

Overview of Results for the first half of FY2012



KANEMATSU CORPORATION

November 9th, 2012

The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties. Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements.

Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.



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Overview of Results for the first half of FY2012



Financial Summary (P/L)

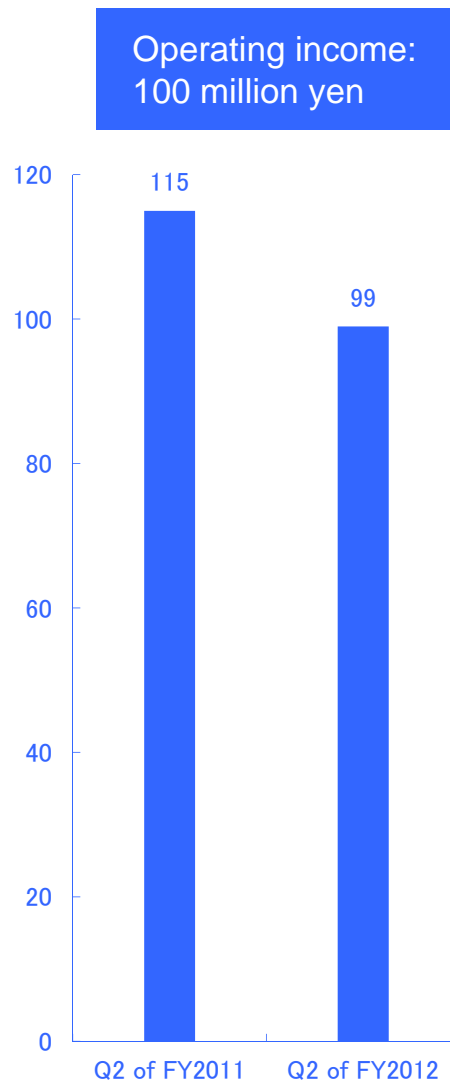
Both sales and income declined year on year.

(100 Million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change(%)	Forecast	Achievement (%)
Net Sales	4,934	4,872	-62	-1.3%	10,500	46%
Operating income	115	99	-16	-14.1%	200	50%
Ordinary income	95	88	-7	-7.0%	160	55%
Net income	64	60	-4	-5.8%	80	75%
Comprehensive income	46	51	5	10.9%	-	-

- Although both sales and income declined year on year, they made steady progress compared with the full-year forecast



Overview of result (P/L)

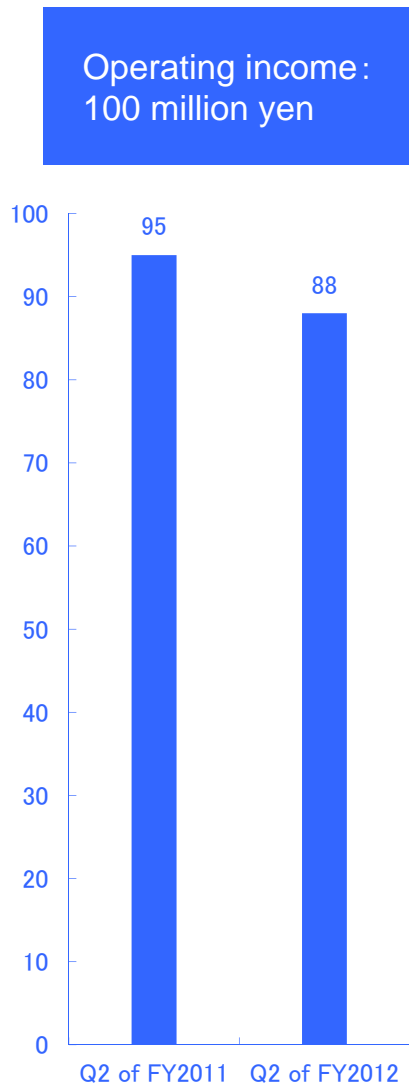


(100 Million Yen)	Q2 of FY2011	Q2 of FY2012	Change	Change(%)
Net Sales	4,934	4,872	-62	-1%
Gross trading profit	408	400	-9	-2%
margin	8.3%	8.2%	-0.1%	
SG&A	293	301	8	3%
personal expenses	156	165	8	5%
Non personal expenses	137	136	-1	-1%
Operating income	115	99	-16	-14%
margin	2.3%	2.0%	-0.3%	

- Operating income declined, chiefly attributable to higher personal expenses associated with our strategies for business expansion.



Overview of result (P/L)



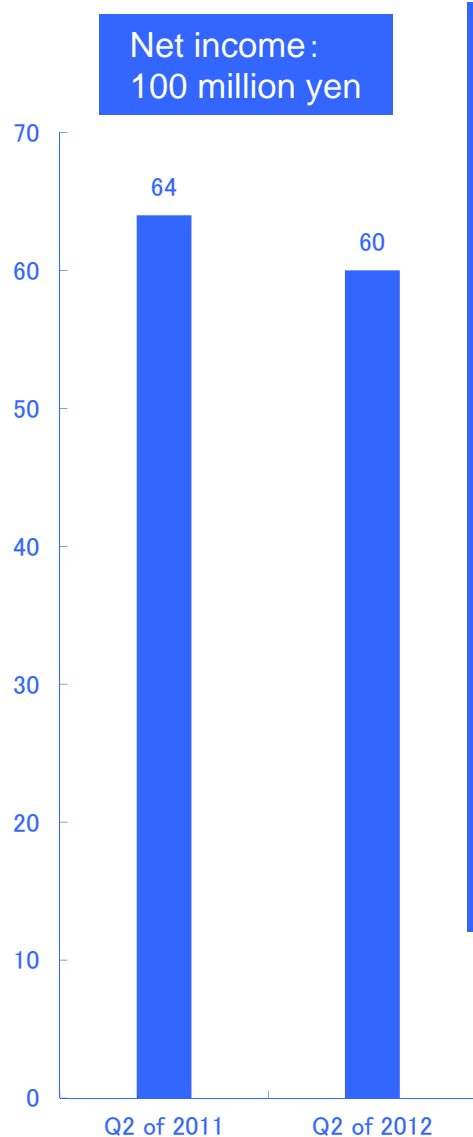
(100 Million Yen)	Q2 of FY2011	Q2 of FY2012	Change	Change(%)
Non-operating income & loss	-21	-11	+10	-
Finance balance	-14	-10	-	-
Dividend received	2	2	-0	1%
Interest received	5	5	0	10%
Interest paid	-21	-18	3	-
Loss on equity-method investment	-2	-0	2	-
Foreign exchange gains & losses	-2	2	4	-
Others	-3	-2	1	-
Ordinary income	95	88	-7	-7%
Core earning (※)	100	89	-11	-11%

(※) Core earnings = Operating income + Reserve for doubtful accounts + Dividends received + Net interest received (paid) + Gain on equity-method investment

- The non-operating loss improved, mainly because of a fall in interest paid and improvements in the loss on equity-method investment and foreign currency conversion.



Overview of results (P/L)



(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change(%)
Net extraordinary gains and losses	-3	8	10	-
Extraordinary gains	1	25	24	-
Extraordinary losses	-4	-17	-14	-
Income before income taxes	92	96	4	4%
Income taxes	-21	-27	-6	-
Minority interests	-7	-8	1	-
Net income	64	60	-4	-6%

- A net extraordinary gain of ¥800 million was posted, reflecting a gain on the sale of investments in securities, despite an impairment loss and a loss on the sale of investments in securities.
- Net income declined, owing mainly to an increase in tax expenses.

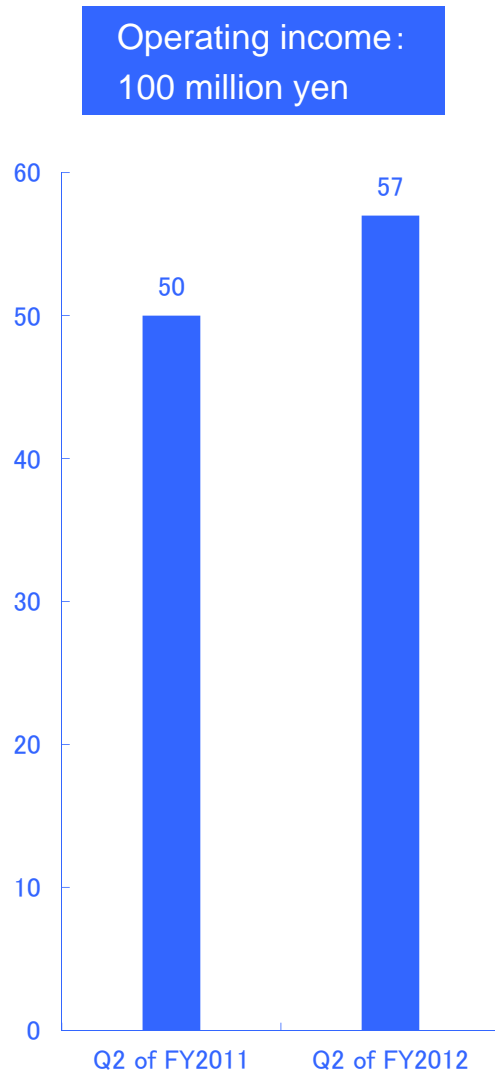


Overview of results (Segments)

(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change(%)
Net sales	4,934	4,872	-62	-1%
Electronics	1,250	1,305	55	4%
Foods & Foodstuff	1,461	1,426	-35	-2%
Iron & Steel	513	468	-45	-9%
Machinery & Plant	359	271	-89	-25%
Environment & Materials	1,261	1,308	47	4%
Others	89	94	5	5%
Operating income	115	99	-16	-14%
Electronics	50	57	7	14%
Foods & Foodstuff	30	18	-13	-42%
Iron & Steel	19	14	-5	-27%
Machinery & Plant	4	5	1	23%
Environment & Materials	9	3	-6	-69%
Others	3	2	-0	-14%



Overview of results (Electronics)



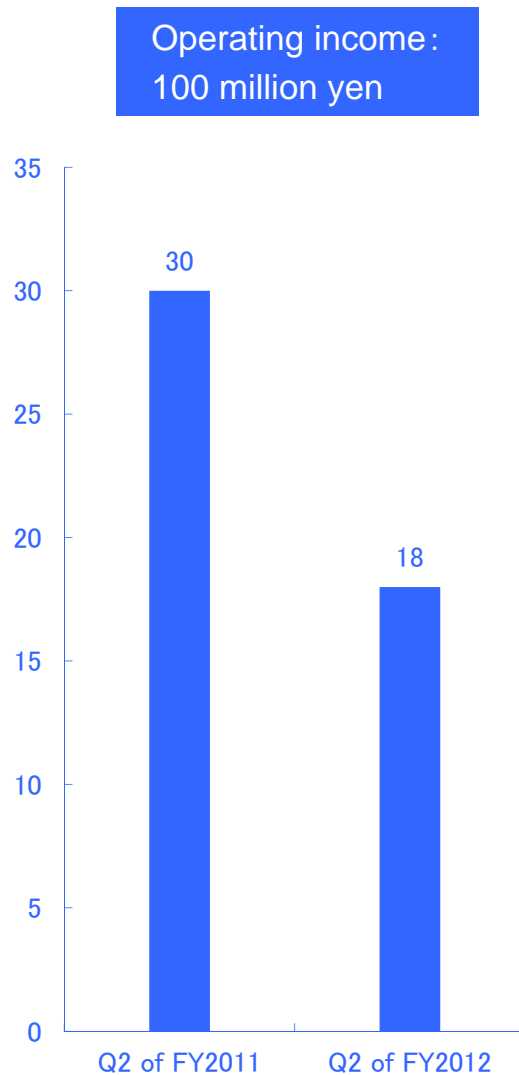
(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change (%)
Net Sales	1,250	1,305	55	4%
Gross trading profit	208	223	15	7%
Operating income	50	57	7	14%

Point of FY2012 Q2

- The ICT solutions business and the mobile solutions business remained steady given the strength of the mobile terminal market, as observed in ongoing replacement demand for smartphones
- The semiconductor component and manufacturing equipment business, which was weak in the previous fiscal year in the wake of the earthquake, also performed relatively well in the current fiscal year.



Overview of results (Foods & Foodstuff)



(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change (%)
Net Sales	1,461	1,426	-35	-2%
Gross trading profit	72	62	-11	-15%
Operating income	30	18	-13	-42%

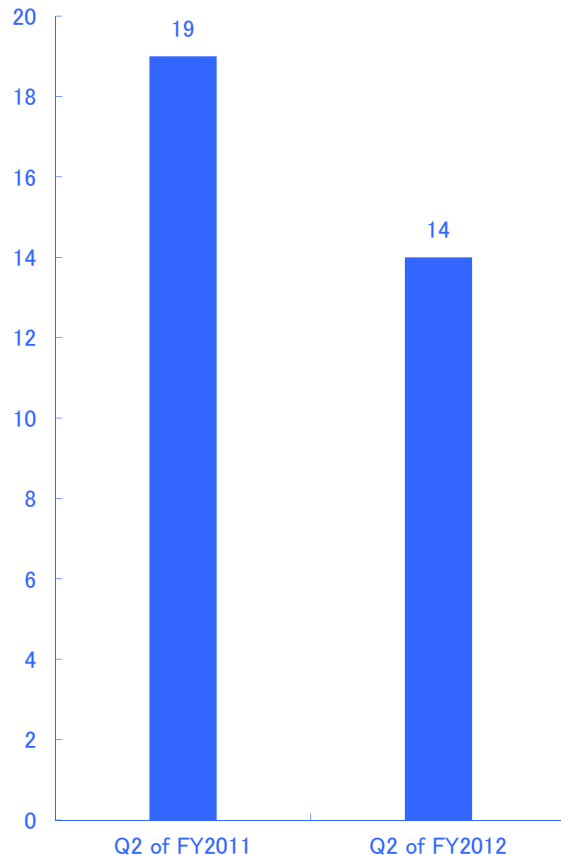
Point of FY2012 Q2

- The food business remained solid, backed by a relatively stable supply and demand environment.
- The meat products business was weak, primarily reflecting an increase in the import volume to more than demand and the higher domestic production of meat.
- The foodstuffs business had a tough time, amid rising market prices of grains due to the effect of the “big dry” in the United States, although we worked on stable supply by procuring foodstuff materials from countries other than the United States.



Overview of results (Iron & Steel)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change (%)
Net Sales	513	468	-45	-9%
Gross trading profit	37	33	-4	-11%
Operating income	19	14	-5	-27%

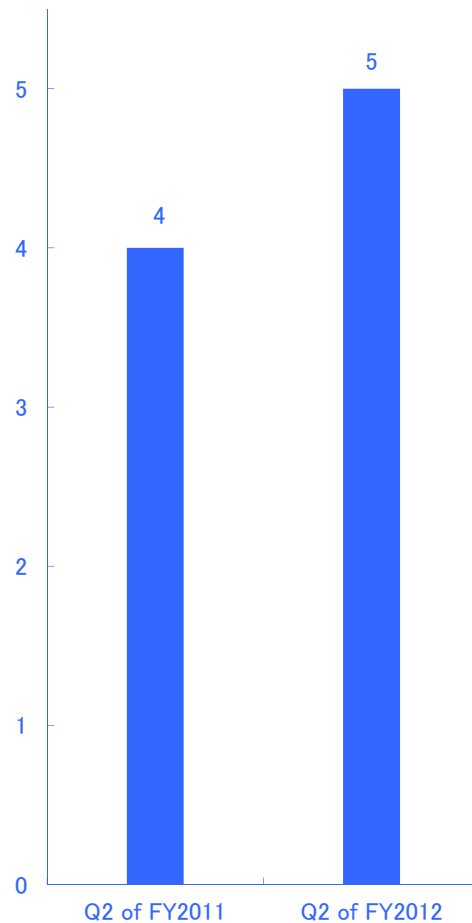
Point of FY2012 Q2

- Transactions involving steel pipes for North America were solid, while transactions involving steel sheets for Asia struggled.
- The transaction volume involving steel materials declined mainly due to regulations in producing countries.



Overview of results (Machinery & Plant)

Operating income:
100 million yen



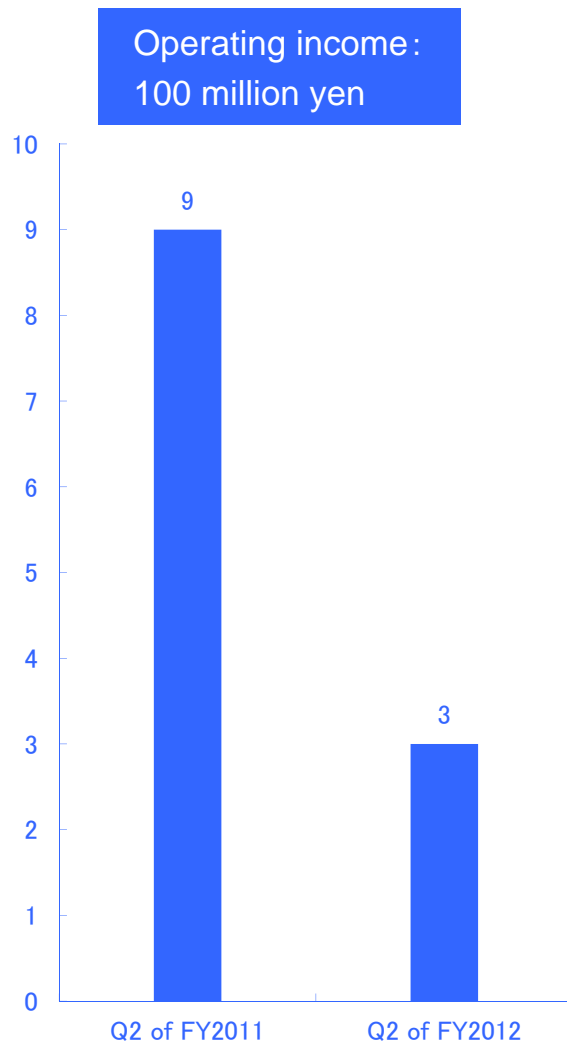
(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change (%)
Net Sales	359	271	-89	-25%
Gross trading profit	33	33	0	1%
Operating income	4	5	1	23%

Point of FY2012 Q2

- The machine tools and industrial machinery business performed well, responding to demand for investment in plant and equipment and replacement demand for facilities.
- Business linked to plants was solid, centering on government ODA projects.
- The transportation equipment business was weak in exports to Asia.



Overview of results (Environment & Materials)



(100 million yen)	Q2 of FY2011	Q2 of FY2012	Change	Change (%)
Net Sales	1,261	1,308	47	4%
Gross trading profit	44	36	-8	-19%
Operating income	9	3	-6	-69%

Point of FY2012 Q2

- The chemicals business saw weak exports of raw materials for lithium batteries but enjoyed solid growth in raw materials for pharmaceuticals and health foods.
- The energy business had a tough time as the passing of costs onto prices for customers was slow, amid persistently high market prices, although transaction volumes remained firm.

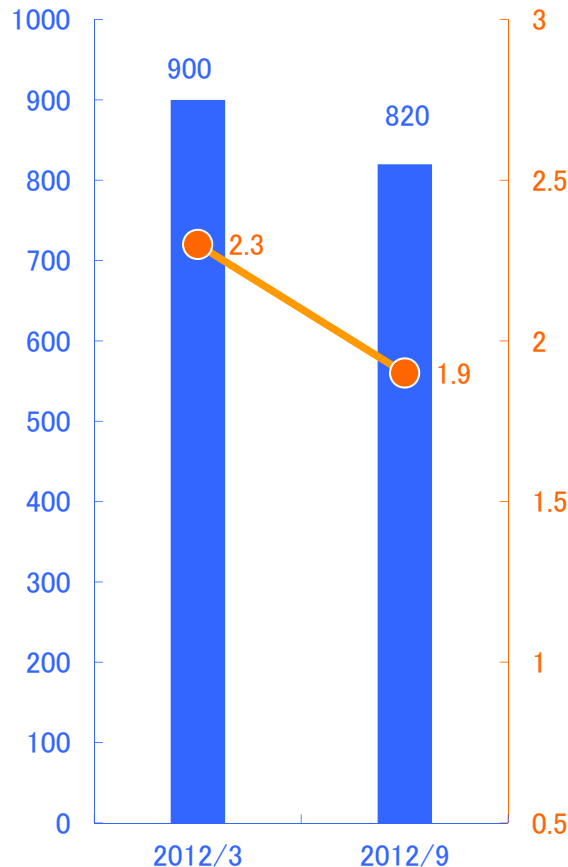


Finance Summary (B/S)

Financial standing improved steadily.

Net interest-bearing debt: 100 million yen

Net DER : x



(100 Million yen)	2012/3	2012/9	Change	Change(%)
Total Assets	3,998	3,731	-267	-7%
Net Assets	560	609	49	9%
Equity capital	390	434	44	11%
Equity ratio	9.8%	11.6%	+1.8%	
Gross interest-bearing debt	1,608	1,439	-169	-11%
Net interest-bearing debt	900	820	-80	-9%
Net DER	2.3	1.9	+0.4	

Note 1: Equity capital = Net assets - minority interests, Note 2: Equity ratio = Equity capital / total assets
 Note 3: Net DER = Net interest-bearing debt / equity capital

■ As a result of the repayment of borrowings, interest-bearing debt declined year on year.

Shareholders' equity increased with the accumulation of net income.

Consequently, both the equity ratio and the net DER improved.



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Forecast of FY2012



Forecast of FY2012

(100 million yen)	Results of FY2011	Forecast of FY2012	Change	Change (%)
Net Sales	10,064	10,500	436	4%
Operating Income	214	200	-14	-7%
Ordinary income	178	160	-18	-10%
Net income	61	80	19	31%

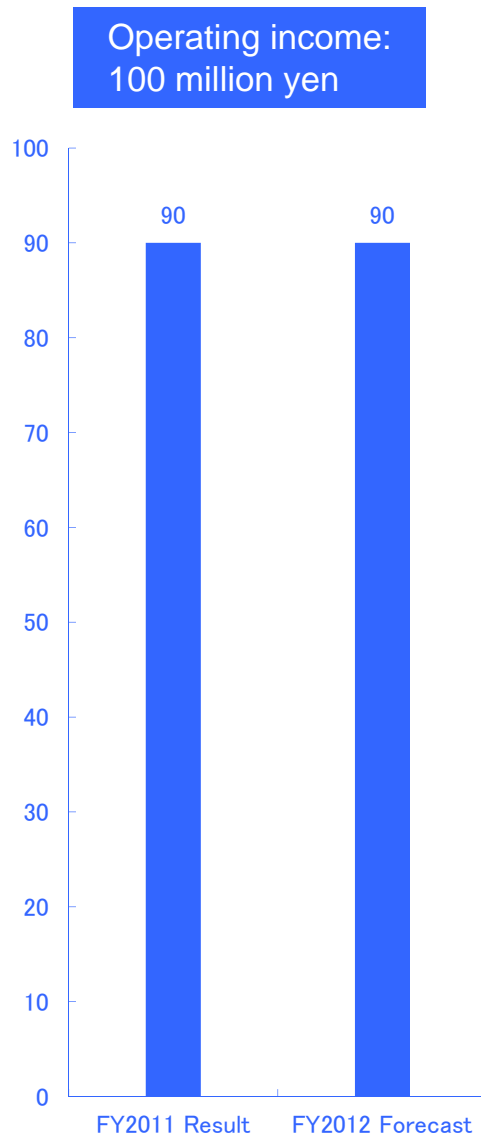


Forecast of FY2012 (Segments)

(100 million yen)	Results of FY2011	Forecast of FY2012	Change	Change (%)
Net sales	10,064	10,500	436	4%
Electronics	2,531	2,650	119	5%
Foods & Foodstuff	2,921	3,100	179	6%
Iron & Steel	991	1,050	59	6%
Machinery & Plant	704	700	-4	-1%
Environment & Materials	2,737	2,850	113	4%
Others	179	150	-29	-16%
Operating income	214	200	-14	-7%
Electronics	90	90	0	0%
Foods & Foodstuff	52	50	-2	-4%
Iron & Steel	36	35	-1	-3%
Machinery & Plant	14	10	-4	-31%
Environment & Materials	20	15	-5	-24%
Others	2	0	-2	-



Forecast of FY2012 (Electronics)



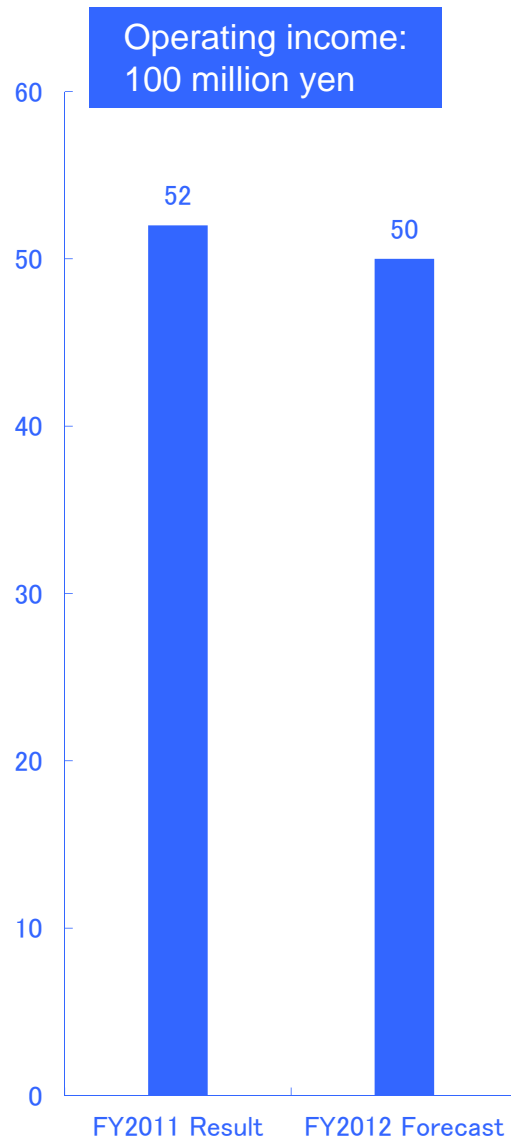
(100million yen)	FY2011	FY2012			
	Result	Q2	End of FY2012		
		Result	Forecast	Change	Change(%)
Net Sales	2,531	1,305	2,650	119	5%
Gross trading profit	413	223	425	12	3%
Operating income	90	57	90	0	0%

Point of FY2012

- The ICT solutions business and the mobile solutions business are set to remain steady, reflecting the further diffusion of smartphones.
- The semiconductor component and manufacturing equipment business aims to increase sales against the backdrop of the strong performance of smartphones and tablet terminals.



Forecast of FY2012 (Foods & Foodstuff)



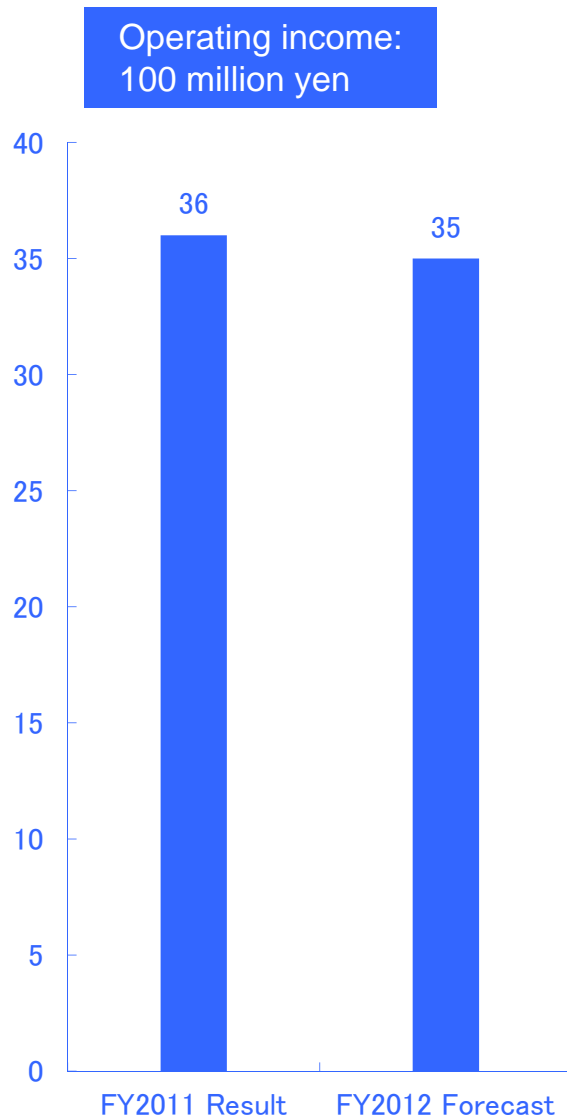
(100million yen)	FY2011	FY2012			
	Result	Q2	End of FY2012		
		Result	Forecast	Change	Change(%)
Net Sales	2,921	1,426	3,100	179	6%
Gross trading profit	137	62	140	3	2%
Operating income	52	18	50	-2	-4%

Point of FY2012

- In the food business, we will expand transactions mainly through stable supplies and new product proposals, chiefly in process foods and prepared foods in Japan and overseas.
- In the foodstuffs business, revenues are expected to recover, given progress in the stable supply of grains through a shift in procurement areas in some foodstuff materials.



Forecast of FY2012 (Iron & Steel)



(100million yen)	FY2011	FY2012			
	Result	Q2	End of FY2012		
		Result	Forecast	Change	Change(%)
Net Sales	991	468	1,050	59	6%
Gross trading profit	74	33	75	1	2%
Operating income	36	14	35	-1	-3%

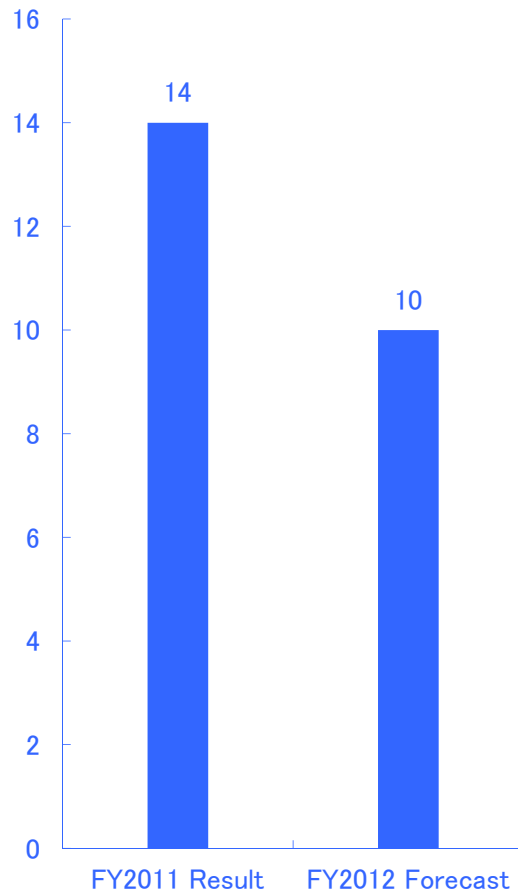
Point of FY2012

- Transactions involving specialty steel and stainless steel products, particularly those for Europe and the United States, are expected to remain solid in the second half as well.
- The oil tubular business in North America is expected to remain firm, given robust demand.



Forecast of FY2012 (Machinery & Plant)

Operating income:
100 million yen



(100million yen)	FY2011	FY2012			
	Result	Q2	End of FY2012		
		Result	Forecast	Change	Change(%)
Net Sales	704	271	700	-4	-1%
Gross trading profit	70	33	70	0	0%
Operating income	14	5	10	-4	-31%

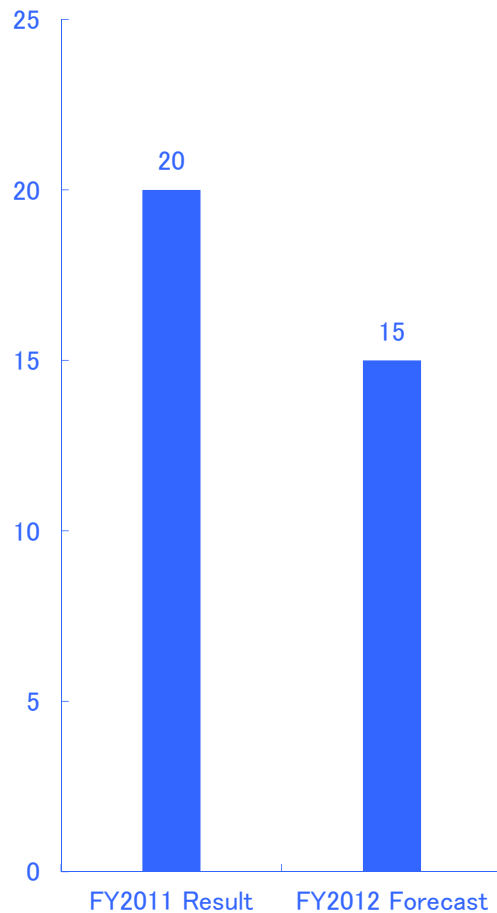
Point of FY2012

- The machine tools and industrial machinery business and business linked to plants centering on the ODA projects of the government are likely to remain steady.
- The transportation equipment business is expected to weaken slightly, attributable mainly to the lost momentum of the Chinese economy and the Senkaku Islands dispute.



Forecast of FY2012 (Environment & Materials)

Operating income:
100 million yen



(100million yen)	FY2011	FY2012			
	Result	Q2	End of FY2012		
		Result	Forecast	Change	Change(%)
Net Sales	2,737	1,308	2,850	113	4%
Gross trading profit	92	36	90	-2	-2%
Operating income	20	3	15	-5	-24%

Point of FY2012

- The energy business is expected to remain firm, as the passing of costs onto prices for customers is likely to be completed during the current fiscal year.
- In the chemicals business, exports of raw materials for lithium batteries are expected to remain weak, while imports of raw materials for pharmaceuticals and health foods are anticipated to perform well.








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Appendix



Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics 	Electronics devices	Semiconductor / electronic parts, Electronic modules / materials, Semiconductor / LED	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. <i>Nippon office Systems Ltd.</i> Kanematsu Aerospace Corp. Shintoa Corporation
	OEM / ODM	Vehicle-mounted parts, Printer equipment, Electronic modules	
	ICT / Mobile solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content, / mobile advertisement	
	Aerospace	Aircraft / Aircraft parts	
Food & Foodstuff 	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanematsu Shintoa Foods Corp. Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp.
	Meat and Marine Products	All meat , seafood	
	Grain oil / Feed and Dairy Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Iron & Steel 	Steel trading	Surface-treated steel plates, seamless piping	SSOT Kanematsu Trading Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Cast and Forged Steel products	Precision forgings	
	Domestic Steel / Steel Materials	Steel products, iron ore, cokes	
Machinery & Plant 	Transportation equipment	Automobiles, vessels, marine equipment	Kanematsu KGK Corp.
	Plant / Infra projects	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Environment & Materials 	Crude Oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp.
	Functional Chemicals	Battery materials, fertilizer materials, adhesive materials, solvents	
	Life sciences	Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	



Subsidiaries and Affiliates, and their Employees

1. Net Sales of Major Consolidated Subsidiaries

(100 million yen)	Business	Ownership ratio	Q2 of FY2011	Q2 of FY2012	Change
Kanematsu Electronics Ltd.	ICT Solutions	58.28%	227	218	-9
Kanematsu Communications Ltd.	Mobile communications	100%	516	576	60
Kanematsu Shintoa Foods Corp.	Food, dairy & seafood	100%	80	108	28
Kanematsu Agri-Tech Corp.	Feed & dairy	100%	55	56	1
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	227	199	-28
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	194	203	9
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	699	675	-24
Kanematsu Chemicals Corp.	Functional chemicals	100%	100	85	-15
Shintoa Corporation	Trading company	100%	581	525	-56
Kanematsu USA Inc.	Overseas subsidiary	100%	447	403	-44

2. Number of Employees

(persons)	2012/3	2012/9	Change
Parent company	806	812	6
Consolidated Subsidiaries	3,964	4,043	79
Total	4,770	4,855	85

The number of employees equals the size of the working staff (excluding transferees from the Group to outside companies and including transferees from outside companies to the Group).



Subsidiaries

1. Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)	Q2 of FY2011					Q2 of FY2012					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	35	28	9	10	82	27	31	8	8	74	-8
Ratio (%)	95%	68%	56%	67%	75%	77%	74%	62%	62%	72%	-3%
Non profitable	2	13	7	5	27	8	11	5	5	29	2
Total	37	41	16	15	109	35	42	13	13	103	-6

2. Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(100 million yen)

(100 million yen)	Q2 of FY2011					Q2 of FY2012					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	27	6	1	1	36	63	8	1	0	73	37
Sum of loss posted by non-profitable	-	-1	-4	-0	-5	-6	-1	-1	-1	-9	-4
Total	27	5	-2	1	31	57	7	1	-1	64	33



Mid-term Plan “S-Project”

Vision

With the global economy experiencing radical change, we will grow as “Value Creator” and we will contribute to society.

Basic concept

- We will continue to refine our business focus and will bolster our revenue base by taking advantage of business opportunities in Japan and abroad.
- We will enhance efficiency and soundness and consolidate our business base.
- We will strengthen our relations with our business partners and will pursue business creation together.

Target operating results (FY2012)

- Consolidated gross trading profit 80 billion Yen
- Consolidated operating income 19 billion Yen

Financial targets (FY2012)

- Equity ratio More than 10%
- Net D/E ratio Approximately 2.0

**Aiming to resume dividend payment
as soon as possible**



Mid-term Plan “S-Project”

Strengthening the revenue base

- Continuing to refine our business focus
- Promoting growth strategies

Strategically restructuring
the business portfolio

We will allocate management resources primarily to businesses expected to grow in four categories: ICT and electronics, food, the environment, and iron & steel and plants.

Increase revenues in the ICT and electronics businesses.

→Expand the base of the solutions business; step up our efforts in China and Asia.

Expand the operating base and bolster profitability in the food field.

→Expand sales channels and bolster the system for supplying food as a resource in China and Asia.

Expand the operating base and launch new businesses in the environmental sector, including the solar battery business.

→Focus on photovoltaic power and battery businesses and enter the electric vehicle business.

Expand the revenue base in the iron & steel and plant field.

→Step up our efforts in the automotive business in Asia.

Bolstering the business base

- Improving our financial position
- Promoting efficient management
- Enhancing and deepening our consolidated management system
- Cultivating human resources for global operations

Improving the financial position

Reduce net interest-bearing debt and change the asset portfolio.

Pursuing management efficiency

Review the cost structure and streamline the back-office sections.

Enhancing and deepening the
Consolidated management system

Introduce a new business management system, develop internal control, and enhance compliance.

Cultivating human resources
for global operations

Cultivate human resources for consolidated management and increase the number of employees working overseas.



“S-Project” Plan / Results

(100 Million yen)	FY2010		FY2011		FY2012
	Plan	Results	Plan	Results	
Net Sales	8,500	9,369	9,500	10,064	10,500
Gross Trading Profit	750	769	775	809	800
SG&A Expenses	600	589	605	595	610
Operating Income	150	180	170	214	190
Ordinary Income	100	143	120	178	140
Net Income	45	92	55	61	65
【Segments】					
Net Sales	8,500	9,369	9,500	10,064	10,500
Electronics & IT	2,300	2,539	2,450	2,531	2,600
Foods & Foodstuff	2,700	2,719	3,000	2,921	3,300
Iron & Steel	900	988	1,000	991	1,150
Machinery & Plant	550	673	650	704	700
Environment & Materials	1,900	2,275	2,250	2,737	2,600
Others	150	176	150	179	150
Operating Income	150	180	170	214	190
Electronics & IT	70	95	75	90	80
Foods & Foodstuff	40	28	45	52	50
Iron & Steel	25	34	30	36	35
Machinery & Plant	0	11	2	14	4
Environment & Materials	9	10	12	20	15
Others	6	3	6	2	6



“S-Project” Plan / Results

(100 Million yen)	FY2010		FY2011		FY2012
	Plan	Results	Plan	Results	Plan
Total Assets	4,000	3,887	4,040	3,998	4,100
Equity Capital	330	331	385	390	450
Equity Ratio	8.3%	8.5%	9.5%	9.8%	More than 10%
Gross Interest-Bearing Debt	1,850	1,736	1,770	1,608	1,690
Gross D/E Ratio (Times)	5.6	5.2	4.6	4.1	3.8
Cash and Bank Deposits	850	690	850	708	850
Net Interest-Bearing Debt	1,000	1,046	920	900	840
Net D/E Ratio (Times)	3.0	3.2	2.4	2.3	Approximately 2.0