

ANNUAL REPORT 2015



Kanematsu's Progress and Strengths

CREATING SUSTAINABLE

With the resumption of dividend payments in fiscal 2014, the Kanematsu Group reached an important milestone in term of restructuring to strengthen its earnings base and improve its financial position. In April 2014, we launched the VISION-130 medium-term vision aimed at "being a 'Value Creator' by continuing to build new businesses." While striving to embody the Kanematsu Group's traditional entrepreneurial spirit, we have embarked on a new era for the Group.

▶ Kanematsu's post-restructuring medium-term business plans

- April 2004 – March 2007 Medium-Term Business Plan: "New KG200"
- April 2007 – March 2010 Medium-Term Business Plan: "team KG120"

▶ Building strong business foundations

- April 2010 – March 2013
Medium-Term Business Plan: "S-Project"
- April 2013 – March 2016
Medium-Term Business Plan
—Jump to the next stage—

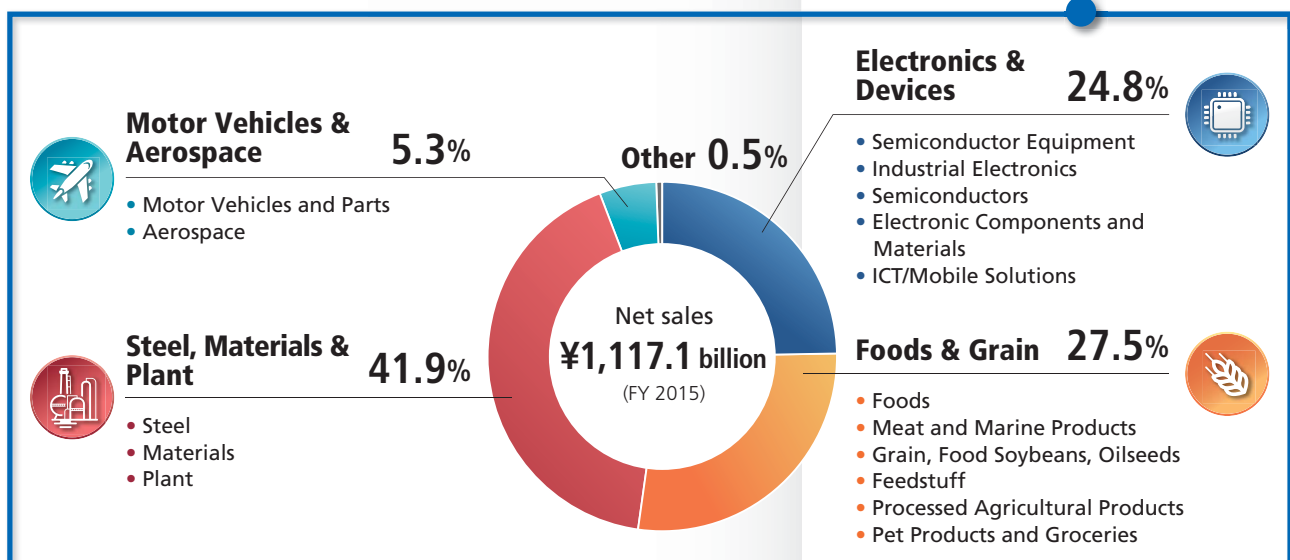


▶ Progress in Reinforcing the Financial Base

	FY2000
Net sales	¥1,407.9 billion
Operating income	¥14.5 billion
Equity ratio	1.3 %
Net D/E ratio	47.1 times

	FY2010
Net sales	¥861.3 billion
Operating income	¥12.2 billion
Equity ratio	7.3 %
Net D/E ratio	3.8 times

Business Areas



VALUE

▶ Shifting to an aggressive management stance

- As a result of restructuring, we enhanced our business foundations and achieved a net D/E ratio of 0.9 times, improved the equity ratio to 16.7%, and paid dividends for the first time in 15 years in fiscal 2014
- We further strengthened our financial position in fiscal 2015

- VISION-130 medium-term vision unveiled in April 2014
- Aiming for further growth leading up to fiscal 2019, the Company's 130th anniversary
- Establishment of a clear edge in highly specialized fields
Reinforcing market competitiveness in six focus areas
- New investment in business expansion and M&As
Investment capacity of up to ¥100 billion over five years



	FY2015
Net sales	¥1,117.1 billion
Operating income	¥22.1 billion
Equity ratio	19.6 %
Net D/E ratio	0.8 times

	FY2016
Net sales	¥1,200.0 billion
Operating income	¥24.0 billion
Equity ratio	Over 20%
Net D/E ratio	1.0 level

VISION-130 Aspiration

Maintain financial soundness

- Shareholders' Equity: Over ¥100 billion
- Net D/E ratio: 1.0 level

Expand the earnings base

- Building on existing trading operations to expand the earnings base through cooperation and mutual development with our business partners
- Further developing areas of strength and making new investments for business creation

Being a "Value Creator" and continuing to build new businesses

Financial and ESG Highlights

(As of June 24, 2015)

	2005	2006	2007	2008	2009
For the year:					
Net sales	¥886,876	¥1,096,409	¥1,281,331	¥1,244,020	¥1,138,755
Gross profit	68,142	81,732	103,711	90,327	86,292
Operating income	15,762	17,982	21,713	22,605	19,027
Ordinary income	11,720	15,709	17,255	18,747	13,127
Income (loss) before income taxes and minority interests	4,836	(16,728)	14,615	28,975	77
Net income (loss)	2,469	(21,686)	7,507	19,016	(12,787)
Cash flows from operating activities	10,122	19,720	20,874	14,308	17,177
Cash flows from investing activities	5,382	7,822	23,149	38,799	(370)
Free cash flow	15,504	27,542	44,023	53,107	16,807

At year-end:					
Net assets	38,029 ²	26,004 ²	48,767	62,239	42,035
Total assets	520,118	556,046	563,176	503,456	414,928
Shareholders' equity	—	—	32,959	45,587	24,936
Net interest-bearing debt	261,560	246,317	204,900	148,944	134,582

Per share (yen):					
Net income (loss)	¥ 6.52	¥(52.43)	¥17.94	¥ 45.44	¥(30.56)
Net assets	93.74	62.12	78.75	108.95	59.61
Cash dividends	—	—	—	—	—

Financial indicators:					
Return on equity (ROE) (%)	8.06	(67.73)	25.46	48.42	(36.26)
Equity ratio (%)	7.3	4.7	5.9	9.1	6.0
Net D/E ratio (times)	6.9	9.5	6.2	3.3	5.4

ESG* (Non-Financial) Data: *ESG: Short for environmental, social, and corporate governance.

Employees—consolidated	3,218	4,449	4,545	4,543	4,874
Employees—non-consolidated (Women)	879 (238)	847 (232)	859 (234)	872 (251)	890 (262)
Percentage of women among employees—non-consolidated	27%	27%	27%	29%	29%
CO ₂ emissions (t-CO ₂)	559.38	527.40	823.59	577.95	450.29
Directors (Outside directors) ⁴	12(0)	12 (0)	11(0)	11 (0)	10 (0)
Audit & Supervisory Board Members ⁴ (Outside Audit & Supervisory Board Members)	4 (2)	4 (2)	5(3)	4 (3)	4 (3)

Notes 1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.

2. The amount of net assets until the year ended March 31, 2006, is the amount presented under shareholders' equity, which has conventionally been presented.

3. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥102.92 to U.S.\$1.00, the exchange rate prevailing on March 31, 2014.

4. The number following the General Meeting of Shareholders, after the year-end.

Millions of yen¹ Thousands of U.S. dollars³

	2010	2011	2012	2013	2014	2015	2015
	¥861,277	¥936,891	¥1,006,365	¥1,019,232	¥1,114,539	¥1,117,096	\$9,295,967
	74,104	76,905	80,900	80,021	86,402	91,441	760,933
	12,186	18,029	21,426	18,262	19,776	22,125	184,122
	8,238	14,257	17,752	16,705	20,160	22,895	190,523
	8,407	13,030	13,529	16,781	19,075	23,294	193,849
	3,528	9,175	6,110	9,564	11,799	11,470	95,452
	26,441	7,827	15,822	1,355	22,384	10,115	84,180
	(19,149)	17,322	1,291	1,466	(1,111)	(8,903)	(74,094)
	7,292	25,149	17,113	2,821	21,273	1,212	10,086
	45,804	49,576	55,992	75,912	96,204	118,731	988,032
	398,629	388,676	399,753	399,186	428,459	459,011	3,819,682
	28,916	33,101	39,008	54,519	71,657	90,101	749,785
	109,350	104,612	90,012	86,439	68,038	67,646	562,926
	¥ 8.44	¥21.93	¥14.60	¥ 22.80	¥ 28.09	¥ 27.30	\$0.23
	69.15	79.07	93.16	129.82	170.54	214.10	1.78
	—	—	—	—	3.00	4.00	0.03
	13.10	29.59	16.95	20.45	18.70	14.18	
	7.3	8.5	9.8	13.7	16.7	19.6	
	3.8	3.2	2.3	1.6	0.9	0.8	
	4,871	4,770	4,770	5,522	5,747	6,002	
	850 (264)	832 (250)	795 (238)	782 (242)	800 (246)	813 (253)	
	31%	30%	30%	31%	31%	31%	
	368.25	482.36	376.92	365.37	414.58	387.80	
	10 (0)	10 (0)	10 (0)	10 (0)	6 (1)	7 (2)	
	4 (3)	4 (3)	4 (3)	4 (3)	4 (2)	4 (3)	

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Forward-Looking Statements

This annual report contains statements regarding Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.

To Our Stakeholders

Creating Value Unique to the Kanematsu Group

The Kanematsu Group celebrated the 125th anniversary of its founding on August 15, 2014. It is by the grace of the tremendous support and cooperation of our stakeholders, including shareholders, business partners, and employees, that we have been able to reach this milestone.

In April 2014, aiming for further growth, we announced and launched initiatives under VISION-130, our medium-term vision, which lays out the aspiration of "being a 'Value Creator' by continuing to build new businesses" for 2019, the Company's 130th anniversary.

At Kanematsu, we have codified the entrepreneurial spirit of the Company's founder, Fusajiro Kanematsu, in our Corporate Principles. In accordance with these principles, we seek to maintain a pioneering spirit and foster creative imagination and ingenuity in order to contribute to ongoing economic development.

Rather than chasing after high-risk business in finance or investment in natural resources, we strive to create value unique to the Kanematsu Group by honing our core functions as a trading company. By doing so, we are moving closer to our aspiration for Kanematsu in its 130th year and increasing the value of Kanematsu as a company that grows together with its business partners.

July, 2015

Masayuki Shimojima
President & CEO

Corporate Principle

"Let us sow and nurture the seeds of prosperity for Japan"

"If we sow a seed, we can expect it to develop into a seedling that generates content and prosperity for Japan. Let us sow that seed now." So spoke our founder Fusajiro Kanematsu at the establishment of the Company. Furthering the "public interest" of Japan was the guiding mission of all leading Japanese of the late nineteenth century (Meiji period) in developing the national economy. Today, our founder's ideal underlies all our company's public benefit and community activities and our contributions to nations and peoples generally.

On the occasion of the merger in 1967 with The Goshō Company, the Company enshrined its founder's ideals in a document titled Our Beliefs: Kanematsu's Guiding Principles.

OUR BELIEFS (Kanematsu's Guiding Principles)

1. We believe that we should achieve prosperity of our business through just and fair earnings in the pioneering spirit as fostered by our predecessors with the wisest use of our creative imagination and ingenuity.
2. We believe that our Company should justify its existence by promoting a sound and flourishing business which fulfils its responsibilities toward the welfare of society and also contributes to the security and well-being of us all.
3. We believe that each one of us should attend to business not as an individual but as a member of the organization abiding by Company rules, carrying out duties with a sense of loyalty to the Company and a spirit of cooperation and understanding toward all other members of the organization.

Top Message



Fiscal 2016, ending March 31, 2016, is the final year of the Kanematsu Group's current medium-term management plan, which it is carrying out under the banner "Jump to the next stage." Looking to take the next step forward, we have also established VISION-130, a five-year medium-term vision that lays out our aspirations for 2019—the 130th anniversary of the Company's founding—and have now completed its first year. Having resumed dividend payments, a priority measure under the medium-term business plan, we are now shifting to an aggressive management stance. We are concentrating on our focus areas and endeavoring to create new businesses to achieve further growth.

President & CEO

A handwritten signature in black ink, appearing to read "M. Shimojima". The signature is fluid and cursive, written over a white background.

Masayuki Shimojima

Creating New Businesses

The Kanematsu Group has clearly defined “being a ‘Value Creator’ by continuing to build new businesses” as its vision. By sharing this aspiration across the entire Group and by achieving it, we hope to further enhance Kanematsu’s enterprise value.

For the Kanematsu Group, business creation means aiming for more than simple expansion of scale. The Group’s greatest asset is its many valuable

business partners, with whom it has steadily built relationships of trust through trading operations over the Company’s nearly 130-year history. Dealing in good faith with these business partners, that is, indentifying their needs and the challenges they face and offering solutions to pioneer new value as a business partner that grows with them, is the true essence of the Kanematsu Group’s business creation.

Fiscal 2015 Results

We achieved the income targets of our medium-term management plan two years ahead of schedule in fiscal 2014, the first year of the plan. In fiscal 2015, ended March 31, 2015, it became clear that our consolidated earnings power is continuing to increase. Consolidated ordinary income reached a record high of ¥22.9 billion, and although net income decreased 2.8% as a result of a temporary increase in tax expenses due to tax system changes, at ¥11.5 billion it was still 4.3% higher than the forecast made at the

beginning of the fiscal year.

In particular, factors behind these firm results included continued growth in the ICT solutions business of the Electronics & Devices Division; income contributed by Kanematsu-NNK Corp., which was made a consolidated subsidiary in December 2014; and the overall strong performance of the Motor Vehicles & Aerospace Division, especially in components trading.

Outline of the VISION-130 Medium-Term Vision and Review of its First Year

Under the Group’s medium-term vision, VISION-130, we have clearly defined our aspiration for the Group as “being a ‘Value Creator’ by continuing to build new businesses” and are striving to adjust mindsets accordingly in the course of our daily operations. Through these efforts in fiscal 2015, as we sought to create a shared awareness and ambition throughout the Group, I feel that we made progress in that we began to consider a greater range of possibilities than we had before. Our management objective under VISION-130

is to both maintain financial soundness and expand the earnings base. Accordingly, we are further developing businesses in our areas of expertise and investing in new business creation. We have defined six focus areas where we have expertise: 1) ICT solutions, 2) Mobile solutions, 3) Asian food markets, 4) North American shale oil and gas markets, 5) Global motorization, and 6) Overseas expansion by Japanese companies. Focusing on these business areas, we have established the following quantitative targets.

VISION-130 Medium-Term Vision Targets

	FY2019
Consolidated ordinary income	¥25 to ¥30 billion
Consolidated net income	¥15 billion (ROE: 15%)
Shareholders’ equity	Over ¥100 billion
Net D/E ratio	1.0 level

Main Developments in Focus Areas



Looking at the six focus areas mentioned above, first, we have made great progress in Asian food markets. In the past, we were mainly focused on procurement in these markets. Through initiatives in recent years, however, our business in this area has evolved into an infrastructure consisting of a value chain that encompasses proposals, manufacturing, and supply, allowing one-stop business. In April 2015, we began full-fledged operations of a food service company tailored to the halal system of Indonesia, the country with the world's largest Muslim population. This accomplishment is an example of business development in Asia that draws on know-how cultivated in Japan, including in our R&D and manufacturing operations, as well as the Group network. Going forward, we aim for horizontal development in Vietnam and other ASEAN countries.

Next, in the area of global motorization, we are focusing on providing such functions as sourcing, technological development, and logistics as part of the global supply chains of automakers and other

business partners. We have established overseas affiliates in Europe and the Americas as well as India and Mexico, and, in 2015, an office in Detroit, thus expanding our network to meet customer needs with just-in-time capabilities. At the same time, this business is linked with the automobile equipment business unit of the Electronics & Devices Division, one of the Group's mainstay businesses, to identify and suggest high-value-added performance materials and products. Success on this front has led to trading involving a wider range of OEM automobile components and the establishment of a value chain that is a real strength within this business area.

In the ICT solutions area, the key to success lies in becoming deeply involved with business partners' IT infrastructure. To that end, the Kanematsu Group has leveraged its advanced expertise, unparalleled know-how, and network strength to create one-stop IT infrastructure services that can completely satisfy customers. These services encompass everything from design, construction, and installation to operation and maintenance. Furthermore, as a vendor of multifaceted solutions, we suggest the best system devices for each customer. In fiscal 2015, Kanematsu Electronics Ltd. made Nippon Office Systems Ltd. a wholly owned subsidiary. Building on this, going forward, we will work to spur human resource exchange within the Group as well as the provision of total IT services. I am confident that our efforts in the ICT solutions area will, by increasing our competitiveness and further developing our businesses, help us increase our enterprise value and contribute significantly to the stability of the Group's earnings base.

New Tasks as We Take the Next Step

While our results in fiscal 2015 were satisfactory, we must now look to our medium- and long-term growth strategies and identify the new management issues arising in the course of everyday operations in order to balance risk control and ambitious action.

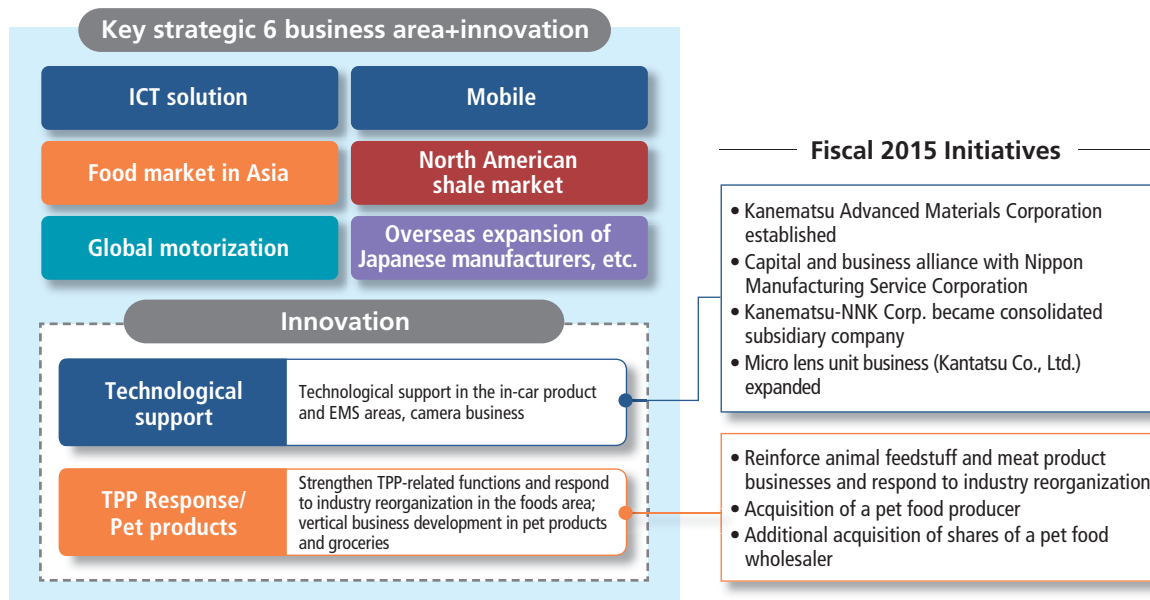
Our first task is to make our areas of strength even stronger. Our business model is different from that of other companies in the same industry in that we do not invest in resource development. In the latter

half of 2014, changes in natural resource markets prompted our competitors to shift their focus away from natural resources and toward our mainstay areas. As such, the Kanematsu Group now needs to build on its accumulated know-how and track record and accelerate business development to further increase its advantages and competitiveness.

Our second task is to add two new focus areas to the abovementioned six in response to changes in the

New Initiatives under VISION-130

The Group in pursuing horizontal and vertical expansion by focusing on business areas in which it excels.



business environment. These are technological support, including the electronics manufacturing services (EMS) and camera businesses, and responding to the Trans-Pacific Partnership (TPP response), mainly with regard to the Foods & Grain Division's operations. In the technological support area, we are working to more nimbly respond to the diverse needs of our business partners in automobile-related businesses and are considering reinforcing the EMS business, which entails the contracted manufacturing of electronic

devices. In addition, we are focusing efforts on meeting growing demand for security cameras, reflecting rising security consciousness, as well as the design and manufacture of micro-lens units for smartphones and automobiles. In terms of TPP response, in the meat products and feedstuff businesses, areas of strength, we are enhancing functions in anticipation of changes in trade structure and intensifying competition while preparing for rapid industry reorganization.

Considering the Business Environment

Looking at medium-term prospects for the Group's business environment, including such factors as the growing global population, the firmness of the U.S. economy, and rising consumption in ASEAN nations, I believe that we will be able to steadily execute our medium-term business plan. Furthermore, the Kanematsu Group's business model is based mainly on providing added value and fulfilling roles that are relatively insulated from fluctuations in the global

economy. Major opportunities are also expected in the near future in the Group's mainstay business areas, including motorization, electronic devices, and foods. Given these factors, I believe that the quantitative targets of the VISION-130 medium-term vision are attainable.

Growth-Oriented Investment Strategies

New investments using funds provided by operating activities

Improve financial stability through diversification of funding vehicles

- Build a system to ensure the flexibility needed to fund future growth

➔ Shelf registration of ¥30 billion in straight corporate bonds

Formulation of investment standards

- Newly establish Companywide investment standards

➔ Formulate standards for market entry and exit

Standards for entry

- **Qualitative standards:** Invest in the areas where the Company excels based on knowledge and experience; Do not invest in resource development or the real estate sector.
- **Quantitative standards:** Companywide minimum standards:
 - IRR: 10% (including peripheral transactions on a consolidated basis)
 - Payback period: Within seven years, as a rule

Standards for exit

- Formulate Companywide minimum standards
- In addition, as before, specific standards will be established for each individual case

- At the same time, establish a system of following up on cases

➔ Investments shall be monitored at the management level

Growth-oriented investment strategies

The key to Kanematsu's strategy is to make investments rooted in businesses in our areas of strength. In principle, we limit investment to the amount of cash provided by operating activities. Over the five-year period of our medium-term vision, VISION-130, we estimate that we will have the capacity to invest up to ¥100 billion. However, at certain times, we may need to make major investments, such as large corporate acquisitions. To ensure the flexibility to meet such capital needs, in March 2015 we filed a shelf registration of ¥30 billion in straight corporate bonds. This move was aimed at diversifying our means of capital procurement.

Furthermore, to facilitate good investment decisions, we have adopted a more sophisticated risk management approach, formulating investment standards that consider both entry and exit strategies. We

have also taken measures to ensure that investments are backed by the strength of the entire Company, including the formation of a task force charged with making quick management decisions. We furthermore established a follow-up system to monitor the status of investments that have been executed and thus prevent the recurrence of problems that have arisen in the past. These measures allow us to rapidly adjust course as necessary, even to call a temporary halt to business expansion, in markets that have high growth potential but also high volatility, such as the fiscal 2015 North American shale oil and gas market.

While we are thus able to respond nimbly to risks, we are now also beginning to transition to a stage in which we can more precisely grasp business opportunities. I firmly believe that we are right on the verge of the next big step forward for Kanematsu.

Strengthening Our Business Foundations



At the June 2015 General Meeting of Shareholders, we took steps to further strengthen the Group's corporate governance.

Specifically, we increased the number of Outside Directors and Outside Audit & Supervisory Board Members as well as the number of each that are Independent Officers as defined by the Tokyo Stock Exchange, thus reinforcing management oversight and supervision functions. Going forward, we will continue to work toward greater transparency to maintain the trust of all stakeholders.

As expressed in the Company's Corporate Principles, "Our beliefs: Kanematsu's Guiding Principles," we believe that the foundation of our business as a trading company lies in continually asking ourselves what we can do to best serve our business partners and then doing it. We seek to develop

more human resources who can seriously engage with that foundation and look to create a brighter future while constantly thinking about how to provide added value. In terms of global human resource development, in addition to ordinary on-the-job training, we send young employees abroad early in their careers to experience overseas workplaces, the very front line of our operations as a trading company. Using such methods, made possible by the Group's firm grounding in front-line business, we aim to nurture a sense of immediacy and connection with other parts of the Group. These methods not only benefit the trainees, but are also stimulating for the employees at overseas sites, helping them to take a fresh look at their own roles. We are also creating opportunities for overseas employees to participate in long-term training in Japan, seeking to foster a shared sense of purpose and corporate culture.

As for our corporate social responsibility (CSR), our basic approach is to conduct all business activities in line with our Corporate Principles and Code of Conduct. We have furthermore established a CSR Committee with a Companywide mandate to formulate and execute policy on Groupwide CSR initiatives as necessary. In particular, to address CSR issues related to supply and procurement for our business partners' supply chains, we have created a practical framework that includes the CSR Action Guidelines for Supply Chains.

Fiscal 2016 Outlook

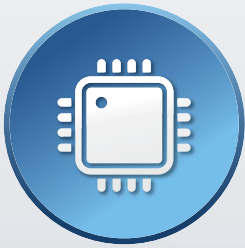
By taking an aggressive management stance toward the achievement of the goals outlined in our medium-term vision, VISION-130, we are working to build a new era for the Kanematsu Group.

In fiscal 2016, ending March 31, 2016, we expect consolidated net sales of ¥1,200.0 billion, up 7.4% year on year, operating income of ¥24.0 billion, up 8.5%, consolidated ordinary income of ¥23.0 billion, up 0.5%, and net income attributable to Kanematsu Corporation of ¥12.5 billion, up 9.0%. We thus forecast increases in both sales and profits, including a second consecutive year of record-high consolidated ordinary income.

The Kanematsu Group regards providing returns to shareholders as one of its most important tasks and aims to pay stable, ongoing dividends at levels appropriate to the Group's results.

Going forward, seeking to live up to the trust of our stakeholders, we will continue to do our utmost to increase Kanematsu's enterprise value, remaining true to our Corporate Principles and striving ambitiously toward growth.

Kanematsu Pushes Global Con- VISION-130



Electronics & Devices



Foods & Grain

Management

Expand the

Maintain financial

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ICT Solutions

Expand the systems business and improve efficiencies in the services and support business

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Mobile

Increase business scale through M&A

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Asian Food Markets

Develop business as a one-stop shop for concept development, manufacturing, and supplies, and build value-chain infrastructure

New

Establish global value chain

Business investment and

nections

The Kanematsu Group is strongly aware of its mission as a trading company to create new value by forging business connections in this increasingly globalized world. We have established "Being a 'Value Creator' and continuing to build new businesses" as our key aspiration under our medium-term vision, VISION-130: Kanematsu takes on new challenges for further growth. In line with this vision, we are striving to both ensure business stability by prioritizing the maintenance of financial soundness and expand the earnings base by steadily capturing business opportunities. To establish a solid growth trajectory, we are adopting an aggressive management stance, aiming to raise corporate value to new levels.

objectives

earnings base

soundness

North American Shale Oil and Gas Markets

Further growth in the manufacturing, processing, and sales value-chain for oilfield tubing

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Global Motorization

Sourcing, technology development, and improved logistics in the global auto market

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Overseas Expansion by Japanese Companies

Support and collaborate with Japanese makers moving into overseas markets

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initiatives

Develop new technologies, new products

development through M&A



Steel, Materials & Plant



Motor Vehicles & Aerospace

Special Feature:
Realizing VISION-130

Review of Operations

CSR and Corporate Governance

Financial Section and
Company Information

1

VISION-130 Focus areas

ICT Solutions



KEY REGIONS

Japan, Asia (China and Southeast Asia)

KEY BUSINESS COMPANIES

Kanematsu Electronics Ltd., Nippon Office Systems Ltd.

Market Background and Overview

As a vendor of multifaceted solutions with strengths in handling a wide variety of devices, the Kanematsu Group provides one-stop IT infrastructure services, from design, construction, and installation to operation and maintenance.

Anticipating market trends, we work to identify and verify cutting-edge technologies in and outside Japan and further develop our areas of unique strength to achieve differentiation from competitors. We are providing infrastructure platforms tailored to customers' business environments, expanding services for big data systems, promoting the establishment of borderless cloud computing, and expanding supply systems for key components of smart devices. Furthermore, while streamlining our organization to make optimal use of our human resources and know-how, we are aggressively working toward business expansion in global markets, targeting China and Southeast Asia as well as leading-edge companies in Europe and the Americas and Japanese companies operating in emerging nations.

Providing IT Infrastructure with One-Stop Services

- **Strengthening system integration functions through M&As**
- **Strengths in infrastructure development and virtualization businesses**
- **Competitive advantage as a vendor of multifaceted solutions**



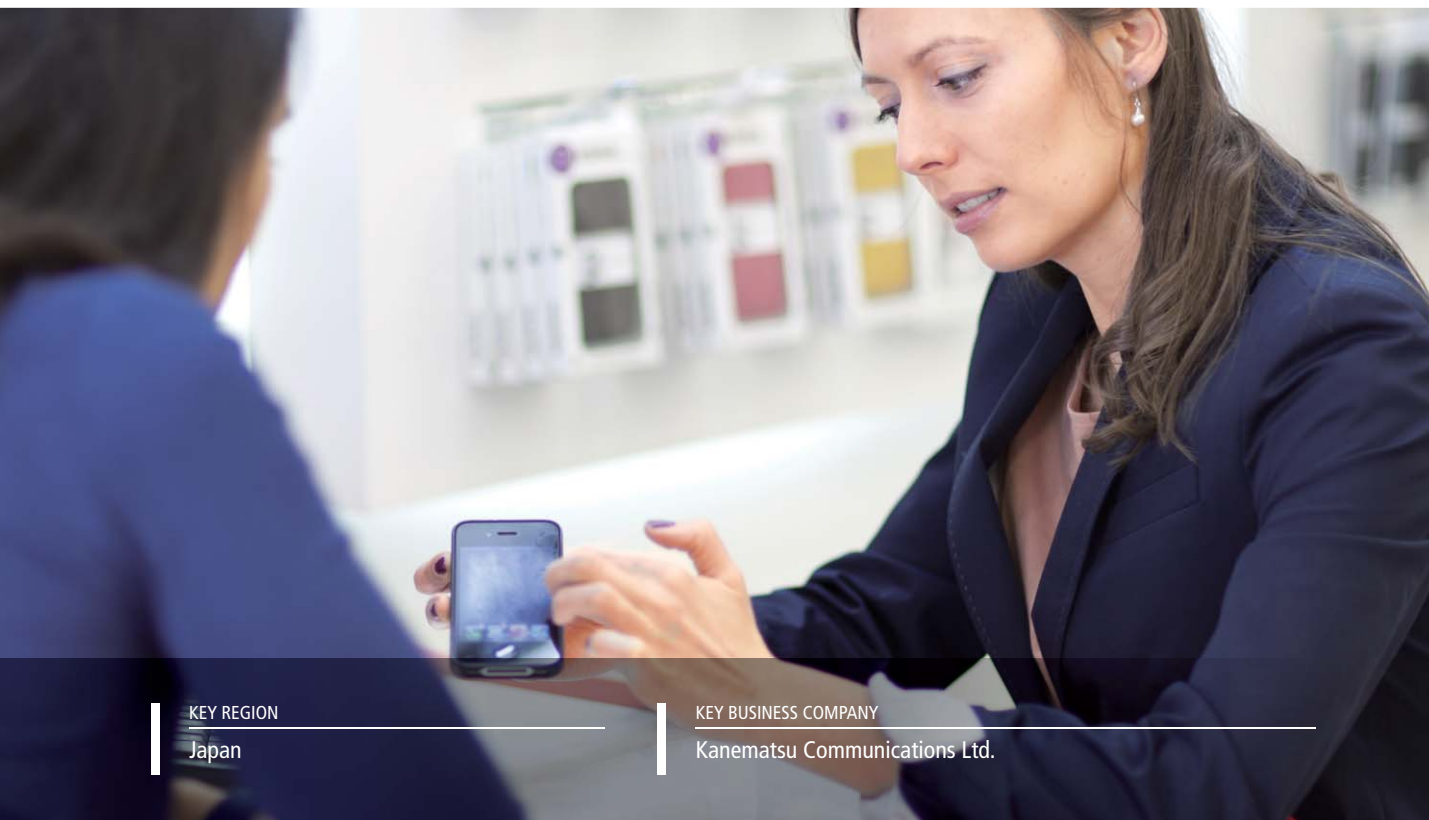
Timeline and Measures Taken to Strengthen Business

- 2012 Nippon Office Systems Ltd. became a consolidated subsidiary of Kanematsu Electronics Ltd.
- 2013 Established Growth D Ltd., a joint venture company in the IT distribution business
- 2015 Kanematsu Electronics Ltd. acquired Nippon Office Systems Ltd. as fully owned consolidated subsidiary

2

VISION-130 Focus areas

Mobile



KEY REGION

Japan

KEY BUSINESS COMPANY

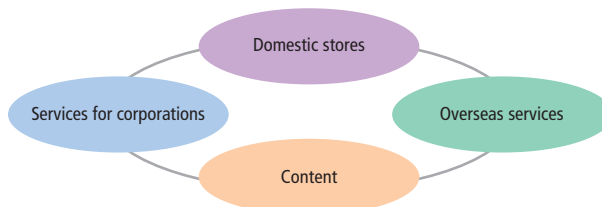
Kanematsu Communications Ltd.

Market Background and Overview

As a primary distributor for telecommunications carriers in Japan, Kanematsu sells smartphones and other mobile communication devices nationwide. In the mobile solutions business, we are working to sell bundle service packages that include fiber optic internet contracts for customers replacing their mobile phones and are accelerating our roll out of prepaid communications cards that can be used overseas. At the same time, we are reinforcing content services through the development of software for mobile applications with an eye to providing services related to corporate information systems and aggressively promoting joint operations with businesses in other sectors. As industry reorganization progresses and competition between carriers intensifies, Kanematsu will focus on promoting efficiency while expanding its market share by conducting aggressive M&As and establishing new stores.

Capturing Domestic Market Share and Pursuing New Growth

- **Developing a comprehensive mobile & communications business based on mobile devices**
- **Nationwide sales locations**
- **Providing ASP services for corporations**



Timeline and Measures Taken to Strengthen Business

- 2013 Acquired all shares of BD Holdings, Inc., a mobile phone sales company based in the Kyushu region
- 2014 Concluded a distribution agreement with NetComm Wireless Limited, an Australia-based supplier of global wireless M2M devices

3

VISION-130 Focus areas

Asian Food Markets



KEY REGIONS

Asia

KEY BUSINESS COMPANIES

Kanematsu Corporation, PT. Kanemory Food Service, PT. Aeternit Prima Mandiri

Market Background and Overview

Food culture is developing rapidly alongside economic growth in emerging Asian nations. In these countries, Kanematsu is building a value chain encompassing everything from upstream areas, such as animal feedstuff and feedstuff materials, to one-stop business development in the mid- and downstream areas of processed food product proposal, manufacture, and supply.

First, in the animal feedstuff area, leveraging know-how it has developed in the dairy cow feed market, Kanematsu has established and begun operations at a dairy cow TMR (total mixed ration) production center. Furthermore, in the area of processed foods, using the Group's R&D and content provision functions developed in the domestic food service sector, we have established a company to run a central kitchen in Indonesia, where the Muslim middle class is growing rapidly. Using our thorough knowledge of the halal standards of MUI, a major halal certification body in Indonesia, we are now considering entry into and expansion in markets in other parts of the Muslim world.

Going forward, we aim to use this expertise to expand horizontally in Asia and bring Japanese-quality foods to the tables of the region's four billion residents.

Building Value Chain Infrastructure

- Entering animal feedstuff/feedstuff materials and other upstream areas
- One-stop proposal, manufacturing, and supply
- Rigorous traceability management
- Know-how in Japan and Group strengths

Three Strengths in the Cooked Foods Business

- From development to food item proposals

Food solutions business

- China
- Indonesia

Overseas production locations

- Process patents
- Know-how, etc.

Differentiation strategies

Timeline and Measures Taken to Strengthen Business

- 2012 Established PT. Kanemory Food Service, a food processing joint venture company
- 2013 Invested in a dairy producer in Vietnam and entered the dairy cow feed business via a business tie-up
- 2014 Established subsidiary in Vietnam
- Established confectionery and baking ingredients wholesaling joint venture company in Shanghai
- 2015 Invested in the first company to manufacture and sell fruit jelly in Indonesia

4

VISION-130 Focus areas

North American Shale Oil and Gas Markets



KEY REGION

North America

KEY BUSINESS COMPANIES

Kanematsu Corporation, Benoit Premium Threading, LLC, Steel Service Oilfield Tubular, Inc.

Market Background and Overview

The Kanematsu Group is building an oilfield tubing value chain that encompasses manufacturing, processing, and sales and is supplying such tubing to major North American oil companies. We are also advancing preparations to ensure that we will be ready to quickly expand production to meet demand as necessary. Kanematsu’s oilfield tubing has a solid reputation for being high-performance and high-quality. Our products are well-suited for shale oil and gas drilling and can also accommodate increasing demand related to deep water/ ultra-deep water oil drilling.

The plunge in crude oil prices in the latter half of 2014 has caused stagnation in shale oil and gas and other resource development. This has weakened demand for oilfield tubing, and, in response, Kanematsu has temporarily suspended construction of a second oilfield tubing factory being built for Benoit Premium Threading, LLC. Nevertheless, shale oil and gas demand is expected to grow over the medium to long term and, in turn, generate demand for further technological innovation. Kanematsu will therefore continue to work to expand the oilfield business while keeping a close eye on market trends.

Steady Investment Targeting Demand

- **Constructing a value chain in North America**
- **Medium- and long-term expansion of the oilfield tubing market**
- **Preparing a framework to increase production in anticipation of recovery in oil prices**

Timeline and Measures Taken to Strengthen Business

- 2013 Acquired a North American oilfield tubing processing company
- 2014 Finalized plans for the construction of a second factory for Benoit Premium Threading, LLC to expand the North American oilfield tubing business (temporarily suspended in light of current oil prices)

5

VISION-130 Focus areas

Global Motorization



KEY REGIONS

The Americas, Europe, Asia

KEY BUSINESS COMPANIES

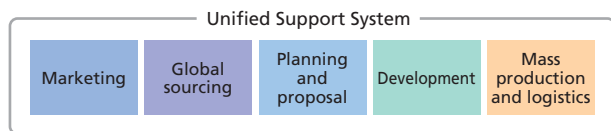
Kanematsu Corporation, ANOVA Corporation, Aries Motor Ltd., Aries Power Equipment Ltd., Kanematsu Advanced Materials Corporation

Market Background and Overview

Drawing on a network of more than 20 overseas locations, the Kanematsu Group is building supply chains that combine its longstanding strengths in sales and sourcing with reinforced technological development, quality management, and logistics functions. In 2012, Kanematsu established a subsidiary in the National Capital Region (NCR) around Delhi, India, and a Kanematsu subsidiary based in Germany established a branch office in Munich. In 2014, the Group established a subsidiary in Silao, Mexico, and a liaison office in Chongqing, China. Then, in 2015, it established an office in Detroit, aiming to build a support framework that boasts specialized technology to offer just-in-time supply capable of rapidly responding to the needs of customers in the region, where automobile and motorcycle demand is strong. The Group has also long been active in Poland, operating dealerships for Japanese automakers and importing and distributing general-purpose machinery. We aim to work as a Group to nimbly respond to customer needs and provide even greater added value through wide-ranging automotive supply chains handling operations ranging from automobile component supply to automobile sales, as a partner for customers' global operations.

Making New Proposals to Meet Partners' Needs

- Technological support and quality management capabilities for OEM automobile component trading
- Global sales and sourcing capabilities and logistics network
- Identifying/suggesting high-value-added performance materials and products



Timeline and Measures Taken to Strengthen Business

- 2012 Established subsidiary in India
Opened branch in Munich, Germany
- 2013 Expanded dealerships for Japanese automakers
- 2014 Established subsidiary in Mexico
Established liaison office in Chongqing, China
- 2015 Opened Detroit office

6

VISION-130 Focus areas

Overseas Expansion by Japanese Companies



KEY REGIONS

North America, Emerging countries

KEY BUSINESS COMPANY

Kanematsu Corporation

Market Background and Overview

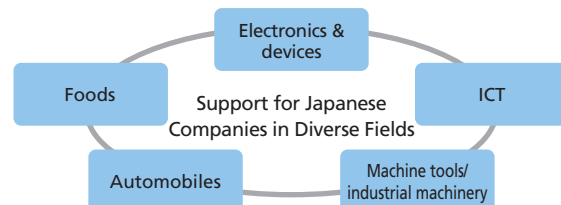
Kanematsu boasts locations in around 40 cities overseas, mainly in Asia. Thanks to this network and its information capabilities, we are able to quickly and precisely grasp trends in countries around the world and are building robust value chains. To support the accelerating overseas expansion of Japanese companies, we are establishing additional locations and building support systems overseas.

Kanematsu has a solid track record of achievements in building support systems for automobile component manufacturers entering Indonesia, with services that include securing land for factories and advising on legal and labor issues related to establishing a local company.

Furthermore, in April 2015, Kanematsu joined with Aozora Bank, Ltd., and ES Networks Co., Ltd., to establish a company to operate a corporate investment fund supporting Japanese business expansion into Asia by customers seeking growth opportunities. The fund made its first investment in June of the same year.

Support Based On Know-How in Main Fields

- Further expanding overseas network from around 40 cities currently and bolstering overseas staff
- Providing backup in the areas of machine tools and industrial machinery for Japanese manufacturers expanding into emerging countries
- Supporting customers that seek growth opportunities in Asia through the new fund



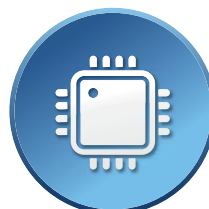
Timeline and Measures Taken to Strengthen Business

- 2012 Reopened representative office in Myanmar
Established subsidiary in India
- 2013 Entered business tie-up with Aozora Bank, Ltd. to support corporate expansion into Asia
- 2014 Established subsidiary in Mexico
- 2015 Established a company to operate a corporate investment fund supporting business expansion into Asia

Review of Operations

Electronics & Devices

Main Business	Products
Semiconductors	Semiconductors Semiconductor devices; Sensor devices; LCD panels; Components for smartphones and tablets; Control modules for lithium ion batteries
Electronic Components and Materials	Electronic Components Amusement related products; Vehicle equipment; AV related products; System boards; Printed circuit boards and materials; RFID substrates; LED lighting devices
	Semiconductors/LCD Materials LED components; Solar cell components; Battery components; Metal materials for electronic and functional components; Surface treatment agents
	Optical Device Materials Components for display devices and optical devices
Industrial Electronics	Industrial Printers Industrial printers and related consumables
	Livingwares Batteries; Household supplies
Semiconductor Equipment	Semiconductor/LCD Manufacturing Equipment Semiconductor manufacturing and testing equipment; LCD manufacturing and testing equipment
ICT/Mobile Solutions	ICT Solutions ICT and communications equipment and devices; ICT and communication services; System integration
	Mobile Solutions Mobile communication terminals; Mobile internet system and services



Foods & Grain

Main Business	Products
Foods	Processed fruits (frozen/canned); Concentrated fruit/vegetable juices; Confectionary ingredients (couverture chocolate, cocoa powder, nuts, dry fruits, dairy products, etc.); Coffee; Teas; Alcoholic beverages (wine, etc.); Sugar; Honey; Sesame seeds; Peanuts; Pulses and peas; Nuts and seeds; Cooked foods; Others
Meat and Marine Products	Meat products: Beef; Pork; Chicken; Mutton/Lamb; Special poultry such as turkey and duck; Horsemeat; Others
	Marine products: Cephalopods (octopus, squid, etc.); Crustaceans (shrimp, etc.); Frozen fish; Seafood ingredients for sushi; Others
Grain, Food Soybeans, Oilseeds	Rice; Wheat; Barley; Corn; Soybeans (for food, for oil); Defatted soya-flake for soy sauce production; Buckwheat; Corn grits; Corn starch; High-fructose corn syrup; Rapeseed; Cottonseed; Others
Feedstuff	Feed grain (corn, milo, soybeans, etc.); Plant protein meal (soybean meal, rapeseed meal, etc.); Animal protein meal (Fish meal, etc.); Other by-products; Dairy products for feed (skim milk, whey powder); Roughage (baled hay, beet pulp pellets, etc.); Fish oil; Prebiotics (Laxel Force); Fertilizer; Others
Processed Agricultural Products	Processed wheat (wheat flour, pasta, frozen bread dough, etc.); Cereal ingredients; Vegetable oil; Olive oil; Others
Pet Products and Groceries	Pet food and snacks; Pet products; Tropical fish; Raw ingredients for pet food and snacks; Products wholesaled to DIY stores (home improvement retailers)



Steel, Materials & Plant

Main Business	Products
Steel	
Overseas Trading of Iron and Steel	Export of various kinds of steel sheets, plates, bar products, and pipe and tubing products; Export of porcelain enamel steel sheets
Overseas Trading of Specialty Steel	Export of stainless steel sheets and plates; Export of alloy steel wire and bar products
Domestic and Overseas Trading of Full Range of Steel Products	Import and third country trade of ferrous raw materials; Export and import of steel materials and sub-materials
Materials	
Functional Chemicals	Incense materials; Lubricant-related materials; Fertilizer materials; Papermaking chemicals; Synthetic rubber; Petrochemical products
Healthcare	Functional food materials; Health supplements
Life Science	Pharmaceuticals and pharmaceutical and agrichemical intermediates; Pharmaceutical ingredients
Crude Oil, Petroleum Products	Crude oil; Jet fuel oil; Gasoline; Kerosene; Diesel oil; Fuel oil (bunker A and C); Lubricant oil and additives for industrial and automobile use
LPG	LPG (propane, butane, autogas)
Development of Environment-Related Materials and New Technologies	Heat reflective paint; Carbon credit trading
Plant	
Plants	Chemical and petrochemical plants; Industrial plants (papermaking plants, auto-manufacturing plants and other plants); Utility and process systems for oil and gas plants; Infrastructure facilities; Scrap-processing facilities; Environmental facilities
Cargo Vessels	Shipbuilding; Used ships; Equipment package deals for new ships (including ship design and engineering)
Machine Tools and Industrial Machinery	Machine tools; Industrial machinery and peripheral equipment
Electric Power Cable Projects	Electric power and communication cable projects; Power generation plants (including design, engineering and installation)
ODA	ODA projects (educational, medical/ pharmaceutical, water supply-related, agricultural, and environmental)



Motor Vehicles & Aerospace

Main Business	Products
Motor Vehicles and Parts	Motorcycle and automobile parts; Construction machinery; Power products (general purpose engines, etc.); Industrial vehicles; Completed four-wheel automobiles
Aerospace	Aircraft; Helicopters; Aircraft components and parts; Aircraft rotatable parts; Small satellites; Space products; Night vision goggles

Electronics & Devices Division



Kaoru Tanigawa

Director, Senior Managing Executive Officer,
Chief Officer, Electronics & Devices Division

Division Composition

The Electronics & Devices Division can be broadly divided into three business areas: 1. electronic devices and materials, 2. semiconductor components and equipment, and 3. ICT and mobile solutions. We are building robust sales networks for these business areas in and outside Japan. In addition to our longstanding business in the procurement and sale of hardware components related to electronic devices, mainly for consumer use, we provide services meeting a wide range of customer needs through our network solutions and mobile solutions businesses, which have been growing in recent years.

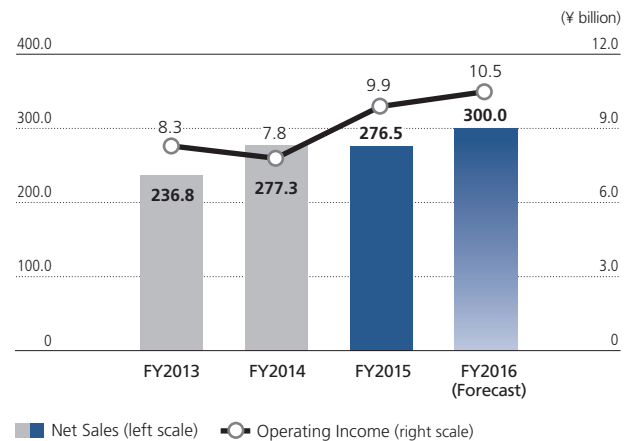
Division Initiatives and Policy under VISION-130 Based on Market Analysis

As the functionality of mobile phones and other mobile devices rises, the development of systems for embedding data transmission and inter-device control functions in a variety of items is also moving forward. In addition to the expanding transmission capabilities of such devices as PCs and smartphones, we believe that the growing use of cloud-based big data presents new business opportunities. To take advantage of such opportunities, the Electronics & Devices Division has assumed a policy of pursuing business tie-ups, capital alliances, business acquisitions, and R&D investment in order to achieve the goals of 1. securing added value, 2. scale expansion, and 3. improving quality.

Evaluation of Progress in the First Year of VISION-130

In December 2014, we made Kanematsu-NNK Corp. a consolidated subsidiary and began joint operations in the security systems field, including the security camera business. Building on core camera technologies, Kanematsu is focus-

Net Sales/Operating Income



ing on image processing devices, components and materials, and information processing. To augment its existing business in the area of high-resolution micro-lens units for portable devices, the company has set its sights on marketing security cameras and systems as well as services, including image and information processing, with an eye to expanding the camera market. Aiming to sustainably maintain and develop the enterprise value of the Group, in March 2015 Kanematsu Electronics Ltd. made Nippon Office Systems Ltd. a wholly owned subsidiary. In addition, we entered a capital and business alliance with Nippon Manufacturing Service Corporation, which operates an electronics manufacturing service (EMS) business as well as contracting and human resource dispatch businesses for the manufacturing industry. Together, we have launched a joint business leveraging Nippon Manufacturing Service's EMS functions, including design and production. To augment our existing businesses involved in sales of electronics components and modules, we are using the added value of EMS services, which include production and quality management, to meet customers' various needs related to product development.

Strategies to Realize VISION-130

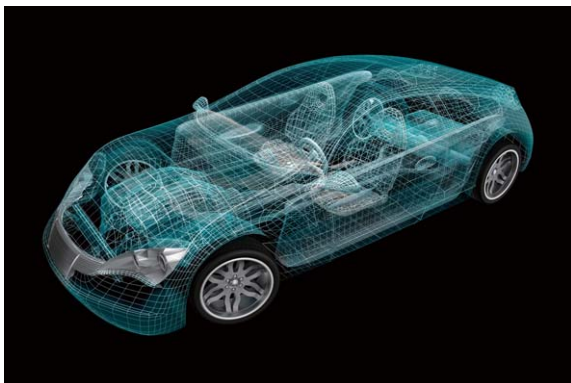
In addition to visible changes, such as those evidenced by statistics, we are seeing changes at deeper, less visible levels, such as in design concepts. We are approaching these changes as business opportunities and working to turn them into new businesses. For example, until now machinery and tools were designed for human operators, but we are now seeing a rise in designs for sensor-driven machines capable of autonomous decision making and operation. We are working hard to develop the sensing devices and modules that are indispensable to such systems.

Topics

Kanematsu Advanced Materials Established

Kanematsu Advanced Materials Corp. was established in April 2014 by spinning off a part of the Electronics & Devices Division. The company offers the just-in-time supply of components and materials for electronics, mainly vehicle equipment. Services include the usual procurement, storage, and delivery of components along with the capability to process parts and materials, helping to increase added value for customers. As an independent company, Kanematsu Advanced Materials is now better set up to accumulate technologies and expertise while developing organizations, human resources, technologies, and infrastructure that are streamlined and optimized for the vehicle equipment business.

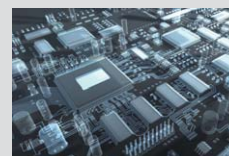
Furthermore, the Group has established locations in China and the United States as subsidiaries. It is working to expand automotive-related businesses in the United States, Mexico, and, going forward, Europe as well as Central and South America.



This segment handles a broad array of products, ranging from electronics-related materials to parts and equipment. It also operates mobile solutions, ICT solutions and other businesses. In addition, this segment focuses on original equipment manufacturing (OEM) and original design manufacturing (ODM) businesses, supporting customers undertaking global expansion with extensive electronics technologies and know-how.

Semiconductors

We supply semiconductors made by domestic and overseas manufacturers and offer a wide array of products, from generic power ICs and memories to cutting-edge technologies, such as ASICs and high-precision sensors. Moreover, we provide optimal solutions by supplying electronic components, primarily semiconductor products, and various modules for a wide range of applications, including in mobile devices, intelligent home appliances, vehicle equipment, and industrial machinery.



Electronic Components and Materials

We offer a wide array of electronic components and electronic materials. We provide total support for materials of the key components of semiconductors, LCDs, cameras, and batteries that are used in PCs, smartphones, tablets, and other products. In addition, we provide solutions such as LEDs and photovoltaic modules for environment-related, automotive, and amusement businesses.



Industrial Electronics

We primarily offer commercial printers and their consumables with overseas sales channels and a service system. We are expanding our business, including OEM and ODM, in a wide range of countries. In household supplies, we handle various daily-use products such as primary and secondary batteries and their related products.



Semiconductor Equipment

This segment mainly deals in semiconductors and LCD manufacturing equipment and has a wide range of product lines as well as domestic and overseas support structures. Kanematsu discovers promising cutting-edge technologies developed by Japanese and overseas manufacturers. In partnership with these manufacturers, we commercialize these technologies as unique products and develop them into de-facto industry standards that meet the needs of customers. Our system, which is capable of responding to large numbers of requests, is creating stronger relationships of trust with customers.



ICT/Mobile Solutions

As ICT solutions, we provide one-stop delivery and consulting services that extend to the design, construction, installation, maintenance, and operation of clients' information systems. As for mobile solutions, we sell mobile communication devices, including smartphones, nationwide as a primary distributor for communications carriers. We also provide services for clients' information systems.



Foods & Grain Division



Morihiro Toida

Managing Executive Officer,
Chief Officer, Foods & Grain Division

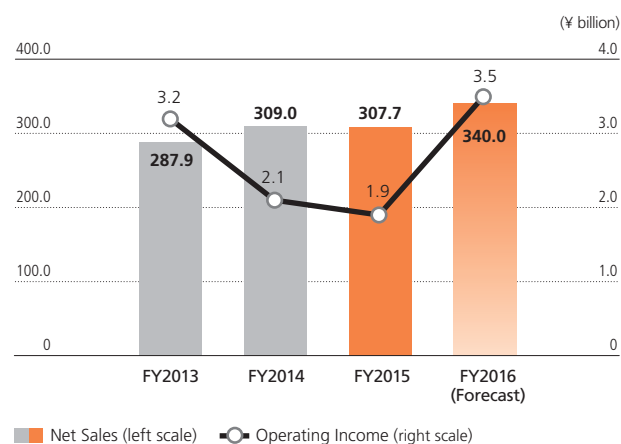
Division Composition

In April 2013, to facilitate the achievement of global development in the area of foods and grain, a priority measure, and to optimize the use of its strengths, the Group merged the Feedstuff Division, which handled such products as grain and animal feedstuff, and the Foods Division, which handled such products as processed foods and edible animal products. Today, the Foods & Grain Division created by this reorganization provides a wide range of goods and services related to food for human and pet consumption, spanning everything from grain, agricultural products, meat and marine products, ingredients for desserts, alcoholic and non-alcoholic beverages, frozen foods, and processed foods to animal feedstuff and fertilizer.

Division Initiatives and Policy under VISION-130 Based on Market Analysis

In the food segment, we are reinforcing the supply and sales systems of existing Group businesses that deal with mass retailers and the restaurant and food service industries. We are also working to increase our trading volume both in and outside Japan, particularly in emerging Asian countries where economic growth is driving rapid changes in food culture. To this end, we are developing one-stop services encompassing proposals, manufacturing, and supply while building value chain infrastructure. In the foodstuff and grain business, we are particularly focused on reinforcing upstream frameworks in our areas of strength, including feedstuff materials and non-genetically modified soybeans. At the same time, we are striving to ensure the stable supply of animal feedstuff and grains, expand overseas sales channels, and build business platforms in line with the evolving food culture of Asia.

Net Sales/Operating Income



Evaluation of Progress in the First Year of VISION-130

Indonesia, a nation with a population of over 250 million, boasts a rapidly growing economy, and its middle class is expected to see continued growth. Although the country's food culture remains relatively traditional, it has begun to shift toward eating for enjoyment. In response to this shift and in light of growing social diversity, we have partially financed the first Japanese-Indonesian joint venture to manufacture fruit jelly.

In Japan, to further reinforce the value chains serving our pet-related businesses, we have acquired stakes in wholesalers, seeking synergies with the pet food manufacturing businesses run by our subsidiaries. By building an integrated operational framework extending from material procurement to manufacturing and sales and combining this framework with our accumulated experience, we will meet needs not just in Japan, but overseas as well, particularly in Southeast Asia.

Strategies to Realize VISION-130

We are working to maximize the comprehensive strengths of the Foods & Grain Division group and become more deeply involved in markets. In and outside Japan, we seek to build "glocal" value chains, that is, we seek to operate from a global perspective while promoting locally oriented, hands-on approaches that meet the needs of producers and suppliers and maintaining sales channels spanning upstream to downstream operations. Through our continuous evolution, business creation-oriented business model, and with a commitment to manufacturing based on the development and proposal of high-value-added products, we aim to realize the joy of connecting the producer with the consumer, always putting the customer first.

Furthermore, by strengthening our Food Safety Management System and delivering even safer, more secure products, we hope to contribute to local communities around the world by enriching dietary habits and raising the quality of life.

Topics

Enriching Dietary Habits in Asia: Eating for Enjoyment

To shift our thinking from the perspective of a trading company to that of a manufacturer, better integrate with the local culture, and meet the needs of Indonesia's growing food service sector, we launched P.T. Kanemory Food Service, a joint venture with Indonesia's Cimory Group that is engaged in food processing and central kitchen operations.

Kanemory Food Service proposes and develops products in line with the needs of the food service sector and is capable of simultaneously producing and supplying a wide variety of products through its central kitchen system. The company is rolling out delicatessen items, boxed lunches, sweets, and other products. This company can also accommodate halal requirements, a crucial consideration for Muslim customers.

Using operational and other know-how cultivated in Japan's food service market, Kanematsu provides support for Japanese companies operating in Indonesia and strives to contribute to the development of food culture there and throughout Asia by bringing Japanese-quality foods to the tables of the region's four billion residents.



Committed to safe, secure food, this segment works to ensure stable supplies of a wide range of foods, including high value-added items, like grains, raw oil and fat materials, feedstuffs, and marine products, through an integrated supply system spanning raw material procurement through finished product processing.

Foods

In the areas of processed fruits and prepared foods, with sales centered on imported foodstuff for restaurants, ready-made meals, and retail markets, we established at an early stage a joint-venture plant for sorting and processing, built an integrated production management system covering everything from procurement to manufacturing, and provided high-quality, safe food. For food and beverages, such as confectionery ingredients, coffee, and wine, we inspect the farms and factory conditions of production areas throughout the world to select our business partners, and for agricultural products we have also developed new production areas. For ready-cooked foods, we have set up plants equipped with central kitchens at overseas locations.



Meat and Marine Products

In the meat processing business, we have been diversifying raw materials sourcing geographically and have secured multiple raw material procurement sources, thereby reducing supply risks. We have fortified our partnerships with overseas packers and created a stable supply system for high-quality products that meet diverse customer needs in Japan. In marine products, we have established cephalopod, crustacean, and processed marine products (which are consumed raw, cooked, or as flavoring) as our three core product areas. Centered on our processing facility in Vietnam, we have developed delicious and distinctive products by connecting the production area with the dining table.



Grain, Food Soybeans, Oilseeds

In the grain business, we sell an assortment of grain, including rice, wheat, and corn, primarily in Japan and Asia. Notably, we handle one of the industry's largest trade volumes of corn for grits. Kanematsu contributes to stable food supply in Japan through its ownership of grain silos in Kashima and Moji.

The food soybean business operates a soybean sorting plant in the U.S. state of Ohio and has achieved integrated traceability, from agricultural fields to the customer, through seed development and direct farming contracts with farms. Kanematsu meets the various needs for edible soybeans through its supply of safe and secure non-genetically modified (non-GMO) soybean brands in Japan and overseas.



Kanematsu also sells oilseeds that are subject to integrated traceability management starting at the farm.

Feedstuff

As an industry pioneer, we have built an integrated business, from the import of raw materials to mixed feed production and sales. With the establishment of a cost advantage through rigorous cost management, we have developed high-value-added and differentiated products that meet customers' needs. In response to the increasing move toward dairy mega farms, we have formed alliances with agricultural corporations and through our own efforts thus created demand for mixed feed and feed crops. Further, as a leading company in this field, we are boosting the development of affiliated plants overseas and promoting the vertical integration of the feedstuff business.



Processed Agricultural Products

Italian-made pasta and olive oil are used in the foodservice industry, such as in restaurants, processed into frozen pasta, and used as ingredients for ready-made meals, such as deli products for use in bagged and boxed lunches. We also sell French frozen bread dough and pie dough to such food service providers as bakeries and pastry shops. Oats and barley are also products of focus as ingredients for cereals.



Pet Products and Groceries

As an all-rounder in the pet business, we develop, import, and sell private- and store-brand pet food, snacks, and other products not only for cats and dogs, but also birds, fish, and small animals. We also provide domestic pet food manufacturers with pet products and raw materials. Furthermore, we are globally expanding our business, including by exporting major Japanese pet food manufacturer's goods to Asian countries and through third-country trading.



Steel, Materials & Plant Division



Takashi Gunji

Director, Senior Managing Executive Officer,
Chief Officer, Steel, Materials & Plant Division

Division Composition

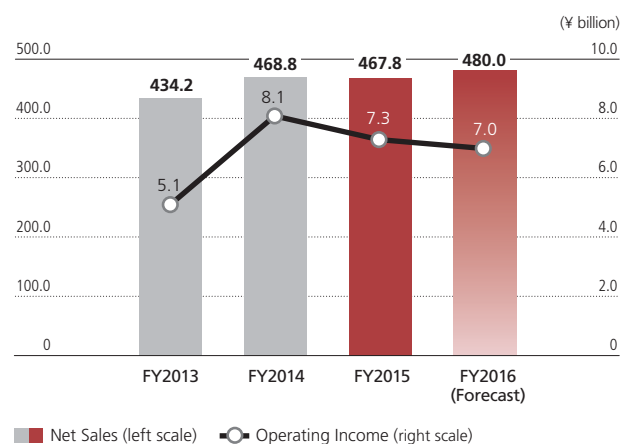
The Steel, Materials & Plant Division was launched in April 2013, integrating three divisions that, until then, had operated independently. By gathering experts in the fields of steel, materials (centered mainly on functional chemicals and energy), and plant to share information and insight, we believe that we can generate substantial synergies.

The iron and steel business, for example, is particularly focused on the key areas of automobiles, the environment, and energy, and includes the oilfield tubing business and the specialty steel business for petrochemical plants, which supplies chimney desulfurization facilities and other products. These businesses are closely linked to the materials and plant businesses.

Division Initiatives and Policy under VISION-130 Based on Market Analysis

As mentioned above, in the iron and steel business, we are focusing on the three key areas of automobiles, the environment, and energy, as these areas constitute growth businesses that support global industry and are fields in which Kanematsu has longstanding strengths. In our business approach, rather than toil in areas we are not strong in just for the sake of broadening our scope, we choose to focus on deeply developing areas of strength. Thus, in the functional chemicals business, we are continuing to focus on certain niche markets in addition to concentrating efforts on the pharmaceutical business, targeting the growing needs presented by Japan's low birth rate and aging population. In the energy business, we are working to optimize high-value-added transactions that make use of Group-owned tank facilities and to reinforce the distribution sales business. In the plant business, we are steadily building a track record in wind-power generation and other aspects of the renewable energy business, an area of

Net Sales/Operating Income



strength, as well as the Official Development Assistance (ODA) business, including that involving grants and yen loans from the Japanese government.

Evaluation of Progress in the First Year of VISION-130

A year has passed since the announcement of VISION-130. In fiscal 2015, crude oil prices dropped, somewhat impacting our petroleum product and oilfield tubing businesses. However, steel material exports to Asia expanded, and the steel business as a whole, including sales of specialty steel for automobiles and petrochemical facilities, was firm. In the materials business, the pharmaceutical and agricultural intermediate business saw solid growth. The plant business, meanwhile, received a significant order for a wind-power generation project in the Philippines. As a result, I think the segment as a whole got off to a solid start.

Strategies to Realize VISION-130

To achieve the goals of VISION-130, we must deepen coordination with subsidiaries that possess high levels of expertise in their respective fields of steel, materials, and plant to raise the comprehensive strength of the division higher than ever.

We are therefore aiming to maximize division profit, continuing to focus on the division's policies of: 1. Further development and horizontal expansion in our areas of strength, 2. Aggressively shifting management resources overseas, 3. Creating high-value-added businesses, and 4. Pursuing synergies with Group companies.

Topics

New Initiatives in Businesses Related to the Global Environment

In fiscal 2015, the Steel, Materials & Plant Division established a Global Environmental Business Team.

The new team mainly works to put together and coordinate various projects for developing and emerging nations based on the Japanese government's joint crediting mechanism (JCM). These include providing high-value-added energy saving technologies and equipment to help reduce and absorb greenhouse gases, and, in the future, possibly carbon credit trading.

Previously, departments in charge of energy, plant, and ships worked separately. The Global Environmental Business Team was established to facilitate communication among these disparate departments and thereby help to transform their individual projects into Groupwide initiatives.

In fiscal 2014, the Plant & Ships Department received an order from a Filipino independent power supplier for the construction of a wind-power plant in San Lorenzo and the laying and covering of submarine cables. These projects represent exactly the type of business model that the Global Environmental Business Team aims for. Going forward, through various environment-related businesses in and outside Japan, the team will do its utmost to contribute to society while building a stable earnings base.



This segment engages in domestic and export transactions covering the full range of iron and steel products, energy solutions, functional chemicals trading, and industrial plant and infrastructure facilities. While this segment handles a wide variety of operations, in each business area we boast highly specialized staff who uphold our commitment to supplying and developing high-value-added products.

Steel

Kanematsu is expanding its efforts in growth markets, including North America, Asia, and China. We are developing business in cooperation with Japan's steel industry through the export of steel products and the import of steel raw materials. We seek to further open up new markets and build high-value-added businesses.



Functional Chemicals and Energy

In functional chemicals, we are focusing on market niches in which we are strong and on development and value-proposition businesses. We are also building supply chains with Japanese and overseas suppliers and customers. We are taking an active role in helping Japanese society deal with increasingly low birth rates and an aging population by supplying pharmaceuticals and functional food materials.

In the energy business, we are engaging in new business opportunities in an environment changed by electricity and gas deregulation. We are developing value-added businesses by putting our customer-oriented know-how and services to use, for example, leveraging our tank facilities to reinforce our existing distribution sales business. We have also developed new businesses, including electric power and carbon credit trading.



Plant

We are pursuing project-forming businesses, full-package petrochemical plants that cover everything from raw material procurement to product sales, and the growing renewable energy-related businesses while focusing on direct marketing-related businesses and on our business and geographic areas of expertise.



Motor Vehicles & Aerospace Division



Yoshiya Miyabe

Managing Executive Officer,
Chief Officer, Steel, Motor Vehicles & Aerospace Division

Division Composition

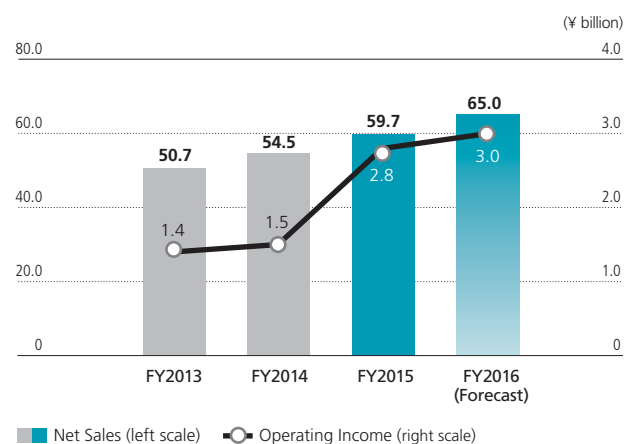
The Motor Vehicles & Aerospace Division was formed in April 2013 as a combination of the existing Electronics & IT, Iron & Steel, and Machinery & Plant divisions' business units related to automobiles and aerospace, areas of strength for the Group. By integrating and concentrating the Group's automobile-related businesses, for which global demand is expected to grow, and adding to these the aerospace business, we aim to share information related to cutting-edge technologies in the field of transport vehicles and thus further enhance sales capabilities. In motorcycle- and automobile-related businesses, we are working to strengthen and expand our supply chains and customer base. At the same time, we aim to facilitate the sharing of cutting-edge aerospace technologies with operations in the motorcycle and automotive fields to create new businesses in such areas as new materials and environmentally friendly products. Since the launch of this division, we have been improving our global framework for advancing businesses around the world targeting global motorization. We will continue to reinforce our roles and functions to better serve our customers and business partners.

Division Initiatives and Policy under VISION-130 Based on Market Analysis

Our basic policies consist of: 1. Maximize synergies resulting from reorganization, 2. Improve and strengthen our global business structure, 3. Maximize the role of logistics transactions, 4. Build businesses outside of brokerage.

Under these policies, in the automobile part business, we are building a global support framework to meet our customers' needs, as global production of automobiles is projected to grow from 88 million vehicles in 2014 to 112 million in 2020. In the aerospace business, the rotatable parts market is expected to remain firm, and we will horizontally

Net Sales/Operating Income



expand our existing operations in this market. At the same time, we will reinforce businesses in the area of space, which is expected to grow going forward.

Evaluation of Progress in the First Year of VISION-130

We have expanded the global framework of our motorcycle and automobile businesses. Specifically, in April 2014, we established locations in Silao, Mexico, and Chongqing, China, and are working to build a framework to support precise responsiveness at the local level and thus develop and realize new projects. To reinforce the aircraft rotatable part business, at overseas business company KG Aircraft Rotables, in addition to components for the Boeing B737, we have begun handling Airbus A320 components.

Strategies to Realize VISION-130

In motor vehicle and parts-related businesses, we are continuing to promote the longstanding initiatives of building and enhancing our global framework, improving our technological adaptability, and strengthening logistics, quality management, and testing functions. At the same time, we are working to develop new projects related to safety, the environment, and comfort, enter manufacturing businesses, and build new, joint businesses with our key business partners. Furthermore, we are considering investment in new business models related to connected cars in anticipation of the arrival of the age of networked automobiles. In the aerospace businesses, we are focusing on sales of Bombardier Aerospace's new C Series airliners and expanding the range of aircraft covered by our aircraft rotatable part businesses with an eye toward expansion outside of Europe. We are also now focusing on the space business, which is expected to see major growth going forward.

Topics

Entering the Growing Aircraft Rotable Parts Market

KG Aircraft Rotables operates aircraft rotatable part exchange and repair as well as component sales businesses in Europe. In 2014, this company began dealing in Airbus A320 components in addition to its existing business in Boeing B737 components. The aircraft market is expected to see global growth going forward, with the number of aircraft in operation roughly doubling over the next 20 years. Alongside this growth, exchange demand for rotatable parts used in aircraft maintenance is also expected to increase. KG Aircraft Rotables will draw on its accumulated know-how to provide 24-hour year-round supply support to meet customers' wide-ranging needs while considering expansion from Europe into the North American and Asian markets. KG Aircraft Rotables is furthermore considering entry into the maintenance, repair and overhaul (MRO) business, which is expected to generate synergies with the aircraft rotatable parts business.



Specializing in transportation equipment, this segment operates global motorcycle and automobile parts businesses, leveraging the Group's superb expertise and extensive information resources. The segment also handles vehicles and fuselages for the automobile, construction machinery, industrial vehicle, aircraft, and satellite industries.

Motor Vehicles and Parts

Strengthening its sales force as well as sourcing and technical development capabilities, Kanematsu is expanding its businesses handling OEM components for vehicles. We operate global businesses through our worldwide networks. Focusing on motorcycle and automobile parts, Kanematsu will continuously explore and propose new high-value-added materials and products for which future demand is expected while establishing new business foundations through aggressive business investment.



Aerospace

Kanematsu is working to expand its businesses in the areas of aircraft, helicopters, and related equipment and parts for government agencies. Also Kanematsu is focusing on sales to commercial airlines as the sales representative of Bombardier Aerospace for its new C Series commercial aircraft. In addition, we are working to expand the aircraft rotatable parts business, possibly through investment. In the space business, Kanematsu will focus on sales of small satellites and peripheral equipment.



CSR (Corporate Social Responsibility)

Kanematsu's Approach to CSR

The Kanematsu Group defines the pioneering spirit as fostered by our predecessors along with the wisest use of our creative imagination and ingenuity, conduct abiding by the rules of the organization, and fulfilling our corporate social responsibilities by engaging in sound, flourishing businesses as its Corporate Principles. The Group conducts its business in accordance with these principles and the Company's Code of Conduct. Based on the Company's Corporate Principles, Kanematsu's Code of Conduct serves as a set of standards for all of Kanematsu's corporate activities.

The Kanematsu Group offers a wide range of products and services in Japan and around the world. The Group thus regards creating shared value while meeting the needs and expectations of its many stakeholders, including shareholders, investors, business partners, local communities, and employees, as its corporate social responsibility.

Kanematsu's Code of Conduct

1. Origin of corporate activities	We became involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.
2. Fair transactions	Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules, as well as with social common sense.
3. Information management & disclosure	Information is properly managed to protect personal information, customer information and intellectual property, and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency.
4. Respect for human rights	We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality, and character are respected so as to create a dynamic corporate culture.
5. Consideration of the global environment	We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.
6. Social contribution	We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.

CSR Framework

Kanematsu has established a CSR Promotion Office within its Personnel & General Affairs Department as well as a Companywide CSR Committee. These bodies formulate policies and reinforce initiatives for the Group as necessary to address various CSR-related issues, including social contribution and environmental preservation.

CSR through Our Business Activities

The Kanematsu Group engages in CSR initiatives in the course of its ordinary business activities. In and outside Japan, we focus on expanding businesses that make best use of our capabilities as a trading company to sustain and improve the environment. We also strive to conduct business with due consideration given to biodiversity.

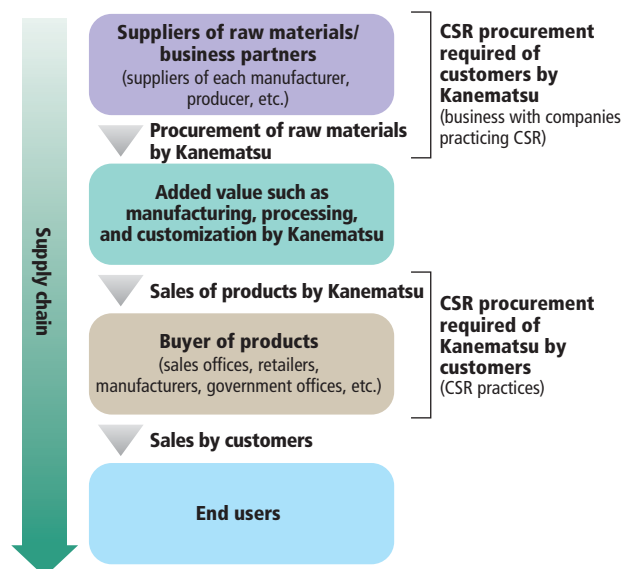
CSR Procurement

CSR procurement refers to the practice of a company requiring its suppliers of materials, parts, and products to implement CSR initiatives in addition to meeting such everyday requirements as consistently high quality and speed. CSR procurement is growing in importance year by year as awareness of CSR increases among companies and the general public.

We have established systems to promote CSR activities, including CSR Action Guidelines for Supply Chains, to meet the CSR procurement requirements of our business partners. The requests made by business partners as part of CSR procurement activities touch on a wide variety of concerns, including employee relations, health and safety, environmental activities, CSR management, and corporate ethics. Areas of concern include the following.

- Does the supplier conduct its business activities with due consideration given to the environment?
- Does it conduct its business activities with due consideration given to human rights? (Respecting bans on child labor and forced labor, etc.)
- What is its compliance record like?
- Does it meet the latest quality standards? (Usage restrictions on harmful substances that go beyond legal requirements)

Flow of CSR Procurement



Environmental Businesses

Renewable Energy

Kanematsu's renewable energy businesses consist of the construction of and supply of facilities for geothermal, solar, and wind-power generation plants. The Company is steadily building a strong track record in these businesses, mainly in Indonesia and the Philippines. Compared with fossil fuels, renewable energy sources produce much less CO₂, a major cause of global warming, and therefore have the significant merit of being better for the global environment. At the same time, renewable energy sources help to meet emerging needs to reduce dependence on imported energy. Going forward, Kanematsu will continue to contribute to the development of clean energy by supplying renewable energy generation facilities.



Sustainable Coffee

Kanematsu is committed to the trading of sustainable coffee. "Sustainable coffee" refers broadly to coffee produced and distributed in ways that are sustainable in terms of their effect on the natural environment and people's livelihoods, thus helping to meet the responsibility of the current generation to future generations. Kanematsu was among the first to focus its attention on this field and strives to support producers and protect the environment by importing and marketing coffee beans that have received accreditation from the Rainforest Alliance, an international environmental body that focuses on tropical rainforest protection.



Human Resource Initiatives

Human resources are a vital asset for Kanematsu, and retaining and training human resources is important for the Company's growth. Kanematsu maintains systems to promote work-life balance, including child care support and family care support systems, seeking to create workplaces that are comfortable and rewarding for employees. Furthermore, we focus considerable effort on human resource development, an indispensable part of Kanematsu's growth.

Training in Business Plan Formulation

Kanematsu aims to improve corporate value by further developing areas of strength, making new investments for business creation, and taking on other new challenges. To this end, we have created training courses covering business plan formulation to impart the skills necessary for drafting roadmaps to the creation and successful launch of new businesses.

Overseas Dispatch Training System

Kanematsu operates an overseas training system for employees in their first five years with the Company. Participants are dispatched to overseas subsidiaries, representative offices, and business corporations to experience local work- and lifestyles for around six months. This system exposes employees to diverse values and provides the experiences, insights, and knowledge that members of a globally operating trading company need.

Training in Business Plan Formulation Trainee's Perspective



Keigo Suzuki
Currently stationed at AZ-Star Co., Ltd.

Through this training, I learned basic skills important for creating new businesses. These included the ability to formulate a business plan, including the perspective and methodology to make

that plan strong, as well as ways of presenting plans so that they resonate with an audience, particularly decision makers. The training also provided valuable opportunities to expand my outlook through discussions and debates with employees of different backgrounds and levels of experience. This training has been very useful in my current position working with business investment funds.

Overseas Dispatch Training System Trainee's Perspective



Hanae Terui
Electronic Components & Semiconductor
Department No. 1 Division 2

During my overseas training in Singapore, I learned a great deal, more than just knowledge and know-how, from my bosses and more senior employees who

were stationed there. I think that coming to understand the importance of thinking about things from a comprehensive, objective perspective was particularly valuable. Being in a new environment helped me view myself objectively, too, and I realized shortcomings and weaknesses that I wasn't aware of before. I hope to continue to improve myself as a trading company employee and thus express my gratitude for the support and help I have received through my work.

Work-Life Balance

Kanematsu is proactively committed to ensuring a good work-life balance, and discourages long working hours to foster a healthy workforce. We have been improving the working environment so that employees can treasure the time they spend with their families as well as the time spent on hobbies and participating in social activities.

Child Care Support

In addition to comprehensive maternity and childcare leave arrangements, we allow mothers to work short hours and flexi-time after taking leave for pregnancy or care reasons, so they can continue to care for growing children after rejoining the workforce.

Many mothers take childcare leave, and when they return to work, they generally go to the same divisions in which they worked before. These measures have been taken to create a pleasant working environment.

Number of Employees Taking Childcare Leave

FY2008	FY2009	FY2010	FY2011
6	4	10	9
FY2012	FY2013	FY2014	FY2015
3	4	14	10

Family Care Support

In addition to the conventional family care leave system, Kanematsu has recently enabled special paid holidays for family care. We also have in place a child-raising and care consultation office for one-to-one consultation on these matters.

Refreshment Day

By urging employees across Kanematsu to do no overtime on Wednesdays, we aim to improve working efficiency and encourage a better work-life balance. We have also set aside one day every month as a special "Refreshment Day" during which we monitor hours worked, to bring down overtime.

General Employer Action Plan

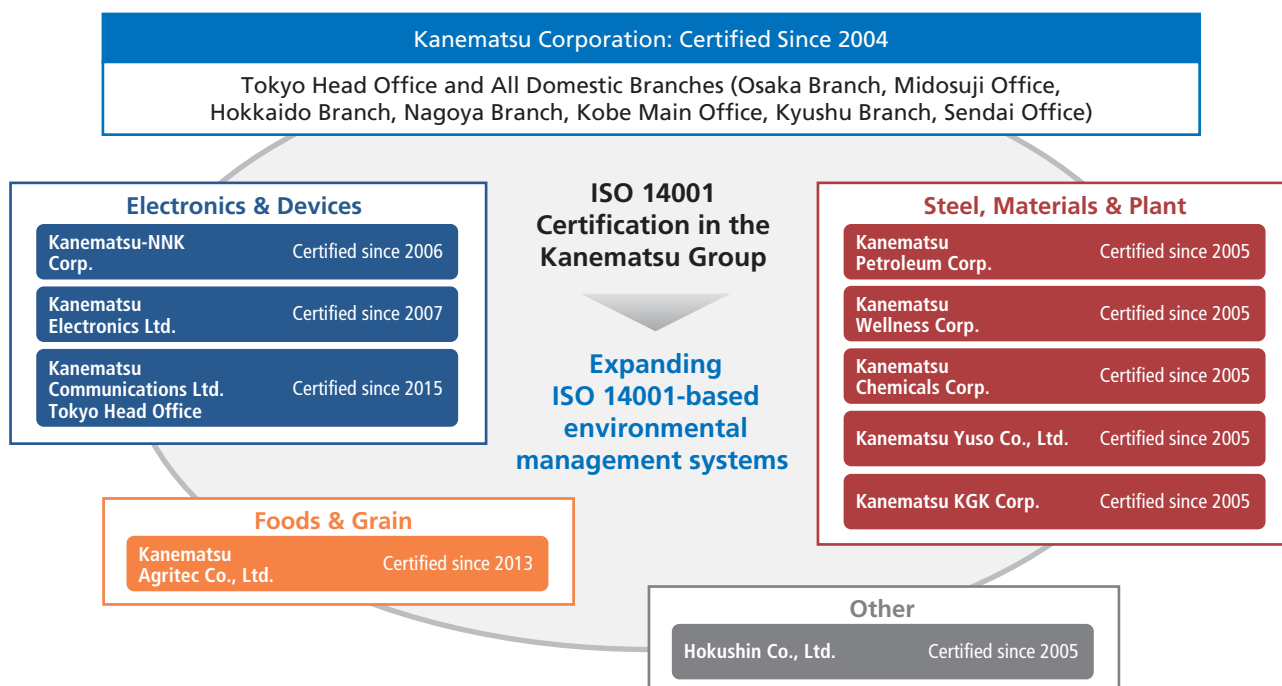
In December 2010, Kanematsu was awarded the "Kurumin" certification of support for nurturing of the next generation by the Ministry of Health, Labour and Welfare's Tokyo Labor Bureau.



In October 2013, we formulated our third General Employer Action Plan. Based on this plan, we are taking measures to fully harness employee potential by encouraging a better balance between work and childcare duties and by creating a more pleasant workplace for all.

Environmental Initiatives

Kanematsu is engaged in environmental businesses in Japan and overseas that help protect and improve the global environment. The global Group also continuously works to improve its ISO 14001-based environmental management system. By effectively operating this system, the Group is reducing electricity and paper consumption, promoting comprehensive waste sorting and reduction, and helping to reduce CO₂ emissions. Through these efforts, the Group strives to contribute to the creation of a low-carbon, recycling-oriented society.



Social Contribution

The Kanematsu Foundation for the Research of Foreign Trade

The Kanematsu Foundation for the Research of Foreign Trade was established in 1940 with the purpose of contributing to economic development through support and funding for research into trade and international economics. The Foundation is jointly operated by the Research Institute for Economics and Business Administration of Kobe University and Kanematsu. In the more than 70 years since its founding, the Foundation has earned an international reputation as a top-level research institute focusing on international economics and management and has won high acclaim in Japan and overseas for its long list of research achievements.

In 1993, the Kanematsu Fellowship—a Kanematsu post-graduate research scholarship—was jointly established by the Research Institute for Economics and Business Administration of Kobe University, the Kanematsu Foundation for the Research of Foreign Trade, and Kanematsu Corporation. Every year, graduate students are invited to submit their dissertations to apply for the fellowship. The Kanematsu Fellowship thus provides graduate students in the fields of economics, management, and accounting across Japan with opportunities to win a research fellowship and to present their research.

Reconstruction Support Activities

After the March 2011 Great East Japan Earthquake, the Kanematsu Group donated money and supplies to affected areas. Since September of the same year, the Group has provided ongoing support for Rikuzentakata city in, Iwate, through its own volunteer program. In addition to the Company's volunteer leave system, Kanematsu has a system to support employees volunteering in disaster-affected areas that includes reimbursement of transportation and accommodation expenses for employees participating in the Company's volunteer program.

Furthermore, in February 2015, Kanematsu donated a mobile

library vehicle christened *Yamabiko-go* to the city of Rikuzentakata to contribute to the development of the city's children. The interior of *Yamabiko-go* is brightly illuminated by LED lamps, and its shelves hold approximately 900 books. The mobile library is also equipped with a retractable awning to provide shade or shelter from rain to facilitate its use in all weather conditions.

The Kanematsu Group is committed to volunteer activities in disaster-affected areas that address both immediate needs and long-term issues and will continue to offer support in response to the needs of the affected areas and their residents.



Caring for a sacred laurel tree on the grounds of a local shrine



Mobile library *Yamabiko-go* donated to Rikuzentakata City

Commemorative Projects Carrying on the Wishes of Our Founder

Among the main commemorative projects we have carried out in accordance with the wishes of our founder Fusajiro Kanematsu are the endowment of the Research Institute for Economic and Business Administration (Kanematsu Memorial Hall), a commerce research institute at Kobe Higher Commercial

School (now Kobe University); the endowment of the Kanematsu Auditorium at Hitotsubashi University; and the endowment of the Kanematsu Memorial Institute of Pathology at Sydney Hospital in Australia (a partial endowment by Kanematsu that is jointly funded by the Australian Government).



Kanematsu Memorial Hall at Kobe University



The Kanematsu Auditorium at Hitotsubashi University



Kanematsu Memorial Institute of Pathology, Sydney Hospital

Corporate Governance

Our Basic Stance on Corporate Governance

Kanematsu strives to strengthen corporate governance to increase the transparency of management and to create a more equitable, efficient, and sound company. We work to improve corporate governance with the aim of winning the support of all our stakeholders, including shareholders, customers, business partners, and employees, and increasing our enterprise value.

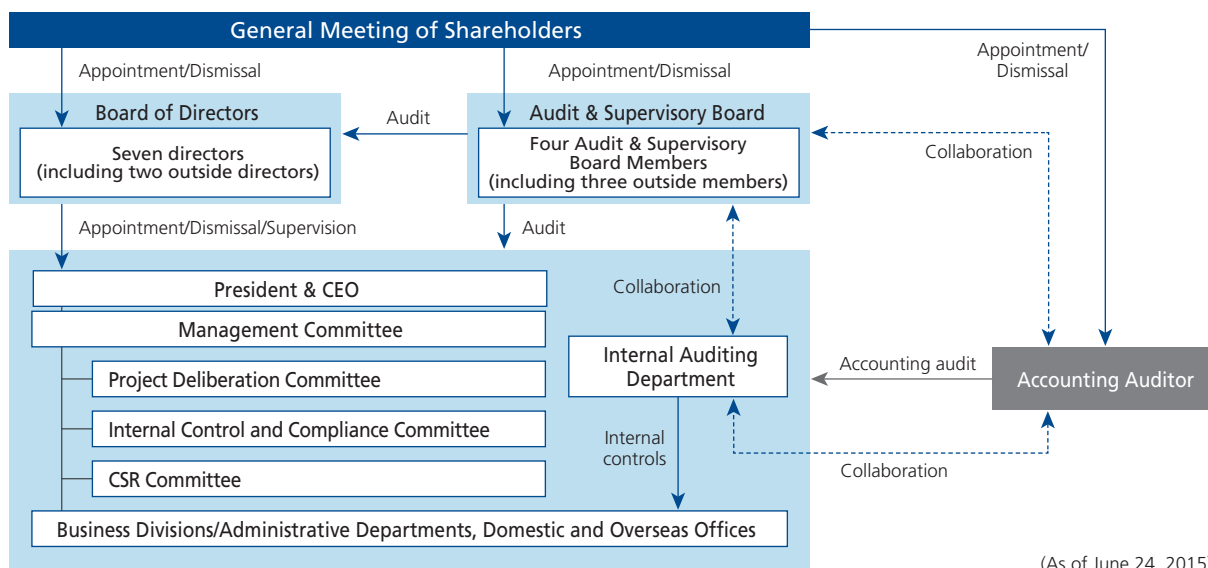
System of Corporate Governance

Kanematsu is a company with an Audit & Supervisory Board. The Audit & Supervisory Board and its members act independently to audit the performance of directors' duties.

Of the four Audit & Supervisory Board members, three are outside members. The outside Audit & Supervisory Board members draw on their insight and experience to offer recommendations and advice from an objective standpoint, thus providing due outside management oversight and supervision. Furthermore, Kanematsu has appointed multiple highly independent outside directors to strengthen and improve the effectiveness of management supervision and the transparency of decision making by the Board. The inclusion of these outside Audit & Supervisory Board members and directors is aimed at increasing the transparency of Kanematsu's management and creating a more equitable, efficient, and sound company.

Kanematsu is expanding its executive officer system to improve the flexibility of business execution, speed up management decision making, and further clarify roles and responsibilities through the separation of supervisory and executive functions.

Corporate Governance Structure



Board of Directors

The Board of Directors is made up of seven directors. The Board decides on matters required of it as set out in law and Kanematsu's Articles of Incorporation as well as business policies and other important matters, and oversees business execution by directors. Two of the seven directors are outside directors to ensure that the Board conducts appropriate decision making

and to further reinforce the supervision of business execution. In principle, the Board of Directors meets once a month, with additional meetings held as necessary. Directors are appointed to the Board for one-year terms to allow the Board to respond appropriately to changes in the business environment.

Management Committee

To facilitate rapid decision making and flexible management, Kanematsu has set up a Management Committee composed of certain executive officers, including the President. The Committee meets at least twice a month in principle. The

Committee establishes basic policies for Companywide general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business.

Project Deliberation Committee

The Project Deliberation Committee was established to enhance debate and speed up decision making on important projects. The Committee considers and discusses matters from a Companywide

perspective and submits recommendations to the designated decision makers for each item before the decision must be made. In principle, the Committee meets at least twice a month.

Audit & Supervisory Board

The Audit & Supervisory Board acts as an independent organ to audit directors' performance of their duties. Specifically, the four Audit & Supervisory Board members, including three outside members, receive reports from directors and employees on

the performance of their duties as required, and attend meetings of the Board of Directors, Management Committee, Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings.

Internal Auditing

To ensure that proper accounting records are kept and to monitor appropriate business execution, Kanematsu has established auditing rules, in accordance with which the Internal Auditing Department conducts internal audits of all divisions and consolidated subsidiaries.

Internal Control System and Risk Management System

To comprehensively assess risks facing the Kanematsu Group, to comply with laws and regulations relating to operational effectiveness and efficiency and business activities, to protect Group assets, and to ensure the reliability of its financial reporting, the Kanematsu Group has built an internal control system, as described below.

Maintaining the Internal Control System

To comprehensively assess risks facing the Kanematsu Group, to comply with laws and regulations relating to operational effectiveness and efficiency and business activities, to protect its assets, and to ensure the reliability of its financial reporting, the Kanematsu Group has built an internal control system. To operate this system effectively and efficiently, we have also

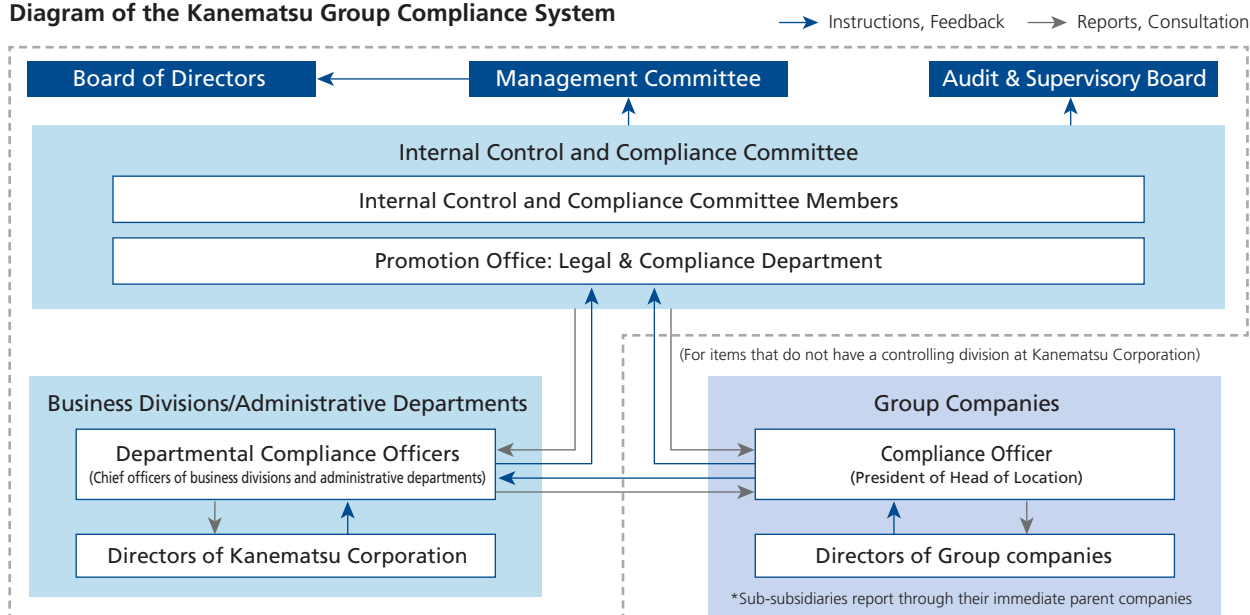
established the Internal Control and Compliance Committee. We develop, operate, assess, and improve internal controls related to financial reporting to ensure the correctness of the Group's reporting in line with the internal control reporting systems defined in the Financial Instruments and Exchange Law.

Compliance

In light of the importance of corporate legal compliance, we have set up internal control systems for the Company and the Group as well as an Internal Control and Compliance Committee to implement said systems, seeking to strengthen our internal compliance system. In addition to preparing a *Compliance*

Handbook that covers all Group companies, we work to enhance awareness of and training on sensible behavioral ethics. The Group also maintains a hotline system that allows employees to directly report to or consult with the Internal Control and Compliance Committee or an outside lawyer.

Diagram of the Kanematsu Group Compliance System



(As of June 24, 2015)

Elimination of Antisocial Forces

One of Kanematsu's compliance commitments is to take a firm stand against and eschew all relationships with antisocial forces. To promote the elimination of antisocial forces, Kanematsu belongs to the Tokyo Metropolitan Police Department's Special Violence Prevention Countermeasures Association, cooperating closely on a regular basis by sharing information. The Personnel

& General Affairs Department is designated to coordinate Companywide response and information gathering to address any unreasonable demands from antisocial forces, and the Company maintains a framework for responding in coordination with outside organizations, including the police and attorneys.

Information Management System

With regard to information management, we have established standards for the custody, retention and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of Kanematsu, certificates related to properties, and other similar documents. As information is a valuable corporate asset, we have also formulated, and work to reinforce, rules on information security management with the aim of protecting and managing personal data and other information in line with compliance requirements.

With regard to the security of information systems, the Group has established information security management rules aimed at preventing leaks and losses of important information and established standardized rules covering the use of PCs, networks, and e-mail to protect corporate and personal information. Furthermore, the Group continually reviews its systems framework aimed at enhancing security and operates and maintains said framework to ensure that security is maintained at necessary and appropriate levels.

Risk Management

With respect to business risks that may affect our operations, such as market risk, credit risk, investment risk, or country risk, Kanematsu has designated departments responsible for each type of risk, established internal regulations and detailed enforcement regulations, and prepared operational guidelines. We furthermore use training and other means to ensure thorough awareness of risk management. The Company also sets up cross-departmental committees as necessary to control risks.

To comprehensively assess risks facing the Kanematsu Group, promote operational effectiveness and efficiency, and ensure the reliability of financial reporting, we have established

the Internal Control and Compliance Committee as a Groupwide organization. We have established an approval request system based on designated levels of authority to minimize business risks. The Project Deliberation Committee considers important investments and loans by comprehensively examining relevant risks.

To address the risk of crises related to the occurrence of major events, such as natural disasters, we have put in place a system, including specific rules and policies of action, to ensure the appropriate management of the Group at such extraordinary times.

Groupwide Activities

Group company presidents meet twice a year and at other times as necessary to share information on Groupwide business activities. These meetings are aimed at ensuring mutual understanding and awareness with regard to corporate governance issues.

Disclosure

We promote proper and transparent management by promptly and accurately disclosing important corporate information about management to shareholders and all other stakeholders, institutional investors, analysts, and the media. In addition to timely disclosure to financial instruments exchanges, we disclose information through our website and engage actively in IR activities, including regular briefings for institutional investors and analysts and meetings.

Corporate Officers

(As of June 24, 2015)

Directors and Audit & Supervisory Board Members



Masayuki Shimojima
President & CEO



Masao Hasegawa
Executive Vice President



Takashi Gunji
Director



Kaoru Tanigawa
Director



Nobuyoshi Sakuyama
Director



Yutaka Hirai
Director



Seiichi Katayama
Director



Fumihiko Nashimoto
Audit & Supervisory
Board Member (full-time)



Sohei Ogawa
Audit & Supervisory
Board Member (full-time)



Yonosuke Yamada
Audit & Supervisory
Board Member



Tsukasa Miyachi
Audit & Supervisory
Board Member

1. Mr. Yutaka Hirai and Mr. Seiichi Katayama are Outside Directors.
2. Mr. Sohei Ogawa, Mr. Yonosuke Yamada and Mr. Tsukasa Miyachi are Outside Audit & Supervisory Board Members.
3. Mr. Yutaka Hirai, Mr. Seiichi Katayama, Mr. Yonosuke Yamada and Tsukasa Miyachi are Independent Officers, as defined in the Securities Listing Regulations.

Executive Officers

President & CEO	Masayuki Shimojima	
Executive Vice President	Masao Hasegawa	Chief Officer, Supporting Area; Chief Officer, Internal Auditing
Senior Managing Executive Officers	Takashi Gunji	Chief Officer, Steel, Materials & Plant Division, Chief Officer, Personnel and General Affairs, General Manager, Osaka Branch; General Manager, Nagoya Branch
	Kaoru Tanigawa	Chief Officer, Electronics & Devices Division, Corporate Planning
Managing Executive Officers	Morihiro Toida	Chief Officer, Foods & Grain Division
	Tetsuya Kaneko	Chief Officer, System Planning, Traffic and Insurance
	Yoshiya Miyabe	Chief Officer, Motor Vehicles & Aerospace Division
	Nobuyoshi Sakuyama	Chief Officer, Finance, Accounting, Business Accounting, Legal & Compliance
	Kazuo Shibata	Chief Officer, Credit Control
	Keiichi Inaba	President, Kanematsu (China) Co., Ltd.; President, Kanematsu (Hong Kong) Ltd.
Executive Officers	Eiji Kan	Deputy Chief Officer, Steel, Materials & Plant Division
	Katsumi Morita	President, Kanematsu USA Inc.
	Masayuki Hamasaki	Deputy Chief Officer, Foods & Grain Division; General Manager, Grain Dept.
	Hiroyasu Hirasawa	Deputy Chief Officer, Foods & Grain Division

Management's Discussion and Analysis

Business Results

For the fiscal year ended March 31, 2015, consolidated net sales edged up ¥2,557 million (0.2%) from the previous fiscal year to ¥1,117,096 million. Gross profit increased ¥5,039 million (5.8%) from the previous fiscal year to ¥91,441 million. Consolidated operating income climbed ¥2,349 million (11.9%) from the previous fiscal year to ¥22,125 million. Net non-operating income improved ¥385 million from the previous fiscal year, thanks primarily to an increase in equity in earnings of affiliates and an improvement in the balance of interest income and expenses. As a result, consolidated ordinary income increased ¥2,735 million (13.6%) from the previous fiscal year to ¥22,895 million. Net extraordinary gains and losses amounted to a gain of ¥400 million, due in part to extraordinary gains recorded as a result of making Kanematsu-NNK Corp. a consolidated subsidiary.

As a result, income before income taxes and minority interests climbed ¥4,219 million (22.1%) from the previous fiscal year to ¥23,294 million. Consolidated net income edged down ¥329 million (2.8%) from the previous fiscal year to ¥11,470 million, due in part to an increase in tax expenses as a result of a reversal of deferred tax assets, reflecting changes to the tax system during the fiscal year.

Segment Information

Results for each business segment are described below.

Electronics & Devices

The electronic components and materials business as well as the semiconductor components business performed favorably overall. In particular, businesses related to automobiles grew supported by expanding demand in and outside Japan. The ICT solutions business was firm thanks to strong corporate capital expenditure on infrastructure, and the mobile

business also performed strongly. Furthermore, in the fiscal year under review, Kanematsu-NNK Corp. was made a consolidated subsidiary, expanding the division's business base, mainly with its security camera business, and thus contributing to income during the fourth quarter.

As a result, although net sales in the Electronics & Devices Division fell ¥847 million year on year to ¥276,501 million, operating income increased ¥2,152 million to ¥9,907 million.

Foods & Grain

The meat product business was firm, supported by increasing demand. In the foodstuff business, both grain and animal feedstuff trading were solid. However, the food business faced difficult conditions, including depressed individual consumption since the 2014 consumption tax hike and the rising cost of imports to Japan due to the depreciation of the yen.

As a result, in the Foods & Grain Division, net sales decreased ¥1,292 million year on year to ¥307,732 million. Operating income fell ¥166 million to ¥1,933 million.

Steel, Materials & Plant

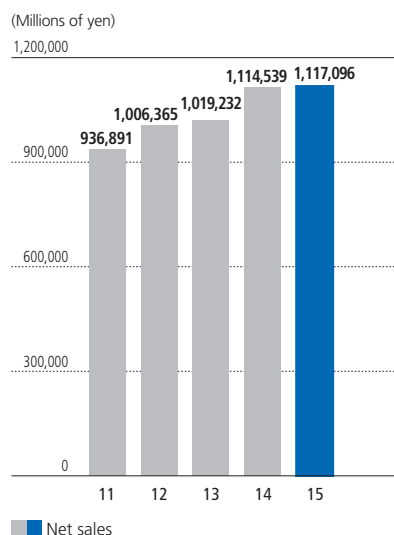
The plant and infrastructure business received major orders for wind power generation plants in Southeast Asia and saw strong domestic trading in machine tools and industrial machinery. In the iron and steel business, while sales of specialty steel for automobiles were firm in the Americas and Europe, the mainstay oilfield tubing business was impacted by weak demand. The energy business faced challenging conditions, including decreased summer demand and a fall in crude oil prices.

As a result, net sales in the Steel, Materials & Plant Division decreased ¥982 million year on year to ¥467,849 million. Operating income decreased ¥846 million to ¥7,283 million.

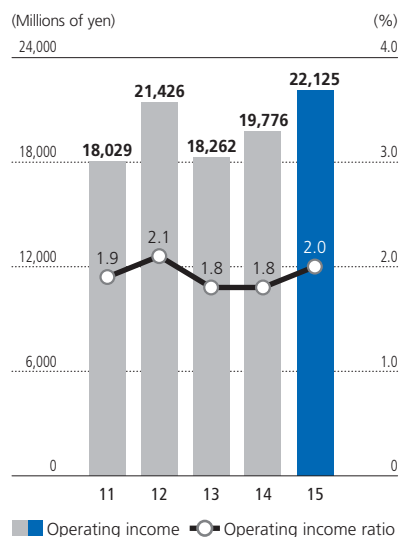
Motor Vehicles & Aerospace

In the aerospace business, aircraft part trading was strong. The

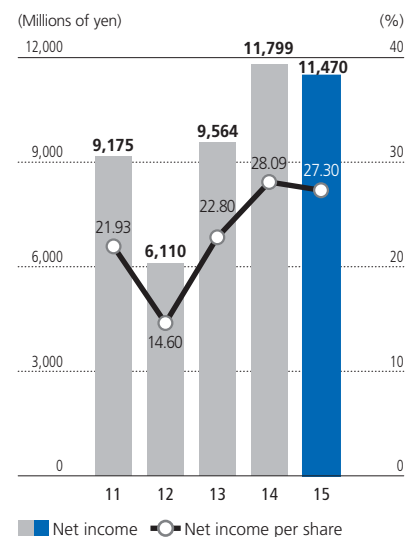
Net Sales



Operating Income / Operating Income Ratio



Net Income / Net Income per Share



motor vehicles and parts business saw firm performance overall, particularly in motorcycle and automobile parts trading.

As a result, net sales in the Motor Vehicles & Aerospace Division increased ¥5,224 million year on year to ¥59,675. Operating income rose ¥1,261 million to ¥2,755 million.

Other

Net sales rose ¥455 million year on year to ¥5,338 million. Operating income fell ¥55 million to ¥169 million.

Analysis of Financial Status

Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased ¥30,552 million from the end of the previous fiscal year to ¥459,011 million.

Interest-bearing debt declined ¥5,791 million from the end of the previous fiscal year to ¥136,114 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, decreased ¥392 million from the end of the previous fiscal year to ¥67,646 million. Net assets stood at ¥118,731 million, up ¥22,527 million from the end of the previous fiscal year, thanks to an increase in retained earnings as a result of the posting of net income and improvements in foreign currency translation adjustments that reflected exchange rate fluctuations. Shareholders' equity, obtained by subtracting minority interests from net assets, increased ¥18,444 million from the end of the previous fiscal year to ¥90,101 million.

As a result, the equity ratio improved 2.9 percentage points from the end of the previous fiscal year to 19.6%. The net D/E ratio stood at 0.8.

Cash flows

Net cash provided by operating activities totaled ¥10,115 million (versus ¥22,384 million provided in the previous fiscal

year), chiefly reflecting the increase in operating income recorded. Net cash used in investing activities amounted to ¥8,903 million (versus ¥1,111 million used in the previous fiscal year), reflecting the Group's making Kanematsu-NKK Corp. a consolidated subsidiary and the acquisition of additional shares of Nippon Office Systems Ltd. aimed at making that company a wholly owned subsidiary. Net cash used in financing activities amounted to ¥9,895 million (versus ¥9,351 million used in the previous fiscal year), reflecting the repayment of debt, among other factors.

As a result, after the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year under review stood at ¥67,377 million, down ¥6,171 million from the end of the previous fiscal year.

Fundraising

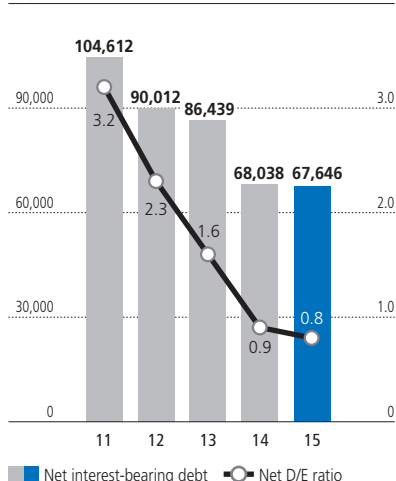
The Group raises funds primarily through indirect financing based on good relations with its main banks, regional banks, life and non-life insurers, and other financial institutions. To secure liquidity on hand, the Group maintains ample cash and cash equivalents and has established commitment lines with major financial institutions. Surplus funds are flexibly managed in highly secure short-term financial products in response to the Company's funding needs and financial circumstances.

During the fiscal year under review, the Group filed a shelf registration of corporate bonds, aiming to ensure that it can flexibly respond to funding requirements arising from business development going forward and to increase its financial stability by diversifying its available means of capital procurement.

To facilitate capital procurement, the Company receives ratings from Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I). The Company's long-term ratings as of the end of the fiscal year under review are BBB+ (stable) from JCR and BBB (stable) from R&I.

Net Interest-Bearing Debt / Net D/E Ratio

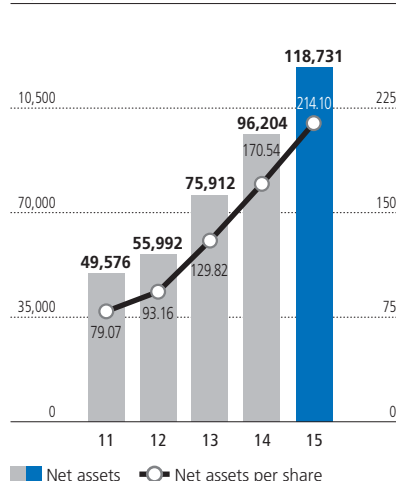
(Millions of yen) (Times)



* Net interest-bearing debt = Interest-bearing debt – Cash and bank deposits
 * Net D/E ratio = Net interest-bearing debt / Shareholders' equity

Net Assets / Net Assets per Share

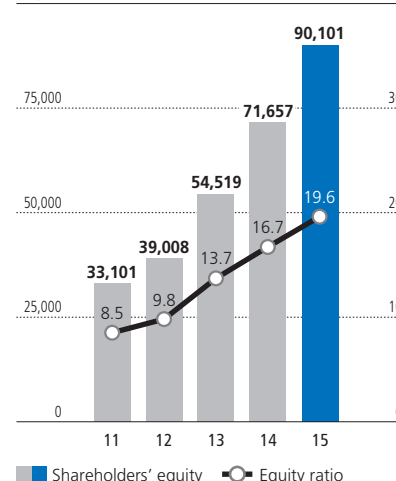
(Millions of yen) (Yen)



* Net assets = Total assets – Minority interests
 * Net assets per share = Net assets / Total number of shares

Shareholders' Equity / Equity Ratio

(Millions of yen) (%)



* Shareholders' equity = Net assets – Minority interests
 * Equity ratio = Shareholders' equity / Total assets

Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 24, 2015.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

Market Risk Related to Supply and Demand and Prices of Goods Traded

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. An unexpected loss may result from causes such as rapid movements in commodities prices or a decline in demand, when our positions in these commodities increase.

Foreign Currency Risk

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Group also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing, for the purposes of preparing consolidated financial statements. For this reason, net assets may change through translation adjustments associated with exchange rate fluctuations.

Interest Rate Risk

The Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest paid by the Group may increase with a rise in interest rates.

Also, since certain companies in the Group adopt a defined benefit pension plan, the retirement benefit obligation could increase in the estimation of the Group if the discount rate used for the calculation of the retirement benefit obligation falls.

Price Fluctuation Risk of Marketable Securities, etc.

The Group may hold shares in trade partners as means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group through unrealized loss on available-for-sale securities.

Since stocks and other securities are included in the portfolio of the pension assets of the Group for the purpose of making medium-and long-term investments, differences from the required investment yield could have an effect on the financial position of the Group, given that the investment yield will fall if the prices of the stocks, etc. fall.

Default Risk and Credit Risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans and guarantees in diverse business transactions with its trading partners in Japan and abroad. For this reason, late repayments and defaults may occur with developments such as a deterioration in the financial strength of its trading partners. The Group could also be forced to perform obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, and subcontract agreement, or other agreements, irrespective of reasons, if the trade partner defaults on its obligation or contract.

Although the Group has set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

Business Investment Risk

The Group makes business investments to achieve objectives, including deep mining of existing businesses and expansion of business areas. The Group decides whether to make such investments through procedures established according to their details and amounts. When making investment decisions, the Group evaluates and analyzes risk factors and the profitability of the business based on cash flows, taking the criteria for business withdrawal into account. After making an investment, the Group regularly reevaluates and

reviews business potential and investment value to minimize any potential loss. The value of the business investments may fluctuate according to the financial conditions of investment targets and their business success or failure.

The range of market changes tends to be particularly wide in overseas businesses. Local laws and relationships with partners may also prevent the Group from executing its policy for operating or withdrawing from a business.

Country Risk

The Group engages in transactions, loans and investments in other countries. The collection of receivables may be delayed or impossible as a result of political or economic developments in each of these countries. To minimize losses that could arise should these country risks become reality, the Group regularly sets a limit based on ratings given to each country and region according to the scale of their respective country risk, and operates its businesses in such a way that prevents overexposure to certain countries and regions. The Group takes steps such as enrolling in trade insurance programs, according to the ratings and project details in an attempt to minimize recovery risks. However, continuing transactions may become difficult if these risks actualize in certain countries and regions, and this development may affect the future business results of the Group.

Legal Risk Related to Changes in Laws

The business activities undertaken by the Group in Japan and overseas are subject to a wide range of legal regulations in Japan and other countries. The Group may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment, and changes in regulations such as permits and licenses related to the sales and handling of products. An unexpected expense for the Group may also arise from a lawsuit or from an order issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

Legal Risk Related to Lawsuits and Disputes

Business operations by the Group, and its assets and liabilities associated with the business operations may become subject to legal proceedings, including lawsuits, and other disputes, in various ways through the course of the business activities undertaken by the Group in Japan and overseas. Such lawsuits and disputes are generally unpredictable, and

resolving them is often very time-consuming when they occur. Any prediction of the results therefore involves uncertainties. Any occurrence of such lawsuits or disputes and unexpected outcomes may affect the Group's financial position and operating results.

Security Risk Related to Information Systems and Information Security

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules, and is taking steps to ensure that all members of the Group are familiar with crisis control responses, to meet the safety requirements for operating its information systems. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of business sensitive information or personal information through unauthorized access, computer viruses and other means, as well as inoperability due to factors such as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line troubles. Inoperability may reduce the efficiency of operations that depend on the systems, and seriously affect the future business results of the Group, depending on the scale of damages.

Product and Facility Deterioration Risk due to Natural Disasters and Accidents

The Group owns facilities and equipment, including business offices, warehouses and manufacturing plants, in Japan and overseas. It also owns cargo being stored or transported in and outside Japan for business transactions. Such assets may be damaged or deteriorate as a result of natural disasters, accidents and other developments, and the businesses of the Group may be suspended due to developments such as earthquakes, fires, floods, and riots. Such incidents may seriously affect the future financial position and operating results of the Group, depending on the extent of the damage.

Compliance and Fraud Risk

The Group operates businesses to buy, sell and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

Consolidated Balance Sheets

March 31, 2015 and 2014

	JPY		USD (Note 3)
	2015	2014	2015
Assets			
I. Current assets			
1. Cash and bank deposits (Note 5-3)	68,468	73,867	569,762
2. Notes and accounts receivable (Notes 5-3)	180,319	178,984	1,500,533
3. Lease investment assets	227	541	1,892
4. Short-term investments (Note 5-3)	3	16	33
5. Inventories (Note 5-1)	87,254	66,256	726,095
6. Short-term loans receivable	297	825	2,472
7. Deferred tax assets	3,250	2,660	27,053
8. Other	27,148	22,364	225,915
Allowance for doubtful accounts	(158)	(149)	(1,321)
Total current assets	366,811	345,366	3,052,435
II. Long-term assets			
1. Tangible fixed assets			
1) Leased properties, net	183	172	1,526
2) Buildings and structures, net (Note 5-3)	6,469	5,949	53,836
3) Machinery, equipment, vehicles, tools and fixtures, net	6,139	4,930	51,094
4) Land (Note 5-3)	13,755	11,917	114,463
5) Lease assets, net	1,504	1,074	12,519
6) Construction in progress	879	174	7,320
Total tangible fixed assets (Note 5-2)	28,931	24,218	240,758
2. Intangible fixed assets			
1) Goodwill	6,063	3,175	50,460
2) Other	8,661	8,531	72,077
Total intangible fixed assets	14,725	11,706	122,537
3. Investments and other assets			
1) Investments in securities (Notes 5-3, 5-4)	38,372	32,198	319,318
2) Long-term loans receivable	2,134	1,798	17,765
3) Doubtful accounts	765	902	6,373
4) Net defined benefit assets	199	—	1,658
5) Deferred tax assets	3,643	8,782	30,317
6) Other	6,098	6,236	50,751
Allowance for doubtful accounts	(2,671)	(2,750)	(22,228)
Total investments and other assets	48,543	47,167	403,953
Total long-term assets	92,200	83,093	767,248
Total assets	459,011	428,459	3,819,682

(Notes) Presentation of fiscal year and amount (Japanese Yen and U.S. dollars)

1. "JPY" means millions of Yen and "USD" means thousands of U.S. dollars.

2. "2015" refers to the Company's consolidated fiscal year ended March 31, 2015 and other fiscal years are referred to in the corresponding manner.

	JPY		USD (Note 3)
	2015	2014	2015
Liabilities			
I. Current liabilities			
1. Notes and accounts payable	116,567	115,210	970,019
2. Import bills payable	32,530	27,610	270,705
3. Short-term borrowings (Note 5-3)	61,688	80,792	513,344
4. Lease obligations	638	760	5,310
5. Accrued income taxes	2,492	1,951	20,742
6. Deferred tax liabilities	1	1	10
7. Asset retirement obligations	107	6	892
8. Other	38,322	32,302	318,904
Total current liabilities	252,347	258,635	2,099,925
II. Non-current liabilities			
1. Long-term borrowings (Note 5-3)	74,426	61,113	619,344
2. Lease obligations	1,286	1,033	10,708
3. Deferred tax liabilities	488	368	4,063
4. Net defined benefit liability	5,137	4,630	42,751
5. Provision for retirement benefits for directors and statutory auditors	367	387	3,059
6. Asset retirement obligations	810	804	6,741
7. Other	5,414	5,281	45,059
Total non-current liabilities	87,931	73,620	731,726
Total liabilities	340,279	332,255	2,831,651
Net assets			
I. Shareholders' equity			
1. Common stock	27,781	27,781	231,182
2. Capital surplus	27,502	27,493	228,864
3. Retained earnings	44,845	35,737	373,183
4. Treasury stock	(222)	(321)	(1,852)
Total shareholders' equity	99,906	90,690	831,378
II. Accumulated other comprehensive income			
1. Net unrealized gains on securities, net of tax	4,020	1,743	33,459
2. Net gains (losses) on deferred hedges, net of tax	559	(18)	4,654
3. Revaluation reserves for land (Note 5-5)	104	104	865
4. Foreign currency translation adjustments	(14,687)	(20,758)	(122,221)
5. Remeasurements of defined benefit plans, net of tax	198	(104)	1,648
Total accumulated other comprehensive income	(9,805)	(19,033)	(81,594)
III. Minority interests in consolidated subsidiaries			
Total net assets	118,731	96,204	988,032
Total liabilities and net assets	459,011	428,459	3,819,682

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

For the years ended March 31, 2015 and 2014

	JPY		USD (Note 3)
	2015	2014	2015
I. Net sales	1,117,096	1,114,539	9,295,967
II. Cost of sales (Note 6-1)	1,025,655	1,028,136	8,535,034
Gross profit	91,441	86,402	760,933
III. Selling, general and administrative expenses (Note 6-2)			
1. Salaries and bonuses	29,424	28,340	244,858
2. Retirement benefit expenses	1,166	1,491	9,708
3. Outsourcing service charges	6,468	6,145	53,828
4. Provision of allowance for doubtful accounts	51	76	426
5. Other	32,203	30,573	267,991
Total	69,315	66,626	576,811
Operating income	22,125	19,776	184,122
IV. Non-operating income			
1. Interest income	414	382	3,446
2. Dividend income	1,118	814	9,305
3. Equity in earnings of affiliates	1,145	739	9,536
4. Foreign exchange gains	1,835	2,389	15,277
5. Other	1,358	935	11,307
Total	5,872	5,260	48,871
V. Non-operating expenses			
1. Interest expenses	2,949	3,255	24,548
2. Other	2,153	1,620	17,922
Total	5,103	4,876	42,470
Ordinary income	22,895	20,160	190,523
VI. Extraordinary gains			
1. Gain on sale of tangible fixed assets (Note 6-3)	70	2,114	588
2. Gain on sale of investments in securities	106	230	888
3. Gain on liquidation of subsidiaries and affiliates	84	—	702
4. Gain on step acquisitions	1,123	—	9,351
5. Gain on bargain purchase	—	46	—
Total	1,385	2,390	11,529
VII. Extraordinary losses			
1. Loss on disposal of fixed assets (Note 6-4)	138	381	1,150
2. Impairment loss on fixed assets (Note 6-5)	580	2,196	4,834
3. Loss on sale of investments in securities	62	34	522
4. Impairment loss on investments in securities	29	55	249
5. Loss on liquidation of subsidiaries and affiliates	—	276	—
6. Provision of allowance for doubtful accounts for subsidiaries and affiliates	174	—	1,448
7. Business structure improvement expenses (Note 6-6)	—	530	—
Total	985	3,476	8,203
Income before income taxes and minority interests	23,294	19,075	193,849
Income taxes – current	5,378	4,500	44,757
Income taxes – deferred	3,547	453	29,519
Total	8,925	4,953	74,275
Income before minority interests	14,369	14,121	119,574
Minority interests in consolidated subsidiaries	2,898	2,321	24,122
Net income	11,470	11,799	95,452

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2015 and 2014

	JPY		USD (Note 3)
	2015	2014	2015
I. Income before minority interests	14,369	14,121	119,574
II. Other comprehensive income			
1. Net unrealized gains on securities, net of tax	2,236	715	18,613
2. Net gains (losses) on deferred hedges, net of tax	569	(293)	4,737
3. Foreign currency translation adjustments	7,092	6,552	59,020
4. Remeasurements of defined benefit plans, net of tax	316	—	2,635
5. Share of other comprehensive income of associates accounted for equity method	124	178	1,034
Total other comprehensive income (Note 7-1)	10,339	7,153	86,039
Comprehensive income	24,708	21,274	205,612
Comprehensive income attributable to the shareholders of the Company	20,698	17,869	172,243
Comprehensive income attributable to minority interests	4,009	3,405	33,369

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2014

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

	JPY												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	27,781	27,493	35,737	(321)	90,690	1,743	(18)	104	(20,758)	(104)	(19,033)	24,547	96,204
Cumulative effects of changes in accounting policies			(681)		(681)							(155)	(837)
Restated balance	27,781	27,493	35,055	(321)	90,008	1,743	(18)	104	(20,758)	(104)	(19,033)	24,391	95,367
Changes during the fiscal year													
Dividends			(1,680)		(1,680)								(1,680)
Net income			11,470		11,470								11,470
Acquisition of treasury stock				(13)	(13)								(13)
Disposition of treasury stock		8		155	164								164
Effect of changes in the shares of equity-method affiliates					—								—
Changes of scope of consolidation				(42)	(42)								(42)
Net changes of items other than shareholders' equity during the fiscal year						2,277	577	(0)	6,071	302	9,228	4,238	13,466
Total changes during the fiscal year	—	8	9,789	99	9,897	2,277	577	(0)	6,071	302	9,228	4,238	23,364
Balance at the end of the fiscal year	27,781	27,502	44,845	(222)	99,906	4,020	559	104	(14,687)	198	(9,805)	28,630	118,731

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

	JPY												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	27,781	27,526	24,567	(357)	79,517	1,048	298	66	(26,411)	—	(24,997)	21,393	75,912
Cumulative effects of changes in accounting policies					—								—
Restated balance	27,781	27,526	24,567	(357)	79,517	1,048	298	66	(26,411)	—	(24,997)	21,393	75,912
Changes during the fiscal year													
Dividends			(630)		(630)								(630)
Net income			11,799		11,799								11,799
Acquisition of treasury stock				(13)	(13)								(13)
Disposition of treasury stock		(32)		49	16								16
Effect of changes in the shares of equity-method affiliates				(0)	(0)								(0)
Changes of scope of consolidation					—								—
Net changes of items other than shareholders' equity during the fiscal year						694	(316)	38	5,652	(104)	5,964	3,153	9,118
Total changes during the fiscal year	—	(32)	11,169	35	11,172	694	(316)	38	5,652	(104)	5,964	3,153	20,291
Balance at the end of the fiscal year	27,781	27,493	35,737	(321)	90,690	1,743	(18)	104	(20,758)	(104)	(19,033)	24,547	96,204

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

	USD (Note 3)												
	Shareholders' equity					Accumulated other comprehensive income						Minority interests in consolidated subsidiaries	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the fiscal year	231,182	228,792	297,388	(2,678)	754,684	14,508	(151)	872	(172,743)	(871)	(158,385)	204,271	800,570
Cumulative effects of changes in accounting policies			(5,672)		(5,672)							(1,295)	(6,967)
Restated balance	231,182	228,792	291,716	(2,678)	749,012	14,508	(151)	872	(172,743)	(871)	(158,385)	202,976	793,603
Changes during the fiscal year													
Dividends			(13,985)		(13,985)								(13,985)
Net income			95,452		95,452								95,452
Acquisition of treasury stock				(111)	(111)								(111)
Disposition of treasury stock		73		1,293	1,366								1,366
Effect of changes in the shares of equity-method affiliates					—								—
Changes of scope of consolidation				(356)	(356)								(356)
Net changes of items other than shareholders' equity during the fiscal year						18,951	4,805	(6)	50,522	2,519	76,791	35,271	112,062
Total changes during the fiscal year	—	73	81,467	827	82,366	18,951	4,805	(6)	50,522	2,519	76,791	35,271	194,428
Balance at the end of the fiscal year	231,182	228,864	373,183	(1,852)	831,378	33,459	4,654	865	(122,221)	1,648	(81,594)	238,247	988,032

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	JPY		USD (Note 3)
	2015	2014	2015
I. Cash flows from operating activities			
Income before income taxes and minority interests	23,294	19,075	193,849
Depreciation and amortization	3,245	3,170	27,005
Increase (decrease) in allowance for doubtful accounts	65	(198)	544
(Decrease) increase in net defined benefit liability	(654)	302	(5,444)
Interest and dividends income	(1,532)	(1,196)	(12,751)
Interest expenses	2,949	3,255	24,548
Equity in gains of affiliates	(1,145)	(739)	(9,536)
Loss (gain) on disposal of fixed assets	67	(1,732)	562
Impairment loss on fixed assets	580	2,196	4,834
Gain on sale of investments in securities, net	(44)	(195)	(366)
Impairment loss on investments in securities	29	55	249
Gain on liquidation of subsidiaries and affiliates	(84)	—	(702)
Loss on liquidation of subsidiaries and affiliates	—	276	—
Gain on step acquisitions	(1,123)	—	(9,351)
Business structure improvement expenses	—	530	—
Decrease (increase) in notes and accounts receivable	6,263	(6,395)	52,122
(Increase) decrease in inventories	(17,072)	2,964	(142,072)
Increase in notes and accounts payable	975	5,617	8,114
Other	1,274	1,409	10,607
Sub total	17,089	28,396	142,212
Interest and dividends received	1,301	1,338	10,832
Interest paid	(2,954)	(3,276)	(24,586)
Payments for business structure improvement expenses	(530)	—	(4,417)
Income taxes paid	(4,790)	(4,074)	(39,861)
Net cash provided by operating activities	10,115	22,384	84,180
II. Cash flows from investing activities			
(Increase) decrease in time deposits, net	(743)	105	(6,191)
Payments for tangible fixed assets	(3,807)	(2,305)	(31,687)
Proceeds from sales of tangible fixed assets	914	3,422	7,608
Payments for intangible fixed assets	(656)	(435)	(5,465)
Payments for investments in securities	(2,053)	(271)	(17,087)
Proceeds from sales of investments in securities	50	551	421
Payments for purchase of investments in subsidiaries	(2,030)	(96)	(16,894)
Proceeds from sales of investments in subsidiaries	—	826	—
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9-2)	(171)	(2,761)	(1,428)
Payments for transfer of business	(87)	—	(728)
Increase in loans receivable	(437)	(69)	(3,638)
Proceeds from collection of loans receivable	629	265	5,238
Other	(509)	(342)	(4,243)
Net cash used in investing activities	(8,903)	(1,111)	(74,094)
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	2,245	(4,237)	18,682
Proceeds from long-term borrowings	38,511	41,548	320,471
Repayments of long-term borrowings	(47,756)	(44,781)	(397,407)
Proceeds on issuance of common stock	—	157	—
Cash dividends paid	(1,675)	(625)	(13,943)
Proceeds from sales of shares of parent held by subsidiaries	355	—	2,960
Other	(1,574)	(1,412)	(13,105)
Net cash used in financing activities	(9,895)	(9,351)	(82,343)
IV. Effect of exchange rate changes on cash and cash equivalents	2,511	1,593	20,903
V. Net (decrease) increase in cash and cash equivalents	(6,171)	13,516	(51,355)
VI. Cash and cash equivalents at beginning of year	73,548	60,032	612,041
VII. Cash and cash equivalents at end of year (Note 9-1)	67,377	73,548	560,686

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the years ended March 31, 2015 and 2014

1. Basis of Preparing Consolidated Financial Statements

(1) The Method of Producing the Consolidated Financial Statements:

The consolidated financial statements of Kanematsu Corporation (the "Company") are prepared in accordance with the "Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No.28, 1976; hereinafter, the "Regulations").

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, and in conformity with

accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

(2) Japanese Yen amount:

Amounts less than one million yen have been omitted, since the Regulations require such amounts to be rounded down for presentation. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances or breakdowns.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation:

(1) Number of consolidated subsidiaries: 89

(Major consolidated subsidiaries)

Kanematsu Electronics
Kanematsu Communications
Kanematsu-NNK
Kanematsu Trading
Kanematsu KGK
Kanematsu Petroleum
Shintoa
Kanematsu USA
Kanematsu (Hong Kong)

In the current fiscal year, Kanematsu-NNK, which was an affiliate under equity-method until the previous fiscal year, and 3 other companies were added to the scope of consolidation due to additional acquisition of shares, North Pet and 5 other companies were added to the scope of consolidation due to new establishment, 1 company was added to the scope of consolidation due to new acquisition of shares, and 4 companies were excluded from the scope of consolidation due to merger or liquidation.

(2) Unconsolidated subsidiaries:

(Major unconsolidated subsidiaries)

KANEMATSU AMERICA DO SUL IMPORTACAO E EXPORTACAO
(Reason for excluding from the scope of consolidation)

The companies are small sized and immaterial to the Company in terms of their total assets, net sales, net income and retained earnings individually and in the aggregate.

(b) Application of Equity Method:

(1) Unconsolidated subsidiaries and affiliated companies to which the equity method is applied:

Number of unconsolidated subsidiaries: 2

(Major unconsolidated subsidiaries)

KANEMATSU AMERICA DO SUL IMPORTACAO E EXPORTACAO

Number of affiliated companies: 26

(Major affiliated companies)

Hokushin
Kaneyo
Kantatsu

In the current fiscal year, 5 companies were added to accounting via the equity method due to new establishment, additional acquisition of shares and new acquisition of shares and 2 companies were excluded from accounting via the equity method due to changing to the scope of consolidation by additional acquisition of shares and sale of shares.

(2) Unconsolidated subsidiaries and affiliated companies to which the equity method is not applied:

(Major unconsolidated subsidiaries)

Kanematsu Iran
Memorex Lease

(Reason for not applying the equity method)

The companies are immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.

(c) Fiscal Year-ends of Consolidated Subsidiaries:

Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date are as follows:

Name of consolidated subsidiary	Year-end date
Kanematsu USA	December 31
25 other companies	

In preparing the consolidated financial statements, the financial statements of 26 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, are used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates are appropriately adjusted for in consolidation.

In the current fiscal year, KG Aircraft Rotables and 2 other companies have changed their fiscal year-end to March 31 from December 31. As a result of this change, the accounting period ended March 31, 2015 for these 3 consolidated subsidiaries spanned 15 months from January 1, 2014.

(d) Short-term Investments and Investments in Securities:

(1) Held-to-maturity bonds:

Debt securities are stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities.

(2) Other securities (Non-trading purpose):

* Marketable Securities

Marketable securities are stated at fair value.

Net unrealized gains or losses on securities recorded in "Net assets" are net of tax amounts. The cost for marketable securities that have been sold is determined using the moving average method.

The fair value is determined primary based on the average of daily market price for one-month prior to the fiscal year-end.

* Non-marketable securities

The non-marketable securities are stated at cost using the moving average method.

(e) Derivatives:

Derivatives are stated at fair value method.

(f) Inventories:

Inventories are stated at cost method principally determined by the moving average method (carried at the lower of cost or market value on the balance sheet).

(g) Property and Equipment:

(1) Tangible fixed assets (excluding lease assets):

The straight-line method is used.

The ranges of principal estimated useful lives are as follows.

Buildings and structures 3 – 50 years

Machinery, equipment, vehicles, tools and fixtures 2 – 20 years

(2) Lease assets:

Depreciation on lease assets is recorded using the straight-line method over the lease term, assuming a residual value of zero.

Finance lease transactions that commenced on or before March 31, 2008 are accounted for as operating leases.

(h) Allowance for Doubtful Accounts:

The Company and its consolidated subsidiaries (The "Companies") provide an allowance for doubtful accounts to cover credit losses, based on estimates of collectability of individual accounts and past bad debt loss experiences.

(i) Provision for Retirement Benefits for Directors and Statutory Auditors:

The Company and certain of its subsidiaries provide a provision for retirement benefits for directors and statutory auditors, which is calculated by estimating the required payable as of the balance sheet date in accordance with the internal rules.

(j) Retirement Benefits:

The Company and certain of its subsidiaries provide for the payment of employee retirement benefits and recognize net defined benefit liability which deducts the value of plan assets from retirement benefit obligations based on projections at the end of the current fiscal year.

In calculating retirement benefit obligation, the benefit formula basis is used to attribute projected benefits to the period up to the end of fiscal year.

Except for certain consolidated subsidiaries which recognize past service costs as expenses upon their occurrence, past service costs are amortized as expenses on a straight-line basis over five years, a predetermined number of years, within the average expected remaining service period of the employees.

Actuarial gains and losses are amortized on a straight-line basis over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within the net asset section as remeasurements of defined benefit plans of accumulated other comprehensive income after adjusting for tax effects.

For certain calculations of defined net benefit liability and retirement benefit expenses, simplified method is applied, which recognizes retirement benefit obligations with the value of benefits payable assuming the voluntary retirement of all employees at the end of the fiscal year.

(k) Translation of Foreign Currencies:

All monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates prevailing at the balance sheet date. Resulting translation gains and losses are included in determination of net income for the period.

The financial statements of overseas subsidiaries are translated at current exchange rates on the closing date except for shareholders' equity which is translated at historical acquisition date exchange rates. Differences in yen amounts arising from this translation are shown as "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries" recorded in "Net assets".

(l) Hedge Accounting:**(1) Hedge accounting method:**

The Company and certain of its consolidated subsidiaries apply hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods. For certain interest rate swaps designated as hedging instruments that meet specific matching criteria, the amounts received or paid under such interest rate swap agreements are added to or deducted from the interest on the hedged assets or liabilities when paid. For certain forward exchange contracts designated as hedging instruments that meet specific matching criteria, the hedged assets or liabilities are measured by contract rate.

(2) Hedging instruments and hedged items:**(Hedging instruments)**

- * Commodity-related: Commodity futures contracts / Commodity forward contracts
- * Foreign exchange-related: Forward exchange contracts / Foreign currency swaps / Foreign currency options
- * Interest rate-related: Interest rate swaps / Interest rate options

(Hedged items)

- * Commodity-related: Forecasted transactions on commodity trading
- * Foreign exchange-related: Foreign currency-denominated monetary assets and liabilities / Forecasted foreign currency transactions
- * Interest-related: Borrowings

(3) Hedging policy:

The Company and certain of its consolidated subsidiaries have internal policies to utilize the above hedging instruments for the purpose of reducing their exposures to the risk of fluctuations in commodity prices, foreign currencies and interest rates for their operating and financing activities.

(4) Method of evaluating the effectiveness of hedging activities:

The Company and certain of its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing accumulated fluctuations in prices or cash flows of the hedged items with those of the hedging instruments and examined the degree of their correlation.

(5) Other:

Risk management is performed by the management division, which is independent of the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.

(m) Amortization of Goodwill and Negative Goodwill:

Goodwill whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise goodwill is amortized over 5 years using the straight-line method.

Negative goodwill which was recognized by business combinations before April 1, 2010 and whose amortization period can be reasonably estimated is amortized over the estimated period.

Otherwise negative goodwill is amortized over 5 years using the straight-line method.

(n) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows:

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand, bank deposits on demand,

and highly liquid short-term investments, generally with original maturities of three months or less, that are readily convertible to cash for which the risk of changes in value is insignificant.

(o) Consumption Taxes:

Consumption tax and local consumption tax on goods and services are not included in the revenue and expense amounts subject to such taxes in the accompanying consolidated statements of income.

(p) Consolidated Tax Return:

The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.

3. United States Dollar Amounts

The U.S. dollar amounts appearing in the consolidated financial statements and the notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥120.17 to U.S.\$1.00, the exchange rate prevailing on March 31, 2015. The translation of such dollar amounts is solely for convenience of the readers

outside Japan and does not imply those yen amounts have been or could be readily converted, realized or settled in dollars at the above, or any other rate.

4. Changes in Accounting Policies

(Application of accounting standard for retirement benefits)

The main clause of Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 released May 17, 2012, hereinafter "Accounting Standard") and the main clause of Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 released March 26, 2015, hereinafter "Guidance") were adopted for the current fiscal year. As a result, the methods used for calculation of the retirement benefit obligation and service costs changed. Specifically, the method used for determining the portion of projected benefit obligation to be attributed to individual periods changed from the straight-line method to the benefit formula basis. In addition, the method for determining the discount rates to be applied in calculating the retirement benefit obligation changed from the method of using a period approximating employees' average remaining years of service to a single weighted-average discount rate that reflects the estimated amounts and periods over which the benefit will be paid.

The Accounting Standard and Guidance were adopted according to the transitional treatment set forth in Article 37 of the Accounting Standard, and the effects of the change in calculation methods of the retirement benefit obligation and service costs were adjusted against retained earnings as at the beginning of the current fiscal year.

As a result, net defined benefit liability increased by ¥797 million (\$6,638 thousand), retained earnings decreased by ¥681 million

(\$5,672 thousand), and minority interests decreased by ¥155 million (\$1,295 thousand). Operating income, ordinary income, and income before income taxes and minority interests increased by ¥85 million (\$710 thousand), respectively.

The effects of the changes on net assets per share, net income per share and diluted net income per share for the current fiscal year are immaterial.

(Change in depreciation method for tangible fixed assets)

Although the Company and certain domestic consolidated subsidiaries had mainly used the declining-balance method as the depreciation method for tangible fixed assets, the companies changed to use the straight-line method from the beginning of the current fiscal year.

As a result of domestic and foreign business acquisitions made by the group, the portion of companies using the straight-line method became material to the group. Based on the Company's detailed analysis of the use of their tangible fixed assets, the economic benefits associated with these assets are expected to be consumed evenly over their useful lives and therefore the Company changed the depreciation method to the straight-line method.

This change has no material impact on income for the current fiscal year.

5. Notes to Consolidated Balance Sheets

*1. Details of inventories are as follows:

	JPY		USD
	2015	2014	2015
Merchandise and finished goods	84,240	63,693	701,007
Real estate for sale	61	61	508
Raw materials and supplies	2,125	1,824	17,688
Work in progress	828	677	6,892

*2. The amount of accumulated depreciation of tangible fixed assets

	JPY		USD
	2015	2014	2015
	30,443	28,305	253,334

*3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY		USD
	2015	2014	2015
Cash and bank deposits	3	6	25
Notes and accounts receivable	303	229	2,524
Buildings and structures	383	381	3,192
Land	525	525	4,377
Total	1,215	1,143	10,118

Details of associated secured obligations are as follows:

	JPY		USD
	2015	2014	2015
Short-term borrowings	1,150	750	9,570
Long-term borrowings	—	500	—
Guaranteed obligations	1	3	13

In addition to the foregoing pledged assets, the following items are tendered as security deposit or substitution for trading.

	JPY		USD
	2015	2014	2015
Cash and bank deposits	3	3	25
Short-term investments	—	15	—
Investments in securities	3,140	2,134	26,136
Total	3,143	2,152	26,161

*4. Investments in securities for unconsolidated subsidiaries and affiliated companies are as follows:

	JPY		USD
	2015	2014	2015
Investments in securities	6,540	5,758	54,430
(Share stocks)	(4,971)	(5,306)	(41,368)
(Equity investments)	(569)	(452)	(4,740)
(Corporate bonds)	(1,000)	(—)	(8,322)

6. Notes to Consolidated Statements of Income

*1. Loss on devaluation of inventories

Inventories are carried at the lower of cost or market value in the balance sheet. A loss (reversal) on devaluation of inventories is included in cost of sales.

JPY		USD
2015	2014	2015
252	(311)	2,104

*2. The amount of research and development expenses

JPY		USD
2015	2014	2015
614	577	5,117

*5. Revaluation reserves for land

KANEYO Co., Ltd., an equity-method affiliate of the Company, revalued land held for business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (Law No. 24 enacted on March 31, 1999 and Law No. 19 enacted on March 31, 2001). This equity-method affiliate recorded unrealized gains on revaluation, net of tax, as valuation and translation adjustment under the Laws. The Company's investments in this affiliate increased by an amount equal to the unrealized gains on revaluation of land.

6. Liability for guarantees

Guarantees are provided to unconsolidated subsidiaries on their borrowings from third-party financial institutions.

	JPY		USD
	2015	2014	2015
Century Textile Industry	1,082	795	9,010
Growth D	470	191	3,919
Mojiko Silo	212	231	1,770
Other	950	1,061	7,908
Total	2,716	2,279	22,607

Keep-well or agreements similar to guarantees are included in the above accounts.

7. The amount of discounted notes receivable and endorsed notes receivable

	JPY		USD
	2015	2014	2015
Discounted notes receivable	3,229	2,155	26,875
(Discounted export bills)	3,063	1,909	25,490
Endorsed notes receivable	128	108	1,072

*3. Gain on sale of tangible fixed assets

Details of gain on sale of tangible fixed assets are as follows:

	JPY		USD
	2015	2014	2015
Machinery, equipment, vehicles, tools and fixtures	62	12	519
Land	7	1,799	59
Leased properties	0	273	8
Other	0	28	3
Total	70	2,114	588

*4. Loss on disposal of fixed assets

Details of loss on disposal of fixed assets are as follows:

	JPY		USD
	2015	2014	2015
Buildings and structures	45	146	375
Machinery, equipment, vehicles, tools and fixtures	42	212	355
Intangible fixed assets	45	14	380
Other	4	8	40
Total	138	381	1,150

*5. Impairment loss on fixed assets

The Company recorded impairment loss on fixed assets, which are summarized in the following table.

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Use	Location	Type	JPY	USD
Business assets	Shizuoka, Japan, others	Land	387	3,225
Business assets	Tokyo, Japan, others	Buildings, etc.	193	1,608
Total			580	4,834

The Company assesses impairment losses on business assets by grouping the assets for each business operating unit, on the managerial accounting basis.

For the business assets with lower profitability, impairment losses of ¥580 million (\$4,834 thousand) were recorded as an extraordinary loss by reducing their carrying amounts to their recoverable amounts. Out of ¥580 million (\$4,834 thousand) of the impairment losses, ¥48 million (\$407 thousand) was for buildings and structures, ¥6 million (\$56 thousand) was for machinery, equipment, vehicles, tools and fixtures, ¥387 million (\$3,225 thousand) was for land and ¥137 million (\$1,146 thousand) was for others.

The recoverable amount is the net selling value. The net selling value is estimated mainly based on the real estate appraisal, or as zero for assets which the Company does not expect to sell.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Use	Location	Type	JPY
Business assets	Chiba, Japan, others	Land, etc.	2,016
Idle assets	Hyogo, Japan	Land	180
Total			2,196

The Company assesses impairment losses on business assets by grouping the assets for each business operating unit, on the managerial accounting basis. For idle assets, impairment is assessed individually.

For the business assets with lower profitability and idle assets which the Company has no plan to use in the future, impairment losses of ¥2,196 million were recorded as an extraordinary loss by reducing their carrying amounts to their recoverable amounts. Out of ¥2,196 million of the impairment losses, ¥11 million was for buildings and structures, ¥2 million was for machinery, equipment, vehicles, tools and fixtures, ¥2,066 million was for land and ¥116 million was for others.

The recoverable amount is the net selling value. The net selling value is estimated mainly based on the real estate appraisal.

*6. Business structure improvement expenses

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Business structure improvement expenses occurred in a consolidated subsidiary. Details of the expenses are as follows:

	JPY
Termination benefits for voluntary retirements	491
Other	39
Total	530

7. Notes to Consolidated Statements of Comprehensive Income

*1. Reclassification adjustments and deferred tax related to other comprehensive income

	JPY		USD
	2015	2014	2015
Net unrealized gains (losses) on securities, net of tax			
Net unrealized gains (losses) during the year	3,173	1,215	26,410
Reclassification adjustments	12	(101)	107
Total before deferred tax	3,186	1,113	26,517
Deferred tax	(949)	(398)	(7,905)
Total net unrealized gains (losses) on securities, net of tax	2,236	715	18,613
Net gains (losses) on deferred hedges, net of tax			
Net unrealized gains (losses) during the year	1,181	414	9,834
Reclassification adjustments	(325)	(905)	(2,706)
Total before deferred tax	856	(491)	7,127
Deferred tax	(287)	198	(2,391)
Total net gains (losses) on deferred hedges, net of tax	569	(293)	4,737
Foreign currency translation adjustments			
Translation adjustments during the year	7,224	6,552	60,120
Reclassification adjustments	(132)	—	(1,100)
Total foreign currency translation adjustments	7,092	6,552	59,020
Remeasurements of defined benefit plans, net of tax			
Remeasurements during the year	312	—	2,601
Reclassification adjustments	(14)	—	(123)
Total before deferred tax	297	—	2,478
Deferred tax	18	—	157
Total remeasurements of defined benefit plans, net of tax	316	—	2,635
Share of other comprehensive income of investments accounted for using the equity method			
Net unrealized gains (losses) during the year	122	276	1,017
Reclassification adjustments	2	(97)	17
Total share of other comprehensive income of investments accounted for using the equity method	124	178	1,034
Total	10,339	7,153	86,039

8. Notes to Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Class and number of shares issued and treasury stock:

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase in shares during the fiscal year (thousand shares)	Decrease in shares during the fiscal year (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	2,323	451	1,112	1,663
Total	2,323	451	1,112	1,663

(Notes) 1. The breakdown of the increase of 451 thousand common shares during the term is as follows:

Increase as a result of fractional share repurchases: 75 thousand shares

The Company's portion of treasury stock (the Company's stock) increased due to changes of scope of consolidation that attributes to the Company: 375 thousand shares

2. The breakdown of the decrease of 1,112 thousand common shares during the term is as follows:

Decrease as a result of the disposition of fractional shares: 5 thousand shares

The Company's portion of treasury stock (the Company's stock) disposed by consolidated subsidiary and company applied equity method that attributes to the Company: 1,106 thousand shares

2. Dividends

(1) Amount of dividend payments

Resolution	Type of shares	Total amount of dividends		Dividends per share		Record date	Effective date
		JPY (Millions of yen)	USD (Thousands of U.S. dollars)	JPY (Yen)	USD (U.S. dollar)		
Board of directors meeting on May 26, 2014	Common shares	632	5,260	1.50	0.012	March 31, 2014	June 5, 2014
Board of directors meeting on October 31, 2014	Common shares	1,053	8,766	2.50	0.021	September 30, 2014	December 2, 2014

(Note) The dividend of 2.50 yen per share in the resolution of board of directors meeting on October 31, 2014 includes a commemorative dividend of 1 yen per share for the Company's 125th anniversary.

(2) Dividends whose record date is in the current fiscal year but effective date is in the following fiscal year

Resolution	Type of shares	Total amount of dividends		Source of dividends	Dividends per share		Record date	Effective date
		JPY (Millions of yen)	USD (Thousands of U.S. dollars)		JPY (Yen)	USD (U.S. dollar)		
Board of directors meeting on May 25, 2015	Common shares	632	5,259	Retained earnings	1.50	0.012	March 31, 2015	June 4, 2015

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Class and number of shares issued and treasury stock:

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase in shares during the fiscal year (thousand shares)	Decrease in shares during the fiscal year (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	2,539	92	308	2,323
Total	2,539	92	308	2,323

(Notes) 1. The breakdown of the increase of 92 thousand common shares during the term is as follows:

Increase as a result of fractional share repurchases: 92 thousand shares

The Company's portion of treasury stock (the Company's stock) increased due to changes in the shares of companies applied equity method that attributes to the Company: 0 thousand shares

2. The breakdown of the decrease of 308 thousand common shares during the term is as follows:

Decrease as a result of the disposition of fractional shares: 5 thousand shares

The Company's portion of treasury stock (the Company's stock) disposed by a company applied equity method that attributes to the Company: 302 thousand shares

2. Dividends

(1) Amount of dividend payments

Resolution	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
		JPY (Millions of yen)	JPY (Yen)		
Board of directors meeting on November 1, 2013	Common shares	632	1.50	September 30, 2013	December 3, 2013

(2) Dividends whose record date is in the current fiscal year but effective date is in the following fiscal year

Resolution	Type of shares	Total amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
		JPY (Millions of yen)		JPY (Yen)		
Board of directors meeting on May 26, 2014	Common shares	632	Retained earnings	1.50	March 31, 2014	June 5, 2014

9. Notes to Consolidated Statements of Cash Flows

*1. Cash and cash equivalents consist of the following:

	JPY		USD
	2015	2014	2015
Cash and bank deposits	68,468	73,867	569,762
Time deposits which deposit terms exceed three months	(1,090)	(318)	(9,077)
Cash and cash equivalents	67,377	73,548	580,686

*2. Details of assets and liabilities of subsidiary newly consolidated by acquisition of shares

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Relations between details of assets and liabilities of Kanematsu-NNK, which is a newly consolidated subsidiary by additional acquisition of shares, and acquisition cost, and payments for purchase are as follows:

	JPY	USD
Current assets	4,891	40,703
Long-term assets	3,260	27,130
Goodwill	1,644	13,683
Current liabilities	(2,427)	(20,199)
Non-current liabilities	(511)	(4,256)
Minority interests in consolidated subsidiaries	(2,554)	(21,256)
Subtotal	4,302	35,806
Acquisition cost before obtaining control	(1,537)	(12,795)
Gain on step acquisitions	(1,123)	(9,351)
Additional acquisition cost	1,641	13,661
Cash and cash equivalents	(1,469)	(12,232)
Net: Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	171	1,428

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Relations between details of assets and liabilities of BD Holdings (Presently Kanematsu BD Communications), which is a newly consolidated subsidiary by acquisition of shares, and acquisition cost, and payments for purchase are as follows:

	JPY
Current assets	592
Long-term assets	3,503
Goodwill	817
Current liabilities	(575)
Non-current liabilities	(1,338)
Acquisition cost	3,000
Cash and cash equivalents	(238)
Net: Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	2,761

10. Lease Transactions

<Leases as lessee>

1. Finance leases

Finance lease transactions that do not transfer ownership of the leased property

[1] Detail of lease assets

Tangible fixed assets

Mainly, computer and computer-related devices for the core critical system (Tools and fixtures).

[2] Depreciation method of lease assets

Described in Note 2. Summary of Significant Accounting Policies, (g) Property and Equipment.

The finance lease transactions commenced on or before March 31, 2008 which are accounted for as operating leases, are as follows:

(1) Acquisition cost, accumulated depreciation and balance at the end of the fiscal year of leased properties

	2015					
	Acquisition cost		Accumulated depreciation		Balance at the end of the fiscal year	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicles, tools and fixtures	253	2,107	202	1,684	50	423

	2014		
	Acquisition cost		Balance at the end of the fiscal year
	JPY	JPY	JPY
Machinery, equipment, vehicles, tools and fixtures	303	229	73

(2) Future minimum lease payments outstanding at the balance sheet date, etc.

Future minimum lease payments outstanding at the balance sheet date

	2015		2014
	JPY	USD	JPY
Due within one year	22	189	27
Due after one year	65	543	87
Total	87	731	115

(3) Payments to lessors, depreciation and interest expenses

	2015		2014
	JPY	USD	JPY
Payments to lessors	23	193	32
Depreciation	22	191	32
Interest expenses	3	30	4

(4) Computation of depreciation

Depreciation is computed using the straight-line method over the lease term assuming a residual value of zero.

(5) Computation of interest expenses

The excess amount of the sum of minimum lease payment over the acquisition cost is regarded as accumulated interest expenses, and is allocated to each period based on the interest method.

(Impairment loss)

No impairment loss is recorded nor allocated to leased assets.

2. Operating leases

Future lease payments outstanding at the balance sheet date

	2015		2014
	JPY	USD	JPY
Due within one year	10	91	13
Due after one year	31	259	39
Total	42	351	53

<Leases as lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	2015		2014
	JPY	USD	JPY
Lease payments receivables	251	2,096	577
Interest income	(4)	(37)	(11)
Lease investment assets	247	2,059	566

[2] Future lease receivables and lease investment assets outstanding at the balance sheet date

Current assets

	2015											
	Due within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Lease receivables	1	14	1	14	1	14	1	14	1	14	4	38
Lease investment assets	190	1,588	43	362	4	37	4	36	4	36	4	36

	2014											
	Due within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Lease receivables	2		2		2		2		2		6	
Lease investment assets	328		189		42		4		4		8	

11. Financial Instruments

1. Summary of financial instruments

(1) Policies of financial instruments:

The Companies design cash-flow plans to carry out operations, which are buying and selling of merchandise, investment and lending. The Companies' fund raising activities are mainly borrowings from banks and insurance companies. The Companies manage temporary surplus funds by funding highly secured financial assets and also use derivative transactions for minimizing financial risks.

(2) Nature and risks of financial instruments:

Notes and accounts receivable are exposed to credit risks of customers. In addition, receivables denominated in foreign currency are also exposed to risk of exchange rate fluctuation due to the global business operations.

The Companies have investments in securities in order to maintain relationships with their customers and suppliers. Short-term investments and investments in securities are exposed to price

risks. The Companies also issue loans to certain customers and suppliers.

Maturity dates of notes and accounts payable and import bills payable are mainly within one year. Foreign currency liabilities are exposed to risk of exchange rate fluctuation.

The longest maturity date of borrowings from banks and insurance companies is within seven years from the fiscal year-end. Certain borrowings are exposed to interest rate risk. The Companies utilize derivative transactions such as foreign exchange contracts to avert currency risk, interest rate swaps to avert interest rate risk, commodity future contracts to avert commodity price risk.

Hedging instruments, hedged items, hedging policy and method of evaluating the effectiveness of hedging activities are described in Note 2. Summary of Significant Accounting Policies, (I) Hedge Accounting.

(3) Financial risk management policies:**[1] Credit risk management**

The Company employs its own credit scoring model based on customers' financial statements and other information. The Company determines the credit limit for customers based on their credit scoring and control credit risk by managing customer's balances against these limits. To reduce credit risks, the Company regularly monitors the collectability of and age of receivables to take preservation measures.

Since derivative transactions are executed with highly rated banks, the Company reviews the limit of volume of derivative transactions according to the internal rule.

[2] Market risk management

The Companies utilize foreign exchange contracts for foreign currency assets and liabilities or forecasted foreign currency transactions to avert currency risk. The Companies also utilize interest rate swaps to avert interest rate risk.

For short-term investments and investments in securities, the Companies periodically examine fair values and the financial conditions of the issuers and regularly revise the portfolio.

With respect to derivative transactions, each business division undertakes transactions in accordance with internal rules determined in the management meeting at the beginning of the fiscal year based on rule and operating policy for authorization of transaction and limitation. Derivative transactions are recorded and the balances are managed by the Finance Department, Accounting Department and Business Accounting Department and actual results of transactions are reported monthly to management.

Certain of the Company's consolidated subsidiaries utilize derivative transactions in accordance with their own internal rules, which are prepared based on the Company's risk management policies.

[3] Liquidity risk management

The Finance Department performs cash management and maintains the level of cash and bank deposits balance by preparing and revising cash-flow-plan to suit current financial situation.

(4) Additional information on fair value measurements:

Fair value measurements are based on market prices or on rational assumptions when market prices are not available. The fair values which are measured based on rational assumptions are affected by variable factors and might be changed when different assumption is applied. The notional amount of contracts described in Note 13. Derivatives do not directly indicate the market risks.

2. Fair value of financial instruments

A summary of book value and fair value of financial instruments, and difference between them is disclosed in the following table. The financial instruments for which the Company had difficulty in estimating fair value are not included in the following table (See Note 2).

In this table below,

- Amounts in parentheses represent liabilities.
- Notes and accounts receivable, long-term loans receivable and doubtful accounts are offset by each allowance for doubtful accounts.
- Derivative assets and liabilities are disclosed on a net basis.

Fiscal year ended March 31, 2015

	Book value		Fair value		Difference	
	JPY	USD	JPY	USD	JPY	USD
(1) Cash and bank deposits	68,468	569,762	68,468	569,762	—	—
(2) Notes and accounts receivable	180,319	1,500,533				
Allowance for doubtful accounts	(158)	(1,321)				
	180,160	1,499,212	180,160	1,499,212	—	—
(3) Short-term investments	3	33	3	33	(0)	(0)
(4) Short-term loans receivable	297	2,472	297	2,472	—	—
(5) Investments in securities	15,650	130,239	16,071	133,742	420	3,503
(6) Long-term loans receivable	2,134	17,765				
Allowance for doubtful accounts	(1,733)	(14,429)				
	400	3,336	400	3,336	—	—
(7) Doubtful accounts	765	6,373				
Allowance for doubtful accounts	(751)	(6,256)				
	14	117	14	117	—	—
Total assets	264,995	2,205,171	265,416	2,208,673	420	3,503
(8) Notes and accounts payable	(116,567)	(970,019)	(116,567)	(970,019)	—	—
(9) Import bills payable	(32,530)	(270,705)	(32,530)	(270,705)	—	—
(10) Short-term borrowings	(61,688)	(513,344)	(61,688)	(513,344)	—	—
(11) Accrued income taxes	(2,492)	(20,742)	(2,492)	(20,742)	—	—
(12) Long-term borrowings	(74,426)	(619,344)	(74,636)	(621,095)	(210)	(1,750)
Total liabilities	(287,705)	(2,394,154)	(287,915)	(2,395,904)	(210)	(1,750)
Derivatives	2,407	20,035	2,407	20,035	—	—

Fiscal year ended March 31, 2014

	Book value	Fair value	Difference
	JPY	JPY	JPY
(1) Cash and bank deposits	73,867	73,867	—
(2) Notes and accounts receivable	178,984		
Allowance for doubtful accounts	(149)		
	178,835	178,835	—
(3) Short-term investments	16	16	(0)
(4) Short-term loans receivable	825	825	—
(5) Investments in securities	11,777	12,682	904
(6) Long-term loans receivable	1,798		
Allowance for doubtful accounts	(1,653)		
	144	144	—
(7) Doubtful accounts	902		
Allowance for doubtful accounts	(878)		
	24	24	—
Total assets	265,490	266,395	904
(8) Notes and accounts payable	(115,210)	(115,210)	—
(9) Import bills payable	(27,610)	(27,610)	—
(10) Short-term borrowings	(80,792)	(80,792)	—
(11) Accrued income taxes	(1,951)	(1,951)	—
(12) Long-term borrowings	(61,113)	(61,222)	(108)
Total liabilities	(286,678)	(286,787)	(108)
Derivatives	497	497	—

(Notes)

1. Fair value measurements of financial instruments and investment securities and derivative transaction

Assets

(1) Cash and bank deposits, (2) Notes and accounts receivable and (4) Short-term loans receivable

The carrying amounts are used as the fair values since these instruments are short-term maturities and the fair values approximate their carrying amount.

(3) Short-term investments and (5) Investments in securities

Fair value of marketable shares is estimated using quoted market price. Fair value of bonds is estimated using quoted market price or quoted price by financial institutions. Further information about investments in securities is described in Note 12. Short-term Investments and Investments in Securities.

(6) Long-term loans receivable

Fair value of long-term loans receivable with variable interest rates is thought to approximate the carrying amount and is thus stated at that carrying amount. Fair value of long term loans corresponding to doubtful accounts is stated at the balances after deducting an allowance for doubtful accounts. Because the Companies provide an allowance for doubtful accounts based on estimates of collectability, fair value approximates the balances after deducting an allowance for doubtful accounts.

(7) Doubtful accounts

Fair value of net doubtful accounts (offsetting doubtful accounts against allowance) approximates the carrying amount because the Companies provide an allowance for doubtful accounts based on estimates of collectability by utilizing securities, guarantees and insurance or discounted cash flow analysis.

Liabilities

(8) Notes and accounts payable, (9) Import bills payable, (10) Short-term borrowings and (11) Accrued income taxes

Fair value of these instruments approximates the book value because of their short-term maturities.

(12) Long-term borrowings

Fair value of long-term borrowings is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity. Hedge accounting is applied to certain long-term borrowings with variable interest rates. The amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged long-term borrowings when paid. Fair value of long-term borrowings in which these interest rate swaps are embedded is also estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity.

Derivatives

Described in Note 13. Derivatives.

2. Financial instruments with difficulty in estimating fair value

Classification	2015		2014
	Book value		Book value
	JPY	USD	JPY
Unlisted investments in securities	20,560	171,093	18,454
Equity investments	2,161	17,985	1,965

The above financial instruments are not included in "(5) Investments in securities" because it is not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

3. Maturity schedule of monetary assets and investments in securities having maturity

Fiscal year ended March 31, 2015

	Within one year		Over one year and within five years		Over five years and within ten years		Over ten years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and bank deposits	68,468	569,762	—	—	—	—	—	—
Notes and accounts receivable (Note 3-1)	180,160	1,499,212	—	—	—	—	—	—
Short-term investments								
Held-to-maturity bonds	3	33	—	—	—	—	—	—
Short-term loans receivable	297	2,472	—	—	—	—	—	—
Investments in securities								
Held-to-maturity bonds	—	—	14	124	—	—	—	—
Other Securities	—	—	1,000	8,322	—	—	—	—
Long-term loans receivable (Note 3-2)	—	—	71	592	23	199	305	2,546
Doubtful accounts (Note 3-3)	—	—	14	117	—	—	—	—
Total	248,929	2,071,479	1,100	9,154	23	199	305	2,546

(Notes) 3-1. Allowance for doubtful accounts of ¥158 million (\$1,321 thousand) is not included in notes and accounts receivable.

3-2. Allowance for doubtful accounts of ¥1,733 million (\$14,429 thousand) is not included in long-term loans receivable.

3-3. Allowance for doubtful accounts of ¥751 million (\$6,256 thousand) is not included in doubtful accounts.

Fiscal year ended March 31, 2014

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	JPY	JPY	JPY	JPY
Cash and bank deposits	73,867	—	—	—
Notes and accounts receivable (Note 3-1)	178,835	—	—	—
Short-term investments				
Held-to-maturity bonds	16	—	—	—
Short-term loans receivable	825	—	—	—
Investments in securities				
Held-to-maturity bonds	—	14	—	—
Long-term loans receivable (Note 3-2)	—	106	38	—
Doubtful accounts (Note 3-3)	—	24	—	—
Total	253,544	145	38	—

(Notes) 3-1. Allowance for doubtful accounts of ¥149 million is not included in notes and accounts receivable.

3-2. Allowance for doubtful accounts of ¥1,653 million is not included in long-term loans receivable.

3-3. Allowance for doubtful accounts of ¥878 million is not included in doubtful accounts.

4. Borrowings repayment schedule

Fiscal year ended March 31, 2015

	Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Short-term borrowings	61,688	513,344	—	—	—	—	—	—	—	—	—	—
Long-term borrowings	—	—	27,277	226,989	21,899	182,235	4,580	38,120	11,253	93,645	9,416	78,356
Total	61,688	513,344	27,277	226,989	21,899	182,235	4,580	38,120	11,253	93,645	9,416	78,356

Fiscal year ended March 31, 2014

	Within one year		Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
	JPY	USD	JPY	JPY	JPY	JPY	JPY
Short-term borrowings	80,792	—	—	—	—	—	—
Long-term borrowings	—	—	20,922	25,137	6,864	4,007	4,182
Total	80,792	—	20,922	25,137	6,864	4,007	4,182

12. Short-term Investments and Investments in Securities

1. "Held to maturity debt securities" with fair value

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

	Category	Balance sheet amount		Fair value		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value exceeding their book value	Government bonds	14	124	14	124	0	0
Securities with market value not exceeding their book value	Government bonds	3	33	3	33	(0)	(0)
Total		18	157	18	157	0	0

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	Category	Balance sheet amount	Fair value	Difference
		JPY	JPY	JPY
Securities with market value not exceeding their book value	Government bonds	31	31	(0)

2. "Other securities" with fair value

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

	Category	Balance sheet amount		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	(1) Equity securities	13,262	110,361	7,379	61,408	5,882	48,953
	(2) Corporate bonds	—	—	—	—	—	—
	Subtotal	13,262	110,361	7,379	61,408	5,882	48,953
Securities with book value not exceeding their acquisition cost	(1) Equity securities	79	660	108	900	(28)	(240)
	(2) Corporate bonds	1,000	8,322	1,000	8,322	—	—
	Subtotal	1,079	8,981	1,108	9,221	(28)	(240)
Total		14,341	119,342	8,487	70,629	5,853	48,713

(Note) Unlisted investments in securities (book value of ¥16,883 million (\$140,497 thousand)) and equity investments (book value of ¥1,591 million (\$13,245 thousand)) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	Category	Balance sheet amount		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	Equity securities	8,729		5,941		2,788	
Securities with book value not exceeding their acquisition cost	Equity securities	290		336		(46)	
Total		9,020		6,278		2,741	

(Note) Unlisted investments in securities (book value of ¥15,890 million) and equity investments (book value of ¥1,513 million) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

3. Sold "Other securities"

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	20	172	10	86	0	(0)

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	580		230		12	

4. Securities on which impairment loss was recognized

The total impairment loss amount recognized of investments in securities is ¥29 million (\$249 thousand) in the current fiscal year (from April 1, 2014 to March 31, 2015), and ¥55 million in the previous fiscal year (from April 1, 2013 to March 31, 2014).

For recognition of impairment loss, securities which fair value declines 50% or more against their carrying book value are subject to devaluation. For securities that decline 30% or more in fair value, devaluation losses are recognized after considering likelihood of future price recovery or financial position. For those determinations, fair value is primarily based on average of daily market price for one-month before the balance sheet date.

13. Derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies:

Fiscal year ended March 31, 2015

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Foreign exchange contracts								
	Selling								
	U.S. dollar (USD)	6,335	52,725	—	—	(119)	(990)	(119)	(990)
	Euro (EUR)	333	2,773	—	—	6	50	6	50
	Australian dollar (AUD)	133	1,110	—	—	4	33	4	33
	Other currencies	126	1,056	—	—	(10)	(90)	(10)	(90)
	Subtotal	6,929	57,665	—	—	(119)	(996)	(119)	(996)
	Buying								
	U.S. dollar (USD)	28,446	236,715	—	—	1,550	12,902	1,550	12,902
	Euro (EUR)	462	3,848	—	—	(12)	(104)	(12)	(104)
Pound sterling (GBP)	2	24	—	—	0	0	0	0	
Other currencies	109	912	—	—	0	2	0	2	
Subtotal	29,021	241,500	—	—	1,538	12,801	1,538	12,801	
Total	—	—	—	—	—	—	1,418	11,805	

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Foreign exchange contracts								
	Selling								
	U.S. dollar (USD)	10,240		—		51		51	
	Euro (EUR)	497		—		(4)		(4)	
	Australian dollar (AUD)	116		—		(1)		(1)	
	Other currencies	79		—		4		4	
	Subtotal	10,933		—		49		49	
	Buying								
	U.S. dollar (USD)	28,127		—		505		505	
	Euro (EUR)	190		—		9		9	
	Australian dollar (AUD)	36		—		0		0	
	Pound sterling (GBP)	6		—		0		0	
	Other currencies	105		—		(4)		(4)	
	Subtotal	28,465		—		511		511	
Currency option contracts									
Selling									
Call									
U.S. dollar (USD)	14		—		0		0		
Subtotal	14		—		0		0		
Buying									
Put									
U.S. dollar (USD)	14		—		(0)		(0)		
Subtotal	14		—		(0)		(0)		
Total								560	

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

(2) Interest rate:

Fiscal year ended March 31, 2015

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Interest rate swap contracts								
	Pay-fixed, receive-variable interest rate swap	2,000	16,643	—	—	(9)	(79)	(9)	(79)
	Total	2,000	16,643	—	—	(9)	(79)	(9)	(79)

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Interest rate swap contracts								
	Pay-fixed, receive-variable interest rate swap	15,000		13,000		(375)		(375)	
	Total	15,000		13,000		(375)		(375)	

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

(3) Commodities:

Fiscal year ended March 31, 2015

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Market transactions	Commodity future contracts								
	Foods & Foodstuff								
	Selling	1,611	13,409	12	101	54	451	54	451
	Buying	1,947	16,207	49	412	(39)	(330)	(39)	(330)
	Energy								
	Selling	1,860	15,481	—	—	91	764	91	764
Buying	1,051	8,750	—	—	(16)	(136)	(16)	(136)	
	Total	—	—	—	—	—	—	89	749

(Note) Basis of fair value calculation

Fair value is calculated based on market closing price at end of the fiscal year.

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Market transactions	Commodity future contracts				
	Foods & Foodstuff				
	Selling	5,364	11	(175)	(175)
	Buying	3,989	—	147	147
	Energy				
	Selling	643	—	(4)	(4)
Buying	739	—	3	3	
	Total	—	—	—	(29)

(Note) Basis of fair value calculation

Fair value is calculated based on market closing price at end of the fiscal year.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies:

Fiscal year ended March 31, 2015

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge Accounting	Foreign exchange contracts							
	Selling							
	U.S. dollar (USD)	Forecasted foreign currency transactions	2,012	16,749	—	—	(198)	(1,650)
	Euro (EUR)		332	2,770	—	—	24	206
	Pound sterling (GBP)		22	189	—	—	0	0
	Australian dollar (AUD)		12	104	—	—	(0)	(2)
	Other currencies		150	1,255	—	—	(8)	(73)
	Subtotal		2,531	21,068	—	—	(182)	(1,519)
	Buying							
	U.S. dollar (USD)	Forecasted foreign currency transactions	26,661	221,866	901	7,501	1,195	9,945
	Australian dollar (AUD)		1,093	9,102	—	—	(32)	(267)
Euro (EUR)		811	6,750	—	—	(30)	(257)	
Pound sterling (GBP)		35	298	—	—	(0)	(3)	
Canadian dollar (CAD)		28	240	—	—	(0)	(3)	
Other currencies		348	2,897	—	—	(2)	(21)	
Subtotal		28,979	241,152	901	7,501	1,128	9,394	
Specific matching criteria	Selling							
	U.S. dollar (USD)	Accounts receivable	331	2,759	—	—	—	—
	Euro (EUR)		137	1,146	—	—	—	—
	Other currencies		17	146	—	—	—	—
	Subtotal		486	4,050	—	—	—	—
	Buying							
	Euro (EUR)	Accounts payable	83	697	—	—	—	—
U.S. dollar (USD)		44	368	—	—	—	—	
Pound sterling (GBP)		1	9	—	—	—	—	
Other currencies		308	2,565	—	—	—	—	
Subtotal		437	3,639	—	—	—	—	

(Note) Basis of fair value calculation

Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge Accounting	Foreign exchange contracts	Forecasted foreign currency transactions						
	Selling							
	U.S. dollar (USD)		3,441		9		(29)	
	Euro (EUR)		509		—		(7)	
	Pound sterling (GBP)		60		—		(0)	
	Australian dollar (AUD)		44		—		(1)	
	Other currencies	149		—		(4)		
	Subtotal		4,205		9		(45)	
	Buying	Forecasted foreign currency transactions						
	U.S. dollar (USD)		21,484		1,468		239	
Euro (EUR)	927			—		128		
Australian dollar (AUD)	323			—		24		
Canadian dollar (CAD)	28			—		(0)		
Pound sterling (GBP)	3			—		0		
Other currencies	432		—		1			
Subtotal		23,199		1,468		393		
Specific matching criteria	Selling	Accounts receivable						
	U.S. dollar (USD)		129		—		—	
	Euro (EUR)		3		—		—	
	Other currencies	44		—		—		
	Subtotal		176		—		—	
	Buying	Accounts payable						
	U.S. dollar (USD)		65		—		—	
Euro (EUR)	33			—		—		
Other currencies	19		—		—			
Subtotal		117		—		—		

(Note) Basis of fair value calculation

Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

(2) Interest rate:

Fiscal year ended March 31, 2015

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Specific matching criteria	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	26,454	220,145	24,276	202,014	—	—

(Note) Basis of fair value calculation

For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Specific matching criteria	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	28,531		9,778		—	

(Note) Basis of fair value calculation

For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

(3) Commodities:

Fiscal year ended March 31, 2015

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Commodity future contracts	Forecasted transactions on commodity trading						
	Foods & Foodstuff							
	Selling		169	1,409	—	—	16	140
	Buying		223	1,857	—	—	(54)	(455)

(Note) Basis of fair value calculation

Fair value is calculated based on market closing price at end of the fiscal year.

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Commodity future contracts	Forecasted transactions on commodity trading						
	Foods & Foodstuff							
	Selling		618		—		(66)	
	Buying		327		—		59	

(Note) Basis of fair value calculation

Fair value is calculated based on market closing price at end of the fiscal year.

14. Retirement Benefits

1. Summary of pension plans

The Company and certain of its consolidated subsidiaries have established defined-benefit employees' pension plans, retirement lump sum plans, and other pension plans. Certain consolidated subsidiaries have defined contribution pension plans. In addition, some additional retirements benefits are paid under certain conditions when employees retire.

Simplified method is applied to certain defined-benefit employees' pension plans and retirement lump sum plans in order to calculate net defined benefit liability and retirement benefit expenses.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	JPY		USD
	2015	2014	2015
Beginning balance of retirement benefit obligations	14,811	14,013	123,252
Cumulative effects of changes in accounting policies	797	—	6,638
Restated balance	15,608	14,013	129,890
Service cost	920	851	7,661
Interest cost	143	242	1,196
Actuarial gains and losses	(16)	409	(137)
Benefit payments	(1,466)	(759)	(12,205)
Transfers regarding a change in calculation from simplified method to principle method	272	—	2,265
Other	65	54	542
Ending balance of retirement benefit obligations	15,527	14,811	129,212

(2) Reconciliation of beginning and ending balances of plan assets

	JPY		USD
	2015	2014	2015
Beginning balance of plan assets	12,449	11,562	103,601
Expected return on plan assets	257	237	2,145
Actuarial gains and losses	297	222	2,479
Employer contributions	913	1,084	7,603
Benefit payments	(1,195)	(697)	(9,947)
Other	33	40	279
Ending balance of plan assets	12,757	12,449	106,158

(3) Reconciliation of beginning and ending balances of net defined benefit liability for the plans applying the simplified method

	JPY		USD
	2015	2014	2015
Beginning balance of net defined benefit liability	2,269	2,228	18,885
Retirement benefit expenses	326	266	2,719
Benefit payments	(206)	(197)	(1,717)
Contribution to plans	(68)	(28)	(571)
Changes of scope of consolidation	118	—	989
Transfers regarding a change in calculation from simplified method to principle method	(272)	—	(2,265)
Ending balance of net defined benefit liability	2,167	2,269	18,039

(4) Reconciliation of ending balances of retirement benefit obligations / plan assets and net defined benefit liability / asset on consolidated balance sheet

	JPY		USD
	2015	2014	2015
Retirement benefit obligations of funded plan	14,802	14,284	123,177
Plan assets	(13,422)	(12,841)	(111,695)
	1,379	1,442	11,482
Retirement benefit obligations of unfunded plan	3,558	3,188	29,611
Net of liability and asset on consolidated balance sheet	4,938	4,630	41,093
Net defined benefit liability	5,137	4,630	42,751
Net defined benefit assets	(199)	—	(1,658)
Net of liability and asset on consolidated balance sheet	4,938	4,630	41,093

(5) Details of retirement benefit expenses

	JPY		USD
	2015	2014	2015
Service cost	920	851	7,661
Interest cost	143	242	1,196
Expected return on plan assets	(257)	(237)	(2,145)
Amortization of actuarial gains and losses	(14)	268	(123)
Retirement benefit expenses calculated with simplified method	326	266	2,719
Other	71	—	598
Retirement benefit expenses of defined benefit plans	1,190	1,391	9,906

(6) Remeasurements of defined benefit plans

Details of remeasurements of defined benefit plans (before adjusting for tax effects) are as follows:

	JPY		USD
	2015	2014	2015
Actuarial gains and losses	(297)	—	(2,478)
Total	(297)	—	(2,478)

(7) Accumulated remeasurements of defined benefit plans

Details of accumulated remeasurements of defined benefit plans (before adjusting for tax effects) are as follows:

	JPY		USD
	2015	2014	2015
Unrecognized actuarial gains and losses	4	301	35
Total	4	301	35

(8) Plan assets

[1] Major categories of plan assets

Percentages of the major categories for total of plan assets are as follows:

	%	
	2015	2014
Debt securities	38.7	39.1
Equity securities	10.5	10.9
Life insurance company general accounts	43.5	43.2
Other	7.3	6.9
Total	100.0	100.0

[2] Method of setting expected long-term rates of return

Current and expected allocations of plan assets and long-term rates of return from variety of assets comprise plan assets are considered to determine the expected long-term rates of return on plan assets.

(9) Assumptions used in actuarial valuations

Principal assumptions used in actuarial valuations (by weighted average) are as follows:

	%	
	2015	2014
Discount rates	0.7	1.6
Expected long-term rates of return on plan assets	2.2	1.9

3. Defined contribution plans

Contributions charged for the defined contribution plans of the Company and its certain consolidated subsidiaries were ¥202 million (\$1,685 thousand) in the current fiscal year, and ¥243 million in the previous fiscal year.

15. Stock Options

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Not applicable.

16. Deferred Taxes

1. Major components of deferred tax assets and deferred tax liabilities

	JPY		USD
	2015	2014	2015
Deferred tax assets			
Net defined benefit liability	1,614	1,542	13,435
Allowance for doubtful accounts	3,747	4,140	31,182
Inventories	1,759	1,821	14,645
Impairment loss on fixed assets	1,673	1,554	13,927
Investments in securities	2,403	2,632	20,005
Golf club memberships	447	480	3,724
Tax loss carried forward	9,264	13,358	77,098
Net gains (losses) on deferred hedges	—	11	—
Other	3,593	3,522	29,905
Deferred tax assets subtotal	24,505	29,065	203,920
Valuation allowance	(14,003)	(15,058)	(116,532)
Total deferred tax assets	10,501	14,006	87,388
Deferred tax liabilities			
Retained earnings in subsidiaries	(252)	(258)	(2,100)
Net gains (losses) on deferred hedges	(275)	—	(2,291)
Net unrealized gains on securities	(1,892)	(956)	(15,745)
Other	(1,676)	(1,719)	(13,955)
Total deferred tax liabilities	(4,096)	(2,933)	(34,091)
Net deferred tax assets	6,404	11,072	53,297

(Note) Net deferred tax assets recorded in the consolidated balance sheets

	JPY		USD
	2015	2014	2015
Current assets—deferred tax assets	3,250	2,660	27,053
Long-term assets—deferred tax assets	3,643	8,782	30,317
Current liabilities—deferred tax liabilities	(1)	(1)	(10)
Non-current liabilities—deferred tax liabilities	(488)	(368)	(4,063)
Net deferred tax assets	6,404	11,072	53,297

2. Major reconciliation items between the statutory effective tax rate and the effective income tax rate after the application of deferred tax accounting.

	%	
	2015	2014
Statutory effective tax rate	35.6	38.0
(Reconciliation)		
Permanent differences—additions such as entertainment expenses	2.1	1.9
Change in valuation allowance	0.8	(19.1)
Effect of tax rate differences	1.7	1.0
Tax reform	5.5	1.5
Other	(7.3)	2.7
Effective income tax rate	38.3	26.0

3. Adjustment of deferred tax assets and liabilities in connection with changes in the rates of corporate income tax:

On March 31, 2015, "Partial Revision of Income Tax Act, etc." (Act No.9 of 2015) and "Partial Revision of Local Tax Act, etc." (Act No.2 of 2015) were enacted. Under these Acts, the reduction in the corporate tax rate will become effective from the fiscal year beginning on or after April 1, 2015. As a result of this change, the statutory effective tax rate being applied in the deferred tax calculation reduced from 35.6% to 33.1% for the temporary differences which will be deducted during the fiscal year beginning on April 1, 2015, and 32.3% for those which will be deducted during and after the fiscal year beginning on April 1, 2016.

As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥569 million (\$4,742 thousand), and deferred income tax, net unrealized gains on securities and net gains on deferred hedges increased by ¥785 million (\$6,532 thousand), ¥194 million (\$1,620 thousand) and ¥20 million (\$170 thousand), respectively.

In addition, utilization of tax loss carried forward is limited to 65% of taxable income in the fiscal year beginning on April 1, 2015 and 50% in the fiscal year beginning on April 1, 2017. Due to the change, deferred tax assets decreased by ¥489 million (\$4,069 thousand) and deferred income tax increased by the same amount.

17. Business Combinations

Business combination by means of acquisition

1. Outline of the business combination

(1) Name of the acquired company: Kanematsu-NNK Corporation ("KNN")

Content of business: Security equipment business, Geo-tech (Ground improvement) business, wood processing business and petroleum product business

(2) Purpose of the business combination

The Company judged that through strengthening the capital relationship between KNN and the Company, it would accelerate decision-making and strategy execution and collaboration of security

camera business of KNN and Electronics & Device Division of the Company, thus the business combination would contribute to strengthening the business base further and enhancing the corporate value of KNN and the Companies.

(3) Date of the business combination

December 24, 2014 (Date of the acquisition of shares)
December 31, 2014 (Date regarded as date of the acquisition)

(4) Legal form of the business combination

Acquisition of shares for cash consideration (Tender offer)

(5) Company name after the combination
Kanematsu-NNK Corporation

(6) Percentage of the voting rights

Percentage of the voting rights before the acquisition	32.1 percent
Percentage of the additional acquisition of the voting rights	18.9 percent
Percentage of the voting rights after the acquisition	51.0 percent

(7) Basis for deciding the acquiring company

It is because the Company acquired the shares of KNN for cash consideration.

2. Period of the performance of the acquired company in the consolidated financial statements

The performance of the KNN from January 1, 2015 to March 31, 2015 is included in the consolidated financial statements. The performance of the KNN from April 1, 2014 to December 31, 2014 is included in the consolidated statement of income through equity in earnings of affiliates.

3. Acquisition costs and those details

Consideration for acquisition		
Fair value of shares of KNN granted before the date of the business combination	¥2,661 million	(\$22,149 thousand)
Fair value of shares of KNN granted at the date of the business combination	¥1,567 million	(\$13,042 thousand)
Other acquisition costs	¥74 million	(\$619 thousand)
Total costs	¥4,302 million	(\$35,809 thousand)

4. Gain on step acquisitions ¥1,123 million (\$9,351 thousand)

5. Amount, cause and method and period of amortization of goodwill

(1) Amount of goodwill

¥1,644 million (\$13,683 thousand)

(2) Cause of goodwill

The excess of acquisition costs over the net of the assets and liabilities on the day of the business combination

(3) Method and period of amortization of goodwill

Straight line method over 10 years

6. Assets and liabilities on the day of the business combination

	JPY	USD
Current assets	4,891	40,703
Long-term assets	3,260	27,130
Total assets	8,151	67,834
Current liabilities	2,427	20,199
Non-current liabilities	511	4,256
Total liabilities	2,938	24,455

Transaction under common control, etc.

(Additional acquisition of shares by a subsidiary)

1. Outline of the transaction

(1) Name of the acquiring company: Kanematsu Electronics Ltd. ("KEL")

Content of business: KEL designs and implements information systems and provides operation and consulting services for businesses based on KEL's expertise in information technologies. KEL retails, leases, maintains, develops IT system products and software, and also send loan engineers.

Name of the acquired company: Nippon Office Systems Ltd. ("NOS", a consolidated subsidiary of KEL)

Content of business: Information service business and System sales business

(2) Date of the business combination

March 26, 2015 (Date of the acquisition of shares)
March 31, 2015 (Date regarded as date of the acquisition)

(3) Legal form of the business combination

Acquisition of shares from minority shareholders

(4) Company name after the acquisition

Nippon Office Systems Ltd.

(5) Other outlines of the transaction

KEL additionally acquired the shares of NOS through tender offer in order to make NOS a wholly owned subsidiary.

2. Outline of accounting treatment

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, released December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, released December 26, 2008), it was treated as a transaction with minority shareholders of transaction under common control, etc.

3. Items regarding additional acquisition of shares of the subsidiary

(1) Acquisition costs and those details

Cash paid for the acquisition	¥1,839 million	(\$15,306 thousand)
Other acquisition costs	¥107 million	(\$892 thousand)
Total costs	¥1,946 million	(\$16,199 thousand)

(2) Amount of goodwill

¥981 million (\$8,171 thousand)

(3) Cause of goodwill

Due to the difference between the additional acquisition costs of shares of the subsidiary and the amount of decreases in minority interests with the transaction.

(4) Method and period of amortization of goodwill

Straight line method over 5 years

18. Asset Retirement Obligations

Asset retirement obligations in consolidated financial statements

1. Overview of asset retirement obligations

Asset retirement obligations are the obligations of restoring offices and shops based on the contracts of rental estate.

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated using the estimated useful lives of 4–50 years and the discount rates of 0.021–2.301%.

3. Changes in asset retirement obligations

	JPY		USD
	2015	2014	2015
Balance at the beginning of the fiscal year	811	860	6,749
Acquisition of tangible fixed assets	62	116	524
Adjustment due to passage of time	15	15	129
Fulfillment of asset retirement obligations	(22)	(75)	(183)
Other	49	(105)	414
Balance at the end of the fiscal year	917	811	7,633

19. Investment and Rental Properties

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

As the amount of investment and rental properties is immaterial, the description is not disclosed.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

As the amount of investment and rental properties is immaterial, the description is not disclosed.

20. Segment Information

Segment Information

1. Overview of reportable segments

The reportable segments of the Companies are components of the Companies for which discrete financial information is available and are regularly reviewed by the management to make decisions about management resources to be allocated and assess its business performance.

The Companies operate its businesses by offering a broad array of products and services based on an organic combination of expertise that has been cultivated through networks in Japan and in other countries and in each business field, and trading functions such as commercial trade, information gathering, market development, business development and arrangement, risk management, and logistics.

The Companies therefore consists of products and service segments based on its business units: "Electronics & Devices", "Foods & Grain", "Steel, Materials & Plant", and "Motor Vehicles & Aerospace".

The principal products and services handled by each segment are as follows:

(Electronics & Devices)

This segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, together with services including development and proposals. This segment also conducts sales of batteries, LED, etc. to retailers and deals with mobile communications terminals, mobile internet systems, and information, telecommunication, and security equipment and services.

(Foods & Grain)

This segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from reliably sourcing raw materials to providing food and foodstuffs, including high

value-added products. Products in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Steel, Materials & Plant)

This segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of crude oil, petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also develops environmental materials such as heat shield paints and new technologies, and operates businesses related to emissions rights.

(Motor Vehicles & Aerospace)

This segment primarily operates international trade of aircrafts and aircraft parts, satellite- and aerospace-related products, automobiles, motorcycles and related parts, industrial vehicles, construction machinery, etc., and also provides products with added value based on demand or use.

2. Methods for calculating net sales, profits or losses, assets, and amounts for other items of reportable segments

The Company's accounting policies for its reportable business segments are almost the same as described in "Summary of Significant Accounting Policies".

Segment income for reportable segments is based on operating income for the segments.

Inter-segment revenue and transfers are based on prevailing market prices or third-party transaction prices.

3. Information on net sales, profits or losses, assets and other amounts of reportable segments

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Net sales									
Customers	276,501	307,732	467,849	59,675	1,111,758	5,338	1,117,096	—	1,117,096
Inter-segment	353	5	111	0	471	59	530	(530)	—
Total	276,854	307,738	467,960	59,675	1,112,229	5,397	1,117,627	(530)	1,117,096
Segment income	9,907	1,933	7,283	2,755	21,880	169	22,050	75	22,125
Segment assets	133,002	105,375	121,010	29,966	389,355	11,642	400,998	58,013	459,011
Other									
Depreciation and amortization	1,257	577	912	422	3,170	79	3,250	(4)	3,245
Investments in equity method affiliates	2,146	837	50	300	3,335	1,910	5,246	174	5,420
Increases in tangible fixed assets and intangible fixed assets	1,704	1,018	1,610	906	5,240	61	5,302	732	6,035

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(USD)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Net sales									
Customers	2,300,917	2,560,808	3,893,228	496,592	9,251,545	44,422	9,295,967	—	9,295,967
Inter-segment	2,943	48	926	4	3,921	495	4,416	(4,416)	—
Total	2,303,860	2,560,856	3,894,155	496,596	9,255,466	44,917	9,300,383	(4,416)	9,295,967
Segment income	82,445	16,092	60,612	22,933	182,083	1,414	183,497	625	184,122
Segment assets	1,106,788	876,890	1,006,993	249,367	3,240,039	96,885	3,336,923	482,759	3,819,682
Other									
Depreciation and amortization	10,468	4,802	7,596	3,519	26,384	661	27,045	(40)	27,005
Investments in equity method affiliates	17,861	6,973	421	2,501	27,756	15,901	43,657	1,451	45,109
Increases in tangible fixed assets and intangible fixed assets	14,182	8,479	13,403	7,547	43,611	513	44,124	6,097	50,221

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the Geo-tech business, etc.

2. Adjustments are as follows.

- (1) Adjustment for segment income of ¥75 million (\$625 thousand) includes offset amount of goodwill of ¥62 million (\$523 thousand) and inter-segment elimination of 12 million (\$102 thousand).
- (2) Adjustment for segment assets of ¥58,013 million (\$482,759 thousand) includes inter-segment elimination of (¥8,530 million) ((\$70,986 thousand) and corporate assets of ¥66,543 million (\$553,745 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
- (3) Adjustment for depreciation and amortization of (¥4 million) ((\$40 thousand) includes inter-segment elimination of (¥4 million) ((\$40 thousand).
- (4) Adjustment for investments in equity method affiliates of ¥174 million (\$1,451 thousand) includes inter-segment elimination of (¥0 million) ((\$3 thousand) and corporate assets of ¥174 million (\$1,455 thousand) that are not allocated to any reportable segment.
- (5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥732 million (\$6,097 thousand) includes inter-segment elimination of (¥32 million) ((\$271 thousand) and corporate assets of ¥765 million (\$6,368 thousand) that are not allocated to any reportable segment.

3. Segment income is adjusted for operating income in the consolidated statements of income.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Net sales									
Customers	277,348	309,024	468,831	54,451	1,109,656	4,883	1,114,539	—	1,114,539
Inter-segment	292	6	9	2	311	59	370	(370)	—
Total	277,640	309,030	468,841	54,453	1,109,967	4,942	1,114,910	(370)	1,114,539
Segment income	7,755	2,099	8,129	1,494	19,477	224	19,702	73	19,776
Segment assets	131,200	88,937	122,428	26,089	368,655	7,956	376,612	51,847	428,459
Other									
Depreciation and amortization	1,276	525	883	392	3,079	94	3,173	(3)	3,170
Investments in equity method affiliates	1,404	560	133	235	2,334	3,186	5,520	129	5,650
Increases in tangible fixed assets and intangible fixed assets	1,323	520	842	409	3,095	27	3,123	412	3,535

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

2. Adjustments are as follows.

(1) Adjustment for segment income of ¥73 million includes offset amount of goodwill of ¥77 million and inter-segment elimination of (¥3) million.

(2) Adjustment for segment assets of ¥51,847 million includes inter-segment elimination of (¥9,846) million and corporate assets of ¥61,693 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.

(3) Adjustment for depreciation and amortization of (¥3) million includes inter-segment elimination of (¥3) million.

(4) Adjustment for investments in equity method affiliates of ¥129 million includes inter-segment elimination of (¥0) million and corporate assets of ¥130 million that are not allocated to any reportable segment.

(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥412 million includes inter-segment elimination of (¥20) million and corporate assets of ¥432 million that are not allocated to any reportable segment.

3. Segment income is adjusted for operating income in the consolidated statements of income.

Related Information

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Information by product and service

The classification of product and service is not disclosed because it is same as the classification of reportable segments.

2. Information by geographical area

(1) Net sales

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
926,262	7,707,938	105,829	880,661	56,280	468,341	19,654	163,555	9,069	75,473	1,117,096	9,295,967

(Note) Net sales are classified into countries and areas based on locations of customers.

(2) Tangible fixed assets

Japan		United States		Asia		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
22,177	184,549	3,094	25,749	1,223	10,182	2,422	20,159	14	119	28,931	240,758

(Note) In the current fiscal year, the amount of tangible fixed assets of "United States" has been more than 10% of the amount of tangible fixed assets on the consolidated balance sheets and are therefore separated from "North America". The information of the previous fiscal year has been reclassified to reflect this change in presentation.

3. Information by major customer

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Information by product and service

The classification of product and service is not disclosed because it is same as the classification of reportable segments.

2. Information by geographical area

(1) Net sales

Japan	Asia	North America	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
943,498	97,304	51,947	14,954	6,833	1,114,539

(Note) Net sales are classified into countries and areas based on locations of customers.

(2) Tangible fixed assets

Japan	United States	Asia	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
18,951	2,087	877	2,292	9	24,218

3. Information by major customer

Not applicable.

Information of impairment loss on fixed assets of reportable segments

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	137	0	437	0	574	—	574	6	580

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(USD)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	1,145	0	3,637	0	4,783	—	4,783	51	4,834

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the Geo-tech business, etc.
2. Adjustment for impairment loss of ¥6 million (\$51 thousand) is a corporate loss that is not allocated to any reportable segment.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	115	0	278	0	394	—	394	1,802	2,196

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustment for impairment loss of ¥1,802 million is a corporate loss that is not allocated to any reportable segment.

Information of amortization of goodwill and balance of goodwill of reportable segments

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Goodwill)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	198	50	179	9	437	—	437	(62)	374
Balance at the end of the fiscal year	3,493	261	2,306	1	6,063	—	6,063	0	6,063

(Negative goodwill)

(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	—	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	—	—	—	—	—	—	—	—	—

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
(Goodwill)
(USD)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	1,649	420	1,491	78	3,638	—	3,638	(523)	3,115
Balance at the end of the fiscal year	29,073	2,175	19,195	16	50,459	—	50,459	1	50,460

(Negative goodwill)
(USD)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	—	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	—	—	—	—	—	—	—	—	—

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the logistics and insurance service business and the Geo-tech business, etc.

2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization of goodwill and negative goodwill are offset in consolidated financial statements.

In addition, adjustments are as follows

(1) Adjustment for amortization of goodwill for the fiscal year of (¥62) million ((¥523) thousand) includes offset amount of (¥62) million ((¥523) thousand).

(2) Adjustment for balance of goodwill at the end of the fiscal year of ¥0 million (\$1 thousand) includes corporate assets of ¥0 million (\$1 thousand) that are not allocated to any reportable segment.

(3) Adjustment for amortization of negative goodwill for the fiscal year includes corporate profits of ¥62 million (\$523 thousand) that are not allocated to any reportable segment and offset amount of (¥62) million ((¥523) thousand).

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
(Goodwill)
(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	132	16	156	6	312	0	312	(77)	235
Balance at the end of the fiscal year	1,034	20	2,173	9	3,238	—	3,238	(62)	3,175

(Negative goodwill)
(JPY)

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	—	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	—	—	—	—	—	—	—	—	—

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization and balance of goodwill and negative goodwill are offset in consolidated financial statements.

In addition, adjustments are as follows

(1) Adjustment for amortization of goodwill for the fiscal year of (¥77) million includes inter-segment elimination of (¥0) million and offset amount of (¥77) million.

(2) Adjustment for balance of goodwill at the end of the fiscal year of (¥62) million includes corporate assets of ¥0 million that are not allocated to any reportable segment and offset amount of (¥62) million.

(3) Adjustment for amortization of negative goodwill for the fiscal year includes corporate profits of ¥77 million that are not allocated to any reportable segment and offset amount of (¥77) million.

(4) Adjustment for balance of negative goodwill at the end of the fiscal year includes corporate liabilities of ¥62 million that are not allocated to any reportable segment and offset amount of (¥62) million.

21. Disclosure of Related Party Transactions

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

Related party transactions:

Not applicable.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Related party transactions:

Not applicable.

22. Information per Share

	JPY		USD
	2015	2014	2015
Net assets per share	214.10	170.54	1.78
Net income per share	27.30	28.09	0.23

(Notes) 1. Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.

2. The supplemental information for the computation of net assets per share is as follows:

	JPY		USD
	2015	2014	2015
Total net assets	118,731	96,20	988,032
Amount deducted from total net assets	28,630	24,547	238,247
(minority interest in consolidated subsidiaries)	(28,630)	(24,547)	(238,247)
Net assets corresponding to common stock at the end of the fiscal year	90,101	71,657	749,785
Number of common stock issued (thousand shares)	422,501	422,501	
Number of treasury stock (thousand shares)	1,663	2,323	
Number of common stock used for the calculation of net assets per share (thousand shares)	420,837	420,177	

3. The supplemental information for the computation of net income per share is as follows:

	JPY		USD
	2015	2014	2015
Net income	11,470	11,799	95,452
Amount that does not belong to common shareholders	—	—	—
Net income corresponding to common stock	11,470	11,799	95,452
Average number of common stock for the term (thousand shares)	420,211	420,060	

23. Subsequent Events

Not applicable.

24. Consolidated Supplementary Schedules

(1) Schedule of bonds payable:

Not applicable.

(2) Schedule of borrowings:

Classification	Balance at the beginning of the fiscal year		Balance at the end of the fiscal year		Composite interest rate %	Due Month, year
	JPY	USD	JPY	USD		
Short-term borrowings	36,387	302,797	39,841	331,545	0.9	—
Current portion of long-term borrowings	44,405	369,522	21,846	181,799	1.5	—
Current portion of lease obligations	760	6,330	638	5,310	—	—
Long-term borrowings (excluding current portion)	61,113	508,557	74,426	619,344	1.5	April 2016-March 2022
Lease obligations (excluding current portion)	1,033	8,597	1,286	10,708	—	April 2016-January 2022
Total	143,699	1,195,803	138,040	1,148,706	—	—

(Notes) 1. The composite interest rate is a weighted average interest rate for those outstanding at the end of the year.

2. The composite interest rate of lease obligations is not presented as lease obligations of the Company and certain of its subsidiaries comprise interest expenses portion of total lease payments.

3. The long-term borrowings and lease obligations repayment schedule for next five years (excluding current portion) is as follows:

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Long-term borrowings	27,277	226,989	21,899	182,235	4,580	38,120	11,253	93,645
Lease obligations	401	3,344	303	2,527	252	2,103	212	1,769

(3) Schedule of asset retirement obligations:

According to the Article 92-2 of the "Regulations for Consolidated Financial Statements", schedule of asset retirement obligations are not disclosed, as the amount of "asset retirement obligations" is less than 1 percent of total amount of liabilities and net assets.



Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

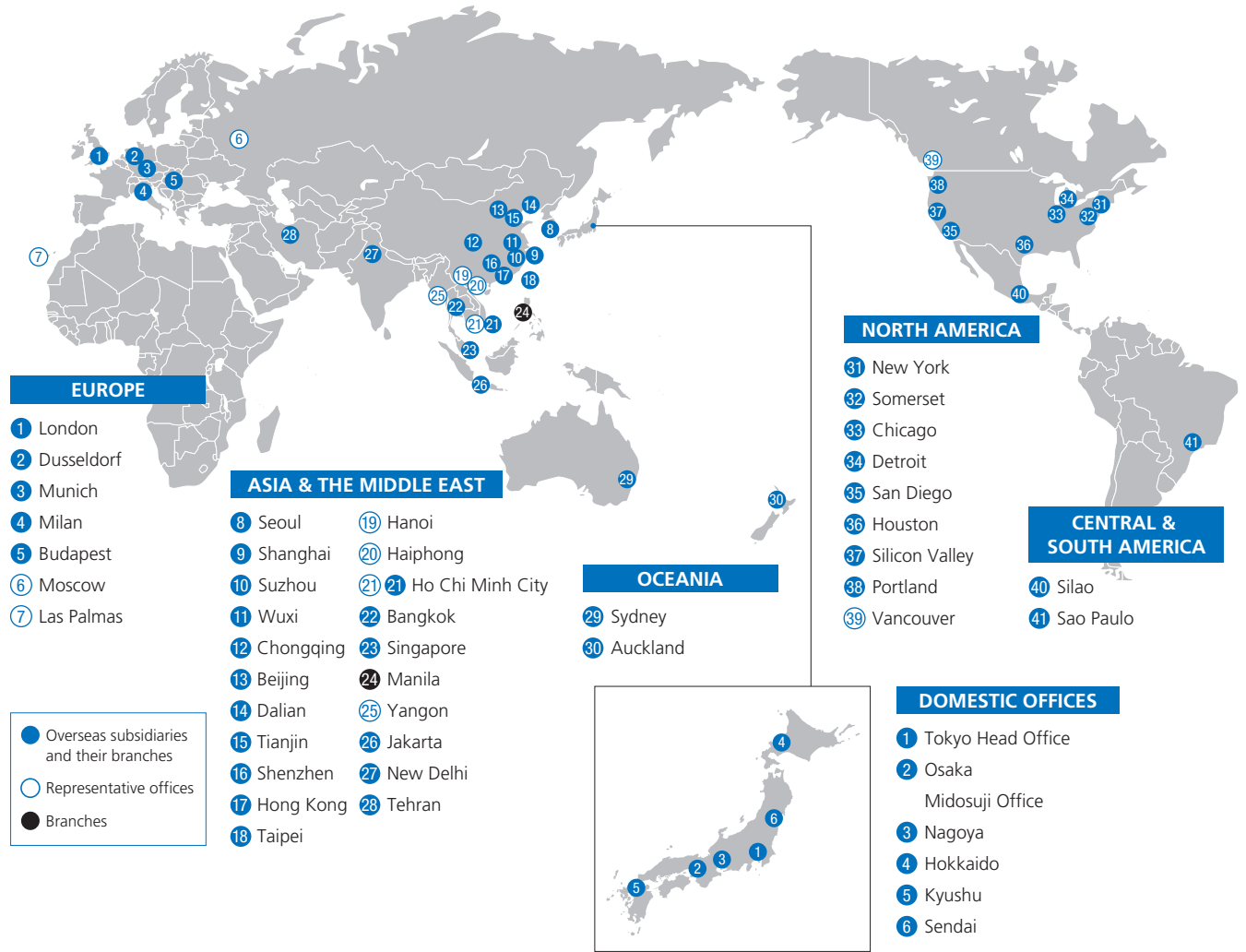
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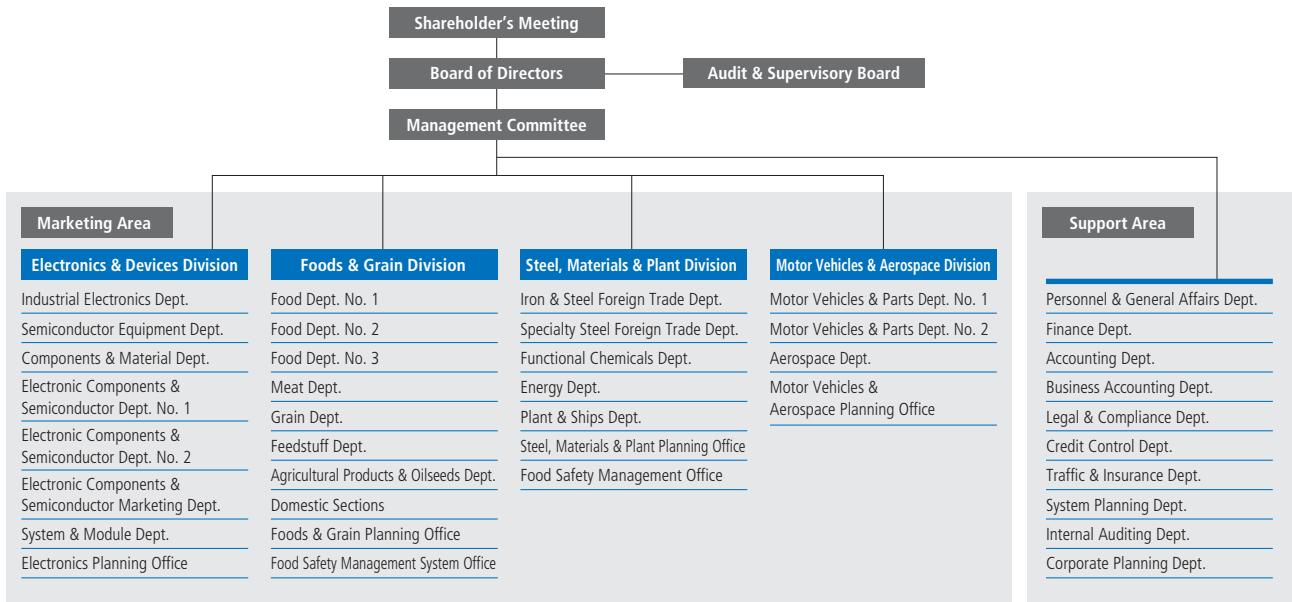
(As of March 31, 2015)

Kanematsu supplies products and services through its large network of business bases in Japan and overseas. 92 subsidiaries and 30 affiliates ensure the Group's global market reach.



Organization Chart

(As of April 1, 2015)



Major Group Companies

(As of March 31, 2015)

* Companies with shares listed on a stock exchange

Electronics & Devices	Japan	
	Kanematsu Electronics Ltd.*	System integration of ICT and communications equipment
	Nippon Office Systems Ltd.*	Development of software for and sales and maintenance of computers and computer peripherals, etc.
	Kanematsu-NNK Corp.*	Manufacture and sales of home-construction materials; Ground inspection services and improvement work; Sales of security systems
	Kanematsu Communications Ltd.	Sales of mobile communications devices; Mobile internet systems and services
	Kanematsu Advanced Materials Corp.	Import, export, storage, sales, and processing of materials and components for vehicle equipment, industrial electronics, and communication devices
	Kanematsu PWS LTD.	Manufacture of semiconductors; Design, development, manufacture, and sales of testing equipment
	Kantatsu Co., Ltd.	Development, manufacture, and sales of lens units, camera modules, and other optical equipment and parts
	China	
	Kanekoh Electronics (Shanghai) Co., Ltd.	Development, manufacture, and sales of control modules for lithium ion batteries
Foods & Grain	Japan	
	Kanematsu Shintoa Foods Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybeans, pulses & peas, and grain; Development and marketing of tofu and other ingredients for processed foods
	Heisei Feed Manufacturing Co.	Manufacture and processing of mixed feeds
	Mojiko Silo Co., Ltd.	Operation of grain silos; Land/marine transport
	North Pet Co., Ltd.	Manufacture of pet snacks (jerky, dried meat, biscuits)
	GPC Holdings Co., Ltd.	Sales of pet food and other products
	China	
	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Co., Ltd.	Production of processed vegetables and fruits
	Thailand	
	Summit Food Industries Co., Ltd.	Production and sales of rice crackers
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of aloe vera
	Indonesia	
	PT. Kanemory Food Service	Manufacture of processed foods; Management of central kitchen
	U.S.A.	
	KAI Enterprises, Inc.	Sales of hay and roughage
	KG Agri Products, Inc.	Seed development; Contract farming; Sorting, processing, and sales of food soybeans
Steel, Materials & Plants	Japan	
	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet; Sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium, and high-alloy steels
	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients, and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health foods and provision of medical information
	Miracool Co., Ltd.	Sales of heat reflective paint
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools; Sales of paper-manufacturing machinery
	China	
	Kanematsu Hoplee Co., Ltd.	Processing and marketing of steel sheets and plates
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	Thailand	
	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
	Vietnam	
	Kanematsu KGK Vietnam Company Limited	Sales of machine tools and industrial machinery
	Indonesia	
	PT. Kanematsu KGK Indonesia	Sales of machine tools and industrial machinery
	Czech Republic	
	KGK Czech s.r.o.	Sales of machine tools and industrial machinery
	U.S.A.	
	Steel Service Oilfield Tubular, Inc.	Sales of steel materials for oil excavation
	Benoit Premium Threading, LLC	Oil well casing fabrication; Manufacture and sales of oil well-related parts
	KGK International Corp.	Sales of machine tools
Motor Vehicles & Aerospace	Japan	
	Kanematsu Aerospace Corp.	Sales of aircraft, defense, and aerospace-related products
	Ireland	
	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotatable components; Leasing
	Poland	
	Aries Motor Sp. zo.o.	Sales of automobiles
	Aries Power Equipment Sp. zo.o.	Sales of engines, generators, water pumps, and other general-purpose machinery
Others	Japan	
	Kaneyo Co., Ltd.*	Sales of bedding materials and products, general merchandise, and interior goods
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Aso Kanko Kaihatsu Co., Ltd.	Golf course management
	Shintoa Corp.	Beverage-vending machine operations; Imports, exports, and sales of aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business; Consigned freight forwarding business
	Japan Logistics Co., Ltd.	Warehouse and self-storage operation
	Vietnam	
	Vietnam-Japan International Transport Co., Ltd.	Total logistics services
	Indonesia	
	P.T. Dunia Express Transindo	Total logistics services

Network

(As of March 31, 2015)

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 FAX: 49-211-3689-111

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Kanematsu G.m.b.H.

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 H-1034 Budapest Becsi ut 126-128.I.103. Hungary
 TEL: 36-1-329-3412, 320-4952
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RUSSIAN FEDERATION

The Representative of Kanematsu Corporation

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 FAX: 7-495-935-8948

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The Representative of Kanematsu Corporation

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 TEL: 34-928-275634, 275680
 FAX: 34-928-275632

OCEANIA

AUSTRALIA

Kanematsu Australia Ltd.

Sydney Head Office
 Suite 1 Level 9, 15 Castlereagh Street, Sydney NSW, Australia
 TEL: 61-2-8278-7004, 9993-0748, 9283-3347
 FAX: 61-2-9283-3095

NEW ZEALAND

Kanematsu New Zealand Ltd.

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 TEL: 64-9-302-5660
 FAX: 64-9-309-3877

NORTH AMERICA

U.S.A.

Kanematsu USA Inc.

New York Head Office
 500 Fifth Avenue, 29th Floor, New York City, New York 10110, U.S.A.
 TEL: 1-212-704-9400
 FAX: 1-212-704-9401

Somerset Office

100 Randolph Road, Somerset, New Jersey 08873, U.S.A.
 TEL: 1-732-271-7300
 FAX: 1-732-271-7370

Chicago Branch

543 West Algonquin Road, Arlington Heights, Illinois 60005, U.S.A.
 TEL: 1-847-981-5600
 FAX: 1-847-981-6760

Detroit Office

41700 Gardenbrook Rd. Novi, Garden Office B, Suite 140 Novi, MI 48375, U.S.A.
 TEL: 1-248-347-3216
 FAX: 1-248-347-3219

San Diego Office

900 Lane Avenue, Suite 150, Chula Vista, California 91914, U.S.A.
 TEL: 1-619-656-2385
 FAX: 1-619-656-2386

Houston Branch

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 TEL: 1-713-975-7200
 FAX: 1-713-975-7966

Silicon Valley Branch

2043 Zanker Road, San Jose CA 95131, U.S.A.
 TEL: 1-408-501-1400
 FAX: 1-408-501-1499

Portland Branch

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 TEL: 1-503-224-7755
 FAX: 1-503-228-5067

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The Representative of Kanematsu Corporation

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MEXICO

Kanematsu Mexico S. de R.L. de C.V.

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 TEL: 52-472-748-9187, 9327, 9329
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BRAZIL

Kanematsu America do Sul Importacao e Exportacao Ltda.

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 TEL: 55-11-3285-3311
 FAX: 55-11-3285-3318

Segment information:

Number of employees and number of group companies (As of March 31, 2015)

	Number of employees (consolidated basis)	Number of affiliated companies
Electronics & Devices	3,339	28 (Japan:18, Overseas:10)
Foods & Grain	582	23 (Japan:12, Overseas:11)
Steel, Materials & Plant	1,212	28 (Japan:12, Overseas:16)
Motor Vehicles & Aerospace	205	8 (Japan:1, Overseas:7)
Others	299	17 (Japan:12, Overseas:5)
Companywide (common)	365	
Overseas subsidiaries		18
Total	6,002	122

Notes:

- Number of employees on a non-consolidated basis is 813 (including employees seconded from Kanematsu, excluding employees seconded from companies other than Kanematsu).
- Of affiliated companies, 89 are consolidated subsidiaries and 28 are equity-method affiliates.

Corporate Profile

(As of March 31, 2015)

Corporate Profile

Company Name	KANEMATSU CORPORATION	Paid-in Capital	¥27,781 million
Established	August 15, 1889	Fiscal Year	April 1 to March 31
Foundation	March 18, 1918	General Meeting of Shareholders	June
President & CEO	Masayuki Shimojima	Number of Offices	Domestic: Head office 1 and branches 6 Overseas: 43
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan	Number of Employees	813 (Consolidated: 6,002)

Investor Information

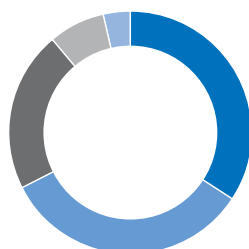
Stock Exchange Listings	Tokyo
Stock Code	8020
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	1,016,653,604
Shares Outstanding	422,501,010 (including 1,157,263 treasury shares)
Minimum Trading Unit	1,000
Number of Shareholders	27,174

Principal Shareholders	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	16,770	3.98
The Master Trust Bank of Japan, Ltd. (trust account)	14,256	3.38
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.15
The Norinchukin Bank	12,460	2.95
Mitsui Sumitomo Insurance Co., Ltd.	11,613	2.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
Hayat	5,435	1.28
Japan Trustee Services Bank, Ltd. (trust account 9)	5,285	1.25
Japan Trustee Services Bank, Ltd. (trust account 1)	4,334	1.02
Japan Trustee Services Bank, Ltd. (trust account 2)	4,329	1.02

Note: Calculated after deduction of treasury shares (1,157,263 shares)

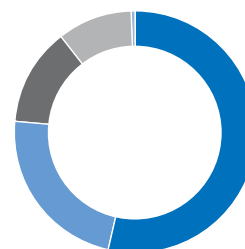
Composition of Shareholders

■ Individuals and others (including treasury shares)	34.28%
■ Financial institutions	33.40%
■ Foreign institutions and individuals	21.25%
■ Other corporations	7.71%
■ Securities firms	3.36%

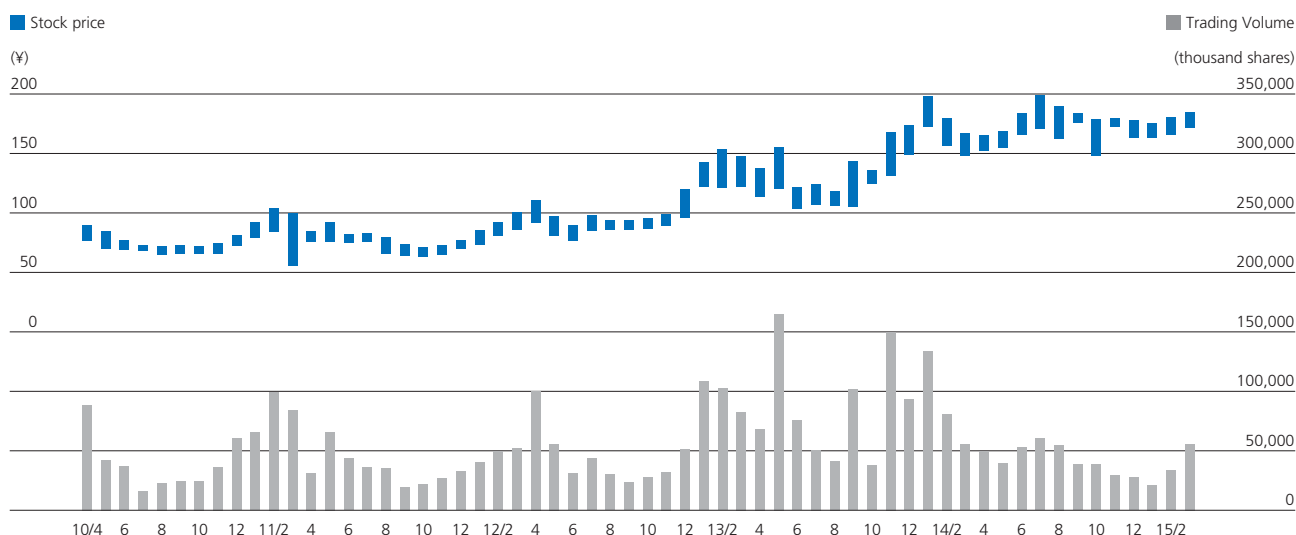


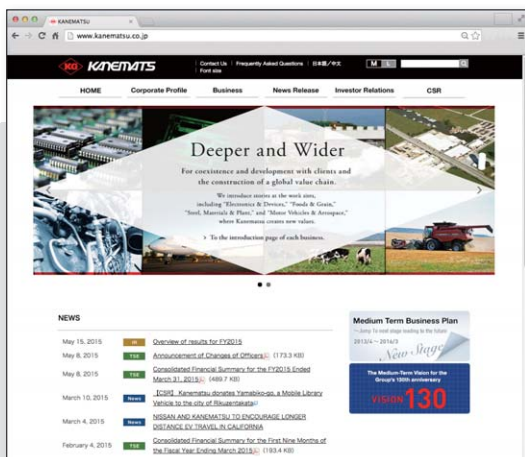
Shareholder Distribution by Number of Shares Held

■ More than 1 million shares (including treasury shares)	53.66%
■ 50,000 shares and more	22.86%
■ 10,000 shares and more	13.06%
■ 1,000 shares and more	10.02%
■ Less than 1,000 shares	0.40%



Stock Price/Trading Volume





Our Website

Detailed additional information about the Kanematsu Group is available on our website in English, Japanese and Chinese.

Content includes information about the Company and its businesses, press releases, investor relations materials (for shareholders and investors), and details on its environmental and CSR activities, employment opportunities and other topics are available.

English: <http://www.kanematsu.co.jp/en/>



For more information on this Annual Report, or to obtain additional copies, please contact:

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