



# Overview of Results for the first half of FY2018

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

\* FY2017 (the fiscal year ended March 31, 2017)

\* FY2018 (the fiscal year ended March 31, 2018)

November 9, 2017

**KANEMATSU CORPORATION**

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

# 1. Results for the first half of FY2018

# 1-1. 1H of FY2018 Highlight (P/L)

- ✓ Both revenue and profit increased. Profit for the period (attributable to owners of the parent) increased by 2.8 billion yen year on year, with favorable results.

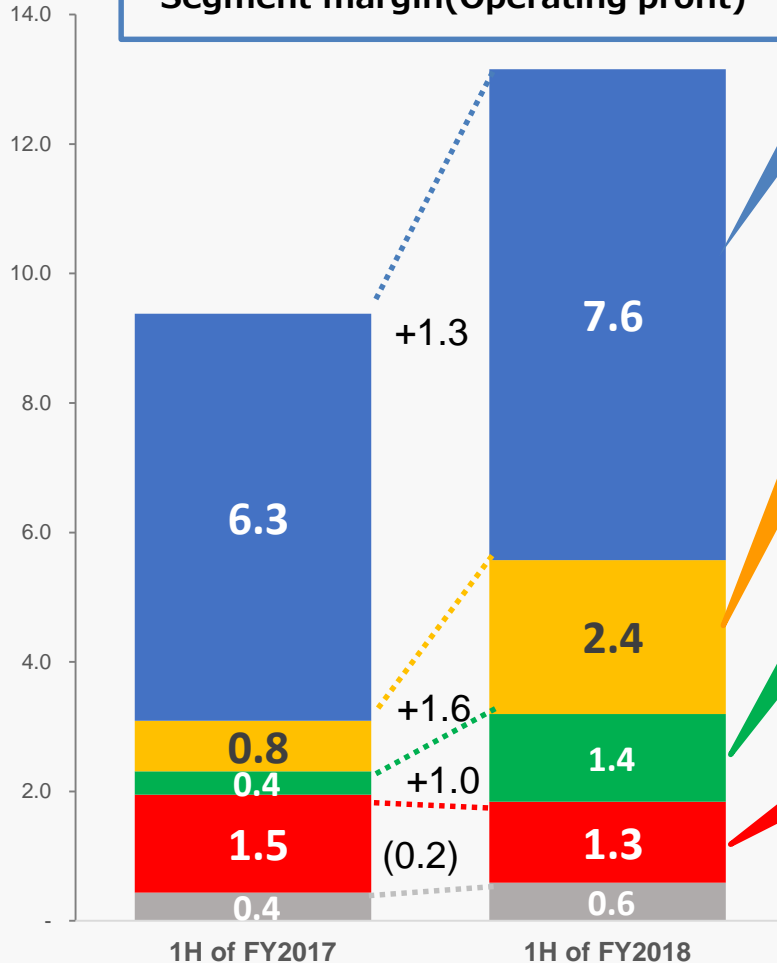
(Unit: billion yen)	1H of FY2017 (results)	1H of FY2018 (results)	Change
Revenue	325.5	335.2	9.7
Gross profit	47.7	50.9	3.2
Operating profit	9.4	13.1	3.7
Finance income (costs)	( 0.3)	( 0.6)	( 0.3)
Share of profit (loss) of investments accounted for using the equity method	( 0.8)	0.3	1.1
Profit before tax	8.3	12.8	4.5
Profit for the period attributable to owners of the parent	4.1	6.8	2.8

# 1-2. 1H of FY2018 Highlight (segment margin)

✓ Operating profit increased by 3.7 billion yen mainly in Electronics & Devices and Foods & Grain.

Billion yen

Segment margin(Operating profit)



## Electronics & Devices

**An increase in revenue and profit**

In the ICT solutions business, transactions with the manufacturing and the financial industries remained firm. The mobile business remained strong, partly reflecting synergies from the integration of mobile phone sales agent subsidiaries. The semiconductors manufacturing equipment business also remained steady, driven by the expansion of sales to China.

## Foods & Grain

**An increase in revenue and profit**

The food business remained firm. The meat products business maintained a strong performance following stable trends in market conditions. The feedstuff business also improved year on year, reflecting the recovery of feedstuff prices in Japan.

## Steel, Materials & Plant

**An increase in revenue and profit**

The energy business faced difficult circumstances in the sale of heavy oils due to sluggish demand for electric power during summer. The iron and steel, the functional chemicals, and the plant and infrastructure businesses remained firm. The oilfield tubing business moved toward a recovery overseas, partly due to stable oil prices.

## Motor Vehicles & Aerospace

**A decline in revenue and profit**

The motor vehicles and parts business remained solid. The aerospace business continued to be sluggish, partly due to the backlash against the strong performance of transactions of aircraft parts in the same period of the previous year.

# 1-3. 1H of FY2018 Highlight (B/S)

- ✓ The equity ratio increased due to the increase in retained earnings.
- ✓ The net debt-equity ratio remained low at the range of 0.5 times.

(Unit: billion yen)	FY2017 results	1H of FY2018 results
<b>Total Assets</b>	<b>479.7</b>	<b>487.0</b>
<b>Shareholders' equity (Note 1)</b>	<b>100.4</b>	<b>109.1</b>
<b>BPS(yen) (Note 2)</b>	<b>1,192</b>	<b>1,296</b>
<b>Equity ratio (Note 3)</b>	<b>20.9%</b>	<b>22.4%</b>

(Unit: billion yen)	FY2017 results	1H of FY2018 results
<b>Gross Interest-bearing debt</b>	<b>133.8</b>	<b>124.5</b>
<b>Net interest-bearing debt</b>	<b>55.4</b>	<b>54.3</b>
<b>Net debt-equity ratio (Note 4)</b>	<b>0.55times</b>	<b>0.50times</b>

(Note 1) Shareholder's equity = Total net assets - Minority interests

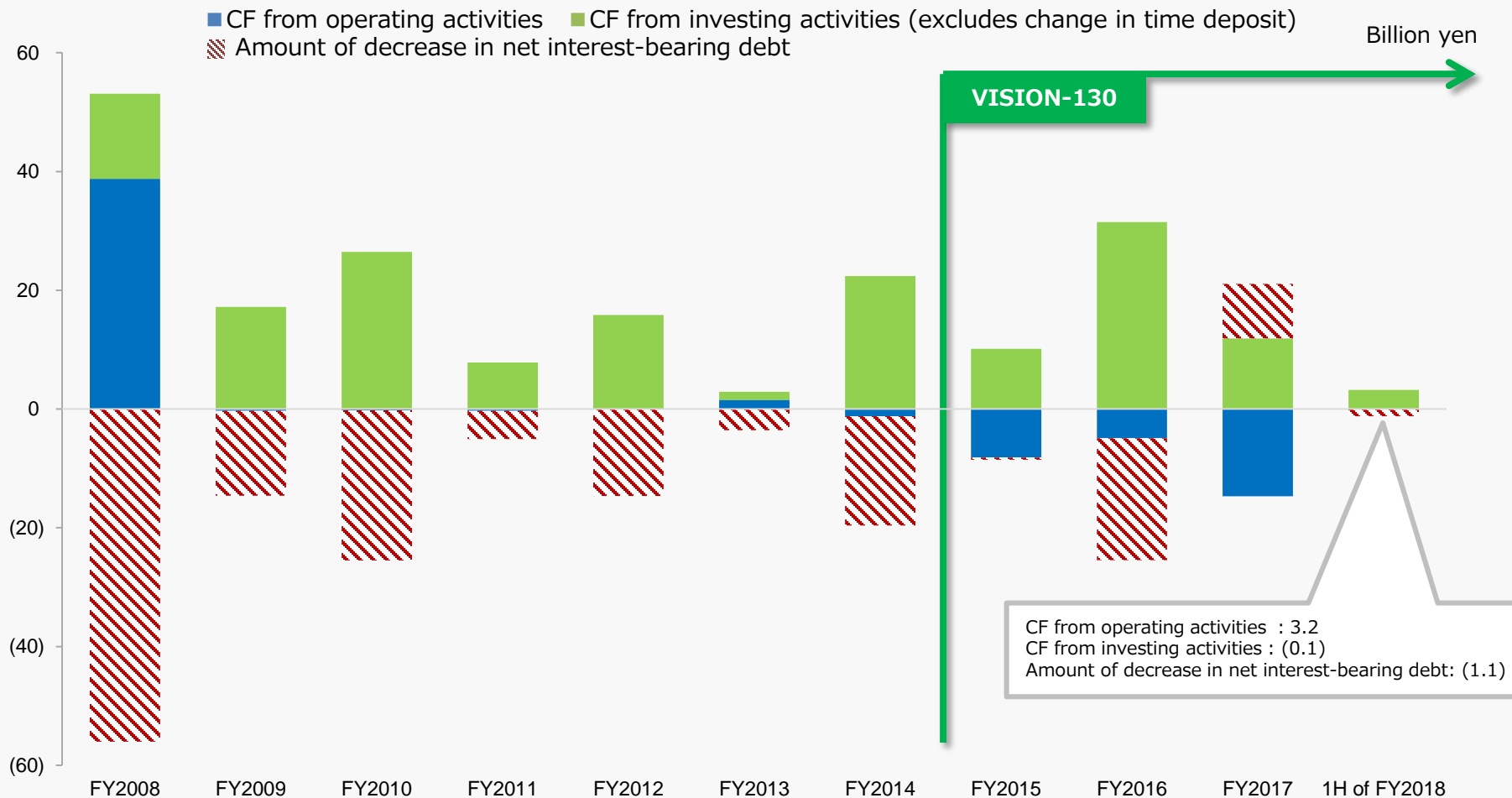
(Note 2) The Company conducted the consolidation of shares of its common stock at a rate of one share for every five shares on Oct., 1, 2017. BPS is calculated based on the assumption that the consolidation of shares was conducted at the beginning of the previous fiscal year.

(Note 3) Equity ratio = Shareholder's equity / Total assets

(Note 4) Net debt-equity ratio = Net interest-bearing debt / Equity capital

# 1-4. 1H of FY2018 Highlight (C/F)

✓ Net cash provided in operating activities stood at 3.2 billion yen, reflecting the accumulation of operating income and others.



## 2. FY2018 forecast

## 2-1. FY2018 forecast

✓ Good performance is expected for the achievement of the estimates announced at the beginning of the term.

(Unit: billion yen)	1H of FY2018 results	FY2018 forecast	Progress
Revenue	335.2	700.0	47.9%
Operating profit	13.1	25.0	52.6%
Profit before tax	12.8	23.5	54.7%
Profit for the year attributable to owners of the parent	6.8	12.0	56.9%



## 2-2. FY2018 forecast (segment margin)

✓ **Electronics & Devices will continue to prompt good results.**

### Segment margin (Operating profit)

(Unit: billion yen)	1H of FY2018 results	FY2018 forecast	Progress
<b>Electronics &amp; Devices</b>	<b>7.6</b>	<b>14.5</b>	<b>52.3%</b>
<b>Foods &amp; Grain</b>	<b>2.4</b>	<b>3.5</b>	<b>67.9%</b>
<b>Steel, Materials &amp; Plant</b>	<b>1.4</b>	<b>4.0</b>	<b>34.0%</b>
<b>Motor Vehicles &amp; Aerospace</b>	<b>1.3</b>	<b>2.5</b>	<b>50.0%</b>
<b>Others</b>	<b>0.6</b>	<b>0.5</b>	<b>117.8%</b>
<b>Total</b>	<b>13.1</b>	<b>25.0</b>	<b>52.4%</b>

### Electronics & Devices

The ICT solutions business is expected to perform well. The mobile business is also expected to show good results partly due to the integration of the subsidiaries that are distributors of mobile devices.

### Foods & Grain

Favorable performance of the meat products business for the first half will temporarily cease. The food and foodstuff businesses are expected to perform well.

### Steel, Materials & Plant

The energy business is expected to recover owing to demand for heating oil in the winter and others. In the plant business, transactions involving machine tools and industrial machinery are expected to remain steady. The oilfield tubing business overseas is also expected to continue to recover.

### Motor Vehicles & Aerospace

The motor vehicles and parts business and the aerospace business are expected to perform well.

## 2-3. FY2018 forecast (segment margin breakdown)

### Segment margin (Operating profit) forecast

Unit : Billion yen

	1H of FY2018 results	FY2018 forecast	Progress
<b>ICT solution</b>	4.3	8.7	50%
Mobile	2.4	4.5	53%
Others	0.9	1.4	64%
<b>Electronics &amp; Devices</b>	7.6	14.5	52%
<b>Foods, Meat</b>	1.5	2.0	73%
Feedstuff, Grain	0.7	1.1	62%
Others	0.3	0.4	65%
<b>Foods &amp; Grain</b>	2.4	3.5	68%
Machine tools, Industrial Machinery	0.3	1.4	23%
Overseas	0.5	1.1	49%
Chemicals, Energy & Others	0.5	1.5	33%
<b>Steel, Materials &amp; Plant</b>	1.4	4.0	34%
<b>Aerospace</b>	0.8	1.5	51%
Motor Vehicles & Parts	0.4	0.8	53%
Others	0.1	0.2	30%
<b>Motor Vehicles &amp; Aerospace</b>	1.3	2.5	50%
<b>Others</b>	0.6	0.5	114%
<b>Total</b>	13.1	25.0	53%

Expenses for the integration of KCS and DT were incurred by the second quarter. Additional synergy effects are expected in the future.

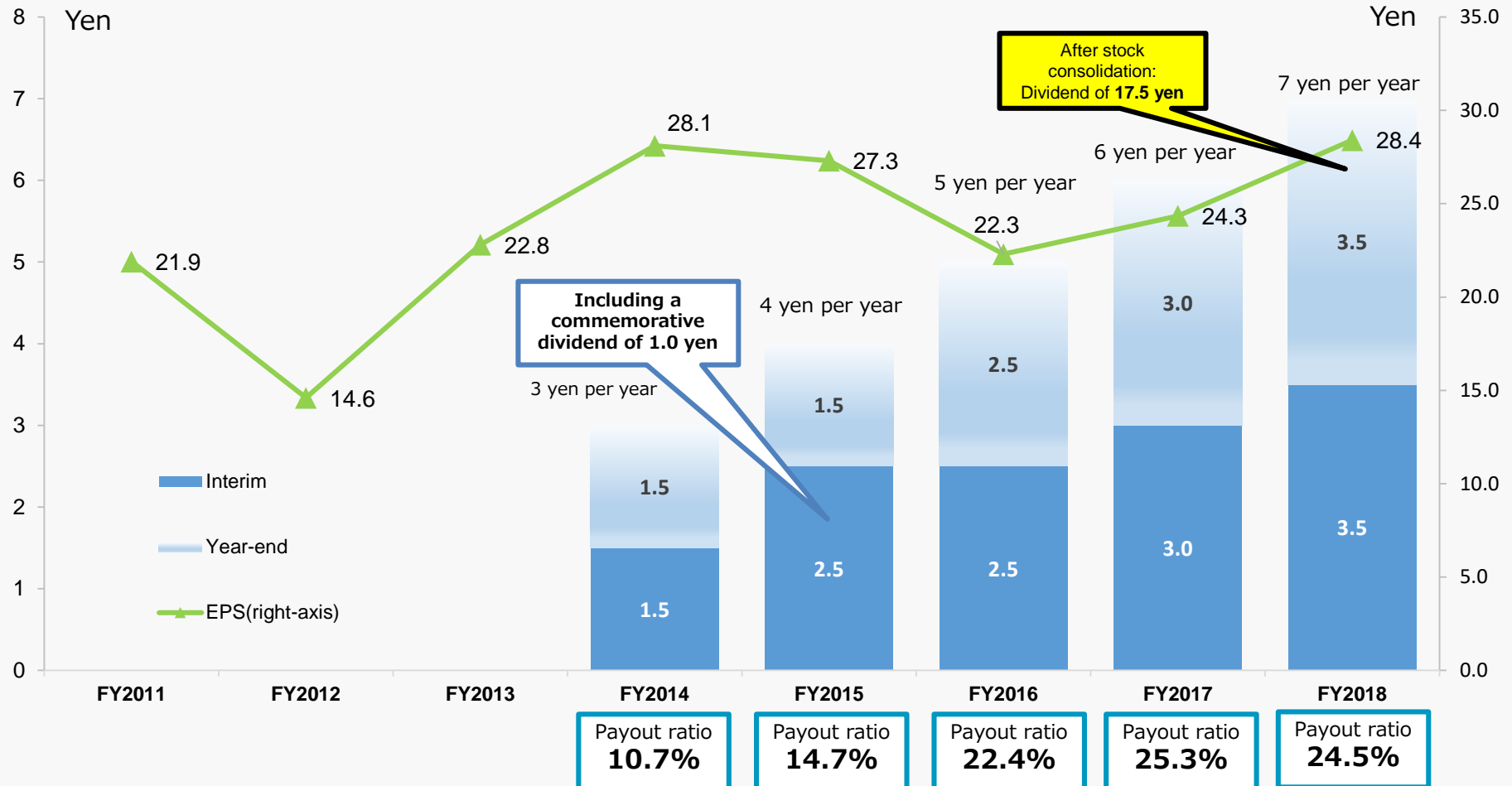
For the first half, due to the stable market situation in the meat product business, good results were maintained. For the second half, this trend will stop temporarily.

Profits are concentrated in the second half. The results will be as estimated.

Partly owing to stable oil prices, the business turned to a recovery trend, which is expected to continue in the second half.

# 2-4. FY2018 forecast Dividends

- ✓ Pay stable and continuous dividends, with a goal of consolidated dividend payout ratio of 25%.
- ✓ No change to the plan to pay an annual dividend of 7 yen per share in FY2018 (prior to stock consolidation).



### 3. Integration of the mobile business subsidiary

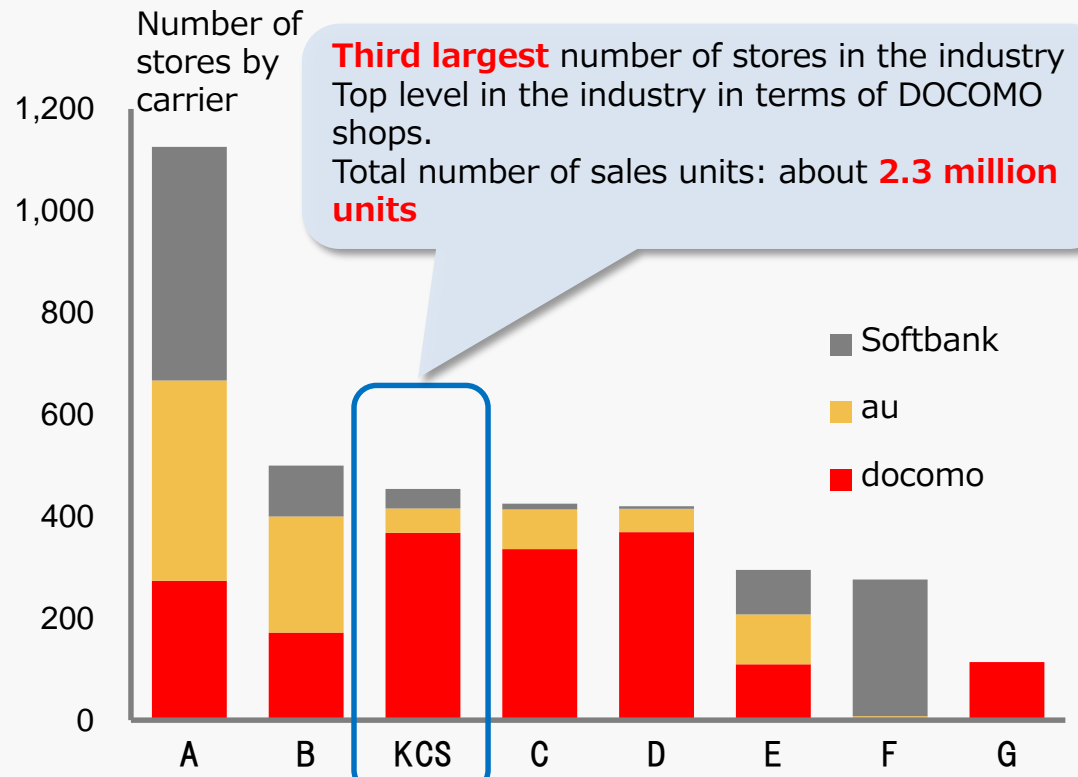
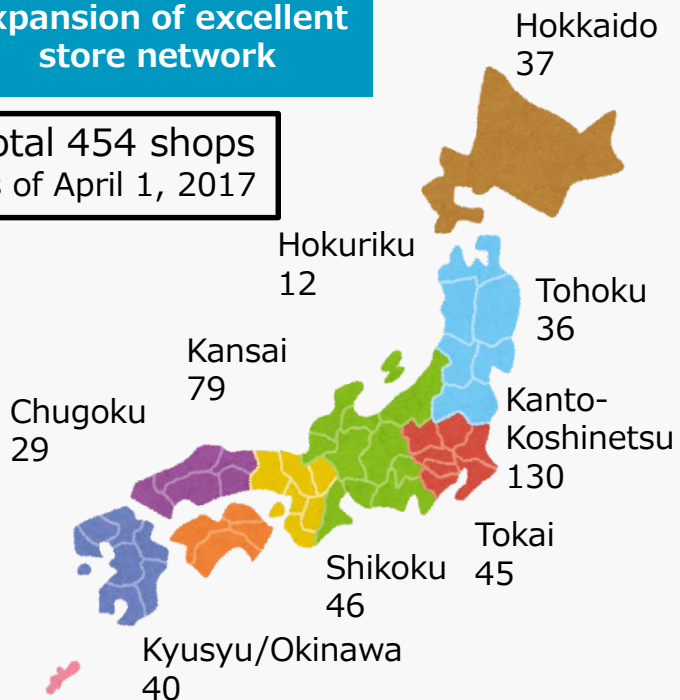
# 3-1. Integration of the mobile business subsidiary

## < Position in the industry >

- ✓ Upon integration of Kanematsu Communications Limited (KCS) and Diamond Telecom, Inc. (DT) on April 1, 2017, the number of stores and sales units will soon reach the top level in the industry.

### Expansion of excellent store network

Total 454 shops  
As of April 1, 2017

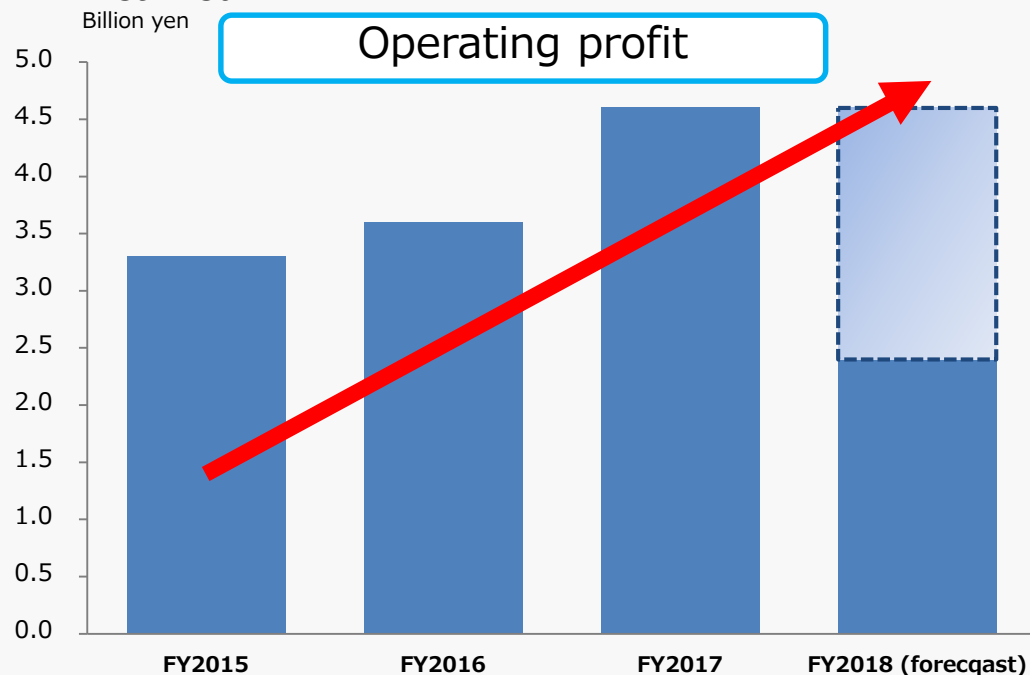


## 3-2. Integration of the mobile business subsidiary

### < State of business results >

- ✓ For the first half, a positive start was made due to synergy effects, despite the costs of integration incurred.
- ✓ For the second half, profit increase is expected.

- ✓ Increase in commission of an agent due to expansion of the scale, improvement of profits per store, reduction of indirect costs and other synergy effects are steadily realized.



Unit: billion yen

	Revenue	Operation profit
FY2018 forecast	135.0	4.5
FY2017	131.9	4.5
FY2016	115.7	3.6
FY2015	113.2	3.3

※ Data of KCS and DT is simply added for 2017.

# 3-3. Integration of the mobile business subsidiary

## < State of integration progress >

- ✓ **The core part of integration is almost completed.**
  - ✓ **Increase synergy of integration with cost reduction for management and personnel exchange.**
- ✓ Reconstruct the organizational system and consolidate offices upon integration of KCS/DT.
  - ✓ The reduction of indirect costs continues almost as planned.



<KCS Headquarter>

**Review of  
organizational system**

**Consolidation of  
offices**

**Personnel  
exchange**

**Integration of  
personnel system**

**Integration of  
core systems**

**Unification of rules  
applicable to the overall  
business**

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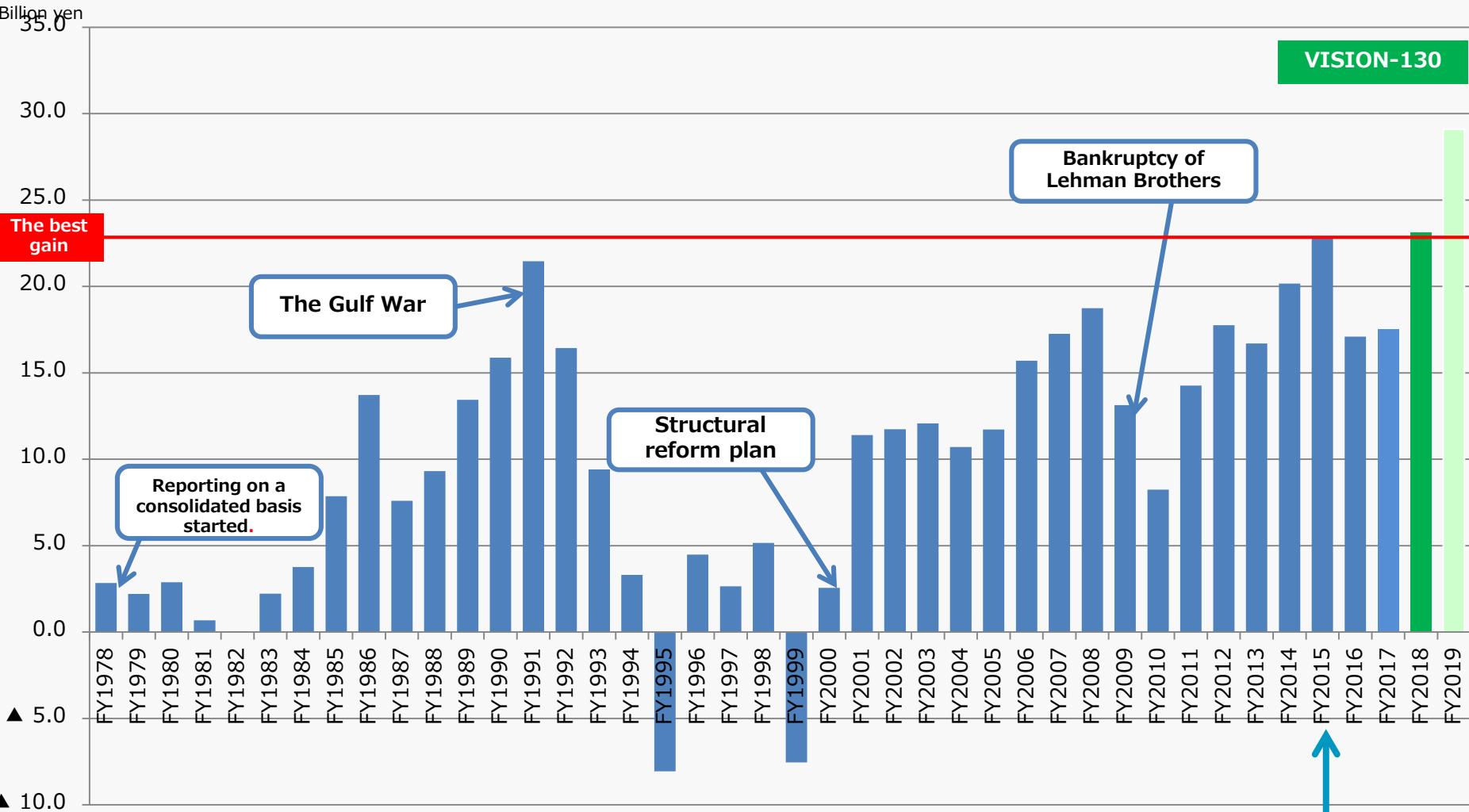


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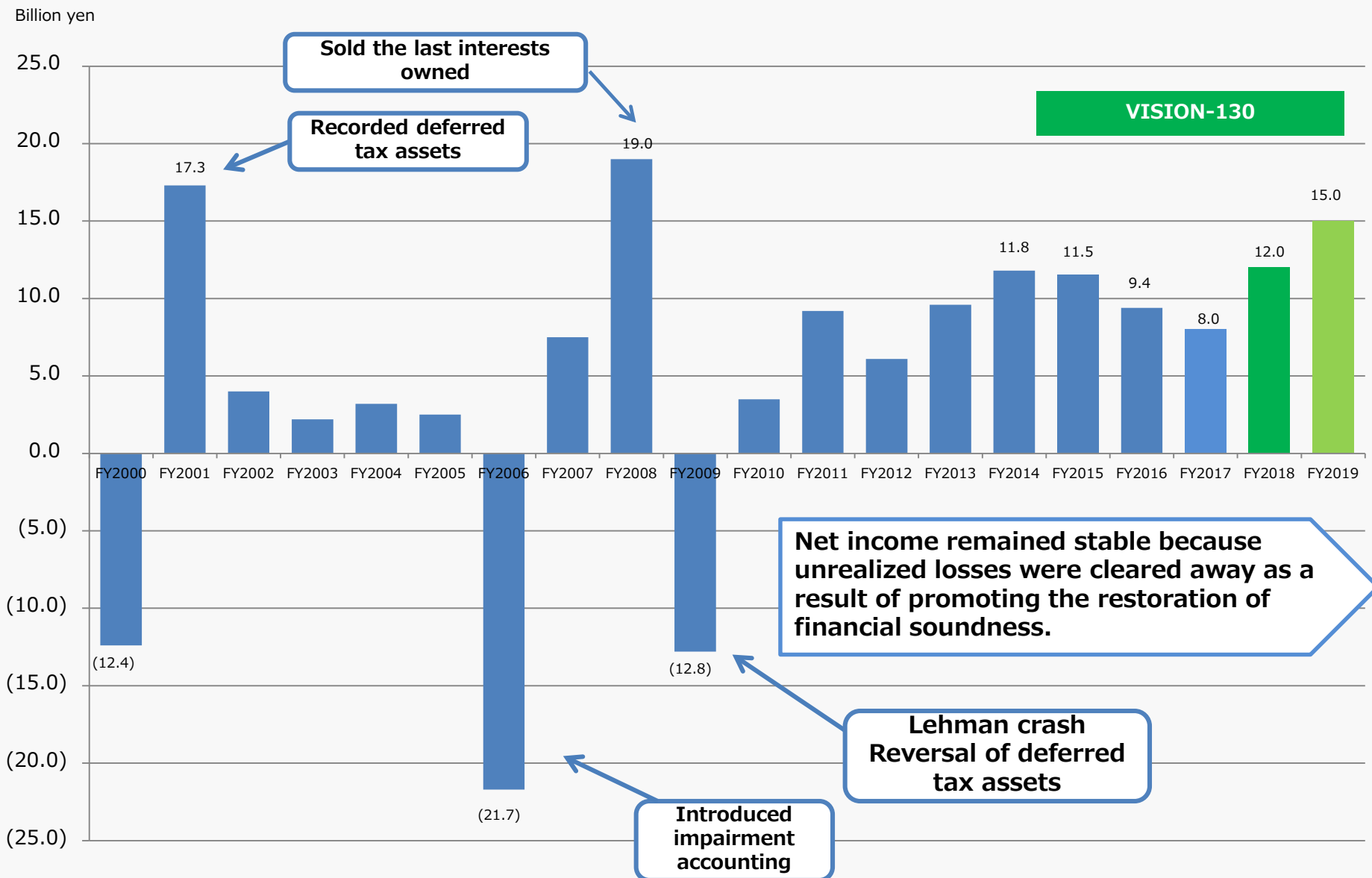
# Appendix

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

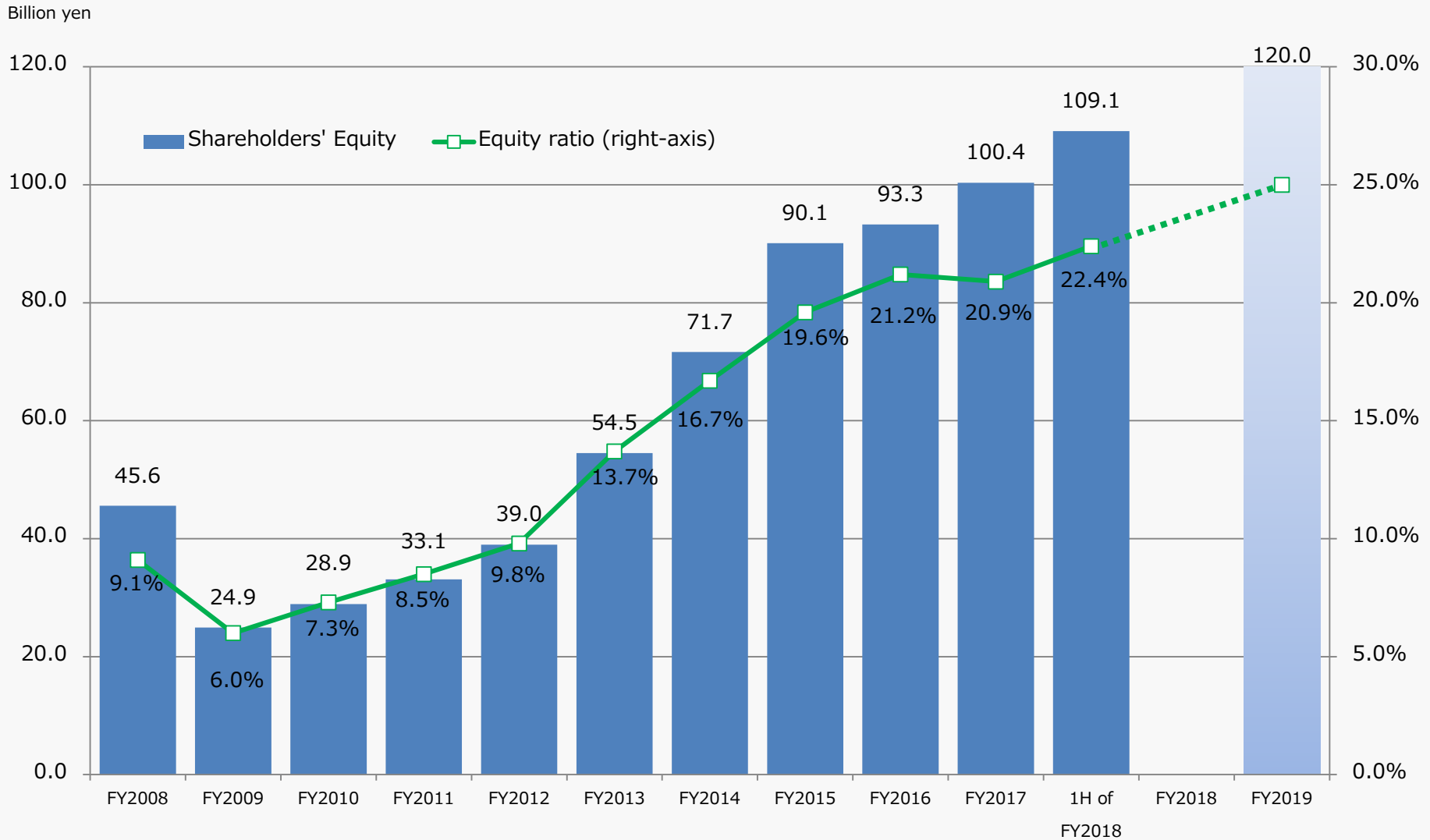


\*Mentioned value is Profit before tax instead of Ordinary income from FY2017

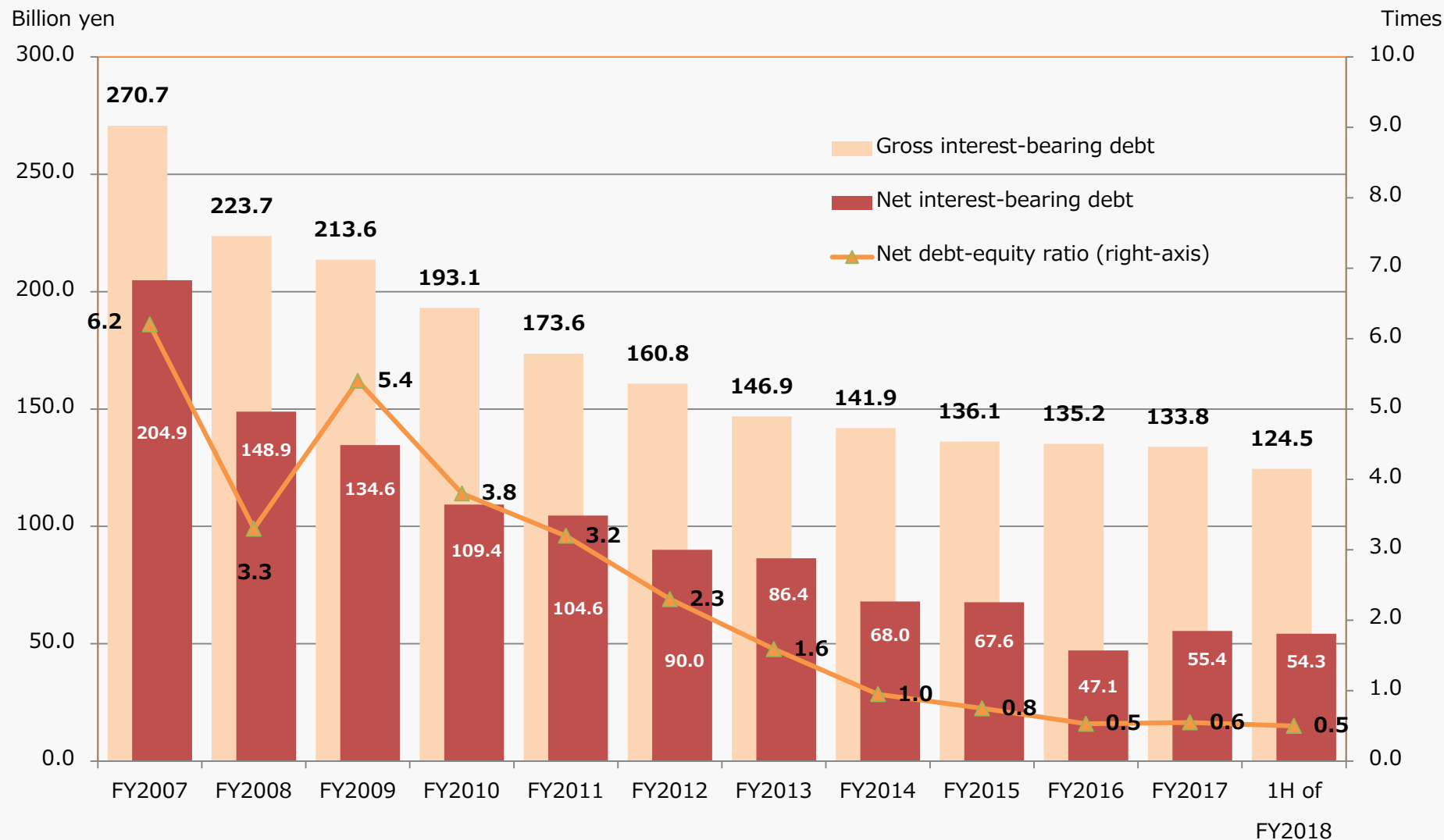
# Appendix 1 -2. Consolidated Net income (from FY2000)



# Appendix 1 - 3. Shareholders' Equity & Equity Ratio



# Appendix 1 -4. Interest-bearing debt & Net debt-equity ratio



# Appendix 2. Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
<b>Electronics &amp; Devices</b>	Semiconductor Parts & Equipment	Semiconductor / electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Kanematsu Susteck 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	
<b>Foods &amp; Grain</b>	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanememory 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	
<b>Steel, Materials &amp; Plant</b>	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	
<b>Motor vehicles &amp; Aerospace</b>	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 3 . Subsidiaries and Affiliates (Net sales and Ordinary income)

(Unit: billion yen)	Business	Ownership ratio	1H of FY2017		1H of FY2018	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	30.5	4.5	29.4	4.3
Kanematsu Communications Ltd.	Mobile	100.00%	49.0	1.6	58.2	2.4
Kanematsu Sustech Corp.	Security system etc.	52.88%	6.2	0.5	6.3	0.5
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100.00%	13.1	0.2	13.9	0.2
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	6.2	( 0.0)	5.8	0.1
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	4.0	0.1	4.4	0.2
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	3.1	0.5	3.1	0.3
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	6.4	0.1	7.8	0.2
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	2.3	0.3	2.0	0.3
Shintoa Corporation	Trading company	100.00%	13.6	0.7	12.3	0.6
Kanematsu USA Inc.	Overseas subsidiary	100.00%	43.7	( 0.5)	51.4	0.6

# Appendix 4. Subsidiaries

## Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

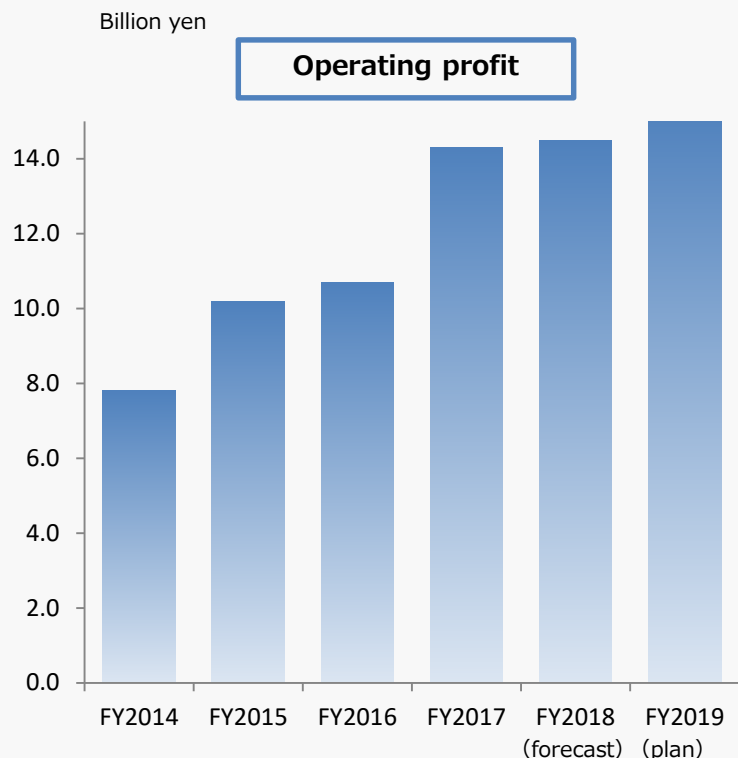
(Companies)	1H Of FY2017					1H of FY2018					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	37	30	9	13	89	34	30	11	11	86	( 3 )
Ratio (%)	86%	65%	75%	81%	76%	83%	65%	85%	69%	74%	—
Non profitable	6	16	3	3	28	7	16	2	5	30	2
<b>Total</b>	<b>43</b>	<b>46</b>	<b>12</b>	<b>16</b>	<b>117</b>	<b>41</b>	<b>46</b>	<b>13</b>	<b>16</b>	<b>116</b>	<b>( 1 )</b>

## Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(Unit : billion yen)	1H Of FY2017					1H of FY2018					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	4.8	0.4	0.2	0.1	5.5	4.7	1.1	0.2	0.1	6.1	0.6
Sum of loss posted by non-profitable	( 0.1 )	( 0.5 )	( 1.0 )	( 0.1 )	( 1.7 )	( 0.0 )	( 0.1 )	( 0.0 )	( 0.0 )	( 0.2 )	1.5
<b>Total</b>	<b>4.7</b>	<b>( 0.1 )</b>	<b>( 0.8 )</b>	<b>0.1</b>	<b>3.9</b>	<b>4.7</b>	<b>1.0</b>	<b>0.2</b>	<b>0.1</b>	<b>6.0</b>	<b>2.1</b>

# Appendix5-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2017		FY2018		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
<b>Revenue</b>	<b>118.9</b>	<b>254.3</b>	<b>120.7</b>	<b>260.0</b>	<b>1.8</b>	<b>5.7</b>
<b>Operating profit</b>	<b>6.3</b>	<b>14.3</b>	<b>7.6</b>	<b>14.5</b>	<b>1.3</b>	<b>0.2</b>



## 1H of FY2018 results

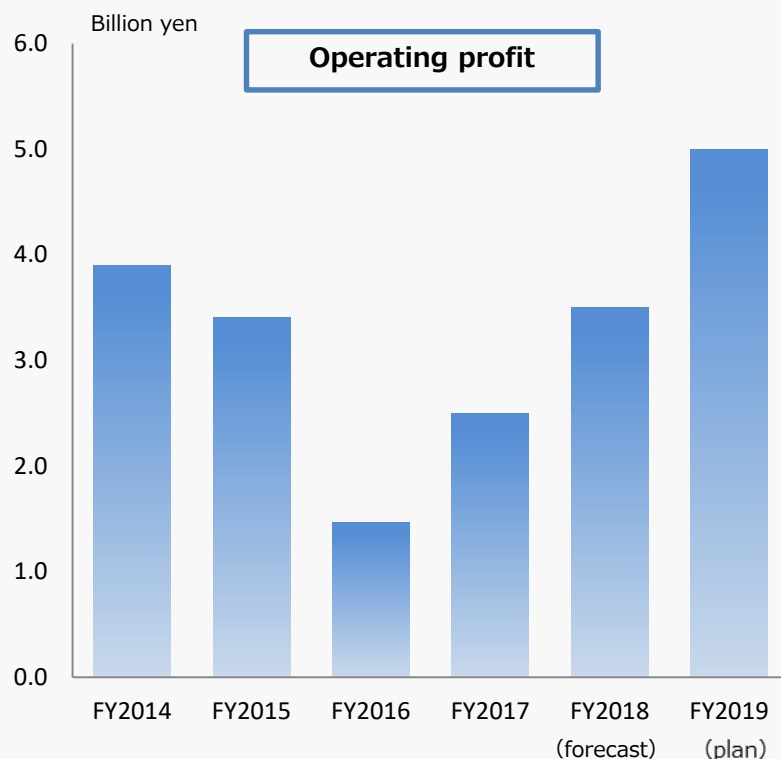
In the ICT solutions business, transactions with the manufacturing and the financial industries remained firm. The mobile business remained strong, partly reflecting synergies from the integration of mobile phone sales agent subsidiaries. The semiconductors manufacturing equipment business also remained steady, driven by the expansion of sales to China.

## FY2018 forecast

The ICT solutions business is expected to perform well. The mobile business is also expected to show good results partly due to the integration of the subsidiaries that are distributors of mobile devices.

# Appendix5- 2. Segments (Foods & Grain)

(Unit: billion yen)	FY2017		FY2018		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
<b>Revenue</b>	<b>114.0</b>	<b>227.8</b>	<b>114.6</b>	<b>230.0</b>	<b>0.6</b>	<b>2.2</b>
<b>Operating profit</b>	<b>0.8</b>	<b>2.5</b>	<b>2.4</b>	<b>3.5</b>	<b>1.6</b>	<b>1.0</b>



## 1H of FY2018 results

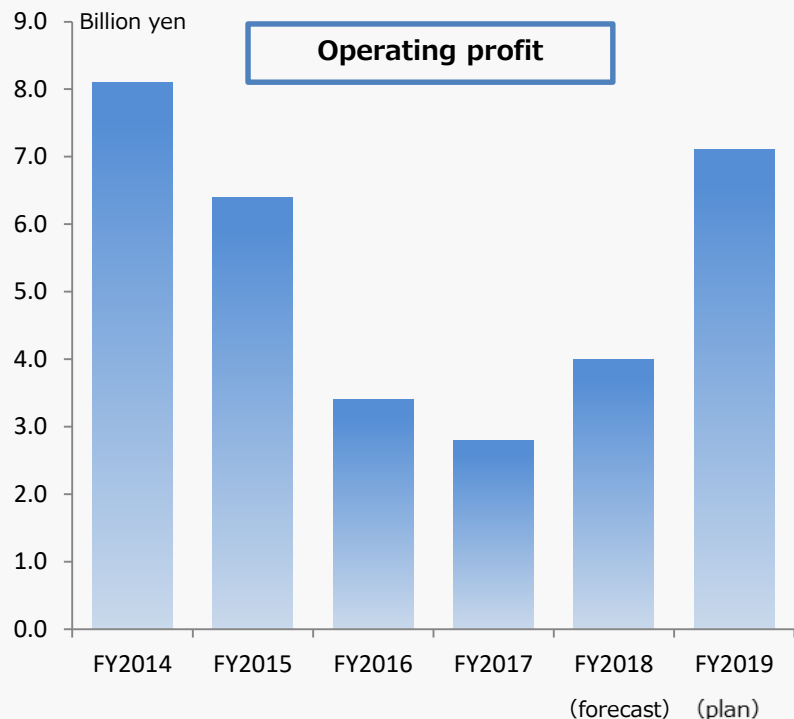
The food business remained firm. The meat products business maintained a strong performance following stable trends in market conditions. The feedstuff business also improved year on year, reflecting the recovery of feedstuff prices in Japan.

## FY2018 forecast

Favorable performance of the meat products business for the first half will temporarily cease. The food and foodstuff businesses are expected to perform well.

# Appendix 5 - 3 . Segments (Steel, Materials & Plant)

(Unit: billion yen)	FY2017		FY2018		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
<b>Revenue</b>	<b>56.3</b>	<b>131.2</b>	<b>69.1</b>	<b>150.0</b>	<b>12.8</b>	<b>18.8</b>
<b>Operating profit</b>	<b>0.4</b>	<b>2.8</b>	<b>1.4</b>	<b>4.0</b>	<b>1.0</b>	<b>1.2</b>



## 1H of FY2018 results

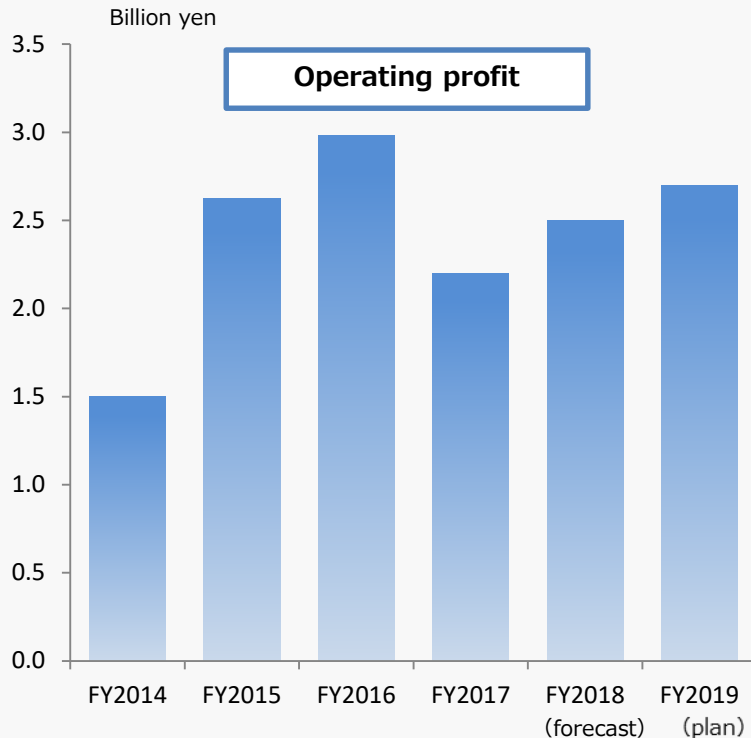
The energy business faced difficult circumstances in the sale of heavy oils due to sluggish demand for electric power during summer. The iron and steel, the functional chemicals, and the plant and infrastructure businesses remained firm. The oilfield tubing business moved toward a recovery overseas, partly due to stable oil prices.

## FY2018 forecast

The energy business is expected to recover owing to demand for heating oil in the winter and others. In the plant business, transactions involving machine tools and industrial machinery are expected to remain steady. The oilfield tubing business overseas is also expected to continue to recover.

# Appendix 5 -4. Segments (Motor Vehicles & Aerospace)

(Unit: billion yen)	FY2017		FY2018		Change	
	(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
<b>Revenue</b>	<b>30.1</b>	<b>50.4</b>	<b>24.5</b>	<b>50.0</b>	<b>( 5.6)</b>	<b>( 0.4)</b>
<b>Operating profit</b>	<b>1.5</b>	<b>2.2</b>	<b>1.3</b>	<b>2.5</b>	<b>( 0.2)</b>	<b>0.3</b>



## 1H of FY2018 results

The motor vehicles and parts business remained solid. The aerospace business continued to be sluggish, partly due to the backlash against the strong performance of transactions of aircraft parts in the same period of the previous year.

## FY2018 forecast

The motor vehicles and parts business and the aerospace business are expected to perform well.