

Overview of Result for the end of FY2013



KANEMATSU CORPORATION

May 15th, 2014



1. Result of FY2013 and Forecast of FY2014	...	3
2. Progress of Medium-Term Business Plan	...	11
3. VISION-130	...	15
4. Appendix	...	27
5. Supplement	...	31



1

Result of FY2013 and Forecast of FY2014



FY2013 Financial Summary P/L

Net sales and operating income rose, mainly driven by the Steel, Materials & Plant segment. Ordinary income increased, chiefly due to an improvement in non-operating income. Net income also grew.

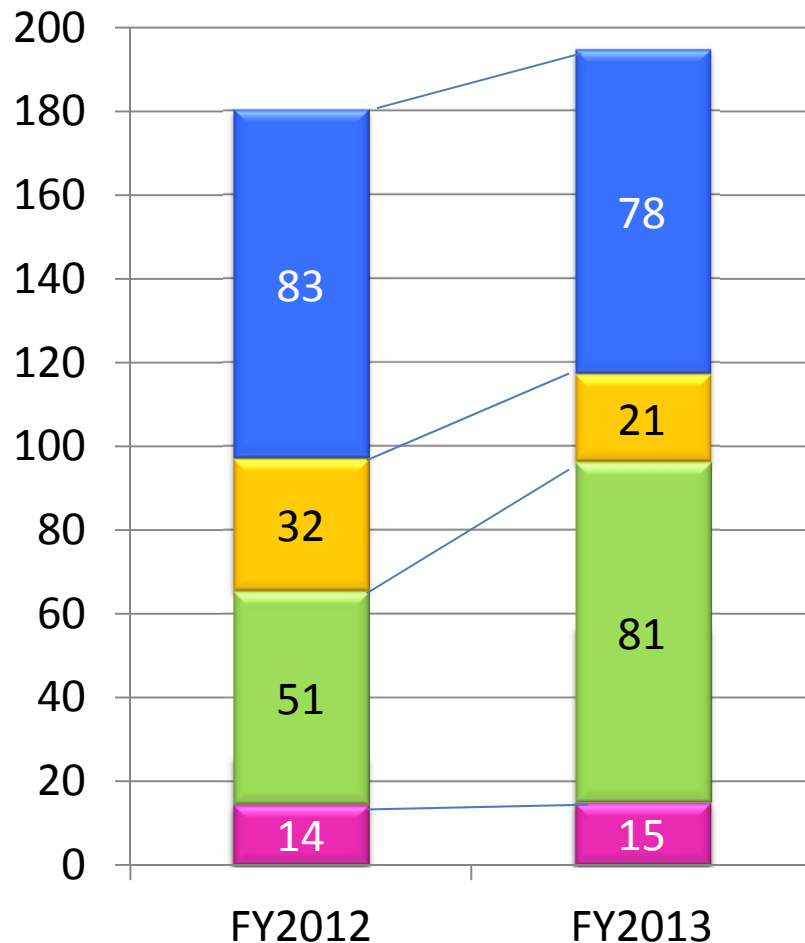
(100 million yen)	FY2012	FY2013	Change	Change(%)
Net Sales	10,192	11,145	953	9.4%
Gross trading profit	800	864	64	8.0%
Operating income	183	198	15	8.3%
Ordinary income	167	202	35	20.7%
Net income	96	118	22	23.4%
Net income per share	22.80 yen	28.09 yen	5.29 yen	-



FY2013 Results Operating Income by Business Segment

The operating income of the Steel, Materials & Plant segment rose sharply. Although the operating income of the Foods & Grain segment declined, its ordinary income increased due to foreign exchange gains.

(100 million yen)



- Electronics & Devices (down 600 million yen year on year)**
The electronic components and materials business and semiconductor business performed solidly. The operating income of the mobile solutions business declined, affected by intensifying competition among carriers.
- Foods & Grain (down 1,100 million yen year on year)**
The meat products business performed strongly. The operating income of the foods business fell, reflecting failure to pass the effect of a weaker yen on to sales prices. Meanwhile, non-operating income included foreign exchange gains of 1,800 million yen, primarily in the grains business, and total ordinary income in this segment increased.
- Steel, Materials & Plant (up 3,000 million yen year on year)**
The oilfield tubing business acquired the previous fiscal year and transactions involving heavy oil were strong. Transactions involving machine tools and industrial machinery were also brisk due to the last minute surge in demand ahead of the consumption tax increase.
- Motor Vehicles & Aerospace (unchanged year on year)**
Transactions involving aircraft parts and motorcycle and motor vehicle parts for North America were strong. Construction machinery-related businesses for Asia were weak.



Result of FY2013 B/S

The equity ratio and the net D/E ratio improved steadily, reflecting the accumulation of earnings and yen depreciation.

(100 million yen)	2013/3	2014/3	Change	Change(%)
Total Assets	3,992	4,285	293	7.3%
Net Assets	759	962	203	26.7%
Shareholder's Equity(Note 1)	545	717	171	31.4%
Equity ratio(Note 2)	13.7%	16.7%	3.0%	-
Gross interest-bearing debt	1,469	1,419	▲50	-3.4%
Net interest-bearing debt	864	680	▲184	-21.3%
Net D/E ratio(Note 3)	1.6	0.9	0.7pt	-

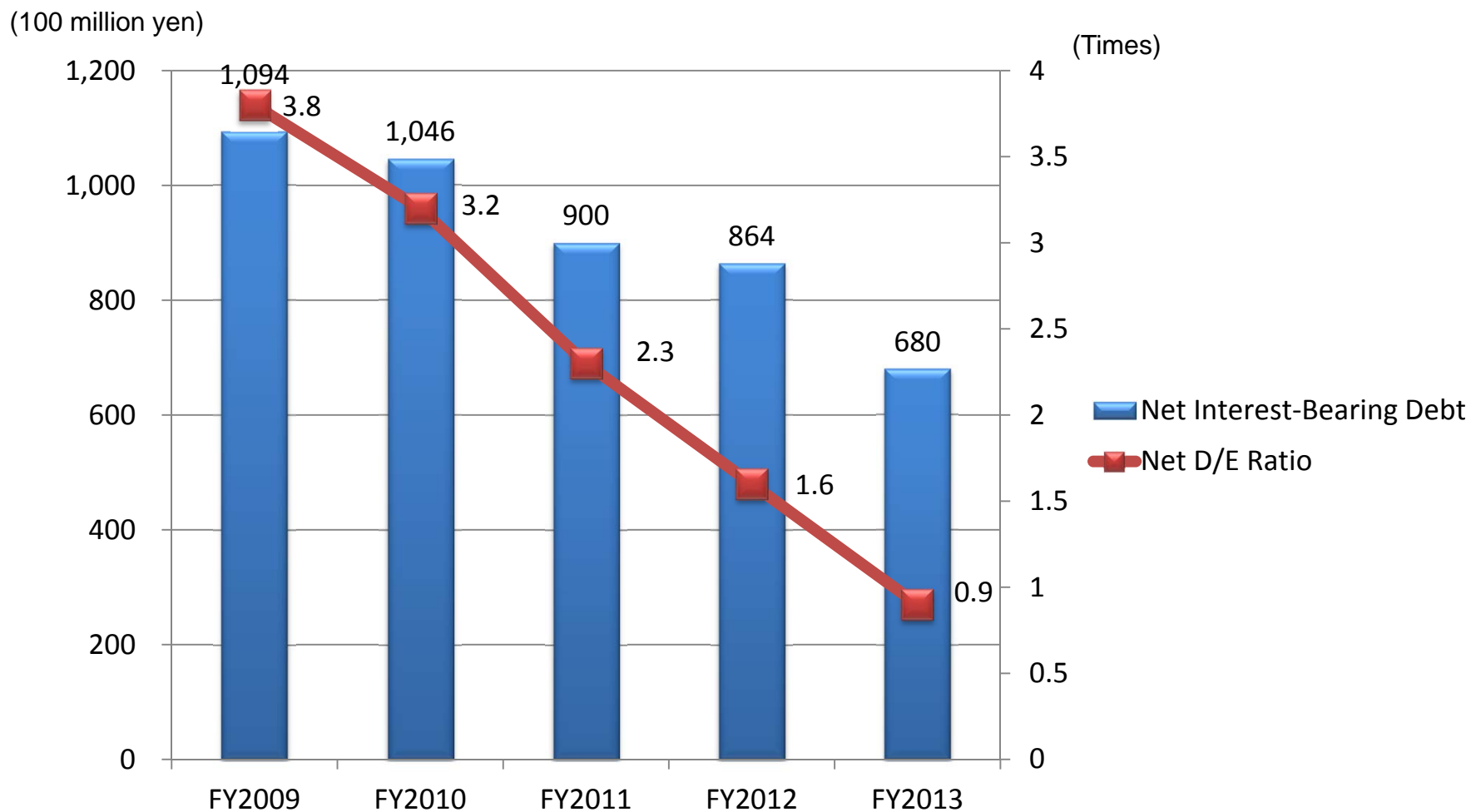
Note 1: Shareholder's Equity = Net assets - minority interests, Note 2: Equity ratio = Equity capital / total assets

Note 3: Net D/E ratio = Net interest-bearing debt / equity capital



Net Interest-Bearing Debt and Net D/E Ratio

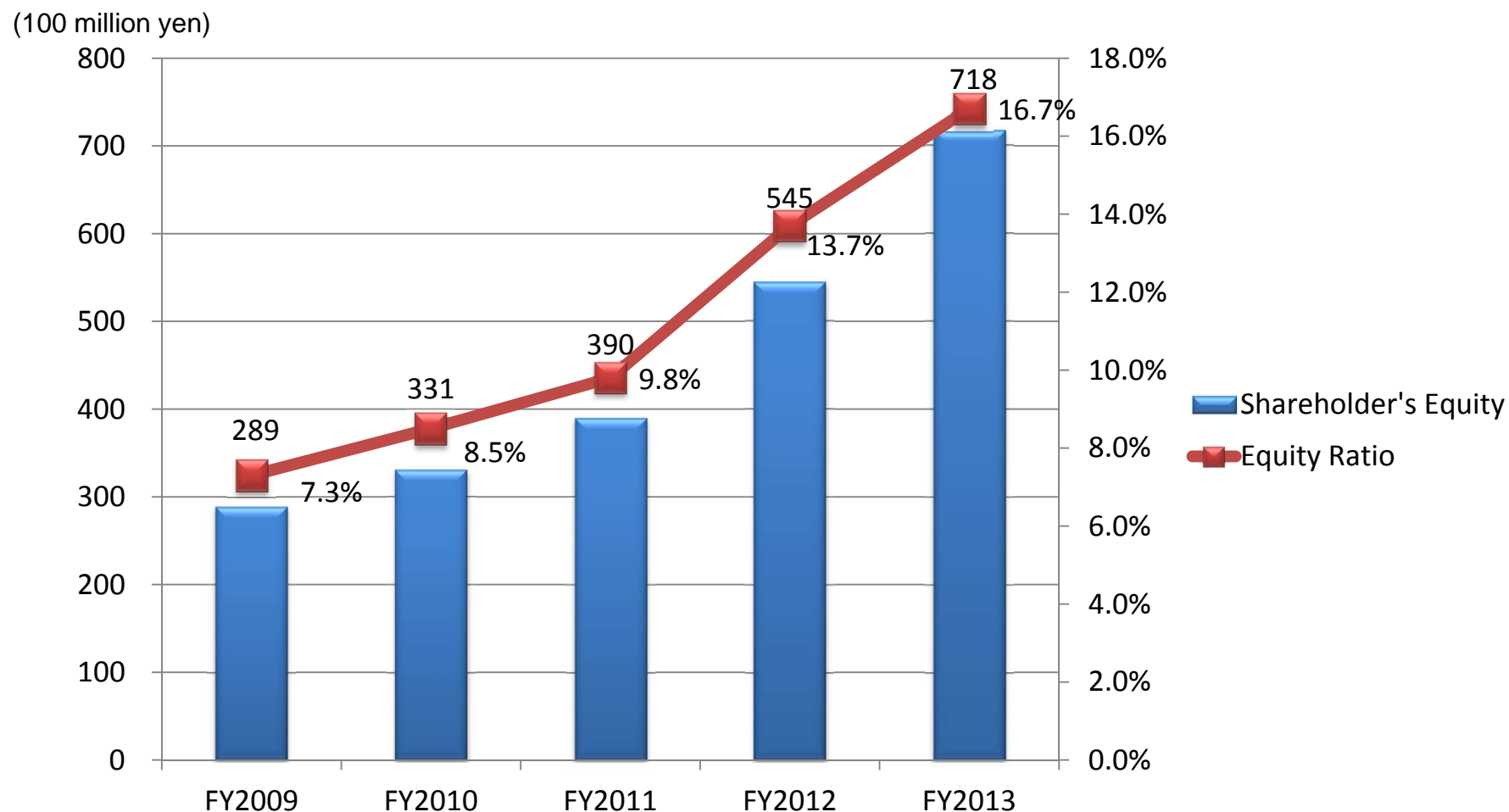
The net D/E ratio was under 1.0, achieving the target for the final year of the medium-term business plan.





Shareholder's Equity and Equity ratio

Financial standing improved significantly with the accumulation of retained earnings as a result of net income.





Forecast of FY2014 P/L

(100 million yen)	FY2013	FY2014 Forecast	Change	Change(%)
Net Sales	11,145	11,500	355	3.2%
Gross trading profit	864	885	21	2.4%
Operating income	198	220	22	11.1%
Ordinary income	202	205	3	1.5%
Net income	118	110	▲8	-6.8%
Net income per share	28.09 yen	26.19 yen	▲1.90 yen	-
Annual dividends	3 yen	4 yen (commemorative dividend 1 yen)	1 yen	-



FY2014 Forecast (Segments)

(100 million yen)	FY2013	FY2014	Change	Change(%)
	Result	Forecast		
Net sales	11,145	11,500	355	3%
Electronics & Devices	2,773	2,900	127	5%
Foods & Grain	3,090	3,250	160	5%
Steel, Materials & Plant	4,688	4,700	12	0%
Motor Vehicles & Aerospace	545	630	85	16%
Others	49	20	▲ 29	-59%
Operating income	198	220	22	11%
Electronics & Devices	78	82	4	6%
Foods & Grain	21	43	22	105%
Steel, Materials & Plant	81	80	▲ 1	-1%
Motor Vehicles & Aerospace	15	15	0	0%
Others	3	0	▲ 3	-100%



2

Progress of Medium-Term Business Plan



Progress of Medium-Term Business Plan(2013/4~2016/3)

Priority Measures

(1) Strengthen the global value chain in anticipation of evolving needs.

(2) Increase consolidated earnings strength through integration of the Group's capabilities, mutual collaboration and effective allocation of resources

(3) Build robust finances unaffected by economic circumstances

(4) Develop global professionals

(5) Resume dividend payments and achieve constant dividend payments.

Realization of
priority
measures

Expanding business through global expansion and cooperation between Group companies
Ex. Kanemory project, acquisition of oilfield tubing business in North America and mobile phone sales company

Financial standing improved steadily.
Equity ratio: 16.7%
Net D/E ratio: 0.9
(Achieved numerical targets under the medium-term business plan)

Utilization of overseas human resources, including acceptance of local staff from overseas bases at Tokyo head office. Increase in number of trainees and representatives sent overseas

Resumed dividend payments from the FY2013 interim dividend.



FY2014&FY2015 Forecast of Figures

Upwardly revised the initial numerical targets for the final year of the medium-term business plan after mostly achieving them in FY2013.

		After upward revision		<Reference> FY2015 Ordinary planned
	FY2013 Result	FY2014 Forecast	FY2015 Forecast	
Net sales	11,145	11,500	12,000	11,500
Gross trading profit	864	885	930	920
Operating income	198	220	230	220
Ordinary income	202	205	220	200
Net income	118	110	120	100
Net D/E ratio	0.9	Within the range of 1.0 to 2.0	Within the range of 1.0 to 2.0	Within the range of 1.0 to 2.0



3

VISION-130



VISION-130 ①

VISION-130 “Kanematsu Takes off for Another Challenge for Further Growth” (April 2014 – March 2019)

Basic concept of VISION-130

- ◆ In preparation for the 130th anniversary of the Company’s foundation, we are taking our strong foundation and basic principles to heart. We also strive to achieve management objectives comprising of “sustaining financial soundness” and an “expansion in revenue base” which can be made possible through coexistence and mutual development with our business partners based on the long history of our trading business.
- ◆ We aim to achieve enhanced corporate value through deep mining of our areas of strength and further leveraging our pioneering spirit as a “value creator” to continue to develop new businesses while bolstering our management base.

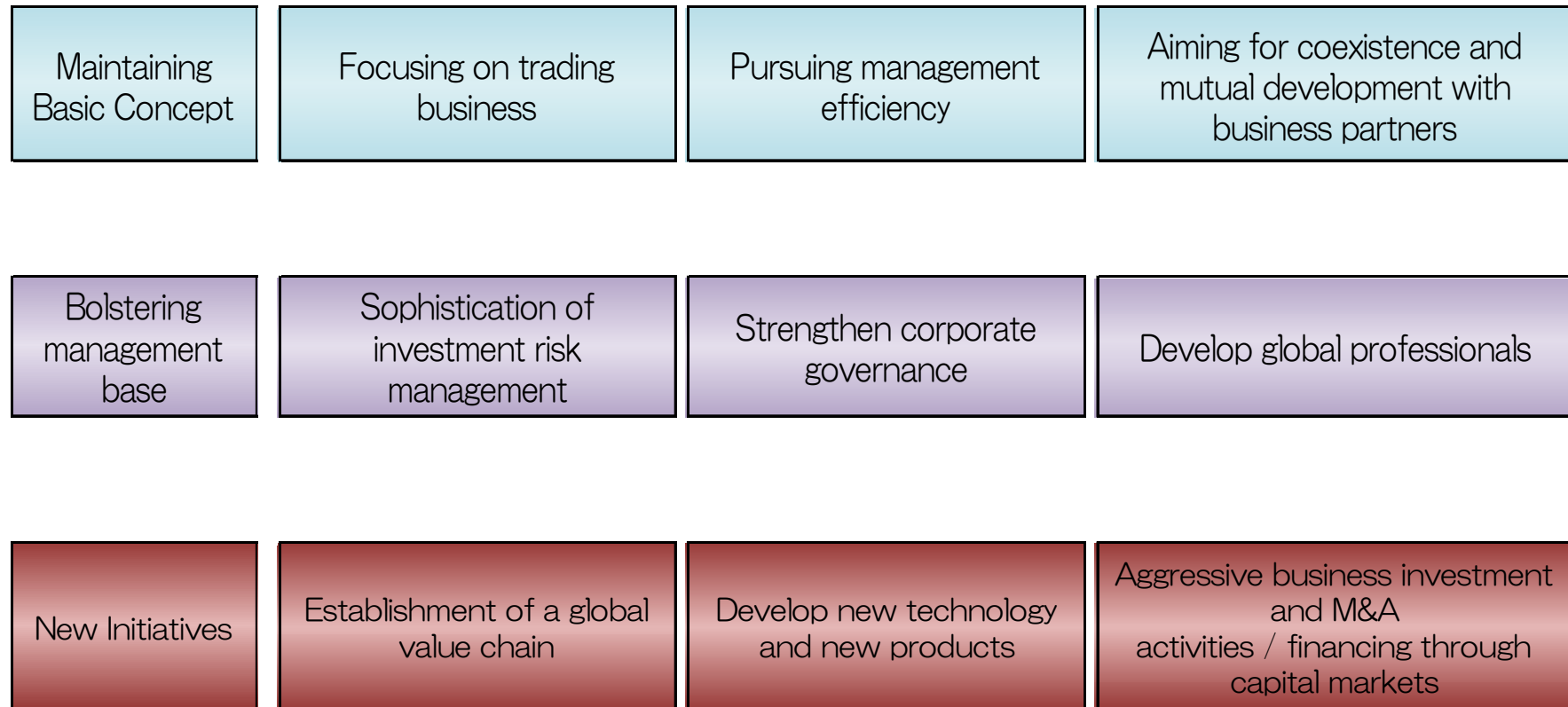
Management
objective

To achieve both “sustainability in financial soundness” and “expansion in revenue base”



VISION-130 ②

VISION-130 “Kanematsu Takes off for Another Challenge for Further Growth” (April 2014 – March 2019)





VISION-130 ③

VISION-130 “Kanematsu Takes off for Another Challenge for Further Growth”

(April 2014 – March 2019)

Aspiration	Being a “Value Creator” and continuing to build new businesses	
	Quantitative targets	Consolidated ordinary income: 25-30 billion yen
		Consolidated net income: 15 billion yen (ROE 15%)
		Shareholders’ Equity: Over 100 billion yen (Net D/E ratio: Within the range of 1.0 to 2.0)
	Qualitative targets	Dividends at an appropriate level to reflect net income



VISION-130～Main priority fields～

◆ Identification of the following six business areas as key strategic areas of strength:

Business area	Main regions	Content
(i) ICT Solutions	Japan and Asia	Expand the systems business and improve the efficiency of the service support business.
(ii) Mobile	Japan	Enlarge through M&A, etc.
(iii) Food market in Asia	Asia	Expand one-stop services of proposal, manufacture and supply, and establish value chain infrastructure.
(iv) North American shale market	North America	Further expand manufacturing, processing and sales value chain for oilfield tubing, etc.
(v) Global motorization	North America and emerging markets	Strengthen sourcing, technological development and logistics capabilities in the global automobile market.
(vi) Overseas expansion of Japanese manufacturers, etc.	North America and emerging markets	Collaborate with Japanese manufacturers expanding overseas and support their overseas expansion.



VISION-130～Main priority fields～①

① ICT solutions

KEL Kanematsu Electronics Ltd.

Provide IT infrastructure that best meets customer needs.

Offer one-stop IT infrastructure solutions, encompassing design, construction, introduction, maintenance and operation services.

Kanematsu Electronics Ltd.

Nippon office Systems Ltd.

Services through the entire IT lifecycle, services from the development of applications to sales, operation and support services for system equipment and software, maintenance services, etc.

KEL Technical Service Ltd.

Export/import, sale/purchase, loan, maintenance, development and manufacturing of communication equipment, measuring equipment, information processing equipment and computer software.

Promote business expansion both in Japan and overseas.





VISION-130 ~ Main priority fields ~ ②

② Mobile

KCS Kanematsu Communications

Mobile & Communication Innovator

Offer various services related to mobile communications and networks.



Kanematsu Communications

Mobile communication equipment sales business

Distributor for all carriers including
NTT DOCOMO, KDDI/au, SoftBank, WillCom and Emobile
Selling mobile phones and related equipment nationwide

Corporate mobile-related business (mobile integrator)

Mobile ASP services and mobile services business for
corporations, groups, etc.

Major subsidiaries

Kanematsu Granks



KANEMATSU GRANKS

Information content services
Mobile advertising, mobile business platform
services
New business for smartphones



Kanematsu communications (Shanghai)

Mobile phone sales business mainly in
Shanghai, China

③ Food market in Asia

Establish systems for proposal, manufacture and supply in line with the development of food culture in Asia.

Plan of Kanemory factory



Construction of Kanemory Plant in Indonesia

- Start supplying ingredients and raw materials and proposing menus to Halal food services and home-meal replacement industries.
- Plan to put the plant into operation this summer. Put in place mass production system.

Investment in Dalat Milk in Vietnam

- Propose and provide training on feed production and breeding methods with the aim of increasing milk production and quality for the high-end market.
- Preparations are underway to put the TMR Center (compound feed plant) into operation in 2015.

⇒ Continue to expand business structure and platform in line with the development of food culture in Asia.

Dalat Milk





VISION-130 ~ Main priority fields ~ ④

④ North American shale market

Plan to expand oil field tubing business facilities in North America in view of expansion in the shale gas and oil market.

Existing facilities are fully operational. Eyeing the possibility of expanding facilities.



- Easy to connect
- Improves working time efficiency
- Corrosion resistant

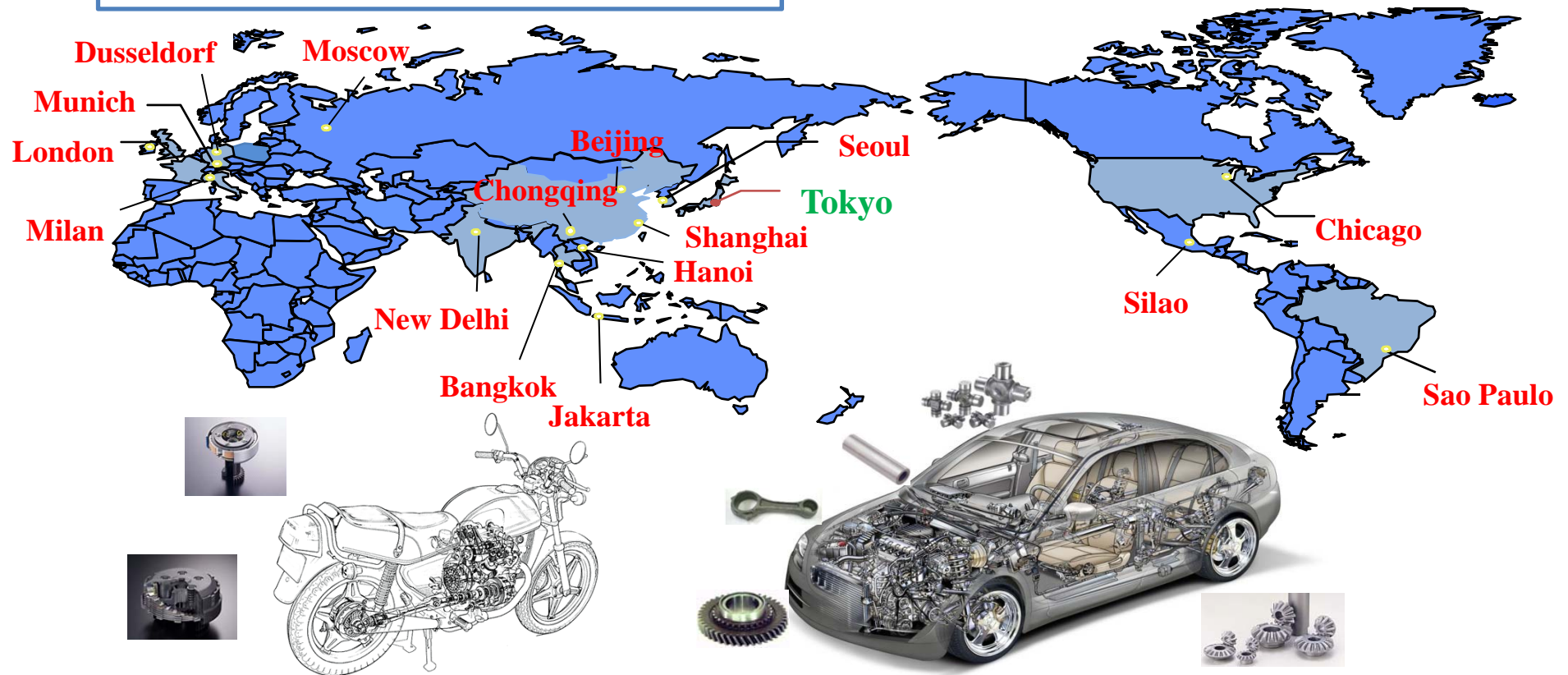
Benoit factory
(Louisiana, US)





VISION-130~Main priority fields~⑤

⑤ Global motorization



Use global sales and sourcing capabilities and identify demand among global motorcycle and automobile manufacturers; Help manufacturers with development and supply parts just in time.

⑥ Overseas expansion of Japanese manufacturers, etc.

Utilize network and expertise to help Japanese manufacturers of high quality products expand into overseas markets.

P.T. Yachiyo Trimitra Indonesia



Factory of PT. Mizushima Metal Works Indonesia

Supporting Yachiyo Industry Co., Ltd. and Mizushima Press Kogyo Co., Ltd., which manufacture mainly motor vehicle parts, with their expansion into Indonesia.

Involving strategic partners in Indonesia and establishing support systems including the provision of plant sites and legal and labor advisory services to establish a company. Also providing raw materials and parts procurement and sales support.

Collaborate with group companies Kanematsu KGK Corporation and Kanematsu Electronics Ltd.

Also involved in business support initiatives with Aozora Bank, mainly in the food & grain field.



4

Appendix



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.
	OEM/ODM	Printer equipment, Electronic modules	
	ICT Solutions & Mobile Solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content, / mobile advertisement	
Foods & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanematsu Shintoa Foods Corp. 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	SSOT 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.
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	



Subsidiaries and Affiliates, and their Employees

1. Net Sales of Major Consolidated Subsidiaries

(100 million yen)	Business	Ownership ratio	FY2012	FY2013	Change
Kanematsu Electronics Ltd.	ICT Solutions	58.28%	451	639	188
Kanematsu Communications Ltd.	Mobile communications	100%	1,212	1,369	157
Kanematsu Shintoa Foods Corp.	Food, dairy & seafood	100%	231	262	30
Kanematsu Agri-Tech Corp.	Feed & dairy	100%	125	146	21
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	384	416	32
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	392	435	44
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	1,484	1,686	202
Kanematsu Chemicals Corp.	Functional chemicals	100%	184	191	7
Shintoa Corporation	Trading company	100%	984	1,008	24
Kanematsu Aerospace Corporation	Aerospace, Military equipment	100%	39	39	0
Kanematsu USA Inc.	Overseas subsidiary	100%	944	991	47

2. Number of Employees

(Persons)	2013/3	2014/3	Change
Parent company	782	800	18
Consolidated subsidiaries	4,740	4,947	207
Total	5,522	5,747	225

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).



Subsidiaries

1. Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)	FY2012					FY2013					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	31	36	8	10	85	27	29	10	12	78	-7
Ratio (%)	84%	80%	67%	77%	79%	77%	62%	83%	92%	73%	-7%
Non profitable	6	9	4	3	22	8	18	2	1	29	7
Total	37	45	12	13	107	35	47	12	13	107	0

2. Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(100 million yen)

(100 million yen)	FY2012					FY2013					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	82	16	3	1	102	58	22	6	2	88	-14
Sum of loss posted by non-profitable	-7	-1	-1	-2	-10	0	-7	0	0	-7	3
Total	75	15	2	-0	92	58	15	5	2	81	-11

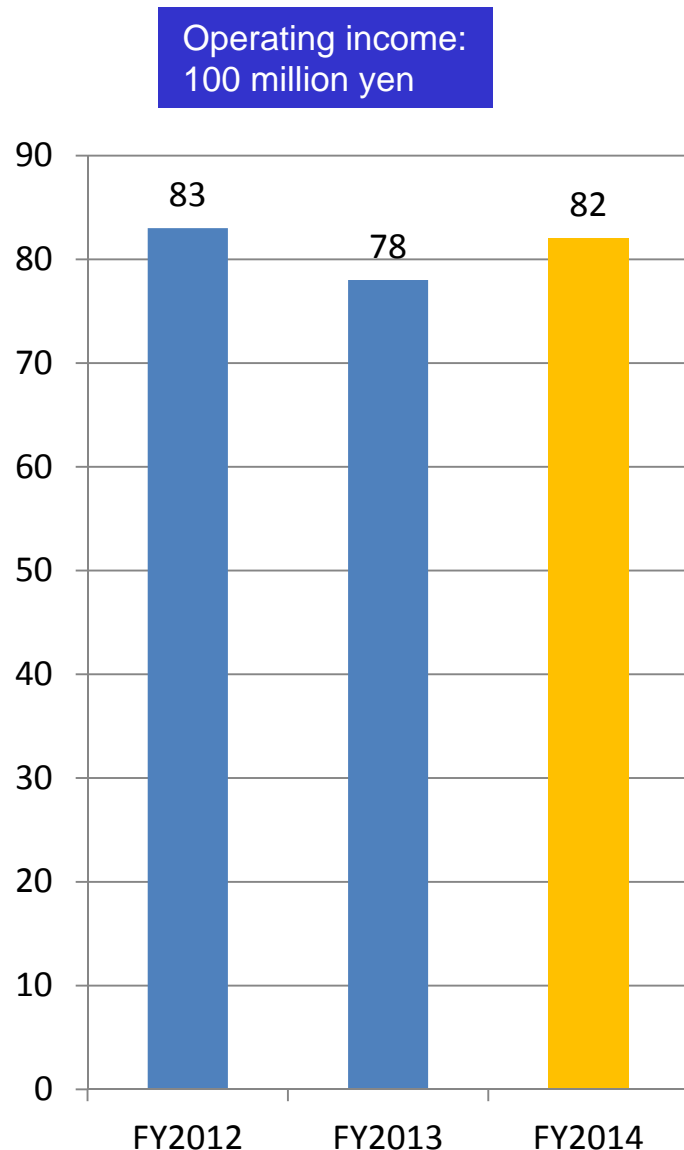


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Supplement



FY2013 Results and FY2014 Forecasts (Electronics & Devices)



(100 million yen)	FY2012 Results	FY2013 Results	FY2014 Forecasts
Net sales	2,368	2,773	2,900
Gross trading profit	391	423	427
Operating income	83	78	82

Point of FY2013 Results

The electronic components and materials business performed solidly, mainly in export transactions. In semiconductor business, domestic demand for components grew. The operating income of the mobile solutions business declined, affected by fiercer competition among carriers.

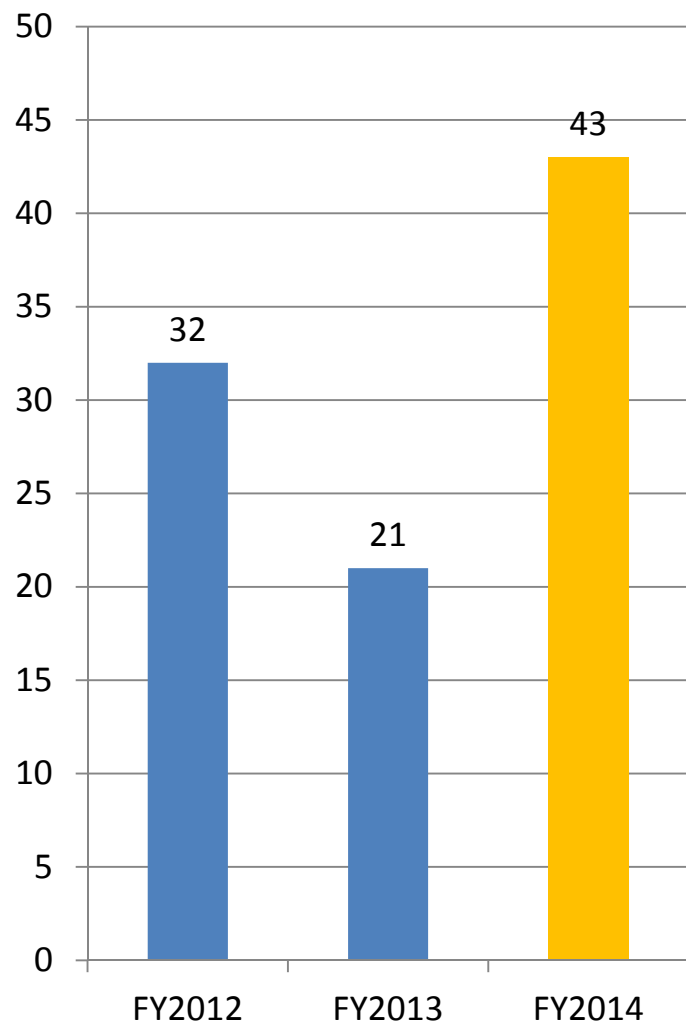
Forecasts of FY2014

The semiconductor business is expected to perform solidly, in line with the recovery in market conditions. In the mobile solutions business, competition between carriers is likely to continue.



FY2013 Results and FY2014 Forecasts (Foods & Grain)

Operating income:
100 million yen



(100 million yen)	FY2012 Results	FY2013 Results	FY2014 Forecasts
Net sales	2,879	3,090	3,250
Gross trading profit	120	117	141
Operating income	32	21	43

Point of FY2013 Results

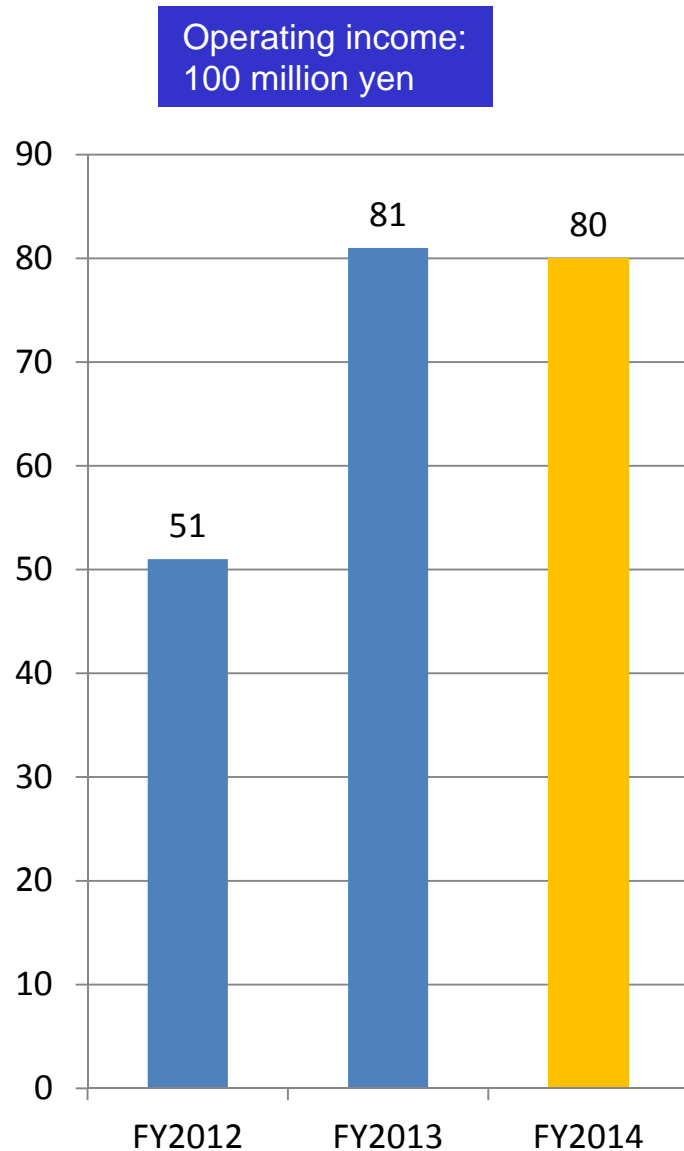
The meat products business performed strongly. The operating income of the foods business fell, reflecting a failure to pass the effect of a weaker yen on to sales prices. Meanwhile, non-operating income included foreign exchange gains of 1,800 million yen, primarily in the grains business, and total ordinary income in this segment increased.

Forecast of FY2014

Business volume is expected to remain solid generally. Operating income is expected to increase sharply, as the foreign exchange gains due to the yen's depreciation recorded under non-operating income the previous fiscal year will become operating income.



FY2013 Results and FY2014 Forecasts (Steel, Materials & Plant)



(100 million yen)	FY2012 Results	FY2013 Results	FY2014 Forecasts
Net sales	4,342	4,688	4,700
Gross trading profit	211	248	245
Operating income	51	81	80

Point of FY2013 Results

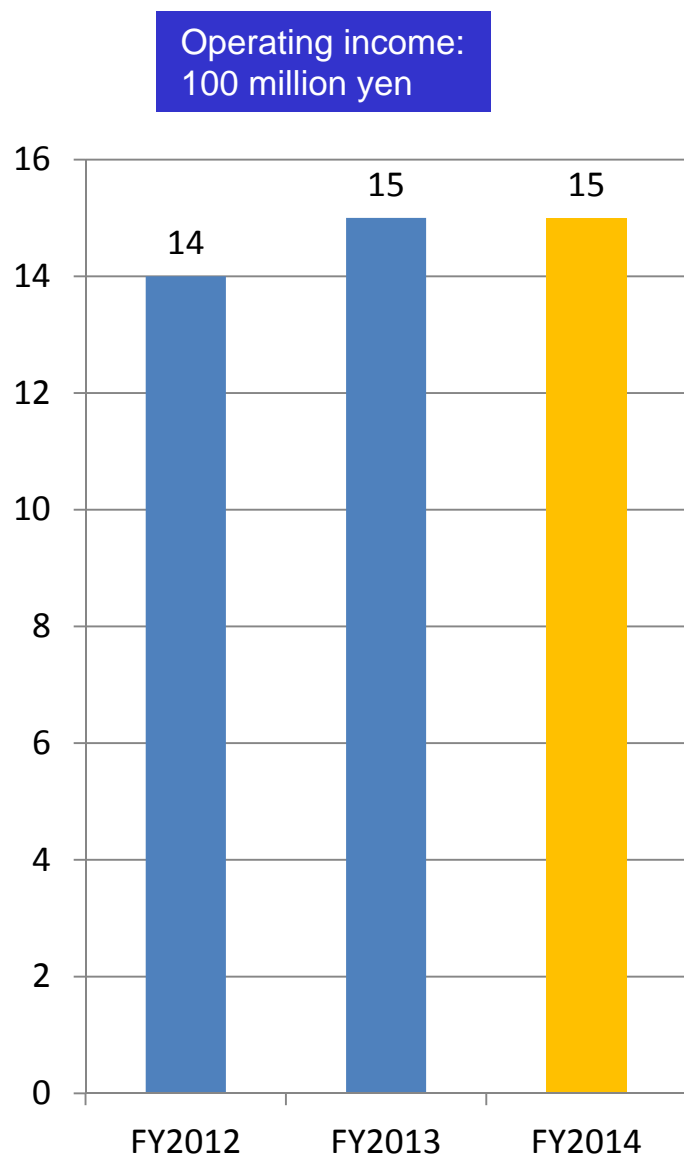
Transactions of specialty steel for automobiles for Europe and the United States and the oilfield tubing business in North America were solid. In the energy business, sales of petroleum products were strong. In the plant business, transactions of machine tools and industrial machinery were strong due to the last minute surge in demand ahead of the consumption tax increase.

Forecast of FY2014

Sales of petroleum products are expected to slow. Plant and shipbuilding transactions are likely to be solid. In the oilfield tubing business, facilities are fully operational now.



FY2013 Results and FY2014 Forecasts (Motor Vehicles & Aerospace)



(100 million yen)	FY2012 Results	FY2013 Results	FY2014 Forecasts
Net sales	507	545	630
Gross trading profit	58	62	62
Operating income	14	15	15

Point of FY2013 Results

Transactions involving aircraft parts were solid. Motorcycle and motor vehicle parts for North America also performed well. Construction machinery-related businesses for Asia were weak.

Forecast of FY2014

Demand for aircraft parts is expected to be weak following last minute demand for discontinued products. Motorcycle and motor vehicle parts are likely to continue performing well.



Notes:

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 100 million yen, the sum of each item and the total may differ.