



Overview of Results for the first half of FY2017

Note: The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties. Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements. Since the figures above are rounded off to the nearest 1 billion yen, the sum of each item and the total may differ

* FY2016 (the fiscal year ended March 31, 2016)

* FY2017 (the fiscal year ended March 31, 2017)

November 8, 2016

KANEMATSU CORPORATION

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

1. Results for the first half of FY2017

1-1. 1H of FY2017 Highlight (P/L)

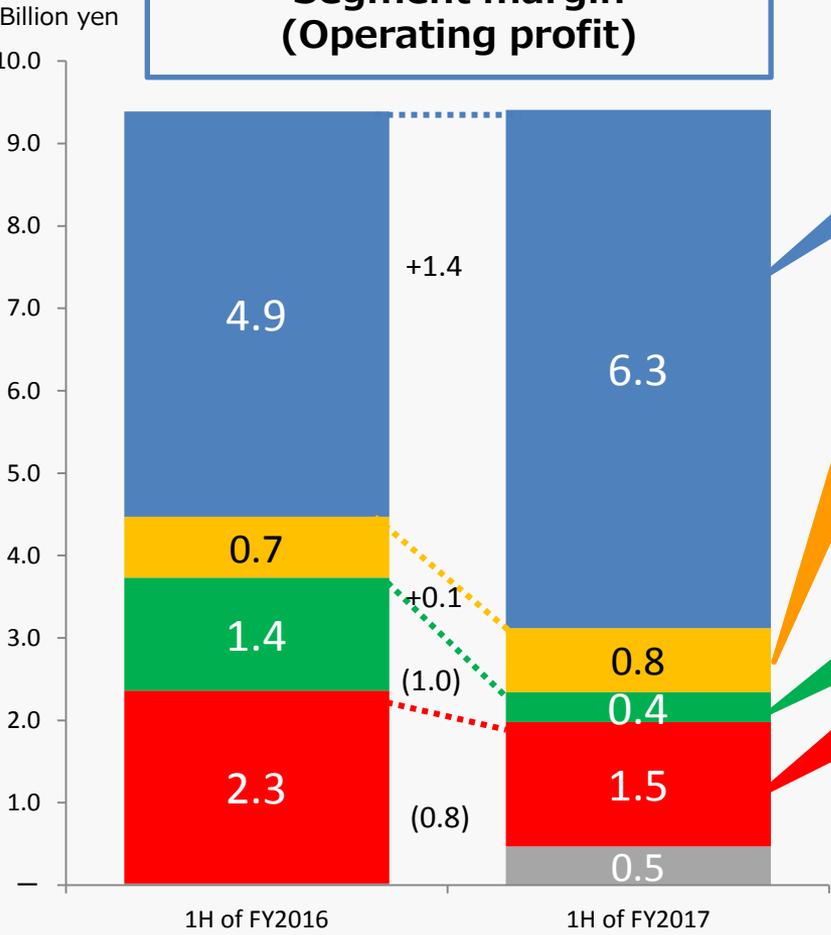
- ✓ Profit for the period attributable to owners of the parent declined 20% year on year due to a deterioration in equity in earnings of affiliated companies.
- ✓ Operating profit remained flat.

(Unit: billion yen)	1H of FY2016 (results)	1H of FY2017 (results)	Change
Net sales (Japanese Standard)	537.6	514.9	(22.7)
Gross profit	43.1	47.7	4.6
Operating profit	9.4	9.4	0.0
Finance income (costs)	(0.5)	(0.3)	0.1
Share of profit (loss) of investments accounted for using the equity method	0.4	(0.8)	(1.2)
Profit before tax	9.3	8.3	(1.0)
Profit for the period	5.9	5.2	(0.8)
Profit for the period attributable to owners of the parent	5.1	4.1	(1.0)

1-2. 1H of FY2017 Highlight (segment margin)

✓ Operating profit remained flat from a year ago, with a rise in Electronics & Devices offsetting declines in other segments

Segment margin (Operating profit)



Electronics & Devices An increase in net sales and profit
 In the ICT solutions business, transactions with manufacturers remained steady. The mobile business was solid. The semiconductors manufacturing equipment business faced tough conditions mainly due to the sluggishness of the Chinese economy and a slowdown in demand for smartphones.

Foods & Grain Almost unchanged
 The foods business turned in a solid performance. The recovery in the market enabled the meat products business to recover from the slump in the previous fiscal year. The feedstuff business faced difficult conditions because of lower domestic feed sales prices.

Steel, Materials & Plant A decline in net sales and profit
 In the plant business, transactions involving machine tools and industrial machinery were steady. In the iron and steel business, the mainstay oilfield tubing business faced tough conditions due to sluggish crude oil prices. The energy business and the functional chemicals business faced steep challenges, given the stagnant market conditions.

Motor Vehicles & Aerospace A decline in net sales and profit
 The motor vehicles and parts business performed well. Profit in the aerospace business declined as transactions of aircraft parts were in an in-between season.

1-3. 1H of FY2017 Highlight (B/S)

- ✓ The equity ratio declined slightly due to a stronger yen and a fall in share prices.
- ✓ The net debt-equity ratio remained low at 0.6 times.

(Unit: billion yen)	FY2016 (results)	1H of FY2017 (results)	(Unit: billion yen)	FY2016 (results)	1H of FY2017 (results)		
Total Assets	443.6	446.8	Gross Interest-bearing debt	136.9	135.8		
Net assets	120.7	118.3	Net interest-bearing debt	48.8	58.3		
Shareholders' equity (Note 1)	91.6	90.3	Net debt-equity ratio (Note 3)	0.5 times	0.6 times		
BPS(yen)	285.7	280.1	<table border="1"> <tr> <td>R O E</td> <td>9.8%</td> </tr> </table>			R O E	9.8%
R O E	9.8%						
Equity ratio (Note 2)	20.6%	20.2%					

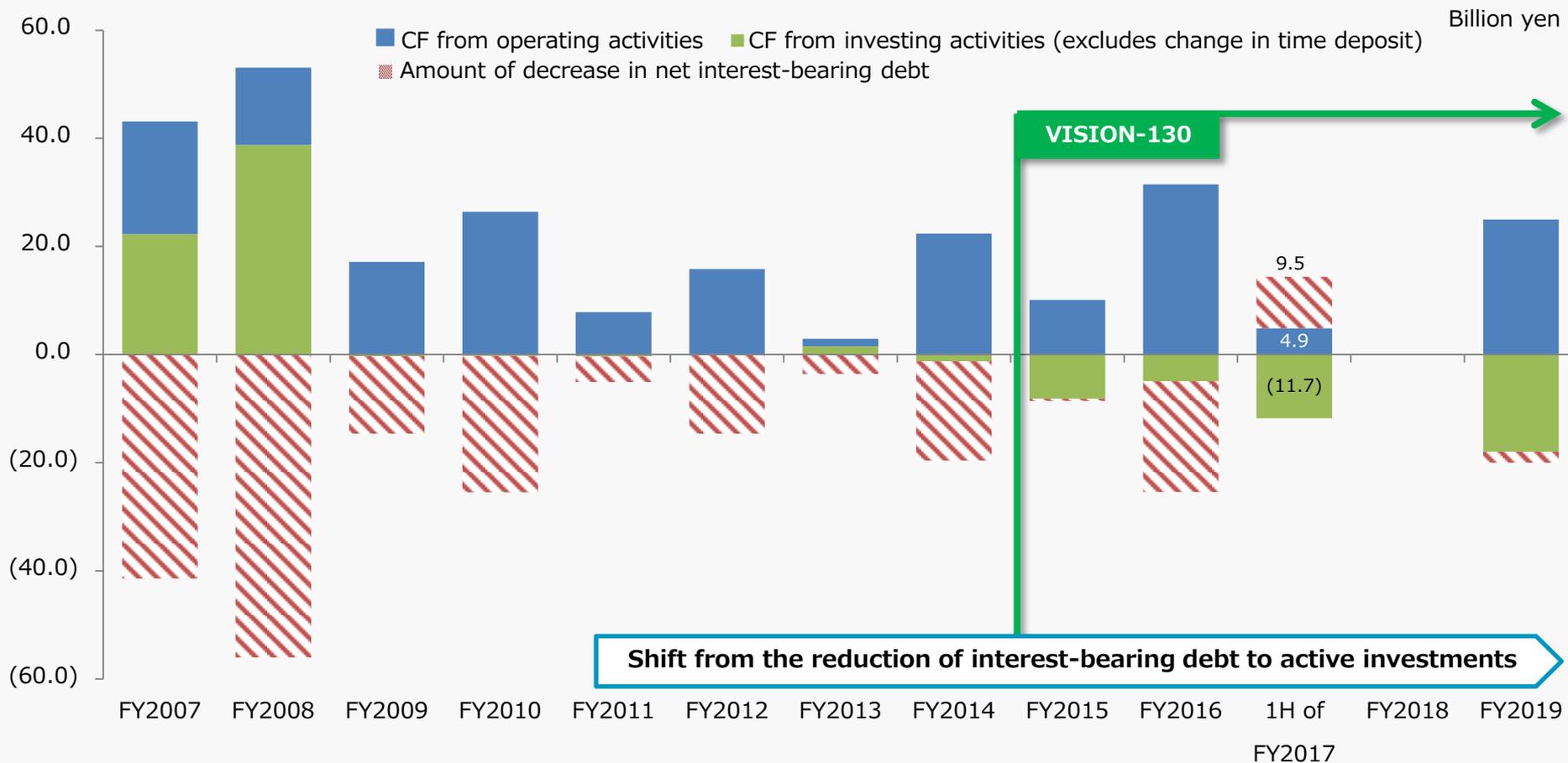
(Note 1) Shareholder's equity = Total net assets - Minority interests

(Note 2) Equity ratio = Shareholder's equity / Total assets

(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

1-4. 1H of FY2017 Highlight (C/F)

✓ Net cash used in investing activities stood at 11.7 billion yen, reflecting the acquisition of Diamondtelecom, Inc. on April 1.



2. FY2017 forecast

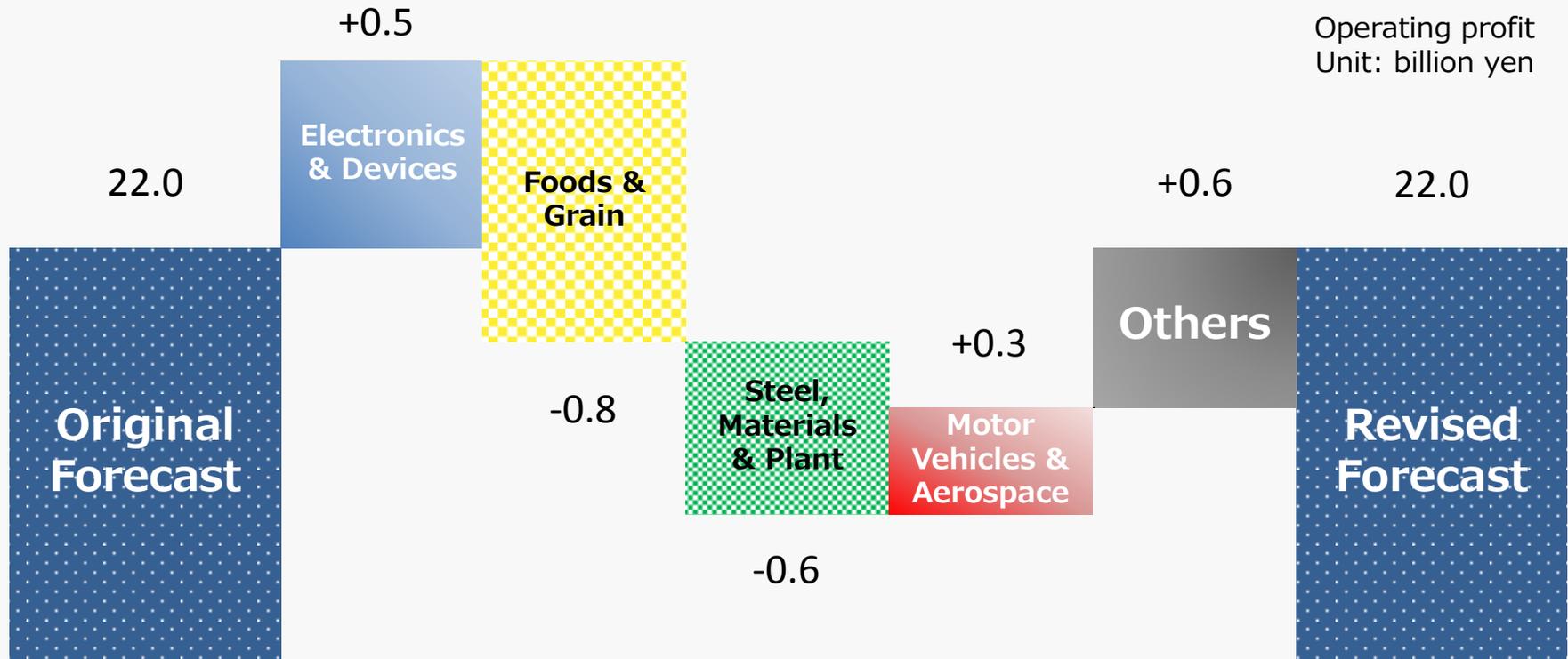
2-1. FY2017 forecast

- ✓ Operating profit is expected to remain steady.
- ✓ Profit for the year attributable to owners of the parent declined due to the deteriorated equity in earnings of affiliated companies attributable to the foreign exchange rate.

(Unit: billion yen)	FY2017 (Original)	FY2017 (Revised on November 2, 2016)	Change
Net sales (Japanese standard)	1,250.0	1,150.0	(100.0)
Operating profit	22.0	22.0	0.0
Profit before tax	21.0	20.0	(1.0)
Profit for the year attributable to owners of the parent	11.5	10.0	(1.5)

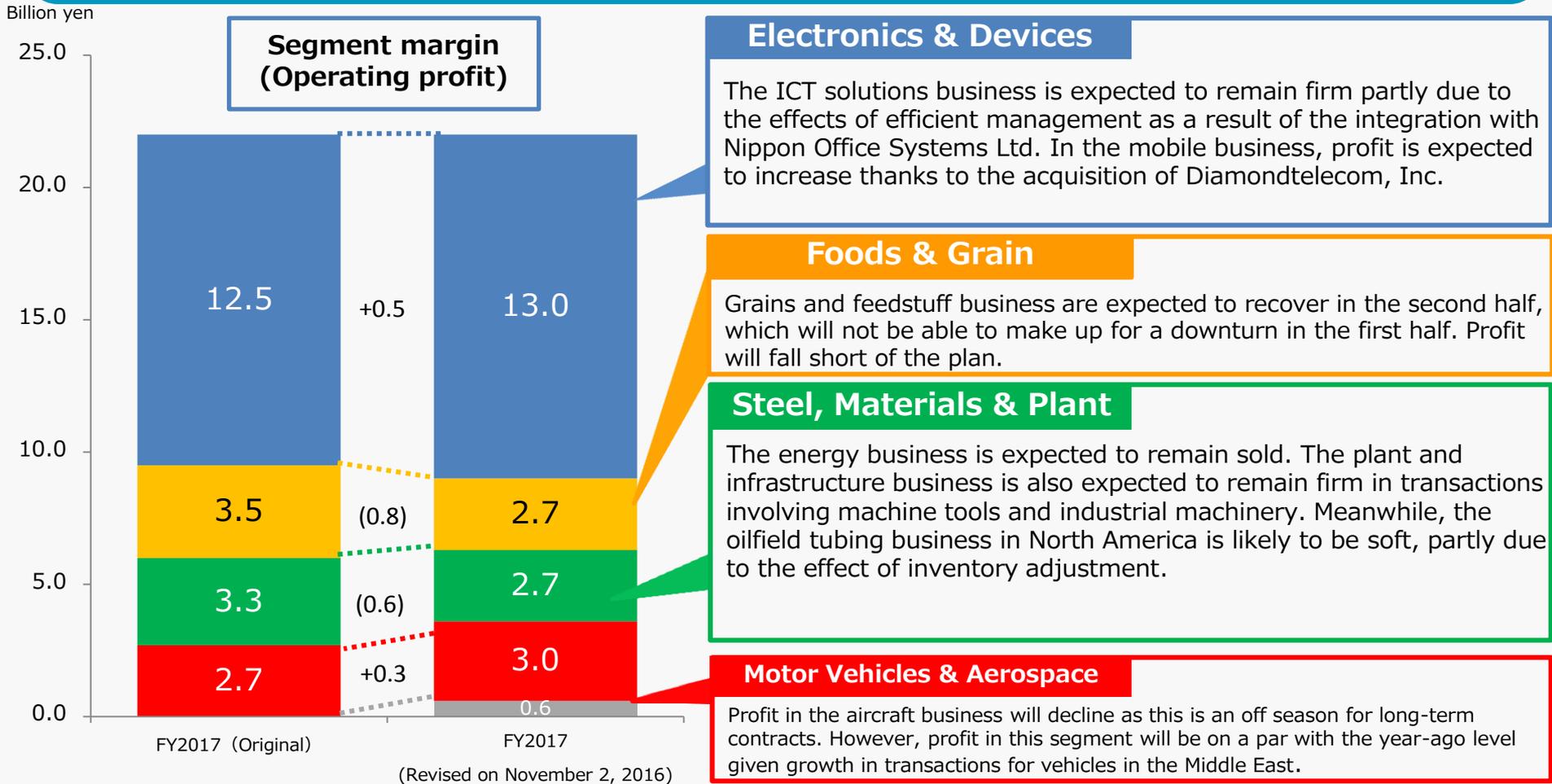
2-2. FY2017 forecast (Segment margin change)

- ✓ In Electronics & Devices, the ICT solutions and mobile businesses is expected to increase.
- ✓ The grain and feedstuff businesses in Foods & Grain and the oilfield tubing business in Steel, Materials & Plant will face challenging conditions.
- ✓ In the Other segment, the housing business of a subsidiary is expected to perform well.



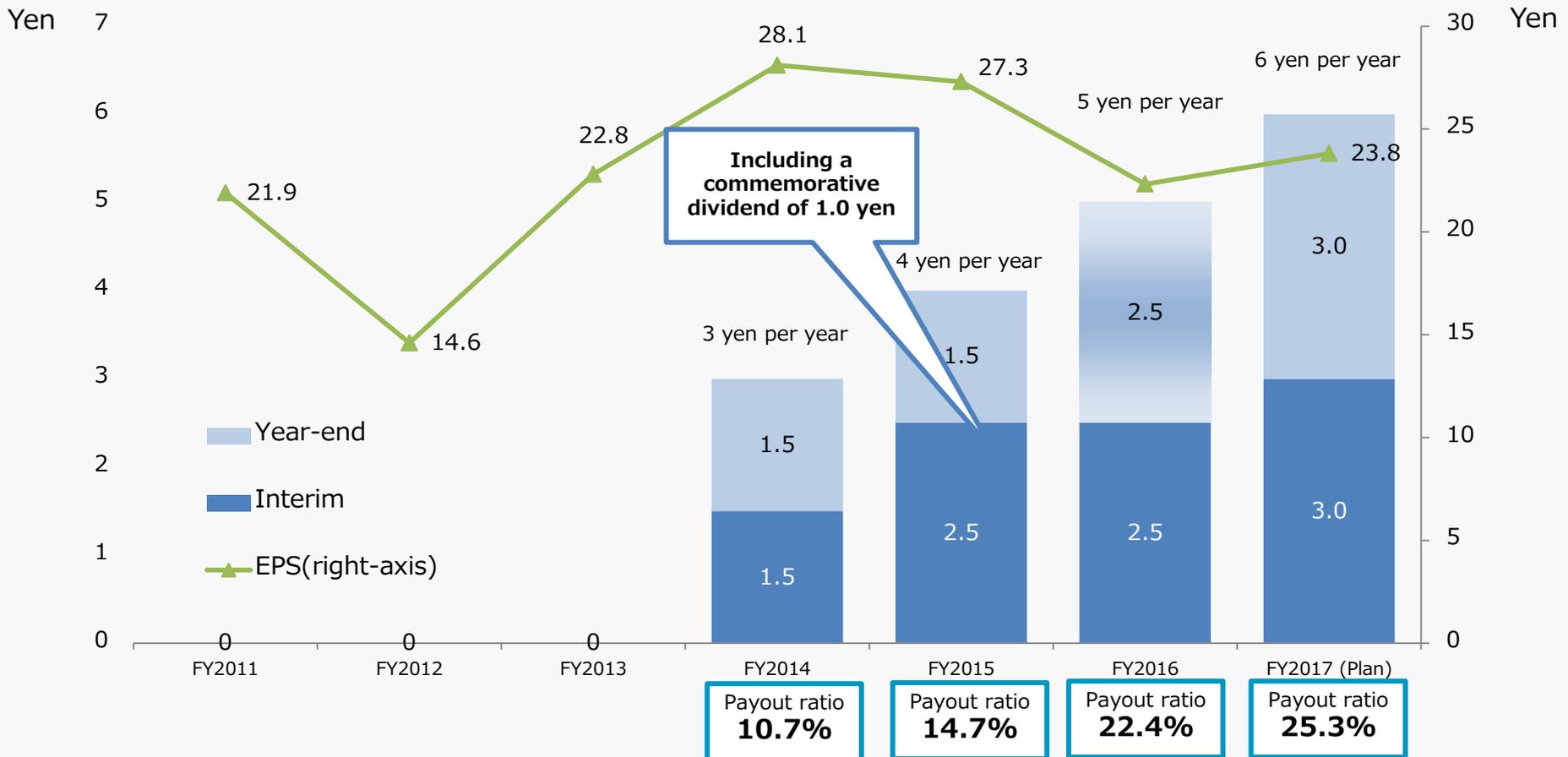
2-3. FY2017 forecast (segment margin)

- ✓ Electronics & Devices is expected to continue performing well partly due to the effects of acquisitions.
- ✓ Foods & Grain and Steel, Materials & Plant are expected to face tough conditions as in the previous fiscal year.



2-4. FY2017 forecast Dividends

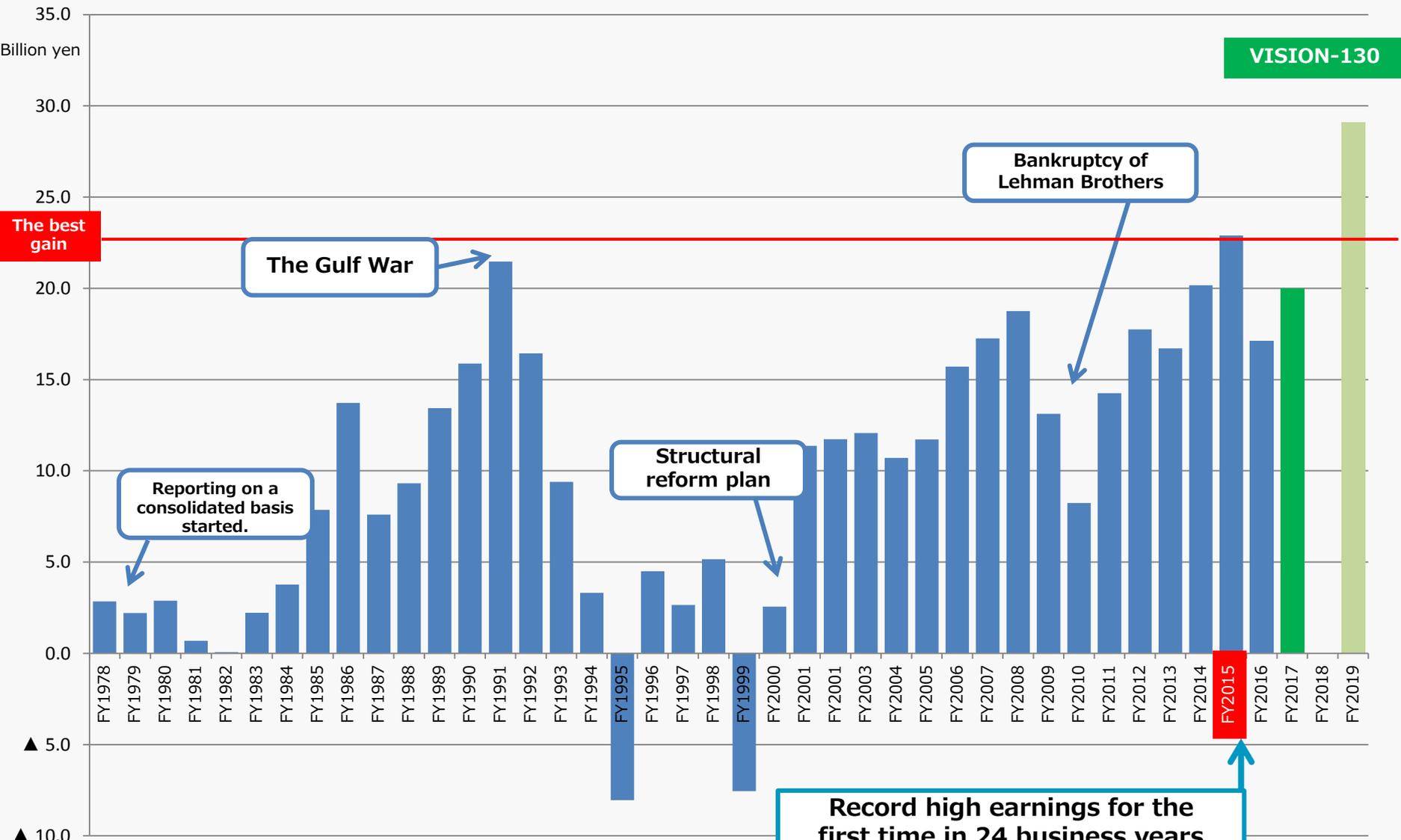
- ✓ Pay dividends stably and continuously, with a consolidated dividend payout ratio of 25% as a goal.
- ✓ Plan to pay an annual dividend of 6 yen per share in FY2017, remaining unchanged.



Appendix

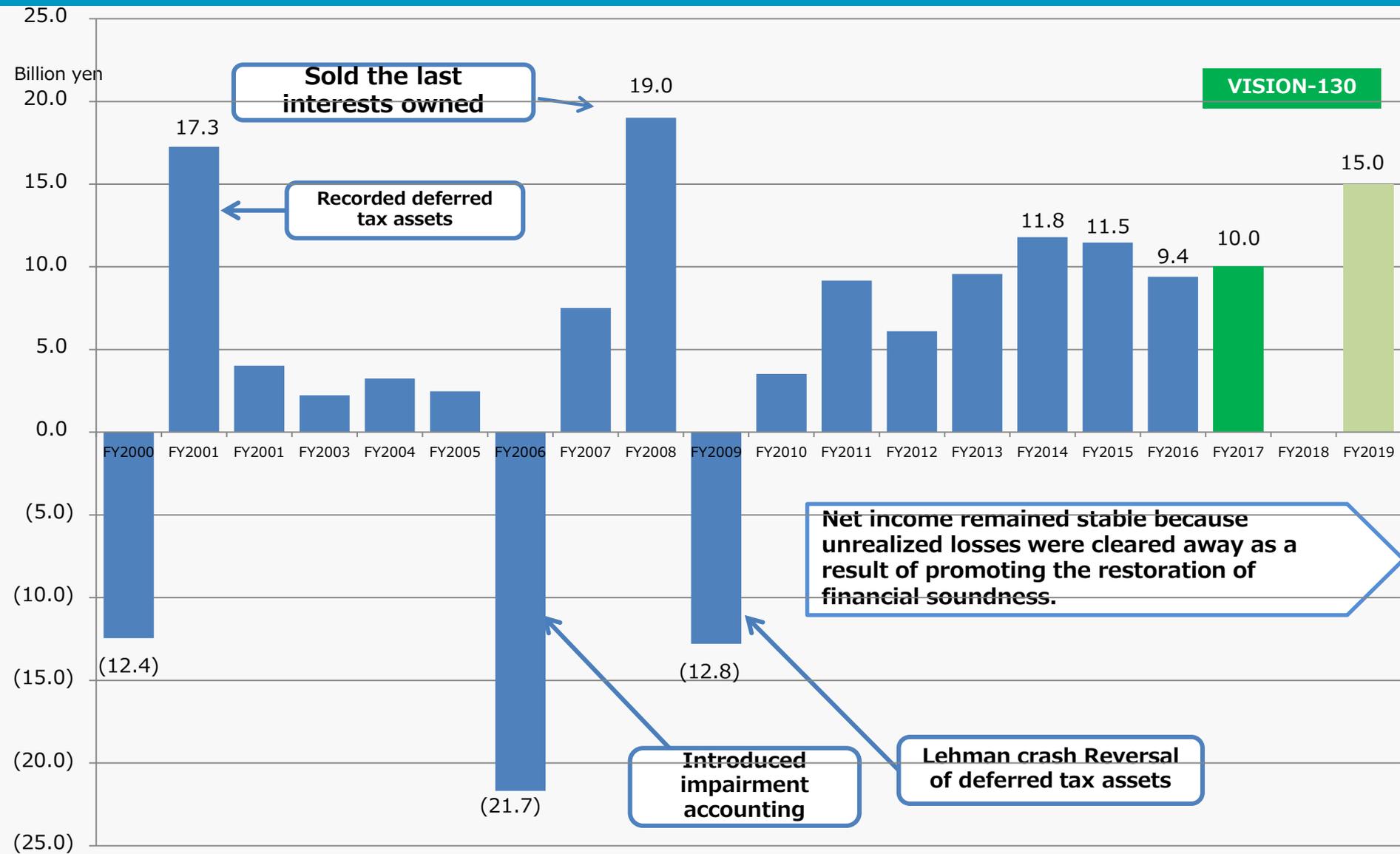
Appendix 1-1. Consolidated Ordinary income (from FY1978)

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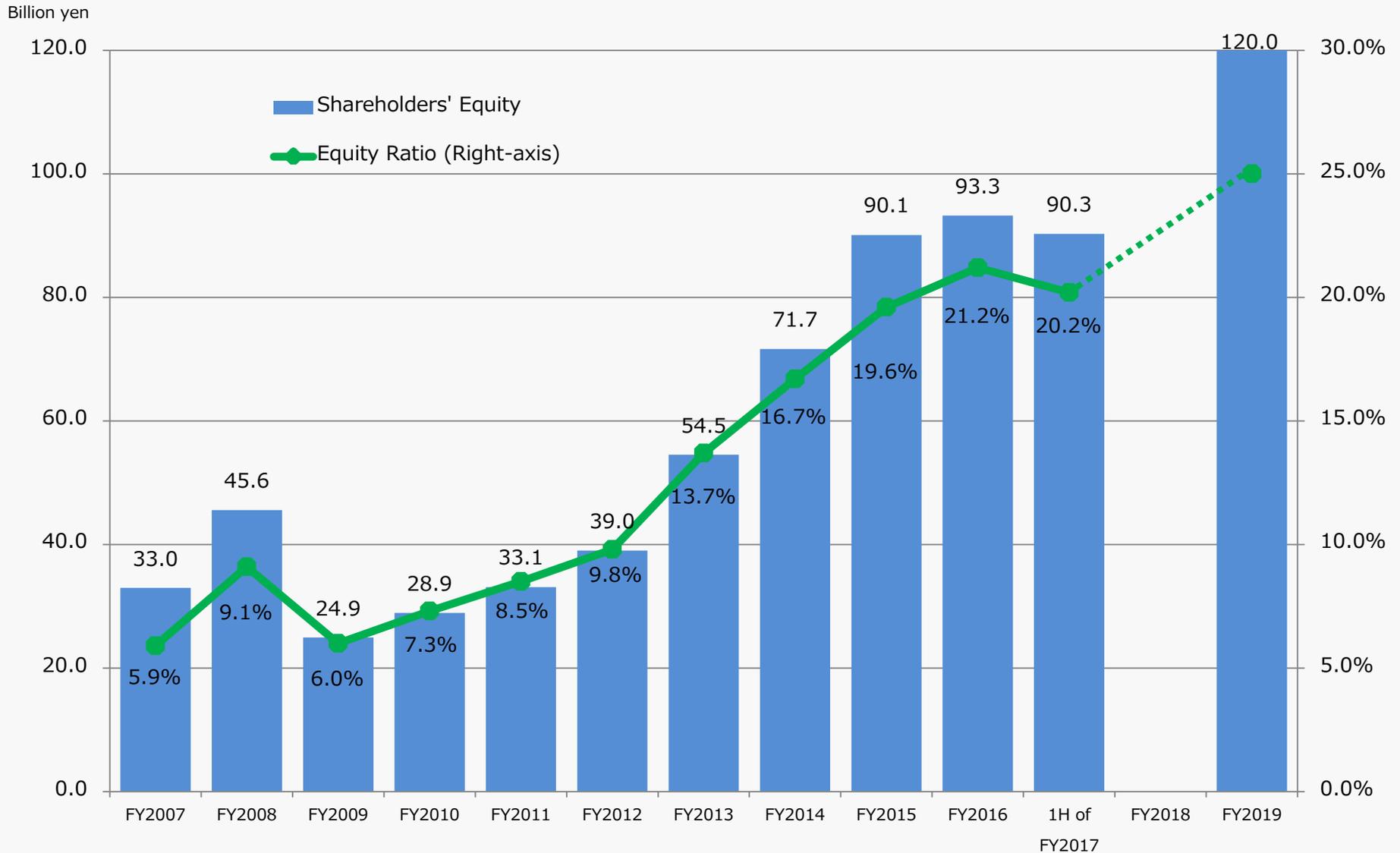


* Operating income in and after FY2017 indicates "Profit before tax" based IFRS

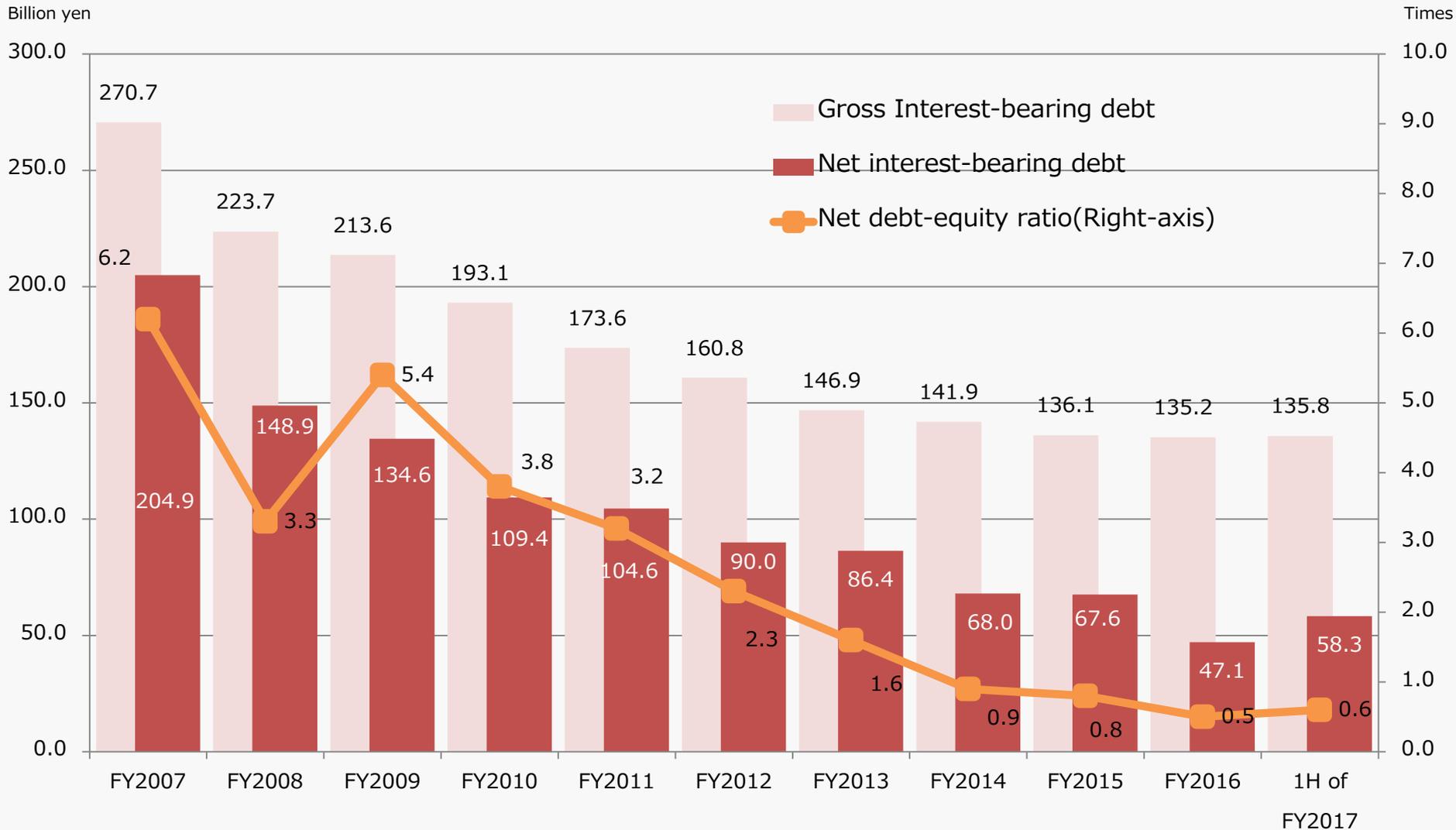
Appendix 1 -2. Consolidated Net income (from FY2000)



Appendix 1 - 3. Shareholders' Equity & Equity Ratio



Appendix 1 -4. Interest-bearing debt & Net debt-equity ratio



Appendix 2. Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics & Devices	Semiconductor Parts & Equipment	Semiconductor / electronics parts, Electronic modules / materials, Semiconductor	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Diamondtelecom, Inc. Kanematsu Susteck Corporation Kanematsu Advanced Materials
	Industrial electronics & Electronics materials	Printer equipment, Electronic modules	
	ICT Solutions & Mobile Solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content / mobile advertisement	
	Security system	Security Monitoring Camera, video recorder, security related equipment	
Foods & Grain	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanemory Food Service Kanematsu Shintoa Foods Corp. Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp. North Pet Co., Ltd.
	Meat & Marine Products	All meat ,seafood	
	Grains, Feedstuff, Fertilizer and Pet Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Steel, Materials & Plant	Steel trading	Surface-treated steel plates, seamless piping	Steel Service Oilfield Tubular Benoit Premium Threading Kanematsu Trading Corp. Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp Kanematsu KGK Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Domestic steel/Steel materials	Steel products, iron ore, cokes	
	Crude oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	
	Functional chemicals, Life sciences	Battery materials, fertilizer materials, adhesive materials, solvents, Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	
	Plant & Vessels	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Motor vehicles & Aerospace	Motor Vehicles & parts	Automobiles, Motorcycles and related parts, Precision-Forged Cast Products	Kanematsu Aerospace Corp. Shintoa Corp. KG Aircraft Rotables Co., Ltd.
	Aerospace	Aircraft, Helicopters, Satellites, Components and parts	

Appendix 3. Subsidiaries and Affiliates (Net sales and Ordinary income)

(Unit: billion yen)	Business	Ownership ratio	1H of FY2016		1H of FY2017	
			Net sales	Operating profit	Net sales	Operating profit
Kanematsu Electronics Ltd	ICT solution	58.28%	29.8	3.1	29.8	4.6
Kanematsu Communications Ltd.	Mobile	100%	63.6	1.5	59.6	1.6
Kanematsu Sustech Corp.	Security system etc.	52.88%	5.7	0.3	6.2	0.5
Kanematsu Shintoa Foods Corp.	Foods, Meat & Marine Products	100%	13.7	0.1	17.2	0.2
Kanematsu Agri-Tech Corp.	Grains, Feedstuff, Fertilizer	100%	6.6	0.0	6.2	(0.0)
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	17.9	0.2	12.5	0.1
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	23.5	0.3	23.4	0.5
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	59.8	0.3	47.1	0.1
Kanematsu Chemicals Corp.	Functional chemicals	100%	8.4	0.3	8.1	0.3
Shintoa Corporation	Trading company	100%	53.2	1.2	47.9	0.8
Kanematsu USA Inc.	Overseas subsidiary	100%	23.3	0.4	14.6	(0.5)

Appendix 4. Subsidiaries

Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

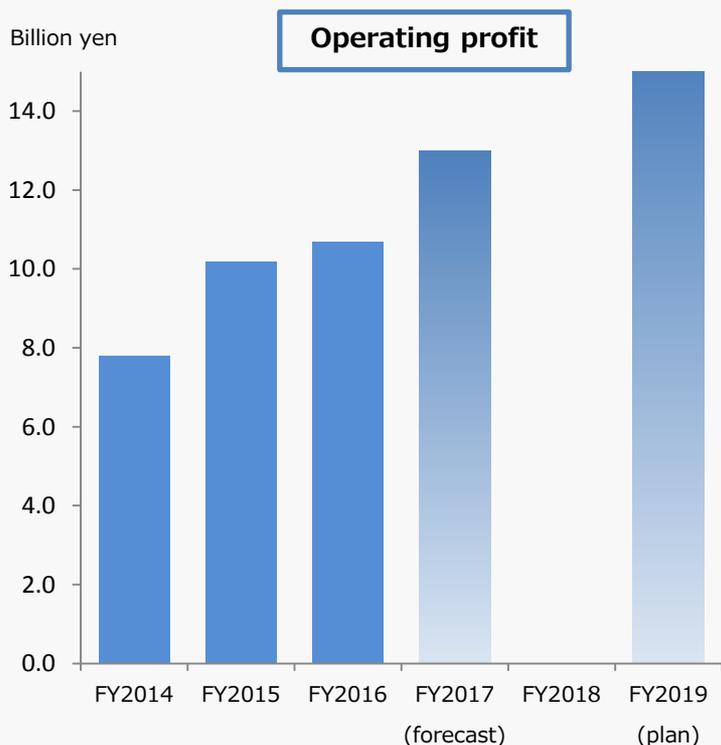
(Companies)	1H Of FY2016					1H of FY2017					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable	33	27	11	8	79	37	31	9	13	90	+ 11
Ratio (%)	70%	67%	83%	88%	69%	86%	70%	100%	69%	78%	
Non profitable	6	23	1	6	36	6	15	2	3	26	(10)
Total	39	50	12	14	115	43	46	11	16	116	+ 1

Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(Unit : billion yen)	1H Of FY2016					1H of FY2017					Year on year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by	4.1	0.6	0.3	0.1	5.2	4.8	0.4	0.2	0.1	5.5	0.3
Sum of loss posted by non-profitable	0.0	(0.6)	0.0	0.0	(0.6)	(0.1)	(0.5)	(1.0)	(0.1)	(1.7)	(1.1)
Total	4.1	0.0	0.3	0.1	4.6	4.7	(0.1)	(0.8)	(0.0)	3.9	(0.7)

Appendix5-1. Segments (Electronics & Devices)

(Unit: billion yen)	FY2015 (results)	FY2016		FY2017		Change	
		(1H of results)	(results)	(1H of results)	(results)	(1H of results)	full-year
Net sales	276.9	134.6	277.9	162.1	370.0	27.5	92.1
Operating profit	10.2	4.9	10.7	6.3	13.0	1.4	2.3



* Operating profit of FY2014 indicates "Operating income" based Japanese standard

1H of FY2017 (results)

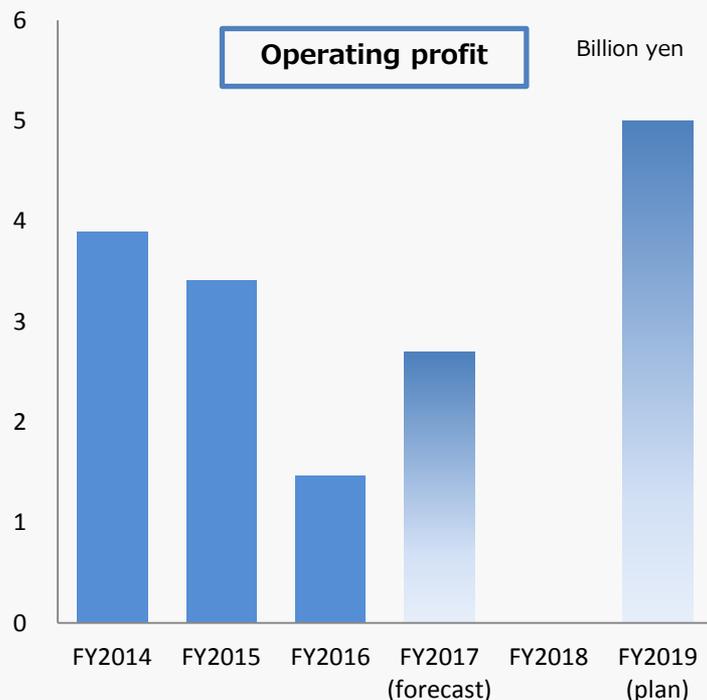
In the ICT solutions business, transactions with manufacturers remained steady. The mobile business was solid. The semiconductors manufacturing equipment business faced tough conditions mainly due to the sluggishness of the Chinese economy and a slowdown in demand for smartphones.

FY2017 forecast

The ICT solutions business is expected to remain firm partly due to the effects of efficient management as a result of the integration with Nippon Office Systems Ltd. In the mobile business, profit is expected to increase thanks to the acquisition of Diamondtelecom, Inc

Appendix5- 2. Segments (Foods & Grain)

(Unit: billion yen)	FY2015 (results)	FY2016		FY2017		Change	
		(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Net sales	307.7	163.6	323.1	163.9	340.0	0.3	16.9
Operating profit	3.4	0.7	1.4	0.8	2.7	0.0	1.3



1H of FY2017 (results)

The foods business turned in a solid performance. The recovery in the market enabled the meat products business to recover from the slump in the previous fiscal year. The feedstuff business faced difficult conditions because of lower domestic feed sales prices.

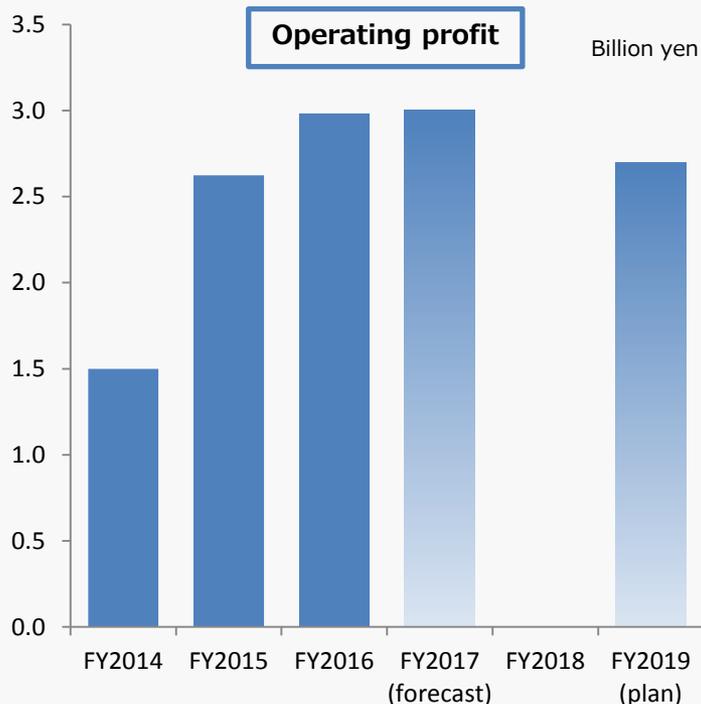
FY2017 forecast

Grains and feedstuff are expected to recover in the second half, which will not be able to make up for a downturn in the first half. Profit will fall short of the plan.

* Operating profit of FY2014 indicates "Operating income" based Japanese standard

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

(Unit: billion yen)	FY2015 (results)	FY2016		FY2017		Change	
		(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Net sales	468.0	196.7	378.9	147.9	340.0	(48.9)	(38.9)
Operating profit	6.4	1.4	3.4	0.4	2.7	(1.0)	(0.7)



1H of FY2017 (results)

In the plant business, transactions involving machine tools and industrial machinery were steady. In the iron and steel business, the mainstay oilfield tubing business faced tough conditions due to sluggish crude oil prices. The energy business and the functional chemicals business faced steep challenges, given the stagnant market conditions.

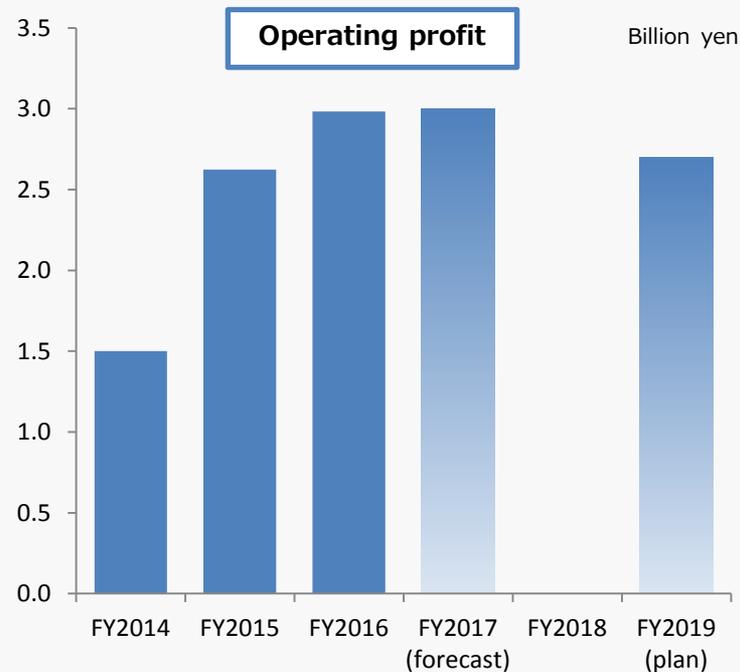
FY2017 forecast

The energy business is expected to remain sold. The plant and infrastructure business is also expected to remain firm in transactions involving machine tools and industrial machinery. Meanwhile, the oilfield tubing business in North America is likely to be soft, partly due to the effect of inventory adjustment.

* Operating profit of FY2014 indicates "Operating income" based Japanese standard

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

(Unit: billion yen)	FY2015 (results)	FY2016		FY2017		Change	
		(1H of results)	(results)	(1H of results)	(forecast)	(1H of results)	full-year
Net sales	59.7	36.3	71.2	34.8	80.0	(1.5)	8.8
Operating profit	2.6	2.3	3.0	1.5	3.0	(0.8)	0.0



1H of FY2017 (results)

The motor vehicles and parts business performed well. Profit in the aerospace business declined as transactions of aircraft parts were in an in-between season.

FY2017 forecast

Profit in the aircraft business will decline as this is an off season for long-term contracts. However, profit in this segment will be on a par with the year-ago level given growth in transactions for vehicles in the Middle East.

* Operating profit of FY2014 indicates "Operating income" based Japanese standard