KANEMATSU CORPORATION

Moving ahead

Annual Report 2012

For the year ended March 31, 2012

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

Corporate Principle

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

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

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

(Translated from Japanese)

OUR BELIEFS

Kanematsu's Guiding Principles

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

Businesses Domains

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

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

Electronics

Electronic Components and Materials / Semiconductors and LCD Manufacturing Equipment / OEM and ODM Solutions / Retail Business / Mobile Solutions / ICT Solutions / Aerospace / Devices

Foods & Foodstuff

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

Iron & Steel

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

Machinery & Plant

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

Environment & Materials

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

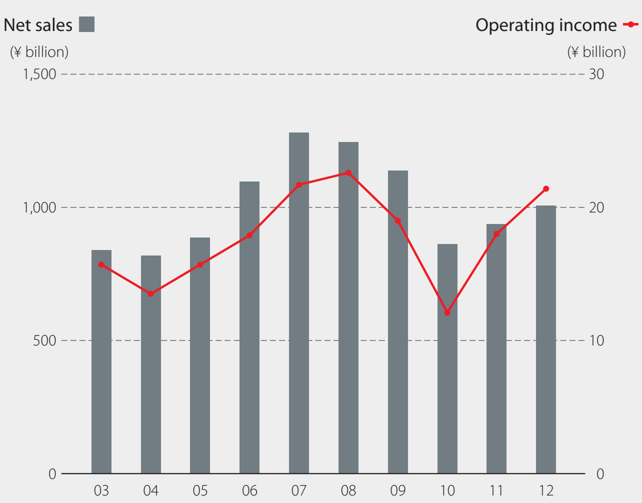
Financial Highlights

Kanematsu Corporation and Consolidated Subsidiaries
Years ended March 31

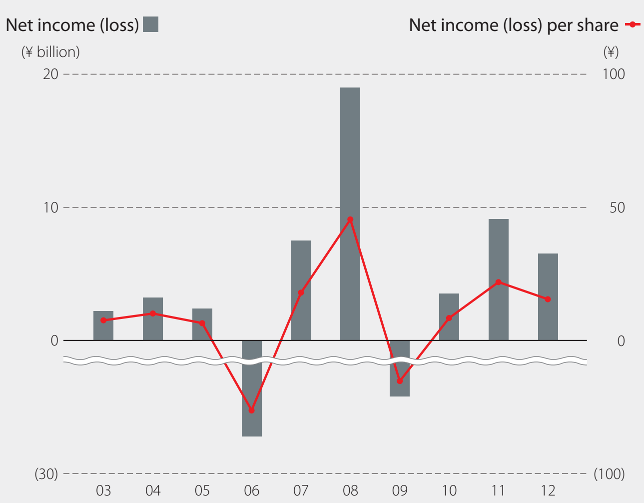
	2003	2004	2005	2006	2007	2008
For the year:						
Net sales	838,975	818,473	886,876	1,096,409	1,281,331	1,244,020
Gross profit	67,207	62,208	68,142	81,732	103,711	90,327
Operating income	15,716	13,554	15,762	17,982	21,713	22,605
Income (loss) before income taxes and minority interests	4,995	5,057	4,836	(16,728)	14,615	28,975
Net income (loss)	2,233	3,247	2,469	(21,686)	7,507	19,016
At year-end:						
Net assets	10,762	23,283	38,029	26,004	48,767	62,239
Total assets	527,340	507,991	520,118	556,046	563,176	503,456
Shareholders' equity	—	—	—	—	32,959	45,587
Net interest-bearing debt	319,284	287,245	261,560	246,317	204,900	148,944
Per share (yen):						
Net income (loss)	7.56	10.13	6.52	(52.43)	17.94	45.44
Net assets	36.38	68.77	93.74	62.12	78.75	108.95
Cash dividends	—	—	—	—	—	—
Financial indicators:						
Return on equity (ROE) (%)	16.86	19.08	8.06	(67.73)	25.46	48.42
Equity ratio (%)	2.0	4.6	7.3	4.7	5.9	9.1
Net debt-equity ratio (times)	29.7	12.3	6.9	9.5	6.2	3.3

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 ¥82.19 to U.S.$1.00, the exchange rate prevailing on March 31, 2012.

Net sales and operating income

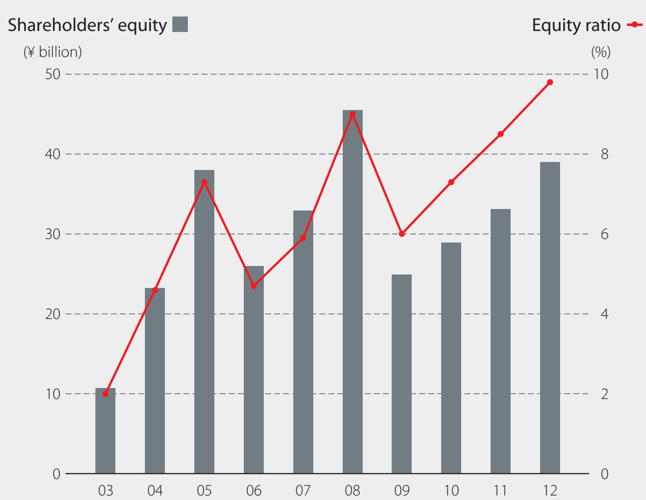


Net income (loss) and net income (loss) per share



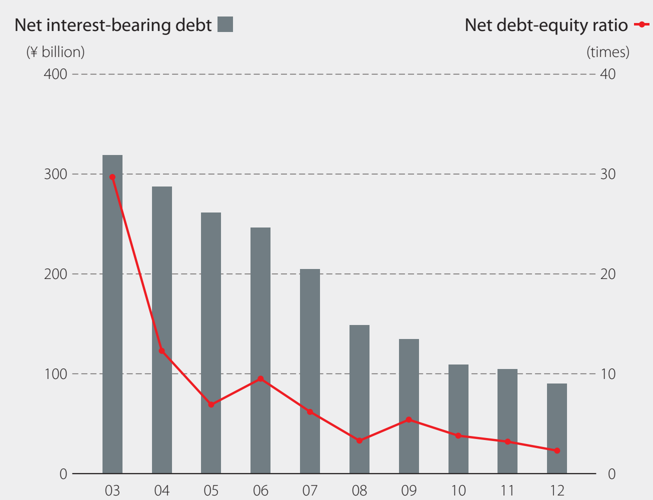
	2009	2010	2011	2012 Millions of yen	2012 Thousands of U.S. dollars
For the year:					
Net sales	1,138,755	861,277	936,891	**1,006,365**	12,244,373
Gross profit	86,292	74,104	76,905	**80,900**	984,305
Operating income	19,027	12,186	18,029	**21,426**	260,697
Income (loss) before income taxes and minority interests	77	8,407	13,030	**13,529**	164,614
Net income (loss)	(12,787)	3,528	9,175	**6,110**	74,346
At year-end:					
Net assets	42,035	45,804	49,576	**55,992**	681,258
Total assets	414,928	398,629	388,676	**399,753**	4,863,768
Shareholders' equity	24,936	28,916	33,101	**39,008**	474,611
Net interest-bearing debt	134,582	109,350	104,612	**90,012**	1,095,180
Per share (yen):					
Net income (loss)	(30.56)	8.44	21.93	**14.60**	0.18
Net assets	59.61	69.15	79.07	**93.16**	1.13
Cash dividends	—	—	—	**—**	—
Financial indicators:					
Return on equity (ROE) (%)	(36.26)	13.10	29.59	**16.95**	
Equity ratio (%)	6.0	7.3	8.5	**9.8**	
Net debt-equity ratio (times)	5.4	3.8	3.2	**2.3**	

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

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

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

During fiscal 2012, the second year under our *"S-Project"* medium-term business plan, we worked to establish a system that will enable us to continue developing new businesses. Amid an operating environment characterized by rapidly changing economic conditions both in Japan and overseas, we sought new business opportunities while working to hold down costs. Thanks to these efforts, we were able to smoothly expand the Company's earnings, and retained earnings on a non-consolidated basis at long last turned upward.

The business environment is expected to remain unsettled during fiscal 2013, the final year of the *"S-Project,"* but we nonetheless view it as a vitally important year, constituting the run-up to the Company's projected major growth surge under our next medium-term business plan, and a period in which we will make a turnaround to an aggressive stance. We aim to focus our energies on fields where we excel and that are projected to grow in the near future. We will speed up our efforts to construct new earnings drivers, and pave the way for new growth.

From here onward, too, while ensuring that the Kanematsu Group is a "Value Creator," we will seek to grow and develop together with our customers by providing the products and services needed not only by our customers themselves but also by society as a whole, and will work constantly to further enhance the Group's enterprise value.

We look forward to the continued understanding and support of all our stakeholders.

August 2012

Toshihiro Kashizawa, *Chairman*

Masayuki Shimojima, *President*

Chairman
Toshihiro Kashizawa

President
Masayuki Shimojima

Contents

Forward-Looking Statements

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

Continuing to create value, and to reward all our stakeholders.

Toward the attainment of our targets under the *"S-Project"* medium-term business plan (April 2010 – March 2013)

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

Speedy × Stronger = Satisfaction

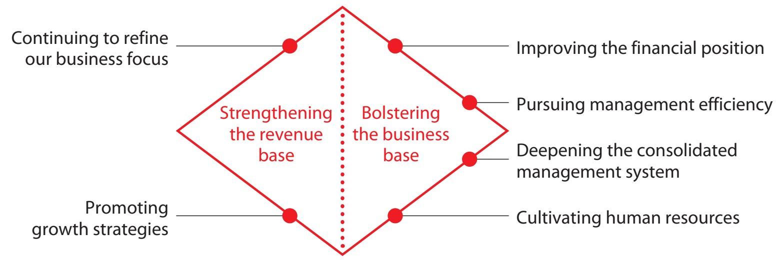
With speed · *Building a stronger base* · *Satisfying all stakeholders*

Vision

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

Basic Concepts

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



Q.01 Firstly, could you tell the readers something about the Group's business performance for fiscal 2012?

A.01 Looking back at the global economy in fiscal 2012, in the United States there was a gradual recovery trend, with an upturn in both consumer spending and capital investment, but in Europe all the economies posted weak performances due to the negative impact of the sovereign debt crisis. In China and the Asian emerging nations, meanwhile, exports were sluggish due to the weakness of the European economies, and this slowed down overall economic growth somewhat. In Japan, the economy at first staged a recovery from the blow dealt by the earthquake and tsunami of March 11, 2011 but then stalled again due to slack exports caused by the yen's sharp appreciation as well as the disruption of supply chains due to the floods in Thailand. The nation's economic prospects thus remained uncertain at the year-end.

Amid this operating environment, the Kanematsu Group posted increases in both net sales and gross profit, which came to ¥1,006.4 billion and ¥80.9 billion, respectively. This was mainly thanks to an increased trading volume, as well as higher market prices, in our Foods & Foodstuff and Environment & Materials segments.

In addition to the favorable business performances by the Foods & Foodstuff and Environment & Materials segments, where we were able to take advantage of firm demand in the domestic market, continued cost control efforts enabled us to hold down further increases in SG&A expenses. As a result, operating income rose by 19% year on year, to ¥21.4 billion, and ordinary income rose 25% to ¥17.8 billion.

In extraordinary items, we registered extraordinary losses on sales of investments in securities, as well as losses on the valuation of investments in securities, on the liquidation of affiliated companies, and on withdrawal from employees' pension funds at subsidiaries, totaling net losses of ¥4.2 billion. The losses on liquidation of affiliated companies involved the Group's withdrawal from the business of processing silicon wafers for use in photovoltaic power generation systems, owing to a recent deterioration in the operating environment. As a result of these factors, in addition to higher tax expenses due to a reduction in deferred tax assets in line with a revision of the tax system, net income came to ¥6.1 billion, for a decline of ¥3.1 billion from the previous fiscal year.

Q.02 Your business performance forecasts for fiscal 2013 are on the conservative side. Could you tell us why?

A.02 I can certainly see why our projections for fiscal 2013 would appear somewhat conservative in the light of our performance for fiscal 2012. However, against the background of the European sovereign debt crisis and the economic slowdown in China and the Asian emerging nations, we believe fiscal 2013 may well be a year in which the global economy could take all sorts of unforeseeable turns. For this reason, we have been rather cautious in our forecasts.

At the same time, fiscal 2013 will be the final year of our current *"S-Project"* medium-term business plan, i.e., the period during which we will put the final touches to our achievements under the plan. The Kanematsu Group has fully recovered from the business slump it suffered in the global business downturn sparked by the collapse of Lehman Brothers, and this coming year will be of crucial importance in preparing for the business growth we project under our next medium-term business plan.

While working to increase our top line (net sales and gross profit), we have also taken steps to restrain costs, and as a result, we have posted a steady improvement in earnings. As of the end of March 2012, retained earnings on a non-consolidated basis have turned upward on a year-on-year comparison, and despite the current difficult operating environment, in the coming year or two we hope to make a turnaround to an aggressive management stance while taking all due precautions. For this reason, we have factored the investments we need to realize future operational expansion into our plans for fiscal 2013. This is why our forecasts for operating income and ordinary income are down slightly on a year-on-year comparison.

Nevertheless, our current forecasts are still in excess of the figures originally projected for the final year of the *"S-Project"* plan. The entire Kanematsu Group will be working together to attain our numerical targets for the current business year.

● *"S-Project"* medium-term business plan – targets, results and forecasts (¥ billion)

	Targets under *"S-Project"*			Results and forecasts		
	FY2011	FY2012	FY2013	FY2011 Results	**FY2012 Results**	FY2013 forecasts
Net sales	850.0	950.0	1,050.0	963.9	**1,006.4**	1,050.0
Gross profit	75.0	77.5	80.0	76.9	**80.9**	82.0
Operating income	15.0	17.0	19.0	18.0	**21.4**	20.0
Ordinary income	10.0	12.0	14.0	14.3	**17.8**	16.0
Net income	4.5	5.5	6.5	9.2	**6.1**	8.0

Q.03 In what sort of fields do you plan to make investments?

> A.03

We have divided the roughly 140 individual operational units in the Company into four categories based on market growth potential and the Company's strengths in each particular area. At the moment, we are selecting for priority allocation of management resources those businesses that promise to realize synergy from a Companywide viewpoint (we call these "Companywide Businesses"). There are many different types of Companywide Businesses, but a particularly large number are concentrated in our principal cash cow segments – Electronics and Foods & Foodstuff.

Our main investment focus is on strengthening our operations in Asian nations, where market growth is projected.

For example, in our Food & Foodstuff segment we are reinforcing our marketing network in Asia, where improvements in diet and eating habits are forecast over the next few years. In business fields where the Company has an advantage over its competitors, we plan to strengthen our networks further upstream in the supply chain. It is in areas such as these that we will be making advance expenditures and investments.

Q.04 What sort of progress have you made in strengthening the Company's revenue base as part of the *"S-Project"* medium-term business plan?

> A.04

The twin pillars of the *"S-Project"* have been strengthening our revenue base and bolstering our business base, and the reporting term was the second year of this three-year plan.

Regarding the strengthening of our revenue base, from the first year under the plan we aimed to enhance our capabilities in new business creation and improve our business portfolio. To this end, we reorganized our business units and undertook a process of continuous selection of fields for priority focus. In the reporting term (the second year under the plan), we saw notable success in the field of new business creation, as our new system for allocation of management resources from a Companywide viewpoint began operating, and we were able to improve the operating environment for the start-up of new businesses.

To give several examples, in the food business, major convenience store chains and mass-merchandise stores such as food supermarkets began selling our ready-cooked foods – an area where we have strength – and adopting our product proposals. In addition, as both Japanese convenience store operators and mass-merchandisers are increasingly expanding their overseas operations, we have been concluding tie-ups with local food processing companies to make proposals and market products (see P. 13 for details).

Regarding trading in automotive components, during the reporting term we focused on support for Japanese automotive component makers' moves to set up or expand operations overseas, and we established a joint venture in Indonesia, where market growth is projected. The Group will not only procure parts and materials, but also provide marketing support. We are targeting this business field as a potential future earnings driver (see P. 12 for details).

Q.05 What success have you achieved in bolstering your business base?

A.05 We repaid borrowings so as to reduce our interest-bearing debt burden. We succeeded in reducing gross interest-bearing debt to ¥160.8 billion and net interest-bearing debt to ¥90.0 billion. Net assets came to ¥56.0 billion as a result of an increase in retained earnings from net income and shareholders' equity after deduction of minority interests came to ¥39.0 billion.

As a result, the equity ratio improved to 9.8%, and the net debt-equity ratio also improved, to 2.3. Our financial figures are thus very close to the targets set for the final year under the current medium-term business plan, and I believe we can claim to have steadily enhanced our financial position.

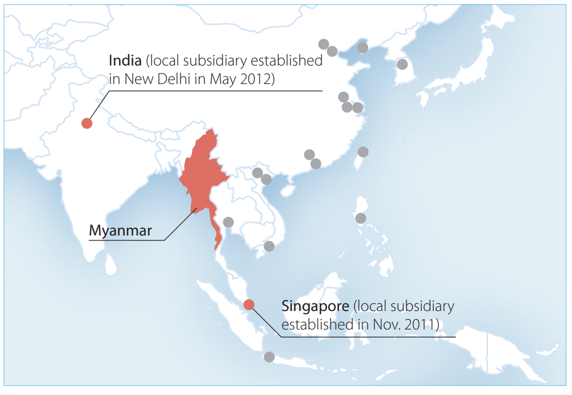
● ***"S-Project"*** Medium-Term Business Plan (April 2010 – March 2013), Targets and Results (¥ billion)

	Targets under *"S-Project"*			Results	
	FY2011	FY2012	FY2013	FY2011	FY2012
Net assets	400.0	404.0	410.0	388.7	**399.8**
Shareholders' equity	33.0	38.5	45.0	33.1	**39.0**
Net interest-bearing debt	100.0	92.0	84.0	104.6	**90.0**
Equity ratio	8.3%	9.5%	Above 10.0%	8.5%	**9.8%**
Net debt-equity ratio	3.0 times	2.4 times	2.0 times	3.2 times	**2.3 times**

Q.06 What sort of overseas strategy are you pursuing, particularly with respect to Asian countries where strong economic growth is expected over the next few years?

A.06 At the moment we are focusing our efforts on emerging markets that are posting rapid growth, particularly the nations of Southeast Asia as well as the BRICs. Specifically, we are constructing a stronger marketing network for foods and foodstuff in China and other Asian countries by expanding our workforce. We are also expanding our trading activities aimed at Asian markets, notably China, in fields where we have traditionally relied heavily on overseas sales, such as electronic devices, IT equipment, iron & steel, and machinery & plant. Moreover, our Asian Strategy Team, established in fiscal 2011, is examining possibilities for the creation of new businesses from a Companywide perspective, with the aim of expanding commercial rights in Asian markets.

We have also been enhancing the functions of our overseas business bases. In November 2011 we converted our Singapore office into a locally incorporated subsidiary, and in May this year we similarly converted our representative office in India into a local subsidiary. From here onward, we will be aggressively developing our overseas operations via these bases. We also view Myanmar as a promising new market, and plan to open a representative office there on September 1 this year.



Q.07 Could you give us your thoughts on the drastic industrial restructuring now taking place?

A.07 I am sure that most people will have clearly realized that the industrial community is undergoing a rapid and accelerating process of reorganization. Major Japanese manufacturers of electric appliances and electronic products, which had long been industry leaders, have recently taken steps that would have been unthinkable just a while ago, such as forming capital and business alliances with major overseas manufacturers. Such events have been occurring in many different industries, and this structural reorganization is taking place worldwide. Because of the global nature of this process, it represents a major business opportunity for all trading companies.

The Kanematsu Group's history stretches back more than 120 years, and through that period the Group has built up an irreplaceable store of assets, namely, its trusted customers and its excellent commercial rights. Our role is to fully understand and meet our customers' needs. In this way, we are able to create new businesses together with our customers and offer them added value. This is the raison d'être of the Kanematsu Group, and it is from this that we derive our earnings.

Meanwhile, the commercial rights that we hold all have their own life cycle: each one eventually deteriorates and disappears. If these are not replaced by other new commercial rights, the Company's earning power will decline, and growth as a trading company will be well-nigh impossible.

While placing our main focus on the Group's strengths and on business areas where it has traditionally been highly competitive, we will continue to seek promising new proposals and to discover and acquire new commercial rights.

Q.08 In closing, do you have a message for the Group's stakeholders?

A.08 As I have said repeatedly, my aim is to make the Kanematsu Group into an enterprise that is attractive to all its stakeholders — investors, our business partners, our correspondent financial institutions, and our employees. We will reassure all our stakeholders by raising our earning power and building a strong financial position. Our ultimate goal is to become a "Value Creator" that takes on the challenge of creating new businesses, a group with the ability to continually develop, and with tremendous future potential.

But first things first. During the current business term, we will focus on achieving our targets under the medium-term business plan as the first step in rewarding our stakeholders for their steadfast support.

Kanematsu — supporting your lifestyle

— Main topics in fiscal 2012 —

Construction of grain silo at the port of Moji, Kitakyushu, for animal feed-use cereals

Direct unloading from large oceangoing vessels achieves greater logistics efficiency and enables stable supply of raw materials for animal feed

Kanematsu has established Mojiko Silo Co., Ltd. (offices in Moji-ku, Kitakyushu) as a joint venture with Moji Koun Kaisha, Ltd. and Kyodo Shiryo Co., Ltd., and has constructed a grain silo, which commenced operations in March this year. The silo is fitted with fumigation and grinding facilities, and can handle 16,000 tons of animal feed raw materials. Due to inadequate cargo unloading capacity and storage capacity, we had hitherto been unable to utilize the port of Mojiko effectively, but with the completion of the new silo we have assured ourselves of a stable supply of raw materials for animal feed, and have greatly enhanced the efficiency of our logistical operations. At Kanematsu, we will continue working to ensure a stable supply of raw materials for animal feed, such as corn (maize) and soymeal, so that we can meet the needs of our users in Kyushu.

Silo for imported grain products at Kanmon, the first in the area

Automotive components joint venture established in Indonesia

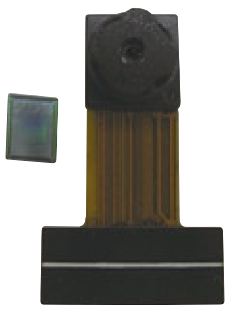
Supporting overseas moves by Japanese vehicle parts makers

Kanematsu has established a joint venture in Indonesia with Yachiyo Industry Co., Ltd. and P.T. Prospect Motor for the manufacture and sale of plastic fuel tanks. Japanese makers of automotive components have recently begun to set up business operations overseas at a growing pace, in response to the stepping-up of production overseas by the Japanese automakers. In addition, the Indonesian automotive market is expanding steadily, and further growth is projected over the next few years. This latest move by Kanematsu is therefore targeted at creating a production network in Indonesia. The joint venture is capitalized at roughly ¥1.9 billion, and a plant is currently under construction in the suburbs of Jakarta, which is scheduled to start operations in August 2013 with an annual capacity of 240,000 tanks. Kanematsu will supply the equipment for the new plant, and will procure the necessary raw materials and components, as well as handling the marketing and sale of the plastic fuel tanks on the Indonesian market.

Signing the agreement to establish the joint-venture company

Image sensor developed and marketed

Development work continues at Japan-China joint venture, aiming at market launch in FY2013



A CMOS image sensor

Image sensors are used in the subminiature cameras fitted in mobile phones, in cameras fitted to PCs, in security cameras, and in car back monitors. Kanematsu is pursuing development of such products as we expect this market to expand strongly from here on.

This development project is made possible by combining the superior technology development expertise of Japanese companies with the cost-competitiveness of Chinese companies. Kanematsu itself plays the vital role of bringing these two elements together, leveraging its unique strong points and total coordination. The development project is being pursued through a joint venture among two Japanese companies and one Chinese company that was arranged by Kanematsu, and product sales are scheduled to start in the second half of fiscal 2013.

Convenience stores and mass-merchandisers expand sales of Kanematsu's ready-cooked foods

Kanematsu products being widely adopted by Japanese retailers

Ready-cooked food products and processed foods are areas in which Kanematsu excels, and recently major convenience stores and mass-merchandisers have begun using food ingredients developed and proposed by us, and selling our products.

We have made use of our unique development expertise and food-processing channels to propose solutions that boast not only superior taste but also efficiency at the production stage and ease of handling at the final-product stage. We offer our customers something extra in terms of both service and product quality. We are focusing our efforts on providing products and services with a difference to distance ourselves from the competition.

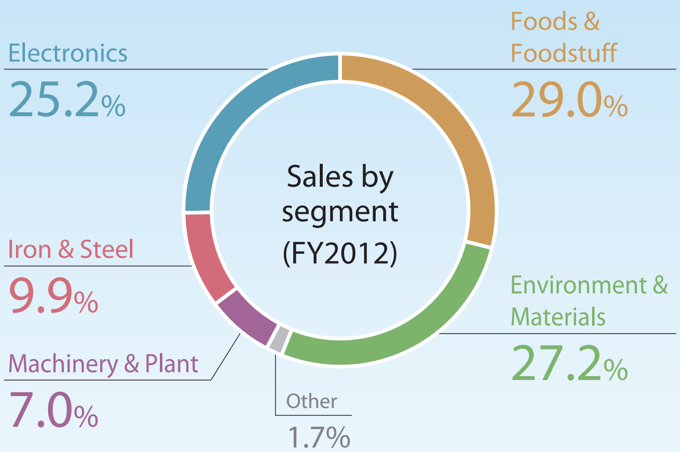
Among the products handled are those for which we hold a manufacturing process patent, as well as special-function products that have received a Silver Quality Award from Monde Selection.

From here onward, we plan to focus efforts on developing our operations in the fields of restaurants, convenience stores, supermarkets and so on in overseas markets, while also concluding tie-ups with local food processing companies and constructing product development systems and supply chains.

Rice balls sold at convenience stores made from Kanematsu's sekihan (rice steamed together with red beans)

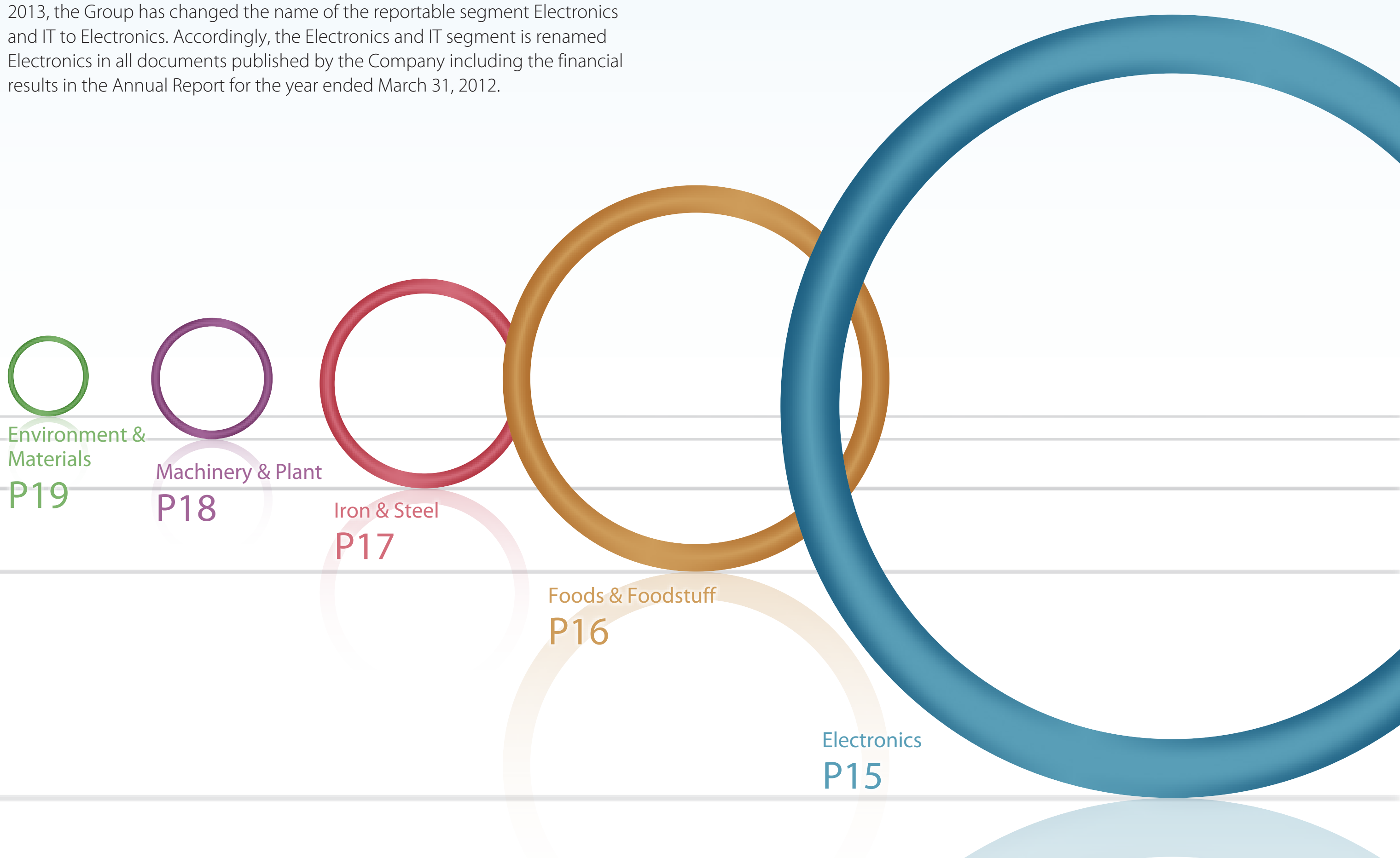
Overview by Business Segment

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, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and the Environment & Materials, and it is building strong relationships as it works to create businesses together with customers.



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

As part of our organizational overhaul starting in the year ending March 31, 2013, the Group has changed the name of the reportable segment Electronics and IT to Electronics. Accordingly, the Electronics and IT segment is renamed Electronics in all documents published by the Company including the financial results in the Annual Report for the year ended March 31, 2012.



Electronics

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.

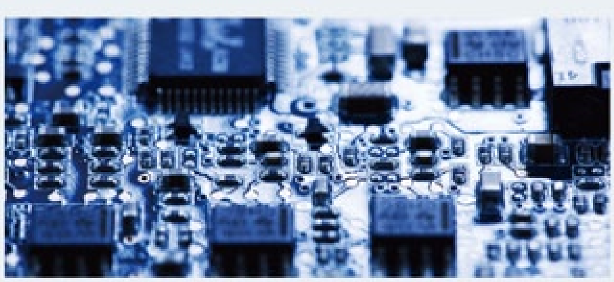
Hirokazu Tamura Director, Chief Officer, Electronics & IT Division, Devices Division (left)
Yoshiya Miyabe Director, Vice Chief Officer, Electronics & IT Division (right)

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
- Global business development through our world wide network

Main Business

Electronic Components and Materials	Semiconductors, LCD panels, Telecommunications equipment parts
Semiconductors and LCD Manufacturing Equipment	Semiconductor manufacturing and testing equipment, LCD manufacturing and testing equipment
OEM and ODM Solutions	Motorcycle and automobile parts, Control modules for lithium-ion batteries, Printers and Printer heads
Retail business	Sales of batteries, LEDs and other overseas products in Japan's retail market
Mobile Solutions	Mobile phones, Mobile Internet services
ICT Solutions	IT and communications equipment and services
Aerospace	Aircraft (Fixed Wing, Rotary Wing), Satellites, and Satellite Components and Parts
Devices	Semiconductor and mechanical parts, Telecommunications equipment parts, System boards, Photovoltaic parts, LED parts and materials, Others



Results for Fiscal 2012

(¥ billion)	2011 Results	2012 Results	2013 Plan
Net sales	253.9	**253.1**	265.0
Gross profit	41.1	**41.3**	42.5
Operating income	9.5	**9.0**	9.0

Kanematsu's ICT and mobile solutions businesses have been enjoying continued favorable sales thanks to growth in the markets for smartphones and tablet computers. On the other hand, our semiconductor business is facing difficult conditions due to a slump in demand for both semiconductor components and semiconductor manufacturing equipment.

As a result, sales of the Electronics Division posted a slight year-on-year decrease of ¥0.8 billion, to ¥253.1 billion, while operating income came to ¥9.0 billion, down ¥0.5 billion.

Plans for Fiscal 2013

In the semiconductor equipment and electronic components businesses, strong demand growth is expected in the Asian emerging nations, and we will work to expand our transaction volume by providing support services for Japanese customers' overseas operations, constructing efficient supply chain management systems, and bolstering our product lineups. In components for two- and four-wheeled vehicles, and in the printer business, we are making efforts to develop markets in Asia to complement our traditional markets in Europe and the US, and will continue to focus on expanding our marketing channels.

In the ICT solutions business, we aim to secure adequate earnings by focusing on high value-added services such as infrastructure-building and cloud computing services to meet our customers' diversifying needs, including server virtualization and business continuity plan services. In the mobile services business, we will meet the needs of the expanding market for smartphones and tablet computers, will further develop the corporate business, and will focus on overseas operations, centered on the Asian and North American markets.

Foods & Foodstuff

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

Morihiro Toida Director, Chief Officer, Foods Division, Foodstuff Division

Kanematsu's Strengths

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

Main Business

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

Results for Fiscal 2012

(¥ billion)	2011 Results	**2012 Results**	2013 Plan
Net sales	271.9	**292.1**	310.0
Gross profit	11.5	**13.7**	14.0
Operating income	2.8	**5.2**	5.0

Sales of imported animal products held firm, while in the foods business, where demand was comparatively stable, we enjoyed favorable sales of ready-cooked and processed food products. In the foodstuff business, the domestic livestock and dairy farming industries operated in a very difficult environment due to the aftereffects of the March 11 earthquake and tsunami, but we succeeded in strengthening our relationships with transaction partners in the sale of animal feed, and also expanded our marketing channels. These efforts helped to bolster overall earnings in this segment.

As a result, sales of the Foods & Foodstuff Division rose ¥20.2 billion year on year, to ¥292.1 billion, and operating income rose ¥2.4 billion to ¥5.2 billion.

Plans for Fiscal 2013

In the Foods & Foodstuff Division, we have positioned Asia as a key market, in view of the prospective improvements there in diet and eating habits, and will be reinforcing our marketing system, including dispatching more personnel from Japan.

In the foods business, we have been enjoying a steady growth in transactions with mass-merchandising stores, takeout meals suppliers (such as convenience stores) and restaurant chains, which are customer segments we have focused on up to now. We will continue to strengthen our cooperative relationships with our business partners in this field and reinforce our food product supply and selling systems so as to expand transaction volume. On July 1, 2012 we merged our wholly owned subsidiary Kanematsu Food Corporation with Shintoa Corporation's foods business, and the new company began operations under the name Kanematsu Shintoa Foods Corporation. By combining Kanematsu Food Corporation's expertise in proposal-based food processing with Shintoa's extensive customer base, the new company will be able to offer an enhanced solutions proposal service and acquire increased orders.

In the foodstuff business, in areas where Kanematsu has particular strengths such as raw materials for animal feed and non-genetically engineered soybeans, we intend to focus our energies on bolstering our organization in the upstream direction of the supply chain to help realize a stable supply of animal feed and cereals and expand our marketing channels both in Japan and overseas.

Iron & Steel

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

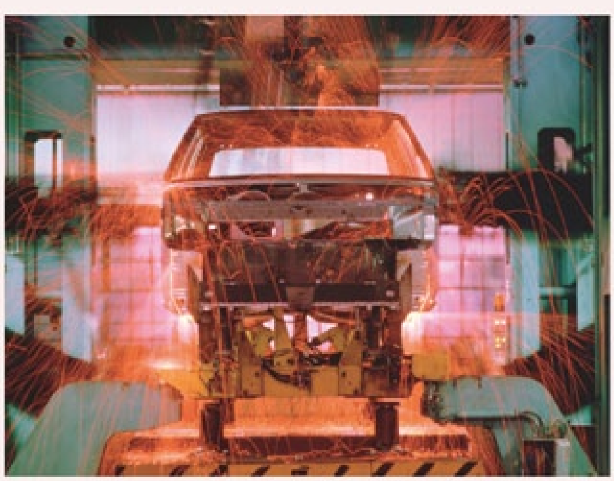
Takashi Gunji Director, Chief Officer, Iron & Steel Division

Kanematsu's Strengths

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

Main Business

Overseas Trading of Iron and Steel	Export of various kinds of steel sheets, plates, bar products and pipe and tubing products
Overseas Trading of Specialty Steel	Export of stainless steel sheets and plates, Export of alloy steel wire and bar products
Cast and Forged Steel Products	Import and export of cast and forged steel products for automotive parts (hot/cold forged), Export of porcelain enamel steel sheets
Domestic and Overseas Trading of Full Range of Steel Products	Import and tripartite trade of ferrous raw materials, Export and import of steel scrap and sub-materials



Results for Fiscal 2012

(¥ billion)	2011 Results	**2012 Results**	2013 Plan
Net sales	98.8	**99.1**	105.0
Gross profit	7.0	**7.4**	7.5
Operating income	3.4	**3.6**	3.5

Transactions in specialty steel product exports for automakers in Europe and the US, as well as for exports of specialty steel and stainless steel to other users in the US and Asia, held firm during the reporting term, pushing up overall earnings.

As a result, sales for the Iron & Steel Division rose ¥0.3 billion year on year, to ¥99.1 billion, while operating income rose ¥0.2 billion to ¥3.6 billion.

Plans for Fiscal 2013

In the iron and steel business, we aim to expand sales with a focus on high value-added products such as high-strength, corrosion-resistant steel for use in areas like energy and environmental preservation, which are projected to post continued growth. In the specialty steel business, which centers on automotive-use products, we will be putting efforts into further opening up Asian markets to complement our existing mainstay markets in Europe and North America.

Machinery & Plant

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

Takashi Gunji Director, Chief Officer, Machinery & Plant Division

Kanematsu's Strengths

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

Main Business

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

Results for Fiscal 2012

(¥ billion)	2011 Results	2012 Results	2013 Plan
Net sales	67.3	**70.4**	70.0
Gross profit	6.5	**7.0**	7.0
Operating income	1.1	**1.4**	1.0

In automotive-related transactions, from the second quarter of fiscal 2012 onward our business began to recover from the impact of the March 2011 disaster, which severed our supply chains, and business performance maintained the previous year's level. In plant-related transactions, there was an increase in ODA-related projects. Transactions involving machine tools held firm thanks to a recovery in demand for machine tools in Japan.

As a result, net sales of the Machinery & Plant Division posted year-on-year growth of ¥3.1 billion, to ¥70.4 billion, while operating income rose ¥0.3 billion to ¥1.4 billion.

Plans for Fiscal 2013

Transaction volume is expected to remain firm in the machine tools and industrial machinery businesses, and we plan to focus efforts on other Asian markets in addition to Japan. In the plant business, we will continue to aggressively seek orders related to projects involving Japan's ODA.

Environment & Materials

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

Takashi Gunji Director, Chief Officer, Environment & Materials Division

Kanematsu's Strengths

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

Main Business

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

Results for Fiscal 2012

(¥ billion)	2011 Results	2012 Results	2013 Plan
Net sales	227.5	273.7	285.0
Gross profit	8.4	9.2	9.0
Operating income	1.0	2.0	1.5

In the chemicals business, transaction volume held firm in both exports of raw materials for automotive batteries and imports of bulk pharmaceuticals. In the energy business, sales of heavy oil to electric power utilities increased, contributing to overall earnings.

As a result, net sales of the Environment & Materials Division increased by ¥46.2 billion year on year, to ¥273.7 billion, while operating income doubled from ¥1.0 billion to ¥2.0 billion.

Plans for Fiscal 2013

In the chemicals business, we plan steps to strengthen our transaction volumes in environment-related areas such as raw materials for lithium-ion batteries, as well as in the life sciences business, including the import of bulk pharmaceuticals.

In the energy business, we aim to enhance our earnings from transactions in petroleum products on the domestic market, notably heavy oil for the electric power utilities, while also aggressively engaging in emissions trading.

CSR (Corporate Social Responsibility)

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

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

Kanematsu's Code of Conduct

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

(Translated from Japanese)

Advocate Social Contribution Activities

Commemoration Projects

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

The Kanematsu Auditorium of Hitotsubashi University

Kanematsu Memorial Institute of Pathology, Sydney Hospital

Kanematsu Memorial Hall of Kobe University

Social Contributions

Following the Great East Japan Earthquake of March 2011, the Kanematsu Group provided support for the devastated region through the donation of funds for recovery and reconstruction, and the direct supply of goods to the region. In addition to a system introduced in April 2011 allowing employees to take time off work to engage in volunteer activities, we also disburse transportation and accommodation costs and so on when employees participate in volunteering programs approved or planned by the Company.

Up to May 2012, we had participated in five volunteer programs, including the Nippon Keidanren's One Percent Club, and a total of 70 personnel from the Kanematsu Group took part.

According to the organizers of volunteer centers throughout the tsunami-hit region, even now, well over a year after the disaster, much work remains to be done in clearing farmers' fields of debris, restoring fishing facilities to operational status, and providing support for displaced persons living in temporary housing.

At the Kanematsu Group, we believe it is important to ensure that such volunteer activities are not short-lived, and that the needs of the disaster-hit communities are addressed through activities pursued over a long period. We will continue to plan and promote volunteering in the disaster-hit region, and to assist the region's recovery.

In August 2011, we invited 34 elementary school children who were members of the Elite Kids program organized by the Fukushima Football Association, and held the "Fukushima-Chiba Kids' Soccer Tournament" at a Company-owned sports ground in Chiba Prefecture. This event was a chance for children, who had had little opportunity to exercise out of doors (owing to the health restrictions imposed in the wake of the Fukushima Daiichi nuclear power plant accident), to enjoy playing soccer in the open air.

We have also opened up this sports ground for use by local high schools for baseball, soccer, tennis and other sports, as part of our emphasis on good relations with local communities.


A group of volunteers


Clearing debris from farming land


Salmon hatchery


The Fukushima-Chiba Kids' Soccer Tournament

Work-Life Balance

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

Child Care Support

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

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

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

Family Care Support

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

Refreshment Day

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

Environmental Initiatives

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

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

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

Supporting the REDD+ program

The UN-REDD program is a United Nations initiative on "Reducing Emissions from Deforestation and Forest Degradation." The REDD+ program goes beyond this to include the role of conservation, the sustainable management of forests, and enhancement of forest carbon stocks. It aims to minimize the degradation of land through industrialization or housing development while reducing CO_2 emissions. As the economic benefits of absorption and fixation of CO_2 are converted into credits, this program is coming under the spotlight as a new framework for regulating CO_2 emissions, and it is also expected to help preserve biodiversity and improve the living environment of forest-dependent indigenous peoples.

At the Company, we are taking the lead worldwide in promoting specific initiatives under REDD+ in Brazil and Indonesia, where tropical rainforests are particularly threatened. The project we are undertaking in the Brazilian state of Mato Grosso, which we estimate will reduce CO_2 annual emissions by 400,000 tons, was selected by METI as a "FY2010 Global Warming Mitigation Technology Promotion Project." We are also conducting an investigation into the possibilities of combining forest preservation with the production of biofuel in Gorontalo Province, Indonesia, as a "New Mechanism Feasibility Study Project in FY2011" on behalf of the Ministry of the Environment.

Subsistence farming in Gorontalo Province (Indonesia)

Swidden land on a hillside used for crops (Indonesia)

The Amazon flows through conservation areas (Brazil)

CSR Procurement

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

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

Corporate Governance

Our Basic Stance on Corporate Governance

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

Board of Directors

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

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

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

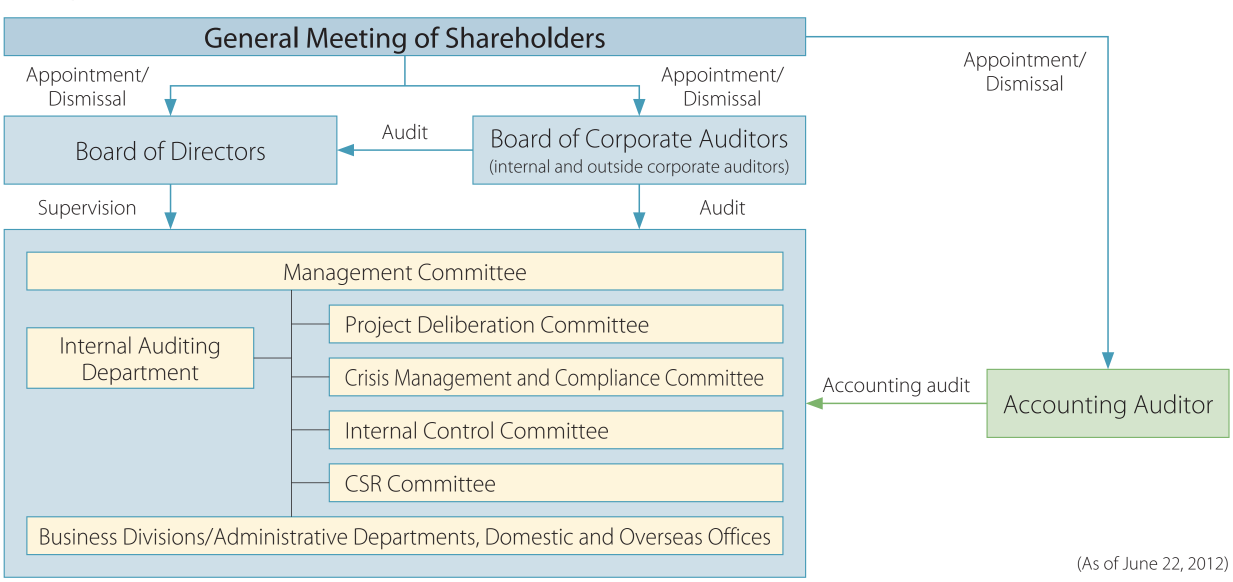
To discuss important projects to be proposed to the Executive Directors Council, a Project Deliberation Committee meeting is held every week. The Company introduced an executive officer system in July 2008. To respond appropriately to changes in the business environment, the term of office of directors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

Board of Corporate Auditors

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

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

● Corporate Governance Structure



(As of June 22, 2012)

Internal Auditing

The Internal Auditing Department (seven staff members as of June 22, 2012) 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, we are developing, operating, assessing, and improving internal controls relating to financial reporting.

The Company-wide internal controls and business processes at key facilities are assessed by the Internal Auditing Department, an independent department in charge of assessment.

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 shares information about the management of the Group to facilitate a mutual understanding and common awareness of corporate governance.

Risk Management

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

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

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

Regarding the risks posed by the occurrence of serious events such as major natural disasters, we have drawn up plans and a manual of countermeasures, and have put in place a system to ensure appropriate management of the Company in such a contingency.

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

Information Management System

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

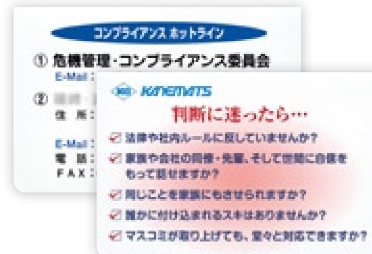
To tighten the security of information systems for risk management, we have established information security management regulations with a view to preventing leaks and outflows of important information and we have defined uniform standards on the use of computers, networks, e-mails and other means of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

Compliance

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

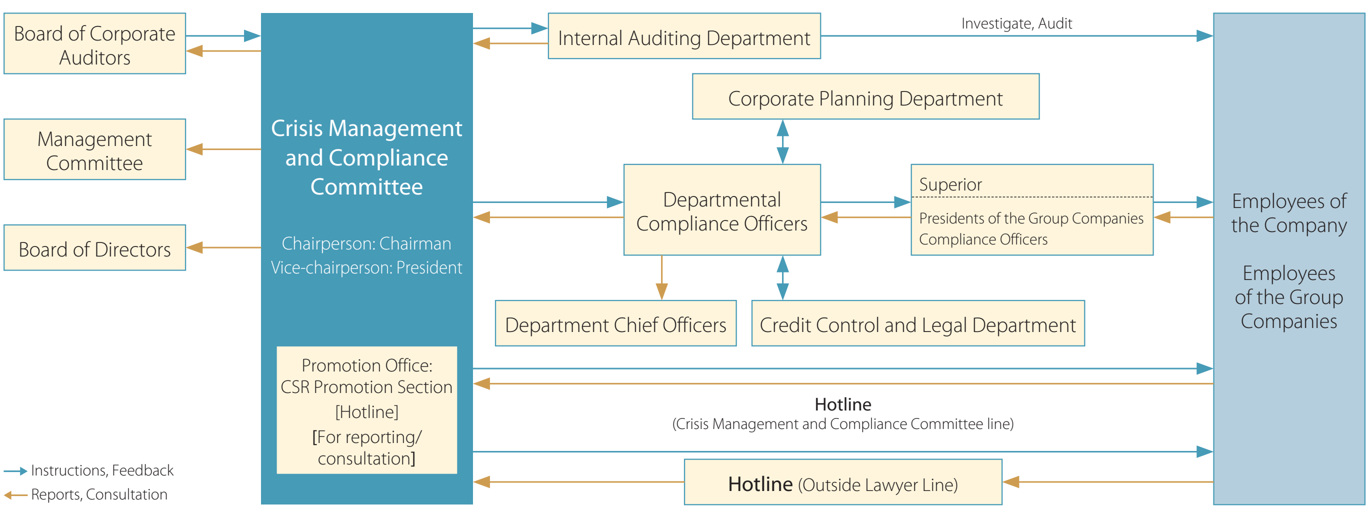
We have compiled a Compliance Handbook detailing countermeasures with specific examples, which has been distributed to all employees and also published on the intranet to raise awareness of compliance among directors and all employees. We also introduced a hotline system for reporting directly to or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

Compliance Handbook



Compliance Hotline Card

● Diagram of the Kanematsu Group Compliance System



IR Activities

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

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

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

Departments responsible for IR:

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

Directors and Corporate Auditors (As of June 22, 2012)

Toshihiro Kashizawa
Chairman
Chief Officer, Internal Auditing

Masayuki Shimojima
President

Tetsuro Murao
Managing Director
Assistant of President, Chief Officer, Personnel & General Affairs, General Manager for Osaka Branch

Hirokazu Tamura
Director
Chief Officer, Electronics & IT Division, Devices Division

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

Morihiro Toida
Director
Chief Officer, Foods Division, Foodstuff Division

Hideo Kazusa
Director
Chief Officer, Corporate Planning, System Planning, Textiles, Realty

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

Yoshiya Miyabe
Director
Vice Chief Officer, Electronics & IT Division

Nobuyoshi Sakuyama
Director
Chief Officer, Finance, Accounting, Business Accounting, General Manager of Finance Dept. & Accounting Dept.

Tsukasa Okamoto
Corporate Auditor

Fumihiko Nashimoto
Corporate Auditor

Yonosuke Yamada
Corporate Auditor

Yutaka Hirai
Corporate Auditor

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

Financial Section

Contents

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

- "Fiscal 2012" refers to the Company's consolidated fiscal year ended March 31, 2012 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

For the fiscal year ended March 31, 2012, consolidated net sales increased by ¥69,474 million year on year, to ¥1,006,365 million. This performance came against the background of an increased volume of trade by our Foods & Foodstuff and Environment & Materials segments, as well as higher commodity unit selling prices. Meanwhile, gross profit rose ¥3,995 million to ¥80,900 million. Thanks in part to this, as well as our continued efforts to hold down selling, general and administrative expenses, operating income posted a year-on-year gain of ¥3,397 million to ¥21,426 million. In non-operating items, despite a decline in dividend income and an increase in losses on foreign currency translations, we posted an improvement of ¥98 million in non-operating loss thanks to increased interest income and reduced losses on equity-method investments.

As a result, ordinary income increased by ¥3,495 million to ¥17,752 million. In extraordinary items, we recorded a loss of ¥4,223 million as a result of losses on sale of investments in securities, losses on the valuation of investments in securities, losses on liquidation of affiliates, and losses on withdrawal from welfare pension funds at subsidiaries. Income before income taxes and minority interests came to ¥13,529 million, up ¥499 million over the previous fiscal year.

The Company posted net income of ¥6,110 million, a decrease of ¥3,065 million from the previous fiscal year, owing to increased tax expenses stemming from a reduction in the amount of deferred tax assets in line with reforms to the taxation system implemented in fiscal 2011.

Segment Information

Electronics

Steady sales growth was once again enjoyed by the ICT solutions and mobile solutions businesses, thanks to the expanding market for smart phones and tablet computers. On the other hand, our semiconductor operations faced difficult business conditions due to a slump in demand for semiconductor components and semiconductor manufacturing equipment.

As a result, net sales in the Electronics & IT Segment decreased by ¥710 million to ¥253,144 million, while operating income declined by ¥462 million to ¥9,026 million.

Foods & Foodstuff

Sales of imported livestock products showed a firm undertone, while our foods business, where supply and demand was comparatively stable, enjoyed favorable results, centered on ready-to-eat meals and processed food products. In the foodstuff business, Japan's livestock raising and dairy farming sectors have been badly damaged by the March 2011 disaster, as well as other adverse factors. However, we succeeded in strengthening our relationships with our business partners and expanding our marketing channels in the field of animal feed sales, thereby contributing to earnings.

As a result, net sales in the Foods & Foodstuff Segment posted an increase of ¥20,252 million, to ¥292,112 million, while operating income rose by ¥2,351 million to ¥5,186 million.

Iron & Steel

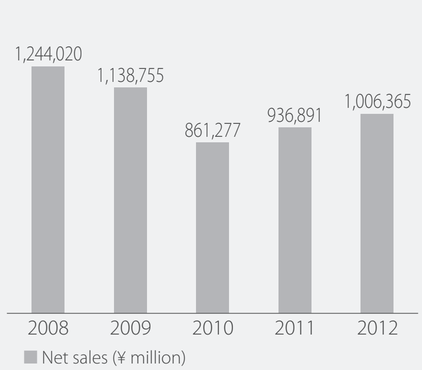
Exports to Europe and the United States of special steel products for automotive use, and of special and stainless steel products for other uses in the United States and Asia held firm, helping push up earnings.

As a result, net sales in the Iron & Steel Segment rose by ¥299 million to ¥99,131 million, while operating income increased by ¥202 million to ¥3,612 million.

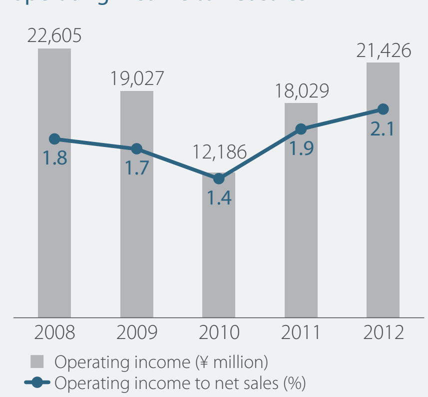
Machinery & Plant

In automotive components, our supply chains were severed by the March 11 disaster, but we were able to recover from this impact from the second quarter onward, posting a performance on a par with the previous year. In industrial plant transactions there was an increase in

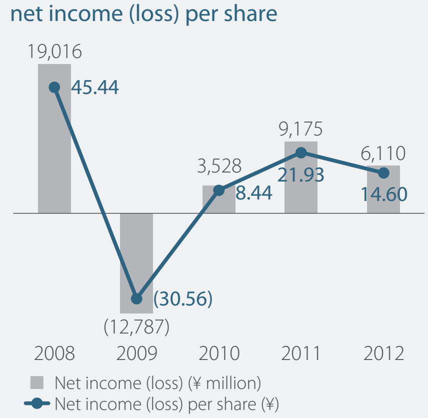
Net sales



Operating income and operating income to net sales



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



ODA-related projects. Machine tools transactions recorded firm results, thanks to a resurgence in demand for machine tools in Japan.

As a result, net sales in the Machinery & Plant Segment were up ¥3,095 million at ¥70,395 million, while operating income rose ¥385 million to ¥1,447 million.

Environment & Materials

In chemicals, we recorded firm transactions for exports of materials for vehicle batteries and imports of bulk powder pharmaceuticals. In the energy business, sales of heavy oil to electric power utilities increased, helping push up overall earnings.

As a result, net sales in the Environment & Materials Segment increased by ¥46,216 million to ¥273,682 million, while operating income rose ¥995 million to ¥1,972 million.

Other

Net sales in other businesses increased by ¥321 million to ¥17,898 million, while operating income posted a decrease of ¥75 million, to ¥160 million.

Financial Status

Cash flows

Net cash provided by operating activities came to ¥15,822 million as a result of increased operating income. Net cash provided by investing activities came to ¥1,291 million due to income from the sale of investment securities and the refund of time deposits. Net cash used in financing activities amounted to ¥13,411 million, reflecting the repayment of long-term debt.

As a result, the balance of cash and cash equivalents at the end of fiscal 2012, adjusted for the effect of exchange rate changes, came to ¥70,594 million, for an increase of ¥3,168 million over the previous term-end.

Fundraising and interest-bearing debt

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

Interest-bearing debt on a consolidated accounts basis at the end of the reporting fiscal year amounted to ¥160,848 million, down ¥12,779 million from the end of the previous fiscal year. The balance of cash and cash equivalents was up ¥1,821 million from the end of the previous fiscal year, at ¥70,835 million, and net interest-bearing debt came to ¥90,012 million, for a decrease of ¥14,600 million from the end of the previous fiscal year.

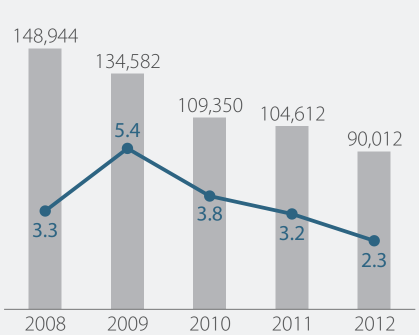
Long-term debt (which includes long-term loans falling due within one year) as a percentage of interest-bearing debt was 76% on a consolidated basis (87% on a nonconsolidated basis) at the end of the reporting fiscal year, indicating the high level of stability of our fundraising.

Net assets

Net assets increased by ¥6,416 million over the end of the previous fiscal year, to ¥55,992 million. This is attributable to an increase in retained earnings due to increased net income for the reporting term, which more than offset losses on foreign currency translation adjustments resulting from fluctuations in the yen's exchange rate.

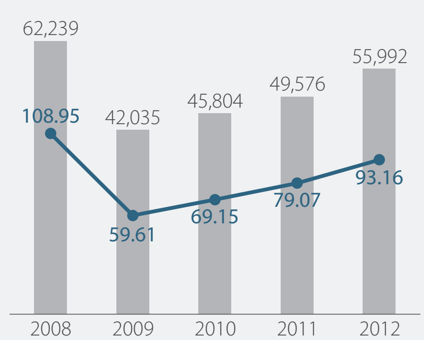
As a result, the equity ratio improved by 1.3 percentage points compared with the end of the previous fiscal year, to 9.8%.

Net interest-bearing debt and net debt-equity ratio



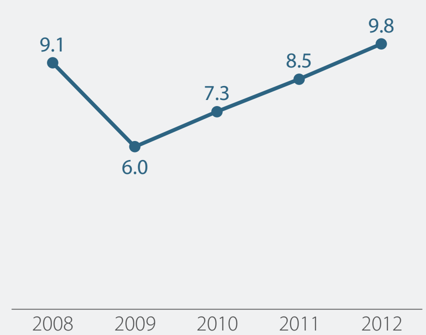
■ Net interest-bearing debt (¥ million)
—●— Net debt-equity ratio (times)
* Net interest-bearing debt = Interest-bearing debt – Cash and bank deposits
* Net debt-equity ratio = Net interest-bearing debt / Shareholders' equity

Net assets and net assets per share



■ Net assets (¥ million) —●— Net assets per share (¥)

Equity ratio



—●— 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 22, 2012.

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

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

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

Foreign currency risk

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

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

Interest rate risk

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

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

Price fluctuation risk of marketable securities, etc.

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

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

Default risk and credit risk

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

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

Business investment risk

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

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

Country risk

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

Legal risk related to changes in laws

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

Legal risk related to lawsuits and disputes

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

Security risk related to information systems and information security

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

Product and facility deterioration risk and business interruption 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, 2012 and 2011 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD (Note 3)
Assets			
I. Current assets			
1. Cash and bank deposits (Note 5-3)	70,835	69,014	861,851
2. Notes and accounts receivable (Notes 5-3, 5-8)	163,782	146,546	1,992,733
3. Lease investment assets	666	606	8,108
4. Inventories (Note 5-1)	57,113	57,089	694,897
5. Short-term loans receivable	974	1,740	11,858
6. Deferred tax assets	3,322	3,581	40,422
7. Other	22,180	21,058	269,865
Allowance for doubtful accounts	(294)	(355)	(3,580)
Total current assets	318,581	299,283	3,876,154
II. Long-term assets			
1. Tangible fixed assets			
1) Leased properties, net (Note 5-3)	1,989	2,563	24,212
2) Buildings and structures, net (Note 5-3)	4,987	5,149	60,683
3) Machinery, equipment, vehicle, tools and fixtures, net	4,537	4,781	55,211
4) Land (Note 5-3)	14,192	14,291	172,681
5) Lease assets, net	1,310	1,092	15,940
6) Construction in progress	10	5	125
Total tangible fixed assets (Note 5-2)	27,028	27,884	328,851
2. Intangible fixed assets	1,905	1,859	23,186
3. Investments and other assets			
1) Investments in securities (Notes 5-3, 5-4)	29,867	31,977	363,397
2) Long-term loans receivable	5,790	12,679	70,450
3) Doubtful accounts	1,886	14,006	22,955
4) Deferred tax assets	10,842	13,325	131,920
5) Other	7,585	9,894	92,291
Allowance for doubtful accounts	(3,734)	(22,236)	(45,436)
Total investments and other assets	52,238	59,648	635,577
Total long-term assets	81,172	89,392	987,614
Total assets	399,753	388,676	4,863,768

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

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD (Note 3)
Liabilities			
I. Current liabilities			
1. Notes and accounts payable (Note 5-8)	108,956	96,137	1,325,671
2. Import bills payable	29,670	27,119	361,004
3. Short-term borrowings (Note 5-3)	78,444	100,488	954,428
4. Lease obligations	726	572	8,842
5. Accrued income taxes	1,863	1,562	22,669
6. Deferred tax liabilities	1	1	15
7. Asset retirement obligations	35	6	435
8. Other	27,138	26,231	330,192
Total current liabilities	246,837	252,120	3,003,255
II. Non-current liabilities			
1. Long-term borrowings (Note 5-3)	82,403	73,138	1,002,603
2. Lease obligations	1,394	1,248	16,969
3. Deferred tax liabilities	160	364	1,951
4. Provision for employees' retirement and severance benefits	2,736	2,516	33,294
5. Provision for loss on lawsuits	910	—	11,072
6. Provision for retirement benefits for directors and statutory auditors	537	617	6,540
7. Asset retirement obligations	821	847	9,994
8. Other (Note 5-3)	7,958	8,245	96,834
Total non-current liabilities	96,922	86,978	1,179,255
Total liabilities	343,760	339,099	4,182,510
Net assets			
I. Shareholders' equity			
1. Common stock	27,781	27,781	338,011
2. Capital surplus	27,597	27,606	335,774
3. Retained earnings (Deficit)	15,003	8,914	182,544
4. Treasury stock	(550)	(569)	(6,703)
Total shareholders' equity	69,830	63,732	849,627
II. Accumulated other comprehensive income			
1. Net unrealized gains (losses) on securities, net of tax	137	(166)	1,677
2. Net gains (losses) on deferred hedges, net of tax	492	(143)	5,994
3. Revaluation reserves for land (Note 5-5)	66	58	807
4. Foreign currency translation adjustments	(31,519)	(30,379)	(383,496)
Total accumulated other comprehensive income	(30,822)	(30,631)	(375,017)
III. Minority interests in consolidated subsidiaries	16,984	16,475	206,647
Total net assets	55,992	49,576	681,258
Total liabilities and net assets	399,753	388,676	4,863,768

Consolidated Statements of Income

For the years ended March 31, 2012 and 2011 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2012		Fiscal 2011		Fiscal 2012	
	JPY		JPY		USD (Note 3)	
I. Net sales		1,006,365		936,891		12,244,373
II. Cost of sales (Note 6-1)		925,464		859,986		11,260,068
Gross profit		80,900		76,905		984,305
III. Selling, general and administrative expenses (Note 6-2)						
1. Salaries and bonuses	23,352		23,104		284,128	
2. Retirement benefit expenses	1,765		1,573		21,482	
3. Outsourcing service charges	7,494		7,659		91,188	
4. Provision of allowance for doubtful accounts	112		88		1,367	
5. Other	26,748	59,473	26,449	58,875	325,442	723,608
Operating income		21,426		18,029		260,697
IV. Non-operating income						
1. Interest income	472		574		5,747	
2. Dividend income	780		1,188		9,500	
3. Equity in earnings of affiliates	266		—		3,244	
4. Other	951	2,470	1,331	3,093	11,571	30,061
V. Non-operating expenses						
1. Interest expenses	4,093		4,346		49,810	
2. Equity in losses of affiliates	—		374		—	
3. Foreign exchange losses	562		415		6,843	
4. Other	1,488	6,144	1,728	6,864	18,108	74,761
Ordinary income		17,752		14,257		215,997
VI. Extraordinary gains						
1. Gain on sale of tangible fixed assets (Note 6-3)	38		52		470	
2. Gain on sale of investments in securities	264		495		3,219	
3. Gain on liquidation of subsidiaries and affiliates	10		4		131	
4. Gain on negative goodwill	—		103		—	
5. Gain on reversal of allowance for doubtful accounts	—	314	487	1,143	—	3,821
VII. Extraordinary losses						
1. Loss on disposal of fixed assets (Note 6-4)	100		92		1,228	
2. Impairment loss on fixed assets (Note 6-6)	440		252		5,364	
3. Loss on sale of investments in securities	545		464		6,640	
4. Impairment loss on investments in securities	660		560		8,038	
5. Loss on closure of business (Note 6-5)	1,185		—		14,424	
6. Provision for loss on lawsuits (Note 6-8)	910		—		11,072	
7. Loss on adjustment for changes of accounting standard for asset retirement obligations	—		436		—	
8. Loss on withdrawing from employees' pension fund	693		—		8,438	
9. Loss on disaster (Note 6-7)	—	4,537	563	2,370	—	55,204
Income before income taxes and minority interests		13,529		13,030		164,614
Income taxes – current	3,907		3,244		47,544	
Income taxes – deferred	2,115	6,023	(800)	2,443	25,739	73,282
Income before minority interests		7,506		10,587		91,331
Minority interests in consolidated subsidiaries		1,395		1,412		16,985
Net income		6,110		9,175		74,346

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

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2012 and 2011 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD (Note 3)
I. Income before minority interests	7,506	10,587	91,331
II. Other comprehensive income			
1. Net unrealized losses on securities, net of tax	303	(272)	3,698
2. Net losses on deferred hedges, net of tax	597	(390)	7,272
3. Foreign currency translation adjustments	(1,221)	(4,703)	(14,862)
4. Share of other comprehensive income of associates accounted for equity method	(12)	(79)	(158)
Total other comprehensive income (Note 7-1)	(332)	(5,445)	(4,050)
Comprehensive income	7,173	5,141	87,282
Comprehensive income attributable to the shareholders of the Company	5,918	4,152	72,016
Comprehensive income attributable to minority interests	1,254	989	15,266

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

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2012 and 2011   Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD (Note 3)
I. Shareholders' equity			
1. Common stock			
Balance at the beginning of the fiscal year	27,781	27,781	338,011
Changes during the fiscal year			
Total changes during the fiscal year	—	—	—
Balance at the end of the fiscal year	27,781	27,781	338,011
2. Capital surplus			
Balance at the beginning of the fiscal year	27,606	27,644	335,882
Changes during the fiscal year			
Disposition of treasury stock	(8)	(38)	(108)
Total changes during the fiscal year	(8)	(38)	(108)
Balance at the end of the fiscal year	27,597	27,606	335,774
3. Retained earnings (Deficit)			
Balance at the beginning of the fiscal year	8,914	(261)	108,460
Changes during the fiscal year			
Net income	6,110	9,175	74,346
Changes of scope of equity-method	(21)	—	(262)
Total changes during the fiscal year	6,089	9,175	74,085
Balance at the end of the fiscal year	15,003	8,914	182,544
4. Treasury stock			
Balance at the beginning of the fiscal year	(569)	(639)	(6,924)
Changes during the fiscal year			
Acquisition of treasury stock	(6)	(11)	(74)
Disposition of treasury stock	24	81	295
Effect of changes in the shares of equity-method affiliates	—	(0)	—
Total changes during the fiscal year	18	70	222
Balance at the end of the fiscal year	(550)	(569)	(6,703)
5. Total shareholders' equity			
Balance at the beginning of the fiscal year	63,732	54,524	775,429
Changes during the fiscal year			
Net income	6,110	9,175	74,346
Acquisition of treasury stock	(6)	(11)	(74)
Disposition of treasury stock	15	43	187
Effect of changes in the shares of equity-method affiliates	—	(0)	—
Changes of scope of equity-method	(21)	—	(262)
Total changes during the fiscal year	6,098	9,207	74,198
Balance at the end of the fiscal year	69,830	63,732	849,627

	Fiscal 2012 JPY	Fiscal 2011 JPY	Fiscal 2012 USD (Note 3)
II. Accumulated other comprehensive income			
1. Net unrealized gains (losses) on securities, net of tax			
Balance at the beginning of the fiscal year	(166)	57	(2,026)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	304	(224)	3,703
Total changes during the fiscal year	304	(224)	3,703
Balance at the end of the fiscal year	137	(166)	1,677
2. Net gains (losses) on deferred hedges, net of tax			
Balance at the beginning of the year	(143)	262	(1,745)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	636	(405)	7,739
Total changes during the fiscal year	636	(405)	7,739
Balance at the end of the fiscal year	492	(143)	5,994
3. Revaluation reserves for land			
Balance at the beginning of the fiscal year	58	58	706
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	8	—	102
Total changes during the fiscal year	8	—	102
Balance at the end of the fiscal year	66	58	807
4. Foreign currency translation adjustments			
Balance at the beginning of the fiscal year	(30,379)	(25,986)	(369,621)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(1,140)	(4,393)	(13,875)
Total changes during the fiscal year	(1,140)	(4,393)	(13,875)
Balance at the end of the fiscal year	(31,519)	(30,379)	(383,496)
5. Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	(30,631)	(25,608)	(372,686)
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	(191)	(5,022)	(2,331)
Total changes during the fiscal year	(191)	(5,022)	(2,331)
Balance at the end of the fiscal year	(30,822)	(30,631)	(375,017)
III. Minority interests in consolidated subsidiaries			
Balance at the beginning of the fiscal year	16,475	16,887	200,457
Changes during the fiscal year			
Net changes of items other than shareholders' equity during the fiscal year	508	(412)	6,191
Total changes during the fiscal year	508	(412)	6,191
Balance at the end of the fiscal year	16,984	16,475	206,647
IV. Total net assets			
Balance at the beginning of the fiscal year	49,576	45,804	603,200
Changes during the fiscal year			
Net income	6,110	9,175	74,346
Acquisition of treasury stock	(6)	(11)	(74)
Disposition of treasury stock	15	43	187
Effect of changes in the shares of equity-method affiliates	—	(0)	—
Changes of scope of equity-method	(21)	—	(262)
Net changes of items other than shareholders' equity during the fiscal year	317	(5,435)	3,860
Total changes during the fiscal year	6,415	3,772	78,058
Balance at the end of the fiscal year	55,992	49,576	681,258

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2012 and 2011 Kanematsu Corporation and Consolidated Subsidiaries

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD (Note 3)
I. Cash flows from operating activities			
Income before income taxes and minority interests	13,529	13,030	164,614
Depreciation and amortization	2,561	2,555	31,171
Increase (Decrease) in allowance for doubtful accounts	(247)	60	(3,011)
Increase (Decrease) in provision for employees' retirement and severance benefits	233	(119)	2,846
Interest and dividends income	(1,253)	(1,762)	(15,247)
Interest expenses	4,093	4,346	49,810
Equity in (gains) losses of affiliates	(266)	374	(3,244)
Loss on disposal of fixed assets	62	40	758
Impairment loss on fixed assets	440	252	5,364
(Gain) Loss on sale of investments in securities, net	281	(30)	3,421
Impairment loss on investments in securities	660	560	8,038
Gain on reversal of allowance for doubtful accounts	—	(487)	—
Loss on closure of business	1,185	—	14,424
Provision for loss on lawsuits	910	—	11,072
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	436	—
Loss on withdrawing from employees' pension fund	693	—	8,438
Loss on disaster	—	563	—
Increase in notes and accounts receivable	(16,251)	(21,167)	(197,733)
Increase in inventories	(646)	(3,103)	(7,860)
Increase in notes and accounts payable	19,843	13,950	241,429
Other	(1,699)	3,424	(20,676)
Sub total	24,132	12,924	293,614
Interest and dividends received	1,141	1,698	13,883
Interest paid	(4,105)	(4,390)	(49,946)
Income taxes paid	(3,818)	(2,339)	(46,465)
Payments for cancellation of leases	(833)	—	(10,138)
Payments for withdrawing from employees' pension fund	(693)	—	(8,438)
Payments for loss on disaster	—	(64)	—
Net cash provided by operating activities	15,822	7,827	192,512
II. Cash flows from investing activities			
Decrease in time deposits, net	1,340	17,652	16,304
Payments for tangible fixed assets	(2,175)	(1,210)	(26,469)
Proceeds from sales of tangible fixed assets	658	419	8,010
Payments for intangible fixed assets	(579)	(670)	(7,056)
Payments for investments in securities	(121)	(450)	(1,484)
Proceeds from sales of investments in securities	1,331	1,274	16,206
Payments for purchase of investments in subsidiaries	(0)	(217)	(2)
Increase in loans receivable	(1,979)	(2,786)	(24,086)
Proceeds from collection of loans receivable	2,605	3,496	31,702
Other	212	(184)	2,591
Net cash used in investing activities	1,291	17,322	15,715
III. Cash flows from financing activities			
Increase (Decrease) in short-term borrowings, net	788	(9,192)	9,592
Proceeds from long-term borrowings	49,968	48,531	607,957
Repayments of long-term borrowings	(63,296)	(58,680)	(770,128)
Proceeds on issuance of common stock	38	—	465
Other	(909)	(1,323)	(11,064)
Net cash used in financing activities	(13,411)	(20,664)	(163,178)
IV. Effect of exchange rate changes on cash and cash equivalents	(533)	(1,677)	(6,497)
V. Net increase in cash and cash equivalents	3,168	2,808	38,552
VI. Cash and cash equivalents at beginning of year	67,426	64,479	820,369
VII. Effect of the change in scope of consolidated subsidiaries	—	137	—
VIII. Cash and cash equivalents at end of year (Note 9-1)	70,594	67,426	858,921

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

Notes to Consolidated Financial Statements

For the years ended March 31, 2012 and 2011 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 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 2012

(1) Number of consolidated subsidiaries: 78

In the current fiscal year, 3 companies were added to the scope of consolidation due to new establishment, while 4 companies were excluded from the scope of consolidation due to merger or liquidation.

(2) Unconsolidated subsidiaries:

5 companies are not included in the scope of consolidation.

(3) Reason that certain subsidiaries are excluded from the scope of consolidation:

5 unconsolidated subsidiaries are excluded from consolidation as they are 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 2012

(1) Number of unconsolidated subsidiaries to which the equity method is applied: 4

4 subsidiaries out of 5 unconsolidated subsidiaries are accounted for by the equity method.

(2) Number of affiliated companies to which the equity method is applied: 25

Among 30 affiliated companies, the equity method is applied to investments in 25 companies.

In the current fiscal year, 1 company was added to the scope of consolidation due to acquisition and 4 companies were excluded from accounting via the equity method due to sale of shares and decline in influence.

(3) Reason that the equity method is not applied to certain affiliated companies:

The 1 unconsolidated subsidiary and 5 affiliated companies to which the equity method is not applied are immaterial to the Company's consolidated net income and retained earnings, individually and in the aggregate.

(c) Fiscal Year-ends of Consolidated Subsidiaries

Fiscal 2012

Consolidated subsidiaries that have different fiscal year-end dates from the consolidated balance sheet date are 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
29 other companies	

In preparing the consolidated financial statements, the financial statements of 34 companies with fiscal year-end dates within three months of the consolidated balance sheet date of March 31, are used. However, material differences in transactions and accounts arising from the use of these fiscal year-end dates are appropriately adjusted for in consolidation.

(d) Short-term Investments and Investments in Securities

Fiscal 2012
(1) Held-to-maturity bonds: Debt securities are stated at cost less the amortization of any premium or discounts, which are amortized over the period to maturities. **(2) Other securities (Non-trading purpose):** * Marketable securities Marketable securities are stated at fair value. Net unrealized gains or losses on securities recorded in "Net assets" are net of tax amounts. The cost for marketable securities that have been sold is determined using the moving average method. The fair value is determined primary based on the average of daily market price for one-month prior to the fiscal year-end. * Non-marketable securities The non-marketable securities are stated at cost using the moving average method.

(e) Derivatives

Fiscal 2012
Derivatives are stated at fair value method.

(f) Inventories

Fiscal 2012
Inventories are stated at cost method principally determined by the moving average method (carried at the lower of cost or market value on the balance sheet).

(g) Property and Equipment

Fiscal 2012
(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 **(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.

(h) Allowance for Doubtful Accounts

Fiscal 2012
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.

(i) Provision for Employees' Retirement and Severance Benefits

Fiscal 2012
The Company and certain of its subsidiaries provide for retirement provisions 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) Provision for Loss on Lawsuits

Fiscal 2012
The Companies provide a provision for potential losses on lawsuits.

(k) Provision for Retirement Benefits for Directors and Statutory Auditors

Fiscal 2012
The Company and certain of its subsidiaries provide a provision 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.

(l) Translation of Foreign Currencies

Fiscal 2012
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."

(m) Hedge Accounting

Fiscal 2012

(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.

(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

(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.

(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.

(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.

(n) Amortization of Goodwill and Negative Goodwill

Fiscal 2012
Goodwill whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise goodwill is amortized over 5 years using the straight-line method. Negative goodwill which was recognized by business combinations before April 1, 2010 and whose amortization period can be reasonably estimated is amortized over the estimated period. Otherwise negative goodwill is amortized over 5 years using the straight-line method.

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

Fiscal 2012
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.

(p) Consumption Taxes

Fiscal 2012
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.

(q) Consolidated Tax Return

Fiscal 2012
The Company and its wholly owned domestic subsidiaries have adopted the consolidated tax regime, and as such file a consolidated corporate-tax return.

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 ¥82.19 to U.S.$1.00, the exchange rate prevailing on March 31, 2012. 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. Supplementary Information

Fiscal 2012
Effective from the current fiscal year, the Company applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 dated on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 dated on December 4, 2009).

5. Notes to Consolidated Balance Sheets

Fiscal 2012

1. Details of inventories are as follows

	JPY	USD
Merchandise and finished goods	54,626	664,634
Real estate for sale	714	8,693
Raw materials and supplies	1,034	12,585
Work in progress	738	8,984
Total	57,113	694,897

2. The amount of accumulated depreciation of tangible fixed assets is ¥32,077 million ($390,286 thousand).

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY	USD
Cash and bank deposits	16	195
Notes and accounts receivable	1,490	18,131
Leased properties	1,786	21,741
Buildings and structures	39	478
Land	84	1,024
Investments in securities	139	1,697
Total	3,555	43,265

Details of associated secured obligations are as follows:

	JPY	USD
Short-term borrowings	4,468	54,366
Long-term borrowings	200	2,433
Non-current liabilities and others	1,172	14,261
Guaranteed obligations	4	49

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

	JPY	USD
Cash and bank deposits	3	37
Investments in securities	1,640	19,965
Total	1,643	20,001

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

	JPY	USD
Investments in securities	6,070	73,858
(Share stocks)	(5,554)	(67,583)
(Equity investments)	(515)	(6,274)

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.

Fiscal 2011

1. Details of inventories are as follows

	JPY
Merchandise and finished goods	54,597
Real estate for sale	921
Raw materials and supplies	1,043
Work in progress	527
Total	57,089

2. The amount of accumulated depreciation of tangible fixed assets is ¥31,115 million.

3. Pledged assets and associated secured obligations

Details of pledged assets are as follows:

	JPY
Cash and bank deposits	16
Notes and accounts receivable	1,867
Leased properties	2,338
Buildings and structures	42
Land	84
Investments in securities	139
Total	4,488

Details of associated secured obligations are as follows:

	JPY
Short-term borrowings	3,774
Long-term borrowings	1,603
Non-current liabilities and others	1,289
Guaranteed obligations	4

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

	JPY
Cash and bank deposits	3
Investments in securities	1,827
Total	1,830

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

	JPY
Investments in securities	6,077
(Share stocks)	(5,634)
(Equity investments)	(442)

5. Revaluation reserves for land

Same as fiscal 2012.

Fiscal 2012	Fiscal 2011
6. Liability for guarantee	**6. Liability for guarantee**

Fiscal 2012

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	759	9,237
True Corporation Public	407	4,961
Mojiko Silo	200	2,433
Others	1,540	18,737
Total	2,906	35,368

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

7. The amount of discounted notes receivable is ¥5,722 million ($69,624 thousand), of which ¥5,177 million ($62,997 thousand) is for discounted export bills, and the amount of endorsed notes receivable is ¥109 million ($1,327 thousand).

8. The company and its domestic consolidated subsidiaries record actual cash settlement of the notes on the date of clearance. Since the closing date on March 31, 2012 was not a business day of financial institutions, the following notes due on closing date are included in the year-end balances.

	JPY	USD
Notes receivable	2,167	26,368
Notes payable	1,454	17,696

Fiscal 2011

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	877
True Corporation Public	407
Japan Logistics	118
Others	1,957
Total	3,361

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

7. The amount of discounted notes receivable is ¥11,736 million, of which ¥11,138 million is for discounted export bills, and the amount of endorsed notes receivable is ¥92 million.

8. Not applicable.

6. Notes to Consolidated Statements of Income

Fiscal 2012

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 ¥515 million ($6,273 thousand) is included in cost of sales.

2. Research and development expenses

Research and development expenses are charged to income when incurred and included in general and administrative expenses: ¥445 million ($5,420 thousand).

3. Gain on sale of tangible fixed assets

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

	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	35	437
Others	2	32
Total	38	470

4. Loss on disposal of fixed assets

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

	JPY	USD
Buildings and structures	42	512
Machinery, equipment, vehicle, tools and fixtures	27	339
Intangible fixed assets	20	247
Others	10	130
Total	100	1,228

Fiscal 2011

1. Loss on devaluation of inventories

Inventories are carried at the lower of cost or market value in the balance sheet. A loss on devaluation of inventories of ¥217 million is included in cost of sales.

2. Research and development expenses

Research and development expenses are charged to income when incurred and included in general and administrative expenses: ¥397 million.

3. Gain on sale of tangible fixed assets

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

	JPY
Machinery, equipment, vehicle, tools and fixtures	25
Land	18
Others	7
Total	52

4. Loss on disposal of fixed assets

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

	JPY
Buildings and structures	25
Machinery, equipment, vehicle, tools and fixtures	21
Land	19
Intangible fixed assets	11
Others	15
Total	92

Fiscal 2012	Fiscal 2011

Fiscal 2012

5. Loss on closure of business

Loss on closure of business is recorded in a consolidated subsidiary on silicon wafer processing business for photovoltaic power generation system. Details of the loss are as follows:

	JPY	USD
Loss on cancellation of lease contract	833	10,138
Impairment loss on fixed assets	345	4,203
Loss on disposal of inventories	6	83
Total	1,185	14,424

6. 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
Leased properties	Shiga, Japan	Leased properties	416	5,067
Idle assets	Fukuoka, Japan	Land	24	298
Idle assets	Shiga, Japan	Machinery, etc.	345	4,203
Total			786	9,568

The Company assesses impairment losses for leased properties and idle assets individually.

For the leased properties to be sold and idle assets which the Company has no plan to use in the future, their carrying amounts were reduced to their recoverable amounts.

¥440 million ($5,364 thousand) out of ¥786 million ($9,568 thousand) of the impairment losses were recorded in extraordinary loss as impairment loss on fixed assets. Out of ¥440 million ($5,364 thousand) of the impairment losses, ¥416 million ($5,067 thousand) and ¥24 million ($298 thousand) were for leased property and land, respectively.

¥345 million ($4,203 thousand) out of ¥786 million ($9,568 thousand) of the impairment losses were recorded in extraordinary loss as loss on closure of business. Out of ¥345 million ($4,203 thousand), ¥339 million ($4,127 thousand) was for machinery, equipment, vehicle, tools and fixtures, ¥6 million ($76 thousand) was for buildings and structures, and ¥0 million ($1 thousand) was for software.

The recoverable amount is the net selling value. The net selling value is estimated mainly based on the amounts agreed in contracts.

7. Not applicable.

8. Provision for loss on lawsuits

Provision for loss on lawsuits is mainly based on the settlement amount proposed by the court for the lawsuit the Company has been filed for compensation based upon representations and warranties.

Fiscal 2011

5. Not applicable.

6. Impairment loss on fixed assets

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

Use	Location	Type	JPY
Business assets	Fukuoka, Japan	Buildings, etc.	9
Idle assets	Hyogo, Japan	Buildings, land, etc.	185
Idle assets	Tokyo, Japan	Telephone subscription rights	57
Total			252

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

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

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

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

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

	JPY
Loss on damage of inventories	454
Relief and recovery support money	57
Cost of restoration of fixed assets	40
Loss on damage of fixed assets	6
Others	4
Total	563

8. Not applicable.

7. Notes to Consolidated Statements of Comprehensive Income

Fiscal 2012

1. Reclassification adjustments and deferred tax related to other comprehensive income

	JPY	USD
Net unrealized gains (losses) on securities, net of tax		
Net unrealized gains (losses) during the year	(591)	(7,191)
Reclassification adjustments	832	10,126
Total before deferred tax	241	2,935
Deferred tax	62	763
Total net unrealized gains (losses) on securities, net of tax	303	3,698
Net gains (losses) on deferred hedges, net of tax		
Net unrealized gains (losses) during the year	847	10,315
Reclassification adjustments	(140)	(1,710)
Total before deferred tax	707	8,605
Deferred tax	(109)	(1,333)
Total net gains (losses) on deferred hedges, net of tax	597	7,272
Foreign currency translation adjustments		
Translation adjustments during the year	(1,299)	(15,813)
Reclassification adjustments	78	951
Total foreign currency translation adjustments	(1,221)	(14,862)
Share of other comprehensive income of investments accounted for using the equity method		
Net unrealized gains (losses) during the year	0	(1)
Reclassification adjustments	(12)	(157)
Total share of other comprehensive income of investments accounted for using the equity method	(12)	(158)
Total	(332)	(4,050)

8. Notes to Consolidated Statements of Changes in Net Assets

Fiscal 2012

Class and number of shares issued and treasury stock

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase in shares during the fiscal year (thousand shares)	Decrease in shares during the fiscal year (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Shares issued				
Common shares	422,501	—	—	422,501
Total	422,501	—	—	422,501
Treasury stock				
Common shares (Notes 1, 2)	3,878	78	160	3,796
Total	3,878	78	160	3,796

(Notes) 1. The breakdown of the increase of 78 thousand common shares during the term is as follows:
Increase as a result of fractional share repurchases: 78 thousand shares
2. The breakdown of the decrease of 160 thousand common shares during the term is as follows:
Decrease as a result of the disposition of fractional shares: 5 thousand shares
The Company's portion of treasury stock (the Company's stock) disposed by a company applied equity method that attributes to the Company: 154 thousand shares

Fiscal 2011

Class and number of shares issued and treasury stock

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

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

9. Notes to Consolidated Statements of Cash Flows

Fiscal 2012

1. Cash and cash equivalents as of March 31, 2012, consist of the following:

	JPY	USD
Cash and bank deposits	70,835	861,851
Time deposits which deposit terms exceed three months	(240)	(2,930)
Cash and cash equivalents	70,594	858,921

Fiscal 2011

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

	JPY
Cash and bank deposits	69,014
Time deposits which deposit terms exceed three months	(1,588)
Cash and cash equivalents	67,426

10. Lease Transactions

Fiscal 2012

<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 fiscal year of leased properties:

	Acquisition cost		Accumulated depreciation		Balance at end of the fiscal year	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	687	8,360	489	5,957	197	2,403
Others	4	52	3	48	0	4
Total	691	8,412	493	6,005	197	2,407

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

	JPY	USD
Due within one year	85	1,039
Due after one year	199	2,429
Total	285	3,469

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

	JPY	USD
Payments to lessors	155	1,890
Depreciation	143	1,750
Interest expenses	8	105

(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	19	233
Due after one year	35	437
Total	55	670

Fiscal 2011

<Leases as Lessee>

1. Finance leases

Same as fiscal 2012.

[1] Detail of lease assets

Tangible fixed assets

Same as fiscal 2012.

[2] Depreciation method of lease assets

Same as fiscal 2012.

Same as fiscal 2012.

(1) Acquisition cost, accumulated depreciation and balance at the end of the fiscal year of leased properties:

	Acquisition cost	Accumulated depreciation	Balance at end of the fiscal year
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	1,068	776	291
Others	4	3	1
Total	1,072	780	292

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

	JPY
Due within one year	236
Due after one year	254
Total	491

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

	JPY
Payments to lessors	284
Depreciation	266
Interest expenses	15

(4) Computation of depreciation

Same as fiscal 2012.

(5) Computation of interest expenses

Same as fiscal 2012.

(Impairment Loss)

Same as fiscal 2012.

2. Operating leases

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

	JPY
Due within one year	394
Due after one year	880
Total	1,274

Fiscal 2012

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY	USD
Lease payments received	680	8,277
Interest income	(13)	(169)
Lease investment assets	666	8,108

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

Current assets

	JPY	USD
Due within one year	362	4,410
Over one year and within two years	229	2,791
Over two years and within three years	82	1,008
Over three years and within four years	5	61
Over four years and within five years	0	7
Over five years	—	—

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

(1) Acquisition cost, accumulated depreciation and balance at the end of the fiscal year of leased properties:

	Acquisition cost		Accumulated depreciation		Balance at the end of the fiscal year	
	JPY	USD	JPY	USD	JPY	USD
Machinery, equipment, vehicle, tools and fixtures	11	142	11	136	0	6
Total	11	142	11	136	0	6

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

	JPY	USD
Due within one year	39	479
Due after one year	44	544
Total	84	1,023

(Note) Related sub-lease payments against the above receivable are ¥78 million ($950 thousand) (including ¥33 million ($406 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	88	1,083
Depreciation	3	41
Interest income	0	0

(4) Computation of interest

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

Fiscal 2011

<Leases as Lessor>

1. Finance leases

[1] Detail of the lease investment assets

Current assets

	JPY
Lease payments received	618
Interest income	(12)
Lease investment assets	606

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

Current assets

	JPY
Due within one year	305
Over one year and within two years	220
Over two years and within three years	76
Over three years and within four years	11
Over four years and within five years	3
Over five years	—

Same as fiscal 2012.

(1) Acquisition cost, accumulated depreciation and balance at the end of the fiscal year of leased properties:

	Acquisition cost	Accumulated depreciation	Balance at the end of the fiscal year
	JPY	JPY	JPY
Machinery, equipment, vehicle, tools and fixtures	18	17	1
Total	18	17	1

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

	JPY
Due within one year	120
Due after one year	84
Total	204

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

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

	JPY
Lease payments received	4
Depreciation	1
Interest income	0

(4) Computation of interest

Same as fiscal 2012.

Fiscal 2012			Fiscal 2011	
2. Operating leases			**2. Operating leases**	
Future lease payments receivable outstanding at the balance sheet date are as follows:			Future lease payments receivable outstanding at the balance sheet date are as follows:	
	JPY	USD		JPY
Due within one year	158	1,930	Due within one year	167
Due after one year	528	6,432	Due after one year	552
Total	687	8,362	Total	720
3. Balance of sub-lease in the consolidated balance sheets without deducting the interest			**3. Balance of sub-lease in the consolidated balance sheets without deducting the interest**	
(1) Lease investments			(1) Lease investments	
	JPY	USD		JPY
Current assets	75	913	Current assets	118
(2) Lease obligations			(2) Lease obligations	
	JPY	USD		JPY
Current liabilities	39	477	Current liabilities	49
Non-Current liabilities	35	436	Non-Current liabilities	68

11. Financial Instruments

Fiscal 2012

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, (m) 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 does not directly indicate the market risks.

2. Fair value of financial instruments

A summary of book value and fair value of financial instruments, and difference between them as of March 31, 2012 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	70,835	861,851	70,835	861,851	—	—
(2) Notes and accounts receivable	163,782	1,992,733				
Allowance for doubtful accounts	(294)	(3,580)				
	163,488	1,989,152	163,488	1,989,152	—	—
(3) Short-term loans receivable	974	11,858	974	11,858	—	—
(4) Investments in securities	9,983	121,466	12,474	151,779	2,491	30,313
(5) Long-term loans receivable	5,790	70,450				
Allowance for doubtful accounts	(1,842)	(22,418)				
	3,947	48,033	3,957	48,147	9	115
(6) Doubtful accounts	1,886	22,955				
Allowance for doubtful accounts	(1,672)	(20,352)				
	213	2,603	213	2,603	—	—
Total assets	249,443	3,034,964	251,944	3,065,391	2,500	30,428
(7) Notes and accounts payable	(108,956)	(1,325,671)	(108,956)	(1,325,671)	—	—
(8) Import bills payable	(29,670)	(361,004)	(29,670)	(361,004)	—	—
(9) Short-term borrowings	(78,444)	(954,428)	(78,444)	(954,428)	—	—
(10) Accrued income taxes	(1,863)	(22,669)	(1,863)	(22,669)	—	—
(11) Long-term borrowings	(82,403)	(1,002,603)	(82,697)	(1,006,179)	(293)	(3,575)
Total liabilities	(301,339)	(3,666,375)	(301,633)	(3,669,950)	(293)	(3,575)
Derivatives	1,592	19,379	1,592	19,379	—	—

(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	17,939	218,264
Equity investments	1,945	23,667

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	70,835	861,851	—	—	—	—	—	—
Notes and accounts receivable (Note 3-1)	163,488	1,989,152	—	—	—	—	—	—
Short-term loans receivable	974	11,858	—	—	—	—	—	—
Investments in securities								
Held-to-maturity bonds	—	—	14	180	—	—	—	—
Long-term loans receivable (Note 3-2)	—	—	3,538	43,055	402	4,900	6	78
Doubtful accounts (Note 3-3)	—	—	213	2,603	—	—	—	—
Total	235,298	2,862,862	3,767	45,838	402	4,900	6	78

(Notes) 3-1. Allowance for doubtful accounts of ¥294 million ($3,580 thousand) is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥1,842 million ($22,418 thousand) is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥1,672 million ($20,352 thousand) is not included in doubtful accounts.

4. Long-term borrowings repayment schedule

Described in Note 23. Consolidated Supplementary Schedules, (2) Schedule of borrowings.

Fiscal 2011

1. Summary of financial instruments

(1) Policies of financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

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

Hedging instruments, hedged items, hedging policy and method of evaluating the effectiveness of hedging activities are described in Note 2. Summary of Significant Accounting Policies, (m) 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 does not directly indicate the market risks.

2. Fair value of financial instruments

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

In this table below,

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

	Book value	Fair value	Difference
	JPY	JPY	JPY
(1) Cash and bank deposits	69,014	69,014	—
(2) Notes and accounts receivable	146,546		
Allowance for doubtful accounts	(355)		
	146,190	146,190	—
(3) Short-term loans receivable	1,740	1,740	—
(4) Investments in securities	10,432	12,808	2,375
(5) Long-term loans receivable	12,679		
Allowance for doubtful accounts	(8,633)		
	4,046	4,055	9
(6) Doubtful accounts	14,006		
Allowance for doubtful accounts	(13,343)		
	663	663	—
Total assets	232,088	234,473	2,385
(7) Notes and accounts payable	(96,137)	(96,137)	—
(8) Import bills payable	(27,119)	(27,119)	—
(9) Short-term borrowings	(100,488)	(100,488)	—
(10) Accrued income taxes	(1,562)	(1,562)	—
(11) Long-term borrowings	(73,138)	(73,361)	(222)
Total liabilities	(298,447)	(298,669)	(222)
Derivatives	313	313	—

(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
Unlisted investments in securities	19,689
Equity investments	1,855

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

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

	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	JPY	JPY	JPY	JPY
Cash and bank deposits	69,014	—	—	—
Notes and accounts receivable (Note 3-1)	146,190	—	—	—
Short-term loans receivable	1,740	—	—	—
Investments in securities				
Held-to-maturity bonds	—	14	—	—
Long-term loans receivable (Note 3-2)	—	3,574	440	30
Doubtful accounts (Note 3-3)	—	663	—	—
Total	216,946	4,252	440	30

(Notes) 3-1. Allowance for doubtful accounts of ¥355 million is not included in notes and accounts receivable.
3-2. Allowance for doubtful accounts of ¥8,633 million is not included in long-term loans receivable.
3-3. Allowance for doubtful accounts of ¥13,343 million is not included in doubtful accounts.

4. Long-term borrowings repayment schedule

Described in Note 23. Consolidated Supplementary Schedules, (2) Schedule of borrowings.

12. Short-term Investments and Investments in Securities

Fiscal 2012

1. "Held to maturity debt securities" with fair value (as of March 31, 2012)

	Category	Balance sheet amount		Fair value		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with market value exceeding their book value	Japanese government bonds	14	180	14	182	0	2

2. "Other securities" with fair value (as of March 31, 2012)

	Category	Balance sheet amount		Acquisition cost		Difference	
		JPY	USD	JPY	USD	JPY	USD
Securities with book value exceeding their acquisition cost	Equity securities	3,625	44,107	2,383	28,994	1,242	15,113
Securities with book value not exceeding their acquisition cost	Equity securities	3,568	43,418	4,326	52,635	(757)	(9,216)
Total		7,193	87,525	6,709	81,629	484	5,896

(Note) Unlisted investments in securities (book value of ¥15,159 million ($184,442 thousand)) and equity investments (book value of ¥1,429 million ($17,392 thousand)) are not included in "Other securities" above because they are not practicable to estimate the fair value due to difficulty in estimating fair value as market price is not available.

3. "Other securities" sold during the current fiscal year (April 1, 2011 to March 31, 2012)

Category	Sales proceeds		Gains on sales		Losses on sales	
	JPY	USD	JPY	USD	JPY	USD
Equity securities	1,036	12,608	229	2,798	335	4,086

4. Securities recognized impairment loss

The total impairment loss amount recognized of investments in securities is ¥656 million ($7,987 thousand) (including "Other securities" of ¥656 million ($7,987 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 2011

1. "Held to maturity debt securities" with fair value not exceeding their book value (as of March 31, 2011)

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

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

	Category	Balance sheet amount	Acquisition cost	Difference
		JPY	JPY	JPY
Securities with book value exceeding their acquisition cost	(1) Equity securities	5,657	4,424	1,233
Securities with book value not exceeding their acquisition cost	(1) Equity securities	2,199	2,723	(524)
	(2) Others	3	7	(3)
	Subtotal	2,203	2,730	(527)
Total		7,861	7,155	705

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

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

Category	Sales proceeds	Gains on sales	Losses on sales
	JPY	JPY	JPY
Equity securities	1,109	404	427

4. Securities recognized impairment loss

The total impairment amount of investments in securities is ¥555 million (including "Other securities" of ¥534 million and shares of affiliates of ¥20 million in the current fiscal year).

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

13. Derivatives

Fiscal 2012

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)	7,447	90,612	—	—	(225)	(2,750)	(225)	(2,750)
	Euro (EUR)	463	5,645	—	—	(5)	(62)	(5)	(62)
	Australian dollar (AUD)	69	843	—	—	0	11	0	11
	Canadian dollar (CAD)	4	56	—	—	0	1	0	1
	Other currencies	54	669	—	—	5	71	5	71
	Subtotal	8,040	97,825	—	—	(224)	(2,729)	(224)	(2,729)
	Buying								
	U.S. dollar (USD)	21,939	266,933	—	—	1,105	13,447	1,105	13,447
	Euro (EUR)	316	3,856	—	—	20	245	20	245
	Australian dollar (AUD)	30	366	—	—	3	47	3	47
	Canadian dollar (CAD)	21	259	—	—	(0)	(3)	(0)	(3)
	Pound sterling (GBP)	1	21	—	—	0	1	0	1
	Other currencies	17	211	—	—	0	2	0	2
	Subtotal	22,326	271,647	—	—	1,129	13,739	1,129	13,739
Total		—	—	—	—	—	—	904	11,010

(Note) Basis of fair value calculation

Fair value is calculated based on the quoted price by financial institutions.

(2) Interest rate

Not applicable.

(3) Commodities

Classification	Transaction type	Notional amount of contracts		Amount of over-one-year contracts		Fair value		Unrealized gain or (loss)	
		JPY	USD	JPY	USD	JPY	USD	JPY	USD
Market transactions	Commodity future contracts								
	Foods & Foodstuff								
	Selling	2,503	30,459	—	—	(11)	(143)	(11)	(142)
	Buying	3,105	37,788	757	9,217	(2)	(36)	(2)	(36)
	Energy								
	Selling	3,703	45,058	—	—	(10)	(127)	(10)	(127)
	Buying	2,795	34,017	—	—	(1)	(14)	(1)	(14)
Total		—	—	—	—	—	—	(26)	(320)

(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	1,647	20,043	218	2,652	(36)	(444)
	Euro (EUR)		108	1,321	—	—	(0)	(1)
	Australian dollar (AUD)		42	512	—	—	(3)	(37)
	Pound sterling (GBP)		19	240	—	—	0	0
	Subtotal		1,817	22,116	218	2,652	(39)	(481)
	Buying							
	U.S. dollar (USD)	Forecasted foreign currency transactions	16,112	196,040	121	1,479	595	7,244
	Euro (EUR)		1,705	20,749	230	2,799	73	892
	Pound sterling (GBP)		127	1,551	—	—	6	73
	Australian dollar (AUD)		79	973	—	—	9	115
	Other currencies		38	468	—	—	(0)	(1)
	Subtotal		18,063	219,780	351	4,277	684	8,323
Specific matching criteria	Selling							
	U.S. dollar (USD)	Accounts receivable	1	22	—	—	—	—
	Euro (EUR)		0	11	—	—	—	—
	Subtotal		2	33	—	—	—	—
	Buying							
	U.S. dollar (USD)	Accounts payable	39	485	—	—	—	—
	Euro (EUR)		39	479	—	—	—	—
	Other currencies		84	1,024	—	—	—	—
	Subtotal		163	1,988	—	—	—	—

(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	48,640	591,799	43,100	524,395	—	—

(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							
	Foods & Foodstuff							
	Selling	Forecasted transactions on commodity trading	741	9,026	—	—	18	230
	Buying		1,257	15,296	—	—	50	613

(Note) Basis of fair value calculation

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

Fiscal 2011

1. Derivative transactions to which hedge accounting is not applied

(1) Currencies

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Off market transactions	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	6,040	—	(45)	(45)
	Euro (EUR)	353	—	(7)	(7)
	Canadian dollar (CAD)	11	—	(0)	(0)
	Australian dollar (AUD)	7	—	(0)	(0)
	Other currencies	51	—	1	1
	Subtotal	6,465	—	(52)	(52)
	Buying				
	U.S. dollar (USD)	24,512	—	60	60
	Euro (EUR)	451	—	24	24
	Australian dollar (AUD)	5	—	0	0
	Pound sterling (GBP)	2	—	(0)	(0)
	Other currencies	112	—	0	0
	Subtotal	25,084	—	85	85
Total		—	—	—	33

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

(2) Interest rate

Not applicable.

(3) Commodities

Classification	Transaction type	Notional amount of contracts	Amount of over-one-year contracts	Fair value	Unrealized gain or (loss)
		JPY	JPY	JPY	JPY
Market transactions	Commodity future contracts				
	Foods & Foodstuff				
	Selling	4,539	23	(86)	(86)
	Buying	7,095	368	253	253
	Energy				
	Selling	337	—	(7)	(7)
	Buying	129	—	4	4
Total		—	—	—	162

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

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Hedge accounting method	Transaction type	Main hedged items	Notional amount of contracts	Amount of over-one-year contracts	Fair value
			JPY	JPY	JPY
Principle hedge accounting	Foreign exchange contracts				
	Selling				
	U.S. dollar (USD)	Forecasted foreign currency transactions	5,369	—	(15)
	Euro (EUR)		267	3	4
	Australian dollar (AUD)		122	—	(8)
	Canadian dollar (CAD)		40	—	(2)
	Other currencies		130	—	0
	Subtotal		5,931	3	(20)
	Buying				
	U.S. dollar (USD)	Forecasted foreign currency transactions	20,043	119	254
	Euro (EUR)		1,035	43	51
	Canadian dollar (CAD)		355	—	18
	Australian dollar (AUD)		149	—	12
	Pound sterling (GBP)		26	—	0
	Other currencies		246	—	4
	Subtotal		21,857	162	341
Specific matching criteria	Selling				
	U.S. dollar (USD)	Accounts receivable	95	—	—
	Subtotal		95	—	—
	Buying				
	U.S. dollar (USD)	Accounts payable	131	—	—
	Euro (EUR)		161	—	—
	Other currencies		104	—	—
	Subtotal		397	—	—

(Note) Basis of fair value calculation

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

(2) Interest rate

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

(Note) Basis of fair value calculation

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

(3) Commodities

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

(Note) Basis of fair value calculation

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

14. Retirement Benefits

1. Summary of pension plans

The Company and its certain consolidated subsidiaries have established defined-benefit employees' pension 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 2012		Fiscal 2011
	JPY	USD	JPY
a. Projected benefit obligation at end of year	(15,566)	(189,393)	(15,042)
b. Fair value of plan assets at end of year	11,515	140,109	11,195
c. Projected benefit obligation in excess of plan assets (a + b)	(4,050)	(49,284)	(3,846)
d. Unrecognized actuarial loss	1,314	15,990	1,257
e. Unrecognized prior service cost	—	—	73
f. Accrued retirement benefit obligation recognized in the consolidated balance sheets (c + d + e)	(2,736)	(33,294)	(2,516)
g. Prepaid pension cost	—	—	—
h. Provision for employees' retirement and severance benefits (f – g)	(2,736)	(33,294)	(2,516)

Fiscal 2012

(Note) Certain subsidiaries adopt simplified method for calculating accrued retirement benefits for their employees.

Fiscal 2011

(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.
2. Certain subsidiaries adopt simplified method for calculating accrued retirement benefits for their employees.
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. Schedule of retirement benefits expenses

	Fiscal 2012		Fiscal 2011
	JPY	USD	JPY
a. Service cost	1,235	15,036	1,323
b. Interest cost	229	2,797	225
c. Expected return on plan assets	(199)	(2,433)	(173)
d. Amortization of actuarial loss	435	5,302	318
e. Amortization of prior service cost	73	893	73
f. Other	77	938	(114)
g. Net periodic retirement benefit expenses (a + b + c + d + e + f)	1,851	22,533	1,653

Fiscal 2012

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

Fiscal 2011

(Notes) 1. Same as fiscal 2012.
2. Same as fiscal 2012.
3. "Other" represents losses (gains) due to changes to the defined-benefit pension plans in consolidated subsidiaries and contributions to the defined contribution pension plans.

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

	Fiscal 2012	Fiscal 2011
a. Method of attributing projected benefits to period of service	Straight-line basis	Straight-line basis
b. Discount rates	1.1% – 2.0%	1.5% – 2.0%
c. Expected long-term rates of return on plan assets	1.5% – 2.1%	1.5% – 2.0%
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 2012

Not applicable.

Fiscal 2011

Not applicable.

16. Deferred Taxes

Fiscal 2012

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

	JPY	USD
Deferred tax assets		
Provision for employees' retirement and severance benefits	912	11,103
Allowance for doubtful accounts	5,929	72,147
Inventories	2,797	34,035
Impairment loss on fixed assets	1,123	13,667
Investments in securities	3,034	36,918
Golf club memberships	505	6,153
Tax loss carried forward	17,636	214,585
Other	4,493	54,677
Deferred tax assets subtotal	36,433	443,284
Valuation allowance	(21,305)	(259,218)
Total deferred tax assets	15,128	184,067
Deferred tax liabilities		
Retained earnings in subsidiaries	(200)	(2,439)
Net gains (losses) on deferred hedges	(299)	(3,648)
Net unrealized losses on securities	(93)	(1,138)
Other	(531)	(6,465)
Total deferred tax liabilities	(1,125)	(13,690)
Net deferred tax assets	14,003	170,377

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

	JPY	USD
Current assets – deferred tax assets	3,322	40,422
Long-term assets – deferred tax assets	10,842	131,920
Current liabilities – deferred tax liabilities	(1)	(15)
Non-current liabilities – deferred tax liabilities	(160)	(1,951)
Net deferred tax assets	14,003	170,377

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	4.2
Change in valuation allowance	(16.0)
Effect of tax rate differences	(1.0)
Tax reform	18.7
Others	(2.2)
Effective income tax rate	44.5

Fiscal 2011

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

	JPY
Deferred tax assets	
Provision for employees' retirement and severance benefits	918
Allowance for doubtful accounts	14,017
Inventories	3,718
Impairment loss on fixed assets	1,261
Investments in securities	3,329
Golf club memberships	628
Tax loss carried forward	14,863
Net gains (losses) on deferred hedges	94
Other	4,062
Deferred tax assets subtotal	42,892
Valuation allowance	(25,203)
Total deferred tax assets	17,689
Deferred tax liabilities	
Retained earnings in subsidiaries	(209)
Net unrealized losses on securities	(68)
Other	(868)
Total deferred tax liabilities	(1,147)
Net deferred tax assets	16,541

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

	JPY
Current assets – deferred tax assets	3,581
Long-term assets – deferred tax assets	13,325
Current liabilities – deferred tax liabilities	(1)
Non-current liabilities – deferred tax liabilities	(364)
Net deferred tax assets	16,541

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

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

3. Adjustment of deferred tax assets and liabilities in connection with changes in the rates of corporate income tax: On December 2, 2011, "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structure" (Act No.114 of 2011) and "Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake" (Act No.117 of 2011) were promulgated, and in these Acts, the reduction of corporate tax rate and Special Corporate Tax for Reconstruction were applied from the current fiscal year. Due to these changes, the statutory effective tax rate being applied for deferred tax calculation is reduced from 40.7% to 38.0% and 35.6% for the temporary differences which will be deducted during the fiscal years beginning from April 1, 2012 to April 1, 2014, and the fiscal years beginning on and after April 1, 2015, respectively. Accordingly, deferred tax assets (net of deferred tax liabilities) decreased by ¥1,538 million ($18,722 thousand), and deferred income tax, net unrealized gains on securities, and net gains on deferred hedges increased by ¥1,583 million ($19,265 thousand), ¥23 million ($284 thousand), and ¥21 million ($260 thousand), respectively. In addition, the utilization of tax loss carried forward is limited up to 80% of taxable income from the fiscal year beginning on April 1, 2012. Due to this limitation, deferred tax assets decreased by ¥952 million ($11,583 thousand), and deferred income tax increased by ¥952 million ($11,583 thousand).	**3.** Not applicable.

17. Asset Retirement Obligations

Asset retirement obligations in consolidated financial statements

1. Overview of asset retirement obligations

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

2. Method of calculating asset retirement obligations

Asset retirement obligations are calculated using the estimated useful lives of 5 – 50 years and the discount rates of 0.370 – 2.302%.

3. Changes in asset retirement obligation

	Fiscal 2012		Fiscal 2011
	JPY	USD	JPY
Balance at the beginning of the fiscal year (Note)	854	10,396	811
Acquisition of tangible fixed assets	28	347	41
Adjustment due to passage of time	17	218	17
Fulfillment of asset retirement obligations	(43)	(532)	(18)
Others	—	—	2
Balance at the end of the fiscal year	857	10,429	854

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

18. Investment and Rental Properties

Fiscal 2012

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

Fiscal 2011

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

19. Segment Information

Segment information

1. Overview of reportable segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal 2012 (JPY)

	Reportable segments						Other (Note 1)	Total	Adjustment (Note 2)	Amount in consolidated statements (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal				
Net sales										
Customers	253,144	292,112	99,131	70,395	273,682	988,466	17,898	1,006,365	—	1,006,365
Inter-segment	60	6	96	20	34	217	55	273	(273)	—
Total	253,205	292,118	99,227	70,415	273,716	988,684	17,954	1,006,638	(273)	1,006,365
Segment income	9,026	5,186	3,612	1,447	1,972	21,246	160	21,406	20	21,426
Segment assets	118,698	87,618	33,065	27,098	53,257	319,737	22,744	342,482	57,270	399,753
Other										
Depreciation and amortization	1,231	406	155	124	341	2,259	303	2,563	(1)	2,561
Investments in equity method affiliates	2,333	396	2	—	115	2,847	3,215	6,062	34	6,097
Increases in tangible fixed assets and intangible fixed assets	1,915	114	110	476	149	2,766	70	2,836	678	3,514

Fiscal 2012 (USD)

	Reportable segments									Amount in consolidated statements (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	
Net sales										
Customers	3,079,993	3,554,110	1,206,127	856,500	3,329,870	12,026,600	217,773	12,244,373	—	12,244,373
Inter-segment	742	74	1,172	245	418	2,652	678	3,329	(3,329)	—
Total	3,080,735	3,554,184	1,207,300	856,744	3,330,288	12,029,252	218,451	12,247,702	(3,329)	12,244,373
Segment income	109,828	63,099	43,958	17,610	24,004	258,499	1,952	260,450	247	260,697
Segment assets	1,444,192	1,066,044	402,301	329,703	647,982	3,890,222	276,736	4,166,958	696,810	4,863,768
Other										
Depreciation and amortization	14,987	4,946	1,887	1,517	4,154	27,491	3,693	31,184	(13)	31,171
Investments in equity method affiliates	28,386	4,829	31	—	1,402	34,648	39,117	73,765	417	74,182
Increases in tangible fixed assets and intangible fixed assets	23,302	1,395	1,348	5,798	1,815	33,658	855	34,513	8,252	42,764

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustments are as follows.
(1) Adjustment for segment income of ¥20 million ($247 thousand) includes inter-segment elimination of ¥20 million ($247 thousand).
(2) Adjustment for segment assets of ¥57,270 million ($696,810 thousand) includes inter-segment elimination of (¥4,707) million (($57,279) thousand) and corporate assets of ¥61,978 million ($754,089 thousand) that is not allocated to any reportable segment. The corporate assets consist mainly of cash and bank deposits and investments in securities related to financing activities.
(3) Adjustment for depreciation and amortization of (¥1) million (($13) thousand) includes inter-segment elimination of (¥1) million (($13) thousand).
(4) Adjustment for investments in equity method affiliates of ¥34 million ($417 thousand) includes inter-segment elimination of ¥6 million ($78 thousand) and corporate assets of ¥27 million ($339 thousand) that are not allocated to any reportable segment.
(5) Adjustment for increases in tangible fixed assets and intangible fixed assets of ¥678 million ($8,252 thousand) includes corporate assets of ¥678 million ($8,252 thousand) that is not allocated to any reportable segment.
3. Segment income is adjusted for operating income in the consolidated statements of income.

Fiscal 2011 (JPY)

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

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

Related information

Fiscal 2012

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
839,476	10,213,847	91,989	1,119,234	37,759	459,422	13,818	168,134	23,320	283,737	1,006,365	12,244,373

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

(2) Tangible fixed assets

Japan		Asia		North America		Europe		Other Areas		Total	
JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD	JPY	USD
23,710	288,482	911	11,096	105	1,287	2,281	27,755	18	231	27,028	328,851

3. Information by major customer

Not applicable.

Fiscal 2011

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

Japan	Asia	North America	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
765,900	96,269	30,381	15,468	28,871	936,891

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

(2) Tangible fixed assets

Japan	Asia	North America	Europe	Other Areas	Total
JPY	JPY	JPY	JPY	JPY	JPY
24,607	877	125	2,264	10	27,884

3. Information by major customer

Not applicable.

Information of impairment loss on fixed assets of reportable segments

Fiscal 2012 (JPY)

	Reportable segments						Other (Note 1) (Note 2)	Total	Adjustment	Total (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant (Note 3)	Environment & Materials	Subtotal				
Impairment loss	—	—	—	345	24	369	416	786	—	786

Fiscal 2012 (USD)

	Reportable segments						Other (Note 1) (Note 2)	Total	Adjustment	Total (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant (Note 3)	Environment & Materials	Subtotal				
Impairment loss	—	—	—	4,203	298	4,501	5,067	9,568	—	9,568

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Amount of "Other" is a loss on rental property business.
3. The amount of ¥345 million ($4,203 thousand) out of total amount of ¥786 million ($9,568 thousand) is included in loss on closure of business in the consolidated statements of income.

Fiscal 2011 (JPY)

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

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes the aluminum recycling business and the logistics and insurance service business, etc.
2. Adjustment for impairment loss of ¥17 million is corporate loss that is not allocated to any reportable segment.

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

Fiscal 2012 (JPY)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization of goodwill for fiscal year	47	16	—	—	12	76	2	78	(78)	—
Balance of goodwill at end of fiscal year	261	53	—	—	5	320	2	323	(233)	89
Amortization of negative goodwill for fiscal year	—	—	—	0	0	0	4	5	0	6
Balance of negative goodwill at end of fiscal year	—	—	—	0	0	0	12	13	(13)	—

Fiscal 2012 (USD)

	Reportable segments									
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Total
Amortization of goodwill for fiscal year	575	200	—	—	154	929	27	957	(957)	—
Balance of goodwill at end of fiscal year	3,185	652	—	—	67	3,905	32	3,937	(2,842)	1,095
Amortization of negative goodwill for fiscal year	—	—	—	0	6	6	56	63	11	74
Balance of negative goodwill at end of fiscal year	—	—	—	0	11	11	155	166	(166)	—

(Notes) 1. "Other" is a business segment that is not included in the reportable segments and includes aluminum recycling business and logistics and insurance service business, etc.
2. Negative goodwill recognized due to the combinations before April 1, 2010. The amounts of amortization and balance of goodwill and negative goodwill are offset in consolidated financial statements.
In addition, adjustments are as follows.
(1) Adjustment for amortization of goodwill for fiscal year of (¥78) million (($957) thousand) includes inter-segment elimination of (¥2) million (($27) thousand) and offset amount of (¥76) million (($929) thousand).
(2) Adjustment for balance of goodwill at end of fiscal year of (¥233) million (($2,842) thousand) includes inter-segment elimination of (¥2) million (($32) thousand), corporate assets of ¥0 million ($1 thousand) that are not allocated to any reportable segment and offset amount of (¥231) million (($2,812) thousand).
(3) Adjustment for amortization of negative goodwill for fiscal year of ¥0 million ($11 thousand) includes corporate assets of ¥77 million ($941 thousand) that are not allocated to any reportable segment and offset amount of (¥76) million (($929) thousand).
(4) Adjustment for balance of negative goodwill at end of fiscal year of (¥13) million (($166) thousand) includes corporate liabilities of ¥217 million ($2,646 thousand) that are not allocated to any reportable segment and offset amount of (¥231) million (($2,812) thousand).

Fiscal 2011 (JPY)

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

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

Information of gain on negative goodwill by reportable segments

Fiscal 2012
Not applicable.

Fiscal 2011
Not applicable.

20. Disclosure of Related Party Transactions

Fiscal 2012

Related party transactions

Not applicable.

Fiscal 2011

Related party transactions

Not applicable.

21. Information per Share

Fiscal 2012	Fiscal 2011
Net assets per share ¥93.16 $1.13 Net income per share ¥14.60 $0.18 Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.	Net assets per share ¥79.07 Net income per share ¥21.93 Diluted net income per share for the term is not reported since there is no outstanding security with dilutive effect.

Supplemental information for per share computation

(1) Net assets per share

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD
Total net assets	55,992	49,576	681,258
Amount deducted from total net assets	16,984	16,475	206,647
(minority interest in consolidated subsidiaries)	(16,984)	(16,475)	(206,647)
Net assets corresponding to common stock at the end of the fiscal year	39,008	33,101	474,610
Number of common stock issued (thousand shares)	422,501	422,501	
Number of treasury stock (thousand shares)	3,796	3,878	
Number of common stock used for the calculation of net assets per share (thousand shares)	418,704	418,622	

(2) Net income per share

	Fiscal 2012	Fiscal 2011	Fiscal 2012
	JPY	JPY	USD
Net income	6,110	9,175	74,346
Amount that does not belong to common shareholders	—	—	—
Net income corresponding to common stock	6,110	9,175	74,346
Average number of common stock for the term (thousand shares)	418,616	418,393	

22. Subsequent Events

Fiscal 2012

Not applicable.

Fiscal 2011

Not applicable.

23. Consolidated Supplementary Schedules

(1) Schedule of bonds payable

Not applicable.

(2) Schedule of borrowings

	Balance at the beginning of the fiscal year		Balance at the end of the fiscal year		Composite interest rate	Due
Classification	JPY	USD	JPY	USD	%	Month, year
Short-term borrowings	38,173	459,094	38,723	471,148	1.5	—
Current portion of long-term borrowings	62,314	749,427	39,720	483,281	1.9	—
Current portion of Lease obligations	572	6,888	726	8,842	—	—
Long-term borrowings (excluding current portion)	73,138	879,601	82,403	1,002,603	2.1	April 2013 – March 2017
Lease obligations (excluding current portion)	1,248	15,013	1,394	16,969	—	June 2013 – March 2019
Total	175,448	2,110,023	162,969	1,982,842	—	—

(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	37,356	454,511	31,773	386,588	6,024	73,294	7,250	88,210
Lease obligations	580	7,060	406	4,941	287	3,497	97	1,183

(3) Schedule of asset retirement obligations:

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

Independent Auditor's Report

To the Board of Directors
of Kanematsu Corporation

We have audited the accompanying consolidated financial statements of Kanematsu Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 22, 2012

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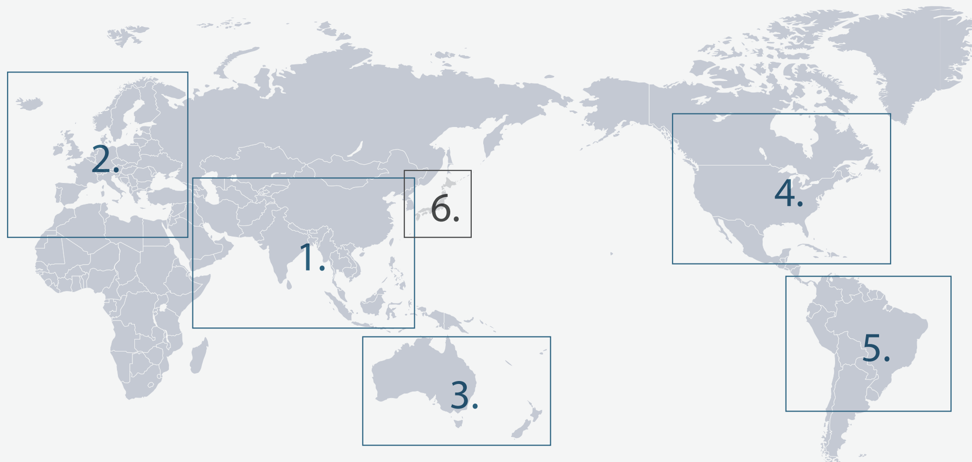
Corporate Data

Contents

Global Network (As of July 1, 2012)

The Company supplies products and services from a large network of business bases in Japan and overseas.
83 subsidiaries and 30 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 group companies (As of March 31, 2012)

	Number of employees (consolidated basis)	Number of affiliated companies
Electronics	2,584	31 (Japan: 15, Overseas: 16)
Foods & Foodstuff	488	17 (Japan: 11, Overseas: 6)
Iron & Steel	433	10 (Japan: 5, Overseas: 5)
Machinery & Plant	330	13 (Japan: 4, Overseas: 9)
Environment & Materials	339	8 (Japan: 8)
Others	235	19 (Japan: 13, Overseas: 6)
Company-wide (common)	361	
		Overseas subsidiaries 15
Total	4,770	113

Notes: 1. Number of employees on a non-consolidated basis is 795 (including employees seconded from Kanematsu, excluding employees seconded from companies other than Kanematsu).
2. Of affiliated companies, 78 are consolidated subsidiaries and 29 are equity-method affiliates.

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Major Consolidated Subsidiaries and Affiliates

* Companies with shares listed on a stock exchange

Electronics

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

Iron & Steel

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

Machinery & Plant

Japan	Kanematsu KGK Corp.	Sales of machine tools and industrial machinery
	KGK Engineering Corp.	Repair and sales of machine tools, sales of paper-manufacturing machinery
	Aasted Mikroverk Japan Ltd.	Import and marketing in Japan of industrial machinery

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

Environment & Materials

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

Others

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

Organization Chart (As of April 1, 2012)

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

Marketing Area

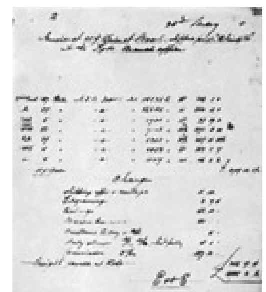
- Electronics & IT Division
  - Information & Electronics Department
  - Aerospace Department
  - Semiconductor Equipment Department
  - Industrial Electronics Department
  - Electronics Administration Office
- Devices Division
  - Components & Material Department No.1
  - Components & Material Department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

Supporting Area

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

History

1889	• Fusajiro Kanematsu founds Fusajiro Kanematsu Shoten of Australian Trading in Kobe
1890	• Sets up a branch in Sydney, and begins direct import of Australian wool
1891	• Yohei Kitagawa founds Kitagawa Shoten, which is a predecessor of The Gosho Company
1900	• Starts import of Australian wheat
1913	• Fusajiro Kanematsu passes away
1918	• Reorganizes into Kanematsu Shoten Company. Stated capital ¥2 million
1922	• Reorganizes Sydney branch into an affiliate company incorporated abroad
1934	• Establishment of Kanematsu Wool Research Institute (the current Kaneyo Co., Ltd.)
1936	• Sets up branches in New York and Seattle
1937	• Establishes overseas affiliated company in New Zealand
1943	• Changes trade name to Kanematsu and Company
1949	• Resumption of foreign tours for employees. The first group departs for America • Diversification of business begins, moving toward an integrated general trading company
1951	• Establishes an overseas affiliated company in New York, as the first Japanese trading company in postwar era • Establishes an overseas affiliated company in Brazil
1957	• Establishes an overseas affiliated company in West Germany
1961	• Abolishes the system in which workers hold all the stock, and goes public on the Second Section of the Osaka Securities Exchange • Establishes an overseas affiliated company in Iran
1963	• Lists stock on the First Section of the Osaka Securities Exchange
1966	• Establishes an overseas affiliated company in Thailand
1967	• Merges with The Gosho Company to form Kanematsu-Gosho, Ltd.
1969	• Establishes the Nagoya Branch Office
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
1979	• Establishes a representative office in Beijing, China following restoration of diplomatic relations
1981	• Establishes an overseas affiliated company in Mexico
1989	• 100th anniversary of the founding of the Company • 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
2008	• Trade name of Kanematsu (Shanghai) Co., Ltd. is changed to Kanematsu (China) Co., Ltd. establishes Beijing, Dalian and Tianjin branches
2012	• Establishes an overseas affiliated company in India



Investor Information

(As of April 1, 2012)

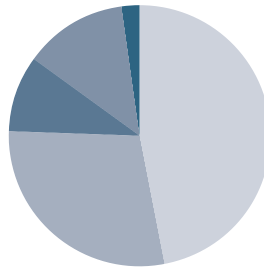
Stock Exchange Listings	Tokyo * The Company's stocks were delisted from the Osaka Securities Exchange with effect July 1, 2010.
Stock Code	8020
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited
Shares Authorized	1,016,653,604
Shares Outstanding	422,501,010 (including 926,450 treasury shares)
Minimum Trading Unit	1,000
Number of Shareholders	35,051

Principal Shareholders (As of March 31, 2012)

	Number of shares held (thousands)	Percentage of voting rights (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,298	3.15
The Norinchukin Bank	12,460	2.95
Mitsui Sumitomo Insurance Co., Ltd.	11,613	2.75
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,612	2.75
The Master Trust Bank of Japan, Ltd. (trust account)	10,941	2.59
Japan Trustee Services Bank, Ltd. (trust account)	9,173	2.17
Daio Paper Corporation	4,510	1.06
Kanematsu-NNK Corp.	4,239	1.00
Mizuho Corporate Bank, Ltd.	3,500	0.83
Japan Trustee Services Bank, Ltd. (trust account 1)	3,455	0.81

Note: Calculated after deduction of treasury shares (926,450 shares)

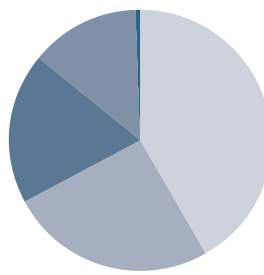
Composition of Shareholders (As of March 31, 2012)



- Individuals and others (including treasury shares)......46.98%
- Financial institutions..................28.72%
- Other corporations........................9.37%
- Foreign institutions and individuals..............................12.78%
- Securities firms..................................2.15%

Shareholder Distribution by Number of Shares Held

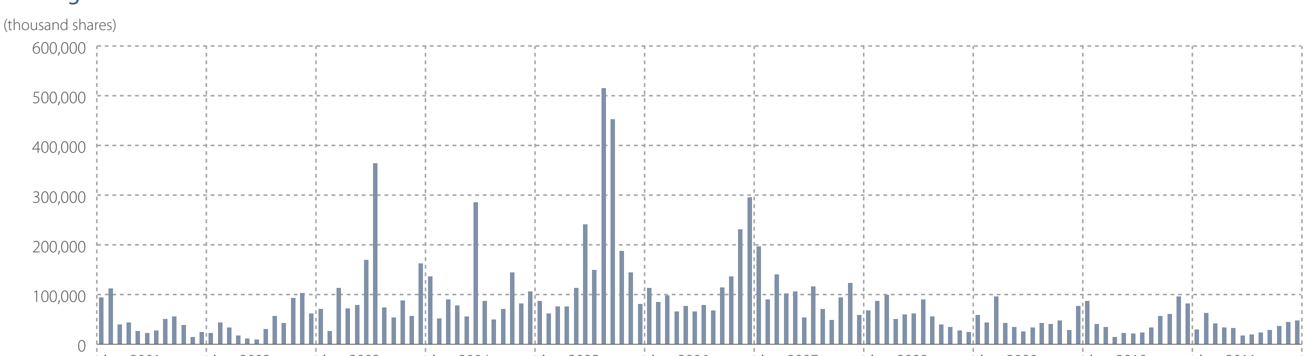
(As of March 31, 2012)



- More than 1 million shares.....41.90%
- 50,000 shares and more (including treasury shares).....25.48%
- 10,000 shares and more...........18.72%
- 1,000 shares and more 13.40%
- Less than 1,000 shares 0.50%

Stock Price

Trading Volume



Tokyo Head Office

Corporate Profile

Company Name	KANEMATSU CORPORATION
Established	August 15, 1889
Foundation	March 18, 1918
President	Masayuki Shimojima
Head Office	2-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8005, Japan
Paid-in Capital	¥27,781 million
Fiscal Year	April 1 to March 31
General Meeting of Shareholders	June
Number of Offices	Domestic: Head office 1 and branches 5 Overseas: 37
Number of Employees	795 (Consolidated: 4,770) (As of March 31, 2012)

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

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Printed in Japan