

Date: May 13, 2016

Contact: Takuya Aizawa
General Manager of Corporate Planning Dept.
Tel: +81-3-3544-2000

Notice of New Medium-term Business Plan
(From April 2016 to March 2019)

Hanwa Co., Ltd. (“Hanwa”) announces that it formulates the Medium-term Business Plan (From April 2016 to March 2019) , as follows:

1. Medium-term Business Plan Theme

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

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

For the next decade, this business plan has the objectives of steady growth of Hanwa by earning profits in current business domains while achieving speedy earnings growth driven by group companies (36 in Japan and 33 overseas) and strategic investments. In addition, there will be more strategic mergers, acquisitions and alliances to add more future sources of earnings. Furthermore, Hanwa will, with its full force, implement HKQC (Hanwa Knowledge Quality Control) to enable the group to pass on and enhance knowledge that goes beyond merely quality assurance activities.

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

- (1)Steady: Maintain and increase earnings in well-established business
 - Use HKQC (quality assurance using the Hanwa Group’s collective knowledge) to eliminate the risk of losses in all business processes.
 - Increase cash flow generation by improving the efficiency of purchases, inventories, sales and the receipt of payments
- (2)Speedy: Speed up to produce benefits from investments in group companies and strategic investments in Japan and overseas
 - Make companies (36 in Japan and 33 overseas) more profitable
 - Moving up to secure returns from current business investments that are performing well or have excellent prospects
- (3)Strategic: Establish future sources of additional earnings by continuing strategic investments of about ¥30 billion over three years
 - Rather than making only a few large acquisitions, execute diversified mergers and acquisitions and flexible alliance investments in high-quality small and midsize companies.
 - Create opportunities for strategic investments in the food products, petroleum and chemicals, lumber and other business sectors.
 - Make strategic investments in natural resource sectors with distinctive characteristics.
 - Make carefully targeted strategic investments in the growing markets of Southeast Asia and the large markets of North America.

2. Quantitative Objectives

Our aim for the next three to five years is “2 x 4” – Sales of ¥2,000 billion, ordinary income of ¥20 billion, 2,000 new customers and net assets of ¥200 billion. In the final year of this medium-term business plan (fiscal year ending in March 2019), the quantitative objectives are set: ¥2,000 billion, ordinary income of ¥20 billion and 2,000 new customers.

3. Financial Strength

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

4. Basic Stance for Business Strategies

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

【Key Themes for Business Units】

1) Steel Division

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

2) Non-ferrous Metal Division

- Earn returns from investments.
- Seek new suppliers in all regions of the world.
- Handle a broader lineup of products
- Enlarge sales channels for serving overseas users.

3) Food Products Division

- Reinforce the fast delivery, small lot, processing strategy for this Division.
- Increase sales activities in overseas markets for food products.
- Create business opportunities by utilizing the advantage of having a fully integrated upstream-to-downstream food business model.

4) Petroleum and Chemicals Division

- Redefine business domain from mere petroleum trader to a comprehensive energy trader.
- Build a framework for generating earnings by utilizing inventory facilities and functions.
- Establish supplier relationships and build infrastructures in a manner that reflects user needs.
- Aim for growth of the recycled fuel and new energy businesses.

5. Build a More Powerful Base of Operations

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

- 1) More financial discipline and the best capital structure
 - Reinforce the entire investment cycle system.
 - Improve financial soundness by raising net assets to ¥200 billion.
- 2) A stronger group oversight framework
 - More efficient corporate functions at group companies in Japan and other countries
 - Improve risk management capabilities, particularly for credit management.
 - Upgrade and expand training programs at group companies.
- 3) More effective corporate governance
 - Improve the effectiveness of compliance activities and internal controls.
 - Make corporate governance systems more effective.
- 4) Upgrade information systems and make substantial ICT investments
 - Increase ICT investments for activities needed to supply value from the standpoint of users.
 - Apply HKQC for extensive business flow improvements and incorporate these improvements in information systems.
- 5) Make the business climate the basis for training and using people
 - Develop a workforce of professionals and global businesspersons who can succeed in Japan and around the world.
 - Provide people with the opportunities to fully realize their potential.
 - Improve management skills needed for management of the entire Hanwa Group.
- 6) Use diversity as a management strategy for making the Hanwa Group stronger
 - Step up measures for using the capabilities of workforce diversity in terms gender, age, nationality and other characteristics to create value.
 - Provide women assignments where they can fully realize their potential, based on their respective capabilities and career paths, and place women in management positions. In addition, give women opportunities of comprehensive training such as studying abroad, training program and job rotations, to promote them to executives and beyond.

6. Organization for Implementing the Medium-term Business Plan

As in previous medium-term business plans, Hanwa has established task forces to examine key themes of the plan and implement the plan by incorporating these themes in the strategies and actions of each business unit. By using these measures to strengthen various business functions, these task forces will serve as a framework for achieving the goals of the plan.

###