

# Consolidated Financial Summary for the First Half of the Fiscal Year Ending March 2009

November 5, 2008

Company name: Kanematsu Corporation

Stock Exchange listing: Tokyo Stock Exchange, Osaka Securities Exchange

Stock code: 8020

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Scheduled date of submission: November 14, 2008

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

## 1. Consolidated business results for the first half of the fiscal year ending March 2009 (April 1, 2008 – September 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 half to September 2008	637,089	-	13,232	-	10,895	-	3,687	-
First half to September 2007	613,604	-0.7	12,548	4.0	10,975	17.0	5,537	-11.7

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First half to September 2008	8.81	-
First half to September 2007	13.23	-

## (2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2008	499,927	66,222	9.7	116.29
As of March 31, 2008	503,456	62,239	9.1	108.95

(Reference) Shareholder's equity: 48,638 million yen as of September, 2008, 45,587 million yen as of March 2008

## 2. Dividends

(Record date)	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2008	-	-	-	-	-
Fiscal year ending March 2009	-	-	-	-	-
Fiscal year ending March 2009 (Forecasts)	-	-	-	-	-

(Note) Revisions of expected dividends in the first half 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
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 first half 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 4.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares including treasury stock

First half (2008/9): 422,501,010 shares, Fiscal year (2008/3): 422,501,010 shares

(ii) Number of treasury stock

First half (2008/9): 4,253,493 shares, Fiscal year (2008/3): 4,072,040 shares

(iii) Average number of shares during the period (first half)

First half (2008/9): 418,393,593 shares, First half (2007/9): 418,492,294 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).

Quarterly consolidated financial statements are prepared in accordance with the revised Rules for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the supplementary provisions of the Cabinet Office Ordinance to Amend the Rules for the Terminology, Form, and Preparation Method of Consolidated Financial Statements (Cabinet Office Ordinance No. 50 of August 7, 2008).

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's results for the first half of the fiscal year under review were favorable. The energy, foodstuffs, and iron and steel businesses continued to perform strongly in the face of the accelerating global economic slowdown triggered by financial uncertainty in North America and Europe.

Consolidated net sales rose ¥23,485 million (3.8%) year on year, to ¥637,089 million, reflecting increases in transaction volumes in the foodstuffs and energy businesses, which more than offset a fall in sales in the mobile-related business in the IT Division.

Gross trading profit increased ¥1,746 million (3.8%), to ¥47,692 million with a rise in net sales.

Operating income climbed ¥684 million (5.5%), to ¥13,232 million with profit increases in the foodstuffs and energy businesses, owing to price hikes during the first half, offsetting a decrease in income in the IT Division.

Non-operating income declined ¥765 million, reflecting a fall of ¥1,341 million in equity in earnings of affiliated companies due to the elimination of investments in the aircraft business, which made a significant contribution to equity in earnings of affiliated companies in the previous first half. This offset an improvement of ¥586 million in interest income thanks to the reduction of interest-bearing debt. As a result, ordinary income fell ¥80 million (0.7%), to ¥10,895 million.

Income before income taxes and minority interests was ¥8,479 million, a decline of ¥1,827 million. This was attributable to a minor year-on-year increase in extraordinary losses caused by an addition to allowances for overseas claims and a loss on the evaluation of assets in association with the application of the cost or market method to inventories, along with a decrease in extraordinary gains due to a fall in gains on the sale of investments in securities. Net income (which is the income before income taxes and minority interests less tax expenses and minority interests) was ¥3,687 million, a fall of ¥1,850 million.

The results for each business segment are as follows:

(1) IT

The transaction value declined in the mobile business, which saw a decrease in the number of units sold following the introduction of installment plans, and in the electronic parts business and semiconductor manufacturing equipment business, which were affected by the weakness of the semiconductor market and a diminishing appetite for capital investment in semiconductor manufacturing facilities. As a result, net sales in the IT Division fell ¥36,095 million year on year, to ¥146,311 million. Although the solutions business performed relatively well, operating income declined ¥565 million, to ¥4,132 million.

(2) Foods & Foodstuff

The foods business saw sluggish growth because of the effect of the Chinese-made dumplings incident and because the Company was not able to pass the high market prices of raw materials for processed farm products and rising import costs associated with stronger local currencies onto selling prices. In meat and marine products, we focused on securing stable supply sources. The meat business was firm, but we struggled in the marine products business because of a sluggish market and change in consumption structure. Performance in the foodstuffs business remained robust as production areas were secured and a stable supply was achieved, while large barley contracts were received. As a consequence, net sales in the Foodstuffs Division rose ¥29,683 million, to ¥168,400 million. Operating income increased ¥798 million, to ¥2,851 million.

(3) Iron, Steel & Plants

In the iron and steel business, exports of auto parts to North America were weak, while exports of steel plates to the Middle East and shipments of steel plates after the surface treatment process in the coil center business in China were strong. In the industrial plants business, it was difficult to obtain orders of machine tools and industrial machinery both in Japan and abroad, but transactions related to transportation machinery, especially exports of auto parts, remained strong. Consequently, net sales in the Iron, Steel & Plants Division rose ¥6,302 million, to ¥132,487 million. Operating income climbed ¥95 million, to ¥4,432 million.

(4) Life Science & Energy

Performance in the energy business was relatively good because of a continuation of high crude oil prices. Sales increased, and a profit was recorded. Net sales in the Life Science & Energy Division rose ¥23,580 million, to ¥171,458 million. Operating income went up ¥827 million, to ¥1,609 million.

(5) Other

Sales increased ¥129 million, to ¥18,632 million mainly because of the effect of the nonferrous metal business, which was consolidated in the first half under review. Operating income fell ¥538 million, and an operating loss of ¥179 million was posted due to an increase in selling, general and administrative expenses and a loss on the revaluation of real estate for sale.

2. Qualitative information on the consolidated financial position

Total assets at the end of the first half fell ¥3,529 million from the end of the previous fiscal year, to ¥499,927 million, reflecting an increase in operating assets, including inventories, in association with rising commodity prices and the appropriation of part of cash reserves for the repayment of debt.

Although borrowings fell ¥9,356 million from the end of the previous fiscal year, to ¥214,346 million, net interest-bearing debt (which is borrowings minus cash and bank deposits) rose ¥2,099 million, to ¥151,043 million.

Net assets increased ¥3,983 million to ¥66,222 million because of a number of factors, including net income. As a result, the capital adequacy ratio rose 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, leading to bankruptcies of major financial institutions in the United States and Europe, the deterioration of the real economy has become a reality. In addition, the growth of the Chinese economy, which has supported growth in developed economies, slowed sharply, and uncertainty over the global economy is increasing. Japanese corporate earnings, which have primarily been nourished by exports, are expected to decline. Japanese economic trends need to be monitored, given sharp falls in share prices and the rapid appreciation of the yen.

Under the circumstances, the Company has decided not to revise the results forecast for the full year announced on May 2, 2008, as announced in its press release dated October 31, 2008. This is due to uncertainty over the effect of the turmoil in the financial markets on trends in exchange rates and the real economy of countries including Japan.

The forecasts are based on information available on the date of the announcement of this document and estimates based on reasonable assumptions. 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 (12 companies were added; 2 company reduced)

Number of unconsolidated subsidiaries accounted for by the equity method:

9 companies (- companies were added; 11 company reduced)

Number of equity method affiliates: 27 companies (- companies were added; - 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 first half 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

Certain consolidated subsidiaries omitted physical stocktaking for the first half under review and computed

inventories at the end of the first half 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 to judge the collectability of deferred tax assets at the end of the first half.

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

Calculation of tax expenses

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

Quarterly consolidated financial statements are prepared in accordance with the revised Rules for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the supplementary provisions of the Cabinet Office Ordinance to Amend the Rules for the Terminology, Form, and Preparation Method of Consolidated Financial Statements (Cabinet Office Ordinance No. 50 of August 7, 2008).

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 ¥956 million and ¥1,514 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 first half is minor.

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

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	End of first half under review (September 30, 2008)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2008)
(Million yen)		
<b>Assets</b>		
Current assets		
Cash and bank deposits	63,302	74,758
Notes and accounts receivable	185,286	188,605
Short-term investments	24	14
Inventories	*1 87,725	*1 71,860
Short-term loans receivable	2,373	3,153
Deferred tax assets	2,783	5,573
Other	41,615	39,348
Allowance for doubtful accounts	(1,259)	(1,007)
Total current assets	381,853	382,307
Fixed assets		
Tangible fixed assets	*2 35,721	*2 35,052
Intangible fixed assets		
Goodwill	-	158
Other	2,452	2,781
Total intangible fixed assets	2,542	2,939
Investments and other assets		
Investments in securities	44,589	47,521
Long-term loans receivable	13,900	14,280
Doubtful accounts	19,780	20,332
Deferred tax assets	19,070	17,208
Other	10,488	10,919
Allowance for doubtful accounts	(27,928)	(27,104)
Total investments and other assets	79,900	83,156
Total fixed assets	118,074	121,149
Total assets	499,927	503,456

(Million yen)

	End of first half under review (September 30, 2008)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2008)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	156,868	156,800
Short-term borrowings	81,939	89,080
Accrued income taxes	2,728	2,381
Deferred tax liabilities	1	-
Other	45,890	43,062
<b>Total current liabilities</b>	<b>287,427</b>	<b>291,323</b>
<b>Long-term liabilities</b>		
Long-term borrowings	132,406	134,622
Deferred tax liabilities	96	173
Accrued severance indemnities	3,601	4,329
Allowance for loss on guarantees	82	82
Allowance for loss on lawsuits	553	553
Reserve for directors' retirement benefits	598	689
Other	8,937	9,442
<b>Total long-term liabilities</b>	<b>146,276</b>	<b>149,894</b>
<b>Total liabilities</b>	<b>433,704</b>	<b>441,217</b>
<b>Net assets</b>		
<b>Owners' equity</b>		
Capital stock	27,781	27,781
Capital surplus	27,644	27,644
Retained earnings	12,711	9,556
Treasury stock	(661)	(645)
<b>Total owners' equity</b>	<b>67,475</b>	<b>64,336</b>
<b>Valuation and translation adjustments</b>		
Unrealized loss on available-for-sale securities	1,562	1,576
Deferred gain/loss on hedging	(301)	(912)
Land revaluation reserves	58	58
Translation adjustments	(20,154)	(19,470)
<b>Total valuation and translation adjustments</b>	<b>(18,836)</b>	<b>(18,749)</b>
Minority interests	17,583	16,651
<b>Total net assets</b>	<b>66,222</b>	<b>62,239</b>
<b>Total liabilities and net assets</b>	<b>499,927</b>	<b>503,456</b>

(2) Consolidated Statements of Income  
[First half]

(Million yen)

	First half under review (From April 1, 2008 to September 30, 2008)
Net sales	637,089
Cost of sales	589,397
Gross trading profit	47,692
Selling, general and administrative expenses	*1 34,459
Operating income	13,232
Non-operating income	
Interest received	563
Dividends received	463
Other	943
Total non-operating income	1,970
Non-operating expenses	
Interest paid	2,835
Loss on equity method investments	412
Other	1,060
Total non-operating expenses	4,308
Ordinary income	10,895
Extraordinary gains	
Gain on sale of tangible fixed assets	23
Gain on sale of investment in securities	721
Gain on reversal of allowance for doubtful accounts	103
Total extraordinary gains	848
Extraordinary losses	
Loss on sale of tangible fixed assets	56
Loss on impairment	195
Loss on sale of investments in securities	45
Loss on valuation of investments in securities	235
Loss on valuation of inventories	*2 558
Transfer to allowance for doubtful accounts for subsidiaries and affiliates	20
Loss on revaluation of assets for special business	478
Transfer to allowance for doubtful accounts for credits of special business	1,674
Total extraordinary losses	3,263
Income before income taxes and minority interests	8,479
Income taxes – current	3,199
Income taxes – deferred	647
Total income taxes	3,847
Minority interests in consolidated subsidiaries	944
Net income	3,687



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).

Quarterly consolidated financial statements are prepared in accordance with the revised Rules for Quarterly Consolidated Financial Statements pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the supplementary provisions of the Cabinet Office Ordinance to Amend the Rules for the Terminology, Form, and Preparation Method of Consolidated Financial Statements (Cabinet Office Ordinance No. 50 of August 7, 2008).

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

Not applicable.

(4) Segment Information

[Industry Segment Information]

First half under review (From April 1, 2008 to September 30, 2008)

(Million yen)

	IT	Foodstuffs	Iron, Steel & Plants	Life Science & Energy	Other	Total	Adjustments & Eliminations	Consolidated
Net sales								
(1) Outside customers	146,311	168,394	132,367	171,418	18,597	637,089	-	637,089
(2) Inter-segment	9	6	119	39	35	210	(210)	-
Total	146,320	168,400	132,487	171,458	18,632	637,299	(210)	637,089
Operating income/loss	4,132	2,851	4,432	1,609	-179	12,846	386	13,232

(Notes) 1. In association with the application of the Account Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006), operating income in the first half under review fell ¥93 million in IT, ¥126 million in Foodstuffs, ¥0 million in Iron, Steel & Plants, ¥441 million in Life Science & Energy, and ¥294 million in Other 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 ¥25 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. Notes

(In relation to consolidated balance sheets)

First Half of Fiscal 2008 (September 30, 2008)		Fiscal 2007 (March 31, 2008)	
*1	The following is a breakdown of inventories: Merchandise and finished goods      ¥80,443 million Real estate for sale                    ¥4,862 million Raw materials and stores              ¥1,714 million Work in process <u>¥705 million</u> Total <u>¥87,725 million</u>	*1	The following is a breakdown of inventories: Merchandise and finished goods      ¥64,217 million Real estate for sale                    ¥5,737 million Raw materials and stores              ¥1,211 million Work in process <u>¥693 million</u> Total <u>¥71,860 million</u>
*2	The accumulated depreciation of tangible fixed assets was ¥31,499 million.	*2	The accumulated depreciation of tangible fixed assets was ¥33,363 million.
3	Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies: P.T. Century Textile Industry            ¥585 million True Corporation Public                ¥407 million Japan Logistics                         ¥180 million Others <u>¥3,001 million</u> Total <u>¥4,176 million</u>	3	Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies: P.T. Century Textile Industry            ¥566 million True Corporation Public                ¥407 million Japan Logistics                         ¥193 million Others <u>¥4,117 million</u> Total <u>¥5,285 million</u>
4	The above includes activities similar to guarantees. Discounted notes receivable were ¥16,104 million. Notes receivable transfer by endorsement was ¥187 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 ¥8,260 million.	4	The above includes activities similar to guarantees. 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 consolidated statements of income)

First half under review (From April 1, 2008 to September 30, 2008)	
*1	Major items in selling, general and administrative expenses and their amounts are as follows: Employees' salaries and bonuses:      ¥13,527 million Provision for doubtful accounts:      ¥239 million
*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 Half

## (1) Interim Consolidated Statements of Income

(Million yen)

Category	Previous first half (from April 1, 2007 to September 30, 2007)	
	Amount	%
I Net sales	613,604	100
II Cost of sales	567,657	92.51
Gross trading profit	45,946	7.49
III Selling, general and administrative expenses	33,397	5.44
Operating income	12,548	2.05
IV Non-operating income		
1. Interest received	809	
2. Dividends received	650	
3. Equity in earnings of affiliated companies	929	
4. Other	826	
Total non-operating income	3,216	0.52
V Non-operating expenses		
1. Interest paid	3,667	
2. Other	1,122	
Total non-operating expenses	4,789	0.78
Ordinary income	10,975	1.79
VI Extraordinary gains		
1. Gain on sale of tangible fixed assets	75	
2. Gain on sale of investment in securities	2,138	
3. Gain on reversal of allowance for doubtful accounts	146	
Total extraordinary gains	2,359	0.38
VII Extraordinary losses		
1. Loss on sale of tangible fixed assets	98	
2. Loss on impairment	553	
3. Loss on sale of investments in securities	153	
4. Loss on valuation of investments in securities	122	
5. Loss on sale of businesses of affiliates	286	
6. Transfer to allowance for doubtful accounts for credits of special business	517	
7. Loss on revaluation of assets for special business	835	
8. Transfer to provision for loss on litigation	20	
9. Provision of reserve for past directors' retirement benefits	440	
Total extraordinary losses	3,029	0.49
Income before income taxes and minority interests	10,306	1.68
Income taxes – current	2,437	0.40
Income taxes – deferred	1,471	0.24
Minority interests in consolidated subsidiaries	860	0.14
Net income	5,537	0.90

## (2) Segment Information

## [Industry Segment Information]

Previous first half (From April 1, 2007 to September 30, 2007)

(Million yen)

	IT	Foodstuffs	Iron, Steel & Plants	Life Science & Energy	Other	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating expenses/income								
Net sales								
(1) Outside customers	182,406	138,717	126,158	147,849	18,471	613,604	-	613,604
(2) Inter-segment	11	0	26	29	31	99	(99)	-
Total	182,417	138,717	126,185	147,878	18,503	613,703	(99)	613,604
Operating expenses	177,720	136,664	121,847	147,096	18,144	601,473	(418)	601,055
Operating income	4,697	2,053	4,337	782	359	12,229	319	12,548
II. Assets	148,535	84,606	91,346	59,688	55,565	439,742	78,225	517,967

(Note) Since Kanematsu Textile Corporation, a former major consolidated subsidiary, became an equity method affiliate in the previous first half, the importance of the Textile segment declined. The Company therefore ceased to present the Textile segment as an independent segment in the previous first half 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 previous first half were ¥1,141 million and ¥3 million, respectively.

## Highlights of Consolidated Financial Results for the First Half of FY2008 (Ending March 31, 2009)

- The results for the first half were favorable.
- Net sales and operating income rose year on year.
  - Net sales: ¥637.1 billion, up 3.8% (¥23.5 billion)
  - Operating income: ¥13.2 billion, up 5.5% (¥0.7 billion)
  - Ordinary income: ¥10.9 billion, virtually unchanged

(Unit: 100 million yen)

	H1 of FY2007	H1 of FY2008	Year-on-year		FY2008		Summary of Results for H1
			Change	Change (%)	Forecast	Progress	
Net sales	6,136	6,371	235	3.8%	13,500	47.2%	<b>Net sales</b> Net sales increased on the back of continually high market prices, especially in the foodstuffs and energy businesses.
Gross trading profit	459	477	17	3.8%	-	-	
SG&A expenses	334	345	11	3.2%	-	-	<b>Gross trading profit</b> Gross trading profit rose with the increase in net sales.
Operating income	125	132	7	5.5%	245	54.0%	
Dividends received	7	5	-2	-	-	-	<b>Operating income</b> Operating income rose on the strong performance of the Foods & Foodstuff Division and the Life Science & Energy Division.
Interest	-29	-23	6	-	-	-	
Gains on equity-method investments	9	-4	-13	-	-	-	<b>Ordinary income</b> Ordinary income moved sideways with an improvement in interest income, due to a rise in operating income and a decrease in interest-bearing debt, offset by factors such as a fall in equity in earnings of affiliated companies.
Others	-3	-1	2	-	-	-	
Non-operating income/loss	-16	-23	-8	-	-	-	<b>Extraordinary gain/loss</b> An extraordinary gain of 800 million yen was recorded, including gains on the sale of investments in securities. An extraordinary loss of 3.3 billion yen was posted, including an addition to the allowance for doubtful accounts for credits of special business and a loss on the revaluation of inventories in association with the application of the cost or market method.
Ordinary income	110	109	-1	-0.7%	190	57.3%	
Extraordinary gain	24	8	-15	-64.1%	-	-	<b>Net income</b> Net income declined year on year, partly due to a fall in extraordinary gains. It almost achieved the forecast of 4.0 billion yen that was announced at the beginning of the fiscal year.
Extraordinary loss	-30	-33	-2	-	-	-	
Income (loss) before income taxes	103	85	-18	-17.7%	-	-	
Income taxes and minority interests	-48	-48	0	-	-	-	
Net income	55	37	-18	-33.4%	100	36.9%	

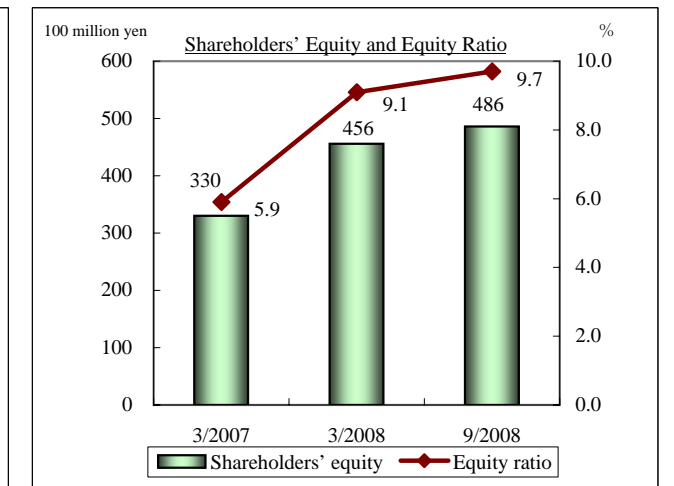
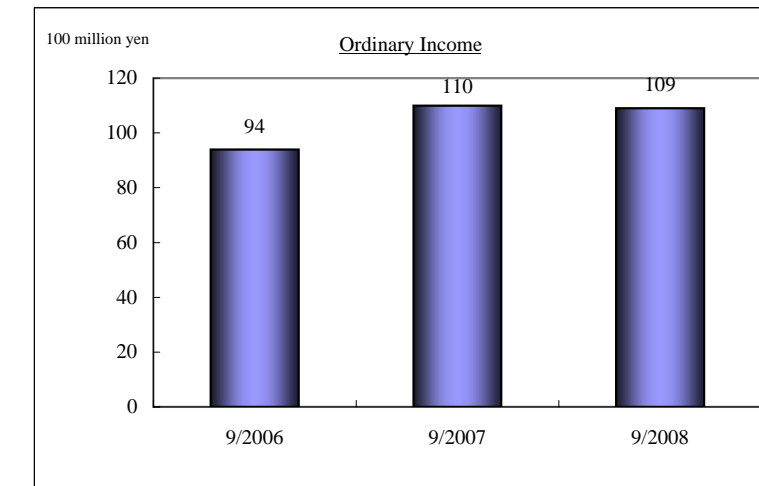
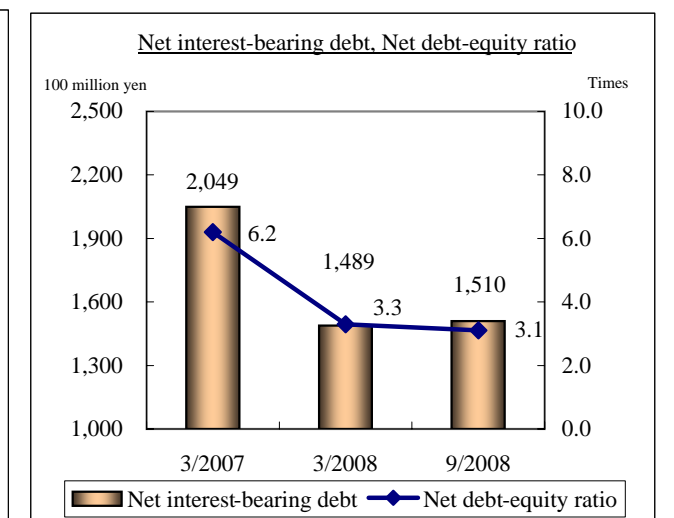
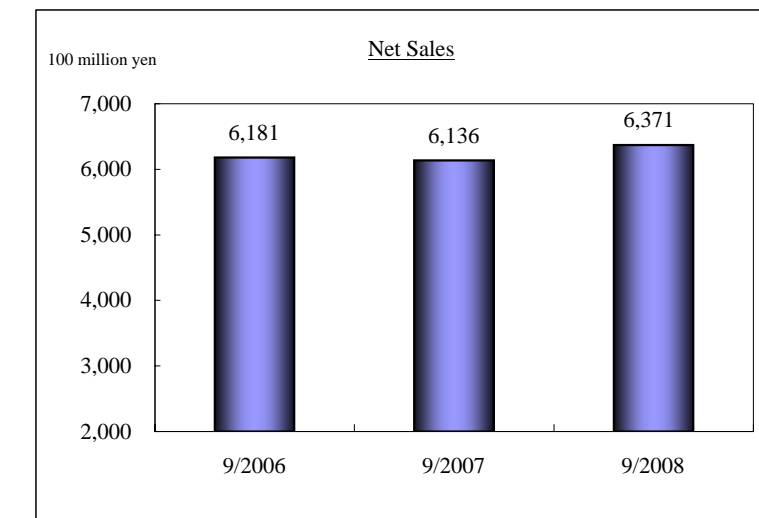
(Unit: 100 million yen)

Segment information	Net sales				Operating income				Summary of Segment Results
	H1 of FY2007	H1 of FY2008	Year-on-year Change	Year-on-year Change (%)	H1 of FY2007	H1 of FY2008	Year-on-year Change	Year-on-year Change (%)	
IT	1,824	1,463	-361	-19.8%	47	41	-6	-12.0%	<b>IT</b> Although the solutions business was relatively solid, the transaction value fell in the mobile business and the electronic parts business. Overall, both sales and operating income declined.
Foods & Foodstuff	1,387	1,684	297	21.4%	21	29	8	38.9%	
Iron & Steel	726	816	90	12.3%	32	35	2	7.3%	<b>Foods &amp; Foodstuff</b> Both sales and income increased as production areas were secured and a stable supply of non-genetically engineered soybeans was achieved, and the effect of large barley contracts became evident in the grain business.
Plant	536	509	-27	-5.0%	11	10	-1	-12.8%	
Iron, Steel & Plant	1,262	1,325	63	5.0%	43	44	1	2.2%	<b>Iron, Steel &amp; Plant</b> In the iron and steel business, exports of steel plates and transactions related to steel plates after the surface treatment process were strong. In the industrial plants business, transactions related to machine tools slowed. Overall, both sales and income rose.
Energy	1,328	1,546	219	16.5%	6	13	7	109.7%	
Life Science	151	168	17	11.2%	2	4	2	92.3%	<b>Life Science &amp; Energy</b> Both sales and income increased, reflecting solid performance overall.
Life Science & Energy	1,479	1,715	236	15.9%	8	16	8	105.7%	
Others	185	186	1	0.7%	3	-2	-5	-150.1%	
Adjustment & elimination	-1	-2	-1	-	3	4	1	-	
Total	6,136	6,371	235	3.8%	125	132	7	5.5%	

(Unit: 100 million yen)

Assets, Liabilities and Net Assets	3/2008	9/2008	Comparison with 3/2008		Summary
			Change	Change (%)	
Total assets	5,035	4,999	-35	-0.7%	<b>Total assets</b> 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.
Gross interest-bearing debt	2,237	2,143	-94	-4.2%	
Net interest-bearing debt	1,489	1,510	21	1.4%	<b>Interest-bearing debt</b> Gross interest-bearing debt reduced ¥9.4 billion. Net interest-bearing debt rose ¥2.1 billion because of a fall in cash and deposits.
Equity capital	643	675	31	4.9%	
(Retained earnings)	96	127	32	33.0%	<b>Equity capital</b> Equity capital increased with net income. As a result, the equity ratio was 9.7%, and the net DER 3.1 times.
Valuation and translation adjustments	-187	-188	-1	-0.5%	
Minority interests	167	176	9	5.6%	
Total net assets	622	662	40	6.4%	
Shareholder's equity ratio (Note 1)	9.1%	9.7%	0.6%	-	
Net debt-equity ratio (Note 2)	3.3 times	3.1 times	-0.2 times	-	

(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)



\* 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