KANEMATSU CORPORATION

Step Forward

Annual Report 2010

The Kanematsu Group aims to
become a group of business creators,
or a **"Value Creator,"** constantly
creating new businesses together
with its business partners
while providing highly specialized
and useful business functions,
and pursuing true business value.

In 1889, over 90% of Japan's overseas trade was carried on by foreign companies. In the conviction that these trading rights would have to be returned to Japanese hands for the nation to regain its vigor, Fusajiro Kanematsu, then aged 44, hung out a "Kanematsu" sign in Kobe and launched direct trading with Australia.

In the 120 years that have passed since then, the Company has continued to develop, overcoming many difficulties and trials, while continuing to uphold the ideals of its founders. All employees of the Group draw inspiration from the spirit and commitment of Fusajiro Kanematsu, who always anticipated the needs of his time and took on the challenge of establishing new businesses.

1889 Fusajiro Kanematsu founds Fusajiro Kanematsu Shoten of Australian Trading in Kobe

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

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

Establishes an overseas affiliated company in Sao Paulo, Brazil

1957 Establishes an overseas affiliated company in Hamburg, West Germany

1970 Establishes its Head Office at the Tokyo Branch Office

1967 Merges with The Gosho Company to form Kanematsu-Gosho, Ltd.

1973 Lists stock on the First Section of the Tokyo Stock Exchange

1989 100th anniversary of the founding of the Company

1990 Trade name is changed to Kanematsu Corporation

2009 120th anniversary of the founding of the Company

Corporate Principle

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

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

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

(Translated from Japanese)

OUR BELIEFS

Kanematsu's Guiding Principles

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

Businesses Domains

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

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

Electronics & IT

- Electronics-related materials and sub-materials
- Semiconductors
- Electronic components
- Modules
- Aircraft
- Mobile solutions
- ICT solutions
- OEM business

Foods & Foodstuff

- Cooked foods
- Processed fruits
- Processed agricultural products
- Beverage materials
- Meat and marine products
- Wheat, rice and soybeans, etc.
- Feedstuff
- Pet food

Iron & Steel / Machinery & Plant

- Various steel sheets
- Pipes
- Wire
- Stainless products
- Cast and forged products
- Petrochemical and papermaking plants
- Ships, automobiles and construction machinery
- Electric power and communication cables

Environment & Materials

- Crude oil, Petroleum products, Gas
- LPG
- Development of environment-related materials and new technologies
- Functional chemicals
- Functional food materials
- Health supplements
- Pharmaceuticals and pharmaceutical intermediates

2010 New Medium-Term Business Plan *"S-Project"* started

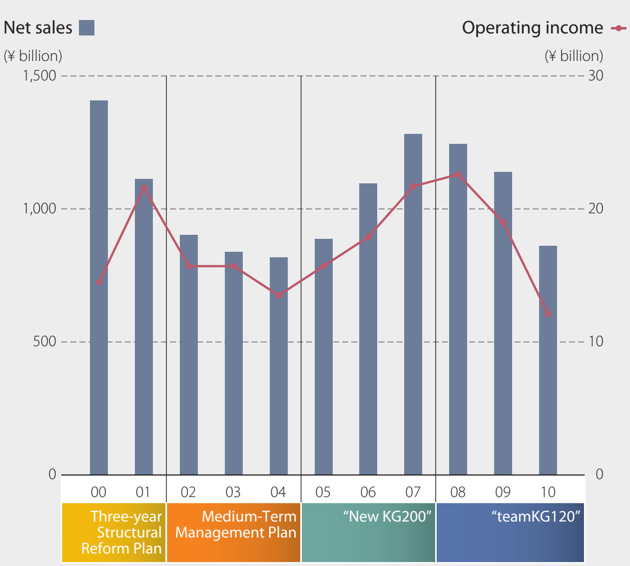
Financial Highlights

Kanematsu Corporation and Consolidated Subsidiaries
Years ended March 31

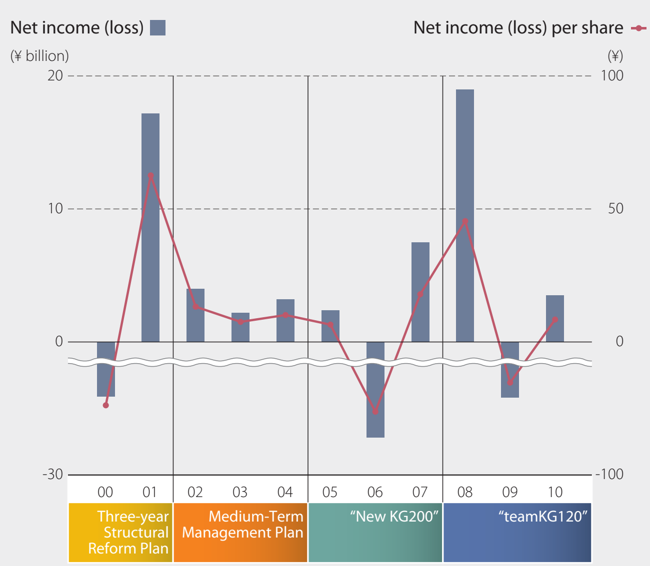
	2000	2001	2002	2003	2004	2005
	Three-year Structural Reform Plan "Two years of rebuilding"		Medium-Term Management Plan "Three years of bolstering the Group's business base"			
For the year:						
Net sales	1,407,921	1,112,920	902,477	838,975	818,473	886,876
Gross profit	92,299	87,996	73,540	67,207	62,208	68,142
Operating income	14,507	21,608	15,779	15,716	13,554	15,762
Income (loss) before income taxes and minority interests	(9,877)	(6,579)	7,211	4,995	5,057	4,836
Net income (loss)	(12,446)	17,252	4,024	2,233	3,247	2,469
At year-end:						
Net assets	11,542	14,387	15,734	10,762	23,283	38,029
Total assets	884,504	772,555	605,717	527,340	507,991	520,118
Shareholders' equity	—	—	—	—	—	—
Net interest-bearing debt	543,843	433,037	362,425	319,284	287,245	261,559
Per share (yen):						
Net income (loss)	(47.61)	62.62	13.26	7.56	10.13	6.52
Net assets	44.16	47.39	51.84	36.38	68.77	93.74
Cash dividends	—	—	—	—	—	—
Financial indicators:						
Return on equity (ROE) (%)	(201.55)	133.07	26.72	16.86	19.08	8.06
Equity ratio (%)	1.3	1.9	2.6	2.0	4.6	7.3
Net debt-equity ratio (times)	47.1	30.1	23.0	29.7	12.3	6.9

Notes 1. Figures are rounded down to the nearest million yen. Percentages have been rounded off.
2. The amount of net assets until the year ended March 31, 2006, is the amount presented under shareholders' equity, which has conventionally been presented.
3. The U.S. dollar amounts represent the arithmetical results of translating yen to dollars at the rate of ¥93.04 to U.S.$1.00, the exchange rate prevailing on March 31, 2010.

Net sales and operating income

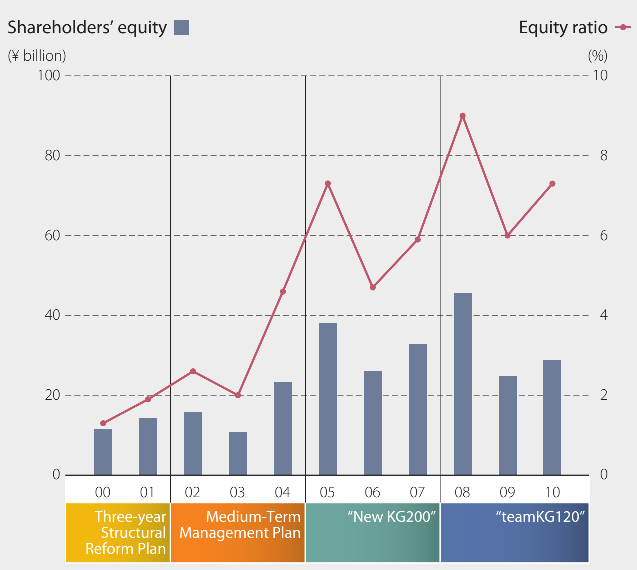


Net income (loss) and net income (loss) per share



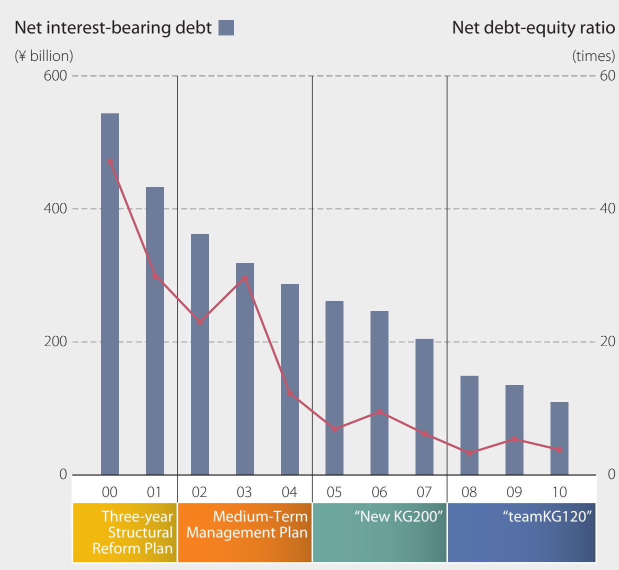
2006	2007	2008	2009	2010	2010	
Medium-Term Business Plan: New KG200 "Complete recovery" — finishing the "second founding" of the Company		Medium-Term Business Plan: teamKG120 "Balanced expansion with a sense of urgency"				
				Millions of yen	Thousands of U.S. dollars	
						For the year:
1,096,409	1,281,331	1,244,020	1,138,755	**861,277**	**9,257,069**	Net sales
81,732	103,711	90,327	86,292	**74,104**	**796,482**	Gross profit
17,982	21,713	22,605	19,027	**12,186**	**130,981**	Operating income
(16,728)	14,615	28,975	77	**8,407**	**90,362**	Income (loss) before income taxes and minority interests
(21,686)	7,507	19,016	(12,787)	**3,528**	**37,922**	Net income (loss)
						At year-end:
26,004	48,767	62,239	42,035	**45,804**	**492,310**	Net assets
556,046	563,176	503,456	414,928	**398,629**	**4,284,493**	Total assets
—	32,959	45,587	24,936	**28,916**	**310,798**	Shareholders' equity
246,317	204,900	148,944	134,582	**109,350**	**1,175,311**	Net interest-bearing debt
						Per share (yen)**:**
(52.43)	17.94	45.44	(30.56)	**8.44**	**0.09**	Net income (loss)
62.12	78.75	108.95	59.61	**69.15**	**0.74**	Net assets
—	—	—	—	**—**	**—**	Cash dividends
						Financial indicators:
(67.73)	25.46	48.42	(36.26)	**13.10**		Return on equity (ROE) (%)
4.7	5.9	9.1	6.0	**7.3**		Equity ratio (%)
9.5	6.2	3.3	5.4	**3.8**		Net debt-equity ratio (times)

Shareholders' equity and equity ratio



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

Net interest-bearing debt and net debt-equity ratio



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

To Our Stakeholders

We aim to become a "Value Creator" that creates businesses together with our partners.

Chairman
Masaharu Hamakawa

President
Masayuki Shimojima

Please let us take this opportunity to express our gratitude to you for your loyal support.

While the global economy during the year ended March 31, 2010 began to see a slow recovery in the second half of the year, Japan was unable to achieve any real economic turnaround, given the severe employment situation, reduced capital expenditure, rapid appreciation of the yen, and concerns over deflation. In this environment, Kanematsu sought to create added value by providing the products and services at which it excels while reducing costs and taking steps to improve profitability. As a consequence, the Company was able to post a net profit, as special factors including the extraordinary losses recognized in the first half of the year were eliminated, offsetting reduced revenues and operating income.

Dividends for the year ended March 31, 2010 will not be paid because of the continuing accumulated deficit (negative retained earnings), even after achieving a net profit. We will continue to strive to improve profitability and achieve the earliest possible resumption of dividends.

In April this year, we introduced a new three-year Medium-Term Business Plan called *"S-Project."* This new plan calls for a strengthening of our revenue and business base to enable sustainable growth despite rapid changes in the domestic and international economic environments. As in the past, we aim to become a "Value Creator" that constantly creates new businesses, while providing highly specialized and useful business functions, and pursuing true business value.

Finally, we would like to inform you that Masayuki Shimojima was appointed president on April 1 this year. The new management team is committed to continuing the evolution of Kanematsu into a company that satisfies the needs of its shareholders and all other stakeholders, by rapidly executing its initiatives and building a more solid business foundation. We hope that we can continue to count on your support.

August 2010

Masaharu Hamakawa, *Chairman*

Masayuki Shimojima, *President*

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Forward-Looking Statements

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

Interview with the President

We are committed to returning to growth through steady execution of our business plan and becoming a "Value Creator."

Q1. You became President at a time when the outlook for the global economy was highly uncertain. What resolutions do you have?

First of all, I would like to say to our stakeholders that I am committed to reinvigorating Kanematsu. I promise to instill vibrancy throughout the Company by animating each and every employee. We will create a dynamic company that consistently generates new business.

I believe that being a dynamic company is one of the keys to strengthening our relationships with our business partners and enabling us to create new business with them. This in turn helps us to contribute to the development of our partners as well as to the development of society and the economy. This is the reason for Kanematsu's existence and the basis of our aim to become the "Value Creator," as set out in our new Medium-Term Business Plan. New proposals and businesses created in rapid succession will result in income growth and a more solid financial foundation. Naturally, our highest priority is to establish the basis for resuming the payment of dividends at the earliest possible opportunity. At present, signs of an economic recovery are starting to appear in a number of sectors, and I am confident that we will be able to take good advantage of this opportunity.

Q2. Looking back, how do you assess the businesses environment and the results of the year ended March 31, 2010?

During the first half of fiscal 2010, Japan's economic recovery lagged behind the recovery of the global economy, and the construction sector in particular suffered a severe downturn. Corporate capital expenditure was low and the domestic market remained sluggish amid a rising yen and concerns about deflation. Our own operating environment was marked by weak domestic capital spending, and particularly by the decline of the machine tool industry and lower demand for iron and steel in North America.

In response to the business contraction and the decline in commodity prices as a result of lower demand, consolidated net sales were down 24% from the previous year, to ¥861.3 billion. Gross profit meanwhile declined 14%, to ¥74.1 billion, in fiscal 2010. Operating income was down 36% from a year earlier, to ¥12.2 billion, despite aggressive reductions in costs and SG&A expenses. In contrast, we successfully moved from a net loss of ¥12.8 billion in the previous year to net income of ¥3.5 billion, thanks to the elimination of extraordinary losses as a special item recognized in the previous year.

While the environment remained severe, I believe that we deserve credit for our sustained cost cutting and other initiatives. These efforts helped us achieve a net profit and steadily improved our financial position, such as by lowering the amount of interest-bearing debt.

Q3. In reviewing the previous Medium-Term Business Plan "teamKG120," can you sum up the results?

During the fiscal year ended March 31, 2008, the first year of the plan, our revenues remained strong, thanks to the growth of the Asian economy. In the second year of the plan that ended March 31, 2009, however, numerous businesses in the manufacturing and other sectors were hit by the global economic turmoil that followed in the wake of the bankruptcy of Lehman Brothers in the fall of 2008. Our earnings also fell sharply, and impairment losses on real estate and other assets, along with a reversal of deferred tax assets, resulted in a net loss of ¥12.8 billion. Although the net loss was turned into net profit in the final fiscal year, as noted earlier, the result was well short of our initial target, and we were unable to resume dividend payments, our chief goal.

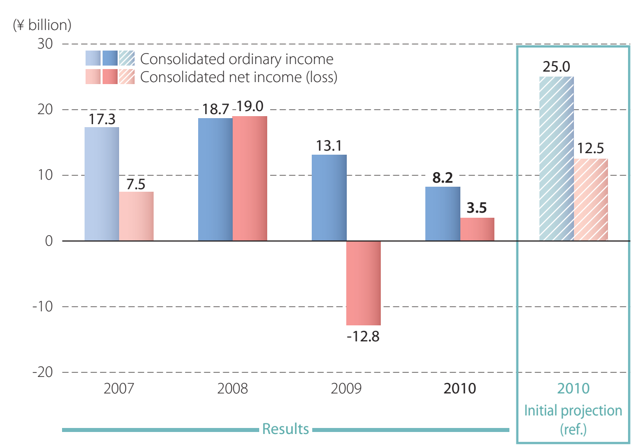
In financial terms, the equity ratio and net debt-equity ratio fell short of targets given a considerable reduction of equity associated with the net loss. Net interest-bearing debt nonetheless decreased to ¥109.4 billion, outperforming our initial target of ¥160 billion planned for the end of March 2010, a favorable turn of events.

Despite the decline in our financial performance in response to the weakening market during the period of the plan, we are certain that we now have a clear vision of the tasks in front of us, such as meeting the growing demand in Asia led by China and establishing new business models to increase net sales and gross profit and to return to growth.

Review of the previous Medium-Term Business Plan "teamKG120"

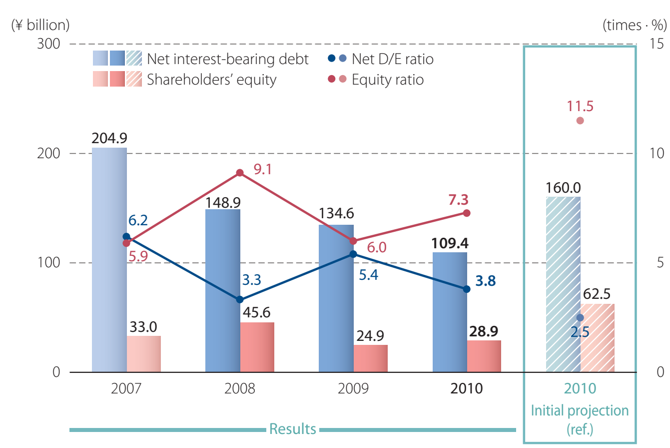
Operating Results

Initial targets		Results	
Consolidated ordinary income	¥25 billion	Consolidated ordinary income	¥8.2 billion
Consolidated net income	¥12.5 billion	Consolidated net income	¥3.5 billion
Resumption of dividend payments as soon as possible		No resumption of dividend payments	



Financial Position

Initial targets		Results	
Net interest-bearing debt	¥160 billion	Net interest-bearing debt	¥109.4 billion
Net D/E ratio	2.5 times	Net D/E ratio	3.8 times
Equity ratio	Approx. 11.5%	Equity ratio	7.3%



New Medium-Term Business Plan *"S-Project"*

Targets (Fiscal 2013)

Operating results (Consolidated)

Gross profit	Operating income
¥80 billion	¥19 billion

Financial targets

Equity ratio	Net D/E ratio
More than 10%	Approx. 2.0 times

Aiming to resume dividend payment as soon as possible

Management Initiatives (Main Points)

Strengthening the revenue base

- Continuing to refine our business focus
- Promoting growth strategies

Bolstering the business base

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

Q4. The new three-year Medium-Term Business Plan, *"S-Project,"* got underway in April 2010. What are the concepts and goals of this plan?

We recognize that "strengthening the revenue base" and "bolstering the business base," which will facilitate sustainable growth, even during rapid global economic changes, are the tasks set for us in this plan. Recognizing such, it is our vision to further promote the business model that we have been working on — which is providing highly specialized and useful business functions while pursuing true business value — and become a "Value Creator" that consistently creates new businesses.

We have been privileged to deal with excellent partners for many years, and we aspire to create new business models with the new ideas using the strong relationships we have built. For example, a number of our partners are planning to target emerging economies, mainly in Asia, and meeting overseas demand by locating their manufacturing bases near these consumer markets, rather than the saturated Japanese market, where capital investment is difficult. We hope to study in detail the needs of these partners and create businesses together with them. Meanwhile, we also believe that finding new roles for Kanematsu to play in connection with its existing commercial rights, providing added value, reforming the earnings structure of the business and increasing the significance of our presence constitute a part of business creation. Becoming a "Value Creator" is to continue to create new businesses in each project in this way.

Our numerical targets include ¥80 billion in consolidated gross profit and ¥19 billion in consolidated operating income, an equity ratio exceeding 10% financially, and a net debt-equity ratio of approximately 2.0 times, by the end of March 2013, which is the closing of the final fiscal year under the current plan. Most of all, we are committed to achieving a resumption of dividend payments at the earliest possible opportunity. The plan this time is quite conservative in comparison to the targets of the previous Medium-Term Business Plan. The reason is that we wanted to ensure that this plan was achievable no matter what happened, since numerous concerns such as the limited growth of domestic demand, the collapse of the Chinese real estate bubble, financial problems in the euro zone, and the situation in the Middle East are making a V-shaped recovery difficult. Still, orders for products in the LCD and semiconductor sector and in the automotive sector have been increasing since the spring of this year, giving us confidence that the targets for the first year of the plan are likely to be achieved. We hope, therefore, to exceed the targets of *"S-Project"* by a large margin.

Q5. What is the specific growth strategy scenario foreseen in the plan?

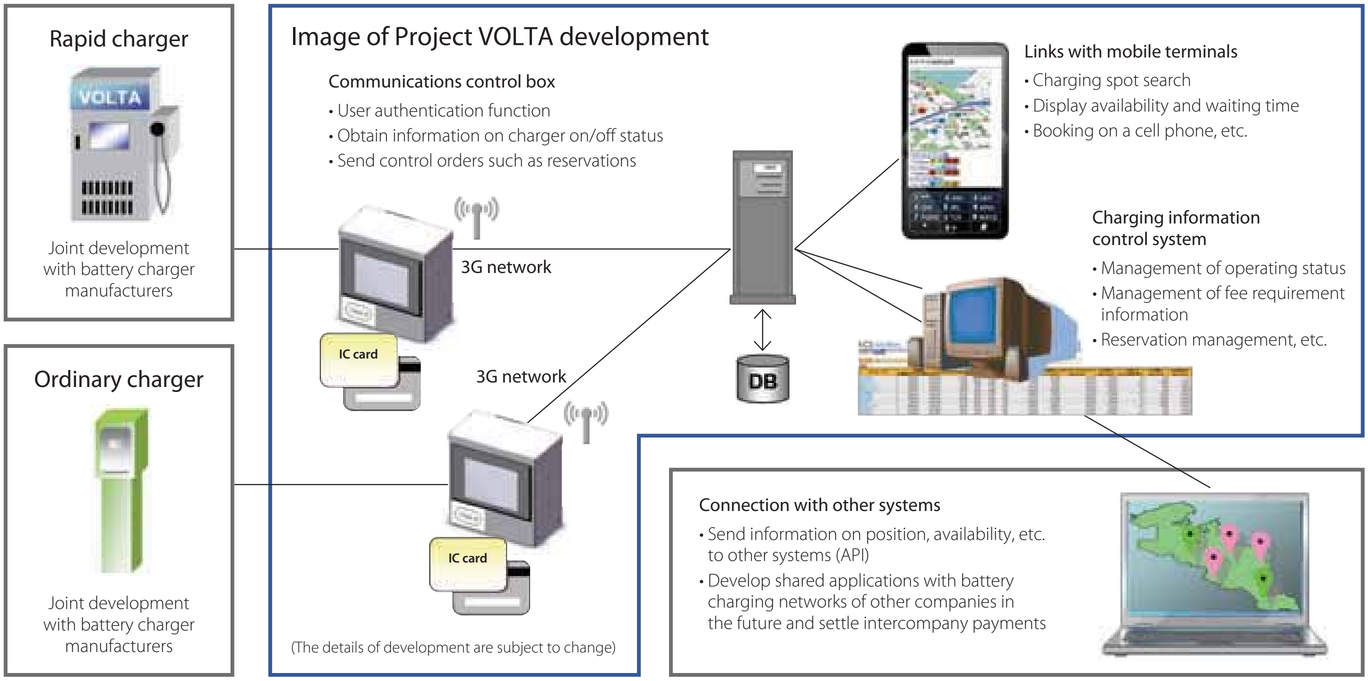
For future development, we will implement growth strategies in each business while maintaining our focus on Information and Communication Technology (ICT) & Electronics, Foodstuff, the Environment, and the Iron, Steel & Plant businesses that comprise the major part of our business portfolio.

In the ICT and Electronics area, we will expand the base of our solution business and step up projects in China and other parts of Asia. A major example is the cloud computing business that has developed and grown noticeably in recent years, and which will be a focus for us moving forward. The Japanese market appears to be lagging in this area in comparison to the growing use of this technology in the global market. By making effective use of the superior resources of our Group companies including Kanematsu Electronics Ltd., one of our subsidiaries, we will actively develop business in this area. The electronics component industry will also continue to advance, and we will work to develop new businesses through alliances with producers of digital home appliances such as televisions and DVD players, or producers of higher-speed, next-generation memories used in automotive navigation systems.

In the Foodstuff business, we will develop a diverse array of businesses, ranging from those in upstream to downstream industries with the aim of building value chains. More specifically, we will build a stable supply system by forging stronger ties with suppliers through the diversification of production centers, such as by securing sources of non-genetically modified grains — an area in which we excel. Not only will we work on the infrastructure side of farmland acquisition, but also on the seed side of the business. We also plan to extend sales to the downstream market in cooperation with domestic compound feed manufacturers. We also seek to expand our market in Asia, including China.

Kanematsu considers the Environment business an area in which it, as a trading company, should actively work to achieve a low-carbon society. In this connection, we intend to build businesses in the fields of photovoltaic power generation, electric vehicles (EV), and environment-related materials. We have already begun work on projects that are likely to contribute to future earnings, such as the supply of electric vehicle facilities necessary for realizing the eco-town concept being promoted by regional governments and the development of tire materials that are lighter, carbon-neutral and environmentally friendly.

VOLTA, an infrastructure project for electric vehicle charging



(The details of development are subject to change)

In the Iron, Steel & Plant sector, we seek to increase our revenue base by expanding our business for functional iron and steel products that are used for energy and in automobiles and strengthening our auto parts business, for which demand is expected to grow in China and other parts of Asia.

Q6. What is your approach to building business portfolio and risk management?

We hold a number of commercial rights. However, even those that are profitable become obsolete as the times and society change. For this reason, we think that we need to constantly review our commercial rights and more frequently refine our focus.

Consequently, we have decided to implement fund and management efficiency analysis and manage each individual commercial right and trading unit, in addition to the analyses traditionally performed by each organization, including departments and sections, or in each project company. By choosing where to focus based on this approach, we are confident that we will be able to respond more quickly and flexibly to the diversifying needs of our customers and to changing markets.

Q7. What do you consider to be the distinctive characteristic of Kanematsu?

If I were to choose one word to express the distinctive characteristic of Kanematsu, it would be "high-mindedness." Although this may sound somewhat ambiguous in a business sense, we have a corporate culture that encourages us to constantly consider the position of our partners, but discourages profit-seeking only for ourselves, we are encouraged to contribute to society through our business, and also to make a profit. This has been preserved as part of our corporate DNA since the time Fusajiro Kanematsu founded the Company, and I consider it a feature and strength of Kanematsu.

We are often complimented by our partners, who say they are glad to have chosen Kanematsu as their partner. We believe that building profound trust with our partners and exchanging ideas with them to create new businesses in which each individual plays a role is the very origin of the concept of "Value Creator" introduced in the new Medium-Term Business Plan.

Masayuki Shimojima

Apr. 1974:	Joined the Company. Worked at Foreign Exchange Section, Finance Dept., Osaka Office
Apr. 1981:	Steel Pipe Section, Iron & Steel Foreign Trade Dept. II, Tokyo Head Office
Jun. 1982:	Houston Branch, Kanematsu-Gosho (USA) Inc.
Jul. 1988:	Iron & Steel Foreign Trade Dept. I, Tokyo Head Office
Jul. 1995:	Vice President and Houston branch manager, Kanematsu USA Inc.
Aug. 1998:	Corporate Planning Dept., Tokyo Head Office
Jul. 2000:	General Manager, IT Administration Office
Jun. 2002:	President, Kanematsu USA Inc.
Jun. 2006:	Director, Chief Officer for Plant Division
Jun. 2009:	Managing Director, Chief Officer for Iron & Steel Division, Personnel & General Affairs Dept., Traffic & Insurance Dept., General Manager at Osaka Office
Apr. 2010:	President

Q8. Finally, what are your financial strategies for increasing corporate value and returning profits to shareholders?

Improving our financial standing is an urgent task for the Kanematsu Group. Our equity is still vulnerable despite the steady decrease in interest-bearing debt, and so we will continue to reduce debt and review our asset portfolio. In the final fiscal year of the new Medium-Term Business Plan, we aim to reduce net interest-bearing debt to ¥84 billion. We will also emphasize management efficiency, for instance, by streamlining the Administrative Departments and relocating personnel in these divisions to the Business Divisions of the Group in order to strengthen our revenue base. We will build a solid cost structure that can generate stable income by, for instance, reducing SG&A expenses to ¥60 billion by the end of fiscal 2011, compared with ¥61.9 billion in fiscal 2010.

At present, opportunities to acquire commercial rights are increasing, particularly outside Japan. With our partners expanding their overseas presence in China, Thailand, Indonesia, Vietnam, and other parts of Asia where economies are developing, we can anticipate the development of a number of businesses using the Kanematsu network. We will execute the new Medium-Term Business Plan with speed and certainty, and resume dividend payments at the earliest opportunity to meet the expectations of our stakeholders.

Step Forward

— Steps after Structural Reform and Future Prospects —

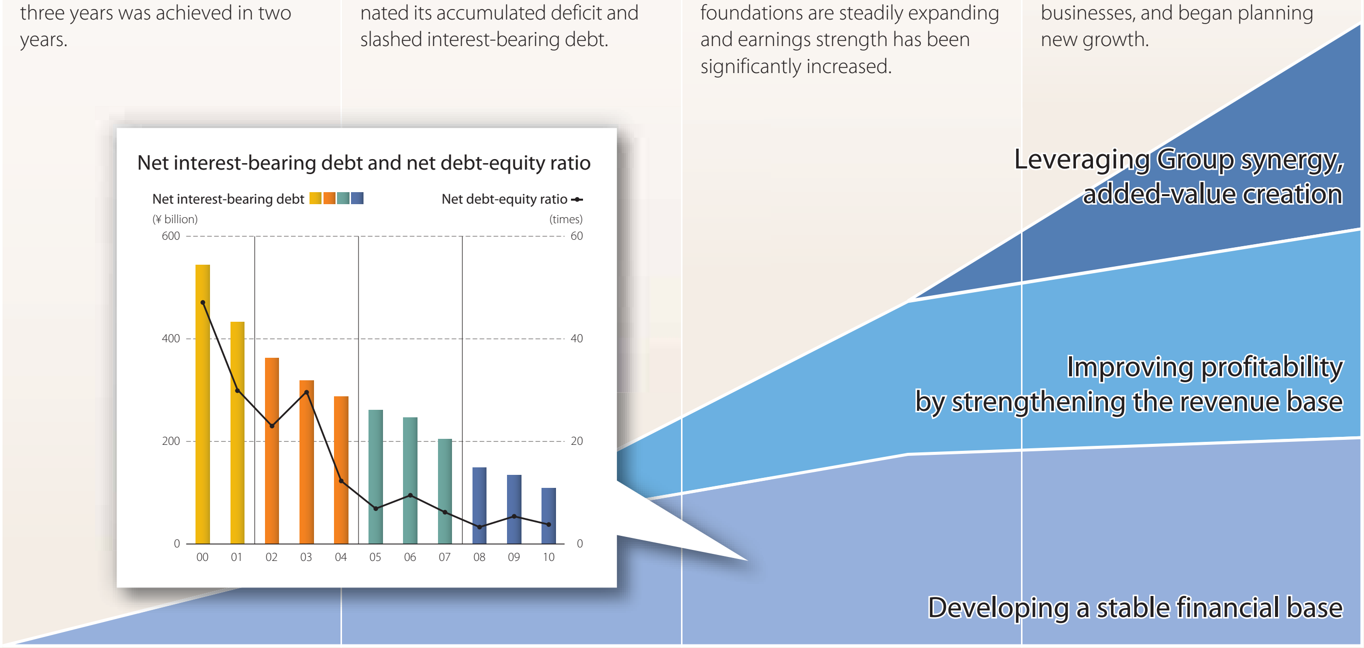
Embodying the pioneering spirit and creativity of founder Fusajiro Kanematsu, who always anticipated the future and boldly undertook new businesses, the Kanematsu Group has overcome many challenges and steadily built its operations over its 120-year history.

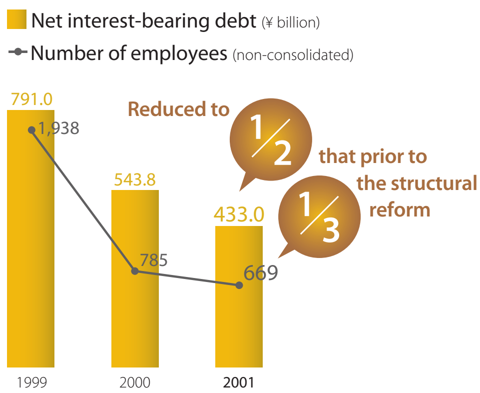
In the postwar era, the Group accelerated its transformation from a specialist in textiles trading into a general trading company to achieve growth. In the second half of the 1990s, however, the collapse of the bubble economy in Japan and the globalization of the world economy forced the Group to execute a substantial change in direction. Subsequently, in 1999, the Three-year Structural Reform Plan was developed and the "second founding" of the company began.

In the 11 years since then, the Group has continued to offer added value rooted in industry in a rapidly changing environment, and has steadily progressed through the stages of refining its business focus, strengthening its financial base, and undertaking other initiatives in its four medium-term business plans. In April 2010, the Group launched its new three-year Medium-Term Business Plan, *"S-Project,"* and began making new efforts to bolster its earnings strength and function as a "Value Creator."

Progress in reform and growth over the past 11 years

Three-year Structural Reform Plan (May 1999 – March 2001)	Medium-Term Management Plan (April 2001 – March 2004)	Medium-Term Business Plan "New KG200" (April 2004 – March 2007)	Medium-Term Business Plan "teamKG120" (April 2007 – March 2010)
The Group made radical cuts to unprofitable businesses and built a robust cost structure by refining its business focus and completing comprehensive streamlining and cost-cutting. The initial goal for three years was achieved in two years.	Seeking to bolster its business base, the Group organized and integrated companies within the scope of consolidation to create a more integrated structure and thoroughly reviewed costs. The Group eliminated its accumulated deficit and slashed interest-bearing debt.	The Group shifted its focus from cost-cutting to boosting revenue, and achieved sales of ¥1 trillion by building a profitable operation base and solidifying its earnings capabilities. The operating foundations are steadily expanding and earnings strength has been significantly increased.	The Group was active than ever in expanding its businesses and strengthening its functions as a true business creator to achieve added value. It also expanded its overseas presence, developed new businesses, and began planning new growth.





(¥ billion)	1999 results		2001 results
Ordinary income	(7.5)	⇨	11.4
Net interest-bearing debt	791.0	⇨	433.0
Total assets	1,244.2	⇨	772.6

* Because the structural reform was achieved a year earlier than initially planned, the comparison uses the results of two years.

"Two years of rebuilding"

In the second half of the 1990s, the Company carried a large amount of interest-bearing debt and needed to undertake a corporate rehabilitation through a major shift in direction. Consequently, in May 1999, the Three-year Structural Reform Plan was developed with the slogan "second founding of the Company," based on which the Company worked aggressively to withdraw from unprofitable businesses, downsize its workforce and reduce its assets. As a result, the goal of the initial three-year plan was achieved in two years and the basis of the current business infrastructure was successfully built.

Basic policies

- ◆ A more refined business focus
- ◆ Adjustments to capital and financial support
- ◆ Comprehensive streamlining and cost-cutting
- ◆ Improved earnings strength and reinforced financial structure

Major achievements

- ◆ A narrower business focus allowed the Company to close unprofitable divisions and conduct a major reorganization of its affiliates, and a management system based on four core departments was established.
- ◆ The number of employees at the parent company was reduced to approximately a third, from 1,938 to 669, and SG&A expenses were slashed.
- ◆ The incidence of new bad debts fell substantially with improved risk management.
- ◆ Drastic action has been taken for unrealized loss and the costs of structural reform.
- ◆ Net interest-bearing debt was reduced to approximately half the level of two years previously.

Three-year Structural Reform Plan (May 1999 – March 2001)

Medium-Term Management Plan (April 2001 – March 2004)

"Three years of bolstering the Group's business base"

The Three-year Structural Reform Plan resulted in a significant improvement in core business focus and corporate culture. However, the business base was still weak, as was the operating and financial underpinnings of the Group as a whole, and so in April 2001, a three-year plan was developed to improve these areas. As a result, steps were taken to continuously reduce interest-bearing debt and eliminate the accumulated deficit, and adjustment of the scope of consolidation was undertaken over five years, incorporating the period prior to the plan.

(¥ billion)	Initial projection		2004 results
Ordinary income	20.0	⇨	10.7
Net interest-bearing debt	300.0	⇨	287.2
ROE	30% or higher	⇨	13.9%

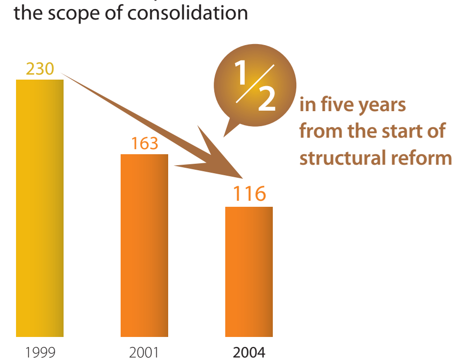
Basic policies

- ◆ Earnings growth through establishment of a robust base of operations and expansion of sales
- ◆ Major cuts in interest-bearing debt and related business burdens
- ◆ Elimination of accumulated deficit

Major achievements

- ◆ Eliminated the accumulated deficit, and substantially reduced interest-bearing debt (from ¥433 billion to ¥287.2 billion).
- ◆ Exhaustive reconsideration of costs and expenses incurred mostly by consolidated subsidiaries.
- ◆ Organization and integration of companies within the scope of consolidation (from 163 to 116 companies).

Number of companies within the scope of consolidation



Seek higher profitability

Develop business based on one of the four factors below or on a combination of factors for maintaining and increasing profitability.

Market/Products
Gain high market share in niche markets and products

Region
Invest business resources in regions where we are strong such as Asia and North America

Business scheme
Promote high value-added development and proposal-based sales

Function/Business structure
Diversify trading company functions by adding fabless manufacturing capability

(¥ billion)	Initial projection		2007 results
Ordinary income	20.0	⇨	**17.3**
Net interest-bearing debt	250.0	⇨	**204.9**
Net D/E ratio (times)	6	⇨	**6.2**

"Complete recovery" — finishing the "second founding" of the Company

The Company's business base was stabilized with thorough streamlining and cost reductions over a period of five years. Subsequently, in April 2004, we developed "New KG200" to finish the "second founding" of the Company, positioning the subsequent period as a turning point from acting defensively by saving costs to going on the offensive and expanding earnings. Under the Plan, we stepped up our sales promotion power and firmly established our financial position. As a consequence, in three consecutive years we achieved our highest ordinary income in ten years, and significantly enhanced our earnings strength.

Basic policies

- ◆ Bolster sales promotion power (Pursue high value-added transactions and enhance earnings power)
- ◆ Establish a solid financial position (Constantly reduce net interest-bearing debt and double shareholders' equity)
- ◆ Advance the Group's management reform (Streamline management and advance management reform)

Major achievements

- ◆ Net sales of ¥1,281.3 billion were achieved, surpassing the initial plan of ¥1,000 billion.
- ◆ The sales basis was steadily expanded, and ordinary income increased by ¥6.5 billion (60%) over the three years.
- ◆ Net interest-bearing debt was reduced to ¥204.9 billion, significantly surpassing the initial plan. Net D/E ratio improved to 6.2 times.

Medium-Term Business Plan "New KG200" (April 2004 – March 2007)

2004 2005 2006 2007 2008 2009

Medium-Term Business Plan "teamKG120" (April 2007 – March 2010)

"Balanced expansion with a sense of urgency"

In April 2007, "teamKG120" was launched to accelerate aggressive management, enhance our standing as a True Business Creator that provides highly specialized and useful business functions, and create additional value ahead of the 120th anniversary of our foundation to be commemorated in 2009. Unfortunately, we were unable to achieve our targets, because of the radical change in the business environment caused by the global recession that took place from 2008 onward. We were, however, able to implement M&A strategies and cross-sectional collaboration in areas where growth has been facilitated. We also moved forward with the development of overseas bases and the operation of new businesses. Meanwhile, net interest-bearing debt, which we had planned to slash to ¥160 billion in the initial plan, was reduced to ¥109.4 billion. Based on these measures, we have established a basis for growth as a "Value Creator."

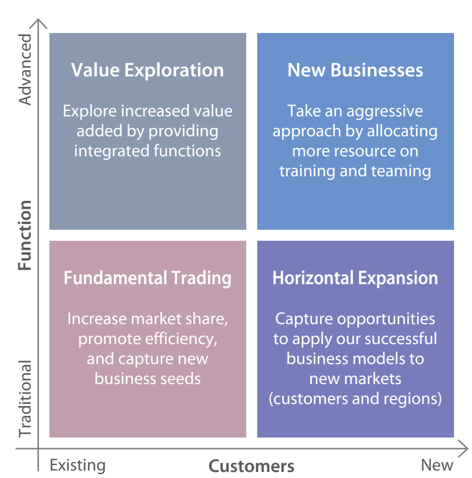
Basic policies

- ◆ Develop the management system (Enhance internal control, strengthen corporate governance, and thoroughly implement compliance)
- ◆ Sales promotion (Advance development of new businesses, bolster support, and expand overseas bases)
- ◆ Group management (Reform organization, speed up decision-making process, and manage risks)

Major achievements

- ◆ Although the targets could not be achieved due to the deterioration of the business environment, interest-bearing debt was reduced.
- ◆ Overseas bases were expanded, including the establishment of a management company in China and the upgrading of a local subsidiary in Brazil.
- ◆ The photovoltaic cell business and other environment-related businesses were launched in earnest.

(¥ billion)	Initial projection		2010 results
Ordinary income	25.0	⇨	**8.2**
Net interest-bearing debt	160.0	⇨	**109.4**
Net D/E ratio (times)	2.5	⇨	**3.8**



2010 2011 2012 2013

New Medium-Term Business Plan “S-Project”

April 2010 – March 2013

The new Medium-Term Business Plan *“S-Project”* is another step towards the goal of becoming a “Value Creator” that can satisfy all stakeholders. It seeks to facilitate the strengthening of the revenue base and management base that enable sustainable growth, even in drastically changing global circumstances.

We are aiming to be a vigorous “Value Creator” that enables each employee to make the most of his/her originality and ingenuity for the constant creation of new businesses. We are dedicated to providing highly specialized and useful business functions while pursuing true business value.

New Medium-Term Business Plan *“S-Project”*

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

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

Vision	Within the upheaval of the global economy, grow as a “Value Creator” and contribute to society.
Basic Concepts	· Advance the constant refining of business focus and swiftly take business chances in Japan and abroad to strengthen the revenue base. · Bolster efficiency and soundness to strengthen the foothold and management base. · Deepen mutual confidence with business partners and jointly pursue the creation of businesses.

Numerical Targets

Performance plan

(¥ billion)	teamKG120 2010 results	"S-Project" 2011 plan	2012 plan	2013 plan
Net sales	861.3	850.0	950.0	1,050.0
Gross profit	74.1	75.0	77.5	80.0
SG&A expenses	61.9	60.0	60.5	61.0
Operating income	12.2	15.0	17.0	19.0
Ordinary income	8.2	10.0	12.0	14.0
Net income	3.5	4.5	5.5	6.5

Financial plan

(¥ billion)	teamKG120 2010 results	"S-Project" 2011 plan	2012 plan	2013 plan
Total assets	398.6	400.0	404.0	410.0
Shareholders' equity	28.9	33.0	38.5	45.0
Equity ratio	7.3%	8.3%	9.5%	More than 10%
Gross interest-bearing debt	193.1	185.0	177.0	169.0
Gross D/E ratio (times)	6.7	5.6	4.6	3.8
Cash and bank deposits	83.7	85.0	85.0	85.0
Net interest-bearing debt	109.4	100.0	92.0	84.0
Net D/E ratio (times)	3.8	3.0	2.4	Approx. 2.0

Aiming to resume dividend payment as soon as possible

Management Initiatives

Strengthening the revenue base

Continuing to refine our business focus
Promoting growth strategies

In the "ICT & Electronics," "Foodstuff," "Environment" and "Iron, Steel & Plant" categories, allocate management resources, primarily to businesses whose growth can be expected going forward, to strategically restructure the business portfolio.

Increase revenues in the ICT and electronics businesses.

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

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

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

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

➡ Focus on photovoltaic power and battery businesses and enter the electric vehicle (EV) business.

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

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

Bolstering the business base

Improving the financial position

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

Pursuing management efficiency

Review the cost structure and streamline the Administrative Departments.

Enhancing and deepening the consolidated management system

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

Cultivating human resources for global operations

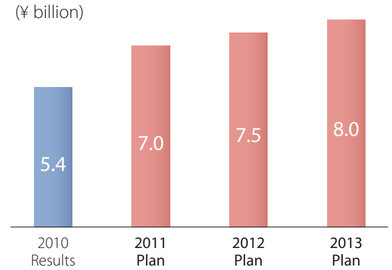
Cultivate human resources for consolidated management and increase the number of employees working overseas.

Business plan by segment set forth in *“S-Project”*

Electronics & IT

Focus	Specific strategies
ICT solutions	• Enhancing functions in response to the diversification of customer needs, thereby strengthening the revenue base
Mechanical parts	• Expanding core businesses in Europe and the United States horizontally to China and Asian markets
Electronic components	• Developing new operations through development support

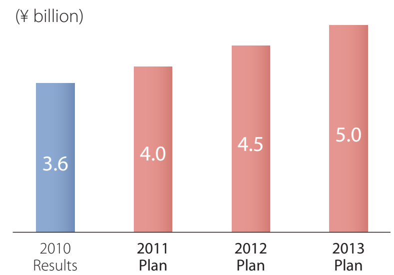
Operating income results and plans



Foods & Foodstuff

Focus	Specific strategies
Overseas transactions	• Expanding the workforce and building sales systems in China and Asia • Expanding tripartite trade in food and feed materials
Non-genetically modified food ingredients (soybeans and corn)	• Bolstering the supply system in cooperation with suppliers • Expanding sales in Japan and overseas markets (Asia and Europe)

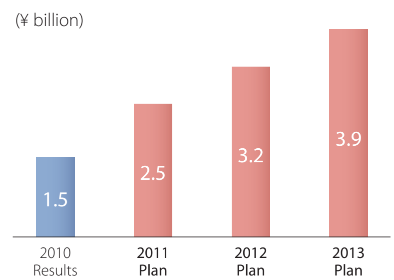
Operating income results and plans



Iron & Steel / Machinery & Plant

Focus	Specific strategies
Highly functional materials	• Expanding transactions in the energy and automotive sectors • Selling electric vehicle parts
Automobile parts	• Expanding exports of auto parts to markets in Asia, especially China • Creating new trade rights by helping Japanese auto manufacturers enter overseas markets

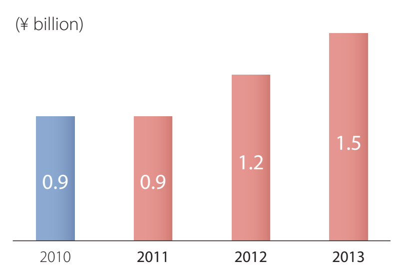
Operating income results and plans



Environment & Materials

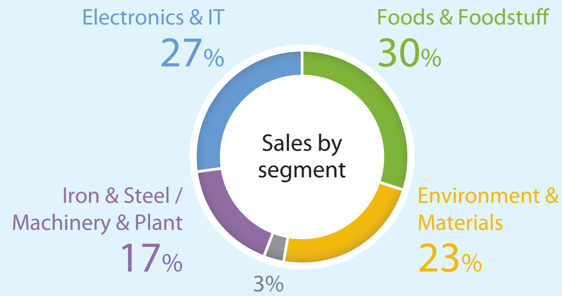
Focus	Specific strategies
Photovoltaic power generation	• Expanding sales of conductive adhesives overseas • Importing and selling thin film photovoltaic module
Electric vehicles (EV)	• Establishing a system for increasing sales of anode materials for lithium batteries • Building EV charging infrastructure systems
Development of environment-related materials and new technologies	• Commercializing VOC (Volatile Organic Compounds) recovery/purge technology • Developing new materials for tires • Expanding transactions regarding heat reflective paint overseas

Operating income results and plans



Overview by Business Segment

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



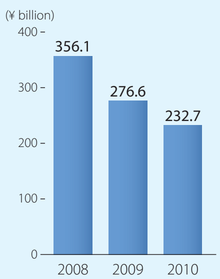
* Kanematsu has an "Other" segment that encompasses its textile business, insurance agent/intermediary business, real estate management and leasing business, construction materials business and other operations.

Electronics & IT

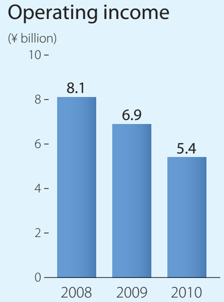
This segment offers a variety of products ranging from electronics-related materials, parts and equipment to aircraft. It also operates mobile solution and ICT solution businesses. In addition, the segment focuses on OEM and ODM businesses and provides added value such as design and manufacturing.

P18

Net sales



Operating income

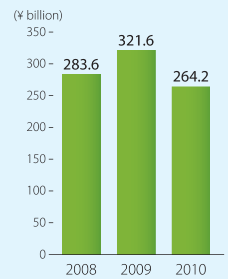


Foods & Foodstuff

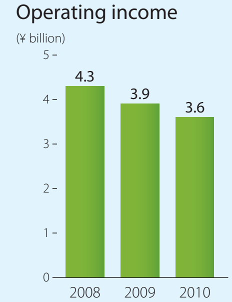
To maintain food safety and security, this segment secures foodstuffs such as feed, grains, meat and marine products through a consistent supply system. It also provides an extensive range of food products, including high-value added products.

P20

Net sales



Operating income

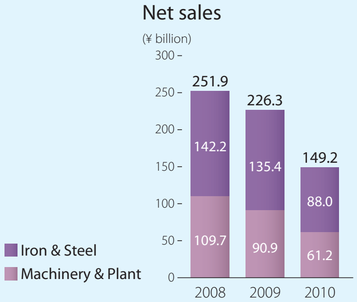


Iron & Steel / Machinery & Plant

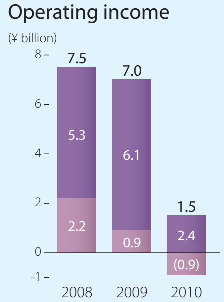
In our iron & steel business, we carry out domestic and international trade in various iron and steel products. The machinery & plant business comprises chemical and paper manufacturing plants and transactions related to ODA projects, ships and motorcycles and automobiles.

P22

Net sales



Operating income

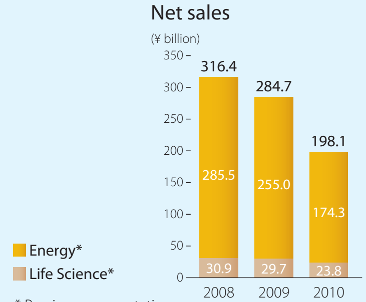


Environment & Materials

Under the keywords of "environment," "healthcare" and "medicine" this segment strengthens product development and production capabilities. It also engages in the import of crude oil, the import and export and domestic trading of petroleum products and new energy business.

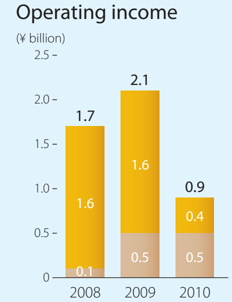
P24

Net sales



* Previous segmentation

Operating income



Electronics & IT

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

Hirokazu Tamura
Director
Chief Officer,
Electronics & IT Division

Fumihiko Nashimoto
Director
President, Devices Company

Main Businesses

Semiconductor Parts and Equipment	Semiconductor and electronic components, Electronic modules and materials, Semiconductor and LCD equipment
Mechanical Parts	Onboard parts, Printer-related equipment, Electronic modules
ICT and Mobiles	System solutions, Communication equipment and parts, Mobile phones, Mobile content, Mobile advertising
Aerospace	Aircraft, Aircraft parts

Kanematsu's Strengths

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

Operating Environment

- In the ICT solution industry, new areas such as cloud computing have been growing despite continuing constraints on corporate IT spending.
- The mobile solution industry is confronting a slowdown in sales of mobile phones due to both an increase in mobile phone prices attributable to changes in how the devices are sold, and to market saturation.
- In the electronic component industry, demand for digital home appliance components is growing, particularly in emerging markets.

Results for Fiscal 2010

(¥ billion)	2009	2010
Net sales	276.6	**232.7**
Gross profit	41.7	**38.5**
Operating income	6.9	**5.4**

The volume of electronic component- and aircraft-related businesses declined during this period. The mobile phone businesses achieved increased profit, despite a drop in the number of products sold. Meanwhile, the solution business posted a loss as a result of sluggish capital expenditure.

Consequently, net sales in the Electronics & IT division decreased by ¥43.9 billion from the previous year, to ¥232.7 billion, while the operating income declined by ¥1.5 billion, to ¥5.4 billion. The semiconductor equipment and electronic component businesses have been showing signs of recovering as a result of cost cutting and an increase in the number of contracts signed after the fourth quarter, and further recovery is expected.

TOPICS

Next-generation flash memory

The mobile computing industry, represented by smartphones continues to improve product functionality, so that today's mobile devices have the same functionality of recent desktop PCs. With mobile devices reduced to pocket size, the world of ubiquitous computing is now at hand.

These mobile devices require high-capacity, high-speed and low power consuming nonvolatile memory (which retains recorded data even without a power supply). While NAND type flash memory is widely used today, performance is still not quite adequate to meet the needs for greater reliability, capacity and speed.

Outlook and Strategies for Fiscal 2011 and Medium-Term Business Plan

(¥ billion)	2011	2012	2013
Net sales	230.0	245.0	260.0
Gross profit	39.0	39.8	40.5
Operating income	7.0	7.5	8.0

Outlook for Fiscal 2011

In the semiconductor equipment and electronic component businesses, a recovery in volumes led by rising demand in emerging countries, primarily in Asia, is expected. We will continue to support our Japan-based customers who are transferring businesses overseas and provide SCM system development services. In the onboard parts for motorcycles and automobiles and printer-related businesses, we will focus on the development of business in Europe, Southeast Asia, China, and India through the "horizontal development" of the expertise acquired in the North American market.

In the solutions business, despite a slow recovery in demand for investments in systems Kanematsu will generate income by concentrating on high value-added businesses, including the development of infrastructure and maintenance service systems that meet customer needs, such as the implementation of new accounting systems or enhancement of legal compliance. The mobile phone business will ensure profitability by focusing on the development of corporate business.

Medium-Term Business Plan *"S-Project"*

In the Electronics & IT Division, we will emphasize the ICT solutions, mechanical parts, and electronic components sectors.

ICT solutions

While corporate investments in systems are currently restricted by the sluggish economy, there is a strong potential investment need in future areas, such as the introduction of new accounting standards and the improvement of legal compliance. In addition to meeting these diversifying customer needs and providing traditional hardware and software, we will take steps to improve customer satisfaction by proposing information systems built using cloud computing and other services.

Mechanical parts

We will develop the foundation for onboard and printer-related businesses already established in the United States and Europe, in China and Asia. The onboard-related business in particular has been improving thanks to subsidies for automobile products in each country. We will seek to build new businesses by keeping pace with technical innovation based on environmental and safety concerns.

Electronic components

In addition to sales of electronic components for the existing consumer digital products and onboard and communication products, we have set our sights on creating new businesses through strategic alliances with companies that offer new technologies.

In this regard, we have been pursuing a number of initiatives to contribute to the further development of the mobile computing world. For instance, we have established partnerships based on investments and exclusive dealerships in specific markets with venture companies that offer innovative solutions to the problems inherent to conventional flash memory. Through these partnerships, Kanematsu is developing the next-generation flash memory.

We will ensure that new technologies will enable mobile phones, digital cameras, electronic books and other products that our customers use to become more convenient and user-friendly.

Foods & Foodstuff

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

Tatsuo Suzuki
Managing Director
Chief Officer, Foods & Foodstuff Division,
General Manager for Osaka Area

Morihiro Toida
Executive Officer
Vice Chief Officer,
Foods Division

Main Businesses

Food	Canned, frozen & dried fruits, Wine, Coffee, Cocoa, Sugar, Sesame seed, Peanuts, Miscellaneous beans, Honey products, Nuts, Oils and fats, Dairy products, Processed foods, etc.
Meat and Marine Products	Meat products, Marine products, Others
Grain & Oilseed, Feedstuff and Dairy Products	Wheat, Barley, Rice, Soybean, Processed foods, Feedstuff, Fertilizer, Pet food, Pet products, etc.

Kanematsu's Strengths

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

Operating Environment

- Japanese consumers remain price sensitive due to persistent deflation
- The grain market contracted the last year due to intense volatility and have gradually stabilized at lower mid range
- Rising demand in emerging countries persists

Results for Fiscal 2010

(¥ billion)	2009	2010
Net sales	321.6	**264.2**
Gross profit	13.1	**12.6**
Operating income	3.9	**3.6**

Despite a substantial drop in net sales in the foods business, resulting from a fall in product prices and a rising yen, sales of products that lowered prices in response to deflation remained strong. Highly processed food in the marine products trade was profitable, which helped improve the overall profitability of the foods business.

Meanwhile, in the foodstuff business, sales struggled in a harsh environment that included a decline in the grain market and lower feedstuff prices caused by a fall in end prices of farm products in the feedstuff trade. The volume of business nonetheless remained stable, thereby limiting the net loss.

Consequently, net sales in the Foods & Foodstuff Division decreased by ¥57.4 billion from the previous year, to ¥264.2 billion, and operating income declined by ¥0.3 billion, to ¥3.6 billion.

TOPICS

Stable acquisition and supply of non-genetically modified soybeans

While demand for improved food safety is higher than ever, and the global soybean production is shifting markedly to genetically modified organisms (GMO), non-genetically modified soybeans are used for nearly 100% of edible soybeans in Japan. The same trend is evident in the European Union and Asia, and demand for non-genetically modified soybeans has been increasing despite falling production volume. We consequently began full-scale cultivation of non-genetically modified soybeans on Prince Edward Island in Canada in the spring of 2009.

We hope to further stabilize our non-genetically modified soybean production through soybean cultivation not only on this island, but also in Australia and other regions in the future.

Outlook and Strategies for Fiscal 2011 and Medium-Term Business Plan

(¥ billion)	2011	2012	2013
Net sales	270.0	300.0	330.0
Gross profit	13.0	13.8	14.5
Operating income	4.0	4.5	5.0

Outlook for Fiscal 2011

In the foods business, mass retailers and the home meal replacement business have shown steady progress, as has the food service industry, an area of particular focus for Kanematsu. Moving forward, we plan to improve efficiency by cooperating with and assigning tasks among our Group companies in the business flow from upstream to downstream industries. We will also enhance alliances with our partners to strengthen the supply and sales systems and expand our businesses.

In the foodstuff business, we intend to fortify our relationships with suppliers and expand both domestic and overseas markets. In particular, to respond to rising awareness of food safety and security, the system for the stable supply of non-genetically modified soybeans will be enhanced to increase business volume. In the pet products business, a recent area of focus, Kanematsu will seek to further expand business by focusing on private brand and premium brand pet products.

Meanwhile, in both the Foods and Foodstuff business, we will strengthen our overseas sales system primarily in China and other Asian countries, including in the area of staffing.

Sustainable supply of raw materials

We consider that helping to improve the lives of farmers and agricultural workers in developing countries and protecting fertile soil and natural resources is part of our mission. International organization and certification groups working in these areas include the Rainforest Alliance certification*1 and Fairtrade Labeling*2.

We trade coffee beans certified by the Rainforest Alliance and orange juice and coffee beans certified by Fairtrade Labelling Organizations International and contribute to sustainable growth, support producers, and protect the environment through the import and sale of these products.

*1 **Rainforest Alliance certification:** The Sustainable Agriculture Program of this organization has established a number of standards for the purpose of prohibiting deforestation, protecting biodiversity, and improving the welfare of agricultural workers. Farms that meet certain standards are eligible to receive certification.

*2 **Fairtrade Labeling:** This is a system of supporting the life of producers in developing countries who produce much of the imported products facilitating our daily life by guaranteeing appropriate prices with stable and sustainable businesses.

Medium-Term Business Plan *"S-Project"*

In the Foods & Foodstuff Division, we are planning to concentrate on overseas trade and non-genetically modified food ingredients.

Overseas trade

In the foods and foodstuff business, we are currently building solid experience in tripartite trade, such as soybeans and feedstuff imported primarily from the United States for export to China and other Asian countries, and processed fruits and other processed food imported from Asia for the export to the United States and Europe. In the future, we hope to focus more on this tripartite trade, in addition to imports and exports through Japan, to make it a primary source of stronger profitability.

Moreover, we will seek to accelerate the development of the market by increasing the number of staff in China and Southeast Asia. To ensure the acquisition of businesses to serve demand in China and Southeast Asia and increase the business volume, we are considering a system of deploying 10 – 20% of the sales staff of the Foods and Foodstuff Division to overseas locations in the medium to long run.

Non-genetically modified food ingredients

To continuously respond to growing awareness of food safety and security, we consider the supply of non-genetically modified food ingredients to be an important issue. By strengthening our partnership with suppliers, a system of stable supply will be built and new customer bases will be developed both inside and outside Japan to expand our market.

Iron & Steel / Machinery & Plant

In the Iron & Steel business, the Company is involved in the domestic and foreign trade of various iron and steel products. In the Machinery & Plant business, operations include chemical and papermaking plant and ODA projects, ships, and transactions related to motorcycles and automobiles.

Takashi Gunji
Director
Chief Officer, Iron & Steel Division

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

Main Businesses

Iron & Steel Trading	Surface-treated steel sheet, Seamless pipe
Specialty Steel Trading	Stainless steel, Specialty steel pipe, Tubing products, Bar products
Cast and Forged Steel Products	Precision forged parts
Domestic Trade and Raw Materials Supply	General steel products, Iron ore, Cokes
Transportation Machinery	Automobiles, Ships, Marine equipment
Plant Infrastructure Projects	Various plants, Telecommunications projects, ODA projects, Optical fiber, Electric power projects
Machine Tools and Industrial Machinery	Machine tools, Industrial machinery

Kanematsu's Strengths

- Supply of highly functional materials and distinctive products including oil country tubular goods
- Meeting diverse customer needs through the lineups of major machine-tool manufacturers in Japan
- "Project-forming" businesses which contribute to regional economic development

Operating Environment

- Crude steel production has been trending upward since the middle of the fiscal year due to sustained demand from emerging nations, despite sluggish domestic demand.
- Automobile production is also improving after hitting bottom in the April – June quarter of 2009 due to the effect of government subsidies and other stimulus measures worldwide.
- Orders for machine tools and industrial machinery began improving gradually in the second half of the fiscal year.

Results for Fiscal 2010

(¥ billion)	2009	2010
Net sales	226.3	**149.2**
Gross profit	19.6	**11.8**
Operating income	7.0	**1.5**

In the iron & steel business, overseas transactions with customers in Asia and the Middle East held firm and automobile parts and materials also showed signs of recovery from the second half, but transactions with customers in North America slowed considerably. Transactions on the domestic market remained sluggish due to a continued slump in domestic demand amidst a decline in the construction sector.

In the plant business, transactions related to automobile parts with customers in China, fuelled by the expansion of China's auto market, and transactions related to petrochemical plants with customers in the Middle East remained strong, but, aside from these, transactions were lackluster, affected by slow market conditions and the strong yen, amongst other factors. In the machine tools business, companies continued to scale back capital investment and orders remained at a low level.

As a result, net sales in the Iron & Steel / Machinery & Plant Division were down ¥77.1 billion year on year, to ¥149.2 billion, and operating income decreased ¥5.5 billion year on year, to ¥1.5 billion.

TOPICS

Porcelain Enamel Steel Sheet

Sales to companies all over the world for making markerboard, chalkboard and projection screen which would be installed in school class rooms, audio-visual rooms and conference rooms.

Enhanced durability and certified by Scientific Certification Systems for low-emitting materials, meeting the stringent Indoor Advantage™ Gold Certification.*

* Indoor Advantage™ Gold certification is administered by Scientific Certification Systems (SCS), a global leader in independent certification and verification of environmental, sustainability, stewardship, food quality, food safety and food purity claims.

The SCS Indoor Advantage Gold certification relies on data collected through small chamber testing, which allows manufacturers to examine the individual VOCs, to identify and address the sources of chemical contaminants in their manufacturing process.

SCS Indoor Advantage Gold certification conforms to both the California 01350 specification and Collaborative for High Performance Schools.

Outlook and Strategies for Fiscal 2011 and Medium-Term Business Plan

(¥ billion)	2011	2012	2013
Net sales	145.0	165.0	185.0
Gross profit	12.2	12.9	13.6
Operating income	2.5	3.2	3.9

Outlook for Fiscal 2011

For the iron & steel business, we will launch high added value products for energy and environment-related businesses and aim to increase revenues by expanding sales of strong corrosion-resistant products that can be used in poor conditions. In the automobile and specialty steel business, besides improvement in revenues resulting from recovery of demand in North America, we aim to develop existing trade rights by expanding sales channels.

For the plant business, we intend to expand transactions in the core area of automobile parts and also aim to increase revenues through transactions related to petrochemical plants with customers in the Middle East, which were brisk the previous fiscal year. In the machine tools business, we expect revenues to recover with improvement in the level of orders, albeit at a modest pace.

Medium-Term Business Plan *"S-Project"*

In the Iron & Steel / Machinery & Plant Division, we will concentrate on highly functional materials business and automobile parts.

Highly functional materials business

Firstly in the energy market, we are aiming for recovery of turnover in oil country tubular goods, are launching high added value products, and intend to increase revenues by expanding sales of strong, corrosion resistant products that can be used in poor conditions. Also, in the automobile business, as a result of a recovery in the automotive sector and the consumption of inventory by customers, in both the Americas and Europe, sales began picking up in the second half of the fiscal year and, due to the accompanying increase in demand for wire products and cast and forged parts, we expect revenues to improve in the medium-term.

As new initiatives, we aim to expand the market by launching and developing high tensile strength wire products and aim to sell high added value products by combining cast and forged parts.

We are also starting corporate sales of the electric vehicle Raiku manufactured by Mitsuoka Motor Co., Ltd. and intend to supply automobile parts in connection with this.

Automobile parts

Among transactions relating to automobile parts, a core business in the machinery and plants segment, export transactions with China were particularly strong the previous fiscal year owing to the expansion of China's auto market. Given the Chinese auto market's enormous growth potential, with Japanese auto manufacturers also planning to expand their production capacity, this fiscal year the Company set up an Automobile & Parts Section and will step up its efforts to improve the operating structure and other aspects of its China operations.

In view of the increasing need for Japanese automobile parts manufacturers to move their operations to key overseas markets such as China and India, we intend to strengthen cooperation with overseas bases and pursue collaboration with parts manufacturers by offering multi-faceted support.

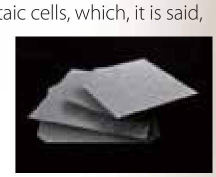
Sales and installation of photovoltaic power generation systems

Aries Power Equipment Sp. z o.o., an affiliate company in Poland selling power generators, pumps and other power equipment, has also begun selling and installing photovoltaic power generation systems locally as part of efforts to reduce global warming and CO_2 emissions.

Harnessing the sales experience we have built up in the local market, we will also work on gaining entry to the market for such renewable types of energy.

Processing of silicon wafers for photovoltaic cells

In August 2008, affiliated machine tools and industrial equipment trading company Kanematsu KGK Corp. and a partner company jointly established KGK SolTech Corp. to produce silicon wafers for photovoltaic cells. The JV will slice silicon ingots supplied by cell ingot manufacturers to produce wafers. Monthly production capacity is 2.3 million wafers (which equates to annual production of 105MW). Against the backdrop of expansion in the global market for photovoltaic cells, which, it is said, will grow to more than 10 times its current size (80GW) by 2020, orders are increasing and the JV is undertaking processing contracts from manufacturers in the United States, Europe, Korea, India and other key markets.



Environment & Materials

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

Hitomi Sato
Managing Director
Chief Officer, Environment & Materials Division, Business Innovation Department

Main Businesses

Energy	Crude oil, Petroleum products, LPG, Carbon credit trading
Functional Chemicals	Materials for lithium batteries, Photovoltaic module, Petrochemical products
Life Science	Pharmaceuticals, Pharmaceutical intermediates, Functional food materials, Health supplements

Kanematsu's Strengths

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

Operating Environment

- Oil demand has remained solid in emerging nations but has been dampened by recession in advanced nations including Japan.
- Environment-related materials are maintaining high growth due to increased awareness of global environmental protection issues.
- In the pharmaceuticals field, the overseas market for low-cost generic pharmaceuticals is growing.

Results for Fiscal 2010

(¥ billion)	2009	2010
Net sales	284.7	**198.1**
Gross profit	10.3	**8.5**
Operating income	2.1	**0.9**

In the life science business, pharmaceutical export transactions were sluggish due to the emergence of generic pharmaceuticals. On the other hand, export transactions relating to photovoltaic module and materials for lithium ion batteries and transactions relating to functional food materials remained solid.

In the energy business, transactions struggled, as turnover declined as a result of weak demand amidst the recession and profit margins also narrowed.

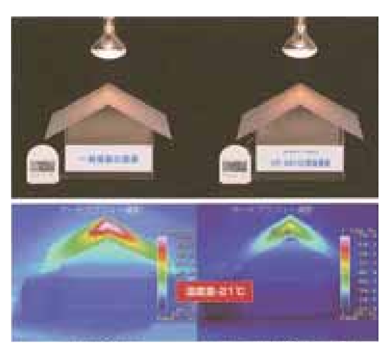
As a result, net sales in the Environment & Materials Division sank ¥86.6 billion year on year, to ¥198.1 billion, and operating income in the Division dropped ¥1.2 billion to ¥0.9 billion.

TOPICS

Full-scale entry to overseas market for heat reflective paint

In response to rising of social environmental awareness, we have made "environment-related products" an important theme and is exploring a wide range of business avenues, including business related to heat reflective paint, which has demonstrated effectiveness in preventing urban heat islands.

Lamp irradiation experiment
Halogen lamp irradiation experiment. Following lamp irradiation for ten minutes, a difference in surface temperature of more than 20 degrees is observed. The roof on the left is coated with regular paint while the roof on the right is coated with heat reflective paint.



Roof coated in regular paint　Roof after application of Miracool S100

Outlook and Strategies for Fiscal 2011 and Medium-Term Business Plan

(¥ billion)	2011	2012	2013
Net sales	190.0	225.0	260.0
Gross profit	8.5	8.8	9.1
Operating income	0.9	1.2	1.5

Outlook for Fiscal 2011

We intend to take advantage of favorable business conditions in Japan and overseas to further strengthen transactions related to photovoltaic power. We aim to extend the range of our business operations, expanding exports and imports of related products and becoming actively involved in new projects. We also intend to concentrate on other environment-related business such as overseas transactions related to heat reflective paint and the development of a supply system for anode materials used in lithium ion batteries.

Also, with healthcare and medicine as keywords, we intend to open up new sales channels for health food and pursue the joint development of generic pharmaceuticals to meet the growth in social demand resulting from Japan's aging society.

In energy-related business, we aim to increase the profitability of domestic petroleum product transactions by improving the efficiency of tank operations, and we will also work to expand businesses such as carbon credit trading with rising interest in environmental issues.

Heat reflective paint reflects the near infrared rays in sunlight that cause heat buildup and, when applied to the roof or outside walls of buildings and roads, it prevents temperature increases in sunlight. When applied to the roof or outside walls of factories or other buildings, heat reflective paint prevents the temperature inside from increasing and is extremely effective in reducing air conditioning expenses.

In November 2009, on the premises of the Zero Energy Building in Singapore, we used the heat reflective paint "Perfect Cool A" which can mitigate the heat island effect, which is becoming an increasing problem in urban areas. This prompted us to focus more on overseas sales especially in regions such as Southeast Asia.

Zero Energy Building

The Singapore Building and Construction Authority's Zero Energy Building, constructed as an environmental friendly building, used Perfect Cool A.

Medium-Term Business Plan *"S-Project"*

In the Environment & Materials Division, we intend to pursue photovoltaic power generation business, electric vehicle (EV) business and the development of environment-related materials and new technologies.

Photovoltaic power generation business

We will continue concentrating our efforts on photovoltaic module business, especially exports of conductive adhesive paste and imports of flexible photovoltaic module.

Electric vehicle (EV) business

With the popularization of electric vehicles in the future, demand for lithium ion batteries is expected to increase and we intend to expand transactions related to anode materials. At the same time, we aim to secure the resources to create a stable supply system.

Highly promising EV business is the focus not just of efforts in the Environment & Materials segment, but of company-wide efforts. As part of this, we have begun working on the development of an EV charging infrastructure system in Kyoto Prefecture. Over the period of the new Medium-Term Business Plan we aim to expand the number of regions in which we establish systems and operate in collaboration with diverse industries. We also intend to become actively involved in related projects expected to have a high affinity with EV in the future, such as the development of tourism packages using EV.

Development of environment-related materials and new technologies

We are working on a number of promising projects backed by strong social demand such as VOC (Volatile Organic Compounds) recovery/purge technology, the research and development of new materials for tires, and biogas, and we are planning to turn these projects into actual businesses over the period of the new Medium-Term Business Plan. Given the steady rise in the number of contracts concluded in heat reflective paint business since its launch in 2009, we will continue to work on expanding sales channels, especially in South East Asia and other overseas markets.

CSR

The Company's Corporate Social Responsibility (CSR) activities have been extended into a number of fields so that we can develop together with our stakeholders, including shareholders, investors, business partners, and people in the local communities, thereby contributing to the realization of a sustainable society.

Specifically, we established the CSR Committee in May 2008. We also set up the CSR Promotion Section in July 2009 as a division exclusively in charge of CSR activities. Under Kanematsu's Code of Conduct, activities have been strengthened in relation to CSR-related issues including social contributions, compliance and environmental conservation.

Kanematsu's Code of Conduct

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

(Translated from Japanese)

Advocate Social Contribution Activities

Commemoration Projects

Among the main commemorative projects we have carried out in accordance with the will of our founder Fusajiro Kanematsu are the Research Institute for Economic & Business Administration (Kanematsu Memorial Hall), a commerce research institute granted by Kanematsu to Kobe University, the endowment of the Kanematsu Auditorium of Hitotsubashi University, and the endowment of the Kanematsu Memorial Institute of Pathology to Sydney Hospital in Australia, which was partially endowed by Kanematsu with joint funding from the Australian Government.

The Research Institute for Economic & Business Administration (Kanematsu Memorial Hall)

The Kanematsu Auditorium of Hitotsubashi University

Kanematsu Memorial Institute of Pathology, Sydney Hospital

Social Contribution

The Company has made its Chiba athletic field in Chiba City, Chiba Prefecture available for the use of neighboring schools and town community clubs. Also, in response to requests from the Fire Station in Chiba City, we provide assistance through our annual takeoff and landing training of helicopters for emergency transportation.

To support countries and regions suffering from natural disasters, the Company has provided relief money along with contributions collected from employees. The active participation of employees in charity events hosted by municipalities and other communities is encouraged. We have been involved in grass-roots social contributions activities through our participation in anniversary events such as World Water Day and World Environment Day.

Column

Ecocap Movement

The Company has participated in Ecocap Movement activities. With the small caps of used PET bottles, we have contributed to the support of children's lives and the future environment of the earth, effectively used limited resources, and reduced CO_2.

Work-Life Balance

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

Child Care Support

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

At present, many employees are taking this leave, and when they return to work, they return to the same divisions in which they worked before. These considerations have been made to create a pleasant working environment.

Family Care Support

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

Refreshment Day

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

Environmental Initiatives

Ever since the Company obtained ISO14001 certification in March 2004, it has constantly improved its environment management system.

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

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

Examples of environment-related businesses

EV charging infrastructure ▶ see p.9 (Interview with the President)

Sustainable coffee ▶ see p.21 (Foods & Foodstuff TOPICS)

Heat reflective paint ▶ see p.24 (Environment & Materials TOPICS)

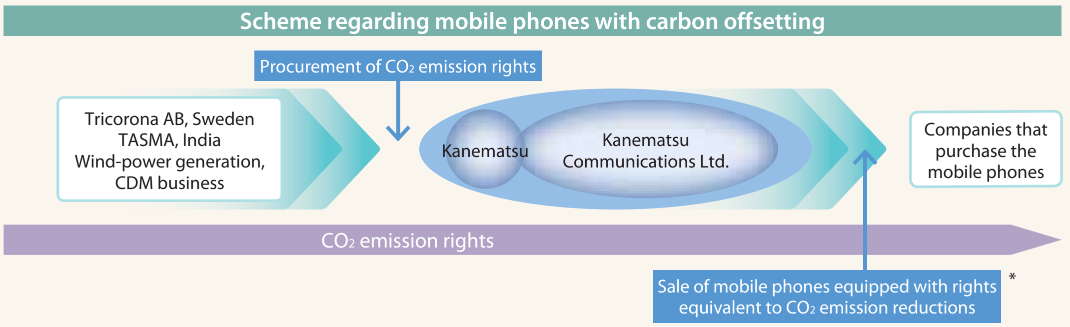
Column

Carbon Credit Trading Measures: Carbon Offsetting, Japan's Voluntary Emissions Trading Scheme (JVETS) and Emission Trading Pilot Project

Since fiscal 2005, as part of the expanded energy solution business, the Company has participated in Japan's Voluntary Emissions Trading Scheme (JVETS) of the Ministry of the Environment to obtain know-how and knowledge of the emissions trading market that is expected to develop in the future.

As a participant in the program since the first term, the Kanematsu Group has built up a strong track record in this area, and our involvement has been expanding. For example, Kanematsu Petroleum Corporation, a Group company, has proposed a CO_2 reduction business through the use of this system. The scope of operations has been expanded to include the development of a trial emission transaction system, which is mainly being promoted by the Cabinet, and emissions transactions based on the Tokyo Metropolitan Ordinance on Environmental Preservation.

In addition, the Company has provided support for emission transactions required by customers, including a proposal to reduce CO_2 using the domestic credit system of the Ministry of Economy, Trade and Industry, and the sale of mobile phones with carbon offsetting for corporations carried out by Kanematsu Communications Ltd., a Group company.



* CO_2 emission rights equivalent to 5kg are granted when a customer purchases the mobile phones, and CO_2 emission rights equivalent to 15kg are granted if a customer allows us to collect their used mobile phones. The emission rights are transferred by Kanematsu Communications Ltd. on behalf of the customer companies to the Government's redemption account.

CSR Procurement

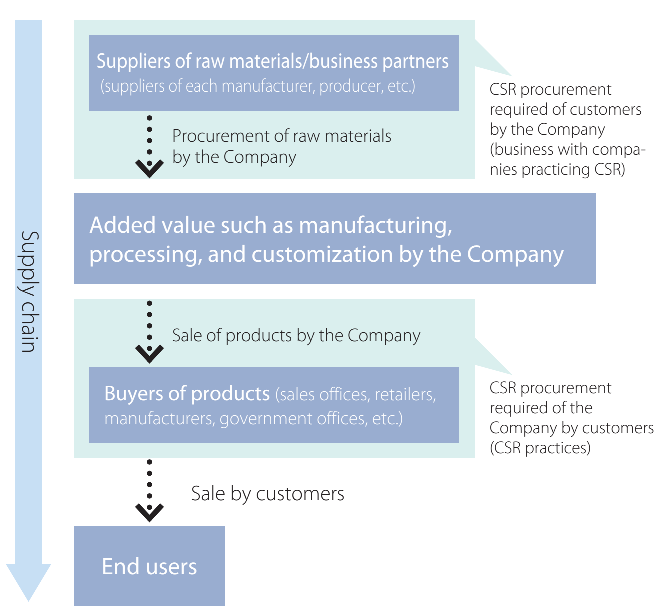
CSR procurement means that a company procuring necessary materials, parts and products requires its suppliers not only to swiftly provide products of consistently high quality but also to make a CSR commitment.* CSR procurement efforts are also growing in importance year by year as companies and the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

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

*Example of CSR Commitment

- Suppliers conduct environment-friendly corporate activities.
- Suppliers conduct corporate activities with due consideration of human rights (prohibiting child labor, forced labor, etc.)
- Suppliers are committed to legal compliance.
- Suppliers clear new product quality standards (restrictions above and beyond legislation on the use of harmful substances.)

Flow of CSR Procurement



Corporate Governance

Our Basic Stance on Corporate Governance

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

Board of Directors

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

The Board of Directors decides on matters set out in laws and ordinances as well as the Company's Articles of Incorporation, determines basic business policies, and draws up long-term and short-term plans for the entire Company, in addition to reviewing business results.

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

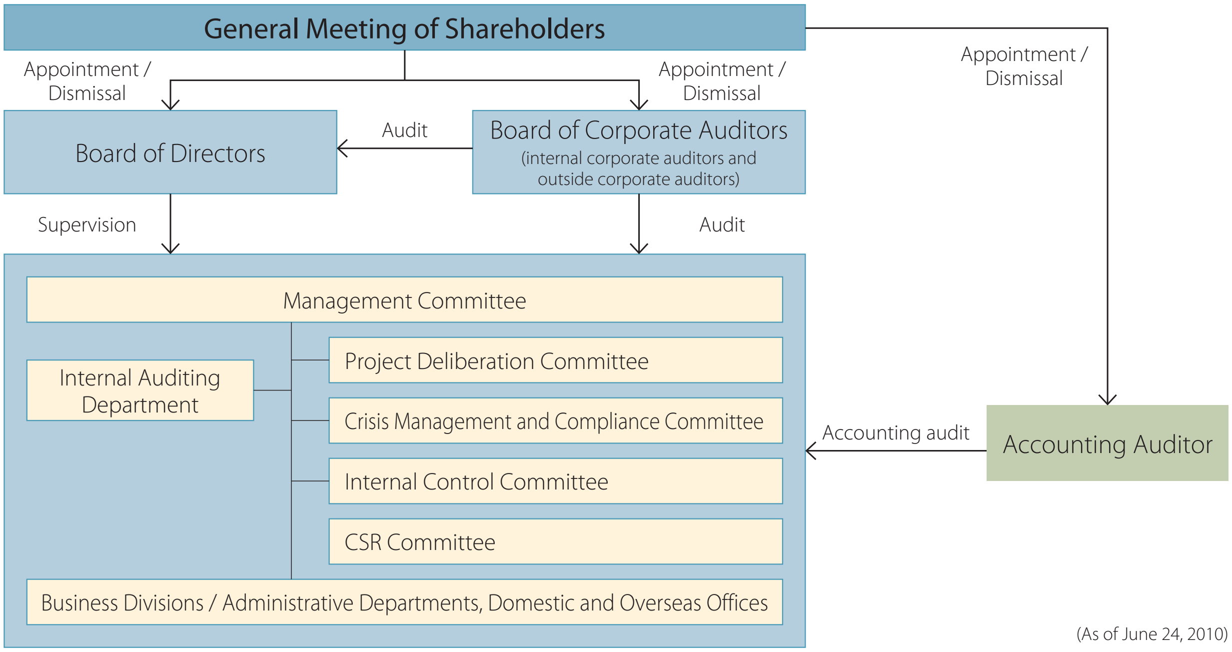
To discuss important projects to be proposed to the Executive Directors Council, a Project Deliberation Committee is held every week. The Company introduced an executive officer system in July 2008. To respond appropriately to changes in the business environment, the term of office of directors is one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

Board of Corporate Auditors

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

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

● Corporate Governance Structure



(As of June 24, 2010)

Internal Auditing

The Internal Auditing Department (eight staff members as of June 24, 2010) conducts internal audits of the Company and consolidated subsidiaries to ensure that proper accounting records are kept, to evaluate and monitor improvements and control activities, and help improve operational effectiveness and efficiency.

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

Internal Control (Financial Reporting)

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

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

Action Items for the Corporate Group

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

Risk Management

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

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

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

*For more information about the main risks that could affect the Group's business results and financial status, see pages 36 and 37.

Information Management System

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

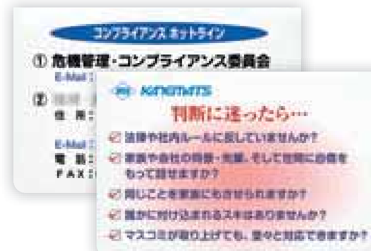
To tighten the security of information systems, we have established information security management regulations with a view to preventing leaks and outflows of important information and we have defined uniform standards on the use of computers, networks, e-mails and other means of communication to protect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

Compliance

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

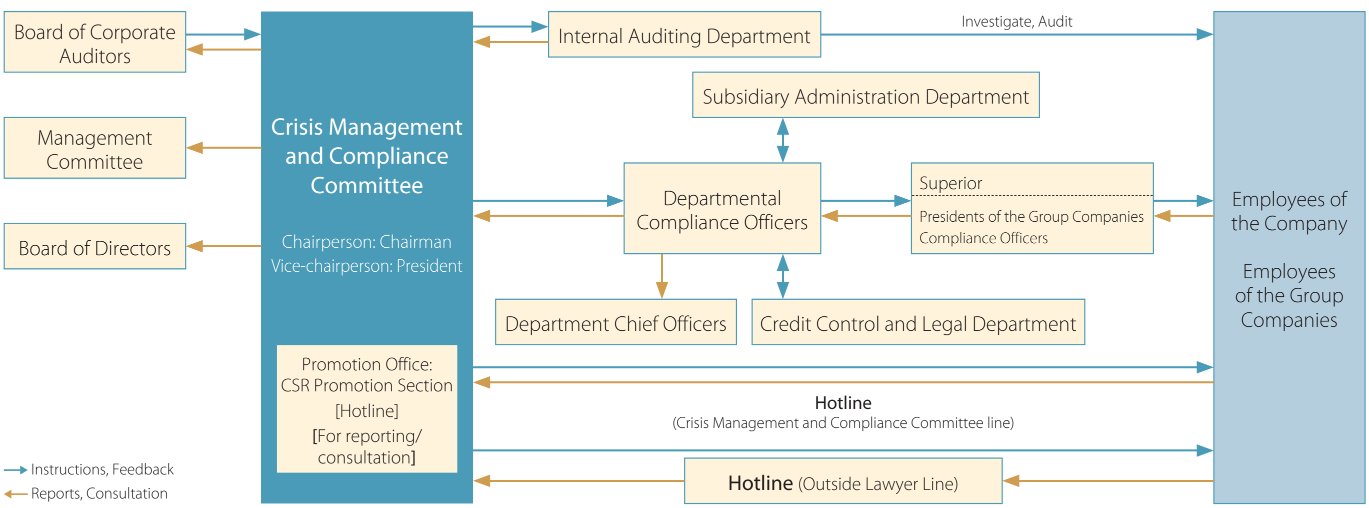
We have compiled a Compliance Handbook detailing counter-measures with specific examples, which has been distributed to all employees and also published on the Intranet to raise awareness of compliance among directors and all employees. We also introduced a hotline system for reporting directly to or consulting with the Crisis Management and Compliance Committee or an outside lawyer, and established hotline operation regulations.

Compliance Handbook



Compliance Hotline Card

● Diagram of the Kanematsu Group Compliance System



IR Activities

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

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

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

Departments responsible for IR:

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

Directors and Corporate Auditors (As of June 24, 2010)

Masaharu Hamakawa
Chairman
Chief Officer, Internal Auditing Department

Masayuki Shimojima
President

Kazuo Shigemoto
Senior Managing Director
Assistant of President, Chief Officer, Supporting Area, Textiles, Subsidiary Administration, System Planning, Credit Control & Legal, Realty Department

Toshihiro Kashizawa
Senior Managing Director
Chief Officer, Corporate Planning, Finance, Accounting, Business Accounting, Traffic & Insurance Department

Hitomi Sato
Managing Director
Chief Officer, Environment & Materials Division, Business Innovation Department

Tatsuo Suzuki
Managing Director
Chief Officer, Foods & Foodstuff Division, General Manager for Osaka Area

Fumihiko Nashimoto
Director
President, Devices Company

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

Hirokazu Tamura
Director
Chief Officer, Electronics & IT Division

Takashi Gunji
Director
Chief Officer, Iron & Steel Division

Yoshiro Niiro
Corporate Auditor

Kenji Irie
Corporate Auditor

Yonosuke Yamada
Corporate Auditor

Haruyoshi Amakusa
Corporate Auditor

* Messrs. Yoshiro Niiro, Yonosuke Yamada and Haruyoshi Amakusa are external corporate auditors.
* Mr. Haruyoshi Amakusa is an independent auditor as defined in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange Group, Inc.

Financial Section

Contents

Presentation of fiscal year and amount (Japanese yen and U.S. dollars) on p.38-70

- "Fiscal 2010" refers to the Company's consolidated fiscal year ended March 31, 2010 and other fiscal years are referred to in the corresponding manner.
- "JPY" means millions of yen and "USD" means thousands of U.S. dollars.

Management's Discussion and Analysis

Business Results

In the fiscal year ended March 31, 2010, consolidated net sales declined ¥277,478 million year on year, to ¥861,277 million, and gross profit fell ¥12,188 million year on year, to ¥74,104 million, reflecting the impact of reduced turnover amidst a general slump in demand, despite efforts to reduce costs and improve profits from the outset.

Although the decline in gross profit was offset through lower SG&A expenses, operating income amounted to ¥12,186 million, sinking ¥6,841 million. An analysis of segment results shows that all segments except for the other segments posted decreased profit, but the primary causes of the overall decline were lackluster performances in Iron & Steel business, which was hit by a slowdown in transactions with customers in the United States and the slump in the domestic construction market, and Machinery & Plant business, where orders remained at a low level as companies scaled back capital investment.

In non-operating items, due to a decrease in interest expenses resulting from the curtailment of interest-bearing debt and improvement in Other, which includes foreign currency transaction gain/loss, the Company posted a non-operating loss of ¥3,947 million, an improvement of ¥1,952 million.

As a result, ordinary income slipped ¥4,889 million, to ¥8,238 million. In extraordinary items, an extraordinary gain of ¥168 million yen was posted for items that included a gain on reversal of allowance for doubtful accounts and a gain on sale of investments in securities. Income before income taxes and minority interests was ¥8,407 million, up ¥8,330 million.

At the final profit stage, the Company returned to profitability, posting net income after adjustments for tax expenses and minority interests of 3,528 million yen. Net income per share was ¥8.44.

Segment Information

Electronics & IT (Previously IT)

Although the level of orders in electronic materials and semiconductor manufacturing systems business is gradually improving, overall, turnover in electronic parts, aircraft and solutions business declined.

As a result, net sales in the Electronics & IT Division fell ¥43,931 million, to ¥232,702 million, and operating income declined ¥1,526 million, to ¥5,394 million.

Foods & Foodstuff

In the food business, although net sales decreased due to falling product prices and the effect of the strong yen, profit margins generally improved, product sales were solid in the face of deflation, and marine products transactions especially for processed marine products, generated steady profits. Meanwhile, in the foodstuff business, due to such factors as decline in net sales caused by falling grain prices and low selling prices for feed, general market conditions remained harsh.

As a consequence, net sales in the Foods & Foodstuff Division sank ¥57,372 million, to ¥264,240 million, and operating income in the Division dropped ¥301 million, to ¥3,622 million.

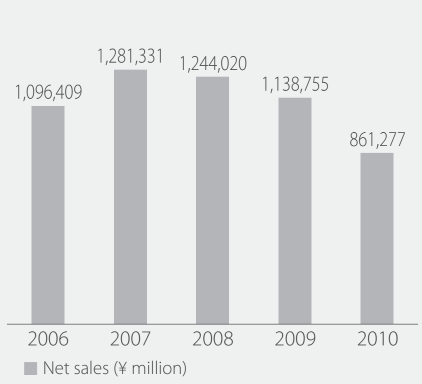
Iron & Steel / Machinery & Plant

In the iron & steel business, overseas transactions with customers in Asia and the Middle East held firm and automobile parts and materials also showed signs of recovery from the second half, but business in North America slowed considerably. Business in Japan remained sluggish due to a continued slump in domestic demand amid a decline in the construction sector.

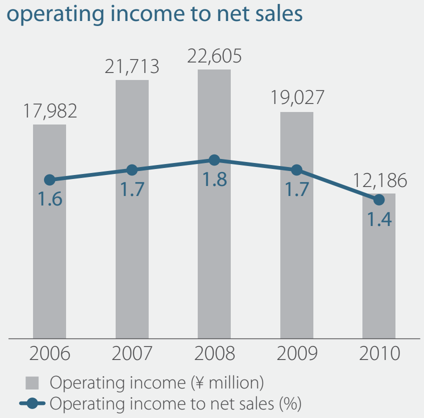
In the industrial plants business, sales of automobile parts in China, fuelled by the expansion of China's auto market, and sales of petrochemical plants in the Middle East remained strong, but, aside from these, sales were lackluster, affected by slow market conditions and the strong yen, amongst other factors. In the machine tools business, companies continued to scale back capital investment and orders remained at a low level.

As a result, net sales in the Iron & Steel / Machinery & Plant Division

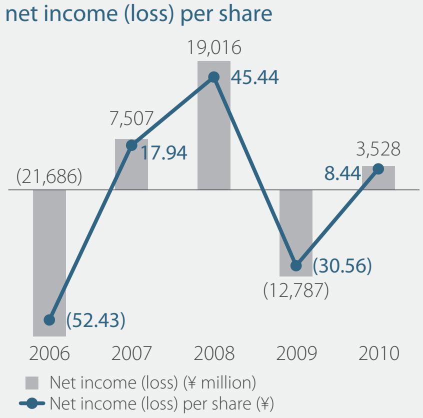
Net sales



Operating income and operating income to net sales



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



were down ¥77,103 million year on year, to ¥149,239 million, and operating income decreased ¥5,485 million year on year, to ¥1,510 million.

Environment & Materials (Previously Life Science & Energy)

In the life science business, pharmaceutical export transactions were sluggish due to the emergence of generic pharmaceuticals. On the other hand, export transactions relating to photovoltaic battery parts and materials and transactions relating to functional food ingredients remained solid. In energy business, transactions struggled, as turnover declined as a result of weak demand amidst the recession and profit margins also narrowed.

As a result, net sales in the Environment & Materials Division sank ¥86,587 million year on year, to ¥198,144 million, and operating income in the Division dropped ¥1,194 million to ¥893 million.

Other

Turnover decreased largely as a result of the downscaling of aluminum recycling business, but profitability improved. Net sales in other businesses slipped ¥12,483 million year on year, to ¥16,951 million, and operating income in the Division rose ¥1,892 million year on year, to ¥327 million.

* Some segments were renamed with effect from April 2010.

Financial Status

Cash flows

Net cash provided by operating activities came to ¥26,441 million. This was because a reduction in receipts from funds was more than offset by sales revenues. Net cash used in investing activities totaled ¥19,149 million, due primarily to term deposits with a maturity of more than three months. Net cash used in financing activities amounted to ¥21,572 million, reflecting the reduction of interest-bearing debt through the continued repayment of loans.

As a result, the balance of cash and cash equivalents at the end of fiscal 2010 reached ¥64,479 million, down ¥14,176 million from their balance at the end of the previous fiscal year.

Fundraising and interest-bearing debt

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

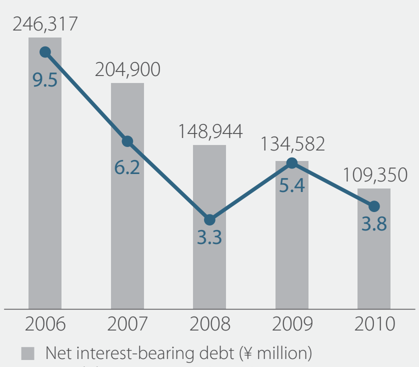
Interest-bearing debt amounted to ¥193,103 million at the end of fiscal 2010, down ¥20,504 million from the end of the previous fiscal year. This was ¥6,897 million yen below our ¥200,000 million target under the Medium-Term Business plan "teamKG120," of which fiscal year 2010 was the end year. Since cash and bank deposits amounted to ¥83,752 million at the end of the fiscal 2010, up ¥4,727 million from the end of the previous fiscal year, net interest-bearing debt totaled ¥109,350 million at the end of fiscal 2010, down ¥25,232 million from the end of the previous fiscal year. This was below the "teamKG120" target figure of ¥160,000 million.

Also, long-term debt (includes long-term loans falling due within one year) as a percentage of interest-bearing debt was 75% on a consolidated base (83% on a nonconsolidated basis) at the end of fiscal year 2010, indicating the high level of stability of our fundraising.

Net assets

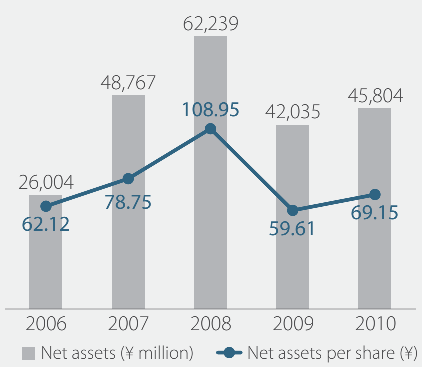
Net assets totaled ¥45,804 million at the end of fiscal 2010, up ¥3,769 million from the end of the previous fiscal year, reflecting improvement in retained earnings as a result of the accumulation of net income, which outweighed the posting of a large extraordinary loss. As a result, the equity ratio improved 1.3 percentage points from the end of the previous fiscal year, to 7.3%.

Net interest-bearing debt and net debt-equity ratio



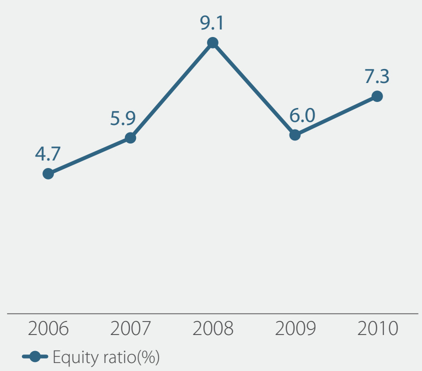
* Net interest-bearing debt = Interest-bearing debt – Cash and bank deposits
* Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity

Net assets and net assets per share



* Net assets as of March 31, 2006 is the Shareholders' Equity amount which used to be shown.

Equity ratio



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

Business Risks

Below are details of the risks that could affect the business performance and financial position of the Group. The forward-looking statements below are based on information available as of June 24, 2010.

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

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

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

Foreign currency risk

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

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

Interest rate risk

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

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

Price fluctuation risk of marketable securities, etc.

The Group may hold shares in trade partners as 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 financial position and business results of the Group, depending on the scale of damages.

Product and facility deterioration risk due to natural disasters and accidents

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

Compliance and fraud risk

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

Consolidated Balance Sheets

March 31, 2010 and 2009 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD (Note 3)
Assets			
I. Current assets			
1. Cash and bank deposits (Note 6-3)	83,752	79,025	900,180
2. Notes and accounts receivable (Note 6-3)	133,153	144,470	1,431,147
3. Lease investment assets	552	301	5,936
4. Short-term investments (Note 6-3)	—	15	—
5. Inventories (Note 6-1)	55,827	60,241	600,033
6. Short-term loans receivable	2,267	2,772	24,375
7. Deferred tax assets	1,774	2,021	19,068
8. Other	27,116	28,221	291,451
Allowance for doubtful accounts	(416)	(772)	(4,482)
Total current assets	304,027	316,296	3,267,709
II. Long-term assets			
1. Tangible fixed assets			
1)Leased property, net (Notes 5, 6-3)	2,722	2,938	29,260
2) Buildings and structures, net (Notes 5, 6-3)	5,118	5,390	55,017
3) Machinery, equipment, vehicle, tools and fixtures, net (Note 5)	5,557	6,883	59,735
4) Land (Note 6-3)	14,524	14,714	156,105
5) Lease assets, net	291	168	3,136
6) Construction in progress	3	—	42
Total tangible fixed assets (Note 6-2)	28,218	30,094	303,295
2. Intangible fixed assets	1,843	2,054	19,815
3. Investments and other assets			
1) Investments in securities (Notes 6-3, 6-4)	36,424	37,893	391,498
2) Long-term loans receivable	13,039	13,448	140,154
3) Doubtful accounts	15,125	19,409	162,566
4) Deferred tax assets	13,961	14,837	150,061
5) Other	9,175	9,115	98,618
Allowance for doubtful accounts	(23,187)	(28,221)	(249,221)
Total investments and other assets	64,539	66,482	693,675
Total long-term assets	94,601	98,631	1,016,784
Total assets	398,629	414,928	4,284,493

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

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD (Note 3)
Liabilities			
I. Current liabilities			
1. Notes and accounts payable	90,559	92,211	973,334
2. Import bills payable	23,591	14,257	253,563
3. Short-term borrowings (Note 6-3)	104,133	103,534	1,119,237
4. Lease obligations	328	152	3,535
5. Accrued income taxes	870	2,282	9,357
6. Deferred tax liabilities	—	1	—
7. Other	31,586	36,906	339,493
Total current liabilities	251,070	249,344	2,698,519
II. Non-current liabilities			
1. Long-term borrowings (Note 6-3)	88,969	110,073	956,254
2. Lease obligations	557	345	5,997
3. Deferred tax liabilities	388	283	4,180
4. Allowance for employees' retirement and severance benefits	2,648	2,860	28,469
5. Allowance for loss on lawsuits	—	610	—
6. Allowance for retirement benefits for directors and statutory auditors	655	681	7,041
7. Negative goodwill	132	92	1,421
8. Other (Note 6-3)	8,401	8,601	90,303
Total non-current liabilities	101,754	123,548	1,093,664
Total liabilities	352,824	372,892	3,792,184
Net assets			
I. Shareholders' equity			
1. Common stock	27,781	27,781	298,594
2. Capital surplus	27,644	27,644	297,125
3. Retained earnings (Deficit)	(261)	(3,786)	(2,806)
4. Treasury stock	(639)	(632)	(6,876)
Total shareholders' equity	54,524	51,006	586,036
II. Valuation and translation adjustments			
1. Net unrealized gains (losses) on securities, net of tax	57	(891)	622
2. Net gains (losses) on deferred hedges, net of tax	262	173	2,817
3. Revaluation reserves for land (Note 6-5)	58	58	623
4. Foreign currency translation adjustments	(25,986)	(25,409)	(279,300)
Total valuation and translation adjustments	(25,608)	(26,070)	(275,238)
III. Minority interests in consolidated subsidiaries	16,887	17,099	181,512
Total net assets	45,804	42,035	492,310
Total liabilities and net assets	398,629	414,928	4,284,493

Consolidated Statements of Income

For the years ended March 31, 2010 and 2009 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2010		Fiscal 2009		Fiscal 2010	
	JPY		JPY		USD (Note 3)	
I. Net sales		861,277		1,138,755		9,257,069
II. Cost of sales (Note 7-1)		787,173		1,052,463		8,460,587
Gross profit		74,104		86,292		796,482
III. Selling, general and administrative expenses (Note 7-2)						
1. Salaries and bonuses	23,627		26,069		253,949	
2. Retirement benefit expenses	2,276		1,579		24,463	
3. Outsourcing service charges	7,895		8,314		84,856	
4. Provision for doubtful accounts	109		391		1,176	
5. Other	28,010	61,918	30,909	67,264	301,057	665,502
Operating income		12,186		19,027		130,981
IV. Non-operating income						
1. Interest income	702		1,063		7,556	
2. Dividend income	691		762		7,434	
3. Foreign exchange gains (Note 5)	569		—		6,116	
4. Other	1,294	3,258	1,408	3,234	13,916	35,022
V. Non-operating expenses						
1. Interest expenses	4,356		5,464		46,822	
2. Equity in losses of affiliates	878		773		9,438	
3. Other	1,971	7,206	2,895	9,134	21,195	77,454
Ordinary income		8,238		13,127		88,548
VI. Extraordinary gains						
1. Gain on sale of fixed assets (Note 7-3)	224		67		2,415	
2. Gain on sale of investments in securities	611		1,017		6,569	
3. Gain on liquidation of subsidiaries and affiliates	228		—		2,458	
4. Gain on reversal of allowance for doubtful accounts	986	2,050	481	1,566	10,602	22,044
VII. Extraordinary losses						
1. Loss on disposal of fixed assets (Note 7-4)	158		303		1,708	
2. Impairment loss on fixed assets (Note 7-5)	142		5,416		1,535	
3. Loss on sale of investments in securities	207		146		2,226	
4. Impairment loss on investments in securities	434		687		4,668	
5. Loss on devaluation of inventories	—		558		—	
6. Loss on closure of business	109		35		1,173	
7. Loss on liquidation of business	300		—		3,224	
8. Loss on devaluation of assets relating to discontinued business (Note 7-6)	—		4,622		—	
9. Provision for loss on affiliated business	—		9		—	
10. Provision for allowance for doubtful accounts	—		80		—	
11. Provision for loss on impaired loans related to discontinued business	—		2,557		—	
12. Provision for loss on lawsuits	—		57		—	
13. Special retirement expenses	—		142		—	
14. Loss on lawsuits	529	1,882	—	14,616	5,695	20,230
Income before income taxes and minority interests		8,407		77		90,362
Income taxes – current	2,606		4,507		28,010	
Income taxes – deferred	1,008	3,614	6,737	11,244	10,844	38,854
Minority interests in consolidated subsidiaries		1,264		1,619		13,586
Net income (loss)		3,528		(12,787)		37,922

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2010 and 2009 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD (Note 3)
I. Shareholders' equity			
1. Common stock			
Balance at the beginning of the fiscal year	27,781	27,781	298,594
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	27,781	27,781	298,594
2. Capital surplus			
Balance at the beginning of the fiscal year	27,644	27,644	297,125
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	27,644	27,644	297,125
3. Retained earnings (Deficit)			
Balance at the beginning of the fiscal year	(3,786)	9,556	(40,702)
Effect of changes in accounting policies applied to foreign subsidiaries	—	(527)	—
Changes during the fiscal year			
Net income (loss)	3,528	(12,787)	37,922
Disposition of treasury stock	(2)	(29)	(27)
Total changes during the fiscal year	3,525	(12,816)	37,895
Balance at the end of the fiscal year	(261)	(3,786)	(2,806)
4. Treasury stock			
Balance at the beginning of the fiscal year	(632)	(645)	(6,795)
Changes during the fiscal year			
Acquisition of treasury stock	(13)	(53)	(140)
Disposition of treasury stock	5	66	61
Effect of changes in the shares of equity-method affiliates	(0)	0	(1)
Total changes during the fiscal year	(7)	13	(81)
Balance at the end of the fiscal year	(639)	(632)	(6,876)
5. Total shareholders' equity			
Balance at the beginning of the fiscal year	51,006	64,336	548,221
Effect of changes in accounting policies applied to foreign subsidiaries	—	(527)	—
Changes during the fiscal year			
Net income (loss)	3,528	(12,787)	37,922
Acquisition of treasury stock	(13)	(53)	(140)
Disposition of treasury stock	3	37	34
Effect of changes in the shares of equity-method affiliates	(0)	0	(1)
Total changes during the fiscal year	3,518	(12,803)	37,815
Balance at the end of the fiscal year	54,524	51,006	586,036

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD (Note 3)
II. Valuation and translation adjustments			
1. Net unrealized gains (losses) on securities, net of tax			
Balance at the beginning of the fiscal year	(891)	1,576	(9,587)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	949	(2,468)	10,209
Total changes during the fiscal year	949	(2,468)	10,209
Balance at the end of the fiscal year	57	(891)	622
2. Net gains (losses) on deferred hedges, net of tax			
Balance at the beginning of the year	173	(912)	1,865
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	88	1,086	952
Total changes during the fiscal year	88	1,086	952
Balance at the end of the fiscal year	262	173	2,817
3. Revaluation reserves for land			
Balance at the beginning of the fiscal year	58	58	623
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	58	58	623
4. Foreign currency translation adjustments			
Balance at the beginning of the fiscal year	(25,409)	(19,470)	(273,104)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(576)	(5,938)	(6,196)
Total changes during the fiscal year	(576)	(5,938)	(6,196)
Balance at the end of the fiscal year	(25,986)	(25,409)	(279,300)
5. Total valuation and translation adjustments			
Balance at the beginning of the fiscal year	(26,070)	(18,749)	(280,202)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	461	(7,320)	4,964
Total changes during the fiscal year	461	(7,320)	4,964
Balance at the end of the fiscal year	(25,608)	(26,070)	(275,238)
III. Minority interests in consolidated subsidiaries			
Balance at the beginning of the fiscal year	17,099	16,651	183,782
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(211)	447	(2,270)
Total changes during the fiscal year	(211)	447	(2,270)
Balance at the end of the fiscal year	16,887	17,099	181,512
IV. Total net assets			
Balance at the beginning of the fiscal year	42,035	62,239	451,802
Effect of changes in accounting policies applied to foreign subsidiaries	—	(527)	—
Changes during the fiscal year			
Net income (loss)	3,528	(12,787)	37,922
Acquisition of treasury stock	(13)	(53)	(140)
Disposition of treasury stock	3	37	34
Effect of changes in the shares of equity-method affiliates	(0)	0	(1)
Net changes of items other than shareholders' equity during the fiscal year	250	(6,873)	2,693
Total changes during the fiscal year	3,768	(19,676)	40,508
Balance at the end of the fiscal year	45,804	42,035	492,310

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2010 and 2009 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD (Note 3)
I. Cash flows from operating activities			
Income before income taxes and minority interests	8,407	77	90,362
Depreciation and amortization	3,071	3,232	33,018
Increase in allowance for doubtful accounts	158	537	1,699
Decrease in allowance for employees' retirement and severance benefits	(257)	(1,343)	(2,766)
Interest and dividends income	(1,394)	(1,825)	(14,989)
Interest expenses	4,356	5,464	46,822
Equity in losses of affiliates	878	773	9,438
(Gain) loss on disposal of fixed assets	(65)	236	(708)
Impairment loss on fixed assets	142	5,416	1,535
Gain on sale of investments in securities, net	(404)	(871)	(4,343)
Impairment loss on investments in securities	434	687	4,668
Gain on reversal of allowance for doubtful accounts	(986)	(481)	(10,602)
Loss on closure of business	109	35	1,173
Loss on devaluation of assets relating to discontinued business	—	4,622	—
Provision for loss on affiliated business	—	9	—
Provision for loss on impaired loans related to discontinued business	—	2,557	—
Provision for loss on lawsuits	—	57	—
Loss on lawsuits	529	—	5,695
Decrease in notes and accounts receivable	10,739	43,975	115,425
Decrease in inventories	4,659	6,306	50,085
Increase (decrease) in notes and accounts payable	9,596	(49,045)	103,146
Other	(5,392)	4,987	(57,961)
Sub total	34,582	25,410	371,696
Interest and dividends received	1,374	1,767	14,773
Interest paid	(4,375)	(5,471)	(47,028)
Income taxes paid	(4,000)	(4,528)	(42,993)
Payments for loss on lawsuits	(1,140)	—	(12,253)
Net cash provided by operating activities	26,441	17,177	284,196
II. Cash flows from investing activities			
Increase in time deposits, net	(18,907)	(75)	(203,223)
Payments for tangible fixed assets	(1,167)	(3,121)	(12,551)
Proceeds from sales of tangible fixed assets	1,111	624	11,945
Payments for intangible assets	(999)	(490)	(10,748)
Payments for investments in securities	(1,094)	(179)	(11,761)
Proceeds from sales of investments in securities	946	1,997	10,171
Payments for purchase of investments in subsidiaries	(237)	—	(2,556)
Increase in loans receivable	(2,052)	(2,543)	(22,061)
Proceeds from collection of loans receivable	2,947	3,362	31,677
Other	306	56	3,290
Net cash used in investing activities	(19,149)	(370)	(205,818)
III. Cash flows from financing activities			
(Decrease) increase in short-term borrowings, net	(16,661)	3,321	(179,078)
Proceeds from long-term borrowings	36,614	14,905	393,530
Repayments of long-term borrowings	(40,640)	(28,281)	(436,808)
Proceeds on issuance of common stock	60	100	645
Other	(944)	(659)	(10,153)
Net cash used in financing activities	(21,572)	(10,613)	(231,864)
IV. Effect of exchange rate changes on cash and cash equivalents	104	(2,667)	1,119
V. Net (decrease) increase in cash and cash equivalents	(14,176)	3,525	(152,367)
VI. Cash and cash equivalents at beginning of year	78,655	74,437	845,395
VII. Effect of the change in scope of consolidated subsidiaries	0	692	2
VIII. Cash and cash equivalents at end of year (Note 9-1)	64,479	78,655	693,030

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

Notes to Consolidated Financial Statements

For the years ended March 31, 2010 and 2009　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, 2009 are prepared in accordance with the Regulations prior to the revision, while the consolidated financial statements for the fiscal year ended March 31, 2010 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 2010	Fiscal 2009
(1) Number of consolidated subsidiaries: 81 In the current fiscal year, 1 company was added to the scope of consolidation due to increase in significance, while 9 companies were excluded from the scope of consolidation due to merger, liquidation or sale of shares.	**(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.
(2) Unconsolidated subsidiaries 9 companies were not included in the scope of consolidation.	**(2) Unconsolidated subsidiaries** 13 companies were not included in the scope of consolidation.
(3) Reason that certain subsidiaries were excluded from the scope of consolidation 9 unconsolidated subsidiaries were excluded from consolidation as they were immaterial to the Company in terms of their total assets, net sales, net income and retained earnings, individually and in the aggregate.	**(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.

(b) Application of Equity Method

Fiscal 2010	Fiscal 2009
(1) Number of unconsolidated subsidiaries to which the equity method was applied: 6 6 subsidiaries out of 9 unconsolidated subsidiaries were accounted for by the equity method. In the current fiscal year, 1 company was excluded from accounting via the equity method due to increase in significance and was consolidated.	**(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.
(2) Number of affiliated companies to which the equity method was applied: 28 Among 33 affiliated companies, the equity method was applied to investments in 28 companies.	**(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.
(3) Reason that the equity method was not applied to certain affiliated companies The 3 unconsolidated subsidiaries and 5 affiliated companies to which the equity method was not applied were immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.	**(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.

(c) Fiscal Year-ends of Consolidated Subsidiaries

Fiscal 2010	Fiscal 2009
Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date were as follows: Name of consolidated subsidiary — Year-end date Kanematsu USA — December 31 Kanematsu GmbH — December 31 Kanematsu Australia — December 31 Kanematsu Europe — December 31 KG Aircraft Leasing — December 31 31 other companies In preparing the consolidated financial statements, the financial statements of 36 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, were used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates were appropriately adjusted for in consolidation.	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 transactions and accounts arising from the use of these fiscal year-end dates were appropriately adjusted for in consolidation.

(d) Short-term Investments and Investments in Securities

Fiscal 2010	Fiscal 2009
(1) Held-to-maturity bonds Debt securities were stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities.	**(1) Held-to-maturity bonds** Same as fiscal 2010.
(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 prior to the fiscal year-end.	**(2) Other securities (Non-trading purpose)** * Marketable securities Same as fiscal 2010.
* Non-marketable securities The non-marketable securities are stated at cost using the moving average method.	* Non-marketable securities Same as fiscal 2010.

(e) Derivatives

Fiscal 2010	Fiscal 2009
Fair value method.	Same as fiscal 2010.

(f) Inventories

Fiscal 2010	Fiscal 2009
Cost method principally determined by the moving average method (carried at the lower of cost or market value on the balance sheet).	Cost method principally determined by the moving average method (carried at the lower of cost or 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 and income before income taxes and minority interests decreased by ¥1,587 million. The effect to the industrial segment due to this change is described in the related notes.

(g) Property and Equipment

Fiscal 2010	Fiscal 2009
(1) Tangible fixed assets (excluding lease assets) The declining-balance method is used for tangible fixed assets other than buildings (excluding auxiliary equipment) and leased property. The straight-line method is used for buildings (excluding auxiliary equipment) and for leased property. The ranges of principal estimated useful lives are as follows. Buildings and structures 3 – 50 years Machinery, equipment, vehicle, tools and fixtures 2 – 25 years	**(1) Tangible fixed assets** Same as fiscal 2010.
(2) Lease assets Depreciation on lease assets is recorded using the straight-line method over the lease term, assuming a residual value of zero. Finance lease transactions that commenced on or before March 31, 2008 are accounted for as operating leases.	**(2) Lease assets** Same as fiscal 2010.

(h) Allowance for Doubtful Accounts

Fiscal 2010	Fiscal 2009
The Company and its consolidated subsidiaries (The "Companies") provide an allowance for doubtful accounts to cover credit losses, based on estimates of collectibility of individual accounts and past bad debt loss experiences.	Same as fiscal 2010.

(i) Allowance for Employees' Retirement and Severance Benefits

Fiscal 2010	Fiscal 2009
The Company and certain of its subsidiaries provide for retirement allowances based on the present value of projected benefit obligations and the fair value of the plan assets at year-end. Except for certain domestic consolidated subsidiaries who recognize service costs as expenses upon their occurrence, prior service costs are amortized as expenses using the straight-line method over five years, a predetermined number of years, within the average expected remaining service period of the employees. Actuarial gains and losses are amortized by the straight-line method over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized. (Changes in accounting policies) The Company and certain of its subsidiaries have applied the "Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No.19 dated on July 31, 2008) from April 1, 2009. As actuarial gains and losses are amortized from the following fiscal year, this change has no effects to operating income, ordinary income and income before income taxes and minority interests. Unamortized net actuarial losses caused by this change is ¥377 million ($4,057 thousand).	The Company and certain of its subsidiaries provide for retirement allowances based on the present value of projected benefit obligations and the fair value of the plan assets at year-end. Except for certain domestic consolidated subsidiaries who recognize service costs as expenses upon their occurrence, prior service costs are amortized as expenses using the straight-line method over five years, a predetermined number of years, within the average expected remaining service period of the employees. Actuarial gains and losses are amortized by the straight-line method over five to ten years, within the average expected remaining service period of the employees, and are recorded as expenses in the subsequent years in which the gains or losses are recognized.

(j) Allowance for Loss on Guarantees

Fiscal 2010	Fiscal 2009
The Companies provide an allowance for potential loss on guarantees provided by the Companies on unconsolidated subsidiaries, affiliated companies or others considering their financial conditions.	Same as fiscal 2010.

(k) Allowance for Loss on Lawsuits

Fiscal 2010	Fiscal 2009
The Companies provide an allowance for potential losses on lawsuits.	Same as fiscal 2010.

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

Fiscal 2010	Fiscal 2009
The Company and certain of its subsidiaries provide an allowance for retirement benefits for directors and statutory auditors, which is calculated by estimating the required payable as of the balance sheet date in accordance with the internal rules.	Same as fiscal 2010.

(m) Translation of Foreign Currencies

Fiscal 2010	Fiscal 2009
All monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates prevailing at the balance sheet date. Resulting translation gains and losses are included in determination of net income for the period. The financial statements of overseas subsidiaries are translated at current exchange rates on the closing date except for shareholders' equity which is translated at historical acquisition date exchange rates. Differences in yen amounts arising from this translation are shown as "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries" recorded in "Net assets."	Same as fiscal 2010.

(n) Hedge Accounting

Fiscal 2010	Fiscal 2009
(1) Hedge accounting method The Company and certain of its consolidated subsidiaries apply hedge accounting whereby gains and losses on hedged transactions are deferred and recognized over future periods. For certain interest rate swaps designated as hedging instruments that meet specific matching criteria, the amounts received or paid under such interest rate swap agreements are added to or deducted from the interest on the hedged assets or liabilities when paid. For certain forward exchange contracts designated as hedging instruments that meet specific matching criteria, the hedged assets or liabilities are measured by contract rate.	**(1) Hedge accounting method** Same as fiscal 2010.
(2) Hedging instruments and hedged items **(Hedging instruments)** * Commodity-related Commodity futures contracts / Commodity forward contracts * Foreign exchange-related Forward exchange contracts / Foreign currency swaps / Foreign currency options * Interest rate-related Interest rate swaps / Interest rate options **(Hedged items)** * Commodity-related Forecasted transactions on commodity trading * Foreign exchange-related Foreign currency-denominated monetary assets and liabilities Forecasted foreign currency transactions * Interest-related Borrowings	**(2) Hedging instruments and hedged items** Same as fiscal 2010.
(3) Hedging policy The Company and certain of its consolidated subsidiaries have internal policies to utilize the above hedging instruments for the purpose of reducing their exposures to the risk of fluctuations in commodity prices, foreign currencies and interest rates for their operating and financing activities.	**(3) Hedging policy** Same as fiscal 2010.
(4) Method of evaluating the effectiveness of hedging activities The Company and certain of its consolidated subsidiaries evaluate the effectiveness of their hedging activities by comparing accumulated fluctuations in prices or cash flows of the hedged items with those of the hedging instruments and examined the degree of their correlation.	**(4) Method of evaluating the effectiveness of hedging activities** Same as fiscal 2010.
(5) Other Risk management is performed by the management division, which is independent of the trading section. Also, reporting to management is performed in accordance with the internal rules of the Company on a regular basis.	**(5) Other** Same as fiscal 2010.

(o) Consumption Taxes

Fiscal 2010	Fiscal 2009
Consumption tax and local consumption tax on goods and services are not included in the revenue and expense amounts subject to such taxes in the accompanying consolidated statements of income.	Same as fiscal 2010.

(p) Consolidated Tax Return

Fiscal 2010	Fiscal 2009
The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.	Same as fiscal 2010.

(q) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Fiscal 2010	Fiscal 2009
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.	Same as fiscal 2010.

(r) Goodwill

Fiscal 2010	Fiscal 2009
Goodwill and negative goodwill which 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.	Same as fiscal 2010.

(s) Cash and Cash Equivalents

Fiscal 2010	Fiscal 2009
Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand, bank deposits on demand, and highly liquid short-term investments, generally with original maturities of three months or less, that are readily convertible to cash for which the risk of changes in value is insignificant.	Same as fiscal 2010.

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 ¥93.04 to U.S.$1.00, the exchange rate prevailing on March 31, 2010. 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 2010	Fiscal 2009
Not applicable.	[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.

5. Changes to Presentation Methods

Fiscal 2010

Not applicable.

(Consolidated statements of income)
"Foreign exchange gains" is separately disclosed for the current fiscal year, as it has exceeded the 10 percent of "Non-operating income" amount. The amount of "Foreign exchange losses" that is included in "Other" in "Non-operating expenses" in the previous fiscal year is ¥719 million.

Fiscal 2009

(Consolidated balance sheet)
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:

	JPY
1) Leased property	7,232
Accumulated depreciation	(4,293)
Leased property, net	2,938
2) Buildings and structures	14,739
Accumulated depreciation	(9,349)
Buildings and structures, net	5,390
3) Machinery, equipment, vehicle, tools and fixtures	24,089
Accumulated depreciation	(17,206)
Machinery, equipment, vehicle, tools and fixtures, net	6,883

Not applicable.

6. Notes to Consolidated Balance Sheets

Fiscal 2010

1. Details of inventories are follows

	JPY	USD
Merchandise and finished goods	52,783	567,324
Real estate for sale	947	10,187
Raw materials and supplies	1,056	11,359
Work in progress	1,038	11,162
Total	55,827	600,033

2. The amount of accumulated depreciation of tangible fixed assets is ¥30,192 million ($324,514 thousand).

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY	USD
Bank deposits	29	318
Notes receivable	1,869	20,095
Fixed assets for lease	2,564	27,563
Buildings and structures	323	3,473
Land	237	2,555
Investments in securities	139	1,499
Total	5,164	55,504

Details of associated secured obligations are as follows:

	JPY	USD
Short-term borrowings	4,862	52,262
Long-term borrowings	1,188	12,772
Non-current liabilities and others	1,355	14,573
Guaranteed obligations	13	142

Fiscal 2009

1. Details of inventories are follows

	JPY
Merchandise and finished goods	57,102
Real estate for sale	978
Raw materials and supplies	1,278
Work in progress	882
Total	60,241

2. The amount of accumulated depreciation of tangible fixed assets is ¥31,001 million.

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY
Bank deposits	29
Notes receivable	2,056
Fixed assets for lease	2,722
Buildings and structures	338
Land	237
Investments in securities	601
Total	5,985

Details of associated secured obligations are as follows:

	JPY
Short-term borrowings	5,613
Long-term borrowings	2,160
Non-current liabilities and others	921
Guaranteed obligations	13

Fiscal 2010

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

	JPY	USD
Bank deposits	3	32
Investments in securities	2,023	21,749
Total	2,026	21,781

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

	JPY	USD
Investments in securities	6,703	72,050
(Share stocks)	(6,255)	(67,238)
(Equity interest)	(447)	(4,813)

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. Liability for guarantee

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

Name of obligor	JPY	USD
Century Textile Industry	1,052	11,311
True Corporation Public	407	4,382
Watana Inter-trade	163	1,757
Others	2,884	30,999
Total	4,507	48,450

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

7. The amount of discounted notes receivable is ¥7,272 million ($78,162 thousand), of which ¥6,335 million ($68,099 thousand) was for discounted export bills, and the amount of endorsed notes receivable is ¥99 million ($1,066 thousand).

Fiscal 2009

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

	JPY
Bank deposits	3
Short-term investments	15
Investments in securities	1,666
Total	1,684

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

	JPY
Investments in securities	7,804
(Share stocks)	(7,248)
(Equity interest)	(555)

5. Revaluation reserves for land

Same as fiscal 2010.

6. Liability for guarantee

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

Name of obligor	JPY
Century Textile Industry	1,222
True Corporation Public	407
Japan Logistics	168
Other	2,909
Total	4,708

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

7. The amount of discounted notes receivable is ¥16,446 million, of which ¥14,393 million was for discounted export bills, and the amount of endorsed notes receivable is ¥177 million.

7. Notes to Consolidated Statements of Income

Fiscal 2010

1. Loss on devaluation of inventories

Inventories are carried at the lower of cost or market value in the balance sheet. As a result of offsetting a loss on devaluation of inventories in the current fiscal year against a reversal of loss on devaluation of inventories in the previous fiscal year, a net ¥395 million ($4,248 thousand) of reversal of loss on devaluation of inventories was included in cost of sales.

2. Research and development expenses

Research and development expenses are included in general and administrative expenses: ¥364 million ($3,918 thousand).

3. Gain on sale of fixed assets

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

	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	222	2,393
Others	2	22
Total	224	2,415

Fiscal 2009

1. Loss on devaluation of inventories

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

2. Research and development expenses

Research and development expenses are included in general and administrative expenses: ¥524 million.

3. Not applicable.

Fiscal 2010

4. Loss on disposal of fixed assets

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

	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	55	599
Land	49	532
Buildings and structures	38	413
Others	15	164
Total	158	1,708

5. Impairment loss on fixed assets

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

Use	Location	Type	JPY	USD
Business assets	Fukuoka, Japan	Buildings, land, etc.	142	1,535
Total			142	1,535

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

For the business assets with lower profitability due to recent declining market prices and performance in real estate and overall deterioration of economic environment, impairment losses of ¥142 million ($1,535 thousand) were recorded as extraordinary loss from reducing their carrying amounts to their recoverable amounts. The breakdown of the impairment losses is as follows: ¥80 million ($861 thousand) for land, ¥47 million ($511 thousand) for buildings and structures, ¥13 million ($142 thousand) for machinery, equipment, vehicle, tools and fixtures, and ¥2 million ($22 thousand) for others.

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

6. Not applicable.

Fiscal 2009

4. Not applicable.

5. 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	Shiga, Japan	Leased property, etc.	2,061
Business assets	Ibaraki, Japan	Buildings, land, etc.	3,355
Total			5,416

The Company assesses impairment losses for leased properties 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 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 for land, ¥2,003 million for leased property, ¥627 million for buildings and structures, ¥6 million for machinery, equipment, vehicle, tools and fixtures, and ¥149 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. 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%.

6. 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 of loss on devaluation of the real estates for sale.

8. Notes to Consolidated Statements of Changes in Net Assets

Fiscal 2010

Class and number of shares issued and treasury stock

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

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

Fiscal 2009

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

9. Notes to Consolidated Statements of Cash Flows

Fiscal 2010

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

	JPY	USD
Cash and bank deposits	83,752	900,180
Time deposits which deposit terms exceed three months	(19,273)	(207,150)
Cash and cash equivalents	64,479	693,030

Fiscal 2009

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

	JPY
Cash and bank deposits	79,025
Time deposits which deposit terms exceed three months	(370)
Cash and cash equivalents	78,655

10. Lease Transactions

Fiscal 2010

<Leases as Lessee>

1. Finance leases

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

[1] Detail of lease assets

Tangible fixed assets

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

[2] Depreciation method of lease assets

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

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

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

	Acquisition cost		Accumulated depreciation		Balance at end of term	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	1,548	16,644	1,019	10,961	528	5,683
Others	4	46	2	24	2	22
Total	1,552	16,691	1,022	10,985	530	5,705

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

Same as fiscal 2010.

[2] Depreciation method of lease assets

Same as fiscal 2010.

Same as fiscal 2010.

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

	Acquisition cost	Accumulated depreciation	Balance at end of term
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	3,483	2,185	1,297
Others	4	1	2
Total	3,487	2,187	1,300

Fiscal 2010	Fiscal 2009

Fiscal 2010

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

	JPY	USD
Due within one year	549	5,901
Due after one year	484	5,203
Total	1,033	11,104

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

	JPY	USD
Payments to lessors	431	4,640
Depreciation	415	4,468
Interest expenses	24	262

(4) Computation of depreciation

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

(5) Computation of interest expenses

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

<Impairment Loss>

No impairment loss is recorded nor allocated to leased assets.

2. Operating leases

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

	JPY	USD
Due within one year	379	4,084
Due after one year	1,258	13,530
Total	1,638	17,614

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY	USD
Lease payments received	563	6,062
Interest income	(11)	(126)
Lease investment assets	552	5,936

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

Current assets

	JPY	USD
Due within one year	232	2,502
Over one year and within two years	194	2,091
Over two years and within three years	103	1,112
Over three years and within four years	17	187
Over four years and within five years	3	42
Over five years	0	0

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.

Fiscal 2009

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

	JPY
Due within one year	1,145
Due after one year	1,122
Total	2,267

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

	JPY
Payments to lessors	1,117
Depreciation	1,017
Interest expenses	80

(4) Computation of depreciation

Same as fiscal 2010.

(5) Computation of interest expenses

Same as fiscal 2010.

<Impairment Loss>

Same as fiscal 2010.

2. Operating leases

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

	JPY
Due within one year	13
Due after one year	19
Total	32

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY
Lease payments received	318
Interest income	(17)
Lease investment assets	301

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

Current assets

	JPY
Due within one year	111
Over one year and within two years	110
Over two years and within three years	60
Over three years and within four years	27
Over four years and within five years	8
Over five years	0

Same as Fiscal 2010.

Fiscal 2010

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

	Acquisition cost		Accumulated depreciation		Balance at end of term	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	18	200	15	168	2	32
Total	18	200	15	168	2	32

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

	JPY	USD
Due within one year	348	3,744
Due after one year	205	2,211
Total	554	5,955

(Note) Related sub-lease payments against the above receivable are ¥549 million ($5,905 thousand) (including ¥344 million ($3,701 thousand) for due within one year).
The sub-lease payments against the above receivables approximate the future minimum lease payments as the sub-lease transactions arranged by the companies are intended to pass-through these costs in almost identical terms.

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

	JPY	USD
Lease payments received	4	51
Depreciation	2	26
Interest income	0	2

(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 are as follows:

	JPY	USD
Due within one year	193	2,078
Due after one year	753	8,095
Total	946	10,174

3. Balance of sub-lease in the consolidated balance sheets without deducting the interest

(1) Lease investments

	JPY	USD
Current assets	130	1,406

(2) Lease obligations

	JPY	USD
Current liabilities	43	473
Non-Current liabilities	86	934

Fiscal 2009

(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, vehicle, tools and fixtures	18	13	5
Total	18	13	5

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

	JPY
Due within one year	774
Due after one year	573
Total	1,347

(Note) Related sub-lease payments against the above receivable are ¥1,337 million (including ¥769 million for due within one year).
The sub-lease payments against the above receivables approximate the future minimum lease payments as the sub-lease transactions arranged by the companies are intended to pass-through these costs in almost identical terms.

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

	JPY
Lease payments received	8
Depreciation	3
Interest income	0

(4) Computation of interest

Same as fiscal 2010.

2. Operating leases

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

	JPY
Due within one year	148
Due after one year	24
Total	172

3. Balance of sub-lease in the consolidated balance sheets without deducting the interest

(1) Lease investments

	JPY
Current assets	104

(2) Lease obligations

	JPY
Current liabilities	28
Non-Current liabilities	76

11. Financial Instruments

Fiscal 2010

1. Summary of financial instruments

(1) Policies of financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

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

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

(3) Financial risk management policies

[1] Credit risk management

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

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

[2] Market risk management

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

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

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

[3] Liquidity risk management

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

(4) Additional information on fair value measurements

Fair value measurements are based on market prices or on rational assumptions when market prices are not available. The fair values which are measured based on rational assumptions are affected by variable factors and might be changed when different assumption is applied. The notional amount of contracts described in Note 13. Derivatives do not directly indicate the market risks.

2. Fair value of financial instruments

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

In this table below,

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

	Book value		Fair value		Difference	
	JPY	USD	JPY	USD	JPY	USD
(1) Cash and bank deposits	83,752	900,180	83,752	900,180	—	—
(2) Notes and accounts receivable	133,153	1,431,147				
Allowance for doubtful accounts	(416)	(4,482)				
	132,736	1,426,666	132,736	1,426,666	—	—
(3) Short-term loans receivable	2,267	24,375	2,267	24,375	—	—
(4) Investments in securities	11,595	124,632	12,676	136,249	1,080	11,617
(5) Long-term loans receivable	13,039	140,154				
Allowance for doubtful accounts	(8,681)	(93,311)				
	4,358	46,843	4,372	46,994	14	151
(6) Doubtful accounts	15,125	162,566				
Allowance for doubtful accounts	(14,222)	(152,860)				
	903	9,706	903	9,706	—	—
Total assets	235,614	2,532,402	236,709	2,544,170	1,094	11,767
(7) Notes and accounts payable	(90,559)	(973,334)	(90,559)	(973,334)	—	—
(8) Import bills payable	(23,591)	(253,563)	(23,591)	(253,563)	—	—
(9) Short-term borrowings	(104,133)	(1,119,237)	(104,133)	(1,119,237)	—	—
(10) Accrued income taxes	(870)	(9,357)	(870)	(9,357)	—	—
(11) Long-term borrowings	(88,969)	(956,254)	(89,800)	(965,186)	(831)	(8,932)
Total liabilities	(308,124)	(3,311,746)	(308,955)	(3,320,678)	(831)	(8,932)
Derivatives	954	10,261	954	10,261	—	—

(Notes)

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

Assets

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

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

(4) Investments in securities

Fair value of marketable shares is estimated using quoted market price. Fair value of bonds is estimated using quoted market price or quoted price by financial institutions. Further information about investments in securities is described in Note 12. Short-term Investments and Investments in Securities.

(5) Long-term loans receivable

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

(6) Doubtful accounts

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

Liabilities

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

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

(11) Long-term borrowings

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

Derivatives

Described in Note 13. Derivatives.

2. Financial instruments with difficulty in estimating fair value

Classification	Book value	
	JPY	USD
Unlisted investments in securities	22,954	246,719
Equity investments	1,874	20,146

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

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

	Within one year		Over one year and within five years		Over five years and within ten years		Over ten years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Cash and bank deposits	83,752	900,180	—	—	—	—	—	—
Notes and accounts receivable (Note 3-1)	132,736	1,426,666	—	—	—	—	—	—
Short-term loans receivable	2,267	24,375	—	—	—	—	—	—
Investments in securities								
Held-to-maturity bonds	—	—	14	157	—	—	—	—
Long-term loans receivable (Note 3-2)	—	—	3,869	41,590	324	3,492	163	1,761
Doubtful accounts (Note 3-3)	—	—	903	9,706	—	—	—	—
Total	218,757	2,351,221	4,787	51,453	324	3,492	163	1,761

(Notes) 3-1. Allowance for doubtful accounts of ¥416 million ($4,482 thousand) is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥8,681 million ($93,311 thousand) is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥14,222 million ($152,860 thousand) is not included in doubtful accounts.

4. Long-term borrowings repayment schedule

Described in Note 22. Consolidated Supplementary Schedules, (2) Schedule of borrowings.

(Supplementary information)

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

12. Short-term Investments and Investments in Securities

Fiscal 2010

1. "Held to maturity debt securities" with fair value (as of March 31, 2010)

	Category	Book value		Fair value		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value exceeding their book value	Japanese government bonds	14	157	14	159	0	2

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

	Category	Book value		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	(1) Equity securities	6,168	66,302	4,626	49,724	1,542	16,578
Securities with book value not exceeding their acquisition cost	(1) Equity securities	2,682	28,836	3,254	34,979	(571)	(6,143)
	(2) Others	10	108	11	121	(1)	(14)
	Subtotal	2,692	28,944	3,265	35,101	(572)	(6,157)
Total		8,861	95,245	7,892	84,825	969	10,421

(Note) Unlisted investments in securities (book value of ¥19,418 million ($208,712 thousand)) and equity investment (book value of ¥1,426 million ($15,334 thousand)) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

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

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	501	5,386	131	1,409	181	1,954

4. Securities recognized impairment loss

The total impairment loss amount recognized of investments in securities is ¥430 million ($4,627 thousand) (including "Other securities" of ¥416 million ($4,480 thousand) and shares of affiliates of ¥13 million ($147 thousand)) in the current fiscal year.

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

Fiscal 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	Difference
		JPY	JPY	JPY
Securities with market value not exceeding their book value	Japanese government bonds	15	15	—

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

	Category	Acquisition cost	Book value	Difference
		JPY	JPY	JPY
Securities with book value exceeding their acquisition cost	(1) Equity securities	2,559	3,673	1,113
Securities with book value not exceeding their acquisition cost	(1) Equity securities	7,639	6,295	(1,343)
	(2) Others	15	15	—
	Subtotal	7,654	6,311	(1,343)
Total		10,214	9,984	(229)

(Note) For recognition of impairment, securities which fair value declines 50% or more against their carrying book value are subject to devaluation. For securities that decline 30% or more in fair value, devaluation losses are recognized after considering likelihood of future price recovery or financial position. For those determinations, fair value is primarily based on average of daily market price for one-month before 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	JPY	JPY
1,171	740	43

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

	JPY
Unlisted equity securities	18,370

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	JPY
Japanese government bonds	15	—

13. Derivatives

Fiscal 2010

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Off market transactions	Foreign exchange contracts								
	Selling								
	U.S. dollar (USD)	11,131	119,647	—	—	(209)	(2,253)	(209)	(2,253)
	Euro (EUR)	298	3,210	—	—	(0)	(7)	(0)	(7)
	Canadian dollar (CAD)	38	410	—	—	(0)	(5)	(0)	(5)
	Other currencies	8	95	—	—	0	5	0	5
	Subtotal	11,477	123,363	—	—	(210)	(2,260)	(210)	(2,260)
	Buying								
	U.S. dollar (USD)	21,828	234,613	—	—	651	7,006	651	7,006
	Euro (EUR)	221	2,386	—	—	(0)	(7)	(0)	(7)
	Canadian dollar (CAD)	50	547	—	—	2	23	2	23
	Pound sterling (GBP)	0	8	—	—	0	0	0	0
	Other currencies	48	523	—	—	0	7	0	7
	Subtotal	22,150	238,076	—	—	654	7,030	654	7,030
Total		—	—	—	—	—	—	443	4,770

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

(2) Interest Rate

Not applicable.

(3) Commodities

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Market transactions	Commodity future contracts								
	Foodstuffs								
	Selling	4,423	47,545	13	142	162	1,744	162	1,744
	Buying	2,360	25,371	—	—	(54)	(588)	(54)	(588)
	Energy								
	Selling	55	600	—	—	0	1	0	1
	Buying	98	1,057	—	—	(4)	(53)	(4)	(53)
Total		—	—	—	—	—	—	102	1,104

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

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Foreign exchange contracts							
	Selling							
	U.S. dollar (USD)	Forecasted foreign currency transactions	4,938	53,082	—	—	(3)	(39)
	Euro (EUR)		241	2,596	—	—	6	68
	Other currencies		435	4,676	—	—	(11)	(125)
	Subtotal		5,615	60,354	—	—	(8)	(96)
	Buying							
	U.S. dollar (USD)	Forecasted foreign currency transactions	13,673	146,966	539	5,800	417	4,490
	Euro (EUR)		611	6,572	—	—	3	42
	Australian dollar (AUD)		43	464	—	—	4	50
	Pound sterling (GBP)		12	138	—	—	0	5
	Other currencies		26	282	—	—	0	0
	Subtotal		14,367	154,423	539	5,800	426	4,587
Specific matching criteria	Selling							
	U.S. dollar (USD)	Accounts receivable	62	672	—	—	—	—
	Euro (EUR)		18	195	—	—	—	—
	Subtotal		80	867	—	—	—	—
	Buying							
	U.S. dollar (USD)	Accounts payable	94	1,018	—	—	—	—
	Euro (EUR)		42	459	—	—	—	—
	Pound sterling (GBP)		8	88	—	—	—	—
	Other currencies		2	29	—	—	—	—
	Subtotal		148	1,594	—	—	—	—

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

(2) Interest Rate

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Specific matching criteria	Interest rate swap contracts							
	Pay-fixed, receive-variable interest rate swap	Long-term borrowings	65,070	699,377	45,020	483,878	—	—

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

(3) Commodities

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts		Amount of over-one-year contracts		Fair value	
			JPY	USD	JPY	USD	JPY	USD
Principle hedge accounting	Commodity future contracts							
	Foodstuffs							
	Selling	Forecasted transactions on commodity trading	503	5,414	—	—	(5)	(54)
	Buying		180	1,937	—	—	(4)	(49)

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

Fiscal 2009

1. Summary of derivative transactions

Fiscal 2009
(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 rules 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 the 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. **(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. **(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 (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. (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.

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

(1) Currencies

Not applicable because hedge accounting is adopted.

(2) Interest Rate

Not applicable because hedge accounting is adopted.

(3) Commodities

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Transactions in future market	Commodity futures				
	Foodstuffs				
	Selling	1,556	—	1,579	(23)
	Buying	2,686	—	2,578	(108)
	Energy				
	Selling	8	—	8	(0)
	Total	—	—	—	(132)

(Notes) 1. Basis of fair value calculation of commodity futures
Fair value is calculated based on market closing price at end of the fiscal year.
2. Transactions to which hedge accounting is applied are excluded from the table.

14. Retirement Benefits

1. Summary of pension plans

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

2. Schedule of retirement benefits

	Fiscal 2010		Fiscal 2009
	JPY	USD	JPY
a. Projected benefit obligation at end of year	(14,837)	(159,478)	(15,250)
b. Fair value of plan assets at end of year	11,179	120,161	9,652
c. Projected benefit obligation in excess of plan assets (a + b)	(3,658)	(39,317)	(5,597)
d. Unrecognized actuarial loss (gain)	1,139	12,252	2,516
e. Unrecognized prior service cost	146	1,578	220
f. Accrued retirement benefit obligation recognized in the consolidated balance sheets (c + d + e)	(2,371)	(25,487)	(2,860)
g. Prepaid pension cost	277	2,980	—
h. Allowance for employees' retirement and severance benefits (f – g)	(2,648)	(28,469)	(2,860)

Fiscal 2010	Fiscal 2009
(Notes) 1. A substitutional portion of employees' pension fund, which is the government's social security pension program contracted out to employer, is incorporated in the table above.	(Notes) 1. Same as fiscal 2010.
2. Certain subsidiaries adopt simplified method for calculating accrued retirement benefits for their employees.	2. Same as fiscal 2010.
3. Unrecognized prior service cost was incurred for the year ended March 31, 2008, since the Company converted a tax qualified retirement pension plan into a cash balance pension plan on April 1, 2007.	3. Same as fiscal 2010.

3. Schedule of retirement benefits expenses

	Fiscal 2010		Fiscal 2009
	JPY	USD	JPY
a. Service cost	1,534	16,498	1,285
b. Interest cost	286	3,082	284
c. Expected return on plan assets	(163)	(1,760)	(224)
d. Amortization of actuarial loss (gain)	543	5,838	94
e. Amortization of prior service cost	73	789	73
f. Other	79	855	87
g. Net periodic retirement benefit expenses (a + b + c + d + e + f)	2,353	25,301	1,600

Fiscal 2010	Fiscal 2009
(Notes) 1. Employees' contributions to the employees' pension fund are not included in the retirement benefit expenses.	(Notes) 1. Same as fiscal 2010.
2. The retirement benefit expenses of consolidated subsidiaries which adopt simplified method are included in "service cost" in the table above.	2. Same as fiscal 2010.
3. "Other" represents contributions to the defined contribution pension plans.	3. Same as fiscal 2010.

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

	Fiscal 2010	Fiscal 2009
a. Method of attributing projected benefits to period of service	Straight-line basis	Straight-line basis
b. Discount rates	1.5% to 2.0%	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

15. Stock Options

Fiscal 2010

Not applicable.

Fiscal 2009

Not applicable.

16. Deferred Taxes

Fiscal 2010

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	983	10,567
Allowance for doubtful accounts	15,845	170,308
Inventories	3,786	40,702
Loss on impairment of fixed assets	2,047	22,002
Investments in securities	3,240	34,831
Golf club memberships	644	6,923
Tax loss carried forward	16,606	178,493
Other	3,291	35,381
Deferred tax assets subtotal	46,446	499,208
Valuation allowance	(29,302)	(314,947)
Total deferred tax assets	17,143	184,261
Deferred tax liabilities		
Retained earnings in subsidiaries	(120)	(1,298)
Net unrealized losses on securities	(381)	(4,100)
Net gains (losses) on deferred hedges	(174)	(1,877)
Other	(1,120)	(12,038)
Total deferred tax liabilities	(1,796)	(19,313)
Net deferred tax assets	15,346	164,948

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

	JPY	USD
Current assets – deferred tax assets	1,774	19,068
Long-term assets – deferred tax assets	13,961	151,061
Current liabilities – deferred tax liabilities	—	—
Non-current liabilities – deferred tax liabilities	(388)	(4,180)

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

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

Fiscal 2009

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	981
Allowance for doubtful accounts	19,165
Inventories	3,853
Loss on impairment of fixed assets	2,387
Investments in securities	4,153
Golf club memberships	530
Tax loss carried forward	21,157
Net unrealized gains on securities	161
Other	4,942
Deferred tax assets subtotal	57,333
Valuation allowance	(39,374)
Total deferred tax assets	17,958
Deferred tax liabilities	
Retained earnings in subsidiaries	(143)
Net gains (losses) on deferred hedges	(939)
Other	(301)
Total deferred tax liabilities	(1,384)
Net deferred tax assets	16,574

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

	JPY
Current assets – deferred tax assets	2,021
Long-term assets – deferred tax assets	14,837
Current liabilities – deferred tax liabilities	(1)
Non-current liabilities – deferred tax liabilities	(283)

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

17. Investment and Rental Properties

Fiscal 2010

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

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

18. Segment Information

Industry Segment Information

Fiscal 2010 (JPY)

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

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 2010 (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	2,501,097	2,840,070	1,604,039	2,129,670	182,194	9,257,069	—	9,257,069
(2) Inter-segment	288	95	2,071	474	405	3,333	(3,333)	—
Total	2,501,385	2,840,164	1,606,110	2,130,144	182,599	9,260,402	(3,333)	9,257,069
Operating expenses	2,443,408	2,801,234	1,589,880	2,120,539	179,074	9,134,134	(8,045)	9,126,089
Operating income	57,977	38,931	16,230	9,605	3,525	126,268	4,712	130,981
II. Assets, Depreciation and amortization, Impairment of fixed assets and Capital expenditure								
Assets	1,364,527	839,325	674,719	421,138	300,659	3,600,369	684,124	4,284,493
Depreciation and amortization	15,947	5,371	3,881	4,200	3,632	33,032	(14)	33,018
Impairment of fixed assets	597	77	—	861	—	1,535	—	1,535
Capital expenditure	12,270	1,783	878	4,827	748	20,506	3,954	24,460

(Notes) 1. Segments are determined in accordance with business management units of the relevant products and services (if the business of a consolidated subsidiary belongs to several business segments, those are attributed to each business segment).

2. The amount of the Company's assets that are included in "Adjustments & Eliminations" is ¥64,321 million ($691,328 thousand) and ¥66,312 million for the fiscal year ended March 31, 2010 and March 31, 2009 respectively. Most of the assets are cash and deposits and investments in securities related to financing activities.

3. Accounting changes

(Fiscal 2009)

(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 in "IT," ¥459 million in "Foodstuffs," ¥120 million in "Iron & Steel and Machinery & Plant," ¥22 million in "Life Science & Energy" and ¥309 million 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 in "Iron & Steel and Machinery & Plant."

Geographic Segment Information

Fiscal 2010 (JPY)

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

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 2010 (USD)

	Japan	Asia	North America	Europe	Other Areas	Total	Adjustments & Eliminations	Consolidated
I. Net sales and operating income								
Net sales								
(1) Outside customers	8,459,375	349,940	361,163	86,311	280	9,257,069	—	9,257,069
(2) Inter-segment	353,528	61,724	515,008	36,755	10,386	977,401	(977,401)	—
Total	8,812,903	411,664	876,171	123,067	10,666	10,234,471	(977,401)	9,257,069
Operating expenses	8,692,478	408,834	867,039	122,068	10,883	10,101,303	(975,214)	9,126,089
Operating income (loss)	120,425	2,830	9,132	999	(217)	133,168	(2,188)	130,981
II. Assets	4,381,658	345,218	297,297	96,920	9,711	5,130,803	(846,310)	4,284,493

(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
(Fiscal 2009)
(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 in "Japan," ¥21 million in "Asia" and ¥30 million 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 in "North America."

Overseas Sales Information

Fiscal 2010 (JPY)

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

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 2010 (USD)

	Asia	North America	Europe	Other Areas	Total
I. Overseas sales	1,381,228	338,015	145,115	244,332	2,108,690
II. Consolidated sales					9,257,069
III. Ratio of overseas sales to consolidated sales (%)	14.9	3.7	1.6	2.6	22.8

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

19. Disclosure of Related Party Transactions

Fiscal 2010

(1) Related party transactions (the Company)

Not applicable.

(2) Related party transactions (consolidated subsidiaries)

Category	Name of person	Address	Paid-up capital		Occupation	Ownership of voting rights of the Company (%)	Other relationship with the Company	Transaction			Balance		
								Revenues and expenses	During the year		Account name	Year end	
			JPY	USD					JPY	USD		JPY	USD
Officer of Subsidiary	Shuichi Suzuki	—	—	—	Statutory auditor of Shintoa Corporation, lawyer	—	Attorney	Attorney fee (Note)	21	234	—	—	—

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

Fiscal 2009

(Supplementary information)

The Company applied 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 17, 2006).

The scope of disclosures is unchanged by the application.

Related party transactions

Not applicable.

20. Information per Share

Fiscal 2010	Fiscal 2009
Net assets per share ¥69.15 $0.74 Net income per share ¥8.44 $0.09 Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.	Net assets per share ¥59.61 Net loss per share ¥30.56 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.

Supplemental information for per share computation

(1) Net assets per share

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD
Total net assets	45,804	42,035	492,310
Amount deducted from total net assets	16,887	17,099	181,512
(minority interest in consolidated subsidiaries)	(16,887)	(17,099)	(181,512)
Net assets corresponding to common stock at the end of the fiscal year	28,916	24,936	310,798
Number of common stock issued (thousand shares)	422,501	422,501	
Number of treasury stock (thousand shares)	4,303	4,173	
Number of common stock used for the calculation of net assets per share (thousand shares)	418,197	418,327	

(2) Net income (loss) per share

	Fiscal 2010	Fiscal 2009	Fiscal 2010
	JPY	JPY	USD
Net income (loss)	3,528	(12,787)	37,922
Amount that does not belong to common shareholders	—	—	—
Net income (loss) corresponding to common stock	3,528	(12,787)	37,922
Average number of common stock for the term (thousand shares)	418,277	418,373	

21. Subsequent Events

Fiscal 2010

Not applicable.

Fiscal 2009

Not applicable.

22. 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	63,978	651,313	47,500	510,542	1.4	—
Current portion of long-term borrowings	39,555	402,685	56,632	608,695	1.9	—
Current portion of Lease obligations	152	1,550	328	3,535	—	—
Long-term borrowings (excluding current portion)	110,073	1,120,571	88,969	956,254	2.4	April 2011 – December 2014
Lease obligations (excluding current portion)	345	3,513	557	5,997	—	May 2011 – January 2017
Total	214,105	2,179,632	193,990	2,085,023	—	—

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

	Over one year and within two years		Over two years and within three years		Over three years and within four years		Over four years and within five years	
	JPY	USD	JPY	USD	JPY	USD	JPY	USD
Long-term borrowings	54,905	590,133	24,581	264,207	7,082	76,119	2,400	25,795
Lease obligations	282	3,040	175	1,883	66	710	30	331

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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, 2010, 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, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 24, 2010

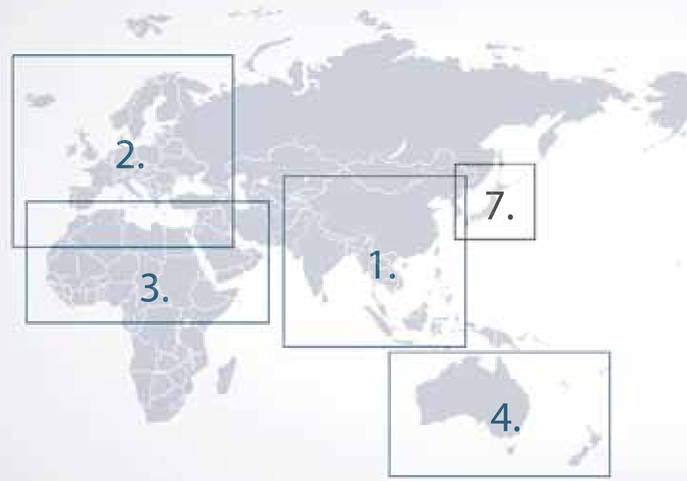
Corporate Data

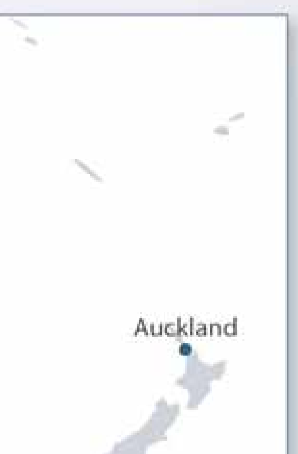
Contents

Global Network

The Company supplies products and services from a large network of business bases in Japan and overseas. A further 120 subsidiaries and affiliates ensure global reach into the markets of all regions.

- ● Overseas subsidiaries and their branches
- ▲ Representative offices
- ■ Branches





Segment information:
Number of employees and number of consolidated companies (As of March 31, 2010)

	Number of employees (consolidated basis)	Number of consolidated companies
Electronics & IT	2,597	32 (Japan: 14, Overseas: 18)
Foods & Foodstuff	452	18 (Japan: 11, Overseas: 7)
Iron & Steel / Machinery & Plant	867	24 (Japan: 9, Overseas: 15)
Environment & Materials	345	9 (Japan: 9)
Others	227	26 (Japan: 18, Overseas: 8)
Company-wide (common)	383	
		Overseas branches 14
Total	4,871	123

Notes: 1. Number of employees on a non-consolidated basis is 850 (excluding seconded employees and temporary employees).
2. Of consolidated companies, 81 are consolidated subsidiaries and 34 are equity-method affiliates.

Network

JAPAN

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

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

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UD Midosuji Building, 2-15, Awaji-machi
4-chome, Chuo-ku, Osaka 541-8560, Japan
TEL: 81-6-6205-3111
FAX: 81-6-6205-3322

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

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

Kyushu
Fukuoka Building,11-17, Tenjin 1-chome,
Chuo-ku, Fukuoka 810-0001, Japan
TEL: 81-92-715-7820
FAX: 81-92-715-7830

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

ASIA

KOREA

Kanematsu Devices Korea Corporation
Koreana Bldg., 6F, 61-1-Ka Tae Pyung Ro,
Chung-Ku, Seoul, Republic of Korea
TEL: 82-2-737-5795
FAX: 81-2-737-5799

CHINA

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

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

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

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

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

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

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

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

Kanematsu (Hong Kong) Ltd.
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FAX: 1-713-975-7966

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TEL: 55-11-3285-3311
FAX: 55-11-3285-3318

Major Consolidated Subsidiaries and Affiliates

* Companies with shares listed on a stock exchange

Electronics & IT

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

Foods & Foodstuff

Japan	Kanematsu Food Corp.	Food wholesaling and cold storage
	Kanematsu Agritec Co., Ltd.	Manufacture and sales of feed and fertilizer
	Kanematsu Soytech Corp.	Sales of ingredients for *tofu* and *tofu* products
	Heisei Feed Manufacturing Co.	Feed-manufacturing plants
China	Dalian Tiantianli Food Co., Ltd.	Manufacture of tea and *dim sum*-related products
	Shangdong Lu Feng Foods Co., Ltd.	Production of processed vegetables and fruits
Thailand	Summit Food Industries Co., Ltd.	Production and sales of rice crackers
	Siam Aloe Vera (2005) Co., Ltd.	Processing and sales of Aloe Vera
U.S.A.	Kai Enterprises, Inc.	Sales of dried feed

Iron & Steel / Machinery & Plant

Japan	Kanematsu Trading Corp.	Sales of steel and construction materials
	Kyowa Steel Co., Ltd.	Cutting and processing of steel sheet and sales of construction materials
	Eiwa Metal Co., Ltd.	Processing and sales of stainless steel, titanium and high-alloy steels
	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools, sales of paper-manufacturing machinery
	KGK SolTech Corp.	Processing of silicon wafers for photovoltaic power generation systems
	Aasted Mikroverk Japan Ltd.	Import and marketing in Japan of industrial machinery
Hong Kong	Kanematsu Hoplee Co., Ltd.	Processing and marketing of steel products
China	Kanematsu KGK (Shanghai) Co., Ltd.	Sales of machine tools
	Kanematsu KGK Trade & Sales (Shanghai) Co., Ltd.	Sales of machine tools

Thailand	KGK Engineering (Thai) Co., Ltd.	Sales of machine tools
U.S.A.	Steel Service Oilfield Tubular, Inc.	Sales of premium tubing for oil excavation
	KGK International Corp.	Sales of machine tools
Czech Republic	KGK Czech s.r.o.	Sales of machine tools
Poland	Aries Motor Sp. z o.o.	Sales of automobiles
	Aries Power Equipment Sp. z o.o.	Sales of engines, generators, water pumps and other general-purpose machinery

Environment & Materials

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

Others

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

Organization Chart (As of April 1, 2010)

- General Meeting of Shareholders
  - Board of Corporate Auditors
- Board of Directors
- Management Committee
  - Electronics & IT Division
    - Devices Company
      - Information & Electronics Department
      - Aerospace Department
      - Semiconductor Equipment Department
      - Industrial Electronics Department
      - Electronics & IT Administration Office
  - Foods & Foodstuff Division
    - Produce Department No. 1
    - Produce Department No. 2
    - Meat & Marine Products Department
    - Osaka Foods Department
    - Foods Administration Office
    - Food Safety Management System Office

    - Grain & Oilseed Department
    - Feedstuff Department
    - Domestic Sections
    - Foodstuff Administration Office
    - Food Safety Management System Office
  - Iron & Steel, Machinery & Plant Division
    - Iron & Steel Foreign Trade Department
    - Specialty Steel Foreign Trade Department
    - Automotive Materials Department
    - Iron & Steel Administration Office

    - Plant & Infrastructure Projects Department
    - Transportation Machinery Department
    - Machinery & Plant Administration Office
  - Environment & Materials Division
    - Energy Department
    - Functional Chemicals Department
    - Life Science Department
    - LNG Business Department
    - Environment & Materials Administration Office
    - Food Safety Management System Office
  - Personnel & General Affairs Department
    - — Secretariat
  - Finance Department
  - Accounting Department
  - Business Accounting Department
  - Credit Control and Legal Department
  - Subsidiary Administration Department
  - Traffic & Insurance Department
  - System Planning Department
  - Business Innovation Department
  - Realty Department
  - Internal Auditing Department
  - Corporate Planning Department
    - — Public Relations Section

History

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

Investor Information (As of March 31, 2010)

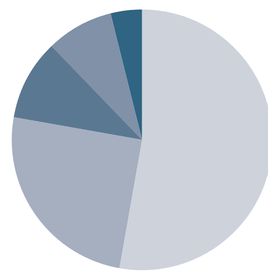
Stock Exchange Listings	Tokyo * The Company's stocks were delisted from the Osaka Securities Exchange with effect July 1, 2010.
Stock Code	8020
Transfer Agent for Common Stock	The Chuo Mitsui Trust & Banking Co., Ltd.
Shares Authorized	1,016,653,604
Shares Outstanding	422,501,010 (including 1,278,878 treasury shares)
Minimum Trading Unit	1,000
Number of Shareholders	40,930

Principal Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.15
The Norinchukin Bank	12,460	2.95
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
The Master Trust Bank of Japan, Ltd. (trust account)	7,724	1.83
Japan Trustee Services Bank, Ltd. (trust account)	6,849	1.62
Kanematsu-NNK Corp.	6,239	1.48
Takashi Kotegawa	5,150	1.22
Japan Securities Finance Co., Ltd.	4,827	1.14
Daio Paper Corporation	4,510	1.07
Mitsui Sumitomo Insurance Co., Ltd.	3,713	0.88

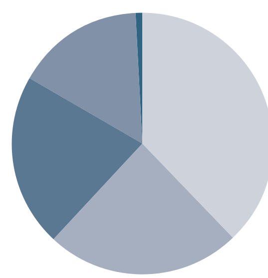
Note: Calculated after deduction of treasury shares (1,278,878 shares)

Composition of Shareholders



- Individuals and others (including treasury shares) 52.93%
- Financial institutions 25.06%
- Other corporations 9.97%
- Foreign institutions and individuals 8.16%
- Securities firms 3.88%

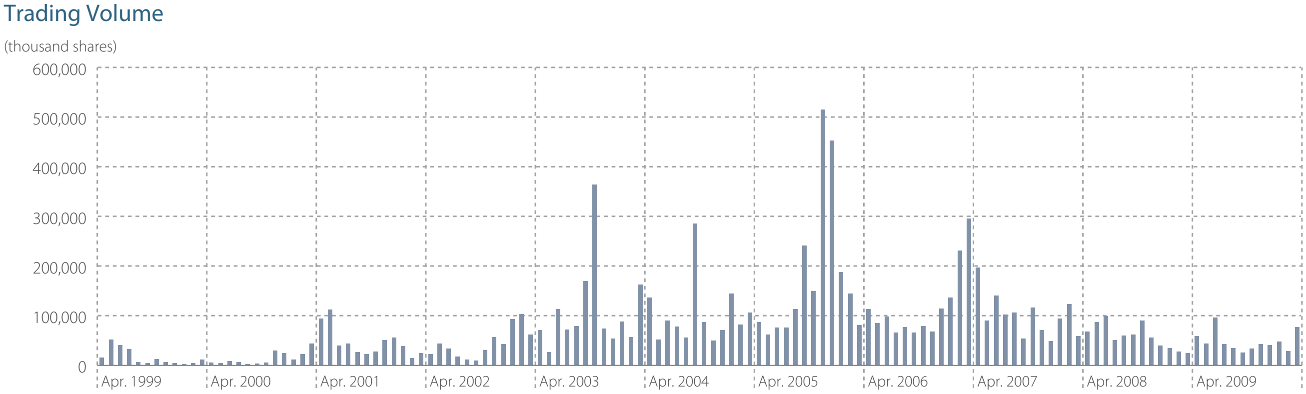
Shareholder Distribution by Number of Shares Held



- More than 1 million shares (including treasury shares) 38.00%
- 50,000 shares and more 24.06%
- 10,000 shares and more 21.34%
- 1,000 shares and more 16.04%
- Less than 1,000 shares 0.56%

Stock Price

Trading Volume




Tokyo Head Office

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Masayuki Shimojima
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices	Domestic: Head office 1 and branches 6 Overseas: 43
Number of Employees	850 (Consolidated: 4,871) (As of March 31, 2010)

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

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Fax: 81-3-5440-6505
URL: http://www.kanematsu.co.jp

http://www.kanematsu.co.jp

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