

Overview of Results for FY2019

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.

Due to 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.

* FY2019 (the fiscal year ended March 31, 2019)



May 16, 2019
KANEMATSU CORPORATION

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

1. Overview of results for FY2019

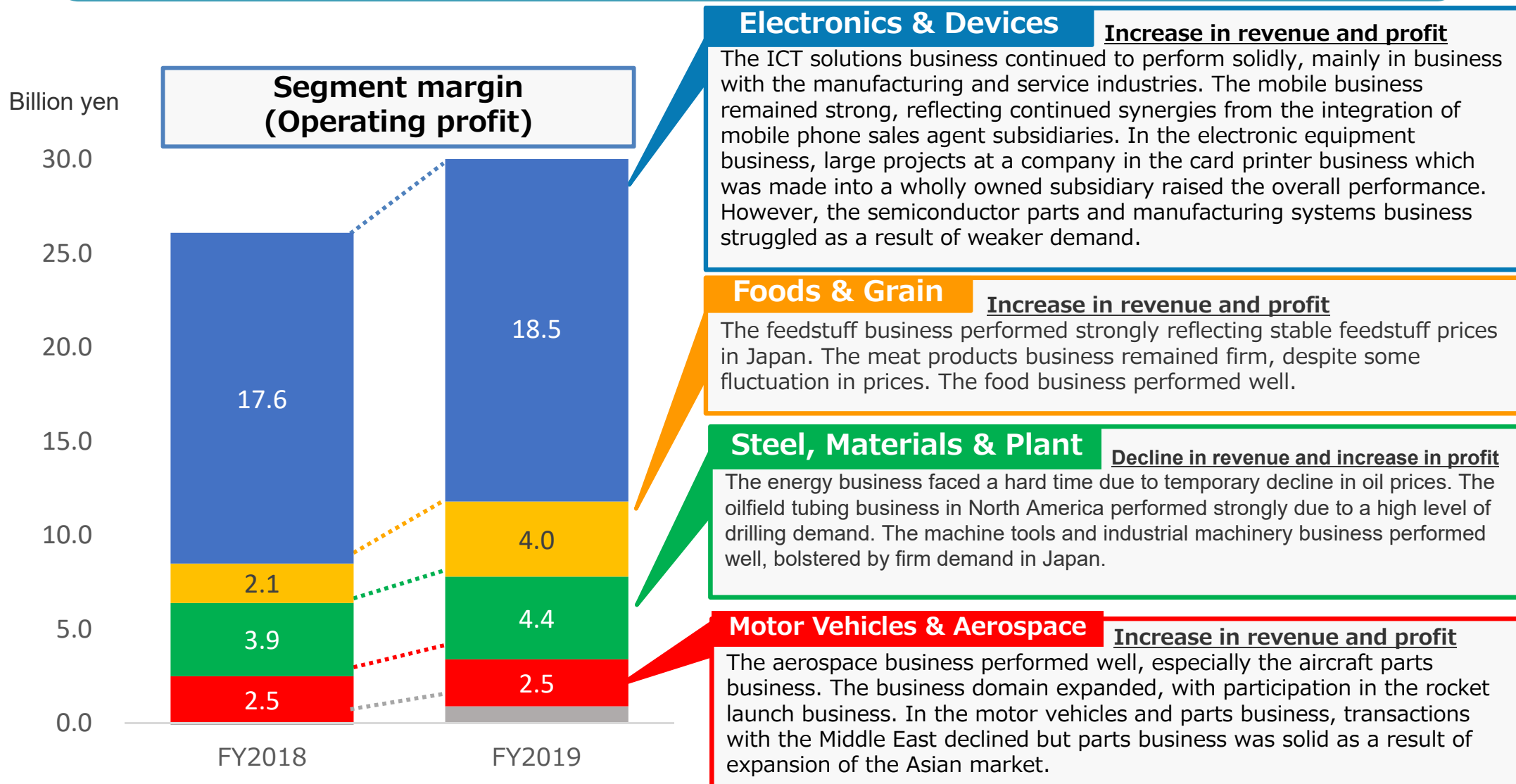
1-1. FY2019 Highlight (P/L)

✓ Both revenue and profits increased.
Profit before tax reached a record high.

(Unit: billion yen)	FY2018	FY2019	Year-on-year change
Revenue	714.8	723.8	9.1
Gross profit	106.4	110.0	3.6
Operating profit	26.2	30.3	4.2
Finance income (costs)	(1.7)	(1.5)	0.2
Share of profit (loss) of investmens accounted for using the equity method	1.6	0.4	(1.2)
Profit before tax	26.0	29.2	3.1
Profit for the year attributable to owner of the parent	16.3	16.6	0.3

1-2. FY2019 Highlight (Segment margin)

✓ Increased 4.2 billion yen driven by the Foods & Grain and Electronics & Devices segments.



1-3. FY2019 Highlight (B/S)

✓ The equity ratio rose due to the increase in retained earnings.

(Unit: Billion yen)	FY2018 results	FY2019 results
Total assets	519.9	549.5
Shareholders' Equity (Note 1)	116.0	125.2
BPS(yen) (Note 2)	1,378	1,500
Equity ratio (Note 3)	22.3%	22.8%

(Unit: Billion yen)	FY2018 results	FY2019 results
Gross interest-bearing debt	137.3	139.5
Net interest-bearing debt	59.0	50.0
Net D/E ratio (Note 4)	0.51 times	0.40 times
ROE	15.1%	13.8%

(Note 1) Shareholder's equity = Total equity attributable to owners of the parent

(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 / Shareholder's equity

2. FY2020 forecast

2-1. FY2020 forecast

✓ Expected to increase in revenue and profit.

(Unit: billion yen)	FY2019 result	FY2020 forecast	Change
Revenue	723.8	740.0	16.2
Operating Profit	30.3	31.0	0.7
Profit before tax	29.2	30.0	0.8
Profit for the year attributable to owners of the parent	16.6	17.0	0.4

2-2. FY2020 forecast (Segment margin)

✓ The operating margin is expected to remain steady, with recovery of the energy business in the Steel, Materials & Plant segment.

(Unit: billion yen)	FY2019 results	FY2020 forecast	Change
Electronics & Devices	18.5	18.5	0.0
Foods and Grain	4.0	4.0	0.0
Steel, Materials & Plant	4.4	5.5	1.1
Motor Vehicles & Aerospace	2.5	2.5	0.0
Others	0.9	0.5	(0.4)
Total	30.3	31.0	0.7

2-3. FY2020 forecast (Subsegment margin)

Forecast for segment operating profit

(unit: billion yen)		FY2019	FY2020 forecast	Change
ICT solutions		10.2	10.4	0.2
Mobile		6.7	6.7	0.0
Others		1.6	1.4	(0.2)
Electronics & Devices		18.5	18.5	0.0
Foods, Meat		1.5	1.6	0.1
Feedstuff, Grain		2.2	2.1	(0.1)
Others		0.3	0.3	0.0
Foods & Grain		4.0	4.0	0.0
Machine tools, Industrial Machinery		2.0	1.8	(0.2)
Overseas		1.8	1.9	0.1
Functional Chemicals & Energy		0.7	1.8	1.1
Steel, Materials & Plant		4.4	5.5	1.1
Aerospace		1.4	1.7	0.3
Motor Vehicles & Parts		0.7	0.5	(0.2)
Others		0.4	0.3	(0.1)
Motor Vehicles & Aerospace		2.5	2.5	0.0
Others		0.9	0.5	(0.4)
Total		30.3	31.0	0.7

Profits are expected to remain firm driven by transactions for the manufacturing and services industries and educational institutions.

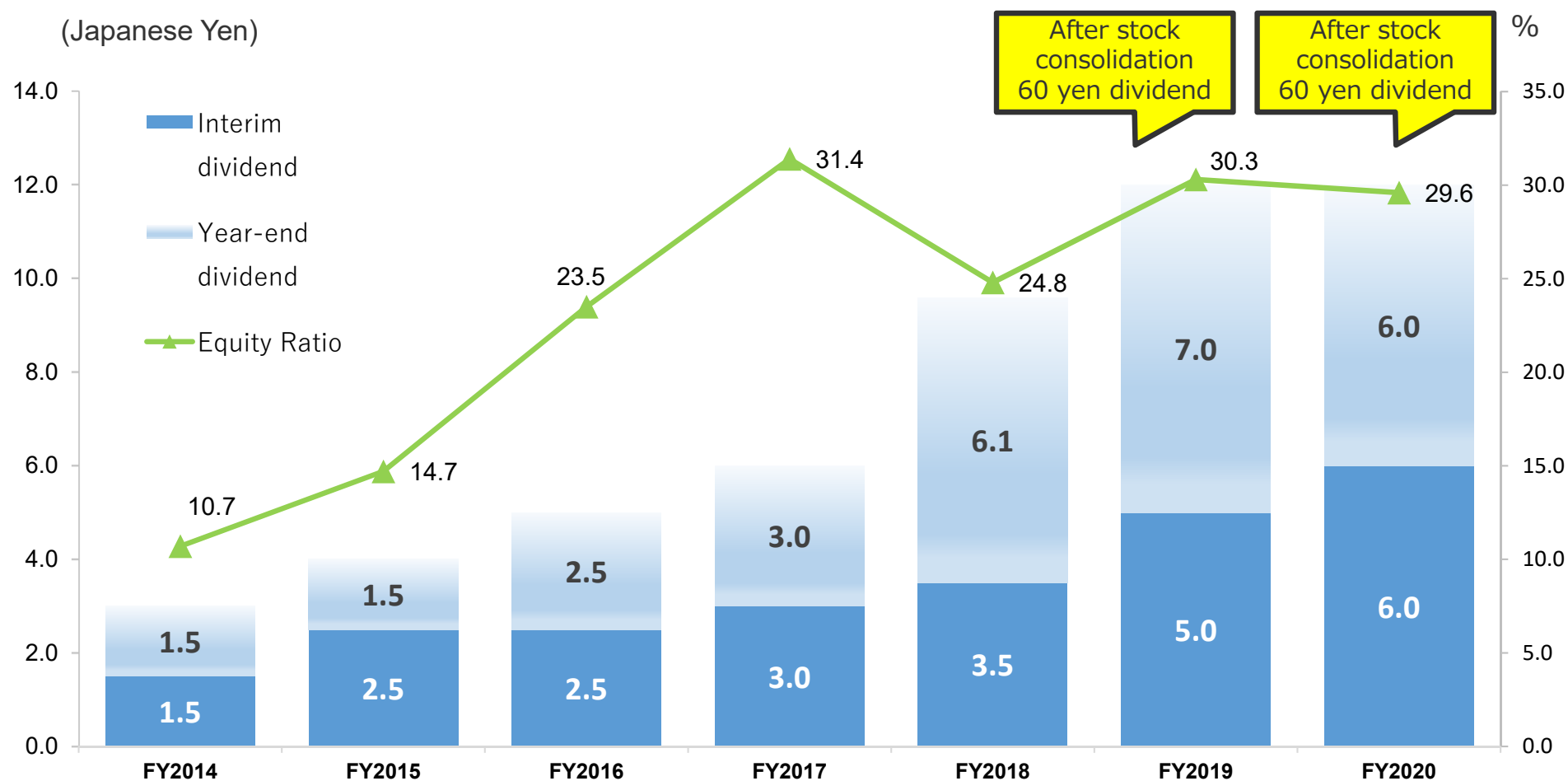
Profits are expected to remain firm, including Uruguayan beef imports which began in February 2019.

The energy business reported lower profits in FY2019 due to falling oil prices but is expected to recover in FY2020.

The aircraft parts business is expected to grow.

2-4. FY2020 forecast (Dividend Policy)

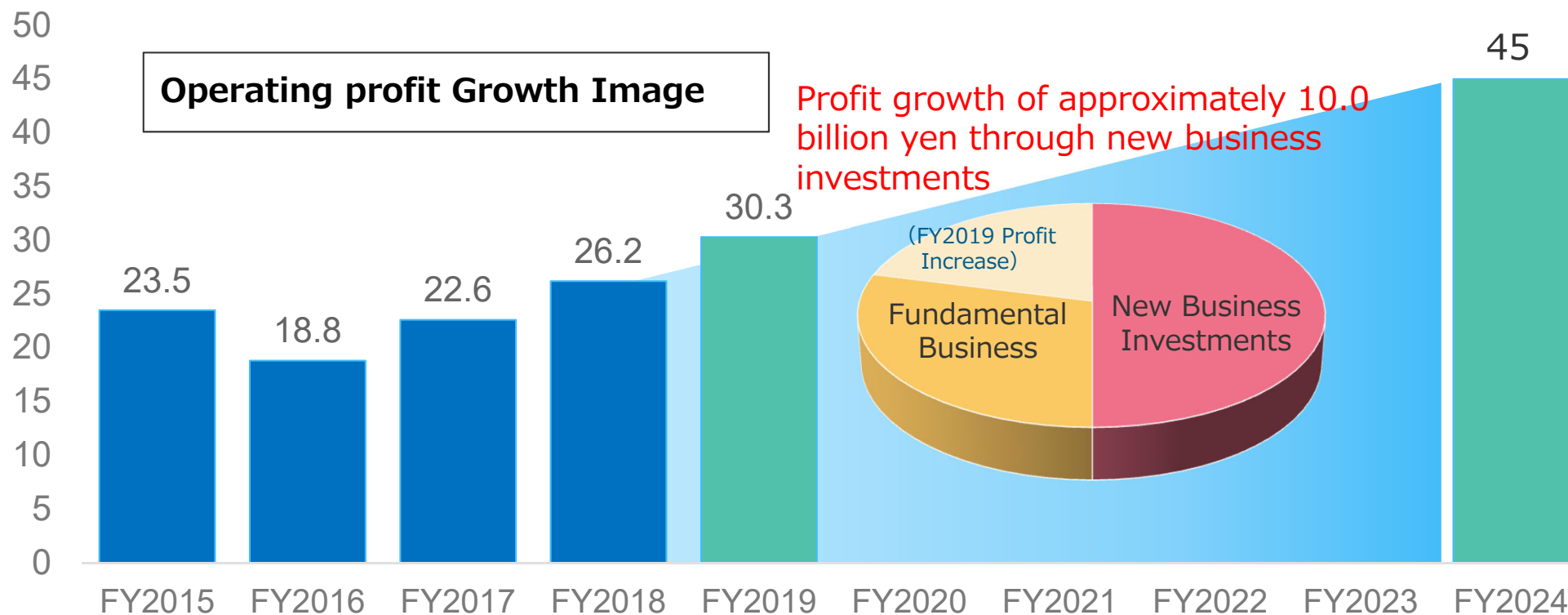
- ✓ The total return ratio is within the range of 25%-30%.
Stable and continuous dividend payments are expected.
- ✓ An annual dividend payment of 60 yen is planned for FY2020.



3. Progress of *future 135*

3-1. Earnings Structure for Growth under *future 135*

Under *future 135*, the Group aims to increase operating profit to approximately 45.0 billion yen through growth of fundamental businesses and new business investments.



(Unit: Billion Yen)

First 3 Years

Last 3 Years

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future 135

NOTE: After FY2016, the operating profit is based on IFRS standards. (In FY2015, the operating profit is "operating profit + operating foreign exchange rates" based on Japanese standards.)

3-2 (1) Review of First Fiscal Year of *future 135* (1) (Fundamental Businesses)

Operating profit growth of 4.2 billion yen, driven by fundamental businesses

(Unit: billion yen)	FY2018 results	Change	FY2019 results
Electronics & Devices	17.6	0.9	18.5
Foods and Grain	2.1	1.9	4.0
Steel, Materials & Plant	3.9	0.5	4.4
Motor Vehicles & Aerospace	2.5	0.0	2.5
Others	0.0	0.9	0.9
Total	26.2	4.2	30.3

Made new investments of approximately 8.0 billion yen in areas having expertise and strength.

	FY2019 Executed Projects	
Electronics & Devices	(Japan)	Made a card printer business company into a wholly owned subsidiary
Foods and Grain	(China)	Established a livestock product manufacturing and sales company
Steel, Materials & Plant	(South Korea)	Made equity-method investment in a steel processing company
Motor Vehicles & Aerospace	(United States)	Participated in a cybersecurity investment fund
	(Europe)	Built up of assets in the aircraft parts business
	Net cash used in investing activities: 8.0 billion yen	

3-3. *future 135* New Business Investment Pipeline

The table below shows the pipeline of investments being considered over the remaining period of *future 135*.

	Investment type	Contents	
Electronics & Devices	Expansion in scale	(Japan) (Japan)	Expansion within ICT solutions market Expansion of mobile communications business
	Enhancement of added value	(Overseas) (Japan)	Reorganization and expansion of sales chain in printer business M&A targeting electronic equipment trading company
Foods and Grain	Expansion in scale	(Japan)	M&A targeting food productions trading company
	Enhancement of added value	(Japan)	IoT-related investment in livestock/grain markets
		(Overseas) (Overseas)	Establishment of second plant of food products company Investment in meat product manufacturers
Steel, Materials & Plant	Expansion in scale	(Japan) (Japan)	Expansion within machinery market Expansion within chemicals market
	Enhancement of added value	(Overseas)	Expansion of oilfield tubing business
Motor Vehicles & Aerospace	Expansion in scale	(Overseas)	Acquisition of used aircraft and deployment in Asia
Advanced technology/ Business collaboration	Innovation	(Overseas)	Investment in cyber security-related business
		(Overseas)	Investment in data business-related business
Total		60~100 billion yen	

3-4 future 135 B/S

- Financial position is solid, with equity ratio of 22.8%, net D/E ratio of 0.4 times, and risk-asset ratio at 0.3 times level.
- Given that net cash provided by operating activities is 10-20 billion yen per year, a healthy financial balance can be maintained even if investments on a scale of 60-100 billion yen are made
- Shareholders' equity in the final fiscal year of future 135 is expected to be approximately 200 billion yen.

B/S		Financial Indicators
<p><u>Total assets</u></p> <p>FY2018 519.9</p> <p>↓</p> <p>FY2019 549.5</p>	<p><u>Liabilities</u>_(Net interest-bearing debt)</p> <p>FY2018 372.8(59.0)</p> <p>↓</p> <p>FY2019 390.8 (50.0)</p>	<p><Equity Ratio></p> <p>FY2018 22.3%</p> <p>↓</p> <p>FY2019 22.8%</p>
	<p><u>Shareholders' equity</u></p> <p>FY2018 116.0</p> <p>↓</p> <p>FY2019 125.2</p>	<p><Net debt-equity ratio></p> <p>FY2018 0.51 times</p> <p>↓</p> <p>FY2019 0.40 times</p>
		<p><Risk assets ratio></p> <p>FY2018 0.4 times</p> <p>↓</p> <p>FY2019 0.3 times level</p>



Changes to Management Structure

- ✓ Increased efficiency of Board of Directors (8 Directors→6 Directors).
- ✓ Promoted diversity through the appointment of a female Outside Director.
- ✓ Expanded Executive Officers.
(Growth of overseas business though increase in executive officers overseas)



Introduction of performance-linked stock incentive plan

- ✓ Introduced performance-linked stock incentive plan for all Directors (excluding Outside Directors) and all Executive Officers.
(for management that shows a greater awareness of shareholder value and is more aligned with the perspective of investors)



Promotion of Work Style Reform

- ✓ Annual vacation usage rate was 73.7% in FY2018, up 7.0% year on year.
- ✓ Further enhanced “Bronze Week” System (*).
- ✓ Introduced annual paid leave by the hour and flexitime system.
- ✓ Enhanced childcare leave system, etc.
- ✓ Established satellite offices.
- ✓ Promoted RPA (Robotic Process Automation)

*The Company’s own unique system that makes it easier to take a bridge day off between two ordinary days off or the day before or after a three-day weekend, effectively extending the number of days off for the individual by making them into four or more consecutive days off.



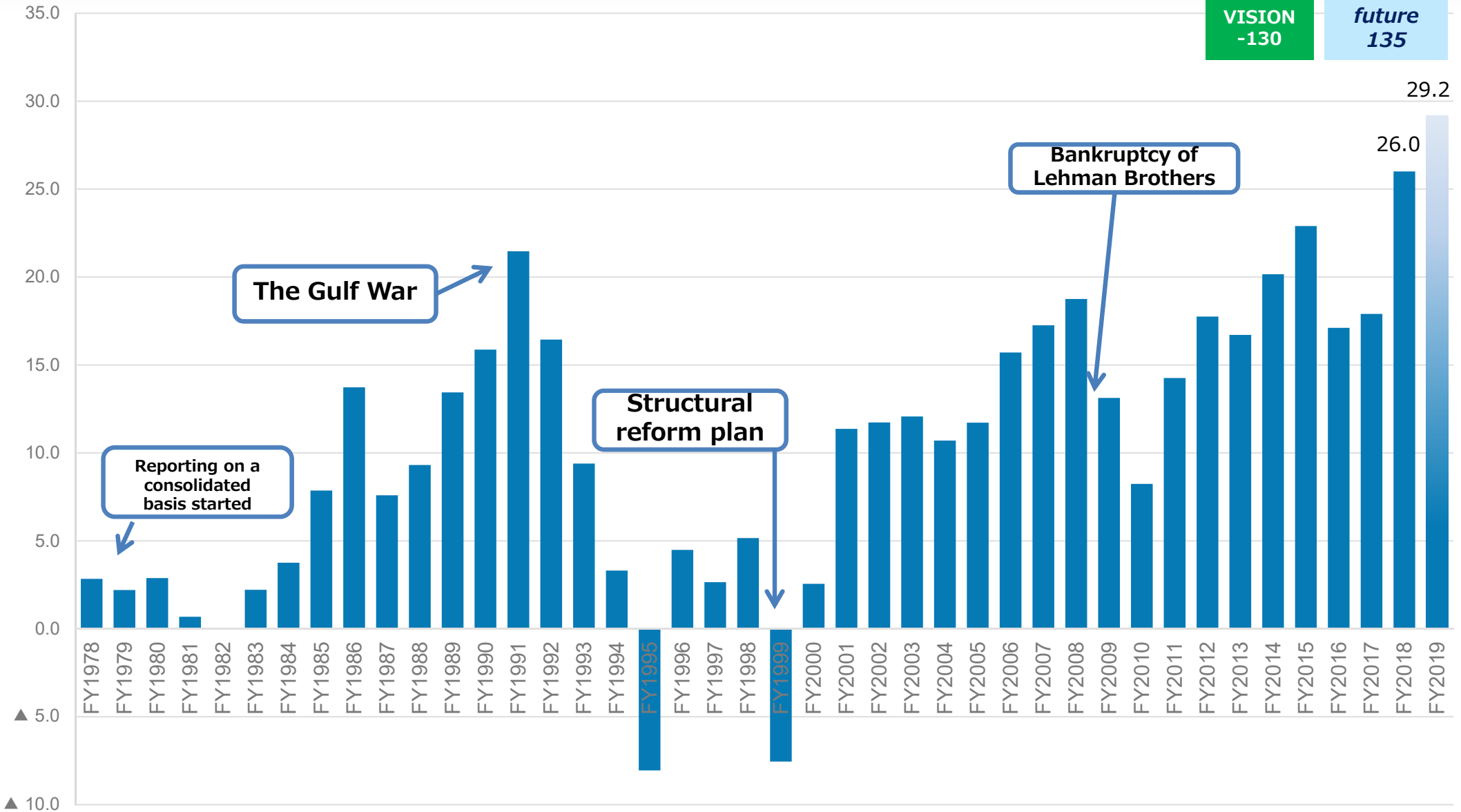
Development of human resources for management roles

- ✓ Substantially enhanced manager development training. Training was provided to mid-ranking employees in addition to managers as before.
- ✓ Made experience of multiple departments, including corporate departments, as a condition of promotion.
- ✓ Business plan training also entered its 12th year. Total attendance rate increased to 43%.

Appendix

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

Billion Yen

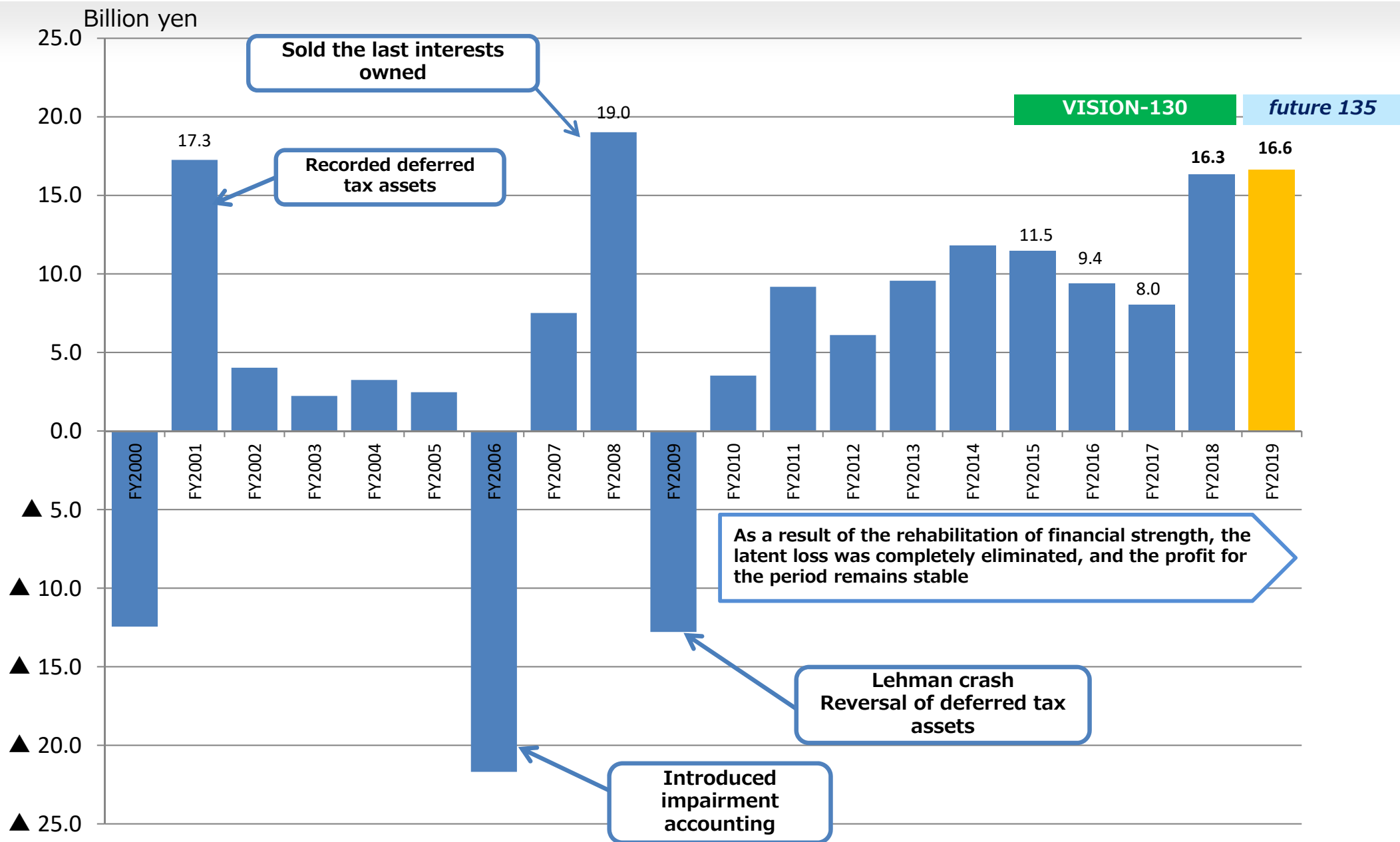


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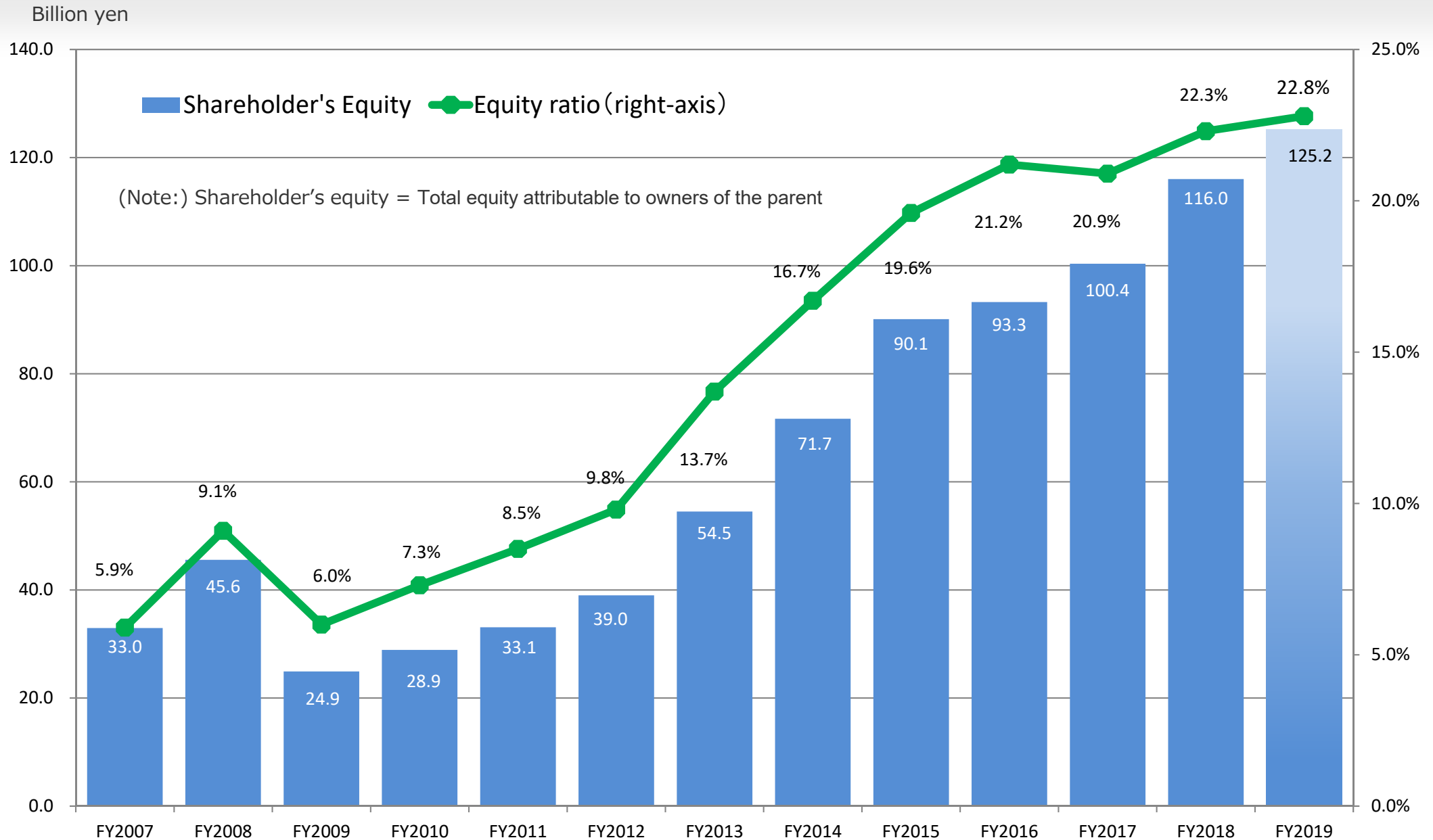
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*Mentioned value is Profit before tax instead of Ordinary income from FY2017

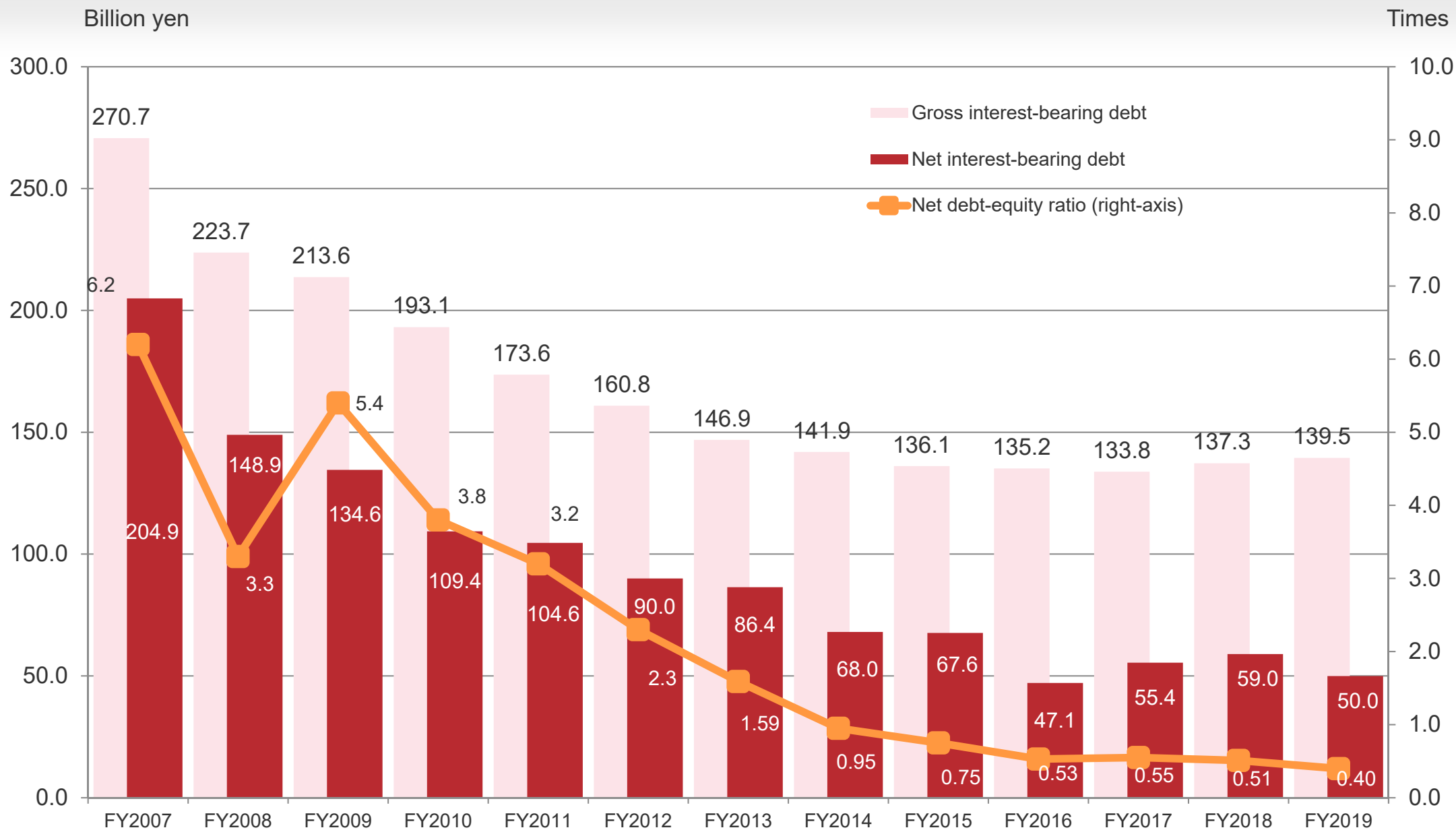
Appendix 1 -2. Consolidated Net income (from FY2000)



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
Electronics & Devices	Semiconductor Parts & Equipment	Semiconductor / electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Kanematsu Susteck Corporation Kanematsu Futuretech Solutions Corp. 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	Kanematsu Shintoa Foods Corp. Kanemory Food Service Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp.
	Meat & Marine Products	All meat ,seafood	
	Grains, Feedstuff, Fertilizer and Pet Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Steel, Materials & Plant	Steel trading	Surface-treated steel plates, seamless piping	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Domestic steel/Steel materials	Steel products, iron ore, cokes	
	Crude oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	
	Functional chemicals, Life sciences	Battery materials, fertilizer materials, adhesive materials, solvents, Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	
	Plant & Vessels	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor vehicles & Aerospace	Motor Vehicles & parts	Automobiles, Motorcycles and related parts, Precision-Forged Cast Products	Kanematsu Aerospace Corp. Shintoa Corp. KG Aircraft Rotables Co., Ltd.
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	

Appendix 3. Subsidiaries and Affiliates (Revenue & Operating profit)

(Unit: billion yen)	Business	Ownership ratio	FY2018		FY2019	
			Revenue	Operating profit	Revenue	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	62.2	10.0	67.4	10.3
Kanematsu Communications Ltd.	Mobile	100.00%	132.0	5.9	135.2	6.7
Kanematsu Sustech Corp.	Security system etc.	52.89%	12.6	1.0	12.4	0.9
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100.00%	28.0	0.3	28.1	0.4
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100.00%	11.4	0.3	12.9	0.3
Kanematsu Trading Corp.	Domestic steel, Steel materials	100.00%	9.0	0.4	9.7	0.4
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	8.2	1.3	11.1	2.0
Kanematsu Petroleum Corp.	Petroleum products, Gas	100.00%	17.5	0.6	19.3	0.5
Kanematsu Chemicals Corp.	Functional chemicals	100.00%	4.1	0.6	4.5	0.7
Shintoa Corporation	Trading company	100.00%	25.1	1.3	36.2	1.4
Kanematsu USA Inc.	Overseas subsidiary	100.00%	104.7	1.2	106.8	2.1

Appendix 4. Subsidiaries

Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

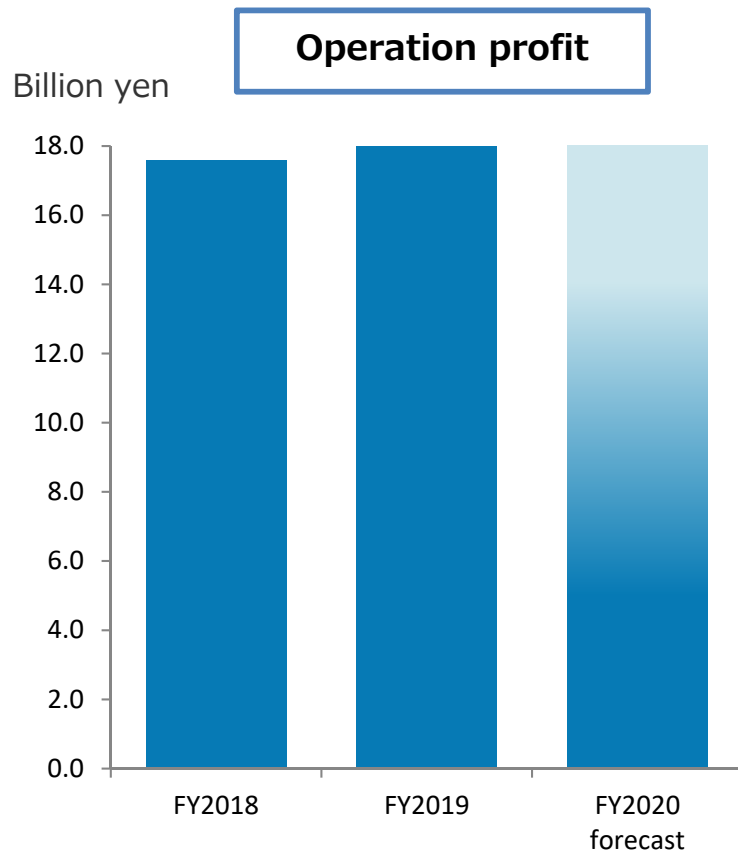
(Companies)	FY2018					FY2019					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	35	34	12	10	91	39	40	9	10	98	+ 7
Ratio (%)	83%	74%	92%	77%	80%	91%	85%	75%	71%	85%	-
Non profitable	7	12	1	3	23	4	7	3	4	18	(5)
Total	42	46	13	13	114	43	47	12	14	116	+ 2

Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(Unit : billion yen)	FY2018					FY2019					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	12.0	1.8	1.4	0.2	15.4	21.3	2.0	0.3	0.3	23.8	8.4
Sum of loss posted by non-profitable	(0.2)	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.0)	(0.2)	(0.0)	(0.4)	(0.2)
Total	11.8	1.8	1.4	0.2	15.2	21.1	1.9	1.0	2.0	23.4	8.3

Appendix 5-1. Segments (Electronics & Devices)

(unit:billion yen)	FY2018	FY2019	FY2020 forecast	Year on year	Change
Revenue	263.3	265.5	270.0	4.5	1.7%
Operating profit	17.6	18.5	18.5	0.0	0.0%



FY2019 results

The ICT solutions business continued to perform solidly, mainly in business with the manufacturing and service industries. The mobile business remained strong, reflecting continued synergies from the integration of mobile phone sales agent subsidiaries. In the electronic equipment business, large projects at a company in the card printer business which was made into a wholly owned subsidiary raised the overall performance. However, the semiconductor parts and manufacturing systems business struggled as a result of weaker demand.

FY2020 forecast

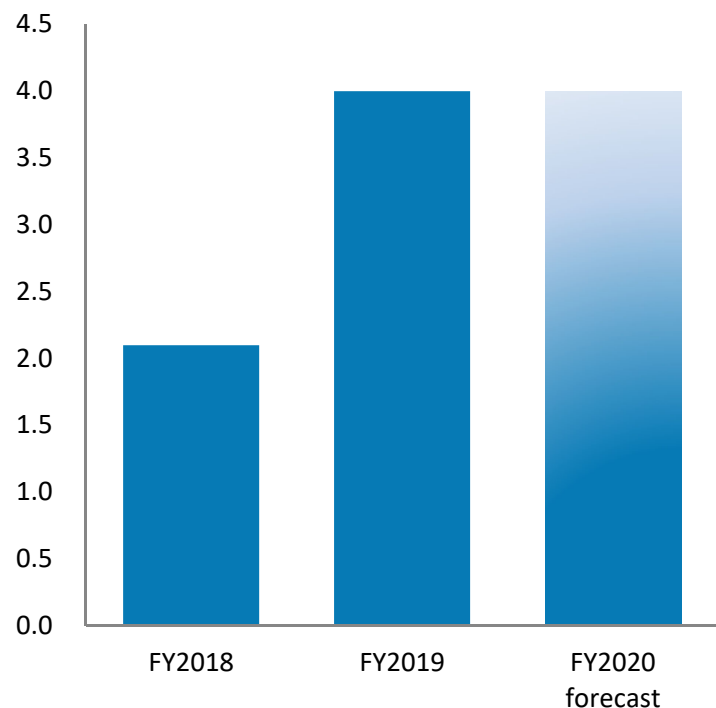
The ICT solutions business will remain firm. The mobile business is expected to perform solidly, but the government's moves to lower mobile phone fees must also be taken into account.

Appendix 5-2. Segments (Foods & Grain)

(unit:billion yen)	FY2018	FY2019	FY2020 forecast	Year on year	Change
Revenue	231.3	244.9	250.0	5.1	2.1%
Operating profit	2.1	4.0	4.0	0.0	0.0%

Billion yen

Operating profit



FY2019 results

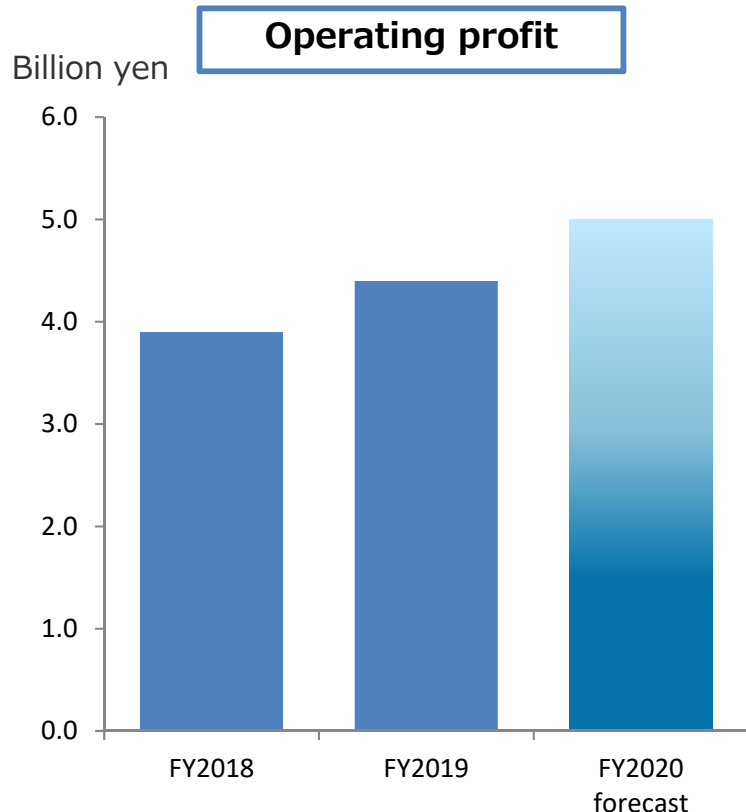
The feedstuff business performed strongly reflecting stable feedstuff prices in Japan. The meat products business remained firm, despite some fluctuation in prices. The food business performed well.

FY2020 forecast

The feed business may be affected by the trade tensions between the United States and China but is expected to generate steady earnings through a switch to other production areas. The livestock business is expected to perform solidly, including Uruguayan beef imports which started in February 2019.

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

(unit:billion yen)	FY2018	FY2019	FY2020 forecast	Year on year	Change
Revenue	153.1	139.4	150.0	10.6	7.6%
Operating profit	3.9	4.4	5.5	1.1	25.0%



FY2019 results

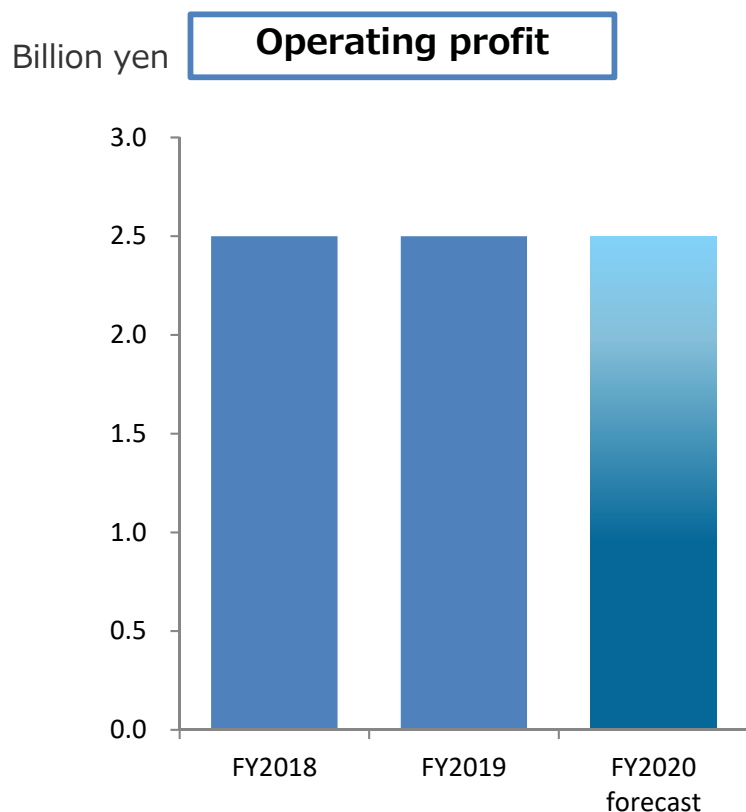
The energy business faced a hard time due to temporary decline in oil prices. The oilfield tubing business in North America performed strongly due to a high level of drilling demand. The machine tools and industrial machinery business performed well, bolstered by firm demand in Japan.

FY2020 forecast

The energy business is expected to recover from the impact of falling oil prices in FY2019. The oilfield tubing business in North America is expected to remain strong.

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

(unit: billion yen)	FY2018	FY2019	FY2020 forecast	Year on year	Change
Revenue	54.5	62.1	60.0	(2.1)	(3.4%)
Operating profit	2.5	2.5	2.5	0.0	0.0%



FY2019 results

The aerospace business performed well, especially the aircraft parts business. The business domain expanded, with participation in the rocket launch business. In the motor vehicles and parts business, transactions with the Middle East declined but parts business was solid as a result of expansion of the Asian market.

FY2020 forecast

The aerospace business is expected to continue growing due to expansion of the aircraft parts business. The motor vehicles and parts business is expected to be affected by decline in transactions with the Middle East.