

Overview of Results for the first half of FY2015



KANEMATSU CORPORATION

November 7, 2014

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Result of the first half of FY2015



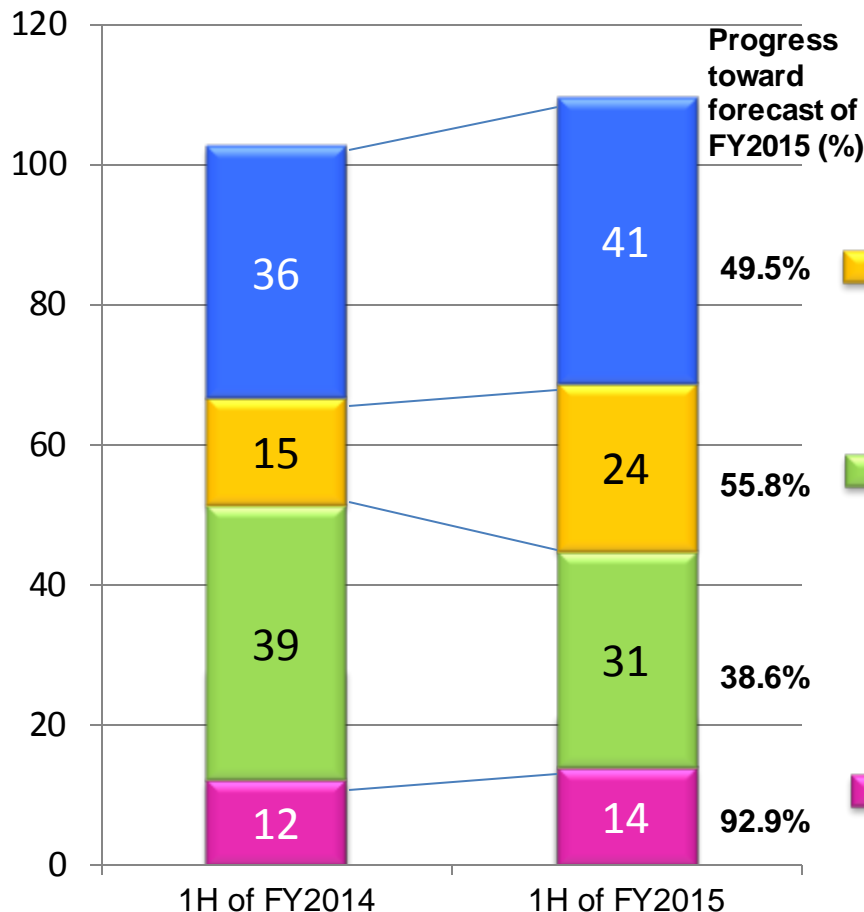
1H of FY2015 Financial Summary P/L

There has been a slight decline year on year, excluding gross trading profit and operating income, but solid progress has been made toward achieving the full-year forecast.

(100 million yen)	1H of FY2014	1H of FY2015	FY2015 Forecast	Progress (%)
Net Sales	5,376	5,344	11,500	46.5%
Gross trading profit	430	440	885	49.7%
Operating income	105	111	220	50.4%
Ordinary income	110	106	205	51.5%
Net income	63	61	110	55.4%
Net income per share	14.97 yen	14.50 yen	26.19 yen	-

The Electronic & Devices and Foods & Grain segments are performing generally well.

(100 million yen)



Electronics & Devices (up 500 million yen year on year)

The semiconductor parts and manufacturing equipment business remained brisk against the backdrop of strong demand associated with smartphones and a rise in transactions of in-car products and products for amusement. In the electronic components and materials business, exports of imaging equipment, etc. were booming. The ICT solutions business and the mobile solutions business remained steady due to the use of a sales plan meeting customers' needs.

Food & Grains (up 900 million yen year on year)

The meat products business was favorable overall reflecting a rise in demand and the steady trends of the market. In the foodstuff business, the transactions of both grains and feed remained smooth.

Steel, Materials & Plant (down 800 million yen year on year)

In the plant business, transactions of plant infrastructure in South East Asia were strong. In the iron and steel business, the oilfield tubing business, a mainstay in iron and steel, was affected by a delay in the recovery of offshore drilling, but the oilfield tube processing business enjoyed a steady rise in production volume. In the energy business, sales of petroleum products dropped due to the influence of unseasonal weather and a fall in consumption.

Motor Vehicles & Aerospace (up 200 million yen year on year)

In the aerospace business, transactions of aircraft parts remained stable. In the motor vehicles and parts business, transactions involving motorcycle and motor vehicle parts for Europe, the United States, and Asia were strong.

Financial position B/S

Financial indicators are improving steadily in part due to the accumulation of shareholders' equity.

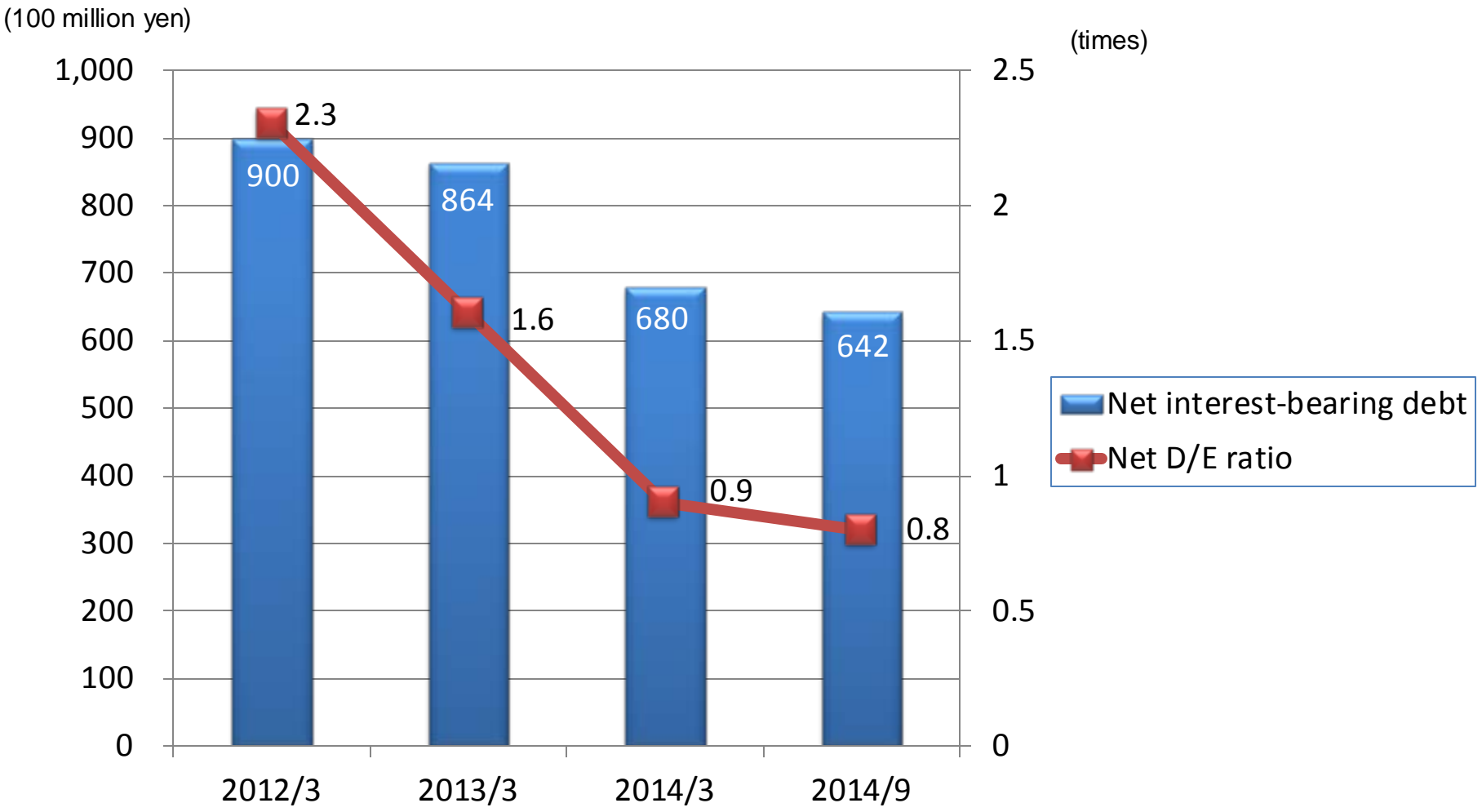
(100 million yen)	2014/3	2014/9	Change	Change (%)
Total Assets	4,285	4,243	▲42	-1.0%
Net Assets	962	1,030	68	7.0%
Shareholder's Equity (Note 1)	717	782	65	9.2%
Equity ratio (Note 2)	16.7%	18.4%	+ 1.7pt	-
Gross interest-bearing debt	1,419	1,322	▲97	-6.8%
Net interest-bearing debt	680	642	▲38	-5.6%
Net D/E ratio (note 3)	0.9	0.8	▲ 0.1pt	-

Note 1: Shareholder's Equity = Net assets - minority interests, Note 2: Equity ratio = Equity capital / total assets
 Note 3: Net D/E ratio = Net interest-bearing debt / equity capital



Net Interest-Bearing Debt and Net D/E Ratio

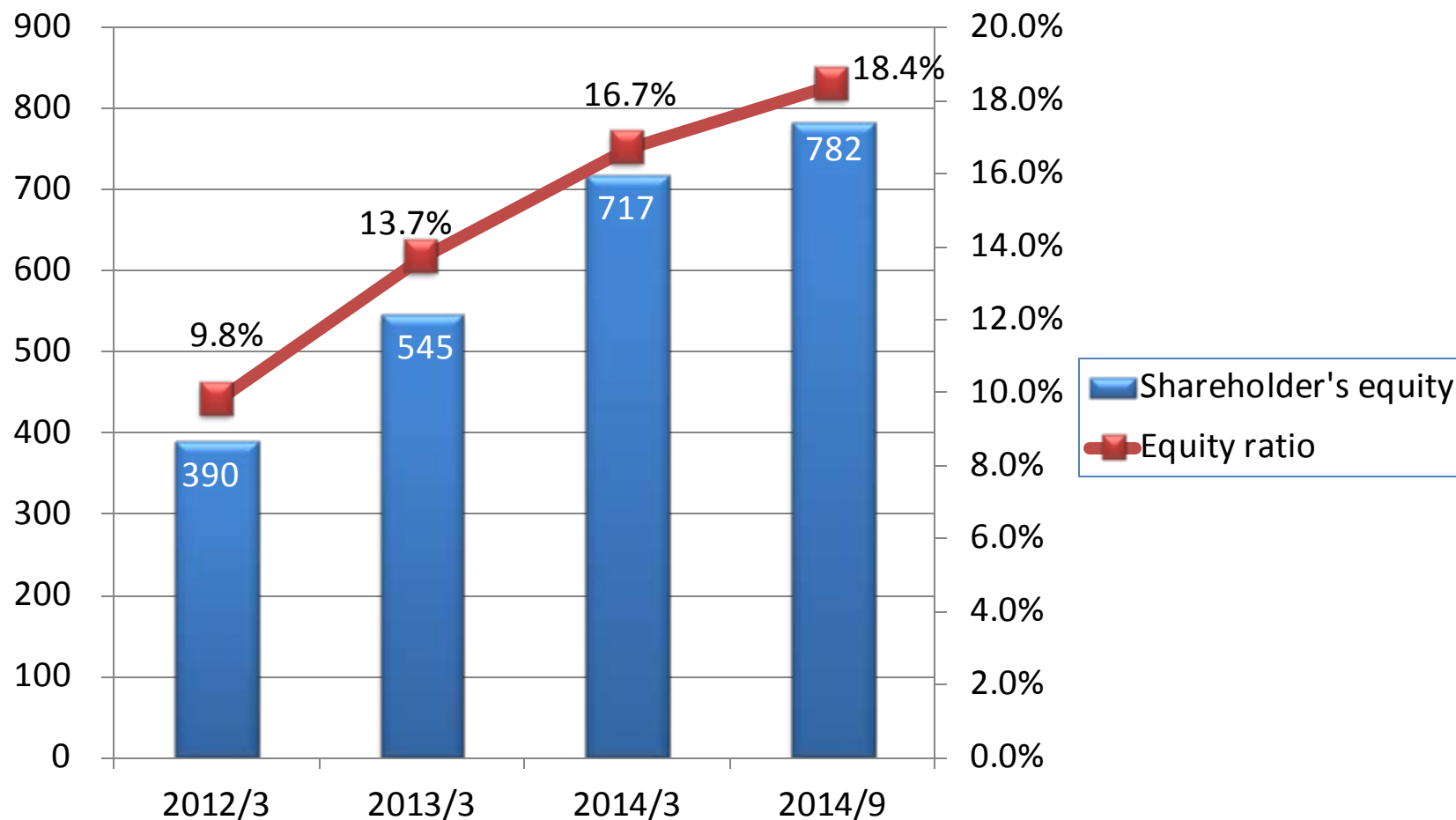
The net D/E ratio was maintained at below 1x.



Shareholder's Equity and Equity ratio

The equity ratio improved steadily due in part to the accumulation of retained earnings as a result of net income.

(100 million yen)



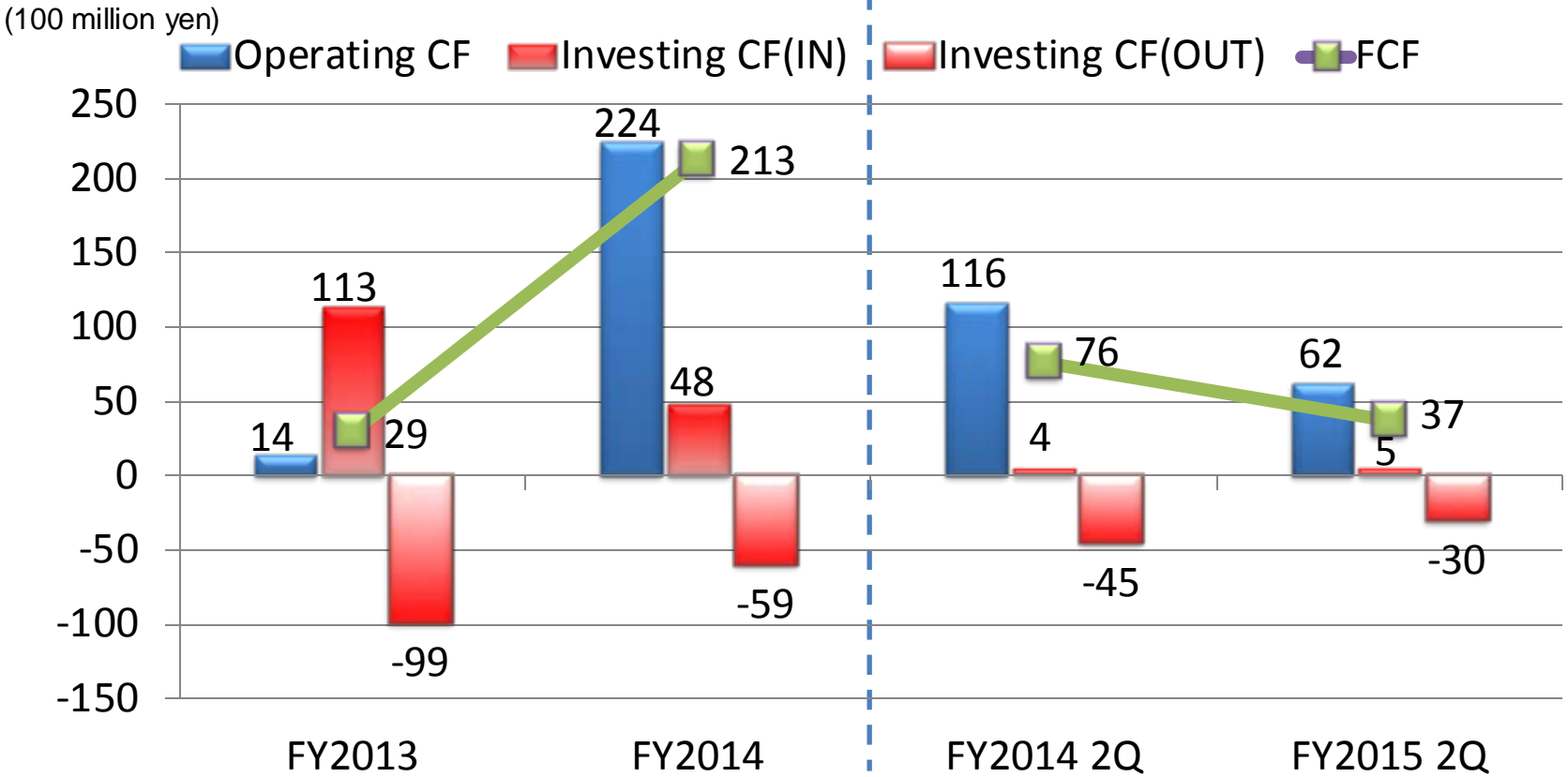


1H of FY2015 Free cash flows

Cash flows from operating activities: Net cash of 6.2 billion yen was provided partly due to the accumulation of operating income.

Cash flows from investing activities: Net cash of 2.5 billion yen was used partly for the acquisition of tangible fixed assets.

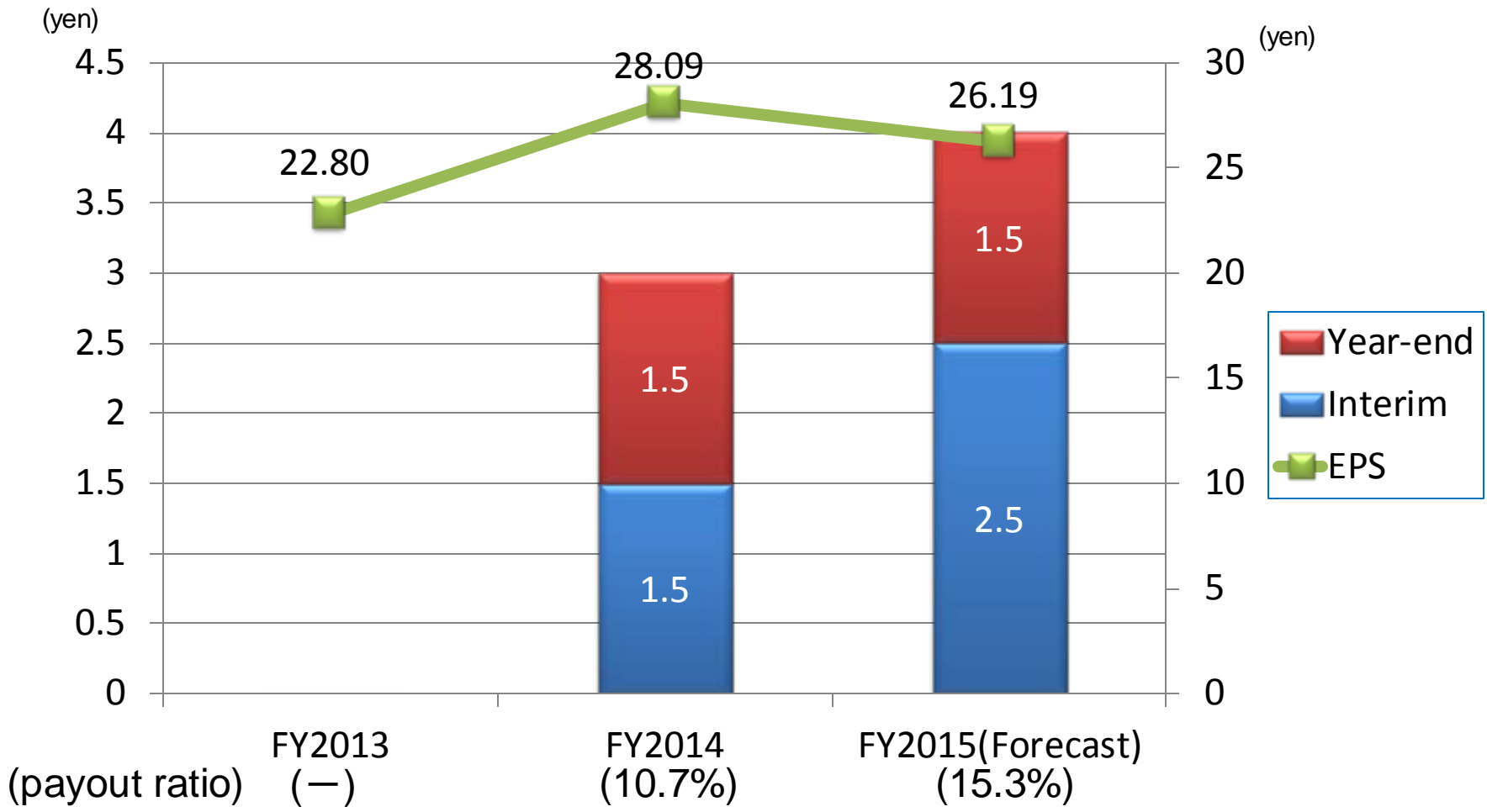
⇒ Free cash flows remained in the positive territory as new investments are being made based on funds obtained from cash flows from operating activities.





Dividends

The interim dividend of 2.5 yen, including the commemorative dividend of 1 yen for the Company's 125th anniversary, was paid out. A dividend of 4 yen is forecast for the year.



2 Progress of Medium-Term Business Plan and VISION-130

Forecast

The Group's earning power is to grow 150% from the current level by the end of the next five years.

(100 million yen)	FY2014 Result	FY2015 Forecast	FY2016 Forecast	Vision-130 FY2019 Forecast
Net sales	11,145	11,500	12,000	-
Gross trading profit	864	885	930	-
Operating income	198	220	230	-
Ordinary income	202	205	220	250 ~ 300
Net income	118	110	120	150
Net D/E ratio	0.9	Within the range of 1.0 to 2.0	Within the range of 1.0 to 2.0	Within the range of 1.0 to 2.0

VISION-130 ~ Main priority fields ~

Steady progress was made in business investments, etc. in the six “strong” key strategic business areas.

Business area	Main regions	Content
(i) ICT Solutions	Japan and Asia	Expand the systems business and improve the efficiency of the service support business.
(ii) Mobile	Japan	Enlarge through M&A, etc.
(iii) Food market in Asia	Asia	Expand one-stop services of proposal, manufacture and supply, and establish value chain infrastructure.
(iv) North American shale market	North America	Further expand manufacturing, processing and sales value chain for oilfield tubing, etc.
(v) Global motorization	North America and emerging markets	Strengthen sourcing, technological development and logistics capabilities in the global automobile market.
(vi) Overseas expansion of Japanese manufacturers, etc.	North America and emerging markets	Collaborate with Japanese manufacturers expanding overseas and support their overseas expansion.



VISION-130 ~ Main business ~ ①

Acquisition of North Pet Co., Ltd.

Engaged in a pet food production business in Hokkaido

Will contribute to the pet market and regional community through premium foods and snacks



About North Pet Co., Ltd.

Founded in 1987, North Pet Co., Ltd. is a well-established pet-treat manufacturer that operates a plant in Yubari-gun, Hokkaido. By taking advantage of the benefits of the land available, the company manufactures and sells the Hokkaido brand of premium pet food and snacks that is well known, even overseas, as a gourmet food.

Future Strategy

The company will proactively expand overseas mainly in Asia, such as in Hong Kong, Taiwan and Thailand, by leveraging the strength of the Hokkaido brand as well as providing Japan's secure and safe quality.



Fully equipped plant facilities



Snacks for dogs and cats by North Pet Co., Ltd.

Expanded transactions of aircraft rotatable parts by KGAR

Expansion of the aircraft rotatable parts business for commercial aircraft
Started handling parts for Airbus's A320 in addition to existing business for Boeing's B737

Overview of an exchange and repairs transaction



About KG Aircraft Rotables (KGAR)

Subsidiary based in Ireland.
 They hold as many as 10,000 item types of aircraft rotatable parts for commercial aircraft, centering on Boeing's B737, at its warehouse in England.
 They conduct an exchanges and repairs business for aircraft rotatable parts, a parts sales business and a leasing business.
 They have built a 24/7, year-round support structure and can swiftly respond to demand for emergency parts supply.

Future Strategy

The number of aircraft in operation is forecast to approximately double in the global aircraft market over the next 20 years.

We will respond to various types of demand by offering a lineup of aircraft rotatable parts for the Airbus A320, which commands broad support. We will further expand the foundation of business by making use of the expertise cultivated to date.



VISION-130 ~ Main business ~ ③

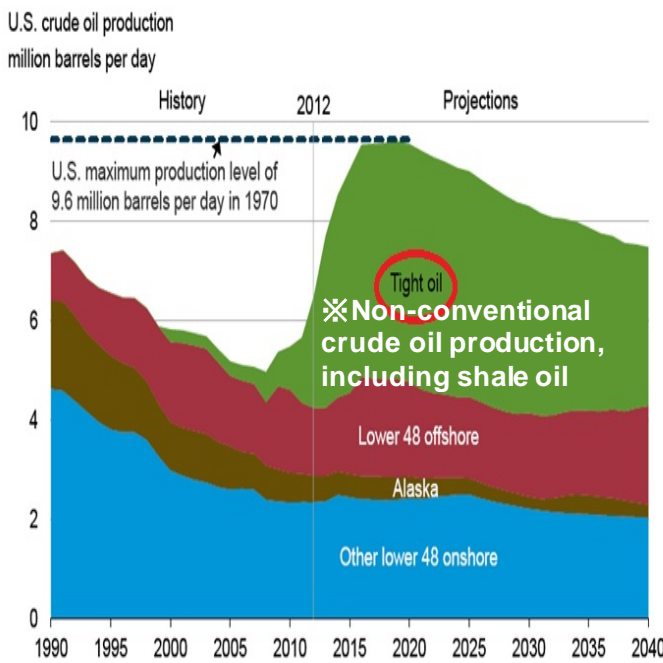
North American shale market

Scheduled to start operation of a second plant in Waller, Texas, in 2016



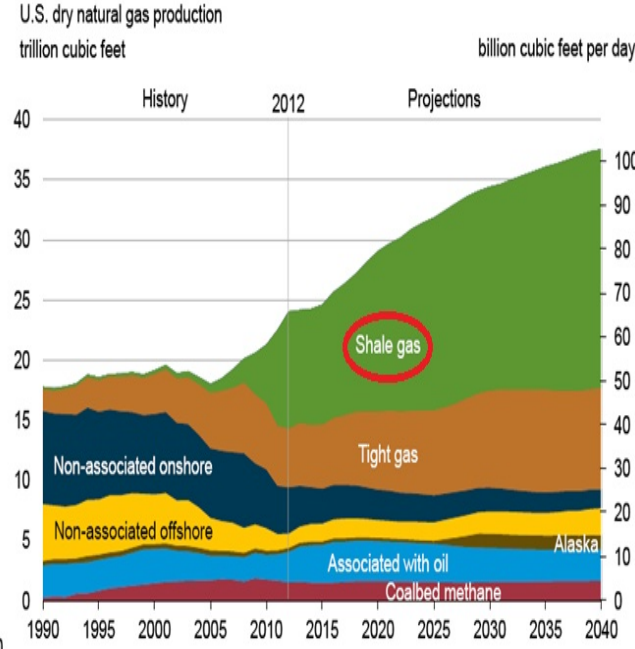
Aiming to further expand operational volume by expanding facilities

Growing tight oil and offshore crude oil production drive U.S. output close to historical high



Source: EIA, Annual Energy Outlook 2014 Early Release

U.S. shale gas leads growth in total gas production through 2040 to reach half of U.S. output



Source: EIA, Annual Energy Outlook 2014 Early Release



Map of 2nd plant





Renewable energy business

Contributing to long-term conservation of the earth's environment through the renewable energy business



**【Planned construction site】
San Lorenzo, Guimaras, Philippines**

We established a full turnkey contract with a wind power plant with 54MW gross output in San Lorenzo in October 2013 and received a delivery contract that includes construction involving laying and covering submarine cables.

20 wind turbines have been completed as of October 2014 (total number 27) and we are diligently working on construction, aiming for construction to be completed in February 2015.

We are continuing to proactively expand into countries with optimal wind conditions by positioning the wind-power generation business as a key area within the renewable energy business.



TOB of Kanematsu-NNK Corporation (KNN)

Creating a solid relationship through capital ties and establishing synergy between KNN's security camera business and Kanematsu's ICT business



Video monitoring camera by South Korea's Samsung handled by KNN



Kanematsu-NNK Corporation



KANEMATSU CORPORATION

The objective of the TOB

We aim to further solidify capital ties between the two companies to further strengthen the companies' business foundation and improve corporate value through a collaboration of KNN's security camera business and Kanematsu's Electronic & Devices business.

We also aim to further earnings expansion by responding to the market's growth by leveraging the two companies' expertise cultivated thus far in the security camera market, for which demand is expected to strengthen. Diversification is also projected ahead of the Tokyo Olympics.



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Appendix



Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics & Devices	Semiconductor Parts & Equipment	Semiconductor /electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Nippon office Systems Ltd.
	OEM/ODM	Printer equipment, Electronic modules	
	ICT Solutions & Mobile Solutions	System solutions , Communication equipment/parts, Mobile communications terminals, Mobile content, / mobile advertisement	
Foods & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanematsu Shintoa Foods Corp. Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp.
	Meat & Marine Products	All meat, seafood	
	Grains, Feedstuff, Fertilizer and Pet Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Steel, Materials & Plant	Steel trading	Surface-treated steel plates, seamless piping	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Domestic steel / Steel materials	Steel products, iron ore, cokes	
	Crude oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	
	Functional chemicals, Life sciences	Battery materials, fertilizer materials, adhesive materials, solvents, Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	
	Plant & Vessels	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor vehicles & Aerospace	Motor Vehicles & parts	Automobiles, Motorcycles and related parts, Precision-Forged Cast Products	Kanematsu Aerospace Corp. Shintoa Corp. KG Aircraft Rotables
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	



Subsidiaries and Affiliates, and their Employees

1. Net Sales of Major Consolidated Subsidiaries

(100 million yen)	Business	Ownership ratio	2013/9	2014/9	Change
Kanematsu Electronics Ltd.	ICT Solutions	58.28%	327	293	-34
Kanematsu Communications Ltd.	Mobile communications	100%	596	609	13
Kanematsu Shintoa Foods Corp.	Food, dairy & seafood	100%	134	137	3
Kanematsu Agri-Tech Corp.	Feed & dairy	100%	72	59	-13
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	198	208	10
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	185	196	11
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	758	807	48
Kanematsu Chemicals Corp.	Functional chemicals	100%	92	88	-4
Shintoa Corporation	Trading company	100%	528	495	-33
Kanematsu Aerospace Corporation	Aerospace, Military equipment	100%	24	18	-6
Kanematsu USA Inc.	Overseas subsidiary	100%	502	481	-21

2. Number of Employees

(Persons)	2014/3	2014/9	Change
Parent company	800	827	27
Consolidated subsidiaries	4,947	5,016	69
Total	5,747	5,843	96

The number of employees equals the size of the working staff (excluding transferees from the Group to outside companies and including transferees from outside companies to the Group).

Subsidiaries

1. Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)	2013/9					2014/9					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	29	28	9	11	77	28	27	9	10	74	-3
Ratio (%)	76.3%	58.3%	69.2%	78.6%	68.1%	77.8%	58.7%	81.8%	76.9%	69.8%	1.7%
Non profitable	9	20	4	3	36	8	19	2	3	32	-4
Total	38	48	13	14	113	36	46	11	13	106	-7

2. Profit and Loss Posted by Consolidated Subsidiaries and Affiliates (100 million yen)

(100 million yen)	2013/9					2014/9					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	30	10	2	1	43	28	8	3	1	40	-3
Sum of loss posted by non-profitable	-0	-3	-1	-0	-4	-0	-3	-0	-0	-4	0
Total	30	7	-0	1	39	28	5	2	1	36	-2



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Supplement

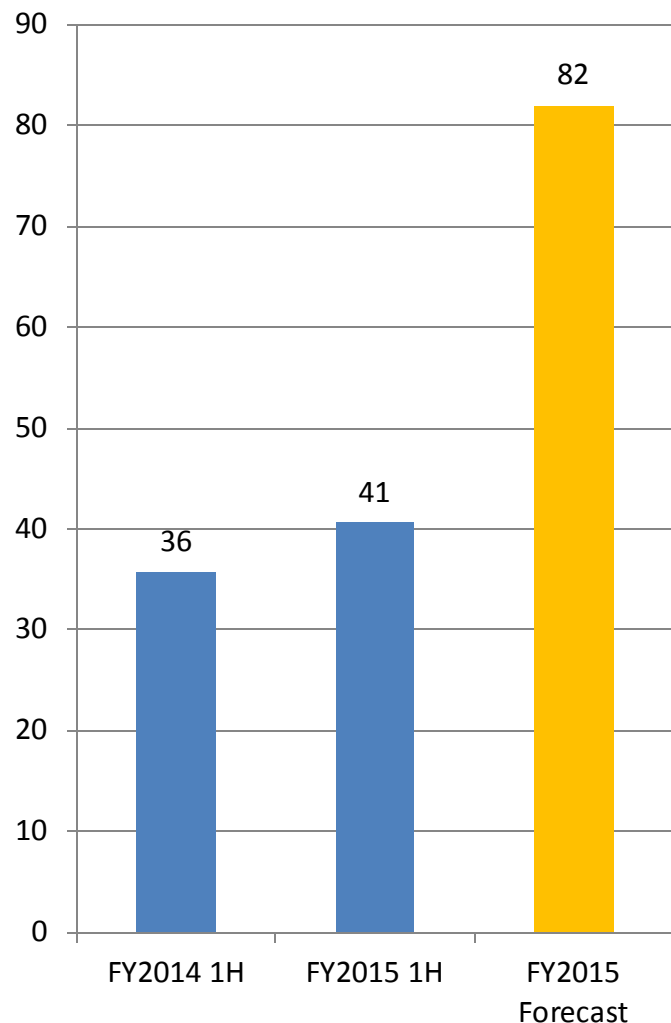
FY2015 Forecast (Segments)

(100 million yen)	1H of FY2015	FY2015	Change
	Result	Forecast	
Net sales	5,344	11,500	46%
Electronics & Devices	1,265	2,900	44%
Foods & Grain	1,514	3,250	47%
Steel, Materials & Plant	2,242	4,700	48%
Motor Vehicles & Aerospace	310	630	49%
Others	13	20	-
Operating income	111	220	50%
Electronics & Devices	41	82	50%
Foods & Grain	24	43	56%
Steel, Materials & Plant	31	80	39%
Motor Vehicles & Aerospace	14	15	93%
Others	1	0	-



1H of FY2015 Results and FY2015 Forecasts (Electronics & Devices)

Operating income:
100 million yen



(100 million yen)	1H of FY2014 Results	1H of FY2015 Results	FY2015 Forecasts
Net sales	1,263	1,265	2,900
Gross trading profit	208	208	427
Operating income	36	41	82

Point of 1H of FY2015 Results

The semiconductor parts and manufacturing equipment business remained brisk against the backdrop of strong demand associated with smartphones and a rise in transactions of in-car products and products for amusement. In the electronic components and materials business, exports of imaging equipment, etc. were booming. The ICT solutions business and the mobile solutions business remained steady due to the use of a sales plan meeting customers' needs.

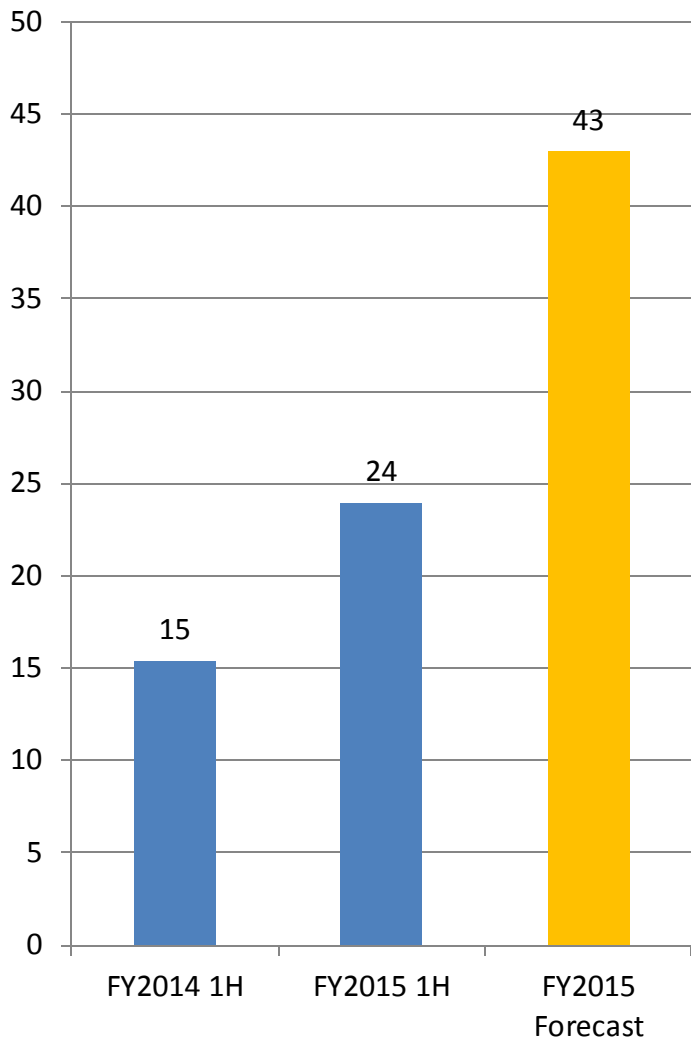
Forecasts of FY2015

The semiconductor parts and manufacturing equipment business is forecast to continue as planned. The OEM business and parts for computer circuit boards and touch panel manufacturers in the electronic components and materials business performed strongly. The ICT solutions business and the mobile solutions business are also projected to end as planned.



1H of FY2015 Results and FY2015 Forecasts (Foods & Grain)

Operating income:
100 million yen



(100 million yen)	1H of FY2014 Results	1H of FY2015 Results	FY2015 Forecasts
Net sales	1,567	1,514	3,250
Gross trading profit	62	74	141
Operating income	15	24	43

Point of 1H of FY2015 Results

The meat products business was favorable overall reflecting a rise in demand and the steady trend of the market. In the foodstuff business, the transactions of both grains and feed remained smooth.

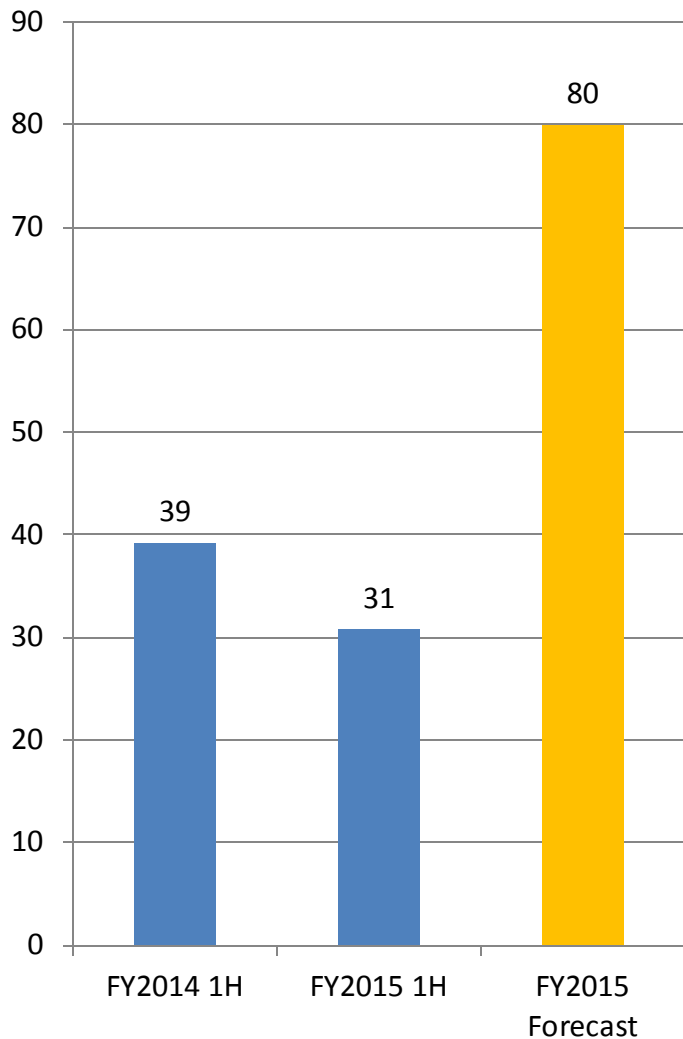
Forecasts of FY2015

The meat products business continues to perform well due to robust demand. The foodstuff business is expected to experience somewhat of an uphill battle due to weaker domestic demand for feed, but we are planning to expand business operations and increase operational volume in the pet business. Foods business earnings are expected to face pressure due to a weaker yen.



1H of FY2015 Results and FY2015 Forecasts (Steel, Materials & Plant)

Operating income:
100 million yen



(100 million yen)	1H of FY2014 Results	1H of FY2015 Results	FY2015 Forecasts
Net sales	2,220	2,242	4,700
Gross trading profit	117	114	245
Operating income	39	31	80

Point of 1H of FY2015 Results

In the plant business, transactions of plant infrastructure in South East Asia were strong. In the iron and steel business, the oilfield tubing business, a mainstay in iron and steel, was affected by a delay in the recovery of offshore drilling, but the oilfield tube processing business enjoyed a steady rise in production volume. In the energy business, sales of petroleum products dropped due to the influence of unseasonal weather and a fall in consumption.

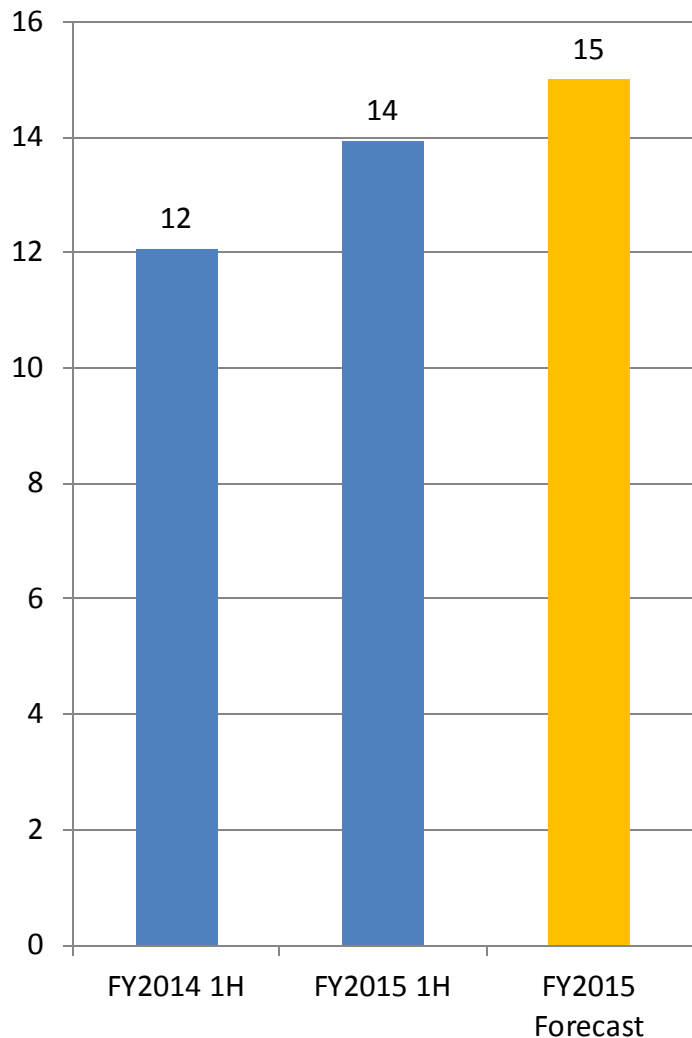
Forecasts of FY2015

The oilfield tube processing business related to shale gas and oil is doing relatively well, but that for the offshore business is expected to become sluggish due to delayed recovery following development. We need to closely monitor activities related to the resumption of nuclear power plant operations in the energy business. Machine tools and industrial machinery are expected to recover in the second half.



1H of FY2015 Results and FY2015 Forecasts (Motor Vehicles & Aerospace)

Operating income:
100 million yen



(100 million yen)	1H of FY2014 Results	1H of FY2015 Results	FY2015 Forecasts
Net sales	290	310	630
Gross trading profit	34	38	62
Operating income	12	14	15

Point of 1H of FY2015 Results

In the aerospace business, transactions of aircraft parts remained stable. In the motor vehicles and parts business, transactions involving motorcycle and motor vehicle parts for Europe, the United States, and Asia were strong.

Forecasts of FY2015

The number of manufactured and sold units of large motorcycles and motor vehicles is strong in both the North American and European markets. The parts business, riding on its coattails, is also performing well. Aircraft parts and aircraft rotatable parts transactions are expected to continue at a healthy pace.

Notes:

The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties.

Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements.

Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.