Member of Financial Accounting Standards Foundation

Consolidated Financial Summary for the First Six Months of the Fiscal Year Ending March 2011 (Japanese Accounting Standards)

November 5, 2010

Company name: Kanematsu Corporation
Stock exchange listing: Tokyo Stock Exchange
Stock code: 8020 URL: http://www.kanematsu.co.jp
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Scheduled date to submit the Quarterly Securities Report (*Shihanki Houkokusho*): November 12, 2010
Scheduled date for commencement of dividend payments: —
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

(Figures of less than one million are rounded down.)

1. Consolidated business results for the first six months of the fiscal year ending March 2011 (April 1, 2010 – September 30, 2010)

(1) Consolidated business results (sum total) (%: Change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Six Months to September 2010	454,551	8.0	9,223	44.0	7,587	65.6	4,039	131.3
First Six Months to September 2009	420,692	-34.0	6,407	-51.6	4,581	-58.0	1,746	-52.6

	Net income per share	Net income per share (diluted basis)
	Yen	Yen
First Six Months to September 2010	9.66	–
First Six Months to September 2009	4.18	–

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2010	388,786	45,591	7.4	68.72
As of March 31, 2010	398,629	45,804	7.3	69.15

(Reference) Shareholder's equity: 28,734 million yen as of September 2010 28,916 million yen as of March 2010

2. Dividends

	Annual dividends				
	End of first three months	End of first six months	End of first nine months	Year end	Fiscal
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2010	–	0.00	–	0.00	0.00
Fiscal year ending March 2011	–	0.00			
Fiscal year ending March 2011 (Forecasts)			–	0.00	0.00

(Note) Revisions of expected dividends in the second quarter under review: None

3. Forecasts for consolidated results ending March 2011 (April 1, 2010 – March 31, 2011)

(%: Changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	850,000	-1.3	16,000	31.3	11,000	33.5	5,000	41.7	11.95

(Note) Revisions of estimated consolidated results in the second quarter under review: Yes

4. Other (For details, please refer to "Other Information" on page 5 of the accompanying materials.)

(1) Any change in important subsidiaries during the term: None

(Note) Any changes in specific subsidiaries accompanied by a change in the scope of consolidation during the quarter under review

(2) Adoption of simplified accounting methods and special accounting treatment: Yes

(Note) Adoption of simplified accounting methods or accounting methods unique to the preparation of quarterly consolidated financial statements

(3) Any changes in accounting policies and procedures and/or the method of presentation

1. Change due to amendment to accounting standard: Yes

2. Change due to other than above: None

(Note) Any changes in the policies, procedures, or presentation method of the accounting methods for the preparation of quarterly consolidated financial statements included in "Changes in the basis for preparing quarterly consolidated financial statements"

(4) Number of outstanding shares (common shares)

1. Number of outstanding shares including treasury stock:	First six months (2010/9)	422,501,010 shares
	Fiscal year (2010/3)	422,501,010 shares
2. Number of treasury stock:	First six months (2010/9)	4,352,628 shares
	Fiscal year (2010/3)	4,303,097 shares
3. Average number of shares during the period (First six months):	First six months (2010/9)	418,174,184 shares
	First six months (2009/9)	418,311,217 shares

* Status of a quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have not been reviewed at the time of the announcement of this financial summary.

* Explanation about the proper use of results forecasts, and additional information

The results forecasts and forward-looking statements included in this document are based on information available on the date of the announcement and estimates based on reasonable assumptions. Actual results might be significantly different from the forecasts in the document, depending on various factors. Refer to "(3) Qualitative Information on Consolidated Results Forecasts" in "1. Qualitative Information on Consolidated Results, etc. for the First Six Months of the Fiscal Year Ending March 2011" on page 4 of accompanying materials for further information on results forecasts.

Accompanying Materials – Contents

1. Qualitative Information on Consolidated Results, etc. for the First Six Months of the Fiscal Year Ending March 2011

(1) Qualitative Information on Consolidated Operating Results

The global economy recovered moderately, driven by emerging economies in Asia, most notably China. In the Japanese economy, corporate earnings, which had been improving overall, appeared to slow at certain companies, reflecting the employment situation, which remained challenging, a strong yen by historical standards, and persistent deflation.

In this environment, the results of the Group in the first half under review (from April 1, 2010 to September 30, 2010) remained solid.

Consolidated net sales increased ¥33,859 million (8.0%) year on year, to ¥454,551 million, primarily reflecting a recovery in demand for electronic parts and semiconductors both in Japan and abroad. Gross trading profit rose ¥521 million (1.4%), to ¥37,968 million, associated with the higher net sales. Operating income increased ¥2,816 million (44.0%), to ¥9,223 million, thanks to the rise in gross trading profit and a reduction in selling, general and administrative expenses, and ordinary income climbed ¥3,006 million (65.6%), to ¥7,587 million.

Extraordinary losses came to ¥662 million, reflecting the posting of a loss on the valuation of investments in securities and the effect of applying the accounting standards for asset retirement obligations. However, income before income taxes and minority interests increased ¥2,471 million (55.5%), to ¥6,925 million. Net income after subtracting tax expenses and minority interests was up substantially, rising ¥2,293 million (131.3%) to ¥4,039 million.

Results for each business segment are described below. The Group changed the names of the IT Division and the Life Science & Energy Division to the Electronics & IT Division and the Environment & Materials Division, respectively, from the first quarter of the current fiscal year to better reflect their merchandise and services. Also, with the application of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Accounting Standards Board of Japan (ASBJ) Statement No. 17, March 27, 2009), the Group reclassified the Iron, Steel & Plants Division into the Iron & Steel Division and the Machinery & Plant Division.

(i) Electronics & IT

In the Electronics & IT segment, the semiconductor equipment business improved substantially from a year ago with a recovery in demand for semiconductors, while the mechanical device business and mobile solutions business remained firm. The ICT solutions business also generated steady earnings, reflecting cost cutting and other initiatives.

As a result, net sales in the Electronics & IT Division rose ¥13,532 million year on year, to ¥127,621 million. Operating income increased ¥2,578 million, to ¥5,354 million.

(ii) Foods & Foodstuff

The Foods & Foodstuff Division benefited from a strong overall performance of the food business, which enjoyed a relatively stable supply and demand environment. The meat and marine products business posted stable revenue thanks to fixed interval and fixed quantity agreements, despite a decline in demand in the food service industry associated with extremely high temperatures. The foodstuff business struggled in terms of income, reflecting a harsh external environment, including a decline in feedstuff production in Japan associated with extremely high temperatures and foot-and-mouse disease, and falls in the prices of soy products attributable to deflation, despite surges in grain prices overseas.

As a consequence, net sales in the Foods & Foodstuff Division increased ¥3,898 million, to ¥140,360 million. Operating income fell ¥287 million, to ¥1,307 million.

(iii) Iron & Steel

In the Iron & Steel segment, exports of automobile wire rods for Europe and the United States and special and stainless steel for the United States and Asia were strong. However exports of steel plates for the Middle East struggled in the face of tougher competition from South Korea and Europe.

As a result, sales in the Iron & Steel Division increased ¥3,194 million, to ¥46,436 million. Operating income declined ¥196 million, to ¥1,539 million.

(iv) Machinery & Plant

In the Machinery & Plant Division, business linked to automobile parts, primarily for China, and to plants for the Middle East was solid. The environment for orders in the machine tool business recovered moderately while we sought to cut operating costs.

As a result, sales in this segment rose ¥2,900 million, to ¥30,510 million. Operating income climbed ¥1,009 million, to ¥473 million.

(v) Environment & Materials

In the Environment & Materials segment, the functional chemicals business benefited from rising exports of raw materials for car batteries, with sales of chemical goods including lubricant oils and raw materials for resin also solid. The life science business remained firm, with strong sales of colostrums products and recovering exports of drugs. The energy business struggled with sluggish domestic demand and declining profitability linked to changes in product prices.

As a consequence, net sales in the Environment & Materials Division increased ¥10,062 million, to ¥101,345 million. Operating income declined ¥133 million, to ¥413 million.

(vi) Other

In the Other segment, net sales increased ¥273 million, to ¥8,277 million, and operating income declined ¥153 million, to ¥131 million, primarily attributable to the deteriorated profitability of the aluminum recycling business.

(2) Qualitative Information on Consolidated Financial Position

(i) Assets, liabilities and net assets

Total assets at the end of the first half declined ¥9,843 million from the end of the previous fiscal year, to ¥388,786 million, reflecting a fall in cash and bank deposits associated with the repayment of debt.

Interest-bearing debt fell ¥15,981 million from the end of the previous fiscal year, to ¥177,122 million, as a result of the repayment of debt. Net interest-bearing debt decreased ¥9,396 million, falling below ¥100 billion, to ¥99,954 million.

Net assets slipped ¥213 million, to ¥45,591 million, attributable to deteriorating valuation and translation adjustments associated with foreign exchange trends, which offset an increase in retained earnings due to the posting of net income.

As a result, the equity ratio rose 0.1 percentage point from the end of the previous fiscal year, to 7.4%, and the net debt-equity ratio improved to 3.5 from 3.8.

(ii) Cash flows

Net cash provided by operating activities in the first half under review stood at ¥10,442 million (net cash provided of ¥15,746 million for the first half of the previous fiscal year), mainly reflecting a cash inflow from strong operating results. Net cash provided by investing activities was ¥7,103 million (net cash used of ¥15,557 million), primarily attributable to proceeds from the withdrawal of time deposits. Net cash used in financing activities was ¥16,401 million (net cash used of ¥6,091 million), chiefly owing to the repayment of borrowings.

As a result, cash and cash equivalents at the end of the first half under review stood at ¥64,434 million, down ¥45 million from the end of the previous fiscal year.

(3) Qualitative Information on Consolidated Results Forecasts

Operating income was solid in the first half under review, chiefly reflecting the strong performance of the Electronics & IT Division and Machinery & Plant Division and the consolidated subsidiaries in those divisions. Combined with improvements in the financial balance and equity in earnings of affiliated companies, this meant that ordinary income and net income were in line with the forecasts announced at the beginning of this fiscal year.

On the other hand, we expect the business environment to remain unpredictable in the second half, with a strong yen, political risks in emerging countries, and uncertain outlooks associated with shrinking economic stimulus measures in advanced countries.

Considering these circumstances, we have revised our initial forecasts for full-year consolidated results upwards: operating income is forecast to stand at ¥16.0 billion, up ¥1.0 billion from the initial forecast, ordinary income is projected to be ¥11.0 billion, rising ¥1.0 billion, and net income is expected to be ¥5.0 billion, an increase of ¥0.5 billion. The sales forecast remains unchanged at ¥850.0 billion.

The forecasts above are based on information available on the date of the announcement of this document and estimates based on reasonable assumptions. Actual results may differ materially from the forecasts, due to various factors.

2. Other Information

(1) Changes in Important Subsidiaries

Not applicable.

(For reference) The scope of consolidation and the application of the equity method

Number of consolidated subsidiaries:	80 companies	(1 company was added; 2 companies reduced)
Number of unconsolidated subsidiaries accounted for by the equity method:		
	4 companies	(-- companies were added; 2 companies reduced)
Number of equity method affiliates:	29 companies	(1 company were added; -- companies reduced)

(2) Adoption of Simplified Accounting Methods and Special Accounting Treatment

(i) Simplified accounting

(Method used to calculate the estimate of general bad debts)

Since the loan loss ratio at the end of the first six months under review has not changed significantly from that at the end of the previous fiscal year, the Company used reasonable standards, including the loan loss ratio that was calculated in the settlement for the previous fiscal year, to calculate the estimate of general bad debts.

(Inventory valuation method)

Certain consolidated subsidiaries omitted physical stocktaking for the first six months under review and computed inventories at the end of the first six months by a reasonable method based on actual inventories at the end of the previous fiscal year.

With respect to the reduction of the book value of inventories held for the purpose of usual sale, certain consolidated subsidiaries estimated the net sale value of only those inventories whose profitability was obviously reduced and cut the book value of the inventories.

(Method used to calculate the depreciation cost of fixed assets)

The Company calculated the depreciation cost of assets for which the declining balance method is used by dividing the depreciation cost for the fiscal year proportionally.

(Simplified method for judging the collectability of deferred tax assets)

Since the business environment and the temporary difference were deemed not to have changed materially from the end of the previous fiscal year, the Company used the earnings forecast and tax planning used in the account settlement for the previous fiscal year to judge the collectability of deferred tax assets at the end of the first six months.

(ii) Accounting specific to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Certain consolidated subsidiaries calculated tax expenses by multiplying income before income taxes and minority interests by an effective tax rate that was reasonably estimated by applying tax effect accounting to estimated income before income taxes for the fiscal year including the first six months under review.

(3) Changes in Accounting Principle, Procedure and Presentation

(i) Changes in matters related to accounting standards

(Application of the accounting standard for asset retirement obligations)

The “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008) were applied from the first quarter of this fiscal year.

As a result of the applications, operating income and ordinary income in the first half under review decreased ¥27 million, and income before income taxes and minority interests declined ¥464 million. The amount of change in asset retirement obligations due to the application of these accounting standards was ¥811 million.

(Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”)

From the first quarter of this fiscal year, the Group applied the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, issued March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issue Task Force (PITF) No.24, March 10, 2008).

The application of these accounting standards did not have an impact on profits and losses for the first half under review.

(Application of the accounting standard for business combinations)

From the first quarter of this fiscal year, the Group applied the “Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23, December 26, 2008), the Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, issued December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

(ii) Changes in presentation methods

(Quarterly consolidated statements of income)

As a result of applying the “Cabinet Office Ordinance of Partial Revision to the Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008), the accounting title of “income before minority interests” is presented for the first half under review.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	End of first six months under review (September 30, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
Assets		
Current assets		
Cash and bank deposits	77,167	83,752
Notes and accounts receivable	135,661	133,153
Lease investment assets	594	552
Inventories	*1 59,365	*1 55,827
Short-term loans receivable	1,404	2,267
Deferred tax assets	1,957	1,774
Other	22,138	27,116
Allowance for doubtful accounts	(412)	(416)
Total current assets	297,877	304,027
Fixed assets		
Tangible fixed assets	*2 28,108	*2 28,218
Intangible fixed assets	1,896	1,843
Investments and other assets		
Investments in securities	32,707	36,424
Long-term loans receivable	12,754	13,039
Doubtful accounts	14,685	15,125
Deferred tax assets	13,824	13,961
Other	9,907	9,175
Allowance for doubtful accounts	(22,976)	(23,187)
Total investments and other assets	60,903	64,539
Total fixed assets	90,909	94,601
Total assets	388,786	398,629
Liabilities		
Current liabilities		
Notes and accounts payable	117,065	114,150
Short-term borrowings	81,893	104,133
Lease obligations	410	328
Accrued income taxes	1,545	870
Deferred tax liabilities	0	–
Other	33,582	31,586
Total current liabilities	234,498	251,070
Long-term liabilities		
Long-term borrowings	95,229	88,969
Lease obligations	723	557
Deferred tax liabilities	365	388
Accrued severance indemnities	2,569	2,648
Reserve for directors' retirement benefits	555	655
Asset retirement obligations	811	–
Negative goodwill	–	132
Other	8,442	8,401
Total long-term liabilities	108,696	101,754
Total liabilities	343,195	352,824

	End of first six months under review (September 30, 2010)	Condensed consolidated balance sheets at the end of the previous fiscal year (March 31, 2010)
		(Million yen)
Net assets		
Owners' equity		
Capital stock	27,781	27,781
Capital surplus	27,643	27,644
Retained earnings	3,778	(261)
Treasury stock	(642)	(639)
Total owners' equity	58,561	54,524
Valuation and translation adjustments		
Unrealized loss on available-for-sale securities	(425)	57
Deferred gain/loss on hedging	(260)	262
Land revaluation reserves	58	58
Translation adjustments	(29,198)	(25,986)
Total valuation and translation adjustments	(29,826)	(25,608)
Minority interests	16,856	16,887
Total net assets	45,591	45,804
Total liabilities and net assets	388,786	398,629

(2) Consolidated Statements of Income

[First six months]

(Million yen)

	Previous first six months (From April 1, 2009 to September 30, 2009)	First six months under review (From April 1, 2010 to September 30, 2010)
Net sales	420,692	454,551
Cost of sales	383,245	416,582
Gross trading profit	37,447	37,968
Selling, general and administrative expenses	*1 31,039	*1 28,744
Operating income	6,407	9,223
Non-operating income		
Interest received	355	312
Dividends received	306	736
Foreign exchange gains	549	–
Other	586	666
Total non-operating income	1,797	1,715
Non-operating expenses		
Interest paid	2,221	2,121
Loss on equity method investments	560	361
Foreign exchange losses	–	23
Other	841	845
Total non-operating expenses	3,623	3,351
Ordinary income	4,581	7,587
Extraordinary gains		
Gain on sale of tangible fixed assets	12	21
Gain on sale of investment in securities	28	125
Gain on liquidation of subsidiaries and affiliates	–	4
Gain on negative goodwill	–	69
Gain on reversal of allowance for doubtful accounts	567	155
Total extraordinary gains	608	376
Extraordinary losses		
Loss on sales or disposal of fixed assets	27	24
Impairment loss	87	–
Loss on sales of investments in securities	18	50
Loss on valuation of investments in securities	40	528
Loss on liquidation of subsidiaries and affiliates	31	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Transfer to allowance for loss on lawsuits	80	–
Loss on litigation	449	–
Total extraordinary losses	735	1,039
Income before income taxes and minority interests	4,454	6,925
Income taxes – current	1,856	1,708
Income taxes – deferred	112	431
Total income taxes	1,968	2,139
Income before minority interests	–	4,785
Minority interests in consolidated subsidiaries	739	745
Net income	1,746	4,039

(3) Consolidated Statements of Cash Flows

(Million yen)

	Previous first six months (From April 1, 2009 to September 30, 2009)	First six months under review (From April 1, 2010 to September 30, 2010)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	4,454	6,925
Depreciation and amortization	1,532	1,282
Increase (decrease) in allowance for doubtful accounts	(522)	(92)
Increase (decrease) in reserve for accrued severance indemnities	(100)	(67)
Increase (decrease) in allowance for loss on lawsuits	(530)	–
Interest and dividend income	(661)	(1,049)
Interest expense	2,221	2,121
Equity in earnings of affiliated companies (gain)	560	361
Gain or loss on sales or disposal of fixed assets (gain)	14	2
Impairment loss	87	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	436
Gain or loss on sale of investments in securities (gain)	(10)	(75)
Gain or loss on valuation of investments in securities (gain)	40	528
Decrease (increase) in notes and accounts receivable	24,248	(4,201)
Decrease (increase) in inventories	1,930	(4,079)
Increase (decrease) in notes and accounts payable	(10,219)	8,074
Other	(3,305)	2,008
Sub total	19,740	12,173
Interest and dividend income received	754	1,072
Interest paid	(2,231)	(2,178)
Income taxes paid	(2,517)	(625)
Net cash provided by (used in) operating activities	15,746	10,442
Cash flows from investing activities:		
Decrease (increase) in time deposits	(15,512)	6,535
Payments for acquisition of tangible fixed assets	(604)	(499)
Proceeds from sale of tangible fixed assets	104	230
Payments for acquisition of intangible fixed assets	(440)	(304)
Payments for acquisition of investments in securities	(64)	(67)
Proceeds from sale of investments in securities	23	553
Purchase of investments in subsidiaries	–	(217)
Increase in loans receivable	(119)	(225)
Decrease in loans receivable	1,098	1,292
Other	(43)	(194)
Net cash provided by (used in) investing activities	(15,557)	7,103
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	(1,320)	(10,193)
Proceeds from long-term debt	7,553	23,992
Repayment of long-term debt	(11,962)	(29,754)
Proceeds from stock issuance to minority shareholders	60	–
Other	(421)	(445)
Net cash used in financing activities	(6,091)	(16,401)
Effect of exchange rate changes on cash and cash equivalents	151	(1,327)
Net increase (decrease) in cash and cash equivalents	(5,752)	(182)
Cash and cash equivalent at beginning of term	78,655	64,479
Effect of the change in scope of consolidated subsidiaries	0	137
Cash and cash equivalent at end of term	*1 72,903	*1 64,434

(4) Notes Relating to the Assumptions of the Going Concern

Not applicable.

(5) Segment Information

(Additional information)

From the first quarter of this fiscal year, the Group applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17, March 27, 2009) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, March 21, 2008).

Segment information for the previous first half is also presented in accordance with measuring methods after applying the above standards.

(i) Overview of Reportable Segments

The reportable segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company, and for which the management of the Company normally and regularly assesses the business performance and examines the allocation of management resources.

The Company sets up business units that are organized according to the characteristics of their merchandise and services inside the head office, and each business unit provides merchandise and services in Japan and overseas by organically combining trading functions such as commercial trade, information gathering, market development, business development and arrangement, risk management and logistics.

Therefore, the Company forms segments by merchandise and services with its business units as the basis. It has the following five reportable segments: Electronics & IT, Foods & Foodstuff, Iron & Steel, Machinery & Plant, and Environment & Materials.

The principal merchandise and services handled by each segment are as follows:

(Electronics & IT)

The Electronics & IT Division provides a wide range of products, such as electronic parts and members, semiconductors, semiconductor equipment, mechanism elements, materials and indirect materials related to electronics, aircrafts and aircraft parts, together with services including development and proposals. This segment also deals with mobile communication terminals, mobile internet systems, and information and telecommunication equipment and services.

(Foods & Foodstuff)

This segment integrates the handling of a broad array of food and foodstuffs, with operations ranging from reliably sourcing raw materials to providing food and foodstuffs, including high value-added goods. Merchandise in this segment includes cooked foods, processed fruits, processed agricultural products, beverage ingredients, animal and fishery products, wheat, rice, soybeans, feedstuff and pet foods.

(Iron & Steel)

The Iron & Steel Division operates a business centering on international trade in steel products such as plates, bars and wire rods, pipes, stainless products, and forgings. The segment also sells general steel products in Japan and is engaged in import and offshore trading of raw materials for steel.

(Machinery & Plant)

The Machinery & Plant Division is engaged in projects involving overseas plants and infrastructure building, as well as international trade in vessels, marine equipment, automobiles and related parts, industrial vehicles and construction machinery. The segment also sells machine tools and industrial machinery.

(Environment & Materials)

The Environment & Materials segment is responsible for trading and domestic sales of raw materials for solar and lithium batteries, functional chemicals such as raw materials for fertilizer, functional food materials, nutritional supplements, pharmaceuticals and pharmaceutical intermediates, crude oils, petroleum products, and gas. The Division also develops environmental materials such as heat shield paints and new technologies and operates businesses related to emissions trading.

(ii) Information on net sales and profits or losses by reported segment

Previous first six months (From April 1, 2009 to September 30, 2009)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in quarterly consolidated statements of income (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	114,089	136,462	43,242	27,610	91,283	412,688	8,004	420,692	–	420,692
Inter-segment	7	3	121	5	20	158	19	177	(177)	–
Total	114,096	136,466	43,363	27,616	91,303	412,846	8,024	420,870	(177)	420,692
Segment profit (loss)	2,776	1,594	1,735	(536)	546	6,116	284	6,400	6	6,407

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustment of ¥6 million for segment profit includes inter-segment elimination of ¥6 million.

(Note 3) Segment profit is adjusted for operating income in the quarterly consolidated statements of income.

First six months under review (From April 1, 2010 to September 30, 2010)

(Million yen)

	Reported segments						Others (Note 1)	Total	Adjustment (Note 2)	Amount posted in quarterly consolidated statements of income (Note 3)
	Electronics & IT	Foods & Foodstuff	Iron & Steel	Machinery & Plant	Environment & Materials	Sub-total				
Net sales										
Outside customers	127,621	140,360	46,436	30,510	101,345	446,274	8,277	454,551	–	454,551
Inter-segment	10	3	323	11	26	375	26	402	(402)	–
Total	127,632	140,364	46,760	30,521	101,372	446,649	8,303	454,953	(402)	454,551
Segment profit	5,354	1,307	1,539	473	413	9,089	131	9,220	2	9,223

(Note 1) “Others” is a business segment that is not included in the reported segments and includes the aluminum recycling business and the logistics and insurance service business, etc.

(Note 2) Adjustment of ¥2 million for segment profit includes inter-segment elimination of ¥2 million.

(Note 3) Segment profit is adjusted for operating income in the quarterly consolidated statements of income.

(6) Notes If There is a Significant Change in the Amount of Shareholders’ Equity

Not applicable.

(7) Notes

(In relation to consolidated balance sheets)

End of First Six Months of the Fiscal Year Ending March 2011 (September 30, 2010)	Fiscal 2009 (March 31, 2010)
*1 The following is a breakdown of inventories: Commodities and products ¥56,315 million Real estate for sale ¥941 million Raw materials and stores ¥1,402 million Work in process ¥706 million Total ¥59,365 million	*1 The following is a breakdown of inventories: Commodities and products ¥52,783 million Real estate for sale ¥947 million Raw materials and stores ¥1,056 million Work in process ¥1,038 million Total ¥55,827 million
*2 The accumulated depreciation of tangible fixed assets was ¥31,146 million.	*2 The accumulated depreciation of tangible fixed assets was ¥30,192 million.
3 Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies: Century Textile Industry ¥916 million True Corporation Public ¥407 million Japan Logistics ¥130 million Others ¥1,937 million Total ¥3,392 million The above includes activities similar to guarantees.	3 Guarantee obligation The Company provides debt guarantees for bank loans to companies other than consolidated companies: Century Textile Industry ¥1,052 million True Corporation Public ¥407 million Watana Inter-Trade ¥163 million Others ¥2,884 million Total ¥4,507 million The above includes activities similar to guarantees.
4 Discounted notes receivable were ¥8,955 million (including discounted export notes of ¥8,267 million). Notes endorsed were ¥96 million.	4 Discounted notes receivable were ¥7,272 million (including discounted export notes of ¥6,335 million). Notes endorsed were ¥99 million.

(In relation to consolidated statements of income)

Previous first six months (From April 1, 2009 to September 30, 2009)	First six months under review (From April 1, 2010 to September 30, 2010)
*1 Major items in selling, general and administrative expenses and their amounts are as follows: Employees' salaries and bonuses: ¥12,021 million Provision for doubtful accounts: ¥20 million	*1 Major items in selling, general and administrative expenses and their amounts are as follows: Employees' salaries and bonuses: ¥11,352 million Provision for doubtful accounts: ¥86 million

(In relation to consolidated statements of cash flows)

Previous first six months (From April 1, 2009 to September 30, 2009)	First six months under review (From April 1, 2010 to September 30, 2010)
*1 Relations between cash and cash equivalents at the end of the first six months under review and amounts recorded for accounts in the quarterly consolidated balance sheets (As of September 30, 2009) Cash and bank deposits: ¥88,791 million Time deposits with maturities of 3 months or longer: -¥15,888 million Cash and cash equivalent: ¥72,903 million	*1 Relations between cash and cash equivalents at the end of the first six months under review and amounts recorded for accounts in the quarterly consolidated balance sheets (As of September 30, 2010) Cash and bank deposits: ¥77,167 million Time deposits with maturities of 3 months or longer: -¥12,733 million Cash and cash equivalent: ¥64,434 million

4. Supplementary Information

In relation to the stock and receivables transfer agreement (sold in March 2008) of Kanematsu Kankyo Co., Ltd. (now Funabashi Eco Services Corporation), a former subsidiary of the Company, the transferee commenced litigation against the Company (claiming ¥3,300 million) in the Tokyo District Court in December 2009 for compensation under representation and warranty.

November 5, 2010

Kanematsu Corporation

Highlights of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 2011

Both net sales and income increased year on year.

Net sales	225.9 billion yen	11.0%	up
Operating income	4.3 billion yen	80.9%	up
Ordinary income	3.7 billion yen	119.0%	up
Net income	2.2 billion yen	177.7%	up

On a consolidated basis

(Unit: 100 million yen)	Q2 of FY2009	Q2 of FY2010	Year-on-year Change	Year-on-year Change (%)	FY2010 Forecasts	FY2010 Change (%)
Net sales	4,207	4,546	339	8.0%	8,500	53.5%
Gross trading profit	374	380	5	1.4%	-	-
SG&A expenses	310	287	-23	-7.4%	-	-
Operating income	64	92	28	44.0%	160	57.6%
Dividends received	3	7	4	-	-	-
Interest	-19	-18	1	-	-	-
Gains or losses on equity-method investments	-6	-4	2	-	-	-
Others	3	-2	-5	-	-	-
Non-operating income/loss	-18	-16	2	-	-	-
Ordinary income	46	76	30	65.6%	110	69.0%
Extraordinary gain	6	4	-2	-	-	-
Extraordinary loss	-7	-10	-3	-	-	-
Income (loss) before income taxes	45	69	25	55.5%	-	-
Income taxes and minority interests	-27	-29	-2	-	-	-
Net income	17	40	23	131.3%	50	80.8%

[Net sales/Gross trading profit]
Both net sales and gross trading profit increased, chiefly reflecting the strong performance of the Electronics and IT Division with the recovery in demand in both Japan and abroad.

[Operating income]
Operating income increased, attributable to a reduction in SG&A expenses.

[Ordinary income]
Ordinary income climbed as a result of a slight improvement in non-operating loss, because of an increase in dividends received and an improvement in losses on equity-method investments.

[Net income]
Despite extraordinary losses including a loss on valuation of investments in securities and the effect of applying the accounting standards for asset retirement obligations, net income rose substantially from a year ago, reflecting an increase in ordinary income.

Segment information

(Unit: 100 million yen)	Net sales (net external sales) Q2 of FY2009	Q2 of FY2010	Change	Operating income Q2 of FY2009	Q2 of FY2010	Change
Electronics & IT	1,141	1,276	135	28	54	26
Foods & Foodstuff	1,365	1,404	39	16	13	-3
Iron & Steel	432	464	32	17	15	-2
Machinery & Plant	276	305	29	-5	5	10
Environment & Materials	913	1,013	101	5	4	-1
Total for reportable segments	4,127	4,463	336	61	91	30
Other (including adjustment)	80	83	3	3	1	-2
Grand total	4,207	4,546	339	64	92	28

* Business segments were reclassified and renamed from the current fiscal year and presented retroactive to the previous fiscal year.

[Electronics & IT] : Both sales and income rose.
With a recovery in demand for semiconductors, the semiconductor equipment business improved sharply. The mechanical device business and mobile business also performed well. Costs were reduced in the ICT business.

[Foods & Foodstuff] : Sales increased, but income dropped.
With a stable supply and demand environment, the food business performed well overall. The meat and marine products business posted stable revenues. The foodstuff business struggled in terms of income, reflecting extremely high temperatures and the effect of foot-and-mouse disease in Japan, as well as falls in prices of soy products associated with deflation, despite surges in market prices overseas.

[Iron & Steel] : Sales climbed, but income declined.
Exports of automobile wire rods for Europe and the United States were strong, as were shipments of special and stainless steel for the United States and Asia. In contrast, exports of steel plates for the Middle East struggled because of tougher competition from South Korea and Europe.

[Machinery & Plant] : Sales rose, and a turnaround was achieved.
Business linked to automobile parts was solid, especially for China and plants for the Middle East. The order environment of the machine tool business recovered while the Company sought to cut costs in the business.

[Environment & Materials] : Sales rose, but income fell.
Exports of raw materials for car batteries and imports of lubricating oil additives were solid. Sales of colostrums products were strong. Exports of drugs and medicines were also robust. The profitability of the energy business deteriorated because of weak domestic demand and changes in commodity prices.

Assets, Liabilities and Net Assets

(Unit: 100 million yen)	3/2010	9/2010	Comparison with 3/2010 Change	Change (%)
Total assets	3,986	3,888	-98	-2.5%
Gross interest-bearing debt	1,931	1,771	-160	-8.3%
Net interest-bearing debt	1,094	1,000	-94	-8.6%
Equity capital	545	586	40	7.4%
(Retained earnings)	-3	38	40	-
Valuation and translation adjustments	-256	-298	-42	-
Minority interests	169	169	0	-0.2%
Total net assets	458	456	-2	-0.5%
Shareholder's equity (Note 1)	289	287	-2	-0.6%
Shareholder's equity ratio (Note 2)	7.3%	7.4%	+0.1pt	-
Net debt-equity ratio (Note 3)	3.8	3.5	+0.3pt	-

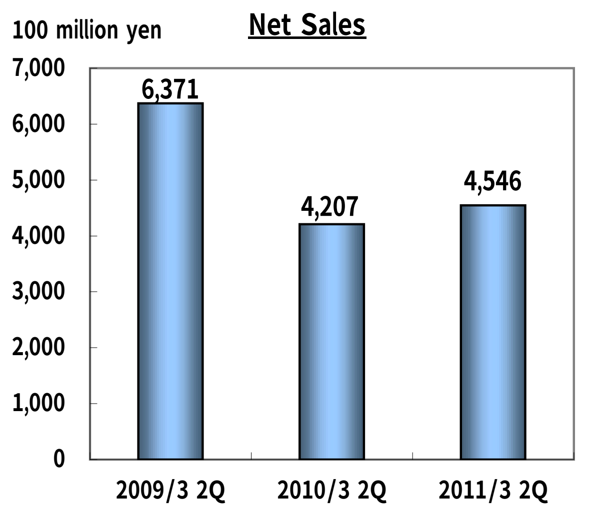
(Note 1) Shareholder's equity = Total net assets - Minority interests
(Note 2) Shareholder's equity ratio = Shareholder's equity / Total assets
(Note 3) Net debt-equity ratio = Net interest-bearing debt / Equity capital

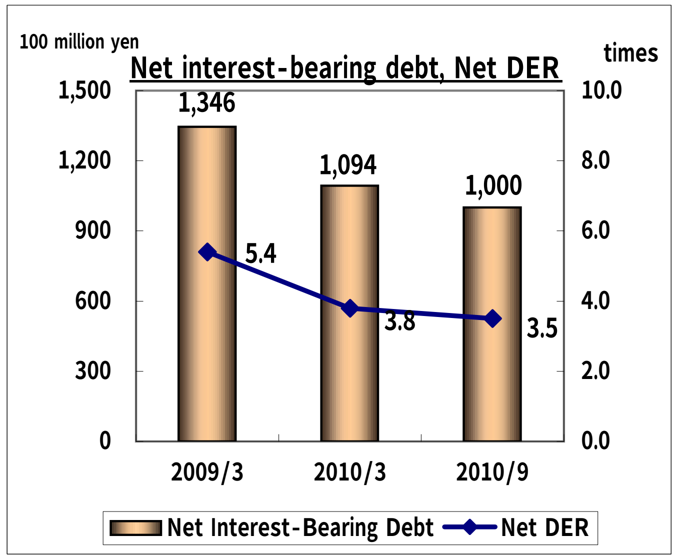
[Total assets]
Total assets declined 9.8 billion yen primarily because of a fall in cash and bank deposits associated with the repayment of debt.

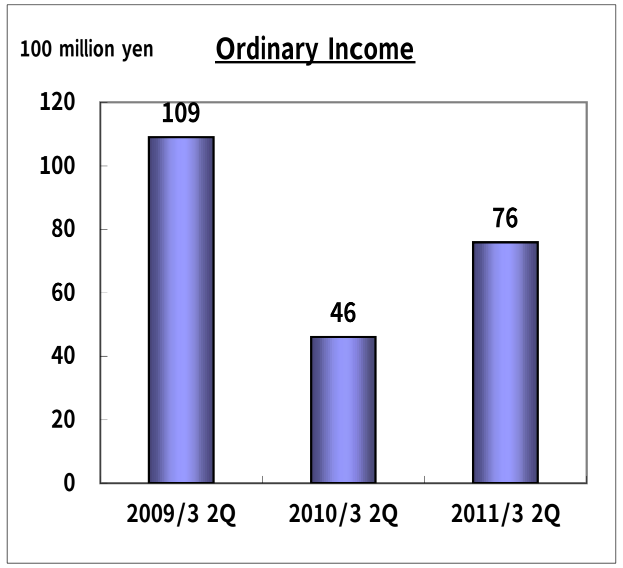
[Interest-bearing debt]
Gross interest-bearing debt fell 16.0 billion yen as a result of the repayment of debt. Net interest-bearing debt declined 9.4 billion yen, to below 100 billion yen.

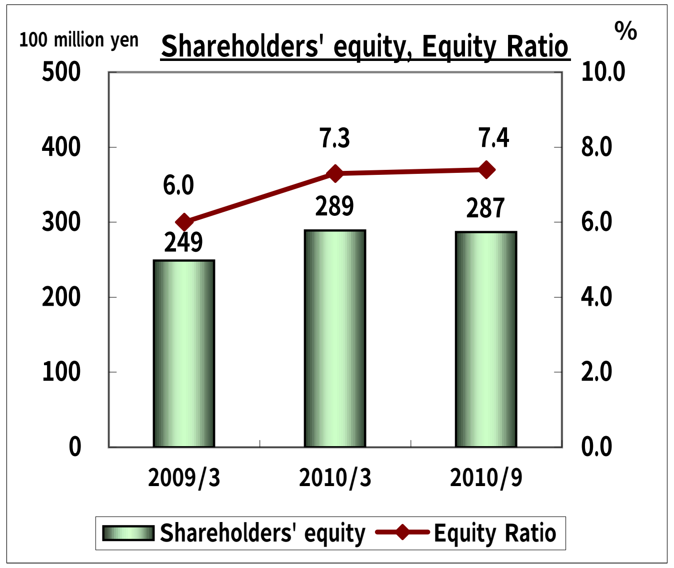
[Total net assets]
Despite the worsening of valuation and translation adjustments associated with changes in exchange rates, shareholders' equity rose, reflecting an increase in retained earnings attributable to the posting of net income.

As a result, the equity ratio rose to 7.4%, and the net debt-equity ratio improved to 3.5 times.









* Results forecasts and forward-looking statements in this document assume information available to the Company as of the date of the announcement and estimates based on rational assumptions. Please note that actual results may differ materially from the forecasts presented here, depending on various factors.
* Since the figures above are rounded off to the nearest 100 million yen, the sum of each item and the total may differ.