The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3. Financial instruments

At March 31, 2015 and 2014, 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 supplier of the Company. The credit risk is managed in accordance with the Credit Management Regulations.

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

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

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

The Company practices and manages 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, 2015 and 2014 were as follows:

March 31, 2015

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and cash equivalents	**¥ 24,515**	**¥ 24,515**	**¥ —**	**$ 204,003**	**$ 204,003**	**$ —**
(2) Trade notes and accounts receivable	**321,642**			**2,676,558**		
Allowance for doubtful receivables	**(852)**			**(7,090)**		
Net	**320,790**	**320,790**	**—**	**2,669,468**	**2,669,468**	**—**
(3) Securities						
a) Equity securities issued by affiliated companies	**6,481**	**4,890**	**(1,591)**	**53,932**	**40,692**	**(13,240)**
b) Available-for-sale securities	**36,474**	**36,474**	**—**	**303,520**	**303,520**	**—**
(4) Long-term loans receivable	**3,003**			**24,990**		
Allowance for doubtful receivables	**(9)**			**(75)**		
Net	**2,994**	**2,994**	**—**	**24,915**	**24,915**	**—**
Total assets	**¥ 391,254**	**¥ 389,663**	**¥ (1,591)**	**$3,255,838**	**$3,242,598**	**$ (13,240)**
(1) Short-term loans payable	**¥ 70,211**	**¥ 70,211**	**¥ —**	**$ 584,264**	**$ 584,264**	**$ —**
(2) Commercial paper	**27,000**	**27,000**	**—**	**224,682**	**224,682**	**—**
(3) Long-term debt due within one year	**21,944**	**21,951**	**(7)**	**182,608**	**182,666**	**(58)**
(4) Trade notes and accounts payable	**180,155**	**180,155**	**—**	**1,499,168**	**1,499,168**	**—**
(5) Long-term debt due after one year	**152,353**	**152,540**	**(187)**	**1,267,812**	**1,269,368**	**(1,556)**
Total liabilities	**¥ 451,663**	**¥ 451,857**	**¥ (194)**	**$3,758,534**	**$3,760,148**	**$ (1,614)**
Derivatives:						
To which hedge accounting is not applied	**¥ (2,046)**	**¥ (2,046)**	**¥ —**	**$ (17,026)**	**$ (17,026)**	**$ —**
To which hedge accounting is applied	**2,424**	**1,958**	**(466)**	**20,172**	**16,294**	**(3,878)**
Total derivatives	**¥ 378**	**¥ (88)**	**¥ (466)**	**$ 3,146**	**$ (732)**	**$ (3,878)**

March 31, 2014

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 15,920	¥ 15,920	¥ —
(2) Trade notes and accounts receivable	317,846		
Allowance for doubtful receivables	(860)		
Net	316,986	316,986	—
(3) Securities			
a) Held-to-maturity debt securities	5,006	5,010	4
b) Available-for-sale securities	29,893	29,893	—
(4) Long-term loans receivable	103		
Allowance for doubtful receivables	—		
Net	103	103	—
Total assets	¥ 367,908	¥ 367,912	¥ 4
(1) Short-term loans payable	¥ 74,004	¥ 74,004	¥ —
(2) Commercial paper	5,000	5,000	—
(3) Long-term debt due within one year	31,601	31,615	(14)
(4) Trade notes and accounts payable	180,363	180,363	—
(5) Long-term debt due after one year	134,280	134,443	(163)
Total liabilities	¥ 425,248	¥ 425,425	¥ (177)
Derivatives:			
To which hedge accounting is not applied	¥ (210)	¥ (210)	¥ —
To which hedge accounting is applied	(710)	(790)	(80)
Total derivatives	¥ (920)	¥ (1,000)	¥ (80)

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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
	Book value	Book value	Book value
(1) Equity securities issued by unconsolidated subsidiaries and affiliated companies	**¥ 8,031**	¥ 5,083	**$ 66,830**
(2) Available-for-sale securities:			
Unlisted stocks	**¥ 3,373**	¥ 4,213	**$ 28,069**
Unlisted foreign stocks	**3,935**	2,109	**32,745**
Unlisted foreign convertible bonds	**2,577**	2,207	**21,445**
Investment in limited partnerships	**33**	60	**275**
Total	**¥ 9,918**	¥ 8,589	**$ 82,534**

The maturities of receivables and securities with maturities outstanding at March 31, 2015 were as follows:

Year ending March 31	Millions of yen			
	2016	From 2017 to 2020	From 2021 to 2025	Thereafter
Cash and cash equivalents	¥ 24,516	¥ —	¥ —	¥ —
Trade notes and accounts receivable	321,642	—	—	—
Held-to-maturity debt securities	—	—	—	—
Available-for-sale securities with maturity dates	2,577	—	—	—
Long-term loans receivable	26	1,406	685	10
Total	¥ 348,761	¥ 1,406	¥ 685	¥ 10

	Thousands of U.S. dollars			
	2016	From 2017 to 2020	From 2021 to 2025	Thereafter
Cash and cash equivalents	$ 204,011	$ —	$ —	$ —
Trade notes and accounts receivable	2,676,558	—	—	—
Held-to-maturity debt securities	—	—	—	—
Available-for-sale securities with maturity dates	21,445	—	—	—
Long-term loans receivable	216	11,700	5,700	83
Total	$2,902,230	$ 11,700	$ 5,700	$ 83

Long-term loans receivable of ¥901 million ($7,498 thousand) were excluded from the above table since due date for the redemption had not yet been determined.

4. Securities

(A) The following tables summarize book values and fair values of held-to-maturity debt securities as of March 31, 2015 and 2014:

March 31, 2015

Not applicable.

March 31, 2014

	Millions of yen		
	Book value	Fair value	Difference
Corporate bonds with fair values exceeding book values:			
Corporate bonds	¥ 3,006	¥ 3,013	¥ 7
Corporate bonds with fair values not exceeding book values:			
Corporate bonds	¥ 2,000	¥ 1,998	¥ (2)

(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, 2015 and 2014:

March 31, 2015

	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	**¥ 11,494**	**¥ 29,447**	**¥ 17,953**	**$ 95,648**	**$ 245,045**	**$ 149,397**
Securities with book values not exceeding acquisition costs:						
Equity securities	**¥ 8,508**	**¥ 7,027**	**¥ (1,481)**	**$ 70,800**	**$ 58,475**	**$ (12,325)**

March 31, 2014

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 10,016	¥ 23,212	¥ 13,196
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 8,500	¥ 6,681	¥ (1,819)

(C) The loss resulting from the valuation of the listed securities in the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
The loss resulting from the valuation of the listed securities	**¥ 210**	¥ 76	**$ 1,748**

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2015 and 2014 for the derivatives to which hedge accounting has not been applied:

March 31, 2015
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	**¥ 57,967**	**¥ —**	**¥ (606)**	**¥ (606)**	**$ 482,375**	**$ —**	**$ (5,043)**	**$ (5,043)**
Other currencies	**590**	**—**	**15**	**15**	**4,910**	**—**	**125**	**125**
Buying:								
U.S. dollars	**11,571**	**48**	**179**	**179**	**96,289**	**399**	**1,490**	**1,490**
Other currencies	**2,572**	**288**	**(14)**	**(14)**	**21,403**	**2,397**	**(117)**	**(117)**
Currency swap agreements:								
Japanese yen received for U.S. dollars	**11,118**	**—**	**(2,114)**	**(2,114)**	**92,519**	**—**	**(17,592)**	**(17,592)**
Total				**¥ (2,540)**				**$ (21,137)**

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	**¥ 1,850**	**¥ —**	**¥ 17**	**¥ 17**	**$ 15,395**	**$ —**	**$ 141**	**$ 141**
Buying	**964**	**—**	**(9)**	**(9)**	**8,022**	**—**	**(75)**	**(75)**
Non-ferrous metals:								
Selling	**17,986**	**—**	**400**	**400**	**149,671**	**—**	**3,330**	**3,330**
Buying	**7,814**	**—**	**140**	**140**	**65,025**	**—**	**1,165**	**1,165**
Commodity swap agreements:								
Petroleum:								
Selling	**550**	**—**	**(5)**	**(5)**	**4,577**	**—**	**(42)**	**(42)**
Buying	**1,065**	**—**	**(49)**	**(49)**	**8,862**	**—**	**(408)**	**(408)**
Total				**¥ 494**				**$ 4,111**

March 31, 2014
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	¥ 28,973	¥ —	¥ (72)	¥ (72)
Other currencies	366	—	(2)	(2)
Buying:				
U.S. dollars	12,038	133	216	216
Other currencies	3,641	312	85	85
Currency swap agreements:				
Japanese yen received for U.S. dollars	10,678	—	(654)	(654)
Total				¥ (427)

Commodity related

	Millions of yen			
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss
Forwards:				
Petroleum:				
Selling	¥ 1,591	¥ —	¥ (16)	¥ (16)
Buying	815	—	10	10
Non-ferrous metals:				
Selling	15,030	—	403	403
Buying	7,103	—	(174)	(174)
Commodity swap agreements:				
Petroleum:				
Selling	40	—	—	—
Buying	2,103	—	(6)	(6)
Total				¥ 217

(B) The following tables summarize fair value information as of March 31, 2015 and 2014 for the derivatives to which hedge accounting has been applied:

March 31, 2015
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	**¥ 34,937**	**¥ 34,437**	**¥ (466)**	**$ 290,730**	**$ 286,569**	**$ (3,878)**

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	**¥ 34,008**	**¥ —**	**¥ 4,617**	**$ 282,999**	**$ —**	**$ 38,421**
Buying	**19,328**	**904**	**(2,193)**	**160,839**	**7,523**	**(18,249)**

March 31, 2014
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	¥ 5,853	¥ 5,853	¥ (80)

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:			
Non-ferrous metals			
Selling	¥ 20,130	¥ —	¥ (1,225)
Buying	10,870	—	515

6. Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Merchandise and finished products	**¥ 120,516**	¥ 106,083	**$1,002,879**
Work-in-process	**2,234**	167	**18,590**
Raw materials and supplies	**10,306**	8,444	**85,762**
Total	**¥ 133,056**	¥ 114,694	**$1,107,231**

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 ¥1,043 million (gain of $8,679 thousand) and a net gain of ¥441 million for the years ended March 31, 2015 and 2014, respectively.

7. Pledged assets

At March 31, 2015 and 2014, assets were pledged as collateral for loans payable in the amount of ¥3,197 million ($26,604 thousand) and ¥1,848 million, respectively, and for guaranty deposits were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
For loans payable:			
Buildings and structures, net of accumulated depreciation	**¥ 213**	¥ 149	**$ 1,772**
Land	**585**	1,896	**4,868**
Investment securities	**64**	53	**533**
Total	**¥ 862**	¥ 2,098	**$ 7,173**
For guaranty deposits:			
Other current assets	**¥ 13**	¥ 13	**$ 108**
Investment securities	**3,044**	1,690	**25,331**
Total	**¥ 3,057**	¥ 1,703	**$ 25,439**

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, 2015 and 2014 was 0.99% and 1.18%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing currency. There was an outstanding balance of ¥70,211 million ($584,264 thousand) and ¥74,004 million at March 31, 2015 and 2014, respectively.

The Company has entered into a yen denominated domestic commercial paper program. There was an outstanding balance of ¥27,000 million ($224,682 thousand) and ¥5,000 million at March 31, 2015 and 2014, respectively.

Bonds at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Issued in 2011, 0.56% unsecured straight bonds, due 2014	**¥ —**	¥ 10,000	**$ —**
Issued in 2012, 0.54% unsecured straight bonds, due 2015	**10,000**	10,000	**83,215**
Issued in 2013, 0.36% unsecured straight bonds, due 2016	**10,000**	10,000	**83,215**
Issued in 2013, 0.74% unsecured straight bonds, due 2018	**10,000**	10,000	**83,215**
Issued in 2014, 0.44% unsecured straight bonds, due 2019	**10,000**	—	**83,215**
Total	**¥ 40,000**	¥ 40,000	**$ 332,860**

Long-term loans payable at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans from banks with weighted average interest rates of 0.76% and 0.84% at March 31, 2015 and 2014, respectively, maturing serially through 2023	**¥ 134,297**	¥ 125,881	**$1,117,558**
Less amounts due within one year	**11,944**	21,601	**99,393**
	¥ 122,353	¥ 104,280	**$1,018,165**

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, 2015 were as follows:

Years ending March 31

	Millions of yen	Thousands of U.S. dollar
2016	¥ 11,944	$ 99,393
2017	9,534	79,338
2018	37,743	314,080
2019	43,246	359,873
2020	26,688	222,085
Thereafter	5,142	42,789
Total	¥ 134,297	$1,117,558

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
	2015	2014	**2015**
Balance at beginning of year	**¥ 27,601**	¥ 27,671	**$ 229,683**
Cumulative effects of changes in accounting policies	**(2,990)**	—	**(24,881)**
Balance at beginning of year after accounting policies changed	**24,611**	27,671	**204,802**
Service cost	**1,133**	1,147	**9,428**
Interest cost	**337**	379	**2,804**
Actuarial gain	**(1,606)**	(832)	**(13,364)**
Benefits paid	**(825)**	(764)	**(6,865)**
Balance at end of year	**¥ 23,650**	¥ 27,601	**$ 196,805**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 23,462**	¥ 22,214	**$ 195,240**
Expected return on plan assets	**704**	666	**5,858**
Actuarial gain (loss)	**373**	(60)	**3,104**
Contributions paid by the employer	**947**	1,406	**7,881**
Benefits paid	**(825)**	(764)	**(6,865)**
Balance at end of year	**¥ 24,661**	¥ 23,462	**$ 205,218**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 344**	¥ 220	**$ 2,863**
Defined benefit costs	**88**	80	**732**
Benefits paid	**(30)**	(34)	**(250)**
Contributions paid by the employer	**(20)**	(16)	**(167)**
Other	**30**	94	**250**
Balance at end of year	**¥ 412**	¥ 344	**$ 3,428**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded defined benefit obligations	**¥ 23,902**	¥ 27,821	**$ 198,902**
Plan assets	**(24,854)**	(23,640)	**(206,824)**
	(952)	4,181	**(7,922)**
Unfunded defined benefit obligations	**353**	302	**2,937**
Total net liability (asset) for defined benefits at end of year	**(599)**	4,483	**(4,985)**
Net defined benefit liability	**412**	4,483	**3,428**
Net defined benefit asset	**(1,011)**	—	**(8,413)**
Total net liability (asset) for defined benefits at end of year	**¥ (599)**	¥ 4,483	**$ (4,985)**

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 1,132**	¥ 1,147	**$ 9,420**
Interest cost	**337**	379	**2,804**
Expected return on plan assets	**(704)**	(666)	**(5,858)**
Net actuarial loss amortization	**1,196**	1,250	**9,952**
Past service costs amortization	**81**	81	**674**
Retirement benefit costs based on the simplified method	**89**	80	**741**
Other	**5**	13	**42**
Total retirement benefit costs	**¥ 2,136**	¥ 2,284	**$ 17,775**

(6) Remeasurements of defined benefit plans as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Past service costs	**¥ 81**	¥ —	**$ 674**
Actuarial gains and losses	**3,175**	—	**26,421**
Total	**¥ 3,256**	¥ —	**$ 27,095**

(7) Accumulated other comprehensive income from defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Past service costs that are yet to be recognized	**¥ 303**	¥ 384	**$ 2,521**
Actuarial gains and losses that are yet to be recognized	**5,119**	8,294	**42,598**
Total balance at end of year	**¥ 5,422**	¥ 8,678	**$ 45,119**

(8) Plan assets comprise:

	2015	2014
Bonds	**20.3%**	19.5%
Equity securities	**12.8**	8.0
Cash and cash equivalents	**4.2**	31.0
General account assets	**19.3**	19.7
Other	**43.4**	21.8
Total	**100.0%**	100.0%

"Other" consists of investments mainly in hedge funds investing in domestic and foreign equities and bonds, foreign exchange, and various futures and derivatives.

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.

(9) The principal actuarial assumptions at March 31, 2015 and 2014 were as follows:

	2015	2014
Discount Rate	**1.4%**	1.4%
Long-term expected rate of return	**3.0**	3.0

(C) Defined contribution plans

Consolidated domestic subsidiaries were required to contribute ¥113 million ($940 thousand) and ¥89 million 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) for the years ended March 31, 2015 and 2014, respectively.

(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, 2014 and 2013 (as of the most recently available year-end date of the pension fund) were as follows:

	Millions of yen	
	2014	2013
Fair value of plan assets	¥ 78,199	¥ 101,911
Benefit obligation based on pension plan finance calculation	97,285	128,178
Balance at end of year	¥ (19,086)	¥ (26,267)

The principle factors relating to the balance were the prior service costs of ¥10,385 million and ¥17,203 million as at March 31, 2014 and 2013 respectively, 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, 2014 and 2013 was 0.65% and 0.72%, respectively. The percentage does not match the actual amount contributed by the Group.

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 35.6% and 38.0% for the years ended March 31, 2015 and 2014 respectively.

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2014.

	2015	2014
Statutory tax rate:	**35.6%**	38.0%
Tax effect of permanent differences	**(0.3)**	(0.1)
Reversal of revaluation reserve for land	**(9.2)**	(0.1)
Difference in tax rates for consolidated subsidiaries	**(1.1)**	0.6
Other	**4.8**	4.4
Effective tax rate	**29.8%**	42.8%

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	**¥ 11,944**	¥ 13,164	**$ 99,393**
Loss on impairment of long-lived assets	**1,955**	2,243	**16,269**
Net defined benefit liabilities	**—**	1,592	**—**
Loss on sale-repurchase agreements of land	**1,367**	1,506	**11,376**
Loss on valuation of investment securities, currently not deductible	**909**	907	**7,564**
Accrued bonuses to employees	**682**	788	**5,675**
Land revaluation difference, net of taxes unrealized loss	**239**	1,460	**1,989**
Other	**4,256**	3,967	**35,416**
Total deferred tax assets	**21,352**	25,627	**177,682**
Valuation allowance	**(17,410)**	(20,256)	**(144,878)**
Net deferred tax assets	**3,942**	5,371	**32,804**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**5,336**	3,925	**44,404**
Land revaluation difference, net of taxes unrealized gain	**1,922**	2,286	**15,994**
Net defined benefit assets	**210**	—	**1,748**
Other	**3,393**	1,453	**28,235**
Total deferred tax liabilities	**10,861**	7,664	**90,381**
Net deferred tax liabilities	**¥ (6,919)**	¥ (2,293)	**$ (57,577)**

Deferred tax assets and deferred tax liabilities were included in the consolidated balance sheets at March 31, 2015 and 2014, respectively, as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets: Deferred tax assets	**¥ 1,116**	¥ 2,048	**$ 9,287**
Other assets: Deferred tax assets	**107**	217	**890**
Current liabilities: Other current liabilities (Deferred tax liabilities)	**2**	—	**17**
Noncurrent liabilities: Deferred tax liabilities	**8,140**	4,558	**67,737**

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

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

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

11. Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income and minority interests.

Under the Japanese Corporate Law ("the Law"), in cases 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 26, 2015, the shareholders approved cash dividends of ¥7.5 per share ($0.06) amounting to ¥1,554 million ($12,932 thousand). This appropriation has not been accrued in the consolidated financial statements as of March 31, 2015. 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, 2015, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,591 million ($13,240 thousand).

12. Contingent liabilities

At March 31, 2015 and 2014, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
As endorsers of export letters of credit and notes discounted	**¥ 7,436**	¥ 5,707	**$ 61,879**
As guarantors of indebtedness	**3,345**	4,816	**27,836**

13. Loss on business of subsidiaries and associates

Year ended March 31, 2015

Loss on business of subsidiaries and associates for the year ended March 31, 2015 was ¥456 million ($3,795 thousand). The loss consists of estimated loss from the sale of investment in an affiliate.

14. Loss on disposal of property and equipment

Year ended March 31, 2015

Loss on disposal of property and equipment for year ended March 31, 2015 was ¥213 million ($1,772 thousand). The loss consists of expenses for the relocation of the Tokyo Head Office.

Year ended March 31, 2014

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

15. Other comprehensive income

Years ended March 31, 2015 and 2014

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
	2015	2014	**2015**
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	**¥ 5,346**	¥ 7,253	**$ 44,487**
Reclassification adjustments	**202**	163	**1,681**
Sub-total, before tax	**5,548**	7,416	**46,168**
Tax expense (benefit)	**1,411**	2,596	**11,742**
Sub-total, net of tax	**4,137**	4,820	**34,426**
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	**3,362**	(192)	**27,978**
Reclassification adjustments	**(521)**	(559)	**(4,336)**
Sub-total, before tax	**2,841**	(751)	**23,642**
Tax expense (benefit)	**954**	(270)	**7,939**
Sub-total, net of tax	**1,887**	(481)	**15,703**
Land revaluation difference, net of taxes:			
Increase (decrease) during the year	**—**	—	**—**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**—**	—	**—**
Tax expense (benefit)	**(184)**	(33)	**(1,531)**
Sub-total, net of tax	**184**	33	**1,531**
Foreign currency translation adjustments:			
Increase (decrease) during the year	**2,175**	2,274	**18,099**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**2,175**	2,274	**18,099**
Tax expense (benefit)	**—**	—	**—**
Sub-total, net of tax	**2,175**	2,274	**18,099**
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the year	**1,980**	—	**16,477**
Reclassification adjustments	**1,276**	—	**10,618**
Sub-total, before tax	**3,256**	—	**27,095**
Tax expense (benefit)	**1,331**	—	**11,076**
Sub-total, net of tax	**1,925**	—	**16,019**
Total other comprehensive income	**¥ 10,308**	¥ 6,646	**$ 85,778**

16. Investment and rental properties

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

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

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

Year ended March 31, 2015

The description on the book value, annual net increase and decrease amount and fair value of investment and rental properties is omitted because it is immaterial.

Year ended March 31, 2014

Millions of yen			
Book value			
Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 7,662	¥ 277	¥ 7,385	¥ 6,957

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."

Rental profit from these properties was ¥337 million and was included in gross profit.

17. Segment information

(A) Overview of the reportable segments

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

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

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

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, silicon, manganese, steel alloys
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, 2015 was as follows:

Year ended March 31, 2015

Millions of yen

	Reportable segment									
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Total	Other business	Total	Adjustment	Consolidated
Net sales	¥ 857,396	¥ 125,768	¥ 81,978	¥ 86,923	¥ 422,450	¥ 1,574,515	¥ 162,883	¥ 1,737,398	¥ —	¥ 1,737,398
Intersegment	21,319	5,403	1,387	723	7,470	36,302	79,508	115,810	(115,810)	—
Total	¥ 878,715	¥ 131,171	¥ 83,365	¥ 87,646	¥ 429,920	¥ 1,610,817	¥ 242,391	¥ 1,853,208	¥ (115,810)	¥ 1,737,398
Segment income	¥ 14,737	¥ 343	¥ 1,146	¥ 583	¥ 2,481	¥ 19,290	¥ 684	¥ 19,974	¥ (5,709)	¥ 14,265
Assets	¥ 354,475	¥ 72,533	¥ 23,270	¥ 34,127	¥ 48,406	¥ 532,811	¥ 61,710	¥ 594,521	¥ 56,936	¥ 651,457
Depreciation	3,024	105	38	17	66	3,250	595	3,845	46	3,891
Amortization of goodwill	154	33	—	—	—	187	—	187	—	187
Interest income	199	170	—	0	137	506	107	613	251	864
Interest expense	2,201	652	160	258	376	3,647	534	4,181	(1,313)	2,868
Share of profit of entities accounted for using equity method	207	—	—	—	—	207	—	207	—	207
Investment for entities accounted for equity method	2,009	—	—	—	—	2,009	—	2,009	—	2,009
Increase in property and equipment	3,140	79	34	40	64	3,357	470	3,827	106	3,933

Year ended March 31, 2015

	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	$ 7,134,859	$ 1,046,584	$ 682,184	$ 723,334	$3,515,436	$13,102,397	$ 1,355,438	$ 14,457,835	$ —	$14,457,835
Intersegment	177,408	44,961	11,542	6,016	62,162	302,089	661,629	963,718	(963,718)	—
Total	$ 7,312,267	$ 1,091,545	$ 693,726	$ 729,350	$3,577,598	$13,404,486	$ 2,017,067	$ 15,421,553	$ (963,718)	$14,457,835
Segment income	$ 122,636	$ 2,854	$ 9,536	$ 4,851	$ 20,646	$ 160,523	$ 5,692	$ 166,215	$ (47,508)	$ 118,707
Assets	$ 2,949,779	$ 603,587	$ 193,642	$ 283,989	$ 402,813	$ 4,433,810	$ 513,523	$ 4,947,333	$ 473,795	$ 5,421,128
Depreciation	25,165	874	316	141	549	27,045	4,951	31,996	383	32,379
Amortization of goodwill	1,281	275	—	—	—	1,556	—	1,556	—	1,556
Interest income	1,656	1,415	—	0	1,140	4,211	890	5,101	2,089	7,190
Interest expense	18,316	5,426	1,331	2,147	3,129	30,349	4,443	34,792	(10,926)	23,866
Share of profit of entities accounted for using equity method	1,723	—	—	—	—	1,723	—	1,723	—	1,723
Investment for entities accounted for equity method	16,718	—	—	—	—	16,718	—	16,718	—	16,718
Increase in property and equipment	26,129	657	283	333	533	27,935	3,912	31,847	882	32,729

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 ¥5,709 million (negative $47,508 thousand) for segment income include intersegment elimination and Group costs that have not been allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
   (2) Adjustments for segment assets amounting to ¥56,936 million ($473,795 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 ¥46 million ($383 thousand) include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥251 million ($2,089 thousand) and negative ¥1,313 million (negative $10,926 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 ¥106 million ($882 thousand) are increases in Group assets.

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

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 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 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 include mainly depreciation and amortization expenses of Group assets.
   (4) Adjustments for interest income and interest expense amounting to ¥300 million and negative ¥705 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 ¥11 million are increases in Group assets.

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2015 and 2014 was as follows:

Year ended March 31, 2015

	Millions of yen						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**¥ 885,756**	**¥ 127,140**	**¥ 114,898**	**¥ 99,692**	**¥ 437,392**	**¥ 72,520**	**¥ 1,737,398**

Year ended March 31, 2015

	Thousands of U.S. dollars						
	Steel	Metals and alloys	Non-ferrous metals	Foods	Petroleum and chemicals	Other	Total
Net sales to external customers	**$ 7,370,858**	**$ 1,058,001**	**$ 956,129**	**$ 829,591**	**$ 3,639,777**	**$ 603,479**	**$14,457,835**

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

Geographic information

(1) Net sales in different countries for the years ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015

	Millions of yen			
	Japan	Asia	Other	Total
Net sales to external customers	**¥ 1,284,291**	**¥ 369,515**	**¥ 83,592**	**¥ 1,737,398**

Year ended March 31, 2015

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Net sales to external customers	**$10,687,285**	**$ 3,074,936**	**$ 695,614**	**$14,457,835**

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

(2) Property and equipment in different countries for the year ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015

	Millions of yen			
	Japan	Asia	Other	Total
Property and equipment	**¥ 52,885**	**¥ 7,988**	**¥ 74**	**¥ 60,947**

Year ended March 31, 2015

	Thousands of U.S. dollars			
	Japan	Asia	Other	Total
Property and equipment	**$ 440,085**	**$ 66,472**	**$ 616**	**$ 507,173**

Year ended March 31, 2014

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

Outstanding balance of goodwill and amortization of goodwill in reportable segment

Outstanding balance of goodwill for the year ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015

	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	**¥ 442**	**¥ 134**	**¥ —**	**¥ —**	**¥ —**	**¥ 576**	**¥ —**	**¥ 576**	**¥ —**	**¥ 576**

Year ended March 31, 2015

	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	**$ 3,678**	**$ 1,115**	**$ —**	**$ —**	**$ —**	**$ 4,793**	**$ —**	**$ 4,793**	**$ —**	**$ 4,793**

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

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

Independent Auditor's Report

KPMG

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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, 2015
Osaka, Japan

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Corporate Information (As of March 31, 2015)

Corporate Data

Company Name	Hanwa Co., Ltd.
Established	April 1947
Capital	¥45,651 million
Number of Employees	Consolidated: 2,772 Non-consolidated: 1,169

Address

Osaka Head Office	4-3-9, Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan Tel: +81-6-7525-5000 Fax: +81-6-7525-5365
Tokyo Head Office	1-13-1, Tsukiji, 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 26, 2015)

BOARD OF DIRECTORS

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

CORPORATE AUDITORS

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

*Representative Director

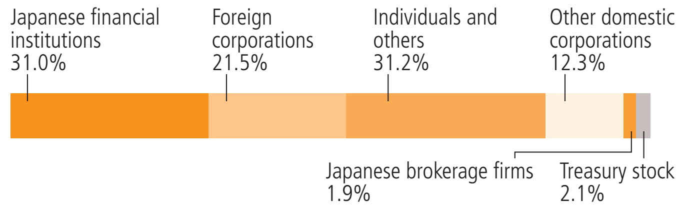
EXECUTIVE OFFICERS

Senior Managing Executive Officer	Hiroshi Ebihara
Executive Officers	Takatoshi Kuchiishi Kozo Yamabe Yasuharu Kurata Chiro Ideriha Toshimi Terada Isao Kimizu Tsuneo Tsuiki Yoichi Sasayama Hideo Kobayashi Keiji Matsubara

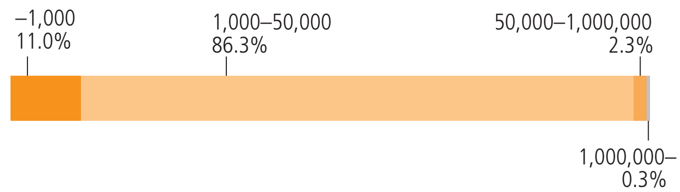
Stock Information

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	12,120

Breakdown by Type of Shareholder



Breakdown by Size of Holding

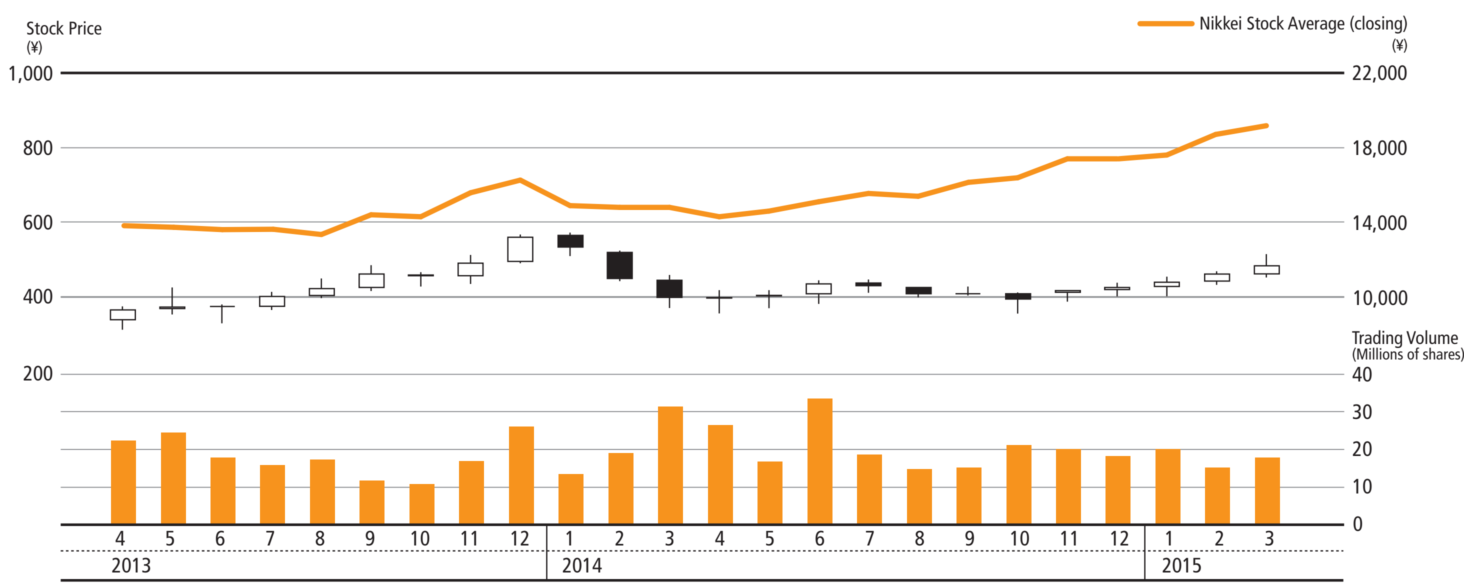


Principal Shareholders

Name of Shareholder	Number of Shares (thousands)	Percentage of Total Issued Share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	14,323	6.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,695	5.16
Sumitomo Mitsui Banking Corporation	7,630	3.68
Hanwa Clients' Stock Investment Association	7,478	3.61
Hanwa Employees' Stock Investment Association	4,935	2.38
CBNY-GOVERNMENT OF NORWAY	4,184	2.02
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,151	1.52
Nippon Steel & Sumitomo Metal Corporation	3,001	1.45
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,877	1.39
The Dai-ichi Mutual Life Insurance Company	2,614	1.26

Note: The Company holds 4,449,160 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

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