KANEMATSU CORPORATION

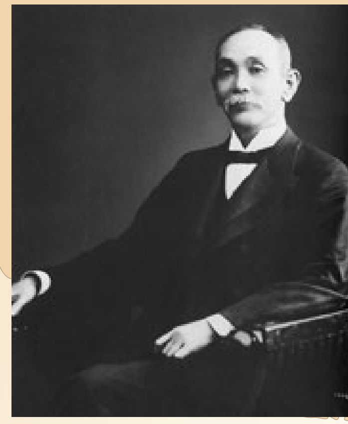
Vision, Challenge, & The Future

Annual Report 2014

In 2014, Kanematsu commemorated its 125th anniversary since its founding in 1889 as one of the pioneers in trading between Japan and Australia. Always looking ahead to the future, Fusajiro Kanematsu, the founder, kept trying to create new businesses. Kanematsu, with his dynamic pioneering spirit and creative ingenuity as its guiding principles, has expanded its fields of operation to meet the needs of each succeeding generation, to become the global company that it is today. From here on, as well, we aim to become a "Value Creator" by continuing to build new businesses together with our customers in this ever-changing social and economic environment.

Fusajiro Kanematsu (1845~1913)

Born in Osaka, Fusajiro Kanematsu overcame many hardships as a child, working as an apprentice merchant in Osaka and Kyoto and also serving the local samurai. After he had grown up, he worked in the banking, marine transport, and newspaper industries, helping to develop Japanese industry. At 44, he abandoned his social standing and position as one of the leaders in Osaka business, and became involved in trade between Japan and Australia. This marked the beginning of the trading operations of Kanematsu. Fusajiro Kanematsu played a major role in the development of the Australian market and in beginning direct imports of wool from that country, earning his reputation as a pioneer in Japan-Australia trade.



125 Year History of

Company history

1889	Fusajiro Kanematsu Shoten of Australian Trading in Kobe founded
1890	Sets up a branch in Sydney and begins import of Australian wool
1900	Starts import of Australian wheat
1918	Reorganizes into Kanematsu Shoten Company. Stated capital ¥2 million
1936	Sets up branches in New York and Seattle
1937	Establishes overseas affiliated company in New Zealand
1943	Changes trade name to Kanematsu and Company

Events in Japan and the world

1889	Promulgation of Meiji Constitution
1923	Great Kanto Earthquake
1928	Universal suffrage established
1941	Start of the Pacific War Joined the World War Ⅱ
1945	Potsdam Declaration
1946	Promulgation of the Constitution of Japan
1953	TV broadcasts begin
1960	Started colorcast using Tokyo Tower
1964	Tokyo Olympics
1968	Japan ranks no. 2 globally in GNP

130

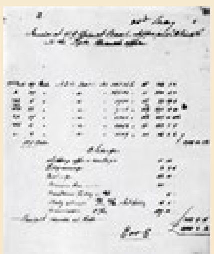
New challenge for the next stage

1889
Fusajiro Kanematsu in the year of Kanematsu's foundation

1911
Former Kobe Head office 'Nichigo-kan,' which was completed
Still popularly used as a commercial building

1940
A commemorative party for the 50th anniversary of Kanematsu Australia in Sydney

1991
Relocation of the Tokyo Head office (to Seavans N Building)



1890
The first shipping invoice for wool shipped from Australia

1951
Building tenanted by the U.S. affiliated company in New York

Kanematsu

1951 Establishes an overseas affiliated company in New York as the first Japanese trading company in the postwar era
Establishes an overseas affiliated company in Brazil

1957 Establishes an overseas affiliated company in West Germany

1966 Establishes an overseas affiliated company in Thailand

1967 Merges with The Gosho Company to form Kanematsu-Gosho, Ltd

1970 Establishes its Head Office at the Tokyo Branch Office

1973 Lists stock on the First Sections of the Tokyo Stock Exchanges

1979 Establishes a representative office in Beijing, China following restoration of diplomatic relations

1989 100th anniversary of the founding of Kanematsu

1990 Trade name is changed to Kanematsu Corporation

2012 Establishes an overseas affiliated company in India

2014 125th anniversary of the founding of Kanematsu

1970	Osaka Expo
1973	First oil crisis
1976	Lockheed bribery scandal
1978	Narita Airport opens
1979	Second oil crisis
1986	Privatization of Japanese National Railways
1989	Japan ODA tops global ranking Consumption tax introduced
1991	Burst of the economic bubble
1995	Great Hanshin Earthquake
1997	Asian currency crisis
2008	Collapse of Lehman Bros.
2011	Great East Japan Earthquake
2012	Tokyo Skytree opens

Contents

Forward-Looking Statements

This annual report contains statements regarding Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.

To our stakeholders

Taking on new challenges to enter a new growth phase

As we approach the 130th anniversary of Kanematsu's founding, in five years' time, we have defined our medium-term vision, called VISION-130, and determined what type of company Kanematsu should be. We are working to improve enterprise value by taking on new challenges in order to achieve this vision.

Masayuki Shimojima
President & CEO

Restructuring plans and resumption of dividend payments

Fiscal 2014 (the fiscal year ended March 31, 2014) was a pivotal year for Kanematsu. Since announcing plans to restructure in May 1999, we have streamlined our operations to focus on business areas where we have particular expertise, strengthened our business foundations, and expanded our earnings base. These efforts have resulted in significant improvements in our financial position over the past 15 years, such that we are now in a position to maximize our strengths in core areas and achieve stable earnings growth. One of the priority measures in our medium-term business plan (April 2013–March 2016), announced in May 2013, was to resume dividend payments and achieve a constant dividend. We resumed dividend payments in the second quarter of fiscal 2014 and have been able to complete the rebuilding efforts made since the restructuring was announced in both name and reality. We recognize the enormous support and cooperation we have received throughout this process from our shareholders, business partners, and employees, and all other stakeholders.

As well as being a pivotal year for Kanematsu, fiscal 2014 was also the starting point for renewed efforts to achieve further growth and increase enterprise value. At Kanematsu, executives and employees alike agree that the resumption of dividend payments is not the goal, but simply the starting point for the next phase of progress.

Looking back on fiscal 2014

Looking first at earnings in fiscal 2014, we achieved the priority measure of strengthening our global value chain and grew both sales and profits, driven by the economic upturn from external factors such as Abenomics and Tokyo winning the 2020 Olympics. We reported ordinary income of ¥20.2 billion, reaching the ¥20 billion mark for the first time in 23 years, and net income of ¥11.8 billion, a ¥2.2 billion increase over fiscal 2013. The medium-term business plan targeted ¥20 billion ordinary income and ¥10 billion net income by fiscal 2016, the final year of the plan, but we have achieved these targets in the first year of the plan. We believe that these results are due to the steady improvement made in our consolidated earning power.

In terms of finances, we continued to work on maintaining and improving a healthy financial position. Shareholders' equity built up due to the earnings growth and yen depreciation, and we reduced debt to maintain a good debt-capital balance. We therefore achieved a net debt-equity (D/E) ratio of 0.9 times and an equity ratio of 16.7%, meeting the financial targets in the final year of the medium-term plan in both cases.

In fiscal 2014, we worked to develop our overseas food business in Asia, investing in a local dairy producer in Vietnam and agreeing an operational tie-up in the dairy cow feed business and starting up a Chinese joint-venture wholesaler of confectionary and bakery ingredients. In the mobile solutions business, our consolidated subsidiary Kanematsu Communications acquired a mobile phone sales company in Kyushu to boost our sales capabilities through a broader business base. Our plant business won orders to lay submarine cables for electricity supplies and develop wind-power generation facilities in the Philippines. Our aircraft business was selected as the sales representative in Japan for the CSeries Airliner manufactured by Canadian firm Bombardier Aerospace, the third-largest aircraft manufacturer in the world.

Over the course of this year, we have achieved good results overall and our focus areas that are key to further growth have flourished. At the same time, a number of issues have arisen that need to be dealt with as we move into a period of earnings growth.

● Progress in the Medium-Term Business Plan (April 2013–March 2016)

Priority measures	Realization of these priority measures	
(1) Strengthen the global value chain in anticipation of evolving needs		Expanding the business through global development, group-wide synergies e.g.: Kanemory project, Acquisition of North American oilfield tubing business and Mobile phone sales company
(2) Increase consolidated earnings strength through integration of the Group's capabilities, mutual collaboration and effective allocation of resources		Steady improvement in financial position (achieved quantitative targets in medium-term business plan) Equity ratio: 16.7% Net D/E ratio: 0.9 times
(3) Build robust finances unaffected by economic circumstances		
(4) Develop global professionals		Utilize overseas human resources, e.g. national staff members of overseas branches at Tokyo head offices Increase the number of trainees and employees deployed in overseas units
(5) Resume dividend payments and achieve constant dividend payments		Resumed payments from interim dividend in fiscal 2014

VISION-130: Kanematsu takes off for another challenge for further growth

April 2014–March 2019

VISION-130 Basic Concept

- As we approach the 130th anniversary of the founding of Kanematsu, we are returning to our beginnings as a trading company and to our corporate vision. Our management objectives are to "Maintain a healthy financial position" and to "Expand our earnings base" through coexistence and mutual development with our business partners based on the long history of our trading business.
- We aim to increase our enterprise value by furthering our business in areas of expertise and investing in new challenges to create value, while bolstering our management base

Management Objective

"Maintain a healthy financial position" and "Expand the earnings base"

Maintain basic concept	Focus on trading business	Pursue management efficiency	Coexistence, mutual development with partners
Bolster management base	Sophistication of investment risk management	Strengthen corporate governance	Develop global professionals
New initiatives	Establish global value chain	Develop new technologies, new products	Aggressive business investment and M&A/financing through capital markets

VISION-130 medium-term vision

It was necessary for us to define our vision for our company (our aspirations) when we were standing on a new starting line and shifting to the next stage. VISION-130 describes what we must do to achieve our vision for Kanematsu in five years' time when Kanematsu celebrates its 130th anniversary.

VISION-130 furthers the strategies in the current medium-term business plan, so there is no fundamental change in direction. In developing VISION-130, we have returned to our beginnings as a trading company and to our corporate vision. We aim to maintain a healthy financial position and also expand our earnings base, through collaborative efforts and business development with our partners that are at the heart of our trading operations. We will also continue taking on the challenge of new business creation.

We need to pursue aggressive investment and M&A in areas of expertise to expand our earnings base, but we recognize the need for global staff development, stronger corporate governance, and high-level management of investment risks to ensure Kanematsu has the capabilities necessary to achieve this goal. We plan to achieve the aspirations described in our vision by maintaining a good balance between an aggressive business approach and appropriate business foundations.

Main priority fields

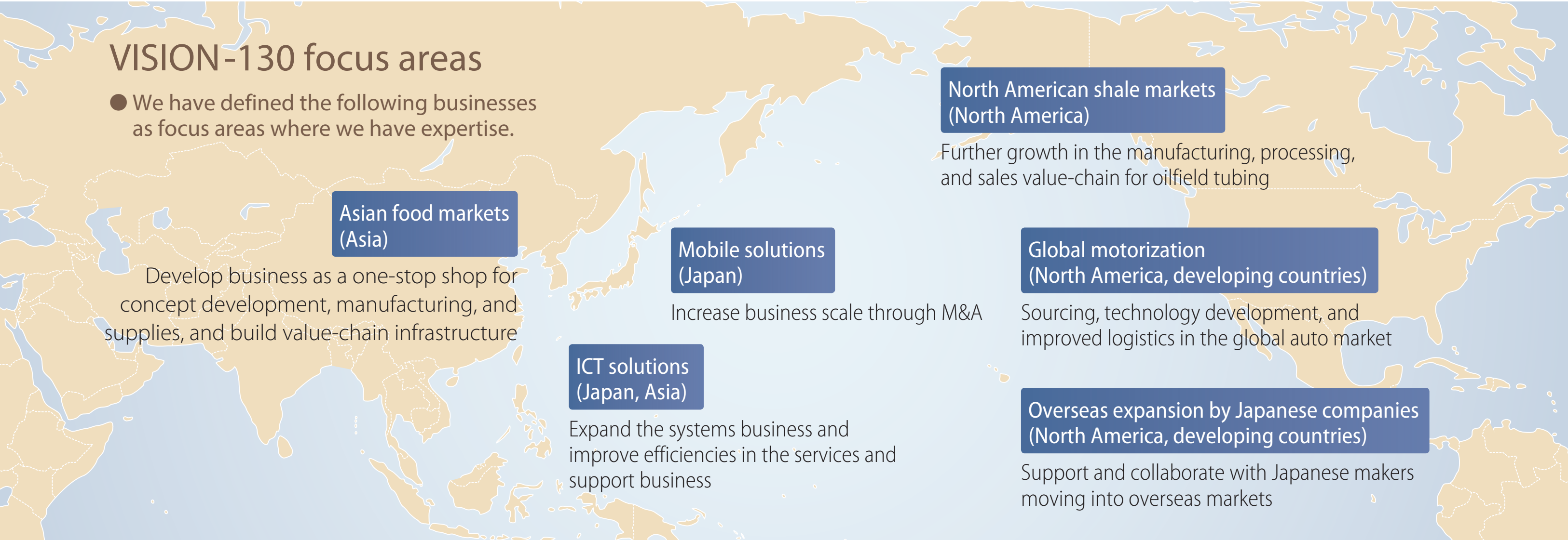
We have defined the following businesses as focus areas where we have expertise: 1) ICT solutions, 2) Mobile solutions, 3) Asian food markets, 4) North American shale markets, 5) Global motorization, and 6) Overseas expansion by Japanese companies. Leveraging our capabilities as a general trading company with a diverse business portfolio, we will take an aggressive approach particularly in areas where the group as a whole has expertise.

ICT solutions

In the ICT solutions business, we are a one-stop shop for all services, from IT infrastructure design, construction, and installation to operation and maintenance. One of our key strengths is our access to a wide range of products in our role as a vendor of multifaceted solutions.

We will focus on areas of strength, such as infrastructure development and virtualization, and differentiate ourselves from the competition by developing unique business segments.

We will also move aggressively into global markets, in China and Southeast Asia for example, in order to build up our trading rights.



Mobile solutions

In the mobile phone sales business, the distributor industry continues to restructure and carriers are engaged in ever-increasing competition. Our goals are to improve our industry presence, capture a greater market share, and bolster our sales force through aggressive investment, in new sales agent rights or M&A, while eliminating waste and improving efficiencies.

We also aim to generate earnings in the market for smart devices such as smartphones and tablets, and develop business with corporate customers and in Asia and other overseas markets.

Asian food markets

In the food and grain segment, we will continue to expand our operations by building up supply and sales systems for our existing business with mass retailers and the restaurant/food service industry. We plan to increase our business volume in Asian emerging countries where economic growth is driving rapid changes in food culture.

One example is our food processing business in Indonesia. We already provide product development/concept and partnering solutions to Japanese convenience store businesses or restaurant chains which have already moved into the Indonesian market, and have received enquiries from numerous potential customers. We plan to start operating a new plant in fall 2014 and aim to build capacity to target growing demand for these services.

We are also developing systems and platforms in more upstream areas of the food industry, including animal feedstuff and feedstuff materials.

North American shale markets

Our oilfield tubing business now includes a value chain that runs from manufacturing and processing to sales following the acquisition of a North American company that provides threading services for oilfield tubing in October 2012. This value chain has made a significant contribution to earnings.

We expect a significant increase in demand for oilfield tubing as shale gas and shale oil production increases and deep-sea oilfield exploration recovers. Our group aims to expand facilities to meet such demand and increase the volume of business in this area.

Global motorization

Automobile use has increased around the world in recent years and we have built up a network of sites in countries where automakers are setting up operations, including India and Central and South America. We aim to build a more robust global supply chain and bolster our logistics functions, as well as develop our capabilities in quality management, technology development, and global sales and sourcing to make full use of our overseas network.

Overseas expansion by Japanese companies etc.

Our group has offices in approximately 40 cities around the world, particularly across Asia. We have created a strong value chain by leveraging this business network and our information capabilities to quickly gain an accurate understanding of changing trends worldwide.

We plan to develop systems to follow local trends and increase the number of group offices overseas to meet partner needs and support Japanese companies entering foreign markets.

Investment based on core competences

As described above, we intend to pursue aggressive investments and M&A in core areas to expand our earnings base, but it is important to stress that any new investment will be based on core competences. Put another way, our strategy is to mainly work together with our partners, in fields where we have expertise, and where we can expand current trading rights. We will not invest in areas where past experience suggests we have inadequate knowledge or capabilities.

Investment will, in principal, be funded by operating cash flows, but we may consider financing if we are presented with an excellent opportunity to make a major acquisition. In line with this policy, we have set a total investment limit of ¥100 billion over the next five years. However, such investments are only a means to increase our earnings base, so we need to carefully examine each proposal before execution. We have therefore established a new investment department to analyze risk before any investment is made and follow up after implementation. We also need to rigorously manage investment risk to make shrewd and appropriate go or no-go decisions on proposed investments. We are addressing these issues now so that we will be in a position to take an aggressive approach.

Quantitative targets in VISION-130

The quantitative targets set out in VISION-130 includes consolidated ordinary income of ¥25–30 billion, consolidated net income of ¥15 billion, and shareholders' equity in excess of ¥100 billion. We aim to expand our earnings base and are targeting a 1.5-fold increase in our group earning power over the next five years, compared with the current level. We aim to maintain ROE at 15% and the net D/E ratio at around 1.0 times. Even if we need to use capital for a major investment, we plan to maintain an appropriate debt-capital balance, keeping the net D/E ratio at around 1.0 times.

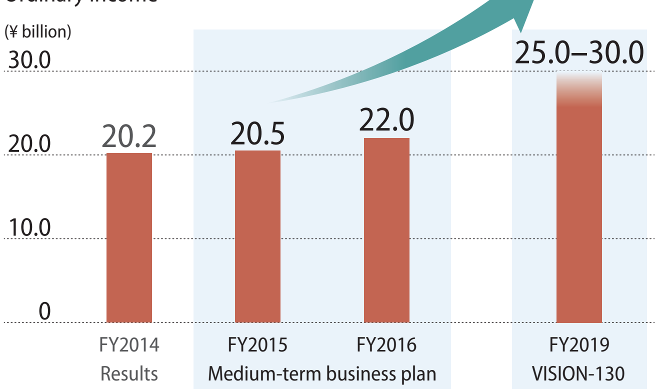
We expect to increase the scale of our assets through aggressive business investment, but investments will only be made to expand our earnings base, so we plan to keep ROA at the current level of around 3% and aim for a capital adequacy ratio in excess of 20%.

We look to maintain stable dividend payments, while taking into consideration the balance of shareholder returns and higher enterprise value.

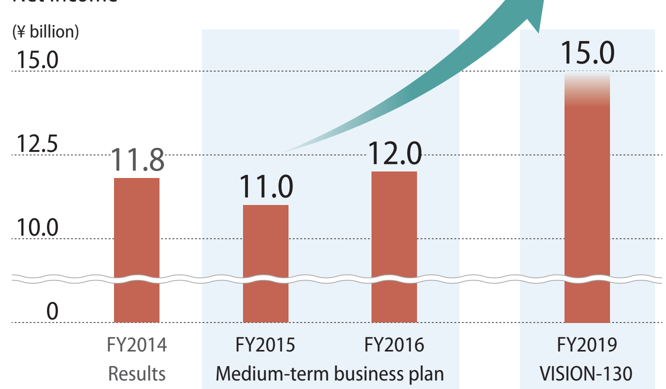
Aspiration	Being a "Value Creator" and continuing to build new businesses	
	Quantitative targets	Consolidated ordinary income: ¥25–30 billion
		Consolidated net income: ¥15 billion (ROE 15%)
		Shareholders' Equity: Over ¥100 billion (Net D/E ratio: Within the range of 1.0 to 2.0)
	Qualitative targets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

● VISION-130 income targets

Ordinary Income



Net Income



"Be a Value Creator"

Since my appointment as President in April 2010, I have worked to spread the idea that "Be a Value Creator." This is just my way of expressing the thinking behind our company beliefs in our "pioneering spirit" and "creative imagination and ingenuity."

I have a particular interest in value creation and would like to share one of my experiences with you.

My first experience of residence in the US was when I was 31 years old. I was in charge of the sale of steel pipe used to reinforce the walls of oil and gas fields or for pipelines to transport oil and natural gas. Our business was to sell steel pipe manufactured in Japan to local wholesalers. There was a commodity market for steel pipe and it could take up to five months between order placement and delivery, so market prices had often changed by the time the product arrived. The wholesalers were happy to take on the product if prices had improved, but I would get complaints if prices had worsened. It was not a very efficient way of doing business. We then decided to accumulate inventories to sell, rather than trying to shift our product the minute it arrived, but we could not build up enough stock to meet the diverse demand for different types and sizes, regardless of how much we invested. We continued to conduct researches into value-added oilfield tubing that was of a high-grade and consistent quality and that could be used in deep-water environments and were finally able to bring to market a leak-proof, unbreakable, high-grade oilfield tubing product fitted with special screws. The product had patent protection and a few companies were making enormous profits from this business. We then brought in high-grade oilfield tubing that had been developed by Japanese manufacturers in order to break down this monopoly. Naturally, we faced opposition and the story took various twists and turns, including lawsuits over anti-dumping practices, but we ultimately achieved great success when junior employees similarly motivated to do big deals with this product continued to develop the business. Obviously, collaboration with the manufacturers played a big role in our success, but I think another major factor was the strong relationships of trust we had built. Our customers could sense Kanematsu's honest and sincere corporate culture. As luck would have it, our rivals in this business at that time are now important partners supporting this business. This experience brought home to me how important personal relationships are in the business world.

I believe that our company's mission is to contribute to the development of our business partners and the global economy by deepening our relationships of trust with our partners and working together to create new businesses. Ultimately, I think that Kanematsu's enterprise value will increase if the many entrepreneurs in this company work to form a business creation as "Value creates." I am confident that this will enable us to achieve the goals set out in VISION-130.

Outlook for fiscal 2015

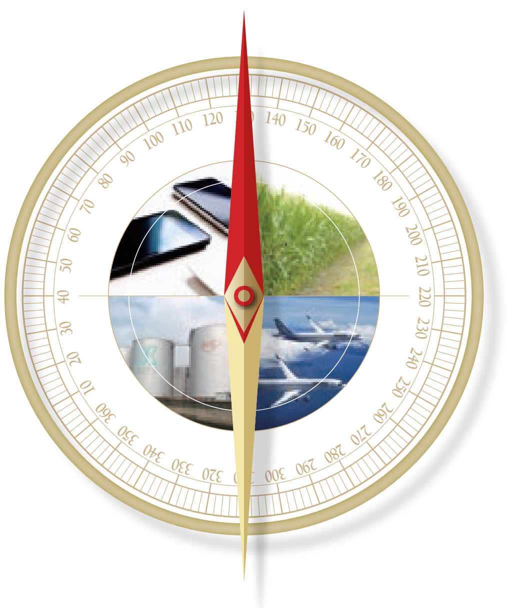
In fiscal 2015, although we expect the Japanese economy to recover due to continued economic expansion in the US and economic recovery in Europe, we anticipate ongoing uncertainties due to slowing economic growth in China and developing countries in Asia.

Accordingly, in fiscal 2015, we are targeting consolidated net sales of ¥1.15 trillion, operating income of ¥22 billion, ordinary income of ¥20.5 billion, and net income of ¥11 billion. For dividend payments, we plan an interim dividend per share of ¥1, to thank all our shareholders on the 125th anniversary of Kanematsu, and an annual dividend per share of ¥4.

Our goal is to meet the expectations of our stakeholders and set Kanematsu on course for solid growth by developing our business further, particularly in the priority areas outlined in VISION-130, and making new investments to generate new business opportunities.

August 2014

President & CEO



Segments

The Kanematsu Group is developing global businesses as a "Value Creator" by continuing to build new businesses that provides diverse products and services based on industries in a wide range of fields. It is building strong relationships as it works to create businesses together with customers.

In this section, we will explain the strategies and goals and Focus areas in four sales divisions: Electronics & Devices; Foods & Grain; Steel, Materials & Plant; and Motor Vehicles & Aerospace.

Electronics & Devices

This segment handles a broad array of products, ranging from electronics-related materials to parts and equipment. It also operates mobile solution, ICT solution and other businesses, as well as focusing on original equipment manufacturing (OEM) and original design manufacturing (ODM) businesses. This segment supports customers undertaking global expansion through its extensive electronics technologies and know-how.

Kaoru Tanigawa
Managing Executive Officer,
Chief Officer,
Electronics & Devices Division

In Electronics & Devices Division, utilizing the know-how that we have accumulated through our extensive experience, we propose a value chain from the development stage to the supply of commercial products that meet the needs of our customers, aiming to build business with high added value.

For each product that we offer, we aim to be a world leader. Shifting our resource focus to expanding markets in Asia and emerging countries and the recovering U.S. market, we accurately identify local needs and take steps to expand our base. In the meantime, to expand our business and improve our functions, we aim to form capital and business alliances.

Centered on the Kanematsu Group's global purchasing power, selling power, and high added-value functions, we continue to contribute to economic growth around the world, including emerging countries.

Fiscal 2014 results and future focus

The electronic components and materials business performed well, mainly in export transactions. In the semiconductor-related businesses, domestic demand for components increased significantly, partly due to the government's economic stimulus measures.

The system integration business remained strong thanks to companies' capital expenditure on their infrastructure.

Meanwhile, operating income decreased in the mobile solution business as a result of intensifying competition among mobile phone carriers, despite the last-minute surge in demand ahead of the consumption tax hike.

As a result, net sales in the Electronics & Devices Division rose ¥40,574 million year on year, to ¥277,348 million. Operating income declined ¥584 million, to ¥7,755 million.

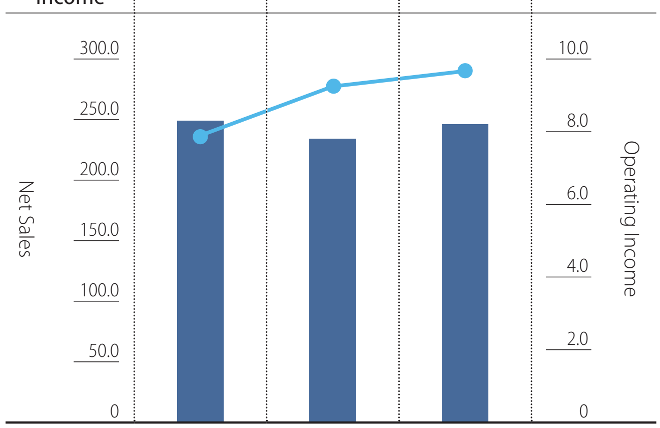
In the ICT solutions business, our goal is to differentiate Kanematsu from the competition by focusing on business areas where we have expertise and can offer unique solutions, such as in infrastructure construction and concept development. We are also moving into business areas with growth potential and strengthening our business in China, Southeast Asia, and other global markets.

In the mobile business, we aim to secure earnings from smart devices and are focusing on business development with corporate customers and on overseas markets, particularly in Asia.

In the semiconductor parts and equipment business, we aim to expand sales by stepping up our activities in cutting-edge technologies from the development stages, as we expect demand in Asia and other emerging countries.

(¥ billion)

	Results		Forecast
	FY2013	FY2014	FY2015
Net Sales	236.8	277.3	290.0
Operating Income	8.3	7.8	8.2

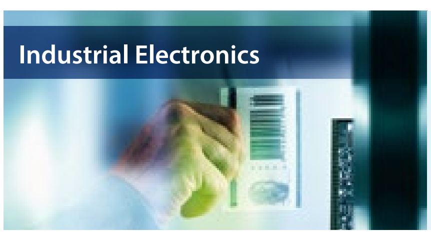


Main Business		Products
Semiconductor Equipment	Semiconductor/LCD Manufacturing Equipment	Semiconductor manufacturing and testing equipment, LCD manufacturing and testing equipment
Industrial Electronics	Industrial Printers	Industrial printers and related consumables
	Livingwares	Batteries, Facility lighting, LED lamps
Semiconductors	Semiconductors	Semiconductor devices, Sensor devices, LCD panels, Components for smartphones and tablets, Control modules for lithium ion batteries
Electronic Components and Materials	Electronic Components	Amusement related products, Vehicle equipment, AV related products, System boards, Printed circuit boards and materials
	Semiconductors/LCD Materials	LED components, Solar cell components, Battery components, Metal materials for electronic and functional components, Surface treatment agents
	Optical Device Materials	Components for display devices and optical devices
ICT/Mobile Solutions	ICT Solutions	ICT and communications equipment and devices, ICT and communication service, System integration
	Mobile Solutions	Mobile communication terminals, Mobile internet system and services

Semiconductor Equipment

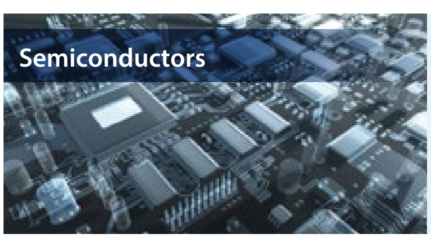
This segment mainly deals in semiconductors and LCD manufacturing equipment and has a wide range of product lines as well as domestic and overseas support structures. Kanematsu has discovered promising cutting-edge technologies from Japanese and overseas manufacturers and is uniquely commercializing them in partnership and developing them into de-facto industry standards that meet the needs of customers. Our system, which is capable of responding to large numbers of requests, is creating a stronger relationship of trust with customers.

Industrial Electronics



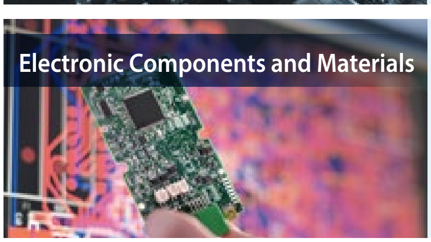
We primarily offer commercial printers and their consumables with overseas sales channels and a services system. We are expanding our business, including OEM and ODM, in a wide range of countries. In household supplies, we handle various daily-use products such as primary and secondary batteries, their related products, and LED lamps.

Semiconductors



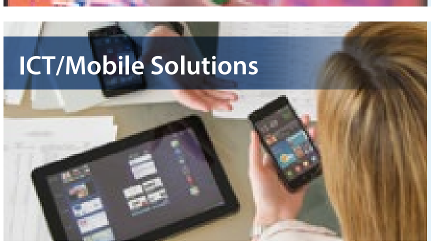
We supply semiconductors made by domestic and overseas manufacturers and offering a wide array of products, from generic power ICs and memories to cutting-edge technologies such as ASICs and high-precision sensors. Moreover, we provide optimal solutions by supplying electronic components, primarily semiconductor products, and various modules to a wide range of applications including mobile devices, intelligent home appliances, vehicle equipment, industrial machinery.

Electronic Components and Materials



We offer a wide array of electronic components and electronic materials. We provide total support for materials of the key components of semiconductors, LCDs, cameras, and batteries which are used in PCs, smartphones, tablets and other products. In addition, we provide solutions such as LEDs and photovoltaic modules for environment-related, automotive and amusement businesses. We also own a coil centers in Japan and overseas and provide slit processing and one-stop delivery tailored to customers' needs.

ICT/Mobile Solutions



As ICT solutions, we provide one-stop delivery and consulting services which extend to the design, construction, installation, maintenance, and operation of clients' IT-based information systems. As for mobile solutions, we sell mobile communication devices including smartphones nationwide as a primary distributor for communications carriers. We also provide services for clients' information systems.

Focus areas

Product support utilizing overseas network – Printer for business use

Kanematsu has a worldwide business network, providing finely tuned service from our base in each of the major countries. In sales of printers for business use, we take full advantage of this characteristic and establish a system that can respond rapidly not only to sales, but to daily service including maintenance.

Since printers for business use are essential to operations today, downtime caused by breakdowns and other problems must be minimized. Kanematsu responds swiftly to these situations, utilizing its overseas networks and earning high marks from its customers.

Kanematsu sells printers primarily in the following two ways.

1. **Sales of our own brand product**
   Sales of our own brand product, SwiftColor, through overseas agencies
2. **OEM business**
   Development/sales of product under the customer's brand

Each has a different form of business, but we think it is important to provide finely tuned support to respond to the demands of customers.

SwiftColor: http://www.swiftcolor.com/

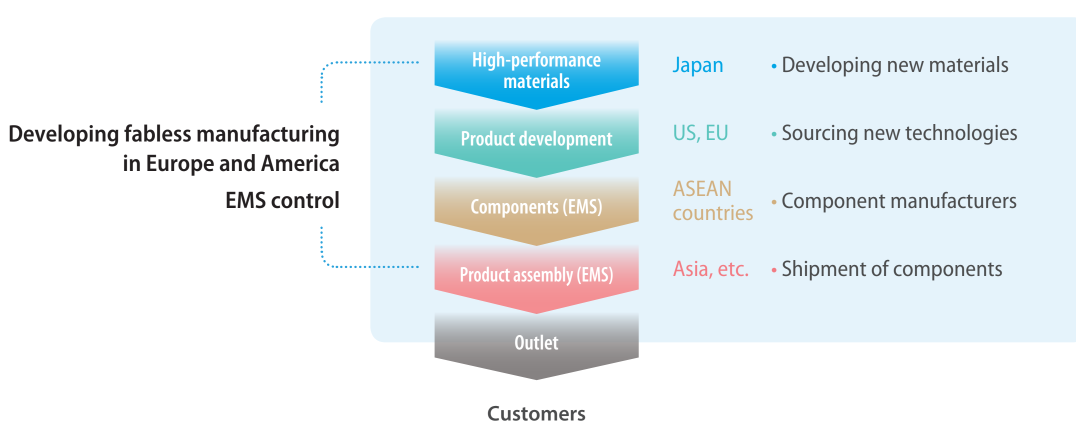
Supply Chain Management Support for Manufacturers

A business model for electronic device operations, and supply chain management support for manufacturers

It is essential to implement worldwide Supply Chain Management Systems (SCMS) in today's competitive and globalized business environment in electronics.

Our business partners with distinctive technologies backed by extensive experience proudly play their important roles in achieving a high level of value-added and differentiation in our businesses along with upstream products such as raw materials and components to downstream products of those modules and assemblies.

We will promote integrated business in collaboration with our business alliance of Electron Manufacturing Services (EMS) and fabless manufacturers (manufacturers that specialize in product development and marketing without owning plant) by exploiting low cost/high performance materials as well as developing and sourcing world cutting-edge technologies.



Foods & Grain

Based on a commitment to safe, secure food, we ensure stable supplies of a wide range of foods, including high value-added items, like grains, raw materials for oils and fats, feedstuff, and marine products, through an integrated supply system from raw material procurement to finished product processing.

Morihiro Toida
Managing Executive Officer,
Chief Officer,
Foods & Grain Division

Foods & Grain Division supplies goods and services relating to food for human consumption and for pets who live with humans, spanning everything from grain, agricultural products, meat and marine products, ingredients for desserts, alcoholic and non-alcoholic beverages, frozen foods and processed foods, to feedstuff and fertilizer. Our philosophy is to “contribute to the dietary habits of people around the world and raise the quality of the lives of people in local communities through our efforts to provide safe and secure foods.”

We launch a new business overseas from the global perspective as “GLOCAL”, a global company committing to a local perspective in the region where the business is based. In domestic market, we maximize overall strength of the Group in Japan, and see the market needs more deeply to improve the quality of and expand the scope of its business.

We develop and propose a value creation-type business model and promote a “maker and supplier-based approach”. Under this philosophy, we seek “the joy of connecting the producer with the consumer” through business creation, a hands-on approach, and a commitment to manufacturing.

With its Food Safety Management System Office, we strive to ensure product traceability and stringent hygiene and quality management to provide additional safety and security.

Fiscal 2014 results and future focus

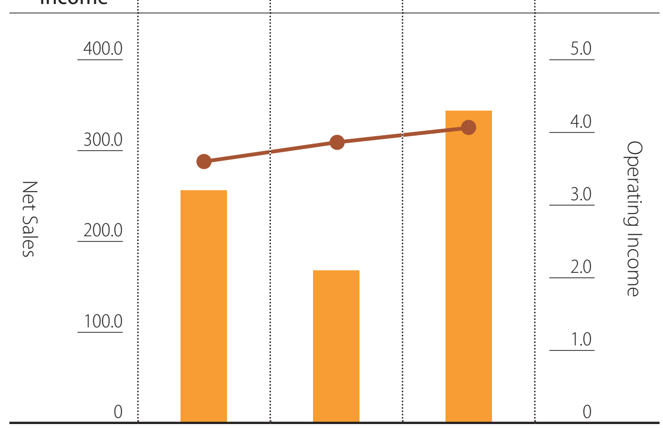
Operating income for the entire food business segment was reduced, primarily as a result of exchange rate fluctuations. The meat product business remained stable based on increased imports in response to a rise in domestic market prices. The foodstuff business was also consistently strong based on stable procurement and the increased business volume. Meanwhile, the food business suffered a decline in operating income due to the time taken for sales prices to reflect the increased costs caused by the weaker yen. As a result, in the Foods & Grain Division, net sales increased ¥21,088 million year on year, to ¥309,024 million. Operating income fell ¥1,066 million, to ¥2,099 million.

In the food business, we will continue to focus on expanding our business and building up supply and sales systems for customers in the food service industry and for volume retailers, which has long been an area of focus for this segment. Asia is a focus area where we are bolstering sales systems and expanding trading volumes.

In the foodstuff business, we are focusing on areas where we have particular expertise, for example feed materials and non-genetically modified soybeans. We are strengthening our systems in businesses further up the supply chain, ensuring a stable supply of feedstuff and grains, and focusing on platform development to expand overseas sales channels and satisfy changing dietary habits in Asia.

(¥ billion)

	Results		Forecast
	FY2013	FY2014	FY2015
Net Sales	287.9	309.0	325.0
Operating Income	3.2	2.1	4.3



Foods & Grain

Main Business	Products
Foods	Processed fruits (frozen/canned), Concentrated fruit/vegetable juices, Confectionary ingredients (Couverture chocolate, Cocoa powder, Nuts, Dry fruits, Dairy products, etc.), Coffee, Teas, Alcoholic beverages (Wine, etc.), Sugar, Honey, Sesame seeds, Peanuts, Pulses and peas, Nuts and seeds, Cooked foods, Others
Meat and Marine Products	Meat products: Beef, Pork, Chicken, Mutton/Lamb, Special poultry such as turkey and duck, Horsemeat, etc. Marine products: Cephalopod (octopus, squid, etc.), Crustacean (shrimp, etc.), Frozen fish, Seafood ingredients for sushi, Others
Grain, Food Soybean, Oilseeds	Rice, Wheat, Barley, Corn, Soybean (for food, for oil), Defatted soya-flake for soy sauce production, Buckwheat, Corn grits, Corn starch, High-fructose corn syrup, Rapeseed, Cottonseed, Others
Feedstuff	Feed grain (Corn, Milo, Soybeans, etc.), Plant protein meal (Soybean meal, Rapeseed meal, etc.), Animal protein meal (Fish meal, etc.), Other by-products, Dairy products for feeding (Skim milk, Whey powder), Roughage (Baled hay, Beet pulp pellets, etc.), Fish oil, Prebiotics (Laxel Force), Fertilizer, Others
Processed Agricultural Products	Processed wheat (Wheat flour, Pasta, Frozen bread dough, etc.), Cereal ingredients, Vegetable oil, Olive oil, Others
Pet Products & Groceries	Pet food & snacks, Pet products, Tropical fish, Raw ingredients for pet food & snacks, Products wholesaled to DIY stores (home improvement retailers)

Foods

In the areas of processed fruits and prepared foods, with sales centered on imported foodstuff for the restaurant, ready-made-meal, and retail markets, we established at an early stage a joint-venture plant for sorting and processing, built an integrated production management system covering everything from procurement to manufacturing, and provided high-quality safe food. For food and beverages such as confectionary ingredients, coffee and wine, we inspect the farms and factory conditions of production areas throughout the world to select our business partners, and for agricultural products we have also developed new production areas. For ready-cooked foods, we have set up plants equipped with central kitchens at overseas locations.

Grain, Food Soybean, Oilseeds

In the grain business, we sell an assortment of grain including rice, wheat, and corn primarily in Japan and Asia. Notably, we have one of the largest trade volumes of corn for grits. Kanematsu contributes to stable food supply in Japan through its ownership of grain silos in Kashima and Moji. The Soybean business operates a soybean sorting plant in the U.S. state of Ohio and has achieved integrated traceability, from agricultural fields to the customer, through seed development and direct farming contracts with farms. Kanematsu meets the various needs for edible soybeans by selling safe and secure non-genetically-modified (non-GMO) soybeans brands in Japan and overseas. Kanematsu also sells oilseeds that have undergone integrated traceability management starting at the farm.

Processed Agricultural Products

Italian-made pasta and olive oil are being used in the eating out industry such as in restaurants, processed into frozen pasta, and used as ingredients for ready-made-meals, such as deli products for use in bagged and boxed lunches. We also sell French frozen bread dough and pie dough to food services such as bakeries and pastry shops. Oats and barley are also products of focus as ingredients to cereals.

Meat and Marine Products

In the meat processing business, we have been diversifying raw materials sourcing geographically and have secured multiple raw material procurement sources, thereby reducing supply risks. We have fortified our partnerships with overseas packers and created a stable supply system for high-level products that meet diverse customer needs in Japan. In marine products, we have established cephalopoda, crustacean, and processed marine products (which are consumed raw, cooked, and used as flavoring) as our three core product areas. Centered on our processing facility in Vietnam, we have developed delicious and distinctive products by connecting the production area with the dining table.

Feedstuff

As an industry pioneer, we have built an integrated business, from the import of raw materials to mixed feed production and sales. With the establishment of a cost advantage through rigorous cost management, we have developed high value-added and differentiated products that meet customers' needs. To meet the increasing move toward dairy mega farms, we have formed alliances with agricultural corporations, and through our own efforts we have created demand for mixed feed and feed crops. Further, as a leading company in this field, we are boosting development of affiliated plants overseas and promoting vertical integration of the feedstuff business.

Pet Products & Groceries

As an all-rounder in the pet business, we develop, import and sell private and store brand's pet food, snack and products not only for cats and dogs, but also birds, fish and small animals. We also provide domestic pet food manufacturers with pet products and raw materials. Furthermore, we are globally expanding our business, including exporting Japanese major pet food manufacturer's goods to Asia countries, tripartite trading, to name a few.

Focus areas

Creating a Platform for the Food Services Sector in Indonesia

In the Republic of Indonesia, which has a population of more than 240 million people, middle-class Muslim consumers are growing particularly rapidly, and traditional Indonesian dietary habits are changing toward "foods to enjoy." In response to this change and diversity, businesses such as restaurants, convenience stores, and supermarkets are expanding.

In 2012, we established of PT. Kanemory Food Service, a joint venture company that will run a central food production kitchen along with PT. Kanematsu Trading Indonesia ("KTI"), a local subsidiary of Kanematsu in Indonesia, and PT. Macroprima Panganutama ("MP"), one of the Cimory Group's core companies in Indonesia, in response to the growth of the food services sector in the Republic of Indonesia.

The new company will sequentially develop, manufacture, and supply products including fast foods, deli and prepared foods, lunch boxes, and sweets to the food services sector.

Through this new company Kanematsu will create a business platform for food services in Indonesia, leveraging its R&D expertise and central kitchen-type production capabilities for manufacturing various kinds of foods at the same time, which the company has been fostering in the food services sector in Japan. Kanematsu will focus on further developing the food services sector in Indonesia, making use of the human network it has been cultivating in Indonesia for many years and the expertise it has acquired, such as food processing know-how and product provision.


Conceptional drawing of Kanemory

Making Inroads into Dairy Cow Feed Business in Vietnam

Kanematsu contributed funds to Dalat Milk Joint Stock Company (Dalat Milk, "DM"), a Vietnamese dairy producer, and to enter into a business tie-up with DM for the supply of dairy cow feed. Kanematsu and DM will jointly establish and manage a factory for TMR dairy cow feed (the TMR Center) and undertake the production of corn silage and other feed products to expand both sales in Vietnam and exports.

It is expected that the consumption of dairy products in Vietnam will expand owing to an increase in demand for them as the diversification of foods advances while eagerness for consumption is seen among the younger generations and the Vietnamese economy grows.

Kanematsu has maintained the top share in sales of dairy cow feed in Japan for many years and has always made efforts to supply safe and secure high-performance feed in a stable manner. Through the business tie-up described above, we will supply forage, corn, soybean meal and other feedstuff with DM.

Kanematsu will contribute to the development of the dairy feed business in Vietnam through the improvement of milk production and quality by providing Japan's leading-edge dairy technology and also increase sales of dairy cow feed and the production bases for feedstuff in the growth market in Vietnam.

Steel, Materials & Plant

This segment engages in domestic and export transactions covering the full range of iron and steel products, energy solutions, functional chemicals trading, industrial plant and infrastructure facilities. Despite the diversity of these operations, we are committed to supplying and developing high value-added products through our highly specialized staff in all areas.

Takashi Gunji
Director
Senior Managing Executive Officer,
Chief Officer,
Steel, Materials & Plant Division

In the Steel, Materials & Plant Division, we cover a wide range of areas including trading in steel products in general and energy solutions including petroleum products, trading in functional chemicals, machinery, and the plant/infrastructure business. In each area, our employees use their high level of expertise to provide products with high added value and develop new products.

The Kanematsu Group brings together its comprehensive strength in the pursuit of integrated business operations beyond boundaries, and will also focus on investment in overseas business centered on our area of specialty, environment/energy.

Fiscal 2014 results and future focus

In the iron and steel business, transactions of specialty steel for automobiles for Europe and the United States and the oilfield tubing business in North America acquired in the previous fiscal year were solid. Sales of petroleum products were strong in the energy business. The plant and infrastructure business remained generally stable, which is partly attributable to the last-minute surge in demand ahead of the consumption tax hike in transactions of machine tool and industrial machinery. As a result, net sales in the Steel, Materials & Plant Division increased ¥34,601 million year on year, to ¥468,831 million. Operating income increased ¥3,035 million, to ¥8,129 million.

In the iron and steel business, we will expand sales of products, particularly high-strength, corrosion-resistant products that provide added value, for environmental and energy businesses in North America, Asia, and other markets where we have a strong track record.

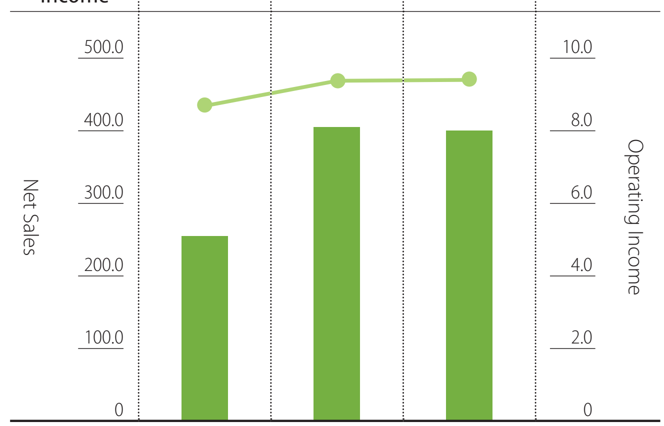
In the energy business, we will continue to provide total solutions, from upstream to downstream segments, with a focus on petroleum product trading in Japan.

In the chemical products business, we are building up our business in new materials development and environment-related fields, and trading in materials for lithium-ion batteries.

In the machine tools and industrial machinery business, we continue to focus on growing sales in Asia as well as Japan. In the plant business, we are working aggressively to win orders for ODA projects and are focusing on wind power generation and other renewable energy projects.

(¥ billion)

	Results		Forecast
	FY2013	FY2014	FY2015
Net Sales	434.2	468.8	470.0
Operating Income	5.1	8.1	8.0



Main Business		Products
Steel	Overseas Trading of Iron and Steel	Export of various kinds of steel sheets, plates, bar products and pipe and tubing products, Export of porcelain enamel steel sheets
	Overseas Trading of Specialty Steel	Export of stainless steel sheets and plates, Export of alloy steel wire and bar products
	Domestic and Overseas Trading of Full Range of Steel Products	Import and tripartite trade of ferrous raw materials, Export and import of steel materials and sub-materials
Materials	Functional Chemicals	Materials for lithium batteries, Incense materials, Lubricant-related materials, Materials for fertilizers, Papermaking chemicals, Synthetic rubber, Petrochemical products
	Healthcare	Functional food materials, Health supplements
	Life Science	Pharmaceuticals and pharmaceutical intermediates, Pharmaceutical ingredients
	Crude Oil, Petroleum Products	Crude oil, Jet fuel oil, Gasoline, Kerosene, Diesel oil, Fuel oil (bunker A and C), Lubricant oil and additives for industrial and automobile use
	LPG	LPG (Propane, Butane, Autogas)
	Development of Environment-related Materials and New Technologies	Heat reflective paint, Carbon credit trading
Plant	Plant	Chemical and petrochemical plants, Industrial plants (Papermaking plants, Auto-manufacturing plants and Other plants), Utility and process systems for oil and gas plants, Infrastructure facilities, Scrap-processing facilities, Environmental facilities
	Cargo Vessels	Shipbuilding, Used ships, Equipment package deals for new ships (including ship design and engineering)
	Machine Tools and Industrial Machinery	Machine tools, Industrial machinery and peripheral equipment
	Electric Power Cable Projects	Electric power and communication cable projects, Power generation plants (including design, engineering and installation)
	ODA	ODA projects (educational, medical/pharmaceutical, water supply-related, agricultural and environmental)

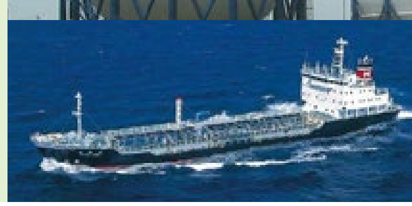
Steel

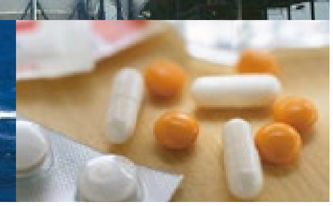
Kanematsu is expanding its efforts in growth markets including North America, Asia, and China. We are developing business in cooperation with Japan's steel industry through the export of steel products and the import of steel raw materials. We seek to further open up new markets and build high value-added businesses.

Functional Chemicals and Energy

In functional chemicals, we are focusing on market niches in which we are strong and on development and value-proposition businesses. We are also building supply chains with Japanese and overseas suppliers and customers. We are taking an active role in helping society deal with increasingly low birth rates and an aging population by supplying pharmaceuticals and functional food materials.

In the energy business, we are engaging in new business opportunities in a changed environment caused by electricity and gas deregulation. We are developing value-added businesses by putting our customer-oriented know-how and services to use and leveraging our tank facilities and reinforcing our existing distribution sales business. We have also developed new businesses including electric power and carbon credit trading.





Plant

We are pursuing project forming businesses and the growing renewable energy-related businesses, and have set up direct marketing-related businesses that specialize in our areas of expertise.

Focus areas

Efforts to Expand Demand for Oilfield Tubing

Kanematsu previously sold oilfield tubing through Steel Service Oilfield Tubular (SSOT), a group company for sales of oilfield tubing, to U.S.-based major oil companies. In 2012, it acquired Benoit Machine LLC (Benoit), an oilfield tubing business company in North America, jointly with a leading Japan-based steel manufacturer, and has constructed a value chain for the manufacture, processing and sales of the oilfield tubing business.

In recent years, attention has been paid to non-conventional resources such as shale gas and shale oil, and the oilfield tubing market is expected to expand further.

The Kanematsu Group intends to enhance its value chain to respond to the growing demand for shale gas, shale oil, and deep-water/ultra-deep water oil drilling.

Wind-power plant and submarine-cable laying orders in the Philippines

In October 2013, Kanematsu won an order for new construction of a wind-power plant at San Lorenzo, and an order for submarine-cable laying and covering, from a Philippines independent power supplier. The Group's constructions of renewable energy generation facilities, including both geothermal and solar power generation, and its track record of successful deliveries to the Philippines, have been widely commended.

Given that the Philippines is encouraging the adoption of domestic renewable energy, we expect expansion of this business over the long term. Wind power, which gives off no carbon dioxide, has enormous advantages in terms of global environmental protection, and facilities can also be installed and running in a very short space of time. Having designated wind power as a core renewable energy field, the Kanematsu Group will contribute to global environmental protection by expanding its environmental businesses in the years ahead.

Motor Vehicles & Aerospace

Specializing in transportation equipment, we globally operate motorcycle and automobile parts businesses, leveraging our highly specialized expertise and extensive information. We also do business in vehicles and fuselage for the automobile, construction machinery, industrial vehicle, aircraft and satellite industries.

Yoshiya Miyabe
Managing Executive Officer,
Chief Officer,
Motor Vehicles & Aerospace Division

In the Motor Vehicles and Aerospace Division, develop business on a global scale by utilizing our domestic and overseas networks.

In Motor Vehicles and Parts business, we have been expanding business utilizing our sales force, sourcing ability and logistics network to reply to motorcycle and automobile markets expanding globally. We are proactively seeking new business in the rapidly changing markets effectively using our established relationships with customers, suppliers and business partners.

In Aerospace business, we try to expand business of aircraft parts, such as aircraft rotable parts, as well as the existing business of aircraft sales. We are also engaged in space business such as small satellite to which demand is increasing in new applications.

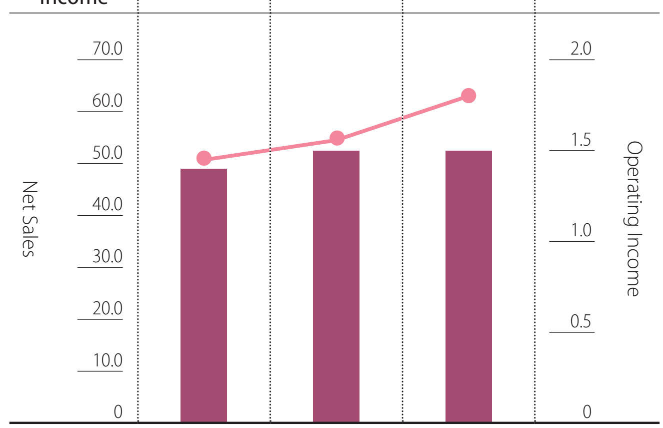
Fiscal 2014 results and future focus

Transactions of aircraft parts were strong, and transactions involving motorcycle and motor vehicle parts for North America remained stable. In contrast, construction machinery-related transactions for Asia showed weakness. As a result, in the Motor Vehicles & Aerospace Division, net sales rose ¥3,732 million year on year, to ¥54,451 million. Operating income climbed ¥47 million, to ¥1,494 million.

In the motor vehicle and aircraft business, we are constructing a supply chain for motorcycle and automobile markets where we expect global growth. In the aerospace business, we were selected in fiscal 2014 as the Japanese sales representative for the CSeries Airliner from Canadian company Bombardier Aerospace and are focusing our sales activities on this product. We are also working to create new businesses by sharing information on cutting-edge technologies that affect both the aerospace and automotive fields.

(¥ billion)

	Results		Forecast
	FY2013	FY2014	FY2015
Net Sales	50.7	54.5	63.0
Operating Income	1.4	1.5	1.5



Main Business	Products
Motor Vehicles and Parts	Motorcycle & Automobile Parts, Construction Machineries, Power Products (General Purpose Engines etc.), Industrial Vehicles, Motorcycles, Automobiles
Aerospace	Aircrafts, Helicopters, Components and Parts, Aircraft Rotable Parts, Small Satellites, Space Products, Night Vision Goggles

Motor Vehicles and Parts

Strengthening its sales force, sourcing ability and technical development ability, Kanematsu is expanding OEM components for vehicles. It is globally establishing business through its worldwide networks. Focusing on motorcycle and automobile parts, Kanematsu will continuously explore and propose new high value-added materials and products to which future demand is expected and at the same time, will try to establish new business foundations by aggressively making business investments.

Aerospace

Kanematsu is trying to expand businesses of aircrafts, helicopters and those equipment and parts for government agencies. Further, being the sales representative of Bombardier Aerospace for its new CSeries passenger aircraft, Kanematsu is focusing on sales of it to commercial airlines. As for Aircraft Rotable Parts business, Kanematsu will try to expand it taking investments into the account. In Space business, Kanematsu will focus on sales of Small Satellites and peripheral equipment.

Focus areas

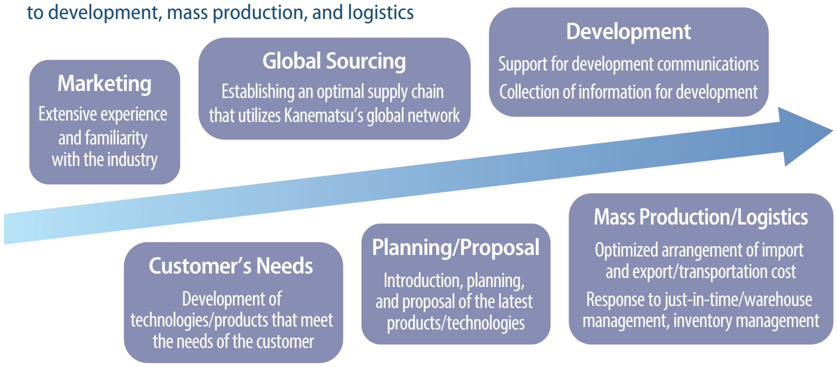
Independent initiatives in the motorcycle and automobile parts business

In recent years, there has been global growth in the motorcycle and automobile markets as demand increases in newly emerging markets, and Japanese and European automakers set up production bases in Asia, Central and Latin America and other markets. In the motorcycle and automobile sectors, development, procurement and production may happen separately in different countries. In light of this, the Kanematsu Group considers it important to have a presence in all these markets, and to raise its corporate value and profile to offer optimized services to customers. We are developing a network of bases all over the world.

In addition to existing bases chiefly in Europe, the U.S.A. and Asia, we established an overseas subsidiary in Mexico in April 2014, a country where a wide range of automotive manufacturers are vying to build new plants.

Looking ahead, we will collect and analyze a wide range of information gathered from our customers and partners around the world in the motorcycle and automobile markets, which are expected to see further growth. This will be used to develop a more robust, globalized supply chain.

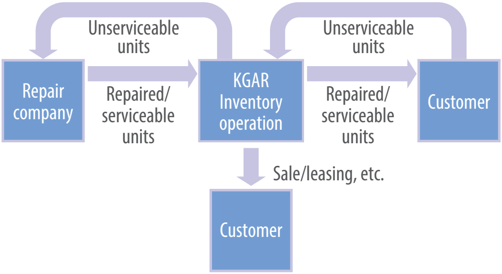
● Providing unique, integrated support from marketing, to development, mass production, and logistics



Civil aerospace business

Kanematsu has been selected by Bombardier Aerospace as the sales representative for the all-new Bombardier CSeries airliner in Japan. Bombardier Aerospace is the world's third largest civil aircraft manufacturer. While Kanematsu has been marketing helicopters and business jets, with this agreement with Bombardier, it will now assist with the marketing and sale of the Bombardier CSeries passenger aircraft in Japan. Bombardier aims to revolutionize the 100- to 149-seat market segment with the CSeries aircraft family, which includes the 110- to 125-seat CS100 airliner and the larger CS300 airliner that can seat up to 160 passengers in its optional extra capacity configuration. The CSeries family of aircraft features an optimal combination of cutting-edge technologies, such as Pratt & Whitney Pure Power™ PW1500G geared turbofan engines, carbon fiber wing and fly-by-wire system, and delivers a 20% fuel burn advantage, as well as a 15% cash operating cost advantage. In addition, the CSeries aircraft will emit 20% fewer CO_2 and 50% fewer NOx emissions, and will offer a greatly reduced noise footprint. Kanematsu is looking forward to proactively introducing Bombardier's game-changing CSeries aircraft to Japanese operators. Kanematsu already markets helicopters and business jets. Similarly, we will now assist with the marketing and sale of the Bombardier CSeries passenger aircraft with this agreement with Bombardier.

KG Aircraft Rotables Co., Ltd. (KGAR), Kanematsu's group company, with its headquarters in Dublin Ireland and storage facilities in the UK and USA specialized in the supply and repair of aircraft rotable components including component sales, exchange, leasing and power by the hour support. KGAR sales and support staff are available 24 hours a day 7 days a week to offer immediate support and assistance to a wide range of customers worldwide. The company is a specialist in Boeing 737 and Airbus A320 aircraft families. KGAR can help to reduce the burden of holding inventory by customers including airlines and aircraft maintenance companies. With an inventory of over 250,000 rotable and consumable Boeing 737 and Airbus A320 family parts KGAR can provide a cost effective and reliable solution to their customers' component requirements. All components are fully traceable and certified.



CSR (Corporate Social Responsibility)

Kanematsu Corporation pursues its corporate activities in the pioneering spirit as fostered by our predecessors and through the wisest use of our creative imagination and ingenuity. We fulfil our corporate social responsibilities by engaging in sound, flourishing businesses, based on our Corporate Principles and in line with Kanematsu's Code of Conduct.

Having established a CSR Committee, with members drawn from the whole Company, Kanematsu has prepared Groupwide activities and policies to meet various issues arising in connection with CSR including our social contribution and environmental protection. We are committed to strengthening CSR.

Corporate Principle

"Let us sow and nurture the seeds of prosperity for Japan"

"If we sow a seed, we can expect it to develop into a seedling that generates content and prosperity for Japan. Let us sow that seed now." So spoke our founder Fusajiro Kanematsu at the establishment of the Company. Furthering the "public interest" of Japan was the guiding mission of all leading Japanese of the late nineteenth century (Meiji period) in developing the national economy. Today, our founder's ideal underlies all our Company's public benefit and community activities and our contributions to nations and peoples generally.

On the occasion of the merger in 1967 with The Gosho Company, the Company enshrined its founder's ideals in a document titled Our Beliefs: Kanematsu's Guiding Principles. (Translated from the Japanese)

OUR BELIEFS (Kanematsu's Guiding Principles)

1. We believe that we should achieve prosperity of our business through just and fair earnings in the pioneering spirit as fostered by our predecessors with the wisest use of our creative imagination and ingenuity.
2. We believe that our Company should justify its existence by promoting a sound and flourishing business which fulfils its responsibilities toward the welfare of society and also contributes to the security and well-being of us all.
3. We believe that each one of us should attend to business not as an individual but as a member of the organization abiding by company rules, carrying out duties with a sense of loyalty to the Company and a spirit of cooperation and understanding toward all other members of the organization.

Kanematsu's Code of Conduct

1. Origin of corporate activities	We became involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.
2. Fair transactions	Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules, as well as with social common sense.
3. Information management & disclosure	Information is properly managed to protect personal information, customer information and intellectual property, and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency.
4. Respect for human rights	We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality and character are respected so as to create a dynamic corporate culture.
5. Consideration of the global environment	We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.
6. Social contribution	We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.

(Translated from the Japanese)

Social Contribution Activities

Kanematsu is aware of the importance of its responsibilities as a corporate citizen, as laid down in our Code of Conduct, and is committed to proactive social contribution activities. We also support activities by employees that help bring greater comfort and security to the community on a day-to-day basis.

Reconstruction Support Activities

Kanematsu Group has a program of ongoing volunteer activities in the disaster-affected areas following the Great East Japan Earthquake of March 2011. These include donation of funds for recovery and reconstruction, and the direct supply of provisions to the region. In addition to our volunteer leave system, we have in place backup systems for employees offering their services in disaster-hit areas, including disbursement of transportation and accommodation costs.

The Group will continue to support long-term—not just provisional or one-time—initiatives by employee volunteers that meet the needs of areas and people affected by the disaster.

● Volunteer activities in Rikuzentakata

Since September 2011, the Kanematsu Group has been involved in relief activities through its own volunteer program in the city of Rikuzentakata. November 2013 was the tenth time the program was organized, bringing participation to around 150 employees of the Group in total. They took part in rubble clearance and searching for victims' belongings, and helped the local fishing industry get back on its feet. We will carry out further support activities in future years.


Ninth program: Sifting through the sand


Tenth program: Seeding oysters

● Fukushima-Chiba Kids' Soccer Tournament

In August 2011, the Kanematsu Group organized the "Fukushima-Chiba Kids' Soccer Tournament" for elementary school children in the Fukushima Football Association "Elite Kids" program, at its athletic field in Chiba City, Chiba Prefecture, enabling the children to enjoy playing soccer in a relaxed atmosphere. This was one of our initiatives for children whose outdoor activities have been curtailed by the nuclear disaster at Fukushima. A third such event is planned for August 2014.

Kanematsu Foundation for the Research of Foreign Trade

The Kanematsu Foundation for the Research of Foreign Trade was established in 1940, endowed by funds donated to Kobe Higher Commercial School (now Kobe University), with the purpose of contributing to the economic development of Japan through scholarships and grants for research into trade and international economy. The Foundation had been jointly operated by the Research Institute for Economics and Business Administration of Kobe University and Kanematsu, but in light of December 2008 revisions to the law concerning public-interest corporations, it started anew as a public interest incorporated foundation on October 1, 2012. In the over 70 years since its founding, the Foundation as a top-level research institute focusing on international economy and management has won high acclaim in Japan and overseas for its long list of research achievements.

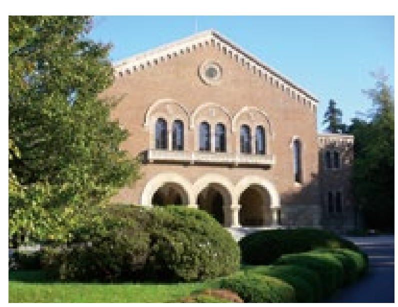
In 1993, the Kanematsu Fellowship—a Kanematsu postgraduate research scholarship—was jointly established by the Research Institute for Economics and Business Administration of Kobe University, the Kanematsu Foundation for Research of Foreign Trade and Kanematsu Corporation. Every year, graduate students are invited to submit candidate dissertations. Research fellowship and publication opportunities are made available to graduates across Japan, in the fields of economics, management and accountancy.


Kanematsu Fellowship award ceremony in May 2014

Commemorative Projects

Among the main commemorative projects we have carried out in accordance with the will of our founder Fusajiro Kanematsu are the Research Institute for Economic and Business Administration (Kanematsu Memorial Hall), a commerce research institute granted by Kanematsu to Kobe Higher Commercial School (now Kobe University); the endowment of the Kanematsu Auditorium of Hitotsubashi University; and the endowment of the Kanematsu Memorial Institute of Pathology to Sydney Hospital in Australia, which was partially endowed by Kanematsu with joint funding from the Australian Government.


Kanematsu Memorial Hall of Kobe University


The Kanematsu Auditorium of Hitotsubashi University


Kanematsu Memorial Institute of Pathology, Sydney Hospital

Environmental Initiatives

Ever since the Kanematsu Group acquired ISO14001 certification in March 2004, it has continually upgraded its environmental management systems. By bringing these systems effectively to bear, we have worked to reduce CO_2 emissions and fight global warming by cutting back consumption of electricity and paper and comprehensively sorting and reducing waste. By contributing to the reduction of carbon dioxide and global warming, we are committed to the creation of a low-carbon and recycling-oriented society.

Through our business activities in Japan and overseas, we are engaged in environmental businesses that protect and improve the global environment.

FY2012–FY2014: Consumption of power and paper

	FY2012	FY2013	FY2014
Electricity consumption (kWh)	910,376	828,514	805,015
Area (m^2)	12,050.46	12,102.36	11,459.42
Paper consumption (thousand sheets)	6,979	6,874	6,648
Employees	756	771	785
Waste emissions (tons)	47	49	44
CO_2 emissions (thousand tons- CO_2) (conversion coefficient: 3.35)	305	278	270

Offices for which data was collected
Electricity, paper, CO_2 emissions: All
Waste: Tokyo Head Office (Seavans North building), Osaka Branch, Tsukiji Office)
Other:
Waste: General waste (not including industrial waste)
Volume of waste generated from the Seavans North building was calculated as follows:
[Volume of waste generated from the entire building] × 15.2%
Area: Increase due to relocation of Tsukiji Office to Seavans North building (October 2013)
Coefficient for carbon dioxide emissions volume:
Calculation based on coefficient used for inspection at time of trial emissions scheme rollout in fiscal 2009 (in-house standards)

Human Resource Measures

Human resources are a vital asset for Kanematsu, and retaining and training human resources is important for our future growth. We have various systems in place to ensure strong motivation among employees and a rewarding workplace for them.

Work-Life Balance

Kanematsu is proactively committed to ensuring a good work-life balance, with discouragement of long working hours, to foster a healthy workforce. We have been improving the working environment so that employees can treasure the time they spend with their families, as well as the time spent on hobbies and participating in social activities.

● Child Care Support

In addition to comprehensive maternity and childcare leave arrangements, we allow mothers to work short hours and flexitime after taking leave for pregnancy or care reasons, so they can continue to care for growing children after rejoining the workforce.

Many mothers take childcare leave, and when they return to work, basically they go to the same divisions in which they worked before. These measures have been taken to create a pleasant working environment.

Number of employees taking childcare leave

FY2007	FY2008	FY2009	FY2010
2	6	4	10

FY2011	FY2012	FY2013	FY2014
9	3	4	14

● Family Care Support

In addition to the conventional family care leave system, Kanematsu has recently enabled special paid holidays for family care. We also have in place a child-raising and care consultation office for one-to-one consultation on these matters.

● Refreshment Day

By urging employees across Kanematsu to do no overtime on Wednesdays, we aim to improve working efficiency and encourage a better work-life balance. We have also set aside one day every month as a special “Refreshment Day” during which we monitor hours worked, to bring down overtime.

General Employer Action Plan

In December 2010, Kanematsu was awarded the "Kurumin" certification of support for nurturing of the next generation, by the Ministry of Health, Labour and Welfare's Tokyo Labor Bureau.

In October 2013, we formulated its third General Employer Action Plan. Based on the plan, we are taking measures to fully harness employee potential, by encouraging a better balance between work and childcare duties, and by creating a more pleasant workplace for all.

Employee Training and Deployment

Training of human resources is essential for the growth of Kanematsu. We offer training in formulation of business plans, in addition to practical courses intended to impart basic business skills, from introductory courses for new hires upward, and language training. Local employees at Kanematsu overseas bases are likewise given the opportunity to study our business through practical experience at the Tokyo Head Office.

Training in Formulation of Business Plans

Kanematsu aims to improve corporate value by deepening its core competencies, making new investments in business creation and taking on other new challenges. The specific aim is to create new businesses from existing businesses. We have created these planning courses for the purpose of imparting the skills necessary for drafting new business plans.

Training in Formulation of Business Plans

Trainees' Voices

Manabu Saito

Manager, Section No. 5, Iron & Steel Foreign Trade Department

In the training course that I attended, we began by studying theoretical approaches and management strategies, as well as basics of marketing. Then, through group work, we improved our ability to find ways of creating business models and to organize presentations for management. I was able to participate in exchanges of views with a wide range of members of other departments of the group, and I learned the importance, in the process of creating a business model, of repeated research and clear documentation after thoroughly mastering theoretical aspects as a member of a team. These experiences were extremely useful to me later in projects for acquisition of oilfield tubing processing companies and expansion of steel tube businesses.

Kazuhisa Harada

Business Development & Investment Innovation Office, Corporate Planning Department

It was quite tough training, but it really did have positive benefits for me. In particular, I was able to thoroughly familiarize myself with common approaches to all business development, in terms of questions you have to ask: Should something be done (market scale and growth)? Can it be done at all (can it be created, can it be sold)? I really learned a lot. At the moment, my mission is supporting business development. I am currently handling a range of projects. What I learned has been very helpful to me in grasping key aspects beyond sectors and products.

Employees and hiring terms

	All employees (at March 31, 2014)			New hires FY2014			Mid-career hires FY2014		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Career-track employees	553	55	608	21	4	25	21	0	21
Non-career employees	1	191	192	0	14	14	0	1	1
Total	**554**	**246**	**800**	**21**	**18**	**39**	**21**	**1**	**22**

CSR through Our Business Activities

We are pursuing CSR through our business activities

CSR Procurement

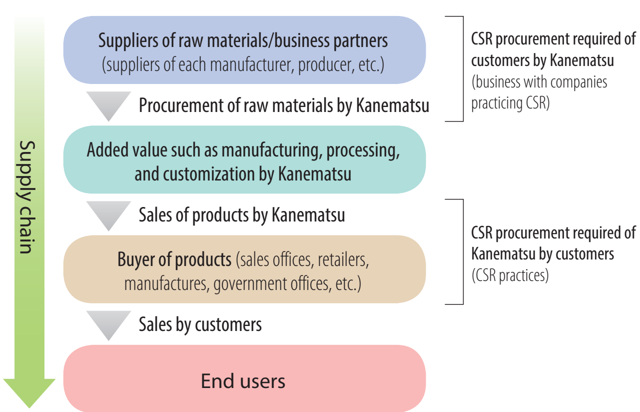
CSR procurement means that a company procuring necessary materials, parts and products requires its suppliers not only to swiftly provide products of consistently high quality but also to make a CSR commitment. CSR procurement efforts are also growing in importance year by year as companies and the general public start to take notice of CSR.

We have established systems to promote CSR activities, including a CSR Action Guidelines for Supply Chains, to meet the CSR procurement requirements of our business partners.

The conditions surrounding CSR procurement touch on a wide variety of spheres, including employees, health and safety, environmental activities, CSR management and corporate ethics.

- Does the supplier conduct its business activities with due consideration to the environment?
- Does it conduct its business activities with due consideration to human rights? (Respecting bans on child labor and forced labor)
- What is its compliance record like?
- Does it meet the latest quality standards? (Usage restrictions on harmful substances not to exceed legal thresholds)

Flow of CSR Procurement



Environmental Businesses

Kanematsu contributes to the soundness and improvement of the global environment through business activities in Japan and overseas—purchase, marketing, etc.—that foster a better environment. We are also engaged in business activities that promote biodiversity.

● Renewable Energy

Kanematsu is proactively engaged in renewable energy businesses. We have handled 10 projects in the area of geothermal and solar power generation facilities, with a total output of approximately 530 MW. Deliveries have been made to the Philippines, Indonesia and Costa Rica. In October 2013, the Kanematsu Group won a full package order for new construction of a 54MW wind-power plant at San Lorenzo, Western Visayas, and an order for submarine-cable laying and covering, from a Philippine's independent power supplier, Trans Asia Renewable Energy Corporation (TAREC). Works completion is scheduled for the end of 2014.

Electricity generated by wind power has a smaller carbon footprint (by emissions volume) than energy based on fossil fuels, and has major advantages in terms of global environmental protection. What's more, plant construction is rapid, and commercial operation can start quickly. It is also a source of power that satisfies current demands for lower dependence on imported energy.

Kanematsu regards wind power generation as an important business in its renewable energy portfolio, and plans to continue to expand this business in countries with favorable wind conditions. Through such activities, we will contribute to the long-term protection of the global environment.

● Sustainable Coffee

Kanematsu is committed to the trading of sustainable coffee. "Sustainable coffee" is a general term for coffee produced and distributed in a way that keeps natural environment sustainable and ensures that people can continue sustainable lifestyles, so meeting the obligations of the current generation to future generations. Kanematsu was among the first to be interested in this field, and is committed to supporting producers and helping the environment through importation and marketing of coffee beans that have received accreditation from the Rainforest Alliance*, an international environmental body that focuses on tropical rainforest protection. We plan to expand further our trading of sustainable coffee to improve environmental protection and develop people's livelihoods in years ahead.

* Rainforest Alliance accreditation is given to companies that meet tough conditions including protection of biodiversity, prevention of illegal and excessive timber felling in forests and improvement of livelihoods for agricultural workers.

Corporate Governance

Our Basic Stance on Corporate Governance

Kanematsu has strengthened corporate governance to increase the transparency of management and to create a more equitable, efficient and sound company. We will improve corporate governance with the aim of winning the support of all our stakeholders, including shareholders, customers and employees, and increasing our enterprise value.

System of Corporate Governance

Kanematsu has an Audit & Supervisory Board. The auditors and Audit & Supervisory Board act independently to audit the directors' performance of their duties.

At the 120th General Meeting of Shareholders, held on June 24, 2014, an outside director was elected to the Board of Directors to support appropriate decision-making by the Board of Directors and more rigorous auditing of the duties performed by the directors. The Board of Directors is now made up of six directors, including the newly appointed outside director. The executive officer system has been expanded to improve flexibility in business execution, speed up management decision-making, and further clarify roles and responsibilities through the separation of the auditing and executive functions.

● Board of Directors

The Board is made up of six directors, including one outside director. The Board of Directors decides on matters set out in laws and ordinances as well as our Articles of Incorporation, determines key business policies, and oversees business management by the Executive Directors. In principle, our Board of Directors meets once a month, with extraordinary meetings held as necessary. Directors are appointed to the Board for one-year terms to allow the Board to respond appropriately to changes in the business environment.

● Management Committee

To facilitate rapid decision-making and flexible management, Kanematsu has set up a Management Committee that includes the President. The Committee meets every week, in principle. The Committee establishes basic policies for Company-wide general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business.

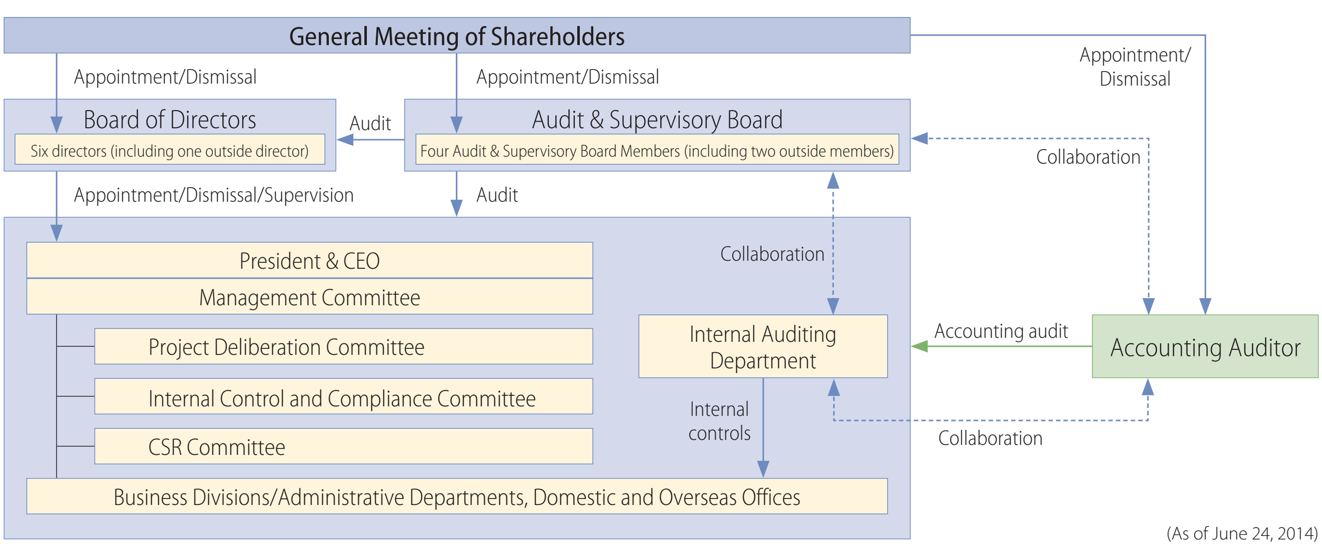
● Project Deliberation Committee

The Project Deliberation Committee was established to enable higher-level debate and speed up decision-making on important projects. The Committee's decisions take precedence over those by managers with decision-making powers based on specific remits. The Committee meets every week to review and discuss projects from a company-wide perspective.

● Audit & Supervisory Board

The Audit & Supervisory Board acts as an independent organ to audit the directors' performance of their duties. Four Audit &

◆ Corporate Governance Structure



(As of June 24, 2014)

Supervisory Board Members, including two outside members, receive reports from directors and employees on the performance of their duties as required, attend meetings of the Board of Directors, Management Committee, Project Deliberation Committee, Internal Control and Compliance Committee, and other important meetings and committee meetings, and audit the performance of duties by directors.

Internal Auditing

The Internal Auditing Department (eight staff members as of June 24, 2014) conducts internal audits of Kanematsu and consolidated subsidiaries to ensure that proper accounting records are kept, to evaluate and monitor improvements and control activities, and help improve operational effectiveness and efficiency.

The Internal Auditing Department and Audit & Supervisory Board hold regular meetings and work in close cooperation with one another by explaining audit plans, reporting the results of audits, and ensuring the effectiveness of internal audits. They also exchange opinions with the accounting auditor through internal control assessments and other related activities.

Internal Control System and Risk Management System

To comprehensively assess risks inherent in the Kanematsu Group and to comply with laws and regulations relating to operational effectiveness and efficiency and its business activities, to preserve assets, and ensure the reliability of financial reporting, the Kanematsu Group has built the following internal control system.

● Compliance

In light of the importance of complying with laws and ordinances, we have set up an Internal Control and Compliance Committee, and have strengthened our internal compliance system. We have compiled a Compliance Handbook detailing countermeasures with specific examples, which has been distributed to all employees and also published on the intranet to raise awareness of compliance among directors and all employees. We also introduced a hotline system for reporting directly to or consulting with the Internal Control and Compliance Committee or an outside lawyer. In addition to legal compliance, we conduct training courses to foster sound judgment on ethical matters among our staff.

● Corporate Social Responsibility (CSR)

To further clarify our management approach, which places great value on CSR, we have established a cross-sector CSR Committee within Kanematsu. When necessary, the committee drafts Company-wide action policies for various problems related to CSR, such as social contributions or environmental protection, and rigorously implements the PDCA cycle in its promotion of CSR.

● Elimination of Antisocial Forces

One of our compliance items with regard to the elimination of antisocial forces is its approach of taking a firm stand against antisocial forces and shutting off all connections with them. With the aim of eliminating antisocial forces, Kanematsu belongs to the Metropolitan Police Department's Special Violence Prevention Countermeasures Association and closely cooperates in normal circumstances through the sharing of information. In case Kanematsu is subject to unreasonable demands made by antisocial forces, the Personnel & General Affairs Department is positioned as our central department for the handling of this issue and gathering of information, as well as cooperating with outside organizations including the police and attorneys.

● Information Management System

With regard to information management, we have established standards for the custody, retention and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of Kanematsu, certificates related to properties and other similar documents. We have also tightened rules on information security management, with the aim of preserving and managing information as an important asset of Kanematsu, including the protection of personal data and other information security compliance requirements.

● Risk Management

With respect to business risks that may affect our operations, such as market risk, credit risk, investment risk, or country risk, the departments in charge of each risk based on specific remits have established internal regulations and detailed enforcement regulations, and prepared operational guidelines that have been thoroughly instilled in all employees through training sessions. We also set up cross-functional committees as necessary to control risks.

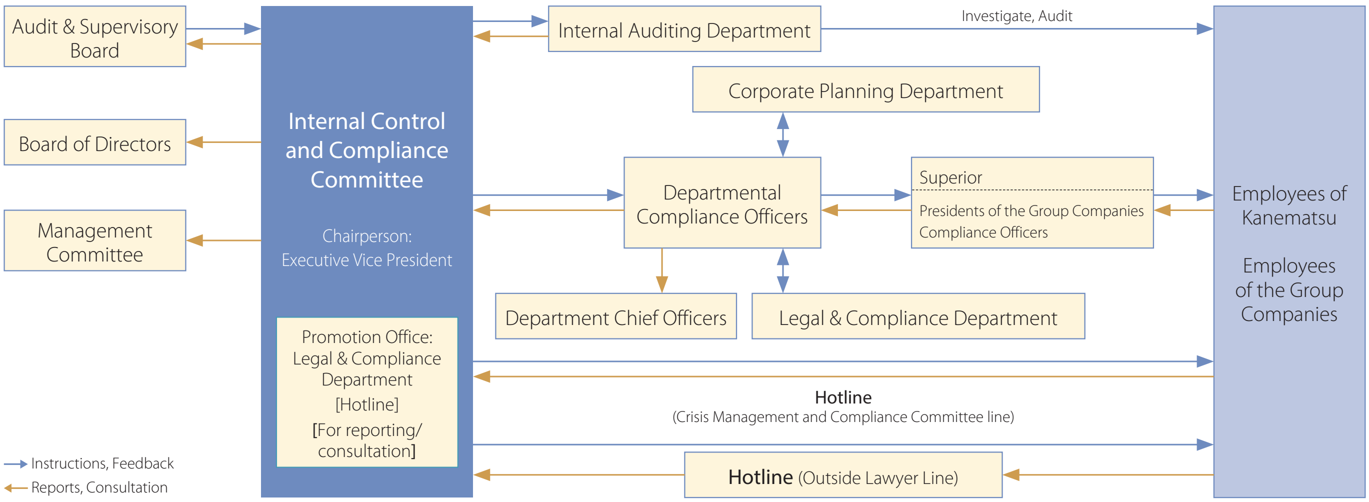
We have established a system to make judgments and decisions about business risks based on those remits. The Project Deliberation Committee considers whether to make important investments, and whether to continue or withdraw from those investments and loans by comprehensively examining relevant risks.

Regarding the risks posed by the occurrence of serious events such as major natural disasters, we have drawn up plans to maintain business operations and a manual of countermeasures, and have put in place a system to ensure appropriate management of Kanematsu in such a contingency.

● Construction of Internal Control System

We have established an Internal Control and Compliance Committee to build a more effective and efficient internal control system for the Group. We are developing, operating, assessing, and improving internal controls relating to financial reporting in line with the internal control reporting systems defined in the Financial

◆ Diagram of the Kanematsu Group Compliance System



(As of June 24, 2014)

Instruments and Exchange Law. Company-wide internal controls and business processes at key facilities are assessed by the Internal Auditing Department, an independent department in charge of assessment.

Group-wide Activities

Group Company Presidents meet twice a year, and at other times as necessary, to share information on business activities across the Group as a whole. The goal is to build a mutual understanding of, and build a common view on, corporate governance.

Disclosure

We intend to promote equitable and transparent management by disclosing important management information to shareholders and all other stakeholders, institutional investors, analysts, and the media in a prompt and appropriate manner. We disclose information to shareholders and investors through our website, hold briefings twice a year for institutional investors and analysts, and disclose information on a timely basis to stock exchanges.

A Message from an Outside Audit & Supervisory Board Member

I bring an outside perspective that is completely professional.

Tsukasa Okamoto
Audit & Supervisory Board Member

The most important role of Audit & Supervisory Board is to ensure the soundness of a company by auditing the performance of duties by directors and establishing corporate governance.

In order for us to “take a positive management stance and establish a solid growth track” and “endeavor to consistently increase corporate value to meet the expectations of domestic and foreign stakeholders,” as outlined in the medium-term business plan, along with improving our earning power, it is essential that we strengthen corporate governance by maintaining compliance and risk management systems.

Recognizing this, Audit & Supervisory Board audit, based on the audit plan, the performance of duties by directors by visiting Kanematsu and subsidiaries in Japan and abroad, attending Board of Directors’ meetings and other important meetings, meeting with executive management, and collaborating with accounting auditors and the internal audit. Above all, Outside Audit & Supervisory Board make appropriate and reasonable decisions on the performance of directors’ duties by incorporating outside and professional perspectives, and review operations from the standpoint of their legality.

Corporate Officers (As of June 24, 2014)

Directors and Audit & Supervisory Board Members

Masayuki Shimojima
President & CEO

Masao Hasegawa
Executive Vice President

Tetsuro Murao
Director

Takashi Gunji
Director

Nobuyoshi Sakuyama
Director

Yutaka Hirai
Director

Tsukasa Okamoto
Audit & Supervisory Board Member (full-time)

Fumihiko Nashimoto
Audit & Supervisory Board Member (full-time)

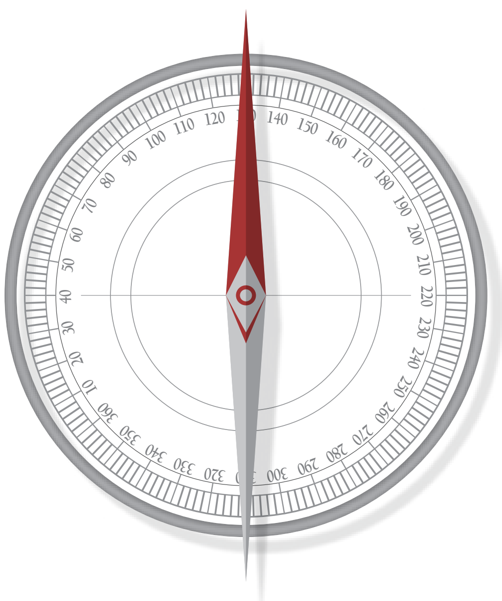
Yonosuke Yamada
Audit & Supervisory Board Member

Michishiro Ito
Audit & Supervisory Board Member

*1. Mr. Yutaka Hirai is an Outside Director.
2. Mr. Tsukasa Okamoto and Mr. Yonosuke Yamada are Outside Audit & Supervisory Board Members.
3. Mr. Yutaka Hirai and Mr. Yonosuke Yamada are Independent Officers, as defined in the Securities Listing Regulations.

Executive Officers

President & CEO	Masayuki Shimojima	
Executive Vice President	Masao Hasegawa	Chief Officer, Supporting Area; Chief Officer, Internal Auditing
Senior Managing Executive Officers	Tetsuro Murao	Chief Officer, Business Area; Chief Officer, Personnel and General Affairs, Corporate Planning; General Manager, Osaka Branch; General Manager, Nagoya Branch
	Takashi Gunji	Chief Officer, Steel, Materials and Plant Division
Managing Executive Officers	Morihiro Toida	Chief Officer, Foods and Grain Division
	Tetsuya Kaneko	Chief Officer, System Planning, Traffic and Insurance
	Yoshiya Miyabe	Chief Officer, Motor Vehicles and Aerospace Division
	Nobuyoshi Sakuyama	Chief Officer, Finance, Accounting, Business Accounting, Legal and Compliance
	Kaoru Tanigawa	Chief Officer, Electronics and Devices Division
	Kazuo Shibata	Chief Officer, Credit Control
	Keiichi Inaba	President, Kanematsu (China) Co., Ltd.; President, Kanematsu (Hong Kong) Ltd.
Executive Officers	Eiji Kan	Deputy Chief Officer, Steel, Materials and Plant Division
	Katsumi Morita	President, Kanematsu USA Inc.
	Masayuki Hamasaki	Deputy Chief Officer, Foods and Grain Division; General Manager, Grain Dept.
	Hiroyasu Hirasawa	Deputy Chief Officer, Corporate Planning; General Manager, Corporate Planning Dept.



Financial Section and Corporate Data

I Financial Section

II Corporate Data

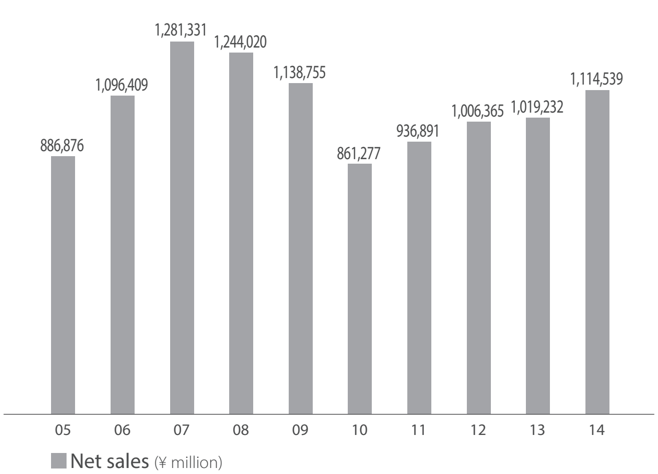
Ten-Year Summary of Consolidated Financial Statements

Years ended March 31   Kanematsu Corporation and Consolidated Subsidiaries

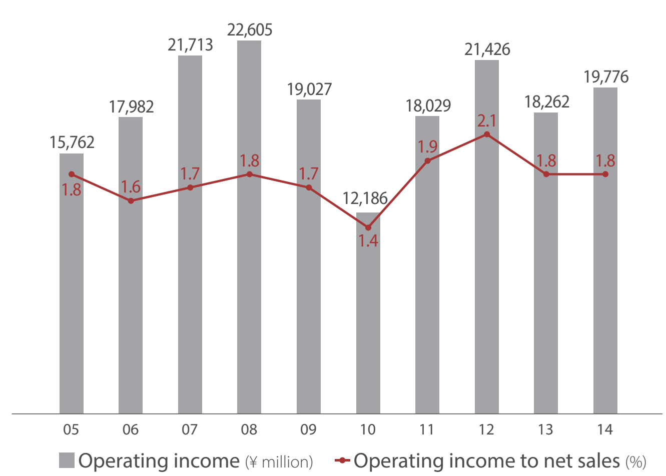
	2005	2006	2007	2008	2009	2010
For the year:						
Net sales	886,876	1,096,409	1,281,331	1,244,020	1,138,755	861,277
Gross profit	68,142	81,732	103,711	90,327	86,292	74,104
Operating income	15,762	17,982	21,713	22,605	19,027	12,186
Income (loss) before income taxes and minority interests	4,836	(16,728)	14,615	28,975	77	8,407
Net income (loss)	2,469	(21,686)	7,507	19,016	(12,787)	3,528
At year-end:						
Net assets	38,029	26,004	48,767	62,239	42,035	45,804
Total assets	520,118	556,046	563,176	503,456	414,928	398,629
Shareholders' equity	—	—	32,959	45,587	24,936	28,916
Net interest-bearing debt	261,560	246,317	204,900	148,944	134,582	109,350
Per share (yen):						
Net income (loss)	6.52	(52.43)	17.94	45.44	(30.56)	8.44
Net assets	93.74	62.12	78.75	108.95	59.61	69.15
Cash dividends	—	—	—	—	—	—
Financial indicators:						
Return on equity (ROE) (%)	8.06	(67.73)	25.46	48.42	(36.26)	13.10
Equity ratio (%)	7.3	4.7	5.9	9.1	6.0	7.3
Net debt-equity ratio (times)	6.9	9.5	6.2	3.3	5.4	3.8

Notes 1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.
2. The amount of net assets until the year ended March 31, 2006, is the amount presented under shareholders' equity, which has conventionally been presented.
3. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥102.92 to U.S.$1.00, the exchange rate prevailing on March 31, 2014

Net sales

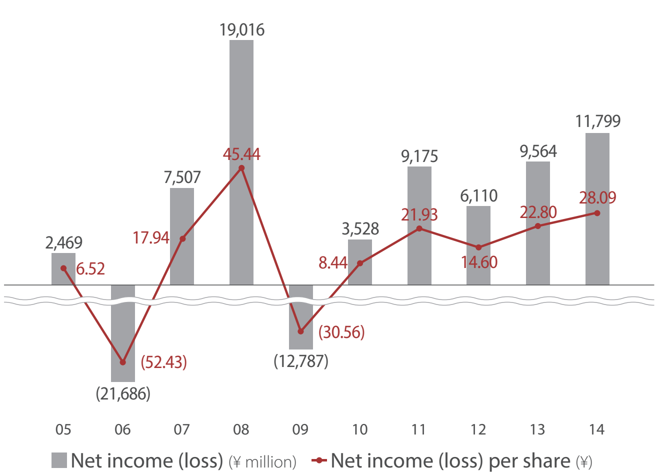


Operating income and Operating income to net sales

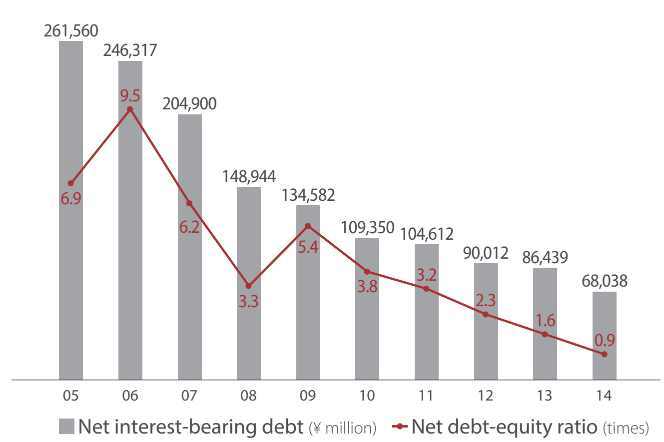


2011	2012	2013	2014		
			Millions of yen	Thousands of U.S. dollars	
					For the year:
936,891	1,006,365	1,019,232	1,114,539	10,829,183	Net sales
76,905	80,900	80,021	86,402	839,514	Gross profit
18,029	21,426	18,262	19,776	192,152	Operating income
13,030	13,529	16,781	19,075	185,338	Income (loss) before income taxes and minority interests
9,175	6,110	9,564	11,799	114,651	Net income (loss)
					At year-end:
49,576	55,992	75,912	96,204	934,750	Net assets
388,676	399,753	399,186	428,459	4,163,039	Total assets
33,101	39,008	54,519	71,657	696,242	Shareholders' equity
104,612	90,012	86,439	68,038	661,083	Net interest-bearing debt
					Per share (yen):
21.93	14.60	22.80	28.09	0.27	Net income (loss)
79.07	93.16	129.82	170.54	1.66	Net assets
—	—	—	3.00	0.03	Cash dividends
					Financial indicators:
29.59	16.95	20.45	18.70	—	Return on equity (ROE) (%)
8.5	9.8	13.7	16.7	—	Equity ratio (%)
3.2	2.3	1.6	0.9	—	Net debt-equity ratio (times)

Net income (loss) and Net income (loss) per share



Net interest-bearing debt and Net debt-equity ratio



* Net interest-bearing debt = Interest-bearing debt – Cash and bank deposits
* Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity

Management's Discussion and Analysis

Business Results

For the fiscal year ended March 31, 2014, In this environment, the results of the Group in the fiscal year under review are as shown below. Consolidated net sales rose ¥95,307 million (9.4%) from the previous fiscal year, to ¥1,114,539 million. With the increase in net sales, consolidated gross trading profit increased ¥6,381 million (8.0%) from the previous fiscal year, to ¥86,402 million. Consolidated operating income climbed ¥1,514 million (8.3%) from the previous fiscal year, to ¥19,776 million. Non - operating income rose ¥1,941 million from the previous fiscal year, thanks primarily to an increase in foreign exchange gains and an improvement in equity in the earnings of affiliated companies. As a result, consolidated ordinary income increased ¥3,455 million (20.7%) from the previous fiscal year, to ¥20,160 million. In extraordinary items, the Group posted a consolidated extraordinary loss of ¥1,085 million, primarily reflecting a loss on impairment, which offset a gain on sales of tangible fixed assets. Income before income taxes and minority interests climbed ¥2,294 million (13.7%) from the previous fiscal year, to ¥19,075 million. Consolidated net income rose ¥2,235 million (23.4%) from the previous fiscal year, to ¥11,799 million.

Segment Information

Results for each business segment are described below. The Group has reorganized its business units and has changed its reportable segments as follows: The Group has created a Motor Vehicles & Aerospace segment consisting of the motorcycle and automobile parts business and aerospace business, which were included in the Electronics, Iron & Steel, and Machinery & Plant segments. Starting the first nine month sunder review, the Group, consequently, has four reportable segments — Electronics & Devices, Foods & Grain, Steel, Materials & Plant, and Motor Vehicles & Aerospace —instead of the five reportable segments it had until the previous fiscal year: Electronics, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and Environment & Materials.

Electronics & Devices

The electronic components and materials business performed well, mainly in export transactions. In the semiconductor-related businesses, domestic demand for components increased significantly, partly due to the government's economic stimulus measures.

The system integration business remained strong thanks to companies' capital expenditure on their infrastructure.

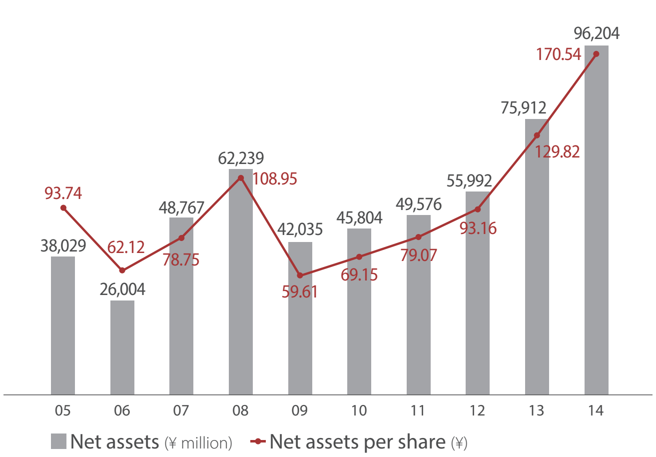
Meanwhile, operating income decreased in the mobile solution business as a result of intensifying competition among mobile phone carriers, despite the last-minute surge in demand ahead of the consumption tax hike.

As a result, net sales in the Electronics and Devices Division rose ¥40,574 million year on year, to ¥277,348 million. Operating income declined ¥584 million, to ¥7,755 million.

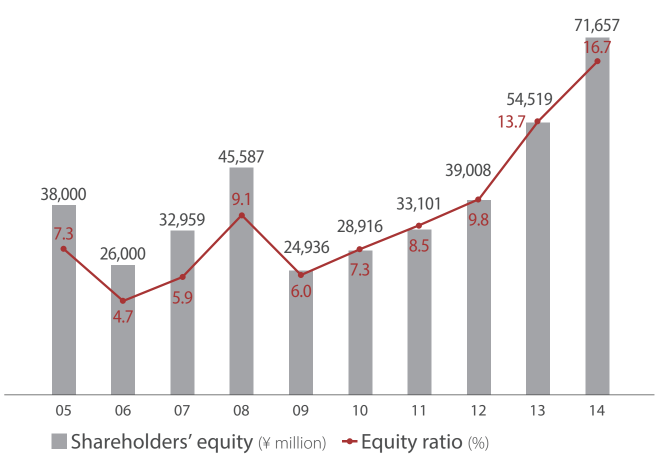
Foods & Grain

Operating income for the entire food business segment was reduced, primarily as a result of exchange rate fluctuations. The meat product business remained stable based on increased imports in response to a rise in domestic market prices. The foodstuff business was also consistently strong based on stable procurement and the increased business volume. Meanwhile, the food business suffered a decline in operating

Net assets and Net assets per share



Shareholders' equity and equity ratio



* Shareholders' equity = net assets – minority interests
* Equity ratio = Shareholders' equity / total assets

income due to the time taken for sales prices to reflect the increased costs caused by the weaker yen. As a result, in the Foods &Grain Division, net sales increased ¥21,088 million year on year, to ¥309,024 million. Operating income fell ¥1,066 million, to ¥2,099 million.

Steel, Materials & Plant

In the iron and steel business, transactions of specialty steel for automobiles for Europe and the United States and the oilfield tubing business in North America acquired in the previous fiscal year were solid. Sales of petroleum products were strong in the energy business. The plant and infrastructure business remained generally stable, which is partly attributable to the last-minute surge in demand ahead of the consumption tax hike in transactions of machine tool and industrial machinery. As a result, net sales in the Steel, Materials & Plant Division increased ¥34,601 million year on year, to ¥468,831 million. Operating income increased ¥3,035 million, to ¥8,129 million.

Motor Vehicles & Aerospace

Transactions of aircraft parts were strong, and transactions involving motorcycle and motor vehicle parts for North America remained stable. In contrast, construction machinery–related transactions for Asia showed weakness. As a result, in the Motor Vehicles & Aerospace Division, net sales rose ¥3,732 million year on year, to ¥54,451 million. Operating income climbed ¥47 million, to ¥1,494 million.

Other

Net sales declined ¥4,687 million year on year, to ¥4,883 million. Operating income rose ¥19 million, to ¥224 million.

Analysis of financial status

Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased ¥29,273 million from the end of the previous fiscal year, to ¥428,459 million. Interest-bearing debt declined ¥4,956 million from the end of the previous fiscal year, to ¥141,905 million. Net interest-bearing debt, which is interest bearing debt minus cash and bank deposits, decreased ¥18,401 million from the end of the previous fiscal year, to ¥68,038 million. Net assets stood at ¥96,204 million, up ¥20,292 million from the end of the previous fiscal year, thanks to an increase in retained earnings as a result of the posting of net income, and improvements in foreign currency translation adjustments, reflecting exchange rate fluctuations. Shareholders' equity, obtained by subtracting minority interests from net assets, increased ¥17,138 million from the end of the previous fiscal year, to ¥71,657 million. As a result, the equity ratio improved 3.0 percentage points from the end of the previous fiscal year, to 16.7%. The net debt-equity ratio ("net DER") improved to 0.9, up from 1.6 at the end of the previous fiscal year.

Cash flows

Net cash provided by operating activities stood at ¥22,384 million (versus ¥1,355 million provided in the previous fiscal year), chiefly reflecting an increase in operating income. Net cash used by investing activities amounted to ¥1,111 million (versus ¥1,466 million provided in the previous fiscal year), reflecting payments for the acquisition of a mobile phone sales company and purchase of tangible fixed assets, etc. despite proceeds from sale of tangible fixed assets. Net cash used in financing activities amounted to ¥9,351 million (versus ¥15,721 million used in the previous fiscal year), reflecting the repayment of debt, among other factors. As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥73,548 million, down ¥13,516 million from the end of the previous fiscal year.

Fundraising

The Group raises funds primarily through indirect finance based on good relations with our main banks, regional banks, life and non-life insurers and other financial institutions. Also, to respond flexibly to funding requirements for business expansion and to guard against unforeseen deterioration in our financial situation, we maintain sufficient levels of cash and bank deposits, and conduct flexible investment operations in highly secure short-term financial products in response to our funding needs and financial circumstances.

Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 24, 2014.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

Market risk related to supply and demand and prices of goods traded

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. An unexpected loss may result from causes such as rapid movements in commodities prices or a decline in demand, when our positions in these commodities increase.

Foreign currency risk

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk. The Group also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing, for the purposes of preparing consolidated financial statements. For this reason, net assets may change through translation adjustments associated with exchange rate fluctuations.

Interest rate risk

The Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest paid by the Group may increase with a rise in interest rates. Also, since certain companies in the Group adopt a defined benefit pension plan, the retirement benefit obligation could increase in the estimation of the Group if the discount rate used for the calculation of the retirement benefit obligation falls.

Price fluctuation risk of marketable securities, etc.

The Group may hold shares in trade partners as means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group through unrealized loss on available-for-sale securities. Since stocks and other securities are included in the portfolio of the pension assets of the Group for the purpose of making medium-and long-term investments, differences from the required investment yield could have an effect on the financial position of the Group, given that the investment yield will fall if the prices of the stocks, etc. fall.

Default risk and credit risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans and guarantees in diverse business transactions with its trading partners in Japan and abroad. For this reason, late repayments and defaults may occur with developments such as a deterioration in the financial strength of its trading partners. The Group could also be forced to perform obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, and subcontract agreement, or other agreements, irrespective of reasons, if the trade partner defaults on its obligation or contract. Although the Group has set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

Business investment risk

The Group makes business investments to achieve objectives, including deep mining of existing businesses and expansion of business areas. The Group decides whether to make such investments through procedures established according to their details and amounts. When making investment decisions, the Group evaluates and analyzes risk factors and the profitability of the business based on cash flows, taking the criteria for business withdrawal into account. After making an investment, the Group regularly reevaluates and reviews business potential and investment value to minimize any potential loss. The value of the business investments may fluctuate according to the financial conditions of investment targets and their business success or failure. The range of market changes tend to be particularly wide in overseas businesses. Local laws and relationships with partners may also prevent the Group from executing its policy for operating or withdrawing from a business.

Country risk

The Group engages in transactions, loans and investments in other countries. The collection of receivables may be delayed or impossible as a result of political or economic developments in each of these countries. To minimize losses that could arise should these country risks become reality, the Group regularly sets a limit based on ratings given to each country and region according to the scale of their respective country risk, and operates its businesses in such a way that prevents overexposure to certain countries and regions. The Group takes steps such as enrolling in trade insurance programs, according to the ratings and project details in an attempt to minimize recovery risks. However, continuing transactions may become difficult if these risks actualize in certain countries and regions, and this development may affect the future business results of the Group.

Legal risk related to changes in laws

The business activities undertaken by the Group in Japan and overseas are subject to a wide range of legal regulations in Japan and other countries. The Group may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment, and changes in regulations such as permits and licenses related to the sales and handling of products. An unexpected expense for the Group may also arise from a lawsuit or from an order issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

Legal risk related to lawsuits and disputes

Business operations by the Group, and its assets and liabilities associated with the business operations may become subject to legal proceedings, including lawsuits, and other disputes, in various ways through the course of the business activities undertaken by the Group in Japan and overseas. Such lawsuits and disputes are generally unpredictable, and resolving them is often very time-consuming when they occur. Any prediction of the results therefore involves uncertainties. Any occurrence of such lawsuits or disputes and unexpected outcomes may affect the Group's financial position and operating results.

Security risk related to information systems and information security

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules, and is taking steps to ensure that all members of the Group are familiar with crisis control responses, to meet the safety requirements for operating its information systems. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of business sensitive information or personal information through unauthorized access, computer viruses and other means, as well as inoperability due to factors such as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line troubles. Inoperability may reduce the efficiency of operations that depend on the systems, and seriously affect the future business results of the Group, depending on the scale of damages.

Product and facility deterioration risk due to natural disasters and accidents

The Group owns facilities and equipment, including business offices, warehouses and manufacturing plants, in Japan and overseas. It also owns cargo being stored or transported in and outside Japan for business transactions. Such assets may be damaged or deteriorate as a result of natural disasters, accidents and other developments, and the businesses of the Group may be suspended due to developments such as earthquakes, fires, floods, and riots. Such incidents may seriously affect the future financial position and operating results of the Group, depending on the extent of the damage.

Compliance and fraud risk

The Group operates businesses to buy, sell and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

Consolidated Balance Sheets

March 31, 2014 and 2013

	Fiscal 2014	Fiscal 2013	Fiscal 2014
	JPY	JPY	USD (Note 3)
Assets			
I. Current assets			
1. Cash and bank deposits (Note 7-3)	73,867	60,421	717,715
2. Notes and accounts receivable (Notes 7-3, 7-8)	178,984	165,378	1,739,069
3. Lease investment assets	541	608	5,265
4. Short-term investments (Note 7-3)	16	16	159
5. Inventories (Note 7-1)	66,256	65,246	643,762
6. Short-term loans receivable	825	352	8,017
7. Deferred tax assets	2,660	1,669	25,851
8. Other	22,364	23,134	217,296
Allowance for doubtful accounts	(149)	(273)	(1,453)
Total current assets	345,366	316,554	3,355,682
II. Long-term assets			
1. Tangible fixed assets			
1) Leased properties, net (Note 7-3)	172	1,345	1,680
2) Buildings and structures, net (Note 7-3)	5,949	5,391	57,807
3) Machinery, equipment, vehicle, tools and fixtures, net	4,930	4,963	47,905
4) Land (Note 7-3)	11,917	14,050	115,795
5) Lease assets, net	1,074	1,075	10,436
6) Construction in progress	174	163	1,691
Total tangible fixed assets (Note 7-2)	24,218	26,990	235,316
2. Intangible fixed assets			
1) Goodwill	3,175	2,122	30,852
2) Other	8,531	5,104	82,896
Total intangible fixed assets	11,706	7,226	113,748
3. Investments and other assets			
1) Investments in securities (Notes 7-3, 7-4)	32,198	30,248	312,846
2) Long-term loans receivable	1,798	2,435	17,474
3) Doubtful accounts	902	1,895	8,772
4) Deferred tax assets	8,782	11,127	85,330
5) Other	6,236	6,441	60,597
Allowance for doubtful accounts	(2,750)	(3,731)	(26,728)
Total investments and other assets	47,167	48,415	458,292
Total long-term assets	83,093	82,632	807,357
Total assets	428,459	399,186	4,163,039

(Notes) Presentation of fiscal year and amount (Japanese Yen and U.S. dollars)
1. "2014" refers to the Company's consolidated fiscal year ended March 31, 2014 and other fiscal years are referred to in the corresponding manner.
2. "JPY" means millions of Yen and "USD" means thousands of U.S. dollars.

	Fiscal 2014 JPY	Fiscal 2013 JPY	Fiscal 2014 USD (Note 3)
Liabilities			
I. Current liabilities			
1. Notes and accounts payable (Note 7-8)	115,210	104,372	1,119,422
2. Import bills payable	27,610	27,984	268,273
3. Short-term borrowings (Note 7-3)	80,792	81,570	785,004
4. Lease obligations	760	733	7,390
5. Accrued income taxes	1,951	1,663	18,958
6. Deferred tax liabilities	1	95	11
7. Asset retirement obligations	6	118	60
8. Other	32,302	28,238	313,856
Total current liabilities	258,635	244,776	2,512,975
II. Non-current liabilities			
1. Long-term borrowings (Note 7-3)	61,113	65,290	593,795
2. Lease obligations	1,033	1,099	10,038
3. Deferred tax liabilities	368	45	3,582
4. Provision for employees' retirement and severance benefits	—	4,296	—
5. Net defined benefit liability	4,630	—	44,995
6. Provision for retirement benefits for directors and statutory auditors	387	385	3,766
7. Asset retirement obligations	804	741	7,820
8. Other (Note 7-3)	5,281	6,636	51,318
Total non-current liabilities	73,620	78,496	715,314
Total liabilities	332,255	323,273	3,228,289
Net assets			
I. Shareholders' equity			
1. Common stock	27,781	27,781	269,929
2. Capital surplus	27,493	27,526	267,139
3. Retained earnings	35,737	24,567	347,232
4. Treasury stock	(321)	(357)	(3,127)
Total shareholders' equity	90,690	79,517	881,173
II. Accumulated other comprehensive income			
1. Net unrealized gains on securities, net of tax	1,743	1,048	16,940
2. Net gains (losses) on deferred hedges, net of tax	(18)	298	(176)
3. Revaluation reserves for land (Note 7-5)	104	66	1,018
4. Foreign currency translation adjustments	(20,758)	(26,411)	(201,696)
5. Remeasurements of defined benefit plans	(104)	—	(1,017)
Total accumulated other comprehensive income	(19,033)	(24,997)	(184,931)
III. Minority interests in consolidated subsidiaries	24,547	21,393	238,508
Total net assets	96,204	75,912	934,750
Total liabilities and net assets	428,459	399,186	4,163,039

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

For the years ended March 31, 2014 and 2013

	Fiscal 2014	Fiscal 2013	Fiscal 2014
	JPY	JPY	USD (Note 3)
I. Net sales	1,114,539	1,019,232	10,829,183
II. Cost of sales (Note 8-1)	1,028,136	939,210	9,989,669
Gross profit	86,402	80,021	839,514
III. Selling, general and administrative expenses (Note 8-2)			
1. Salaries and bonuses	28,340	24,566	275,361
2. Retirement benefit expenses	1,491	1,903	14,488
3. Outsourcing service charges	6,145	7,626	59,710
4. Provision of allowance for doubtful accounts	76	227	747
5. Other	30,573	27,435	297,056
Total	66,626	61,758	647,362
Operating income	19,776	18,262	192,152
IV. Non-operating income			
1. Interest income	382	503	3,718
2. Dividend income	814	814	7,911
3. Equity in earnings of affiliates	739	197	7,186
4. Foreign exchange gains	2,389	937	23,214
5. Other	935	1,097	9,086
Total	5,260	3,549	51,115
V. Non-operating expenses			
1. Interest expenses	3,255	3,502	31,633
2. Other	1,620	1,605	15,746
Total	4,876	5,107	47,379
Ordinary income	20,160	16,705	195,888
VI. Extraordinary gains			
1. Gain on sale of tangible fixed assets (Note 8-3)	2,114	431	20,541
2. Gain on sale of investments in securities	230	2,694	2,237
3. Gain on step acquisitions	—	81	—
4. Gain on bargain purchase	46	69	449
Total	2,390	3,276	23,227
VII. Extraordinary losses			
1. Loss on disposal of fixed assets (Note 8-4)	381	1,271	3,710
2. Impairment loss on fixed assets (Note 8-5)	2,196	750	21,343
3. Loss on sale of investments in securities	34	636	338
4. Impairment loss on investments in securities	55	376	540
5. Loss on closure of business	276	—	2,689
6. Loss on withdrawing from employees' pension fund	—	94	—
7. Loss on lawsuits	—	71	—
8. Business structure improvement expenses (Note 8-6)	530	—	5,157
Total	3,476	3,200	33,777
Income before income taxes and minority interests	19,075	16,781	185,338
Income taxes – current	4,500	4,082	43,726
Income taxes – deferred	453	1,490	4,406
Total	4,953	5,573	48,132
Income before minority interests	14,121	11,208	137,207
Minority interests in consolidated subsidiaries	2,321	1,644	22,555
Net income	11,799	9,564	114,651

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2014 and 2013

	Fiscal 2014	Fiscal 2013	Fiscal 2014
	JPY	JPY	USD (Note 3)
I. Income before minority interests	14,121	11,208	137,207
II. Other comprehensive income			
1. Net unrealized gains on securities, net of tax	715	927	6,951
2. Net gains (losses) on deferred hedges, net of tax	(293)	(215)	(2,854)
3. Foreign currency translation adjustments	6,552	5,067	63,671
4. Share of other comprehensive income of associates accounted for equity method	178	416	1,739
Total other comprehensive income (Note 9-1)	7,153	6,196	69,506
Comprehensive income	21,274	17,404	206,713
Comprehensive income attributable to the shareholders of the Company	17,869	15,388	173,625
Comprehensive income attributable to minority interests	3,405	2,015	33,088

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2013

	JPY				
	Shareholders' equity				
Fiscal 2014	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	27,781	27,526	24,567	(357)	79,517
Changes during the fiscal year					
Dividends			(630)		(630)
Net income			11,799		11,799
Acquisition of treasury stock				(13)	(13)
Disposition of treasury stock		(32)		49	16
Effect of changes in the shares of equity-method affiliates				(0)	(0)
Changes of scope of equity-method					—
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	(32)	11,169	35	11,172
Balance at the end of the fiscal year	27,781	27,493	35,737	(321)	90,690

	JPY							
	Accumulated other comprehensive income							
Fiscal 2014	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at the beginning of the fiscal year	1,048	298	66	(26,411)	—	(24,997)	21,393	75,912
Changes during the fiscal year								
Dividends								(630)
Net income								11,799
Acquisition of treasury stock								(13)
Disposition of treasury stock								16
Effect of changes in the shares of equity-method affiliates								(0)
Changes of scope of equity-method								—
Net changes of items other than shareholders' equity during the fiscal year	694	(316)	38	5,652	(104)	5,964	3,153	9,118
Total changes during the fiscal year	694	(316)	38	5,652	(104)	5,964	3,153	20,291
Balance at the end of the fiscal year	1,743	(18)	104	(20,758)	(104)	(19,033)	24,547	96,204

Fiscal 2013	JPY				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	27,781	27,597	15,003	(550)	69,830
Changes during the fiscal year					
Dividends					—
Net income			9,564		9,564
Acquisition of treasury stock				(8)	(8)
Disposition of treasury stock		(70)		197	126
Effect of changes in the shares of equity-method affiliates				3	3
Changes of scope of equity-method			(0)		(0)
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	(70)	9,563	193	9,686
Balance at the end of the fiscal year	27,781	27,526	24,567	(357)	79,517

Fiscal 2013	JPY							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at the beginning of the fiscal year	137	492	66	(31,519)	—	(30,822)	16,984	55,992
Changes during the fiscal year								
Dividends								—
Net income								9,564
Acquisition of treasury stock								(8)
Disposition of treasury stock								126
Effect of changes in the shares of equity-method affiliates								3
Changes of scope of equity-method								(0)
Net changes of items other than shareholders' equity during the fiscal year	910	(194)	—	5,108	—	5,824	4,409	10,233
Total changes during the fiscal year	910	(194)	—	5,108	—	5,824	4,409	19,920
Balance at the end of the fiscal year	1,048	298	66	(26,411)	—	(24,997)	21,393	75,912

Fiscal 2014	USD (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	269,929	267,459	238,702	(3,476)	772,614
Changes during the fiscal year					
Dividends			(6,121)		(6,121)
Net income			114,651		114,651
Acquisition of treasury stock				(127)	(127)
Disposition of treasury stock		(320)		476	157
Effect of changes in the shares of equity-method affiliates				(0)	(0)
Changes of scope of equity-method					
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	(320)	108,530	349	108,559
Balance at the end of the fiscal year	269,929	267,139	347,232	(3,127)	881,173

Fiscal 2014	USD (Note 3)							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at the beginning of the fiscal year	10,189	2,897	645	(256,618)	—	(242,887)	207,865	737,592
Changes during the fiscal year								
Dividends								(6,121)
Net income								114,651
Acquisition of treasury stock								(127)
Disposition of treasury stock								157
Effect of changes in the shares of equity-method affiliates								(0)
Changes of scope of equity-method								—
Net changes of items other than shareholders' equity during the fiscal year	6,751	(3,073)	373	54,923	(1,017)	57,956	30,643	88,599
Total changes during the fiscal year	6,751	(3,073)	373	54,923	(1,017)	57,956	30,643	197,158
Balance at the end of the fiscal year	16,940	(176)	1,018	(201,696)	(1,017)	(184,931)	238,508	934,750

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2013

	Fiscal 2014	Fiscal 2013	Fiscal 2014
	JPY	JPY	USD (Note 3)
I. Cash flows from operating activities			
Income before income taxes and minority interests	19,075	16,781	185,338
Depreciation and amortization	3,170	2,680	30,808
(Decrease) Increase in allowance for doubtful accounts	(198)	69	(1,933)
Increase in provision for employees' retirement and severance benefits	—	358	—
Increase in net defined benefit liability	302	—	2,942
Interest and dividends income	(1,196)	(1,317)	(11,629)
Interest expenses	3,255	3,502	31,633
Equity in gains of affiliates	(739)	(197)	(7,186)
(Gain) Loss on disposal of fixed assets	(1,732)	840	(16,831)
Impairment loss on fixed assets	2,196	750	21,343
Gain on sale of investments in securities, net	(195)	(2,058)	(1,899)
Impairment loss on investments in securities	55	376	540
Loss on closure of business	276	—	2,689
Loss on lawsuits	—	71	—
Gain on step acquisitions	—	(81)	—
Loss on withdrawing from employees' pension fund	—	94	—
Business structure improvement expenses	530	—	5,157
(Increase) Decrease in notes and accounts receivable	(6,395)	1,769	(62,145)
Decrease (Increase) in inventories	2,964	(3,838)	28,801
Increase (Decrease) in notes and accounts payable	5,617	(9,112)	54,585
Other	1,409	(1,634)	13,695
Sub total	28,396	9,053	275,908
Interest and dividends received	1,338	1,515	13,005
Interest paid	(3,276)	(3,549)	(31,831)
Income taxes paid	(4,074)	(4,588)	(39,585)
Payments for loss on lawsuits	—	(981)	—
Payments for withdrawing from employees' pension fund	—	(94)	—
Net cash provided by operating activities	22,384	1,355	217,496
II. Cash flows from investing activities			
Decrease (Increase) in time deposits, net	105	(79)	1,025
Payments for tangible fixed assets	(2,305)	(1,664)	(22,405)
Proceeds from sales of tangible fixed assets	3,422	1,589	33,251
Payments for intangible fixed assets	(435)	(1,286)	(4,236)
Payments for investments in securities	(271)	(247)	(2,639)
Proceeds from sales of investments in securities	551	3,573	5,361
Payments for purchase of investments in subsidiaries	(96)	(5)	(934)
Proceeds from sales of investments in subsidiaries	826	18	8,033
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 11-2)	(2,761)	—	(26,829)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 11-2)	—	804	—
Payments for transfer of business (Note 11-3)	—	(6,493)	—
Increase in loans receivable	(69)	(163)	(680)
Proceeds from collection of loans receivable	265	4,492	2,579
Other	(342)	926	(3,324)
Net cash (used in) provided by investing activities	(1,111)	1,466	(10,798)
III. Cash flows from financing activities			
Decrease in short-term borrowings, net	(4,237)	(244)	(41,174)
Proceeds from long-term borrowings	41,548	25,930	403,700
Repayments of long-term borrowings	(44,781)	(40,073)	(435,111)
Proceeds on issuance of common stock	157	—	1,531
Cash dividends paid	(625)	—	(6,078)
Other	(1,412)	(1,333)	(13,727)
Net cash used in financing activities	(9,351)	(15,721)	(90,858)
IV. Effect of exchange rate changes on cash and cash equivalents	1,593	2,338	15,486
V. Net increase (decrease) in cash and cash equivalents	13,516	(10,561)	131,327
VI. Cash and cash equivalents at beginning of year	60,032	70,594	583,296
VII. Cash and cash equivalents at end of year (Note 11-1)	73,548	60,032	714,623

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the years ended March 31, 2014 and 2013

1. Basis of Preparing Consolidated Financial Statements

1. The Method of Producing the Consolidated Financial Statements:

The consolidated financial statements of Kanematsu Corporation (the "Company") are prepared in accordance with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976; hereinafter, the "Regulations").

The comparative information included in the consolidated financial statements for the fiscal year ended March 31, 2014 is prepared in accordance with the Regulations prior to the revision pursuant to Article 3, Paragraph (2) of the Supplementary Provisions of the "Cabinet Office Ordinance for Partial Revision of the Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 61, September 21, 2012).

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Act of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

2. Japanese Yen Amount:

Amounts less than one million yen have been omitted, since the Regulations require such amounts to be rounded down for presentation. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances or breakdowns.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation:

(1) Number of consolidated subsidiaries: 82

Our major subsidiaries are as follows.
Name of company:
- Kanematsu Electronics
- Kanematsu Communications
- Kanematsu Trading
- Kanematsu KGK
- Kanematsu Petroleum
- SHINTOA
- Kanematsu USA
- Kanematsu (Hong Kong)

In the current fiscal year, BD Holdings (Presently Kanematsu BD Communications) was added to the scope of consolidation due to acquisition of shares and Kanemory Food Services and 3 other companies were added to the scope of consolidation due to new establishment, while 5 companies were excluded from the scope of consolidation due to merger or liquidation.

(2) Unconsolidated subsidiaries:

3 companies are not included in the scope of consolidation.

(3) Reason that certain subsidiaries are excluded from the scope of consolidation:

3 unconsolidated subsidiaries are excluded from consolidation as they are immaterial to the Company in terms of their total assets, net sales, net income and retained earnings, individually and in the aggregate.

(b) Application of Equity Method:

(1) Number of unconsolidated subsidiaries to which the equity method is applied: 2

2 subsidiaries out of 3 unconsolidated subsidiaries are accounted for by the equity method.

In the current fiscal year, 2 companies were excluded from accounting via the equity method due to liquidation.

(2) Number of affiliated companies to which the equity method is applied: 23

Among 28 affiliated companies, the equity method is applied to investments in 23 companies.

Major companies to which the equity method is applied are as follows.
Name of company:
- Kanematsu-NNK
- Hokushin
- Kaneyo
- Century Textile Industry

In the current fiscal year, 4 companies were added to accounting via the equity method due to new establishment and 2 companies were excluded from accounting via the equity method due to liquidation or sale of shares.

(3) Reason that the equity method is not applied to certain affiliated companies:

The 1 unconsolidated subsidiary and 5 affiliated companies to which the equity method is not applied are immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.

(c) Fiscal Year-ends of Consolidated Subsidiaries:

Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date are as follows:

Name of consolidated subsidiary	Year-end date
Kanematsu USA	December 31
KG Aircraft Leasing	December 31
27 other companies	

In preparing the consolidated financial statements, the financial statements of 29 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, are used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates are appropriately adjusted for in consolidation.

In the current fiscal year, Nippon Office Systems, Kanematsu Semiconductor (Taiwan) and Kanematsu Devices Korea have changed their fiscal year-end to March 31 from December 31. As a result of this change, the accounting period ended March 31, 2014 for these 3 consolidated subsidiaries spanned the 15 months from January 1, 2013.

(d) Short-term Investments and Investments in Securities:

(1) Held-to-maturity bonds:

Debt securities are stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities.

(2) Other securities (Non-trading purpose):

* Marketable Securities

Marketable securities are stated at fair value.

Net unrealized gains or losses on securities recorded in "Net assets" are net of tax amounts. The cost for marketable securities that have been sold is determined using the moving average method.

The fair value is determined primary based on the average of daily market price for one-month prior to the fiscal year-end.

* Non-marketable securities
The non-marketable securities are stated at cost using the moving average method.

(e) Derivatives:
Derivatives are stated at fair value method.

(f) Inventories:
Inventories are stated at cost method principally determined by the moving average method (carried at the lower of cost or market value on the balance sheet).

(g) Property and Equipment:
(1) Tangible fixed assets (excluding lease assets):
The declining balance method is used for tangible fixed assets other than buildings (excluding auxiliary equipment) and leased property.

The straight-line method is used for buildings (excluding auxiliary equipment) and for leased properties.

The ranges of principal estimated useful lives are as follows.

Buildings and structures	3 – 50 years
Machinery, equipment, vehicle, tools and fixtures	2 – 20 years

(2) Lease assets:
Depreciation on lease assets is recorded using the straight-line method over the lease term, assuming a residual value of zero.

Finance lease transactions that commenced on or before March 31, 2008 are accounted for as operating leases.

(h) Allowance for Doubtful Accounts:
The Company and its consolidated subsidiaries (The "Companies") provide an allowance for doubtful accounts to cover credit losses, based on estimates of collectability of individual accounts and past bad debt loss experiences.

(i) Provision for Retirement Benefits for Directors and Statutory Auditors:
The Company and certain of its subsidiaries provide a provision for retirement benefits for directors and statutory auditors, which is calculated by estimating the required payable as of the balance sheet date in accordance with the internal rules.

(j) Retirement Benefits:
The Company and certain of its subsidiaries provide for the payment of employee retirement benefits and recognize net defined benefit liability which deducts the value of plan assets from retirement benefit obligations based on projections at the end of the current fiscal year.

In the calculation of retirement benefit obligations, straight-line basis is used to attribute projected benefits to the period up to the end of the current fiscal year.

Except for certain consolidated subsidiaries which recognize past service costs as expenses upon their occurrence, past service costs are amortized as expenses on a straight-line basis over five years, a predetermined number of years, within the average expected remaining service period of the employees.

Actuarial gains and losses are amortized on a straight-line basis over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within the net asset section as remeasurements of defined benefit plans of accumulated other comprehensive income after adjusting for tax effects.

For certain calculations of defined net benefit liability and retirement benefit expenses, simplified method is applied, which recognizes retirement benefit obligations with the value of benefits payable assuming the voluntary retirement of all employees at the end of the fiscal year.

(k) Translation of Foreign Currencies:
All monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates prevailing at the balance sheet date. Resulting translation gains and losses are included in determination of net income for the period.

The financial statements of overseas subsidiaries are translated at current exchange rates on the closing date except for shareholders' equity which is translated at historical acquisition date exchange rates. Differences in yen amounts arising from this translation are shown as "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries" recorded in "Net assets."

(l) Hedge Accounting:
(1) Hedge accounting method:
The Company and certain of its consolidated subsidiaries apply hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods. For certain interest rate swaps designated as hedging instruments that meet specific matching criteria, the amounts received or paid under such interest rate swap agreements are added to or deducted from the interest on the hedged assets or liabilities when paid. For certain forward exchange contracts designated as hedging instruments that meet specific matching criteria, the hedged assets or liabilities are measured by contract rate.

(2) Hedging instruments and hedged items:
(Hedging instruments)
* Commodity-related:
  Commodity futures contracts / Commodity forward contracts
* Foreign exchange-related:
  Forward exchange contracts / Foreign currency swaps / Foreign currency options
* Interest rate-related:
  Interest rate swaps / Interest rate options

(Hedged items)
* Commodity-related:
  Forecasted transactions on commodity trading
* Foreign exchange-related:
  Foreign currency-denominated monetary assets and liabilities / Forecasted foreign currency transactions
* Interest-related:
  Borrowings

(3) Hedging policy:
The Company and certain of its consolidated subsidiaries have internal policies to utilize the above hedging instruments for the purpose of reducing their exposures to the risk of fluctuations in commodity prices, foreign currencies and interest rates for their operating and financing activities.

(4) Method of evaluating the effectiveness of hedging activities:
The Company and certain of its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing accumulated fluctuations in prices or cash flows of the hedged items with those of the hedging instruments and examined the degree of their correlation.

(5) Other:
Risk management is performed by the management division, which is independent of the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.

(m) Amortization of Goodwill and Negative Goodwill:
Goodwill whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise goodwill is amortized over 5 years using the straight-line method.

Negative goodwill which was recognized by business combinations before April 1, 2010 and whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise negative goodwill is amortized over 5 years using the straight-line method.

(n) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows:
Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand, bank deposits on demand, and highly liquid short-term investments, generally with original maturities of three months or less, that are readily convertible to cash for which the risk of changes in value is insignificant.

(o) Consumption Taxes:
Consumption tax and local consumption tax on goods and services are not included in the revenue and expense amounts subject to such taxes in the accompanying consolidated statements of income.

(p) Consolidated Tax Return:
The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.

3. United States Dollar Amounts

The U.S. dollar amounts appearing in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥102.92 to U.S.$1.00, the exchange rate prevailing on March 31, 2014. The translation of such dollar amounts is solely for convenience of the readers outside Japan and does not imply those yen amounts have been or could be readily converted, realized or settled in dollars at the above, or any other rate.

4. Changes in Accounting Policies

(Application of accounting standard for retirement benefits)
"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, released May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, released May 17, 2012) were applied at the end of the current fiscal year, and retirement benefit obligations after subtracting the value of plan assets were recognized as net defined benefit liability, and the unrecognized actuarial gains and losses and past service costs were recognized in net defined benefit liability.

These accounting standards are applied with transitional treatments in Article 37 of the standard, and the effects of these changes at the end of current fiscal year were recognized with remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, net defined benefit liability of ¥4,630 million ($44,995 thousand) was recognized at the end of the current fiscal year, with decreases of accumulated other comprehensive income of ¥104 million ($1,017 thousand) and minority interests in consolidated subsidiaries of ¥90 million ($877 thousand).

5. Unapplied Accounting Standards

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, released May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, released May 17, 2012)

(1) Overview
Treatments of unrecognized actuarial gains and losses and past service costs, determination of retirement benefit obligations and current service costs, and enhanced disclosures are amended.

(2) Date of application
Amendments relating to determination of retirement benefit obligations and current service costs will be applied at the beginning of fiscal year ending March 31, 2015. These standards require no retrospective application to financial statements in prior periods.

(3) Effects of the application of these accounting standards
By applying these standards, the opening balance of retained earnings in the consolidated balance sheet is expected to decrease by ¥681 million ($6,622 thousand).

Operating income, ordinary income and income before income taxes and minority interests in the following consolidated fiscal year are expected to increase by ¥79 million ($770 thousand).

6. Changes in Presentation Methods

(Consolidated balance sheets)
"Goodwill" that was included in "Intangible fixed assets" in the previous fiscal year is separately presented for the current fiscal year due to the increase of its quantitative significance. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation method.

As a result, ¥7,226 million ($70,214 thousand) of "Intangible fixed assets" in the consolidated balance sheets for the previous fiscal year has been reclassified to ¥2,122 million ($20,620 thousand) of "Goodwill" and ¥5,104 ($49,593 thousand) million of "Other."

7. Notes to Consolidated Balance Sheets

***1. Details of inventories are as follows:**

	2014		2013
	JPY	USD	JPY
Merchandise and finished goods	63,693	618,860	63,143
Real estate for sale	61	593	61
Raw materials and supplies	1,824	17,724	1,486
Work in progress	677	6,585	555

***2. The amount of accumulated depreciation of tangible fixed assets**

2014		2013
JPY	USD	JPY
28,305	275,028	29,288

*3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	2014		2013
	JPY	USD	JPY
Cash and bank deposits	6	58	6
Notes and accounts receivable	229	2,233	622
Leased properties	—	—	1,176
Buildings and structures	381	3,709	36
Land	525	5,111	68
Total	1,143	11,110	1,909

Details of associated secured obligations are as follows:

	2014		2013
	JPY	USD	JPY
Short-term borrowings	750	7,287	1,265
Long-term borrowings	500	4,858	200
Non-current liabilities and others	—	—	910
Guaranteed obligations	3	35	3

In addition to the foregoing pledged assets, the following items are tendered as security deposit or substitution for trading.

	2014		2013
	JPY	USD	JPY
Cash and bank deposits	3	29	3
Short-term investments	15	146	14
Investments in securities	2,134	20,741	2,023
Total	2,152	20,916	2,041

*4. Investments in securities for unconsolidated subsidiaries and affiliated companies are as follows:

	2014		2013
	JPY	USD	JPY
Investments in securities	5,758	55,955	4,952
(Share stocks)	(5,306)	(51,559)	(4,441)
(Equity investments)	(452)	(4,396)	(510)

*5. Revaluation reserves for land

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

KANEYO Co., Ltd., an equity-method affiliate of the Company, revalued land held for business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (Law No. 24 enacted on March 31, 1999 and Law No. 19 enacted on March 31, 2001). This equity-method affiliate recorded unrealized gains on revaluation, net of tax, as valuation and translation adjustment under the Laws. The Company's investments in this affiliate increased by an amount equal to the unrealized gains on revaluation of land.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Hokushin Co., Ltd. and KANEYO Co., Ltd., equity-method affiliates of the Company, revalued land held for business in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (Law No. 24 enacted on March 31, 1999 and Law No. 19 enacted on March 31, 2001). These equity-method affiliates recorded unrealized gains on revaluation, net of tax, as valuation and translation adjustment under the Laws. The Company's investments in these affiliates increased by an amount equal to the unrealized gains on revaluation of land.

6. Liability for guarantee

Guarantees are provided to unconsolidated subsidiaries on their borrowings from third-party financial institutions.

	2014		2013
	JPY	USD	JPY
Century Textile Industry	795	7,728	904
True Corporation Public	—	—	407
Mojiko Silo	231	2,248	250
Growth D	191	1,858	—
Other	1,061	10,318	1,051
Total	2,279	22,152	2,613

Keep-well or agreements similar to guarantees are included in the above accounts.

7. The amount of discounted notes receivable and endorsed notes receivable

	2014		2013
	JPY	USD	JPY
Discounted notes receivable	2,155	20,943	2,121
(Discounted export bills)	1,909	18,553	1,944
Endorsed notes receivable	108	1,054	78

***8.** The Company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date on March 31, 2013 was not a business day of financial institutions, the following notes due on closing date are included in the year-end balances.

	2014		2013
	JPY	USD	JPY
Notes receivable	—	—	1,861
Notes payable	—	—	948

8. Notes to Consolidated Statements of Income

*1. Loss on devaluation of inventories

Inventories are carried at the lower of cost or market value in the balance sheet. Loss (Reversal) on devaluation of inventories is included in cost of sales.

2014		2013
JPY	USD	JPY
(311)	(3,023)	671

*2. The amount of research and development expenses

2014		2013
JPY	USD	JPY
577	5,614	432

*3. Gain on sale of tangible fixed assets

Details of gain on sale of tangible fixed assets are as follows:

	2014		2013
	JPY	USD	JPY
Buildings and structures	—	—	109
Machinery, equipment, vehicle, tools and fixtures	12	126	15
Land	1,799	17,483	305
Leased properties	273	2,659	—
Other	28	272	1
Total	2,114	20,541	431

*4. Loss on disposal of fixed assets

Details of loss on disposal of fixed assets are as follows:

	2014		2013
	JPY	USD	JPY
Buildings and structures	146	1,420	208
Machinery, equipment, vehicle, tools and fixtures	212	2,069	42
Land	—	—	943
Intangible fixed assets	14	142	76
Other	8	79	1
Total	381	3,710	1,271

*5. Impairment loss on fixed assets

The Company recorded impairment loss on fixed assets, which are summarized in the following table.

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Use	Location	Type	JPY	USD
Business assets	Chiba, Japan, others	Land, etc.	2,016	19,594
Idle assets	Hyogo, Japan	Land	180	1,749
Total			2,196	21,343

The Company assesses impairment losses on business assets by grouping the assets for each business operating unit, on the managerial accounting basis. For idle assets, impairment is assessed individually.

For the business assets with lower profitability and idle assets which the Company has no plan to use in the future, impairment losses of ¥2,196 million ($21,343 thousand) were recorded as an extraordinary loss by reducing their carrying amounts to their recoverable amounts. Out of ¥2,196 million ($21,343 thousand) of the impairment losses, ¥11 million ($113 thousand) was on buildings and structures, ¥2 million ($28 thousand) was for machinery, equipment, vehicle, tools and fixtures, ¥2,066 million ($20,074 thousand) was for land and ¥116 million ($1,128 thousand) was for others.

The recoverable amount is the net selling value. The net selling value is estimated mainly based on the real estate appraisal.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Use	Location	Type	JPY
Business assets	Aichi, Japan, others	Buildings, Land, etc.	673
Idle assets	Hyogo, Japan, others	Buildings, Land, etc.	77
Total			750

The Company assesses impairment losses for business assets by grouping the assets for each business operating unit, on the managerial accounting basis. For idle assets, impairment is assessed individually.

For the business assets with lower profitability and idle assets which the Company has no plan to use in the future, impairment losses of ¥750 million were recorded as an extraordinary loss by reducing their carrying amounts to their recoverable amounts. Out of ¥750 million of the impairment losses, ¥356 million was for buildings and structures, ¥110 million was for machinery, equipment, vehicle, tools and fixtures, ¥206 million was for land and ¥77 million was for others.

The recoverable amount is the net selling value. The net selling value is estimated mainly based on the amounts in contracts.

*6. Business structure improvement expenses

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Business structure improvement expenses occurred in a consolidated subsidiary. Details of the expenses are as follows:

	JPY	USD
Termination benefits for voluntary retirements	491	4,774
Other	39	383
Total	530	5,157

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Not applicable.

9. Notes to Consolidated Statements of Comprehensive Income

*1. Reclassification adjustments and deferred tax related to other comprehensive income

	2014		2013
	JPY	USD	JPY
Net unrealized gains (losses) on securities, net of tax			
Net unrealized gains (losses) during the year	1,215	11,807	1,052
Reclassification adjustments	(101)	(986)	308
Total before deferred tax	1,113	10,820	1,360
Deferred tax	(398)	(3,870)	(433)
Total net unrealized gains (losses) on securities, net of tax	715	6,951	927
Net gains (losses) on deferred hedges, net of tax			
Net unrealized gains (losses) during the year	414	4,024	152
Reclassification adjustments	(905)	(8,803)	(482)
Total before deferred tax	(491)	(4,778)	(329)
Deferred tax	198	1,924	113
Total net gains (losses) on deferred hedges, net of tax	(293)	(2,854)	(215)
Foreign currency translation adjustments			
Translation adjustments during the year	6,552	63,671	5,067
Reclassification adjustments	—	—	—
Total foreign currency translation adjustments	6,552	63,671	5,067
Share of other comprehensive income of investments accounted for using the equity method			
Net unrealized gains (losses) during the year	276	2,689	661
Reclassification adjustments	(97)	(950)	(244)
Total share of other comprehensive income of investments accounted for using the equity method	178	1,739	416
Total	7,153	69,506	6,196

10. Notes to Consolidated Statements of Changes in Net Assets

1. Class and number of shares issued and treasury stock:

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase in shares during the fiscal year (thousand shares)	Decrease in shares during the fiscal year (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	2,539	92	308	2,323
Total	2,539	92	308	2,323

(Notes) 1. The breakdown of the increase of 92 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 92 thousand shares
The Company's portion of treasury stock (the Company's stock) increased due to changes in the shares of companies applied equity method that attributes to the Company: 0 thousand shares
2. The breakdown of the decrease of 308 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 5 thousand shares
The Company's portion of treasury stock (the Company's stock) disposed by a company applied equity method that attributes to the Company: 302 thousand shares

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase in shares during the fiscal year (thousand shares)	Decrease in shares during the fiscal year (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	3,796	76	1,334	2,539
Total	3,796	76	1,334	2,539

(Notes) 1. The breakdown of the increase of 76 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 76 thousand shares
2. The breakdown of the decrease of 1,334 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 3 thousand shares
The Company's portion of treasury stock (the Company's stock) disposed by a company applied equity method that attributes to the Company: 1,283 thousand shares
The Company's portion of treasury stock (the Company's stock) decreased due to changes in the shares of companies applied equity method that attributes to the Company: 47 thousand shares

2. Dividends

(1) Amount of dividend payments

Resolution	Type of shares	Total amount of dividends		Dividends per share		Record date	Effective date
		JPY (Millions of yen)	USD (Thousands of U.S. dollars)	JPY (Yen)	USD (U.S. dollar)		
Board of directors meeting on 1 November, 2013	Common shares	632	6,143	1.50	0.015	30 September, 2013	3 December, 2013

(2) Dividends whose record date is in the current fiscal year but effective date is in the following fiscal year

Resolution	Type of shares	Total amount of dividends		Source of dividends	Dividends per share		Record date	Effective date
		JPY (Millions of yen)	USD (Thousands of U.S. dollars)		JPY (Yen)	USD (U.S. dollar)		
Board of directors meeting on 26 May, 2014	Common shares	632	6,143	Retained earnings	1.50	0.015	31 March, 2014	5 June, 2014

11. Notes to Consolidated Statements of Cash Flows

*1. Cash and cash equivalents as of March 31, 2014, consist of the following:

	2014		2013
	JPY	USD	JPY
Cash and bank deposits	73,867	717,715	60,421
Time deposits which deposit terms exceed three months	(318)	(3,092)	(389)
Cash and cash equivalents	73,548	714,623	60,032

*2. Details of assets and liabilities of subsidiary newly consolidated by acquisition of shares

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Relations between details of assets and liabilities of BD Holdings (Presently Kanematsu BD Communications), which is a newly consolidated subsidiary by acquisition of shares, and acquisition cost, and payments for purchase are as follows:

	JPY	USD
Current assets	592	5,761
Long-term assets	3,503	34,043
Goodwill	817	7,943
Current liabilities	(575)	(5,591)
Non-current liabilities	(1,338)	(13,008)
Acquisition cost	3,000	29,149
Cash and cash equivalents	(238)	(2,320)
Net: Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	2,761	26,829

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Relations between details of assets and liabilities of Nippon Office Systems, which is a newly consolidated subsidiary by additional acquisition of shares, and acquisition cost and proceeds from purchase are as follows:

	JPY
Current assets	3,558
Long-term assets	2,322
Goodwill	288
Current liabilities	(1,846)
Non-current liabilities	(1,603)
Minority interests in consolidated subsidiaries	(1,191)
Subtotal	1,529
Acquisition cost before obtaining control	(648)
Gain on step acquisitions	(81)
Additional acquisition cost	798
Cash and cash equivalents	(1,603)
Net: Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	(804)

*3. Details of assets and liabilities of transfer of business

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Relations between details of assets and liabilities of Benoit Premium Threading which is consolidated subsidiary by transfer of the premium threading business and the related assets, and payments for transfer of business are as follows:

	JPY
Current assets	2,344
Long-term assets	3,941
Goodwill	1,930
Current liabilities	(36)
Purchase value of transfer of business	8,179
The accrued purchase value of transfer of business	(48)
Proceeds from stock issuance to minority shareholders	(2,147)
Cash and cash equivalents	(432)
Net: Payments for transfer of business	5,551

(Note) The amount of difference from Consolidated Statements of Cash Flows was for other transfer of business.

12. Lease Transactions

<Leases as lessee>

1. Finance leases

Finance leases are leases for which the ownership of the leased property is not transferred to the lessees.

[1] Detail of lease assets

Tangible fixed assets

Mainly, computer and computer-related devices for the core critical system (Tools and fixtures).

[2] Depreciation method of lease assets

Described in Note 2. Summary of Significant Accounting Policies, (g) Property and Equipment.

The finance lease transactions commenced on or before March 31, 2008 which are accounted for as operating leases, are as follows:

(1) Acquisition cost, accumulated depreciation and balance at the end of the fiscal year of leased properties

	2014					
	Acquisition cost		Accumulated depreciation		Balance at the end of the fiscal year	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	303	2,947	229	2,229	73	718

	2013		
	Acquisition cost	Accumulated depreciation	Balance at the end of the fiscal year
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	376	241	134

(2) Future minimum lease payments outstanding at the balance sheet date, etc.

Future minimum lease payments outstanding at the balance sheet date	2014		2013
	JPY	USD	JPY
Due within one year	27	264	46
Due after one year	87	854	136
Total	115	1,118	183

(3) Payments to lessors, depreciation and interest expenses

	2014		2013
	JPY	USD	JPY
Payments to lessors	32	313	61
Depreciation	32	311	60
Interest expenses	4	44	5

(4) Computation of depreciation

Depreciation is computed using the straight-line method over the lease term assuming a residual value of zero.

(5) Computation of interest expenses

The excess amount of the sum of minimum lease payment over the acquisition cost is regarded as accumulated interest expenses, and is allocated to each period based on the interest method.

(Impairment loss)

No impairment loss is recorded nor allocated to leased assets.

2. Operating leases

Future lease payments outstanding at the balance sheet date

	2014		2013
	JPY	USD	JPY
Due within one year	13	135	16
Due after one year	39	381	17
Total	53	516	33

<Leases as lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	2014		2013
	JPY	USD	JPY
Lease payments receivables	577	5,609	619
Interest income	(11)	(108)	(12)
Lease investment assets	566	5,501	606

[2] Future lease receivables and lease investment assets outstanding at the balance sheet date

Current assets

	2014					
	Due within one year		Over one year and within two years		Over two years and within three years	
	JPY	USD	JPY	USD	JPY	USD
Lease receivables	2	24	2	24	2	24
Lease investment assets	328	3,189	189	1,838	42	415

	2014					
	Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD
Lease receivables	2	24	2	24	6	61
Lease investment assets	4	42	4	42	8	84

	2013		
	Due within one year	Over one year and within two years	Over two years and within three years
	JPY	JPY	JPY
Lease receivables	2	2	2
Lease investment assets	348	208	62

	2013		
	Over three years and within four years	Over four years and within five years	Over five years
	JPY	JPY	JPY
Lease receivables	2	2	10
Lease investment assets	0	0	—

2. Operating leases

Future lease payments receivable outstanding at the balance sheet date

	2014		2013
	JPY	USD	JPY
Due within one year	—	—	154
Due after one year	—	—	188
Total	—	—	342

13. Financial Instruments

1. Summary of financial instruments

(1) Policies of financial instruments:

The Companies design cash-flow plans to carry out operations, which are buying and selling of merchandise, investment and lending. The Companies' fund raising activities are mainly borrowings from banks and insurance companies. The Companies manage temporary surplus funds by funding highly secured financial assets and also use derivative transactions for minimizing financial risks.

(2) Nature and risks of financial instruments:

Notes and accounts receivable are exposed to credit risks of customers. In addition, receivables denominated in foreign currency are also exposed to risk of exchange rate fluctuation due to the global business operations.

The Companies have investments in securities in order to maintain relationships with their customers and suppliers. Short-term investments and investments in securities are exposed to price risks. The Companies also issue loans to certain customers and suppliers.

Maturity dates of notes and accounts payable and import bills payable are mainly within one year. Foreign currency liabilities are exposed to risk of exchange rate fluctuation.

The longest maturity date of borrowings from banks and insurance companies is within seven years from the fiscal year-end. Certain borrowings are exposed to interest rate risk.

The Companies utilize derivative transactions such as foreign exchange contracts to avert currency risk, interest rate swaps to avert interest rate risk, commodity future contracts to avert commodity price risk.

Hedging instruments, hedged items, hedging policy and method of evaluating the effectiveness of hedging activities are described in Note 2. Summary of Significant Accounting Policies, (l) Hedge Accounting.

(3) Financial risk management policies:

[1] Credit risk management

The Company employs its own credit scoring model based on customers' financial statements and other information. The Company determines the credit limit for customers based on their credit scoring and control credit risk by managing customer's balances against these limits. To reduce credit risks, the Company regularly monitors the collectability of and age of receivables to take preservation measures.

Since derivative transactions are executed with highly rated banks, the Company reviews the limit of volume of derivative transactions according to the internal rule.

[2] Market risk management

The Companies utilize foreign exchange contracts for foreign currency assets and liabilities or forecasted foreign currency transactions to avert currency risk. The Companies also utilize interest rate swaps to avert interest rate risk.

For short-term investments and investments in securities, the Companies periodically examine fair values and the financial conditions of the issuers and regularly revise the portfolio.

With respect to derivative transactions, each business division undertakes transactions in accordance with internal rules determined in the management meeting at the beginning of the fiscal year based on rule and operating policy for authorization of transaction and limitation. Derivative transactions are recorded and the balances are managed by the Finance Department, Accounting Department and Business Accounting Department and actual results of transactions are reported monthly to management. Certain of the Company's consolidated subsidiaries utilize derivative transactions in accordance with their own internal rules, which are prepared based on the Company's risk management policies.

[3] Liquidity risk management

The Finance Department performs cash management and maintains the level of cash and bank deposits balance by preparing and revising cash-flow-plan to suit current financial situation.

(4) Additional information on fair value measurements:

Fair value measurements are based on market prices or on rational assumptions when market prices are not available. The fair values which are measured based on rational assumptions are affected by variable factors and might be changed when different assumption is applied. The notional amount of contracts described in Note 15. Derivatives do not directly indicate the market risks.

2. Fair value of financial instruments

A summary of book value and fair value of financial instruments, and difference between them is disclosed in the following table. The financial instruments for which the Company had difficulty in estimating fair value are not included in the following table (See Note 2).

In this table below,

- Amounts in parentheses represent liabilities.
- Notes and accounts receivable, long-term loans receivable and doubtful accounts are offset by each allowance for doubtful accounts.
- Derivative assets and liabilities are disclosed on a net basis.

Fiscal year ended March 31, 2014

	Book value		Fair value		Difference	
	JPY	USD	JPY	USD	JPY	USD
(1) Cash and bank deposits	73,867	717,715	73,867	717,715	—	—
(2) Notes and accounts receivable	178,984	1,739,069				
Allowance for doubtful accounts	(149)	(1,453)				
	178,835	1,737,616	178,835	1,737,616	—	—
(3) Short-term investments	16	159	16	159	(0)	(0)
(4) Short-term loans receivable	825	8,017	825	8,017	—	—
(5) Investments in securities	11,777	114,433	12,682	123,224	904	8,791
(6) Long-term loans receivable	1,798	17,474				
Allowance for doubtful accounts	(1,653)	(16,069)				
	144	1,405	144	1,405	—	—
(7) Doubtful accounts	902	8,772				
Allowance for doubtful accounts	(878)	(8,538)				
	24	234	24	234	—	—
Total assets	265,490	2,579,581	266,395	2,588,371	904	8,791
(8) Notes and accounts payable	(115,210)	(1,119,422)	(115,210)	(1,119,422)	—	—
(9) Import bills payable	(27,610)	(268,273)	(27,610)	(268,273)	—	—
(10) Short-term borrowings	(80,792)	(785,004)	(80,792)	(785,004)	—	—
(11) Accrued income taxes	(1,951)	(18,958)	(1,951)	(18,958)	—	—
(12) Long-term borrowings	(61,113)	(593,795)	(61,222)	(594,852)	(108)	(1,058)
Total liabilities	(286,678)	(2,785,452)	(286,787)	(2,786,510)	(108)	(1,058)
Derivatives	497	4,835	497	4,835	—	—

Fiscal year ended March 31, 2013

	Book value	Fair value	Difference
	JPY	JPY	JPY
(1) Cash and bank deposits	60,421	60,421	—
(2) Notes and accounts receivable	165,378		
Allowance for doubtful accounts	(273)		
	165,104	165,104	—
(3) Short-term investments	16	16	0
(4) Short-term loans receivable	352	352	—
(5) Investments in securities	10,178	12,133	1,955
(6) Long-term loans receivable	2,435		
Allowance for doubtful accounts	(1,745)		
	689	689	—
(7) Doubtful accounts	1,895		
Allowance for doubtful accounts	(1,763)		
	131	131	—
Total assets	236,894	238,849	1,955
(8) Notes and accounts payable	(104,372)	(104,372)	—
(9) Import bills payable	(27,984)	(27,984)	—
(10) Short-term borrowings	(81,570)	(81,570)	—
(11) Accrued income taxes	(1,663)	(1,663)	—
(12) Long-term borrowings	(65,290)	(65,430)	(140)
Total liabilities	(280,881)	(281,021)	(140)
Derivatives	2,108	2,108	—

(Notes)

1. Fair value measurements of financial instruments and investment securities and derivative transaction

Assets

(1) Cash and bank deposits, (2) Notes and accounts receivable and (4) Short-term loans receivable

Fair value of these instruments approximates the book value because of their short-term maturities.

(3) Short-term investments and (5) Investments in securities

Fair value of marketable shares is estimated using quoted market price. Fair value of bonds is estimated using quoted market price or quoted price by financial institutions. Further information about investments in securities is described in Note 14. Short-term Investments and Investments in Securities.

(6) Long-term loans receivable

Fair value of long-term loans receivable is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of loans with similar term and remaining maturity.

(7) Doubtful accounts
Fair value of net doubtful accounts (offsetting doubtful accounts against allowance) approximates the book value because the Companies provide an allowance for doubtful accounts based on estimates of collectability by utilizing securities, guarantees and insurance or discounted cash flow analysis.

Liabilities
(8) Notes and accounts payable, (9) Import bills payable, (10) Short-term borrowings and (11) Accrued income taxes
Fair value of these instruments approximates the book value because of their short-term maturities.
(12) Long-term borrowings
Fair value of long-term borrowings is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity. Hedge accounting is applied to certain long-term borrowings with variable interest rates. The amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged long-term borrowings when paid. Fair value of long-term borrowings in which these interest rate swaps are embedded is also estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity.

Derivatives
Described in Note 15. Derivatives.

2. Financial instruments with difficulty in estimating fair value

	2014		2013
	Book value		Book value
Classification	JPY	USD	JPY
Unlisted investments in securities	18,454	179,312	18,068
Equity investments	1,965	19,101	2,002

The above financial instruments are not included in "(5) Investments in securities" because it is not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

3. Maturity schedule of monetary assets and investments in securities having maturity

Fiscal year ended March 31, 2014

	Within one year		Over one year and within five years		Over five years and within ten years		Over ten years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and bank deposits	73,867	717,715	—	—	—	—	—	—
Notes and accounts receivable (Note 3-1)	178,835	1,737,616	—	—	—	—	—	—
Short-term investments								
Held-to-maturity bonds	16	159	—	—	—	—	—	—
Short-term loans receivable	825	8,017	—	—	—	—	—	—
Investments in securities								
Held-to-maturity bonds	—	—	14	145	—	—	—	—
Long-term loans receivable (Note 3-2)	—	—	106	1,032	38	373	—	—
Doubtful accounts (Note 3-3)	—	—	24	234	—	—	—	—
Total	253,544	2,463,508	145	1,412	38	373	—	—

(Notes) 3-1. Allowance for doubtful accounts of ¥149 million ($1,453 thousand) is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥1,653 million ($16,069 thousand) is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥878 million ($8,538 thousand) is not included in doubtful accounts.

Fiscal year ended March 31, 2013

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	JPY	JPY	JPY	JPY
Cash and bank deposits	60,421	—	—	—
Notes and accounts receivable (Note 3-1)	165,104	—	—	—
Short-term investments				
Held-to-maturity bonds	16	—	—	—
Short-term loans receivable	352	—	—	—
Long-term loans receivable (Note 3-2)	—	310	245	132
Doubtful accounts (Note 3-3)	—	131	—	—
Total	225,895	442	245	132

(Notes) 3-1. Allowance for doubtful accounts of ¥273 million is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥1,745 million is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥1,763 million is not included in doubtful accounts.

4. Borrowings repayment schedule

Fiscal year ended March 31, 2014

	Within one year		Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years		Over five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Short-term borrowings	80,792	785,004	—	—	—	—	—	—	—	—	—	—
Long-term borrowings	—	—	20,922	203,292	25,137	244,241	6,864	66,695	4,007	38,933	4,182	40,634
Total	80,792	785,004	20,922	203,292	25,137	244,241	6,864	66,695	4,007	38,933	4,182	40,634

Fiscal year ended March 31, 2013

	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
	JPY	JPY	JPY	JPY	JPY	JPY
Short-term borrowings	81,570	—	—	—	—	—
Long-term borrowings	—	37,650	14,093	8,651	4,845	50
Total	81,570	37,650	14,093	8,651	4,845	50

14. Short-term Investments and Investments in Securities

1. "Held to maturity debt securities" with fair value

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	Category	Balance sheet amount		Fair value		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value not exceeding their book value	Government bonds	31	304	31	304	(0)	(0)

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

	Category	Balance sheet amount	Fair value	Difference
		JPY	JPY	JPY
Securities with market value exceeding their book value	Government bonds	14	14	0
Securities with market value not exceeding their book value	Government bonds	1	1	(0)
Total		16	16	0

2. "Other securities" with fair value

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

	Category	Balance sheet amount		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	Equity securities	8,729	84,823	5,941	57,730	2,788	27,093
Securities with book value not exceeding their acquisition cost	Equity securities	290	2,819	336	3,270	(46)	(451)
Total		9,020	87,642	6,278	61,001	2,741	26,642

(Note) Unlisted investments in securities (book value of ¥15,890 million ($154,400 thousand)) and equity investments (book value of ¥1,513 million ($14,705 thousand)) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

	Category	Balance sheet amount	Acquisition cost	Difference
		JPY	JPY	JPY
Securities with book value exceeding their acquisition cost	Equity securities	6,620	4,634	1,985
Securities with book value not exceeding their acquisition cost	Equity securities	1,323	1,611	(288)
Total		7,943	6,246	1,697

(Note) Unlisted investments in securities (book value of ¥15,860 million) and equity investments (book value of ¥1,491 million) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

3. Sold "Other securities"

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	580	5,644	230	2,237	12	121

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Category	Sales proceeds	Gains on sales	Losses on sales
	JPY	JPY	JPY
Equity securities	661	235	81

4. Securities on which impairment loss was recognized

The total impairment loss amount recognized of investments in securities is ¥55 million ($540 thousand) in the current fiscal year (from April 1, 2013 to March 31, 2014), and ¥376 million in the previous fiscal year (from April 1, 2012 to March 31, 2013).

For recognition of impairment loss, securities which fair value declines 50% or more against their carrying book value are subject to devaluation. For securities that decline 30% or more in fair value, devaluation losses are recognized after considering likelihood of future price recovery or financial position. For those determinations, fair value is primarily based on average of daily market price for one-month before the balance sheet date.

15. Derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies:

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Foreign exchange contracts								
	Selling								
	U.S. dollar (USD)	10,240	99,502	—	—	51	501	51	501
	Euro (EUR)	497	4,833	—	—	(4)	(46)	(4)	(46)
	Australian dollar (AUD)	116	1,129	—	—	(1)	(15)	(1)	(15)
	Other currencies	79	770	—	—	4	40	4	40
	Subtotal	10,933	106,234	—	—	49	480	49	480
	Buying								
	U.S. dollar (USD)	28,127	273,293	—	—	505	4,910	505	4,910
	Euro (EUR)	190	1,848	—	—	9	96	9	96
	Australian dollar (AUD)	36	350	—	—	0	2	0	2
	Pound sterling (GBP)	6	65	—	—	0	1	0	1
	Other currencies	105	1,027	—	—	(4)	(43)	(4)	(43)
	Subtotal	28,465	276,583	—	—	511	4,967	511	4,967
	Currency option contracts								
	Selling								
	Call								
	U.S. dollar (USD)	14	145	—	—	0	2	0	2
	Subtotal	14	145	—	—	0	2	0	2
	Buying								
	Put								
	U.S. dollar (USD)	14	141	—	—	(0)	(4)	(0)	(4)
	Subtotal	14	141	—	—	(0)	(4)	(0)	(4)
Total		—	—	—	—	—	—	560	5,444

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

Fiscal year ended March 31, 2013

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Off market transactions	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	9,533	—	(620)	(620)
	Euro (EUR)	604	—	(24)	(24)
	Australian dollar (AUD)	69	—	(8)	(8)
	Other currencies	1	—	0	0
	Subtotal	10,209	—	(652)	(652)
	Buying				
	U.S. dollar (USD)	24,778	—	2,277	2,277
	Euro (EUR)	536	—	39	39
	Australian dollar (AUD)	160	—	12	12
	Canadian dollar (CAD)	30	—	1	1
	Other currencies	76	—	1	1
	Subtotal	25,582	—	2,331	2,331
Total		—	—	—	1,679

(Note) Basis of fair value calculation
Fair value is calculated based on the quoted price by financial institutions.

(2) Interest rate:

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	15,000	145,744	13,000	126,312	(375)	(3,650)	(375)	(3,650)
Total		15,000	145,744	13,000	126,312	(375)	(3,650)	(375)	(3,650)

(Note) Basis of fair value calculation
Fair value is calculated based on the quoted price by financial institutions.

Fiscal year ended March 31, 2013

Not applicable.

(3) Commodities:

Fiscal year ended March 31, 2014

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Market transactions	Commodity future contracts								
	Foods & Foodstuff								
	Selling	5,364	52,124	11	117	(175)	(1,704)	(175)	(1,704)
	Buying	3,989	38,763	—	—	147	1,431	147	1,431
	Energy								
	Selling	643	6,249	—	—	(4)	(41)	(4)	(41)
	Buying	739	7,182	—	—	3	29	3	29
Total		—	—	—	—	—	—	(29)	(285)

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

Fiscal year ended March 31, 2013

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Market transactions	Commodity future contracts				
	Foods & Foodstuff				
	Selling	5,640	42	217	217
	Buying	5,330	—	(210)	(210)
	Energy				
	Selling	1,744	—	(3)	(3)
	Buying	1,183	—	12	12
	Total	—	—	—	16

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies:

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Foreign exchange contracts							
	Selling							
	U.S. dollar (USD)	Forecasted foreign currency transactions	3,441	33,441	9	92	(29)	(291)
	Euro (EUR)		509	4,951	—	—	(7)	(76)
	Pound sterling (GBP)		60	590	—	—	(0)	(8)
	Australian dollar (AUD)		44	428	—	—	(1)	(16)
	Other currencies		149	1,451	—	—	(4)	(47)
	Subtotal		4,205	40,862	9	92	(45)	(438)
	Buying							
	U.S. dollar (USD)	Forecasted foreign currency transactions	21,484	208,748	1,468	14,264	239	2,323
	Euro (EUR)		927	9,010	—	—	128	1,249
	Australian dollar (AUD)		323	3,144	—	—	24	239
	Canadian dollar (CAD)		28	273	—	—	(0)	(1)
	Pound sterling (GBP)		3	34	—	—	0	0
	Other currencies		432	4,199	—	—	1	18
	Subtotal		23,199	225,409	1,468	14,264	393	3,827
Specific matching criteria	Selling							
	U.S. dollar (USD)	Accounts receivable	129	1,256	—	—	—	—
	Euro (EUR)		3	32	—	—	—	—
	Other currencies		44	429	—	—	—	—
	Subtotal		176	1,717	—	—	—	—
	Buying							
	U.S. dollar (USD)	Accounts payable	65	632	—	—	—	—
	Euro (EUR)		33	322	—	—	—	—
	Other currencies		19	188	—	—	—	—
	Subtotal		117	1,143	—	—	—	—

(Note) Basis of fair value calculation
Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

Fiscal year ended March 31, 2013

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	Forecasted foreign currency transactions	5,507	—	(495)
	Euro (EUR)		433	—	(6)
	Australian dollar (AUD)		8	—	(0)
	Other currencies		243	—	(69)
	Subtotal		6,194	—	(572)
	Buying				
	U.S. dollar (USD)	Forecasted foreign currency transactions	21,179	177	1,312
	Euro (EUR)		1,570	—	143
	Australian dollar (AUD)		162	—	7
	Canadian dollar (CAD)		70	—	4
	Pound sterling (GBP)		3	—	(0)
	Other currencies		506	—	34
	Subtotal		23,493	177	1,502
Specific matching criteria	Selling				
	U.S. dollar (USD)	Accounts receivable	131	—	—
	Other currencies		4	—	—
	Subtotal		136	—	—
	Buying				
	Euro (EUR)	Accounts payable	62	—	—
	U.S. dollar (USD)		37	—	—
	Other currencies		79	—	—
	Subtotal		179	—	—

(Note) Basis of fair value calculation

Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

(2) Interest rate:

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Specific matching criteria	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	28,531	277,221	9,778	95,014	—	—

(Note) Basis of fair value calculation

For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

Fiscal year ended March 31, 2013

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	15,000	15,000	(503)
Specific matching criteria	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	31,100	19,360	—

(Note) Basis of fair value calculation

Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

(3) Commodities:

Fiscal year ended March 31, 2014

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Commodity future contracts							
	Foods & Foodstuff							
	Selling	Forecasted transactions on commodity trading	618	6,012	—	—	(66)	(644)
	Buying		327	3,184	—	—	59	581

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

Fiscal year ended March 31, 2013

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Commodity future contracts				
	Foods & Foodstuff				
	Selling	Forecasted transactions on commodity trading	515	—	4
	Buying		991	—	(17)

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

16. Retirement Benefits

Fiscal year ended March 31, 2014

1. Summary of pension plans

The Company and its certain consolidated subsidiaries have established defined-benefit employees' pension plans, retirement lump sum plans, and other pension plans. Certain consolidated subsidiaries have defined contribution pension plans. In addition, some additional retirements benefits are paid under certain conditions when employees retire.

Simplified method is applied to certain defined-benefit employees' pension plans and retirement lump sum plans in order to calculate net defined benefit liability and retirement benefit expenses.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	JPY	USD
Beginning balance of retirement benefit obligations	14,013	136,155
Service cost	851	8,276
Interest cost	242	2,355
Actuarial gains and losses	409	3,976
Benefit payments	(759)	(7,380)
Other	54	528
Ending balance of retirement benefit obligations	14,811	143,910

(2) Reconciliation of beginning and ending balances of plan assets

	JPY	USD
Beginning balance of plan assets	11,562	112,348
Expected return on plan assets	237	2,304
Actuarial gains and losses	222	2,162
Employer contributions	1,084	10,534
Benefit payments	(697)	(6,775)
Other	40	392
Ending balance of plan assets	12,449	120,965

(3) Reconciliation of beginning and ending balances of net defined benefit liability for the plans applying the simplified method

	JPY	USD
Beginning balance of net defined benefit liability	2,228	21,651
Retirement benefit expenses	266	2,592
Benefit payments	(197)	(1,918)
Contribution to plans	(28)	(274)
Ending balance of net defined benefit liability	2,269	22,050

(4) Reconciliation of ending balances of retirement benefit obligations / plan assets and net defined benefit liability / asset on consolidated balance sheet

	JPY	USD
Retirement benefit obligations of funded plan	14,284	138,788
Plan assets	(12,841)	(124,775)
	1,442	14,012
Retirement benefit obligations of unfunded plan	3,188	30,982
Net of liability and asset on consolidated balance sheet	4,630	44,995
Net defined benefit liability	4,630	44,995
Net of liability and asset on consolidated balance sheet	4,630	44,995

(5) Details of retirement benefit expenses

	JPY	USD
Service cost	851	8,276
Interest cost	242	2,355
Expected return on plan assets	(237)	(2,304)
Amortization of actuarial gains and losses	268	2,606
Retirement benefit expenses calculated with simplified method	266	2,592
Retirement benefit expenses	1,391	13,524

(6) Remeasurements of defined benefit plans

Details of remeasurements of defined benefit plans (after adjusting for tax effects) are as follows:

	JPY	USD
Unrecognized actuarial gains and losses	301	2,934
Total	301	2,934

(7) Plan assets

[1] Major categories of plan assets

Percentages of the major categories for total of plan assets are as follows:

	%
Debt securities	39.1
Equity securities	10.9
Life insurance company general accounts	43.2
Other	6.9
Total	100.0

[2] Method of setting expected long-term rates of return

Current and expected allocations of plan assets and long-term rates of return from variety of assets comprise plan assets are considered to determine the expected long-term rates of return on plan assets.

(8) Assumptions used in actuarial valuations

Principal assumptions used in actuarial valuations at the end of the current fiscal year (by weighted average) are as follows:

Discount rates	1.6%
Expected long-term rates of return on plan assets	1.9%

3. Defined contribution plans

Contributions charged for the defined contribution plans of the Company and its certain consolidated subsidiaries were ¥243 million ($2,367 thousand).

Fiscal year ended March 31, 2013

1. Summary of pension plans

The Company and its certain consolidated subsidiaries have established defined-benefit employees' pension plans, retirement lump sum plans, and other pension plans. Certain consolidated subsidiaries have defined contribution pension plans. In addition, some additional retirements benefits are paid under certain conditions when employees retire.

2. Schedule of retirement benefits

	JPY
a. Ending balance of projected benefit obligation	(16,698)
b. Ending balance of fair value for pension assets	12,068
c. Projected benefit obligation in excess of plan assets (a + b)	(4,629)
d. Unrecognized actuarial loss	332
e. Unrecognized prior service cost	—
f. Accrued retirement benefit obligation recognized in the consolidated balance sheets (c + d + e)	(4,296)
g. Prepaid pension cost	—
h. Provision for employees' retirement and severance benefits (f – g)	(4,296)

(Note) Certain subsidiaries adopt simplified method for calculating accrued retirement benefits for their employees.

3. Schedule of retirement benefits expenses

	JPY
a. Service cost	1,415
b. Interest cost	205
c. Expected return on plan assets	(217)
d. Amortization of actuarial loss	584
e. Amortization of prior service cost	—
f. Other	68
g. Net periodic retirement benefit expenses (a + b + c + d + e + f)	2,056

(Notes) 1. Employees' contributions to the employees' pension fund are not included in the retirement benefit expenses.
2. The retirement benefit expenses of consolidated subsidiaries which adopt simplified method are included in "service cost" in the table above.
3. "Other" represents contributions to the defined contribution pension plans.

4. Assumptions used in accounting for accrued retirement benefit

a. Method of attributing projected benefits to period of service
Straight-line basis

b. Discount rates
1.1% – 2.0%

c. Expected long-term rates of return on pension assets
1.5% – 2.3%

d. Amortization period for actuarial loss or gain
Principally 5 years

e. Amortization period for unrecognized prior service cost
5 – 10 years

17. Stock Options

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Not applicable.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Not applicable.

18. Deferred Taxes

1. Major components of deferred tax assets and deferred tax liabilities

	2014		2013
	JPY	USD	JPY
Deferred tax assets			
Provision for employees' retirement and severance benefits	—	—	1,441
Net defined benefit liability	1,542	14,990	—
Allowance for doubtful accounts	4,140	40,233	5,897
Inventories	1,821	17,697	1,948
Impairment loss on fixed assets	1,554	15,102	1,079
Investments in securities	2,632	25,581	3,040
Golf club memberships	480	4,666	492
Tax loss carried forward	13,358	129,791	17,103
Net gains (losses) on deferred hedges	11	116	—
Other	3,522	34,320	3,702
Deferred tax assets subtotal	29,065	282,407	34,706
Valuation allowance	(15,058)	(146,311)	(19,956)
Total deferred tax assets	14,006	136,095	14,750
Deferred tax liabilities			
Retained earnings in subsidiaries	(258)	(2,512)	(293)
Net gains (losses) on deferred hedges	—	—	(366)
Net unrealized gains on securities	(956)	(9,290)	(499)
Other	(1,719)	(16,705)	(935)
Total deferred tax liabilities	(2,933)	(28,507)	(2,094)
Net deferred tax assets	11,072	107,588	12,655

(Note) Net deferred tax assets recorded in the consolidated balance sheets

	2014		2013
	JPY	USD	JPY
Current assets – deferred tax assets	2,660	25,851	1,669
Long-term assets – deferred tax assets	8,782	85,330	11,127
Current liabilities – deferred tax liabilities	(1)	(11)	(95)
Non-current liabilities – deferred tax liabilities	(368)	(3,582)	(45)
Net deferred tax assets	11,072	107,588	12,655

2. Major reconciliation items between the statutory effective tax rate and the effective income tax rate after the application of deferred tax accounting.

	2014	2013
	%	%
Statutory effective tax rate	38.0	38.0
(Reconciliation)		
Permanent differences – additions such as entertainment expenses	1.9	2.9
Change in valuation allowance	(19.1)	(2.7)
Effect of tax rate differences	1.0	(4.1)
Tax reform	1.5	—
Other	2.7	(0.9)
Effective income tax rate	26.0	33.2

3. Adjustment of deferred tax assets and liabilities in connection with changes in the rates of corporate income tax:

On March 31, 2014, "Partial Revision of Income Tax Act, etc." (Act No. 10 of 2014) was promulgated, and in this Act, Special Corporate Tax for Reconstruction will not be applied from the fiscal year beginning on and after April 1, 2014. Due to this change, the statutory effective tax rate being applied for deferred tax calculation is reduced from 38.0% to 35.6% for the temporary differences which will be deducted during the fiscal year beginning on April 1, 2014.

Accordingly, deferred tax assets (net of deferred tax liabilities) decreased by ¥279 million ($2,713 thousand), and deferred income tax and net gains on deferred hedges increased by ¥287 million ($2,789 thousand) and ¥7 million ($75 thousand), respectively.

19. Business Combinations

Acquisition of shares by a subsidiary

Kanematsu Communications Ltd. ("KCS") and Kanematsu Electronics Ltd. ("KEL"), which are subsidiaries of the Company, established a holding company jointly (KCS90%, KEL10%) and the holding company acquired all of the shares of BD Holdings, Inc.

1. Outline of the business combination

(1) Name of the acquiring company: KCS Investment LLC ("KCSI")
Content of business: Holding company to hold shares of BD Holdings, Inc.
Name of the acquired company: BD Holdings, Inc. ("BDH")
Content of business: Mobile phone sales business

(2) Purpose of the business combination

By acquiring all of the shares of BDH, a leading sales company of its area, the companies strengthen its sales force in the Kyushu area and expand its sales force on a national scale.

(3) Date of the business combination

1 May 2013 (Date of the acquisition of shares)
30 June 2013 (Date regarded as date of the acquisition)

(4) Legal form of the business combination

Acquisition of shares for cash consideration

(5) Company name after the combination

BD Holdings, Inc.

(6) Percentage of the voting rights

Percentage of the voting rights before the acquisition	0 percent
Percentage of the additional acquisition of the voting rights	100 percent
Percentage of the voting rights after the acquisition	100 percent

(7) Basis for deciding the acquiring company

It is because KCSI acquired the shares of BDH for cash consideration.

2. Period of the performance of the acquired company in the consolidated financial statements

From 1 July 2013 to 31 March 2014

3. Acquisition costs and those details

Cash paid for the acquisition: ¥3,000 million ($29,149 thousand)
Total costs: ¥3,000 million ($29,149 thousand)

4. Amount, cause and method and period of amortization of goodwill

(1) Amount of goodwill

¥817 million ($7,943 thousand)

(2) Cause of goodwill

Anticipated future profitability in excess of net asset value

(3) Method and period of amortization of goodwill

Straight line method over 10 years

5. Assets and liabilities on the day of the business combination

	JPY	USD
Current assets	592	5,761
Property, plant and equipment	3,503	34,043
Total assets	4,096	39,804
Current liabilities	575	5,591
Non-current liabilities	1,338	13,008
Total liabilities	1,914	18,598

6. Amount allocated to intangible fixed assets other than goodwill, breakdown by major type, and weighted-average amortization period in total and by major type

Breakdown by major type:

Right of career shop operations: ¥3,291 million ($31,984 thousand)

Weighted-average amortization period in total and by major type

Right of career shop operations: 20 years

20. Asset Retirement Obligations

Asset retirement obligations in consolidated financial statements

1. Overview of asset retirement obligations

Asset retirement obligations are the obligations of restoring offices and shops based on the contracts of rental estate.

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated using the estimated useful lives of 2 – 50 years and the discount rates of 0.170 – 2.301%.

3. Changes in asset retirement obligations

	2014		2013
	JPY	USD	JPY
Balance at the beginning of the fiscal year	860	8,361	857
Acquisition of tangible fixed assets	116	1,128	34
Adjustment due to passage of time	15	151	16
Fulfillment of asset retirement obligations	(75)	(731)	(39)
Other	(105)	(1,029)	(8)
Balance at the end of the fiscal year	811	7,881	860

21. Investment and Rental Properties

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

As the amount of investment and rental properties is immaterial, the description is not disclosed.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

As the amount of investment and rental properties is immaterial, the description is not disclosed.

22. Segment Information

Segment Information

1. Overview of reportable segments

The reportable segments of the Companies are components of the Companies for which discrete financial information is available and are regularly reviewed by the management to make decisions about management resources to be allocated and assess its business performance.

The Companies operate its businesses by offering a broad array of products and services based on an organic combination of expertise that has been cultivated through networks in Japan and in other countries and in each business field, and trading functions such as commercial trade, information gathering, market development, business development and arrangement, risk management, and logistics.

The Companies therefore consists of products and service segments based on its business units: "Electronics & Devices," "Foods & Grain," "Steel, Materials & Plant," and "Motor Vehicles & Aerospace."

The principal products and services handled by each segment are as follows:

(Electronics & Devices)

This segment provides a wide range of products including electronic parts and components, semiconductor and LCD manufacturing equipment, materials and indirect materials related to electronics, together with services including development and proposals. This segment also conducts sales of batteries, LED, etc. to retailers and deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and services.

(Foods & Grain)

This segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from reliably sourcing raw materials to providing food and foodstuffs, including high value-added products. Products in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Steel, Materials & Plant)

This segment operates the domestic and international trade of general steel products including steel plates, bars and wire rods, pipes, and stainless products, carries out overseas projects such as plant and infrastructure development, and sells machine tools and industrial machinery. Additionally, this segment operates the domestic and international trade of crude oil, petroleum products, LPG, functional chemicals and food products, pharmaceuticals and pharmaceutical intermediates, and other products. It also develops environmental materials such as heat shield paints and new technologies, and operates businesses related to emissions rights.

(Motor Vehicles & Aerospace)
This segment primarily operates international trade of aircrafts and aircraft parts, satellite- and aerospace-related products, automobiles, motorcycles and related parts, industrial vehicles, construction machinery, etc., and also provides products with added value based on demand or use.

Due to the reorganization of the business units in the current fiscal year, the Company changed the reportable segments as below.

The motorcycle and motor vehicle parts business and aerospace business included in the conventional "Electronics," "Iron & Steel," and "Machinery & Plant" segments were combined and newly established as the "Motor Vehicles & Aerospace" segment. Consequently, the reportable segments changed from the five conventional segments of "Electronics," "Foods & Foodstuff," "Iron & Steel," "Machinery & Plant," and "Environment & Materials" to the four new segments of "Electronics & Devices," "Foods & Grain," "Steel, Materials & Plant," and "Motor Vehicles & Aerospace."

The segment information of the previous fiscal year has been prepared based on the reportable segments after the change.

2. Methods for calculating net sales, profits or losses, assets, and amounts for other items of reportable segments

The Company's accounting policies for its reportable business segments are almost the same as described in "Summary of Significant Accounting Policies."

Segment income for reportable segments are based on operating income for the segments.

Inter-segment revenue and transfers are based on prevailing market prices or third-party transaction prices.

3. Information on net sales, profits or losses, assets and other amounts of reportable segments

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014) *(JPY)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
Net sales									
Customers	277,348	309,024	468,831	54,451	1,109,656	4,883	1,114,539	—	1,114,539
Inter-segment	292	6	9	2	311	59	370	(370)	—
Total	277,640	309,030	468,841	54,453	1,109,967	4,942	1,114,910	(370)	1,114,539
Segment income	7,755	2,099	8,129	1,494	19,477	224	19,702	73	19,776
Segment assets	131,200	88,937	122,428	26,089	368,655	7,956	376,612	51,847	428,459
Other									
Depreciation and amortization	1,276	525	883	392	3,079	94	3,173	(3)	3,170
Investments in equity method affiliates	1,404	560	133	235	2,334	3,186	5,520	129	5,650
Increases in tangible fixed assets and intangible fixed assets	1,323	520	842	409	3,095	27	3,123	412	3,535

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014) *(USD)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
Net sales									
Customers	2,694,798	3,002,570	4,555,305	529,062	10,781,734	47,448	10,829,183	—	10,829,183
Inter-segment	2,841	62	97	26	3,025	579	3,604	(3,604)	—
Total	2,697,639	3,002,632	4,555,401	529,088	10,784,759	48,027	10,832,787	(3,604)	10,829,183
Segment income	75,352	20,395	78,984	14,521	189,252	2,184	191,436	716	192,152
Segment assets	1,274,781	864,144	1,189,551	253,490	3,581,966	77,307	3,659,273	503,766	4,163,039
Other									
Depreciation and amortization	12,405	5,111	8,584	3,818	29,917	920	30,838	(30)	30,808
Investments in equity method affiliates	13,644	5,446	1,300	2,288	22,678	30,962	53,640	1,262	54,902
Increases in tangible fixed assets and intangible fixed assets	12,861	5,058	8,182	3,980	30,081	270	30,350	4,004	34,355

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustments are as follows.
(1) Adjustment for segment income of ¥73 million ($716 thousand) includes offset amount of goodwill of ¥77 million ($751 thousand) and inter-segment elimination of (¥3) million (($35) thousand).
(2) Adjustment for segment assets of ¥51,847 million ($503,766 thousand) includes inter-segment elimination of (¥9,846) million (($95,668) thousand) and corporate assets of ¥61,693 million ($599,434 thousand) that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
(3) Adjustment for depreciation and amortization of (¥3) million (($30) thousand) includes inter-segment elimination of (¥3) million (($30) thousand).
(4) Adjustment for investments in equity method affiliates of ¥129 million ($1,262 thousand) includes inter-segment elimination of (¥0) million (($8) thousand) and corporate assets of ¥130 million ($1,270 thousand) that are not allocated to any reportable segment.
(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥412 million ($4,004 thousand) includes inter-segment elimination of (¥20) million (($195) thousand) and corporate assets of ¥432 million ($4,200 thousand) that are not allocated to any reportable segment.
3. Segment income is adjusted for operating income in the consolidated statements of income.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013) *(JPY)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
Net sales									
Customers	236,774	287,936	434,230	50,719	1,009,661	9,570	1,019,232	—	1,019,232
Inter-segment	19	5	14	11	50	50	100	(100)	—
Total	236,794	287,942	434,245	50,731	1,009,712	9,620	1,019,332	(100)	1,019,232
Segment income	8,339	3,165	5,094	1,447	18,047	205	18,252	9	18,262
Segment assets	110,750	86,458	115,373	24,127	336,708	11,242	347,951	51,234	399,186
Other									
Depreciation and amortization	1,092	464	594	317	2,468	213	2,682	(1)	2,680
Investments in equity method affiliates	1,272	467	116	181	2,038	2,708	4,746	96	4,843
Increases in tangible fixed assets and intangible fixed assets	1,156	426	112	622	2,318	81	2,400	535	2,936

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustments are as follows.
(1) Adjustment for segment income of ¥9 million includes inter-segment elimination of ¥9 million.
(2) Adjustment for segment assets of ¥51,234 million includes inter-segment elimination of (¥7,899) million and corporate assets of ¥59,133 million that are not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
(3) Adjustment for depreciation and amortization of (¥1) million includes inter-segment elimination of (¥1) million.
(4) Adjustment for investments in equity method affiliates of ¥96 million includes inter-segment elimination of ¥6 million and corporate assets of ¥90 million that are not allocated to any reportable segment.
(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥535 million includes corporate assets of ¥535 million that are not allocated to any reportable segment.
3. Segment income is adjusted for operating income in the consolidated statements of income.

Related Information

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Information by product and service

The classification of product and service is omitted because it is same as the classification of reportable segments.

2. Information by geographical area

(1) Net sales

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
943,498	9,167,303	97,304	945,436	51,947	504,738	14,954	145,305	6,833	66,400	1,114,539	10,829,183

(Note) Net sales are classified into countries and areas based on locations of customers.

(2) Tangible fixed assets

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
18,951	184,137	877	8,527	2,087	20,283	2,292	22,279	9	90	24,218	235,316

3. Information by major customer

Not applicable.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

1. Information by product and service

The classification of product and service is omitted because it is same as the classification of reportable segments.

2. Information by geographical area

(1) Net sales

Japan	Asia	North America	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
861,875	91,042	41,481	17,313	7,519	1,019,232

(Note) Net sales are classified into countries and areas based on locations of customers.

(2) Tangible fixed assets

Japan	Asia	North America	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
22,133	791	1,446	2,606	12	26,990

3. Information by major customer

Not applicable.

Information of impairment loss on fixed assets of reportable segments

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014) *(JPY)*

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	115	0	278	0	394	—	394	1,802	2,196

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014) *(USD)*

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	1,126	0	2,707	1	3,834	—	3,834	17,509	21,343

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustment for impairment loss of ¥1,802 million ($17,509 thousand) is a corporate loss that is not allocated to any reportable segment.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013) *(JPY)*

	Reportable segments					Other (Notes 1, 2)	Total	Adjustment	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Impairment loss	108	—	77	—	185	565	750	—	750

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Amount of "Other" is a loss on the aluminum recycling business.

Information of amortization of goodwill and balance of goodwill of reportable segments

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(Goodwill) *(JPY)*

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	132	16	156	6	312	0	312	(77)	235
Balance at the end of the fiscal year	1,034	20	2,173	9	3,238	—	3,238	(62)	3,175

(Negative goodwill) *(JPY)*

	Reportable segments					Other (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal				
Amortization for the fiscal year	—	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	—	—	—	—	—	—	—	—	—

(Goodwill) *(USD)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization for the fiscal year	1,291	160	1,522	64	3,037	4	3,041	(755)	2,286
Balance at the end of the fiscal year	10,049	200	21,116	96	31,461	—	31,461	(609)	30,852

(Negative goodwill) *(USD)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization for the fiscal year	—	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	—	—	—	—	—	—	—	—	—

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization and balance of goodwill and negative goodwill are offset in consolidated financial statements.
In addition, adjustments are as follows
(1) Adjustment for amortization of goodwill for the fiscal year of (¥77) million (($755) thousand) includes inter-segment elimination of (¥0) million (($4) thousand) and offset amount of (¥77) million (($751) thousand).
(2) Adjustment for balance of goodwill at the end of the fiscal year of (¥62) million (($609) thousand) includes corporate assets of ¥0 million ($1 thousand) that are not allocated to any reportable segment and offset amount of (¥62) million (($610) thousand).
(3) Adjustment for amortization of negative goodwill for the fiscal year includes corporate profits of ¥77 million ($751 thousand) that are not allocated to any reportable segment and offset amount of (¥77) million (($751) thousand).
(4) Adjustment for balance of negative goodwill at the end of the fiscal year includes corporate liabilities of ¥62 million ($610 thousand) that are not allocated to any reportable segment and offset amount of (¥62) million (($610) thousand).

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)
(Goodwill) *(JPY)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization for the fiscal year	12	16	21	5	56	2	58	(58)	—
Balance at the end of the fiscal year	305	37	1,914	13	2,270	0	2,270	(148)	2,122

(Negative goodwill) *(JPY)*

	Reportable segments								
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization for the fiscal year	—	—	0	—	0	4	5	21	26
Balance at the end of the fiscal year	—	—	—	—	—	8	8	(8)	—

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization and balance of goodwill and negative goodwill are offset in consolidated financial statements.
In addition, adjustments are as follows
(1) Adjustment for amortization of goodwill for the fiscal year of (¥58) million includes inter-segment elimination of (¥2) million and offset amount of (¥56) million.
(2) Adjustment for balance of goodwill at the end of the fiscal year of (¥148) million includes inter-segment elimination of (¥0) million, corporate assets of ¥0 million that are not allocated to any reportable segment and offset amount of (¥148) million.
(3) Adjustment for amortization of negative goodwill for the fiscal year of ¥21 million includes corporate profits of ¥77 million that are not allocated to any reportable segment and offset amount of (¥56) million.
(4) Adjustment for balance of negative goodwill at the end of the fiscal year of (¥8) million includes corporate liabilities of ¥140 million that are not allocated to any reportable segment and offset amount of (¥148) million.

23. Disclosure of Related Party Transactions

Fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Related party transactions:

Not applicable.

Fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Related party transactions:

Not applicable.

24. Information per Share

	2014		2013
	JPY (Yen)	USD (U.S. dollar)	JPY (Yen)
Net assets per share	170.54	1.66	129.82
Net income per share	28.09	0.27	22.80

(Notes) 1. Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.
2. The supplemental information for the computation of net assets per share is as follows:

	2014		2013
	JPY	USD	JPY
Total net assets	96,204	934,750	75,912
Amount deducted from total net assets	24,547	238,508	21,393
(minority interest in consolidated subsidiaries)	(24,547)	(238,508)	(21,393)
Net assets corresponding to common stock at the end of the fiscal year	71,657	696,242	54,519
Number of common stock issued (thousand shares)	422,501		422,501
Number of treasury stock (thousand shares)	2,323		2,539
Number of common stock used for the calculation of net assets per share (thousand shares)	420,177		419,961

3. The supplemental information for the computation of net income per share is as follows:

	2014		2013
	JPY	USD	JPY
Net income	11,799	114,651	9,564
Amount that does not belong to common shareholders	—	—	—
Net income corresponding to common stock	11,799	114,651	9,564
Average number of common stock for the term (thousand shares)	420,060		419,486

25. Subsequent Events

Not applicable.

26. Consolidated Supplementary Schedules

(1) Schedule of bonds payable:

Not applicable.

(2) Schedule of borrowings:

	Balance at the beginning of the fiscal year		Balance at the end of the fiscal year		Composite interest rate	Due
Classification	JPY	USD	JPY	USD	%	Month, year
Short-term borrowings	38,430	373,404	36,387	353,548	1.3	—
Current portion of long-term borrowings	43,140	419,161	44,405	431,456	1.9	—
Current portion of lease obligations	733	7,124	760	7,390	—	—
Long-term borrowings (excluding current portion)	65,290	634,382	61,113	593,795	1.8	April 2015 – March 2021
Lease obligations (excluding current portion)	1,099	10,684	1,033	10,038	—	April 2015 – January 2021
Total	148,694	1,444,755	143,699	1,396,227	—	—

(Notes) 1. The composite interest rate is a weighted average interest rate for those outstanding at the end of the year.
2. The composite interest rate of lease obligations is not presented as lease obligations of the Company and certain of its subsidiaries comprise interest expenses portion of total lease payments.
3. The long-term borrowings and lease obligations repayment schedule for next five years (excluding current portion) is as follows:

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Long-term borrowings	20,922	203,292	25,137	244,241	6,864	66,695	4,007	38,933
Lease obligations	577	5,609	245	2,390	114	1,115	72	703

(3) Schedule of asset retirement obligations:

According to the Article 92-2 of the "Regulations for Consolidated Financial Statements," schedule of asset retirement obligations are omitted, as the amount of "asset retirement obligations" is less than 1 percent of total amount of liabilities and net assets.

Independent Auditor's Report

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014 and their financial performance and cash flows for the year then ended accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

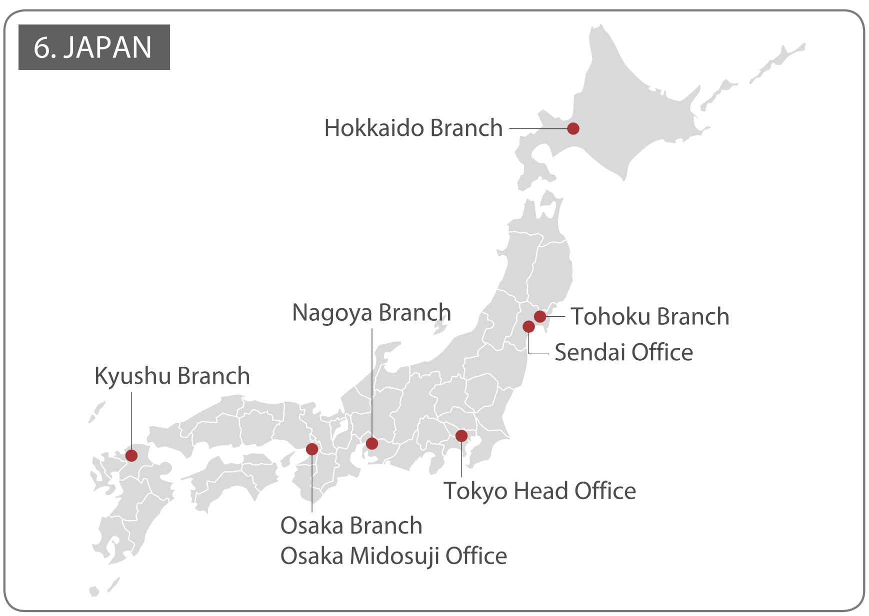
June 24, 2014

PricewaterhouseCoopers Arata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

Global Network (As of March 31, 2014)

Kanematsu supplies products and services from a large network of business bases in Japan and overseas.
85 subsidiaries and 28 affiliates ensure global reach into the markets of all regions.

● Overseas subsidiaries and their branches
▲ Representative offices
■ Branches



Segment information:
Number of employees and number of group companies (As of March 31, 2014)

	Number of employees (consolidated basis)	Number of affiliated companies	
Electronics & Devices	3,343	27	(Japan: 17, Overseas: 10)
Foods & Grain	512	18	(Japan: 10, Overseas: 8)
Steel, Materials & Plant	1,202	30	(Japan: 13, Overseas: 17)
Motor Vehicles & Aerospace	201	8	(Japan: 1, Overseas: 7)
Others	127	14	(Japan: 9, Overseas: 5)
Company-wide (common)	362		
		Overseas subsidiaries 16	
Total	5,747	113	

Notes:

1. Number of employees on a non-consolidated basis is 800 (including employees seconded from Kanematsu, excluding employees seconded from companies other than Kanematsu).
2. Of affiliated companies, 85 are consolidated subsidiaries and 28 are equity-method affiliates.

Network

JAPAN

Tokyo Head Office
2-1, Shibaura 1-chome, Minato-ku,
Tokyo 105-8005, Japan
TEL: 81-3-5440-8111
FAX: 81-3-5440-6500

Osaka
Awaji-machi Dai Building, 1-9, Awaji-machi
3-chome, Chuo-ku, Osaka 541-8560, Japan
TEL: 81-6-6205-3111
FAX: 81-6-6205-3322

Midosuji Office
Midosuji Daiwa Building, 6-8, Kyutaro-machi
3-chome, Chuo-ku, Osaka 541-0056, Japan
TEL: 81-6-6251-7700
FAX: 81-6-6251-7770

Nagoya
9-3, Sakae 2-chome, Naka-ku,
Nagoya 460-0008, Japan
TEL: 81-52-202-5111

Hokkaido
Sapporo-Kokusai Building, 4-1, Kitashijou-nishi,
Chuo-ku, Sapporo 060-0004, Japan
TEL: 81-11-261-5631
FAX: 81-11-261-5630

Kyushu
Tenjin Twin Building, 6-8, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan
TEL: 81-92-715-7820
FAX: 81-92-715-7830

Tohoku
163 Shibue, Wakuya-cho, Tohda-gun,
Miyagi 987-0113, Japan
TEL: 81-229-43-2195
FAX: 81-229-43-5650

Sendai Office
Verza Sendai Room#405, 7-17, Chuou
4-chome, Aoba-ku, Sendai-shi,
Miyagi 980-0021, Japan
TEL: 81-22-722-2675
FAX: 81-22-267-7351

Overseas

ASIA & THE MIDDLE EAST

KOREA

Kanematsu Devices Korea Corporation
Koreana Bldg., 6F, 61-1-Ka Tae Pyung Ro,
Chung-Ku, Seoul, Republic of Korea
TEL: 82-2-737-5795
FAX: 82-2-737-5799

CHINA

Kanematsu (China) Co., Ltd.
Shanghai Head Office
Shanghai Branch
39th Floor Raffles City (Office Tower) 268 Xi Zang
Middle Road, Shanghai 200001, P.R. China
TEL: 86-21-6340-3456
FAX: 86-21-6840-4290

Suzhou Office
12F09, Gold River Tower, No. 35 Shishan Road,
Suzhou New District, Jiansu Province, P.R. China
TEL: 86-512-6809-7379
FAX: 86-512-6803-2295

Wuxi Office
Room 608 Bai Shi Da Building, Chagjiag North Rd.,
Wuxi New District, Wuxi 214110, Jiansu Province,
P.R. China
TEL: 86-510-8522-6426
FAX: 86-510-8522-6430

Chongqing Liaison Office
Room 6-B-2, Wanyou Conifer Hotel, 77
Changjiang 2nd Road, Daping, Yuzhong District,
Chongqing, P.R. China 400042
TEL: 86-23-6800-7771
FAX: 86-23-6800-7772

Beijing Branch
Beijing Lufthansa Center C315, 50 Liangma Qiao
Road, Chaoyang District, Beijing 100125, P.R. China
TEL: 86-10-8591-1031
FAX: 86-10-8591-1535

Dalian Branch
Rooms 602, Furama Hotel, 60 Renmin Road,
Dalian 116001, P.R. China
TEL: 86-411-8263-9105, 7481
FAX: 86-411-8280-5534

Tianjin Branch
29F-A, Kai Xuan Men Building A, 66 Nanjing Road,
Hexi-Qu, Tianjin, 300042, P.R. China
TEL: 86-22-2331-2405, 2330-5886
FAX: 86-22-2331-6873

Shenzhen Branch
Room13-15, 15/F, Office Tower, Shun Hing Square
Di Wang Commercial Centre, 5002 Shen Nan
Dong Road, Shenzhen 518008, P.R. China
TEL: 86-755-8235-4891
FAX: 86-755-8223-8980

Kanematsu Industrial and Trading (Dalian Free Trade Zone) Co., Ltd.
Aulan Industrial Land, ID-32 Free Trade Zone
Dalian, P.R. China
TEL: 86-411-8732-3090, 3091, 3092
FAX: 86-411-8732-3093

Kanematsu (Hong Kong) Ltd.
Rooms 1806-1807, 18th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong
TEL: 852-2821-6200
FAX: 852-2527-0465, 2865-6649

TAIWAN

Kanematsu Taiwan Corporation
11th Floor, No. 61 Chung Shan N.Rd., Sec. 2,
Taipei 104, Taiwan, R.O.C.
TEL: 886-2-2511-7007
FAX: 886-2-2511-2947, 2951, 3554

VIETNAM

The Representative of Kanematsu Corporation
Hanoi
Room No. 1205-1206-1207, 12th floor, Daeha
Business Centre, 360 Kim Ma St., Ba Dinh Dist.,
Hanoi, S.R. Vietnam
TEL: 84-4-3771-5642
FAX: 84-4-3771-5641, 3771-5648

Haiphong
H-Tower 3rd Floor, 195 Van Cao Street, Haiphong,
S.R. Vietnam
TEL: 84-31-368-6371
FAX: 84-31-368-6373

Hochiminh City
Unit 608-609 Saigon Tower, 29 Le Duan St,
District 1, Hochiminh City, S.R. Vietnam
TEL: 84-8-3910-5532, 5534, 5535, 5536, 5537
FAX: 84-8-3910-5538, 5539

THAILAND

Kanematsu (Thailand) Ltd.

Watana Inter-Trade Co., Ltd.
25F Thaniya Plaza Building, 52 Silom Road,
Bangkok 10500, Thailand
TEL: 66-2-632-8060
FAX: 66-2-632-8083, 8084

SINGAPORE

Kanematsu (Singapore) Pte. Ltd.
100 Tras Street, #12-01 100 AM, Singapore 079027
TEL: 65-6320-6000
FAX: 65-6320-6071

PHILIPPINES

Kanematsu Corporation Manila Branch
17th Floor Tower 2, The Enterprise Center 6766,
Ayala Avenue, cor. Paseo de Roxas, Makati City,
Philippines
TEL: 63-2-889-1701, 845-2017
FAX: 63-2-887-0030

MYANMAR

Kanematsu Corporation Yangon Office
Union Business Center (UBC) Suite 03-08, Nat
Mauk Road, Bo Cho Quarter, Bahan Township,
Yangon, Myanmar
TEL: 95-1-860-4370
FAX: 95-1-860-4380

INDONESIA

P.T. Kanematsu Trading Indonesia
ANZ Tower 15th Floor, Jalan Jend. Sudirman Kav. 33A Jakarta 10220, Indonesia
TEL: 62-21-572-1220, 1225, 1228, 1230, 1238
FAX: 62-21-572-1188, 1237

INDIA

Kanematsu India Private Limited
Tower 1, Block-A, Unit No. 2, DLF Corporate Park, Gurgaon, Haryana - 122 022, India
TEL: 91-124-4001461, 4001462, 4001362
FAX: 91-124-4001371

IRAN

Kanematsu Iran Ltd.
Elahiyeh Commercial Complex, Unit 1201, 12th Floor, No. 244, Africa Ave., Tehran, Iran
TEL: 98-21-2621-2812
FAX: 98-21-2621-3106

EUROPE

UNITED KINGDOM

Kanematsu Europe PLC.
London Head Office
Ground Floor Genesis House, 17 Godliman Street, London, EC4V 5BD, United Kingdom
TEL: 44-20-7246-2900
FAX: 44-20-7248-8986

GERMANY

Kanematsu G.m.b.H.
Dusseldorf Head Office
Oststrasse 34, D-40211 Dusseldorf, Germany
TEL: 49-211-36890
FAX: 49-211-3689-111

Munchen Office
Frankfurter Ring 193a, D-80807 Munchen, Germany
TEL: 49-89-3074-817-12
FAX: 49-89-3074-817-29

ITALY

Kanematsu G.m.b.H.
Milano Liaison Office
Piazza Duca d'Aosta 8, Milano, Italy
TEL: 39-02-6749-3538
FAX: 39-02-6707-7364

HUNGARY

Kanematsu G.m.b.H.
Budapest Office
H-1034 Budapest Becsi ut 126-128.I.103. Hungary
TEL: 36-1-329-3412, 320-4952
FAX: 36-1-320-4953

RUSSIAN FEDERATION

The Representative of Kanematsu Corporation
Moscow
Tverskaya 16/2, Building 1, Business Centre, 125009, Moscow, Russian Federation
TEL: 7-495-935-89-40, 42, 43
FAX: 7-495-935-8948

SPAIN

The Representative of Kanematsu Corporation
Las Palmas
Calle Eduardo Benot 51, Edificio Atlansea, 4-izqda, 35008 Las Palmas de Gran Canaria, Spain
TEL: 34-928-275634, 275680
FAX: 34-928-275632

OCEANIA

AUSTRALIA

Kanematsu Australia Ltd.
Sydney Head Office
Level 20 St Martins Tower, 31 Market Street, Sydney NSW 2000, Australia
TEL: 61-2-9283-3347
FAX: 61-2-9283-3095

NEW ZEALAND

Kanematsu New Zealand Ltd.
Level 2, No. 5 Broadway Newmarket, Auckland, New Zealand
TEL: 64-9-302-5660
FAX: 64-9-309-3877

NORTH AMERICA

U.S.A.

Kanematsu USA Inc.
New York Head Office
500 Fifth Avenue, 29th Floor, New York City, New York 10110, U.S.A.
TEL: 1-212-704-9400
FAX: 1-212-704-9483

Somerset Office
100 Randolph Road, Somerset, New Jersey 08873, U.S.A.
TEL: 1-732-271-7300
FAX: 1-732-271-7370

Chicago Branch
543 West Algonquin Road, Arlington Heights, Illinois 60005, U.S.A.
TEL: 1-847-981-5600
FAX: 1-847-981-6760

San Diego Office
900 Lane Avenue, Suite 150, Chula Vista, California 91914, U.S.A.
TEL: 1-619-656-2385
FAX: 1-619-656-2386

Houston Branch
1800 Augusta, Suite 390, Houston, Texas 77057, U.S.A.
TEL: 1-713-975-7200
FAX: 1-713-975-7966

Silicon Valley Branch
2043 Zanker Road, San Jose CA 95131, U.S.A.
TEL: 1-408-501-1400
FAX: 1-408-501-1499

Portland Branch
4380 SW Macadam Avenue, Suite 170, Portland, Oregon 97239, U.S.A.
TEL: 1-503-224-7755
FAX: 1-503-228-5067

CANADA

The Representative of Kanematsu Corporation
Vancouver
205-8988 Fraserton Court Burnaby, B.C. V5J 5H8, Canada
TEL: 1-604-689-0550
FAX: 1-604-689-0655

CENTRAL & SOUTH AMERICA

MEXICO

Kanematsu Mexico S. de R.L. de C.V.
Paseo Camelias No. 106-203 Fracc. Club de Golf Tabachines 62498 Cuernavaca, Morelos, Mexico
TEL: 52-777-310-6473
FAX: 52-777-310-6432
* Scheduled to transfer in October 2014

BRAZIL

Kanematsu America do Sul Importacao e Exportacao Ltda.
Alameda Campinas No. 728, Cjtos 302 e 304 Jardim Paulista, Sao Paulo, S.P. CEP 01404-001 Brasil
TEL: 55-11-3285-3311
FAX: 55-11-3285-3318

Major Consolidated Subsidiaries and Affiliates

* Companies with shares listed on a stock exchange

Electronics & Devices

Japan	Kanematsu Electronics Ltd.*	System integration of ICT and communications equipment
	Nippon Office Systems Ltd.*	Development of soft, sales and maintenance of computers and computer peripherals, etc.
	Kanematsu Communications Ltd.	Sales of mobile communications devices, mobile internet system and services
	Kanematsu Granks, Corp.	Providing mobile contents, mobile solutions business
	Kanematsu PWS LTD.	Manufacture of semiconductors, design, development, manufacture and sales of testing equipment
	Kantatsu Co., Ltd.	Development, manufacture and sales of lens units, camera modules and other optical equipment and parts
China	Kanekoh Electronics (Shanghai) Co., Ltd.	Development, manufacture and sales of control modules for lithium ion batteries

Foods & Grain

Japan	Kanematsu Shintoa Foods Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybean, pulses & peas and grain, and development and marketing of products for food processors such as tofu
	Heisei Feed Manufacturing Co.	Manufacture and processing of mixed feeds
	Mojiko Silo Co., Ltd.	Operation of grain silo, land/marine transport
China	Dalian Tiantianli Food Co., Ltd.	Manufacture of dim sum and delicatessens
	Shangdong Lufeng Foods Co., Ltd.	Production of processed vegetables and fruits
Thailand	Summit Food Industries Co., Ltd.	Production and sales of rice crackers
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of Aloe Vera
Indonesia	P.T. Kanemory Food Service	Manufacture of processed foods, management of central kitchen
U.S.A.	KAI Enterprises, Inc.	Sales of hay and roughage
	KG Agri Products, Inc.	Seed development, contract farming, sorting, processing and sales of food soybeans

Steel, Materials & Plant

Japan	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet and sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium and high-alloy steels
	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health food and provision of medical information
	Miracool Co., Ltd.	Sales of heat reflective paint
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools, sales of paper-manufacturing machinery

China	Kanematsu Hoplee Co., Ltd.	Processing and marketing of steel sheets and plates
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
Thailand	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
Vietnam	Kanematsu KGK Vietnam Company Limited	Sales of machine tools and industrial machinery
Indonesia	P.T. Kanematsu KGK Indonesia	Sales of machine tools and industrial machinery
Czech Republic	KGK Czech s.r.o.	Sales of machine tools and industrial machinery
U.S.A.	Steel Service Oilfield Tubular, Inc.	Sales of premium tubing for oil excavation
	Benoit Premium Threading, LLC.	Oil well casing fabrication, manufacture and sales of oil well-related parts
	KGK International Corp.	Sales of machine tools

Motor Vehicles & Aerospace

Japan	Kanematsu Aerospace Corp.	Sales of aircraft, defense and aerospace-related products
Ireland	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft rotable components, leasing
Poland	Aries Motor Sp. zo.o.	Sales of automobiles
	Aries Power Equipment Sp. zo.o.	Sales of engines, generators, water pumps and other general-purpose machinery

Others

Japan	Kaneyo Co., Ltd.*	Sales of bedding materials and products, general merchandise and interior goods
	Kanematsu-NNK Corp.*	Manufacture and sales of home-construction materials; ground inspection services and improvement works
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Aso Kanko Kaihatsu Co., Ltd.	Golf course management
	Shintoa Corp.	Beverage-vending machine operations; imports, exports and sales of aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and forwarding business, consigned freight forwarding business
	Japan Logistics Co., Ltd.	Warehouse and trunk room operation
Vietnam	Vietnam-Japan International Transport Co., Ltd.	Total logistics services
Indonesia	P.T. Century Textile Industry	Manufacture of polyester blend fabric
	P.T. Dunia Express Transindo	Total logistics services

Corporate Profile

(As of April 1, 2014)

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President & CEO	Masayuki Shimojima
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices	Domestic: Head office 1 and branches 7 Overseas: 39
Number of Employees	800 (Consolidated: 5,747) (As of March 31, 2014)

Organization Chart (As of April 1, 2014)

- Shareholder's Meeting
- Board of Directors — Audit & Supervisory Board
- Management Committee

Business area

- Electronics & Devices Division
  - Industrial Electronics Department
  - Semiconductor Equipment Department
  - Components & Material Department
  - Semiconductor Department No.1
  - Semiconductor Department No.2
  - Semiconductor Marketing Department
  - System & Module Department
  - Electronics Planning Office
- Foods & Grain Division
  - Food Department No.1
  - Food Department No.2
  - Food Department No.3
  - Meat Department
  - Grain Department
  - Feedstuff Department
  - Agricultural Products & Oilseeds Department
  - Domestic Sections
  - Foods & Grain Planning Office
  - Food Safety Management System Office
- Steel, Materials & Plant Division
  - Iron & Steel Foreign Trade Department
  - Specialty Steel Foreign Trade Department
  - Functional Chemicals Department
  - Energy Department
  - Plant & Ships Department
  - Steel, Materials & Plant Planning Office
  - Food Safety Management Office
- Motor Vehicles & Aerospace Division
  - Aerospace Department
  - Motor Vehicles & Parts Department No.1
  - Motor Vehicles & Parts Department No.2
  - Motor Vehicles & Aerospace Planning Office

Corporate area

- Personnel & General Affairs Department
- Finance Department
- Accounting Department
- Business Accounting Department
- Legal & Compliance Department
- Credit Control Department
- Traffic & Insurance Department
- System Planning Department
- Internal Auditing Department
- Corporate Planning Department

Investor Information

(As of April 1, 2014)

Stock Exchange Listings	Tokyo
Stock Code	8020
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	1,016,653,604
Shares Outstanding	422,501,010 (including 1,086,487 treasury shares)
Minimum Trading Unit	1,000
Number of Shareholders	30,339

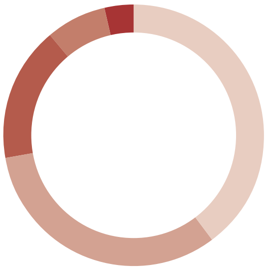
Principal Shareholders (As of March 31, 2014)

	Number of shares held (thousands)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	19,593	4.64
The Master Trust Bank of Japan, Ltd. (trust account)	18,642	4.42
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.15
The Norinchukin Bank	12,460	2.95
Mitsui Sumitomo Insurance Co., Ltd.	11,613	2.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
Hayat	5,886	1.39
Japan Trustee Services Bank, Ltd. (trust account 6)	4,376	1.03
Japan Trustee Services Bank, Ltd. (trust account 5)	4,360	1.03
Japan Trustee Services Bank, Ltd. (trust account 3)	4,299	1.02

Note: Calculated after deduction of treasury shares (1,086,487 shares)

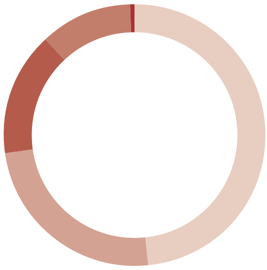
Composition of Shareholders

(As of March 31, 2014)



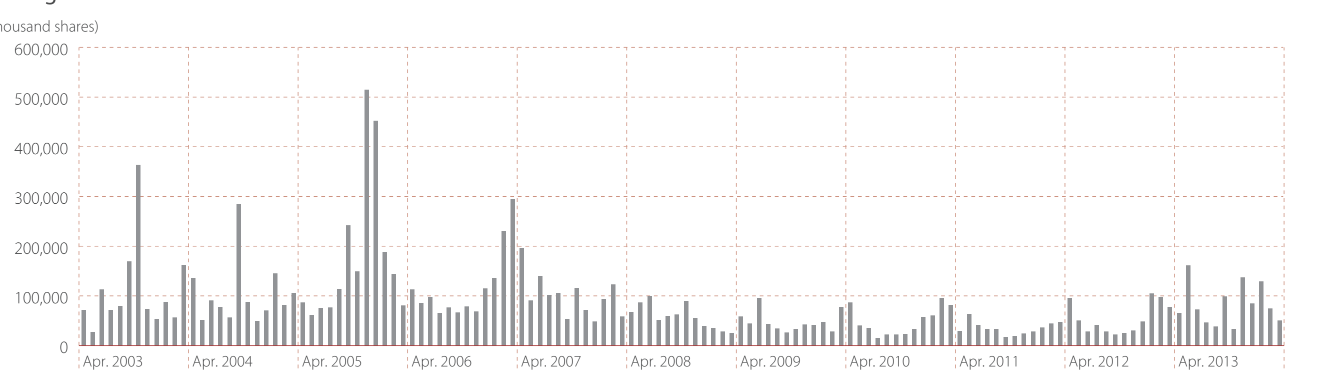
Shareholder Distribution by Number of Shares Held

(As of March 31, 2014)



Stock Price

Trading Volume



http://www.kanematsu.co.jp

For more information on this Annual Report, or to obtain additional copies, please contact:

Public & Investor Relations Section, Finance Department,
Kanematsu Corporation

2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Tel: 81-3-5440-8000
Fax: 81-3-5440-6503
URL: http://www.kanematsu.co.jp

VEGETABLE OIL INK

MIX
Paper from responsible sources
FSC® C014473

Printed in Japan