Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Nine Months of the Fiscal Year Ending March 2015 (Japanese Accounting Standards)

February 4, 2015

Company name: Kanematsu Corporation
Stock Exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
Representative: President and CEO, Masayuki Shimojima
Contact: General Manager of Accounting Dept., Takashi Otsuka TEL (03) 5440-8111
Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): February 13, 2015
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated business results for the first nine months of the fiscal year ending March 2015 (April 1, 2014 – December 31, 2014)

(1) Consolidated business results (sum total) (%: Change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
First Nine Months to	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 2014	823,715	0.6	15,502	12.6	15,478	9.4	9,473	11.5
December 2013	818,845	10.5	13,770	3.0	14,150	21.9	8,497	17.0

(Note) Comprehensive income: 18,723 million yen (12.3%) for the first nine months to December 2014
16,671 million yen (68.2%) for the first nine months to December 2013

	Net income per share	Net income per share (diluted basis)
First Nine Months to	Yen	Yen
December 2014	22.55	–
December 2013	20.23	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2014	458,287	113,882	18.7
As of March 31, 2014	428,459	96,204	16.7

(Reference) Shareholders' equity: 85,806 million yen as of December 31, 2014
71,657 million yen as of March 31, 2014

2. Dividends

	Annual dividends				
(Record date)	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2014	–	1.50	–	1.50	3.00
Fiscal year ending March 2015	–	2.50	–		
March 2015 (Forecasts)				1.50	4.00

(Note) Revisions to dividend forecasts published most recently: None

(Note) Breakdown of dividends to be paid at the end of the second quarter of fiscal year ending March 2015: common dividend 1.50 yen, commemorative dividend 1.00 yen

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

(%: Changes from the previous fiscal 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

(Note) Revisions to results forecasts published most recently: None

* Notes

(1) Important change in subsidiaries during the term (Change in scope of consolidation): Yes

New: one company (Kanematsu-NNN Corporation) Exception: –

(Note) For details, please see the statement under the heading of "2. Matters Relating to Summary Information (Notes), (1) Important change in subsidiaries during the term" on page 4 of accompanying materials.

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see the statement under the heading of "2. Matters Relating to Summary Information (Notes), (2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements" on page 4 of accompanying materials.

(3) 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.:	Yes
3. Changes in accounting estimates:	None
4. Restatement:	None

(4) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock

First nine months (2014/12):	422,501,010 shares	Fiscal year (2014/3):	422,501,010 shares

2. Number of treasury stock

First nine months (2014/12):	2,759,471 shares	Fiscal year (2014/3):	2,323,295 shares

3. Average number of shares during the period (First nine months)

First nine months (2014/12):	420,055,818 shares	First nine months (2013/12):	420,033,013 shares

* 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

The results forecasts and forward-looking statements included in this document are based on information that the Company has obtained on the date of the announcement and certain assumptions that the Company considers reasonable. The Company makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to "(3) Information on the future outlook, including consolidated business performance forecasts" in "1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2015" on page 3 of accompanying materials for further information on results forecasts.

Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results, Etc. for the First Nine Months of the Fiscal Year Ending March 2015

(1) Details of consolidated results

In the first nine months (from April 1, 2014 to December 31, 2014) of the fiscal year under review, the U.S. economy remained strong. However, Chinese economic growth tended to slow, reflecting a decline in real estate market conditions. In Europe, the economy stagnated, and concerns about deflation grew. Emerging economies in Asia continued to stage a moderate recovery despite the influence of a slowdown in the Chinese economy and political instability.
The Japanese economy stayed on a modest recovery trend against the backdrop of very stable employment and income environments, although consumer spending remained weak after the consumption tax hike.

In this environment, the results of the Group for the first nine months under review are as shown below.
Consolidated net sales rose ¥4,870 million (0.6%) year on year, to ¥823,715 million. The consolidated gross trading profit increased ¥2,654 million (4.2%) from a year earlier, to ¥65,364 million. Consolidated operating income rose ¥1,732 million (12.6%) from the previous fiscal year, to ¥15,502 million. Non-operating income/expenses decreased ¥402 million, reflecting a decline in foreign exchange gains, among other factors. As a result, consolidated ordinary income climbed ¥1,328 million (9.4%) year on year, to ¥15,478 million. Income before income taxes and minority interests jumped ¥2,364 million (16.8%) from a year ago, to ¥16,432 million. Consolidated net income rose ¥976 million (11.5%) year on year, to ¥9,473 million.

Results for each business segment are described below.

(i) Electronics & Devices

The electronics components and materials business and the semiconductor parts business remained brisk, reflecting growth in the in-car electronic components and materials business, attributable to the expansion of the market, the strong U. S. economy and an increase in the production of new mobile terminals, which became positive factors. The ICT solutions business and the mobile solutions business remained steady thanks to success in the expansion of the business base of the mobile solutions business.
As a result, net sales in the Electronics and Devices Division rose ¥278 million year on year, to ¥194,323 million. Operating income climbed ¥986 million to ¥5,502 million.

(ii) Foods & Grain

The meat products business was favorable overall reflecting a rise in demand and the steady trends of the market. In the foodstuff business, the transactions of both grains and feed remained smooth.
As a result, in the Foods & Grain Division, net sales fell ¥2,463 million from a year earlier, to ¥233,637 million. Operating income increased ¥646 million to ¥2,759 million.

(iii) Steel, Materials & Plant

In the plant business, transactions concerning plant infrastructure in South East Asia were strong. In the iron and steel business, transactions involving specialty steels for automobiles in Europe and America remained steady, but demand was weak in the mainstay business of oilfield tubing. The energy business had a tough time reflecting a decline in demand during the summer season and a sharp drop in crude oil prices.
As a result, net sales in the Steel, Materials & Plant Division climbed ¥4,546 million from the previous fiscal year, to ¥347,411 million. Operating income declined ¥809 million to ¥4,821 million.

(iv) Motor Vehicles & Aerospace

In the aerospace business, transactions of aircraft parts remained stable. The motor vehicles and parts business remained stable overall centering on transactions involving motorcycle and motor vehicle parts in Europe, the United States, and Asia.
As a result, in the Motor Vehicles & Aerospace Division, net sales rose ¥4,694 million year on year, to ¥46,247 million. Operating income grew ¥950 million to ¥2,185 million.

(v) Other

Net sales decreased ¥2,186 million from a year earlier, to ¥2,094 million. Operating income fell ¥51 million to ¥174 million.

(2) Details of financial position

(i) Assets, liabilities and net assets

Total assets at the end of the first nine months of the fiscal year under review increased ¥29,828 million from the end of the previous fiscal year, to ¥458,287 million.

Interest-bearing debt decreased ¥2,809 million from the end of the previous fiscal year, to ¥139,096 million. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, rose ¥9,448 million from the end of the previous fiscal year, to ¥77,486 million.

Net assets stood at ¥113,882 million, up ¥17,678 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 an improvement in foreign currency translation adjustment attributable to foreign exchange rate fluctuation. Shareholders' equity, obtained by subtracting minority interests from net assets, rose ¥14,149 million from the end of the previous fiscal year, to ¥85,806 million.

As a result, the equity ratio improved 2.0 percentage points from the end of the previous fiscal year, to 18.7%. The net debt-equity ratio ("net DER") was 0.9 times.

(ii) Cash flows

During the first nine months of the fiscal year under review, net cash used in operating activities stood at ¥5,140 million, net cash used in investing activities amounted to ¥4,044 million, and net cash used in financing activities came to ¥5,991 million. As a result of the adjustment of exchange gains and losses on cash and cash equivalents, cash and cash equivalents at the end of the first nine months of the fiscal year under review stood at ¥60,534 million.

(Cash flows from operating activities)

Net cash used in operating activities during the first nine months of the fiscal year under review stood at ¥5,140 million (versus ¥12,438 million net cash provided during the first nine months of the previous fiscal year), primarily reflecting operating income and an expenditure due to an increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities in the first nine months under review was ¥4,044 million (versus ¥973 million in the first nine months of the previous fiscal year) due to the acquisition of tangible fixed assets, etc.

(Cash flows from financing activities)

Net cash used in financing activities in the first nine months under review stood at ¥5,991 million (versus ¥7,661 million in the first nine months of the previous fiscal year), reflecting the repayment of debt, among other factors.

(3) Information on the future outlook, including consolidated business performance forecasts

We have not changed the forecasts for consolidated results that we announced on May 9, 2014.

The forecasts above are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not guarantee that the forecasts will be achieved. Actual results may differ materially from forecasts due to a number of factors.

2. Matters Relating to Summary Information (Notes)

(1) Important change in subsidiaries during the term

Kanematsu-NNK Corporation, which had been an equity method affiliate of the Company in the past, became a consolidated subsidiary through the acquisition of additional shares during the first nine months of the fiscal year under review.

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Certain consolidated subsidiaries calculated tax expenses by multiplying income before income taxes and minority interests by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated income before income taxes for the fiscal year, including the first nine months under review.

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

Changes in accounting policies

(Application of accounting standard for retirement benefits)

The provisions of the main clause of Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; "Accounting Standard") and the main clause of Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; "Guidance") were adopted in the first three months of this fiscal year, and the method of calculating retirement benefit obligations and service costs was reviewed. The method of allocating expected retirement benefits to periods has been changed from the fixed-amount method to the projected benefit method, and the discount rate has been changed from a discount rate based on the number of years approximating the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period.

The Accounting Standard and Guidance are adopted in accordance with transitional accounting as stipulated in Article 37 of the Accounting Standard, and we have made an adjustment for the financial impact of the change in the method of calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first nine months under review.

As a result, at the beginning of the first nine months under review, net defined benefit liability rose ¥797 million and retained earnings fell ¥681 million. In the first nine months under review, operating income, ordinary income, and income before income taxes and minority interests each increased ¥64 million.

(Change in depreciation method for tangible fixed assets)

The Company and certain domestic consolidated subsidiaries mainly used the declining-balance method as the depreciation method for tangible fixed assets. From the first three months of this fiscal year, however, the Company and certain domestic consolidated subsidiaries are using the straight-line method.

Following acquisitions of businesses by the Group in Japan and overseas, the relative importance of companies adopting the straight-line method increased, and the Group examined its use of its tangible fixed assets in detail. Based on this examination, the Group expects that the economic benefits of the assets will be used evenly during their service life and has changed the depreciation method to the straight-line method.

The effect of the change on earnings is minor.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and bank deposits	73,867	61,609
Notes and accounts receivable	178,984	187,385
Lease investment assets	541	289
Short-term investment securities	16	3
Inventories	66,256	85,034
Short-term loans receivable	825	329
Deferred tax assets	2,660	1,977
Other	22,364	32,055
Allowance for doubtful accounts	(149)	(178)
Total current assets	345,366	368,506
Long-term assets		
Tangible fixed assets	24,218	28,875
Intangible fixed assets		
Goodwill	3,175	4,931
Other	8,531	8,604
Total intangible fixed assets	11,706	13,536
Investments and other assets		
Investments in securities	32,198	35,422
Long-term loans receivable	1,798	2,144
Doubtful accounts	902	870
Deferred tax assets	8,782	5,750
Other	6,236	5,996
Allowance for doubtful accounts	(2,750)	(2,816)
Total investments and other assets	47,167	47,368
Total long-term assets	83,093	89,780
Total assets	428,459	458,287

(Million yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable	142,821	149,454
Short-term borrowings	80,792	78,732
Lease obligations	760	780
Accrued income taxes	1,951	408
Deferred tax liabilities	1	–
Asset retirement obligations	6	101
Other	32,302	40,599
Total current liabilities	258,635	270,077
Non-current liabilities		
Long-term borrowings	61,113	60,364
Lease obligations	1,033	1,322
Deferred tax liabilities	368	364
Net defined benefit liability	4,630	5,441
Provision for retirement benefits for directors and statutory auditors	387	342
Asset retirement obligations	804	807
Other	5,281	5,684
Total non-current liabilities	73,620	74,327
Total liabilities	332,255	344,405
Net assets		
Shareholder's equity		
Common stock	27,781	27,781
Capital surplus	27,493	27,494
Retained earnings	35,737	42,848
Treasury stock	(321)	(375)
Total shareholder's capital	90,690	97,748
Accumulated other comprehensive income		
Net unrealized gains on securities, net of tax	1,743	2,878
Net gains (losses) on deferred hedges, net of tax	(18)	1,187
Revaluation reserves for land	104	104
Foreign currency translation adjustments	(20,758)	(16,037)
Remeasurements of defined benefit plans	(104)	(75)
Total accumulated other comprehensive income	(19,033)	(11,941)
Minority interests in consolidated subsidiaries	24,547	28,075
Total net assets	96,204	113,882
Total liabilities and net assets	428,459	458,287

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

Consolidated statements of income

[First nine months]

(Million yen)

	Previous first nine months (From April 1, 2013 to December 31, 2013)	First nine months under review (From April 1, 2014 to December 31, 2014)
Net sales	818,845	823,715
Cost of sales	756,135	758,350
Gross profit	62,710	65,364
Selling, general and administrative expenses	48,939	49,861
Operating income	13,770	15,502
Non-operating income		
Interest income	271	313
Dividends income	782	735
Equity in earnings of affiliates	310	790
Foreign exchange gains	1,910	821
Other	605	934
Total non-operating income	3,880	3,596
Non-operating expenses		
Interest expenses	2,456	2,315
Other	1,044	1,304
Total non-operating expenses	3,500	3,619
Ordinary income	14,150	15,478
Extraordinary gains		
Gain on sale of tangible fixed assets	2,103	55
Gain on sale of investment in securities	170	0
Gain on closure of business	–	81
Gain on step acquisitions	–	1,123
Gain on negative goodwill	46	–
Total extraordinary gains	2,320	1,262
Extraordinary losses		
Loss on disposal of fixed assets	87	41
Impairment loss on fixed assets	1,998	4
Loss on sale of investments in securities	34	62
Loss on valuation of investments in securities	18	24
Loss on closure of business	262	–
Provision of allowance for doubtful accounts for subsidiaries and associates	–	174
Total extraordinary losses	2,402	307
Income before income taxes and minority interests	14,068	16,432
Income taxes – current	2,697	2,715
Income taxes – deferred	1,207	2,529
Total income taxes	3,904	5,244
Income before minority interests	10,163	11,188
Minority interests in consolidated subsidiaries	1,665	1,715
Net income	8,497	9,473

Consolidated statement of comprehensive income
[First nine months]

(Million yen)

	Previous first nine months (From April 1, 2013 to December 31, 2013)	First nine months under review (From April 1, 2014 to December 31, 2014)
Income before minority interests	10,163	11,188
Other comprehensive income		
Net unrealized gains on securities, net of tax	777	1,232
Net gains (losses) on deferred hedges, net of tax	123	1,182
Foreign currency translation adjustment	5,467	4,989
Remeasurements of defined benefit plans, net of tax	–	41
Share of other comprehensive income of associates accounted for equity method	138	89
Total other comprehensive income	6,508	7,534
Comprehensive income	16,671	18,723
Comprehensive income attributable to the shareholders of the Company	14,384	16,564
Comprehensive income attributable to minority interests	2,287	2,158

(3) Consolidated statements of cash flows

(Million yen)

	Previous first nine months (From April 1, 2013 to December 31, 2013)	First nine months under review (From April 1, 2014 to December 31, 2014)
Cash flows from operating activities:		
Income before income taxes and minority interests	14,068	16,432
Depreciation and amortization	2,216	2,327
Increase (decrease) in allowance for doubtful accounts	(169)	106
Increase (decrease) in provision for employees' retirement and severance benefits	(5)	–
Increase (decrease) in net defined benefit liability	–	(347)
Interest and dividend income	(1,054)	(1,049)
Interest expense	2,456	2,315
Equity in gains of affiliated	(310)	(790)
Gain or loss on sales or disposal of fixed assets (gain)	(2,015)	(13)
Impairment loss on fixed assets	1,998	4
Gain or loss on sale of investments in securities (gain), net	(135)	61
Loss on valuation of investments in securities	18	24
Gain on closure of business	–	(81)
Loss on closure of business	262	–
Loss (gain) on step acquisitions	–	(1,123)
Gain on negative goodwill	(46)	–
Decrease (increase) in notes and accounts receivable	(3,579)	459
Decrease (increase) in inventories	(4,717)	(16,536)
Increase (decrease) in notes and accounts payable	7,129	1,026
Other	727	(2,065)
Sub total	16,841	751
Interest and dividend received	1,179	1,171
Interest paid	(2,197)	(2,070)
Business structure improvement expenses	–	(530)
Income taxes paid	(3,385)	(4,462)
Net cash provided by operating activities	12,438	(5,140)
Cash flows from investing activities:		
Decrease (increase) in time deposits	75	(730)
Payments for tangible fixed assets	(1,749)	(2,297)
Proceeds from sale of tangible fixed assets	3,065	521
Payments for intangible fixed assets	(390)	(547)
Payments for investments in securities	(134)	(866)
Proceeds from sale of investments in securities	386	34
Payment for purchase of investments in subsidiaries	(96)	–
Proceeds from sales of shares of subsidiaries	766	–
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,761)	(156)
Payments for transfer of business	–	(87)
Increase in loans receivable	(95)	(68)
Decrease in loans receivable	181	220
Other	(221)	(66)
Net cash provided by (used in) investing activities	(973)	(4,044)

(Million yen)

	Previous first nine months (From April 1, 2013 to December 31, 2013)	First nine months under review (From April 1, 2014 to December 31, 2014)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	1,246	6,662
Proceeds from long-term borrowings	15,692	14,235
Repayment of long-term borrowings	(23,002)	(24,167)
Proceeds from stock issuance to minority shareholders	102	–
Cash dividends paid	(571)	(1,555)
Other	(1,129)	(1,165)
Net cash provided by (used in) financing activities	(7,661)	(5,991)
Effect of exchange rate changes on cash and cash equivalents	1,496	2,161
Net increase (decrease) in cash and cash equivalents	5,300	(13,014)
Cash and cash equivalent at beginning of year	60,032	73,548
Cash and cash equivalent at end of quarter	65,333	60,534

(4) Notes on the consolidated financial statements
(Notes on the going concern assumption)
Not applicable.

(Notes if there is a significant change in the amount of equity capital)
Not applicable.

(Segment information)
I. Previous first nine months (From April 1, 2013 to December 31, 2013)
1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Customers	194,045	236,100	342,865	41,553	814,564	4,280	818,845	–	818,845
Inter-segment	228	4	9	0	242	44	286	(286)	–
Total	194,273	236,105	342,874	41,553	814,807	4,324	819,132	(286)	818,845
Segment income	4,516	2,113	5,630	1,235	13,496	225	13,721	48	13,770

(Note 1) "Others" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
(Note 2) Adjustment of ¥48 million for segment income includes a net goodwill write-down of ¥57 million and inter-segment elimination of -¥9 million.
(Note 3) Segment income is adjusted for operating income in the quarterly consolidated statements of income.

2. Information on impairment loss on fixed assets and goodwill by reported segment
(Significant impairment loss relating to fixed assets)
Not applicable in the first nine months under review

(Significant change in the amount of goodwill)
In the Electronics & Devices segment, Kanematsu Communications and Kanematsu Electronics, both of which are consolidated subsidiaries of the Company, acquired all shares of BD Holdings, Inc. (presently Kanematsu BD Communications Ltd.), which sells mobile communication devices, through KCS Investment, which was jointly established by Kanematsu Communications and Kanematsu Electronics, on May 1, 2013, thereby making BD Holdings a consolidated subsidiary. With the acquisition, goodwill increased ¥2,753 million in the first nine months under review. Because the allocation of acquisition costs has not been completed, the amount of goodwill is calculated tentatively based on reasonable information available.

(Significant gain on negative goodwill)
Not applicable in the first nine months under review

II. First nine months under review (From April 1, 2014 to December 31, 2014)

1. Information on net sales and profits or losses by reported segment

(Million yen)

	Reported segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & Devices	Foods & Grain	Steel, Materials & Plant	Motor Vehicles & Aerospace	Sub-total				
Net sales									
Customers	194,323	233,637	347,411	46,247	821,620	2,094	823,715	–	823,715
Inter-segment	274	135	10	0	421	45	466	(466)	–
Total	194,597	233,773	347,422	46,248	822,041	2,140	824,181	(466)	823,715
Segment income	5,502	2,759	4,821	2,185	15,269	174	15,443	59	15,502

(Note 1) "Others" is a business segment that is not included in the reportable segments and includes the logistics and insurance service business, etc.

(Note 2) Adjustment of ¥59 million for segment income includes a net goodwill write-down of ¥50 million and inter-segment elimination of ¥8 million.

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

2. Information on impairment loss on fixed assets and goodwill by reported segment

(Significant impairment loss relating to fixed assets)

Not applicable in the first nine months under review

(Significant change in the amount of goodwill)

Not applicable in the first nine months under review

(Significant gain on negative goodwill)

Not applicable in the first nine months under review

(Significant subsequent events)

Kanematsu Electronics Ltd. (head office: Chuo-ku Tokyo, president: Yasuhiro Kikukawa, hereinafter the "Acquirer"), a subsidiary of the Company, resolved at a meeting of its Board of Directors held on February 4, 2015 that the Acquirer will acquire the common shares (hereinafter the "Subject Company's Shares") of Nippon Office Systems Ltd. (hereinafter the "Subject Company"), a consolidated subsidiary of the Acquirer, through tender offer (hereinafter the "Tender Offer") with an aim to change the Subject Company into a wholly-owned subsidiary.

1. Purpose of the Tender Offer

The Acquirer and the Subject Company provided different customers and markets with services making the most of both companies' strengths, although the type of their business is the same. In February 2010, the Acquirer acquired the Subject Company's Shares of 540,900 shares (25.87% of the total outstanding shares of the Subject Company as of then) from the Subject Company, and changed the Subject Company into an equity method company, with an aim of the expansion of the size of the business through cooperation with the Subject Company in consideration of the form of business, which diversified in recent years, and changes in companies' demand. In addition, the Acquirer acquired the Subject Company's Shares of 525,496 shares (25.13% of the total outstanding shares of the Subject Company as of then) through a tender offer for the Subject Company's Shares, which was made from October 2012 to November 2012. As a result, the Acquirer held the Subject Company's Shares of 1,066,396 shares (51.00% of the total outstanding shares of the Subject Company as of then) in total, and changed the Subject Company into a consolidated subsidiary of the Acquirer.

The Acquirer obtained certain results as a result of changing the Subject Company into a consolidated subsidiary during the above-mentioned two years. However, medium and small enterprises' and middle-ranking companies' motivation to invest in information technology was not enhanced to the level before the economic downturn precipitated by the Lehman Brothers bankruptcy. In addition, price and revenue competition was intensified within the industry due partly to the entry of newly established companies. It is recognized that the business results of the Subject Company continues to be unpredictable. Therefore, the Acquirer judged that it is necessary for the

Acquirer and the Subject Company to meet customers' needs from a similar viewpoint to survive the fierce struggle within the industry in the future, and integrate their decision-making and establish flexible and strategic business management systems through complete unification of capital relation and business strategy and mutual use of their management resources by removing barriers. In mid-November 2014, the Acquirer put feelers out to the Subject Company about the possibility of proposal of, and consultation about a deal, the purpose of which is for the Acquirer to change the Subject Company into a wholly-owned subsidiary. In mid-December 2014, with the receipt of a reply that the Subject Company will examine such matters, the Acquirer and the Subject Company started specific consultations, and held several consultations.

As a result of the consultations, the following conclusions were drawn to enhance stably and continuously the corporate value of the Group including the Subject Company and the Acquirer.

- The Acquirer and the Subject Company as the core company of the Kanematsu Group in ICT solutions area should realize integrated management with the parent company-wholly-owned subsidiary relationship and gain competitive power through investments focused on new areas.
- The Subject Company needs to grow business sustainably by responding to a harsh and quickly changing industry environment through the sharing of information on business management and the speeding-up of decision-making.

2. Profile of the Subject Company

(1) Name: Nippon Office Systems Ltd.
(2) Address: 2-10-24, Shiomi, Koto-ku Tokyo
(3) Name and position title of representative:
Naoya Ojima, President and Representative Director
(4) Business: Information service business and system sales business
(5) Capital stock: ¥1,177 million (as of September 30, 2014)
(6) Date of incorporation: October 1, 1982

3. Outline of the Tender Offer

The Acquirer held the Subject Company's Shares of 1,142,596 shares (shareholding ratio (Note): 54.65%) as of February 4, 2015, and the Subject Company is a consolidated subsidiary of the Acquirer.

(Note) The shareholding ratio denotes a ratio to the number of shares (2,090,733 shares) which was obtained by deducting the number of treasury shares (267 share) held by the Subject Company as of September 30, 2014, as shown in the financial statement for the first half of the 33rd fiscal year which was submitted by the Subject Company on November 7, 2014, from the number of total outstanding shares (2,091,000 shares) as of November 7, 2014, which is stated in the above financial statement (third decimal places were discarded).

The Acquirer did not set the lower limit and upper limit of the number of shares planned to be purchased for the Tender Offer and, therefore, all of the share certificates, etc., subscribed will be purchased.

(1) Number of shares planned to be purchased: 948,137 shares
(2) Lower limit of the number of shares planned to be purchased:
Nil
(3) Upper limit of the number of shares planned to be purchased:
Nil
(4) Period of purchase, etc.: From February 5, 2015 to March 19, 2015 (30 business days)
(5) Purchase price: ¥2,100 per common share
(6) Purchase cost: ¥1,991 million
(Note) The purchase cost denotes an amount that is obtained by multiplying the number of shares planned to be purchased (948,137 shares) by the purchase price for the Tender Offer (¥2,100 per share).
(7) Date of the start of settlement: March 26, 2015
(8) Method to raise funds for purchase: Appropriation of own funds

[Supplementary material]

February 4, 2015
Kanematsu Corporation

Highlights of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 2015

Revenue and income rose from a year earlier. Results were favorable compared with the full year's forecast.

Net sales	**823.7 billion yen**	**0.6% Up**
Operating income	**15.5 billion yen**	**12.6% Up**
Ordinary income	**15.5 billion yen**	**9.4% Up**
Net income	**9.5 billion yen**	**11.5% Up**

Income Statement

(Unit: 100 million yen)	Q3 of FY2014	**Q3 of FY2015**	Year-on-year Change	Year-on-year Change (%)	FY2015 Forecasts	FY2015 Progress
Net sales	8,188	**8,237**	49	0.6%	11,500	71.6%
Gross trading profit	627	**654**	27	4.2%	-	-
SG&A expenses	489	**499**	9	1.9%	-	-
Operating income	138	**155**	17	12.6%	220	70.5%
Dividends income	8	**7**	(0)	-	-	-
Interest	(22)	**(20)**	2	-	-	-
Equity in earnings of affiliated companies	3	**8**	5	-	-	-
Foreign exchange gains/losses	19	**8**	(11)	-	-	-
Others	(4)	**(4)**	1	-	-	-
Non-operating income/expenses	4	**(0)**	(4)	-	-	-
Ordinary income	142	**155**	13	9.4%	205	75.5%
Extraordinary gains/losses	(1)	**10**	10	-	-	-
Income (loss) before income taxes and minority interests	141	**164**	24	16.8%	-	-
Income taxes and minority interests	56	**70**	14	-	-	-
Net income	85	**95**	10	11.5%	110	86.1%

[Net sales]
Total consolidated net sales increased 4.9 billion yen year on year, chiefly reflecting a rise in net sales of the steel, materials & plant segment and the motor vehicles and aerospace segment.

[Operating income]
Consolidated operating income rose 1.7 billion yen from a year earlier because businesses remained brisk overall in the electronics & devices segment and the motor vehicles and aerospace segment.

[Ordinary income]
Consolidated ordinary income increased 1.3 billion yen, reflecting a rise in consolidated operating income.

[Net income]
Consolidated net income grew 1.0 billion yen year on year, reflecting a rise in consolidated ordinary income and an extraordinary gain on the change of Kanematsu NNK Corporation into a consolidated subsidiary.

Segment information

(Unit: 100 million yen)	Net sales (net external sales) Q3 of FY2014	Net sales Q3 of FY2015	Net sales Change	Operating income Q3 of FY2014	Operating income Q3 of FY2015	Operating income Change
Electronics & Devices	1,940	**1,943**	3	45	**55**	10
Foods & Grain	2,361	**2,336**	(25)	21	**28**	6
Steel, Materials & Plant	3,429	**3,474**	45	56	**48**	(8)
Motor Vehicles & Aerospace	416	**462**	47	12	**22**	10
Total for reportable segments	8,146	**8,216**	71	135	**153**	18
Other (including adjustment)	43	**21**	(22)	3	**2**	(0)
Grand total	8,188	**8,237**	49	138	**155**	17

[Electronics & Devices] Increased net sales and income
The electronics components and materials business and the semiconductor parts business remained brisk, mainly because of the growth of the in-car electronic materials and parts business, which was attributable to the expansion of the market, the strong U. S. economy and an increase in production of new-type mobile terminals, which became positive factors. The ICT solutions business and the mobile solutions business remained steady thanks to the successful expansion of the business base of the mobile solutions business.

[Foods & Grain] Decreased net sales and increased income
The meat products business was favorable overall reflecting a rise in demand and the steady trend of the market. In the foodstuff business, the transactions of both grains and feed remained smooth.

[Steel, Materials & Plant] Increased net sales and declined income
In the plant business, transactions of plant infrastructure in Southeast Asia were strong.
In the iron and steel business, transactions involving automobile-use special steels for Europe and America remained steady, but demand was weak in the oilfield tubing business, mainstay business.
The energy business had a tough time reflecting a decline in demand during the summer season and a sharp drop in crude oil prices.

[Motor Vehicles & Aerospace] Increased net sales and income
In the aerospace business, transactions of aircraft parts remained stable. The motor vehicles and parts business remained stable overall, centering on transactions involving motorcycle and motor vehicle parts for Europe, the United States, and Asia.

Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2014	**12/2014**	Comparison with 3/2014 Change	Comparison with 3/2014 Change (%)
Total assets	4,285	**4,583**	298	7.0%
Gross interest-bearing debt	1,419	**1,391**	(28)	(2.0%)
Net interest-bearing debt	680	**775**	94	13.9%
Equity capital	907	**977**	71	7.8%
Accumulated other comprehensive income	(190)	**(119)**	71	-
Minority interests	245	**281**	35	14.4%
Total net assets	962	**1,139**	177	18.4%
Shareholders' equity (Note 1)	717	**858**	141	19.8%
Equity ratio (Note 2)	16.7%	**18.7%**	Improved by 2.0 pt	-
Net debt-equity ratio (Note 3)	0.9 times	**0.9 times**	-	-

(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

[Interest-bearing debt]
Gross interest-bearing debt declined 2.8 billion yen.
Net interest-bearing debt increased 9.4 billion yen.

[Net assets]
Net assets rose 17.7 billion yen thanks to an increase in retained earnings as a result of the posting of net income and an improvement in foreign currency translation adjustment attributable to foreign exchange rate fluctuation.
Shareholders' equity, obtained by subtracting minority interests from net assets, increased 14.1 billion yen.

As a result, the equity ratio improved to 18.7%.
Net DER remained 0.9 times.

Cash Flows

(Unit: 100 million yen)	Q3 of FY2014	**Q3 of FY2015**
Cash flows from operating activities	124	**(51)**
Cash flows from investing activities	(10)	**(40)**
Free cash flows	115	**(92)**
Cash flows from financing activities	(77)	**(60)**
Effect of exchange rate changes	15	**22**
Increase (decrease) in cash and cash equivalents	53	**(130)**

[CF from operating activities]
Net cash used in operating activities stood at 5.1 billion yen, primarily reflecting operating income and expenditure due to an increase in inventories.

[CF from investing activities]
Net cash used was 4.0 billion yen, chiefly reflecting payments for acquisition of tangible fixed assets.

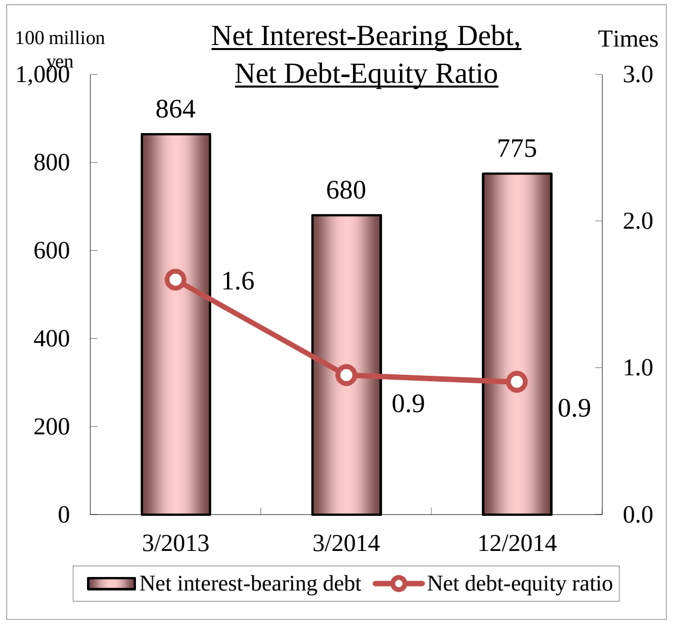
[CF from financing activities]
Net cash used was 6.0 billion yen chiefly due to the repayment of debt.

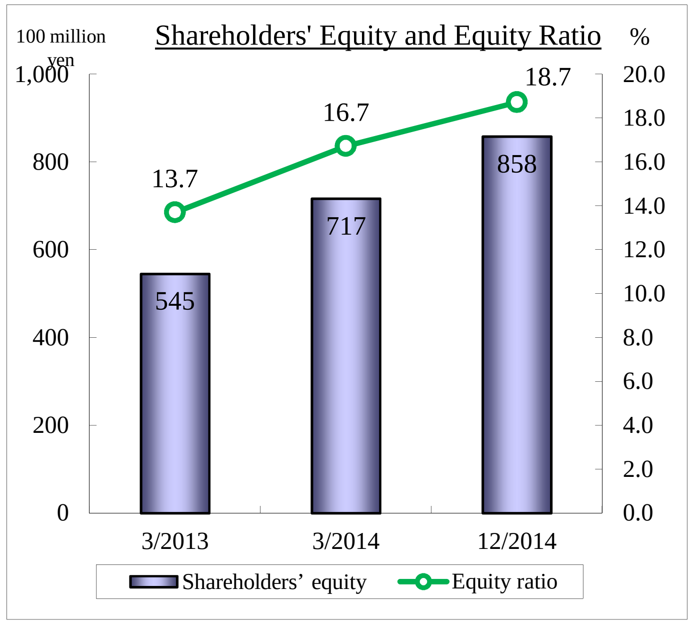
Dividends

FY2015

Interim	**2.5 yen** per share
Year-end (forecast)	**1.5 yen** per share
Annual (forecast)	**4.0 yen** per share

* A breakdown of interim dividends
Common dividends of **1.5 yen**
Commemorative dividend of **1.0 yen**





* The forward-looking statements, including results forecasts, included in this material are based on information that the Company has obtained and certain assumptions that the Company considers reasonable. The Company does not promise to achieve them. Actual results might differ materially from the forecasts due to a number of factors.
* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.
* FY2014 (the fiscal year ended March 31, 2014)
* FY2015 (the fiscal year ending March 31, 2015)