



Medium-Term Vision - *future 135* -

FY2019~FY2024

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.

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



May 16, 2018
KANEMATSU CORPORATION

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

Table of Contents

01 / History

02 / Previous Medium-Term Vision / Summary of VISION-130

- (1) Quantitative target
- (2) Qualitative target
- (3) Stable financial structure
- (4) Stable earnings structure

03 / New Medium-Term Vision / 「future 135」

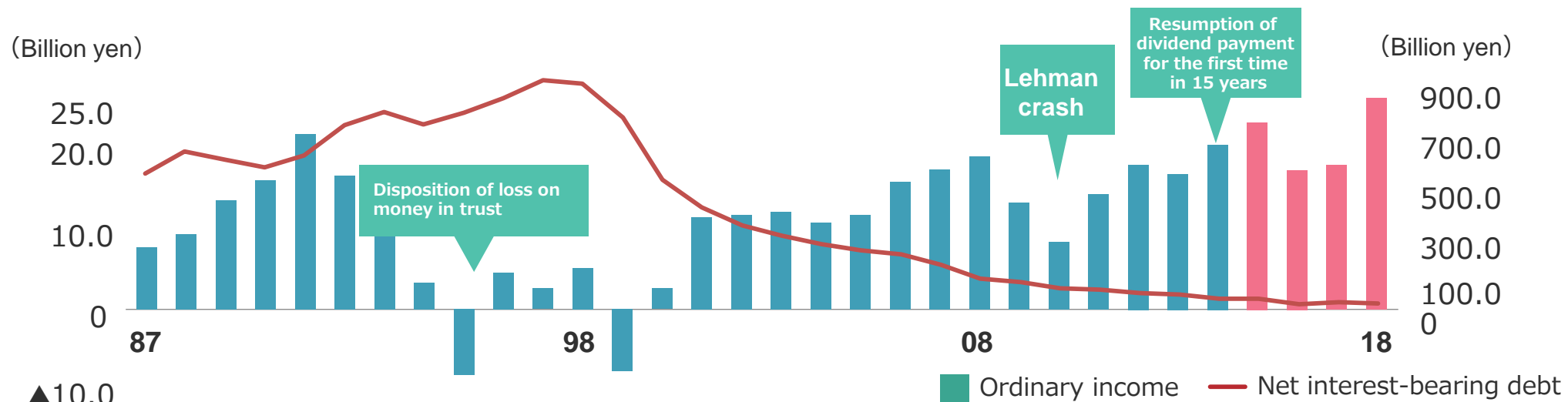
- (1) Essentials
- (2) Image of growth
- (3) Image of growth for each segment
- (4) Change of operating profit in main segments
- (5) Return to shareholders
- (6) Establishment of management infrastructure for achieving sustained growth

Reference: Governance system of Kanematsu

1. History

- The 5-Year Medium-Term Vision, VISION-130, was initiated in 2014. The profit target was achieved one year ahead of schedule. The dividend continues to be increased steadily.
- "future 135" was launched in 2018, with the aim of being a unique general trade company with a stable profit structure/financial base as our advantage.

Expansion and collapse of bubble economy > Financial crisis in Japan > Squeezing of interest-bearing debt and improvement of financial strength > **VISION-130**



2-(1) Summary of VISION-130 ① Quantitative target

In the previous Medium-Term Vision, VISION-130, “maintaining healthy financial strength” and “expansion of revenue base” were adopted as the management targets, with the fiscal year ending March 2019 as the final period to mark the 130th anniversary of the founding of our company.

	VISION-130 target	FY2018
Consolidated profit for the year	15.0 billion yen	16.3 billion yen
ROE	12.0%	15.1%



The consolidated profit for the year target for the year of 15 billion yen was achieved one year ahead of schedule. Return on equity cleared the target, reaching 15.1%.

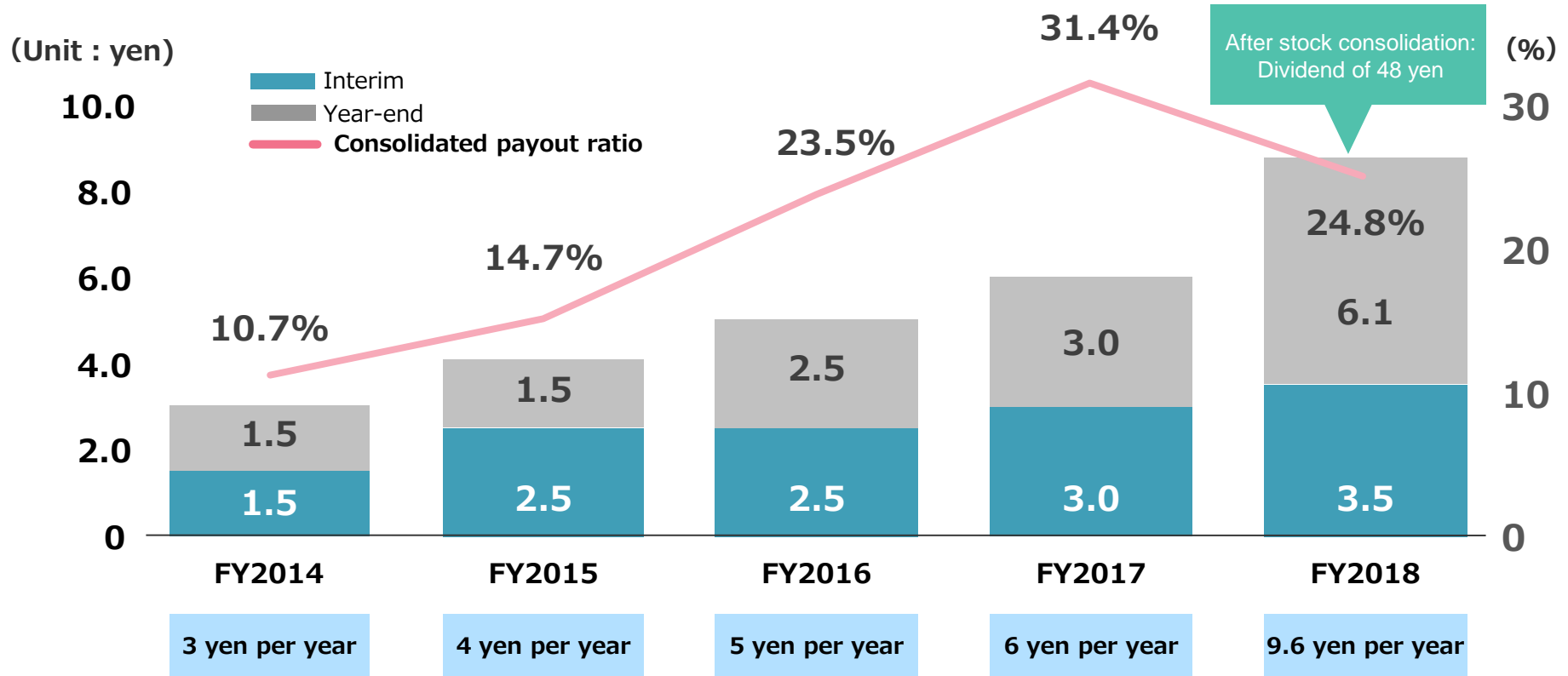
	VISION-130 target	FY2018
Shareholder's equity	Over 120.0 billion yen	116.0 billion yen
Net D/E ratio	Under 1.0 times	0.5 times



Regarding shareholder's equity, it was increased steadily to the target level, despite lower stock prices and the appreciation of the yen in the second half of the year. The net D/E ratio remained low at the range of 0.5 times.

2-(2) Summary of VISION-130 ② Qualitative target

- Targeting a consolidated dividend payout ratio of 25%, stable and continued dividend payment is a clear focus.
- Stable dividend payment has been undertaken since the fiscal year ended March 2014, with an annual dividend payment of 48 yen planned for the first half.



2-(3) Stable financial structure

- Establish a financial structure that covers all non-current assets including goodwill and other investment with own equity capital.
- Non-consolidated retained earnings exceed the annual dividend payment equivalent to 10 years, maintaining a sufficient capacity available for dividend payment.

(Unit : billion yen)

	FY2016	FY2017	FY2018
Total assets	443.6	479.7	519.9
Current assets	346.6	371.3	414.7
Non-current assets	97.0	108.4	105.2
Property, plant and equipment	26.9	26.9	21.9
Goodwill · Intangible assets	12.7	27.2	26.9
Investments accounted for using the equity method	7.4	4.9	5.2
Other investments	31.5	34.1	38.0
Deferred tax assets	9.1	5.0	3.7
Others	9.4	10.3	9.5
Shareholder's equity	91.6	100.4	116.0
Non-current assets / Shareholder's equity	1.06 times	1.08 times	0.91 times
(For reference : Equity ratio)	20.6%	20.9%	22.3%

(Unit : billion yen)

Non-consolidated retained earnings	23.2	26.6	34.0
Annual dividend	1.7	2.3	2.7
Retained earnings/ Annual dividend	14 years	11 years	13 years

2-(4) Stable earnings structure

- For an affiliate company, in principle making it a consolidated subsidiary and taking the initiative to become involved in management and demonstrate the strength and capabilities of our company.
- Reduce equity-method investment and establish an earnings structure where profit from sales activities \doteq earnings before tax.
- As a result, achieve a stable revenue base that is not significantly influenced by the condition of commodity markets and the global economic trends.

(Unit : billion yen)

	FY2016	FY2017	FY2018
Revenue	668.4	675.6	714.8
Gross profit	86.2	100.1	106.4
Operating profit	18.8	22.6	26.2
Share of profit (loss) of investments accounted for using the equity method	0.7	(2.0)	1.6
Dividend income	0.9	1.1	1.1
Interest & the other finance income (costs)	(2.3)	(3.8)	(2.8)
Profit before tax	18.1	17.9	26.0
Profit for the year attributable to owners of the parent	9.0	8.0	16.3

Operating profit/Profit before tax

103.6%

126.6%

100.4%

3-(1) *future 135* Essentials

Quantitative
target

Consolidated profit for the year : **25.0 billion yen**

R O E : 13% - 15%

Total return ratio : 25% - 30%

(The last year: FY2024)



By further enhancing our strong business and achieving sustained growth in the business segment of our stable revenue base, pursue the expansion of scale and the acquisition of added value with an effective investment in our business.

Target a consolidated profit for the year of 25 billion yen.



Based on a stable earnings structure/financial structure, the dividend payout ratio (total payout ratio) is set at 25%-30%, promoting management with the emphasis placed on capital efficiency.



The new Medium-Term Vision is for the 6 years from the fiscal year ending March 2019 to the fiscal year ending March 2024.

(Three years after the initiation of the Medium-Term Vision, the direction will be reconfirmed, including the progress of business investment.)

3-(2) future 135 Image of growth

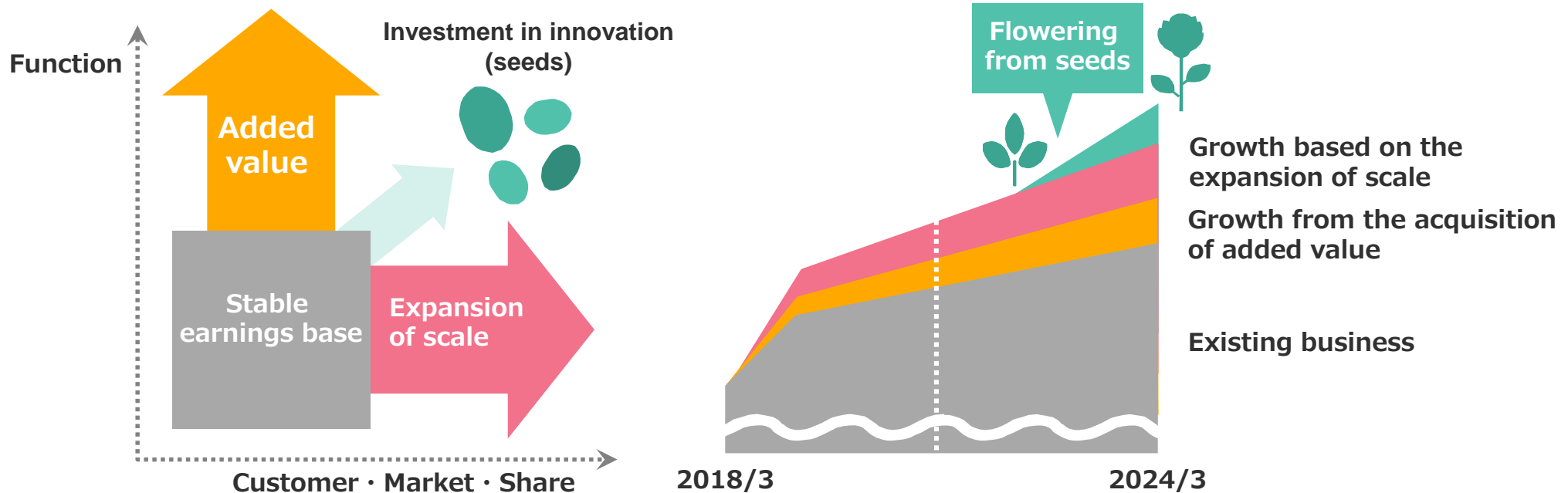
Expansion of scale

Added value



Investment in innovation

Based on sustained growth in the business segment with a stable revenue base, make an investment of 2 axis plus 1 to achieve further growth.



3-(3) *future 135* Image of growth for each segment

Aim to increase profit based on the sustained growth of the business that is our basis, the expansion of scale by investment in our business and increased added value.

Mobile business

Expansion of scale by mergers and acquisitions

Reorganization of a sales network

Electronics

Reorganization and enhancement of printer business

Reorganization and enhancement of semiconductor business

New business based on advanced technology such as AI/IoT as a core

Motor Vehicles & Aerospace

Accumulation of assets in the aerospace business

Expansion into the space-related area

ICT solution business

Sustained growth using our strength

Foods & Grain

Expansion of scale of meat products business

Expansion in the food market in Asia

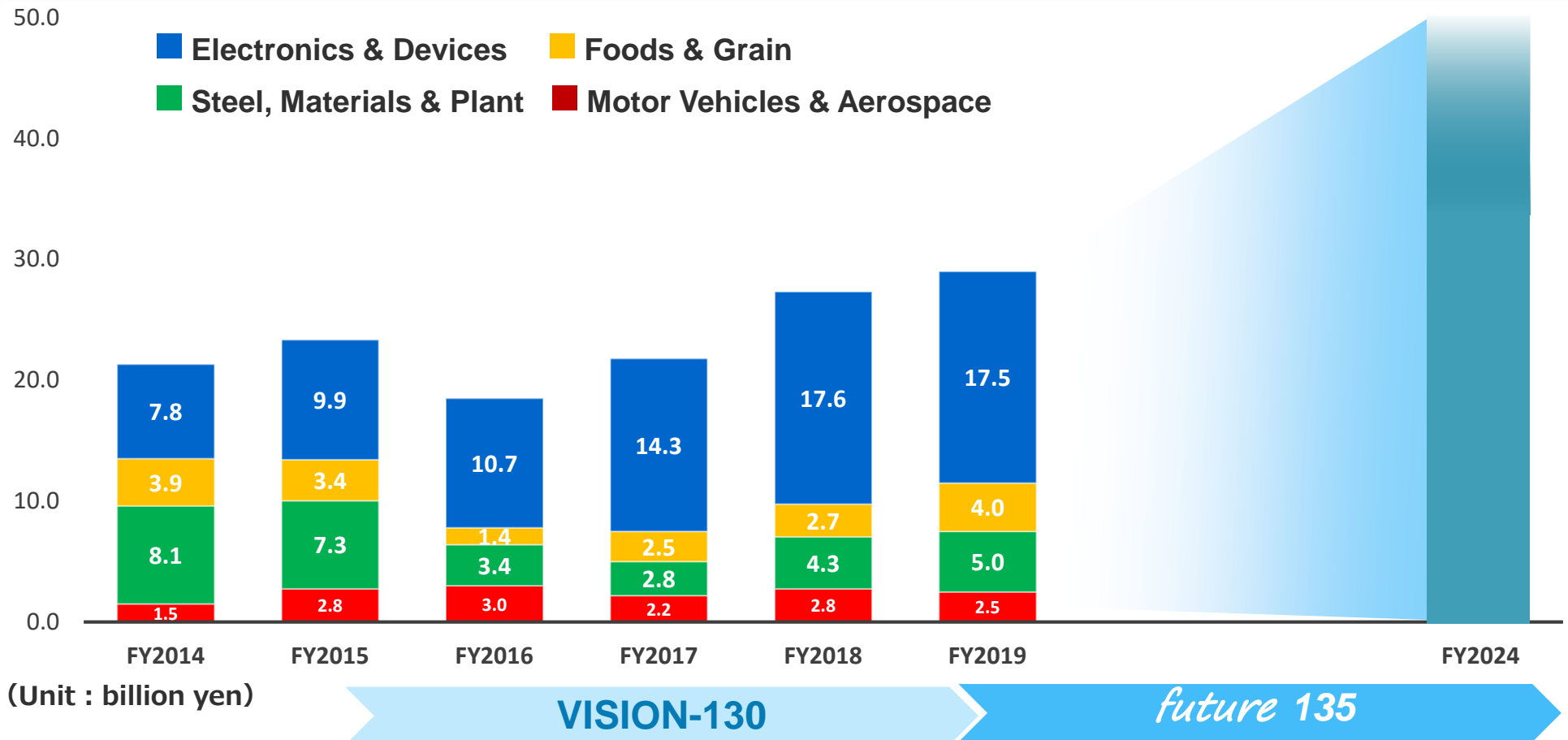
Steel · Plants Energy · Chemical

Horizontal development in the machinery and chemicals businesses

Stable earnings base

■ Acquisition of added value ■ Expansion of scale ■ Investment in innovation (seeds)

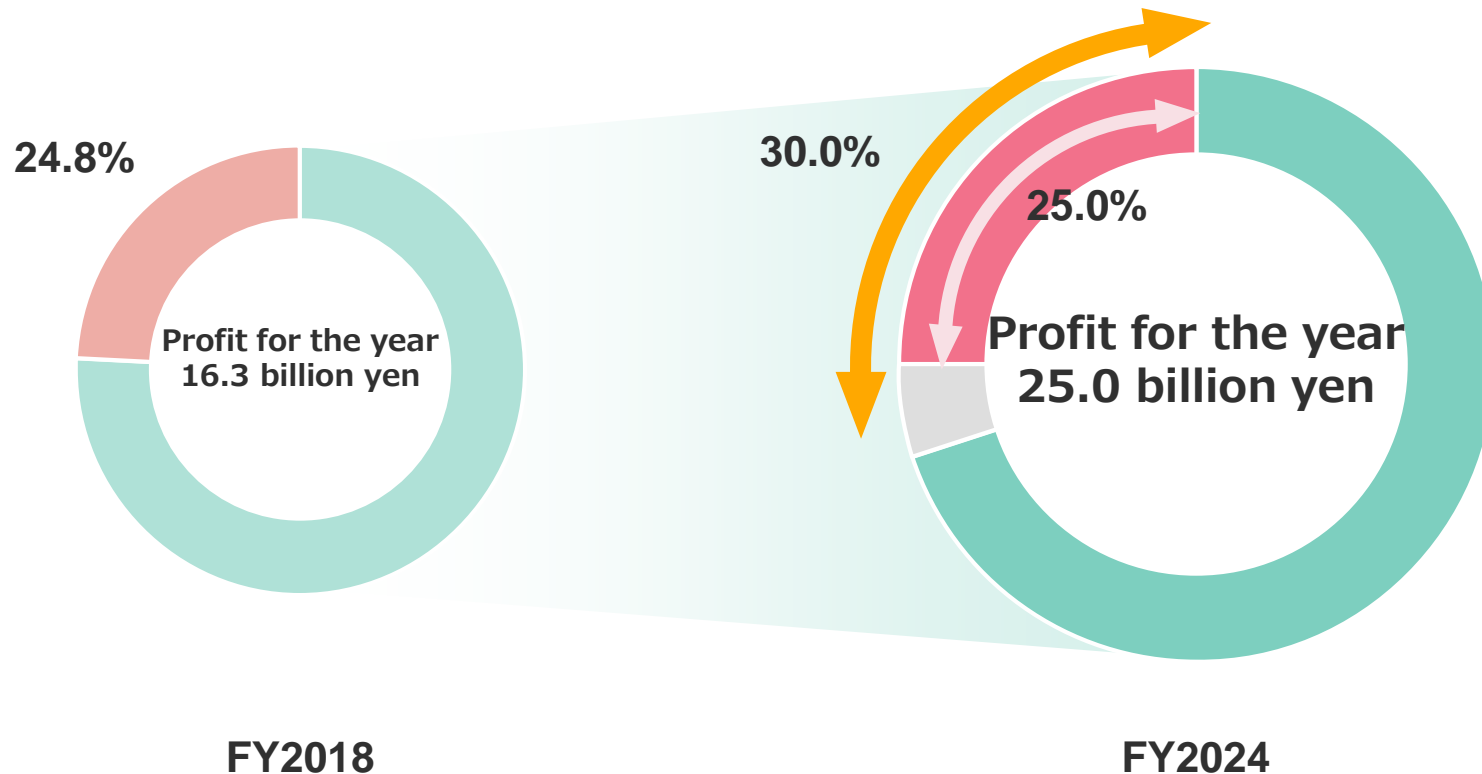
3-(4) *future 135* Change of operating profit in main segments



- (Note) 1. For the fiscal years ending March 2014 and 2015, the Japanese standard for operating income plus exchange rate fluctuations is adopted. In the fiscal years ending March 2016 and thereafter, operating profit in IFRS is adopted.
 2. Other segments are not included.

3 -(5) Return to shareholders

- The return to shareholders is 25-30% of the net profit for the year. Stable and continued dividend payment is continued.
- Based on the progress of investment in business, implement return to shareholders by ordinary dividend, share buyback, etc.





Building a system that responds to a global strategy

- Expansion of the number of operating companies at main overseas areas
- Fostering and appropriate allocation of global human resources



Fostering of managerial talents

- Enhancement of training for fostering management talents
- Accumulation of administrative experience in an in-house rotation



Improvement of employee satisfaction (E S)

- Promotion of “work style reform”

Reference: Governance system of Kanematsu

(As of 22 June, 2018)

Organization

Organizational form : A company with board of company auditors
Directors : 8 (included Outside Directors 3)
Audit & Supervisory Board Member : 4 (included Outside Audit & Supervisory Board Members 3)

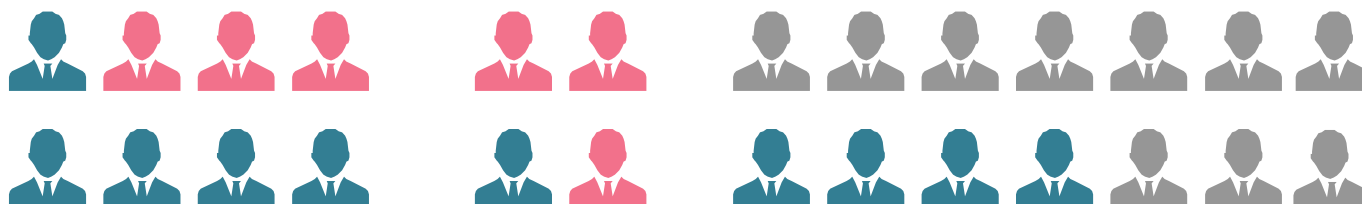
Advisory body

Nominating committee : Chairperson (Chairman)
 Outside Directors 3
Compensation committee : Chairperson (President)
 Outside Directors 3

Introduction of performance-based stock compensation plan

A performance-based stock compensation plan will be introduced for directors starting in the fiscal year ending March 2019. Clarify the relationship between the payment to directors and the performance of our company and the value of shares.

Composition



Directors

Audit & Supervisory Board Member

Executive Officers (14)



In-house director or audit & supervisory Board member



Outside director or audit & supervisory Board member