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# Consolidated Financial Summary for the First Quarter of the FY2008 (Ending March 31, 2009)

August 4, 2008


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

1. Consolidated business results for the first quarter of fiscal year ending March 2009 (April 1, 2008 – June 30, 2008)

(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 quarter to June 2008 | 310,167 | — | 6,110 | — | 4,522 | — | 1,107 | — |
| First quarter to June 2007 | 298,182 | 2.6 | 4,314 | (0.7) | 3,949 | 18.2 | 2,597 | 45.5 |

| | Net income per share | Net income per share (diluted basis) |
|---|---|---|
| | Yen | Yen |
| First quarter to June 2008 | 2.65 | — |
| First quarter to June 2007 | 6.21 | — |

(2) Consolidated financial condition

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| First quarter to June 2008 | 490,960 | 64,151 | 9.7 | 113.43 |
| As of March 31, 2008 | 503,456 | 62,239 | 9.1 | 108.95 |

(Reference) Shareholder's equity: 47,460 million yen as of first quarter to June 2008, 45,587 million yen as of March 2008

2. Dividends

| | Dividends per share | | | | |
|---|---|---|---|---|---|
| (Record date) | End of first quarter | End of second quarter | End of third quarter | Second half | Fiscal |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 2008 | — | — | 0.00 | — | 0.00 |
| Fiscal year ending March 2009 | — | | | | — |
| Fiscal year ending March 2009 (Forecasts) | | — | — | — | |

(Note 1) Revisions of expected dividends in the quarter under review: None

3. Forecasts for consolidated results ending March 2009 (April 1, 2008 – March 31, 2009)

(%: 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 | 650,000 | — | 11,500 | — | 8,000 | — | 4,000 | — | 9.56 |
| Full year | 1,350,000 | 8.5 | 24,500 | 8.4 | 19,000 | 1.3 | 10,000 | (47.4) | 23.90 |

(Note) Revisions of estimated consolidated results in the quarter under review: None

4. Other information

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

(2) Application of simplified accounting and accounting specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please see the statement under the heading of “4. Others” of the section “Qualitative Information, Financial Statements, etc.” on page 4.

(3) Change in accounting principle, procedure and presentation related to the preparation of the quarterly consolidated financial statements (noted on changes in “Basis of quarterly consolidated financial statements”)

(i) Change due to amendment to accounting standard: Yes

(ii) Change due to other than above: None

(Note) For details, please see the statement under the heading of “4. Others” of the section “Qualitative Information, Financial Statements, etc.” on page 5.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares including treasury stock

First quarter to June 2008: 422,501,010 shares, Fiscal year (2008/3): 422,501,010 shares

(ii) Number of treasury stock

First quarter to June 2008: 4,085,618 shares, Fiscal year (2008/): 4,072,040 shares

(iii) Average number of shares during the period (quarter)

First quarter to June 2008: 418,426,086 shares, First quarter to June 2007: 418,511,977 shares,

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

1. 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 “3. Qualitative information on consolidated results forecasts” of Qualitative Information, Financial Statements, Etc. on page 4 for further information on results forecasts.
2. Starting the current fiscal year, the Company applies the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12 issued on March 14, 2007) and the Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14 issued on March 14, 2007). Quarterly consolidated financial statements are prepared under the Rules for the Terminology, Form, and Preparation Method of Consolidated Financial Statements (Cabinet Office Ordinance No. 64).
3. A quarterly review by the audit corporation has not been completed.

## [Qualitative Information, Financial Statements, Etc.]

1. Qualitative information on consolidated operating results

Overall, the Group made a strong start to the first quarter under review, despite increasing uncertainty about the domestic economy on concern over a slowdown of the global economy and rising commodity prices. The Foods & Foodstuff Division continued to perform well, driven by the contribution of the foodstuffs business, especially the grain business. The performance of the Iron, Steel & Plants Division and Life Science & Energy Division was solid.

Consolidated net sales rose ¥11,985 million (4.0%) year on year, to ¥310,167 million, primarily reflecting an increase in the transaction volume in association with soaring markets.
Gross trading profit increased ¥1,494 million (6.9%), to ¥23,215 million, with a rise in net sales and a recovery in gross income on sales, which fell last year.
Operating income was the highest for any first quarter since quarterly results were first disclosed in the fiscal year ending June 2004. It climbed ¥1,796 million (41.6%), to ¥6,110 million, the result of a rise in gross trading profit and a fall in selling, general and administrative expenses on a decline in claim write-offs among other factors.
Non-operating income declined ¥1,224 million, reflecting a fall of ¥1,103 million in equity in earnings of affiliated companies following the sale of the aircraft business in June last year, which offset an improvement in interest income thanks to a decline in interest paid following the reduction of interest-bearing debt. However, ordinary income rose ¥573 million (14.5%), to ¥4,522 million, a record high for the first quarter.
Income before income taxes and minority interests was ¥3,962 million, a decline of ¥1,056 million. The Company posted an initial extraordinary loss of ¥558 million in association with the enforced application of the cost or market method to inventories. Another major factor in the decline was the fall in gains on the sale of investments in securities of ¥1,857 million posted for the year-ago period, which declined to ¥71 million in the first quarter under review. Income taxes – deferred of ¥1,415 million were posted because of an increase in valuation reserves. As a consequence, net income for the first quarter under review fell ¥1,490 million year on year, to ¥1,107 million.

The following is results in each business segment:

(1) IT

Overall competition in the IT industry was intensifying. While the solutions business, OEM components business, and aircraft business performed relatively well under the circumstances, the transaction value in the electronic components business and semiconductor manufacturing equipment business declined because of falling demand and unit prices, reflecting the weakness of the semiconductor market and a diminishing appetite for capital investment in semiconductor manufacturing facilities. Sales in the mobile business fell with the growing use of installment plans in the sale of mobile handsets. As a result, net sales in the IT Division fell ¥14,114 million year on year, to ¥68,265 million. However, operating income rose ¥106 million, to ¥1,478 million because of the strong performance of the solutions business and aircraft business.

(2) Foods & Foodstuff

In the foods business, the effect of a stricter inspection system following the Chinese-made dumplings incident remained. The Company found it difficult to generate a profit because it was not be able to pass onto selling prices the high market prices of raw materials for processed farm products and rising import costs associated with stronger local currencies. But in meat and marine products, Australian and U.S. beef and Canadian pork performed well.
Performance in the foodstuffs business remained robust, as production areas were secured and a stable supply of non-genetically engineered soybeans achieved, while large barley contracts were received. As a consequence, net sales in the Foods & Foodstuff Division rose ¥17,168 million, to ¥87,183 million. Operating income rose ¥892 million, to ¥1,853 million.

(3) Iron, Steel & Plant

In the iron and steel business, profitability from the exports of auto parts for the Big Three automakers deteriorated because of the weaker U.S. economy and high crude oil prices, but trading in special steels, including stainless steel, was robust in each market. In the industrial plant business, sales of machine tools and industrial machinery were a little sluggish, but exports of auto parts remained strong. Consequently, net sales in the Iron, Steel & Plant rose ¥5,266 million, to ¥67,648 million. Operating income climbed ¥507 million, to ¥2,005 million.

(4) Life Science & Energy

In the energy business, sales increased because of a continuation of high crude oil prices and synergy from the consolidation of affiliates. Profit was generated from the sale of petroleum products and heavy fuel oil to customers. The overall performance of the life science business was good, although the health food operation faced a challenging situation. As a result, net sales in the Life Science & Energy Division increased ¥3,330 million, to ¥77,443 million. Operating income rose ¥361 million, to ¥492 million.

2. Qualitative information on the consolidated financial position

Total assets at the end of the first quarter fell ¥12,496 million from the end of the previous year, to ¥490,960 million, reflecting an increase in operating assets in association with rising commodity prices and the appropriation of part of cash reserves for the repayment of debt.

Although borrowings fell ¥14,292 million from the end of the previous fiscal year, to ¥209,410 million, net interest-bearing debt (which is borrowings minus cash and bank deposits) rose ¥6,985 million from ¥148,944 million at the end of the previous fiscal year, to ¥155,929 million.

Net assets increased ¥1,912 million to ¥64,151 million because of improvements in net income and valuation and translation adjustments. As a result, the capital adequacy ratio increased 0.6 percentage point from the end of the previous fiscal year, to 9.7%.

3. Qualitative information on consolidated results forecasts

As the effect of the U.S. subprime mortgage crisis is protracted and spreads globally, the possibility of the U.S. economy sliding into recession is rising. In addition, uncertainty after the Beijing Olympics over the Chinese economy, which has supported growth in developed economies, is increasing. Under the circumstances, the Company has not changed the results forecast for the first half announced on May 2, 2008, because the results for the first quarter were relatively strong. The Company has also left unchanged the results forecast for the full year announced on the same date because it needs to carefully consider trends from the second quarter.

The forecasts are based on information available on the date of the announcement of this document and estimates based on reasonable assumptions. We assume that exchange rates and interest rates will not differ significantly from the assumptions made at the beginning of the fiscal year. Actual results might differ substantially from the forecasts, affected by various factors.

4. Others

(1) Changes in important subsidiaries during the term under review (changes in specified subsidiaries requiring a change in the scope of consolidation)

Not applicable.

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

Number of consolidated subsidiaries: 90 companies (11 companies were added; 1 company reduced)

Number of unconsolidated subsidiaries accounted for by the equity method:
9 companies (0 companies were added; 11 companies reduced)

Number of equity method affiliates: 27 companies (0 companies were added; 0 company reduced))

(2) Application of simplified accounting and accounting specific to the preparation of quarterly consolidated financial statements

1. Simplified accounting

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

Since the loan loss ratio at the end of the quarter 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.

(ii) Inventory valuation method

The Company omitted physical stocktaking for the quarter under review and computed inventories at the end of the quarter 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 sales value of only those inventories whose profitability was obviously reduced and cut the book value of the inventories.

(iii) 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.

(iv) 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.

2. Accounting specific to the preparation of quarterly consolidated financial statements

Method used to calculate income taxes, deferred tax assets, and deferred tax liabilities

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 related to the preparation of quarterly consolidated financial statements

1. Starting the current fiscal year, the Company applies the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12 issued on March 14, 2007) and the Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14 issued on March 14, 2007). Quarterly consolidated financial statements are prepared under the Rules for the Terminology, Form, and Preparation Method of Consolidated Financial Statements (Cabinet Office Ordinance No. 64).

2. Changes in accounting policies

(i) Application of Accounting Standard for Measurement of Inventories

In association with the application of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006) from the first quarter under review, the Company has changed the basis of valuation of inventories held for standard sales purposes from primarily the cost method to the cost method (reducing the book value based on a fall in productivity for the balance sheet value).

As a result of the change, operating income and ordinary income, and income before income taxes and minority interests declined ¥256 million and ¥815 million, respectively.

The effect of the change on segment information is stated in the segment information section.

(ii) Application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Starting the first quarter under review, the Company is applying the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18 issued on May 17, 2006) and is making the adjustments necessary for consolidated accounting.

The effect of the application on earnings for the quarter is minor.

The effect of the application on segment information is described in the segment information section.

# 5. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheets

(Million yen)

| | | End of first quarter under review (June 30, 2008) | Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2008) |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and bank deposits | | 53,480 | 74,758 |
| Notes and accounts receivable | | 180,195 | 188,605 |
| Short-term investments | | 24 | 14 |
| Inventories | *1 | 88,766 | 71,860 |
| Short-term loans receivable | | 2,884 | 3,153 |
| Deferred tax assets | | 3,388 | 5,573 |
| Other | | 42,556 | 39,348 |
| Allowance for doubtful accounts | | (1,230) | (1,007) |
| Total current assets | | 370,066 | 382,307 |
| Fixed assets | | | |
| Tangible fixed assets | *2 | 35,557 | 35,052 |
| Intangible fixed assets | | | |
| Goodwill | | 153 | 158 |
| Other | | 2,582 | 2,781 |
| Total intangible fixed assets | | 2,736 | 2,939 |
| Investments and other assets | | | |
| Investments in securities | | 47,866 | 47,521 |
| Long-term loans receivable | | 14,017 | 14,280 |
| Doubtful accounts | | 20,823 | 20,332 |
| Deferred tax assets | | 16,640 | 17,208 |
| Other | | 10,509 | 10,919 |
| Allowance for doubtful accounts | | (27,257) | (27,104) |
| Total investments and other assets | | 82,600 | 83,156 |
| Total fixed assets | | 120,894 | 121,149 |
| Total assets | | 490,960 | 503,456 |

(Million yen)

| | End of first quarter under review (June 30, 2008) | Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2008) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 159,258 | 156,800 |
| Short-term borrowings | 75,990 | 89,080 |
| Accrued income taxes | 1,954 | 2,381 |
| Deferred tax liabilities | 10 | - |
| Other | 41,651 | 43,062 |
| Total current liabilities | 278,866 | 291,323 |
| Long-term liabilities | | |
| Long-term borrowings | 133,419 | 134,622 |
| Deferred tax liabilities | 97 | 173 |
| Accrued severance indemnities | 3,770 | 4,329 |
| Allowance for loss on guarantees | 82 | 82 |
| Allowance for loss on lawsuits | 553 | 553 |
| Reserve for directors’ retirement benefits | 567 | 689 |
| Other | 9,452 | 9,442 |
| Total long-term liabilities | 147,943 | 149,894 |
| Total liabilities | 426,809 | 441,217 |
| Net assets | | |
| Shareholders’ equity | | |
| Capital stock | 27,781 | 27,781 |
| Capital surplus | 27,644 | 27,644 |
| Retained earnings | 10,136 | 9,556 |
| Treasury stock | (647) | (645) |
| Total shareholders’ equity | 64,915 | 64,336 |
| Valuation and translation adjustments | | |
| Unrealized loss on available-for-sale securities | 2,634 | 1,576 |
| Deferred gain/loss on hedging | 180 | (912) |
| Land revaluation reserves | 58 | 58 |
| Translation adjustments | (20,327) | (19,470) |
| Total valuation and translation adjustments | (17,454) | (18,749) |
| Minority interests | 16,690 | 16,651 |
| Total net assets | 64,151 | 62,239 |
| Total liabilities and net assets | 490,960 | 503,456 |

## (2) Quarterly Consolidated Statements of Income

[First quarter]

(Million yen)

| | | First quarter under review (From April 1, 2008 to June 30, 2008) |
|---|---|---|
| Net sales | | 310,167 |
| Cost of sales | | 286,952 |
| Gross trading profit | | 23,215 |
| Selling, general and administrative expenses | *1 | 17,105 |
| Operating income | | 6,110 |
| Non-operating income | | |
| Interest received | | 285 |
| Dividends received | | 265 |
| Other | | 490 |
| Total non-operating income | | 1,041 |
| Non-operating expenses | | |
| Interest paid | | 1,437 |
| Loss on equity method investments | | 244 |
| Other | | 946 |
| Total non-operating expenses | | 2,629 |
| Ordinary income | | 4,522 |
| Extraordinary gains | | |
| Gain on sale of tangible fixed assets | | 4 |
| Gain on sale of investment in securities | | 71 |
| Total extraordinary gains | | 76 |
| Extraordinary losses | | |
| Loss on sale of tangible fixed assets | | 14 |
| Loss on sale of investments in securities | | 9 |
| Loss on valuation of investments in securities | | 54 |
| Loss on valuation of inventories | *2 | 558 |
| Total extraordinary losses | | 636 |
| Income before income taxes and minority interests | | 3,962 |
| Income taxes – current | | 1,130 |
| Income taxes – deferred | | 1,415 |
| Total income taxes | | 2,546 |
| Minority interests in consolidated subsidiaries | | 307 |
| Net income | | 1,107 |

Starting the current fiscal year, the Company applies the Accounting Standard for Quarterly Financial Reporting (Accounting Standards Board of Japan Statement No. 12) and the Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). Quarterly consolidated financial statements are prepared under the Rules for Consolidated Financial Statements (Cabinet Office Ordinance No. 64).

(3) Notes relating to the assumptions of the going concern

Not applicable.

(4) Segment Information

[Industry Segment Information]

First quarter under review (From April 1, 2008 to June 30, 2008)

(Million yen)

| | IT | Foods & Foodstuff | Iron, Steel & Plant | Life Science & Energy | Other | Total | Adjustments & Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) Outside customers | 68,265 | 87,183 | 67,648 | 77,443 | 9,626 | 310,167 | ― | 310,167 |
| (2) Inter-segment | 6 | 0 | 110 | 19 | 15 | 151 | (151) | ― |
| Total | 68,271 | 87,183 | 67,759 | 77,463 | 9,642 | 310,318 | (151) | 310,167 |
| Operating income | 1,478 | 1,853 | 2,005 | 492 | 161 | 5,992 | 118 | 6,110 |

(Notes) 1. In association with the application of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006), operating income fell ¥126 million in IT, ¥115 million in Foods & Foodstuff, and ¥15 million in Life Science & Energy from operating income if it had been measured by the old method.

2. In association with the application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18 issued on May 17, 2006), operating income declined ¥12 million in Iron, Steel & Plants from operating income if it had been calculated by the old method.

(5) Notes if there is a significant change in the amount of shareholders' equity

Not applicable.

6. Other Information

Notes

(In relation to quarterly consolidated balance sheets)

| End of first quarter under review (June 30, 2008) | At the end of the previous fiscal year (March 31, 2008) |
|---|---|
| *1 The following is a breakdown of inventories:<br>Merchandise and finished goods ¥81,083 million<br>Real estate for sale ¥5,627 million<br>Raw materials and stores ¥1,343 million<br>Work in process ¥712 million<br>Total ¥88,766 million | *1 The following is a breakdown of inventories:<br>Merchandise and finished goods ¥64,217 million<br>Real estate for sale ¥5,737 million<br>Raw materials and stores ¥1,211 million<br>Work in process ¥693 million<br>Total ¥71,860 million |
| *2 The accumulated depreciation of tangible fixed assets was ¥33,986 million. | *2 The accumulated depreciation of tangible fixed assets was ¥33,363 million. |
| 3 Guarantee obligation<br>The Company provides debt guarantees for bank loans to companies other than consolidated companies:<br>P.T. Century Textile Industry ¥601 million<br>True Corporation Public ¥407 million<br>Japan Logistics ¥187 million<br>Others ¥3,071 million<br>Total ¥4,267 million<br>The above includes activities similar to guarantees. | 3 Guarantee obligation<br>The Company provides debt guarantees for bank loans to companies other than consolidated companies:<br>P.T. Century Textile Industry ¥566 million<br>True Corporation Public ¥407 million<br>Japan Logistics ¥193 million<br>Others ¥4,117 million<br>Total ¥5,285 million<br>The above includes activities similar to guarantees. |
| 4 Discounted notes receivable were ¥15,698 million. Notes receivable transfer by endorsement was ¥189 million. Purchases of bank bills yet to be settled between banks in export letter of credit transactions that were included in the discounted notes receivable were ¥8,323 million. | 4 Discounted notes receivable were ¥16,447 million. Notes receivable transfer by endorsement was ¥146 million. Purchases of bank bills yet to be settled between banks in export letter of credit transactions that were included in the discounted notes receivable were ¥10,353 million. |
| | |

(In relation to quarterly consolidated statements of income)

| First quarter under review (From April 1, 2008 to June 30, 2008) |
|---|
| *1 Major items in selling, general and administrative expenses and their amounts are as follows:<br>Employees' salaries and bonuses: ¥6,790 million<br>Transfer to allowance for bad debts: ¥121 million<br>*2 This is the reduced book amount relating to inventories at the beginning of the fiscal year in association with the application of the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006). |

Reference Data

Financial Statements Relating to the Previous First Quarter

(1) (Summary) Quarterly Consolidated Statements of Income for the previous first quarter (April 1 to June 30, 2007)

(Million yen)

| Category | Previous first quarter (from April 1, 2007 to June 30, 2007) | |
|---|---|---|
| | Amount | % |
| I Net sales | 298,182 | 100 |
| II Cost of sales | 276,461 | 92.72 |
| Gross trading profit | 21,721 | 7.28 |
| III Selling, general and administrative expenses | 17,407 | 5.84 |
| Operating income | 4,314 | 1.44 |
| IV Non-operating income | | |
| 1. Interest received | 428 | |
| 2. Dividends received | 361 | |
| 3. Equity in earnings of affiliated companies | 859 | |
| 4. Other | 542 | |
| Total non-operating income | 2,191 | 0.74 |
| V Non-operating expenses | | |
| 1. Interest paid | 2,049 | |
| 2. Other | 505 | |
| Total non-operating expenses | 2,555 | 0.86 |
| Ordinary income | 3,949 | 1.32 |
| VI Extraordinary gains | | |
| 1. Gain on sale of tangible fixed assets | 19 | |
| 2. Gain on sale of investment in securities | 1,857 | |
| 3. Gain on reversal of allowance for doubtful accounts | 6 | |
| Total extraordinary gains | 1,883 | 0.63 |
| VII Extraordinary losses | | |
| 1. Loss on sale of tangible fixed assets | 28 | |
| 2. Loss on impairment | 68 | |
| 3. Loss on sale of investments in securities | 89 | |
| 4. Loss on valuation of investments in securities | 79 | |
| 5. Provision of reserve for past directors' retirement benefits | 279 | |
| 6. Transfer to allowance for doubtful accounts for subsidiaries and affiliates | 19 | |
| 7. Transfer to allowance for doubtful accounts for credits of special business | 251 | |
| Total extraordinary losses | 815 | 0.27 |
| Income before income taxes and minority interests | 5,018 | 1.68 |
| Income taxes – current | 1,242 | 0.42 |
| Income taxes – deferred | 642 | 0.21 |
| Minority interests in consolidated subsidiaries | 535 | 0.18 |
| Net income | 2,597 | 0.87 |

(2) Segment Information

[Industry Segment Information]

Previous first quarter (From April 1, 2007 to June 30, 2007)

(Million yen)

| | IT | Foods & Foodstuff | Iron, Steel & Plant | Life Science & Energy | Other | Total | Adjustments & Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | | |
| (1) Outside customers | 82,379 | 70,015 | 62,382 | 74,113 | 9,291 | 298,182 | － | 298,182 |
| (2) Inter-segment | 7 | 1 | 3 | 15 | 15 | 44 | (44) | － |
| Total | 82,387 | 70,016 | 62,386 | 74,128 | 9,307 | 298,226 | (44) | 298,182 |
| Operating expenses | 81,014 | 69,055 | 60,888 | 73,996 | 9,117 | 294,072 | (203) | 293,868 |
| Operating income | 1,372 | 961 | 1,498 | 131 | 189 | 4,154 | 159 | 4,314 |

(Note) Since Kanematsu Textile Corporation, a former major consolidated subsidiary, became an equity method affiliate in the previous fiscal year, the importance of the Textile segment declined. The Company therefore eliminated the Textile segment in the previous consolidated fiscal year and included the results in the textile business in the Other segment.
Net sales and operating income in the textile business included in the Other segment in the first quarter of the previous fiscal year were ¥508 million and ¥12 million, respectively.

August 4, 2008
Kanematsu Corporation

# Highlights of Consolidated Financial Results for Q1 of FY2008 (Ending March 31, 2009)

- **The Company made a good start in the first quarter.**
- **Net sales, operating income, and ordinary income increased year on year.**

**- Net sales: ¥310.2 billion, up 4.0% (¥12.0 billion)**
**- Operating income: ¥6.1 billion, up 41.6% (¥1.8 billion)**
**- Ordinary income: ¥4.5 billion, up 14.5% (¥0.6 billion)**

(Unit: 100 million yen)

| (On a consolidated basis) | Q1 of FY2007 | Q1 of FY2008 | Year-on-year Change | Year-on-year Change (%) | Q2 of FY2008 Forecast | Q2 of FY2008 Progress | FY2008 Forecast | FY2008 Progress |
|---|---|---|---|---|---|---|---|---|
| Net sales | 2,982 | 3,102 | 120 | 4.0% | 6,500 | 47.7% | 13,500 | 23.0% |
| Gross trading profit | 217 | 232 | 15 | 6.9% | - | - | - | - |
| SG&A expenses | 174 | 171 | -3 | -1.7% | - | - | - | - |
| Operating income | 43 | 61 | 18 | 41.6% | 115 | 53.1% | 245 | 24.9% |
| Dividends received | 4 | 3 | -1 | - | - | - | - | - |
| Interest | -16 | -12 | 4 | - | - | - | - | - |
| Gains on equity-method investments | 9 | -2 | -11 | - | - | - | - | - |
| Others | 0 | -5 | -5 | - | - | - | - | - |
| Non-operating income/loss | -4 | -16 | -12 | - | - | - | - | - |
| Ordinary income | 39 | 45 | 6 | 14.5% | 80 | 56.5% | 190 | 23.8% |
| Extraordinary gain | 19 | 1 | -18 | -95.9% | - | - | - | - |
| Extraordinary loss | -8 | -6 | 2 | - | - | - | - | - |
| Income (loss) before income taxes | 50 | 40 | -10 | -21.1% | - | - | - | - |
| Income taxes and minority interests | -24 | -29 | -5 | - | - | - | - | - |
| Net income | 26 | 11 | -15 | -57.4% | 40 | 27.7% | 100 | 11.1% |

**Summary of Results for Q1**

Net sales
Net sales increased because of a robust performance in Foods & Foodstuff, and solid results in Iron, Steel & Plant and Life Science & Energy.

Gross trading profit
Gross trading profit rose with the increase in net sales.

Operating income
Operating income expanded on the solid performance of the grain business in Foodstuffs, the solutions business and the OEM business in IT, and the special steel trading and transportation machinery business in Iron, Steel & Plant.

Ordinary income
Ordinary income was up, reflecting an increase in operating income and an improvement in the financial balance because of reduced gross interest-bearing debt.

Extraordinary gain/loss
Gain on the sale of investment securities declined.

Net income
Net income fell from the year-ago level because of a decline in extraordinary gain.

(Unit: 100 million yen)

| Segment information | Net sales Q1 of FY2007 | Net sales Q1 of FY2008 | Net sales Year-on-year Change | Net sales Year-on-year Change (%) | Operating income Q1 of FY2007 | Operating income Q1 of FY2008 | Operating income Year-on-year Change | Operating income Year-on-year Change (%) |
|---|---|---|---|---|---|---|---|---|
| IT | 824 | 683 | -141 | -17.1% | 14 | 15 | 1 | 7.7% |
| Foods & Foodstuff | 700 | 872 | 172 | 24.5% | 10 | 19 | 9 | 92.8% |
| Iron & Steel | 384 | 439 | 55 | 14.4% | 17 | 17 | 0 | 3.0% |
| Machinery & Plant | 240 | 239 | -1 | -0.6% | -2 | 3 | 5 | - |
| Iron, Steel & Plant | 624 | 678 | 54 | 8.6% | 15 | 20 | 5 | 33.9% |
| Energy | 670 | 694 | 24 | 3.5% | 1 | 4 | 3 | 335.3% |
| Life Science | 71 | 81 | 10 | 14.2% | 0 | 1 | 1 | 163.7% |
| Life Science & Energy | 741 | 775 | 34 | 4.5% | 1 | 5 | 4 | 274.2% |
| Others | 93 | 96 | 3 | 3.6% | 1 | 1 | 0 | -14.9% |
| Consolidated adjustment | -0 | -2 | -2 | - | 2 | 1 | -1 | - |
| Total | 2,982 | 3,102 | 120 | 4.0% | 43 | 61 | 18 | 41.6% |

**Summary of Segment Results**

IT
Although the solutions and OEM businesses performed well, sales in the mobile business and the electronic parts & ATE solutions business were slow. Overall, sales fell, and operating income rose.

Foods & Foodtuff
Both sales and income increased, reflecting stable purchases of business resources and large-lot contracts in the grain business, and the solid performance in the meat & livestock business.

Iron, Steel & Plant
Overall, both sales and income rose thanks to a solid performance in the trading of special steels, including high-performance stainless steels, in the iron and steel business and the export of auto parts in the plants segment.

Life Science & Energy
Both sales and income increased on a solid performance overall.

(Unit: 100 million yen)

| Assets, Liabilities and Net Assets | 3/2008 | 6/2008 | Comparison with 3/2008 Change | Comparison with 3/2008 Change (%) |
|---|---|---|---|---|
| Total assets | 5,035 | 4,910 | -125 | -2.5% |
| Gross interest-bearing debt | 2,237 | 2,094 | -143 | -6.4% |
| Net interest-bearing debt | 1,489 | 1,559 | 70 | 4.7% |
| Equity capital | 643 | 649 | 6 | 0.9% |
| (Retained earnings) | 96 | 101 | 5 | 6.1% |
| Valuation and translation adjustments | -187 | -175 | 12 | -6.9% |
| Minority interests | 167 | 167 | 0 | 0.2% |
| Total net assets | 622 | 642 | 20 | 3.1% |
| Shareholder's equity ratio (Note 1) | 9.1% | 9.7% | 0.6% | – |
| Net debt-equity ratio (Note 2) | 3.3 | 3.3 | 0.0 | – |

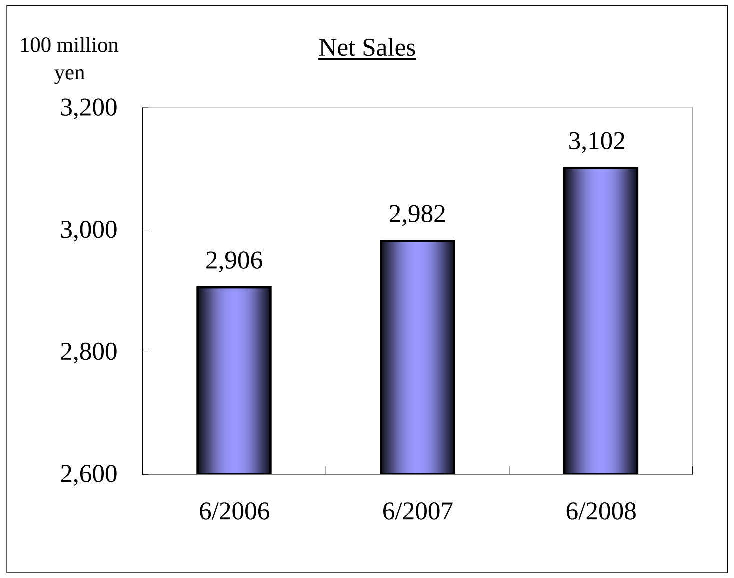
(Note 1) Shareholder's equity ratio = (Total net assets - Minority interests) / Total assets
(Note 2) Net D/E ratio = Net interest-bearing debt / (Total net assets - Minority interests)

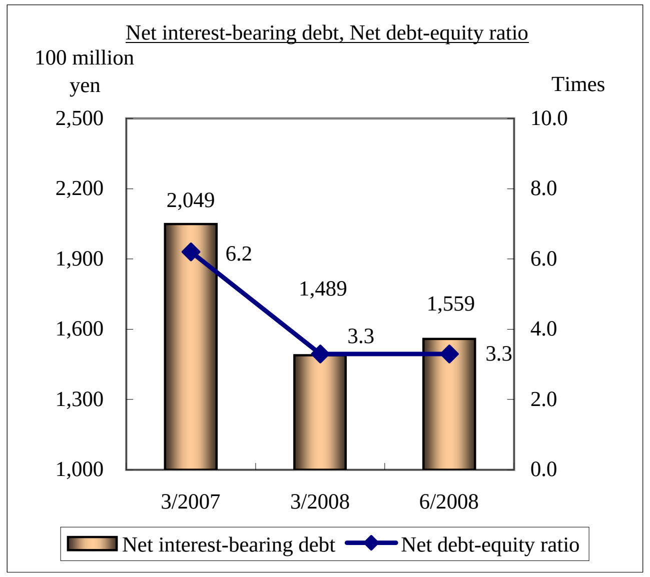
**Summary**

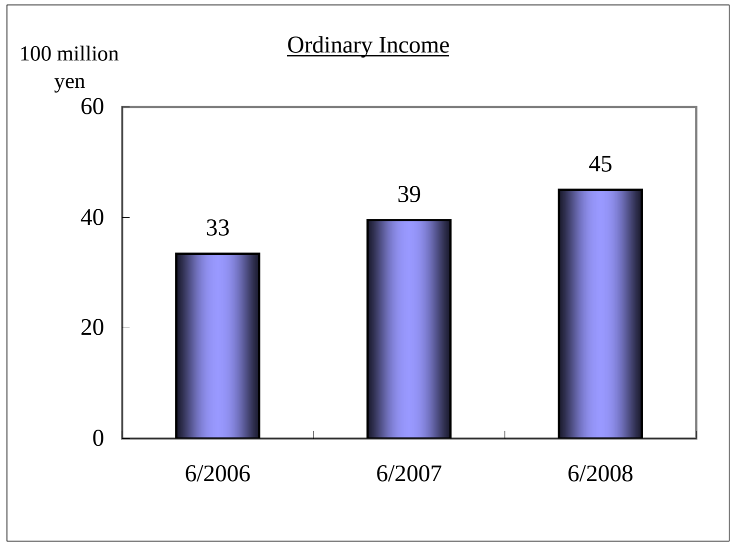
Total assets
Total assets declined with the appropriation of cash reserves for the repayment of borrowings, offsetting an increase in operating assets in association with rising material prices.

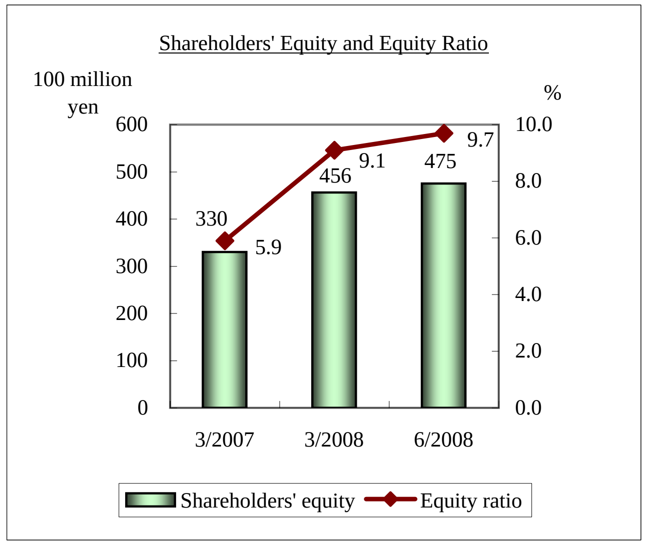
Interest-bearing debt
Gross interest-bearing debt reduced ¥14.3 billion.
Net interest-bearing debt rose ¥7 billion because of a fall in cash and deposits.

Equity capital
Equity capital increased with net income.
As a result, the equity ratio was 9.7%, and the net DER was 3.3 times.




* The forecasts and forward-looking statements that are included in this document are based on information available at the time of the announcement as well as on calculations made using reasonable assumptions. Please note that actual results may differ materially depending on various factors.