



Member of Financial Accounting Standards Foundation

Amendment for Subsequent Events Announcement of Amendment to the Consolidated Financial Summary (Japanese Accounting Standards) for the Year Ended March 31, 2012

May 21, 2012

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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

Representative: President, Masayuki Shimojima

Contact: General Manager, the General Accounting Department, Nobuyoshi Sakuyama TEL (03) 5440-8111

The consolidated financial summary for the year ended March 31, 2012 announced on May 8, 2012, has been amended to reflect subsequent events as follows:

1. Details of subsequent events

Regarding a lawsuit brought against the Company for compensation based upon representations and warranties, after the announcement of the financial summary on May 8, 2012, the court ordered settlement and a settlement amount was presented, so based upon that settlement order, the Provision for loss on litigation has been estimated and has been reflected in both the consolidated financial statements for the year ended March 31, 2012 and the non-consolidated financial statements for the year ended March 31, 2012.

2. Amendments

Amendments are indicated in the attached Consolidated Financial Summary (Japanese Accounting Standards) for the Year ended March 31, 2012 by underlines.

3. Others

The recognition of this subsequent event has not changed the consolidated forecast for the year ending March 31, 2013.

End of text



Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for Ended March 31, 2012 (Japanese Accounting Standards)

May 21, 2012

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange

Stock code: 8020

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

Representative: President, Masayuki Shimojima

Contact: General Manager, the General Accounting Department, Nobuyoshi Sakuyama TEL (03) 5440-8111

Scheduled date for the Ordinary General Meeting of Shareholders: June 22, 2012

Scheduled date for the submission of financial statements: June 22, 2012

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 2012 (April 1, 2011 – March 31, 2012)

(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 2012	1,006,365	7.4	21,426	18.8	17,752	24.5	6,110	(33.4)
Fiscal year ended March 2011	936,891	8.8	18,029	47.9	14,257	73.1	9,175	160.1

(Note) Comprehensive income: 7,173 million yen (39.5%) for the fiscal year ended March 2012
5,141 million yen (-3.2%) for the fiscal year ended March 2011

	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 2012	<u>14.60</u>	-	<u>16.9</u>	4.5	2.1
Fiscal year ended March 2011	21.93	-	29.6	3.6	1.9

(Reference) Equity in earnings of affiliated companies: 266 million yen for the fiscal year ended March 2012
-374 million yen for the fiscal year ended March 2011

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2012	399,753	<u>55,992</u>	<u>9.8</u>	<u>93.16</u>
As of March 31, 2011	388,676	49,576	8.5	79.07

(Reference) Shareholders' equity: 39,008 million yen as of March 31, 2012
33,101 million yen as of March 31, 2011

(2) 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 2012	15,822	1,291	(13,411)	70,594
Fiscal year ended March 2011	7,827	17,322	(20,664)	67,426

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 2011	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 2012	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 2013 (Forecasts)	-	-	-	0.00	0.00	-	-	-

(Note) The dividend forecast for the fiscal year ending March 31, 2013 has not been determined.

3. Forecasts for consolidated results ending March 2013 (April 1, 2012 – March 31, 2013)

(%: 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	4.3	20,000	(6.7)	16,000	(9.9)	8,000	<u>30.9</u>	19.11

(Note) The Company evaluates its business plan and business results on an annual basis.

Notes:

(1) Important change in subsidiaries during the term (Change in scope of consolidation): None

New: – Exception: –

(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.: | None |
| 2. Changes in accounting policies other than 1.: | None |
| 3. Changes in accounting estimates: | None |
| 4. Restatement: | None |

(3) Number of outstanding shares (common shares)

- | | | | | |
|--|--------------------|------------------------|--------------------|--|
| 1. Number of outstanding shares including treasury stock | | | | |
| Fiscal year (2012/3): | 422,501,010 shares | Fiscal year (2011/3): | 422,501,010 shares | |
| 2. Number of treasury stock | | | | |
| Fiscal year (2012/3): | 3,796,915 shares | Fiscal year (2011/3): | 3,878,764 shares | |
| 3. Average number of shares during the period | | | | |
| Fiscal year (2012/3): | 418,616,024 shares | Fiscal year (2011/3):: | 418,393,881 shares | |

(Reference) Summary of Non-Consolidated Financial Results

1. Non-consolidated business results for the fiscal year ended March 2012 (April 1, 2011 – March 31, 2012)

(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 2012	464,921	5.9	7,391	39.2	8,338	59.8	5,424	(27.2)
Fiscal year ended March 2011	438,975	18.4	5,308	151.7	5,218	23.2	7,446	38.6

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
Fiscal year ended March 2012	12.87	–
Fiscal year ended March 2011	17.67	–

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2012	275,792	55,016	19.9	130.50
As of March 31, 2011	276,956	48,754	17.6	115.63

(Reference) Shareholders' equity: 55,016 million yen as of March 31, 2012
48,754 million yen as of March 31, 2011

* 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. Business Results, (1) Analysis of business results, 2) Forecast for the fiscal year ending March 2012" 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 Tuesday, May 15, 2012. It intends to publish references to explain results it will distribute at the briefing session at its website promptly after the session.

Accompanying Materials – Contents

1. Business Results	
(1) Analysis of business results	2
(2) Analysis of financial status	4
(3) Basic policy for distribution of profits and dividends in the fiscal year ended March 2012 and the fiscal year ending March 2013	4
(4) Business risks.....	5
2. Corporate Group	9
3. Management Policies	11
(1) Basic management policies.....	11
(2) Target management indicators.....	11
(3) Medium- and long-term management policies.....	11
(4) Future issues	11
4. Consolidated Financial Statements	13
(1) Consolidated balance sheets.....	13
(2) Consolidated Statements of Income / Consolidated Statement of Comprehensive Income.....	15
Consolidated Statements of Income.....	15
Consolidated Statement of Comprehensive Income	16
(3) Consolidated Statements of Shareholders' Equity	17
(4) Consolidated Statements of Cash Flows	19
(5) Notes on the going concern assumption.....	20
(6) Significant items regarding the preparation of consolidated financial statements	20
(7) Changes in presentation	20
(8) Additional information.....	20
(9) Notes on the consolidated financial statements.....	21
(Segment information)	21
(Per share information)	24
(Significant subsequent events)	24
(Other items)	24
5. Non-Consolidated Financial Statements	25
(1) Non-Consolidated Balance Sheets	25
(2) Non-Consolidated Statements of Income.....	27
(3) Non-Consolidated Statements of Shareholders' Equity	29
(4) Notes on the going concern assumption	31
6. Other	31
(1) Changes in directors.....	31
(2) Other	31

1. Business Results

(1) Analysis of business results

1) Review of operations in the fiscal year ended March 2012

In the fiscal year under review, the global economy generally continued to recover, albeit modestly. In the United States, improvements in personal spending and capital expenditure were the driving forces behind the gradual recovery trend. The economy remained weak in Europe, mainly reflecting the effect of the debt problems that exacerbated the already difficult economic conditions in some of the countries in the region. In contrast, China and emerging nations in Asia remained on a growth track, notwithstanding a slight easing of momentum, primarily due to the effect of weaker exports as a result of the stagnant European economy.

In Japan, uncertain economic conditions persisted, reflecting a persistent stalling of the recovery after the downturn caused by the Great East Japan Earthquake. This uncertainty was created chiefly by a slowdown in export shipments associated with a rapid appreciation of the yen that started in the second half of the fiscal year under review, difficult conditions in supply chains attributable to the floods in Thailand, and other factors.

In this environment, the Group generally performed well in the fiscal year under review, as a result of its efforts to capture domestic and international demand.

As a consequence, consolidated net sales increased ¥69,474 million (7.4%) year on year, to ¥1,006,365 million, primarily reflecting a rise in total transaction volumes in the Food & Foodstuff Division and the Environment & Materials Division and surges in commodity prices. Consolidated gross trading profit rose ¥3,995 million (5.2%) from the previous fiscal year, to ¥80,900 million, thanks to the increase in consolidated net sales. Consolidated operating income increased ¥3,397 million (18.8%) year on year, to ¥21,426 million as a result of contributions made by developments such as a sustained reduction in selling, general, and administrative expenses, in addition to the rise in consolidated gross trading profit. Notwithstanding a decline in dividends received and an increase in the loss posted on foreign exchange translation, non-operating income improved ¥98 million year on year, primarily attributable to improvements in interest paid and received and in the profit or loss on equity method investments. Consequently, consolidated ordinary income climbed ¥3,495 million (24.5%) year on year, to ¥17,752 million.

In extraordinary items, consolidated extraordinary loss of ¥4,223 million were posted for items that included a loss on the sale of investments in securities, a loss on the valuation of investments in securities, a loss on the sale of affiliates, and a loss at a subsidiary on the withdrawal from the employee pension funds program that was recorded as an extraordinary loss. Income before income taxes and minority interests was ¥13,529 million, up ¥499 million (3.8%) year on year. The Group posted consolidated net income of ¥6,110 million, a decrease of ¥3,065 million (33.4%), mainly due to an increase in income taxes – deferred as a result of the reversal of deferred tax assets pursuant to the tax reform in fiscal year 2011.

Results for each business segment are described below.

(Electronics & IT)

The ICT solutions business and the mobile solutions business continued to perform well, primarily reflecting the expansion of the market for mobile communication services, including smartphones and tablet type devices. On the other hand, the semiconductor business struggled with depressed demand for semiconductor parts and semiconductor manufacturing equipment.

As a result, net sales in the Electronics & IT business segment were down ¥710 million year on year, to ¥253,144 million. Operating income decreased ¥462 million, to ¥9,026 million.

(Foods & Foodstuff)

The Foods Business, especially prepared foods and processed foods, performed well, backed by a relatively stable supply and demand environment as well as solid sales of imported meat products. The Foodstuff business contributed to overall earnings, owing to efforts to enhance vendor relationships in feedstuff sales and to expand sales channels, despite a harsh domestic environment for livestock and dairy farm industries, reflecting adverse influences from the earthquake and other factors.

As a consequence, net sales in the Foods & Foodstuff business segment increased ¥20,252 million, to ¥292,112

million. Operating income rose ¥2,351 million, to ¥5,186 million.

(Iron & Steel)

Export transactions of special steel for automobiles for Europe and the United States and special steel and stainless steel products for the United States and Asia remained solid, which was the main driver for improved overall earnings.

As a result, sales in the Iron & Steel business segment increased ¥299 million, to ¥99,131 million. Operating income was up ¥202 million, to ¥3,612 million.

(Machinery & Plant)

Business linked to automobiles was weak because of the effects of the earthquake, including disruptions in supply chains, in the first quarter but recovered in subsequent quarters. Consequently, the results of this business were similar to those for the previous year. Business linked to plants saw an increase in projects related to official development assistance. The machine tool business remained firm, supported by a recovery in domestic demand.

As a result, sales in the Machinery & Plant business segment rose ¥3,095 million, to ¥70,395 million. Operating income increased ¥385 million, to ¥1,447 million.

(Environment & Materials)

In the chemical business, both exports of raw materials for car batteries and imports of raw materials for pharmaceuticals were firm. The energy business contributed to overall earnings with a contribution from increasing sales of fuel oil to electric power companies.

As a consequence, net sales in the Environment & Materials business segment increased ¥46,216 million, to ¥273,682 million. Operating income rose ¥995 million, to ¥1,972 million.

(Other)

Net sales increased ¥321 million, to ¥17,898 million, and operating income rose ¥75 million, to ¥160 million.

2) Forecast for the fiscal year ending March 2013

In the global economy, there will probably be a persistent sense of uncertainty, considering such factors as the smoldering European debt problems, despite a gradual economic recovery expected in the United States. In contrast, China and emerging nations in Asia are likely to continue to expand on the back of rising personal spending, although there will be a slight loss momentum given the effect of weaker demand in Europe.

In Japan, there are concerns especially about a slowdown in export shipments associated with the persistent appreciation of the yen, and with the sluggish performance of corporate earnings on the back of surges in fuel oil prices, electric power shortages, and other factors. These effects are expected to continue to cloud the outlook for the Japanese economy.

In these circumstances, the Company forecasts consolidated net sales of ¥1,050 billion, consolidated operating income of ¥20 billion, consolidated ordinary income of ¥16 billion, and consolidated net income of ¥8 billion for the fiscal year ending March 31, 2013.

(Assumptions for the calculation of results forecast)

- Exchange rate: 1 US dollar = 80 yen
- Interest rates: No year-on-year change or a slight increase

* 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 amounted to ¥399,753 million, up ¥11,077 million from the end of the previous fiscal year. This change reflected increases in notes and accounts receivable and other items associated with growth in sales.

Interest-bearing debt fell ¥12,779 million from the end of the previous fiscal year, to ¥160,848 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 ¥14,600 million from the end of the previous fiscal year, to ¥90,012 million.

Net assets at the end of the fiscal year under review were ¥55,992 million, up ¥6,416 million from the end of the previous fiscal year. The change was primarily attributable to an increase in retained earnings as a result of the posting of net income, which offset deterioration in translation adjustments associated with exchange fluctuations.

As a result, the capital adequacy ratio improved 1.3 percentage points from the end of the previous fiscal year, to 9.8%. The net debt-equity ratio (“net DER”) also improved to 2.3, up from 3.2 at the end of the previous fiscal year.

2) Cash flows

Net cash provided by operating activities stood at ¥15,822 million (net cash provided of ¥7,827 million for the previous fiscal year), mainly reflecting an increase in operating income. Net cash provided by investing activities was ¥1,291 million (net cash provided of ¥17,322 million for the previous fiscal year), primarily attributable to proceeds from the sale of investment securities and proceeds from the withdrawal of time deposits. Net cash used in financing activities was ¥13,411 million (net cash used of ¥20,664 million for the previous fiscal year), chiefly owing to the repayment of long-term borrowings.

As a result, cash and cash equivalents at the end of the fiscal year under review stood at ¥70,594 million, up ¥3,168 million from the end of the previous fiscal year.

(Reference) Changes in cash flow-related indicators

	Fiscal year ended March 2008	Fiscal year ended March 2009	Fiscal year ended March 2010	Fiscal year ended March 2011	Fiscal year ended March 2012
Equity ratio	9.1%	6.0%	7.3%	8.5%	9.8%
Equity ratio on a market value basis	11.0%	7.9%	8.1%	8.9%	10.4%
Ratio of interest-bearing debt to cash flow	15.6	12.4	7.3	22.2	10.2
Interest coverage ratio	2.1	3.1	6.0	1.8	3.9

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 2012 and the fiscal year ending March 2013

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 turned positive at the end of the fiscal year under review, reflecting steady ongoing rises in income. However, the Company will pay no dividend for the fiscal year, as the distributable amount

stipulated in the Companies Act, which is calculated by making an adjustment with treasury stock, etc., is insufficient for dividend payment.

The Company has decided to carefully review dividend payments by taking into account future performance trends. As of the date of this document, the Company has no plans to pay dividends for the next fiscal year. It aims to further enhance its capital adequacy through sustained initiatives to bolster its earnings capabilities.

(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 Company 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, shareholders' equity 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 valuation differences in 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 we have 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 Company 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, we regularly provide 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. We control 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. We have 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.

We also prevent 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, we take every care in managing and operating processes by establishing the Security Export Control Regulations and a compliance program for the laws in question.

(Risk hedge 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. We also review 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, we have established the Risk Management and Compliance Committee. The Committee regularly reviews the compliance status and deals with problems that arise unexpectedly. We have also developed a compliance handbook and distributed it to our employees together with the compliance card to ensure that all employees are fully aware of the importance of compliance. Taking a step further, we have 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, we have 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 S-Project medium-term business plan (from April 2010 to March 2013). 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 & IT, 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, 83 subsidiaries and 30 affiliates (as of March 31, 2012). Among them, the Group has 78 consolidated subsidiaries and 29 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:

Business segments	Major products and services	Principal subsidiaries and affiliates
Electronics & IT (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: Nine subsidiaries in Japan and 15 subsidiaries overseas) Kanematsu Electronics Ltd. Kanematsu Communications Ltd. (Affiliates: Six affiliates in Japan and one affiliate overseas) Nippon Office Systems Ltd.
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: Seven subsidiaries in Japan and one subsidiary overseas) Kanematsu Food Corporation Kanematsu Agri-Tech Corporation (Affiliates: Four affiliates in Japan and five affiliates overseas) Dalian Tiantianli Food Co., Ltd.
Iron & Steel (10 companies)	Steel plates, bars and wire rods, pipes, stainless products, and forgings, general steel products, raw materials for iron and steel and others	(Subsidiaries: Five subsidiaries in Japan and five subsidiaries overseas) Kanematsu Trading Corporation
Machinery & Plant (13 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: Four subsidiaries in Japan and seven subsidiaries overseas) Kanematsu KGK Corp. (Affiliates: Two affiliates overseas)
Environment & Materials (8 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: Five subsidiaries in Japan) Kanematsu Chemicals Corp. Kanematsu Wellness Corp. Kanematsu Petroleum Corp. (Affiliates: Three affiliates in Japan)

Business segments	Major products and services	Principal subsidiaries and affiliates
Others (19 companies)	Textile materials and products, 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: Eight subsidiaries in Japan and two subsidiaries overseas) Shintoa Corporation Kanematsu Logistics & Insurance Ltd. (Affiliates: Five affiliates in Japan and four affiliates overseas) Kaneyo Co., Ltd. Fung Japan Development Co., Ltd. P.T.Century Textile Industry Kanematsu-NNK Corp. Hokushin Co., Ltd.
Overseas local subsidiaries (15 companies)	Trading of products and provision of services overseas	(Subsidiaries: 15 subsidiaries) Kanematsu USA Inc. Kanematsu (Hong Kong) Ltd. Kanematsu (China) Co., Ltd. Kanematsu GmbH

- (Notes) 1. Among the subsidiaries and affiliates listed above, Kanematsu Electronics Ltd. is listed on a stock exchange in Japan (First Section of the Tokyo Stock Exchange).
2. Kanematsu Textile Corporation has changed its corporate name to Fung Japan Development Co., Ltd. as of December 19, 2011.

3. Management Policies

The Company has been executing the “S-Project” medium-term business plan that covers a period of three years from April 1, 2010 to March 31, 2013. The Company’s management policies under this business plan are as follows:

(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 will execute the S-Project medium-term business plan, adopting 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 realize prosperity for our Company through just and fair earnings in the pioneering spirit fostered by our predecessors, with the wisest use of our creative imagination and ingenuity.
- We believe that we should justify the existence of our Company by promoting a sound and flourishing business, by fulfilling our responsibilities toward the welfare of society, and by contributing to the security and wellbeing of us all.
- We believe that each one of us should attend to business not as an individual but as a member of an organization abiding by common rules, carrying out our duties through loyalty to the Company and in a spirit of cooperation and understanding.

(2) Target management indicators

The targets set for the final year of the S-Project medium-term business plan (fiscal year ending March 2013) are as follows:

- Consolidated gross trading profit: ¥80,000 million
- Consolidated operating income: ¥19,000 million
- Equity ratio: more than 10%
- Net debt-equity ratio: about 2.0 times

We achieved favorable results against these targets for two straight fiscal years under the business plan, with earnings exceeding the target and steady improvements in financial items. We will continue our efforts to achieve these targets without fail and to strengthen our revenue and management base.

(3) Medium- and long-term management policies

We will continue our efforts to expand businesses in fields rooted in industry. Through the course of these activities, we aim to become a “team of business developers” that constantly creates new businesses.

The vision and basic concepts we adopted for the S-Project medium-term business plan are as follows:

<Vision>

We will achieve our growth as a “team of business developers” and contribute to society under economic conditions that are undergoing radical changes worldwide.

<Basic concepts>

- We will strengthen our revenue base by continuing our efforts to focus on select businesses and seize timely business opportunities in Japan and overseas.
- We will solidify our footing and operating foundations by continuing to bolster our efficiency and soundness.
- We will seek to develop business together with our customers, strengthening our ties with them.

(4) Future issues

Radical changes that have occurred in the economies of Japan and other countries have produced significant effects on the Group’s consolidated business results in recent years. In the most recent quarter, China, other countries in Asia, and emerging nations in other regions posted economic growth. In the meantime, sovereign debt problems in

Europe persisted, tensions rose in the Middle East, and the underlying strength of the yen affected export industries, among other developments. The situation consequently remains unpredictable.

We believe that strengthening our revenue base and operating foundations to levels that allow us to achieve sustainable growth is an issue that we must continue to address in this turbulent global environment.

<Strengthening the revenue base>

- We will continue our efforts to focus on select businesses so that we can strengthen our revenue base, something that is indispensable if we are to sustain our growth.
- We will structure our business portfolio strategically in stages, prioritizing the allocation of resources to businesses where future growth can be expected in the four fields of ICT (information, communications and technology) and electronics; foodstuffs; the environment; and iron, steel and plants.

<Strengthening the operating foundations>

- We will improve our financial conditions in stages, for instance by reducing net interest-bearing debt and restructuring our asset portfolio.
- We will boost management efficiency by reviewing our cost structure with initiatives that include streamlining back-office divisions.
- We will advance and deepen our consolidated management system by introducing a new business management system and stepping up initiatives to establish internal control and promote compliance.
- We will train personnel worldwide with initiatives such as training employees to handle consolidated management responsibilities and expanding our overseas workforce.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Million yen)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011 (March 31, 2012)
Assets		
Current assets		
Cash and bank deposits	69,014	70,835
Notes and accounts receivable	146,546	163,782
Investments in leased assets	606	666
Inventories	57,089	57,113
Short-term loans receivable	1,740	974
Deferred tax assets	3,581	3,322
Other	21,058	22,180
Allowance for doubtful accounts	(355)	(294)
Total current assets	299,283	318,581
Fixed assets		
Tangible fixed assets		
Fixed assets for lease (net amount)	2,563	1,989
Buildings and structures (net amount)	5,149	4,987
Machinery, equipment, vehicle, tools and fixtures (net amount)	4,781	4,537
Land	14,291	14,192
Leased assets (net amount)	1,092	1,310
Construction in progress	5	10
Total tangible fixed assets	27,884	27,028
Intangible fixed assets	1,859	1,905
Investments and other assets		
Investments in securities	31,977	29,867
Long-term loans receivable	12,679	5,790
Doubtful accounts	14,006	1,886
Deferred tax assets	13,325	10,842
Other	9,894	7,585
Allowance for doubtful accounts	(22,236)	(3,734)
Total investments and other assets	59,648	52,238
Total fixed assets	89,392	81,172
Total assets	388,676	399,753

(Million yen)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011 (March 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable	96,137	108,956
Import bills payable	27,119	29,670
Short-term borrowings	100,488	78,444
Lease obligations	572	726
Accrued income taxes	1,562	1,863
Deferred tax liabilities	1	1
Asset retirement obligations	6	35
Other	26,231	27,138
Total current liabilities	252,120	246,837
Long-term liabilities		
Long-term borrowings	73,138	82,403
Lease obligations	1,248	1,394
Deferred tax liabilities	364	160
Accrued severance indemnities	2,516	2,736
Provision for loss on litigation	–	910
Reserve for directors' retirement benefits	617	537
Asset retirement obligations	847	821
Other	8,245	7,958
Total long-term liabilities	86,978	96,922
Total liabilities	339,099	343,760
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus	27,606	27,597
Retained earnings	8,914	15,003
Treasury stock	(569)	(550)
Total owners' equity	63,732	69,830
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities	(166)	137
Deferred gain/loss on hedging	(143)	492
Land revaluation reserves	58	66
Translation adjustments	(30,379)	(31,519)
Total other accumulated comprehensive income	(30,631)	(30,822)
Minority interests	16,475	16,984
Total net assets	49,576	55,992
Total liabilities and net assets	388,676	399,753

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

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Net sales	936,891	1,006,365
Cost of sales	859,986	925,464
Gross trading profit	76,905	80,900
Selling, general and administrative expenses		
Salaries and bonuses	23,104	23,352
Retirement benefit expenses	1,573	1,765
Outsourcing service charges	7,659	7,494
Transfer to allowance for doubtful accounts	88	112
Other	26,449	26,748
Total selling, general and administrative expenses	58,875	59,473
Operating income	18,029	21,426
Non-operating income		
Interest received	574	472
Dividends received	1,188	780
Equity in earnings of affiliates	–	266
Other	1,331	951
Total non-operating income	3,093	2,470
Non-operating expenses		
Interest paid	4,346	4,093
Loss on equity method investments	374	–
Foreign exchange losses	415	562
Other	1,728	1,488
Total non-operating expenses	6,864	6,144
Ordinary income	14,257	17,752
Extraordinary gains		
Gain on sale of tangible fixed assets	52	38
Gain on sale of investment in securities	495	264
Gain on liquidation of affiliates	4	10
Gain on negative goodwill	103	–
Gain on reversal of allowance for doubtful accounts	487	–
Total extraordinary gains	1,143	314
Extraordinary losses		
Loss on sales or disposal of fixed assets	92	100
Loss on impairment	252	440
Loss on sale of investments in securities	464	545
Loss on valuation of investments in securities	560	660
Loss on sale of affiliates	–	1,185
Provision for loss on litigation	–	<u>910</u>
Loss on adjustment for changes of accounting standard for asset retirement obligations	436	–
Loss on withdrawal from the employee pension funds program	–	693
Loss on disaster	563	–
Total extraordinary losses	2,370	<u>4,537</u>
Income before income taxes and minority interests	13,030	<u>13,529</u>
Income taxes – current	3,244	3,907
Income taxes – deferred	(800)	2,115
Total income taxes	2,443	6,023
Income before minority interests	10,587	<u>7,506</u>
Minority interests in consolidated subsidiaries	1,412	1,395
Net income	9,175	<u>6,110</u>

Consolidated Statement of Comprehensive Income

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Income before minority interests	10,587	<u>7,506</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	(272)	303
Deferred gains or losses on hedges	(390)	597
Foreign currency translation adjustment	(4,703)	(1,221)
Share of other comprehensive income of associates accounted for using equity method	(79)	(12)
Total other comprehensive income	<u>(5,445)</u>	<u>(332)</u>
Comprehensive income	<u>5,141</u>	<u>7,173</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,152	<u>5,918</u>
Comprehensive income attributable to minority interests	989	1,254

(3) Consolidated Statements of Shareholders' Equity

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Owners' equity		
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	<u>27,781</u>	<u>27,781</u>
Capital surplus		
Balance at beginning of the fiscal year	27,644	27,606
Changes during the fiscal year		
Disposal of treasury stock	(38)	(8)
Total changes during the fiscal year	(38)	(8)
Balance at end of the fiscal year	<u>27,606</u>	<u>27,597</u>
Retained earnings		
Balance at beginning of the fiscal year	(261)	8,914
Changes during the fiscal year		
Net income	9,175	<u>6,110</u>
Change of scope of equity method	–	(21)
Total changes during the fiscal year	9,175	<u>6,089</u>
Balance at end of the fiscal year	<u>8,914</u>	<u>15,003</u>
Treasury stock		
Balance at beginning of the fiscal year	(639)	(569)
Changes during the fiscal year		
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	81	24
Changes in treasury stock attributable to changes of the stake in equity method affiliates	(0)	–
Total changes during the fiscal year	70	18
Balance at end of the fiscal year	<u>(569)</u>	<u>(550)</u>
Total owners' equity		
Balance at beginning of the fiscal year	54,524	63,732
Changes during the fiscal year		
Net income	9,175	<u>6,110</u>
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	43	15
Changes in treasury stock attributable to changes of the stake in equity method affiliates	(0)	–
Change of scope of equity method	–	(21)
Total changes during the fiscal year	9,207	<u>6,098</u>
Balance at end of the fiscal year	<u>63,732</u>	<u>69,830</u>
Other accumulated comprehensive income		
Unrealized loss on available-for-sale securities		
Balance at beginning of the fiscal year	57	(166)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(224)	304
Total changes during the fiscal year	(224)	304
Balance at end of the fiscal year	<u>(166)</u>	<u>137</u>

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Deferred gain/loss on hedging		
Balance at beginning of the fiscal year	262	(143)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(405)	636
Total changes during the fiscal year	(405)	636
Balance at end of the fiscal year	(143)	492
Land revaluation reserves		
Balance at beginning of the fiscal year	58	58
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	–	8
Total changes during the fiscal year	–	8
Balance at end of the fiscal year	58	66
Translation adjustments		
Balance at beginning of the fiscal year	(25,986)	(30,379)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(4,393)	(1,140)
Total changes during the fiscal year	(4,393)	(1,140)
Balance at end of the fiscal year	(30,379)	(31,519)
Total other accumulated comprehensive income		
Balance at beginning of the fiscal year	(25,608)	(30,631)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(5,022)	(191)
Total changes during the fiscal year	(5,022)	(191)
Balance at end of the fiscal year	(30,631)	(30,822)
Minority interests		
Balance at beginning of the fiscal year	16,887	16,475
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(412)	508
Total changes during the fiscal year	(412)	508
Balance at end of the fiscal year	16,475	16,984
Total net assets		
Balance at beginning of the fiscal year	45,804	49,576
Changes during the fiscal year		
Net income	9,175	<u>6,110</u>
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	43	15
Changes in treasury stock attributable to changes of the stake in equity method affiliates	(0)	–
Change of scope of equity method	–	(21)
Net changes of items other than owners' equity during the fiscal year	(5,435)	317
Total changes during the fiscal year	3,772	<u>6,415</u>
Balance at end of the fiscal year	49,576	<u>55,992</u>

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities:		
Income before income taxes and minority interests	13,030	<u>13,529</u>
Depreciation and amortization	2,555	2,561
Increase (decrease) in allowance for doubtful accounts	60	(247)
Increase (decrease) in reserve for employees' prior service obligations	(119)	233
Interest and dividend income	(1,762)	(1,253)
Interest expense	4,346	4,093
Equity in earnings of affiliated companies (gain)	374	(266)
Gain or loss on sales or disposal of fixed assets (gain)	40	62
Impairment loss on fixed assets	252	440
Gain or loss on sale of investments in securities (gain)	(30)	281
Gain or loss on valuation of investments in securities (gain)	560	660
Gain on reversal of allowance for doubtful accounts	(487)	–
Loss on liquidation of affiliates	–	1,185
Provision for loss on litigation	–	<u>910</u>
Loss on adjustment for changes of accounting standard for asset retirement obligations	436	–
Loss on withdrawal from the employee pension funds program	–	693
Loss on disaster	563	–
Decrease (increase) in notes and accounts receivable	(21,167)	(16,251)
Decrease (increase) in inventories	(3,103)	(646)
Increase (decrease) in notes and accounts payable	13,950	19,843
Other	3,424	(1,699)
Sub total	<u>12,924</u>	<u>24,132</u>
Interest and dividend income received	1,698	1,141
Interest paid	(4,390)	(4,105)
Income taxes paid	(2,339)	(3,818)
Payments of cancellation of lease contracts	–	(833)
Payments of contributions for withdrawal from the employee pension funds program	–	(693)
Payments for loss on disaster	(64)	–
Net cash provided by operating activities	<u>7,827</u>	<u>15,822</u>
Cash flows from investing activities:		
Decrease (increase) in time deposits	17,652	1,340
Payments for acquisition of tangible fixed assets	(1,210)	(2,175)
Proceeds from sale of tangible fixed assets	419	658
Payments for acquisition of intangible fixed assets	(670)	(579)
Payments for acquisition of investments in securities	(450)	(121)
Proceeds from sale of investments in securities	1,274	1,331
Purchase of investments in subsidiaries	(217)	(0)
Increase in loans receivable	(2,786)	(1,979)
Decrease in loans receivable	3,496	2,605
Other	(184)	212
Net cash used in investing activities	<u>17,322</u>	<u>1,291</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(9,192)	788
Proceeds from long-term debt	48,531	49,968
Repayment of long-term debt	(58,680)	(63,296)
Proceeds on payments by minority shareholders	–	38
Other	(1,323)	(909)
Net cash used in financing activities	<u>(20,664)</u>	<u>(13,411)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,677)	(533)
Net increase (decrease) in cash and cash equivalents	<u>2,808</u>	<u>3,168</u>
Cash and cash equivalent at beginning of year	64,479	67,426
Effect of the change in scope of consolidated subsidiaries	137	–
Cash and cash equivalent at end of year	<u>67,426</u>	<u>70,594</u>

(5) Notes on the going concern assumption

Not applicable.

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

Since there were no significant changes from the description in the latest securities report (submitted on June 23, 2011), the disclosures are omitted.

(7) Changes in presentation

Not applicable.

(8) Additional information

For accounting changes and corrections of past errors after the beginning of the first quarter of this fiscal year, the Group applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009).

(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 & 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 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.

(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.

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

Fiscal 2010 (April 1, 2010 to March 31, 2011)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in consolidated statements of income (Note 3)
	Electronics & IT	Food & Foodstuffs	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	253,854	271,860	98,832	67,300	227,466	919,314	17,577	936,891	–	936,891
Inter-segment	25	7	460	16	46	556	41	598	(598)	–
Total	253,879	271,867	99,293	67,316	227,512	919,870	17,619	937,490	(598)	936,891
Segment profit	9,488	2,835	3,410	1,062	977	17,775	235	18,010	18	18,029
Segment assets	115,953	81,226	34,805	27,627	44,532	304,146	24,042	328,188	60,487	388,676
Other items										
Depreciation and amortization	1,260	387	142	118	341	2,251	304	2,556	(0)	2,555
Investments in equity method affiliates	2,346	649	2	–	102	3,100	2,972	6,073	34	6,108
Increases in tangible fixed assets and intangible fixed assets	1,587	196	126	76	113	2,100	144	2,244	1,291	3,536

(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 ¥18 million for segment profit includes inter-segment elimination of ¥18 million.
- (2) Adjustment for segment assets amounting to ¥60,487 million includes inter-segment elimination of negative ¥5,869 million and Group assets of ¥66,357 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 ¥0 million includes inter-segment elimination of negative ¥0 million.
- (4) Adjustment for investments in equity method affiliates amounting to ¥34 million includes inter-segment elimination of ¥6 million and Group assets of ¥28 million that have not been distributed to reportable segments.
- (5) Adjustment for increases in tangible fixed assets and intangible fixed assets amounting to ¥1,291 million includes Group assets of ¥1,291 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 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 & IT	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.

(Per share information)

Fiscal 2010 (From April 1, 2010 to March 31, 2011)		Fiscal 2011 (From April 1, 2011 to March 31, 2012)	
Net assets per share	79.07 yen	Net assets per share	<u>93.16</u> yen
Net loss per share	21.93 yen	Net loss per share	<u>14.60</u> 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 2010 (As of March 31, 2011)	Fiscal 2011 (As of March 31, 2012)
Net assets per share		
Total net assets (million yen)	49,576	<u>55,992</u>
Amount subtracted from total net assets (million yen)	16,475	16,984
[Minority interests]	[16,475]	[16,984]
Net assets for common shares (million yen)	33,101	<u>39,008</u>
Number of common shares issued (thousand shares)	422,501	422,501
Number of common shares held as treasury stock (thousand shares)	3,878	3,796
Number of common shares used for the calculation of net assets per share (thousand shares)	418,622	418,704

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

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Net income per share		
Net income (million yen)	9,175	<u>6,110</u>
Amount that does not belong to common shares (million yen)	-	-
Net income for common shares (million yen)	9,175	<u>6,110</u>
Average number of common shares for the period (thousand shares)	418,393	418,616

(Significant subsequent events)

There is no applicable item.

(Other items)

A lawsuit against the Company (in which the claim is ¥3,300 million) was filed with the Tokyo District Court in December 2009 with regard to compensation based on a stated guarantee by a transferee in connection with an agreement for transferring shares in and credits to Kanematsu Kankyo Co., Ltd. (presently known as Funabashi Kankyo Co., Ltd.), the Company's subsidiary prior to its transfer in March 2008.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

	(Million yen)	
	Fiscal 2010 (March 31, 2011)	Fiscal 2011 (March 31, 2012)
Assets		
Current assets		
Cash and bank deposits	18,052	21,230
Notes receivable	3,779	4,191
Accounts receivable	69,162	72,365
Inventories	29,966	28,488
Advance payments to suppliers	3,300	2,017
Prepaid expenses	840	677
Deferred tax assets	1,972	941
Short-term loans receivable	49	72
Short-term loans to affiliates	9,696	14,195
Accrued income	4,086	3,656
Derivatives obligations	1,017	2,181
Other	2,381	2,283
Allowance for doubtful accounts	(92)	(68)
Total current assets	144,213	152,233
Fixed assets		
Tangible fixed assets		
Buildings (net amount)	496	479
Structures (net amount)	21	14
Machinery and equipment (net amount)	138	214
Vehicle (net amount)	24	16
Tools and fixtures (net amount)	129	103
Land	5,740	5,740
Leased assets (net amount)	724	684
Construction in progress	1	0
Total tangible fixed assets	7,276	7,253
Intangible fixed assets		
Software	408	355
Telephone subscription rights	7	7
Other	71	63
Total intangible fixed assets	487	426
Investments and other assets		
Investments in securities	10,251	9,466
Shares in affiliates	84,441	81,611
Investments and guarantees	1,313	1,326
Equity investment in affiliates	3,498	4,342
Long-term loans receivable	8,140	1,899
Long-term loans to employees	79	99
Long-term loans to affiliates	29,920	28,013
Doubtful accounts	10,902	561
Long-term prepaid expenses	104	141
Deferred tax assets	12,020	9,991
Other	4,098	1,729
Allowance for doubtful accounts	(39,791)	(23,303)
Total investments and other assets	124,979	115,879
Total fixed assets	132,743	123,559
Total assets	276,956	275,792

(Million yen)

	Fiscal 2010 (March 31, 2011)	Fiscal 2011 (March 31, 2012)
Liabilities		
Current liabilities		
Notes payable	3,269	3,009
Import bills payable	29,406	32,311
Accounts payable	31,576	34,463
Short-term borrowings	76,372	55,221
Lease obligations	150	175
Accrued liabilities	4,484	3,919
Accrued expenses	977	736
Accrued income taxes	140	49
Advances received from customers	1,789	2,526
Deposits received	5,689	2,614
Deferred revenue	194	340
Derivatives obligations	759	641
Other	175	139
Total current liabilities	<u>154,988</u>	<u>136,149</u>
Long-term liabilities		
Long-term borrowings	70,357	80,960
Lease obligations	623	557
Accrued severance indemnities	36	210
Reserve for directors' retirement benefits	207	152
Provision for loss on litigation	–	<u>900</u>
Allowance for business losses for subsidiaries and affiliates	1,754	1,670
Asset retirement obligations	124	126
Other	111	49
Total current liabilities	<u>73,214</u>	<u>84,627</u>
Total liabilities	<u>228,202</u>	<u>220,776</u>
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus		
Legal capital surplus	26,887	26,887
Total capital surplus	<u>26,887</u>	<u>26,887</u>
Retained earnings		
Earned legal reserve	131	131
Other retained earnings		
Special reserve fund	1,836	1,836
Deferred retained earnings	<u>(7,360)</u>	<u>(1,936)</u>
Total retained earnings	<u>(5,392)</u>	<u>31</u>
Treasury stock	<u>(116)</u>	<u>(122)</u>
Total owners' equity	<u>49,158</u>	<u>54,577</u>
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	(239)	(25)
Deferred gain/loss on hedging	(165)	464
Total valuation and translation adjustments	<u>(404)</u>	<u>438</u>
Total net assets	<u>48,754</u>	<u>55,016</u>
Total liabilities and net assets	<u>276,956</u>	<u>275,792</u>

(2) Non-Consolidated Statements of Income

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Net sales	438,975	464,921
Cost of sales		
Commodity inventories at beginning of year	29,815	29,966
Commodity purchase amount	420,436	443,737
Total	450,251	473,703
Commodity inventories at end of year	29,966	28,488
Cost of commodity sales	420,285	445,215
Gross trading profit	18,689	19,705
Selling, general and administrative expenses		
Compensation paid to directors	163	168
Salaries and allowances	4,775	4,463
Bonuses	802	830
Retirement benefit expenses	713	715
Welfare expenses	772	777
Traveling expenses	646	684
Communication charges	135	119
Office expenses	68	62
Entertainment expenses	98	115
Rent	1,356	962
Outsourcing service charges	1,629	1,373
Maintenance contract expenses	774	742
Taxes and public charges	45	43
Business office tax	19	17
Enterprise tax	94	105
Depreciation and amortization	447	437
Transfer to allowance for doubtful accounts	3	47
Other	833	645
Total selling, general and administrative expenses	13,381	12,313
Operating income	5,308	7,391
Non-operating income		
Interest received	683	700
Dividends received	3,406	4,308
Other	753	486
Total non-operating income	4,843	5,495
Non-operating expenses		
Interest paid	3,891	3,600
Loss on foreign exchange translation	468	574
Other	573	373
Total non-operating expenses	4,933	4,548
Ordinary income	5,218	8,338

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Extraordinary gains		
Gain on sale of tangible fixed assets	3	31
Gain on sale of investment in securities	419	475
Gain on liquidation of affiliates	4	–
Gain on reversal of allowance for doubtful accounts	469	–
Total extraordinary gains	897	506
Extraordinary losses		
Loss on sales or disposal of fixed assets	9	14
Loss on impairment	23	–
Loss on sale of investments in securities	427	290
Loss on valuation of investments in securities	179	743
Loss on liquidation of subsidiaries and affiliates	11	–
Provisions for loss on bad debt of affiliates and loss on business	–	321
Provision for loss on litigation	–	<u>900</u>
Loss on adjustment for changes of accounting standard for asset retirement obligations	72	–
Loss on disaster	447	–
Total extraordinary losses	1,171	<u>2,270</u>
Income before income taxes	4,944	<u>6,574</u>
Income taxes – current	(1,091)	(1,512)
Income taxes – deferred	(1,410)	2,662
Total income taxes	(2,502)	1,149
Net income	7,446	<u>5,424</u>

(3) Non-Consolidated Statements of Shareholders' Equity

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Owners' equity		
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	<u>27,781</u>	<u>27,781</u>
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	<u>26,887</u>	<u>26,887</u>
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	<u>26,887</u>	<u>26,887</u>
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	<u>131</u>	<u>131</u>
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	<u>1,836</u>	<u>1,836</u>
Deferred retained earnings		
Balance at beginning of the fiscal year	(14,768)	(7,360)
Changes during the fiscal year		
Net income	7,446	<u>5,424</u>
Disposal of treasury stock	(1)	(0)
Changes attributable to share exchanges	(37)	-
Total changes during the fiscal year	<u>7,408</u>	<u>5,424</u>
Balance at end of the fiscal year	<u>(7,360)</u>	<u>(1,936)</u>
Total retained earnings		
Balance at beginning of the fiscal year	(12,800)	(5,392)
Changes during the fiscal year		
Net income	7,446	<u>5,424</u>
Disposal of treasury stock	(1)	(0)
Changes attributable to share exchanges	(37)	-
Total changes during the fiscal year	<u>7,408</u>	<u>5,424</u>
Balance at beginning of the fiscal year	<u>(5,392)</u>	<u>31</u>

(Million yen)

	Fiscal 2010 (From April 1, 2010 to March 31, 2011)	Fiscal 2011 (From April 1, 2011 to March 31, 2012)
Treasury stock		
Balance at beginning of the fiscal year	(187)	(116)
Changes during the fiscal year		
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	2	0
Changes attributable to share exchanges	79	–
Total changes during the fiscal year	70	(5)
Balance at beginning of the fiscal year	(116)	(122)
Total owners' equity		
Balance at beginning of the fiscal year	41,679	49,158
Changes during the fiscal year		
Net income	7,446	<u>5,424</u>
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	1	0
Changes attributable to share exchanges	42	–
Total changes during the fiscal year	7,479	<u>5,418</u>
Balance at beginning of the fiscal year	49,158	<u>54,577</u>
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities		
Balance at beginning of the fiscal year	120	(239)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(359)	213
Total changes during the fiscal year	(359)	213
Balance at beginning of the fiscal year	(239)	(25)
Deferred gain/loss on hedging		
Balance at beginning of the fiscal year	250	(165)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(416)	629
Total changes during the fiscal year	(416)	629
Balance at beginning of the fiscal year	(165)	464
Total valuation and translation adjustments		
Balance at beginning of the fiscal year	371	(404)
Changes during the fiscal year		
Net changes of items other than owners' equity during the fiscal year	(775)	843
Total changes during the fiscal year	(775)	843
Balance at beginning of the fiscal year	(404)	438
Total net assets		
Balance at beginning of the fiscal year	42,050	48,754
Changes during the fiscal year		
Net income	7,446	<u>5,424</u>
Acquisition of treasury stock	(11)	(6)
Disposal of treasury stock	1	0
Changes attributable to share exchanges	42	–
Net changes of items other than owners' equity during the fiscal year	(775)	843
Total changes during the fiscal year	6,703	<u>6,261</u>
Balance at beginning of the fiscal year	48,754	<u>55,016</u>

(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 Ending March 2012

■ Favorable results for two consecutive fiscal years under the S-Project medium-term business plan			
◇ Net sales	1,006.4 billion yen	7.4% up	
◇ Operating income	21.4 billion yen	18.8% up	
◇ Ordinary income	17.8 billion yen	24.5% up	
◇ Net income declined due to an increase in income taxes – deferred			

(Unit: 100 million yen)	FY2010	FY2011	Year-on-year		FY 2012	
			Change	Change (%)	Forecasts	YoY Change (%)
Net sales	9,369	10,064	695	7.4%	10,500	4.3%
Gross trading profit	769	809	40	5.2%	-	-
SG&A expenses	589	595	6	1.0%	-	-
Operating income	180	214	34	18.8%	200	-6.7%
Dividends received	12	8	-4	-	-	-
Interest	-38	-36	2	-	-	-
Gains or losses on equity-method investments	-4	3	6	-	-	-
Foreign exchange losses	-4	-6	-1	-	-	-
Others	-4	-5	-1	-	-	-
Non-operating income/loss	-38	-37	1	-	-	-
Ordinary income	143	178	35	24.5%	160	-9.9%
Extraordinary gain	11	3	-8	-	-	-
Extraordinary loss	-24	-45	-22	-	-	-
Income (loss) before income taxes	130	135	5	3.8%	-	-
Income taxes and minority interests	-39	-74	-36	-	-	-
Net income	92	61	-31	-33.4%	80	30.9%

Net sales/Gross trading profit
Net sales increased mainly in the Food & Foodstuff Division and the Environment & Materials Division, thanks to increases in volumes handled and surges in commodity prices. As a result, gross trading profit also rose.

Operating income
Operating income rose, attributable to an increase in gross trading profit and a sustained reduction in selling, general, and administrative expenses.

Ordinary income
Despite a decline in dividends received and an increase in loss posted on foreign exchange translation, ordinary income climbed with a slight improvement in non-operating income, thanks to improvements in interest paid and received and in the profit or loss on equity method investments, as well as the increase in operating income.

Net income
Extraordinary loss were posted for items that included a loss on the sale of investments in securities, a loss on the valuation of investments in securities, a loss on the sale of affiliates, and a loss at a subsidiary on the withdrawal from the employee pension funds program. The Company posted a decrease in consolidated net income, mainly due to an increase in income taxes – deferred as a result of the reversal of deferred tax assets pursuant to the tax reform in fiscal year 2011.

[Forecasts for the fiscal year ending March 31, 2013]
The Company expects to post positive growth in net sales and net income.

Assets, Liabilities and Net Assets				
(Unit: 100 million yen)	3/2011	12/2011	Comparison with 3/2011	
			Change	Change (%)
Total assets	3,887	3,998	111	2.9%
Gross interest-bearing debt	1,736	1,608	-128	-7.4%
Net interest-bearing debt	1,046	900	-146	-14.0%
Equity capital	637	698	61	9.6%
(Retained earnings)	89	150	61	68.3%
Other accumulated comprehensive income	-306	-308	-2	-
Minority interests	165	170	5	3.1%
Total net assets	496	560	64	12.9%
Shareholder's equity (Note 1)	331	390	59	17.8%
Shareholder's equity ratio (Note 2)	8.5%	9.8%	1.3 pt improved	-
Net debt-equity ratio (Note 3)	3.2 times	2.3 times	0.9 pt improved	-

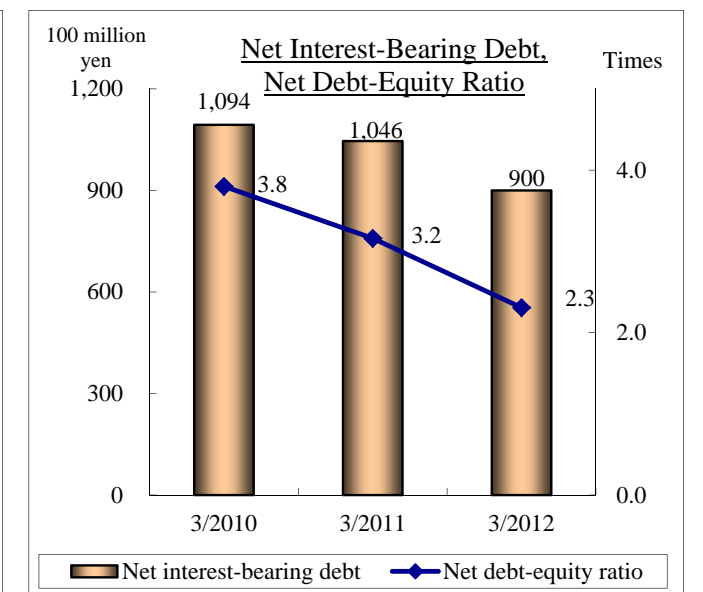
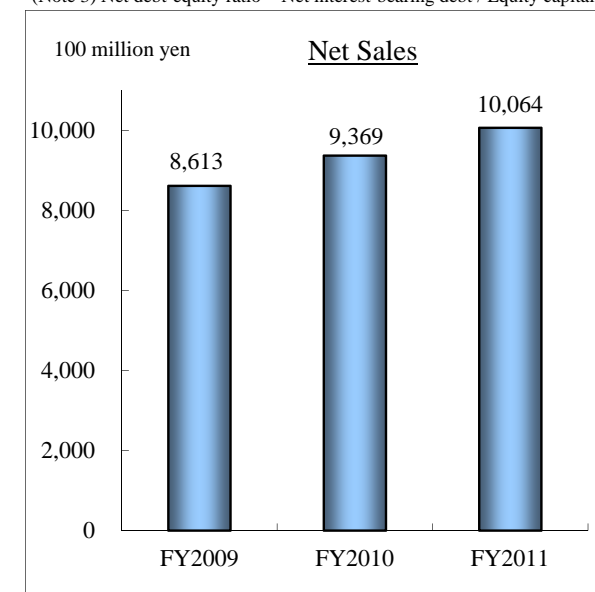
(Note 1) Shareholder's equity = Total net assets - Minority interests
(Note 2) Shareholder's equity ratio = Shareholder's equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

Total assets
Increased 11.1 billion yen year on year, to 399.8 billion yen.

Interest-bearing debt
As a result of the repayment of borrowings, gross interest-bearing debt and net interest-bearing debt decreased 12.8 billion yen and 14.6 billion yen, respectively.

Net assets
Net assets increased 6.4 billion yen, primarily attributable to an increase in retained earnings as a result of the posting of net income. Shareholders' equity, which is obtained by subtracting minority interests from net assets, increased 5.9 billion yen.

As a result, the capital adequacy ratio improved to 9.8%, and the net DER also improved to 2.3.



(Unit: 100 million yen)	Net sales (net external sales)			Operating income		
	FY2010	FY2011	Change	FY2010	FY2011	Change
Electronics & IT	2,539	2,531	-7	95	90	-5
Food & Foodstuffs	2,719	2,921	203	28	52	24
Iron & Steel	988	991	3	34	36	2
Machinery & Plant	673	704	31	11	14	4
Environment & Materials	2,275	2,737	462	10	20	10
Total for reportable segments	9,193	9,885	692	178	212	34
Other (including adjustment)	176	179	3	3	2	-1
Grand total	9,369	10,064	695	180	214	34

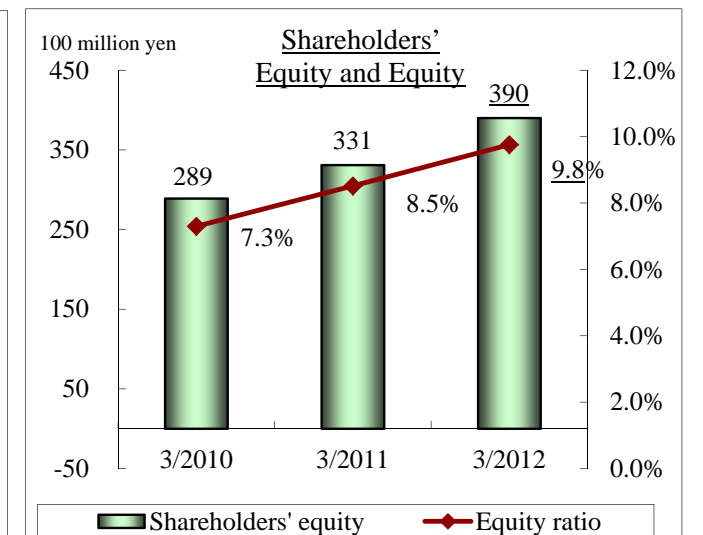
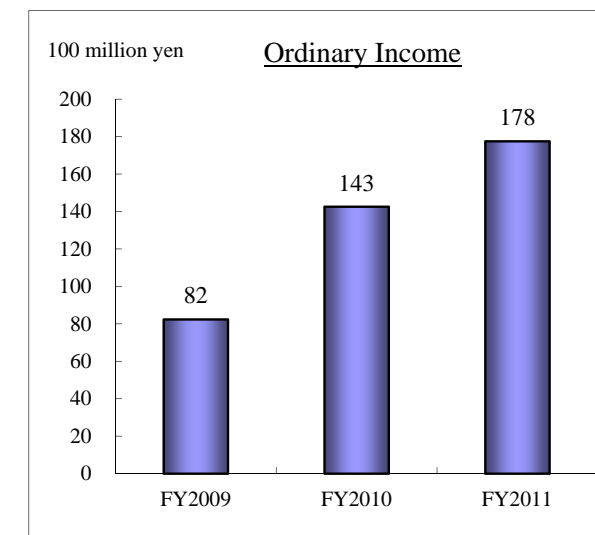
Electronics & IT: Both sales and income declined
The ICT solutions business and the mobile solutions business continued to perform well, reflecting the expansion of the market for mobile communication services, including smartphones and tablet type devices. However, the semiconductor business struggled with depressed demand for semiconductor parts and semiconductor manufacturing equipment.

Food & Foodstuffs: Both sales and income rose
The Foods Business, especially prepared foods and processed foods, performed well, backed by a relatively stable supply and demand environment as well as solid sales of imported meat products. The Foodstuff business contributed to overall earnings, owing to efforts to enhance vendor relationships in feedstuff sales and to expand sales channels.

Iron & Steel: Both sales and income rose
Export transactions of special steel for automobiles for Europe and the United States and special steel and stainless steel products for the United States and Asia remained solid.

Machinery & Plant: Both sales and income rose
Business linked to plants improved significantly with an increase in projects related to official development assistance. The machine tool business remained firm, supported by a recovery in domestic demand.

Environment & Materials: Both sales and income rose
Both exports of raw materials for car batteries and imports of raw materials for pharmaceuticals were firm. The energy business contributed to overall earnings, with a tail wind from increasing sales of fuel oil to electric power companies.



* 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.