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Notice Concerning Review of Medium-term Business Plan

Hanwa Co., Ltd. (“Hanwa”) announces that the Board of Directors meeting of Hanwa, held on May 12, 2017, resolved to extend the period of the Medium-term Business Plan (April 2016-March 2019) released on May 13, 2016, and concurrently to revise its quantitative objectives.

(1) Details of Review

(billion yen)

	Before Review	After Review				
Planned Period	April 2016 – March 2019	April 2016 – March 2020				
Quantitative Objectives	The final year		March 2017 (Actual)	March 2018	March 2019	March 2020
Net Sales	¥2,000		¥1,514	¥1,700	¥1,850	¥2,000
Ordinary Income	¥20	1.STEADY	¥19.1	¥18.0	¥19.0	¥20.0
		2.SPEEDY	¥3.1	¥4.5	¥5.0	¥6.0
		3.STRATEGIC	¥0.7	¥1.5	¥8.0	¥9.0
		Total	¥22.9	¥24.0	¥32.0	¥35.0
New Customers (In total)	2,000	2,700 (For reference : 697 customers by March 2017)				
Estimated Investment Amount (In total)	¥30	¥50 (For reference : ¥11.2 billion by March 2017)				

(2) Reasons of Review

The group of Hanwa has started the Medium-term Business Plan (April 2016-March 2019) since April 2016 and has been trying to achieve its important objectives. When the first year ended in March 2017, our ordinary income has exceeded the final year’s quantitative objective, resulting from favorable performance of steel and food businesses, in addition to a decrease of non-operating expenses.

With careful consideration to changes in our profit generating structures mainly due to foreseeable returns from existing strategic investments, such as natural resources, we have decided to revise the Medium-term Business Plan and extended it one year. As to quantitative objectives, while net sales remains the same, ordinary income has included returns from the strategic investments. Financial objectives have also been partly reviewed.

The details of our main theme and business strategies of the Medium-term Business Plan are shown on the following appendix.

(Note : The numbers of quantitative objectives mentioned above were made based on the obtainable information as

of May 12, 2017. The actual results might be different from the numerical objectives due to several reasons such as future trends of resource prices and/or currency.

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(Appendix)

1. Medium-term Business Plan Theme

The “Three S” Commitment – Steady, Speedy, Strategic

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

For the next decade, this business plan has the objectives of steady growth of Hanwa by earning profits in current business domains while achieving speedy earnings growth driven by group companies and strategic investments. In addition, there will be more strategic mergers, acquisitions and alliances to add more future sources of earnings. Furthermore, Hanwa will, with its full force, implement HKQC (Hanwa Knowledge Quality Control) to enable the group to pass on and enhance knowledge that goes beyond merely quality assurance activities.

The aim is to use these initiatives to build a medium to long-term sustainable profit structure and a stronger foundation for business operations.

(1)Steady: Maintain and increase earnings in well-established business

- Use HKQC (quality assurance using the Hanwa Group’s collective knowledge) to eliminate the risk of losses in all business processes.
- Increase cash flow generation by improving the efficiency of purchases, inventories, sales and the receipt of payments

(2)Speedy: Speed up to produce benefits from investments in group companies and strategic investments in Japan and overseas

- Make domestic and overseas companies more profitable
- Moving up to secure returns from current business investments that are performing well or have excellent prospects

(3)Strategic: Establish future sources of additional earnings by continuing strategic investments of about ¥50 billion over four years

- Execute diversified mergers and acquisitions and flexible alliance investments in high-quality small and midsize companies and expand our business fields through strategic investments.
- Create opportunities for strategic investments in the food products, petroleum and chemicals, lumber and other business sectors.
- Make strategic investments in natural resource sectors with distinctive characteristics.
- Make carefully targeted strategic investments in the growing markets of China and Southeast Asia and the large markets of North America.

2. Financial Strength

The “2 x 4” objective of net assets of ¥200 billion was set in order to establish a more stable financial position by the end of the Plan (March 2020). Another objective is to reduce the net debt/equity ratio to less than about 150%. Achieving these two goals will give Hanwa access to funds required for sustainable growth along with financial soundness.

3. Basic Stance for Business Strategies

Our aim is maximizing earnings by capitalizing on all profit opportunities across the entire value chain. This will require higher efficiency and optimization at every stage of the value chain, from manufacturers and suppliers to users. To accomplish this, Hanwa will implement assertive strategies centered on self-sustained growth and the diversification of business activities. Furthermore, for the creation of “a second Hanwa in Southeast Asia,” operations in the growing markets of Southeast Asia will use cooperation with partners in this region to advance from the export of goods to the export of functions. In addition, operations in North America will be strengthened in order to increase earnings outside Japan.

【Key Themes for Business Units】

1) Steel Division

- More activities involving the fast delivery, small lot, processing strategy
Utilize M&A and Alliances to add partners with complementary functions.
Restructure the inventory function of distribution centers.
- Upgrade and expand supply chain management.
Improve ability to meet customers’ needs by upgrading coil center capabilities.
Increase ability to offer the best possible proposals for meeting user needs.

2) Non-ferrous Metal Division

- Earn returns from investments.

- Seek new suppliers in all regions of the world.
 - Handle a broader lineup of products
 - Enlarge sales channels for serving overseas users.
- 3) Food Products Division
- Reinforce the fast delivery, small lot, processing strategy for this Division.
 - Increase sales activities in overseas markets for food products.
 - Create business opportunities by utilizing the advantage of having a fully integrated upstream-to-downstream food business model.
- 4) Petroleum and Chemicals Division
- Redefine business domain from mere petroleum trader to a comprehensive energy trader.
 - Build a framework for generating earnings by utilizing inventory facilities and functions.
 - Establish supplier relationships and build infrastructures in a manner that reflects user needs.
 - Aim for growth of the recycled fuel and new energy businesses.

4. Build a More Powerful Base of Operations

Considering growth of our business operations as well as increasing number of group companies in mind, it is necessary to improve our corporate structure capable of allocating head office resources efficiently and effectively for shifting from regional to global optimization. There will be a relentless pursuit of efficiency while achieving the proper balance between respect for the independence of group companies and regions, based on their respective characteristics, and a integrated management system that prevent profit leakage.

- 1) More financial discipline and the best capital structure
 - Reinforce the entire investment cycle system.
 - Improve financial soundness by raising net assets to ¥200 billion.
- 2) A stronger group oversight framework
 - More efficient corporate functions at group companies in Japan and other countries
 - Improve risk management capabilities, particularly for credit management.
 - Upgrade and expand training programs at group companies.
- 3) Upgrade information systems and make substantial ICT investments
 - Increase ICT investments for activities needed to supply value from the standpoint of users.
 - Apply HKQC for extensive business flow improvements and incorporate these improvements in information systems.
- 4) Make the business climate the basis for training and using people
 - Develop a workforce of professionals and global businesspersons who can succeed in Japan and around the world.
 - Provide people with the opportunities to fully realize their potential.
 - Improve management skills needed for management of the entire Hanwa Group.

5. Fulfilling CSR activities with ESG management in mind

Responding to environmental, social and governance issues, we aim to enhance our long-term sustainability and increase our corporate value with untiring awareness of where our social positions should be.

- 1) Build a recycling-based society and achieve environmental load reduction
 - Expand reusing and recycling businesses such as various ferro and non-ferro metal scrap and recycled fuel derived from industrial wastes.
 - Promote environmentally-friendly businesses through exports of timbers from forest thinning and effective use of wood-based and biomass fuel
- 2) Use diversity as a management strategy for making the Hanwa Group stronger
 - Step up measures for using the capabilities of workforce diversity in terms gender, age, nationality and other characteristics to create value.
 - Improve productivity and work-life balance stimulating flexible work style regardless gender, such as support systems for childcare and nursing care as well as assisting our employees in balancing carrier and family care.
 - Provide women assignments where they can fully realize their potential, based on their respective capabilities and career paths, and place women in management positions. In addition, give women opportunities of comprehensive training such as studying abroad, training program and job rotations, to promote them to executives and beyond.

- 3) Promote social contributions as our growth proceeds
 - Contribute to development of the next generations in Japan by scholarship activities including supports to encourage students studying abroad through the Hanwa Scholarship Foundation
 - Active participation in disaster aid, international contributions and regional contributions
- 4) Strengthen and enrich our corporate governance system
 - Improve monitoring functions of regulatory compliance and internal control system
 - Improve effectiveness of corporate governance based on the Japan's Corporate Governance Code

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