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↓ Kanefusa as Real Global Company

Mr. T. Hirako - Managing Director (Overseas Division)

As our 2010 management policy, we have "Kanefusa as real Global Company". As proved by our newly launched Kanefusa India Private Limited, Kanefusa has been expanding its sales network and business across the countries. However, to be a global company - I think - there are several points that we should work on.

HUMAN RESOURCES

Communication ability is the first thing required for people working in a global company. Generally, communication skill refers to language ability and the power to impart information. However, knowledge and information is essential in any form of useful communication. Without the knowledge of our products, material, production process and related industry, you cannot expect useful exchange of ideas and opinions with your partners. Of course the presentation skill is also important for a smooth communication. We value persons who have a strong motivation for persuading people and attract listeners. Integrity and a respectful human character are indispensable to get attention from other people for better communication.

GLOBAL STANDARD PRODUCT AND BENCHMARK

We take pride in the acknowledged fact that *Kanefusa* made Ferro Max Cold Saw Blade as a global standard for metal sawing. The sawing concept is considered as Japanese oriented,

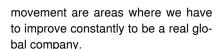
and due to this acknowledgement it has brought a high esteem for the *Kanefusa* technology with the ensu-

ing profit for the company the customers. It is our responsibility and desire to make more global standard products in the future. Even for conventional products. products should remain benchmarks for other manufacturers, which is

then an indication of the high standard of our products.



One of the definitions of globalization is that the people, goods and money flow without national boundary. This is only possible with the flexible structure of the company. Liquidity of an organization is essential to act global. With the rapid changes of the business climate, the focus in such business domains may change often and the right and timely placement of human resources is very important. The flow of goods has to be done with proper logistics. The delivery and stock system, flexible and optimal for all the oversea markets, has to be built for on time availability of our products for every customer. Cash flow and money





DIVERSITY

Kanefusa has been dealing with many different business domains, and even try to add new ones. In today's market, we care more about the customers' demands of new cutting tools in the light of the present environment-friendly and resource conservation trend. It is a touchstone of a real global company, if we can establish more business in these new domains. Our overseas subsidiaries should grow based on the company philosophy, while enjoying regional diversities. Such diversities should be turned into the advantages and strength of the global company group.

We would appreciate if you could help us to achieve our goal

↓ Launch of Kanefusa India - New Base in India

Mr. S. Egawa – General Manager (Kanefusa India Private Limited)

Kanefusa India, KFIN, has joined our list of subsidiaries last year, which is now a licensed incorporation of our company starting from Aug 18th 2009 approved by the Indian government authority. The market in India has large expectations from everyone and *Kanefusa* took a further big step in this market.

The main activity is importing and selling Kanefusa products and operating resharpening services. To meet the drastic growth and changing needs of the market in India, we think "streamline" is the most important keyword for us. In total, 6 selected staffs, one Japanese general manager and sales person, one local manager operations, one local assistant team leader, one accountant and two local grinding employees. For covering business activities all across India, our main operation policies are "streamlined administration and management making full use of OA devices", "all staff members work as a sales representative" and "multitasking operation". Right from the beginning we practice paperless administration by completely controlling information and records on databases. Also, the office and grinding service center are managed by a Japanese oriented 5S system, which means "5 elements for ideal working environment condition".

On February 18th, an opening ceremony for KFIN was held, that Mr. Watanabe, president and Mr. Hirako, managing director have also joined. On that day, it was just about a half year has passed since the foundation of the company. Under the clear sky, we were happy to have an



intimate small ceremony inviting people involved in the establishment of KFIN. It's all result of and excellent efforts of them and it was a good moment to appreciated them so much.

"Turban and curry" might be typical image of India for some people. However, it has various cultural, historical and geographical originalities and aspects. It's a mixed country with big IT companies and traditional craft industry at the same place.

In New Delhi, the commonwealth games will be held for 10 days. It's of high interest to the public and they are so excited to appeal their vigorous presence. So do we, in the machine tool industry, we are excited to consolidate our presence in India as soon as possible as a new member of the *Kanefusa* group.





★ The Russian Furniture Industry and the Board Pro Series

Mr. N. Miyamoto (Kanefusa Europe B.V.)

During the Soviet period there was only identical furniture with minimum variations for design - this was true for other consumer products as well. The extremely low quality of Russian production due to inefficient and inflexible plan economy was very famous, not only in the furniture industry. After the collapse of the Soviet Union, the volume of furniture production started to fall in 1990 and reached a level of 50% in 1997. In 2000, the Russian economy recovered from its chaotic era caused by the devaluation of the Russian Ruble in 1998 and started to grow. The furniture market also started growth, enabled on one hand by the modernization of furniture production and on the other hand by a growth in spending power.

Speaking about the modernization of furniture production, Russian furniture enterprises examined the experience from other countries, especially from Western Europe, to acquire new modern equipment, to learn new design and to use new material. Many Russian furniture brands have not only increased production volumes and sales of their products, expanded their product range and bottom-upped quality in the lowest price market segment, they have also successfully made inroads into the medium price category, which were formerly out of their range and dominated only by import furniture. Chipboard factories also modernized their equipment and learned production process from Anglo European countries. Today the output volumes of chipboard in Russia almost entirely cover the demands of the domestic furniture industry in the mass produced segment.

Speaking about cutting tools in Russia, among the secondly woodworking segment, include furniture production, the high quality tools are mainly imported from Western Europe, especially from Germany whereas lower category tools mainly came from Eastern Europe and China.

Kanefusa introduced the Board Pro 3 series for panel sizing machines and Board Pro Plus for table sawing machines. They have 2 to 3 times better performance in terms of cutting edge quality, cutting life and straightness of saw-body and are now making a breakthrough among furniture enterprises. The Board Pro Series created successfully their position as "the highest quality cutting tool from Japan". During the exhibition WOODEX 2009 in Moscow, Kanefusa was prized as "the most promising young enterprise" by the exhibition organizers. Despite the economical crisis, our perspective in Russia is very optimistic.





V Primary Forestry Industry - ST-1 Planer Knife

Mr. H. Oda (Kanefusa USA, Inc.)

Kanefusa USA, Inc. is expanding its business not only into the secondary woodworking industry, but also into the primary wood processing industry. The recent two trade shows for the primary wood industry (Expo 2009 in New Orleans and Wood Technology 2010 in Portland) gave us a good opportunity to introduce our high quality and original products. Here, I would like to point out to the ST-1 Planer knife which is drawing more attention now.

British Columbia, Canada is the world No.1/S-P-F (spruce, pine & fir) lumber producing area. When we focus on sawmill manufacturers, a user produces 60,000 m³ of dimensional lumber per year working in 2 shifts, 16 hours daily. At the planer line, they used competitor's HSS planer knives and were forced to change the knives every 2.5 days. Kanefusa has promoted the ST-1 Advanced Material Technology coated knife to this customer and as a result, the life extends remarkably by more than 4 times compared to the competitor's product. They are quite happy with this decrease of machine downtime and also the much better finish quality.

Because our ST-1 is coated on the face side of the knife, where the hardest part of the knife is, the wear appears on the bevel side. That is why the edge stays sharp. We call it "Self Sharpening Effect". On the other hand, the competitor knife gets worn from both, the face and the bevel side and this makes the edge point dull. It tends to friction and the material surface is rougher and therefore worse.

The jointing interval of the conventional knife was every 4 hours, but with our ST-1 knife the interval is every 8-9 hours, just because the sharp edge is kept much longer. This jointing makes its edge even again.

Compared to conventional knives, which gets dull at the face and bevel side, the ST-1 knife is much less worn as only one side gets damaged. At this customer, the jointed passes reduced to 8 times with help of the ST-1 knife, while the competitor knife scores at 20 (minus 60%). Thanks to these effects, they could leave the knife for 10 days without changing it.

Feature and benefits

➤ Extending of jointing interval thanks to the "Self Sharpening Effect" ➤ More jointed times by less amount of jointing each time ----> Thus more than 4 times longer life!!

Thinking about the user values, the following points are proved;

➤ More machine run time by less joint time in each period due to a less number of passes, extended jointing intervals and longer period service time until next knife change ➤ More added value on the product by improved surface quality ➤ Decrease of running cost (cost of knife, comprehensive maintenance cost such as jointing stone, grinding wheel, grinding coolant electricity, labor etc.)

The housing market in the U.S., peaked 2 million units in 2006 and now under the recession, it declined to around 60,000 this year.

Influenced by this situation in the U.S., which is Canada's biggest foreign market, manufactures of 2x4 dimensional lumber are much more conscious about the cost management. Consequently, more and more ST-1 planer knives will be required.





A New Dimension of Performance

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