KANEMATSU CORPORATION

Annual Report 2009

"Where there's a will, there's a way"

Kanematsu Corporation celebrates its 120th anniversary in 2009. It was founded as one of the first Japanese companies to take part in direct trade between Japan and Australia on August 15, 1889, when Fusajiro Kanematsu, the founder, hung out a "Kanematsu" sign in Kobe. The pioneering spirit of the founder and his ability to create new businesses in anticipation of future demand have been handed down from generation to generation over the past 120 years, forming the corporate culture of Kanematsu.

Frontier Spi

120 Year

1889 Fusajiro Kanematsu Shoten of Australian Trading in Kobe founded

1890 Sets up a branch in Sydney and begins import of Australian wool

1900 Starts import of Australian wheat

1918 Reorganizes into Kanematsu Shoten Company. Stated capital ¥2 million

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

1951 Establishes an overseas affiliated company in New York as the first Japanese trading company in the postwar era

1956 Establishes an overseas branch in London

1957 Establishes an overseas affiliated company in West Germany rit

Fusajiro Kanematsu

(1845~1913)

Born in Osaka, Fusajiro Kanematsu overcame many hardships as a child, working as an apprentice merchant in Osaka and Kyoto and also serving the local samurai. As an adult, he worked in the banking, marine transport, and newspaper industries, helping to develop Japanese industry. At 44, he abandoned his social standing and position as one of the leaders in Osaka business, and became involved in trade between Japan and Australia. This marked the beginning of the trading operations of Kanematsu. Fusajiro Kanematsu played a major role in the development of the Australian market and in beginning direct imports of wool from that country, earning his reputation as a pioneer in Japan-Australia trade.

History of Kanematsu

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

1970 Establishes its Head Office at the Tokyo Branch Office

1973 Lists stock on the First Sections of the Tokyo and Nagoya Stock Exchanges

1979 Establishes a representative office in Beijing, China following restoration of diplomatic relations

1989 100th anniversary on August 15 of the founding of the company

MARKING A CENTURY OF TRADE

1990 Trade name is changed to Kanematsu Corporation on January 1

2009 120th anniversary of the founding

Contents

Forward-Looking Statements

Statements contained in this report regarding Kanematsu Corporation's plans, strategies, and expectations for future performance do not constitute statements of historical fact, but fall into the category of "forward-looking statements." Such statements are based on current estimates and on forecasts regarding the industrial fields in which the Company operates, as well as on the management's beliefs and assumptions. As such estimates, forecasts, assumptions and so on are subject to a number of uncertainties and unknowable factors, actual results may differ substantially from those projected. Readers are therefore cautioned not to place undue reliance on forward-looking statements. Factors beyond the Company's control and outside its ability to predict, and which could cause results to diverge materially from the Company's projections include, but are not limited to: general economic conditions, currency exchange rates, commodity prices, the impact of unforeseeable technological innovations, changes in customer preference, and the outcome of pending or future litigation.

Our Beliefs

We believe that we should realize prosperity for our Company through just and fair earnings in the pioneering spirit fostered by our predecessors, with the wisest use of our creative imagination and ingenuity.

We believe that we should justify the existence of our Company by promoting a sound and flourishing business, by fulfilling our responsibilities toward the welfare of society, and by contributing to the security and well-being of us all.

We believe that each one of us should attend to business not as an individual but as a member of an organization abiding by common rules, carrying out our duties through loyalty to the Company and in a spirit of cooperation and understanding.

Five-Year Summary

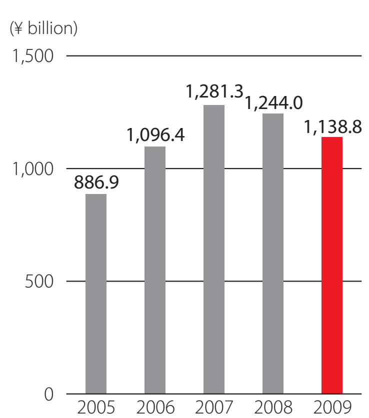
Kanematsu Corporation and Consolidated Subsidiaries

Years ended March 31	2005	2006	2007	2008	2009	2009
	Millions of yen					Thousands of U.S. dollars
For the year:						
Net sales	¥886,877	¥1,096,409	¥1,281,331	¥1,244,020	**¥1,138,755**	**$11,592,748**
Gross trading profit	68,142	81,733	103,711	90,327	**86,292**	**878,469**
Income (Loss) before income taxes and minority interests	4,836	(16,728)	14,615	28,975	**77**	**789**
Net income (loss)	2,470	(21,686)	7,507	19,016	**(12,787)**	**(130,174)**
At year-end:						
Net assets	38,030	26,004	48,767	62,239	**42,035**	**427,931**
Total assets	520,119	556,046	563,176	503,456	**414,928**	**4,224,051**
Net interest-bearing debt	261,561	246,317	204,900	148,944	**134,582**	**1,370,070**
	Yen					U.S. dollars
Per share:						
Net income (loss)	6.52	(52.43)	17.94	45.44	**(30.56)**	**(0.31)**
Cash dividends	—	—	—	—	**—**	**—**
Net assets	93.74	62.12	78.75	108.95	**59.61**	**0.61**

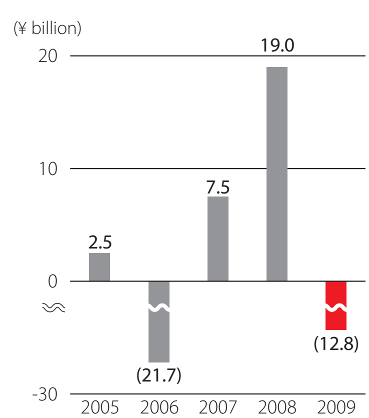
Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥98.23 = U.S.$1, the exchange rate at March 31, 2009.

2. For the term ended March 31, 2006 and before, amounts posted under "Shareholders' equity," and "Shareholders' equity per share" under the previous accounting standards are shown under the titles of "Net assets" and "Net assets per share."

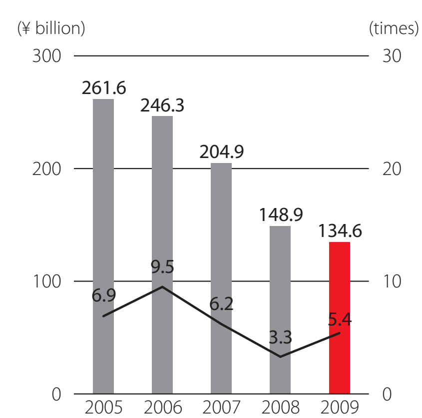
Net sales



Net income (loss)



Net interest-bearing debt and net debt-equity ratio



Message from the Management

Masaharu Hamakawa (left)
Chairman

Yoshihiro Miwa (right)
President

Review of operations for the fiscal year ended March 2009 and forecast for the fiscal year ending March 2010

The fiscal year under review was marked by a global economic slowdown, influenced by turmoil in the financial and capital markets in regions centering on North America and Europe. The slowdown grew more serious as the period progressed, evidenced by developments such as a sharp decline in corporate earnings. The Japanese economy remained extremely challenging in the second half of the year, including earnings declines for Japanese companies and slumping personal consumption. These conditions reflected factors such as the weakening of real economies worldwide and the sudden appreciation of the yen in foreign exchange markets.

The difficult operating environment had significant repercussions for the consolidated results of the Company, particularly starting in the autumn of 2008. Influenced by weaker economic and market conditions in Japan and overseas, consolidated net sales declined ¥105,265 million (8.5%) year on year, to ¥1,138,755 million, gross trading profit fell ¥4,035 million (4.5%) to ¥86,292 million, and operating income decreased ¥3,578 million (15.8%) to ¥19,027 million. Non-operating income slid ¥2,041 million year on year, resulting in a non-operating loss of ¥5,899 million, due to factors such as the posting of a loss on equity in earnings of affiliated companies, which outweighed lower interest payments attributable to reduced interest-bearing debt. As a result, ordinary income fell ¥5,620 million (30.0%) year on year, to ¥13,127 million. In extraordinary items, an extraordinary loss totaling ¥14,616 million was posted for items that included a loss on valuation of real estate and loss on impairment, due mainly to recent land price falls and aggravated economic conditions. Income before income taxes and minority interests was ¥77 million, down ¥28,898 million (99.7%) year on year. The Company posted a net loss of ¥12,787 million after adjustments for tax expenses, including reversal of deferred tax assets, and minority interests.

We will reduce our management costs, taking into account the effects that developments in the fiscal year under review, including the global economic slump and market fluctuations, had on our results. At the same time, we aim to rebuild capital by achieving higher profitability and steady income growth through greater capital efficiency and comprehensive profitability reviews. This will allow us to improve our capacity to respond to changes in the market and economic conditions.

To achieve the figures of this fiscal year, we will focus more on priority fields in individual businesses, carefully examine profitability in troubled businesses, and reduce management costs. We are forecasting consolidated net sales of ¥1,000,000 million, consolidated operating income of ¥15,500 million, consolidated ordinary income of ¥11,500 million and consolidated net income of ¥5,000 million for the fiscal year ending March 2010.

Masaharu Hamakawa, Chairman

Yoshihiro Miwa, President

Interview with the President

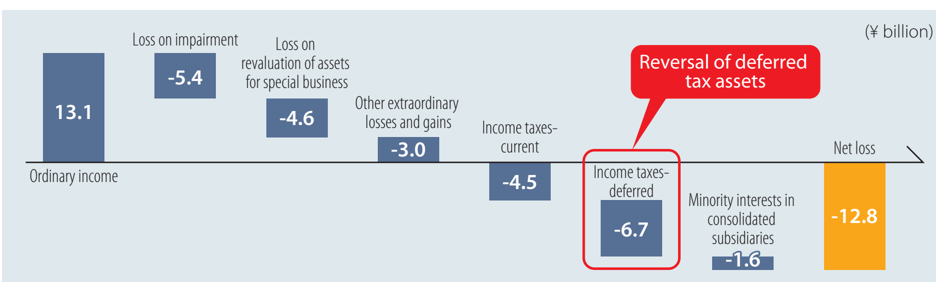
Q1: **Please explain the extraordinary losses and the reversal of deferred tax assets, which were the primary causes of the net loss in fiscal 2009.**

A1: In the first half of fiscal 2009, among other factors, we posted an allowance for doubtful accounts regarding specific businesses in Cuba.

Another major factor is an extraordinary loss related to real estate. In light of the recent decline in land prices and the deterioration in the economic environment, we recorded losses on the write-down of real estate assets to reflect the effect of lower profit margins. More specifically, we posted:

> A loss on valuation of real estate for sale in Fukushima Prefecture of around ¥3.8 billion;
> An impairment loss on a golf course in Ibaraki Prefecture of around ¥2.9 billion; and
> An impairment loss on a shopping mall in Shiga Prefecture of around ¥2.1 billion.

These extraordinary losses amounted to around ¥8.8 billion yen. Other extraordinary losses, including an increase in the allowance for doubtful accounts related to domestic real estate business, took the total to just over ¥10 billion for the fourth quarter. For the full-year we posted extraordinary losses of ¥14.6 billion. Given extraordinary gains of ¥1.6 billion, on a net basis, we reported an extraordinary loss of ¥13.0 billion.



Also, on concerns over a protracted prolonged economic slowdown, we conservatively estimated taxable income from fiscal 2010 and decided to reduce the recoverable amount of deferred tax assets for accounting purposes. Because of the accompanying reversal of deferred tax assets, we recorded an income tax adjustment of around ¥6.7 billion. As a result, net loss amounted to ¥12.8 billion.

Q2: **The extraordinary loss appears to be largely attributable to real estate. Why did the Company post a loss related to real estate despite having withdrawn from the real estate business?**

A2: First, in the fiscal year ending March 31, 2000, we announced a Structural Reform Plan and have since been withdrawing from the real estate business and examining and undertaking the disposal of real estate assets. Also, in the fiscal year ending March 31, 2006, with the adoption of impairment accounting, we conservatively estimated the value of real estate assets based on their fair market value at that time, recorded impairment losses on real estate assets, and improved our asset quality.

Although we disposed of certain assets as a result, given the recent sharp decline in real estate prices, real estate assets slated for disposal were influenced by the large drop in land prices, among other factors, leading us to post secondary losses, so to speak, at the end of fiscal 2009.

Therefore, it is important to understand that the real estate in relation to which we posted losses this time were not new investments. The losses resulted from the further write down of existing assets.

That said, we regret not disposing more swiftly of all real estate assets over the last few years. From now on, taking into consideration price fluctuations, we will swiftly dispose of our real estate holdings, which because of its lower carrying value is now easy to liquidate.

In addition, even in the event of further decline in land prices affecting real estate due for disposal, we think the quality of our real estate assets has been improved by marking down their carrying value to a manageable level given the ordinary level of earnings.

Q3: In fiscal 2010, when the special factors will disappear, you expect to return to profitability. Please explain your strategy for achieving this.

A3: We have broadly defined three measures for turning fiscal 2009's net loss into net income in fiscal 2010.

First, **radical "defensive" cuts in management costs.**

Second, a **review of loss-making business and unprofitable business.**

Third, **enhancement of the Group's synergy.**

Firstly, let me explain about **radical "defensive" cuts in management costs**.
To begin with, we will seek to reduce general administrative costs through restructuring such as the streamlining of administrative divisions and drastically reducing the fixed expenses of costly administrative divisions. For example, last year was the first fiscal year in which the J-SOX Law was really applied, and the costs of the administrative divisions associated with this swelled more than anticipated, but from this year, the second year of its application, we believe that it is possible to make certain cutbacks by using the expertise we have accumulated and implementing efficient internal controls.

Next, we will also reduce non-personnel expenses. We will apply this measure strictly to sales divisions, administrative divisions, executive officers, and employees alike, based on due consideration of the cost-effectiveness of all expenses, from small expenses in the form of a review of travel expenses to large expenses.

We will also conduct a review of personnel plans. While we will continue to hire both new graduates and mid-career workers, we will seek to rationalize staffing, with a view to placing employees more efficiently within the Group, etc.

Next, our second specific measure is a **review of loss-making business and unprofitable business**.

I would like to explain about measures relating to our electronic components business, marine products business and aluminum recycling business, which are three businesses that had a major impact on income in the recent settlement.

Firstly, let me explain about the electronic components business.

Pending issues		Specific measures
Large declines in sales and profits due to a deterioration in market conditions	>>	Seek to improve management efficiency through cost cutbacks and a restructuring of the organization.
Low profit margins of transactions	>>	Comprehensive review of loss-making and unprofitable transactions.

The electronic components business posted a large loss attributable not only to the deterioration in market conditions since last autumn, notably the slump in private consumption in response to the deepening worldwide recession, but also to special factors such as a valuation loss on component inventories due to application of the lower-of-cost-or-market method and losses resulting from withdrawal from business in Europe.

Based on the conservative forecast that it will take at least a year or so for semiconductor demand, which is driven by digital products, to recover, we will implement fundamental restructuring with the focus on cost cutbacks, and will improve management efficiency.

Moreover, with respect to loss-making and unprofitable business with low profit margins reflecting the end of the product life cycle, we will conduct a comprehensive review and reconstruct our business portfolio with the aim of building a stable earnings base.

Moving on to specific measures in the marine products business.

Pending issues		Specific measures
Earnings structure susceptible to price fluctuations	>>	Add value to products by shifting focus to products with high processing levels.
Risk of excessive inventory due to buying in bulk	>>	Reconstruct stable procurement/stable supply system.

One major factor is that in fiscal 2009, we prioritized providing our customers with a stable supply of seasonable marine products and tried not to lose purchases to overseas suppliers, but reported losses due to subsequent sharp decline in prices.

We will add value to products by shifting the focus of products sold from the current raw materials, which are susceptible to price fluctuations, to products with high processing levels and minimize the impact of price fluctuations. One example of this is the business of processing seafood ingredients for *sushi* in Vietnam.

As regards inventory risk, while building relations with existing customers and using selling hedges, we will reconstruct a stable procurement and stable supply system to minimize inventory risk.

Finally I would like to discuss specific measures in the aluminum recycling business.

Pending issues		Specific measures
Earnings structure susceptible to market conditions	>>	(1) Report loss on valuation of existing inventories, factoring in the impact of price fluctuation to prevent the occurrence of losses in the future. (2) Implement appropriate inventory management while proceeding flexibly with the sale of inventories.

Similarly, aluminum recycling business also has an earnings structure susceptible to market conditions. We therefore proceeded with the disposal of inventories during fiscal 2009 and, besides reducing inventories from around 8,000 tons at the end of December 2008 to less than half that level, we also made necessary allowances, such as reporting a loss based on the lower-of-cost-or-market method. We will continue implementing appropriate inventory management with the aim of improving profitability.

Next, I would like to explain about the **enhancement of the Group's synergy**.

The Kanematsu Group is a corporate group currently consisting of more than 100 companies. We recognize that cooperation between Group companies is an aspect that requires improvement. Moving forward, we will enhance the Group's synergy by clarifying the positioning and roles of each company relative to Kanematsu (the parent company) and continuously implementing Group-wide management cost cuts and restructuring, including reorganizing overlapping business flows and capabilities.

Q4: The Group's financial position appears weaker as a result of the posting of a net loss. You have negative retained earnings and it will probably be difficult for you to resume dividend payments for some time. Please explain your capital policy.

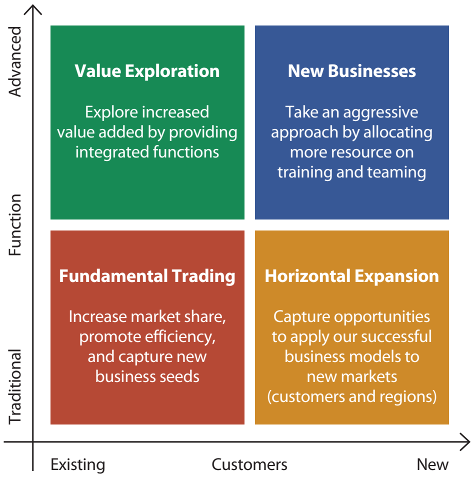
A4: Let me begin by offering my deepest apologies for failing to fulfill our corporate responsibility to pay dividends for a number of years. Members of the Kanematsu Group are united in their commitment to resuming dividend payments at the earliest possible occasion through an accumulation of profits, which we see as our most important managerial objective, and we ask for your continued and increased understanding and support.

Given factors such as the posting of a extraordinary loss on a net basis, our financial position deteriorated, resulting in an equity ratio of 6.0% and net DER of 5.4. On the other hand, the extraordinary loss posted in fiscal 2009 was not accompanied by an outflow of cash, and although we posted a bottom-line loss, we are not in breach of financial covenants, we continue to have a good relationship with our banks, and we believe this will have no major impact on fundraising itself.

While we recognize that a capital increase is one possible means of boosting capital in the future, since this measure has secondary effects such as the dilution of shares, we need to examine it carefully. Our first priority is to steadily accumulate profits by improving profitability and, ideally, liabilities would then be reduced through the repayment of interest-bearing debt, ultimately leading to an improvement in the equity ratio. However, just because operating cash flow is positive does not mean that we will use such generated funds to repay interest-bearing debt. We believe it is also important to allot funds to investment necessary for future growth. Also, in light of recent financial market conditions that make it difficult to raise fresh funds, we believe it is also necessary to achieve a certain balance between repaying debt and ensuring funds on hand, as opposed to blindly paying off debt.

Q5: Please explain the state of progress of the medium-term management plan "teamKG120" and the future outlook.

A5: In fiscal 2009 we improved our sales promotion capability, including expanding overseas bases and starting up new businesses in environment-related areas where significant growth is expected in the future. However, in view of the deterioration in our performance reflecting the sudden change in the operating environment and the economic environment forecast in the future, it is difficult to attain the original numerical targets for the final fiscal year of the plan (fiscal year ending March 31, 2010). However, our basic policies and our qualitative targets as *A True Business Creator** of responding to the changing operating environment and meeting the constantly expanding needs of customers, etc., while maintaining a balance of "fundamental trading," "value exploration," "new businesses" and "horizontal expansion" in line with the basic policies, are unchanged and we will continue our efforts to pursue them. Based on this approach, in fiscal 2010 we aim to return to profitability, with net sales of ¥1 trillion, operating income of ¥15.5 billion, ordinary income of ¥11.5 billion and net income of ¥5.0 billion.



*A True Business Creator

- Continue to explore and provide highly specialized and useful business functions, while pursuing growth through the development of new business domains, as a conglomerate that focuses on business creation.
- Concentrate on investments in projects that are based on our business expertise, avoiding simple financing and speculative transactions that do not create true business value.
- Manage a balanced portfolio and continually increase financial stability.

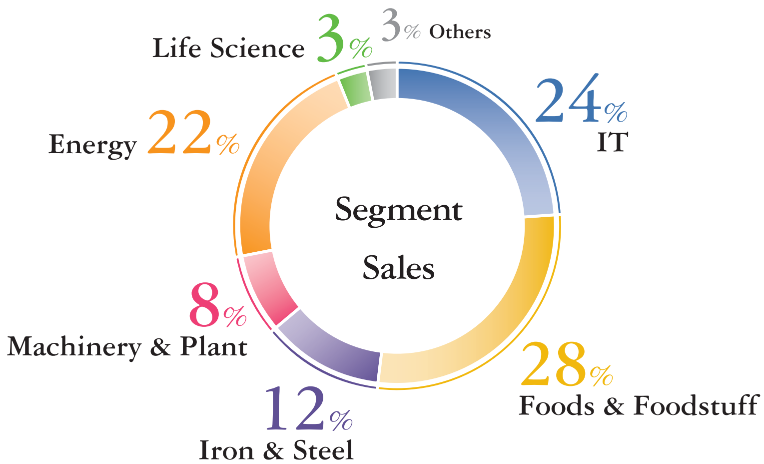
Q6: Finally, do you have a message for your shareholders?

A6: August 15, 2009 is a day that should be commemorated as the 120th anniversary of our foundation. On the other hand, in this commemorative year, we are faced with a "once-in-a-century" financial crisis and we too need to brace ourselves for the difficult times ahead. Our founder Fusajiro Kanematsu, who also confronted two crises, overcame adversity based on the belief that in the olden days *samurai* warriors used to apologize for failure by committing *harakiri*, but merchants by contrast should live even if they fail in business, so that they can make up for their mistakes through unremitting effort. Times have changed, but we have inherited Fusajiro's DNA and we are determined to work together to overcome this unprecedented crisis and achieve growth. In fiscal 2010, as I have explained, we aim to return to profitability by emphasizing defensive measures, focusing on priority areas in each business, improving the profitability of poorly performing business, and further slashing management costs.

I greatly appreciate the continued support of our shareholders.

KG at a Glance

We will avoid simple finance transactions and speculative transactions and, while exhibiting a balanced business portfolio and high levels of expertise, we will execute transactions backed by real business to bolster our capabilities as *A True Business Creator* and to create added value.



IT

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	358.0	7.9
08	356.2	8.1
09	276.7	6.9

Business and Main Products

Electronic Devices
- Semiconductor/Electronic Parts
- Electronic Modules/Materials
- Semiconductor/LED

OEM/ODM Solutions
- Mechanized Parts
- Printer Equipment
- Electronic Modules
- Automotive Parts

Mobile Solutions
- Mobile Communication Terminals
- Mobile Content/Mobile Advertisement

ICT Solutions
- System Solutions

Semiconductor and LCD Manufacturing Equipment
- Semiconductor Manufacturing & Testing Equipment
- Communication Equipment/Parts

Aerospace
- Aircraft/Its Parts
- Satellite

Foods & Foodstuff

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	274.2	1.8
08	283.6	4.3
09	321.7	3.9

Business and Main Products

Foodstuffs
- Canned, Frozen & Dried Fruits
- Processed Vegetables
- Processed Fruits
- Concentrated Juices
- Coffee
- Cocoa
- Sugar & Honey
- Sesame Seed & Other Seeds
- Peanuts & Other Nuts
- Miscellaneous Beans
- Wine
- Cooked Foods

Meat and Marine Products
- Poultry, Beef, Lamb & Mutton, Pork, Horse Meat
- Frozen Shrimp, Octopus, Fish and Sushi Accompaniments

Grains
- Wheat & Processed Food Made from Wheat
- Barley
- Soybean
- Rice

Feedstuff and Fertilizers
- Feedstuff
- Fertilizer

Pet Products
- Pet Food & Pet Products

Iron & Steel

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	142.7	5.5
08	142.4	5.3
09	136.5	6.1

Business and Main Products

Iron & Steel Trade
- Export of Various Steel Sheet, Plate, Long Products & Pipe

Specialty Steel Trade
- Export of Stainless Steel Sheet & Plate
- Export of Alloy Steel Wire Rod & Bar Products

Cast and Forged Steel Products
- Import of Cast and Forged Products
- Export of Automobile Parts (Hot/Cold Forged Products)

Domestic Trade and Raw Materials Supply
- Domestic Sales of General Steel Products
- Import, Export and Tripartite Trade of Raw Materials & Sub Materials for Steel Making

Machinery & Plant

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	104.4	1.9
08	109.7	2.2
09	91.0	0.9

Business and Main Products

Plants & Transportation Equipment
- Various Plants (Chemical, Paper Making, etc.)
- Automobiles and Components
- New Ship Building
- Marine Equipment
- ODA

Cable/Electric Power Projects
- Telecommunications Projects
- Electric Power & Communication Cable Projects
- Power Generation Plant
- Bio Fuel Projects

Machine Tools and Industrial Machinery
- Machine Tools
- Industrial Machinery

Energy

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	276.9	2.5
08	285.5	1.6
09	255.1	1.6

Business and Main Products

Crude Oil, Petroleum Products and Gas
- Crude Oil
- Gasoline
- Kerosene
- Fuel Oil
- Industrial and Automobile Lubricant
- LPG

New Energy-Related Business
- Bio Gas and Bio Fuel Business
- Energy Conservation Consultation Business
- GHG Emission Trading Business

Life Science

	Net Sales (¥ billion)	Operating Income (¥ billion)
07	31.5	0.4
08	30.9	0.1
09	29.8	0.5

Business and Main Products

Functional Chemicals
- Raw Materials for Solar and Lithium Batteries
- Heat Shield Paint
- Synthetic Rubber
- Petrochemical Products

Healthcare
- Functional Food Materials
- Stolle Milk
- Nutritional Supplements

Pharmaceuticals
- Pharmaceuticals
- Pharmaceutical Intermediates

Note: In addition to the above six segments, the Kanematsu Group also has a seventh segment, which is referred to as "Others" and includes the Textile business. The combined totals of the above-listed net sales and operating income figures therefore do not add up to the corresponding figures on a consolidated basis.

Intersegment transactions are not eliminated.

Strategy of Each Segment for Current Year

IT

Actions and Outlook for 2010

Electronic Devices Business

> In the areas of electronic modules and electronic materials, we anticipate an uphill battle in the first half because of weaker demand, despite signs of a gradual recovery. We place our hopes on a recovery in trading volume from the second half. We will continue to offer support to Japanese customers moving operations overseas and constructing supply chain management systems. We will review unprofitable transactions and aim to achieve a recovery in earnings in the first half.

OEM/ODM Solutions Business

> We will horizontally apply the expertise we have cultivated in motorcycle and automobile parts and printer-related businesses to other businesses. Specifically, we seek to popularize fuel injection systems for motorcycles with an emphasis on the environment and safety, in an attempt to expand their principal markets from North America to China and India.

> In the battery control module manufacturing business, we place our hopes on a recovery in demand from the second half.

Mobile Business

> In the mobile business, we will focus on improving services for corporate customers, an area where we have strength, in light of the saturated market for new individual mobile terminal ownership.

> In the domestic mobile internet business, we will operate as an integrated company with emphasis on B2B business in mobile content, mobile commerce, mobile advertising and mobile solutions.

ICT Solutions Business

> We aim to generate sales by focusing on high value-added businesses, including infrastructure development and maintenance services, in an operating environment that will remain severe given price falls from cost competition.

Aerospace Business

> We will strengthen and expand the aerospace business for the private sector and the repair parts business associated with legally-designated aircraft inspections, in addition to winning orders for our mainstay business for government offices.

	Net Sales (¥ million)	Gross Trading Profit (¥ million)	Operating Income (¥ million)
09	276,681	41,672	6,920
10	274,000 Forecast	40,500 Forecast	5,900 Forecast

* Prior to consolidation adjustments

Chief Officer's Message

Hirokazu Tamura (left)
Chief Officer, IT Division

Fumihiko Nashimoto (right)
President, Devices Company

Strength of IT Division

In the IT Division, we will be able to take aggressive initiatives in growth markets in cooperation with affiliates, while keeping stable revenue bases in the aerospace business and other businesses. This is one of the great strengths of the division.

For example, we will look to apply transactions relating to vehicle-mounted parts and digital imaging—which are the mainstays of the division—horizontally to China, India, and other countries in Asia. We will also step up our response to hybrid and electric vehicles.

In the mobile business, we plan to build a system for managing battery charge infrastructure, especially for mobile terminals, for electric vehicles in collaboration with Kanematsu Communications Ltd.

In the ICT business, we expect to see a continued fusion of communication networks. To meet the needs of the market, demand for sophistication, and low prices, we will provide added value by combining the strengths of affiliates.

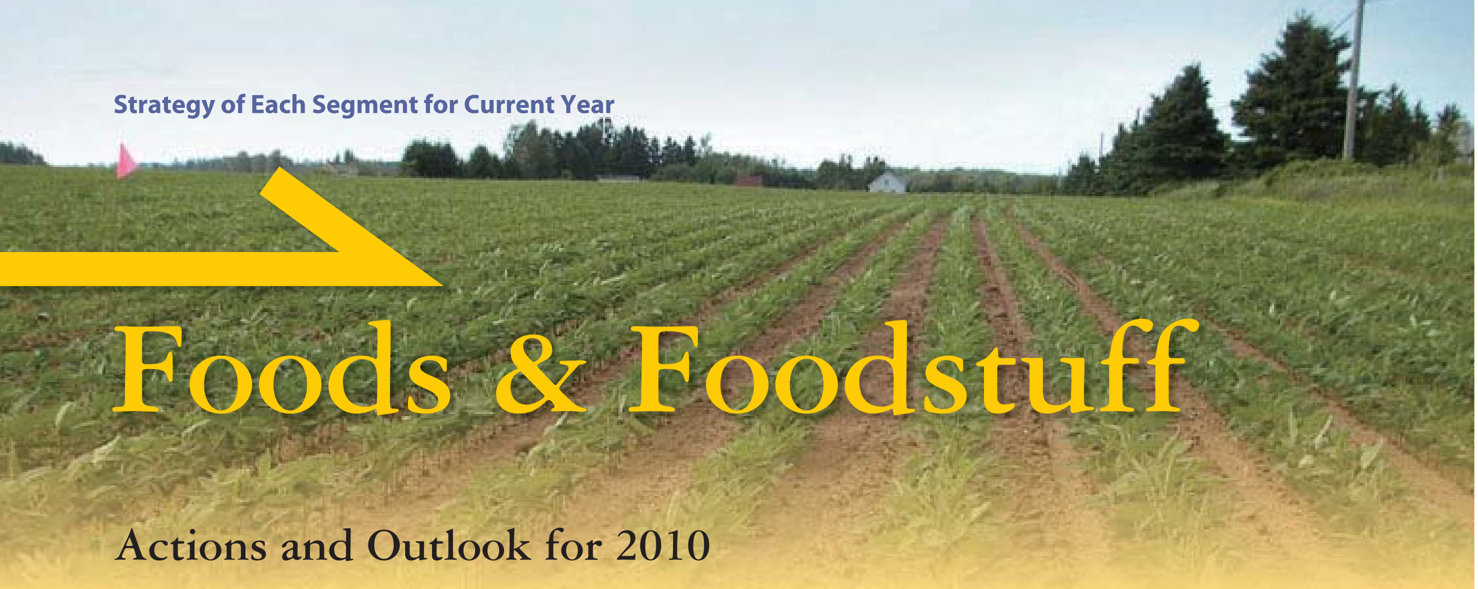
Capital spending is resuming in the semiconductor and LCD manufacturing equipment business, which have been struggling. We will accelerate our operations for the Chinese, Taiwanese, and South Korean markets, which are recovering quickly.

In the aerospace business, we will step up the trading of aircraft and spare parts for the Ministry of Defense, a stable revenue base. We will also focus on the import and sale of helicopters, spare parts, and space-related equipment for government offices, especially the National Police Agency.

Reorganization of Devices Company

Meanwhile, we will reorganize the Devices Company from August in 2009. The Devices Company has divided semiconductor operations and operations related to other components into two divisions. The overall organization has consisted of corporate customer and sales territory. Although the organization has done very well in meeting the needs of customers, the performance of each department has been vulnerable to the results of corporate customers in economic downturns, and it has been difficult for departments to cooperate with each other. Consequently, we will start to bolster overall operations through restructuring.

We have built a structure that allows us to provide comprehensive support to customers' operations as they become increasingly globalized, including research and development, sourcing, and production, by using our overseas network. With this structure, we will support our customers and contribute to the development of the industry.



Foods & Foodstuff

Actions and Outlook for 2010

We will strengthen the functions of the Food Safety Control Office by separating the Office from marketing departments to improve traceability and compliance with the Food Sanitation Act.

Food Business

> In the processed agricultural product business and the beverage material business, we will bolster ties with reliable suppliers and continue our efforts to secure new producing centers. We will also aim to expand sales by developing strategic organic/domestic products and acquiring new customers, in addition to maintaining and expanding the sales of existing products.

> Results have been solid in the business of supplying products, including prepared and cooked food and beverage materials, to home-meal replacement and restaurant business operators such as convenience store chains. We will bolster cooperation with Group companies so that we can expand sales channels in this business.

> In the environment of sustained consumer avoidance of Chinese products, we will downscale food cooked or processed in China temporarily, and focus on trading in food processed and cooked in Japan. We will also maintain stable supply by reducing reliance on China for the supply of raw materials and processed food and diversifying their supply sources to Southeast Asia.

Meat and Marine Products Business

> The meat and marine products business is finally emerging from the market turbulence observed in the previous fiscal year. We will focus more on marketing in an attempt to expand sales of products that are recognized as original KG products in the market.

> In the marine products business, we will aim to achieve a transition in our earnings structure by shifting the focus of products sold from the current raw materials to products with high processing levels, including seafood ingredients for *sushi* made with the use of partnership plants in Southeast Asia.

Grain Oil/Feed and Dairy Products

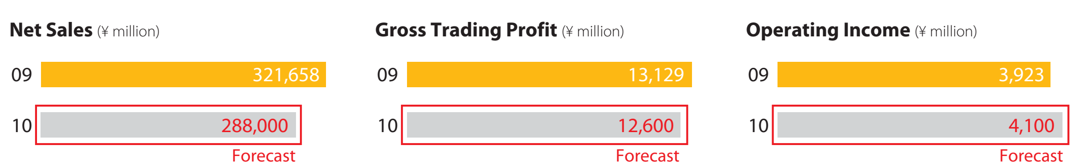
> We will work to bolster productivity through an emphasis on supply stability and competitive prices sought by customers, strengthening our ties with suppliers in Japan and abroad.

> The feed and dairy products business will likely become tougher following the end of rising prices and tight demand, which had continued for several years. We will deal with this situation with sales volume increases and appropriate hedge techniques. We will also work to expand the pet food business by stepping up cooperation with Group companies.

> Under rising demand for bioenergy sources, the number of soybean growing contracts in Canada started for the purpose of securing non-genetically modified soybeans have increased steadily. We will look to expand sales channels, encompassing bean paste and soy sauce manufacturers as well as convenience store chains, by strengthening our marketing network in Japan.

> In the formula products business, we will review the roles assigned to Kanematsu and Group companies following major changes in the conditions surrounding the business. With regard to products, we aim to bolster sales of high value-added products, including lactobacillus (EC-12*) products.

* EC-12 is an entirely new lactobacillus product made by concentrating and dehydrating sterilized enterococcus faecalis. It has significant efficacy in improving the immune capacity and immune balance, as its ultra fine particles are directly absorbed through the intestinal canal and a large number of bacteria can be consumed with a small dose.
We sell a feed blended with EC-12 called Lacsell Force, which provides strong support for the healthy development of livestock.



* Prior to consolidation adjustments

Chief Officer's Message

Tatsuo Suzuki
Chief Officer,
Foods & Foodstuff Division

Improvement plan for the marine products business

The performance of the marine products business was unfavorable in fiscal 2009. First, we will strive to improve our results. To curb the effects of price changes, we will not engage in raw material dealing-type transactions, where we take positions on speculation. Instead, we will basically carry out real demand-based transactions: We will purchase and sell products based on the real demand of end consumers. Meanwhile, we will expand overseas processing bases and develop highly processed products. We will bolster upstream operations by stationing experts in the marine products business overseas, while bolstering the downstream and middle stream sales force based on sales strategies jointly developed by the Meat & Marine Products Department, Osaka Foods Department, and Kanematsu Food Corporation.

Strategies for the growing area

We aim to maintain and expand the existing products and trade rights by meeting the needs of customers using market operation capabilities, information, and expertise in traceability that we have cultivated over many years, and through sustained efforts to improve quality and ensure a stable supply of safe, secure, and low-priced products. In addition, we will develop new products and our Group strategies for middle stream and downstream operations (expanding the sizes of affiliates and enhancing their selling power). We will thereby enhance our functions as A True Business Creator and will deal with the radically changing circumstances surrounding the food industry.

Considering the modern lifestyle, we expect the prepared frozen food market to continue to expand, albeit modestly, and will develop our operations in that field. Customers in the food industry face challenges such as environmental responsiveness, security and safety, greater production efficiency, and cost cutting. We seek to provide services, including solutions to the challenges above, in addition to food materials and foodstuffs.

In the foodstuff business overall, finding reliable supplies is a critical challenge, since Japan depends on imports for almost all feed materials. We will strive to diversify the production areas from which we import. We will take action in markets where we expect solid growth. Specifically, we will work with soybean suppliers to secure non-genetically modified soybeans and will enter high value-added, functional feed markets that go beyond the conventional framework of feed, including the lactobacillus feed market. Meanwhile, we will develop upstream and downstream operations for pet-related products.

Strategy of Each Segment for Current Year

Iron & Steel

Actions and Outlook for 2010

Exporting Business

> In the coil center business in China and in related businesses, we will aim to achieve profitability with existing commercial rights. Meanwhile, we will also focus on new commercial rights (through sales expansion in the Middle East and North Africa among other means) in an attempt to expand income.

Special Steel

> Market conditions for stainless steel are weakening, but the situation also represents an opportunity for expanding applications. We aim to expand commercial rights in collaboration with manufacturers.

> In alloy wires and bars, we expect the adverse effects of the sluggish performance of the Big Three in the United States, which are their end users. However, we are seeing to expand commercial rights for transactions for Southeast Asia, where results have been strong.

Cast and Forged Steel Products

> Sales declines owing to reduced production by automakers in North America and Europe appear inevitable for transmission components. In this situation, we aim to maintain existing commercial rights.

> We will also focus on non-automobile projects, including those for thin cast products, by taking advantage of our customer network.

Domestic Trade and Raw Materials Supply

> In the domestic trade, we will work to improve production efficiency and sales capability by paying attention to market trends.

> With respect to iron ore transactions for China, we intend to continue sales by closely monitoring economic conditions in China.

	Net Sales (¥ million)	Gross Trading Profit (¥ million)	Operating Income (¥ million)
09	136,478	10,689	6,077
10 Forecast	108,000	8,300	3,600

* Prior to consolidation adjustments

Chief Officer's Message

Masayuki Shimojima
Chief Officer, Iron & Steel Division,
Personnel, General Affairs Department,
Traffic & Insurance Department,
General Manager for Osaka Area

How to deal with the downturn in demand caused by economic stagnation

Given the economic sluggishness in Japan, Asia, and the United States—the major markets for Japanese steelmakers—the imbalance between supply and demand has eased. This has enabled us to offer products to remote locations where we were not able to make offers during the boom years, and we are focusing on sales in these markets. We have concluded our first contract for sales to Tunisia, Spain, and Iran. We hope to continue to receive orders in those areas. Steel plates for cans for food are not susceptible to business cycles, and we have enjoyed steady demand.

Strategies for the growing area

The key topic in the industry right now is the environment, which is the focus internationally. Considering this, we are concentrating on selling steel used for manufacturing photovoltaic power generation equipment and wind force power generation equipment, and high-tension steel necessary for lightweight vehicles. Since it is necessary to bolster energy efficiency in these fields, there is growing demand for quality, which is where Japanese steelmakers excel. This is a positive factor for our business.

Machinery & Plant

Actions and Outlook for 2010

Plant and Transportation Equipment

> Results for automobile and ship transactions, our core fields, are expected to decline with each year, the result of weaker automobile and maritime transportation market conditions associated with the global financial crisis. We aim to generate income by responding to market trends.

> Exports of petrochemical plant equipment for the Middle East are expected to perform strongly. We plan to offset the reduced in income in the transportation equipment business with earnings from exports.

Cable/Electric Power Projects

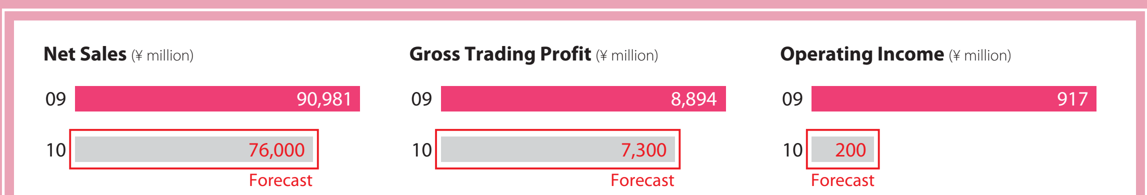
> We will focus on products in which we have a technological edge, including higher-capacity lines, submarine cables and underground cables.

> We plan to win new orders for geothermal generation projects, our specialty field and one in which demand is set to increase in the future with environmental issues in the background.

Machine Tools and Industrial Machinery

> We predict a year-on-year fall in results, with orders likely to remain elusive in Japan and the United States. We aim to maintain profitability by keeping and expanding existing commercial rights and responding to diversifying needs, including those for ecological measures and new energy sources.

> We seek to expand income in the silicon wafer processing business for solar batteries undertaken by KGK Soltech, which we established in the previous fiscal year, given solid demand.



* Prior to consolidation adjustments

Chief Officer's Message

Tetsuro Murao
Chief Officer,
Machinery & Plant Division

How to deal with the downturn in demand caused by economic stagnation

The automobile business of the Machinery & Plant Division has been developed primarily in markets that were not as vulnerable to the recession, including China. Partly for this reason, the business has been better in fiscal 2010 than in fiscal 2009.

However, sales were adversely affected by the recent appreciation of the yen in markets other than China. Given these circumstances, we are taking steps such as running sales promotion campaigns jointly with local partners in cooperation with auto manufacturers.

Strategies for the growing area

Environmental issues have emerged as a major concern in recent years, and we are paying attention to clean energy, which involves photovoltaic, wind force, and geothermal power generation. The environment-related business has not been affected by the economic stagnation and is set to experience strong growth. New projects we plan to undertake include geothermal generation projects primarily in the Philippines and Indonesia, photovoltaic generation involving a joint venture in Poland, and the processing of silicon wafers for solar batteries through a company established by Kanematsu KGK Corp., an affiliate. By leveraging our extensive experience for these projects, we expect to make a strong contribution to environmental solutions.

Energy

Actions and Outlook for 2010

Crude Oil, Petroleum Products and Gas

> We plan to stabilize income by downscaling crude oil transactions based on actual demand—in line with the stabilization of domestic crude oil demand at a lower level—and by continuing stable transactions with oil wholesalers.

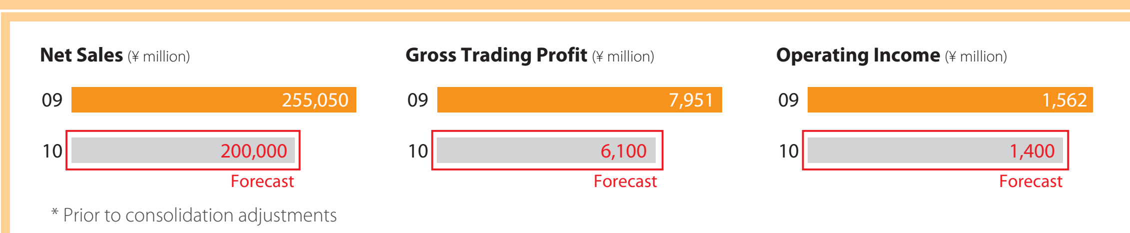
> Kanematsu Petroleum Corporation will seek to achieve reasonable profits by linking retail prices of gasoline to its wholesale prices, and aims to bolster profitability by consolidating and eliminating operating bases.

> In the LPG business, we are specializing in the bulk sale of industrial LPG and expanding sales to small-lot users in a comprehensive distribution system.

> In the new energy development business, we launched a bio-gas project in Hokkaido based on a bio-gas joint venture we established in the previous fiscal year. We aim to expand this business nationwide.

> In the biofuels business, we will step up internal cooperation with plant and business incubation departments to secure supply sources outside Japan, including sources in Southeast Asia.

> In emissions trading, we are continuing to participate in the voluntary emissions trading scheme of the Ministry of the Environment. We are also facilitating the sale of emissions rights to companies in Japan and overseas through measures such as business operations in small and retail businesses using the carbon offset, the intermediary service of emissions trading, participation in CDM operations, and cooperation with overseas businesses.



Chief Officer's Message

Hitomi Sato
Chief Officer,
Life Science & Energy Division,
Business Planning & Coordination,
Business Innovation Department

Improvement plan unaffected by ups and downs of the market price

Considering violent fluctuations in crude oil prices in recent years, we are striving to secure a stable revenue base by promoting flexible terms and conditions in crude oil import transactions and by taking action, including hedging using futures and locking in gains, in supply-demand transactions for petroleum products. When there are violent market fluctuations, we meet the needs of customers in supply and demand, as well as in sales transactions and the warehousing business, calling on the functions and strengths of the Company, which has its own tanks, to expand operations.

In transactions involving functional chemicals, which are also affected by crude oil market fluctuations, we are striving to maximize the advantages of both manufacturers and users based on close communication between them. We are seeking in particular to maintain reasonable inventory levels and to apply flexible pricing formulas.

Life Science

Actions and Outlook for 2010

Functional Chemicals

> We anticipate an increase in deliveries of solar battery coating materials, since production continues to be increasing at customer plants. In addition, we aim to expand our operations horizontally by developing related products and new markets.

> Imports of synthetic rubber remain favorable, partly because of the tight supply in Japan and production cuts by domestic manufacturers due to the high prices of raw materials.

> We are increasing exports of raw materials of lithium batteries to China in response to rising demand in the Chinese market.

> We aim to identify and commercialize products for the environment. We aim to launch the heat shield paint business at an early point, focusing on sales in China and Southeast Asia.

Pharmaceutical/Healthcare Business

> In the pharmaceuticals business, we project an increase in sales with the expansion of the contract manufacturing operation of pharmaceutical intermediaries in Japan and abroad, and the growth of exports of pharmaceuticals products and bulk powder.

> We are aiming to further increase imports of bulk powder from India and Northern and Eastern Europe by enhancing cooperation with affiliates.

> In the medical information provision services, we are seeking new business, especially from pharmaceuticals companies, and the diversification of the areas to which we provide medical service information.

	Net Sales (¥ million)	**Gross Trading Profit** (¥ million)	**Operating Income** (¥ million)
09	29,745	2,392	525
10	29,000 Forecast	2,500 Forecast	500 Forecast

* Prior to consolidation adjustments

Strategies for the growing area

In the fields of functional chemicals and energy, we position businesses related to photovoltaic power generation, lithium-ion batteries, biofuels, and heat shield paint—which we have strategically classified as environmental businesses—as growth fields. We are developing new businesses and organizations for these areas strategically, anticipating growth in their markets.

In the health category, we have launched new businesses including the sale of supplements to doctors through Kanematsu Wellness Corp, responding to a Japanese market in which combined medical care services, integrated medicine, and outpatient supplements are becoming the mainstream approach as the population ages. We expect that we will be able to meet the needs of a broader range of end users by selling supplements through doctors who will give appropriate advice. We are also convinced that selling through doctors will help enhance the quality level of supplements.

To facilitate Group-wide organized and flexible initiatives in growth fields, we regularly review products and businesses and adopt more effective policies.

Corporate Governance

Our Basic Stance on Corporate Governance

The Company has endeavored to strengthen corporate governance to increase the transparency of management and enhance fairness, efficiency and soundness. 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.

Our Management Structure and Internal Control System

(1) Corporate Governance Structure

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. 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 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 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.

The Company has a Board of Statutory Auditors. Statutory auditors and the Board of Statutory Auditors, as an independent organ, audit the directors' performance of their duties. Four auditors including three external 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 following is a diagram of the Company's system of corporate governance (as of June 25, 2009).

(2) Action Items for the Corporate Group

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

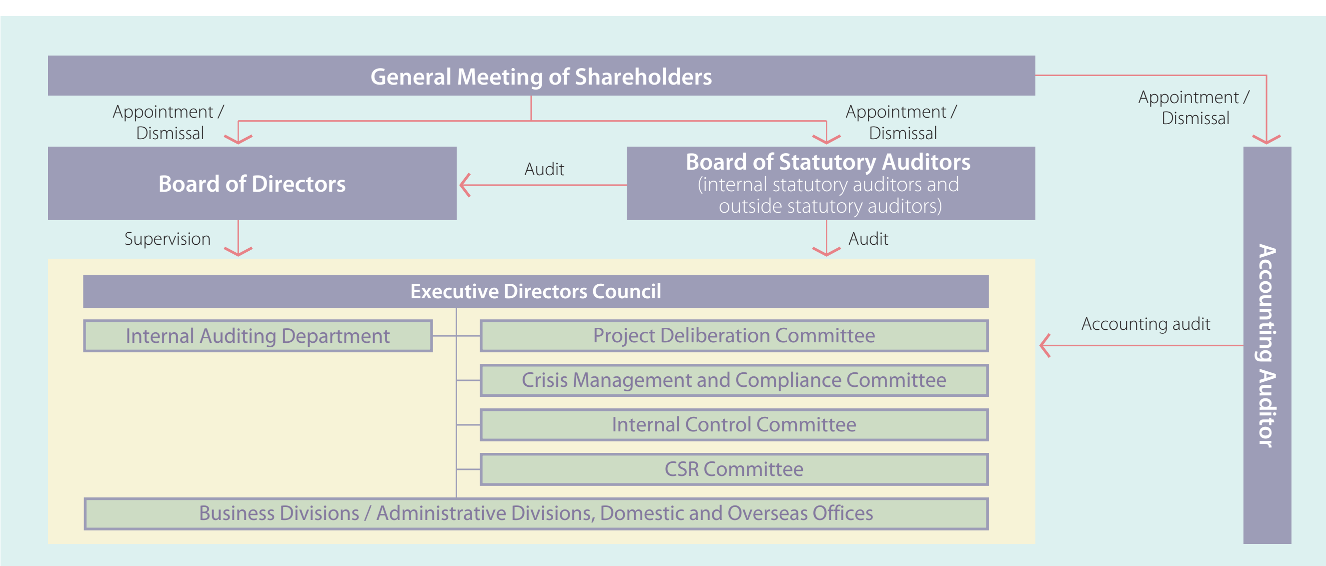
(3) Approach to Timely Disclosure

We intend to promote fair 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 make an active commitment to investor relations, disclosing information for shareholders and investors through our website and holding briefings twice each year for institutional investors and analysts, as well as making timely disclosure to stock exchanges.

(4) Establishment of Internal Control System and Risk Management System

We have established an internal control system to comprehensively evaluate the risks inherent in the Group, pursue effective and



efficient operations, compliance with laws, ordinances etc. related to operations, and the safeguarding of assets, and secure reliable financial reporting. Details of the system are as follows:

> 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 also tightened up rules on 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.

> With respect to business risks, we have designated a department that is in charge of each risk based on specific remits, established internal regulations and detailed enforcement regulations, and prepared operational guidelines, which have been thoroughly instilled in all employees through training sessions and seminars. We establish cross-functional committees to control risks as required.
  We have established a system to make judgments and decisions in relation to business risks based on remits. The Project Deliberation Committee considers making, continuing, and withdrawing from important investments and loans, examining risks comprehensively.

> We have established an Internal Control Committee to build an internal control system for the Group for effective and efficient financial reporting. Considering the internal control reporting system stipulated in the Financial Instruments and Exchange Law, which began to be applied in the fiscal year under review, 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 developed in April 2007. The Company-wide internal controls and business processes at important facilities have been evaluated 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.

> In light of the importance of compliance 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 manual which has been disseminated to top management and all employees. We have further centralized information matters in the Crisis Management and Compliance Committee and introduced a hot line system for direct reporting and consultation.

> To clarify the Company's management attitude emphasizing Corporate Social Responsibility (CSR), we established a CSR Committee in May 2008. We also set up a CSR Promotion Office in December 2008 to strengthen Groupwide CSR activities. The committee drafts activity plans in relation to CSR-related issues including social contributions, compliance, environment conservation for the whole company as needed and strengthens the plan, do, check, act (PDCA) methodology for promoting CSR activities.

> We have stated in our rules of conduct that we stand firmly against and do not have any relations with antisocial forces or organizations that threaten order and safety in civil activities. We participate in a committee to prevent special crimes in the jurisdiction of the Tokyo Metropolitan Police Department and share information under normal circumstances to reject antisocial forces. In preparation for unreasonable demands from antisocial forces, the General Affairs Department is in charge of handling such demands and collecting information on them for the entire Company, and we have established a system to deal with such demands in cooperation with external organizations including lawyers and the police.

(5) Internal Auditing and Audits by Statutory Auditors

The Internal Auditing Department (ten staff members as of June 25, 2009) conducts internal audits in the Company and consolidated subsidiaries to ensure proper accounting records and to evaluate and monitor improvements and control activities and help improve effectiveness and efficiency in operations.

The Internal Auditing Department and statutory auditors hold meetings regularly and work in close cooperation with one another by explaining audit plans and reporting the results of audits, ensuring the effectiveness of internal audits.

Each of the four statutory auditors appointed by the shareholders' meeting audits the directors' performance of their duties, including compliance and the risk management system, and of the appropriateness of the results of audits by the accounting auditor, based on audit policies and audit plans approved by the Board of Statutory Auditors, which consists of the four statutory auditors.

(6) Accounting Audits

The accounting auditor reports audit plans to the statutory auditors and aims to share information with them by regularly exchanging opinions about the status of accounting audits, the business performance of the Company, matters affecting the Company's financial position, and any problems. The prior approval of the statutory auditors is required with regard to the remuneration of the accounting auditor and requests concerning non-audit matters made to the accounting auditor.

120th Anniversary Commemoration

~The Social Action Work of Kanematsu~

Fusajiro Kanematsu, the founder of the Company, always held to his mission of "In the public interest." To perpetuate this spirit, the Company set aside part of its earnings to carry out three social action programs after Fusajiro's passing: donating the Research Institute for Economic Business Administration of Kobe University, the Kanematsu Auditorium of Hitotsubashi University, and the Kanematsu Memorial Institute of Pathology at Sydney Hospital. These facilities have become very familiar to many students, researchers, and citizens.

Starting from Kobe, a city with close ties to Kanematsu:
The Research Institute for Economic Business Administration (Kanematsu Memorial Hall)

1919

The Company donated the Commercial Research Institute (now known as the Research Institute for Economic Business Administration, or Kanematsu Memorial Hall) to Kobe Higher Commercial School (now Kobe University) as the first memorial project in 1919, six years after Fusajiro Kanematsu's death. The Company also made a contribution to establish the Kanematsu Trade Research Foundation. The Commercial Research Institute has a proud record of research achievements and has been widely regarded as an advanced research institution for the international economy and management in Japan and overseas for close to 90 years since its foundation.

In 1993, the Kobe University Research Institute for Economic Business Administration, the Kanematsu Trade Research Foundation, and the Company jointly established a Kanematsu postgraduate research scholarship. Postgraduates nationwide are invited to enter an essay contest every year to encourage research and provide opportunities for research publications.

1925

Beloved for 84 years:
The Kanematsu Auditorium of Hitotsubashi University

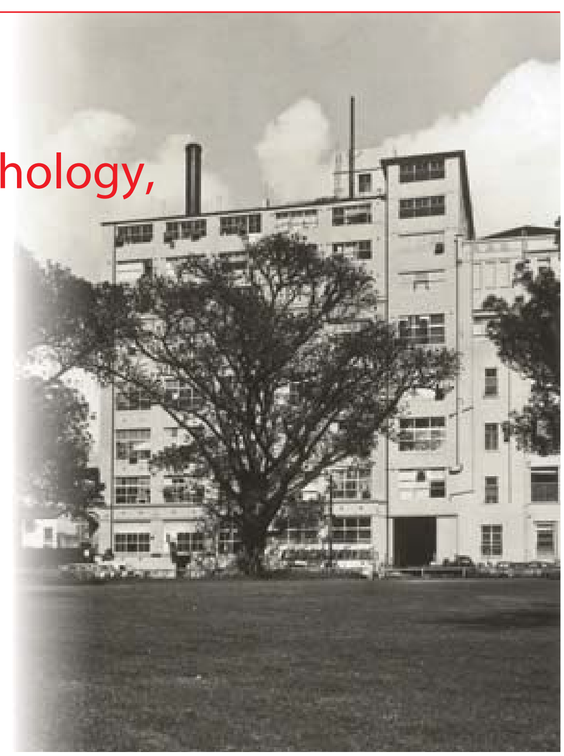
The Company donated the Kanematsu Auditorium to the Tokyo University of Commerce (now Hitotsubashi University) as its second memorial project in 1925, 12 years after Fusajiro's death. It is believed that all Kanematsu employees donated their bonuses to the construction.

Despite the misfortune of having been appropriated for use as a military plant during World War II, the Romanesque building soon returned to its important role in learning and culture, and was registered as one of Japan's tangible cultural properties in 2000.

Following renovations in 2003 and 2004, funded by donations primarily from Hitotsubashi University alumni, the building now boasts a stylish interior and is equipped with functions including an aseismic system and air-conditioning. The hall is also a very popular venue for classic music concerts, including piano and violin performances.

1929

Celebrating Fusajiro's deep ties to Australia:
Kanematsu Memorial Institute of Pathology, Sydney Hospital

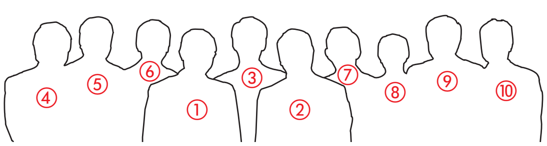


In the third memorial project in 1929, 16 years after Fusajiro's death, the Company donated the Kanematsu Memorial Institute of Pathology to Sydney Hospital in Australia, a country for which Fusajiro felt a deep attachment. During World War II, the Australian government prohibited the use of Japanese as the language of the enemy. However, the family crest and name of Kanematsu were granted exceptions and so were kept on at the hospital, where they remain today. The institute has been home to some splendid achievements, producing two Nobel Prize winners (Sir John Carew Eccles in 1963 and Sir Bernard Katz in 1970).

The institute was separated into four sections in 1982, one of which is the Kanematsu Laboratories in the Royal Prince Alfred Hospital on the campus of Sydney University.

Management

Chairman	① Masaharu Hamakawa
President	② Yoshihiro Miwa
Senior Managing Director	③ Kazuo Shigemoto



Managing Directors	④ Hitomi Sato
	⑤ Tatsuo Suzuki
	⑥ Masayuki Shimojima
Directors	⑦ Yutaka Tabata
	⑧ Fumihiko Nashimoto
	⑨ Tetsuro Murao
	⑩ Hirokazu Tamura

Corporate Auditors	Yoshiro Niiro*	Kenji Irie	Yonosuke Yamada*	Haruyoshi Amakusa*

* Messrs. Yoshiro Niiro, Yonosuke Yamada and Haruyoshi Amakusa are external corporate auditors.

(As of June 25, 2009)

Financial Section

Contents

Note: Presentation of fiscal year and amount (Japanese Yen and U.S.dollars)
- "Fiscal 2009" refers to the company's consolidated fiscal year ended March 31, 2009 and other fiscal years are referred to in the corresponding manner.
- "JPY" means millions of Yen and "USD" means thousands of U.S.dollars.

Financial Review

Net sales

Net sales were ¥1,138,755 million, falling ¥105,265 million from ¥1,244,020 million the previous fiscal year. Although the Foods & Foodstuff Division posted increased sales, other divisions, especially IT, were affected by the global economic downturn and overall net sales fell.

Gross trading profit

With the decline in net sales, gross trading profit also decreased. Gross trading profit amounted to ¥86,292 million, sinking ¥4,035 million from the previous fiscal year.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to ¥67,264 million, declining ¥457 million from ¥67,721 million the previous fiscal year.

Operating income

As a result, operating income totaled ¥19,027 million, a decrease of ¥3,578 million year on year. This is largely attributable to a deterioration in the machine tool business as a result of the global economic slowdown and the effects of the dramatically worsening environment in electronic components business, marine products business and aluminum recycling business from the second half of fiscal 2009.

Non-operating income (loss)

The non-operating loss worsened ¥2,041 million from its level a year ago to ¥5,900 million, reflecting a loss on equity-method investment, despite a reduction in interest paid due to a fall in interest-bearing debt.

Ordinary income

As a result, ordinary income amounted to ¥13,127 million, down ¥5,620 million from the previous fiscal year.

Extraordinary gain/loss

On a net basis, an extraordinary loss of ¥13,050 million was posted, representing deterioration of ¥23,278 million from the previous fiscal year. While extraordinary gains of ¥1,566 million was posted, owing to factors such as a gain on the sale of investment securities, this could not offset extraordinary losses of ¥14,616 million, including an impairment loss, loss on valuation of assets for specific businesses and an addition to a loan-loss reserve regarding specific businesses.

Net income (loss)

After adjustment for tax expenses including an income tax adjustment of ¥6,737 million attributable to the reversal of deferred tax assets, a net loss of ¥12,787 million was reported.

The Results for Each Business Segment

■ IT

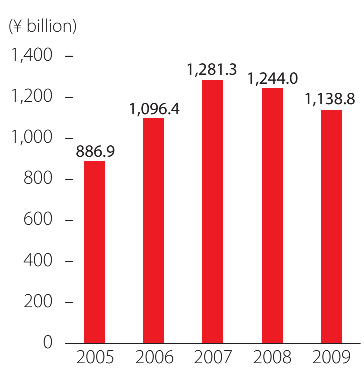
Turnover declined in the mobile business, with the number of units sold falling with the introduction of installment plans, and in the electronic parts business, which was affected by sluggish semiconductor market conditions. As a result, net sales in the IT Division fell ¥79,489 million year on year, to ¥276,633 million.

Operating income in the Division declined ¥1,180 million year on year, to ¥6,920 million, mainly owing to profit setbacks experienced in the electronic parts business.

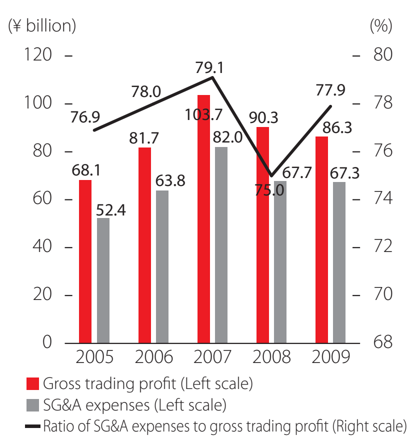
■ Foods & Foodstuff

Despite solid results for the meat products business in the first half of fiscal 2009, the food business faced an uphill battle because of factors such as sudden falls in meat and marine products business conditions in the subsequent period and continued consumer doubts about the safety of Chinese products and ingredients. The foodstuffs business performed solidly, thanks to the acquisition of stable suppliers and an increase in transaction volume that offset

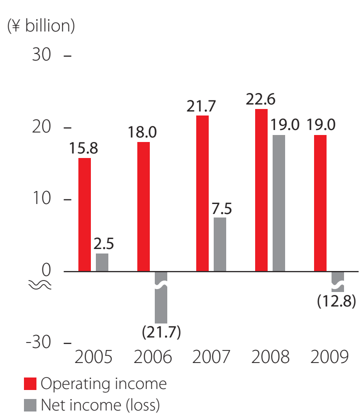
Net sales



Gross trading profit and SG&A expenses



Operating income and net income (loss)



violent fluctuations in market rates. As a consequence, net sales in the Foods & Foodstuff Division rose ¥38,047 million year on year, to ¥321,612 million. Operating income in the Division decreased ¥405 million year on year, to ¥3,923 million.

Iron & Steel / Machinery & Plant

Results for the iron and steel business were solid in the first half of fiscal 2009. Given the effects of the global financial crisis, however, specialty steel exported to North America and the Pacific and auto parts shipped to South America experienced rapid declines in the second half of the year. Meanwhile, sheet steel exported to the Middle East remained relatively strong throughout the fiscal year, including the second half.

In the industrial plants business, transactions related to transportation machinery, especially exported auto parts, remained relatively strong. However, other transactions struggled with the effects of the global economic slowdown and the higher yen. Lower orders received in Japan and the United States attributable to large-scale capital investment cuts caused transactions for machine tools to struggle in particular. As a result, net sales in the Iron, Steel & Plants Division declined ¥25,518 million year on year, to ¥226,342 million. Operating income in the Division dropped ¥466 million year on year, to ¥6,995 million.

Life Science & Energy

Net sales in the Life Science & Energy Division were down ¥31,675 million year on year, to ¥284,731 million, as a result of declined crude oil prices. Meanwhile, operating income in the Division rose ¥354 million year on year, to ¥2,087 million, reflecting steady results for the life science business.

Other

Net sales for other businesses declined ¥6,631 million year on year, to ¥29,434 million, mainly due to weaker market conditions for the aluminum recycling business transferred to a consolidated subsidiary during fiscal 2009. Operating income for the businesses decreased ¥1,942 million year on year, resulting in a loss of ¥1,565 million (compared with an income of ¥377 million recorded in the previous fiscal year), because of profit setbacks experienced in the aluminum recycling business and loss on sale of real estate for sale in the real estate business.

Analysis of Financial Status

Cash flows

Net cash provided by operating activities came to ¥17,177 million. This was because a reduction in receipts from funds was more than offset by sales revenues, despite a slowdown in the second half. Net cash used in investing activities totaled ¥370 million, due primarily to capital investment. Net cash used in financing activities amounted to ¥10,613 million, reflecting the repayment of loans. As a result, the balance of cash and cash equivalents at the end of fiscal 2009 reached ¥78,655 million, up ¥4,218 million from their balance at the end of the previous fiscal year.

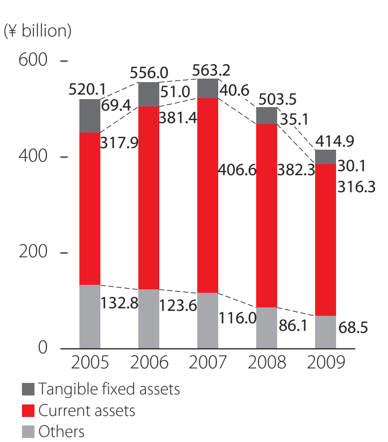
Fundraising

We defined the reduction of interest-bearing debt as one of our financial strategies under our New Medium-Term Management Plan "teamKG120," and in fiscal 2009 we used cash generated from operating activities to ensure short-term liquidity, while applying the remainder to the reduction of interest-bearing debt. As a result, net interest-bearing debt amounted to ¥134,582 million at the end of fiscal 2009, down ¥14,362 million from the end of the previous fiscal year.

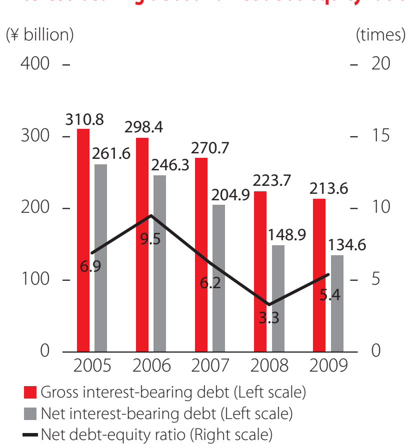
Net assets

Net assets totaled ¥42,035 million at the end of fiscal 2009, down ¥20,204 million from the end of the previous fiscal year, reflecting the posting of a large extraordinary loss, including a valuation loss and impairment loss related to real estate, higher tax expenses including the reversal of deferred tax assets, and deterioration in valuation and translation adjustments.

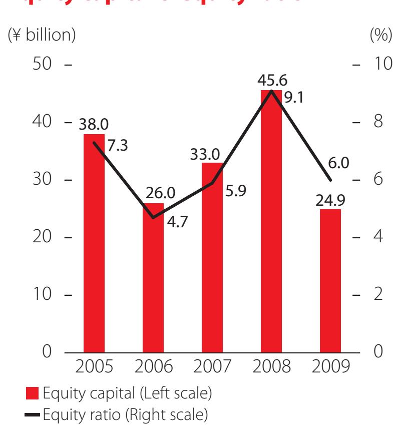
Total assets



Interest-bearing debt and net debt-equity ratio



Equity capital & equity ratio



* Equity capital = Net assets – Minority interests

Business Risks

Since the Kanematsu Group operates a broad array of businesses around the world, it is directly and indirectly affected by political developments and economic conditions in countries where it has a presence, including changes in supply and demand situations. Operations of the Group are exposed to risks such as price fluctuations and liquidity risks of commodities, foreign exchange rates, funds (interest rates) and shares, default and credit risks, investment risks, country risks, and risks associated with changes in laws and regulations. These risks may affect business results and the financial position of the Group because they involve uncertainties unpredictable in the normal course of business.

These risks cannot easily be reduced. However, the Group seeks to control the risks by developing the systems and methods needed to manage each risk based on its nature.

Risks Related to Overall Business Activities

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

In its mainstay commodity trading business in Japan and overseas, the Group deals with grains and petroleum products as well as electronic parts and information, communications and technology (ICT) products. Grains and petroleum products will be influenced by 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 weaker demand 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 customers in accordance with transaction terms but also participates in derivatives transactions such as forward contracts to reduce the risk.

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

■ Interest rate risk

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

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

■ Price fluctuation risk of marketable securities, etc.

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

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

■ Default risk and credit risk

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

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

■ Business investment risk

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

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

■ Country risk

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

■ Legal risk related to changes in laws

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

■ Legal risk related to lawsuits and disputes

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

■ Security risk related to information systems and information security

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

■ Product and facility deterioration risk due to natural disasters and accidents

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

■ Compliance and fraud risk

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

Consolidated Balance Sheets

March 31, 2009 and 2008 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2009	Fiscal 2008	Fiscal 2009
	JPY	JPY	USD (Note 3)
Assets			
I. Current assets:			
1. Cash and bank deposits (Note 6-3)	79,025	74,758	804,497
2. Notes and accounts receivable (Note 6-3)	144,470	188,605	1,470,741
3. Lease investment assets	301	—	3,068
4. Short-term investments (Note 6-3)	15	14	153
5. Inventories (Note 6-1)	60,241	71,860	613,267
6. Short-term loans receivable	2,772	3,153	28,226
7. Deferred tax assets	2,021	5,573	20,575
8. Other	28,221	39,348	287,302
Allowance for doubtful accounts	(772)	(1,007)	(7,865)
Total current assets	316,296	382,307	3,219,963
II. Long-term assets:			
1. Tangible fixed assets			
1) Leased property	—	9,380	—
Accumulated depreciation	—	(4,090)	—
Leased property, net (Notes 5, 6-3)	2,938	5,289	29,910
2) Buildings and structures	—	14,461	—
Accumulated depreciation	—	(9,047)	—
Buildings and structures, net (Notes 5, 6-3)	5,390	5,414	54,874
3) Machinery, equipment, vehicle, tools and fixtures	—	26,950	—
Accumulated depreciation	—	(20,225)	—
Machinery, equipment, vehicle, tools and fixtures, net (Note 5)	6,883	6,725	70,071
4) Land (Note 6-3)	14,714	17,575	149,798
5) Lease assets, net	168	—	1,718
6) Construction in progress	—	47	—
Total tangible fixed assets (Note 6-2)	30,094	35,052	306,370
2. Intangible assets			
1) Goodwill	—	158	—
2) Other	2,054	2,781	20,913
Total intangible assets	2,054	2,939	20,913
3. Investments and other assets			
1) Investments in securities (Notes 6-3, 6-4)	37,893	47,521	385,758
2) Long-term loans receivable	13,448	14,280	136,911
3) Doubtful accounts	19,409	20,332	197,590
4) Deferred tax assets	14,837	17,208	151,050
5) Other	9,115	10,919	92,799
Allowance for doubtful accounts	(28,221)	(27,104)	(287,302)
Total investments and other assets	66,482	83,156	676,806
Total long-term assets	98,631	121,149	1,004,089
Total assets	414,928	503,456	4,224,051

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

	Fiscal 2009	Fiscal 2008	Fiscal 2009
	JPY	JPY	USD (Note 3)
Liabilities			
I. Current liabilities:			
1. Notes and accounts payable	92,211	131,594	938,729
2. Import bills payable	14,257	25,205	145,142
3. Short-term borrowings (Notes 6-3, 6-8)	103,534	89,080	1,053,998
4. Lease obligations	152	—	1,550
5. Accrued income taxes	2,282	2,381	23,234
6. Deferred tax liabilities	1	—	13
7. Other	36,906	43,062	375,712
Total current liabilities	249,344	291,323	2,538,378
II. Non-current liabilities:			
1. Long-term borrowings (Note 6-3)	110,073	134,622	1,120,571
2. Lease obligations	345	—	3,513
3. Deferred tax liabilities	283	173	2,884
4. Allowance for employees' retirement and severance benefits	2,860	4,329	29,123
5. Allowance for loss on guarantees	—	82	—
6. Allowance for loss on lawsuits	610	553	6,211
7. Allowance for retirement benefits for directors and statutory auditors	681	689	6,937
8. Negative goodwill	92	—	939
9. Other (Note 6-3)	8,601	9,442	87,565
Total non-current liabilities	123,548	149,894	1,257,743
Total liabilities	372,892	441,217	3,796,121
Net assets			
I. Shareholders' equity:			
1. Common stock	27,781	27,781	282,817
2. Capital surplus	27,644	27,644	281,426
3. Retained earnings (Deficit)	(3,786)	9,556	(38,551)
4. Treasury stock	(632)	(645)	(6,436)
Total shareholders' equity	51,006	64,336	519,256
II. Valuation and translation adjustments:			
1. Net unrealized gains (losses) on securities, net of tax	(891)	1,576	(9,080)
2. Net gains (losses) on deferred hedges, net of tax	173	(912)	1,767
3. Revaluation reserves for land (Note 6-5)	58	58	591
4. Foreign currency translation adjustments	(25,409)	(19,470)	(258,675)
Total valuation and translation adjustments	(26,070)	(18,749)	(265,398)
III. Minority interests in consolidated subsidiaries:	17,099	16,651	174,072
Total net assets	42,035	62,239	427,931
Total liabilities and net assets	414,928	503,456	4,224,051

Consolidated Statements of Income

For the years ended March 31, 2009 and 2008   Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2009		Fiscal 2008		Fiscal 2009	
	JPY		JPY		USD (Note 3)	
I. Net sales		1,138,755		1,244,020		11,592,748
II. Cost of sales (Note 7-1)		1,052,463		1,153,692		10,714,279
Gross profit		86,292		90,327		878,469
III. Selling, general and administrative expenses (Note 7-2)**:**						
1. Salaries and bonuses	26,069		26,036		265,392	
2. Retirement benefit expenses	1,579		1,549		16,084	
3. Outsourcing service charges	8,314		8,925		84,642	
4. Provision for doubtful accounts	391		521		3,986	
5. Other	30,909	67,264	30,688	67,721	314,662	684,766
Operating income		19,027		22,605		193,703
IV. Non-operating income:						
1. Interest received	1,063		1,479		10,829	
2. Dividends received	762		1,158		7,760	
3. Equity in earnings of affiliates	—		1,085		—	
4. Other	1,408	3,234	1,422	5,145	14,342	32,931
V. Non-operating expenses:						
1. Interest paid	5,464		6,765		55,635	
2. Equity in losses of affiliates	773		—		7,879	
3. Other	2,895	9,134	2,238	9,004	29,477	92,990
Ordinary income		13,127		18,747		133,643
VI. Extraordinary gains:						
1. Gain on sale of fixed assets	67		164		691	
2. Gain on sale of investments in securities	1,017		15,460		10,357	
3. Gain on reversal of allowance for doubtful accounts	481	1,566	381	16,006	4,900	15,948
VII. Extraordinary losses:						
1. Loss on disposal of fixed assets	303		429		3,094	
2. Impairment loss on fixed assets (Note 7-3)	5,416		766		55,144	
3. Loss on sale of investments in securities	146		209		1,487	
4. Impairment loss on investments in securities	687		305		7,001	
5. Loss on devaluation of inventories	558		—		5,682	
6. Loss on closure of business	35		1,723		361	
7. Loss on devaluation of assets relating to discontinued business (Note 7-4)	4,622		835		47,056	
8. Provision for loss on affiliated business	9		175		95	
9. Provision for allowance for doubtful accounts	80		—		817	
10. Provision for loss on impaired loans related to discontinued business	2,557		872		26,034	
11. Provision for loss on lawsuits	57		20		580	
12. Special retirement expenses	142		—		1,452	
13. Prior years' provision for retirement benefits to directors and statutory auditors	—	14,616	440	5,778	—	148,802
Income before income taxes and minority interests		77		28,975		789
Income taxes – current	4,507		5,439		45,889	
Income taxes – deferred	6,737	11,244	2,905	8,344	68,587	114,476
Minority interests in consolidated subsidiaries		1,619		1,614		16,488
Net income (loss)		(12,787)		19,016		(130,174)

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2009 and 2008 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2009 (JPY)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	27,781	27,644	9,556	(645)	64,336
Effect of changes in accounting policies applied to foreign subsidiaries			(527)		(527)
Changes during the fiscal year					
Net loss			(12,787)		(12,787)
Acquisition of treasury stock				(53)	(53)
Disposition of treasury stock			(29)	66	37
Effect of changes in the shares of equity-method affiliates				0	0
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	—	(12,816)	13	(12,803)
Balance at March 31, 2009	27,781	27,644	(3,786)	(632)	51,006

	Fiscal 2009 (JPY)						
	Valuation and translation adjustments						
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008	1,576	(912)	58	(19,470)	(18,749)	16,651	62,239
Effect of changes in accounting policies applied to foreign subsidiaries							(527)
Changes during the fiscal year							
Net loss							(12,787)
Acquisition of treasury stock							(53)
Disposition of treasury stock							37
Effect of changes in the shares of equity-method affiliates							0
Net changes of items other than shareholders' equity during the fiscal year	(2,468)	1,086	—	(5,938)	(7,320)	447	(6,873)
Total changes during the fiscal year	(2,468)	1,086	—	(5,938)	(7,320)	447	(19,676)
Balance at March 31, 2009	(891)	173	58	(25,409)	(26,070)	17,099	42,035

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

Consolidated Statements of Changes in Net Assets

	Fiscal 2008 (JPY)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	27,781	27,646	(9,496)	(627)	45,303
Changes during the fiscal year					
Net income			19,016		19,016
Acquisition of treasury stock				(33)	(33)
Disposition of treasury stock		(2)		15	12
Effect of changes in the shares of equity-method affiliates				(0)	(0)
Effect of changes in scope of consolidated subsidiaries			1		1
Pension liability adjustments (Note 8-2)			34		34
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	(2)	19,053	(18)	19,032
Balance at March 31, 2008	27,781	27,644	9,556	(645)	64,336

	Fiscal 2008 (JPY)						
	Valuation and translation adjustments						
	Net unrealized gains on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	3,853	112	58	(16,368)	(12,344)	15,807	48,767
Changes during the fiscal year							
Net income							19,016
Acquisition of treasury stock							(33)
Disposition of treasury stock							12
Effect of changes in the shares of equity-method affiliates							(0)
Effect of changes in scope of consolidated subsidiaries							1
Pension liability adjustments (Note 8-2)							34
Net changes of items other than shareholders' equity during the fiscal year	(2,277)	(1,025)	(0)	(3,102)	(6,404)	843	(5,560)
Total changes during the fiscal year	(2,277)	(1,025)	(0)	(3,102)	(6,404)	843	13,471
Balance at March 31, 2008	1,576	(912)	58	(19,470)	(18,749)	16,651	62,239

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

	Fiscal 2009 (USD) (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings (Deficit)	Treasury stock	Total shareholders' equity
Balance at March 31, 2008	282,817	281,426	97,287	(6,569)	654,962
Effect of changes in accounting policies applied to foreign subsidiaries			(5,368)		(5,368)
Changes during the fiscal year					
Net loss			(130,174)		(130,174)
Acquisition of treasury stock				(547)	(547)
Disposition of treasury stock			(295)	674	379
Effect of changes in the shares of equity-method affiliates				5	5
Net changes of items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	—	—	(130,470)	132	(130,337)
Balance at March 31, 2009	282,817	281,426	(38,551)	(6,436)	519,256

	Fiscal 2009 (USD) (Note 3)						
	Valuation and translation adjustments						
	Net unrealized gains (losses) on securities, net of tax	Net gains (losses) on deferred hedges, net of tax	Revaluation reserves for land	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2008	16,049	(9,291)	591	(198,217)	(190,869)	169,512	633,605
Effect of changes in accounting policies applied to foreign subsidiaries							(5,368)
Changes during the fiscal year							
Net loss							(130,174)
Acquisition of treasury stock							(547)
Disposition of treasury stock							379
Effect of changes in the shares of equity-method affiliates							5
Net changes of items other than shareholders' equity during the fiscal year	(25,129)	11,058	—	(60,458)	(74,529)	4,560	(69,969)
Total changes during the fiscal year	(25,129)	11,058	—	(60,458)	(74,529)	4,560	(200,306)
Balance at March 31, 2009	(9,080)	1,767	591	(258,675)	(265,398)	174,072	427,931

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2008 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2009	Fiscal 2008	Fiscal 2009
	JPY	JPY	USD (Note 3)
I. Cash flows from operating activities:			
Income before income taxes and minority interests	77	28,975	789
Depreciation and amortization	3,232	3,304	32,906
Increase in allowance for doubtful accounts	537	547	5,473
Decrease in allowance for employees' retirement and severance benefits	(1,343)	(1,000)	(13,673)
Interest and dividend income	(1,825)	(2,638)	(18,588)
Interest expense	5,464	6,765	55,635
Equity in earnings affiliates	773	(1,085)	7,879
Loss on disposal of fixed assets	236	264	2,403
Impairment loss on fixed assets	5,416	766	55,144
Gain on sale of investments in securities, net	(871)	(15,251)	(8,870)
Impairment loss on investments in securities	687	305	7,001
Gain on reversal of allowance for doubtful accounts	(481)	(381)	(4,900)
Loss on closure of business	35	1,723	361
Loss on devaluation of assets relating to discontinued business	4,622	835	47,056
Provision for loss on affiliated business	9	175	95
Provision for loss on impaired loans related to discontinued business	2,557	872	26,034
Provision for loss on lawsuits	57	20	580
Prior years' provision for retirement benefits to directors and statutory auditors	—	440	—
Decrease in notes and accounts receivable	43,975	4,314	447,677
Decrease (increase) in inventories	6,306	(2,695)	64,201
Decrease in notes and accounts payable	(49,045)	(8,034)	(499,292)
Other	4,987	5,963	50,774
Sub total	25,410	24,188	258,684
Interest and dividend received	1,767	3,234	17,997
Interest paid	(5,471)	(6,848)	(55,706)
Income taxes paid	(4,528)	(6,266)	(46,106)
Net cash provided by operating activities	17,177	14,308	174,869
II. Cash flows from investing activities:			
(Increase) decrease in time deposits, net	(75)	28	(773)
Payments for tangible fixed assets	(3,121)	(1,948)	(31,776)
Proceeds from sales of tangible fixed assets	624	1,626	6,353
Payments for intangible assets	(490)	(698)	(4,995)
Payments for investments in securities	(179)	(1,383)	(1,830)
Proceeds from sales of investments in securities	1,997	28,579	20,333
Proceeds from sales of shares in subsidiaries (Note 9-2)	—	4,768	—
Proceeds from dividends on liquidations	—	559	—
Payments for loans receivable	(2,543)	(5,381)	(25,890)
Proceeds from loans receivable	3,362	11,344	34,229
Other	56	1,303	580
Net cash (used in) provided by investing activities	(370)	38,799	(3,770)
III. Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	3,321	(27,838)	33,810
Proceeds from long-term borrowings	14,905	35,843	151,741
Repayments of long-term borrowings	(28,281)	(51,699)	(287,906)
Proceeds on issuance of common stock	100	160	1,018
Other	(659)	(358)	(6,714)
Net cash used in financing activities	(10,613)	(43,892)	(108,052)
IV. Effect of exchange rate changes on cash and cash equivalents	(2,667)	(254)	(27,155)
V. Net increase in cash and cash equivalents	3,525	8,959	35,892
VI. Cash and cash equivalents at beginning of year	74,437	65,471	757,790
VII. Effect of the change in scope of consolidated subsidiaries	692	7	7,047
VIII. Cash and cash equivalents at end of year (Note 9-1)	78,655	74,437	800,729

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

Notes to Consolidated Financial Statements

For the years ended March 31, 2009 and 2008   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, 2008 are prepared in accordance with the Regulations prior to the revision, while the consolidated financial statements for the fiscal year ended March 31, 2009 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 2009	Fiscal 2008
(1) Number of consolidated subsidiaries: 89 In the current fiscal year, 13 companies were added to the scope of consolidation due to incorporation or increase in significance, while 4 companies were excluded from the scope of consolidation due to merger, liquidation or sale of shares.	**(1) Number of consolidated subsidiaries: 80** In the current fiscal year, 2 companies were added to the scope of consolidation due to incorporation or increasing materiality, while 13 companies were excluded from the scope of consolidation due to liquidation, sale in shares and other events.
(2) Unconsolidated subsidiaries 13 companies were not included in the scope of consolidation.	**(2) Unconsolidated subsidiaries** 26 companies were not included in the scope of consolidation.
(3) Reason that certain subsidiaries were excluded from the scope of consolidation 13 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 for the subsidiaries were excluded from the scope of consolidation** 26 unconsolidated subsidiaries were immaterial in terms of their total assets, net sales, net income and retained earnings corresponding to the Company's ownership interest on their stand-alone basis as well as their aggregated basis.

(b) Application of Equity Method

Fiscal 2009	Fiscal 2008
(1) Number of unconsolidated subsidiaries to which the equity method was applied: 7 7 subsidiaries out of 13 unconsolidated subsidiaries were accounted for by the equity method. In the current fiscal year, 13 companies were excluded from accounting via the equity method due to increase in significance or liquidation.	**(1) Number of unconsolidated subsidiaries to which the equity method was applied: 20** 20 subsidiaries out of 26 unconsolidated subsidiaries were accounted for by the equity method. In the current fiscal year, 5 companies were excluded from the scope of the equity method due to liquidation, merger, sale in shares and other events.
(2) Number of affiliated companies to which the equity method was applied: 28 Among 35 affiliated companies, the equity method was applied to investments in 28 companies. In the current fiscal year, the equity method was newly applied to investment in 1 company due to acquisition.	**(2) Number of affiliated companies to which the equity method was applied: 27** Among 34 affiliated companies, the equity method was applied to investments in 27 companies. In the current fiscal year, the equity method was newly applied to investment in 1 company due to a change from a subsidiary to an affiliate with the sale of shares, while 11 companies were excluded from the scope of the equity method due to sales in shares and liquidation.
(3) Reason that the equity method was not applied to certain affiliated companies The 6 unconsolidated subsidiaries and 7 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 for the equity method was not applied to the affiliated companies** The 6 unconsolidated subsidiaries and 7 affiliated companies to which the equity method was not applied were immaterial on consolidated net income and retained earnings, corresponding to the Company's ownership interest on their stand-alone basis and aggregated basis.

(c) Fiscal Year-ends of Consolidated Subsidiaries

Fiscal 2009	Fiscal 2008
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 33 other companies In preparing the consolidated financial statements, the financial statements of 38 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, were used. However, material differences in intercompany transactions and accounts arising from the use of these fiscal year end dates were appropriately adjusted for in consolidation.	Consolidated subsidiaries that have different closing dates from the consolidated closing date were as follows: Name of consolidated subsidiary / Closing date Kanematsu USA — December 31 Kanematsu GmbH — December 31 Kanematsu Australia — December 31 Kanematsu Europe — December 31 KG Aircraft Leasing — December 31 27 other companies When preparing the consolidated financial statements, the financial statements of 32 companies are used since their closing dates were within three months of the consolidated closing date. However, material difference in intercompany transactions and accounts arising from the use of the different fiscal year end were appropriately adjusted for in consolidation.

(d) Short-term Investments and Investments in Securities

Fiscal 2009	Fiscal 2008
(1) Held-to-maturity bonds Debt securities were stated at cost less the amortization of any premium or discounts, which were amortized over the period to maturities.	**(1) Held-to-maturity bonds** Consistent with the policy described at left.
(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 the one-month to the fiscal year end.	**(2) Other securities (Non-trading purpose)** * Marketable Securities Consistent with the policy described at left.
* Non-marketable securities The non-marketable securities are stated at cost using the moving-average method.	* Non-marketable securities Consistent with the policy described at left.

(e) Derivatives

Fiscal 2009	Fiscal 2008
Fair value method.	Consistent with the policy described at left.

(f) Inventories

Fiscal 2009	Fiscal 2008
Cost method principally determined by the moving average method (carried at the lower of cost market value on the balance sheet). **(Changes in accounting policies)** The Company has applied the "Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan (ASBJ) Statement No. 9 dated on July 5, 2006)" from April 1, 2008. Inventories are now recorded at the lower of acquisition cost or net selling value in the balance sheet. Previously, inventories were carried at acquisition cost. As a result of the change, operating income and ordinary income decreased by ¥1,029 million ($10,479 thousand) and income before income taxes and minority interests decreased by ¥1,587 million ($ 16,161 thousand). The effect to the industrial segment due to this change is described in the related notes.	Cost method principally determined by the moving average method.

(g) Property and Equipment

Fiscal 2009	Fiscal 2008
(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 range 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** In principle, the declining-balance method is used for tangible fixed assets. However, the straight-line method is used for buildings (excluding auxiliary equipment) and leased property. The range of principal estimated useful lives are as follows. Buildings and structures 3 – 50 years Machinery, equipment, vehicle, tools and fixtures 2 – 25 years (Accounting Change in Depreciation Method) Due to the revision to corporate tax legislation (Law for Partial Amendment of the Income Tax Law, Law No. 6 of March 30, 2007, and Ordinance for Partial Amendment of the Corporate Tax Law Endorsement Ordinance, Ordinance No. 83 of March 30, 2007), certain consolidated subsidiaries changed the depreciation method for their tangible fixed assets acquired on or after April 1, 2007 to the method in accordance with the revised corporate tax law effective from the current fiscal year. This change had a minor effect on net income for the current fiscal year. As this change had a minor impact on the segment information, the description in the relevant section is abbreviated. (Additional Information on Change in Residual Values) Due to the revision to corporate tax legislation (Law for Partial Amendment of the Income Tax Law, Law No. 6 of March 30, 2007, and Ordinance for Partial Amendment of the Corporate Tax Law Endorsement Ordinance, Ordinance No. 83 of March 30, 2007), certain consolidated subsidiaries adopted the depreciation method based on the revised Corporate Tax Law for tangible fixed assets acquired on or before March 31, 2007. With this method, the difference between the amounts equivalent to 5% of the acquisition costs and the residual value are depreciated evenly over five years effectively from the year following the fiscal year when the residual value reached the amounts equivalent to 5% of the acquisition costs, and recorded as depreciation expenses. The change had a minor impact on net income for the current fiscal year.
(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)** Not applicable.

(h) Allowance for Doubtful Accounts

Fiscal 2009	Fiscal 2008
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.	Consistent with the policy described at left.

(i) Allowance for Employees’ Retirement and Severance Benefits

Fiscal 2009	Fiscal 2008
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 5 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 5 to 10 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.	Consistent with the policy described at left.

(j) Allowance for Loss on Guarantees

Fiscal 2009	Fiscal 2008
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.	Consistent with the policy described at left.

(k) Allowance for Loss on Lawsuits

Fiscal 2009	Fiscal 2008
The Companies provide an allowance for potential losses on lawsuits.	Consistent with the policy described at left.

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

Fiscal 2009	Fiscal 2008
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 Companies' internal rules.	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 Companies' internal rules. (Accounting Change in Allowance) Prior to the current fiscal year, the Company and certain its subsidiaries expensed retirement benefits to directors and statutory auditors at the time of disbursement based on a resolution at an annual general shareholders' meeting. Effective from the current fiscal year, the Company and certain of its subsidiaries changed to a method of providing an allowance that can be reasonably estimated in accordance with internal rules by reference to the publication of the "Auditing Treatment relating to Reserve defined under the Special Tax measurement Law, Reserve defined under the Special Law and Reserve for Directors and Corporate Auditor Retirement Benefits" (JICPA Auditing and Assurance Practice Committee Report No. 42 dated on April 13, 2007). Because of this change, the Company and certain of its subsidiaries recorded an allowance of ¥181 million attributable to the current fiscal year in general, selling and administrative expenses and ¥440 million attributable to the prior years as an extraordinary loss in the current fiscal year. As a result, both operating income and ordinary income were decreased by ¥181 million, respectively, and income before income taxes was decreased by ¥621 million compared to the previous method.

(m) Translation of Foreign Currencies

Fiscal 2009	Fiscal 2008
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 were translated at current exchange rates on the closing date except for shareholders' equity which was translated at historical acquisition date exchange rates. Difference in yen amounts arising from this translation are shown as "Foreign currency translation adjustments" and "Minority interest in consolidated subsidiaries" recorded in "Net assets".	Consistent with the policy described at left.

(n) Lease Transactions

Fiscal 2009	Fiscal 2008
Not applicable.	Finance leases other than those in which ownership rights of the leased property are regarded as transferred to the lessees, are principally accounted for as operating leases.

(o) Hedge Accounting

Fiscal 2009	Fiscal 2008
(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** Consistent with the policy described at left.
(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 transaction * Interest-related Borrowings	**(2) Hedging instruments and hedged items** Consistent with the policy described at left.
(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** Consistent with the policy described at left.
(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** Consistent with the policy described at left.
(5) Other Risk management is performed by the management division, which is independent from the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.	**(5) Other** Consistent with the policy described at left.

(p) Consumption Taxes

Fiscal 2009	Fiscal 2008
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.	Consistent with the policy described at left.

(q) Consolidated Tax Return

Fiscal 2009	Fiscal 2008
The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.	Consistent with the policy described at left.

(r) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Fiscal 2009	Fiscal 2008
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.	Consistent with the policy described at left.

(s) Goodwill

Fiscal 2009	Fiscal 2008
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.	Consistent with the policy described at left.

(t) Cash and Cash Equivalents

Fiscal 2009	Fiscal 2008
Cash and cash equivalents in the consolidated statements of cash flows were 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 risk of changes in value is insignificant.	Consistent with the policy described at left.

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 ¥98.23 to U.S.$1.00, the exchange rate prevailing on March 31, 2009. 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 2009	Fiscal 2008
(Accounting Standard for Lease Transactions) Finance leases in which the ownership of the leased property is not transferred to the lessees, were previously accounted for as operating leases. However, from the current fiscal year, the Companies applied the "Accounting Standard for Lease Transactions" ASBJ Statement No. 13 dated on June 17, 1993 (the First Committee of Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standards for Lease Transactions" (ASBJ Implementation Guidance No. 16 dated on January 18, 1994 (the Japanese Institute of Certified Public Accountants, Accounting Standards Committee); revised on March 30, 2007). For finance leases in which the ownership of the leased property is not transferred to the lessee are treated as ordinary sales transactions'. For finance leases in which the ownership of the leased property is not transferred to the lessees, and for which transaction commencement dates were on before March 31, 2008, the Companies applied previous method of accounting as operating lease. The adoption had a minor effect on net income and Segment Information in the current fiscal year.	Not applicable.
(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements) The Company applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No. 18 dated on May 17, 2006) and adjusted the consolidation accounting applied in Japan from April 1, 2008. The adoption had a minor impact on net income in the current fiscal year. Also, the impact on operating income to each industrial and geographic segment in the current fiscal year is described in the respective notes.	Not applicable.

5. Changes to Presentation Methods

Fiscal 2009	Fiscal 2008
(Consolidated balance sheets) Tangible fixed assets have been presented in the consolidated balance sheet using the gross carrying amount method in the previous fiscal years. From the current fiscal year, tangible fixed assets have been presented in the consolidated balance sheet using the net carrying amount method. The gross carrying amounts of tangible fixed assets as of March 31, 2009 are included below:	Not applicable.
Not applicable.	(Consolidated Statements of Cash Flows) "Equity in earnings of affiliates" that was included in "Others" in "Cash flows from operating activities" in the previous fiscal years is separately presented from the current fiscal year, as its significance has increased. "Equity in earnings of affiliates" that was included in "Others" in "Cash flows from operating activities" in the previous fiscal year was minus ¥731 million.

	JPY	USD
1) Leased property	7,232	73,623
Accumulated depreciation	(4,293)	(43,713)
Leased property, net	2,938	29,910
2) Buildings and structures	14,739	150,050
Accumulated depreciation	(9,349)	(95,176)
Buildings and structures, net	5,390	54,874
3) Machinery, equipment, vehicle, tools and fixtures	24,089	245,236
Accumulated depreciation	(17,206)	(175,165)
Machinery, equipment, vehicle, tools and fixtures, net	6,883	70,071

6. Notes to Consolidated Balance Sheets

Fiscal 2009	Fiscal 2008
1. Details of Inventories are follows	**1.** Not applicable.
2. The amount of accumulated depreciation of tangible fixed assets was ¥31,001 million ($315,605 thousand).	**2.** Not applicable.

	JPY	USD
Merchandise and finished goods	57,102	581,316
Real estate for sale	978	9,956
Raw materials and supplies	1,278	13,012
Work in progress	882	8,982
Total	60,241	613,267

Fiscal 2009

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY	USD
Bank Deposits	29	301
Notes receivable	2,056	20,933
Fixed assets for lease	2,722	27,716
Buildings and structures	338	3,442
Land	237	2,420
Investments in securities	601	6,123
Total	5,985	60,935

Details of associated secured obligations are as follows:

	JPY	USD
Short-term borrowings	5,613	57,143
Long-term borrowings	2,160	21,997
Non-current liabilities and others	921	9,383
Guaranteed obligations	13	142

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

	JPY	USD
Bank deposits	3	31
Short-term investments	15	153
Investments in securities	1,666	16,966
Total	1,684	17,150

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

	JPY	USD
Investments in securities	7,804	79,449
(Share stocks)	(7,248)	(73,791)
(Equity interest)	(555)	(5,658)

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.

6. Contingencies

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

Name of obligor	JPY	USD
Century Textile Industry	1,222	12,443
True Corporation Public	407	4,151
Japan Logistics	168	1,715
Other	2,909	29,624
Total	4,708	47,933

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

7. The amount of discounted notes receivable was ¥16,446 million ($167,429 thousand), of which ¥14,393 million ($146,531 thousand) was for discounted export bills, and the amount of endorsed notes receivable was ¥177 million ($1,811 thousand).

8. Not applicable.

Fiscal 2008

3. Pledged assets and secured obligations

Details of pledged assets are as follows:

	JPY
Bank Deposits	29
Notes receivable	1,830
Fixed assets for lease	4,976
Buildings and structures	414
Land	182
Investments in securities	801
Total	8,235

Details of secured obligations are as follows:

	JPY
Short-term borrowings	5,064
Long-term borrowings	2,695
Non-current liabilities and others	954
Guaranteed obligations	14

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

	JPY
Bank deposits	3
Investments in securities	2,385
Total	2,388

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

	JPY
Investments in securities	8,299
(Share stocks)	(8,188)
(Equity interest)	(110)

5. Revaluation reserves for land

Consistent with the description described at left.

6. Contingencies

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

Name of obligor	JPY
Century Textile Industry	566
True Corporation Public	407
Japan Logistics	193
Other	4,117
Total	5,285

Keep-well or agreements similar to guarantee were included in the above.

7. The amount of discounted notes receivable was ¥16,447 million, and the amount of endorsed notes receivable was ¥146 million. The amount of discounted note receivable includes export letter of credit bought by banks of ¥10,353 million.

8. ¥4,309 million, the amount of discounted export bills and notes receivable among consolidated companies, was reclassed to short-term borrowings.

7. Notes to Consolidated Statements of Income

Fiscal 2009

1. Loss on devaluation of inventories
Inventories are carried at the lower of cost or market value on the balance sheet. A loss on devaluation of inventories of ¥1,029 million ($10,479 thousand) was included in cost of sales.

2. Research and development expenses
Research and development expenses are included in general and administrative expenses: ¥524 million ($5,337 thousand).

3. Loss on impairment of fixed assets
The Companies recorded losses on the impairment of fixed assets in the current fiscal year, which are summarized in the following table.

Use	Location	Type	JPY	USD
Leased properties	Shiga, Japan	Leased property, etc.	2,061	20,988
Business assets	Ibaraki, Japan	Buildings, land, etc.	3,355	34,156
Total			5,416	55,144

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

For the leased properties and 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 ¥5,416 million ($55,144 thousand) were recorded as extraordinary loss from reducing their carrying amounts to their recoverable amounts. The breakdown of the impairment losses is as follows: ¥2,629 million ($26,772 thousand) for land, ¥2,003 million ($20,397 thousand) for leased property, ¥627 million ($6,390 thousand) for buildings and structures, ¥6 million ($67 thousand) for machinery, equipment, vehicle, tools and fixtures, and ¥149 million ($1,519 thousand) for others.

The greater of net selling or use value is used as the recoverable value as for leased properties in use, while net selling value is used as the recoverable value for leased properties to be sold. The greater of net selling or use value is used for business assets, while net selling value is used for idle assets. The net selling value is based on appraisal provided by professional real estate appraisers, the use value is calculated by discounted future cash flows using an interest rate of 4.0 %.

4. Loss on devaluation of assets relating to discontinued business
In view of the changes of the circumstances of the economic and real estate businesses, the Company devaluated the carrying value of the particular real estate for sale. The loss includes ¥4,259 million ($43,367 thousand) of loss on devaluation of the real estates for sale.

Fiscal 2008

1. Not applicable.

2. Research and development expenses
Research and development expenses included in general and administrative expenses: ¥347 million.

3. Loss on impairment of fixed assets
The Companies recorded losses on the impairment of fixed assets in the current fiscal year, which are summarized in the following table.

Use	Location	Type	JPY
Leased properties	Tochigi, Japan	Buildings, land, etc.	21
Business assets	Dalian, China	Buildings, land, etc.	692
Idle assets	Tokyo, Japan and other	Telephone subscription right and other, etc.	52
Total			766

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

For the leased properties and business assets with lower profitability due to the declining market prices and performance in real estate in recent years and the idle assets with lower market values due to unpromising use in the foreseeable future, impairment losses of ¥766 million in extraordinary loss by reducing their carrying amounts to the recoverable amounts. The breakdown of the impairment losses is as follows: ¥329 million for buildings and structures, ¥164 million for machinery, vehicle and fixtures, ¥146 million for land, ¥126 million for others.

The greater of net selling or use value is used as the recoverable value as for leased properties in use, while net selling value is used as the recoverable value for leased properties to be sold. The greater of net selling or use value is used for business assets, while net selling value is used for idle assets. The net selling value is based on appraisal provided by professional real estate appraiser, the use value is calculated by discounted future cash flows using an interest rate of 5.1%.

4. Not applicable.

8. Notes to Consolidated Statements of Changes in Net Assets

Fiscal 2009

1. 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)	4,072	493	391	4,173
Total	4,072	493	391	4,173

(Notes) 1. The breakdown of the increase of 493 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 492 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 391 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 388 thousand shares
The Company's portion of treasury stock (the Company's stock) disposed of by equity method affiliates: 3 thousand shares

Fiscal 2008

1. 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)	3,975	177	81	4,072
Total	3,975	177	81	4,072

(Notes) 1. The breakdown of the increase of 177 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 177 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 81 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 81 thousand shares
The Company's portion of treasury stock (the Company's stock) disposed of by equity method affiliates that belong to the Company: 0 thousand shares

2. Certain consolidated subsidiaries in the U.S. record unrecognized pension liabilities within Other Comprehensive Income under U.S. GAAP. The Company has included these amounts in "Retained Earnings" or "Deficit".

9. Notes to Consolidated Statements of Cash Flows

Fiscal 2009

1. Cash and cash equivalents as of March 31, 2009, consisted of the following:

	JPY	USD
Cash and bank deposits	79,025	804,497
Time deposits whose deposit terms exceed three months	(370)	(3,768)
Cash and cash equivalents	78,655	800,729

2. Not applicable.

Fiscal 2008

1. Cash and cash equivalents as of March 31, 2008, was consisted of as follows:

	JPY
Cash and bank deposits	74,758
Time deposits whose deposit terms exceed three months	(320)
Cash and cash equivalents	74,437

2. Breakdown of the assets and liabilities of 8 companies that were excluded from the scope of consolidation through the sale of shares during the fiscal year.

The following is a breakdown of the assets and liabilities of 8 companies that were excluded from the scope of consolidation through the sales of shares at the time of the sale, and the selling value and revenue from sale:

	JPY
Current assets	21,118
Long-term assets	6,776
Goodwill	67
Current liabilities	(20,359)
Non-current liabilities	(1,351)
Foreign currency translation adjustments	504
Minority interests in consolidated subsidiaries	(23)
Interests in consolidated subsidiaries before shares sold	6,733
Interests in consolidated subsidiaries after shares sold	(1,278)
Gain on sale of investment	(414)
Total	5,039
Less: Cash and cash equivalents	(270)
Net revenue from sale	4,768

10. Lease Transactions

Fiscal 2009

<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, vehicles, 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, accumulated impairment loss 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, vehicles, tools, and fixtures	3,483	35,460	2,185	22,253	1,297	13,207
Others	4	44	1	14	2	30
Total	3,487	35,504	2,187	22,267	1,300	13,237

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

	JPY	USD
Due within one year	1,145	11,659
Due after one year	1,122	11,426
Total	2,267	23,086

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

	JPY	USD
Payments to lessors	1,117	11,375
Depreciation	1,017	10,361
Interest expenses	80	823

(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 was recorded nor allocated to leased assets.

2. Operating Leases

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

	JPY	USD
Due within one year	13	139
Due after one year	19	196
Total	32	335

Fiscal 2008

<Leases as Lessee>

1. Finance leases in which the ownership of the leased property is not transferred to the lessees

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss and balance at the end of the term of leased property, if owned are as follows:

	Acquisition cost	Accumulated depreciation	Balance at end of term
	JPY	JPY	JPY
Machinery, equipment, vehicles, tools, and fixtures	4,202	2,464	1,737
Others	19	10	8
Total	4,221	2,474	1,746

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

	JPY
Due within one year	1,758
Due after one year	1,904
Total	3,662

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

	JPY
Payments to lessors	1,203
Depreciation	1,090
Interest expenses	94

(4) Computation of depreciation

Consistent with the description described at left.

(5) Computation of interest expenses

Consistent with the description described at left.

<Impairment Loss>

Consistent with the description described at left.

2. Operating Leases

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

	JPY
Due within one year	20
Due after one year	17
Total	38

Fiscal 2009

<Leases as Lessor>

1. Finance leases

[1] Detail of the Lease investment assets

Current assets

	JPY	USD
Lease payments received	318	3,242
Interest income	(17)	(174)
Lease investment assets	301	3,068

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

Current assets

	JPY	USD
Due within one year	111	1,132
Over one year and within two years	110	1,128
Over two years and within three years	60	618
Over three years and within four years	27	277
Over four years and within five years	8	82
Over five years	0	5

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, if owned are as follows:

	Acquisition cost		Accumulated depreciation		Balance at end of term	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicles, tools, and fixtures	18	190	13	134	5	55
Total	18	190	13	134	5	55

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

	JPY	USD
Due within one year	774	7,881
Due after one year	573	5,834
Total	1,347	13,716

Related sub-lease payments against the above receivable were ¥1,337 million ($13,620 thousand). (including ¥769 million ($7,833 thousand) for due within one year)

(Note) 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	8	88
Depreciation	3	33
Interest income	0	4

(4) Computation of interest

The accumulated interest income is allocated to each period based on the interest method.

2. Operating Leases

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

	JPY	USD
Due within one year	148	1,510
Due after one year	24	246
Total	172	1,755

Fiscal 2008

<Leases as Lessor>

1. Finance leases where the leases do not transfer the ownership of the leased property to the lessees

(1) Acquisition cost, accumulated depreciation and balance at the end of the term of leased property, if owned are as follows:

	Acquisition cost	Accumulated depreciation	Balance at end of term
	JPY	JPY	JPY
Machinery, equipment, vehicles, tools, and fixtures	83	16	66
Total	83	16	66

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

	JPY
Due within one year	992
Due after one year	1,068
Total	2,061

Related sub-lease payments against the above receivable were ¥1,638 million. (including ¥782 million for due within one year)

(Note) Regarding the related sub-lease payments against the above receivables, they are almost same amounts because the sub-lease transactions arranged by the companies are intended to pass-through in almost identical terms.

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

	JPY
Lease payments received	27
Depreciation	7
Interest income	0

(4) Computation of interest

Consistent with the description described at left.

2. Operating Leases

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

	JPY
Due within one year	386
Due after one year	86
Total	473

Fiscal 2009	Fiscal 2008
3. Balance of sub-lease in the consolidated balance sheets without deducting the interest	
(1) Lease investments	

	JPY	USD
Current assets	104	1,062

(2) Lease obligations

	JPY	USD
Current liabilities	28	287
Non-Current liabilities	76	775

11. Short-term Investments and Investments in Securities

Fiscal 2009

1. "Held to maturity debt securities" with fair value not exceeding their book value (as of March 31, 2009)

	Category	Book value		Fair value		Unrealized gain (loss)	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value not exceeding their book value	Japanese government bonds	15	153	15	153	—	—

2. "Other securities" with fair value (as of March 31, 2009)

	Category	Acquisition cost		Book value		Unrealized gain (loss)	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	(1) Equity securities	2,559	26,059	3,673	37,399	1,113	11,341
Securities with book value not exceeding their acquisition cost	(1) Equity securities	7,639	77,771	6,295	64,093	(1,343)	(13,678)
	(2) Others	15	155	15	155	—	—
	Subtotal	7,654	77,926	6,311	64,248	(1,343)	(13,678)
Total		10,214	103,985	9,984	101,647	(229)	(2,337)

(Note) 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 the one-month before balance sheet date.

3. "Other securities" sold during the current fiscal year (from April 1, 2008 to March 31, 2009)

Sales proceeds		Gains on sales		Losses on sales	
JPY	USD	JPY	USD	JPY	USD
1,171	11,931	740	7,542	43	440

4. The book value of securities without fair value consisted of the following (as of March 31, 2009)

	JPY	USD
Unlisted equity securities	18,370	187,019

5. "Other securities" with maturity dates and their redemption schedule (as of March 31, 2009)

Bond	Within one year		From one year to five years	
	JPY	USD	JPY	USD
Japanese government bonds	15	153	—	—

Fiscal 2008

1. "Held to maturity debt securities" with fair value not exceeding their book value (as of March 31, 2008)

	Category	Book value	Fair value	Unrealized loss
		JPY	JPY	JPY
Securities with market value not exceeding their book value	Japanese government bonds	24	24	(0)

2. "Other securities" with fair value (as of March 31, 2008)

	Category	Acquisition cost	Book value	Unrealized gain (loss)
		JPY	JPY	JPY
Securities with book value exceeding their acquisition cost	(1) Equity securities	8,222	12,166	3,943
Securities with book value not exceeding their acquisition cost	(1) Equity securities	2,438	1,997	(441)
	(2) Others	47	38	(9)
	Subtotal	2,486	2,035	(450)
Total		10,709	14,201	3,492

(Note) 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, market prices were primarily based on one month daily average before balance sheet date.

3. "Other securities" sold during the fiscal year (from April 1, 2007 to March 31, 2008)

Sales proceeds	Gains on sales	Losses on sales
JPY	JPY	JPY
2,550	1,120	73

4. The book value of securities without fair value consisted of as following (as of March 31, 2008)

	JPY
Unlisted equity securities	19,768

5. "Other securities" with maturity dates and their redemption amounts (as of March 31, 2008)

Bond	Within one year	From one year to five years
	JPY	JPY
Japanese government bonds	14	10

12. Derivatives

1. Summary of derivatives transactions

Fiscal 2009	Fiscal 2008
(1) Nature, policies and purposes of derivative transactions The company and certain of its consolidated subsidiaries use commodity futures and commodity forward contracts primarily for minimizing exposures attributable to price volatility on commodities such as food and fuel. These transactions are carried out systematically under transaction rule designed for each type of transaction with the ceiling based on forecasted transaction volume and the profitability of each business division. With respect to financial instruments, foreign exchange forward contracts, currency swaps, and currency options are used to avert exposure arising from exchange rate fluctuations in relation to foreign-currency monetary assets and liabilities and existing contracts for future transactions at balance sheet date. Interest rate swaps and interest options on loans payable are used primarily for mitigating exposures arising from interest-rate fluctuations in relation to financial liabilities. The transactions are carried out systematically under transaction rules set out for each type of transaction based on past transaction volume and expected volume in the future. The Company also uses derivative transactions to gain short-term margins for trading purposes within a certain transaction volume, but the transaction volume is minimal.	**(1) Nature, policies and purpose of derivative transactions** Consistent with the description described at left.
(2) Risks of derivative transactions The commodity futures and commodity forward contracts that the Company and certain of its consolidated subsidiaries use involve risks associated with fair value fluctuations. Foreign exchange forward contracts, currency swaps, and currency options have exchange rate fluctuation risks. Interest rate swaps and interest options have interest rate fluctuation risks. Most of the derivative transactions used by the Company and certain of its consolidated subsidiaries are for hedging against market risks in operating and financing activities. Market risks associated with derivatives are intended to offset equal and opposite movement of the values of hedged transactions. Since derivative transactions are carried out only with major financial institutions or major brokers with high credit ratings, the Company considers the exposure to credit risk on derivatives to be minimal. The Company and its consolidated subsidiaries do not use structured derivatives with high volatility of market values to their underlying transactions' price changes, such as leveraged derivative transactions.	**(2) Risks of derivative transactions** Consistent with the description described at left.
(3) Risk management policies The Company's risk management is focused on assessing the following: (i) Whether derivative transactions are used effectively to minimize risks associated with the assets and liabilities exposed to fair value fluctuation risks and to circumvent significant losses in operations (ii) Whether there are any derivative transactions exceeding the transaction limit set for each transaction (iii) Whether there are any derivative transactions where losses exceed the loss limit set for each transaction	**(3) Risk management policies** Consistent with the description described at left.
(a) Transaction rules With respect to commodities, the Company comprehensively manages merchandise positions consisting of trade contract balances and inventories in derivatives and normal transactions. At the beginning of the fiscal year, each business division sets a ceiling on its commodity open position, taking into consideration its transaction volume and profitability. Each business division head is responsible for conducting these transactions. With respect to derivative transactions, each business division prescribes its own transaction rules and loss limit rules by commodity and transaction purpose for hedging or trading. The Finance Department makes transaction plans for financial instruments in accordance with internal rules for each type of transaction, including derivative transactions, at the beginning of the fiscal year. The head of the Finance Department is responsible for controlling these derivative transactions under its own transaction rules that prescribe authorization over derivative operations, transaction limits, and loss limits.	(a) Transaction rules Consistent with the description described at left.

Fiscal 2009	Fiscal 2008
(b) Risk management and reporting Commodities positions are monitored by the Business Accounting Department and Accounting Department. Commodity positions are assessed daily, weekly, or monthly in accordance with each commodity's transaction volume and characteristics and the risk assessment result are reported to management as stipulated in internal rules. Financial products are monitored by the Internal Inspecting Section, which is independent from the trading divisions. The Internal Inspecting Section performs daily assessment and reports the results as set out in internal rules. Certain of Company's consolidated subsidiaries (including major overseas subsidiaries) use derivative transactions in accordance with their own internal rules, which are based on the Company's risk management policies.	(b) Risk management and reporting Commodities positions are monitored by the Business Accounting Department, Devices Company Business Management Department, and Accounting Department. Commodity positions are assessed daily, weekly, or monthly in accordance with each commodity's transaction volume and characteristics and the risk assessment result are reported to management as stipulated in internal rules. Financial products are monitored by the Internal Inspecting Section, which is independent from trading divisions. The section performs daily assessment and reports the results as set out in internal rules. Certain of Company's consolidated subsidiaries (including major overseas subsidiaries) use derivatives transactions in accordance with their own internal rules, which are based on the Company's risk management policies.

2. Matters relating to fair value in relation to derivatives transactions

(1) Currencies

Not applicable because hedge accounting is adopted.

(2) Interest rate

Not applicable because hedge accounting is adopted.

(3) Commodities

		Fiscal 2009								Fiscal 2008			
		Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)		Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
Classification	Transaction type	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	JPY	JPY	JPY
Transactions in future market	Commodity futures												
	Foodstuffs												
	Selling	1,556	15,842	—	—	1,579	16,080	(23)	(239)	626	—	578	47
	Buying	2,686	27,348	—	—	2,578	26,245	(108)	(1,103)	1,952	—	1,957	4
	Energy												
	Selling	8	86	—	—	8	89	(0)	(3)	707	—	709	(2)
	Buying	—	—	—	—	—	—	—	—	713	—	721	8
Total		—	—	—	—	—	—	(132)	(1,344)	—	—	—	58

(Notes) 1. Basis of calculating the fair value of commodity futures.
The fair value is the market's closing price at the end of the fiscal year.
2. Transactions for which hedge accounting is applied are excluded from the table.

13. 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. Matters relating to retirement benefits

	Fiscal 2009		Fiscal 2008
	JPY	USD	JPY
a. Projected benefit obligation at end of year	(15,250)	(155,248)	(15,182)
b. Fair value of plan assets at end of year	9,652	98,266	9,998
c. Projected benefit obligation in excess of plan assets (a + b)	(5,597)	(56,982)	(5,184)
d. Unrecognized actuarial loss (gain)	2,516	25,618	930
e. Unrecognized prior service cost	220	2,241	293
f. Accrued retirement benefit obligation recognized in the consolidated balance sheets (c + d + e)	(2,860)	(29,123)	(3,960)
g. Prepaid pension cost	—	—	369
h. Allowance for employees' retirement and severance benefits (f – g)	(2,860)	(29,123)	(4,329)

Fiscal 2009	Fiscal 2008
(Notes) 1. A substitutional portion of the employees' pension fund, which is the government's social security pension program contracted out to the employer, is incorporated in the table above.	(Notes) 1. Consistent with the description described at left.
2. Certain subsidiaries adopt simplified methods for calculating accrued retirement benefits for their employees as allowed by the accounting standard for retirement benefits.	2. Consistent with the description described at left.
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. Consistent with the description described at left.

3. Matters relating to retirement benefits expenses

	Fiscal 2009		Fiscal 2008
	JPY	USD	JPY
a. Service cost	1,285	13,085	1,280
b. Interest cost	284	2,897	285
c. Expected return on plan assets	(224)	(2,282)	(224)
d. Amortization of actuarial loss (gain)	94	962	(53)
e. Amortization of prior service cost	73	747	193
f. Other	87	886	88
g. Net periodic retirement benefit expenses (a + b + c + d + e + f)	1,600	16,295	1,569

Fiscal 2009	Fiscal 2008
(Notes) 1. Employees' contributions to the employees' pension fund were not included in the retirement benefit expenses.	(Notes) 1. Consistent with the description described at left.
2. The retirement benefit expenses of consolidated subsidiaries which adopt simplified method were included in "service cost" in the table above.	2. Consistent with the description described at left.
3. "Other" represents contributions to the defined contribution pension plans.	3. Consistent with the description described at left.

4. Matters relating to assumptions used in accounting for accrued retirement benefit

	Fiscal 2009	Fiscal 2008
a. Method of attributing projected benefits to period of service	Straight-line basis	Straight-line basis
b. Discount rates	2.0% to 2.5%	2.0% to 2.5%
c. Expected long-term rates of return on plan assets	1.5% to 2.5%	1.5% to 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

14. Stock Options

Fiscal 2009

Not applicable.

Fiscal 2008

Not applicable.

15. Deferred Taxes

Fiscal 2009

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	981	9,989
Allowance for doubtful accounts	19,165	195,111
Inventories	3,853	39,231
Loss on impairment of fixed assets	2,387	24,300
Investments in securities	4,153	42,279
Golf club memberships	530	5,397
Tax loss carried forward	21,157	215,391
Net unrealized gains on securities	161	1,647
Other	4,942	50,318
Deferred tax assets subtotal	57,333	583,663
Valuation allowance	(39,374)	(400,843)
Total deferred tax assets	17,958	182,820
Deferred tax liabilities		
Retained earnings in subsidiaries	(143)	(1,463)
Net gains (losses) on deferred hedges	(939)	(9,559)
Other	(301)	(3,070)
Total deferred tax liabilities	(1,384)	(14,092)
Net deferred tax assets	16,574	168,728

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

	JPY	USD
Current assets – deferred tax assets	2,021	20,575
Long-term assets – deferred tax assets	14,837	151,050
Current liabilities – deferred tax liabilities	(1)	(13)
Non-current liabilities – deferred tax liabilities	(283)	(2,884)

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	327.2
Change in valuation allowance	14,229.8
Statutory tax rate differences in subsidiaries	(467.6)
Others	378.5
Effective income tax rate	14,508.7

Fiscal 2008

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	1,680
Allowance for doubtful accounts	13,669
Allowance for loss on guarantees	107
Inventories	2,865
Loss on impairment of fixed assets	1,007
Investments in securities	3,865
Golf club memberships	540
Tax loss carried forward	22,977
Other	4,990
Deferred tax assets subtotal	51,702
Valuation allowance	(26,336)
Total deferred tax assets	25,366
Deferred tax liabilities	
Retained earnings in subsidiaries	(570)
Net unrealized gains on securities	(1,561)
Other	(627)
Total deferred tax liabilities	(2,759)
Net deferred tax assets	22,607

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

	JPY
Current assets – deferred tax assets	5,573
Long-term assets – deferred tax assets	17,208
Current liabilities – deferred tax liabilities	—
Non-current liabilities – deferred tax liabilities	(173)

2. Major reconciliation items of significant difference 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	1.2
Change in valuation allowance	(17.7)
Statutory tax rate differences in subsidiaries	(1.3)
Others	5.9
Effective income tax rate	28.8

16. Segment Information

Industry Segment Information

Fiscal 2009 (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	276,633	321,612	226,342	284,731	29,434	1,138,755	—	1,138,755
(2) Inter-segment	48	46	1,116	63	64	1,339	(1,339)	—
Total	276,681	321,658	227,459	284,795	29,499	1,140,095	(1,339)	1,138,755
Operating expenses	269,760	317,735	220,463	282,707	31,064	1,121,732	(2,004)	1,119,728
Operating income (loss)	6,920	3,923	6,995	2,087	(1,565)	18,362	664	19,027
II. Assets, Depreciation and amortization, Impairment of fixed assets and Capital expenditure								
Assets	129,935	79,437	70,868	34,130	35,080	349,451	65,476	414,928
Depreciation and amortization	1,673	435	327	296	500	3,232	—	3,232
Impairment of fixed assets	122	—	—	289	5,004	5,416	—	5,416
Capital expenditure	2,333	121	315	467	85	3,322	275	3,598

Fiscal 2008 (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	356,122	283,565	251,860	316,406	36,065	1,244,020	—	1,244,020
(2) Inter-segment	33	0	244	66	60	405	(405)	—
Total	356,156	283,565	252,105	316,472	36,126	1,244,425	(405)	1,244,020
Operating expenses	348,055	279,236	244,643	314,739	35,749	1,222,424	(1,009)	1,221,414
Operating income	8,100	4,328	7,461	1,733	377	22,001	604	22,605
II. Assets, Depreciation and amortization, Impairment of fixed assets and Capital expenditure								
Assets	148,272	86,631	90,305	51,586	51,940	428,736	74,720	503,456
Depreciation and amortization	1,757	431	364	299	452	3,304	—	3,304
Impairment of fixed assets	135	461	—	170	—	767	(1)	766
Capital expenditure	1,900	34	180	212	51	2,379	522	2,901

Fiscal 2009 (USD)

	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	2,816,183	3,274,077	2,304,212	2,898,624	299,652	11,592,748	—	11,592,748
(2) Inter-segment	492	472	11,370	649	654	13,637	(13,637)	—
Total	2,816,674	3,274,549	2,315,582	2,899,274	300,306	11,606,385	(13,637)	11,592,748
Operating expenses	2,746,218	3,234,609	2,244,363	2,878,019	316,239	11,419,449	(20,404)	11,399,045
Operating income (loss)	70,457	39,940	71,218	21,254	(15,934)	186,935	6,767	193,703
II. Assets, Depreciation and amortization, Impairment of fixed assets and Capital expenditure								
Assets	1,322,763	808,693	721,453	347,454	357,124	3,557,487	666,564	4,224,051
Depreciation and amortization	17,035	4,431	3,332	3,015	5,093	32,906	—	32,906
Impairment of fixed assets	1,248	—	—	2,949	50,947	55,144	—	55,144
Capital expenditure	23,754	1,241	3,207	4,755	869	33,826	2,803	36,629

(Notes) 1. Segments are determined in accordance with the business management units of the relevant products and services.
(If the business of a consolidated subsidiary belongs to more than one business segment, the results of the subsidiary are divided into each business segment.)

2. The amount of the Company's assets that are included in "Adjustments & Eliminations" is ¥66,312 million ($675,075 thousand) and ¥75,261 million for the fiscal year ended March 31, 2009 and March 31, 2008 respectively. Most of the assets are cash and deposits and investments in securities related to financing activities.

3. Accounting changes

(1) Accounting Standard for Measurement of Inventories:
As described in Note 2. Summary of Significant Accounting Policies, (f) Inventories, the Companies apply the Accounting Standard for Measurement of Inventory (ASBJ Statement No. 9 dated on July 5, 2006) from the current fiscal year. As a result of the change, compared with the conventional method, operating income for the current fiscal year were decreased by ¥117 million ($1,197 thousand) in "IT", ¥459 million ($4,680 thousand) in "Foodstuffs", ¥120 million ($1,231 thousand) in "Iron & Steel and Machinery & Plant", ¥22 million ($225 thousand) in "Life Science & Energy" and ¥309 million ($3,146 thousand) in "Others".

(2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements:
As described in Note 4. Significant Accounting Changes, the Company applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No. 18 dated on May 17, 2006) and made some adjustments to the consolidation accounting applied in Japan from April 1, 2008. As a result of the application, compared with the historical method, operating income for the current fiscal year was decreased by ¥42 million ($432 thousand) in "Iron & Steel and Machinery & Plant".

Geographic Segment Information

Fiscal 2009 (JPY)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	1,039,340	43,833	44,958	10,568	55	1,138,755	—	1,138,755
(2) Inter-segment	47,736	6,117	71,762	3,761	1,329	130,708	(130,708)	—
Total	1,087,077	49,951	116,721	14,329	1,385	1,269,463	(130,708)	1,138,755
Operating expenses	1,071,999	49,655	113,427	14,183	1,384	1,250,650	(130,922)	1,119,728
Operating income	15,077	295	3,293	145	0	18,813	213	19,027
II. Assets	411,223	34,074	36,812	11,757	774	494,643	(79,714)	414,928

Fiscal 2008 (JPY)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	1,123,783	53,678	54,431	12,062	65	1,244,020	—	1,244,020
(2) Inter-segment	61,071	6,795	54,197	4,459	1,906	128,430	(128,430)	—
Total	1,184,854	60,474	108,628	16,521	1,971	1,372,450	(128,430)	1,244,020
Operating expenses	1,165,937	59,627	105,999	16,388	1,948	1,349,900	(128,486)	1,221,414
Operating income	18,917	846	2,629	133	23	22,549	55	22,605
II. Assets	507,178	32,507	36,568	12,823	1,217	590,296	(86,839)	503,456

Fiscal 2009 (USD) (Note 3)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	10,580,683	446,232	457,685	107,586	561	11,592,748	—	11,592,748
(2) Inter-segment	485,969	62,279	730,559	38,289	13,539	1,330,636	(1,330,636)	—
Total	11,066,652	508,511	1,188,244	145,875	14,101	12,923,384	(1,330,636)	11,592,748
Operating expenses	10,916,156	505,499	1,154,712	144,394	14,096	12,731,857	(1,332,812)	11,399,045
Operating income	153,496	3,012	33,532	1,482	4	191,527	2,176	193,703
II. Assets	4,186,337	346,888	374,760	119,695	7,880	5,035,560	(811,509)	4,224,051

(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

3. Accounting changes

(1) Accounting Standard for Measurement of Inventories:

As described in Note 2. Summary of Significant Accounting Policies, (f) Inventories, the Companies apply the Accounting Standard for Measurement of Inventory (ASBJ Statement No. 9 dated on July 5, 2006) from the current fiscal year. As a result of the change, compared with the conventional method, operating income for the current fiscal year was decreased by ¥976 million ($9,945 thousand) in "Japan", ¥21 million ($219 thousand) in "Asia" and ¥30 million ($315 thousand) in "North America".

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

As described in Note 4. Significant Accounting Changes, the Company applied the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No. 18 dated on May 17, 2006) and made some adjustments to the consolidation accounting applied in Japan from April 1, 2008. As a result of the application, compared with the historical method, operating income for the current fiscal year was decreased by ¥42 million ($432 thousand) in "North America".

Overseas Sales Information

Fiscal 2009 (JPY)

	Asia	North America	Europe	Other Areas	Total
I. Overseas sales	195,997	49,283	16,692	29,367	291,341
II. Consolidated sales					1,138,755
III. Ratio of overseas sales to consolidated sales (%)	17.2	4.3	1.5	2.6	25.6

Fiscal 2008 (JPY)

	Asia	North America	Europe	Other Areas	Total
I. Overseas sales	242,360	52,687	18,169	38,157	351,374
II. Consolidated sales					1,224,020
III. Ratio of overseas sales to consolidated sales (%)	19.5	4.2	1.5	3.1	28.3

Fiscal 2009 (USD) (Note 3)

	Asia	North America	Europe	Other Areas	Total
I. Overseas sales	1,995,294	501,715	169,931	298,967	2,965,907
II. Consolidated sales					11,592,748
III. Ratio of overseas sales to consolidated sales (%)	17.2	4.3	1.5	2.6	25.6

(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.

17. Disclosure of Related Party Transactions

Fiscal 2009

Not applicable.

(Supplementary Information)

The Company applies the “Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 11 dated on October 17, 2006) and the “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13 dated on October, 2006).

The scope of disclosures is unchanged by the application.

Fiscal 2008

(1) Officers and major individual shareholders

Category	Name of person	Occupation	Ownership of voting rights of the Company (%)	Other relationship with the Company		Transaction		Balance	
				Concurring officer	On business	Revenues and expenses	During the year	Account name	Year end
							JPY		JPY
Officer	Yonosuke Yamada	Statutory auditor of the Company, lawyer	Owns the Company’s shares: 0.00	—	—	Attorney fee (Note 1)	3	—	—
Relatives	Setsuko Yamada	Sister of an auditor of the Company, lawyer	—	—	—	Consulting fee (Note 1)	1	—	—

(2) Subsidiaries and affiliated companies

Category	Company name	Address	Paid-up capital	Nature of business	The Company’s Ownership of voting rights (%)	Other relationship with the Company		Transaction		Balance	
						Number of Concurring officers	On business	Revenues and expenses	During the year	Account name	Year end
			JPY						JPY		JPY
Affiliate	Kanematsu Textile Corporation	Shinagawa-ku, Tokyo	1,500	Sale of textile goods and products	Direct: 45.00	3 directors	Supplier and customer of the Company; the Company performs trade operations and provides financial assistance for Kanematsu Textile	Sale of textile materials and products (Note 2)	17,163	Accounts Receivable	4,873
	Ohno Inc.	—	—	Production and sale of footcloth	—	—	—	Sale of the security (Note 3)	380	—	—
								Gain on sale of the security	350	—	—
	Hokushin Co., Ltd.	Kishiwada, Osaka	2,343	Production and sale of medium-density fiberboards	Direct: 30.56 Indirect: 4.93	1 director	Customer of the Company	Sale of beneficial trust certificate (Note 4)	2,300	—	—
								Gain on sale of the beneficial trust certificate	260	—	—

(Notes) Terms and conditions on business and policies thereto:

1. Attorney fees and Consulting fees are decided based on the common attorney compensation schedule.
2. Purchase and selling price are decided based on market price.
3. Sales price of the security was evaluated and decided by negotiation with counterparty based on inheritance tax assessment performed by an appraiser.
4. Sales price of the beneficial trust certificated was evaluated and decided by negotiation with counterparty based on the appraisal of the real estate therein.

18. Information per Share

Fiscal 2009	Fiscal 2008
Net assets per share ¥59.61 $0.61 Net loss per share ¥30.56 $0.31 Diluted net income per share for the term is not reported since earnings per share are net loss and there is no outstanding security with dilutive effect.	Net assets per share ¥108.95 Net income per share ¥45.44 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 2009	Fiscal 2008	Fiscal 2009
	JPY	JPY	USD
Total net assets	42,035	62,239	427,931
Amount deducted from total net assets	17,099	16,651	174,072
(minority interest in consolidated subsidiaries)	(17,099)	(16,651)	(174,072)
Net assets corresponding to common stock at the end of the fiscal year	24,936	45,587	253,858
Number of common stock issued (thousand shares)	422,501	422,501	
Number of treasury stock (thousand shares)	4,173	4,072	
Number of common stock used for the calculation of net assets per share (thousand shares)	418,327	418,428	

(2) Net income (loss) per share

	Fiscal 2009	Fiscal 2008	Fiscal 2009
	JPY	JPY	USD
Net income per share			
Net income (loss)	(12,787)	19,016	(130,174)
Amount that does not belong to common shareholders	—	—	—
Net income (loss) corresponding to common stock	(12,787)	19,016	(130,174)
Average number of common stock for the term (thousand shares)	418,373	418,465	

19. Subsequent Events

Fiscal 2009

Not applicable.

Fiscal 2008

Not applicable.

20. 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	% p.a	Month, year
Short-term borrowings	61,010	621,095	63,978	651,313	1.6	—
Current portion of long-term borrowings	28,069	285,757	39,555	402,685	1.8	—
Current portion of Lease obligations	—	—	152	1,550	—	—
Long-term borrowings (excluding current portion)	134,622	1,370,484	110,073	1,120,571	1.8	October 2010 – March 2014
Lease obligations (excluding current portion)	—	—	345	3,513	—	April 2010 – July 2014
Total	223,702	2,277,336	214,105	2,179,632	—	—

(Notes) 1. The composite interest rate was a weighted average interest rate for those outstanding at the end of the year.
2. The composite interest rate of lease obligations is not described because the Company and certain of its subsidiaries recorded lease obligations as balance sheet amount before deducting the accumulated interest expenses included in the sum of minimum lease payment.
3. The long-term borrowings and lease obligations repayment schedule for the 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	48,000	488,649	46,487	473,247	10,823	110,184	4,763	48,491
Lease obligations	158	1,610	104	1,060	59	608	21	224

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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, 2009, and the related consolidated statements of 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, 2009, 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 2 (f) to the consolidated financial statements, the Company and its subsidiaries have changed their method of measuring the carrying cost of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 26, 2009

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MALAYSIA

KET Electronics (Malaysia) Sdn. Bhd.
Lot 310, Block A, Glomac Business Centre, Jalan SS
6/1, Kelana Jaya, 47301, Petaling Jaya, Malaysia
TEL: 603-7803-5155
FAX: 603-7804-0155

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, #12-01 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

P.T. 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
610-611, Ashoka Estate 24, Barakhamba Road,
New Delhi 110001, India
TEL: 91-11-4362-3050, 3051, 3052
FAX: 91-11-4362-3053

Organization Chart

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

Supporting Area

- Internal Auditing Department
- Personnel & General Affairs Department
  - Secretariat
- Accounting Department
- Finance Department
- Business Accounting Department
- System Planning Department
- Traffic & Insurance Department
- Business Innovation Department
- Subsidiary Administration Department
- Credit Control & Legal Department
- Realty Department
- Corporate Planning Department
  - Public Relations Section

Marketing Area

- IT Division
  - Devices Company
  - Information & Electronics Department
  - Semiconductor Equipment Department
  - Industrial Electronics Department
  - Aerospace Department
  - IT Administration Office
- Foods & Foodstuff Division
  - Produce Department No. 1
  - Produce Department No. 2
  - Meat & Marine Products Department
  - Osaka Foods Department
  - Food Administration Office
  - Food Safety Management System Office
  - Grain & Oilseed Department
  - Feedstuff Department
  - Foodstuff Administration Office
  - Food Safety Management System Office
- Iron, Steel & Plant Division
  - Iron & Steel Foreign Trade Department
  - Specialty Steel Foreign Trade Department
  - Automotive Materials Department
  - Iron & Steel Administration Office
  - Projects & Plant Machinery Department
  - Automobile & Construction Machinery Department
  - Ships Department
  - Cable & Power Projects Department
  - Guam-Philippines Project Department
  - Machinery & Plant Administration Office
- Life Science & Energy Division
  - Energy Department
  - LNG Business Department
  - Energy Administration Office
  - Functional Chemicals Department
  - Life Science Department
  - Life Science Administration Office
  - Food Safety Management System Office

(As of July 1, 2009)

Corporate Officers

Chairman	Masaharu Hamakawa	Chief Officer, Internal Auditing Department
President	Yoshihiro Miwa	
Senior Managing Director	Kazuo Shigemoto	Chief Officer, Supporting Area, Textiles, Subsidiary Administration, System Planning, Credit Control & Legal, Realty Department
Managing Directors	Hitomi Sato	Chief Officer, Life Science & Energy Division, Business Innovation Department
	Tatsuo Suzuki	Chief Officer, Foods & Foodstuff Division
	Masayuki Shimojima	Chief Officer, Iron & Steel Division, Personnel & General Affairs Department, Traffic & Insurance Department, General Manager for Osaka Area
Directors	Yutaka Tabata	Chief Officer, Corporate Planning, Finance, Accounting, Business Accounting
	Fumihiko Nashimoto	President, Devices Company
	Tetsuro Murao	Chief Officer, Machinery & Plant Division
	Hirokazu Tamura	Chief Officer, IT Division
Corporate Auditors	Yoshiro Niiro	
	Kenji Irie	
	Yonosuke Yamada	
	Haruyoshi Amakusa	

* Messrs. Yoshiro Niiro, Yonosuke Yamada and Haruyoshi Amakusa are external corporate auditors.

(As of July 1, 2009)

Corporate Data

Established
August 15, 1889

President
Yoshihiro Miwa

Head Office
SEAVANS NORTH
2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan

Paid-in Capital
¥27,781 million

Number of Consolidated Companies

Consolidated subsidiaries	89
Non-consolidated subsidiaries applicable to equity method	7
Equity method affiliates	28
Total	124

Fiscal Period
Accounts are kept on the basis of the annual business period ending on the last day of March each year (April 1 to March 31).

Number of Offices
Domestic 7
Overseas 40

Number of Employees
803 (Consolidated 4,874)

Number of Shares
Authorized 1,016,653,604
Issued 422,501,010

Principal Shareholders

	Number of shares held (thousands)	Percent Ownership
Japan Trustee Services Bank, Ltd. (trust account 4G)	26,743	6.32
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.14
Japan Trustee Services Bank, Ltd. (trust account)	12,582	2.97
The Norinchukin Bank	12,460	2.94
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.74
The Master Trust Bank of Japan, Ltd. (trust account)	7,375	1.74
Kanematsu-NNK Corp.	6,239	1.47
Daio Paper Corporation	4,510	1.06
Pictet & Cie	3,924	0.92
Mitsui Sumitomo Insurance Co., Ltd.	3,713	0.87
Total shares issued and outstanding	422,501,010 shares	

(As of March 31, 2009)

Additional copies of this annual report and other information may be obtained by contacting:
Kanematsu Corporation Public Relations Section
1-2-1, Shibaura, Minato-ku, Tokyo 105-8005, Japan Telephone: 81-3-5440-8000 Facsimile: 81-3-5440-6503 E-mail address: pr@kanematsu.co.jp
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KANEMATSU

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