

November 1, 2005

Notification of Commencement of Takeover Bid Procedures

At a meeting held on November 1, 2005, the Board of Directors of Kanematsu Corporation (“the Company”) passed a resolution to acquire shares of Kanematsu Electronics Ltd. (securities code: 8096) to the extent of a minimum of 5,730,000 shares and a maximum of 6,000,000 shares, in accordance with the details set out below.

1. Objective of Takeover Bid

The Kanematsu Group follows a management policy of selecting the most promising businesses from its business portfolio and concentrating the investment of its corporate resources in these fields, so as to develop them into core business operations boasting excellent competitiveness. By the same token, business lines that display no synergy with the core businesses, as well as unprofitable businesses, will be spun off or liquidated. This policy has produced successful results over the past few years.

Kanematsu Electronics is engaged in business in the information technology sector, which is one of our core areas of operation, and is a leading company in the Kanematsu Group. Our purpose in recently reaching an agreement with Information Services International-Dentsu, Ltd. (ISID), which is the second-largest shareholder in Kanematsu Electronics (after the Company), was to pave the way for our acquisition of a majority equity stake in Kanematsu Electronics.

It is our hope that, by acquiring a majority stake in Kanematsu Electronics, we will be able not only to exercise greater control over the company, but also to coordinate our operations more effectively in the fields of computer solutions and data storage, thereby enormously improving the market competitiveness of the Kanematsu Group. We have obtained the agreement of Information Services International-Dentsu, Ltd. (ISID) to our purchase of the 5,730,000 shares of Kanematsu Electronics in the possession of ISID. Furthermore, at a meeting on November 1, 2005, the Board of Directors of Kanematsu Electronics passed a resolution agreeing to the takeover bid.

Assuming that the takeover bid is successful, the target company, Kanematsu Electronics Ltd., will become a consolidated subsidiary of Kanematsu Corporation. The Company has set a maximum for the number of shares of Kanematsu Electronics to be purchased through the takeover bid in question that will not result in the Company’s equity stake exceeding the maximum allowed by the Tokyo Stock Exchange for trading of a company as an independent entity. Consequently, the status of Kanematsu Electronics as a company listed on the TSE will remain unchanged.

2. Outline of the TOB

(1) The outline of the target company (As of March 31, 2005)

- a) Name: Kanematsu Electronics Ltd.
- b) Main Business: Trading, within Japan, in information processing equipment and other industrial equipment
- c) Date of Establishment: July 23, 1968
- d) Head Office address: 17-5, Kyobashi 2-chome, Chuo-ku, Tokyo
- e) Representative Director: Akihiko Kitamura (President)
- f) Paid-in Capital: ¥9,031,257,000
- g) Number of Shares Issued: 28,633,952
- h) Major Shareholders and their Equity Stakes
 - Kanematsu Corp. 29.31%
 - Information Services International-Dentsu, Ltd.(ISID) 20.01%
 - Mizuho Corporate Bank, Ltd. 3.35%
 - Japan Trustee Service Bank, Ltd. 3.20%
 - The Master Trust Bank of Japan, Ltd. 2.76%
 - The Dai-Ichi Mutual Life Insurance Co. 2.62%
 - The Bank of Tokyo-Mitsubishi, Ltd. 1.95%
 - Nomura Trust and Banking Co. Ltd. 1.84%
 - Kanematsu Electronics Employee shareholding Association 1.43%
 - Japan Trustee Service Bank, Ltd. (re-trusted by Mitsui Asset Trust & Banking Co., Ltd., which is the trustee of CMTB Equity Investments Co., Ltd.) 1.16%

Notes

1. Number of the shares under trust accounts are as follows.

Japan Trustee Service Bank, Ltd.:	917,000
The Master Trust Bank of Japan, Ltd.:	791,000
Nomura Trust and Banking Co. Ltd.:	526,000

2. Voting rights of 332,000 shares held by Japan Trustee Service Bank, Ltd. are exercised by CMTB Equity Investments Co., Ltd., as the shares in question were trusted to Mitsui Asset Trust & Banking Co., Ltd. by CMTB Equity Investments Co., Ltd. and re-trusted to Japan Trustee Service Bank, Ltd.)

i) Relationship between the target company and the Company

Capital relationship: The Company currently holds 29.31% of the total number of shares issued and outstanding of the target company.

Personnel relationship: The Company currently dispatches two employees to serve as a director and a statutory auditor of the target company.

Trading relationship: The target company currently entrusts business procedures for importation of goods to the Company.

(2) Type of Stock to be purchased

Ordinary shares of common stock

(3) Duration of the TOB

From November 2, 2005 to November 24, 2005 (23 days)

(4) TOB price

960 yen per share

(5) Basis of Calculation for the TOB price

The TOB price is calculated on the bases of the market price movements, financial position and evaluation of asset quality of the target company. The TOB price of ¥960 is equivalent to the average closing prices of the target company during the 3-month period prior to October 27, 2005 on the Tokyo Stock Exchange (¥800, including quotations and excluding days without transactions) plus a 20% premium.

- (6) Maximum Number of Shares to Be Purchased: 6,000,000 shares
Minimum Number of Shares to Be Purchased: 5,730,000 shares
Number of Shares to Be Purchased Exceeding the Minimum Number of Shares to Be Purchased: 270,000 shares

Notes

1. The TOB will become null and void if the Company is not able to purchase a minimum of 5,730,000 shares. In the event that the number of shares offered exceeds the maximum number of shares to be purchased (6,000,000 shares), the surplus portion is totally or partially placed out of the scope of the TOB. Settlement is made in proportion to the number of shares offered in accordance with the stipulations of Paragraph 5, Article 27-13 of the Securities and Exchange Law and of Article 32 of the relevant cabinet order.
2. Shares less than one trading unit and shares in the treasury of the target company are placed out of the scope of the TOB.

- (7) Number of shares held by the Company before and after the TOB

Before the TOB: 8,393,065 shares (29.31% of total)

After the TOB: 14,393,065 shares (50.27% of total)

Notes

1. The number of shares held after the TOB is calculated on the assumption that 6,000,000 shares are purchased through the TOB.
2. Equity stakes are calculated on the assumption that the number of shares issued of the target company is unchanged from the 28,633,952 shares as of March 31, 2005.
3. Voting rights held by the Company will occupy 50.36% of the total (currently 29.36%) on the assumption that the total number of voting rights of the target company is unchanged from the 285,825 as of the same date.

- (8) Date of notification for the TOB: November 2, 2005

- (9) Agent for the TOB: Mitsubishi UFJ Securities Co. Ltd.

- (10) Amount required for the TOB (estimate): ¥5,801,000,000

- (11) First date for settlement: November 30, 2005

3. Consent to the TOB by the target company

On November 1, 2005 (time of writing), the board of directors of the target company passed a resolution consenting to the TOB.

4. Outlook

Through this takeover, the target company will be made into a consolidated subsidiary of the Company. Regarding the impact of the completed takeover on the Company's financial position, the Company will report on this after the completion of takeover procedures.