

For Immediate Release

Kanematsu Corporation

Recording of Extraordinary Losses, Reversal of Deferred Tax Assets, and Revisions of Results Forecasts

Kanematsu Corporation announced that it has resolved to record extraordinary losses and reverse deferred tax assets. It also announced that it has revised its consolidated results forecasts for the fiscal year ended March 2009 (from April 1, 2008 to March 31, 2009), previously announced on February 3, 2009. Details are as follows:

1. Recording of extraordinary losses

(i) Recording of lower valuation of property for sale

Given the recent stagnation in property trading and sluggish demand for new houses, it is likely to take time to sell completed residential property held by the Company under its operations for the development and sale of residential property for individuals in Fukushima Prefecture. Consequently, the Company has resolved to write down the book value of the relevant property for sale to the current value that is reasonably anticipated as future income. As a result, the Company will record a loss on valuation of ¥3.8 billion as extraordinary losses for the fiscal year under review.

(ii) Recording of impairment loss from commercial property

Following the revaluation of the golf course owned and managed by Aso Kanko Kaihatsu Co., Ltd., the Company's subsidiary, in Ibaraki Prefecture, in light of the recent decline in land prices, the value of the above commercial property was assessed at less than 50% of the book value, indicating the possible occurrence of an impairment loss. Taking into account the future profitability of the above property, the Company has resolved to record an impairment loss of ¥2.9 billion as extraordinary losses for the fiscal year under review.

(iii) Recording of impairment loss from leased property

Following the revaluation of the shopping mall owned and leased by Kanematsu Toshikaihatsu Co., Ltd., the Company's subsidiary, in Shiga Prefecture, in light of the recent decline in land prices, the value of the above leased property was assessed at less than 50% of the book value, indicating the possible occurrence of an impairment loss. Taking into account the future operational income from the above property, the Company has resolved to record an impairment loss of ¥2.1 billion as extraordinary losses for the fiscal year under review.

The details of the above extraordinary losses are summarized as follows:

(100 million yen)	
Items	Amount
(1) Loss on valuation of assets for special businesses	
Loss on valuation of property for sale	38
(2) Impairment loss	50
(i) Impairment loss from commercial property (Golf course)	(29)
(ii) Impairment loss from leased property (Industrial facilities)	(21)
Total	88

2. Reversal of deferred tax assets

Given the concern over the prolonged economic slowdown, the Company estimated its taxable income for the next fiscal year and beyond conservatively, and has resolved to reduce the recoverable amount of deferred tax assets for accounting purposes. As a result, with this reversal of deferred tax assets, income taxes-deferred are expected to rise by approximately ¥5 billion, compared to those expected in the previous forecasts.

3. Revisions of consolidated results forecasts

For the fiscal year ended March 2009 (from April 1, 2008 to March 31, 2009)

	(Million yen)				
	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecasts (A)*	1,160,000	19,000	15,000	3,000	7.17
Revised forecasts (B)	1,160,000	17,000	12,500	-14,500	-34.66
Change (C=B-A)	-	-2,000	-2,500	-17,500	-
Rate of change (C/A)	-	-10.5%	-16.7%	-	-
(For reference) Results for previous term (fiscal year ended March 2008)	1,244,020	22,605	18,747	19,016	45.44

* Announced on February 3, 2009

(Reasons for revisions of results forecasts)

- (i) Given the sluggish economy and the market downturn, both in Japan and overseas, profitability deteriorated, particularly in the electronics component business, the marine products business, and the aluminum recycling business. The loss on valuation of inventories at the end of the term also increased. Consequently, the results for the fourth quarter of the fiscal year under review were worse than anticipated. As a result, operating income and ordinary income are expected to fall ¥2 billion and ¥2.5 billion from the previous forecasts, respectively.
- (ii) With respect to extraordinary losses, in light of a recent decline in land prices and the deterioration in the economic environment, in particular, the Company resolved to record the above extraordinary losses of ¥8.8 billion from valuation and impairment losses on property-related assets by taking the deterioration of their profitability into account. As a result, with the additional provision of an allowance for doubtful accounts associated with the domestic property-related business, the Company will record total extraordinary losses of approximately ¥10 billion for the fiscal year under review.
- (iii) Given a rise of approximately ¥5 billion in the reversal of deferred tax assets, the Company has resolved to revise consolidated net income for the fiscal year under review to a net loss of ¥14.5 billion from a net profit of ¥3 billion as previously announced.

4. Consolidated results for the next fiscal year ending March 2010

With respect to the Group's consolidated results for the fiscal year ending March 2010 (from April 1, 2009 to March 31, 2010), given the anticipation of a continued severe economic environment particularly in the export-orientated industries, reflecting the appreciation of the yen and the economic downturn, the Company expects that it will take time before it experiences a significant recovery in performance. However, the Company is fully committed to initiating further management cost-cutting across the Group, as well as bolstering the earnings of the electronics component business, the marine products business, and the aluminum recycling business, which posted sluggish results for the fiscal year under review. With these initiatives, the Company forecasts the following results:

	(Million yen)				
	Consolidated net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Forecast for the fiscal year ending March 2010	1,000,000	15,500	11,500	5,000	11.95

* Note to results forecasts

The above results forecasts are based on information available at the time of the announcement and estimates based on reasonable assumptions. Actual results may differ significantly from the forecasts in the document, depending on various factors.