



# NEWS

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## ↓ ↓ New Year's Greeting 2011

**M. Watanabe – President**

Happy New Year! I hope you had wonderful moments with your family and friends during the holidays. On behalf of **Kanefusa**, I am very grateful for the kindness that you showed us last year.

In 2010, it became clear that the economic dynamism of developing countries overtook that of developed countries. The financial crisis in Greece and Ireland caught a lot of attention and the weak economy of Latin countries made the whole economy stagnant. The American economy recovered gradually, but the situation is not all optimistic due to the lack of a strong leadership of the US government and the financial anxiety. On the other hand, the economy of developing countries in East Asia, mainly China and those with the strong domestic demand like India and Brazil maintained big growth involving neighbouring countries. In Japan, pessimism regarding the Japanese economy was strong and business recovery

was poor. Emergency economic packages took effect but the slump of stock market and the appreciation of the yen affected the export business seriously.

In this difficult situation, **Kanefusa** has achieved the expected sales budget in the domestic market thanks to the expansion of the present market share and the development of new markets. In the overseas market, owing to the booming economy in China, East Asia and also the American automobile industry, we marked a very strong recovery from previous year's recession. As a result, we expect that we will make reasonable operational profit by the end of the fiscal year, a big change from last year's deficit. I feel that this was a great achievement especially in view of the strike in our Indonesian factory that lasted from mid June through December last year.

We resumed formulating our three-year mid term management plan that



was suspended after Lehman's shock. In addition, during last year, **Kanefusa** do Brazil was launched soon after **Kanefusa** India started its actual operation. I believe again that the new goals, challenges and dreams are always possible to achieve. This is our very important first year of the midterm management plan.

## ↓ ↓ Resolution: Overseas Division for 2011

**H. Tsuruta – General Manager, Overseas Division**

A fresh year has just started. This year is the first year of the mid term management plan from 2011 through 2013. To achieve our goal of an overseas sales ratio of 50%, we have to grow drastically for the next three years and this cannot be done only with an extension of natural growth. To be recognized in the world as a real

global company, the overseas division will work on the following issues this year.

- 1) Establish **Kanefusa** Brand in the global market

We will participate in LIGNA in May and EMO in September, both of them

are the biggest trade shows for each industry in the world. Through trade shows we create a strong brand image of high quality machinery knives and saw blades.

We'd like to make "**Kanefusa**" a synonym for "Differenti-

ated and Reliable products”.

- Periodical advertisement on industrial magazines, especially for metal working domain.
- Enhance the recognition of **Kanefusa** products by supplying **Kanefusa** products to machine builders as OEM supplier.
- Hold **Kanefusa** seminars for dealers during the tradeshow week.
- Supply information through our website in English and multiple languages.
- Build up a logistic and inventory system for supplying a range of products speedy.
- Consider a global common inventory system and select items and quantity for KFJ and overseas affiliated companies suitable for each market. Integrate item codes and share the inventory information within the group online.

#### 2) Expand sales and service network

- Expand sales network by developing new sales dealers.
- Start up a new sales office and grinding shop in China.
- Prepare the plant construction of **Kanefusa** do Brazil.
- Develop marketing and sales in Eastern Europe and Russia.
- Enlarge grinding service at **Kanefusa** India and **Kanefusa** USA.

#### 3) Effective use of SE

- Hold technical meetings regularly with machine builders. Provide comprehensive technical proposition and increase their confidence in **Kanefusa** products.
- Provide technical presentations and sales propositions to users and dealers.

#### 4) Strengthen sales force

- Train both Japanese and local sales persons.
- Reform and speed up training system for sales persons.
- Provide presentations on strategic items to major dealers.

#### 5) Management of trade account receivable

- Observe credit report to set a fair credit limit.
- Conclude agreement on general terms and conditions and review them regularly depending on sales amount.

There were only 10 people in the office when I was transferred to the overseas division 30 years ago. It was a small section with a very small turnover, incomparable with the sales budget of 2011. We have now around 500 workers altogether with the overseas division in the head office and offshore staffs. All these staffs have pride of being professional and we will surely carry out as planned to achieve the goal. It is said that the total demand of machinery knives and sawblades is JPY 200 billion. As a first step, our goal is 10% of the global market share.

## ↓↓ Challenge for Kanefusa India

**S. Egawa – General Manager, Kanefusa India Pvt. Ltd.**

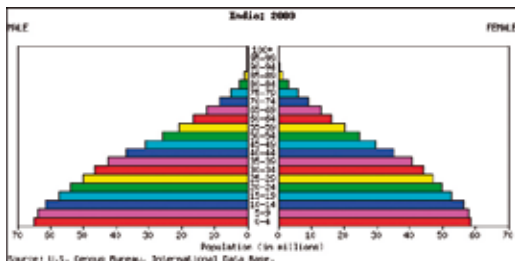
What kind of image does this word bring to you in first place, “India”? Everlasting heat, curry, turbans, Yoga, Bollywood films and the world-famous Taj Mahal? It depends on each person and all of the previously mentioned terms are “India”, but only a small part of it.

Personally, it's been already 4 years to be in charge of the Indian market, but I still make new and surprising discoveries. Those experiences make me realize the long heritage history and diverse culture of this country. The attractive country plays an important role among BRICs and its economic power is very strong and it obviously has a lot of commercial potential. India has the second largest populations with 1.1 billion.

The shape of the population pyramid is ideal, because it spreads wider at the bottom where younger people are located. Abundant working manpower and spending power are promising for the future of this country.

In these days the middle class, around 300 million people who have an annual income around 5,000 to 20,000 dollars, lead the consumption. Their average annual incomes keep increasing about 5 to 10% per year. Thanks to the expansion of the domestic consumptions, the GDP rose 8.9% from October to December 2010.

Throughout 2011 the rise will be 8.5% and comparing the increasing rates, In-



dia nearly reaches the level of China. Not only world major IT companies, but also the high level of the automobile industry, to which **Kanefusa** relates a lot, is outstanding in India.

The latter come back from the depression, after Lehman's fall, compared to other industries which can be seen from the production amount. The seven months from April to December 2010



cumulated to a business volume of over 1.4 million (a 34% plus compared to the same period of the previous year). In this budgetary year around 2.4 millions sales of cars is estimated. The famous car "NANO", which costs 100 thousand rupees - around 2,200 dollars - of TATA Motors, is steadily developing sales and is often seen on the streets. **Kanefusa** India Private Limited,

hereinafter called KFIN, is a fresh subsidiary established on Aug 18th, 2009. We mainly work with existing customers of FM cold saw blade by now. We have 8 staffs, 2 Japanese and 6 local people. For the next budgetary year we set our sales goal 2.2 times higher compared to this year and we are encouraged and excited about this high level.

In India customers are very special regarding price and service. Even price negotiation is taken for granted.

Therefore, the first proposal is considered as "before deduction" and if it's without deduction, it sometimes make them upset.



As these experiences are not familiar to us, it sometimes surprises us, but we feel their power at the same time. Hence, people take time for sales negotiations and business in India is apparently tough. In this tough and challenging market, we will

- 1) develop re-grinding services and yield a profit.
- 2) enhance sales of PCD saw blades for aluminum cutting.
- 3) increase sales of plywood and paper cutting knives.

All of them are promising and are large markets. Of course, it's never easy due to other competitors. However, we'd like to develop products that fit perfectly to the Indian market and make a strong appearance in this country.

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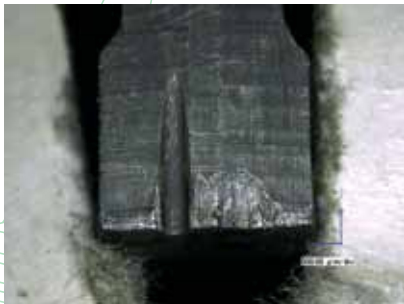




# ↓ ↓ **The Advantage of Saw Blades for Flying Cut Off Machines**

**F. Okabe – Saw Blade Division**

Flying cut off machines are developed for tube mill plants to cut formed and welded tubes into particular sizes. As the cutting unit moves synchronously with the welding speed, people call it the flying cut off machine. Japanese manufacturers are eg Nakata, Kusakabe, Chinese ones are Dalian SAGE Group, SRET Equipment and from Austria is Linsinger - these are well known names as a large flying cut off machines. On the other hand, Italian



**1 Conventional Tungsten carbide tip**

made Oto-Mills is popular in the small flying cut off machine market. From the view of a cutting toolmaker, the cutting condition of this machine is fairly tough. Even with high-hardness-material welded parts the cutting speed is over 400m/min. The cutting material is unstable and coolant flows inside the tubes make these conditions hard enough for saw blades. To overcome this, **Kanefusa** has developed new designed saw blades for flying cut off machines and we receive good reputations from all over the world.

Especially for large flying cut off machines a high-resistant tooth shape for cutting high-hardness-material is important regarding performance. We design unique tooth shapes which are based on chipping-resistant specifica-

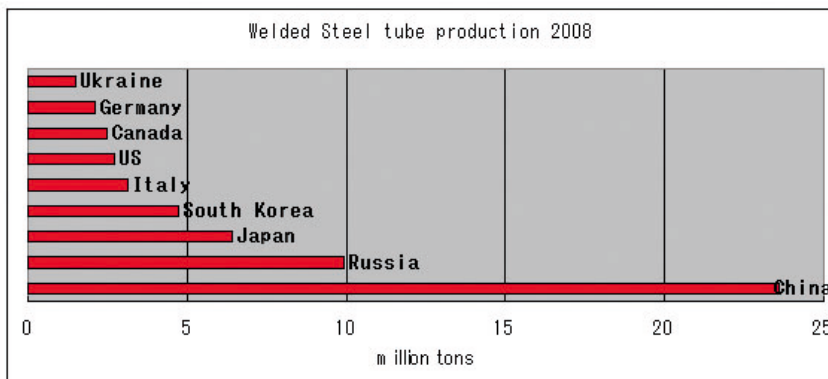
tions for each customer. Secondly, crack-resistance in heat change is indispensable for performance. I mentioned above that a coolant run inside the tube. The cutting edge is wetted with coolant directly in the high rotation rate. Heating and cooling of the edge is repeated and the tube extends and shortens. In this process heat cracks happen. As this crack bears a risk to bigger chippings it should be crack-resistant to heat change.



**2 New Tungsten carbide tip**

Lastly, another feature of this new designed saw blade is abrasion-resistance in high rotation - our special coating improves abrasive resistance. It performs better in conditions of over 350m/min rim speed and fits to high speed cutting of flying cut off machines that have become standard. The special abrasion-resistance tip and original coating technology for high-speed cutting made us find a solution for the flying cut off machine market.

From now on the demand of oil well tubes and welded steel tubes for construction will increase as well. **Kanefusa** will take advantage of an opportunity in this domain. We'd like to solve problems together with you - your input and requests are always welcomed.



**KANEFUSA**

A New Dimension of Performance

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