

April 2010 - March 2013 Medium-Term Business Plan

“S-Project”

Speedy × Stronger = Satisfaction



兼松株式会社

KANEMATSU CORPORATION

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.



Our Philosophy

- **With a founder's pioneering spirit and entrepreneurial ingenuity, Kanematsu Corporation carries out its operations, makes fair profits, and pursues growth.**
- **Through its prosperity, Kanematsu Corporation fulfills its corporate social responsibility and enhances its employees' well-being.**
- **We at Kanematsu Corporation, acting for the organization and under the rules, perform our duties based on our commitment to the Company and on our mutual understanding of each other.**

(established in 1967)



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Review of Achievements in teamKG120

- In the fiscal year ended March 2008, the first fiscal year in the medium-term business plan, our results were solid, driven in large part by the economies of Asia, which continued to achieve impressive growth rates. In addition, we posted an extraordinary gain associated with the sale of LNG rights. Consequently, we recorded net income of ¥19.0 billion, substantially exceeding the initial plan.
- In the fiscal year ended March 2009, revenue declined because of the effect of the global economic crisis, and we wrote down the value of real estate and recorded a reversal of deferred tax assets. As a result, we posted a net loss of ¥12.8 billion.
- In the fiscal year ended March 2010, as a result of a recovery in revenue and reductions in management costs, we returned to the black and posted net income of ¥3.5 billion.



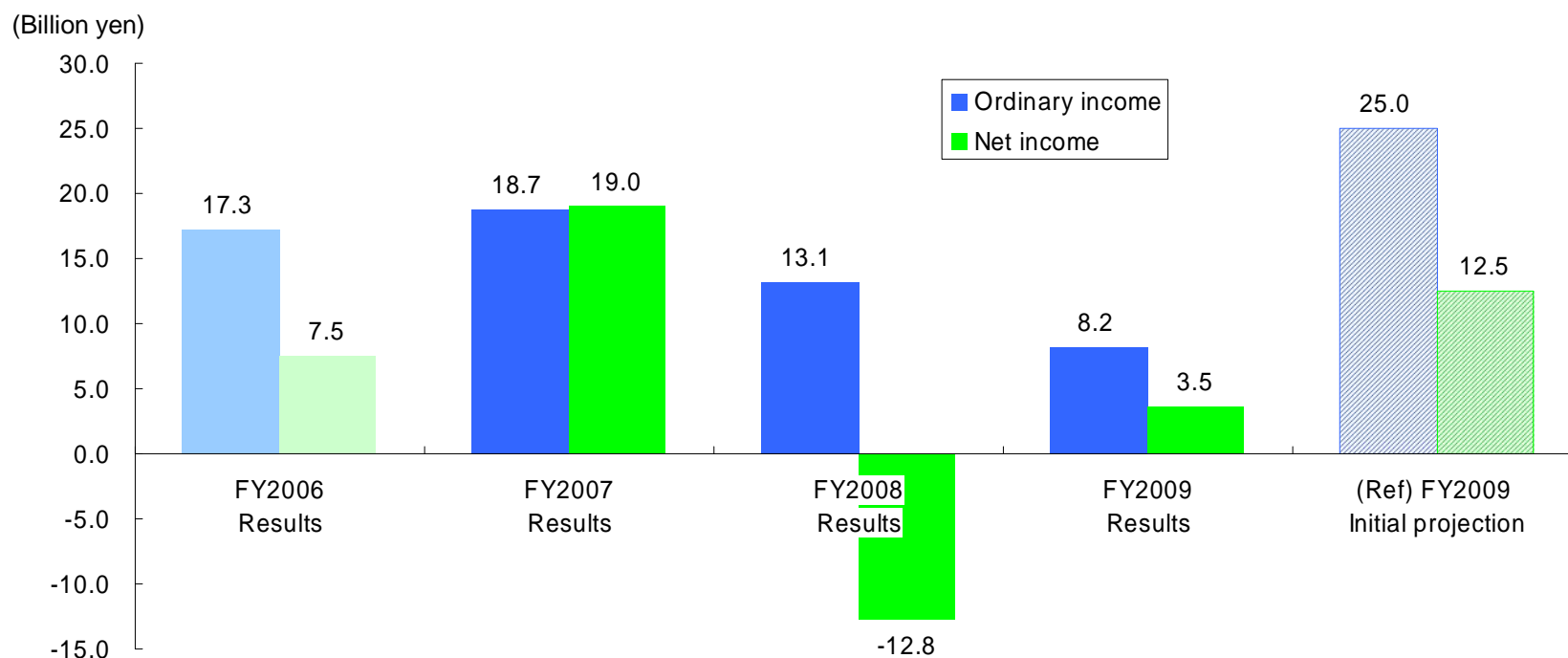
Review of Achievements in teamKG120: Operating Results

Initial targets

- Consolidated ordinary income ¥25.0 billion
- Consolidated net income ¥12.5 billion
- Resumption of dividend payments as soon as possible

Results

- Consolidated ordinary income ¥8.2 billion
- Consolidated net income ¥3.5 billion
- No resumption of dividend payments





Review of Achievements in teamKG120: Operating Results

	NewKG200	teamKG120			
	FY2006	FY2007	FY2008	FY2009	
(Billion yen)	Results	Results	Results	Results	Initial projection
Net Sales	1281.3	1,244.0	1,138.8	861.3	1,400.0
Gross Trading Profit	103.7	90.3	86.3	74.1	110.0
Ratio	8.1%	7.3%	7.6%	8.6%	7.9%
Operating Income	21.7	22.6	19.0	12.2	30.0
Ratio	1.7%	1.8%	1.7%	1.4%	2.1%
Ordinary Income	17.3	18.7	13.1	8.2	25.0
Ratio	1.3%	1.5%	1.2%	1.0%	1.8%
Net income	7.5	19.0	-12.8	3.5	12.5



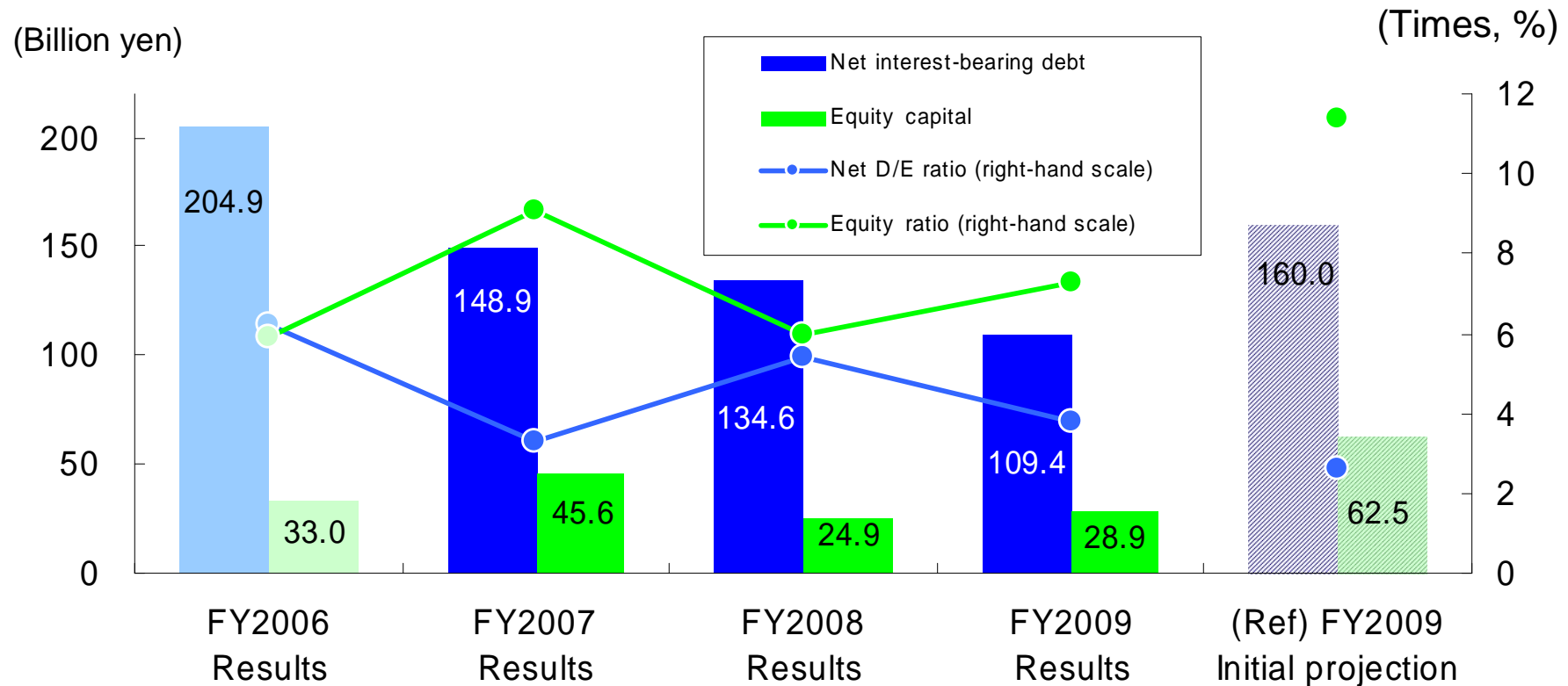
Review of Achievements in teamKG120: Operating Results (by Segment)

(Billion yen)	NewKG200	teamKG120			
	FY2006	FY2007	FY2008	FY2009	
	Results	Results	Results	Results	Initial projection
Net Sales (external sales)	1,281.3	1,244.0	1,138.8	861.3	1,400.0
Electronics & IT	357.9	356.1	276.6	232.7	390.0
Foods & Foodstuff	274.2	283.6	321.6	264.2	300.0
Iron & Steel/ Machinery & Plant	247.1	251.9	226.3	149.2	285.0
Environment & Materials	308.3	316.4	284.7	198.1	377.0
Others	93.8	36.1	29.4	17.0	48.0
Operating Income	21.7	22.6	19.0	12.2	30.0
Electronics & IT	7.9	8.1	6.9	5.4	10.3
Foods & Foodstuff	1.8	4.3	3.9	3.6	4.5
Iron & Steel/ Machinery & Plant	7.4	7.5	7.0	1.5	10.5
Environment & Materials	2.9	1.7	2.1	0.9	3.3
Others	1.0	0.4	-1.6	0.3	1.4
Consolidated adjustment	0.7	0.6	0.7	0.4	—



Review of Achievements in teamKG120: Financial Position

Initial targets		Results	
Net interest-bearing debt	¥160 billion	Net interest-bearing debt	¥109.4 billion
Equity ratio	Approx. 11.5%	Equity ratio	7.3%
Net D/E ratio	2.5 Times	Net D/E ratio	3.8 Times





Review of Achievements in teamKG120: Financial Position

(Billion yen)	NewKG200	teamKG120			
	FY2006	FY2007	FY2008	FY2009	
	Results	Results	Results	Results	Initial projection
Total Assets	563.2	503.5	414.9	398.6	550.0
Equity Capital	33.0	45.6	24.9	28.9	62.5
Equity Ratio (%)	5.9%	9.1%	6.0%	7.3%	11.4%
Gross Interest-Bearing Debt	270.7	223.7	213.6	193.1	200.0
Gross D/E Ratio (Times)	8.2	4.9	8.6	6.7	3.2
Net Interest-Bearing Debt	204.9	148.9	134.6	109.4	160.0
Net D/E Ratio (Times)	6.2	3.3	5.4	3.8	2.6



New Medium-Term Business Plan

“S-Project”

Speedy × *Stronger* = *Satisfaction*

- Speedy* – With speed
- Stronger* – Building a stronger base
- Satisfaction* – Satisfying all stakeholders



Concept

Vision

With the global economy experiencing radical change, we will grow as “Value Creator” and we will contribute to society.

Basic concept

- **We will continue to refine our business focus and will bolster our revenue base by taking advantage of business opportunities in Japan and abroad.**
- **We will enhance efficiency and soundness and consolidate our business base.**
- **We will strengthen our relations with our business partners and will pursue business creation together.**



Targets

Target operating results (FY2012)

- Consolidated gross trading profit ¥80 billion
- Consolidated operating income ¥19 billion

Financial targets (FY2012)

- Equity ratio More than 10%
- Net D/E ratio Approximately 2.0

**Aiming to resume dividend payment
as soon as possible**



Performance Plan

	teamKG120	<i>“S-Project”</i>		
(Billion yen)	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Net Sales	861.3	850.0	950.0	1,050.0
Gross Trading Profit	74.1	75.0	77.5	80.0
SG&A Expenses	61.9	60.0	60.5	61.0
Operating Income	12.2	15.0	17.0	19.0
Ordinary Income	8.2	10.0	12.0	14.0
Net Income	3.5	4.5	5.5	6.5



Financial Plan (B/S)

(Billion yen)	teamKG120	“S-Project”		
	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Total Assets	398.6	400.0	404.0	410.0
Equity Capital	28.9	33.0	38.5	45.0
Equity Ratio	7.3%	8.3%	9.5%	More than 10%
Gross Interest-Bearing Debt	193.1	185.0	177.0	169.0
Gross D/E Ratio (Times)	6.7	5.6	4.6	3.8
Cash and Bank Deposits	83.7	85.0	85.0	85.0
Net Interest-Bearing Debt	109.4	100.0	92.0	84.0
Net D/E Ratio (Times)	3.8	3.0	2.4	Approximately 2.0



Management Initiatives (Main Points)

Strengthening the revenue base

- Continuing to refine our business focus
- Promoting growth strategies

Bolstering the business base

- Improving our financial position
- Promoting efficient management
- Enhancing and deepening our consolidated management system
- Cultivating human resources for global operations



Bolstering the Revenue Base

Strategically restructuring the business portfolio

We will allocate management resources primarily to businesses expected to grow in four categories: ICT and electronics, food, the environment, and iron & steel and plants.

- **Increase revenues in the ICT and electronics businesses.**
 - Expand the base of the solutions business; step up our efforts in China and Asia.
- **Expand the operating base and bolster profitability in the food field.**
 - Expand sales channels and bolster the system for supplying food as a resource in China and Asia.
- **Expand the operating base and launch new businesses in the environmental sector, including the solar battery business.**
 - Focus on photovoltaic power and battery businesses and enter the electric vehicle business.
- **Expand the revenue base in the iron & steel and plant field.**
 - Step up our efforts in the automotive business in Asia.



Bolstering Operating Foundations

Improving the financial position

- Reduce net interest-bearing debt and change the asset portfolio.

Pursuing management efficiency

- Review the cost structure and streamline the back-office sections.

Enhancing and deepening the consolidated management system

- Introduce a new business management system, develop internal control, and enhance compliance.

Cultivating human resources for global operations

- Cultivate human resources for consolidated management and increase the number of employees working overseas.



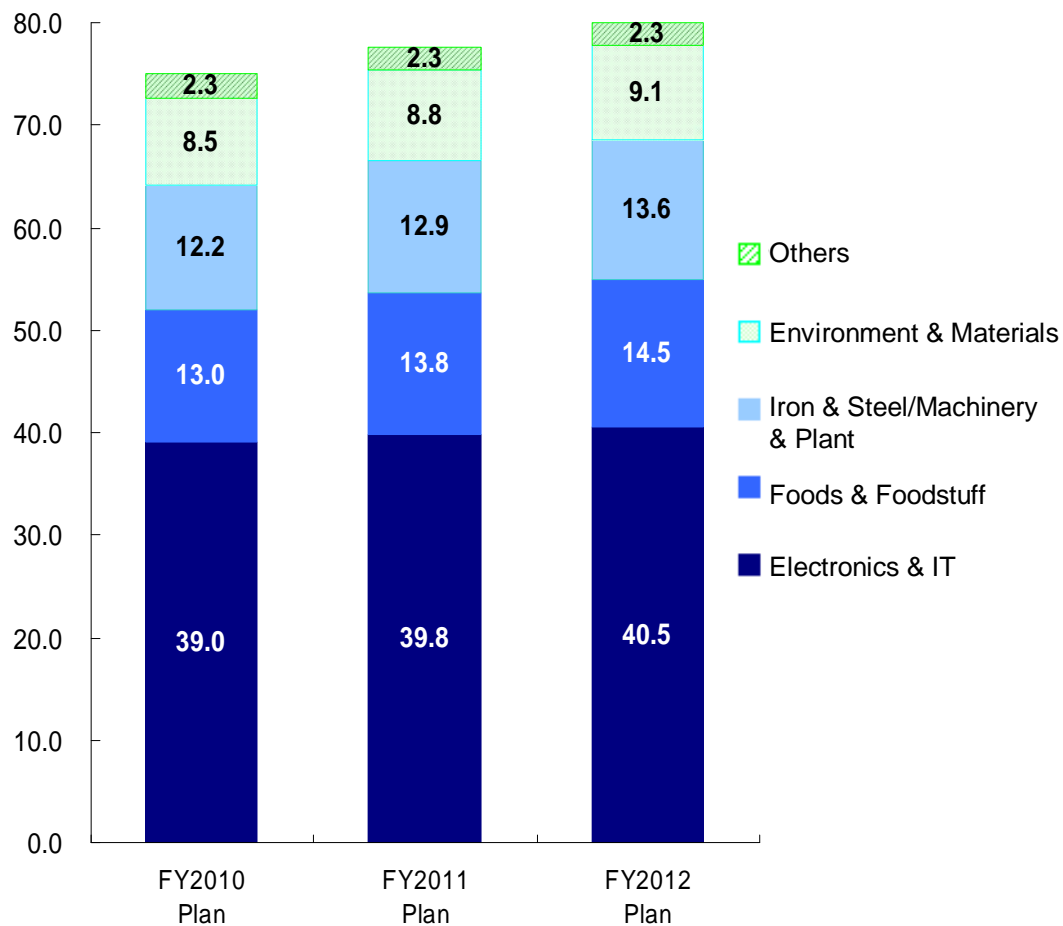
Strategies by Segment



Plans by Segment

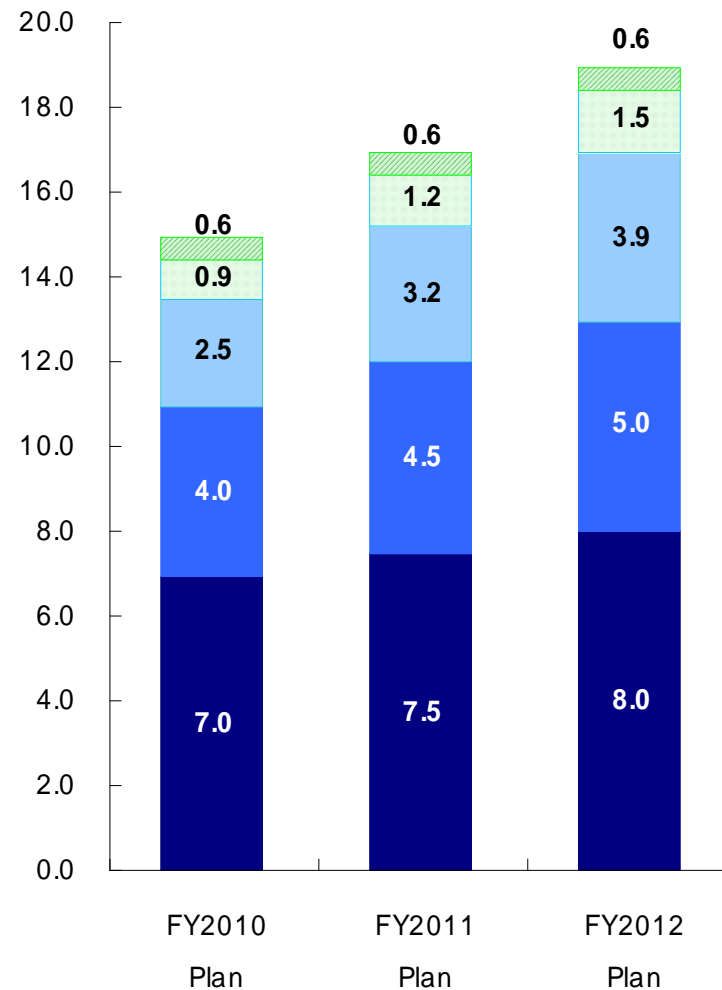
Gross trading profit plan

(Billion yen)



Operating income plan

(Billion yen)





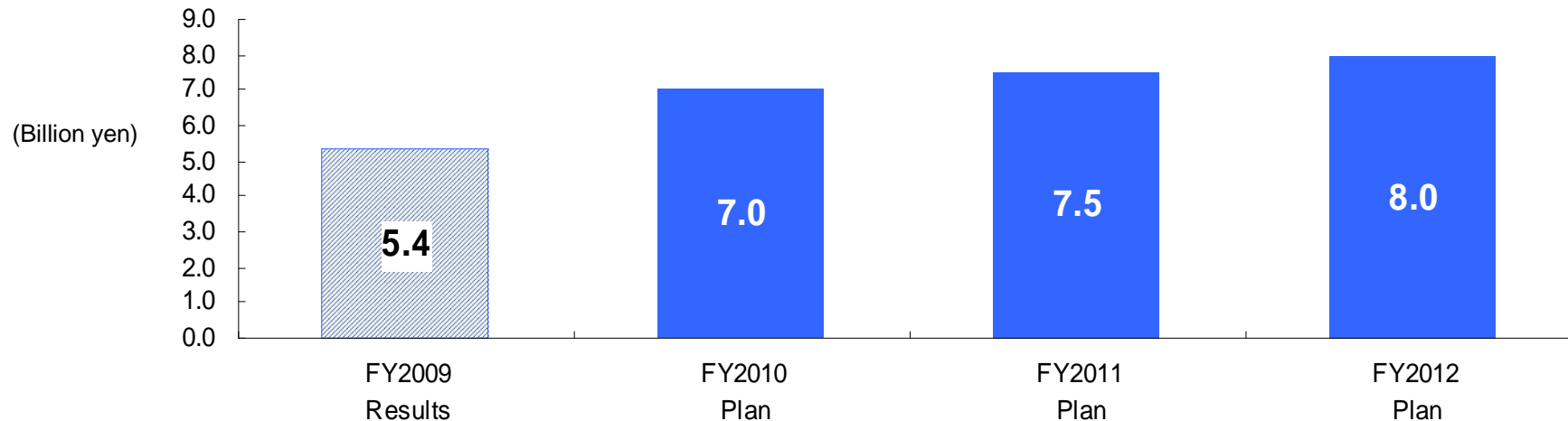
Plans by Segment

	teamKG120	“S-Project”		
(Billion yen)	FY2009 Results	FY2010 Plan	FY2011 Plan	FY2012 Plan
Net Sales	861.3	850.0	950.0	1,050.0
Electronics & IT	232.7	230.0	245.0	260.0
Foods & Foodstuff	264.2	270.0	300.0	330.0
Iron & Steel/ Machinery & Plant	149.2	145.0	165.0	185.0
Environment & Materials	198.1	190.0	225.0	260.0
Others	17.0	15.0	15.0	15.0
Operating Income	12.2	15.0	17.0	19.0
Electronics & IT	5.4	7.0	7.5	8.0
Foods & Foodstuff	3.6	4.0	4.5	5.0
Iron & Steel/ Machinery & Plant	1.5	2.5	3.2	3.9
Environment & Materials	0.9	0.9	1.2	1.5
Others	0.3	0.6	0.6	0.6
Consolidated adjustment	0.4	—	—	—



Strategies by Segment: Electronics & IT

Operating income results and plans

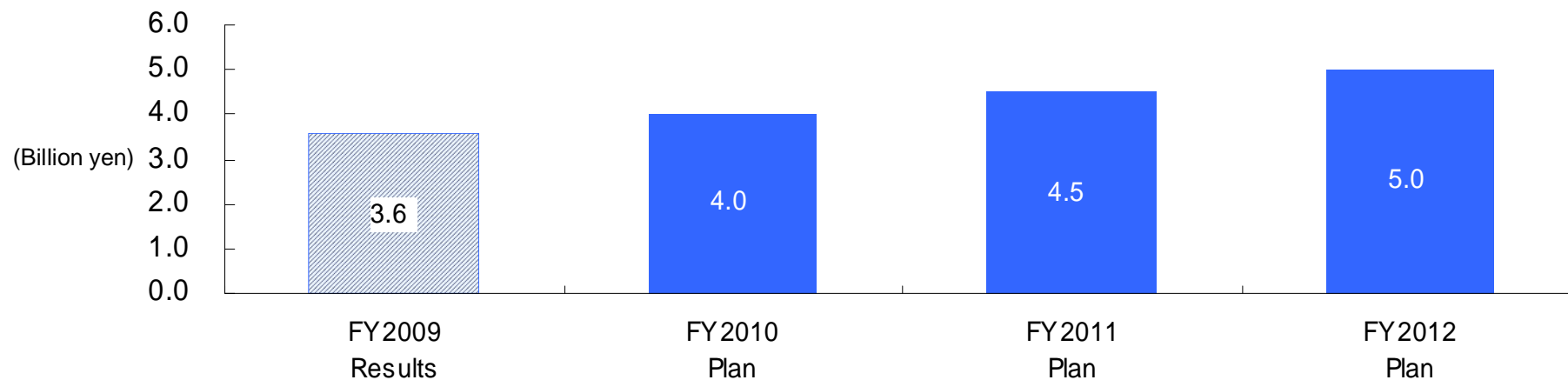


Focus	Specific strategies
ICT Solutions	- Enhancing functions in response to the diversification of customers' needs, thereby strengthening the revenue base
Mechanized parts	- Expanding core businesses in Europe and the United States horizontally to China and Asian markets
Electronic parts	- Developing new operations through development support



Strategies by Segment: Foods & Foodstuff

Operating income results and plans

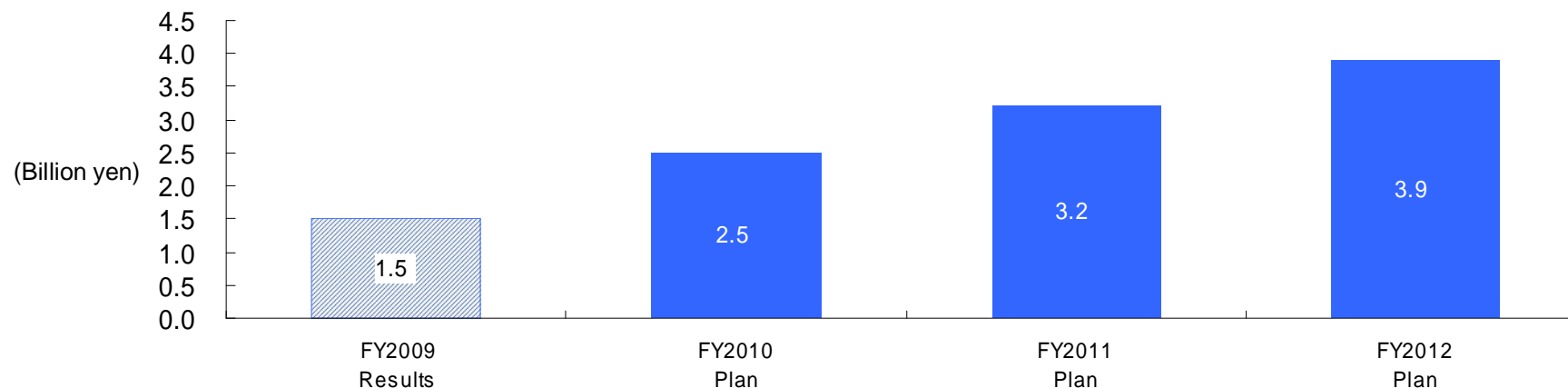


Focus	Specific strategies
Overseas transactions	<ul style="list-style-type: none">- Expanding the workforce and building sales systems in China and Asia- Expanding third-country trade in food and feed materials
Non-genetically modified food materials (soybeans and corn)	<ul style="list-style-type: none">- Bolstering the supply system in cooperation with suppliers- Expanding sales in Japan and overseas markets (Asia and Europe)



Strategies by Segment: Iron & Steel/Machinery & Plant

Operating income results and plans

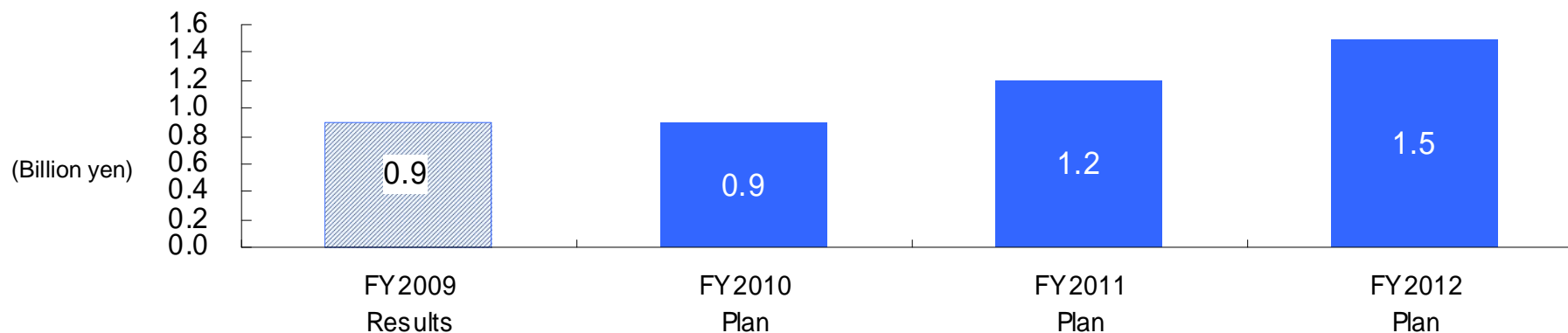


Focus	Specific strategies
Sophisticated materials	<ul style="list-style-type: none">- Expanding transactions in the energy and automotive sectors- Selling electric vehicle parts
Automotive parts	<ul style="list-style-type: none">- Expanding exports of auto parts to markets in Asia, especially to China- Creating new trade rights by helping Japanese auto manufacturers enter overseas markets



Strategies by Segment: Environment & Materials

Operating income results and plans



Focus	Specific strategies
Photovoltaic power generation	<ul style="list-style-type: none">- Expanding sales of conductive adhesives overseas- Importing and selling thin film solar cells
Electric vehicles (EV)	<ul style="list-style-type: none">- Establishing a system for expanding sales of negative-electrode materials for lithium batteries- Building EV charging infrastructure systems
Environment-related materials, new technology development	<ul style="list-style-type: none">- Commercializing VOC recovery technology- Developing new materials for tires- Expanding transactions in heat shield paint overseas