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Vietnam Market

Kenny Imaizumi - General Manager, PT. Kanefusa Indonesia

Vietnam is a country that stretches over 1650 km long from the North to the South and is a very young country with an average age of 28 years with 88 million population. Together with its neighboring countries such as Thailand, Cambodia, Laos, Myanmar, we commonly call them the region of Indo-China.

The country itself is socialistic and the politic is controlled by the Communist Party. Starting from 1986, Doi Moi (renovation) has been performed: a policy of reform and openness of the market. Thanks to this measure the country enjoyed a high economy growth of 8 to 10% annually and the country has therefore become a focus of attention from the developed countries.

Despite this development, there are concerns about the currency situation - the Vietnam Don currency (VND) tends to decline and its pace is more than 20% inflation compared to 2011.

For PT. **Kanefusa** Indonesia Chipper Knife is the main item for the Vietnamese market. The production of wood chips as raw material for pulp and paper industry keeps increasing in Vietnam. It is because of the supply to the existing Japanese market as well as to new markets such as China and other Asian countries. In these countries, the consumption of paper is increasing and it pushed up the production in Vietnam. There is also the advantage of short distances from these countries.

The amount of wood chips for pulp and paper production in 2010 seems to achieve a total of 4 million BDT (bone dry tone) throughout Vietnam - that is the second largest production in the world according to statistic data.

In 2011, the production will continue its steady growth and the demand for Chipper knives will therefore keep increasing this year, too. The **Kanefusa** Agent - M-Trade company located in Ho Chi Minh City - aggressively sells Chipper knives and try to maintain a market share of 50%. They had about 70% market share previously, but the figures declined unfortunately due to the temporary drop in production of PT. **Kanefusa** Indonesia. However, after we ramp up the production capacity, we will recover the market share soon.

There is market for Chipper Knives from the North to the South in Vietnam but the most active area is the Central to the South. It is because many plantations of wooden material spread here - 80% of the factories are concentrated in these places.

Another major item is the TCT circular saw blade and we now try to expand it to the market. Especially in this branch - woodworking areas - we have competitors from Taiwan, Italy and China, who supply low price tools. However, we do not compete in regard to price with them. This is **Kanefusa's** policy that we don't compete in initial price

and convince end-users of our quality and service even if it takes time.

In addition, Hanoi is originally developed with heavy industry. There are many industrial parks as many foreign investments have been invited around Hanoi city. There are many factories for automotive industry such as Toyota, Nissan, Honda, Yamaha and other manufacturers. Especially, the production of motor-bikes will be almost 400 million units in 2011 (Compared to the figures of Indonesia, the amount is around double). With these reasons, we set a sales plan on FM Cold Saw blades, single use saw blades, and metal cutting tools focused on Hanoi and near North Vietnam area.

There are many manufacturers including forging, die and pipe manufacturers. Up to now, most of them rely on shear blades, band saw blades and HSS metal saw blades for cutting. It seems that they have not used such advanced developments like the FM Cold Saw Blades yet. However, this market will surely develop and require higher precision technology and cutting speed like in other developed countries.

Thus, we believe that earlier promotion ahead of other competitors will help us to be the first to be accepted by the users. Vietnam is a country with great potential for **Kanefusa**.

↓↓ After The Great East Japan Earthquake

Noriaki Kato - Manager, General Affairs Division

At 14:46h on Friday, March 11, 2011, with a magnitude 9.0, a depth of 24 km, the Great East Japan earthquake occurred near the northeast coast of Honshu - Japan's main island. The seismic energy was 350 times greater compared to that of Great Hanshin Awaji Earthquake in 1995. A tsunami of over 10 meter rushed toward the northeast coast of Honshu and claimed many lives and tore down the cities. The highest point of the tsunami reached 35 meters.

This earthquake caused great damage. More than 15 thousand people's died and 4 thousand people missing were reported. Enormous damage of life-line was revealed; 4.4 million houses were black-out, 1.5 million telephone lines were disconnected and 1.8 million houses were cut off water.

A large-scale radiation leak occurred at the Fukushima nuclear plant. Japan raised the nuclear alert level to a maximum of 7 according to international criteria, which is the same level as the Chernobyl disaster in 1986 at the former Soviet Union.

Already, half year has already passed, but the area within a 20 km radius from the Fukushima nuclear plant is still an evacuation zone and 80 thousand people who lived in this place were forced to evacuate. This burden troubles victims deeply, who struggle to recover.

Kanefusa has Sendai office, which is located in a disaster area. The structure of the building had no serious damage except a crack on a part of the outside and inside wall. In the meantime, they didn't have electricity, water and communication network just after the earthquake, but it recovered around a week later except water, which took a month to be back to normal.

Kanefusa donated 50 million Yen for the suffering people and community.



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Petty Officer 1st Class Matthew Bradley



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xtcbz

In our Tokai area, where the head office is located, it was said for many years that a major Tokai or Tonankai major earthquake is anticipated and huge damage is estimated. For countermeasures an Earthquake Early Warning System is on duty. This is a prediction system by the Japan Meteorological Agency through Internet, which analyses the power of an earthquake and calculates the arrival time by computers. It is based on data that is detected by seismometers such as the epicenter, the depth of the earthquake center and its energy.

You could find 1,900 seismic stations, including ocean-bottom seismometers, throughout Japan. This system pre-announce the generation of an earthquake with a warning alarm to the employees few seconds before it actually occurs. **Kanefusa** introduced this system back in 2008. Firstly in-house servers calculate the delivered earthquake data. When the earthquake level is anticipated to be over 5.0 on the Japanese scale, a warning alarm sounds automatically in the whole building for 30 seconds. When we assume a Tokai or Tonankai Major earthquake hit our area, the warning alarm will arrive 10-30 seconds before the earthquake hit the area. Also, this system is linked to a part of our plant system to prevent from fire, liquid leakage and gas leakage. Emergency shutoff devices of hazard installations and self-power off systems in danger areas will work automatically.

It is efficient for us to reduce earthquake risk such as to stop machines, get out of danger and protect ourselves. Additionally, based on the emergency manual including instruction for employees and equipment inspection of the facilities, we hold an emergency drill once a year.

Mikio Kamiya - President, Kanefusa Do Brasil LTDA

Kanefusa do Brasil, KFB was set up as a new subsidiary in February 2010. Even before setting up the office, we spend a lot of time for preparations. Obviously, at the beginning it was not an easy road to import and start selling. Remarkable economic growth in Brazil has been expected. In particular, Brazil is a host country of the World Cup in 2014 and the Olympic games in 2016. The construction of the sites, hotels and airport has been rushed at many places in the city. In 2010, the ranking of their GDP is the 7th largest of the world and isn't weakening.

The main operation of KFB is importing and selling of **Kanefusa** products to the domestic market. The Brazilian tax system is fairly complicated, but the market is expanding and consumption is increasing. KFB will establish the sales network based on profound knowledge of the tax system.

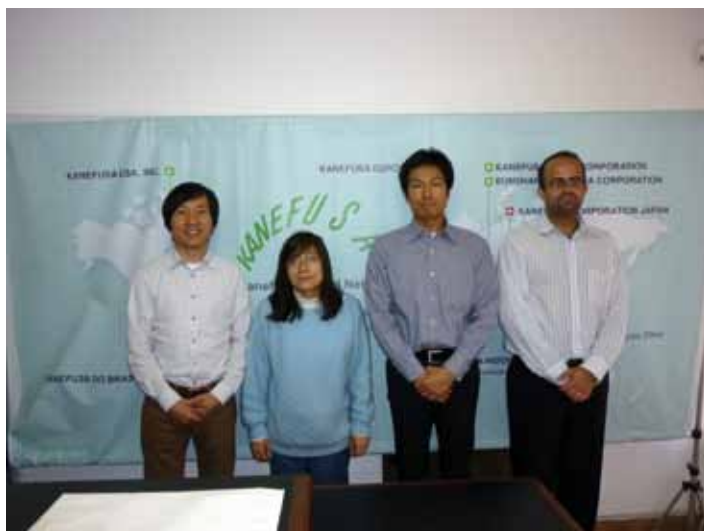
KFB is placed in Sao Paulo city, which is one of the well-known cities worldwide. It is a city with a population of 20 million people and many world

leading manufacturing companies are located here. This advantage is very suitable and attractive for our sales activities. KFB put down roots in this city for promoting the **Kanefusa** brand and creating values for customers mainly through technical services.

We have 4 staffs; me, president from head office in Japan, 1 local sales person, 1 accountant and 1 logistic staff. Our policy is to cherish and respect customers and we follow this rule in our daily operations. Thanks to the purchase of **Kanefusa** products, we earn profit and can get salary. We believe that these basic stances will develop our company and move up ourselves. Each staff is very conscious of that we are all representatives of KFB.

As Brazil is the 5th largest country in the world, you could find so many different ways of living from the North to the South. Before I came here, one of the typical images of this country is a so called "racial melting pot". Obviously, that is exactly what it is. When I visit customers, I find the diversity of race, life style and attitude. Even the weather is so different; it is a tropical Amazonian rain forest climate zone in the North and snow in the South. Although this country is rich in diversity, one of the common things that can be said about them is their warm and easygoing attitude. Wherever I go in Brazil, it won't change.

Lastly, as a new member of the **Kanefusa** group, we would like to steady our presence in South America. All KFB staffs are so excited to see more customers in the future.



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Rocky Hayashi-Managing Director, Kanefusa Europe B.V.

The leading and world's largest international trade fair for metalworking technology and machine tools was held in Hanover, Germany from Sep 19th to 24th in 2011. It takes place every two years and this was the 5th time that **Kanefusa** participated in it.



The EMO show provides global and local leading suppliers with the chance to show most advanced technology and products for metal cutting machine tools and machining processes to users and industrial players from all over the world.

In recent years, we establish a core concept "**KANEFUSA** for Sustainability". Sustainability is of concern to people all over the world. Based on this concept, we proposed environmental friendly **Kanefusa** products with the following concepts.

1. Material Saving

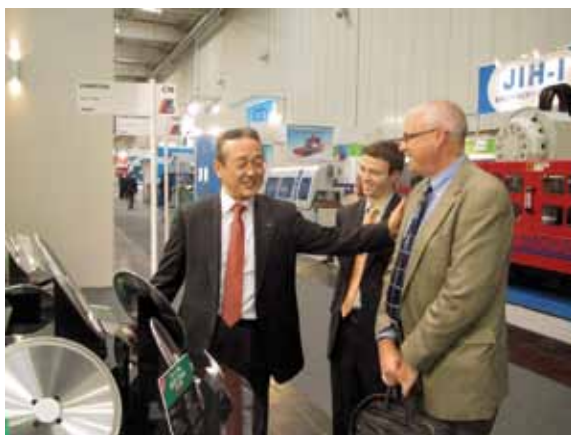
- Saving and effective utilization of rate metals.
- Higher yield rate

2. Better Working Environment and Environment preservation

- Electronic power saving
- Lower Noise

Display products: Series of FM Cold Saw Blade for single use, Re-sharpenable Cold Saw Blade, Non-ferrous Cold Saw Blade, Saw Blade for cutting resin composite

This September was a difficult time for the European economy as their finances face the more and more se-



vere crisis. Still, 2,037 exhibitors and around 200,000 visitors brought a lot of excitement to the fair. Among other world famous companies, **Kanefusa** enjoyed this opportunity to appeal the core concept.

And lastly, thank you for visiting the **Kanefusa** booth from all over the world. We will again participate in the EMO show with new and exciting products next time. All **Kanefusa** staffs are excited to see you at the next show.



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