Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the FY 2013 Ended March 31, 2014 (Japanese Accounting Standards)

May 9, 2014

Company name: Kanematsu Corporation
Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
Representative: President, Masayuki Shimojima
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Scheduled date for the Ordinary General Meeting of Shareholders: June 24, 2014
Scheduled date for commencement of dividend payments: June 5, 2014
Scheduled date for the submission of financial statements: June 24, 2014
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Figures of less than one million are rounded down.)

1. Consolidated business results for the fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

(1) Consolidated business results (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2014	1,114,539	9.4	19,776	8.3	20,160	20.7	11,799	23.4
Fiscal year ended March 2013	1,019,232	1.3	18,262	(14.8)	16,705	(5.9)	9,564	56.5

(Note) Comprehensive income: 21,274 million yen (22.2%) for the fiscal year ended March 2014
17,404 million yen (142.6%) for the fiscal year ended March 2013

	Net income per share	Net income per share (diluted basis)	Return on equity	Ordinary income to total assets ratio	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2014	28.09	–	18.7	4.9	1.8
Fiscal year ended March 2013	22.80	–	20.5	4.2	1.8

(Note) Equity in earnings of affiliated companies: 739 million yen for the fiscal year ended March 2014
197 million yen for the fiscal year ended March 2013

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	428,459	96,204	16.7	170.54
As of March 31, 2013	399,186	75,912	13.7	129.82

(Reference) Shareholders' equity: 71,657 million yen as of March 31, 2014
54,519 million yen as of March 31, 2013

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2014	22,384	(1,111)	(9,351)	73,548
Fiscal year ended March 2013	1,355	1,466	(15,721)	60,032

2. Dividends

	Annual dividends					Annual total of dividend	Payout ratio (Consolidated)	Net assets dividend ratio (Consolidated)
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2013	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended March 2014	–	1.50	–	1.50	3.00	1,264	10.7	2.0
Fiscal year ending March 2015 (Forecasts)	–	2.50	–	1.50	4.00		15.3	

(Note) Breakdown of dividends to be paid (forecast) at the end of the 2nd quarter of FY2014 ending March 2015: common dividend 1.50 yen, commemorative dividend 1.00 yen

3. Forecasts for consolidated results ending March 2015 (April 1, 2014 – March 31, 2015)

(%: Changes from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,150,000	3.2	22,000	11.2	20,500	1.7	11,000	(6.8)	26.19

* Notes

(1) Important change in subsidiaries during the term (Change in scope of consolidation): None
New: – Exception: –

(2) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies associated with the revision of accounting standards, etc.: Yes
2. Changes in accounting policies other than 1.: None
3. Changes in accounting estimates: None
4. Restatement: None

(Note) These are items subject to Article 14-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. For details, see "(5) Notes on the consolidated financial statements (Changes in accounting policies)" under "4. Consolidated Financial Statements" on page 19 of the accompanying materials.

(3) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock
Fiscal year (2014/3): 422,501,010 shares Fiscal year (2013/3): 422,501,010 shares
2. Number of treasury stock
Fiscal year (2014/3): 2,323,295 shares Fiscal year (2013/3): 2,539,243 shares
3. Average number of shares during the period
Fiscal year (2014/3): 420,060,823 shares Fiscal year (2013/3): 419,486,703 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated business results for the fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

(1) Non-consolidated business results (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2014	464,235	4.3	2,869	(18.0)	8,533	24.9	7,221	36.5
Fiscal year ended March 2013	444,992	(4.3)	3,500	(52.7)	6,830	(18.1)	5,292	(2.4)

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Fiscal year ended March 2014	17.13	–
Fiscal year ended March 2013	12.55	–

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	262,938	67,569	25.7	160.34
As of March 31, 2013	263,214	60,826	23.1	144.31

(Reference) Shareholders' equity: 67,569 million yen as of March 31, 2014
60,826 million yen as of March 31, 2013

* Status of a quarterly review
This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

* Explanation about the proper use of results forecasts, and additional information

1. The forecasts of financial results and forward-looking statements included in this document are based on information available to the Company on the date of the announcement and estimates based on reasonable assumptions, and the Company does not guarantee the actual achievement of any of these results. Note that actual results may vary significantly from the forecasts in the document, depending on various factors. Refer to the section "1. Analysis of Business Results and Financial Status, (1) Analysis of business results, 2) Forecast for the fiscal year ending March 2015" on page 3 of accompanying materials for further information on results forecasts.
2. The Company operates its businesses on a consolidated basis. The Company produces no forecast for non-consolidated business results.
3. The Company plans to hold a results briefing for institutional investors and analysts on Thursday, May 15, 2014. It intends to publish references to explain results it will distribute at the briefing session at its website promptly after the session.

Accompanying Materials – Contents

1. Analysis of Business Results and Financial Status

(1) Analysis of business results

1) Review of operations in the fiscal year ended March 2014

In the fiscal year under review, the US economy continued its recovery with the support of the improved employment situation and strong demand for housing. The European economy, too, has been on a recovery trend backed by the restored reliability of the financial systems despite persistent, ongoing debt issues. Meanwhile, the growth of the Chinese economy has been slowing, which has caused other emerging Asian economies to remain stagnant.

The Japanese economy maintained growth, albeit slight, based on increased consumer spending and capital expenditure due to a last-minute surge in demand ahead of the consumption tax hike despite the largest trade deficit ever, primarily as a result of the weaker yen.

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.

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 months under 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 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.

2) Forecast for the fiscal year ending March 2015

The global economy in the next consolidated fiscal year is likely to see prolonged uncertainties including a slowdown in the growth of the Chinese and emerging Asian economies, despite the anticipated continued expansion of the US economy and the recovery of the European economy.

The Japanese economy should maintain its growth based on increased exports and the recovery of capital expenditure supported by the improved economies of the US and Europe, despite the reactionary fall in sales after the last-minute surge in demand ahead of the tax hike and the slowdown in the depreciation of the yen.

In this environment, the Company forecasts consolidated net sales of ¥1,150.0 billion, consolidated operating income of ¥22.0 billion, consolidated ordinary income of ¥20.5 billion, and consolidated net income of ¥11.0 billion for the fiscal year ending March 31, 2015.

(Assumptions for the calculation of results forecast)
- Exchange rate: 1 US dollar = 105 yen
- Interest rates: Interest rates are expected to remain unchanged or to rise moderately.

* Note on forward-looking statements

The results forecast above are based on information available on the date of the announcement and assumptions relating to uncertain factors that will affect future results. Actual results may differ materially from the forecast, depending on changes in the operating environment, such as domestic and foreign economic conditions and exchange rates.

(2) Analysis of financial status

(i) 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.

(ii) 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.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended March 2010	Fiscal year ended March 2011	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014
Equity ratio	7.3%	8.5%	9.8%	13.7%	16.7%
Equity ratio on a market value basis	8.1%	8.9%	10.4%	13.0%	15.7%
Ratio of interest-bearing debt to cash flow(year)	7.3	22.2	10.2	108.3	6.3
Interest coverage ratio	6.0	1.8	3.9	0.4	6.8

Equity ratio: Shareholders' equity/total assets
Equity ratio on a market value basis: Market capitalization/total assets
Ratio of interest-bearing debt to cash flow: Interest-bearing debt/free cash flow
Interest coverage ratio: Free cash flow/interest payments

* All of the above figures are calculated based on consolidated financial values.

* Market capitalization is calculated based on the following formula: Closing share price at the end of the period x Number of shares issued (net of treasury stock) at the end of the period.

* Cash flows from operating activities are used for cash flow. Interest-bearing debt includes all debts listed on the consolidated balance sheets to which the Company pays interests. For interest payments, the amount of interests paid listed on consolidated statements of cash flows is used.

(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2014 and the fiscal year ending March 2015

The Company regards the distribution of profits to shareholders as critical management issues. It adopts a basic policy for dividends of taking into consideration factors such as operating results and the need to increase internal reserves.

One of the priority measures in the ongoing medium-term business plan (April 2013 – March 2016) includes the resumption of dividends and the ongoing payment of dividends, and the Company made a dividend payment of 1.50 yen per share as the interim dividend at the end of September 2013 for the fiscal year under review. A dividend payment of 1.5 yen per share is scheduled for the end of the current fiscal year, giving a total of 3.0 yen per share for the full fiscal year.

In addition to the ongoing, stable dividend payments, in the next fiscal year the Company plans to pay a commemorative dividend of 1.0 yen per share on the occasion of its 125th anniversary, August 15, 2014, as a token of appreciation for the Company's shareholders who have been supportive of its businesses. The full-year dividends for the next fiscal year will therefore include an interim dividend of 2.50 yen per share (common dividend of 1.50 yen per share and commemorative dividend of 1.0 yen per share) and the year-end dividend of 1.50 yen, which will total 4.0 yen per share (common dividends of 3.0 yen and commemorative dividend of 1.0 yen).

Retained earnings will be used for investment in growth while maintaining the soundness of the Company's financial position.

(4) Business risks

Since the Kanematsu Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in supply and demand situations. Operations of the Group are exposed to risks such as price fluctuations and liquidity risks of commodities, foreign exchange rates, funds (interest rates) and shares, default and credit risks, investment risks, country risks, and risks associated with changes in laws and regulations. These risks may affect business results and the financial position of the Group because they involve uncertainties unpredictable in the normal course of business. These risks can readily be eliminated. However, the Group seeks to control the risks by developing the systems and methods needed to manage each risk based on its nature.

i) Risks Related to Overall Business Activities

(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.

2) Risk Management

(Position management of foreign exchanges, interest rates and products)

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are transferred to trade partners, etc. in the form of transaction terms. In addition, the Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, funds (interest rates), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded. We also reduce the price fluctuation risk of these positions by using derivatives as a hedge.

(Credit management of transactions)

When extending credit to clients in Japan and overseas, the Group regularly provides the rating to individual customers based on their financial data and other information and set a credit limit based on the rating and the type of credit. It controls credit risk by restricting credits so that the total amount of credits, including those arising from ordinary business transactions as well as loans and guarantees, does not exceed the limit. It has also established a system to prevent the expansion of unintended credit risks by regularly monitoring collection and frozen status and taking the necessary security steps.

The Group also prevents credits from exceeding the limit by systematically checking the credit limit when shipping goods to trading partners.

(Security trade control)

To prevent violations of laws related to security trade control, the Group takes every care in managing and operating processes by establishing the Security Export Control Regulations and a compliance program for the laws in question.

(Risk hedging against natural disasters and accidents)

The Group hedges the risk of the devaluation of and indemnification for facilities and equipment it holds in Japan and overseas, including business offices, warehouses and manufacturing plants, and cargo being stored or transported in Japan and other countries, by insuring each item against damage from natural disasters and accidents. In response to risks related to the suspension of its businesses in the event of disasters such as earthquakes, fires, floods, and riots, the Group is taking measures such as the implementation of regular disaster response training in order to safely and promptly respond to these situations, and the preparation of manuals for the establishment and management of a task force.

(Information security)

With respect to the security of information contained in information systems, the Group has adopted information security control rules to prevent leaks and outflows of important information, and has established unified regulations on the use of personal computers, networks, and e-mail for protecting company and personal information. It also reviews the systematic base for raising the security level on a constant basis, and maintain and operate the base to ensure the required and appropriate level of security.

(Compliance)

To comprehensively monitor compliance with laws and regulations, the Group has established the Risk Management and Compliance Committee. The Committee regularly reviews the compliance status and deals with problems that arise unexpectedly. The Group has also developed a compliance handbook and distributed it to its employees together with the compliance card to ensure that all employees are fully aware of the importance of compliance. Taking a step further, the Group has set up an internal hotline and an external attorney hot line for accepting reports and providing consultation services.

(Operations management)

To prevent operational risks arising from back-office work, the Group has established a system to prevent fraud, violations of rules and errors in recording in the workflow by processing all slip issuing activities after delivery and receipt operations in batches, with the implementation of Business Process Re-engineering (BPR).

3) Medium-Term Business Plan

As stated in “3. Management Policies,” the Group has developed its medium-term business plan (from April 2013 to March 2016). The quantitative targets set out in this plan were adopted on the basis of certain assumptions and premises. We may not be able to achieve these targets because of factors such as economic conditions and industry trends that vary significantly from forecasts or our inability to take effective measures in response to changes in the operating environment.

2. Corporate Group

The Group operates its businesses as a “business creation team,” which builds solid relationships of trust with its customers and works closely with them to develop new businesses by providing a broad array of products and services in diverse fields such as electronics and devices, foods and grain, steel, materials and plant, and motor vehicles and aerospace through the organic integration of domestic and international business networks, expertise acquired in each business area, and the functions of a trading company, including commodities trading, information gathering, market exploration, business development and organization, risk management, and distribution.

The Company classifies these businesses into categories according to the contents of goods traded and services, and the Group consists of a total of 113 companies including the Company, 85 subsidiaries and 28 affiliates (as of March 31, 2014). Among them, the Group has 82 consolidated subsidiaries and 25 equity-method affiliates.

The details of the goods traded and services based on each of the Group’s business segments and its major subsidiaries and affiliates are as follows.

Because of the restructure of its business units during the fiscal year under review, the Group has made changes to the reportable segments as shown below.

The motorcycle and motor vehicle parts business and aerospace business included in the conventional Electronics, Steel, and Machinery & Plant segments were combined and newly established as the Motor Vehicles & Aerospace segment. Consequently, the reportable segments have been 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.

Business segments	Major products and services	Principal subsidiaries and affiliates
Electronics & Devices (27 companies)	Electronic parts and members, semiconductor/LCD/solar cell manufacturing equipment, communication equipment and parts, materials and indirect materials related to electronics, telecommunications technology systems and services, mobile communication terminals, mobile Internet systems and services, etc.	(Subsidiaries: 12 subsidiaries in Japan and 10 subsidiaries overseas) Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Nippon Office Systems Ltd. (Affiliates: 5 affiliates in Japan)
Foods & Grain (18 companies)	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, meat and marine products, feed, fertilizer, soybeans, barley, wheat, rice, processed foods, cooked foods, pet foods, etc.	(Subsidiaries: 7 subsidiaries in Japan and 3 subsidiaries overseas) Kanematsu Shintoa Foods Corporation Kanematsu Agri-Tech Corporation (Affiliates: 3 affiliates in Japan and 5 affiliates overseas) Dalian Tiantianli Food Co., Ltd.
Steel, Materials & Plant (30 companies)	Steel plates, bars and wire rods, pipes, stainless products, general steel products, raw materials for iron and steel, battery materials, fertilizer materials, adhesive materials, solvents, functional food materials, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oil, petroleum products, LPG, greenhouse gas emission rights, biomass energy, chemical and petrochemical plants, papermaking machines, communication lines construction, optical fibers, electric power projects, ships and maritime equipment, machine tools, industrial tools, etc.	(Subsidiaries: 10 subsidiaries in Japan and 13 subsidiaries overseas) Kanematsu Trading Corporation Kanematsu Chemicals Corp. Kanematsu Petroleum Corp. Kanematsu KGK Corp. (Affiliates: 3 affiliates in Japan and 4 affiliates overseas)
Motor Vehicles & Aerospace (8 companies)	In-vehicle parts, mechanized parts, aircraft and aircraft parts, satellite equipment and parts, automobiles and automobile parts, industrial vehicles, construction machinery, general-purpose machines, forgings, foundry pieces, etc.	(Subsidiaries: 1 subsidiary in Japan and 6 subsidiaries overseas) Kanematsu Aerospace Corp. (Affiliates: 1 affiliate overseas)
Other (14 companies)	Textile materials, beds, bedding and interior goods, housing materials, medium-grade fiberboards, nonferrous metals, insurance agent/intermediary business, air/marine cargo agent business, customs clearing, real estate management and leasing business and others	(Subsidiaries: 5 subsidiaries in Japan and 2 subsidiaries overseas) Shintoa Corporation Kanematsu Logistics & Insurance Ltd. (Affiliates: 4 affiliates in Japan and 3 affiliates overseas) Kaneyo Co., Ltd. P.T.Century Textile Industry Kanematsu-NNK Corp. Hokushin Co., Ltd.

Overseas local subsidiaries (16 companies)	Trading of products and provision of services overseas	(Subsidiaries: 16 subsidiaries) Kanematsu USA Inc. Kanematsu (Hong Kong) Ltd. Kanematsu (China) Co., Ltd. Kanematsu GmbH

(Note) Of the above companies, the subsidiaries whose stocks are listed on domestic stock exchanges are Kanematsu Electronics Ltd. (First Section of the Tokyo Stock Exchange) and Nippon Office Systems Ltd. (JASDAQ Standard).

3. Management Policies

(1) Basic management policies

The pioneering spirit and proactive ingenuity needed to constantly anticipate trends and boldly and ceaselessly taking on new business challenges have been principles that have guided us since our founding. We adopt Our Beliefs (established in 1967) as the basic principles, so that we can strengthen the bonds we enjoy with our customers, develop businesses and continued to be valued by society.

Our Beliefs

- 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.
- 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.
- 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.

(2) Medium- to long-term management strategies and issues facing the company

i) Medium-term business plan

The Company celebrates its 125th anniversary in the fiscal year ending March 2015, and for further growth, it has developed and has been implementing a medium-term business plan (April 2013 – March 2016) with the theme of “jump to the next stage leading to the future.” No changes have been made to the basic policy and priority measures.

The target management indicators for the final year of the plan were announced in May 2013 as consolidated ordinary income of ¥20.0 billion, consolidated net income of ¥10.0 billion, and net DER to be maintained at the 1.0 level. Because these targets have been achieved in the first year of the plan ended March 31, 2014, the targets have been raised as follows (announced April 7, 2014):

<Targets for the final year of the medium-term business plan (ending March 2016)>

- Consolidated ordinary income: ¥22 billion
- Consolidated net income: ¥12 billion
- Net DER: To maintain the 1.0 level

ii) Medium-term vision “VISION-130”

In addition to the achievement of the quantitative targets of the current medium-term business plan in the first year, the Group resumed dividend payments as part of its priority measures and developed the medium-term vision “VISION-130” to articulate the goals for its 130th anniversary as the next stage, aiming to achieve the further growth of the Group.

Returning to the origin of a trading company and the Company’s basic philosophy, VISION-130 presents the concurrent achievement of the maintenance of a sound financial position and the expansion of its revenue base through coexistence and development with its clients as the Company’s business goals.

The Company will first improve its business base and subsequently increase its corporate value by expanding its strong business areas and taking on challenges such as new investments in business creation.

[Aspiration]

“A company that keeps taking on the challenges of creating businesses”	
[Quantitative targets]	Consolidated ordinary income: ¥25 – ¥30 billion
	Consolidated net income: ¥15 billion (ROE: 15%)
	Equity capital: more than ¥100 billion (net DER: maintain the 1.0 level)
[Qualitative goals]	Dividend payments appropriate for the profit level

iii) Strengthening the operating foundation

Since the announcement of the Company’s structural reform plan in May 1999, its financial position has improved significantly and has been more stable in the past 15 years. The Company must take measures for further growth in future earnings and continue to strengthen its investment management system. The following specific efforts will be taken to achieve the goals of VISION-130.

- Continue to take the priority measures in the current medium-term business plan, maintain the basic policy including “focus on trading,” “promotion of efficient management,” and “coexistence and development with the Company's clients,” and improve its management base including advanced investment risk control as the most important business issues.
- Subsequently, increase the added value of trading through the development of global value chains, pursue both horizontal and vertical expansion, develop new technologies and new products, take on new challenges combining active business investment and M&A, and expand the Company’s revenue base.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013 (March 31, 2014)
Assets		
Current assets		
Cash and bank deposits	60,421	73,867
Notes and accounts receivable	165,378	178,984
Investments in leased assets	608	541
Short-term investment securities	16	16
Inventories	65,246	66,256
Short-term loans receivable	352	825
Deferred tax assets	1,669	2,660
Other	23,134	22,364
Allowance for doubtful accounts	(273)	(149)
Total current assets	316,554	345,366
Fixed assets		
Tangible fixed assets		
Fixed assets for lease (net amount)	1,345	172
Buildings and structures (net amount)	5,391	5,949
Machinery, equipment, vehicle, tools and fixtures (net amount)	4,963	4,930
Land	14,050	11,917
Leased assets (net amount)	1,075	1,074
Construction in progress	163	174
Total tangible fixed assets	26,990	24,218
Intangible fixed assets		
Goodwill	2,122	3,175
Other	5,104	8,531
Total intangible fixed assets	7,226	11,706
Investments and other assets		
Investments in securities	30,248	32,198
Long-term loans receivable	2,435	1,798
Doubtful accounts	1,895	902
Deferred tax assets	11,127	8,782
Other	6,441	6,236
Allowance for doubtful accounts	(3,731)	(2,750)
Total investments and other assets	48,415	47,167
Total fixed assets	82,632	83,093
Total assets	399,186	428,459

(Million yen)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013 (March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable	104,372	115,210
Import bills payable	27,984	27,610
Short-term borrowings	81,570	80,792
Lease obligations	733	760
Accrued income taxes	1,663	1,951
Deferred tax liabilities	95	1
Asset retirement obligations	118	6
Other	28,238	32,302
Total current liabilities	244,776	258,635
Long-term liabilities		
Long-term borrowings	65,290	61,113
Lease obligations	1,099	1,033
Deferred tax liabilities	45	368
Accrued severance indemnities	4,296	–
Net defined benefit liability	–	4,630
Reserve for directors' retirement benefits	385	387
Asset retirement obligations	741	804
Other	6,636	5,281
Total long-term liabilities	78,496	73,620
Total liabilities	323,273	332,255
Net assets		
Equity capital		
Capital stock	27,781	27,781
Capital surplus	27,526	27,493
Retained earnings	24,567	35,737
Treasury stock	(357)	(321)
Total equity capital	79,517	90,690
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities	1,048	1,743
Deferred gain/loss on hedging	298	(18)
Land revaluation reserves	66	104
Translation adjustments	(26,411)	(20,758)
Remeasurements of defined benefit plans	–	(104)
Total other accumulated comprehensive income	(24,997)	(19,033)
Minority interests	21,393	24,547
Total net assets	75,912	96,204
Total liabilities and net assets	399,186	428,459

(2) Consolidated statements of income / consolidated statement of comprehensive income

Consolidated statements of income

(Million yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net sales	1,019,232	1,114,539
Cost of sales	939,210	1,028,136
Gross trading profit	80,021	86,402
Selling, general and administrative expenses		
Salaries and bonuses	24,566	28,340
Retirement benefit expenses	1,903	1,491
Outsourcing service charges	7,626	6,145
Transfer to allowance for doubtful accounts	227	76
Other	27,435	30,573
Total selling, general and administrative expenses	61,758	66,626
Operating income	18,262	19,776
Non-operating income		
Interest received	503	382
Dividends received	814	814
Equity in earnings of affiliates	197	739
Foreign exchange gains	937	2,389
Other	1,097	935
Total non-operating income	3,549	5,260
Non-operating expenses		
Interest paid	3,502	3,255
Other	1,605	1,620
Total non-operating expenses	5,107	4,876
Ordinary income	16,705	20,160
Extraordinary gains		
Gain on sale of tangible fixed assets	431	2,114
Gain on sale of investment in securities	2,694	230
Gain on step acquisitions	81	—
Gain on negative goodwill	69	46
Total extraordinary gains	3,276	2,390
Extraordinary losses		
Loss on sales or disposal of fixed assets	1,271	381
Loss on impairment	750	2,196
Loss on sale of investments in securities	636	34
Loss on valuation of investments in securities	376	55
Loss on liquidation of affiliates	–	276
Loss on withdrawal from the employee pension funds program	94	–
Loss on litigation	71	–
Business structure improvement expenses	–	530
Total extraordinary losses	3,200	3,476
Income before income taxes and minority interests	16,781	19,075
Income taxes – current	4,082	4,500
Income taxes – deferred	1,490	453
Total income taxes	5,573	4,953
Income before minority interests	11,208	14,121
Minority interests in consolidated subsidiaries	1,644	2,321
Net income	9,564	11,799

Consolidated statement of comprehensive income

(Million yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Income before minority interests	11,208	14,121
Other comprehensive income		
Valuation difference on available-for-sale securities	927	715
Deferred gains or losses on hedges	(215)	(293)
Foreign currency translation adjustment	5,067	6,552
Share of other comprehensive income of associates accounted for using equity method	416	178
Total other comprehensive income	6,196	7,153
Comprehensive income	17,404	21,274
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,388	17,869
Comprehensive income attributable to minority interests	2,015	3,405

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2012 (From April 1, 2012 to March 31, 2013)

(Million yen)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity capital
Balance at beginning of the fiscal year	27,781	27,597	15,003	(550)	69,830
Changes during the fiscal year					
Dividends of surplus					–
Net income			9,564		9,564
Acquisition of treasury stock				(8)	(8)
Disposal of treasury stock		(70)		197	126
Changes in treasury stock attributable to changes of the stake in equity method affiliates				3	3
Change of scope of equity method			(0)		(0)
Net changes of items other than equity capital during the fiscal year					
Total changes during the fiscal year	–	(70)	9,563	193	9,686
Balance at end of the fiscal year	27,781	27,526	24,567	(357)	79,517

	Other accumulated comprehensive income						Minority interests	Total net assets
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Land revaluation reserves	Translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of the fiscal year	137	492	66	(31,519)	–	(30,822)	16,984	55,992
Changes during the fiscal year								
Dividends of surplus								–
Net income								9,564
Acquisition of treasury stock								(8)
Disposal of treasury stock								126
Changes in treasury stock attributable to changes of the stake in equity method affiliates								3
Change of scope of equity method								(0)
Net changes of items other than equity capital 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 end of the fiscal year	1,048	298	66	(26,411)	–	(24,997)	21,393	75,912

Fiscal 2013 (From April 1, 2013 to March 31, 2014)

(Million yen)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity capital
Balance at beginning of the fiscal year	27,781	27,526	24,567	(357)	79,517
Changes during the fiscal year					
Dividends of surplus			(630)		(630)
Net income			11,799		11,799
Acquisition of treasury stock				(13)	(13)
Disposal of treasury stock		(32)		49	16
Changes in treasury stock attributable to changes of the stake in equity method affiliates				(0)	(0)
Change of scope of equity method					–
Net changes of items other than equity capital during the fiscal year					
Total changes during the fiscal year	–	(32)	11,169	35	11,172
Balance at end of the fiscal year	27,781	27,493	35,737	(321)	90,690

	Other accumulated comprehensive income						Minority interests	Total net assets
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Land revaluation reserves	Translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of the fiscal year	1,048	298	66	(26,411)	–	(24,997)	21,393	75,912
Changes during the fiscal year								
Dividends of surplus								(630)
Net income								11,799
Acquisition of treasury stock								(13)
Disposal of treasury stock								16
Changes in treasury stock attributable to changes of the stake in equity method affiliates								(0)
Change of scope of equity method								–
Net changes of items other than equity capital 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 end of the fiscal year	1,743	(18)	104	(20,758)	(104)	(19,033)	24,547	96,204

(4) Consolidated statements of cash flows

(Million yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities:		
Income before income taxes and minority interests	16,781	19,075
Depreciation and amortization	2,680	3,170
Increase (decrease) in allowance for doubtful accounts	69	(198)
Increase (decrease) in reserve for employees’ prior service obligations	358	–
Increase (decrease) in net defined benefit liability	–	302
Interest and dividend income	(1,317)	(1,196)
Interest expense	3,502	3,255
Equity in earnings of affiliated companies (gain)	(197)	(739)
Gain or loss on sales or disposal of fixed assets (gain)	840	(1,732)
Impairment loss on fixed assets	750	2,196
Gain or loss on sale of investments in securities (gain)	(2,058)	(195)
Gain or loss on valuation of investments in securities (gain)	376	55
Loss on liquidation of affiliates	–	276
Loss on litigation	71	–
Loss (gain) on step acquisitions	(81)	–
Loss on withdrawal from the employee pension funds program	94	–
Business structure improvement expenses	–	530
Decrease (increase) in notes and accounts receivable	1,769	(6,395)
Decrease (increase) in inventories	(3,838)	2,964
Increase (decrease) in notes and accounts payable	(9,112)	5,617
Other	(1,634)	1,409
Sub total	9,053	28,396
Interest and dividend income received	1,515	1,338
Interest paid	(3,549)	(3,276)
Income taxes paid	(4,588)	(4,074)
Payments for loss on litigation	(981)	–
Payments of contributions for withdrawal from employees' pension fund	(94)	–
Net cash provided by (used in) operating activities	1,355	22,384
Cash flows from investing activities:		
Decrease (increase) in time deposits	(79)	105
Payments for acquisition of tangible fixed assets	(1,664)	(2,305)
Proceeds from sale of tangible fixed assets	1,589	3,422
Payments for acquisition of intangible fixed assets	(1,286)	(435)
Payments for acquisition of investments in securities	(247)	(271)
Proceeds from sale of investments in securities	3,573	551
Purchase of investments in subsidiaries	(5)	(96)
Proceeds from sales of investments in subsidiaries	18	826
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(2,761)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	804	–
Payments for transfer of business	(6,493)	–
Increase in loans receivable	(163)	(69)
Decrease in loans receivable	4,492	265
Other	926	(342)
Net cash provided by (used in) investing activities	1,466	(1,111)

(Million yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(244)	(4,237)
Proceeds from long-term debt	25,930	41,548
Repayment of long-term debt	(40,073)	(44,781)
Proceeds on payments by minority shareholders	–	157
Cash dividends paid	–	(625)
Other	(1,333)	(1,412)
Net cash provided by (used in) financing activities	(15,721)	(9,351)
Effect of exchange rate changes on cash and cash equivalents	2,338	1,593
Net increase (decrease) in cash and cash equivalents	(10,561)	13,516
Cash and cash equivalent at beginning of year	70,594	60,032
Cash and cash equivalent at end of quarter	60,032	73,548

(5) Notes on the consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Significant items regarding the preparation of consolidated financial statements)

Disclosure is omitted as there were no important changes from those stated in the most recent securities report (submitted on June 25, 2013), with the exception of those described below.

(Changes in accounting policies)

(Application of accounting standard for retirement benefits)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; "Accounting Standard") (excluding the provisions of the main clause of Article 35) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; "Guidance") (excluding the provisions of the main clause of Article 67) were adopted in the consolidated fiscal year under review, and the method of recognizing the net defined benefit liability was changed to one that subtracts the amount of pension assets from retirement benefit obligations, and the unrecognized actuarial gain or loss and unrecognized past service cost are included in the net defined benefit liability.

The Accounting Standard and Guidance are adopted in accordance with the transitional accounting as stipulated in Article 37 of the Accounting Standard, and the financial impact of this change in the consolidated fiscal year under review has been added to or deducted from the "remeasurements of defined benefit plans" under "other accumulated comprehensive income."

As a result, net defined benefit liability of 4,630 million yen was recognized at the end of the consolidated fiscal year under review, other accumulated comprehensive income was reduced by 104 million yen, and minority interests decreased by 90 million yen.

(Changes in presentation)

(Consolidated balance sheets)

"Goodwill," which was included in "intangible fixed assets" in the previous consolidated fiscal year, has become an independent item from the consolidated fiscal year under review due to the increased importance of its monetary value. The consolidated financial statements for the previous consolidated fiscal year have been reorganized in order to apply this change in the presentation.

As a result, the amount of 7,226 million yen indicated as "intangible fixed assets" in the consolidated balance sheets for the previous consolidated fiscal year was divided into 2,122 million yen under "goodwill" and 5,104 million yen under "other."

(Segment information)

(i) Overview of Reportable Segments

The reportable segments of the Group are those units for which separate financial information can be obtained among the constituent units of the Group and for which the management of the Group normally and regularly assesses its business performance and examines the allocation of management resources.

The Group operates its businesses by offering a broad array of merchandise 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 Group therefore consists of merchandise and service segments based on its business units: “Electronics & Devices,” “Foods & Grain,” “Steel, Materials & Plant,” and “Motor Vehicles & Aerospace.”

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

Electronics & Devices

The Electronics & Devices 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 retail sales of electric cells, LED, etc. 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 goods. Merchandise 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

The Steel, Materials & Plant 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

The Motor Vehicles & Aerospace 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 restructure of its business units during the consolidated fiscal year under review, the Group has made changes to the reportable segments as shown below.

The motorcycle and motor vehicle parts business and aerospace business included in the conventional Electronics, Steel, and Machinery & Plant segments were combined and newly established as the Motor Vehicles & Aerospace segment. Consequently, the reportable segments have been 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 information on the segments in the previous consolidated fiscal year in this report has been prepared based on the reportable segments after the change.

(ii) Methods for calculating net sales, profits or losses, assets, and amounts for other items by reportable segment

Income figures 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.

(iii) Information on net sales and profits or losses by reported segment

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

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Outside 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 profit	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 items									
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

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustments are as follows.

(1) Adjustment of ¥9 million for segment profit includes inter-segment elimination of ¥9 million.

(2) Adjustment for segment assets amounting to ¥51,234 million includes inter-segment elimination of negative ¥7,899 million and Group assets of ¥59,133 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.

(3) Adjustment for depreciation and amortization amounting to negative ¥1 million includes inter-segment elimination of negative ¥1 million.

(4) Adjustment for investments in equity method affiliates amounting to ¥96 million includes inter-segment elimination of ¥6 million and Group assets of ¥90 million that have not been distributed to reportable segments.

(5) Adjustment for increases in tangible fixed assets and intangible fixed assets amounting to ¥535 million includes Group assets of ¥535 million that have not been distributed to reportable segments.

(Note 3) Segment profit is adjusted for operating income in the consolidated statements of income.

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

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Outside 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 profit	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 items									
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

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustments are as follows.

(1) Adjustment of ¥73 million for segment profit includes the net amount of goodwill of ¥77 million and inter-segment elimination of negative ¥3 million.

(2) Adjustment for segment assets amounting to ¥51,847 million includes inter-segment elimination of negative ¥9,846 million and Group assets of ¥61,693 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.

(3) Adjustment for depreciation and amortization amounting to negative ¥3 million includes inter-segment elimination of negative ¥3 million.

(4) Adjustment for investments in equity method affiliates amounting to ¥129 million includes inter-segment elimination of negative ¥0 million and Group assets of ¥130 million that have not been distributed to reportable segments.

(5) Adjustment for increases in tangible fixed assets and intangible fixed assets amounting to 412 million yen includes inter-segment elimination of negative ¥20 million and Group assets of ¥432 million that have not been distributed to reportable segments.

(Note 3) Segment profit is adjusted for operating income in the consolidated statements of income.

(Per share information)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net assets per share(yen)	129.82	170.54
Net income per share(yen)	22.80	28.09

(Notes) 1.Net income per share on a diluted basis is not written, as there are no potential shares.

2.The bases for the calculation of net assets per share are as follows:

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Total net assets (million yen)	75,912	96,204
Amount subtracted from total net assets (million yen)	21,393	24,547
[Minority interests]	(21,393)	(24,547)
Net assets for common shares (million yen)	54,519	71,657
Number of common shares issued (thousand shares)	422,501	422,501
Number of common shares held as treasury stock (thousand shares)	2,539	2,323
Number of common shares used for the calculation of net assets per share (thousand shares)	419,961	420,177

3. The bases for the calculation of net income per share are as follows:

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net income (million yen)	9,564	11,799
Amount that does not belong to common shares (million yen)	–	–
Net income for common shares (million yen)	9,564	11,799
Average number of common shares for the period (thousand shares)	419,486	420,060

(Significant subsequent events)

Not applicable.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013 (March 31, 2014)
Assets		
Current assets		
Cash and bank deposits	11,123	17,039
Notes receivable	4,431	5,617
Accounts receivable	71,660	69,438
Short-term investment securities	16	16
Inventories	28,418	28,066
Advance payments to suppliers	1,282	3,176
Prepaid expenses	683	639
Deferred tax assets	–	474
Short-term loans receivable	36	54
Short-term loans to affiliates	15,995	16,001
Accrued income	3,617	3,130
Derivatives obligations	4,091	1,326
Other	2,747	2,668
Allowance for doubtful accounts	(39)	(41)
Total current assets	144,064	147,608
Fixed assets		
Tangible fixed assets		
Buildings	458	494
Structures	12	9
Machinery and equipment	87	71
Vehicle	12	13
Tools and fixtures	94	110
Land	5,620	3,818
Leased assets	518	353
Construction in progress	4	19
Total tangible fixed assets	6,808	4,890
Intangible fixed assets		
Software	323	257
Telephone subscription rights	7	7
Other	84	211
Total intangible fixed assets	415	476
Investments and other assets		
Investments in securities	10,263	10,870
Shares in affiliates	81,488	84,033
Investments and guarantees	1,378	1,392
Equity investment in affiliates	4,351	4,210
Long-term loans receivable	1,785	1,671
Long-term loans to employees	93	91
Long-term loans to affiliates	25,013	7,770
Doubtful accounts	546	457
Long-term prepaid expenses	92	49
Deferred tax assets	9,532	7,917
Other	1,585	1,645
Allowance for doubtful accounts	(24,205)	(10,148)
Total investments and other assets	111,925	109,962
Total fixed assets	119,149	115,330
Total assets	263,214	262,938

(Million yen)

	Fiscal 2012 (March 31, 2013)	Fiscal 2013 (March 31, 2014)
Liabilities		
Current liabilities		
Notes payable	2,270	2,282
Import bills payable	30,737	34,236
Accounts payable	34,990	32,739
Short-term borrowings	56,502	50,157
Lease obligations	174	174
Accrued liabilities	4,956	5,051
Accrued expenses	259	459
Accrued income taxes	125	47
Deferred tax liabilities	301	—
Advances received from customers	1,862	5,095
Deposits received	1,735	2,815
Deferred revenue	66	181
Derivatives obligations	1,534	571
Other	48	23
Total current liabilities	135,564	133,836
Long-term liabilities		
Long-term borrowings	64,284	59,381
Lease obligations	386	212
Accrued severance indemnities	294	162
Allowance for business losses for subsidiaries and affiliates	1,119	1,101
Asset retirement obligations	124	136
Other	613	538
Total current liabilities	66,822	61,533
Total liabilities	202,387	195,369
Net assets		
Equity capital		
Capital stock	27,781	27,781
Capital surplus		
Legal capital surplus	26,887	26,887
Other capital surplus	–	0
Total capital surplus	26,887	26,887
Retained earnings		
Earned legal reserve	131	131
Other retained earnings		
Special reserve fund	1,836	1,836
Deferred retained earnings	3,355	9,945
Total retained earnings	5,323	11,913
Treasury stock	(129)	(141)
Total equity capital	59,862	66,439
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	730	1,214
Deferred gain/loss on hedging	234	(85)
Total valuation and translation adjustments	964	1,129
Total net assets	60,826	67,569
Total liabilities and net assets	263,214	262,938

(2) Non-Consolidated Statements of Income

(Million yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net sales	444,992	464,235
Cost of sales	429,176	448,146
Gross trading profit	15,816	16,088
Selling, general and administrative expenses	12,315	13,219
Operating income	3,500	2,869
Non-operating income		
Interest received	701	638
Dividends received	4,691	5,366
Foreign exchange gains	879	2,224
Other	504	489
Total non-operating income	6,777	8,718
Non-operating expenses		
Interest paid	3,049	2,678
Other	397	375
Total non-operating expenses	3,446	3,054
Ordinary income	6,830	8,533
Extraordinary gains		
Gain on sale of tangible fixed assets	2	6
Gain on sale of intangible fixed assets	0	—
Gain on sale of investment in securities	249	203
Gain on liquidation of subsidiaries and affiliates	—	217
Total extraordinary gains	253	427
Extraordinary losses		
Loss on sales or disposal of fixed assets	66	41
Loss on impairment	108	1,863
Loss on sale of investments in securities	0	12
Loss on valuation of investments in securities	314	56
Loss on liquidation of affiliates	—	25
Provisions for loss on bad debt of affiliates and loss on business	468	311
Loss on litigation	70	—
Total extraordinary losses	1,028	2,310
Income before income taxes	6,055	6,650
Income taxes – current	(656)	(1,351)
Income taxes – deferred	1,420	781
Total income taxes	763	(570)
Net income	5,292	7,221

(3) Non-Consolidated Statements of Changes in Net Assets

Fiscal 2012 (From April 1, 2012 to March 31, 2013)

(Million yen)

	Equity capital									
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total equity capital
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of the fiscal year	27,781	26,887	–	26,887	131	1,836	(1,936)	31	(122)	54,577
Changes during the fiscal year										
Dividends of surplus										–
Net income							5,292	5,292		5,292
Acquisition of treasury stock									(8)	(8)
Disposal of treasury stock							(0)	(0)	0	0
Net changes of items other than equity capital during the fiscal year										
Total changes during the fiscal year	–	–	–	–	–	–	5,292	5,292	(7)	5,284
Balance at end of the fiscal year	27,781	26,887	–	26,887	131	1,836	3,355	5,323	(129)	59,862

	Valuation and translation adjustments			Total net assets
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	(25)	464	438	55,016
Changes during the fiscal year				
Dividends of surplus				–
Net income				5,292
Acquisition of treasury stock				(8)
Disposal of treasury stock				0
Net changes of items other than equity capital during the fiscal year	755	(229)	526	526
Total changes during the fiscal year	755	(229)	526	5,810
Balance at end of the fiscal year	730	234	964	60,826

Fiscal 2013 (From April 1, 2013 to March 31, 2014)

(Million yen)

	Equity capital									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury stock	Total equity capital
Balance at beginning of the fiscal year	27,781	26,887	–	26,887	131	1,836	3,355	5,323	(129)	59,862
Changes during the fiscal year										
Dividends of surplus							(632)	(632)		(632)
Net income							7,221	7,221		7,221
Acquisition of treasury stock									(13)	(13)
Disposal of treasury stock			0	0					0	0
Net changes of items other than equity capital during the fiscal year										
Total changes during the fiscal year	–	–	0	0	–	–	6,589	6,589	(12)	6,577
Balance at end of the fiscal year	27,781	26,887	0	26,887	131	1,836	9,945	11,913	(141)	66,439

	Valuation and translation adjustments			
	Unrealized loss on available-for-sale securities	Deferred gain/loss on hedging	Total valuation and translation adjustments	Total net assets
Balance at beginning of the fiscal year	730	234	964	60,826
Changes during the fiscal year				
Dividends of surplus				(632)
Net income				7,221
Acquisition of treasury stock				(13)
Disposal of treasury stock				0
Net changes of items other than equity capital during the fiscal year	484	(319)	165	165
Total changes during the fiscal year	484	(319)	165	6,742
Balance at end of the fiscal year	1,214	(85)	1,129	67,569

(4) Notes to non-consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Changes in presentation)

Balance sheets, statements of income, and statements of changes in net assets have been prepared in accordance with the formats specified in Article 127-1 of the Ordinance on Financial Statements, etc.

6. Other

(1) Changes in directors

Changes in directors are as separately disclosed on a timely basis.

(2) Other

Not applicable.

[Supplementary material]

May 9, 2014

Kanematsu Corporation

Highlights of Consolidated Financial Results for the Fiscal Year Ended March 2014

Both sales and income increased year on year. Progress in the first year of the medium-term business plan went as planned.

Net sales	**1,114.5 billion yen**	**9.4% Up**
Operating income	**19.8 billion yen**	**8.3% Up**
Ordinary income	**20.2 billion yen**	**20.7% Up**
Net income	**11.8 billion yen**	**23.4% Up**

Significant Improvement in Financial Position.

Income Statement

(Unit: 100 million yen)	FY2012	FY2013	Year-on-year Change	Year-on-year Change (%)	FY2014 Forecasts	FY2014 YoY Change (%)
Net sales	**10,192**	**11,145**	953	9.4%	11,500	3.2%
Gross trading profit	**800**	**864**	64	8.0%	-	-
SG&A expenses	**618**	**666**	49	7.9%	-	-
Operating income	**183**	**198**	15	8.3%	220	11.2%
Dividends received	**8**	**8**	0	-	-	-
Interest	**-30**	**-29**	1	-	-	-
Equity in earnings of affiliated companies	**2**	**7**	5	-	-	-
Foreign exchange gains/losses	**9**	**24**	15	-	-	-
Others	**-5**	**-7**	-2	-	-	-
Non-operating income/expenses	**-16**	**4**	19	-	-	-
Ordinary income	**167**	**202**	35	20.7%	205	1.7%
Extraordinary gains	**33**	**24**	-9	-	-	-
Extraordinary losses	**-32**	**-35**	-3	-	-	-
Income (loss) before income taxes	**168**	**191**	23	13.7%	-	-
Income taxes and minority interests	**-72**	**-73**	-1	-	-	-
Net income	**96**	**118**	22	23.4%	110	-6.8%

[Net sales]
Net sales increased in all segments, particularly in the Electronics & Devices and Steel, Materials & Plant segments.

[Operating income]
Operating income in the Steel, Materials & Plant segment more than offset the reduced income in the Electronics & Devices and Foods & Grain segments to result in increased operating income for the period.

[Ordinary income]
Ordinary income rose, given the increase in operating income and a rise in non-operating income, mainly due to an increase in gains on foreign exchange and equity-method investments.

[Net income]
A climb in net income with the increase in ordinary income.

Segment information

(Unit: 100 million yen)	Net sales (net external sales) FY2012	Net sales FY2013	Net sales Change	Operating income FY2012	Operating income FY2013	Operating income Change
Electronics & Devices	**2,368**	**2,773**	406	**83**	**78**	-6
Foods & Grain	**2,879**	**3,090**	211	**32**	**21**	-11
Steel, Materials & Plant	**4,342**	**4,688**	346	**51**	**81**	30
Motor Vehicles &Aerospace	**507**	**545**	37	**14**	**15**	0
Total for reportable segments	**10,097**	**11,097**	1,000	**180**	**195**	14
Other (including adjustment)	**96**	**49**	-47	**2**	**2**	0
Grand total	**10,192**	**11,145**	953	**183**	**198**	15

[Electronics & Devices] A rise in net sales and a decrease in income
The electronic component and material business performed well, particularly in export transactions. Semiconductor-related businesses enjoyed increased domestic demand for components. The system integration business also performed well, meeting demand for corporate infrastructure investment. The mobile solutions business suffered a decline in operating income as a result of intensifying competition among mobile phone carriers.

[Foods & Grain] A rise in net sales and a decline in income
Operating income declined in the entire segment, primarily due to foreign exchange fluctuations. The meat product business performed well due to increased imports in response to higher domestic market prices. The foodstuff business was steady thanks to stable purchases and an increase in transaction volumes. Meanwhile, the food business suffered a decline in operating income because of the time taken for sales prices to reflect the increased cost caused by the weaker yen.

[Steel, Materials & Plant] An increase in net sales and income
In the iron and steel business, transactions of specialty steel for automobiles for Europe and the US and the oil-field 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 before the consumption tax hike in the machine tool and industrial machinery segment.

[Motor Vehicles & Aerospace] An increase in both net sales and profits

Sales of aircraft parts were strong, and sales of motorcycle and motor vehicle parts for North America remained stable. In contrast, construction machinery–related transactions for Asia indicated weakness.

Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2013	3/2014	Comparison with 3/2013 Change	Comparison with 3/2013 Change (%)
Total assets	**3,992**	**4,285**	293	7.3%
Gross interest-bearing debt	**1,469**	**1,419**	-50	-3.4%
Net interest-bearing debt	**864**	**680**	-184	-21.3%
Equity capital	**795**	**907**	112	14.1%
Other accumulated comprehensiveincome	**-250**	**-190**	60	-
Minority interests	**214**	**245**	32	14.7%
Total net assets	**759**	**962**	203	26.7%
Shareholders' equity (Note 1)	**545**	**717**	171	31.4%
Equity ratio (Note 2)	**13.7%**	**16.7%**	3.0 pt improved	-
Net debt-equity ratio (Note 3)	**1.6 times**	**0.9 times**	0.7 pt improved	-

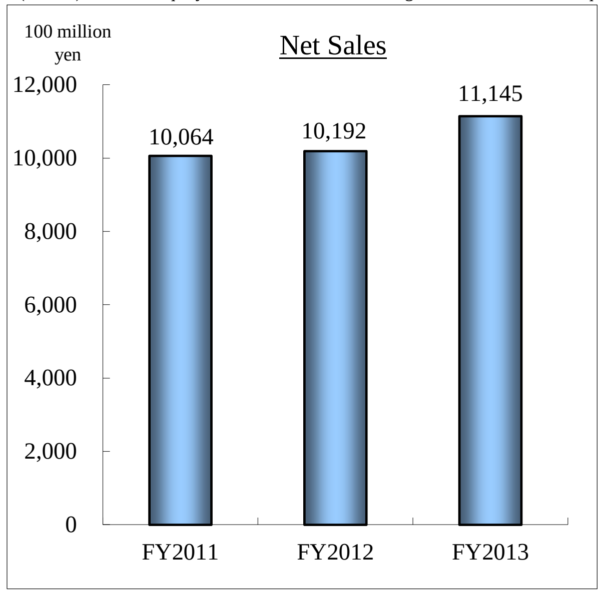
(Note 1) Shareholders' equity = Total net assets - Minority interests (Note 2) Equity ratio = Shareholders' equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity

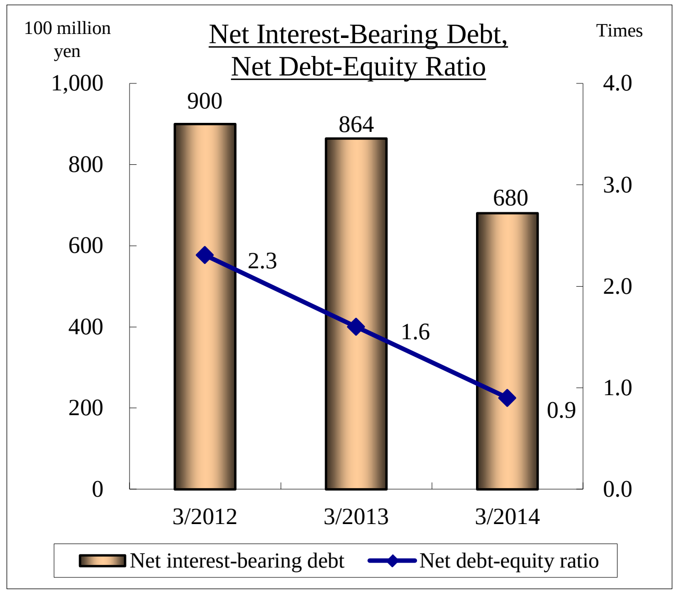
[Total assets]
Total assets increased by 29.3 billion yen, reflecting growth in cash and bank deposits.

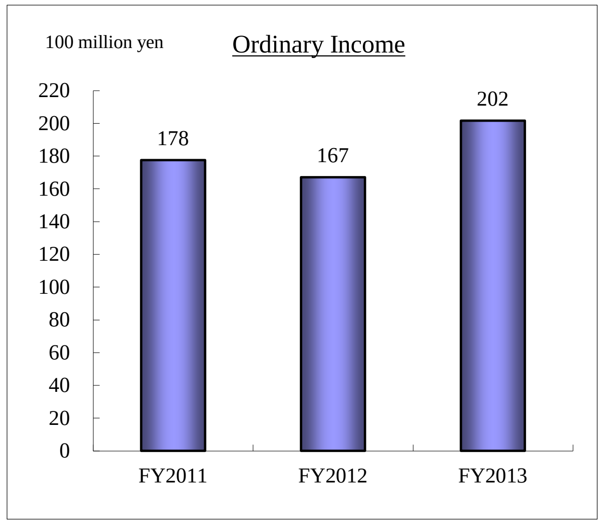
[Interest-bearing debt]
Gross interest-bearing debt declined 5 billion yen.
Net interest-bearing debt fell 18.4 billion yen.

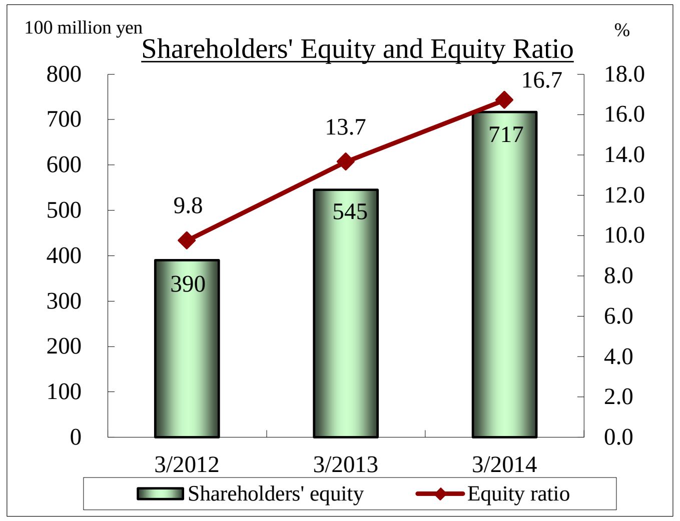
[Net assets]
Net assets increased 20.3 billion yen, reflecting an increase in retained earnings attributable to the net income, etc. for the fiscal year.
Shareholders' equity, which is net assets excluding minority interests, rose 17.1 billion yen.

As a result, the equity ratio increased to 16.7% and the net DER improved to 0.9.









* Results forecasts and forward-looking statements in this document assume information available to the Company as of the date of the announcement and estimates based on rational assumptions. Please note that actual results may differ materially from the forecasts presented here, depending on various factors.
* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.