

# Consolidated Financial Summary for the First Three Months of the Fiscal Year Ending March 2011 (Japanese Accounting Standards)

August 6, 2010

Company name: Kanematsu Corporation

Stock exchange listing: Tokyo Stock Exchange, Osaka Securities Exchange

Stock code: 8020

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

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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): August 13, 2010

Scheduled date for commencement of dividend payments: —

Supplementary documents for quarterly results: Yes

Quarterly results briefing: None

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

## 1. Consolidated business results for the first three months of the fiscal year ending March 2011 (April 1, 2010 – June 30, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Three Months to June 2010	225,866	11.0	4,297	80.9	3,655	119.0	2,207	177.7
First Three Months to June 2009	203,526	-34.4	2,375	-61.1	1,669	-63.1	794	-28.3

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First Three Months to June 2010	5.28	—
First Three Months to June 2009	1.90	—

## (2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2010	402,000	46,060	7.3	70.02
As of March 31, 2010	398,629	45,804	7.3	69.15

(Reference) Shareholder's equity: 29,283 million yen as of June 2010 28,916 million yen as of March 2010

## 2. Dividends

	Annual dividends				
	End of first three months	End of first six months	End of first nine months	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2010	—	0.00	—	0.00	0.00
Fiscal year ending March 2011	—				
Fiscal year ending March 2011 (Forecasts)		0.00	—	0.00	0.00

(Note) Revisions of expected dividends in the first three months under review: None

## 3. Forecasts for consolidated results ending March 2011 (April 1, 2010 – March 31, 2011)

(%: 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
Interim	—	—	—	—	—	—	—	—	—
Full year	850,000	-1.3	15,000	23.1	10,000	21.4	4,500	27.6	10.76

(Note) Revisions of estimated consolidated results in the first three months under review: None

(Note) The Company prepares management plans and conducts performance evaluations on an annual basis.

4. Other (For details, please refer to “Other Information” on page 4 of the accompanying materials.)

(1) Any change in important subsidiaries during the year: None

(Note) Any changes in specific subsidiaries accompanied by a change in the scope of consolidation during the first three months under review

(2) Adoption of simplified accounting methods and special accounting treatment: Yes

(Note) Adoption of simplified accounting methods or accounting methods unique to the preparation of quarterly consolidated financial statements

(3) Any changes in accounting policies and procedures and/or the method of presentation

1. Change due to amendment to accounting standard: Yes

2. Change due to other than above: None

(Note) Any changes in the policies, procedures, or presentation method of the accounting methods for the preparation of quarterly consolidated financial statements included in “Changes in the basis for preparing quarterly consolidated financial statements”

(4) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock:

First three months (2010/6)	422,501,010 shares
Fiscal year (2010/3)	422,501,010 shares
2. Number of treasury stock:	
First three months (2010/6)	4,313,951 shares
Fiscal year (2010/3)	4,303,097 shares
3. Average number of shares during the period (First three months):	
First three months (2010/6)	418,191,864 shares
First three months (2009/6)	418,323,369 shares

\* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

\* 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 “(3) Qualitative Information on Consolidated Results Forecasts” in “1. Qualitative Information on Consolidated Results, etc. for the First Three Months of the Fiscal Year Ending March 2011” on page 3 of accompanying materials for further information on results forecasts.

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## 1. Qualitative Information on Consolidated Results, etc. for the First Three Months of the Fiscal Year Ending March 2011

### (1) Qualitative Information on Consolidated Operating Results

The global economy gradually showed signs of a recovery, with continued growth in Asian and other emerging economies, led by China. However, foreign exchange and stock market remained turbulent, triggered by fiscal crises in developed countries, particularly in Europe, while the outlook for the U.S. economy became more uncertain. The Japanese economy also began to recover, backed by sustained stimulus from the government and strong exports in the private sector, although the domestic situation also remains unpredictable, given sluggish capital spending, ongoing deflation, and exchange rate trends.

In this environment, the results of the Group in the first quarter under review (from April 1, 2010 to June 30, 2010) remained solid.

Consolidated net sales increased ¥22,340 million (11.0%) year on year, to ¥225,866 million, reflecting a recovery in demand in Japan and overseas. Gross trading profit rose ¥694 million (3.9%), to ¥18,380 million, associated with higher net sales. Operating income increased ¥1,922 million (80.9%), to ¥4,297 million, thanks to the rise in gross trading profit and a reduction of selling, general and administrative expenses, and ordinary income climbed ¥1,986 million (119.0%), to ¥3,655 million.

Extraordinary losses came to ¥461 million, reflecting the posting of a loss on valuation of investments in securities and the effect of applying the accounting standards for asset retirement obligations. However, income before income taxes and minority interests increased ¥1,537 million (92.8%), to ¥3,194 million. Net income after subtracting tax expenses and minority interests was up substantially, rising ¥1,413 million (177.7%) to ¥2,207 million.

Results for each business segment are described below. The Group changed the names of the IT Division and the Life Science & Energy Division to the Electronics & IT Division and the Environment & Materials Division, respectively, from the first quarter under review, to better reflect their merchandise and services. Also, associated with the application of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Accounting Standards Board of Japan (ASBJ) Statement No.17, March 27, 2009), the Group reclassified the Iron, Steel & Plants Division into the Iron & Steel Division and the Machinery & Plant Division.

#### (i) Electronics & IT

In the Electronics & IT segment, the semiconductor equipment business improved with the recovery in demand for semiconductors, while the aerospace business and the mobile solutions business remained firm. The ICT solutions business also steadily generated earnings, reflecting cost cutting and other measures.

As a result, net sales in the Electronics & IT Division increased ¥8,702 million year on year, to ¥62,820 million. Operating income rose ¥1,624 million, to ¥2,307 million.

#### (ii) Foods & Foodstuff

In the Foods & Foodstuff Division, the foods business enjoyed healthy growth in sales of processed agricultural products, especially dry fruits and beverage ingredients such as coffee. Sales also remained generally solid as the external environment steadied, including foreign exchange rates and commodity prices. In the foodstuff business, grain and feedstuff transactions generally remained strong, and the pet-related business steadily expanded.

As a consequence, net sales in the Foods & Foodstuff Division increased ¥4,883 million, to ¥71,612 million. Operating income was up ¥542 million, to ¥1,157 million.

#### (iii) Iron & Steel

This segment remained solid overall, backed by strong demand for automobile wire rods and iron ore. However, sales to North America declined, and some steel plates for the Middle East struggled in the face of tougher competition, attributable in part to depreciating currencies in South Korea and Europe. As a result, sales in the Iron & Steel Division increased ¥1,643 million, to ¥23,542 million. Operating income declined ¥471 million, to ¥624 million.

(iv) Machinery & Plant

In the Machinery & Plant Division, although business linked to automobile parts for China and to plants for the Middle East was solid, the overall performance was weak, a reflection of poor market conditions and the appreciation of the yen. The machine tool business did not see a significant recovery in the order environment, as corporations continued to restrain capital spending.

As a result, sales in this segment declined ¥301 million, to ¥13,465 million. The operating loss improved by ¥300 million, to ¥3 million.

(v) Environment & Materials

In the Environment & Materials segment, the functional chemicals business benefited from rising exports of raw materials for car batteries, with sales of lubricant oils and raw materials for resin also solid. The life science business remained firm, with strong sales of colostrums products and recovering exports of generic drugs. The energy business struggled with the gradual but sustained decline in domestic demand and declining profitability linked to falling product prices.

As a consequence, net sales in the Environment & Materials Division increased ¥7,099 million, to ¥50,403 million. Operating income rose ¥5 million, to ¥103 million.

(vi) Other

In the Other segment, net sales increased ¥313 million, to ¥4,020 million, and operating income declined ¥66 million, to ¥104 million, primarily attributable to the deteriorated profitability of the aluminum recycling business.

(2) Qualitative Information on Consolidated Financial Position

(i) Assets, liabilities and net assets

Total assets at the end of the first quarter increased ¥3,371 million from the end of the previous fiscal year, to ¥402,000 million, reflecting an increase in operating receivables and inventories due to the recovery in trading volumes.

Borrowings remained virtually flat from the end of the previous fiscal year at ¥193,091 million, and net interest-bearing debt increased ¥1,019 million, to ¥110,369 million, given a fall in cash and bank deposits associated with an increase in funds for transactions.

Net assets increased ¥256 million, to ¥46,060 million, attributable to the posting of net income, which offset deteriorating valuation and translation adjustments associated with foreign exchange trends. As a result, the equity ratio remained flat from the end of the previous fiscal year at 7.3%, and the net debt-equity ratio was also unchanged at 3.8.

(ii) Cash flows

Net cash used in operating activities in the first quarter under review stood at ¥1,141 million (net cash provided of ¥14,883 million for the first quarter of the previous fiscal year), mainly reflecting an increase in funds for transactions. Net cash provided by investing activities was ¥3,257 million (net cash used of ¥4,113 million), primarily attributable to proceeds from the withdrawal of time deposits. Net cash used in financing activities was ¥378 million (net cash used of ¥9,694 million), chiefly owing to the repayment of borrowings.

As a result, cash and cash equivalents at the end of the first quarter under review stood at ¥65,906 million, up ¥1,427 million from the end of the previous fiscal year.

(3) Qualitative Information on Consolidated Results Forecasts

Although the global economy is recovering with the support of emerging economies, the business environment is likely to remain unpredictable, with uncertain outlooks in Europe, the United States and Japan.

Given these circumstances, we developed our forecasts in anticipation of a recovery in the second half of the current fiscal year and need to carefully judge future trends after the second quarter. Consequently, we have not changed the forecasts for consolidated results, which we announced on May 7, 2010.

The forecasts above are based on information available on the date of the announcement of this document and estimates based on reasonable assumptions. Actual results might differ materially from the forecasts, due to various factors.

## 2. Other Information

### (1) Changes in Important Subsidiaries

Not applicable.

(For reference) The scope of consolidation and the application of the equity method

Number of consolidated subsidiaries: 80 companies (1 company was added; 2 companies reduced)

Number of unconsolidated subsidiaries accounted for by the equity method:

5 companies (-- companies were added; 1 company reduced)

Number of equity method affiliates: 28 companies (-- companies were added; -- companies reduced)

### (2) Adoption of Simplified Accounting Methods and Special Accounting Treatment

#### (i) Simplified accounting

(Method used to calculate the estimate of general bad debts)

Since the loan loss ratio at the end of the first three months under review has not changed significantly from that at the end of the previous fiscal year, the Company used reasonable standards, including the loan loss ratio that was calculated in the settlement for the previous fiscal year, to calculate the estimate of general bad debts.

(Inventory valuation method)

Certain consolidated subsidiaries omitted physical stocktaking for the first three months under review and computed inventories at the end of the first three months by a reasonable method based on actual inventories at the end of the previous fiscal year.

With respect to the reduction of the book value of inventories held for the purpose of usual sale, certain consolidated subsidiaries estimated the net sale value of only those inventories whose profitability was obviously reduced and cut the book value of the inventories.

(Method used to calculate the depreciation cost of fixed assets)

The Company calculated the depreciation cost of assets for which the declining balance method is used by dividing the depreciation cost for the fiscal year proportionally.

(Simplified method for judging the collectability of deferred tax assets)

Since the business environment and the temporary difference were deemed not to have changed materially from the end of the previous fiscal year, the Company used the earnings forecast and tax planning used in the account settlement for the previous fiscal year to judge the collectability of deferred tax assets at the end of the first three months.

#### (ii) Accounting specific to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Certain consolidated subsidiaries calculated tax expenses by multiplying income before income taxes and minority interests by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated income before income taxes for the fiscal year including the first quarter under review.

### (3) Changes in Accounting Principle, Procedure and Presentation

#### (i) Changes in matters related to accounting standards

(Application of the accounting standard for asset retirement obligations)

The “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) were applied from the first quarter under review.

As a result of the applications, operating income and ordinary income decreased ¥13 million, and income before income taxes and minority interests declined ¥450 million. The amount of change in asset retirement obligations due to the application of these accounting standards was ¥811 million.

(Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”)

From the first quarter under review, the Group applied the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, issued March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issue Task Force (PITF) No.24, March 10, 2008).

The application of these accounting standards did not have an impact on profits and losses for the first quarter under review.

(Application of the accounting standard for business combinations)

From the first quarter under review, the Group applied the “Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23, December 26, 2008), the Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, issued December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008).

(ii) Changes in presentation methods

(Quarterly consolidated statements of income)

As a result of applying the “Cabinet Office Ordinance of Partial Revision to the Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), the accounting title of “income before minority interests” is presented for the first quarter under review.

3. Consolidated Financial Statements  
(1) Consolidated Balance Sheets

	(Million yen)	
	End of first three months under review (June 30, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank deposits	82,722	83,752
Notes and accounts receivable	136,294	133,153
Lease investment assets	607	552
Inventories	*1 59,012	*1 55,827
Short-term loans receivable	1,889	2,267
Deferred tax assets	1,534	1,774
Other	27,284	27,116
Allowance for doubtful accounts	(421)	(416)
<b>Total current assets</b>	<b>308,923</b>	<b>304,027</b>
<b>Fixed assets</b>		
Tangible fixed assets	*2 28,409	*2 28,218
Intangible fixed assets	1,776	1,843
<b>Investments and other assets</b>		
Investments in securities	34,283	36,424
Long-term loans receivable	12,755	13,039
Doubtful accounts	14,816	15,125
Deferred tax assets	14,165	13,961
Other	9,933	9,175
Allowance for doubtful accounts	(23,063)	(23,187)
<b>Total investments and other assets</b>	<b>62,890</b>	<b>64,539</b>
<b>Total fixed assets</b>	<b>93,077</b>	<b>94,601</b>
<b>Total assets</b>	<b>402,000</b>	<b>398,629</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	109,436	114,150
Short-term borrowings	94,282	104,133
Lease obligations	372	328
Accrued income taxes	165	870
Other	39,489	31,586
<b>Total current liabilities</b>	<b>243,747</b>	<b>251,070</b>
<b>Long-term liabilities</b>		
Long-term borrowings	98,808	88,969
Lease obligations	596	557
Deferred tax liabilities	358	388
Accrued severance indemnities	2,575	2,648
Reserve for directors' retirement benefits	523	655
Asset retirement obligations	812	-
Negative goodwill	64	132
Other	8,453	8,401
<b>Total long-term liabilities</b>	<b>112,192</b>	<b>101,754</b>
<b>Total liabilities</b>	<b>355,939</b>	<b>352,824</b>



	(Million yen)	
	End of first three months under review (June 30, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus	27,644	27,644
Retained earnings	1,946	(261)
Treasury stock	(640)	(639)
Total owners' equity	56,731	54,524
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	(243)	57
Deferred gain/loss on hedging	(205)	262
Land revaluation reserves	58	58
Translation adjustments	(27,056)	(25,986)
Total valuation and translation adjustments	(27,448)	(25,608)
Minority interests	16,777	16,887
Total net assets	46,060	45,804
Total liabilities and net assets	402,000	398,629

(2) Consolidated Statements of Income  
[First three months]

	(Million yen)	
	Previous first three months (From April 1, 2009 to June 30, 2009)	First three months under review (From April 1, 2010 to June 30, 2010)
Net sales	203,526	225,866
Cost of sales	185,839	207,485
Gross trading profit	17,686	18,380
Selling, general and administrative expenses	*1 15,311	*1 14,083
Operating income	2,375	4,297
Non-operating income		
Interest received	174	159
Dividends received	291	171
Foreign exchange gains	452	212
Other	254	443
Total non-operating income	1,172	986
Non-operating expenses		
Interest paid	1,096	1,026
Loss on equity method investments	375	240
Other	406	360
Total non-operating expenses	1,877	1,628
Ordinary income	1,669	3,655
Extraordinary gains		
Gain on sale of tangible fixed assets	9	7
Gain on sale of investment in securities	14	121
Gain on negative goodwill	–	68
Gain on reversal of allowance for doubtful accounts	509	136
Total extraordinary gains	534	334
Extraordinary losses		
Loss on sales or disposal of fixed assets	10	13
Loss on sales of investments in securities	3	12
Loss on valuation of investments in securities	–	333
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Transfer to allowance for loss on lawsuits	532	–
Total extraordinary losses	546	795
Income before income taxes and minority interests	1,657	3,194
Income taxes – current	714	395
Income taxes – deferred	(72)	468
Total income taxes	642	864
Income before minority interests	–	2,329
Minority interests in consolidated subsidiaries	220	122
Net income	794	2,207

## (3) Consolidated Statements of Cash Flows

(Million yen)

	Previous first three months (From April 1, 2009 to June 30, 2009)	First three months under review (From April 1, 2010 to June 30, 2010)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	1,657	3,194
Depreciation and amortization	740	646
Increase (decrease) in allowance for doubtful accounts	(502)	(77)
Increase (decrease) in reserve for accrued severance indemnities	(27)	(76)
Increase (decrease) in allowance for loss on lawsuits	532	–
Interest and dividend income	(465)	(331)
Interest expense	1,096	1,026
Equity in earnings of affiliated companies (gain)	375	240
Gain or loss on sales or disposal of fixed assets (gain)	0	5
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Gain or loss on sale of investments in securities (gain)	(11)	(108)
Gain or loss on valuation of investments in securities (gain)	–	333
Decrease (increase) in notes and accounts receivable	28,887	2,794
Decrease (increase) in inventories	(7,292)	(2,912)
Increase (decrease) in notes and accounts payable	(4,511)	(984)
Other	(3,441)	(4,189)
Sub total	17,035	(1)
Interest and dividend income received	590	484
Interest paid	(478)	(518)
Income taxes paid	(2,264)	(1,106)
Net cash provided by (used in) operating activities	14,883	(1,141)
Cash flows from investing activities:		
Decrease (increase) in time deposits	(3,923)	2,469
Payments for acquisition of tangible fixed assets	(249)	(270)
Proceeds from sale of tangible fixed assets	37	187
Payments for acquisition of intangible fixed assets	(212)	(72)
Payments for acquisition of investments in securities	(51)	(40)
Proceeds from sale of investments in securities	12	429
Purchase of investments in subsidiaries	–	(41)
Increase in loans receivable	(114)	(111)
Decrease in loans receivable	382	677
Other	5	31
Net cash provided by (used in) investing activities	(4,113)	3,257
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(8,609)	275
Proceeds from long-term debt	1,060	12,200
Repayment of long-term debt	(1,723)	(12,588)
Other	(421)	(264)
Net cash used in financing activities	(9,694)	(378)
Effect of exchange rate changes on cash and cash equivalents	255	(448)
Net increase (decrease) in cash and cash equivalents	1,331	1,289
Cash and cash equivalent at beginning of term	78,655	64,479
Effect of the change in scope of consolidated subsidiaries	0	137
Cash and cash equivalent at end of term	*1 79,987	*1 65,906

(4) Notes Relating to the Assumptions of the Going Concern

Not applicable.

(5) Segment Information

(Additional information)

From the first quarter under review, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, March 21, 2008).

Segment information for the first quarter under review is also presented in accordance with measuring methods after applying the above standards.

(i) Overview of Reportable Segments

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

The Company sets up business units that are organized according to the characteristics of their merchandise and services inside the head office, and each business unit provides merchandise and services in Japan and overseas by organically combining 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 & IT, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and Environment & Materials.

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

(Electronics & IT)

The Electronics & IT 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 deals with mobile communication 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 foods and foodstuff, 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.

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

Previous first three months (From April 1, 2009 to June 30, 2009)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in quarterly consolidated statements of income (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	54,118	66,729	21,899	13,766	43,304	199,818	3,707	203,526	-	203,526
Inter-segment	4	3	48	3	10	70	9	79	(79)	-
Total	54,123	66,732	21,947	13,770	43,315	199,888	3,717	203,605	(79)	203,526
Segment profit (loss)	683	615	1,095	(303)	98	2,189	170	2,359	15	2,375

(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) Adjustment of ¥15 million for segment profit includes inter-segment elimination of ¥15 million.

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

First three months under review (From April 1, 2010 to June 30, 2010)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in quarterly consolidated statements of income (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	62,820	71,612	23,542	13,465	50,403	221,845	4,020	225,866	-	225,866
Inter-segment	5	2	37	6	14	65	11	77	(77)	-
Total	62,825	71,614	23,580	13,472	50,418	221,911	4,031	225,943	(77)	225,866
Segment profit (loss)	2,307	1,157	624	(3)	103	4,188	104	4,293	4	4,297

(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) Adjustment of ¥4 million for segment profit includes inter-segment elimination of ¥4 million.

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

## (6) Notes If There is a Significant Change in the Amount of Shareholders' Equity

Not applicable.

## (7) Notes

(In relation to consolidated balance sheets)

End of First Three Months of the Fiscal Year Ending March 2011 (June 30, 2010)	Fiscal 2009 (March 31, 2010)																				
<p>*1 The following is a breakdown of inventories:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Commodities and products</td> <td style="text-align: right;">¥55,898 million</td> </tr> <tr> <td>Real estate for sale</td> <td style="text-align: right;">¥942 million</td> </tr> <tr> <td>Raw materials and stores</td> <td style="text-align: right;">¥1,211 million</td> </tr> <tr> <td>Work in process</td> <td style="text-align: right;"><u>¥959 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>¥59,012 million</u></td> </tr> </table>	Commodities and products	¥55,898 million	Real estate for sale	¥942 million	Raw materials and stores	¥1,211 million	Work in process	<u>¥959 million</u>	Total	<u>¥59,012 million</u>	<p>*1 The following is a breakdown of inventories:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Commodities and products</td> <td style="text-align: right;">¥52,783 million</td> </tr> <tr> <td>Real estate for sale</td> <td style="text-align: right;">¥947 million</td> </tr> <tr> <td>Raw materials and stores</td> <td style="text-align: right;">¥1,056 million</td> </tr> <tr> <td>Work in process</td> <td style="text-align: right;"><u>¥1,038 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>¥55,827 million</u></td> </tr> </table>	Commodities and products	¥52,783 million	Real estate for sale	¥947 million	Raw materials and stores	¥1,056 million	Work in process	<u>¥1,038 million</u>	Total	<u>¥55,827 million</u>
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<p>*2 The accumulated depreciation of tangible fixed assets was ¥30,925 million.</p>	<p>*2 The accumulated depreciation of tangible fixed assets was ¥30,192 million.</p>																				
<p>3 Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Century Textile Industry</td> <td style="text-align: right;">¥984 million</td> </tr> <tr> <td>True Corporation Public</td> <td style="text-align: right;">¥407 million</td> </tr> <tr> <td>Japan Logistics</td> <td style="text-align: right;">¥137 million</td> </tr> <tr> <td>Others</td> <td style="text-align: right;"><u>¥2,064 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>¥3,593 million</u></td> </tr> </table> <p>The above includes activities similar to guarantees.</p>	Century Textile Industry	¥984 million	True Corporation Public	¥407 million	Japan Logistics	¥137 million	Others	<u>¥2,064 million</u>	Total	<u>¥3,593 million</u>	<p>3 Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Century Textile Industry</td> <td style="text-align: right;">¥1,052 million</td> </tr> <tr> <td>True Corporation Public</td> <td style="text-align: right;">¥407 million</td> </tr> <tr> <td>Watana Inter-Trade</td> <td style="text-align: right;">¥163 million</td> </tr> <tr> <td>Others</td> <td style="text-align: right;"><u>¥2,884 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>¥4,507 million</u></td> </tr> </table> <p>The above includes activities similar to guarantees.</p>	Century Textile Industry	¥1,052 million	True Corporation Public	¥407 million	Watana Inter-Trade	¥163 million	Others	<u>¥2,884 million</u>	Total	<u>¥4,507 million</u>
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<p>4 Discounted notes receivable were ¥9,233 million (including discounted export notes of ¥8,471 million). Notes endorsed were ¥104 million.</p>	<p>4 Discounted notes receivable were ¥7,272 million (including discounted export notes of ¥6,335 million). Notes endorsed were ¥99 million.</p>																				

(In relation to consolidated statements of income)

Previous First three months (From April 1, 2009 to June 30, 2009)	First three months under review (From April 1, 2010 to June 30, 2010)								
<p>*1 Major items in selling, general and administrative expenses and their amounts are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Employees' salaries and bonuses:</td> <td style="text-align: right;">¥5,814 million</td> </tr> <tr> <td>Provision for doubtful accounts:</td> <td style="text-align: right;">¥12 million</td> </tr> </table>	Employees' salaries and bonuses:	¥5,814 million	Provision for doubtful accounts:	¥12 million	<p>*1 Major items in selling, general and administrative expenses and their amounts are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Employees' salaries and bonuses:</td> <td style="text-align: right;">¥5,529 million</td> </tr> <tr> <td>Provision for doubtful accounts:</td> <td style="text-align: right;">¥77 million</td> </tr> </table>	Employees' salaries and bonuses:	¥5,529 million	Provision for doubtful accounts:	¥77 million
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(In relation to consolidated statements of cash flows)

Previous First three months (From April 1, 2009 to June 30, 2009)	First three months under review (From April 1, 2010 to June 30, 2010)												
<p>*1 Relations between cash and cash equivalents at the end of the First three months under review and amounts recorded for accounts in the quarterly consolidated balance sheets (As of June 30, 2009)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Cash and bank deposits:</td> <td style="text-align: right;">¥84,285 million</td> </tr> <tr> <td>Time deposits with maturities of 3 months or longer:</td> <td style="text-align: right;"><u>¥4,298 million</u></td> </tr> <tr> <td>Cash and cash equivalent:</td> <td style="text-align: right;"><u>¥79,987 million</u></td> </tr> </table>	Cash and bank deposits:	¥84,285 million	Time deposits with maturities of 3 months or longer:	<u>¥4,298 million</u>	Cash and cash equivalent:	<u>¥79,987 million</u>	<p>*1 Relations between cash and cash equivalents at the end of the First three months under review and amounts recorded for accounts in the quarterly consolidated balance sheets (As of June 30, 2010)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Cash and bank deposits:</td> <td style="text-align: right;">¥82,722 million</td> </tr> <tr> <td>Time deposits with maturities of 3 months or longer:</td> <td style="text-align: right;"><u>¥16,816 million</u></td> </tr> <tr> <td>Cash and cash equivalent:</td> <td style="text-align: right;"><u>¥65,906 million</u></td> </tr> </table>	Cash and bank deposits:	¥82,722 million	Time deposits with maturities of 3 months or longer:	<u>¥16,816 million</u>	Cash and cash equivalent:	<u>¥65,906 million</u>
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Cash and cash equivalent:	<u>¥65,906 million</u>												

## 4. Supplementary Information

In relation to the stock and receivables transfer agreement (sold in March 2008) of Kanematsu Kankyo Co., Ltd. (now Funabashi Eco Services Corporation), a former subsidiary of the Company, the transferee commenced litigation against the Company (claiming ¥3,300 million) in the Tokyo District Court in December 2009 for compensation under representation and warranty.

## Highlights of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 2011

### Both net sales and income increased year on year.

<b>Net sales</b>	<b>225.9 billion yen</b>	<b>11.0% up</b>
<b>Operating income</b>	<b>4.3 billion yen</b>	<b>80.9% up</b>
<b>Ordinary income</b>	<b>3.7 billion yen</b>	<b>119.0% up</b>
<b>Net income</b>	<b>2.2 billion yen</b>	<b>177.7% up</b>

### On a consolidated basis

(Unit: 100 million yen)	Q1 of FY2009	Q1 of FY2010	Year-on-year		FY2010	
			Change	Change (%)	Forecasts	Change (%)
Net sales	2,035	<b>2,259</b>	224	11.0%	8,500	26.6%
Gross trading profit	177	<b>184</b>	7	3.9%	-	-
SG&A expenses	153	<b>141</b>	-12	-8.0%	-	-
Operating income	24	<b>43</b>	19	80.9%	150	28.7%
Dividends received	3	<b>2</b>	-1	-	-	-
Interest	-9	<b>-9</b>	0	-	-	-
Gains or losses on equity-method investments	-4	<b>-2</b>	2	-	-	-
Others	3	<b>3</b>	0	-	-	-
Non-operating income/loss	-7	<b>-6</b>	1	-	-	-
Ordinary income	17	<b>37</b>	20	119.0%	100	37.0%
Extraordinary gain	5	<b>3</b>	-2	-	-	-
Extraordinary loss	-5	<b>-8</b>	-3	-	-	-
Income (loss) before income taxes	17	<b>32</b>	15	92.8%	-	-
Income taxes and minority interests	-9	<b>-10</b>	-1	-	-	-
Net income	8	<b>22</b>	14	177.7%	45	48.9%

#### Net sales/Gross trading profit

Both net sales and gross trading profit increased, particularly in Electronics & IT and Foods & Foodstuff, owing to a recovery in demand in Japan and overseas.

#### Operating income

Operating income increased with the rise in gross trading profit and the reduction in selling, general and administrative expenses.

#### Ordinary income

Ordinary income expanded, partly helped by a slight improvement in non-operating income.

#### Net income

Net income increased substantially year on year, thanks to higher income at each level down to ordinary income, despite the posting of extraordinary losses due to the effect of applying the accounting standard for asset retirement obligations.

### Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2010	6/2010	Comparison with 3/2010	
			Change	Change (%)
Total assets	3,986	<b>4,020</b>	34	0.8%
Gross interest-bearing debt	1,931	<b>1,931</b>	0	-
Net interest-bearing debt	1,094	<b>1,104</b>	10	0.9%
Equity capital	545	<b>567</b>	22	4.0%
(Retained earnings)	-3	<b>19</b>	22	-
Valuation and translation adjustments	-256	<b>-274</b>	-18	-
Minority interests	169	<b>168</b>	-1	-0.7%
Total net assets	458	<b>460</b>	2	0.6%
Shareholder's equity (Note 1)	289	<b>293</b>	4	1.3%
Shareholder's equity ratio (Note 2)	7.3%	<b>7.3%</b>	0.0%	-
Net debt-equity ratio (Note 3)	3.8 times	<b>3.8 times</b>	0	-

#### Total assets

Total assets increased 3.4 billion yen, mainly reflecting a rise in operating assets associated with the recovery of trading volume.

#### Interest-bearing debt

Gross interest-bearing debt remained flat. Net interest-bearing debt increased 1.0 billion yen, influenced by a decline in cash and bank deposits primarily due to an increase in funds for transactions.

#### Total net assets

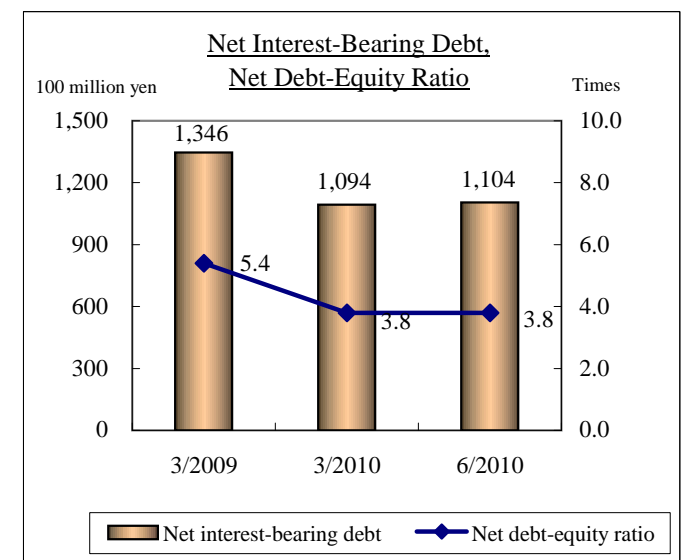
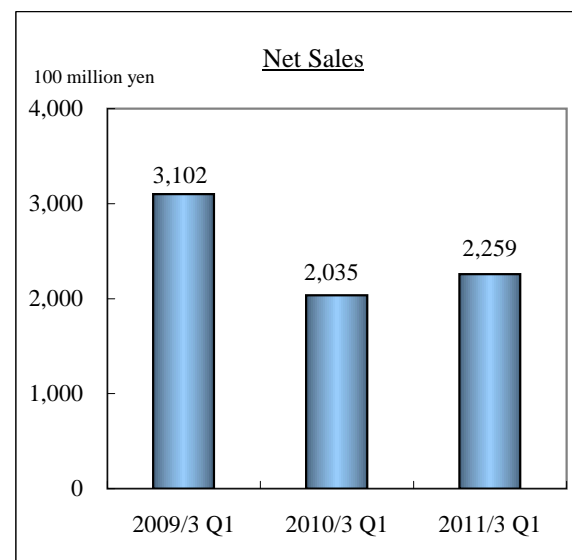
Total net assets increased 0.2 billion yen, as accumulated deficit was eliminated by posting net income, although valuation and translation adjustments deteriorated due to foreign exchange movements.

As a result, the equity ratio remained flat at 7.3%, and the net debt-equity ratio was unchanged at 3.8.

(Note 1) Shareholder's equity = Total net assets - Minority interests

(Note 2) Shareholder's equity ratio = Shareholder's equity / Total assets

(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital



### Segment information

(Unit: 100 million yen)	Net sales (net external sales)			Operating income		
	Q1 of FY2009	Q1 of FY2010	Change	Q1 of FY2009	Q1 of FY2010	Change
Electronics & IT	541	<b>628</b>	87	7	<b>23</b>	16
Foods & Foodstuff	667	<b>716</b>	49	6	<b>12</b>	6
Iron & Steel	219	<b>235</b>	16	11	<b>6</b>	-5
Machinery & Plant	138	<b>135</b>	-3	-3	<b>0</b>	3
Environment & Materials	433	<b>504</b>	71	1	<b>1</b>	0
Total for reportable segments	1,998	<b>2,218</b>	220	22	<b>42</b>	20
Other (including adjustment)	37	<b>40</b>	3	2	<b>1</b>	-1
Grand total	2,035	<b>2,259</b>	224	24	<b>43</b>	19

#### Electronics & IT: Both net sales and income increased

Operating income increased as a result of the improvement of the semiconductor equipment business, aided by a recovery in demand for semiconductors, steady growth in the aerospace business and the mobile solutions business, and cost cutting in the ICT solutions business.

#### Foods & Foodstuff: Both net sales and income increased

The foods business remained solid due to healthy growth in sales of processed agricultural products and beverage ingredients. In the foodstuff business, grain and feedstuff transactions generally remained strong, and the pet-related business steadily expanded.

#### Iron & Steel: Net sales increased but income declined

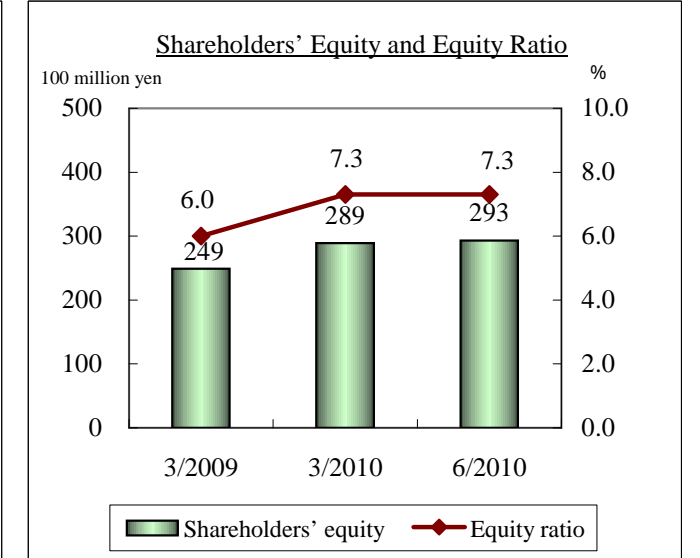
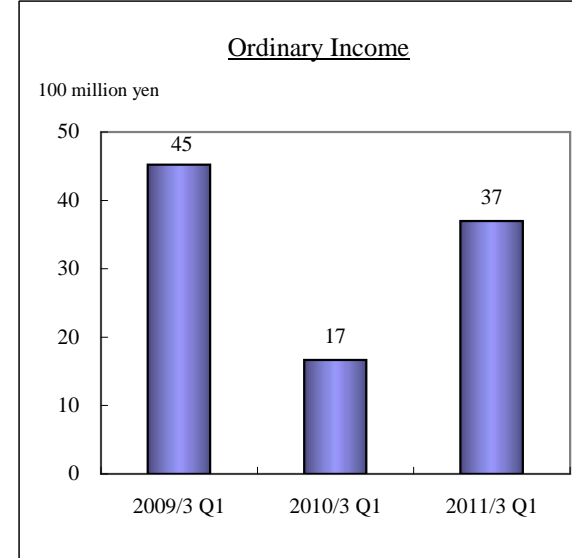
Although transactions of automobile wire rods and iron ore were strong, transactions for North America declined and some steel plates for the Middle East had a hard time under intensified competition due to the weaker currencies in South Korea and Europe.

#### Machinery & Plant: Net sales declined but loss narrowed

Transactions involving automobile parts for China and transactions related to plants for the Middle East remained solid. However, the overall business performance was weak due to poor market conditions.

#### Environment & Materials: Net sales increased but income remained flat

The overall business performance, including the export of raw materials for car batteries and sales of lubricant oils and raw materials for resin, remained solid. Sales of colostrums products were strong, and the export of generic drugs recovered. In the energy business, profitability declined due to reduced domestic demand and falling product prices.



\* Business segments were reclassified and renamed from the current fiscal year and presented retroactive to the previous fiscal year.

\* 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.