KANEMATSU CORPORATION

Taking the Next Step

Annual Report 2011

For the year ended March 31, 2011

Over 120 years have passed since the founding of the Company by Fusajiro Kanematsu in 1889 as one of the first enterprises to engage in trading between Japan and Australia. Our founder always anticipated the needs of his time and took on the challenge of establishing new businesses. The Kanematsu Group has taken his dynamic pioneering spirit and creative ingenuity as its guiding principles, and has expanded its fields of operation to meet the needs of each succeeding generation, to become the global company it is today. From here on, too, we aim to become a "Value Creator" by continuing to build new businesses together with our customers while constantly adapting to social and economic changes.

Corporate Principle

"Let us sow and nurture the seeds of prosperity for Japan"

"If we sow a seed, we can expect it to develop into a seedling that generates content and prosperity for Japan. Let us sow that seed now." So spoke our founder Fusajiro Kanematsu at the establishment of the Company. Furthering the "public interest" of Japan was the guiding mission of all leading Japanese of the late nineteenth century (Meiji period) in developing the national economy. Today, our founder's ideal underlies all our Company's public benefit and community activities and our contributions to nations and peoples generally.

On the occasion of the merger in 1967 with The Gosho Company, the Company enshrined its founder's ideals in a document titled Our Beliefs: Kanematsu's Guiding Principles.

(Translated from Japanese)

OUR BELIEFS

Kanematsu's Guiding Principles

1. We believe that we should achieve prosperity of our business through just and fair earnings in the pioneering spirit as fostered by our predecessors with the wisest use of our creative imagination and ingenuity.
2. We believe that our Company should justify its existence by promoting a sound and flourishing business which fulfils its responsibilities toward the welfare of society and also contributes to the security and well-being of us all.
3. We believe that each one of us should attend to business not as an individual but as a member of the organization abiding by company rules, carrying out duties with a sense of loyalty to the Company and a spirit of cooperation and understanding toward all other members of the organization.

Businesses Domains

By leveraging of our business networks in Japan and overseas as well as our years of experience in general trading, and by integrating various functions including information-gathering, market cultivation, business incubation and "project-forming," risk management and logistics, we are expanding our business globally.

We are committed to growth and making a contribution to society, by winning ever deeper customer trust and becoming a "Value Creator" in partnership with them, through supply of varied products and services in a wide range of businesses (Electronics & IT, Foods & Foodstuff, Iron & Steel, Machinery & Plant and Environment & Materials).

Electronics & IT

- Electronic Components and Materials
- Semiconductors and LCD Manufacturing Equipment
- OEM and ODM Solutions
- Mobile Solutions
- ICT Solutions
- Aerospace
- Devices Company

Foods & Foodstuff

- Foods
- Meat and Marine Products
- Grains
- Feedstuff and Fertilizers
- Pet Products

Environment & Materials

- Crude Oil, Petroleum Products
- LPG
- Development of Environment-related Materials and New Technologies
- Functional Chemicals
- Healthcare
- Life Science

KG KANEMATSU

Iron & Steel

- Iron and Steel Trading
- Specialty Steel Trading
- Cast and Forged Steel Products
- Domestic Trade and Raw Materials Supply

Machinery & Plant

- Plant Infrastructure Projects
- Transportation Machinery
- Machine Tools and Industrial Machinery

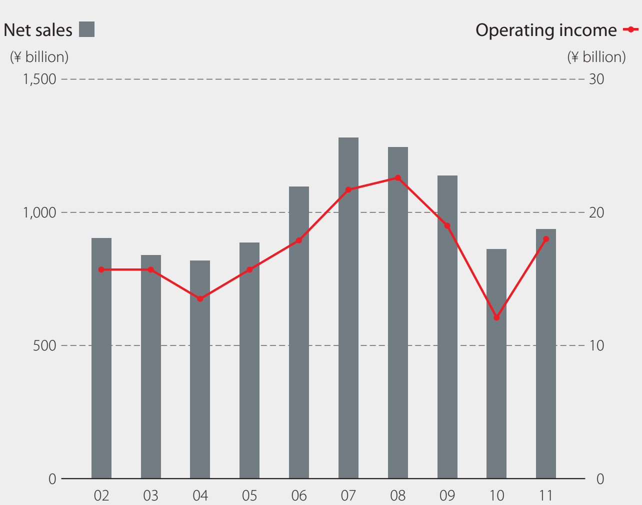
Financial Highlights

Kanematsu Corporation and Consolidated Subsidiaries
Years ended March 31

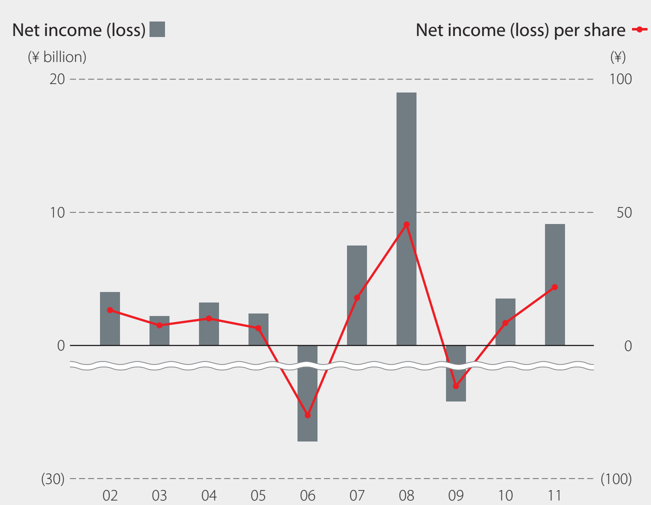
	2002	2003	2004	2005	2006	2007
For the year:						
Net sales	902,477	838,975	818,473	886,876	1,096,409	1,281,331
Gross profit	73,540	67,207	62,208	68,142	81,732	103,711
Operating income	15,779	15,716	13,554	15,762	17,982	21,713
Income (loss) before income taxes and minority interests	7,211	4,995	5,057	4,836	(16,728)	14,615
Net income (loss)	4,024	2,233	3,247	2,469	(21,686)	7,507
At year-end:						
Net assets	15,734	10,762	23,283	38,029	26,004	48,767
Total assets	605,717	527,340	507,991	520,118	556,046	563,176
Shareholders' equity	—	—	—	—	—	32,959
Net interest-bearing debt	362,425	319,284	287,245	261,560	246,317	204,900
Per share (yen):						
Net income (loss)	13.26	7.56	10.13	6.52	(52.43)	17.94
Net assets	51.84	36.38	68.77	93.74	62.12	78.75
Cash dividends	—	—	—	—	—	—
Financial indicators:						
Return on equity (ROE) (%)	26.72	16.86	19.08	8.06	(67.73)	25.46
Equity ratio (%)	2.6	2.0	4.6	7.3	4.7	5.9
Net debt-equity ratio (times)	23.0	29.7	12.3	6.9	9.5	6.2

Notes 1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.
2. The amount of net assets until the year ended March 31, 2006, is the amount presented under shareholders' equity, which has conventionally been presented.
3. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥83.15 to U.S.$1.00, the exchange rate prevailing on March 31, 2011.

Net sales and operating income

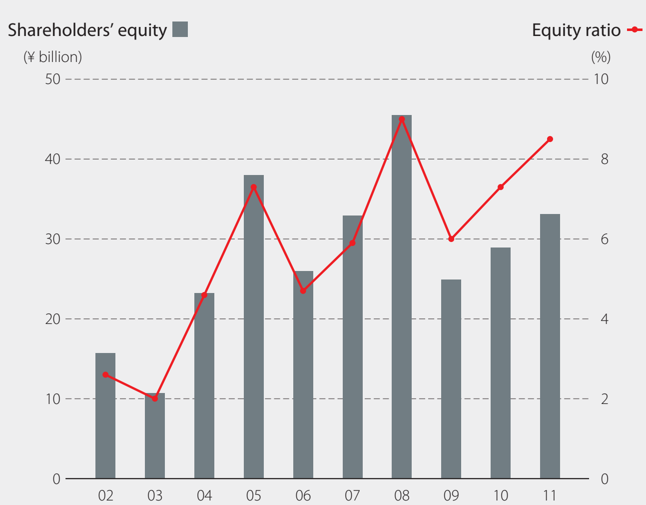


Net income (loss) and net income (loss) per share



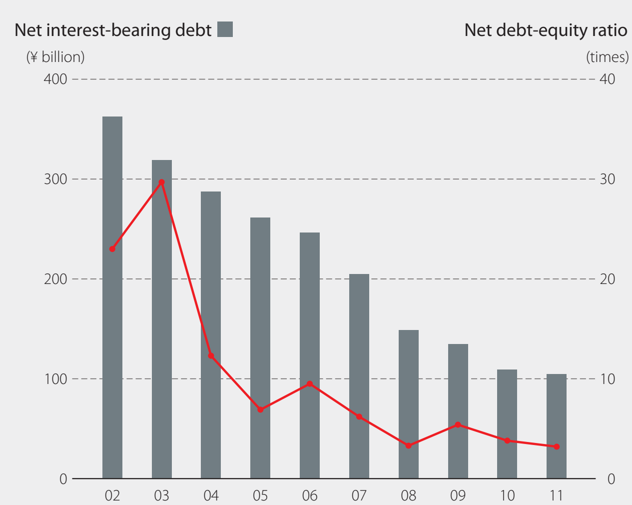
2008	2009	2010	2011 Millions of yen	2011 Thousands of U.S. dollars	
					For the year:
1,244,020	1,138,755	861,277	**936,891**	11,267,492	Net sales
90,327	86,292	74,104	**76,905**	924,895	Gross profit
22,605	19,027	12,186	**18,029**	216,827	Operating income
28,975	77	8,407	**13,030**	156,716	Income (loss) before income taxes and minority interests
19,016	(12,787)	3,528	**9,175**	110,348	Net income (loss)
					At year-end:
62,239	42,035	45,804	**49,576**	596,236	Net assets
503,456	414,928	398,629	**388,676**	4,674,400	Total assets
45,587	24,936	28,916	**33,101**	398,093	Shareholders' equity
148,944	134,582	109,350	**104,612**	1,260,386	Net interest-bearing debt
					Per share (yen):
45.44	(30.56)	8.44	**21.93**	0.26	Net income (loss)
108.95	59.61	69.15	**79.07**	0.95	Net assets
—	—	—	**—**	—	Cash dividends
					Financial indicators:
48.42	(36.26)	13.10	**29.59**		Return on equity (ROE) (%)
9.1	6.0	7.3	**8.5**		Equity ratio (%)
3.3	5.4	3.8	**3.2**		Net debt-equity ratio (times)

Shareholders' equity and equity ratio



* Shareholders' equity = net assets – minority interests
* Equity ratio = shareholders' equity / total assets

Net interest-bearing debt and net debt-equity ratio



* Net interest-bearing debt = interest-bearing debt – cash and bank deposits
* Net debt-equity ratio = net interest-bearing debt / shareholders' equity

To Our Stakeholders

Making our Group a "Value Creator"

Kanematsu Corporation was founded on August 15, 1889 as one of the first Japanese companies to take part in direct trade between Japan and Australia. Since this milestone, our business has continued to expand in response to evolving market needs over the years, and today we have grown into an enterprise with a global network.

Current business activities span the sectors of Electronics & IT, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and Environment & Materials. While ensuring we can supply quality products and services to our customers through our domestic and overseas business networks, we remain constantly committed to discovering new business opportunities.

In the 120 years that have passed since our founding, times have changed enormously. While adapting our business model accordingly, we have continued to progress. The spirit of Fusajiro Kanematsu — our founder, who always anticipated the needs of his time and boldly took on the challenge of establishing new businesses — still guides the business policy of the entire Group. In partnership with our customers, we will aim to become a "Value Creator" that innovates new businesses while adapting to social and economic change.

By providing the products and services needed by the customer and society at large, we will continue to show unstinting commitment and a willingness to take on challenges as we prosper and grow with our customers while providing value to society. We trust we can continue to count on the understanding and support of all our stakeholders.

August 2011

Toshihiro Kashizawa, *Chairman*

Masayuki Shimojima, *President*

Chairman
Toshihiro Kashizawa

President
Masayuki Shimojima

Contents

Forward-Looking Statements

This annual report contains statements regarding Kanematsu Group's plans, strategies, and expectations for future performance. Such statements are inherently subject to risk and uncertainty. Actual results could diverge materially from the Group's projections due to changes in the economic and market environment surrounding the Group's business areas, such as exchange rate fluctuation.

Providing "Value" to all stakeholders is our commitment.

— Toward the attainment of our targets under the *"S-Project"* Medium-Term Business Plan (April 2010 – March 2013) —

Masayuki Shimojima, *President*

“S-Project” Medium-Term Business Plan (April 2010 – March 2013)

Speedy × **Stronger** = **Satisfaction**

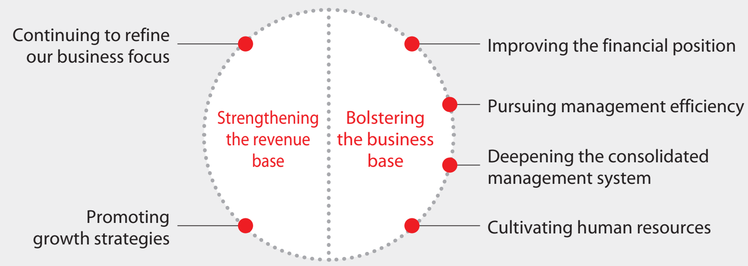
With speed | *Building a stronger base* | *Satisfying all stakeholders*

Vision

Within the upheaval of the global economy, grow as a “Value Creator” and contribute to society.

Basic Concepts

- Advance the constant refining of business focus and swiftly take business chances in Japan and abroad to strengthen the revenue base.
- Bolster efficiency and soundness to strengthen the foothold and management base.
- Deepen mutual confidence with business partners and jointly pursue the creation of businesses.



Q.01

Was Kanematsu affected by the Great East Japan Earthquake?

A.01 Firstly, I must express my deepest sympathy for the victims of this terrible disaster, and my hopes for the early reconstruction of the devastated areas.

Fortunately, the employees of the Kanematsu Group and their immediate families were spared the direct impact of the earthquake and tsunami, however we did suffer material damage to inventories, and to buildings and other facilities. The occurrence of this disaster has caused us once again to strongly feel our responsibility to protect the lives of our employees and their families, totaling about 20,000 persons.

Based on the Company’s response at the time of the earthquake and tsunami, we have been taking steps to strengthen our disaster-response system, and have also been reexamining our assistance for the reconstruction of the affected region, our measures to conserve electricity, and our business continuity plan. Hopefully, our efforts will raise the day-to-day level of awareness of each individual with regard to emergency responses and crisis management, so that, in the event that they are actually faced with a crisis, they will be able to promptly take appropriate action.

Q.02

Please tell us something about the Group’s business performance for fiscal 2011.

A.02 The Japanese economy showed signs of a fully fledged recovery in fiscal 2011, thanks to rising exports on the back of external demand, but the unparalleled damage inflicted by the earthquake and tsunami of March 11 has seriously impacted the country’s economic activity. Outside Japan, meanwhile, a number of factors threaten the stability of the world economy, including the European sovereign debt crisis and the growing political tension in the Middle East and North Africa. Nevertheless, strong economic growth continues in the Asian economies, notably China, as well as in other emerging markets.

Under these circumstances, the Company’s Electronics & IT Division recorded improved transactions in the field of semiconductor manufacturing equipment, thanks to the recovery in demand for semiconductors, which, in turn was driven by strong sales of advanced mobile phones and digital home appliances. Our other divisions also enjoyed a steady improvement in performance, notably the Iron & Steel and Machinery & Plant divisions, thanks to a firm level of transactions fueled by the resurgence of the automotive industry. As a result, we posted net sales of ¥936.9 billion and a gross profit of ¥76.9 billion, both improvements over the preceding business term.

We were able to reduce SG&A expenses by ¥3 billion from the previous year through sustained cost-cutting, thanks partly to which operating income rose 48% year-on-year, to ¥18 billion. In extraordinary items, we registered extraordinary losses on sales of investments in securities, losses on the valuation of investments in securities, and the application of accounting standards for asset retirement obligations, as well as extraordinary losses resulting from the Great East Japan Earthquake, but income before income taxes and minority interests posted an improvement. As a result, net income came to ¥9.2 billion, up 160% over the previous fiscal year. All these results exceeded our initial targets.

Q.03

You project a decline in earnings for fiscal 2012. Why is this?

A.03 As we posted increases in both revenues and earnings for fiscal 2011, surpassing our initial targets, it is only natural that market investors will expect further growth in revenues and earnings for the current business term, and our projections may thus seem rather unsatisfactory.

However, the outlook for the Japanese economy in fiscal 2012 has become still more unclear. In particular, the aftermath of the Great East Japan Earthquake is having a major impact on all aspects of economic activity, including raw materials procurement, production, distribution of goods, electric power supply, and consumer spending.

We have investigated the impact of the disaster on the Group's individual operational units, and estimate that the business results of approximately 40% of the Group's units will be impacted. Although there will also be some positive impact from one-time demand related to the reconstruction of the affected region, the principal effects will be negative, involving delays in shipments due to damage sustained by our suppliers' factories as well as a decline in consumer spending as a result of the nationwide trend toward voluntary restraint. Taking these known factors into account, we estimate we will be able to reach our initial targets for fiscal 2012 — the second business term under our *"S-Project"* Medium-Term Business Plan — of ¥950 billion in net sales, ¥17 billion in operating income, ¥12 billion in ordinary income, and ¥5.5 billion in net income.

Amid the present situation, in which it is impossible to make accurate forecasts, we are determined, first of all, to achieve our targets for the second year under the *"S-Project."*

● **Results and Plan** (FY2010 – FY2012) (¥ billion)

	FY2010	FY2011			FY2012
	Results	Plan	Results	Change (%)	Plan
Net sales	861.3	850.0	**936.9**	↑ +10%	950.0
Gross profit	74.1	75.0	**76.9**	↑ +3%	77.5
Operating income	12.2	15.0	**18.0**	↑ +20%	17.0
Ordinary income	8.2	10.0	**14.3**	↑ +43%	12.0
Net income	3.5	4.5	**9.2**	↑ +104%	5.5

Q.04

Your goal for the first year of the ***"S-Project"*** was "strengthening the revenue base." What sort of success have you had with this?

A.04 During the first year under the plan, with the aim of strengthening our revenue base we set up new businesses to raise the overall quality of our business portfolio, restructured all our operational units, and began focusing on certain specific business areas.

In particular, we made progress in expanding our business base in the field of environmental equipment and services, which is expected to show strong growth from here onward. To provide concrete examples, we developed and tested systems that would be used in infrastructure operations for the recharging of electric vehicles, and we also began importing the lightweight and flexible UNI-SOLAR photovoltaic modules from the United States.

We are also taking steps to strengthen our transactions in China and other Asian countries, where markets are recording strong growth. To this end we have established an office in Shanghai that will take overall control of our Chinese operations. This will organically link our operations in China and Hong Kong, and give us an overall grasp of the Chinese market, enabling us to expand our business scale. Among various new initiatives in China, we have set up a joint venture with a Japanese company for the development and sale of image sensors.

UNI-SOLAR photovoltaic modules

Conventional solar panels made from crystalline silicon present problems in terms of weight and flexibility, but UNI-SOLAR photovoltaic modules are lightweight, flexible solar panels that can be bent to conform to roof surfaces for easier installation. These panels can generate electricity efficiently even in the early morning and at dusk, when the sun is low on the horizon, as well as in cloudy conditions.

Q.05

What measures are you taking in pursuit of your goal of "bolstering the business base?"

A.05 To enhance our business base, we have introduced methods of managing each of our individual commercial rights, as well as related business performance evaluation systems. This enables us to more easily and accurately grasp the state of progress of our commercial rights portfolio as well as our business performance trends. We expect the use of these systems to produce greater efficiency on a range of fronts, including facilitating fast decision-making. The use of the business performance evaluation system will help motivate the Group's employees and make it easier to place the right staff in the right positions.

In addition, we carried out continual reviews of the Group's cost structure and made steady progress in reducing interest-bearing debt with the aim of building a firm and healthy financial position. As a result of our efforts, we reduced SG&A expenses for fiscal 2011 by ¥3.0 billion compared with the previous year, and net interest-bearing debt as of March 31, 2011 stood at ¥104.6 billion, with the net debt-to-equity (D/E) ratio at 3.2 and an improvement of the equity ratio to 8.5%. These figures were all roughly in line with our plans.

Q.06

Would you say that the results of your efforts under the ***"S-Project"*** will become more visible in the near future?

A.06 We are confident that the measures we took during the first year of the current plan — both those aimed at strengthening the revenue base and those aimed at bolstering the business base — have helped to create an environment in which new business creation is easier, have laid the foundations for such creation, and will lead to future growth. Getting this new system up and running took a great deal of time and effort, but by enabling us to reexamine our business operations from a variety of angles, it will give birth to solutions to the problems facing us. We also feel that we have rediscovered many of our strengths, such as our existing commercial rights, our human resources — which are the greatest assets of a trading company — and the possibilities that lie open to us for the creation of new businesses in growth fields. All in all, I believe we have received valuable feedback that will set us on the road to growth.

My aim is to stabilize our financial position and realize the resumption of dividend payments to make Kanematsu into a company that is attractive to all its stakeholders — investors, our business partners, our correspondent financial institutions, and our employees. We will reassure all our stakeholders by raising our earning power and building a strong financial position. Our ultimate goal is to become a "Value Creator" that takes on the challenge of creating new businesses, a company with the ability to continually develop and open up new fields of business.

However, before that we must make sure of attaining our goals under the ***"S-Project."*** That will be the first step to repaying our stakeholders for the support they have provided to Kanematsu over the years.

Q.07

In conclusion, do you have a message for your stakeholders?

A.07 The global economy has seen a succession of major changes over the past few years, and companies unable to adapt effectively to such changes have been weeded out. Japan's economy has suffered from deflation for a number of years, and then in March 2011 the country was hit by an earthquake and tsunami of unprecedented magnitude, and production came to a stop at many of the factories that have underpinned the economy.

The disaster has had an immeasurable impact not only on the production, distribution, and export activities of Japan, but also on supply chains worldwide, and there is no room for optimism regarding future prospects. This is a huge problem for Japan as a whole, and the coming year will be a critical period for Kanematsu.

All the more because of this, we must not let up in our efforts to realize our goal of becoming a "Value Creator." The Company is blessed with wonderful customers and excellent commercial rights, and we must acquaint ourselves fully with our customers' needs so that we can live up to their expectations. Further, we should join hands with our customers to create new businesses and thereby offer added value. I believe that the Company's mission lies in the conduct of such activities.

The management and employees of Kanematsu will make even greater efforts than hitherto to expand the scale of the Company's business. In this way, we will support the Japanese economy and contribute to the reconstruction of the earthquake-hit region and the revitalization of the entire nation.

Helping provide the infrastructure needed for the eco-friendly society of the future

— Creating an electric vehicle business model —

In the near future, the electric vehicle (EV) may succeed in overturning the accepted idea that a motor vehicle runs on gasoline. But for this to become reality, an infrastructure must be constructed to support such vehicles. Although many issues remain to be resolved, electric vehicles have numerous potential benefits, not limited solely to helping combat global warming. Renewable energy is likely to play an important part in society's future energy needs, and electric vehicles are sure to become an essential element in the social infrastructure of future generations.

In the belief that electric vehicles have a bright future, in 2009 Kanematsu set up an electric vehicle (EV) business project team, which is working to develop what we believe will be an important part of society's infrastructure in the next generation.

Ceremony to mark the start of a project in Osaka to popularize EV taxis

Promotion of next-generation electric vehicles gets fully underway

Moves are currently afoot in Japan to lay the groundwork for the popularization of low-cost, eco-friendly electric vehicles (EVs) and plug-in hybrid vehicles (PHVs)* over the next 10 – 15 years, as a promising way to help reduce CO_2 emissions.

In line with the "EV-PHV Town Concept" promulgated by the Ministry of Economy, Trade and Industry, local governments all over Japan are carrying out various test demonstration projects aimed at paving the way to the popularization of next-generation electric vehicles: these involve the creation of initial demand, preparation of the required infrastructure, and education of the public regarding EVs and PHVs. Since April 2010, Kanematsu has been conducting a test demonstration tourism package project using EVs in Kyoto Prefecture, which has been selected for the location of the Phase I Model Town. In addition, since November 2010 we have been conducting a project in Osaka Prefecture (selected for the location of the Phase II Model Town) to popularize EV taxis.

These test demonstration projects are receiving the participation of a large number of companies from different business fields, and many of the projects are moving forward through collaboration between enterprises involved in differing industries. In addition to taking charge of the development of services for the operation of recharging facilities for electric vehicles, Kanematsu is creating a business model centered around next-generation automobiles that will allow participating companies to fully display their specialist know-how.

* A plug-in hybrid vehicle (PHV) is a hybrid vehicle (possessing both an electric motor and an internal combustion engine) that can run solely on electricity if required, and whose batteries can be recharged simply by plugging in to an ordinary wall socket.

Targets for passenger car ownership ratios

(gov't targets)	2020	2030
Conventional cars	50 – 80%	30 – 50%
Next-generation cars	20 – 50%	50 – 70%
Hybrid cars	20 – 30%	30 – 40%
Electric cars, Plug-in hybrid cars	15 – 20%	20 – 30%
Fuel-cell cars	Up to 1%	Up to 3%
"Green diesel" cars	Up to 5%	5 – 10%

Proposal for test demonstration projects that give full play to the advantages of electric vehicles

The greatest advantage of electric vehicles is that the power source is electricity rather than gasoline, enabling a dramatic reduction in running costs. The cost of the electric power required to run an electric vehicle is said to be approximately one-tenth that of the gasoline required for a conventional vehicle. (This figure is a rough estimate, and the precise comparison differs depending on the type of electric vehicle.) Moreover, unlike gasoline-engine vehicles, an electric vehicle can be "refueled," i.e., recharged, at home.

On the negative side are the questions of the time taken to recharge the vehicle's batteries and their "range" (the maximum distance that the vehicle can travel without recharging). With 200-volt recharging equipment, it currently requires 7-8 hours to recharge an electric car from zero to fully charged. The range differs from one type of EV to another, but EVs currently sold by Japanese makers typically achieve between 160 and 200 kilometers, and this would be further reduced if the vehicle's air-conditioning were operated simultaneously. At the moment such rapid recharging devices are available at only a very few locations. Clearly, if there were a number of rapid rechargers within each urban district, drivers would be able to use EVs without any worries.

In view of these considerations, at Kanematsu we looked into the question of what segment of the community would extract the maximum advantage from EVs' low running costs. At the same time, given the fact that EVs are the ideal form of vehicle for short-distance trips, we searched for applications for these vehicles where the disadvantages examined above would not be crucial.

We looked for viable business models that would best take advantage of the unique features of EVs, and came up with taxi services and tourism. Among many local governments we examined, Kyoto Prefecture was notable for its focus on tourism and for its environmental protection efforts. For the purpose of creating a business model that went beyond merely installing EV recharging devices, and to clarify what sort of companies we would have to collaborate with, we proposed to the Kyoto Prefectural Government a test demonstration project on the operation of the recharging system developed by Kanematsu to verify the business model we had in mind.

This proposal became a project carried out in cooperation with the "Kyoto Ecological Tourism" project conducted by Kyoto Prefecture and involving the participation of 21 companies including taxi service companies, car rental companies, hotels, travel agencies, and enterprises engaged in the development of communications equipment and recharging equipment. The project entailed sightseeing tours using EV taxis, and package tours in which the tourists use rental EV cars for their sightseeing, with the necessary recharging equipment being installed at the hotels where they stay.

Leveraging the excellent reputation our activities in Kyoto had acquired, we formed a consortium with five other companies in Osaka Prefecture, and under the "Osaka EV Action Program" we conducted a campaign for approximately three weeks from the middle of February 2011 in which we offered free "sightseeing taxi" and "on-demand taxi" services. We also publicized EV taxis via the Internet, including various blogs, as well as via Twitter, radio commercials, and advertisements in magazines, to raise public awareness about electric vehicles.

Due to the range limitations of EVs, they are not suited to cruising around looking for fares, as conventional taxis often do. For this reason, we provided near major train stations nine taxi stands exclusively for EV taxis, and supplied the vehicles with tablet PC terminals equipped with GPS systems through which EV taxis can receive calls from passengers waiting at the taxi stands. We limited the free service range of the campaign EV taxi up to five kilometers and tried to publicize the fact that EV taxis are particularly suited to short-distance journeys, taking into consideration that a five-kilometer drive is sufficient to cover commercial districts in an urban area like Osaka.

We carried out a street survey of almost 3,000 citizens of Osaka Prefecture, asking respondents whether they were aware that 50 EV taxis were operated in Osaka Prefecture. The percentage of respondents answering that they were "well aware of that," or that they "had heard something about it," rose from 13% prior to the project to 42% after the project was over. In this project, we operated 478 EV taxis for a period of 23 days, racking up a total of over 11,000 kilometers and 2,800 passengers. The project was very successful in raising public awareness of electric vehicles, and had the additional merit of enabling the Company's staff to acquire a considerable amount of knowledge and know-how relating to EV taxis.

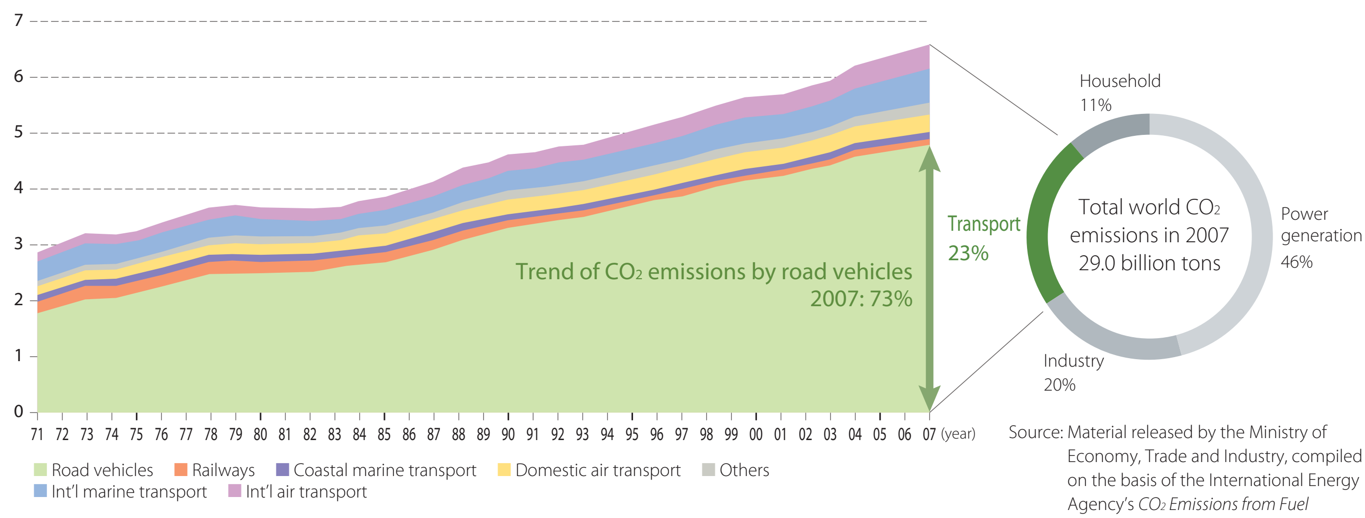
Dedicated EV taxi stand operated in Osaka Prefecture as part of a project to raise public awareness of the potential of electric vehicles

Website of the Osaka Prefecture EV taxi public education project

A leaflet given out as part of the EV awareness-raising campaign

● Trend of World CO_2 Emissions Transport Sector

● Breakdown of World CO_2 Emissions by Sector



Source: Material released by the Ministry of Economy, Trade and Industry, compiled on the basis of the International Energy Agency's *CO_2 Emissions from Fuel Combustion* (2009 Edition)

The "Whole Product" Marketing Strategy

The electric vehicle business is a new field for Kanematsu. At the inception of the EV/PHV project in 2009, we began with considering what kind of contributions Kanematsu could make to EV/PHV projects in general. We considered a large number of approaches, such as manufacturing and imports, but during our investigation of the EV and PHV field, we came up against a basic problem: the infrastructure that would allow the use of electric vehicles to spread more widely was simply non-existent.

Meanwhile, the automobile market was clearly waiting for EV ownership to begin growing. Not only do these vehicles contribute to the reduction of CO_2 emissions, which is essential to combat global warming, but in addition, a movement has been gaining ground in Japan to lower the country's dependence on oil in view of the high level of crude oil prices. Moreover, the automakers themselves have begun to compete for the position of leading maker of eco-friendly vehicles. It seems clear that EVs and PHVs will become the most common types of automobile in the future.

However, EVs face the challenges of their limited range and the time taken to recharge the batteries. One possible marketing strategy is the "whole product" concept, in which other products or services are offered that supplement the original product. These supplementary products or services allow the original product to fully display its capabilities and enable users to enjoy its benefits.

In the case of electric vehicles, the driver needs to know where battery chargers are installed and whether one of the chargers is available for use. For effective use of EVs, a network of recharging facilities is required, and the facilities must be integrated into a system that can provide drivers with the necessary information. Chargers must also be compact enough for easy installation in the parking lots of convenience stores or similar locations. By installing chargers in such places, drivers could more effectively spend the 20 minutes or so required to recharge the batteries. Such a system would raise user satisfaction levels, which is the objective of the "whole product" strategy.

At the moment, electric vehicles are available, but the necessary infrastructure has not yet been built, and the business model has not been fully worked out. In the face of this situation, we at Kanematsu decided to become involved in the EV business by providing what was missing.

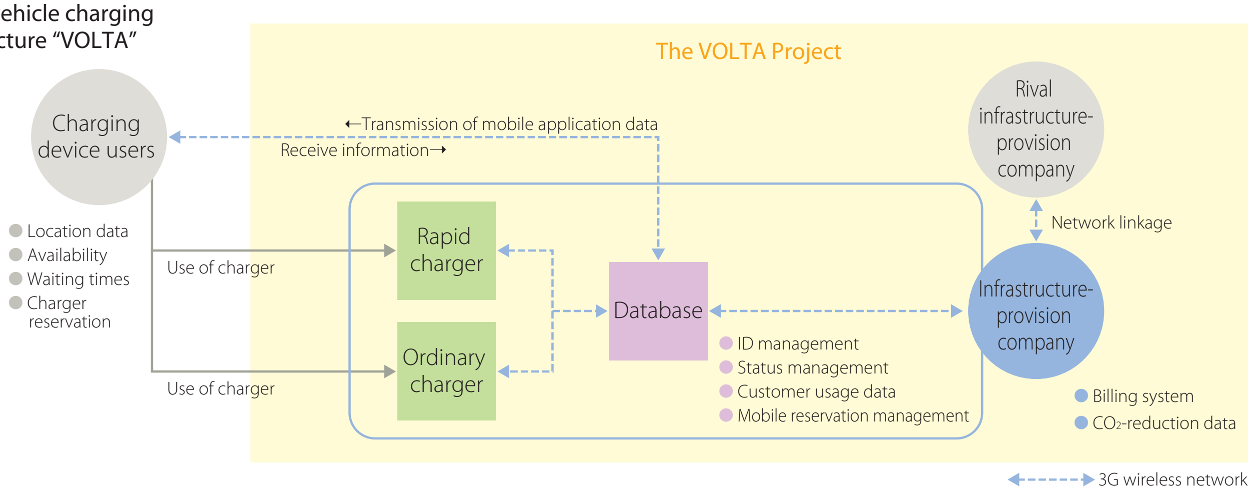
Team VOLTA — a Groupwide Project

Our Team VOLTA, which handles recharging services, is a project team formed by many business units across the Kanematsu Group, including our Electronics & IT Division and the Environment & Materials Division, as well as our affiliated companies Kanematsu Communications Ltd. and Motion Co.

Kanematsu Communications and Motion had previously jointly developed and sold a billing management system for mobile phones, and they adapted this system as the "VOLTA System (electric vehicle charging infrastructure described in the chart on page 14)" for use in billing for EV recharging services.

The VOLTA System involves the installation of a communications device within the charger. This device connects the users with the charger operating company via a 3G telecommunications network, allowing management of data relating to the use of the chargers. By linking smart phones to the charger network, the user is able to easily locate the nearest recharging station, complete with information on whether a charger is available. A reservation for a charger can then be made, and the charger operating company can confirm the user's ID and conduct billing procedures. The system also allows the company to monitor and control the chargers remotely. To provide for users wishing to make use of chargers over a wide area, the system includes an interface that links different charger operating companies, enabling the user to easily switch from one company to another and creating a wide-area total network for greater user convenience.

● Electric vehicle charging infrastructure "VOLTA"



Creating Win-Win Business Models for a Wide Range of Industry Sectors

The sale of the VOLTA system, on its own, will not help expand ownership of EVs. It is also necessary to involve companies in a wide variety of industrial sectors and create environments in each market that will favor the spread of EVs.

Many of the companies that participated in the test demonstration projects described above initially believed there was no relationship between their businesses and electric vehicles. However, after we had explained to them the EV business model designed for their own particular industry, they realized that they possessed possibilities for EV-related businesses. In other words, it was vital for the success of the projects that we could offer win-win business models whereby each participating company could be assured of recovering its investments and making a healthy profit.

In both the Kyoto and Osaka projects, Kanematsu mapped out blueprints for each partner company that encouraged them to play unique roles in their respective fields, while Kanematsu played the role of coordinator. We were extremely pleased when these companies reported to us that they were confident of success in the project, as well as afterwards, when they said that participation in the project had been a valuable experience.

When most people hear the term "general trading company," they think of moving materials, in bulk, from one place to another. But these days, trading companies are being required to focus more on creating business models, and these business models have more to do with motivating personnel and providing information and communication than moving goods. We expect this kind of business operation to become one of the preferred models for trading companies in the future.

Kanematsu Plays a Part in Building the Next-Generation Social Infrastructure

EV-related businesses have enormous future potential. While electric vehicles themselves are still expensive, future technological innovations should pull prices down and enable EVs to be price-competitive with gasoline-fueled vehicles.

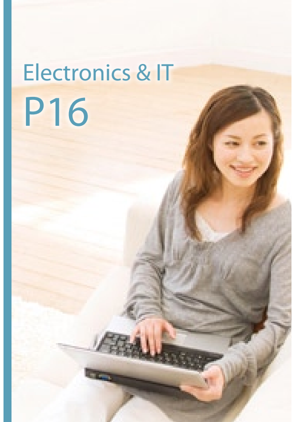
Apart from the transportation infrastructure, another precondition for the growth of EV ownership will be the nation's energy infrastructure. For example, because renewable energy sources such as solar power depend heavily on the weather or seasons, if the proportion of electric power in the national power grid that comes from renewable energy sources were to be increased, this could lead to instability in voltage and power frequencies.

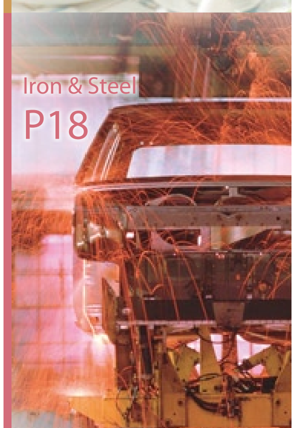
The construction of a next-generation smart grid has been proposed as a way to avoid such an eventuality. Such a grid would be able to control demand to achieve a leveling-out of the supply-demand balance. We believe that the use of electric vehicles would act as a sort of shock-absorber to soften the impact of this demand-leveling. EVs would serve as a sort of power storage device, as they can accumulate electricity during off-peak periods such as at night, for use during high-demand periods. The operation of EVs on the power they have accumulated in their batteries means that electric power can be directed to other applications. EVs should, in this way, show their worth as a part of the overall infrastructure of society.

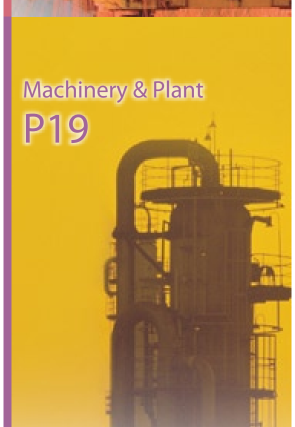
Business models involving electric vehicles have just begun to be created. We believe it is of great significance that Kanematsu was able to take part in the creation of such business models at this juncture. Once EV ownership has expanded substantially, in the not-too-distant future, we expect Kanematsu's name to have already become closely associated with the EV recharging infrastructure. At Kanematsu, we will continue to create new EV-related business models with the goal of playing an invaluable role in building the essential infrastructure for the society of tomorrow.

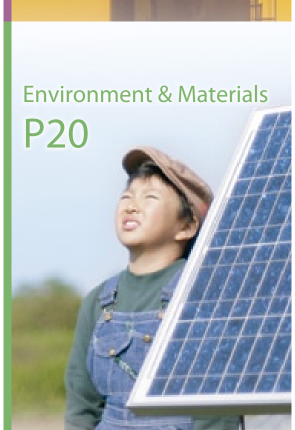
Section Two,
Information & Electronics Department,
Electronics & IT Division

Assistant Managers Ryosuke Gonotsubo and Toshiaki Aota



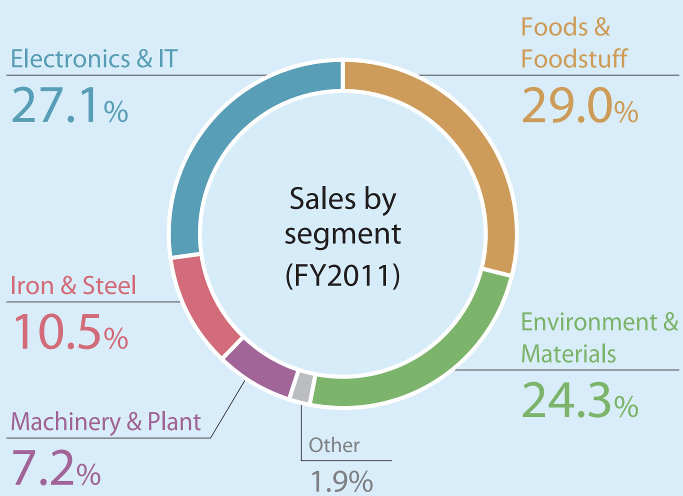






Overview by Business Segment

The Kanematsu Group is developing global businesses as a "Value Creator" that provides diverse products and services based on industries in a wide range of fields. The Group's focus is on Electronics & IT, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and the Environment & Materials, and it is building strong relationships as it works to create businesses together with customers.



* "Other" segment: Includes the non-reportable segments encompassing textile business, insurance agent/intermediary business, real estate management and leasing business, construction materials business and other operations.

Electronics & IT

This segment offers a broad array of products, ranging from electronics-related materials, parts and equipment to aircraft. It also operates mobile solution and ICT solution businesses. The segment also focuses on OEM and ODM businesses and provides added value such as design and manufacturing.

Hirokazu Tamura
Director
Chief Officer,
Electronics & IT Division

Fumihiko Nashimoto
Director
President, Devices Company

Kanematsu's Strengths

- Customization and provision of products and services with value-added functionality tailored to customer needs
- Development of products that meet customer needs through collaboration with manufacturers from the development stage
- Wide-ranging technology and expertise in the electronics field

Main Businesses

Electronic Components and Materials	Semiconductors, LCD panels, Telecommunications equipment parts
Semiconductors and LCD Manufacturing Equipment	Semiconductor manufacturing and testing equipment, LCD manufacturing and testing equipment
OEM and ODM Solutions	Motorcycle and automobile parts, Analog radio equipment, Printers and Printer heads
Mobile Solutions	Mobile phones, Mobile internet services
ICT Solutions	IT and communications equipment and services
Aerospace	Aircraft (Fixed Wing, Rotary Wing), Satellites, and Satellite components and parts
Devices Company	Semiconductor and mechanical parts, Telecommunications equipment parts, System boards, Photovoltaic parts, LED parts and materials, Others

Results for Fiscal 2011

(¥ billion)	2010 Results	2011 Results	2012 Plan
Net sales	232.7	**253.9**	255.0
Gross profit	38.5	**41.1**	40.5
Operating income	5.8	**9.5**	8.9

The Company's Electronics & IT Division registered increased revenues and earnings in almost all fields, particularly in the semiconductor equipment and components business, contributing strongly to the Company's overall business performance.

Demand for semiconductors recovered against the backdrop of the surging popularity of state-of-the-art mobile phones and digital home appliances, as a result of which the Company's semiconductor manufacturing business enjoyed a major year-on-year improvement in transaction volume, and the mechanical device business and mobile solutions business both posted good results.

Cost reductions in the ICT solutions business also made a valuable contribution, and the business recorded a steady increase in profits.

As a result, sales of the Electronics & IT Division posted a year-on-year increase of ¥21.2 billion, to ¥253.9 billion, while operating income rose ¥3.7 billion to ¥9.5 billion.

Plans for Fiscal 2012

In the semiconductor equipment and electronic component businesses, strong demand is expected from emerging nations, primarily in Asia. We will continue to support our Japan-based customers who are transferring businesses overseas and provide SCM system development services. In onboard parts for motorcycles and automobiles and printer-related businesses, we will focus on leveraging the expertise we have acquired in the European and North American markets to develop business operations in Southeast Asia, China, and India.

In the ICT solutions business, we aim to secure adequate profits by focusing on the creation of high value-added businesses such as infrastructure-building and maintenance systems to meet customers' diversifying needs, including cloud computing and business continuity plan services. In the mobile services business, we will continue to secure profitability by meeting the needs of the expanding market for sophisticated mobile phones, and will press on further with expansion in the field of corporate business and overseas operations.

Foods & Foodstuff

To supply a safe and secure food supply,
we ensure the stable acquisition of grains, feedstuff,
as well as meat and marine products,
and also provide a broad array of food products,
including high value-added items.

Morihiro Toida
Director
Chief Officer, Foods & Foodstuff Division

Kanematsu's Strengths

- Supply of distinctive, high value-added products
- Stable sourcing ensures reliability of supplies
- Traceability and rigorous hygiene and quality management

Main Businesses

Foods	Canned, frozen & dried fruits, Concentrated juices, Wine, Coffee, Cocoa, Sugar, Sesame seed, Peanuts, Miscellaneous beans, Others
Meat and Marine Products	Meat products, Marine products, Others
Grains	Wheat, Barley, Rice, Soybean, Processed foods, Others
Feedstuff and Fertilizers	Feedstuff, Fertilizer, Others
Pet Products	Pet food, Pet products

Results for Fiscal 2011

(¥ billion)	2010 Results	2011 Results	2012 Plan
Net sales	264.2	**271.9**	280.0
Gross profit	12.6	**11.5**	13.0
Operating income	3.6	**2.8**	3.1

In the Foods & Foodstuff Division, in our food and meat and marine products businesses, we posted good business results in general, thanks to a comparatively steady balance of supply and demand.

In the foodstuff business, a rise in grain prices on overseas markets pushed up sales, but profitability deteriorated due to low market prices in Japan, among other factors.

The operating environment in the feedstuff business was difficult, with animal feed prices in Japan weak, and profit margins declining. Nevertheless, we maintained a solid level in transaction volume, and the business as a whole held firm.

As a result, sales of the Foods & Foodstuff Division rose ¥7.6 billion year-on-year, to ¥271.9 billion, but operating income declined by ¥0.8 billion to ¥2.8 billion.

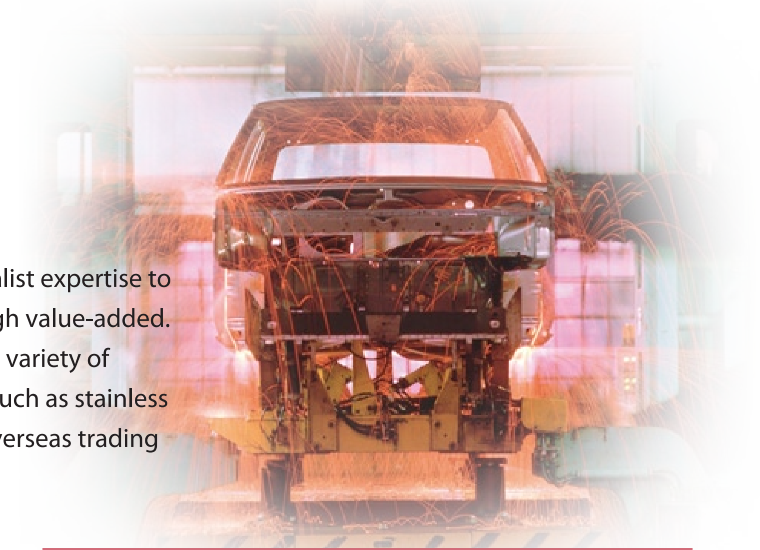
Plans for Fiscal 2012

In the foods business, we saw a steady improvement in our results in the mass retailers business, on which we have focused up to now, as well as the meal takeout and restaurant businesses. From here onward, we plan to pursue greater operational efficiency through collaboration and allocation of roles among Group companies throughout the business flow, from upstream to downstream operations. At the same time, we will focus on expanding sales by strengthening our collaborative relationships with our business partners to build a robust supply and marketing structure.

In the foodstuff business, we intend to reinforce our relationships with suppliers and expand our marketing channels both in Japan and overseas. In particular, in response to rising concern over food safety, we will further enhance our system for the stable supply of non-genetically modified soybeans to increase business volume. In the pet products business, a recent area of focus, Kanematsu will seek to further expand business by focusing on private brand and premium brand pet products through strengthened relationships with our business partners.

Meanwhile, in both the foods and foodstuff businesses, we will strengthen our overseas sales system, primarily in China and other Asian countries.

Iron & Steel



In the Iron & Steel Division, we leverage our advanced specialist expertise to work with our users in the development of products with high value-added. In addition to transactions in the Japanese market for a wide variety of steel products — including steel sheets, specialty products such as stainless steel, and steel wire for automobiles — we also engage in overseas trading with Europe, the United States, and Asian countries.

Takashi Gunji
Director
Chief Officer, Iron & Steel Division

Kanematsu's Strengths

- Supplier of oil country tubular goods and other high-strength, corrosion-resistant products that perform under the toughest conditions
- Supplier of specialty steel wires, and cast and forged products, for the automotive industry

Main Businesses

Iron and Steel Trading	Export of various kinds of steel sheets, plates, bar products and pipe and tubing products
Specialty Steel Trading	Export of stainless steel sheets and plates, Export of alloy steel wire and bar products
Cast and Forged Steel Products	Import and sales of cast and forged steel products, Export of automotive parts, Export of porcelain enamel steel sheets
Domestic Trade and Raw Materials Supply	Domestic sales of general steel products, Imports and tripartite trade of ferrous raw materials, Export and import of steel scrap and sub-materials

Results for Fiscal 2011

(¥ billion)	2010 Results	2011 Results	2012 Plan
Net sales	88.0	**98.8**	105.0
Gross profit	6.4	**7.0**	7.0
Operating income	2.4	**3.4**	3.3

In the iron & steel business, against the backdrop of a business recovery by the automotive industry, we recorded a firm level of transactions in automobile-use products including steel wire for customers in Europe and the United States.

We also enjoyed steady exports to North America and Asia of specialty steel products, including stainless steel.

Trading in iron ore and cokes was brisk against the background of high prices on raw materials markets, making a solid contribution to our overall earnings.

As a result, sales for the Iron & Steel Division posted a year-on-year rise of ¥10.9 billion to ¥98.8 billion, while operating income was up ¥1.0 billion, at ¥3.4 billion.

Plans for Fiscal 2012

We intend to invest time and resources in the development of high value-added products such as high-strength, corrosion-resistant steel that can be used in severe working conditions, for marketing to users in the energy and environment fields where continued good growth is projected.

We will be making additional efforts to expand exports of steel pipes to North America for use in drilling for shale gas, which is currently a field of focus, as well as high value-added stainless steel.

In the specialty steel business, which centers on products for the automotive industry, we will be taking steps to raise our earnings from operations in Asia as well as our mainstay markets of Europe and the United States.

Regarding our trading in iron and steel in Japan, domestic demand remains weak, and we will continue to take a cautious stance on this market.

Machinery & Plant

In the Machinery & Plant Division, we will direct our efforts principally into project-forming businesses that contribute to regional development, notably in the field of infrastructure, including chemical plants, papermaking plants, and ODA projects. We are also conducting transactions involving ships, and both four-wheeled and two-wheeled vehicles.

Tetsuro Murao
Managing Director
Chief Officer, Machinery & Plant Division

Kanematsu's Strengths

- "Project-forming" businesses which contribute to regional economic development, and offshore investment programs that support globalized production by Japanese manufacturers
- Engaged not only in exporting from Japan, but also in marketing from overseas local bases, linked into our worldwide networks
- Meeting diverse customer needs by marketing the lineups of major machine-tool manufacturers in Japan

Main Businesses

Plant Infrastructure Projects	Chemical and petrochemical plants, Industrial plants, Utility and process systems for oil and gas plants, Infrastructure facilities, Scrap-processing facilities, Environmental facilities, ODA projects, Electric power and communication cable projects, Power generation plants
Transportation Machinery	Shipbuilding, Used ships, Equipment package deals for new ships, Automobiles and components, Forklifts, Construction machinery, General-purpose machinery
Machine Tools and Industrial Machinery	Machine tools, Industrial machinery and peripheral equipment

Results for Fiscal 2011

(¥ billion)	2010 Results	**2011 Results**	2012 Plan
Net sales	61.3	**67.3**	68.5
Gross profit	5.4	**6.5**	6.5
Operating income	(0.9)	**1.1**	0.8

Within the Machinery & Plant Division, transactions involving plants and automotive components followed a firm trend.

In the machine tools business, we focused on cutting costs, and also benefited from a recovery in orders, which increased turnover and enabled a recovery in our business performance.

Our processing operations on silicon wafers for solar cells, which are carried out by a subsidiary, posted firm results on the back of strong demand.

As a result, net sales of the Machinery & Plant Division rose ¥6.0 billion year-on-year, to ¥67.3 billion, while operating income was up by ¥2.0 billion at ¥1.1 billion, marking a return to the black ink following the operating loss recorded for the previous fiscal year.

Plans for Fiscal 2012

We plan to continue focusing our efforts on our mainstay business areas of automotive components and plants.

Regarding machine tools and industrial machinery — our other main business segment — orders are following a recovery trend, but as capital investment may record a decline from the previous year due to the impact of the March 11 disaster on the Japanese economy, we will take our customers' capital spending trends carefully into account while aiming to realize a steady increase in earnings.

In our processing of silicon wafers for use in solar cells, we expect demand to remain firm in fiscal 2012, and plan to boost our production capacity to meet demand growth.

Environment & Materials

With the environment, healthcare and medicine as keywords, we are strengthening our product development and production capabilities. We are also working on new energy-related business in addition to the import of crude oil, and the import, export and domestic trade of petroleum products.

Takashi Gunji
Director
Chief Officer, Environment & Materials Division

Kanematsu's Strengths

- Supply of a wide range of environmental products and services including fabless manufacturing
- Supply of total energy solutions (upstream to downstream)

Main Businesses

Crude Oil, Petroleum Products	Crude oil, Gasoline, Jet fuel, Kerosene, Diesel oil, Fuel oil, Lubricant oil
LPG	LPG (Propane, Butane, Autogas)
Development of Environment-related Materials and New Technologies	Heat reflective paint, New materials for automotive tires, VOC (Volatile Organic Compounds) recovery/purge, Carbon credit trading
Functional Chemicals	Photovoltaic modules and materials, Materials for lithium batteries, Materials for fertilizers, Synthetic rubber, Petrochemical products
Healthcare	Functional food materials, Health supplements
Life Science	Pharmaceuticals and pharmaceutical intermediates

Results for Fiscal 2011

(¥ billion)	2010 Results	2011 Results	2012 Plan
Net sales	198.1	**227.5**	225.0
Gross profit	8.5	**8.4**	8.0
Operating income	0.9	**1.0**	0.7

In the Environment & Materials Division, in the functional chemicals business we registered growth in exports of materials for vehicle-use batteries, while transactions in lubricant oil and raw materials for resin followed a firm trend.

In the life sciences business, we posted favorable performance in the sale of colostrum (immunized milk) products, and in the import and sale of bulk powder pharmaceuticals.

In the energy business the operating environment was severe. Crude oil prices remained at a high level, but demand in the Japanese market was sluggish and our profit margin on sales declined.

As a result, net sales of the Environment & Materials Division increased by ¥29.3 billion year-on-year, to ¥227.5 billion, while operating income was up ¥0.1 billion over the previous fiscal year, at ¥1.0 billion.

Plans for Fiscal 2012

In the functional chemicals business, we will be taking steps to strengthen our transactions in environment-related fields such as solar cells and materials for the negative terminals of lithium batteries.

We plan to transfer our operations in the life sciences business to an affiliated company with the aim of improving efficiency and expanding transaction volume.

In the energy business, we hope to increase our transactions in petroleum products in both the Japanese and overseas markets. In addition to seeking improved earning power, we will also be actively developing the carbon credit trading business.

CSR (Corporate Social Responsibility)

In addition to conducting business activities in the pioneering spirit as fostered by our predecessors and through the wisest use of our creative imagination and ingenuity, the Company is committed to fulfilling its corporate social responsibility (CSR) by helping to preserve the global environment and biological diversity, with the goal of working toward the creation of a sustainable society.

We have set up the CSR Committee, whose members are drawn from across the whole Company, and the CSR Promotion Section, a unit dedicated to CSR activities within the Personnel & General Affairs Department. Through these bodies, and guided by Kanematsu's Code of Conduct, we address the various issues involved in CSR, including the Company's social contributions, crisis management, compliance, and environmental preservation.

Kanematsu's Code of Conduct

1. Origin of corporate activities	We become involved in corporate activities to serve our various stakeholders by providing socially valuable goods and services in accordance with the aim of our founder to realize a sustainable society.
2. Fair transactions	Our corporate activities are conducted in compliance with laws and ordinances in Japan and abroad, international rules and practices, and internal rules, as well as with social common sense.
3. Information management & disclosure	Information is properly managed to protect personal information, customer information and intellectual property, and is disclosed in a timely and proper manner to establish mutual trust between Kanematsu and the community and maintain a high level of transparency.
4. Respect for human rights	We respect human rights and do not discriminate. Employee career development and capability development are actively supported. Diversity, personality and character are respected so as to create a dynamic corporate culture.
5. Consideration of the global environment	We exercise sufficient consideration in our corporate activities to maintain a sound global environment for sustainable growth.
6. Social contribution	We are aware of the importance of our social responsibility as good corporate citizens, and proactively undertake social contribution activities. Employee activities to contribute to community development and to comfortable and safe living are supported.

(Translated from Japanese)

Advocate Social Contribution Activities

Commemoration Projects

Among the main commemorative projects we have carried out in accordance with the will of our founder Fusajiro Kanematsu are the Research Institute for Economic & Business Administration (Kanematsu Memorial Hall), a commerce research institute granted by Kanematsu to Kobe University, the endowment of the Kanematsu Auditorium of Hitotsubashi University, and the endowment of the Kanematsu Memorial Institute of Pathology to Sydney Hospital in Australia, which was partially endowed by Kanematsu with joint funding from the Australian Government. At Kobe University, we engage in non-profit-making activities such as establishing the Kanematsu Foundation for the Research of Foreign Trade, offering the Kanematsu Fellowship to graduate students who win our essay prize, and conducting the Kanematsu Seminar, a study group on international economics and management. In May of 2011 we held an awards ceremony for winners of our Fellowship Prize for the year ended March 31, 2011.

Kanematsu Memorial Hall of Kobe University

Awards ceremony for winners of Kanematsu Fellowship Prize for fiscal 2011

The Kanematsu Auditorium of Hitotsubashi University

Kanematsu Memorial Institute of Pathology, Sydney Hospital

Social Contributions

We would like to take this opportunity to express our deepest sympathy for the victims of the Great East Japan Earthquake, and our hopes for the early recovery and reconstruction of the devastated areas.

The Company and all other Group companies, including overseas companies, have donated corporate funds for the assistance of the victims of this disaster and to support the recovery of the affected areas. We have also organized the collection of donations from individual executives and employees of the Company and employees at our companies overseas. In April of this year we introduced a system of special vacations for employees wishing to serve as volunteers to assist in the recovery of the disaster-hit areas, and are encouraging our employees to utilize this system.

We will continue to actively promote support for these reconstruction efforts.

As part of our emphasis on maintaining a close and harmonious relationship with local communities, in response to requests from the government of Chiba City we cooperate in the staging of training sessions for emergency helicopter landings and takeoffs once a year at the Chiba Athletic Field, which we own. We also make our tennis courts available for use by local high schools.

Work-Life Balance

The Company has restricted the length of employees' working hours with the vision of creating a society where there exists a comfortable work-life balance. We have been improving the working environment so that employees can treasure the time they spend with their families, as well as the time spent on hobbies and participating in social activities.

Child Care Support

In addition to the conventional maternity leave and childcare leave system, the Company has revised its working regulations so that the number of the days and the scope of the application of childcare leave can be expanded in accordance with the revisions of the Labor Standards Act and the Child Care and Family Care Leave Act.

Acquisition of "Kurumin" certification of support for nurturing of the next generation

In December 2010, Kanematsu received the "Kurumin" certification from the Ministry of Health, Labour and Welfare. This is awarded to companies that are deemed by the Ministry to be making valuable contributions to supporting the nurturing of the next generation through such measures as helping employees achieve a good work-life balance so that they can bring up children while remaining active in the work force.

Family Care Support

In addition to the conventional family care leave system, the Company has recently expanded special paid holidays for family care.

Refreshment Day

Wednesday is prescribed as refreshment day, and all employees are encouraged to leave the office as soon as possible after work to increase work efficiency and improve work-life balance.

Environmental Initiatives

Ever since the Company obtained ISO 14001 certification in March 2004, it has constantly improved its environment management system.

By operating this system effectively, we have sought to contribute to the reduction of CO_2 emissions and fighting global warming by lowering the consumption of electricity and paper and comprehensively reducing and sorting waste. Our goal is to help create a low-carbon and recycling-oriented society.

We have also helped to protect the global environment through our business activities in Japan and overseas. We have moved into numerous environment-related businesses, mainly in the Environment & Materials Division and the Business Innovation Department.

CSR Procurement

CSR procurement means that a company procuring necessary materials, parts and products requires its suppliers not only to swiftly provide products of consistently high quality but also to make a CSR commitment. CSR procurement efforts are also growing in importance year by year as companies and the general public start to take notice of CSR.

The Company has established systems to promote CSR activities, including a CSR Action Guidelines for Supply Chains, to meet the CSR procurement requirements of its business partners.

Corporate Governance

Our Basic Stance on Corporate Governance

The Company has strengthened corporate governance to increase the transparency of management and to create a more equitable, efficient and sound company. We will improve corporate governance with the aim of winning the support of all our stakeholders, including shareholders, customers and employees, and increasing our enterprise value.

Board of Directors

In principle, the Company's Board of Directors meets once a month, with extraordinary meetings held as necessary.

The Board of Directors decides on matters set out in laws and ordinances as well as the Company's Articles of Incorporation, determines basic business policies, and draws up long-term and short-term plans for the entire Company, in addition to reviewing business results. The Board of Directors also takes decisions on the division of responsibilities among the directors, and on whether or not to allow directors to serve concurrently as representative directors of other companies.

To facilitate rapid decision-making and flexible management, the Company holds an Executive Directors Council meeting every week, in principle. The council consists of all directors and establishes basic policies for Company-wide general business execution in accordance with basic policies determined by the Board of Directors and provides instruction and guidance on the execution of business.

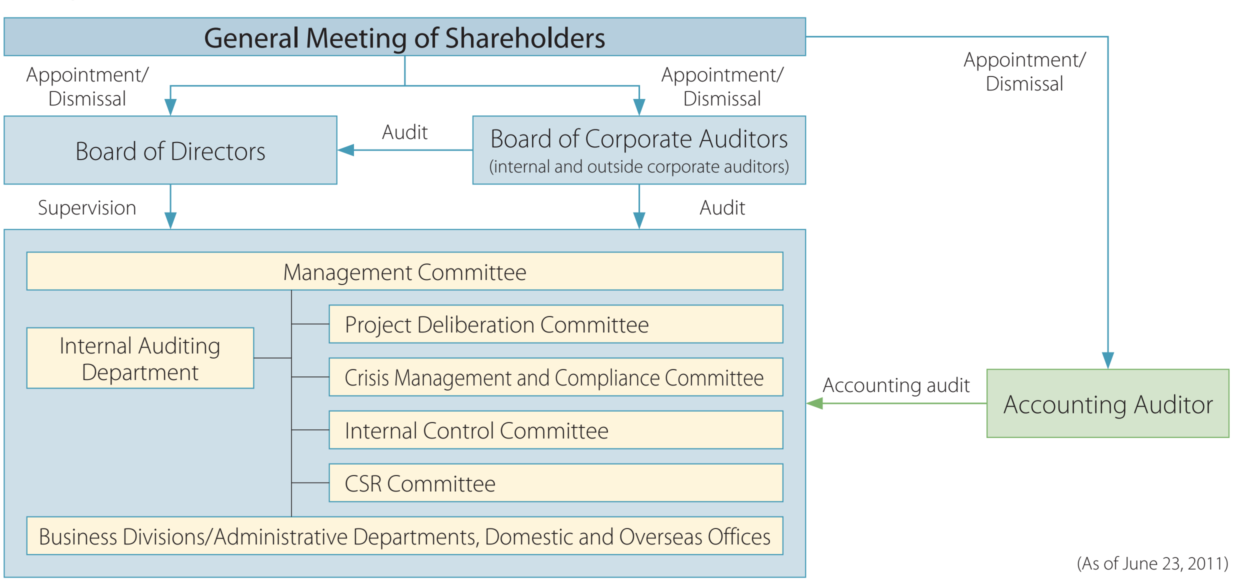
To discuss important projects to be proposed to the Executive Directors Council, a Project Deliberation Committee meeting is held every week. The Company introduced an executive officer system in July 2008. To respond appropriately to changes in the business environment, the term of office of directors is one year.

Board of Corporate Auditors

The Company has a Board of Corporate Auditors. Corporate auditors and the Board of Corporate Auditors, as an independent organ, audit the directors' performance of their duties. Four auditors receive reports from directors and employees on the performance of their duties as required, attend meetings of the Board of Directors, Executive Directors Council, Project Deliberation Committee, Crisis Management and Compliance Committee, Internal Control Committee, and other important meetings and committee meetings, and audit the performance of duties by directors.

The Company also conducts audits by outside auditors provided for in Article 2-16 of Companies Act of Japan. Three out of the Company's four Corporate Auditors are outside auditors. The Company has adopted the current system because, based on the suggestions and advice of the outside auditors founded on their expertise and experience, the system is sufficiently monitored by outside management and is properly supervised.

● Corporate Governance Structure



(As of June 23, 2011)

Internal Auditing

The Internal Auditing Department (eight staff members as of June 23, 2011) conducts internal audits of the Company and consolidated subsidiaries to ensure that proper accounting records are kept, to evaluate and monitor improvements and control activities, and help improve operational effectiveness and efficiency.

The Internal Auditing Department and corporate auditors hold regular meetings and work in close cooperation with one another by explaining audit plans, reporting the results of audits, and ensuring the effectiveness of internal audits. They also exchange opinions with the accounting auditor through internal control assessments and other related activities.

Internal Control (Financial Reporting)

We have established an Internal Control Committee to build an internal control system for the Group for effective and efficient financial reporting. In consideration of the internal control reporting system stipulated in the Financial Instruments and Exchange Law, which we began to apply in FY2009, we are developing, operating, assessing, and improving internal controls to ensure reliable financial reporting under the Group's policy for internal controls (the J-SOX plan), which was instituted in April 2007.

The Company-wide internal controls and business processes at key facilities have been assessed by the Internal Auditing Department, an independent department in charge of assessment. The department has concluded that the Group's internal controls relating to financial reporting have no significant flaws and are effective.

Action Items for the Corporate Group

In the Kanematsu Group, the senior management of Group companies meets twice each year and at other additional meetings as required, and share information about the management of the Group to facilitate a mutual understanding and common awareness of corporate governance.

Risk Management

The Company has established policies, systems and procedures for the management of various types of risk associated with the execution of business, including foreign currency risk, credit risk, market risk and business investment risk.

With respect to business risks, the department that is in charge of each risk based on specific remits has established internal regulations and detailed enforcement regulations, and prepared operational guidelines that have been thoroughly instilled in all employees through training sessions and seminars. We have also established cross-functional committees to control risks as necessary.

We have established a system to make judgments and decisions about business risks based on those remits. The Project Deliberation Committee considers whether to make important investments, and whether to continue or withdraw from those investments and loans by comprehensively examining relevant risks.

* For more information about the main risks that could affect the Group's business results and financial status, see pages 30 and 31.

Information Management System

With regard to information management, we have established criteria and standards for the custody, retention and disposal of accounting records, balance sheets, agreements and contracts concerning the basic rights and obligations of the Company, certificates related to properties and other similar documents. We have also tightened rules on the use of our internal online networks with the aim of preserving and managing information as an important asset of the Company, including the protection of personal data and other information security compliance requirements.

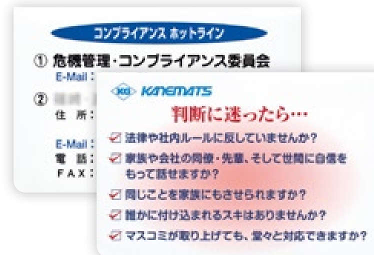
To tighten the security of information systems for risk management, we have established information security management regulations with a view to preventing leaks and outflows of important information and we have defined uniform standards on the use of computers, networks, e-mails and other means of communication to protect corporate information and personal data. We are also constantly reviewing our system infrastructure to increase the level of security and carry out maintenance operations to ensure the necessary and appropriate level of security.

Compliance

In light of the importance of complying with laws and ordinances, we have set up a Crisis Management and Compliance Committee, and have strengthened our internal compliance system.

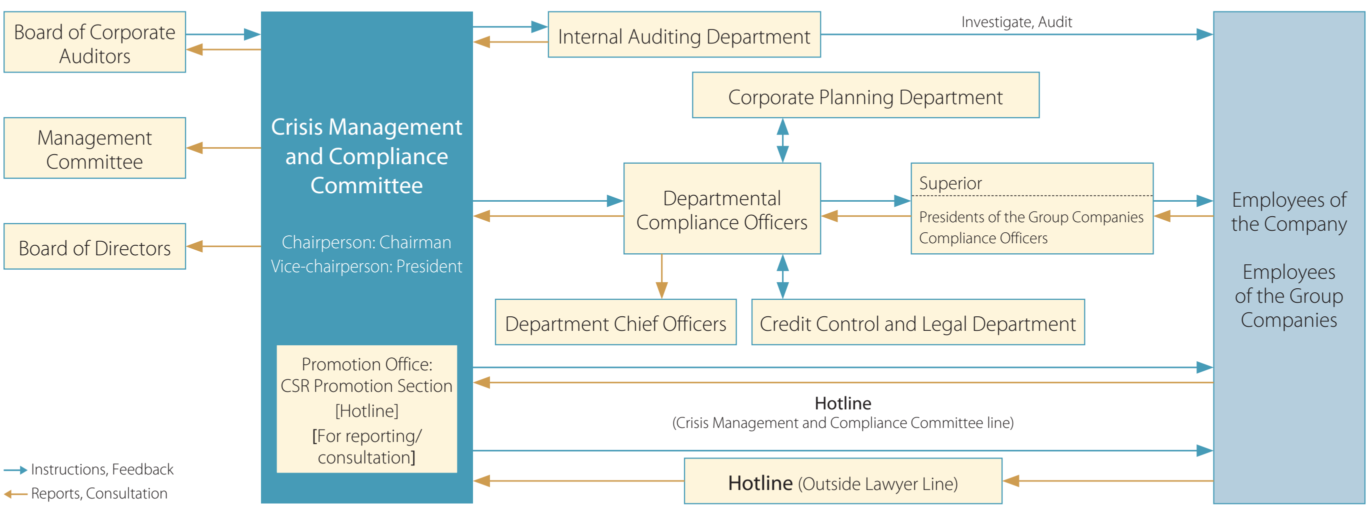
We have compiled a Compliance Handbook detailing countermeasures with specific examples, which has been distributed to all employees and also published on the Intranet to raise awareness of compliance among directors and all employees. In addition to legal compliance, we are also conducting training courses to foster sound judgment on ethical matters among our staff. We also introduced a hotline system for reporting directly to or consulting with the Crisis Management and Compliance Committee or an outside lawyer, and established hotline operation regulations.

Compliance Handbook



Compliance Hotline Card

● Diagram of the Kanematsu Group Compliance System



IR Activities

We intend to promote equitable and transparent management by disclosing important management information to shareholders and all other stakeholders, institutional investors, analysts, and the media in a prompt and appropriate manner.

We disclose information to shareholders and investors through our website, hold briefings twice a year for institutional investors and analysts, and disclose information on a timely basis to stock exchanges. We also hold briefings when necessary to explain business strategies such as our medium-term business plan. In addition, we are eager to participate in meetings with institutional investors and road shows held by securities companies to provide explanations and answer questions.

Our website includes an Investor Relations section featuring financial results, securities reports, briefing materials used by briefing analysts and investors, and annual reports. We also publish financial disclosure documents and press releases in a timely manner. The website also features financial highlights for the last five years, an IR calendar and stock price information, as well as notices about general meetings of shareholders and notices and contact details regarding share handling procedures.

Departments responsible for IR:
We appointed Investor Relations Officers to the Public Relations Section of the Corporate Planning Department, who are responsible for conducting IR activities in collaboration with the Accounting Department, Finance Department and other relevant departments.

Directors and Corporate Auditors (As of June 23, 2011)

Toshihiro Kashizawa
Chairman
Chief Officer, Internal Auditing

Masayuki Shimojima
President

Kazuo Shigemoto
Senior Managing Director
Chief Officer, Supporting Area, Textiles, Realty, Finance, Accounting, Business Accounting

Tetsuro Murao
Managing Director
Chief Officer, Machinery & Plant Division, Personnel & General Affairs

Fumihiko Nashimoto
Director
President, Devices Company

Hirokazu Tamura
Director
Chief Officer, Electronics & IT Division

Takashi Gunji
Director
Chief Officer, Iron & Steel Division, Environment & Materials Division

Morihiro Toida
Director
Chief Officer, Foods & Foodstuff Division, General Manager for Osaka Branch

Hideo Kazusa
Director
Chief Officer, Corporate Planning, System Planning

Tetsuya Kaneko
Director
Chief Officer, Credit Control & Legal, Traffic & Insurance

Yoshiro Niiro
Corporate Auditor

Kenji Irie
Corporate Auditor

Yonosuke Yamada
Corporate Auditor

Yutaka Hirai
Corporate Auditor

* Messrs. Yoshiro Niiro, Yonosuke Yamada and Yutaka Hirai are external corporate auditors.
* Messrs. Yonosuke Yamada and Yutaka Hirai are independent auditors as defined in the Securities Listing Regulations of the Tokyo Stock Exchange.

Financial Section

Contents

Presentation of fiscal year and amount (Japanese yen and U.S. dollars) on p.32–70

- "Fiscal 2011" refers to the Company's consolidated fiscal year ended March 31, 2011 and other fiscal years are referred to in the corresponding manner.
- "JPY" means millions of yen and "USD" means thousands of U.S. dollars.

Management's Discussion and Analysis

Business Results

In the fiscal year ended March 31, 2011, consolidated net sales increased by ¥75,614 million year-on-year to ¥936,891 million, while gross profit rose by ¥2,801 million to ¥76,905 million. This performance is attributable to increased turnover against the background of brisk demand from emerging markets in Asia and elsewhere.

Thanks partly to the effect of our continued efforts to reduce selling, general and administrative expenses, operating income posted a year-on-year increase of ¥5,843 million, to ¥18,029 million. In non-operating items, despite recording losses on foreign currency transactions, we posted an improvement of ¥176 million in non-operating loss, thanks to increased dividend income and a reduction in losses on equity-method investments.

As a result, ordinary income increased by ¥6,019 million to ¥14,257 million. In extraordinary items, an extraordinary loss of ¥1,226 million was recorded as result of losses on sales of investments in securities, losses on the valuation of investments in securities, and the application of accounting standards for asset retirement obligations, as well as extraordinary losses resulting from the Great East Japan Earthquake. Income before income taxes and minority interests came to ¥13,030 million, up ¥4,623 million over the previous fiscal year.

The Company posted net income after adjustments for tax expenses and minority interests of ¥9,175 million yen, an increase of ¥5,647 million over the previous fiscal year, enabling us to attain our target for the first year under our medium-term management plan.

Segment Information

Electronics & IT

The Company's semiconductor manufacturing systems business recorded greatly improved business compared with the previous year, thanks to a recovery in demand for semiconductors against the backdrop of brisk demand for advanced cell phones and digital home appliances. In addition, the mechanical device business and the mobile solutions business also enjoyed good results in line with our expectations. The ICT solutions business also recorded a steady improvement in earnings, thanks partly to success in cutting costs.

As a result, net sales in the Electronics & IT Division rose ¥21,152 million to ¥253,854 million, while operating income rose ¥3,705 million to ¥9,488 million.

Foods & Foodstuff

Supply and demand were roughly balanced in the foods business and the livestock and marine products businesses. As a result, sales and earnings were favorable across the board. In the foodstuffs business, sales increased as the prices of cereals rose sharply on overseas markets, but profits worsened due to low market prices in Japan. Amid a difficult operating environment, our animal feed business saw a steady increase in volume handled, with solid business results.

As a result, net sales in the Foods & Foodstuff Division posted an increase of ¥7,620 million, to ¥271,860 million, but operating income declined by ¥787 million to ¥2,835 million.

Iron & Steel

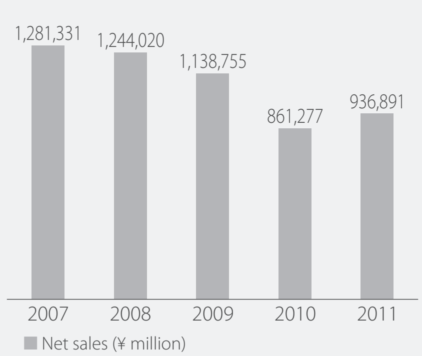
Exports to Europe and the United States of wire rods for automotive use held firm, as did exports of special and stainless steel products to the United States and Asia. Against the backdrop of high raw material prices, transactions were active in raw materials for iron and steel production, making a good contribution to this division's profits.

As a result, net sales by the Iron & Steel Division rose by ¥10,854 million to ¥98,832 million, while operating income increased by ¥975 million to ¥3,410 million.

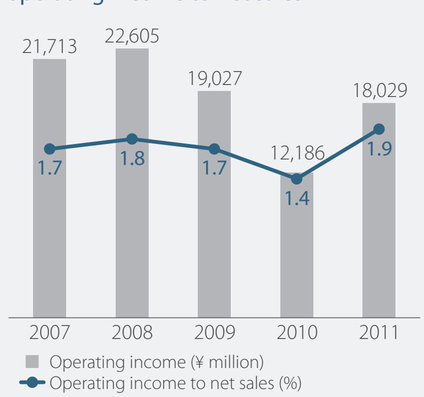
Machinery & Plant

Transaction activity maintained a firm trend in automobile parts and in industrial plants. In the machine tools business, where we continued to take cost-cutting measures, we registered an increase in transaction

Net sales



Operating income and operating income to net sales



Net income (loss) and net income (loss) per share

value against the background of a recovering trend in orders received.

As a result, net sales in the Machinery & Plant Division were up ¥6,040 million at ¥67,300 million, while operating income rose ¥1,987 million to ¥1,062 million.

Environment & Materials

In the functional chemicals business, exports of raw materials for vehicle batteries increased, while transactions in lubricant oil and raw materials for resin also held firm. In the life science business, we continued to enjoy favorable sales of colostrum (immunized milk) products as well as the import and sale of bulk powder pharmaceuticals. In the energy business, high crude oil prices pushed up turnover, but profit margins declined, due partly to a fall in demand in the Japanese market.

As a result, net sales in the Environment & Materials Division increased by ¥29,322 million to ¥227,466 million, while operating income rose ¥60 million to ¥977 million.

Other

Net sales in other businesses increased by ¥626 million to ¥17,577 million, while operating income posted a decrease of ¥97 million, to ¥235 million, owing to a deterioration in the profitability of the aluminum recycling business.

Financial Status

Cash flows

Despite an increase in expenditures relating to transaction funds, net cash provided by operating activities came to ¥7,827 million as a result of an inflow of funds, thanks to good business results. Net cash provided by investing activities amounted to ¥17,322 million, due primarily to the receipt of payments from time deposits with a maturity of more than three months. Net cash used in financing activities amounted to ¥20,664 million, reflecting the reduction of interest-bearing debt through the continued repayment of loans.

As a result, the balance of cash and cash equivalents at the end of fiscal 2011, adjusted for the effect of exchange rate changes, came to ¥67,426 million, for an increase of ¥2,947 million over the previous term-end.

Fundraising and interest-bearing debt

The Group raises funds primarily through indirect finance based on good relations with our main banks, regional banks, life and non-life insurers and other financial institutions. Also, to respond flexibly to funding requirements for business expansion and to guard against unforeseen deterioration in the financial situation, we also maintain sufficient levels of cash and bank deposits, and conduct flexible investment operations in highly secure short-term financial products in response to our funding needs and the financial situation.

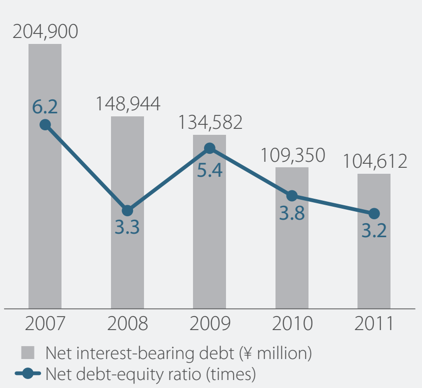
Interest-bearing debt on a consolidated accounts basis at the end of the reporting fiscal year amounted to ¥173,627 million, down ¥19,476 million from the end of the previous fiscal year. The balance of cash and cash equivalents was down ¥14,738 million from the end of the previous fiscal year, at ¥69,014 million, and net interest-bearing debt came to ¥104,612 million, for a decrease of ¥4,738 million from the end of the previous fiscal year.

Long-term debt (which includes long-term loans falling due within one year) as a percentage of interest-bearing debt was 78% on a consolidated basis (88% on a nonconsolidated basis) at the end of the reporting fiscal year, indicating the high level of stability of our fundraising.

Net assets

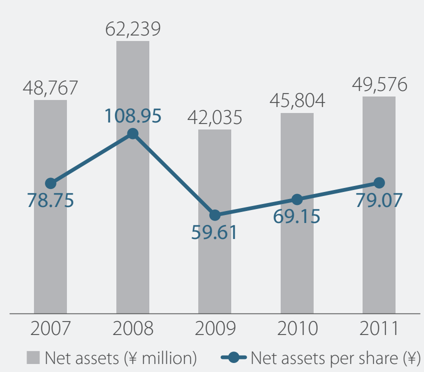
Despite a deterioration in accumulated comprehensive income as a result of changes in exchange rates, an increase in retained earnings from net income led to an increase in net assets of ¥3,772 million over the end of the previous fiscal year, to ¥49,576 million. As a result, the equity ratio improved by 1.2 percentage points compared with the end of the previous fiscal year, to 8.5%.

Net interest-bearing debt and net debt-equity ratio



* Net interest-bearing debt = Interest-bearing debt – Cash and bank deposits
* Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity

Net assets and net assets per share



Equity ratio

* Equity ratio = Shareholders' equity / Total assets
* Shareholders' equity = Net assets – Minority interests

Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 23, 2011.

The Group takes all risk that it faces on a daily basis in the course of its business very seriously. Risk control is undertaken through management mechanisms and methods tailored to the nature of each category of risk.

Market risk related to supply and demand and prices of goods traded

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and Information and Communication Technology (ICT) products. Grains and petroleum products will be influenced by market conditions, while electronic parts and ICT products are exposed to the risk of frequent price erosion caused by competition and obsolescence resulting from technological innovation. If our positions with these commodities increase, we could suffer an unexpected loss from fluctuations in commodities prices and reduced from purchasers, etc.

Foreign currency risk

The Group is engaged in foreign currency transactions in a number of currencies and terms incidental to its export and import trading. The Group not only transfers the risk of currency fluctuations to business partners in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

The Company also has local subsidiaries and business corporations overseas. Account balances at these companies are converted into yen at the exchange rates prevailing at the time of account closing, for the purposes of preparing consolidated financial statements. For this reason, net assets may change through translation adjustments associated with exchange rate fluctuations.

Interest rate risk

The Group raises most funds needed for operating and financing activities in the form of borrowings from financial institutions, some of which are at variable interest rates. Since these borrowings and fund management are exposed to an interest rate risk, interest paid by the Group may increase with a rise in interest rates.

Also, since certain companies in the Group adopt a defined benefit pension plan, the retirement benefit obligation could increase in the estimation of the Group if the discount rate used for the calculation of the retirement benefit obligation falls.

Price fluctuation risk of marketable securities, etc.

The Group may hold shares in trade partners as a means of strengthening its relationship with them. There is a risk of price fluctuation inherent in these shares, which could have an effect on the financial position of the Group through valuation differences in securities.

Since stocks and other securities are included in the portfolio of the pension assets of the Group for the purpose of making medium- and long-term investments, differences from the required investment yield could have an effect on the financial position of the Group, given that the investment yield will fall if the prices of the stocks, etc. fall.

Default risk and credit risk

The Group extends credit in a number of forms, including accounts receivable, advance payments, loans and guarantees in diverse business transactions with its trading partners in Japan and abroad. For this reason, late repayments and defaults may occur with developments such as a deterioration in the financial strength of its trading partners. The Group could also be forced to perform obligations that could be accompanied by a monetary loss in association with the conclusion and performance of a commodity supply agreement, a contract agreement, and subcontract agreement, or other agreements, irrespective of reasons, if the trade partner defaults on its obligation or contract.

Although we have set aside an allowance for these losses in our accounting procedures using certain estimates, an additional loss could arise if the loss exceeds the scope of the allowance.

Business investment risk

The Group makes business investments to achieve objectives, including deep mining of existing businesses and expansion of business areas. The Group decides whether to make such investments through procedures established according to their details and amounts. When making investment decisions, the Group evaluates and analyzes risk factors and the profitability of the business based on cash flows, taking the criteria for business withdrawal into account. After making an investment, the Group regularly reevaluates and reviews business potential and investment value to minimize any potential loss. The value of the business investments may fluctuate according to the financial conditions of investment targets and their business success or failure.

The range of market changes tends to be particularly wide in overseas businesses. Local laws and relationships with partners may also prevent the Group from executing its policy for operating or withdrawing from a business.

Country risk

The Group engages in transactions, loans and investments in other countries. The collection of receivables may be delayed or impossible as a result of political or economic developments in each of these countries. To minimize losses that could arise should these country risks become reality, the Group regularly sets a limit based on ratings given to each country and region according to the scale of their respective country risk, and operates its businesses in such a way that prevents overexposure to certain countries and regions. The Group takes steps such as enrolling in trade insurance programs, according to the ratings and project details in an attempt to minimize recovery risks. However, continuing transactions may become difficult if these risks actualize in certain countries and regions, and this development may affect the future business results of the Group.

Legal risk related to changes in laws

The business activities undertaken by the Group in Japan and overseas are subject to a wide range of legal regulations in Japan and other countries. The Group may become unable to continue certain transactions because of factors such as unexpected changes in laws, changes in export and import regulations, including a punitive tariff that could be introduced unilaterally following changes in the international political environment, and changes in regulations such as permits and licenses related to the sales and handling of products. An unexpected expense for the Group may also arise from a lawsuit or from an order issued by authorities. This risk also includes the risk that a tax rate or tax arrangements imposed by authorities or between countries under international taxation arrangements may change. Changes in these legal systems could influence the financial position and operating results of the Group.

Legal risk related to lawsuits and disputes

Business operations by the Group, and its assets and liabilities associated with the business operations may become subject to legal proceedings, including lawsuits, and other disputes, in various ways through the course of the business activities undertaken by the Group in Japan and overseas. These lawsuits and disputes are difficult to foresee. In addition, resolving disputes and lawsuits often takes a considerable time. Predicting outcomes involves uncertainties. Lawsuits and disputes may affect the financial position and business results of the Group when they emerge and produce unexpected results.

Security risk related to information systems and information security

The Group builds and operates information systems for sharing information and streamlining its operations. The Group has adopted information security control rules, and is taking steps to ensure that all members of the Group are familiar with crisis control responses, to meet the safety requirements for operating its information systems. However, information systems cannot be made entirely invulnerable to the unauthorized disclosure of business-sensitive information or personal information through unauthorized access, computer viruses and other means, as well as inoperability due to factors such as natural disasters, destruction of information system facilities attributable to accidents and other causes, and communication line troubles. Inoperability may reduce the efficiency of operations that depend on the systems, and seriously affect the future financial position and business results of the Group, depending on the scale of damages.

Product and facility deterioration risk due to natural disasters and accidents

The Group owns facilities, including business offices, warehouses and manufacturing plants, in Japan and overseas. Cargo movements take place not only in Japan but also between foreign countries when the Group engages in transactions. For these reasons, assets held by the Group may be damaged or deteriorate as a result of disasters, accidents and other developments in the course of transportation. In addition, the businesses of the Group may be suspended due to developments such as earthquakes, fire, floods and riots.

Compliance and fraud risk

The Group operates businesses to buy, sell and provide a broad array of products and services in Japan and overseas and carefully monitors laws and regulations, including those related to exports and imports that are established and enforced for these products and services in Japan and other countries. However, it is difficult to execute all procedures at all times across all of the trading operations we conduct with the involvement of multiple parties. Although we take a number of actions to prevent violations, there is a risk that we may overlook a violation of a law or an instance of fraud. If the violation or fraud is material, the financial position and operating results of the Group could be affected.

Business Continuity Plan

Recognizing the necessity of addressing the risk that the continuation of the Company's business activities may be impeded by the occurrence of a major natural disaster, a serious accident, or an epidemic of an infectious disease, we had drawn up a business continuity plan (BCP), but in consideration of the damage suffered by the Company as a result of the Great East Japan Earthquake of March 11, 2011, we have come to the conclusion that this BCP requires further improvement. We believe we must draw up a plan that enables us not only to ensure the safety of the Company's employees and their families in the event of a major disaster, but also to limit financial damage to a minimum and facilitate the continuity of the Company's business operations, for the benefit both of the Company itself and of our customers. We will continue to study and implement ways of enhancing the effectiveness of our business continuity plan.

Consolidated Balance Sheets

March 31, 2011 and 2010 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2011	Fiscal 2010	Fiscal 2011
	JPY	JPY	USD (Note 3)
Assets			
I. Current assets			
1. Cash and bank deposits (Note 7-3)	69,014	83,752	830,002
2. Notes and accounts receivable (Note 7-3)	146,546	133,153	1,762,431
3. Lease investment assets	606	552	7,292
4. Inventories (Note 7-1)	57,089	55,827	686,590
5. Short-term loans receivable	1,740	2,267	20,938
6. Deferred tax assets	3,581	1,774	43,077
7. Other	21,058	27,116	253,264
Allowance for doubtful accounts	(355)	(416)	(4,274)
Total current assets	299,283	304,027	3,599,320
II. Long-term assets			
1. Tangible fixed assets			
1) Leased property, net (Note 7-3)	2,563	2,722	30,833
2) Buildings and structures, net (Note 7-3)	5,149	5,118	61,926
3) Machinery, equipment, vehicle, tools and fixtures, net	4,781	5,557	57,507
4) Land (Note 7-3)	14,291	14,524	171,880
5) Lease assets, net	1,092	291	13,141
6) Construction in progress	5	3	66
Total tangible fixed assets (Note 7-2)	27,884	28,218	335,353
2. Intangible fixed assets	1,859	1,843	22,366
3. Investments and other assets			
1) Investments in securities (Notes 7-3, 7-4)	31,977	36,424	384,576
2) Long-term loans receivable	12,679	13,039	152,491
3) Doubtful accounts	14,006	15,125	168,454
4) Deferred tax assets	13,325	13,961	160,264
5) Other	9,894	9,175	118,998
Allowance for doubtful accounts	(22,236)	(23,187)	(267,421)
Total investments and other assets	59,648	64,539	717,362
Total long-term assets	89,392	94,601	1,075,080
Total assets	388,676	398,629	4,674,400

The accompanying notes are an integral part of these financial statements.

	Fiscal 2011 JPY	Fiscal 2010 JPY	Fiscal 2011 USD (Note 3)
Liabilities			
I. Current liabilities			
1. Notes and accounts payable	96,137	90,559	1,156,195
2. Import bills payable	27,119	23,591	326,153
3. Short-term borrowings (Note 7-3)	100,488	104,133	1,208,521
4. Lease obligations	572	328	6,888
5. Accrued income taxes	1,562	870	18,791
6. Deferred tax liabilities	1	—	13
7. Asset retirement obligations	6	—	79
8. Other	26,231	31,586	315,477
Total current liabilities	252,120	251,070	3,032,117
II. Non-current liabilities			
1. Long-term borrowings (Note 7-3)	73,138	88,969	879,601
2. Lease obligations	1,248	557	15,013
3. Deferred tax liabilities	364	388	4,387
4. Allowance for employees' retirement and severance benefits	2,516	2,648	30,261
5. Allowance for retirement benefits for directors and statutory auditors	617	655	7,427
6. Asset retirement obligations	847	—	10,197
7. Negative goodwill	—	132	—
8. Other (Note 7-3)	8,245	8,401	99,161
Total non-current liabilities	86,978	101,754	1,046,047
Total liabilities	339,099	352,824	4,078,165
Net assets			
I. Shareholders' equity			
1. Common stock	27,781	27,781	334,109
2. Capital surplus	27,606	27,644	332,005
3. Retained earnings (Deficit)	8,914	(261)	107,208
4. Treasury stock	(569)	(639)	(6,844)
Total shareholders' equity	63,732	54,524	766,476
II. Accumulated other comprehensive income			
1. Net unrealized gains (losses) on securities, net of tax	(166)	57	(2,003)
2. Net gains (losses) on deferred hedges, net of tax	(143)	262	(1,725)
3. Revaluation reserves for land (Note 7-5)	58	58	698
4. Foreign currency translation adjustments	(30,379)	(25,986)	(365,353)
Total accumulated other comprehensive income	(30,631)	(25,608)	(368,383)
III. Minority interests in consolidated subsidiaries	16,475	16,887	198,142
Total net assets	49,576	45,804	596,236
Total liabilities and net assets	388,676	398,629	4,674,400

Consolidated Statements of Income

For the years ended March 31, 2011 and 2010 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2011		Fiscal 2010		Fiscal 2011	
	JPY		JPY		USD (Note 3)	
I. Net sales		936,891		861,277		11,267,492
II. Cost of sales (Note 8-1)		859,986		787,173		10,342,597
Gross profit		76,905		74,104		924,895
III. Selling, general and administrative expenses (Note 8-2)						
1. Salaries and bonuses	23,104		23,627		277,860	
2. Retirement benefit expenses	1,573		2,276		18,929	
3. Outsourcing service charges	7,659		7,895		92,121	
4. Provision for doubtful accounts	88		109		1,063	
5. Other	26,449	58,875	28,010	61,918	318,095	708,068
Operating income		18,029		12,186		216,827
IV. Non-operating income						
1. Interest income	574		702		6,903	
2. Dividend income	1,188		691		14,290	
3. Foreign exchange gains	—		569		—	
4. Other	1,331	3,093	1,294	3,258	16,008	37,202
V. Non-operating expenses						
1. Interest expenses	4,346		4,356		52,271	
2. Equity in losses of affiliates	374		878		4,507	
3. Foreign exchange losses	415		—		4,991	
4. Other	1,728	6,864	1,971	7,206	20,789	82,558
Ordinary income		14,257		8,238		171,472
VI. Extraordinary gains						
1. Gain on sale of fixed assets (Note 8-3)	52		224		627	
2. Gain on sale of investments in securities	495		611		5,959	
3. Gain on liquidation of subsidiaries and affiliates	4		228		57	
4. Gain on reversal of allowance for doubtful accounts	487		986		5,865	
5. Gain on negative goodwill	103	1,143	—	2,050	1,249	13,756
VII. Extraordinary losses						
1. Loss on disposal of fixed assets (Note 8-4)	92		158		1,117	
2. Impairment loss on fixed assets (Note 8-5)	252		142		3,041	
3. Loss on sale of investments in securities	464		207		5,586	
4. Impairment loss on investments in securities	560		434		6,738	
5. Loss on closure of business	—		109		—	
6. Loss on liquidation of business	—		300		—	
7. Loss on adjustment for changes of accounting standard for asset retirement obligations	436		—		5,254	
8. Loss on disaster (Note 8-6)	563		—		6,775	
9. Loss on lawsuits	—	2,370	529	1,882	—	28,512
Income before income taxes and minority interests		13,030		8,407		156,716
Income taxes – current	3,244		2,606		39,014	
Income taxes – deferred	(800)	2,443	1,008	3,614	(9,628)	29,386
Income before minority interests		10,587		—		127,329
Minority interests in consolidated subsidiaries		1,412		1,264		16,982
Net income		9,175		3,528		110,348

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2011 and 2010   Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2011	Fiscal 2010	Fiscal 2011
	JPY	JPY	USD (Note 3)
I. Income before minority interests	10,587	—	127,329
II. Other comprehensive income			
1. Net unrealized losses on securities, net of tax	(272)	—	(3,280)
2. Net losses on deferred hedges, net of tax	(390)	—	(4,695)
3. Foreign currency translation adjustments	(4,703)	—	(56,561)
4. Share of other comprehensive income of associates accounted for equity method	(79)	—	(958)
Total other comprehensive income (Note 9-2)	(5,445)	—	(65,493)
Comprehensive income (Note 9-1)	5,141	—	61,836
Comprehensive income attributable to the shareholders of the Company	4,152	—	49,940
Comprehensive income attributable to minority interests	989	—	11,896

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2011 and 2010 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2011	Fiscal 2010	Fiscal 2011
	JPY	JPY	USD (Note 3)
I. Shareholders' equity			
1. Common stock			
Balance at the beginning of the fiscal year	27,781	27,781	334,109
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	27,781	27,781	334,109
2. Capital surplus			
Balance at the beginning of the fiscal year	27,644	27,644	332,465
Changes during the fiscal year			
Disposition of treasury stock	(38)	—	(461)
Total changes during the fiscal year	(38)	—	(461)
Balance at the end of the fiscal year	27,606	27,644	332,005
3. Retained earnings (Deficit)			
Balance at the beginning of the fiscal year	(261)	(3,786)	(3,140)
Changes during the fiscal year			
Net income	9,175	3,528	110,348
Disposition of treasury stock	—	(2)	—
Total changes during the fiscal year	9,175	3,525	110,348
Balance at the end of the fiscal year	8,914	(261)	107,208
4. Treasury stock			
Balance at the beginning of the fiscal year	(639)	(632)	(7,694)
Changes during the fiscal year			
Acquisition of treasury stock	(11)	(13)	(133)
Disposition of treasury stock	81	5	983
Effect of changes in the shares of equity-method affiliates	(0)	(0)	(1)
Total changes during the fiscal year	70	(7)	850
Balance at the end of the fiscal year	(569)	(639)	(6,844)
5. Total shareholders' equity			
Balance at the beginning of the fiscal year	54,524	51,006	655,740
Changes during the fiscal year			
Net income	9,175	3,528	110,348
Acquisition of treasury stock	(11)	(13)	(133)
Disposition of treasury stock	43	3	522
Effect of changes in the shares of equity-method affiliates	(0)	(0)	(1)
Total changes during the fiscal year	9,207	3,518	110,736
Balance at the end of the fiscal year	63,732	54,524	766,476

	Fiscal 2011	Fiscal 2010	Fiscal 2011
	JPY	JPY	USD (Note 3)
II. Accumulated other comprehensive income			
1. Net unrealized gains (losses) on securities, net of tax			
Balance at the beginning of the fiscal year	57	(891)	696
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(224)	949	(2,699)
Total changes during the fiscal year	(224)	949	(2,699)
Balance at the end of the fiscal year	(166)	57	(2,003)
2. Net gains (losses) on deferred hedges, net of tax			
Balance at the beginning of the year	262	173	3,152
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(405)	88	(4,877)
Total changes during the fiscal year	(405)	88	(4,877)
Balance at the end of the fiscal year	(143)	262	(1,725)
3. Revaluation reserves for land			
Balance at the beginning of the fiscal year	58	58	698
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	58	58	698
4. Foreign currency translation adjustments			
Balance at the beginning of the fiscal year	(25,986)	(25,409)	(312,521)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(4,393)	(576)	(52,832)
Total changes during the fiscal year	(4,393)	(576)	(52,832)
Balance at the end of the fiscal year	(30,379)	(25,986)	(365,353)
5. Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	(25,608)	(26,070)	(307,976)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(5,022)	461	(60,408)
Total changes during the fiscal year	(5,022)	461	(60,408)
Balance at the end of the fiscal year	(30,631)	(25,608)	(368,383)
III. Minority interests in consolidated subsidiaries			
Balance at the beginning of the fiscal year	16,887	17,099	203,101
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(412)	(211)	(4,959)
Total changes during the fiscal year	(412)	(211)	(4,959)
Balance at the end of the fiscal year	16, 475	16,887	198,142
IV. Total net assets			
Balance at the beginning of the fiscal year	45,804	42,035	550,866
Changes during the fiscal year			
Net income	9,175	3,528	110,348
Acquisition of treasury stock	(11)	(13)	(133)
Disposition of treasury stock	43	3	522
Effect of changes in the shares of equity-method affiliates	(0)	(0)	(1)
Net changes of items other than shareholders' equity during the fiscal year	(5,435)	250	(65,366)
Total changes during the fiscal year	3,772	3,768	45,370
Balance at the end of the fiscal year	49,576	45,804	596,236

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2011 and 2010   Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2011	Fiscal 2010	Fiscal 2011
	JPY	JPY	USD (Note 3)
I. Cash flows from operating activities			
Income before income taxes and minority interests	13,030	8,407	156,716
Depreciation and amortization	2,555	3,071	30,731
Increase in allowance for doubtful accounts	60	158	731
Decrease in allowance for employees' retirement and severance benefits	(119)	(257)	(1,436)
Interest and dividends income	(1,762)	(1,394)	(21,194)
Interest expenses	4,346	4,356	52,271
Equity in losses of affiliates	374	878	4,507
(Gain) loss on disposal of fixed assets	40	(65)	490
Impairment loss on fixed assets	252	142	3,041
Loss on adjustment for changes of accounting standard for asset retirement obligations	436	—	5,254
Loss on disaster	563	—	6,775
Gain on sale of investments in securities, net	(30)	(404)	(372)
Impairment loss on investments in securities	560	434	6,738
Gain on reversal of allowance for doubtful accounts	(487)	(986)	(5,865)
Loss on closure of business	—	109	—
Loss on lawsuits	—	529	—
(Increase) decrease in notes and accounts receivable	(21,167)	10,739	(254,573)
(Increase) decrease in inventories	(3,103)	4,659	(37,325)
Increase (decrease) in notes and accounts payable	13,950	9,596	167,772
Other	3,424	(5,392)	41,180
Sub total	12,924	34,582	155,440
Interest and dividends received	1,698	1,374	20,421
Interest paid	(4,390)	(4,375)	(52,807)
Income taxes paid	(2,339)	(4,000)	(28,131)
Payments for loss on lawsuits	—	(1,140)	—
Payments for loss on disaster	(64)	—	(782)
Net cash provided by operating activities	7,827	26,441	94,142
II. Cash flows from investing activities			
(Increase) decrease in time deposits, net	17,652	(18,907)	212,302
Payments for tangible fixed assets	(1,210)	(1,167)	(14,562)
Proceeds from sales of tangible fixed assets	419	1,111	5,051
Payments for intangible fixed assets	(670)	(999)	(8,067)
Payments for investments in securities	(450)	(1,094)	(5,424)
Proceeds from sales of investments in securities	1,274	946	15,332
Payments for purchase of investments in subsidiaries	(217)	(237)	(2,617)
Increase in loans receivable	(2,786)	(2,052)	(33,517)
Proceeds from collection of loans receivable	3,496	2,947	42,048
Other	(184)	306	(2,214)
Net cash used in investing activities	17,322	(19,149)	208,333
III. Cash flows from financing activities			
Decrease in short-term borrowings, net	(9,192)	(16,661)	(110,549)
Proceeds from long-term borrowings	48,531	36,614	583,656
Repayments of long-term borrowings	(58,680)	(40,640)	(705,715)
Proceeds on issuance of common stock	—	60	—
Other	(1,323)	(944)	(15,914)
Net cash used in financing activities	(20,664)	(21,572)	(248,523)
IV. Effect of exchange rate changes on cash and cash equivalents	(1,677)	104	(20,170)
V. Net increase (decrease) in cash and cash equivalents	2,808	(14,176)	33,782
VI. Cash and cash equivalents at beginning of year	64,479	78,655	775,461
VII. Effect of the change in scope of consolidated subsidiaries	137	0	1,655
VIII. Cash and cash equivalents at end of year (Note 11-1)	67,426	64,479	810,897

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the years ended March 31, 2011 and 2010 Kanematsu Corporation and Consolidated Subsidiaries

1. Basis of Preparing Consolidated Financial Statements

1. The method of producing the consolidated financial statements

The consolidated financial statements of Kanematsu Corporation (the "Company") are prepared in accordance with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No.28, 1976; hereinafter, the "Regulations"). The consolidated financial statements for the fiscal year ended March 31, 2010 are prepared in accordance with the Regulations prior to the revision, while the consolidated financial statements for the fiscal year ended March 31, 2011 are prepared in accordance with the Regulations after the revision.

The Company and its domestic consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan and the Financial Instruments and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

2. Japanese yen amount

Amounts less than one million yen have been omitted, since the Regulations require such amounts to be rounded down for presentation. As a result, the totals shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances or breakdowns.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

Fiscal 2011	Fiscal 2010
(1) Number of consolidated subsidiaries: 79 In the current fiscal year, 3 companies were added to the scope of consolidation due to new establishment and the increase in significance, while 5 companies were excluded from the scope of consolidation due to merger or liquidation.	**(1) Number of consolidated subsidiaries: 81** In the current fiscal year, 1 company was added to the scope of consolidation due to the increase in significance, while 9 companies were excluded from the scope of consolidation due to merger, liquidation or sale of shares.
(2) Unconsolidated subsidiaries 5 companies were not included in the scope of consolidation.	**(2) Unconsolidated subsidiaries** 9 companies were not included in the scope of consolidation.
(3) Reason that certain subsidiaries were excluded from the scope of consolidation 5 unconsolidated subsidiaries were excluded from consolidation as they were immaterial to the Company in terms of their total assets, net sales, net income and retained earnings, individually and in the aggregate.	**(3) Reason that certain subsidiaries were excluded from the scope of consolidation** 9 unconsolidated subsidiaries were excluded from consolidation as they were immaterial to the Company in terms of their total assets, net sales, net income and retained earnings, individually and in the aggregate.

(b) Application of Equity Method

Fiscal 2011	Fiscal 2010
(1) Number of unconsolidated subsidiaries to which the equity method was applied: 4 4 subsidiaries out of 5 unconsolidated subsidiaries were accounted for by the equity method. In the current fiscal year, 2 companies were excluded from accounting via the equity method due to being consolidated for the increase in significance and liquidation.	**(1) Number of unconsolidated subsidiaries to which the equity method was applied: 6** 6 subsidiaries out of 9 unconsolidated subsidiaries were accounted for by the equity method. In the current fiscal year, 1 company was excluded from accounting via the equity method due to the increase in significance and was consolidated.
(2) Number of affiliated companies to which the equity method was applied: 28 Among 33 affiliated companies, the equity method was applied to investments in 28 companies. In the current fiscal year, 1 company was added to the scope of consolidation due to incorporation and 1 company was excluded from accounting via the equity method due to sale of shares.	**(2) Number of affiliated companies to which the equity method was applied: 28** Among 33 affiliated companies, the equity method was applied to investments in 28 companies.
(3) Reason that the equity method was not applied to certain affiliated companies The 1 unconsolidated subsidiary and 5 affiliated companies to which the equity method was not applied were immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.	**(3) Reason that the equity method was not applied to certain affiliated companies** The 3 unconsolidated subsidiaries and 5 affiliated companies to which the equity method was not applied were immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.
(Changes in accounting policies) Effective from the current fiscal year, the Company applied the "Accounting Standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan (ASBJ) Statement No.16 dated March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No.24 dated on March 10, 2008). There was no impact on net income for the current fiscal year.	

(c) Fiscal Year-ends of Consolidated Subsidiaries

Fiscal 2011	Fiscal 2010
Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date were as follows: Name of consolidated subsidiary — Year-end date Kanematsu USA — December 31 Kanematsu GmbH — December 31 Kanematsu Australia — December 31 Kanematsu Europe — December 31 KG Aircraft Leasing — December 31 30 other companies In preparing the consolidated financial statements, the financial statements of 35 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, were used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates were appropriately adjusted for in consolidation.	Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date were as follows: Name of consolidated subsidiary — Year-end date Kanematsu USA — December 31 Kanematsu GmbH — December 31 Kanematsu Australia — December 31 Kanematsu Europe — December 31 KG Aircraft Leasing — December 31 31 other companies In preparing the consolidated financial statements, the financial statements of 36 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, were used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates were appropriately adjusted for in consolidation.

(d) Short-term Investments and Investments in Securities

Fiscal 2011	Fiscal 2010
(1) Held-to-maturity bonds Debt securities were stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities.	**(1) Held-to-maturity bonds** Same as fiscal 2011.
(2) Other securities (Non-trading purpose) * Marketable securities Marketable securities are stated at fair value. Net unrealized gains or losses on securities recorded in "Net assets" are net of tax amounts. The cost for marketable securities that have been sold is determined using the moving average method. The fair value is determined primary based on the average of daily market price for one-month prior to the fiscal year-end. * Non-marketable securities The non-marketable securities are stated at cost using the moving average method.	**(2) Other securities (Non-trading purpose)** * Marketable securities Same as fiscal 2011. * Non-marketable securities Same as fiscal 2011.

(e) Derivatives

Fiscal 2011	Fiscal 2010
Fair value method.	Same as fiscal 2011.

(f) Inventories

Fiscal 2011	Fiscal 2010
Cost method principally determined by the moving average method (carried at the lower of cost or market value on the balance sheet).	Same as fiscal 2011.

(g) Property and Equipment

Fiscal 2011	Fiscal 2010
(1) Tangible fixed assets (excluding lease assets) The declining balance method is used for tangible fixed assets other than buildings (excluding auxiliary equipment) and leased property. The straight-line method is used for buildings (excluding auxiliary equipment) and for leased property. The ranges of principal estimated useful lives are as follows. Buildings and structures — 3 – 50 years Machinery, equipment, vehicle, tools and fixtures — 2 – 25 years	**(1) Tangible fixed assets** Same as fiscal 2011.
(2) Lease assets Depreciation on lease assets is recorded using the straight-line method over the lease term, assuming a residual value of zero. Finance lease transactions that commenced on or before March 31, 2008 are accounted for as operating leases.	**(2) Lease assets** Same as fiscal 2011.

(h) Allowance for Doubtful Accounts

Fiscal 2011	Fiscal 2010
The Company and its consolidated subsidiaries (The "Companies") provide an allowance for doubtful accounts to cover credit losses, based on estimates of collectibility of individual accounts and past bad debt loss experiences.	Same as fiscal 2011.

(i) Allowance for Employees' Retirement and Severance Benefits

Fiscal 2011	Fiscal 2010
The Company and certain of its subsidiaries provide for retirement allowances based on the present value of projected benefit obligations and the fair value of the plan assets at year-end. Except for certain domestic consolidated subsidiaries who recognize service costs as expenses upon their occurrence, prior service costs are amortized as expenses using the straight-line method over five years, a predetermined number of years, within the average expected remaining service period of the employees. Actuarial gains and losses are amortized by the straight-line method over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized.	The Company and certain of its subsidiaries provide for retirement allowances based on the present value of projected benefit obligations and the fair value of the plan assets at year-end. Except for certain domestic consolidated subsidiaries who recognize service costs as expenses upon their occurrence, prior service costs are amortized as expenses using the straight-line method over five years, a predetermined number of years, within the average expected remaining service period of the employees. Actuarial gains and losses are amortized by the straight-line method over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized. (Changes in accounting policies) The Company and certain of its subsidiaries have applied the "Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No.19 dated on July 31, 2008) from April 1, 2009. As actuarial gains and losses are amortized from the following fiscal year, this change has no effects to operating income, ordinary income and income before income taxes and minority interests. Unamortized net actuarial losses caused by this change are ¥377 million.

(j) Allowance for Loss on Guarantees

Fiscal 2011	Fiscal 2010
The Companies provide an allowance for potential loss on guarantees provided by the Companies on unconsolidated subsidiaries, affiliated companies or others considering their financial conditions.	Same as fiscal 2011.

(k) Allowance for Loss on Lawsuits

Fiscal 2011	Fiscal 2010
The Companies provide an allowance for potential losses on lawsuits.	Same as fiscal 2011.

(l) Allowance for Retirement Benefits for Directors and Statutory Auditors

Fiscal 2011	Fiscal 2010
The Company and certain of its subsidiaries provide an allowance for retirement benefits for directors and statutory auditors, which is calculated by estimating the required payable as of the balance sheet date in accordance with the internal rules.	Same as fiscal 2011.

(m) Translation of Foreign Currencies

Fiscal 2011	Fiscal 2010
All monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates prevailing at the balance sheet date. Resulting translation gains and losses are included in determination of net income for the period. The financial statements of overseas subsidiaries are translated at current exchange rates on the closing date except for shareholders' equity which is translated at historical acquisition date exchange rates. Differences in yen amounts arising from this translation are shown as "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries" recorded in "Net assets."	Same as fiscal 2011.

(n) Hedge Accounting

Fiscal 2011	Fiscal 2010
(1) Hedge accounting method The Company and certain of its consolidated subsidiaries apply hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods. For certain interest rate swaps designated as hedging instruments that meet specific matching criteria, the amounts received or paid under such interest rate swap agreements are added to or deducted from the interest on the hedged assets or liabilities when paid. For certain forward exchange contracts designated as hedging instruments that meet specific matching criteria, the hedged assets or liabilities are measured by contract rate.	**(1) Hedge accounting method** Same as fiscal 2011.
(2) Hedging instruments and hedged items (Hedging instruments) * Commodity-related Commodity futures contracts / Commodity forward contracts * Foreign exchange-related Forward exchange contracts / Foreign currency swaps / Foreign currency options * Interest rate-related Interest rate swaps / Interest rate options (Hedged items) * Commodity-related Forecasted transactions on commodity trading * Foreign exchange-related Foreign currency-denominated monetary assets and liabilities Forecasted foreign currency transactions * Interest-related Borrowings	**(2) Hedging instruments and hedged items** Same as fiscal 2011.
(3) Hedging policy The Company and certain of its consolidated subsidiaries have internal policies to utilize the above hedging instruments for the purpose of reducing their exposures to the risk of fluctuations in commodity prices, foreign currencies and interest rates for their operating and financing activities.	**(3) Hedging policy** Same as fiscal 2011.
(4) Method of evaluating the effectiveness of hedging activities The Company and certain of its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing accumulated fluctuations in prices or cash flows of the hedged items with those of the hedging instruments and examined the degree of their correlation.	**(4) Method of evaluating the effectiveness of hedging activities** Same as fiscal 2011.
(5) Other Risk management is performed by the management division, which is independent of the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.	**(5) Other** Same as fiscal 2011.

(o) Amortization of Goodwill

Fiscal 2011	Fiscal 2010
Goodwill whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise goodwill is amortized over 5 years using the straight-line method. Negative goodwill which was recognized by business combinations before April 1, 2010 and whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise negative goodwill is amortized over 5 years using the straight-line method.	Goodwill and negative goodwill whose amortization period can be reasonably estimated are amortized over the estimated period. Otherwise goodwill and negative goodwill are amortized over five years using the straight-line method.

(p) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Fiscal 2011	Fiscal 2010
Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand, bank deposits on demand, and highly liquid short-term investments, generally with original maturities of three months or less, that are readily convertible to cash for which the risk of changes in value is insignificant.	Same as fiscal 2011.

(q) Consumption Taxes

Fiscal 2011	Fiscal 2010
Consumption tax and local consumption tax on goods and services are not included in the revenue and expense amounts subject to such taxes in the accompanying consolidated statements of income.	Same as fiscal 2011.

(r) Consolidated Tax Return

Fiscal 2011	Fiscal 2010
The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.	Same as fiscal 2011.

(s) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Fiscal 2011	Fiscal 2010
Not applicable.	The Company applies the full mark-to-market method for the valuation of assets and liabilities of consolidated subsidiaries at the time of their acquisition.

3. United States Dollar Amounts

The U.S. dollar amounts appearing in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars at the rate of ¥83.15 to U.S.$1.00, the exchange rate prevailing on March 31, 2011. The translation of such dollar amounts is solely for convenience of the readers outside Japan and does not imply those yen amounts have been or could be readily converted, realized or settled in dollars at the above, or any other rate.

4. Significant Accounting Changes

Fiscal 2011	Fiscal 2010
(Accounting Standard for Asset Retirement Obligations) Effective from the current fiscal year, the Company applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 dated on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 dated on March 31, 2008). As a result of the change, operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2011 decreased by ¥56 million ($676 thousand) and ¥493 million ($5,930 thousand), respectively.	Not applicable.
(Accounting Standard for Business Combinations) Effective from the current fiscal year, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 dated on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 dated on December 26, 2008), the "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 dated on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ statement No.7 dated on December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 dated on December 26, 2008).	Not applicable.

5. Changes to Presentation Methods

Fiscal 2011	Fiscal 2010
(Consolidated statements of income) Due to the application of the "Cabinet Office Ordinance of Partial Revision to the Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, dated on March 24, 2009) based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 dated on December 26, 2008), "Income before minority interests" is presented in the consolidated statements of income from the current fiscal year.	(Consolidated statements of income) "Foreign exchange gains" is separately disclosed for the current fiscal year, as it has exceeded the 10 percent of "Non-operating income" amount. The amount of "Foreign exchange losses" that is included in "Other" in "Non-operating expenses" in the previous fiscal year is ¥719 million.

6. Supplementary Information

Fiscal 2011	Fiscal 2010
Effective from the current fiscal year, the Company applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, dated on June 30, 2010). However, the amounts for "accumulated other comprehensive income" and "total accumulated other comprehensive income" for the previous fiscal year are the amounts of "valuation and translation adjustments" and "total valuation and translation adjustments" in the consolidated financial statements of the previous fiscal year.	Not applicable.

7. Notes to Consolidated Balance Sheets

Fiscal 2011

1. Details of inventories are as follows

	JPY	USD
Merchandise and finished goods	54,597	656,613
Real estate for sale	921	11,082
Raw materials and supplies	1,043	12,554
Work in progress	527	6,342
Total	57,089	686,590

2. The amount of accumulated depreciation of tangible fixed assets is ¥31,115 million ($374,215 thousand).

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY	USD
Bank deposits	16	192
Notes receivable	1,867	22,465
Fixed assets for lease	2,338	28,120
Buildings and structures	42	508
Land	84	1,012
Investments in securities	139	1,677
Total	4,488	53,975

Details of associated secured obligations are as follows:

	JPY	USD
Short-term borrowings	3,774	45,400
Long-term borrowings	1,603	19,282
Non-current liabilities and others	1,289	15,504
Guaranteed obligations	4	51

In addition to the foregoing pledged assets, the following items are tendered as security deposit or substitution for trading.

	JPY	USD
Bank deposits	3	36
Investments in securities	1,827	21,974
Total	1,830	22,011

4. Investments in securities included the following accounts of unconsolidated subsidiaries and affiliated companies.

	JPY	USD
Investments in securities	6,077	73,090
(Share stocks)	(5,634)	(67,767)
(Equity interest)	(442)	(5,323)

Fiscal 2010

1. Details of inventories are as follows

	JPY
Merchandise and finished goods	52,783
Real estate for sale	947
Raw materials and supplies	1,056
Work in progress	1,038
Total	55,827

2. The amount of accumulated depreciation of tangible fixed assets is ¥30,192 million.

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY
Bank deposits	29
Notes receivable	1,869
Fixed assets for lease	2,564
Buildings and structures	323
Land	237
Investments in securities	139
Total	5,164

Details of associated secured obligations are as follows:

	JPY
Short-term borrowings	4,862
Long-term borrowings	1,188
Non-current liabilities and others	1,355
Guaranteed obligations	13

In addition to the foregoing pledged assets, the following items are tendered as security deposit or substitution for trading.

	JPY
Bank deposits	3
Investments in securities	2,023
Total	2,026

4. Investments in securities included the following accounts of unconsolidated subsidiaries and affiliated companies.

	JPY
Investments in securities	6,703
(Share stocks)	(6,255)
(Equity interest)	(447)

Fiscal 2011	Fiscal 2010
5. Revaluation reserves for land	**5. Revaluation reserves for land**
Hokushin Co., Ltd. and KANEYO Co., Ltd., equity-method affiliates of the Company, revalued land held for business in accordance with the "Law Concerning Revaluation of Land" (Law No.34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (Law No.24 enacted on March 31, 1999 and Law No.19 enacted on March 31, 2001). These equity-method affiliates recorded unrealized gains on revaluation, net of tax, as valuation and translation adjustment under the Laws. The Company's investments in these affiliates increased by an amount equal to the unrealized gains on revaluation of land.	Same as fiscal 2011.

6. Liability for guarantee

Fiscal 2011: Guarantees are provided to unconsolidated subsidiaries on their borrowings from third-party financial institutions as follows:

Name of obligor	JPY	USD
Century Textile Industry	877	10,556
True Corporation Public	407	4,903
Japan Logistics	118	1,425
Others	1,957	23,544
Total	3,361	40,428

Keep-well or agreements similar to guarantees are included in the above accounts.

Fiscal 2010: Guarantees are provided to unconsolidated subsidiaries on their borrowings from third-party financial institutions as follows:

Name of obligor	JPY
Century Textile Industry	1,052
True Corporation Public	407
Watana Inter-trade	163
Others	2,884
Total	4,507

Keep-well or agreements similar to guarantees are included in the above accounts.

Fiscal 2011	Fiscal 2010
7. The amount of discounted notes receivable is ¥11,736 million ($141,144 thousand), of which ¥11,138 million ($133,955 thousand) was for discounted export bills, and the amount of endorsed notes receivable is ¥92 million ($1,118 thousand).	**7.** The amount of discounted notes receivable is ¥7,272 million, of which ¥6,335 million was for discounted export bills, and the amount of endorsed notes receivable is ¥99 million.

8. Notes to Consolidated Statements of Income

Fiscal 2011	Fiscal 2010
1. Loss on devaluation of inventories	**1. Loss on devaluation of inventories**
Inventories are carried at the lower of cost or market value in the balance sheet. A loss on devaluation of inventories of ¥217 million ($2,614 thousand) was included in cost of sales.	Inventories are carried at the lower of cost or market value in the balance sheet. As a result of offsetting a loss on devaluation of inventories in the current fiscal year against a reversal of loss on devaluation of inventories in the previous fiscal year, a net ¥395 million of reversal of loss on devaluation of inventories was included in cost of sales.
2. Research and development expenses	**2. Research and development expenses**
Research and development expenses are included in general and administrative expenses: ¥397 million ($4,783 thousand).	Research and development expenses are included in general and administrative expenses: ¥364 million.

3. Gain on sale of fixed assets

Fiscal 2011: Details of gain on sale of fixed assets are as follows:

	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	25	307
Land	18	224
Others	7	96
Total	52	627

Fiscal 2010: Details of gain on sale of fixed assets are as follows:

	JPY
Machinery, equipment, vehicle, tools and fixtures	222
Others	2
Total	224

4. Loss on disposal of fixed assets

Fiscal 2011: Details of loss on disposal of fixed assets are as follows:

	JPY	USD
Buildings and structures	25	309
Machinery, equipment, vehicle, tools and fixtures	21	255
Land	19	231
Intangible fixed assets	11	135
Others	15	187
Total	92	1,117

Fiscal 2010: Details of loss on disposal of fixed assets are as follows:

	JPY
Machinery, equipment, vehicle, tools and fixtures	55
Land	49
Buildings and structures	38
Others	15
Total	158

Fiscal 2011

5. Impairment loss on fixed assets

The Companies recorded impairment loss on fixed assets in the current fiscal year, which are summarized in the following table.

Use	Location	Type	JPY	USD
Business assets	Fukuoka, Japan	Buildings, etc.	9	118
Idle assets	Hyogo, Japan	Buildings, land, etc.	185	2,228
Idle assets	Tokyo, Japan	Telephone subscription rights	57	696
Total			252	3,041

The Company assesses impairment losses for business assets by grouping the assets for each business operating unit, on the managerial accounting basis. For idle assets, impairment is assessed individually.

For the business assets with lower profitability, impairment losses of ¥9 million ($118 thousand) were recorded as an extraordinary loss by reducing their carrying amounts to their recoverable amounts. Out of ¥9 million ($118 thousand) of the impairment losses, ¥8 million ($103 thousand) was for buildings and structures and ¥1 million ($15 thousand) was for others.

For the idle assets which the Company has no plan to use in the future, ¥243 million ($2,924 thousand) of impairment losses were recorded as an extraordinary loss by reducing their carrying amounts to memorandum value. Out of ¥243 million ($2,924 thousand) of the impairment losses, ¥33 million ($403 thousand) was for buildings and structures, ¥0 million ($3 thousand) was for machinery, equipment, vehicle, tools and fixtures, ¥151 million ($1,821 thousand) was for land and ¥57 million ($696 thousand) was for telephone subscription rights.

The recoverable value is whichever greater, net selling value or value in use. Net selling value is estimated based on the appraisal of professional real estate appraisers, and value in use is calculated using discounted future cash flows with the discount rate of 2.89 %.

6. Loss on disaster was recorded in connection with the Great East Japan Earthquake of March 11, 2011. The detail of loss on disaster is as follows:

	JPY	USD
Loss on damage of inventories	454	5,471
Relief and recovery support money	57	692
Cost of restoration of fixed assets	40	481
Loss on damage of fixed assets	6	78
Others	4	52
Total	563	6,775

Fiscal 2010

5. Impairment loss on fixed assets

The Companies recorded impairment loss on fixed assets in the current fiscal year, which are summarized in the following table.

Use	Location	Type	JPY
Business assets	Fukuoka, Japan	Buildings, land, etc.	142
Total			142

The Company assesses impairment losses for business assets by grouping the assets for each business operating unit, on the managerial accounting basis.

For the business assets with lower profitability due to recent declining market prices and performance in real estate and overall deterioration of economic environment, impairment losses of ¥142 million were recorded as extraordinary loss from reducing their carrying amounts to their recoverable amounts. The breakdown of the impairment losses is as follows: ¥80 million for land, ¥47 million for buildings and structures, ¥13 million for machinery, equipment, vehicle, tools and fixtures, and ¥2 million for others.

The greater of net selling or use value is used as the recoverable value for business assets. The net selling value is based on appraisal provided by professional real estate appraisers, and the use value is calculated by discounted future cash flows using an interest rate of 3.0%.

6. Not applicable.

9. Notes to Consolidated Statements of Comprehensive Income

Fiscal 2011

1. Comprehensive income of previous fiscal year

	JPY	USD
Comprehensive income attributable to the shareholders of the Company	3,990	47,987
Comprehensive income attributable to minority interests	1,322	15,902
Total	5,312	63,889

2. Other comprehensive income of previous fiscal year

	JPY	USD
Net unrealized gains on securities, net of tax	979	11,774
Net gains on deferred hedges, net of tax	52	630
Foreign currency translation adjustments	(554)	(6,671)
Share of other comprehensive income of associates accounted for equity method	43	521
Total	520	6,254

10. Notes to Consolidated Statements of Changes in Net Assets

Fiscal 2011

Class and number of shares issued and treasury stock

	Number of shares at end of previous term (thousand shares)	Increase in shares during the term (thousand shares)	Decrease in shares during the term (thousand shares)	Number of shares at end of term (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	4,303	145	570	3,878
Total	4,303	145	570	3,878

(Notes) 1. The breakdown of the increase of 145 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 145 thousand shares
The Company's portion of treasury stock (the Company's stock) added due to changes in shares to companies applied equity method that attributes to the Company: 0 thousand shares
2. The breakdown of the decrease of 570 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 570 thousand shares

Fiscal 2010

Class and number of shares issued and treasury stock

	Number of shares at end of previous term (thousand shares)	Increase in shares during the term (thousand shares)	Decrease in shares during the term (thousand shares)	Number of shares at end of term (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	4,173	166	36	4,303
Total	4,173	166	36	4,303

(Notes) 1. The breakdown of the increase of 166 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 165 thousand shares
The Company's portion of treasury stock (the Company's stock) added due to changes in shares to companies applied equity method that attributes to the Company: 0 thousand shares
2. The breakdown of the decrease of 36 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 36 thousand shares

11. Notes to Consolidated Statements of Cash Flows

Fiscal 2011

1. Cash and cash equivalents as of March 31, 2011, consist of the following:

	JPY	USD
Cash and bank deposits	69,014	830,002
Time deposits which deposit terms exceed three months	(1,588)	(19,105)
Cash and cash equivalents	67,426	810,897

Fiscal 2010

1. Cash and cash equivalents as of March 31, 2010, consist of the following:

	JPY
Cash and bank deposits	83,752
Time deposits which deposit terms exceed three months	(19,273)
Cash and cash equivalents	64,479

12. Lease Transactions

Fiscal 2011

<Leases as Lessee>

1. Finance leases

Finance leases are leases for which the ownership of the leased property is not transferred to the lessees.

[1] Detail of lease assets

Tangible fixed assets

Principally the machinery for food business (Machinery, equipment, vehicle, tools and fixtures).

[2] Depreciation method of lease assets

Described in Note 2. Summary of Significant Accounting Policies, (g) Property and Equipment.

The finance lease transactions commenced on or before March 31, 2008 which are accounted for as operating leases, are as follows:

(1) Acquisition cost, accumulated depreciation and balance at the end of the term of leased property:

	Acquisition cost		Accumulated depreciation		Balance at end of term	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	1,068	12,846	776	9,344	291	3,502
Others	4	52	3	37	1	15
Total	1,072	12,898	780	9,381	292	3,517

(2) Future minimum lease payments outstanding at the balance sheet date are as follows:

	JPY	USD
Due within one year	236	2,842
Due after one year	254	3,064
Total	491	5,906

(3) Payments to lessors, depreciation and interest expenses are as follows:

	JPY	USD
Payments to lessors	284	3,416
Depreciation	266	3,208
Interest expenses	15	188

(4) Computation of depreciation

Depreciation is computed using the straight-line method over the lease term assuming a residual value of zero.

(5) Computation of interest expenses

The excess amount of the sum of minimum lease payment over the acquisition cost is regarded as accumulated interest expenses, and is allocated to each period based on the interest method.

<Impairment Loss>

No impairment loss is recorded nor allocated to leased assets.

Fiscal 2010

<Leases as Lessee>

1. Finance leases

Same as fiscal 2011.

[1] Detail of lease assets

Tangible fixed assets

Same as fiscal 2011.

[2] Depreciation method of lease assets

Same as fiscal 2011.

Same as fiscal 2011.

(1) Acquisition cost, accumulated depreciation and balance at the end of the term of leased property:

	Acquisition cost	Accumulated depreciation	Balance at end of term
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	1,548	1,019	528
Others	4	2	2
Total	1,552	1,022	530

(2) Future minimum lease payments outstanding at the balance sheet date are as follows:

	JPY
Due within one year	549
Due after one year	484
Total	1,033

(3) Payments to lessors, depreciation and interest expenses are as follows:

	JPY
Payments to lessors	431
Depreciation	415
Interest expenses	24

(4) Computation of depreciation

Same as fiscal 2011.

(5) Computation of interest expenses

Same as fiscal 2011.

<Impairment Loss>

Same as fiscal 2011.

Fiscal 2011

2. Operating leases

Future lease payments outstanding at the balance sheet date are as follows:

	JPY	USD
Due within one year	394	4,739
Due after one year	880	10,588
Total	1,274	15,327

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY	USD
Lease payments received	618	7,440
Interest income	(12)	(148)
Lease investment assets	606	7,292

[2] Future lease receivables outstanding at the balance sheet date are as follows:

Current assets

	JPY	USD
Due within one year	305	3,679
Over one year and within two years	220	2,656
Over two years and within three years	76	920
Over three years and within four years	11	142
Over four years and within five years	3	43
Over five years	—	—

The finance lease transactions for which the lease commenced on or before March 31, 2008, which are accounted for as operating leases are as follows.

(1) Acquisition cost, accumulated depreciation and balance at the end of the term of leased property:

	Acquisition cost		Accumulated depreciation		Balance at end of term	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	18	223	17	209	1	14
Total	18	223	17	209	1	14

(2) Future minimum lease payments receivable outstanding at the balance sheet date are as follows:

	JPY	USD
Due within one year	120	1,444
Due after one year	84	1,018
Total	204	2,462

(Note) Related sub-lease payments against the above receivable are ¥204 million ($2,454 thousand) (including ¥119 million ($1,436 thousand) for due within one year).
The sub-lease payments against the above receivables approximate the future minimum lease payments as the sub-lease transactions arranged by the companies are intended to pass-through these costs in almost identical terms.

(3) Lease payments received, depreciation and interest income are as follows:

	JPY	USD
Lease payments received	4	48
Depreciation	1	21
Interest income	0	1

Fiscal 2010

2. Operating leases

Future lease payments outstanding at the balance sheet date are as follows:

	JPY
Due within one year	379
Due after one year	1,258
Total	1,638

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY
Lease payments received	563
Interest income	(11)
Lease investment assets	552

[2] Future lease receivables outstanding at the balance sheet date are as follows:

Current assets

	JPY
Due within one year	232
Over one year and within two years	194
Over two years and within three years	103
Over three years and within four years	17
Over four years and within five years	3
Over five years	0

Same as fiscal 2011.

(1) Acquisition cost, accumulated depreciation and balance at the end of the term of leased property:

	Acquisition cost	Accumulated depreciation	Balance at end of term
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	18	15	2
Total	18	15	2

(2) Future minimum lease payments receivable outstanding at the balance sheet date are as follows:

	JPY
Due within one year	348
Due after one year	205
Total	554

(Note) Related sub-lease payments against the above receivable are ¥549 million (including ¥344 million for due within one year).
The sub-lease payments against the above receivables approximate the future minimum lease payments as the sub-lease transactions arranged by the companies are intended to pass-through these costs in almost identical terms.

(3) Lease payments received, depreciation and interest income are as follows:

	JPY
Lease payments received	4
Depreciation	2
Interest income	0

<table>
<tr><th>Fiscal 2011</th><th>Fiscal 2010</th></tr>
<tr><td>(4) Computation of interest
The accumulated interest income is allocated to each period based on the interest method.</td><td>(4) Computation of interest
Same as fiscal 2011.</td></tr>
<tr><td>2. Operating leases
Future lease payments receivable outstanding at the balance sheet date are as follows:
<table><tr><th></th><th>JPY</th><th>USD</th></tr><tr><td>Due within one year</td><td>167</td><td>2,018</td></tr><tr><td>Due after one year</td><td>552</td><td>6,644</td></tr><tr><td>Total</td><td>720</td><td>8,662</td></tr></table></td><td>2. Operating leases
Future lease payments receivable outstanding at the balance sheet date are as follows:
<table><tr><th></th><th>JPY</th></tr><tr><td>Due within one year</td><td>193</td></tr><tr><td>Due after one year</td><td>753</td></tr><tr><td>Total</td><td>946</td></tr></table></td></tr>
<tr><td>3. Balance of sub-lease in the consolidated balance sheets without deducting the interest
(1) Lease investments
<table><tr><th></th><th>JPY</th><th>USD</th></tr><tr><td>Current assets</td><td>118</td><td>1,425</td></tr></table>
(2) Lease obligations
<table><tr><th></th><th>JPY</th><th>USD</th></tr><tr><td>Current liabilities</td><td>49</td><td>599</td></tr><tr><td>Non-Current liabilities</td><td>68</td><td>826</td></tr></table></td><td>3. Balance of sub-lease in the consolidated balance sheets without deducting the interest
(1) Lease investments
<table><tr><th></th><th>JPY</th></tr><tr><td>Current assets</td><td>130</td></tr></table>
(2) Lease obligations
<table><tr><th></th><th>JPY</th></tr><tr><td>Current liabilities</td><td>43</td></tr><tr><td>Non-Current liabilities</td><td>86</td></tr></table></td></tr>
</table>

13. Financial Instruments

Fiscal 2011

1. Summary of financial instruments

(1) Policies of financial instruments

The Companies design cash-flow plans to carry out operations, which are buying and selling of merchandise, investment and lending. The Companies' fund raising activities are mainly borrowings from banks and insurance companies. The Companies manage temporary surplus funds by funding highly secured financial assets and also use derivative transactions for minimizing financial risks.

(2) Nature and risks of financial instruments

Notes and accounts receivable are exposed to credit risks of customers. In addition, receivables denominated in foreign currency are also exposed to risk of exchange rate fluctuation due to the global business operations.

The Companies have investments in securities in order to maintain relationships with their customers and suppliers. Investments in securities are exposed to price risks. The Companies also issue loans to certain customers and suppliers.

Maturity dates of notes and accounts payable and import bills payable are mainly within one year. Foreign currency liabilities are exposed to risk of exchange rate fluctuation.

The longest maturity date of borrowings from banks and insurance companies is within five years from the fiscal year-end. Certain borrowings are exposed to interest rate risk.

The Companies utilize derivative transactions such as foreign exchange contracts to avert currency risk, interest rate swaps to avert interest rate risk, commodity future contracts to avert commodity price risk.

Hedging instruments, hedged items, hedging policy and method of evaluating the effectiveness of hedging activities are described in Note 2. Summary of Significant Accounting Policies, (n) Hedge Accounting.

(3) Financial risk management policies

[1] Credit risk management

The Company employs its own credit scoring model based on customers' financial statements and other information. The Company determines the credit limit for customers based on their credit scoring and control credit risk by managing customer's balances against these limits. To reduce credit risks, the Company regularly monitors the collectibility of and age of receivables to take preservation measures.

Since derivative transactions are executed with highly rated banks, the Company reviews the limit of volume of derivative transactions according to the internal rule.

[2] Market risk management

The Companies utilize foreign exchange contracts for foreign currency assets and liabilities or forecasted foreign currency transactions to avert currency risk. The Companies also utilize interest rate swaps to avert interest rate risk.

For investments in securities, the Companies periodically examine fair values and the financial conditions of the issuers and regularly revise the portfolio.

With respect to derivative transactions, each business division undertakes transactions in accordance with internal rules determined in the management meeting at the beginning of the fiscal year based on rule and operating policy for authorization of transaction and limitation. Derivative transactions are recorded and the balances are managed by the Finance Department, Accounting Department and Business Accounting Department and actual results of transactions are reported monthly to management. Certain of the Company's consolidated subsidiaries utilize derivative transactions in accordance with their own internal rules, which are prepared based on the Company's risk management policies.

[3] Liquidity risk management

The Finance Department performs cash management and maintains the level of cash and bank deposits balance by preparing and revising cash-flow-plan to suit current financial situation.

(4) Additional information on fair value measurements

Fair value measurements are based on market prices or on rational assumptions when market prices are not available. The fair values which are measured based on rational assumptions are affected by variable factors and might be changed when a different assumption is applied. The notional amount of contracts described in Note 15. Derivatives does not directly indicate the market risks.

2. Fair value of financial instruments

A summary of book value and fair value of financial instruments, and the difference between them as of March 31, 2011 is disclosed in the following table. The financial instruments for which the Company had difficulty in estimating fair value are not included in the following table (See Note 2).

In this table below,

• Liability accounts are shown with "( )."

• Notes and accounts receivable, long-term loans receivable and doubtful accounts are offset by each allowance for doubtful accounts.

• Derivative assets and liabilities are disclosed on a net basis.

	Book value		Fair value		Difference	
	JPY	USD	JPY	USD	JPY	USD
(1) Cash and bank deposits	69,014	830,002	69,014	830,002	—	—
(2) Notes and accounts receivable	146,546	1,762,431				
Allowance for doubtful accounts	(355)	(4,274)				
	146,190	1,758,157	146,190	1,758,157	—	—
(3) Short-term loans receivable	1,740	20,938	1,740	20,938	—	—
(4) Investments in securities	10,432	125,471	12,808	154,041	2,375	28,570
(5) Long-term loans receivable	12,679	152,491				
Allowance for doubtful accounts	(8,633)	(103,828)				
	4,046	48,663	4,055	48,776	9	113
(6) Doubtful accounts	14,006	168,454				
Allowance for doubtful accounts	(13,343)	(160,477)				
	663	7,976	663	7,976	—	—
Total assets	232,088	2,791,206	234,473	2,819,890	2,385	28,683
(7) Notes and accounts payable	(96,137)	(1,156,195)	(96,137)	(1,156,195)	—	—
(8) Import bills payable	(27,119)	(326,153)	(27,119)	(326,153)	—	—
(9) Short-term borrowings	(100,488)	(1,208,521)	(100,488)	(1,208,521)	—	—
(10) Accrued income taxes	(1,562)	(18,791)	(1,562)	(18,791)	—	—
(11) Long-term borrowings	(73,138)	(879,601)	(73,361)	(882,278)	(222)	(2,677)
Total liabilities	(298,447)	(3,589,260)	(298,669)	(3,591,938)	(222)	(2,677)
Derivatives	313	3,773	313	3,773	—	—

(Notes)

1. Fair value measurements of financial instruments and investment securities and derivative transaction

Assets

(1) Cash and bank deposits, (2) Notes and accounts receivable and (3) Short-term loans receivable

Fair value of these instruments approximates the book value because of their short-term maturities.

(4) Investments in securities

Fair value of marketable shares is estimated using quoted market price. Fair value of bonds is estimated using quoted market price or quoted price by financial institutions. Further information about investments in securities is described in Note 14. Short-term Investments and Investments in Securities.

(5) Long-term loans receivable

Fair value of long-term loans receivable is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of loans with similar term and remaining maturity.

(6) Doubtful accounts

Fair value of net doubtful accounts (offsetting doubtful accounts against allowance) approximates the book value because the Companies provide an allowance for doubtful accounts based on estimates of collectibility by utilizing securities, guarantees and insurance or discounted cash flow analysis.

Liabilities

(7) Notes and accounts payable, (8) Import bills payable, (9) Short-term borrowings and (10) Accrued income taxes

Fair value of these instruments approximates the book value because of their short-term maturities.

(11) Long-term borrowings

Fair value of long-term borrowings is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity. Hedge accounting is applied to certain long-term borrowings with variable interest rates. The amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged long-term borrowings when paid. Fair value of long-term borrowings in which these interest rate swaps are embedded is also estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity.

Derivatives

Described in Note 15. Derivatives.

2. Financial instruments with difficulty in estimating fair value

Classification	Book value	
	JPY	USD
Unlisted investments in securities	19,689	236,795
Equity investments	1,855	22,310

The above financial instruments are not included in “(4) Investments in securities” (because it is not practicable to estimate the fair value) due to difficulty in estimating fair value as market price is not available.

3. Maturity schedule of monetary assets and investments in securities having maturity

	Within one year		Over one year and within five years		Over five years and within ten years		Over ten years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and bank deposits	69,014	830,002	—	—	—	—	—	—
Notes and accounts receivable (Note 3-1)	146,190	1,758,157	—	—	—	—	—	—
Short-term loans receivable	1,740	20,938	—	—	—	—	—	—
Investments in securities								
Held-to-maturity bonds	—	—	14	177	—	—	—	—
Long-term loans receivable (Note 3-2)	—	—	3,574	42,994	440	5,301	30	368
Doubtful accounts (Note 3-3)	—	—	663	7,976	—	—	—	—
Total	216,946	2,609,097	4,252	51,147	440	5,301	30	368

(Notes) 3-1. Allowance for doubtful accounts of ¥355 million ($4,274 thousand) is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥8,633 million ($103,828 thousand) is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥13,343 million ($160,477 thousand) is not included in doubtful accounts.

4. Long-term borrowings repayment schedule

Described in Note 25. Consolidated Supplementary Schedules, (2) Schedule of borrowings.

Fiscal 2010

1. Summary of financial instruments

(1) Policies of financial instruments

The Companies design cash-flow plans to carry out operations, which are buying and selling of merchandise, investment and lending. The Companies' fund raising activities are mainly borrowings from banks and insurance companies. The Companies manage temporary surplus funds by funding highly secured financial assets and also use derivative transactions for minimizing financial risks.

(2) Nature and risks of financial instruments

Notes and accounts receivable are exposed to credit risks of customers. In addition, receivables denominated in foreign currency are also exposed to risk of exchange rate fluctuation due to the global business operations.

The Companies have investments in securities in order to maintain relationships with their customers and suppliers. Investments in securities are exposed to price risks. The Companies also issue loans to certain customers and suppliers.

Maturity dates of notes and accounts payable and import bills payable are mainly within one year. Foreign currency liabilities are exposed to risk of exchange rate fluctuation.

The longest maturity date of borrowings from banks and insurance companies is within five years from the fiscal year-end. Certain borrowings are exposed to interest rate risk.

The Companies utilize derivative transactions such as foreign exchange contracts to avert currency risk, interest rate swaps to avert interest rate risk, commodity future contracts to avert commodity price risk.

Hedging instruments, hedged items, hedging policy and method of evaluating the effectiveness of hedging activities are described in Note 2. Summary of Significant Accounting Policies, (n) Hedge Accounting.

(3) Financial risk management policies

[1] Credit risk management

The Company employs its own credit scoring model based on customers' financial statements and other information. The Company determines the credit limit for customers based on their credit scoring and control credit risk by managing customer's balances against these limits. To reduce credit risks, the Company regularly monitors the collectibility of and age of receivables to take preservation measures.

Since derivative transactions are executed with highly rated banks, the Company reviews the limit of volume of derivative transactions according to the internal rule.

[2] Market risk management

The Companies utilize foreign exchange contracts for foreign currency assets and liabilities or forecasted foreign currency transactions to avert currency risk. The Companies also utilize interest rate swaps to avert interest rate risk.

For investments in securities, the Companies periodically examine fair values and the financial conditions of the issuers and regularly revise the portfolio.

With respect to derivative transactions, each business division undertakes transactions in accordance with internal rules determined in the management meeting at the beginning of the fiscal year based on rule and operating policy for authorization of transaction and limitation. Derivative transactions are recorded and the balances are managed by the Finance Department, Accounting Department and Business Accounting Department and actual results of transactions are reported monthly to management. Certain of the Company's consolidated subsidiaries utilize derivative transactions in accordance with their own internal rules, which are prepared based on the Company's risk management policies.

[3] Liquidity risk management

The Finance Department performs cash management and maintains the level of cash and bank deposits balance by preparing and revising cash-flow-plan to suit current financial situation.

(4) Additional information on fair value measurements

Fair value measurements are based on market prices or on rational assumptions when market prices are not available. The fair values which are measured based on rational assumptions are affected by variable factors and might be changed when a different assumption is applied. The notional amount of contracts described in Note 15. Derivatives does not directly indicate the market risks.

2. Fair value of financial instruments

A summary of book value and fair value of financial instruments, and the difference between them as of March 31, 2010 is disclosed in the following table. The financial instruments for which the Company had difficulty in estimating fair value are not included in the following table (See Note 2).

In this table below,

• Liability accounts are shown with "( )."
• Notes and accounts receivable, long-term loans receivable and doubtful accounts are offset by each allowance for doubtful accounts.
• Derivative assets and liabilities are disclosed on a net basis.

	Book value	Fair value	Difference
	JPY	JPY	JPY
(1) Cash and bank deposits	83,752	83,752	—
(2) Notes and accounts receivable	133,153		
Allowance for doubtful accounts	(416)		
	132,736	132,736	—
(3) Short-term loans receivable	2,267	2,267	—
(4) Investments in securities	11,595	12,676	1,080
(5) Long-term loans receivable	13,039		
Allowance for doubtful accounts	(8,681)		
	4,358	4,372	14
(6) Doubtful accounts	15,125		
Allowance for doubtful accounts	(14,222)		
	903	903	—
Total assets	235,614	236,709	1,094
(7) Notes and accounts payable	(90,559)	(90,559)	—
(8) Import bills payable	(23,591)	(23,591)	—
(9) Short-term borrowings	(104,133)	(104,133)	—
(10) Accrued income taxes	(870)	(870)	—
(11) Long-term borrowings	(88,969)	(89,800)	(831)
Total liabilities	(308,124)	(308,955)	(831)
Derivatives	954	954	—

(Notes)

1. Fair value measurements of financial instruments and investment securities and derivative transaction

Assets

(1) Cash and bank deposits, (2) Notes and accounts receivable and (3) Short-term loans receivable
Fair value of these instruments approximates the book value because of their short-term maturities.

(4) Investments in securities
Fair value of marketable shares is estimated using quoted market price. Fair value of bonds is estimated using quoted market price or quoted price by financial institutions. Further information about investments in securities is described in Note 14. Short-term Investments and Investments in Securities.

(5) Long-term loans receivable
Fair value of long-term loans receivable is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of loans with similar term and remaining maturity.

(6) Doubtful accounts
Fair value of net doubtful accounts (offsetting doubtful accounts against allowance) approximates the book value because the Companies provide an allowance for doubtful accounts based on estimates of collectibility by utilizing securities, guarantees and insurance or discounted cash flow analysis.

Liabilities

(7) Notes and accounts payable, (8) Import bills payable, (9) Short-term borrowings and (10) Accrued income taxes
Fair value of these instruments approximates the book value because of their short-term maturities.

(11) Long-term borrowings
Fair value of long-term borrowings is estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity. Hedge accounting is applied to certain long-term borrowings with variable interest rates. The amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged long-term borrowings when paid. Fair value of long-term borrowings in which these interest rate swaps are embedded is also estimated based on discounted cash flow analysis, using assumed rates currently available for similar types of borrowings with similar term and remaining maturity.

Derivatives

Described in Note 15. Derivatives.

2. Financial instruments with difficulty in estimating fair value

Classification	Book value
	JPY
Unlisted investments in securities	22,954
Equity investments	1,874

The above financial instruments are not included in “(4) Investments in securities” (because it is not practicable to estimate the fair value) due to difficulty in estimating fair value as market price is not available.

3. Maturity schedule of monetary assets and investments in securities having maturity

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	JPY	JPY	JPY	JPY
Cash and bank deposits	83,752	—	—	—
Notes and accounts receivable (Note 3-1)	132,736	—	—	—
Short-term loans receivable	2,267	—	—	—
Investments in securities				
Held-to-maturity bonds	—	14	—	—
Long-term loans receivable (Note 3-2)	—	3,869	324	163
Doubtful accounts (Note 3-3)	—	903	—	—
Total	218,757	4,787	324	163

(Notes) 3-1. Allowance for doubtful accounts of ¥416 million is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥8,681 million is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥14,222 million is not included in doubtful accounts.

4. Long-term borrowings repayment schedule

Described in Note 25. Consolidated Supplementary Schedules, (2) Schedule of borrowings.

(Supplementary information)

The Companies have applied the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No.10 dated on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Guidance No.19 dated on March 10, 2008).

14. Short-term Investments and Investments in Securities

Fiscal 2011

1. "Held to maturity debt securities" with fair value (as of March 31, 2011)

	Category	Balance sheet amount		Fair value		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value exceeding their book value	Japanese government bonds	14	177	14	179	0	2

2. "Other securities" with fair value (as of March 31, 2011)

	Category	Balance sheet amount		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	(1) Equity securities	5,657	68,044	4,424	53,209	1,233	14,835
Securities with book value not exceeding their acquisition cost	(1) Equity securities	2,199	26,449	2,723	32,757	(524)	(6,308)
	(2) Others	3	48	7	85	(3)	(37)
	Subtotal	2,203	26,497	2,730	32,842	(527)	(6,345)
Total		7,861	94,541	7,155	86,051	705	8,490

(Note) Unlisted investments in securities (book value of ¥16,611 million ($199,782 thousand)) and equity investment (book value of ¥1,412 million ($16,987 thousand)) are not included in "Other securities" above (because they are not practicable to estimate the fair value) due to difficulty in estimating fair value as market price is not available.

3. "Other securities" sold during the current fiscal year (April 1, 2010 to March 31, 2011)

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	1,109	13,344	404	4,870	427	5,146

4. Securities recognized impairment loss

The total impairment loss amount recognized of investments in securities is ¥555 million ($6,678 thousand) (including "Other securities" of ¥534 million ($6,428 thousand) and shares of affiliates of ¥20 million ($249 thousand)) in the current fiscal year.

For recognition of impairment loss, securities which fair value declines 50% or more against their carrying book value are subject to devaluation. For securities that decline 30% or more in fair value, devaluation losses are recognized after considering likelihood of future price recovery or financial position. For those determinations, fair value is primarily based on average of daily market price for one-month before the balance sheet date.

Fiscal 2010

1. "Held to maturity debt securities" with fair value not exceeding their book value (as of March 31, 2010)

	Category	Balance sheet amount JPY	Fair value JPY	Difference JPY
Securities with market value not exceeding their book value	Japanese government bonds	14	14	0

2. "Other securities" with fair value (as of March 31, 2010)

	Category	Balance sheet amount JPY	Acquisition cost JPY	Difference JPY
Securities with book value exceeding their acquisition cost	(1) Equity securities	6,168	4,626	1,542
Securities with book value not exceeding their acquisition cost	(1) Equity securities	2,682	3,254	(571)
	(2) Others	10	11	(1)
	Subtotal	2,692	3,265	(572)
Total		8,861	7,892	969

(Note) Unlisted investments in securities (book value of ¥19,418 million) and equity investment (book value of ¥1,426 million) are not included in "Other securities" above (because they are not practicable to estimate the fair value) due to difficulty in estimating fair value as market price is not available.

3. "Other securities" sold during the current fiscal year (from April 1, 2009 to March 31, 2010)

Category	Sales proceeds JPY	Gains on sales JPY	Losses on sales JPY
Equity securities	501	131	181

4. Impaired securities

The total impairment amount of investments in securities was ¥430 million (including "Other securities" of ¥416 million and shares of affiliates of ¥13 million in the current fiscal year).

For the recognition of impairment, securities whose fair value declined 50% or more against their carrying book value were subject to revaluation. For securities that declined 30% or more in fair value, revaluation losses were recorded after considering the likelihood of future price recovery or financial position. For those determinations, fair value is primarily based on average of daily market price for one-month before balance sheet date.

15. Derivatives

Fiscal 2011

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Foreign exchange contracts								
	Selling								
	U.S. dollar (USD)	6,040	72,644	—	—	(45)	(547)	(45)	(547)
	Euro (EUR)	353	4,254	—	—	(7)	(88)	(7)	(88)
	Canadian dollar (CAD)	11	141	—	—	(0)	(4)	(0)	(4)
	Australian dollar (AUD)	7	96	—	—	(0)	(6)	(0)	(6)
	Other currencies	51	624	—	—	1	12	1	12
	Subtotal	6,465	77,760	—	—	(52)	(633)	(52)	(633)
	Buying								
	U.S. dollar (USD)	24,512	294,794	—	—	60	725	60	725
	Euro (EUR)	451	5,430	—	—	24	291	24	291
	Australian dollar (AUD)	5	63	—	—	0	8	0	8
	Pound sterling (GBP)	2	34	—	—	(0)	(0)	(0)	(0)
	Other currencies	112	1,358	—	—	0	9	0	9
	Subtotal	25,084	301,677	—	—	85	1,032	85	1,032
Total		—	—	—	—	—	—	33	400

(Note) Basis of fair value calculation
Fair value is calculated based on the quoted price by financial institutions.

(2) Interest Rate

Not applicable.

(3) Commodities

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Market transactions	Commodity future contracts								
	Foods & Foodstuff								
	Selling	4,539	54,592	23	287	(86)	(1,040)	(86)	(1,040)
	Buying	7,095	85,337	368	4,430	253	3,043	253	3,043
	Energy								
	Selling	337	4,061	—	—	(7)	(95)	(7)	(95)
	Buying	129	1,559	—	—	4	50	4	50
Total		—	—	—	—	—	—	162	1,958

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Foreign exchange contracts	Forecasted foreign currency transactions						
	Selling							
	U.S. dollar (USD)		5,369	64,576	—	—	(15)	(187)
	Euro (EUR)		267	3,221	3	38	4	59
	Australian dollar (AUD)		122	1,476	—	—	(8)	(104)
	Canadian dollar (CAD)		40	490	—	—	(2)	(25)
	Other currencies		130	1,569	—	—	0	6
	Subtotal		5,931	71,332	3	38	(20)	(251)
	Buying	Forecasted foreign currency transactions						
	U.S. dollar (USD)		20,043	241,049	119	1,434	254	3,057
	Euro (EUR)		1,035	12,457	43	525	51	624
	Canadian dollar (CAD)		355	4,273	—	—	18	217
	Australian dollar (AUD)		149	1,802	—	—	12	148
	Pound sterling (GBP)		26	320	—	—	0	2
	Other currencies		246	2,964	—	—	4	59
	Subtotal		21,857	262,865	162	1,959	341	4,106
Specific matching criteria	Selling							
	U.S. dollar (USD)	Accounts receivable	95	1,145	—	—	—	—
	Subtotal		95	1,145	—	—	—	—
	Buying	Accounts payable						
	U.S. dollar (USD)		131	1,577	—	—	—	—
	Euro (EUR)		161	1,940	—	—	—	—
	Other currencies		104	1,257	—	—	—	—
	Subtotal		397	4,775	—	—	—	—

(Note) Basis of fair value calculation
Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

(2) Interest Rate

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Specific matching criteria	Interest rate swap contracts Pay-fixed, receive-variable interest rate swap	Long-term borrowings	61,750	742,634	21,290	256,043	—	—

(Note) Basis of fair value calculation
For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

(3) Commodities

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Commodity future contracts	Forecasted transactions on commodity trading						
	Foods & Foodstuff							
	Selling		3,588	43,158	—	—	(201)	(2,424)
	Buying		619	7,451	—	—	(1)	(17)

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

Fiscal 2010

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Off market transactions	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	11,131	—	(209)	(209)
	Euro (EUR)	298	—	(0)	(0)
	Canadian dollar (CAD)	38	—	(0)	(0)
	Other currencies	8	—	0	0
	Subtotal	11,477	—	(210)	(210)
	Buying				
	U.S. dollar (USD)	21,828	—	651	651
	Euro (EUR)	221	—	(0)	(0)
	Canadian dollar (CAD)	50	—	2	2
	Pound sterling (GBP)	0	—	0	0
	Other currencies	48	—	0	0
	Subtotal	22,150	—	654	654
Total		—	—	—	443

(Note) Basis of fair value calculation
Fair value is calculated based on the quoted price by financial institutions.

(2) Interest Rate

Not applicable.

(3) Commodities

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Market transactions	Commodity future contracts				
	Foodstuffs				
	Selling	4,423	13	162	162
	Buying	2,360	—	(54)	(54)
	Energy				
	Selling	55	—	0	0
	Buying	98	—	(4)	(4)
Total		—	—	—	102

(Note) Basis of fair value calculation
Fair value is calculated based on market closing price at end of the fiscal year.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	Forecasted foreign currency transactions	4,938	—	(3)
	Euro (EUR)		241	—	6
	Other currencies		435	—	(11)
	Subtotal		5,615	—	(8)
	Buying				
	U.S. dollar (USD)	Forecasted foreign currency transactions	13,673	539	417
	Euro (EUR)		611	—	3
	Australian dollar (AUD)		43	—	4
	Pound sterling (GBP)		12	—	0
	Other currencies		26	—	0
	Subtotal		14,367	539	426
Specific matching criteria	Selling				
	U.S. dollar (USD)	Accounts receivable	62	—	—
	Euro (EUR)		18	—	—
	Subtotal		80	—	—
	Buying				
	U.S. dollar (USD)	Accounts payable	94	—	—
	Euro (EUR)		42	—	—
	Pound sterling (GBP)		8	—	—
	Other currencies		2	—	—
	Subtotal		148	—	—

(Note) Basis of fair value calculation

Fair value is calculated based on quoted price by financial institutions for principle hedge accounting. For certain contracts designated as hedging instruments that meet specific matching criteria, hedged assets or liabilities are measured by contract rate. Fair value of these contracts is included in fair value of the corresponding assets or liabilities.

(2) Interest Rate

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Specific matching criteria	Interest rate swap contracts				
	Pay-fixed, receive-variable interest rate swap	Long-term borrowings	65,070	45,020	—

(Note) Basis of fair value calculation

For certain interest rate contracts designated as hedging instruments that meet specific matching criteria, amounts received or paid under the interest rate swap agreements are added to or deducted from the interest on the hedged borrowings when paid. Fair value of these contracts is included in fair value of the corresponding borrowings.

(3) Commodities

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Commodity future contracts				
	Foodstuffs				
	Selling	Forecasted transactions on commodity trading	503	—	(5)
	Buying		180	—	(4)

(Note) Basis of fair value calculation

Fair value is calculated based on market closing price at end of the fiscal year.

16. Retirement Benefits

1. Summary of pension plans

The Company and its certain consolidated subsidiaries have established an employees' pension fund, defined-benefit pension plans, tax-qualified retirement pension plans, unfunded retirement plans, retirement lump sum plans, and other pension plans. Certain consolidated subsidiaries have defined contribution pension plans. In addition, some additional retirements benefits are paid under certain conditions when employees retire.

2. Schedule of retirement benefits

	Fiscal 2011		Fiscal 2010
	JPY	USD	JPY
a. Projected benefit obligation at end of year	(15,042)	(180,903)	(14,837)
b. Fair value of plan assets at end of year	11,195	134,638	11,179
c. Projected benefit obligation in excess of plan assets (a + b)	(3,846)	(46,265)	(3,658)
d. Unrecognized actuarial loss	1,257	15,122	1,139
e. Unrecognized prior service cost	73	883	146
f. Accrued retirement benefit obligation recognized in the consolidated balance sheets (c + d + e)	(2,516)	(30,261)	(2,371)
g. Prepaid pension cost	—	—	277
h. Allowance for employees' retirement and severance benefits (f – g)	(2,516)	(30,261)	(2,648)

Fiscal 2011	Fiscal 2010
(Notes) 1. A substitutional portion of employees' pension fund, which is the government's social security pension program contracted out to employer, is incorporated in the table above.	(Notes) 1. Same as fiscal 2011.
2. Certain subsidiaries adopt simplified method for calculating accrued retirement benefits for their employees.	2. Same as fiscal 2011.
3. Unrecognized prior service cost was incurred for the year ended March 31, 2008, since the Company converted a tax qualified retirement pension plan into a cash balance pension plan on April 1, 2007.	3. Same as fiscal 2011.

3. Schedule of retirement benefits expenses

	Fiscal 2011		Fiscal 2010
	JPY	USD	JPY
a. Service cost	1,323	15,920	1,534
b. Interest cost	225	2,710	286
c. Expected return on plan assets	(173)	(2,086)	(163)
d. Amortization of actuarial loss	318	3,835	543
e. Amortization of prior service cost	73	883	73
f. Other	(114)	(1,374)	79
g. Net periodic retirement benefit expenses (a + b + c + d + e + f)	1,653	19,888	2,353

Fiscal 2011	Fiscal 2010
(Notes) 1. Employees' contributions to the employees' pension fund are not included in the retirement benefit expenses.	(Notes) 1. Same as fiscal 2011.
2. The retirement benefit expenses of consolidated subsidiaries which adopt simplified method are included in "service cost" in the table above.	2. Same as fiscal 2011.
3. "Other" represents losses (gains) due to changes to the defined-benefit pension plans in consolidated subsidiaries and contributions to the defined contribution pension plans.	3. "Other" represents contributions to the defined contribution pension plans.

4. Schedule of assumptions used in accounting for accrued retirement benefit

	Fiscal 2011	Fiscal 2010
a. Method of attributing projected benefits to period of service	Straight-line basis	Straight-line basis
b. Discount rates	1.5% – 2.0%	1.5% – 2.0%
c. Expected long-term rates of return on plan assets	1.5% – 2.0%	1.5% – 2.5%
d. Amortization period for actuarial loss or gain	Principally 5 years	Principally 5 years
e. Amortization period for unrecognized prior service cost	5 – 10 years	5 – 10 years

17. Stock Options

Fiscal 2011

Not applicable.

Fiscal 2010

Not applicable.

18. Deferred Taxes

Fiscal 2011

1. Major components of deferred tax assets and deferred tax liabilities are as follows.

	JPY	USD
Deferred tax assets		
Allowance for employees' retirement and severance benefits	918	11,041
Allowance for doubtful accounts	14,017	168,575
Inventories	3,718	44,719
Impairment loss on fixed assets	1,261	15,173
Investments in securities	3,329	40,036
Golf club memberships	628	7,562
Tax loss carried forward	14,863	178,750
Net gains (losses) on deferred hedges	94	1,133
Other	4,062	48,852
Deferred tax assets subtotal	42,892	515,841
Valuation allowance	(25,203)	(303,104)
Total deferred tax assets	17,689	212,737
Deferred tax liabilities		
Retained earnings in subsidiaries	(209)	(2,519)
Net unrealized losses on securities	(68)	(829)
Other	(868)	(10,449)
Total deferred tax liabilities	(1,147)	(13,796)
Net deferred tax assets	16,541	198,941

(Note) Net deferred tax assets recorded in the consolidated balance sheets are as follows:

	JPY	USD
Current assets – deferred tax assets	3,581	43,077
Long-term assets – deferred tax assets	13,325	160,264
Current liabilities – deferred tax liabilities	(1)	(13)
Non-current liabilities – deferred tax liabilities	(364)	(4,387)

2. Major reconciliation items between the statutory effective tax rate and the effective income tax rate after the application of deferred tax accounting.

	(%)
Statutory effective tax rate	40.7
(Reconciliation)	
Permanent differences – additions such as entertainment expenses	6.2
Change in valuation allowance	(24.9)
Effect of tax rate differences	(1.5)
Others	(1.8)
Effective income tax rate	18.8

Fiscal 2010

1. Major components of deferred tax assets and deferred tax liabilities are as follows.

	JPY
Deferred tax assets	
Allowance for employees' retirement and severance benefits	983
Allowance for doubtful accounts	15,845
Inventories	3,786
Impairment loss on fixed assets	2,047
Investments in securities	3,240
Golf club memberships	644
Tax loss carried forward	16,606
Other	3,291
Deferred tax assets subtotal	46,446
Valuation allowance	(29,302)
Total deferred tax assets	17,143
Deferred tax liabilities	
Retained earnings in subsidiaries	(120)
Net unrealized losses on securities	(381)
Net gains (losses) on deferred hedges	(174)
Other	(1,120)
Total deferred tax liabilities	(1,796)
Net deferred tax assets	15,346

(Note) Net deferred tax assets recorded in the consolidated balance sheets are as follows:

	JPY
Current assets – deferred tax assets	1,774
Long-term assets – deferred tax assets	13,961
Current liabilities – deferred tax liabilities	—
Non-current liabilities – deferred tax liabilities	(388)

2. Major reconciliation items between the statutory effective tax rate and the effective income tax rate after the application of deferred tax accounting.

	(%)
Statutory effective tax rate	40.7
(Reconciliation)	
Permanent differences – additions such as entertainment expenses	4.9
Change in valuation allowance	(3.3)
Others	0.7
Effective income tax rate	43.0

19. Asset Retirement Obligations

Fiscal 2011

Asset retirement obligations in consolidated financial statements

1. Overview of asset retirement obligations

Asset retirement obligations are the obligations of restoring offices and shops based on the contracts of rental estate.

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated using the estimated useful lives of 10 – 50 years and the discount rates of 1.374 – 2.302%.

3. Changes in asset retirement obligation during the fiscal year ended March 31, 2011

	JPY	USD
Balance at the beginning of the fiscal year	811	9,761
Acquisition of tangible fixed assets	41	497
Adjustment due to passage of time	17	206
Fulfillment of asset retirement obligations	(18)	(221)
Others	2	32
Balance at the end of the fiscal year	854	10,276

(Note) The balance of asset retirement obligation was initially recognized at the beginning of the fiscal year ended March 31, 2011 due to the application of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 dated on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 dated on March 31, 2008) from April 1, 2010.

20. Investment and Rental Properties

Fiscal 2011

As the amount of investment and rental properties is immaterial, the description is not disclosed.

Fiscal 2010

As the amount of investment and rental properties is immaterial, the description is not disclosed.

(Supplementary information)

The Company has applied the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20 dated on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 dated on November 28, 2008).

21. Segment Information

Industry segment information

Fiscal 2010 (JPY)

	IT	Foodstuffs	Iron & Steel / Machinery & Plant	Life Science & Energy	Others	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	232,702	264,240	149,239	198,144	16,951	861,277	—	861,277
(2) Inter-segment	26	8	192	44	37	310	(310)	—
Total	232,728	264,248	149,432	198,188	16,989	861,587	(310)	861,277
Operating expenses	227,334	260,626	147,922	197,294	16,661	849,839	(748)	849,091
Operating income	5,394	3,622	1,510	893	327	11,747	438	12,186
II. Assets, Depreciation and amortization, Impairment of fixed assets and Capital expenditure								
Assets	126,955	78,090	62,775	39,182	27,973	334,978	63,650	398,629
Depreciation and amortization	1,483	499	361	390	337	3,073	(1)	3,071
Impairment of fixed assets	55	7	—	80	—	142	—	142
Capital expenditure	1,141	165	81	449	69	1,907	367	2,275

(Notes) 1. Segments are determined in accordance with business management units of the relevant products and services (if the business of a consolidated subsidiary belongs to several business segments, those are attributed to each business segment).
2. The amount of the Company's assets that are included in "Adjustments & Eliminations" is ¥64,321 million for the fiscal year ended March 31, 2010. Most of the assets are cash and deposits and investments in securities related to financing activities.

Geographic segment information

Fiscal 2010 (JPY)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	787,060	32,558	33,602	8,030	26	861,277	—	861,277
(2) Inter-segment	32,892	5,742	47,916	3,419	966	90,937	(90,937)	—
Total	819,952	38,301	81,518	11,450	992	952,215	(90,937)	861,277
Operating expenses	808,748	38,037	80,669	11,357	1,012	939,825	(90,733)	849,091
Operating income (loss)	11,204	263	849	92	(20)	12,389	(203)	12,186
II. Assets	407,669	32,119	27,660	9,017	903	477,369	(78,740)	398,629

(Notes) 1. Categories of countries and areas are classified based on the geographical adjacencies.
2. Major countries or areas belonging to the geographic segments except for Japan.
(1) Asia .... China and Singapore
(2) North America .... U.S.A.
(3) Europe .... U.K. and Germany
(4) Other Areas............... Oceania

Overseas sales information

Fiscal 2010 (JPY)

	Asia	North America	Europe	Other Areas	Total
I. Overseas sales	128,509	31,448	13,501	22,732	196,192
II. Consolidated sales					861,277
III. Ratio of overseas sales to consolidated sales (%)	14.9	3.7	1.6	2.6	22.8

(Notes) 1. Categories of countries and areas are determined in accordance with the geographic adjacencies.
2. Major countries or areas belonging to each geographical segment except for Japan.
(1) Asia .... China, Taiwan and Singapore
(2) North America .... U.S.A. and Canada
(3) Europe .... U.K. and Germany
(4) Other Areas............... Oceania, the Middle East and Latin America
3. Overseas sales are net sales of the Company and consolidated subsidiaries performed in countries or areas other than Japan.

Segment information

Fiscal 2011

1. Overview of reportable segments

Reportable segments of the Company are components of an entity about which separate financial information is available and such information is evaluated regularly by the managements in deciding how to allocate resources and in assessing performance.

The Company assigns business segments in accordance with the products and services and expands its business of providing the products and services in Japan and overseas by integrating various functions including general trading, information-gathering, market cultivation, business incubation and "project-forming," risk management and logistics in each business segment.

Accordingly, the Company's segments are separated based on the products and services provided by business units, and five segments "Electronic & IT," "Foods & Foodstuff," "Iron & Steel," "Machinery & Plant," and "Environment & Materials," are treated as reportable segments.

The main products and services of each reportable segment are as follows.

(Electronics & IT)
This segment offers a broad array of products such as electronic components and materials, semiconductor and LCD equipment, mechanical parts, electronics-related materials and sub-materials, aircraft and aircraft parts with services including development and proposals. The segment also expands its business of providing products and services such as mobile phones, mobile systems and communication equipment.

(Foods & Foodstuff)
This segment ensures the stable acquisition of materials and provides a broad array of food products including high value-added items such as cooked foods, processed fruits, processed agricultural products, beverage materials, meat and marine products, wheat, rice, soybeans, feedstuff and pet food.

(Iron & Steel)
This segment is involved in the foreign trade of various iron and steel products such as various steel sheets, bar products, wire, pipes, stainless products, cast and forged products, and also offers the general steel products in Japan and raw materials supply overseas.

(Machinery & Plant)
This segment works on projects of various plants and infrastructure facilities overseas, trades ships, marine equipment, automobiles, automobile parts, industrial automobiles, construction machinery, and sells machine tools and industrial machinery.

(Environment & Materials)
This segment trades overseas and in Japan such as raw materials for photovoltaic modules and lithium batteries, functional chemicals such as raw materials for fertilizer, functional food materials, health supplements, pharmaceuticals and pharmaceutical intermediates, crude oil, petroleum products and gas. The segment also works on the development of environment-related materials and new technologies such as heat reflective paint and expands business such as carbon credit trading.

2. Method of calculating net sales, segment income or loss, segment assets and other amounts of reportable segments

The Company's accounting policies for its reportable business segments are almost the same as described in "Summary of Significant Accounting Policies."

Segment income for reportable segments is based on operating income for the segments.

The amounts for inter-segment transactions are based on market prices or third-party transaction prices.

3. Information on net sales, profits or losses, assets and other amounts of reportable segments

Fiscal 2011 (JPY)

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

Fiscal 2011 (USD)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
Net sales										
Customers	3,052,976	3,269,518	1,188,608	809,385	2,735,614	11,056,100	211,392	11,267,492	—	11,267,492
Inter-segment	301	86	5,543	198	561	6,689	504	7,193	(7,193)	—
Total	3,053,276	3,269,604	1,194,151	809,583	2,736,175	11,062,789	211,895	11,274,685	(7,193)	11,267,492
Segment income	114,111	34,105	41,021	12,781	11,754	213,772	2,836	216,607	220	216,827
Segment assets	1,394,512	976,872	418,585	332,267	535,570	3,657,806	289,144	3,946,950	727,450	4,674,400
Other										
Depreciation and amortization	15,159	4,666	1,712	1,431	4,107	27,075	3,666	30,741	(10)	30,731
Investments in equity method affiliates	28,226	7,806	34	—	1,228	37,294	35,747	73,041	419	73,459
Increases in tangible fixed assets and intangible fixed assets	19,089	2,364	1,525	922	1,366	25,267	1,732	26,998	15,531	42,530

(Notes) 1. "Others" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustments are as follows.
(1) Adjustment for segment income of ¥18 million ($220 thousand) includes inter-segment elimination of ¥18 million ($220 thousand).
(2) Adjustment for segment assets of ¥60,487 million ($727,450 thousand) includes inter-segment elimination of (¥5,869) million (($70,592) thousand) and corporate assets of ¥66,357 ($798,041 thousand) that is not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
(3) Adjustment for depreciation and amortization of (¥0) million (($10) thousand) includes inter-segment elimination of (¥0) million (($10) thousand).
(4) Adjustment for investments in equity method affiliates of ¥34 million ($419 thousand) includes inter-segment elimination of ¥6 million ($78 thousand) and corporate assets of ¥28 million ($341 thousand) that are not allocated to any reportable segment.
(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥1,291 million ($15,531 thousand) includes corporate assets of ¥1,291 million ($15,531 thousand) that is not allocated to any reportable segment.
3. Segment income is adjusted for operating income in the consolidated statements of income.

Fiscal 2010 (JPY)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
Net sales										
Customers	232,702	264,240	87,978	61,260	198,144	844,326	16,951	861,277	—	861,277
Inter-segment	26	8	199	17	44	296	37	334	(334)	—
Total	232,728	264,248	88,178	61,278	198,188	844,622	16,989	861,611	(334)	861,277
Segment income (loss)	5,783	3,622	2,435	(925)	917	11,834	332	12,166	19	12,186
Segment assets	126,921	78,164	31,774	31,012	39,182	307,055	24,867	331,922	66,706	398,629
Other										
Depreciation and amortization	1,483	499	178	182	390	2,735	337	3,073	(1)	3,071
Investments in equity method affiliates	2,249	1,071	8	—	101	3,431	3,050	6,482	92	6,574
Increases in tangible fixed assets and intangible fixed assets	1,141	165	59	22	449	1,838	69	1,907	367	2,275

(Notes) 1. "Others" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustments are as follows.
(1) Adjustment for segment income (loss) of ¥19 million includes inter-segment elimination of ¥19 million.
(2) Adjustment for segment assets of ¥66,706 million includes inter-segment elimination of (¥4,857) million and corporate assets of ¥71,563 million that is not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
(3) Adjustment for depreciation and amortization of (¥1) million includes inter-segment elimination of (¥1) million.
(4) Adjustment for investments in equity method affiliates of ¥92 million includes inter-segment elimination of ¥6 million and corporate assets of ¥85 million are allocated to any reportable segment.
(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥367 million includes corporate assets of ¥367 million that is not allocated to any reportable segment.
3. Segment income (loss) is adjusted for operating income in the consolidated statements of income.

Related information

Fiscal 2011

1. Information by product and service

The classification of product and service is abbreviated because it is same as the classification of reportable segments.

2. Information by geographical area

(1) Net sales

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
765,900	9,211,071	96,269	1,157,782	30,381	365,378	15,468	186,034	28,871	347,227	936,891	11,267,492

(Note) Net sales are classified into countries and areas based on locations of customers.

(2) Tangible fixed assets

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
24,607	295,941	877	10,557	125	1,505	2,264	27,228	10	121	27,884	335,353

3. Information by major customer

Not applicable.

Information of impairment loss on fixed assets of reportable segments

Fiscal 2011 (JPY)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Total
Impairment loss	16	10	3	12	189	231	2	234	17	252

Fiscal 2011 (USD)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Total
Impairment loss	196	126	43	151	2,275	2,790	36	2,826	216	3,041

(Notes) 1. "Others" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

2. Adjustment for impairment loss of ¥17 million ($216 thousand) is corporate loss that is not allocated to any reportable segment.

Information of amortization of goodwill and balance of goodwill of reportable segments

Fiscal 2011 (JPY)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Others (Note 1)	Total	Adjustment (Note 2)	Total
Amortization of goodwill for fiscal year	174	12	—	—	21	208	2	211	(211)	—
Balance of goodwill at end of fiscal year	283	70	—	—	31	384	4	389	(318)	71
Amortization of negative goodwill for fiscal year	—	—	—	0	0	0	4	5	123	128
Balance of negative goodwill at end of fiscal year	—	—	—	0	1	1	17	18	(18)	—

Fiscal 2011 (USD)

	Reportable segments						Others (Note 1)	Total	Adjustment (Note 2)	Total
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal				
Amortization of goodwill for fiscal year	2,102	149	—	—	260	2,510	28	2,538	(2,538)	—
Balance of goodwill at end of fiscal year	3,404	843	—	—	381	4,628	58	4,687	(3,828)	859
Amortization of negative goodwill for fiscal year	—	—	—	0	6	6	56	62	1,481	1,543
Balance of negative goodwill at end of fiscal year	—	—	—	0	17	17	209	226	(226)	—

(Notes) 1. "Others" is a business segment that is not included in the reportable segments and includes aluminum recycling business and logistics and insurance service business, etc.
2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization and balance of goodwill and negative goodwill are offset in consolidated financial statements.
In addition, adjustments are as follows.
(1) Adjustment for amortization of goodwill for fiscal year of (¥211) million (($2,538) thousand) includes inter-segment elimination of (¥2) million (($27) thousand) and offset amount of (¥208) million (($2,511) thousand).
(2) Adjustment for balance of goodwill at end of fiscal year of (¥318) million (($3,828) thousand) includes inter-segment elimination of (¥4) million (($58) thousand), corporate assets of ¥0 million ($1 thousand) that are not allocated to any reportable segment and offset amount of (¥313) million (($3,771) thousand).
(3) Adjustment for amortization of negative goodwill for fiscal year of ¥123 million ($1,481 thousand) includes corporate assets of ¥331 ($3,992 thousand) million that are not allocated to any reportable segment and offset amount of (¥208) million (($2,511) thousand).
(4) Adjustment for balance of negative goodwill at end of fiscal year of (¥18) million (($226) thousand) includes corporate liabilities of ¥294 million ($3,545 thousand) that are not allocated to any reportable segment and offset amount of (¥313) million (($3,771) thousand).

Information of gain on negative goodwill by reportable segments

Fiscal 2011 (JPY)

Not applicable.

(Supplemental Information)

Fiscal 2011

Effective from the current fiscal year, the Company applied the "Accounting Standard for Disclosures about Segment Information" (ASBJ Statement No.17 dated on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segment Information" (ASBJ Guidance No.20 dated on March 21, 2008).

22. Disclosure of Related Party Transactions

Fiscal 2011

Related party transactions

Not applicable.

Fiscal 2010

(1) Related party transactions (the Company)

Not applicable.

(2) Related party transactions (consolidated subsidiaries)

Category	Name of person	Address	Paid-up capital JPY	Occupation	Ownership of voting rights of the Company (%)	Other relationship with the Company	Transaction: Revenues and expenses	Transaction: During the year JPY	Balance: Account name	Balance: Year end JPY
Officer of Subsidiary	Shuichi Suzuki	—	—	Statutory auditor of Shintoa Corporation, lawyer	—	Attorney	Attorney fee (Note)	21	—	—

(Note) Terms and conditions on business and politics thereto:
Attorney fees are decided based on the common attorney compensation schedule.

23. Information per Share

Fiscal 2011	Fiscal 2010
Net assets per share ¥79.07 $0.95	Net assets per share ¥69.15
Net income per share ¥21.93 $0.26	Net income per share ¥8.44
Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.	Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.

Supplemental information for per share computation

(1) Net assets per share

	Fiscal 2011	Fiscal 2011	Fiscal 2010
	JPY	USD	JPY
Total net assets	49,576	596,236	45,804
Amount deducted from total net assets	16,475	198,142	16,887
(minority interest in consolidated subsidiaries)	(16,475)	(198,142)	(16,887)
Net assets corresponding to common stock at the end of the fiscal year	33,101	398,093	28,916
Number of common stock issued (thousand shares)	422,501		422,501
Number of treasury stock (thousand shares)	3,878		4,303
Number of common stock used for the calculation of net assets per share (thousand shares)	418,622		418,197

(2) Net income per share

	Fiscal 2011	Fiscal 2011	Fiscal 2010
	JPY	USD	JPY
Net income	9,175	110,348	3,528
Amount that does not belong to common shareholders	—	—	—
Net income corresponding to common stock	9,175	110,348	3,528
Average number of common stock for the term (thousand shares)	418,393		418,277

24. Subsequent Events

Fiscal 2011

Not applicable.

Fiscal 2010

Not applicable.

25. Consolidated Supplementary Schedules

(1) Schedule of bonds payable

Not applicable.

(2) Schedule of borrowings

Classification	Beginning of year		End of year		Composite interest rate	Due
	JPY	USD	JPY	USD	%	Month, year
Short-term borrowings	47,500	510,542	38,173	459,094	1.5	—
Current portion of long-term borrowings	56,632	608,695	62,314	749,427	2.4	—
Current portion of Lease obligations	328	3,535	572	6,888	—	—
Long-term borrowings (excluding current portion)	88,969	956,254	73,138	879,601	1.9	May 2012 – March 2016
Lease obligations (excluding current portion)	557	5,997	1,248	15,013	—	March 2013 – February 2018
Total	193,990	2,085,023	175,448	2,110,023	—	—

(Notes) 1. The composite interest rate is a weighted average interest rate for those outstanding at end of the year.
2. The composite interest rate of lease obligations is not presented as lease obligations of the Company and certain of its subsidiaries comprise interest expenses portion of total lease payments.
3. The long-term borrowings and lease obligations repayment schedule for next five years (excluding current portion) is as follows:

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Long-term borrowings	33,040	397,359	30,275	364,111	5,872	70,625	3,950	47,505
Lease obligations	479	5,768	316	3,806	225	2,708	173	2,085

(3) Schedule of asset retirement obligations:

According to the Article 92-2 of the "Regulations for Consolidated Financial Statements," schedule of asset retirement obligations are abbreviated, as the amount of "asset retirement obligations" is less than the 1 percent of total amount of liabilities and net assets.

pwc

Report of Independent Auditors

To the Board of Directors of Kanematsu Corporation

We have audited the accompanying consolidated balance sheet of Kanematsu Corporation ("the Company") and its subsidiaries as of March 31, 2011, and the related consolidated statements of income and the consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 4 to the consolidated financial statements, effective from the current fiscal year, the Company and its subsidiaries applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18 dated on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 dated on March 31, 2008).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

June 23, 2011

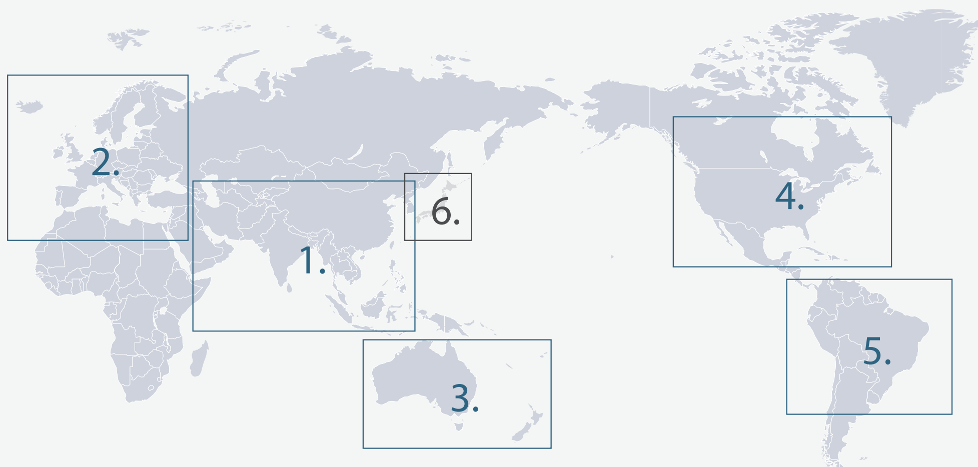
PricewaterhouseCoopers Aarata
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

Corporate Data

Contents

Global Network (As of March 31, 2011)

The Company supplies products and services from a large network of business bases in Japan and overseas.
84 subsidiaries and 33 affiliates ensure global reach into the markets of all regions.



● Overseas subsidiaries and their branches
▲ Representative offices
■ Branches

Segment information:
Number of employees and number of affiliated companies (As of March 31, 2011)

	Number of employees (consolidated basis)	Number of affiliated companies	
Electronics & IT	2,532	31	(Japan: 15, Overseas: 16)
Foods & Foodstuff	477	18	(Japan: 12, Overseas: 6)
Iron & Steel	426	10	(Japan: 5, Overseas: 5)
Machinery & Plant	382	14	(Japan: 4, Overseas: 10)
Environment & Materials	341	8	(Japan: 8)
Others	233	22	(Japan: 14, Overseas: 8)
Company-wide (common)	379		
		Overseas branches 14	
Total	4,770	117	

Notes: 1. Number of employees on a non-consolidated basis is 832 (including employees seconded from Kanematsu, excluding employees seconded from companies other than Kanematsu).
2. Of affiliated companies, 79 are consolidated subsidiaries and 32 are equity-method affiliates.

Network

JAPAN

Tokyo Head Office
2-1, Shibaura 1-chome, Minato-ku,
Tokyo 105-8005, Japan
TEL: 81-3-5440-8111
FAX: 81-3-5440-6500

Tsukiji Office
Tsukiji Daiichi Nagaoka Building, 3-4, Tsukiji
2-chome, Chuo-ku, Tokyo 104-0045, Japan
TEL: 81-3-3544-6531
FAX: 81-3-5565-0080

Osaka
Awaji-machi Dai Building, 1-9, Awaji-machi
3-chome, Chuo-ku, Osaka 541-8560, Japan
TEL: 81-6-6205-3111
FAX: 81-6-6205-3322

Midosuji Office
Midosuji Daiwa Building, 6-8, Kyutaro-machi
3-chome, Chuo-ku, Osaka 541-0056, Japan
TEL: 81-6-6251-7700
FAX: 81-6-6251-7770

Nagoya
9-3, Sakae 2-chome, Naka-ku,
Nagoya 460-0008, Japan
TEL: 81-52-202-5111

Hokkaido
Sapporo-Kokusai Building, 4-1, Kitashijou-nishi,
Chuo-ku, Sapporo 060-0004, Japan
TEL: 81-11-261-5631
FAX: 81-11-261-5630

Kyushu
Tenjin Twin Building, 6-8, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan
TEL: 81-92-715-7820
FAX: 81-92-715-7830

Tohoku
163 Shibue, Wakuya-cho, Tohda-gun,
Miyagi 987-0113, Japan
TEL: 81-229-43-2195
FAX: 81-229-43-5650

ASIA & THE MIDDLE EAST

KOREA

Kanematsu Devices Korea Corporation
Koreana Bldg., 6F, 61-1-Ka Tae Pyung Ro,
Chung-Ku, Seoul, Republic of Korea
TEL: 82-2-737-5795
FAX: 82-2-737-5799

CHINA

Kanematsu (China) Co., Ltd.
Shanghai Head Office
Shanghai Branch
39th Floor Raffles City (Office Tower) 268 Xi Zang
Middle Road, Shanghai 200001, P.R.China
TEL: 86-21-6340-3456
FAX: 86-21-6840-4290

Suzhou Office
12F09, Gold River Tower, No. 35 Shishan Road,
Suzhou New District, Jiansu Province, P.R.China
TEL: 86-512-6809-7379
FAX: 86-512-6803-2295

Wuxi Office
Room 608 Bai Shi Da Building, Chagjiag North Rd.,
Wuxi New District, Wuxi 214110, Jiansu Province,
P.R.China
TEL: 86-510-8522-6426
FAX: 86-510-8522-6430

Beijing Branch
Room 2201 Full Tower No. 9 Dong San Huan
Mid Road, Chao Yang District, Beijing 100020,
P.R.China
TEL: 86-10-8591-1031
FAX: 86-10-8591-1535

Dalian Branch
Rooms 602, Furama Hotel, 60 Renmin Road,
Dalian 116001, P.R.China
TEL: 86-411-8263-9105, 7481
FAX: 86-411-8280-5534

Tianjin Branch
29F-A, Kai Xuan Men Building A, 66 Nanjing Road,
Hexi-Qu, Tianjin, 300042, P.R.China
TEL: 86-22-2331-2405, 2330-5886
FAX: 86-22-2331-6873

Kanematsu (Guangdong) Trading Co., Ltd.
Room13-15, 15/F, Office Tower, Shun Hing Square
Di Wang Commercial Centre, 5002 Shen Nan
Dong Road, Shenzhen 518008, P.R.China
TEL: 86-755-8235-4891
FAX: 86-755-8223-8980

Kanematsu Industrial and Trading (Dalian Free Trade Zone) Co., Ltd.
Aulan Industrial Land, ID-32 Free Trade Zone
Dalian, P.R.China
TEL: 86-411-8732-3090, 3091, 3092
FAX: 86-411-8732-3093

Kanematsu (Hong Kong) Ltd.
Rooms 5609-5610, 56th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong
TEL: 852-2821-6200
FAX: 852-2527-0465, 2865-6649

TAIWAN

Kanematsu Taiwan Corporation
11th Floor, No. 61 Chung Shan N.Rd., Sec. 2,
Taipei 104, Taiwan, R.O.C.
TEL: 886-2-2511-7007
FAX: 886-2-2511-2947, 2951, 3554

Kanematsu Semiconductor Taiwan Ltd.
Taipei Office
11th Floor, No. 61, Chung Shan N.Rd., Sec. 2,
Taipei 104, Taiwan, R.O.C.
TEL: 886-2-2562-2025
FAX: 886-2-2562-2026

Hsinchu Office
3F-1, No. 29, Pu-Ding Rd., Hsin-Chu 300,
Taiwan, R.O.C.
TEL: 886-3-564-2013
FAX: 886-3-564-2014

VIETNAM

The Representative of Kanematsu Corporation
Hanoi
Room No. 1205-1206-1207, 12th floor, Daeha
Business Centre, 360 Kim Ma St., Ba Dinh Dist.,
Hanoi, S.R.Vietnam
TEL: 84-4-3771-5642
FAX: 84-4-3771-5641, 3771-5648

Haiphong
H-Tower 3rd Floor, 195 Van Cao Street, Haiphong,
S.R.Vietnam
TEL: 84-31-368-6371
FAX: 84-31-368-6373

Hochiminh City
Unit 1809, 18th Floor, Saigon Trade Center, 37
Ton Duc Thang Street, District 1, Hochiminh City,
S.R.Vietnam
TEL: 84-8-3910-5532
FAX: 84-8-3910-5538

THAILAND

Kanematsu (Thailand) Ltd.

Watana Inter-Trade Co., Ltd.
25F Thaniya Plaza Building, 52 Silom Road,
Bangkok 10500, Thailand
TEL: 66-2-632-8060
FAX: 66-2-632-8083, 8084

MALAYSIA

KET Electronics (Malaysia) Sdn. Bhd.
A-3A-32, Suite A, IOI Boulevard Jalan Kenari 5
Bandar Puchong Jaya, 47170 Puchong,
Selangor Darul Ehsan, Malaysia
TEL: 60-3-8076-8392

SINGAPORE

Kanematsu Corporation Singapore Branch
100 Tras Street, #12-01 Amara Corporate Tower,
Singapore 079027
TEL: 65-6320-6000
FAX: 65-6320-6071

Kanematsu Semiconductor Singapore Pte., Ltd.
100 Tras Street, #12-03 Amara Corporate Tower,
Singapore 079027
TEL: 65-6438-4440
FAX: 65-6438-4441

PHILIPPINES

Kanematsu Corporation Manila Branch
17th Floor Tower 2, The Enterprise Center 6766,
Ayala Avenue, Makati City, Metro Manila,
Phillipines
TEL: 63-2-889-1701, 63-2-845-2017
FAX: 63-2-887-0030

INDONESIA

PT. Kanematsu Trading Indonesia
ANZ Tower 15th Floor, Jalan Jend. Sudirman Kav.
33A Jakarta 10220, Indonesia
TEL: 62-21-572-1220, 1225, 1228, 1230, 1238
FAX: 62-21-572-1188, 1237

INDIA

The Representative of Kanematsu Corporation
1610-1611-1612, Narain Manzil 23, Barakhamba
Road, New Delhi 110001, India
TEL: 91-11-4362-3050, 3051, 3052
FAX: 91-11-4362-3053

IRAN

Kanematsu Iran Ltd.
Elahiyeh Commercial Complex, Unit 1201,
12th Floor, No. 244, Africa Ave., Tehran, Iran
TEL: 98-21-2621-2812
FAX: 98-21-2621-3106

EUROPE

UNITED KINGDOM

Kanematsu Europe PLC.
London Head Office
5th Floor Genesis House, 17 Godliman Street,
London EC4V 5BD, United Kingdom
TEL: 44-20-7246-2900
FAX: 44-20-7248-8986

GERMANY

Kanematsu G.m.b.H.
Duesseldorf Head Office
Oststrasse 34, D-40211 Duesseldorf, Germany
TEL: 49-211-36890
FAX: 49-211-3689-111

ITALY

Kanematsu G.m.b.H.
Milano Liaison Office
Piazza Duca d'Aosta 8, Milano, Italy
TEL: 39-02-6749-3538
FAX: 39-02-6707-7364

HUNGARY

Kanematsu G.m.b.H.
Budapest Office
H-1034 Budapest Becsi ut 126-128.I.103. Hungary
TEL: 36-1-329-3412, 320-4952
FAX: 36-1-320-4953

RUSSIAN FEDERATION

The Representative of Kanematsu Corporation
Tverskaya 16/2, Building 1, Business Centre,
125009, Moscow, Russian Federation
TEL: 7-495-935-89-40, 42, 43
FAX: 7-495-935-8948

SPAIN

The Representative of Kanematsu Corporation
Calle Eduardo Benot 51, Edificio Atlansea, 4-izqda,
35008 Las Palmas de Gran Canaria, Spain
TEL: 34-928-275634, 275680
FAX: 34-928-275632

OCEANIA

AUSTRALIA

Kanematsu Australia Ltd.
Sydney Head Office
Level 20 St Martins Tower, 31 Market Street,
Sydney NSW 2000, Australia
TEL: 61-2-9283-3347
FAX: 61-2-9283-3095

NEW ZEALAND

Kanematsu New Zealand Ltd.
9th Floor, Ballantyne House, 101 Customs Street,
East Auckland, New Zealand
TEL: 64-9-302-5660
FAX: 64-9-309-3877

NORTH AMERICA

U.S.A.

Kanematsu USA Inc.
New York Head Office
75 Rockefeller Plaza, 22nd Floor, New York,
NY10019, U.S.A.
TEL: 1-212-704-9400
FAX: 1-212-704-9483

Somerset Branch
100 Randolph Road, Somerset,
New Jersey 08873, U.S.A.
TEL: 1-732-271-7300
FAX: 1-732-271-7370

Chicago Branch
543 West Algonquin Road, Arlington Heights,
Illinois 60005, U.S.A.
TEL: 1-847-981-5600
FAX: 1-847-981-6760

San Diego Office
900 Lane Avenue, Suite 150, Chula Vista,
California 91914, U.S.A.
TEL: 1-619-656-2385
FAX: 1-619-656-2386

Houston Branch
1800 Augusta, Suite 390, Houston,
Texas 77057, U.S.A.
TEL: 1-713-975-7200
FAX: 1-713-975-7966

Silicon Valley Branch
1615 Wyatt Drive, Santa Clara
California 95054, U.S.A.
TEL: 1-408-501-1400
FAX: 1-408-501-1499

Portland Branch
One S.W.Columbia Street, Suite 350 Portland,
Oregon 97258, U.S.A.
TEL: 1-503-224-7755
FAX: 1-503-228-5067

CANADA

The Representative of Kanematsu Corporation
205-8988 Fraserton Court Burnaby, B.C.
V5J 5H8, Canada
TEL: 1-604-689-0550
FAX: 1-604-689-0655

SOUTH AMERICA

BRAZIL

Kanematsu America do sul Representacao Comercial de Produtos Automotivos Ltda.
Alameda Campinas No. 728, Cjto 34 Jardim
Paulista, Sao Paulo, S.P. CEP 01404-001 Brasil
TEL: 55-11-3285-3311
FAX: 55-11-3285-3318

Major Consolidated Subsidiaries and Affiliates

* Companies with shares listed on a stock exchange

Electronics & IT

Japan	Kanematsu Electronics Ltd.*	Sales of computers, peripheral equipment, communications equipment, etc.
	Nippon Office Systems Ltd.*	Sales and maintenance of computers, communications equipment, etc.
	Kanematsu Communications Ltd.	Sales of mobile communications, related equipment and services, ASP services for mobile phones
	Kanematsu Granks, Corp.	Mobile content provider service business, mobile commerce business, mobile media representative business, mobile solutions business
	Kanematsu Aerospace Corp.	Sales of aircraft, defense and aerospace-related products
	Kantatsu Co., Ltd.	Manufacture of lens units, camera modules and other optical equipment and parts
China	Kanekoh Electronics (Shanghai) Co., Ltd.	Development and manufacture of battery modules
Ireland	KG Aircraft Rotables Co., Ltd.	Replacement and maintenance of aircraft components, leasing

Foods & Foodstuff

Japan	Kanematsu Food Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of soybean and grains, and development and marketing of products for food processors
	Heisei Feed Manufacturing Co.	Manufacture and processing of mixed feeds
China	Dalian Tiantianli Food Co., Ltd.	Manufacture of *dim sum* and deli products
	Shangdong Lu Feng Foods Co., Ltd.	Production of processed vegetables and fruits
Thailand	Summit Food Industries Co., Ltd.	Production and sales of rice crackers
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of Aloe Vera
U.S.A.	Kai Enterprises, Inc.	Sales of dried feed

Iron & Steel

Japan	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet and sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium and high-alloy steels
China	Kanematsu Hoplee Co., Ltd.	Processing and marketing of steel products
U.S.A.	Steel Service Oilfield Tubular, Inc.	Sales of premium tubing for oil excavation

Machinery & Plant

Japan	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools, sales of paper-manufacturing machinery
	KGK SolTech Corp.	Processing of silicon wafers for photovoltaic power generation systems
	Aasted Mikroverk Japan Ltd.	Import and marketing in Japan of industrial machinery

China	Kanematsu KGK (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools and industrial machinery
Thailand	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools and industrial machinery
Czech Republic	KGK Czech s.r.o.	Sales of machine tools and industrial machinery
Poland	Aries Motor Sp. z o.o.	Sales of automobiles
	Aries Power Equipment Sp. z o.o.	Sales of engines, generators, water pumps and other general-purpose machinery
U.S.A.	KGK International Corp.	Sales of machine tools

Environment & Materials

Japan	Kanematsu Petroleum Corp.	Sales of petroleum products and LPG
	Kanematsu Yuso Co., Ltd.	Delivery and storage of petroleum products
	Kanematsu Chemicals Corp.	Sales of petrochemicals, automobile-related chemicals, health food ingredients and pharmaceuticals
	Kanematsu Wellness Corp.	Sales of health food and provision of medical information
	Miracool Co., Ltd.	Sales of heat reflective paint

Others

Japan	Kanematsu Textile Corp.	Sales of textile materials and products
	Kaneyo Co., Ltd.*	Sales of bedding materials and products, general merchandise and interior goods
	Kanematsu-NNK Corp.*	Manufacture and sales of home-construction materials; ground inspection services and improvement works
	Hokushin Co., Ltd.*	Manufacture and sales of medium-density fiberboard
	Aso Kanko Kaihatsu Co., Ltd.	Golf course management
	Higashi Kibi Kanko Kaihatsu Co., Ltd.	Golf course management
	Shintoa Corp.	Beverage-vending machine operations, imports, exports and sales of foodstuff and aircraft engines
	Kanematsu Logistics & Insurance Ltd.	Insurance agency and logistics business
	Japan Logistics Co., Ltd.	Warehouse and trunk room operation
China	Dalian Shunda Logistic Services Co., Ltd.	Total logistics services
Vietnam	Vietnam-Japan International Transport Co., Ltd.	Total logistics services
Indonesia	PT. Century Textile Industry	Manufacture of polyester blend fabric
	PT. Dunia Express Transindo	Total logistics services

Organization Chart (As of April 1, 2011)

- General Meeting of Shareholders
  - Board of Corporate Auditors
- Board of Directors
- Management Committee

Marketing Area

- Electronics & IT Division
  - Devices Company
    - Information & Electronics Department
    - Aerospace Department
    - Semiconductor Equipment Department
    - Industrial Electronics Department
    - Electronics & IT Administration Office
- Foods & Foodstuff Division
  - Produce Department No. 1
  - Produce Department No. 2
  - Meat Products Department
  - Produce Department No. 3
  - Foods Administration Office
  - Food Safety Management System Office
  - Grain Department
  - Feedstuff Department
  - Agricultural Products and Oilseeds Department
  - Domestic Sections
  - Foodstuff Administration Office
  - Food Safety Management System Office
- Iron & Steel Division
  - Iron & Steel Foreign Trade Department
  - Specialty Steel Foreign Trade Department
  - Automotive Materials Department
  - Iron & Steel Administration Office
- Machinery & Plant Division
  - Plant & Infrastructure Projects Department
  - Transportation Machinery Department
  - Machinery & Plant Administration Office
- Environment & Materials Division
  - Energy Department
  - Functional Chemicals Department
  - LNG Business Department
  - Environment & Materials Administration Office
  - Food Safety Management System Office

Supporting Area

- Personnel & General Affairs Department
- Finance Department
- Accounting Department
- Business Accounting Department
- Credit Control and Legal Department
- Traffic & Insurance Department
- System Planning Department
- Realty Department
- Internal Auditing Department
- Corporate Planning Department

History

1889	• Fusajiro Kanematsu founds Fusajiro Kanematsu Shoten of Australian Trading in Kobe
1890	• Sets up a branch in Sydney, and begins direct import of Australian wool
1891	• Yohei Kitagawa founds Kitagawa Shoten, which is a predecessor of The Gosho Company
1900	• Starts import of Australian wheat
1913	• Fusajiro Kanematsu passes away
1918	• Reorganizes into Kanematsu Shoten Company. Stated capital ¥2 million
1922	• Reorganizes Sydney branch into an affiliate company incorporated abroad
1934	• Establishment of Kanematsu Wool Research Institute (the current Kaneyo Co., Ltd.)
1936	• Sets up branches in New York and Seattle
1937	• Establishes overseas affiliated company in New Zealand
1943	• Changes trade name to Kanematsu and Company
1949	• Resumption of foreign tours for employees. The first group departs for America • Diversification of business begins, moving toward an integrated general trading company
1951	• Establishes an overseas affiliated company in New York, as the first Japanese trading company in postwar era • Establishes an overseas affiliated company in Brazil
1957	• Establishes an overseas affiliated company in West Germany
1961	• Abolishes the system in which workers hold all the stock, and goes public on the Second Section of the Osaka Securities Exchange • Establishes an overseas affiliated company in Iran
1963	• Lists stock on the First Section of the Osaka Securities Exchange
1966	• Establishes an overseas affiliated company in Thailand
1967	• Merges with The Gosho Company to form Kanematsu-Gosho, Ltd.
1969	• Establishes the Nagoya Branch Office • Celebrates its 80th anniversary
1970	• Establishes its Head Office at the Tokyo Branch Office
1972	• Establishes an overseas affiliated company in Canada
1973	• Lists stock on the First Sections of the Tokyo and Nagoya Stock Exchanges • Establishes an overseas affiliated company in France
1975	• Establishes an overseas affiliated company in Hong Kong
1976	• Completes the Nagoya Branch Office Building in commemoration of its 85th anniversary (in 1974) • Issues $12 million worth of foreign bonds in Brussels
1977	• Commencement of consolidated financial statements
1979	• Establishes a representative office in Beijing, China following restoration of diplomatic relations
1981	• Establishes an overseas affiliated company in Mexico
1983	• Initiation of the three year plan, Treasure Strategy
1986	• Initiation of KG-100 as a new three year plan aiming at the 100th anniversary commemoration of the company's foundation
1989	• 100th anniversary of the founding of the Company • Initiation of JUMP KG-103 as a new three year plan • Establishes an overseas affiliated company in the United Kingdom
1990	• Trade name is changed to Kanematsu Corporation • Establishes an overseas affiliated company in Spain
1991	• Moves Tokyo headquarters from Kyobashi to Shibaura • Establishes Kanematsu (Europe) Corporation in the United Kingdom having general control over Europe • Establishes an overseas affiliated company in Italy
1992	• Inaugurates the long-term management plan, Network-KG 21, to take the company into the 21st century • Initiates a new three year plan with PHASE-1 of the long-range plan • Osaka Branch Office becomes the new Head Office
1995	• Initiates a two-year plan with PHASE-2 of the long-term plan
1997	• New 3-year medium-term management plan started from April 2 • Head Office in Osaka reverts to Osaka Branch Office status (April)
1999	• Three-year structural reform plan started
2001	• Medium-Term Management Plan started
2004	• Medium-Term Business Plan "New KG200" started
2007	• Medium-Term Business Plan "teamKG120" started
2009	• 120th anniversary of the founding of the Company
2010	• Medium-Term Business Plan *"S-Project"* started

Investor Information (As of March 31, 2011)

Stock Exchange Listings Tokyo
* The Company's stocks were delisted from the Osaka Securities Exchange with effect July 1, 2010.

Stock Code 8020

Transfer Agent for Common Stock The Chuo Mitsui Trust & Banking Co., Ltd.

Shares Authorized 1,016,653,604

Shares Outstanding 422,501,010
(including 854,219 treasury shares)

Minimum Trading Unit 1,000

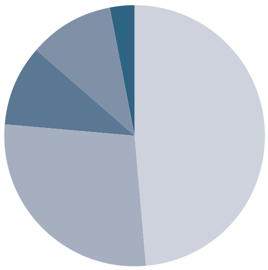
Number of Shareholders 37,658

Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.15
The Norinchukin Bank	12,460	2.95
Mitsui Sumitomo Insurance Co., Ltd.	11,613	2.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
Japan Trustee Services Bank, Ltd. (trust account)	11,278	2.67
The Master Trust Bank of Japan, Ltd. (trust account)	8,202	1.94
Kanematsu-NNK Corp.	6,239	1.47
Daio Paper Corporation	4,510	1.06
Japan Securities Finance Co., Ltd.	3,687	0.87
State Street Bank and Trust Company 505223	3,604	0.85

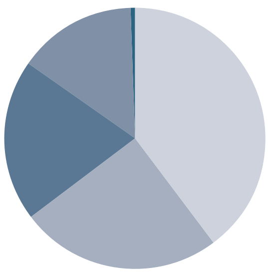
Note: Calculated after deduction of treasury shares (854,219 shares)

Composition of Shareholders



- Individuals and others (including treasury shares) 48.75%
- Financial institutions 27.73%
- Other corporations 9.92%
- Foreign institutions and individuals 10.61%
- Securities firms 2.99%

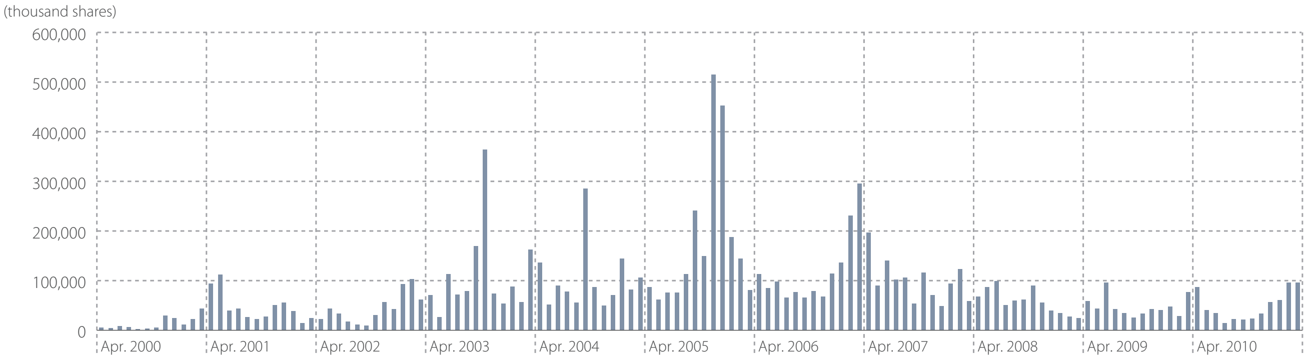
Shareholder Distribution by Number of Shares Held



- More than 1 million shares 39.76%
- 50,000 shares and more (including treasury shares) 25.08%
- 10,000 shares and more 20.01%
- 1,000 shares and more 14.63%
- Less than 1,000 shares 0.52%

Stock Price

Trading Volume



Tokyo Head Office

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Masayuki Shimojima
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices	Domestic: Head office 1 and branches 5 Overseas: 38
Number of Employees	832 (Consolidated: 4,770) (As of March 31, 2011)

For more information on this Annual Report, or to obtain additional copies, please contact:

Public Relations Section, Corporate Planning Department, Kanematsu Corporation

2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Tel: 81-3-5440-8000
Fax: 81-3-5440-6505
URL: http://www.kanematsu.co.jp

http://www.kanematsu.co.jp

Printed in Japan