



Overview of Results for the first half of FY2016

Note:

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

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

Since the figures above are rounded off to the nearest 1 billion yen, the sum of each item and the total may differ.

* FY2015 (the fiscal year ended March 31, 2015)

* FY2016 (the fiscal year ended March 31, 2016)

November 12, 2015

KANEMATSU CORPORATION

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

Results for the first half of FY2016

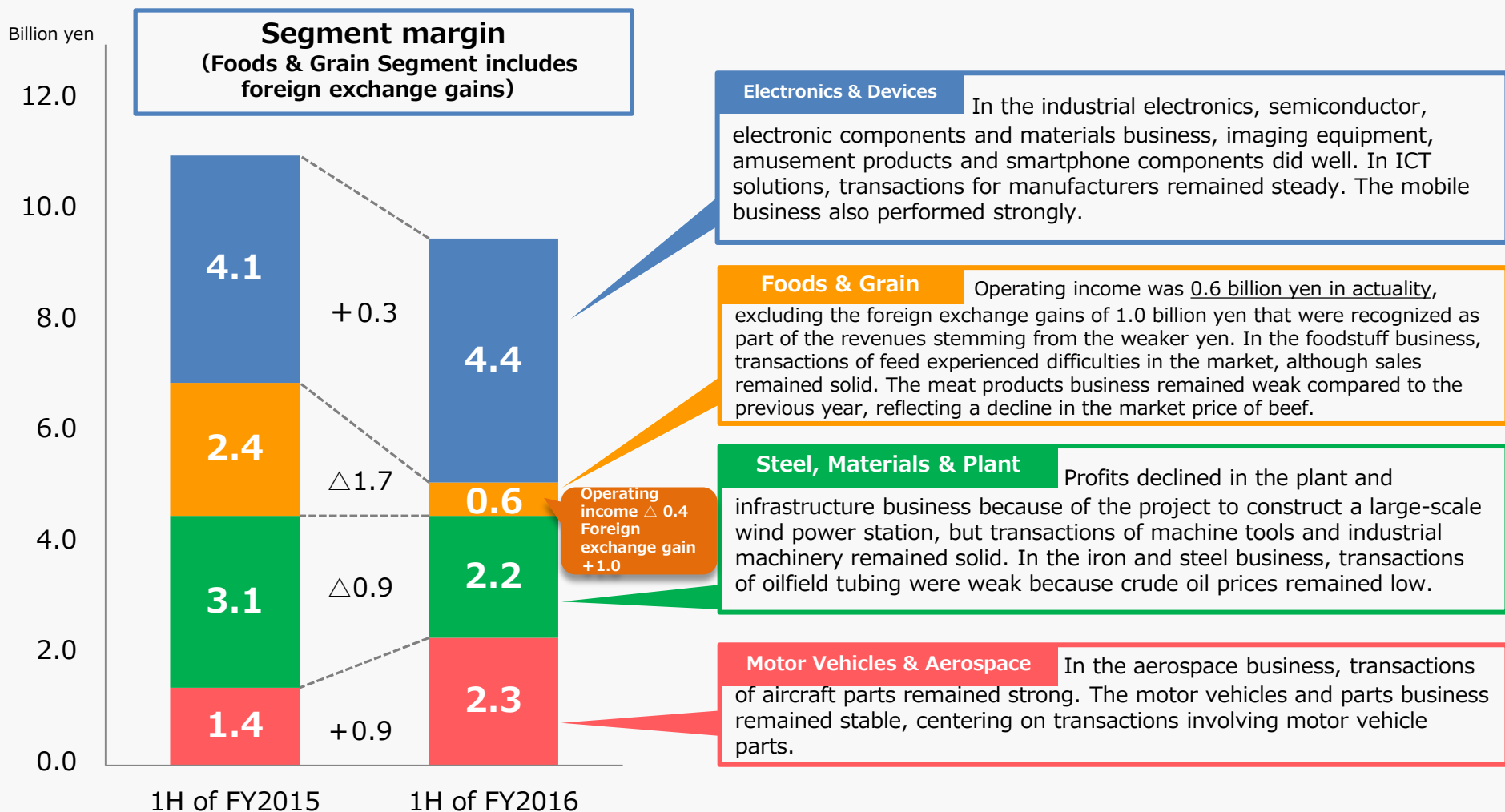
1-1. 1H of FY2016 Highlight (P/L)

- ✓ Net sales and gross profit remained solid. However, profits were weak at all income levels, including operating income.
- ✓ Net income declined due to the booking of an extraordinary loss in the Textile business that was withdrawn.

(Unit: billion yen)	1H of FY2015 (results)	1H of FY2016 (results)	Change
Net sales	534.4	540.3	+ 5.9
Gross profit	44.0	44.6	+ 0.6
Operating income	11.1	8.5	△ 2.6
Ordinary income	10.6	9.2	△ 1.4
Income before income taxes	10.5	7.7	△ 2.8
Net income	6.1	4.4	△ 1.7

1-2. 1H of FY2016 Highlight (Segment margin)

✓ Margins decreased as Foods & Grain and Steel, Materials & Plant remained sluggish.



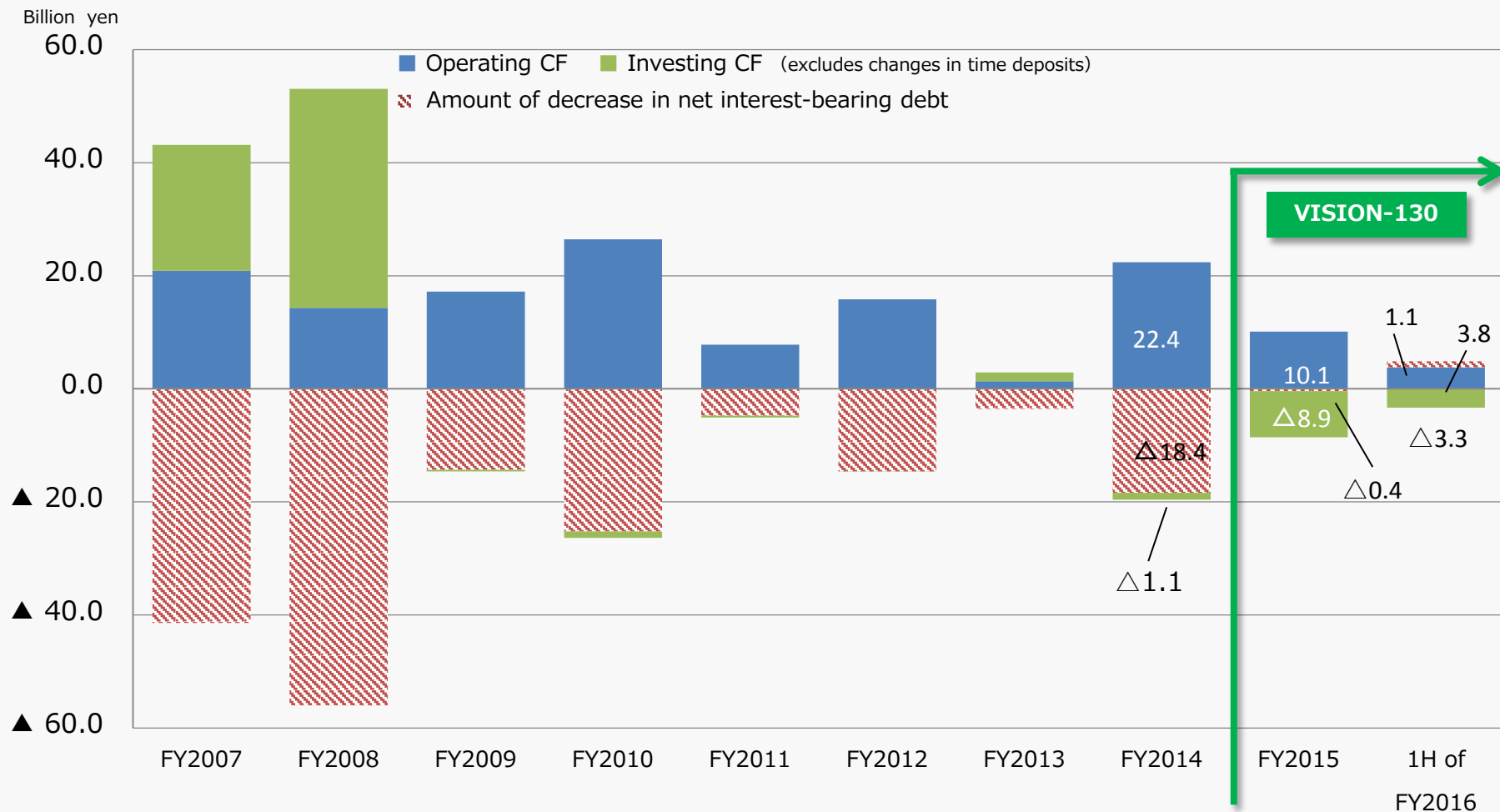
1-3. 1H of FY2016 Highlight (B/S)

- ✓ Shareholders' equity increased steadily, attributable to accumulated earnings.
- ✓ The equity ratio exceeded 21%
- ✓ The net D/E ratio improved to 0.7 times, reflecting an increase in shareholders' equity.

(Unit: billion yen)	2015/3 (results)	2015/9 (results)	(Unit: billion yen)	2015/3 (results)	2015/9 (results)
Total assets	459.0	447.9	Gross interest-bearing debt	136.1	133.2
Total net assets	118.7	123.8	Net interest-bearing debt	67.6	68.8
Shareholders' Equity (Note 1)	90.1	94.4	Net D/E ratio (Note 3)	0.8 times	0.7 times
BPS (yen)	214.1	224.7	(Note 1) Shareholder's equity = Total net assets - Minority interests		
Equity ratio (Note.2)	19.6%	21.1%	(Note 2) Equity ratio = Shareholder's equity / Total assets		
			(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital		

1-4. 1H of FY2016 Highlight (C/F)

- ✓ Following on the previous year, new investments were implemented within the limit of cash flows from operating activities.
- ✓ The net interest-bearing debt edged up due to an increase in operating assets.



1-5. 1H of FY2016 Highlight (forecasts)

✓ Progress in the fiscal year is behind the plan, but the forecasts remain unchanged.

(Unit: billion yen)	1H of FY2016 (results)	FY2016 (forecasts)	Progress
Net sales	540.3	1,200.0	45.0%
Gross profit	44.6	95.0	46.9%
Operating income including foreign exchange gain and loss*1	9.4	24.0	39.2%
Non-operating income and expenses excluding foreign exchange gain and loss*2	△ 0.2	-	-
Ordinary income	9.2	23.0	40.1%
Extraordinary gain and loss	△ 1.5	-	-
Income before income taxes	7.7	-	-
Net income	4.4	12.5	35.5%

*1) Operating income 8.5 + Foreign exchange gain 0.9 = 9.4

*2) Non operating income and expenses 0.7 – Foreign exchange gain 0.9 = △0.2

Operating income

- ✓ Electronics & Devices and Motor Vehicles & Aerospace are expected to maintain its strong performance and achieve growth in the second half.
- ✓ Foods & Grain aims for a recovery through a rebound in the meat products business.
- ✓ In Steel, Materials & Plant, conditions remain difficult for the mainstay business of oilfield tubing.

Non-operating income and expenses

- ✓ Non-operating balances are expected to improve, reflecting an improvement in interest balances and increase in profit on equity method investments.

Ordinary income

- ✓ Despite downward pressure on operating income, ordinary income for the full year is forecasted to be met, reflecting an improvement in non-operating balances.

Extraordinary gain and loss

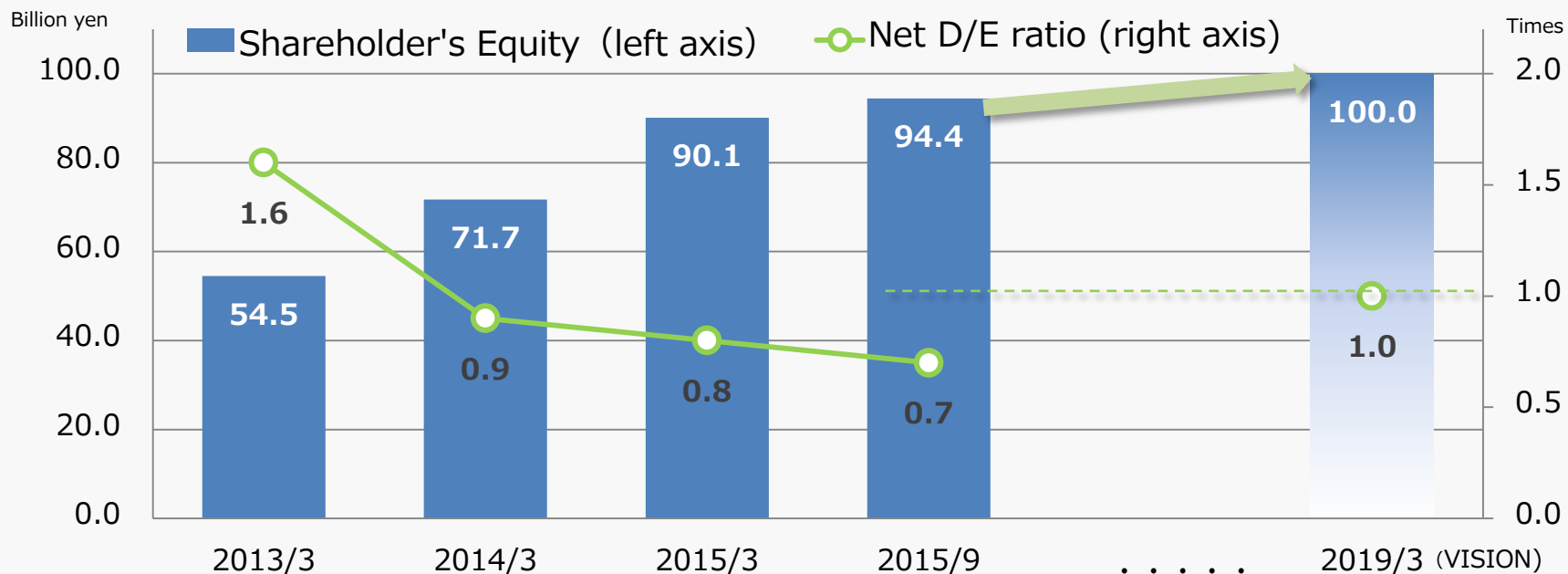
- ✓ The extraordinary loss of 1.5 billion yen is in line with the forecast. No new factors for extraordinary losses are assumed.

2-1. Progress in VISION-130 (B/S)

VISION-130 Aspiration

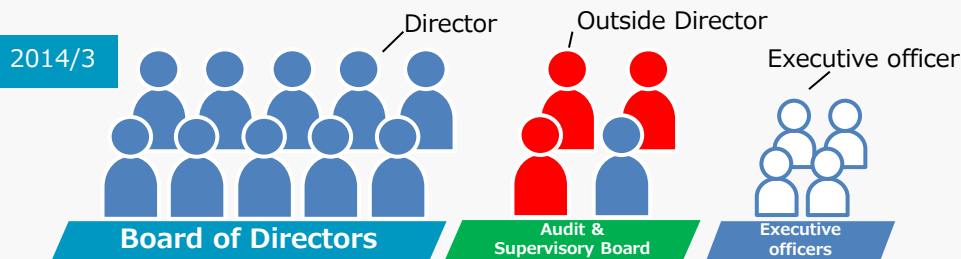
	FY2015 (results)	1H of FY2016 (results)	FY2019 (Aspiration)
Consolidated shareholder's equity (unit: billion yen)	90.1	94.4	100.0
Net D/E ratio	0.8 times	0.7 times	1.0 times
ROE	14.2%	13.2%	15.0%

※ROE 13.2% of 1H of FY2016 is calculated from Net income 12.5 billion yen of FY2016 forecasts



2-2. Progress in VISION-130 (Governance)

✓ The number of Outside Directors was increased to two (2) at an ordinary general meeting of shareholders held in June 2015.



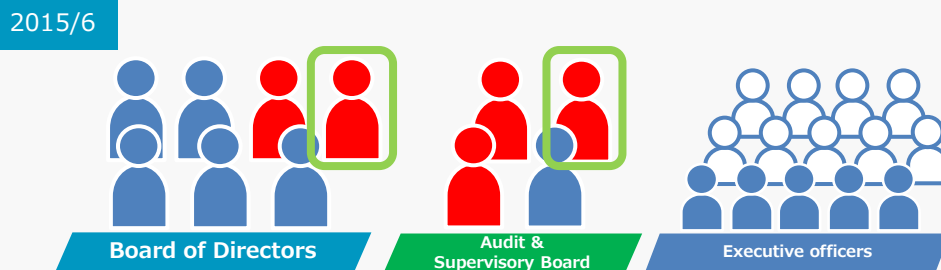
2014/6

Speed up the decision-making process and strengthened corporate governance, through the addition of one Outside Director. Also expanded the executive officer system and reduced the number of Directors.



2015/6

Increased the number of Outside Directors from one to two. Moved forward with initiatives to observe the corporate governance code
[Newly appointed Director]
Seiichi Katayama, Professor Emeritus,
Kobe University



2-3. Progress in VISION-130 (Initiatives for key business areas)

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

Major 4 Division

Electronics & Devices

Foods & Grain

Steel, Materials & Plant

Motor Vehicle & Aerospace



Key strategic 6 business area + Innovation

ICT solutions

Mobile

Food market in Asia

North American shale market

Global motorization

Overseas expansion of Japanese manufacturers, etc.

Innovation

Technological support

Technological support in the in-car product and EMS areas, camera business

TPP Response

Strengthen TPP-related functions and respond to industry reorganization in the foods area; vertical business development in pet products and groceries

2-3. Progress in VISION-130

Aerospace business

✓ Acquired the sales agency rights of Cessna Citation series for public offices in Japan

- ✓ Acquired the sales agency rights for the Citation series, the best-selling jets made by Cessna Aircraft Company, for public offices in Japan. This acquisition was the result of the favorable evaluation of the deliveries of flight inspection aircraft and search and rescue aircraft to the Ministry of Defense, and helicopters to the National Police Agency.
- ✓ Delivered three flight inspection aircraft from the Citation series to the Ministry of Land, Infrastructure, Transport and Tourism in October this year.
- ✓ Expect demand for replacements of aging aircraft.



The Cessna Citation series Sovereign+

Other initiatives for Aerospace business

- Acquired the agency rights for the new Bombardier C Series airliner and expand into passenger aircraft business.
- In addition to the existing lineup of parts for Boeing's 737, started handling rotatable components for the Airbus 320 as part of its aircraft rotatable business in Europe.

2-3. Progress in VISION-130

Overseas expansion of Japanese manufacturers

✓ Establishment of Corporate investment Fund for Business Expansion in Asia . Implementation of the first investment project

- ✓ Established AZ-Star to make the most of Asian growth for Japan by revitalizing the excellent technologies and services of Japanese companies through expansion into Asia.
- ✓ AZ-Star was established by the Company, Aozora Bank, and ES Networks in February 2015. The Tokyo Star Bank, a subsidiary of CTBC Financial Holdings in Taiwan, also participated in August with an endorsement from the parent company, bringing the fund total for the first project to 6.8 billion yen.

Fund for first project (6.8 billion yen)

【KG 0.7 billion yen】 【Aozora Bank 3 billion yen】 【Tokyo Star Bank 3 billion yen】



Management & Operation



(Fund operating company)

Investment

【Investment advisor】
Chiang Pin-kung,
Supreme advisor, CTBC

Kanematsu Corp. (10%)

Tokyo Star Bank (40%)

Aozora Bank (40%)

ES Networks (10%)

Implementation of first project

- Acquired in June 2015 all shares of Premier Financial Services Co., Ltd. that provides car loans and warranty for vehicles to 27,000 member companies across Japan.
- The company is working to promote its business in Asia. The decision was made to invest because of the favorable evaluation of the new fund's capability to support the development of businesses in Asia.

2-3. Progress in VISION-130

TPP Response

✓ Invested in Farmnote Co., Ltd. and advanced into the smart agriculture sector

- ✓ Invested in Farmnote is a promising venture company that develops and provides "Farmnote," a cloud cattle population management system.
- ✓ Helped visualize the management of livestock farms and improve the productivity of dairy and livestock farmers in Japan. Countries around the Pacific, including Japan, have come to a consensus on the main points of the TPP. Under this new economic protocol, dairy and livestock farmers will be exposed to greater competition.
- ✓ The Company will promote Farmnote nationwide, making full use of the Group's sales channels.



Cloud cattle population management system "Farmnote"

- In the past cattle populations were generally managed with a ledger or PC, which was troublesome and time-consuming.
- With the Farmnote, users can easily enter data on their smartphones or tablets on the spot and share it with other staff members in real time.



2-3. Progress in VISION-130

Mobile

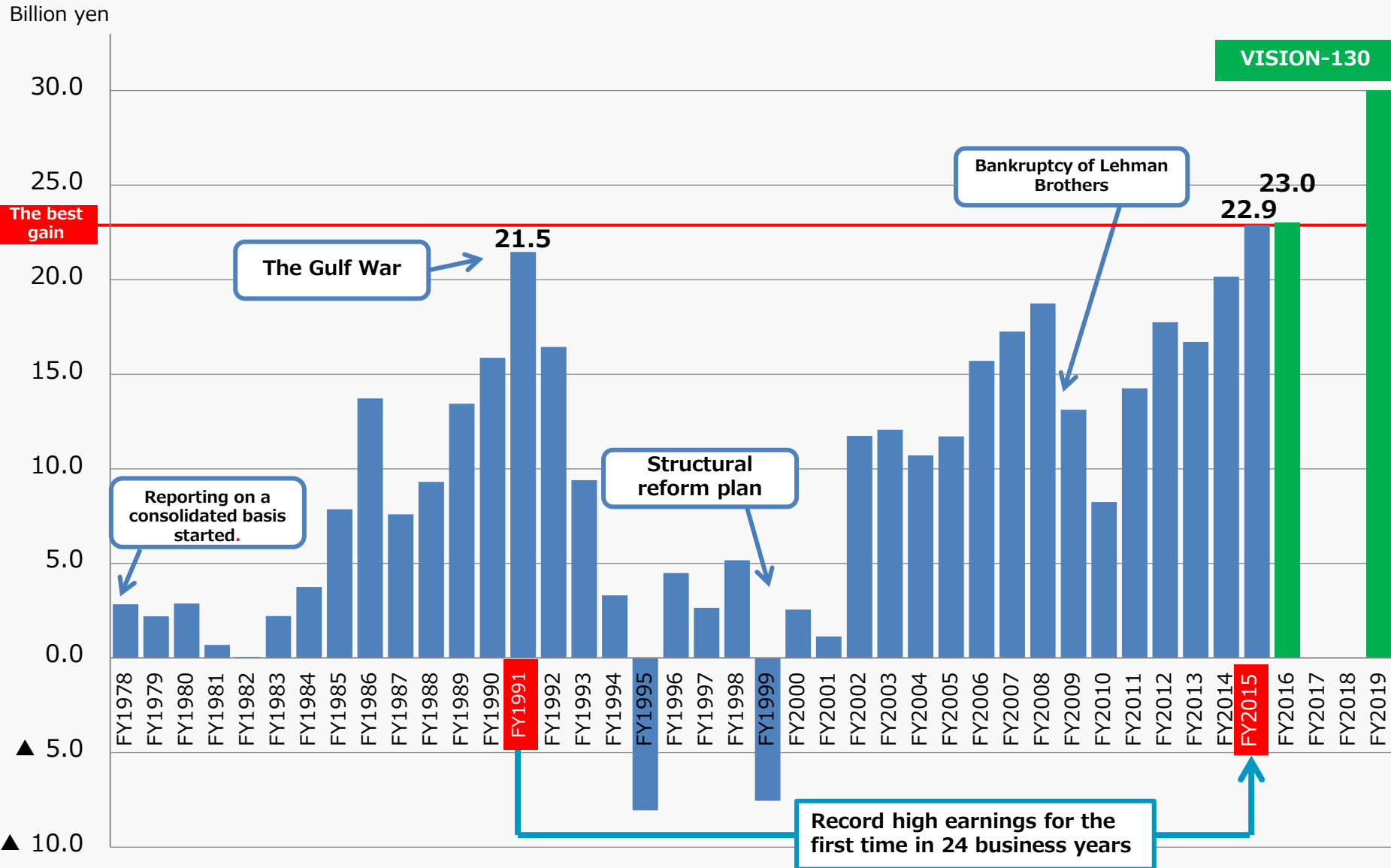
✓ Investment in Alpha Group, a sales agent of mobile phones



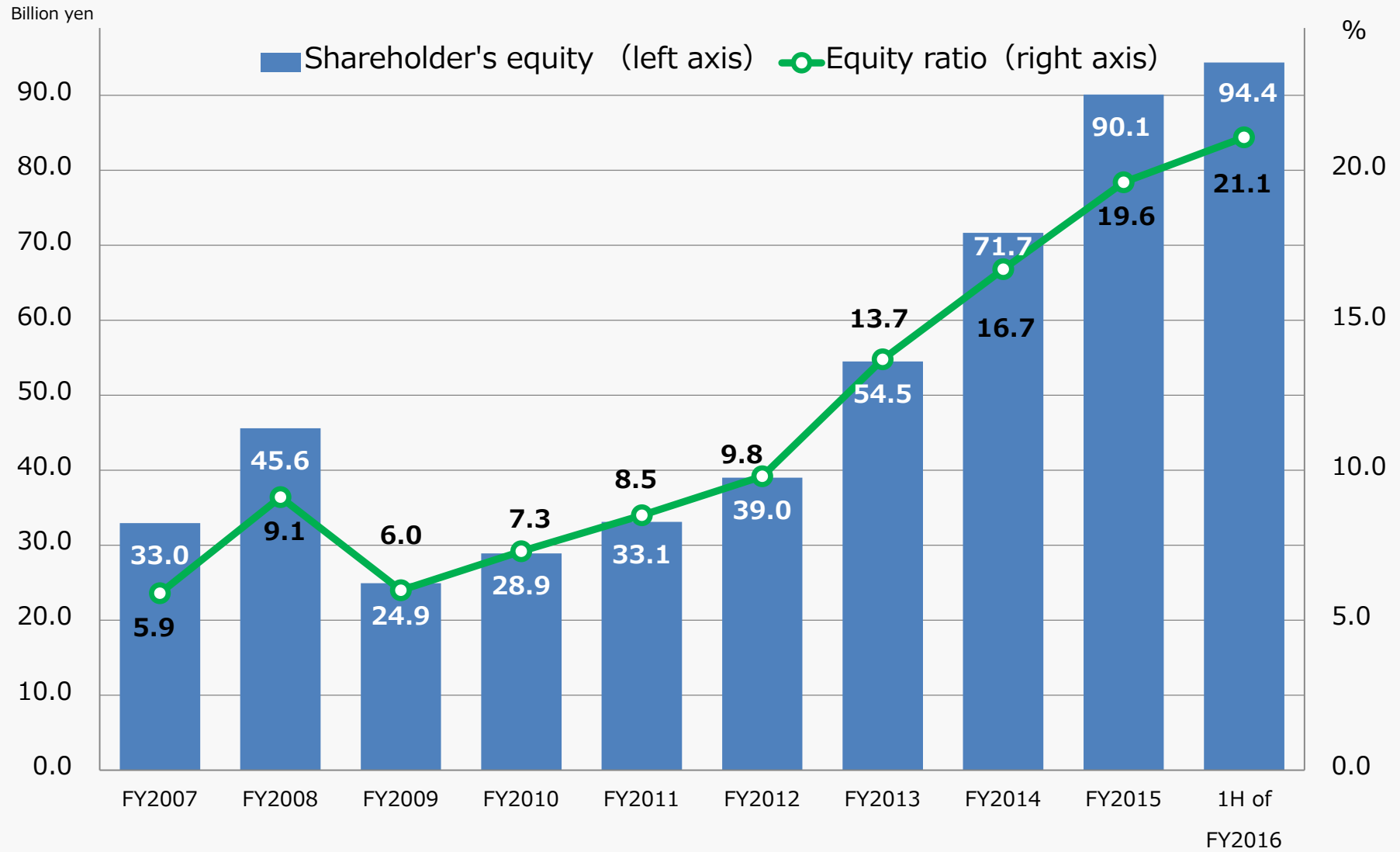
- ✓ Kanematsu Communications Ltd. (KCS), which conducts mobile communication business, invested in Alpha Group (listed on JASDAQ), becoming the second largest shareholder of the company with 14.49% shares.
- ✓ Alpha Group is a major agent with approximately 80 stores located mainly in the Tokyo metropolitan area. KCS will strengthen its relationship with Alpha Group and seek to secure and increase revenues.
- ✓ KCS will also support collaborations with Alpha Group in affiliate and accessory businesses, and work to create added value in the mobile communication business.

Appendix

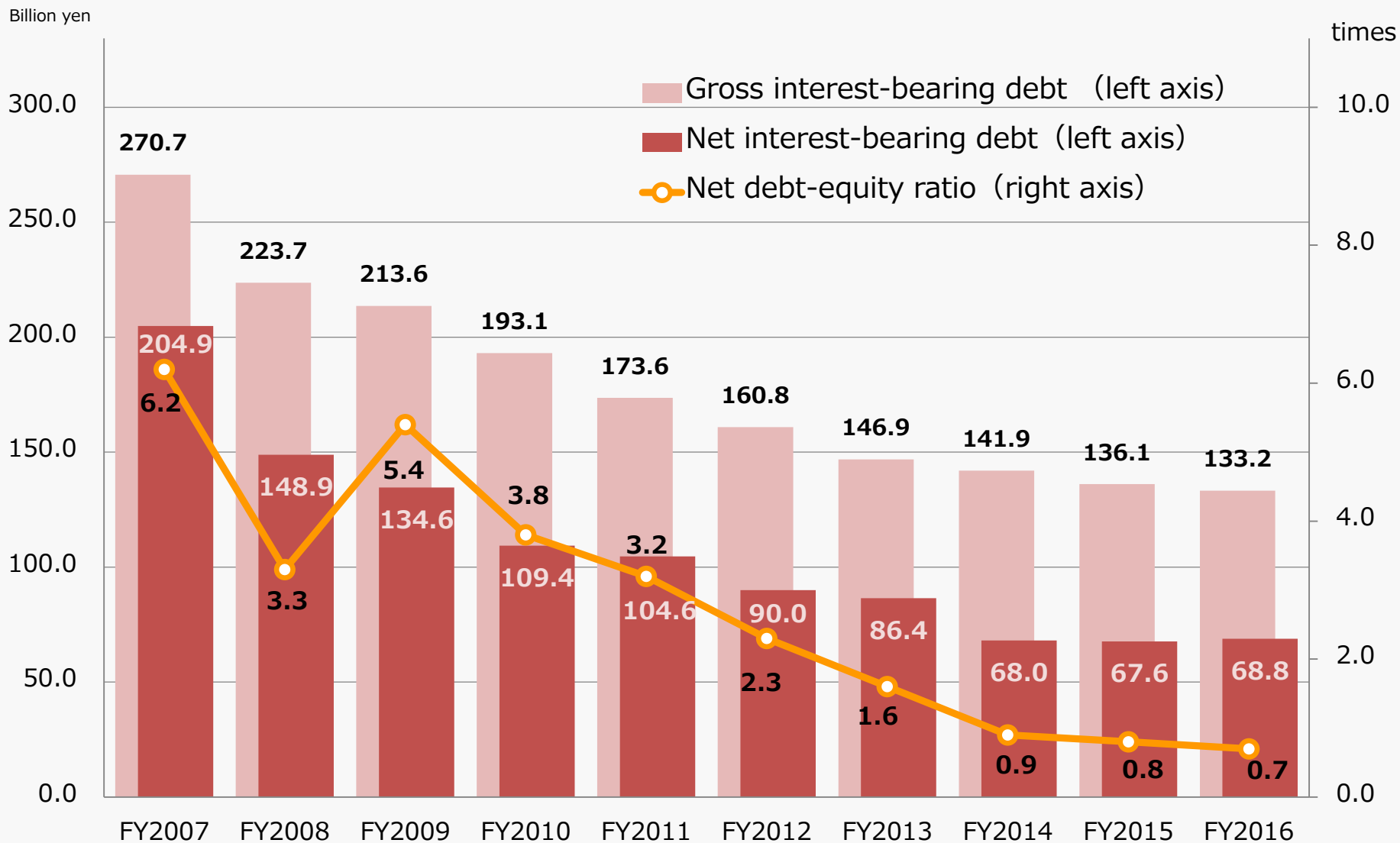
Appendix 1-1. Consolidated Ordinary income (from FY1978)



Appendix1-2. Shareholder's equity & equity ratio

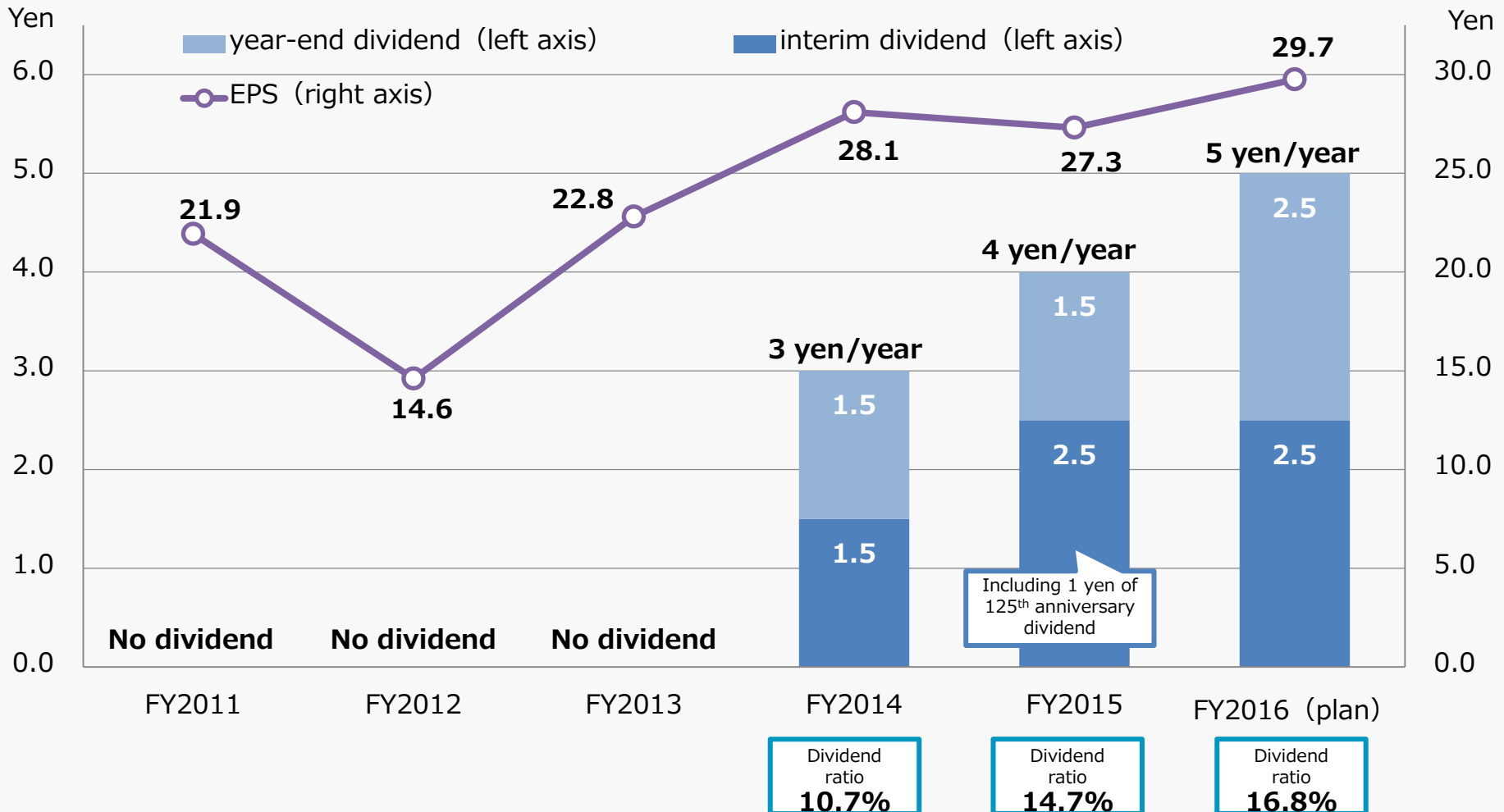


Appendix1-3. Interest-bearing debt and Net debt-equity ratio



Appendix 2. Dividends

✓ The Company plans to pay an annual cash dividend of 5.0 yen per share, an increase of 1.0 yen per share, for FY2016.



Appendix 3 . Outline of Kanematsu Group

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

Appendix 4. Subsidiaries and Affiliates, and their Employees

Net Sales of Major Consolidated Subsidiaries

(Unit: billion yen)	Business	Ownership ratio	1H of FY2015	1H of FY2016	Change
Kanematsu Electronics Ltd	ICT solution	58.28%	29.3	30.6	+ 1.3
Kanematsu Communications Ltd.	Mobile	100%	60.9	63.6	+ 2.7
Kanematsu-NNK Corp.	Security system etc.	52.88%	5.0	5.7	+ 0.7
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100%	13.7	14.1	+ 0.4
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100%	5.9	6.6	+ 0.7
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	20.8	18.0	▲ 2.8
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	19.6	23.5	+ 3.9
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	80.7	60.6	▲ 20.1
Kanematsu Chemicals Corp.	Functional chemicals	100%	8.8	8.9	+ 0.1
Shintoa Corporation	Trading company	100%	49.5	53.5	+ 4.0
Kanematsu USA Inc.	Overseas subsidiary	100%	48.1	58.1	+ 10.0

Number of Employees

(Persons)	2014/9	2015/9	Change
Parent company	827	836	+ 9
Consolidated subsidiaries	5,016	5,223	+ 207
Total	5,843	6,059	+ 216

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

Appendix 5. Subsidiaries

Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

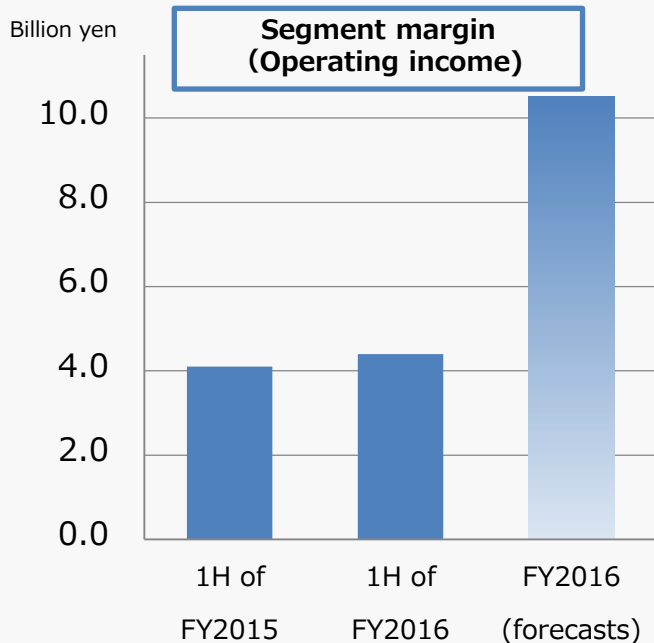
(Companies)	1H of FY2015					1H of FY2016					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	28	27	9	10	74	33	28	10	8	79	+ 5
Ratio (%)	78%	59%	82%	77%	70%	85%	56%	83%	57%	69%	
Non profitable	8	19	2	3	32	6	22	2	6	36	+ 4
Total	36	46	11	13	106	39	50	12	14	115	+ 9

Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(Unit : billion yen)	1H of FY2015					1H of FY2016					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	2.8	0.8	0.3	0.1	4.0	3.8	0.9	0.3	0.1	5.1	+ 1.2
Sum of loss posted by non-profitable	▲ 0.0	▲ 0.3	▲ 0.0	▲ 0.0	▲ 0.4	▲ 0.0	▲ 0.8	▲ 0.0	▲ 0.0	▲ 0.8	▲ 0.5
Total	2.8	0.5	0.2	0.1	3.6	3.7	0.2	0.3	0.1	4.3	+ 0.7

Appendix6-1. Segments (Electronics & Devices)

(Unit: billion yen)	1H of FY2015 (results)	1H of FY2016 (results)	FY2016 (forecasts)	Comparison with FY2015	
				Change	Change(%)
Net Sales	126.7	134.7	300.0	+ 8.1	+ 6.4%
Gross profit	20.8	22.2	46.0	+ 1.3	+ 6.4%
Operating income	4.1	4.4	10.5	+ 0.3	+ 8.2%



1H of FY2016 (results)

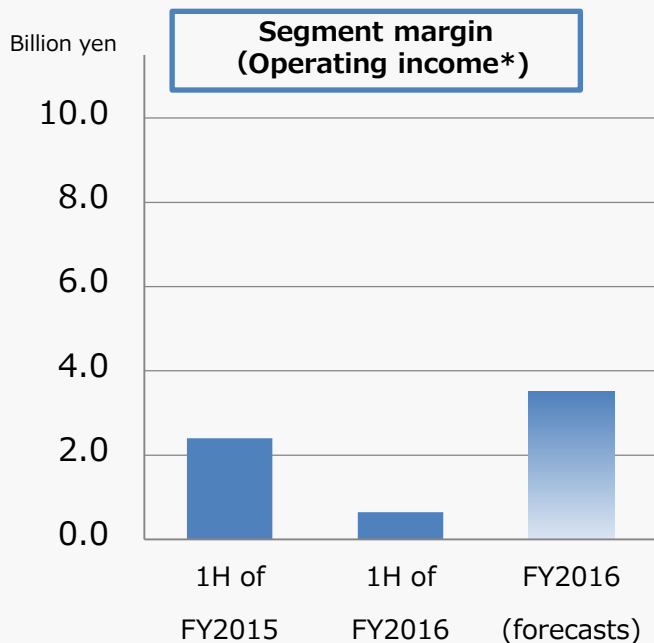
In the electronic components and materials business and the semiconductor parts business, imaging equipment, amusement products and smartphone components did well. In ICT solutions, transactions for manufacturers remained steady. The mobile business also performed strongly.

FY2016 forecasts

ICT solutions and the mobile business continue to perform strongly. The Security business, which slowed down slightly due to the weak yen, is expected to exhibit a steady performance in the second half.

Appendix 6 - 2. Segments (Foods & Grain)

(Unit: billion yen)	1H of FY2015 (results)	1H of FY2016 (results)	FY2016 (forecasts)	Comparison with FY2015	
				Change	Change(%)
Net Sales	151.5	163.6	340.0	+ 12.1	+ 8.0%
Gross profit*	7.4	6.0	13.5	▲ 1.4	△ 18.4%
Operating income*	2.4	0.6	3.5	▲ 1.7	△ 70.8%



1H of FY2016 (results)

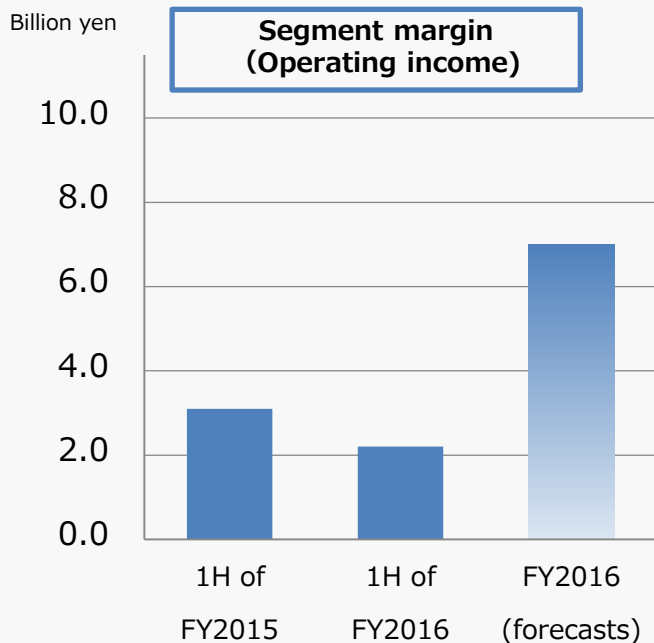
The operating loss of 0.4 billion yen for the second quarter was 0.6 billion yen in actuality, excluding the foreign exchange gains of 1.0 billion yen that were recognized as part of the revenues stemming from the weaker yen. In the foodstuff business, transactions of feed experienced difficulties in the market, although sales remained solid. The meat products business remained weak compared to the previous year, reflecting a decline in the market price of beef.

FY2016 forecasts

The meat products business, which remained sluggish in the first half, is forecasted to remain weak throughout the year, although a certain level of recovery is expected amid signs of the bottoming-out in market prices.

Appendix 6 - 3 . Segments (Steel, Materials & Plant)

(Unit: billion yen)	1H of FY2015 (results)	1H of FY2016 (results)	FY2016 (forecasts)	Comparison with FY2015	
				Change	Change(%)
Net Sales	224.2	198.9	480.0	△ 25.3	△ 11.3%
Gross profit	11.4	11.1	2.5	△ 0.4	△ 3.1%
Operating income	3.1	2.2	7.0	△ 0.9	△ 29.1%



1H of FY2016 (results)

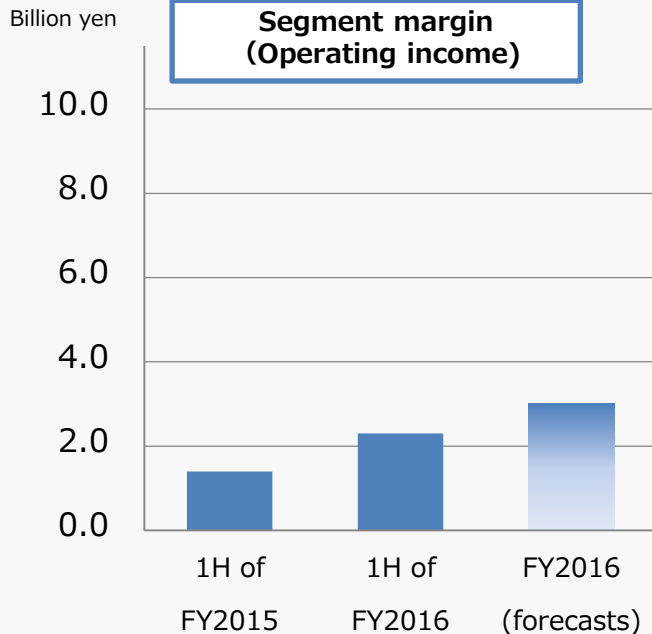
Profits declined in the plant and infrastructure business because of the project to construct a large-scale wind power station, but transactions of machine tools and industrial machinery remained solid. In the iron and steel business, transactions of oilfield tubing were weak because crude oil prices remained low.

FY2016 forecasts

The mainstay business of oilfield tubing is expected to remain weak because of the delayed recovery in crude oil prices. Recoveries from the withdrawal from unprofitable transactions in the steel business and small-scale infrastructure transactions are expected to contribute.

Appendix6-4. Segments (Motor Vehicles & Aerospace)

(Unit: billion yen)	1H of FY2015 (results)	1H of FY2016 (results)	FY2016 (forecasts)	Comparison with FY2015	
				Change	Change(%)
Net Sales	31.0	37.0	65.0	+ 6.0	+ 19.5%
Gross profit	3.8	5.0	8.0	+ 1.2	+ 30.5%
Operating income	1.4	2.3	3.0	+ 0.9	+ 66.0%



1H of FY2016 (results)

In the aerospace business, transactions of aircraft parts remained strong. The motor vehicles and parts business remained stable, centering on transactions involving motor vehicle parts.

FY2016 forecasts

With most deliveries occurring in the first half, the business slow down to a certain extent in the second half. Even so, the motor vehicles and parts business as well as aircraft parts are expected to remain solid.