

Overview of Results for the first half of FY2011



KANEMATSU CORPORATION

November 11th, 2011

The forward-looking statements in this material, including plans, forecasts, and strategies of the Group, reflect judgments that the Company made based on information available at the time the material was prepared and include risks and uncertainties.

Because of changes in the business environment, the emergence of unknown risks, among other factors, actual results could be significantly different from the forward-looking statements.



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Overview of Results for the first half of FY2011



Financial Highlight (P/L)

Both sales and income rose year on year.

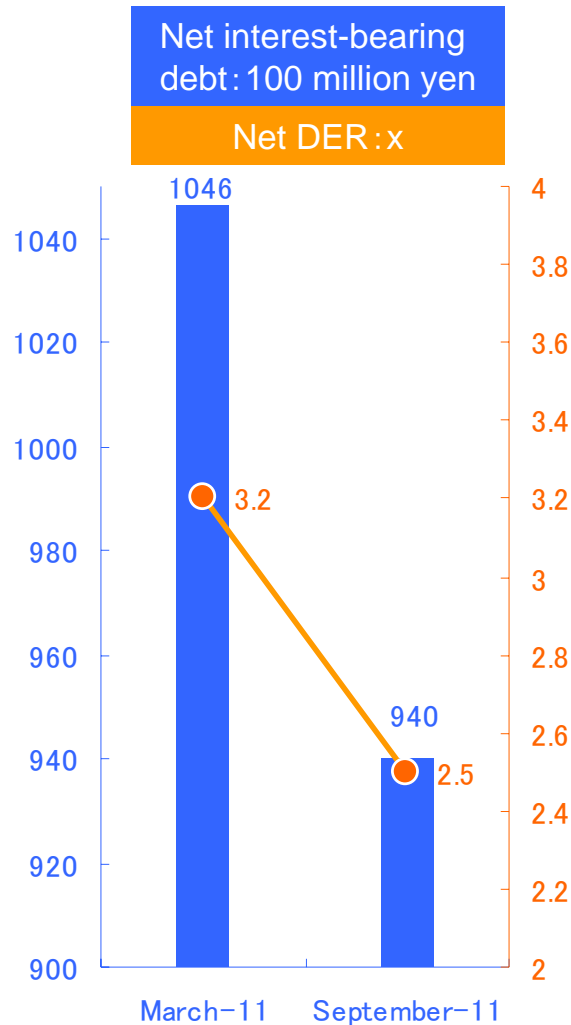
(Million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change (%)
Net Sales	4,546	4,934	+388	+9%
Operating Income	92	115	+23	+25%
Ordinary income	76	95	+19	+25%
Net income	40	64	+24	+58%
Comprehensive income	4	46	+43	+1,180%

- Both sales and income rose year on year, thanks mainly to a recovery in demand in Japan and overseas and soaring commodity prices, etc.



Financial Highlight (B/S)

Financial standing steadily improved.



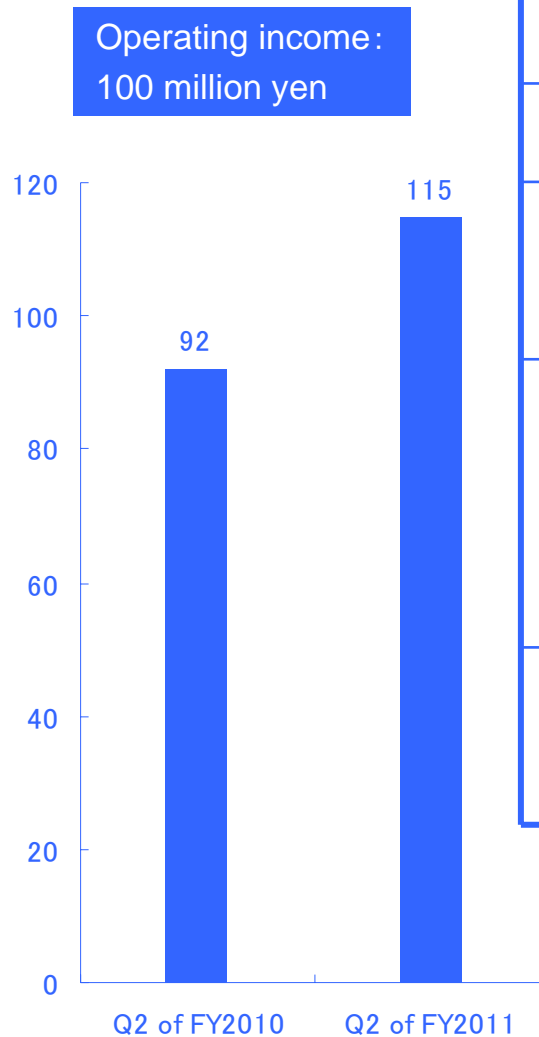
(100 Million yen)	2011/3	2011/9	Change	Change(%)
Total Assets	3,887	3,876	-11	-0%
Net Assets	496	539	+43	+9%
Equity capital	331	370	+39	+12%
Equity ratio	8.5%	9.6%	+1.1pt	
Gross interest-bearing debt	1,736	1,684	-53	-3%
Net interest-bearing debt	1,046	940	-106	-10%
Net DER	3.2	2.5	+0.7	

Not 1: Equity capital = Net assets - minority interests, Note 2: Equity ratio = Equity capital / total assets
 Note 3: Net DER = Net interest-bearing debt / equity capital

- Interest-bearing debt decreased, attributable to the continued repayment of loans.
- Equity capital increased with accumulation of profits.
- As a result, both equity capital and net DER improved.



Overview of results (P/L)

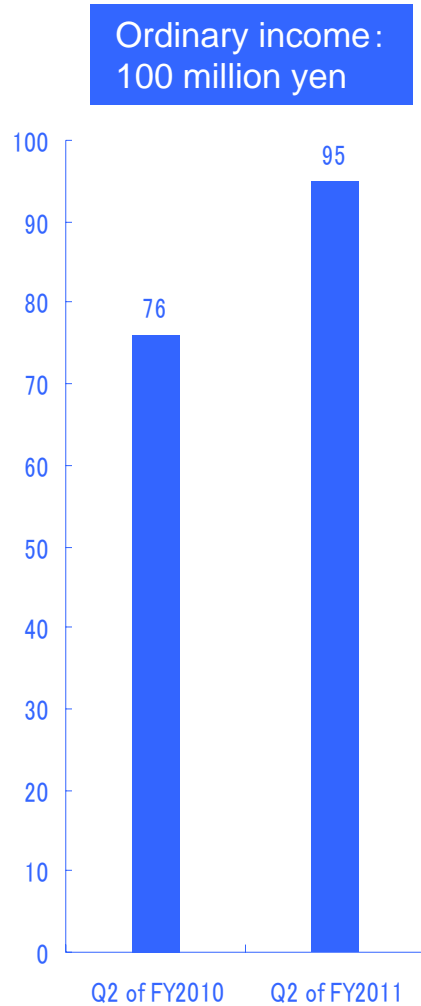


(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Net Sales	4,546	4,934	+388	+9%
Gross trading profit	380	408	+29	+8%
margin	8.4%	8.3%	-0.1pt	
SG&A	287	293	+6	+2%
personal expenses	149	156	+7	+5%
Non personal expenses	138	137	-1	-1%
Operating income	92	115	+23	+25%
margin	2.0%	2.3%	+0.3pt	

- Sales and gross trading profit grew as we increasingly met soaring commodity prices and solid domestic demand.
- Efforts to control growth in SG&A expenses led to higher operating income.



Overview of results (P/L)



(100 Million Yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Non-operating income & loss	-16	-21	-4	-
Financial balance	-11	-14	-3	-
Dividend received	3	2	-1	-21%
Interest received	7	5	-3	-39%
Interest paid	-21	-21	0	-
Gain on equity-method investment	-4	-2	+2	-
others	-2	-5	-3	-
Ordinary income	76	95	+19	+25%

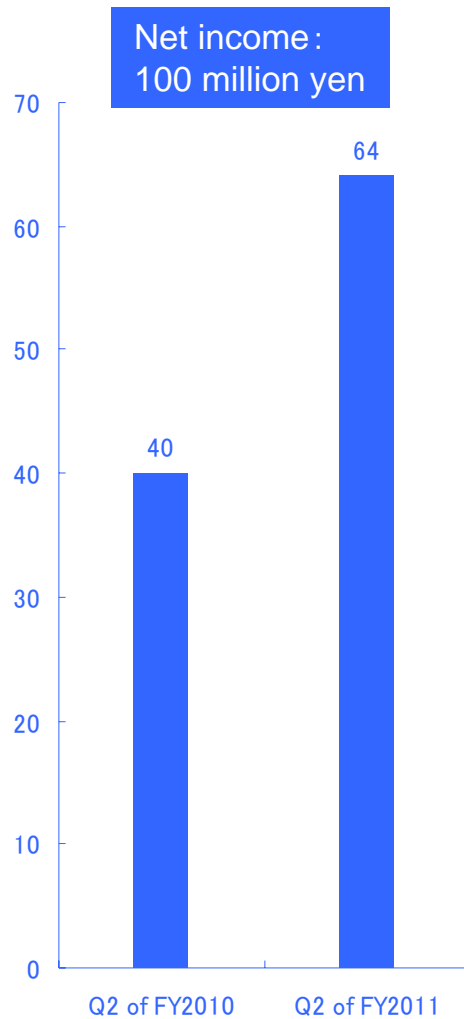
Core earnings (※)	79	99	+20	+25%
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(※) Core earnings = Operating income + Reserve for doubtful accounts + Dividends received + Net interest received (paid) + Gain on equity-method investment

■ Non-operating income deteriorated slightly due to a decrease in dividends received, offsetting an improvement in gains on equity-method investment.



Overview of results (P/L)



(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Net extraordinary gain and loss	-7	-3	+4	-
Extraordinary gain	4	1	-3	-79%
Extraordinary loss	-10	-4	+7	-
Income before income taxes	69	92	+23	+33%
Income taxes	-21	-21	+0	-
Minority interests	-7	-7	-1	-
Net income	40	64	+24	+58%

- A net extraordinary loss of ¥300 million was posted, reflecting the loss on sale of investments in securities.
- Net income rose, owing to an increase in operating income.

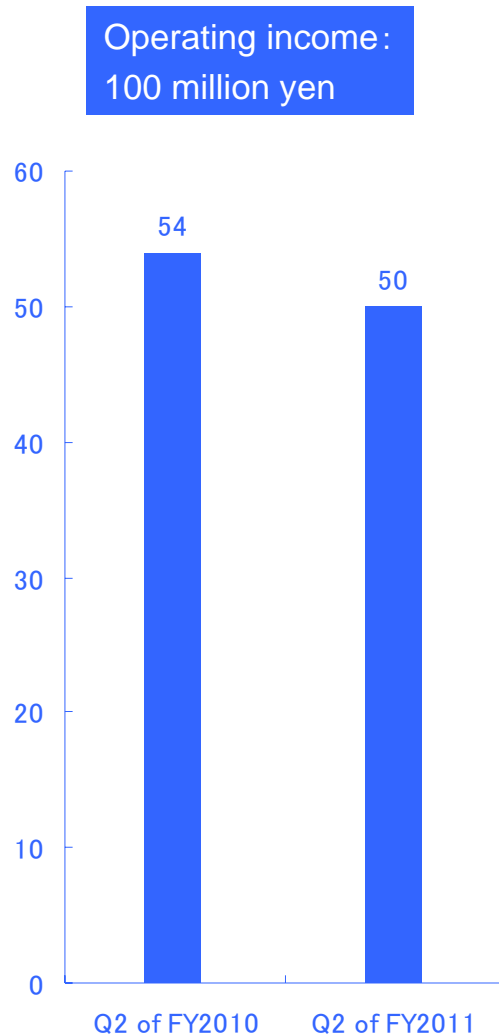


Overview of results (Segments)

(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change (%)
Net sales	4,546	4,934	+388	+9%
Electronics & IT	1,276	1,250	-26	-2%
Foods & Foodstuff	1,404	1,461	+58	+4%
Iron & Steel	464	513	48	+10%
Machinery & Plant	305	359	+54	+18%
Environment & Materials	1,013	1,261	+248	+24%
Others	83	89	+6	+8%
Operating income	92	115	+23	+25%
Electronics & IT	54	50	-3	-6%
Foods & Foodstuff	13	30	+17	+131%
Iron & Steel	15	19	+3	+22%
Machinery & Plant	5	4	-1	-12%
Environment & Materials	4	9	+5	+119%
Others	1	3	+2	+111%



Overview of results (Electronics & IT)



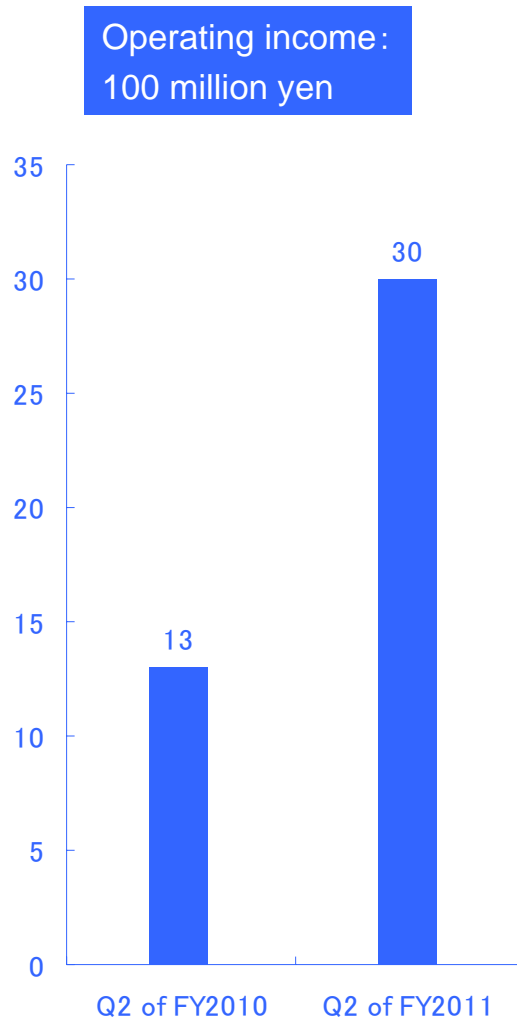
(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change (%)
Net Sales	1,276	1,250	-26	-2%
Gross trading profit	207	208	+1	+0%
Operating income	54	50	-3	-6%

Point of FY2011 Q2

- The performance of semiconductor manufacturing equipment was weak, due to a drop in demand in reaction to favorable results in the previous fiscal year.
- In contrast, ICT solutions and mobile solutions businesses performed well, benefiting from an expansion of distribution networks in the context of a growing market for smart phones, etc.



Overview of results (Foods & Foodstuff)



(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Net Sales	1,404	1,461	+58	+4%
Gross trading profit	55	72	+17	+31%
Operating income	13	30	+17	+131%

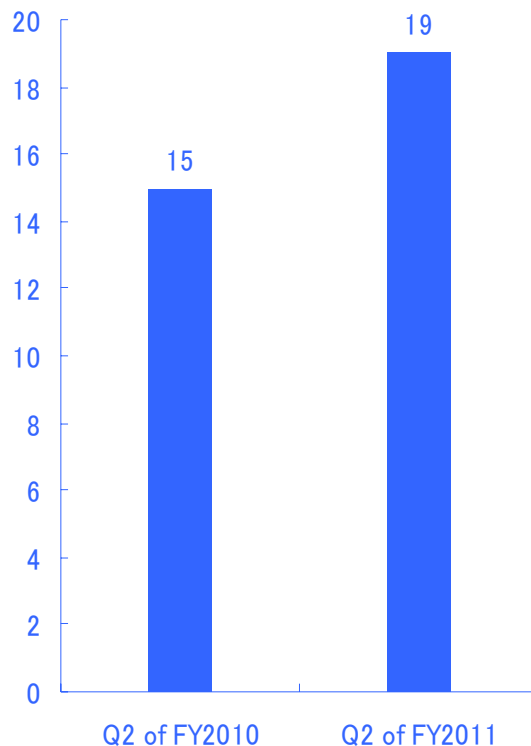
Point of FY2011 Q2

- The food business generally performed well, driven by strong performance in processed foods, etc.
- The foodstuffs business contributed to increased income, benefiting from efforts to increase sales of feed, despite the harsh environment for the domestic dairy industry in the aftermath of the Great East Japan Earthquake.
- Sales of imports of meat and marine products were solid.



Overview of results (Iron & Steel)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Net Sales	464	513	+48	+10%
Gross trading profit	33	37	+4	+12%
Operating income	15	19	+3	+22%

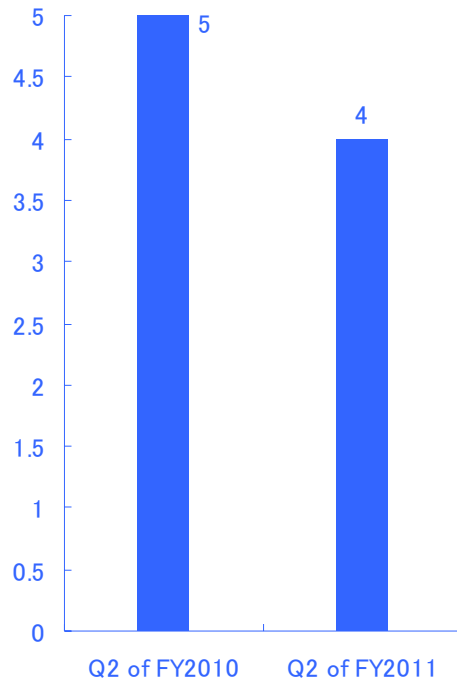
Point of FY2011 Q2

- Export transactions of specialty steel for automobiles for Asia, Europe, and the United States were buoyant.
- Transactions of stainless steel products, etc. for North America and Asia made good progress.
- Transactions of steel materials were robust.



Overview of results (Machinery & Plant)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change(%)
Net Sales	305	359	+54	+18%
Gross trading profit	31	33	+2	+6%
Operating income	5	4	-1	-12%

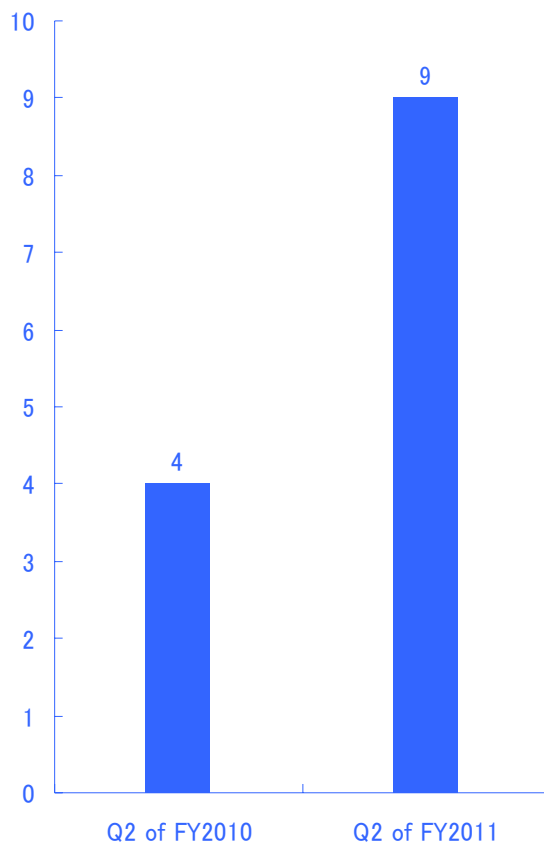
Point of FY2011 Q2

- Although transactions related to auto parts were sluggish at the beginning of the first quarter due to supply chain interruptions, etc. in the aftermath of the disaster, they recovered in the middle of the second quarter.
- The machine tool and industrial machinery businesses generally performed well thanks to a recovery in demand.
- The business in the processing of silicon wafers for photovoltaic cells were weak because of intensifying competition.



Overview of results (Environment & Materials)

Operating income:
100 million yen



(100 million yen)	Q2 of FY2010	Q2 of FY2011	Change	Change (%)
Net Sales	1,013	1,261	+248	+24%
Gross trading profit	40	44	+4	+10%
Operating income	4	9	+5	+119%

Point of FY2011 Q2

- The energy business performed well, buoyed by the increased sale of fuel oil to electric power companies after the earthquake.
- The chemicals business enjoyed growth in exports of raw materials for lithium batteries and solid growth in all chemicals, including lubricating oil and resin materials.



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Forecast of FY2011



Forecast of FY2011

The full-year forecast has been revised upward.

(100 million yen)	Results of FY2010	Revised forecast of FY2011	Change	Change (%)	Initial Plan
Net Sales	9,369	9,800	+431	+5%	9,500
Operating Income	180	200	+20	+11%	170
Ordinary income	143	155	+12	+9%	120
Net income	92	70	-22	-24%	55

- We have revised the full-year forecast upward, following a good performance for the first half of the fiscal year under review, despite uncertainties over the appreciation of the yen, the economic environment in Europe, and the impact of the Thai flooding.
- The full-year forecast for net income reflects the additional impact of tax system revisions, etc.

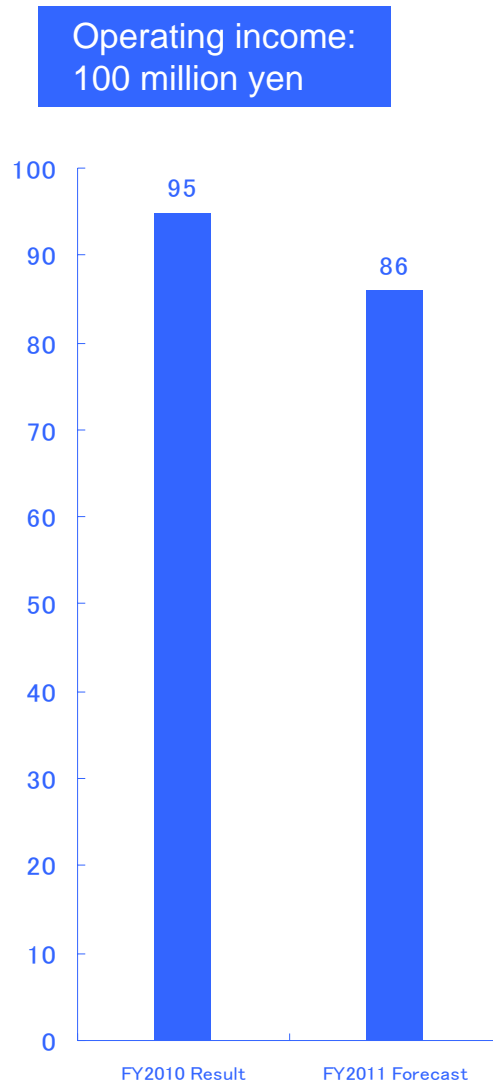


Forecast of FY2011 (Segments)

(100 million yen)	Results of FY2010	Revised forecast of FY2011	Change	Change (%)	Initial Plan
Net sales	9,369	9,800	+431	+5%	9,500
Electronics & IT	2,539	2,300	-239	-9%	2,550
Foods & Foodstuff	2,719	2,900	+181	+7%	2,800
Iron & Steel	988	1,100	+112	+11%	1,050
Machinery & Plant	673	680	+7	+1%	685
Environment & Materials	2,275	2,640	+365	+16%	2,250
Others	176	180	+4	+2%	165
Operating income	180	200	+20	+11%	170
Electronics & IT	95	86	-9	-9%	89
Foods & Foodstuff	28	51	+23	+80%	31
Iron & Steel	34	35	+1	+3%	33
Machinery & Plant	11	6	-5	-44%	8
Environment & Materials	10	18	+8	+84%	7
Others	3	4	+1	+58%	2



Forecast of FY2011 (Electronics & IT)



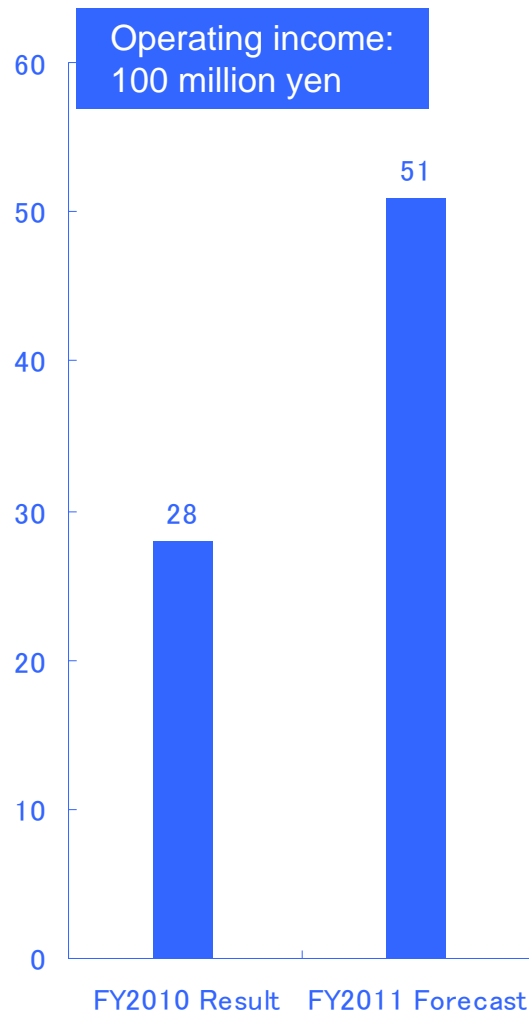
(100million yen)	FY2010	FY2011			
	Result	Q2	End of FY2011		
		Result	Forecast	Change	Change(%)
Net Sales	2,539	1,250	2,300	-239	-9%
Gross trading profit	411	208	385	-26	-6%
Operating income	95	50	86	-9	-9%

Point of FY2011

- The semiconductor-related business is expected to continue to have marginal upside potential, partly because of the higher yen.
- In the ICT solutions business, we will also develop new markets, including cloud computing.
- The Mobile business aims to increase profit with the opening of large new stores and the introduction of new product models.



Forecast of FY2011 (Foods & Foodstuff)



(100million yen)	FY2010	FY2011			
	Result	Q2	End of FY2011		
		Result	Forecast	Change	Change(%)
Net Sales	2,719	1,461	2,900	+181	+7%
Gross trading profit	115	72	140	+25	+22%
Operating income	28	30	51	+23	+80%

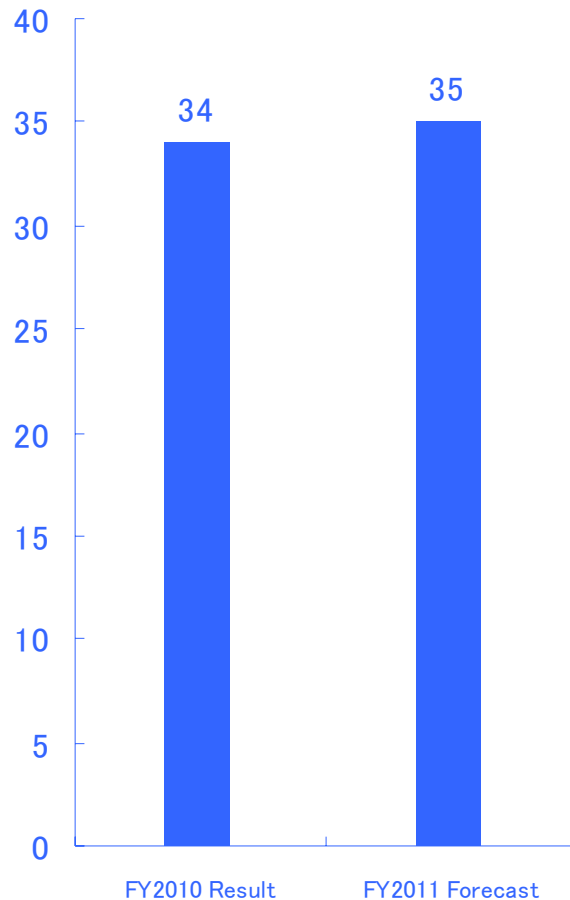
Point of FY2011

- We will expand transactions in the Foods business, mainly through stable supplies and new proposals of products, chiefly in meat products and prepared or processed foods.
- We will step up efforts to increase overseas sales, chiefly in the Asian region.
- As the external environment for the foodstuffs business is likely to be uncertain given the impact of harmful rumors and fluctuations in overseas commodities prices, etc., we will focus on increasing sales of added-value products.



Forecast of FY2011 (Iron & Steel)

Operating income:
100 million yen



	FY2010	FY2011			
	Result	Q2 Result	End of FY2011 Forecast	Change	Change(%)
(100million yen)					
Net Sales	988	513	1,100	+112	+11%
Gross trading profit	70	37	75	+5	+8%
Operating income	34	19	35	+1	+3%

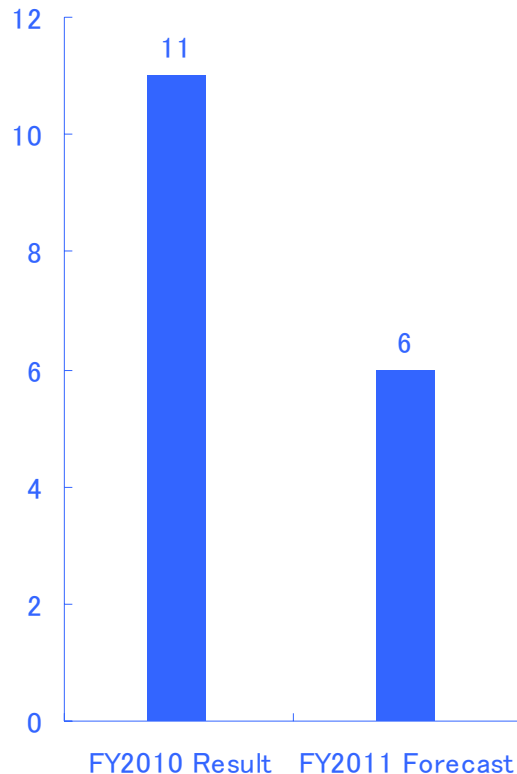
Point of FY2011

- Specialty steel and stainless steel products for Europe and the United States are expected to continue to perform well in the second half of the fiscal year under review.
- Business in oil country tubular goods in North America is recovering.
- In the domestic market for steel, we aim at capturing demand related to post-disaster reconstruction.



Forecast of FY2011 (Machinery & Plant)

Operating income:
100 million yen



(100million yen)	FY2010	FY2011			
	Result	Q2	End of FY2011		
		Result	Forecast	Change	Change(%)
Net Sales	673	359	680	+7	+1%
Gross trading profit	65	33	60	-5	-7%
Operating income	11	4	6	-5	-44%

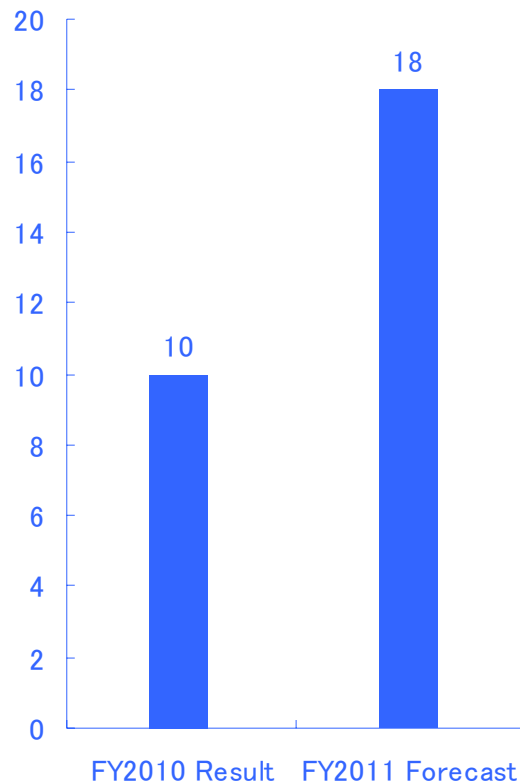
Point of FY2011

- Automotive related transactions have recovered from the impact of the disaster and are expected to do well. Demand in the machine tool and industrial machinery businesses is also recovering. However, the impact of Thai flooding is uncertain at this point.
- Business processing silicon wafers for photovoltaic cells will likely remain weak, reflecting the harsh market environment.



Forecast of FY2011 (Environment & Materials)

Operating income:
100 million yen



(100million yen)	FY2010	FY2011			
	Result	Q2	End of FY2011		
		Result	Forecast	Change	Change(%)
Net Sales	2,275	1,261	2,640	+365	+16%
Gross trading profit	84	44	100	+16	+19%
Operating income	10	9	18	+8	+84%

Point of FY2011

- The energy business is expected to continue to do well, driven by continuous sales of fuel oil to electric power companies.
- The chemicals business should continue to perform well, driven especially by exports of raw materials for lithium batteries.








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Appendix



Outline of Kanematsu Group

Segment	Main business	Main products	Major subsidiaries
Electronics & IT 	Electronics devices	Semiconductor / electronic parts, Electronic modules / materials, Semiconductor / LED	Kanematsu Electronics Ltd. Kanematsu Communications Ltd. <i>Nippon office Systems Ltd.</i> Kanematsu Aerospace Corp. Shintoa Corporation
	OEM / ODM	Vehicle-mounted parts, Printer equipment, Electronic modules	
	ICT / Mobile solutions	System solutions , Communication equipment / parts, Mobile communications terminals, Mobile content, / mobile advertisement	
	Aerospace	Aircraft / Aircraft parts	
Food & Foodstuff 	Foods	Canned/frozen/dried fruits, coffee, cocoa, sugar, sesame, peanuts, various beans, wines, process foods, and others	Kanematsu Food Corp. Kanematsu Agri-Tech Corp. Kanematsu Soytech Corp. Shintoa Corporation
	Meat and Marine Products	All meat , seafood	
	Grain oil / Feed and Dairy Products	Barley, wheat, rice, soybeans, processed foods, feed, fertilizer, pet foods and others	
Iron & Steel 	Steel trading	Surface-treated steel plates, seamless piping	SSOT Kanematsu Trading Corp.
	Special steel trading	Stainless, special steel wire rods, long steel products	
	Cast and Forged Steel products	Precision forgings	
	Domestic Steel / Steel Materials	Steel products, iron ore, cokes	
Machinery & Plant 	Transportation equipment	Automobiles, vessels, marine equipment	Kanematsu KGK Corp.
	Plant / Infra projects	Various plants, ODA, telecommunications projects, optical fibers, electronic power projects	
	Machine Tools and Industrial Machinery	Machine tools, industrial machinery	
Environment & Materials 	Crude Oil, Petroleum products and gas	Crude oil, petroleum products, LPG, carbon credit trading	Kanematsu Petroleum Corp. Kanematsu Chemical Corp. Kanematsu Wellness Corp.
	Functional Chemicals	Battery materials, fertilizer materials, adhesive materials, solvents	
	Life sciences	Pharmaceuticals, pharmaceutical intermediates, functional food materials, nutritional supplements	



Subsidiaries and Affiliates, and their Employees

1. Net Sales of Major Consolidated Subsidiaries

(100 million yen)	Business	Ownership ratio	Q2 of FY2010	Q2 of FY2011	Change
Kanematsu Electronics Ltd.	ICT Solutions	58.28%	223	227	+4
Kanematsu Communications Ltd.	Mobile communications	100%	470	516	+45
Kanematsu Food Corp.	Food, dairy & seafood	100%	89	80	-9
Kanematsu Agri-Tech Corp.	Feed & dairy	100%	46	55	+9
Kanematsu Trading Corp.	Domestic steel, Steel materials	100%	215	227	+12
Kanematsu KGK Corp.	Machine tools, Industrial machinery	97.90%	155	194	+39
Kanematsu Petroleum Corp.	Petroleum products, Gas	100%	624	699	+75
Kanematsu Chemicals Corp.	Functional chemicals	100%	89	100	+11
Shintoa Corporation	Trading company	100%	545	581	+35
Kanematsu USA Inc.	Overseas subsidiary	100%	437	447	+10

2. Number of Employees

(persons)	2011/3	2011/9	Change
Parent company	832	811	-21
Consolidated Subsidiaries	3,938	4,036	+98
Total	4,770	4,847	+77

The number of employees equals the size of the working staff (excluding transferees from the Group to outside companies and including transferees from outside companies to the Group).



Subsidiaries

1. Number of Profitable and Non-Profitable Consolidated Subsidiaries and Affiliates

(Companies)	Q2 of FY2010					Q2 of FY2011					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Number of profitable Companies	29	35	8	7	79	35	28	9	10	82	3
Ratio (%)	74%	85%	50%	44%	71%	95%	68%	56%	67%	75%	5%
Non profitable	10	6	8	9	33	2	13	7	5	27	-6
Total	39	41	16	16	112	37	41	16	15	109	-3

2. Profit and Loss Posted by Consolidated Subsidiaries and Affiliates

(100 million yen)	Q2 of FY2010					Q2 of FY2011					Year on Year
	Subsidiaries		Affiliates		Total	Subsidiaries		Affiliates		Total	
	Domestic	Overseas	Domestic	Overseas		Domestic	Overseas	Domestic	Overseas		
Sum of profit posted by profitable	17	7	1	0	25	27	8	1	1	37	12
Sum of loss posted by non-profitable	-2	-0	-5	-0	-7	-	-1	-4	-0	-5	2
Total	15	7	-4	0	18	27	7	-3	1	32	14



Mid-term Plan “S-Project”

Vision

With the global economy experiencing radical change, we will grow as “Value Creator” and we will contribute to society.

Basic concept

- We will continue to refine our business focus and will bolster our revenue base by taking advantage of business opportunities in Japan and abroad.
- We will enhance efficiency and soundness and consolidate our business base.
- We will strengthen our relations with our business partners and will pursue business creation together.

Target operating results (FY2012)

- Consolidated gross trading profit 80 billion Yen
- Consolidated operating income 19 billion Yen

Financial targets (FY2012)

- Equity ratio More than 10%
- Net D/E ratio Approximately 2.0

**Aiming to resume dividend payment
as soon as possible**



Mid-term Plan “S-Project”

Strengthening the revenue base

- Continuing to refine our business focus
- Promoting growth strategies

Strategically restructuring
the business portfolio

We will allocate management resources primarily to businesses expected to grow in four categories: ICT and electronics, food, the environment, and iron & steel and plants.

Increase revenues in the ICT and electronics businesses.

→Expand the base of the solutions business; step up our efforts in China and Asia.

Expand the operating base and bolster profitability in the food field.

→Expand sales channels and bolster the system for supplying food as a resource in China and Asia.

Expand the operating base and launch new businesses in the environmental sector, including the solar battery business.

→Focus on photovoltaic power and battery businesses and enter the electric vehicle business.

Expand the revenue base in the iron & steel and plant field.

→Step up our efforts in the automotive business in Asia.

Bolstering the business base

- Improving our financial position
- Promoting efficient management
- Enhancing and deepening our consolidated management system
- Cultivating human resources for global operations

Improving the financial position

Reduce net interest-bearing debt and change the asset portfolio.

Pursuing management efficiency

Review the cost structure and streamline the back-office sections.

Enhancing and deepening the
Consolidated management system

Introduce a new business management system, develop internal control, and enhance compliance.

Cultivating human resources
for global operations

Cultivate human resources for consolidated management and increase the number of employees working overseas.



“S-Project” Plan / Results

(100 Million yen)	FY2010		FY2011 Plan	FY2012 Plan
	Plan	Results		
Net Sales	8,500	9,369	9,500	10,500
Gross Trading Profit	750	769	775	800
SG&A Expenses	600	589	605	610
Operating Income	150	180	170	190
Ordinary Income	100	143	120	140
Net Income	45	92	55	65
【Segments】				
Net Sales	8,500	9,369	9,500	10,500
Electronics & IT	2,300	2,539	2,450	2,600
Foods & Foodstuff	2,700	2,719	3,000	3,300
Iron & Steel	900	988	1,000	1,150
Machinery & Plant	550	673	650	700
Environment & Materials	1,900	2,275	2,250	2,600
Others	150	176	150	150
Operating Income	150	180	170	190
Electronics & IT	70	95	75	80
Foods & Foodstuff	40	28	45	50
Iron & Steel	25	34	30	35
Machinery & Plant	0	11	2	4
Environment & Materials	9	10	12	15
Others	6	3	6	6

(100 Million yen)	FY2010		FY2011 Plan	FY2012 Plan
	Plan	Results		
Total Assets	4,000	3,887	4,040	4,100
Equity Capital	330	331	385	450
Equity Ratio	8.3%	8.5%	9.5%	More than 10%
Gross Interest-Bearing Debt	1,850	1,736	1,770	1,690
Gross D/E Ratio (Times)	5.6	5.2	4.6	3.8
Cash and Bank Deposits	850	690	850	850
Net Interest-Bearing Debt	1,000	1,046	920	840
Net D/E Ratio (Times)	3.0	3.2	2.4	Approximately 2.0



兼松株式会社
KANEMATSU CORPORATION