

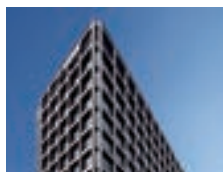
INTEGRATED REPORT 2021

Year ended March 31, 2021



For Users, With Users

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Growth Story

We explain our strategy for providing value to corporations and society over the medium to long term, together with the messages from the president and the executive financial officer.

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Corporate Philosophy

Coping with changes of the times and the market quickly, we, as a “distribution specialist”, aspire to make a broad contribution to society by satisfying various needs of customers.

Success in today's markets demands speed and the ability to meet a broad range of needs. Great change has come about on an unprecedented scale. Only companies that can adapt quickly will survive.

Hanwa has accumulated experience and accomplishments in the field of “distribution” that spans more than 70 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, we keep 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.



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Corporate Policy

Accomplishment of social responsibilities

We contribute to the global society and the community through our business activities with sound management practices that attach importance to compliance.

Improvement of “Hanwa’ s Value”

We raise our corporate value steadily by effective utilization of the management resources offered from various stakeholders.

Pursuit of trading company distribution with strong presence

Under a customer-oriented policy, we pursue sustainable customer satisfaction by providing value-added distribution and proposal-driven marketing.



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Our Message



Envision the vision for the future and

reverse-engineer the current task.

Carry it out with a sense of urgency.

That is what leads to the sturdy growth of a company.

Hironari Furukawa

Representative Director and President

Honing our uniqueness as a user-centric trading company

Despite the rollout of vaccinations for COVID-19 that ravaged the world, we can still not let our guard down.

Our response includes importing 300,000 high-performance medical-grade masks manufactured by our Group company in Poland and distributing these to all offices nationwide and installing PCR examination equipment at our Tokyo Head Office and Osaka Head Office. The COVID-19 measures we have introduced include online training for all new employees in April and continued the extensive implementation of teleworking.

For example, when climbing a tree there are very few accidents because people are careful when going up, but they tend to hurt themselves just before reaching the ground as they relax on the way down. To avoid such an instance, we are taking even more care than usual when taking measures to deal with COVID-19.

The current pandemic has clearly highlighted problems in Japan. During the post-war high growth period, the power to bring society to its optimal shape worked in both the private sector and the government, leading to economic growth. Once lives were enriched and Japan reached a period of maturity, the capacity to respond to change weakened. The COVID-19 pandemic has highlighted such weakness.

We are also facing a major turning point as a steel trading company.

To put it bluntly, the Japanese steel industry has entered a period of decline. Japan produces about 100 million tons of steel per year with domestic demand accounting for about 60 million tons and the balance of 40 million tons exported. However, domestic demand has gradually fallen as Japan's population has declined. There were previously no blast furnaces in the major destinations in Southeast Asia, so there was demand for high quality Japanese products. However, blast furnaces have now been steadily constructed in countries such as Vietnam, Malaysia, and Indonesia, resulting in local production and local consumption. This trend is likely to strengthen in the future even in countries that do not yet have these facilities. The volume of 40 million tons exported from Japan will inevitably decline.

The steel business is a major division accounting for almost half our total sales. A contraction in Japanese steel will obviously have a major impact on the Company.

The situation has nothing to do with the spread of COVID-19, as it was predictable from 10 and 20 years ago. So, we have been working on countermeasures for some time.

First, because the Japanese market shrinks with the long-term decline in population, we have targeted the expansion of transactions with middle-ranking and small- to medium-sized companies to enhance relative value. However, there needs to be more than simple trading to make inroads into such customers. We identified the importance of enhancing the distribution functions of

SOkuno [Just-In-Time delivery], KOguchi [small lot], and KAko [processing], which we call the SOKOKA strategy based on the abbreviations of each Japanese word.

This strategy, which commenced in 2012, was a challenge befitting us as a user-centric trading company that values hard work for careful and detailed transactions. Fortunately, we have developed more than 6,000 new customers in the past 10 years or so, building a strong constitution able to respond to drastic changes in society.

The steady and straightforward buildup of these operations is nothing special that draws attention. However, it is a job befitting the Company that we can be proud of. We believe the SOKOKA strategy will produce results during this period of upheaval in Japan's steel industry as a less spectacular but great accomplishment.

Amid a major turning point in the steel industry

In promoting this SOKOKA strategy, we have accelerated the acquisition of and partnering with outstanding companies in areas such as processing and small-lot logistics. That is our "M&A plus A (Alliance)" strategy.

We have now increased the number of prime subsidiaries to 88, and the FY2020 results indicate the large contribution to consolidated profits generated by these companies. Taking this opportunity, we established the Business Development Implemen-

tation Team to further advance this strategy.

The previous "M&A plus A" strategy was a passive one, where we were approached by companies without a successor in a so-called "M&A in waiting" or "alliance in waiting" strategy.

However, the market structure encompassing the steel industry is facing massive transformation. The contraction in domestic demand, the decline in exports and the structural changes in demand industries such as automobiles are happening rapidly, with ever heightening concerns over the post-COVID-19 Japanese economy.

In response, the Business Development Implementation Team is taking a more proactive approach. We also utilize external information sources including M&A brokerage firms, financial institutions such as securities companies, and banks as well as investment funds and are cultivating M&A target companies. We have taken this opportunity to create a new catchphrase to explain these activities in a nutshell. This is the "3M plus 2A (Much more M&A + Aggressive Alliance)" strategy.

In parallel, we have also been further promoting the SOKOKA strategy. The first SOKOKA strategy was focused on western Japan, while the second SOKOKA strategy, which commenced in FY2020, has expanded from the Chubu area to eastern Japan, then nationwide, aimed at enhancing the steel distribution function.

Apart from promoting the sharing of locations and administra-

Our Message

tions within the group companies, we are also paying attention to making improvements such as to wage conditions, there being disparity between those at Head Office. We have told group company presidents that we would like them to set improvements in pay levels of their employees as one goal. This is a necessary measure to bring about a better sense of unity amongst the Company and Group companies in strengthening domestic market penetration. Since employees are a company's important stakeholders, returns should be passed on if profits increase. This is part of my policy of promoting "public interest capitalist management."

A trading company with a manufacturing facet

The overseas steel business is focused on local production and local consumption that is the trend in Southeast Asia. With the catchphrase *Create another Hanwa in Southeast Asia*, we will continue activities to spread the SOKOKA strategy, which we rolled out from the Eighth Medium-Term Business Plan, to other countries including the ASEAN.

Apart from Singapore's COSMOSTEEL HOLDINGS LTD. and Vietnam's SMC TRADING INVESTMENT JSC., we are working on alliances with steel distribution companies in countries such as Thailand and Malaysia and transplanting the model that has been successful in Japan, while further carving out local needs.

In Japan, the SOKOKA strategy is a concept for growth in comparison with peers, while in Southeast Asia, it is aimed at own growth regardless of competitors. To achieve this, a logical consequence would be for us to directly participate in manufacturing in addition to pursuing trading company functions.

We have invested in a nickel pig iron, stainless steel smelting and rolling factory project on the island of Sulawesi, Indonesia, led by a Chinese company, Tsingshan Holding Group (Tsingshan), the world's largest stainless steel producer.

In March 2020, we acquired a 10% stake in PT Dexin Steel Indonesia, a steel blast furnace mill on the same island. Dexin is a manufacturing joint venture established by China's Delong Steel Group and a subsidiary of the Tsingshan and has an annual production capacity of 3.5 million tons. We handle a minimum of 1 million tons of finished and semi-finished products. At present, two blast furnaces are operating steadily at a pace of 4 million tons annually. With a third blast furnace set for operation at the end of 2022, future production is forecast at 6 million tons.

In addition, we also have a decade-old investment in the Sarawak, Malaysia factory of OM HOLDINGS (an Australian listed company), which has manganese mines in South Africa and Australia. As demand has increased due to the successive operations of blast furnaces in Southeast Asia, the factory is currently producing ferrosilicon and manganese ferroalloys, etc. at full capacity. In addition, the ferroalloys produced here are produced using clean energy supplied by local hydroelectric power plants, so they are

environmentally-friendly green ferroalloys.

Through investment in these steel-related companies which boast the highest competitive advantage in the world, we have become a trading company with a manufacturing facet. This brings new appeal that a mere trader did not have and is starting to generate synergies. We can also expect returns from business revenues, with promising prospects of future growth.

Hanwa, the battery expert, in motion

It goes without saying that the world is trending towards a decarbonized society. The Company has been focusing on nickel, cobalt, lithium and manganese and other components of cathode materials for rechargeable batteries including for use in electrical vehicles and has been making distinctive resource investments from a few years ago, when the era of electrical vehicles did not seem so close at hand.

The nickel ore produced at the aforementioned Tsingshan's nickel pig iron project also contains cobalt. Cobalt is an indispensable resource for rechargeable batteries, and the world's largest reserves are held in the Republic of the Congo. However, as the use of child labor in mining has been identified as an issue, the lack of stability is a drawback.

To secure supply, we established QMB NEW ENERGY MATERIALS in Indonesia together with Tsingshan, CATL of China, the world's largest manufacturer of rechargeable batteries for automobiles, and GEM, a leading recycling company in China. The business will engage in integrated manufacturing of high-purity nickel-cobalt compounds for rechargeable batteries from ore, and is expected to become operational in 2022.

In addition, Tsingshan applied the nickel pig iron manufacturing process to successfully develop manufacturing technologies for nickel matte, which can also be used as a battery material. Production is to commence from around autumn this year, so we expect this to be another growth-driver.

As a source of lithium, we invested in Mexico's Bacanora Lithium five years ago to participate in a project that produces high-purity lithium carbonate. This factory is scheduled to be operational from 2023 and we will market lithium worldwide. Having no idea that the social environment would come to this when we made the investment, it was a major challenge. Here is an example of our first-mover advantage, staying ahead of the times.

In South Africa, we take part in the WATERBERG project, which produces battery materials such as platinum group metals, nickel, and copper. Partnering with Platinum Group Metals (a Canadian mining development company), Japan Oil, Gas and Metals National Corporation (JOGMEC, governmental corporation in Japan) and Impala Platinum Holdings (South Africa), we are the marketer of the metals produced. Furthermore, in Australia we are joining forces with Renascor Resources, which manufactures purified spherical graphite for anode materials in rechargeable

batteries in an environmentally-conscious way. We are working to launch operations in 2023.

Under our signature tagline *Hanwa, the battery expert*, the time has come to bring things to full motion. We established a Batteries Team within the company in April this year. This is a cross-organizational team dedicated to comprehensive initiatives for speedy response to macro and micro changes in the lifecycle of rechargeable batteries from upstream, downstream, to recycling. Going forward, we will accelerate our efforts to expand business and contribute to society.

We joined the Battery Association for Supply Chain in spring 2021. This is an association comprised of major Japanese manufacturers of battery parts and raw materials working to solve issues such as international standardization of the battery supply chain and building an ecosystem.

Another of our efforts toward a decarbonized society is the business of biomass fuels as an environmentally-friendly energy source. Our exclusive vessel MIDORI played a role in expanding the import of palm kernel shells (PKS) from Indonesia, Malaysia, and Thailand. We have a roughly 30% share of the domestic market. Combined with the imports of wood pellets, we will respond to the growing demand for biomass power generation in Japan.

Ramping up human resource development

To manage our business scale that spans the globe, we are putting effort into initiatives for IT and digitalization as well.

To further streamline and simplify the diverse range of operations, we have been planning to replace our core system since around 2018. We developed the system by appointing a leader with a sales background so it is user friendly and compatible with the workplace. Then last year, Ms. Junko Sasaki was appointed an Outside Director. As an IT expert, she gives advice on the installation of the IT system.

Due to having started operational infrastructure development to achieve a condition where 1,000 employees could work from home before a contingency like the COVID-19 outbreak, we could swiftly shift to teleworking and progress our various operation without a hitch.

However, many officers and employees, as well as myself are not well versed in IT, so we need to learn. To date we have provided training and education in-house in various areas, not only for IT, but also in language, credit screening, and quality control. We plan to consolidate these programs under the banner of Hanwa Business School and commence online training from autumn this year.

The engineering faculty will take up IT and DX, the commerce faculty will cover finance and accounting, and the literature faculty will teach our history and the analects of the founder and other members of management. The foreign language faculty will provide classes on English and Mandarin Chinese. The world after



COVID-19 will accelerate change. Our major challenge is to keep up with the times by elevating the abilities of each individual, and transforming into a more slim and robust company.

We will also ramp up our existing efforts to develop people with a global mindset. We are hiring more mid-career personnel at Head Office, proactively recruiting global personnel such as exchange students and enhancing diversity. In addition to dispatching Japanese employees to Southeast Asia, in future we will have more foreign-national employees stationed at overseas offices such as in China transfer to Southeast Asia. Local employees will have more opportunities to thrive, which will in turn raise their morale.

A future born from backcasting

Although the recovery in the Chinese economy is boosting Japan's steel industry, it is our understanding that we are in a period of stagnation and contraction over the medium- and long-term. In this situation, we are showing vigorous results.

In FY2020, consolidated ordinary income was ¥28.8 billion. Consolidated ordinary income in FY2021 is forecast at ¥38.0 billion, and we are aiming for ¥50.0 billion in FY2030.

Forward-looking statements based on the current state is *Forecast* in English. On the contrary, defining future goals and thinking backwards to identify what is to be done now is called *backcasting*.

I have always *backcasted* in my management method. I start with defining the ideal future, identify our next steps, and convey it to employees. For example, taking initiatives based on foresight such as the SOKOKA strategy and the M&A plus A strategy in Japan, as well as *Create another Hanwa in Southeast Asia and Hanwa, the battery expert* in overseas markets are currently starting to bear fruit. It is also essential that the Board of Directors execute speedy management based on shared values.

We appreciate your support in Hanwa as we take a bold spurt based on backcasting.

Progress in Value Creation

Ever since our foundation, Hanwa Co., Ltd. has always anticipated what lies ahead and grown by responding to the diverse needs of the users. With our corporate philosophy to become a “distribution specialist,” we will continue to satisfy various needs of our users accurately by leveraging our high level of expertise and extensive network and contribute widely to the society.



1946 - 1961
Hanwa Shokai was founded in December 1946 by three brothers, Jiro Kita, Ryosaku Naide, and Shigeru Kita. In April of the following year, it was reorganized into Hanwa Co., Ltd. Starting with sales of steel materials to the Forestry Agency and the Forestry Bureau, sales of round bars also increased. The Company subsequently strengthened its business foundation by earning the reputation of “Round Bar Hanwa” and expanded its sales channels.

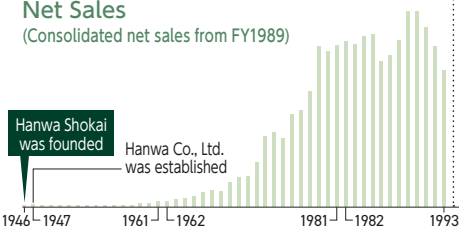


1962 - 1981
The Company was listed on the second section of the Osaka Securities Exchange in 1963. The Company diversified its operations into petroleum, lumber, non-ferrous metals, and food products businesses, in addition to its steel business, while opening overseas offices in Hong Kong, New York, and Seattle, among other places.



1982-1993
In response to the rapidly increasing demand for construction columns, we enhanced processing functions of our steel distribution centers in Japan. We also proactively expanded our overseas operations, through initiatives such as making capital participation in steel distribution centers in the U.S., China, and Malaysia.

Net Sales
(Consolidated net sales from FY1989)



Review of the Medium-Term Business Plans

The First Medium-Term Business Plan
(FY1994-FY1996)

Early withdrawal from zai-tech (speculative financial technology) and deepening and expanding core businesses

Outline of measures

- Target sales of ¥1 trillion in the first year of the 21st century
- Expansion of domestic sales by opening new branches in Japan and strengthening sales in the Tokyo metropolitan area
- Establishment of several core pillars next to Steel and Food business by diversifying and promoting new businesses
- Globalization through expanding export and import transactions on a company-wide basis

FY1996 Results	
Net sales	¥656.8 billion
Ordinary income	¥2.8 billion

The Second Medium-Term Business Plan
(FY1997-FY2000)

Improve business performance for resumption of dividend payments

Outline of measures

- Target net sales ¥800.0 billion
- Aim for resumption of dividend payments in year ended March 31, 1999
- 1,200 employees without layoff by 2001 (1,304 employees as of the end of March 1997)
- Accelerated decision-making and corporate action
- Establishment of an organizational structure in which “checks and balances” work

FY2000 Results	
Net sales	¥676.7 billion
Ordinary income	¥2.4 billion

The Third Medium-Term Business Plan
(FY2001-FY2003)

“Early resumption of dividend payments”
“Further enhancement of business base”
“Strengthening of consolidated financial base”

Outline of measures

- Target net sales ¥740.0 billion
- Early resumption of dividend payments
- Restructuring and strengthening of the distribution and processing fields
- Expansion into new businesses and related fields
- Enhancing systems to strengthen competitiveness

FY2003 Results	
Net sales	¥751.9 billion
Ordinary income	¥10.4 billion

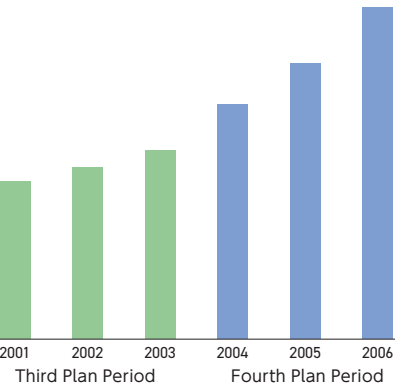
The Fourth Medium-Term Business Plan
(FY2004-FY2006)

Establish a sustainable corporate growth cycle through the three challenges of “Reforming Perspectives,” “Evolving Functions,” and “Creating Value”

Outline of measures

- Target net sales ¥920.0 billion
- Strengthening the core business: enhancement of customer-oriented, proposal-based sales
- Strengthening the international business: investing resources in China and ASEAN markets
- Strengthening the recycling business
- Fostering new business and expanding peripheral businesses
- Improvement of productivity of sales
- Human resources policy and investment policy to underpin the growth strategy
- Proactive response to corporate governance and corporate social responsibility

FY2006 Results	
Net sales	¥1,320.0 billion
Ordinary income	¥19.1 billion



The Fifth Medium-Term Business Plan
(FY2007-FY2009)

Aim to be a value creator with a remarkable identity and advantage by strengthening the function and differentiation

Outline of measures

- Target net sales ¥1,600.0 billion
- Strengthening the core business
- Proactive expansion of business into overseas markets in regions such as North America, EU, Middle East, India, ASEAN, and Russia
- Promotion of resource recycling and environment-related businesses
- Creating new approaches and new businesses to expand business domains
- Promotion of vigorous management by aggressive investment in projects and establishment of partnership

FY2009 Results	
Net sales	¥1,116.6 billion
Ordinary income	¥9.4 billion

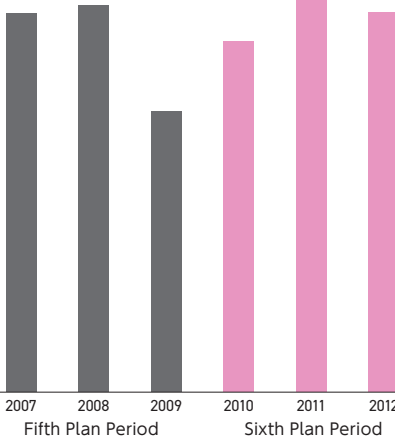
The Sixth Medium-Term Business Plan
(FY2010-FY2012)

Adapt to rapid changes in the operating environment and build a highly original business foundation and profit structure

Outline of measures

- Strengthening core business as a user-oriented trading company
- Actively entering overseas markets by strengthening business bases and workforce
- Reinforcement and integration of recycling operations
- Strengthening the environment- and energy-related operations
- Active investment in businesses and build partnerships
- Fostering personnel who can provide outstanding skills

FY2012 Results	
Net sales	¥1,511.3 billion
Ordinary income	¥8.8 billion



The Seventh Medium-Term Business Plan
(FY2013-FY2015)

Establish businesses and reinforce the management foundation by envisaging medium and long-term changes in markets in Japan and overseas

Outline of measures

- Target net sales ¥1,800.0 billion
- Ordinary income ¥15.0 billion
- New customers (In total) 2,000 companies
- ◆ Professional and Global
 - [Human resources]
 - A team of professionals with expertise, management capabilities and the ability to solve issues of users
 - People with a global mindset who understand the distinctive characteristics and diversity of different regions of the world and have outstanding communication skills
- [Organization]
- A professional organization that can bring highly skilled individuals together and boost organizational capabilities
- A global organization that integrates domestic and overseas organizations together to reproduce the Hanwa model in overseas operations

- ◆ Resonant Management – Value Chain Optimization
 - Always close to the viewpoint of users
 - Diversification of business activities
 - Manage the group as a whole
 - Enhancement of management foundation

FY2015 Results	
Net sales	¥1,511.8 billion
Ordinary income	¥15.4 billion
New customers (In total)	2,075 companies

- Total investment in Japan and overseas amounted to ¥46.8 billion and net investment accounted for ¥22.0 billion
- Establishment of new sales bases: Three bases in Japan and two bases overseas



The Eighth Medium-Term Business Plan
(FY2016 - FY2019)

Three S Commitment - STEADY, SPEEDY, STRATEGIC
- Build a medium- to long-term sustainable profit structure and a stronger management foundation -

Outline of measures

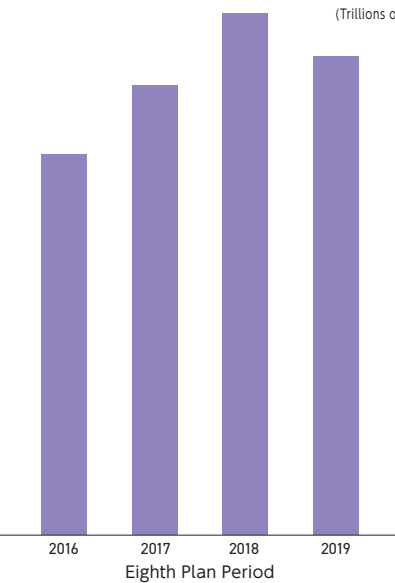
- Target net sales ¥2,000.0 billion
- Ordinary income ¥35.0 billion
- New customers (In total) 2,700 companies
- STEADY Securing and increasing earnings from current business domains
 - Elimination of the risk of loss in all business processes through HKQC (quality control using the Group's collective knowledge) activities
 - Increasing cash flow generation capability by improving efficiency of purchase, inventory, sales and collection of payments

- SPEEDY Accelerated realization of benefits from investments in group companies and strategic investments in Japan and overseas
 - Enhanced earnings power of the Group companies
 - Securing prompt returns from current business investments that are performing well or have excellent prospects

- STRATEGIC Securing future sources of additional earnings by continuing strategic investments of about ¥50.0 billion over four years
 - Formation of flexible alliances through M&As or strategic investments in small and mid-sized companies
 - Creation of opportunities for strategic investments in food products, petroleum and chemicals and lumber business segments
 - Strategic investments in natural resources fields with distinctive characteristics
 - Carefully targeted strategic investments in Southeast Asia and North America

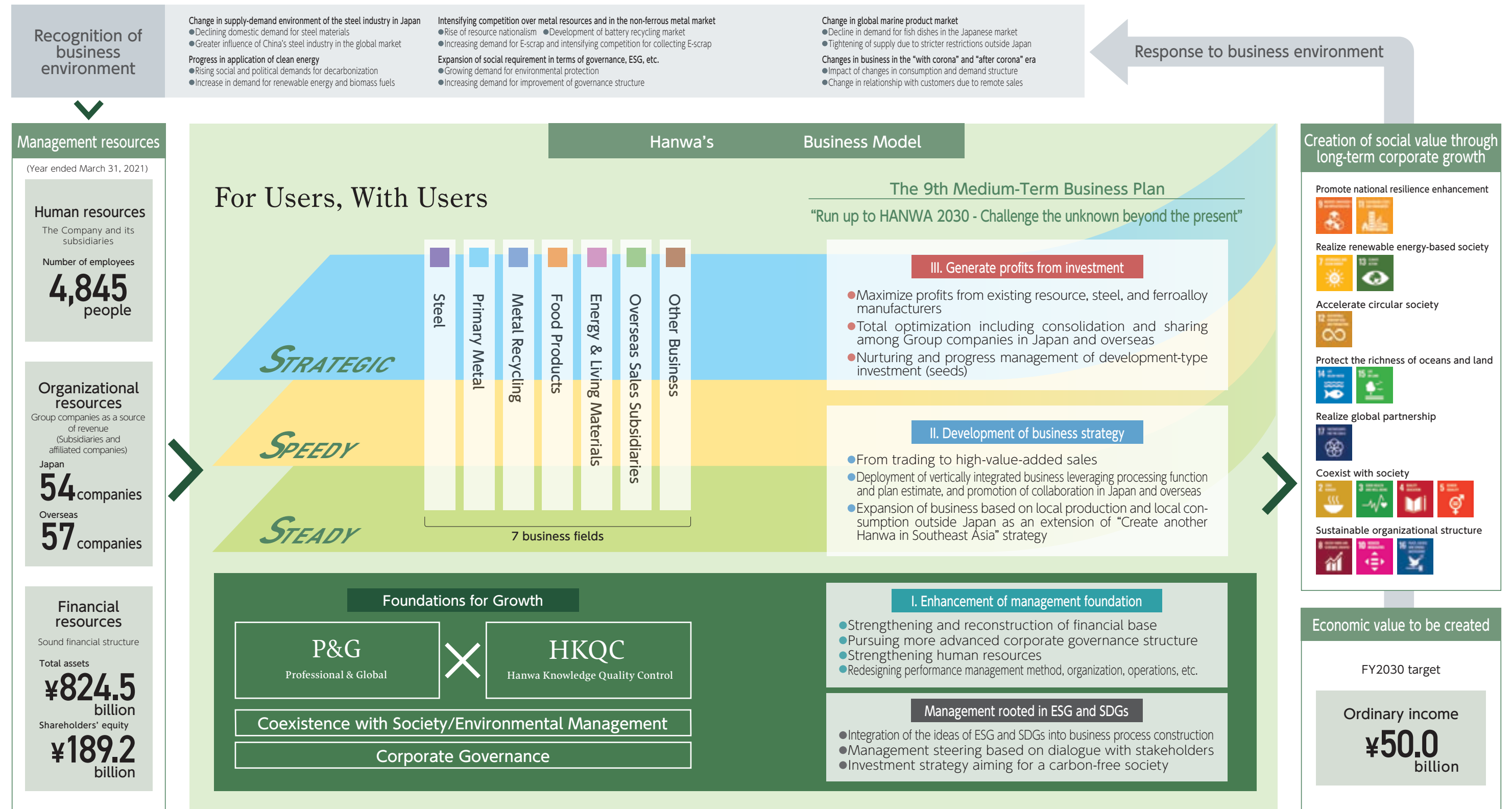
FY2019 Results	
Net sales	¥1,907.4 billion
Ordinary loss	¥12.5 billion
New customers (In total)	2,666 companies

[Investment (strategic and business investment)] Under the Eighth Medium-Term Business Plan (Billions of yen)		
Segment	Amount	Major investments
Steel	26.0	● Built and extended Kita-Kanto Steel Center ● Acquired subsidiaries ● Increased capital, etc.
Primary Metal and Metal Recycling	27.0	● Invested in chromium, platinum group metals, lithium carbonate, and manufacture of compounds for rechargeable batteries ● Established subsidiaries overseas, etc.
Food Products	0.7	● Invested in processed marine product processing
Energy & Living Materials	1.5	● Invested in new energy business fields
Overseas Sales Subsidiaries	20.3	● Increased capital of subsidiaries
Others	1.1	● Invested in the core system, etc.
Total	76.8	



Value Creation Process

We have been growing with the policy “For Users, With Users” for over 70 years. We continue to improve our corporate value over the medium to long term, aiming for sustainable growth of the Company and society by investing an array of capital, carrying out business activities while using our strengths, and providing the value that we have gained to all of our stakeholders.



Strategy for and progress of the Ninth Medium-Term Business Plan



We will further strengthen the management foundation accumulated to date and build a system for achieving long-term goals.

Yoichi Nakagawa
Director and Senior Managing Executive Officer

We are deploying the Ninth Medium-Term Business Plan with a final year of FY2022 through three basis measures: "Enhancement of management foundation," "Development of business strategy," and "Generate profits from investment." Despite a slight decline in net sales amid the growing spread of COVID-19 in FY2020, the first year of this Ninth Medium-Term Business Plan, ordinary income reached its highest level since the bursting of the bubble economy, and we were able to indicate a certain path towards achieving the long-term goal of ordinary income of ¥50.0 billion in FY2030.

Results for the year ended March 31, 2021

Our Ninth Medium-Term Business Plan "Run up to HANWA 2030-Challenge the unknown beyond the present" covers the three year period from FY2020 to FY2022 and emphasizes our intent to strive for long-term growth by improving both profitability and financial position, reaffirming the importance of restructuring a solid business foundation.

In FY2020, demand for steel materials declined amid a contraction in global economic activity due to the impact of COVID-19, and apart from a decline in transaction volume particularly in the first half of the year, prices of products such as petroleum products were lower than

the previous fiscal year even though they were on an upward trend. This resulted in net sales of ¥1,745,501 million, which was below the previous fiscal year. However, in terms of profit, both operating income and ordinary income increased at levels above the previous fiscal year driven by the steel business, food products business, energy & living materials business and others, reaping the rewards of previously promoted initiatives to strengthen profitability such as securing suppliers, expanding the products handled and expanding business areas from upstream to downstream. In particular, ordinary income was the highest on re-

cord since the bursting of the bubble economy at ¥28,821 million.

Improvements in the financial position also advanced. Net assets rose 15.5% compared with the previous fiscal year to ¥191,857 million, boosted by a buildup in retained earnings and an increase in the valuation difference on available-for-sale securities. The capital adequacy ratio also rose from 20.5% at the end of the previous fiscal year to 22.9%, and Net DER improved from 1.6 times at the end of the previous fiscal year to 1.3 times.

Amid the COVID-19 pandemic, which can also be referred to as an economic crisis, we have been able to improve both our profitability and financial position, indicating a certain path towards achieving our long-term goals.



The Ninth Medium-Term Business Plan

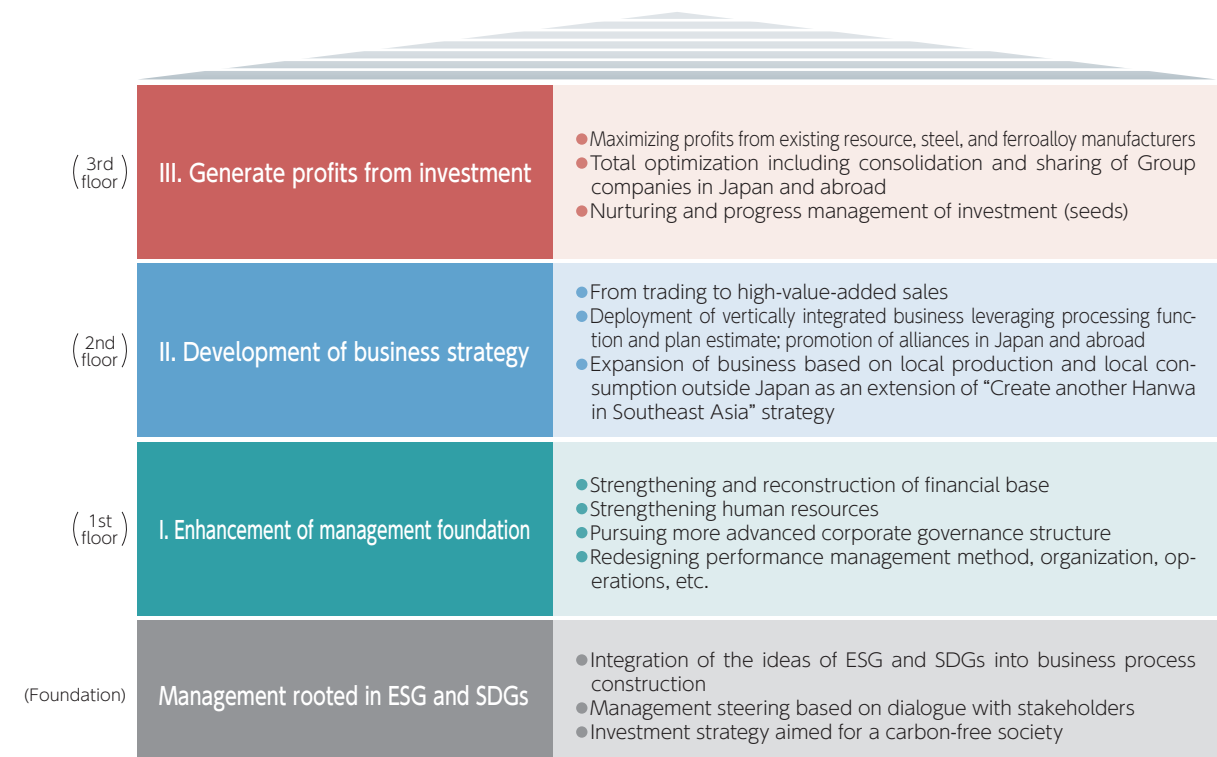
Enhancement of management foundation

In the Ninth Medium-Term Business Plan, we have likened the whole picture to a building; the foundation is "Management rooted in ESG and SDGs," the first floor is "Enhancement of management foundation," the second floor is "Development of business strategy," and the third floor is "Generate profits from investment."

"Enhancement of management foundation" consists of four focus items: "Strengthening and reconstruction of financial base," "Pursuing more advanced corporate governance structure," "Strengthening human resources," and "Redesigning performance management method, organization, operations, etc."

Basic policy

Theme: "Run up to HANWA 2030 - Challenge the unknown beyond the present"



Strategy for and progress of the Ninth Medium-Term Business Plan



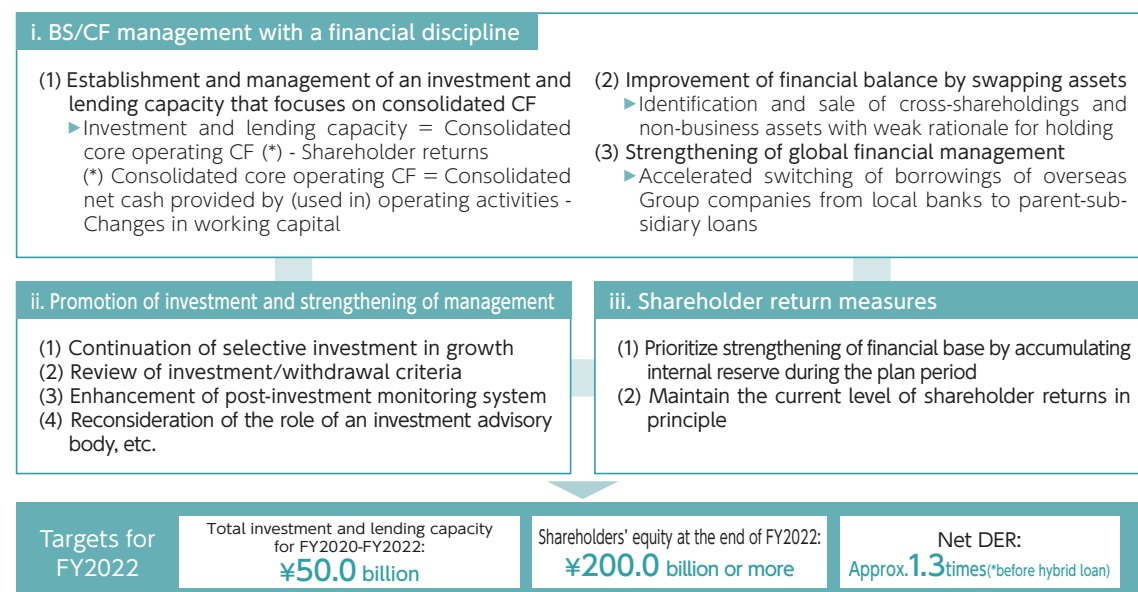
Strengthening and reconstruction of financial base

In "Strengthening and reconstruction of financial base," our goal is to operate with a financial discipline that prioritizes cash flows and optimizes our balance sheet and capital structure. We have set targets for the end of FY2022 for shareholders' equity of ¥200.0 billion or more and net DER of about 1.3 times. By continuing to assess cross-shareholdings and non-business assets based on our own criteria and switching borrowings of overseas group companies from local banks to parent-subsidiary loans from Head Office, we are working to improve capital efficiency and reduce interest-bearing liabilities and steadily strengthening the financial base.

The total investment and lending capacity during the plan period has been maintained at the previous level of ¥50.0 billion. Since new large-scale investment projects have almost all been completed by the term of the

Eighth Medium-Term Business Plan, we will certainly harvest from such projects in future while advancing investments for new growth so as not to reach a state of contracted equilibrium.

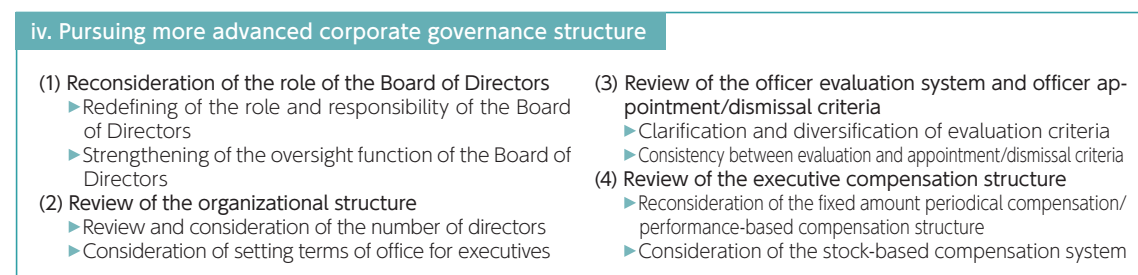
We will basically maintain our current level of shareholder returns during this plan period. Our basic policy is to maintain shareholder returns at the current level of ¥60 per share for FY2020 in order to prioritize strengthening of the financial base and securing the resources for investments that will sow seeds for future growth. Aiming to achieve the target for ordinary income of ¥50.0 billion in FY2030, we are preferentially pouring profits from operations to establishing a solid financial base and to investments that will sow seeds of growth. We ask our shareholders for their continued understanding and support from a medium- to long-term view on our endeavors.



Pursuing more advanced corporate governance structure

For the second focus item, "Pursuing more advanced corporate governance structure," the agenda includes the standards for matters to be discussed at the Board of Directors meetings and division of roles between the Board of Directors and the Management Committee. Through this, the Board of Directors is able to allocate more time to major agenda pertaining to company fundamentals such as management policy, which enables the Manage-

ment Committee to make quicker business decisions on individual business matters. In addition, we have also introduced a system whereby Outside Directors can request an explanation of the details of the Management Committee proceedings as necessary, advancing reforms that utilize active exchange of opinions and attitudes in management policies and strategies and pressing forward with a more advanced corporate governance structure.



Strengthening human resources

The assets of a trading company are its "people." We have conducted human resource education mainly through OJT (On the Job Training) to increase the skills and knowledge of each and every employee. OJT, where experienced employees work with new hires to pass on various job skills, know-how, and knowledge, is the foundation of the Company's education system. In addition to this, in the Ninth Medium-Term Business Plan we increased the budget for new training programs aimed at the development of solutions sales talents and management talents that have been drawing attention recently, and is proceeding with the establishment of the Hanwa Business School with new training plans and programs to diversify the utilization of human resources.

Hanwa Business School is an online corporate university program.

We plan to establish courses for learning specialist knowledge called faculties with the engineering faculty for improving employees' IT levels, the literature faculty for learning about the Company's history, the commerce faculty for improving business skills and the foreign language faculty focused on learning English and Chinese. Since the courses are online, learning can take place anywhere at any time and we hope that this will increase the motivation of young employees in particular.

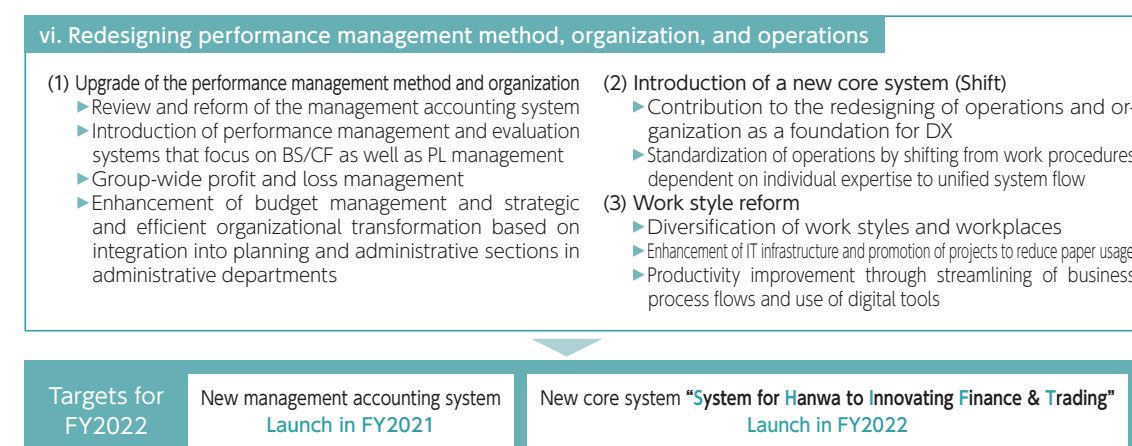
In addition, we also launched efforts to develop and foster local staff by assigning them to our overseas operating bases. Motivated overseas personnel are playing a role in our group and investee companies in the ASEAN region.



Redesigning performance management method, organization, and operations

We are proceeding with the introduction of a new core system called System for Hanwa to Innovating Finance & Trading ("Shift"), with the goal of launching its operation in April 2022. Shift is a core system that can capture various management indicators in a timely manner, and is an important system for our DX strategy that also encompasses the installation of RPA and AI

that automate and mechanize work procedures dependent on individual expertise and improves the efficiency of our operations in each division and business. DX has made rapid progress in all industries due to the spread of COVID-19. Monitoring such trend, we are evolving and improving so that the core system reflects the optimal solution for the Company.



Strategy for and progress of the Ninth Medium-Term Business Plan



Growth strategies by business segment and generation of profits from investment

Offensive M&A

We established a Business Development Implementation Team on April 1, 2021. The Business Development Implementation Team separates from the traditional investment proposals that have been planned and established by each domestic and overseas sales division, and leads the whole process of the commercialization of promising proposals.

Development of business strategy

In this section, we will explain our growth strategies by business segment, which comprise the second floor of our basic policy.

As an independent steel trading company not tied to any particular business type, industry or corporate group, the steel business was able to recover earnings comparatively quickly with success in our business style of working hard to earn profit even though factories of manufacturers in sectors such as automobiles and shipbuilding were subject to shutdowns due to the COVID-19 pandemic. In Japan, we continue our past trend of conversion from trading to high-value added sales. We have expanded the SOKOKA strategy that has been previously promot-

The team collaborates with the relevant internal divisions, utilizes external information sources such as financial institutions to discover potential M&A targets, conducts surveys of ESG and SDGs related business areas, and takes on the role of promoting the development of new business areas for us and cultivating profitable opportunities.

ed mainly in western Japan nationwide, and advanced business tie-ups and M&A and alliances particularly in eastern Japan mainly through the Business Development Implementation Team. Overseas, we are strengthening alliances and cooperative business with strategic partners such as Tsingshan, Delong Steel, and Daming Group mainly in Indonesia under the slogan of *Create another Hanwa in Southeast Asia*, and strengthening the expansion of the business model based on local production and local consumption. We continue to aim for our global steel transaction volume target of 15 million tons (simple sum).

In the primary metal business, the Indonesian nickel pig iron project hosted by the Tsingshan, in which we participate, is progressing steadily and the supply of stainless steel materials is expanding. In addition, in the South African chromium business, there are signs of a turnaround in results such as higher ferrochrome prices and increased transaction volumes. Furthermore, we established the "Battery Team" on April 1, 2021, and made a full-fledged start on business related to major materials, components, semi-finished products, rechargeable products, recycle materials and product reuse spanning the lifecycle of rechargeable batteries and fuel cells, against a backdrop of rapid electrification in the automotive industry that has pivoted direction towards carbon neutral. We will apply our accumulated know-how on collecting metal scraps and also engage in recycling battery materials that are forecast to be in future demand.

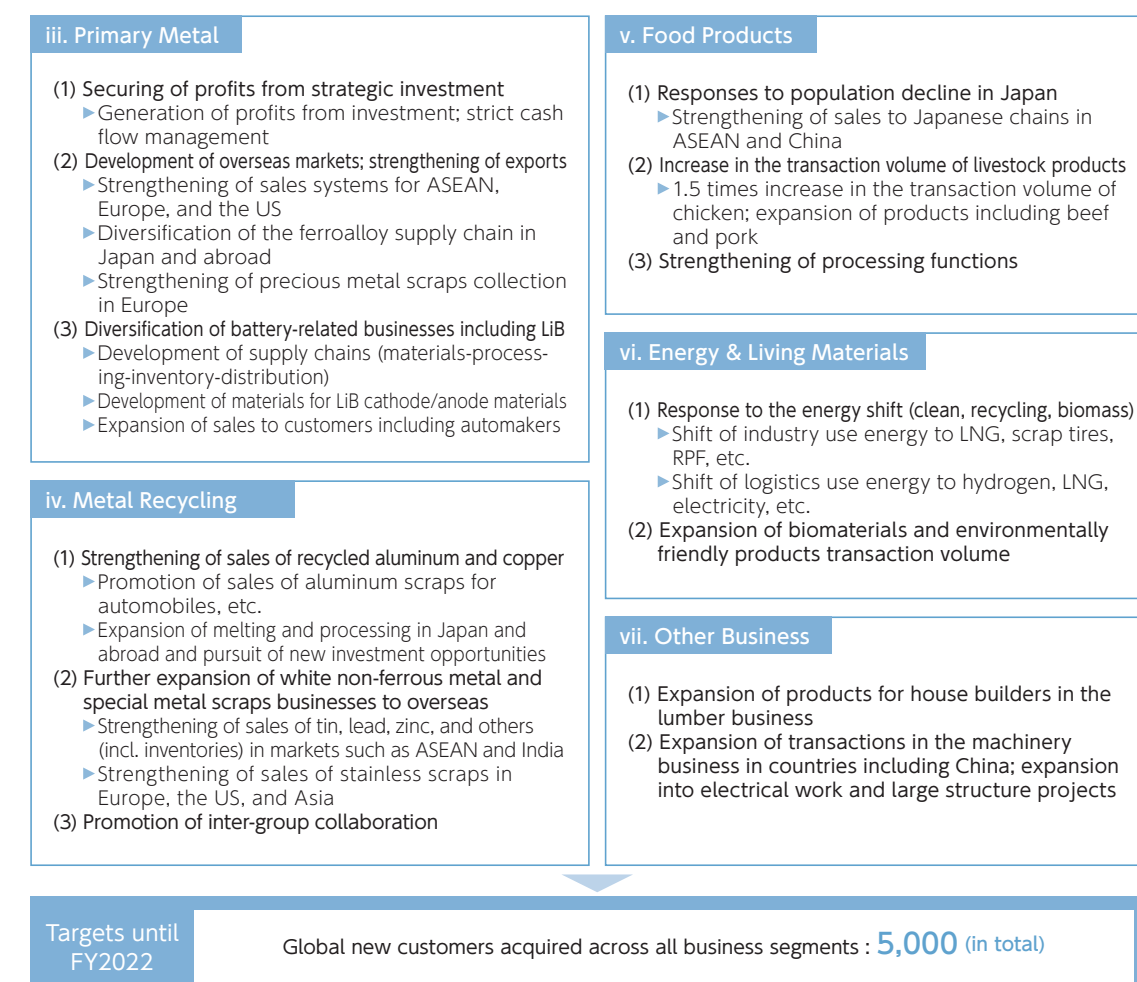
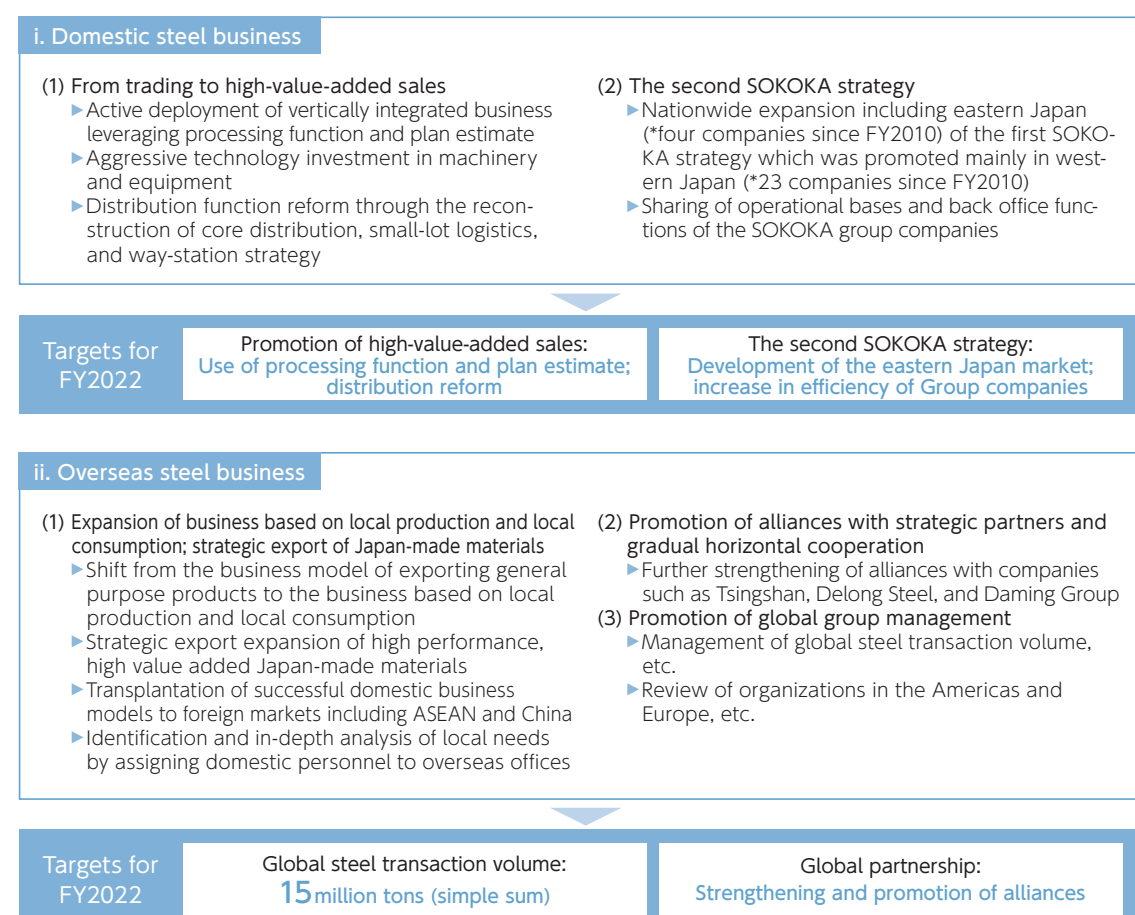
In the metal recycling business, we are securing sources of recycled materials such as aluminum and copper while striving to expand the customers handling such ma-

terials across all of the ASEAN region and Europe.

In the food products business, we are expanding business areas from the upstream to downstream supply chain, with a view to making inroads into vegetable and other new fields. While building up further improvements in the processing functions accumulated to date, we are promoting quality control to provide safe and secure products to our customers.

The energy & living materials business has strengthened procurement and sales of biomass fuels, i.e. Palm Kernel Shells (PKS) and Refuse Paper & Plastic Fuel (RPF; high-grade solid fuel using refuse paper and plastic materials) as a response to energy conversions away from fossil fuels.

Through these initiatives, we are expanding the business with the aim to acquire 5,000 new users worldwide across all business segments during this plan period.



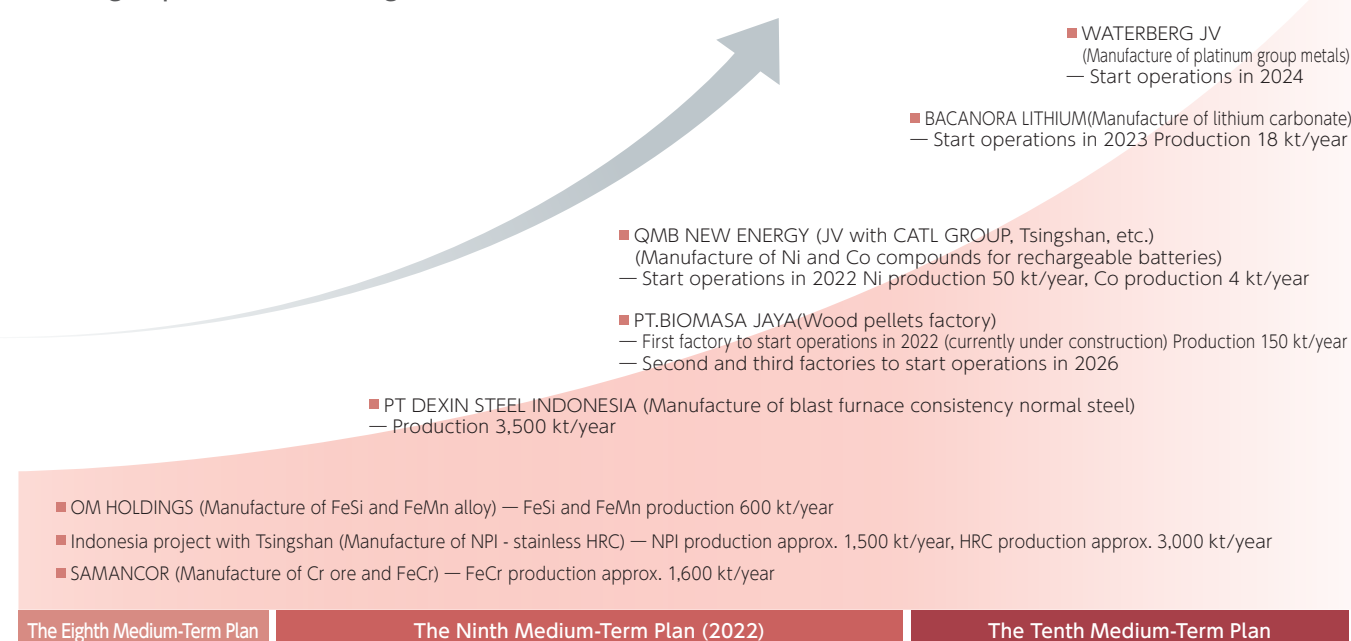
Strategy for and progress of the Ninth Medium-Term Business Plan

Generate profits from investment

On the third floor, “Generate profits from investment,” we have prepared a time frame to acquire certain profits from the strategic investments made up to the end of the Eighth Medium-Term Business Plan. In FY2020, some projects were

slightly delayed due to the impact of restrictions on movement of people and logistics caused by the global spread of COVID-19, while others were ahead of the plans. As a result, overall progress was generally in line with the plans.

Securing of profits from strategic investment



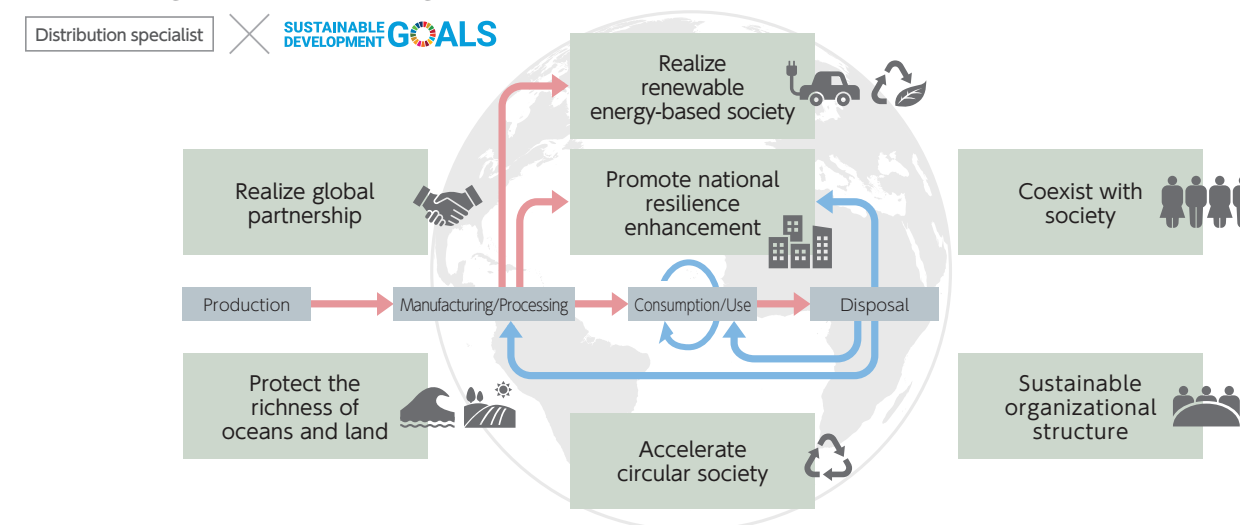
Sustainable growth and development through “circular supply chain management”

“Hanwa circular supply chain management” is a system that reorganizes and reframes our business activities from the perspectives of ESG and SDGs to achieve sustainable growth and coexistence with environment and society. We undertake “Production of resources” and “Manufacturing/Processing” with consideration given to climate change and human rights through global partnerships that are at the core of each business, as well as managing supply chains for the “Consumption/Use” of society and consumers. On the other hand, the promotion of the introduction of PKS and RPF as alternatives to fossil fuels and support given to the lifecycle of rechargeable batteries and fuel cells con-

tribute to the conversion from fossil energy to renewable energy. Furthermore, we supply materials as part of national resilience, collect and recycle scrap that has been “Disposed” after “Consumption/Use,” and reuse it as materials for “Manufacturing/Processing.” Such management steps create a cycle, which contributes to building a circular society. We will refine this “circular supply chain management” system, build a sustainable organizational structure and promote dialog and coexistence with society so that it leads to further growth in our corporate value.

- | | |
|---|--|
| <p>(1) Identification of key long-term issues</p> <ul style="list-style-type: none"> ▶ Clarification of long-term issues to address for sustainable growth ▶ Sharing of key issues in the Company <p>(2) Integration of key issues into business strategies</p> <ul style="list-style-type: none"> ▶ Integration of SDGs into strategies across all business processes | <ul style="list-style-type: none"> • Execution of existing businesses (defense) • Promotion of CSR activities (foundation) • Development of new businesses (offence) <p>(3) Dialogue with stakeholders</p> <ul style="list-style-type: none"> ▶ Feedback on dialogue ▶ Further growth by reviewing strategies and correcting the course of business |
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Our challenge to new SDGs-integrated businesses

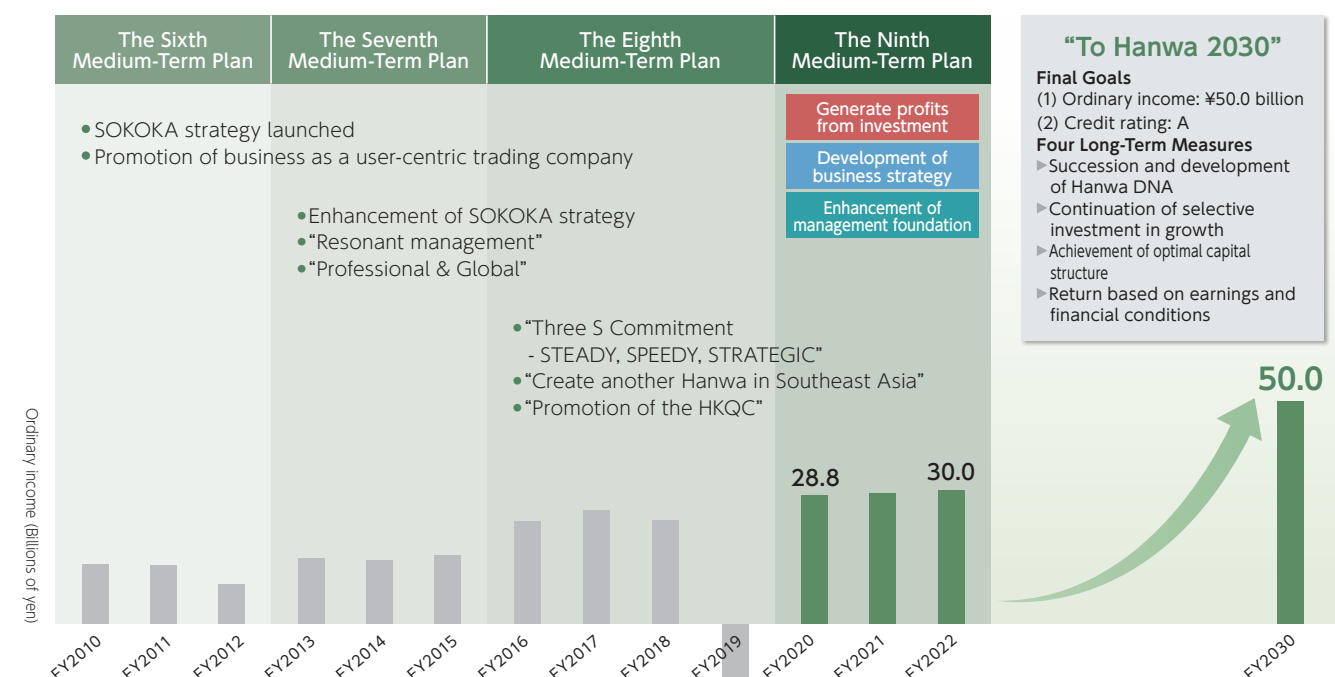


Towards ordinary income of ¥50.0 billion in FY2030

Many business types and industries have been forced to shut down operations and suspend sales due to the spread of COVID-19, and some companies have been seriously affected due to their weak financial base. Without being dependent on a specific business type or industry, we have cultivated a broad range of customers through our business style of working hard to earn profit. We have also put effort into overseas development with our plans to *Create another Hanwa in Southeast Asia*. As a result, despite the challenging business environment amid the COVID-19 pandemic, we were able to minimize its im-

pact and enhance both profitability and corporate structure in optimal balance. In addition, the market for rechargeable batteries and fuel cell, particularly in the automobile industry, has surged with the trend towards carbon neutral. We intend to actively engage in sowing seeds of investments in these battery materials businesses not only under the Ninth Medium-Term Business Plan but also under the Tenth Medium-Term Business Plan.

To realize an ordinary income of ¥50.0 billion in FY2030 in a future that surpasses the present, we will take steady steps in our own way.



Basic Stance for Sustainability

Basic Stance for Sustainability

Coping with changes of the times and the market quickly, we, as a “distribution specialist,” aspire to make a broad contribution to society by satisfying various needs of customers. Under this corporate philosophy, our mission is to contribute to sustainable development of international and local societies through our business.

To this end, as the world faces environmental issues

such as global warming and environmental pollution caused by waste as well as social issues including poverty and human rights infringement, we need to respond to the expectations of diverse stakeholders through promotion of various business activities fully conscious of E (environment), S (social), and G (governance), which we believe would improve our corporate value and lead to sustainable growth.

Key Sustainability Themes

We hold up, as key sustainability themes, six basic ideas including thorough legal compliance, environmental considerations, and good corporate citizenship that share values with the philosophy of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. Under these

themes, as a globally operating trading company, we will sincerely respond to the issues faced by the world and contribute to the realization of a sustainable society.



Sustainability Promotion System

We established the CSR Committee and conduct activities to fulfill our corporate social responsibility. We have also formulated “Environmental Policy” and “Guidelines for Environmental Corporate Action,” have acquired ISO 14001 certification, and promote an environ-

mental management program, where internal committee members and outside experts conduct regular reviews. We engage in cross-organizational operations across the Compliance Committee, Environmental Committee, and the Hanwa Scholarship Program.



Key Theme 1	Transparent management, proactive disclosure	We aim to establish a high degree of transparency in management systems through proactive disclosure to fulfill our social responsibilities as a good corporate citizen so that we can gain and retain respect from our stakeholders and be recognized as a valuable enterprise.
	P.21	
Key Theme 2	Thorough legal compliance	We believe it is indispensable for realization of our sustainable growth that each employee acts with high ethical standards and in accordance with social consciousness and social rules. To this end, we are working to ensure compliance in daily business activities of all officers and employees and foster a liberal and open-minded corporate culture with high ethical standards.
	P.28	
Key Theme 3	Workplaces geared to employee self-realization	Based on the beliefs, “trading companies have to cherish its human resource” and “the prosperity of a company and the welfare of employees are inseparable like the two halves of the whole,” we look at employee health management from a business perspective and strive to enhance the health of employees and their family members. We will also promote the development of environment and human resource that would enable all employees to play an active role.
	P.29	
Key Theme 4	Environmental considerations	The basic policy of the Hanwa Environmental Policy is that the Company strives “to realize sustainable development to pass on a rich global environment to the next generation,” and each and every employee is engaged in their work based on this policy.
	P.33	
Key Theme 5	Good corporate citizenship	We conduct a variety of activities as “a corporation which responds to the expectations of society” and as good corporate citizens, to contribute broadly to the international community and local community.
	P.40	
Key Theme 6	Maintaining financial soundness	We believe that it is important to strengthen financial discipline and optimize capital structure alongside making investment necessary to achieve sustainable growth.
		



Transparent management, proactive disclosure (corporate governance)

Basic Policy of Corporate Governance

Basic approach to corporate governance

We aim to fulfill our social responsibilities as a good corporate citizen so that we can gain and retain respect from our 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

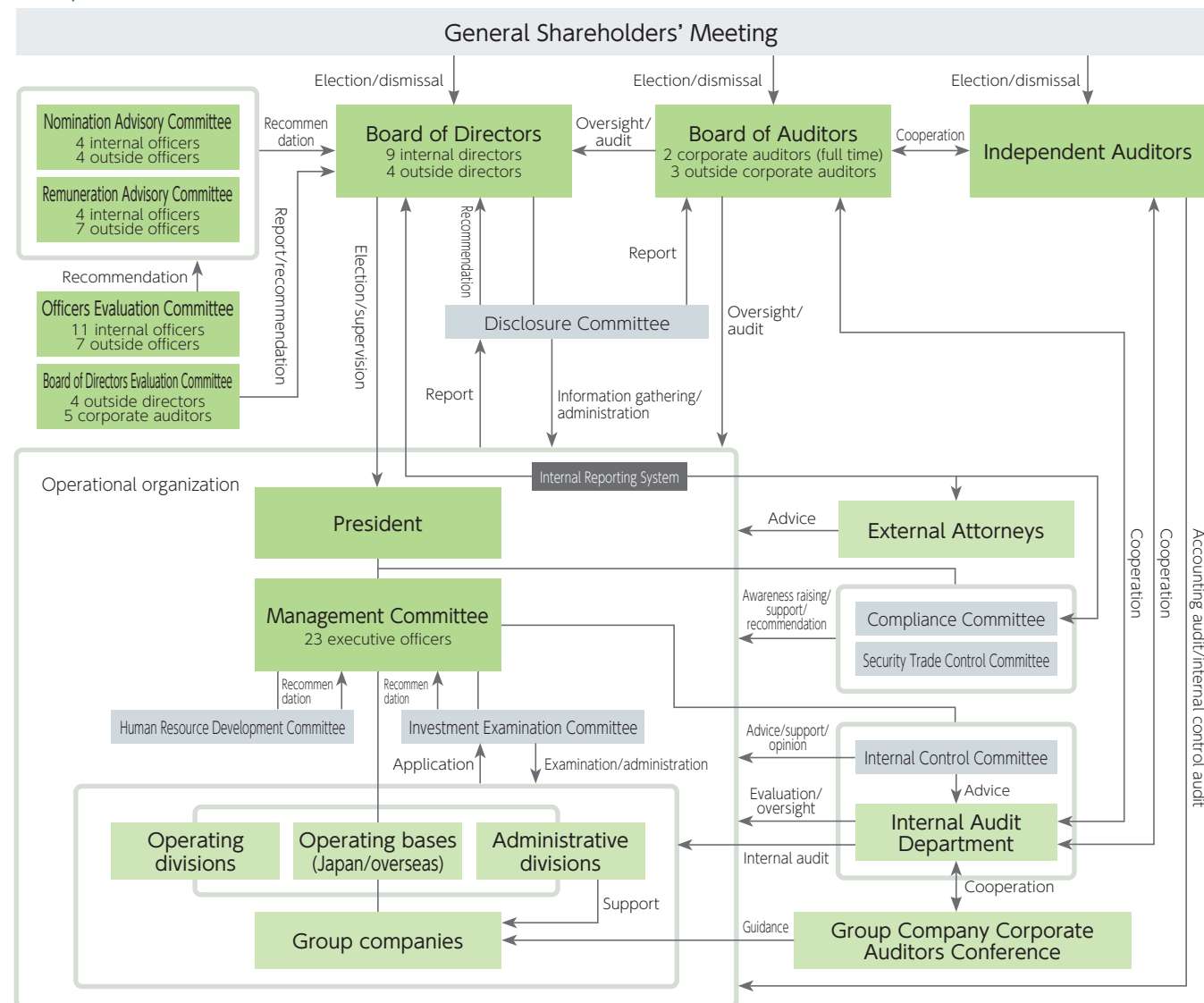
compliance and respect for social norms. In addition, to assertively promote corporate social responsibility (CSR) activities and make our corporate brand even more respected, we have established the CSR Committee and promote management initiatives with a focus on CSR.

Corporate governance structure

We have adopted a corporate auditors' system. 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." Business matters of significance are discussed and decided at the Board of Directors meeting by our internal directors, who understand thoroughly our operations, and outside directors, who have a wide range of

experience and a high degree of insight. We believe that the model we have adopted, in which corporate auditors (including outside corporate auditors) perform an audit and inspection, is the most appropriate for our company. In addition, we introduced an executive officer system to establish a system that enables more detail-oriented business operations and to promote quicker and more efficient decision-making.

[Corporate Governance Structure]



Directors and the Board of Directors

Composition of the Board of Directors

The Board of Directors consists of four outside directors and nine internal directors. In addition to the president, we have six directors in charge of the Steel business, one in charge of Primary Metal, Metal Recycling businesses and administrative divisions, and one in charge of the Food Products, Energy &

Living Materials businesses. Based on their wealth of knowledge and experience, they each oversee business administration and business execution. The term of office of each director is one year to respond flexibly to changes in the business environment.

Role of outside directors

Outside directors are expected to act as representatives for stakeholders, including shareholders. They are expected to evaluate and consider business decisions as well as the

appropriateness of the execution of business from an objective point of view. Therefore, candidates with competence and experience suitable for this demanding position are selected.

Functions of the Board of Directors

In principle, the Board of Directors meetings are held once a month, and in addition to the matters stipulated in laws and regulations and the Articles of Incorporation, plan and execute important management operations for the Hanwa

Group. Moreover, the Board of Directors receives reports on business execution from each director and is responsible for overseeing the execution of duties by the directors of the Hanwa Group.

Reasons for appointment of outside directors and their attendance

Title	Name	Independent officer	Reason for appointment	Attendance in FY2020
Outside Director	Ryuji Hori	○	Mr. Ryuji Hori has expertise and extensive knowledge in legal affairs, cultivated through his many years of experience mainly in risk management at a general trading company, along with his experience as a university professor. He was appointed for the position of Outside Director because the Company expects that he can provide advice on the Company's management decisions and supervision towards the Company's business execution from a general and multilateral perspective.	Board of Directors meetings 16 out of 16 meetings
Outside Director	Tatsuya Tejima	○	Mr. Tatsuya Tejima has extensive knowledge and business experience cultivated through many years of his career as an executive of a non-ferrous metal smelting company. He was appointed for the position of Outside Director because the Company expects that with his noble character and deep insight, he can provide advice on the Company's management decisions and supervision towards the Company's business execution from a practical and objective standpoint.	Board of Directors meetings 16 out of 16 meetings
Outside Director	Kamezo Nakai	○	Mr. Kamezo Nakai has extensive knowledge and abundant experience cultivated through his many years of corporate management in the securities industry and real estate industry. He was appointed for the position of Outside Director because the Company expects that he can provide advice on the Company's management decisions and supervision towards the Company's business execution from a practical and multilateral perspective especially in finance and investment.	Board of Directors meetings 16 out of 16 meetings
Outside Director	Junko Sasaki	○	Ms. Junko Sasaki has extensive knowledge and abundant experience cultivated through her corporate management experience at IT companies etc. with global operations. She was appointed for the position of Outside Director because the Company expects that she can provide advice on the Company's management decisions and supervision towards the Company's business execution from a practical and professional perspective.	Board of Directors meetings 12 out of 13 meetings (Assumed office in June 2020)

Corporate Auditors and the Board of Auditors

Composition of the Board of Auditors

The Board of Auditors consists of three outside corporate auditors and two internal corporate auditors. Full-time corporate auditors, who are from within the Company, mainly attend the Management Committee to gather information related to the

business management and explain to outside corporate auditors with their own perspectives to support the understanding of outside corporate auditors. They also hold meetings with management and express their opinions, as necessary.

Functions of the Board of Auditors

The corporate auditors and the Board of Auditors endeavor to make appropriate assessments from an independent and objective standpoint, and in order to do so, they work to monitor the Company by attending the Management Committee and the Board of Directors, conducting audits of the Group companies, conducting interviews with senior executives and sharing information regularly with the Internal Audit Department and an external independent

auditor. In addition, the Board of Auditors places great importance on preventive audits of misconduct and strives to conduct not only legality audits but also validity audits. We have appointed three outside corporate auditors with a wealth of insights into corporate activities and they conduct appropriate business audits while maintaining their independence from the Board of Directors and express their opinions to the Board of Directors.

Reasons for appointment of outside corporate auditors and their attendance

Title	Name	Independent officer	Reason for appointment	Attendance in FY2020
Outside Corporate Auditor	Yasuo Naide	○	Mr. Yasuo Naide was appointed as a corporate auditor because he was judged to be able to utilize his extensive practical experience with heavy equipment manufacturers and his broad knowledge and experience gained through corporate management.	Board of Directors meetings 16 out of 16 meetings Board of Auditors meetings 15 out of 15 meetings
Outside Corporate Auditor	Katsunori Okubo	○	Mr. Katsunori Okubo has expertise and extensive knowledge cultivated through his many years of business experience at a financial institution along with his considerable international experience. He was appointed as a corporate auditor because the Company believes that he can audit the Company's management from a global perspective.	Board of Directors meetings 16 out of 16 meetings Board of Auditors meetings 15 out of 15 meetings
Outside Corporate Auditor	Hideyuki Takahashi	○	Mr. Hideyuki Takahashi has expertise in finance cultivated through his many years of business experience at a financial institution along with his considerable experience in management and audit. He was appointed as a corporate auditor because the Company believes that he can appropriately audit and supervise the Company's Board of Directors by leveraging his knowledge and experience.	Board of Directors meetings 13 out of 13 meetings Board of Auditors meetings 12 out of 12 meetings (Assumed office in June 2020)

Independence Standards for Outside Officers

When an outside officer (outside director and outside corporate auditor) of the Company does not fall under any of the following cases, he or she is judged independent from the Company.

- (1) A major shareholder of the Company (meaning a shareholder who holds either directly or indirectly 10% or more of the total voting rights of the Company at the end of the most recent fiscal year), or an executing person thereof.
- (2) A person belonging to or an executing person of a company of which the Company is a major shareholder (holding 10% or more of the total voting rights of the Company at the end of the most recent fiscal year).
- (3) A major business partner of the Company (whose annual transactions with the Company exceed 2% of the consolidated net sales of the Company during the most recent fiscal year), or an executing person thereof.
- (4) A major lender to the Company (whose outstanding loans to the Company at the end of the most recent fiscal year exceeds 2% of the consolidated total net assets of the Company), or an executing person thereof.
- (5) A representative or an employee who belongs to the audit corporation that is the accounting auditor of the Company
- (6) A consultant, legal professional, certified public accountant, tax accountant, or other person providing a specialist service who received ¥10 million or more of monetary consideration nor other properties per year from the Company other than officer remuneration in the most recent

- fiscal year (referring to a person belonging to the organization if the one who received the relevant property is an organization such as a corporation or association.)
- (7) A person who received the annual total of ¥10 million or more of donations or aid funds from the Company in the most recent fiscal year (referring to an executing person who belongs to the organization if the one who received the relevant donations or aid funds is an organization such as a corporation or association.)
- (8) A person who falls under any of (1) to (7) above in the past three years.
- (9) A person whose close relative falls under any of (1) to (8) above.

Notes: 1. An executing person refers to an executive director, executive officer, corporate officer, or staff executing business of an entity.
2. A close relative means a relative within the second degree of kinship.

Even if a person falls under any of the above criteria, such person may be elected as a candidate for independent outside officer if the person satisfies the requirements of an outside director or an outside corporate auditor under the Companies Act, has specialization and experience necessary in view of the Company's current situations and his/her knowledge and viewpoint are judged to be beneficial to the Company's management, on the condition that the Company provides explanations to shareholders of the reasons for its judgment and the fact that the person satisfies the requirements of an independent outside officer.

Advisory Committees to the Board of Directors

In order to maintain the independence and objectivity of the Board of Directors, the Company has established advisory bodies to the Board of Directors, namely, Officers

Evaluation Committee, Nomination Advisory Committee, and Remuneration Advisory Committee, in which outside directors and outside corporate auditors participate.

Roles of the committees

Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
The committee compiles evaluation of directors and executive officers which forms the basis of discussion regarding officer appointment and compensation proposals.	Based on the results of officer evaluations and employee performance evaluations, the committee considers the composition of officers for the next fiscal year, prepare a draft, and report it to the Board of Directors.	Based on the results of the comprehensive evaluation of each officer at the Officers Evaluation Committee, the committee compiles a basic remuneration plan, which is a fixed monthly amount, prepares a draft formula for calculating performance-based compensation for officers' bonuses, and reports them to the Board of Directors.

Committee members

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Representative Director and President	Hironari Furukawa	Committee Chairperson	Committee Chairperson	Committee Chairperson
Representative Director and Executive Vice President	Yasumichi Kato	○	○	○
Director and Senior Managing Executive Officer	Hideki Nagashima	○	—	—
Director and Senior Managing Executive Officer	Yoichi Nakagawa	○	○	○
Director and Senior Managing Executive Officer	Yasuharu Kurata	○	—	—
Director and Senior Managing Executive Officer	Yasushi Hatanaka	○	—	—
Director and Senior Managing Executive Officer	Yoichi Sasayama	○	—	—
Outside Director	Ryuji Hori	○	○	○
Outside Director	Tatsuya Tejima	○	○	○

Title	Name	Officers Evaluation Committee	Nomination Advisory Committee	Remuneration Advisory Committee
Outside Director	Kamezo Nakai	○	○	○
Outside Director	Junko Sasaki	○	—	○
Corporate Auditor (full-time)	Hideo Kawanishi	○	○	○
Corporate Auditor (full-time)	Akihiko Ogasawara	○	—	—
Outside Corporate Auditor	Yasuo Naide	○	○	○
Outside Corporate Auditor	Katsunori Okubo	○	—	○
Outside Corporate Auditor	Hideyuki Takahashi	○	—	○
Senior Managing Executive Officer	Hirosama Yamamoto	○	—	—
Executive Officer (in charge of Personnel Dept.)	Toshihiro Kawaguchi	○	—	—

Evaluation of the effectiveness of the Board of Directors

Since FY2019, we have been analyzing and evaluating the effectiveness of our Board of Directors to further improve its functions. The summary and results of the effectiveness evaluation of the Board of Directors for fiscal 2019 are as follows.

Taking into consideration the valuation result, we will work toward maintenance and improvement of the effectiveness of the Board of Directors and enhancement of its functions.

Evaluation method	The Board of Directors Evaluation Committee, which is chaired by one of the full-time corporate auditors and consists of all corporate auditors and all outside directors, conducts an anonymous questionnaire survey of all directors and corporate auditors, and based on the results of the survey and analysis, the Board of Directors deliberated on the effectiveness of themselves and made the final decision on the evaluation.	
Questionnaire content	1) Functions and roles of the Board of Directors 2) Materials for the Board of Directors meetings 3) Deliberations at the Board of Directors meetings 4) Composition of the Board of Directors	5) Operation and support system of the Board of Directors meetings 6) Officers Evaluation Committee, Nomination Advisory Committee, Remuneration Advisory Committee
Evaluation result	It was confirmed that the Board of Directors appropriately discusses factors and viewpoints that directors and corporate auditors should emphasize in decision-making and supervision concerning basic management policy, business strategy and important business execution. And the Board of Directors Evaluation Committee evaluated that the effectiveness of the Board of Directors is ensured. In addition, the following matters were confirmed for further improvement of the effectiveness of the Board of Directors. (i) Allow sufficient time to discuss major themes related to company management. (ii) Further enhancement of the deliberation process for investment projects. (iii) Further development and improvement of management personnel.	

Executive Compensation System

Director's compensation is determined within the limits of the remuneration amount approved at the Ordinary General Shareholders Meeting.

With regard to individual compensation of the management members and directors, an Officers Evaluation Committee chaired by the President and composed of members including outside directors and outside corporate auditors as advisors meets at least twice a year to perform a comprehensive evaluation of the directors' performance. This includes an assessment of the level of commitment and a peer review process by all directors and executive officers except the President. The comprehensive evaluation provided by the Officers Evaluation Committee are used by the Remuneration Advisory Committee, which is made

up of a majority of outside directors and outside corporate auditors, to determine each director's compensation. The fixed monthly amount is then submitted as a regular basic remuneration plan to the Board of Directors. In terms of the directors' bonuses, we adopt a performance-based compensation system to clearly reflect each individual management member's and director's achievement level. The Board of Directors approves this performance-based calculation model after the Remuneration Advisory Committee reviews it.

Corporate auditors' remuneration is determined by the Board of Auditors' discussion within the limits of the amount of remuneration approved at the Ordinary General Shareholders Meeting.

Content of compensation

Basic remuneration (regular fixed remuneration)	Monthly salary (regular fixed salary) is determined by the Board of Directors based on the recommendations of the Remuneration Advisory Committee, which is equivalent to the Compensation Committee established within the Executive Officers Evaluation Committee. Evaluations of executive directors and executive officers shall be determined by peer review among them based on our approach to addressing medium-to long-term issues aimed at sustainable growth and the results of these efforts. Based on these evaluations, the Executive Officers Evaluation Committee makes evaluation of each director and executive officer.
Officers' bonuses (performance-based compensation)	On the other hand, bonuses to officers using the performance-based compensation method are determined based on the amount of net income attributable to owners of the parent in accordance with the payment criteria specified in advance, and the management as a whole is responsible for the results for the performance of a single fiscal year.

Amount of officer compensation

Officer classification	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)		Number of eligible officers
		Fixed amount periodical compensation	Performance-based compensation	
Directors (excluding outside directors)	510	366	144	10
Corporate auditors (excluding outside corporate auditors)	51	51	—	2
Outside officers	70	70	—	8

Management Committee

It consists of all executive officers and meets twice a month as a rule. At the Management Committee, important issues related to the management decisions of the Group are submitted to the Board of Directors as agenda

items, and as the highest body for business execution, it executes business in accordance with the management policy determined by the Board of Directors.

Internal Control

Internal control system

In order to improve corporate value through the appropriate and efficient implementation of business activities in compliance with laws and regulations and the Articles of Incorporation, the entire Group including its subsidiaries has established a basic policy related to the development and operation of an internal control system. We are working on the steady improvement and enhancement of internal control, after confirming the status of the operation.

Strengthening of the internal control system

We have established various committees related to internal control, as seen below, to enhance and improve the internal control system of the entire Group.

Various internal control-related committees

Internal Control Committee	In addition to providing advice and support to the Internal Audit Department in verifying the effectiveness evaluation of the Group's internal control and expressing opinions on "Internal Control Evaluation Report" and "Internal Control Report," which are prepared by the Internal Audit Department, the committee consisting of managerial staff who are general managers or higher, reviews various issues in the internal control of the Group and reports the results to the Management Committee.
Compliance Committee	The committee is chaired by an executive officer from the administrative divisions and is comprised of managerial staff who are general managers or higher. The committee raises awareness of and comprehensively manages issues concerning compliance with laws and regulations across the Group.
Security Trade Control Committee	This committee is chaired by an executive officer from the administrative divisions and is comprised of managerial staff who are section managers or higher in the administrative divisions and sales divisions. In order to appropriately and smoothly implement operations related to security trade control, the committee conducts company-wide management as well as plans and formulates internal education plans.
Investment Examination Committee	The committee is composed of managerial staff who are section managers or higher and is chaired by an executive officer or a corporate officer. The committee examines new business projects and investment and lending projects and provides opinions to the Management Committee and the Board of Directors.
CSR Committee	The committee is composed of managerial staff who are general managers or higher and the presidents of the Group companies and is chaired by an executive officer from the administrative divisions. The committee raises awareness of and comprehensively manages issues concerning CSR (corporate social responsibility) across the Group.
Disclosure Committee	The committee is composed of managerial staff who are general managers or higher and is chaired by the person in charge of information management. By conducting timely and appropriate disclosure of management-related information, the committee aims to promote the understanding of all stakeholders, including shareholders, investors, and local communities.
Environmental Committee	The committee is composed of managerial staff who are general managers or higher and the presidents of the Group companies and is chaired by an executive officer or a corporate officer from the administrative divisions. The committee has established a system to manage the environment and operates an environmental management system (EMS).

Risk Management

Basic stance

As the Group operates a wide range of businesses around the world, it is exposed to a variety of risks. In order to prevent the occurrence of risks and to reduce the risks that occur, we have chosen departments to respond to each of these risks and developed various regulations and manuals.

Crisis management measures

The Company has established the Crisis Management Manual to prepare against serious crisis that could cause serious damage to the Company's assets and the implementation of operations, as well as damage to officers and employees of our domestic and overseas companies and the Group companies as well as the safety of their families. In addition, all departments of the Company

Quality control and health & safety management

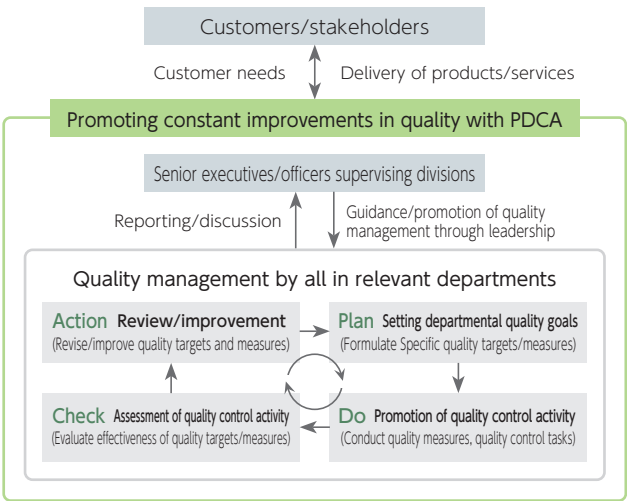
In recent years, the social impact of quality defects has been increasing, requiring companies, including trading companies, to pay more attention to quality management. The Company has established the Quality, Safety & Environment Control Department, and in April 2021, we established the Quality Control Rules to strengthen the quality control system to also include group companies. We have set goals of avoiding quality risks while we pursue satisfying customer needs, as well as constantly raising the level of quality management. To achieve these goals, relevant departments refer to the Quality Management System to raise the level of quality control while all persons involved steadily implement the PDCA cycle according to the business characteristics of each department. In addition, we have established the Safety and Health Management Rules (Construction and Manufacturing Businesses) to prevent occupational and public accidents at our construction and manufacturing businesses, and strive to thoroughly ensure compliance and avoid associated risks to the Company.

Personal information protection policy

The Company regards the appropriate management of personal information as part of its corporate social responsibility, and for purpose of preventing the leakage or unauthorized use of personal information, the Company has established the Information Management Regulations and the Personal Information Protection Manual and has thoroughly conducted education to the officers and employees.

have established the Business Continuity Plan (BCP) Manual for Large Scale Disasters and have set up a business continuity plan in the event of a major disaster. In the event of a crisis, we work to minimize the damage, ensure the safety of our officers and employees and their families, and establish a system necessary for the continuation and early resumption of core businesses.

[Quality Management System Structure]



Response to the COVID-19 infection

In response to the COVID-19 Infection, we have established the crisis response headquarters headed by the President based on the Crisis Management Manual and have implemented measures such as temporary layoff and telecommuting as we give top priority to ensuring health and safety of all our employees and their families as well as customers. We also established a PCR testing room at our head offices in Tokyo and Osaka in April 2021.

We plan to implement initiatives reflecting the constantly changing situations in various locations and countries.



The PCR testing room

Our response to the COVID-19 infection

- Implementation of telecommuting and adjustment of ratio of telecommuting depending on the infection status
- Promotion of the use of teleconferencing systems
- Refraining from overseas business trips in principle and refraining from nonessential and nonurgent domestic business trips
- Temporary return of expatriates and their families at company expense
- Implementation of remote training for all new employees
- Recommendation to all employees to install the COVID-19 contact-tracing application

Thorough legal compliance

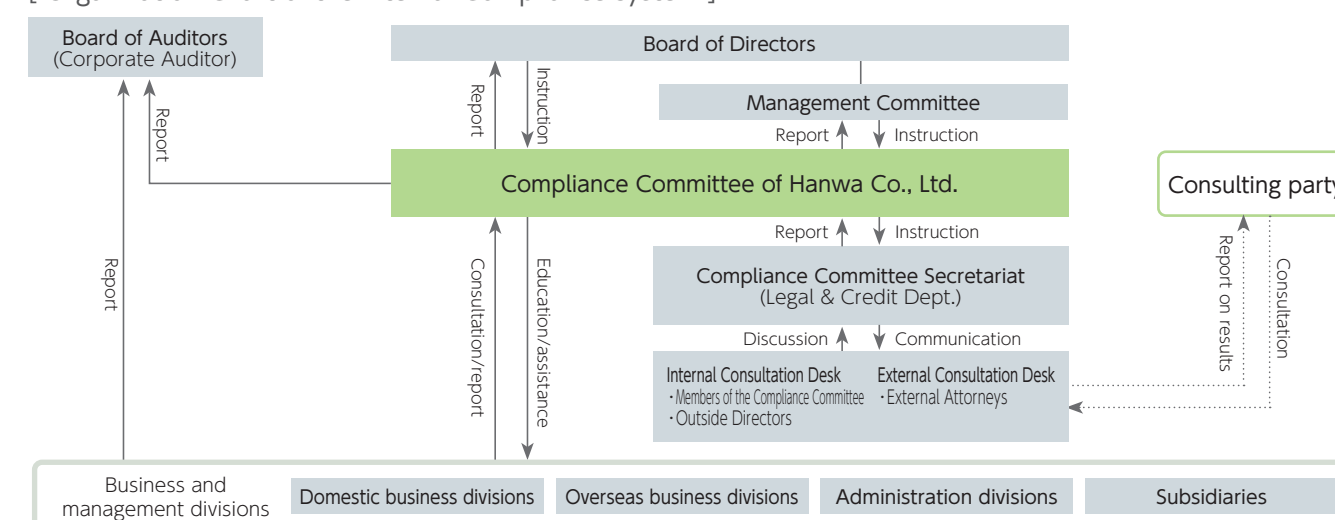
Compliance

In recent years, society is paying rigorous attention to corporate injustices, and news about corporate scandals have been emerging one after another. The Company is committed to ensuring that all officers and employees thoroughly adhere to compliance in their daily business activities, and to creating a corporate culture that is open to the public and with high ethical standards.

Basic stance

In order to embody the Corporate Ethics and Corporate Ethics Code of Conduct formulated based on the Company's creed, the Company promotes legitimate and fair corporate activities through various initiatives.

[Organization Chart of the Internal Compliance System]



Initiatives to ensure compliance

(1) Education of officers and employees

Since April 2006, the Company has created a compliance manual as a guideline to be observed by all officers and employees, and it has been prepared in various languages for all officers and employees of the Group around the world. This manual has been revised as necessary in line with changes in the environment and revisions in the law, and the fifth edition was issued on April 1, 2019.

In addition, the Compliance Committee, whose members consist of managerial staff who are general managers or higher in the administrative divisions, is held regularly. The administrative divisions such as the Personnel Department and the Legal & Credit Department work together to improve the compliance awareness of each individual employee by conducting training for new employees and managers.

(2) Strengthening of the organization

The Company started its operation of HKQC (Hanwa Knowledge Quality Control) in 2015 and is working to further bolster management of a wide range of risks, including violations of laws and regulations related to Company's business operations.

(3) Responding to social change

On April 1, 2018, the Company established the "Hanwa Health and Productivity Management Declaration" and the Representative Director and President himself became the CHO (Chief Health Officer), establishing the Health and Productivity Management Office within the

Personnel Department. This initiative shows the Company's commitment to promoting the health of each and every one of the officers and employees, a basic foundation of a trading company, and its aim to create a worker-friendly environment for all officers and employees. It is also an initiative responding to the enforcement of laws related to work style reform. In this way, if there are any revisions to laws and regulations related to corporate activities, we will promptly respond to such revisions and ensure compliance with them.

(4) Consultation Desk

The Company has established multiple internal consultation desks to enable all officers and employees of the Hanwa Group to freely consult and report on compliance issues, as well as an external consultation desk supported by law firms. We have also established dedicated consultation desks for various types of harassment and so forth, which are making headlines in recent times. By establishing a number of consultation desks that are independent from the management, all Group officers and employees can feel free to consult on any matter without having to take it all on themselves.

In addition, information and consultation contact points for external parties, including business partners, are provided on the Company's website.

By enhancing these consultation points, we work to identify and resolve problems at an early stage.

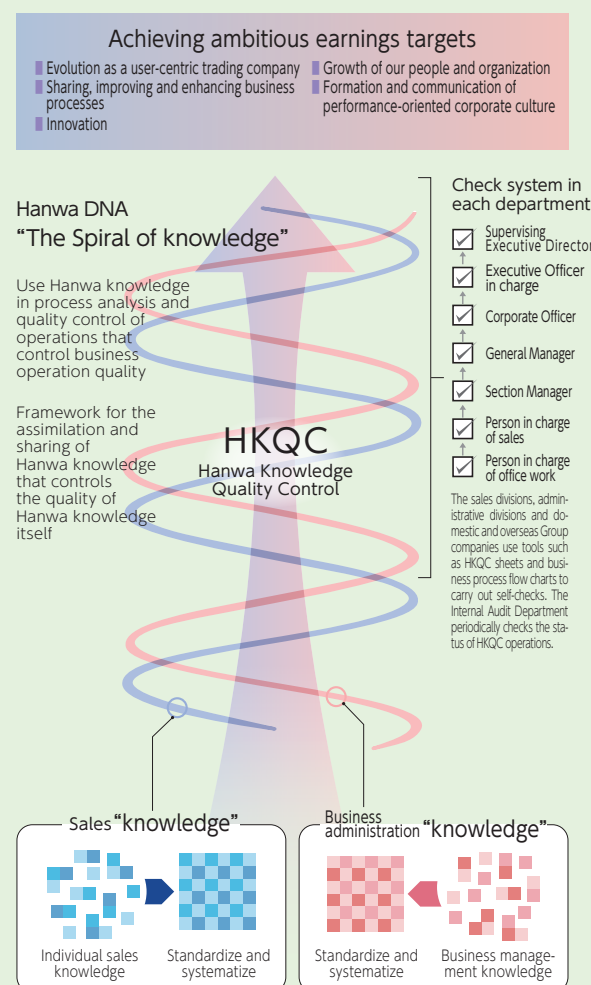
HKQC Initiatives

Understanding HKQC

HKQC (Hanwa Knowledge Quality Control) is a program unique to the Hanwa Group. It aims to improve the quality of our operations by using the Group's accumulated collective wisdom for more thorough risk analysis and process control, and to pass the wisdom of the Group down and develop it further.

As part of HKQC initiatives, we conducted interviews in each department and prepared the "Integrated HKQC/RCM Version," which combines the list of risks faced by departments with the previously existing Risk Control Matrix (RCM). Losses occur when checks do not function. We are preventing this kind of loss and raising profitability by making business process flows more visible and sharing that information.

Each year since FY2016, the Hanwa Group has held HKQC Events in which all employees, including temporary workers, participate. The purpose of these events is to raise awareness of HKQC and share sales and business administration knowledge. Knowledge of all types is shared at HKQC Events to improve work processes. For example, participants confirm business process flows, and individual departments share case studies of close calls they have experienced and suggest ways to make business processes more efficient. HKQC Events have become firmly established throughout the Group as an opportunity to form and transmit a results-oriented corporate culture. Individual Group companies, for example, independently hold their own HKQC Events as a way to pass down this Group culture, including the HKQC spirit.



procedures, ways to communicate effectively and reviewing work flows.

As the format was different from a typical year, there was difficulty in sharing information across multiple departments. On the other hand, many people thought that they could concentrate on the topic of operations of their own department to have more in-depth discussions. Moreover, Group companies discussed measures for maintaining and improving process control, safety and health.



Workplaces geared to employee self-realization

Basic Ideas on Human Resources

Jiro Kita, the founder of our company, believes that “trading companies have to cherish its human resource” and has developed businesses believing that “the prosperity of a company and the welfare of employees are inseparable like the two halves of the whole.” Seventy years have passed since establishment, but this philosophy still remains as the basis of our Company’s approach to human resources.

Undergoing the changing social environment in the world, arranging personnel systems and welfare systems to create an ideal workplace is crucial to enlarge our business. Our workforce has become more diversified with an

increasing number of mid-career employees, employees of foreign nationality and female career employees. By reflecting the voices of our employees, Hanwa will continually improve working conditions.

With regard to human resources development, we have adopted the keyword “Professional & Global” (= “P&G”). We need people who are eager to enhance their expertise in their respective domains and fully utilize it to play active roles in various fields. In order to cultivate employees who think and act on their own to create business, we have prepared the necessary training and challenging opportunities.

Creating a Worker-friendly Environment

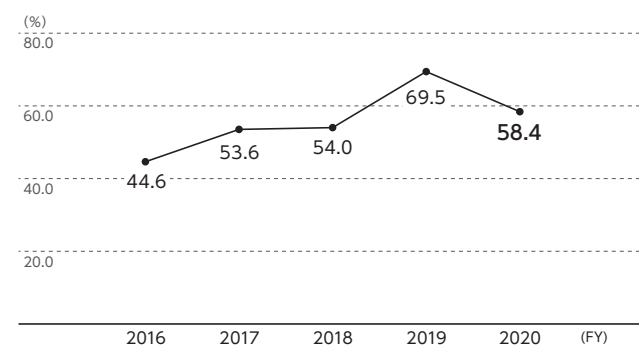
The Company believes that providing a work environment and terms of employment that are worker-friendly lead to high work performance.

Our employees may submit a self-declaration form once a year so the Company can understand how satisfied they are with our internal HR systems and confirm their career plans. More than 85% of employees submitted the form in FY2020. We have also set a “suggestion box” which allows employees to express their requests and opinions to the Personnel Department at any time throughout a year. These initiatives allow us to receive requests and opinions from employees, improve welfare programs, and reform the personnel system to enable flexible work arrangements. Past improvements include the revision of the housing allowance system and the introduction of a system for annual paid holiday on an hourly basis. We will

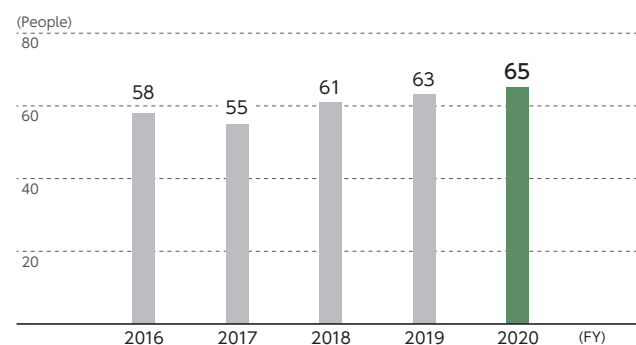
continue efforts to increase productivity of employees, while adopting systems necessary to respond to the change of the times.

We urgently introduced special work-from-home measures for all domestic offices to prevent the spread of COVID-19 from last year. We also promoted improvements to IT systems and other infrastructure for the smooth performance of work at home. Our ongoing project to reduce paper usage by reorganizing/reducing or digitalizing vast paper media such as order forms and delivery notices proved effective in developing an environment conducive to remote working. However, there are a certain number of jobs that require physical attendance, so the Company and its employees will continue to study and adopt the optimal working environment for the Company in life “after corona.”

Paid leave acquisition rate



Number of persons taking childcare leave



Education of Human Resources

The concept underlying our Human Resources Education is the development of “P&G” resources.

“P” is the acronym of Professional and refers to the ability to solve user’s problems with a high level of expertise and management skill. “G” is for Global. This not only refers to human resources who communicate with the understanding of the uniqueness and the diversity of each region of the world, but also includes human resources who have an open-mind.

In addition, as stipulated in the Ninth Medium-Term Business Plan, we established “Hanwa Business School,” the corporate university program, in FY2021 as a way to strengthen human resources in the run up to 2030. We will further sys-

tematize “hard-earned wisdom” and “Hanwa DNA” accumulated to date in developing talent. In addition, we will continue conducting personnel assignment and OJT and OFF-JT effectively. As to the content of lectures at the corporate university program, we will eagerly incorporate various topics, always keeping our eyes on the needs of the field and social trends.

We believe that the continuous self-improvement of employees will be an extremely important requirement for “P&G” talent in future as well. Employees constantly striving for self-development foster an “organization of continued learning.”



“A message from the Personnel Executive Officer Development of ‘Professional & Global’ Talent”

Toshihiro Kawaguchi

Executive Officer
In charge of the Personnel Dept.,
General Affairs Dept., Accounting Dept., Finance Dept.

The Ninth Medium-Term Business Plan summarizes our initiatives for strengthening human resources to enhance the management foundation. We are aiming for the development of solution-oriented sales personnel and management personnel, building on our existing trading business. As a platform to develop future management personnel, we have launched the corporate university program (Hanwa Business School) to provide systematic education of knowledge and skills required for corporate management. Human resource transfers will take place including loans to group companies and business partners as venues to put the knowledge and skills to use. Hanwa Business School is designed to reorganize in-house training formerly provided by the Personnel Department for further evolution. Preparations are underway to provide training according to each employee’s job classification and responsibilities, with triple the training budget.

We will promote reform in personnel evaluation and optimal assignments as we push forward with human resource development. In addition to existing employee evaluation through individual interviews with their bosses, the plan is to conduct objective evaluation utilizing measures such as 360-degree evaluation and statistics and to make appropriate personnel assignments.

Utilizing diverse personnel is essential when considering

personnel assignments. Not only will we actively deploy foreign human resources and women on the career-track, but also give more opportunities for the local staff of overseas group companies to thrive at the Company and other group companies, as part of our policy to promote diversity. Moreover, we introduced a personnel system for senior employees in April 2020 so employees are able to contribute to corporate activities in a variety of ways after the mandatory retirement age of 60. Going forward, we will continue to study various alleys of employment opportunities to persons who are not eligible for the senior employees system due to being aged 65 and above.

The global spread of the COVID-19 pandemic has prompted the Company to review its traditional work styles in the office and work processes. Initiatives leveraging IT technology, i.e. working from home, going paperless and doing away with seals and stamps, are accelerating. While it may take some time before COVID-19 is contained, we are studying new work styles with a view to the “after corona” era. We plan to introduce a new core system in April 2022, as part of our measures to further improve operational efficiency.

We will continue to work on the sustainable improvement of our corporate value and status, while responding to the domestic trend of a declining birthrate and aging population as well as the global trend of SDGs.

Promotion of Diversity

Promotion of Women's Participation and Career Advancement in the Workplace

One year has passed since we launched our action plan to promote women's participation and career advancement in April 2020.

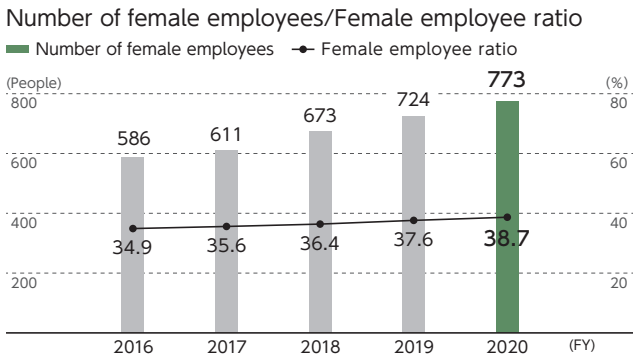
In April 2021, the number of female managers increased by three, and seven female new graduates joined the Company as career-track employ-

ees. In addition to the ongoing women empowerment programs, we also newly established a social gathering for working mothers to support their return to work after taking childcare leave. Going forward, we will further promote initiatives for women's participation and advancement.

Action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children

Plan period	Three years from April 1, 2020 to March 31, 2023
Our issues	[Issue 1] We have not sufficiently improved the working environment, increased the paid leave acquisition rate, and reduced overtime hours → [Goal 1, 2, 3] [Issue 2] The rate of male employees taking childcare leave is low → [Goal 4] [Issue 3] General office workers and managerial general office workers have few opportunities to be transferred and gain new experience → [Goal 5] [Issue 4] The percentage of women among career employees including managers is low → [Goal 6]

Goals	Initiatives	Progress in FY2020 and future plans
1. Improvement of the working environment to increase productivity	Beyond FY2020 1H:	·Utilization of a new personnel system ·Introduced in April 2020
	FY2020 1H:	·Introduction of systems for annual paid holiday on an hourly basis ·Introduction of a telecommuting system ·Created opportunities to inform employees about nursing care leave, etc. ·Scheduled to announce availability of nursing care leave on an hourly basis and other new initiatives in FY2021 onward
	FY2020 2H:	·Consideration of the introduction of flextime ·Under consideration
	Beyond FY2020 2H:	·Support for employees to return to work from childcare leave ·Held the social gathering for working mothers ·Training to improve IT literacy ·Scheduled for implementation in FY2021 in cooperation with Hanwa Business School program ·Introduction of a new core system to achieve the standardization and greater efficiency of operations ·Scheduled for introduction in April 2022
2. Increase the annual paid leave acquisition rate to 65%	Each fiscal year:	·Setting of recommended dates to encourage employees to take paid leave ·Contact from the Personnel Department to each employee who takes less or no annual paid leave through the Personnel Department ·Regular summing up of the annual paid leave acquisition rates of each department and reporting to all managers FY2020: Rate of taking annual paid leave: 58.35% (down 11 points year-on-year) * FY2019: 69.46% (COVID-19-induced results including Goal 3)
3. Reduce the annual total working hours per employee to 1,900	Each fiscal year:	·Informing all general managers and above of the maximum overtime hours ·Informing all general managers of overtime hours for each department every month. FY2020: Annual total working hours per employee: 1,960.2 hours (down 39.3 hours year-on-year) * FY2019: 1,999.5 hours
4. Encourage male employees to take childcare leave	Each fiscal year:	·Creation of opportunities to inform all employees of the childcare leave system FY2020: Rate of male employees taking childcare leave: 41.18% Average number of days: 2.8 * FY2019: 30.77%
5. Promote personnel changes	Each fiscal year:	·Regular implementation of personnel changes to facilitate long-term career goals of employees, taking into account both employee intention and department needs Implemented regular personnel transfers in Spring and Autumn upon understanding employee intention through self-declaration forms and other means taking into account department preference.
6. Increase the percentage of women among career-track employees and managers	Each fiscal year:	·Keeping the percentage of female career-track employees among new graduates hired at 20% or more, and achieving 30% or more in the final fiscal year of the plan period Joined the Company in April 2021: Recruitment of female new graduates: 23% (7 persons) Female managers: 8 persons (3 promoted to section managers in FY2021)
		·Provision of opportunities to review career plans by offering women empowerment programs Logical thinking training held by a female lecturer with a trading firm background (19 female career-track employees participated) Held training on how to interact with one's manager (25 female career-track employees participated) Held diversity management training (17 male managers participated)



Employment of People with Disabilities

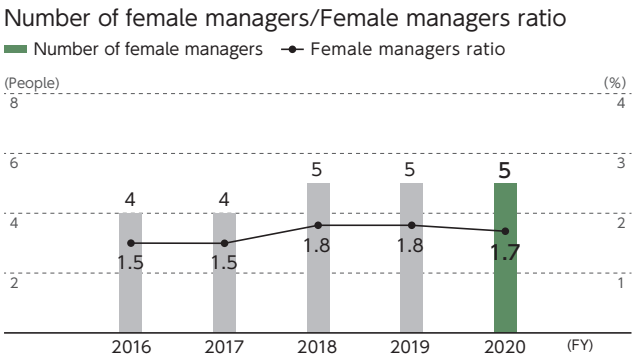
We ended up not attaining the statutory employment rate of people with disabilities in FY2020.

As of April 2021, we have 38 employees with disabilities, and complies with the statutory employment rate at 2.4%.

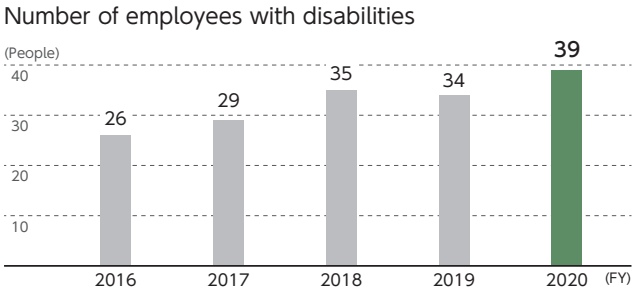
We are conscious of creating a workplace which allows them to work with a peace of mind for a long period. We have a consulting contract with a company specialized in the employment of people with disabilities and have arranged consulting sessions on a monthly basis with people with disabilities to discuss their various concerns. We are also implementing initiatives to provide a flexible work style that matches personal circumstances. One example is hiring based on work-from-home arrangements that commenced from May 2018. The number of such employees has now increased to eight, mainly engaging in PC data entry. Every morning, team members communicate, checking in with each other's health conditions. Thus, we are creating a worker-friendly environment where they can learn about each other and work as a team.

Recruitment takes place nationwide in Hokkaido, Tokyo, Osaka, Nara, Wakayama and Kochi, contributing to job creation in rural areas. This initiative has been in place since before COVID-19, attracting attention in the field of HR. We have appeared in several seminars as instances of work-from-home for persons with disabilities.

In addition, as part of our social contribution activities, we are encouraging employees with disabilities to communicate their characteristics in online magazines on employ-



ment of people with disabilities and seminars on social withdrawal, whereby sharing feelings and possible solutions with those with the same characteristic. We plan to continue these activities as they have been well received by readers and seminar participants.



New challenge in the employment of people with disabilities

We have also embarked on a new challenge in employing people with disabilities. In April 2020, we partnered with a start-up shoeshine company where people with disabilities are working as professional shoe shiners and employed two shoe shine specialists. We offer its shoe shine services not only to our employees but also to our business partners. This activity, in which people with disabilities continuously participate in a sustainable business, is a perfect example of an initiative that contributes to the SDGs.

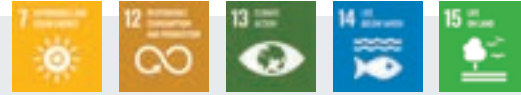
Health and Productivity Management

Hanwa views employee health management from a managerial perspective, and the company, employees and Hanwa Health Insurance Society work together to promote the health of the employees and their families. On April 1, 2018, the Company established the "Hanwa Health and Productivity Management Declaration," and the Representative Director and President Hironari Furukawa became the CHO (Chief Health Officer) and established the Health and Productivity Management Office within the Personnel Department. We have employed a public health nurse and been working on promoting the health of employees by collaborating with the Health Insurance Society and our occupational physicians.

With the establishment of HANWA HEALTH PLAN 2020, which outlines the goals for health and productivity management, the Company has set numerical targets for health promotion activities, such as disease prevention, severity prevention, and promotion of mental health care. In

response to the full enforcement of the Revised Health Promotion Act, we have established a program to support the cost for smoking cessation outpatient treatment. We are also strictly prohibiting smoking outside the designated smoking areas as a way to eliminate the risk of passive smoking. In addition, we have implemented specific initiatives including health improvement seminars by our public health nurse, tests to analyze employees' stress conditions, and training programs for department managers to feedback on the analysis results. We have also conducted various programs that would help employees manage their health while having fun, such as selling healthy box lunches, and bringing in balance balls.

Going forward, we will continue to promote measures to promote the creation of an environment where all employees can continue to be healthy, both physically and mentally, and play an active role.



Environmental considerations

The basic policy of the Hanwa Environmental Policy is that the Company strives to realize sustainable development to pass on a rich global environment to the next generation. As the world faces various environmental problems, we contribute to the realization of a sustainable society by tackling issues such as the realization of a recycle-oriented society, the effective use of natural resources and energy, pollution prevention, and biodiversity.

The Environmental Policy of Hanwa Co., Ltd.

Basic policy

Hanwa Co., Ltd., as a socially recognized trading company with the motto of "Footwork, Teamwork and Network," will strive to realize sustainable development so that future generations will be able to inherit a rich global environment through its business activities.

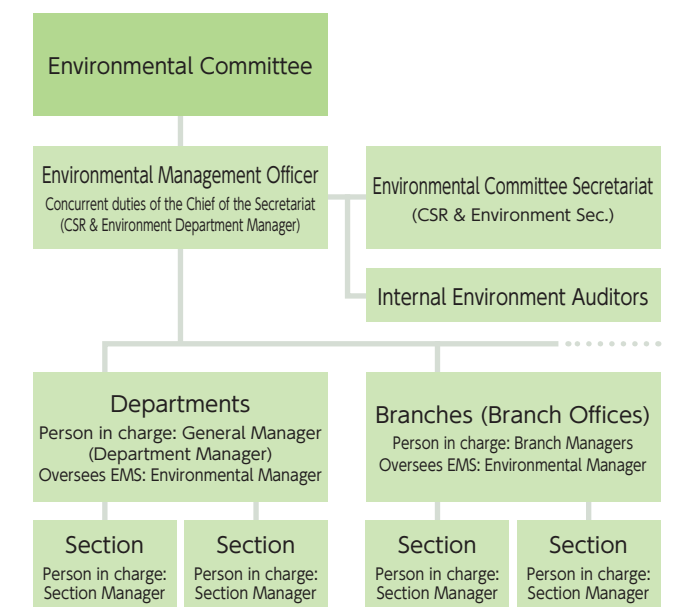
Guidelines for corporate action and major activities

Guidelines for Corporate Action	Goals & Objectives	Major Activities
1. Continuous improvement of the environmental management system (EMS). We will implement and review its environmental goals and objectives targets based on this environmental policy, and operate and continually improve the EMS.	Continuous improvements in the EMS/Use of standards	Implementation of both internal and external audits Briefings on standards for newly appointed environmental managers
2. Compliance with relevant environmental laws and regulations. We will comply with relevant environmental international treaties, laws and regulations of Japan and related countries, and other agreements and requirements, etc. of the trade industry which we agree to obey.	Compliance with relevant environmental international treaties, laws and regulations of Japan and countries concerned Strict observance of industry agreements and guidelines	Compliance with the Basel Convention (and its Domestic Laws) Compliance with Act on the Rational Use of Energy Compliance with Waste Management and Public Cleansing Law Participation in the Keidanren, Japan Foreign Trade Council, Inc.'s Voluntary Action Plan on the Environment
3. Contribution to a sustainable recycling system for an economic society. By actively engaging in the recycling business etc., we will contribute to the realization of a sustainable recycling system for an economic society.	Promotion of recycling business	Promotion of steel scrap recycling/ Sales of used steel/Promotion of the recycling of non-ferrous metal materials/ Promotion of the recycling of used paper/ Drafting of proposals for and sales of steel slag
4. The effective use of natural resources and energy. We will give careful consideration to the preservation of the global environment and make use of resources and energy effectively.	Involvement in activities related to renewable energy	Promotion of the development of biomass fuels Supply of parts and materials for solar power generation and wind power generation
5. Consideration of the natural environment. In addition to always considering the reduction of adverse environment impacts and making every effort to prevent pollution, Hanwa Co., Ltd. recognizes the critical importance of the conservation and sustainable use of biodiversity and will always take the natural environment into consideration.	Reductions in CO ₂ emissions produced by domestic plant and office locations	Measures to conserve energy
	Maritime pollution prevention measures	Maritime pollution prevention at the oil tank facility in Funabashi
	Promotion of sales of anti-pollutant products	Sales expansion of high-corrosion-resistant coated steel sheets/Sales expansion of steel pallets
	Careful consideration toward biodiversity	Acquired SGEC-CoC certification, expanded handling of related products
6. Promotion of environmental awareness We will inform all employees of this policy and actively encourage them to recognize the importance of environmental preservation. This environmental policy will also be made available to the public.	Promotion of environmental awareness activities for employees	Environmental education for newly appointed section managers and environmental managers

Environmental Management System (EMS)

We have an Environmental Committee in place, along with an environmental management program chaired and filled with officers in positions of General Manager and above and presidents of Group companies. Accordingly, we run our Environmental Management System (EMS) under this framework. The environmental management officer appointed by the Environmental Committee is responsible for the maintenance and management of the internal EMS. We have the CSR & Environment Section as the secretariat of the Environmental Committee and as a support organization for the environmental management officer. Internal environment auditors are selected from among persons who have completed the internal auditor training course conducted by the inspection and registration companies and carry out audits twice a year. Each department, branch and business location appoints environmental managers who promote EMS-related practical work and internal education.

[Environmental Management System (EMS)]



Continuous Improvement of EMS

Internal Environment Audit

An internal environmental audit was conducted for 25 departments during June 17-24, 2020 and for 24 departments during November 17-26, 2020. The audit focused on reviewing whether measures to fulfill goals and objectives were clearly defined, whether appropriate reviews were being conducted, whether procedures and evaluations of risks including related legislation were appropriate, and whether measures were taken to improve on the recommendations made by the previous internal and external audits.

External Audit

LRQA (Lloyd's Register Quality Assurance Limited) conducted an external audit of 11 departments during July 20-22, 2020. In addition, certification renewal audits were conducted from January 18-26, 2021 on 45 departments. The audits focused on whether the EMS was effectively implemented at the respective sections.

[The number of organizations that have acquired ISO 14001 certification]

Domestic offices	19
Domestic Group companies	3
Overseas Group companies	17

*An Environmental Management System (EMS) is developed in each overseas office or Group company and the necessary certifications are acquired.

Promotion of Environmental Awareness

Upon implementing the EMS, we conduct environmental education seminars every year for newly appointed section managers and environmental managers. In 2020, the sessions were conducted on June 15 and 18 for new environmental managers, and for new section managers, on September 10. At each session, an outline of the ISO 14001 standard was given, and the environmental management manual was explained with a focus on legal compliance, crisis management, effective use of resources, and business improvement.

Management Review

A management review on activities in FY2019 was conducted during the Environmental Committee meeting on June 30, 2020.

Initiatives for creating a recycle-oriented society

Initiatives for creating a circular society

Recycling of steel materials

Our steel business follows two different types of flow cycles, a primary cycle in which we are engaged in the sale of steel materials to users in a wide variety of fields, including construction, engineering, automotive, machinery, home appliances, and others, and a secondary cycle in which we are involved with the reuse of steel and recycling of steel scrap.

To ensure that both flow cycles run smoothly, we work to respond to customers quickly and improve our abilities to produce the best arrangements that fit the needs of steel

Reuse of steel

Our Group is engaged in the business of reusing steel. There are various types of steel. We not only sell new steel, but also collect, clean, and prepare used steel, and reuse them wherever product design allows, for steel sheet piles, H-beams, decking panels and steel plates used in civil engineering and construction works. Reusing steel not only enables us to provide users with steel at lower prices, but also contributes to the realization of a circular society through the effective use of limited steel resources as well as to the reduction of CO₂ emissions.

We delivered steel sheet piles needed at the bay construction sites along the Sanriku Coast, which was damaged by the Great East Japan Earthquake, and reused ones that were still valuable after use.



Recycling of steel scrap

Steel materials that have been used repeatedly at construction sites or generated from the demolition of aging buildings are reused as they are if they can be reused, but those that have deteriorated are disposed of as steel scrap. We process these steel scraps into reusable shapes and deliver them to electric arc furnace manufacturers ("mini mills").

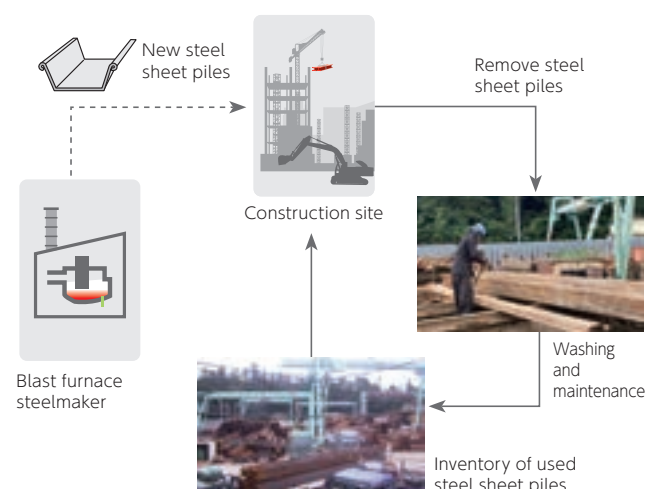
Steel recycled by mini mills are reused as new steel products, and when they age, they become scrap and are recycled again into products.

Steel is a commodity that can be reused many times. We take advantage of this nature of steel and recycle scrap elaborately to help realize a circular society.

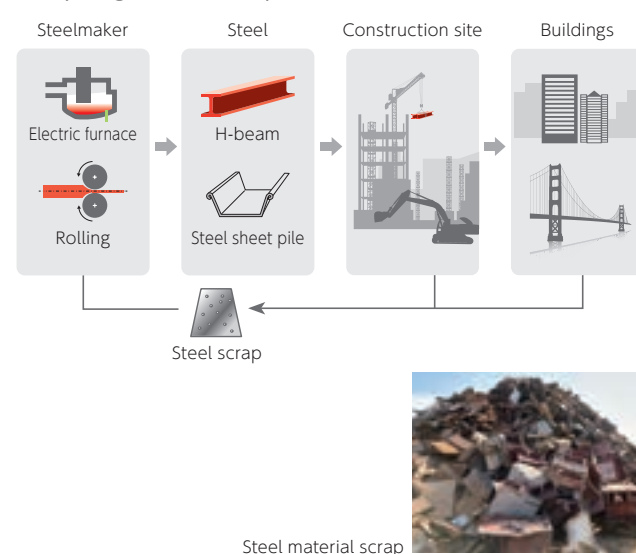
The recycling of steel also contributes to the reduction of CO₂ emissions generated in the process of manufacturing new steel.

mills in our steel scrap business activities. We take used steel scrap materials and work in conjunction with affiliate scrap suppliers to transform the scrap into high-value-added scrap material for delivery to steel mills who can then use the scrap.

[Steel recycling]



[Recycling of steel scrap]

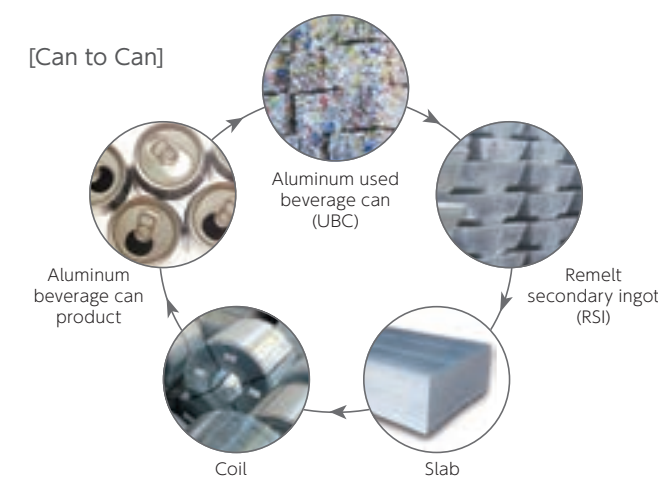


Material recycling of aluminum

We have long been involved in aluminum recycling as one of the players handling the largest volume of aluminum scrap in Japan.

We recover used aluminum cans, remove the impurities and other materials from the cans, and melt them down into recycled aluminum ingots. As a result of this process, they can be reused as aluminum cans. This pro-

[Can to Can]



Recycling of non-ferrous metals

One of our Group companies, Showa Metal Co., Ltd., is engaged in a complete recycling process of titanium and nickel scrap starting from the collection and quality control of the scrap to the sorting, shipping, and delivery to stainless steel and special metal manufacturers. Working together with Showa Metal, we are engaged in expanding a rare metal scrap processing business that caters to the specific needs of customers as a "global metal recycler."

A cleaning machine for degreasing, washing, and drying of finely broken titanium scrap (Naoetsu Plant, Showa Metal Co., Ltd.)



Non-ferrous metal scrap business overseas

We engage in the non-ferrous scrap metal business outside Japan mainly at five overseas locations: HANWA THAILAND CO., LTD., HANWA SINGAPORE (PRIVATE) LTD., PT. HANWA INDONESIA, the LONDON BRANCH OF HANWA CO., LTD., and HANWA AMERICAN CORP. We operate in compliance with the Basel Convention in handling transactions involving import, export and offshore trade, provide users in Japan and elsewhere with consistent supplies of recycled materials and take steps to reduce environmental loads. In 2016, Hanwa established a joint venture with Mitsubishi Materials in the Netherlands that began its operation in 2018. This has further strengthened our business handling precious metal

cess of recycling used aluminum cans into aluminum cans is called "Can to Can." We also recycle window frames (sashes) in the same way to achieve "Sash to Sash."

In this way, we are making a significant contribution to the realization of a sustainable society by recycling aluminum raw materials such as used aluminum cans.

[Sash to Sash]



Recycling of stainless steel materials

Our Group leverages toward stable supply of scrap metal mainly through our Group company, Hanwa Metals Co., Ltd., by collecting stainless steel scrap. Stainless steel that has reached the end of its useful life as part of a regular product is collected by Hanwa Metals as scrap metal and checked thoroughly for problems and supplied to steel mills as scrap metal.

Stainless steel scrap is collected at and delivered from the scrap yard at Hanwa Metals Co., Ltd.



scrap contained especially in circuit board scrap.

We send our highly-skilled employees to other locations with the mission of expanding our network of suppliers so that we can better ensure quality and consistent supplies of non-ferrous scrap metal. In 2018, we began trade with Russia, the three Baltic nations, and several African nations including Nigeria, Botswana, and Morocco. In recent years, we have been further enhancing our ability to provide Just-In-Time deliveries to factories by successively setting up factories in the ASEAN member countries, as Japanese firms increasingly expand operations overseas.

Initiatives for carbon neutrality

Providing a stable supply of woody biomass fuels to support electric power supply with biomass energy

We are engaged in the business of biomass fuels that are expected to serve as a renewable energy. Our main products include palm kernel shells (PKS) and wood-based biomass fuels such as wood pellets. For PKS, we are the largest importer in Japan in terms of handling volume.

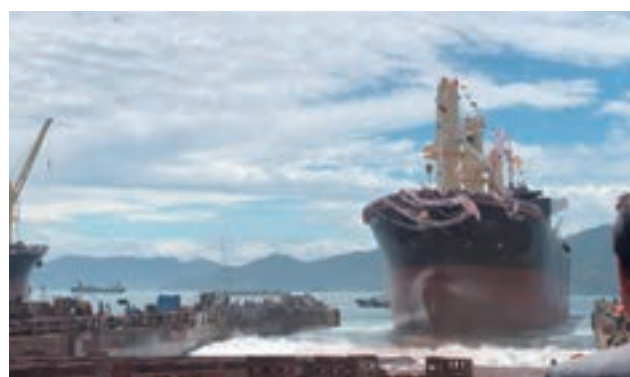
PKS are the shells that cover the kernels of oil palm fruit seeds, and a by-product of palm oil production from oil palms. They have been discarded as waste, but recently drawn attention as a biomass fuel because of their rich oil content and high calorific value. PKS are produced mainly in the Southeast Asian countries such as Indonesia and Malaysia. We have been importing PKS since 2013 and supplying them to power generating businesses in Japan and South Korea. In 2019, we chartered a vessel for the exclusive use for the transpor-

tation of biomass fuels as part of our efforts to ensure a sustainable and stable supply of biomass fuels.

We have also obtained Roundtable on Sustainable Biomaterials (RSB) certification (a certification system that ensures sustainability in the entire production and distribution of biomass fuel) and Green Gold Label (GGL) certification (a certification system that ensures sustainability and traceability of biomass fuel) since 2020. In addition, we are providing a service to support the acquisition of certification by leveraging our know-how. The services we offer include preparing documents necessary for applications and internal audits on behalf of our clients, providing education on the standards required for each certification, and providing guidance on how to calculate greenhouse gas emissions.

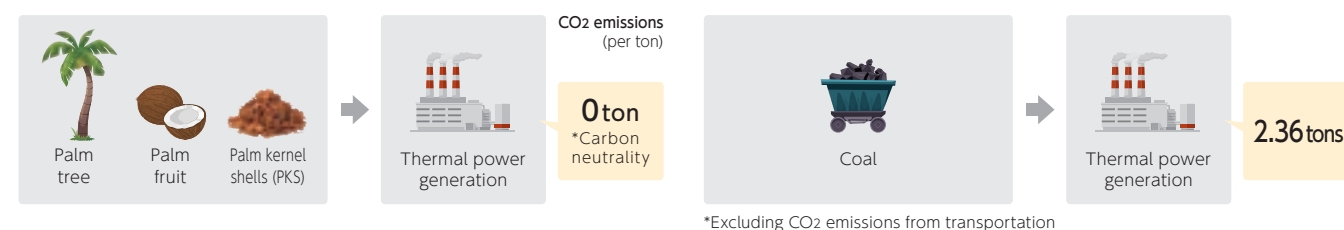


Power plant using wood-based biomass fuel



"MV MIDORI," a vessel for the exclusive use for transporting biomass fuels, sails out of port. We named the vessel after the dynamic image of a flying kingfisher and our corporate color of green. The name reflects our commitment to becoming the largest biomass supplier.

[Reference] Comparisons of CO₂ emissions from PKS and coal

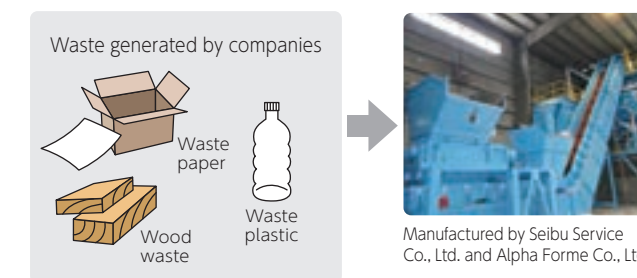


Recycled fuel RPF

We are also focusing on Refuse Paper & Plastic Fuel (RPF) that has become common as an alternative for fossil fuel for our industrial production. RPF is made mainly from industrial waste such as waste paper and waste plastic. It has many advantages such as less CO₂ emissions (approximately two-thirds of coal) and lower prices. We began handling RPF in 2003 and currently handle more than 100 kt/year. In addition to our nationwide network, we welcomed an RPF producer, Seibu Service Group (consisting of Seibu Service Co., Ltd. and Alpha Forme Co., Ltd.), in our Group in 2015 to achieve a more stable supply system.



Kobe Plant (Seibu Service Co., Ltd.)



Refuse paper & plastic fuel (RPF) Products

Strengthen procurement of EV battery materials

As an experienced supplier of battery raw material resources, in April 2021, we newly established the Batteries Team to promote the creation of multifaceted business opportunities in the EV battery and storage battery industries. Initially, we started with nickel and cobalt raw materials for nickel-cadmium batteries, followed by nickel-metal hydride batteries in the early 2000s. Since 2010, we have focused on handling raw materials for lithium-ion batteries, creating business opportunities in all stages of our supply chain, including trading products ranging from recycled raw materials to battery-related products.

Recently, in addition to conventional raw material trading, we have been developing several distinctive resource businesses, including participating in a large-scale project to produce nickel and cobalt compounds, critical elements in cathode materials for secondary batteries for electric vehicles, thereby actively participating in

investments.

Through these investments, business alliances or the acquisition of offtake rights, we are expanding our supply capacity in growing markets to meet ever-increasing demand, while contributing to the development of society and the acceleration of a circular society.



Graphite mine in South Australia

Recycling of used paper

We have been selling a wide range of recyclable used paper ranging from old newspapers, cardboard, and other standard paper types to more specialized, high-quality types such as milk cartons to domestic paper mills for 30 years. In recent years, we have also been engaged in the handling of used office supply paper (such as shredded documents) and the export of used paper to Southeast Asian countries that have been seeing explosive growth. We have also begun working with environmentally friendly, recyclable packing materials made from recycled milk cartons.



Used office supply paper

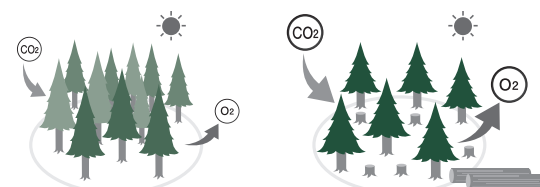
Initiatives for protecting the richness of oceans and land

Initiatives for exporting timber from forest thinning

In our lumber business, we began exporting timber from forest thinning in 2006 and presently export about 150,000 m³ of lumber annually to China, Taiwan, and other markets. Timber export helps to lift timber prices by bringing in a more diverse range of buyers and help to maintain



employment, thereby stimulating local economies. In addition, exports protect the land by promoting forest maintenance, which also helps the forest to absorb more carbon dioxide.

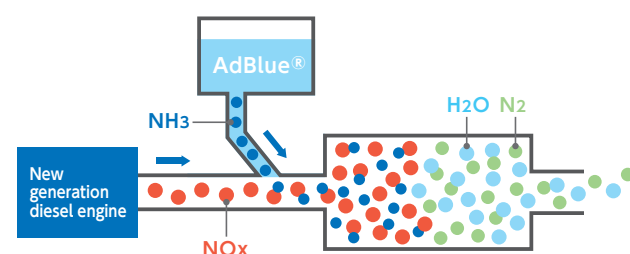


* Thinning refers to the proper care and management of forests by cutting down some trees so that sunlight can reach the ground, which enables grasses, shrubs, plants and animals to coexist.

Mitigating air pollutants by stable supply of urea

We also focus on handling urea for use in fertilizers, industrial, automotive, shipping, and other applications, as a player handling one of the largest volumes in Japan. AdBlue®, a high-grade urea solution containing urea as its main ingredient, is used as a nitrogen compound (NOx) reducing additive. It prevents greenhouse gases from being emitted into the open air by reducing nitrogen compounds emitted by diesel vehicles such as large trucks and buses.

[How AdBlue® works]



AdBlue®, which is injected in the muffler to decompose nitrogen oxides (NOx) in the exhaust gas into nitrogen (N₂) and water (H₂O), improves the green performance and combustion efficiency of diesel vehicles.

Obtaining forest certifications for forestry preservation and product use

We hold CoC certifications from the Forest Stewardship Council® (FSC®), Programme for the Endorsement of Forest Certification Schemes (PEFC) and Sustainable Green Ecosystem Council (SGEC) forest certification systems (FSC®C018719). SGEC is Japan's own forest certification system and promotes forest conservation and sustainable forest management with the aim of revitalizing forests and

forestry. Timber with the CoC certification is guaranteed to be managed such that it is kept segregated from non-certified material during processing and distribution. With these certifications, we pledge our corporate commitment to further promoting eco-friendly timber production and thereby encouraging sustainable forest management.

Obtaining MSC-CoC and ASC-CoC certifications for preservation of marine resources

We contribute to initiatives to support sustainable marine products obtaining MSC-CoC and ASC-CoC certifications to make sure the distributed fisheries are MSC- and ASC-certified. Also known as the eco label of ocean, MSC certificate is the proof of marine products fished with consideration for marine resources and eco system. It is given only to natural marine products harvested in methods that meet strict envi-

ronmental standards. ASC certificate is the proof of sustainable marine products that were produced at farms that give consideration to environment and society.



MSC certification

*CoC (Chain of Custody) certification proves that the product has been properly managed throughout the manufacturing, processing and distribution processes, that uncertified products are not mixed, and that the labeling is true.



Good corporate citizenship

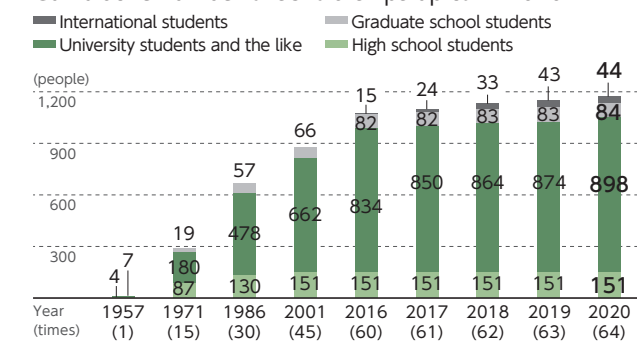
Hanwa Scholarship Foundation

Hanwa Scholarship Foundation was established in April 1957 to commemorate the 10th anniversary of the foundation of Hanwa Co., Ltd. Jiro Kita, the company's founder and the first director of the foundation, recalling his own tough experience of learning, wished to develop talented human resources for Japanese society by offering scholarships. He established the foundation by investing 10 million yen, when the company's capital was only 0.1 billion yen. Having celebrated its 60th anniversary in April 2017, the foundation has provided support to more than 1,100 scholarship students to date.

The foundation started a grant-type scholarship of 1 million yen per person for studying overseas in fiscal year 2015. This is out of our passion in view of the greater pace of globalization to support as many students, with desire and ability, as possible to widen their views through overseas studies, pursue knowledge, and become human resources who can compete with outstanding young people in countries around the world. Furthermore, we also extended the payments of grant-type scholarships to domestic scholarship students from fiscal year 2021, with the aim of creating a system suitable for the needs of the times.

While Japan has become a financially affluent society, there has been heated discussions about education reform on matters such as the population decline due to low birthrate, increasing economic disparities, deterioration of social morality, and declining education levels. Hanwa Scholarship Foundation continues to develop its business by utilizing its unique characteristics as a private-sector scholarship foundation, so that young people who will lead the next generation can play a more active role in society.

Cumulative number of scholarships up to FY2020



More than 60 years of experience and an expanding network

The Hanwa Scholarship Foundation's net assets in FY2020 totaled 686.22 million yen, and the number of selected recipients totaled 1,177. Of those recipients, 84 were graduate school students, 898 were university students and the like, 151

were high school students, and 44 were students from overseas. Many past scholarship recipients remain active in a wide range of fields, including not only the industrial world but also academia, government service, and the legal profession.

Support for the arts, sports, education, and cultural activities

Japan Public-Private Partnership Student Study Abroad Program	New Japan Philharmonic	Sports Promotion Fund
Hands On Tokyo	Japan Philharmonic Orchestra	All Japan Judo Federation
Japan Association for the 2025 World Exposition	Nagoya Philharmonic Orchestra	Asuka Half Marathon
Osaka City University Yumekikin (Dream Foundation)	Osaka Symphony Orchestra	

Consideration for the natural environment - reduction of CO₂ emission at domestic business sites

Endeavors as consignor

As a company involved in the distribution of goods, we have been working to reduce the energy volume of transportation since FY2006. Through the cooperation of our Group companies, Hanwa Logistics Tokyo Co., Ltd., Hanwa Logistics Osaka Co., Ltd., and Hanwa Logistics Nagoya Co., Ltd., we work to streamline shipping operations and seek the cooperation of partner forwarding companies.

Endeavors in the office

We have conducted environmental promotion activities and attempts to reduce energy spending and CO₂ emission throughout the month.

- Initiatives taken at the office
 - ・Wearing "cool-biz" attire (May through September)
 - ・Promoting installation of sensor lights, high efficiency lights and LED lights
 - ・Centralization of OA equipment by using card authentication type multifunction devices
 - ・Implementation of projects to promote reduction in paper usage
 - ・Promoting "paperless" office systems
 - ・Reducing the number of business trips through the use of teleconferencing systems
 - ・Promoting the use of hybrid cars for sales personnel
 - ・Enrolling in the "Morino Chonai-Kai," and using paper created from thinned wood for internal publications, etc.

Our Management Team

(As of June 23, 2021) *Number of shares (as of March 31, 2021)

Directors



Hironari Furukawa

Representative Director and President
*33,581 shares

- March 1969 Joined the Company
- April 1996 Executive Vice President of Hanwa Co., (Hong Kong) Ltd. and Vice General Manager of Asian Region (China & Hong Kong)
- June 1997 Appointed Director
- April 2011 Appointed Representative Director and President (current position)



Yasumichi Kato

Representative Director and Executive Vice President
*26,842 shares

- April 1978 Joined the Company
- April 2009 Appointed Corporate Officer In charge of Osaka HQ Steel Plates, Structural Steel Sheets and Steel Sheets Sales
- June 2010 Appointed Director
- April 2021 Appointed Representative Director and Executive Vice President (current position)



Hidemi Nagashima

Director and Senior Managing Executive Officer
*13,884 shares

- April 1983 Joined the Company
- April 2011 Appointed Corporate Officer In charge of Tokyo HQ Steel Plates, Steel Sheets Sales, Structural Steel Sheets Dept. 1, Structural Steel Sheets Dept. 2, and Hokkaido Branch Office
- June 2015 Appointed Director and Executive Officer
- April 2017 Appointed Director and Senior Managing Executive Officer (current position)



Yoichi Nakagawa

Director and Senior Managing Executive Officer
*5,939 shares

- April 1986 Joined the Company
- April 2013 Appointed Corporate Officer In charge of Accounting and Affiliated Enterprises, and General Manager of Accounting Dept. and Affiliated Enterprises Dept.
- June 2015 Appointed Director and Executive Officer
- April 2017 Appointed Director and Senior Managing Executive Officer (current position)



Yasuharu Kurata

Director and Senior Managing Executive Officer
*1,600 shares

- April 1982 Joined the Company
- April 2011 Appointed Corporate Officer General Manager of Asian Region (ASEAN, India, Middle East) In charge of Departments excluding Steel and Machinery and Chairman of HANWA SINGAPORE (PRIVATE) LTD.
- June 2016 Appointed Director and Managing Executive Officer
- April 2017 Appointed Director and Senior Managing Executive Officer (current position)



Yasushi Hatanaka

Director and Senior Managing Executive Officer
*6,435 shares

- April 1983 Joined the Company
- August 2012 Appointed Corporate Officer In charge of Osaka HQ Steel Sheets Dept. 1, Steel Sheets Dept. 2, Steel Sheets Dept. 3 and Steel Processing Project Promote Team, Assistant to Director in charge of Tokyo HQ Steel Sheet International and General Manager of Osaka HQ Steel Sheets Dept. 3
- June 2014 Appointed Director and Executive Officer
- April 2019 Appointed Director and Senior Managing Executive Officer (current position)



Yoichi Sasayama

Director and Senior Managing Executive Officer
*1,740 shares

- April 1984 Joined the Company
- April 2012 Appointed Corporate Officer In charge of Tokyo HQ Steel Sheets, and General Manager of Steel Sheets Dept.
- June 2017 Appointed Director and Managing Executive Officer
- April 2021 Appointed Director and Senior Managing Executive Officer (current position)



Takatoshi Kuchiishi

Director and Managing Executive Officer
*11,242 shares

- April 1981 Joined the Company
- April 2010 Appointed Corporate Officer In charge of Tokyo HQ Steel Bars & Construction Materials Dept. 1, Dept. 2 Ferrous Raw Materials, Steel Structure Marketing, Distributor Sales, Tohoku Branch Office, Niigata Branch Office, Kitakanto Branch Office, and In charge of Promotion and Coordination for Steel Structure business of all offices
- June 2010 Appointed Director
- June 2014 Appointed Executive Officer
- June 2018 Appointed Director and Managing Executive Officer (current position)



Keiji Matsubara

Director and Managing Executive Officer
*5,013 shares

- April 1983 Joined the Company
- April 2014 Appointed Corporate Officer General Representative for East China Region, Chairman and President of HANWA TRADING (SHANGHAI) CO., LTD., and In charge of Wire Products & Special Steel Titanium for Asian Region
- June 2020 Appointed Director and Managing Executive Officer (current position)

Directors



Ryuji Hori

Independent Officer

Outside Director
*1,432 shares

- April 1966 Joined Iwai Sangyo Company Ltd. (currently Sojitz Corporation)
- June 1996 Appointed Director of Nissho Iwai Corporation (currently Sojitz Corporation)
- June 2000 Appointed Managing Director of Nissho Iwai Corporation
- June 2002 Appointed Senior Managing Executive Officer of Nissho Iwai Corporation (Retired from the position in March 2003)
- April 2003 Professor, School of Law, Waseda University
- April 2004 Professor, Waseda Law School, Waseda University (Retired from the position in March 2014)
- June 2005 Appointed Audit & Supervisory Board Member (External Auditor) of Tokuyama Corporation (Retired from the position in June 2017)
- June 2011 Appointed Outside Director of Riskmonster.com (current position)
- June 2012 Appointed Outside Director of T&D Holdings, Inc. (Retired from the position in June 2018)
- April 2013 Managing Director and Principal of Waseda Osaka Gakuen (Retired from the position in December 2018)
- April 2014 Advisor of TMI Associates (current position) Professor Emeritus Waseda University (current position)
- June 2014 Appointed Director of the Company (current position)
- May 2016 Appointed Outside Director of NISHIKI Co., LTD. (Retired from the position in May 2020)
- June 2018 Appointed Outside Corporate Auditor of Lotte Co., Ltd. (current position)
- December 2019 Appointed Representative Director and President of TMI Ventures Co., Ltd. (current position)



Tatsuya Tejima

Independent Officer

Outside Director
*2,303 shares

- April 1969 Joined Toho Zinc Co., Ltd.
- June 1999 Appointed Director of Toho Zinc Co., Ltd.
- June 2000 Appointed Executive Officer of Toho Zinc Co., Ltd.
- January 2002 Appointed Managing Executive Officer of Toho Zinc Co., Ltd.
- June 2002 Appointed Managing Director and Managing Executive Officer of Toho Zinc Co., Ltd.
- June 2003 Appointed Representative Director and Managing Director, and Managing Executive Officer of Toho Zinc Co., Ltd.
- June 2005 Appointed Representative Director and Senior Managing Director, and Senior Managing Executive Officer of Toho Zinc Co., Ltd.
- June 2006 Appointed Representative Director and President, and COO of Toho Zinc Co., Ltd.
- June 2008 Appointed Representative Director and President of Toho Zinc Co., Ltd. (Retired from the position in June 2017)
- June 2017 Appointed Advisor of Toho Zinc Co., Ltd. (current position)
- June 2017 Appointed Outside Director of Furukawa Co., Ltd. (current position)
- June 2018 Appointed Director of the Company (current position)



Kamezo Nakai

Independent Officer

Outside Director
*1,694 shares

- April 1974 Joined Nomura Securities Co., Ltd. (currently Nomura Holdings, Inc.)
- June 1995 Appointed Director of Nomura Securities Co., Ltd.
- April 1999 Appointed Managing Director of Nomura Securities Co., Ltd.
- April 2003 Appointed Director and Senior Managing Executive Officer of Nomura Asset Management Co., Ltd.
- June 2003 Appointed Senior Managing Executive Officer of Nomura Asset Management Co., Ltd. Executive Managing Director of Nomura Holdings, Inc. (Retired from the position in March 2006)
- April 2008 Appointed Advisor of Nomura Asset Management Co., Ltd. (Retired from the position in March 2009)
- June 2009 Appointed Director and President (Representative Director) of Nomura Land and Building Co., Ltd. (Retired from the position in March 2012)
- June 2011 Appointed Director and President (Representative Director) of Nomura Real Estate Holdings, Inc.
- February 2012 Appointed Director and Executive Officer of Nomura Real Estate Development Co., Ltd.
- April 2012 Appointed Director and President (Representative Director), Chief Executive Officer of Nomura Real Estate Development Co., Ltd.
- May 2012 Appointed Director and President (Representative Director) and Chief Executive Officer of Nomura Real Estate Holdings, Inc.
- April 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Development Co., Ltd.
- June 2015 Appointed Chairman of the Board of Directors (Representative Director) of Nomura Real Estate Holdings, Inc. (Retired from the position in June 2017)
- April 2017 Appointed Director of Nomura Real Estate Development Co., Ltd. (Retired from the position in June 2017)
- June 2017 Appointed Senior Advisor of Nomura Real Estate Development Co., Ltd. (Retired from the position in September 2020)
- November 2018 Appointed Outside Director of DSB Co., Ltd. (Retired from the position in March 2021)
- June 2019 Appointed Director of the Company (current position)
- December 2020 Appointed Representative Director of Kinmiraisekkei Co., Ltd. (current position)
- April 2021 Appointed Advisor of DSB Co., Ltd. (current position)



Junko Sasaki

Independent Officer

Outside Director
*181 shares

- April 1983 Joined IBM Japan Ltd.
- January 2007 Appointed Executive Officer, APAC & Japan Technical Sales Support of IBM Japan Ltd. (Retired from the position in January 2010)
- January 2011 Joined Microsoft Japan Co., Ltd. Appointed Executive and General Manager of Customer Service & Support of Microsoft Japan Co., Ltd. (Retired from the position in January 2015)
- February 2015 Joined WEIC Corporation
- April 2015 Appointed Director and General Manager of Sales Division of WEIC Corporation (Retired from the position in July 2015)
- January 2016 Joined FireEye, Inc. Appointed Vice President (Retired from the position in September 2016)
- December 2016 Joined Sartorius Japan K.K.
- Appointed President & CEO (Retired from the position in March 2018)
- May 2018 Appointed Outside Director, Member of the Audit and Supervisory Committee of Yaskawa Electric Corporation (current position)
- June 2019 Appointed External Director of Sumitomo Mitsui Trust Bank, Limited (current position)
- June 2020 Appointed Director of the Company (current position)
- September 2020 Appointed Outside Director of Gemini Strategy Group Inc. (current position)

Our Management Team

(As of June 23, 2021) *Number of shares (as of March 31, 2021)

Corporate Auditors



Hideo Kawanishi

Corporate Auditor (full-time)
*23,889 shares

- April 1973 Joined the Company
- April 2005 Appointed Corporate Officer In charge of Osaka HQ Steel Plates, Steel Sheets Sales and Structural Steel Sheets
- June 2005 Appointed Director
- June 2017 Appointed Corporate Auditor (full-time) (current position)



Akihiko Ogasawara

Corporate Auditor (full-time)
*10,657 shares

- April 1976 Joined the Company
- April 2006 Appointed Corporate Officer In charge of Non-ferrous Metals, Metals & Alloys and Special Metals & Alloys and General Manager of Metals and Alloys Dept.
- June 2006 Appointed Director
- June 2018 Appointed Corporate Auditor (full-time) (current position)



Yasuo Naide

Independent Officer

Outside Corporate Auditor
*48,200 shares

- April 1971 Joined Sumitomo Heavy Industries, Ltd.
- June 2001 Appointed Senior Vice President of Sumitomo Heavy Industries, Ltd.
- June 2003 Appointed Executive Vice President of Sumitomo Heavy Industries, Ltd. (Retired from the position in March 2007)
- December 2006 Appointed Representative Director and President of Sumitomo Heavy Industries Environment Co., Ltd. (Retired from the position in March 2010)
- April 2010 Appointed Representative Director and President of Sumitomo Heavy Industries Business Associates Co., Ltd. (Retired from the position in March 2012)
- June 2012 Appointed Corporate Auditor of the Company (current position)



Katsunori Okubo

Independent Officer

Outside Corporate Auditor
*2,117 shares

- April 1978 Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation (SMBC))
- April 2006 Appointed Executive Officer of SMBC
- April 2010 Appointed Managing Executive Officer of SMBC (Retired from the position in April 2013)
- May 2013 Appointed Advisor of SMBC (Retired from the position in August 2018)
- June 2014 Appointed Corporate Auditor of the Company (current position)



Hideyuki Takahashi

Independent Officer

Outside Corporate Auditor
*35 shares

- April 1980 Joined the Industrial Bank of Japan, Ltd. (currently Mizuho Bank, Ltd.)
- April 2012 Appointed Managing Executive Officer of Mizuho Financial Group, Inc. Appointed Managing Executive Officer of Mizuho Bank, Ltd. Appointed Managing Executive Officer of Mizuho Corporate Bank, Ltd. Appointed Managing Executive Officer of Mizuho Trust & Banking Co., Ltd. (Retired from the position in April 2014) Appointed President & CEO of Mizuho Financial Strategy Co., Ltd. (Retired from the position in April 2014)
- June 2012 Appointed Executive Managing Director of Mizuho Financial Group, Inc.
- April 2013 Appointed Deputy President of Mizuho Financial Group, Inc. Appointed Deputy President and Executive Officer of Mizuho Bank, Ltd. Appointed Deputy President and Executive Officer of Mizuho Corporate Bank, Ltd. (Retired from the position in July 2013) Appointed Managing Executive Officer of Mizuho Securities Co., Ltd. (Retired from the position in April 2014)
- April 2014 Appointed Member of the Board of Directors of Mizuho Financial Group, Inc. (non-executive) (Retired from the position in June 2017)
- June 2014 Appointed Member of the Board of Director of Mizuho Bank, Ltd. (non-executive) (Retired from the position in June 2017)
- June 2017 Appointed President and CEO of Mizuho Research Institute Ltd. (Retired from the position in June 2019)
- June 2019 Appointed Chairman of the Kyoritsu Co., Ltd. (Retired from the position in June 2021) Appointed Outside Director of Sunshine City Corporation (current position)
- June 2020 Appointed Outside Audit & Supervisory Board Member of WOWOW INC. (current position) Appointed Corporate Auditor of the Company (current position)
- June 2021 Appointed Senior Advisor of Kyoritsu Co., Ltd. (current position)

Executive Officers

President

Hironari Furukawa

Executive Vice President

Yasumichi Kato

In charge of overall Steel Division and Lumber & Plywood Division

Senior Managing Executive Officers

Hidemi Nagashima

General Manager of Nagoya Branch Office

Yoichi Nakagawa

In charge of Metal Recycling Division, Primary Metal Division, Hedging Administration Office and In charge of overall administrations

Yasuharu Kurata

In charge of Energy Division, Food Division, Life Living Materials Division, New Business Development Office

Yasushi Hatanaka

Senior General Manager of Osaka Head Office
In charge of Osaka HQ Steel Bars & Construction Materials Division, Osaka HQ Steel Plates & Sheets Division, Steel Processing Project Promote, Kyushu Branch Office, Chugoku Branch Office, Hokuriku Branch Office

Hiromasa Yamamoto

General Representative for Asia

Yoichi Sasayama

In charge of Tokyo HQ Steel Plates & Sheets Division, Niigata Branch Office, Lumber & Plywood Division

Managing Executive Officers

Chiro Ideriha

General Representative for Americas and President of HANWA AMERICAN CORP.

Takatoshi Kuchiishi

In charge of Tokyo HQ Steel Bars & Construction Materials Division, Steel Structure Marketing Division of all offices, Ferrous Raw Materials Division of all offices, Tokyo HQ Thermal-insulation Construction Dept., Hokkaido Branch Office, Tohoku Branch Office, Kitakanto Branch Office

Keiji Matsubara

In charge of Tokyo HQ Steel Plates Dept., Machinery Division, Wire Products & Special Steel Division of all offices, Corporate Planning Dept.

Ryuichi Takaba

In charge of Metal Recycling Division, Primary Metal Division, Hedging Administration Office

Executive Officers

Hideo Kobayashi

In charge of Osaka HQ Structural Steel Sheets Dept. 1, Dept. 2 Steel Sheets Sales Dept., Steel Plates Dept., Stainless Steel & Aluminum Sheet Dept., Western Japan Steel Sheets Division

Yoshimasa Ikeda

In charge of Legal & Credit Dept., Information System Dept., Quality, Safety & Environment Control Dept.

Yoshifumi Miyano

In charge of Energy Division, Food Division, Life Living Materials Division, New Business Development Office

Toshihiro Kawaguchi

In charge of Personnel Dept., General Affairs Dept., Accounting Dept., Finance Dept.

Shoji Shirasawa

In charge of Asia (ASEAN, India, Middle East) except for Steel Division and Machinery Division and Chairman of HANWA SINGAPORE (PRIVATE) LTD.

Yukiaki Takada

In charge of Asia (ASEAN, India, Middle East) for Steel Division and Machinery Division and Chairman of PT.HANWA INDONESIA

Takeshi Amano

In charge of Metal Recycling Division, Primary Metal Division, Hedging Administration Office

Shigeto Minamimura

In charge of Steel Structure Marketing Division of all offices, Tokyo HQ Steel Bars & Construction Materials Dept. 2, Tokyo HQ Civil Engineering Materials Dept., Thermal-insulation Construction Dept., Tohoku Branch Office

Masahiko Fujitsuka

General Representative for China

Hideaki Takemura

In charge of Osaka HQ Steel Bars & Construction Materials Dept., Western Japan Steel Bars & Construction Materials Division, Osaka HQ Ferrous Raw Materials Division, Hokuriku Branch Office

Kenji Naito

In charge of Wire Products & Special Steel Division of all offices and Machinery Division

Outside Officers Roundtable Discussion



Outside Corporate Auditor Outside Corporate Auditor Outside Director Outside Corporate Auditor
Katsunori Okubo Yasuo Naide Junko Sasaki Hideyuki Takahashi

Outside Corporate Auditors and Outside Directors work together to provide solid support to Hanwa's governance structure as it grows from strength to strength globally. We asked about the role of Outside Officers who actively exchange opinions while respecting each other's individuality.

To become a Board of Directors that audits and provides advice appropriate for the times

Investor expectations for Outside Officers have become very high. Please tell us the perspective you take when fulfilling your supervisory and auditing functions

Okubo I worked as a banker for approximately 40 years, and have been involved in transactions with large companies, including those in the steel industry, for more than 10 years. I mainly worked in international fields relating to greater China for over 20 years which included assignments in Hong Kong and Taiwan. The Company has always been strong in domestic operations as a steel trading company, but in recent years it has expanded its operations overseas, particularly into Asia and greater China. I believe my experience will be of benefit since the business has become more diverse and multinational. I would like to focus my efforts on overseas project risk, country risk, and overall exposure management.

In addition, with the increase in the number of domestic and overseas operating bases, I would also like to provide advice on the Group's overall risk management and government, and ad-



vance audits.

Naide This is my ninth year as a corporate auditor, and I am the longest standing outside officer. If I may explain a little about myself, I was born as the eldest son of the founder, by coincidence, in the very year that the Company was founded. Even though I am the eldest son, I was interested in doing something else, and I talked to my father about my future career. My father responded saying, "The days when sons succeed their fathers are over. The Company belongs to the employees and I intend to choose the next leader from amongst the employees." I appreciated this because this allowed me to find a technology-related work, which was what I wanted to do. Looking back, my father no doubt had the conviction that "a company is a public instrument of society."

Since I am the founder's son, I have more of an attachment to the Company than most other people. I believe that the role assigned to me is to do my utmost to ensure the Company's perpetual development and to ensure employees and all others involved with the Company are happy.

I believe the role of a corporate auditor changes with the times. The main role of corporate auditors in the past was to audit the legality of a company, which involved checking that financial operations and everyday operations were conducted appropriately.

While this is obviously still the main task, validity audits to validate that management is acting, or at least trying to act, in an appropriate manner, has also become an important task. As Hanwa's corporate auditor, I pay particular attention to providing opinions on whether or not the direction of investments and new business considered by the Company is appropriate, based on my past experience in managing a plant for a heavy industry manufacturer.



Sasaki As an Outside Director, I want to consider things from four perspectives.

The first is the transparency of governance. I have been on the management boards of companies developing global operations such as IBM Japan and Microsoft Japan, so I am aware that transparency of governance is extremely important. The Company is expanding its business globally and has a large number of Group companies. I would like to provide advice that pays attention to the transparency of governance, including that of Group companies, as the Company manages its complex operations.

The second point is IT. I worked for an IT company, and I have a systems auditor qualification. That is why I am focused on whether or not the correct strategy is being deployed for the Company's system, whether investments are being made correctly and how the Company will deploy DX to develop services for customers.

The third point is diversity & inclusion, which has recently become an important focus. I have long been involved in such issues at each company that I have served in, and I believe it is an area in which I can be of use. Human resources are vital for a trading company, so it is important to create and promote an environment where employees with diverse backgrounds such as female employees and foreign nationals can feel good about working in desirable conditions.

The fourth point is whether the Company is disseminating beneficial and easy to understand messages to customers and investors. I believe I can provide advice in the area of messaging. **Takahashi** As mentioned already by Mr. Naide, the role of a corporate auditor is mainly focused on the legality audit. Nowadays, however, rather than delineating, companies are required to strictly check whether management is being conducted rationally in cooperation with Outside Directors.

Corporate governance tends to be mainly based on the function of supervising management, but it is also important to think about appropriate risk taking, that is to say, a framework that ensures that risks that should be taken are taken and that unnecessary risks are not.

From a governance perspective, first the Board of Directors needs to be vitalized, and this requires effective use of outside officers. We Outside Directors and Outside Corporate Auditors need to collaborate while demonstrating a strong presence at the Board of Directors.

At the same time, in order to prepare a foundation for sustainable growth, we must gradually improve our corporate governance structure, framework and operations. In my previous position at the Mizuho Financial Group, I was responsible for corporate governance reforms as Vice Chairman of the Board of Directors and as Chairman of the Audit Committee. While the banking business differs from the Company's business, much of my experience in business strategy and financial strategy has common aspects from a business management perspective. Since the Company has also positioned the enhancement of its

Outside Officers Roundtable Discussion

corporate governance structure as an important business strategy, I believe I can use my experience to contribute to improving the framework of the Company's governance structure.

Focus on the balance between offense and defense

Please tell us about your evaluation and future issues for Hanwa's corporate governance

Takahashi To vitalize the Board of Directors, we need to constantly verify that the Board of Directors is operating effectively. The Company has a framework in place in which outside officers play a central role in regular evaluation of the effectiveness of the Board of Directors.

What is important in this process is not an inward-looking notion that says, "Everything is fine because we are doing our best," but to evaluate matters from an objective perspective. Outside officers with wide-ranging experience outside the Company must compare the Company's Board of Directors with those of other companies and consider how well it is functioning. I believe it necessary to have candid discussions without guessing what others are thinking and reading between the lines.

In that context, I believe the President has a candid personality and there is an atmosphere within the Company for the Board of Directors, including outside officers, to speak freely. When it comes to financial topics, the President often calls on Mr. Okubo and myself to express our opinions because of our background as former bankers. I believe that we need to continue to build and maintain a management structure that can sustainably maintain the open corporate culture, which is the foundation of the Company's governance.

Okubo Since the Company is actually a company with sales expertise it has very strong offensive capacity. However, given the ongoing worldwide uncertainty, we are also enhancing measures from a defensive perspective such as through financial discipline and financial strategies. In the context of supporting offensive measures, we have a well-balanced governance system that also focuses on defensive measures.

Naide The Company has aimed to enhance corporate governance to meet the demands of society during the past couple of years, which I think is commendable. In particular, there is increasing pressure to incorporate outside opinions, and we have implemented proactive measures in response to this, establishing structures such as the Nomination Advisory Committee and the Remuneration Advisory Committee.

However, these committees do not yet have a long history and we have not yet reached an adequate conclusion as to how to operate them. We have therefore had to consider some as-

pects as we go. I think the challenges ahead in terms of corporate governance is to spend time and improve its effectiveness by clarifying issues in detail, such as who should make the proposals and how.

Sasaki We have become a multinational company, particularly in Southeast Asia, and our governance is complex. Even now a certain degree of manual procedure is required in compiling data on the results and current status, profit, and the necessity of additional investments for the Hanwa Group as a whole. I believe the Company will become stronger if it enhances systems that enable better visualization and easy to understand explanation of these aspects. The techniques are not limited to IT; there are many ways of achieving this.



The significance of inheriting Hanwa's DNA

Please tell us about your thoughts on Hanwa's strengths for sustainable growth and future issues.

Okubo The Company continues to evolve its business model from a domestic-centric steel trading company to global development. The Company has taken a powerful strategy with a view to the future through measures such as battery-related investments, expansion into the biomass power generation materials sector in light of environmental issues, and investment in special metals. Under such circumstances, we outside officers also want to do whatever we can for the sustainable development of the Company and to contribute to society.

A future issue is obviously the development of human resources. Trading company employees tend to acquire a fixed specialist area at a comparatively young age but considering the diversification of the Company's operations and the large prog-

ress made in M&A, quick decisions require a broader perspective. Although this does not mean training generalists like in the past, I believe it has become even more necessary to provide young employees with experience in wide ranging areas from the perspective of developing flexible thinking and deep insight.

Sasaki I currently participate in the monthly reporting meetings for the project to replace the Company's core system with a new system and I can honestly say that the Company's IT division is very strong.

Many companies outsourced development in the 1990s, but the Company managed this in-house, so the knowledge and know-how concerning systems has been retained within the Company. This is a very wonderful thing, and we are now reaping the benefits. Having all employees become familiar with the new system will lead to improvement in corporate value and enable the provision of better service to customers. We have great confidence in this regard, and we also have high hopes.

I personally have not heard of many examples of advanced DX at trading companies, but since IT literacy is generally very high at our Company, I think it will be interesting to see if the Company can undertake unique and advanced initiatives in future.

Lastly, I would like to talk about diversity & inclusion. Diversity does not just mean women, but we still have no female officers and only a few female general managers. Female employees are working hard in the workplace, so there is greater potential this area. I will do all I can to offer my support so that we will grow into a company that is essential for society.

Takahashi The outlook for the Japanese economy is very uncertain due to the impact of COVID-19 while the industry itself faces a challenging environment, yet the Company has achieved firm results based on its strong sales capabilities. The FY2020 financial results were splendid, repelling the impact of COVID-19 pandemic. This is something for which employees should be proud and it is clearly due to the Company's resilience to withstand a crisis.

However, it is also important to have a sense of urgency, as a steel trading company cannot survive on just its past strengths. Particularly because it is an era of change, we have pivoted towards management on a global base and put forward business strategies that lead to the next generation such as the *Create another Hanwa in Southeast Asia* strategy.

Since we made this first move from an early stage, our existing business has been steady even during the COVID-19 pandemic. This is a big advantage and from the perspective of expanding the breadth of business in future, I would like a new Medium-Term Business Plan to be promoted with confidence.

On the other hand, for a company to maintain sustainable growth there also needs to be simultaneous and parallel development and enhancements to a solid governance structure and business administration framework and that is also our role as

outside officers.

We would also like all stakeholders to realize this company's potential. Recent attention has been paid to the role of corporate culture as an element in a company's sustainable growth. From this perspective, the Company has secured "psychological security" and is taking root by fostering a corporate culture that is open and where it is easy to say what's on one's mind. This is an enormous strength in advancing business. In addition, this type of corporate culture is not created overnight. I believe if this is firmly embedded in the organization as Hanwa's DNA going forward, it will put us on a path to sustainable growth.

Naide Thinking about Hanwa's strength and DNA, it is obviously important to look back on the Company's origins. The Company is not a conglomerate-affiliated trading company so from the outset it has not had a set business domain. Therefore, we have not been in the business of simply passing on sales slips but had to seriously think about how to be of use to our customers, worked hard, and increased sales capabilities. The Company's current reputation is the result of these efforts.



I would like this strength and attitude towards work to remain unchanged in the future and be maintained as Hanwa's DNA. However, people also come and go over time, and it is possible that passiveness could creep in and that the excellent tradition of thinking for oneself and moving ahead could change. The current management team is aware of this and has set up the in-house university with the aim of conveying the Company's outstanding history. I am very much in favor of this approach.

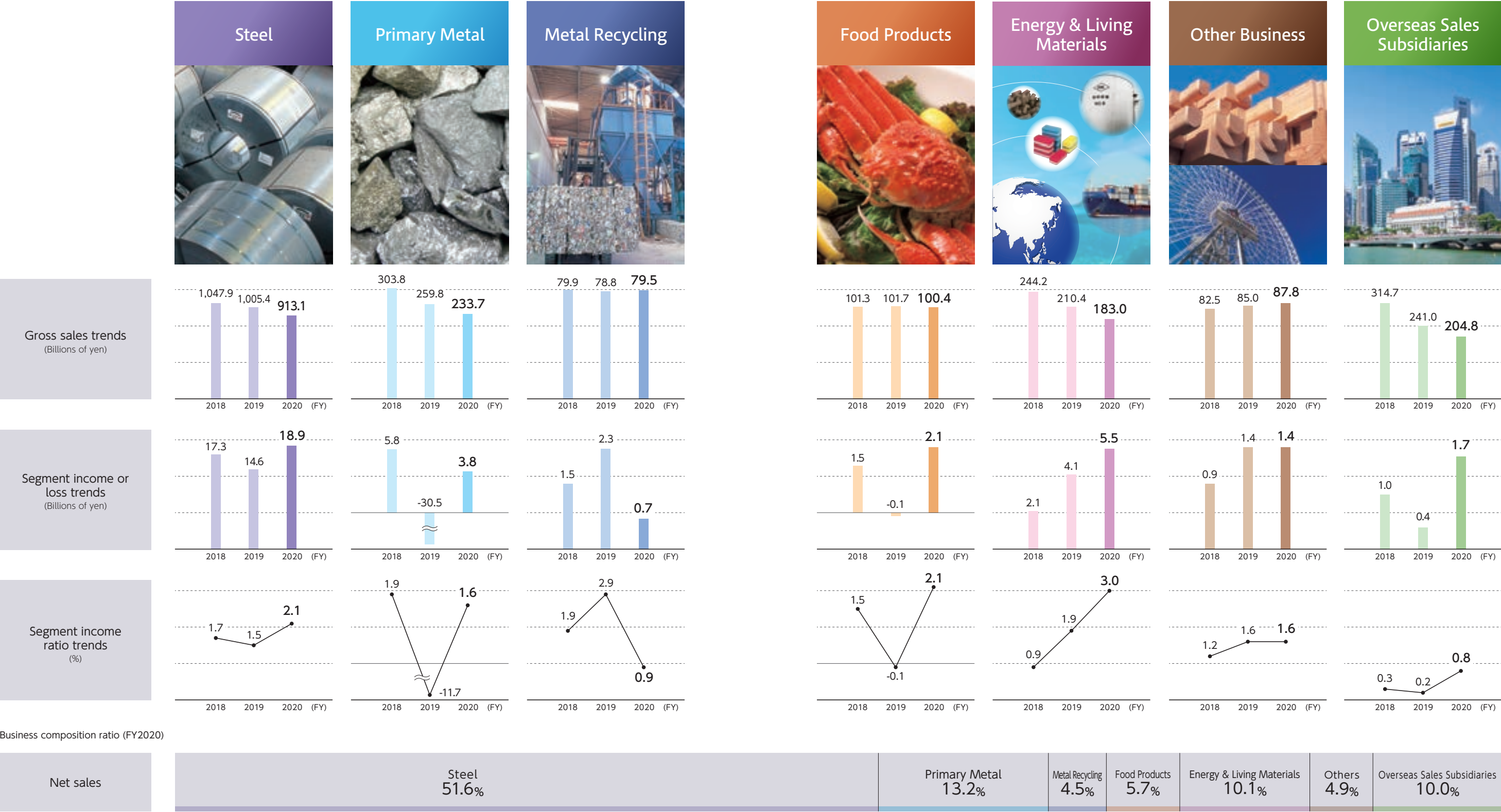
I would like the younger generation to carry on the good tradition of thinking freely and openly, speaking out, holding discussions and acting of their own accord. That is my biggest wish.

Then, I would like outside officers to also collaborate, while fulfilling their respective roles and supporting the Company, so that there is perpetual development of the Company and happiness for all stakeholders.

Expanding and deepening market positions in many sectors

We have established a firm position in the industry as a trading company dealing with a wide range of products, including steel, primary metal, metal recycling, food products, energy & living materials, lumber, and machinery.

As a trading company that makes a difference, we are expanding our business fields in response to changes in the times and society to meet the business needs of our customers.



Steel



Business summary

Steel is our major product, accounting for 50% or more of total sales. We sell steel bars, building materials, steel sheets, steel pipes, wire rods and special steel and many other steel products. With this broad lineup, we can meet the requirements of various customers. In addition, we have one of the largest distribution centers in Japan and offer services that take advantage of our inventory and processing capabilities.

Main products or services

Main products are steel bars, steel sheets, special steel, wire rods, steel pipes and steel scrap. We also undertake construction work as well as steel processing and storage.

SDGs-related initiatives

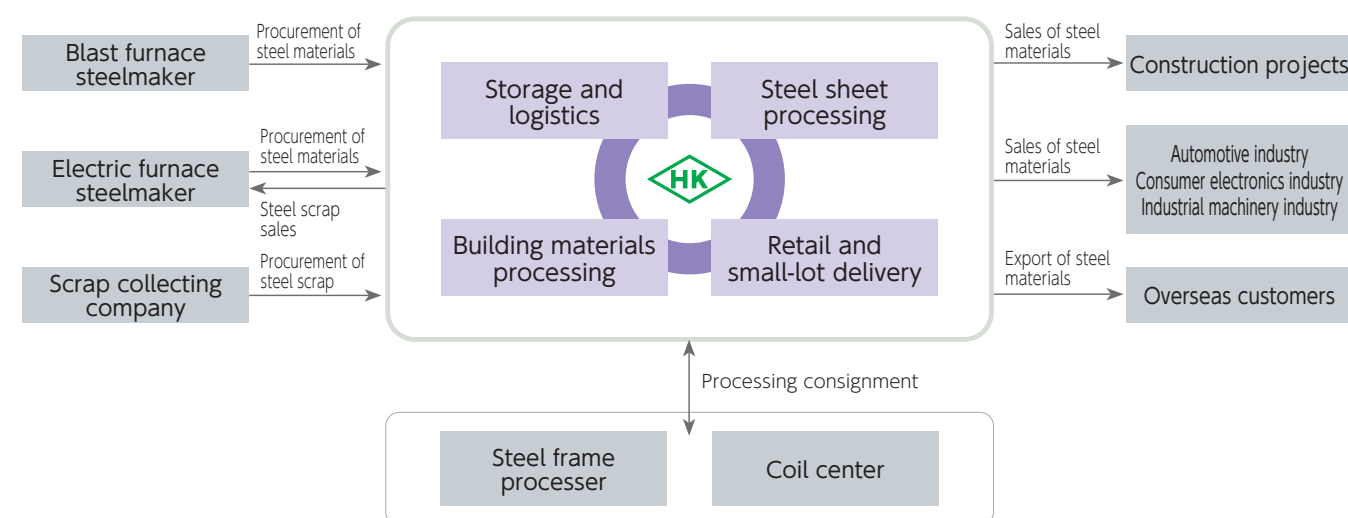
The steel business leverages its sophisticated processing techniques, optimum distribution network, and partnerships around the world, whereby contributing to the establishment of resilient infrastructure in Japan and abroad as well as sustainable development of all industries including electronics, automobile, and shipbuilding. It also contributes to building of a sustainable recycling community through promotion of the steel reusing and recycling business.

Strengths and Characteristics

In the steel business, we are able to deal with a broad range of domestic and overseas steel mills by taking advantage of our characteristics of an independent trading company not affiliated with any steel mills, and also have the advantage of being able to conduct procurement with no constraints of having to procure from a particular group of steel mills. In addition to utilizing one of Japan's leading large-scale distribution centers located in various regions, we are promoting the "SOKOKA" (Just-In-Time delivery, small lot, processing) strategy to cover the entire value chain from upstream to

downstream. We thoroughly adhere to the hands-on approach under user-first principle, accurately grasp user needs, and provide high value-added solutions such as information functions, inventory functions, and processing functions, in addition to steel distribution functions. In addition, under the banner of "Create another Hanwa in Southeast Asia," we are aiming to expand businesses with overseas users through the utilization of the network of Group companies, alliances with leading local distributors, and joint ventures with Japanese companies.

[Value Chain]



Environment and Challenges Surrounding the Business

While domestic demand remains strong, mainly in the construction industry, there is a high probability that there will be customers who will have difficulty in securing human resources in the medium to long-term, and this will lead to a progression of outsourcing of functions such as processing. As for other companies in the same industry,

reorganization is taking place among a group of affiliated companies in response to the restructuring of domestic steel mills. In addition, there is a strong demand for higher functionality yet at lower prices for customers' steel materials, and in the medium to long-term, we believe that it is possible customers switch to other materials de-

pending on the balance between functionality and price. Especially in construction-related products, there is no denying the possibility of shifting to products related to construction methods that can cope with the shortage of labor.

In such a business environment, in order to respond to the ever diversifying and sophisticated customer needs of the steel business, we believe that there is a need to work to further secure processing manufacturers with

functions, diversify our products and services, and develop our business globally by taking advantage of the network of the Hanwa Group to seek overseas customers and broaden our relationships with overseas steel mills. At the same time, we believe it is necessary to develop human resources that are fully equipped with specialized knowledge and can play an active role in the global market, while at the same time foster efficient and labor-saving operations using AI and robots.

Medium to Long-Term Business Policy

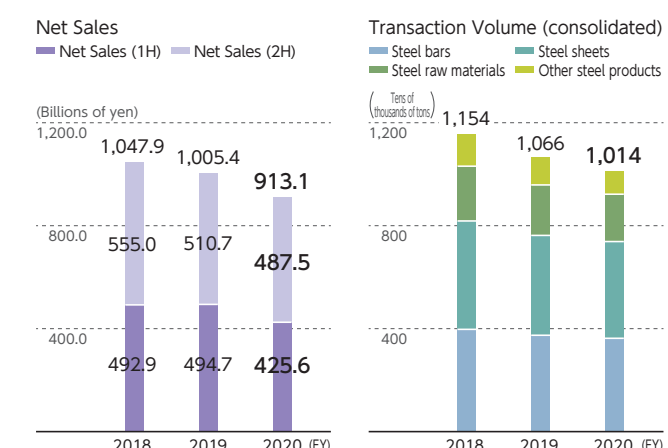
In order for our steel business to continue to grow over the medium to long-term, we believe it is necessary to provide high added value in response to customer needs in all business areas from up to down the supply chain. We intend to accurately respond to the diversifying customer needs by promoting the "SOKOKA" (Just-In-Time delivery, small lot sales, processing) strategy and acquir-

ing more functions through M&A. Also, the Company's policy is to deepen business relationships with overseas steel mills and processing manufacturers, in addition to domestic steel mills as well as to develop markets in regions around the world, focusing on the Asian region, in order to provide functions to distribute a wide variety of products globally.

FY2020 Results

Net sales **¥913.1 billion** Segment income **¥18.9 billion** Segment employees **3,140 people**

In the steel business, our transaction volume for steel materials decreased reflecting a lower demand than in the previous fiscal year, although we witnessed a recovery trend in production activities in the manufacturing field as well as the progress in construction works in the construction and civil engineering field. On the other hand, in terms of profit, profit margins rose due to the upward trend of steel prices and a decrease in selling expenses. As a result, sales in this business segment declined by 9.2% year-on-year to ¥913.1 billion, but segment income increased by 29.3% year-on-year to ¥18.9 billion.



Primary Metal



Business summary

In the primary metal business, we are trading such items as nickel, chromium, silicon, and manganese ferroalloys directly with resource countries such as Russia, South Africa, Kazakhstan, India, Brazil, Malaysia and Indonesia, as well as with producers in China which has an overwhelming supply capacity as well as demand.

Main products or services

Main items are nickel, chromium, silicon, manganese as well as ferroalloys, stainless steel materials, and scrap metals.

SDGs-related initiatives

The primary metal business contributes to building of industrial base through stable supply of metal resources to customers around the world. Moreover, it contributes to addressing the reduction of CO₂ emissions and global warming issues by being deeply engaged in distribution of the cathode materials for rechargeable batteries, which are indispensable to expand production of electric vehicles expected to become more popular in the future.

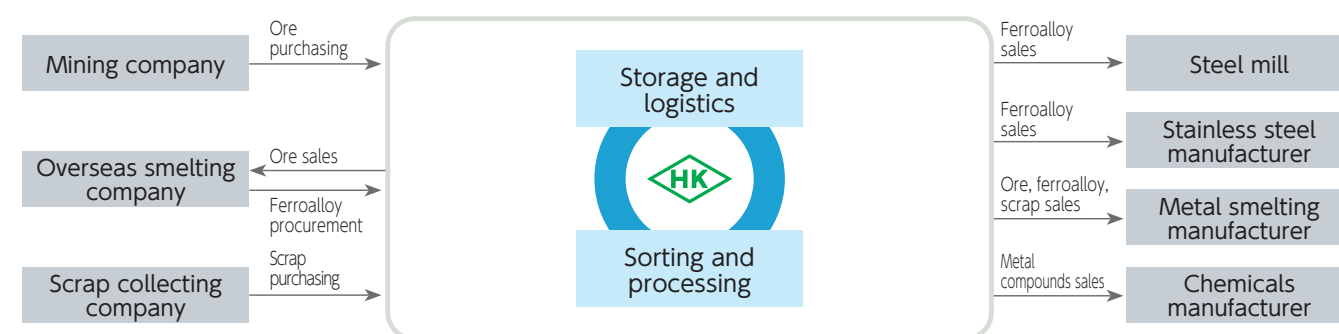
Strengths and Characteristics

In the primary metal business, in terms of trade, we boast the largest transaction volume of ferroalloy products, such as ferrochrome and silicon-manganese, among Japanese distributors and we are responsible for the stable supply of raw materials all over the world by taking advantage of our hedging and the inventory functions. With regard to investments, we have invested in SAMANCOR, a leading company in the chromium business in South Africa and has acquired exclusive sales rights of ferrochrome for Japan, and has also invested in OM HOLDINGS, supplying ferrosilicon and manganese ferroalloys produced in Sarawak, Malaysia, to cus-

tomers in and outside Japan.

Regarding nickel, we supply nickel metal, ferronickel, and stainless steel scrap to the stainless steel and special steel industries. In addition, we supply a wide range of products to customers around the world, such as nickel and cobalt chemical raw materials for the automobile rechargeable battery industry. In addition, since 2014 we have been participating in the Indonesia nickel pig iron project hosted by the Tsingshan Holding Group of China, which boasts the largest production of stainless steel in the world, in order to expand our supply system for stainless steel materials.

[Value Chain]



Environment and Challenges Surrounding the Business

About 70% of the world's reserves of chromium, which is one of the materials our primary metal business is focusing on, is unevenly distributed in South Africa, and of that, about 70% of its ore is owned by SAMANCOR, a company we have invested in. The oligopoly of chromium resources in the world is believed to lead to great benefits for suppliers in the stainless steel and special steel industries which require chromium resources over the medium to long-term, and these customers have high expectations for the Company. Also, the manganese business in the Sarawak state of Malay-

sia conducted by OM Holdings, in which the Company has invested, is regarded important production base outside the China continent by Japanese blast furnace steel manufacturers, electric furnace steel manufacturers and other companies which manufacture steel product in ASEAN region since it is free from export tariff and politically neutral.

Since materials handled by the primary metal business are the main and auxiliary raw materials that are essential for steel production and stainless steel/special steel production, we believe that ongoing demand will remain in the medium

to long-term. In addition, we recognize that this business, which is based on trading and is characterized by distinctive resource investment, has a unique position in the industry and will continue to have a presence in the industry. Since major trading companies have already withdrawn from ferroalloy trading, there are many products in which the

Company is the largest domestic handler. The challenge therefore is to strengthen our profitability in parallel with the increase in the handling volume, while taking advantage of our financial ability not to be struck by price competition with other ferroalloy resource companies and specialized ferroalloy wholesalers.

Medium to Long-Term Business Policy

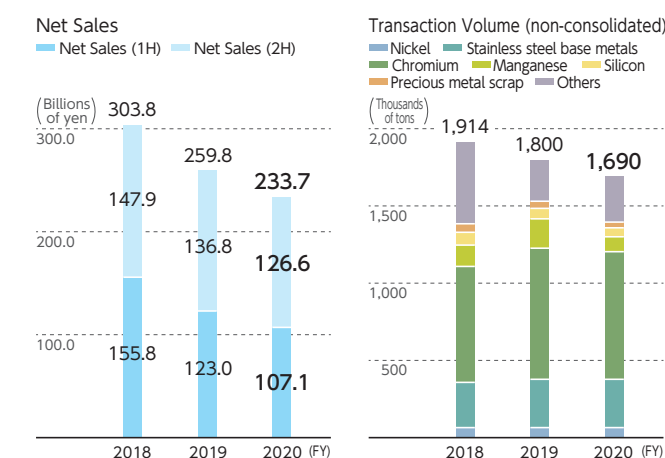
Based on our trading ability cultivated through long years of business experience, we provide a stable supply of useful metal resources for each customer such as steel, special steel, and non-ferrous metal smelting companies. At the same time, we will expand our business into the field of ferroalloy producers through characteristic resource investments and differentiate ourselves from our competitors. In addition, it is our policy to focus on busi-

ness based in regions including South Africa, Indonesia, Malaysia, Australia and Kazakhstan, which we have already invested in, and to expand business into China and India by paying attention to political and economic trends and environmental issues. In this way, we aim to build a global value chain from upstream to downstream and to become a leading company with a medium to long-term presence in each product.

FY2020 Results

Net sales **¥233.7 billion** Segment income **¥3.8 billion** Segment employees **58 people**

In the primary metal business, despite a gradual recovery in the near term, a decline in activity among steel and non-ferrous-metal manufacturers in the first half of the fiscal year engendered a weakening of transaction volumes mainly for stainless steel base metals, manganese ferroalloys, and silicon ferroalloys. In addition, although commodity prices including nickel are currently surging, as they remained at a lower level compared to the previous fiscal year, sales were weighed down. Meanwhile, profits were pushed up by the absence of a transient loss on impairment of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., which was recorded in the previous fiscal year, and a decrease in interest expenses. As a result, sales in this business segment declined by 10.0% to ¥233.7 billion, while the segment income was ¥3.8 billion (¥30.5 billion in segment loss in the previous fiscal year).



Metal Recycling



Business summary

In the metal recycling business, we are one of the first companies in Japan to establish a recycling business for aluminum, copper, zinc, lead, stainless steel, special metals, and titanium. We have established solid positions in these market sectors, backed by expertise in organizing business activities on a global scale, an advantage that only a trading company can offer. We have processing facilities for the entire Group for aluminum cans, aluminum sash, special metals, and titanium to respond appropriately to users' needs.

Main products or services

We are engaged in the recycling business for aluminum, copper, zinc, lead, nickel-based special metals, stainless steel, and titanium.

SDGs-related initiatives

Taking advantage of the metal recycling (collecting, separating, and processing) knowhow we have accumulated over many years and the large networks of both collection and sales in Japan and overseas, we are contributing to formation of recycling-oriented economy, while working to address climate change by introducing separation facilities that emit less CO₂ in the aluminum product recycling business.

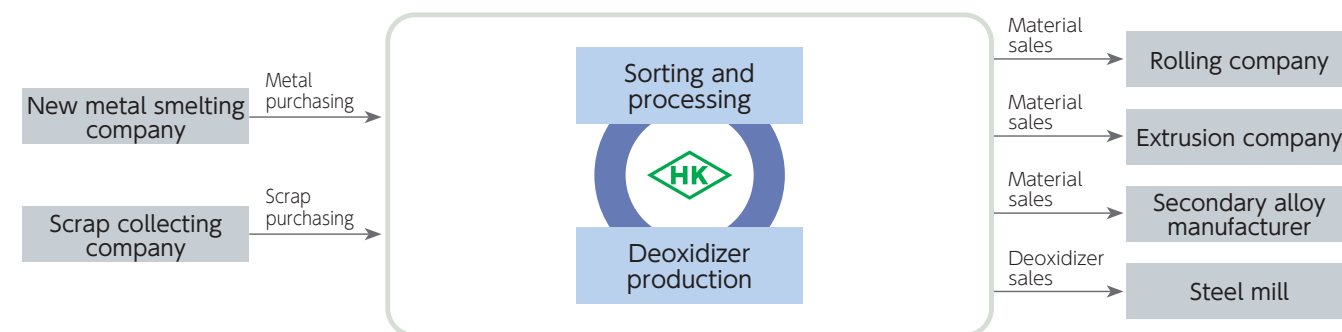
Strengths and Characteristics

In the metal recycling business, we have facilities and functions for processing, separating, and inspecting scrap within the group, which allow us to respond to needs of aluminum rolling/extrusion companies and steel mills for deoxidizer application. In the special metal recycling business, we offer recycled materials to stainless steel and special steel manufacturers and rare metal smelting companies and we also proactively recycle by-products from the smelting process of lead, zinc, and tin.

We operate in compliance with the Basel Convention in handling transactions involving import, export and off-shore trade, and provide users in Japan and overseas with a stable supply of recycled materials.

As for human resources development, we carry out business rotation to overseas offices from a young age in order to develop human resources who are familiar with trade practices, competitive globally, and understanding of front-line operations and a global perspective.

[Value Chain]



Environment and Challenges Surrounding the Business

China, which had been restricting import of metal scrap, is set to remove all restrictions and liberalize the import on November 1, 2020. The country will, however, tighten quality standards substantially, treating recycled materials as products, which will require us to offer high-quality metal scrap or raise grade of low and middle grade scrap for China.

Meanwhile, demand for metal scrap in Japan is expected to decline in the medium to long term, and we need to expand our business to overseas markets and ensure a wide range of profit opportunities.

What we must do to cope with these challenges is to increase our transaction volume of copper scrap conforming

with China's new rules, to improve our ability to separate and process low and middle grade scrap, and to enhance our capabilities to leverage machinery and equipment to separate, collect, and sort various aluminum scrap including automobile panels, which are expected to grow also in Japan.

As the ratio of recycled materials used in products increases at an accelerating pace around the world to ensure sustainability of materials and reduction of carbon emissions, it is necessary to improve our technology to separate and process metal scrap and ability to assure quality in every direction.

Medium to Long-Term Business Policy

For metal scrap, we will enhance domestic subsidiaries' sorting and processing functions and form an alliance with business partners that have technical strength. In anticipation of the plateauing of domestic demand, we plan to expand our business with overseas customers in such areas as the United States, Europe, China, Southeast Asia and India as well as to promote partnerships with companies with excellent sorting and processing capabilities. At

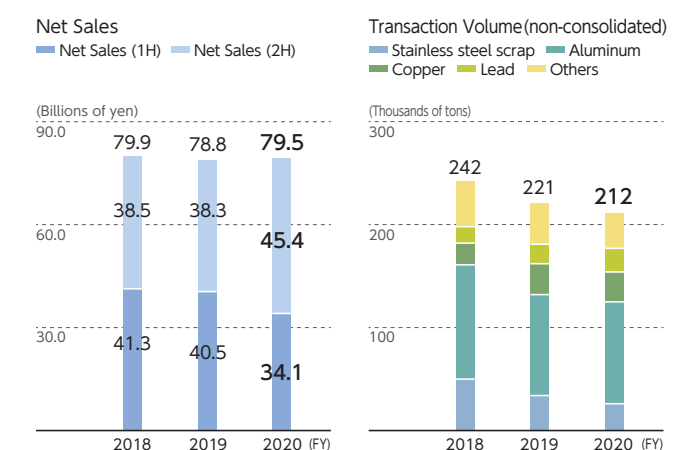
processing centers, we will promote high-level standardization in their common areas of production, strengthen their functions, and build a system that enables us to respond quickly to requests of customers.

For non-ferrous products, we will seek to deal with non-ferrous semi-finished products and internationally competitive niche products, which we have not dealt with before.

FY2020 Results

Net sales **¥79.5 billion** Segment income **¥0.7 billion** Segment employees **214 people**

In the metal recycling business, the handling volume of scrap, mainly of stainless steel, decreased under restrained production in the manufacturing industry compared to the previous fiscal year. However, sales grew amid rising scrap prices for copper and precious metals. In terms of profit, due to rising international prices of base metals, the Company recorded unrealized gains on inventories, but on the other hand incurred a loss on valuation of derivatives, used to hedge price-fluctuation risks in inventories. As a result, sales in the business segment increased by 1.0% year-on-year, to ¥79.5 billion, but segment income decreased by 66.7% year-on-year, to ¥0.7 billion.



Food Products



Business summary

In the food products business, we mainly handle marine products and maintain a top-level import share in many items. In recent years, in order to further develop the market, we have been actively working on establishing purchasing bases in Europe and South America and sales companies in the United States and Japan. In addition, the products we process at our overseas partner factories have strengthened traceability and we have a thorough quality control system.

Main products or services

The main products handled are marine products such as salmon, shrimp and crab, and livestock products such as chicken.

SDGs-related initiatives

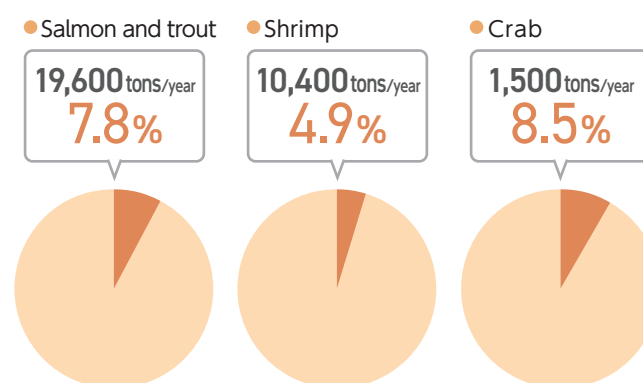
We fulfill the responsibilities that are required upon handling foodstuff including marine products and contribute to sustainable marine resource circulation. At the same time, we engage in all levels from the upstream (material procurement) to downstream (final product) sectors of the value chains in Japan and overseas to contribute to the economic development of the regions where we are involved in the food industry (production and processing of ingredients) as well as safe and secure food distribution around the world.

Strengths and Characteristics

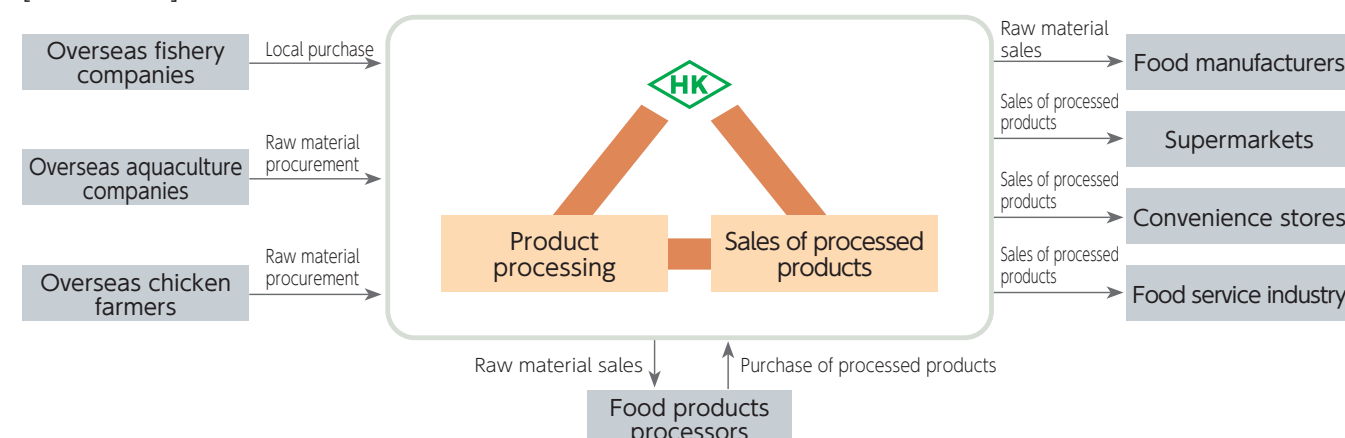
In the food products business, we have established sales subsidiaries for the development of domestic end-user markets and are actively promoting the sale of products processed in such places as China, Thailand, and Vietnam, by leveraging our long-cultivated seafood raw material procurement capabilities and overseas processing experience. In addition, while the proportion of farmed products in the world's seafood resources is increasing, we have newly established our subsidiary in the Republic of Chile to strengthen procurement of farmed salmon, and at the same time, we are aiming to develop markets throughout South America.

Our employees with advanced product knowledge and good agility in business are personally involved in the procurement of raw materials, local processing, and final product sales, and supply safe, secure and high-quality food products through thorough production guidance and quality control.

Our share in the marine products market in Japan (2020)



[Value Chain]



Environment and Challenges Surrounding the Business

Against the backdrop of the strong growth in overseas demand, Japanese companies now have less say over suppliers. Going forward, if a company does not have a global sales net-

work or the ability to respond to overseas demand, it is expected that procurement will become tougher. In addition, at present, vendors who can approach the end-users still have

purchasing power, but in the medium to long-term, it is expected that the entire supply chain will be clustered and systemized by taking advantage of the functions of each company. At other trading companies in the same industry, the internal processing and other operations of each process is progressing within the group, and in the medium to long-term, it is expected that large companies that can expand globally and secure a large handling volume and have high information collection capacity will become strong. Overseas demand is pushing up purchase prices while domestic demand is continuing to de-

press selling prices, and in the medium to long-term it is possible that the business may shrink if we only focus on the Japanese market.

In this business environment, the food products business must shift to a global business model so that it can expand sales volume even in markets with soaring demand by strengthening its overseas network and also shift to a business model based on vertical integration from the upper and lower reaches of the company to increase the earning power of the entire Group.

Medium to Long-Term Business Policy

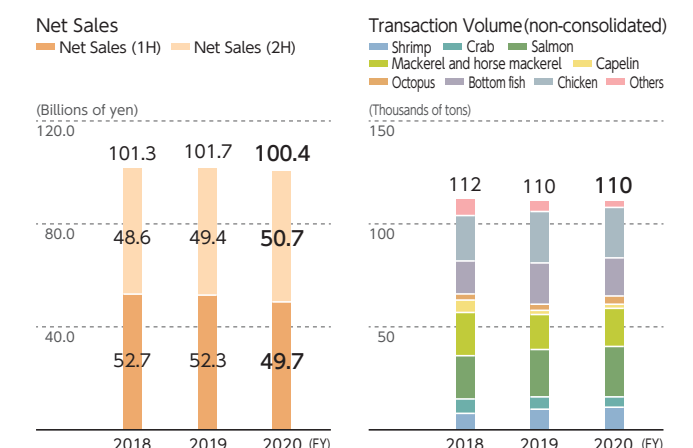
Through capital tie-ups and alliances, we will strengthen our relationships with overseas marine product processors and aquaculture operators, and as a downstream business, we will aim to expand sales channels for end users of our group com-

panies. In addition, we will expand our business into other food products including livestock products, rather than limiting ourselves to marine products, and expand into the markets of North America, South America, China, and Southeast Asia.

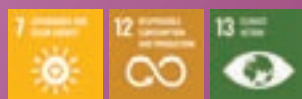
FY2020 Results

Net sales **¥100.4 billion** Segment income **¥2.1 billion** Segment employees **168 people**

In the food products business, while the transaction volume of processed products decreased due to restaurants voluntarily refraining from operations, the volume of products sold to mass retailers, mainly salmon, recovered. Product prices, however, generally trended at lower levels than in the previous fiscal year. Profits were boosted by improved profitability of the Company's U.S. sales subsidiary and an increase in the number of consolidated subsidiaries in Japan, as well as a decrease in loss on valuation of inventories compared to the previous fiscal year. As a result, sales in this business segment declined by 1.3% to ¥100.4 billion, while segment income was ¥2.1 billion (¥0.1 billion in segment loss in the previous fiscal year).



Energy & Living Materials



Business summary

In the energy & living materials business, we supply heavy oil and diesel oil to a wide range of industries such as steel, chemical, and pulp and paper in Japan. In overseas transactions, in addition to the sale of marine fuel, we are also focusing on the import and export of petroleum products. We sell living materials mainly to foreign countries and handle such products as synthetic resin raw materials and plastic products such as polyethylene plastic bags and garbage bags. As for paper stock, we are promoting industrial paper sales and the waste paper recycling business.

Main products or services

The main products are petroleum products, industrial chemicals, chemicals and recycled fuel.

SDGs-related initiatives

In the energy field, we are working on supply of environmentally friendly energy sources including biomass fuel while striving to achieve harmonious coexistence with the community, whereby contributing to solution of energy and environmental issues around the world, development of local societies, and realization of sustainable society. In the living material field, we contribute to formation of recycling-oriented economy through the expanding of bio-based plastic products and biodegradable resin products and the recycling business of waste paper and plastics.

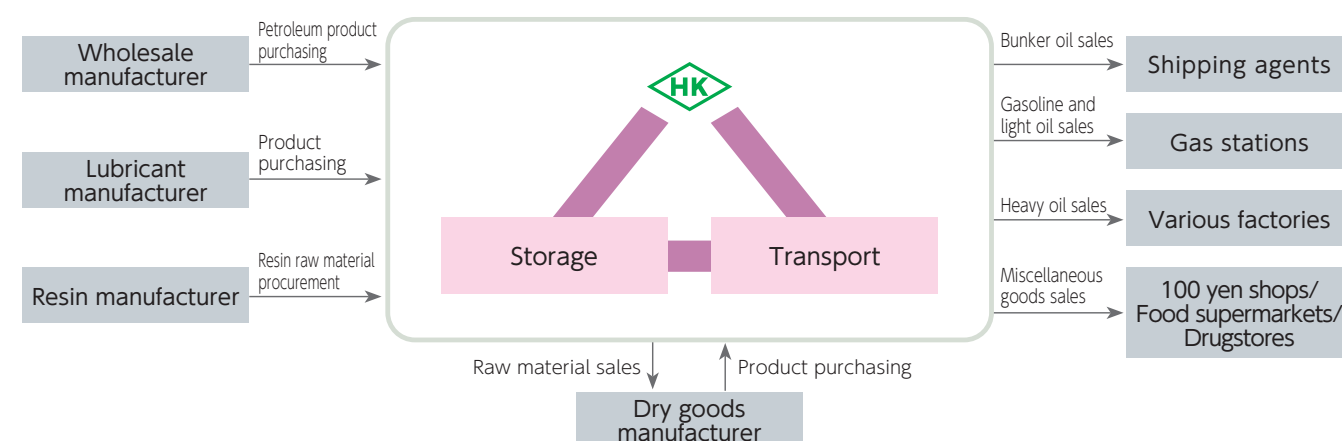
Strengths and Characteristics

In the energy business, we have a wide variety of procurement sources and have been able to supply low-priced, high-quality fuel in a timely manner by fully leveraging our trading functions such as futures trading, import/export trading, and inventory management. We have about 300 customers and have several products which boast top market share in the industry such as C heavy oil for the domestic industry. We are also making efforts to build a system for supplying plant-derived biomass fuels (such as wood pellets and palm kernel shells (PKS)), which are environmentally friendly energy sources. In addition, we handle a wide variety of lubricant raw materials, additives, and chemicals based on the needs of our users.

In the living materials business, we handle a wide range of products from raw materials (resins) to products (plastic bags and garbage bags) and provide customers with a full range of services from product development to package design, manufacturing, sales and delivery. In addition, we have a department dedicated to quality control and provide safe and secure products to our customers.

In the paper business, waste paper and scrap paper generated in Japan, which have a price advantage, are exported to ASEAN countries and elsewhere where paper usage is increasing due to economic growth. We are also expanding our environmental business, including the recycled fuel business (such as RPF).

[Value Chain]



Environment and Challenges Surrounding the Business

In the energy business, with the market oligopoly of domestic major oil companies continuing, sector peers with less advantageous functions become less profitable, thus forced to withdraw from the market, while there is an increased demand from customers for the stable supply of commercial materials including delivery capability.

Currently, demand of biomass fuel, which we maintain a high market share, is expected to increase as a renewable energy source.

In the living materials business, we purchase mainly from overseas manufacturers such as those in Vietnam and the Philippines, and sell mainly to major retailers in Japan, and distributors are re-

quired to have a high level of procurement and quality control capabilities, and inventory distribution functions. In recent years, with the growing trend of plastic-free particularly in developed countries, there is a growing requirement for companies to carry out environmentally-conscious initiatives.

In the paper business, the overall amount of waste paper being

generated has decreased due to the trend of paperless production worldwide, but the oversupply of used paper continues in Japan, and quality requirements are becoming stricter. Also, demand for developing export destinations other than China is increasing. With regard to RPF, we believe that demand will remain firm in the medium to long-term due to the global trend of decarbonization.

Medium to Long-Term Business Policy

In the energy business, we continue to maintain business transactions with major oil companies in Japan and supply marine fuel and fuel oil C to shipping companies and various other manufacturers. On the other hand, in line with the growing interest in global environmental issues, we plan to expand the handling of wood pellets and PKS for the biomass power generation business.

In the living materials business, we will position major business partners in Japan as our main customers in the medium to long-term and aim to strengthen sales by offering product proposal and inventory distribution functions. With regard to the main products, we will

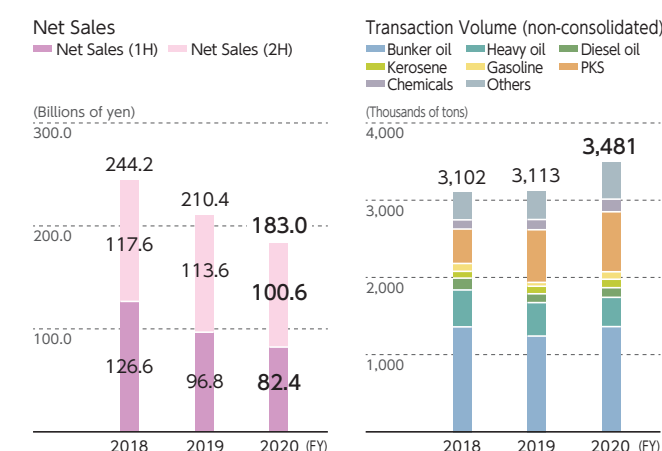
shift our focus from the supplies used by consumers, such as plastic bags and garbage bags, to the products that our customers sell, such as stationery and daily necessities. As for our suppliers, Vietnam will be the country with focus for the time being, but we will also plan to restructure procurement from China.

In the paper business, with regard to used paper, the Company plans to expand its exports mainly to the ASEAN region. As for RPF, which is an alternative for fossil fuel, we aim to increase its domestic market share as a supplier and also expand our business in the ASEAN region to build a recycling business.

FY2020 Results

Net sales **¥183.0 billion** Segment income **¥5.5 billion** Segment employees **233 people**

In the energy & living materials business, sales declined as the prices of crude oil and petroleum products remained lower compared with the previous fiscal year. However, after product prices sharply declined at the beginning of the fiscal year, they followed a rising trend, and the spread between the Japanese and overseas markets widened, enabling us to secure a solid profit margin. In addition, sales of palm kernel shells (PKS) increased due to factors including signing long-term contracts with biomass power plants. In the living materials field, the transaction volume increased due to higher demand for daily necessities and household goods caused by the voluntary restraint on outings. As a result, sales in this business segment declined by 13.0% year-on-year to ¥183.0 billion, but segment income increased by 32.8% year-on-year to ¥5.5 billion.



Other Business

[Lumber] [Machinery]

Lumber



Machinery



[Lumber]

Business summary

In the lumber business, we import fine lumber from around the world and sell them to our customers such as housing companies, building material trading companies, building material manufacturers, lumber processors, and sales agents. We sell the products not only in Japan but are also focusing on offshore trading for construction and building materials in Asia and the Middle East. We are also enhancing our function as a general sales agent of housing components centered on processed lumber products for housing companies.

Main products or services

The main products are imported and Japanese lumber products and building materials for houses in general.

SDGs-related initiatives

We are responding to lumber demand worldwide by taking advantage of our economy of scale and network in Japan and abroad. We are also emphasizing on export of domestic lumber and aim to contribute to sustainable development of the Japanese forestry and preservation of the abundant forests.

[Machinery]

Business summary

The machinery business has two components: the leisure facilities business, which sells amusement machines and performance directions to theme parks; and industrial machinery business, which sells mainly various types of steel processing machines and various conveyance machines.

Main products or services

The main products are amusement machines and industrial machinery. We also manage and operate amusement facilities.

SDGs-related initiatives

We contribute to the development of cities where people can continue living by responding to the demands for replacement of deteriorated facilities or upgrading of machinery for energy saving. We are also engaged in introduction of facilities related to renewable energy and recycling, whereby contributing to the realization of a sustainable global environment.

Strengths and Characteristics

[Lumber]

We import and sell competitive lumber by taking advantage of our economy of scale as a top-class lumber importer. In particular, we boast top shares in European lumber and Russian lumber, which we import through the Vienna Office. We are also expanding trading of Japanese lumber and have high share not only in domestic consumption but also in exports to Southeast and other parts of Asia.

The housing materials business has expanded its business scope downstream. The business of processing imported lumber and selling it to housing companies is cost competitive, and we have grown to become a major player among trading companies involved in the business.

Moreover, we sell building materials and steel components together with lumber, and our ability to propose the shortest commercial distribution route from upstream to downstream represents our great strength, which has been highly rated by customers.

[Machinery]

Since the leisure facilities business has in-house engineers and supervisors, as well as strong networks with external experts and examination organizations, we provide users with a full range of services from the design of amusement machines to the procurement of materials and construction. In addition, we have established a strong relationship of trust with European and American manufacturers, which are the leading countries of the amusement machinery industry, and we have signed sole agent contracts with them to introduce the latest industry trends to the Japanese market.

In the industrial machinery business, we provide valuable solutions for users' capital investment plans by using our rich information network and engineering functions created by close cooperation with various leading industrial machinery manufacturers. In addition, a VE proposal system has been established to make suggestions on the capital investment plans of customers of other divisions of the Company, mainly in the steel sector, so that they can invest in efficient equipment.

Environment and Challenges Surrounding the Business

[Lumber]

As the housing industry, which is the business's main market, is gradually shrinking due to declining birthrate, the competition between housing companies is intensifying. Users are taking an increasingly stringent look at the functions and costs, as a result of which the industry is tending towards eliminating intermediate distribution with fewer functions.

While we already have considerable competitiveness in terms of wood feedstock and processed products, we need to enhance the ability to propose appropriate combination of materials amid fluctuating markets.

At the same time, it is becoming more important to offer products by adding values corresponding to customer needs such as delivery function and construction rather than merely selling products, and we need to further expand the functions we offer.

[Machinery]

In the leisure facilities business, there are few competitors in the large-scale amusement park ride field, and due to our track record, we have seen an increase in the number of transaction requests from overseas manufacturers. We have a good relationship with major customers and expect to maintain a continuous business relationship with them in the future. Going forward, we will focus on the development of new customers.

In the industrial machinery business, transactions of general-purpose machinery such as simple cranes have remained difficult to expand. However, we have been designated as a prime contractor in a number of complicated projects, such as those of production line equipment, that require the consolidation of multiple vendors and ideas.

Going forward, we believe that it is necessary to develop a purchasing source that can deal with simple and small-scale facilities, build a sufficient organizational structure that can cope with prime contract work, and develop human resources who are familiar with English and trade practices.

Medium to Long-Term Business Policy

[Lumber]

We aim to become a trading firm that is selected by housing companies, the main users, through the provision of comprehensive services that respond to their needs.

We do not limit our products to lumber but also offer steel components and overall building materials and will develop a sales framework to offer everything users need from the viewpoint of business partners.

Further, in terms of functions, we will enhance collaboration with vendors and our other divisions to build a company network capable of coordinating the entire process from raw materials to delivery to the work site, whereby upgrading and expanding the functions.

[Machinery]

In the leisure facilities business, we continue to expand our business throughout Japan based on our advantage of being able to provide all services from design to material procurement and construction, and with strong, trusting relationships with European and American manufacturers. In addition, we expand and improve the maintenance business associated with the facilities.

In the industrial machinery business, we focus on areas where high added value is expected and where demand is expected to grow over the medium to long-term, such as by proposing measures to save labor in manufacturing equipment lines and providing proposals for automation. In addition, we will expand our business into the Hokkaido, Shikoku, and Kyushu regions, which has been slow to develop.

FY2020 Results

Net sales

¥87.8 billion

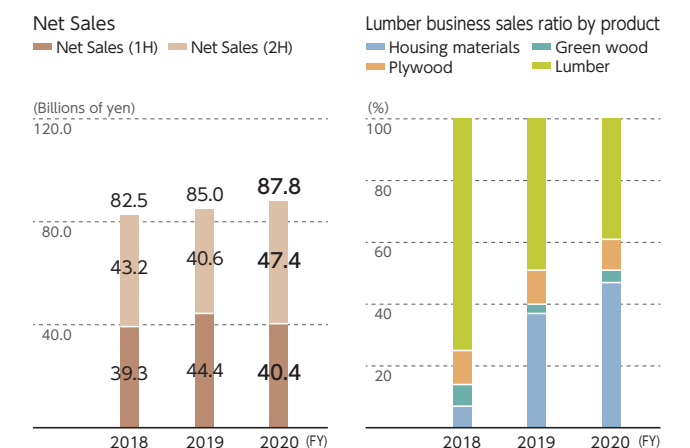
Segment income

¥1.4 billion

Segment employees

203 people

In the other business, the number of customers and product line mainly targeting housing manufacturers increased in the lumber business, and revenue in the machinery business was boosted by an increased number of completions of highly profitable construction works in the leisure facilities and industrial machineries segments. As a result, sales in this business segment increased by 3.4% to ¥87.8 billion, and segment income increased by 3.9% to ¥1.4 billion.



Overseas Sales Subsidiaries

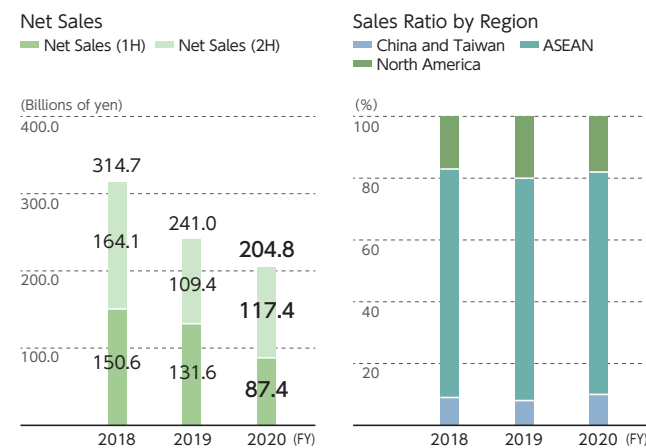
Main products or services

We sell a wide variety of products, as in Japan, at major overseas bases.

FY2020 Results

Net sales **¥204.8 billion** Segment income **¥1.7 billion** Segment employees **454 people**

With respect to sales subsidiaries overseas, despite an increase in steel handled in Indonesia and other locations, given the trend of constrained economic activities in countries around the world due to the pandemic, the volume of ship fuels handled in Singapore declined, as did marine products handled in the U.S. primarily destined for Japan. On the other hand, in terms of profit, with prices for steel on a rising trend, profit margins expanded in Indonesia. Profitability of transactions in non-ferrous metals in Thailand improved, contributing to increased segment income. As a result, sales in this business segment declined by 15.0% to ¥204.8 billion, while segment income rose by 267.6% to ¥1.7 billion.



Net sales and property and equipment by region

(1) Net sales

Japan (Millions of yen)	Asia (Millions of yen)	Other areas (Millions of yen)	Total (Millions of yen)
1,129,536	531,694	84,270	1,745,501

*Net sales are based on the location of the customer and are grouped into countries or regions.

(2) Property and equipment

Japan (Millions of yen)	Asia (Millions of yen)	Other areas (Millions of yen)	Total (Millions of yen)
63,752	7,562	2,491	73,806

Major Affiliated Companies

● : Steel ● : Primary Metal ● : Metal Recycling ● : Food Products ● : Energy & living materials ● : Other Business ● : Overseas Sales Subsidiaries

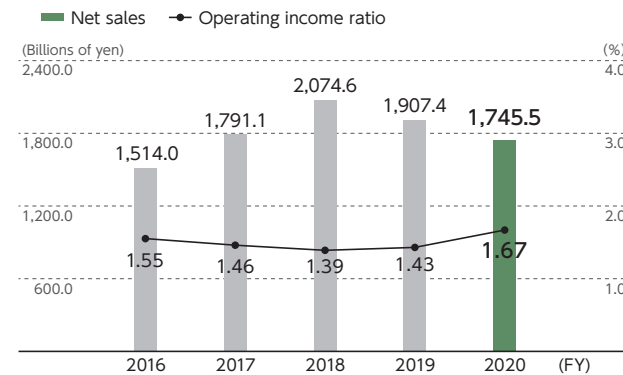
Name	Address	Capital or capital investments	Name	Address	Capital or capital investments
(Consolidated subsidiaries)			● Hanwa Foods Co., Ltd.	Chuo-ku, Tokyo	¥200 million
● S.K. Engineering Co., Ltd.	Chuo-ku, Tokyo	¥222 million	● Maruhon Honma Suisan Co., Ltd.	Nishi-ku, Sapporo	¥20 million
● Daisun Co., Ltd.	Nishi-ku, Osaka	¥200 million	● East Japan Foods Co., Ltd.	Ishinomaki, Miyagi	¥75 million
● Hanwa Logistics Tokyo Co., Ltd.	Narashino, Chiba	¥100 million	● SEATTLE SHRIMP & SEAFOOD COMPANY, INC.	Washington, U.S.A.	US\$ 300 thousand
● Hanwa Logistics Osaka Co., Ltd.	Sakai-ku, Sakai	¥100 million	● Toyo Energy Co., Ltd.	Chuo-ku, Osaka	¥120 million
● Hanwa Logistics Nagoya Co., Ltd.	Tobishima-mura, Ama-gun, Aichi	¥100 million	● Seibu Service Co., Ltd.	Yodogawa-ku, Osaka	¥20 million
● Hanwa Steel Service Ltd.	Koka, Shiga	¥100 million	● Alpha Forme Co., Ltd.	Yodogawa-ku, Osaka	¥3 million
● Hanwa Eco Steel Corporation	Kamagaya, Chiba	¥100 million	● HANWA SINGAPORE (PRIVATE) LTD.	Singapore	US\$ 144,527 thousand
● San Ei Metal Co., Ltd.	Chuo-ku, Osaka	¥100 million	● HANWA AMERICAN CORP.	New Jersey, U.S.A.	US\$ 40,000 thousand
● Tohan Steel Co., Ltd.	Funabashi, Chiba	¥64 million	● HANWA THAILAND CO., LTD.	Bangkok, Thailand	THB612,200 thousand
● Subaru Steel Co., Ltd.	Taisho-ku, Osaka	¥57 million	● HANWA CO., (HONG KONG) LTD.	Hong Kong, China	HK\$ 70,000 thousand
● Daikoh Steel Co., Ltd.	Suminoe-ku, Osaka	¥50 million	● HANWA TRADING(SHANGHAI) CO., LTD.	Shanghai, China	US\$ 2,500 thousand
● KAMEI Co., Ltd.	Matsuyama, Ehime	¥50 million	● TAIWAN HANWA KOGYO CO., LTD.	Taipei, Taiwan	NT\$ 15,000 thousand
● Daiko Sangyo Co., Ltd.	Chuo-ku, Osaka	¥35 million	● HANWA CANADA CORP.	Vancouver, Canada	CAN\$ 2,300 thousand
● Taiyokozai Co., Ltd.	Chuo-ku, Osaka	¥10 million	● PT. HANWA INDONESIA	Jakarta, Indonesia	US\$ 32,100 thousand
● Matsuoka Kozai Co., Ltd.	Koka, Shiga	¥10 million	● HALOS Corporation*	Chuo-ku, Tokyo	¥100 million
● Hokuriku Column Co., Ltd.	Imizu, Toyama	¥70 million	(Equity-method affiliates)		
● Kaneki Co., Ltd.	Kumiyama-cho, Kuse-gun, Kyoto	¥20 million	● OHMI SANGYO CO., LTD.	Taisho-ku, Osaka	¥100 million
● Japanlife Co., Ltd.	Chuo-ku, Tokyo	¥60 million	● STAINLESS PIPE KOGYO Co., Ltd.	Mihara-ku, Sakai	¥100 million
● Hirouchi Atsuen Kogyo Co., Ltd.	Jyoto-ku, Osaka	¥100 million	● Metaltech Co., Ltd.	Sumida-ku, Tokyo	¥50 million
● SANYO KOUZAI Co., Ltd.	Naka-ku, Hiroshima	¥20 million	● Sohbi Craft Poland Sp.ZO.O.	Lysomice, Poland	PLN 46,404 thousand
● HANWA STEEL SERVICE MEXICANA S.A. DE C.V.	Guanajuato, Mexico	MXN 870,547 thousand	● COSMOSTEEL HOLDINGS LTD.	Singapore	S\$ 56,324 thousand
● PT. HANWA STEEL SERVICE INDONESIA	Bekasi, Indonesia	US\$ 33,000 thousand	● SENDO STEEL PIPE JOINT VENTURE CO., LTD.	Ba Ria Vung Tau, Vietnam	VND 176,201 million
● HANWA STEEL SERVICE (THAILAND) CO., LTD.	Chonburi, Thailand	THB 576,000 thousand	● SOHBI KOHGEI (PHILS.), INC.	Batangas, Philippines	US\$ 7,772 thousand
● HANWA STEEL SERVICE (DONGGUAN) CO., LTD.	Dongguan, China	US\$ 15,000 thousand	● SMC TOAMI LLC.	Ba Ria Vung Tau, Vietnam	VND 65,217 million
● HANWA STEEL CENTRE (M) SDN. BHD.	Penang, Malaysia	MYR 40,000 thousand	● HANWA FELLOWS ENGINEERING (THAILAND) CO., LTD.	Bangkok, Thailand	THB 6,000 thousand
● CHANG FU STAINLESS STEEL CENTER (SUZHOU) CO., LTD.	Taichang, China	US\$ 18,000 thousand	● NIPPON EGALV STEEL SDN. BHD.	Penang, Malaysia	MYR 183,429 thousand
● HANWA SMC STEEL SERVICE HA NOI CO., LTD.	Ha Noi, Vietnam	VND 64,369 million	● NST SAIGON COIL CENTER CO., LTD.	Binh Duong, Vietnam	VND 54,100 million
● RI HONG STAINLESS (SHANGHAI) CO., LTD.	Shanghai, China	RMB 95,000 thousand	● SMC TRADING INVESTMENT JSC.	Ho Chi Minh, Vietnam	VND 609,946 million
● Japan South Africa Chrome Company Limited	Chuo-ku, Tokyo	¥100 million	● SAMANCOR CHROME HOLDINGS PROPRIETARY LTD.	Johannesburg, South Africa	ZAR 2,555 million
● Showa Metal Co., Ltd.	Kawasaki-ku, Kawasaki	¥20 million			
● Nikko Kinzoku Co., Ltd.	Moji-ku, Kitakyusyu	¥20 million			
● SEIKI Co., Ltd.	Taketoyo-cho, Chita-gun, Aichi	¥20 million			
● PT. HANWA ROYAL METALS	Jawa Timur, Indonesia	US\$ 3,800 thousand			

*Management and operation of amusement facilities

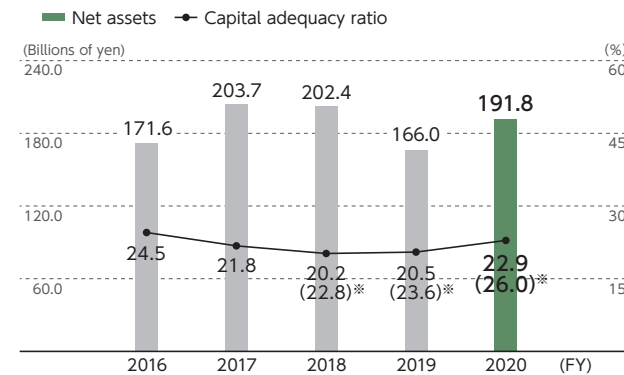
Financial and Non-financial Highlights

Financial Indicators

Net sales/Operating income ratio

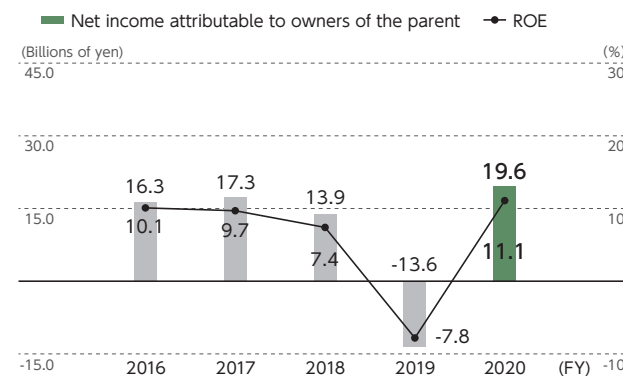


Net assets/Capital adequacy ratio

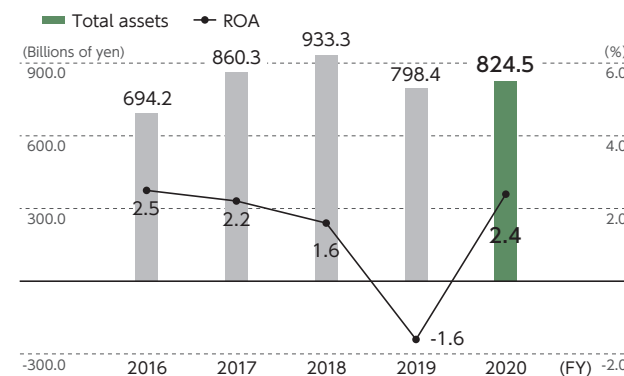


Note: Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan) implemented in March 2019.

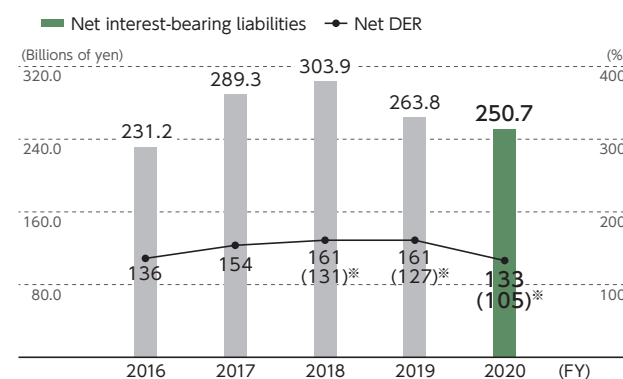
Net income attributable to owners of the parent/ROE



Total assets/ROA

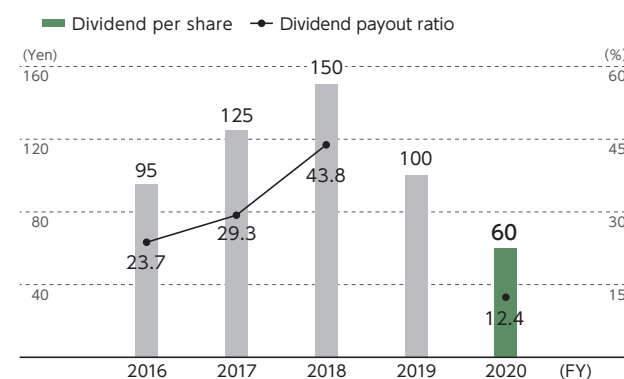


Net interest-bearing liabilities/Net DER



Note: Calculated by taking into account the equity credit attributes evaluated by ratings institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan) implemented in March 2019.

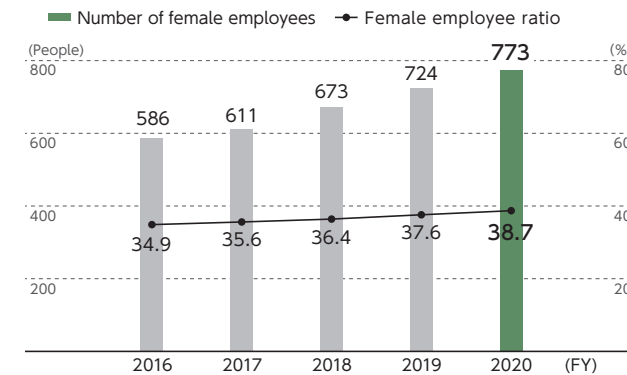
Dividend per share/Dividend payout ratio



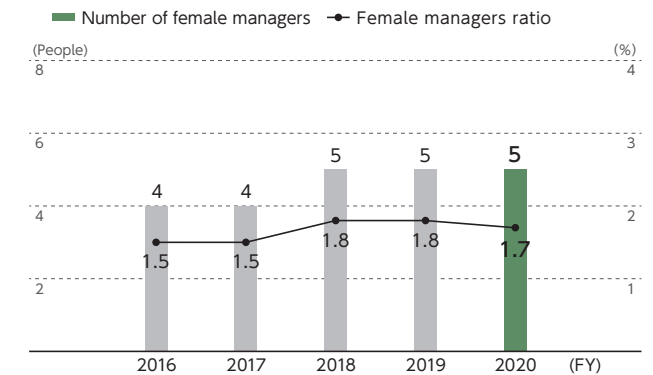
Note: The Company consolidated its shares at a ratio of 5 shares to 1 share on October 1, 2017. Dividend per share is the amount taking into account the consolidation of shares.

Non-financial Indicators

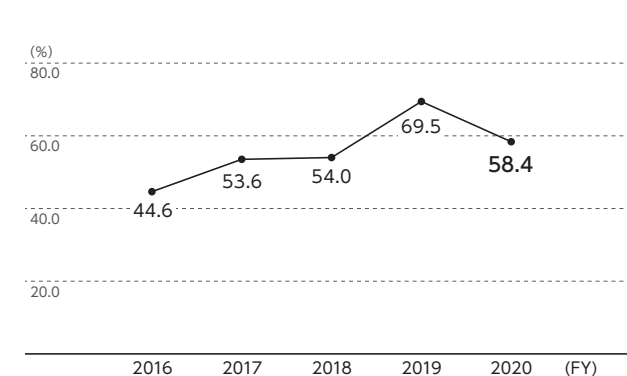
Number of female employees/Female employee ratio



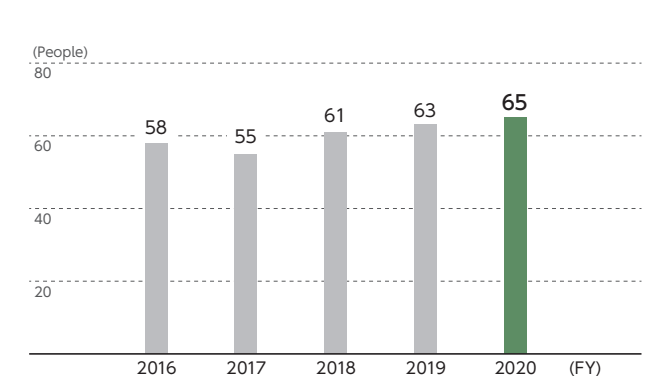
Number of female managers/Female managers ratio



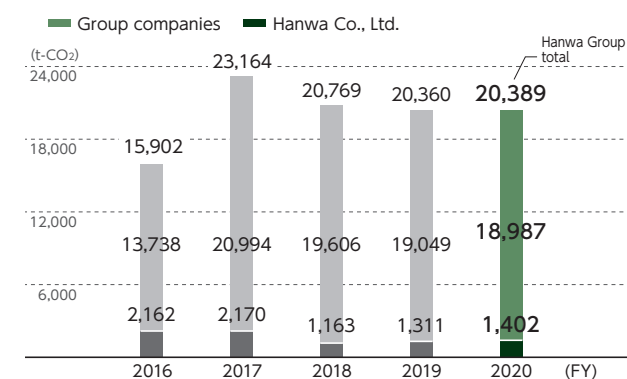
Paid leave acquisition rate



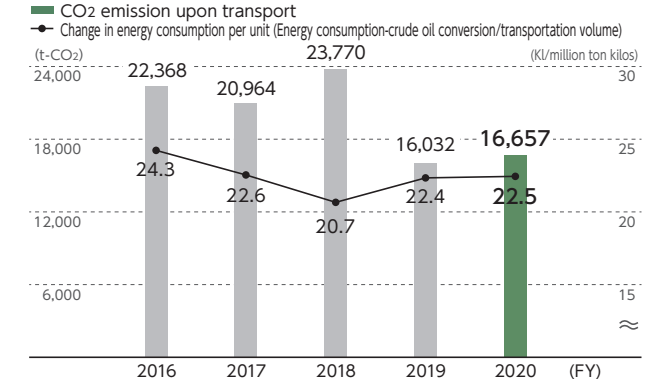
Number of persons taking childcare leave



CO2 emission at domestic offices



Change in CO2 emission upon transport and energy consumption per unit of GDP (gross domestic product)



Scope: Domestic shipping where Hanwa is the consignee

11-Year Financial Summary

For the years ended March 31

											Millions of yen	Thousands of U.S. dollars (*1)
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Results of Operations:												
Net sales	¥ 1,396,103	¥ 1,564,250	¥ 1,511,324	¥ 1,682,503	¥ 1,737,397	¥ 1,511,800	¥ 1,514,037	¥ 1,791,118	¥ 2,074,600	¥ 1,907,493	¥ 1,745,501	\$ 15,766,425
Gross profit	43,744	46,346	44,762	51,365	55,729	56,559	64,514	72,195	79,222	79,826	79,925	721,931
Operating income	13,853	14,976	12,491	16,252	19,107	18,178	23,426	26,217	28,904	27,330	29,232	264,041
Ordinary profit (loss)	13,490	13,116	8,871	14,698	14,264	15,424	22,907	25,502	23,395	(12,598)	28,821	260,328
Net income (loss) attributable to owners of the parent	5,793	4,632	4,720	7,896	9,086	25,469	16,363	17,354	13,914	(13,674)	19,617	177,192
Cash Flows:												
Net cash provided by (used in) operating activities	(46,948)	11,970	19,380	343	1,790	53,098	3,959	(19,755)	15,417	74,261	19,004	171,655
Net cash provided by (used in) investing activities	(7,610)	(12,009)	(5,106)	(5,244)	(13,692)	(10,446)	(18,427)	(39,971)	(20,623)	(24,159)	(4,190)	(37,846)
Net cash provided by (used in) financing activities	51,271	1,596	(16,363)	(4,927)	19,339	(41,751)	15,447	66,435	28,132	(42,314)	(34,223)	(309,122)
Free cash flows (*3)	(54,559)	(39)	14,273	(4,901)	(11,902)	42,652	(14,468)	(59,727)	(5,205)	50,102	14,814	133,809
Financial Position at Year-End:												
Total assets	532,797	582,404	552,908	593,351	651,456	599,694	694,232	860,344	933,307	798,442	824,590	7,448,197
Total net assets	110,458	115,956	120,674	125,361	142,749	156,139	171,637	203,700	202,459	166,097	191,857	1,732,969
Gross interest-bearing liabilities (*4)	235,204	243,142	236,169	245,906	272,575	237,552	259,670	325,562	363,257	331,107	301,654	2,724,722
Net interest-bearing liabilities (*5)	214,497	219,594	212,883	229,899	248,032	210,437	231,205	289,346	303,949	263,850	250,747	2,264,899
Per share data: (*2)											Yen	U.S. dollars (*1)
Net income (loss) attributable to owners of the parent	27.95	22.35	22.78	38.11	43.85	122.92	80.18	427.04	342.41	(336.51)	482.74	4.360
Net assets attributable to owners of the parent	529.65	548.22	570.50	591.68	682.46	747.40	838.70	4,621.96	4,632.55	4,027.01	4,656.17	42.057
Cash dividends	12.00	12.00	12.00	12.00	15.00	18.00	19.00	85.00 (*9)	150.00	100.00	60.00	0.541
Key financial ratios:											%	
Return on assets (ROA) (*6)	1.2	0.8	0.8	1.4	1.5	4.1	2.5	2.2	1.6	(1.6)	2.4	
Return on equity (ROE) (*7)	5.4	4.1	4.1	6.6	6.9	17.2	10.1	9.7	7.4	(7.8)	11.1	
Capital adequacy ratio	20.6	19.5	21.4	20.6	21.7	25.8	24.5	21.8	20.2(22.8)(*10)	20.5(23.6)(*10)	22.9(26.0)(*10)	
Net DER (%) (*8)	195	193	180	188	175	136	136	154	161(131)(*10)	161(127)(*10)	133(105)(*10)	
Payout ratio	42.9	53.7	52.7	31.5	34.2	14.6	23.7	29.3	43.8	— (*11)	12.4	

* 1. The U.S. dollar amounts represent translations, for convenience only, of yen amounts at the rate of ¥110.71=\$1.00.

2. The company consolidated its common shares at a ratio of 5 shares to 1 share on October 1, 2017. Accordingly, per share data (except for cash dividends) are calculated on the assumption that the consolidation of shares was conducted at the beginning of fiscal year 2018.

3. Free cash flow is defined as net cash provided by (used in) operating activities and net cash provided by (used in) investing activities.

4. Gross interest-bearing liabilities are defined as short-term loans payable, commercial paper, long-term debt, bonds and lease debt.

5. Net interest-bearing liabilities are defined as gross interest-bearing liabilities minus cash and cash equivalents and time deposits.

6. ROA is calculated by dividing net income (loss) attributable to owners of the parent by the average of total assets at the beginning and end of the fiscal year.

7. ROE is calculated by dividing net income (loss) attributable to owners of the parent by the average of equity attributable to owners of the parent at the beginning and end of the fiscal year.

8. Net DER is calculated by dividing net interest-bearing liabilities by equity attributable to owners of the parent at the end of the fiscal year.

9. Dividends per share of ¥85.00 for the year ended March 31, 2018 consisted of interim dividends of ¥10.00 per share before the consolidation of shares and year-end dividends of ¥75.00 per share after the consolidation.

10. The values in parentheses of the capital adequacy ratio and the net debt/equity ratio (DER) are calculated by taking into account the equity credit attributes evaluated by rating institutions (50%) of the ¥50.0 billion subordinated loan (hybrid loan) implemented in March 2019.

11. Payout ratio has not been presented for those fiscal years in which the Company incurred a net loss attributable to owners of the parent.

Consolidated Balance Sheets

As at March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Assets			
Current assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 50,892	¥ 67,243	\$ 459,687
Receivables:			
Trade notes and accounts (Notes 3 and 13):			
Unconsolidated subsidiaries and affiliates	7,036	8,418	63,553
Other	349,023	333,141	3,152,587
Electronically recorded monetary claims (Note 3):			
Unconsolidated subsidiaries and affiliates	—	97	—
Other	27,895	21,184	251,964
Loans:			
Unconsolidated subsidiaries and affiliates	4,068	2,109	36,744
Other	5,584	10,019	50,438
Allowance for doubtful accounts	(1,679)	(1,046)	(15,165)
Securities (Notes 3 and 4)	—	1,167	—
Inventories (Note 6)	127,378	127,460	1,150,555
Other current assets	59,894	57,833	540,999
Total current assets	630,093	627,629	5,691,382
Investments and noncurrent receivables:			
Investment securities (Notes 3, 4 and 7)	58,769	46,314	530,837
Investments in unconsolidated subsidiaries and affiliates (Note 3)	13,702	10,577	123,764
Loans receivable (Note 3):			
Unconsolidated subsidiaries and affiliates	789	1,133	7,126
Other	17,140	18,007	154,818
Other investments and noncurrent receivables	22,044	13,754	199,114
Allowance for doubtful accounts	(454)	(1,070)	(4,100)
Total investments and noncurrent receivables	111,991	88,717	1,011,570
Property and equipment (Note 7):			
Land (Note 12)	34,457	34,165	311,236
Buildings and structures	51,294	51,797	463,318
Machinery, equipment and vehicles	27,956	26,730	252,515
Other	13,345	13,190	120,540
Accumulated depreciation	(53,247)	(50,721)	(480,959)
Total property and equipment	73,806	75,162	666,660
Other assets:			
Deferred tax assets—noncurrent (Note 8)	805	600	7,271
Intangible assets (Note 7)	7,893	6,331	71,294
Total other assets	8,699	6,932	78,574
Total	¥ 824,590	¥ 798,442	\$ 7,448,197

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Liabilities and Net Assets			
Current liabilities:			
Short-term loans payable (Notes 3 and 9)	¥ 35,334	¥ 44,979	\$ 319,158
Long-term debt due within one year (Notes 3, 7 and 9)	40,539	32,218	366,172
Trade notes and accounts payable (Note 3):			
Unconsolidated subsidiaries and affiliates	3,503	1,340	31,641
Other	209,933	201,330	1,896,242
Electronically recorded obligations (Note 3):			
Unconsolidated subsidiaries and affiliates	148	37	1,336
Other	21,624	19,108	195,321
Accrued bonuses to employees	3,281	2,774	29,635
Provision for product warranties	324	481	2,926
Income taxes payable	6,985	2,466	63,092
Other current liabilities	67,549	59,913	610,143
Total current liabilities	389,222	364,653	3,515,689
Noncurrent liabilities:			
Long-term debt due after one year (Notes 3, 7 and 9)	223,999	252,386	2,023,295
Retirement benefit liability (Note 10)	5,326	6,162	48,107
Deferred tax liabilities—noncurrent (Note 8)	7,136	2,871	64,456
Other noncurrent liabilities	7,048	6,271	63,661
Total noncurrent liabilities	243,510	267,691	2,199,530
Contingent liabilities (Note 11)			
Net assets (Note 12)			
Shareholders' equity:			
Common stock:			
Authorized: 114,000,000 shares in 2021 and 114,000,000 shares in 2020			
Issued: 42,332,640 shares in 2021 and 42,332,640 shares in 2020	45,651	45,651	412,347
Retained earnings	137,825	119,475	1,244,919
Treasury stock, at cost: 1,695,152 shares in 2021 and 1,694,788 shares in 2020	(3,729)	(3,728)	(33,682)
Total shareholders' equity	179,747	161,398	1,623,584
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities, net of taxes	15,193	6,042	137,232
Deferred gains or losses on hedges, net of taxes	372	745	3,360
Land revaluation difference, net of taxes	3,191	3,277	28,823
Foreign currency translation adjustment	(4,906)	(2,434)	(44,313)
Remeasurements of defined benefit plans (Note 10)	(4,384)	(5,380)	(39,598)
Total accumulated other comprehensive income	9,467	2,250	85,511
Non-controlling interests	2,642	2,448	23,864
Total net assets	191,857	166,097	1,732,969
Total	¥ 824,590	¥ 798,442	\$ 7,448,197

Consolidated Statements of Operations and Comprehensive Income

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥ 1,745,501	¥ 1,907,493	\$ 15,766,425
Cost of sales	1,665,576	1,827,666	15,044,494
Gross profit	79,925	79,826	721,931
Selling, general and administrative expenses	50,692	52,496	457,880
Operating income	29,232	27,330	264,041
Other income (expenses):			
Interest and dividend income	3,494	4,010	31,559
Interest expenses	(3,764)	(5,494)	(33,998)
Share of profit (loss) of entities accounted for using equity method (Note 14)	858	(35,439)	7,749
Foreign exchange gain (loss)	(1,053)	(2,515)	(9,511)
Gain on sales of property and equipment (Note 15)	584	229	5,275
Gain on sales of investment securities	126	976	1,138
Loss on retirement of property and equipment (Note 16)	(116)	—	(1,047)
Loss on impairment of property and equipment (Note 17)	—	(1,003)	—
Loss on valuation of investment securities	(387)	(6,589)	(3,495)
Provision of allowance for doubtful accounts for subsidiaries and affiliates (Note 18)	(188)	(615)	(1,698)
Provision for product warranties (Note 19)	—	(394)	—
Other, net	52	(488)	469
Income (loss) before income taxes	28,839	(19,995)	260,491
Income taxes (Note 8):			
Current	9,012	5,962	81,401
Deferred	(33)	(406)	(298)
Total income taxes	8,978	5,555	81,094
Net income (loss)	¥ 19,860	¥ (25,550)	\$ 179,387
Net income (loss) attributable to:			
Owners of the parent	¥ 19,617	¥ (13,674)	\$ 177,192
Non-controlling interests	242	(11,876)	2,185
Other comprehensive income (Note 20):			
Valuation difference on available-for-sale securities, net of taxes	9,146	(4,755)	82,612
Deferred gains or losses on hedges, net of taxes	(373)	684	(3,369)
Foreign currency translation adjustment	(2,211)	287	(19,971)
Remeasurements of defined benefit plans, net of taxes	1,011	92	9,131
Share of other comprehensive income of entities accounted for using equity method	(121)	(730)	(1,092)
Total other comprehensive income	7,451	(4,421)	67,301
Comprehensive income	¥ 27,311	¥ (29,972)	\$ 246,689
Comprehensive income attributable to:			
Owners of the parent	¥ 27,188	¥ (17,974)	\$ 245,578
Non-controlling interests	122	(11,997)	1,101
	Yen		U.S. dollars (Note 1)
	2021	2020	2021
Net income (loss) per share	¥ 482.74	¥ (336.51)	\$ 4.36
Cash dividends per share	60.00	100.00	0.54

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Thousands	Millions of yen									
	Number of shares of common stock(*)	Common stock	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	Non- controlling interests	Total
Balance at April 1, 2019	42,332	¥ 45,651	¥ 139,036	¥ (3,737)	¥ 10,800	¥ 61	¥ 3,343	¥ (1,435)	¥ (5,473)	¥ 14,214	¥ 202,459
Cash dividends paid	—	—	(6,095)	—	—	—	—	—	—	—	(6,095)
Change in scope of consolidation	—	—	(906)	—	—	—	—	—	—	—	(906)
Change in scope of equity method	—	—	1,141	—	—	—	—	—	—	—	1,141
Reversal of revaluation reserve for land	—	—	66	—	—	—	—	—	—	—	66
Net loss attributable to owners of the parent	—	—	(13,674)	—	—	—	—	—	—	—	(13,674)
Purchases of treasury stock	—	—	—	(0)	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	0	—	—	—	—	—	—	0
Purchase of shares of consolidated subsidiaries	—	—	(91)	—	—	—	—	—	—	—	(91)
Other changes	—	—	0	9	—	—	—	—	—	—	9
Net changes of items other than shareholders'equity	—	—	—	—	(4,758)	684	(66)	(998)	93	(11,765)	(16,811)
Balance at March 31, 2020	42,332	45,651	119,475	(3,728)	6,042	745	3,277	(2,434)	(5,380)	2,448	166,097
Balance at April 1, 2020	42,332	45,651	119,475	(3,728)	6,042	745	3,277	(2,434)	(5,380)	2,448	166,097
Cash dividends paid	—	—	(2,235)	—	—	—	—	—	—	—	(2,235)
Change in scope of consolidation	—	—	88	—	—	—	—	—	—	—	88
Change in scope of equity method	—	—	911	—	—	—	—	—	—	—	911
Reversal of revaluation reserve for land	—	—	85	—	—	—	—	—	—	—	85
Net income attributable to owners of the parent	—	—	19,617	—	—	—	—	—	—	—	19,617
Purchases of treasury stock	—	—	—	(0)	—	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	—	(117)	—	—	—	—	—	—	—	(117)
Net changes of items other than shareholders'equity	—	—	—	—	9,151	(373)	(85)	(2,472)	996	193	7,410
Balance at March 31, 2021	42,332	¥ 45,651	¥ 137,825	¥ (3,729)	¥ 15,193	¥ 372	¥ 3,191	¥ (4,906)	¥ (4,384)	¥ 2,642	¥ 191,857
	Thousands	Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock	Common stock	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	Non- controlling interests	Total
Balance at April 1, 2020	42,332	\$ 412,347	\$ 1,079,170	\$ (33,673)	\$ 54,575	\$ 6,729	\$ 29,599	\$ (21,985)	\$ (48,595)	\$ 22,111	\$ 1,500,289
Cash dividends paid	—	—	(20,187)	—	—	—	—	—	—	—	(20,187)
Change in scope of consolidation	—	—	794	—	—	—	—	—	—	—	794
Change in scope of equity method	—	—	8,228	—	—	—	—	—	—	—	8,228
Reversal of revaluation reserve for land	—	—	767	—	—	—	—	—	—	—	767
Net income attributable to owners of the parent	—	—	177,192	—	—	—	—	—	—	—	177,192
Purchases of treasury stock	—	—	—	(0)	—	—	—	—	—	—	(0)
Purchase of shares of consolidated subsidiaries	—	—	(1,056)	—	—	—	—	—	—	—	(1,056)
Net changes of items other than shareholders'equity	—	—	—	—	82,657	(3,369)	(767)	(22,328)	8,996	1,743	66,931
Balance at March 31, 2021	42,332	\$ 412,347	\$ 1,244,919	\$ (33,682)	\$ 137,232	\$ 3,360	\$ 28,823	\$ (44,313)	\$ (39,598)	\$ 23,864	\$ 1,732,969

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 28,839	¥ (19,995)	\$ 260,491
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation	5,479	5,245	49,489
Loss on impairment of property and equipment	—	1,003	—
Amortization of goodwill	468	514	4,227
Increase (decrease) in allowance for doubtful accounts	(167)	(358)	(1,508)
Interest and dividend income	(3,494)	(4,010)	(31,559)
Interest expenses	3,764	5,494	33,998
Share of loss (profit) of entities accounted for using equity method	(858)	35,439	(7,749)
Gain on sales of property and equipment	(584)	(229)	(5,275)
Gain on sales of investment securities	(126)	(976)	(1,138)
Loss on retirement of property and equipment	116	—	1,047
Loss on valuation of investment securities	387	6,589	3,495
Provision of allowance for doubtful accounts for subsidiaries and affiliates	188	615	1,698
Provision for product warranties	—	394	—
Decrease (increase) in trade receivables	(21,603)	95,209	(195,131)
Decrease (increase) in inventories	282	21,897	2,547
Increase (decrease) in trade notes and accounts payable	13,576	(69,814)	122,626
Increase (decrease) in retirement benefit liability	583	321	5,266
Other, net	(2,961)	4,630	(26,745)
Subtotal	23,890	81,969	215,788
Cash flows during the year for:			
Interest and dividends received	3,567	4,931	32,219
Interest paid	(3,797)	(5,594)	(34,296)
Income taxes (paid) refund	(4,656)	(7,044)	(42,055)
Net cash provided by (used in) operating activities	19,004	74,261	171,655
Cash flows from investing activities:			
Payments into time deposits	(14)	(679)	(126)
Proceeds from withdrawal of time deposits	73	1,598	659
Purchase of property and equipment	(6,332)	(7,500)	(57,194)
Proceeds from sales of property and equipment	1,318	575	11,904
Purchase of investment securities	(2,788)	(10,614)	(25,182)
Proceeds from sales and redemption of investment securities	1,228	1,546	11,092
Net decrease (increase) in short-term loans receivable	1,171	(3,516)	10,577
Payments of long-term loans receivable	(4,701)	(7,091)	(42,462)
Collection of long-term loans receivable	7,715	5,188	69,686
Other, net	(1,860)	(3,665)	(16,800)
Net cash provided by (used in) investing activities	(4,190)	(24,159)	(37,846)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(10,497)	(23,470)	(94,815)
Proceeds from long-term debt and issuance of bonds	12,098	30,854	109,276
Repayments of long-term debt and redemption of bonds	(32,823)	(42,979)	(296,477)
Dividends paid	(2,242)	(6,092)	(20,251)
Dividends paid to non-controlling interests	(134)	(143)	(1,210)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(134)	(187)	(1,210)
Other, net	(490)	(295)	(4,425)
Net cash provided by (used in) financing activities	(34,223)	(42,314)	(309,122)
Effect of exchange rate changes on cash and cash equivalents	2,402	(1,389)	21,696
Net increase (decrease) in cash and cash equivalents	(17,006)	6,398	(153,608)
Cash and cash equivalents at beginning of year	67,243	58,384	607,379
Increase in cash and cash equivalents from newly consolidated subsidiaries	632	2,460	5,708
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	22	—	198
Cash and cash equivalents at end of year	¥ 50,892	¥ 67,243	\$ 459,687

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, 2021, which was ¥110.71 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.

As permitted, amounts of less than one million yen are omitted in the presentation for 2020 and 2021. As a result, the totals shown in the accompanying consolidated financial statements, both in yen and in U.S. dollars, do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its 49(46 in 2020) significant subsidiaries (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. All material unrealized profits included in assets resulting from intercompany transactions are eliminated.

Equity method

As of March 31, 2021, the Company had 39 unconsolidated subsidiaries and 23 affiliates. The equity method has been applied to the investments in 14 of the unconsolidated subsidiaries and 13 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 (loss) and retained earnings or on the consolidated financial statement as the whole. Where the fiscal year-ends of the entities accounted for by the equity method are different from that of the Company, the Company mainly used their financial statements as of their fiscal year-ends and for the years then ended for applying the equity method.

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 accounts

The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is mainly stated at an amount based on the actual rate of historical bad debts, and for certain doubtful accounts, 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 differences 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 property and equipment has been deducted from acquisition costs. Depreciation is provided principally 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 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. At the balance sheet date, accrued bonuses to employees are estimated and accounted for on an accrual basis.

Provision for product warranties

Provision for product warranties is recorded to cover the payment of product warranty costs with the potential to occur within a certain period of time based on the ratio of the warranty costs to sales in the past.

For certain consolidated subsidiaries, the provision is recognized based on the amount individually estimated.

Income taxes

Income taxes comprise corporate tax, prefectural and municipal inhabitant 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 ex-

pected future tax consequences of the temporary differences.

The Company and its wholly owned domestic subsidiaries file consolidated tax returns.

Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the Company and its wholly owned domestic subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

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 within the average remaining service years of employees when costs accrue from their service.

Actuarial differences are posted in expenses mainly after the consolidated fiscal year following their accrual based on the straight-line method for a fixed period of 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 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 foreign 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 foreign 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 Companies state derivative financial instruments at fair value and recognize 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 Companies defer 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 items are recognized. For certain overseas consolidated subsidiaries, fair value hedge accounting is applied.

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 Companies and items hedged:

Hedging instruments:

- Interest rate swap agreements
- Commodity forwards contracts
- Cross-currency swap agreements

Hedged items:

- Interest expenses on borrowings
- Inventories and commitments
- Foreign subsidiaries' equity

The Companies evaluate 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 operations and comprehensive income are dividends applicable to the respective years, including dividends to be paid after the end of the consolidated fiscal year.

Accounting standards not yet applied

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

1. Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

3. Effects of the application of the standards

The Companies are currently in the process of evaluating the effects of these new standards on the consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1. Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are appli-

cable to the fair value measurement of the following items:

- Financial instruments in “Accounting Standard for Financial Instruments” ; and
- Inventories held for trading purposes in “Accounting Standard for Measurement of Inventories.”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised and the guidance for Notes for the fair value information of financial instruments by level was issued.

3. Financial instruments

At March 31, 2021 and 2020, information on financial instruments was as follows.

(A) Qualitative information on financial instruments

Policy for financial instruments

The Companies' main business is the sales of various products ranging from mainly steel, primary metal, metal recycling, food, energy and living materials, lumber to machinery. The Companies also engage in other business activities such as steel material processing, non-ferrous metal processing and amusement park management and operations. While the Companies depend primarily on bank borrowings to procure funds necessary for these operational transactions as well as investing and financing activities, the Companies seek to diversify their 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 and electronically recorded monetary claims 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 mainly consist of stocks and are exposed to price fluctuation risk. Some of them are denominated in foreign currencies, which accompany foreign exchange rate fluctuation risk.

Long-term loans receivable are mainly for the suppliers of the Companies and are exposed to credit risk. Some of them are denominated in foreign currencies, which accompany foreign exchange rate fluctuation risk.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022

3. Effects of the application of the standards

The Companies are currently in the process of evaluating the effects of these new standards on the consolidated financial statements.

Foreign currency denominated trade 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. Some of them accompany interest rate risk and foreign exchange rate fluctuation risk.

Foreign exchange forward contracts, currency swap agreements and non-deliverable forward contracts 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 forward interest rates. Commodity forward contracts and commodity swap agreements aim to hedge market risks associated with certain inventories and commitments. Cross-currency swap agreements are used to hedge foreign exchange rate fluctuation risk associated with foreign subsidiaries' equity.

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, electronically recorded monetary claims and long-term loans receivable are exposed, the Companies set a credit limit amount for each business partner and manage the outstanding balance in accordance with the “Credit administrative provisions” while monitoring the credit status on a regular basis. Furthermore, the Companies are committed to reducing foreign exchange rate fluctuation risk to which trade notes and accounts receivable, long-term loans and trade notes and accounts payable are exposed by means of derivatives trading.

Because price fluctuation risks associated with securities mainly affect stocks of the Companies' business partners, the Companies reports the regularly assessed market values and their financial status to the Board of Directors. In regard to foreign exchange rate fluctuation risk, the Companies are 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 Companies decide whether or not to invest after following the prescribed procedures. The Companies continuously monitor the financial status and trading conditions of the issuing company and review 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 Companies create a fund procurement plan based on the outlook of the Companies' financial requirements. Taking financial market trends into consideration as well, the Companies work to diversify the funds procurement to ensure liquidity. In addition, with regard to interest rate risk and foreign exchange rate fluctuation risk, the Companies seek to reduce such risks through derivatives trading and other means.

The Companies practice and manage 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 Companies receive approval from a supervising director in charge of administration department before engaging in such trading.

In order to reduce credit risk to which derivatives trading partners are exposed, the Companies trade 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, 2021 and 2020 were as follows:

March 31, 2021

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 50,892	¥ 50,892	¥ —	\$ 459,687	\$ 459,687	\$ —
(2) Trade notes and accounts receivable	356,059			3,216,141		
Allowance for doubtful accounts	(331)			(2,989)		
Net	355,727	355,727	—	3,213,142	3,213,142	—
(3) Electronically recorded monetary claims	27,895			251,964		
Allowance for doubtful accounts	(23)			(207)		
Net	27,872	27,872	—	251,756	251,756	—
(4) Securities						
a) Equity securities issued by affiliated companies	3,379	2,332	(1,046)	30,521	21,064	(9,448)
b) Available-for-sale securities	39,474	39,474	—	356,553	356,553	—
(5) Long-term loans receivable	17,929			161,945		
Allowance for doubtful accounts	(7)			(63)		
Net	17,921	17,921	—	161,873	161,873	—
Total assets	¥ 495,267	¥ 494,220	¥ (1,046)	\$ 4,473,552	\$ 4,464,095	\$ (9,448)
(1) Short-term loans payable	¥ 35,334	¥ 35,334	¥ —	\$ 319,158	\$ 319,158	\$ —
(2) Long-term debt due within one year	40,539	40,520	18	366,172	366,001	162
(3) Trade notes and accounts payable	213,436	213,436	—	1,927,883	1,927,883	—
(4) Electronically recorded obligations	21,772	21,772	—	196,657	196,657	—
(5) Long-term debt due after one year	223,999	223,636	362	2,023,295	2,020,016	3,269
Total liabilities	¥ 535,081	¥ 534,700	¥ 380	\$ 4,833,176	\$ 4,829,735	\$ 3,432
Derivatives:						
Hedge accounting not applied	¥ (7,733)	¥ (7,733)	¥ —	\$ (69,849)	\$ (69,849)	\$ —
Hedge accounting applied	(248)	(368)	(119)	(2,240)	(3,323)	(1,074)
Total derivatives	¥ (7,982)	¥ (8,102)	¥ (119)	\$ (72,098)	\$ (73,182)	\$ (1,074)

March 31, 2020

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 67,243	¥ 67,243	¥ —
(2) Trade notes and accounts receivable	341,559		
Allowance for doubtful accounts	(324)		
Net	341,234	341,234	—
(3) Electronically recorded monetary claims	21,281		
Allowance for doubtful accounts	(18)		
Net	21,263	21,263	—
(4) Securities			
a) Equity securities issued by affiliated companies	3,119	954	(2,164)
b) Available-for-sale securities	27,283	27,283	—
(5) Long-term loans receivable	19,141		
Allowance for doubtful accounts	(14)		
Net	19,127	19,127	—
Total assets	¥ 479,271	¥ 477,107	¥ (2,164)
(1) Short-term loans payable	¥ 44,979	¥ 44,979	¥ —
(2) Long-term debt due within one year	32,218	32,228	(10)
(3) Trade notes and accounts payable	202,671	202,671	—
(4) Electronically recorded obligations	19,146	19,146	—
(5) Long-term debt due after one year	252,386	252,119	266
Total liabilities	¥ 551,402	¥ 551,145	¥ 256
Derivatives:			
Hedge accounting not applied	¥ 2,207	¥ 2,207	¥ —
Hedge accounting applied	1,057	934	(123)
Total derivatives	¥ 3,264	¥ 3,141	¥ (123)

Allowance for doubtful accounts recognized in trade notes and accounts receivable, electronically recorded monetary claims 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, and Electronically recorded monetary claims

The book values of cash and cash equivalents, trade notes and accounts receivable, and electronically recorded monetary claims 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, Trade notes and accounts payable and Electronically recorded obligations

The book values of short-term loans payable 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, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
	Book value	Book value	Book value
(1) Equity securities issued by unconsolidated subsidiaries and affiliated companies	¥ 10,323	¥ 7,458	\$ 93,243
(2) Held-to-maturity debt securities	¥ 1,871	¥ 1,817	\$ 16,900
(3) Available-for-sale securities:			
Unlisted stocks	¥ 3,764	¥ 3,828	\$ 33,998
Unlisted foreign stocks	12,709	12,479	114,795
Unlisted foreign convertible bonds	—	1,167	—
Unlisted domestic convertible bonds	26	26	234
Investment in limited partnerships	923	878	8,337
Total	¥ 17,423	¥ 18,379	\$ 157,375

The maturities of receivables and securities with maturities outstanding at March 31, 2021 were as follows:

Year ending March 31

	Millions of yen			
	2022	From 2023 to 2026	From 2027 to 2031	Thereafter
Cash and cash equivalents	¥ 50,892	¥ —	¥ —	¥ —
Trade notes and accounts receivable	356,059	—	—	—
Electronically recorded monetary claims	27,895	—	—	—
Held-to-maturity debt securities	—	—	1,871	—
Available-for-sale securities with maturity dates	—	—	26	—
Long-term loans receivable	—	10,308	6,746	43
Total	¥ 434,848	¥ 10,308	¥ 8,644	¥ 43

	Thousands of U.S. dollars			
	2022	From 2023 to 2026	From 2027 to 2031	Thereafter
Cash and cash equivalents	\$ 459,687	\$ —	\$ —	\$ —
Trade notes and accounts receivable	3,216,141	—	—	—
Electronically recorded monetary claims	251,964	—	—	—
Held-to-maturity debt securities	—	—	16,900	—
Available-for-sale securities with maturity dates	—	—	234	—
Long-term loans receivable	—	93,108	60,933	388
Total	\$ 3,927,811	\$ 93,108	\$ 78,077	\$ 388

Long-term loans receivable of ¥830 million (\$7,483 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 acquisition costs and book values (fair values) of available-for-sale securities with available market values as of March 31, 2021 and 2020:

March 31, 2021

	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	¥ 14,665	¥ 37,245	¥ 22,579	\$ 132,463	\$ 336,419	\$ 203,947
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 2,801	¥ 2,228	¥ (572)	\$ 25,300	\$ 20,124	\$ (5,166)

March 31, 2020

	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 7,515	¥ 19,214	¥ 11,699
Securities with book values not exceeding acquisition costs:			
Equity securities	¥ 10,178	¥ 8,069	¥ (2,108)

(B) The following tables summarize sales of available-for-sale securities in the years ended March 31, 2021 and 2020:

March 31, 2021

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 330	¥ 126	¥ 14	\$ 2,980	\$ 1,138	\$ 126

March 31, 2020

	Millions of yen		
	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥ 1,465	¥ 976	¥ 0
Other	6	—	0

(C) The loss on valuation of investment securities in the years ended March 31, 2021 and 2020 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Securities in subsidiaries and affiliates	¥ —	¥ 65	\$ —
Other securities	¥ 387	6,523	\$ 3,495
Total	¥ 387	¥ 6,589	\$ 3,495

5. Derivatives

(A) The following tables summarize fair value information as of March 31, 2021 and 2020 for the derivatives to which hedge accounting has not been applied:

March 31, 2021

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	¥ 96,489	¥ —	¥ (4,444)	¥ (4,444)	\$ 871,547	\$ —	\$ (40,140)	\$ (40,140)
Other currencies	11,801	—	(230)	(230)	106,593	—	(2,077)	(2,077)
Buying:								
U.S. dollars	4,529	—	(49)	(49)	40,908	—	(442)	(442)
Other currencies	1,358	—	15	15	12,266	—	135	135
Cross-currency swap agreements:								
Japanese yen received for U.S. dollars	27,419	12,966	(364)	(364)	247,665	117,116	(3,287)	(3,287)
Total	¥ —	¥ —	¥ —	¥ (5,073)	\$ —	\$ —	\$ —	\$ (45,822)

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	¥ 1,020	¥ —	¥ (108)	¥ (108)	\$ 9,213	\$ —	\$ (975)	\$ (975)
Buying	126	—	18	18	1,138	—	162	162
Non-ferrous metals:								
Selling	24,748	—	(2,834)	(2,834)	223,538	—	(25,598)	(25,598)
Buying	13,636	—	963	963	123,168	—	8,698	8,698
Commodity swap agreements:								
Petroleum:								
Fixed receipt / Fluctuated payment	1,157	—	4	4	10,450	—	36	36
Fluctuated receipt / Fixed payment	2,216	—	(6)	(6)	20,016	—	(54)	(54)
Total	¥ —	¥ —	¥ —	¥ (1,962)	\$ —	\$ —	\$ —	\$ (17,721)

Derivatives in which valuation gains or losses are attributable to counterparties based on the contracts were as follows:

	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:								
Non-ferrous metals:								
Selling	¥ 151,883	¥ 15,984	¥ (697)	¥ (697)	\$ 1,371,899	\$ 144,377	\$ (6,295)	\$ (6,295)
Buying	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ (697)	\$ —	\$ —	\$ —	\$ (6,295)

The derivatives above are included in "Derivatives: Hedge accounting not applied" in Note 3,"Financial instruments."

March 31, 2020
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	¥ 72,312	¥ —	¥ (414)	¥ (414)	
Other currencies	5,085	—	515	515	
Buying:					
U.S. dollars	7,892	—	(26)	(26)	
Other currencies	3,216	—	(26)	(26)	
Non-deliverable forward contracts:					
Selling:					
Indonesian rupiah	4,134	—	659	659	
Cross-currency swap agreements:					
Japanese yen received for U.S. dollars	27,608	17,811	451	451	
Total	¥ —	¥ —	¥ —	¥ 1,158	

Commodity related

	Millions of yen				
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	
Forwards:					
Petroleum:					
Selling	¥ 1,286	¥ —	¥ 318	¥ 318	
Buying	498	—	(92)	(92)	
Non-ferrous metals:					
Selling	9,330	—	1,299	1,299	
Buying	4,875	—	(397)	(397)	
Commodity swap agreements:					
Petroleum:					
Fixed receipt / Fluctuated payment	665	—	214	214	
Fluctuated receipt / Fixed payment	1,893	—	(378)	(378)	
Total	¥ —	¥ —	¥ —	¥ 963	

Derivatives in which valuation gains or losses are attributable to counterparties based on the contracts were as follows:

	Millions of yen				
	Contract or notional amount	Due after one year	Fair value	Net recognized gain or loss	
Forwards:					
Non-ferrous metals:					
Selling	¥ 21,250	¥ —	¥ 4,269	¥ 4,269	
Buying	21,644	—	(4,184)	(4,184)	
Total	¥ —	¥ —	¥ —	¥ 85	

The derivatives above are included in "Derivatives: Hedge accounting not applied" in Note 3,"Financial instruments."

(B) The following tables summarize fair value information as of March 31, 2021 and 2020 for the derivatives to which hedge accounting was applied:

March 31, 2021
Currency 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
Cross-currency swap agreement for foreign subsidiaries' equity:						
Japanese yen received for U.S. dollars	¥ 5,401	¥ 5,401	¥ (160)	\$ 48,785	\$ 48,785	\$ (1,445)

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	¥ 10,015	¥ 10,000	¥ (119)	\$ 90,461	\$ 90,326	\$ (1,074)

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	¥ 23,752	¥ 107	¥ 538	\$ 214,542	\$ 966	\$ 4,859
Buying	16,645	—	(626)	150,347	—	(5,654)

March 31, 2020
Currency related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Cross-currency swap agreement for foreign subsidiaries' equity:			
Japanese yen received for U.S. dollars	¥ 5,401	¥ 5,401	¥ (69)

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	¥ 10,545	¥ 5,045	¥ (123)

Commodity related

	Millions of yen		
	Contract or notional amount	Due after one year	Fair value
Forwards for inventories and commitments:			
Non-ferrous metals			
Selling	¥ 30,852	¥ —	¥ 2,144
Buying	19,329	—	(1,017)

6. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Merchandise and finished products	¥ 113,296	¥ 109,576	\$1,023,358
Work-in-process	1,605	1,660	14,497
Raw materials and supplies	12,476	16,223	112,690
Total	¥ 127,378	¥ 127,460	\$1,150,555

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 ¥2,339 million (gain of \$21,127 thousand) and a net loss of ¥2,346 million for the years ended March 31, 2021 and 2020, respectively.

7. Pledged assets

At March 31, 2021 and 2020, assets pledged as collateral for loans payable in the amount of ¥54 million (\$487 thousand) and ¥535 million, respectively, for guaranty deposits, and for loans of third parties were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
For loans payable:			
Land	¥ 393	¥ 1,113	\$ 3,549
Buildings and structures, net of accumulated depreciation	775	1,059	7,000
Intangible assets	249	262	2,249
Total	¥ 1,418	¥ 2,435	\$ 12,808
For guaranty deposits:			
Cash and cash equivalents	¥ 13	¥ 13	\$ 117
Investment securities	5,318	3,367	48,035
Total	¥ 5,331	¥ 3,380	\$ 48,152
For loans of third parties:			
Investment securities	¥ 2,215	¥ 2,177	\$ 20,007
Total	¥ 2,215	¥ 2,177	\$ 20,007

8. 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 30.6% for the year ended March 31, 2021 and 2020.

An aggregate statutory income tax rate for the year ended March 31, 2021 and 2020 was omitted here be-

cause of the difference between the aggregate statutory income tax rate and the effective tax rate was not more than 5% of the aggregate statutory income tax rate, and because of loss before income taxes, respectively.

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Temporary differences resulting from the merger with consolidated subsidiaries	¥ 2,731	¥ 2,731	\$ 24,668
Tax losses carried forward	2,237	2,069	20,205
Loss on valuation of investment securities, currently not deductible	1,793	1,694	16,195
Retirement benefit liability	1,673	1,859	15,111
Loss on sale-repurchase agreements of land	1,293	1,293	11,679
Loss on impairment of property and equipment	993	1,157	8,969
Accrued bonuses to employees	972	825	8,779
Land revaluation difference, net of taxes unrealized loss	80	80	722
Other	5,233	5,929	47,267
Total deferred tax assets	17,011	17,643	153,653
Valuation allowance	(11,650)	(11,864)	(105,229)
Net deferred tax assets	5,360	5,779	48,414
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	6,636	2,879	59,940
Land revaluation difference, net of taxes unrealized gain	1,524	1,562	13,765
Other	3,530	3,607	31,885
Total deferred tax liabilities	11,692	8,049	105,609
Net deferred tax liabilities	¥ (6,331)	¥ (2,270)	\$ (57,185)

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

The weighted average interest rates applicable to short-term loans outstanding at March 31, 2021 and 2020 were 1.5% and 2.2%, respectively, regardless of borrowing currencies though the range of the interest rates varies by borrowing cur-

rencies. There were an outstanding balance of ¥35,334 million (\$319,158 thousand) and ¥44,979 million at March 31, 2021 and 2020, respectively.

Bonds at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Issued in 2015, 0.43% unsecured straight bonds, due 2020	¥ —	¥ 10,000	\$ —
Issued in 2016, 0.29% unsecured straight bonds, due 2021	10,000	10,000	90,326
Issued in 2017, 0.27% unsecured straight bonds, due 2022	10,000	10,000	90,326
Issued in 2018, 0.24% unsecured straight bonds, due 2023	10,000	10,000	90,326
Issued in 2018, 0.59% unsecured straight bonds, due 2028	10,000	10,000	90,326
Issued in 2014, unsecured floating rate bonds, due 2021	13	34	117
Total	¥ 40,013	¥ 50,034	\$ 361,421

Long-term loans payable at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans from banks with weighted average interest rates of 0.8% and 0.8% at March 31, 2021 and 2020, respectively, maturing serially through 2054	¥ 224,524	¥ 234,570	\$2,028,037
Less amounts due within one year	(30,525)	(22,197)	(275,720)
Total	¥ 193,999	¥ 212,372	\$1,752,316

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 loans payable outstanding at March 31, 2021 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2022	¥ 30,525	\$ 275,720
2023	36,658	331,117
2024	21,712	196,115
2025	20,094	181,501
2026	20,082	181,392
Thereafter	95,451	862,171
Total	¥ 224,524	\$ 2,028,037

10. Employees' severance and retirement benefits

(A) Overview of retirement benefit system adopted

To provide retirement benefits for employees, the Company and its consolidated 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 20 years in which pension conversion rates vary according

to market interest rates.

In the defined benefit corporate pension plans and lump-sum retirement payment plans which certain subsidiaries have, retirement benefit liability and retirement benefit costs are calculated mainly based on the simplified method.

Certain subsidiaries participate in corporate pension plans, which are classified as multi-employer plans. In regard to such pension plans, sufficient information to calculate the proportionate share of such plan assets cannot be obtained. Thus, the Company accounts for such pension plans in the same manner in which it recognizes defined contribution plans.

(B) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 28,443	¥ 27,583	\$ 256,914
Service cost	1,371	1,312	12,383
Interest cost	111	106	1,002
Actuarial loss (gain)	458	68	4,136
Benefits paid	(813)	(640)	(7,343)
Other	1	11	9
Balance at end of year	¥ 29,572	¥ 28,443	\$ 267,112

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 23,186	¥ 22,480	\$ 209,430
Expected return on plan assets	582	676	5,256
Actuarial gain (loss)	773	(823)	6,982
Contributions paid by the employer	1,540	1,493	13,910
Benefits paid	(821)	(638)	(7,415)
Other	4	(2)	36
Balance at end of year	¥ 25,265	¥ 23,186	\$ 228,208

(3) Movements in retirement benefit liability for plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥ 905	¥ 847	\$ 8,174
Retirement benefit costs	137	119	1,237
Benefits paid	(34)	(61)	(307)
Contributions paid by the employer	(18)	(11)	(162)
Other	29	12	261
Balance at end of year	¥ 1,019	¥ 905	\$ 9,204

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ 30,169	¥ 29,008	\$ 272,504
Plan assets	(25,728)	(23,626)	(232,390)
	4,440	5,381	40,104
Unfunded retirement benefit obligations	885	781	7,993
Total net liability (asset) for retirement benefits at end of year	5,326	6,162	48,107
Retirement benefit liability	5,326	6,162	48,107
Total net liability (asset) for retirement benefits at end of year	¥ 5,326	¥ 6,162	\$ 48,107

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 1,371	¥ 1,312	\$ 12,383
Interest cost	111	106	1,002
Expected return on plan assets	(582)	(676)	(5,256)
Net actuarial loss amortization	1,142	1,025	10,315
Retirement benefit costs based on the simplified method	137	119	1,237
Other	(2)	(12)	(18)
Total retirement benefit costs	¥ 2,178	¥ 1,875	\$ 19,673

(6) Remeasurements of defined benefit plans in other comprehensive income (before applicable tax effects)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gains and losses	¥ 1,458	¥ 132	\$ 13,169
Total	¥ 1,458	¥ 132	\$ 13,169

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income (before applicable tax effects)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gains and losses that are yet to be recognized	¥ 6,378	¥ 7,836	\$ 57,609
Total balance at end of year	¥ 6,378	¥ 7,836	\$ 57,609

(8) Breakdown of plan assets

	2021	2020
Bonds (*1)	27.5%	19.9%
Equity securities (*1)	18.0	20.7
Cash and cash equivalents	1.2	4.8
General account assets	21.0	22.5
Other (*2)	32.3	32.1
Total	100.0%	100.0%

*1. These consist of investment products that use mainly traditional assets and derivatives for hedging purposes.

2. "Other" consists of investments in investment products mainly targeting asset classes other than traditional assets, 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) Principal actuarial assumptions

	2021	2020
Discount rate	0.4%	0.4%
Long-term expected rate of return	2.5	3.0
Expected salary increase rate	3.1	3.1

(C) Defined contribution plans

The Companies were required to contribute ¥325 million (\$2,935 thousand) and ¥312 million to the defined contribution plans (including corporate pension fund plans under the multi-employer pension system accounted for in the same way as defined contribution plans) for the years ended March 31, 2021 and 2020, respectively.

11. Contingent liabilities

At March 31, 2021 and 2020, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Export letters of credit and trade notes (including export bills) discounted	¥ 8,735	¥ 19,622	\$ 78,899
Electronically recorded monetary claims discounted	83	103	749
Trade notes endorsed	47	218	424
Guarantees of indebtedness	5,121	3,887	46,255

12. Net assets

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

Under the Japanese Companies Act ("the Act"), the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Under the Act, 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 additional paid-in capital are included in retained earnings and legal capital surplus, respectively, in the accompanying consolidated balance sheets.

Under the Act, 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 Act, 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 non-consolidated financial

statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 23, 2021, the shareholders approved cash dividends of ¥30.00 per share (\$0.27) amounting to ¥1,219 million (\$11,010 thousand). This appropriation had not been accrued in the consolidated financial statements as of March 31, 2021. 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 Companies 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, 2021, the carrying amount of the land after the above one-time revaluation did not exceed the market value.

13. Arbitration

Years ended March 31, 2021 and 2020

On July 2019, HANWA SINGAPORE (PRIVATE) LTD. ("HANWA SINGAPORE"), a consolidated subsidiary of the Company, filed an arbitration request with the Singapore International Arbitration Centre against a petroleum product distributor based in the United Kingdom for the delayed payment of approximately \$20,000 thousand of account receivable that has not been received by due date. HANWA SINGAPORE will continue to claim its legitimacy by explaining the facts and legal grounds through the arbitration proceedings.

14. Share of profit (loss) of entities accounted for using equity method

Year ended March 31, 2021

Not applicable.

Year ended March 31, 2020

The share of loss of entities accounted for using equity method includes the impairment loss for the carrying amount of ¥27,346 million of mining rights and other assets recognized by allocating the acquisition cost of shares of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., an affiliate of the Company, to its identifiable assets.

15. Gain on sales of property and equipment

The following table summarizes gain on sales of property and equipment in the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥ 564	¥ 202	\$ 5,094
Buildings and structures	7	—	63
Machinery, equipment and vehicles	9	27	81
Other	2	0	18
Intangible assets	1	—	9
Total	¥ 584	¥ 229	\$ 5,275

16. Loss on retirement of property and equipment

The following table summarizes loss on retirement of property and equipment in the years ended March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥ 71	¥ —	\$ 641
Machinery, equipment and vehicles	23	—	207
Other	18	—	162
Intangible assets	3	—	27
Total	¥ 116	¥ —	\$ 1,047

17. Loss on impairment of property and equipment

Year ended March 31, 2021

Not applicable.

Year ended March 31, 2020

The Companies mainly use each business unit as a grouping unit and the grouping for assets to be disposed of was made for individual assets.

Regarding the assets in Osaka and Aichi, because they became assets to be disposed of complying with the decision to abandon or sell in the current consolidated fiscal year, the book values were reduced to the recoverable values, and the amounts of reduction were recorded as impairment loss - ¥356 million (\$3,271 thousand) under other expenses.

The recoverable values were measured by the net sales value calculated on the basis of the memorandum value for the assets to be abandoned and the expected disposal amount for the assets to be sold.

Regarding the assets in Hokkaido, certain domestic subsidiaries reduced the book values to the recoverable values and recorded the amounts of reduction as impairment loss - ¥531 million (\$4,879 thousand) under other expenses because it became impossible to recover the investment amount due to the decreased profitability.

The recoverable value for this asset group was measured by the value in use, which was calculated by discounting future cash flow by 3.1%.

Regarding the goodwill, certain foreign subsidiaries reduced the entire amount of the account as impairment loss - ¥115 million (\$1,056 thousand) under other expenses, due to the impossibility of earning originally planned revenue.

		Millions of yen					
Location	Description	Land	Buildings and structures	Machinery, equipment and vehicles	Other	Total	
Minoo, Osaka	Company House	¥ 95	¥ 57	¥ —	¥ 1	¥ 153	
Nagoya, Aichi	Company House	—	134	—	0	134	
Tobishima, Ama-gun, Aichi	Business Assets	—	—	67	—	67	
Sapporo, Hokkaido	Business Assets	—	349	181	—	531	
Penang, Malaysia	Goodwill	—	—	—	115	115	
Total		¥ 95	¥ 540	¥ 249	¥ 117	¥ 1,003	

18. Provision of allowance for doubtful accounts for subsidiaries and affiliates

Year ended March 31, 2021

The provision of allowance for doubtful accounts for subsidiaries and affiliates is calculated by allowance for doubtful accounts on loans to subsidiaries and affiliated companies.

Year ended March 31, 2020

The provision of allowance for doubtful accounts for subsidiaries and affiliates is calculated by allowance for doubtful accounts on loans to subsidiaries and affiliated companies.

19. Provision for product warranties

Year ended March 31, 2021

Not applicable.

Year ended March 31, 2020

Provision for product warranties was recorded to cover probable product warranties. The provision was recognized on the basis of individually estimated amounts.

20. Other comprehensive income

Years ended March 31, 2021 and 2020

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
	2021	2020	2021
Valuation difference on available-for-sale securities, net of taxes:			
Increase (decrease) during the year	¥ 12,698	¥ (13,708)	\$ 114,696
Reclassification adjustments	223	7,093	2,014
Sub-total, before tax	12,921	(6,615)	116,710
Tax expense (benefit)	3,775	(1,860)	34,098
Sub-total, net of tax	9,146	(4,755)	82,612
Deferred gains or losses on hedges, net of taxes:			
Increase (decrease) during the year	(952)	581	(8,599)
Reclassification adjustments	368	414	3,323
Sub-total, before tax	(583)	995	(5,266)
Tax expense (benefit)	(210)	310	(1,896)
Sub-total, net of tax	(373)	684	(3,369)
Foreign currency translation adjustments:			
Increase (decrease) during the year	(2,211)	287	(19,971)
Reclassification adjustments	—	—	—
Sub-total, before tax	(2,211)	287	(19,971)
Tax expense (benefit)	—	—	—
Sub-total, net of tax	(2,211)	287	(19,971)
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the year	316	(898)	2,854
Reclassification adjustments	1,141	1,031	10,306
Sub-total, before tax	1,458	132	13,169
Tax expense (benefit)	446	40	4,028
Sub-total, net of tax	1,011	92	9,131
Share of other comprehensive income of entities accounted for using equity method:			
Increase (decrease) during the year	(121)	(730)	(1,092)
Total other comprehensive income	¥ 7,451	¥ (4,421)	\$ 67,301

21. Leases

Operating leases As Lessee

Obligations under non-cancelable operating leases as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥ 626	¥ 567	\$ 5,654
Due after one year	6,961	6,607	62,875
Total	¥ 7,588	¥ 7,174	\$ 68,539

22. Investment and rental properties

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

The Company and certain subsidiaries own office buildings, logistics centers and other properties for rent in Tokyo, Osaka 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, 2021

Millions of yen				Thousands of U.S. dollars			
Book value		Book value		Book value		Book value	
Balance at beginning of year	Net decrease	Balance at end of year	Fair value	Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 7,678	¥ 584	¥ 7,093	¥ 9,780	\$ 69,352	\$ 5,275	\$ 64,068	\$ 88,338

Book value is net of accumulated depreciation and impairment loss.

Fair values of these properties are measured mainly by the Company, based on "Standard for real-estate appraisal."

Rental profit from these properties was ¥362 million (\$3,269 thousand) and was included in gross profit.

Year ended March 31, 2020

Millions of yen			
Book value		Book value	
Balance at beginning of year	Net decrease	Balance at end of year	Fair value
¥ 7,701	¥ 23	¥ 7,678	¥ 10,328

Book value is net of accumulated depreciation and impairment loss.

Fair values of these properties are measured mainly by the Company, based on "Standard for real-estate appraisal."

Rental profit from these properties was ¥374 million and was included in gross profit.

23. Segment information

(A) Overview of the reportable segments

The Companies' 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 Companies' 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 Companies consist of business segments with the business department as the basis. The 6 reportable segments are "steel business," "primary metal business," "metal recycling business," "food business," "energy and living materials business," and "overseas sales subsidiaries."

The main products and services that fall under these reportable segments are listed as follows. (Shown in parentheses are contents of services.)

Steel:

Steel bars and shapes, steel plates and sheets, special steels, wire products, steel pipes, steelmaking raw materials and (steel processing and storage)

Primary metal:

Nickel, chromium, silicon, manganese, steel alloys

Metal recycling:

Aluminum, copper, zinc and (recycling business)

Foods:

Seafood and meat products

Energy and living materials:

Petroleum products, industrial chemicals, chemicals, refuse plastics and paper fuel

Overseas sales subsidiaries:

(Trading of various goods and related business activities)

Since the first quarter of the year ended of March 31, 2021, the Companies have changed the name of the reportable segments from "petroleum and chemical business" to "energy and

living materials business” in order to express the nature of business more appropriately. The change only involves a change in name and has no other impact on segment information.

Segment information of the year ended March 31, 2020 has been recomposed by the new classification method.

The reportable segment income (loss) figures are based on

operating income coupled with interest and dividend income, interest expenses, foreign currency translation adjustment and share of profit (loss) of entities accounted for using equity method. Intersegment transactions are presented based on the current market prices at the time of this report.

Net sales, profit, assets and others by reportable segment for the year ended March 31, 2021 were as follows:

Year ended March 31, 2021

Millions of yen

	Reportable segment										
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total	Other business	Total	Adjustment	Consolidate
Net sales	¥ 901,199	¥ 230,880	¥ 77,699	¥ 99,697	¥ 176,043	¥ 175,160	¥ 1,660,680	¥ 84,821	¥ 1,745,501	¥ —	¥ 1,745,501
Intersegment	11,990	2,898	1,874	748	7,002	29,682	54,196	3,038	57,234	(57,234)	—
Total	¥ 913,189	¥ 233,778	¥ 79,573	¥ 100,445	¥ 183,045	¥ 204,843	¥ 1,714,876	¥ 87,860	¥ 1,802,736	¥ (57,234)	¥ 1,745,501
Segment income	¥ 18,911	¥ 3,804	¥ 766	¥ 2,141	¥ 5,548	¥ 1,715	¥ 32,887	¥ 1,455	¥ 34,343	¥ (5,522)	¥ 28,821
Assets	¥ 400,623	¥ 148,276	¥ 28,464	¥ 41,584	¥ 43,034	¥ 90,584	¥ 752,568	¥ 33,187	¥ 785,756	¥ 38,834	¥ 824,590
Depreciation	4,126	15	347	88	205	217	5,001	379	5,380	98	5,479
Amortization of goodwill	390	—	22	—	54	—	468	—	468	—	468
Interest income	268	1,001	0	1	24	497	1,795	3	1,798	51	1,850
Interest expenses	2,543	1,607	272	417	195	388	5,424	169	5,593	(1,829)	3,764
Share of profit (loss) of entities accounted for using equity method	547	(32)	25	—	44	63	648	209	858	—	858
Investment for entities accounted for equity method	5,834	—	211	—	585	1,864	8,496	1,505	10,002	—	10,002
Increase in property and equipment	6,022	85	249	133	293	167	6,952	638	7,590	192	7,782

Year ended March 31, 2021

Thousands of U.S. dollars

	Reportable segment								Other business	Total	Adjustment	Consolidated
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total					
Net sales	\$ 8,140,177	\$ 2,085,448	\$ 701,824	\$ 900,523	\$ 1,590,127	\$ 1,582,151	\$ 15,000,270	\$ 766,154	\$ 15,766,425	\$ —	\$ 15,766,425	
Intersegment	108,300	26,176	16,927	6,756	63,246	268,105	489,531	27,441	516,972	(516,972)	—	
Total	\$ 8,248,478	\$ 2,111,624	\$ 718,751	\$ 907,280	\$ 1,653,373	\$ 1,850,266	\$ 15,489,802	\$ 793,604	\$ 16,283,407	\$ (516,972)	\$ 15,766,425	
Segment income	\$ 170,815	\$ 34,360	\$ 6,918	\$ 19,338	\$ 50,112	\$ 15,490	\$ 297,055	\$ 13,142	\$ 310,206	\$ (49,878)	\$ 260,328	
Assets	\$ 3,618,670	\$ 1,339,318	\$ 257,104	\$ 375,611	\$ 388,709	\$ 818,209	\$ 6,797,651	\$ 299,765	\$ 7,097,425	\$ 350,772	\$ 7,448,197	
Depreciation	37,268	135	3,134	794	1,851	1,960	45,172	3,423	48,595	885	49,489	
Amortization of goodwill	3,522	—	198	—	487	—	4,227	—	4,227	—	4,227	
Interest income	2,420	9,041	0	9	216	4,489	16,213	27	16,240	460	16,710	
Interest expenses	22,969	14,515	2,456	3,766	1,761	3,504	48,992	1,526	50,519	(16,520)	33,998	
Share of profit (loss) of entities accounted for using equity method	4,940	(289)	225	—	397	569	5,853	1,887	7,749	—	7,749	
Investment for entities accounted for equity method	52,696	—	1,905	—	5,284	16,836	76,741	13,594	90,344	—	90,344	
Increase in property and equipment	54,394	767	2,249	1,201	2,646	1,508	62,794	5,762	68,557	1,734	70,291	

1. “Other business” represents businesses such as lumber section and machinery section which are not included in the above reportable segments.
2. Adjustments are as follows:
 - (1) Adjustments of negative ¥5,522 million (\$49,878 thousand) for segment income include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
 - (2) Adjustments for segment assets amounting to ¥38,834 million (\$350,772 thousand) include Group assets that were not 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 ¥98 million (\$885 thousand) include mainly depreciation and amortization expenses of Group assets.
- (4) Adjustments for interest income and interest expenses amounting to ¥51 million (\$460 thousand) and negative ¥1,829 million (\$16,520 thousand) include intersegment elimination, revenue and expenses that were not allocated to reportable segments.
- (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥192 million (\$1,734 thousand) are increases in Group assets.

Net sales, profit(loss), assets and others by reportable segment for the year ended March 31, 2020 were as follows:

Year ended March 31, 2020

Millions of yen

	Reportable segment							Other business	Total	Adjustment	Consolidated
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total				
Net sales	¥ 994,269	¥ 255,660	¥ 77,609	¥ 100,615	¥ 201,763	¥ 195,325	¥ 1,825,244	¥ 82,248	¥ 1,907,493	¥ —	¥ 1,907,493
Intersegment	11,134	4,195	1,209	1,139	8,693	45,686	72,057	2,755	74,812	(74,812)	—
Total	¥ 1,005,404	¥ 259,855	¥ 78,818	¥ 101,754	¥ 210,457	¥ 241,011	¥ 1,897,301	¥ 85,004	¥ 1,982,305	¥ (74,812)	¥ 1,907,493
Segment income (loss)	¥ 14,628	¥ (30,506)	¥ 2,302	¥ (144)	¥ 4,177	¥ 466	¥ (9,076)	¥ 1,400	¥ (7,676)	¥ (4,921)	¥ (12,598)
Assets	¥ 410,634	¥ 171,092	¥ 22,312	¥ 44,840	¥ 40,338	¥ 62,163	¥ 751,381	¥ 30,254	¥ 781,635	¥ 16,807	¥ 798,442
Depreciation	4,074	16	330	111	168	103	4,804	353	5,157	87	5,245
Amortization of goodwill	363	—	68	—	82	—	514	—	514	—	514
Interest income	226	1,584	3	27	27	246	2,116	13	2,129	12	2,142
Interest expenses	2,996	4,231	368	618	257	1,451	9,922	181	10,104	(4,609)	5,494
Share of profit (loss) of entities accounted for using equity method	(731)	(34,913)	31	—	26	(53)	(35,640)	200	(35,439)	—	(35,439)
Investment for entities accounted for equity method	5,086	—	157	—	541	1,534	7,320	1,295	8,616	—	8,616
Increase in property and equipment	9,037	80	591	137	318	105	10,270	893	11,164	432	11,597

1. “Other business” represents businesses such as lumber section and machinery section which are not included in the above reportable segments.
2. Adjustments are as follows:
 - (1) Adjustments of negative ¥4,921 million for segment income (loss) include intersegment elimination and Group costs that were not allocated to reportable segments. These Group costs consist mainly of expenses of administrative departments.
 - (2) Adjustments for segment assets amounting to ¥16,807 million include Group assets that were not 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 ¥87 million include mainly depreciation and amortization expenses of Group assets.
- (4) Adjustments for interest income and interest expenses amounting to ¥12 million and negative ¥4,609 million include intersegment elimination, revenue and expenses that were not allocated to reportable segments.
- (5) Adjustments for increases in tangible fixed assets and intangible fixed assets amounting to ¥432 million are increases in Group assets.

(B) Related information

Product information

Net sales information by products for the years ended March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021

Millions of yen							
	Steel	Metals and alloys	Non-ferrous metals	Foods	Energy and living materials	Other	Total
Net sales to external customers	¥ 995,305	¥ 201,813	¥ 145,827	¥ 101,870	¥ 193,631	¥ 107,054	¥ 1,745,501

Year ended March 31, 2021

Thousands of U.S. dollars							
	Steel	Metals and alloys	Non-ferrous metals	Foods	Energy and living materials	Other	Total
Net sales to external customers	\$ 8,990,199	\$ 1,822,897	\$ 1,317,198	\$ 920,151	\$ 1,748,992	\$ 966,976	\$ 15,766,425

Year ended March 31, 2020

Millions of yen							
	Steel	Metals and alloys	Non-ferrous metals	Foods	Energy and living materials	Other	Total
Net sales to external customers	¥ 1,104,606	¥ 195,340	¥ 154,852	¥ 103,839	¥ 250,001	¥ 98,852	¥ 1,907,493

Geographic information

(1) Net sales in different countries for the years ended March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021

Millions of yen				
	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,129,536	¥ 531,694	¥ 84,270	¥ 1,745,501

Year ended March 31, 2021

Thousands of U.S. dollars				
	Japan	Asia	Other	Total
Net sales to external customers	\$ 10,202,655	\$ 4,802,583	\$ 761,177	\$ 15,766,425

Year ended March 31, 2020

Millions of yen				
	Japan	Asia	Other	Total
Net sales to external customers	¥ 1,342,564	¥ 481,678	¥ 83,250	¥ 1,907,493

(2) Property and equipment in different countries for the years ended March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021

Millions of yen				
	Japan	Asia	Other	Total
Property and equipment	¥ 63,752	¥ 7,562	¥ 2,491	¥ 73,806

Year ended March 31, 2021

Thousands of U.S. dollars				
	Japan	Asia	Other	Total
Property and equipment	\$ 575,846	\$ 68,304	\$ 22,500	\$ 666,660

Year ended March 31, 2020

Millions of yen				
	Japan	Asia	Other	Total
Property and equipment	¥ 64,328	¥ 7,841	¥ 2,993	¥ 75,162

Loss on impairment of property and equipment in reportable segment

Loss on impairment of property and equipment in reportable segment for the years ended March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021

Not applicable.

Year ended March 31, 2020

Millions of yen									
	Reportable segment							Other business	Adjustment
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total		
Loss on impairment	¥ 115	¥ —	¥ 67	¥ 531	¥ —	¥ —	¥ 714	¥ —	¥ 288

Adjustments include loss on impairment of Group assets for land ¥95 million, buildings and structures ¥191 million and other ¥1 million.

Outstanding balance of goodwill and amortization of goodwill in reportable segment

Outstanding balance of goodwill for the years ended March 31, 2021 and 2020 were as follows:

Year ended March 31, 2021

Millions of yen									
	Reportable segment							Other business	Adjustment
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total		
Balance at end of year	¥ 656	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 656	¥ —	¥ —

Year ended March 31, 2021

Thousands of U.S.dollars									
	Reportable segment							Other business	Adjustment
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total		
Balance at end of year	\$ 5,925	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,925	\$ —	\$ —

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

Year ended March 31, 2020

Millions of yen									
	Reportable segment							Other business	Adjustment
	Steel	Primary metal	Metal recycling	Foods	Energy and living materials	Overseas sales subsidiaries	Total		
Balance at end of year	¥ 777	¥ —	¥ 22	¥ —	¥ 54	¥ —	¥ 855	¥ —	¥ —

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

24. Related party information

(A) Related party transactions

Year ended March 31, 2021

Not applicable.

Year ended March 31, 2020

Not applicable.

(B) Notes on significant affiliates

A summary of the financial statements of SAMANCOR CHROME HOLDINGS PROPRIETARY LTD., which is defined as a significant affiliate for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total current assets	¥ 51,124	¥ 51,881	\$ 461,783
Total noncurrent assets	73,727	79,635	665,947
Total current liabilities	60,918	50,512	550,248
Total noncurrent liabilities	40,047	47,884	361,728
Total net assets	23,885	33,120	215,743
Net sales	140,256	148,269	1,266,877
Loss before income taxes	(8,935)	(18,544)	(80,706)
Net loss	(5,369)	(12,001)	(48,496)



Independent auditor's report

To the Board of Directors of Hanwa Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Hanwa Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of operation and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the valuation of past due receivables of HANWA SINGAPORE (PRIVATE) LTD.

The key audit matter	How the matter was addressed in our audit
As described in Note 13 "Arbitration" a consolidated subsidiary in Singapore of Hanwa Co., Ltd. (hereinafter, the "Company"), HANWA SINGAPORE (PRIVATE) LTD. (hereinafter, "HANWA SINGAPORE"), filed an arbitration request with the Singapore International	The primary procedures we performed to assess the reasonableness of the Company's valuation of the past due receivables of HANWA SINGAPORE included the following: (1) Internal control testing

<p>Arbitration Centre against a petroleum product distributor based in the United Kingdom for the delayed payment of approximately USD 20 million (¥2.2 billion) in account receivables that had not been received by the due date.</p> <p>Although HANWA SINGAPORE will continue to claim its legitimacy by explaining the facts and legal grounds through the arbitration proceedings, the valuation of those receivables during the arbitration involves estimation uncertainty.</p> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of the past due receivables of HANWA SINGAPORE was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the valuation of the past due receivables of HANWA SINGAPORE.</p> <p>(2) Assessment of the reasonableness of the valuation of the past due receivables of HANWA SINGAPORE</p> <p>In order to assess whether key assumptions used in estimating the valuation of the past due receivables of HANWA SINGAPORE were reasonable, we:</p> <ul style="list-style-type: none"> understood the progress of the arbitration proceedings by inquiring of the personnel responsible for the legal division at the Company and inspecting the documents relevant to the arbitration; inquired of attorneys, in writing, about the progress of the arbitration proceedings and their perspective; and identified the financial position of the petroleum product distributor by obtaining its most recent available financial statements through the Company.
Appropriateness of the accounting period in which revenue was recognized from direct shipping transactions in the steel business of Hanwa Co., Ltd.	
The key audit matter	How the matter was addressed in our audit
<p>The steel business is the core businesses of Hanwa Co., Ltd. (hereinafter, the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"). Revenue from direct shipping transactions in the steel business of the Company, which mainly engages in the steel business, accounts for approximately one third of net sales.</p> <p>In accordance with the realization principle, revenue from a sale of products is recognized at the time when the delivery of goods is completed and the related consideration is considered to be earned. For the direct shipping transactions in the steel business, the Group recognizes revenue on the date of shipment from suppliers to customers.</p> <p>In applying the realization principle, there is a potential risk that revenue from direct shipping</p>	<p>The primary procedures we performed to assess the appropriateness of the accounting period in which revenue from direct shipping transactions in the steel business of the Company was recognized included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Group's internal controls relevant to the process of recognizing revenue related to direct shipping transactions. In this assessment, we focused our testing on controls designed to confirm the fact that products were shipped.</p> <p>(2) Assessment of whether revenue was recognized in the appropriate accounting period</p>

transactions is recognized prematurely for the following reasons:

- As revenue is recognized based on the communication from the product suppliers, the product shipping date cannot be tracked in a timely manner and the revenue recognition may be delayed.
- As the Group only instructs the product suppliers to make shipment and does not directly perform shipping operations, revenue may be recognized without actual shipment.

We, therefore, determined that our assessment of the appropriateness of management's determination of the accounting period in which revenue from direct shipping transactions in the steel business of the Company was recognized was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

In order to assess whether revenue was recognized in the appropriate accounting period, for selected transactions that might cover multiple fiscal years or had a higher risk of exception considering the level of profit margin and the status of receivable collection, we agreed the dates indicated on the evidence showing the shipment from the supplier with the dates of revenue recognition.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.


We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

田中基博 

Tamaka Motohiro

Designated Engagement Partner


Certified Public Accountant

成井弘治 

Narimoto Koji

Designated Engagement Partner

Certified Public Accountant

竹下晋平 

Takeshita Shinpei

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

August 2, 2021

Global Network



Corporate Data and Stock Information

(As of March 31, 2021)

Corporate Data

Company name	Hanwa Co., Ltd.
Established	April 1, 1947
Capital	¥45,651 million
Fiscal year	April 1 to March 31 of the following year
Number of employees	1,532 (Consolidated: 4,845)
Tokyo Head Office	Ginza Shochiku Square Bldg., 1-13-1, Tsukiji, Chuo-ku, Tokyo 104-8429, Japan
Osaka Head Office	HK Yodoyabashi Garden Avenue Bldg., 4-3-9, Fushimi-machi, Chuo-ku, Osaka 541-8585, Japan

Stock Information

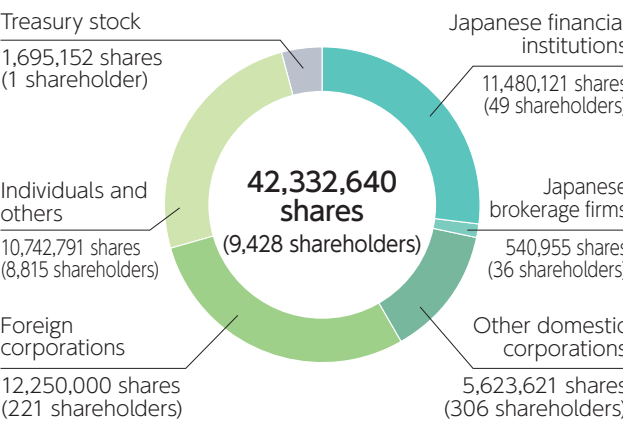
Annual meeting of shareholders	June every year
Administrator of shareholder registry and account management institution for special accounts	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Mailing address	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Securities Agency Department, Sumitomo Mitsui Trust Bank, Limited
Telephone number	0120-782-031 (Toll-free)
Unit share	100 shares
Number of shareholders	9,428
Authorized shares	114,000,000 shares
Issued and outstanding shares	42,332,640 shares
Domestic stock exchange listings	The First Section of the Tokyo Stock Exchange
Securities code	8078

Principal Shareholders

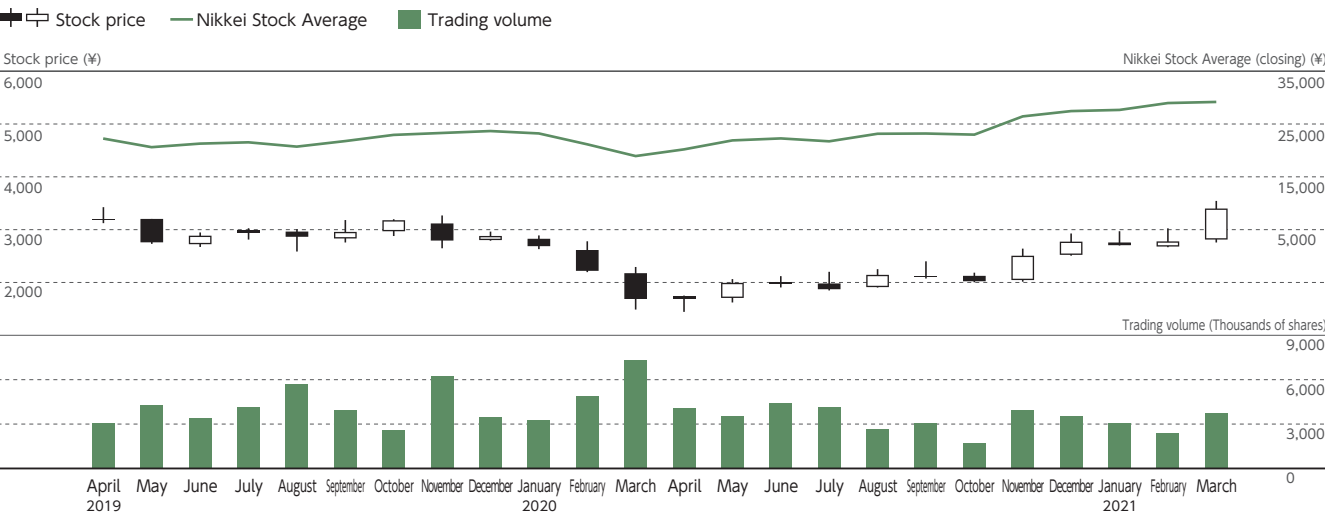
Name of shareholders	Number of shares (Thousands)	Percentage of total issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,967	7.30
Custody Bank of Japan, Ltd. (Trust Account)	2,086	5.13
Hanwa Clients' Stock Investment Association	1,957	4.82
Sumitomo Mitsui Banking Corporation	1,526	3.76
JP MORGAN CHASE BANK 385632	1,480	3.64
GOVERNMENT OF NORWAY	1,198	2.95
Hanwa Employees' Stock Investment Association	947	2.33
THE BANK OF NEW YORK MELLON 140044	821	2.02
DFA INTL SMALL CAP VALUE PORTFOLIO	614	1.51
Custody Bank of Japan, Ltd. (Trust Account 5)	604	1.49

Note: The Company holds 1,695,152 shares of treasury stock, which is excluded from the principal shareholders listed above.

Breakdown by Type of Shareholder



Stock Price Range and Trading Volume (Common Stock) (April 2019 to March 2021)



Editorial Policy

Editorial policy

The Company has been publishing integrated reports since fiscal 2019 so that our stakeholders can deepen their understanding of our medium- to long-term value creation. Through this report, we aim to further enhance our corporate value by deepening dialogue with our stakeholders.

Scope of report

The Company and its subsidiaries

Period covered

Fiscal 2020 (April 1, 2020 to March 31, 2021)

Some of the activities, prior to or after the period covered, are also included.

Cautionary statement regarding forward-looking information

This report contains forward-looking information including future results of the Company. Such information reflects the Company's analysis based on information currently available to the Company and actual results may differ from these forecasts due to various factors, including economic trends and the surrounding business environment.

Reference guidelines

"International Integrated Reporting Framework" published by International Integrated Reporting Council (IIRC)

"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation" published by Ministry of Economy, Trade and Industry

Contact

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