

Consolidated Financial Summary for the FY2012 Ended March 31, 2013 (Japanese Accounting Standards)

May 8, 2013

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

URL: <http://www.kanematsu.co.jp>

Representative: President, Masayuki Shimojima

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Scheduled date for the Ordinary General Meeting of Shareholders: June 25, 2013

Scheduled date for the submission of financial statements: June 25, 2013

Scheduled date for commencement of dividend payments: -

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

(Figures of less than one million are rounded down.)

1. Consolidated business results for the fiscal year ended March 2013 (April 1, 2012 – March 31, 2013)

(1) Consolidated business results (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2013	1,019,232	1.3	18,262	(14.8)	16,705	(5.9)	9,564	56.5
Fiscal year ended March 2012	1,006,365	7.4	21,426	18.8	17,752	24.5	6,110	(33.4)

(Note) Comprehensive income: 17,404 million yen (142.6%) for the fiscal year ended March 2013
7,173 million yen (39.5%) for the fiscal year ended March 2012

	Net income per share	Net income per share (diluted basis)	Return on equity	Ordinary income to total assets ratio	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2013	22.80	-	20.5	4.2	1.8
Fiscal year ended March 2012	14.60	-	16.9	4.5	2.1

(Reference) Equity in earnings of affiliated companies: 197 million yen for the fiscal year ended March 2013
266 million yen for the fiscal year ended March 2012

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	399,186	75,912	13.7	129.82
As of March 31, 2012	399,753	55,992	9.8	93.16

(Reference) Shareholders' equity: 54,519 million yen as of March 31, 2013
39,008 million yen as of March 31, 2012

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	%	Yen
Fiscal year ended March 2013	1,355	1,466	(15,721)	60,032
Fiscal year ended March 2012	15,822	1,291	(13,411)	70,594

2. Dividends

(Record date)	Annual dividends					Annual total of dividend	Payout ratio (Consolidated)	Net assets dividend ratio (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal			
Fiscal year ended March 2012	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Million yen -	% -	% -
Fiscal year ended March 2013	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Million yen -	% -	% -
Fiscal year ending March 2014 (Forecasts)	Yen -	Yen -	Yen -	Yen -	Yen -	Million yen -	% -	% -

(Note) The dividend forecast for the fiscal year ending March 31, 2014 has not been determined.

3. Forecasts for consolidated results ending March 2014 (April 1, 2013 – March 31, 2014)

(%: Changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,050,000	3.0	19,000	4.0	17,000	1.8	6,000	(37.3)	14.30

Notes:

(1) Important change in subsidiaries during the term (Change in scope of consolidation): Yes

New: one company (Benoit Premium Threading, LLC) Exception: –

(Note) For details, please see the statement under the heading of “4. Consolidated Financial Statements, (7) Changes in significant items regarding the preparation of consolidated financial statements” on page 20 of accompanying materials.

(2) Changes in accounting policies and changes or restatement of accounting estimates

- | | |
|---|------|
| 1. Changes in accounting policies associated with the revision of accounting standards, etc.: | Yes |
| 2. Changes in accounting policies other than 1.: | None |
| 3. Changes in accounting estimates: | Yes |
| 4. Restatement: | None |

(Note) The changes in accounting policies and changes or restatements of accounting estimates are pursuant to Article 14-7 of the Regulation for Terminology, Form and Preparation of Quarterly Consolidated Financial Statements. For details, please see the statement under the heading of “4. Consolidated Financial Statements, (7) Changes in significant items regarding the preparation of consolidated financial statements” on page 20 of accompanying materials.

(3) Number of outstanding shares (common shares)

- | | | | | |
|--|--------------------|-----------------------|--------------------|--|
| 1. Number of outstanding shares including treasury stock | | | | |
| Fiscal year (2013/3): | 422,501,010 shares | Fiscal year (2012/3): | 422,501,010 shares | |
| 2. Number of treasury stock | | | | |
| Fiscal year (2013/3): | 2,539,243 shares | Fiscal year (2012/3): | 3,796,915 shares | |
| 3. Average number of shares during the period | | | | |
| Fiscal year (2013/3): | 419,486,703 shares | Fiscal year (2012/3): | 418,616,024 shares | |

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated business results for the fiscal year ended March 2013 (April 1, 2012 – March 31, 2013)

(1) Non-consolidated business results (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2013	444,992	(4.3)	3,500	(52.7)	6,830	(18.1)	5,292	(2.4)
Fiscal year ended March 2012	464,921	5.9	7,391	39.2	8,338	59.8	5,424	(27.2)

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Fiscal year ended March 2013	12.55	–
Fiscal year ended March 2012	12.87	–

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	263,214	60,826	23.1	144.31
As of March 31, 2012	275,792	55,016	19.9	130.50

(Reference) Shareholders' equity: 60,826 million yen as of March 31, 2013

55,016 million yen as of March 31, 2012

* Statement relating to the execution status for audit procedures

This financial summary falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of said Act were not completed at the time this financial summary was disclosed.

* Explanation about the proper use of results forecasts, and additional information

- The results forecasts and forward-looking statements included in this document are based on information available on the date of the announcement and estimates based on reasonable assumptions. Actual results might be significantly different from the forecasts in the document, depending on various factors.
Refer to the section “1. Analysis of Business Results and Financial Status, (1) Analysis of business results, 2) Forecast for the fiscal year ending March 2013” on page 3 of accompanying materials for further information on results forecasts.
- The Company operates its businesses on a consolidated basis. The Company produces no forecast for non-consolidated business results.
- The Company plans to hold a results briefing for institutional investors and analysts on Wednesday, May 15, 2013. It intends to publish references to explain results it will distribute at the briefing session at its website promptly after the session.

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1. Analysis of Business Results and Financial Status

(1) Analysis of business results

1) Review of operations in the fiscal year ended March 2013

In the fiscal year under review, personal spending and housing investments remained stable in the United States, and the economy began to recover. However, the European economy remained sluggish, reflecting fiscal stability measures that worsened the real economy. In contrast, China, as well as other emerging Asian economies, posted continued growth, albeit with the rate of growth moderating primarily due to weaker exports as a result of the stagnant European economy. The overall global economy sustained a moderate recovery.

In Japan the economy continued to struggle, yet began to show signs of a recovery, reflecting improvements in the overseas economy, the depreciation of the yen, and the rise in stock prices.

In this environment, the results of the Group in the fiscal year under review are as shown below.

Consolidated net sales rose ¥12,867 million (1.3%) year on year, to ¥119,232 million, chiefly reflecting an increase in overall transaction volumes in the Electronics and Environment & Materials segments. Consolidated gross trading profit declined ¥879 million (1.1%) from the previous fiscal year, to ¥80,021 million. Consolidated operating income fell ¥3,164 million (14.8%) from the previous fiscal year, to ¥18,262 million, due to an increase in selling, general and administrative expenses as a result of advanced investment for business expansion. Non-operating income rose ¥2,116 million year on year, thanks to improvements in foreign exchange gains and losses and interest paid and received. As a result, consolidated ordinary income decreased ¥1,047 million (5.9%) year on year, to ¥16,705 million.

In extraordinary items, the Group posted a consolidated extraordinary gain of ¥76 million, reflecting a gain on the sale of investment securities. Income before income taxes and minority interests rose ¥3,252 million (24.0%) from the previous fiscal year, to ¥16,781 million. The Group posted consolidated net income of ¥9,564 million, an increase of ¥3,454 million (56.5%) year on year.

Results for each business segment are described below. Because of organizational changes made by the Group during this fiscal year, the name of the Electronics & IT segment was changed to “Electronics.”

(Electronics)

The ICT solutions business and the mobile solutions business continued to perform well, primarily due to increased sales of mobile devices and cloud services. The in-car electronic equipment business held steady thanks to the increased production of two-wheeled and four-wheeled vehicles, partly reflecting the economic recovery in the United States. Meanwhile, the semiconductor and semiconductor manufacturing equipment business remained sluggish overall, despite capturing smartphone-related demand.

As a result, net sales in the Electronics Division rose ¥20,518 million year on year, to ¥273,662 million. Operating income increased ¥917 million, to ¥9,943 million.

(Foods & Foodstuff)

The food business faced a difficult uphill battle, with deteriorating profits attributable to the rapid depreciation of the yen, despite the relatively stable supply/demand environment. The meat products business remained sluggish, given increased domestic production of meat products, the market turmoil attributable to the easing of the age of imported beef in months, and the effect of the rapid yen depreciation. While prices soared in the U.S. grain market and elsewhere, the foodstuff business was confronted with the challenge of the delay in this increase being reflected in sales prices.

As a result, in the Foods & Foodstuff Division, net sales decreased ¥4,176 million year on year, to ¥287,936 million. Operating income fell ¥2,021 million, to ¥3,165 million.

(Iron & Steel)

The business of steel pipes shipped to North America remained steady. However, shipments of steel plates and sheets and iron ore to Asia fell.

As a result, net sales in the Iron & Steel Division declined ¥7,843 million year on year, to ¥91,288 million. Operating income sank ¥1,045 million to ¥2,567 million.

(Machinery & Plant)

Business linked to machine tool and industrial machine performed well, tapping into customers' capital investment demand and equipment replacement demand. In businesses linked to transport and to plant, exports to Asia were weak.

As a result, net sales in the Machinery & Plant Division declined ¥14,969 million year on year, to ¥55,426 million. Operating income fell ¥1,021 million, to ¥426 million.

(Environment & Materials)

In the energy business, sales of heavy fuel oil to electric power companies continued to be brisk. In the chemical business, imports of raw materials for pharmaceuticals and health foods remained steady, but exports of raw materials for car batteries remained sluggish.

As a result, in the Environment & Materials Division, net sales increased ¥19,851 million from the previous fiscal year, to ¥293,533 million. Operating income declined ¥46 million, to ¥1,926 million.

(Other)

Net sales declined ¥514 million year on year, to ¥17,384 million. However, operating income rose ¥63 million, to ¥223 million.

2) Forecast for the fiscal year ending March 2014

The global economic slump is likely to be prolonged, as measures for fiscal stability in Europe have just begun, despite the moderate economic recovery that is expected to continue in the United States.

In contrast, China and emerging Asian nations are expected to continue to grow steadily, reflecting the increase in consumer spending, although the past growth rate cannot be expected.

In Japan, there is a move toward an export-led recovery, thanks to the rebound in the overseas economy and the yen depreciation trend. Also, a last-minute rise in demand is expected due to the increase in the consumption tax rate. Personal spending looks to remain steady.

In this environment, the Group will develop and carry out its three-year medium-term business plan (April 2013–March 2016), adopting the vision of “jump to next stage leading to the future.” As for the results outlook for the fiscal year ending March 31, 2014, the first year of the medium-term business plan, the Company forecasts consolidated net sales of ¥1,050.0 billion, consolidated operating income of ¥19.0 billion, consolidated ordinary income of ¥17.0 billion, and consolidated net income of ¥6.0 billion.

(Assumptions for the calculation of results forecast)

- Exchange rate: 1 US dollar = 95 yen

- Interest rates: Interest rates are expected to remain unchanged or to rise moderately.

* Note on forward-looking statements

The results forecast above are based on information available on the date of the announcement and assumptions relating to uncertain factors that will affect future results. Actual results may differ materially from the forecast, depending on changes in the operating environment, such as domestic and foreign economic conditions and exchange rates.

(2) Analysis of financial status

1) Assets, liabilities and net assets

Total assets at the end of the fiscal year under review decreased ¥567 million from the end of the previous fiscal year, to ¥399,186 million, reflecting a decline in cash and bank deposits, etc.

Interest-bearing debt fell ¥13,987 million from the end of the previous fiscal year, to ¥146,861 million as a result of the repayment of borrowings made to reduce debt further. Net interest-bearing debt, which is interest-bearing debt minus cash and bank deposits, decreased ¥3,573 million from the end of the previous fiscal year, to ¥86,439 million.

Net assets at the end of the fiscal year under review stood at ¥75,912 million, up ¥19,920 million from the end of the previous fiscal year, thanks to an increase in retained earnings as a result of the posting of net income, and improvements in foreign currency translation adjustments, reflecting exchange rate fluctuations. Shareholders' equity, obtained by subtracting minority interests from net assets, increased ¥15,511 million from the end of the previous fiscal year, to ¥54,519 million.

As a result, the equity ratio improved 3.9 percentage points from the end of the previous fiscal year, to 13.7%. The net debt-equity ratio ("net DER") improved to 1.6, up from 2.3 at the end of the previous fiscal year.

2) Cash flows

Net cash provided by operating activities stood at ¥1,355 million (versus ¥15,822 million in the previous fiscal year), chiefly reflecting an increase in operating income, and the net cash used for increased inventories and decreased accounts payable–trade. Net cash provided by investing activities amounted to ¥1,466 million (versus ¥1,291 million in the previous fiscal year), reflecting the net cash from the sale of investment securities and the collection of loans, etc., and the net cash used for business takeovers. Net cash used in financing activities amounted to ¥15,721 million (versus ¥13,411 million in the previous fiscal year), reflecting the repayment of debt, among other factors.

As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥60,032 million, down ¥10,561 million from the end of the previous fiscal year.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended March 2009	Fiscal year ended March 2010	Fiscal year ended March 2011	Fiscal year ended March 2012	Fiscal year ended March 2013
Equity ratio	6.0%	7.3%	8.5%	9.8%	13.7%
Equity ratio on a market value basis	7.9%	8.1%	8.9%	10.4%	13.0%
Ratio of interest-bearing debt to cash flow	12.4	7.3	22.2	10.2	108.3
Interest coverage ratio	3.1	6.0	1.8	3.9	0.4

Equity ratio: Shareholders' equity/total assets

Equity ratio on a market value basis: Market capitalization/total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/free cash flow

Interest coverage ratio: Free cash flow/interest payments

* All of the above figures are calculated based on consolidated financial values.

* Market capitalization is calculated based on the following formula: Closing share price at the end of the period x Number of shares issued (net of treasury stock) at the end of the period.

* Cash flows from operating activities are used for cash flow. Interest-bearing debt includes all debts listed on the consolidated balance sheets to which the Company pays interests. For interest payments, the amount of interests paid listed on consolidated statements of cash flows is used.

(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2013 and the fiscal year ending March 2014

The Company regards the distribution of profits to shareholders as critical management issues. It adopts a basic policy for dividends of taking into consideration factors such as operating results and the need to increase internal reserves.

Non-consolidated retained earnings increased steadily, reflecting a rise in net income after they turned positive at the

end of the previous fiscal year. However, non-consolidated income remained unstable. Therefore, in consideration of the continued payment of stable dividends in the future, as announced on March 18, 2013, the Company will not declare dividends at the end of the fiscal year under review.

We will endeavor to ensure a prompt return to the payment of dividends in the following fiscal year with a basic policy of continuing to pay stable appropriate dividends.

(4) Business risks

Since the Kanematsu Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in supply and demand situations. Operations of the Group are exposed to risks such as price fluctuations and liquidity risks of commodities, foreign exchange rates, funds (interest rates) and shares, default and credit risks, investment risks, country risks, and risks associated with changes in laws and regulations. These risks may affect business results and the financial position of the Group because they involve uncertainties unpredictable in the normal course of business. These risks can readily be eliminated. However, the Group seeks to control the risks by developing the systems and methods needed to manage each risk based on its nature.

i) Risks Related to Overall Business Activities

(Market risk related to supply and demand and prices of goods traded)

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by the market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. An unexpected loss may result from causes such as rapid movements in commodities prices or a decline in demand, when our positions in these commodities increase.

(Foreign currency risk)

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group not only transfers the risk of currency fluctuations to customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Group also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing, for the purposes of preparing consolidated financial statements. For this reason, net assets may change through translation adjustments associated with exchange rate fluctuations.

(Interest rate risk)

The Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions at variable interest rates, with the exception of certain loans. Since these borrowings and fund management are exposed to an interest rate risk, interest paid by the Group may increase with a rise in interest rates. Also, since certain companies in the Group adopt a defined benefit pension plan, the retirement benefit obligation could increase in the estimation of the Group if the discount rate used for the calculation of the retirement benefit obligation falls.

(Price fluctuation risk of marketable securities, etc.)

The Group may hold shares in trade partners as means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group through unrealized loss on available-for-sale securities.

Since stocks and other securities are included in the portfolio of the pension assets of the Group for the purpose of making medium- and long-term investments, differences from the required investment yield could have an effect on the financial position of the Group, given that the investment yield will fall if the prices of the stocks, etc. fall.

(Default risk and credit risk)

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans and guarantees in diverse business transactions with its trading partners in Japan and abroad. For this reason, late repayments and defaults may occur with developments such as a deterioration in the financial strength of its trading partners. The Group could also be forced to perform obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, and subcontract agreement, or other agreements, irrespective of reasons, if the trade partner defaults on its obligation or contract.

Although the Group has set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

(Business investment risk)

The Group makes business investments to achieve objectives, including deep mining of existing businesses and expansion of business areas. The Group decides whether to make such investments through procedures established according to their details and amounts. When making investment decisions, the Group evaluates and analyzes risk factors and the profitability of the business based on cash flows, taking the criteria for business withdrawal into account. After making an investment, the Group regularly reevaluates and reviews business potential and investment value to minimize any potential loss. The value of the business investments may fluctuate according to the financial conditions of investment targets and their business success or failure. The range of market changes tend to be particularly wide in overseas businesses. Local laws and relationships with partners may also prevent the Group from executing its policy for operating or withdrawing from a business.

(Country risk)

The Group engages in transactions, loans and investments in other countries. The collection of receivables may be delayed or impossible as a result of political or economic developments in each of these countries. To minimize losses that could arise should these country risks become reality, the Group regularly sets a limit based on ratings given to each country and region according to the scale of their respective country risk, and operates its businesses in such a way that prevents overexposure to certain countries and regions. The Group takes steps such as enrolling in trade insurance programs, according to the ratings and project details in an attempt to minimize recovery risks. However, continuing transactions may become difficult if these risks actualize in certain countries and regions, and this development may affect the future business results of the Group.

(Legal risk related to changes in laws)

The business activities undertaken by the Group in Japan and overseas are subject to a wide range of legal regulations in Japan and other countries. The Group may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment, and changes in regulations such as permits and licenses related to the sales and handling of products. An unexpected expense for the Group may also arise from a lawsuit or from an order issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

(Legal risk related to lawsuits and disputes)

Business operations by the Group, and its assets and liabilities associated with the business operations may become subject to legal proceedings, including lawsuits, and other disputes, in various ways through the course of the business activities undertaken by the Group in Japan and overseas. These lawsuits and disputes are difficult to foresee. In addition, resolving disputes and lawsuits often takes a considerable time. Predicting outcomes involves uncertainties. Lawsuits and disputes may affect the financial position and business results of the Group when they emerge and produce unexpected results.

(Security risk related to information systems and information security)

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules, and is taking steps to ensure that all members of the Group are familiar with crisis control responses, to meet the safety requirements for operating its information systems. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of business sensitive information or personal information through unauthorized access, computer viruses and other means, as well as inoperability due to factors such as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line troubles. Inoperability may reduce the efficiency of operations that depend on the systems, and seriously affect the future business results of the Group, depending on the scale of damages.

(Product and facility deterioration risk due to natural disasters and accidents)

The Group owns facilities, including business offices, warehouses and manufacturing plants, in Japan and overseas. Cargo movements take place not only in Japan but also between foreign countries when the Group engages in transactions. For these reasons, assets held by the Group may be damaged or deteriorate as a result of disasters, accidents and other developments in the course of transportation. In addition, the businesses of the Group may be suspended due to developments such as earthquakes, fire, floods and riots.

(Compliance and fraud risk)

The Group operates businesses to buy, sell and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

2) Risk Management

(Position management of foreign exchanges, interest rates and products)

In many cases, the foreign currency risk, interest rate risk and risk of price fluctuations associated with goods traded incidental to business transactions are transferred to trade partners, etc. in the form of transaction terms. In addition, the Group has established a system under which a limit (position limit) and a loss limit are set for foreign exchange, funds (interest rates), products and their derivatives, taking into account the scale of the risk and the income of each internal unit and company, so that it can quickly reduce its position when the predetermined limit is exceeded. We also reduce the price fluctuation risk of these positions by using derivatives as a hedge.

(Credit management of transactions)

When extending credit to customers in Japan and overseas, the Group regularly provides the rating to individual customers based on their financial data and other information and set a credit limit based on the rating and the type of credit. It controls credit risk by restricting credits so that the total amount of credits, including those arising from ordinary business transactions as well as loans and guarantees, does not exceed the limit. It has also established a system to prevent the expansion of unintended credit risks by regularly monitoring collection and frozen status and taking the necessary security steps.

The Group also prevents credits from exceeding the limit by systematically checking the credit limit when shipping goods to trading partners.

(Security management)

To prevent violations of laws related to security trade control, the Group takes every care in managing and operating processes by establishing the Security Export Control Regulations and a compliance program for the laws in question.

(Risk hedging against natural disasters and accidents)

The Group hedges the risk from natural disasters and accidents of devaluation of and indemnification for facilities and equipment it owns in Japan and overseas, including business offices, warehouses and manufacturing plants, goods in stock it owns in Japan and other countries, and products in transit, by insuring each item against damages. In response to risks related to the suspension of its businesses in cases of disasters such as earthquakes, fire, and floods, the Group devised countermeasures such as the implementation of regular disaster response training in order to safely and promptly respond to these situations and the preparation of manuals that provide for such measures as the establishment and management of disaster countermeasure headquarters.

(Information security)

With respect to the security of information contained in information systems, the Group has adopted information security control rules to prevent leaks and outflows of important information, and has established unified regulations on the use of personal computers, networks, and e-mail for protecting company and personal information. It also reviews the systematic base for raising the security level on a constant basis, and maintain and operate the base to ensure the required and appropriate level of security.

(Compliance)

To comprehensively monitor compliance with laws and regulations, the Group has established the Risk Management and Compliance Committee. The Committee regularly reviews the compliance status and deals with problems that arise unexpectedly. The Group has also developed a compliance handbook and distributed it to its employees together with the compliance card to ensure that all employees are fully aware of the importance of compliance. Taking a step further, the Group has set up an internal hotline and an external attorney hot line for accepting reports and providing consultation services.

(Operations management)

To prevent operational risks arising from back-office work, the Group has established a system to prevent fraud, violations of rules and errors in recording in the workflow by processing all slip issuing activities after delivery and receipt operations in batches, with the implementation of Business Process Re-engineering (BPR).

3) Medium-Term Business Plan

As stated in “3. Management Policies,” the Group has developed its medium-term business plan (from April 2013 to March 2016). The quantitative targets set out in this plan were adopted on the basis of certain assumptions and premises. We may not be able to achieve these targets because of factors such as economic conditions and industry trends that vary significantly from forecasts or our inability to take effective measures in response to changes in the operating environment.

2. Corporate Group

The Group operates businesses and provides a broad array of products and services in diverse fields such as electronics, foods and foodstuffs, iron & steel, machinery & plant, and environment & materials. The Group seeks to act as a business development team, developing excellent relations with its customers and working closely with them to develop new business. To this end, the Group organically integrates the business networks and the areas of specialization it has been cultivating in businesses around the world with the functions of a trading company, which include commodities trading, information gathering, market exploration, business development and formulation, risk management and distribution.

The Company classifies these businesses into categories according to the contents of goods traded and services, and the Group consists of a total of 113 companies including the Company, 87 subsidiaries and 26 affiliates (as of March 31, 2013). Among them, the Group has 82 consolidated subsidiaries and 25 equity-method affiliates.

The details of the goods traded and services based on each of the Group's business segments and its major subsidiaries and affiliates are as follows.

Because of organizational changes made by the Group during this fiscal year, the name of the Electronics & IT segment was changed to "Electronics."

Business segments	Major products and services	Principal subsidiaries and affiliates
Electronics (31 companies)	Electronic parts and members, semiconductor/ LED/solar cell manufacturing equipment, in-vehicle parts, mechanized parts, communication equipment and parts, materials and indirect materials related to electronics, telecommunications technology systems and services, mobile communication terminals, mobile Internet systems and services, aircrafts and aircraft parts, satellite equipment and parts and others	(Subsidiaries: 11 subsidiaries in Japan and 15 subsidiaries overseas) Kanematsu Electronics Ltd. Kanematsu Communications Ltd. Nippon Office Systems Ltd. (Affiliates: 4 affiliates in Japan and one affiliate overseas)
Foods & Foodstuff (17 companies)	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, meat and marine products, feed, fertilizer, soybeans, barley, wheat, rice, processed foods, cooked foods, pet foods and others	(Subsidiaries: 7 subsidiaries in Japan and 2 subsidiaries overseas) Kanematsu Shintoa Foods Corporation Kanematsu Agri-Tech Corporation (Affiliates: 3 affiliates in Japan and 5 affiliates overseas) Dalian Tiantianli Food Co., Ltd.
Iron & Steel (12 companies)	Steel plates, bars and wire rods, pipes, stainless products, and forgings, general steel products, raw materials for iron and steel and others	(Subsidiaries: 5 subsidiaries in Japan and 7 subsidiaries overseas) Kanematsu Trading Corporation
Machinery & Plant (12 companies)	Chemical and petrochemical plants, papermaking machines, communication lines construction, optical fibers, electric power projects, automobiles and automobile parts, ships and maritime equipment, industrial vehicles, construction machinery, general-purpose machines, machine tools, industrial tools and others	(Subsidiaries: 3 subsidiaries in Japan and 7 subsidiaries overseas) Kanematsu KGK Corp. (Affiliates: 2 affiliates overseas)
Environment & Materials (7 companies)	Battery materials, fertilizer materials, adhesive materials, solvents, functional food materials, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oil, petroleum products, LPG, greenhouse gas emissions rights, biomass energy and others	(Subsidiaries: 4 subsidiaries in Japan) Kanematsu Chemicals Corp. Kanematsu Wellness Corp. Kanematsu Petroleum Corp. (Affiliates: 3 affiliates in Japan)

Business segments	Major products and services	Principal subsidiaries and affiliates
Others (18 companies)	Textile materials, beds, bedding and interior goods, housing materials, medium-grade fiberboards, nonferrous metals, insurance agent/intermediary business, air/marine cargo agent business, customs clearing, real estate management and leasing business and others	(Subsidiaries: 8 subsidiaries in Japan and 2 subsidiaries overseas) Shintoa Corporation Kanematsu Logistics & Insurance Ltd. (Affiliates: 4 affiliates in Japan and 4 affiliates overseas) Kaneyo Co., Ltd. P.T.Century Textile Industry Kanematsu-NNK Corp. Hokushin Co., Ltd.
Overseas local subsidiaries (16 companies)	Trading of products and provision of services overseas	(Subsidiaries: 16 subsidiaries) Kanematsu USA Inc. Kanematsu (Hong Kong) Ltd. Kanematsu (China) Co., Ltd. Kanematsu GmbH

- (Notes) 1. Of the above companies, the subsidiaries whose stocks are listed on domestic stock exchanges are Kanematsu Electronics Ltd. (First Section of the Tokyo Stock Exchange) and Nippon Office Systems Ltd. (JASDAQ Standard).
2. Kanematsu Food Corporation merged with the Food Division of Shintoa Corporation on July 1, 2012, and its company name was changed to Kanematsu Shintoa Foods Corporation.

3. Management Policies

(1) Basic management policies

The pioneering spirit and proactive ingenuity needed to constantly anticipate trends and boldly and ceaselessly taking on new business challenges have been principles that have guided us since our founding. We adopt Our Beliefs (established in 1967) as the basic principles, so that we can strengthen the bonds we enjoy with our customers, develop businesses and continued to be valued by society.

Our Beliefs

- We believe that we should achieve prosperity of our business through just and fair earnings in the pioneering spirit as fostered by our predecessors with the wisest use of our creative imagination and ingenuity.
- We believe that our Company should justify its existence by promoting a sound and flourishing business which fulfils its responsibilities toward the welfare of society and also contributes to the security and well-being of us all.
- We believe that each one of us should attend to business not as an individual but as a member of the organization abiding by company rules, carrying out duties with a sense of loyalty to the Company and a spirit of cooperation and understanding toward all other members of the organization.

(2) Summary of the previous medium-term business plan: “*S-Project*” (April 2010 – March 2013)

During a period of sweeping changes in the world economy, the Company pursued its three-year medium-term business plan, “*S-Project*,” adopting a vision of growing as a “team of business developers” and contributing to society. The final year of this business plan ended at the end of the fiscal year under review. Under the “*S-Project*,” the Company undertook a number of measures, such as strengthening its revenue base and operating foundation as the central pillar of its management measures. The specific results were as follows:

i) Strengthening the revenue base

The Company changed its domestic system integrators into consolidated companies and integrated food subsidiaries. It also acquired a threading business of premium connection in the United States, purchased a soybean supply base in the United States, strengthened its soybean business by acquiring a domestic wholesale soybean trading firm, and started up a new food processing joint company in Indonesia.

ii) Strengthening the operating foundation

The Company further reduced its net interest-bearing debt and also improved shareholders’ equity. It made steady progress in improving and strengthening its financial condition. The Company also increased management efficiency by streamlining its back-office divisions, established a business management system for its subdivided business units, and scrapped, built, or effectively allocated management resources to each business through business portfolio management. The Company thus improved and strengthened its consolidated management system.

iii) Actual results vs. numerical targets for the final year of the plan

	Initial target	Actual results
- Consolidated gross trading profit:	¥80.0 billion	¥80.0 billion
- Consolidated operating income:	¥19.0 billion	¥18.3 billion
- Equity ratio:	Over 10%	13.7%
- Net DER	About 2.0	1.6

(3) Start of the medium-term business plan (April 2013 – March 2016)

i) Medium- and long-term management policies

The Group will continue to aim for a “team of business developers” that will consistently create new business. In addition, in order to grow further while embarking on a new stage (the fiscal year ending March 2015 will mark its 125th anniversary), the Group adopted the vision of “jump to next stage leading to the future,” developed a new medium-term business plan (April 2013 – March 2016), and began implementing it.

The basic policy of the above medium-term business plan is as follows:

- Take a positive stance to enable rapid progress and to establish a solid growth track in preparation for the 125th anniversary.
- Continue to develop professional organizations and personnel as a business creation group, aiming for coexistence and mutual development with our business partners.
- Endeavor to consistently increase corporate value to meet the expectations of domestic and foreign stakeholders.

ii) Future issues

The changing economic environments of Japan and other countries have had significant effects on the Group’s consolidated business results in recent years. Asian countries and other emerging nations showed economic growth. Yet sovereign-debt problems persisted in Europe, and tensions rose in the Middle East and Asia. As a result, the economic environment remained uncertain. The Company believes that strengthening its revenue base and operating foundation to a point that allows it to achieve sustainable growth is an issue it must continue to address in this turbulent global environment. The medium-term business plan calls for the following five important initiatives:

1. Strengthen the global value chain in anticipation of evolving needs
Swiftly and accurately grasp changing trends in developed and developing countries and make positive investments to build and strengthen a solid value chain based on customers’ needs.
2. Increase consolidated earnings strength through integration of the Group’s capabilities, mutual collaboration and effective allocation of resources
To accelerate actions in our areas of strength, intensively allocate resources. Reinforce cross-departmental collaboration in pursuit of higher consolidated revenues.
3. Build robust finances unaffected by economic circumstances
Strengthen our compliance structure and advance the risk management structure to accumulate sound assets and to maintain a good debt-capital balance.
4. Develop global professionals
Step up efforts to increase personnel with the capacity to quickly respond to changes in global circumstances and with the knowledge to meet diverse needs.
5. Resume dividend payments and achieve constant dividend payments.
Work to quickly ensure the stable and sustained payment of appropriate dividends.

In our business areas, we will develop operations focusing on four pillars: “globally developing the foods area,” “expanding the areas of electronics, devices and ICT,” “strengthening the area of in-car and machinery parts,” and “pursuing new developments in the area of energy, raw materials, and infrastructure.”

iii) Target management indicators

We have set targets for the final year of the plan (the fiscal year ending March 31, 2016) that are to be achieved by executing these important measures:

- Consolidated ordinary income: ¥20.0 billion
- Consolidated net income: ¥10.0 billion
- Net DER: To maintain the 1 level

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012 (March 31, 2013)
Assets		
Current assets		
Cash and bank deposits	70,835	60,421
Notes and accounts receivable	163,782	165,378
Investments in leased assets	666	608
Short-term investment securities	-	16
Inventories	57,113	65,246
Short-term loans receivable	974	352
Deferred tax assets	3,322	1,669
Other	22,180	23,134
Allowance for doubtful accounts	(294)	(273)
Total current assets	318,581	316,554
Fixed assets		
Tangible fixed assets		
Fixed assets for lease (net amount)	1,989	1,345
Buildings and structures (net amount)	4,987	5,391
Machinery, equipment, vehicle, tools and fixtures (net amount)	4,537	4,963
Land	14,192	14,050
Leased assets (net amount)	1,310	1,075
Construction in progress	10	163
Total tangible fixed assets	27,028	26,990
Intangible fixed assets	1,905	7,226
Investments and other assets		
Investments in securities	29,867	30,248
Long-term loans receivable	5,790	2,435
Doubtful accounts	1,886	1,895
Deferred tax assets	10,842	11,127
Other	7,585	6,441
Allowance for doubtful accounts	(3,734)	(3,731)
Total investments and other assets	52,238	48,415
Total fixed assets	81,172	82,632
Total assets	399,753	399,186

(Million yen)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012 (March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable	108,956	104,372
Import bills payable	29,670	27,984
Short-term borrowings	78,444	81,570
Lease obligations	726	733
Accrued income taxes	1,863	1,663
Deferred tax liabilities	1	95
Asset retirement obligations	35	118
Other	27,138	28,238
Total current liabilities	246,837	244,776
Long-term liabilities		
Long-term borrowings	82,403	65,290
Lease obligations	1,394	1,099
Deferred tax liabilities	160	45
Accrued severance indemnities	2,736	4,296
Provision for loss on litigation	910	–
Reserve for directors' retirement benefits	537	385
Asset retirement obligations	821	741
Other	7,958	6,636
Total long-term liabilities	96,922	78,496
Total liabilities	343,760	323,273
Net assets		
Equity capital		
Capital stock	27,781	27,781
Capital surplus	27,597	27,526
Retained earnings	15,003	24,567
Treasury stock	(550)	(357)
Total equity capital	69,830	79,517
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities	137	1,048
Deferred gain/loss on hedging	492	298
Land revaluation reserves	66	66
Translation adjustments	(31,519)	(26,411)
Total other accumulated comprehensive income	(30,822)	(24,997)
Minority interests	16,984	21,393
Total net assets	55,992	75,912
Total liabilities and net assets	399,753	399,186

(2) Consolidated Statements of Income / Consolidated Statement of Comprehensive Income
Consolidated Statements of Income

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Net sales	1,006,365	1,019,232
Cost of sales	925,464	939,210
Gross trading profit	80,900	80,021
Selling, general and administrative expenses		
Salaries and bonuses	23,352	24,566
Retirement benefit expenses	1,765	1,903
Outsourcing service charges	7,494	7,626
Transfer to allowance for doubtful accounts	112	227
Other	26,748	27,435
Total selling, general and administrative expenses	59,473	61,758
Operating income	21,426	18,262
Non-operating income		
Interest received	472	503
Dividends received	780	814
Equity in earnings of affiliates	266	197
Foreign exchange gains	–	937
Other	951	1,097
Total non-operating income	2,470	3,549
Non-operating expenses		
Interest paid	4,093	3,502
Foreign exchange losses	562	–
Other	1,488	1,605
Total non-operating expenses	6,144	5,107
Ordinary income	17,752	16,705
Extraordinary gains		
Gain on sale of tangible fixed assets	38	431
Gain on sale of investment in securities	264	2,694
Gain on liquidation of subsidiaries and affiliates	10	–
Gain on step acquisitions	–	81
Gain on negative goodwill	–	69
Total extraordinary gains	314	3,276
Extraordinary losses		
Loss on sales or disposal of fixed assets	100	1,271
Loss on impairment	440	750
Loss on sale of investments in securities	545	636
Loss on valuation of investments in securities	660	376
Loss on sale of affiliates	1,185	–
Provision for loss on litigation	910	–
Loss on withdrawal from the employee pension funds program	693	94
Loss on litigation	–	71
Total extraordinary losses	4,537	3,200
Income before income taxes and minority interests	13,529	16,781
Income taxes – current	3,907	4,082
Income taxes – deferred	2,115	1,490
Total income taxes	6,023	5,573
Income before minority interests	7,506	11,208
Minority interests in consolidated subsidiaries	1,395	1,644
Net income	6,110	9,564

Consolidated Statement of Comprehensive Income

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Income before minority interests	7,506	11,208
Other comprehensive income		
Valuation difference on available-for-sale securities	303	927
Deferred gains or losses on hedges	597	(215)
Foreign currency translation adjustment	(1,221)	5,067
Share of other comprehensive income of associates accounted for using equity method	(12)	416
Total other comprehensive income	(332)	6,196
Comprehensive income	7,173	17,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,918	15,388
Comprehensive income attributable to minority interests	1,254	2,015

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Equity capital		
Common stock		
Balance at beginning of the fiscal year	27,781	27,781
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	27,781	27,781
Capital surplus		
Balance at beginning of the fiscal year	27,606	27,597
Changes during the fiscal year		
Disposal of treasury stock	(8)	(70)
Total changes during the fiscal year	(8)	(70)
Balance at end of the fiscal year	27,597	27,526
Retained earnings		
Balance at beginning of the fiscal year	8,914	15,003
Changes during the fiscal year		
Net income	6,110	9,564
Change of scope of equity method	(21)	(0)
Total changes during the fiscal year	6,089	9,563
Balance at end of the fiscal year	15,003	24,567
Treasury stock		
Balance at beginning of the fiscal year	(569)	(550)
Changes during the fiscal year		
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	24	197
Changes in treasury stock attributable to changes of the stake in equity method affiliates	–	3
Total changes during the fiscal year	18	193
Balance at end of the fiscal year	(550)	(357)
Total equity capital		
Balance at beginning of the fiscal year	63,732	69,830
Changes during the fiscal year		
Net income	6,110	9,564
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	15	126
Changes in treasury stock attributable to changes of the stake in equity method affiliates	–	3
Change of scope of equity method	(21)	(0)
Total changes during the fiscal year	6,098	9,686
Balance at end of the fiscal year	69,830	79,517
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities		
Balance at beginning of the fiscal year	(166)	137
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	304	910
Total changes during the fiscal year	304	910
Balance at end of the fiscal year	137	1,048

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Deferred gain/loss on hedging		
Balance at beginning of the fiscal year	(143)	492
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	636	(194)
Total changes during the fiscal year	636	(194)
Balance at end of the fiscal year	492	298
Land revaluation reserves		
Balance at beginning of the fiscal year	58	66
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	8	–
Total changes during the fiscal year	8	–
Balance at end of the fiscal year	66	66
Translation adjustments		
Balance at beginning of the fiscal year	(30,379)	(31,519)
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	(1,140)	5,108
Total changes during the fiscal year	(1,140)	5,108
Balance at end of the fiscal year	(31,519)	(26,411)
Total other accumulated comprehensive income		
Balance at beginning of the fiscal year	(30,631)	(30,822)
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	(191)	5,824
Total changes during the fiscal year	(191)	5,824
Balance at end of the fiscal year	(30,822)	(24,997)
Minority interests		
Balance at beginning of the fiscal year	16,475	16,984
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	508	4,409
Total changes during the fiscal year	508	4,409
Balance at end of the fiscal year	16,984	21,393
Total net assets		
Balance at beginning of the fiscal year	49,576	55,992
Changes during the fiscal year		
Net income	6,110	9,564
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	15	126
Changes in treasury stock attributable to changes of the stake in equity method affiliates	–	3
Change of scope of equity method	(21)	(0)
Net changes of items other than equity capital during the fiscal year	317	10,233
Total changes during the fiscal year	6,415	19,920
Balance at end of the fiscal year	55,992	75,912

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Cash flows from operating activities:		
Income before income taxes and minority interests	13,529	16,781
Depreciation and amortization	2,561	2,680
Increase (decrease) in allowance for doubtful accounts	(247)	69
Increase (decrease) in reserve for employees' prior service obligations	233	358
Interest and dividend income	(1,253)	(1,317)
Interest expense	4,093	3,502
Equity in earnings of affiliated companies (gain)	(266)	(197)
Gain or loss on sales or disposal of fixed assets (gain)	62	840
Impairment loss on fixed assets	440	750
Gain or loss on sale of investments in securities (gain)	281	(2,058)
Gain or loss on valuation of investments in securities (gain)	660	376
Loss on liquidation of affiliates	1,185	–
Provision for loss on litigation	910	–
Loss on litigation	–	71
Loss (gain) on step acquisitions	–	(81)
Loss on withdrawal from the employee pension funds program	693	94
Decrease (increase) in notes and accounts receivable	(16,251)	1,769
Decrease (increase) in inventories	(646)	(3,838)
Increase (decrease) in notes and accounts payable	19,843	(9,112)
Other	(1,699)	(1,634)
Sub total	24,132	9,053
Interest and dividend income received	1,141	1,515
Interest paid	(4,105)	(3,549)
Income taxes paid	(3,818)	(4,588)
Payments for loss on litigation	–	(981)
Payments of cancellation of lease contracts	(833)	–
Payments of contributions for withdrawal from the employee pension funds program	(693)	(94)
Net cash provided by operating activities	15,822	1,355
Cash flows from investing activities:		
Decrease (increase) in time deposits	1,340	(79)
Payments for acquisition of tangible fixed assets	(2,175)	(1,664)
Proceeds from sale of tangible fixed assets	658	1,589
Payments for acquisition of intangible fixed assets	(579)	(1,286)
Payments for acquisition of investments in securities	(121)	(247)
Proceeds from sale of investments in securities	1,331	3,573
Purchase of investments in subsidiaries	(0)	(5)
Proceeds from sales of investments in subsidiaries	–	18
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	–	804
Payments for transfer of business	–	(6,493)
Increase in loans receivable	(1,979)	(163)
Decrease in loans receivable	2,605	4,492
Other	212	926
Net cash provided by investing activities	1,291	1,466
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	788	(244)
Proceeds from long-term debt	49,968	25,930
Repayment of long-term debt	(63,296)	(40,073)
Proceeds on payments by minority shareholders	38	–
Other	(909)	(1,333)
Net cash used in financing activities	(13,411)	(15,721)
Effect of exchange rate changes on cash and cash equivalents	(533)	2,338
Net increase (decrease) in cash and cash equivalents	3,168	(10,561)
Cash and cash equivalent at beginning of year	67,426	70,594
Cash and cash equivalent at end of year	70,594	60,032

(5) Notes on the going concern assumption

Not applicable.

(6) Significant items regarding the preparation of consolidated financial statements

Disclosure is omitted as there were no important changes from those stated in the most recent securities report (submitted on June 22, 2012), with the exception of those described below.

(7) Changes in significant items regarding the preparation of consolidated financial statements

Changes in accounting policies

(Change of depreciation method)

Following the amendment to the Corporation Tax Act, certain of our domestic consolidated subsidiaries changed the depreciation method applied to tangible fixed assets acquired on or after April 1, 2012 to the depreciation method based on the amended Corporation Tax Act beginning this fiscal year.

The change has had a negligible effect on profit and loss for the fiscal year under review.

Matters regarding the scope of consolidation

During the fiscal year under review, the Company made an equity investment in Benoit Premium Threading, LLC, which was recently incorporated to acquire the threading business of premium connection and the related assets in North America. As a result, Benoit Premium Threading, LLC became a consolidated subsidiary (specified subsidiary) of the Company, and is therefore included in the scope of consolidation beginning in the fiscal year under review.

(8) Changes in presentation

Not applicable.

(9) Notes on the consolidated financial statements

(Segment information)

(i) Overview of Reportable Segments

The reportable segments of the Group are those units for which separate financial information can be obtained among the constituent units of the Group and for which the management of the Group normally and regularly assesses its business performance and examines the allocation of management resources.

The Group operates its businesses by offering a broad array of merchandise and services based on an organic combination of expertise that has been cultivated through networks in Japan and in other countries and in each business field, and trading functions such as commercial trade, information gathering, market development, business development and arrangement, risk management, and logistics.

Therefore, the Company forms segments by merchandise and services with its business units as the basis. It has the following five reportable segments: Electronics, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and Environment & Materials.

The principal merchandise and services handled by each segment are as follows:

(Electronics)

The Electronics Division provides a wide range of products, such as electronic parts and members, semiconductors, semiconductor equipment, mechanism elements, materials and indirect materials related to electronics, aircrafts and aircraft parts, together with services including development and proposals. This segment also conducts retail sales of electric cells, LED, etc. and deals with mobile communications terminals, mobile internet systems, and information and telecommunication equipment and services.

(Foods & Foodstuff)

This segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from reliably sourcing raw materials to providing food and foodstuffs, including high value-added goods. Merchandise in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Iron & Steel)

The Iron & Steel Division operates a business centering on international trade in steel products such as plates, bars and wire rods, pipes, stainless products, and forgings. The segment also sells general steel products in Japan and is engaged in import and offshore trading of raw materials for steel.

(Machinery & Plant)

The Machinery & Plant Division is engaged in projects involving overseas plants and infrastructure building, as well as international trade in vessels, marine equipment, automobiles and related parts, industrial vehicles and construction machinery. The segment also sells machine tools and industrial machinery.

(Environment & Materials)

The Environment & Materials segment is responsible for trading and domestic sales of raw materials for solar and lithium batteries, functional chemicals such as raw materials for fertilizer, functional food materials, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oils, petroleum products, and gas. The Division also develops environmental materials such as heat shield paints and new technologies and operates businesses related to emissions trading.

Because of organizational changes made by the Group during this fiscal year, the name of the Electronics & IT segment was changed to “Electronics.”

The segment information for the previous fiscal year is stated using the name of the reportable segments after the change.

(ii) Methods for calculating net sales, profits or losses, assets, and amounts for other items by reportable segment

Income figures for reportable segments are based on operating income for the segments.

Inter-segment revenue and transfers are based on prevailing market prices or third-party transaction prices.

(Change of depreciation method)

Following the amendment to the Corporation Tax Act, certain of our domestic consolidated subsidiaries changed the depreciation method applied to tangible fixed assets acquired on or after April 1, 2012 to the depreciation method based on the amended Corporation Tax Act beginning this fiscal year.

The change has had a negligible effect on segment profit for the fiscal year under review.

(iii) Information on net sales and profits or losses by reported segment

Fiscal 2011 (April 1, 2011 to March 31, 2012)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics	Food & Foodstuffs	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	253,144	292,112	99,131	70,395	273,682	988,466	17,898	1,006,365	–	1,006,365
Inter-segment	60	6	96	20	34	217	55	273	(273)	–
Total	253,205	292,118	99,227	70,415	273,716	988,684	17,954	1,006,638	(273)	1,006,365
Segment profit	9,026	5,186	3,612	1,447	1,972	21,246	160	21,406	20	21,426
Segment assets	118,698	87,618	33,065	27,098	53,257	319,737	22,744	342,482	57,270	399,753
Other items										
Depreciation and amortization	1,231	406	155	124	341	2,259	303	2,563	(1)	2,561
Investments in equity method affiliates	2,333	396	2	–	115	2,847	3,215	6,062	34	6,097
Increases in tangible fixed assets and intangible fixed assets	1,915	114	110	476	149	2,766	70	2,836	678	3,514

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustments are as follows.

(1) Adjustment of ¥20 million for segment profit includes inter-segment elimination of ¥20 million.

(2) Adjustment for segment assets amounting to ¥57,270 million includes inter-segment elimination of negative ¥4,707 million and Group assets of ¥61,978 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.

(3) Adjustment for depreciation and amortization amounting to negative ¥1 million includes inter-segment elimination of negative ¥1 million.

(4) Adjustment for investments in equity method affiliates amounting to ¥34 million includes inter-segment elimination of ¥6 million and Group assets of ¥27 million that have not been distributed to reportable segments.

(5) Adjustment for increases in tangible fixed assets and intangible fixed assets amounting to ¥678 million includes Group assets of ¥678 million that have not been distributed to reportable segments.

(Note 3) Segment profit is adjusted for operating income in the consolidated statements of income.

Fiscal 2012 (April 1, 2012 to March 31, 2013)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics	Food & Foodstuffs	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	273,662	287,936	91,288	55,426	293,533	1,001,847	17,384	1,019,232	–	1,019,232
Inter-segment	20	5	176	4	18	225	56	281	(281)	–
Total	273,682	287,942	91,464	55,431	293,551	1,002,072	17,441	1,019,513	(281)	1,019,232
Segment profit	9,943	3,165	2,567	426	1,926	18,029	223	18,253	9	18,262
Segment assets	129,858	86,458	42,037	23,300	52,372	334,027	13,979	348,006	51,179	399,186
Other items										
Depreciation and amortization	1,378	464	235	96	260	2,435	246	2,682	(1)	2,680
Investments in equity method affiliates	1,454	467	2	–	114	2,038	2,708	4,746	96	4,843
Increases in tangible fixed assets and intangible fixed assets	1,522	426	63	265	40	2,318	81	2,400	535	2,936

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustments are as follows:

- (1) Adjustment of ¥9 million for segment profit includes inter-segment elimination of ¥9 million.
- (2) Adjustment for segment assets amounting to ¥51,179 million includes inter-segment elimination of negative ¥7,954 million and Group assets of ¥59,133 million that have not been distributed to reportable segments. These Group assets consist mainly of cash and bank deposits in connection with financing activities and assets such as investments in securities.
- (3) Adjustment for depreciation and amortization amounting to negative ¥1 million includes inter-segment elimination of negative ¥1 million.
- (4) Adjustment for investments in equity method affiliates amounting to ¥96 million includes inter-segment elimination of ¥6 million and Group assets of ¥90 million that have not been distributed to reportable segments.
- (5) Adjustment for increases in tangible fixed assets and intangible fixed assets amounting to ¥535 million includes Group assets of ¥535 million that have not been distributed to reportable segments.

(Note 3) Segment profit is adjusted for operating income in the consolidated statements of income.

(Per share information)

Fiscal 2011 (From April 1, 2011 to March 31, 2012)		Fiscal 2012 (From April 1, 2012 to March 31, 2013)	
Net assets per share	93.16 yen	Net assets per share	129.82 yen
Net income per share	14.60 yen	Net income per share	22.80 yen
Net income per share on a diluted basis is not written, as there are no potential shares.		Net income per share on a diluted basis is not written, as there are no potential shares.	

(Notes) 1. The bases for the calculation of net assets per share are as follows:

	Fiscal 2011 (As of March 31, 2012)	Fiscal 2012 (As of March 31, 2013)
Net assets per share		
Total net assets (million yen)	55,992	75,912
Amount subtracted from total net assets (million yen)	16,984	21,393
[Minority interests]	[16,984]	[21,393]
Net assets for common shares (million yen)	39,008	54,519
Number of common shares issued (thousand shares)	422,501	422,501
Number of common shares held as treasury stock (thousand shares)	3,796	2,539
Number of common shares used for the calculation of net assets per share (thousand shares)	418,704	419,961

2. The bases for the calculation of net income per share are as follows:

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Net income per share		
Net income (million yen)	6,110	9,564
Amount that does not belong to common shares (million yen)	–	–
Net income for common shares (million yen)	6,110	9,564
Average number of common shares for the period (thousand shares)	418,616	419,486

(Significant subsequent events)

The acquisition of all shares of BD Holdings, Inc., a mobile phone sales company, by a subsidiary:

Kanematsu Communications Ltd. (Head office: Shinjuku-ku Tokyo; President: Hisaya Hasegawa; hereinafter “KCS”), a wholly owned subsidiary of the Company, acquired all shares of BD Holdings, Inc. (hereinafter “BDH”) through a holding company that was jointly established by KCS and Kanematsu Electronics Ltd. (Head office: Chuo-ku, Tokyo; President: Hideki Enomoto; hereinafter “KEL”), a subsidiary of the Company (equity share: KCS 90%, KEL 10%), and placed the mobile phone sales stores owned by BDH under the umbrella of KCS.

1. Reason for the share acquisition

BDH is a leading local mobile phone sales company that operates four DoCoMo shops in Fukuoka Prefecture. KCS operated directly managed shops and franchise shops and carried out transactions with mass retailers in the Kyushu area. With this share acquisition, KCS will not only strengthen its selling power in the Kyushu area, but will also improve its sales power nationwide.

2. Date of share acquisition

May 1, 2013

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012 (March 31, 2013)
Assets		
Current assets		
Cash and bank deposits	21,230	11,123
Notes receivable	4,191	4,431
Accounts receivable	72,365	71,660
Short-term investment securities	–	16
Inventories	28,488	28,418
Advance payments to suppliers	2,017	1,282
Prepaid expenses	677	683
Deferred tax assets	941	–
Short-term loans receivable	72	36
Short-term loans to affiliates	14,195	15,995
Accrued income	3,656	3,617
Derivatives obligations	2,181	4,091
Other	2,283	2,747
Allowance for doubtful accounts	(68)	(39)
Total current assets	152,233	144,064
Fixed assets		
Tangible fixed assets		
Buildings (net amount)	479	458
Structures (net amount)	14	12
Machinery and equipment (net amount)	214	87
Vehicle (net amount)	16	12
Tools and fixtures (net amount)	103	94
Land	5,740	5,620
Leased assets (net amount)	684	518
Construction in progress	0	4
Total tangible fixed assets	7,253	6,808
Intangible fixed assets		
Software	355	323
Telephone subscription rights	7	7
Other	63	84
Total intangible fixed assets	426	415
Investments and other assets		
Investments in securities	9,466	10,263
Shares in affiliates	81,611	81,488
Investments and guarantees	1,326	1,378
Equity investment in affiliates	4,342	4,351
Long-term loans receivable	1,899	1,785
Long-term loans to employees	99	93
Long-term loans to affiliates	28,013	25,013
Doubtful accounts	561	546
Long-term prepaid expenses	141	92
Deferred tax assets	9,991	9,532
Other	1,729	1,585
Allowance for doubtful accounts	(23,303)	(24,205)
Total investments and other assets	115,879	111,925
Total fixed assets	123,559	119,149
Total assets	275,792	263,214

(Million yen)

	Fiscal 2011 (March 31, 2012)	Fiscal 2012 (March 31, 2013)
Liabilities		
Current liabilities		
Notes payable	3,009	2,270
Import bills payable	32,311	30,737
Accounts payable	34,463	34,990
Short-term borrowings	55,221	56,502
Lease obligations	175	174
Accrued liabilities	3,919	4,956
Accrued expenses	736	259
Accrued income taxes	49	125
Deferred tax liabilities	–	301
Advances received from customers	2,526	1,862
Deposits received	2,614	1,735
Deferred revenue	340	66
Derivatives obligations	641	1,534
Other	139	48
Total current liabilities	136,149	135,564
Long-term liabilities		
Long-term borrowings	80,960	64,284
Lease obligations	557	386
Accrued severance indemnities	210	294
Reserve for directors' retirement benefits	152	–
Provision for loss on litigation	900	–
Allowance for business losses for subsidiaries and affiliates	1,670	1,119
Asset retirement obligations	126	124
Other	49	613
Total current liabilities	84,627	66,822
Total liabilities	220,776	202,387
Net assets		
Equity capital		
Capital stock	27,781	27,781
Capital surplus		
Legal capital surplus	26,887	26,887
Total capital surplus	26,887	26,887
Retained earnings		
Earned legal reserve	131	131
Other retained earnings		
Special reserve fund	1,836	1,836
Deferred retained earnings	(1,936)	3,355
Total retained earnings	31	5,323
Treasury stock	(122)	(129)
Total equity capital	54,577	59,862
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	(25)	730
Deferred gain/loss on hedging	464	234
Total valuation and translation adjustments	438	964
Total net assets	55,016	60,826
Total liabilities and net assets	275,792	263,214

(2) Non-Consolidated Statements of Income

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Net sales	464,921	444,992
Cost of sales		
Commodity inventories at beginning of year	29,966	28,488
Commodity purchase amount	443,737	429,106
Total	473,703	457,594
Commodity inventories at end of year	28,488	28,418
Cost of commodity sales	445,215	429,176
Gross trading profit	19,705	15,816
Selling, general and administrative expenses		
Compensation paid to directors	168	215
Salaries and allowances	4,463	4,474
Bonuses	830	612
Retirement benefit expenses	715	623
Welfare expenses	777	798
Traveling expenses	684	692
Communication charges	119	111
Office expenses	62	56
Entertainment expenses	115	111
Rent	962	814
Outsourcing service charges	1,373	1,642
Maintenance contract expenses	742	842
Taxes and public charges	43	37
Business office tax	17	18
Enterprise tax	105	162
Depreciation and amortization	437	423
Transfer to allowance for doubtful accounts	47	66
Bad debts expenses	–	2
Other	645	609
Total selling, general and administrative expenses	12,313	12,315
Operating income	7,391	3,500
Non-operating income		
Interest received	700	701
Dividends received	4,308	4,691
Foreign exchange gains	–	879
Other	486	504
Total non-operating income	5,495	6,777
Non-operating expenses		
Interest paid	3,600	3,049
Loss on foreign exchange translation	574	–
Other	373	397
Total non-operating expenses	4,548	3,446
Ordinary income	8,338	6,830

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Extraordinary gains		
Gain on sale of tangible fixed assets	31	2
Gain on sale of intangible fixed assets	–	0
Gain on sale of investment in securities	475	249
Total extraordinary gains	506	253
Extraordinary losses		
Loss on sales or disposal of fixed assets	14	66
Loss on impairment	–	108
Loss on sale of investments in securities	290	0
Loss on valuation of investments in securities	743	314
Provisions for loss on bad debt of affiliates and loss on business	321	468
Loss on litigation		70
Provision for loss on litigation	900	–
Total extraordinary losses	2,270	1,028
Income before income taxes	6,574	6,055
Income taxes – current	(1,512)	(656)
Income taxes – deferred	2,662	1,420
Total income taxes	1,149	763
Net income	5,424	5,292

(3) Non-Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Equity capital		
Common stock		
Balance at beginning of the fiscal year	27,781	27,781
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	27,781	27,781
Capital surplus		
Capital surplus		
Balance at beginning of the fiscal year	26,887	26,887
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	26,887	26,887
Total capital surplus		
Balance at beginning of the fiscal year	26,887	26,887
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	26,887	26,887
Retained earnings		
Earned legal reserve		
Balance at beginning of the fiscal year	131	131
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	131	131
Other retained earnings		
Special reserve fund		
Balance at beginning of the fiscal year	1,836	1,836
Changes during the fiscal year		
Total changes during the fiscal year	–	–
Balance at end of the fiscal year	1,836	1,836
Deferred retained earnings		
Balance at beginning of the fiscal year	(7,360)	(1,936)
Changes during the fiscal year		
Net income	5,424	5,292
Disposal of treasury stock	(0)	(0)
Total changes during the fiscal year	5,424	5,292
Balance at end of the fiscal year	(1,936)	3,355
Total retained earnings		
Balance at beginning of the fiscal year	(5,392)	31
Changes during the fiscal year		
Net income	5,424	5,292
Disposal of treasury stock	(0)	(0)
Total changes during the fiscal year	5,424	5,292
Balance at beginning of the fiscal year	31	5,323

(Million yen)

	Fiscal 2011 (From April 1, 2011 to March 31, 2012)	Fiscal 2012 (From April 1, 2012 to March 31, 2013)
Treasury stock		
Balance at beginning of the fiscal year	(116)	(122)
Changes during the fiscal year		
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	0	0
Total changes during the fiscal year	(5)	(7)
Balance at beginning of the fiscal year	(122)	(129)
Total equity capital		
Balance at beginning of the fiscal year	49,158	54,577
Changes during the fiscal year		
Net income	5,424	5,292
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	0	0
Total changes during the fiscal year	5,418	5,284
Balance at beginning of the fiscal year	54,577	59,862
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities		
Balance at beginning of the fiscal year	(239)	(25)
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	213	755
Total changes during the fiscal year	213	755
Balance at beginning of the fiscal year	(25)	730
Deferred gain/loss on hedging		
Balance at beginning of the fiscal year	(165)	464
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	629	(229)
Total changes during the fiscal year	629	(229)
Balance at beginning of the fiscal year	464	234
Total valuation and translation adjustments		
Balance at beginning of the fiscal year	(404)	438
Changes during the fiscal year		
Net changes of items other than equity capital during the fiscal year	843	526
Total changes during the fiscal year	843	526
Balance at beginning of the fiscal year	438	964
Total net assets		
Balance at beginning of the fiscal year	48,754	55,016
Changes during the fiscal year		
Net income	5,424	5,292
Acquisition of treasury stock	(6)	(8)
Disposal of treasury stock	0	0
Net changes of items other than equity capital during the fiscal year	843	526
Total changes during the fiscal year	6,261	5,810
Balance at beginning of the fiscal year	55,016	60,826

(4) Notes on the going concern assumption
Not applicable.

6. Other

(1) Changes in directors

Changes in directors are as separately disclosed on a timely basis.

(2) Other

Not applicable.

Highlights of Consolidated Financial Results for the Fiscal Year Ended March 2013

Increase in Net Income

Net sales	1,019.2 billion yen	1.30% Up
Operating income	18.3 billion yen	14.8% Down
Ordinary income	16.7 billion yen	5.9% Down
Net income	9.6 billion yen	56.5% Up

Significant Improvement in Financial Position

(Unit: 100 million yen)	Income Statement		Year-on-year		FY2013	
	FY2011	FY2012	Change	Change (%)	Forecasts	YoY Change (%)
Net sales	10,064	10,192	129	1.3%	10,500	3.0%
Gross trading profit	809	800	-9	-1.1%	-	-
SG&A expenses	595	618	23	3.8%	-	-
Operating income	214	183	-32	-14.8%	190	4.0%
Dividends received	8	8	0	-	-	-
Interest	-36	-30	6	-	-	-
Equity in earnings of affiliated companies	3	2	-1	-	-	-
Foreign exchange gains/losses	-6	9	15	-	-	-
Others	-5	-5	0	-	-	-
Non-operating income/expenses	-37	-16	21	-	-	-
Ordinary income	178	167	-10	-5.9%	170	1.8%
Extraordinary gains	3	33	30	-	-	-
Extraordinary losses	-45	-32	13	-	-	-
Income (loss) before income taxes	135	168	33	24.0%	-	-
Income taxes and minority interests	-74	-72	2	-	-	-
Net income	61	96	35	56.5%	60	-37.3%

[Net sales]
Slight increase in net sales, as a decline in net sales for the Foods & Foodstuff, Iron & Steel, and Machinery & Plant segments was offset by an increase in net sales of the Electronics and Environment & Materials segment

[Operating income]
A fall in operating income due to an increase in selling, general and administrative expenses, which was attributable to advanced investments for business expansion

[Ordinary income]
A decline in ordinary income as a result of decreased operating income, despite a rise in non-operating income due to improvements in foreign exchange gains and losses and interest received and paid

[Net income]
An increase in net income thanks to the posting of a gain on the sale of investment securities in extraordinary items

(Unit: 100 million yen)	Comparison with 3/2012			
	3/2012	3/2013	Change	Change (%)
Total assets	3,998	3,992	-6	-0.1%
Gross interest-bearing debt	1,608	1,469	-140	-8.7%
Net interest-bearing debt	900	864	-36	-4.0%
Equity capital	698	795	97	13.9%
Other accumulated comprehensive income	-308	-250	58	-
Minority interests	170	214	44	26.0%
Total net assets	560	759	199	35.6%
Shareholders' equity (Note 1)	390	545	155	39.8%
Equity ratio (Note 2)	9.8%	13.7%	3.9 pt improved	-
Net debt-equity ratio (Note 3)	2.3 times	1.6 times	0.7 pt improved	-

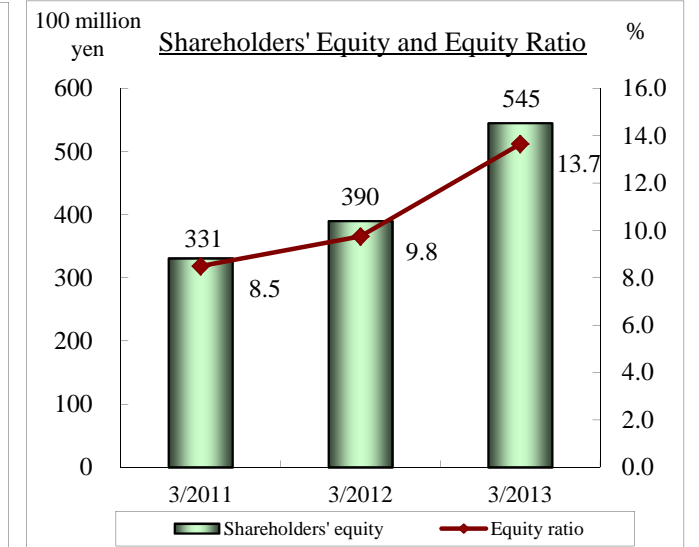
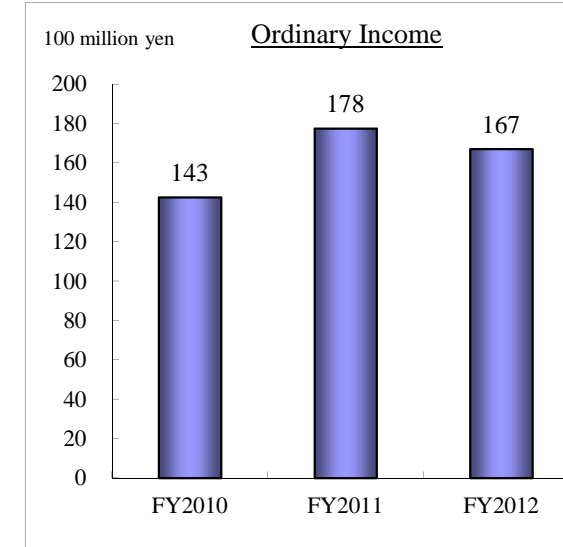
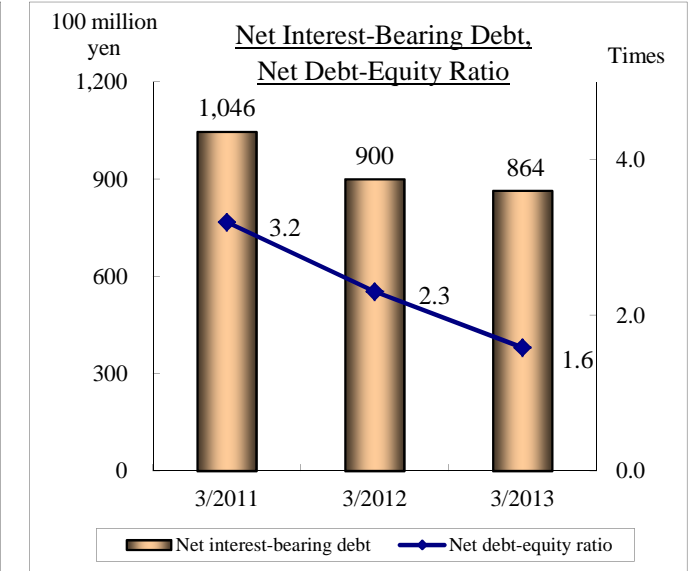
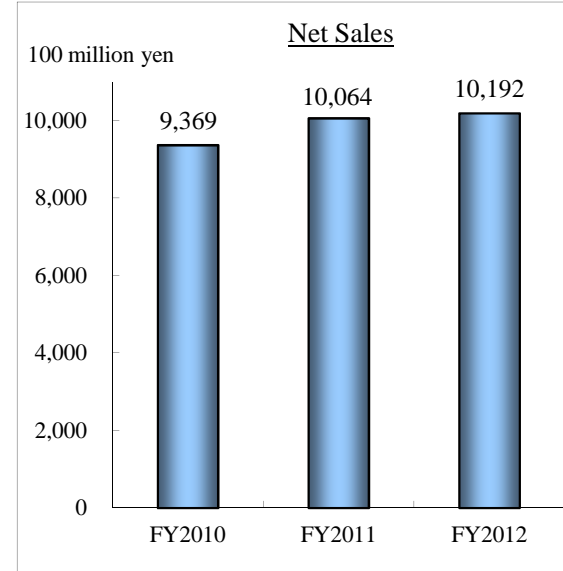
[Total assets]
Total assets decreased by 0.6 billion yen, reflecting a decline in cash and bank deposits.

[Interest-bearing debt]
Gross interest-bearing debt decreased by 14.0 billion yen, and net interest-bearing debt also declined 3.6 billion yen, reflecting the repayment of debts.

[Net assets]
Net assets increased 19.9 billion yen, reflecting an increase in retained earnings attributable to the posting of net income, etc.
Shareholders' equity, which is net assets minus minority interests, rose 15.5 billion yen.

As a result, the equity ratio increased to 13.7%, and net DER improved to 1.6.

(Note 1) Shareholders' equity = Total net assets - Minority interests
(Note 2) Equity ratio = Shareholders' equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity



(Unit: 100 million yen)	Segment information			Operating income		
	FY2011	FY2012	Change	FY2011	FY2012	Change
Electronics	2,531	2,737	205	90	99	9
Foods & Foodstuff	2,921	2,879	-42	52	32	-20
Iron & Steel	991	913	-78	36	26	-10
Machinery & Plant	704	554	-150	14	4	-10
Environment & Materials	2,737	2,935	199	20	19	0
Total for reportable segments	9,885	10,018	134	212	180	-32
Other (including adjustment)	179	174	-5	2	2	1
Grand total	10,064	10,192	129	214	183	-32

[Electronics] An increase in net sales and income
The ICT solutions business and the mobile solutions business remained brisk, primarily reflecting increased sales of mobile devices and cloud services. The in-car electronic equipment business remained steady thanks to the economic recovery in the United States. Meanwhile, the semiconductor and semiconductor manufacturing equipment business remained sluggish overall, with the exception of smartphone-related demand.

[Foods & Foodstuff] A decline in net sales and income
The foods business suffered deteriorating profits, reflecting the rapid yen depreciation. The meat products business remained sluggish due to increased domestic production of meat products, and the market turmoil attributable to the easing of the age of imported beef in months. While prices soared in the grain market in the United States and elsewhere, the foodstuff business faced a difficult uphill battle due to a delay in passing the increase on to selling prices.

[Iron & Steel] A decrease in net sales and income
The business of shipping steel pipes to North America remained steady. However, shipments to Asia of steel plates and sheets as well as iron ore fell.

[Machinery & Plant] A decline in net sales and income
Business connected with machine tools and industrial machines performed well, tapping into customers' capital investment demand and equipment replacement demand. In businesses related to transport and plants, exports to Asia were weak.

[Environment & Materials] A rise in net sales, but income remained unchanged
In the energy business, sales of heavy fuel oil to electric power companies continued to be brisk. In the chemical business, imports of raw materials for pharmaceuticals and health foods remained steady, but exports of raw materials for car batteries remained sluggish.

* Results forecasts and forward-looking statements in this document assume information available to the Company as of the date of the announcement and estimates based on rational assumptions. Please note that actual results may differ materially from the forecasts presented here, depending on various factors.
* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.